

Financial Highlights Q2 Results of FY 2014 (Fiscal year ending March 2015)

November 6, 2014

7860 : Avex Group Holdings Inc.

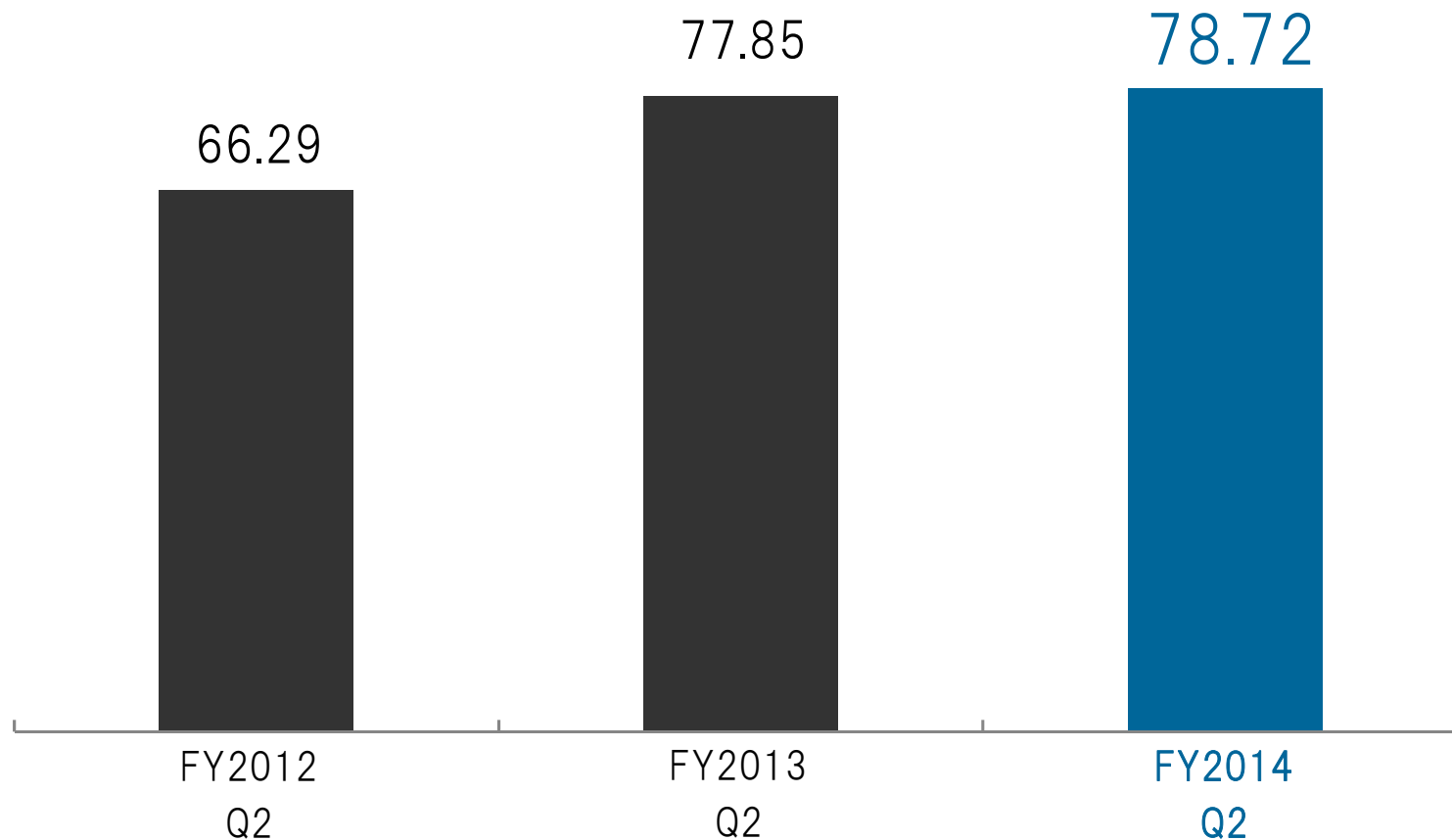


Consolidated Results

Breaking highest Net Sales Record for Q2 3 years straight

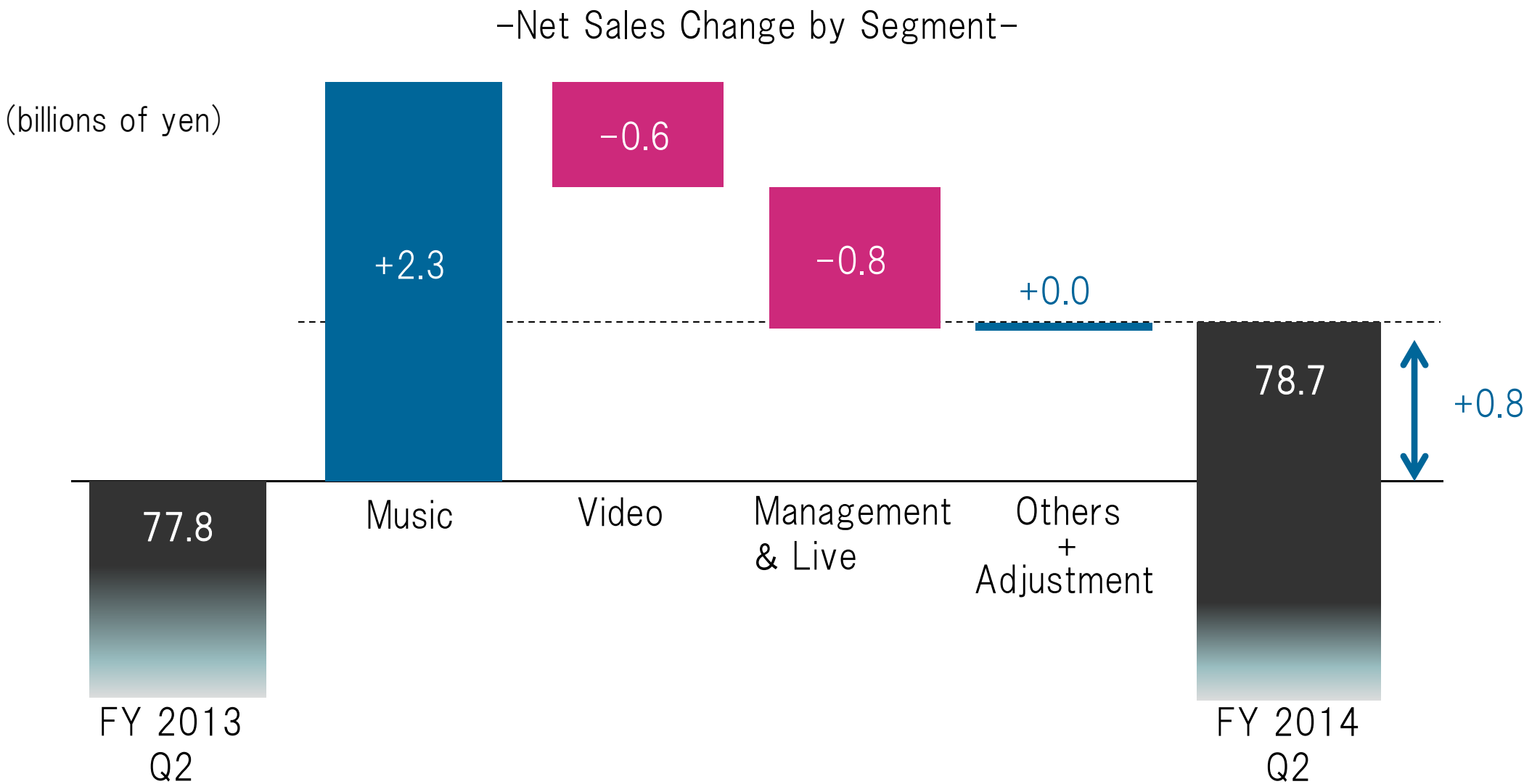
–Consolidated Net Sales–

(billions of yen)



