



avex vision 2027

Avex Inc. Medium-term Management Plan (FY2023-FY2027)

TSE Prime 7860

May 12, 2022

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Profile

Company name	Avex Inc.
Established	1988
Number of group employees (as of March 31, 2022)	1,409
Market capitalization (as of April 30, 2022)	63.1 billion yen



Masato Matsuura,
Representative Director and Chairman

1988 Established the Company
 2004 Representative Director and President of the Company
 2010 Representative Director and CEO of the Company
 2018 Representative Director, Chairman and CEO of the Company
 2020 Representative Director and Chairman of the Company (to present)



Katsumi Kuroiwa,
Representative Director and CEO

2001 Joined Axev, Inc. (currently AMG*)
 2012 Representative Director and President of ALC**
 2017 Representative Director and President of AEI*** (to present)
 2018 Representative Director and COO of the Company
 2020 Representative Director and CEO of the Company (to present)



Shinji Hayashi,
Representative Director and CFO

1990 Joined the Company
 2010 Representative Director and CBO of the Company
 2017 Director and COO of the Company
 2018 Representative Director and CFO of the Company (to present)

*AMG: Avex Management Inc.
 **ALC: Avex Live Creative Inc. (currently AEI)
 ***AEI: Avex Entertainment Inc.

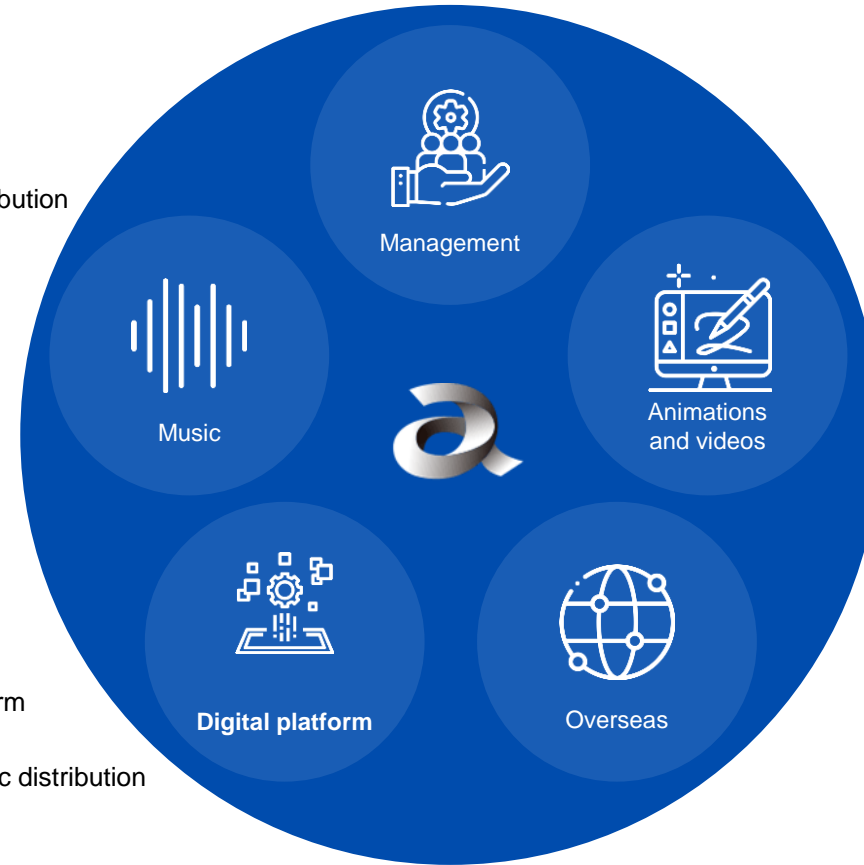
| About Avex

One of Japan's largest entertainment companies, we have many intellectual properties that enable us to achieve 360-degree monetization.

- Artists
- TV personalities
- New talent development/
school operation

- Music packages
- Digital music distribution
- Live
- Merchandising
- Copyrights management

- Fan clubs
- Ticket sales platform
- E-commerce
- Video /digital music distribution platform

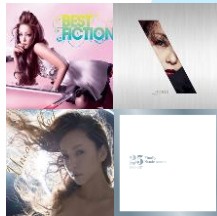


Lead our artists' works to more than just hits, namely the creation of movements and culture.

Being the first J-pop artist of Avex, TRF took music charts by storm and repeatedly recorded million-selling hits in 1994 and 1995 with their dance music, a genre that was still novel in the Japanese music industry at that time. The band created the Komuro trend.



Namie Amuro established numerous records from the late 1990s to the 2010s. She built an unshakable status as the representative diva in the Heisei era. In 2018, still at the front of music scene, she retired, and has since been greatly missed. Namie Amuro is the only artist in history to record a million-selling hit in each of four consecutive decades, spanning her teens to her 40s.



Released in 2016, the video of his song, *PPAP*, caught the attention of Justin Bieber and many other celebrated artists overseas, which helped it gain traction. He was covered by CNN, BBC and many other media outlets around the world and became very popular.

PIKOTARO was appointed by the Japanese Ministry of Foreign Affairs as SDGs Goodwill Ambassador and is active across countries and genres. He also performed in a reception at the United Nations Headquarters.



Ayumi Hamasaki produced a series of hits from 1999 to the 2000s, releasing a flurry of singles and albums and capitalizing on her thorough strategy of media exposure. She attracted huge attention from the masses with her fashion sense as well as music, becoming a hot topic with both the public and the media.

Hamasaki became the first female solo artist to sell more than 50 million units in total.

Released by J SOUL BROTHERS III from EXILE TRIBE in 2014, *R.Y.U.S.E.I.* was supported by different generations for its music quality and the performers' amazing dancing. In particular, the Running Man dance became a social phenomenon.

The band became an icon in fashion as well as in the music industry. The video for the song has been viewed more than 160 million times.



| Artists and services signed to or affiliated with Avex

Artists, TV personalities and actors of Avex



Ayumi Hamasaki



Kumi Koda



AAA



Da-iCE



Rina Kawaei



Meru Nukumi

Artists and services of Avex's labels



EXILE



Awesome City Club



Snow Man



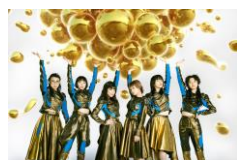
Tohoshinki



BE:FIRST



BIGBANG



BiSH



Dai Hirai



Marshmello



Daichi Miura

BIG UP!

BIG UP!

muchoo
音楽をもっとムチュエに楽しみたい

muchoo

| Representative Events / Animations and Videos / Services

Events



a-nation



RAGE



STAR ISLAND



ULTRA JAPAN



Photo: Rikimaru Hotta
Classical concerts

Animations and videos



© Zombie Land Saga Revenge
Production Committee

Zombie Land Saga
Revenge



© MITSUO ISO / avex pictures
・ The Orbital Children Production
Committee

The Orbital Children



©Kino Nani Tabeta?
Theatrical Version
Production Committee 2021
©Fumi Yoshinaga/Kodansha

The movie,
"Kino Nani Tabeta?
(What did you eat last night?)"



©Osomatsu-san
Theatrical Version
Production Committee 2022

The movie,
"Osomatsu-san"



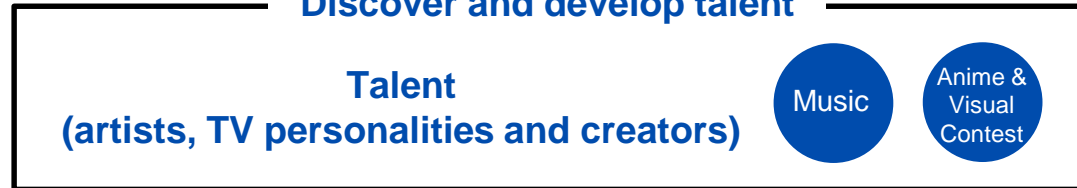
Anime Times

| Avex's Business Model

The two pillars of our business are “discovering and developing talent” (creation of intellectual property) and “spreading the excitement and experience created from the talent” (monetization).



