



Really! Mad+Pure

## Avex Inc.

Earnings Results for FY 2019 (Fiscal year ending March 31<sup>st</sup>, 2020)

Q2 (April-September, 2019)

November 7<sup>th</sup>, 2019

## ■Financial Highlights

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# Financial Highlights



1. Net Sales decreased primarily due to decrease in Music Package sales. 61.1 billion yen (-26.3% YoY)
2. Operating Income is -0.6 billion yen
3. Net Income Attributable to Owners of Parent is -1.7 billion yen

(billions of yen)

	FY 2017 Q2	FY 2018 Q2	FY 2019 Q2	YoY	rate
Net Sales	68.4	83.0	61.1	-21.8	-26.3%
Operating Income	0.8	3.7	-0.6	-4.4	—
Net Income Attributable to Owners of Parent	-0.6	1.5	-1.7	-3.3	—

Net Sales decreased by 21.8 billion yen (-26.3%) primarily due to decrease in Music Package sales

Net Sales by Segment (billions of yen)					
	FY 2017 Q2	FY 2018 Q2	FY 2019 Q2	YoY	rate
Music	51.1	68.7	47.6	-21.0	-30.7%
Anime & Visual Content	7.1	5.9	6.6	+0.6	11.3%
Digital	11.7	9.1	7.4	-1.7	-19.0%
Others	0.8	1.5	1.9	+0.4	28.6%
Adjustment	-2.5	-2.4	-2.5	-0.1	—
Total	68.4	83.0	61.1	-21.8	-26.3%

Operating Income decreased by 4.4 billion yen  
primarily due to decrease in Music Business

Operating Income by Segment					(billions of yen)
	FY 2017 Q2	FY 2018 Q2	FY 2019 Q2	YoY	rate
Music	-0.9	3.7	-1.4	-5.1	—
Anime & Visual Content	1.1	-0.1	0.0	+0.1	—
Digital	0.8	0.8	1.1	+0.2	+32.4%
Others	-0.2	-0.7	-0.5	+0.2	—
Adjustment	-0.0	0.0	-0.0	-0.0	—
Total	0.8	3.7	-0.6	-4.4	—

Net Income Attributable to Owners of Parent  
decreased by 3.3 billion yen  
primarily due to decrease in Operating Income

Net Income Attributable to Owners of Parent (billions of yen)					
	FY 2017 Q2	FY 2018 Q2	FY 2019 Q2	YoY	rate
Net Income Attributable to Owners of Parent	-0.6	1.5	-1.7	-3.3	—

# Consolidated Results





(millions of yen)

	FY 2017 Q2	FY 2018 Q2	FY 2019 Q2	YoY	rate
<b>Net Sales</b>	<b>68,405</b>	<b>83,012</b>	<b>61,189</b>	<b>-21,823</b>	<b>-26.3%</b>
Cost of Sales	48,967	60,067	<b>44,658</b>	-15,409	
<b>Gross Profit</b>	<b>19,438</b>	<b>22,945</b>	<b>16,531</b>	<b>-6,413</b>	<b>-28.0%</b>
<b>Gross Profit Margin</b>	<b>28.4%</b>	<b>27.6%</b>	<b>27.0%</b>	<b>-0.6pt</b>	
Personnel Expenses	6,097	6,626	<b>5,647</b>	-979	
Sales promotion & Advertising Expenses	3,947	4,802	<b>3,948</b>	-853	
General Expenses	8,550	7,803	<b>7,624</b>	-179	
Total SG&A Expenses	18,594	19,232	<b>17,220</b>	-2,012	
<b>Operating Income</b>	<b>843</b>	<b>3,712</b>	<b>-688</b>	<b>-4,401</b>	<b>—</b>
<b>Operating Margin</b>	<b>1.2%</b>	<b>4.5%</b>	<b>—</b>	<b>—</b>	
Non-operating Income	161	317	<b>67</b>	-250	
Non-operating Expenses	390	251	<b>565</b>	+314	
<b>Ordinary Income</b>	<b>614</b>	<b>3,778</b>	<b>-1,187</b>	<b>-4,966</b>	<b>—</b>
Extraordinary Income	31	83	<b>132</b>	+49	
Extraordinary Loss	186	360	<b>174</b>	-185	
<b>Income before Income Taxes</b>	<b>459</b>	<b>3,501</b>	<b>-1,230</b>	<b>-4,731</b>	<b>—</b>
Total Income and Other Taxes	710	1,583	<b>196</b>	-1,386	
Net Income Attributable to Non-controlling Interest	382	333	<b>335</b>	+1	
<b>Net Income Attributable to Owners of Parent</b>	<b>-633</b>	<b>1,584</b>	<b>-1,762</b>	<b>-3,346</b>	<b>—</b>

