



Fourth Quarter of 2014

Presentation of Results

February 10, 2015

F@N Communications, Inc.

Contents

(1) Fourth Quarter of 2014 Performance Highlights.....	3
(2) Management Indicators (Quarterly Basis).....	9
(3) Overview by Main Service Area.....	20
Non-consolidated Businesses	
▪ Affiliate Ad Services for PCs	
▪ Affiliate Ad Services for Mobile Devices	
Consolidated Group Businesses	43
Reference Materials.....	47

Fourth Quarter of 2014 Performance Highlights

Fourth Quarter of 2014: Key Points

- **Net sales were a record high ¥8,717 million.**
- **Ordinary income was a record high ¥1,196 million.**
- **Send and AdCrops contributed to net sales.**
- **Sales of A8.net and Moba8.net both decreased compared with the previous quarter for two consecutive quarters.**

Performance Highlights (Consolidated)

Results of Operations

(¥ thousands)	2014 Full Year	2013 Full Year	Year-on-Year Change	% of Net Sales (2014)
Net sales	31,990,509	22,721,246	40.8%	100%
Operating income	5,889,772	4,075,848	44.5%	18.4%
Ordinary income	5,948,530	4,126,183	44.2%	18.6%
Net income	3,630,523	2,563,244	41.6%	11.3%
Ordinary income margin	18.6%	18.2%	+ 0.4 _{points}	-
Net income per share	¥47.14	¥33.79	39.5%	-
Diluted net income per share	¥46.54	¥33.14	40.4%	-

Note: The Company conducted two-for-one splits of shares of its common stock on October 1, 2013 and April 1, 2014. Net income per share and diluted net income per share are calculated as if both stock splits had occurred as of January 1, 2013.

Performance Highlights (Non-consolidated)

Results of Operations

(¥ thousands)	2014 Full Year	2013 Full Year	Year-on- Year Change	% of Net Sales (2014)
Net sales	29,988,646	21,511,564	39.4%	100%
Operating income	5,688,462	4,028,123	41.2%	19.0%
Ordinary income	5,650,405	4,079,666	38.5%	18.8%
Net income	3,462,961	2,472,946	40.0%	11.5%
Ordinary income margin	18.8%	19.0%	-0.2 points	-

Consolidated Financial Statements

Balance Sheets

(¥ thousands)	December 31, 2013	December 31, 2014
Assets		
Current assets	10,610,153	15,911,394
Cash and deposits	5,620,946	9,426,329
Notes and accounts receivable - trade	3,278,350	4,435,298
Securities	1,495,722	1,702,824
Other	235,357	367,594
Allowance for doubtful accounts	(20,223)	(20,653)
Fixed assets	3,050,365	2,443,533
Property and equipment	153,603	172,166
Intangible assets	135,046	211,099
Investments and other assets	2,761,714	2,060,267
Total assets	13,660,518	18,354,927
Liabilities and Net Assets		
Current liabilities	4,847,201	6,298,662
Notes and accounts payable - trade	2,965,192	3,674,452
Income taxes payable	1,147,651	1,577,198
Other current liabilities	734,356	1,047,011
Long-term liabilities	147,341	153,941
Total liabilities	4,994,543	6,452,604
Total net assets	8,665,975	11,902,323
Total liabilities and net assets	13,660,518	18,354,927

Increase due to increase in sales of A8, Moba8 and nend

Main component was ¥1,735,151 thousand in investment securities

Increase due to increase in sales of A8, Moba8 and nend

Main component was long-term guarantee deposits

Main factor in increase was ¥2,720,420 thousand increase in retained earnings

Consolidated Performance Forecast

(¥ millions)	2015 Full Year Forecast <small>(Year-on-Year % Change)</small>	2015 Interim Period Forecast <small>(% Change from Same Period of Previous Year)</small>	2014 Full Year Results
Net sales	38,700 (21.0)	18,400 (20.7)	31,990
Operating income	7,150 (21.4)	3,400 (21.4)	5,889
Ordinary income	7,170 (20.5)	3,410 (20.6)	5,948
Net income	4,600 (26.7)	2,180 (25.2)	3,630

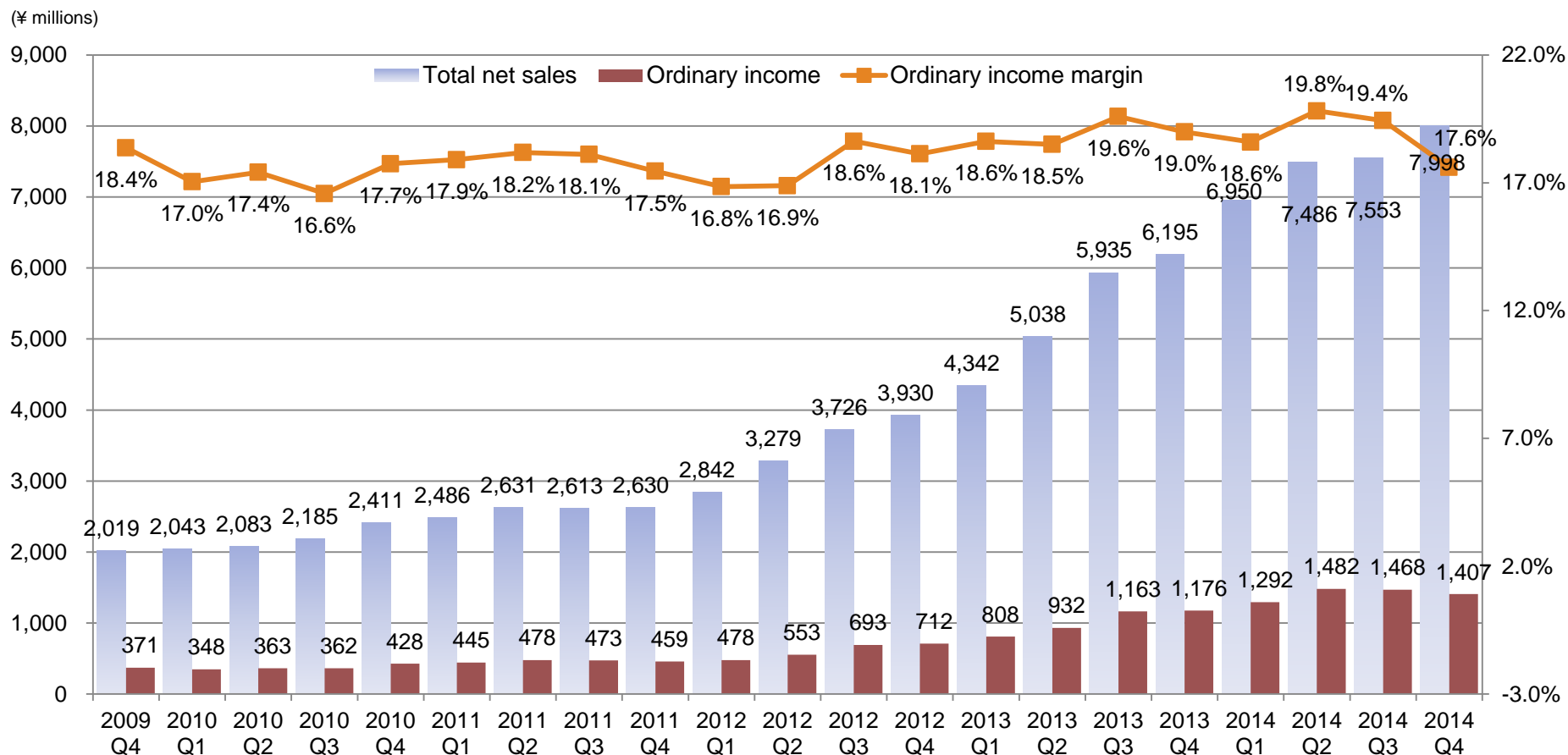
Dividend Forecast

	2015 Forecast	2014 Actual
Year-end dividend per share	¥17	¥15

Management Indicators (Quarterly Basis)

Management Indicators (Non-consolidated/Quarterly basis)

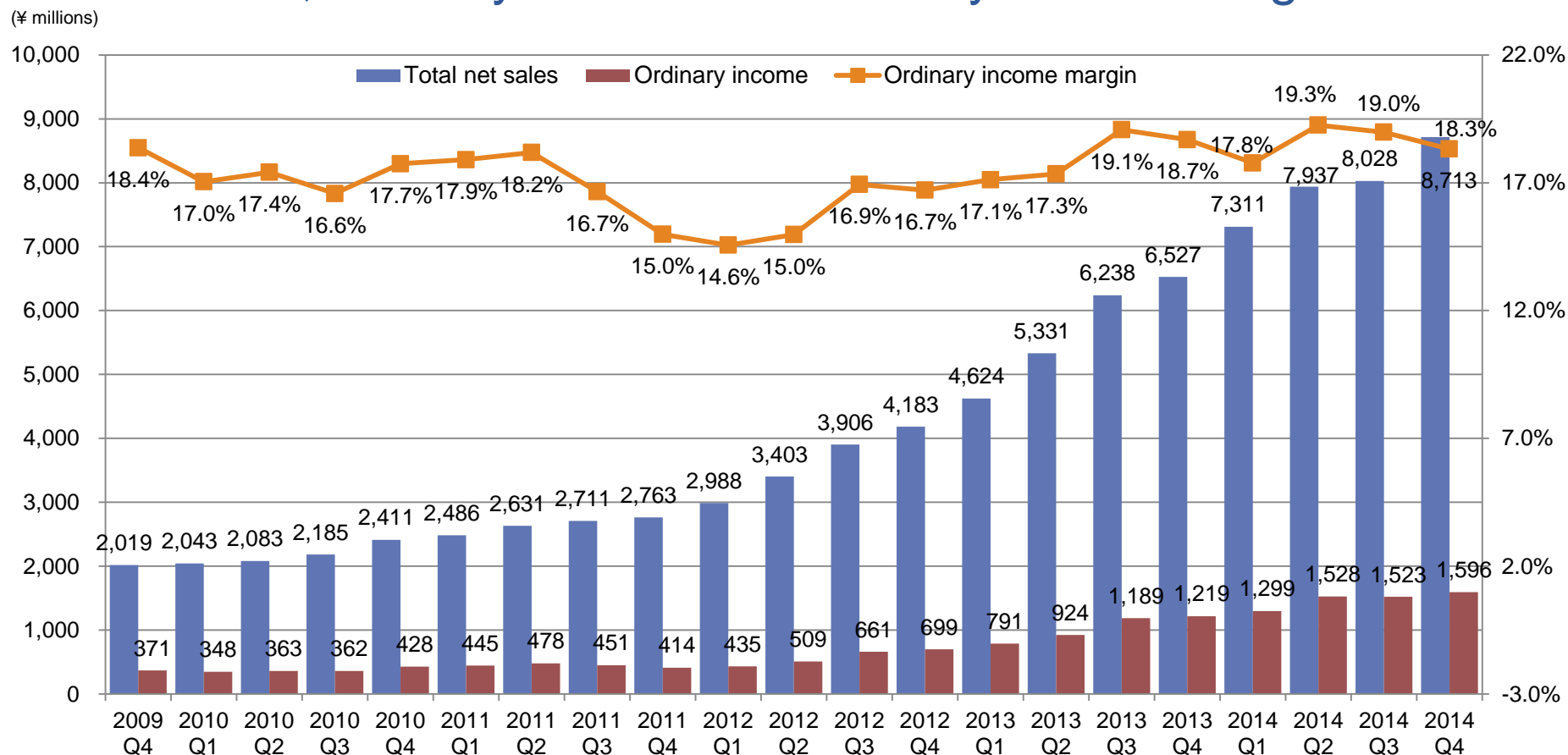
Net Sales, Ordinary Income and Ordinary Income Margin



Ordinary income decreased compared with the previous quarter for two consecutive quarters.

Management Indicators (Consolidated/Quarterly basis)

Net Sales, Ordinary Income and Ordinary Income Margin

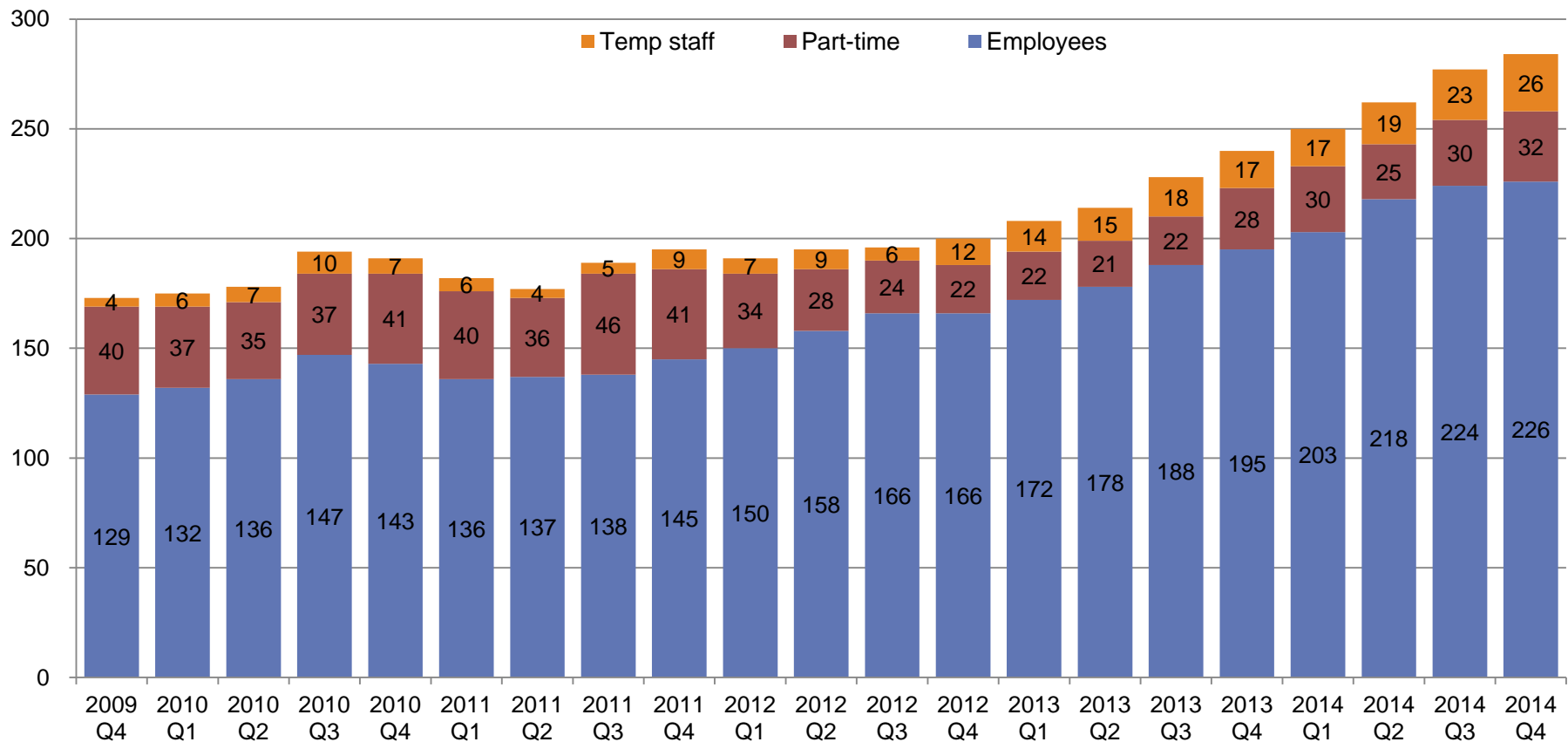


Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

The ordinary income margin decreased 0.7 percentage points.