Discover and develop talent



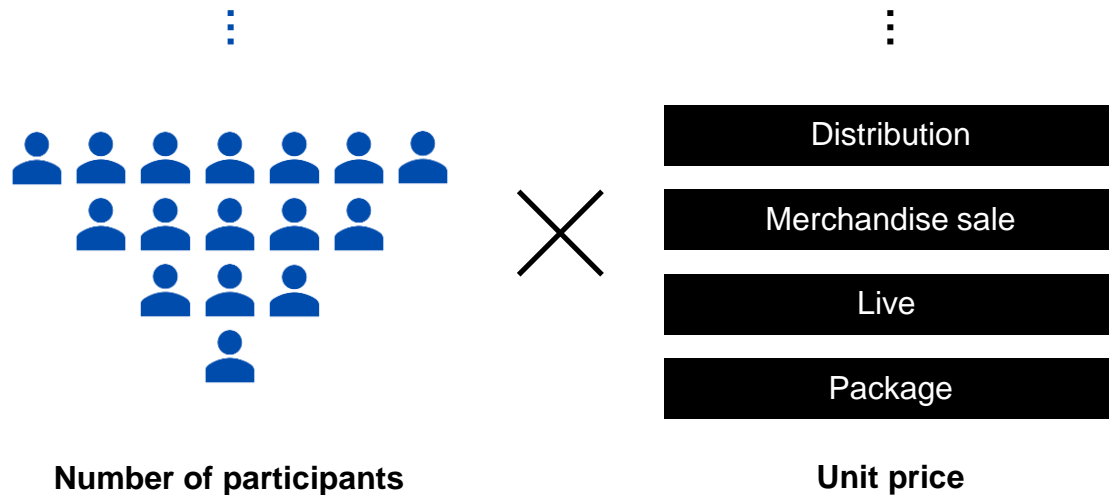
Give excitement and experience



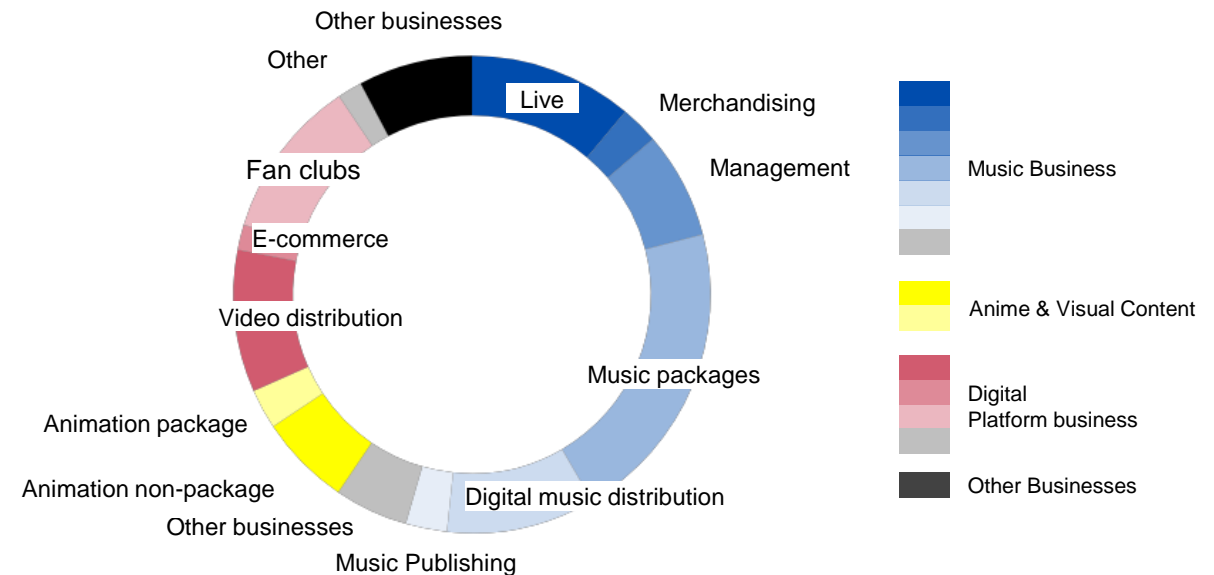
| Avex's Business Model

Monetization of an entertainment business is based on the number of participants and unit prices. Avex has many means of monetization through the know-how it has accumulated over many years.

Structure of an entertainment business



Avex has expertise in a range of means of monetization



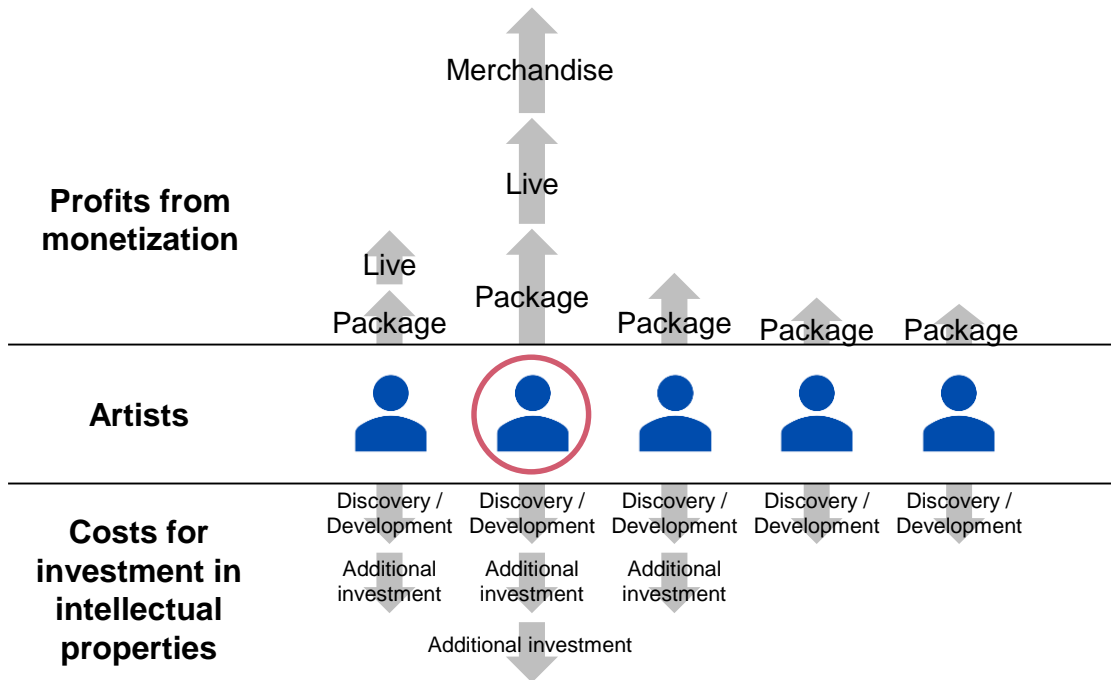
Number of participants is synonymous with the question, "How many people can you bring excitement to?"
Unit price means "the degree to which you can bring excitement to the audience."

We have numerous means of monetizing talent through the know-how we have accumulated over many years.

| Avex's Business Model

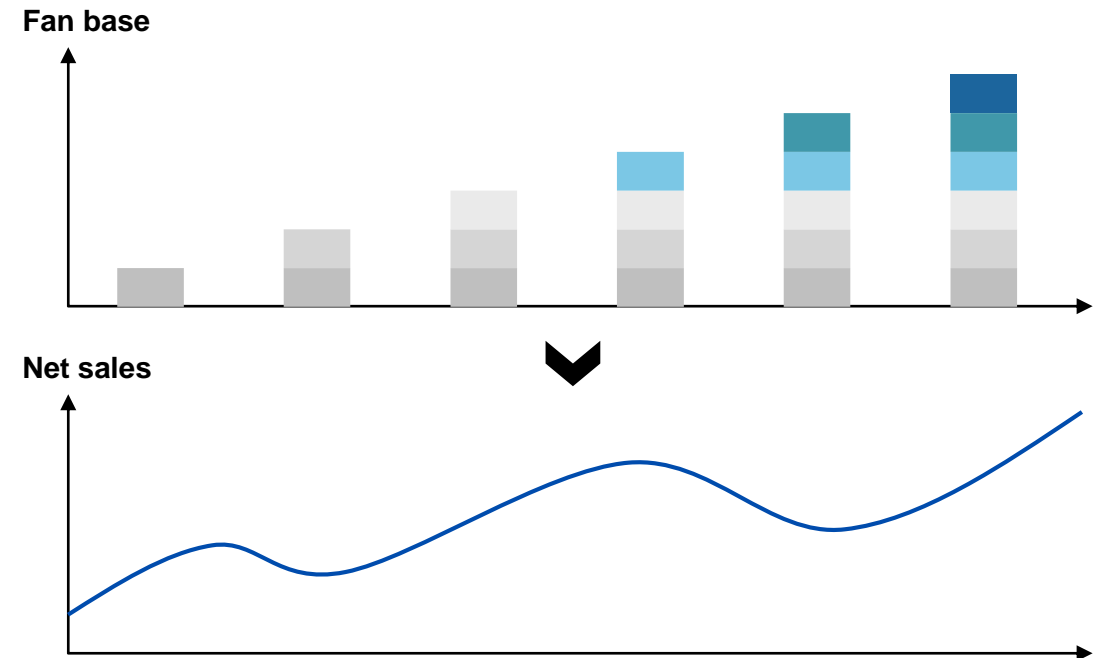
Our business model is “the business structure where large intellectual property in particular generates profits,” which is characterized by an accumulation of a fan base which leads to a stable revenue base.

Structurally, discovering and developing marketable artists and works generate large profits.



This model necessitates continuous efforts to discover and develop artists and their works. But the investment can be more than recouped by megahits from among these artists.

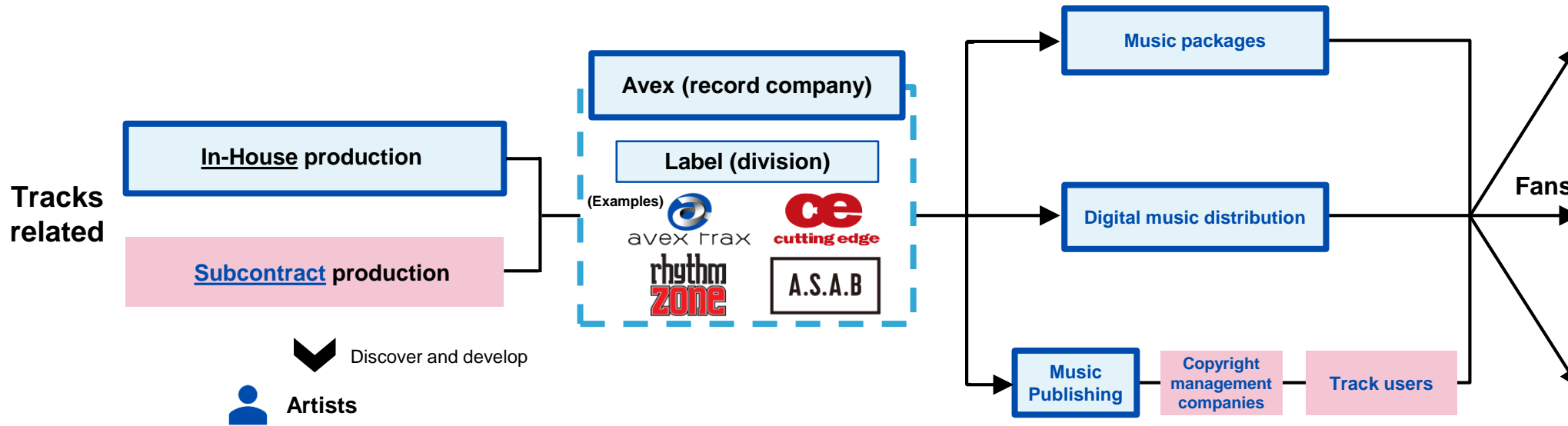
A sustained fan base provides long-term stability in our revenue base.



The scale of monetization fluctuates on a fiscal year level. However, a fan base works as the basis for long-term profitability and has stock-like characteristics of accumulation.

| Avex's Business Model

Business model deriving from music packages and tracks



Avex is involved in:

Music packages

Profits accruing from production and sale of CDs and other media based on the master licenses owned by record companies



Number of copies x Unit price

Digital Music Distribution

Distribute music on digital music distribution platforms and other media based on the master licenses owned by record companies.



