

AVEX GROUP CSR REPORT 2014

2013.04.01 - 2014.03.31

WHAT WE TREASURE

What CSR Means for Avex

In a society undergoing dizzying change,
we have always considered what we can do best
as a comprehensive entertainment corporation.

Donations and volunteering are activities that we do on a daily basis at the Avex Group.
However, we recognize these things are common practice for our corporations.

Our business is to excite people's emotions:
to evoke empathy, to provide hope and the joy of living, and to impart dreams for the future.
If we dare to speak without fearing the possibility of being misunderstood,
the business itself might be a form of CSR.

To do so, we prepare the environment for people producing entertainment.
In short, Avex will continue to be a place where each employee can work with enthusiasm.
That is also a form of CSR.

We put our knowhow to good use and shake up people's emotions,
pursuing CSR that only Avex's entertainment can achieve.

**In any era, entertainment to bring people
closer to each other.**





WHAT WE TREASURE : Artists sustaining the entertainment industry

Working Hand in Hand in Developing Careers of our Artists

Nurturing Pre-Debut Artists

At Avex, we provide our selected group of pre-debut artists and entertainers with free-of-charge support for lessons, live events and music production. We assist any of these contracted trainees' entertainment activities until their debut. We do this on an ongoing basis as we consider it an investment in outstanding talent for the future of the entertainment industry. At present, we have just over 160 artists under this contract (average age is 18 to 19), and at least 60 of them are expected to make their debut during fiscal 2014. Once every six months, our training managers visit five cities

around the country to do a skills check and to conduct interviews with the trainees and their parents. The purpose is not only to share progress with skills, but also to provide guidance on diet and mental well-being, as well as to consult on the careers of minors. We believe that a relationship of trust between the artist, the family and the training manager provides the optimum learning environment. This environment is important to educate students in both the arts and letters, and to develop their careers in the long run. We have a strong sense of responsibility for all our students to engage with them in their career choices.


Developing the Artist with a Strong Mind

Entertainment education is different from desk studies; it progresses through communication between people. No matter how young the artists, there are many situations where they have to act as adults with their peers, rivals, clients or managers. They also grow up with a strong awareness of what is expected from them, or what they are good at. Based on the idea that entertainers cannot move people unless they themselves develop a strong mind that attracts people from within, the focus is on education rather than skills lessons. Students are taught the importance of good manners, greetings and a sense of gratitude. Many parents have told us that they have seen how their children have developed, not only in their skills, but in everyday life thanks to this education.

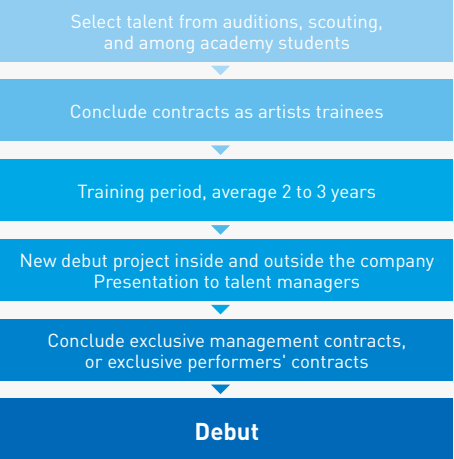
Building Relationships of Trust

We treat the children who come to the auditions and the academies as Avex (artist) fans. As well as running a program to improve skills, our staff knows that they are entrusted with the future of the students, and that they must always interact with the children empathically and cultivate their aspirations and dreams. Even if a child does not conclude a contract with us, we give them our full attention because we would like all children who have participated to grow into active supporters for the Japanese entertainment industry.

