

Financial Highlights for Q1 FY 2017

(Fiscal year ending March 31, 2018)

August 10, 2017

TSE 7860 : Avex Group Holdings Inc.

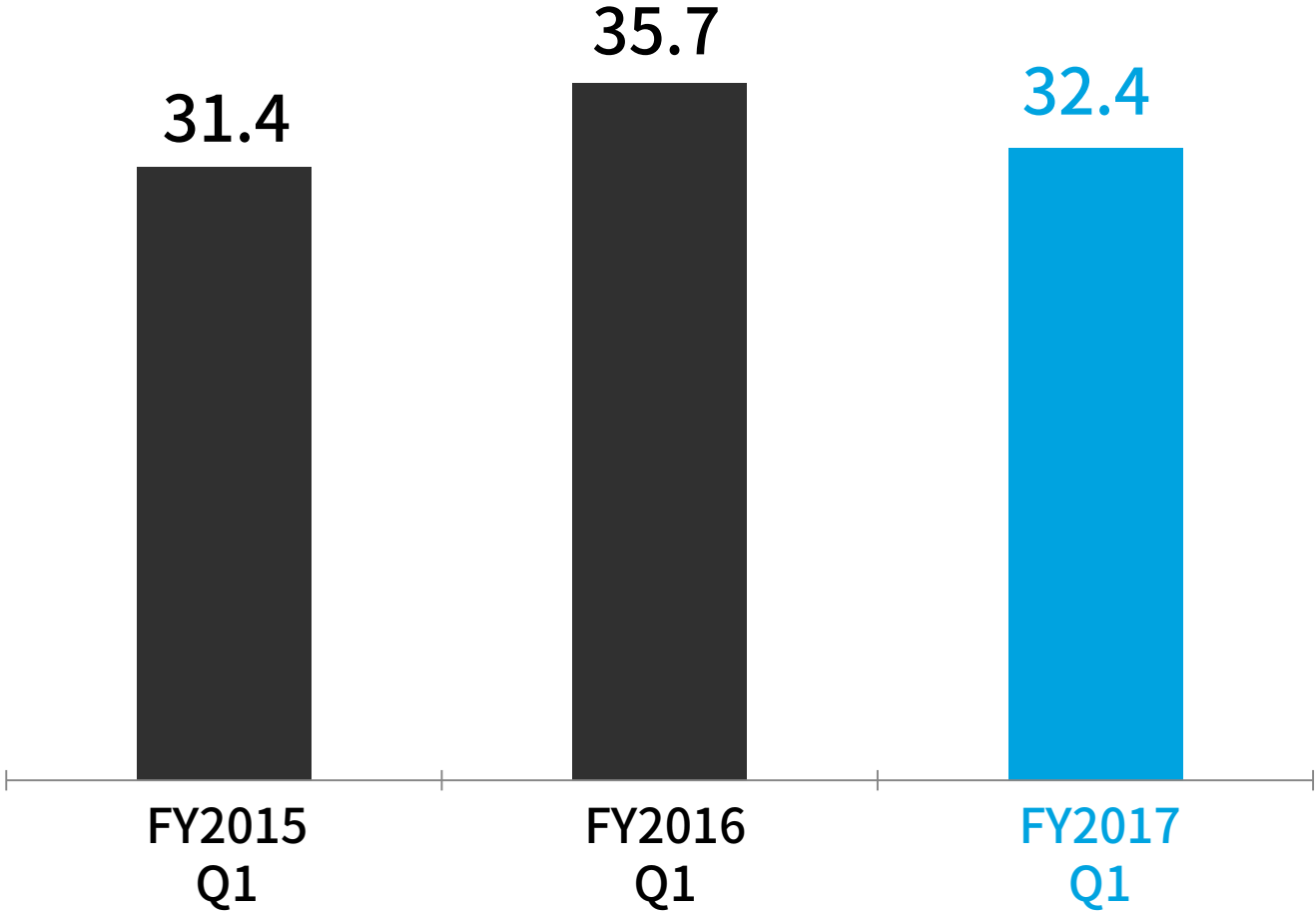


