

**Consolidated Financial Summary for the First Nine Months of Fiscal Year Ending March 31, 2019**  
**(Japanese Accounting Standards)**

Code No: 7860

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Scheduled date for commencement of dividend payments: –

Financial results briefing: None

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Tokyo Stock Exchange, First Section  
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Note: All amounts are rounded down to the nearest million ven.

1. Consolidated operating results for the nine-month period of fiscal year ending March 31, 2019  
(April 1, 2018 to December 31, 2018)

(1) Consolidated sales and income

Note: Figures in percentages denote the year-on-year change.

	Net sales		Operating income		Ordinary income		Profit (loss) attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine-month Period of Fiscal Year Ending March 31, 2019	122,621	1.3	5,952	28.0	5,691	16.8	2,417	14.4
Nine-month Period of Fiscal Year Ended March 31, 2018	121,075	(1.6)	4,651	22.4	4,872	60.7	2,112	—

(Note) Comprehensive income	Nine-Month Period of Fiscal Year Ending March 31, 2019: ¥2,815 million (4.0%)
	Nine-Month Period of Fiscal Year Ended March 31, 2018: ¥2,707 million (187.3%)

	Net income per share	Diluted net income per share
	yen	yen
Nine-month Period of Fiscal Year Ending March 31, 2019	56.01	55.84
Nine-month Period of Fiscal Year Ended March 31, 2018	49.05	48.81

## (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
As of December 31, 2018	128,686	52,017	37.7
As of March 31, 2018	132,887	52,460	36.6

(Reference) Shareholders' equity	As of December 31, 2018: ¥48,555 million As of March 31, 2018: ¥48,639 million
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## 2. Status of dividend payments

	Annual dividends				
(Record date)	End of first quarter	End of second quarter	End of third quarter	End of year	Annual
	yen	yen	yen	yen	yen
Year Ended March 31, 2018	—	25.00	—	25.00	50.00
Year Ending March 31, 2019	—	25.00	—		
Year Ending March 31, 2019 (forecast)				25.00	50.00

(Note) Revisions to dividend forecasts published most recently: None

3. Forecasts for consolidated sales and income for the year ending March 31, 2019 (April 1, 2018 to March 31, 2019)

Note: Figures in percentages denote the year-on-year change.

	Operating income		Profit (loss) attributable to owners of parent		Net income per share
	million yen	%	million yen	%	Yen
Year Ending March 31, 2019	7,000	0.9	2,650	1.9	61.36

For Ending March 31, 2019	1,000	0%	
(Note) Revisions to earnings forecasts published most recently: None			

\* Notes

(1) Changes in significant subsidiaries during period under review (changes in specific subsidiaries in conjunction with changes in scope of consolidation): Yes

New: 1 company (Company name) EntameCoin Inc. Excluded: – (Company name) –

(2) Changes in accounting policies and changes in or restatement of accounting estimates

1. Changes in accounting policies in conjunction with revisions to accounting standards: None

2. Changes in accounting policies other than 1: None

3. Changes in accounting estimates: None

4. Restatement: None

(3) Outstanding shares (ordinary shares)

a. Shares outstanding at end of term (including treasury stock)

As of December 31, 2018: 45,141,500 shares

As of March 31, 2018: 45,062,600 shares

b. Treasury stock at end of term

As of December 31, 2018: 1,857,198 shares

As of March 31, 2018: 1,976,286 shares

c. Average number of share (quarter-to-date)

Nine-Month Period of Fiscal Year Ending March 31, 2019: 43,158,433 shares

Nine-Month Period of Fiscal Year Ended March 31, 2018: 43,067,479 shares

\* This financial summary is outside the scope of audit procedures by certified public accountants and audit firm.

\* Explanation for forecasts of operations and other notes

The forecasts for operating results and others contained in this release are based on data and information that the Company has obtained so far and specific assumptions that the Company judges to be reasonable. Please note, therefore, that the actual results and others may greatly differ from the forecasts due to various factors. For assumptions used for the forecasts and precautions regarding the use of these forecasts, please refer to “(3) Summary of Consolidated Financial Forecasts and Other Future Forecast Information” under “1. Qualitative Information on Consolidated Results, etc. for the Nine-Month Period of Fiscal Year Ending March 31, 2019” on page 4 of the accompanying materials.

## 1. Qualitative Information on Consolidated Results, etc. for the Nine-Month Period of Fiscal Year Ending March 31, 2019

### (1) Summary of Operating Results

(Unit: million yen)

Nine-month period results	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ending March 31, 2019
Net sales	120,315	109,245	123,043	121,075	122,621
Cost of sales	86,250	77,511	90,479	86,050	87,729
Gross profit	34,064	31,733	32,563	35,024	34,891
Gross profit margin	28.3%	29.0%	26.5%	28.9%	28.5%
Personnel expenses	8,823	8,551	10,008	9,843	9,936
Sales promotion and advertising expenses	7,928	8,338	6,581	6,773	6,931
General expenses	14,126	11,258	12,173	13,754	12,070
Total SG&A expenses	30,879	28,148	28,762	30,372	28,938
Operating income (loss)	3,185	3,585	3,801	4,651	5,952
Operating margin	2.6%	3.3%	3.1%	3.8%	4.9%

The Japanese economy moderately recovered during the first nine months of the fiscal year under review. Looking ahead, the economy is expected to continue its modest recovery based on ongoing improvements in the employment and income condition and the effects of various government policies.

