

Really! Mad+Pure

Avex Inc.
Earnings Results for FY 2021 Q2
(Fiscal year ending March 31st, 2022)

November 4th, 2021



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Financial Highlights

Net sales and Operating income increased primarily due to the reduced impact from COVID-19, contributing to an increase in sales from Music Business

(billions of yen)

	FY 2020 Q2	FY 2021 Q2	YoY	rate
Net Sales	34.2	46.3	+12.0	+35.1%
Operating Income	-2.2	2.6	+4.8	—
Net Income Attributable to Owners of Parent	-3.2	1.6	+4.9	—

Net Sales increased by 12.0 billion yen (35.1%) primarily due to increase in number of sales in Music Packages and sales from Live Concerts/Events for Music Business

Net Sales by Segment				
	(billions of yen)			
	FY 2020 Q2	FY 2021 Q2	YoY	rate
Music	18.3	31.7	+13.3	+72.3%
Anime & Visual Content	4.8	4.8	-0.0	-0.7%
Digital Platform	11.9	11.7	-0.1	-1.6%
Others	2.7	3.9	+1.2	+44.6%
Adjustment	-3.6	-5.9	-2.2	—
Total	34.2	46.3	+12.0	+35.1%

Operating Income increased significantly primarily due to an increase in the number of sales in Music Packages for Music Business and an improvement of profit margin

Operating Income by Segment				
	(billions of yen)			
	FY 2020 Q2	FY 2021 Q2	YoY	rate
Music	-1.6	3.8	+5.4	—
Anime & Visual Content	0.1	0.5	+0.3	+268.9%
Digital Platform	0.3	-0.5	-0.9	—
Others	-1.0	-1.2	-0.1	—
Adjustment	-0.0	0.0	+0.0	—
Total	-2.2	2.6	+4.8	—

Net Income Attributable to Owners of Parent increased significantly due to increase in Operating Income and a decrease of extraordinary loss resulted from the impact of COVID-19

Net Income Attributable to Owners of Parent				(billions of yen)
	FY 2020 Q2	FY 2021 Q2	YoY	rate
Net Income Attributable to Owners of Parent	-3.2	1.6	+4.9	—

Consolidated Results

(millions of yen)

	FY 2020 Q2	FY 2021 Q2	YoY	rate
Net Sales	34,279	46,304	+12,025	+35.1%
Cost of Sales	23,060	28,797	+5,736	
Gross Profit	11,218	17,507	+6,288	+56.1%
Gross Profit Margin	32.7%	37.8%	+5.1pt	
Personnel Expenses	5,360	5,646	+285	
Sales promotion & Advertising Expenses	2,330	2,989	+658	
General Expenses	5,756	6,236	+480	
Total SG&A Expenses	13,447	14,872	+1,424	
Operating Income	-2,229	2,634	+4,864	—
Operating Margin	—	5.7%	—	
Non-operating Income	52	93	+41	
Non-operating Expenses	380	105	-275	
Ordinary Income	-2,557	2,623	+5,180	—
Extraordinary Income	263	145	-117	
Extraordinary Loss	826	231	-594	
Income before Income Taxes	-3,120	2,536	+5,657	—
Total Income and Other Taxes	-210	815	+1,026	
Net Income Attributable to Non-controlling Interest	379	108	-270	
Net Income Attributable to Owners of Parent	-3,289	1,612	+4,901	—

(millions of yen)

	March 31st, 2021	September 30th, 2021			March 31st, 2021	September 30th, 2021
Current Assets	84,716	74,484		Current Liabilities	45,138	31,956
Cash and Deposits	52,654	42,967		Notes & Accounts Payable-trade, etc.	1,457	2,071
Trade Accounts Receivable, etc.	14,120	14,868		Accounts Payable- Other	18,341	12,423
Inventories	6,318	5,629		Provision for Sales Return	2,892	2,787
Others	11,622	11,018		Others	22,446	14,674
Noncurrent Assets	20,389	19,954		Noncurrent Liabilities	1,626	1,561
Tangible & Intangible Assets	6,974	6,960		Total Liabilities	46,765	33,518
Investment, etc.	13,414	12,994				
Investment Securities	7,143	6,823				
Others	6,270	6,170		Total Net Assets	58,339	60,920
Total Assets	105,105	94,438		Total Liabilities & Net Assets	105,105	94,438

