

May 11, 2017



avex group growth strategy 2020

- progress and guideline target -

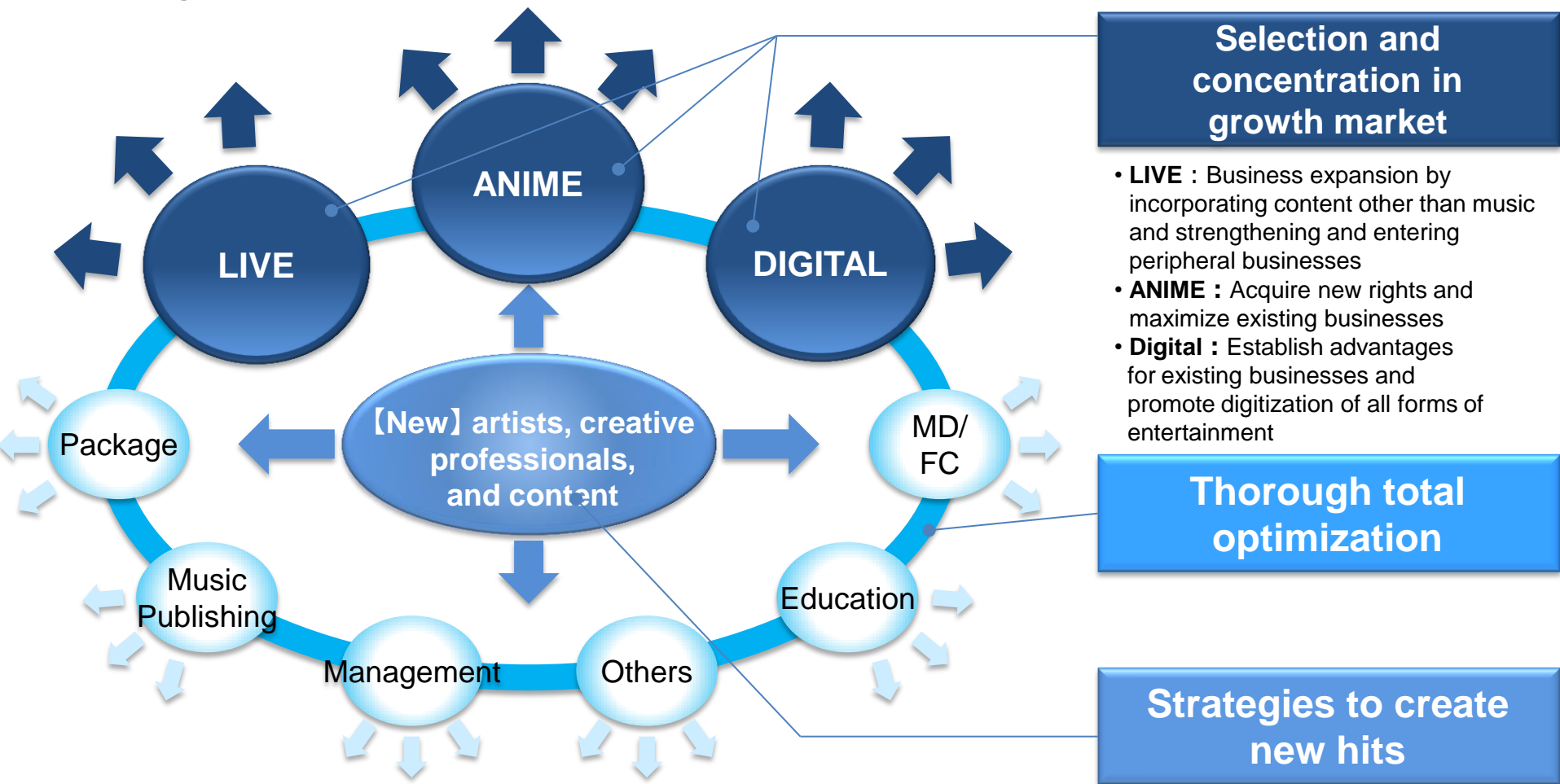
1. Introduction

2. FY2016 Review / Upcoming Plans

3. Growth Strategy 2020_Guideline Target

Growth Strategy: Overview

Focus on LIVE, ANIME, and DIGITAL as the areas of selection and concentration, and pursue total optimization to promote business synergies while aiming for business expansion. Additionally, we will implement the strategies to create new hits using our “360-degree business” foundation.