(millions of yen)

	March 31st, 2019	September 30th, 2019			March 31st, 2019	September 30th, 2019
<b>Current Assets</b>	<b>58,047</b>	<b>51,721</b>		<b>Current Liabilities</b>	<b>64,272</b>	<b>62,056</b>
Cash and Deposits	22,832	19,386		Notes & Accounts Payable-trade	1,412	1,536
Notes & Accounts Receivable-trade	17,863	15,831		Short-term Debt	7,500	14,000
Inventories	6,114	5,658		Accounts Payable-Other	25,866	23,377
Others	11,236	10,845		Allowance for Returned Goods	3,827	3,620
				Others	25,665	19,522
<b>Noncurrent Assets</b>	<b>67,761</b>	<b>67,391</b>		<b>Noncurrent Liabilities</b>	<b>9,480</b>	<b>7,933</b>
Tangible & Intangible Assets	52,377	52,027		Long-term Debt	7,617	6,083
Investment, etc.	15,384	15,364		Others	1,862	1,850
Investment Securities	8,509	8,121		<b>Total Liabilities</b>	<b>73,753</b>	<b>69,990</b>
Others	6,874	7,242		<b>Total Net Assets</b>	<b>52,055</b>	<b>49,122</b>
<b>Total Assets</b>	<b>125,808</b>	<b>119,112</b>		<b>Total Liabilities &amp; Net Assets</b>	<b>125,808</b>	<b>119,112</b>

(millions of yen)

		FY 2018 Q2	FY 2019 Q2	YoY
	Net Cash provided by Operating Activities	4,537	<b>-4,961</b>	-9,499
	Net Cash provided by Investing Activities	-3,982	<b>-1,702</b>	+2,279
	Net Cash provided by Financing Activities	-4,879	<b>3,308</b>	+8,187
<b>Cash Flow</b>		<b>-4,324</b>	<b>-3,356</b>	<b>+967</b>
Effect of exchange rate change on cash and cash equivalents		32	<b>-89</b>	-122
<b>Net increase in cash and cash equivalents</b>		<b>-4,291</b>	<b>-3,446</b>	<b>+845</b>
Cash and cash equivalents at beginning of period		28,184	<b>22,832</b>	-5,351
<b>Cash and cash equivalents at end of period</b>		<b>23,892</b>	<b>19,386</b>	<b>-4,505</b>

# Results by Segment: Music Business



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

(millions of yen)

	FY 2017 Q2	FY 2018 Q2	FY 2019 Q2	YoY	rate
<b>Net Sales</b>	<b>51,191</b>	<b>68,730</b>	<b>47,644</b>	<b>-21,086</b>	<b>-30.7%</b>
Cost of Sales	37,237	50,131	<b>35,910</b>	-14,220	
<b>Gross Profit</b>	<b>13,954</b>	<b>18,598</b>	<b>11,733</b>	<b>-6,865</b>	<b>-36.9%</b>
<b>Gross Profit Margin</b>	<b>27.3%</b>	<b>27.1%</b>	<b>24.6%</b>	<b>-2.5pt</b>	
Personnel Expenses	3,358	3,556	<b>3,083</b>	-472	
Sales Promotion & Advertising Expenses	2,749	3,343	<b>2,809</b>	-534	
General Expenses	3,480	3,973	<b>3,516</b>	-456	
GMF*	5,266	3,997	<b>3,736</b>	-261	
Total SG&A Expenses	14,855	14,871	<b>13,146</b>	-1,725	
<b>Operating Income</b>	<b>-901</b>	<b>3,726</b>	<b>-1,413</b>	<b>-5,139</b>	<b>—</b>
<b>Operating Margin</b>	<b>—</b>	<b>5.4%</b>	<b>—</b>	<b>—</b>	

