



First Quarter of 2015

Presentation of Results

May 11, 2015

F@N Communications, Inc.

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First Quarter of 2015 Performance Highlights

First Quarter of 2015: Key Points

- **Net sales were ¥8,271 million and ordinary income was ¥1,463 million. Both decreased substantially compared with the previous quarter.**
- **Lower sales and earnings were mainly the result of less robust performance at nend.**
- **A8.net's results were better than expected.**

Performance Highlights (Consolidated)

Results of Operations

(¥ thousands)	First Quarter of 2015	First Quarter of 2014	Year-on-Year Change	% of Net Sales
Net sales	8,271,909	7,311,165	13.1%	100%
Operating income	1,448,278	1,284,692	12.7%	17.5%
Ordinary income	1,463,171	1,299,725	12.6%	17.7%
Net income	925,536	801,057	15.5%	11.2%
Ordinary income margin	17.7%	17.8%	-0.1 _{points}	-
Net income per share	¥11.96	¥10.47	14.2%	-
Diluted net income per share	¥11.87	¥10.26	15.7%	-

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)	First Quarter of 2015	First Quarter of 2014	Year-on-Year Change	% of net sales
Net sales	7,674,491	6,950,944	10.4%	100%
Operating income	1,365,786	1,268,287	7.7%	17.8%
Ordinary income	1,386,283	1,292,497	7.3%	18.1%
Net income	874,971	800,249	9.3%	11.4%
Ordinary income margin	18.1%	18.6%	-0.5points	-

Consolidated Financial Statements

Balance Sheets

(¥ thousands)	December 31, 2014	First Quarter of 2015
Assets		
Current assets	15,911,394	14,765,192
Cash and deposits	9,426,329	8,704,625
Notes and accounts receivable - trade	4,435,298	4,031,816
Securities	1,702,824	1,606,378
Other	367,594	436,614
Allowance for doubtful accounts	(20,653)	(14,241)
Fixed assets	2,443,533	2,444,681
Property and equipment	172,166	171,230
Intangible assets	211,099	220,760
Investments and other assets	2,060,267	2,052,689
Total assets	18,354,927	17,209,874
Liabilities and Net Assets		
Current liabilities	6,298,662	5,352,471
Notes and accounts payable - trade	3,674,452	3,842,815
Income taxes payable	1,577,198	432,923
Other current liabilities	1,047,011	1,076,731
Long-term liabilities	153,941	153,840
Total liabilities	6,452,604	5,506,311
Total net assets	11,902,323	11,703,562
Total liabilities and net assets	18,354,927	17,209,874

Decrease due to dividend and tax payments.

A decrease in receivables from a major two-month collection site customer reduced accounts receivable. Higher underlying sales (transaction volume) increased accounts payable.

Main component was ¥1,734,735 thousand in investment securities.

Main component was long-term guarantee deposits.

Decreased despite net income of ¥925,536 thousand mainly because of dividend payments totaling ¥1,160,677 thousand.

Consolidated Performance Forecast

(¥ millions)	2015 Full-Year Forecast (% Change from Same Period of Previous Year)	2015 Interim Period Forecast (% Change from Same Period of Previous Year)	2015 1Q Actual	Ratio to Full-Year Forecast
Net sales	38,700 (21.0)	18,400 (20.7)	8,271	21.4%
Operating income	7,150 (21.4)	3,400 (21.4)	1,448	20.3%
Ordinary income	7,170 (20.5)	3,410 (20.6)	1,463	20.4%
Net income	4,600 (26.7)	2,180 (25.2)	925	20.1%

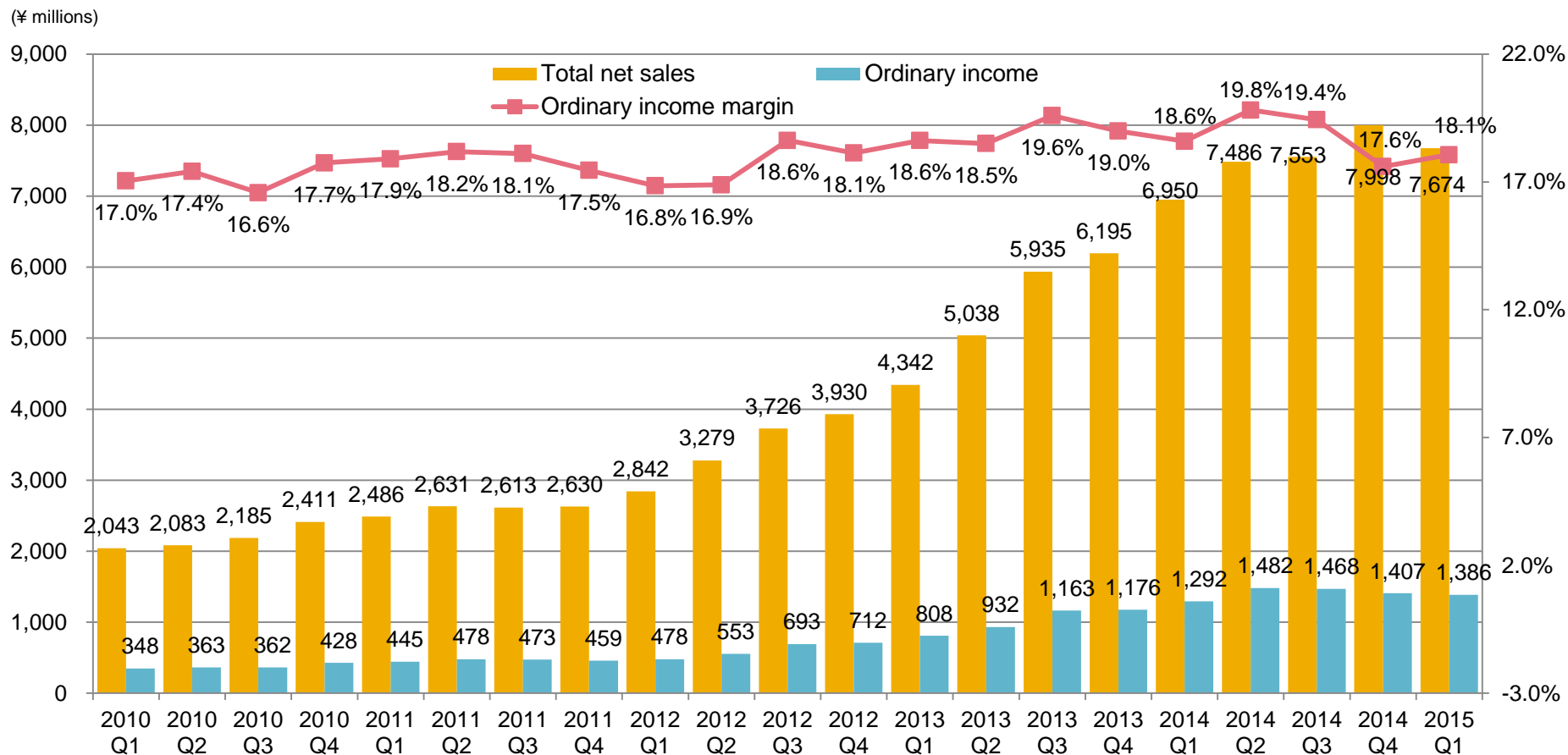
Dividend Forecast

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

Management Indicators (Quarterly Basis)

Management Indicators (Non-consolidated/Quarterly basis)

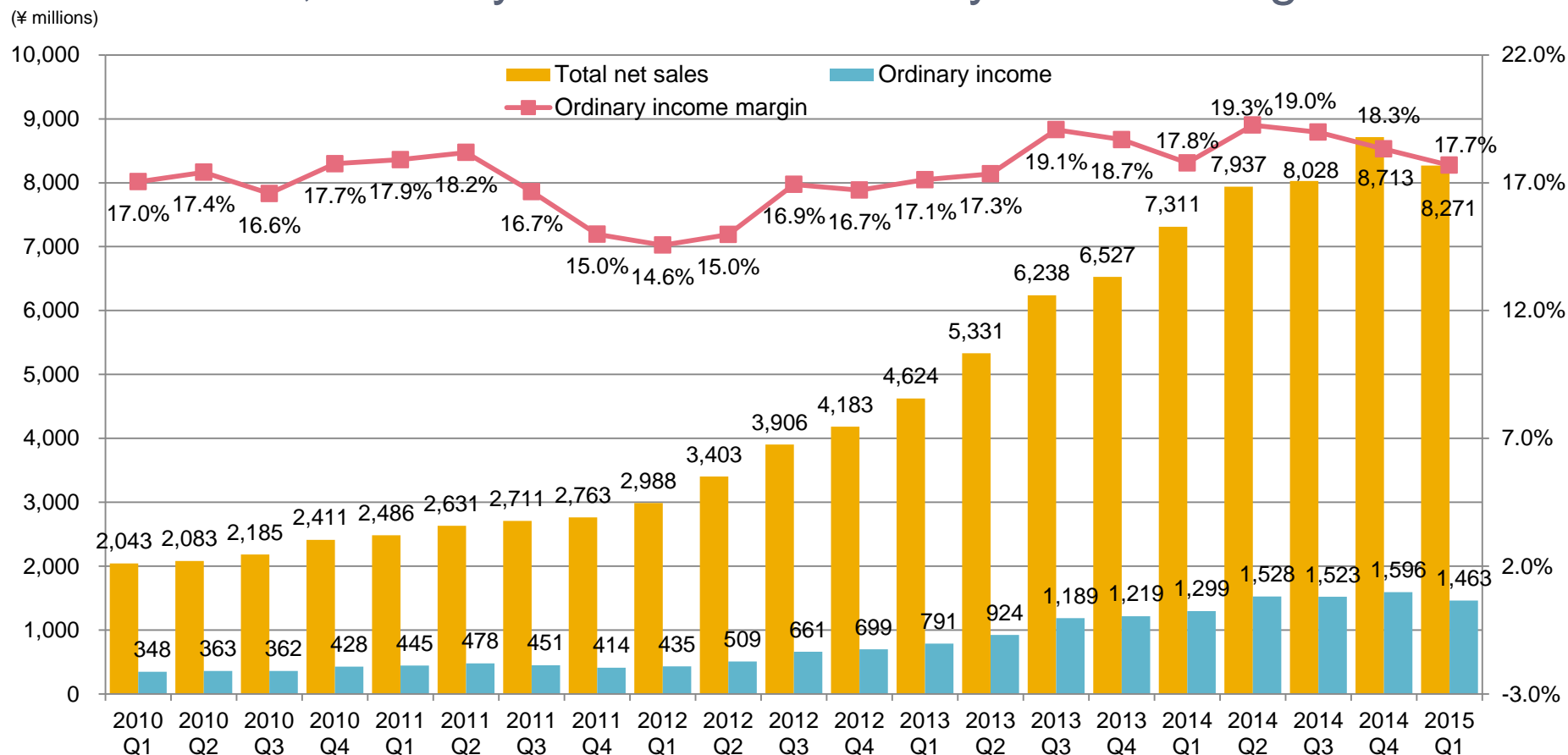
Net Sales, Ordinary Income and Ordinary Income Margin



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

Management Indicators (Consolidated/Quarterly basis)

Net Sales, Ordinary Income and Ordinary Income Margin

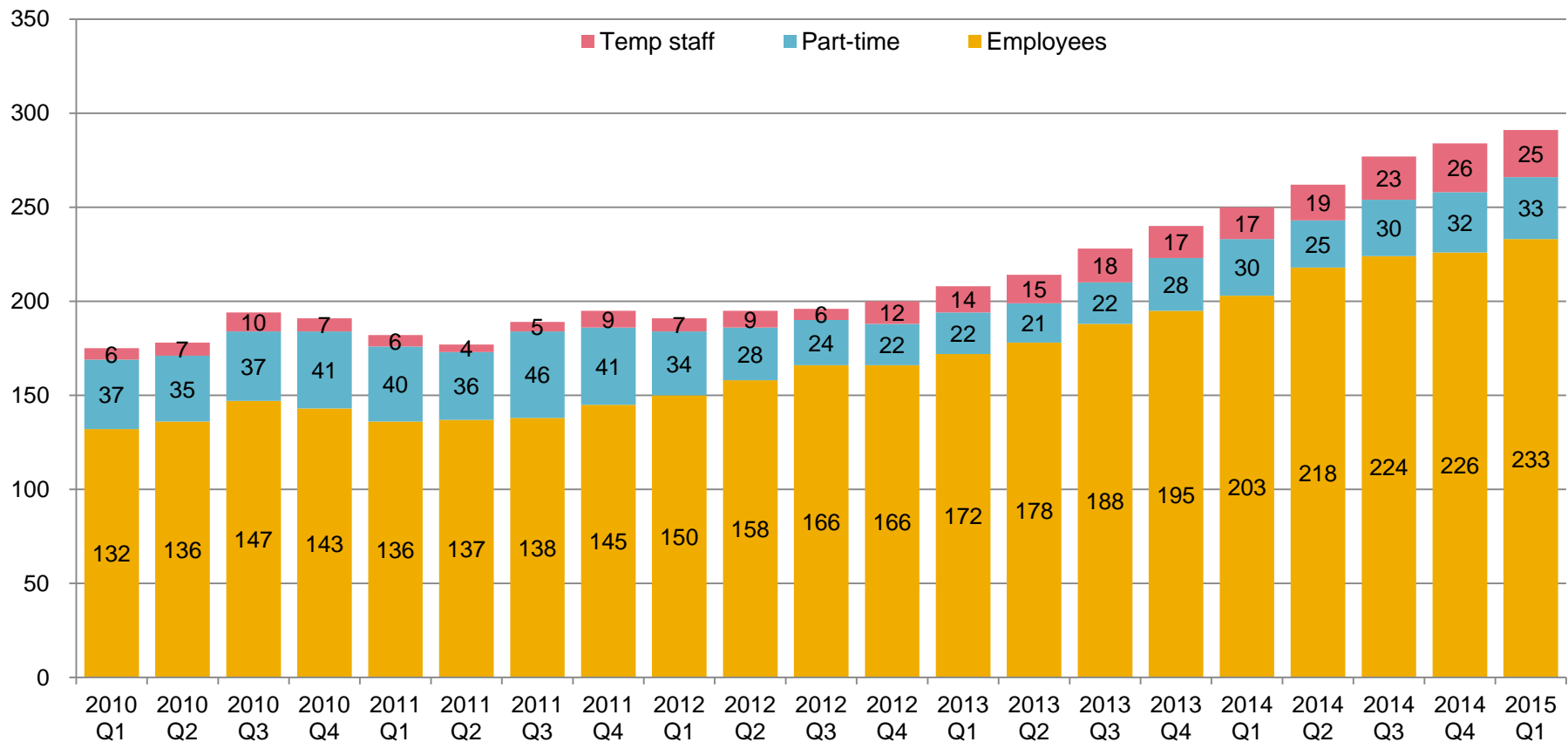


Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3

The ordinary income margin decreased 0.6 percentage points.

