



Second Quarter of 2015

Presentation of Results

August 10, 2015

F@N Communications, Inc.

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Second Quarter of 2015 Performance Highlights

Second Quarter of 2015: Key Points

- **Net sales were ¥9,070 million and ordinary income was ¥1,598 million, both new records.**
- **The main factor in the record results was the strong performance of A8.net as it approached its 15th anniversary.**
- **Second quarter results exceeded the results of the previous quarter, but continued to transform its business structure.**

Performance Highlights (Consolidated)

Results of Operations

(¥ thousands)	2015 Q2	2014 Q2	Year-on-Year Change	% of Net Sales
Net sales	17,342,603	15,248,598	13.7%	100%
Operating income	3,026,718	2,800,586	8.1%	17.5%
Ordinary income	3,061,957	2,828,031	8.3%	17.7%
Net income	1,948,825	1,741,860	11.9%	11.2%
Ordinary income margin	17.7%	18.5%	-0.8 _{points}	-
Net income per share	¥25.15	¥22.69	10.8%	-
Diluted net income per share	¥25.01	¥22.32	12.1%	-

Note: The Company conducted a 2-for-1 split of its common stock on April 1, 2014, but net income per share and diluted net income per share are calculated as if the stock split had occurred on January 1, 2013.

Performance Highlights (Non-consolidated)
Results of Operations

(¥ thousands)	2015 Q2	2014 Q2	Year-on-Year Change	% of net sales
Net sales	16,197,683	14,437,239	12.2%	100%
Operating income	2,878,398	2,732,343	5.3%	17.8%
Ordinary income	2,923,490	2,775,472	5.3%	18.0%
Net income	1,859,412	1,713,110	8.5%	11.5%
Ordinary income margin	18.0%	19.2%	-1.2 points	-

Consolidated Financial Statements

Balance Sheets

(¥ thousands)	December 31, 2014	Second Quarter of 2015
Assets		
Current assets	15,911,394	16,669,948
Cash and deposits	9,426,329	10,296,035
Notes and accounts receivable - trade	4,435,298	4,520,024
Securities	1,702,824	1,523,305
Other	367,594	344,596
Allowance for doubtful accounts	△20,653	△14,012
Fixed assets	2,443,533	2,380,937
Property and equipment	172,166	243,177
Intangible assets	211,099	235,117
Investments and other assets	2,060,267	1,902,641
Total assets	18,354,927	19,050,885
Liabilities and Net Assets		
Current liabilities	6,298,662	6,170,738
Notes and accounts payable - trade	3,674,452	4,268,513
Income taxes payable	1,577,198	1,074,573
Other current liabilities	1,047,011	827,651
Long-term liabilities	153,941	136,540
Total liabilities	6,452,604	6,307,278
Total net assets	11,902,323	12,743,606
Total liabilities and net assets	18,354,927	19,050,885

Main factors were ¥11,984 thousand in work related to layout changes and an ¥82,112 thousand increase for expansion of nend servers.

Main component was ¥1,580,602 thousand in investment securities.

Main factor was a ¥706,176 thousand increase in performance-based fees associated with sales growth of A8.net.

Main component was long-term guarantee deposits.

Main factors were dividend payments of ¥1,160,677 thousand and net income of ¥1,948,825 thousand.

Consolidated Performance Forecast

(¥ millions)	2015 Full-Year Forecast (% Change from Same Period of Previous Year)	2015 Interim Period Actual	Ratio to Full-Year Forecast
Net sales	36,500 (14.1)	17,342	47.5%
Operating income	6,500 (10.4)	3,026	46.6%
Ordinary income	6,570 (10.4)	3,061	46.6%
Net income	4,220 (16.2)	1,948	46.2%

Note: Figures in the full-year forecast are after the revision on July 31.

Dividend Forecast

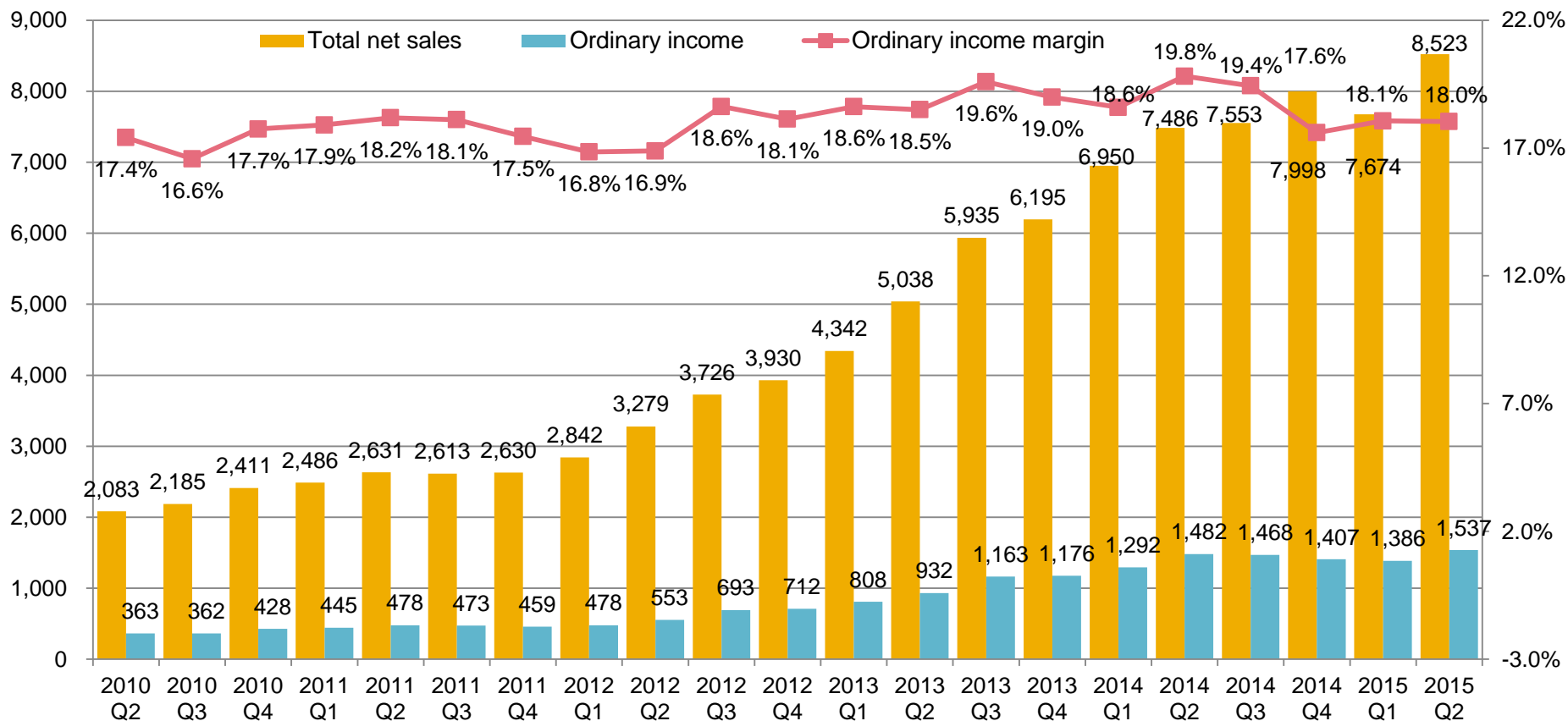
	2015 Forecast	2014 Actual
Year-end dividend per share	¥17	¥15

Management Indicators (Quarterly Basis)

Management Indicators (Non-consolidated/Quarterly basis)

Net Sales, Ordinary Income and Ordinary Income Margin

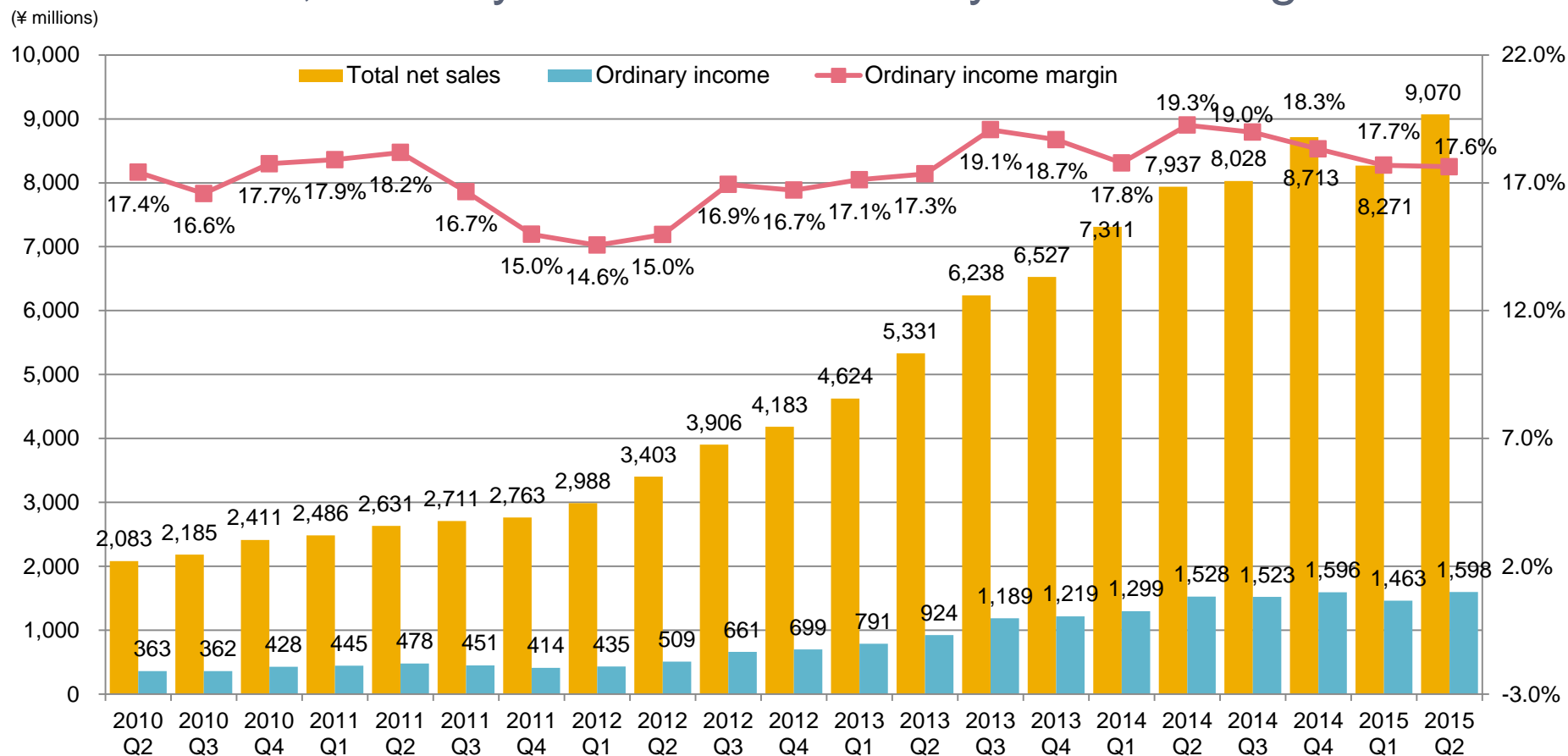
(¥ millions)



Net sales and ordinary income were both record highs.

Management Indicators (Consolidated/Quarterly basis)

Net Sales, Ordinary Income and Ordinary Income Margin

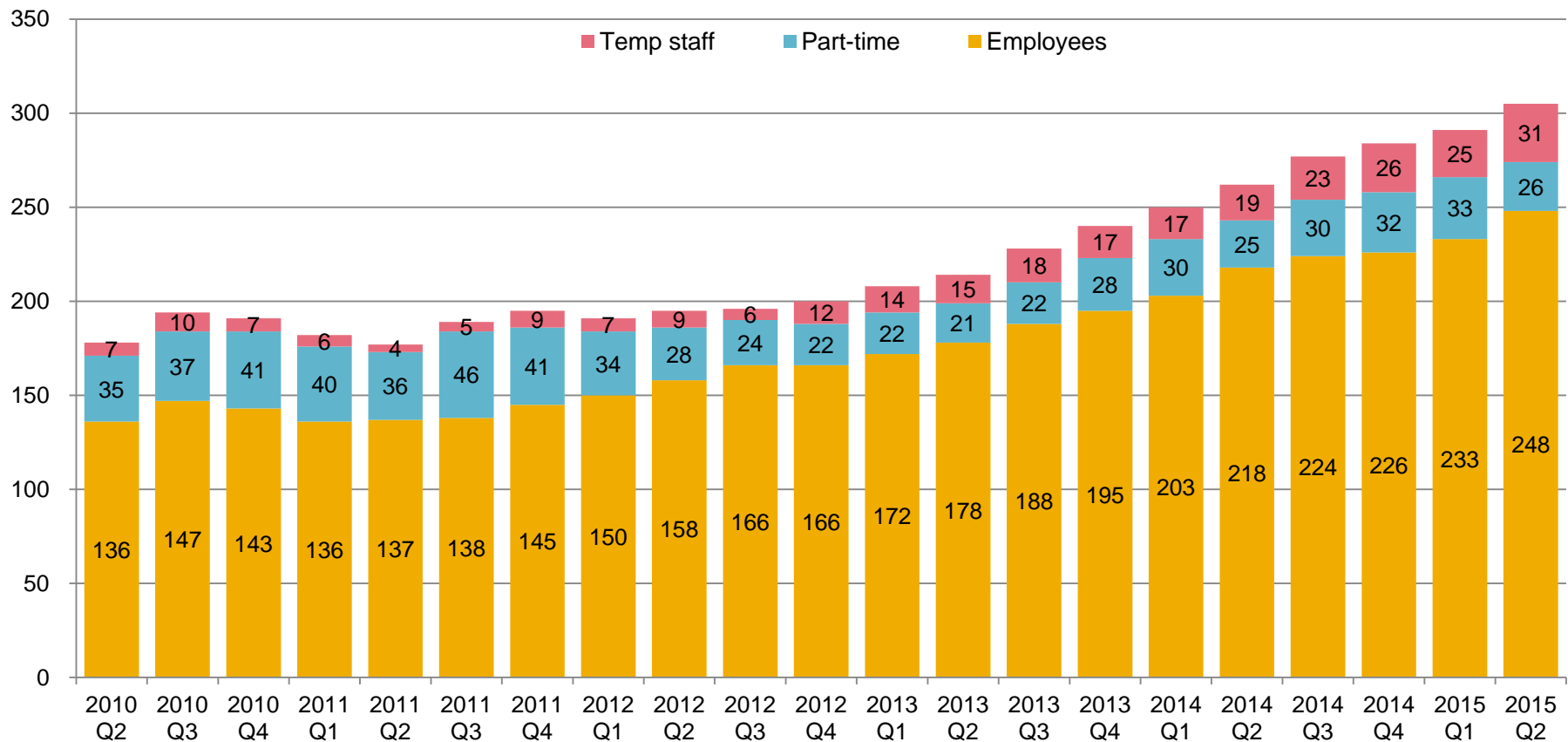


Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

Net sales and ordinary income were both record highs.