Net Sales by Sub-Segment (millions of yen)					
	FY 2017 Q2	FY 2018 Q2	FY 2019 Q2	YoY	rate
Live	19,040	20,488	17,280	-3,207	-15.7%
Merchandising	6,062	6,750	4,627	-2,123	-31.5%
E-Commerce	4,596	6,917	4,798	-2,119	-30.6%
Management	3,984	4,186	4,313	+126	+3.0%
Fan Club	2,402	2,609	3,160	+550	+21.1%
Music Package	10,553	25,536	9,420	-16,116	-63.1%
Digital Music Distribution	5,576	5,883	5,856	-27	-0.5%
Music Publishing	1,339	1,501	1,543	+41	+2.8%
Others	3,091	2,808	3,113	+304	+10.9%

# Audience attendance and Ticket Average Price both decreased

Venue Size	FY 2017 Q2	FY 2018 Q2	FY 2019 Q2	YoY
Stadium Class	35	19	<b>16</b>	-3
Arena Class	40	80	<b>44</b>	-36
Hall/Live House Class	401	377	<b>355</b>	-22
Total	476	476	<b>415</b>	-61

Audience (millions of people)	1.85	1.80	<b>1.37</b>	-0.43
Concert Ticket Average Price(¥)	8,851	9,289	<b>9,146</b>	-142

## Major Live Concerts Cumulative Total in FY 2019 Q2

- AAA “AAA FAN MEETING ARENA TOUR 2019 ～FAN FUN FAN～”
- Nissy (Takahiro Nishijima) “Nissy Entertainment ‘5th Anniversary’ BEST DOME TOUR”
- “a-nation 2019”
- “ULTRA JAPAN 2019”
- “STAR ISLAND 2019” / “STAR ISLAND SAUDI ARABIA NATIONAL DAY EDITION”
- Ed Sheeran “DIVIDE WORLD TOUR 2019 Japan”
- iKON “iKON JAPAN TOUR 2019”



AAA



a-nation



ULTRA JAPAN



STAR ISLAND



## Music Business: Indicators for Fan Club

		FY 2017 Q2	FY 2018 Q2	FY 2019 Q2
Fan Club	Subscribers (thousands of people)	942	949	900



## Number of Sales for Album and DVD/Blu-ray decreased

Music Package*		FY 2017 Q2	FY 2018 Q2	FY 2019 Q2	YoY
Album	Average Price ( ¥ )	2,454	3,489	<b>2,860</b>	-628
	Units (thousands)	1,382	2,296	<b>909</b>	-1,386
Single	Average Price ( ¥ )	1,017	1,030	<b>969</b>	-60
	Units (thousands)	2,139	2,026	<b>2,071</b>	+44
DVD / Blu-ray	Average Price ( ¥ )	5,405	6,083	<b>6,047</b>	-35
	Units (thousands)	491	2,153	<b>434</b>	-1,718

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

Music Market Data				
	2017	2018	2019	YoY
<b>Music Package Market (Jan.- Sept.)</b>	162,486	179,374	<b>167,432</b>	-6.7%
<b>Digital Music Distribution Market (Jan.- Jun.)</b>	28,310	32,110	<b>34,006</b>	+5.9%

(millions of yen)

