

Really! Mad+Pure

Avex Inc.
Earnings Results for FY 2021 Q3
(Fiscal year ending March 31st, 2022)

February 10th, 2022



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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 Q3	FY 2021 Q3	YoY	rate
Net Sales	54.7	76.0	+21.3	+39.0%
Operating Income	-3.6	3.9	+7.5	—
Net Income Attributable to Owners of Parent	-4.2	2.4	+6.6	—

Net Sales increased by 21.3 billion yen (39.0%) YoY primarily due to increase in number of sales in Music Packages and sales from Live Concerts for Music Business

Net Sales by Segment				
	FY 2020 Q3	FY 2021 Q3	YoY	rate
Music	32.0	53.8	+21.7	+68.0%
Anime & Visual Content	8.2	7.0	-1.2	-15.3%
Digital Platform	18.5	20.9	+2.4	+13.1%
Others	4.3	6.3	+1.9	+44.8%
Adjustment	-8.4	-12.0	-3.5	—
Total	54.7	76.0	+21.3	+39.0%

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

Operating Income by Segment				
	FY 2020 Q3	FY 2021 Q3	YoY	(billions of yen) rate
Music	-2.3	5.1	+7.5	—
Anime & Visual Content	0.1	0.8	+0.7	+424.7%
Digital Platform	0.2	-0.1	-0.3	—
Others	-1.5	-1.9	-0.3	—
Adjustment	-0.0	0.0	+0.0	—
Total	-3.6	3.9	+7.5	—

Net Income Attributable to Owners of Parent increased significantly due to increase in Operating Income

Net Income Attributable to Owners of Parent				(billions of yen)
	FY 2020 Q3	FY 2021 Q3	YoY	rate
Net Income Attributable to Owners of Parent	-4.2	2.4	+6.6	—

Consolidated Results

(millions of yen)

	FY 2020 Q3	FY 2021 Q3	YoY	rate
Net Sales	54,707	76,032	+21,325	+39.0%
Cost of Sales	37,368	48,392	+11,024	
Gross Profit	17,339	27,640	+10,300	+59.4%
Gross Profit Margin	31.7%	36.4%	+4.7pt	
Personnel Expenses	8,047	8,516	+469	
Sales promotion & Advertising Expenses	4,099	5,136	+1,036	
General Expenses	8,803	10,060	+1,256	
Total SG&A Expenses	20,950	23,713	+2,763	
Operating Income	-3,610	3,926	+7,537	—
Operating Margin	—	5.2%	—	
Non-operating Income	257	181	-76	
Non-operating Expenses	462	95	-366	
Ordinary Income	-3,815	4,012	+7,828	—
Extraordinary Income	2,578	230	-2,348	
Extraordinary Loss	2,937	248	-2,689	
Income before Income Taxes	-4,175	3,994	+8,169	—
Total Income and Other Taxes	-358	1,404	+1,762	
Net Income Attributable to Non-controlling Interest	467	182	-285	
Net Income Attributable to Owners of Parent	-4,284	2,407	+6,691	—

(millions of yen)

	March 31st, 2021	December 31st, 2021		March 31st, 2021	December 31st, 2021
Current Assets	84,716	80,095	Current Liabilities	45,138	38,439
Cash and Deposits	52,654	42,947	Notes & Accounts Payable-trade, etc.	1,457	1,995
Trade Accounts Receivable, etc.	14,120	19,252	Accounts Payable-Other	18,341	19,062
Inventories	6,318	5,589	Provision for Sales Return	2,892	2,688
Others	11,622	12,306	Others	22,446	14,692
Noncurrent Assets	20,389	23,911	Noncurrent Liabilities	1,626	2,259
Tangible & Intangible Assets	6,974	7,545	Total Liabilities	46,765	40,698
Investment, etc.	13,414	16,365			
Investment Securities	7,143	10,738			
Others	6,270	5,627	Total Net Assets	58,339	63,308
Total Assets	105,105	104,006	Total Liabilities & Net Assets	105,105	104,006

(millions of yen)

		FY 2020 Q3	FY 2021 Q3	YoY
	Net Cash provided by Operating Activities	-4,591	-6,192	-1,600
	Net Cash provided by Investing Activities	7,487	-3,305	-10,792
	Net Cash provided by Financing Activities	4,962	-288	-5,250
Consolidated Cash Flow		7,858	-9,786	-17,644
Effect of exchange rate change on cash and cash equivalents		-4	78	+83
Net increase in cash and cash equivalents		7,853	-9,707	-17,560
Cash and cash equivalents at beginning of period		17,956	52,654	+34,698
Cash and cash equivalents at end of period		25,809	42,947	+17,137

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

(millions of yen)

