



Really! Mad+Pure

Avex Inc.

Earnings Results for FY 2019

(Fiscal year ended March 31st, 2020)

May 14th, 2020

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Financial Highlights



1. Net Sales decreased 24.6 billion yen YoY primarily due to decrease in Music Package sales.
2. Operating Income decreased 3.0 billion yen YoY primarily due to decrease in Net Sales.
3. Net Income Attributable to Owners of Parent decreased 3.4 billion yen YoY due to decrease in Operating Income and reporting of extraordinary loss.

(billions of yen)

	FY 2018	FY 2019 Guidance*	FY 2019	YoY	vs. Guidance
Net Sales	160.1	-	135.4	-24.6	-
Operating Income	7.0	4.0	4.0	-3.0	+0.0
Net Income Attributable to Owners of Parent	2.3	1.0	-1.1	-3.4	-2.1

Net Sales decreased by 24.6 billion yen (-15.4%)
primarily due to decrease in Music Package sales

Net Sales by Segment				(billions of yen)
	FY 2018	FY 2019	YoY	rate
Music	130.0	106.6	-23.4	-18.0%
Anime & Visual Content	13.5	14.2	+0.6	+4.8%
Digital	17.5	14.1	-3.3	-19.0%
Others	3.7	5.6	+1.9	+51.4%
Adjustment	-4.8	-5.2	-0.4	—
Total	160.1	135.4	-24.6	-15.4%

Operating Income decreased by 3.0 billion yen (-43.1%)
primarily due to decrease in Music Business

Operating Income by Segment				(billions of yen)
	FY 2018	FY 2019	YoY	rate
Music	6.7	2.6	-4.0	-60.7%
Anime & Visual Content	0.3	0.8	+0.5	+169.0%
Digital	1.6	1.9	+0.3	+20.4%
Others	-1.5	-1.4	+0.1	—
Adjustment	-0.0	0.0	+0.0	—
Total	7.0	4.0	-3.0	-43.1%

Net Income Attributable to Owners of Parent decreased by 3.4 billion yen primarily due to decrease in Operating Income, cost related to the Novel Coronavirus (COVID-19), and reporting of extraordinary loss in impairment loss

Net Income Attributable to Owners of Parent					(billions of yen)
	FY 2018	FY 2019 Guidance*	FY 2019	YoY	vs Guidance
Net Income Attributable to Owners of Parent	2.3	1.0	-1.1	-3.4	-2.1

*FY 2019 guidance as announced on February 6th, 2020

Consolidated Results



(millions of yen)

	FY 2018	FY 2019 Guidance*	FY 2019	YoY	vs Guidance
Net Sales	160,126		135,469	-24,657	
Cost of Sales	113,820		96,375	-17,444	
Gross Profit	46,306		39,093	-7,212	
Gross Profit Margin	28.9%		28.9%	+0.0pt	
Personnel Expenses	13,200		12,170	-1,029	
Sales promotion & Advertising Expenses	9,967		8,336	-1,630	
General Expenses	16,048		14,553	-1,495	
Total SG&A Expenses	39,216		35,060	-4,155	
Operating Income	7,089	4,000	4,033	-3,056	+33
Operating Margin	4.4%		3.0%	-1.4pt	
Non-operating Income	206		137	-69	
Non-operating Expenses	767		1,152	+385	
Ordinary Income	6,529		3,017	-3,511	
Extraordinary Income	292		581	+289	
Extraordinary Loss	1,430		2,915	+1,485	
Income before Income Taxes	5,390		684	-4,706	
Total Income and Other Taxes	2,479		1,225	-1,254	
Net Income Attributable to Non-controlling Interest	555		561	+6	
Net Income Attributable to Owners of Parent	2,354	1,000	-1,102	-3,457	-2,102

(millions of yen)

	March 31st, 2019	March 31st, 2020			March 31st, 2019	March 31st, 2020
Current Assets	58,047	54,432		Current Liabilities	64,272	64,449
Cash and Deposits	22,832	17,956		Notes & Accounts Payable-trade	1,412	1,470
Notes & Accounts Receivable-trade	17,863	18,100		Short-term Debt, etc.	10,558	19,065
Inventories	6,114	5,531		Accounts Payable-Other	25,866	21,824
Others	11,236	12,843		Provision for Sales Return	3,827	3,244
				Others	22,607	18,844
Noncurrent Assets	67,761	65,981		Noncurrent Liabilities	9,480	6,515
Tangible & Intangible Assets	52,377	50,823		Long-term Debt	7,617	4,563
Investment, etc.	15,384	15,158		Others	1,862	1,952
Investment Securities	8,509	7,490		Total Liabilities	73,753	70,964
Others	6,874	7,667		Total Net Assets	52,055	49,449
Total Assets	125,808	120,414		Total Liabilities & Net Assets	125,808	120,414

(millions of yen)

		FY 2018	FY 2019
	Net Cash provided by Operating Activities	11,003	-4,032
	Net Cash provided by Investing Activities	-6,381	-3,444
	Net Cash provided by Financing Activities	-10,014	2,659
Consolidated Cash Flow		-5,392	-4,817
Effect of exchange rate change on cash and cash equivalents		41	-58
Net increase in cash and cash equivalents		-5,351	-4,876
Cash and cash equivalents at beginning of period		28,184	22,832
Cash and cash equivalents at end of period		22,832	17,956

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 2018	FY 2019	YoY	rate
Net Sales	130,082	106,625	-23,457	-18.0%
Cost of Sales	92,968	77,877	-15,091	
Gross Profit	37,113	28,748	-8,365	-22.5%
Gross Profit Margin	28.5%	27.0%	-1.6pt	
Personnel Expenses	7,227	6,691	-535	
Sales Promotion & Advertising Expenses	7,115	5,809	-1,306	
General Expenses	7,934	6,139	-1,795	
GMF*	8,086	7,452	-633	
Total SG&A Expenses	30,364	26,093	-4,270	
Operating Income	6,749	2,654	-4,095	-60.7%
Operating Margin	5.2%	2.5%	-2.7pt	

