



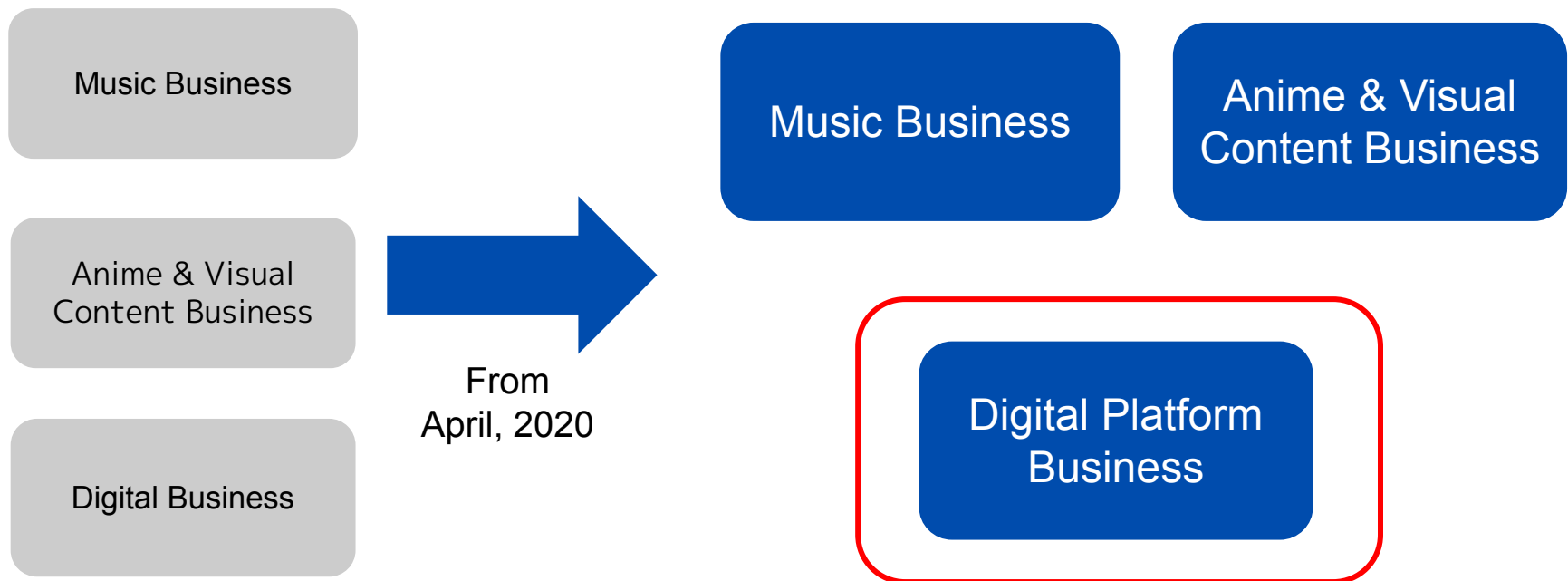
Avex Inc.
Earnings Results for FY 2020 Q1
(Fiscal year ending March 31st, 2021)

August, 6th, 2020

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From April 2020, the Digital Business has been changed to Digital Platform Business.

Digital Platform Business (E-Commerce, Fan Club, Ticketing) from Music Business will be merged with Digital Business and regrouped into Digital Platform Business Segment. The Company aims to exert in the Group's synergy potential.



※Management Business was original planned to be a business segment as announced in the financial earnings announcement on May 14th, 2020. However, it will be included in the Music Business in this report as in the past financial earnings announcement.

Financial Highlights

Reasons such as the suspension of live events and concerts due to prevention measures in spreading of Novel Coronavirus (COVID-19) contributed to the decrease in Net Sales and Operating Income.