Management Indicators (Non-consolidated/Quarterly basis)

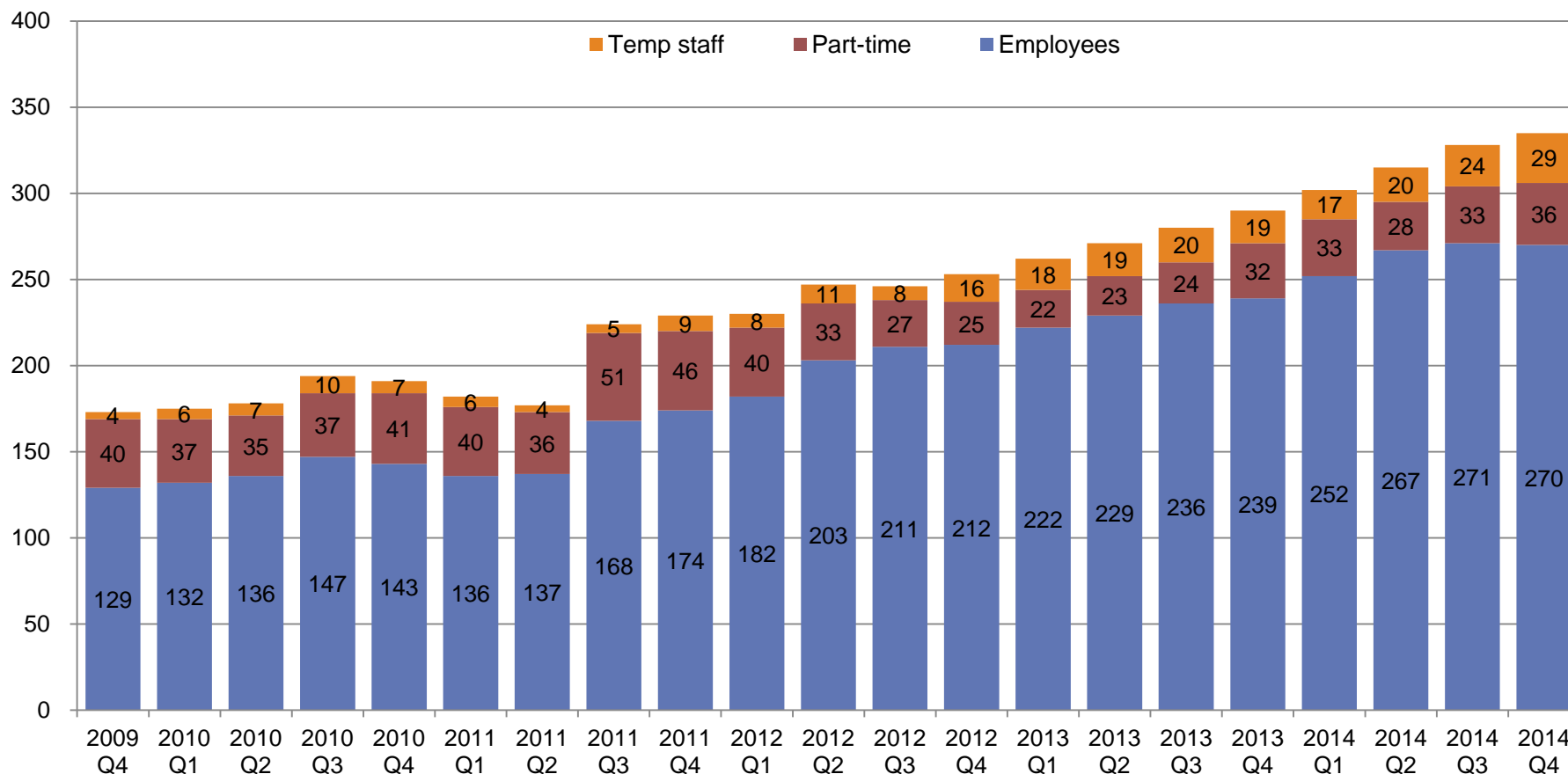
Number of Employees



The number of non-consolidated employees was 284, a record high. The number increased by 7 from the end of the previous quarter.

Management Indicators (Consolidated/Quarterly basis)

Number of Employees

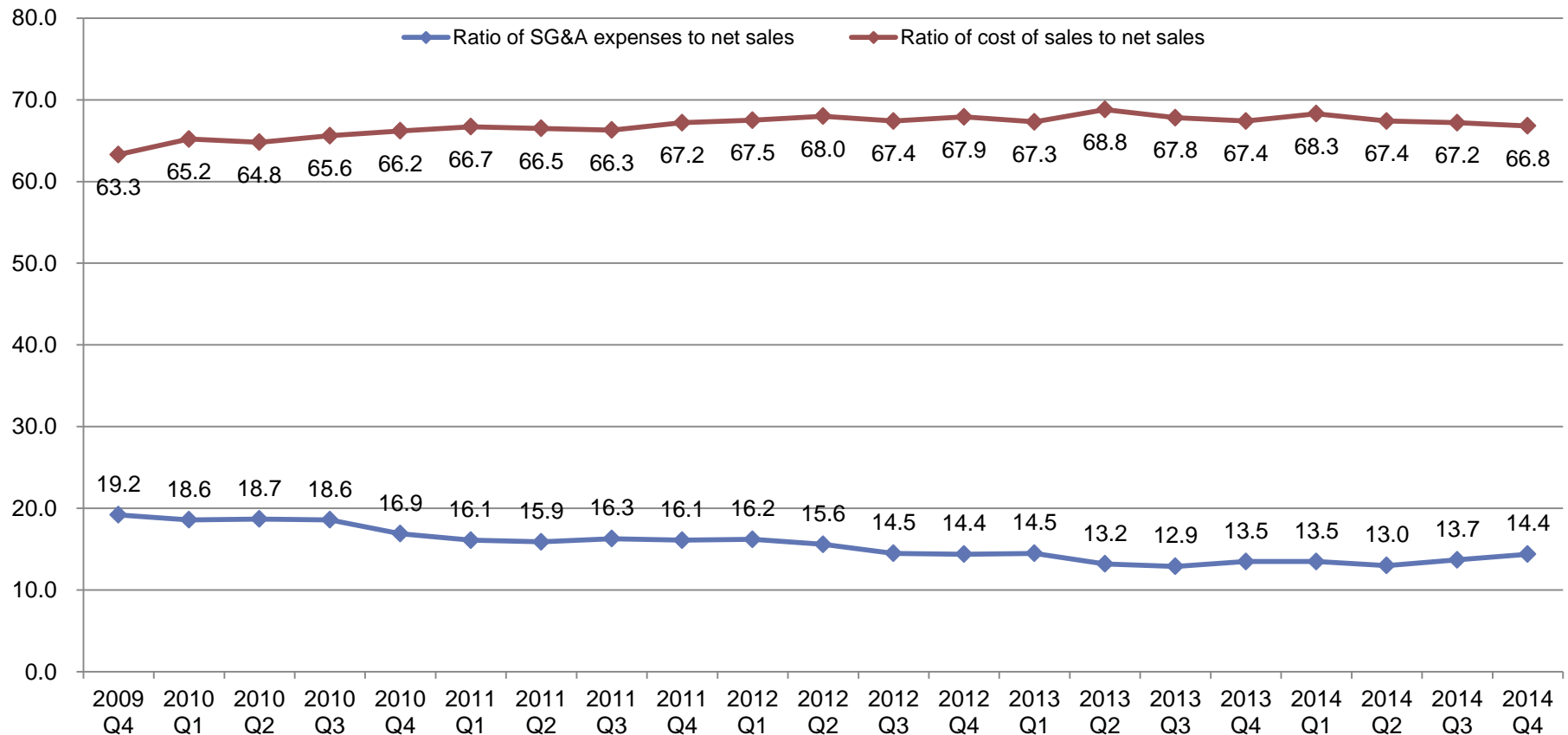


Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

The total number of employees in the Group was 335, an increase of 45 from a year earlier.

Management Indicators (Non-consolidated/Quarterly basis)

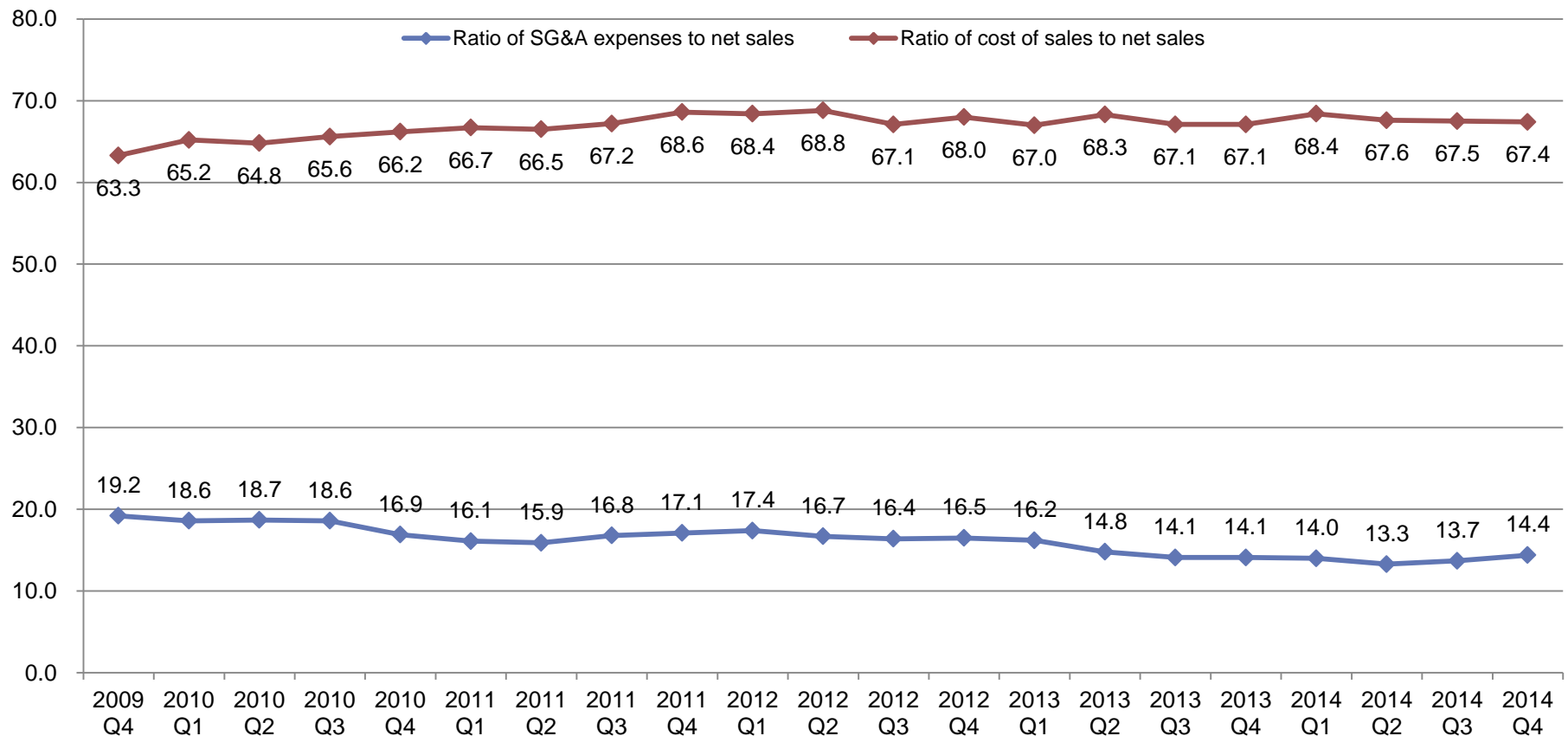
Cost of Sales Ratio and SG&A Expenses Ratio



The cost of sales ratio was basically unchanged. The selling, general and administrative (SG&A) expenses ratio increased slightly.

Management Indicators (Consolidated/Quarterly basis)

Cost of Sales Ratio and SG&A Expenses Ratio



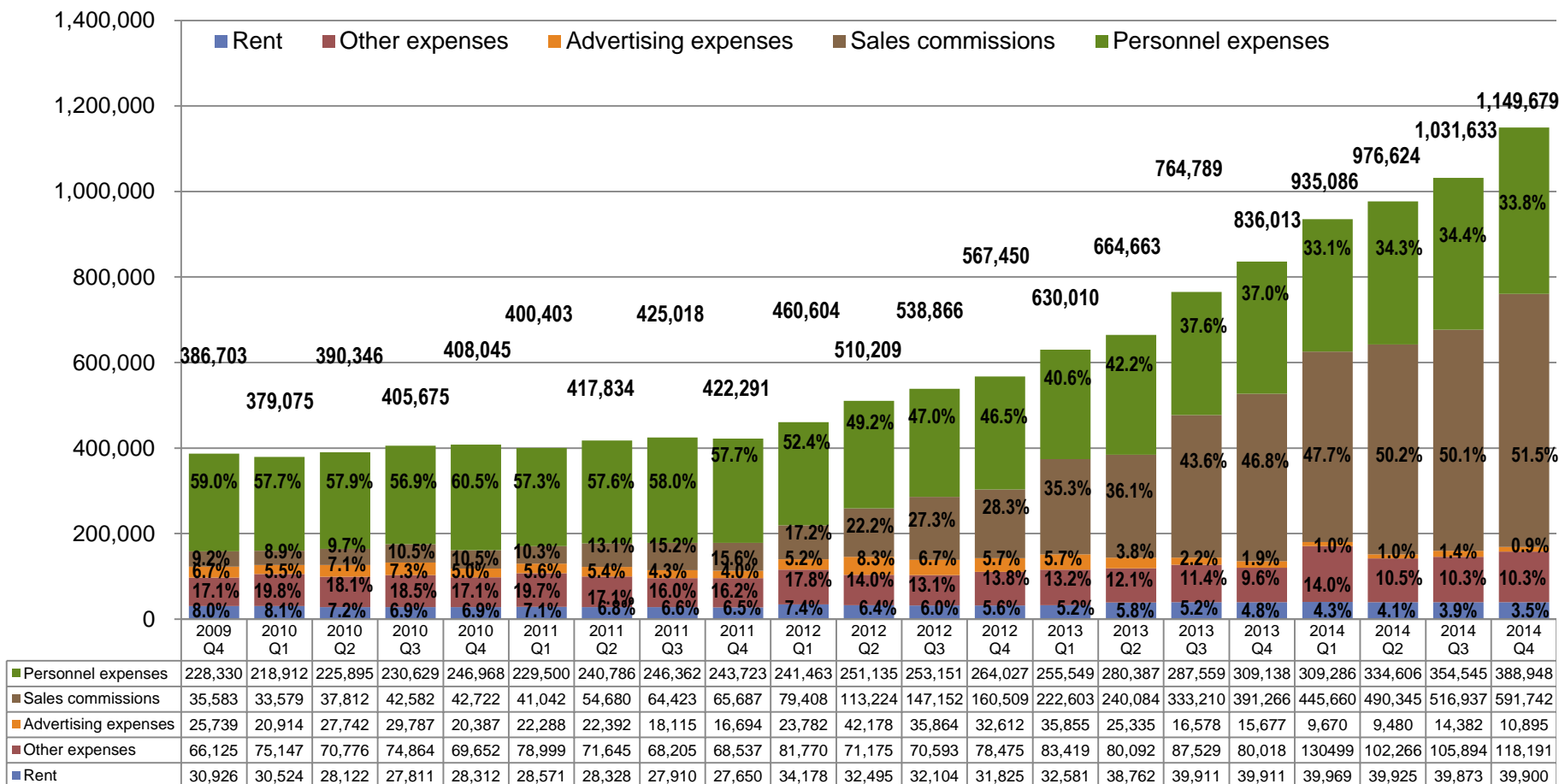
Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

There were no substantial changes in either the cost of sales ratio or the selling, general and administrative (SG&A) expenses ratio.