Net Sales by Sub-Segment				(millions of yen)
	FY 2018	FY 2019	YoY	rate
Live	41,848	37,763	-4,085	-9.8%
Merchandising	13,003	9,714	-3,289	-25.3%
E-Commerce	14,754	12,453	-2,301	-15.6%
Management	9,098	8,952	-145	-1.6%
Fan Club	4,830	5,285	+455	+9.4%
Music Package	41,636	25,878	-15,758	-37.8%
Digital Music Distribution	11,563	11,655	+91	+0.8%
Music Publishing	3,679	2,945	-734	-20.0%
Others	6,589	7,088	+498	+7.6%

Number of Live Concerts and Audience attendance decreased

Venue Size	FY 2018	FY 2019	YoY
Stadium class	37	43	+6
Arena class	130	79	-51
Hall & Live House class	790	658	-132
Total	957	780	-177

Audience (millions of people)	3.29	2.84	-0.45
Concert Ticket Average Price	¥9,450	¥9,538	+¥88

Major Live Concerts Cumulative Total in FY 2019

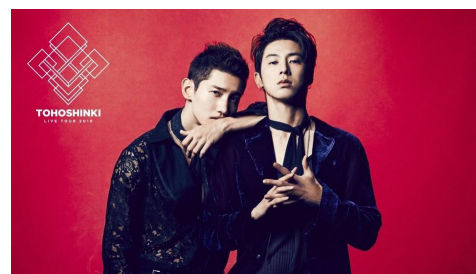
- AAA “AAA DOME TOUR 2019+PLUS”
- AAA “AAA FAN MEETING ARENA TOUR 2019 ~FAN FUN FAN~”
- Nissy (Takahiro Nishijima) “Nissy Entertainment ‘5th Anniversary’ BEST DOME TOUR”
- “a-nation 2019”
- “ULTRA JAPAN 2019”
- “STAR ISLAND 2019” / “STAR ISLAND SAUDI ARABIA NATIONAL DAY EDITION” / “STAR ISLAND SINGAPORE COUNTDOWN EDITION 2019-2020”
- TOHOSHINKI “TOHOSHINKI LIVE TOUR ~XV~”
- BLACKPINK “BLACKPINK 2019-2020 WORLD TOUR IN YOUR AREA”
- SUPER JUNIOR “SUPER JUNIOR WORLD TOUR ‘SUPER SHOW 8’ in JAPAN”
- NCT 127 “NCT 127 Arena Tour ‘NEO CITY: JAPAN - The Origin’”
- iKON “iKON JAPAN TOUR 2019”
- Ed Sheeran “DIVIDE WORLD TOUR 2019 Japan”



AAA



Nissy
(Takahiro Nishijima)



TOHOSHINKI



STAR ISLAND

Music Business: Indicators for Fan Club

		FY 2018	FY 2019
Fan Club	Subscribers (thousands of people)	928	891

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

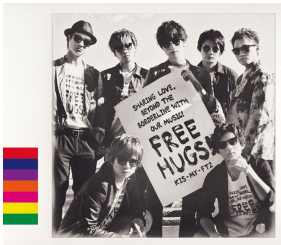
Music Package*		FY 2018	FY 2019	YoY
Album	Average Price (¥)	3,555	3,752	+196
	Units (thousands)	3,334	2,635	-698
Single	Average Price (¥)	1,102	998	-104
	Units (thousands)	4,671	4,927	+255
DVD / Blu-ray	Average Price (¥)	5,927	5,474	-453
	Units (thousands)	3,382	1,316	-2,065

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

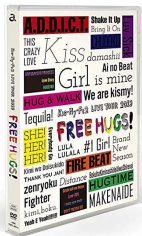
Music Market Data			
	2018	2019	YoY
Music Package Market (Jan.- Dec.)	240,337	229,129	-4.7%
Digital Music Distribution Market (Jan.- Dec.)	64,466	70,628	+9.6%

Major Titles Cumulative Total in FY2019		
CD Albums		
Artist	Title	Copies (thousands)
Kis-My-Ft2	“FREE HUGS!”	258
Kis-My-Ft2	“To-y2”	247
TOHOSHINKI	“XV”	214
J SOUL BROTHERS III from EXILE TRIBE	“RAISE THE FLAG”	193
CD Singles		
Snow Man vs SixTONES	“D.D / Imitation Rain”	940
SKE48	“FRUSTRATION”	574
SKE48	“Sou iu toko aru yo ne?”	416
Music DVD/Blu-ray Discs		
Kis-My-Ft2	“LIVE TOUR 2019 FREE HUGS!”	180
AAA	“AAA 15th Anniversary All Time Music Clip Best -thanx AAA lot-”	127
EXILE	“EXILE LIVE TOUR 2018-2019 ‘STAR OF WISH’”	107

*Total Copies as of March 31st, 2020



Kis-My-Ft2



TOHOSHINKI



J SOUL BROTHERS III
from EXILE TRIBE

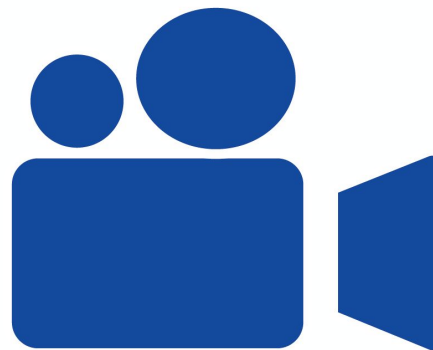


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EXILE

Results by Segment: Anime & Visual Content Business



Net Sales increased due to increased sales from Events and Package

(millions of yen)

	FY 2018	FY 2019	YoY	rate
Net Sales	13,588	14,246	+658	+4.8%
Cost of Sales	9,948	9,715	-232	
Gross Profit	3,639	4,531	+891	+24.5%
Gross Profit Margin	26.8%	31.8%	+5.0pt	
Personnel Expenses	979	988	+9	
Sales Promotion & Advertising Expenses	822	1,072	+250	
General Expenses	604	663	+59	
GMF*	927	981	+54	
Total SG&A Expenses	3,333	3,706	+373	
Operating Income	306	824	+518	+169.0%
Operating Margin	2.3%	5.8%	+3.5pt	