Consolidated Results

FY 2017 Q1 Highlights - Net Sales

3.2 billion yen (-9.2%) decrease YoY

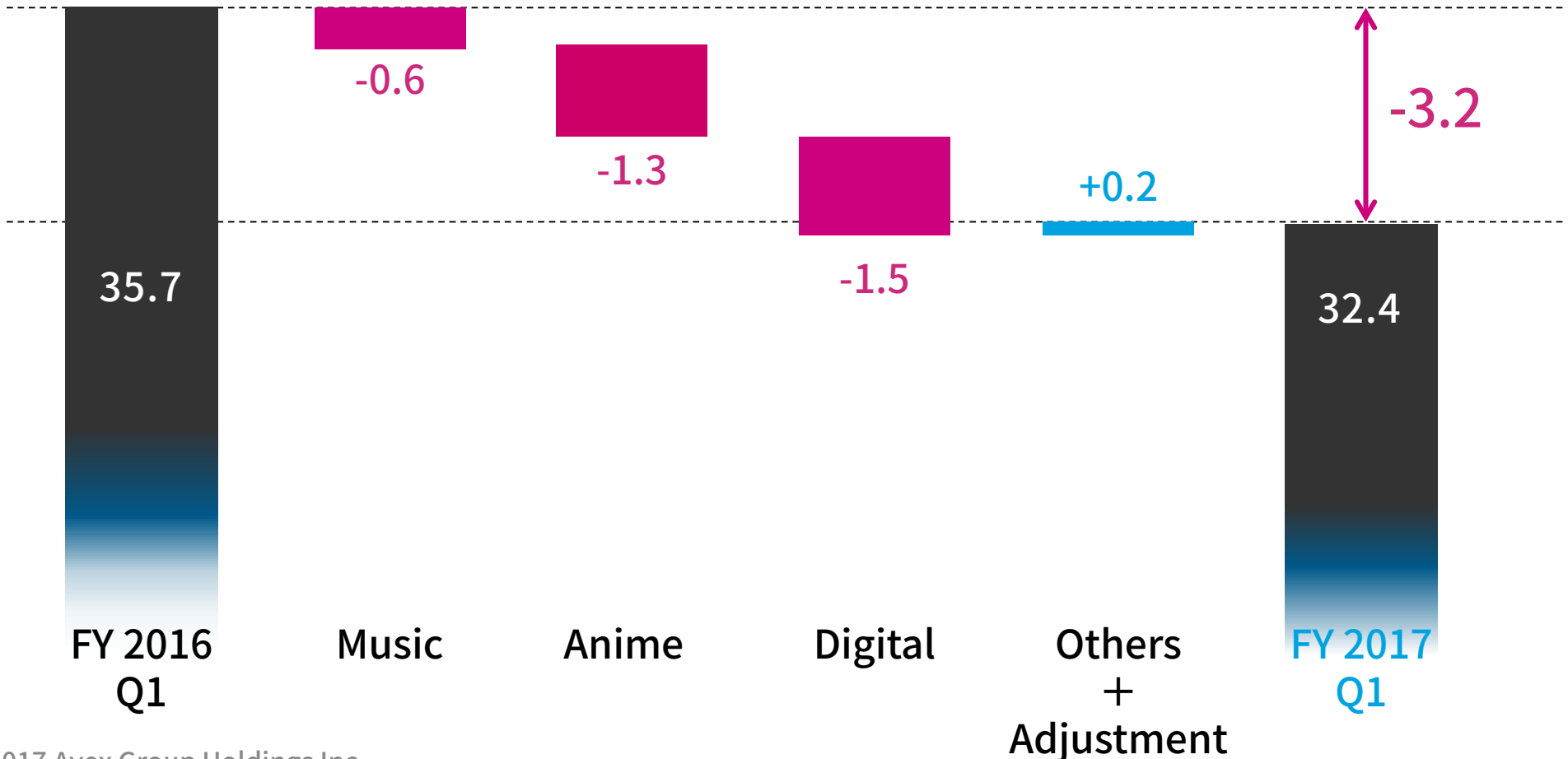
(billions of yen)