Major Titles Cumulative Total in FY2019 Q2		
CD Albums		
Artist	Title	Copies (thousands)
Kis-My-Ft2	「FREE HUGS!」	260
GENERATIONS, THE RAMPAGE, FANTASTICS, BALLISTIK BOYZ from EXILE TRIBE	「BATTLE OF TOKYO ~ENTER THE Jr.EXILE~」	96
CD Singles		
SKE48	「FRUSTRATION」	516
Kis-My-Ft2	「HANDS UP」	235
Music DVDs/Blu-ray Discs		
EXILE	「EXILE LIVE TOUR 2018-2019 “STAR OF WISH”」	107
Nissy (Takahiro Nishijima)	「Nissy Entertainment "5th Anniversary" BEST DOME TOUR」	86

※Total Copies as of September 30th, 2019



Kis-My-Ft2



GENERATIONS, THE RAMPAGE, FANTASTICS, BALLISTIK BOYZ from EXILE TRIBE



SKE48

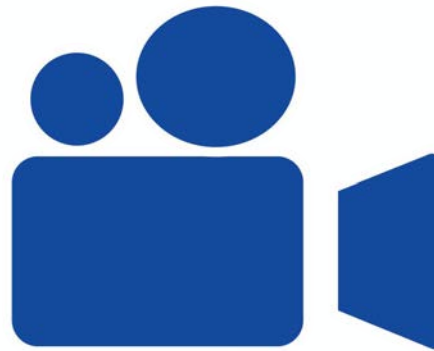


EXILE



Nissy (Takahiro Nishijima)

# Results by Segment: Anime & Visual Content Business



# Net Sales increased due to increased Package Sales

(millions of yen)

	FY 2017 Q2	FY 2018 Q2	FY 2019 Q2	YoY	rate
<b>Net Sales</b>	<b>7,199</b>	<b>5,997</b>	<b>6,676</b>	<b>+679</b>	<b>+11.3%</b>
Cost of Sales	4,569	4,531	<b>4,658</b>	+127	
<b>Gross Profit</b>	<b>2,629</b>	<b>1,466</b>	<b>2,018</b>	<b>+551</b>	<b>+37.7%</b>
<b>Gross Profit Margin</b>	<b>36.5%</b>	<b>24.4%</b>	<b>30.2%</b>	<b>+5.8pt</b>	
Personnel Expenses	323	452	<b>507</b>	+54	
Sales Promotion & Advertising Expenses	387	374	<b>487</b>	+112	
General Expenses	136	297	<b>371</b>	+73	
GMF*	583	443	<b>571</b>	+128	
Total SG&A Expenses	1,431	1,568	<b>1,937</b>	+368	
<b>Operating Income</b>	<b>1,197</b>	<b>-102</b>	<b>80</b>	<b>+183</b>	<b>—</b>
<b>Operating Margin</b>	<b>16.6%</b>	<b>—</b>	<b>1.2%</b>	<b>—</b>	

Sales of Major Titles with high unit price increased  
and Package Average Price increased

Net Sales by Sub-Segment (millions of yen)					
	FY 2017 Q2	FY 2018 Q2	FY 2019 Q2	YoY	rate
Anime Non-Package	4,519	4,207	4,340	+132	+3.2%
Anime Package	2,679	1,790	2,341	+551	+30.8%

Anime & Visual Content Business: Indicators					
		FY 2017 Q2	FY 2018 Q2	FY 2019 Q2	YoY
DVD / Blu-ray*	Average Price (¥)	5,100	5,537	7,042	+1,505
	Units (thousands)	370	247	215	-32

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

## Major Anime & Visual Content Titles Cumulative Total in FY2019 Q2

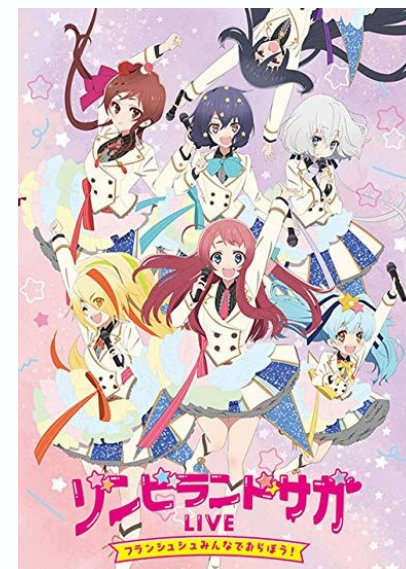
- “KING OF PRISM -Shiny Seven Stars” The Movie
- “Zombieland Saga” SAGA. 3
- “KING OF PRISM -Shiny Seven Stars-” Vol. 1, Vol.2
- “Zombieland Saga” Live - Franchouchou Minna de Orabo!