In the entertainment industry, to which the Company belongs, the production of music software, including music videos, was up 3.6% year on year, to 240,337 million yen (January to December 2018; according to a survey by the Recording Industry Association of Japan). Sales of paid music downloads were up 11.5% year on year, to 47,823 million yen (January to September 2018; according to a survey by the Recording Industry Association of Japan). In the video-related market, sales of video software fell 4.6% year on year, to 178,560 million yen (preliminary data for January to December 2018; according to a survey by the Japan Video Software Association). The digital video distribution market is expected to continue to grow in the future, given the stronger promotion of video distribution services and the environmental changes that will lead to the enhanced convenience of users such as response to TV devices and the dissemination of 5G.

In this business environment, the Company is implementing company-wide reforms such as active investment in offering new entertainment experiences and creating successful works, etc. and the development of an environment for cultivating and promoting energetic human resources with the aim of achieving medium-to long-term growth based on “Avex Group Growth Strategy 2020 -Towards an Innovative Future of Entertainment,” announced in May 2016.

In the first nine months of the fiscal year under review, the Company's consolidated net sales totaled 122,621 million yen (up 1.3% year on year), operating income came to 5,952 million yen (up 28.0% year on year), and profit attributable to owners of parent was 2,417 million yen (up 14.4% year on year) due in part to growth in sales of music software products in the Music Business.

### (2) Summary of Financial Position

Assets totaled 128,686 million yen at the end of the third quarter under review after a decrease of 4,201 million yen from the end of the previous consolidated fiscal year. This mainly reflected that fact that an increase of 1,249 million yen from investment securities and 1,080 million yen from notes and accounts receivable was more than offset by a decline of 4,603 million yen in cash and deposits and 3,240 million yen of other current assets.

Liabilities were reduced by 3,759 million yen from the end of the previous consolidated fiscal year, to 76,668 million yen. An increase in short-term loans payable in 3.5 billion yen was outweighed by a decline of 3,366 million yen in accounts payable-other and 2,293 million yen in long-term loans payable.

Net assets decreased 442 million yen from the end of the previous consolidated fiscal year, to 52,017 million yen. This is mainly due to the decline of 270 million yen of retained earnings and a decline of 267 million yen in subscription rights to shares.

(3) Summary of Consolidated Financial Forecasts and Other Future Forecast Information

In regards to the summary of consolidated financial forecasts for the fiscal year ending March 31, 2019, the financial forecasts presented in the “Consolidated Financial Summary for the Year Ended March 31, 2018” announced on May 10, 2018 have remained unchanged.

Should any events occur in the future that will impact on the Company’s consolidated results, the Company will promptly disclose the details of these events.

## 2. Matters Relating to Summary Information (Notes)

(1) Important Changes in Subsidiaries during the Consolidated Period under Review

(Changes in specified subsidiaries in conjunction with changes in the scope of consolidation)

EntameCoin Inc. was established in the first quarter, and it is included in the scope of consolidation.

(2) Additional Information

(Application of Partial Amendments to Accounting Standard for Tax Effect Accounting)

Effective from the beginning of the first quarter of the consolidated fiscal year under review, the Company applies Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018). As a result, the Company now classifies deferred tax assets as investments and other assets, and deferred tax liabilities as noncurrent liabilities.

(Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts)

In August 2017, the Company reintroduced the trust-type employee stock ownership plan (ESOP) as an incentive plan (the “Plan”) to the employees of Avex, so as to bolster their professional motivation and encourage their participation in business management, and to enhance corporate value in the medium to long term by further promoting management that aims to improve the value of its shares.

1 Outline of the transaction

Under this Plan, the trust-type employee stock ownership plan (ESOP) that is established to transfer the Company’s shares to the Avex Employee Stock Holding Partnership (the “Partnership”) will acquire in advance the number of shares that is to be acquired by the Partnership, and sell the shares to the Partnership over approximately five years after the establishment of the trust.

The acquisition and disposal of the Company’s shares are accounted based on the assumption that the Company and the trust account are the same entity. As a result, assets, including the Company’s shares, liabilities, profits and losses related to the trust account are included in the quarterly consolidated balance sheets, statements of income, and statements of comprehensive income.

2 Treasury stock remaining in the trust

Treasury stock remaining in the trust is recorded as treasury stock in net assets based on the book value (excluding the amount of ancillary expenses) in the trust. Book value and the number of the treasury stock were 245 million yen and 161 thousand, respectively, in the previous consolidated fiscal year, and 186 million yen and 122 thousand, respectively, in the third quarter of the consolidated fiscal year under review.

