

## Consolidated Financial Summary for the First Nine Months of Fiscal Year Ending March 31, 2023 (Japanese Accounting Standards)

February 9, 2023

Avex Inc.

Tokyo Stock Exchange, Prime Market  
(URL <https://avex.com/jp/en/>)

Code No: 7860

Representative: Katsumi Kuroiwa, President, CEO

Contact: Shinji Hayashi, Representative Director, CFO

TEL: 03(6447)5366

Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): February 13, 2023

Scheduled date for commencement of dividend payments: –

Supplementary documents for financial results: Yes

Financial results briefing: None

Note: All amounts are rounded down to the nearest million yen

### 1. Consolidated operating results for the nine-month period of fiscal year ending March 31, 2023 (April 1, 2022 to December 31, 2022)

#### (1) Consolidated operating results

Note: Figures in percentages denote the year-on-year change.

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine-Month Period of Fiscal Year Ending March 31, 2023	85,525	12.5	3,344	(14.8)	3,351	(16.5)	2,826	17.4
Nine-Month Period of Fiscal Year Ended March 31, 2022	76,032	39.0	3,926	–	4,012	–	2,407	–

(Note) Comprehensive income  
 Nine-Month Period of Fiscal Year Ending March 31, 2023: ¥2,630 million (-48.9%)  
 Nine-Month Period of Fiscal Year Ended March 31, 2022: ¥5,150 million (-%)

	Profit per share		Diluted profit per share	
	yen		yen	
Nine-Month Period of Fiscal Year Ending March 31, 2023	62.67		–	
Nine-Month Period of Fiscal Year Ended March 31, 2022	54.67		54.66	

#### (2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	million yen		million yen		%	
As of December 31, 2022	106,242		61,112		54.8	
As of March 31, 2022	97,801		60,694		59.2	

(Reference) Shareholders' equity  
 As of December 31, 2022: ¥58,174 million  
 As of March 31, 2022: ¥57,872 million

### 2. Status of dividend payments

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	End of year	Annual
Year ended March 31, 2022	–	25.00	–	25.00	50.00
Year ending March 31, 2023	–	25.00	–		
Year ending March 31, 2023 (forecast)				25.00	50.00

(Note) Revisions to dividend forecasts published most recently: None

### 3. Forecasts for consolidated operating results for the year ending March 31, 2023 (April 1, 2022 to March 31, 2023)

Note: Figures in percentages denote the year-on-year change.

	Operating profit		Profit attributable to owners of parent		Profit per share	
	million yen	%	million yen	%	Yen	
Year ending March 31, 2023	4,000	54.9	3,300	258.8	73.15	

(Note) Revisions to earnings forecasts published most recently: None

\* Notes

(1) Changes in significant subsidiaries during term under review (changes in specific subsidiaries in conjunction with changes in scope of consolidation): None  
 New: – company (Company name) – Excluded: – company (Company name) –

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies and changes in or restatement of accounting estimates  
 1. Changes in accounting policies in conjunction with revisions to accounting standards: Yes  
 2. Changes in accounting policies other than 1: None  
 3. Changes in accounting estimates: None  
 4. Restatement: None

(4) Outstanding shares (ordinary shares)  
 a. Shares outstanding at end of term (including treasury stock)  
     As of December 31, 2022: 45,558,800 shares  
     As of March 31, 2022: 45,440,100 shares  
 b. Treasury stock at end of term  
     As of December 31, 2022: 410,238 shares  
     As of March 31, 2022: 410,124 shares  
 c. Average number of share (quarter-to-date)  
     Nine-Month Period of Fiscal Year Ending March 31, 2023: 45,098,589 shares  
     Nine-Month Period of Fiscal Year Ended March 31, 2022: 44,036,807 shares

\* This financial summary is outside the scope of audit procedures by certified public accountants and audit firm.

\* Explanation for forecasts of business results and other notes

The forecasts for business results and other forward-looking statements contained in this release are based on data and information that the Group has obtained so far and specific assumptions that the Group judges to be reasonable. Please note, therefore, that the actual results and others may greatly differ from the forecasts due to various factors.