Management Indicators (Non-consolidated/Quarterly basis)

Selling, General and Administrative Expenses

(¥ thousands)

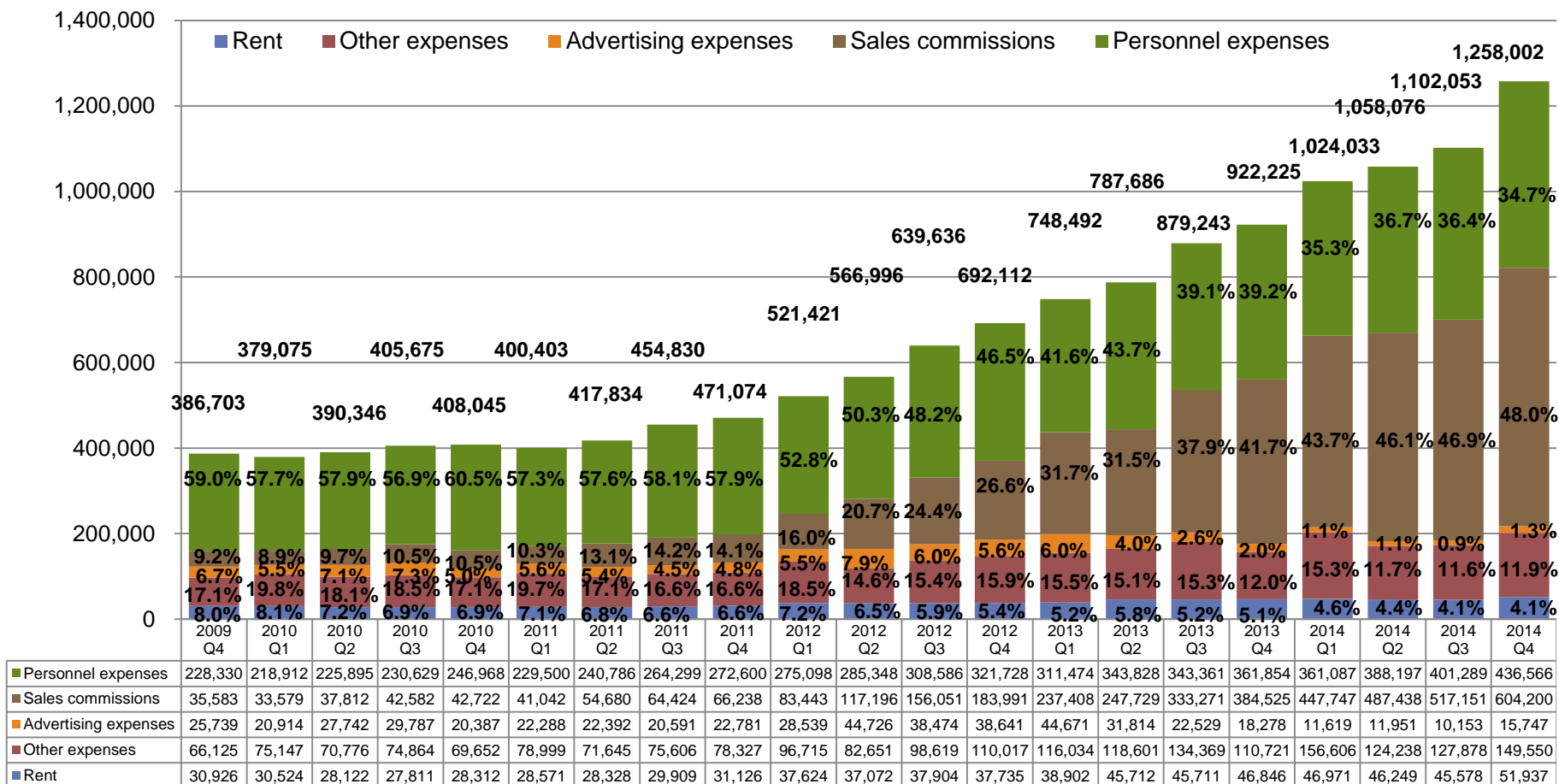


Sales commissions for 1st increased. Personnel and other expenses increased due to 15th anniversary events.

Management Indicators (Consolidated/Quarterly basis)

Selling, General and Administrative Expenses

(¥ thousands)



Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

The weighting of sales commissions increased in tandem with growth in sales of nend.

Management Indicators (Non-consolidated/Quarterly basis)

Cost of Sales

(¥ thousands)

6,000,000

5,000,000

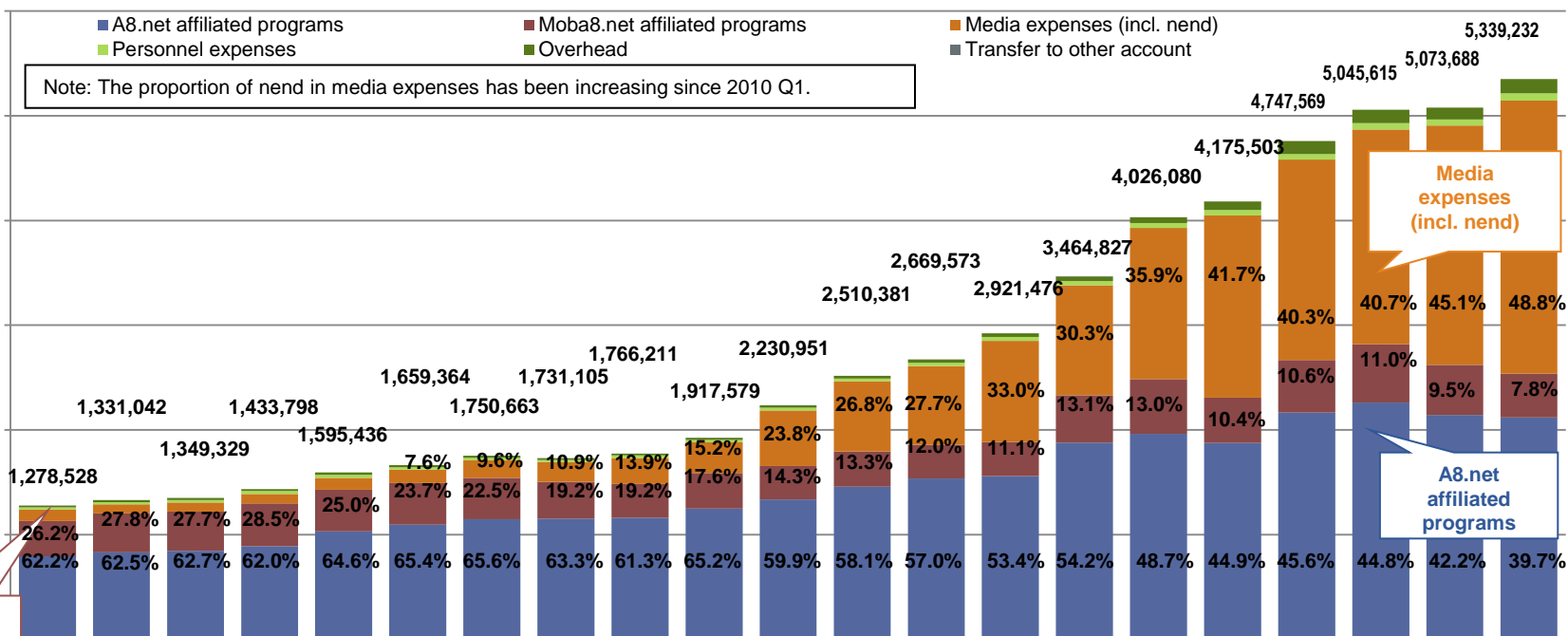
4,000,000

3,000,000

2,000,000

1,000,000

0



Moba8.net affiliated programs

Media expenses (incl. nend)

A8.net affiliated programs

(1,000,000)

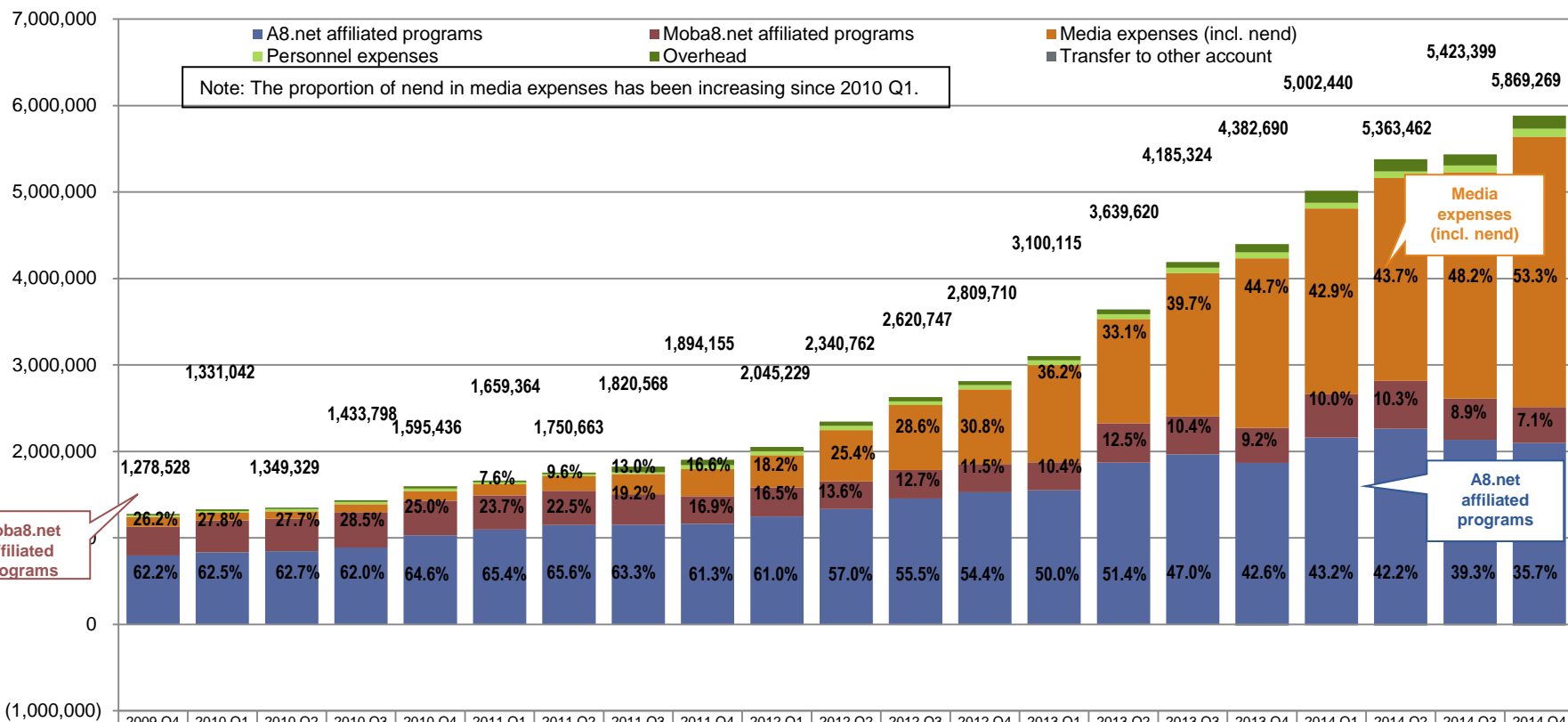
	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4
Transfer to other account	0	0	0	0	0	(3,202)	(3,182)	(138)	(7,950)	(6,405)	(2,989)	(6,717)	(2,884)	(2,420)	90	(5,228)	(7,357)	(10,313)	(11,503)	(5,690)	(10,425)
Overhead	17,250	19,956	17,611	17,457	24,082	19,521	20,082	17,921	18,738	19,140	21,926	26,937	29,994	35,938	41,925	54,258	81,231	122,691	127,933	113,944	136,372
Personnel expenses	19,531	21,424	24,360	28,745	30,335	23,877	22,201	19,695	24,871	24,766	26,404	24,451	31,934	38,910	42,597	47,037	54,581	51,863	58,488	57,386	68,815
Media expenses (incl. nend)	111,903	88,245	86,489	89,724	111,864	126,758	168,522	188,689	246,269	292,359	530,913	672,334	750,989	965,278	1,048,940	1,444,647	1,739,686	1,915,527	2,053,194	2,286,079	2,607,739
Moba8.net affiliated programs	334,916	369,715	374,185	408,663	398,215	397,431	394,566	350,547	321,155	337,862	318,329	334,663	322,894	323,690	452,249	523,567	432,744	501,358	554,618	479,584	416,629
A8.net affiliated programs	794,929	831,702	846,683	889,207	1,030,937	1,094,976	1,148,472	1,154,388	1,163,126	1,249,854	1,336,367	1,458,711	1,536,643	1,560,078	1,879,024	1,961,798	1,874,617	2,166,441	2,262,882	2,142,382	2,120,100

The ratio of payments to media from nend has increased.

Management Indicators (Consolidated/Quarterly basis)

Cost of Sales

(¥ thousands)



	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4
Transfer to other account	0	0	0	0	0	(3,202)	(3,182)	(3,766)	(9,149)	(7,039)	(4,610)	(6,963)	(2,884)	(2,420)	90	(5,228)	(15,286)	(10,313)	(16,030)	(11,882)	(15,778)
Overhead	17,250	19,956	17,611	17,457	24,082	19,521	20,082	65,157	61,870	49,158	49,782	50,387	47,797	50,086	53,697	66,541	95,241	136,481	140,800	128,387	152,976
Personnel expenses	19,531	21,424	24,360	28,745	30,335	23,877	22,201	19,695	46,390	45,761	49,678	40,765	47,826	56,935	56,537	61,750	70,400	67,686	78,056	79,960	90,632
Media expenses (incl. nend)	111,903	88,245	86,489	89,724	111,864	126,758	168,522	236,591	313,974	372,491	594,770	750,680	864,672	1,122,067	1,204,996	1,659,546	1,960,683	2,147,395	2,345,331	2,614,524	3,129,333
Moba8.net affiliated programs	334,916	369,715	374,185	408,663	398,215	397,431	394,566	349,994	320,232	337,235	317,307	331,691	323,522	322,583	453,356	437,186	404,245	501,055	554,355	478,888	415,362
A8.net affiliated programs	794,929	831,702	846,683	889,207	1,030,937	1,094,976	1,148,472	1,152,897	1,160,836	1,247,620	1,333,834	1,454,190	1,528,774	1,550,862	1,870,940	1,965,527	1,867,407	2,160,132	2,260,948	2,133,520	2,096,742

Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

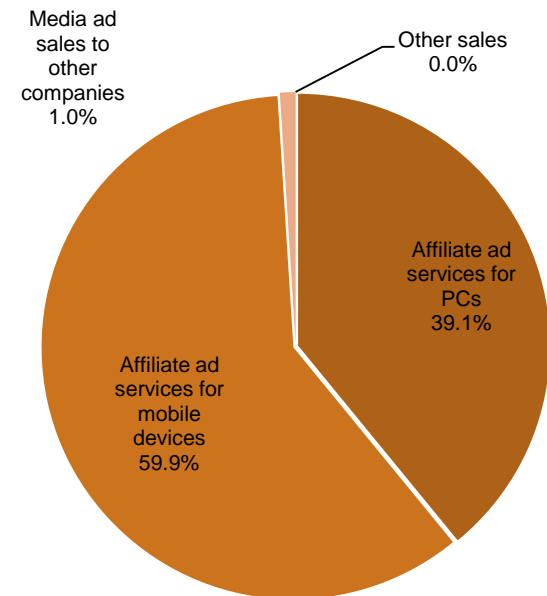
The trend is the same as non-consolidated, but weighting has not changed substantially.