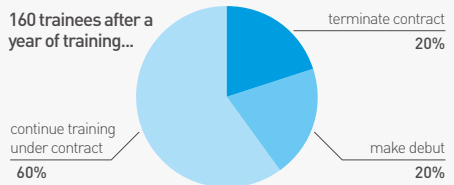
 Avex Group Holdings Inc.
Artist Development

 Avex Planning & Development Co., Ltd.
aaa Tokyo School

Discovery to Debut



Status of Artist Trainees Under Contract



Training credo

- ♥ Value manners and greetings
- ♥ Be on time and keep appointments
- ♥ Maintain a sense of gratitude to everyone supporting you
- ♥ Take lessons seriously
- ♥ Seek advice and guidance

Contracts Based on Mutual Consent

The details of the contract concluded between Avex and the artist forms the basis for the relationship. There are mainly two ways to have contracts with Avex: as a recording artist or as an exclusively managed artist. In the former case, the management company that the artist has signed with handles all aspects of the artist’s activities, but we discuss recording activities in great detail. This recording contract sometimes specifies the number of releases in a year, marketing methods, maintenance of the environment for the activities, etc. Both Avex and the artist appoint representatives with specialized knowledge to scrutinize the contract. In case of non-performance on any point on both parties, the contract may be dissolved. However, a good discussion is conducted before the contract to avoid such a situation and strive to build long-lasting relationships.



01



Partnering to Support the Life and Career of the Artist

Avex and the artist are almost like family. The output of the activities can be called as a “product,” but we build personal relationships with individual artists to overcome the ups and downs of any artists’ career. We may have to at times change artist’s entertainment style but this can only be successful when there is trust. Because we are partners we strictly ask artists to comply with laws and regulations even in their day-to-day lives, and take severe measures in case of drug use or consorting with antisocial forces. If the artist is a minor, the contract is concluded with the consent of the guardian. At Avex, we build relationships in the same way with all of our artists including TV personalities, actors and actresses, athletes, and creators.

Avex Management Inc.
President



02

WHAT WE TREASURE : Customer Voice

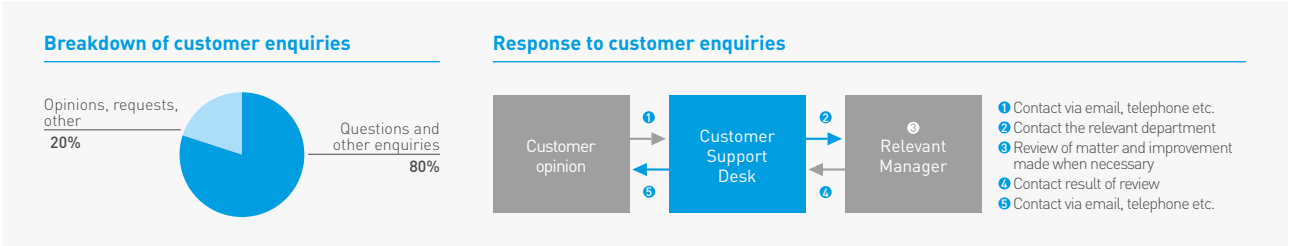
We listen with sincerity to the voices of our customers, connecting their opinions to future enhancements and business strategies.

Framework for collecting customer voices

The basics of customer interaction is to get people to feel that Avex definitely gets back if you send them an enquiry. Therefore, our motto at customer support is “to take action quickly” whether we are returning a call, or whether we are able to respond immediately. Every day, a lot of people approach Avex via telephone or email. We get about 7000 calls a month and as many as 20,000 emails. All these opinions and requests are uploaded to the in-house systems every morning, so that all staff members can browse

through them. By doing this, we are able to share the opinions of the customers who approached us about any of our policies, and take precautions to prevent similar problems for similar activities. Avex has also installed individual phone lines for fan clubs that we operate. The purpose is to minimize dissatisfaction among fans that would like to get in touch, but can’t get through on the phone. We have installed over 20 dedicated phone lines.

