



Third Quarter of 2015
Presentation of Results

November 10, 2015

F@N Communications, Inc.

Contents

Third Quarter of 2015 Performance Highlights	3
Management Indicators (Quarterly Basis)	9
Overview by Main Service Area	20
Non-consolidated Businesses	
▪ CPA Ad Network Business	
▪ CPC/Targeting Ad Network Business	
Consolidated Group Businesses.....	42
Stock Information.....	46
Reference Materials on Former Service Areas.....	48
Reference Materials.....	51

Third Quarter of 2015 Performance Highlights

Third Quarter of 2015: Key Points

- **Net sales of ¥9,501 million and ordinary income of ¥1,649 million were both new quarterly records.**
- **As in the second quarter, these record results were driven by the strong performance of A8.net.**
- **Q3 ended posted slightly higher results compared with the previous quarter, and continued to make structural changes.**

Performance Highlights (Consolidated)

Results of Operations

(¥ thousands)	2015 Q3	2014 Q3	Year-on-Year Change	% of Net Sales
Net sales	26,843,817	23,277,417	15.3%	100%
Operating income	4,669,096	4,303,952	8.5%	17.4%
Ordinary income	4,711,673	4,351,929	8.3%	17.6%
Net income	2,989,788	2,678,076	11.6%	11.1%
Ordinary income margin	17.6%	18.7%	-1.1 points	-
Net income per share	¥38.57	¥34.82	10.8%	-
Diluted net income per share	¥38.37	¥34.32	11.8%	-

Performance Highlights (Non-consolidated)
Results of Operations

(¥ thousands)	2015 Q3	2014 Q3	Year-on-Year Change	% of Net Sales
Net sales	25,232,074	21,990,610	14.7%	100%
Operating income	4,488,157	4,180,391	7.4%	17.8%
Ordinary income	4,545,723	4,243,497	7.1%	18.0%
Net income	2,888,497	2,600,029	11.1%	11.4%
Ordinary income margin	18.0%	19.3%	-1.3 points	-

Consolidated Financial Statements

Balance Sheets

(¥ thousands)	December 31, 2014	Third Quarter of 2015
Assets		
Current assets	15,911,394	17,225,077
Cash and deposits	9,426,329	11,010,096
Notes and accounts receivable - trade	4,435,298	4,417,014
Securities	1,702,824	1,506,025
Other	367,594	306,784
Allowance for doubtful accounts	(20,653)	(14,843)
Fixed assets	2,443,533	2,381,556
Property and equipment	172,166	312,648
Intangible assets	211,099	259,717
Investments and other assets	2,060,267	1,809,190
Total assets	18,354,927	19,606,633
Liabilities and Net Assets		
Current liabilities	6,298,662	5,684,866
Notes and accounts payable - trade	3,674,452	4,281,945
Income taxes payable	1,577,198	593,039
Other current liabilities	1,047,011	809,880
Long-term liabilities	153,941	138,240
Total liabilities	6,452,604	5,823,106
Total net assets	11,902,323	13,783,527
Total liabilities and net assets	18,354,927	19,606,633

¥140,481 thousand increase with expansion of nend servers, etc.

Main component was ¥1,499,409 thousand in investment securities.

Affiliate program payments increased ¥607,492 thousand, mainly reflecting growth in sales of A8.net.

Main component was long-term guarantee deposits.

Main factors were dividend payments of ¥1,160,677 thousand and net income of ¥2,989,788 thousand.