Overview by Main Service Area

Non-consolidated Businesses

Net Sales by Service Area (Non-consolidated/Quarterly basis)

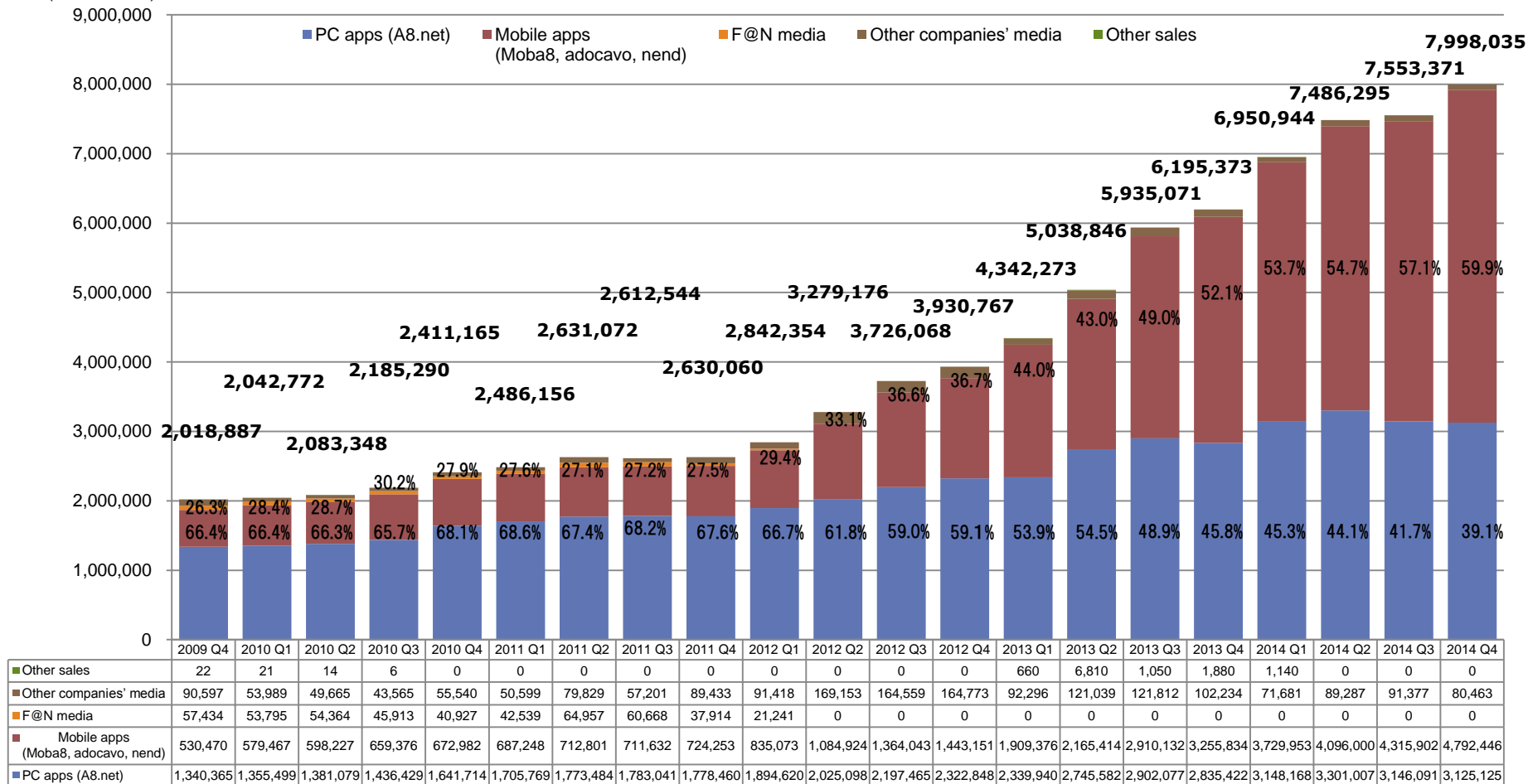
(¥ thousands)	2014 Q4 (Oct. – Dec.)	2013 Q4 (Oct. – Dec.)	Increase (Decrease)
Affiliate ad services for PCs	3,125,125	2,835,422	10.2%
Affiliate ad services for mobile devices	4,792,446	3,255,834	47.2%
F@N media business	0	0	-
Media ad sales to other companies	80,463	102,234	(21.3)%
Other sales	0	1,880	-
Net sales	7,998,035	6,195,373	29.1%



Services for PCs maintained a double-digit growth rate. Services for mobile devices continued to grow strongly.

Net Sales by Service (Non-consolidated/Quarterly basis)

(¥ thousands)



Services for mobile devices accounted for 59.9% of sales, an increase of 2.8 points from the previous quarter.

Affiliate Ad Services for PCs (Non-consolidated)

Service: A8.net

Summary

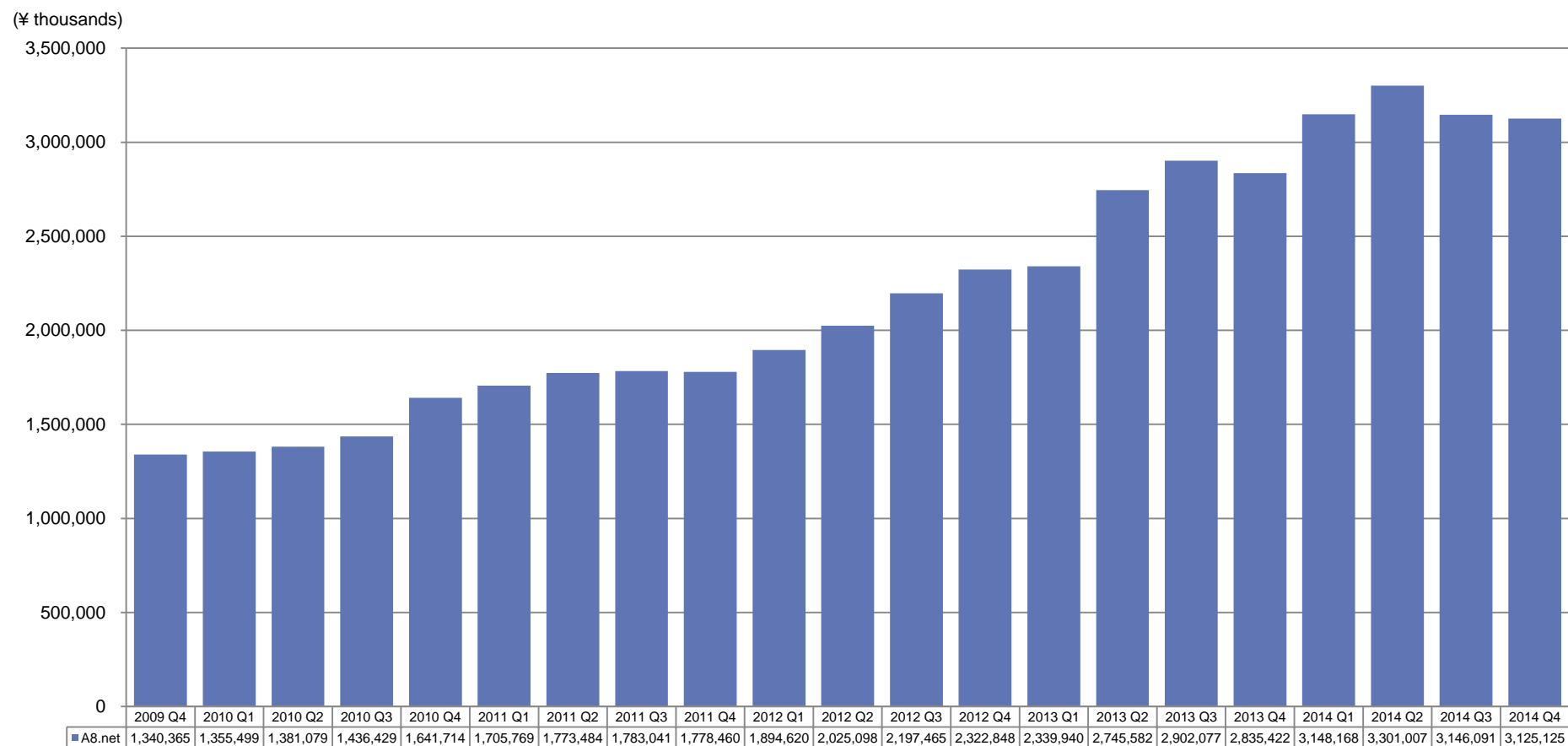
	2014 Q4 (Oct. – Dec.)	2013 Q4 (Oct. – Dec.)	Change
Sales (¥ thousands)	3,125,125	2,835,422	10.2%
Number of operating advertiser IDs	2,685	2,469	8.7%
Registered partner sites	1,790,719	1,559,613	14.8%

The number of operating advertiser IDs increased by 216 from the same period of the previous year.

Affiliate Ad Services for PCs (Non-consolidated)

Service: A8.net

Sales (Quarterly basis)

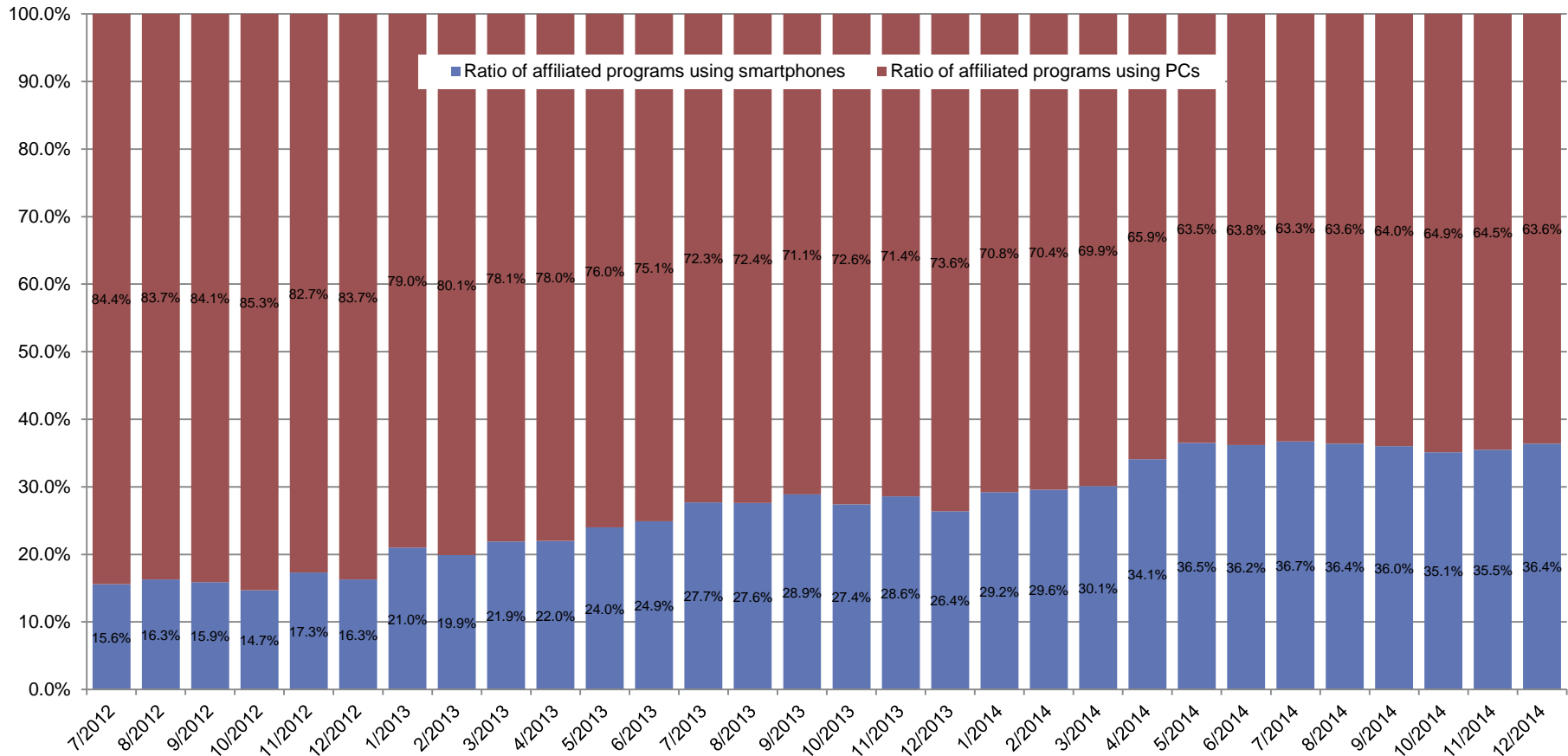


Sales decreased compared with the previous quarter for two consecutive quarters.

Affiliate Ad Services for PCs (Non-consolidated)

Service: A8.net

Ratio of Smartphones in Affiliated Programs (Monthly basis)



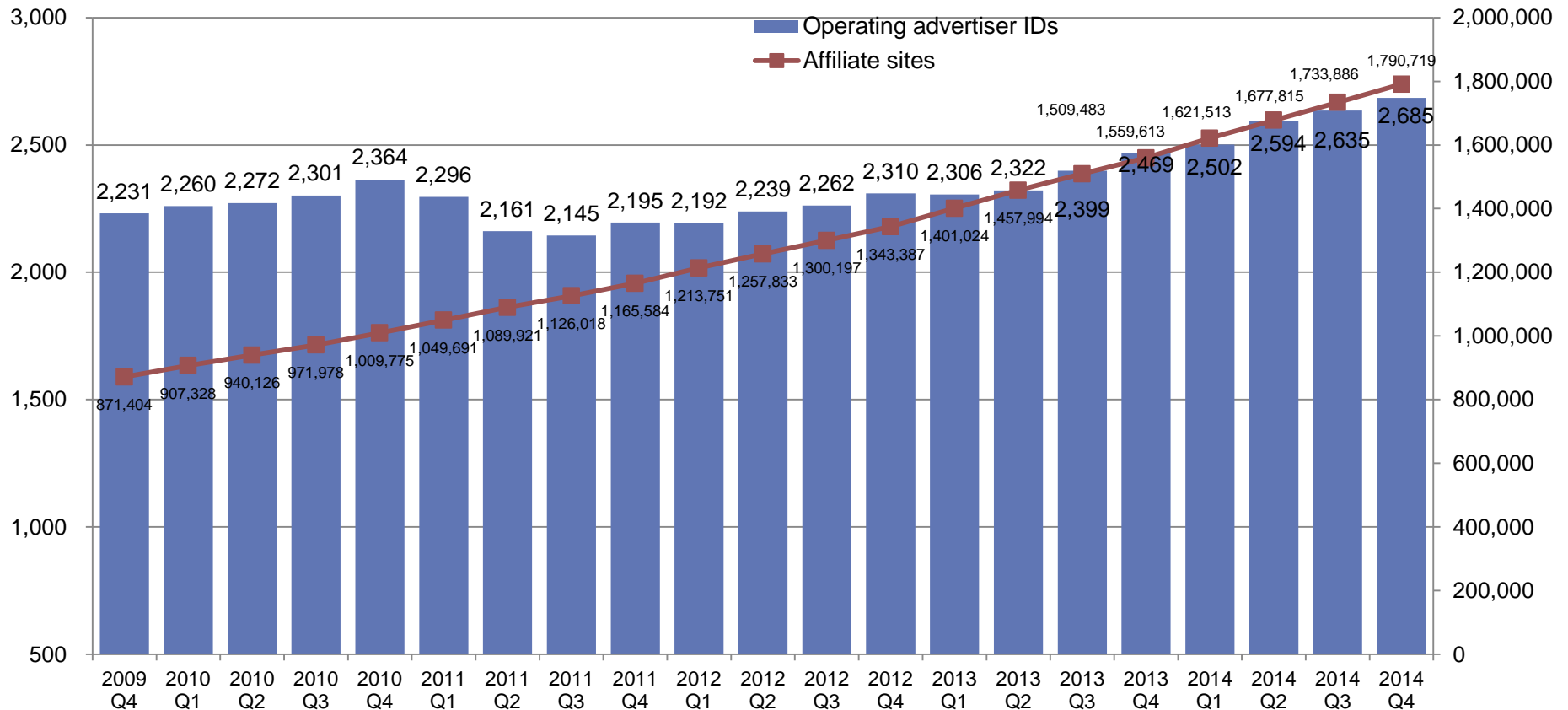
The ratio of affiliated programs using smartphones is currently around 36%.

