

## Consolidated Financial Summary for the First Nine Months of Fiscal Year Ending March 31, 2024 (Japanese Accounting Standards)

February 8, 2024

Avex Inc.

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

Code No: 7860

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Scheduled date to submit the Quarterly Securities Report (*Shihanki Houkokusho*): February 13, 2024

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, 2024 (April 1, 2023 to December 31, 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	%
Nine-Month Period of Fiscal Year Ending March 31, 2024	94,382	10.4	1,577	(52.8)	1,305	(61.0)	1,437	(49.1)
Nine-Month Period of Fiscal Year Ended March 31, 2023	85,525	12.5	3,344	(14.8)	3,351	(16.5)	2,826	17.4

(Note) Comprehensive income  
 Nine-Month Period of Fiscal Year Ending March 31, 2023: ¥-66 million (-%)  
 Nine-Month Period of Fiscal Year Ended March 31, 2022: ¥2,630 million (-48.9%)

	Profit per share		Diluted profit per share	
	yen		yen	
Nine-Month Period of Fiscal Year Ending March 31, 2024	31.79		–	
Nine-Month Period of Fiscal Year Ended March 31, 2023	62.67		–	

#### (2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	million yen		million yen		%	
As of December 31, 2023	112,106		56,306		49.5	
As of March 31, 2023	108,915		58,838		53.3	

(Reference) Shareholders' equity  
 As of December 31, 2023: ¥55,463 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	–	25.00	–	25.00	50.00
Year ending March 31, 2024	–	25.00	–		
Year ending March 31, 2024 (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, 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 ended 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 December 31, 2023:	45,663,400 shares
As of March 31, 2023:	45,558,800 shares
b. Treasury stock at end of term	
As of December 31, 2023:	410,382 shares
As of March 31, 2023:	410,302 shares
c. Average number of share (quarter-to-date)	
Nine-Month Period of Fiscal Year Ending March 31, 2024:	45,209,300 shares
Nine-Month Period of Fiscal Year Ending March 31, 2023:	45,098,589 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, 2024

### (1) Summary of Operating Results

(Unit: million yen)

Nine-month 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	100,312	54,707	76,032	85,525	94,382
Cost of sales	71,437	37,368	48,392	56,952	65,379
Gross profit	28,875	17,339	27,640	28,573	29,003
Gross profit margin	28.8%	31.7%	36.4%	33.4%	30.7%
Personnel expenses	8,860	8,047	8,516	9,309	9,840
Sales promotion and advertising expenses	5,932	4,099	5,136	5,355	5,529
General expenses	11,732	8,803	10,060	10,563	12,055
Total SG&A expenses	26,526	20,950	23,713	25,228	27,425
Operating profit (loss)	2,349	(3,610)	3,926	3,344	1,577
Operating margin	2.3%	−%	5.2%	3.9%	1.7%

In the entertainment industry, to which the Group belongs, the production of music software, including music videos, was up 9.1% year on year, to 220,722 million yen (January to December 2023; according to a survey by the Recording Industry Association of Japan). Sales of paid music downloads were up 13.1% year on year, to 86,805 million yen (January to September 2023; according to a survey by the Recording Industry Association of Japan). In the video-related market, sales of video software increased 0.4% year on year, to 115,235 million yen (January to December 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 nine-month period of the fiscal year under review, consolidated net sales climbed to 94,382 million yen (up 10.4% year on year), consolidated operating profit came to 1,577 million yen (down 52.8% year on year) which was mainly attributable to lower gross profit margin, and consolidated profit attributable to owners of parent came to 1,437 million yen (down 49.1% year on year), reflecting increased sales in the music business.

(2) Summary of Financial Position

Assets totaled 112,106 million yen at the end of the third quarter under review after an increase of 3,191 million yen from the end of the previous consolidated fiscal year. This was chiefly attributable to increases of 1,324 million yen in other investments and other assets, 1,216 million yen in other current assets and 1,172 million yen in cash and deposits respectively, which more than offset a decline of 2,921 million yen in investment securities.

Liabilities increased by 5,724 million yen from the end of the previous consolidated fiscal year, to 558 million yen. This was primarily due to increases of 5,876 million yen in other current liabilities and 3,127 million yen in notes and accounts payable - trade respectively, more than offsetting a decline of 1,738 million yen in accounts payable-other. Net assets decreased 2,532 million yen from the end of the previous consolidated fiscal year, to 56,306 million yen. This mainly reflected decreases of 1,864 million yen in valuation difference on available-for-sale securities and 1,131 million yen in retained earnings respectively.