- Net Sales: 14.1 billion yen (-14.9 billion yen YoY)
- Operating Income: -1.0 billion yen (-1.4 billion yen YoY)
- Net Income Attributable to Owners of Parent: -1.7 billion yen (-1.3 billion yen YoY)

(billions of yen)

	FY 2019 Q1	FY 2020 Q1	YoY	rate
Net Sales	29.0	14.1	-14.9	-51.4%
Operating Income	0.3	-1.0	-1.4	—
Net Income Attributable to Owners of Parent	-0.3	-1.7	-1.3	—

Net Sales decreased by 14.9 billion yen (-51.4%) primarily due to suspension of live concerts and events in prevention measures of Novel Coronavirus (COVID-19)

Net Sales by Segment (billions of yen)				
	FY 2019 Q1	FY 2020 Q1	YoY	rate
Music	20.3	7.4	-12.8	-63.4%
Anime & Visual Content	3.3	1.8	-1.5	-44.7%
Digital Platform	7.3	5.1	-2.1	-29.7%
Others	0.8	1.3	+0.4	+46.8%
Adjustment	-2.9	-1.6	+1.2	—
Total	29.0	14.1	-14.9	-51.4%

Operating Income decreased by 1.4 billion yen
primarily due to suspension of live concerts and events

Operating Income by Segment				(billions of yen)
	FY 2019 Q1	FY 2020 Q1	YoY	rate
Music	-0.5	-1.1	-0.6	—
Anime & Visual Content	0.1	-0.0	-0.1	—
Digital Platform	0.9	0.5	-0.3	-41.9%
Others	-0.1	-0.3	-0.2	—
Adjustment	0.0	-0.0	-0.0	—
Total	0.3	-1.0	-1.4	—

Net Income Attributable to Owners of Parent decreased by 1.3 billion yen primarily due to decrease in Operating Income and cost related to the Novel Coronavirus (COVID-19), and reporting of extraordinary loss

Net Income Attributable to Owners of Parent			
	FY 2019 Q1	FY 2020 Q1	YoY
Net Income Attributable to Owners of Parent	-0.3	-1.7	-1.3

Extraordinary Loss / Extraordinary Income

- Extraordinary Loss of 0.5 billion yen occurred due to loss in suspension of live concerts and events, with wage compensation due to temporary closure (Loss due to Disaster)
- Extraordinary Income of 0.1 billion yen occurred due to Employment Adjustment Subsidies

Consolidated Results

(millions of yen)

	FY 2019 Q1	FY 2020 Q1	YoY	rate
Net Sales	29,028	14,108	-14,919	-51.4%
Cost of Sales	20,475	8,795	-11,680	
Gross Profit	8,552	5,313	-3,239	-37.9%
Gross Profit Margin	29.5%	37.7%	+8.2pt	
Personnel Expenses	2,836	2,633	-203	
Sales promotion & Advertising Expenses	1,453	953	-499	
General Expenses	3,896	2,780	-1,115	
Total SG&A Expenses	8,186	6,367	-1,818	
Operating Income	366	-1,054	-1,420	—
Operating Margin	1.3%	—	—	
Non-operating Income	15	22	+7	
Non-operating Expenses	260	278	+17	
Ordinary Income	121	-1,309	-1,430	—
Extraordinary Income	129	128	-1	
Extraordinary Loss	116	564	+448	
Income before Income Taxes	134	-1,746	-1,880	—
Total Income and Other Taxes	275	-227	-503	
Net Income Attributable to Non-controlling Interest	207	185	-21	
Net Income Attributable to Owners of Parent	-348	-1,704	-1,355	—

(millions of yen)

	March 31st, 2020	June 30th, 2020			March 31st, 2020	June 30th, 2020
Current Assets	54,432	42,629		Current Liabilities	64,449	56,751
Cash and Deposits	17,956	18,382		Notes & Accounts Payable-trade	1,470	772
Notes & Accounts Receivable-trade	18,100	7,751		Short-term Debt, etc.	19,065	25,064
Inventories	5,531	6,011		Accounts Payable-Other	21,824	11,293
Others	12,843	10,483		Provision for Sales Return	3,244	2,955
				Others	18,844	16,664
Noncurrent Assets	65,981	68,441		Noncurrent Liabilities	6,515	6,547
Tangible & Intangible Assets	50,823	50,677		Long-term Debt	4,563	3,812
Investment, etc.	15,158	17,764		Others	1,952	2,734
Investment Securities	7,490	9,380		Total Liabilities	70,964	63,298
Others	7,667	8,384		Total Net Assets	49,449	47,772
Total Assets	120,414	111,071		Total Liabilities & Net Assets	120,414	111,071