Management Indicators (Non-consolidated/Quarterly basis)

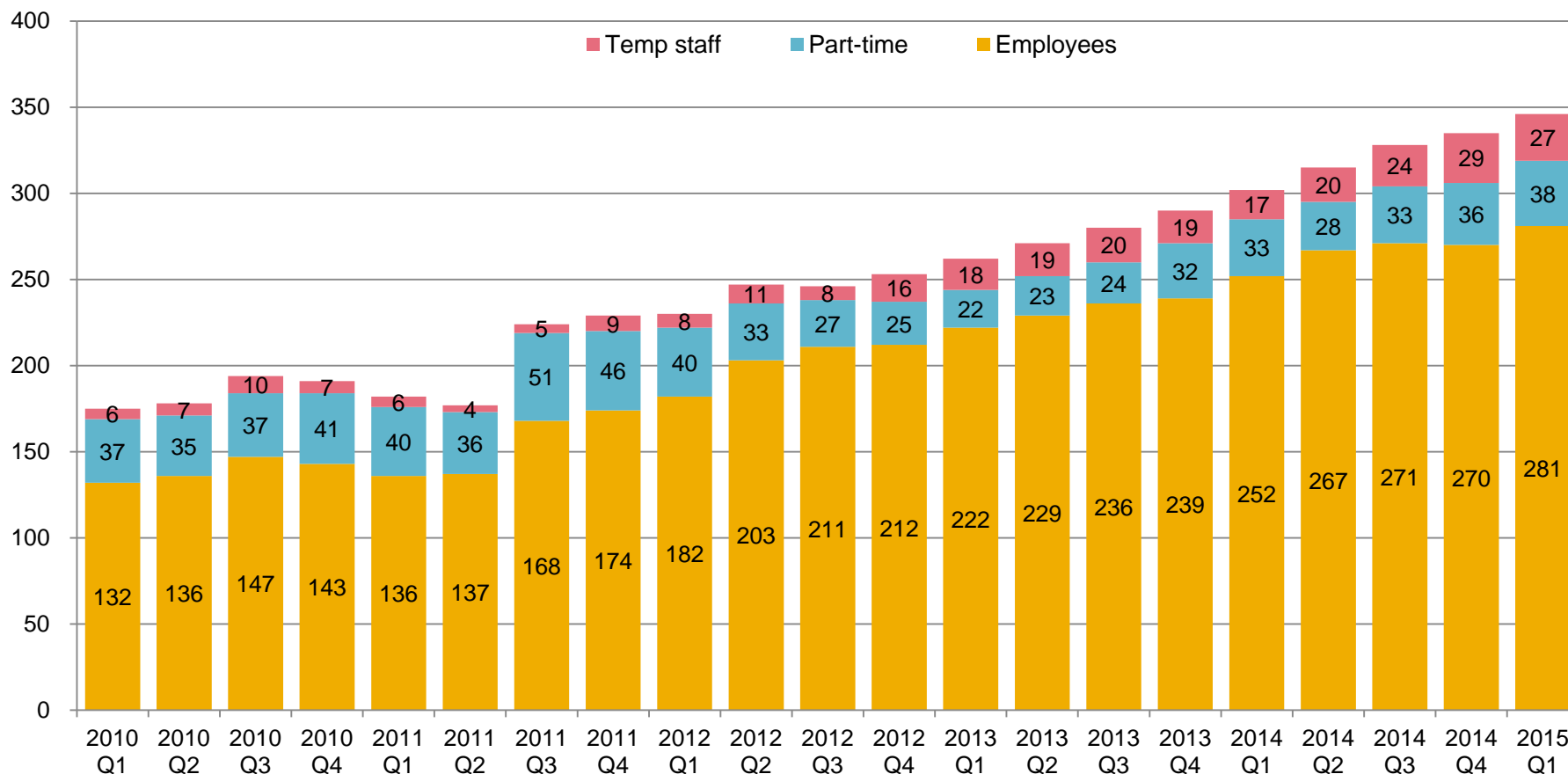
Number of Employees



The number of non-consolidated employees was 291, a record high. The number increased by 7 from the end of the previous quarter.

Management Indicators (Consolidated/Quarterly basis)

Number of Employees

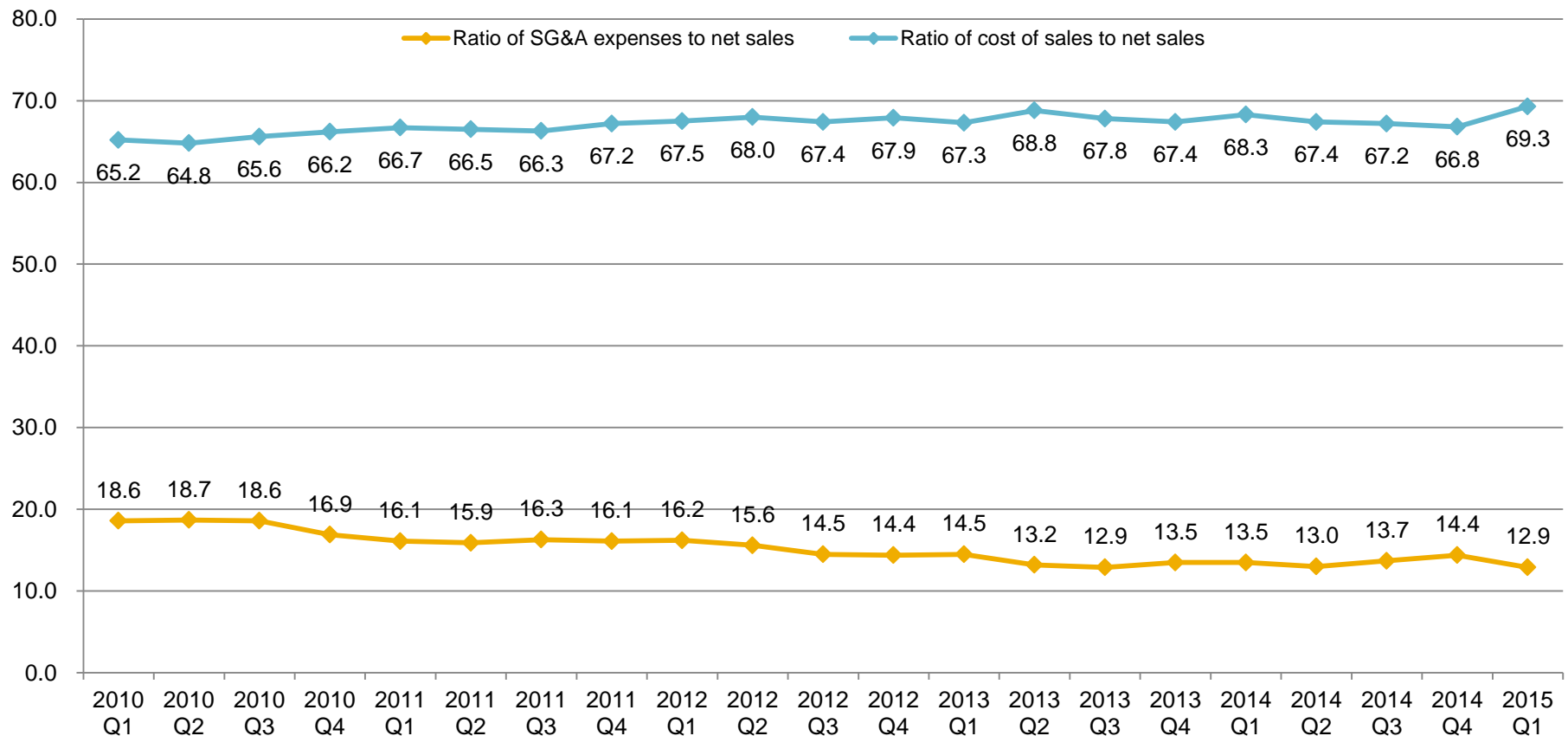


Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

The total number of employees in the Group was 346, an increase of 44 from a year earlier.

Management Indicators (Non-consolidated/Quarterly basis)

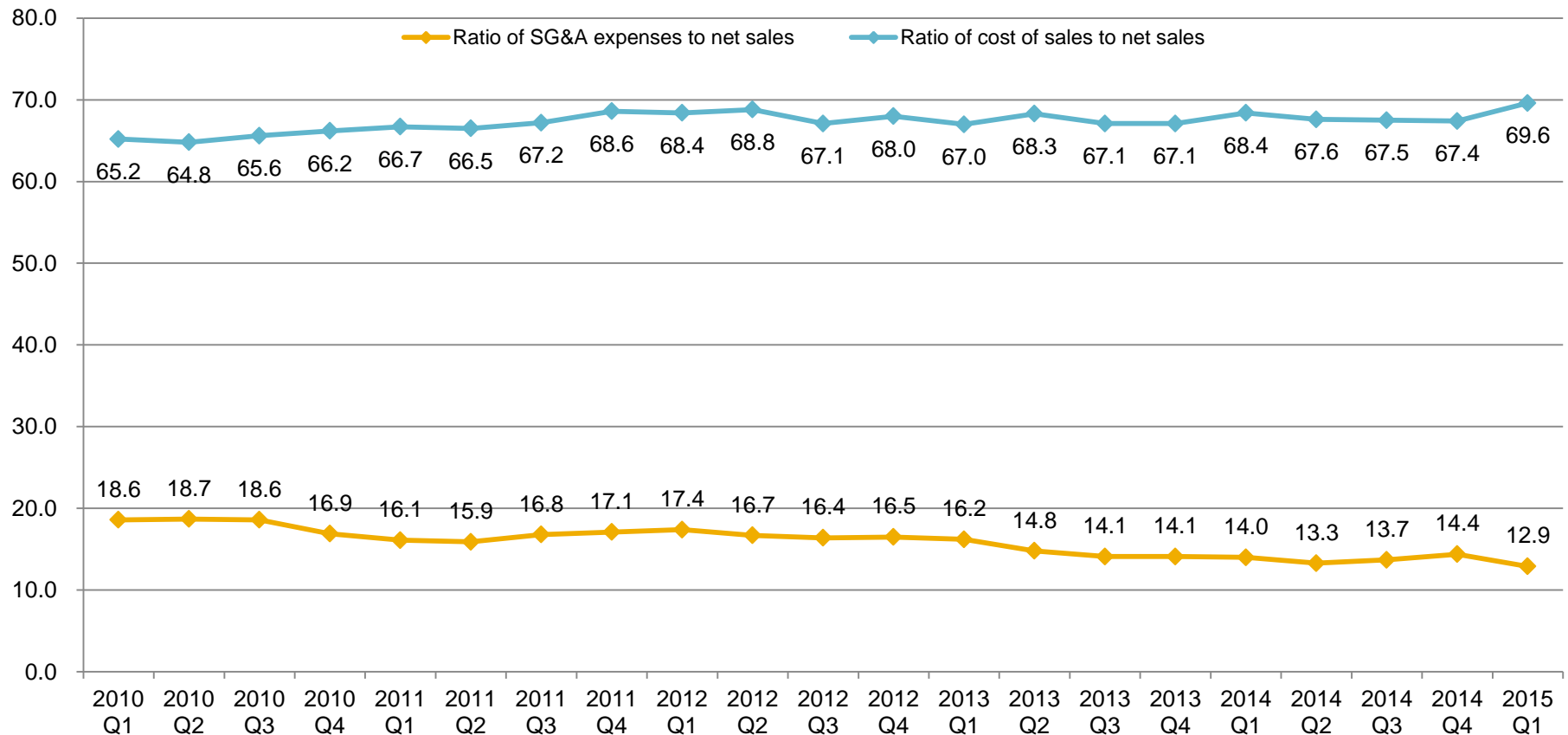
Cost of Sales Ratio and SG&A Expenses Ratio



The cost of sales ratio increased 2.5 percentage points. However, the selling, general and administrative (SG&A) expenses ratio decreased 1.5 percentage points.

Management Indicators (Consolidated/Quarterly basis)

Cost of Sales Ratio and SG&A Expenses Ratio

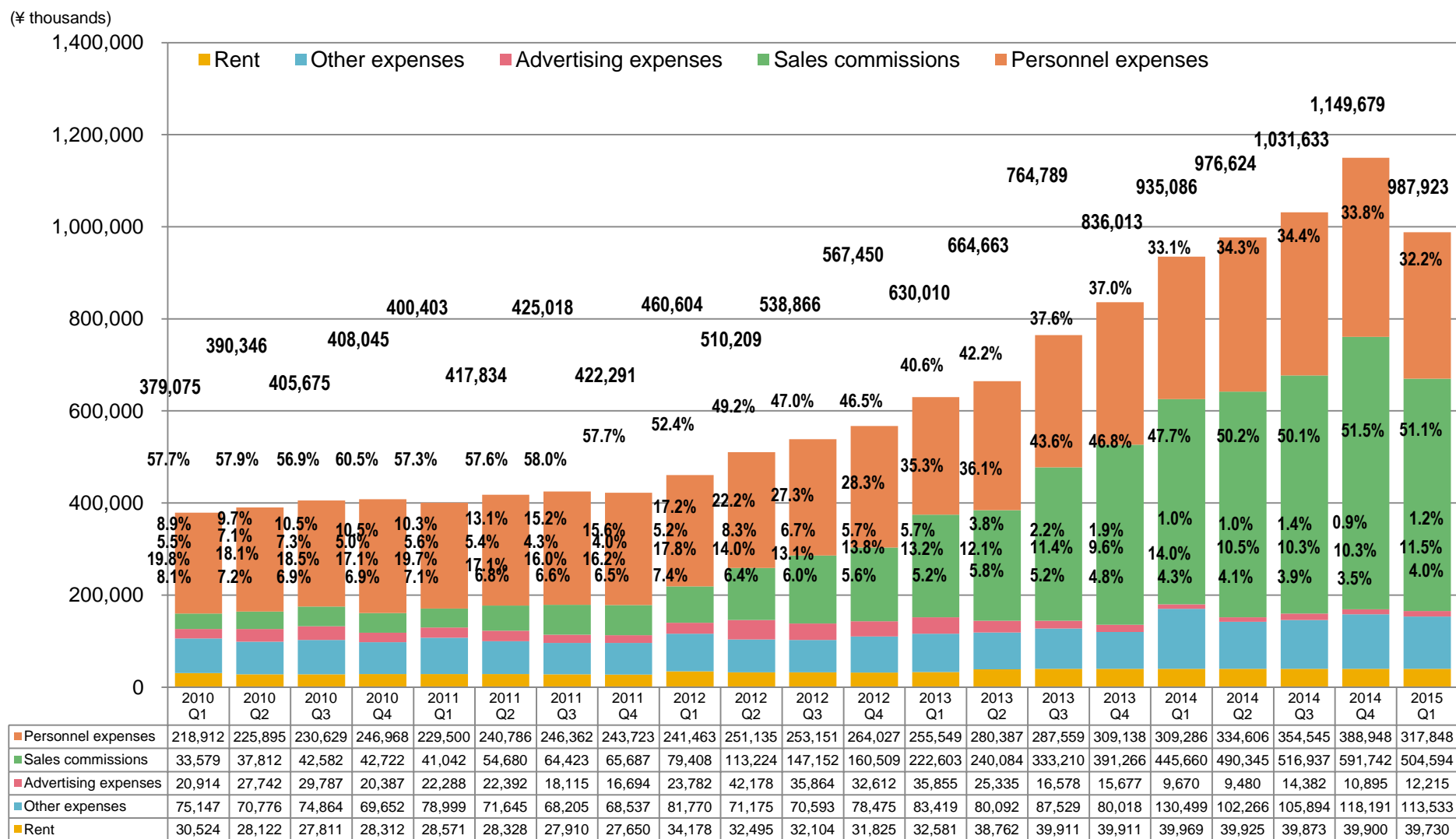


Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

The cost of sales ratio increased 2.2 percentage points, and the selling, general and administrative (SG&A) expenses ratio decreased 1.5 percentage points.