(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 December 31, 2023
<b>(Assets)</b>		
Current assets		
Cash and deposits	48,143	49,316
Notes and accounts receivable - trade	22,206	20,711
Merchandise and finished goods	1,172	1,942
Programs and works in progress	2,801	3,830
Raw materials and supplies	221	356
Other	12,020	13,237
Allowance for doubtful accounts	(350)	(213)
Total current assets	86,217	89,181
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,110	2,328
Land	1,548	2,580
Other property, plant and equipment, net	892	1,557
Total property, plant and equipment	4,551	6,466
Intangible assets	3,505	3,383
Investments and other assets		
Investment securities	9,228	6,306
Other	5,465	6,790
Allowance for doubtful accounts	(54)	(22)
Total investments and other assets	14,640	13,074
Total non-current assets	22,697	22,924
Total assets	108,915	112,106

(Unit: million yen)

	As of March 31, 2023	As of December 31, 2023
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable - trade	3,434	6,561
Current portion of long-term loans payable	3	3
Accounts payable - other	25,679	23,941
Income taxes payable	1,482	668
Refund Liabilities	2,168	1,802
Provision for bonuses	884	295
Other	14,450	20,327
Total current liabilities	48,104	53,599
Non-current liabilities		
Long-term borrowings	6	4
Liabilities for retirement benefits	529	542
Other	1,436	1,654
Total non-current liabilities	1,972	2,200
Total liabilities	50,076	55,800
<b>(Net assets)</b>		
Shareholders' equity		
Share capital	4,599	4,678
Capital surplus	5,526	5,598
Retained earnings	46,343	45,211
Treasury shares	(590)	(590)
Total shareholders' equity	55,878	54,897
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,538	673
Foreign currency translation adjustment	(182)	(25)
Remeasurements of defined benefit plans	(160)	(81)
Total of accumulated other comprehensive income	2,195	566
Non-controlling interests	764	842
Total net assets	58,838	56,306
Total liabilities and net assets	108,915	112,106

(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, 2022	For the nine-month period ended December 31, 2023
Net sales	85,525	94,382
Cost of sales	56,952	65,379
Gross profit	28,573	29,003
Selling, general and administrative expenses		
Advertising expenses	4,189	3,956
Promotion expenses	1,165	1,572
Employees' salaries and bonuses	5,694	6,165
Provision for bonuses	554	300
Retirement benefit expenses	189	346
Other	13,434	15,083
Total selling, general and administrative expenses	25,228	27,425
Operating profit	3,344	1,577
Non-operating income		
Interest income	14	15
Dividend income	3	4
Share of profit of entities accounted for using equity method	76	–
Gain on valuation of investment securities	–	46
Gain on investments in investment partnerships	87	–
Other	49	14
Total non-operating income	231	82
Non-operating expenses		
Interest expenses	8	1
Share of loss of entities accounted for using equity method	–	12
Foreign exchange losses	83	263
Loss on valuation of cryptocurrencies	76	–
Other	56	76
Total non-operating expenses	224	354
Ordinary profit	3,351	1,305
Extraordinary income		
Gain on sales of investment securities	1,390	1,675
Reversal of provision for contingent loss	50	–
Other	112	149
Total extraordinary income	1,553	1,825
Extraordinary losses		
Impairment loss	371	50
Compensation for damage	–	160
Loss on valuation of investment securities	50	49
Other	81	34
Total extraordinary losses	503	295
Profit before income taxes	4,401	2,835
Income taxes - current	1,484	1,476
Income taxes - deferred	(148)	(203)
Total income taxes	1,336	1,272
Profit	3,064	1,562
Profit attributable to non-controlling interests	238	125
Profit attributable to owners of parent	2,826	1,437

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

(Unit: million yen)

	For the nine-month period ended December 31, 2022	For the nine-month period ended December 31, 2023
Profit	3,064	1,562
Other comprehensive income		
Valuation difference on available-for-sale securities	(387)	(1,854)
Foreign currency translation adjustment	(7)	157
Remeasurements of defined benefit plans	(30)	100
Share of other comprehensive income of associates accounted for using equity method	(8)	(31)
Total other comprehensive income	(433)	(1,629)
Comprehensive income	2,630	(66)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,392	(191)
Comprehensive income attributable to non-controlling interests	238	125



(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