Management Indicators (Non-consolidated/Quarterly basis)

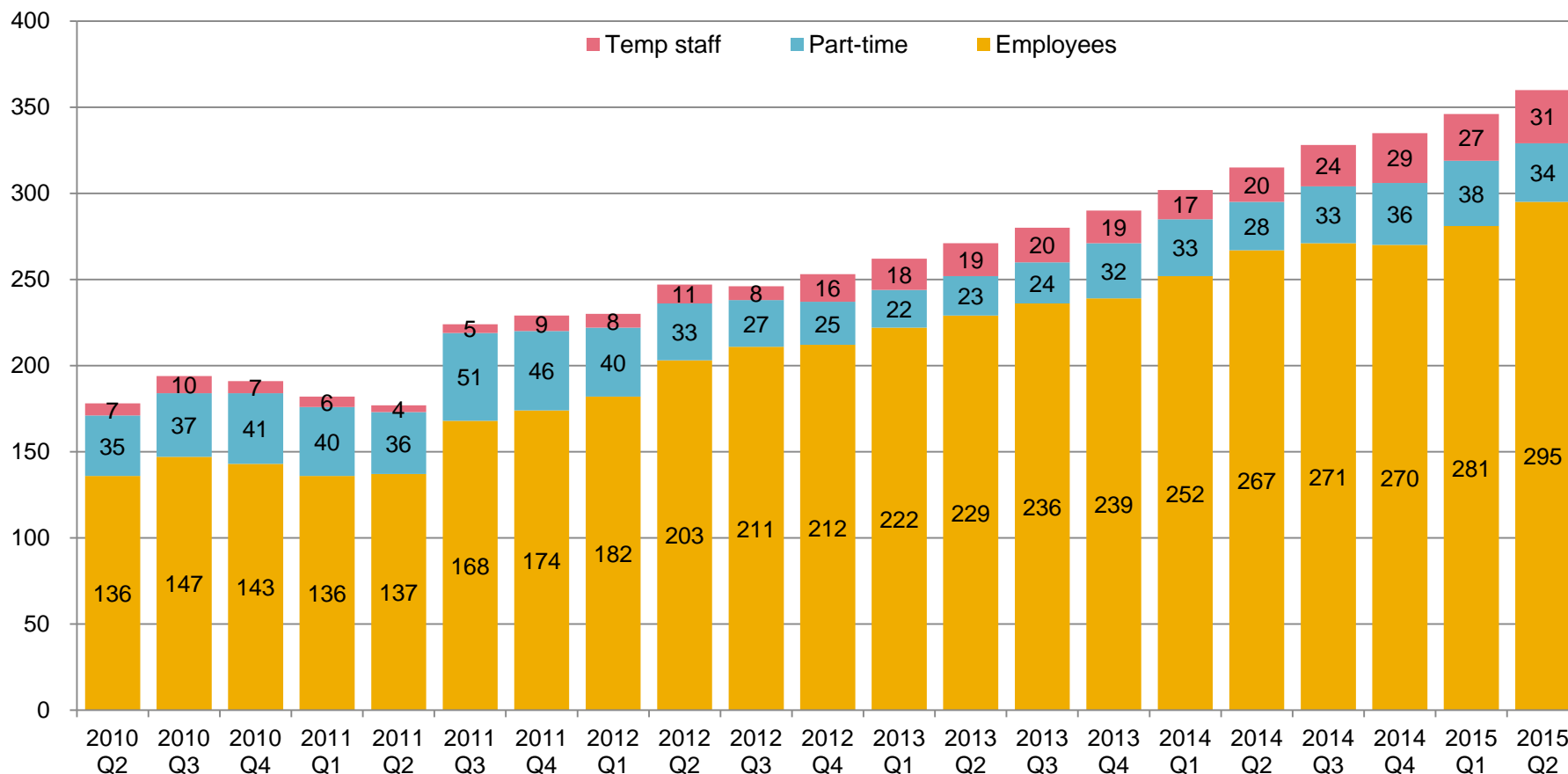
Number of Employees



The number of non-consolidated employees was 305, a record high. The number increased by 14 from the end of the previous quarter.

Management Indicators (Consolidated/Quarterly basis)

Number of Employees

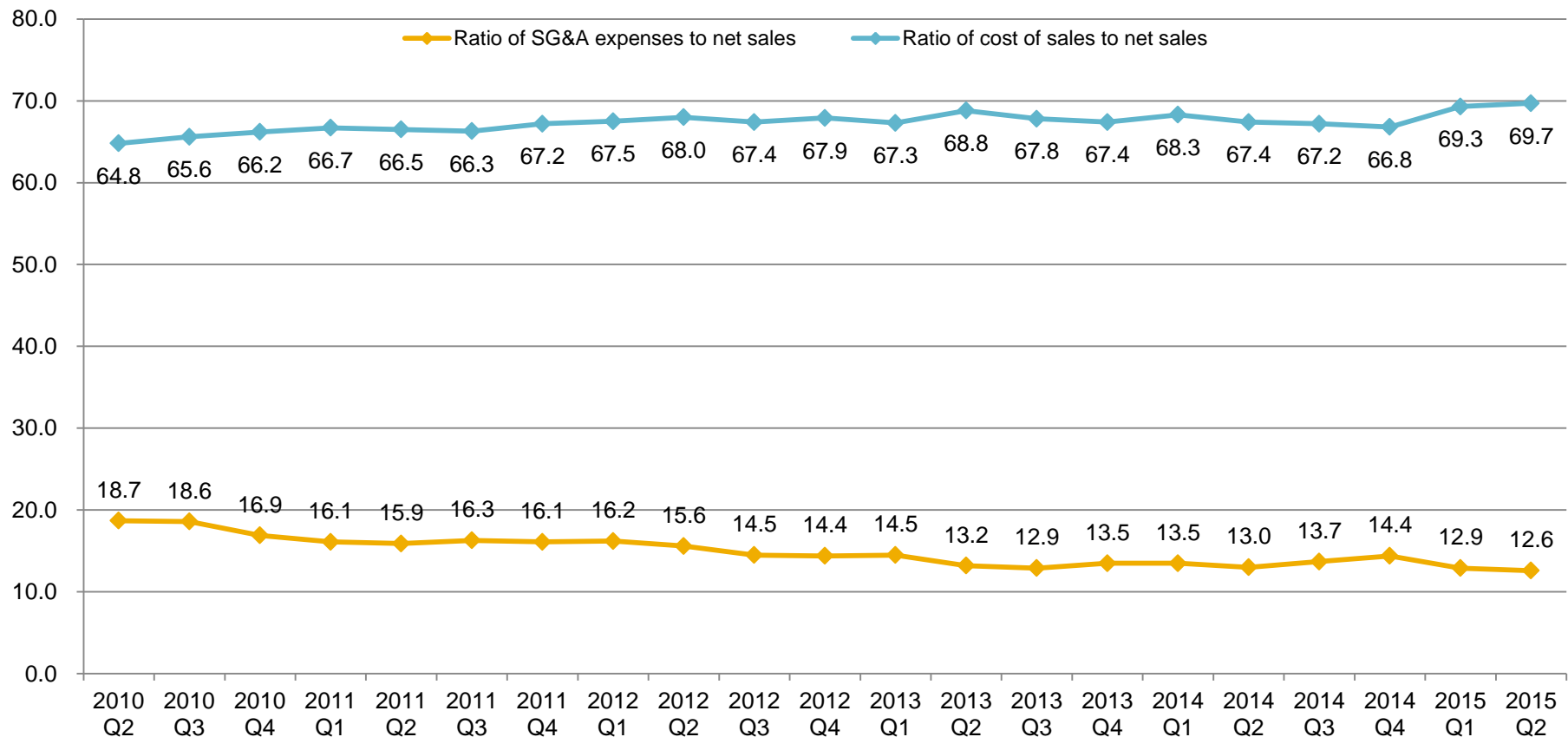


Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

The total number of employees in the Group was 360, an increase of 45 from the same period of the previous year.

Management Indicators (Non-consolidated/Quarterly basis)

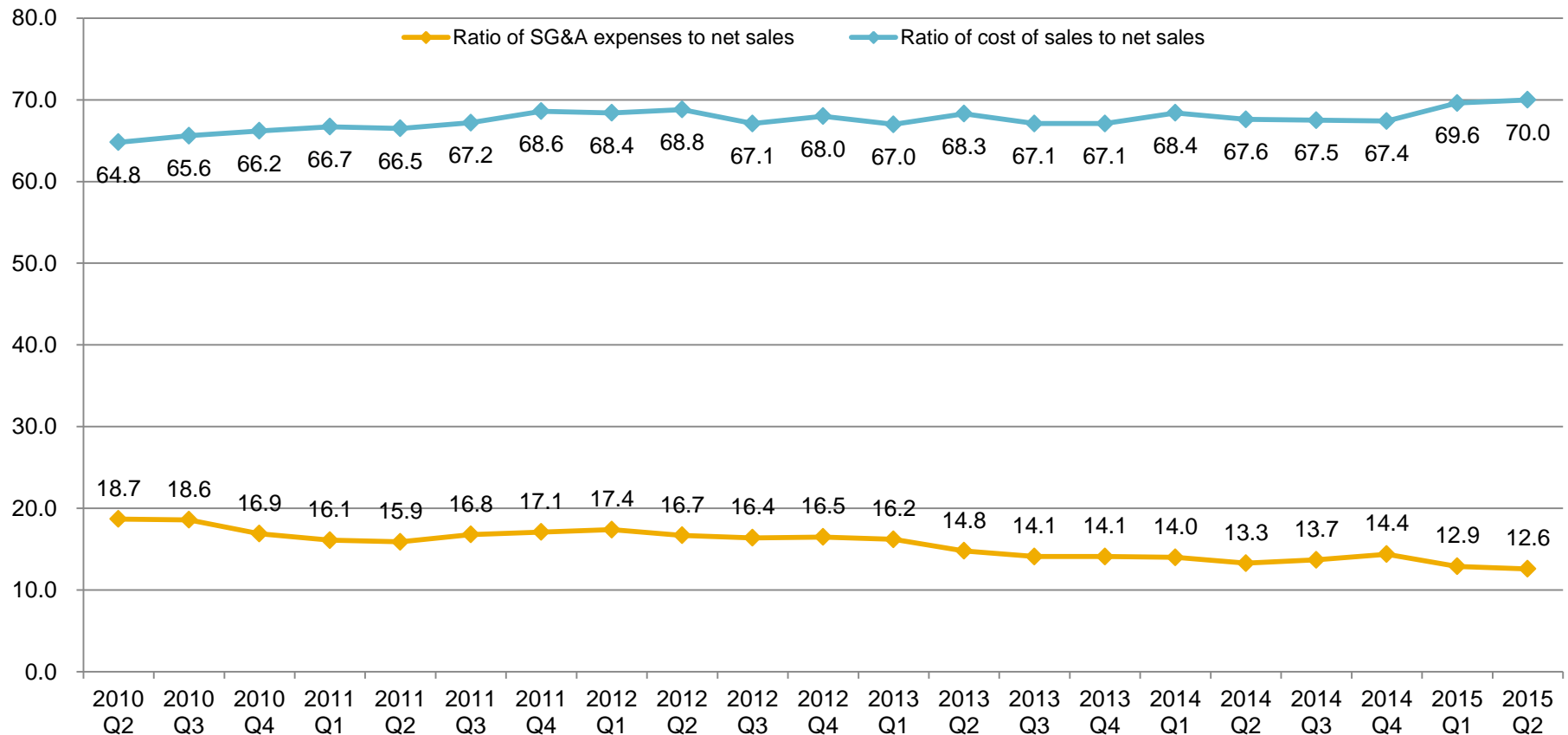
Cost of Sales Ratio and SG&A Expenses Ratio



The cost of sales ratio increased 0.4 percentage points, but the selling, general and administrative (SG&A) expenses ratio decreased 0.3 percentage points.

Management Indicators (Consolidated/Quarterly basis)

Cost of Sales Ratio and SG&A Expenses Ratio



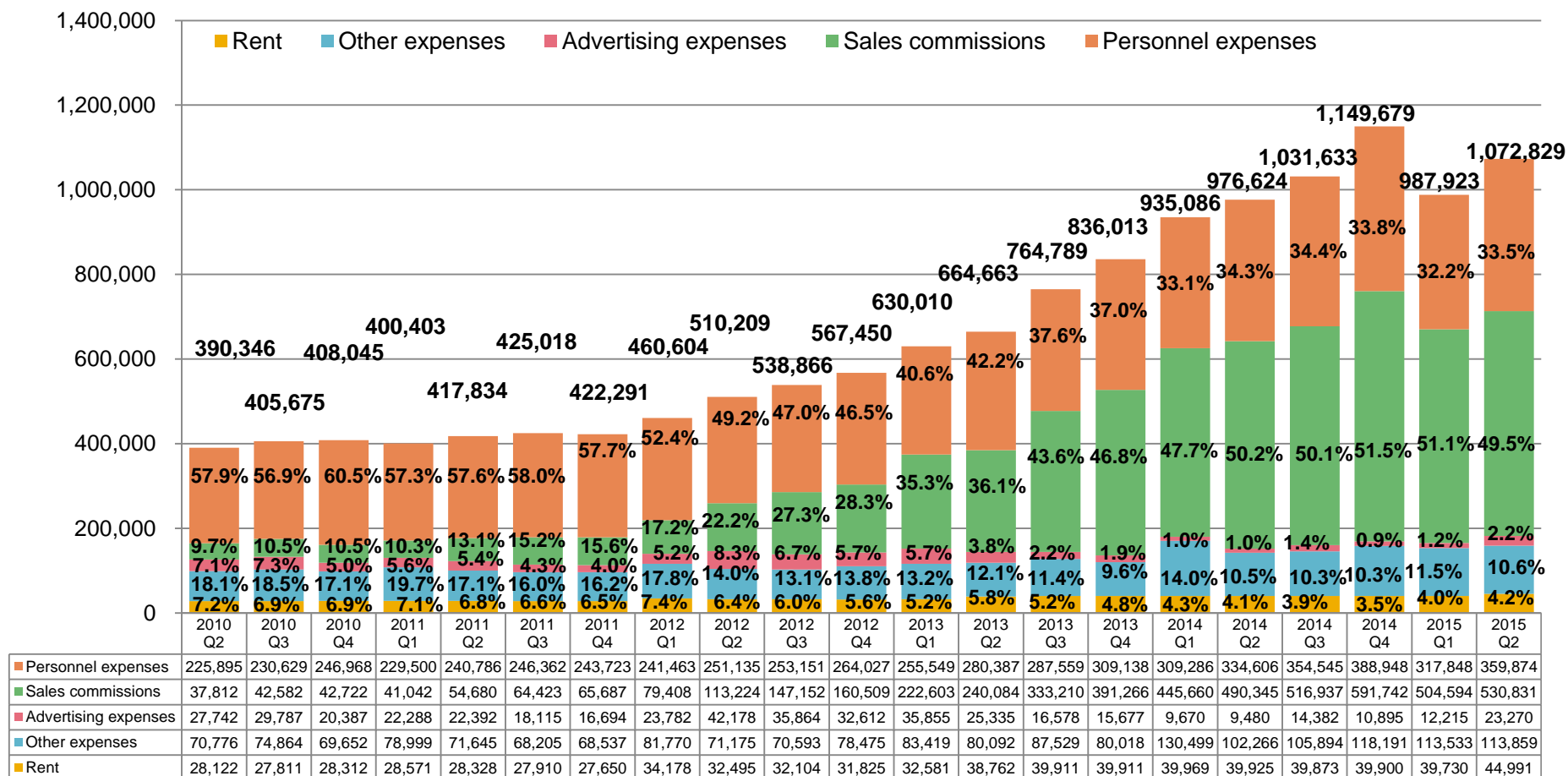
Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

The cost of sales ratio increased 0.4 percentage points, but the selling, general and administrative (SG&A) expenses ratio decreased 0.3 percentage points.

