

# Earnings Results for FY 2016

(Fiscal year ended March 31, 2017)

May 11, 2017

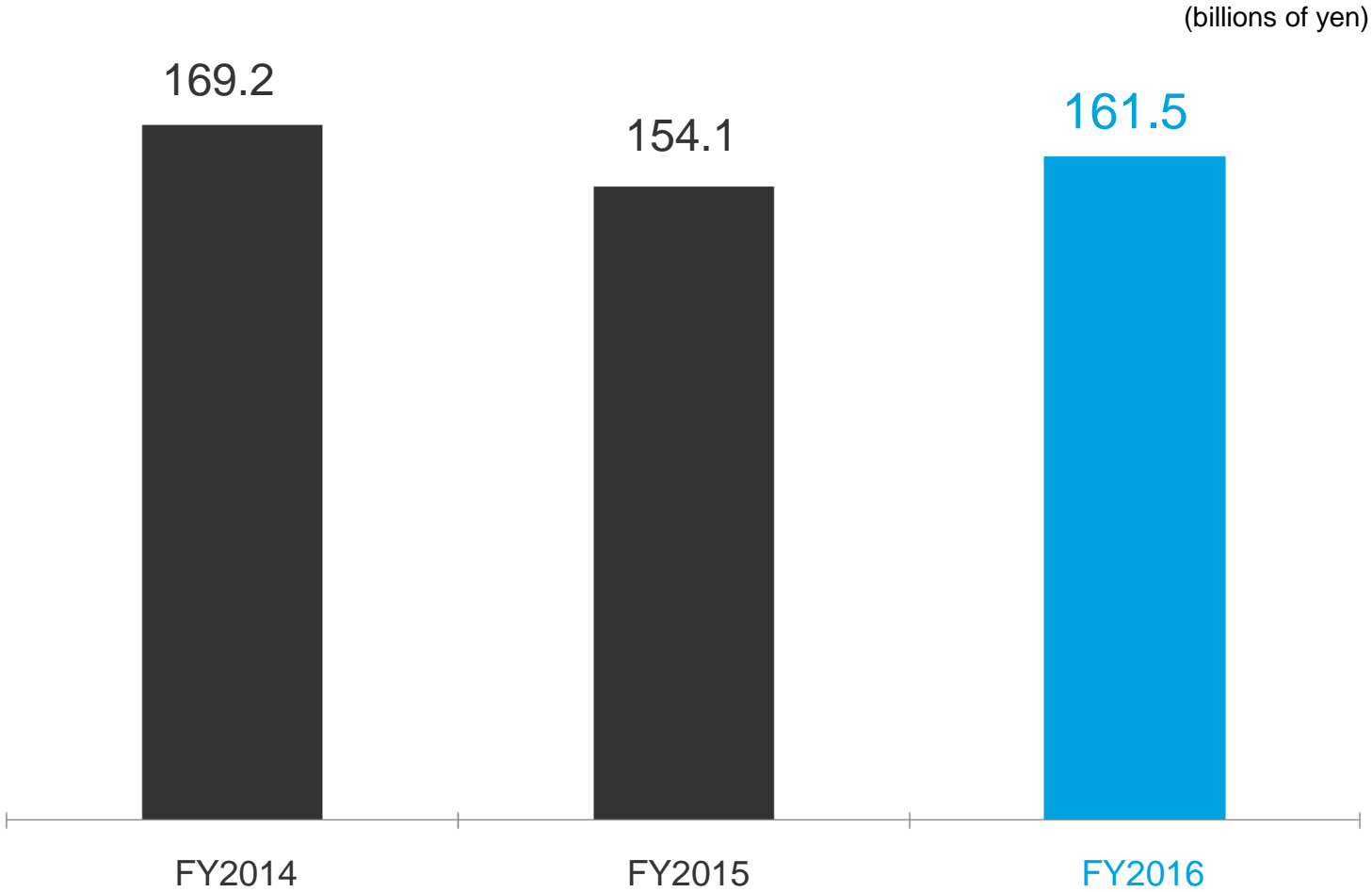
TSE 7860 : Avex Group Holdings Inc.



