

Financial Highlights for Q2 FY 2017

(Fiscal year ending March 31, 2018)
November 9, 2017

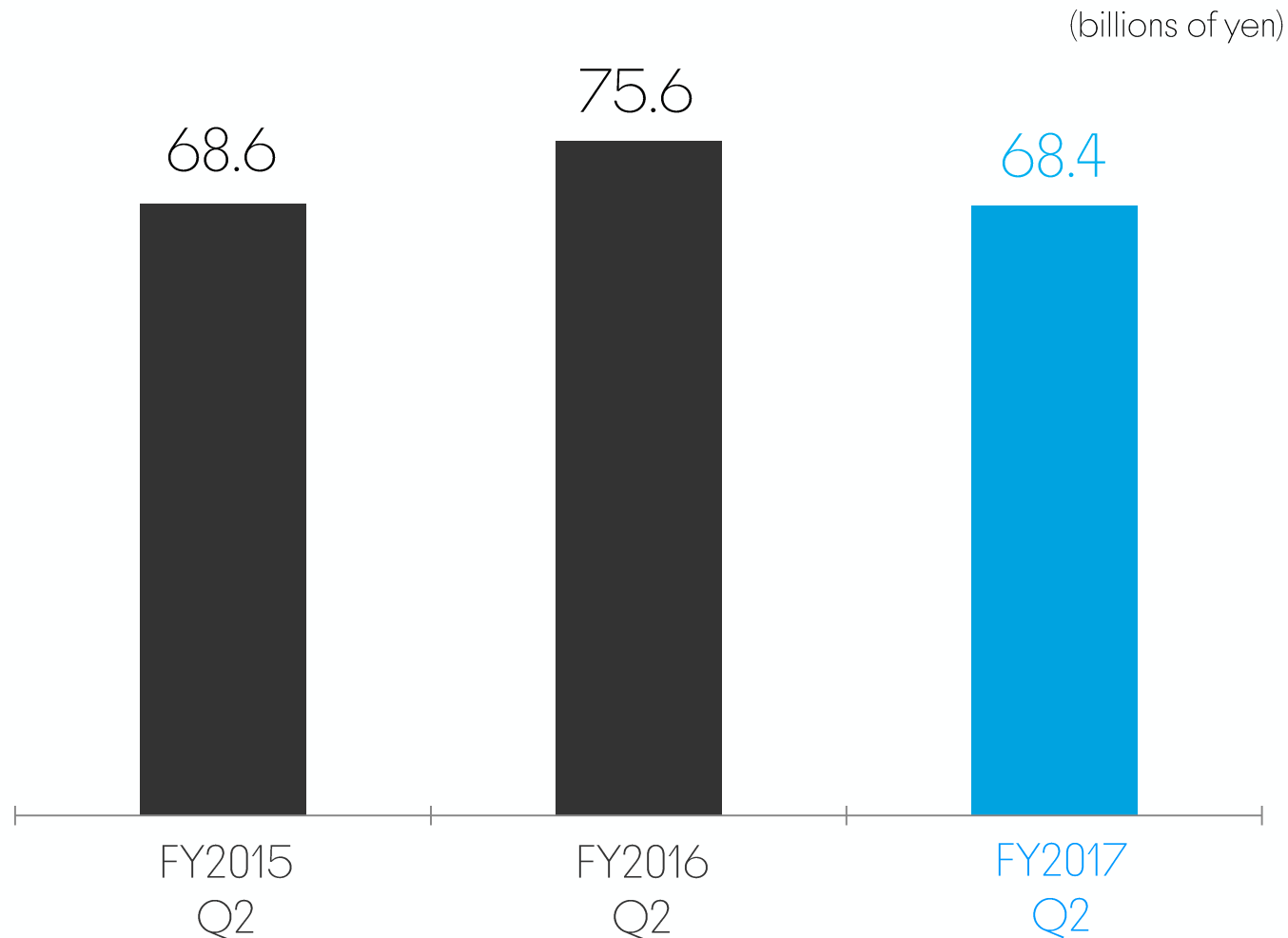
TSE 7860: *Avex Inc.*

Really! Mad+Pure

Consolidated Results

FY 2017 Q2 Highlights - Net Sales

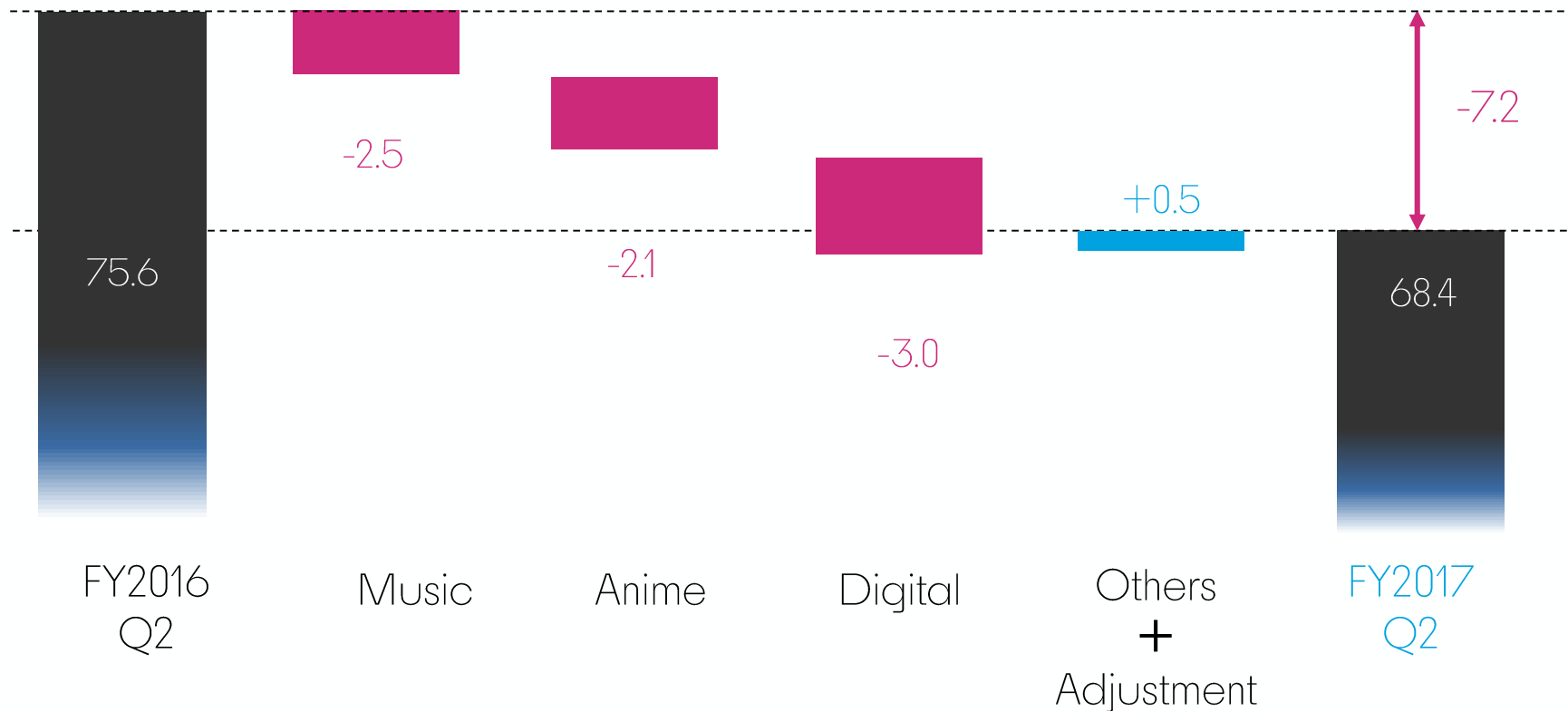