(C)T-ARTS / syn Sophia / エイベックス・ピクチャーズ / タツノコプロ / キングオブプリズムSSS製作委員会



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# Results by Segment: Digital Business





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

(millions of yen)

	FY 2017 Q2	FY 2018 Q2	FY 2019 Q2	YoY	rate
<b>Net Sales</b>	<b>11,709</b>	<b>9,185</b>	<b>7,437</b>	<b>-1,747</b>	<b>-19.0%</b>
Cost of Sales	8,779	6,352	<b>4,793</b>	-1,559	
<b>Gross Profit</b>	<b>2,929</b>	<b>2,832</b>	<b>2,644</b>	<b>-188</b>	<b>-6.7%</b>
Gross Profit Margin	<b>25.0%</b>	<b>30.8%</b>	<b>35.6%</b>	<b>+4.8pt</b>	
Personnel Expenses	237	269	<b>251</b>	-18	
Sales Promotion & Advertising Expenses	800	981	<b>591</b>	-389	
General Expenses	361	304	<b>215</b>	-89	
GMF	728	395	<b>418</b>	+23	
Total SG&A Expenses	2,128	1,950	<b>1,477</b>	-473	
<b>Operating Income</b>	<b>800</b>	<b>881</b>	<b>1,167</b>	<b>+285</b>	<b>+32.4%</b>
<b>Operating Margin</b>	<b>6.8%</b>	<b>9.6%</b>	<b>15.7%</b>	<b>+6.1pt</b>	



# Results by Segment: Other Businesses



## Deficit reduced due to decrease in expenses for Oversea Subsidiaries

(millions of yen)

	FY 2017 Q2	FY 2018 Q2	FY 2019 Q2	YoY	rate
<b>Net Sales</b>	<b>872</b>	<b>1,547</b>	<b>1,989</b>	<b>+442</b>	<b>+28.6%</b>
Cost of Sales	309	1,000	<b>1,345</b>	+345	
<b>Gross Profit</b>	<b>562</b>	<b>546</b>	<b>643</b>	<b>+96</b>	<b>+17.7%</b>
<b>Gross Profit Margin</b>	<b>64.5%</b>	<b>35.3%</b>	<b>32.4%</b>	<b>-2.9pt</b>	
Personnel Expenses	403	657	<b>442</b>	-215	
Sales Promotion & Advertising Expenses	20	116	<b>62</b>	-53	
General Expenses	202	445	<b>368</b>	-76	
GMF	161	122	<b>292</b>	+170	
Total SG&A Expenses	787	1,340	<b>1,165</b>	-175	
<b>Operating Income</b>	<b>-225</b>	<b>-794</b>	<b>-522</b>	<b>+271</b>	<b>—</b>
<b>Operating Margin</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	

# Highlights as of FY 2019 Q2 & Highlights from FY 2019 Q3



Live  
(Music Business)

- 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 -"
- May. 1～ Ayumi Hamasaki  
"ayumi hamasaki TROUBLE TOUR 2019-2020 A (logo) -misunderstood-"
- Jun. 15～ AAA "AAA FAN MEETING ARENA TOUR 2019 ～FAN FUN FAN～"
- Jul. 20～ "a-nation 2019"
- Jul. 20 "STAR ISLAND 2019"
- Jul. 27～ iKON "iKON JAPAN TOUR 2019"
- Sept. 14～ "ULTRA JAPAN 2019"
- Sept. 23 "STAR ISLAND SAUDI ARABIA NATIONAL DAY EDITION"