Note: The above affiliated program ratios are not final and are subject to change.

Affiliate Ad Services for PCs (Non-consolidated)

Service: A8.net

Number of Operating Advertisers and Affiliate Sites (Quarterly basis)



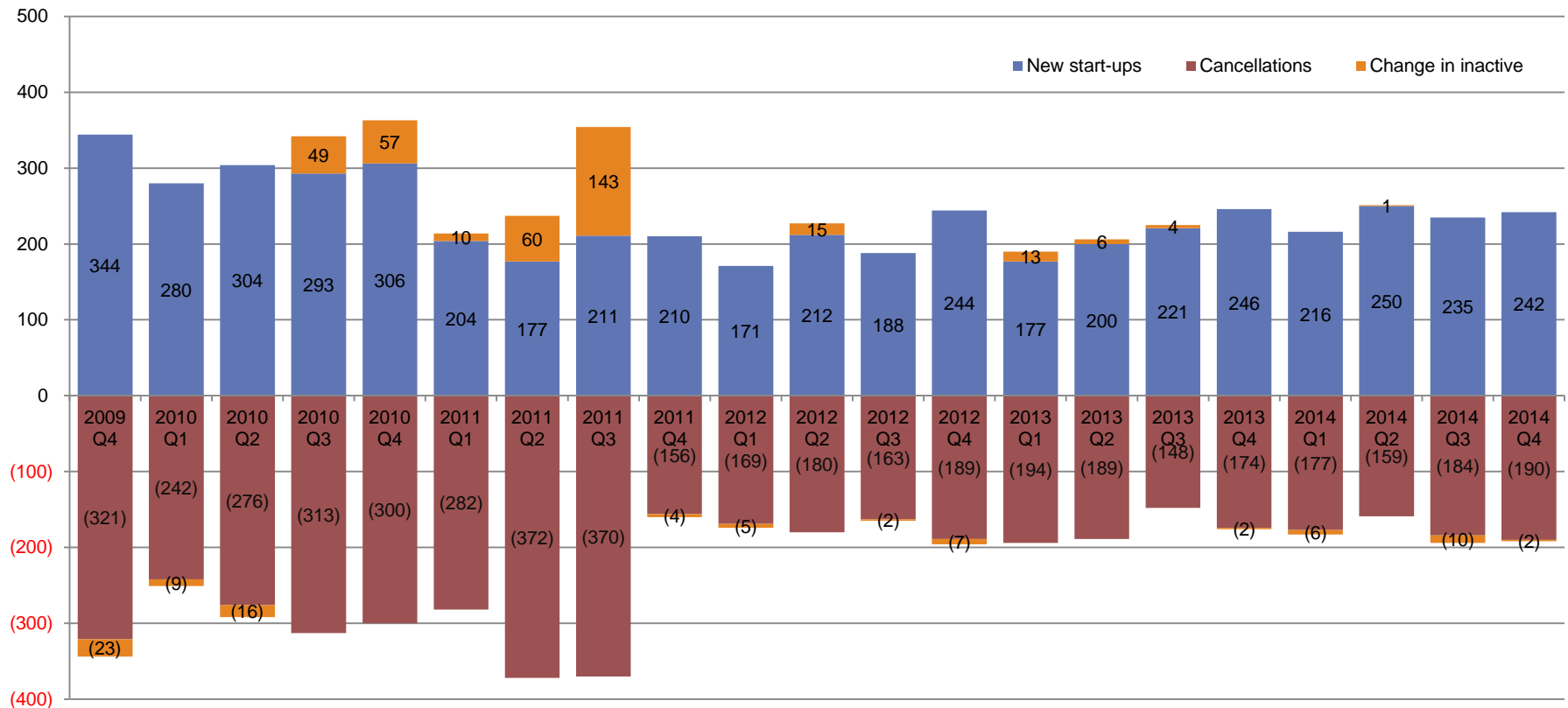
Note: The number of operating advertisers is as of the final month of each quarter.

The number of affiliate sites is growing steadily. The number of operating advertisers increased by 50 from the previous quarter.

Affiliate Ad Services for PCs (Non-consolidated)

Service: A8.net

New Advertiser Start-ups and Cancellations



"Change in inactive" is the difference in number of customers who switched between "operating" and "inactive," adjusted for the number of customers who switched from "inactive" to "cancelled" included in the number of cancellations.

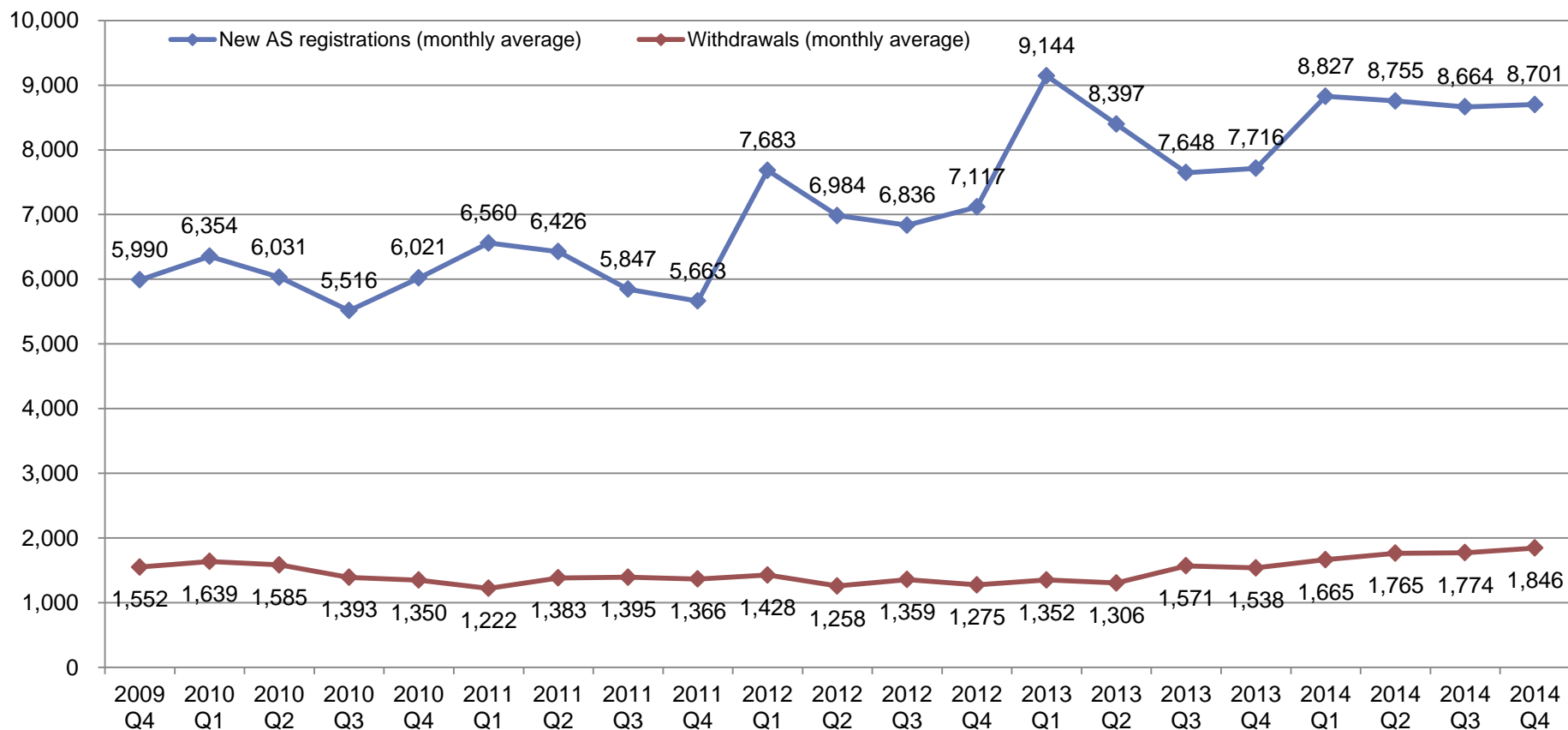
The method of counting operating advertisers changed when the conditions for cancellation were made stricter, applicable from 2009 Q4 on this graph.

There was no significant change in conditions.

Affiliate Ad Services for PCs (Non-consolidated)

Service: A8.net

Average Monthly New Affiliate Site (AS) Registrations and Withdrawals

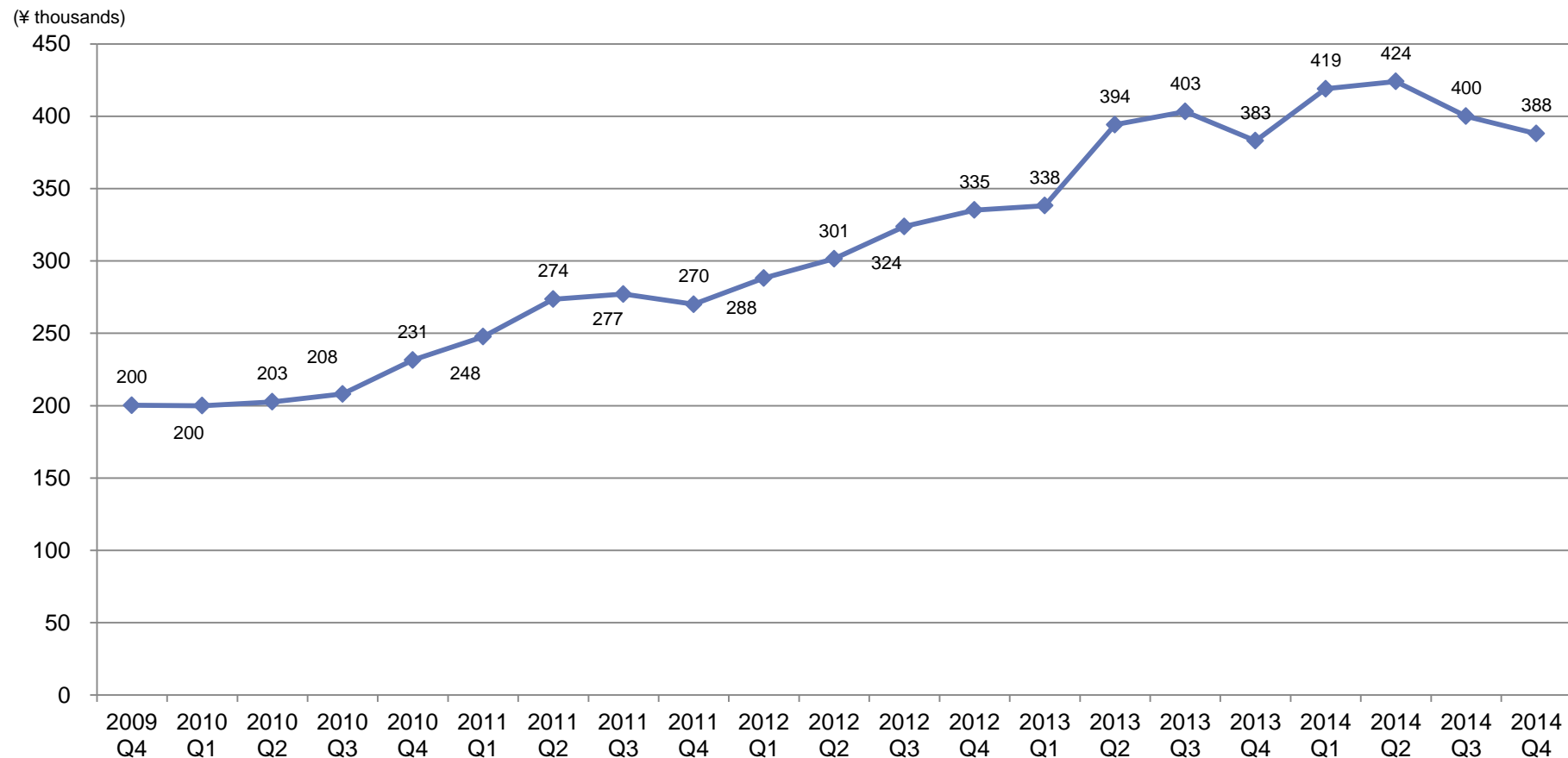


The number of new monthly registrations was substantially unchanged at nearly 9,000.

Affiliate Ad Services for PCs (Non-consolidated)

Service: A8.net

Average Monthly Sales per Advertiser



Decreased for two consecutive quarters.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Services: Moba8.net, nend

Summary

	2014 Q4 (Oct. – Dec.)	2013 Q4 (Oct. – Dec.)	Change
Sales (¥ thousands)	4,791,755	3,255,834	47.2%
Number of operating advertiser IDs	1,629	1,441	13.0%
Registered partner sites	539,291	345,988	55.9%

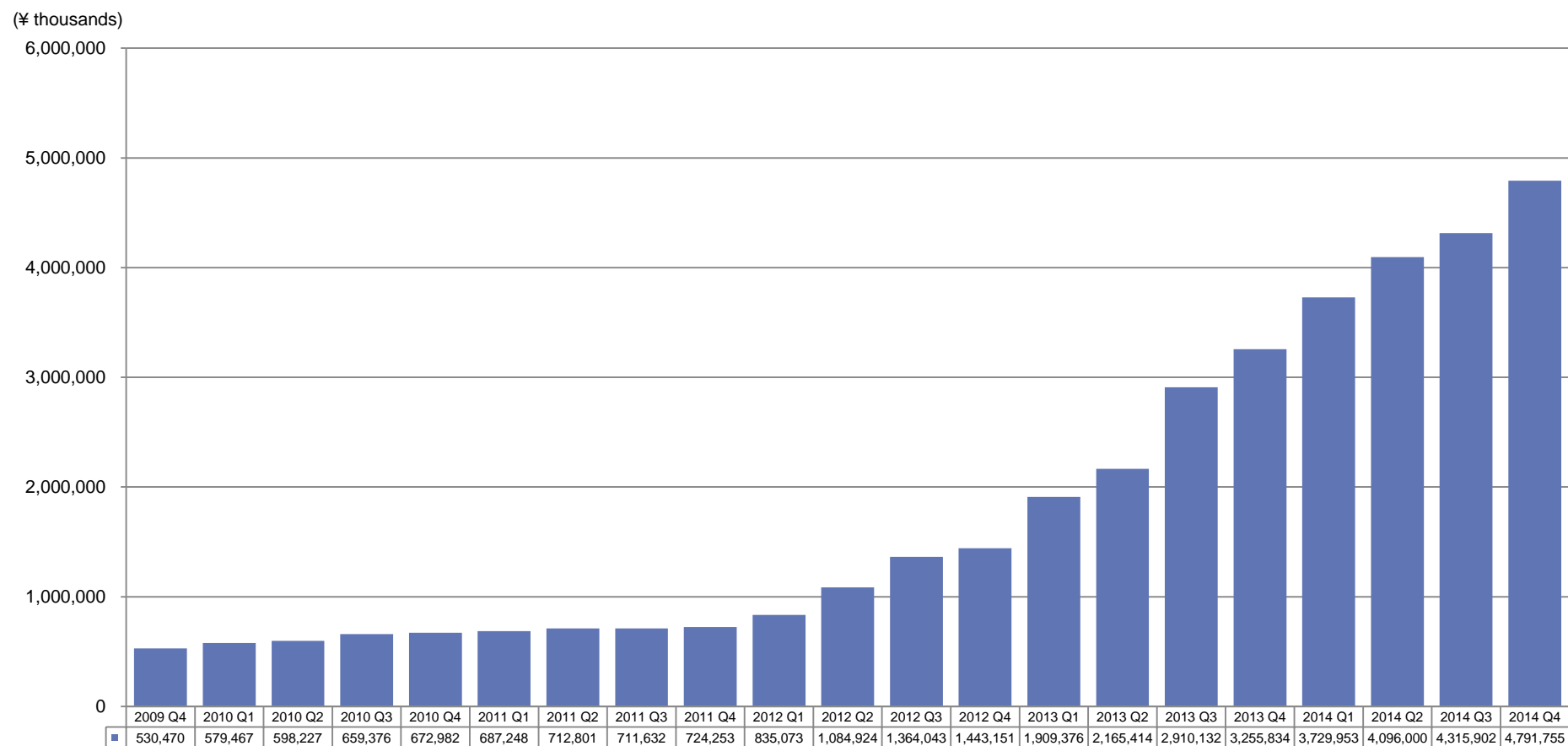
Note: "Sales" in the above chart includes other sales from the operations of divisions in charge of Moba8.net and nend. "Number of operating advertiser IDs" and "Registered partner sites" are the total figures for Moba8.net and nend.

