

Earnings Results for FY 2017

(Fiscal year ending March 31, 2018)

May 10, 2018

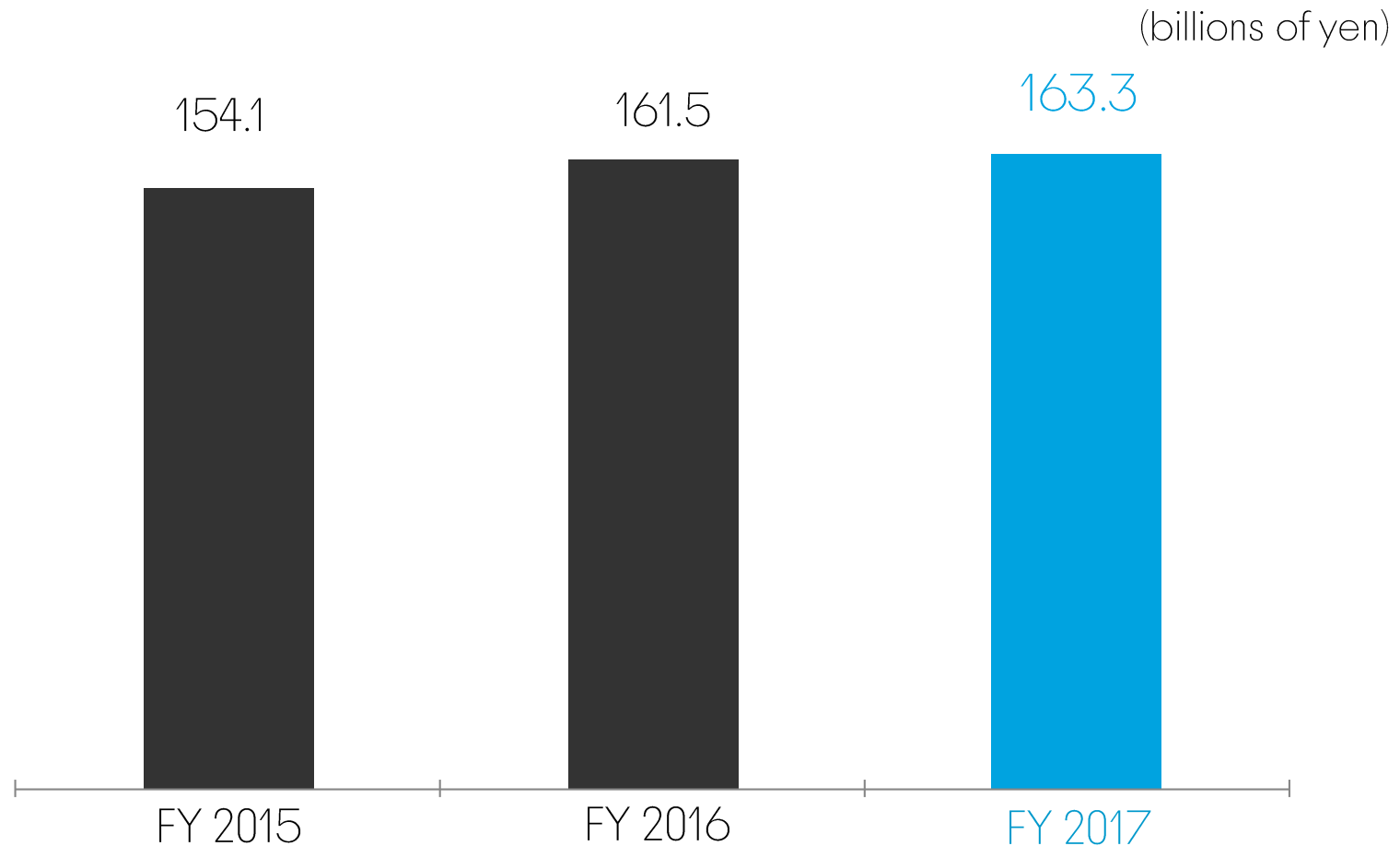
TSE 7860 : Avex Inc.