7.2 billion yen (-9.6%) decrease YoY



FY 2017 Q2 Highlights - Net Sales Change by Segment

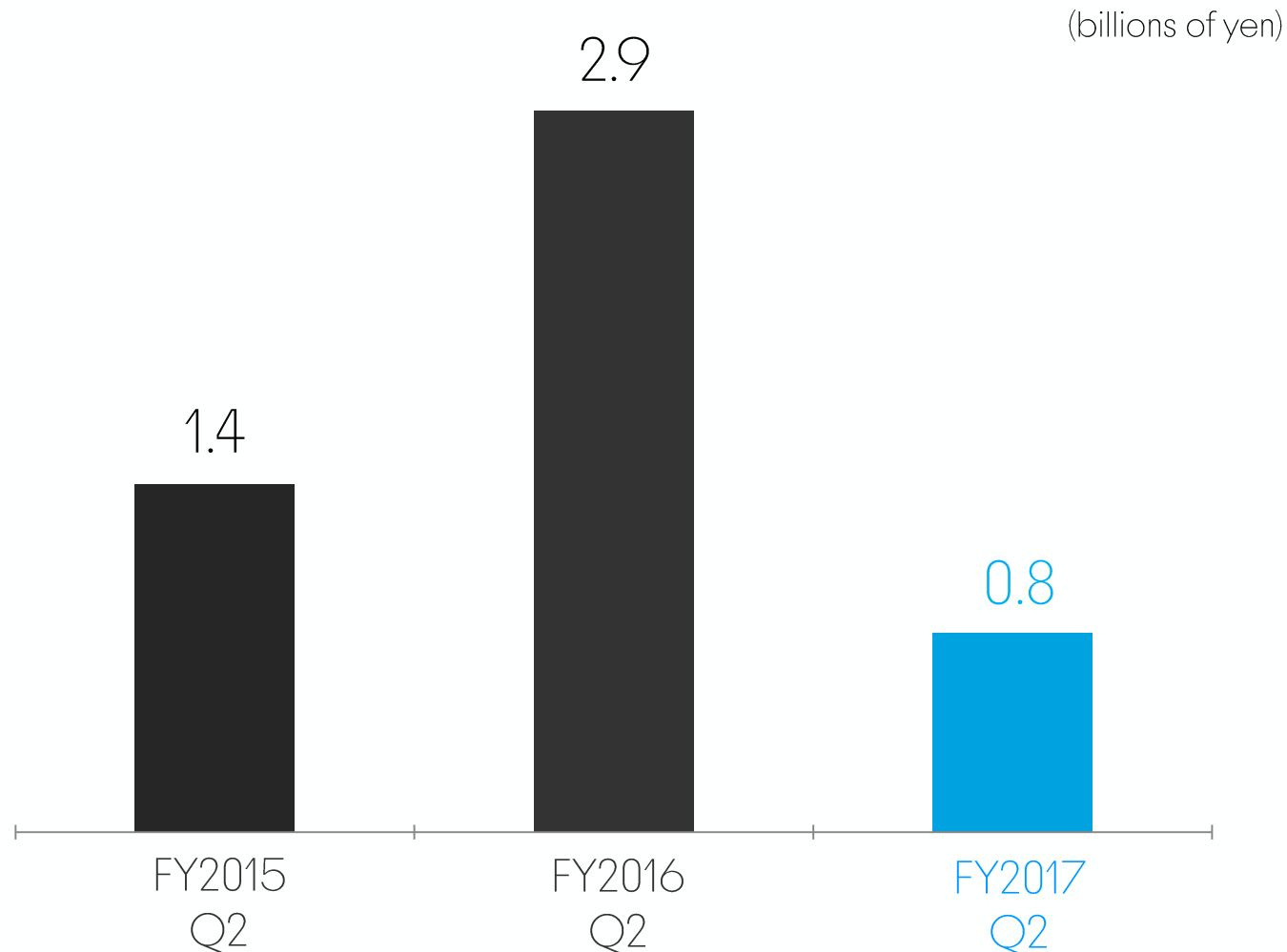
Net Sales decreased primarily due to weak Package Sales in the Music and Anime Businesses and closure of Digital Video Distribution Services in the Digital Business