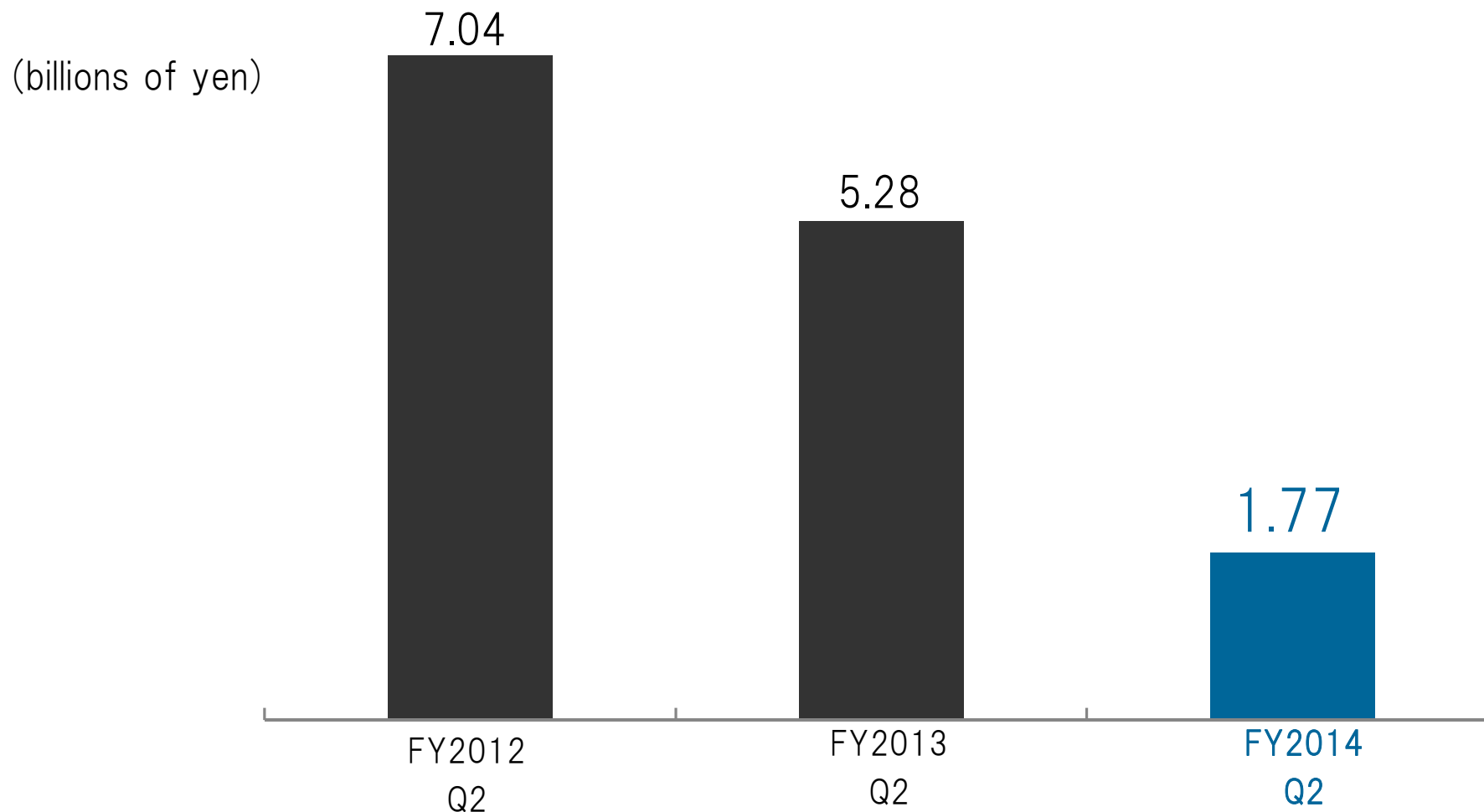
Breakdown of Net Sales Change

Net Sales increase contributed by Music



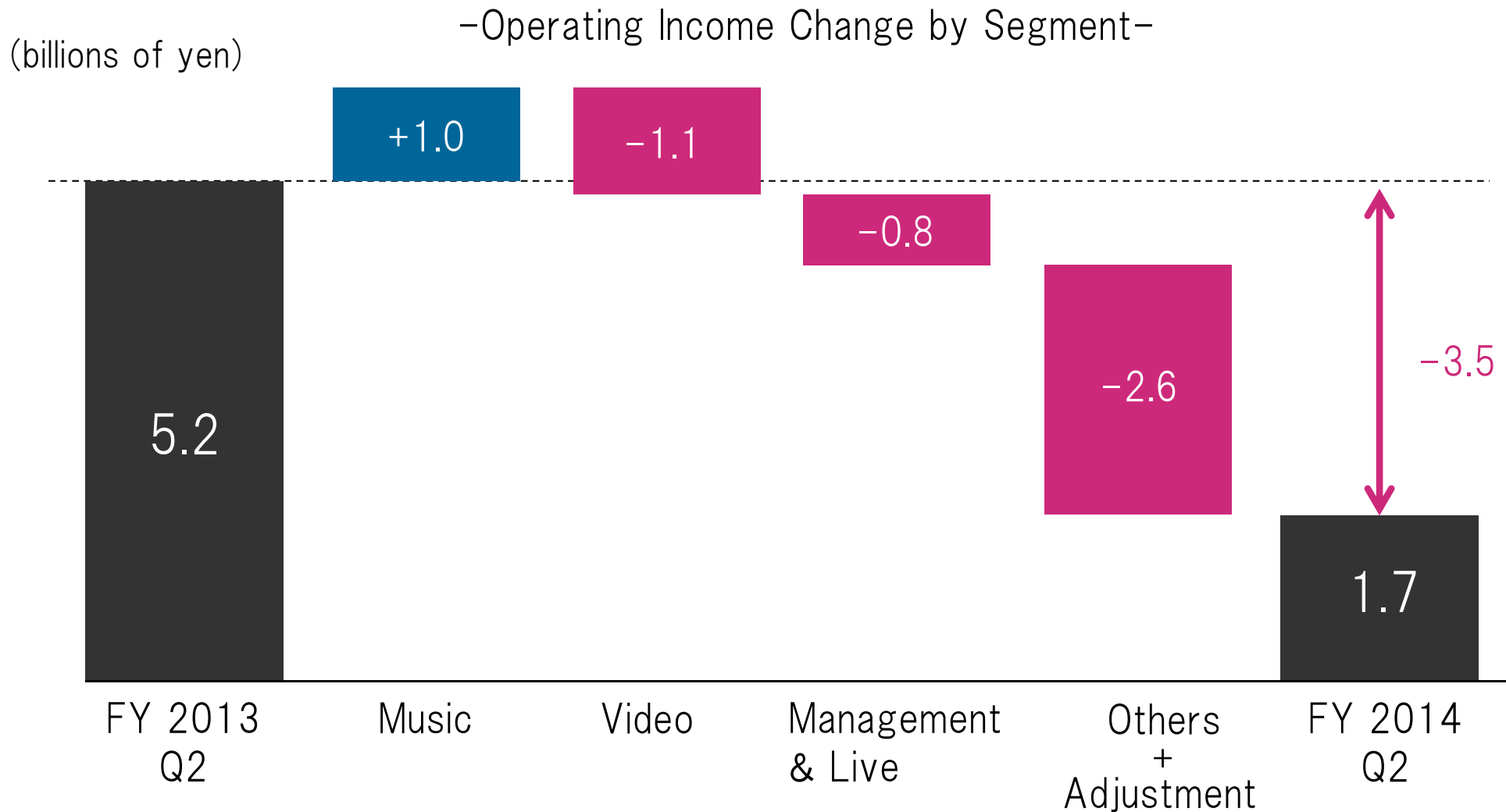
Profit declined mainly due to HQ building reconstruction costs