AAA



a-nation



ULTRA JAPAN



STAR ISLAND



## Package (Music /Anime & Visual Content Businesses)

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
Apr. 26	“Zombieland Saga” SAGA.3 Blu-ray
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
Jul. 3	GENERATIONS, THE RAMPAGE, FANTASTICS, BALLISTIK BOYZ from EXILE TRIBE “BATTLE OF TOKYO ~ENTER THE Jr.EXILE~” CD+DVD/CD+Blu-ray
Jul. 24	SKE48 “FRUSTRATION” CD+DVD
Jul. 31	EXILE “EXILE LIVE TOUR 2018-2019 ‘STAR OF WISH’” DVD/Blu-ray
Sept. 30	Nissy (Takahiro Nishijima) “Nissy Entertainment ‘5th Anniversary’ BEST DOME TOUR” DVD/Blu-ray

## Major Press Releases

May 9	Notice Regarding the Establishment of Subsidiary (Avex Technologies Inc.)
Jun. 12	Business partnership with Mitsui & Co., Ltd. on dynamic pricing business for promotion in live entertainment industry implementation
Aug. 23	License agreement in providing approx. 30,000 songs to Migu Music, music streaming platform participated by the largest mobile carrier in China.
Sept. 2	Gugenka® Adopts ‘A trust’ and Sells Out of Certified Digital Art Prints
Sept. 26	AniCast Maker Developer XVI to Establish Joint Venture with Avex Technologies



Kis-My-Ft2



GENERATIONS, THE RAMPAGE,  
FANTASTICS, BALLISTIK BOYZ  
from EXILE TRIBE



SKE48



EXILE



Nissy  
(Takahiro Nishijima)



## Live (Music Business)

Oct. 11~ EXO “EXO PLANET #5 - EXplOration - in JAPAN”  
 Nov. 2~ SUPER JUNIOR “SUPER JUNIOR WORLD TOUR 'SUPER SHOW 8: INFINITE TIME' in JAPAN”  
 Nov. 9~ TOHOSHINKI “TOHOSHINKI LIVE TOUR 2019 ~XV~”  
 Nov. 16~ AAA “AAA DOME TOUR 2019 +PLUS”  
 Dec. 4~ BLACKPINK “BLACKPINK 2019-2020 WORLD TOUR IN YOUR AREA”  
 Dec. 18~ NCT127 “NCT 127 Arena Tour ‘NEO CITY : JAPAN – The Origin’”

## Package (Music/Anime & Visual Content Business)

Oct. 16 TOHOSHINKI “XV” CD+DVD/CD+Blu-ray  
 Oct. 30 THE RAMPAGE from EXILE TRIBE “THE RIOT” CD+DVD/CD+Blu-ray  
 Nov. 6 “Osomatsu-san” THE MOVIE Blu-ray & DVD  
 Nov. 20 Tokyo Ska Paradise Orchestra “Tsugihagi Karafuru” CD+DVD/CD+Blu-ray  
 Nov. 21 GENERATIONS “SHONEN CHRONICLE” CD+DVD/CD+Blu-ray  
 Nov. 27 “Zombieland Saga” Live - Franchouchou The Best” CD+Blu-ray  
 Dec. 11 Kis-My-Ft2 “LIVE TOUR 2019 FREE HUGS!” DVD/Blu-ray  
 Jan. 22, 2020 Snow Man “Snow Man vs SixTONES” CD+DVD

## Major Press Releases

Oct. 2 Avex Inc., Dentsu Live Inc. and Bascule Inc. to partner in collaboration of developing platform of producing audio AR content producing business  
 Nov. 7 Notice regarding acquiring shares of LIVESTAR Inc.  
 Notice regarding acquiring the company fuzz, Inc. by a subsidiary  
 Notice regarding establishment of a sub-subsidiary and joint venture company (XVI Inc.)