# Consolidated Results

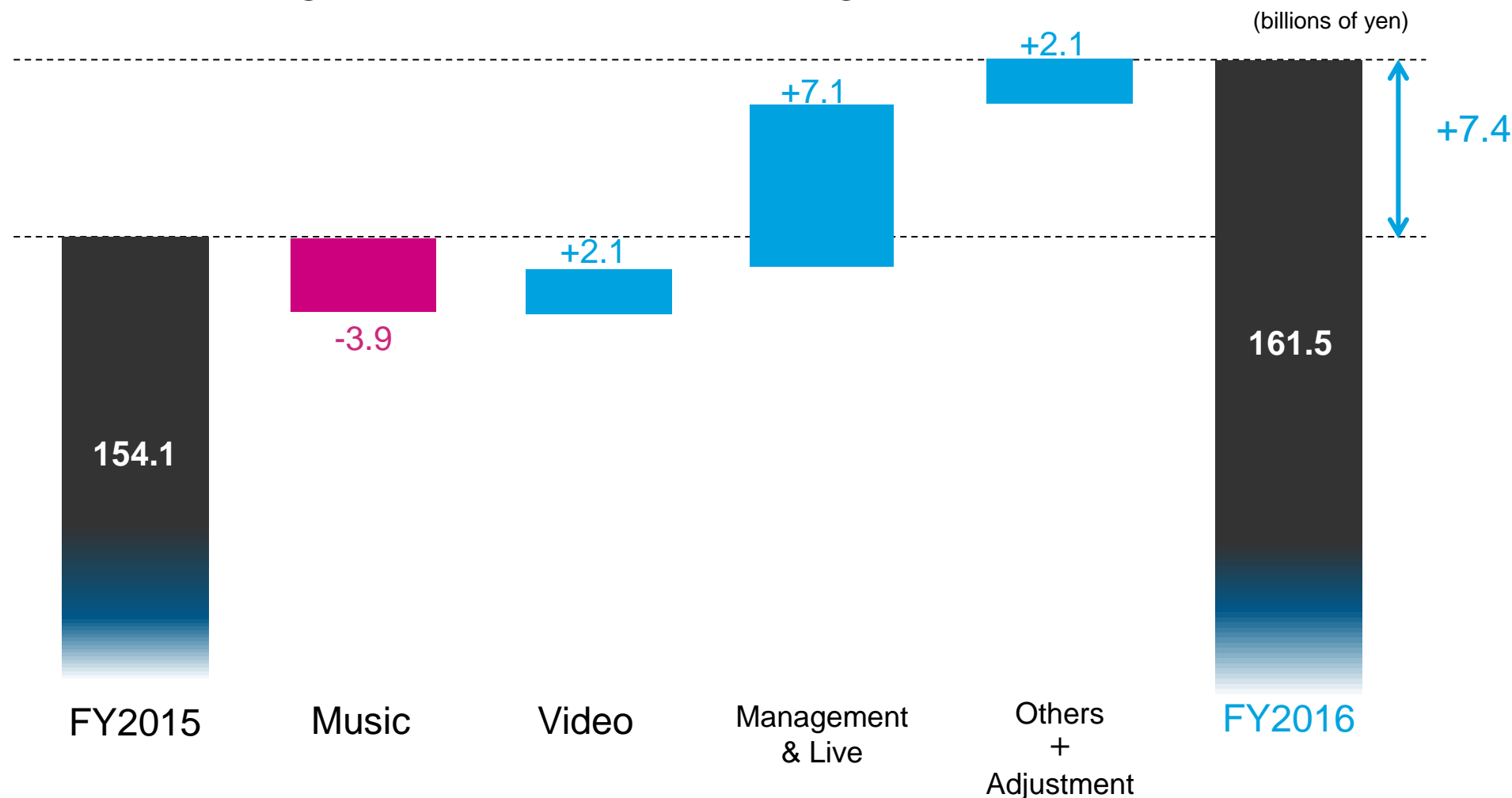
# FY2016 Highlights – Net Sales

7.4billion yen (+4.8%) increase YoY

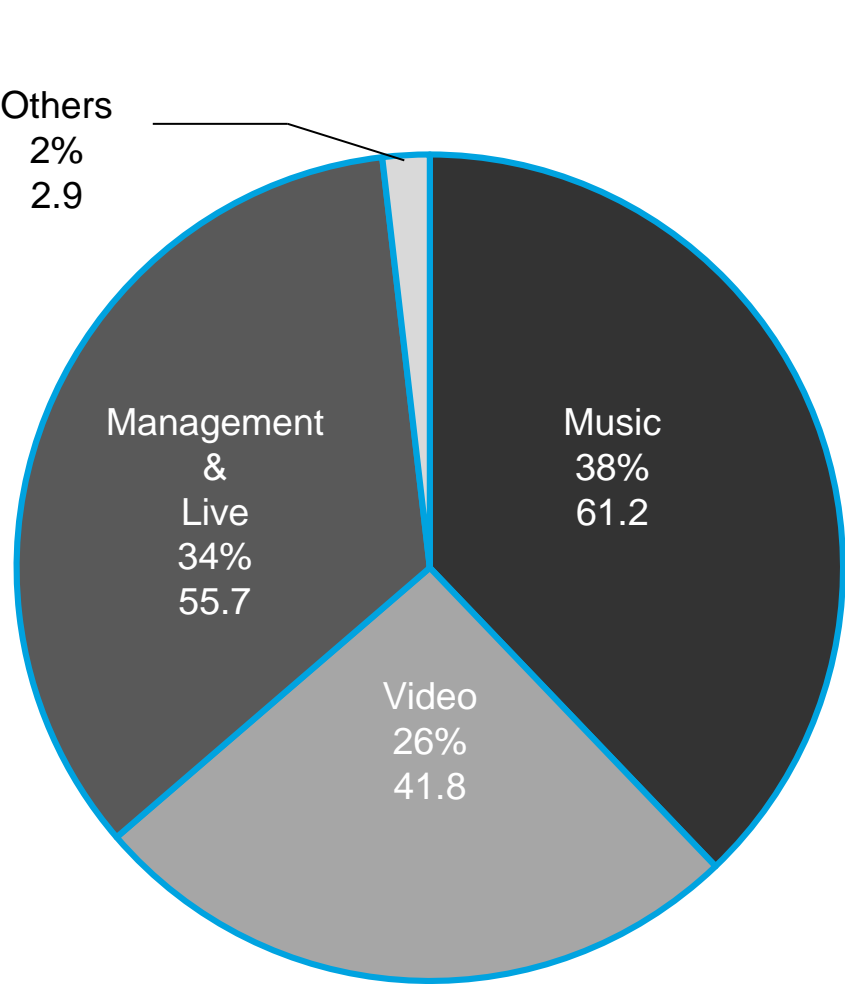


# FY2016 Highlights – Net Sales Change by Segment

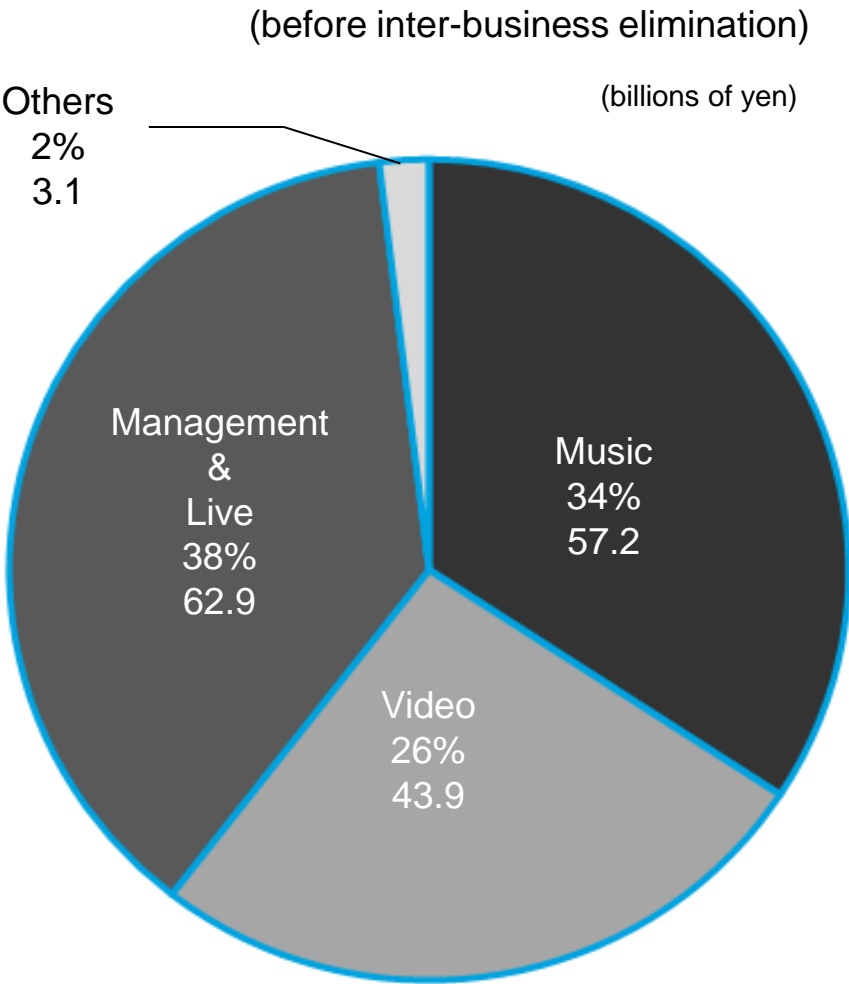
Sales increased mainly due to increase in number of large-scale Concerts in the Management & Live segment and increase of Video Package sales in the Video segment