**Grand image of our business scale by 2020:
Consolidated net sales of 250 billion yen**

Growth Strategy: Overview

(excerpt from avex group growth strategy 2020 ~towards an innovative future of entertainment~)

We will reset the plan period and develop a growth strategy to overcome the problems we faced while implementing the “Mid-term Strategy 2018,” and accelerate and maximize our growth. We will also be carrying out a company-wide reform that includes the organization and principles.

Problems encountered while executing the Mid-term Strategy 2018		
Principles	Organization	Strategy
Rethinking how we should be as an entertainment company	Reform into a system for total optimization	Need for selection and concentration

Position these as the “third take-off” and implement a company-wide reform

< Review the principles >
Redefine the management philosophy and code of conduct (who and how Avex should be)

< Reform the organization >
Design policies and systems to revitalize the organization and its members and maximize their value

< Strengthen growth strategy >
Define the focus areas in which to concentrate investments

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Details in Page 5

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Details in Page 6~8

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Details in Page 9~12

1. Introduction

2. FY2016 Review / Upcoming Plans

- **Review the Principles**
- **Reform the Organization**
- **Business Strategy**

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Review the Principles

Reviewed corporate principles and group missions, and redefined our tagline and manifesto.

Since Avex's founding, Avex grew through making new challenges with the spirit, "the common sense in our industry is not common sense at Avex." Avex's tagline has been redefined so that Avex will continue to be a company which embraces the unexpected, prompting the reaction "Really! (Serious?)" from pursuing ideas which people believe to be "Mad" with a "Pure" mind.

Tagline (Principles)