—Consolidated Operating Income—



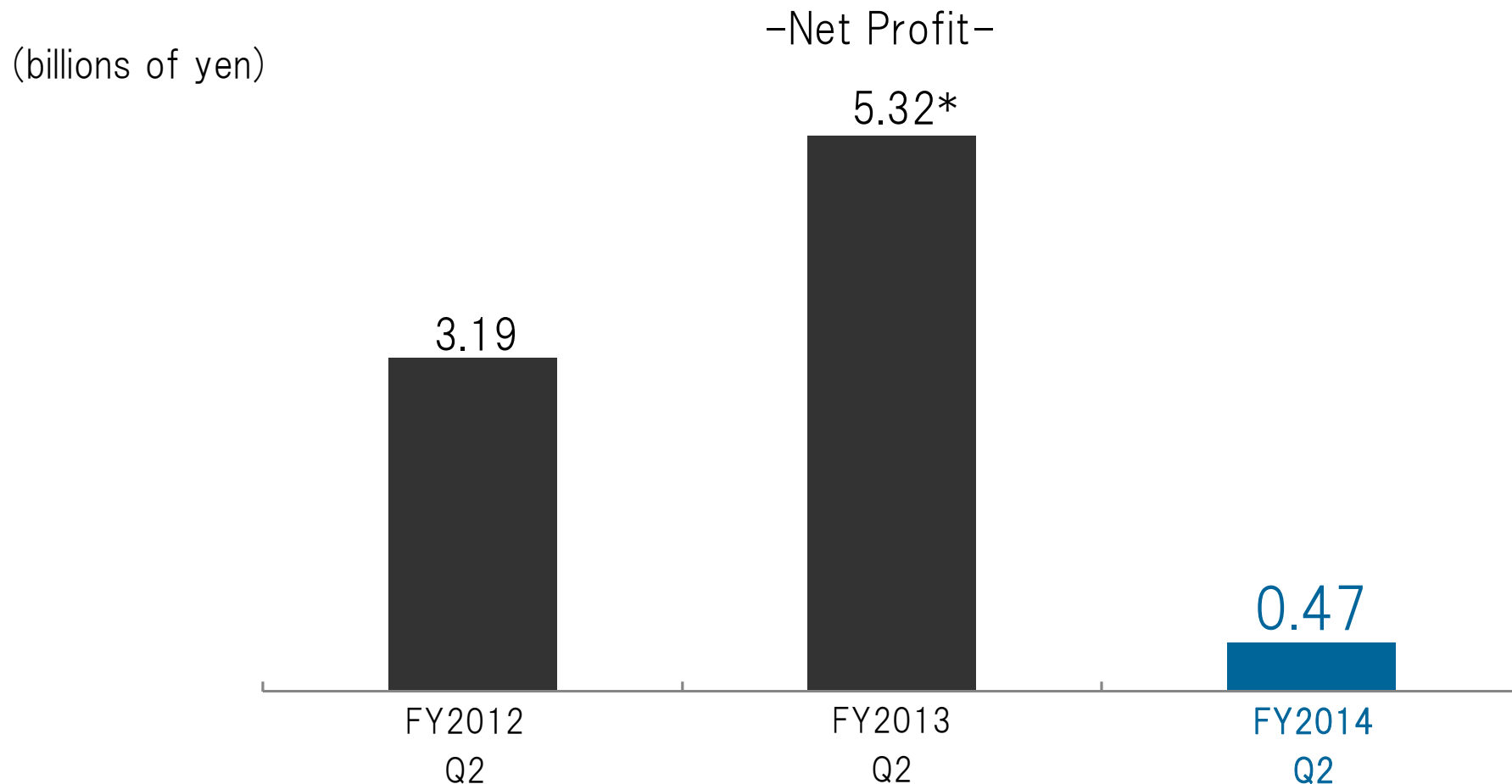
Breakdown of Operating Income Change

HQ reconstruction cost was the major profit decline factor

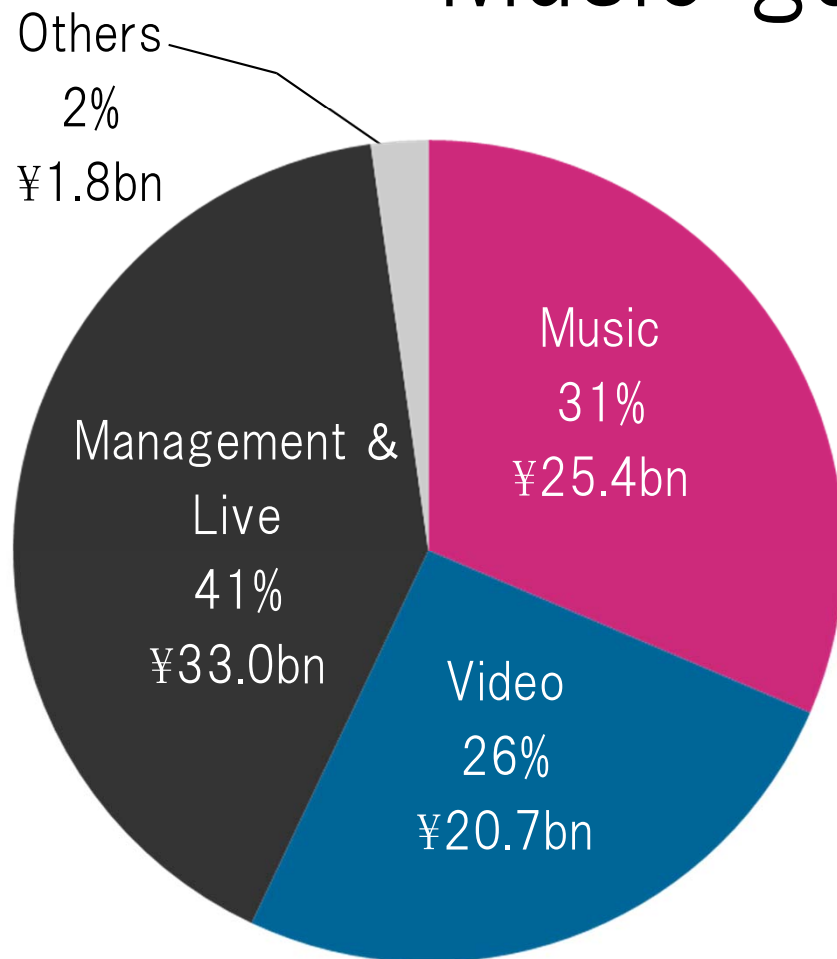


Cut back in Operating Income impacted the Net Profit

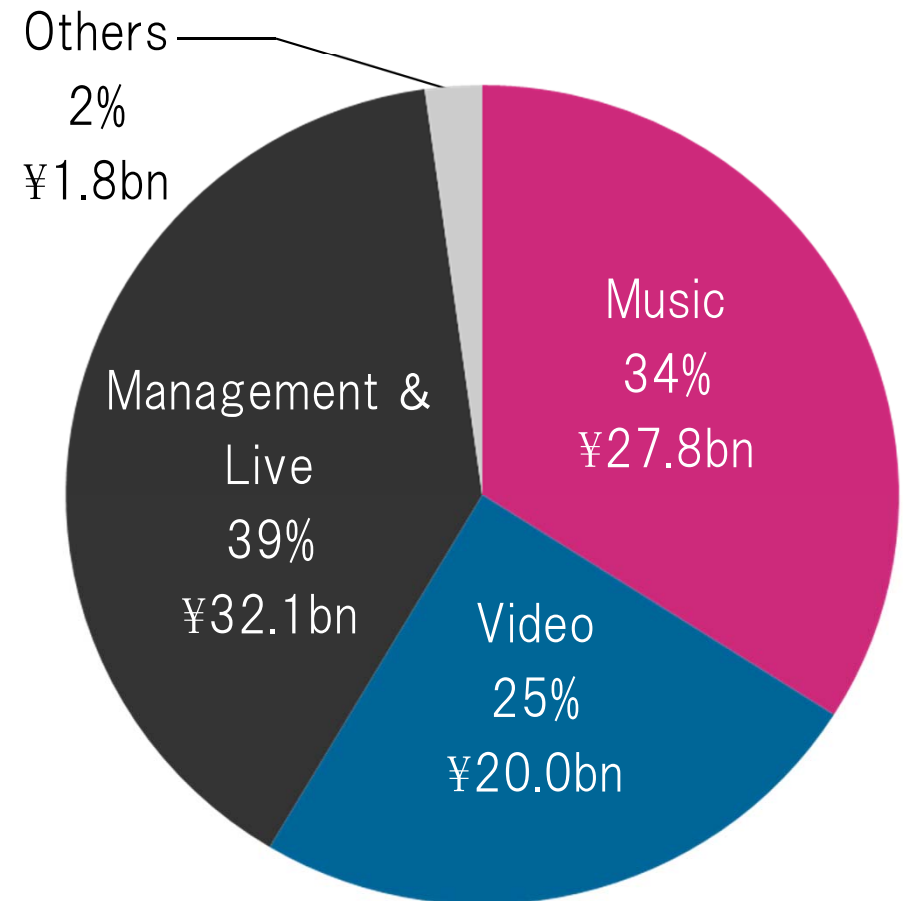
*Net Profit in FY2013 includes extraordinary profit of 3 billion yen from gain on sale of investment securities



Music gained its share

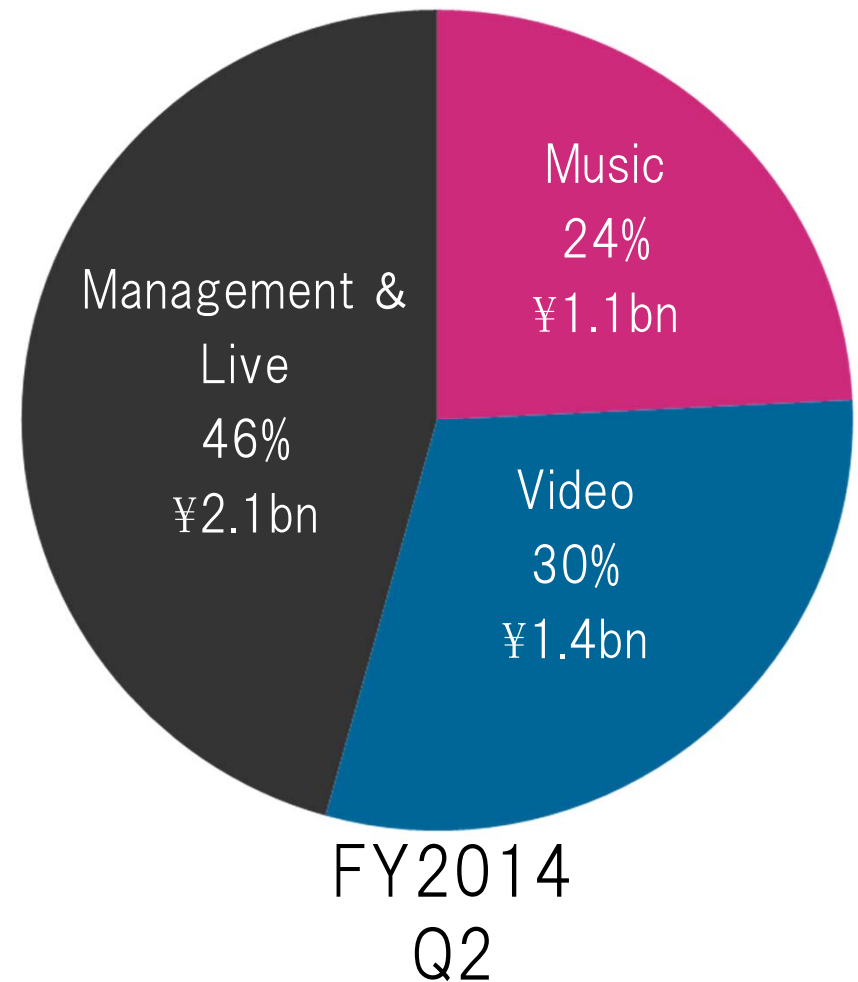
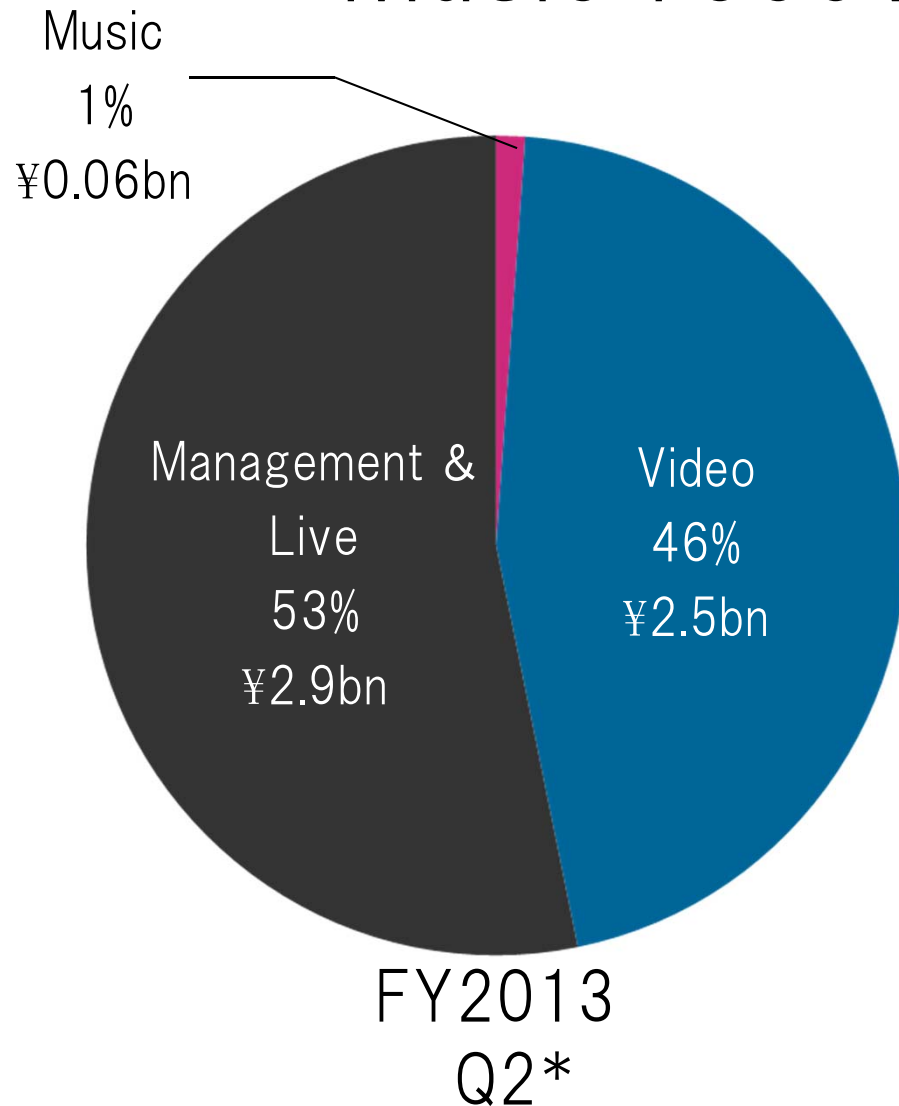


FY 2013
Q2



FY 2014
Q2

Music recovered significantly



*The figures applies revised Corporate cost allocation.
Please refer to P. 33 for the differences.

Results by Segment

Music Business Highlights

- Increased Album sales recovered Sales and Profit in Music Package
- Turn-up in Smartphones and PC download benefited Digital Music Distribution

(billions of yen)

| | Music Package | YoY | Digital Music Distribution | YoY |
|---------------------|---------------|--------|----------------------------|--------|
| Net Sales | 18.3 | +11.5% | 6.4 | +12.4% |
| Gross Profit | 7.1 | +21.6% | 2.4 | +15.8% |
| Gross Profit Margin | 39.3% | +3.3pt | 38.2% | +1.1pt |

Video Business Highlights

- Video Distribution GPM declined by the mix of subs loss and increased costs for service betterment
- Video Package recovered by increased licensing income

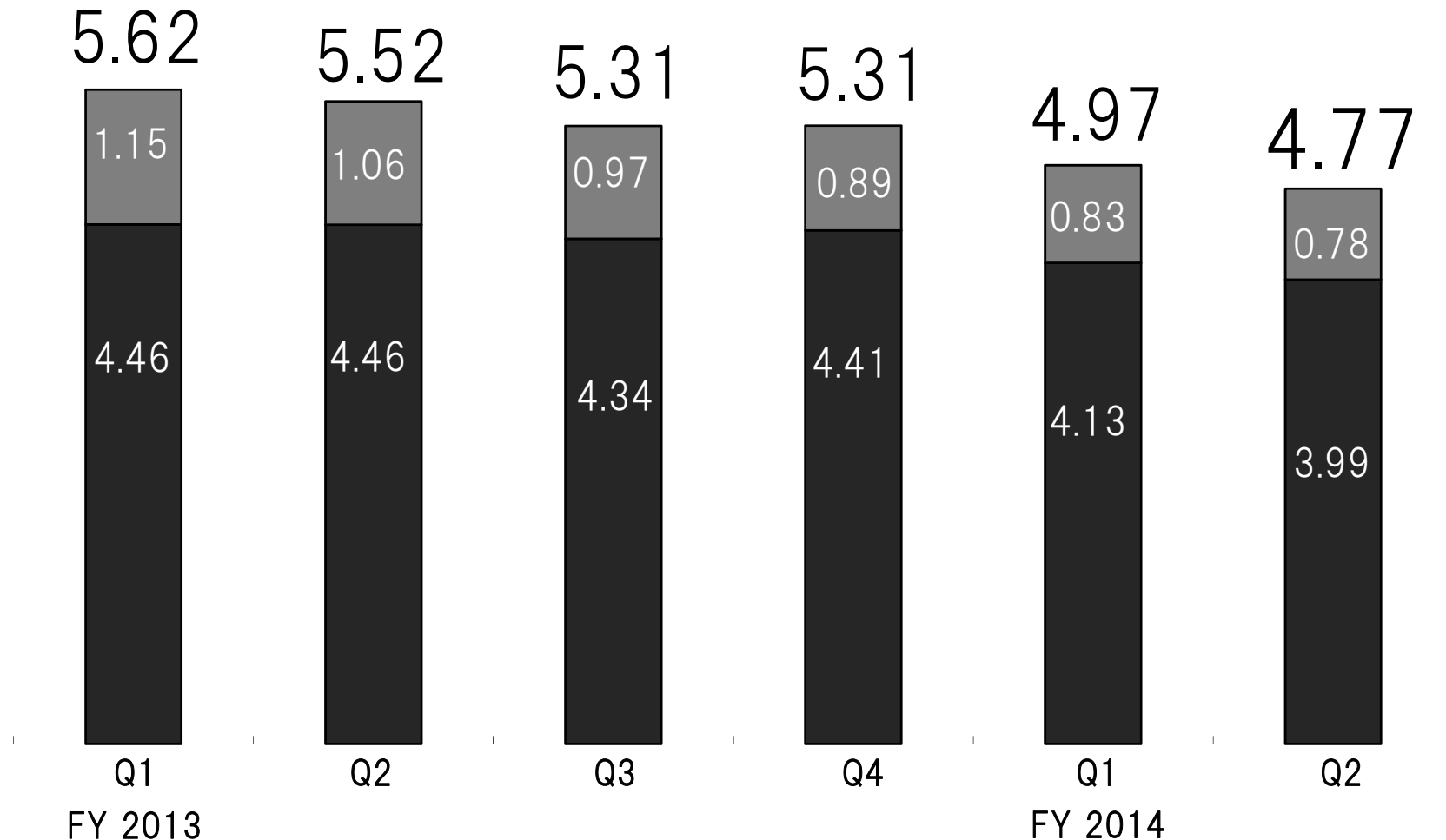
(billions of yen)