FY 2017 Q1 Highlights - Net Sales Change by Segment

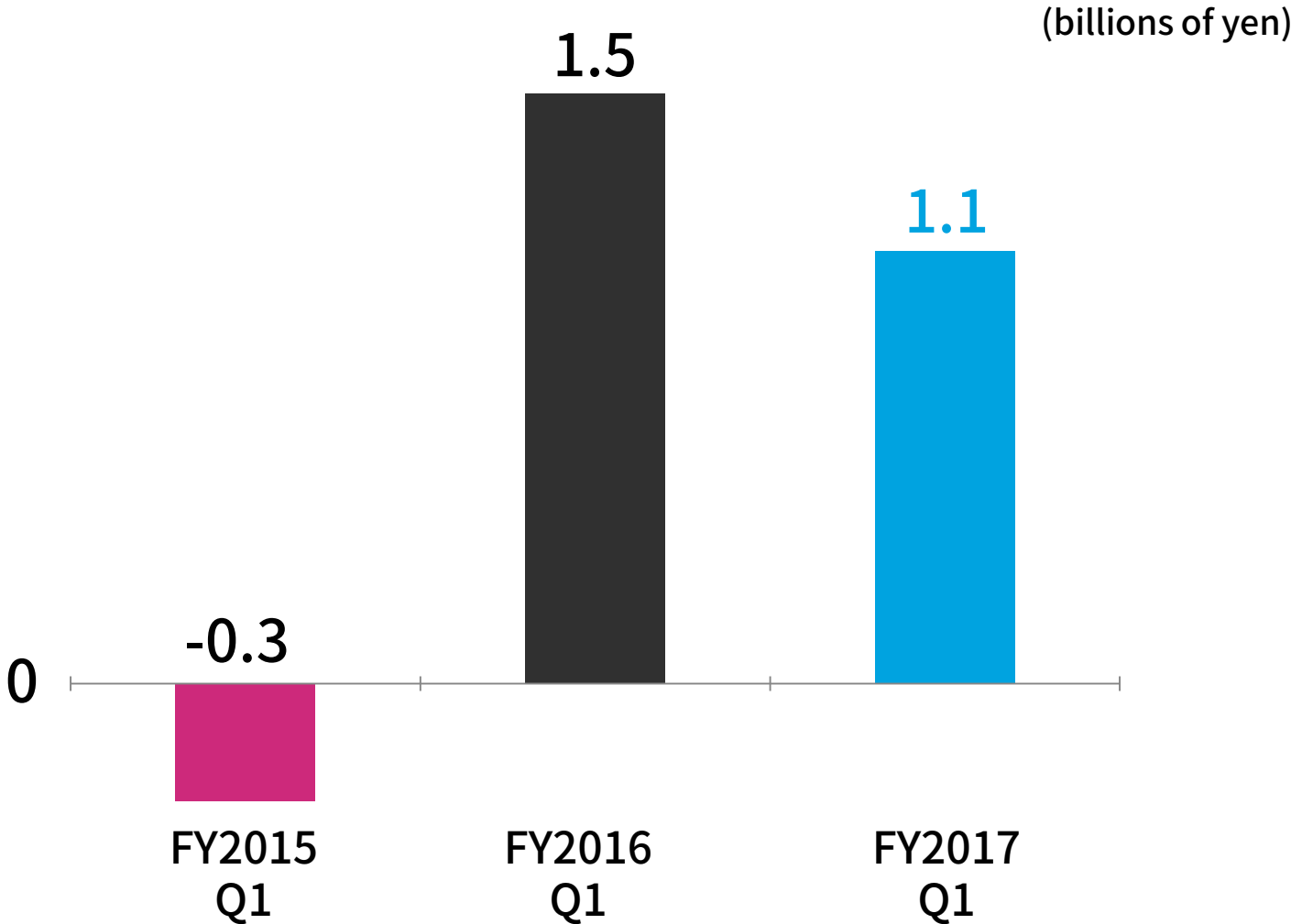
Net Sales decreased primarily due to weak Package Sales in the Anime Business and closure of Digital Video Distribution Services in the Digital Business

(billions of yen)