AAA



TOHOSHINKI



BLACKPINK



THE RAMPAGE from EXILE TRIBE

## 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 Inc.'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.

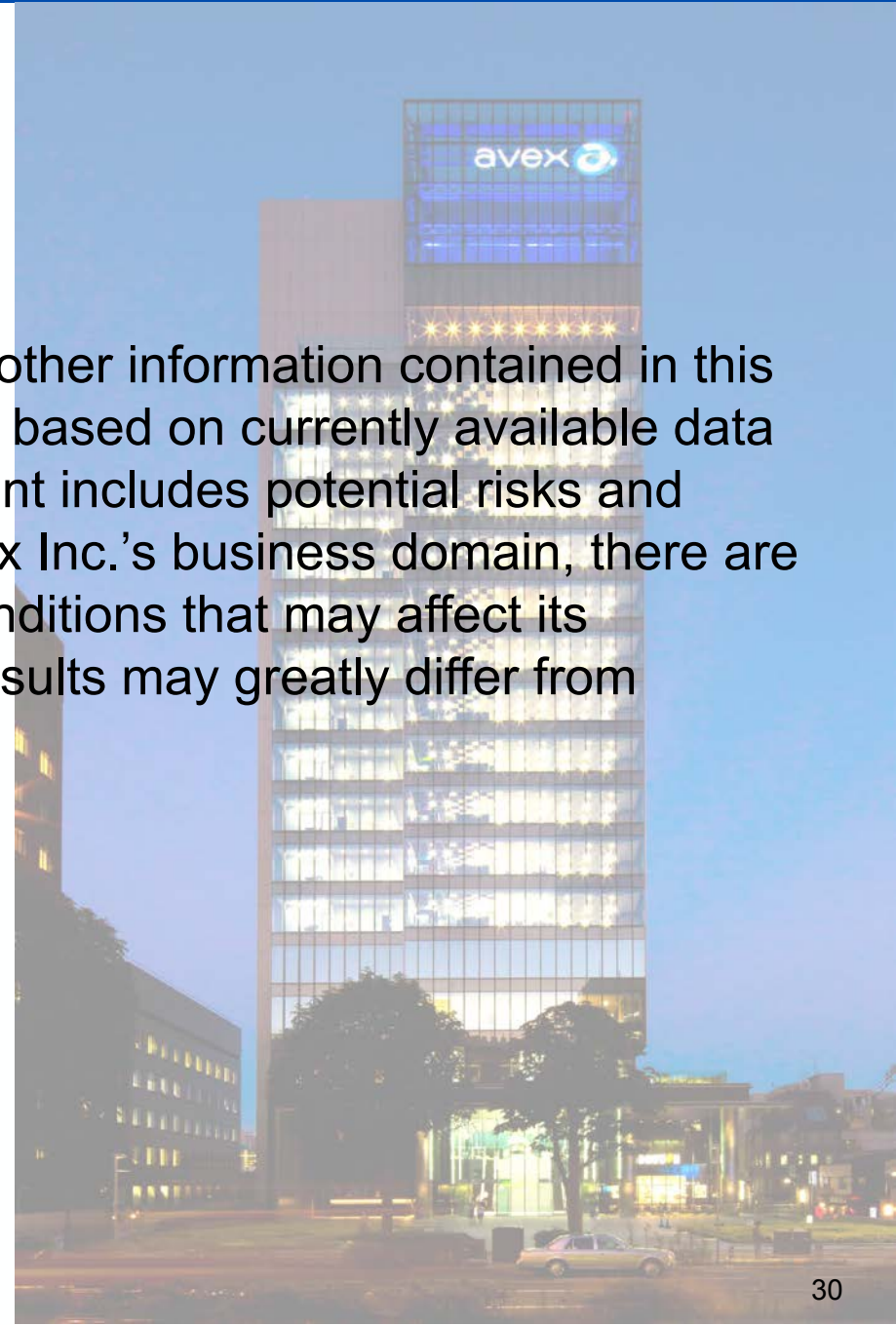
## Inquiries

Avex Inc.

Corporate Planning

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Really! Mad+Pure