(billions of yen)



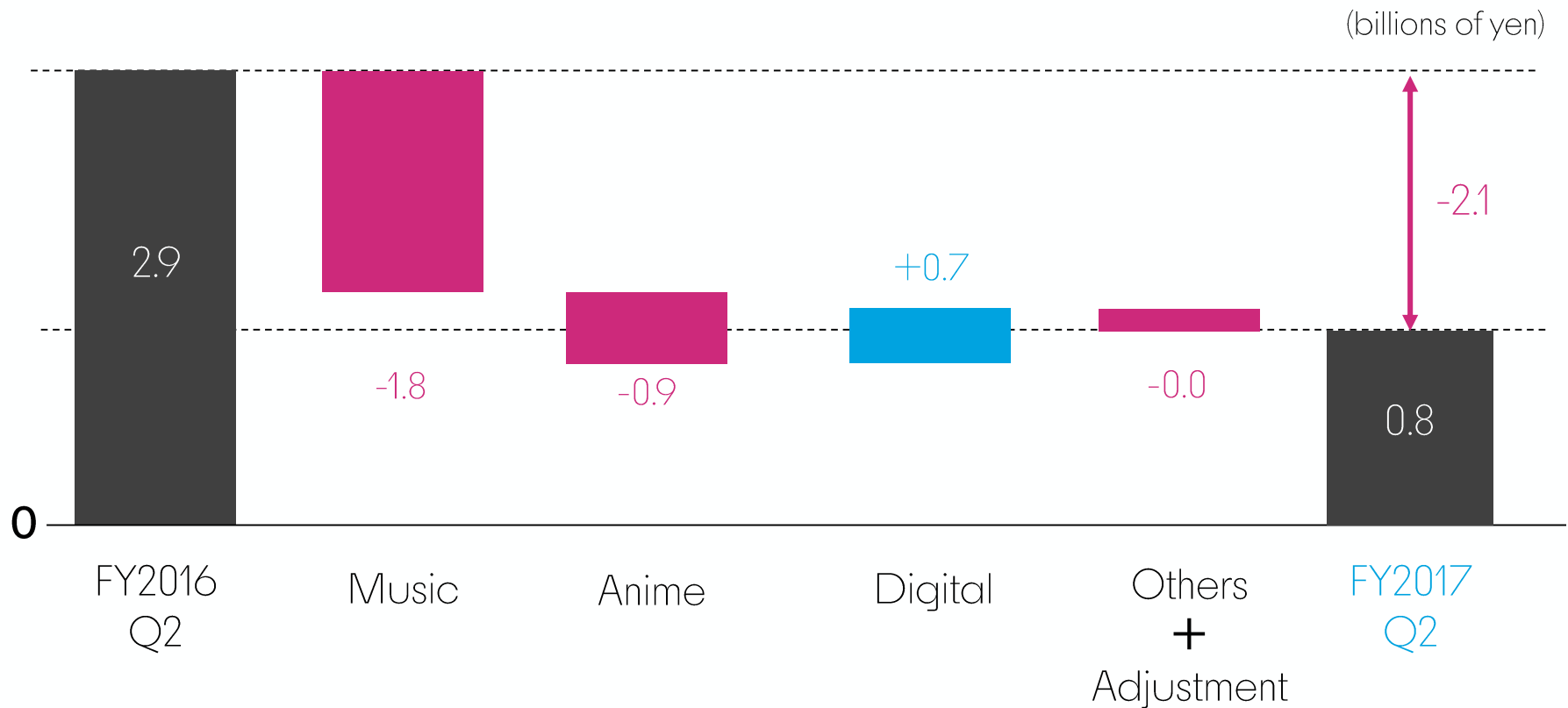
FY 2017 Q2 Highlights - Operating Income