# FY2016 Highlights – Net Sales Composition Ratio by Segment



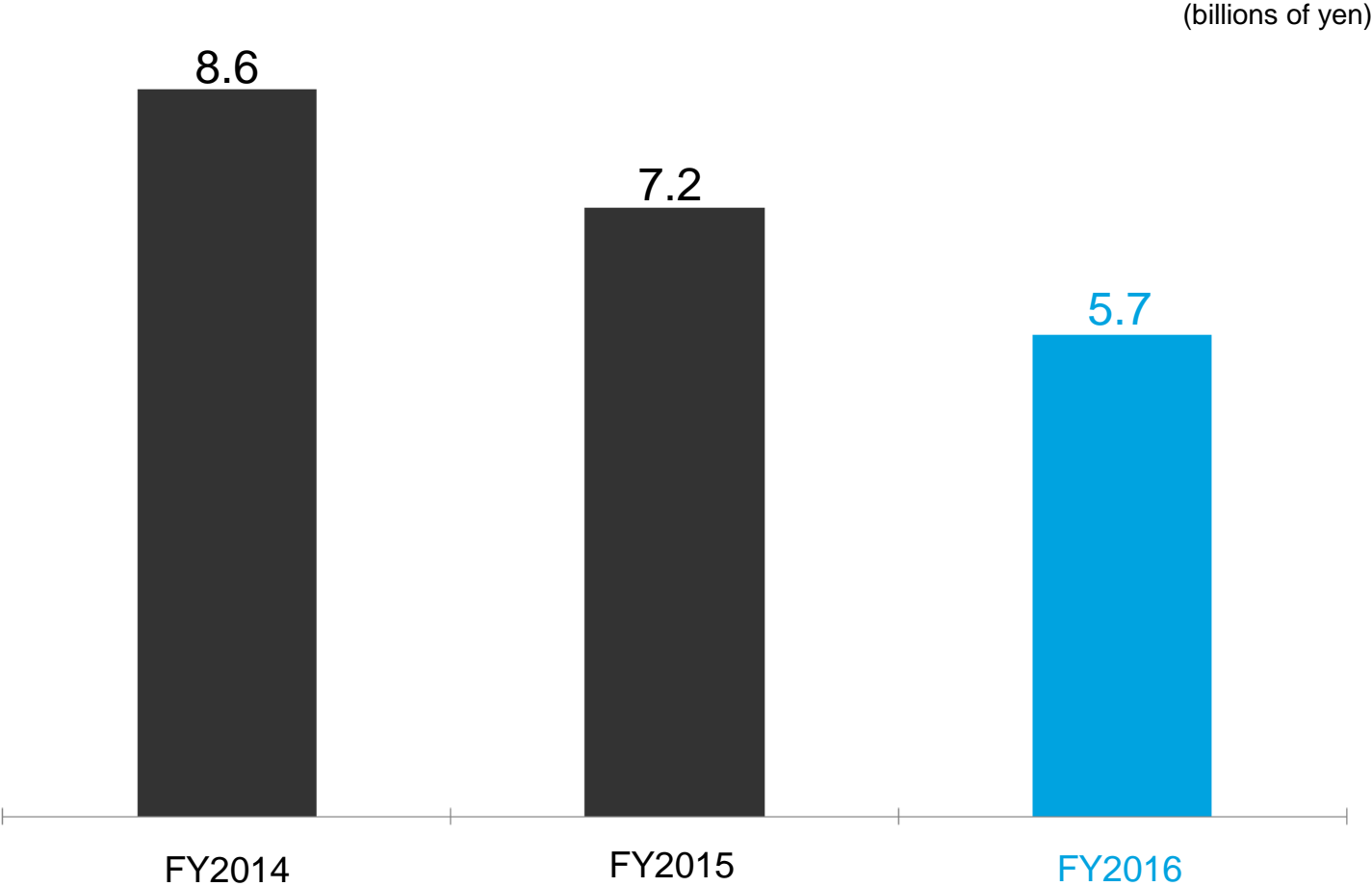
FY2015



FY2016

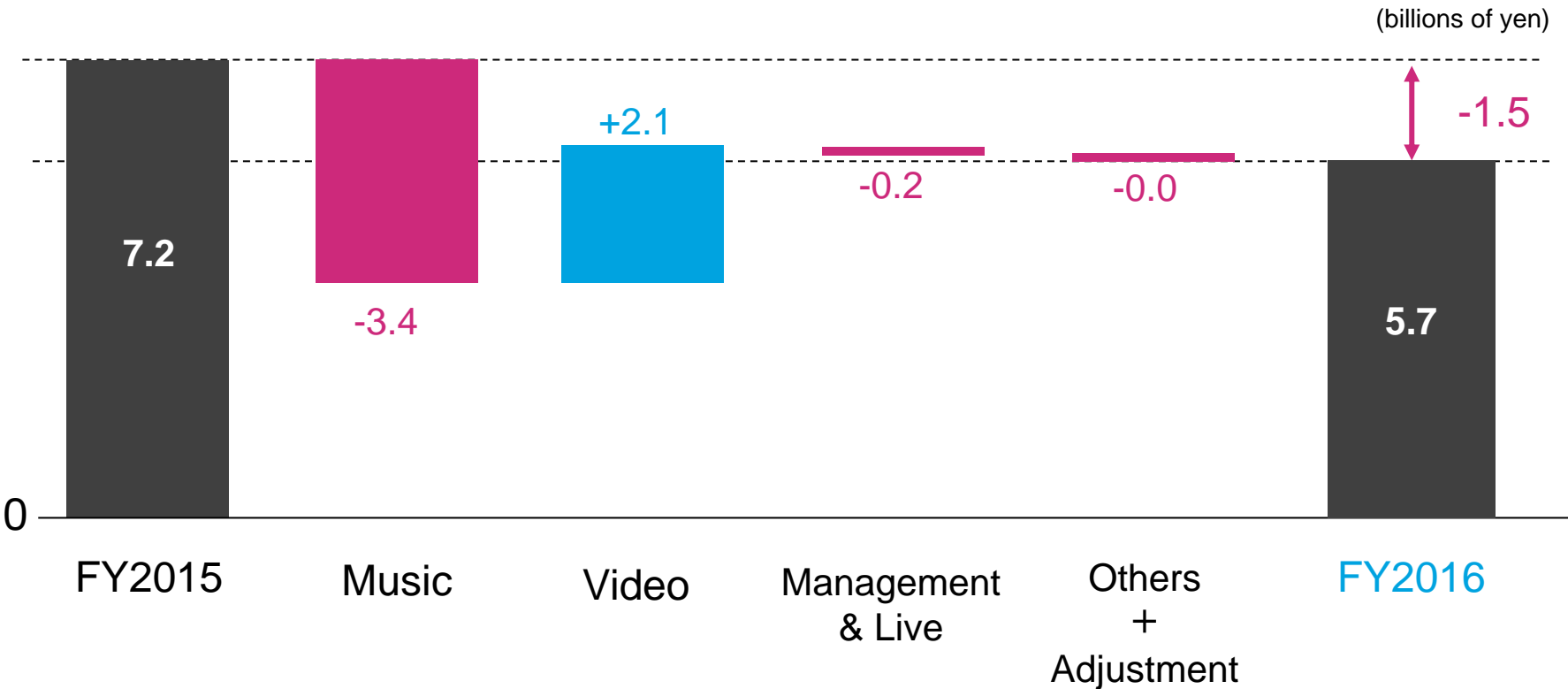
# FY2016 Highlights – Operating Income

1.5 billion yen (-21.3%) decline YoY



# FY2016 Highlights – Operating Income Change by Segment

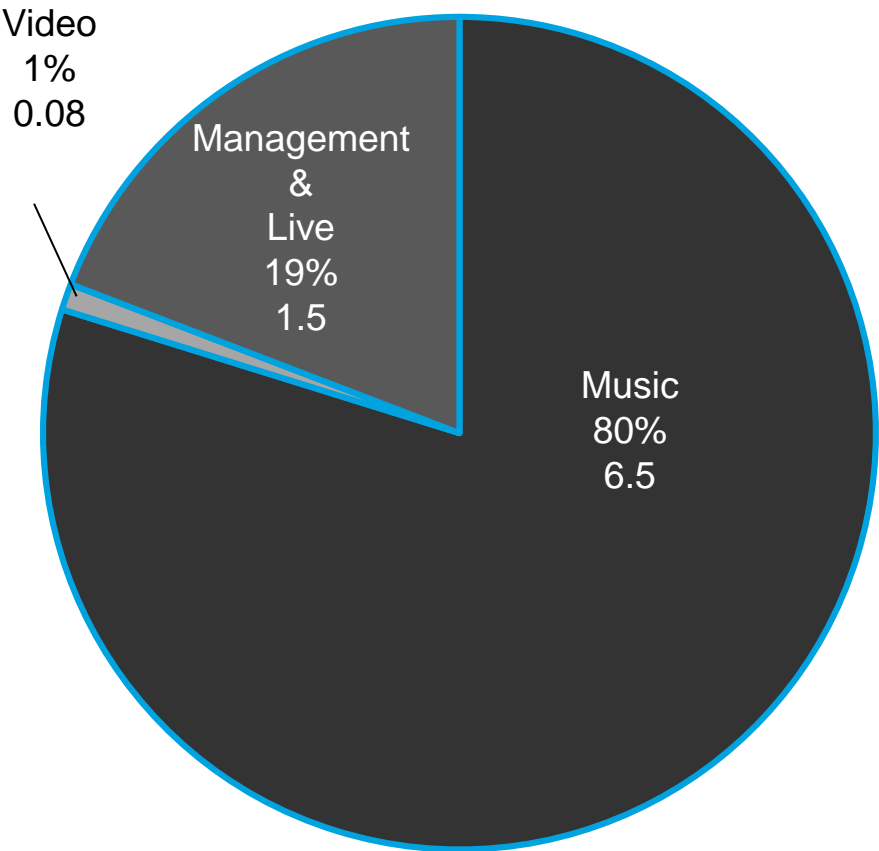
Operating Income declined due to decreased Package sales in the Music segment and etc



# FY2016 Highlights – Operating Income Composition Ratio by Segment

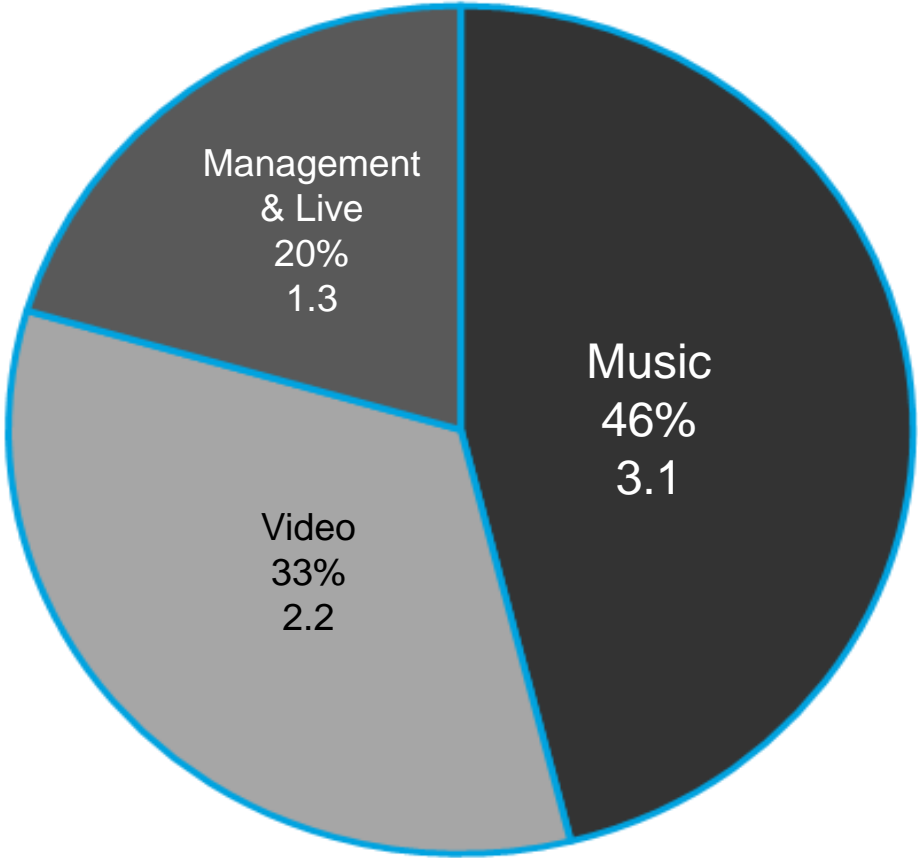
(before inter-business elimination)

(billions of yen)



FY2015

(Other business excluded due to loss)