Really! Mad+Pure

Consolidated Results

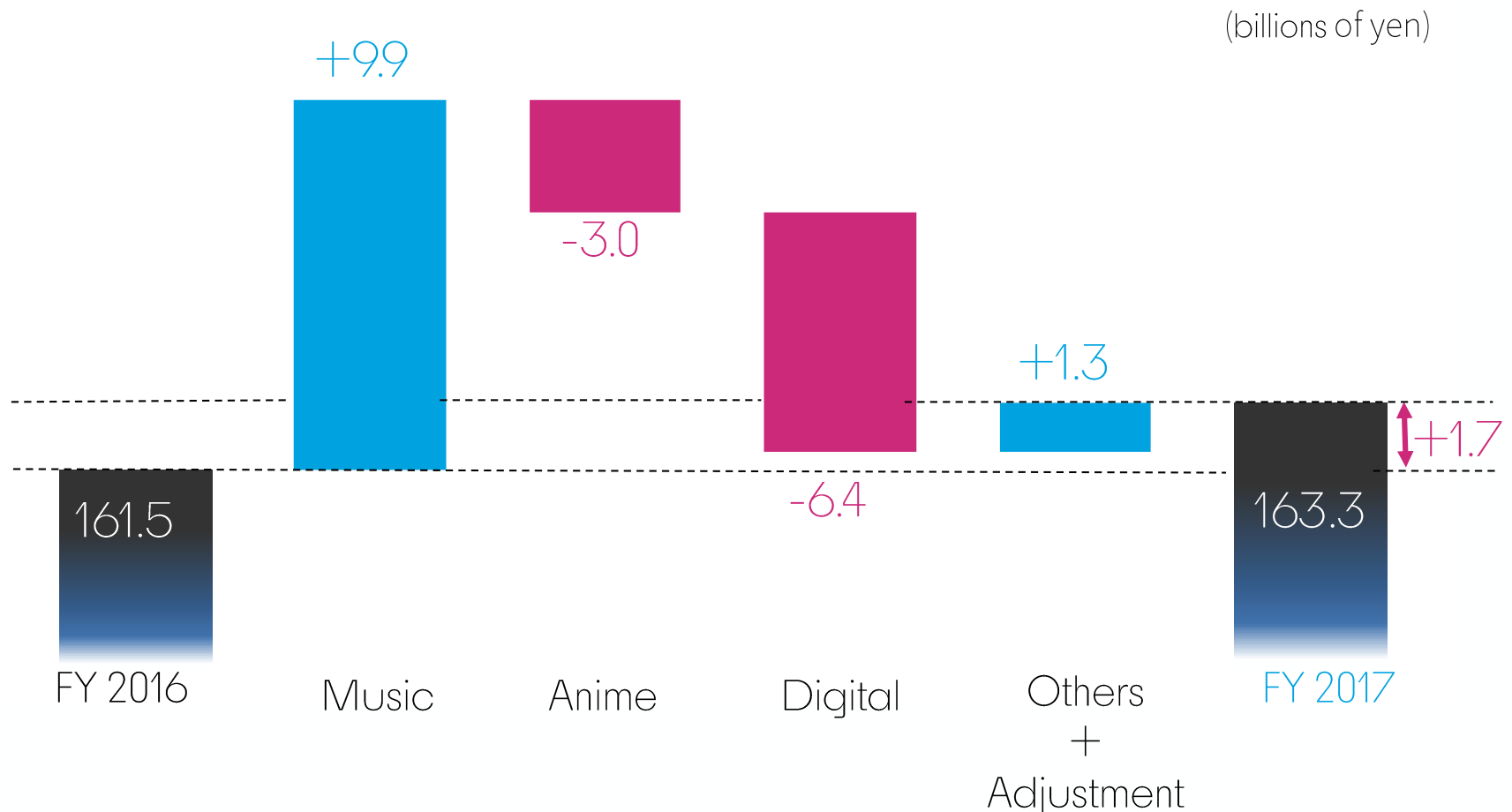
FY 2017 Highlights - Net Sales

1.7 billion yen (+1.1%) increase YoY



FY 2017 Highlights - Net Sales Change by Segment

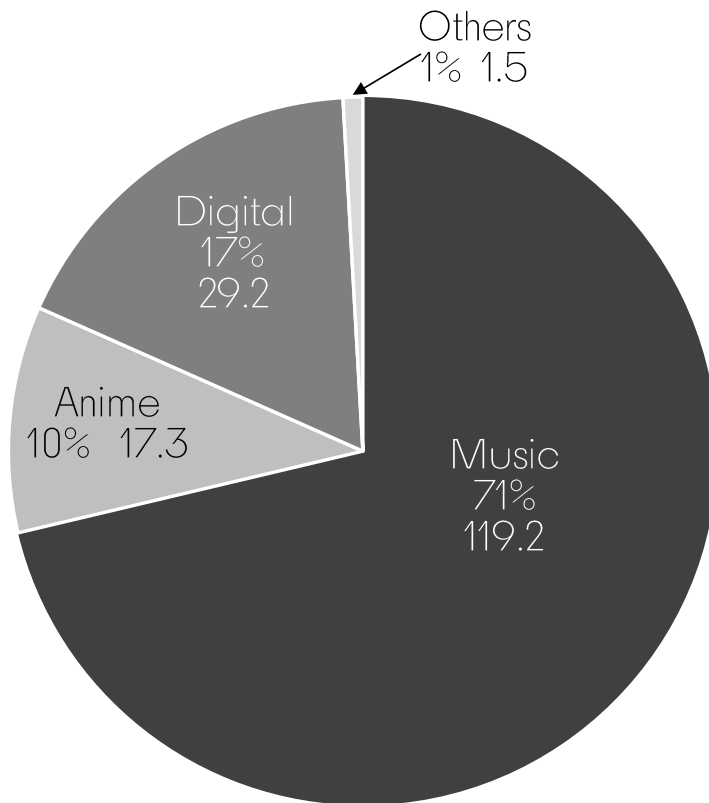
Net Sales increased mainly due to increase in number of large-scale live concerts and music package sales, offset in part due to closure of Digital Video Distribution Services in the Digital Business



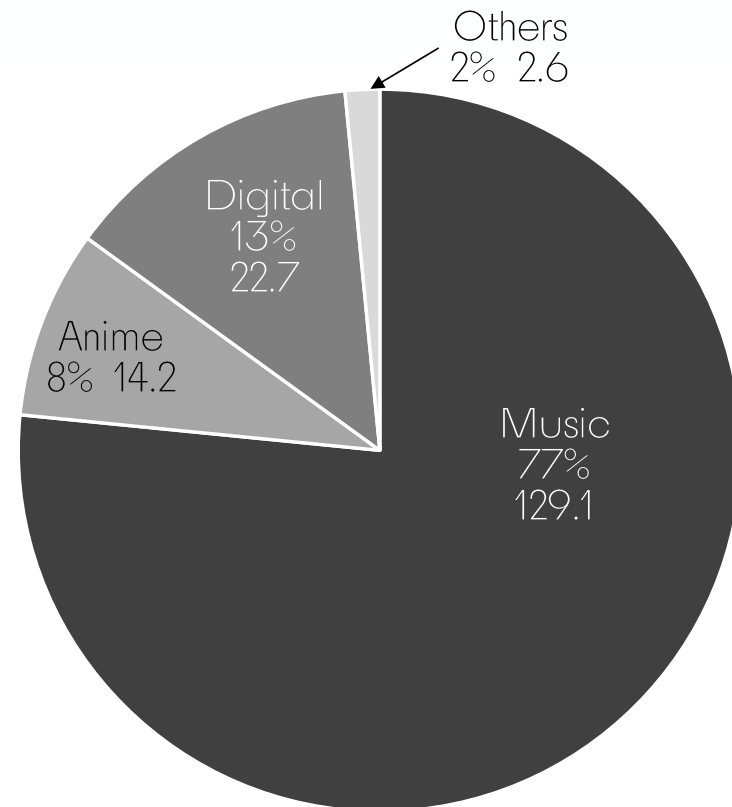
FY 2017 Highlights - Net Sales Composition Ratio by Segment

(before inter-business elimination)

(billions of yen)