Management Indicators (Non-consolidated/Quarterly basis)

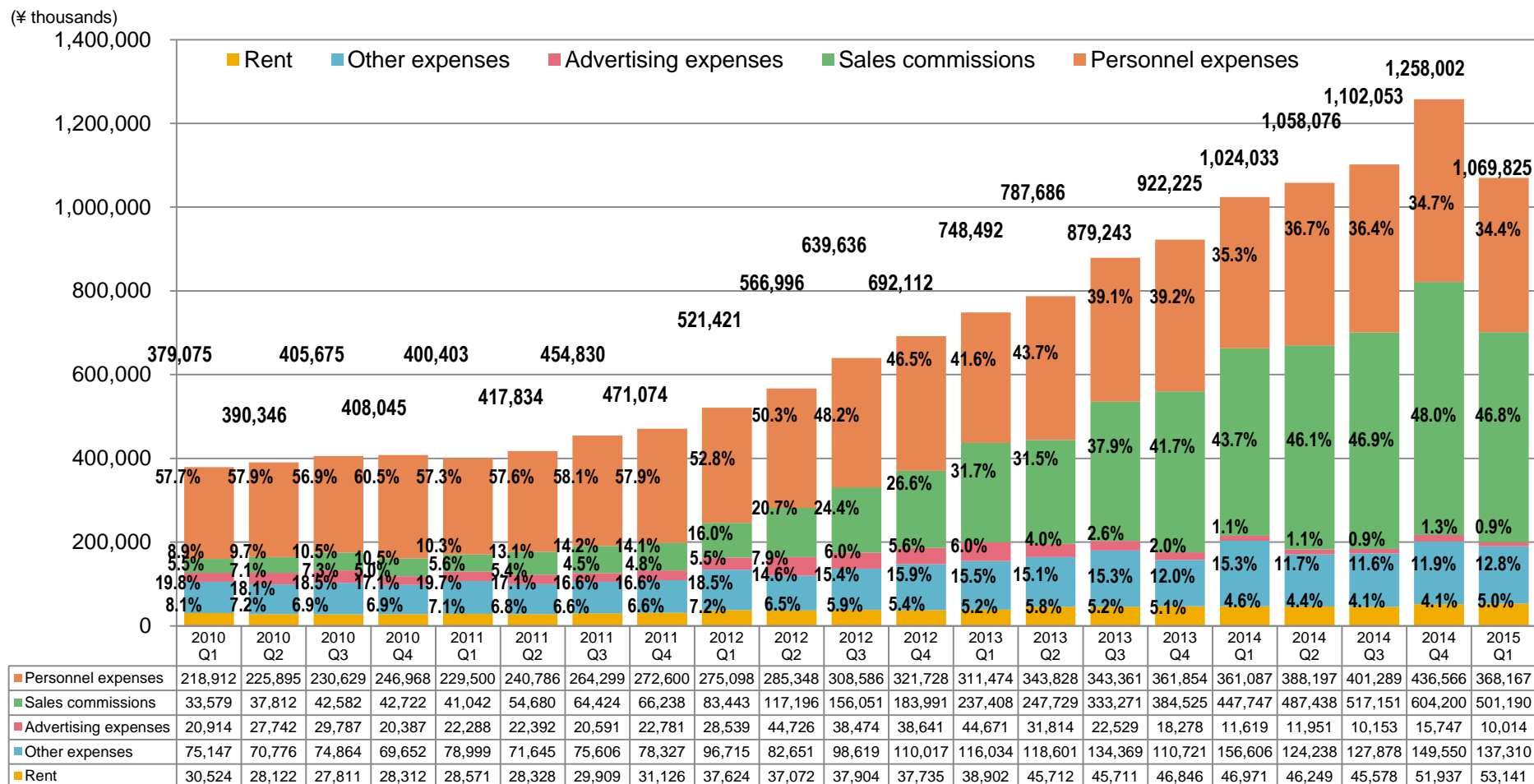
Selling, General and Administrative Expenses



Personnel and other expenses decreased absent the 15th anniversary events in the previous quarter.

Management Indicators (Consolidated/Quarterly basis)

Selling, General and Administrative Expenses



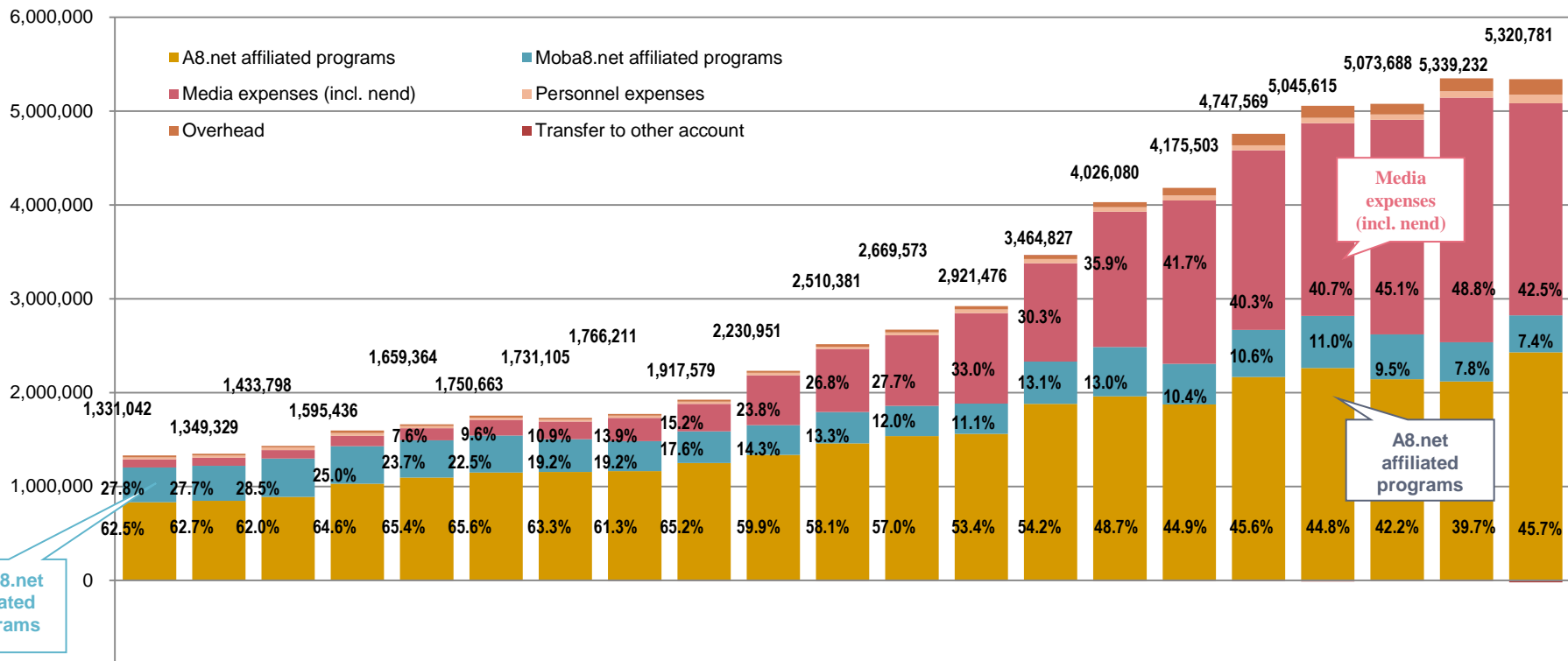
Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

Sales commissions decreased because of lower sales at nend.

Management Indicators (Non-consolidated/Quarterly basis)

Cost of Sales

(¥ thousands)



(1,000,000)

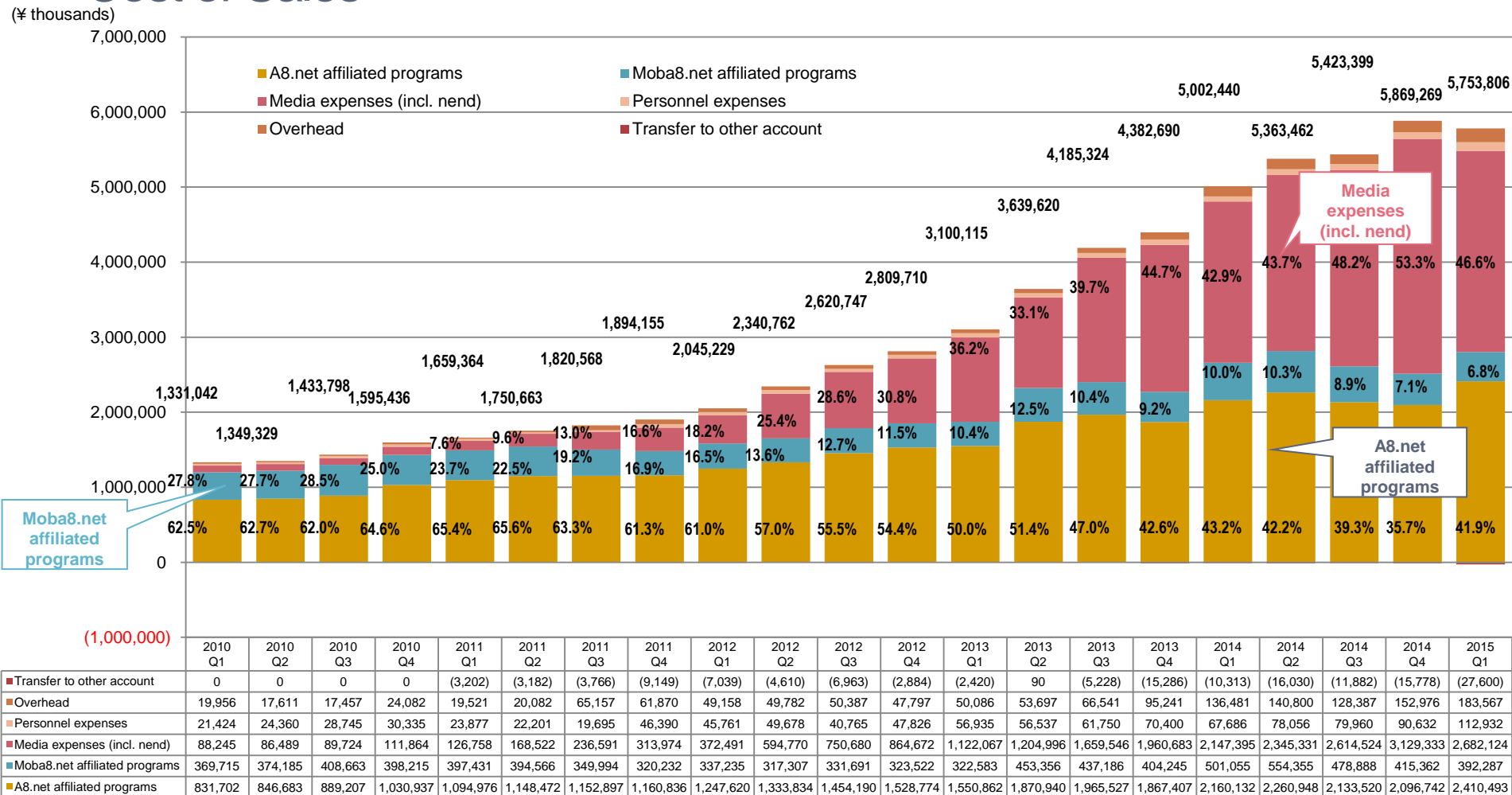
	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1
Transfer to other account	0	0	0	0	(3,202)	(3,182)	0	(7,950)	(6,405)	(2,989)	(6,717)	(2,884)	(2,420)	90	(5,228)	(7,357)	(10,313)	(11,503)	(5,690)	(10,425)	(21,052)
Overhead	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	166,080
Personnel expenses	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	90,746
Media expenses (incl. nend)	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	2,261,560
Moba8.net affiliated programs	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	392,986
A8.net affiliated programs	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	2,430,460

Note: Media expenses include expenses for other companies' media, nend and nex8.

Certain expenses were transferred to personnel expenses due to organizational changes. Media purchases decreased at nend, but expenses and A8.net affiliated programs increased.

Management Indicators (Consolidated/Quarterly basis)

Cost of Sales



Notes: 1. Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

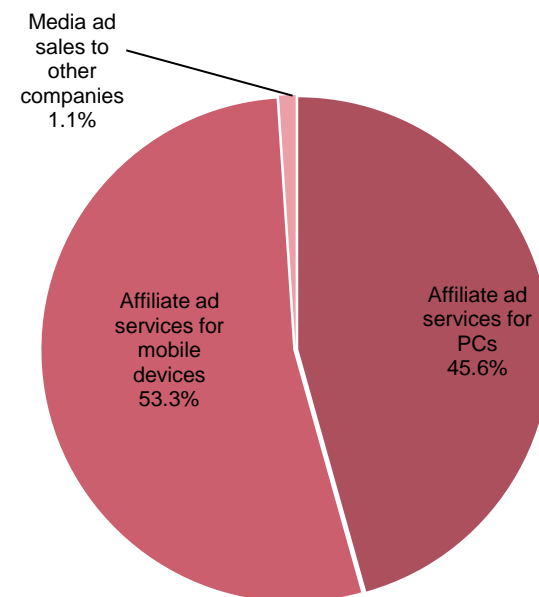
2. Media expenses include expenses for other companies' media, nend, nex8, 8crops and adjapon.