Number of views x Unit price

Music Publishing

Profits accruing from music publishing rights owned by music publishers

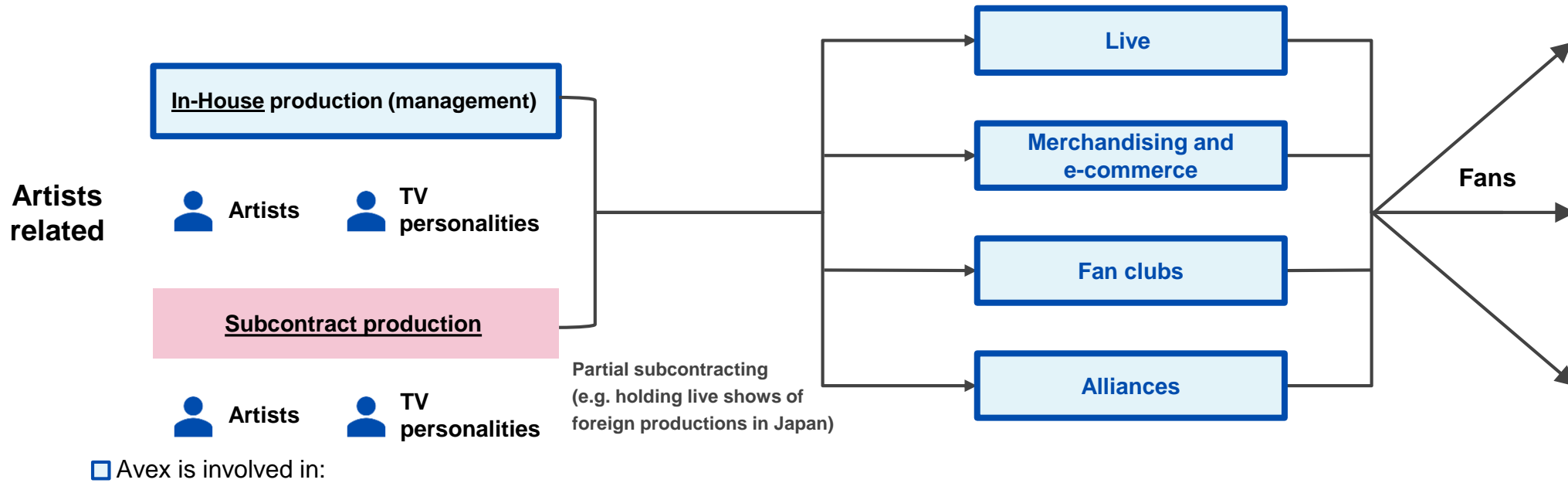


Frequency of use x Unit price



| Avex's Business Model

Business model deriving from our artists and TV personalities



Management

Royalties from monetization of our signed artists or contracted artists

Live

Holding concerts of our signed or contracted artists

Merchandising and e-commerce

Selling merchandise of our signed or contracted artists (e-commerce and concert venues)

Fan clubs

Revenue from fan clubs of our signed artists

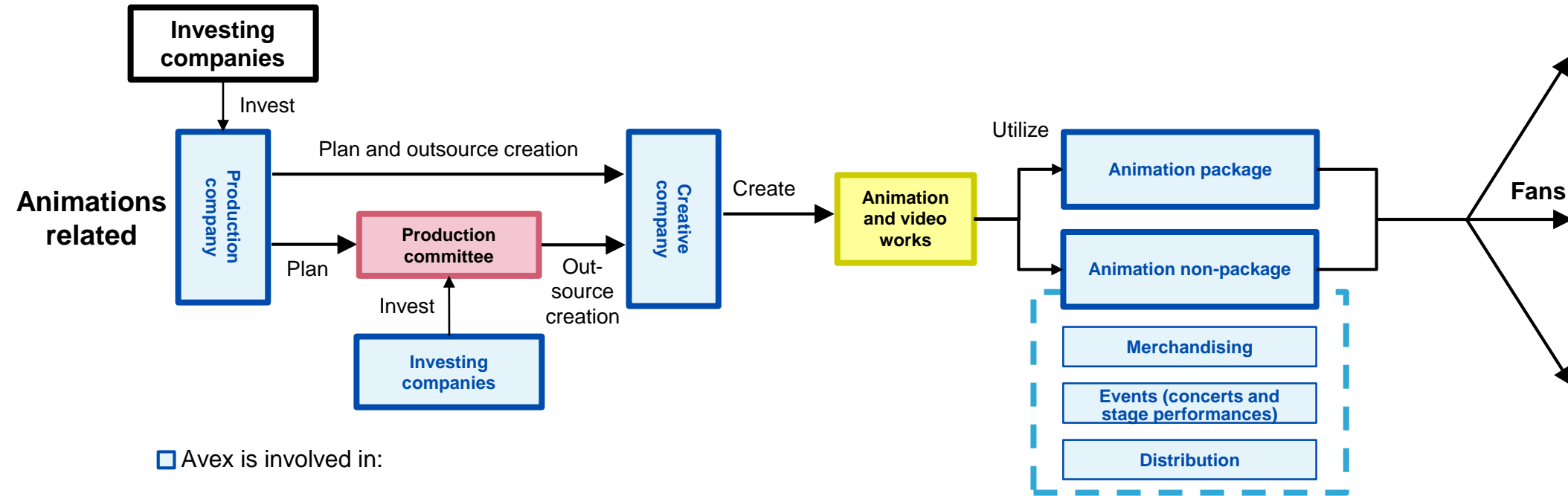
Alliances

Revenue from partnerships with other companies



| Avex's Business Model

Business model deriving from animations and videos



Animation package

- Planning and creation of animation content and sale of DVDs, Blu-ray discs, etc.



Animation non-package

- Merchandising based on animation content
- Organizing events such as concerts and stage performances
- Management of voice actors and artists
- Revenue from broadcasting rights, etc.



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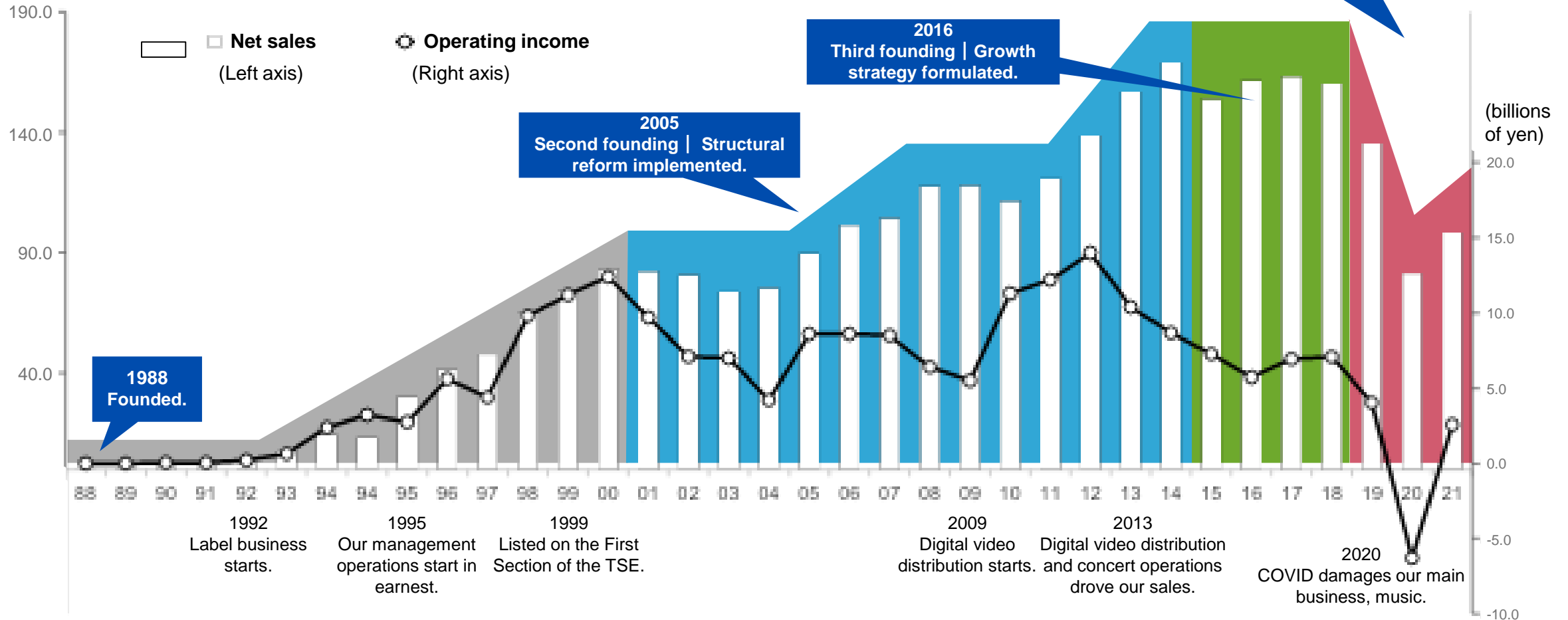
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| Performance Review - Looking at the Present from Long-term Trends in Performance -

The launch of a business in the new domain came later than expected in the former Medium-term Management Plan. Worse, our major business was damaged by COVID and consequently, in FY2020, we went into the red for the first time in our history. We are still recovering.

(billions of yen)