Sales of Events and Packages increased

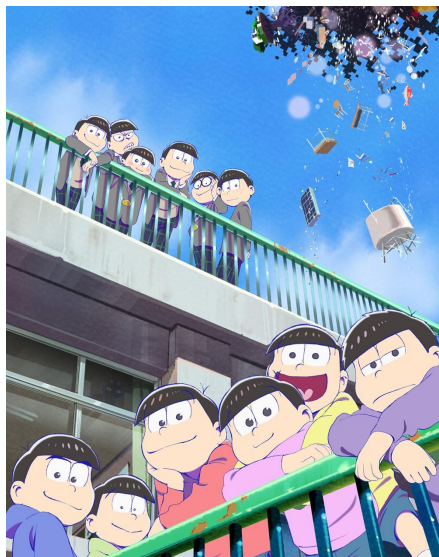
Net Sales by Sub-Segment (millions of yen)				
	FY 2018	FY 2019	YoY	rate
Anime Non-Package	9,451	9,819	+368	+3.9%
Anime Package	4,162	4,437	+274	+6.6%

Anime & Visual Content Business: Indicators				
		FY 2018	FY 2019	YoY
DVD / Blu-ray*	Average Price (¥)	6,444	6,844	+400
	Units (thousands)	492	404	-88

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

Major Anime Titles Cumulative Total in FY 2019 (DVD/Blu-ray Disc)

- “Osomatsu-san THE MOVIE”
- “Zombieland Saga” SAGA. 3
- “Zombieland Saga Live - Franchouchou Minna de Orabo!~”
- “KING OF PRISM -Shiny Seven Stars-” Vol. 1, Vol.2, Vol. 3, Vol.4



(C)赤塚不二夫／えいがのおそ松さん製作委員会 2019



(C)ゾンビランドサガ製作委員会

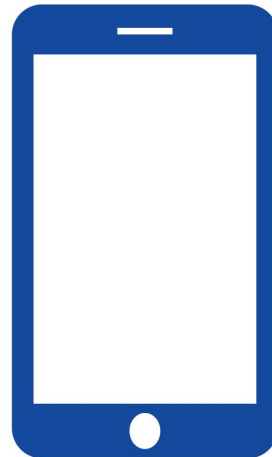


(C)ゾンビランドサガ製作委員会



(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

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 2018	FY 2019	YoY	rate
Net Sales	17,533	14,193	-3,340	-19.0%
Cost of Sales	12,146	9,251	-2,894	
Gross Profit	5,386	4,941	-445	-8.3%
Gross Profit Margin	30.7%	34.8%	+4.1pt	
Personnel Expenses	589	531	-58	
Sales Promotion & Advertising Expenses	1,769	1,284	-485	
General Expenses	580	419	-160	
GMF*	822	749	-72	
Total SG&A Expenses	3,761	2,984	-776	
Operating Income	1,625	1,956	+331	+20.4%
Operating Margin	9.3%	13.8%	+4.5pt	

Results by Segment: Other Businesses



Deficit reduced due to decrease in expenses for Oversea Subsidiaries

(millions of yen)

	FY 2018	FY 2019	YoY	rate
Net Sales	3,761	5,694	+1,933	+51.4%
Cost of Sales	2,584	3,861	+1,277	
Gross Profit	1,177	1,833	+655	+55.7%
Gross Profit Margin	31.3%	32.2%	+0.9pt	
Personnel Expenses	1,218	1,120	-98	
Sales Promotion & Advertising Expenses	218	173	-44	
General Expenses	825	1,180	+354	
GMF*	505	779	+273	
Total SG&A Expenses	2,768	3,253	+485	
Operating Income	-1,590	-1,420	+170	—
Operating Margin	—	—	—	

Highlights of FY 2019 and Highlights from FY 2020 Q1



Live (Music Business)

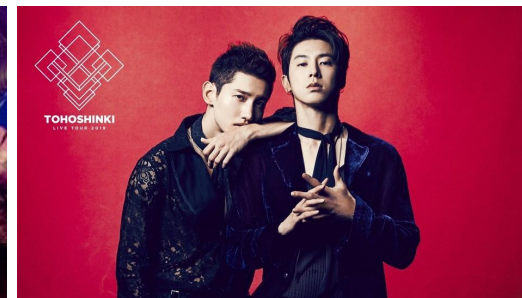
Mar.-Apr.	Nissy (Takahiro Nishijima) "Nissy Entertainment "5th Anniversary" BEST DOME TOUR"
Apr.	TOHOSHINKI Fan Club Event 2019 "TOHOSHINKI The GARDEN"
Apr.	Ed Sheeran "DIVIDE WORLD TOUR 2019 Japan"
Apr.	EXO-CBX "EXO-CBX 'MAGICAL CIRCUS' 2019 - Special Edition -"
May-Aug.	Ayumi Hamasaki "ayumi hamasaki TROUBLE TOUR 2019-2020 A (logo) – misunderstood–"
Jun.-Aug.	AAA "AAA FAN MEETING ARENA TOUR 2019 ~FAN FUN FAN~"
Jul.	"STAR ISLAND 2019"
Jul.-Aug.	"a-nation 2019"
Jul.-Sept.	iKON "iKON JAPAN TOUR 2019"
Sept.	"ULTRA JAPAN 2019"
Sept.	"STAR ISLAND SAUDI ARABIA NATIONAL DAY EDITION"
Oct.-Dec.	EXO "EXO PLANET #5 - EXplOration - in JAPAN"
Nov.-Dec.	AAA "AAA DOME TOUR 2019 +PLUS"
Nov.-Jan. 2020	TOHOSHINKI "TOHOSHINKI LIVE TOUR 2019 ~XV~"
Nov.-Feb. 2020	SUPER JUNIOR "SUPER JUNIOR WORLD TOUR 'SUPER SHOW 8: INFINITE TIME' in JAPAN"
Dec.	Ayumi Hamasaki "ayumi hamasaki COUNTDOWN LIVE 2019-2020~Promised Land~A (logo) "
Dec.	"STAR ISLAND SINGAPORE COUNTDOWN EDITION 2019-2020"
Dec.-Feb. 2020	BLACKPINK "BLACKPINK 2019-2020 WORLD TOUR IN YOUR AREA"
Dec.-Feb. 2020	NCT 127 "NCT 127 Arena Tour 'NEO CITY : JAPAN – The Origin'"
Jan. 2020	Da-iCE "Da-iCE BEST TOUR 2020 - SPECIAL EDITION-"
Jan. 2020	EXO "EXO-SC Japan Special Event 2020"
Jan.-Feb. 2020	Red Velvet "Red Velvet Arena Tour in JAPAN - La Rouge"