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)

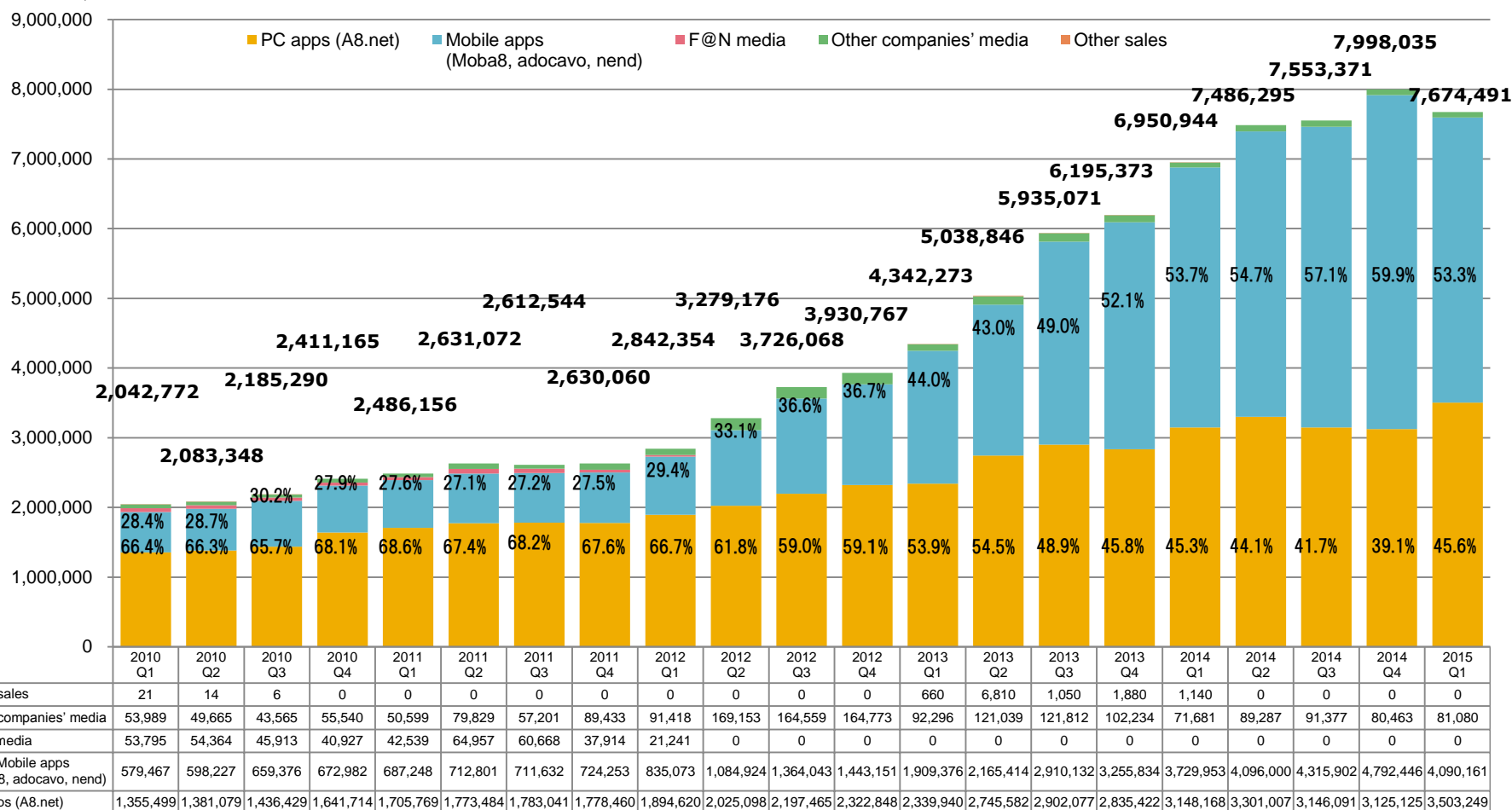
(¥ thousands)	2015 Q1 (Jan.– Mar.)	2014 Q1 (Jan.– Mar.)	Increase (Decrease)
Affiliate ad services for PCs	3,503,249	3,148,168	11.3%
Affiliate ad services for mobile devices	4,090,161	3,729,953	9.7%
F@N media business	0	0	-
Media ad sales to other companies	81,080	71,681	13.1%
Other sales	0	1,140	-
Net sales	7,674,491	6,950,944	10.4%



Services for PCs maintained a double-digit growth rate. Weaker sales at nend held services for mobile devices to a single-digit growth rate.

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

(¥ thousands)



Services for PCs accounted for 45.6% of sales, rallying 6.5 points from the previous quarter.

Affiliate Ad Services for PCs (Non-consolidated)

Service: A8.net

Summary

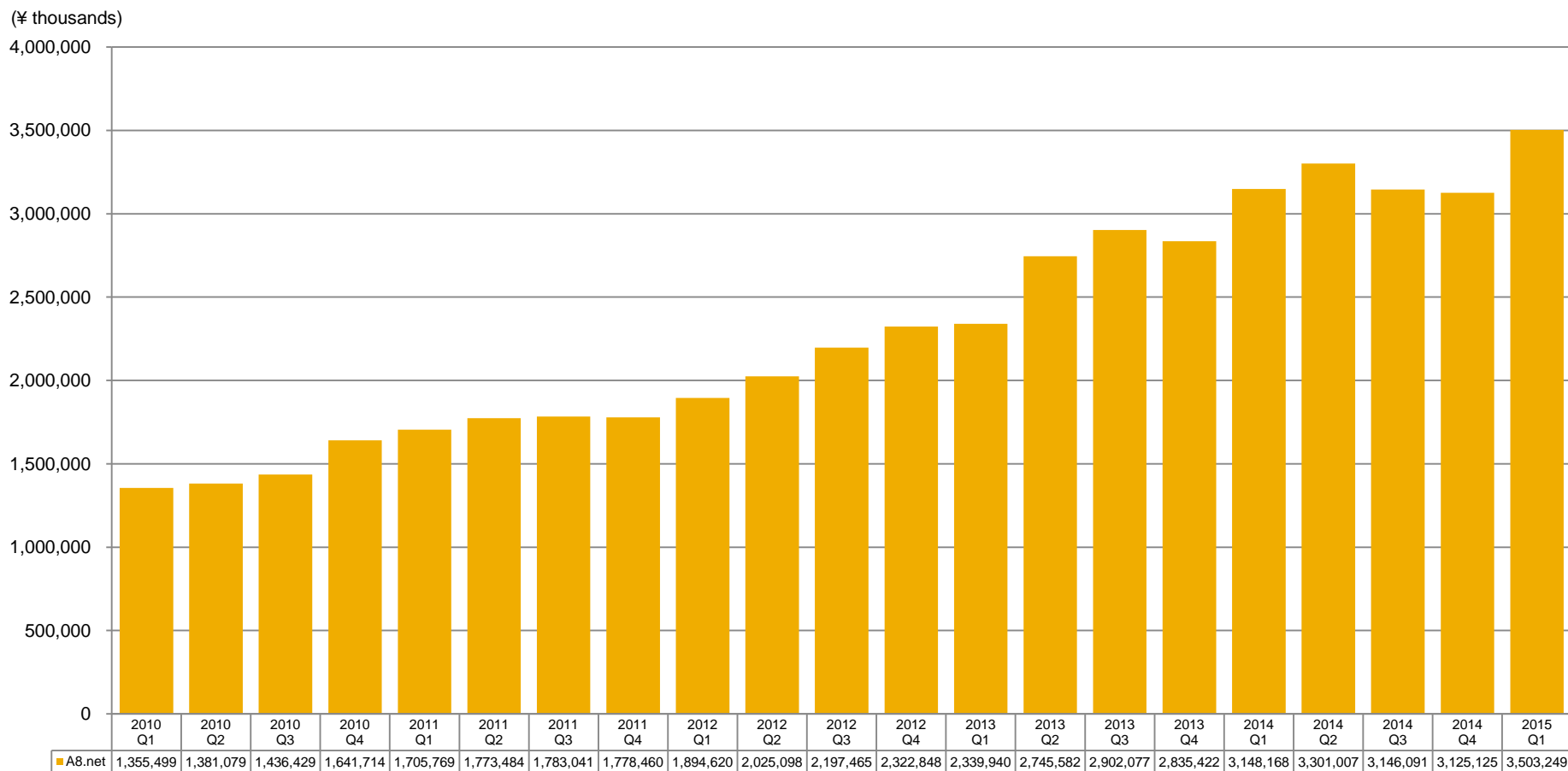
	2015 Q1 (Jan.– Mar.)	2014 Q1 (Jan.– Mar.)	Change
Sales (¥ thousands)	3,503,249	3,148,168	11.3%
Number of operating advertiser IDs	2,639	2,502	5.5%
Registered partner sites	1,842,805	1,621,513	13.6%

The number of operating advertiser IDs increased by 137 from the same period of the previous year.

Affiliate Ad Services for PCs (Non-consolidated)

Service: A8.net

Sales (Quarterly basis)

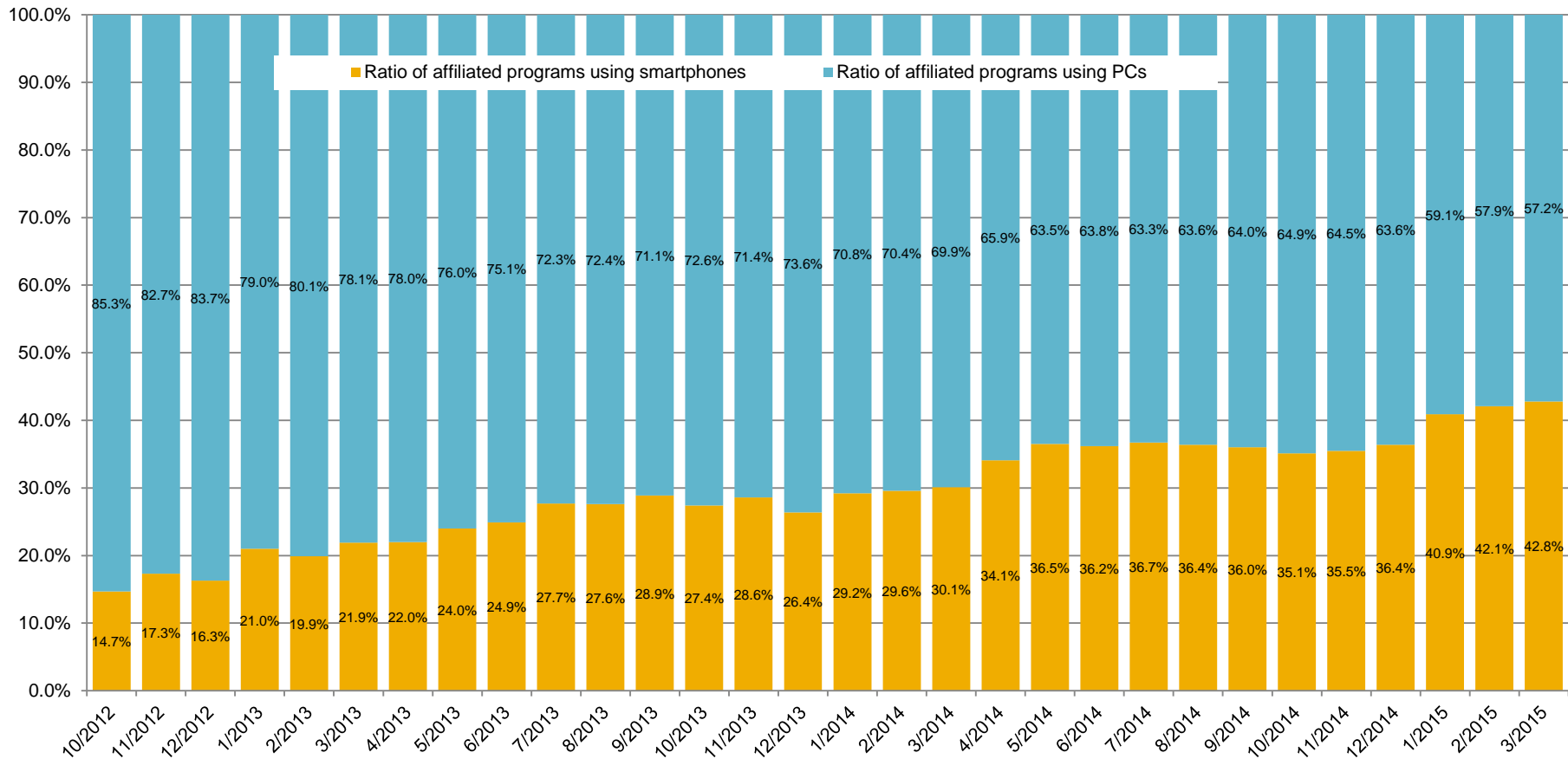


Sales topped ¥3.5 billion and set a record.