## 1. Qualitative Information on Consolidated Results, etc. for the Nine-Month Period of Fiscal Year Ending March 31, 2023

### (1) Summary of Operating Results

(Unit: million yen)

Nine-month period results	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ending March 31, 2023
Net sales	122,621	100,312	54,707	76,032	85,525
Cost of sales	87,729	71,437	37,368	48,392	56,952
Gross profit	34,891	28,875	17,339	27,640	28,573
Gross profit margin	28.5%	28.8%	31.7%	36.4%	33.4%
Personnel expenses	9,936	8,860	8,047	8,516	9,309
Sales promotion and advertising expenses	6,931	5,932	4,099	5,136	5,355
General expenses	12,070	11,732	8,803	10,060	10,563
Total SG&A expenses	28,938	26,526	20,950	23,713	25,228
Operating profit (loss)	5,952	2,349	(3,610)	3,926	3,344
Operating margin	4.9%	2.3%	—%	5.2%	3.9%

In the entertainment industry, to which the Group belongs, the production of music software, including music videos, was up 4.5% year on year, to 202,349 million yen (January to December 2022; according to a survey by the Recording Industry Association of Japan). Sales of paid music downloads were up 16.4% year on year, to 76,733 million yen (January to September 2022; according to a survey by the Recording Industry Association of Japan). In the video-related market, sales of video software fell 16.1% year on year, to 114,819 million yen (January to December 2022; according to a survey by the Japan Video Software Association). The digital video distribution market however is expected to continue to grow, going forward, with video distribution services expected to become established and popular more broadly.

In this business environment, the Group advanced initiatives in the implementation of the key strategy set out in the Avex Vision 2027 Medium-term Management Plan announced in May 2022, namely, “Seek to discover and develop “beloved” intellectual property in many different regions and fields.”

In the nine-month period of the fiscal year under review, consolidated net sales climbed to 85,525 million yen (up 12.5% year on year), consolidated operating profit decreased to 3,344 million yen (down 14.8% year on year), and consolidated profit attributable to owners of parent came to 2,826 million yen (up 17.4% year on year), reflecting mainly increased sales in the music business.

(2) Summary of Financial Position

Assets totaled 106,242 million yen at the end of the third quarter under review after an increase of 8,440 million yen from the end of the previous consolidated fiscal year. This was chiefly attributable to increases of 4,865 million yen in notes and accounts receivable - trade, 2,239 million yen in other current assets, and 1,409 million yen in cash and deposits, respectively.

Liabilities increased by 8,022 million yen from the end of the previous consolidated fiscal year, to 45,129 million yen. This was primarily a result of increases of 5,932 million yen in accounts payable - other and 1,772 million yen in other current liabilities.

Net assets increased 417 million yen from the end of the previous consolidated fiscal year, to 61,112 million yen. This was chiefly attributable to an increase of 580 million yen in retained earnings.

(3) Summary of Consolidated Financial Forecasts and Other Future Forecast Information

With respect to the summary of consolidated financial forecasts for the fiscal year ending March 31, 2023, the financial forecasts presented in the “Consolidated Financial Summary for Interim Period of Fiscal Year Ending March 31, 2023” announced on November 10, 2022 remain unchanged.

If any revision to the financial forecasts becomes necessary in the future, the Company will promptly disclose it.

**2. Quarterly Consolidated Financial Statements and Major Notes****(1) Quarterly Consolidated Balance Sheets**

(Unit: million yen)

	As of March 31, 2022	As of December 31, 2022
<b>(Assets)</b>		
Current assets		
Cash and deposits	44,671	46,081
Notes and accounts receivable - trade	13,855	18,721
Merchandise and finished goods	1,058	1,555
Programs and works in progress	5,175	4,535
Raw materials and supplies	301	305
Other	10,436	12,676
Allowance for doubtful accounts	(172)	(372)
Total current assets	<u>75,326</u>	<u>83,503</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,945	2,112
Land	1,548	1,548
Other, net	860	711
Total property, plant and equipment	<u>4,354</u>	<u>4,372</u>
Intangible assets	4,156	4,447
Investments and other assets		
Investment securities	8,564	8,320
Other	5,591	5,640
Allowance for doubtful accounts	(191)	(42)
Total investments and other assets	<u>13,964</u>	<u>13,918</u>
Total non-current assets	<u>22,475</u>	<u>22,738</u>
Total assets	<u>97,801</u>	<u>106,242</u>

(Unit: million yen)