The number of operating advertiser IDs increased by 188 from the same period of the previous year.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Services: Moba8.net, nend

Sales (Quarterly basis)



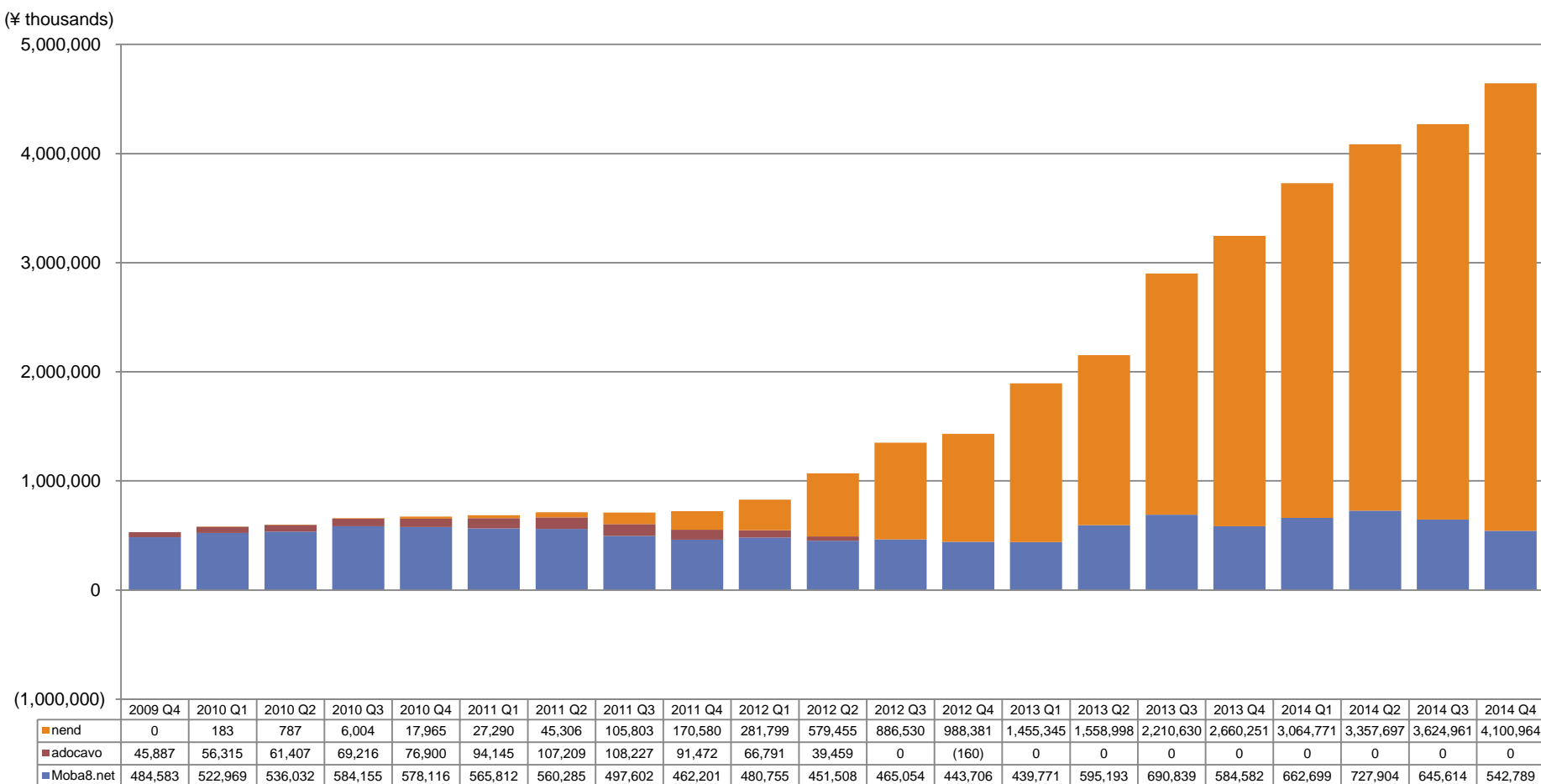
Note: Includes sales of adocavo until 2012 Q4. The above figures include other sales from the operations of divisions in charge of Moba8.net and nend.

Sales of nend continue to drive results.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Services: Moba8.net, nend

Sales (Quarterly basis)



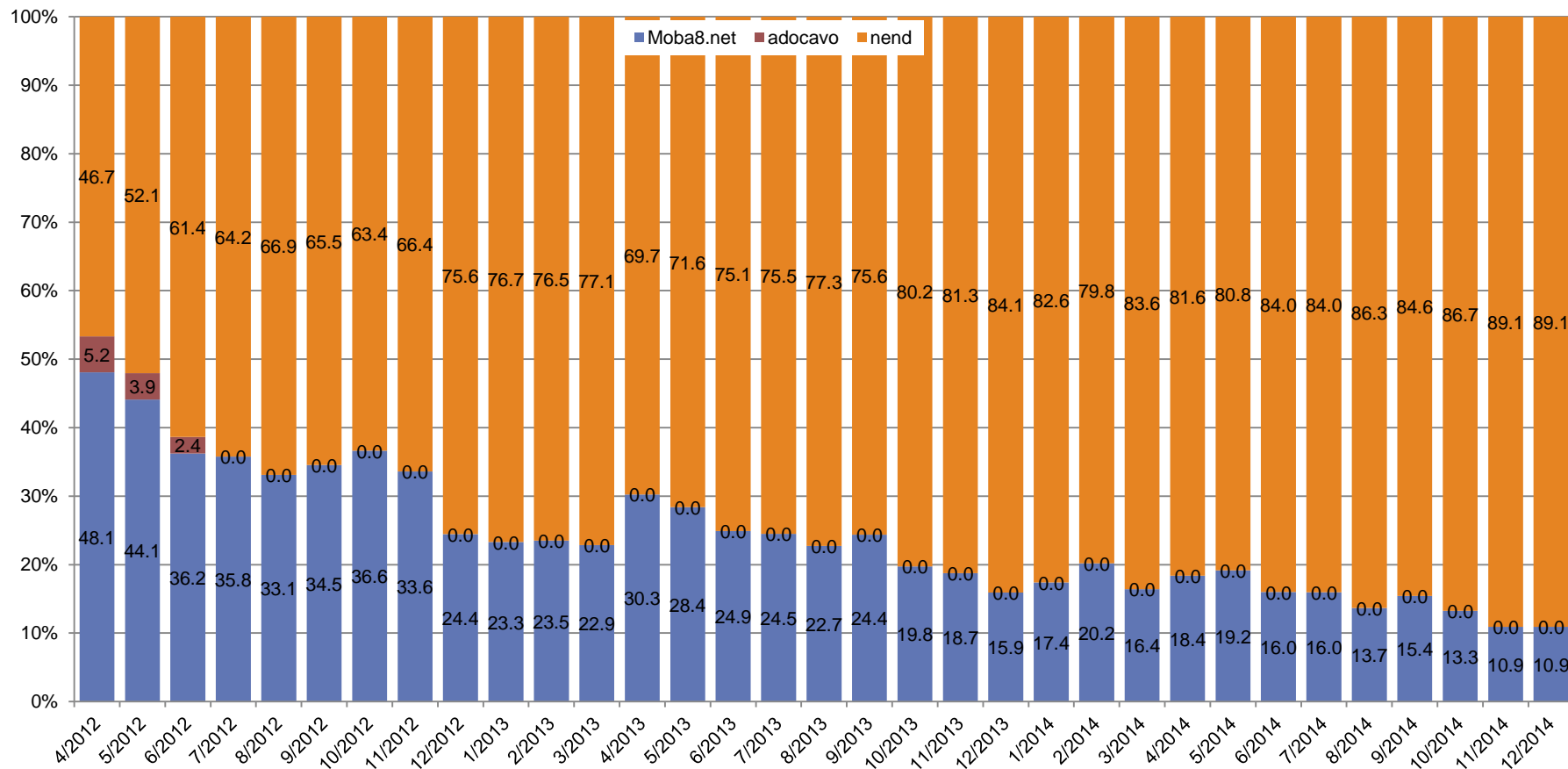
Note: The above figures are for adocavo, Moba8.net and nend only. Other sales from the operations of divisions in charge are not included.

The proportion of nend sales continues to grow.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Services: Moba8.net, nend

Composition of Sales (Monthly basis)



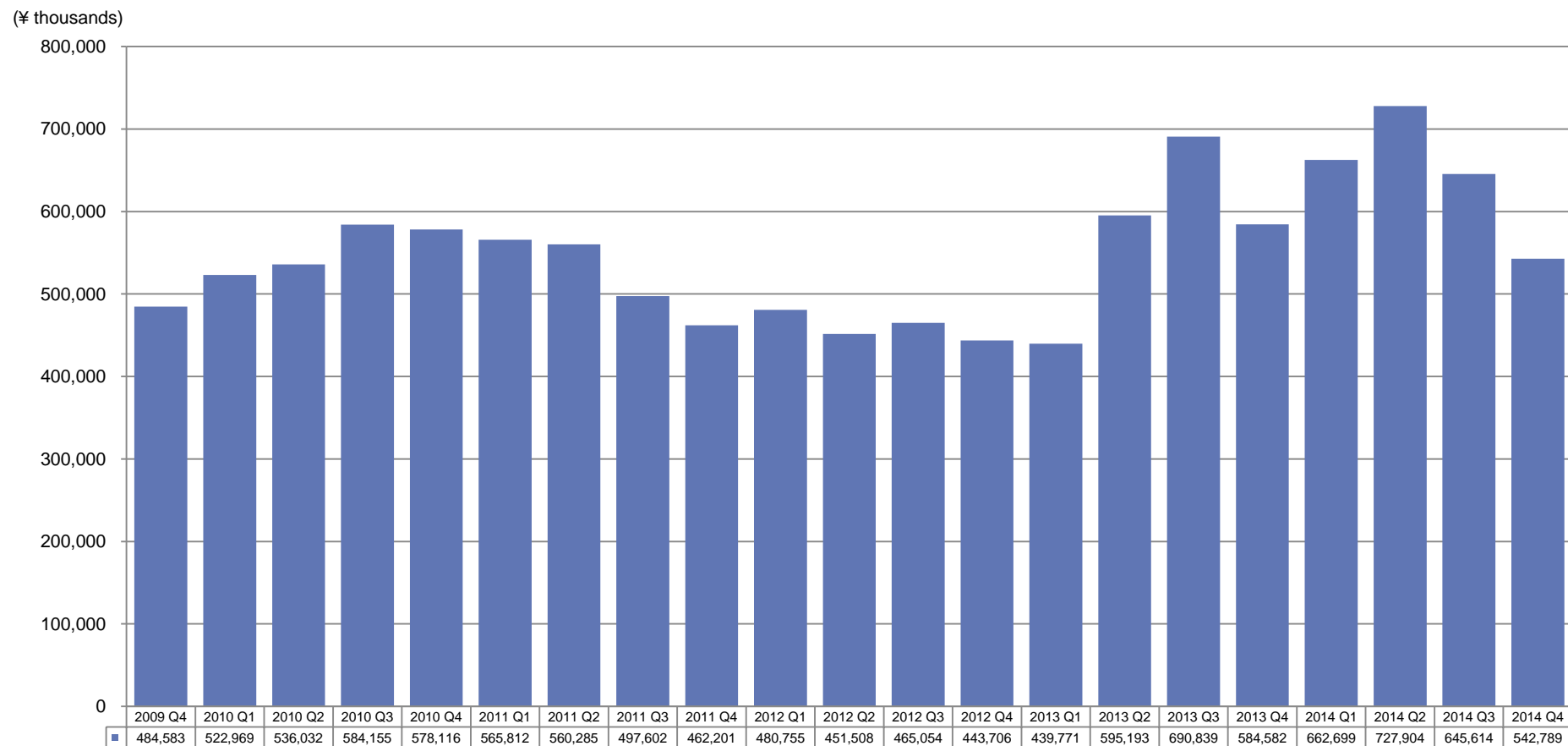
Note: The above figures are for adocavo, Moba8.net and nend only. Other sales from the operations of divisions in charge are not included.

Sales of Moba8.net currently account for about 10% on a monthly basis.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Service: Moba8.net

Sales (Quarterly basis)

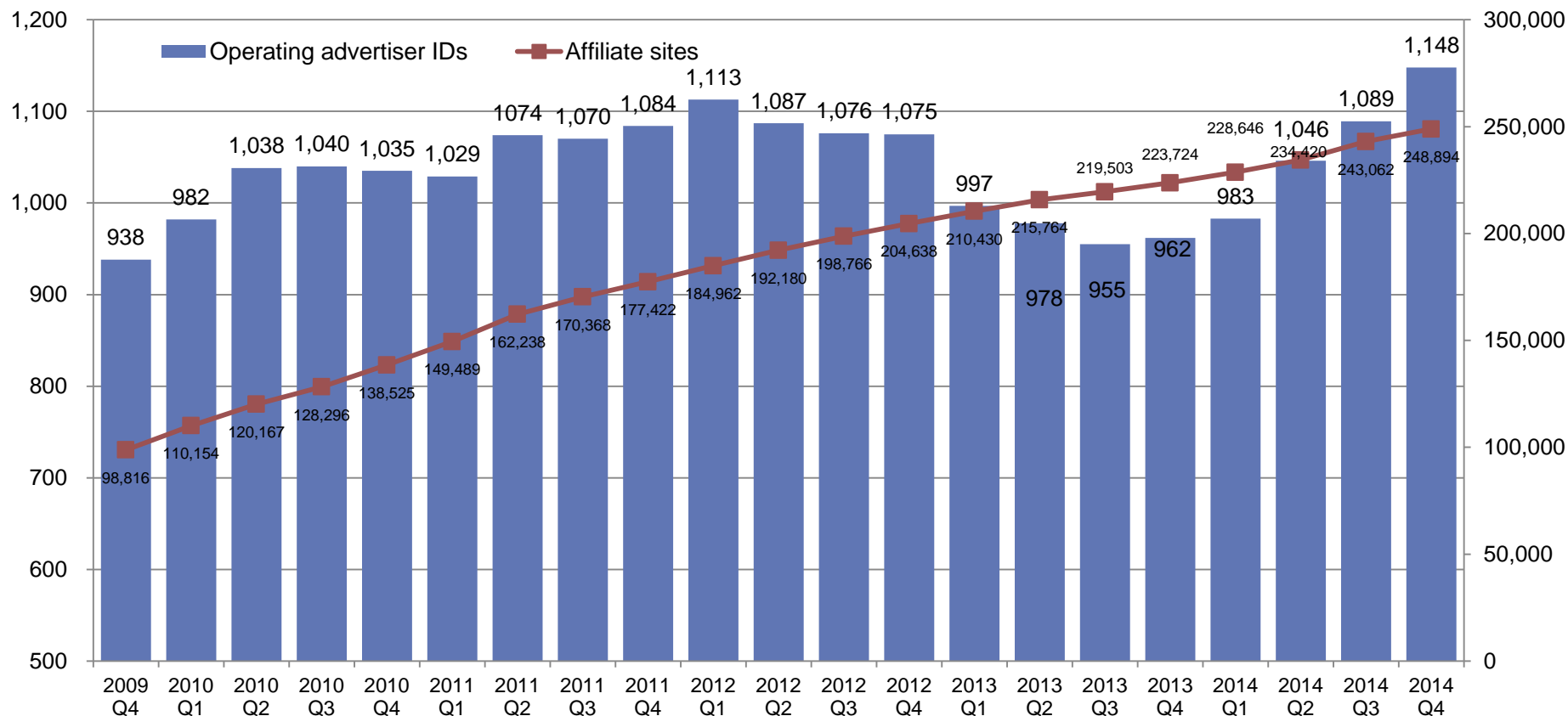


The main cause of the decrease in sales was the termination of promotions by a large-scale advertiser. Still unable to recover.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Service: Moba8.net