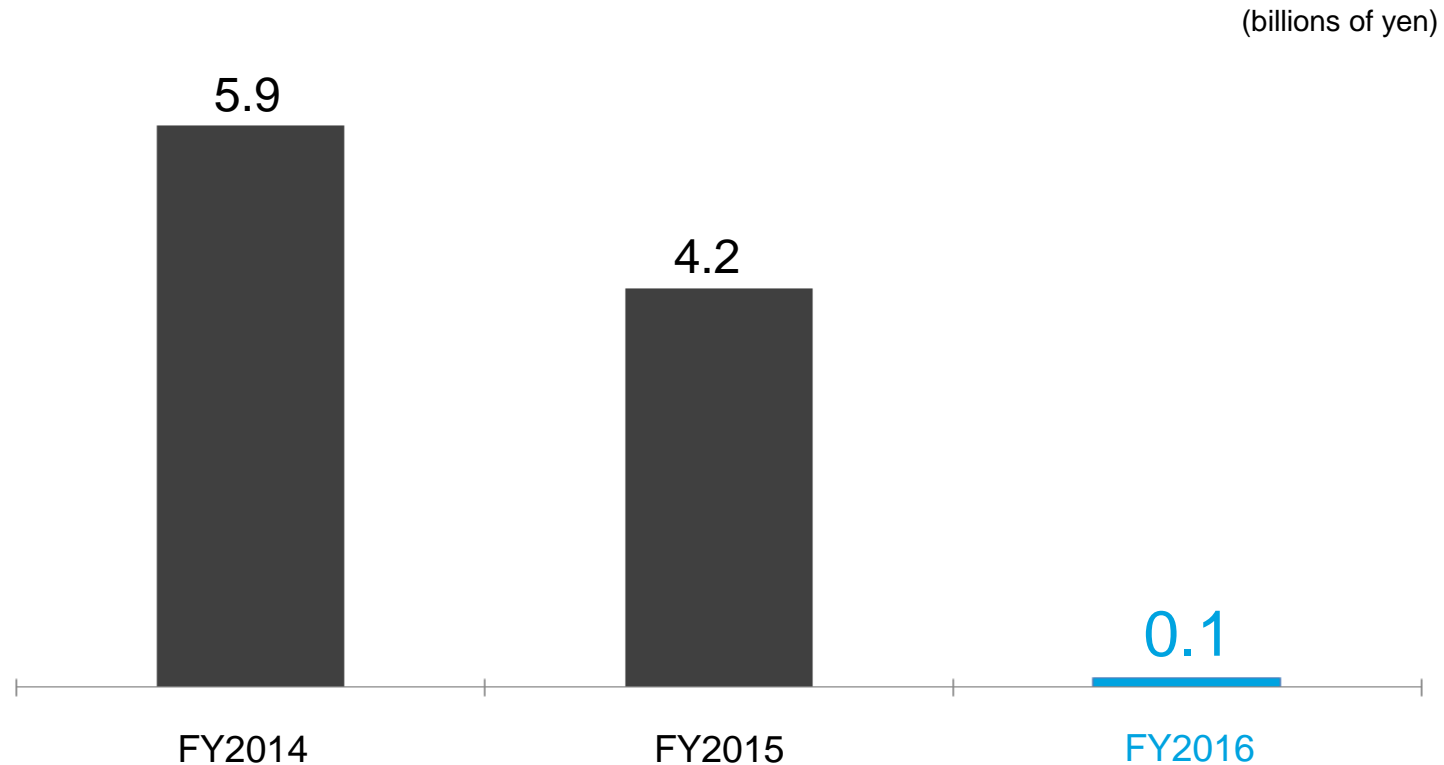


FY2016



# FY2016 Highlights – Net Income Attributable to Owners of Parent

4.1 billion yen decline YoY due to decline in Operating Income and Extraordinary Income, Impairment Loss and etc



# FY2016 Highlights – Consolidated Balance Sheet

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

	FY 2015	FY 2016	YoY
<b>Current Assets</b>	<b>63.6</b>	<b>63.6</b>	<b>+0.0</b>
<b>Noncurrent Assets</b>	<b>47.5</b>	<b>54.7</b>	<b>+7.1</b>
Tangible・Intangible Non-current Assets	① 37.6	44.2	+6.5
<b>Total Assets</b>	<b>111.2</b>	<b>118.3</b>	<b>+7.1</b>

(billions of yen)

	FY 2015	FY 2016	YoY
<b>Current Liabilities</b>	<b>55.4</b>	<b>57.0</b>	<b>+1.5</b>
<b>Noncurrent Liabilities</b>	<b>3.3</b>	<b>9.5</b>	<b>+6.1</b>
Long-term Debt	② -	7.2	+7.2
<b>Total Liabilities</b>	<b>58.8</b>	<b>66.5</b>	<b>+7.7</b>
<b>Total Net Assets</b>	<b>52.3</b>	<b>51.8</b>	<b>-0.5</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>111.2</b>	<b>118.3</b>	<b>+7.1</b>

# Results by Segment

# Music Business Highlights

Sales and Profit declined due to decrease in Music Package sales

(billions of yen)

Music Business	FY 2015	FY 2016	YoY	rate
Net Sales	61.2	57.2	-3.9	-6.5%
Gross Profit	24.4	20.6	-3.7	-15.3%
Gross Profit Margin	39.9%	36.1%	-3.8pt	—
Operating Income	6.5	3.1	-3.4	-52.9%
Operating Margin	10.8%	5.4%	-5.4pt	—

(billions of yen)

Sub-Segments	Music Package			Digital Music Distribution			Music Publishing		
	FY 2015	FY 2016	rate	FY 2015	FY 2016	rate	FY 2015	FY 2016	rate
Net Sales	41.9	37.4	-10.6%	11.8	11.7	-1.0%	2.9	2.7	-4.8%
Gross Profit	16.6	13.4	-19.3%	5.9	5.7	-2.7%	0.8	0.5	-27.5%
GPM	39.7%	35.9%	-3.8pt	50.1%	49.2%	-0.9pt	28.1%	21.4%	-6.7pt

# Video Business Highlights

Sales and Profit increased due to increase of Anime Video Package sales

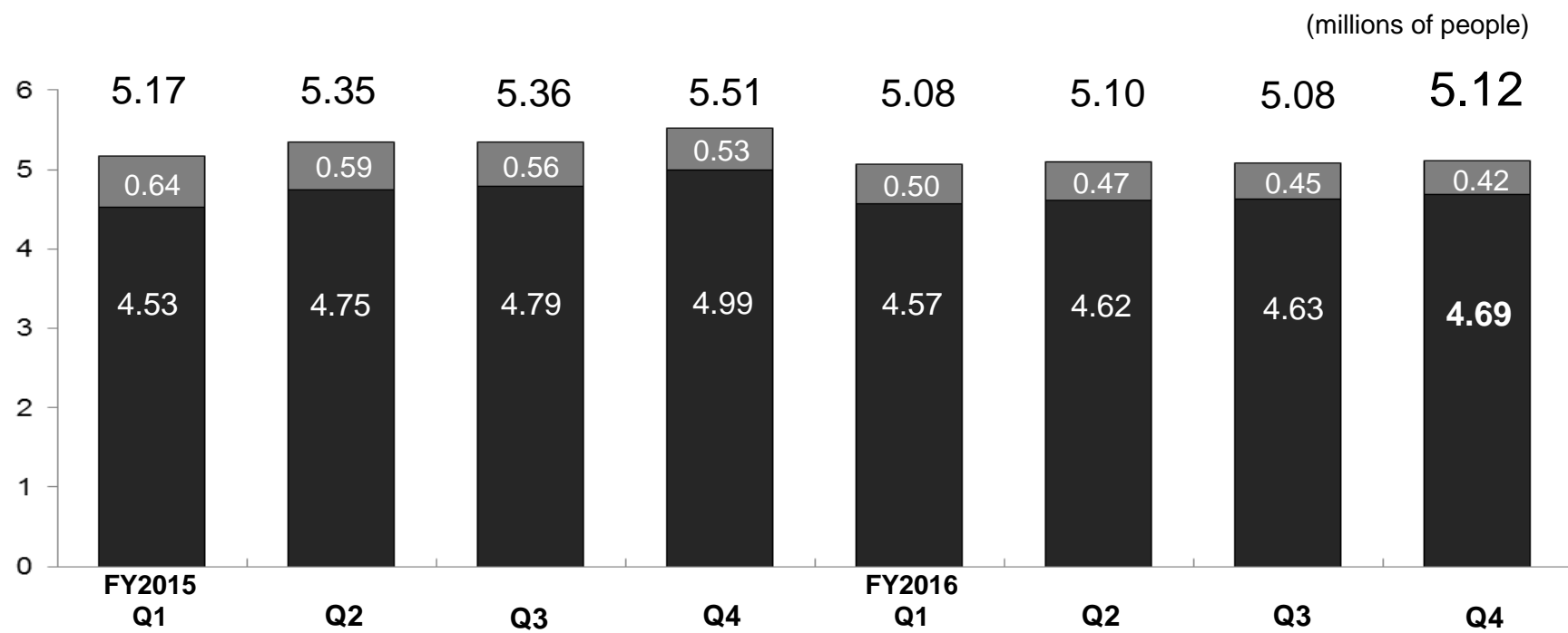
(billions of yen)

Video Business	FY 2015	FY 2016	YoY	rate
Net Sales	41.8	43.9	+2.1	+5.2%
Gross Profit	8.3	9.9	+1.5	+19.2%
Gross Profit Margin	19.9%	22.5%	+2.6pt	—
Operating Income	0.08	2.2	+2.1	—
Operating Margin	0.2%	5.1%	+4.9pt	—

(billions of yen)

Sub-Segments	Digital Video Distribution			Video Package		
	FY 2015	FY 2016	rate	FY 2015	FY 2016	rate
Net Sales	32.1	28.3	-11.8%	14.4	20.0	+39.2%
Gross Profit	4.0	3.3	-18.2%	5.7	8.3	+46.1%
GPM	12.7%	11.8%	-0.9pt	39.7%	41.7%	+2.0pt

# Video Business Highlights: Number of dTV & BeeTV Subscribers



# Management & Live Business Highlights

Sales increased due to increase of  
Live Concert related sales

(billions of yen)

Management & Live	FY 2015	FY 2016	YoY	rate
Net Sales	55.7	62.9	+7.1	+12.8%
Gross Profit	13.2	14.2	+1.0	+7.7%
Gross Profit Margin	23.7%	22.6%	-1.1pt	—
Operating Income	1.5	1.3	-0.2	-13.0%
Operating Margin	2.8%	2.2%	-0.6pt	—

(billions of yen)