2.1 billion yen (-71.6%) decrease YoY



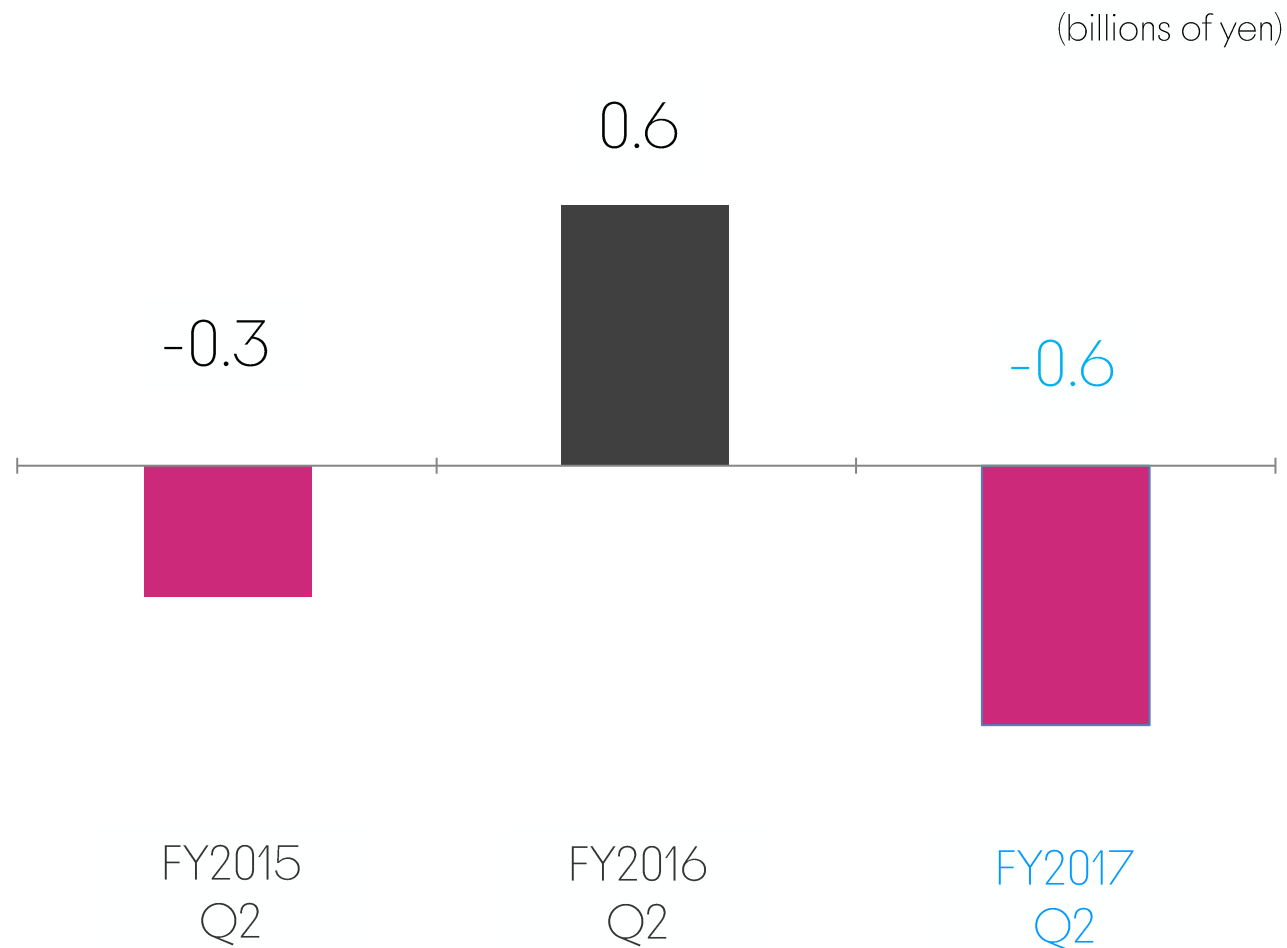
FY 2017 Q2 Highlights - Operating Income Change by Segment

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



FY 2017 Q2 Highlights – Net Income Attributable to Owners of Parent

Loss due to decreased Operating Income



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 Q2 | FY2017 Q2 | YoY | rate |
|---------------------|-----------|-----------|--------|--------|
| Net Sales | 53.7 | 51.1 | -2.5 | -4.8% |
| Gross Profit | 15.6 | 13.9 | -1.6 | -10.7% |
| Cross Profit Margin | 29.1% | 27.3% | -1.8pt | - |
| Operating Income | 0.9 | -0.9 | -1.8 | - |
| Operating Margin | 1.8% | - | - | - |