FY 2017 Q1 Highlights - Operating Income

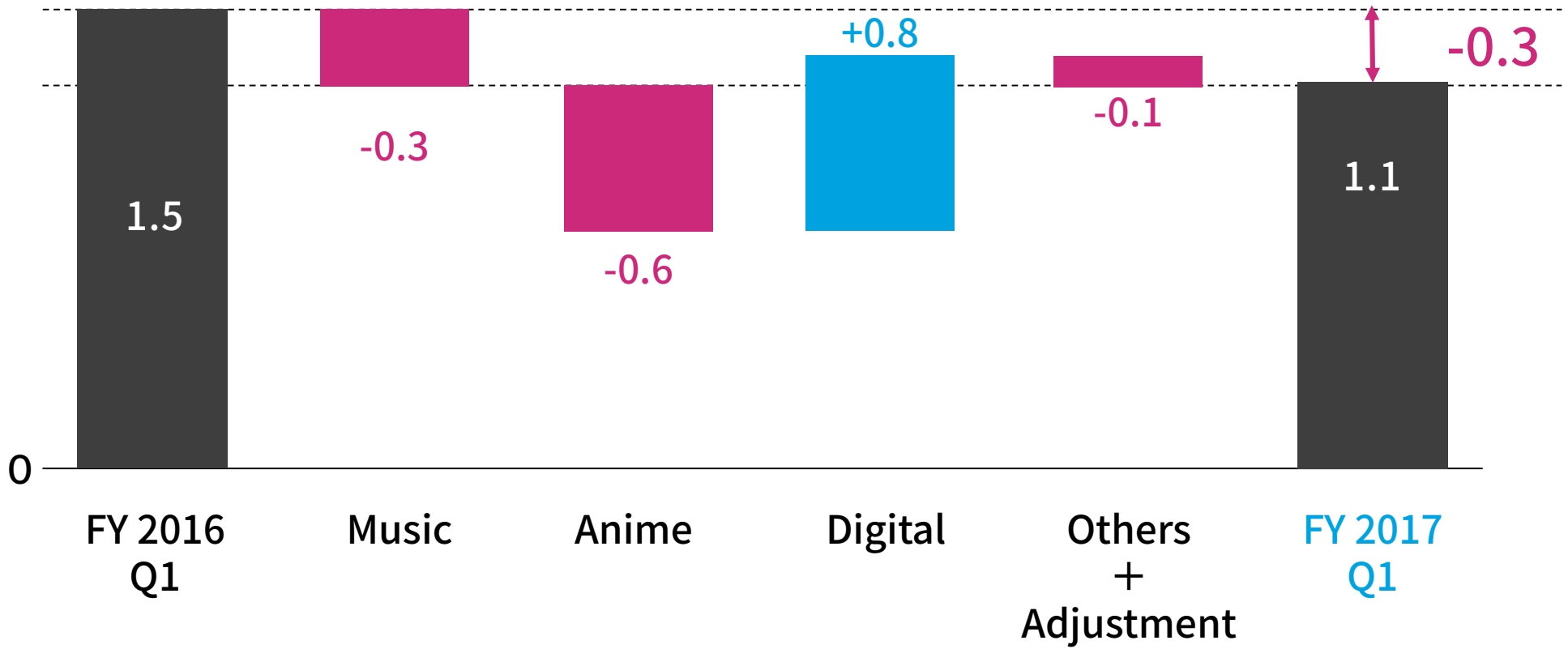
0.3 billion yen (-23.2%) decrease YoY



FY 2017 Q1 Highlights - Operating Income Change by Segment

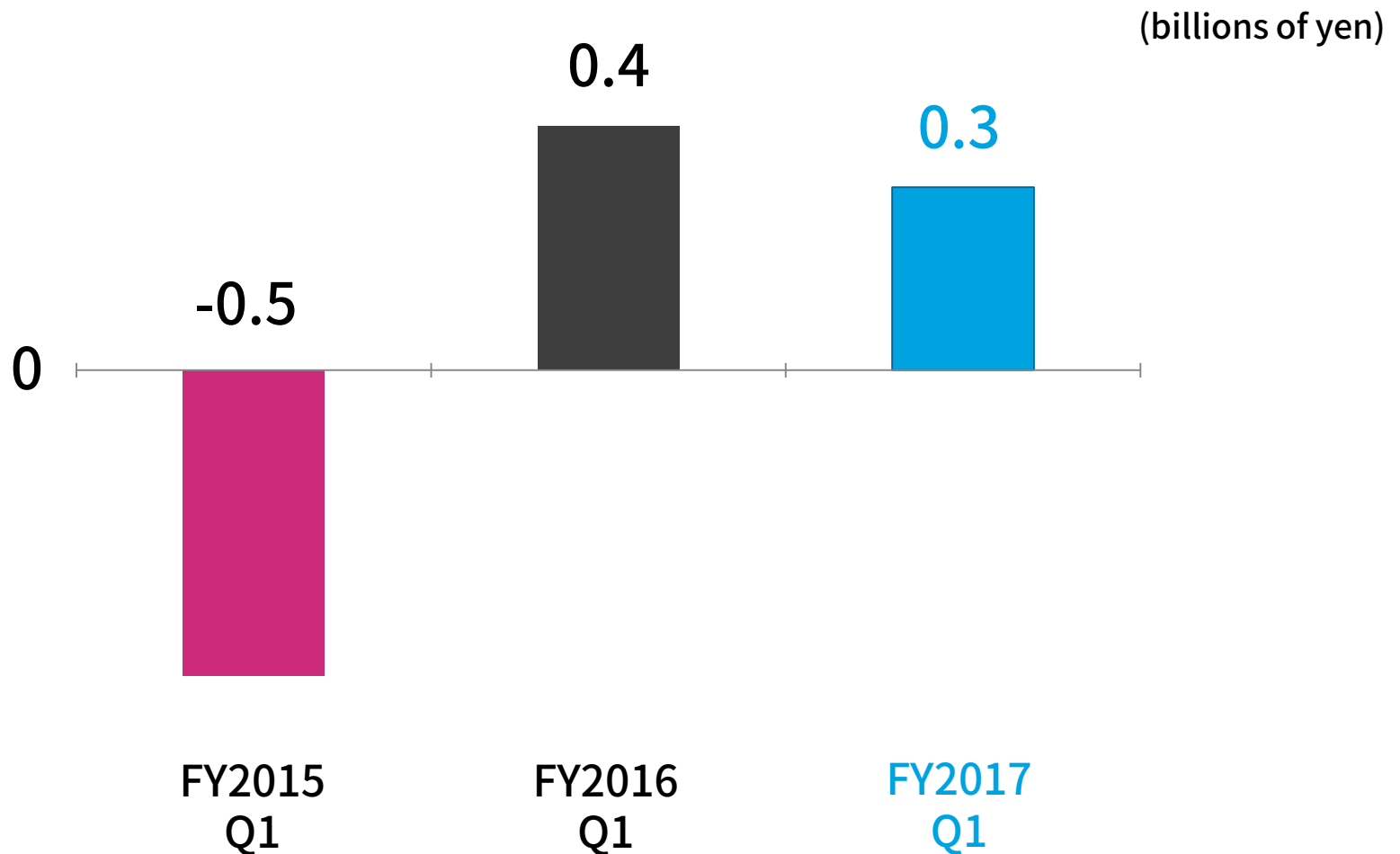
Operating Income decreased primarily due to weak Package Sales in the Anime Business, offset in part by increased Operating Income in the Digital Business primarily due to closure of loss making Digital Video Distribution Services