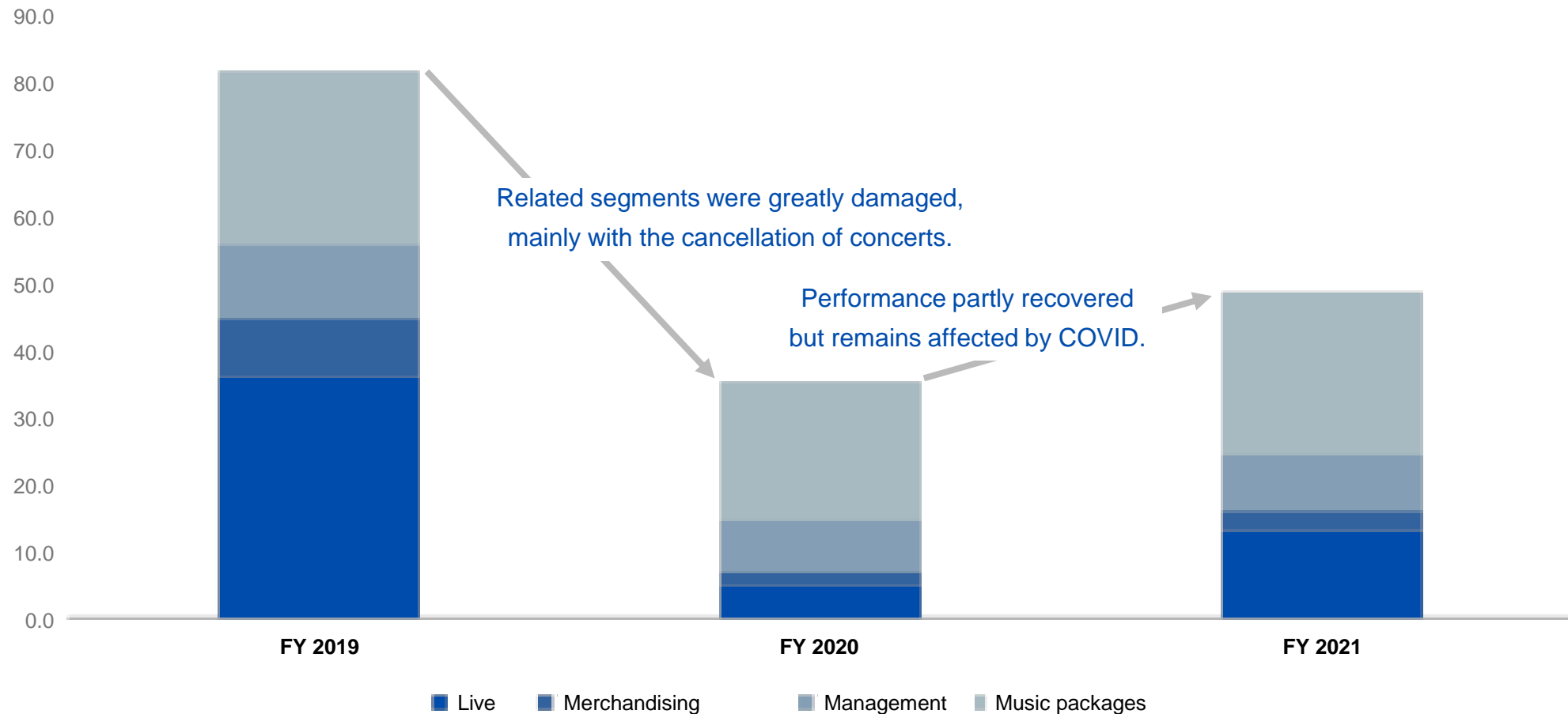


| Performance Review - Details of Impact of COVID -

The market has shrunk due to self-imposed bans on concerts and factors relating to CD releases. It has partly recovered but the impact still persists.

Trend in music sales by segment

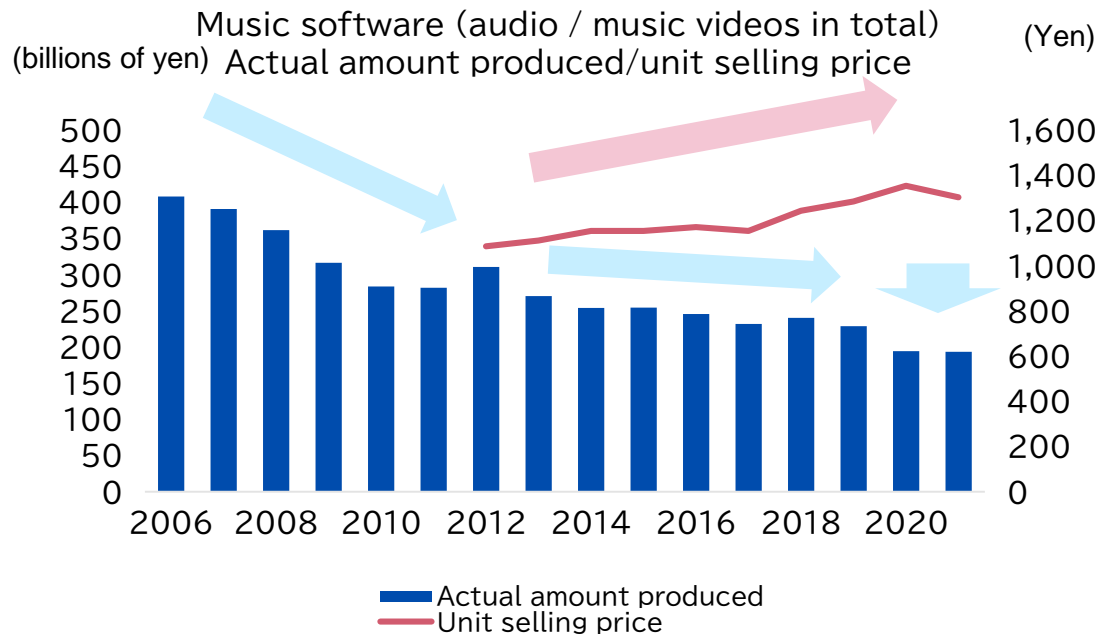
(billions of yen)



| Business Environment - Music Market in Japan -

While the domestic market of music packages is declining, the scale of the decline is mild because of the shift to high prices. Meanwhile, the domestic market for online distribution is growing.

Music package market

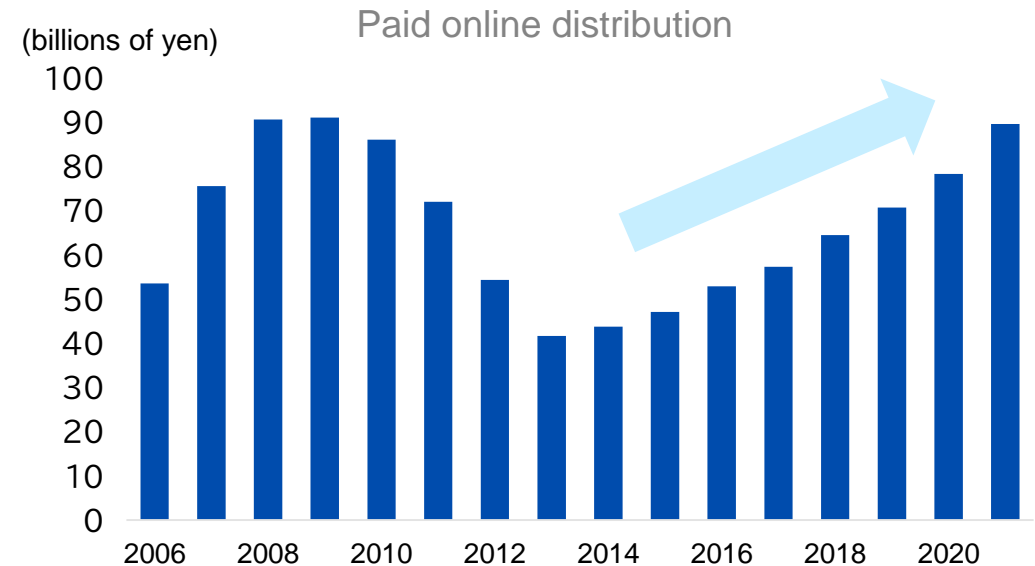


Source: The Recording Industry Association of Japan

While the domestic market of music packages is declining, we see a shift of fans' demand to video products and other products with high unit prices.

Most recently, the market has suffered from a drop in the numbers of copies. But the drop was minor in 2021 and looks like ceasing.

Online distribution market



Source: The Recording Industry Association of Japan

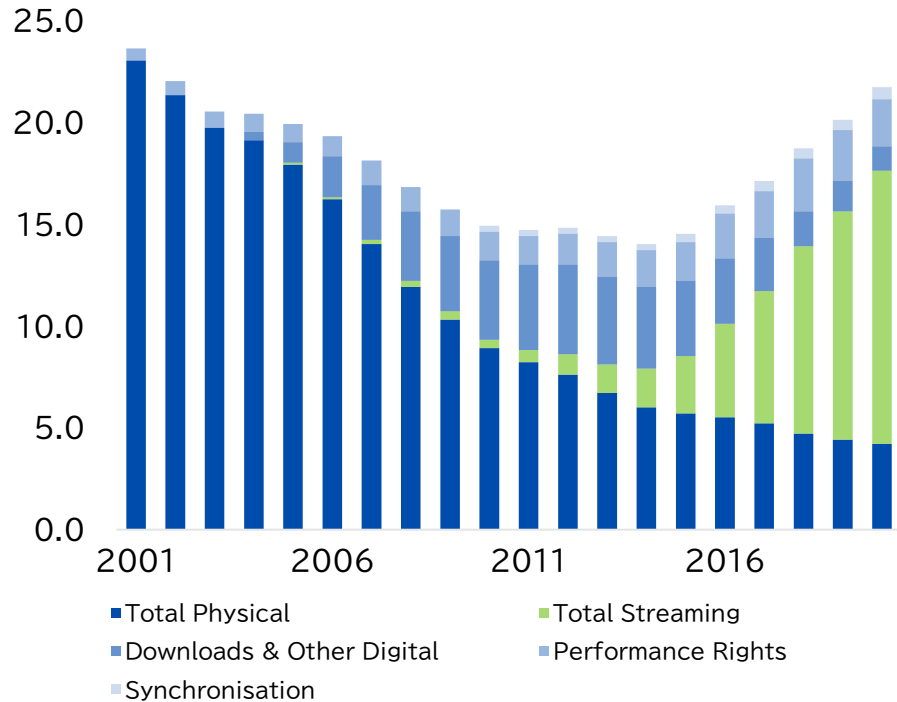
Meanwhile, our online distribution business is growing solidly. In particular, we have been growing every year in streaming by 1.3 times YOY.

Our subscription services keep gaining subscribers and the market is expected to keep expanding.