Sub-Segments	Live Concerts			Management			Merchandising			Fan Club		
	FY 2015	FY 2016	rate	FY 2015	FY 2016	rate	FY 2015	FY 2016	rate	FY 2015	FY 2016	rate
Net Sales	32.1	38.2	+19.2%	17.0	19.4	+14.3%	11.3	12.9	+14.5%	4.6	4.5	-3.3%
Gross Profit	3.1	3.4	+12.1%	4.7	4.6	-1.0%	4.0	4.8	+18.4%	1.3	1.2	-4.6%
GPM	9.7%	9.1%	-0.6pt	27.8%	24.0%	-3.8pt	36.1%	37.3%	+1.2pt	28.8%	28.4%	-0.4pt

# Management & Live Business Highlights: Number of Concerts

Audience number increased along with the number of concerts

Venue Size	FY 2015	FY 2016	YoY
Stadium class	33	42	+9
Arena class	113	121	+8
Hall & Live House class	487	584	+97
Total	633	747	+114
Audience (millions of people)	2.46	2.96	+0.49
Concert Ticket Average Price	¥9,025	¥9,060	+¥34



# Guidance Highlights for FY2017, ending March 2018

# FY2017 Guidance Highlights - Consolidated

## Expecting increase of Net Sales and Profit YoY

(billions of yen)				
Consolidated	FY 2016	FY 2017	YoY	rate
Net Sales	161.5	162.0	+0.4	+0.3%
Operating Income	5.7	7.3	+1.5	+27.4%
Ordinary Income	4.4	7.1	+2.6	+58.5%
Net Income	0.1	2.8	+2.6	-

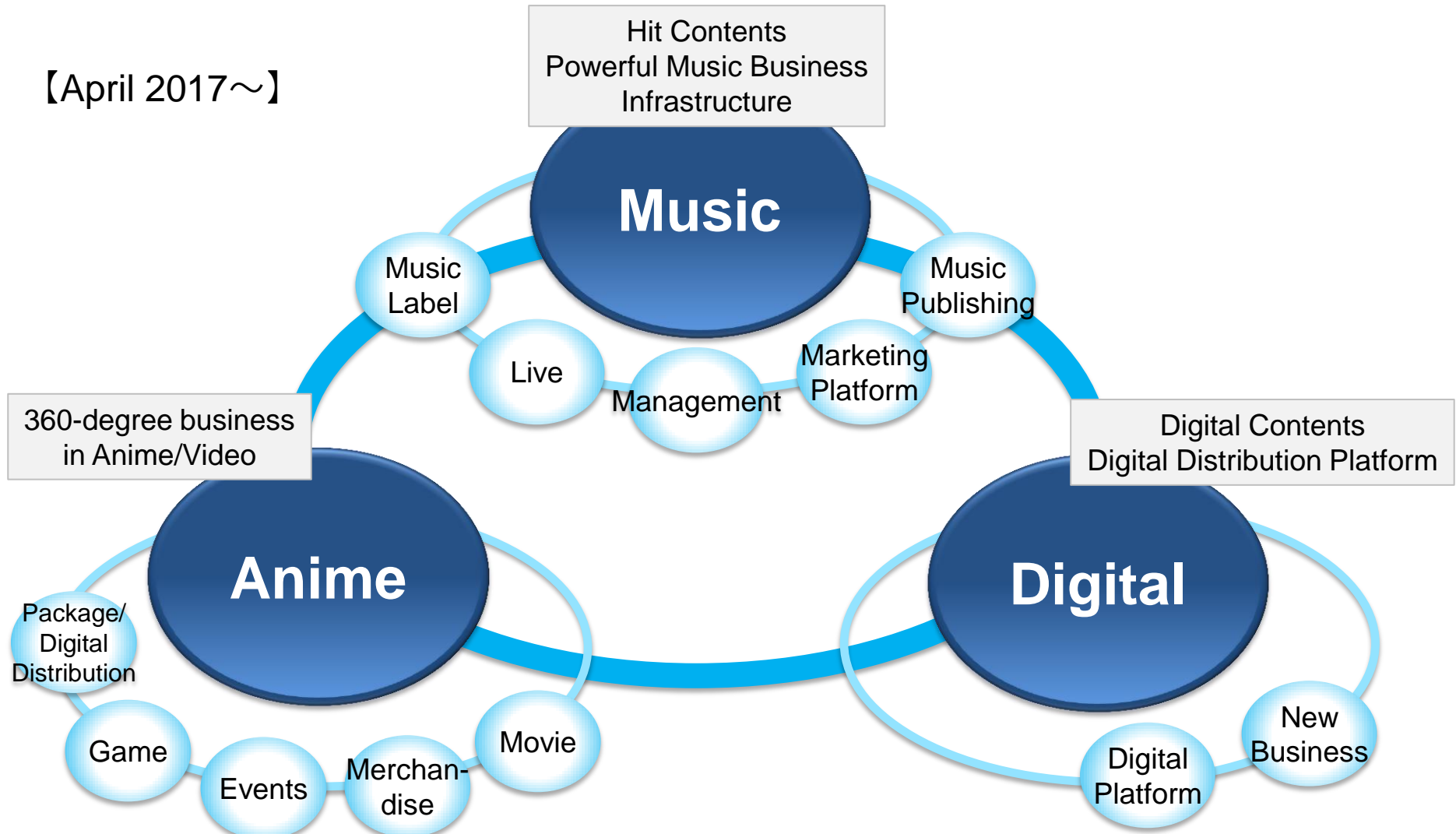
### < Dividend Policy >

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

# FY2017 Guidance Highlights    Change of Segment

A major group re-organization and consolidation of businesses into three (3) domains. From April 2017, segments will be changed to (Music, Anime, Digital and Other).

【April 2017～】



# FY2017 Guidance Highlights – Business Segment

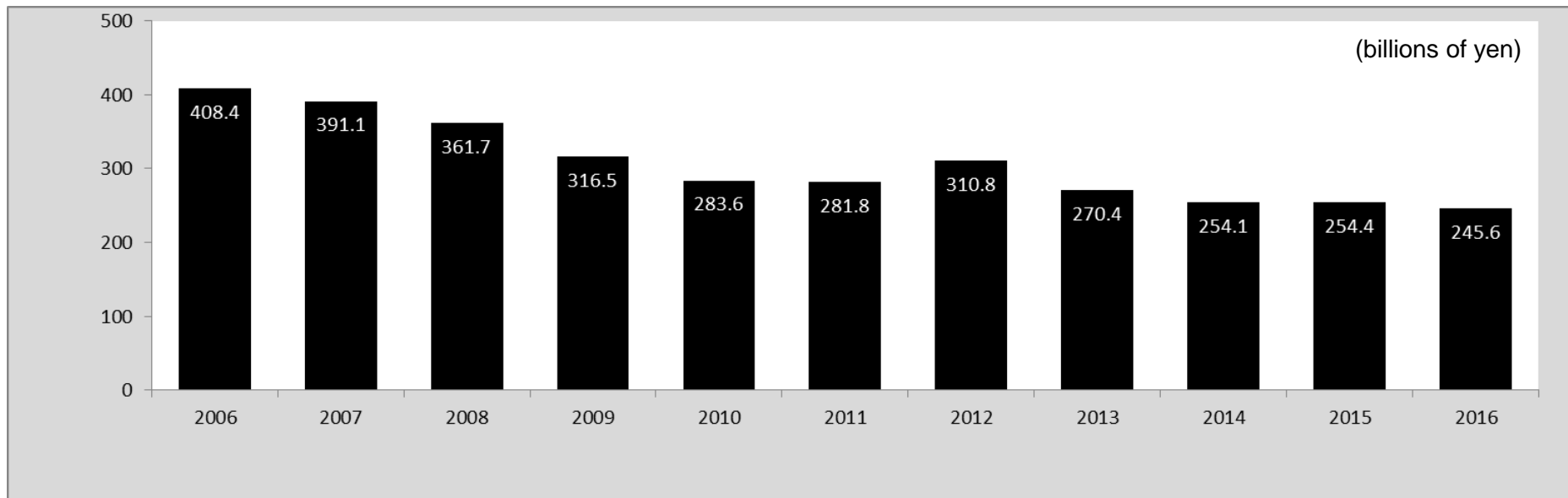
- Music Business : Sales and Profit are expected to increase due to increase of Live Concert related sales
- Anime Business : Sales and Profit are expected to decline due to decrease of Major Title releases
- Digital Business : Sales are expected to decline due to closure of Digital Video Distribution Services; however, Profit is expected to increase due to the absence of valuation loss
- Other Businesses : Profit is expected to decline due to investment in new businesses

(billions of yen)