Avex Marketing Inc
Customer Support



OUR CONTRIBUTIONS



Social Initiatives

OUR CONTRIBUTIONS : 01 ● ● ●

Support for the Disaster Stricken Areas

OUR CONTRIBUTIONS : 01 ● ● ●

The Avex Group is continuing with activities to support the areas devastated by the Great East Japan Earthquake based on our corporate mission to deliver emotional experiences and dreams through entertainment. In addition to the free public viewing of the a-nation Tokyo performance at six Ito-Yokado stores in Iwate, Miyagi and Fukushima prefectures, we have donated 500 CD titles to 35 community FM stations in Iwate, Miyagi, Fukushima and Ibaraki Prefectures. In January 2014, we started to donate our music CDs to 21 elementary and junior high schools in Minami-Soma. We will continue to donate three to five titles a month.



At the public viewing in 2011

Supporting School Lunch Programs

OUR CONTRIBUTIONS : 01 ● ● ●

We agree with and continue to support the goal of the World Food Programme (WFP) that no child should have to go to school on an empty stomach. Specifically, when staff purchase beverages from vending machines installed in the Avex building, we donate 10 yen per purchase to the WFP. This has been an ongoing initiative since 2010 and as of the end of March 2014, we had collected 5,875,730 yen in total.

Support for Exchanges with Asian Countries

OUR CONTRIBUTIONS : 01 ● ● ●

We are in agreement with the goal of delivering dreams and entertainment to children in Asia, and we support appearances by our artists at events that connect Japan and Asia.



Asian International Children's Film Festival

Events

Asian International Children's Film Festival

We provide financial support to the event where children produce their own three-minute films as competition entries. The minds of the children expressed in these films are used to enhance educational programs in the region. Children from 15 countries come to Japan for the exchange.

Japan Day in Vietnam

The start of diplomatic relations between Japan and Vietnam marked its 40th anniversary in 2013. In Vietnam, there were events to introduce Japanese culture, together with Japanese food and lectures by the astronaut Soichi Noguchi. The pianist Nobuyuki Tsujii, one of the signed artists with the Avex Group, gave his first performances in Vietnam in Hanoi and Ho Chi Minh City.

ASEAN-Japan Music Festival

To boost the cultural aspects of the ASEAN-Japan summit meeting, the host nation (Japan) invited singers from all countries to Tokyo to perform with Ryotaro Sugi, special ambassador for ASEAN-Japan. The ASEAN-Japan Music Festival was organized at the NHK Hall and was also broadcast to several countries. Artists signed with the Avex Group also performed.

Initiatives for the Next Generation

OUR CONTRIBUTIONS : 02 ● ● ●

Workplace Visits by Junior and Senior High School Students

OUR CONTRIBUTIONS : 02 ● ● ●

The Avex Group is pleased to accept junior and senior high school students for workplace visits in order to introduce work in the entertainment industry as a profession. We use a mix of videos and materials to tell the students about the history of the Avex Group, the work that goes into making a CD, copyright law, and other topics. In fiscal 2013, we had 4156 students visit from 308 schools nationwide.

Voices of Participants

- VOICE

I was surprised at how many projects people work on in Avex.
- VOICE

Everyone working at Avex looked stylish and full of energy.
- VOICE

I saw a video about what happens behind the scenes at live events. The large number of people involved in managing a live event was a surprise.
- VOICE

It was inspiring to hear employees say they feel rewarded for their efforts.
- VOICE

I learnt that great entertainment can only be created when many people work together.

Organizing Free Dance Championships

OUR CONTRIBUTIONS : 02 ● ● ●

Dance has been a required subject in junior high schools since fiscal 2012. To allow the children who will lead the next generation to experience the joy of dancing, we organized the Dance Club Championship for dance clubs at all junior and senior high schools nationwide. Entry fees and admission fees were all free of charge. The group competed not only on dance skills, but also on the composition of the program and the power to express a theme based on two kanji characters of their own choosing. In August, twenty schools from the whole country that had passed the preliminary video auditions came together for the finals of the championship where they poured out their feelings for dance. (Participants: 345 junior high and 557 senior high school students)

Dispatching dancers to PE classes

OUR CONTRIBUTIONS : 02 ● ● ●

The Avex Group dispatches dancers to PE classes to teach the students the fun of dancing and to lecture teachers on methods of dance instruction. In Fukuoka where one of our Avex Artist Academies is located, we have conducted several classes in cooperation with the city's Board of Education. We arrange ongoing activities such as recitals where the students design their own dance postures.