(millions of yen)

		FY 2019 Q1	FY 2020 Q1	YoY
	Net Cash provided by Operating Activities	-3,365	-2,309	+1,055
	Net Cash provided by Investing Activities	-799	-1,174	-375
	Net Cash provided by Financing Activities	4,091	3,632	-458
Consolidated Cash Flow		-73	148	+221
Effect of exchange rate change on cash and cash equivalents		-66	3	+70
Net increase in cash and cash equivalents		-139	152	+292
Cash and cash equivalents at beginning of period		22,832	17,956	-4,876
Cash and cash equivalents at end of period		22,693	18,108	-4,584

In anticipation of possible prolonging effect from Novel Coronavirus (COVID-19), the Company has secured a new Commitment Credit Line to ensure a stable financing means and reinforcement of financial base. (Announced on June 25th, 2020)

From the new addition of Commitment Credit Line (12 billion yen in line of credit), the Company's total amount for Commitment Credit Line is 36 billion yen (total amount in line of credit), in a consistent high standard.

The Company will continually commit to building a strong and secure financial base.

Results by Segment: Music Business

Net Sales and Operating Income decreased primarily due to suspension of Live Concerts and Events in prevention measures of Novel Coronavirus (COVID-19) and decrease in Package Sales

(millions of yen)

	FY 2019 Q1	FY 2020 Q1	YoY	rate
Net Sales	20,316	7,434	-12,881	-63.4%
Cost of Sales	15,077	4,786	-10,290	
Gross Profit	5,239	2,648	-2,590	-49.5%
Gross Profit Margin	25.8%	35.6%	+9.8pt	
Personnel Expenses	1,437	1,190	-246	
Sales Promotion & Advertising Expenses	991	644	-346	
General Expenses	1,654	772	-881	
GMF*	1,684	1,215	-469	
Total SG&A Expenses	5,767	3,823	-1,944	
Operating Income	-528	-1,175	-646	—
Operating Margin	—	—	—	

Net Sales by Sub-Segment				
	FY 2019 Q1	FY 2020 Q1	YoY	(millions of yen) rate
Live	7,762	232	-7,529	-97.0%
Merchandising	2,524	393	-2,131	-84.4%
Management	2,405	1,190	-1,215	-50.5%
Music Package	3,691	1,651	-2,039	-55.3%
Digital Music Distribution	3,035	2,881	-153	-5.1%
Music Publishing	883	778	-105	-12.0%
Others	1,106	657	-448	-40.6%

Results by Segment: Anime & Visual Content Business

Net Sales and Operating Income decreased due to decrease in number of Package sales and Live Events

(millions of yen)

	FY 2019 Q1	FY 2020 Q1	YoY	rate
Net Sales	3,372	1,864	-1,507	-44.7%
Cost of Sales	2,324	1,184	-1,139	
Gross Profit	1,048	679	-368	-35.1%
Gross Profit Margin	31.1%	36.5%	+5.4pt	
Personnel Expenses	219	211	-8	
Sales Promotion & Advertising Expenses	194	129	-64	
General Expenses	159	104	-54	
GMF*	308	244	-64	
Total SG&A Expenses	882	690	-192	
Operating Income	165	-10	-175	—
Operating Margin	4.9%	—	—	

*GMF=Group Management Fee

Net Sales by Sub-Segment				(millions of yen)
	FY 2019 Q1	FY 2020 Q1	YoY	rate
Anime Non-Package	2,310	1,128	-1,181	-51.1%
Anime Package	1,065	736	-328	-30.9%

Results by Segment: Digital Platform Business

Net Sales and Operating Income decreased due to decrease in sales from Fan Club Events

(millions of yen)