(millions of yen)

		FY 2020 Q2	FY 2021 Q2	YoY
	Net Cash provided by Operating Activities	-4,998	-8,333	-3,335
	Net Cash provided by Investing Activities	-1,362	-2,218	-855
	Net Cash provided by Financing Activities	6,857	837	-6,020
Consolidated Cash Flow		496	-9,715	-10,211
Effect of exchange rate change on cash and cash equivalents		-5	28	+33
Net increase in cash and cash equivalents		490	-9,687	-10,177
Cash and cash equivalents at beginning of period		17,956	52,654	+34,698
Cash and cash equivalents at end of period		18,447	42,967	+24,520

Results by Segment: Music Business

Net Sales and Operating Income both increased primarily due to increase in number of sales of Music Package and sales in Live Concerts/Events

(millions of yen)

	FY 2020 Q2	FY 2021 Q2	YoY	rate
Net Sales	18,393	31,700	+13,306	+72.3%
Cost of Sales	12,511	19,620	+7,108	
Gross Profit	5,881	12,080	+6,198	+105.4%
Gross Profit Margin	32.0%	38.1%	+6.1pt	
Personnel Expenses	2,280	2,541	+261	
Sales Promotion & Advertising Expenses	1,617	1,545	-72	
General Expenses	1,642	2,008	+365	
GMF*	2,024	2,172	+148	
Total SG&A Expenses	7,565	8,268	+703	
Operating Income	-1,683	3,811	+5,494	—
Operating Margin	—	12.0%	—	

(millions of yen)

Net Sales by Sub-Segment

	FY 2020 Q2	FY 2021 Q2	YoY	rate
Live	1,393	4,899	+3,505	+251.6%
Merchandising	954	892	-62	-6.5%
Management	2,876	3,181	+304	+10.6%
Music Package	5,221	12,483	+7,262	+139.1%
Digital Music Distribution	5,408	5,927	+519	+9.6%
Music Publishing	1,480	1,947	+466	+31.5%
Others	1,343	2,777	+1,434	+106.8%

Results by Segment: Anime & Visual Content Business

Operating Income increased due to an improvement of profit margin in Anime & Visual Content Package

(millions of yen)

	FY 2020 Q2	FY 2021 Q2	YoY	rate
Net Sales	4,864	4,831	-32	-0.7%
Cost of Sales	3,310	2,937	-372	
Gross Profit	1,553	1,894	+340	+21.9%
Gross Profit Margin	31.9%	39.2%	+7.3pt	
Personnel Expenses	425	466	+41	
Sales Promotion & Advertising Expenses	304	300	-4	
General Expenses	233	219	-13	
GMF*	441	360	-81	
Total SG&A Expenses	1,405	1,346	-58	
Operating Income	148	547	+399	+268.9%
Operating Margin	3.1%	11.3%	+8.2pt	

Results by Segment: Digital Platform Business

Operating Income decreased due to increase in Cost for Content and Sales Promotion & Advertising Expenses for Digital Streaming

(millions of yen)

	FY 2020 Q2	FY 2021 Q2	YoY	rate
Net Sales	11,900	11,710	-189	-1.6%
Cost of Sales	8,594	9,060	+465	
Gross Profit	3,305	2,650	-654	-19.8%
Gross Profit Margin	27.8%	22.6%	-5.2pt	
Personnel Expenses	726	644	-82	
Sales Promotion & Advertising Expenses	343	1,020	+677	
General Expenses	915	826	-88	
GMF*	941	681	-259	
Total SG&A Expenses	2,926	3,173	+246	
Operating Income	379	-522	-901	—
Operating Margin	3.2%	—	—	