Dance lesson in Fukushima Prefecture

Dancers dispatched in fiscal 2013					
Region	Host	Attendees	No. of Attendees	No. of Sessions	
Osaka	Aoi Nursery School	Teachers at Izumisano private nursery school (13 facilities participated)	128	1	
Saitama	Saitama Prefectural Association of Physical Education for Women	PE teachers at elementary, junior high, senior high and special support schools in Saitama Prefecture	60	1	
Aomori	NPO SPÖREC Dance Club Hirakawa	People in the Aomori area aiming to become instructors	5	1	
Fukuoka	JSDA/Fukuoka Board of Education	PE teachers at elementary and junior high schools in Fukuoka	8	2	
Fukushima	Fukushima Prefectural Board of Education	All students at Yasawa elementary school	88	3	
Saitama	Saitama Prefectural Association of Physical Education for Women, Western	PE teachers in Western Saitama	20	1	
Fukushima	Fukushima Prefectural Board of Education	All students at Takahira Elementary School	112	2	
Fukuoka	Kashihara Junior High School	First year students	193	12	
Fukuoka	Josei Junior High School	Second year students	80	12	
Fukuoka	Miyatake Junior High School	Second year students	80	12	
Fukuoka	Tamura Elementary School	Fifth year students	100	5	

Copyright Initiatives

OUR CONTRIBUTIONS : 03 ● ●

“Don't Steal from Others”

OUR CONTRIBUTIONS : 03 ● ●

The Avex Group supports copyright by observing a compliance policy of protecting the company's intellectual property rights and respecting the intellectual property rights of others. We deal with pirated video and music products from both the criminal and civil angles. Our Legal Affairs office checks the Internet on a daily basis for illegally uploaded content, and we also receive reports from employees and ethical fans. We request internet service providers to delete the content. If the unauthorized situation still continues, we

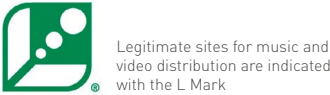
launch legal action depending on the situation by submitting requests for disclosure of personal information.

Copyright Awareness Campaigns

OUR CONTRIBUTIONS : 03 ● ●

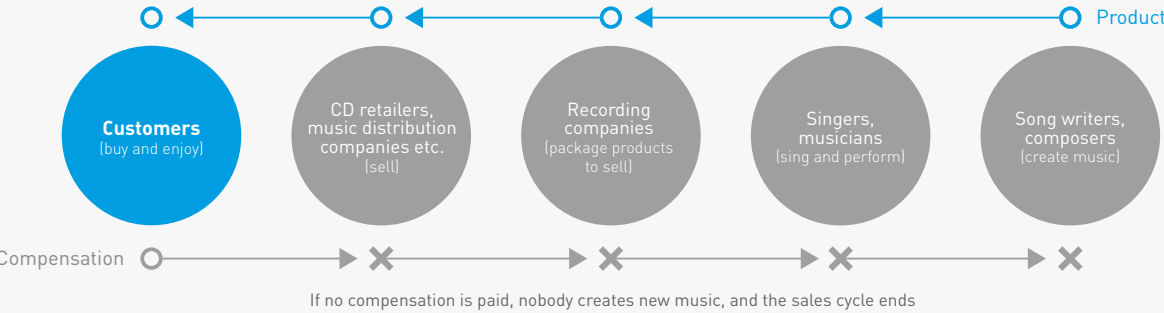
As well as checking for infringements of our own copyrights, we at the Avex Group also do our best to check if the Group is infringing on someone else's copyright. These initiatives are backed by the idea of maintaining the cycle of music creation, which is shared across the whole music industry centered on the Recording Industry Association of Japan. If the products

cannot be properly sold, the song writers and composers, artists, recording companies, and others involved with music can no longer be properly compensated, which would make it difficult to create new music. That is why the Avex Group distributes posters to raise awareness of copyright, and conveys the importance of copyright to students on workplace visits.