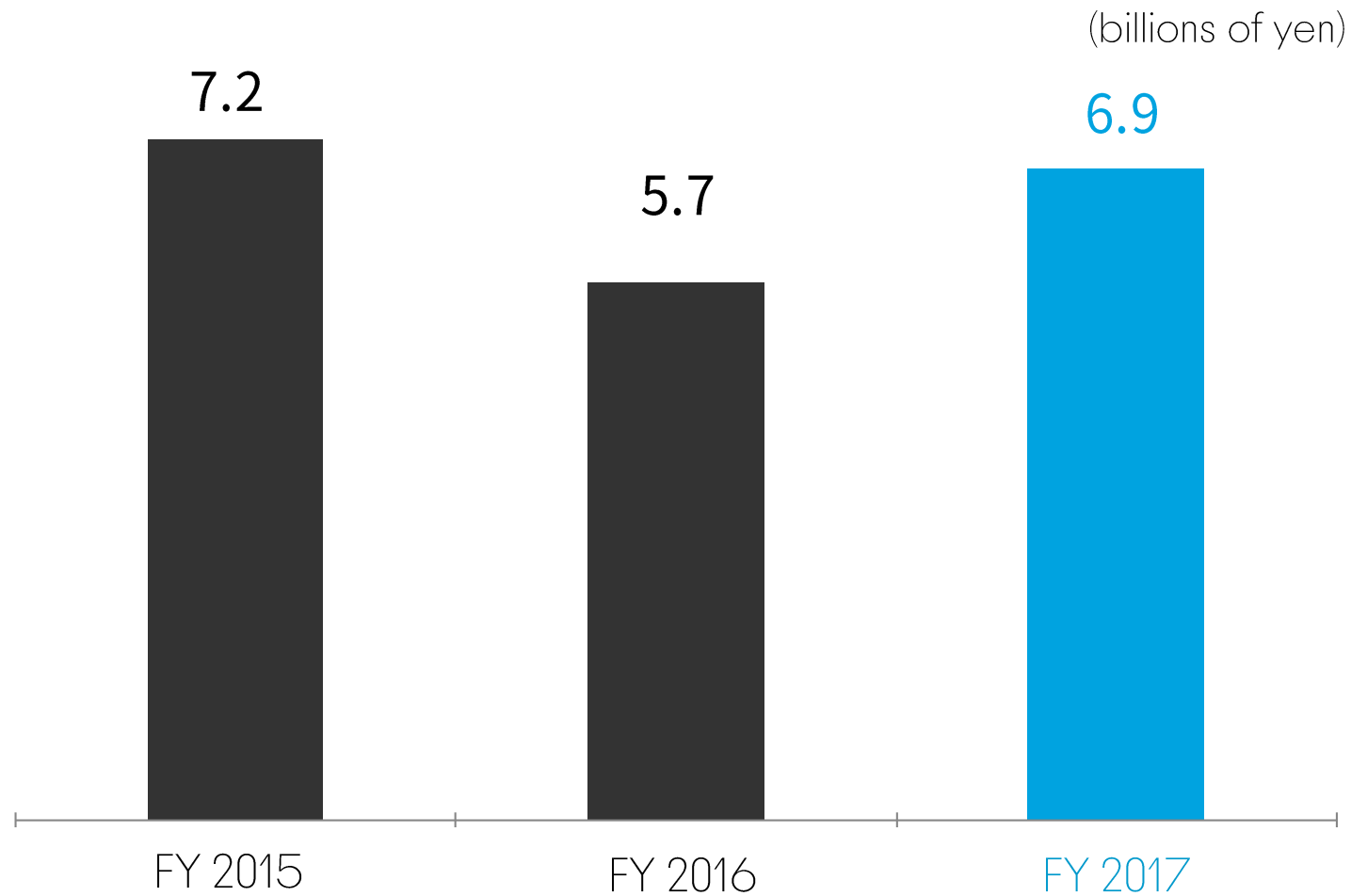
FY 2016



FY 2017

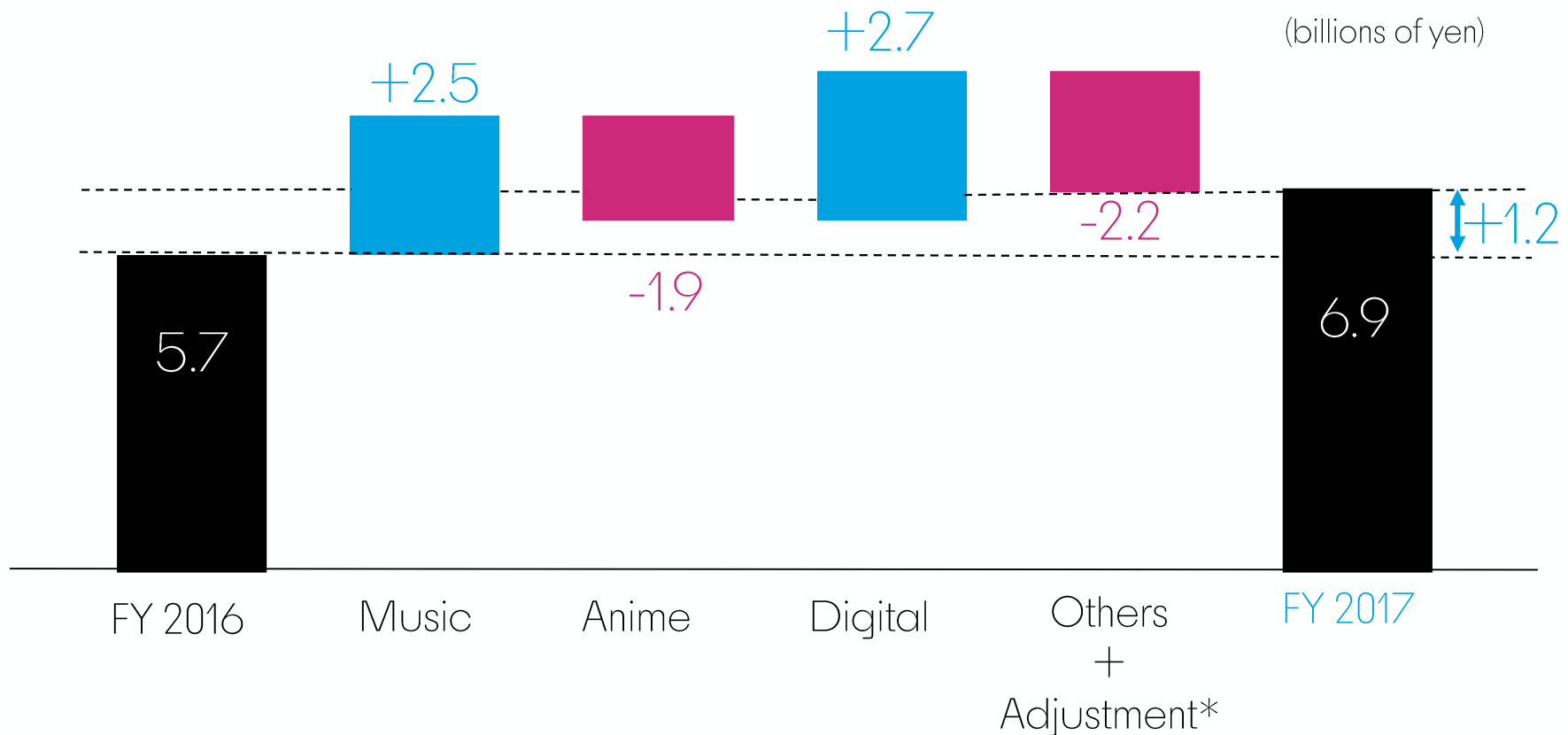
FY 2017 Highlights – Operating Income

1.2 billion yen (+21.1%) increase YoY



FY 2017 Highlights – Operating Income Change by Segment

Operating Income increased primarily due to increase in sales of Music Package in the Music Business and the closure of loss making Digital Video Distribution Services in the Digital Business offset in part by increase in New HQ Building related cost.

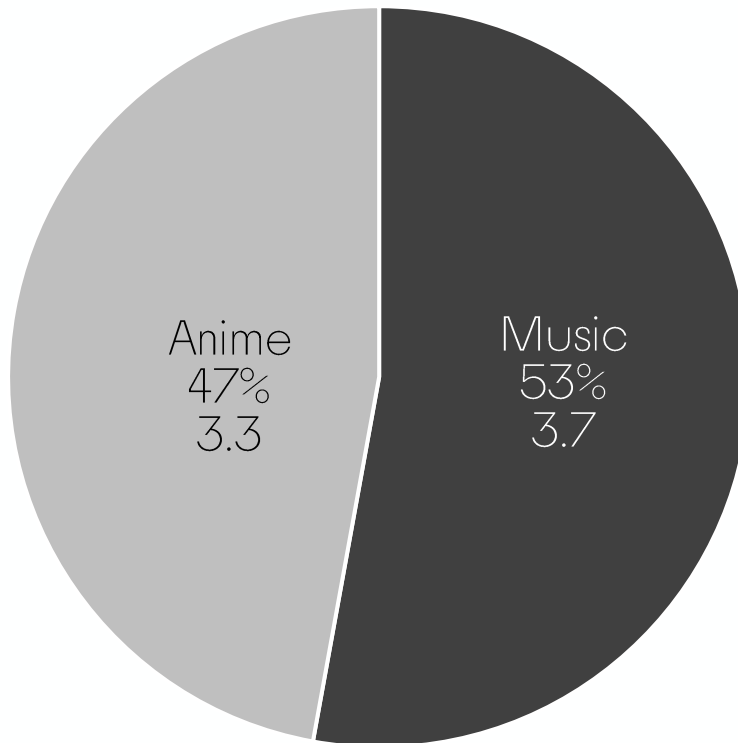


*New HQ Building related cost included in "Adjustment"

FY 2017 Highlights – Operating Income Composition Ratio by Segment

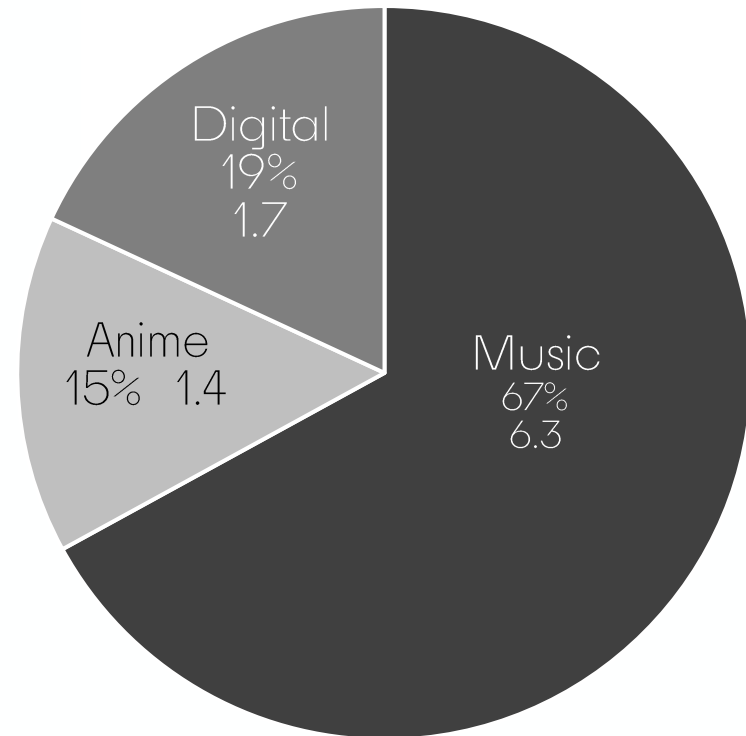
(before inter-business elimination)