Affiliate Ad Services for PCs (Non-consolidated)

Service: A8.net

Ratio of Smartphones in Affiliated Programs (Monthly basis)



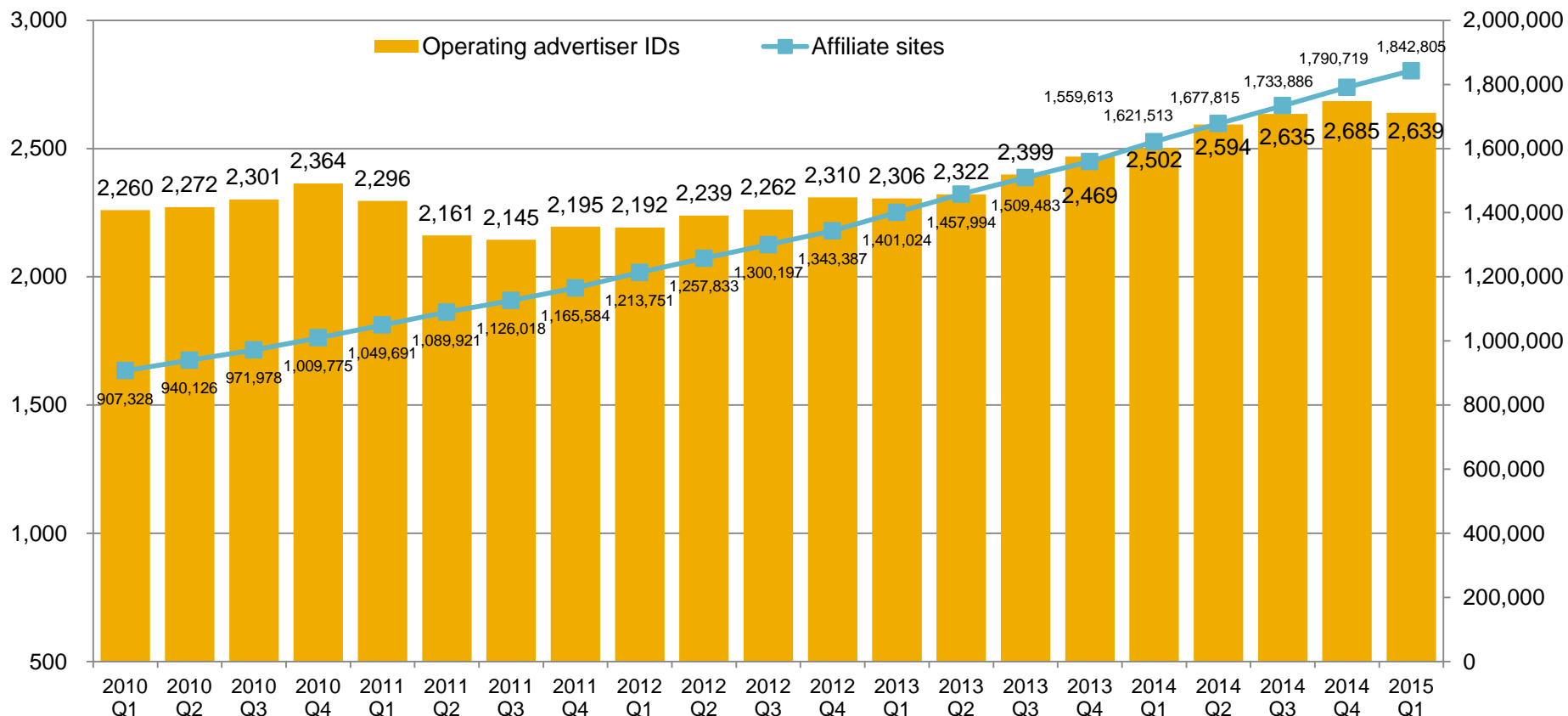
The ratio of affiliated programs using smartphones began growing again during the quarter and is currently around 42.8%.

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 operating advertisers decreased by 46 from the previous quarter, but this was a temporary decline that was the result of some agencies going out of business.

Affiliate Ad Services for PCs (Non-consolidated)

Service: A8.net

New Advertiser Start-ups and Cancellations



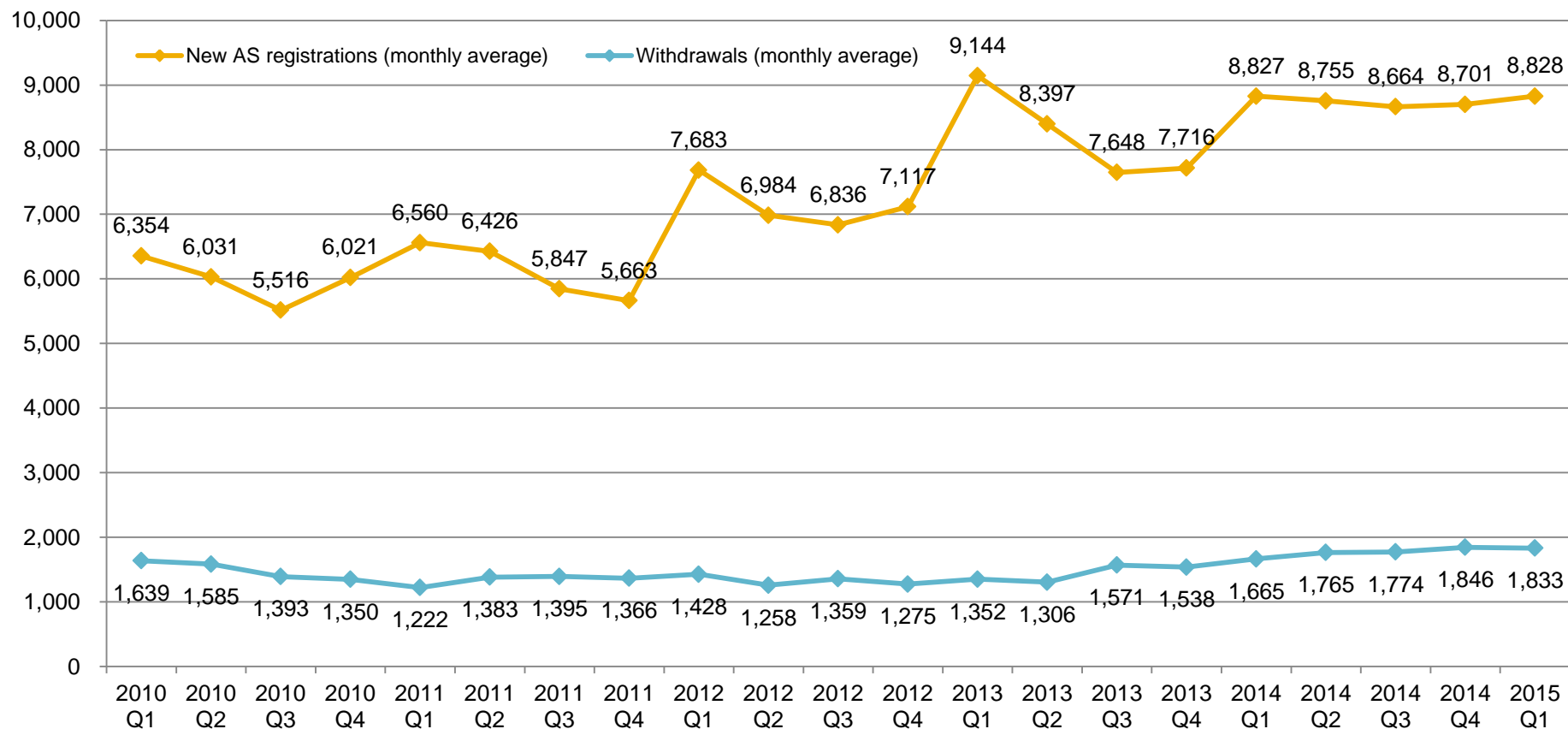
Note: "Change in inactive" is the difference in number of customers who switched between "operating" and "inactive," adjusted for the number of customers who switched from "inactive" to "cancelled" included in the number of cancellations.

The smaller number of operating advertisers is a seasonal issue. Cancellations increased because some agencies went out of business.

Affiliate Ad Services for PCs (Non-consolidated)

Service: A8.net

Average Monthly New Affiliate Site (AS) Registrations and Withdrawals

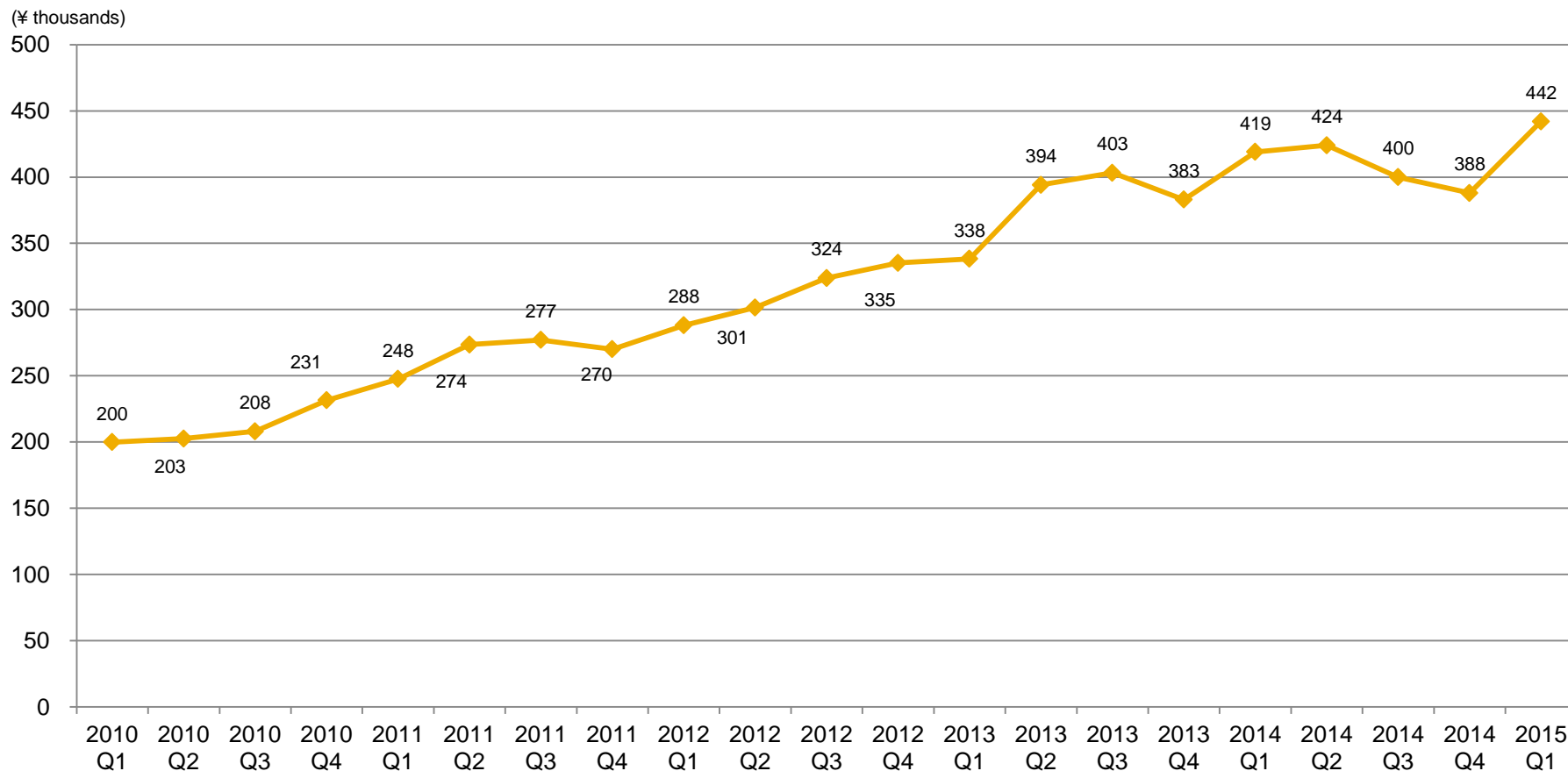


The number of new monthly registrations was substantially unchanged at nearly 9,000.

Affiliate Ad Services for PCs (Non-consolidated)

Service: A8.net

Average Monthly Sales per Advertiser



The number of operating advertisers decreased while affiliated programs increased, resulting in record sales per advertiser.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Services: Moba8.net, nend

Summary

	2015 Q1 (Jan.– Mar.)	2014 Q1 (Jan.– Mar.)	Change
Sales (¥ thousands)	4,090,161	3,729,953	9.7%
Number of operating advertiser IDs	1,627	1,479	10.0%
Registered partner sites	597,131	383,196	55.8%

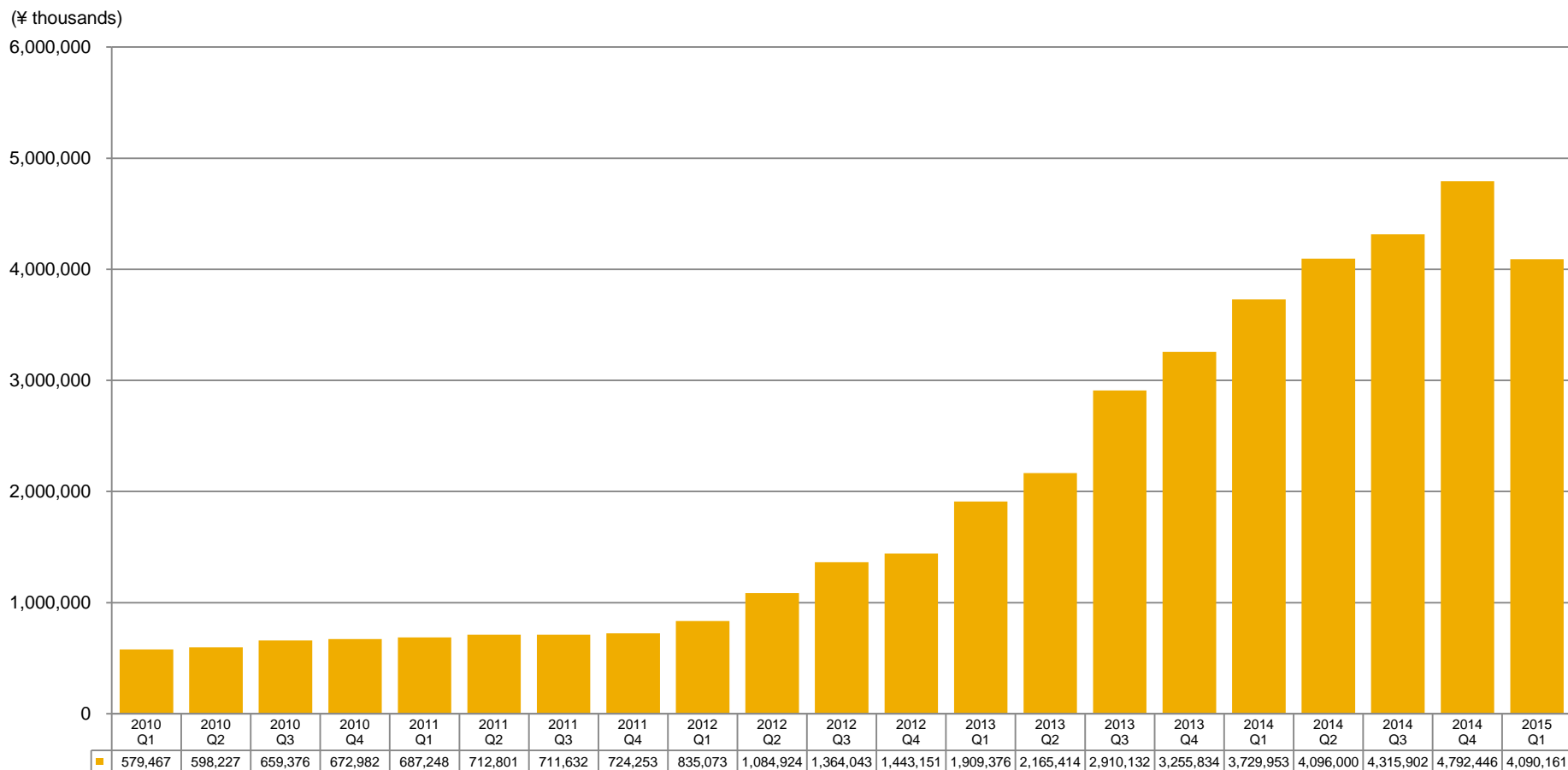
Note: Sales figures include sales of Moba8.net, nend and nex8 and other sales of services related to these companies. “Number of operating advertiser IDs” and “Registered partner sites” are the total figures for Moba8.net and nend.