Legitimate sites for music and video distribution are indicated with the L Mark

Copyright infringements make it impossible to create new music (Source: Recording Industry Association of Japan)



Environmental Initiatives

OUR CONTRIBUTIONS : 04 ● ● ● ● ● ●

Conserving Electricity at the Head Office

OUR CONTRIBUTIONS : 04 ● ● ● ● ● ●

Since the Great East Japan Earthquake in 2011, the Avex head office has continued with initiatives to reduce power consumption by 20% compared to the period prior to the earthquake. We have halved power consumption for the jumbo screen installed at the head office by reducing the brightness by 20%. We have also thinned out lighting, replaced halogen bulbs with LED, and introduced controlled operation for air conditioning and elevators.



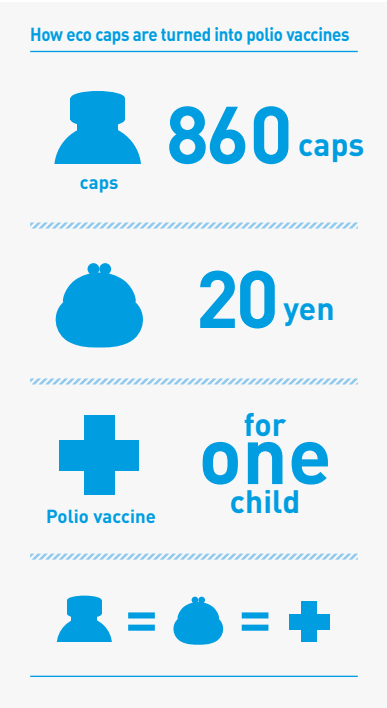
The jumbo screen installed at the head office

Collecting Eco Caps

OUR CONTRIBUTIONS : 04 ● ● ● ● ● ●

The Avex Group has been collecting eco caps since 2008. Both employees and signed artists participate in this activity and so far, we have managed to collect 444,259 caps (August 2008 to end of January 2014). The eco caps are picked

up by a recycling company with the profits from the sale covering the cost of purchasing polio vaccines for approximately 550 children *1. The Japan Committee Vaccines for the Worlds' Children (JCV) *2 delivers the vaccines to children in developing countries. Since disposing of this quantity of caps as waste would produce 3460 kg of CO₂, this activity also



contributes to protecting the environment.

*1 860 caps (value of 20 yen) = polio vaccine for one child
*2 A non-profit organization that provides vaccines to protect children around the world from infectious disease, fund-raises to support prevention measures, and undertakes related information-collection and promotional activities.

Organizing the Aoyama Christmas Circus

OUR CONTRIBUTIONS : 04 ● ● ● ● ● ●

We continue to organize the Aoyama Christmas Circus, the event that aims to turn Aoyama-dori, the vanguard of information and fashion, into a popular venue for the Christmas season. We installed the tree that has become the symbol of the event in front of our head office building and decorated it with lights using green power. Looking to the future, we would like to continue to collaborate with local residents and deliver Christmas entertainment that not only warms the heart, but also considers the environment.