Really! Mad+Pure

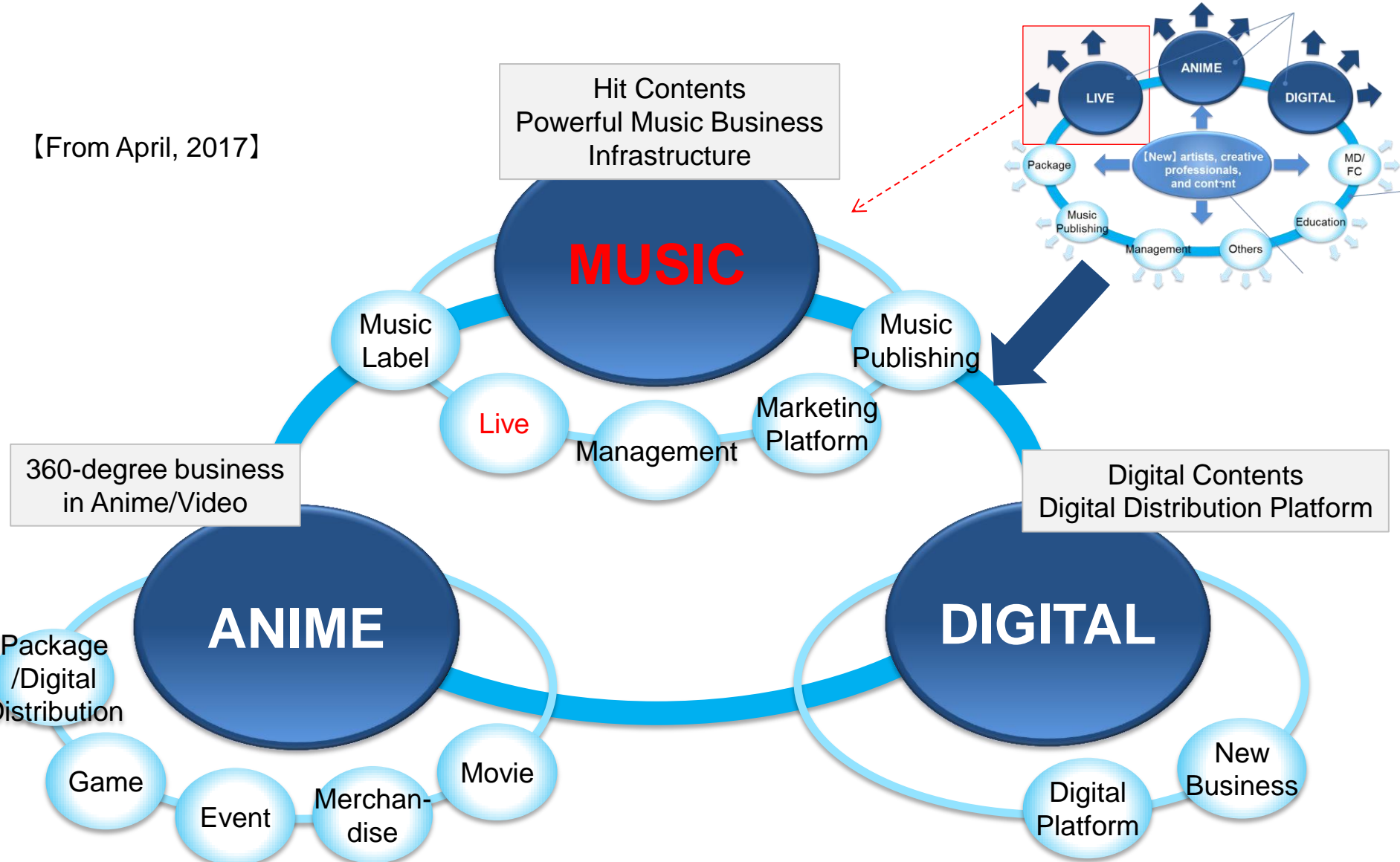
Manifesto

Be open minded and warm hearted.
Be brave and embrace the unexpected.
Be Mad+Pure.
Really!

Reform the Organization

A major group re-organization and consolidation of businesses into three (3) domains; each business domain will have its unified operation.

【From April, 2017】



Reform the Organization

Design a structure to achieve total optimization and quick decision-making by utilizing our group's strength.

1. Each business domain has unified their operations using our group's strength

- Integrated the functions of *one of the largest live entertainment company in Japan* and *record company with the number one market share in Japan*, to create the one and only 360-degree music infrastructure company.
- Integrated management companies and concentrated resources to create an original hit.

2. Renewed executive and management structures; designing a flat organization

- Promoting total optimization by dissolving silos and multiple layers.
- Designing an organization which renews itself by promoting active workers regardless of age.
- Set up a company-wide project lead by young workers ("Junior Board") to train young workers to become executives; to create a vibrant organization.

3. Delegated authority to speed up decision-making

- Delegated a wide range of authorities and clarified responsibilities and authorities; designed a decision-making structure capable of making decisions much quicker than competitors.

Reform the Human Resource System

Going back to the basic idea “human resource is our asset,” the new human resource system will be reformed drastically to show care for our employees, and to nurture and revitalize our workforce.

Labor Type/ Compensation

- “a group of very talented individuals”
 - Implementing a grade and job classification which places more weight on individual contributions and activities
- “a group of individuals who work smartly”
 - Work styles will be reformed the Avex way
 - (• Adopt labor types which suit different work styles and different ways of making results
 - Adopt a compensation plan which provides sufficient reward for hit makers
 - Reform the workplace to motivate employees
 - Provide more choices of work style such as by promoting remote work and short-time work)

Performance Appraisal

- “The group will reward individuals who make actions and results regardless of the individual’s position.”
 - Dynamic and fair evaluation (360-degree feedback evaluation method)

Career Path /Training

- “A group which evolves every day towards the future”
 - Future-oriented training, career making
 - (enhanced training system, job rotation, support for employee startups)

MUSIC (1 of 2)

The strategy unit “Live” has been redefined to “Music,” which is a much larger category. Integrated music business-related infrastructures into one company to form a powerful music infrastructure company, aiming to achieve overwhelming growth.

