



Reports on Earnings Results for FY 2022 (Fiscal year ending March 31st, 2023) and Progress of avex vision 2027

Avex Inc.

TSE Prime 7860

May 11, 2023

Full-year Results



| Consolidated Results - Overview

Net sales increased by 23.5% YoY to 121.5 billion yen, driven by a recovery in the Live Concert market.
Operating profit increased by 31.1% YoY to 3.3 billion yen

(million yen)	FY 2021	FY 2022	YoY	rate	Change from forecast*
Net sales	98,437	121, 561	+23,124	+23.5%	—
Operating profit	2,582	3,385	+802	+31.1%	-614
Profit attributable to owners of parent	919	2,742	+1,823	+198.2%	-557

*: Disclosed on November 10, 2022: Revised consolidated results forecast

Overview of Business Results

Net sales

- ✓ Net sales increased, mainly from Live Concerts in the Music Business due to the easing of activity restrictions caused by COVID-19
- ✓ In the Anime & Visual Content Business, Non-Package net sales increased, including distributed profit from production committee and distribution sales.

Operating profit / Net profit

- ✓ The company-wide gross profit margin declined due to changes in the sales mix of each business segment with different profit ratios.
- ✓ Cost of sales and SG&A expenses increased due to higher personnel and other expenses associated with the recovery of business activities, as well as increased investment in the creation of intellectual property to achieve the medium-term management plan.
- ✓ Extraordinary income was recorded due to sales of investment securities, etc.

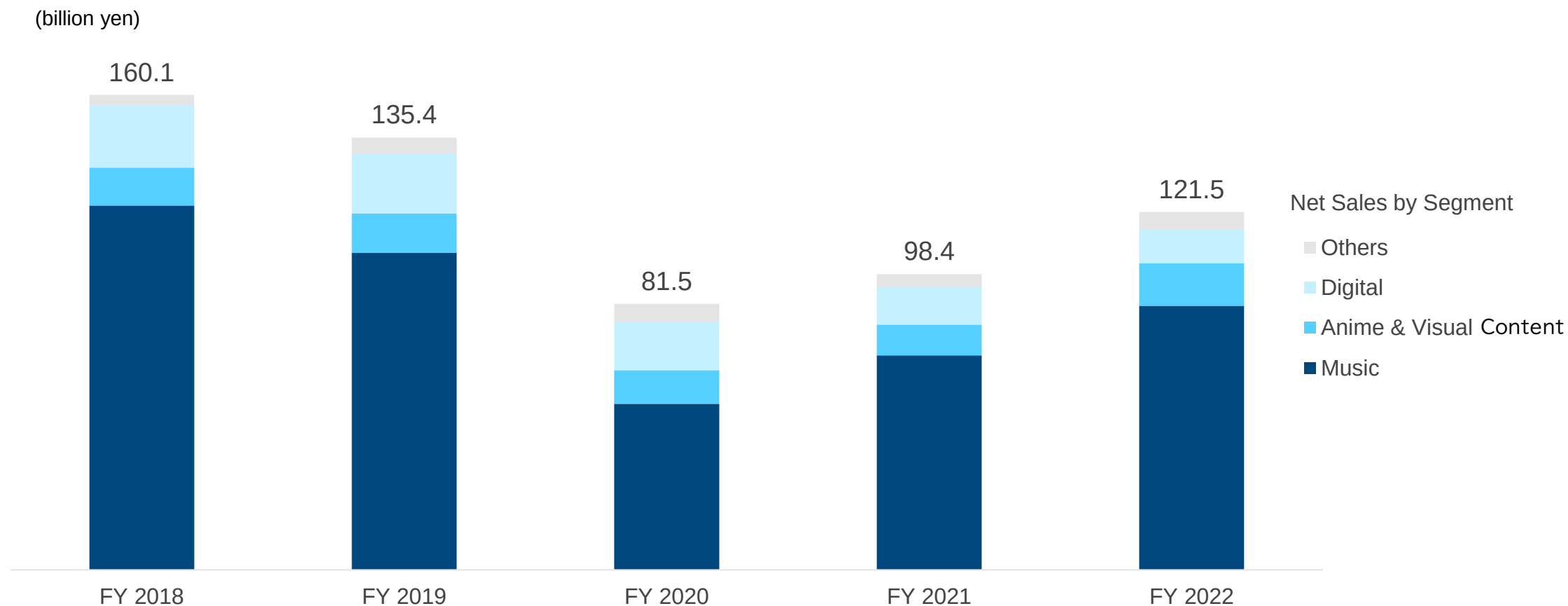
Forecast comparison

- ✓ Net sales were in line with expectations, while increased expenses, mainly in IP investments, resulted in a downward revision compared to the forecast.

| Consolidated Results - Overview

Both the Music and Anime & Visual Content Business are recovering, although they have not yet reached their pre-COVID 19 levels

Trends in Consolidated Net Sales



Note: The net sales breakdown in FY 2020 and earlier are reference values that have been reclassified to conform to the current segment standards, without retroactively adjusting for the impact of changes in the accounting standard, etc.

| Consolidated Results - Consolidated Income Statements

Company-wide gross profit margin declined following changes in the sales mix of each business segment with different profit ratios, and personnel, general and other expenses increased with the recovery of business activities.

Despite the above effects, operating profit increased by 31.1% YoY, driven by increased net sales

(million yen)	FY 2021	FY 2022	YoY	Rate
Net sales	98,437	121,561	+23,124	+23.5%
Cost of Sales	63,209	82,574	+19,365	
Gross Profit	35,228	38,987	+3,759	+10.7%
Gross Profit Margin	35.8%	32.1%	-3.7pt	
Total SG&A Expenses	32,645	35,602	+2,956	
Personnel Expenses	11,029	12,671	+1,641	
Sales Promotion and Advertising Expenses	7,993	8,354	+361	
General Expenses	13,622	14,576	+953	
Operating profit	2,582	3,385	+802	+31.1%
Operating Margin	2.6%	2.8%	+0.2pt	

| Consolidated Results - Results by Segment

Net sales increased due to an increase in the number of Live Concerts in large venues in Music Business, and because of an increase in sales of films, etc. in Anime & Visual Content Business

Net Sales by Segment				
(million yen)	FY 2021	FY 2022	YoY	rate
Music	76,529	94,139	+17,610	+23.0%
Anime & Visual Content	11,038	15,253	+4,215	+38.2%
Digital	13,682	12,379	-1,302	-9.5%
Others	4,417	6,020	+1,603	+36.3%
Adjustment	-7,229	-6,231	+998	—
Total	98,437	121,561	+23,124	+23.5%

Operating Profit by Segment				
(million yen)	FY 2021	FY 2022	YoY	rate
Music	3,949	2,800	-1,148	-29.1%
Anime & Visual Content	691	609	-81	-11.9%
Digital	-1,640	-546	+1,094	—
Others	-423	510	+933	—
Adjustment	5	10	+5	—
Total	2,582	3,385	+802	+31.1%

Note: Business segments have been partially revised since FY 2022 Q2, and the YoY figures have been restated in accordance with the new segment classification.

| Music Business

Net sales increased mainly from Live Concerts and Merchandising due to an increase in the number of Live Concerts at large venues

(million yen)	FY 2021	FY 2022	YoY	rate
Net Sales in the Music Business	76,529	94,139	+17,610	+23.0%
Live	14,048	31,746	+17,698	+126.0%
Merchandising	3,023	5,051	+2,027	+67.1%
Management	9,587	9,218	-368	-3.8%
Music package	26,051	23,313	-2,737	-10.5%
Digital music distribution	11,736	12,790	+1,054	+9.0%
Music publishing	3,260	2,802	-457	-14.0%
E-Commerce	12,680	12,841	+160	+1.3%
Other	5,950	5,857	-93	-1.6%
Operating profit	3,949	2,800	-1,148	-29.1%
Operating margin	5.2%	3.0%	-2.2pt	—

Note 1: The business segments have been partially revised since FY 2022 Q2, and the YoY figures have been restated in accordance with the new segment classification.

Note 2: In the Net Sales in each sub-segment, transactions within the subsegment have not been eliminated.

		FY 2021	FY 2022	YoY
Overview of Live Concerts				
Total number of performances		988	1,110	+122
Stadium		17	23	+6
Arena		34	141	+107
Hall & Live House class		937	946	+9
Audience (ten thousand people)		101	235	+134
Average ticket price (yen)		8,415	9,540	+1,125
Overview of Music Package				
Albums	Unit price (yen)	3,583	2,834	-749
	Units (thousands)	3,201	3,055	-146
Singles	Unit price (yen)	1,173	1,233	+60
	Units (thousands)	4,835	5,692	+857
DVD/ Blu-ray	Unit price (yen)	5,493	5,520	+27
	Units (thousands)	945	1,503	+558

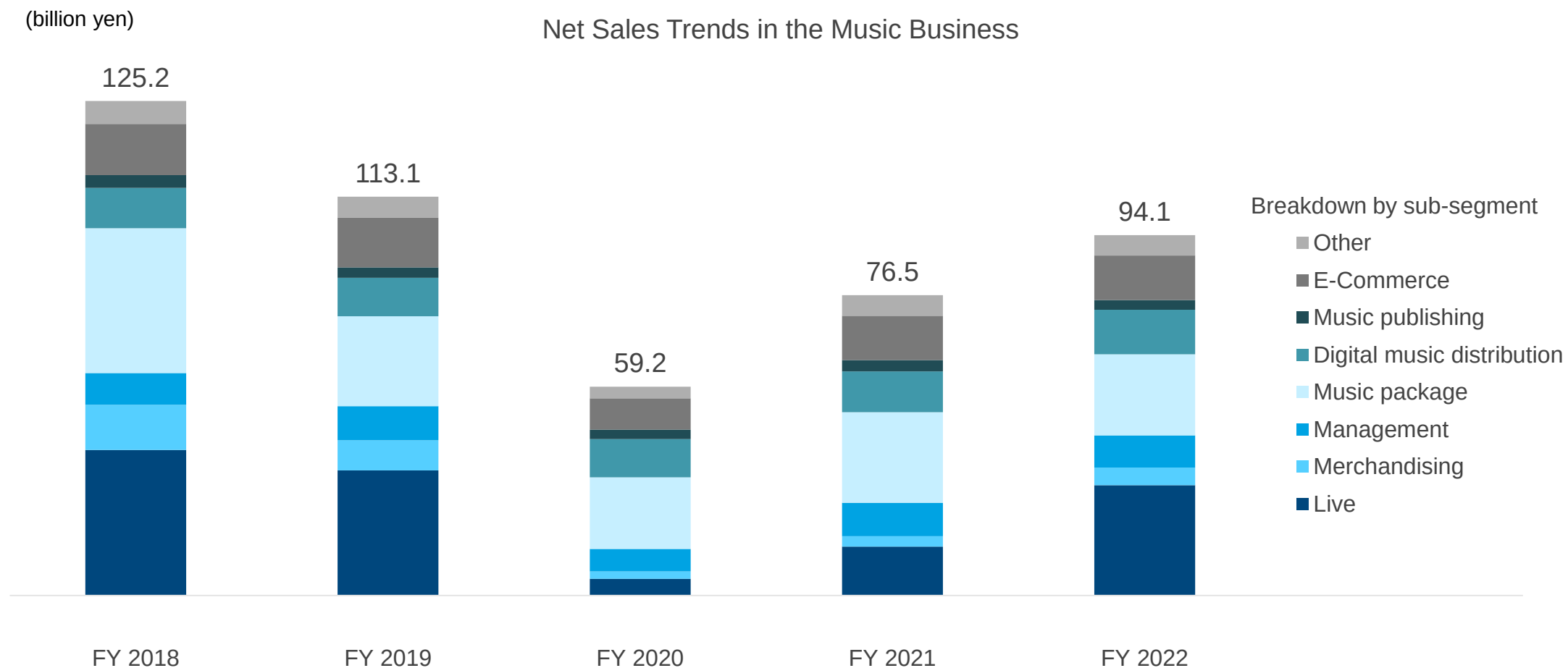
Note 3: Due to the revision of the criteria for listing the number of live concerts since the consolidated financial results for FY 2022, the figures do not match those disclosed in the previous year's financial results presentation materials.