(billions of yen)

| Sub-Segment | Live Concert | | | Merchandising | | | Fan Club | | |
|-------------|--------------|-----------|-------|---------------|-----------|-------|-----------|-----------|-------|
| | FY2016 Q2 | FY2017 Q2 | rate | FY2016 Q2 | FY2017 Q2 | rate | FY2016 Q2 | FY2017 Q2 | rate |
| Net Sales | 17.6 | 19.0 | +7.9% | 6.0 | 6.0 | -0.2% | 2.4 | 2.4 | -0.4% |

| Sub-Segment | Music Package | | | Digital Music Distribution | | | Music Publishing | | |
|-------------|---------------|-----------|--------|----------------------------|-----------|-------|------------------|-----------|-------|
| | FY2016 Q2 | FY2017 Q2 | rate | FY2016 Q2 | FY2017 Q2 | rate | FY2016 Q2 | FY2017 Q2 | rate |
| Net Sales | 13.4 | 10.5 | -21.5% | 5.8 | 5.5 | -4.4% | 1.3 | 1.3 | -4.0% |

| Sub-Segment | Management | | | E-Commerce | | | Others | | |
|-------------|------------|-----------|-------|------------|-----------|--------|-----------|-----------|-------|
| | FY2016 Q2 | FY2017 Q2 | rate | FY2016 Q2 | FY2017 Q2 | rate | FY2016 Q2 | FY2017 Q2 | rate |
| Net Sales | 4.4 | 3.9 | -9.8% | 5.3 | 4.5 | -13.9% | 3.1 | 3.0 | -1.7% |

Music Business Highlights: Live Concerts

The number of Audience and Ticket Prices have increased

| Venue Size | FY2016 Q2 | FY2017 Q2 | YoY |
|------------------------------|-----------|-----------|--------|
| Stadium class | 8 | 35 | +27 |
| Arena class | 78 | 40 | -38 |
| Hall & Live House class | 334 | 401 | +67 |
| Total | 420 | 476 | +56 |
| Audience (millions) | 1.41 | 1.85 | +0.44 |
| Concert Ticket Average Price | ¥8,411 | ¥8,851 | + ¥439 |

Major Live Concerts in FY2017 Q2

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

"a-nation 2017"

"ULTRA JAPAN2017"

BIGBANG "BIGBANG SPECIAL EVENT 2017"

G-DRAGON (from BIGBANG) "G-DRAGON 2017 WORLD TOUR <ACT III, M.O.T.T.E> IN JAPAN"

YUZU "YUZU 20th Anniversary DOME TOUR 2017 Yuzuiroha"

Music Business Highlights: Music Package

| | | FY2016 Q2 | FY2017 Q2 | YoY | |
|---------------|----------------------|-------------------|-----------|-------|--------|
| Music Package | Albums | Average Price (¥) | 3,483 | 2,454 | -1,029 |
| | | Units (thousands) | 1,488 | 1,382 | -106 |
| | Singles | Average Price (¥) | 896 | 1,017 | +121 |
| | | Units (thousands) | 3,325 | 2,139 | -1,185 |
| | DVDs / Blu-ray Discs | Average Price (¥) | 5,965 | 5,405 | -560 |
| | | Units (thousands) | 523 | 491 | -32 |

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

Major Titles in FY2017 Q2

CD Albums

| Artist | Title | Units (thousands) * |
|------------------------------|---|---------------------|
| Kis-My-Ft2 | MUSIC COLOSSEUM | 287 |
| V6 | The ONES | 171 |
| GENERATIONS from EXILE TRIBE | Namioda wo nagasenai Pierrot wa Taiyo mo Tsuki mo nai Sora wo miageta | 152 |

CD Singles

| Artist | Title | Units (thousands) * |
|------------|--------------------------------------|---------------------|
| SKE48 | Igai ni Mango | 478 |
| Kis-My-Ft2 | PICK IT UP | 238 |
| 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 | 158 |

* Units indicate total units as of September 30, 2017

Anime Business Highlights

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

(billions of yen)

| Anime Business | FY2016 Q2 | FY2017 Q2 | YoY | rate |
|---------------------|-----------|-----------|--------|--------|
| Net Sales | 9.2 | 7.1 | -2.1 | -22.6% |
| Gross Profit | 3.6 | 2.6 | -1.0 | -28.1% |
| Gross Profit Margin | 39.3% | 36.5% | -2.8pt | - |
| Operating Income | 2.1 | 1.1 | -0.9 | -44.1% |
| Operating Margin | 23.0% | 16.6% | -6.4pt | - |

(billions of yen)