	FY 2019 Q1	FY 2020 Q1	YoY	rate
Net Sales	7,357	5,173	-2,183	-29.7%
Cost of Sales	5,202	3,519	-1,683	
Gross Profit	2,154	1,654	-500	-23.2%
Gross Profit Margin	29.3%	32.0%	+2.7pt	
Personnel Expenses	256	234	-21	
Sales Promotion & Advertising Expenses	231	153	-77	
General Expenses	312	253	-59	
GMF*	439	481	+41	
Total SG&A Expenses	1,240	1,123	-117	
Operating Income	914	531	-382	-41.9%
Operating Margin	12.4%	10.3%	-2.1pt	

*GMF=Group Management Fee

※E-Commerce and Fan Club sub-segments have been moved from Music Business to Digital Platform Business from FY 2020.

Net Sales by Sub-Segment				
	FY 2019 Q1	FY 2020 Q1	YoY	(millions of yen) rate
Digital Streaming	3,827	3,198	-628	-16.4%
E-Commerce	1,541	972	-569	-37.0%
Fan Club	1,988	1,002	-985	-49.6%

Music Business: Indicators for Fan Club			
		FY 2019 Q1	FY 2020 Q1
Fan Club	Subscribers (in ten thousand)	90.2	87.3

Results by Segment: Other Businesses

Net Sales increased due to increase in sales related Games, while
Operating Income decreased due to increase in SG&A expenses

(millions of yen)

	FY 2019 Q1	FY 2020 Q1	YoY	rate
Net Sales	896	1,316	+419	+46.8%
Cost of Sales	545	754	+209	
Gross Profit	351	561	+210	+59.9%
Gross Profit Margin	39.2%	42.7%	+3.5pt	
Personnel Expenses	214	346	+131	
Sales Promotion & Advertising Expenses	23	22	-1	
General Expenses	183	309	+125	
GMF*	113	283	+169	
Total SG&A Expenses	536	960	+424	
Operating Income	-185	-399	-213	—
Operating Margin	—	—	—	

Highlights of FY 2020 Q1 and FY 2020 Q2

Major
Press Releases

Apr. 13	Notice regarding the shift from a Company with a Board of Auditors to a Company with an Audit and Supervisory Committee
May 7	Avex Inc. announced to implement support to artists, talents and creators affected by COVID-19
Jun. 5	Announcement of the first international E-sports tournament “RAGE ASIA 2020” on August 29th and 30th, 2020
Jun. 18	Notice of the summer music festival “a-nation” to be held online for the first time
Jun. 25	Announcement regarding Commitment Credit Line Agreement
Jun. 26	Notice of establishment of subsidiary, Avex Creative Factory Inc.

Package

Music Business	
Apr. 1	FANTASTICS from EXILE TRIBE “Hey, darlin” CD+DVD
Apr. 8	J SOUL BROTHERS III from EXILE TRIBE “Movin’ on” CD+DVD
Apr. 8	EXILE ATSUSHI/RED DIAMOND DOGS “EXILE ATSUSHI SPECIAL NIGHT” DVD/Blu-ray
Apr. 8	EMPIRE “EMPIRE’S GREAT REVENGE Live” DVD/Blu-ray
Apr. 15	GENERATIONS from EXILE TRIBE “Hira Hira” CD+DVD
Apr. 22	THE RAMPAGE from EXILE TRIBE “INVISIBLE LOVE” CD+DVD
Apr. 29	Misako Uno (AAA) “UNO MISAKO LIVE TOUR 2019 ‘Honey Story’” DVD/Blu-ray
May 13	V.A. “avex revival trax” CD
May 13	Ayaka “Yuan Club~2nd grade~” CD+DVD
Jun. 3	V.A. “Heisei HITS avex” CD
Anime & Visual Content Business	
Apr. 17	“STAGE FES 2019” DVD/Blu-ray
Apr. 24	“Osomatsu-san on STAGE ~SIX MEN’S SHOW TIME3~” DVD/Blu-ray
Apr. 24	“The Case Files of Jeweler Richard Vol. 2” DVD/Blu-ray
May 8	Paradox Live Stage Battle “JUSTICE” CD
May 29	“The Case Files of Jeweler Richard Vol. 3” DVD/Blu-ray
Jun. 12	“KING OF PRISM SUPER LIVE Shiny Seven Stars!” DVD/Blu-ray
Jun. 26	“Stage Performance KING OF PRISM -Shiny Rose Stars-” DVD/Blu-ray
Jun. 26	“Fruit Basket 2nd season Vol.1” DVD/Blu-ray
Jun. 26	“The Case Files of Jeweler Richard Vol. 4” DVD/Blu-ray