Note 4: Number of performances, audience, and average price for the overview of Live Concerts include our commissioned live concerts and exclude online live concerts, stage performances, events, etc.

Note 5: Average price and units for the overview of Package are for new releases only (including sales on consignment).

| Music Business

On a recovery trend, especially in Live Concerts, although they have not yet reached their pre-COVID 19 levels



Note: The net sales breakdown for each fiscal year is for reference only and does not reflect the impact of changes in the accounting standards, etc., or restatements or adjustments within the segment.

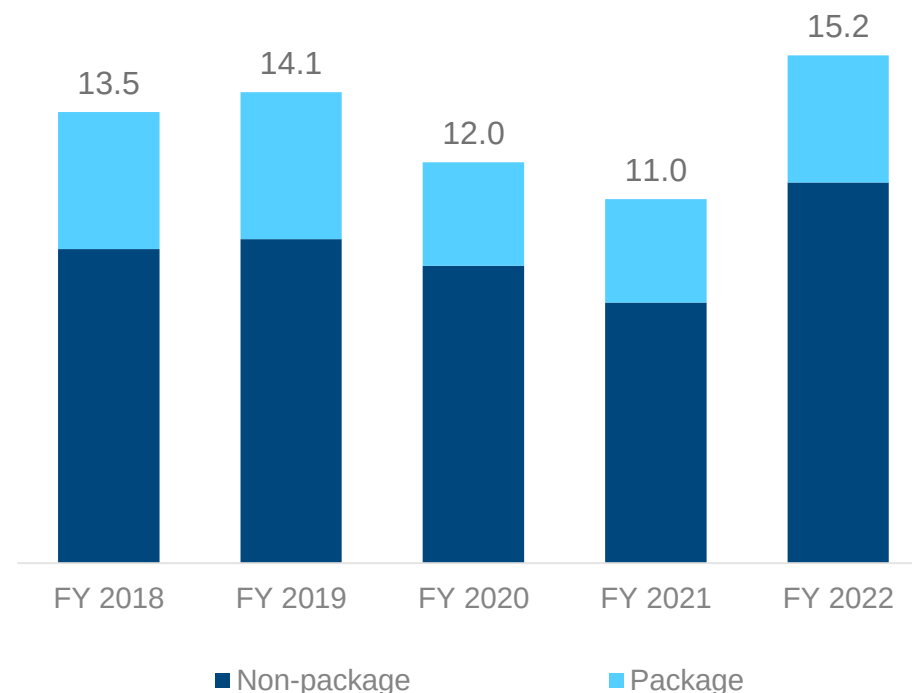
| Anime & Visual Content Business

Net sales increased due to higher Non-Package net sales, including distributed profit from production committee and distribution sales from film titles

(million yen)	FY 2021	FY 2022	YoY	rate
Net sales in the Anime & Visual Content Business	11,038	15,253	+4,215	+38.2%
Package	3,141	3,821	+680	+21.7%
Non-package	7,897	11,431	+3,534	+44.8%
Operating profit	691	609	-81	-11.9%
Operating margin	6.3%	4.0%	-2.3pt	—

(billion yen)

Net Sales Trends in the Anime & Visual Content Business



Note 1: Non-package net sales include distributed profit from production committee, film distribution, events, live concerts, etc.

Note 2: In the Net Sales in each sub-segment, transactions within the subsegment have not been eliminated.

Note 3: Sales figures for FY 2020 and earlier are for reference only and do not reflect changes in accounting standards, etc.

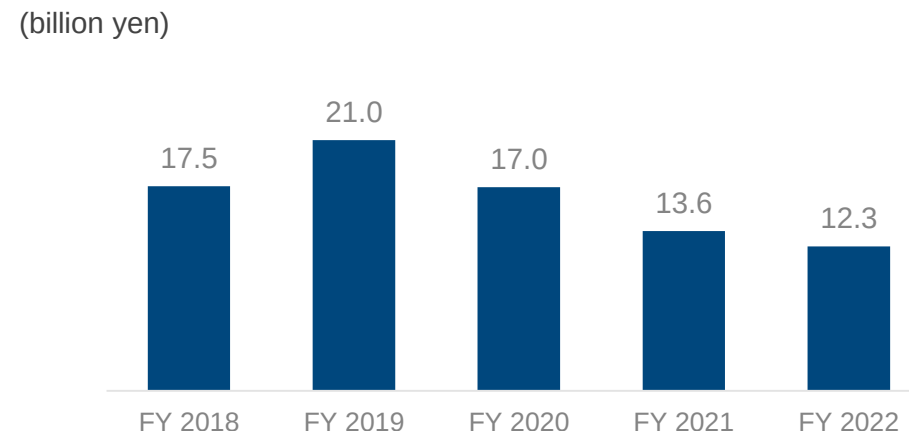
| Digital and Other Businesses

Digital Business: Net Sales decreased due to a decrease in Sales of Digital Streaming and Fan Club, etc.
Other Businesses: Net sales increased due to an increase in Sales related to a Major International Event, resulting in a return to profitability

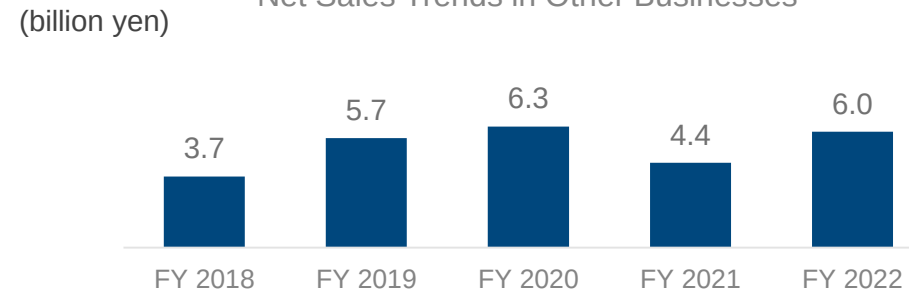
(million yen)	FY 2021	FY 2022	YoY	rate
Net Sales in the Digital Business	13,682	12,379	-1,302	-9.5%
Digital video distribution*	11,213	8,626	-2,586	-23.1%
Fan clubs	1,993	1,601	-392	-19.7%
Other	475	2,150	+1,674	+352.1%
Operating profit	-1,640	-546	+1,094	—
Operating margin	—	—	—	—

(million yen)	FY 2021	FY 2022	YoY	rate
Net sales in Other Businesses	4,417	6,020	+1,603	+36.3%
Operating profit	-423	510	+933	Moving into profitability
Operating margin	—	8.5%	—	—

Net Sales Trends in the Digital Business



Net Sales Trends in Other Businesses



*: On January 31, 2023, all shares of Avex Broadcasting & Communications Inc., a specified subsidiary (sub-subsidiary) engaged in the Digital Streaming Business, were transferred and excluded from the scope of consolidation.
 Note: In Net Sales in each sub-segment, transactions within the subsegment have not been eliminated. Net Sales for each business segment in FY 2020 and earlier are reference values that have been reclassified to conform to the current segment standards, without retroactively adjusting for changes in the accounting standards, etc.

| Results Forecast for FY 2023

While the recovery in market conditions is expected to contribute for the full year, investment in the creation of intellectual property will be strengthened to achieve the goals of the medium-term management plan.

Our forecast for FY 2023: 2 billion yen in operating profit and 1.1 billion yen in net profit. A dividend payout ratio of 35% and a minimum annual dividend per share of 50 yen will be maintained.

(million yen)	FY 2022	FY 2023	YoY	rate
Net sales (Reference)	121,561	—		—
Operating profit	3,385	2,000	-1,385	-40.9%
Profit attributable to owners of parent	2,742	1,100	-1,642	-59.9%
Annual dividends (yen)	50	50	±0	

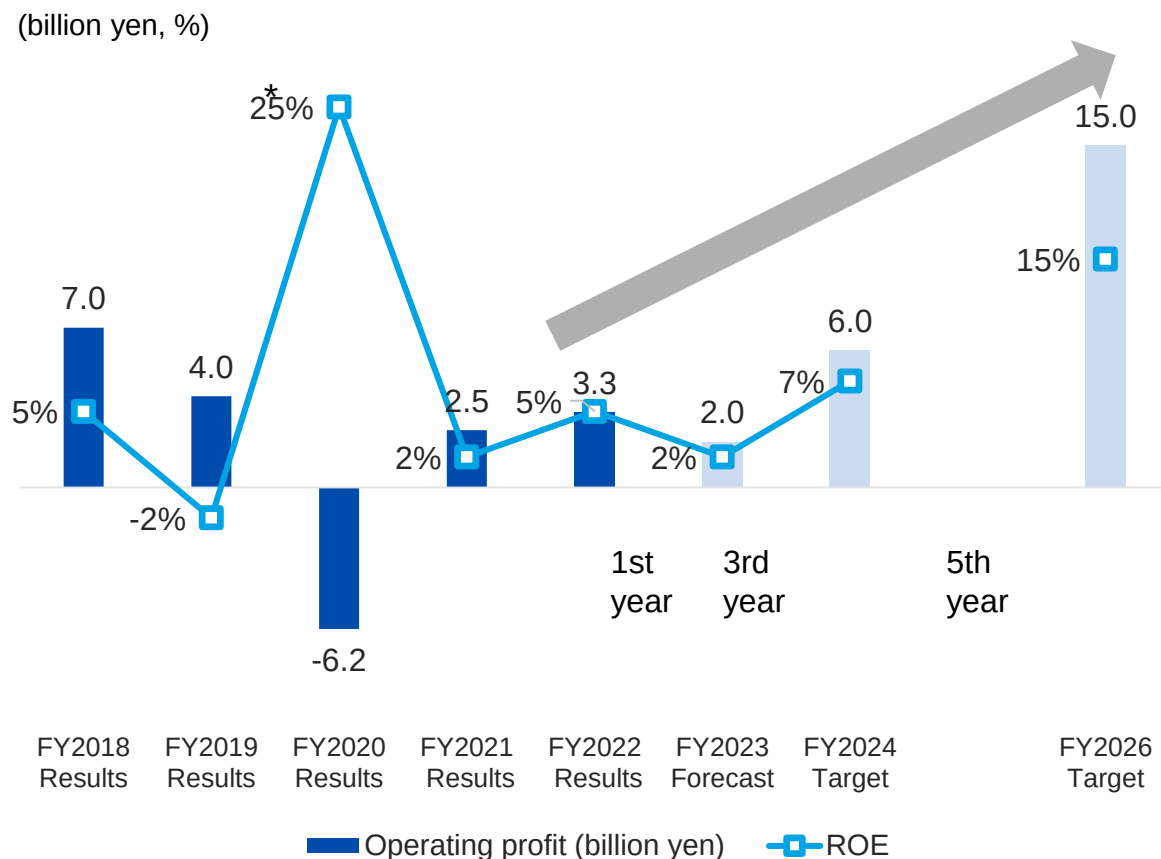
Numerical Targets in the Medium-term Management Plan

We will continue to make investments with the aim of recording 6 billion yen in operating profit and an ROE of 7% in FY 2024, and 15 billion yen in operating profit and an ROE of 15% in FY 2026.

	FY 2022 (1st year: results)	FY 2023 (2nd year: forecast)	FY 2024 (3rd year: target)	FY 2026 (5th year: target)
Operating profit	3.3 billion yen	2.0 billion yen	6.0 billion yen	15.0 billion yen
ROE	4.7%	1.9%	7%	15%
Net sales (Reference value)	121.5 billion yen	—	150.0 billion yen	200.0 billion yen

The above sales should be considered as a reference since our profit ratio may vary significantly, depending on factors such as the type of intellectual property, the method of monetization and variation of hits.