3 Book values of loans payable that were recorded reflecting the application of the gross price method

Previous consolidated fiscal year: 250 million yen

Third quarter of the consolidated fiscal year under review: 212 million yen

**3. Quarterly Consolidated Financial Statements and Major Notes****(1) Quarterly Consolidated Balance Sheets**

(Unit: million yen)

	As of March 31, 2018	As of December 31, 2018
<b>(Assets)</b>		
Current assets		
Cash and deposits	28,184	23,580
Notes and accounts receivable-trade	19,963	21,044
Merchandise and finished goods	1,582	2,625
Programs and works in progress	3,676	3,581
Raw materials and supplies	420	530
Other current assets	12,770	9,529
Allowance for doubtful accounts	(187)	(185)
Total current assets	66,410	60,707
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	15,792	16,094
Land	29,770	29,770
Other property, plant and equipment, net	1,409	1,743
Total property, plant and equipment	46,972	47,607
Intangible assets	5,117	4,551
Investments and other assets		
Investment securities	7,085	8,335
Other investments and other assets	7,601	7,515
Allowance for doubtful accounts	(299)	(31)
Total investments and other assets	14,387	15,819
Total noncurrent assets	66,477	67,979
Total assets	132,887	128,686
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable-trade	1,716	2,058
Short-term loans payable	11,500	15,000
Current portion of long-term loans payable	3,058	3,064
Accounts payable-other	29,590	26,224
Income taxes payable	1,100	354
Provision for bonuses	932	856
Allowance for returned goods	4,337	4,244
Provision for loss on business liquidation	—	449
Provision for point card certificates	50	54
Other current liabilities	15,781	14,287
Total current liabilities	68,068	66,594
Noncurrent liabilities		
Long-term loans payable	10,692	8,398
Liabilities for retirement benefits	540	572
Other noncurrent liabilities	1,126	1,103
Total noncurrent liabilities	12,359	10,074
Total liabilities	80,427	76,668

(Unit: million yen)

	As of March 31, 2018	As of December 31, 2018
(Net assets)		
Shareholders' equity		
Capital stock	4,275	4,333
Capital surplus	5,045	5,051
Retained earnings	43,220	42,950
Treasury stock	(3,798)	(3,582)
Total shareholders' equity	48,742	48,753
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33	113
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustments	42	(74)
Total of accumulated retirement benefits	(178)	(236)
Total of accumulated other comprehensive income	(102)	(197)
Subscription rights to shares	775	507
Non-controlling interests	3,044	2,954
Total net assets	52,460	52,017
Total liabilities and net assets	132,887	128,686

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

(Consolidated Nine-Month Period)

(Unit: million yen)

	For the nine-month period ended December 31, 2017	For the nine-month period ended December 31, 2018
Net sales	121,075	122,621
Cost of sales	86,050	87,729
Gross profit	35,024	34,891
Selling, general and administrative expenses		
Advertising expenses	5,228	4,935
Promotion expenses	1,545	1,996
Employee salaries and bonuses	6,070	5,943
Provision for bonus payments	609	856
Retirement benefit cost	164	218
Other selling, general and administrative expenses	16,754	14,988
Total selling, general and administrative expenses	30,372	28,938
Operating income	4,651	5,952
Non-operating income		
Interest income	8	11
Dividend income	6	8
Exchange gain	—	136
Gain on investments in partnership	321	—
Other non-operating income	58	50
Total non-operating income	394	206
Non-operating expenses		
Interest expenses	52	58
Equity in losses of affiliates	114	317
Loss on investments in partnership	—	82
Other non-operating expenses	7	9
Total non-operating expenses	174	467
Ordinary income	4,872	5,691
Extraordinary income		
Gain on reversal of subscription rights to shares	86	231
Gain on transfer from business divestitures	—	56
Total extraordinary income	86	288
Extraordinary loss		
Impairment loss	—	304
Provision for loss on business liquidation	—	449
Loss on liquidation of business	—	336
Loss on change in equity	—	97
Loss on sales of investment securities	—	40
Loss on retirement of noncurrent assets	8	8
Reversal of foreign currency translation adjustment	179	—
Total extraordinary loss	187	1,235
Income before income taxes	4,771	4,743
Income taxes-current	1,232	2,305
Income taxes-deferred	873	(472)
Total income and other taxes	2,105	1,832
Net income	2,665	2,910
Profit attributable to non-controlling interests	552	493
Profit attributable to owners of parent	2,112	2,417

Quarterly Consolidated Statements of Comprehensive Income  
(Consolidated Nine-Month Period)

(Unit: million yen)

	For the nine-month period ended December 31, 2017	For the nine-month period ended December 31, 2018
Net income	2,665	2,910
Other comprehensive income		
Valuation difference on available-for-sale securities	4	96
Deferred gains or losses on hedges	5	—
Foreign currency translation adjustments	215	(67)
Adjustment for retirement benefits	(111)	(52)
Share of other comprehensive income of associates accounted for using equity method	(72)	(72)
Total other comprehensive income	42	(95)
Comprehensive income	2,707	2,815
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,153	2,321
Comprehensive income attributable to non-controlling interests	554	493



(3) Notes Concerning Consolidated Quarterly Financial Statements

(Notes on Going Concern Assumptions)

Not applicable

(Note Regarding Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Significant Subsequent Events)

Not applicable