The number of operating advertiser IDs increased by 148 from the same period of the previous year.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Services: Moba8.net, nend

Sales (Quarterly basis)



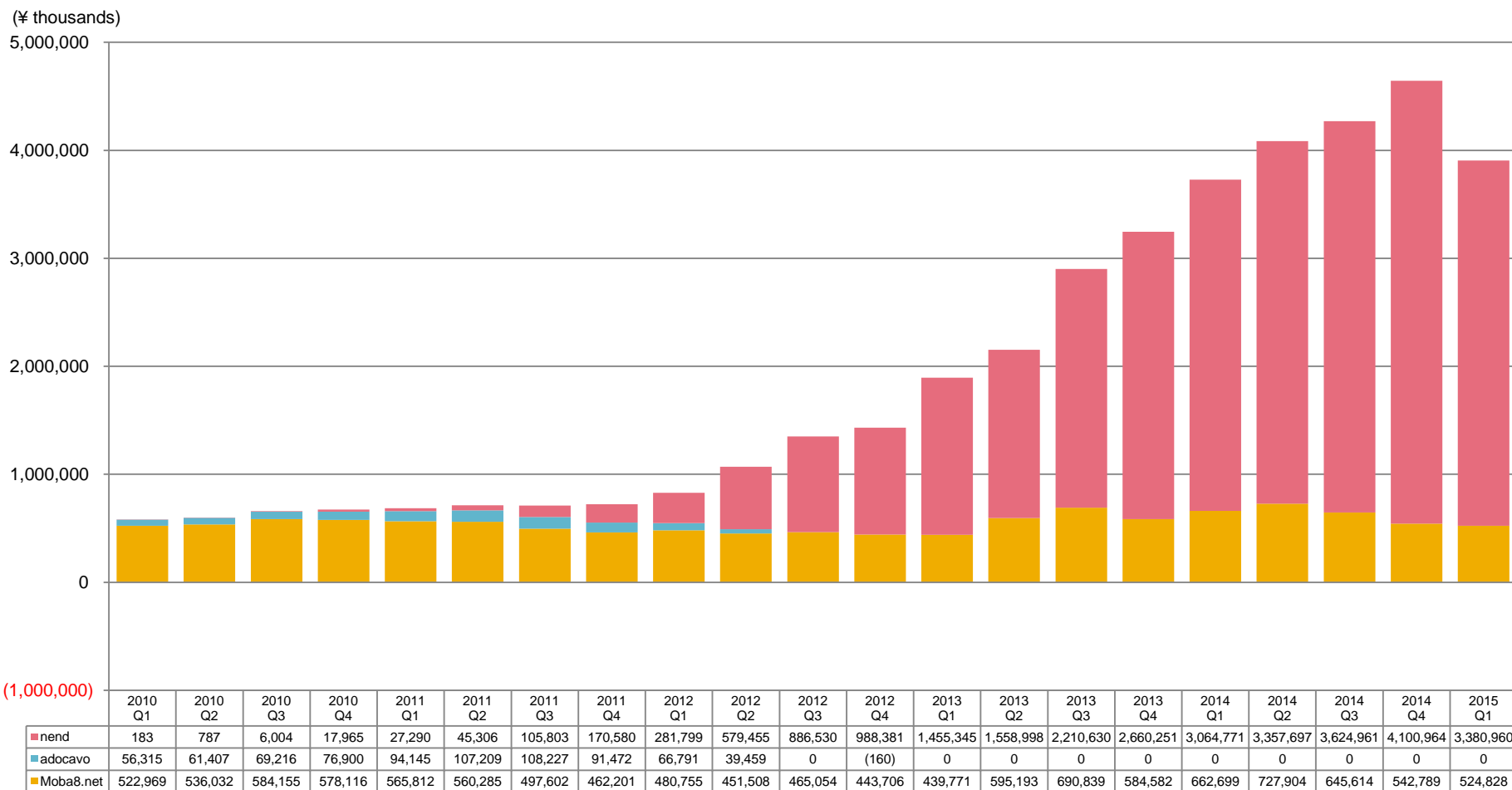
Note: Includes sales of adocavo until 2012 Q4. The above figures include sales of Moba8.net, nend and nex8 and other sales of services related to these companies.

Sales of nend reverted to the level of 2014 2Q.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Services: Moba8.net, nend

Sales (Quarterly basis)



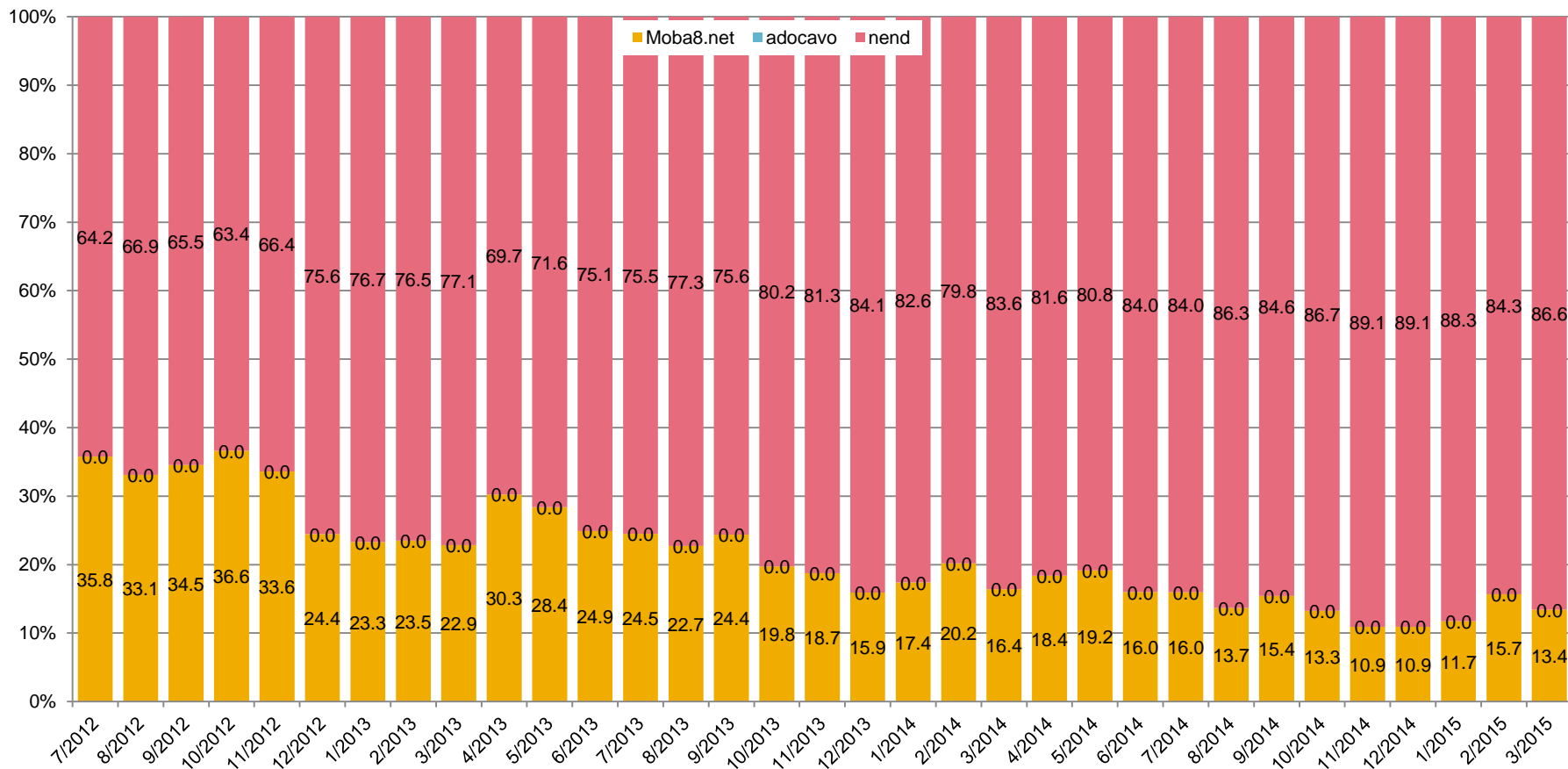
Note: The above figures are for adocavo, Moba8.net and nend only. Other sales of services related to these companies and sales of nex8 are not included.

Sales of moba8 decreased but appear to have bottomed. Sales of nend decreased.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Services: Moba8.net, nend

Composition of Sales (Monthly basis)



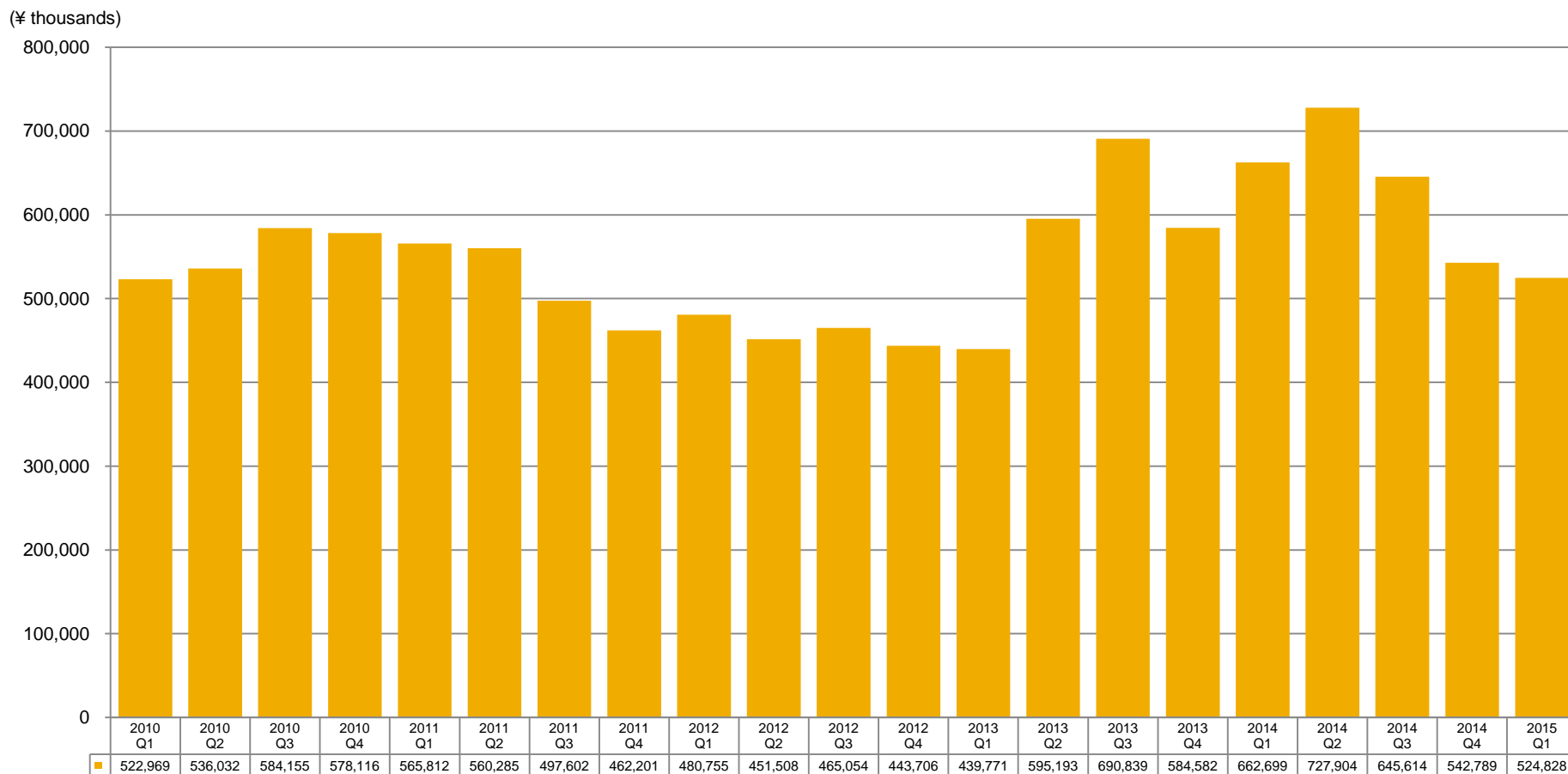
Note: The above figures are for adocavo, Moba8.net and nend only. Other sales of services related to these companies and sales of nex8 are not included.

Moba8 accounted for a somewhat larger proportion of sales because of lower sales at nend.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Service: Moba8.net

Sales (Quarterly basis)

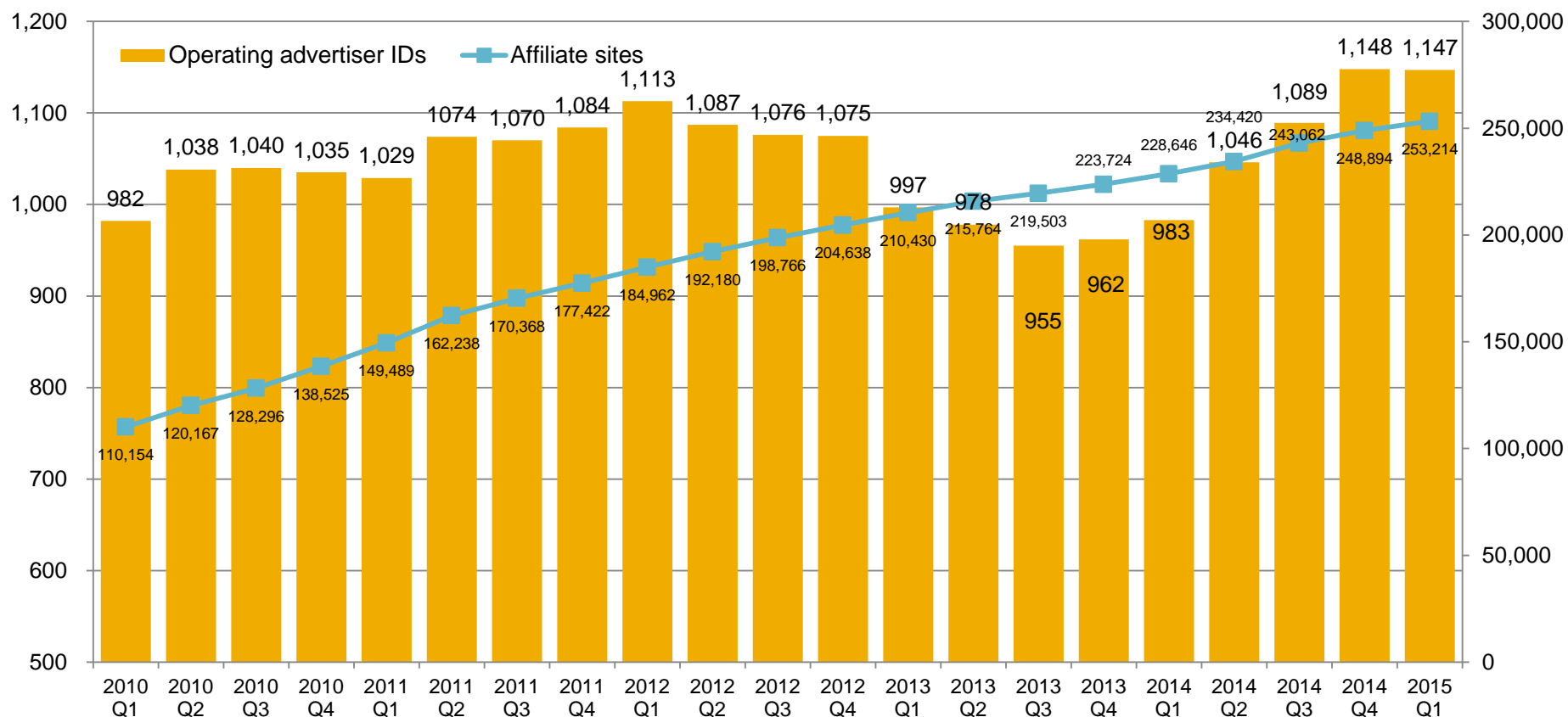


The main cause of the decrease in sales was the termination of promotions by a large-scale advertiser. Sales appear to have bottomed in Q1.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Service: Moba8.net