Consolidated Performance Forecast

(¥ millions)	2015 Full-Year Forecast (% Change from Same Period of Previous Year)	2015 Third Quarter Actual	Ratio to Full-Year Forecast
Net sales	36,500 (14.1)	26,843	73.5%
Operating income	6,500 (10.4)	4,669	71.8%
Ordinary income	6,570 (10.4)	4,711	71.7%
Net income	4,220 (16.2)	2,989	70.8%

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

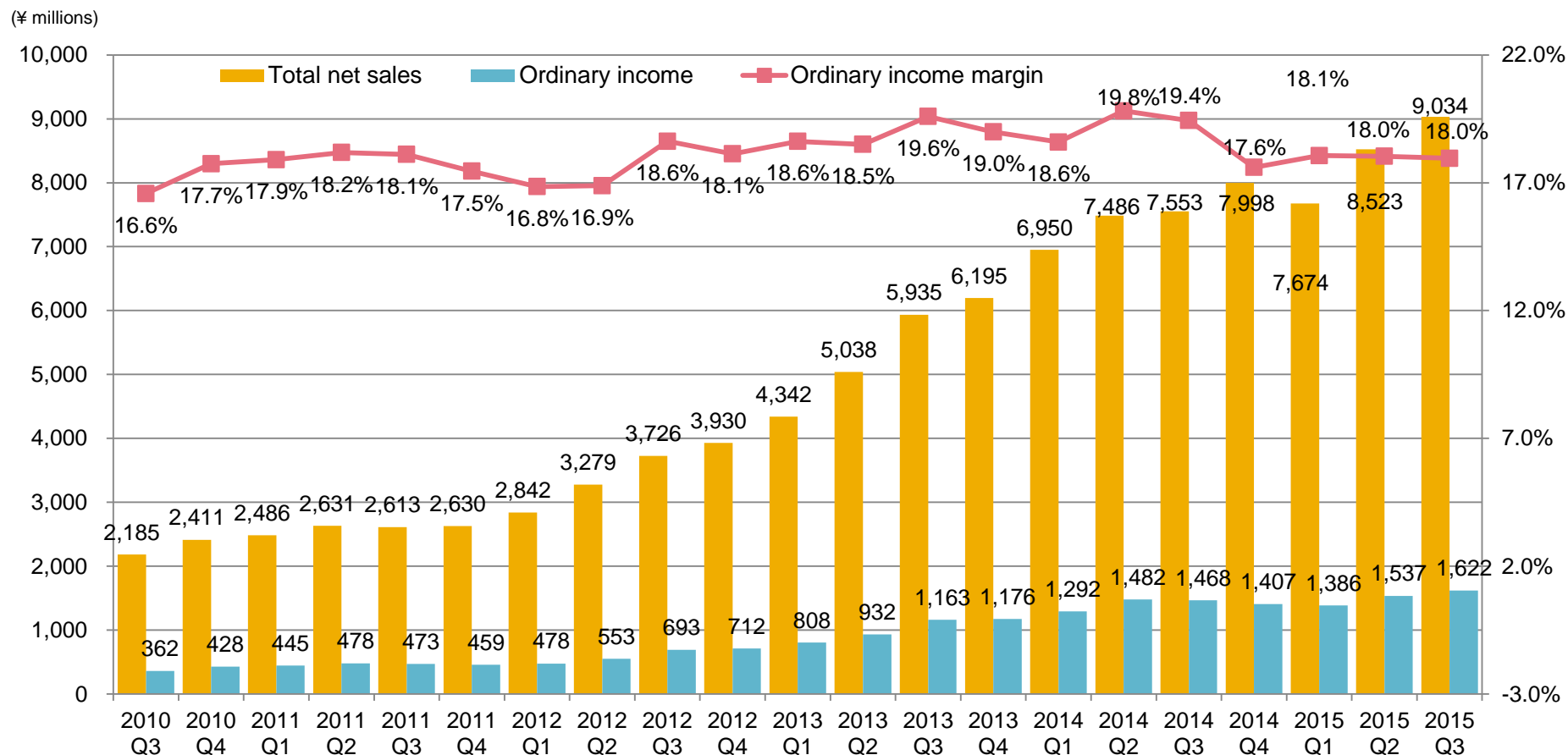
Dividend Forecast

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

Management Indicators (Quarterly Basis)

Management Indicators (Non-consolidated/Quarterly basis)