| | Video Distribution | YoY | Video Package | YoY |
|---------------------|-----------------------|---------|------------------|--------|
| Net Sales | 16.0 | -3.8% | 4.8 | +5.3% |
| Gross Profit | 3.4 | -39.3% | 1.6 | +16.5% |
| Gross Profit Margin | 21.3% | -12.5pt | 33.6% | +3.2pt |

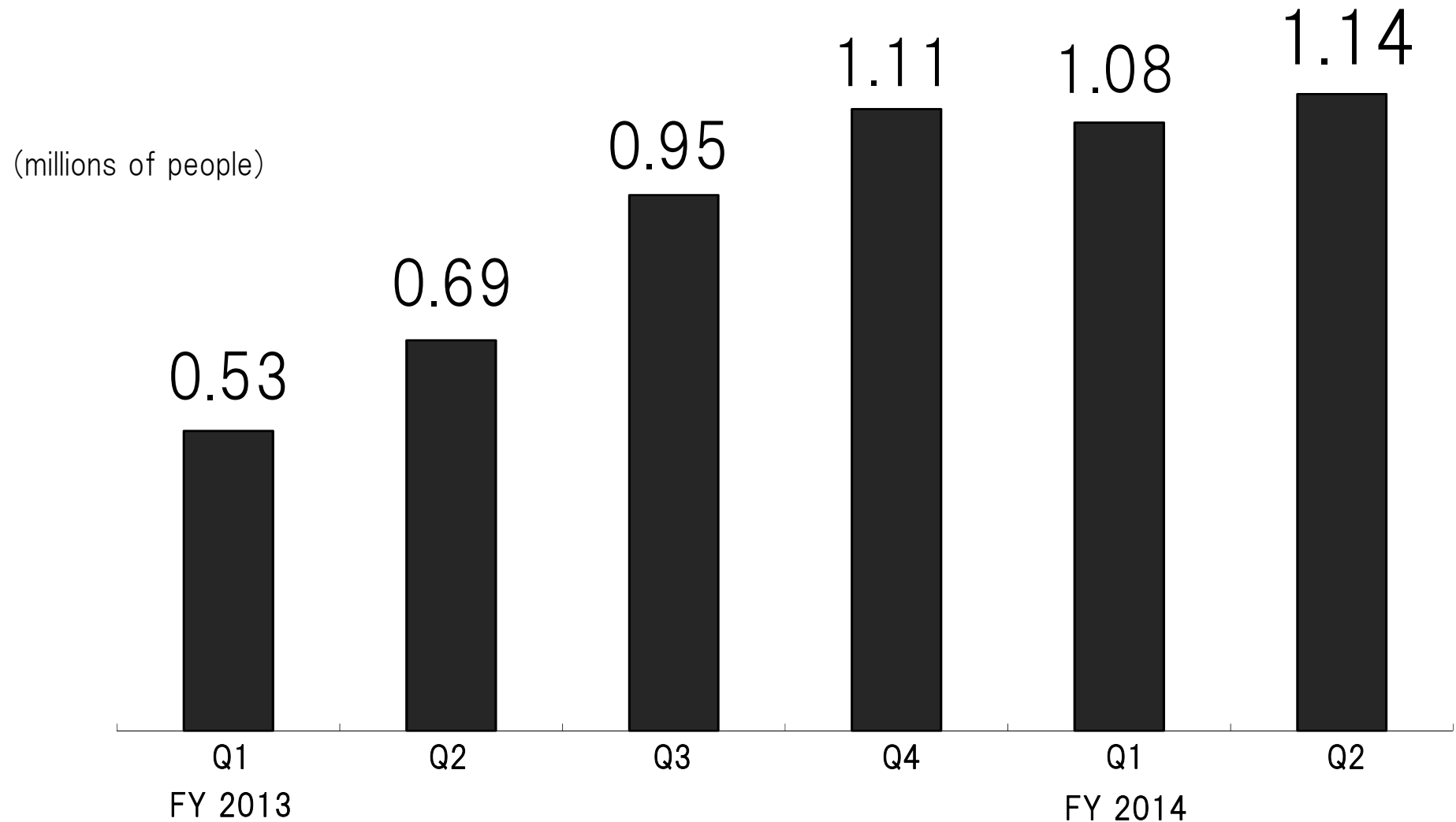
Video Business Highlights: Number of d-VIDEO & BeeTV Subs



■ BeeTV
■ d-VIDEO
(millions of people)



Video Business Highlights: Number of UULA subs



Management & Live Business Highlights

Decline in Stadium class shows spread-effected
the whole business segment

(billions of yen)

| | Live Concerts | YoY | Management | YoY |
|---------------------|---------------|--------|------------|--------|
| Net Sales | 21.5 | +0.7% | 7.0 | -10.9% |
| Gross Profit | 2.1 | -10.6% | 2.3 | -14.6% |
| Gross Profit Margin | 9.8% | -1.2pt | 33.6% | -1.5pt |

| | Merchandising | YoY | Fan Club | YoY |
|---------------------|---------------|--------|----------|--------|
| Net Sales | 6.1 | -13.1% | 1.9 | -2.5% |
| Gross Profit | 2.6 | -15.4% | 0.6 | -0.3% |
| Gross Profit Margin | 42.5% | -1.2pt | 33.6% | +0.8pt |

Management & Live Business Highlights: Number of Concerts

Average ticket price declined due to fewer Stadium class shows YoY

| Venue Size | FY 2013 Q2 | FY 2014 Q2 | YoY |
|------------------------------|--------------|--------------|------------|
| Stadium class | 32 | 17 | -15 |
| Arena class | 59 | 111 | +52 |
| Hall & Live House class | 209 | 327 | +118 |
| Total | 300 | 455 | +155 |
| Audience | 1.93M People | 1.92M People | -0M People |
| Concert Ticket Average Price | 8,880yen | 8,721yen | -158yen |

Consolidated Balance Sheet and Cash Flow Statement Highlights

Balance Sheet Highlight

(billions of yen)

| | Mar.31,2014 | Sep.30,2014 | YoY |
|-------------------|-------------|-------------|------|
| Current Assets | 60.1 | 53.8 | -6.2 |
| Noncurrent Assets | 54.2 | 52.4 | -1.7 |
| Total Assets | 114.3 | 106.3 | -8.0 |

| | Mar.31,2014 | Sep.30,2014 | YoY |
|--------------------------------|-------------|-------------|---------|
| Current Liabilities | 55. 7 | 53.2 | -2.5 |
| Noncurrent Liabilities | 5. 3 | 5.0 | -0.2 |
| Total Liabilities | 53. 3 | 48.1 | -5.2 |
| Shareholders Equity Ratio | 46. 6% | 45. 2% | -1. 4pt |
| Total Liabilities & Net Assets | 114. 3 | 106.3 | -8.0 |

Cash Flow Statement Highlight

(billions of yen)

| | Sep.30,2013 | Sep.30,2014 | YoY |
|--|-------------|-------------|------|
| Net Cash provided by Operating Activities | 4.5 | 6.5 | +1.9 |
| Net Cash provided by Investing Activities | 4.3 | -3.1 | -7.5 |
| Net Cash provided by Financing Activities | -6.1 | -5.1 | +1.0 |
| Cash and cash equivalents at end of period | 20.6 | 16.9 | -3.7 |

FY2014 Earnings Forecast Revision

■ Revising Forecast for FY2014 ending March 31, 2015

(millions of yen)

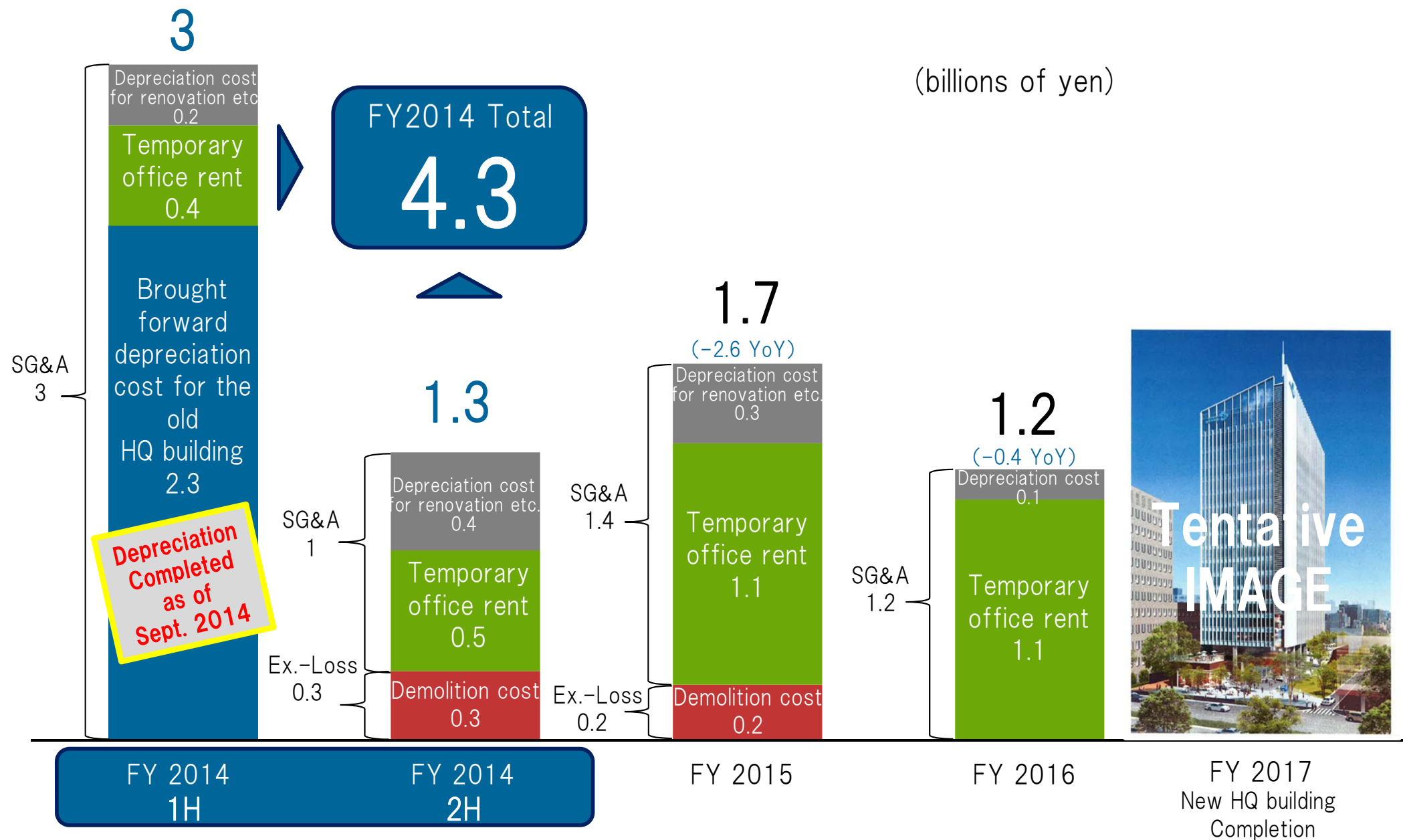
| | Initial forecast | Revised forecast | Variance |
|------------------|---|------------------|----------|
| Net Sales | 168,000 | 165,000 | -3,000 |
| Key Factor | While Music and Management & Live Business are likely to perform steadily, Video Distribution subscriber number in Video Business is expected to come short from initial forecast. | | |
| Operating Income | 13,000 | 8,200 | -4,800 |
| Key Factor | We expect sales mix in Video Distribution that leaves impact on Operating Income: costs expected to increase for service betterment, while subscriber growth failed to meet our initial forecast. | | |
| Net Profit | 6,000 | 3,800 | -2,200 |
| Key Factor | Net Profit revised down in accordance with the Operating Income decrease. | | |