1. Enhance entertainment infrastructures to increase touch points with customers

- Enhance entertainment infrastructure functions such as electronic commerce, ticketing, live production, merchandising, fan club, to increase touch points with customers by directing customers between different infrastructures.

2. Create synergies by stopping to be a record company and live entertainment company

- Enhance businesses through commitment to make mutual cooperation between the businesses in order to become the one and only “general trading company specializing in entertainment” that can provide different values to accommodate the needs of content-holders.

MUSIC (2 of 2)

As part of our plans to create hit contents, in addition to creating hit contents at our management company, we will sow seeds to enhance possibilities of creating diverse hits without conforming to existing frameworks.

3. Create hit contents at our management company

- To enhance the ability of our management company to make hit contents, we have integrated all management companies, artist finding functions and school businesses and formed one management company which now has our management resources concentrated in its unified structure of finding, developing and managing artists.
- Our 360-degree functions are being utilized and dynamic company-wide artist-centered decisions are being made to maximize every possible form of sales (360-degree).

4. Sowing seeds to create hits from company-wide cooperation

- Inviting overseas artists and contents to our 360-degree operation in Japan.
(Set up an operating company in North America. Enhanced local networks and signed an influential artist)
- Developing a new business model for music and other forms of entertainment to provide an environment and business model for development and support for talented human resources who are aspiring to succeed in the entertainment industry, and to find such talent. (Started a new type of music business contract by adopting a corporate venture capital model.)
- Entering new business genres and increasing the odds of creating hits by forming alliances with influential creators/players.

Developing a 360-degree business for Anime (maximize sales in growth markets such as game apps and merchandising, and in overseas businesses)

1. Maximize sales of Hit Contents

- Enhancing our 360-degree business by turning hit contents such as “Osomatsu-san” into standards and enhancing content longevity.
- Enhancing overseas business by actively pursuing collaboration with local partners in addition to engaging in traditional licensing businesses.

2. Acquire new intellectual properties (“IP”) and expanded rights

- The hit anime “YURI!!! on ICE” is an original anime owned 100% by Avex, which is not based on a manga story. We will continue to develop and own all rights to original works, and try to acquire as much rights as possible.

3. Maximize sales of non-package businesses and accelerate digitalization

- While consumer trends keep changing, we will adapt to various businesses such as digital video and music distribution, events, live-viewing, game apps and etc.
- The Anime Times Company will enhance its capacity of providing contents to external services.

***Selection and concentration* in existing businesses.**

Adopted “ENTERTAINMENT×TECH” as a key word for developing new services and businesses, to pursue unlimited possibilities.

1. Rearrangement and restructuring of existing services

- Digital video distribution services have undergone *selection and concentration*; our resources are now concentrated in the largest digital video distribution platform in Japan.

2. Entry into the game business

- Entering the game business by taking full advantage of our intellectual properties such as anime and artists, which go well with the game business.

3. Cooperation between digital services and promoting digitalization

- To fully utilize the market data stored at each service, data will be stored and mutually linked for company-wide analysis and utilization (ie, set up a division which is dedicated to digitalization).

4. Collaboration with promising startup companies and players to develop businesses

- Set up a venture capital for the purpose of producing new entertainment experiences and to actively collaborate with players who own the latest technologies such as VR, media, AI and etc.
- Set up a new division dedicated to research, development and launch of new services and businesses, to actively promote ENTERTAINMENT×TECH.

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Year 2020

Sales 250 billion yen

Operating Income 20 billion yen