(billions of yen)



FY 2017 Q1 Highlights - Net Income Attributable to Owners of Parent

0.1 billion yen (-32.7%) decrease YoY



Results by Segment

Music Business Highlights

Net Sales and Operating Income decreased primarily due to weak Package Sales while Live Concert Sales increased

(billions of yen)

Music Business	FY2016 Q1	FY2017 Q1	YoY	rate
Net Sales	24.2	23.6	-0.6	-2.6%
Gross Profit	7.1	6.5	-0.5	-8.1%
Gross Profit Margin	29.4%	27.7%	-1.7pt	—
Operating Income	0.3	-0.04	-0.3	—
Operating Margin	1.4%	—	—	—

Sub-Segment	Live Concert			Merchandising			Fan Club		
	FY2016 Q1	FY2017 Q1	rate	FY2016 Q1	FY2017 Q1	rate	FY2016 Q1	FY2017 Q1	rate
Net Sales	6.4	7.7	+19.3%	2.8	2.4	-15.1%	1.3	1.3	-3.9%
Gross Profit	0.8	0.4	-48.4%	1.1	0.8	-21.4%	0.3	0.4	+25.0%
Gross Profit Margin	13.1%	5.7%	-7.4pt	38.9%	36.0%	-2.9pt	28.5%	37.1%	+8.6pt

Sub-Segment	Music Package			Digital Music Distribution			Music Publishing		
	FY2016 Q1	FY2017 Q1	rate	FY2016 Q1	FY2017 Q1	rate	FY2016 Q1	FY2017 Q1	rate
Net Sales	7.1	5.6	-20.6%	2.8	2.8	+0.6%	0.6	0.6	-2.8%
Gross Profit	1.3	1.3	-4.8%	1.2	1.1	-10.5%	0.2	0.2	+3.3%
Gross Profit Margin	19.4%	23.3%	+3.9pt	44.1%	39.2%	-4.9pt	41.7%	44.3%	+2.6pt

Sub-Segment	Management			E-Commerce			Others		
	FY2016 Q1	FY2017 Q1	rate	FY2016 Q1	FY2017 Q1	rate	FY2016 Q1	FY2017 Q1	rate
Net Sales	2.3	1.7	-23.7%	2.6	2.4	-9.0%	1.4	1.3	-9.3%
Gross Profit	0.8	0.7	-12.9%	0.3	0.5	+44.7%	0.8	0.7	-4.6%
Gross Profit Margin	38.1%	43.5%	+5.4pt	14.8%	23.6%	+8.8pt	54.6%	57.4%	+2.8pt

Music Business Highlights: Live Concerts

The number of Audience and Ticket Prices have increased

Venue Size	FY2016 Q1	FY2017 Q1	YoY
Stadium class	0	14	+14
Arena class	44	28	-16
Hall & Live House class	181	251	+70
Total	225	293	+68
Audience (millions)	0.61	0.9	+0.29
Concert Ticket Average Price	¥7,603	¥8,605	+ ¥ 1,002

Major Live Concerts in FY2017 Q1

AAA "AAA ARENA TOUR 2017 -WAY OF GLORY-"

Ayumi Hamasaki "Just the beginning -20- TOUR 2017"

BIGBANG "BIGBANG SPECIAL EVENT 2017"

D-LITE (from BIGBANG) "D-LITE JAPAN DOME TOUR 2017 ~D-Day~"

iKON "iKON JAPAN DOME TOUR 2017"

YUZU "YUZU 20th Anniversary DOME TOUR 2017 YUZU iroha"

Music Business Highlights: Music Package

		FY2016 Q1	FY2017 Q1	YoY	
M u s i c	Albums	Average Price (¥)	3,566	2,223	-1,343
		Units (thousands)	858	722	-135
P a c k a g e	Singles	Average Price (¥)	865	1,019	+154
		Units (thousands)	1,026	982	-44
	DVDs / Blu-ray Discs	Average Price (¥)	5,639	5,619	-20
		Units (thousands)	348	299	-49