Management Indicators (Non-consolidated/Quarterly basis)

Selling, General and Administrative Expenses

(¥ thousands)

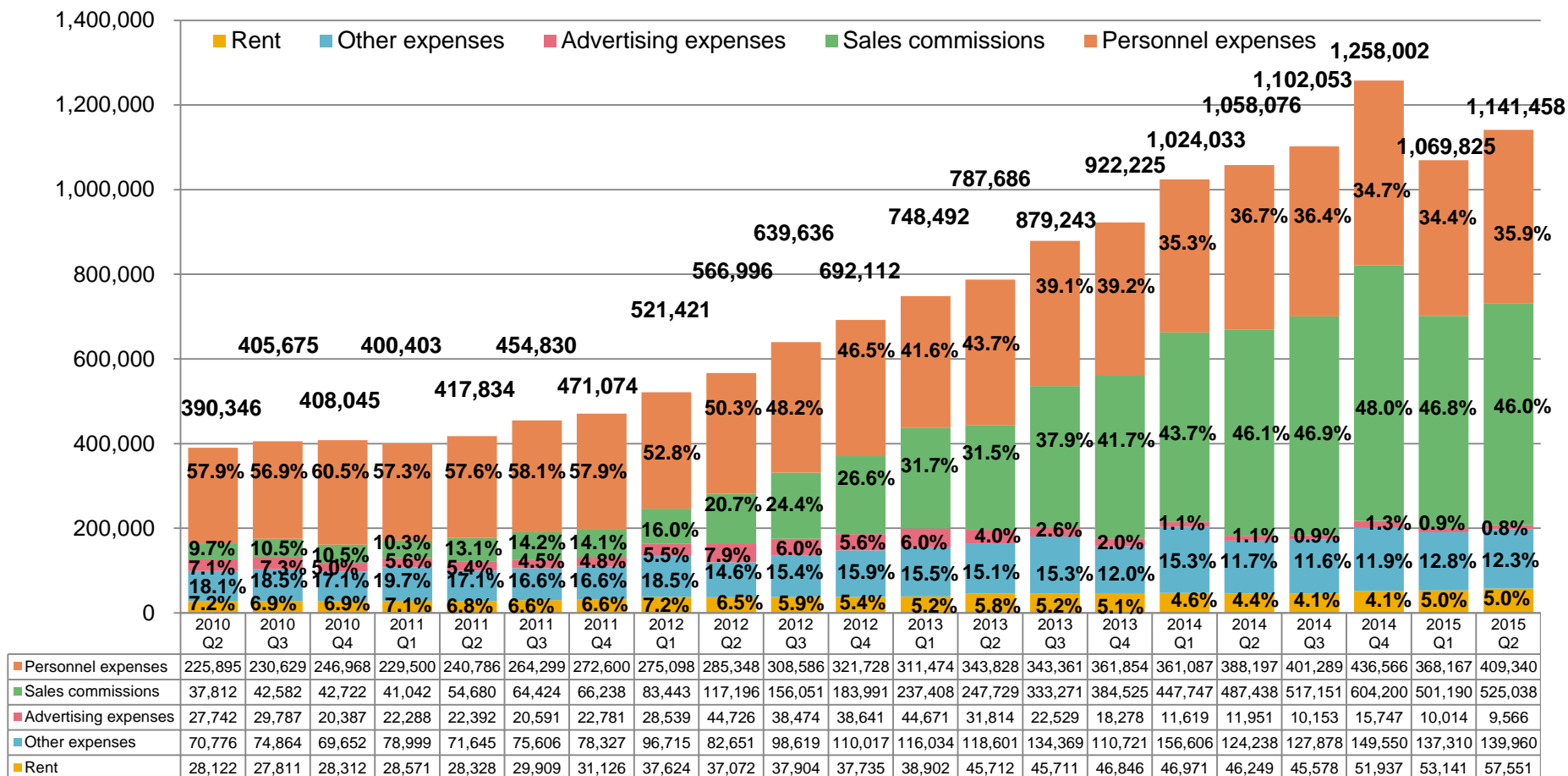


Expenses included wage increases, new graduate hires, floor expansions, and promotional campaigns to mark the 5th anniversary of nend and the 15th anniversary of A8.

Management Indicators (Consolidated/Quarterly basis)

Selling, General and Administrative Expenses

(¥ thousands)



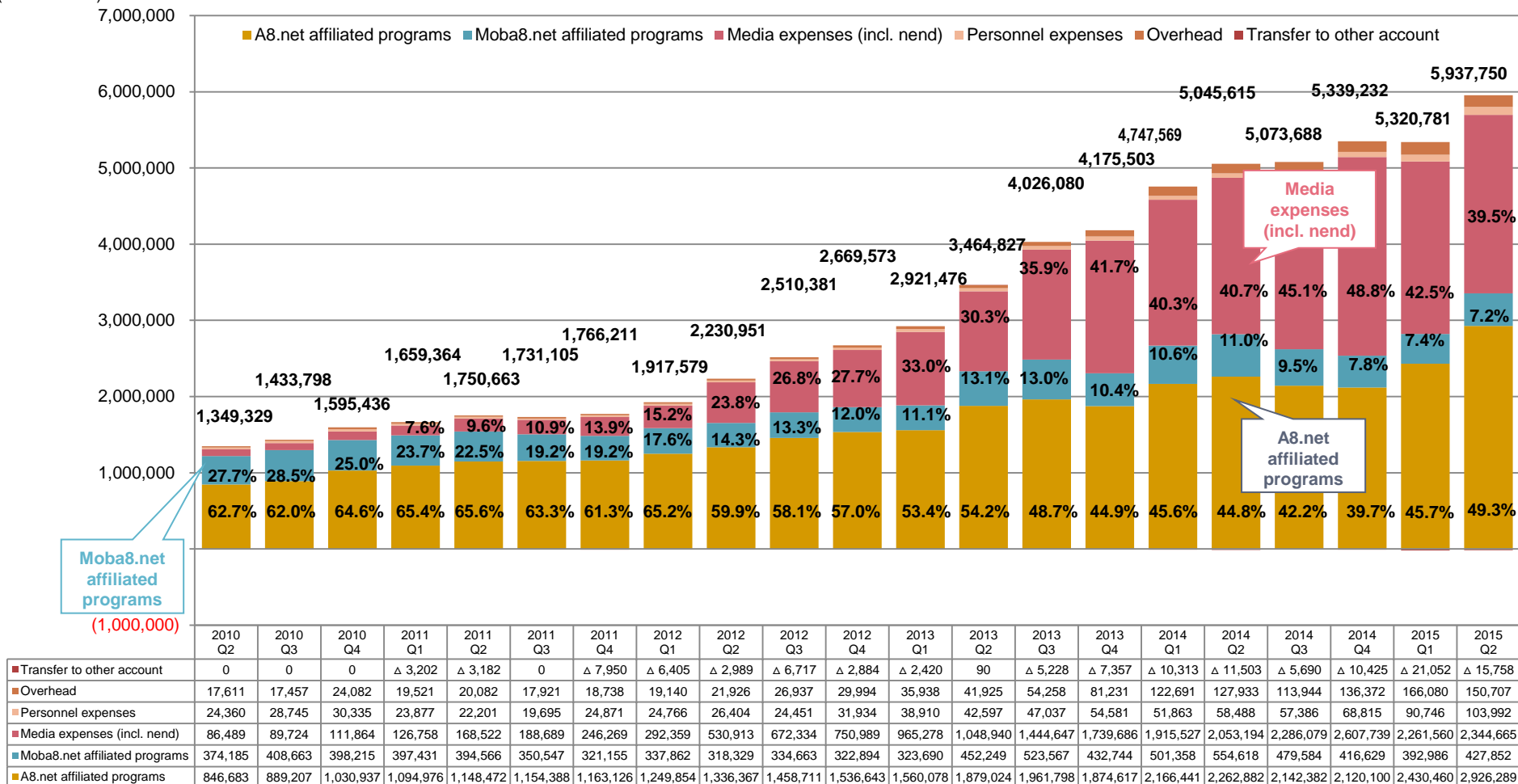
Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

There were no significant changes from the previous quarter.

Management Indicators (Non-consolidated/Quarterly basis)

Cost of Sales

(¥ thousands)

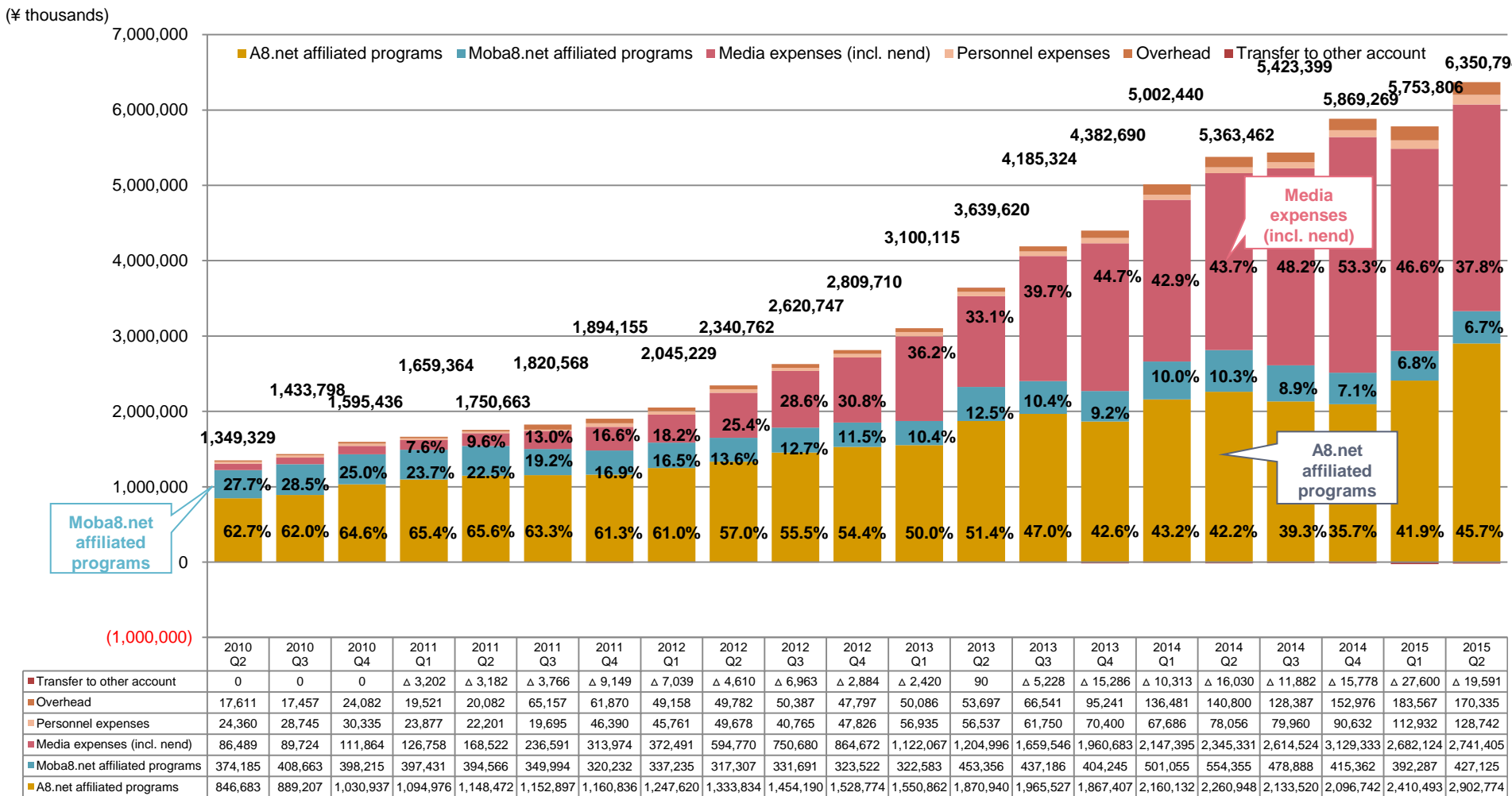


Note: Media expenses include expenses for other companies' media, nend and nex8.

The rate of performance-based compensation payments to media increased due to the increase in sales of A8.net.

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 Reportable Segment (Non-consolidated/Quarterly basis)

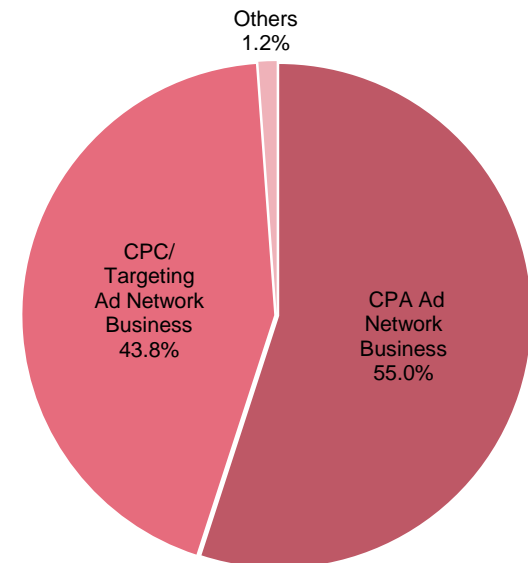
(¥ thousands)	2015 Q2 (April – June)	2014 Q2 (April –June)	Change
CPA Ad Network Business	4,687,647	4,030,415	16.3%
CPC/Targeting Ad Network Business	3,736,871	3,366,592	11.0%
Others	98,673	89,287	10.5%
Total net sales	8,523,192	7,486,295	13.9%

Note: Reportable segments have changed as of this quarter.

Main services of CPA Ad Network Business: A8.net, Moba8.net, adcross (adcross is consolidated)

Main services of CPC/Targeting Ad Network Business: nend, nex8

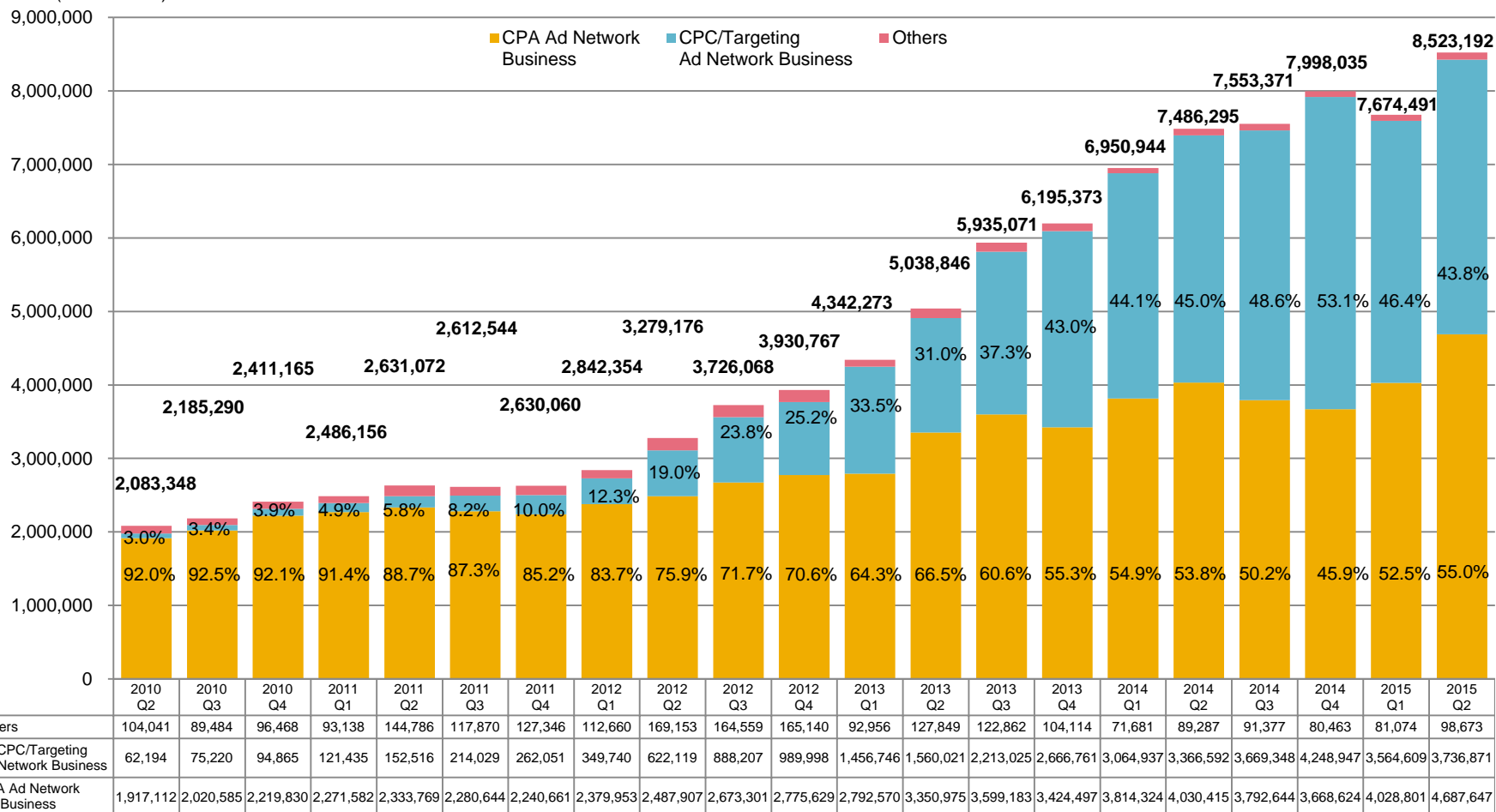
Main services of Others: Own media operations, advertising agency (own media operations is consolidated), others



All segments posted double-digit increases.