*Initial forecast refers to Forecast announced on May 8, 2014

■ Dividend Forecast

In accordance with our Dividend Policy,
we sustain our FY dividend to 50 yen per share

HQ reconstruction costs outlook



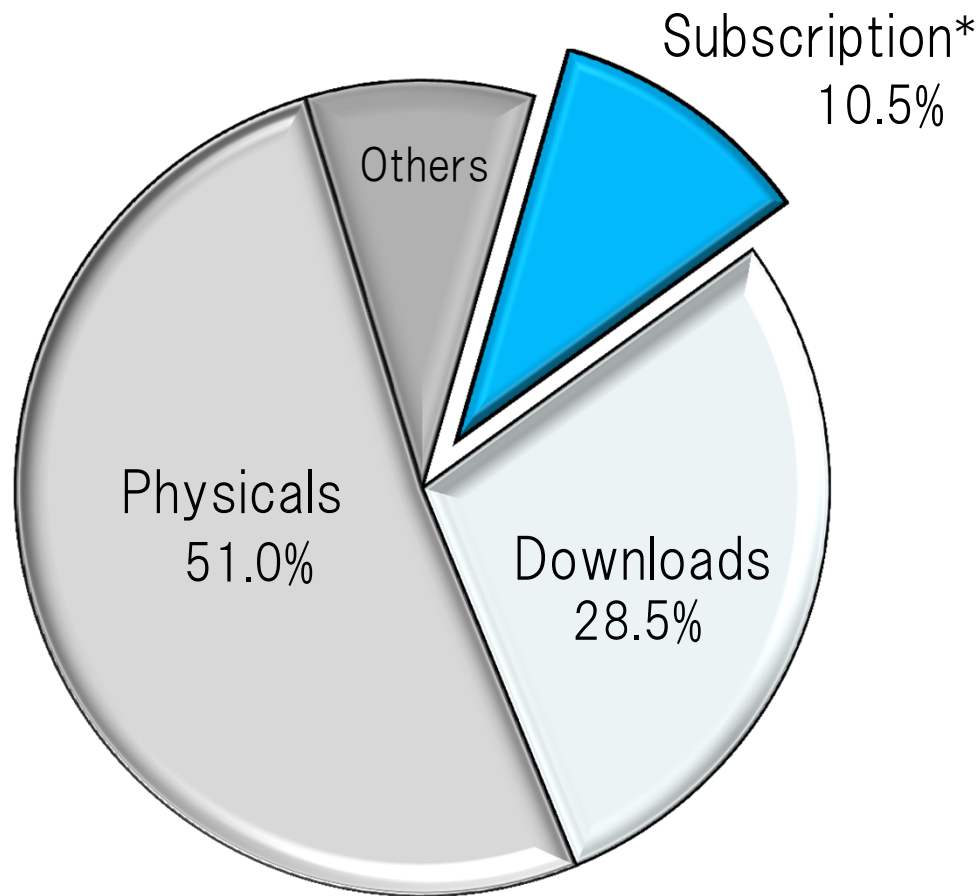
MOVE THE WORLD

～Action Towards Subscription Music Streaming Services～

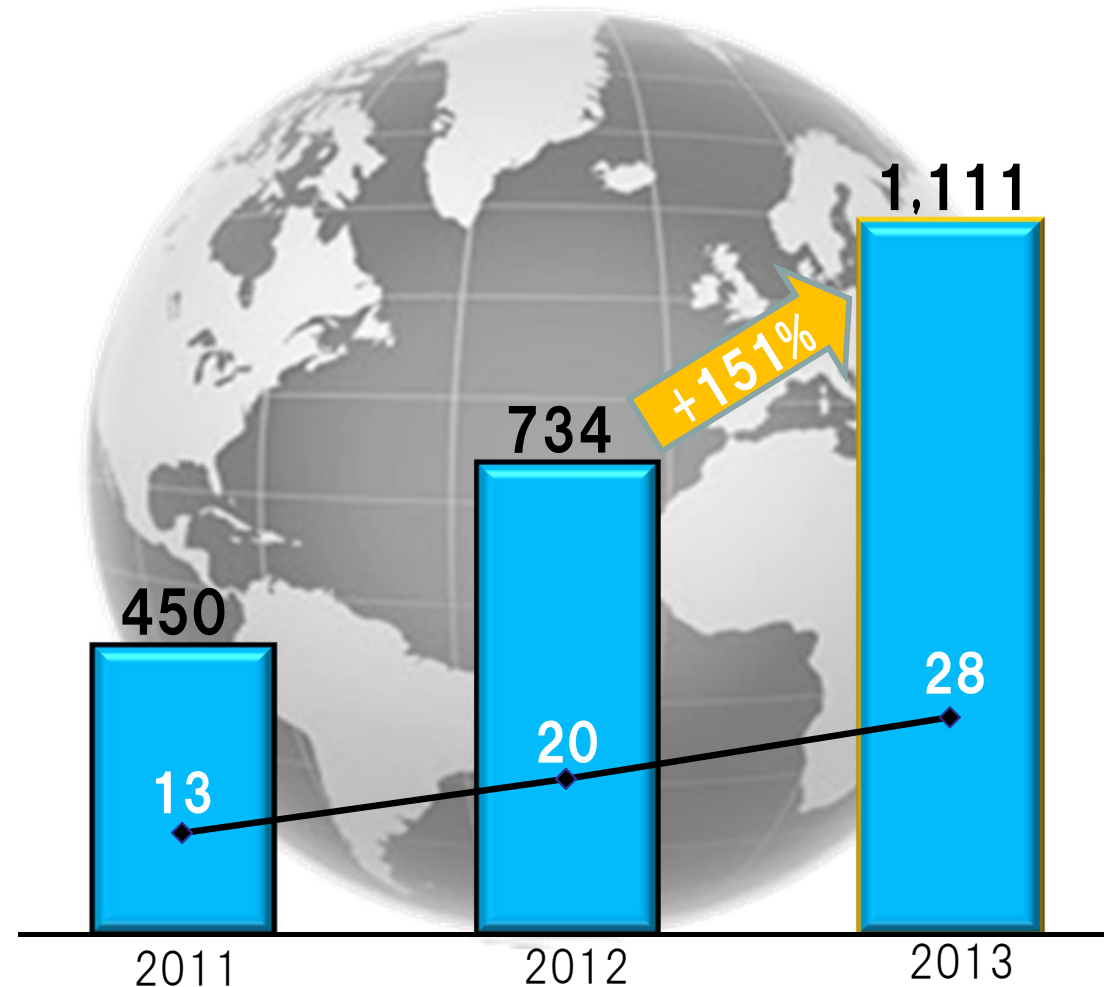
MOVE THE WORLD ~Action Towards Subscription Music Streaming Services~

Fact1 Global Music Market

Revenues from Subscription have grown +151% along with steady increase of paying users. The growth is expected to continue.



Breakdown of Global music market revenue in 2013
*Including Ad-supported services



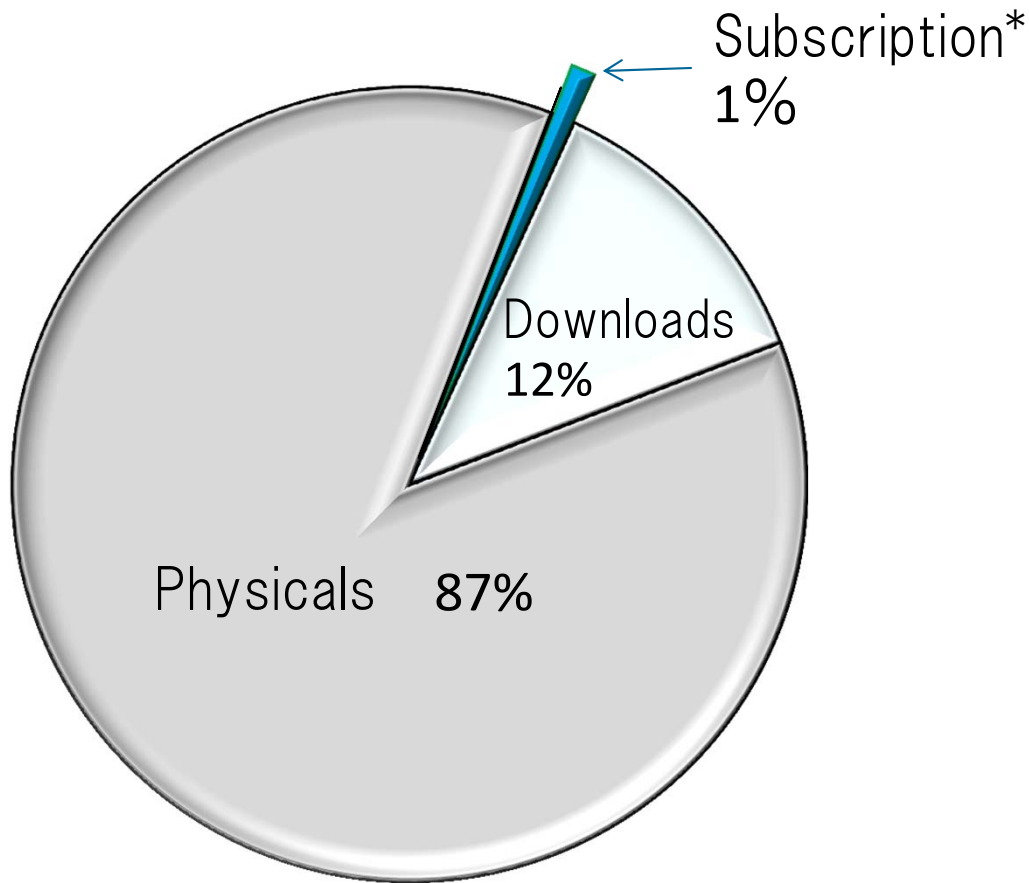
Subscription streams revenue growth (US \$ millions / bar),
and numbers of paying users (millions of people/ line)