AAA



Nissy
(Takahiro Nishijima)



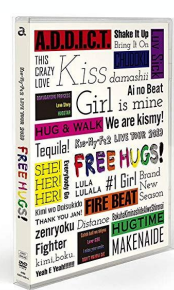
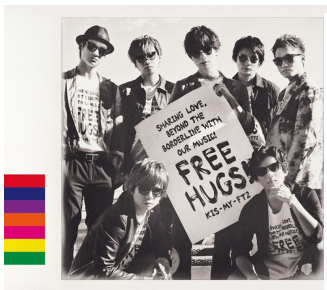
TOHOSHINKI



STAR ISLAND

Package
(Music / Anime &
Visual Content
Businesses)

Apr. 24	Kis-My-Ft2 “FREE HUGS!”CD+DVD
Apr. 26	“Zombieland Saga” SAGA.3 Blu-ray+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. 3	BiSH「CARROTS and STiCKS」CD+DVD/CD+Blu-ray
Jul. 10	Kis-My-Ft2「HANDS UP」CD+DVD
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
Oct. 16	TOHOSHINKI “XV” CD+DVD/CD+Blu-ray
Oct. 30	THE RAMPAGE from EXILE TRIBE “THE RIOT” CD+DVD/CD+Blu-ray
Nov. 13	Kis-My-Ft2 “Edge of Days” CD+DVD
Nov. 21	GENERATIONS from EXILE TRIBE “SHONEN CHRONICLE” CD+DVD/CD+Blu-ray
Dec. 11	Kis-My-Ft2 “LIVE TOUR 2019 FREE HUGS!” DVD/Blu-ray
Jan. 15, 2020	SKE48 “Sou iu toko aru yo ne?” CD+DVD
Jan. 22, 2020	Snow Man vs SixTONES “D.D. / Imitation Rain” CD+DVD
Feb. 19, 2020	AAA “AAA 15th Anniversary All Time Best -thanx AAA lot-” CD
Feb. 19, 2020	AAA “AAA 15th Anniversary All Time Music Clip Best -thanx AAA lot-” DVD/Blu-ray
Mar. 18, 2020	J SOUL BROTHERS III from EXILE TRIBE “RAISE THE FLAG” CD+DVD/CD+Blu-ray
Mar. 25, 2020	Kis-My-Ft2 “To-y2” CD+DVD
Mar. 25, 2020	AAA “AAA DOME TOUR 2019 +PLUS” 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
Nov. 7	Continuing from last year, the Future Hanabi Entertainment Firework show from Japan "STAR ISLAND" will return to Singapore for another countdown performance in 2019
	Avex Technologies Inc. acquired fuzz Inc. (a company developing cloud-based game with original game engine) as a subsidiary
	Avex Technologies Inc. acquired LIVESTAR Inc., a production company for livestreamers, as a subsidiary in order to further training of individual creators and producing popular talents
	Avex Technologies Inc. established a subsidiary Anicast RM Inc. as a joint venture with XVI Inc.
Nov. 22	Ayumi Hamasaki's Countdown Live Concert will adapt dynamic pricing system, a first for domestic musical artist in Japan
Jan. 2, 2020	"STAR ISLAND FUTURE HANABI ENTERTAINMENT SINGAPORE - COUNTDOWN EDITION 2019-2020" was held in Singapore
Feb. 4, 2020	Notice Regarding the establishment of Subsidiary (Coestation Inc.) and Conclusion of Shareholder Agreement with Toshiba Digital Solutions Corporation
Mar. 3, 2020	Release of free access to streaming of Avext Management artists' live concerts
Mar. 30, 2020	Notice of change in affiliated company accounted for by the equity method (NexTone Inc.)

Live
(Music Business)

※To be determined due to impact from measures in prevention of the Novel Coronavirus (COVID-19)

Package
(Music/Anime &
Visual Content
Business)

- Apr. 8 J SOUL BROTHERS III from EXILE TRIBE “Movin’ on” CD+DVD
- Apr. 15 GENERATIONS from EXILE TRIBE “Hira Hira” CD+DVD
- Apr. 22 THE RAMPAGE from EXILE TRIBE “INVISIBLE LOVE” CD+DVD
- May 8 Paradox Live Stage Battle “JUSTICE” CD
- May 13 Ayaka “Yuon club ~2nd grade~” CD+DVD
- Jun. 26 Fruits Basket 2nd season Vol.1 DVD/Blu-ray
- Jul. 29 Paradox Live Stage Battle “PRIDE” CD



J SOUL BROTHERS III
from EXILE TRIBE



GENERATIONS
from EXILE TRIBE



Ayaka



Paradox Live Stage Battle

Guidance Highlights for FY 2020, Ending March 2021



■FY 2020 Guidance: To be determined

As the Company is unable to perform reasonable and proper calculation of the effect from the Novel Coronavirus (COVID-19) at this point, the guidance for FY 2020 have yet to be determined.

In addition, due to measures taken in prevention of Novel Coronavirus (COVID-19), the canceling and postponing live concerts and events have affected the financial earnings results for the Company. As it is not possible to predict the timing for resuming live concerts and events at this point, the situation may further affect the Company's financial earnings results.