Net Sales by Reportable Segment (Non-consolidated/Quarterly basis)

(¥ thousands)



The CPA segment has made a comeback for two straight quarters.

CPA Ad Network Business (Non-consolidated)

A8.net

Summary

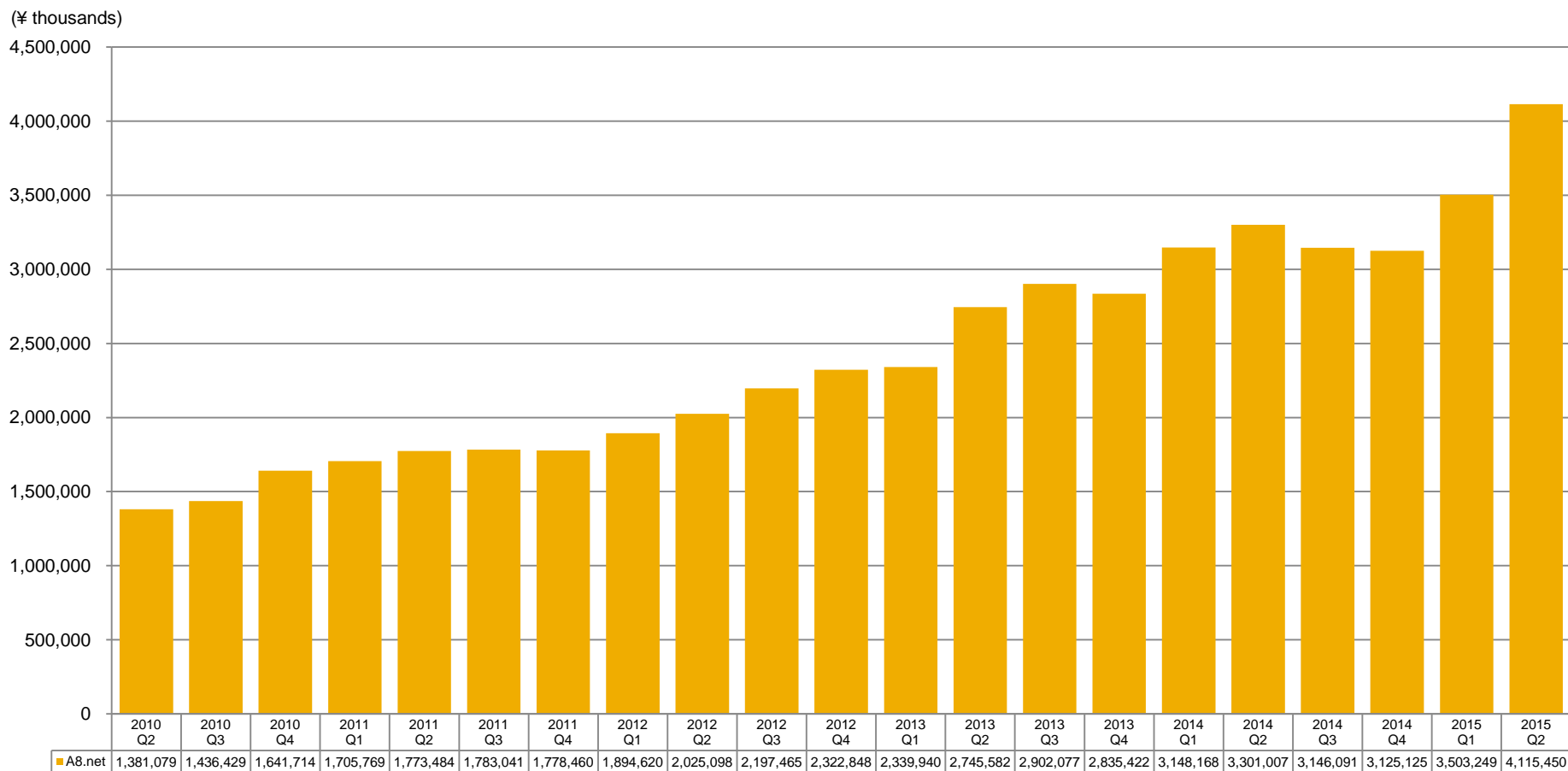
	2015 Q2 (April – June)	2014 Q2 (April – June)	Change
Sales (¥ thousands)	4,115,450	3,301,007	24.7%
Number of operating advertiser IDs	2,757	2,594	6.3%
Number of registered partner sites	1,892,566	1,677,815	12.8%

The number of operating advertiser IDs increased by 163 from the same period of the previous year.

CPA Ad Network Business (Non-consolidated)

A8.net

Net Sales (Quarterly basis)

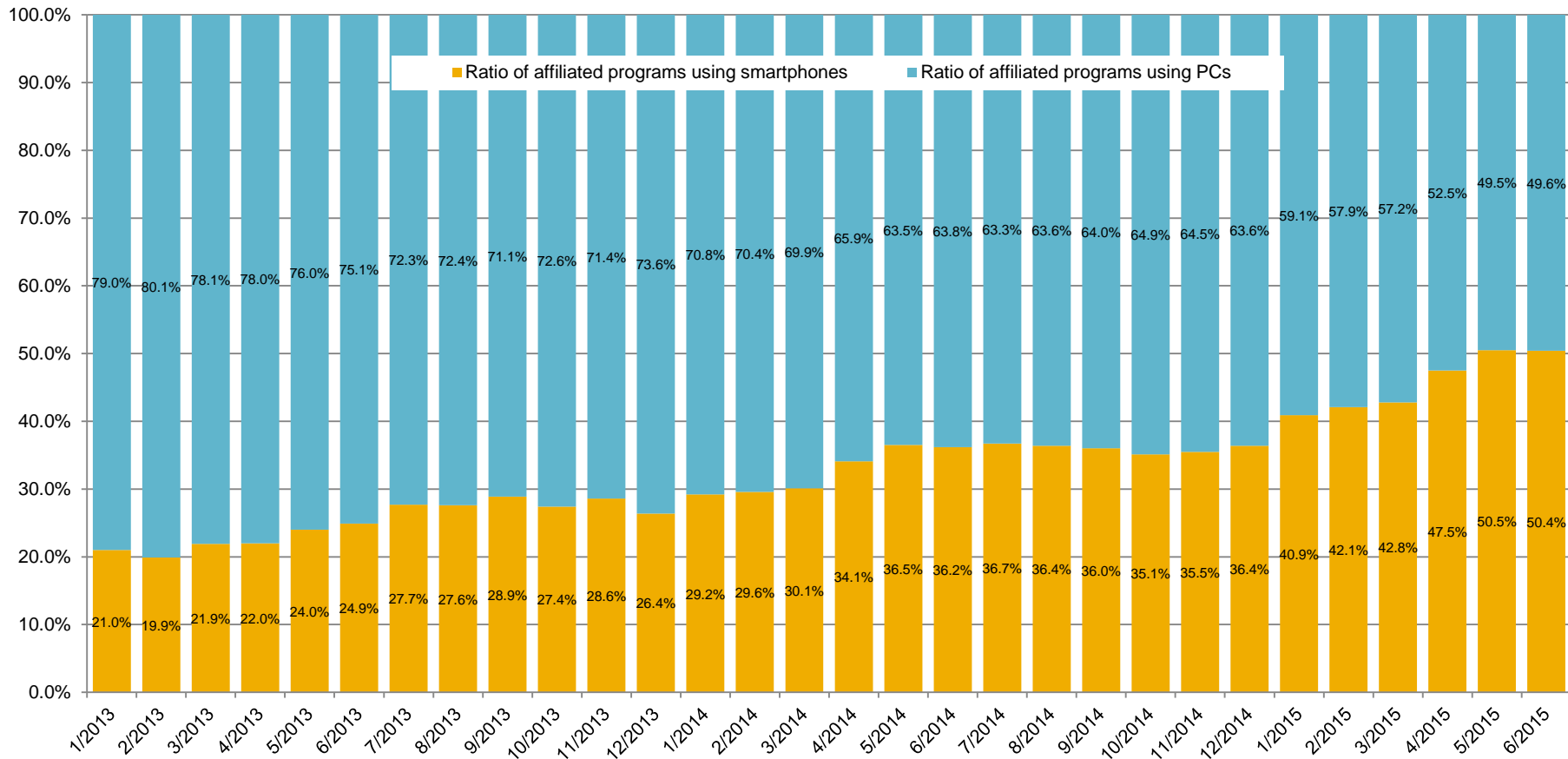


Sales topped ¥4.0 billion and set a record.

CPA Ad Network Business (Non-consolidated)

A8.net

Ratio of Smartphones in Affiliated Programs (Monthly basis)



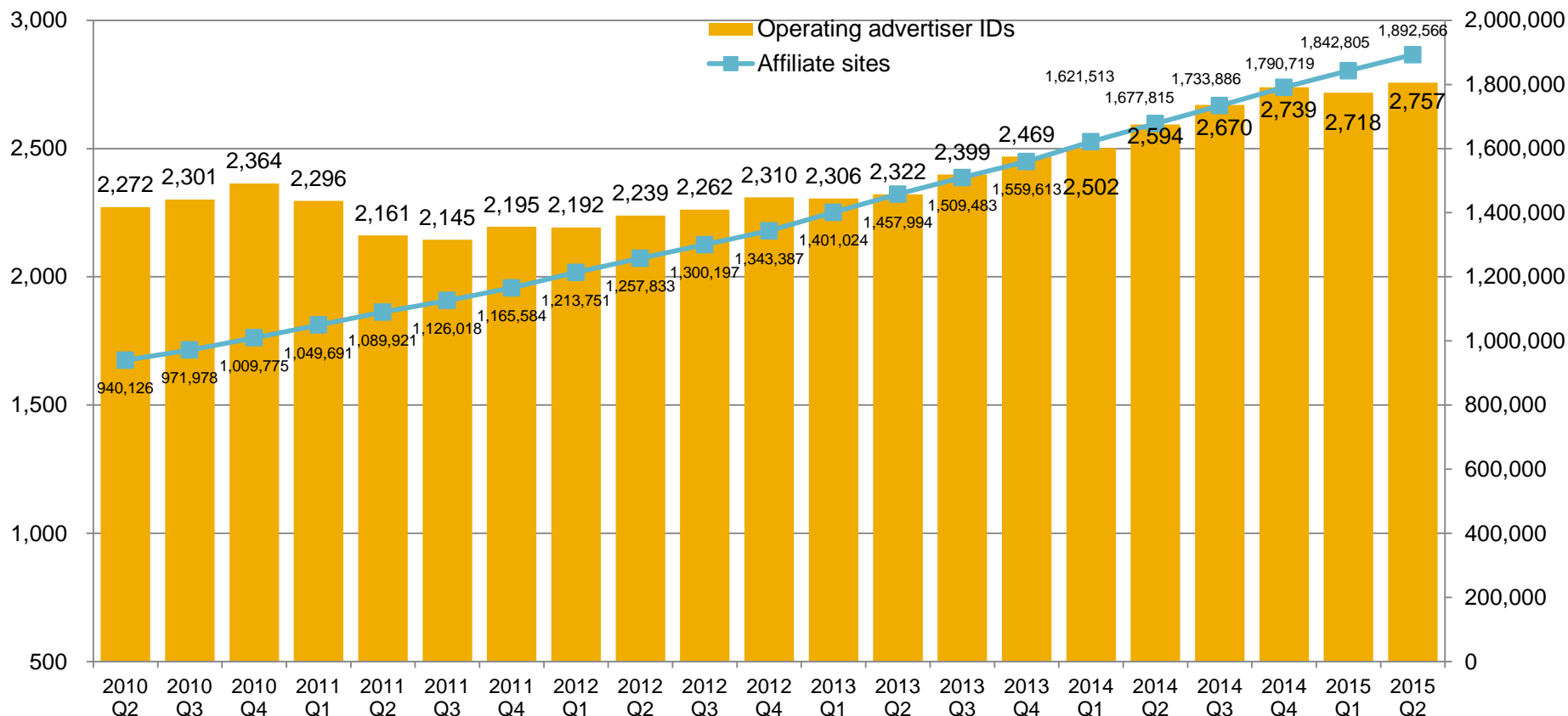
The ratio of affiliated programs using smartphones began growing again during the quarter and is currently over 50%.