Number of Operating Advertisers and Affiliate Sites (Quarterly basis)



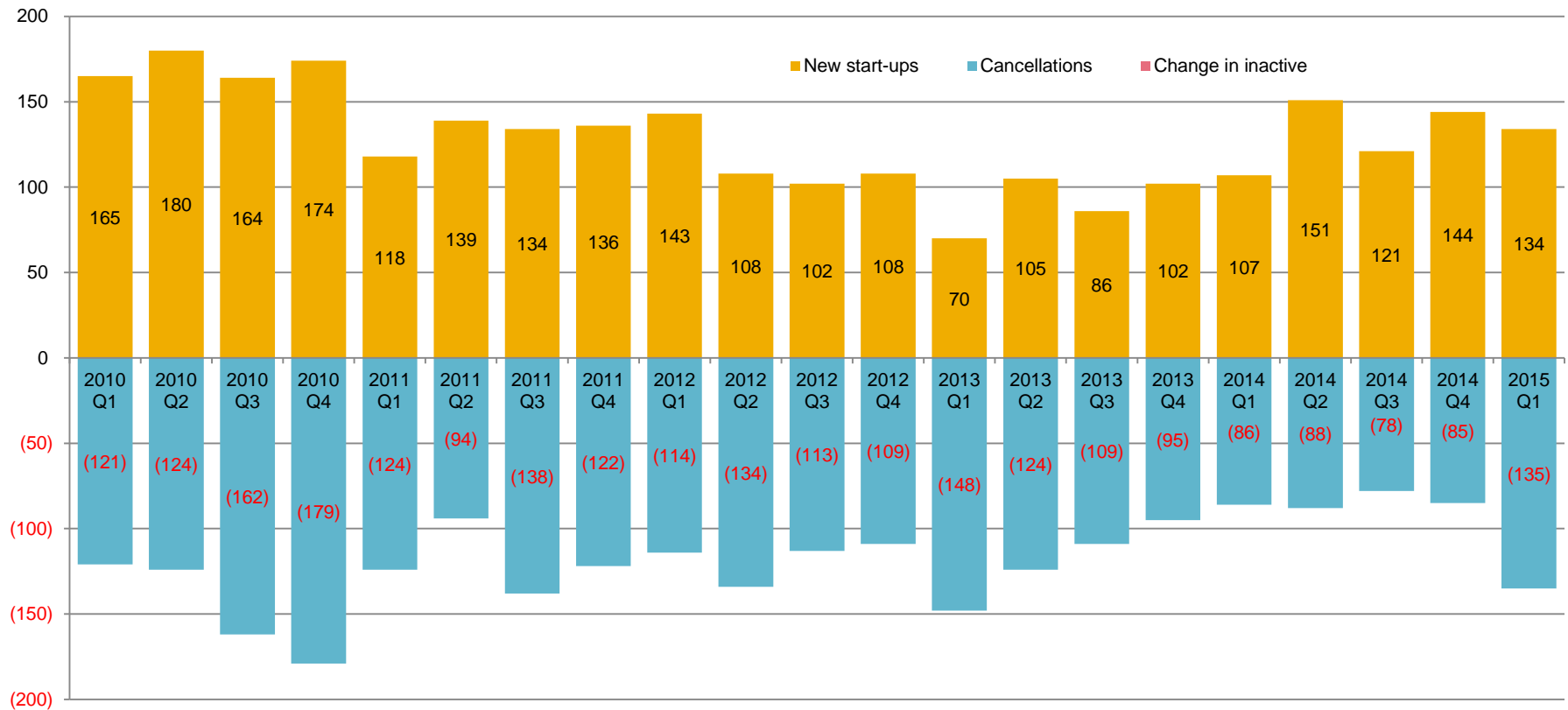
Note: The number of operating advertisers is as of the final month of each quarter.

The number of advertisers was flat due to seasonal factors.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Service: Moba8.net

New Advertiser Start-ups and Cancellations (Quarterly basis)

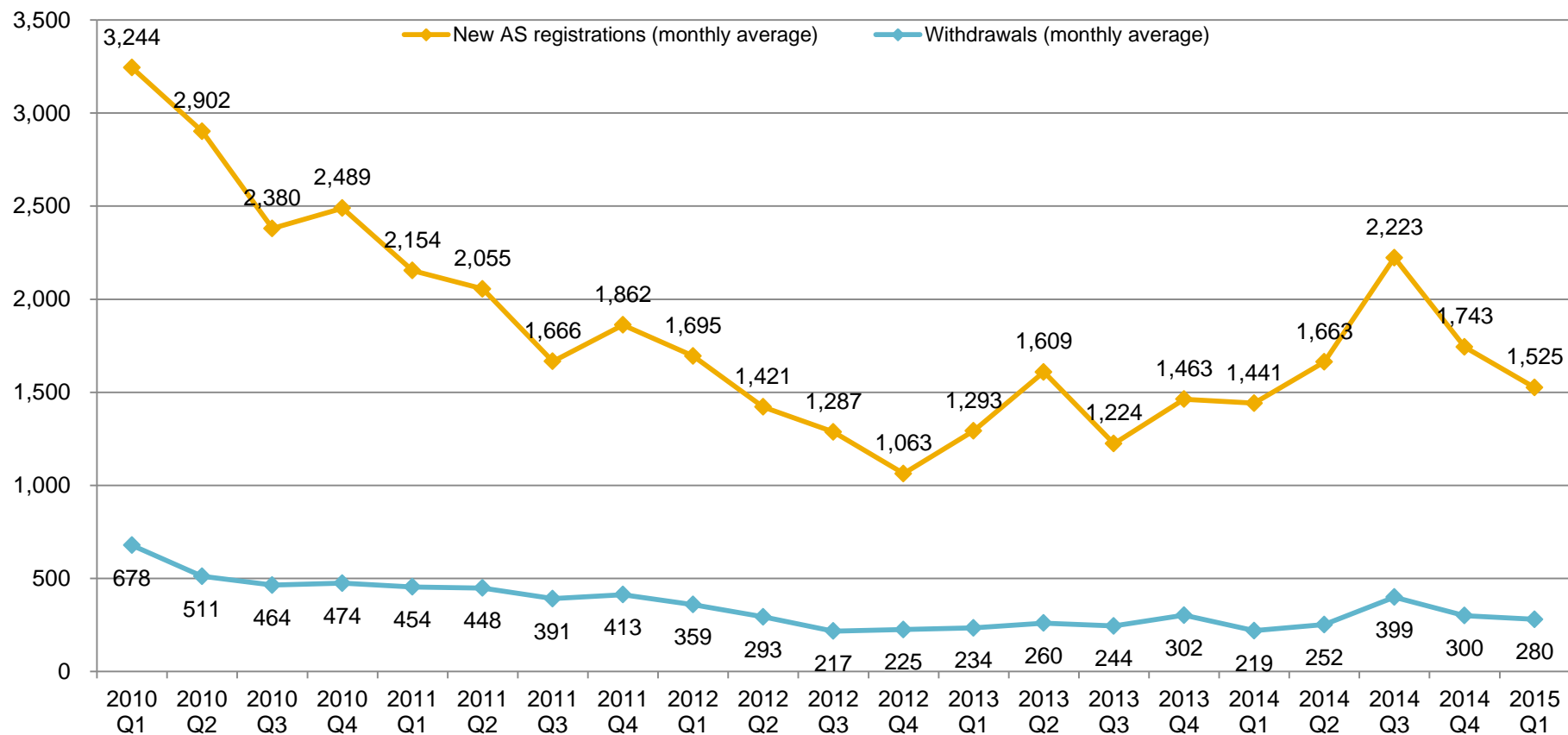


The increase in cancellations was relatively large because inactive accounts were reclassified.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Service: Moba8.net

Average Monthly New Affiliate Site (AS) Registrations and Withdrawals

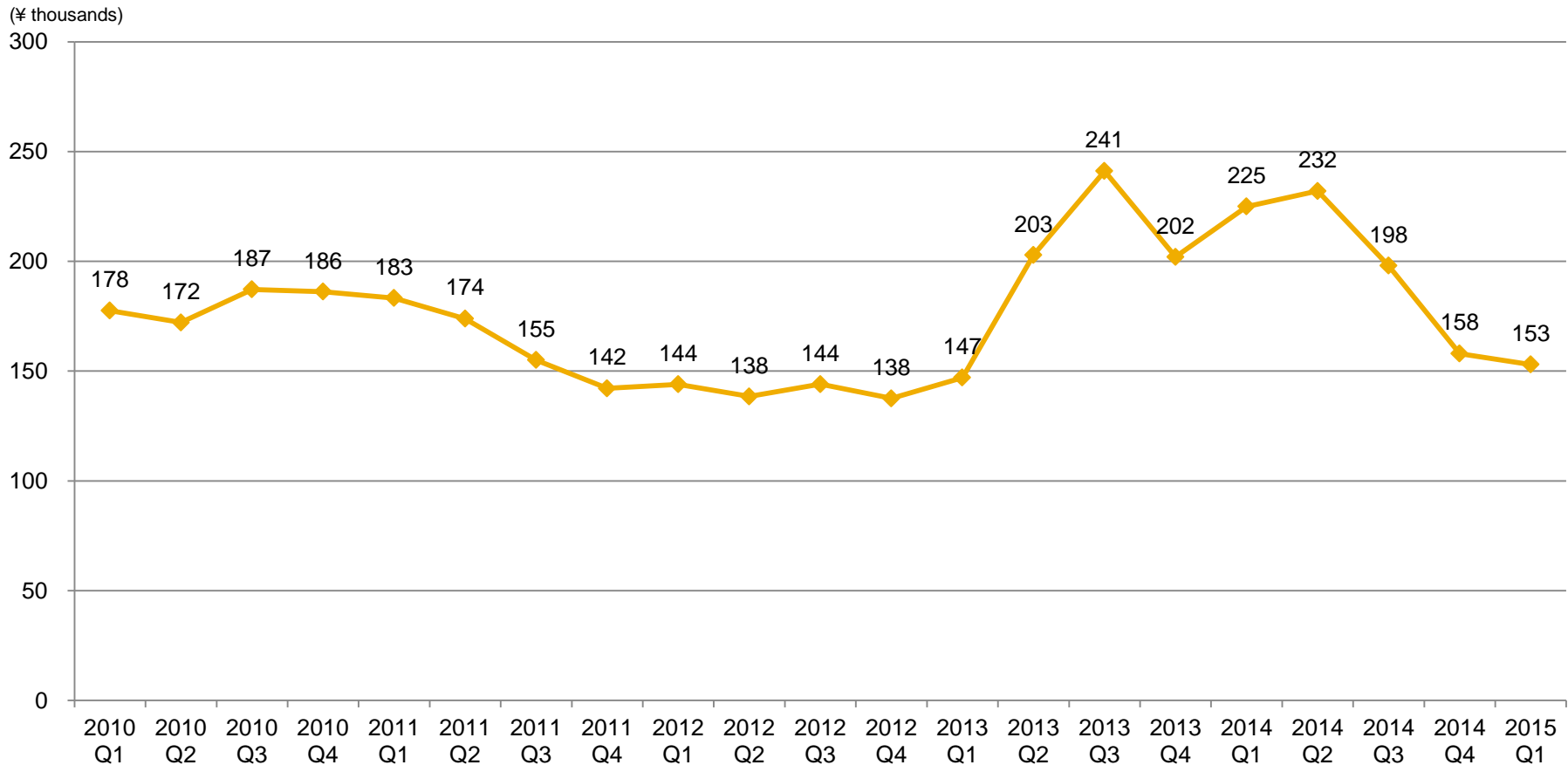


The trend has not changed significantly.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Service: Moba8.net