	FY 2020 Q3	FY 2021 Q3	YoY	rate
Net Sales	32,051	53,834	+21,782	+68.0%
Cost of Sales	22,622	35,282	+12,659	
Gross Profit	9,428	18,551	+9,123	+96.8%
Gross Profit Margin	29.4%	34.5%	+5.1pt	
Personnel Expenses	3,484	3,832	+347	
Sales Promotion & Advertising Expenses	2,580	2,963	+382	
General Expenses	2,628	3,293	+664	
GMF*	3,118	3,314	+196	
Total SG&A Expenses	11,811	13,403	+1,592	
Operating Income	-2,383	5,147	+7,530	—
Operating Margin	—	9.6%	—	

(millions of yen)

Net Sales by Sub-Segment

	FY 2020 Q3	FY 2021 Q3	YoY	rate
Live	3,223	11,509	+8,286	+257.1%
Merchandising	1,667	2,758	+1,091	+65.5%
Management	4,622	5,657	+1,034	+22.4%
Music Package	10,694	19,536	+8,842	+82.7%
Digital Music Distribution	8,228	8,908	+679	+8.3%
Music Publishing	2,093	2,566	+473	+22.6%
Others	2,191	3,764	+1,573	+71.8%

Results by Segment: Anime & Visual Content Business

Operating Income increased due to an improvement of profit margin in Film related Sales for Non-Package

(millions of yen)

	FY 2020 Q3	FY 2021 Q3	YoY	rate
Net Sales	8,261	7,001	-1,260	-15.3%
Cost of Sales	6,006	4,117	-1,889	
Gross Profit	2,254	2,884	+629	+27.9%
Gross Profit Margin	27.3%	41.2%	+13.9pt	
Personnel Expenses	639	709	+69	
Sales Promotion & Advertising Expenses	512	443	-69	
General Expenses	318	343	+24	
GMF*	616	512	-104	
Total SG&A Expenses	2,087	2,008	-78	
Operating Income	166	875	+708	+424.7%
Operating Margin	2.0%	12.5%	+10.5pt	

*GMF=Group Management Fee 15

Results by Segment: Digital Platform Business

Operating Income decreased due to increase in Cost for Content and Sales Promotion & Advertising Expenses for Digital Streaming, in spite of increase in sales of E-commerce

(millions of yen)

	FY 2020 Q3	FY 2021 Q3	YoY	rate
Net Sales	18,503	20,923	+2,420	+13.1%
Cost of Sales	13,441	16,141	+2,700	
Gross Profit	5,062	4,782	-280	-5.5%
Gross Profit Margin	27.4%	22.9%	-4.5pt	
Personnel Expenses	1,069	966	-102	
Sales Promotion & Advertising Expenses	901	1,478	+577	
General Expenses	1,554	1,397	-156	
GMF*	1,335	1,066	-269	
Total SG&A Expenses	4,860	4,907	+47	
Operating Income	201	-125	-327	—
Operating Margin	1.1%	—	—	

*GMF=Group Management Fee

(millions of yen)

Net Sales by Sub-Segment

	FY 2020 Q3	FY 2021 Q3	YoY	rate
Digital Streaming	9,108	8,480	-627	-6.9%
E-Commerce	6,002	9,795	+3,792	+63.2%
Fan Club	2,873	1,465	-1,407	-49.0%
Others	703	1,421	+718	+102.2%

Results by Segment: Other Businesses

Net Sales increased primarily due to increase in sales related to sales from Oversea Business and sales related to Virtual Artist, while the Operating Income decreased due to increase in cost related to Game development

(millions of yen)

	FY 2020 Q3	FY 2021 Q3	YoY	rate
Net Sales	4,351	6,302	+1,951	+44.8%
Cost of Sales	2,622	4,574	+1,952	
Gross Profit	1,728	1,727	-0	-0.1%
Gross Profit Margin	39.7%	27.4%	-12.3pt	
Personnel Expenses	1,227	1,394	+167	
Sales Promotion & Advertising Expenses	199	361	+161	
General Expenses	1,133	1,176	+43	
GMF*	759	771	+12	
Total SG&A Expenses	3,319	3,703	+384	
Operating Income	-1,591	-1,976	-385	—
Operating Margin	—	—	—	

*The FY2020 Q3 results are partially adjusted due to retrospective application with the current segment.