Note: ROE forecast for FY 2023 is an estimate based on shareholders' equity as of March 31, 2023.



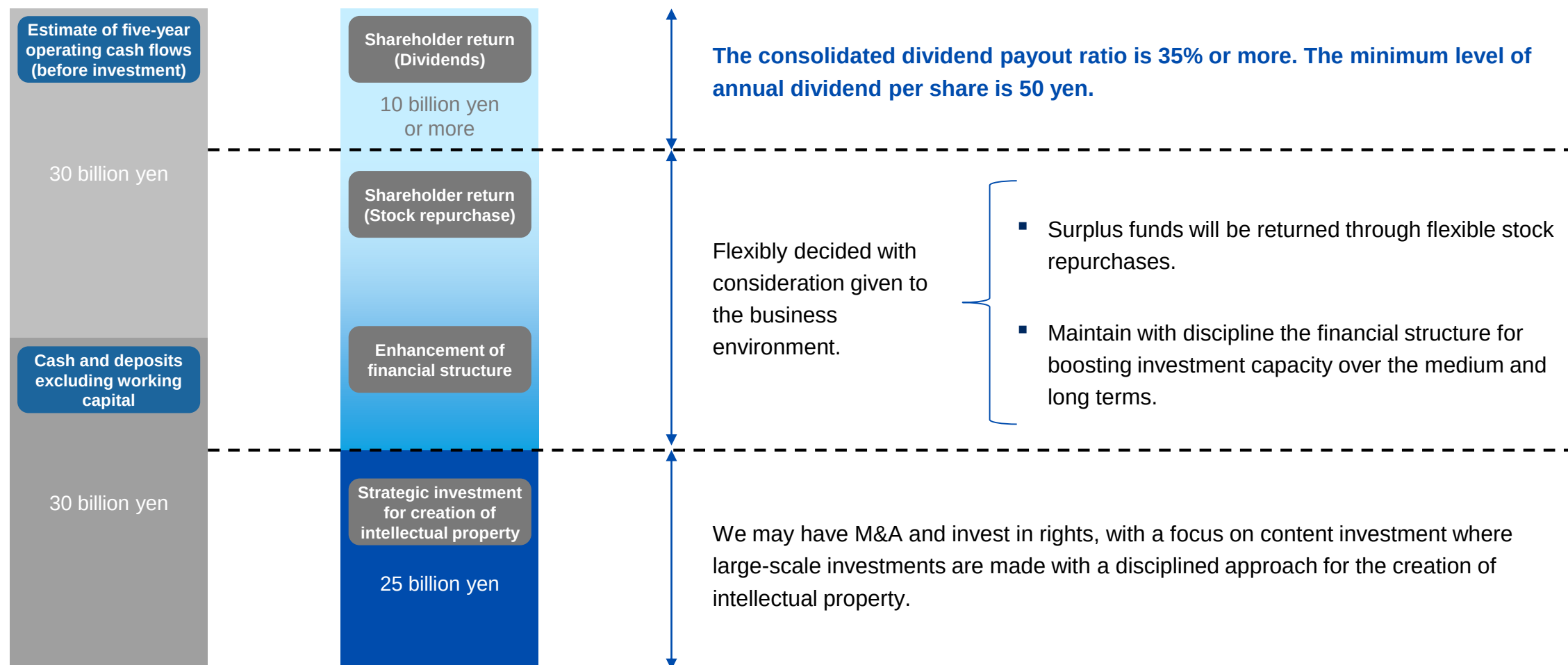
* The performance in FY 2020 includes extraordinary income associated with the sale of a headquarters building.

| Capital Allocation

We make strategic investments to create intellectual property. Surplus funds will be returned through agile stock repurchase with consideration given to the business environment.

While these latest revisions do not introduce changes to capital allocations during the period of the medium-term management plan, we will give capital allocation consideration in light of expected operating cash flow and other factors.

* Re-posted from the medium-term management plan (announced on May 11, 2022)



Reports on Progress of avex vision 2027



| About Our Corporate Philosophy

With the objective of clarifying the aim of a corporation's activities and the social significance of a corporation's presence, Avex defined its Corporate Philosophy. It came into force in July 2022.

Corporate Philosophy

Making impossible entertainment, possible.

**We believe in your abilities, uniqueness and creativity in building a future that
is exciting and world changing.**

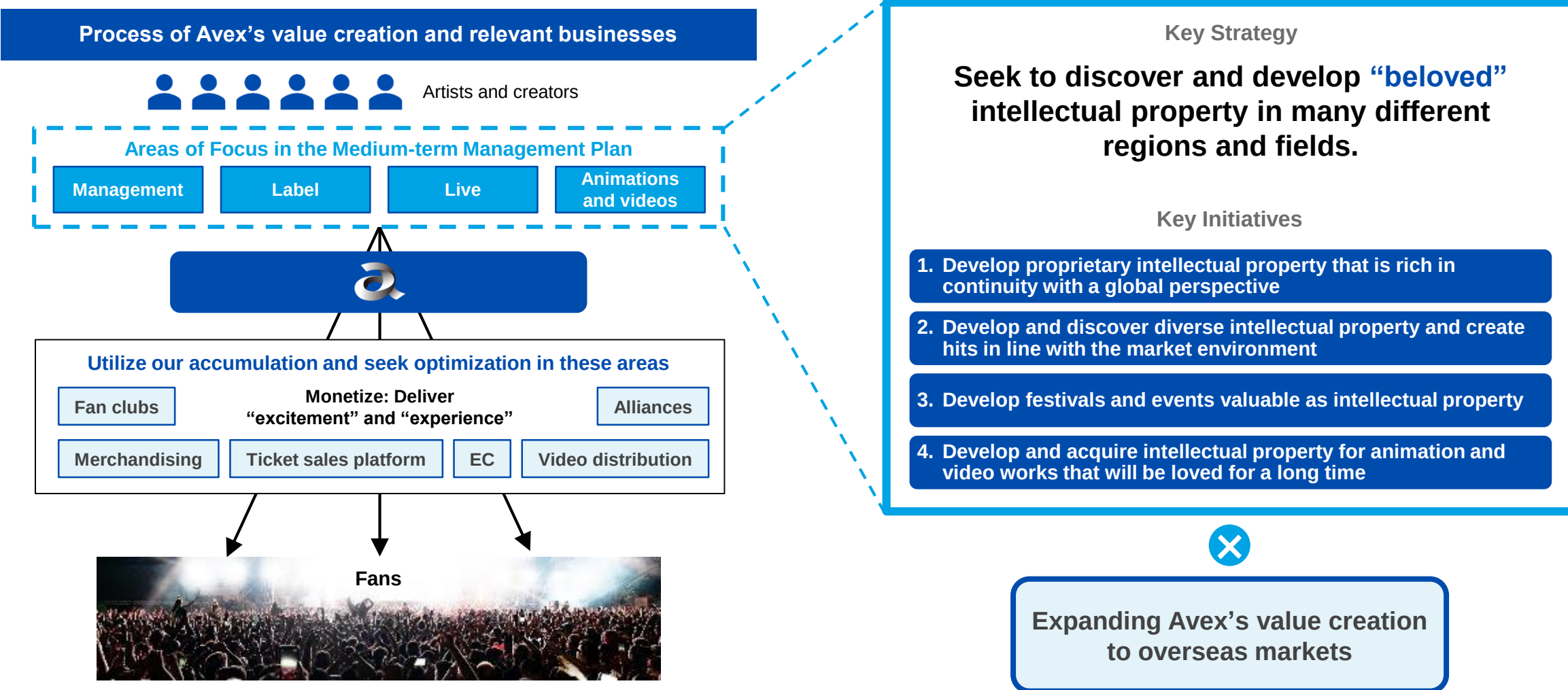
Tagline

Really! Mad+Pure

| Overall Strategy

We aim to build a structure to achieve long-term growth by making aggressive investments with an emphasis on “meeting and developing talent,” which is the starting point for value creation at Avex.

In addition, based on the blossoming IP portfolio, we will launch strategic initiatives to create value in overseas markets.

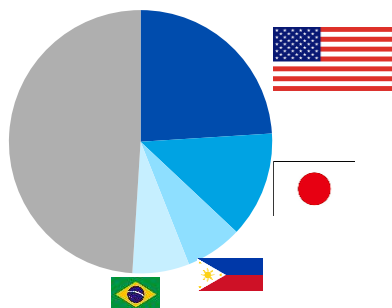


| IP Development in Management - XGALX Project Progress Report

XG has achieved accelerated growth through a series of song releases and other activities throughout FY 2022. Global recognition has significantly increased through each streaming service. The group achieved many firsts for Japanese artists overseas.

Further expanding global presence

Distribution of listeners of the third single
“Shooting Star” on Spotify



The music video for the third single “Shooting Star” received 36 million views within 73 days of its release.

The system in which U.S. creatives provide music to XG, aspiring to become global IP from Japan, has resulted in a significant increase in the number of plays in the U.S.

Change in the number of views and subscribers to its YouTube channel



After the release of the third single, subscribers have broken the 1,000,000 mark, with the number approaching 2,000,000.

Achievements overseas

- ✓ First Japanese artist to be ranked in the Mediabase Top 40 Radio Airplay Chart, the most prestigious radio chart in the U.S., for 8 consecutive weeks
- ✓ Both “Shooting Star” and “LEFT RIGHT” ranked in 46 countries and regions in Spotify Viral Top 100, a viral chart ranking the “most popular songs on current social networking sites.”



▲ An advertising campaign sponsored by Spotify and Amazon Music, by using digital signage at New York Times Square

- ✓ The first Japanese girl group to feature on the cover of Spotify Pop Rising

Each member is increasingly featured in various international media outlets.
Recognition overseas has skyrocketed.

| IP Development in Management - XGALX Project Progress Report

We will continue to invest in its content, etc., regarding the group as a flagship for creating hits around the world
As its fan base has expanded, its official fan club, ALPHAZ, has launched, aiming to create a strong fandom.

Actively investing in content within YouTube



Shooting Star MV



LEFT RIGHT MV



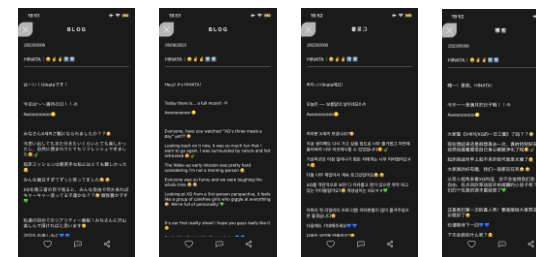
Other related
video content

Enriching the content and appealing to various people by producing multiple music videos, training videos, etc., even for a single song.

Continuing to actively invest in XG

Working to further expand IP value by enhancing their video content

ALPHAZ launched



▲ Content is available in multiple languages.



▲ Various fan club-only content, such as blogs and videos, has been distributed.
Fans can communicate not only with other fans, but also with the members, in some cases.

XG OFFICIAL FANCLUB, ALPHAZ, launched
Working to build a strong fan base through
multifaceted communication via the community

| IP Development in Management - WARPs Progress Report

For WARPs, SANTA and RIKIMARU, the first-round members, graduated from INTO1, entering into the next phase. Steady progress is being made in uncovering and cultivating talent for the second and subsequent rounds, and we will continue to invest in developing artists with a sense of continuity.

WARPs Project

WARP SYNDICATE

The project is designed to produce boys' groups in collaboration with creative companies around Asia.