* Music Package indicators consist of new releases and do not include back catalog sales

Major Titles in FY2017 Q1

CD Albums

Artist	Title	Units (thousands)*
Kis-My-Ft2	MUSIC COLOSSEUM	283

CD Singles

Artist	Title	Units (thousands)*
Kis-My-Ft2	PICK IT UP	240
V6	COLORS / Taiyo-to Tsuki-no Kodomotachi	119

Music DVDs / Blu-ray Discs

Artist	Title	Units (thousands)*
Namie Amuro	namie amuro LIVE STYLE 2016-2017	135

* Units indicate total units as of June 30, 2017

Anime Business Highlights

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

(billions of yen)

Anime Business	FY2016 Q1	FY2017 Q1	YoY	rate
Net Sales	5.0	3.6	-1.3	-26.1%
Gross Profit	2.2	1.5	-0.7	-31.5%
Gross Profit Margin	44.8%	41.5%	-3.3pt	—
Operating Income	1.4	0.8	-0.6	-44.9%
Operating Margin	29.5%	22.0%	-7.5pt	—

(billions of yen)

Sub-Segment	Anime Package			Anime Non-package		
	FY2016 Q1	FY2017 Q1	rate	FY2016 Q1	FY2017 Q1	rate
Net Sales	2.3	1.6	-31.6%	2.6	2.0	-21.3%
Gross Profit	1.1	0.6	-44.6%	1.1	0.9	-18.7%
Gross Profit Margin	47.3%	38.3%	-9.0pt	42.5%	44.0%	+1.5pt

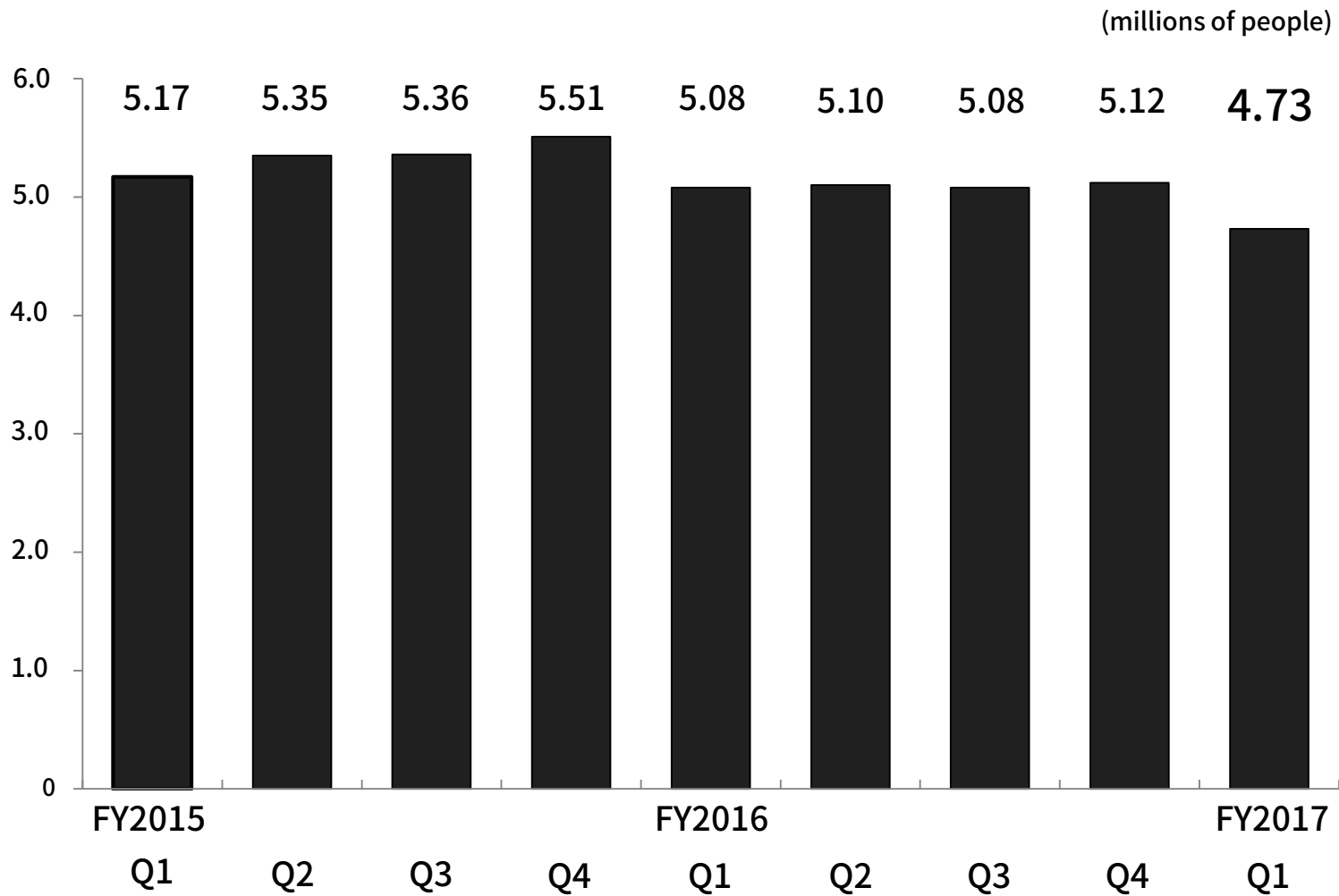
Digital Business Highlights

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

(billions of yen)