(billions of yen)



FY 2016

(Digital and Other Businesses excluded due to loss)

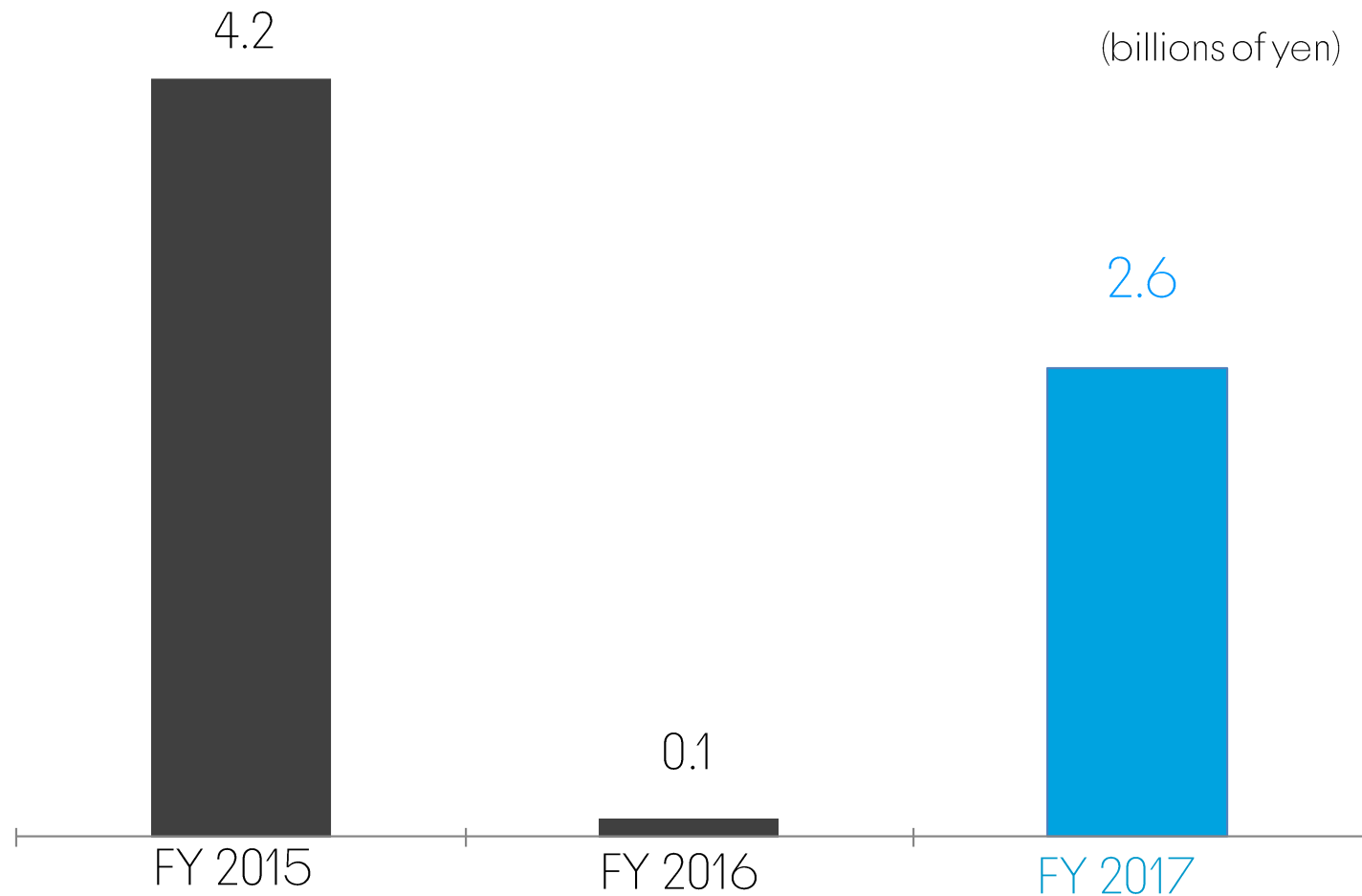


FY 2017

(Other Businesses excluded due to loss)

FY2017 Highlights – Net Income Attributable to Owners of Parent

2.4 billion yen increase YoY



FY2017 Highlights – Consolidated Balance Sheet

- ① Increase of tangible & intangible non-current assets due to the new HQ building reconstruction
- ② Increase of current and non-current liabilities due to debt (loan) for the new HQ building reconstruction

(billions of yen)

	FY 2016	FY 2017	YoY
Current Assets	63.6	70.7	+7.0
Non-current Assets	54.7	62.1	+7.4
Tangible & Intangible Non-current Assets	① 44.2	52.0	+7.8
Total Assets	118.3	132.8	+14.4

	FY 2016	FY 2017	YoY
Current Liabilities	57.0	68.0	+11.0
Current Portion of Long-term Debt	0.8	3.0	+2.2
Non-current Liability	② 9.5	12.3	+2.8
Long-term Debt	7.2	10.6	+3.4
Total Liabilities	66.5	80.4	+13.8
Total Net Assets	51.8	52.4	+0.6
Total Liabilities & Net Assets	118.3	132.8	+14.4

Results by Segment

Music Business Highlights

Net sales and Operating Income increased primarily due to increase in number of large-scale live concerts and sales in Music Package (Albums)

(billions of yen)

Music Business	FY 2016	FY 2017	YoY	rate
Net Sales	119.2	129.1	+9.9	+8.4%
Gross Profit	35.5	38.4	+2.9	+8.2%
Gross Profit Margin	29.8%	29.7%	-0.1pt	—
Operating Income	3.7	6.3	+2.5	+69.1%
Operating Margin	3.1%	4.9%	+1.8pt	—

(billions of yen)

Sub-Segment	Live Concert			Merchandising			Fan club		
	FY 2016	FY 2017	rate	FY 2016	FY 2017	rate	FY 2016	FY 2017	rate
Net Sales	38.2	45.5	+19.1%	11.8	12.8	+8.4%	4.5	5.3	+18.0%

Sub-Segment	Music Package			Digital Music Distribution			Music Publishing		
	FY 2016	FY 2017	rate	FY 2016	FY 2017	rate	FY 2016	FY 2017	rate
Net Sales	34.8	36.5	+4.7%	11.5	11.5	+0.2%	2.7	2.9	+8.5%

Sub-Segment	Management			E-Commerce			Others		
	FY 2016	FY 2017	rate	FY 2016	FY 2017	rate	FY 2016	FY 2017	rate
Net Sales	9.3	8.4	-10.1%	12.4	12.7	+2.3%	7.5	7.4	-1.3%

Music Business Highlights: Live Concerts

The number of Audience and Ticket Prices increased due to increase in large-scale Live Concerts

Venue Size	FY 2016	FY 2017	YoY
Stadium class	42	73	+31
Arena class	121	74	-47
Hall & Live House class	584	749	+165
Total	747	896	+149
Audience (millions of people)	2.96	3.74	+0.78
Concert Ticket Average Price	¥9,060	¥9,615	+¥554

Major Live Concerts in FY2017

AAA「AAA DOME TOUR 2017 -WAY OF GLORY-」

「a-nation 2017」

「ULTRA JAPAN 2017」

TOHOSHINKI「LIVE TOUR 2017 Begin Again」

BIGBANG「BIGBANG JAPAN DOME TOUR 2017 -LAST DANCE-」

EXO 「EXO PLANET #4 – The EℓyXiOn – in JAPAN」

iKON「iKON JAPAN DOME TOUR 2017」

Music Business Highlights: Music Package

		FY 2016	FY 2017	YoY	
* Music Package	Albums	Average Price (¥)	3,236	2,960	-276
		Units (thousands)	3,997	5,678	+1,680
	Singles	Average Price (¥)	911	1,019	+108
		Units (thousands)	6,424	4,472	-1,952
	DVDs / Blu-ray	Average Price (¥)	5,559	5,330	-228
		Units (thousands)	2,216	2,286	+69

*Music Package indicators consist of new releases and do not include back catalogs.

