



Really! Mad+Pure

Avex Inc.

**Earnings Results for FY 2019 Q1
(Fiscal year ending March 31st, 2020)
August 8th, 2019**

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Financial Highlights

Financial Highlights – Topics of FY 2019 Q1

1. Net Sales decreased primarily due to decrease in Music Package sales, offset in part by increase in Anime & Visual Content Business. 29.0 billion yen (-10.1% YoY)
2. Operating Income is 0.3 billion yen (+136% YoY).
3. Net Income Attributable to Owners of Parent decreased primarily due to non-operating loss and extraordinary loss. -0.3 billion yen.

(billions of yen)

	FY 2018 Q1	FY 2019 Q1	YoY	rate
Net Sales	32.2	29.0	-3.2	-10.1%
Operating Income	0.1	0.3	+0.2	+136.0%
Net Income Attributable to Owners of Parent	-0.1	-0.3	-0.2	—

Financial Highlights – Net Sales Results by Segment

Net Sales decreased by 3.2 billion yen (-10.1%) primarily due to decrease in Music Package sales and subscribers of Subscription Services of Digital Business; offset in part by increase in Anime & Visual Content Business

Net Sales by Segment

(billions of yen)

	FY 2018 Q1	FY 2019 Q1	YoY	rate
Music	25.7	22.3	-3.4	-13.5%
Anime & Visual Content	2.4	3.4	+0.9	+39.6%
Digital	4.6	3.8	-0.7	-16.8%
Others	0.6	0.7	+0.1	+16.7%
Adjustment	-1.2	-1.3	-0.0	—
Total	32.2	29.0	-3.2	-10.1%

Financial Highlights – Operating Income Results by Segment

Operating Income increased by 0.2 billion yen (+136%) primarily due to increase in Anime & Visual Content Business and reduction in selling, general, and administrative expenses for Digital Business

Operating Income by Segment

(billions of yen)

	FY 2018 Q1	FY 2019 Q1	YoY	rate
Music	0.2	-0.3	-0.5	—
Anime & Visual Content	-0.1	0.0	+0.2	—
Digital	0.4	0.7	+0.2	+73.6%
Others	-0.3	-0.0	+0.2	—
Adjustment	0.0	0.0	-0.0	-96.8%
Total	0.1	0.3	+0.2	+136.0%

Financial Highlights – Net Income Attributable to Owner of Parent, Non-operating Income/Loss, & Extraordinary Income/Loss

Net Income Attributable to Owner of Parent decreased by 0.2 billion yen due to Non-operating expenses and Extraordinary loss

Net Income Attributable to Owners of Parent (billions of yen)

	FY 2018 Q1	FY 2019 Q1	YoY	rate
Net Income Attributable to Owners of Parent	-0.1	-0.3	-0.2	—

Non-operating Income/Loss & Extraordinary Income/Loss

1. Non-operating income decreased by 0.1 billion yen YoY due to lack of exchange profit.
2. Non-operating expenses increased by 0.1 billion yen YoY due to increased loss in investment at equity.
3. Extraordinary loss increased by 0.1 billion yen YoY due to loss from impairment and liquidation of business.

Consolidated Results

Consolidated Income Statement

Consolidated Income Statement

(millions of yen)

	FY 2018 Q1	FY 2019 Q1	YoY	rate
Net Sales	32,276	29,028	-3,248	-10.1%
Cost of Sales	23,623	20,475	-3,148	
Gross Profit	8,652	8,552	-99	-1.2%
Gross Profit Margin	26.8%	29.5%	+2.7pt	
Personnel Expenses	2,934	2,836	-97	
Sales promotion & Advertising Expenses	2,071	1,453	-618	
General Expenses	3,491	3,896	+405	
Total SG&A Expenses	8,497	8,186	-310	
Operating Income	155	366	+211	+136.0%
Operating Margin	0.5%	1.3%	+0.8pt	
Non-operating Income	158	15	-143	
Non-operating Expenses	71	260	+189	
Ordinary Income	242	121	-121	-50.1%
Extraordinary Income	80	129	+48	
Extraordinary Loss	2	116	+114	
Income before Income Taxes	321	134	-186	-58.2%
Total Income and Other Taxes	272	275	+2	
Net Income Attributable to Non-controlling Interest	193	207	+14	
Net Income Attributable to Owners of Parent	-145	-348	-203	—

Consolidated Balance Sheet

Consolidated Balance Sheet

(millions of yen)