Number of Operating Advertisers and Affiliate Sites (Quarterly basis)



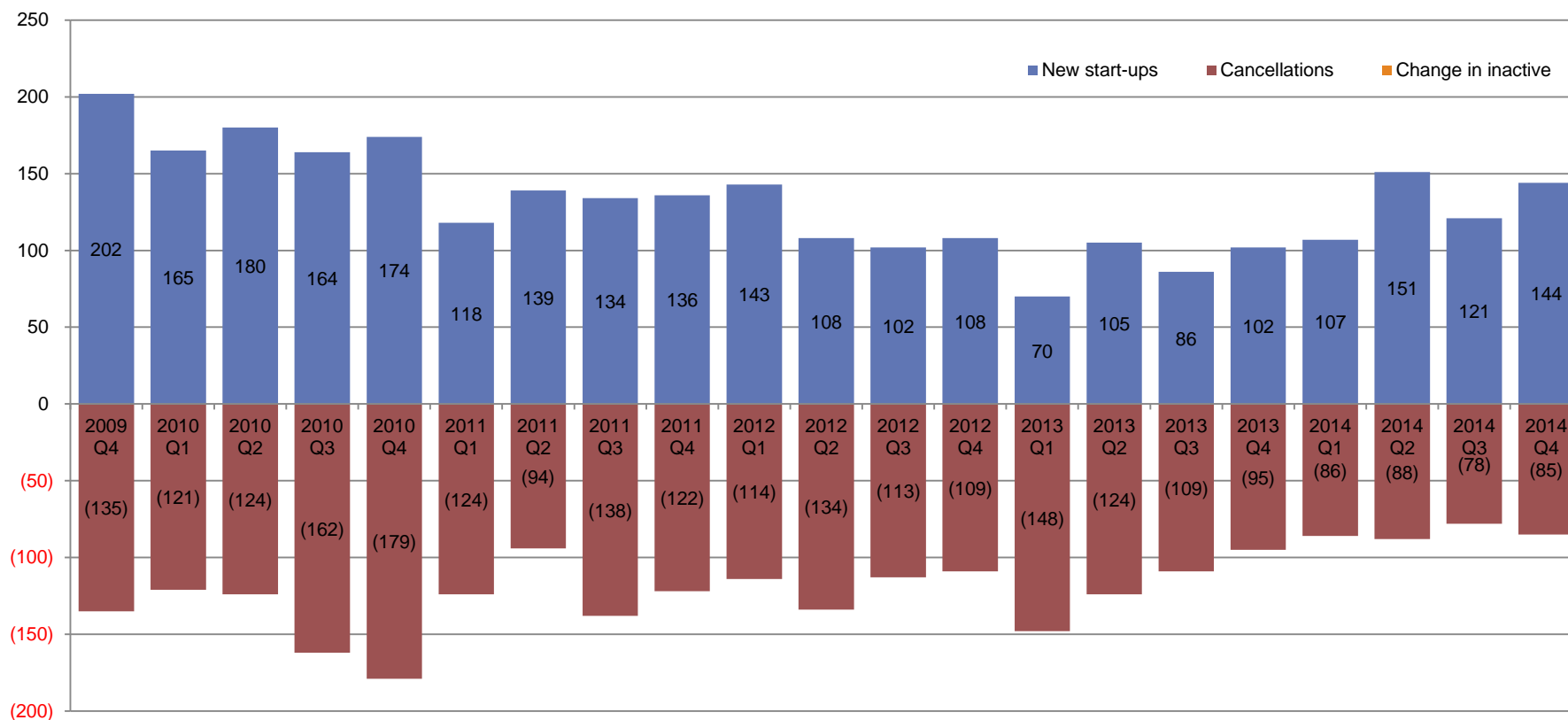
Note: The number of operating advertisers is as of the final month of each quarter.

Growth continues, mainly from app advertisers.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Service: Moba8.net

New Advertiser Start-ups and Cancellations (Quarterly basis)

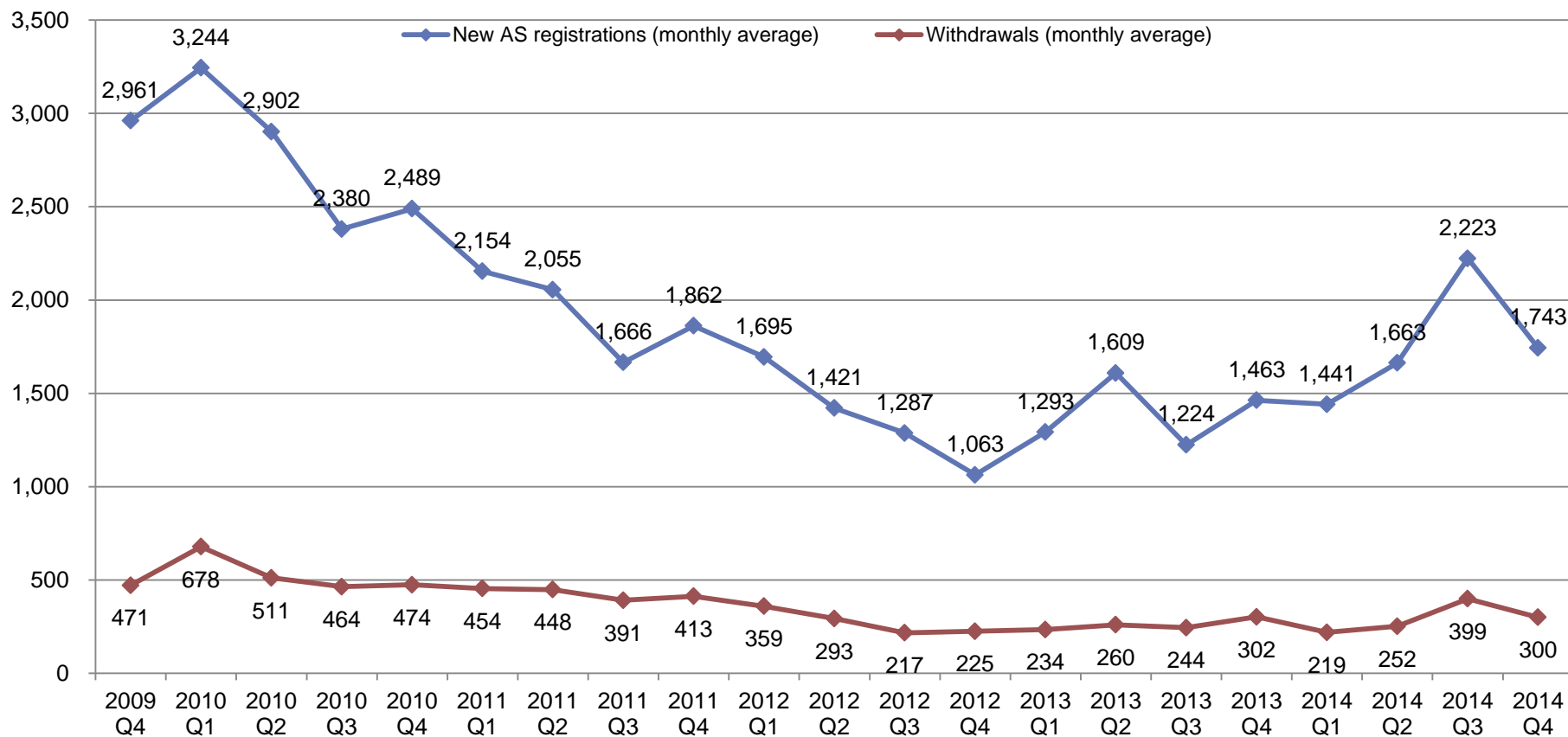


A shift to smartphone advertisers is underway.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Service: Moba8.net

Average Monthly New Affiliate Site (AS) Registrations and Withdrawals

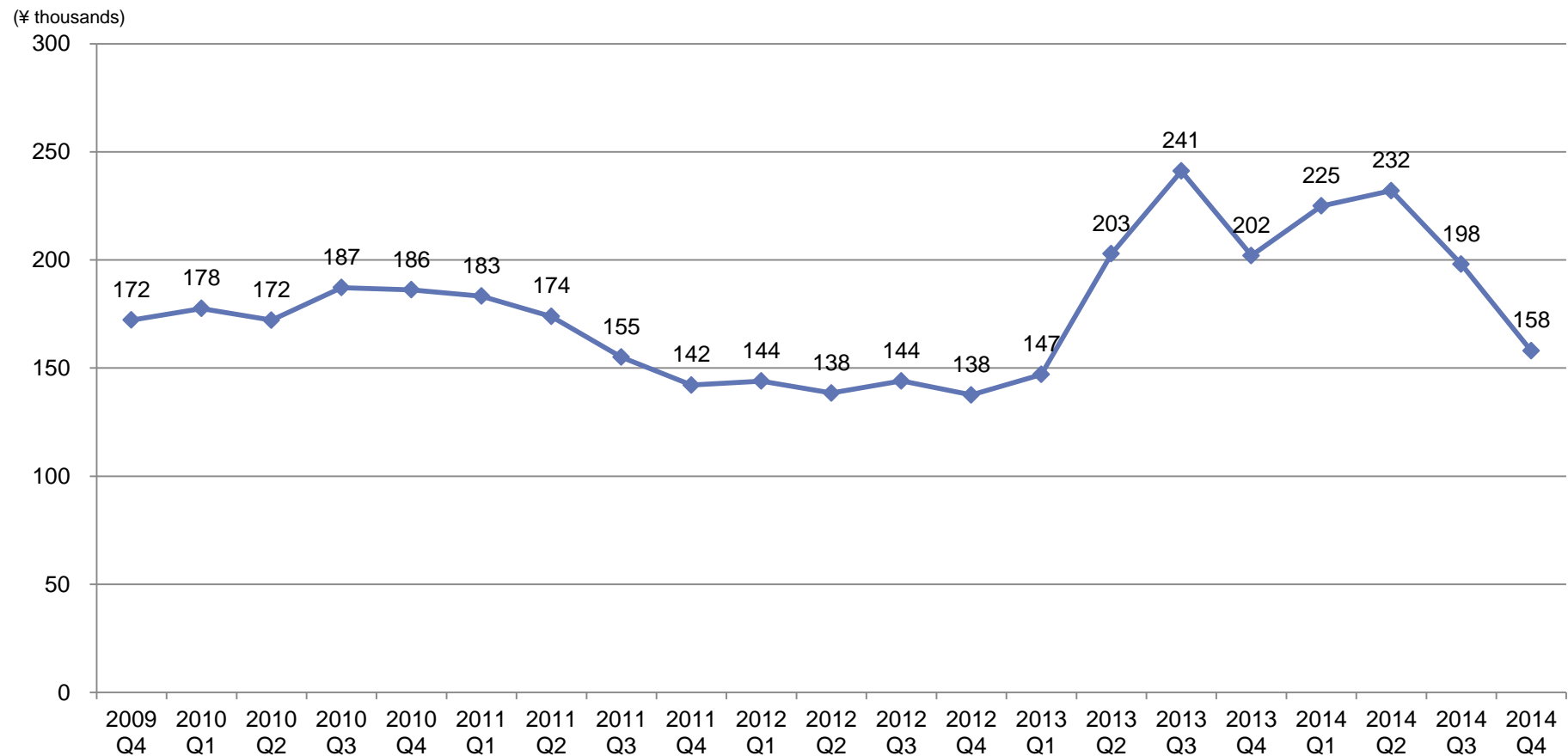


Registrations for smartphone media are increasing.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Service: Moba8.net

Average Monthly Sales per Advertiser

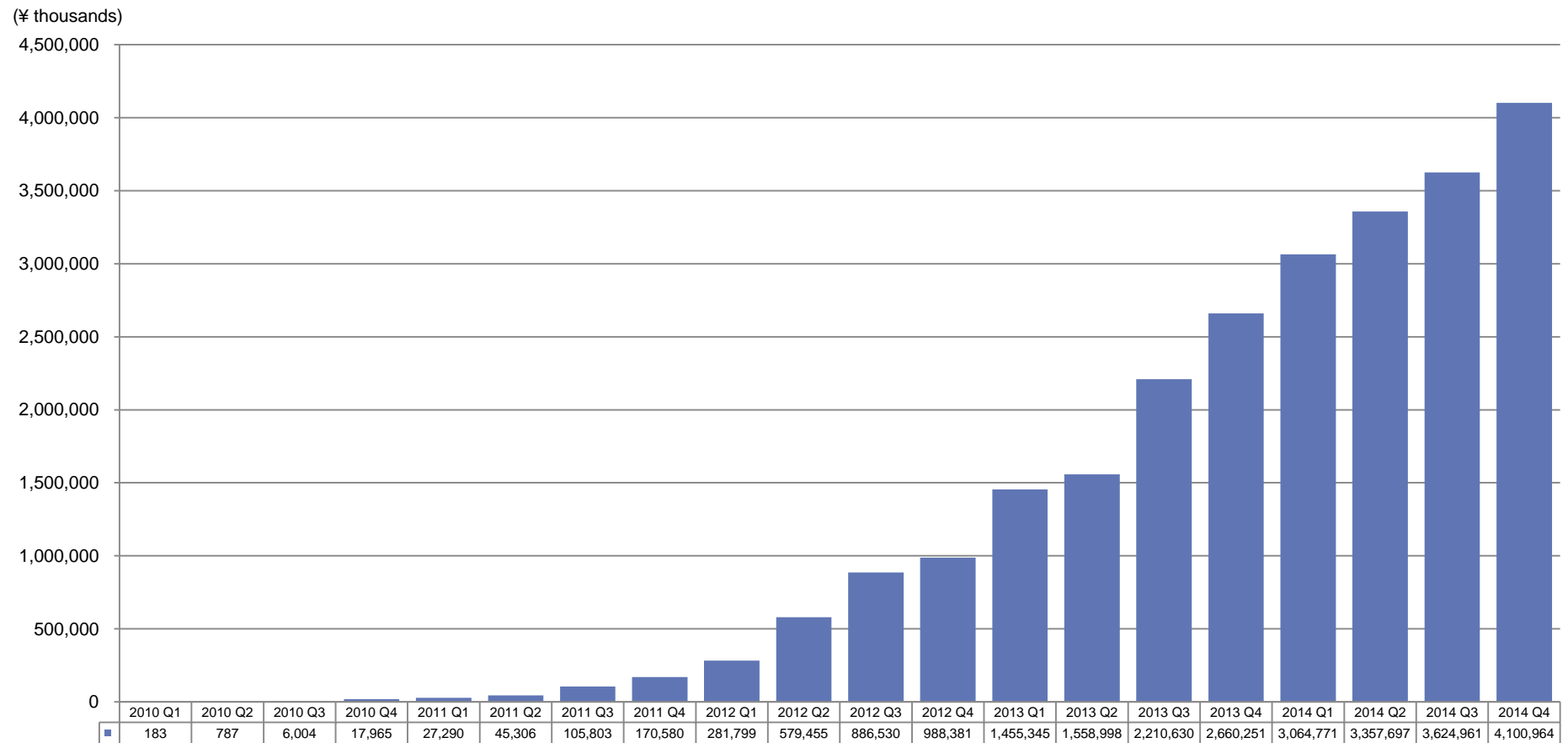


Decreases for two consecutive quarters.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Service: nend