| Business Environment - Global Music Market -

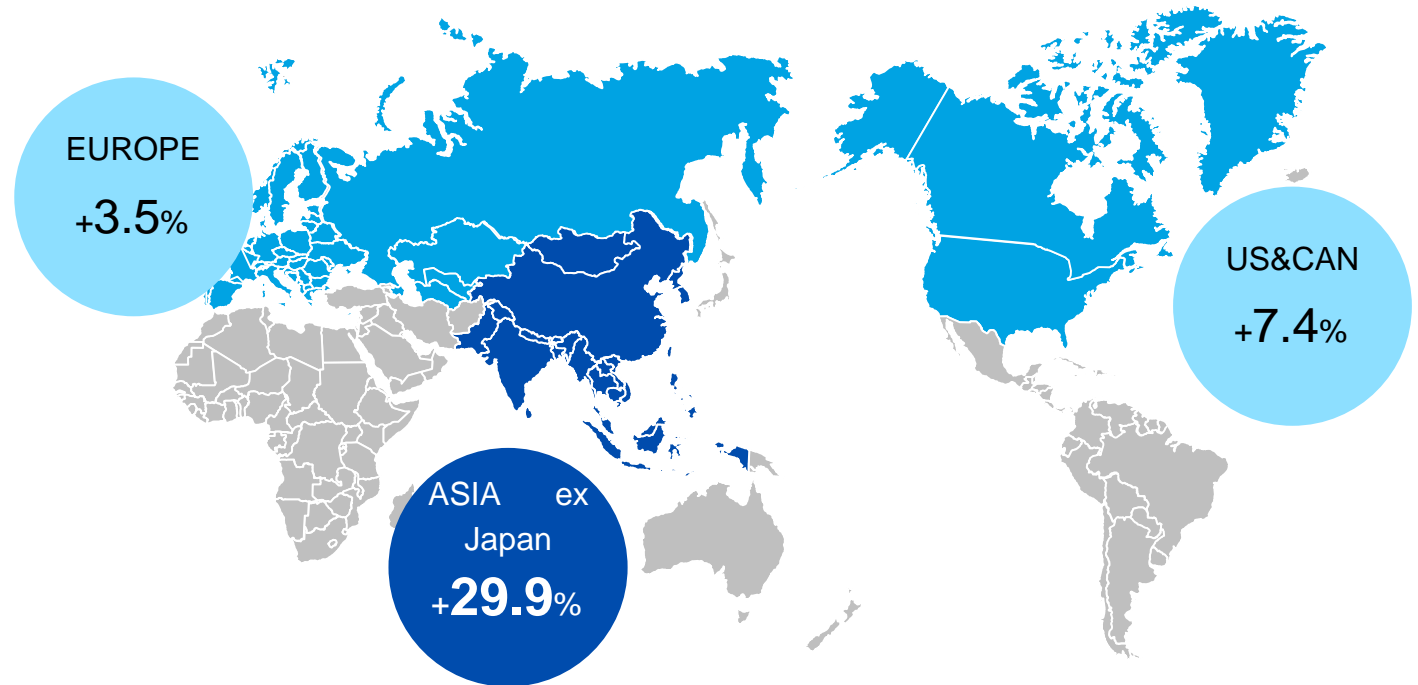
The music market in Japan is declining overall. Globally, the shift to digitalization, as represented by streaming, offset the shrinkage of package sales and the market began to grow around 2014. In particular, Asia (excluding Japan) is a market with a high growth rate.

In 2020, the music market around the world enjoyed 7.4% growth in sales. Growing for six consecutive years



Source: IFPI / Global Music Report 2021

The sales growth rate in Asia excluding Japan is 29.9%. In terms of regional sales growth, Asia is the world's highest growing area, topping Latin America, where the sales growth rate is 15.9%.



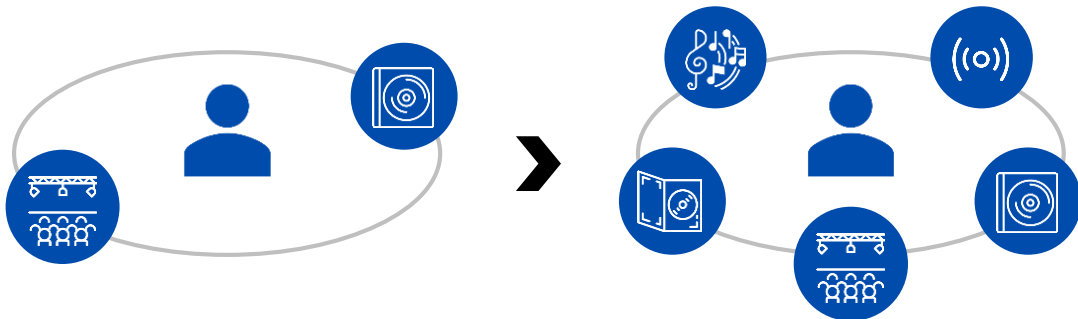
Source: IFPI / Global Music Report 2021

Globally, music is a growing industry and hopefully we will catch up with the trend of digitalization, an area where we are behind. Japan can also be changed into a very promising market considering its size and anticipated growth rate.

| Business Environment - Music Market Overview -

Digitalization has changed the environment for monetization, which is boosting the value of intellectual property.

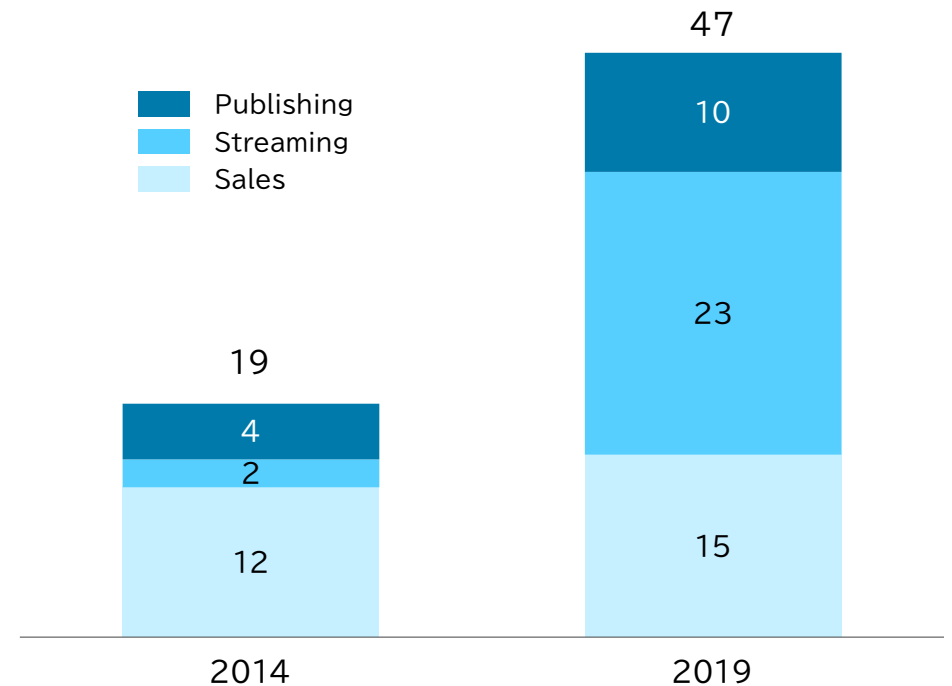
Many different opportunities for monetization



1. In terms of monetization, we will shift from trying to expand the range of sales at a given time like we do with CDs, to a more sustainable means such as streaming and distribution.
2. Digitalization broadens the range of monetization of intellectual property and boosts the value of a single intellectual property.

Increase in the value of intellectual property

Total revenue from the global top 5 artists (million dollars)



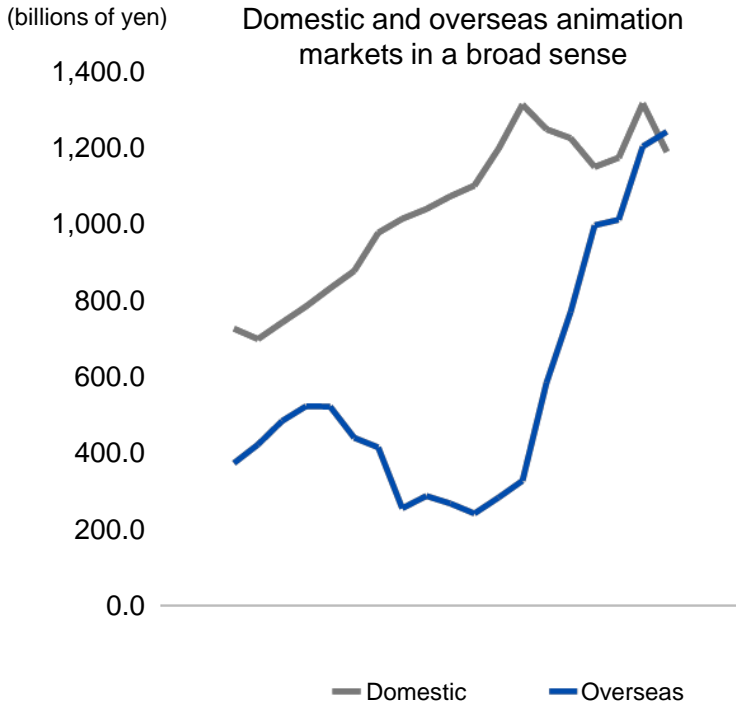
Note: Concert tours are excluded.

Source: Billboard Money Makers List

| Business Environment - Animation and Video Market -

The acceleration of overseas expansion through digitalization also boosts the value of each animation-related intellectual property.

The balance between the domestic and overseas markets is finally reversed.

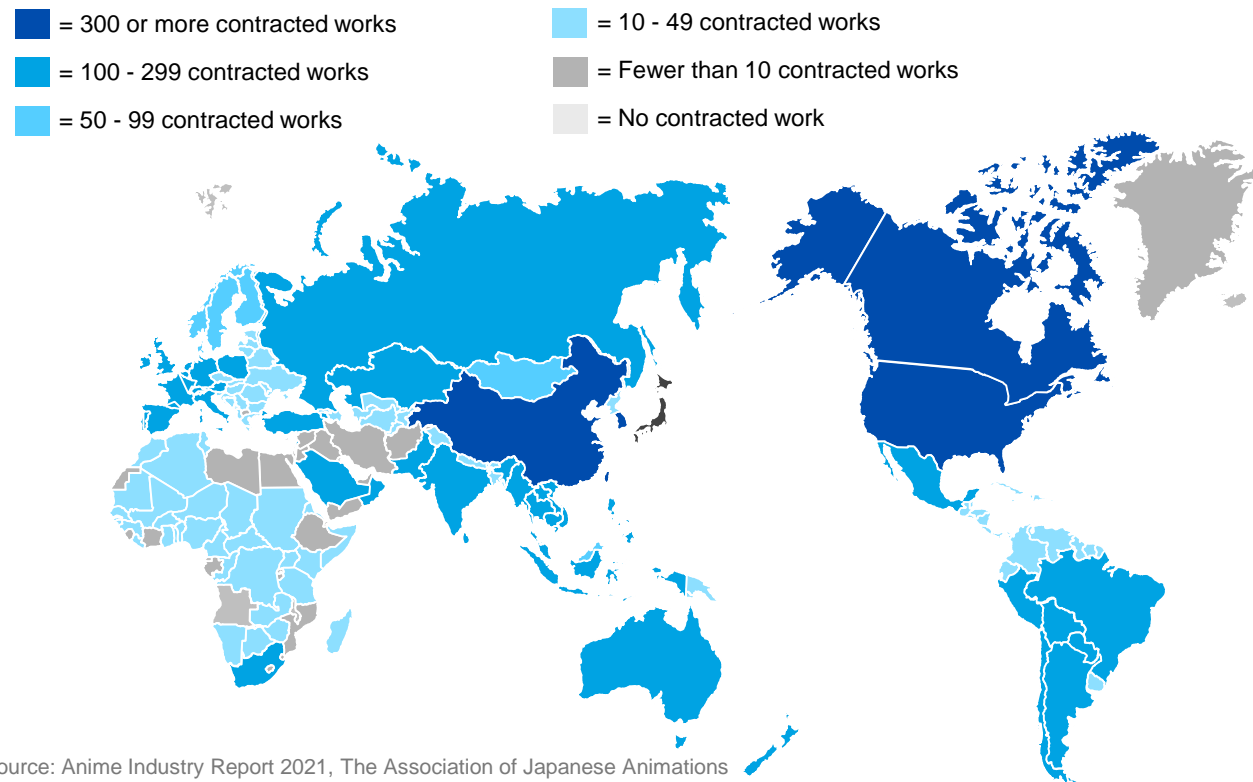


Source: Anime Industry Report 2021, The Association of Japanese Animations
 * Animation markets in a broad sense: source's estimate of the amount of money paid by users

Partly due to COVID, the domestic market earned only 1.1867 trillion yen and was finally outgrown by the overseas market.