(Reference : IFPI)

MOVE THE WORLD ~Action Towards Subscription Music Streaming Services~

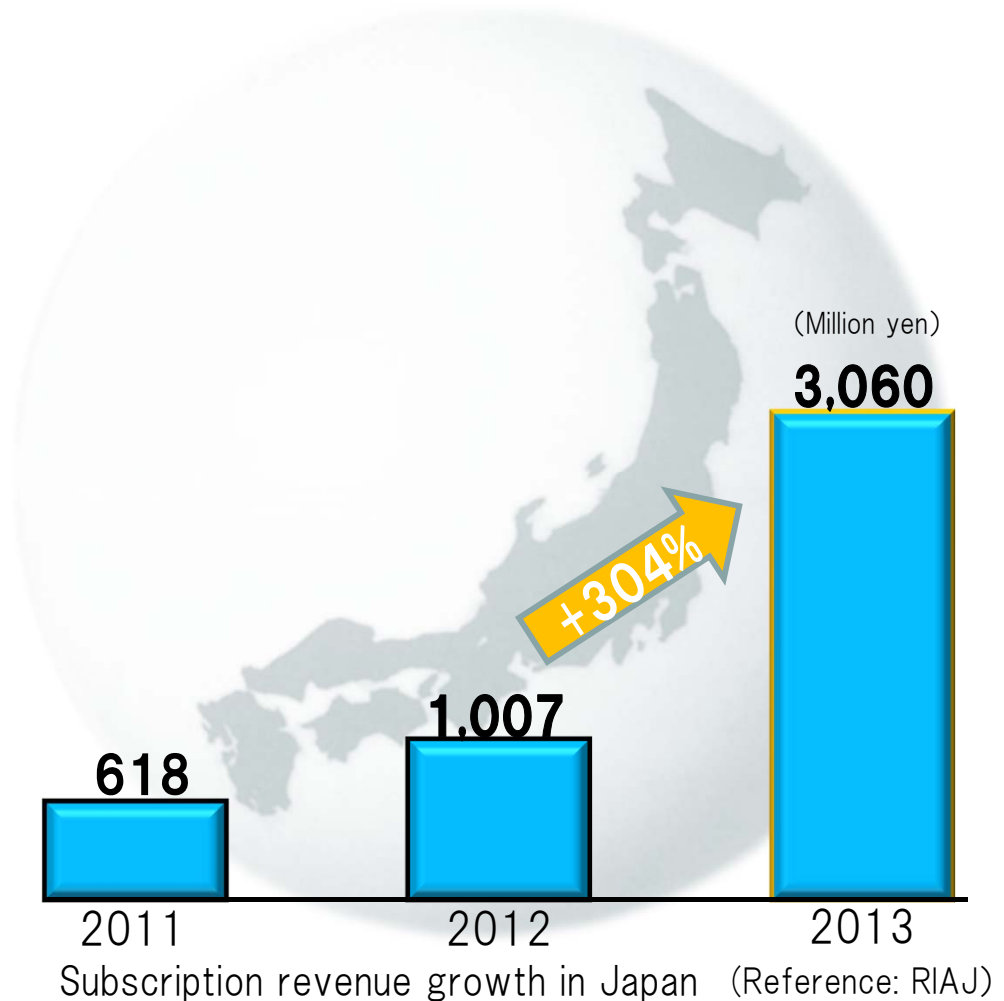
Fact2 Domestic Music Market

Despite the small market share Subscription have surged by +304% YoY, leaving us plenty of rooms to grow



Breakdown of Domestic Recorded Music Revenue in 2013
(Reference: RIAJ)

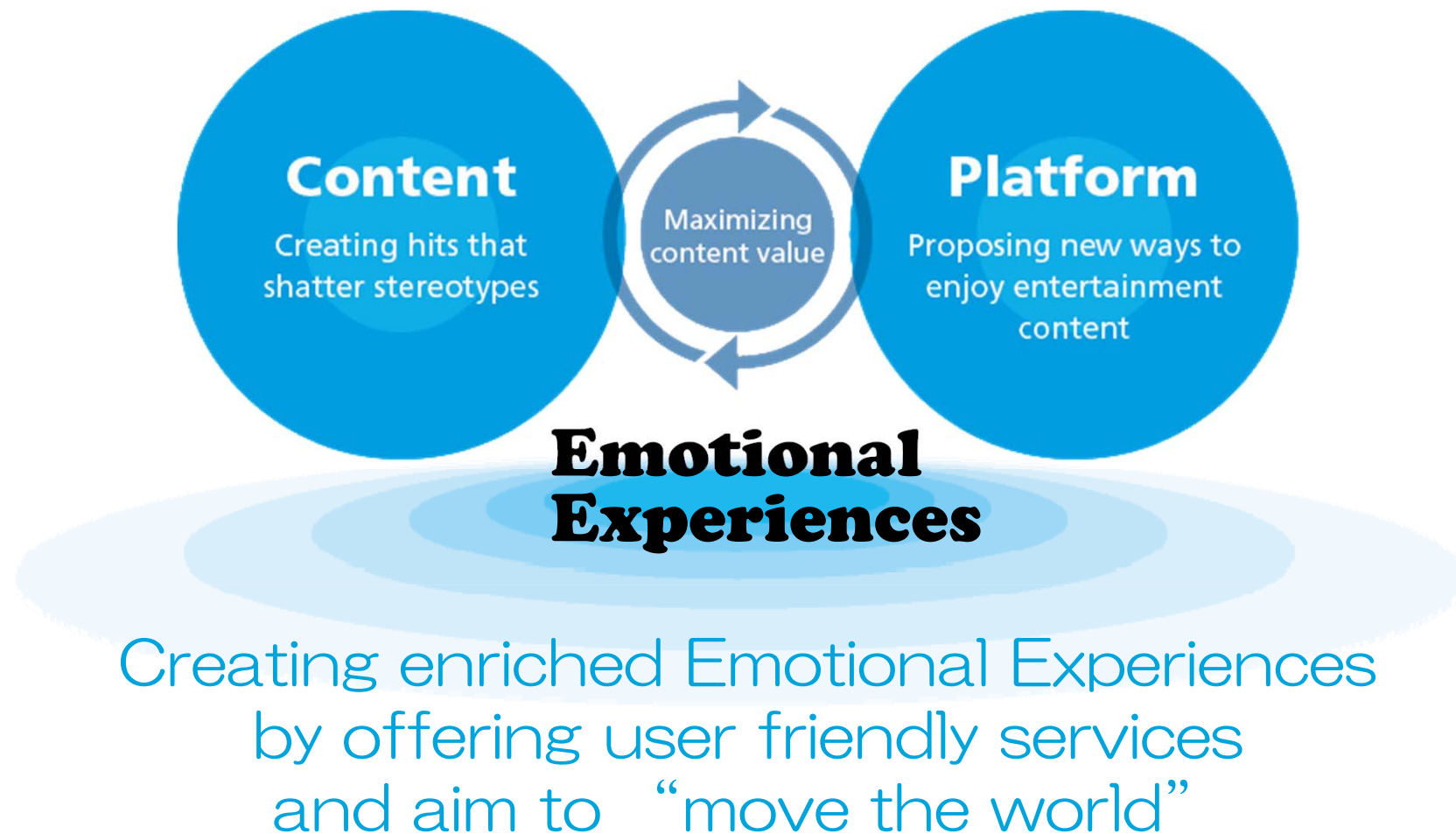
*Including Ad-supported services



Subscription revenue growth in Japan (Reference: RIAJ)

MOVE THE WORLD ~Action Towards Subscription Music Streaming Services~

By actively deploying Subscription music streaming services,
we will push our growth strategy based on tight engagement of
Content and Platform



MOVE THE WORLD ~Action Towards Subscription Music Streaming Services~

Establishing LINE MUSIC Inc. in joint with LINE Corp.
and Sony Music Entertainment (Japan)

We aim to expand content usage opportunities
and add more value to our owned-content

LINE MUSIC Inc.

Sony*Music*TM

Offer whole new music experience
by fusing Music and Communication

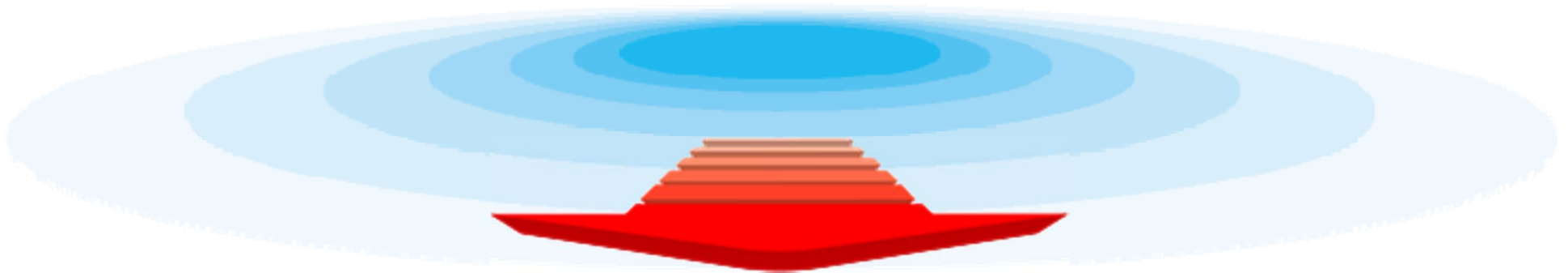


LINE

MOVE THE WORLD ~Action Towards Subscription Music Streaming Services~

Establishing a joint venture company with Cyber Agent, Inc.