INTO1



SANTA

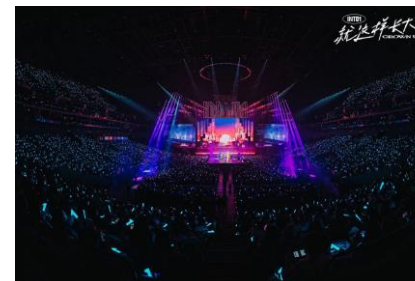


RIKIMARU

Two of the first WARPs Project members, SANTA and RIKIMARU, passed in second and third places, respectively, of the popular Chinese audition program *CHUANG 2021* (Tencent Video), and debuted as members of INTO1.

INTO1 bore great fruit overseas: the second and subsequent projects will continue.

INTO1 has disbanded at the end of April 2023 after two years of planned activity. It made some impressive achievements, holding a live concert at Mercedes-Benz Arena, Shanghai, China, with a full capacity audience (11,000 people x 2 days).



SANTA and RIKIMARU are scheduled to continue their activities mainly in China, even after the disbanding of INTO1.

The WARPs Project will continue to develop artists for the second and subsequent rounds.



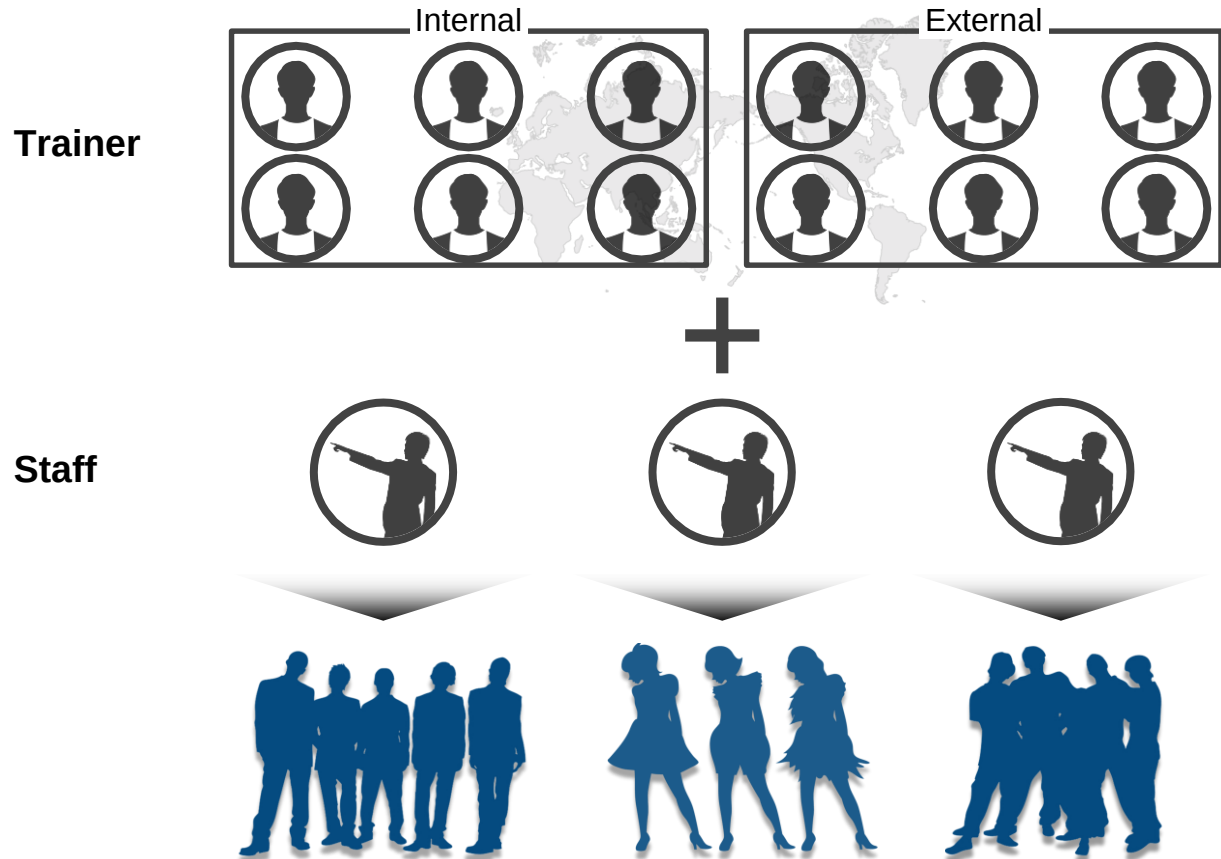
Next-generation members of WARPs were selected through WARPs DIG, a year-long audition program starting in April 2022

Training is underway also for 12-15 year old trainees for the generation after next.



| IP Development in Management - avex Youth Initiatives

We will continue to invest in growth in both tangible and intangible aspects to uncover and cultivate talent, with a view to creating hits around the world. We will deploy staff and trainers who have experience working with global artists, while also working to improve the environment of Avex's own studios and other facilities.



Deploying key staff for each project
Establishing optimal training system by inviting
internal and external trainers



A studio dedicated to avex Youth trainees, where comprehensive training can be provided

An environment in which online distribution and showcases with small audiences can be implemented



An environment in which staff, trainers, creators, and others can easily communicate

Establishing Avex's own studio in Tokyo where Youth trainees can
receive comprehensive training (scheduled for January 2024)

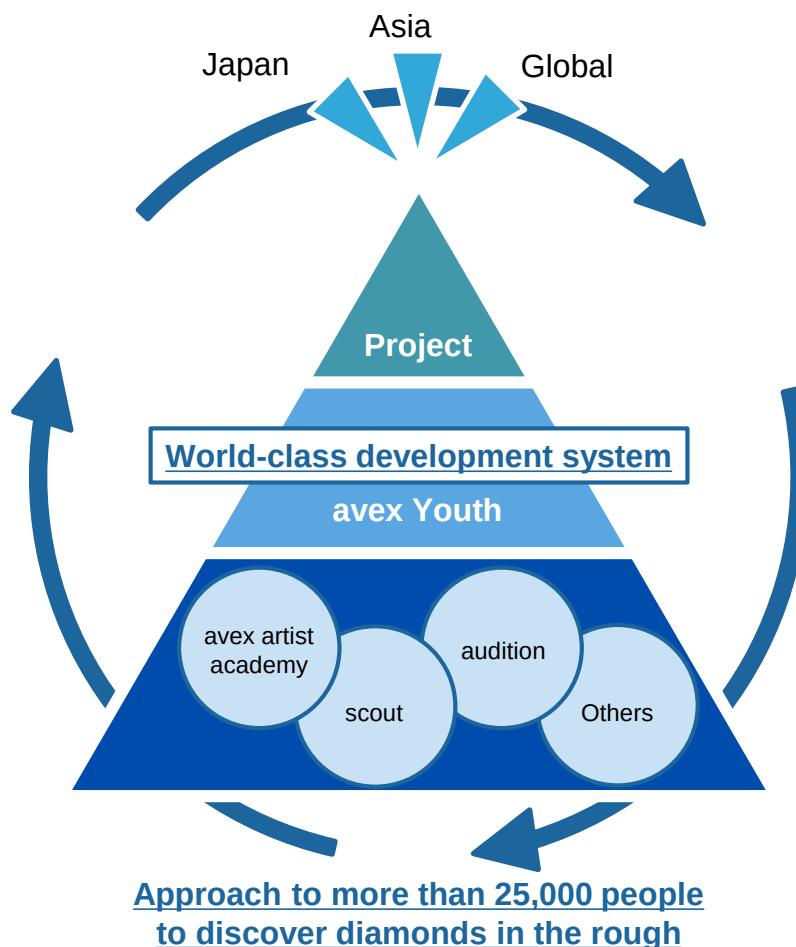
| IP Development in Management - avex Youth Initiatives

Avex has completed the development of a system that fully integrates the promotion of the process to uncover and cultivate talent, developing talent from debut to stardom

In this round, more than 25,000 people were approached and approximately 100 first round trainees were selected. Initiatives started in April.

The Ecosystem Envisaged by avex Youth

Project-driven IP development with a global perspective from the outset



Project XGALX



Continuous creation of hits by utilizing accumulated know-how



avex Youth

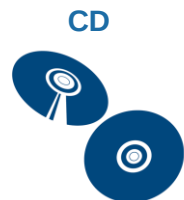
Further increase in the number of jewels aspiring to belong to Avex



| IP Development at Labels - Music Business Initiatives

How artists' music is heard and sold has diversified with the times and technological advances.
Avex aims to uncover the right artists for the market and deliver them along with their music, occasionally working with partners.

As time and technology progresses, the mediums that connect artists and fans diversify and expand.



CD

Download



Streaming



YouTube



Global



Web3



Ayumi Hamasaki Kumi Koda

Daichi Miura

AAA

Kis-My-Ft2

BISH

THE RAMPAGE

NCT 127

Snow Man

TREASURE

Da-iCE

BE:FIRST

Avex aims to develop and discover artists and deliver quality music in line with changes in the market and devices as well as creative trends in music and visual content.



Dai Hirai



Awesome City Club



Chilli Beans.



LANA



XG

| IP Development at Labels - Next-Generation Artist Development Initiatives

In collaboration with partners, large-scale projects are underway to uncover a variety of next-generation artists. We will continue to invest so that they can make a debut in FY2023 and beyond.

× Yasushi Akimoto
Official rival group to
Nogizaka46

× WACK
BiSH THE NEXT

× LDH
WOLF HOWL HARMONY

× SM Entertainment
NCT TOKYO (tentative
name)



+

× K-POP

× Major domestic talent
agencies

× Shueisha

× THINKR

Produced by Yasushi Akimoto,
creator of nationally known idol
groups, such as AKB48 and
Nogizaka46

Scheduled to debut this summer

An audition project to create the next
BiSH advanced by the members of
BiSH, which has announced that it
would disband in June

Scheduled to debut this summer

A new group born from the
second chapter of iCON Z, the
largest audition in LDH history,
which LIL LEAGUE comes from

Scheduled to debut this summer

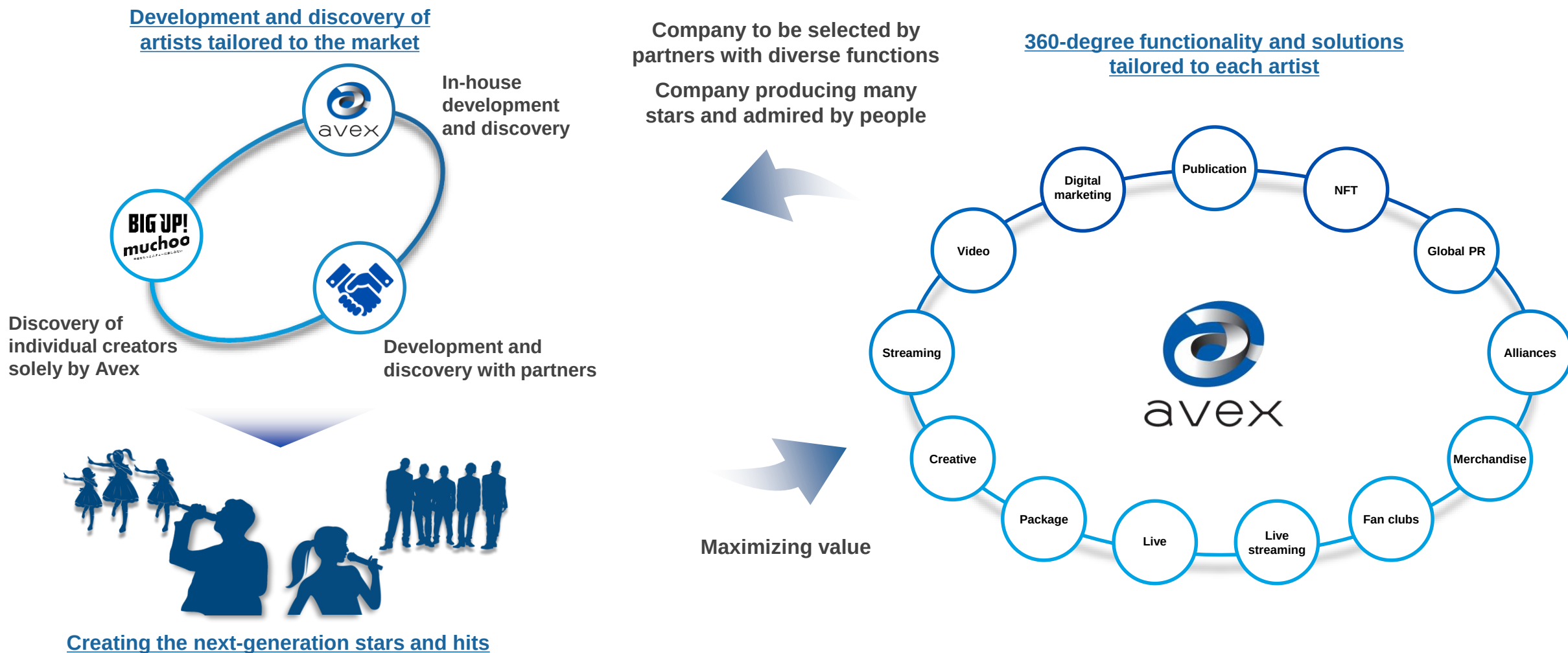
NCT's new group to follow NCT U,
NCT 127, NCT DREAM, WayV, etc.,
working with domestic TV stations