Distribution is growing globally, leading the overseas market to outgrow its domestic counterpart.

Countries with many agreements with Japanese animations



Source: Anime Industry Report 2021, The Association of Japanese Animations

The SVOD (subscription video on demand) service grew significantly worldwide under the COVID pandemic and adult-oriented animation works have been rediscovered by the market. This led to steady growth in overseas sales.

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With the objective of clarifying the aim of a corporation's activities and the social significance of a corporation's presence, Avex defined its Corporate Philosophy. It will come into force in July 2022.

Corporate Philosophy

Continue to pursue the potential of entertainment.

**Believe in the infinite creativity of people and
deliver a variety of talent and excitement to the world.
And create an enriched future.**

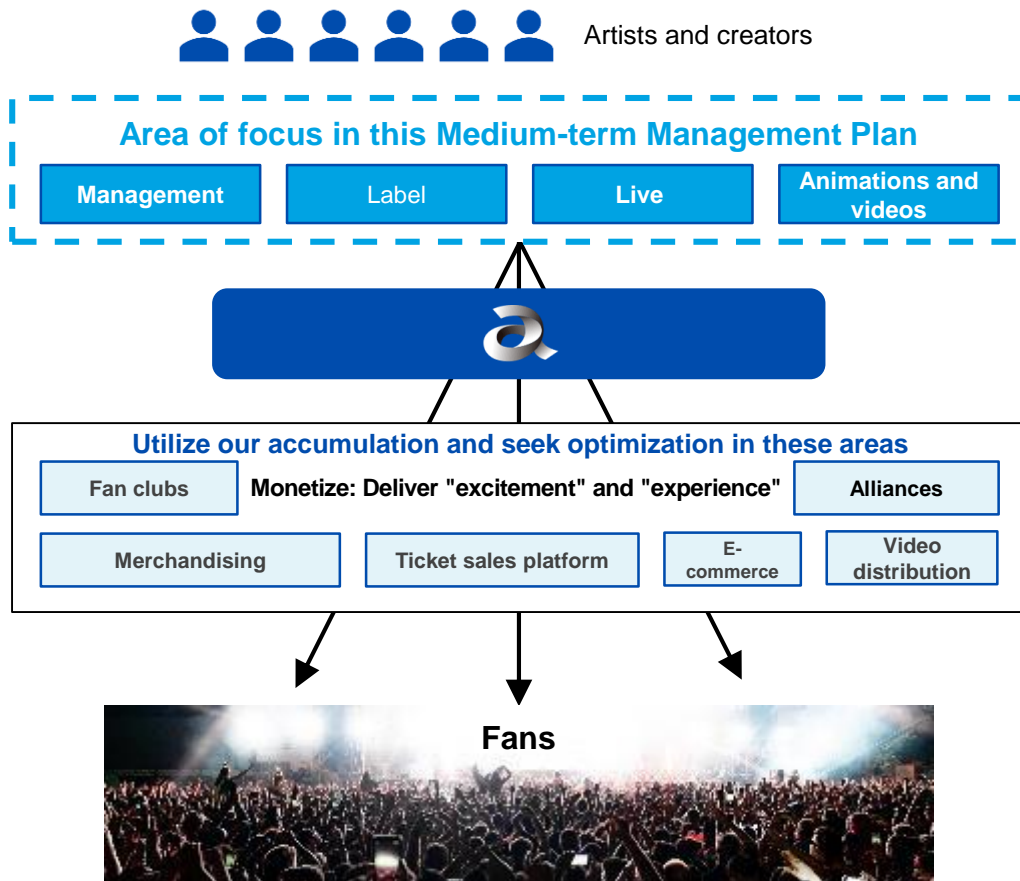
Tagline

Really! Mad+Pure

| Overall Strategy

The focus of the Medium-term Management Plan is “meeting and developing talent.” Everything starts from this.

Process of Avex's value creation and relevant businesses



Key Strategy

Seek to discover and develop
"beloved"
intellectual property in many different
regions and fields.

Key initiatives

1. Develop proprietary intellectual property that is rich in continuity, while seeking exits by type of culture
2. Improve talent development in line with the distribution market and discover many different kinds of intellectual property
3. Develop festivals and events valuable as intellectual property
4. Develop and acquire intellectual property for animation and video works that will be loved for a long time

Major Plan (1) - Develop Proprietary Intellectual Property with Strong Continuity, While Seeking Exits by Type of Culture -

avex Youth has been established to develop project-led intellectual property with a focus on culture. Through continuity-oriented development activities, avex Youth will seek to develop proprietary intellectual property that will be “loved” for a longer time.

Remain aware of exit strategies for intellectual property and improve the quality and speed of talent discovery and development with a focus on culture.

Remain aware about continuity with a focus on culture and seek an improvement in the sustainability of intellectual property.

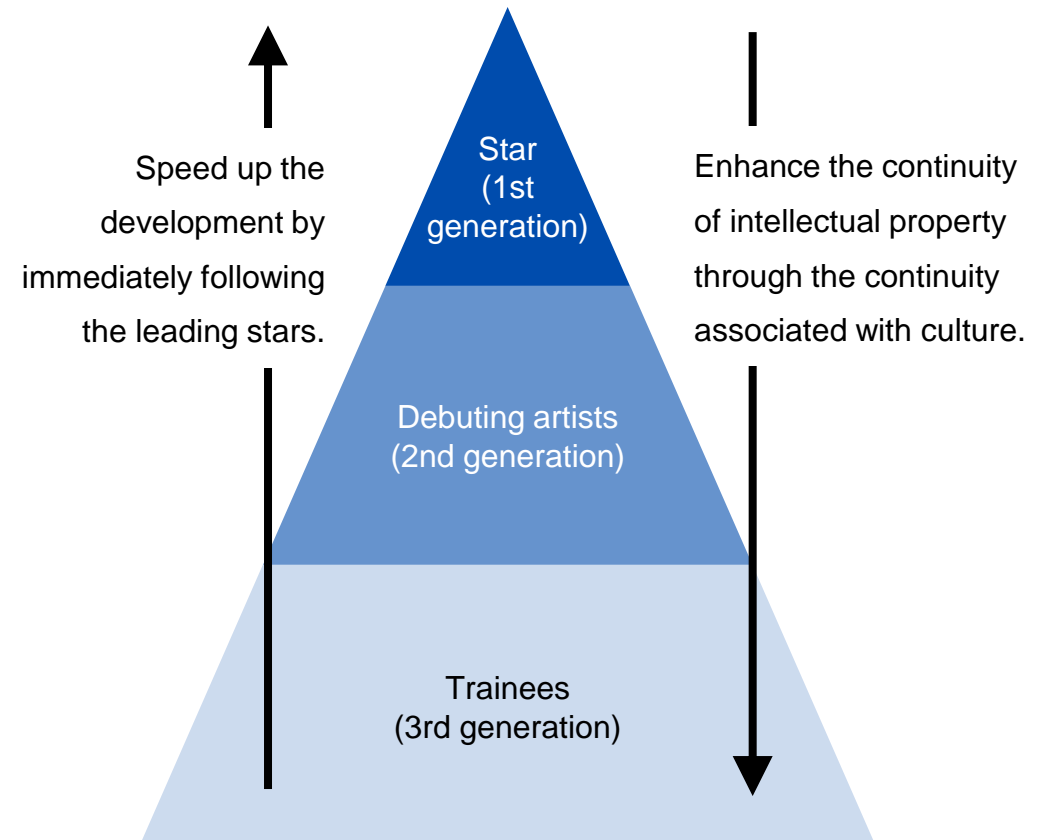
(Example) Dance & vocal culture



avex Youth
This is an institute for artist development equipped with a system for "polishing the gemstones" and stimulating their growth.

Improve the quality of talent discovery by holding auditions based on projects within avex Youth (exit strategy and direction).

Nationwide network capable of approaching over 10 thousand candidates every year



| Major Plan (1) - Develop Proprietary Intellectual Property with Strong Continuity, While Seeking Exits by Type of Culture -

Example of global efforts for intellectual property development encompassing dance and vocal training

XGALX Project



XG, the first group from the XGALX Project

A global-level development system was introduced for global artists from Japan.

Their debut single, Tippy Toes, won the DSP chart's #1 position in seven countries. Nearly 80% of the views of the song's video are from overseas. We are already seeing a glimpse of XG's international potential.

As the project is designed to be continuous, we are already training some groups to follow XG.

WARPs Project

WARP SYNDICATE

The project is designed to produce boys' groups in collaboration with creative companies around Asia.



**2nd :
Santa**



**3rd :
Rikimaru**



Two youths from WARPs passed Chuang 2021, a popular TV audition program in China. They are now active as members of INTO1. Before the appearance on the program, they had 1.3 million followers. After the program was broadcast, the number surged to 7.2 million.



An audition for a new generation of WARPs candidates has also started. A series of artists will be produced from next spring.

Major Plan (2) - Improve Talent Development in Line with the Distribution Market and Discover Many Different Kinds of Intellectual Property-

From many different perspectives, discover and optimally develop artists who have the potential to succeed even at times when digitalization is changing the market.

Improve talent development in accordance with the online distribution market

Seek to optimally develop different artists based on, for example, our track record of developing one of the largest YouTube channels in the music industry.

Number of subscribers to channels of artists registered with Avex



We set a target of gaining 25 million subscribers by 2025, which has already been achieved.



Dai Hirai

Hirai consecutively releases a new single every one to three weeks. The music video of "Stand by me, Stand by you" has racked up more than 300 million views.

Discover gems from among spontaneous groups of artists

Collaboration with our main labels



Intermediate organization to maximize our pool of artists

Discover

The label's largest pool of artists has **78,000 groups and solo artists** under contract.

BIG UP!

The monetization platform supports artists and creators.

muchoo

The agency platform is dedicated to music-oriented YouTubers.