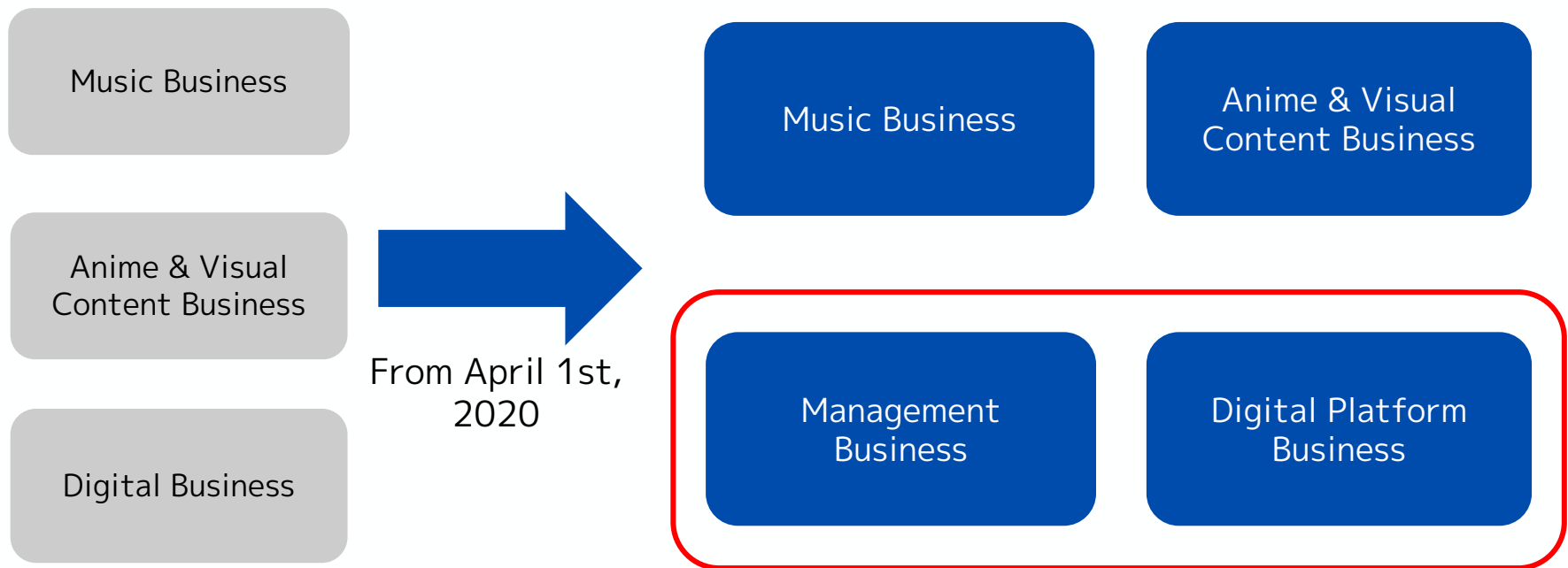
The guidance will be promptly announced as soon as the information becomes available.

■FY 2020 Dividend Guidance: To be determined

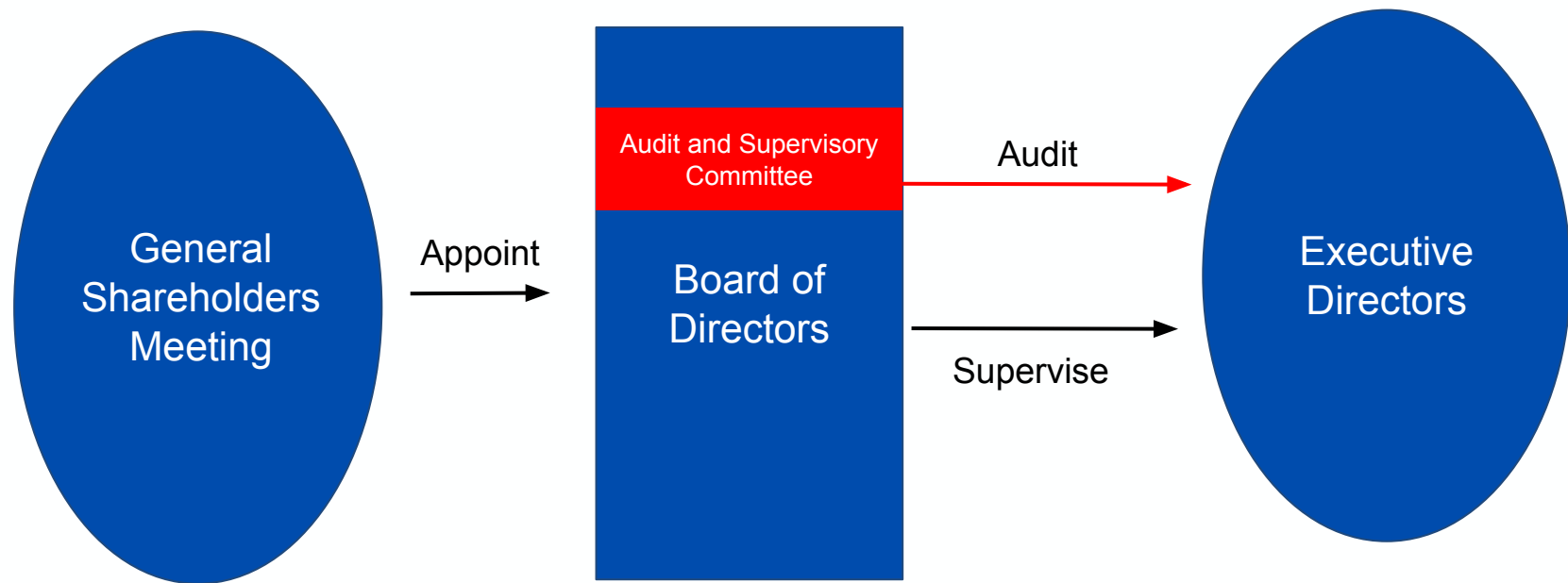
The guidance will be promptly announced as soon as the information becomes available. Although the Company has a Dividend Policy, there is a possibility of the policy not applying due to effect from the Company's financial earning results and financial situation.

From April, 2020, the Company's business segments will be changed to Music Business, Management Business, Anime & Visual Content Business and Digital Platform Business.

Digital Platform Business (E-Commerce, Fan Club, Ticketing) from Music Business will be merged with Digital Business and regrouped into Digital Platform Business Segment. The Company aims to exert in the Group's synergy potential.