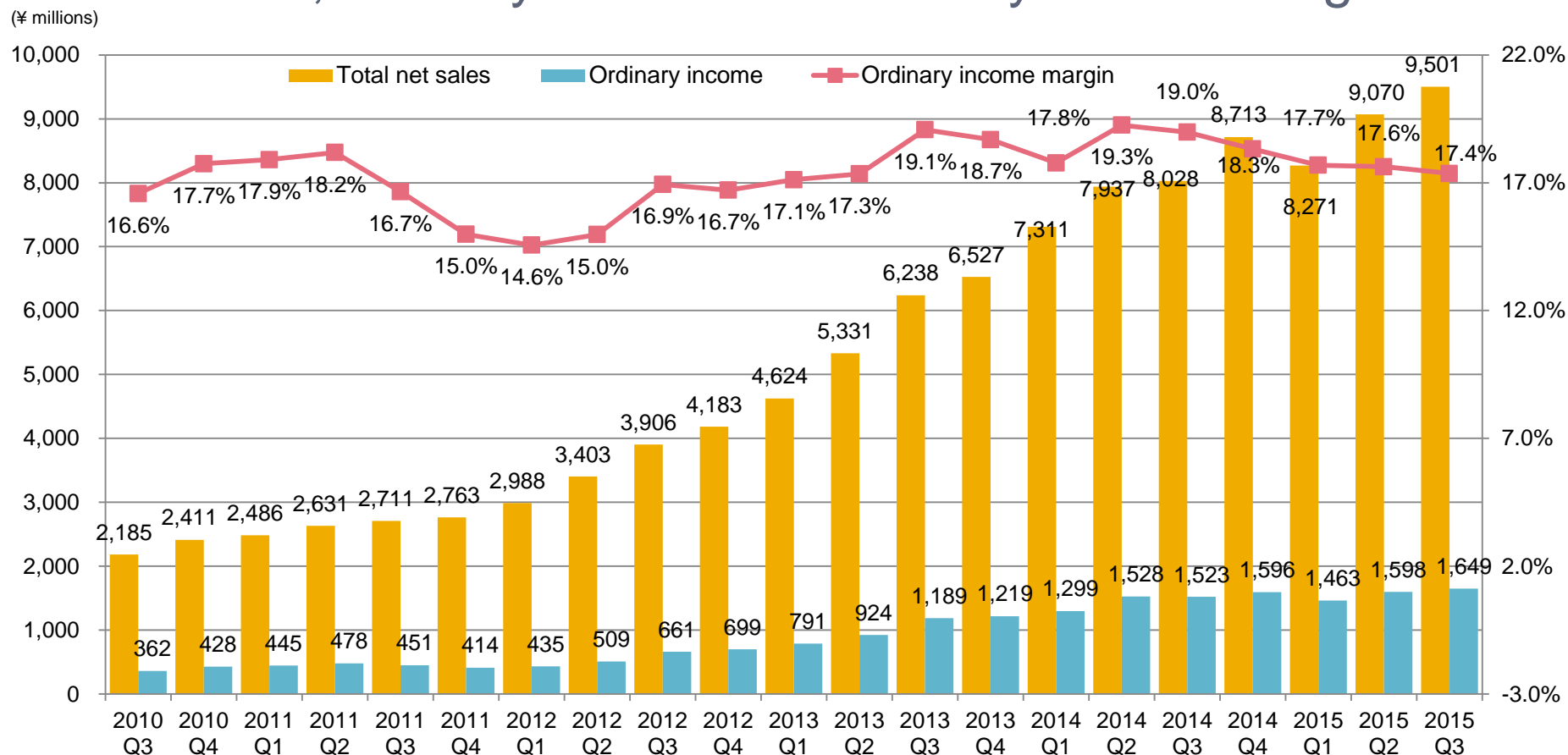
Net Sales, Ordinary Income and Ordinary Income Margin



Net sales and ordinary income were both record highs.