*GMF=Group Management Fee

Net Sales by Sub-Segment

(millions of yen)

	FY 2020 Q2	FY 2021 Q2	YoY	rate
Digital Streaming	6,212	5,713	-498	-8.0%
E-Commerce	3,418	4,403	+985	+28.8%
Fan Club	1,956	981	-974	-49.8%
Others	419	775	+355	+84.7%

Results by Segment: Other Businesses

Net Sales increased primarily due to increase in sales related to sales from Oversea Business and sales related to management of Virtual Artist and Live-Streamers

(millions of yen)

	FY 2020 Q2	FY 2021 Q2	YoY	rate
Net Sales	2,757	3,987	+1,229	+44.6%
Cost of Sales	1,673	2,876	+1,203	
Gross Profit	1,084	1,110	+26	+2.4%
Gross Profit Margin	39.3%	27.9%	-11.4pt	
Personnel Expenses	825	916	+90	
Sales Promotion & Advertising Expenses	108	215	+107	
General Expenses	702	674	-27	
GMF*	519	513	-6	
Total SG&A Expenses	2,156	2,320	+164	
Operating Income	-1,071	-1,210	-138	—
Operating Margin	—	—	—	

Regarding the FY 2021 Consolidated Financial Forecast

The consolidated financial forecast will be revised as below
in consideration of positive earnings reports
in the first half of the fiscal year.

	Operating Income	Net Income attributable to owners of parent	Profit attributable to owners of parent
	million Yen	million yen	yen, 1/100 of yen
Previously Announced Forecast	1,000	0	0.00
Revised Forecast	3,000	1,800	40.65
【Reference】 Previous FY Results (FY2020)	-6,278	12,831	298.11

~Dividend Forecast~

- Dividend policy will not change due to the change in consolidated earnings guidance.
- Interim dividend 25 yen/ share Year-end dividend 25 yen/ share Total: 50 yen/ share

※Interim dividend will be distributed in December, according to the Shareholder Registry as of September 30th.

【Reference】 Highlights of FY 2021 Q2 and from FY 2021 Q3

Major
Press
Release
s

- Apr. 16 Avex Technologies Inc. formally enters the NFT business market in business protecting IP holder’s copyrights and digital content

- May 27 Announcement of disposal of treasury stock by allotment to a third-party and the change in the principal stockholder

- Jun. 1 Avex Artist Academy aims to be the school in producing elite talents and creating the next-generation stars and hit contents

- Jun. 11 Avex Becomes World's First Company to Sign a License Agreement for a Digital Album with Internationally Renowned Music Producer/Artist Marshmello

- Jun. 14 Announcement of finalization of payment in disposal of treasury stock by allotment to a third-party

- Jun. 25 Announcement of Headquarters Relocation

- Jul. 2 “avex ROYALBRATS”, managed by Avex, is crowned as the first champion in the Profession Dance League in Japan “D.LEAGUE”

- Jul. 2 AAA Dome Tour’s postponed dates announced (from Nov., 2021)

- Aug. 6 Establishment of new subsidiary “Virtual Avex Inc.”

- Aug. 31 The first special event, lighting up Tokyo Skytree® with gold color, for World Childhood Cancer Awareness Campaign “Global Gold September Campaign supported by Dai-ichi Life Insurance” was held on September 9th, 2021. The event was first in Japan and streamed live for free online without an audience.

Package

Music Business

Single	Snow Man	“HELLO HELLO” <July>
	SKE48	“Ano koro no kimi wo mitsuketa” <September>
	Kis-My-Ft2	“Fear / SO BLUE” <September>
Album	Kis-My-Ft2	“BEST of Kis-My-Ft2” <August>
	V6	“STEP” <September>
	Snow Man	“Snow Mania S1” <September>
DVD/Blu-ray	Starring Snow Man	“Takizawa Kabuki ZERO 2020 The Movie” <April>