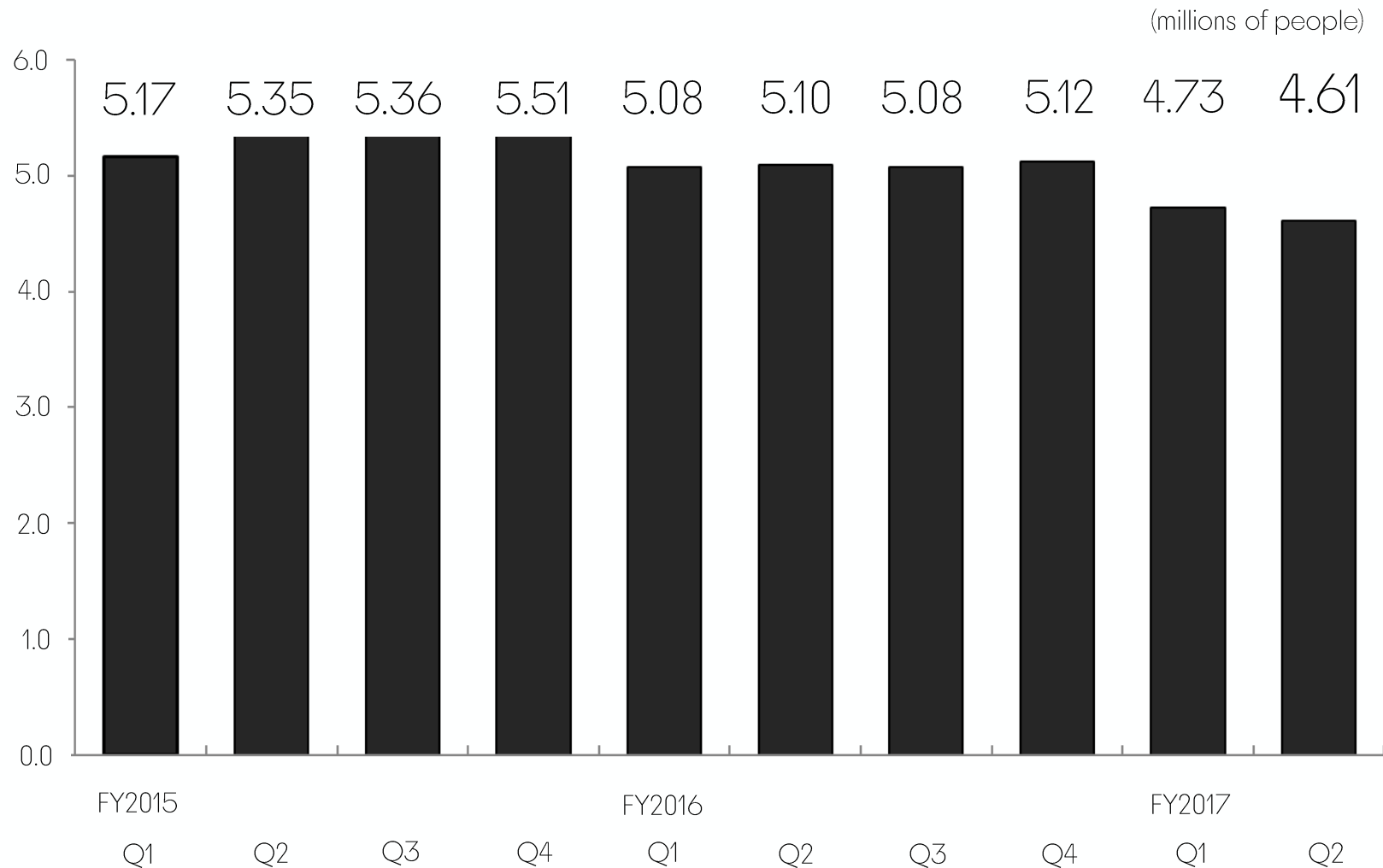
| Sub-Segment | Anime Package | | | Anime Non-package | | |
|-------------|---------------|-----------|--------|-------------------|-----------|--------|
| | FY2016 Q2 | FY2017 Q2 | rate | FY2016 Q2 | FY2017 Q2 | rate |
| Net Sales | 4.2 | 2.6 | -37.0% | 5.0 | 4.5 | -10.5% |

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 | FY2016 Q2 | FY2017 Q2 | YoY | rate |
| Net Sales | 14.8 | 11.7 | -3.0 | -20.9% |
| Gross Profit | 2.4 | 2.9 | +0.5 | +21.5% |
| Gross Profit Margin | 16.3% | 25.0% | +8.7pt | - |
| Operating Income | 0.0 | 0.8 | +0.7 | - |
| Operating Margin | 0.2% | 6.8% | +6.6pt | - |

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 Q2 | Guidance | FY2017 Q2 | YoY | VS Guidance | FY2017 Guidance |
|--|--------------|--------------|--------------|---------------|----------------|-----------------|
| Net Sales | 75,648 | 68,000 | 68,405 | -7,243 | +405 | 162,000 |
| Cost of Sales | 54,231 | 49,400 | 48,967 | -5,263 | -432 | 113,500 |
| Gross Profit | 21,417 | 18,600 | 19,438 | -1,979 | +838 | 48,500 |
| Gross Profit Margin | 28.3% | 27.4% | 28.4% | +0.1pt | +1.0pt | 30.0% |
| Personnel Expenses | 6,394 | 5,800 | 6,097 | -296 | +297 | 14,300 |
| Marketing Expenses | 4,334 | 4,000 | 3,947 | -387 | -52 | 10,000 |
| General Expenses | 7,720 | 7,700 | 8,550 | +829 | +850 | 16,900 |
| Total SG&A Expenses | 18,449 | 17,500 | 18,594 | +145 | +1,094 | 41,200 |
| Operating Income | 2,967 | 1,100 | 843 | -2,124 | -256 | 7,300 |
| Operating Margin | 3.9% | 1.6% | 1.2% | -2.7pt | -0.4pt | 4.5% |
| Ordinary Income | 2,455 | 1,100 | 614 | -1,841 | -485 | 7,100 |
| Net Income attributable to owners of the parent | 672 | 100 | -633 | -1,305 | -733 | 2,800 |

€Guidance was made public on May 11, 2017

Music Business Income Statement

(millions of yen)