Digitalization leads to spontaneous formation of groups of artists

Bolstering cooperation with external partners



BE:FIRST

avex  x

Other companies' productions, media, etc.

We develop intellectual property to suit a wide range of needs. An example is collaboration with many different partners.

| Major Plan (3) - Develop Festivals and Events Valuable as Intellectual property -

Focus on the market of music festivals which are unlike the concerts of specific artists. Based on Avex's accumulation of technologies for concert solutions, we seek to create events that may be proudly referred to as intellectual property for their qualities as content.

Concert as a festival

Concert of a specific artist



Go to see the artist.



⋮



Unlike a concert to "see a specific artist," a concert as a festival has value in the audience's act of "going to the venue."

We focus on the market of music festivals as intellectual property that may keep drawing a large audience, and will create the festivals with fans.

Concert as a festival



Go to the venue of the festival.



⋮



We work on these festivals and events

a-nation



One of the largest music festivals in Japan, a-nation dates back to 2002.

STAR ISLAND



Futuristic fireworks entertainment is performed all around Asia.

RAGE



One of the largest e-sports events in Japan

AEGX



The international concert and entertainment business is operated in collaboration with U.S. company AEG Presents.

Expand the festivals and events over Asia and other regions and seek to develop new intellectual property.

| Major Plan (4) - Develop and Acquire Intellectual property for Animation and Video Works That Will be Loved for a Long Time -

To create globally marketable animation and video works, we seek to create our own intellectual property and acquire strong intellectual property from other companies. Leveraging our strength in what we call “360-degree development,” we will strengthen our sales capabilities so that our intellectual property can be developed and chosen.

Strength in 360-degree development



©Fujio Akatsuka/Eiga no Osomatsu-san Production Committee 2019

Animated film:
Eiga no Osomatsu-san



©Fujio Akatsuka/Osomatsu-san Production Committee

Animated series:
Osomatsu-san



©Fujio Akatsuka/Osomatsu-san on STAGE Production Committee 2019

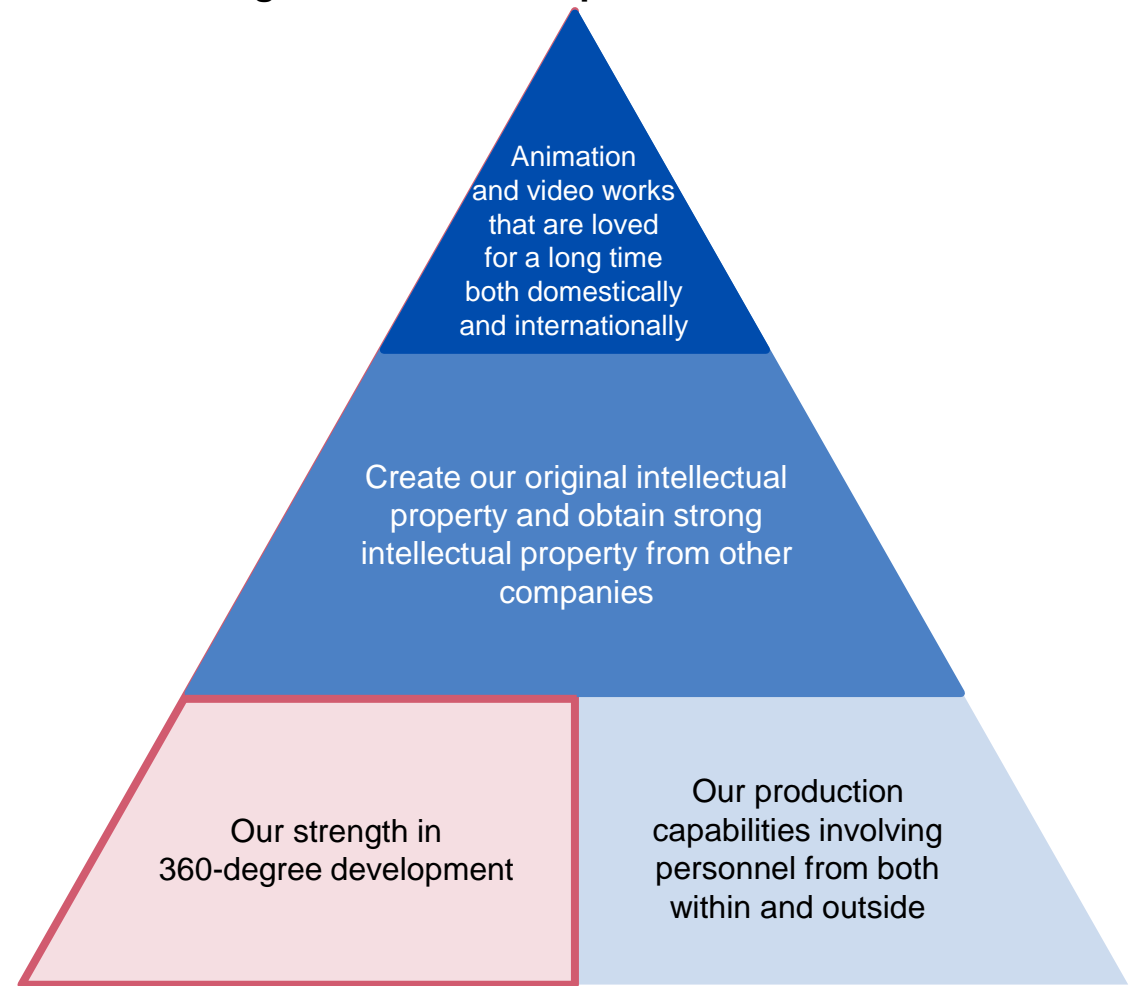
Stage performance:
Osomatsu-san on STAGE
- SIX MEN'S SHOW TIME -



©Osomatsu-san Theatrical Version Production Committee 2022
The movie, "Osomatsu-san"

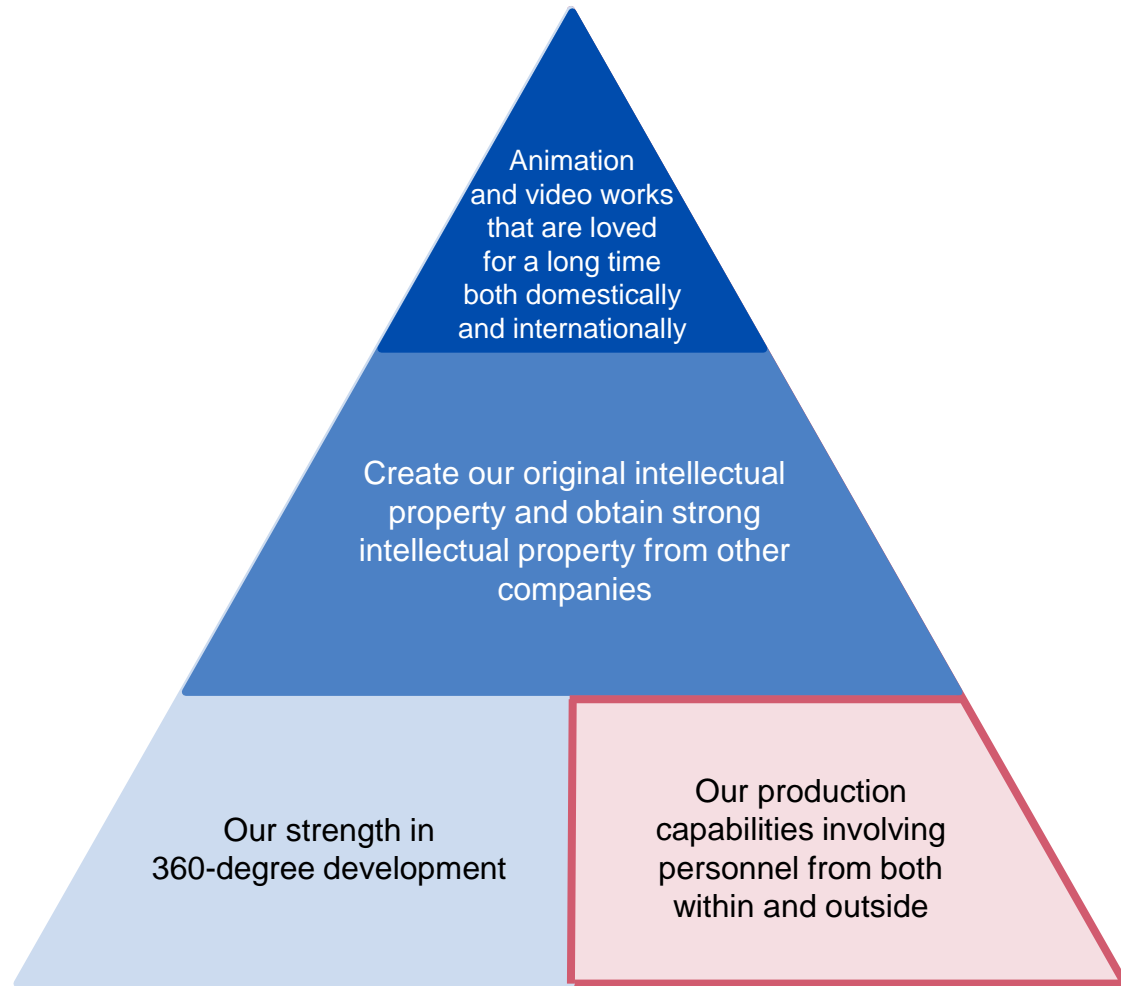


Theme song of a movie, "Osomatsu-san"
"Brother Beat"



| Major Plan (4) - Develop and Acquire Intellectual property for Animation and Video Works That Will be Loved for a Long Time -

We will refine our production capabilities through the internal and external expansion of the capacity of our studios and by expanding cooperation with the major businesses of digital video distribution platforms.



Expansion of in-house and cooperating studios

Flagship line

avex × Other companies' studios




Representative work of FLAGSHIP LINE, Inc., a studio owned by Avex

Summer Ghost (2021)


©Summer Ghost

Cooperate with digital video distribution platforms



The Orbital Children (2022)

© MITSUO ISO / avex pictures
• The Orbital Children Production Committee



Spriggan (2022)

©2021 Hiroshi Takashige, Ryoji Minagawa / Shogakukan Inc. / Spriggan Project

| Other Plans (1)

By strengthening and optimizing our human and other resources, we seek to become and remain the entertainment company of choice for artists.

Strengthening human resources

A&R

Supervise the discovery and development of artists, provision of tracks and other related activities overall.