In a new commitment to strengthening the company's corporate governance, Avex will shift from a Company with a Board of Auditors to a Company with an Audit and Supervisory Committee.



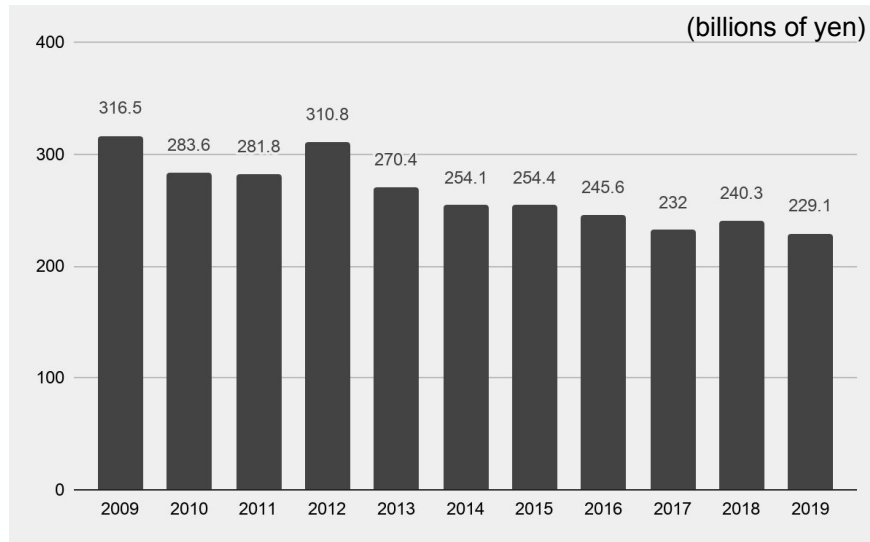
In principle, one third of the Board of Directors will be comprised of independent Outside Directors.

The measures above will take effect upon final approval from Shareholders in the 33rd General Shareholders Meetings to be held in June, 2020.

Market Data



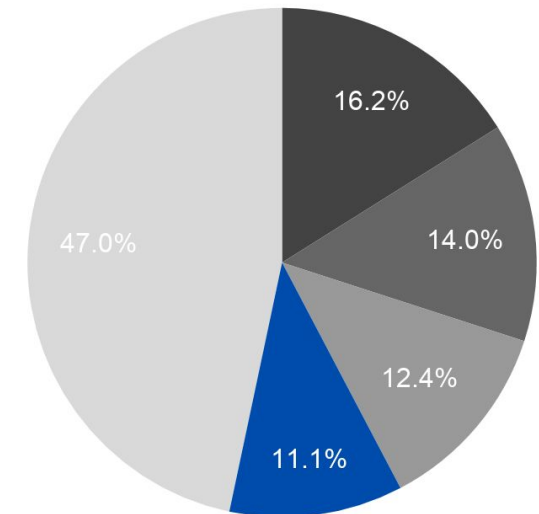
■ **Music Package Market** Music Package Production on a declining trend (YoY 95%)



(source: Recording Industry Association of Japan)

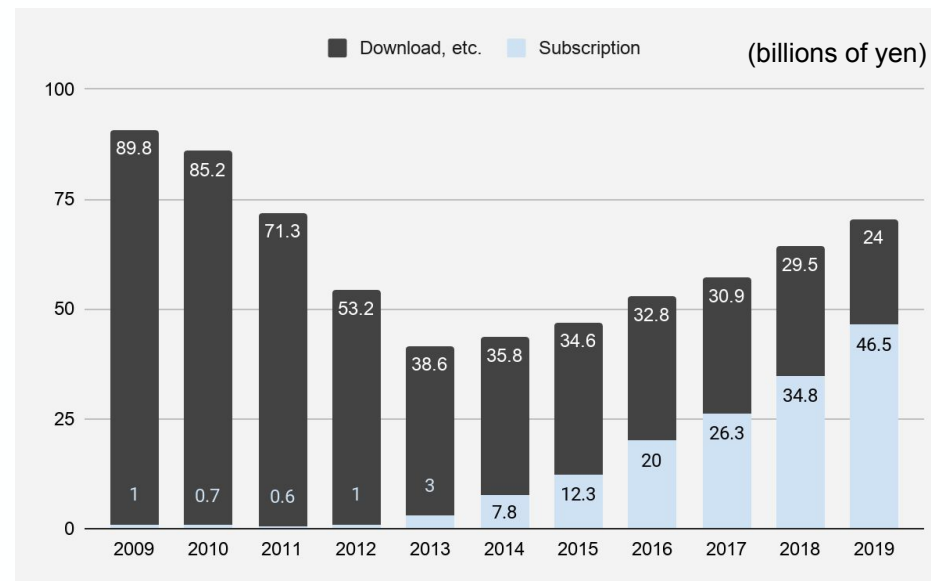
■ **2019 Music Software Market share by Label**