Music Business

| | FY2016 Q2 | * Guidance | FY2017 Q2 | YoY | VS Guidance | FY2017 Guidance |
|---------------------|-----------|------------|-----------|--------|-------------|-----------------|
| Net Sales | 53,790 | 49,962 | 51,191 | -2,599 | +1,229 | 122,882 |
| Cost of Sales | 38,162 | - | 37,237 | -925 | - | - |
| Gross Profit | 15,628 | - | 13,954 | -1,673 | - | - |
| Gross Profit Margin | 29.1% | - | 27.3% | -1.8pt | - | - |
| Personnel Expenses | 3,217 | - | 3,358 | +140 | - | - |
| Marketing Expenses | 3,013 | - | 2,749 | -263 | - | - |
| General Expenses | 3,385 | - | 3,480 | +95 | - | - |
| GMF* | 5,052 | - | 5,266 | +214 | - | - |
| Total SG&A Expenses | 14,668 | - | 14,855 | +187 | - | - |
| Operating Income | 960 | -259 | -901 | -1,861 | -641 | 6,513 |
| Operating Margin | 1.8% | - | - | - | - | 5.3% |

* Guidance was announced on May 11, 2017

* GMF = Group Management Fee

Music Business: Results by Sub-Segment

(millions of yen)

| Live Concert | | | |
|---------------|-----------|-----------|--------|
| | FY2016 Q2 | FY2017 Q2 | YoY |
| Net Sales | 17,641 | 19,040 | +1,398 |
| Merchandising | | | |
| | FY2016 Q2 | FY2017 Q2 | YoY |
| Net Sales | 6,072 | 6,062 | -9 |
| Fan Club | | | |
| | FY2016 Q2 | FY2017 Q2 | YoY |
| Net Sales | 2,413 | 2,402 | -10 |
| Music Package | | | |
| | FY2016 Q2 | FY2017 Q2 | YoY |
| Net Sales | 13,442 | 10,553 | -2,889 |

Music Business: Results by Sub-Segment

(millions of yen)

| Digital Music Distribution | | | |
|----------------------------|-----------|-----------|------|
| | FY2016 Q2 | FY2017 Q2 | YoY |
| Net Sales | 5,832 | 5,576 | -256 |
| Music Publishing | | | |
| | FY2016 Q2 | FY2017 Q2 | YoY |
| Net Sales | 1,394 | 1,339 | -55 |
| Management | | | |
| | FY2016 Q2 | FY2017 Q2 | YoY |
| Net Sales | 4,414 | 3,984 | -430 |
| E-Commerce | | | |
| | FY2016 Q2 | FY2017 Q2 | YoY |
| Net Sales | 5,338 | 4,596 | -741 |

Music Business: Results by Sub-Segment

(millions of yen)

| Others | | | |
|--|-------------------------------|--|-----------|
| | FY2016 Q2 | FY2017 Q2 | YoY |
| Net Sales | 3,145 | 3,091 | -53 |
| Music Market Data | | (Reference: Recording Industry Association of Japan) | |
| | 2016 | 2017 | YoY |
| Music Package Market (Jan.- Sep.) | 177,050 | 162,486 | -8.2% |
| Digital Music Distribution Market (Jan.-Jun.) | 25,662 | 28,310 | +10.3% |
| Music Business: Indicators | | | |
| | | FY2016 Q2 | FY2017 Q2 |
| Concert Tickets | Average Price (¥) | 8,411 | 8,851 |
| Fan Club | Subscribers (thousand people) | 936 | 942 |
| Live Concert Market Data | | (Reference: ACPC) | |
| | 2016 | 2017 | YoY |
| Live Concert Market (Jan.-Jun.) | 112,105 | 129,709 | +15.7% |

Anime Business Income Statement

(millions of yen)

Anime Business

| | FY2016 Q2 | * Guidance | FY2017 Q2 | YoY | VS Guidance | FY2017 Guidance |
|---------------------|-----------|------------|-----------|--------|-------------|-----------------|
| Net Sales | 9,299 | 7,052 | 7,199 | -2,100 | +146 | 16,930 |
| Cost of Sales | 5,644 | - | 4,569 | -1,074 | - | - |
| Gross Profit | 3,655 | - | 2,629 | -1,026 | - | - |
| Gross Profit Margin | 39.3% | - | 36.5% | -2.8pt | - | - |
| Personnel Expenses | 342 | - | 323 | -19 | - | - |
| Marketing Expenses | 395 | - | 387 | -7 | - | - |
| General Expenses | 184 | - | 136 | -48 | - | - |
| GMF★ | 590 | - | 583 | -6 | - | - |
| Total SG&A Expenses | 1,512 | - | 1,431 | -81 | - | - |
| Operating Income | 2,142 | 1,140 | 1,197 | -945 | +56 | 2,114 |
| Operating Margin | 23.0% | 16.2% | 16.6% | -6.4pt | +0.4pt | 12.5% |

* Guidance was announced on May 11, 2017

★ GMF = Group Management Fee

Anime Business: Results by Sub-Segment

(millions of yen)

| Anime Package | | | |
|----------------------------|---------------------|-----------|-----------|
| | FY2016 Q2 | FY2017 Q2 | YoY |
| Net Sales | 4,250 | 2,679 | -1,570 |
| Anime Non-Package | | | |
| | FY2016 Q2 | FY2017 Q2 | YoY |
| Net Sales | 5,049 | 4,519 | -530 |
| Anime Business: Indicators | | | |
| | | FY2016 Q2 | FY2017 Q2 |
| DVDs / Blu-ray Discs* | Average Price (¥) | 5,345 | 5,100 |
| | Units (thousands) | 584 | 370 |