Major Titles in FY2017

CD Albums

Artist	Title	Copies (thousands)
Namie Amuro	Finally	2,385
Kis-My-Ft2	MUSIC COLOSSEUM	281
GENERATIONS from EXILE TRIBE	BEST GENERATION	225

CD Singles

Artist	Title	Copies (thousands)
SKE48	Igai ni Mango	499
SKE48	Muishiki no Iro	433
Kis-My-Ft2	Akai Kajitsu	234

Music DVDs / Blu-ray Discs

Artist	Title	Copies (thousands)
J Soul Brothers III from EXILE TRIBE	J Soul Brothers III LIVE TOUR 2016-2017 "METROPOLIZ"	307
Kis-My-Ft2	LIVE TOUR 2017 MUSIC COLOSSEUM	227
J Soul Brothers III from EXILE TRIBE	J Soul Brothers III LIVE TOUR 2017 "UNKNOWN METROPOLIZ"	215

※Total Copies as of March 31, 2018

Anime Business Highlights

Net Sales and Operating Income decreased primarily due to weak Anime Package Sales

(billions of yen)

Anime Business	FY 2016	FY 2017	YoY	rate
Net Sales	17.3	14.2	-3.0	-17.7%
Gross Profit	6.4	4.6	-1.8	-28.5%
Gross Profit Margin	37.1%	32.2%	-4.9pt	—
Operating Income	3.3	1.4	-1.9	-57.6%
Operating Margin	19.2%	9.9%	-9.3pt	—

(billions of yen)

Sub-Segment	Anime Package			Anime Non-Package		
	FY 2016	FY 2017	rate	FY 2016	FY 2017	rate
Net Sales	7.8	5.0	-36.1%	9.4	9.2	-2.5%

Digital Business Highlights

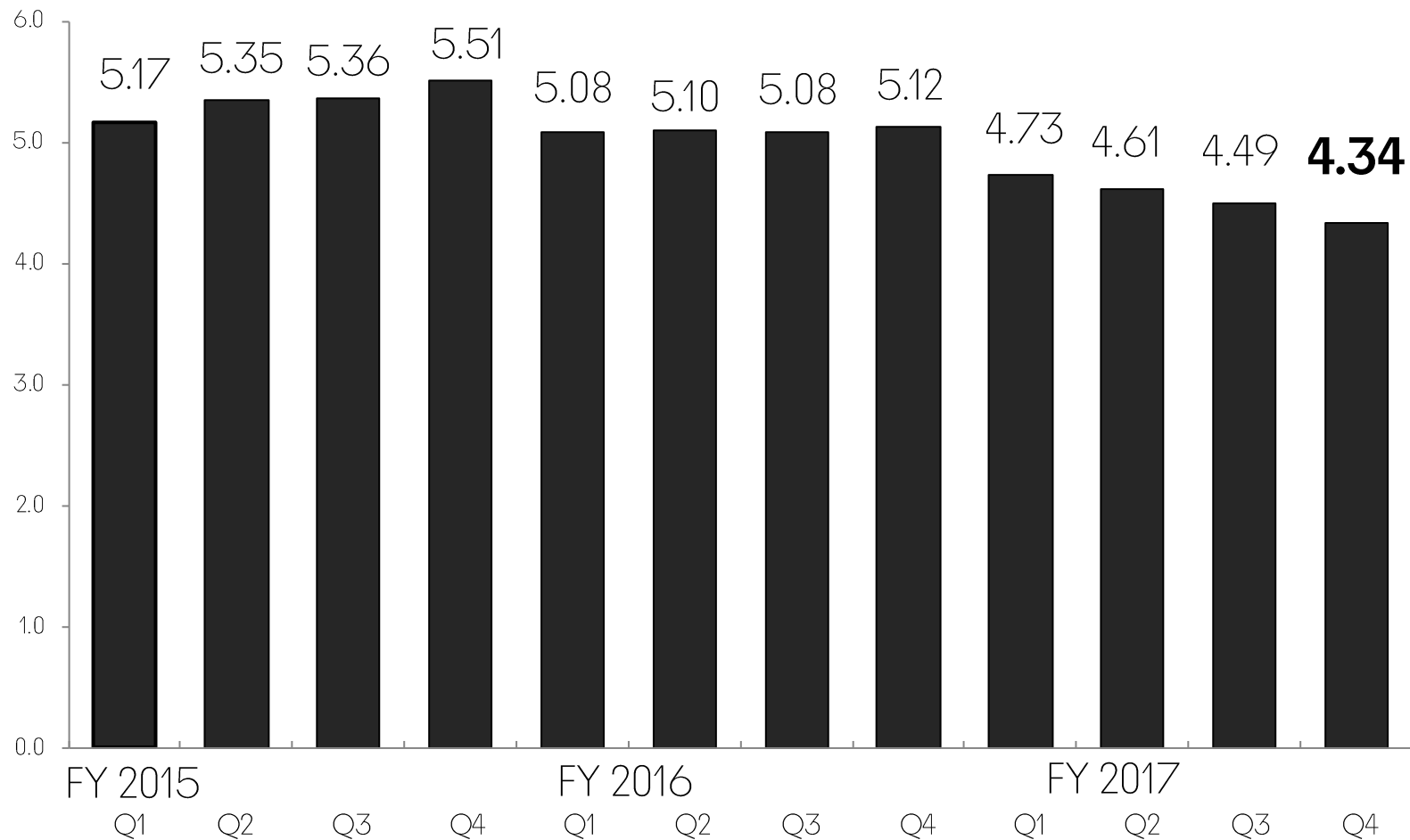
Net sales decreased while Operating Income increased
primarily due to closure of loss making
Digital Video Distribution Services

(billions of yen)

Digital Business	FY 2016	FY 2017	YoY	rate
Net Sales	29.2	22.7	-6.4	-22.0%
Gross Profit	4.1	5.6	+1.4	+35.7%
Gross Profit Margin	14.2%	24.7%	+10.5pt	—
Operating Income	-0.9	1.7	+2.7	—
Operating Margin	—	7.7%	—	—

Digital Business Highlights: Number of Video Distribution Subscribers

(millions of people)



※UULA and GEO Channel subscribers not included

Guidance Highlights for FY 2018, Ending March 2019

FY 2018 Guidance Highlights - Consolidated

(billions of yen)