Digital Business	FY2016 Q1	FY2017 Q1	YoY	rate
Net Sales	7.5	5.9	-1.5	-20.4%
Gross Profit	1.0	1.6	+0.5	+55.0%
Gross Profit Margin	14.1%	27.5%	+13.4pt	—
Operating Income	-0.2	0.6	+0.8	—
Operating Margin	—	10.5%	—	—

Digital Business Highlights: Number of Video Distribution Subscribers



※UULA and GEO Channel subscribers not included

Reference Data

Consolidated Income Statement

(millions of yen)

Consolidated Income Statement

	FY2016 Q1	FY2017 Q1	YoY
Net Sales	35,722	32,449	-3,272
Cost of Sales	25,357	22,747	-2,609
Gross Profit	10,364	9,701	-662
Gross Profit Margin	29.0%	29.9%	+0.9pt
Personnel Expenses	3,181	3,164	-17
Sales Promotion & Advertising Expenses	1,908	1,764	-144
General Expenses	3,761	3,611	-150
Total SG&A Expenses	8,851	8,540	-311
Operating Income	1,513	1,161	-351
Operating Margin	4.2%	3.6%	-0.6pt
Ordinary Income	1,339	1,098	-240
Net Income attributable to owners of parent	478	322	-156

Music Business Income Statement

(millions of yen)

Music Business

	FY2016 Q1	FY2017 Q1	YoY
Net Sales	24,291	23,660	-630
Cost of Sales	17,159	17,106	-52
Gross Profit	7,132	6,554	-578
Gross Profit Margin	29.4%	27.7%	-1.7pt
Personnel Expenses	1,600	1,741	+140
Sales Promotion & Advertising Expenses	1,217	1,218	+1
General Expenses	1,599	1,382	-217
GMF *	2,379	2,260	-118
Total SG&A Expenses	6,797	6,603	-193
Operating Income	335	-49	-384
Operating Margin	1.4%	-	-

★ Group Management Fee

Music Business: Results by Sub-Segment

(millions of yen)

Live Concert			
	FY2016 Q1	FY2017 Q1	YoY
Net Sales	6,456	7,701	+1,245
Gross Profit	847	437	-410
Gross Profit Margin	13.1%	5.7%	-7.4pt
Merchandising			
	FY2016 Q1	FY2017 Q1	YoY
Net Sales	2,859	2,429	-430
Gross Profit	1,112	874	-238
Gross Profit Margin	38.9%	36.0%	-2.9pt
Fan Club			
	FY2016 Q1	FY2017 Q1	YoY
Net Sales	1,372	1,318	-53
Gross Profit	391	489	+98
Gross Profit Margin	28.5%	37.1%	+8.6pt
Music Package			
	FY2016 Q1	FY2017 Q1	YoY
Net Sales	7,105	5,641	-1,464
Gross Profit	1,381	1,314	-66
Gross Profit Margin	19.4%	23.3%	+3.9pt

Music Business: Results by Sub-Segment

(millions of yen)

Digital Music Distribution			
	FY2016 Q1	FY2017 Q1	YoY
Net Sales	2,827	2,845	+17
Gross Profit	1,247	1,116	-131
Gross Profit Margin	44.1%	39.2%	-4.9pt
Music Publishing			
	FY2016 Q1	FY2017 Q1	YoY
Net Sales	688	669	-18
Gross Profit	287	296	+9
Gross Profit Margin	41.7%	44.3%	+2.6pt
Management			
	FY2016 Q1	FY2017 Q1	YoY
Net Sales	2,311	1,763	-548
Gross Profit	880	767	-113
Gross Profit Margin	38.1%	43.5%	+5.4pt
E-Commerce			
	FY2016 Q1	FY2017 Q1	YoY
Net Sales	2,658	2,419	-239
Gross Profit	394	571	+176
Gross Profit Margin	14.8%	23.6%	+8.8pt

Music Business: Results by Sub-Segment

(millions of yen)

Others			
	FY2016 Q1	FY2017 Q1	YoY
Net Sales	1,475	1,338	-137
Gross Profit	806	769	-37
Gross Profit Margin	54.6%	57.4%	+2.8pt