Regarding the FY 2021 Consolidated Financial Forecast

Although the Operating Income and Net Income attributable to owners of parents of FY 2021 Q3 Consolidated Result have surpassed the previously announced FY 2021 Forecast, a deficit is expected in FY 2021 Q4 (January~March, 2022). As a result, the full-year forecast for FY 2021 will not be revised at this

	Operating Income	Net Income attributable to owners of parent	Profit attributable to owners of parent
	million yen	million yen	yen, 1/100 of yen
FY 2021 Forecast *Announced on Nov. 4th, 2021	3,000	1,800	40.65
<Reference> FY 2021 Q3 Results	3,926	2,407	54.67

【Reference】 Highlights as of FY 2021 Q3 and from FY 2021 Q4

Major
Press
Releases

- 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. 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 Thursday, September 9th, 2021. The event was first in Japan and streamed live for free online without an audience.
- 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 Announcement of Application for Selection of Prime Market in Tokyo Stock Exchange New Market Segments

Package

Music Business

Single	Snow Man	“HELLO HELLO” <July>
	SKE48	“Ano koro no kimi wo mitsuketa” <September>
Album	BE:FIRST	“Gifted.” <November>
	Snow Man	“Secret Touch” <December>
	Kis-My-Ft2	“BEST of Kis-My-Ft2” <August>
	Snow Man	“Snow Mania S1” <September>
DVD/Blu-ray	V6	“Very6 BEST” <October>
	Starring Snow Man	“Takizawa Kabuki ZERO 2020 The Movie” <April>
	BiSH	“REBOOT BiSH” <May>
	Kis-My-Ft2	“LIVE TOUR 2021 HOME” <December>
	J SOUL BROTHERS III from EXILE TRIBE	“J SOUL BROTHERS III LIVE TOUR 2021 ‘THIS IS JSB’” <December>

Anime & Visual Content Business

DVD/Blu-ray	“Osomatsu-san Season 3, Vol. 5~Vol. 8” <April~July>
	“Zombieland Saga LIVE ~Franchouchou LIVE OF THE DEAD ‘R’~” <May>
	“Zombieland Saga Revenge SAGA.1-3” <June~August>
	“Paradox Live Dope Show-2021.3.20 LINE CUBE SHIBUYA-” <August>
	“Osomatsu-san Special Event Fes Matsu-san ‘21” <December>



Snow Man



V6



“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

Live /
Event

Music Business

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	“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
Oct.~	Ayumi Hamasaki	「ayumi hamasaki ASIA TOUR 2021-2022 A(LOGO) ~23rd Monster~」*Live
Oct.~	Theater	“Rock Reading [Robin]” *Live
Nov.~	AAA	“AAA DOME TOUR 15th ANNIVERSARY -thanx AAA lot- (AAA DOME TOUR 2020)” *Live
Dec.		“TOKYO LIGHTS” *Live



AAA



SHINJIRO ATAE



Da-iCE



EXO

Major
Press
Releases

Jan. 17 The charity live concert to brighten up young pediatric cancer patients “LIVE EMPOWER CHILDREN 2022 supported by Dai-ichi Life Insurance” with 12 artists will be streamed live for free on Tuesday February 15th, 2022.

Music Business

Live /
Event

Jan.~ Harami-chan “Nippon Budokan ~Harami-chan 947 nichime no kiseki~” *Live

Feb.~ SKY-HI “SKY-HI HALL TOUR 2022 - Hachimen Roppi -” *Live

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



SKY-HI



Harami-chan

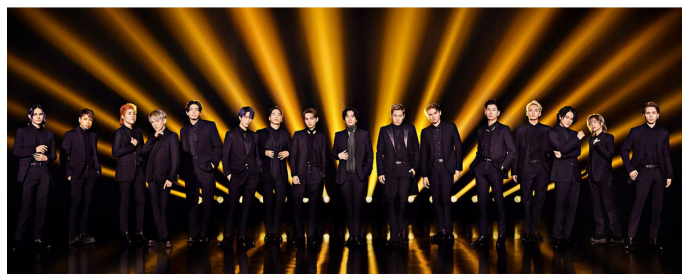
Package

Music Business		
Single	BiSH	“FiNAL SHiTS” <January>
	BiSH	“Pyo” <February>
	SKE48	“Kokoro ni Flower” <March>
Album	THE RAMPAGE from EXILE TRIBE	“RAY OF LIGHT” <January>
	TREASURE	“THE SECOND STEP : CHAPTER ONE” <March>
DVD/Blu-ray	BE:FIRST	“‘FIRST’ One Man Show -We All Gifted.-” <February>

Anime & Visual Content Business	
DVD/Blu-ray	“The Orbital Children: Part I ‘Extraterrestrial Emissaries’” (Theater Exclusive Version) <January>
	TV Anime “Muv-Luv Alternative” Blu-ray Box I / II <January, March>
	“The Orbital Children: Part II ‘A Story Begins’” (Theater Exclusive Version) <February>
	“Zombieland Saga LIVE ~Franchouchou Saga yo Tomoni Waitekure~” <February>
	“Summer Ghost” <March>



BiSH



THE RAMPAGE from EXILE TRIBE



BE:FIRST



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The Orbital Children Part I/II (Theater Exclusive Version) 28

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Really! Mad+Pure