Average Monthly Sales per Advertiser



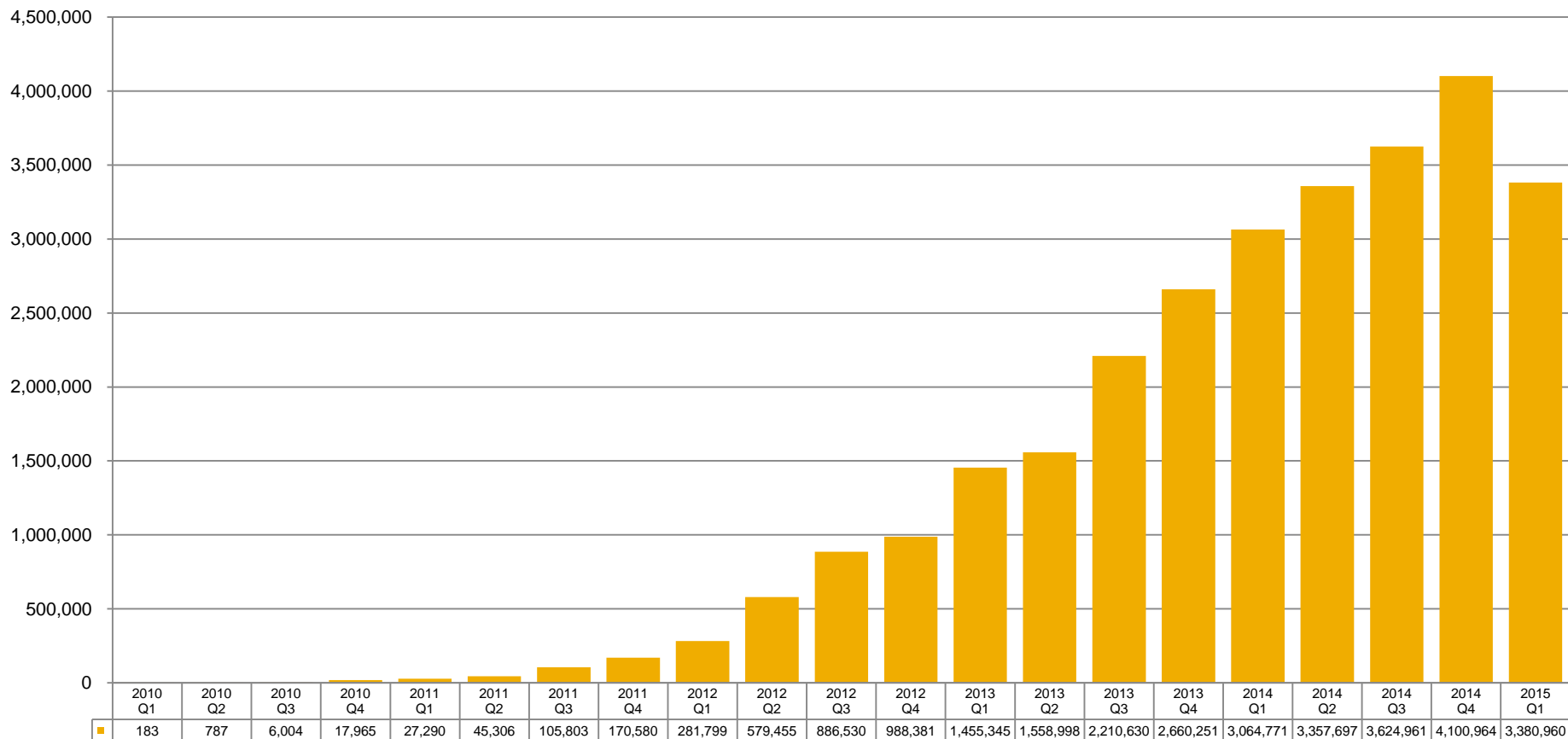
Decreases for three consecutive quarters.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Service: nend

Sales (Quarterly basis)

(¥ thousands)

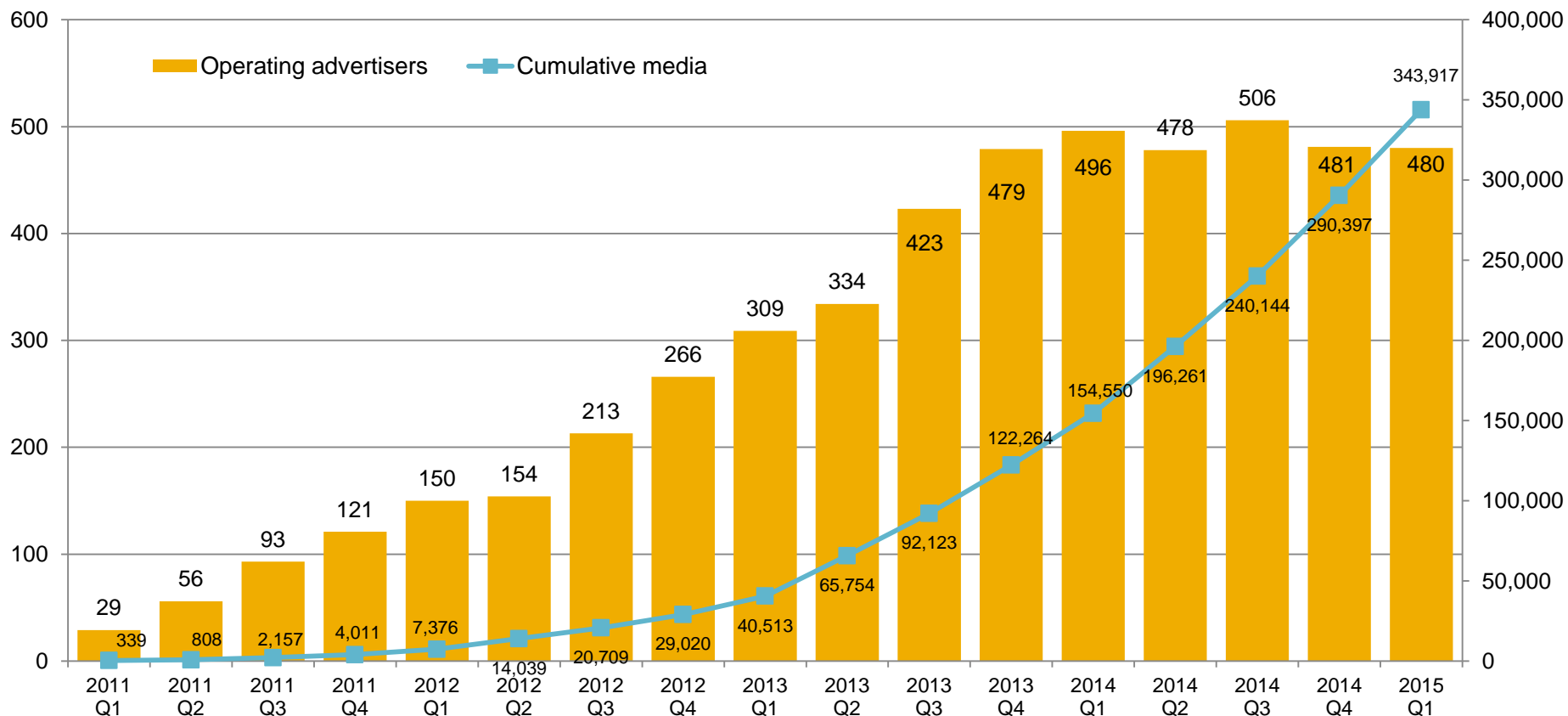


Sales missed plan because of rising costs to acquire advertisers with the largest budgets, and a new game site expected to generate significant sales was not released.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Service: nend

Number of Operating Advertisers and Media (Quarterly basis)



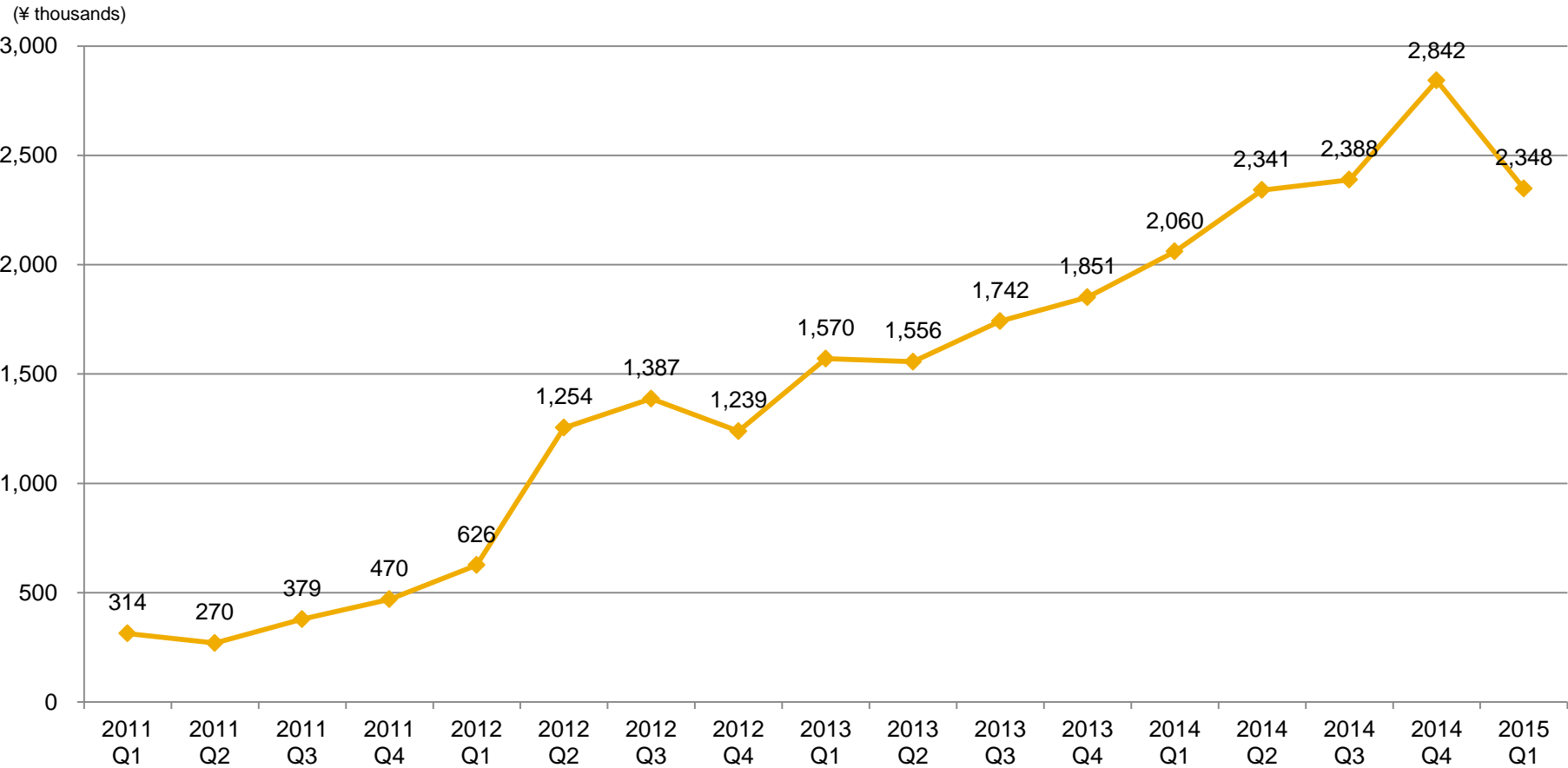
Note: The number of operating advertisers is as of the final month of each quarter.

The number of operating advertisers decreased by 1 from the previous quarter. Traffic is trending upward, with the number of media exceeding 340,000.

Affiliate Ad Services for Mobile Devices (Non-consolidated)

Service: nend

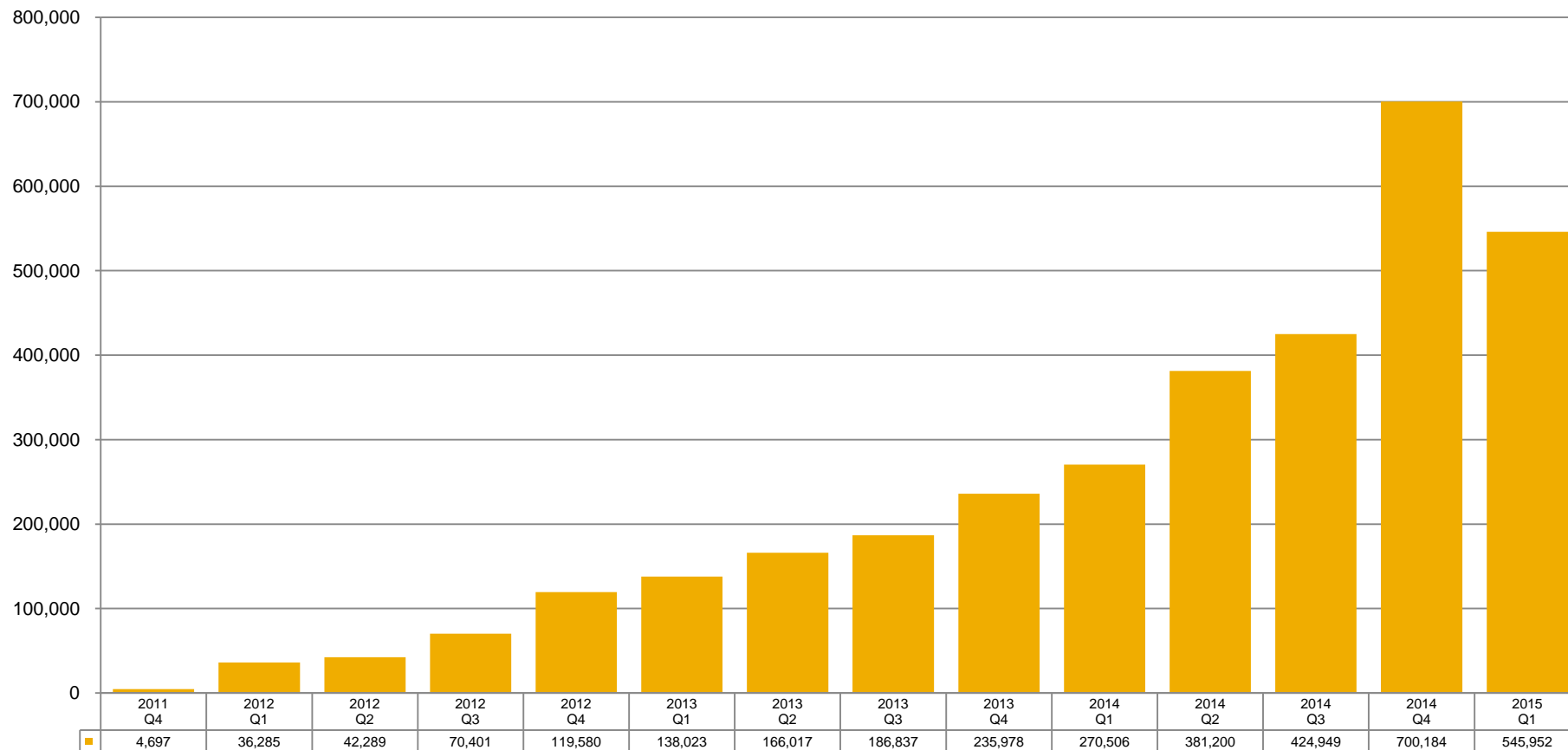
Average Monthly Sales per Advertiser



Sales per advertiser decreased significantly.

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

(¥ thousands)



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 were off following robust growth in the previous quarter and due to seasonal factors. Sales more than doubled 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)	2015 1Q	2014 Full Year
Net sales	545,952	1,776,840
Operating income	65,742	202,506
Net income	40,437	126,561

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)	2015 1Q	2014 Full Year
Net sales	255,569	827,207
Operating income	15,814	52,435
Net income	9,582	39,592

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@NCommunications)

Main Business
 Operation of net media



(¥ thousands)	2015 1Q	2014 Full Year
Net sales	92,592	346,105
Operating Income (loss)	(333)	(53,222)
Net income (loss)	(1,074)	(43,886)



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

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** **¥1,119.4 million (As of March 31, 2015)**
- **President and Representative Director** **Yasuyoshi Yanagisawa**
- **Number of employees** **Non-consolidated: 291**
Group total: 346
(as of March 31, 2015; 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

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