Music Market Data			
	(Source: The Recording Industry Association of Japan)		
	2016	2017	YoY
Music Package Market (Jan.- Jun.)	123,439	116,502	-5.6%
Digital Music Distribution Market (Jan.-Mar.)	12,719	14,203	+11.7%

Music Business: Indicators			
		FY2016 Q1	FY2017 Q1
Concert Tickets	Average Price (¥)	7,603	8,605
Fan Club	Subscribers (thousand people)	930	921

Anime Business Income Statement

(millions of yen)

Anime Business

	FY2016 Q1	FY2017 Q1	YoY
Net Sales	5,002	3,696	-1,305
Cost of Sales	2,763	2,162	-600
Gross Profit	2,238	1,533	-705
Gross Profit Margin	44.8%	41.5%	-3.3pt
Personnel Expenses	163	180	+16
Sales Promotion & Advertising Expenses	179	167	-11
General Expenses	93	99	+5
GMF *	327	274	-53
Total SG&A Expenses	763	720	-42
Operating Income	1,475	812	-662
Operating Margin	29.5%	22.0%	-7.5pt

★ Group Management Fee

Anime Business: Results by Sub-Segment

(millions of yen)

Anime Package			
	FY2016 Q1	FY2017 Q1	YoY
Net Sales	2,347	1,605	-741
Gross Profit	1,109	614	-494
Gross Profit Margin	47.3%	38.3%	-9.0pt

Anime Non-Package			
	FY2016 Q1	FY2017 Q1	YoY
Net Sales	2,655	2,090	-564
Gross Profit	1,129	918	-210
Gross Profit Margin	42.5%	44.0%	+1.5pt

Anime Business: Indicators			
		FY2016 Q1	FY2017 Q1
DVDs / Blu-ray Discs*	Average Price (¥)	5,232	4,990
	Units (thousands)	351	242

* DVD/Blu-ray Disc indicators consist of new releases and do not include back catalog sales

Digital Business Income Statement

(millions of yen)

Digital Business

	FY2016 Q1	FY2017 Q1	YoY
Net Sales	7,511	5,975	-1,536
Cost of Sales	6,450	4,331	-2,119
Gross Profit	1,061	1,644	+583
Gross Profit Margin	14.1%	27.5%	+13.4pt
Personnel Expenses	156	126	-30
Sales Promotion & Advertising Expenses	518	369	-148
General Expenses	177	180	+3
GMF *	439	340	-98
Total SG&A Expenses	1,292	1,017	-274
Operating Income	-230	626	+857
Operating Margin	-	10.5%	-

★ Group Management Fee

Digital Business: Indicators

	FY2016 Q1	FY2017 Q1
Digital Video Distribution ARPU (¥)	479	482
Services※ Subscribers (millions of people)	5.08	4.73

※UULA and GEO Channel subscribers not included

Other Businesses

(millions of yen)

Other Businesses			
	FY2016 Q1	FY2017 Q1	YoY
Net Sales	187	346	+159
Cost of Sales	82	160	+78
Gross Profit	104	185	+81
Gross Profit Margin	55.8%	53.6%	-2.2pt
Personnel Expenses	41	182	+141
Sales Promotion & Advertising Expenses	4	13	+8
General Expenses	68	146	+78
GMF *	41	57	+16
Total SG&A Expenses	156	400	+244
Operating Income	-51	-214	-162
Operating Margin	-	-	-

★ Group Management Fee

Consolidated Balance Sheet

(millions of yen)

Consolidated Balance Sheet					
	Mar. 31, 2017	Jun. 30, 2017		Mar. 31, 2017	Jun. 30, 2017
Current Assets	63,693	57,673	Current Liabilities	57,029	53,533
Cash and Deposits	24,298	23,308	Notes & Accounts Payable-trade	2,198	1,103
Notes & Accounts Receivable-trade	20,122	14,247	Short-term Debt	11,300	13,135
Inventories	5,451	6,749	Bonds		
Others	13,821	13,367	Accounts Payable-Other	19,926	19,354
			Allowance for Returned Goods	4,328	4,195
			Others	19,276	15,745
Non-current Assets	54,705	58,008	Non-current Liabilities	9,520	11,477
Tangible & Intangible Assets	44,209	47,446	Long-term Debt	7,200	9,265
Investments & Other Assets	10,496	10,561	Others	2,320	2,212
Investment Securities	5,819	5,961	Total Liabilities	66,550	65,011
Others	4,676	4,599	Total Net Assets	51,849	50,669
Total Assets	118,399	115,681	Total Liabilities & Net Assets	118,399	115,681

Cautionary statement concerning forward-looking statements

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.

Inquiries

Avex Group Holdings Inc.

Corporate Planning

+81-3-5545-9326

stock@av.avex.co.jp

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