Anime & Visual Content Business

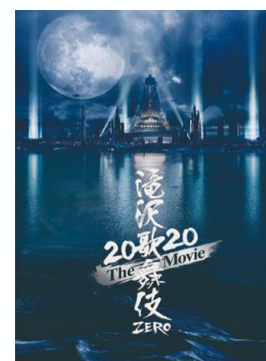
DVD/Blu-ray	“Zombieland Saga Revenge SAGA.1-3” <June~August>
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Kis-My-Ft2



Snow Man



“Takizawa Kabuki ZERO 2020 The Movie”starring Snow Man



©ゾンビランドサガ リベンジ製作委員会
Zombieland Saga
Revenge

Music Business

Live /
Event

Apr.~	SHINJIRO ATAE	“ATAE SHINJIRO TALK SHOW 2021” *Live
Apr.~	SKE48	“Watashi no kizashi, Minna no kizashi ~Akanemachuri da!” *Live/Online “Sotsugyou dayo! Zeninshugo! ~Let’s sing!~” *Live/Online “Matsui Jurina Sotsugyou Concert @ Nihon Gaishi Hall ~Jurina sotsugyou de nanikaga okoru!?” *Live/Online
Apr.~	MISAKO UNO	“UNO MISAKO Live Tour 2021 ‘Sweet Hug’” *Live
Jun.~	Theater	“Kuso kagaku geki ‘Kappa’ ~ Akutagawa Ryunosuke ‘Kappa’ yori~” *Live
Jun.~	Theater	“Musical ‘SUPERHEROISM’” *Live
Jun.~	Da-iCE	“Da-iCE ARENA TOUR 2021 -SiX-” *Live/Online
Jul.~	EXO	“EXO FILMLIVE JAPAN TOUR - EXO PLANET 2021 -” *Film Concert
Sept.~	Da-iCE	“Da-iCE a-i contact TOUR 2021 -revenge-” *Live/Online (the final show only)
Sept.~	SHINJIRO ATAE	“SHINJIRO ATAE ARENA TOUR -THIS IS WHERE WE PROMISE-” *Live



SHINJIRO ATAE



MISAKO UNO



Da-iCE



EXO

Major
Press
Release
s

- Oct. 6 Achieves Avex Group's First In-house Production Muv-Luv, one of the world's most beloved series
The latest titles of both TV anime and games will be launched simultaneously worldwide
- Nov. 4 Notice of Selection of “Prime Market” in Tokyo Stock Exchange New Market Segments

~Regarding to selection of “Prime Market” in Tokyo Stock Exchange New Market Segments~

Avex has submitted the application for selection of “Prime Market” in Tokyo Stock Exchange new market segments.

Furthermore, Avex has received the results of its initial assessment from the Tokyo Stock Exchange on July 9th, 2021, confirming that Avex fulfilled the requirements for the “Prime Market” in the new market segments.

Music Business

Live /
Event

- Oct.~ Ayumi Hamasaki “ayumi hamasaki ASIA TOUR 2021-2022 A(logo) ~23rd Monster~”
*Live
- Nov.~ AAA “AAA DOME TOUR 15th ANNIVERSARY
-thanx AAA lot- (AAA DOME TOUR 2020) ” *Live

※In accordance to prevention measures against COVID-19, live concerts and events may be canceled or postponed.



Ayumi Hamasaki



AAA

Package

Music Business

Single	J SOUL BROTHERS III from EXILE TRIBE	“JSB IN BLACK” <October>
	BE:FIRST	“Gifted.” <November>
Album	V6	“Very6 BEST” <October>
	J SOUL BROTHERS III from EXILE TRIBE	“BEST BROTHERS / THIS IS JSB” <November>
	Ketsumeishi	“Ketsunopolis 12” <December>
DVD/Blu-ray	Kis-My-Ft2	“LIVE TOUR 2021 HOME” <December>

Anime & Visual Content Business

DVD/Blu-ray	“Osomatsu-san Special Event Festival Matsu-san '21” <December>
	“The Night Beyond the Tricornered Window 1” <December>



BE:FIRST



V6



Kis-My-Ft2



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Osomatsu-san Special Event
Festival Matsu-san '21

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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