Management Indicators (Consolidated/Quarterly basis)

Net Sales, Ordinary Income and Ordinary Income Margin

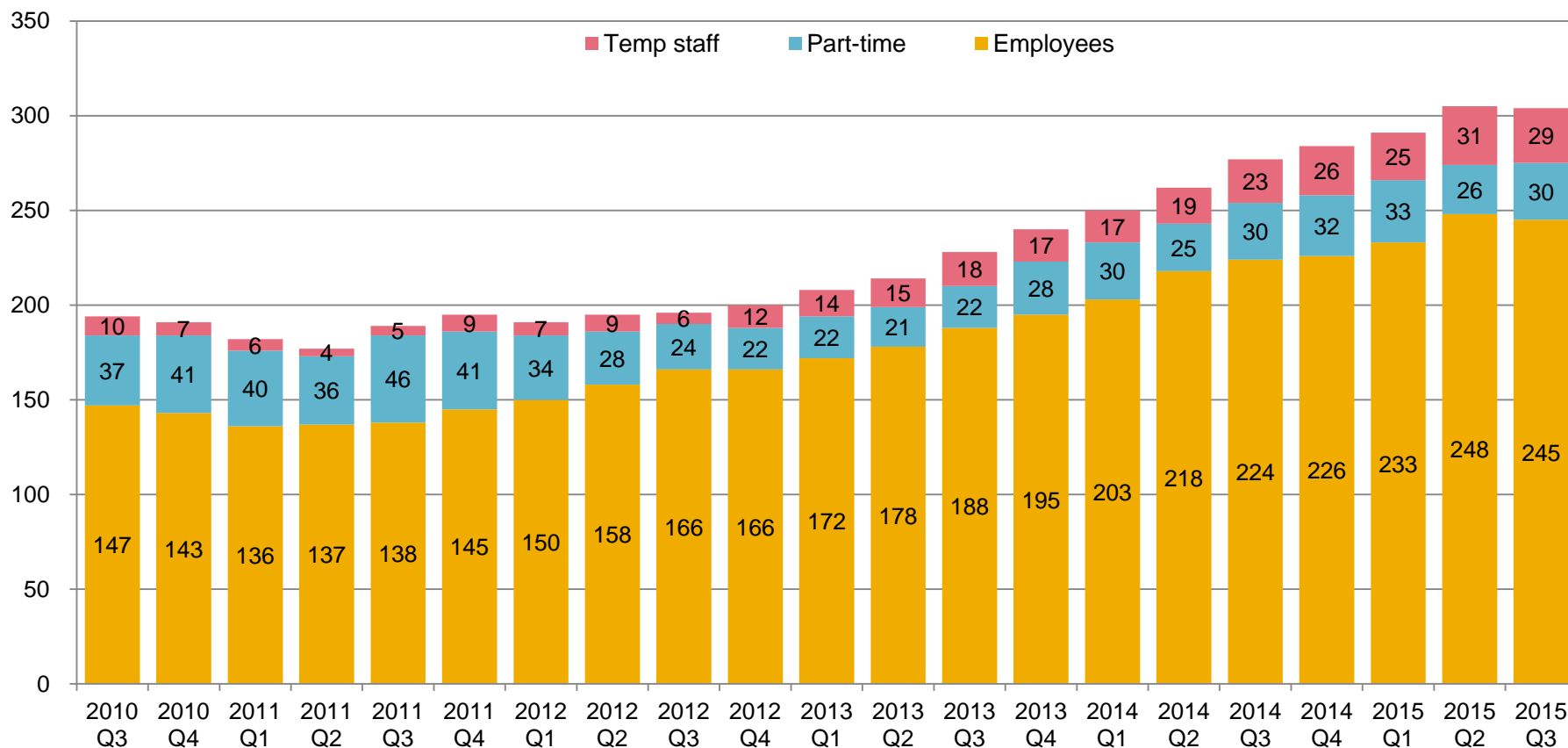


Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

Net sales and ordinary income were both record highs.