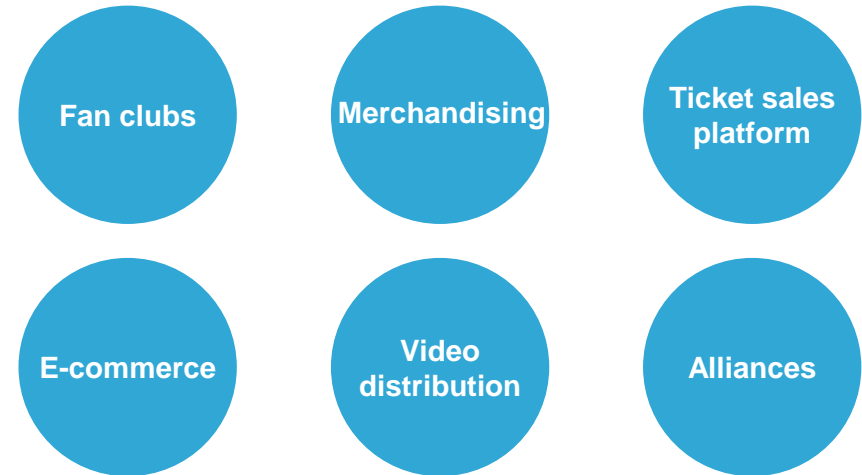
PD

Supervise the development of animations, videos, events and concerts.

In addition to fundamental personnel reinforcement for promoting the four major plans, our workforce will be made younger to better adapt our team to the times.

Leverage our rich resources to become an entertainment company of choice for artists

Optimization in the domains of monetization



Concerning our accumulation of monetization functions, we separate our operations into, for example, those that should be performed in-house and those that need to be improved in cooperation with other companies. In this way, we optimize resource allocation.

Optimized resources are partly spent in the domains of intellectual property development

| Other Plans (2)

Besides major plans, we will keep investing in domains that will help to utilize our intellectual property over the long term.

Gaining creative resources overseas and expanding our business



Avex House was established in West Hollywood. We are building a creative network overseas.

Avex also signs publishing contracts with top-level composers and producers in the United States.

Hitmaker of the Month: Justin Bieber Collaborator Harv Has Enough Juice to Go Around After 'Peaches' Powers 2021
By Charlie Amter



SELENE

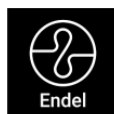
A next-generation label is established in the United States.

Building a network in the domain of advanced technologies through funding



Funded in February 2019.

Develops, produces and distributes virtual concerts. Has collaborated with the likes of Justin Bieber and The Weeknd.



Endel

Funded in August 2018. Develops and sells AI-based, personalized sound apps. Has collaborated with artists such as Grimes and James Blake.



Spirit Bomb

Funded in June 2020. The virtual artist label was started by visual creators involved in concert tours of artists such as The Weeknd and Billie Eilish.

Monetization in the domain of advanced technologies

We launched NFT items within The Sandbox, one of the world's largest platforms of blockchain games. They were sold out in one hour.

THE SANDBOX

①ピコ太郎 (リュックサック、アップルペン、パインペン)



②浜崎あゆみ (ayupan) 23rd Monster

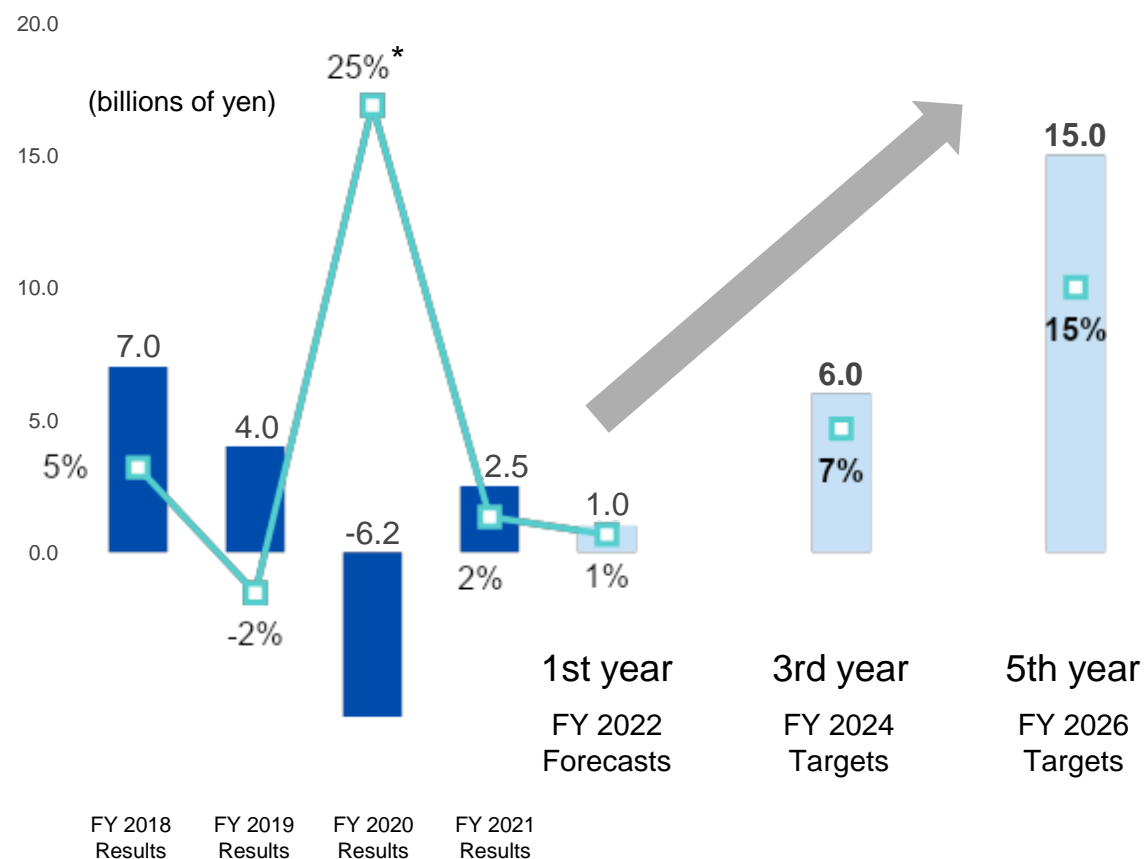


While taking into consideration the impact on our performance, we will continue investing the future. Avex aims to be a company of choice for intellectual property no matter what the future holds.

Numerical Targets

For FY 2024, we set a target of operating income at 6 billion yen and ROE at 7%. Our target for FY 2026 is operating income at 15 billion yen and ROE at 15%.

	FY 2022 1st year	FY 2024 3rd year	FY 2026 5th year
Operating income	1.0 billion yen	6.0 billion yen	15.0 billion yen
ROE	1%	7%	15%
Net sales * Reference value	Over 100 billion yen	150 billion yen	200 billion yen

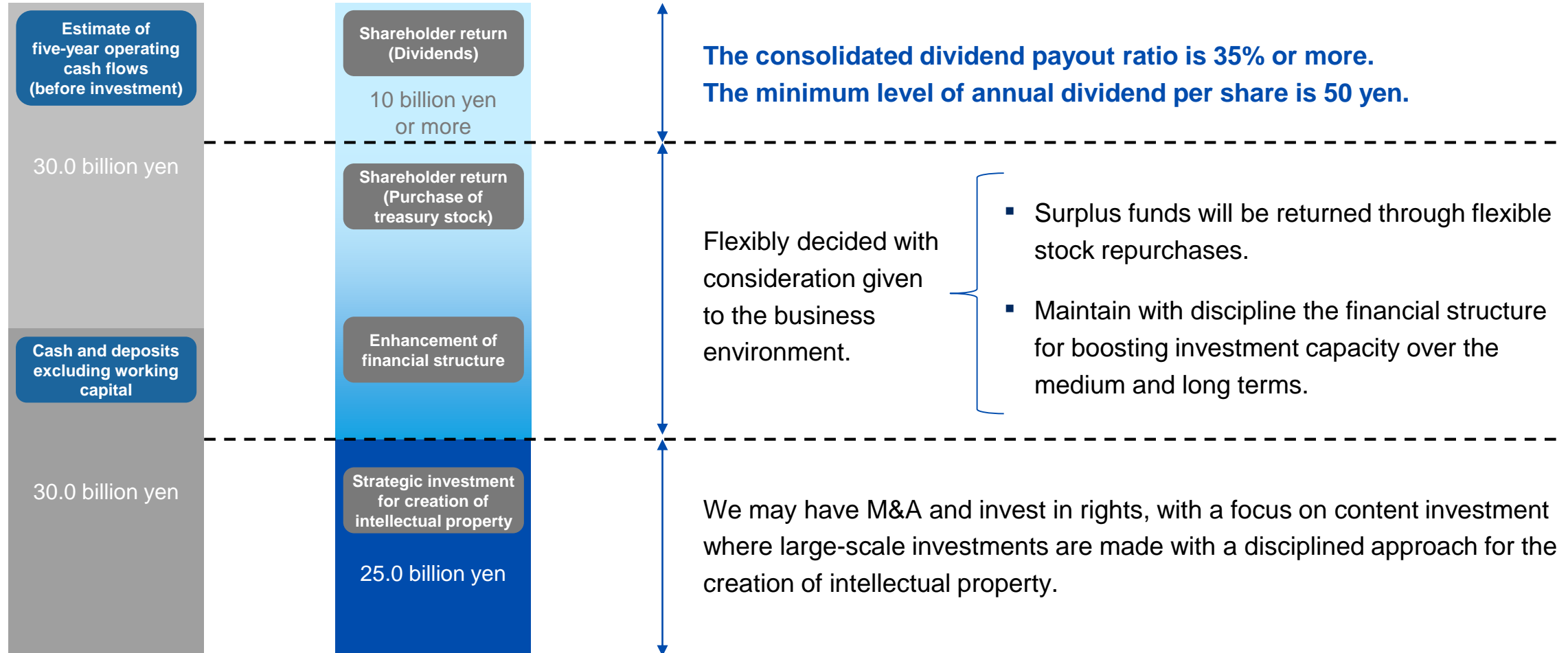


The above sales should be considered as a reference since our profit ratio may vary significantly, depending on factors such as the type of intellectual property, the method of monetization and variation of hits.

* The performance in FY 2020 includes extraordinary income accruing from the sale of a headquarters building.

| Capital Allocation at the Time of Achieving the Medium-term Management Plan

We make strategic investments to create intellectual property. Surplus funds will be returned through agile stock repurchase with consideration given to the business environment.





avex vision 2027

Avex Inc.

TSE Prime 7860

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