Sales (Quarterly basis)

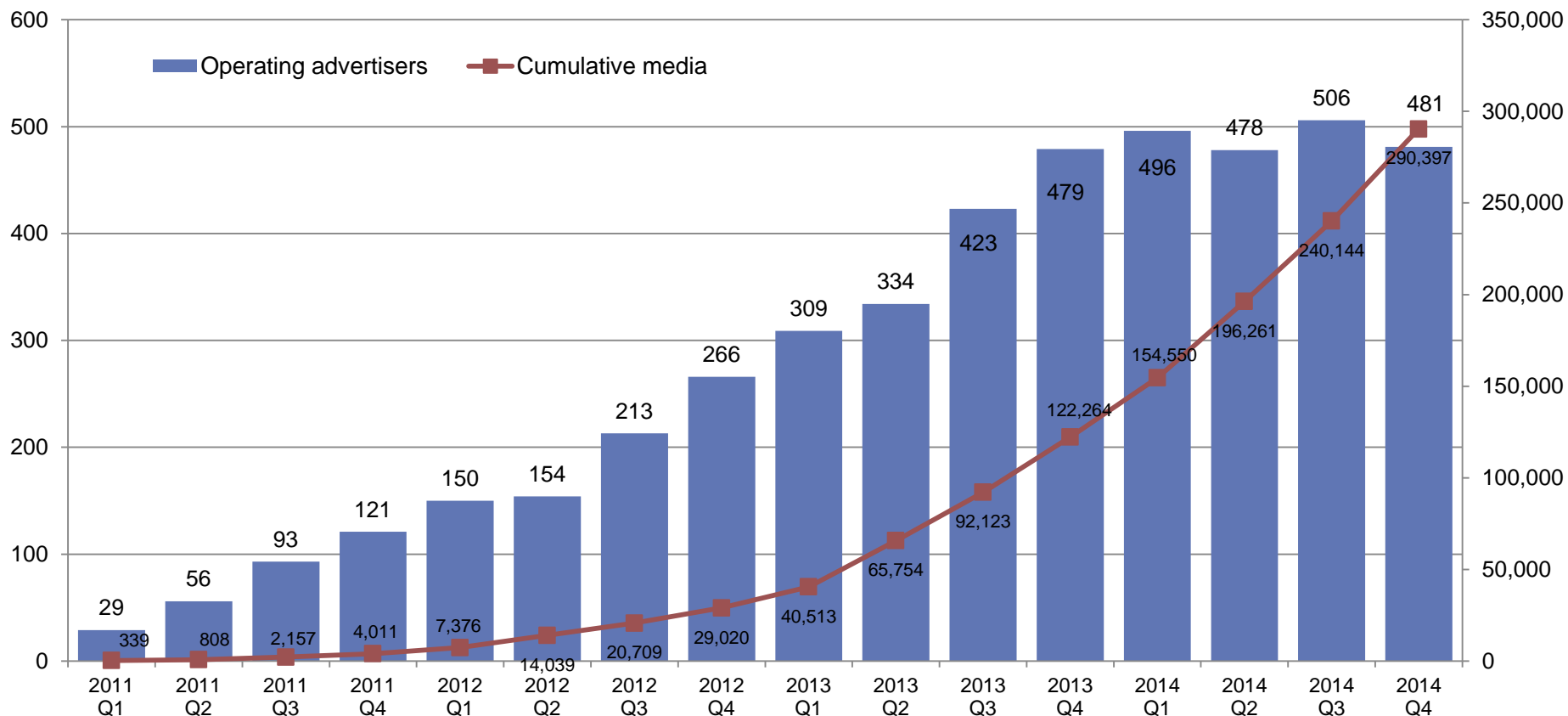


Strong growth continued.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Service: nend

Number of Operating Advertisers and Media (Quarterly basis)



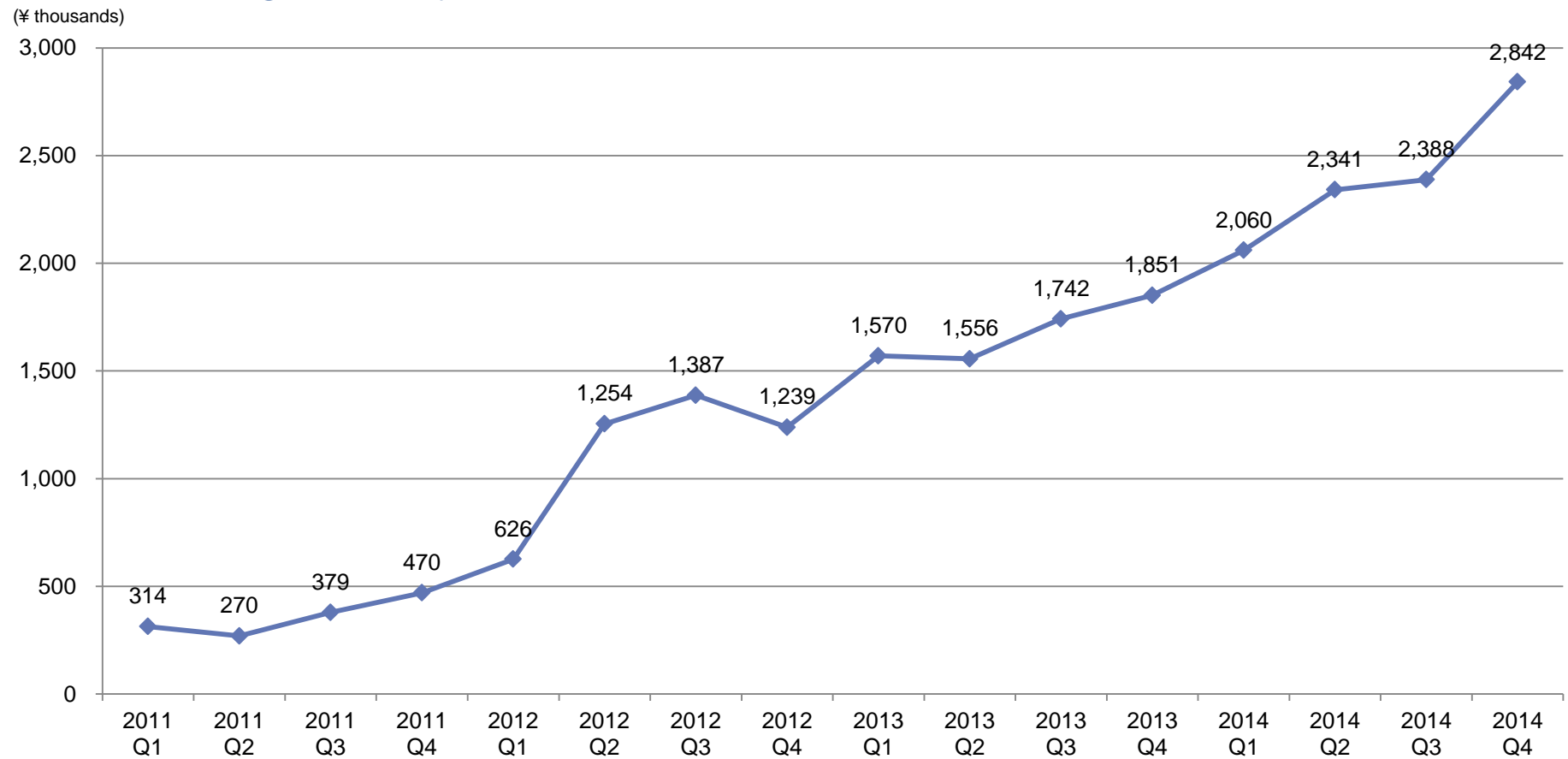
Note: The number of operating advertisers is as of the final month of each quarter.

The number of operating advertisers decreased by 25 from the previous quarter. The number of media exceeded 290,000.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

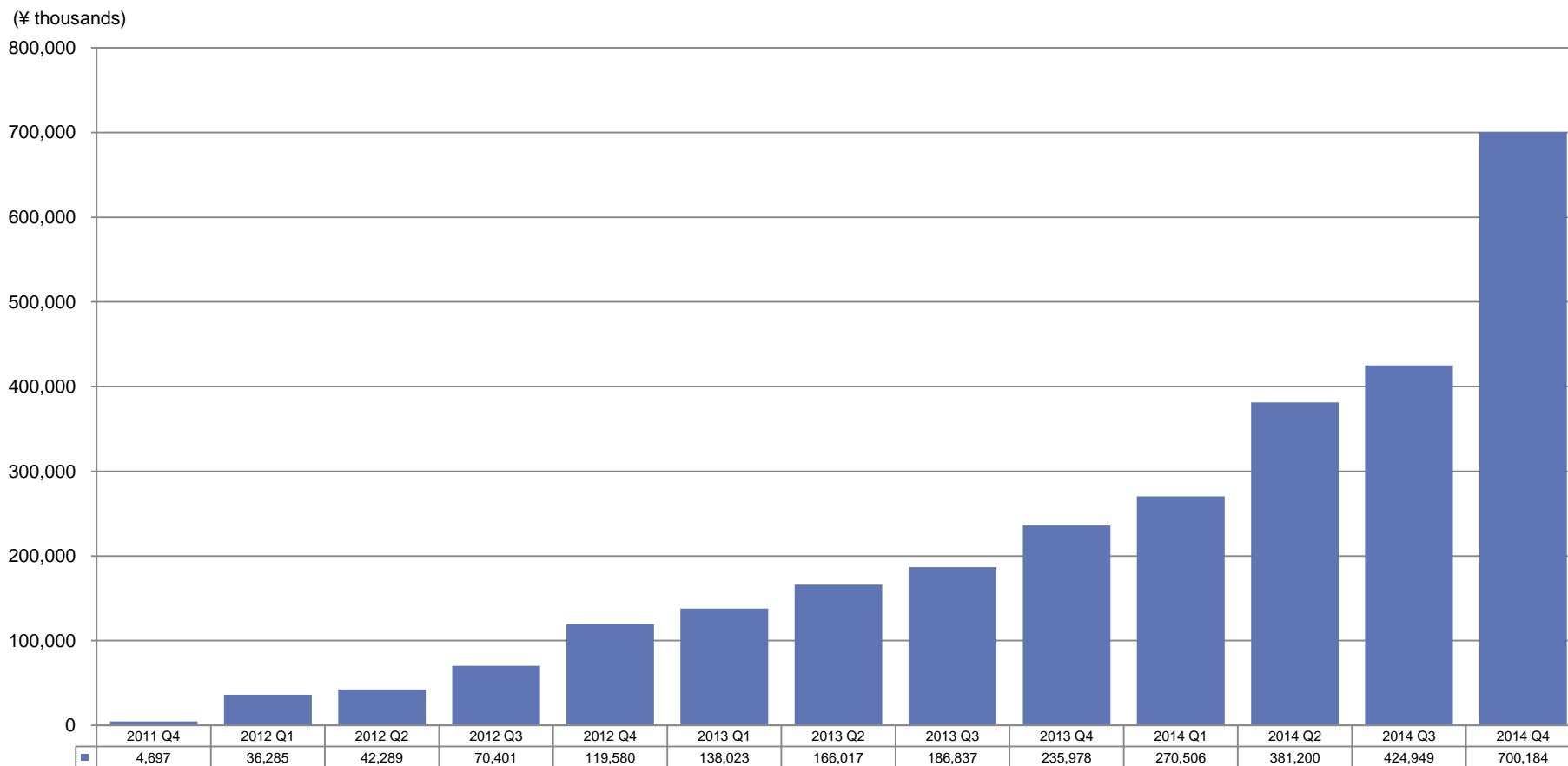
Service: nend

Average Monthly Sales per Advertiser



Sales per advertiser reached a record high.

Affiliate Ad Services for Mobile Devices (8crops Non-consolidated) Net Sales (Quarterly basis)



Notes: 1. The above figures are non-consolidated net sales of 8crops Inc. before elimination of consolidated intercompany transactions.
2. Sales of 8crops are recorded in "Affiliate ad sales for mobile devices" in the consolidated net sales of F@N Communications.

Sales increased 64% compared with the previous quarter, mainly for reward-based ads. The increase was a substantial 196% compared with the same period of the previous year.

Consolidated Group Businesses

8crops Inc.

Established: August 1, 2011
(Wholly owned by F@N Communications)

Main Business

Operates ad crops CPI* advertising services for smartphone applications

* Cost Per Install



(¥ thousands)	2014 (Full Year)	2013 (Full Year)
Net sales	1,776,840	726,857
Operating income	202,506	70,240
Net income	126,561	55,071

Note: The above figures are before elimination of consolidated intercompany transactions.

Ad Japon Inc.

Established: March 1, 2012
(Wholly owned by F@N Communications)

Main Business

Design and operation of an integrated platform for global ad networks, multilingual affiliate services and a media localization business



(¥ thousands)	2014 (Full Year)	2013 (Full Year)
Net sales	827,207	481,607
Operating income	52,435	1,827
Net income	39,592	2,657

Note: The above figures are before elimination of consolidated intercompany transactions.

FAN MEDIA INC.

Established: September 12, 2000
 Name changed from REALUS INC.
 and business transferred from
 meetLabo, Inc. on April 1, 2014
 (Wholly owned by F@N Communications)

Main Business
 Operation of net media



(¥ thousands)	2014 (Full Year)	2013 (Full Year)
Net sales	346,105	542,340
Operating Income (loss)	(53,222)	16,401
Net income (loss)	(43,886)	6,343



Notes: 1. The above figures are before elimination of consolidated intercompany transactions.
 2. Figures for 2013 are the totals for REALUS and meetLabo.

Reference Materials

Management Vision

F@N seeks to become one of the largest affiliated program network corporate groups on the globe.

We will implement our affiliate program advertising model among advertisers, affiliate site application developers (media), and consumers in order to build ad networks that result in the largest and most optimized win-win relationships.

Our model will provide sustainable benefits such as the optimization of marketing costs for advertisers, the maximization of profit for affiliate site application developers, and the reduction of consumption costs and enhanced quality of service for consumers.

We will continue to expand our global presence by involving ourselves in the production, sales and consumption cycles best suited to the Internet Era, and create added value that contributes to society.

Company Overview

- **Company name** F@N Communications, Inc.
- **Securities code** 2461 (Tokyo Stock Exchange, First Section)
- **Fiscal year-end** December
- **Established** October 1, 1999
- **Capital** 1,101.49 million yen (as of December 31, 2014)
- **President and Representative Director** Yasuyoshi Yanagisawa
- **Number of employees** **Non-consolidated: 284** (as of Dec. 31, 2014; includes part-time and temp staff)
Group total: 335 (as of Dec. 31, 2014; includes part-time and temp staff)
- **Headquarters** Aoyama Diamond Building
1-1-8, Shibuya, Shibuya-ku, Tokyo 150-0002 Japan
- **Phone** +81-3-5766-3530 (IR)
- **Fax** +81-3-5766-3782

Disclaimer

Forward-looking statements such as the performance forecasts, other predictions of future events and strategies published in this document are based on the Company's judgment within the scope of events foreseeable under normal conditions using data that were reasonably available at the time of preparation. However, there is a risk that actual results may differ from the Company's published performance forecasts due to reasons including special events or outcomes that are unforeseeable under normal conditions. The Company works to proactively disclose information that it considers important for investors. However, we strongly advise that you not rely solely on the performance forecasts in this document in making decisions. The Company makes every effort to ensure the accuracy of published content, but takes no responsibility for errors in the information or damage caused by downloading the data. These materials may not be reproduced or retransmitted for any purpose without the prior written consent of the Company.

Contact

F@N Communications, Inc.

Phone: +81-3-5766-3530

E-mail: ir-info@fancs.com