Offering a subscription music streaming service
that proposes “new encounters” and “serendipitous ways”
to enjoy music”

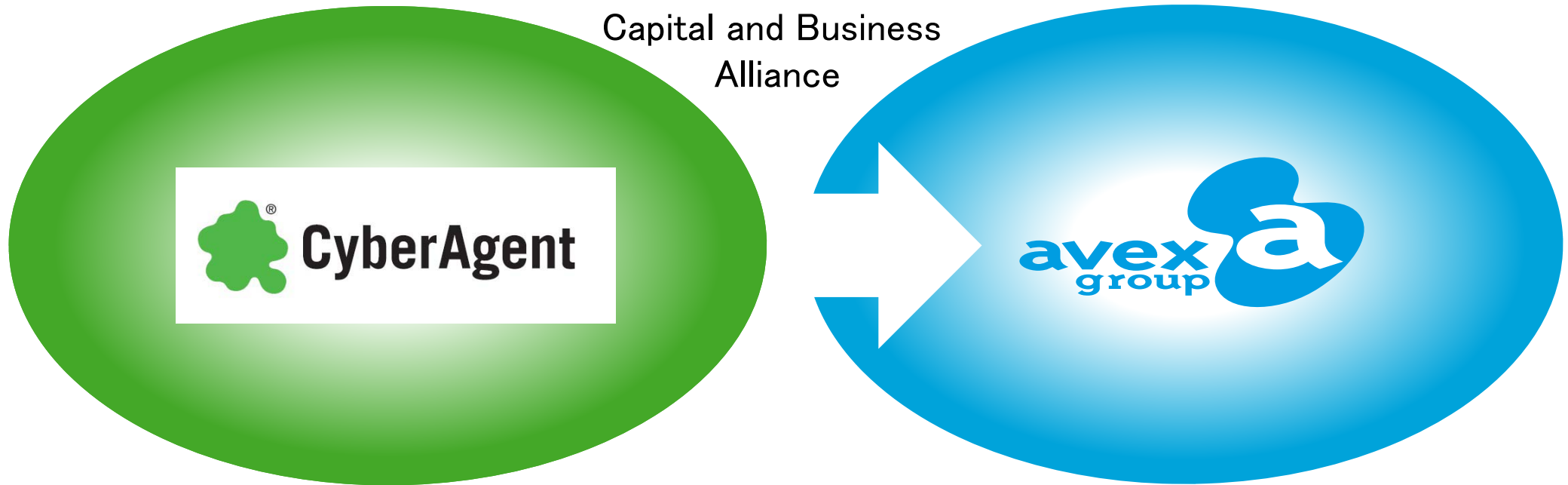


New Entertainment Experience

MOVE THE WORLD ~Action Towards Subscription Music Streaming Services~

To build a stronger relationship with Cyber Agent Inc.,
we have signed a basic agreement regarding
Capital and Business Alliance partnership

We aim to uplift the music market in Japan
by leveraging strengths of each other



MOVE THE WORLD ~Pursuing Digital Platforms with Alliance Partners~

Digital Platform enhanced in alliance with new powerful partners !



+

New ! ——— Music ———

New ! ——— Music ———

LINE *Sony***Music**TM

LINE MUSIC Inc.

 **CyberAgent**

————— Video ———

————— Video ———

————— Live ———

NTT
docomo

 **SoftBank**

YAHOO!
JAPAN

 **dビデオ**

 **BeetTV**
Personal Entertainment Collector™

UUA

YAHOO! チケット
JAPAN

Reference Data

Consolidated Income Statement

(millions of yen)

| Consolidated Income Statement | | | | | |
|---|-----------|------------|------------|----------------|--------|
| | *Forecast | FY 2013 Q2 | FY 2014 Q2 | VS Forecast | YoY |
| Net Sales | 80,658 | 77,858 | 78,729 | -1,929 | +870 |
| Cost of Sales | 56,466 | 53,723 | 56,686 | +219 | +2,962 |
| Gross Profit | 24,191 | 24,135 | 22,042 | -2,148 | -2,092 |
| Gross Profit Margin | 30.0% | 31.0% | 28.0% | -2.0pt | -3.0pt |
| Personnel Expenses | 6,138 | 6,644 | 5,713 | -424 | -931 |
| Sales Promotion & Advertising Expenses | 5,546 | 5,524 | 4,914 | -632 | -610 |
| General Expenses | 9,751 | 6,676 | 9,635 | -115 | +2,959 |
| Total SG&A Expenses | 21,436 | 18,845 | 20,263 | -1,173 | +1,417 |
| Operating Income | 2,754 | 5,289 | 1,779 | -975 | -3,509 |
| Operating Margin | 3.4% | 6.8% | 2.3% | -1.2pt | -4.5pt |
| Ordinary Income | 2,796 | 5,596 | 1,903 | -892 | -3,693 |
| Net Income | 1,068 | 5,325 | 476 | -592 | -4,848 |

* "Forecast" refers to Forecast announced on May 8, 2014

Reference

Change in Operating Income by Segments due to revision of Corporate cost

We have revised Corporate cost and allocation method as of this on going fiscal year.

This change will affect Group Management Fee (GMF) allocated to each Business Segments, and figures for Operating Income by Segments will be subject to change in accordance with this revision.

In order to enable fair year on year comparison, FY2013 Q2 figures in this material reflects the revised method.

Please be noted that revised allocation method will not affect on Consolidated basis.

Please refer below for the differences in Operating Income by Segments for FY2013 Q2.

(millions of yen)

Differences in FY 2013 Q2 Operating Income by Segments

| | before revision | after revision | difference |
|----------------------------|-----------------|----------------|------------|
| Music Business | -592 | 63 | +655 |
| Video Business | 2,913 | 2,520 | -392 |
| Management & Live Business | 3,220 | 2,937 | -283 |
| Other Businesses | -259 | -238 | +21 |
| Corporate | 6 | 6 | - |
| Consolidated Total | 5,289 | 5,289 | - |

Music Business Income Statement

(millions of yen)

| Music Business | | | | | |
|---|-----------|------------|------------|----------------|--------|
| | *Forecast | FY 2013 Q2 | FY 2014 Q2 | VS Forecast | YoY |
| Net Sales | 25,811 | 25,483 | 27,862 | +2,051 | +2,379 |
| Cost of Sales | – | 16,628 | 17,574 | – | +945 |
| Gross Profit | 9,782 | 8,854 | 10,288 | +505 | +1,433 |
| Gross Profit Margin | 37.9% | 34.7% | 36.9% | –1.0pt | +2.2pt |
| Personnel Expenses | – | 1,771 | 1,577 | – | –193 |
| Sales Promotion & Advertising Expenses | – | 3,399 | 3,764 | – | +365 |
| General Expenses | – | 1,702 | 1,617 | – | –84 |
| Group Management Fee | – | 1,918 | 2,198 | – | +280 |
| Total SG&A Expenses | 8,836 | 8,791 | 9,159 | +322 | +367 |
| Operating Income | 946 | 63 | 1,129 | +183 | +1,066 |
| Operating Margin | 3.7% | 0.2% | 4.1% | +0.4pt | +3.8pt |

* “Forecast” refers to Forecast announced on May 8, 2014

Music Business: Results by Sub-Segment

(millions of yen)

Music Package

| | FY 2013 Q2 | FY 2014 Q2 | YoY |
|---------------------|------------|------------|--------|
| Net Sales | 16,410 | 18,300 | +1,890 |
| Gross Profit | 5,909 | 7,186 | +1,276 |
| Gross Profit Margin | 36.0% | 39.3% | +3.3pt |

Digital Music Distribution

| | FY 2013 Q2 | FY 2014 Q2 | YoY |
|---------------------|------------|------------|--------|
| Net Sales | 5,715 | 6,424 | +708 |
| Gross Profit | 2,121 | 2,455 | +334 |
| Gross Profit Margin | 37.1% | 38.2% | +1.1pt |

Music Publishing

| | FY 2013 Q2 | FY 2014 Q2 | YoY |
|---------------------|------------|------------|--------|
| Net Sales | 1,753 | 1,506 | -247 |
| Gross Profit | 641 | 538 | -102 |
| Gross Profit Margin | 36.6% | 35.8% | -0.8pt |

Music Business: Results by Sub-Segment

(millions of yen)

Other Businesses of Music

FY 2013 Q2

FY 2014 Q2

YoY

| | | | |
|---------------------|-------|-------|--------|
| Net Sales | 1,727 | 1,776 | +48 |
| Gross Profit | 828 | 946 | +118 |
| Gross Profit Margin | 47.9% | 53.3% | +5.3pt |

Music Market Data

2013

2014

YoY

| | | | |
|---|---------|---------|-------|
| Music Package Market (Jan.– Sep.) | 196,763 | 185,896 | –5.5% |
| Music Distribution Market (Jan.– June) | 21,202 | 21,839 | +3.0% |

(Reference: Recording Industry Association of Japan)

Music Business: Indicators

| Music Business: Indicators | | | | |
|----------------------------|--|-------------------------|------------|------------|
| | | | FY 2013 Q2 | FY 2014 Q2 |
| * Music Package | Albums | Average Price (¥) | 2,504 | 2,509 |
| | | Units (thousands) | 1,791 | 2,865 |
| | Singles | Average Price (¥) | 876 | 987 |
| | | Units (thousands) | 4,527 | 2,962 |
| | DVDs / Blu-ray Discs | Average Price (¥) | 7,563 | 4,873 |
| | | Units (thousands) | 538 | 502 |
| Digital Distribution | Feature phone (Ringtones/Video Ringtones) | Average Price (¥) | 272 | 271 |
| | | Downloads (thousands) | 3,110 | 2,153 |
| | Smartphone (Ringtones/Video Ringtones) | Average Price (¥) | 245 | 254 |
| | | Downloads (thousands) | 4,507 | 7,050 |
| | Ring-back tones | Average Price (¥) | 101 | 110 |
| | | Downloads (thousands) | 7,478 | 6,239 |
| | PC downloads | Average Price (¥) | 238 | 246 |
| | | Downloads (thousands) | 4,823 | 6,990 |
| | mu-mo | ARPU (¥) | 364 | 348 |
| | | Subscribers (thousands) | 409 | 334 |

Music Business: Key Titles Released in FY2014 Q2

CD Albums

| Artist | Title | Copies (thousands)* |
|-----------------|-------------------------|------------------------|
| Various Artists | Frozen -Deluxe Edition- | 975 [☆] |
| Namie Amuro | Ballada | 541 |
| Kis-My-Ft2 | Kis-My-Journey | 292 |

☆The gross sales of the album Frozen including Standard Edition initially released in March, 2014 was 1.22 million copies,

CD Singles

| Artist | Title | Copies (thousands)* |
|-------------|----------------|------------------------|
| EXILE TRIBE | THE REVOLUTION | 505 |
| Kis-My-Ft2 | Another Future | 262 |

DVDs / Blu-ray Discs

| Artist | Title | Copies (thousands)* |
|---------------------------------------|--|------------------------|
| J Soul Brothers Ⅲ from EXILE TRIBE | J Soul Brothers Ⅲ LIVE TOUR 2014 “BLUE IMPACT” | 163 |
| TOHOSHINKI | TOHOSHINKI LIVE TOUR 2014 TREE | 109 |

*Total Copies as of Sep.30, 2014

Video Business Income Statement

(millions of yen)

| Video Business | | | | | |
|---|-----------|------------|------------|----------------|--------|
| | *Forecast | FY 2013 Q2 | FY 2014 Q2 | VS Forecast | YoY |
| Net Sales | 23,306 | 20,710 | 20,079 | -3,226 | -630 |
| Cost of Sales | - | 14,167 | 15,635 | - | +1,468 |
| Gross Profit | 6,801 | 6,543 | 4,444 | -2,357 | -2,099 |
| Gross Profit Margin | 29.2% | 31.6% | 22.1% | -7.1pt | -9.5pt |
| Personnel Expenses | - | 547 | 368 | - | -179 |
| Sales Promotion & Advertising Expenses | - | 2,034 | 1,116 | - | -918 |
| General Expenses | - | 424 | 489 | - | +64 |
| Group Management Fee | - | 1,016 | 1,066 | - | +50 |
| Total SG&A Expenses | 4,102 | 4,023 | 3,040 | -1,062 | -982 |
| Operating Income | 2,699 | 2,520 | 1,403 | -1,295 | -1,116 |
| Operating Margin | 11.6% | 12.2% | 7.0% | -4.6pt | -5.2pt |

* "Forecast" refers to Forecast announced on May 8, 2014

Video Business: Results by Sub-Segment

(millions of yen)

Video Distribution

| | FY 2013 Q2 | FY 2014 Q2 | YoY |
|---------------------|------------|------------|---------|
| Net Sales | 16,732 | 16,088 | -643 |
| Gross Profit | 5,656 | 3,432 | -2,223 |
| Gross Profit Margin | 33.8% | 21.3% | -12.5pt |

Video Package

| | FY 2013 Q2 | FY 2014 Q2 | YoY |
|---------------------|------------|------------|--------|
| Net Sales | 4,590 | 4,833 | +243 |
| Gross Profit | 1,392 | 1,623 | -230 |
| Gross Profit Margin | 30.3% | 33.6% | +3.2pt |

Video Market Data

| | 2013 | 2014 | YoY |
|-----------------------------------|---------|---------|-------|
| Video Package Market (Jan.- Sep.) | 182,529 | 168,309 | -7.8% |

(Reference: Japan Video Software Association)

Video Business: Indicators

| Video Business: Indicators | | | |
|----------------------------|-----------------------|------------|------------|
| | | FY 2013 Q2 | FY 2014 Q2 |
| d-VIDEO+BeeTV | ARPU (¥) | 461 | 465 |
| | Subscribers(millions) | 5.52 | 4.77 |
| | d-VIDEO | 4.46 | 3.99 |
| | BeeTV | 1.06 | 0.78 |
| UULA | ARPU (¥) | 466 | 466 |
| | Subscribers(millions) | 0.69 | 1.14 |
| DVDs / Blu-ray Discs* | Average Price (¥) | 5,349 | 6,181 |
| | Units (thousands) | 486 | 421 |

*Indicators of DVDs / Blu-ray Discs does not include back catalog sales.