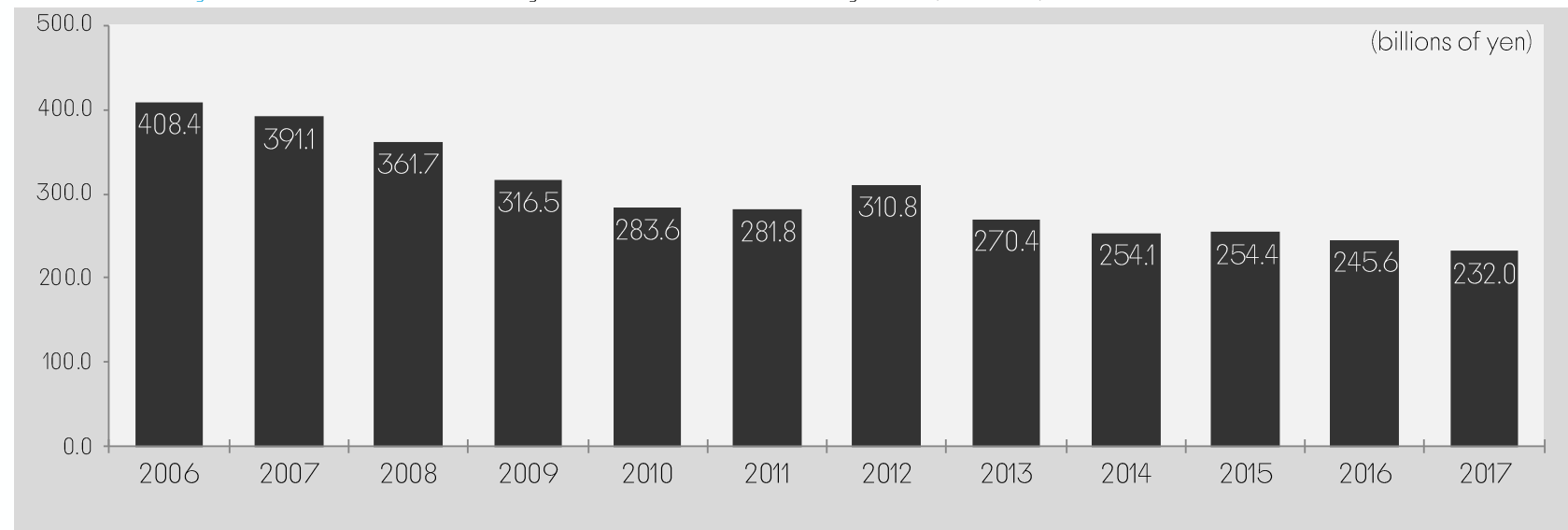
Consolidated	FY 2017	FY 2018	YoY	rate
Operating Income	6.9	7.0	+0.0	+0.9%
Net Income				
Attributable to Owners of Parent	2.6	2.6	+0.0	+0.0%

<Dividend Policy>

Payout Ratio 35% or more, minimum Annual Dividend 50 yen per share

Market Data

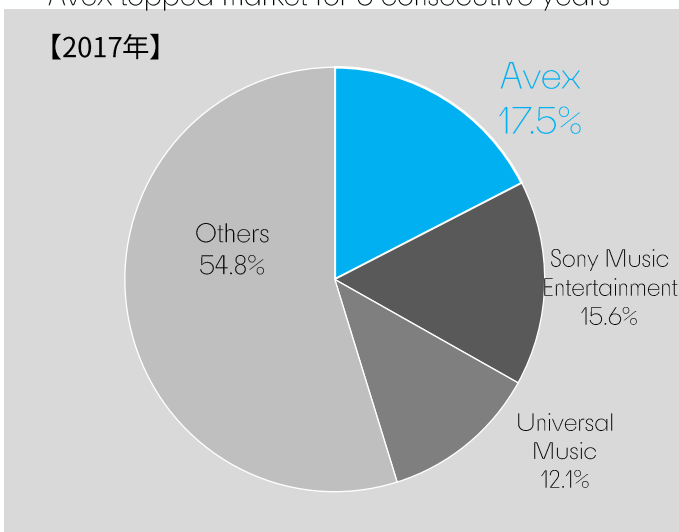
Music Package Market Music Package Production on a declining trend (YoY 94%)



(source: Recording Industry Association of Japan)

2017 Music Software Market share by Label

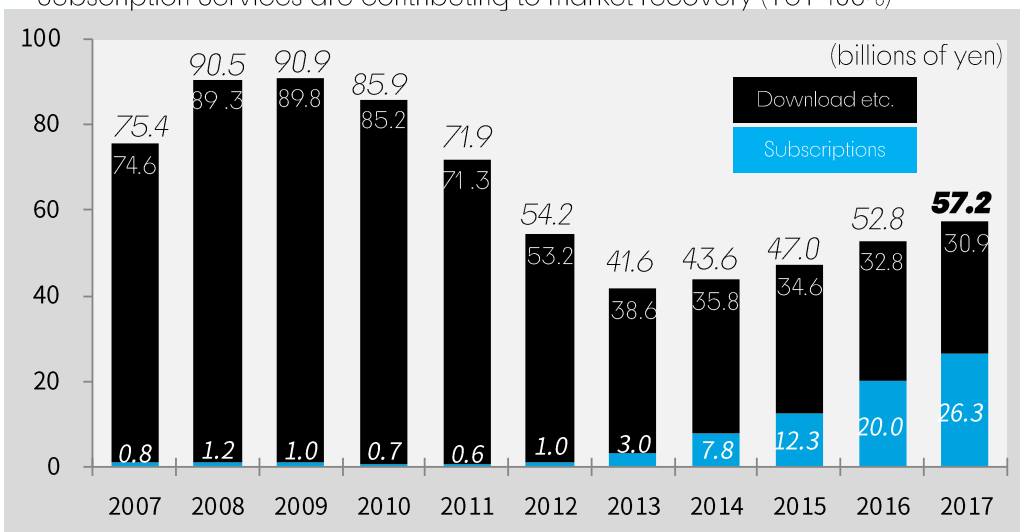
Aves topped market for 6 consecutive years



(source: Oricon)

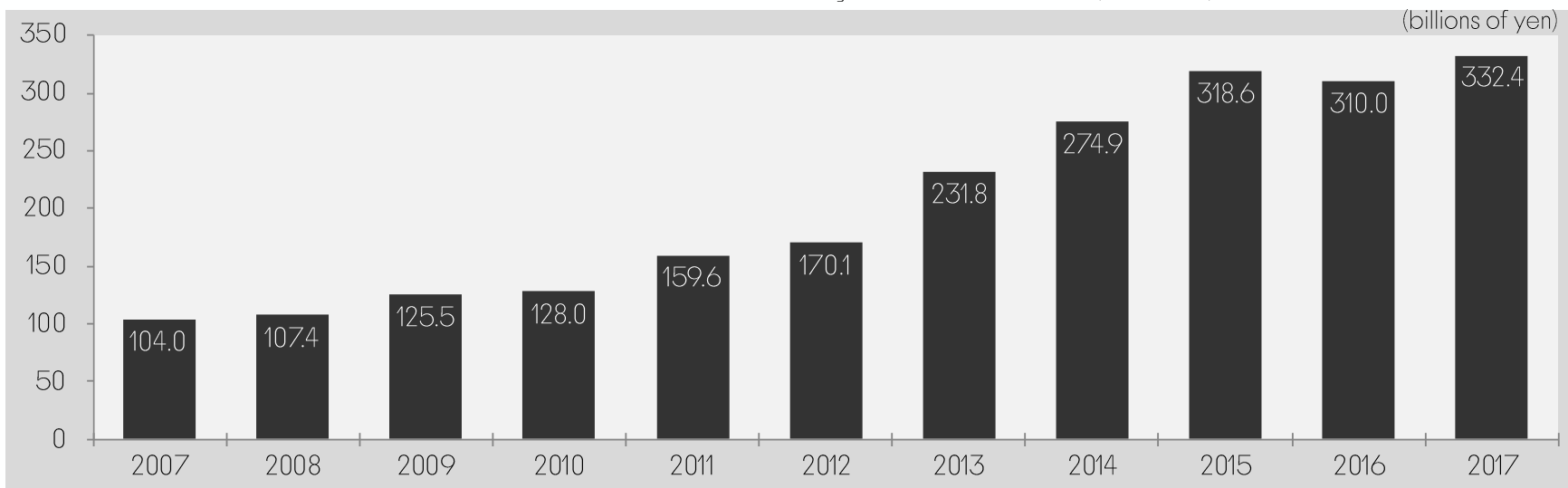
Digital Music Market

Subscription Services are contributing to market recovery (YoY 108%)