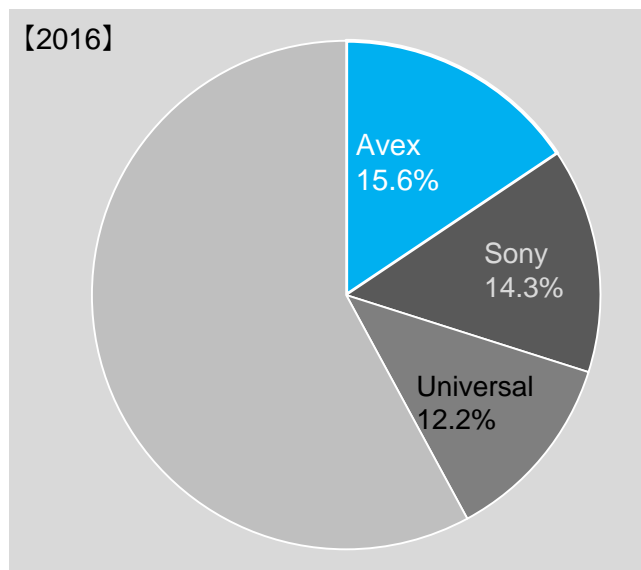
Segment	Net Sales				Operating Income			
	FY2016	FY2017	YoY	Rate	FY2016	FY2017	YoY	Rate
Music Business	118.9	122.8	+3.8	+3.3%	3.9	6.5	+2.6	+66.8%
Anime Business	17.3	16.9	-0.4	-2.4%	3.2	2.1	-1.1	-35.0%
Digital Business	29.2	23.2	-5.9	-20.4%	-0.9	0.2	+1.2	-
Other Businesses	1.4	2.2	+0.7	+51.5%	-0.4	-1.5	-1.1	-

# Market Data

■ Music Package market **Music Package Production on a declining trend (YoY 96.5%)**



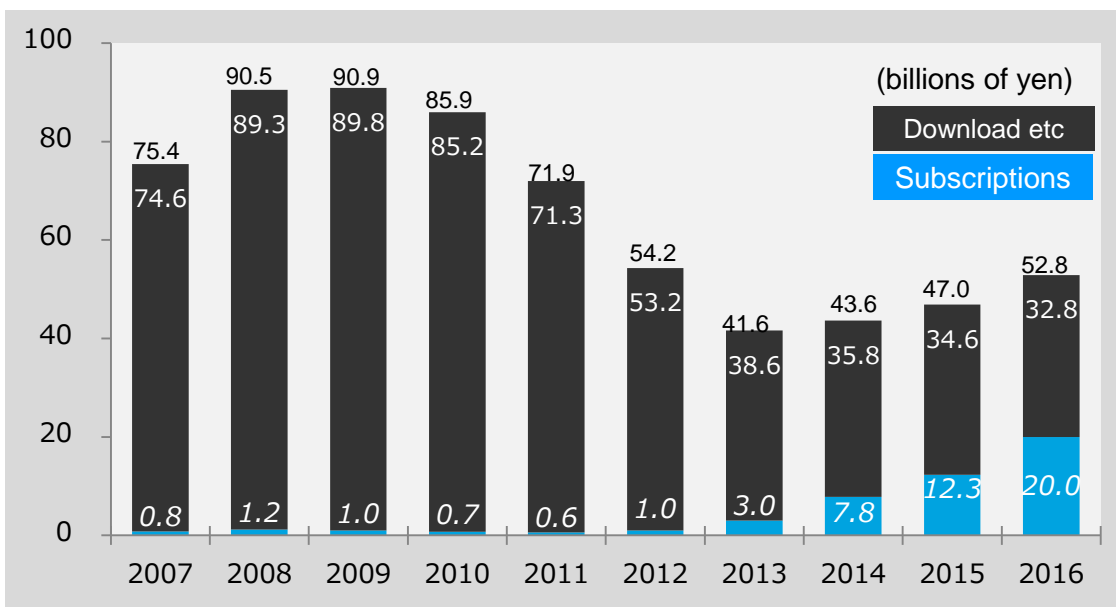
■ 2016 Music Software Market share by Label  
**Avex topped market for 5 years in a row**



■ Digital Music Market

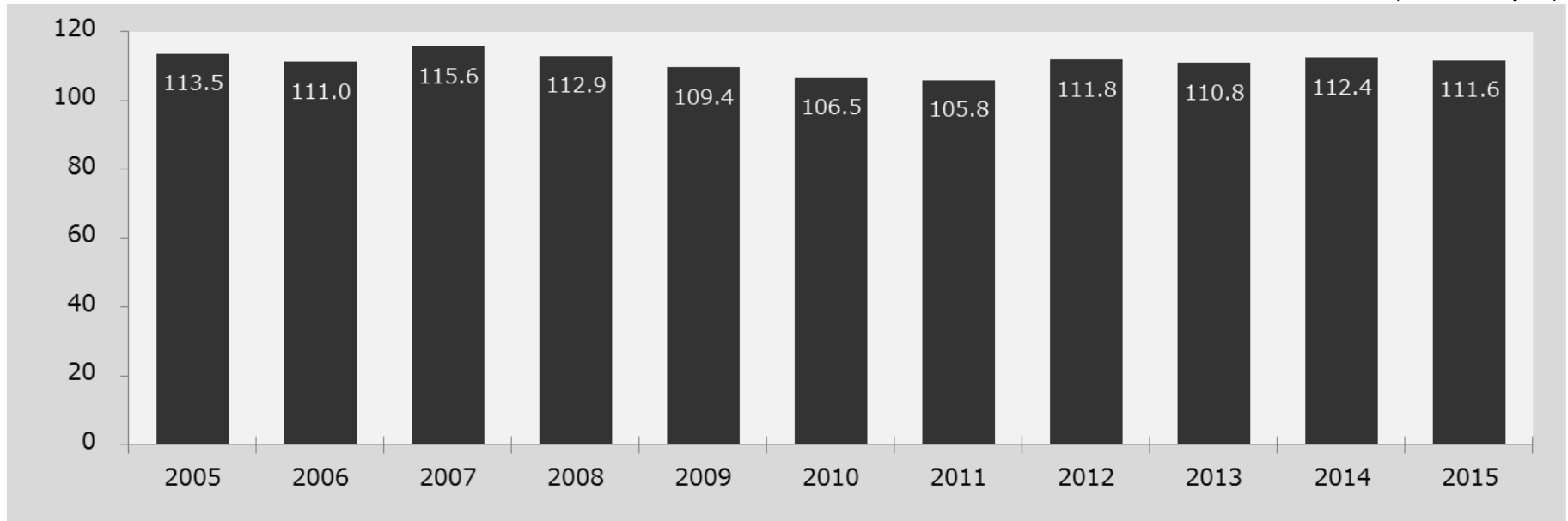
(source: Recording Industry Association of Japan)

**Subscription Services are contributing to market recovery (YoY 112.3%)**



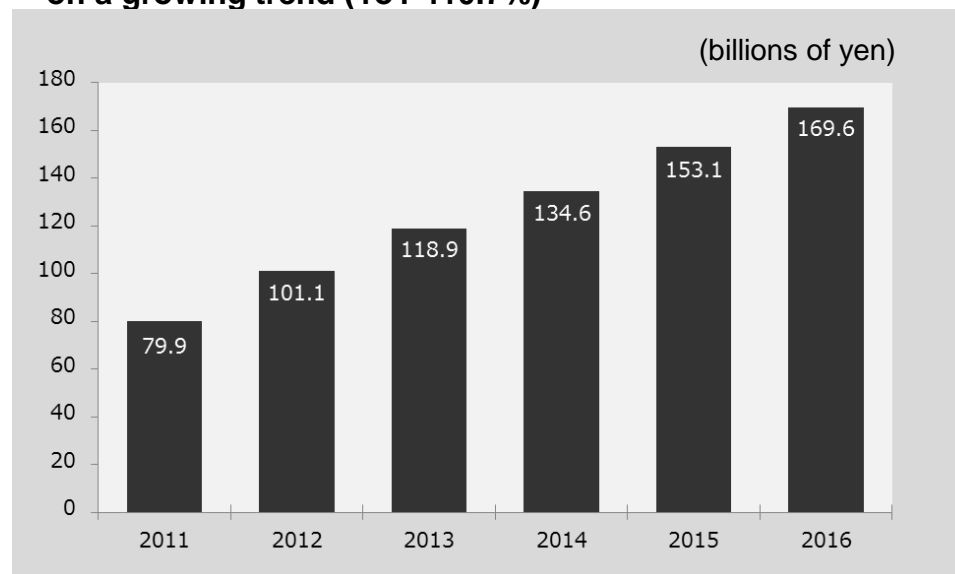
■ JASRAC Copyright Royalties collected **Stable over the past 11 years at about 110 billion yen**

(billions of yen)