Management & Live Business Income Statement

(millions of yen)

| Management & Live Business | | | | | |
|---|-----------|------------|------------|----------------|--------|
| | *Forecast | FY 2013 Q2 | FY 2014 Q2 | VS Forecast | YoY |
| Net Sales | 32,690 | 33,029 | 32,150 | -540 | -879 |
| Cost of Sales | - | 24,244 | 24,438 | - | +194 |
| Gross Profit | 7,739 | 8,785 | 7,711 | -27 | +1,074 |
| Gross Profit Margin | 23.7% | 26.6% | 24.0% | +0.3pt | -2.6pt |
| Personnel Expenses | - | 1,479 | 1,369 | - | -109 |
| Sales Promotion & Advertising Expenses | - | 317 | 300 | - | -17 |
| General Expenses | - | 2,229 | 1,984 | - | -245 |
| Group Management Fee | - | 1,821 | 1,928 | - | +107 |
| Total SG&A Expenses | 5,568 | 5,848 | 5,582 | +14 | -265 |
| Operating Income | 2,170 | 2,937 | 2,128 | -42 | -808 |
| Operating Margin | 6.6% | 8.9% | 6.6% | -0.0pt | -2.3pt |

* "Forecast" refers to Forecast announced on May 8, 2014

Management & Live Business: Results by Sub-Segment

(millions of yen)

| Live Concerts | | | |
|---------------------|------------|------------|--------|
| | FY 2013 Q2 | FY 2014 Q2 | YoY |
| Net Sales | 21,374 | 21,520 | +145 |
| Gross Profit | 2,358 | 2,107 | -250 |
| Gross Profit Margin | 11.0% | 9.8% | -1.2pt |
| Management | | | |
| | FY 2013 Q2 | FY 2014 Q2 | YoY |
| Net Sales | 7,941 | 7,073 | -868 |
| Gross Profit | 2,787 | 2,379 | -407 |
| Gross Profit Margin | 35.1% | 33.6% | -1.5pt |
| Merchandising | | | |
| | FY 2013 Q2 | FY 2014 Q2 | YoY |
| Net Sales | 7,049 | 6,124 | -925 |
| Gross Profit | 3,074 | 2,600 | -474 |
| Gross Profit Margin | 43.6% | 42.5% | -1.2pt |

Management & Live Business: Results by Sub-Segment

(millions of yen)

Fan Club

| | FY 2013 Q2 | FY 2014 Q2 | YoY |
|---------------------|------------|------------|--------|
| Net Sales | 2,035 | 1,984 | -51 |
| Gross Profit | 668 | 666 | -1 |
| Gross Profit Margin | 32.8% | 33.6% | +0.8pt |

Others

| | FY 2013 Q2 | FY 2014 Q2 | YoY |
|---------------------|------------|------------|--------|
| Net Sales | 311 | 129 | -182 |
| Gross Profit | 76 | 44 | -32 |
| Gross Profit Margin | 24.6% | 34.4% | +9.7pt |

Management & Live Business: Indicators

| Management & Live Business: Indicators | | | |
|--|------------------------|------------|------------|
| | | FY 2013 Q2 | FY 2014 Q2 |
| Concert Ticket | Average Price(¥) | 8,880 | 8,721 |
| Fan Club | Subscribers(thousands) | 1,038 | 1,210 |

(millions of yen)

| Management & Live Market Data* | | | |
|--------------------------------|--------|---------|--------|
| | 2013 | 2014 | YoY |
| Live Market(Jan. - June) | 93,455 | 104,365 | +11.6% |

*Reference: ALL JAPAN CONCERT & LIVE ENTERTAINMENT PROMOTERS CONFERENCE

Other Businesses Income Statement

(millions of yen)

| Other Businesses | | | | | |
|---|-----------|------------|------------|----------------|--------|
| | *Forecast | FY 2013 Q2 | FY 2014 Q2 | VS Forecast | YoY |
| Net Sales | 1,984 | 1,806 | 1,817 | -167 | +10 |
| Cost of Sales | - | 743 | 774 | - | +31 |
| Gross Profit | 897 | 1,063 | 1,042 | +145 | -20 |
| Gross Profit Margin | 45.2% | 58.9% | 57.4% | +12.1pt | -1.5pt |
| Personnel Expenses | - | 308 | 282 | - | -25 |
| Sales Promotion & Advertising Expenses | - | 197 | 114 | - | -83 |
| General Expenses | - | 576 | 602 | - | +25 |
| Group Management Fee | - | 218 | 238 | - | +20 |
| Total SG&A Expenses | 1,084 | 1,301 | 1,237 | +153 | -63 |
| Operating Income | -186 | -238 | -195 | -8 | +43 |
| Operating Margin | - | - | - | - | - |

* "Forecast" refers to Forecast announced on May 8, 2014

Balance Sheet

(millions of yen)

Balance Sheet

| | Mar.31,2014 | Sep.30,2014 | | Mar.31,2014 | Sep.30,2014 |
|-----------------------------------|-------------|-------------|--------------------------------|-------------|-------------|
| Current Assets | 60,112 | 53,871 | Current Liabilities | 55,723 | 53,221 |
| Cash and Deposits | 18,757 | 16,945 | Notes & Accounts Payable-trade | 1,986 | 1,317 |
| Notes & Accounts Receivable-trade | 19,945 | 15,367 | Short-term Debt | 9,614 | 9,110 |
| Inventories | 9,975 | 7,745 | Accounts Payable-Other | 20,932 | 22,864 |
| Others | 11,434 | 13,812 | Allowance for Returned Goods | 3,985 | 3,932 |
| | | | Others | 19,205 | 15,996 |
| Noncurrent Assets | 54,277 | 52,495 | Noncurrent Liabilities | 5,318 | 5,041 |
| Tangible & Intangible Assets | 39,269 | 38,215 | Long-term Debt | 1,705 | 1,400 |
| Total Investments & Other Assets | 15,008 | 14,279 | Others | 3,613 | 3,641 |
| Investment Securities | 12,702 | 9,806 | Total Liabilities | 61,042 | 58,263 |
| Others | 2,306 | 4,472 | Total Net Assets | 53,347 | 48,103 |
| Total Assets | 114,390 | 106,366 | Total Liabilities & Net Assets | 114,390 | 106,366 |

Cash Flow Statement

(millions of yen)

Cash Flow Statement

| | FY 2013 Q2 | FY 2014 Q2 |
|--|------------|------------|
| Net Cash provided by Operating Activities | 4,505 | 6,500 |
| Net Cash provided by Investing Activities | 4,399 | -3,169 |
| Net Cash provided by Financing Activities | -6,160 | -5,146 |
| Effect of exchange rate change on cash and cash equivalents | -22 | 4 |
| Net increase in cash and cash equivalents | 2,721 | -1,811 |
| Cash and cash equivalents at beginning of period | 17,974 | 18,757 |
| Cash and cash equivalents at end of period | 20,696 | 16,945 |

FY2014 Guidance

Forecast of FY 2014

(millions of yen)

| Consolidated Financial Forecast | | | |
|---|-----------------------|---------------------|----------|
| | *Previous Forecast | Revised Forecast | Variance |
| Net Sales | 168,000 | 165,000 | -3,000 |
| Cost of Sales | 111,957 | 115,114 | +3,157 |
| Gross Profit | 56,042 | 49,886 | -6,156 |
| Gross Profit Margin | 33.4% | 30.2% | -3.2pt |
| Personnel Expenses | 13,674 | 13,134 | -540 |
| Sales Promotion & Advertising Expenses | 11,777 | 11,262 | -515 |
| General Expenses | 17,590 | 17,290 | -300 |
| Total SG&A Expenses | 43,042 | 41,686 | -1,356 |
| Operating Income | 13,000 | 8,200 | -4,800 |
| Operating Margin | 7.7% | 5.0% | -2.8pt |
| Ordinary Income | 13,100 | 8,400 | -4,700 |
| Net Income | 6,000 | 3,800 | -2,200 |

*" Previous Forecast" refers to revised forecast announced on May. 8, 2014

Forecast by Segment

(millions of yen)

Music Business

*Previous
Forecast

Revised
Forecast

Variance

| | | | |
|------------------|--------|--------|--------|
| Net Sales | 58,791 | 62,790 | +3,999 |
| Operating Income | 5,105 | 4,600 | -505 |
| Operating Margin | 8.7% | 7.3% | -1.4pt |

Video Business

*Previous
Forecast

Revised
Forecast

Variance

| | | | |
|------------------|--------|--------|--------|
| Net Sales | 50,980 | 41,980 | -9,000 |
| Operating Income | 8,364 | 4,400 | -3,964 |
| Operating Margin | 16.4% | 10.5% | -5.9pt |

*" Previous Forecast" refers to revised forecast announced on May. 8, 2014

Forecast by Segment

(millions of yen)

Management & Live Business

| | *Previous Forecast | Revised Forecast | Variance |
|------------------|-----------------------|---------------------|----------|
| Net Sales | 60,589 | 62,589 | +2,000 |
| Operating Income | 3,651 | 3,380 | -271 |
| Operating Margin | 6.0% | 5.4% | -0.6pt |

Other Businesses

| | *Previous Forecast | Revised Forecast | Variance |
|------------------|-----------------------|---------------------|----------|
| Net Sales | 3,531 | 3,531 | ±0 |
| Operating Income | -478 | -539 | -61 |
| Operating Margin | — | — | — |

*" Previous Forecast" refers to revised forecast announced on May. 8, 2014

Forward-looking Statements

Strategies, plans, outlooks contained herein are based on information currently available. Actual performance may differ from our expectations. Factors that could cause such difference include changes in the business environment and events that would possibly happen in the future.

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*Except otherwise noticed, the figures in this material are cutoff from fractions, and percentages(%) are being rounded.