Scheduled to debut this fall

Projects including the above
are also underway.

| Medium- to Long-term Structure in the Music Business

In the Music Business, we will work to create a structure in which “the ability to develop and discover artists tailored to the market” and “360-degree monetization” interact with each other more than ever to realize a stronger business with superiority in the long-term.



| IP Development in Live Concert - Progress in Bringing in International Artists and Developing Events

Toward the realization of the medium-term management plan, the development of commissioned live concerts of overseas artists and festival/event IP has progressed.

Large-scale projects commissioned by overseas production companies



BLACK PINK
(YG Entertainment)
WORLD TOUR JAPAN



NCT DREAM
(SM Entertainment)
First Japan Tour

Commissioned to hold live concerts of various Korean artists,
as a domestic player in Japan

Increase collaboration with overseas production companies to
acquire leading artists

Development of festivals and events valuable as intellectual property

THE HOPE



Newly launched “THE HOPE,”
one of the largest hip-hop
festivals in Japan.

RAGE



RAGE, Japan's largest e-sports event,
has attracted record turnout.

Focus on developing festivals and events with IP value.

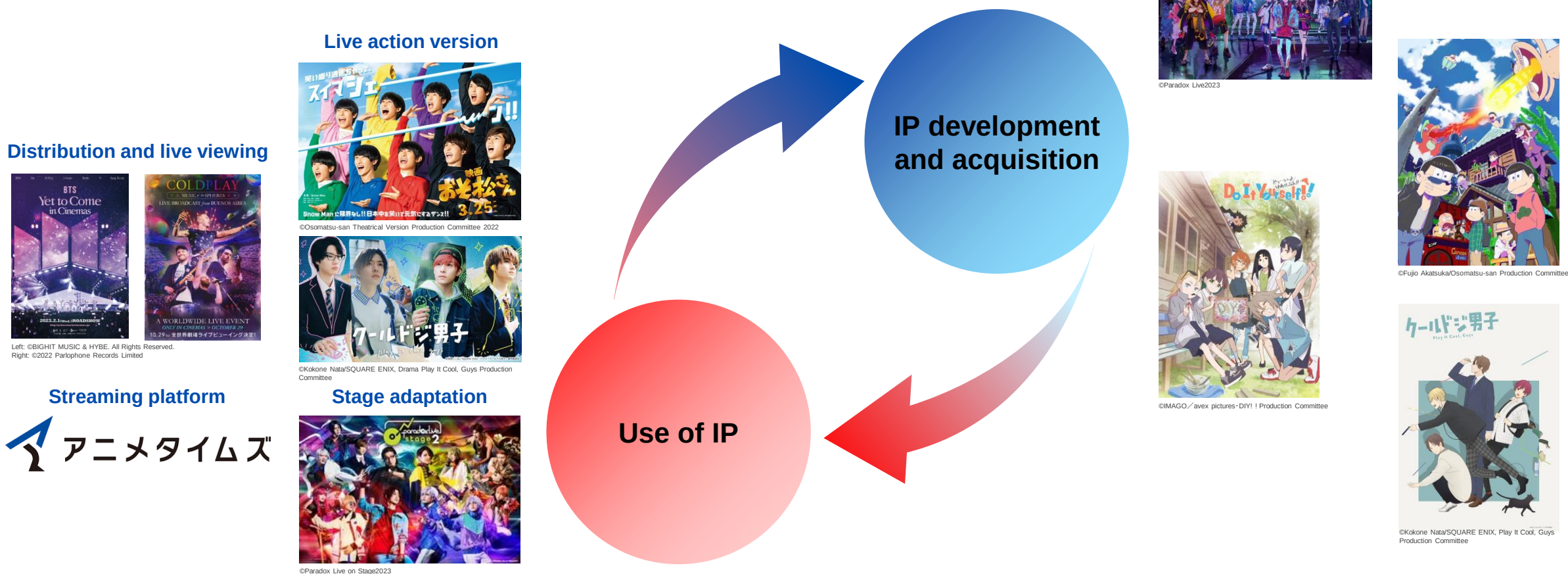
Future plans include large-scale festivals inviting artists
both from Japan and abroad.

| Overall Strategy in the Anime & Visual Content Business

In FY2022, we proposed to utilize existing IP in various fields, such as live-action, live viewing, and music film distribution. We demonstrated Avex's ability to IP holders.

Based on these achievements, we will work to acquire more powerful IP in addition to in-house development in FY 2023 and beyond.

Structure to be pursued in the Anime & Visual Content Business



| IP Development in the Anime & Visual Content - Continue to Invest in IP to Create Hits

We were involved in 21 animated films in FY 2022. We will continue to work on ongoing development and alliances to expand our IP portfolio. Paradox Live, whose original work is owned by Avex, will be animated in FY 2023. The value of IP that has already been successful in a variety of areas is expected to strengthen further.

An extensive lineup was also released in FY 2022.



©Fujiya Akasaka/Osomatsu-san Production Committee



©Iofurabon Hijiki, Ichijirsha / Kami Kuzu Idol Production Committee



©Yasuhisa Hara/Shueisha Inc. / Kingdom Season Production Committee



©Kokone Nata/SQUARE ENIX, Play It Cool, Guys Production Committee



©2021 Hiroshi Takashige, Ryoji Minagawa/Shogakukan Inc. / Spriggan Project



©IMAGO / avex pictures・DIY! Production Committee



©Shibaura Android Laboratory/TECHNO-OM Project



©Yuto Yotsuba, Ryo Ogawa, and KODANSHA's Boy Kongming! Production Committee



©Tetsuya Imai, Kodansha/2022 Break of Dawn Production Committee



©ANCHOR/Alternative Third Plan

Continuous development to create hits
Plan to release titles in the next fiscal year and beyond, considering the breadth of the lineup

Paradox Live, whose original work is owned by Avex, will be animated in October 2023.

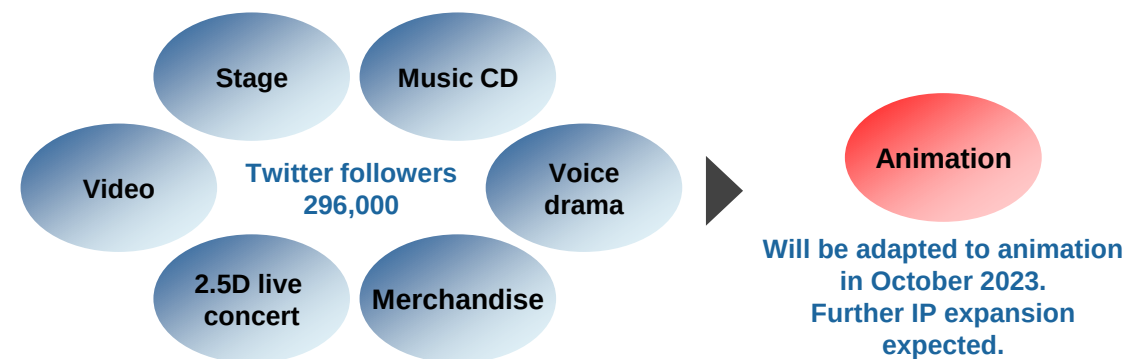
Paradox Live



©Paradox Live2023

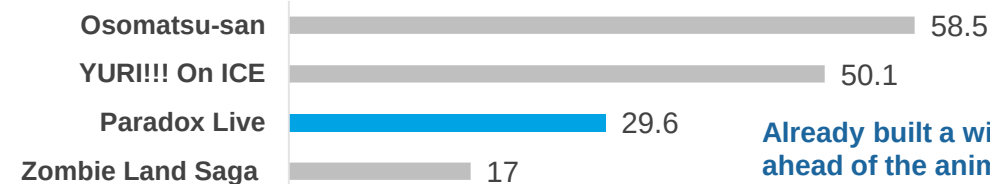
A media mix project launched in 2019 by Avex and GCREST (CyberAgent Group).

Through various activities, such as music CDs, videos, stage performances, and voice dramas, it has already built a fan base.



Number of Twitter followers of IP already animated (as of the end of April 2023)

(Unit: 10,000 accounts)



Already built a wide fan base ahead of the animated series

| IP Development in the Anime and Visual Content - Steady Progress in IP Acquisition Centered on IP Utilization

In the Visual Content Business, music film distribution has expanded, in addition to live viewing. We also focused on developing a live-action version in conjunction with anime.

Anime Times is steadily increasing the number of works distributed, and subscriber numbers are growing steadily.

Accumulated experience in IP utilization in the Visual Content field.

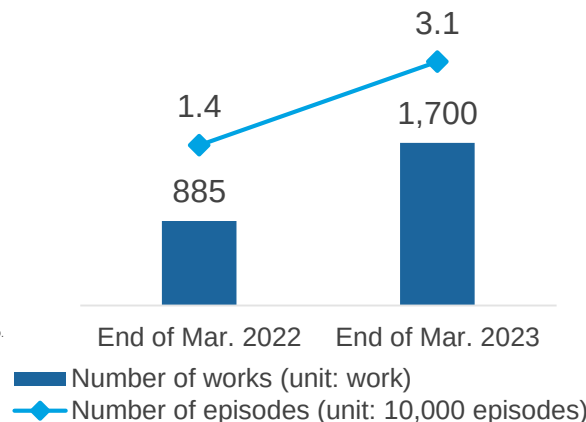
Steady increase in the number of works distributed on Anime Times, and steadily attracting more subscribers.

11 music video works were unveiled (live viewing and distribution) in FY 2022.

Aiming to acquire even more projects from both domestic and overseas artists in FY 2023.



First from left: ©PLEDIS Entertainment / HYBE JAPAN. All Rights Reserved. Second from left: ©avex Third from left: ©BIGHIT MUSIC & HYBE. All Rights Reserved. Fourth from left: ©DREAM MAKER ENTERTAINMENT LIMITED.



Subscribers to Anime Times grew steadily with an increase in the number of works.



Live-action dramatization project announced (April 11)



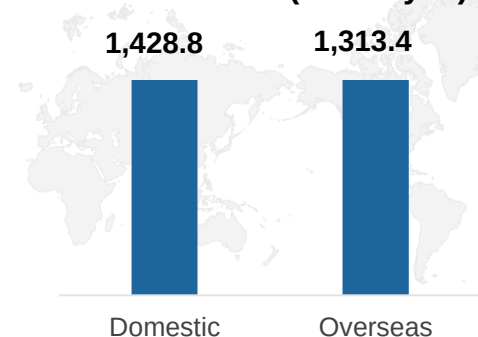
Live-action dramatization on TV Tokyo Fridays at 1:00 a.m., started on April 14

Two animated films produced by Avex have been made into live-action dramas.