Management Indicators (Non-consolidated/Quarterly basis)

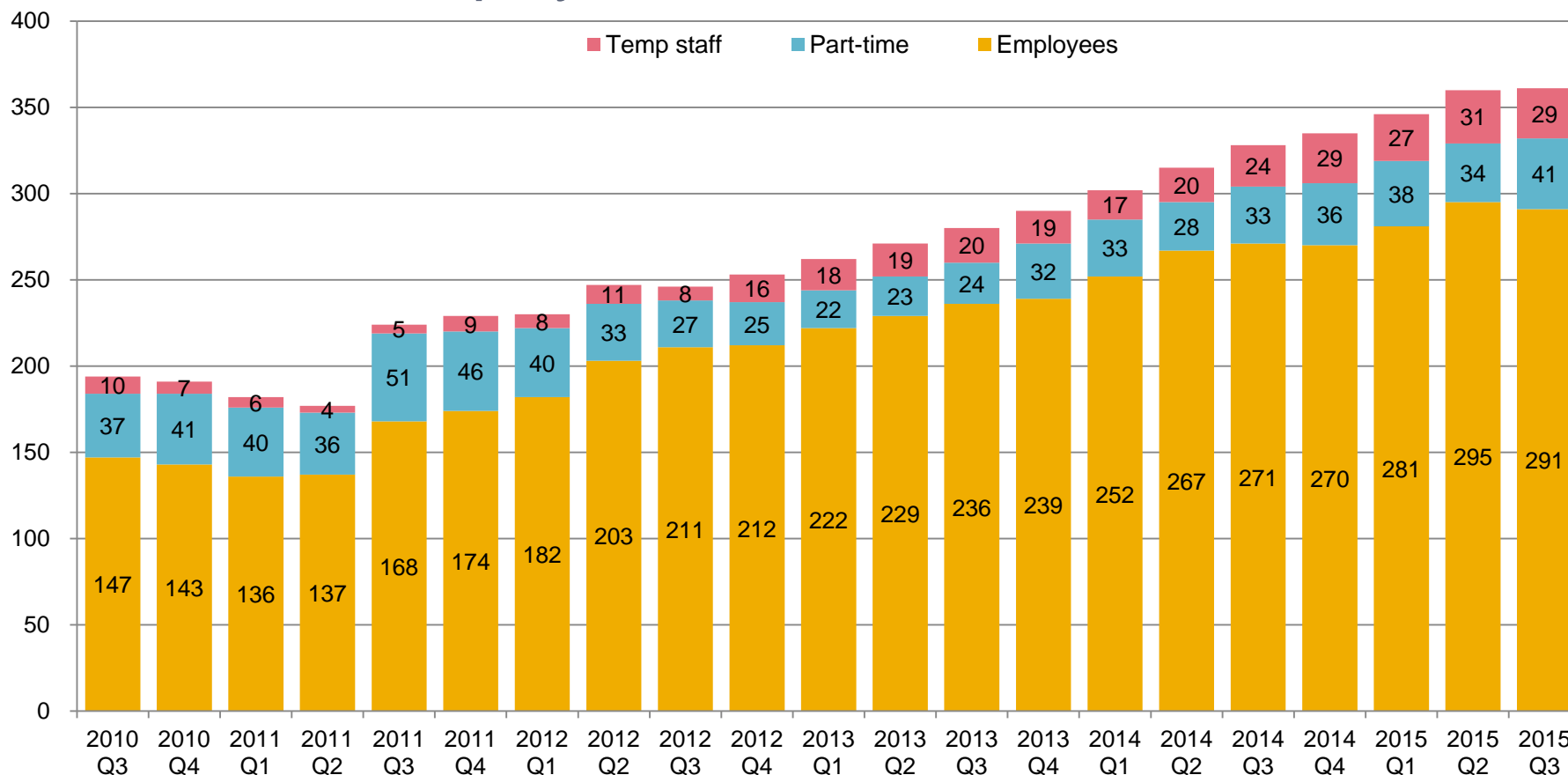
Number of Employees



The total number of employees on a non-consolidated basis was 304, a decrease of one from the previous quarter.