	As of March 31, 2022	As of December 31, 2022
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable - trade	2,556	2,225
Current portion of long-term loans payable	7	4
Accounts payable - other	16,052	21,984
Income taxes payable	264	1,211
Refund liabilities	2,446	2,201
Contract liabilities	46	50
Provision for bonuses	575	552
Provision for contingent loss	95	-
Other	13,407	15,179
Total current liabilities	35,451	43,410
Non-current liabilities		
Long-term borrowings	9	7
Liabilities for retirement benefits	350	366
Other	1,295	1,345
Total non-current liabilities	1,655	1,718
Total liabilities	37,106	45,129
<b>(Net assets)</b>		
Shareholders' equity		
Share capital	4,521	4,599
Capital surplus	5,422	5,500
Retained earnings	45,924	46,505
Treasury shares	(590)	(590)
Total shareholders' equity	55,278	56,014
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,750	2,366
Foreign currency translation adjustment	(160)	(168)
Remeasurements of defined benefit plans	4	(38)
Total of accumulated other comprehensive income	2,593	2,159
Non-controlling interests	2,822	2,938
Total net assets	60,694	61,112
Total liabilities and net assets	97,801	106,242

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income  
 Quarterly Consolidated Statements of Income  
 (Consolidated Nine-Month Period)

(Unit: million yen)

	For the nine-month period ended December 31, 2021	For the nine-month period ended December 31, 2022
Net sales	76,032	85,525
Cost of sales	48,392	56,952
Gross profit	27,640	28,573
Selling, general and administrative expenses		
Advertising expenses	4,001	4,189
Promotion expenses	1,134	1,165
Employees' salaries and bonuses	5,319	5,694
Provision for bonuses	666	554
Retirement benefit expenses	69	189
Other	12,521	13,434
Total selling, general and administrative expenses	23,713	25,228
Operating profit	3,926	3,344
Non-operating income		
Interest income	14	14
Dividend income	11	3
Share of profit of entities accounted for using equity method	54	76
Gain on investments in investment partnerships	–	87
Subsidy income	47	10
Other	53	39
Total non-operating income	181	231
Non-operating expenses		
Interest expenses	7	8
Foreign exchange losses	–	83
Loss on valuation of cryptocurrencies	–	76
Loss on investments in partnership	2	–
Other	86	56
Total non-operating expenses	95	224
Ordinary profit	4,012	3,351
Extraordinary income		
Gain on sales of investment securities	–	1,390
Reversal of provision for contingent loss	57	50
Gain on reversal of share acquisition rights	114	–
Subsidies for employment adjustment	41	–
Other	17	112
Total extraordinary income	230	1,553
Extraordinary losses		
Impairment loss	–	371
Loss on disaster	238	–
Loss on valuation of investment securities	10	50
Other	–	81
Total extraordinary losses	248	503
Profit before income taxes	3,994	4,401
Income taxes - current	695	1,484
Income taxes - deferred	708	(148)
Total income taxes	1,404	1,336
Profit	2,590	3,064
Profit attributable to non-controlling interests	182	238
Profit attributable to owners of parent	2,407	2,826

Quarterly Consolidated Statements of Comprehensive Income  
(Consolidated Nine-Month Period)

(Unit: million yen)

	For the nine-month period ended December 31, 2021	For the nine-month period ended December 31, 2022
Profit	2,590	3,064
Other comprehensive income		
Valuation difference on available-for-sale securities	2,716	(387)
Foreign currency translation adjustment	(27)	(7)
Remeasurements of defined benefit plans, net of tax	(140)	(30)
Share of other comprehensive income of associates accounted for using equity method	11	(8)
Total other comprehensive income	2,560	(433)
Comprehensive income	5,150	2,630
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	4,967	2,392
Comprehensive income attributable to non-controlling interests	182	238

(3) Notes Concerning Consolidated Quarterly Financial Statements

(Notes on Going Concern Assumptions)

Not applicable

(Note Regarding Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company adopted the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Implementation Guidance") at the beginning of the first quarter of the fiscal year under review. It will continue to implement the new accounting policy stipulated in the Fair Value Measurement Implementation Guidance according to the provisional treatment stipulated in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance.

The application of the Fair Value Measurement Implementation Guidance mentioned above has no impact on quarterly financial statements.

(Additional Information)

(Accounting Calculation in Connection with the Spread of COVID-19)

No significant changes have been made to accounting calculation in connection with the spread of COVID-19.

(Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and certain of its consolidated subsidiaries in Japan made a shift from the consolidated taxation system to the group tax sharing system in the first quarter of the fiscal year under review. Consequently, with respect to accounting processing and disclosures for income tax, local corporate income tax and tax effect accounting, the Company started to apply the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force No. 42 issued August 12, 2021, hereinafter "PITF No. 42"). In addition, based on Paragraph 32-(1) of PITF No. 42, the Company considers that there will be no impact of changes in its accounting policy resulting from the application of PITF No. 42.