Ability to utilize a wide range of IP to acquire IP in the future.

We will work with a view to expanding into overseas markets that are comparable to the domestic market.

Animation market in Japan and overseas (billion yen)



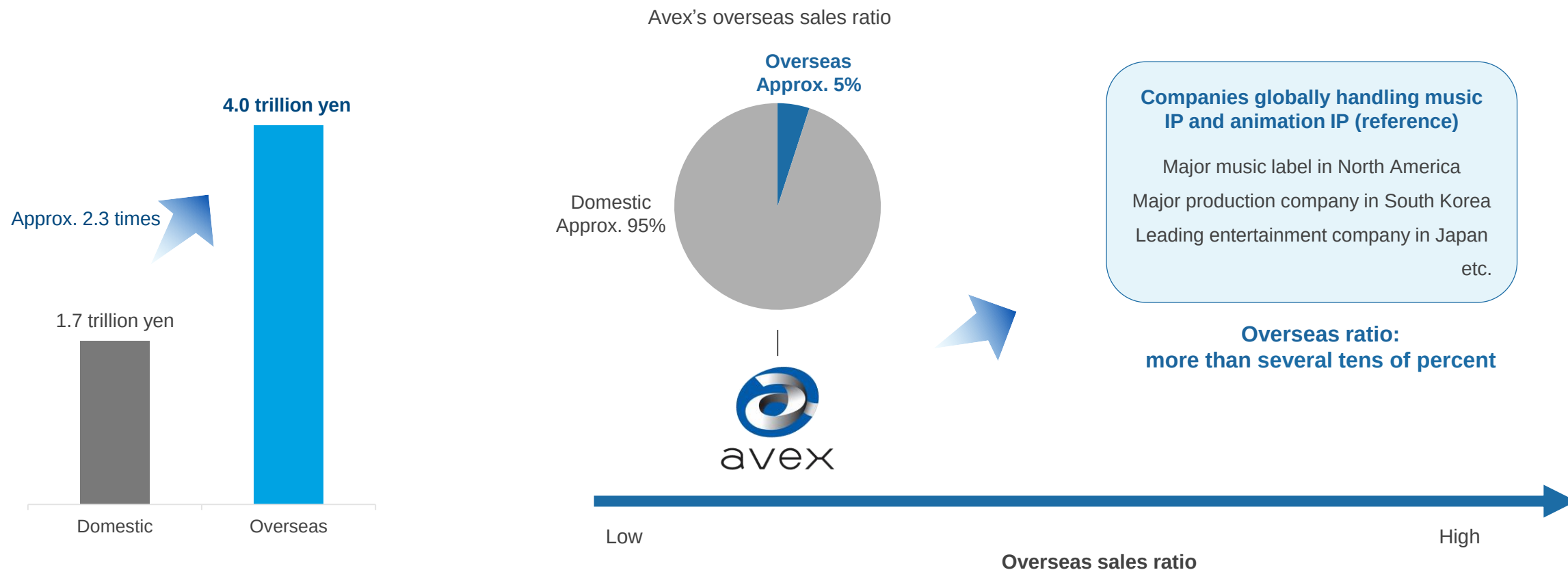
Source: The Association of Japanese Animations

Overseas Strategy



| Overseas Strategy - Current Status -

While the overseas sales ratio of players globally monetizing music and animation IP is several tens of percent, Avex's overseas sales ratio is less than 10%, meaning that it has larger potential compared to differences in market size.



The overseas music and animation market is about 2.3 times larger than the domestic market.

Compared to differences in market size, Avex's overseas business is still small, meaning that there is considerable scope for development.

| Overseas Strategy - Current Overseas Business -

In recent years, we have successfully completed several projects through our overseas offices, utilizing the network and experience we have built in Japan.

In particular, we have an advantage over our competitors in monetizing the IP of our diverse domestic partners as a “overseas proponent.”

Anime Village (Saudi Arabia)

Early entry into Saudi Arabia, where Japanese IP business had not yet made inroads
Build connections with local partners



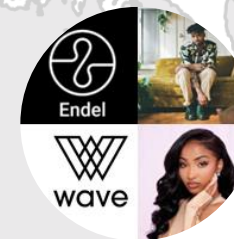
WARPs / INTO1 (China)

Members from WARPs Project made a debut in Asia through Tencent Video's Global Idol Audition “CHUANG 2021”



Network development through Avex USA (North America)

Expand publishing agreements with leading global music writers, build publishing and master recording rights for hit songs, and invest in music tech startups through CVC



STAR ISLAND (Singapore)

A fireworks display, a Japanese cultural event, was held as a future type of fireworks entertainment tailored to each region, attracting 20,000 visitors when held at the end of 2022.



Support for IP development of domestic partners (Southeast Asia)

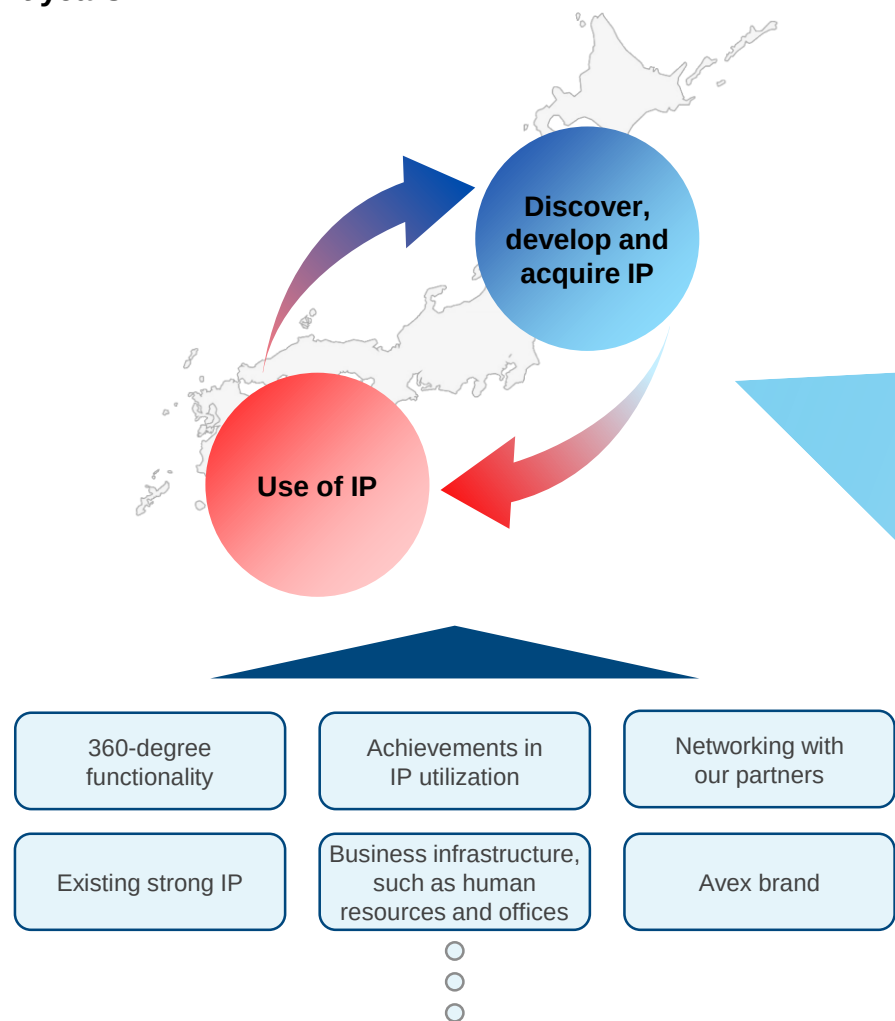
Leveraging our unique sales network, we will support the conclusion of licensing agreements between IP owners and governments and companies in a number of countries, and assist in expanding IP value in a 360-degree manner through joint ventures.



(Left)
©2023 Pokémon. ©1995-2023 Nintendo/Creatures Inc./GAME FREAK inc.
TM, ®, and character names are trademarks of Nintendo.
(Right)
©2022 SANRIO CO., LTD.
AT STAR ISLAND SINGAPORE COUNTDOWN EDITION 2022-2023

| Overseas Strategy - Basic Policy -

As Avex's business base with strength in the circulation of IP discovery, development, acquisition, and IP utilization that has been realized in Japan, we will make a full-scale effort to build business models tailored to each market in each overseas region, based on the successful overseas examples of recent years.



Overseas strategic basic policy

Build business models tailored to the characteristics of each market in each overseas region, based on business models that have been realized in Japan.



| Overseas Strategy - Measures and Targets -

We will produce results in both the creation and acquisition of IP and the utilization of IP, expand our functions, and build a business model that circulates around IP.

First, we will invest in the organization and human resources to promote the projects, aiming to achieve an overseas sales ratio of 15% of company-wide sales by the final year of the medium-term management plan.

Strengthening the organization and human resources



Consolidate IP development and monetization functions through the use of outside experts and a new organizational structure



Accelerate the recruitment of global talent through the updated HR system

Strengthening the overseas exports of IP of domestic partners (ex: Anime Village)

Accumulate monetization results and expand functions through the overseas dissemination of Japanese IP

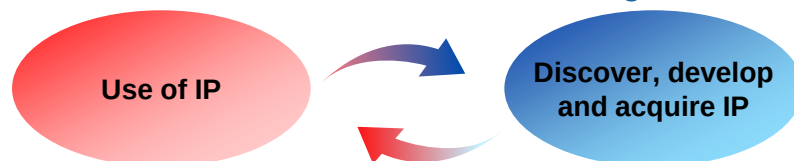
Networking in local overseas markets (ex: U.S. location)

Expand functionality and acquire IP through collaboration with IP owners, creatives, technology companies, etc.

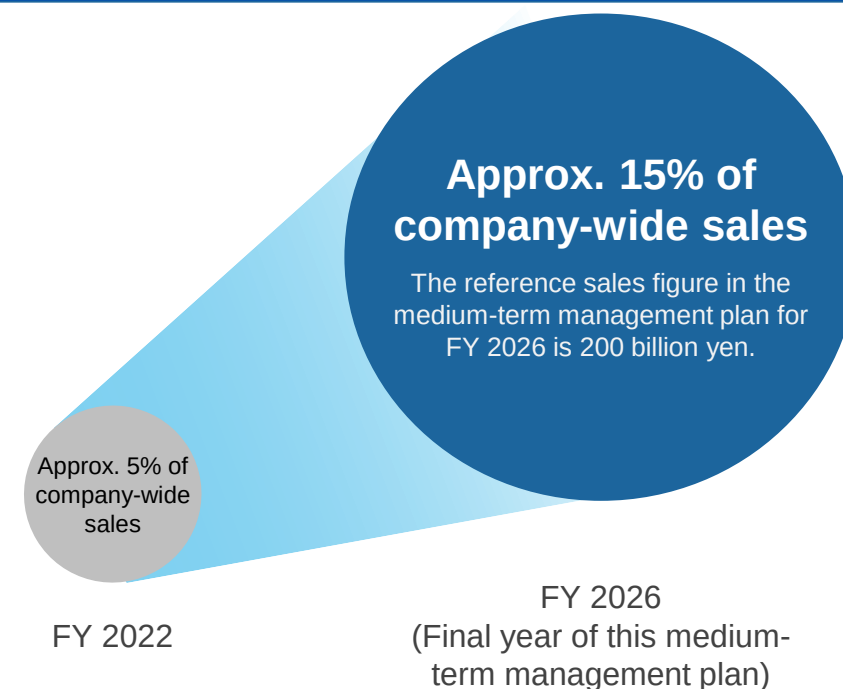
Development of original IP that can come up big globally (ex: XG, STAR ISLAND)

Strengthen the development of global IP by Avex, such as XG and STAR ISLAND

Build a business model based on IP on a global scale



Numerical Targets for Overseas Business



* Estimated by adding sales outside of Japan in the non-overseas business segment to sales in the overseas segment.

