

Consolidated Financial Summary for Interim Period of Fiscal Year Ending March 31, 2024 (Japanese Accounting Standards)

November 9, 2023

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

Avex Inc.

Code No: 7860

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

Scheduled date for commencement of dividend payments: December 4, 2023

Supplementary documents for financial results: Yes

Financial results briefing: Yes (briefing for institutional investors and securities analysts planned to be held by video streaming)

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

1. Consolidated operating results for the interim period of fiscal year ending March 31, 2024

(April 1, 2023 to September 30, 2023)

(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	%
Interim Period of Fiscal Year Ending March 31, 2024	64,355	19.0	2,167	(40.1)	2,186	(42.0)	2,458	(23.4)
Interim Period of Fiscal Year Ended March 31, 2023	54,060	16.7	3,619	37.4	3,771	43.8	3,207	99.0

(Note) Comprehensive income Interim Period of Fiscal Year Ending March 31, 2024: ¥1,163 million (-57.6%)
Interim Period of Fiscal Year Ended March 31, 2023: ¥2,744 million (74.9%)

	Profit per share		Diluted profit per share	
	yen		yen	
Interim Period of Fiscal Year Ending March 31, 2024	54.40		-	
Interim Period of Fiscal Year Ended March 31, 2023	71.17		-	

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	million yen		million yen		%	
As of September 30, 2023	106,279		58,655		54.5	
As of March 31, 2023	108,915		58,838		53.3	

(Reference) Shareholders' equity As of September 30, 2023: ¥57,871 million
As of March 31, 2023: ¥58,074 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, 2023	yen -	yen 25.00	yen -	yen 25.00	yen 50.00
Year ending March 31, 2024	yen -	yen 25.00			
Year ending March 31, 2024 (forecast)			yen -	yen 25.00	yen 50.00

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

3. Forecasts for consolidated operating results for the year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

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, 2024	2,000	(40.9)	2,200	(19.8)	48.65	

(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: None
 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 September 30, 2023:	45,663,400 shares
As of March 31, 2023:	45,558,800 shares
b. Treasury stock at end of term	
As of September 30, 2023:	410,382 shares
As of March 31, 2023:	410,302 shares
c. Average number of share (quarter-to-date)	
Interim Period of Fiscal Year Ending March 31, 2024:	45,187,322 shares
Interim Period of Fiscal Year Ended March 31, 2023:	45,073,426 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 Interim Period of Fiscal Year Ending March 31, 2024

(1) Summary of Operating Results

(Unit: million yen)

Interim period results	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ending March 31, 2024
Net sales	61,189	34,279	46,304	54,060	64,355
Cost of Sales	44,658	23,060	28,797	33,704	44,286
Gross profit	16,531	11,218	17,507	20,356	20,068
Gross profit margin	27.0%	32.7%	37.8%	37.7%	31.2%
Personnel expenses	5,647	5,360	5,646	6,539	6,752
Sales promotion and advertising expenses	3,948	2,330	2,989	3,429	3,325
General expenses	7,624	5,756	6,236	6,767	7,823
Total SG&A expenses	17,220	13,447	14,872	16,736	17,901
Operating profit (loss)	(688)	(2,229)	2,634	3,619	2,167
Operating margin	—%	—%	5.7%	6.7%	3.4%

In the entertainment industry, to which the Group belongs, the production of music software, including music videos, was up 9.9% year on year, to 167,037 million yen (January to September 2023; according to a survey by the Recording Industry Association of Japan). Sales of paid music downloads were up 13.2% year on year, to 57,276 million yen (January to June 2023; according to a survey by the Recording Industry Association of Japan). In the video-related market, sales of video software decreased 1.7% year on year, to 84,149 million yen (January to September 2023; according to a survey by the Japan Video Software Association).

In this business environment, with the aim of clarifying the social significance of its presence as a company, the Group defined a new corporate philosophy: “Making impossible entertainment, possible,” and announced the avex vision 2027, a medium-term management plan developed based on this philosophy, in May 2022. Under the priority strategy: “Seek to discover and develop ‘beloved’ intellectual property in many different regions and fields,” which was set out in the medium-term management plan, the Group stepped up its investment to discover, develop, create and acquire new IP in each business field.

In the interim period of the fiscal year under review, consolidated net sales climbed to 64,355 million yen (up 19.0% year on year), consolidated operating profit jumped to 2,167 million yen (down 40.1% year on year) which was mainly attributable to lower gross profit margin, and consolidated profit attributable to owners of parent came to 2,458 million yen (down 23.4% year on year), reflecting increased sales in the music business.

(2) Summary of Financial Position

Assets at the end of the interim period under review decreased 2,636 million yen, to 106,279 million yen from the end of the previous consolidated fiscal year. This was chiefly attributable to decreases of 3,162 million yen in notes and accounts receivable - trade, and 2,768 million yen in investment securities, despite increases of 1,373 million yen in cash and deposits, 1,032 million yen in merchandise and finished goods, and 1,032 million yen in land.