	Mar.31, 2019	Jun.30, 2019		Mar.31, 2019	Jun.30, 2019
Current Assets	58,047	53,453	Current Liabilities	64,272	62,075
Cash and Deposits	22,832	22,593	Notes & Accounts Payable-trade	1,412	1,284
Notes & Accounts Receivable-trade	17,863	12,726	Short-term Debt	7,500	14,000
Inventories	6,114	6,346	Accounts Payable-Other	25,866	20,154
Others	11,236	11,786	Allowance for Returned Goods	3,827	3,651
			Others	25,665	22,984
Noncurrent Assets	67,761	67,601	Noncurrent Liabilities	9,480	8,717
Tangible & Intangible Assets	52,377	52,208	Long-term Debt	7,617	6,866
Investment, etc.	15,384	15,393	Others	1,862	1,850
Investment Securities	8,509	8,455	Total Liabilities	73,753	70,792
Others	6,874	6,938	Total Net Assets	52,055	50,262
Total Assets	125,808	121,055	Total Liabilities & Net Assets	125,808	121,055

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement

(millions of yen)

		FY 2018 Q1	FY 2019 Q1	YoY
	Net Cash provided by Operating Activities	-3,785	-3,465	+320
	Net Cash provided by Investing Activities	-2,236	-799	+1,437
	Net Cash provided by Financing Activities	-467	4,091	+4,558
Cash Flow		-6,489	-173	+6,315
Effect of exchange rate change on cash and cash equivalents		-9	-66	-56
Net increase in cash and cash equivalents		-6,498	-239	+6,258
Cash and cash equivalents at beginning of period		28,184	22,832	-5,351
Cash and cash equivalents at end of period		21,685	22,593	+907

Results by Segment: Music Business

Music Business Highlights

Net Sales and Operating Income decreased primarily due to decrease in number of Live Concerts and Package Sales

Music Business				(millions of yen)
	FY 2018 Q1	FY 2019 Q1	YoY	rate
Net Sales	25,790	22,307	-3,483	-13.5%
Cost of Sales	18,958	16,274	-2,684	
Gross Profit	6,831	6,032	-799	-11.7%
Gross Profit Margin	26.5%	27.0%	+0.5pt	
Personnel Expenses	1,538	1,549	+11	
Sales Promotion & Advertising Expenses	1,308	1,051	-256	
General Expenses	1,843	1,858	+15	
GMF [★]	1,884	1,887	+3	
Total SG&A Expenses	6,574	6,347	-226	
Operating Income	257	-315	-572	—
Operating Margin	1.0%	—	—	

Music Business Highlights: Sub-Segment

Net Sales by Sub-Segment

(millions of yen)

	FY 2018 Q1	FY 2019 Q1	YoY	rate
Live	8,998	7,762	-1,236	-13.7%
Merchandising	2,968	2,524	-444	-15.0%
E-Commerce	2,318	1,541	-776	-33.5%
Management	1,947	2,019	+72	+3.7%
Fan Club	1,401	1,988	+586	+41.9%
Music Package	6,292	3,691	-2,601	-41.3%
Digital Music Distribution	2,723	3,035	+311	+11.5%
Music Publishing	699	864	+165	+23.6%
Others	1,328	1,514	+185	+14.0%

Music Business Highlights: Live Concerts

Number of Performances in Stadium Class
and Ticket Prices increased,
with decrease in Audience attendance

Venue Size	FY 2018 Q1	FY 2019 Q1	YoY
Stadium class	6	12	+6
Arena class	44	5	-39
Hall & Live House class	246	183	-63
Total	296	200	-96
Audience (millions of people)	0.88	0.71	-0.17
Concert Ticket Average Price	¥8,981	¥9,441	+¥460

Music Business Highlights: Live Concerts

Major Live Concerts in FY2019 Q1

Nissy (Takahiro Nishijima) "Nissy Entertainment '5th Anniversary' BEST DOME TOUR"

Ayumi Hamasaki "ayumi hamasaki TROUBLE TOUR 2019-2020 A(logo) -misunderstood-"

EXO-CBX "EXO-CBX 'MAGICAL CIRCUS' TOUR 2019 - Special Edition-"

Ed Sheeran "DIVIDE WORLD TOUR 2019 Japan"



Nissy (Takahiro Nishijima)