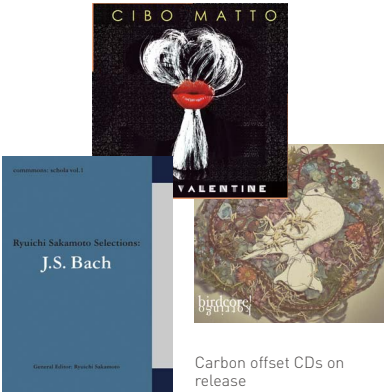
The Christmas tree at the head office

CD Packaging and Environmental Activities

OUR CONTRIBUTIONS : 04 ● ● ● ● ● ●

Under the motto "commons for GREEN," the commons *1 project, a green label in terms of both form and content, has carbon offset *2 all packaged CDs released on the label since 2008. The commons office also uses green power for all its lighting to show consideration for the environment.

* 1 A new project set up by the Avex Group together with Ryuichi Sakamoto and other artists in order to find new potential for music. As a new music community aiming for social and cultural contribution while maintaining the ecological perspective, the objective of the activities is to create a "commons" for building better relationship between artists/creators, the music industry, and the user/listener.
* 2 Introducing tree-planting and natural energy in order to offset the CO₂ emitted in day-to-day life.



Carbon offset CDs on release

Eco Activities at Events

OUR CONTRIBUTIONS : 04 ● ● ● ● ● ●

The Avex Group set up Eco Stations at the a-nation outdoor events organized every summer. These Eco Stations are installed in the community area to collect waste. Everyone attending the event who brings their waste to us receives a Bonfim wish bracelet. We installed four Eco Stations at a-nation island held in the grounds of

the Yoyogi National Stadium, eight at a-nation stadium fes at Nagai Stadium, and six at Ajinomoto Stadium. The collected waste was separated into burnables, non-burnables, PET bottles and their caps, bottles and cans. The PET bottles are processed by the Teijin recycling system and will be reused next year as uniforms for the Eco Volunteers and Bonfim wish bracelets.



Creating a Pleasant Workplace

01 Promoting Work-Life Balance

The Avex Group takes measures to actively support female employees in order to provide a workplace where working women can fulfill their potential while combining work with childcare. In fiscal 2013, we obtained the Kurumin * next-generation certification mark from the Ministry of Health, Labour and Welfare.

* The Kurumin mark is awarded to corporations that support child rearing.



In fiscal 2013, 16 employees took maternity leave, and a total of 55 female employees returned from childcare leave to combine work with childcare. Taken together, these numbers represent about 10% of all female employees. In recent years, the ratio of returnees is at almost 100% and the number of female employees combining work with childcare increases from year to year. Aiming to enable employees who combine life events with their jobs to continue to build their careers, we conduct training for working mothers and for their managers. A total of 48 persons have participated in the training. Recently, consultations about nursing care have also increased and we expect the number of employees taking nursing care leave to increase in the future. We plan to provide training, not only for working mothers, but for a variety of working styles in the future.

Participants' Voices

- VOICE

I was reminded of the need to respond flexibly to individual career aspirations as a manager. We make every effort to engage in a dialog to avoid creating misunderstandings with relevant employees. [Superior of participant]
- VOICE

I can be more positive about career when my superior and the work environment are more understanding to individual situations. [Employee with reduced working hours]

02 Health Insurance Society

In a first among companies in the entertainment industry producing music and video content, Avex obtained the approval of the Minister of Health, Labour and Welfare to set up the Avex Group Health Insurance Society on June 1, 2012. As a result, we have been able to enhance the legal content of the physical checkup and health insurance premiums, enabling us to maintain and increase the health initiatives that are suited to the Avex Group where many of the employees are young. [Ratio of employees undergoing physical checkup in fiscal 2013: 97%]

03 Health Promotion for Employees

As a measure to promote the health of employees and to prevent lifestyle – related diseases, we organize morning yoga lessons and blood rheology tests. We organized the morning yoga to make effective use of the time before starting work after hearing employees say that even though they realize that exercise is important for their health, they were so busy with work that they could not find the time to exercise the body. We invited an external instructor for twice-monthly sessions with a total of 35 participants. A total of 120 people took part in the blood rheology tests organized four times in fiscal 2013. We also organized sessions with an external public health nurse who performed some simple tests based on blood drawn from the fingertip to give basic advice on diet and lifestyle.