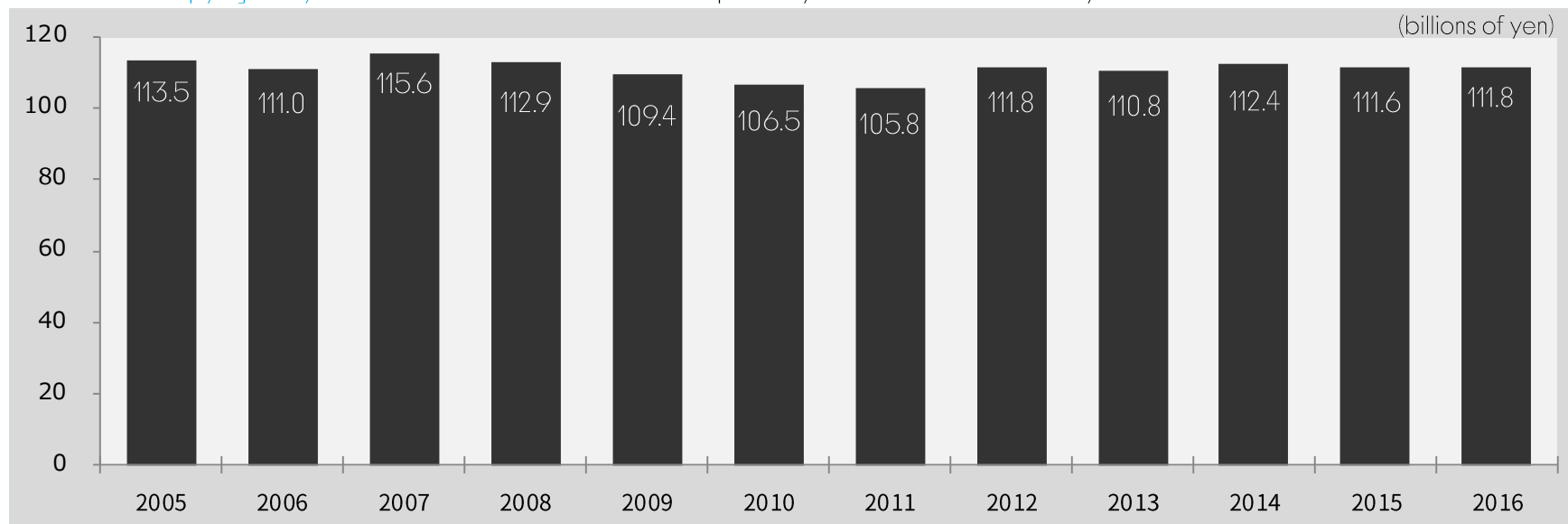
(source: Recording Industry Association of Japan)

■ **Live Concert Market** Increase in 2017 due to increase in number of large-scale live concerts (YoY 107%)



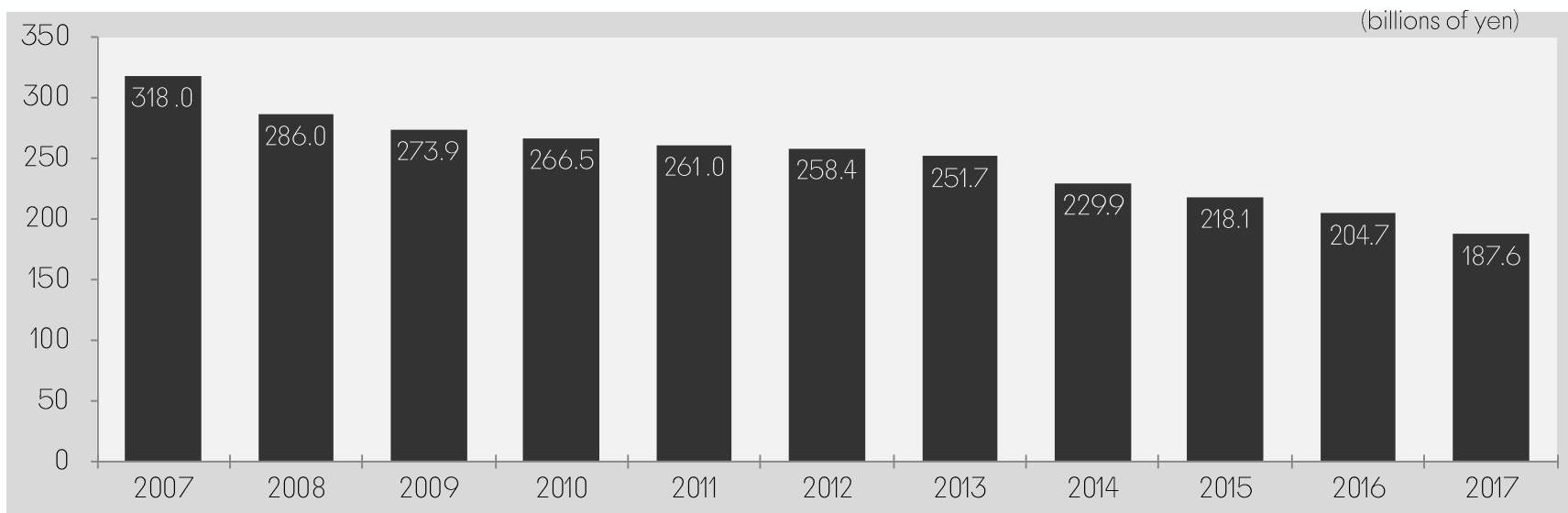
(source: ACPC)

■ **JASRAC Copyright Royalties collected** Stable over the past 12 years at about 110 billion yen



(source: JASRAC)

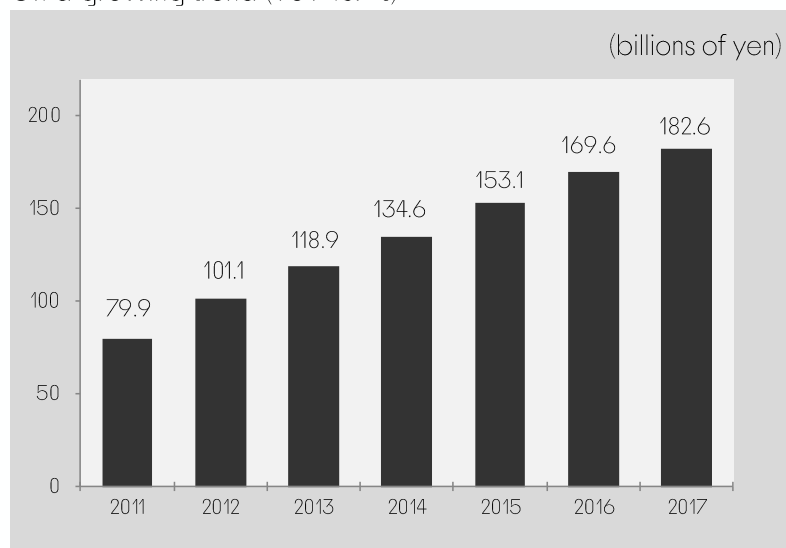
■ Video Software Market On a declining trend (YoY 91%)



(source: Japan Video Software Association)

■ Domestic Digital Video Distribution Market

On a growing trend (YoY 107%)



(source: Nomura Research Institute, Ltd.)