Ayumi Hamasaki



EXO-CBX

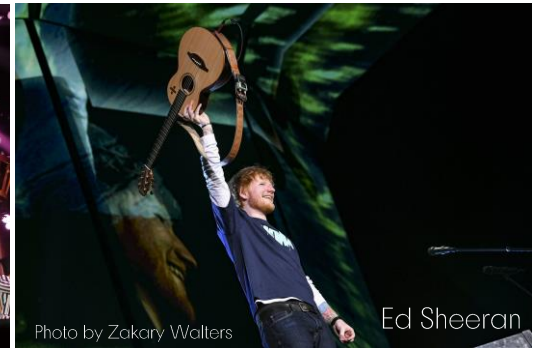


Photo by Zakary Walters

Ed Sheeran

Music Business: Indicators

		FY 2018 Q1	FY 2019 Q1
Concert Ticket	Average Price(¥)	8,981	9,441
Fan Club	Subscribers (thousands of people)	983	902

Music Business Highlights: Music Package

Package average prices and sales both decreased

Music Package *		FY 2018 Q1	FY 2019 Q1	YoY
Albums	Average Price (¥)	3,443	2,599	-843
	Units (thousands)	1,090	577	-513
Singles	Average Price (¥)	1,149	1,073	-76
	Units (thousands)	646	429	-216
DVDs / Blu-ray	Average Price (¥)	5,431	5,416	-15
	Units (thousands)	135	104	-30

*Music Package indicators consist of new releases and do not include back catalogs.

Music Market Data <small>(Reference: Recording Industry Association of Japan)</small>			
	2018	2019	YoY
Music Package Market (Jan.- Jun.)	117,358	115,087	-1.9%
Digital Music Distribution Market (Jan.- Mar.)	16,070	16,819	+4.7%

Music Business Highlights: Music Package

Major Titles in FY2019 Q1

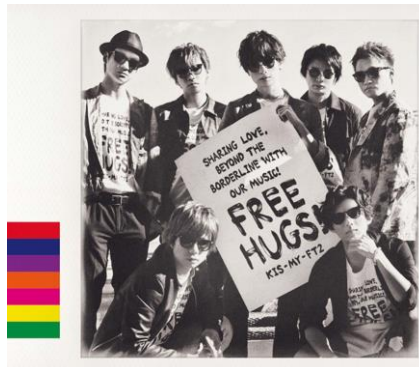
CD Albums

Artist	Title	Copies (thousands)※
Kis-My-Ft2	"FREE HUGS!"	260
NCT 127	"Awaken"	77

CD Singles

Artist	Title	Copies (thousands)※
V6	"Aruhi negai ga kanattanda/All For You"	123
FANTASTICS from EXILE TRIBE	"Flying Fish"	67

※Total Copies as of June 30, 2019



Kis-My-Ft2



NCT 127



V6



FANTASTICS
from EXILE TRIBE

Results by Segment: Anime & Visual Content Business

Anime & Visual Content Business Highlights

Net Sales and Operating Income increased due to increased sales of Major Titles, Live Event and Anime distribution income

Anime & Visual Content Business				(millions of yen)
	FY 2018 Q1	FY 2019 Q1	YoY	rate
Net Sales	2,490	3,477	+986	+39.6%
Cost of Sales	2,022	2,399	+376	
Gross Profit	467	1,077	+610	+130.4%
Gross Profit Margin	18.8%	31.0%	+12.2pt	
Personnel Expenses	169	291	+122	
Sales Promotion & Advertising Expenses	154	194	+40	
General Expenses	152	231	+78	
GMF [★]	188	308	+119	
Total SG&A Expenses	665	1,026	+361	
Operating Income	-197	51	+248	—
Operating Margin	—	1.5%	—	

Anime & Visual Content Business: Sub-Segments

Sales of Major Titles
and Package average price increased

Net Sales by Sub-Segment

(millions of yen)

	FY2018 Q1	FY2019 Q1	YoY	rate
Anime Non-Package	1,741	2,414	+673	+38.7%
Anime Package	749	1,065	+316	+42.2%

Anime & Visual Content Business: Indicators

	FY2018 Q1	FY2019 Q1
DVDs / Blu-ray *	Average Price (¥)	5,007
	Units (thousands)	112
		7,401
		109

*DVDs / Blu-ray indicators consist of new releases and do not include back catalog sales.

Anime & Visual Content Business: Sub-segments

Major Titles in FY 2019 Q1

"Osomatsu-san" The Movie

"Zombieland Saga" SAGA. 3

"KING OF PRISM -Shiny Seven Stars-" Vol. 1



Results by Segment: Digital Business

Digital Business Highlights

Net Sales decreased due to decrease in subscribers of Digital Video Subscription Services, while Operating Income increased due to decrease in sales promotion & advertising expenses