Morning yoga lesson

04 Hiring and supporting disabled athletes

The Avex Group has been proactively hiring disabled athletes since 2008. As well as meeting the legally designated employment ratio as part of our corporate social responsibility initiatives, Avex connected with this initiative after looking for a format of support for the disabled that meshed with our corporate mission to create emotional experiences. At present, we retain twelve challenged athletes in seven events. Three of them participated in the Paralympics at Sochi in 2014 where they performed well.



Yoshiko Tanaka ©PARAPHOTO/YUKI Higa Masahiko Tokai ©PARAPHOTO/YUKI Higa Keiichi Sato ©STAND/Shugo Takemi

Employment Situation (Japan)

Number of employees (full-time employees)	Men/Women/Total	876/510/1386 persons
Ratio of employment of disabled staff		2.03%
Average age	Men/Women/Total	Age 39.0/Age 34.68/Age 37.41
Average years of continuous service	Men/Women/Total	9.06 years /7.46 years /8.47 years

Employee Training in Fiscal 2013

Category	Target group	Description
Training by job class	New managers	New manager (management and leadership basics) training
	Employees in their 4th year after joining as new graduates	Training for employees in their 4th year after joining as new graduates
	Prospective regular employees/ New employees	Prospective employees/ New employee training
Knowledge and skills (participation optional)	All employees (some are limited to departments), interested employees	Digital marketing training (1) Three video service companies (2) Big Data (3) Customer relations management
	All employees, interested employees	Entertainment business course
	Non-managers with at least 3 years with the company and 34 years old or younger (interested employees)	Logical thinking training
	Concerned Group companies	Production ethics course
Other	Persons joining the company mid-career	Orientation (e-learning) for persons joining the company mid-career
	Persons joining the company mid-career	Lunchtime exchange meetings for persons joining in mid-career
	Staff in charge of training new graduates	Training for trainers (ongoing training and exchange during the six-month trainer system after new employee assignment)

Our Compliance Policy

Compliance Policy

At Avex, the following compliance policy is positioned as the cornerstone of all actions and judgment to conduct business activities.

Don't cheat.

1. Engage in fair, transparent and open competition.
2. Do not contradict the legitimate interests of the company to promote your own or a third party's interests.
3. Do not employ dishonest means in business activities.

Don't bully.

1. Respect human rights and do not engage in acts of discrimination.
2. Interact with business partners in a proper, honest, fair, and open manner.

Don't play around with other people's money.

Do not socialize with business partners in ways that depart from sound commercial practice or common sense.

Don't lie.

1. Disclose accurate information.
2. Engage in proper promotion and advertising.

Don't be arrogant.

Comply with laws and regulations, and respect social norms.

Don't be wasteful.

Recognize the importance of environmental issues and make effective use of company assets.

Don't steal from others.

Protect intellectual property rights of the company, and respect that of others.

Don't rely on power.

1. Do not associate with anti-social forces or groups that pose a threat to order and safety in civil society.
2. Build highly transparent relationships with politics and government.

Don't be selfish.

1. Be conscious of the support received from colleagues and the need to reciprocate.
2. Refrain from insider trading.

Don't betray your colleagues.

1. Do not speak or behave in ways that damage trust, credibility or honor.
2. Manage corporate secrets and personal information appropriately, and avoid unauthorized disclosure and leakage.

Take pride in the team

1. Create a working environment where employees find it comfortable to work.
2. Actively contribute to society as a good corporate citizen.

Above all, love and admire talent.

(Never be jealous.)

* Please refer to the website for corporate governance and full text of the compliance policy.

MOVE THE WORLD



Avex Group Holdings Inc.

<http://www.avex.co.jp/>