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

CPA Ad Network Business (Non-consolidated)

A8.net

Number of Operating Advertisers and Affiliate Sites (Quarterly basis)



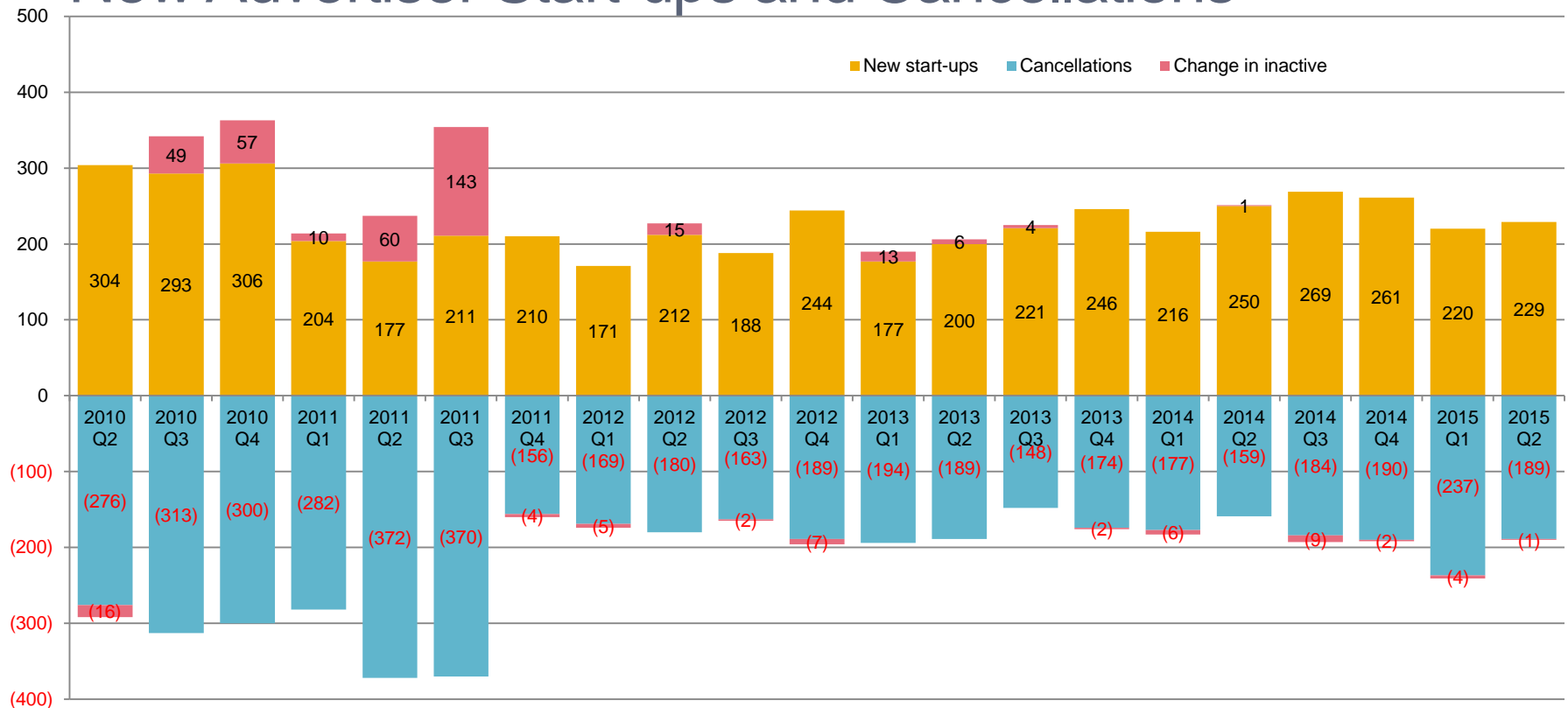
Notes: 1. The number of operating advertisers is as of the final month of each quarter.
2. The number of overseas advertisers is included from 2014 Q3.

The number of operating advertisers increased by 39 from the previous quarter. The number of overseas operating advertisers was 87.

CPA Ad Network Business (Non-consolidated)

A8.net

New Advertiser Start-ups and Cancellations



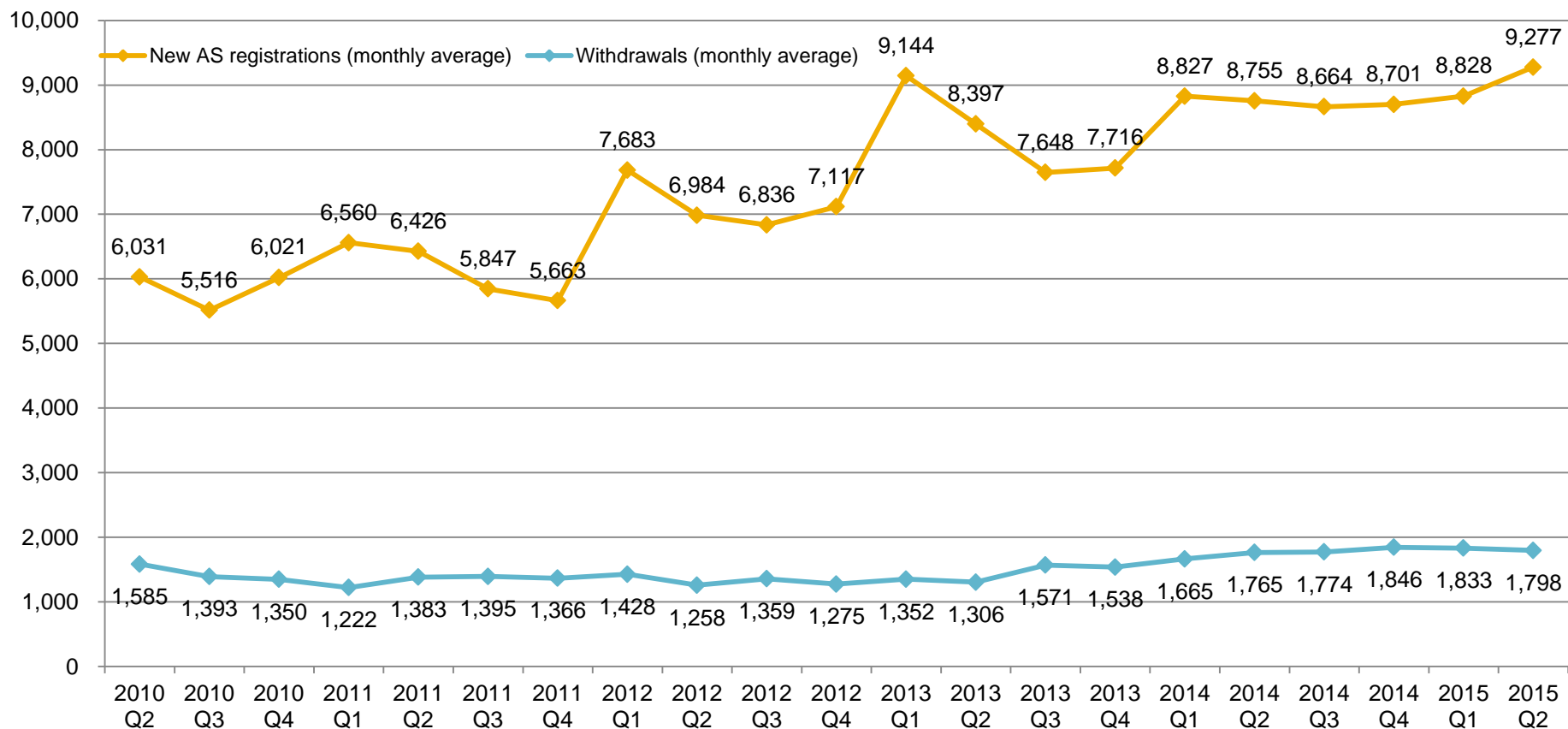
Note: "Change in inactive" is the difference in number of customers who switched between "operating" and "inactive," adjusted for the number of customers who switched from "inactive" to "cancelled" included in the number of cancellations.

New start-ups exceeded the number in the previous quarter.

CPA Ad Network Business (Non-consolidated)

A8.net

Average Monthly New Affiliate Site (AS) Registrations and Withdrawals

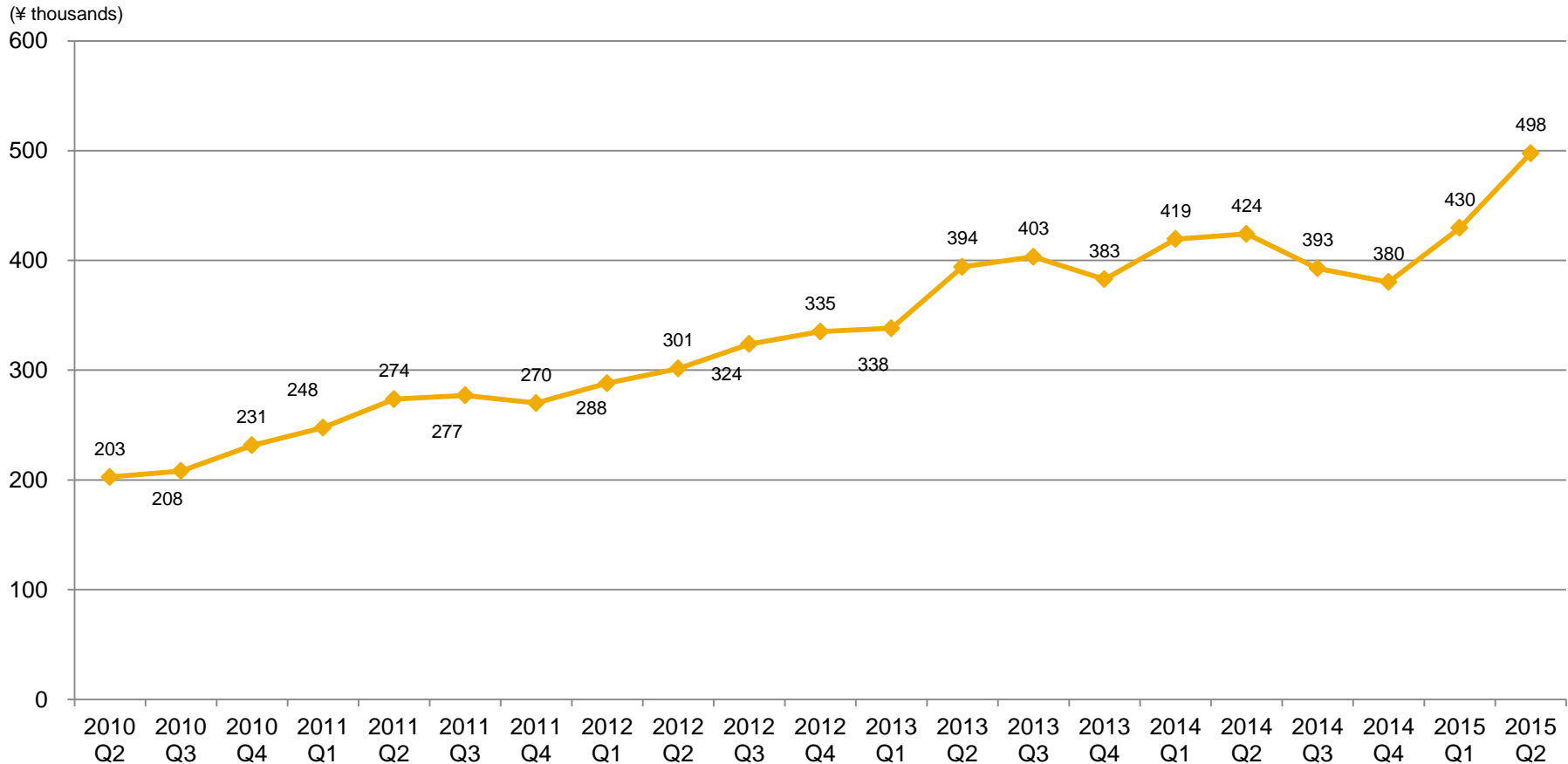


There was no major change in the number of monthly new registrations, which remained around 9,000.

CPA Ad Network Business (Non-consolidated)

A8.net

Average Monthly Sales per Advertiser



Set new record due to increase in the amount of performance-based fees

CPA Ad Network Business (Non-consolidated)

Moba8.net

Summary

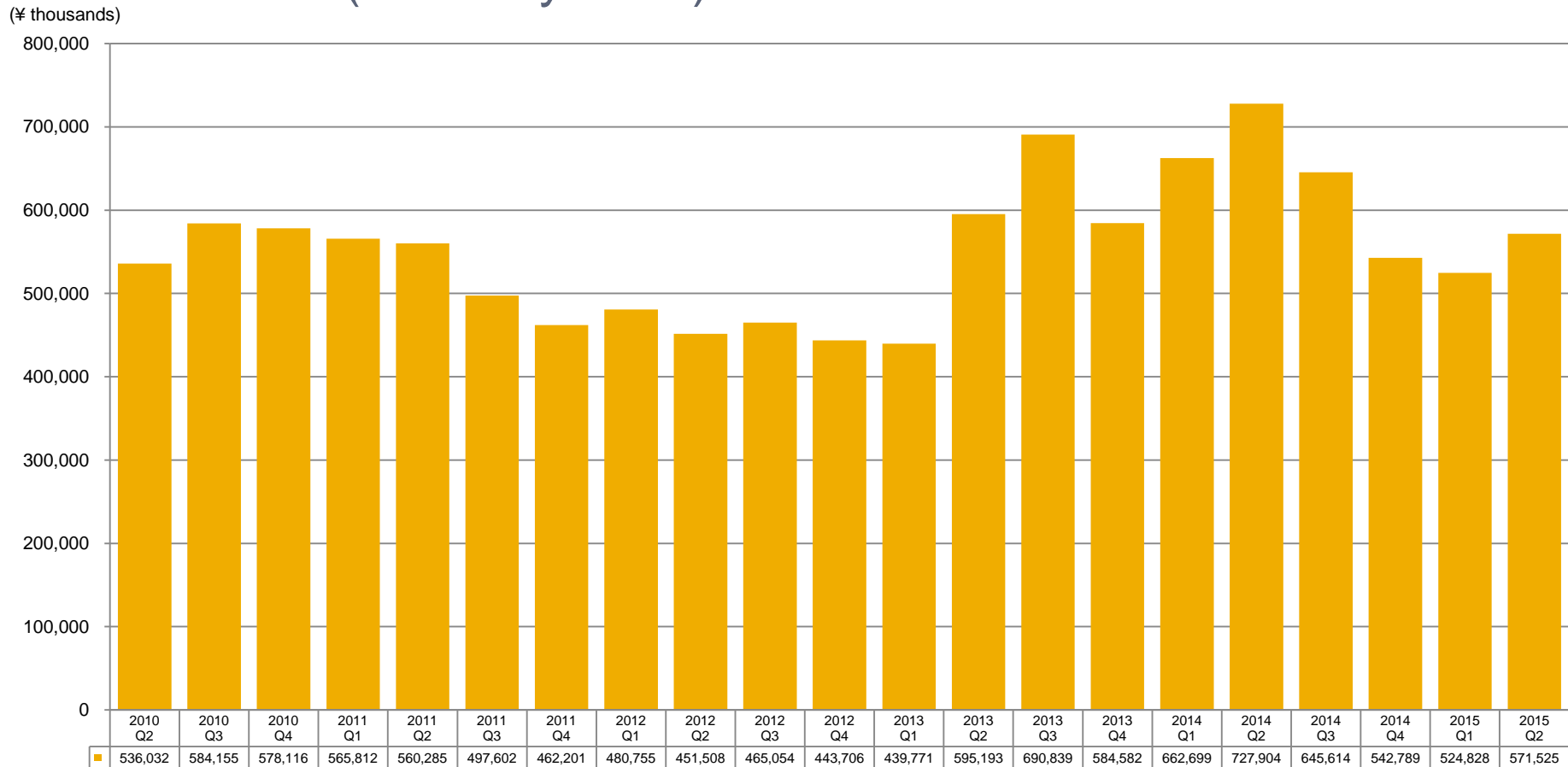
	2015 Q2 (April – June)	2014 Q2 (April – June)	Change
Sales (¥ thousands)	571,525	727,904	-21.5%
Number of operating advertiser IDs	1,199	1,046	14.6%
Number of registered partner sites	256,752	234,420	9.5%

The number of operating advertiser IDs increased by 153 from the same period of the previous year.