Digital Business				(millions of yen)
	FY 2018 Q1	FY 2019 Q1	YoY	rate
Net Sales	4,601	3,827	-774	-16.8%
Cost of Sales	3,126	2,465	-661	
Gross Profit	1,475	1,361	-113	-7.7%
Gross Profit Margin	32.1%	35.6%	+3.5pt	
Personnel Expenses	118	144	+26	
Sales Promotion & Advertising Expenses	567	170	-396	
General Expenses	155	108	-46	
GMF [★]	230	236	+6	
Total SG&A Expenses	1,071	660	-410	
Operating Income	403	700	+297	+73.6%
Operating Margin	8.8%	18.3%	+9.5pt	

★ GMF = Group Management Fee

Results by Segment: Other Businesses

Other Businesses Highlights

Operating Income increased due to decrease
in expenses for Oversea Subsidiaries

Other Businesses				(millions of yen)
	FY 2018 Q1	FY 2019 Q1	YoY	rate
Net Sales	634	740	+105	+16.7%
Cost of Sales	298	422	+124	
Gross Profit	335	317	-18	-5.4%
Gross Profit Margin	53.0%	42.9%	-10.1pt	
Personnel Expenses	271	142	-128	
Sales Promotion & Advertising Expenses	45	23	-21	
General Expenses	263	108	-155	
GMF ★	64	113	+49	
Total SG&A Expenses	645	388	-256	
Operating Income	-309	-70	+238	—
Operating Margin	—	—	—	

★ GMF=Group Management Fee

Highlights of FY 2019 Q1 & Highlights from FY2019 Q2

Highlights of FY 2019 Q1

Live/Event

- Mar. 17～ Nissy (Takahiro Nishijima) "Nissy Entertainment '5th Anniversary' BEST DOME TOUR"
- Apr. 5～ TOHOSHINKI Fan Event 2019 "TOHOSHINKI The GARDEN"
- Apr. 9～ Ed Sheeran "DIVIDE WORLD TOUR 2019 Japan"
- Apr. 16～ EXO-CBX"EXO-CBX 'MAGICAL CIRCUS' 2019 - Special Edition -"
- Apr. 21～ Ayumi Hamasaki "ayumi hamasaki TROUBLE TOUR 2019-2020 A (logo) -misunderstood-"
- Jun. 15～ AAA "AAA FAN MEETING ARENA TOUR 2019 ～FAN FUN FAN～"

Package

- Apr. 3 FANTASTICS from EXILE TRIBE "Flying Fish" CD+DVD
- Apr. 17 NCT 127 "Awaken" CD+Blu-ray/CD+DVD
- Apr. 24 Kis-My-Ft2 "FREE HUGS!" CD+DVD
- Jun. 5 V6 "Aruhi Negai ga Kanattanda/ALL FOR YOU" CD+DVD
- Jun. 12 Daichi Miura "DAICHI MIURA LIVE TOUR ONE END in Osaka-jo Hall" DVD+CD

Major Press Releases

- May 9 Notice Regarding the Establishment of a Subsidiary (Avex Technologies Inc.)
- Jun. 12 Business partnership with Mitsui & Co., Ltd. on dynamic pricing business for promotion in entertainment industry implementation



Photo by Zakary Walters



Kis-My-Ft2



V6

Highlights from FY 2019 Q2

Live/Event

- Jul. 20 STAR ISLAND 2019
- Jul. 20~ α-nation 2019
- Sept. 14~ ULTRA JAPAN 2019
- Nov. 9~ TOHOSHINKI "TOHOSHINKI LIVE TOUR 2019 (planned)"
- Nov. 16~ AAA "AAA DOME TOUR 2019"
- Dec. 4~ BLACKPINK "BLACKPINK 2019-2020 WORLD TOUR IN YOUR AREA in JAPAN"



STAR ISLAND



α-nation



ULTRA JAPAN

Package

- Jul. 3 GENERATIONS, THE RAMPAGE, FANTASTICS, BALLISTIK BOYZ from EXILE TRIBE "BATTLE OF TOKYO ~ENTER THE Jr.EXILE~" CD+DVD/CD+Blu-ray
- Jul. 3 BiSH "CARROTS and STICKS" CD+DVD/CD+Blu-ray
- Jul. 10 Kis-My-Ft2 "HANDS UP" CD+DVD
- Jul. 17 Misako Uno (AAA) "Honey Stories" CD+DVD
- Jul. 24 SKE48 "FRUSTRATION" CD+DVD
- Jul. 31 EXILE "EXILE LIVE TOUR 2018-2019 'STAR OF WISH'" DVD/Blu-ray
- Aug. 28 SHINJIRO ATAE (from AAA) "Anniversary Live 'THIS IS WHO I AM'" DVD+CD/Blu-ray+CD