*DVDs/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 Q2 | * Guidance | FY2017 Q2 | YoY | VS Guidance | FY2017 Guidance |
|---------------------|-----------|------------|-----------|--------|-------------|-----------------|
| Net Sales | 14,808 | 12,137 | 11,709 | -3,099 | -428 | 23,239 |
| Cost of Sales | 12,396 | - | 8,779 | -3,617 | - | - |
| Gross Profit | 2,412 | - | 2,929 | +517 | - | - |
| Gross Profit Margin | 16.3% | - | 25.0% | +8.7pt | - | - |
| Personnel Expenses | 322 | - | 237 | -84 | - | - |
| Marketing Expenses | 891 | - | 800 | -91 | - | - |
| General Expenses | 361 | - | 361 | -0 | - | - |
| GMF★ | 807 | - | 728 | -78 | - | - |
| Total SG&A Expenses | 2,384 | - | 2,128 | -255 | - | - |
| Operating Income | 27 | 549 | 800 | +773 | +251 | 258 |
| Operating Margin | 0.2% | 4.5% | 6.8% | +6.6pt | +2.3pt | 1.1% |

* Guidance was announced on May 11, 2017

★ GMF = Group Management Fee

Digital Business: Indicators

| | | FY2016 Q2 | FY2017 Q2 |
|--------------------------------------|----------------------------------|-----------|-----------|
| Digital Video Distribution Services※ | ARPU (¥) | 479 | 482 |
| | Subscribers (millions of people) | 5.10 | 4.61 |

※UULA and CEO Channel subscribers not included

Other Businesses

(millions of yen)

Other Businesses

| | FY2016 Q2 | *Guidance | FY2017 Q2 | YoY | VS Guidance | FY2017 Guidance |
|---------------------|-----------|-----------|-----------|---------|----------------|-----------------|
| Net Sales | 550 | 698 | 872 | +321 | +174 | 2,205 |
| Cost of Sales | 314 | - | 309 | -5 | - | - |
| Gross Profit | 236 | - | 562 | +326 | - | - |
| Gross Profit Margin | 42.9% | - | 64.5% | +21.6pt | - | - |
| Personnel Expenses | 162 | - | 403 | +240 | - | - |
| Marketing Expenses | 29 | - | 20 | -8 | - | - |
| General Expenses | 79 | - | 202 | +122 | - | - |
| GMF★ | 108 | - | 161 | +53 | - | - |
| Total SG&A Expenses | 379 | - | 787 | +408 | - | - |
| Operating Income | -143 | -250 | -225 | -81 | +25 | -1,585 |
| Operating Margin | - | - | - | - | - | - |

* Guidance was announced on May 11, 2017

★ GMF = Group Management Fee

Consolidated Balance Sheet

(millions of yen)

Consolidated Balance Sheet

| | Mar. 31, 2017 | Sep. 30, 2017 | | Mar. 31, 2017 | Sep. 30, 2017 |
|-----------------------------------|----------------|----------------|---|----------------|----------------|
| Current Assets | 63,693 | 62,931 | Current Liabilities | 57,029 | 59,752 |
| Cash and Deposits | 24,298 | 24,711 | Notes & Accounts Payable-trade | 2,198 | 1,328 |
| Notes & Accounts Receivable-trade | 20,122 | 17,126 | Short-term Debt Bonds | 11,300 | 14,575 |
| Inventories | 5,451 | 5,685 | Accounts Payable-Other | 19,926 | 25,238 |
| Others | 13,821 | 15,407 | Allowance for Returned Goods | 4,328 | 4,154 |
| | | | Others | 19,276 | 14,454 |
| Non-current Assets | 54,705 | 61,265 | Non-current Liabilities | 9,520 | 14,458 |
| Tangible & Intangible Assets | 44,209 | 51,086 | Long-term Debt | 7,200 | 12,279 |
| Investments & Other Assets | 10,496 | 10,178 | Others | 2,320 | 2,178 |
| Investment Securities | 5,819 | 6,196 | Total Liabilities | 66,550 | 74,211 |
| Others | 4,676 | 3,982 | Total Net Assets | 51,849 | 49,985 |
| Total Assets | 118,399 | 124,196 | Total Liabilities & Net Assets | 118,399 | 124,196 |

Consolidated Cashflow Statement

(millions of yen)

Consolidated Cash Flow Statement

| | FY2016 Q2 | FY2017 Q2 | YoY |
|--|-----------|-----------|--------|
| Net Cash provided by Operating Activities | 4,771 | 4,044 | -727 |
| Net Cash provided by Investing Activities | -1,979 | -9,780 | -7,801 |
| Net Cash provided by Financing Activities | -1,554 | 6,156 | +7,711 |
| Cash Flow | 1,237 | 420 | -817 |
| Free Cash Flow | 2,792 | -5,735 | -8,528 |
| Effect of exchange rate change | 12 | -7 | -20 |
| Net increase in cash and cash equivalents | 1,250 | 413 | -837 |
| Cash and cash equivalents at beginning of period | 21,107 | 24,298 | +3,191 |
| Cash and cash equivalents at end of period | 22,358 | 24,711 | +2,353 |

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

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