CPA Ad Network Business (Non-consolidated)

Moba8.net

Net Sales (Quarterly basis)

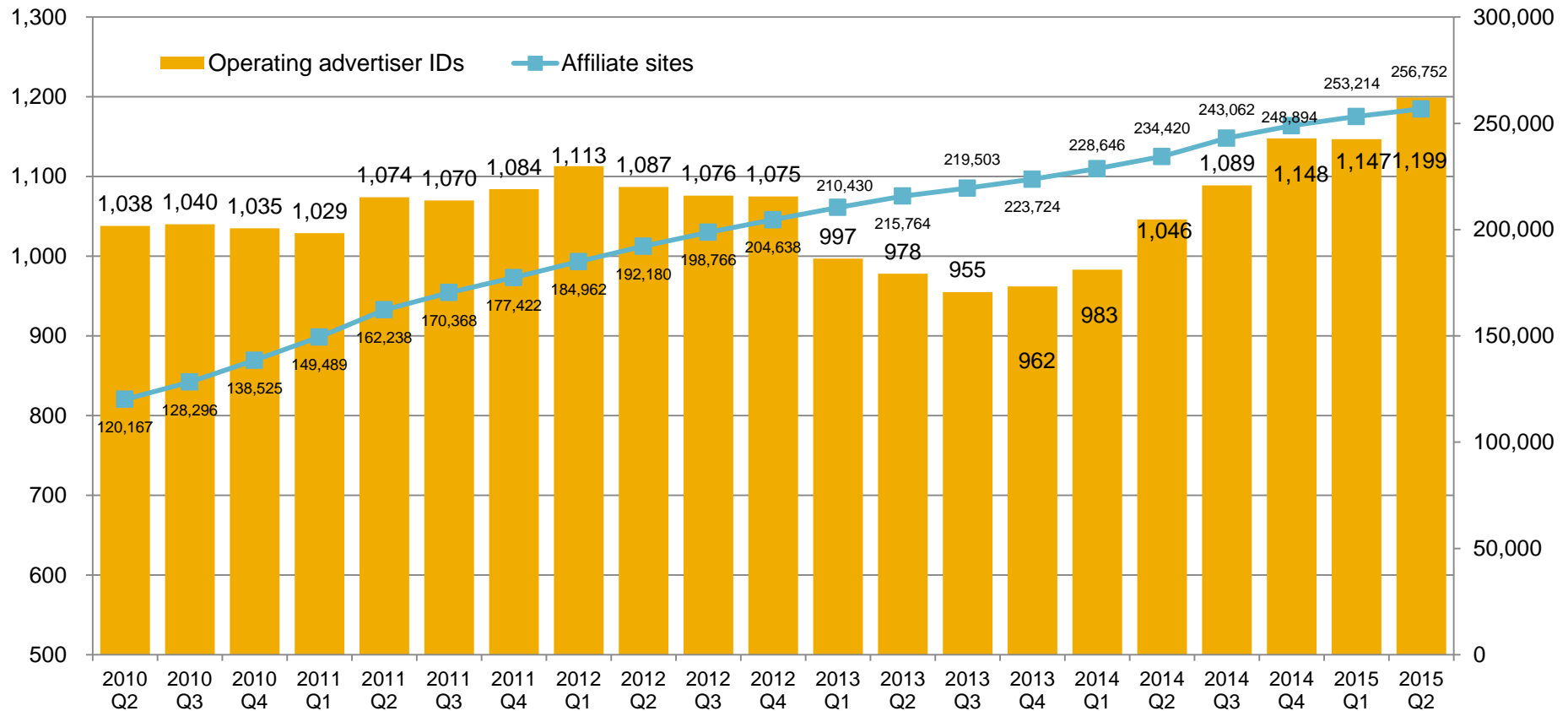


Sales have struggled, but there is a sense that they bottomed out in Q1.

CPA Ad Network Business (Non-consolidated)

Moba8.net

Number of Operating Advertisers and Affiliate Sites (Quarterly basis)



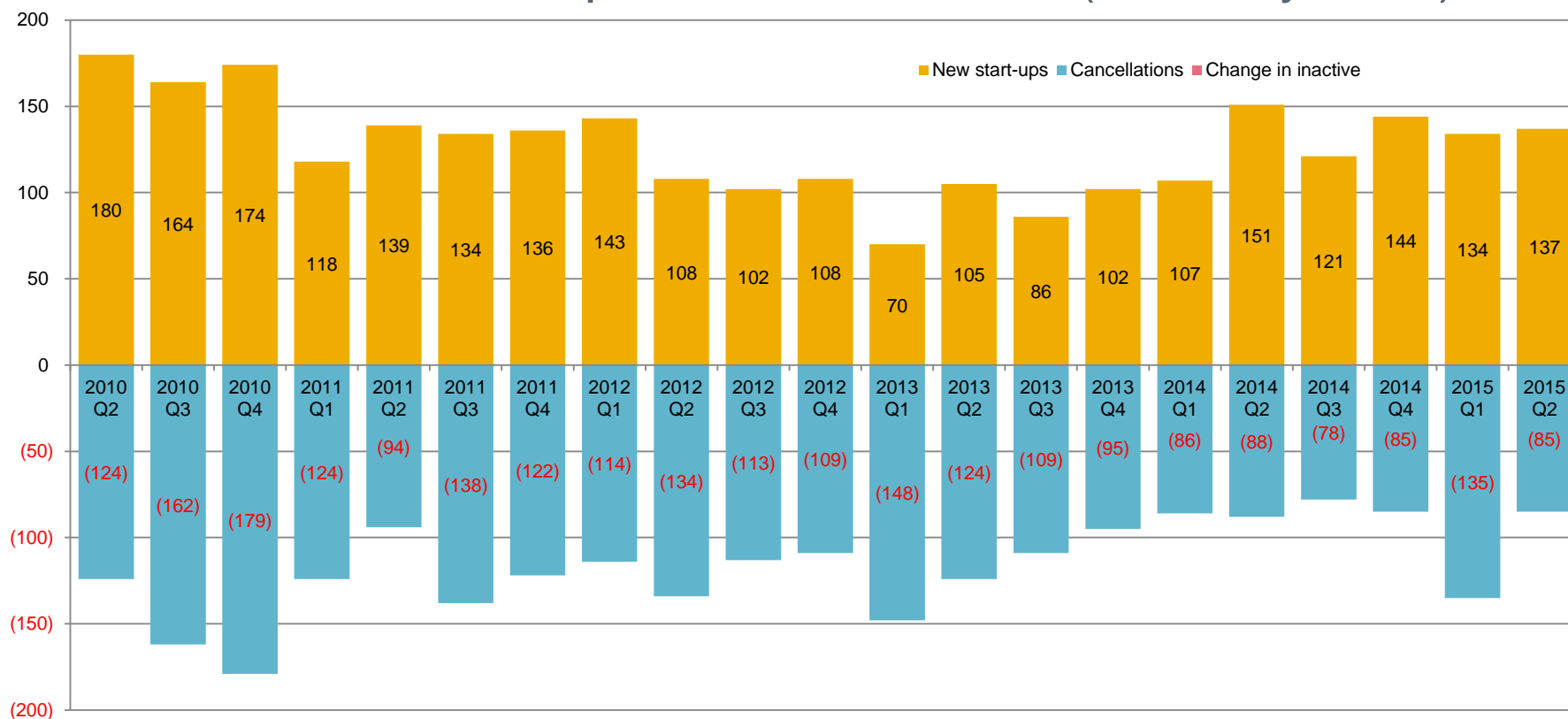
Note: The number of operating advertisers is as of the final month of each quarter.

The number of operating advertisers increased over the previous quarter.

CPA Ad Network Business (Non-consolidated)

Moba8.net

New Advertiser Start-ups and Cancellations (Quarterly basis)

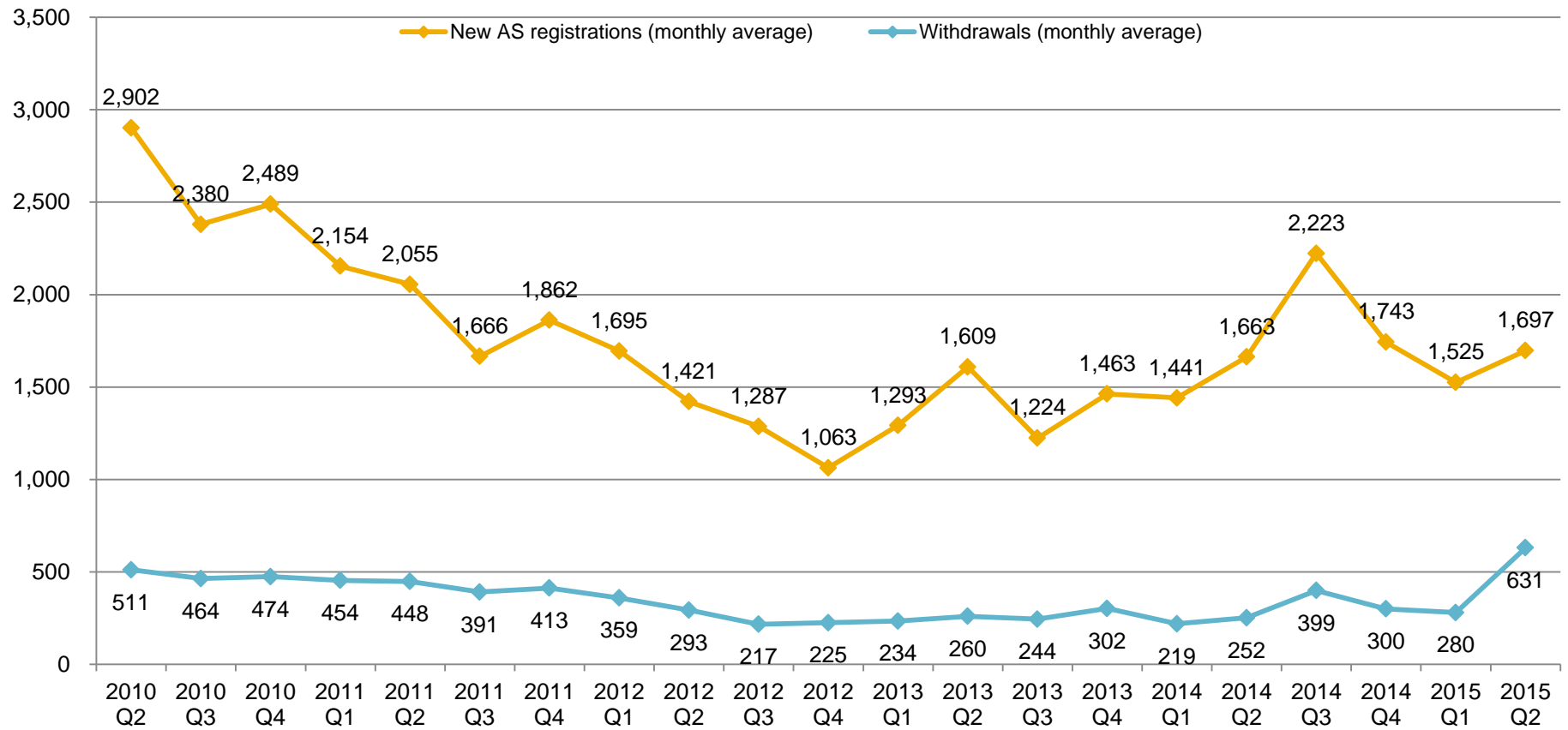


New start-ups were roughly the same as in the previous quarter.

CPA Ad Network Business (Non-consolidated)

Moba8.net

Average Monthly New Affiliate Site (AS) Registrations and Withdrawals

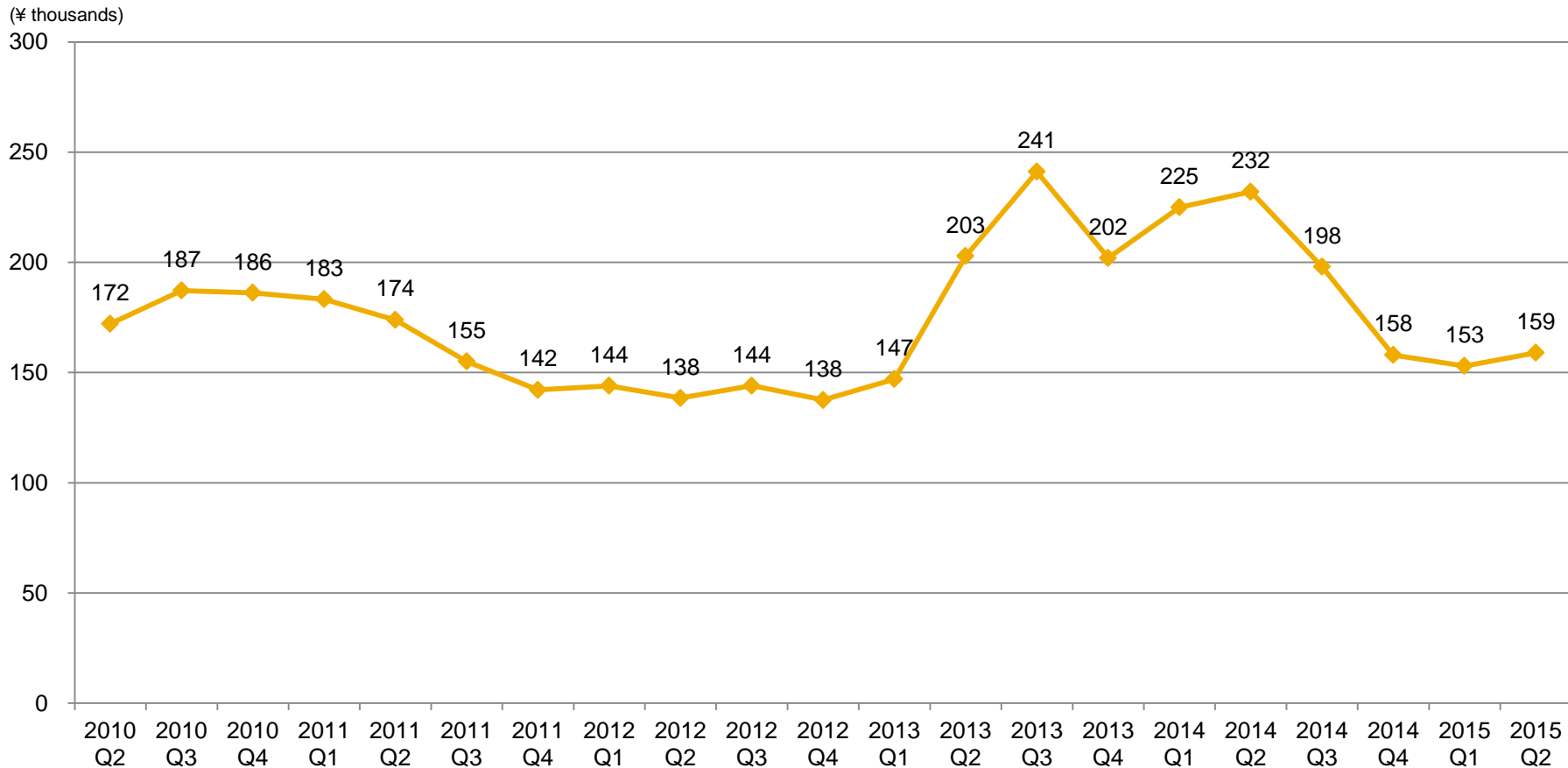


The trend has not changed significantly.