Reference Data

Consolidated Income Statement

(millions of yen)

Consolidated Income Statement

	FY 2016	Guidance	FY 2017	YoY	VS Guidance
Net Sales	161,592	162,000	163,375	+1,783	+1,375
Cost of Sales	116,043	113,500	114,967	-1,075	+1,467
Gross Profit	45,549	48,500	48,408	+2,859	-91
Gross Profit Margin	28.2%	30.0%	29.6%	+1.4pt	-0.4pt
Personnel Expenses	13,694	14,300	13,232	-462	-1,067
Sales promotion & Advertising Expenses	9,938	10,000	9,848	-90	-151
General Expenses	16,187	16,900	18,388	+2,200	+1,488
Total SG&A Expenses	39,820	41,200	41,469	+1,648	+269
Operating Income	5,728	7,300	6,939	+1,210	-360
Operating Margin	3.5%	4.5%	4.2%	+0.7pt	-0.3pt
Ordinary Income	4,479	7,100	6,582	+2,102	-517
Net Income attributable to owners of parent	118	2,800	2,601	+2,483	-198

Music Business Income Statement

(millions of yen)

Music Business			
	FY 2016	FY 2017	YoY
Net Sales	119,220	129,197	+9,976
Cost of Sales	83,695	90,770	+7,074
Gross Profit	35,525	38,427	+2,901
Gross Profit Margin	29.8%	29.7%	-0.1pt
Personnel Expenses	7,296	7,131	-164
Sales Promotion & Advertising Expenses	7,172	6,942	-230
General Expenses	7,938	7,921	-16
GMF ★	9,379	10,108	+728
Total SC&A Expenses	31,787	32,104	+317
Operating Income	3,738	6,322	+2,584
Operating Margin	3.1%	4.9%	+1.8pt

★GMF = Group Management Fee

Music Business: Results by Sub-Segment

(millions of yen)

Live Concert			
	FY 2016	FY 2017	YoY
Net Sales	38,290	45,594	+7,304
Merchandising			
	FY 2016	FY 2017	YoY
Net Sales	11,834	12,824	+989
Fan Club			
	FY 2016	FY 2017	YoY
Net Sales	4,517	5,332	+815
Music Package			
	FY 2016	FY 2017	YoY
Net Sales	34,864	36,507	+1,642

Music Business: Results by Sub-Segment

(millions of yen)

Digital Music Distribution			
	FY 2016	FY 2017	YoY
Net Sales	11,524	11,548	+24

Music Publishing			
	FY 2016	FY 2017	YoY
Net Sales	2,729	2,962	+233

Management			
	FY 2016	FY 2017	YoY
Net Sales	9,371	8,425	-945

E-Commerce			
	FY 2016	FY 2017	YoY
Net Sales	12,437	12,726	+289

Others			
	FY 2016	FY 2017	YoY
Net Sales	7,550	7,455	-95

Anime Business Income Statement

(millions of yen)

Anime Business			
	FY 2016	FY 2017	YoY
Net Sales	17,336	14,265	-3,071
Cost of Sales	10,904	9,665	-1,238
Gross Profit	6,432	4,600	-1,832
Cross Profit Margin	37.1%	32.2%	-4.9pt
Personnel Expenses	705	779	+74
Sales Promotion & Advertising Expenses	867	843	-24
General Expenses	390	507	+117
GMF *	1,147	1,062	-84
Total SG&A Expenses	3,111	3,193	+82
Operating Income	3,321	1,407	-1,914
Operating Margin	19.2%	9.9%	-9.3pt

★GMF = Group Management Fee

Anime Business: Results by Sub-Segment

(millions of yen)

Anime Package			
	FY 2016	FY 2017	YoY
Net Sales	7,852	5,015	-2,837

Anime Non-Package			
	FY 2016	FY 2017	YoY
Net Sales	9,485	9,251	-233

Anime Business: Indicators			
		FY 2016	FY 2017
DVDs / Blu-ray *	Average Price (¥)	5,031	5,282
	Units (thousands)	1,186	671

*DVDs / Blu-ray indicators consists of the titles released in FY2017 and does not include back catalog sales.

Digital Business Income Statement

(millions of yen)

Digital Business			
	FY 2016	FY 2017	YoY
Net Sales	29,206	22,771	-6,435
Cost of Sales	25,065	17,150	-7,915
Gross Profit	4,141	5,621	+1,479
Gross Profit Margin	14.2%	24.7%	+10.5pt
Personnel Expenses	669	508	-161
Sales Promotion & Advertising Expenses	1,837	1,532	-304
General Expenses	987	648	-338
GMF*	1,642	1,172	-470
Total SG&A Expenses	5,137	3,862	-1,274
Operating Income	-995	1,758	+2,753
Operating Margin	-	7.7%	-

★ GMF = Group Management Fee

Digital Business: Indicators			
		FY 2016	FY 2017
Digital Video Distribution Services ★	ARPU (¥)	480	482
	Subscribers (millions of people)	5.12	4.34

★ UULA and GEO Channel subscribers not included

Other Businesses

(millions of yen)

Other Businesses			
	FY 2016	FY 2017	YoY
Net Sales	1,565	2,623	+1,058
Cost of Sales	807	1,234	+427
Gross Profit	758	1,388	+630
Gross Profit Margin	48.4%	52.9%	+4.5pt
Personnel Expenses	506	1,001	+495
Sales Promotion & Advertising Expenses	65	538	+473
General Expenses	193	780	+586
GMF ★	283	357	+74
Total SG&A Expenses	1,048	2,678	+1,629
Operating Income	-290	-1,289	-999
Operating Margin	-	-	-

★ GMF=Group Management Fee

Consolidated Balance Sheet

(millions of yen)

Consolidated Balance Sheet					
	Mar.31, 2017	Mar.31, 2018		Mar.31, 2017	Mar.31, 2018
Current Assets	63,693	70,727	Current Liabilities	57,029	68,070
Cash and Deposits	24,298	28,184	Notes & Accounts Payable-trade	2,198	1,716
Notes & Accounts Receivable-trade	20,122	19,963	Short-term Debt, etc.	11,300	14,558
Inventories	5,451	5,679	Accounts Payable-Other	19,926	29,590
Others	13,821	16,900	Allowance for Returned Goods	4,328	4,337
			Others	19,276	17,866
Non-current Assets	54,705	62,159	Non-current Liabilities	9,520	12,357
Tangible & Intangible Assets	44,209	52,089	Long-term Debt	7,200	10,692
Total Investments & Other Assets	10,496	10,069	Others	2,320	1,665
Investment Securities	5,819	7,085	Total Liabilities	66,550	80,427
Others	4,676	2,983	Total Net Assets	51,849	52,460
Total Assets	118,399	132,887	Total Liabilities & Net Assets	118,399	132,887

Consolidated Cash Flow Statement

(millions of yen)

Consolidated Cash Flow Statement

	FY 2016	FY 2017	YoY
Net Cash provided by Operating Activities	8,219	13,429	+5,210
Net Cash provided by Investing Activities	-11,845	-12,919	-1,073
Net Cash provided by Financing Activities	6,792	3,476	-3,316
Cash Flow	3,165	3,986	+820
Free Cash Flow	-3,626	510	+4,136
Effect of exchange rate change on cash and cash equivalents	26	-101	-127
Net increase in cash and cash equivalents	3,191	3,885	+693
Cash and cash equivalents at beginning of period	21,107	24,298	+3,191
Cash and cash equivalents at end of period	24,298	28,184	+3,885

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, forecasts include potential risks and uncertain elements. In particular, in Avex Group's business domain, there are factors other than general economic conditions that may affect its performance. Please note, therefore, that actual results may greatly differ from guidance.

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