Misako Uno
(AAA)



J SOUL BROTHERS III
from EXILE TRIBE



THE RAMPAGE
from EXILE TRIBE



EXILE ATSUSHI/
RED DIAMOND DOGS



Ayaka



V.A.



Osomatsu-san on STAGE
~SIX MEN’S SHOW
TIME3~

Major Press Releases	Jul. 8	Kumi Koda 20th Anniversary Arena Tour to be held in venues
	Jul. 30	First release of original animated film produced in full remote work with the Anime Production tool “AniCast Maker,” a Next-Gen Animation Production Tool that can be used by anyone to produce animation
	Jul. 31	Beginning of Crowdfunding Service “Bridge” specially tailored for Entertainment
Live Event	Music Business	
	Jul. 25	Ayumi Hamasaki “ayumi hamasaki PREMIUM LIMITED LIVE A ~Natsu no Trouble~” ※Online Streaming Live
	Jul. 26	Da-iCE「Da-iCE×ABEMA ONLINE LIVE TOUR 2020 -THE Da-iCE-」※Online Streaming Live
	Aug. 29	“a-nation online 2020” ※Online Streaming Live
Package	Sept.12	Kumi Koda “KODA KUMI 20th ANNIVERSARY TOUR 2020 MY NAME IS...”
	Music Business	
	Jul. 1	RYUJI IMAICHI / HIROOMI TOSAKA “LDH PERFECT YEAR 2020 SPECIAL SHOWCASE RYUJI IMAICHI / HIROOMI TOSAKA” DVD/Blu-ray
	Jul. 8	BiSH “FOR LIVE -BiSH BEST-” CD
	Jul. 22	V.A. “HiGH&LOW THE WORST” DVD/Blu-ray
	Jul. 22	BiSH “LETTERS” CD+DVD/Blu-ray
	Jul. 29	V.A. “LDH PERFECT YEAR 2020 COUNTDOWN LIVE 2019→2020 ‘RISING’” DVD/Blu-ray
	Aug. 26	Da-iCE “DREAMIN’ ON” CD+DVD
	Sept. 16	Kis-My-Ft2 “ENDLESS SUMMER” CD+DVD
	Anime & Visual Content Business	
	Jul. 29	Paradox Live Stage Battle “PRIDE” CD
	Aug. 28	“Fruits Basket 2nd season Vol.2” DVD/Blu-ray
	Sept. 2	Paradox Live Stage Battle “FAMILY” CD
	Sept. 9	ARP “Amazing Radio Performers on the WEB vol.1” CD
	Sept. 18	“Osomatsu-san ULTRA NEET BOX” DVD/Blu-ray
	Sept. 18	“Osomatsu-san Set from Season 2” DVD/Blu-ray
	Sept. 25	“Fruits Basket 2nd season Vol.3” DVD/Blu-ray



As announced on May 14th, 2020, the Company is unable to perform reasonable and proper calculation of the effect from the Novel Coronavirus (COVID-19) at this point, the Earnings and Dividend Guidance for FY 2020 have yet to be determined.

■FY 2020 Earnings and Dividend Guidance:
To be determined

Disclaimers

The guidance for operating results and other information contained in this release were prepared by management based on currently available data and information. Therefore, the document includes potential risks and uncertain elements. In particular, in Avex Inc.'s business domain, there are factors other than general economic conditions that may affect its performance. Please note that actual results may greatly differ from guidance.

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Really! Mad+Pure