CPA Ad Network Business (Non-consolidated)

Moba8.net

Average Monthly Sales per Advertiser



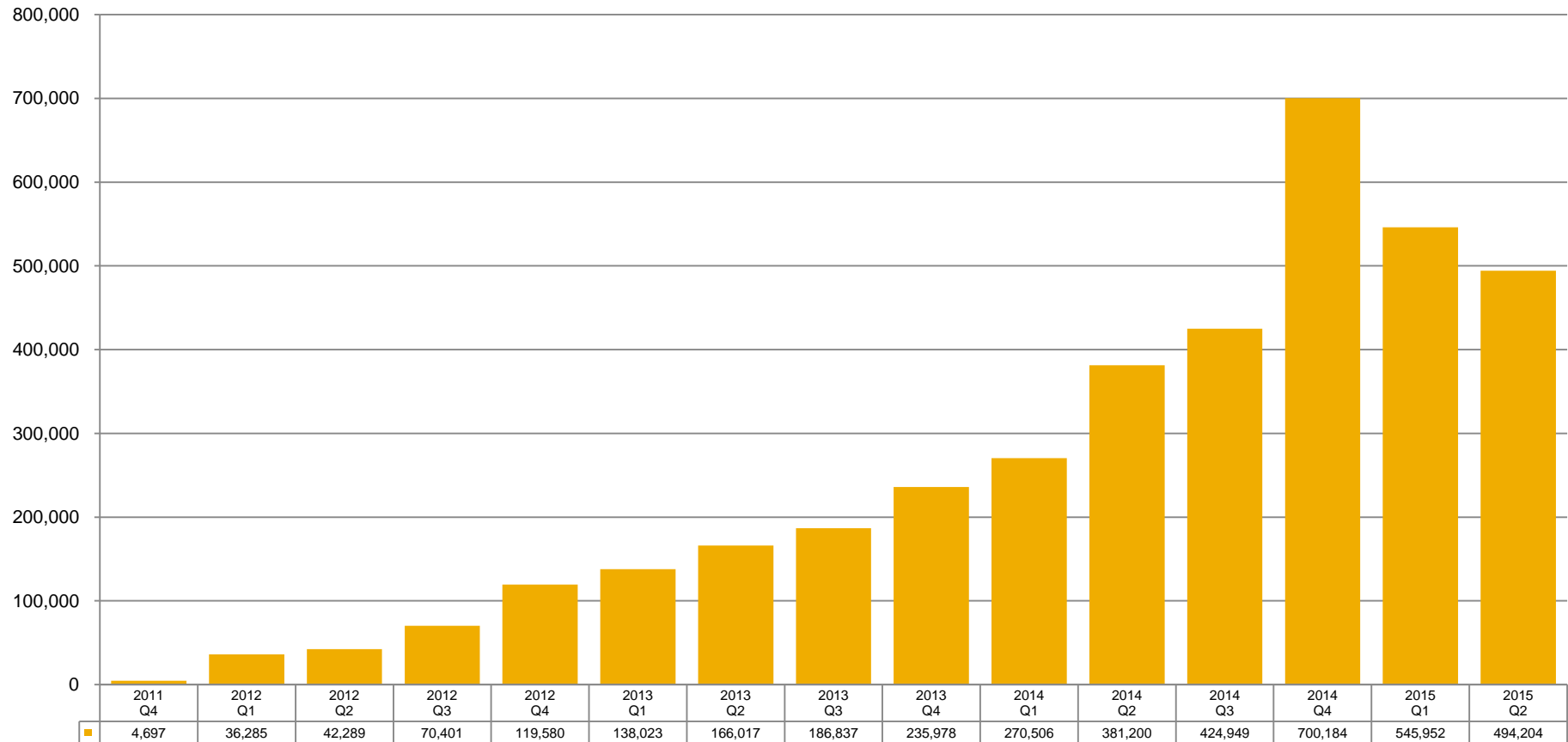
The trend reversed after decreases for three straight quarters.

CPA Ad Network Business (Non-consolidated)

(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.

While sales declined for the second straight quarter, they were up 29% compared with the same period of the previous year.

CPC/Targeting Ad Network Business (Non-consolidated)

nend

Summary

	2015 Q2 (April – June)	2014 Q2 (April – June)	Change
Sales (¥ thousands)	3,435,215	3,357,697	2.3%
Number of operating advertiser IDs	484	464	4.3%
Number of registered partner sites	397,761	196,261	102.7%

Note: Figures are those of nend only, and do not include other services.

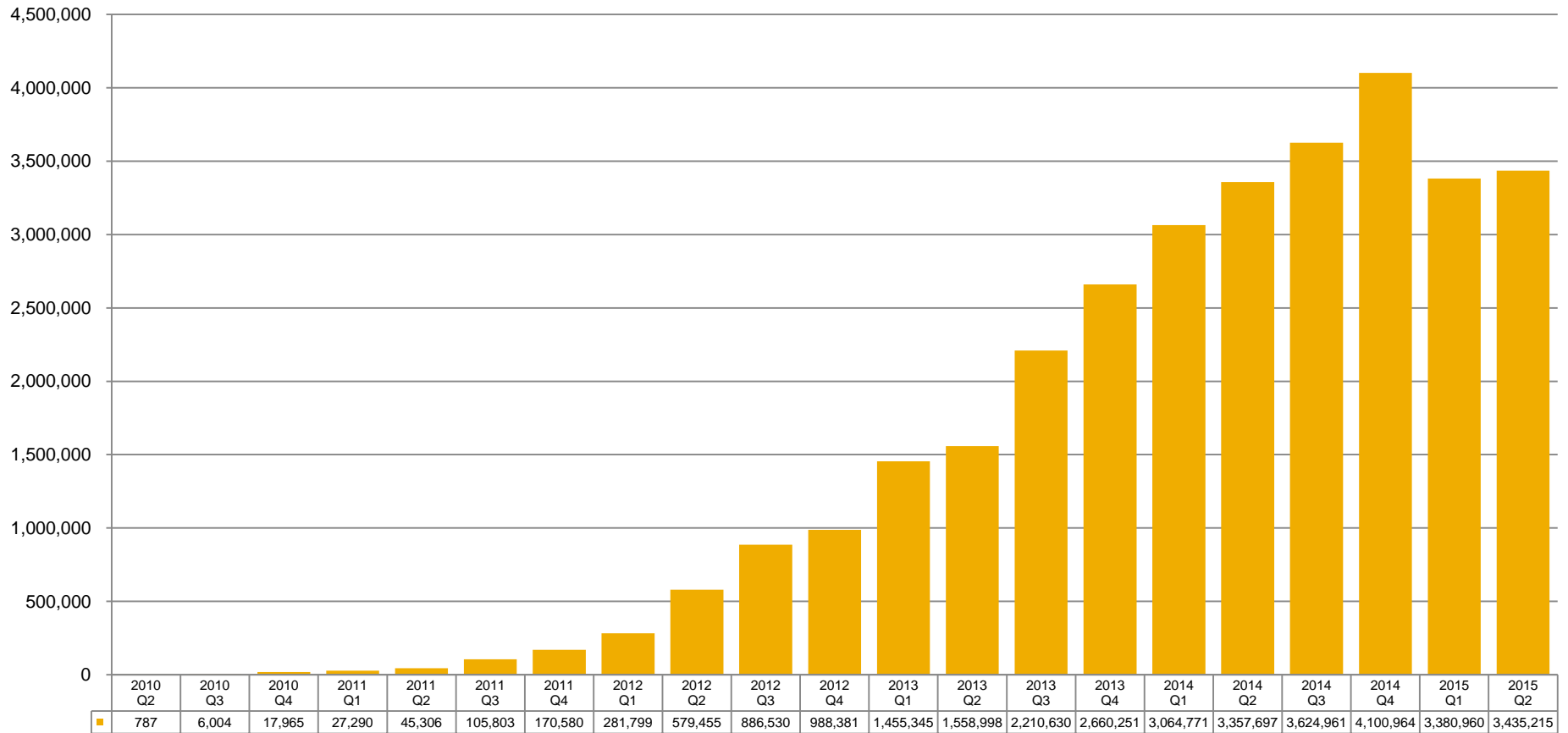
The number of operating advertisers increased by 20 compared with the same period of the previous year. Registered media more than doubled.

CPC/Targeting Ad Network Business (Non-consolidated)

end

Net Sales (Quarterly basis)

(¥ thousands)

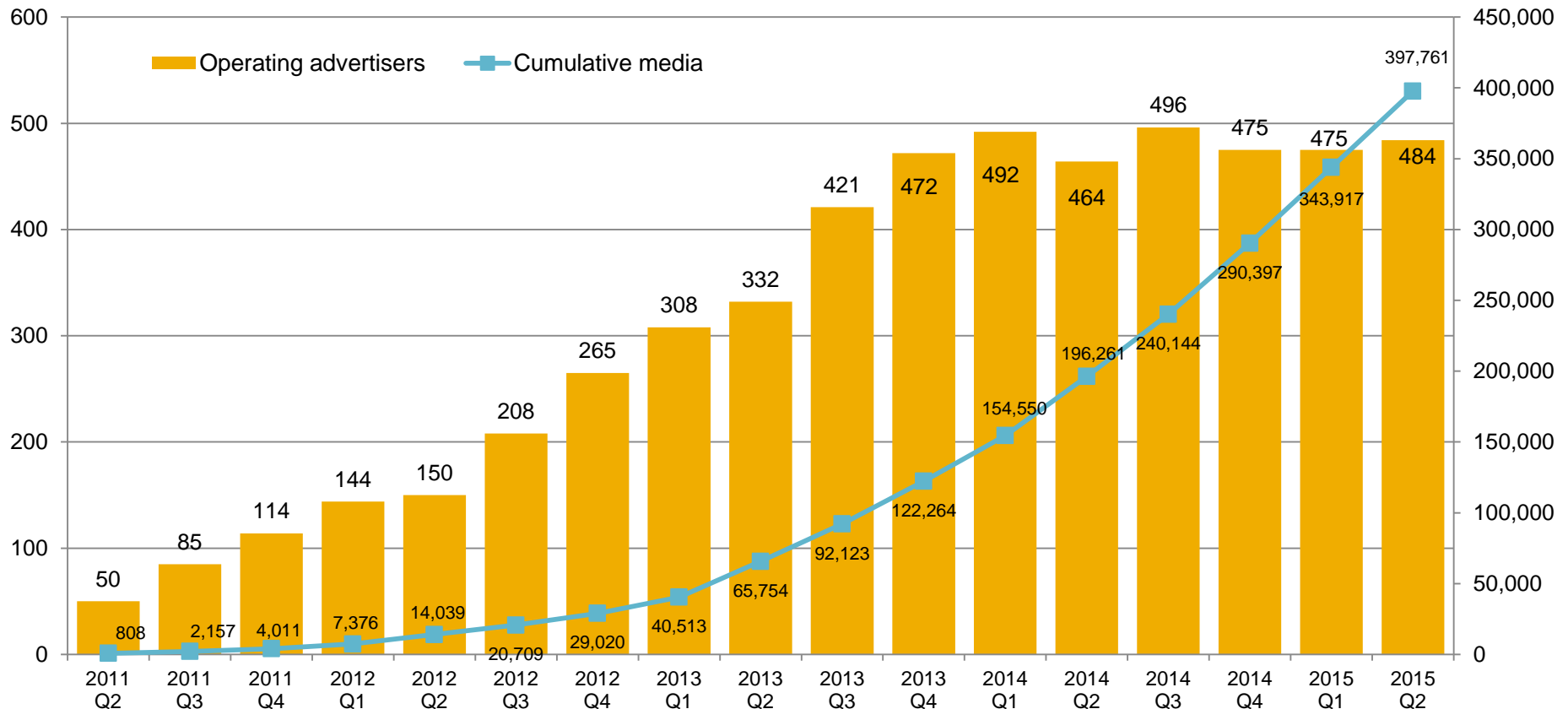


Sales increased only slightly over the previous quarter and the same quarter of the previous year.

CPC/Targeting Ad Network Business (Non-consolidated)

trend

Number of Operating Advertisers and Media (Quarterly basis)



Notes: 1. The number of operating advertisers is as of the final month of each quarter.

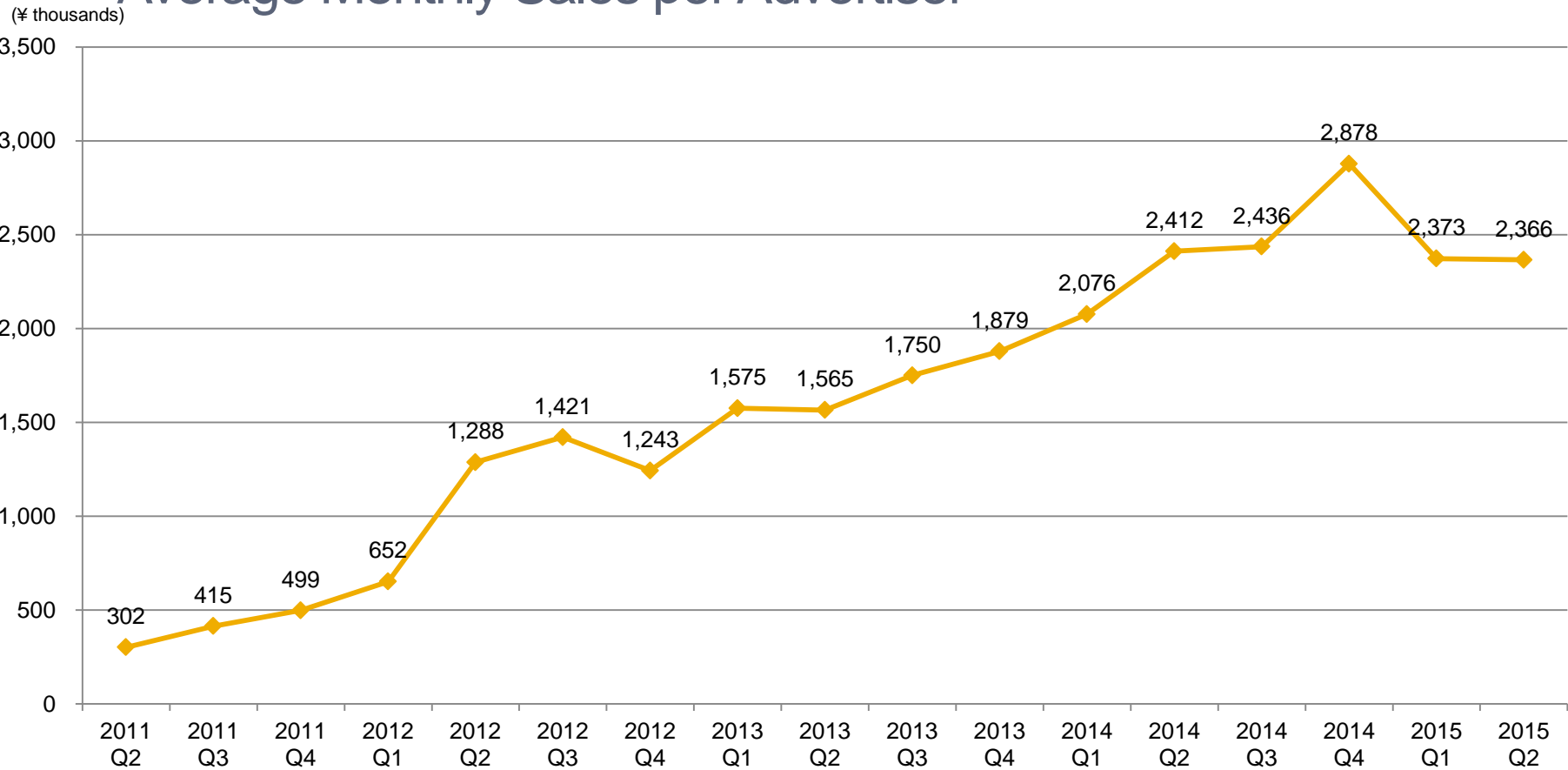
2. The method of calculating the number of operating advertisers was changed as of this presentation. Therefore, figures are different from those disclosed in the past.

The number of operating advertisers increased by 9 from the previous quarter. We are trying to increase the number of operating advertisers.