- Sony Music Entertainment
- Universal Music
- J Storm
- Avex
- Others



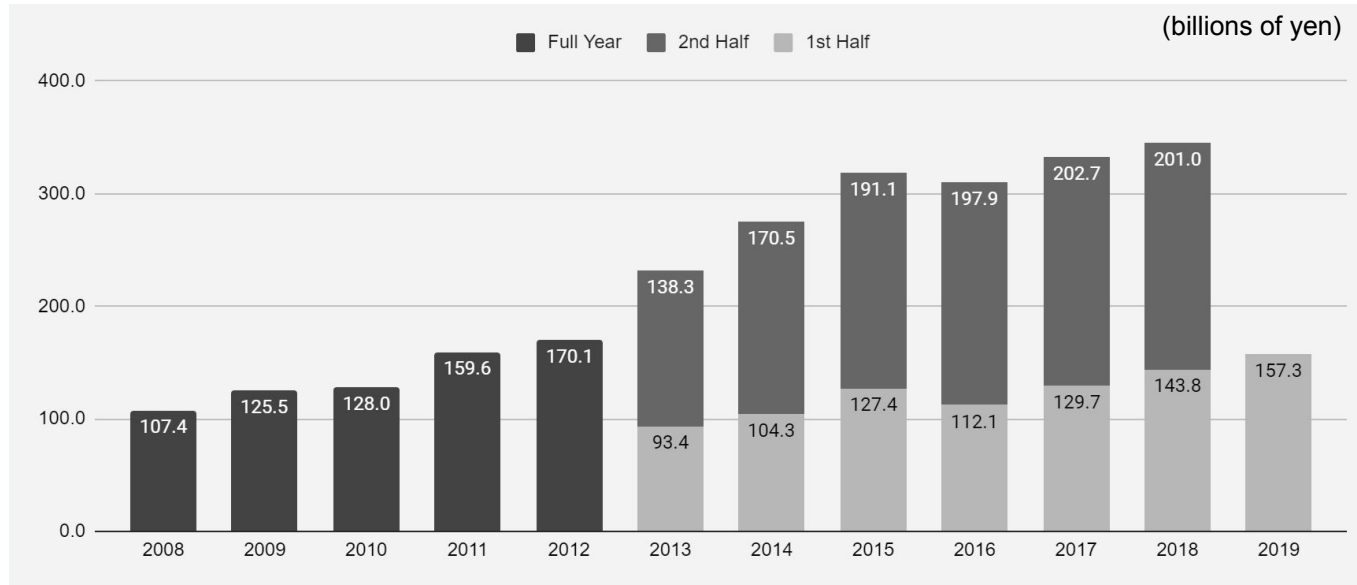
(source: Oricon)

■ **Digital Music Market** Subscription Services are contributing to market recovery (YoY 109%)



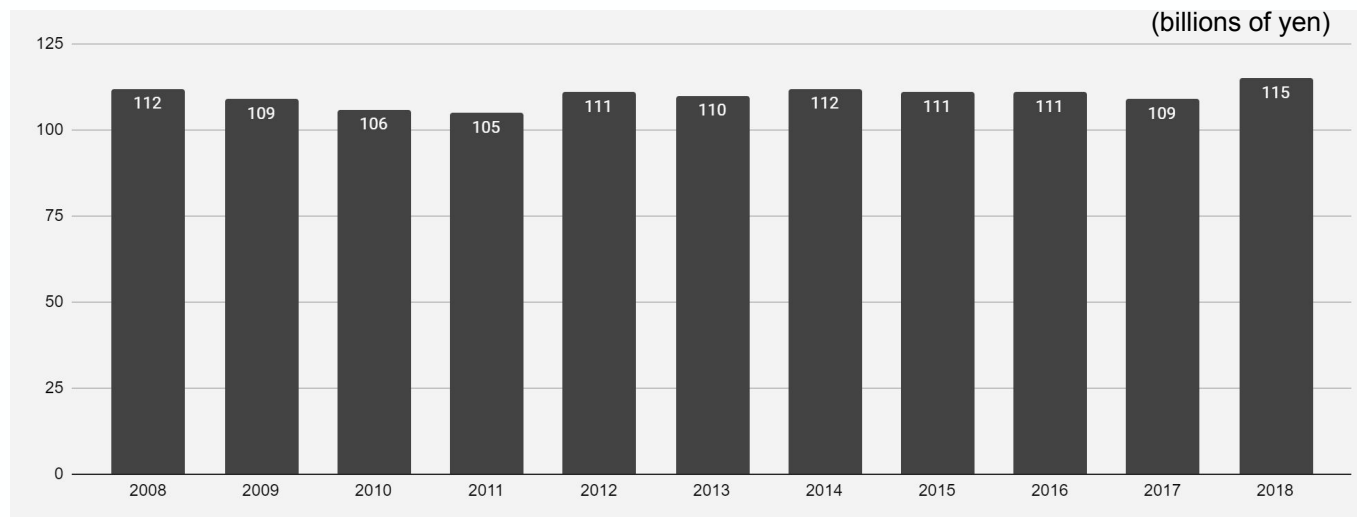
(source: Recording Industry Association of Japan)

■Live Concert Market Continuing increase (YoY109%)



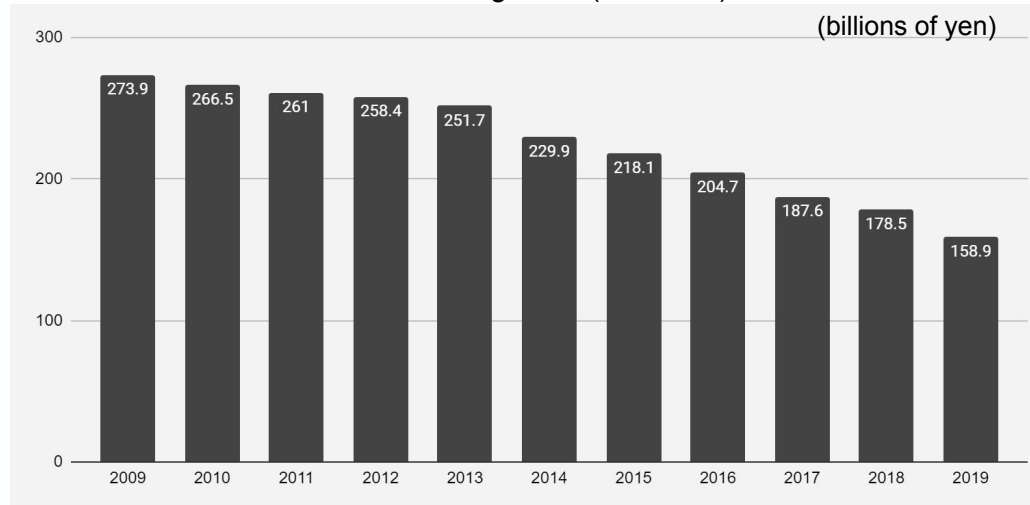
(source: ACPC)

■JASRAC Copyright Royalties collected Stable over the past years at about 110 billion yen