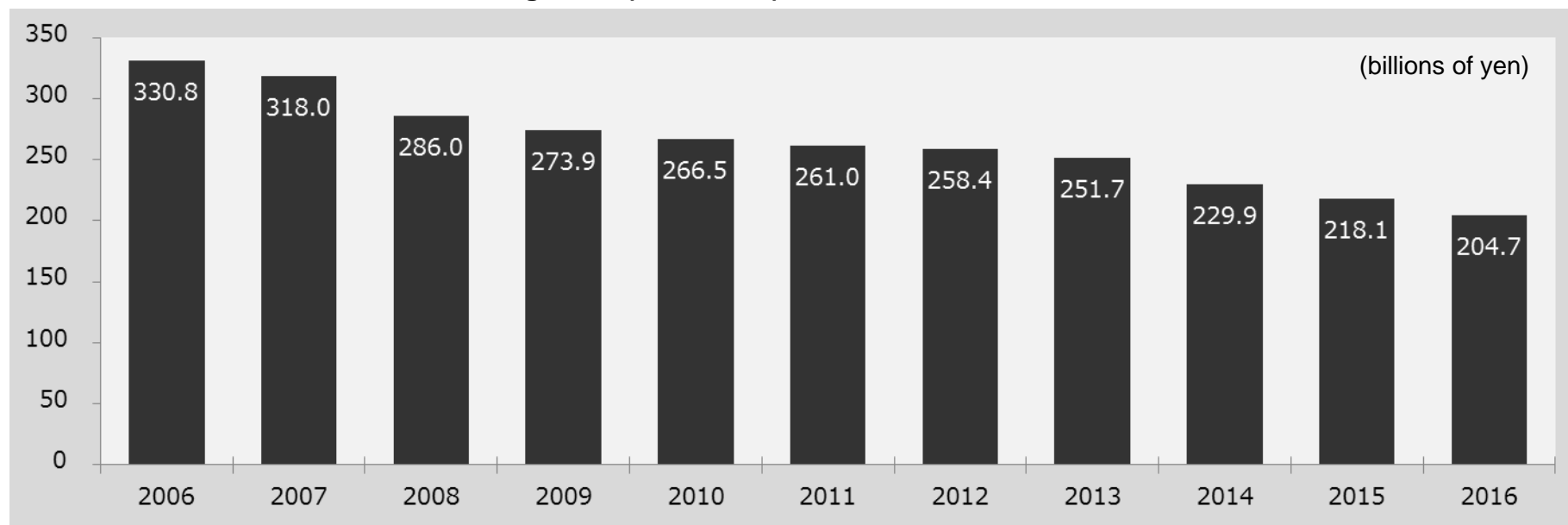


■ Domestic Digital Video Distribution Market **on a growing trend (YoY 110.7%)**

(source: JASRAC)

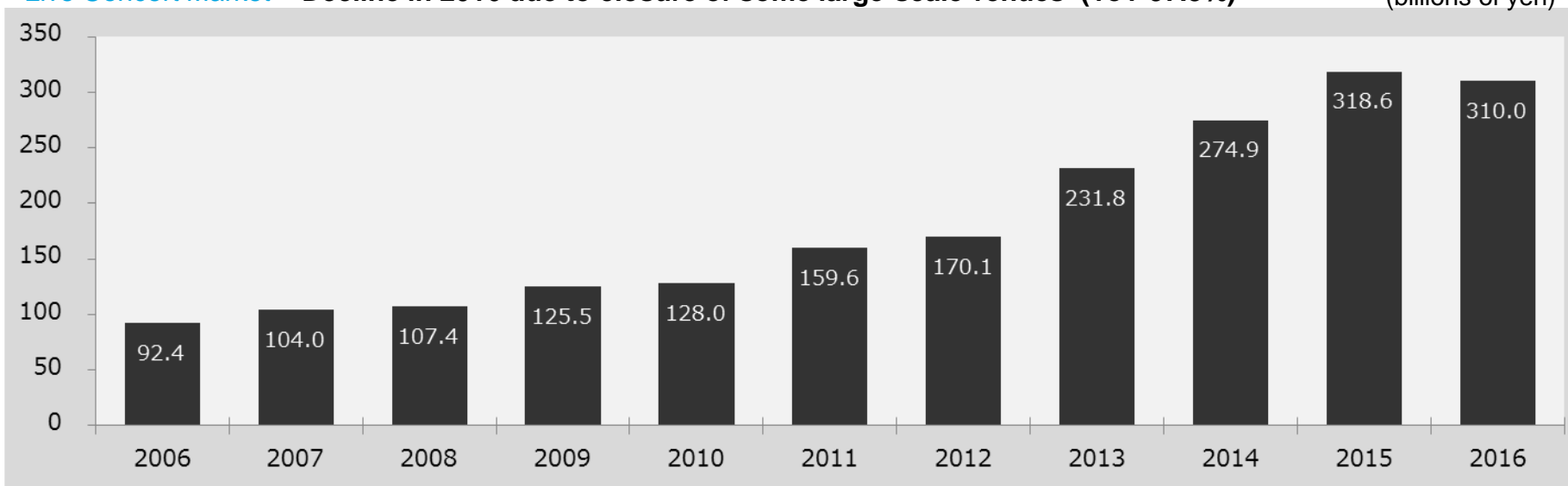


■ **Video Software Market** on a declining trend (YoY 93.8%)



(source: Japan Video Software Association)

■ **Live Concert Market** Decline in 2016 due to closure of some large-scale venues (YoY 97.3%)



(source: ACPC)



# Reference Data

# Consolidated Income Statement

(millions of yen)

## Consolidated Income Statement

	FY 2015	*Guidance	FY 2016	YoY	VS Guidance
<b>Net Sales</b>	<b>154,122</b>	<b>162,000</b>	<b>161,592</b>	<b>+7,469</b>	<b>-407</b>
Cost of Sales	107,867	-	116,043	+8,176	-
Gross Profit	46,255	-	45,549	-706	-
Gross Profit Margin	30.0%	-	28.2%	-1.8pt	-
Personnel Expenses	12,253	-	13,694	+1,441	-
Sales promotion & Advertising Expenses	11,477	-	9,938	-1,539	-
General Expenses	15,247	-	16,187	+940	-
Total SG&A Expenses	38,978	-	39,820	+842	-
<b>Operating Income</b>	<b>7,277</b>	<b>5,200</b>	<b>5,728</b>	<b>-1,549</b>	<b>+528</b>
Operating Margin	4.7%	3.2%	3.5%	-1.2pt	+0.3pt
Ordinary Income	6,055	4,300	4,479	-1,575	+179
Net Income attributable to owners of the parent	<b>4,292</b>	<b>500</b>	<b>118</b>	<b>-4,174</b>	<b>-381</b>

\* Revised guidance announced on February 9, 2017

# Music Business Income Statement

(millions of yen)

Music Business			
	FY 2015	FY 2016	YoY
<b>Net Sales</b>	<b>61,224</b>	<b>57,257</b>	<b>-3,967</b>
Cost of Sales	36,802	36,582	-219
Gross Profit	24,422	20,675	-3,747
Gross Profit Margin	39.9%	36.1%	-3.8pt
Personnel Expenses	2,896	3,188	+292
Sales Promotion & Advertising Expenses	7,083	6,588	-495
General Expenses	2,854	2,877	+22
GMF <sup>★</sup>	5,003	4,916	-87
Total SG&A Expenses	17,839	17,571	-267
<b>Operating Income</b>	<b>6,583</b>	<b>3,104</b>	<b>-3,479</b>
Operating Margin	10.8%	5.4%	-5.4pt

★ GMF = Group Management Fee

# Music Business: Results by Sub-segment

(millions of yen)

Music Package			
	FY 2015	FY 2016	YoY
Net Sales	41,943	37,488	-4,454
Gross Profit	16,659	13,440	-3,218
Gross Profit Margin	39.7%	35.9%	-3.8pt
Digital Music Distribution			
	FY 2015	FY 2016	YoY
Net Sales	11,849	11,725	-123
Gross Profit	5,932	5,772	-160
Gross Profit Margin	50.1%	49.2%	-0.9pt
Music Publishing			
	FY 2015	FY 2016	YoY
Net Sales	2,931	2,790	-140
Gross Profit	823	597	-226
Gross Profit Margin	28.1%	21.4%	-6.7pt
Other Music Businesses			
	FY 2015	FY 2016	YoY
Net Sales	4,647	5,403	+756
Gross Profit	2,789	2,883	+93
Gross Profit Margin	60.0%	53.4%	-6.6pt

# Music Business: Indices

## Music Business: Indices

			FY 2015	FY 2016
Music Package	Albums	Average Price ( ¥ )	3,035	3,236
		Units (thousands)	4,978	3,997
	Singles	Average Price ( ¥ )	829	911
		Units (thousands)	7,876	6,424
	DVDs / Blu-ray Discs	Average Price ( ¥ )	5,333	5,559
		Units (thousands)	2,382	2,216
	Feature phone (Ringtones/Video Ringtones)	Average Price ( ¥ )	295	268
		Downloads (thousands)	1,381	822
Digital Distribution	Smartphone (Ringtones/Video Ringtones)	Average Price ( ¥ )	254	261
		Downloads (thousands)	9,484	7,565
	Ring-back tones	Average Price ( ¥ )	108	109
		Downloads (thousands)	9,818	8,351
	PC downloads	Average Price ( ¥ )	254	246
		Downloads (thousands)	11,048	10,560
	mu-mo	ARPU ( ¥ )	348	383
		Subscribers (thousands)	236	175

\* Music Package - Average Price and Units for New Releases only

# Music Business: Key Titles Released in FY2016

## CD Albums

Artist	Title	Copies (thousands) *
J Soul Brothers Ⅲ from EXILE TRIBE	THE JSB WORLD	528
Various Artists	HiGH & LOW ORIGINAL BEST ALBUM	412
Kis-My-Ft2	I SCREAM	317

## CD Singles

Artist	Title	Copies (thousands) *
SKE48	<i>Kinnoai, Ginnoai</i>	459
Kis-My-Ft2	Sha la la☆ Summer Time	325
EXO	Coming Over	289

## DVDs / Blu-ray Discs

Artist	Title	Copies (thousands) *
Kis-My-Ft2	CONCERT TOUR 2016 I SCREAM	273
EXILE	EXILE LIVE TOUR 2015 "AMAZING WORLD"	250
Various Artists	HiGH & LOW THE LIVE	201
EXILE ATSUSHI	EXILE ATSUSHI LIVE TOUR 2016 "IT'S SHOW TIME!!"	145