CPC/Targeting Ad Network Business (Non-consolidated)

end

Average Monthly Sales per Advertiser

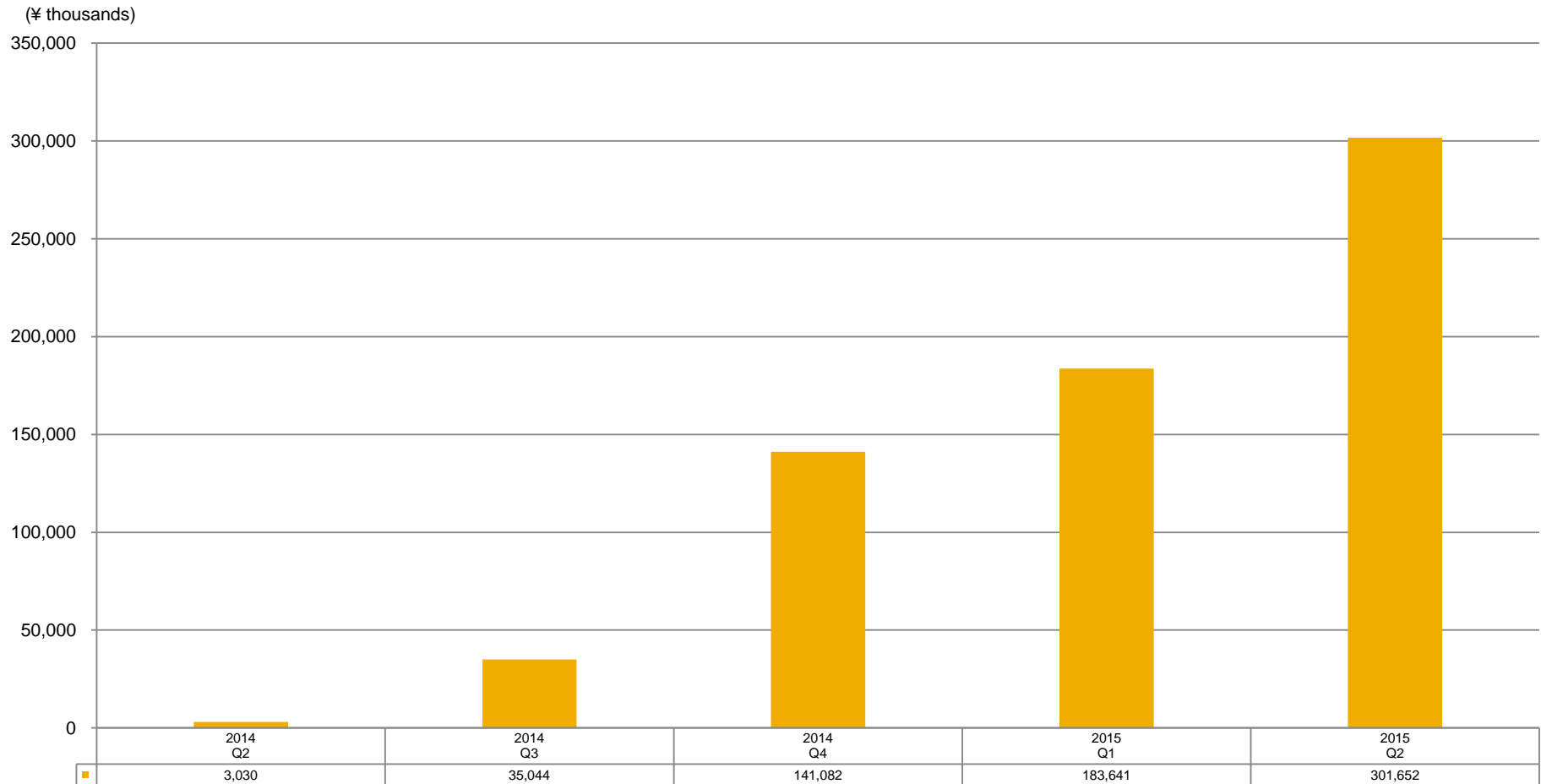


Sales per advertiser were roughly the same as in the previous quarter.

CPC/Targeting Ad Network Business (Non-consolidated)

nex8

Net Sales (Quarterly basis)



Sales are growing, although many issues need to be addressed. Sales for the quarter reached ¥300 million.

Consolidated Group Businesses

8crops Inc.

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

Main Business

Operation of adcrops CPI* advertising services for smartphone applications

* Cost Per Install



(¥ thousands)	2015 First Two Quarters	2014 Full Year
Net sales	1,040,156	1,776,840
Operating income	114,249	202,506
Net income	70,679	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 First Two Quarters	2014 Full Year
Net sales	484,759	827,207
Operating income	33,303	52,435
Net income	21,357	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@N
 Communications)

Main Business
 Operation of net media



(¥ thousands)	2015 First Two Quarters	2014 Full Year
Net sales	181,851	346,105
Operating income (loss)	3,120	(53,222)
Net income (loss)	1,431	(43,886)

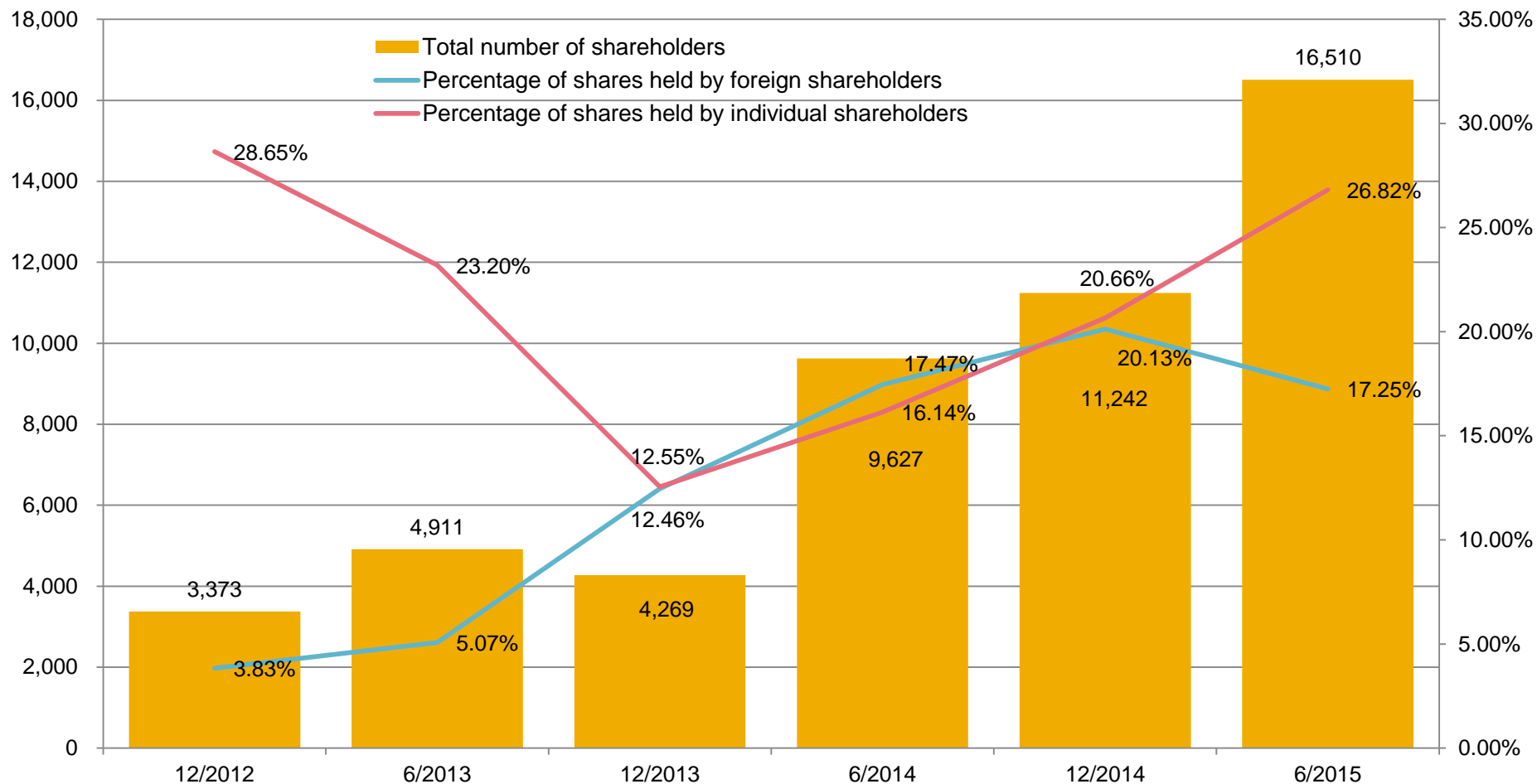


Note: The above figures are before elimination of consolidated intercompany transactions.

Stock Information

Stock Information

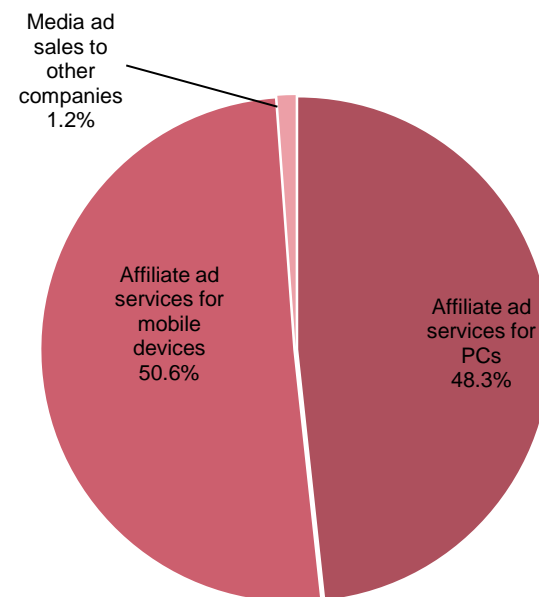
Number of Individual Shareholders and Percentage of Shares Held by Foreign Shareholders



Reference Materials on Former Service Areas

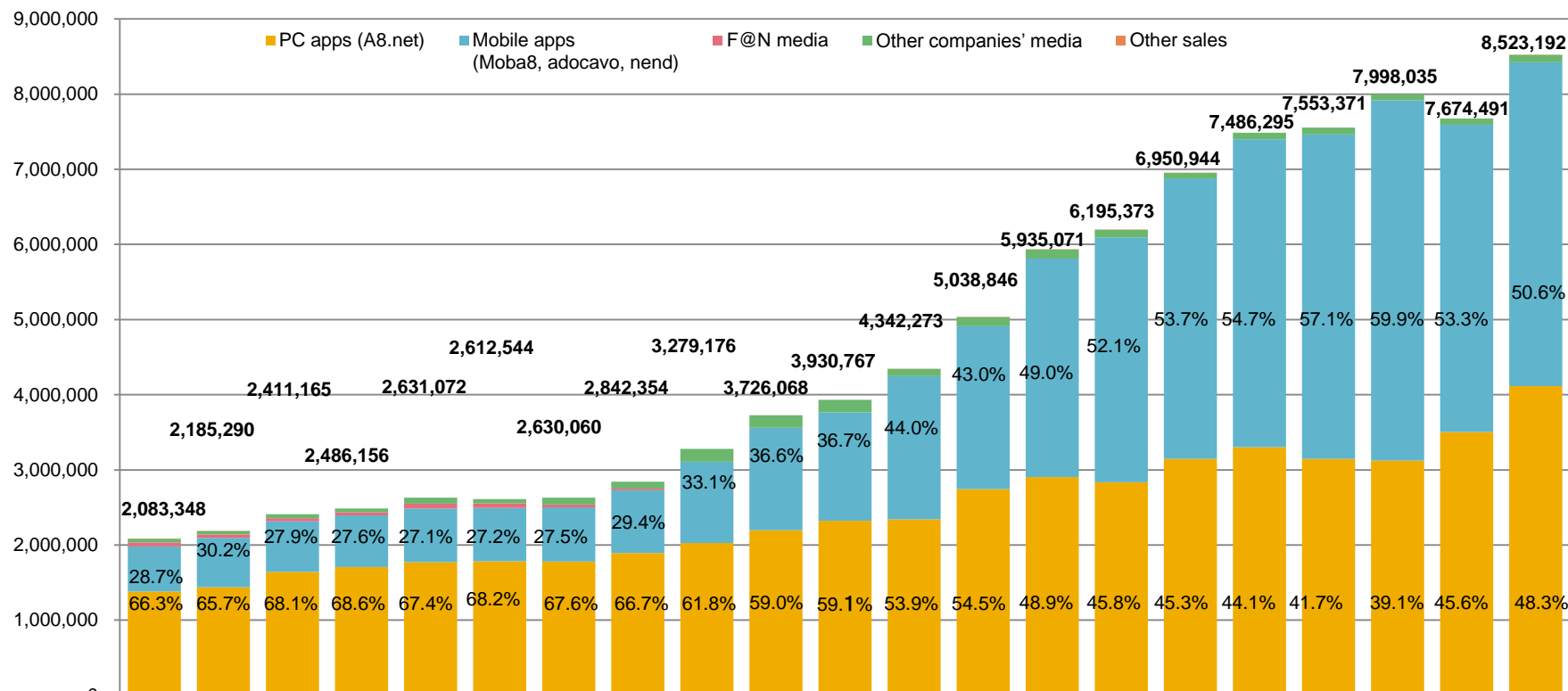
Reference : Net Sales by Service Area (Former Service Areas) (Non-consolidated/Quarterly basis)

(¥ thousands)	2015 Q2 (April – June)	2014 Q2 (April – June)	Change
Affiliate ad services for PCs	4,115,450	3,301,007	24.7%
Affiliate ad services for mobile devices	4,309,068	4,096,000	5.2%
F@N media business	0	0	-
Media ad sales to other companies	98,667	89,287	10.5%
Other sales	5	0	-
Total net sales	8,523,192	7,486,295	13.9%



Reference: Net Sales by Service (Former Service Areas) (Non-consolidated/Quarterly basis)

(¥ thousands)



	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	2015 Q2	
Other sales	14	6	0	0	0	0	0	0	0	0	0	660	6,810	1,050	1,880	1,140	0	0	0	0	0	5
Other companies' media	49,665	43,565	55,540	50,599	79,829	57,201	89,433	91,418	169,153	164,559	164,773	92,296	121,039	121,812	102,234	71,681	89,287	91,377	80,463	81,080	98,667	
F@N media	54,364	45,913	40,927	42,539	64,957	60,668	37,914	21,241	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mobile apps (Moba8, adocavo, nend)	598,227	659,376	672,982	687,248	712,801	711,632	724,253	835,073	1,084,924	1,364,043	1,443,151	1,909,376	2,165,414	2,910,132	3,255,834	3,729,953	4,096,000	4,315,902	4,792,446	4,090,161	4,309,068	
PC apps (A8.net)	1,381,079	1,436,429	1,641,714	1,705,769	1,773,484	1,783,041	1,778,460	1,894,620	2,025,098	2,197,465	2,322,848	2,339,940	2,745,582	2,902,077	2,835,422	3,148,168	3,301,007	3,146,091	3,125,125	3,503,249	4,115,450	

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	¥1,123.1 million (As of June 30, 2015)
■ President and Representative Director	Yasuyoshi Yanagisawa
■ Number of employees	Non-consolidated: 305 Group total: 360 <small>(As of June 30, 2015; includes part-time and temp staff)</small>
■ Headquarters	Aoyama Diamond Building 1-1-8, Shibuya, Shibuya-ku, Tokyo 150-0002, Japan
■ Phone	+81-3-5766-3530 (IR)
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