Liabilities were reduced by 2,453 million yen from the end of the previous consolidated fiscal year, to 47,623 million yen. This was primarily due to decreases of 1,753 million yen in accounts payable - other and 1,159 million yen in notes and accounts payable - trade.

Net assets decreased 183 million yen from the end of the previous consolidated fiscal year, to 58,655 million yen. This was mainly due to a decrease of 1,663 million yen in valuation difference on available-for-sale securities, despite an increase of 1,009 million yen in retained earnings.

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

With respect to consolidated financial results forecasts for the fiscal year ending March 31, 2024, there is no change in the forecasts presented in a “Announcement Regarding Posting of Extraordinary Profit and Revision to Business Results” announced on May 25, 2023.

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

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

(Unit: million yen)

	As of March 31, 2023	As of September 30, 2023
(Assets)		
Current assets		
Cash and deposits	48,143	49,516
Notes and accounts receivable - trade	22,206	19,044
Merchandise and finished goods	1,172	2,204
Programs and works in progress	2,801	3,034
Raw materials and supplies	221	297
Other	12,020	10,678
Allowance for doubtful accounts	(350)	(391)
Total current assets	86,217	84,385
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,110	2,149
Land	1,548	2,580
Other, net	892	1,107
Total property, plant and equipment	4,551	5,837
Intangible assets	3,505	3,448
Investments and other assets		
Investment securities	9,228	6,459
Other	5,465	6,180
Allowance for doubtful accounts	(54)	(32)
Total investments and other assets	14,640	12,607
Total non-current assets	22,697	21,893
Total assets	108,915	106,279

(Unit: million yen)

	As of March 31, 2023	As of September 30, 2023
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	3,434	2,274
Current portion of long-term borrowings	3	3
Accounts payable - other	25,679	23,926
Income taxes payable	1,482	514
Refund liabilities	2,168	1,897
Provision for bonuses	884	389
Other	14,450	16,410
Total current liabilities	48,104	45,415
Non-current liabilities		
Long-term borrowings	6	4
Liabilities for retirement benefits	529	538
Other	1,436	1,664
Total non-current liabilities	1,972	2,207
Total liabilities	50,076	47,623
(Net assets)		
Shareholders' equity		
Share capital	4,599	4,678
Capital surplus	5,526	5,598
Retained earnings	46,343	47,352
Treasury shares	(590)	(590)
Total shareholders' equity	55,878	57,038
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,538	875
Foreign currency translation adjustment	(182)	66
Remeasurements of defined benefit plans	(160)	(108)
Total of accumulated other comprehensive income	2,195	833
Non-controlling interests	764	784
Total net assets	58,838	58,655
Total liabilities and net assets	108,915	106,279

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income
(Consolidated Interim Period)

(Unit: million yen)

	For the interim period ended September 30, 2022	For the interim period ended September 30, 2023
Net sales	54,060	64,355
Cost of sales	33,704	44,286
Gross profit	20,356	20,068
Selling, general and administrative expenses		
Advertising expenses	2,491	2,621
Promotion expenses	937	703
Employees' salaries and bonuses	3,831	4,041
Provision for bonuses	592	387
Retirement benefit expenses	128	231
Other	8,755	9,915
Total selling, general and administrative expenses	16,736	17,901
Operating profit	3,619	2,167
Non-operating income		
Interest income	14	10
Dividend income	2	3
Share of profit of entities accounted for using equity method	89	0
Gain on valuation of investment securities	–	46
Foreign exchange gains	40	16
Gain on investments in investment partnerships	72	–
Other	40	12
Total non-operating income	259	89
Non-operating expenses		
Interest expenses	11	1
Commission fee	8	30
Loss on valuation of cryptocurrencies	61	7
Other	26	31
Total non-operating expenses	107	70
Ordinary profit	3,771	2,186
Extraordinary income		
Gain on sales of investment securities	1,080	1,657
Reversal of provision for contingent loss	50	–
Other	112	64
Total extraordinary income	1,243	1,721
Extraordinary losses		
Impairment loss	371	–
Compensation for damage	–	176
Other	20	34
Total extraordinary losses	392	210
Profit before income taxes	4,622	3,697
Income taxes - current	1,100	931
Income taxes - deferred	142	240
Total income taxes	1,243	1,172
Profit	3,379	2,525
Profit attributable to non-controlling interests	171	67
Profit attributable to owners of parent	3,207	2,458

Quarterly Consolidated Statements of Comprehensive Income
(Consolidated Interim Period)

(Unit: million yen)

	For the interim period ended September 30, 2022	For the interim period ended September 30, 2023
Profit	3,379	2,525
Other comprehensive income		
Valuation difference on available-for-sale securities	(635)	(1,653)
Foreign currency translation adjustment	24	249
Remeasurements of defined benefit plans, net of tax	(20)	67
Share of other comprehensive income of associates accounted for using equity method	(3)	(25)
Total other comprehensive income	(635)	(1,362)
Comprehensive income	2,744	1,163
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,572	1,096
Comprehensive income attributable to non-controlling interests	171	67

(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