\* Total copies as of March 31, 2017

# Video Business Income Statement

(millions of yen)

Video Business			
	FY 2015	FY 2016	YoY
<b>Net Sales</b>	<b>41,801</b>	<b>43,959</b>	<b>+2,157</b>
Cost of Sales	33,488	34,051	+563
Gross Profit	8,313	9,907	+1,593
Gross Profit Margin	19.9%	22.5%	+2.6pt
Personnel Expenses	833	922	+88
Sales Promotion & Advertising Expenses	3,813	2,706	-1,106
General Expenses	888	1,173	+284
GMF ★	2,692	2,853	+160
Total SG&A Expenses	8,228	7,655	-572
<b>Operating Income</b>	<b>85</b>	<b>2,252</b>	<b>+2,166</b>
Operating Margin	0.2%	5.1%	+4.9pt

★ GMF = Group Management Fee

# Video Business: Results by Sub-segment

(millions of yen)

## Digital Video Distribution

	FY 2015	FY 2016	YoY
Net Sales	32,116	28,318	-3,798
Gross Profit	4,086	3,344	-741
Gross Profit Margin	12.7%	11.8%	-0.9pt

## Video Package

	FY 2015	FY 2016	YoY
Net Sales	14,418	20,064	+5,646
Gross Profit	5,730	8,374	+2,643
Gross Profit Margin	39.7%	41.7%	+2.0pt

## Video Business: Indices

		FY 2015	FY 2016
dTV+BeeTV	ARPU ( ¥ ) ※	475	480
	Subscribers (millions of people)	5.51	5.12
	dTV	4.99	4.69
	BeeTV	0.53	0.42
DVDs / Blu-ray Discs *	Average Price ( ¥ )	5,228	5,031
	Units (thousands)	801	1,186

※ Rounded up to zero decimal place

\* DVDs / Blu-ray Discs – Average Price and Units for New Releases only



# Management & Live Business Income Statement

(millions of yen)

## Management & Live Business

	FY 2015	FY 2016	YoY
<b>Net Sales</b>	<b>55,756</b>	<b>62,905</b>	<b>+7,148</b>
Cost of Sales	42,532	48,664	+6,132
Gross Profit	13,224	14,240	+1,015
Gross Profit Margin	23.7%	22.6%	-1.1pt
Personnel Expenses	2,925	3,527	+601
Sales Promotion & Advertising Expenses	812	800	-11
General Expenses	3,702	3,885	+183
GMF <sup>★</sup>	4,201	4,648	+447
Total SG&A Expenses	11,641	12,862	+1,220
<b>Operating Income</b>	<b>1,583</b>	<b>1,378</b>	<b>-205</b>
Operating Margin	2.8%	2.2%	-0.6pt

★ GMF = Group Management Fee

# Management & Live Business: Results by Sub-segment

(millions of yen)

## Live Concerts

	FY 2015	FY 2016	YoY
Net Sales	32,110	38,290	+6,180
Gross Profit	3,121	3,498	+376
Gross Profit Margin	9.7%	9.1%	-0.6pt

## Management

	FY 2015	FY 2016	YoY
Net Sales	17,053	19,493	+2,439
Gross Profit	4,735	4,687	-48
Gross Profit Margin	27.8%	24.0%	-3.8pt

## Merchandising

	FY 2015	FY 2016	YoY
Net Sales	11,334	12,982	+1,647
Gross Profit	4,091	4,842	+751
Gross Profit Margin	36.1%	37.3%	+1.2pt

## Fan Club

	FY 2015	FY 2016	YoY
Net Sales	4,671	4,517	-154
Gross Profit	1,343	1,281	-62
Gross Profit Margin	28.8%	28.4%	-0.4pt

# Management & Live Business: Results by Sub-segment

(millions of yen)

## Other Management & Live Businesses

	FY 2015	FY 2016	YoY
Net Sales	723	445	-277
Gross Profit	66	39	-26
Gross Profit Margin	9.2%	8.9%	-0.3pt

## Management & Live Business Indices

		FY 2015	FY 2016
Concert Ticket	Average Price( ¥ )	9,025	9,060
Fan Club ※	Subscribers (thousands of people)	936	935

※ In FY2016, subscriber numbers of fan clubs operated under commission basis have been excluded.  
Conditions applied to FY2016 have been applied to FY2015 for fair comparison.

# Other Businesses Income Statement

(millions of yen)

Other Businesses			
	FY 2015	FY 2016	YoY
<b>Net Sales</b>	<b>2,976</b>	<b>3,167</b>	<b>+191</b>
Cost of Sales	1,576	1,473	-102
Gross Profit	1,399	1,693	+294
Gross Profit Margin	47.0%	53.5%	+6.5pt
Personnel Expenses	546	920	+373
Sales Promotion & Advertising Expenses	345	264	-80
General Expenses	781	762	-18
GMF ★	505	690	+184
Total SG&A Expenses	2,178	2,638	+459
<b>Operating Income</b>	<b>-779</b>	<b>-944</b>	<b>-165</b>
Operating Margin	-	-	-

★ GMF = Group Management Fee

# Consolidated Balance Sheet

(millions of yen)

## Consolidated Balance Sheet

	Mar.31, 2016	Mar.31, 2017
<b>Current Assets</b>	<b>63,620</b>	<b>63,693</b>
Cash and Deposits	21,107	24,298
Notes & Accounts Receivable-trade	21,271	20,122
Inventories	8,526	5,451
Others	12,714	13,821
<b>Noncurrent Assets</b>	<b>47,588</b>	<b>54,705</b>
Tangible & Intangible Assets	37,611	44,209
Total Investments & Other Assets	9,976	10,496
Investment Securities	5,310	5,819
Others	4,666	4,676
<b>Total Assets</b>	<b>111,208</b>	<b>118,399</b>

	Mar.31, 2016	Mar.31, 2017
<b>Current Liabilities</b>	<b>55,478</b>	<b>57,029</b>
Notes & Accounts Payable-trade	2,020	2,198
Short-term Debt	9,220	11,300
Accounts Payable-Other	24,356	19,926
Allowance for Returned Goods	4,163	4,328
Others	15,718	19,276
<b>Noncurrent Liabilities</b>	<b>3,337</b>	<b>9,520</b>
Long-term Debt	-	7,200
Others	3,337	2,320
<b>Total Liabilities</b>	<b>58,816</b>	<b>66,550</b>
<b>Total Net Assets</b>	<b>52,392</b>	<b>51,849</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>111,208</b>	<b>118,399</b>

# Consolidated Cash Flow Statement

(millions of yen)

## Consolidated Cash Flow Statement

	FY 2015	FY 2016	YoY
Net Cash provided by Operating Activities	8,169	8,219	+49
Net Cash provided by Investing Activities	-6,778	-11,845	-5,067
Net Cash provided by Financing Activities	-5,969	6,792	+12,761
Cash Flow	-4,578	3,165	+7,743
Free Cash Flow	1,390	-3,626	-5,017
Effect of exchange rate change on cash and cash equivalents	-13	26	+40
Net increase in cash and cash equivalents	-4,592	3,191	+7,783
Cash and cash equivalents at beginning of period	25,699	21,107	-4,592
Cash and cash equivalents at end of period	21,107	24,298	+3,191

# FY2017 Guidance (Full Year and Interim)

(millions of yen)

Consolidated Results				
	FY 2016	FY 2017	YoY	FY 2017 Interim
<b>Net Sales</b>	<b>161,592</b>	<b>162,000</b>	<b>+407</b>	<b>68,000</b>
Cost of Sales	116,043	113,500	-2,543	49,400
Gross Profit	45,549	48,500	+2,950	18,600
Gross Profit Margin	28.2%	29.9%	+1.8pt	27.4%
Personnel Expenses	13,694	14,300	+605	5,800
Sales promotion & Advertising Expenses	9,938	10,000	+61	4,000
General Expenses	16,187	16,900	+712	7,700
Total SG&A Expenses	39,820	41,200	+1,379	17,500
<b>Operating Income</b>	<b>5,728</b>	<b>7,300</b>	<b>+1,571</b>	<b>1,100</b>
Operating Margin	3.5%	4.5%	+1.0pt	1.6%
Ordinary Income	4,479	7,100	+2,620	1,100
<b>Net Income attributable to owners of the parent</b>	<b>118</b>	<b>2,800</b>	<b>+2,681</b>	<b>100</b>

# FY2017 Guidance (Full Year and 1<sup>st</sup> Half Year)

(millions of yen)

## Music Business

	FY 2016	FY 2017	YoY	FY 2017 Interim
Net Sales	118,985	122,882	+3,897	49,962
Operating Income	3,903	6,513	+2,609	-259

## Anime Business

	FY 2016	FY 2017	YoY	FY 2017 Interim
Net Sales	17,339	16,930	-409	7,052
Operating Income	3,251	2,114	-1,137	1,140

## Digital Business

	FY 2016	FY 2017	YoY	FY 2017 Interim
Net Sales	29,206	23,239	-5,967	12,137
Operating Income	-947	258	+1,205	549

## Other Businesses

	FY 2016	FY 2017	YoY	FY 2017 Interim
Net Sales	1,455	2,205	+749	698
Operating Income	-434	-1,585	-1,151	-250



## 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, the 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 the guidance.

## Inquiries

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