Aim to achieve an overseas sales ratio of 15% in the final year of the medium-term management plan

Summary



| Summary

All fields showed progress in discovering, nurturing, developing, and acquiring IP. **Sowing the seeds of success in the medium-term management plan.**

Management

- ✓ **Steady growth of XG**, aspiring to become global IP from Japan.
- ✓ Development of avex Youth, an important platform for IP development, **into a system for discovering and training world-class entertainers.**

Label

- ✓ Continued efforts to discover artists and create music tailored to the markets. **A significant increase in the number of artists with a certain level of influence.**
- ✓ Development of next-generation artists through our extensive network in many fields to **build up diverse IP pipelines.**

Live

- ✓ **Domestic live projects for international artists commissioned by our partners and the development of our original festivals and events**, driven by the market recovery.
- ✓ **Continued efforts to attract artists from outside the company** in cooperation with labels to develop large festival/event IP that would involve overseas artists.

Animations and videos

- ✓ Continued IP acquisition centered on a monetization function. Continuous investment in IP development, focusing on in-house IP.
- ✓ Steady growth of Anime Times, **leading to the initiation of discussions for the next stage, including expansion into overseas markets.**

Overseas

- ✓ **Refining the overall overseas strategy.** With the aim of developing the same business model we have in Japan for overseas markets, reinforce our business structure, including HR recruitment, build up a track record of successful utilization of our partners' IP, establish overseas networks, and develop global-oriented IP.
- ✓ **The target for the overseas sales ratio in the final fiscal year of the medium-term management plan set at 15%.**

Steady progress in measures toward the goal to achieve operating profit of 15 billion yen in FY 2026
Continue to invest for medium- to long-term growth

Appendix



| FY 2022 Content Highlights - Music Business -

Music			
Live/Event	Month(s)	Artist	Title
	May - June 2022	TOHOSHINKI	"Bigeast FANCLUB EVENT 2022 TOHOSHINKI The GARDEN ~TOURS~"
	May - June 2022	NCT 127	"NCT 127 2ND TOUR 'NEO CITY: JAPAN - THE LINK'"
	July and October 2022	iKON	"iKON JAPAN TOUR 2022~FLASHBACK~"
	July - August 2022	Da-iCE	"Da-iCE ARENA TOUR 2022 -REVERSi-"
	October 2022 - March 2023	Nissy	"Nissy Entertainment 4th LIVE ~DOVE TOUR~"
	November 2022 - February 2023	NCT DREAM	"NCT DREAM TOUR 'THE DREAM SHOW2: In A DREAM' - in JAPAN"
	November 2022 - January 2023	TREASURE	"TREASURE JAPAN ARENA TOUR 2022-23-HELLO~"
	December 2022	—	"STAR ISLAND SINGAPORE COUNTDOWN EDITION 2022-2023"
	January	TREASURE	"TREASURE JAPAN TOUR 2022-23 ~HELLO~ SPECIAL in KYOCERA DOME OSAKA"
	February - June	TOHOSHINKI	"TOHOSHINKI LIVE TOUR 2023 - CLASSYC -"
	March	SUPER JUNIOR	"SUPER JUNIOR WORLD TOUR-SUPER SHOW 9: ROAD in JAPAN"

Music				
Package	Format	Release Date	Artist	Title
	Singles	July 2022	Snow Man	"Orange Kiss"
		October 2022	SKE48	"Zettai Inspiration"
		February	NCT DREAM	"Best Friend Ever"
		March	Snow Man	"Tapestry / W"
		March	TREASURE	"Here I Stand"
	Albums	June 2022	Takuro Yoshida	"ah-Omoshirokatta"
		August 2022	BE:FIRST	"BE:1"
		September 2022	Snow Man	"Snow Labo. S2"
		September 2022	NCT 127	"The 4th Album '2 Baddies'"
		November 2022	TREASURE	"THE SECOND STEP: CHAPTER TWO"
	DVD/Blu-ray	April 2022	V6	"LIVE TOUR V6 groove"
		May 2022	Snow Man	"Snow Man LIVE TOUR 2021 Mania"
		June 2022	AAA	"AAA DOME TOUR 15th ANNIVERSARY - thanx AAA lot~"
		March	Kis-My-Ft2	"Kis-My-Ft ni Aeru de Show 2022 in DOME"

| FY 2022 Content Highlights - Anime & Visual Content Business -

Anime & Visual Content Business

Live/Event	Genre	Month(s)	Title
	Film	April 2022	"SEVENTEEN POWER OF LOVE: THE MOVIE"
	Live	May 2022	"Paradox Live Dope Show-2022.5.28 PACIFICO Yokohama National Convention Hall-"
	Live	December 2022	"PriPara x Kiratto Pri ☆ Chan x Waccha Primagi! Winter Live 2022"
	Film	February	"BTS: Yet To Come in Cinemas"
Package	Format	Release Date	Title
	DVD/Blu-ray	June 2022	"Fruits Basket —prelude—' Blu-ray"
		June - August 2022	"Paripi Koumei Blu-ray Vol. 1, Vol. 2, Vol. 3"
		October 2022	Film "Osomatsu-san"
		March	Film "Hell Dogs"

FY 2022 Content

Live/Event

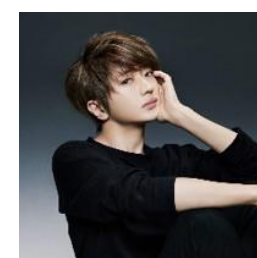


NCT 127



©Paradox Live2023

"Paradox Live Dope Show 2022"



Nissy



TREASURE

Package



AAA
"AAA DOME TOUR 15th ANNIVERSARY
-thanx AAA lot-"



BE:FIRST
"BE:1"



©Osomatsu-san Theatrical Version
Production Committee 2022

Film "Osomatsu-san"



Snow Man
"Tapestry / W"

| FY 2023 Content Highlights - Music Business -

Music			
Live/Event	Month(s)	Artist	Title
	April and June	BLACKPINK	“BLACKPINK WORLD TOUR [BORN PINK] JAPAN”
	May	Red Velvet	“Velvet 4th Concert: R to V in JAPAN”
	May - June	-	“FASHION FREAK SHOW” by Jean Paul Gaultier
	May - June	SKY-HI	“SKY-HI ARENA TOUR 2023 -BOSSDOM-”
	May	LUNA SEA	“THE BEST OF LUNA SEA 2023”
	June - September	Da-iCE	“Da-iCE ARENA TOUR 2023 -SCENE-”
	June	SUPER JUNIOR-YESUNG	“SUPERJUNIOR-YESUNG LIVE TOUR ‘Cherry Blossom Petals Called You Have Landed on My Heart’”

Music				
Package	Format	Release Date	Artist	Title
	Singles	April	FANTASTICS from EXILE TRIBE	PANORAMA JET
		April	BE:FIRST	Smile Again
		May	THE RAMPAGE from EXILE TRIBE	16BOOSTERZ
	Albums	May	Dai Hirai	LOVE+PEACE
		May	Snow Man	i DO ME
		May	Da-iCE	SCENE
		June	BiSH	BiSH THE BEST
	DVD/Blu-ray	April	GENERATIONS from EXILE TRIBE	GENERATIONS LIVE TOUR 2022 “WONDER SQUARE”
		April	Daichi Miura	DAICHI MIURA DOCUMENTARY 2019-2023 + SINGLE COLLECTION 2018-2023 “COLOR__S”
		June	BE:FIRST	BE:FIRST 1st One Man Tour “BE:1” 2022-2023

| FY 2023 Content Highlights - Anime & Visual Content Business -

Anime & Visual Content Business

Live/Event	Genre	Month(s)	Title
	Film	May	"Uchuujin no Aitsu"
	Live	May	"Paradox Live Dope Show 2023"
	Film	May	"SEVENTEEN 2023 JAPAN FANMEETING 'LOVE' Live Viewing"
Package	Format	Release Date	Title
	DVD/Blu-ray	June - August	"Boku no Kokoro no Yabai Yatsu Blu-ray Vol. 1, Vol. 2, Vol. 3"
		June	"NCT LIFE in Chuncheon & Hongcheon"

FY 2023 Content

Live/Event



BLACKPINK



©"Uchuujin no Aitsu" Production Committee
"Uchuujin no Aitsu"



"FASHION FREAK SHOW"



SKY-HI

Package



BE:FIRST
"Smile Again"



GENERATIONS from EXILE TRIBE
"GENERATIONS LIVE TOUR 2022 'WONDER SQUARE'"



Da-iCE
"SCENE"



©Norio Sakurai (Akita Publishing) / Boku Yaba Production Committee

"Boku no Kokoro no Yabai Yatsu"
Blu-ray Vol. 1, Vol. 2, Vol. 3

| Consolidated Income Statement

(million yen)	FY 2021	FY 2022	YoY	rate
Net sales	98,437	121,561	+23,124	+23.5%
Cost of sales	63,209	82,574	+19,365	
Gross profit	35,228	38,987	+3,759	+10.7%
Gross profit margin	35.8%	32.1%	-3.7pt	
Personnel expenses	11,029	12,671	+1,641	
Sales promotion and advertising expenses	7,993	8,354	+361	
General expenses	13,622	14,576	+953	
Total SG&A expenses	32,645	35,602	+2,956	
Operating profit	2,582	3,385	+802	+31.1%
Operating margin	2.6%	2.8%	+0.2pt	
Non-operating Profit	136	972	+835	
Non-operating Expenses	368	301	-66	
Ordinary Profit	2,351	4,055	+1,704	+72.5%
Extraordinary Profit	326	1,666	+1,339	
Extraordinary Loss	446	1,070	+623	
Profit before Income Taxes	2,231	4,651	+2,420	+108.5%
Income Taxes	1,148	1,626	+478	
Net Profit Attributable to Non-controlling Interest	162	281	+119	
Net Profit Attributable to Owners of Parent	919	2,742	+1,823	+198.2%

| Consolidated Balance Sheet and Cash Flow Statement

(million yen)	FY 2021	FY 2022
Assets		
Current Assets	75,326	86,217
Cash and Deposits	44,671	48,143
Trade Accounts Receivable, etc.	13,855	22,206
Inventories	6,536	4,196
Other	10,263	11,670
Noncurrent Assets	22,475	22,697
Tangible & Intangible Assets	8,511	8,057
Investment Securities	8,564	9,228
Other	5,399	5,411
Total Assets	97,801	108,915
Liabilities		
Current Liabilities	35,451	48,104
Notes & Accounts Payable-Trade, etc.	2,556	3,434
Accounts Payable-Other	16,052	25,679
Income Taxes Payable	264	1,482
Refund Liabilities	2,446	2,168
Other	14,131	15,338
Noncurrent Liabilities	1,655	1,972
Total Liabilities	37,106	50,076
Net Assets		
Total Net Assets	60,694	58,838
Total Liabilities & Net Assets	97,801	108,915