Kis-My-Ft2



SKE48

Major Press Releases

- Jul. 11 Notice regarding MOU of establishing joint venture with Toshiba Digital Solutions Corporation to develop new service in utilizing AI and speech synthesis technology with Talents' "voice"
- Jul. 11 Avex Technologies Set to Accelerate Blockchain Industry After METI Selection (J-LOD)
- Jul. 18 Avex Technologies Inc.'s "A trust" Technology to Certify Digital Content with Blockchain Technology



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Disclaimers

The guidance for operating results and other information contained in this release were prepared by management based on currently available data and information. Therefore, the document includes potential risks and uncertain elements. In particular, in Avex Group's business domain, there are factors other than general economic conditions that may affect its performance. Please note that actual results may greatly differ from guidance.

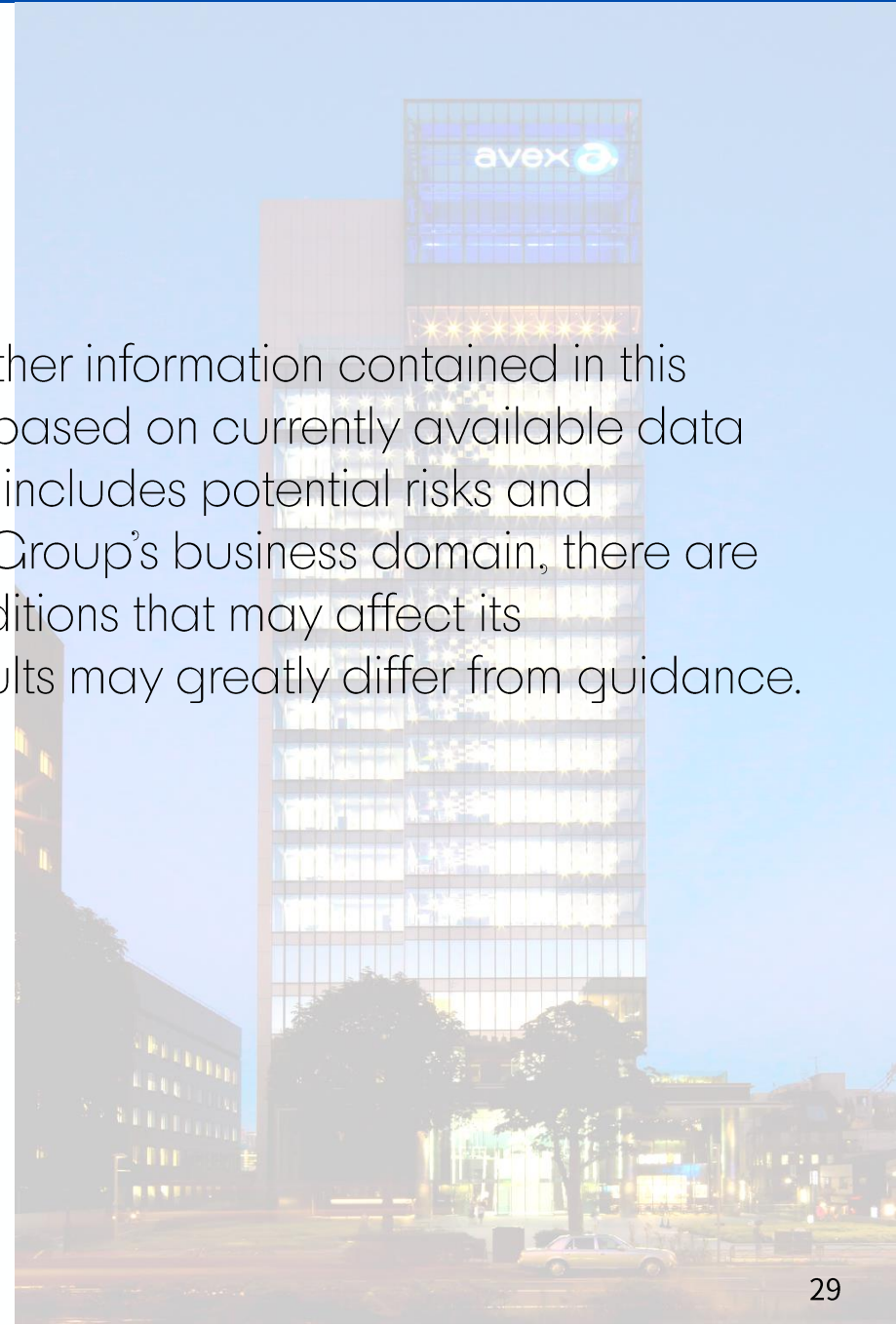
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Really! Mad+Pure