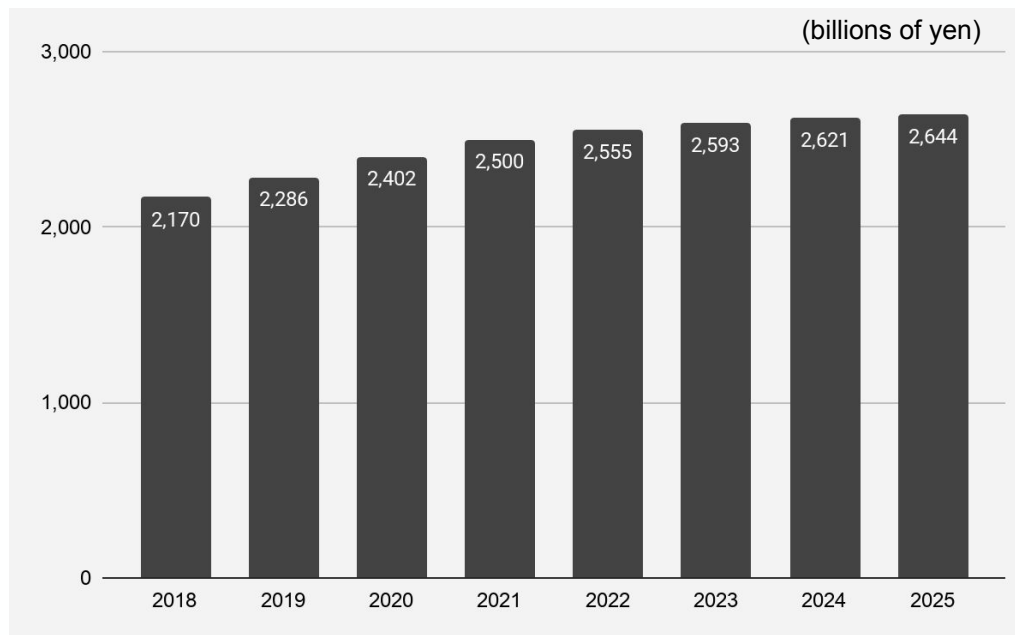
(source: JASRAC)

■Video Software Market on a declining trend (YoY 89%)



(source: Japan Video Software Association)

■Domestic Digital Video Distribution Market Forecast on a growing trend (YoY105%)



(source: Nomura Research Institute, Ltd.)

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.

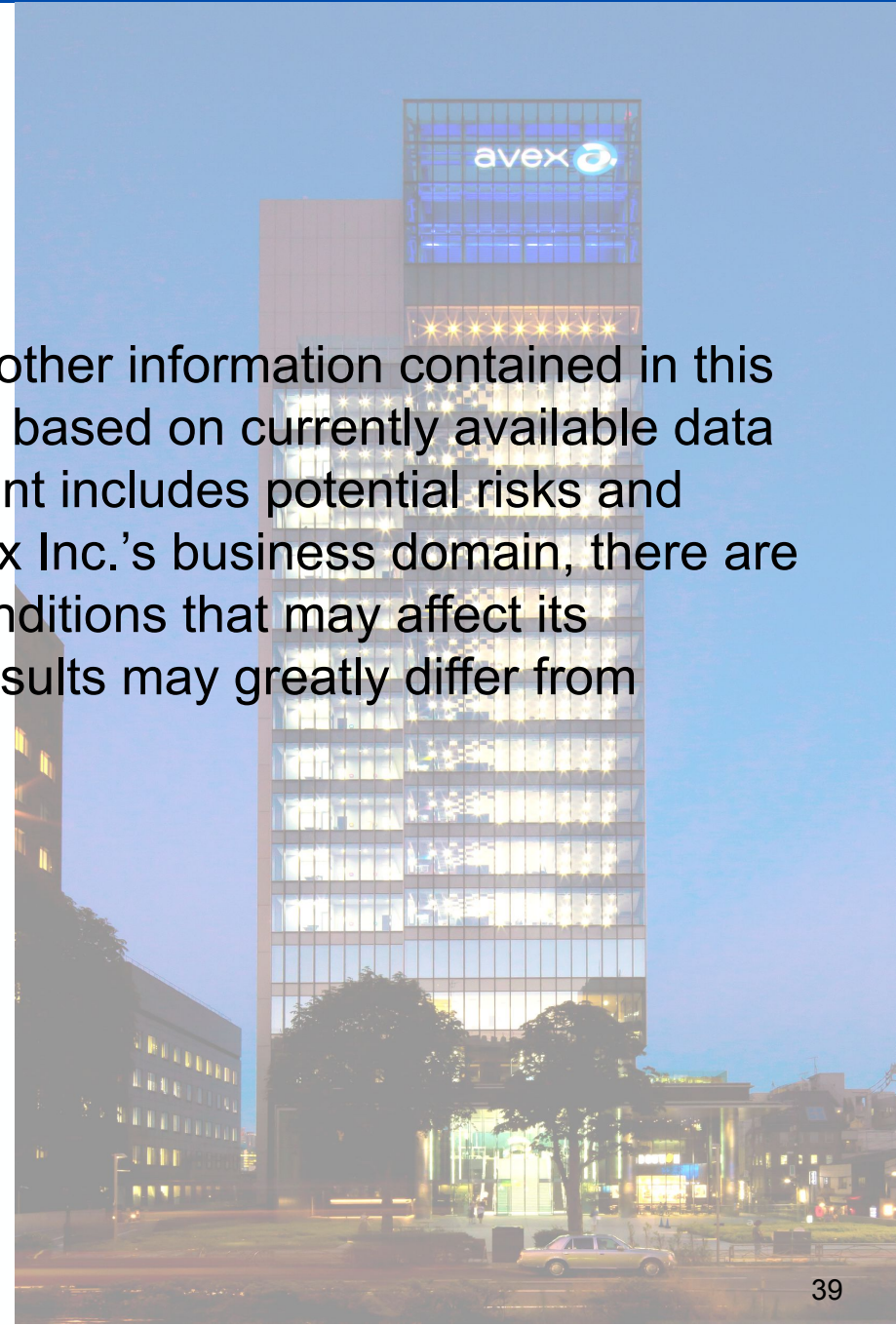
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Really! Mad+Pure