(million yen)	FY 2021	FY 2022
Cash Flow Statement		
Net Cash provided by Operating Activities	-4,464	+9,192
Net Cash provided by Investing Activities	-3,387	-3,131
Net Cash provided by Financing Activities	-314	-2,493
Consolidated Cash Flow	-8,166	+3,567
Effect of Exchange Rate Change on Cash and Cash Equivalents	+183	-95
Net Increase in Cash and Cash Equivalents	-7,983	+3,472
Cash and Cash Equivalents at Beginning of Period	52,654	44,671
Cash and Cash Equivalents at End of Period	44,671	48,143
Free Cash Flows		
	-7,851	6,060

| Music Business Results

(million yen)	FY 2021	FY 2022	YoY	rate
Net sales	76,529	94,139	+17,610	+23.0%
Live	14,048	31,746	+17,698	
Merchandising	3,023	5,051	+2,027	
Management	9,587	9,218	-368	
Music package	26,051	23,313	-2,737	
Digital music distribution	11,736	12,790	+1,054	
Music publishing	3,260	2,802	-457	
E-Commerce	12,680	12,841	+160	
Other	5,950	5,857	-93	
Cost of sales	48,488	64,332	+15,843	
Gross profit	28,040	29,807	+1,767	+6.3%
Gross profit margin	36.6%	31.7%	-4.9pt	
Personnel expenses	6,266	7,386	+1,120	
Sales promotion and advertising expenses	5,614	6,458	+844	
General expenses	6,659	7,188	+529	
GMF (Group management fee)	5,550	5,973	+422	
Total SG&A expenses	24,091	27,007	+2,916	
Operating profit	3,949	2,800	-1,148	-29.1%
Operating margin	5.2%	3.0%	-2.2pt	

Note: In Net Sales in each sub-segment, transactions within the subsegment have not been eliminated.

| Anime & Visual Content Business Results

(million yen)	FY 2021	FY 2022	YoY	rate
Net sales	11,038	15,253	+4,215	+38.2%
Animation non-package	7,897	11,431	+3,534	
Animation package	3,141	3,821	+680	
Cost of sales	7,322	11,296	+3,974	
Gross profit	3,716	3,957	+240	+6.5%
Gross profit margin	33.7%	25.9%	-7.8pt	
Personnel expenses	959	1,059	+99	
Sales promotion and advertising expenses	783	816	+32	
General expenses	506	605	+99	
GMF (Group management fee)	774	866	+91	
Total SG&A expenses	3,024	3,347	+322	
Operating profit	691	609	-81	-11.9%
Operating margin	6.3%	4.0%	-2.3pt	

Note: In Net Sales in each sub-segment, transactions within the subsegment have not been eliminated.

| Digital Business Results

(million yen)	FY 2021	FY 2022	YoY	rate
Net sales	13,682	12,379	-1,302	-9.5%
Video distribution	11,213	8,626	-2,586	
Fan clubs	1,993	1,601	-392	
Other	475	2,150	+1,674	
Cost of sales	10,885	9,374	-1,511	
Gross profit	2,796	3,004	+208	+7.4%
Gross profit margin	20.4%	24.3%	+3.9pt	
Personnel expenses	1,126	994	-131	
Sales promotion and advertising expenses	1,637	1,092	-545	
General expenses	739	708	-30	
GMF (Group management fee)	933	755	-178	
Total SG&A expenses	4,437	3,550	-886	
Operating profit	-1,640	-546	+1,094	—
Operating margin	—	—	—	

Note: In Net Sales in each sub-segment, transactions within the subsegment have not been eliminated.

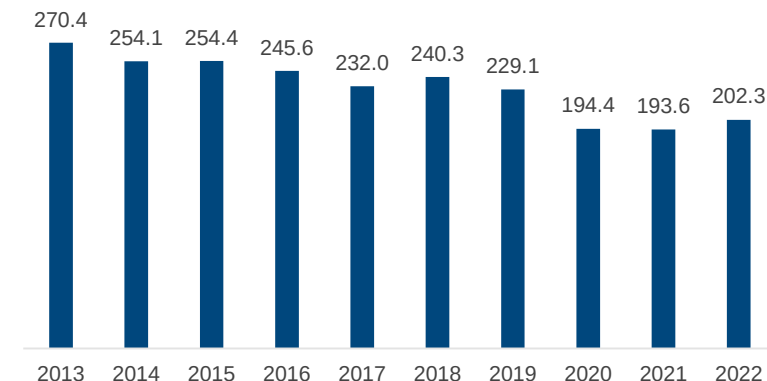
| Other Businesses Results

(million yen)	FY 2021	FY 2022	YoY	rate
Net sales	4,417	6,020	+1,603	+36.3%
Cost of sales	3,142	3,247	+104	
Gross profit	1,274	2,773	+1,498	+117.5%
Gross profit margin	28.9%	46.1%	+17.2pt	
Personnel expenses	716	982	+265	
Sales promotion and advertising expenses	63	65	+2	
General expenses	466	652	+185	
GMF (Group management fee)	451	562	+111	
Total SG&A expenses	1,697	2,262	+565	
Operating profit	-423	510	+933	—
Operating margin	—	8.5%	—	

| Related Market Data

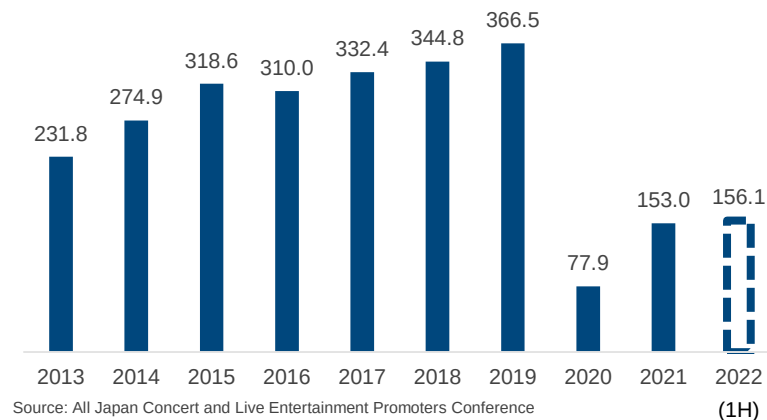
(billion yen)

■ Music Package Market



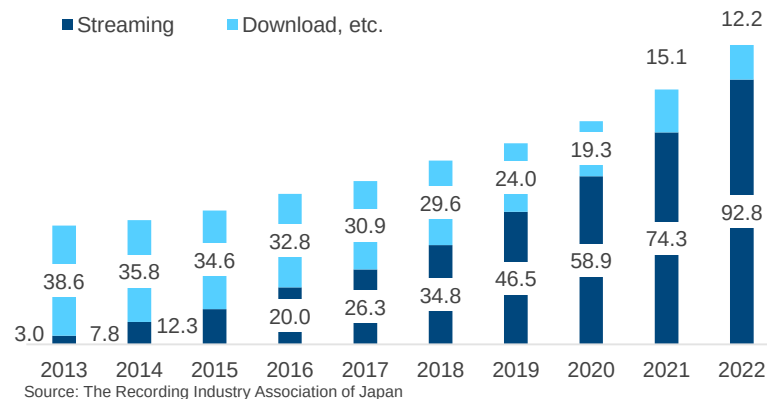
The music package market grew by 4.5% YoY to reach the 200 billion yen for the first time in three years.

■ Live Concert Market



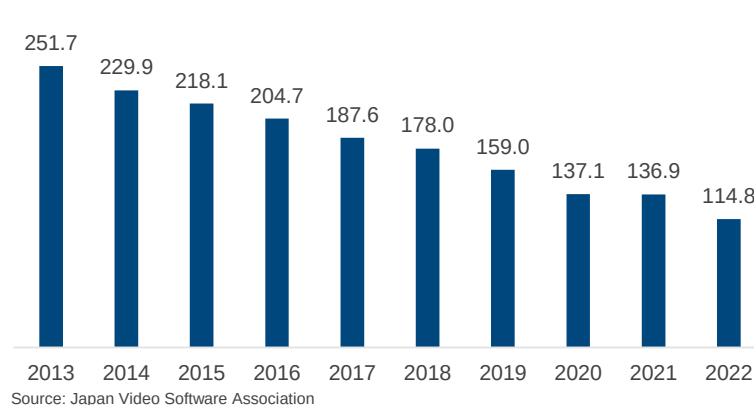
Despite the severe impact of the COVID-19 pandemic, the market is showing signs of recovery as a result of the recent deregulation.

■ Paid Digital Music Distribution Market



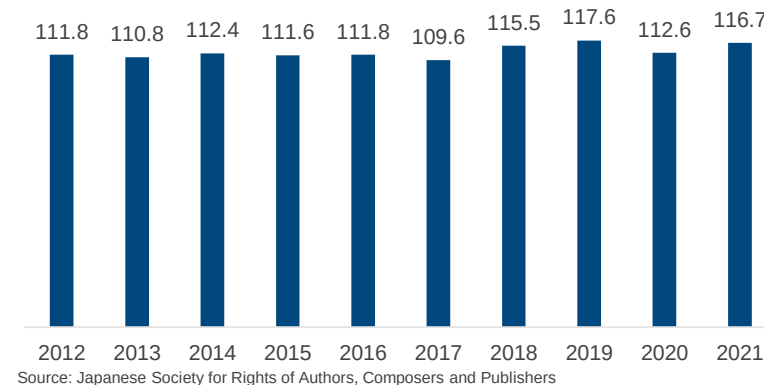
The streaming market grew by 24.9% YoY, driving growth in the paid digital music distribution market, with the overall market growing by 17.4% YoY.

■ Video Software Market



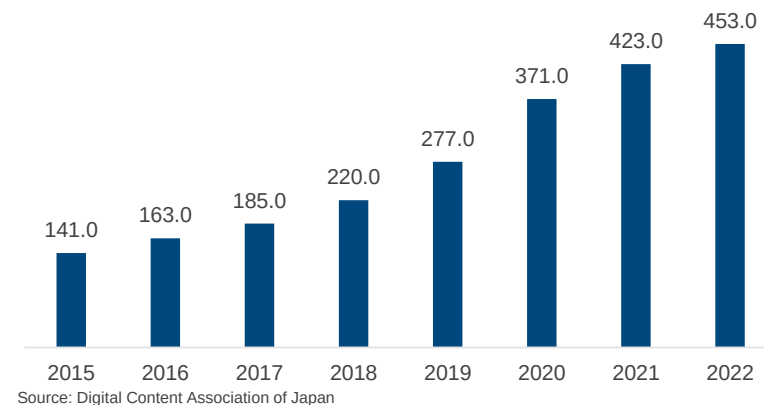
The video software market continued its downward trend with a 16.1% decrease YoY.

■ JASRAC Royalty Collections



Royalty collections remained stable at around 110 billion yen.

■ Digital Video Distribution Service Market (Japan)



The digital video distribution service market continued to grow with a YoY increase of 7.1%.

After extensive discussions on sustainability as an entertainment company, we have identified materiality consisting of three key themes and seven individual items, and formulated a sustainability policy.

<Sustainability Policy>

Contribution to future talent and undiscovered joy

We believe in a prosperous future created by diverse talent and joy, and, as an entertainment company, aim to create new value models that will contribute to a sustainable society.

<Materiality>

Key Themes	Individual Items
Creating and delivering “Intangible wealth”	Providing joy and vitality to people through talent and content
	Promotion of diversity & inclusion
Creating and delivering “The next generation”	Discovering and nurturing next generation human resources
	Diverse partnerships for a sustainable world
	Innovation that achieves harmony between the economy, society and the environment
Creating an organization that serves as the foundation for creating “intangible wealth” and “the next generation”	Governance that ensures business ethics
	Job fulfillment and respect for human rights

Establishment of a Dedicated Department for Sustainability Promotion

The Sustainability Promotion Office was launched in July 2022.

As part of the materiality themes of “Creating and delivering the next generation,” the Promotion Office collaborated with undergraduate and graduate students with diverse perspectives.



◀ Student members of the Sustainability Promotion Office

Educational Program “avex class”

An educational program called “avex class” was held in which artists, talent, and creators visited educational institutions across Japan to share their own experiences with children and convey the importance of “the power to believe in one’s talents and dreams.”



Educational Program “avex class”

Disclaimer

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.

Inquiries

Avex Inc.

Business Administration Group

<https://avex.com/jp/ja/contact/ir/>



End of Reports on Earnings Results for FY 2022 (Fiscal year ending March 31st, 2023) and Progress of avex vision 2027

Avex Inc.

TSE Prime 7860

May 11, 2023