Management Indicators (Consolidated/Quarterly basis)

Number of Employees

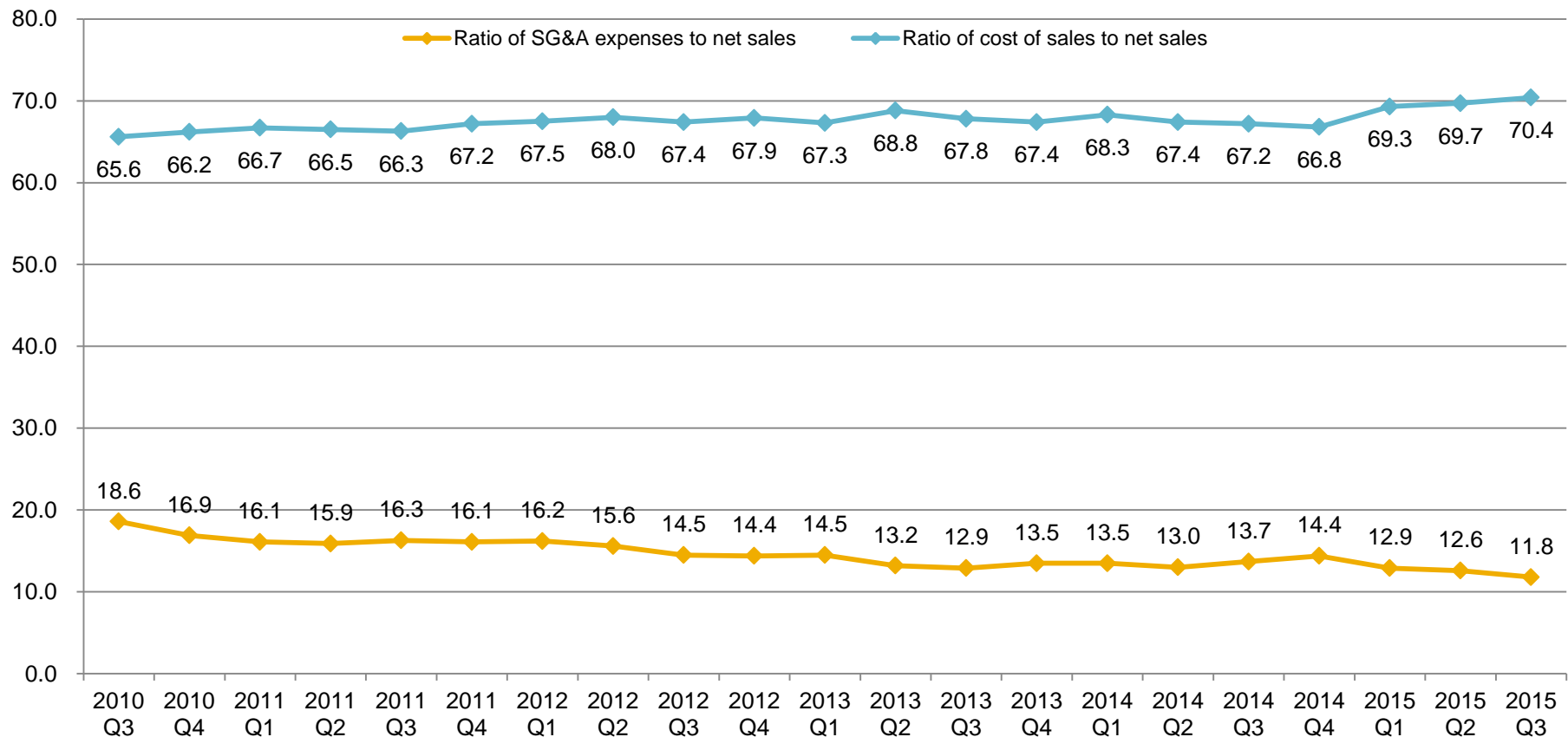


Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

The total number of employees in the Group was 361, an increase of 33 from the same period of the previous year.

Management Indicators (Non-consolidated/Quarterly basis)

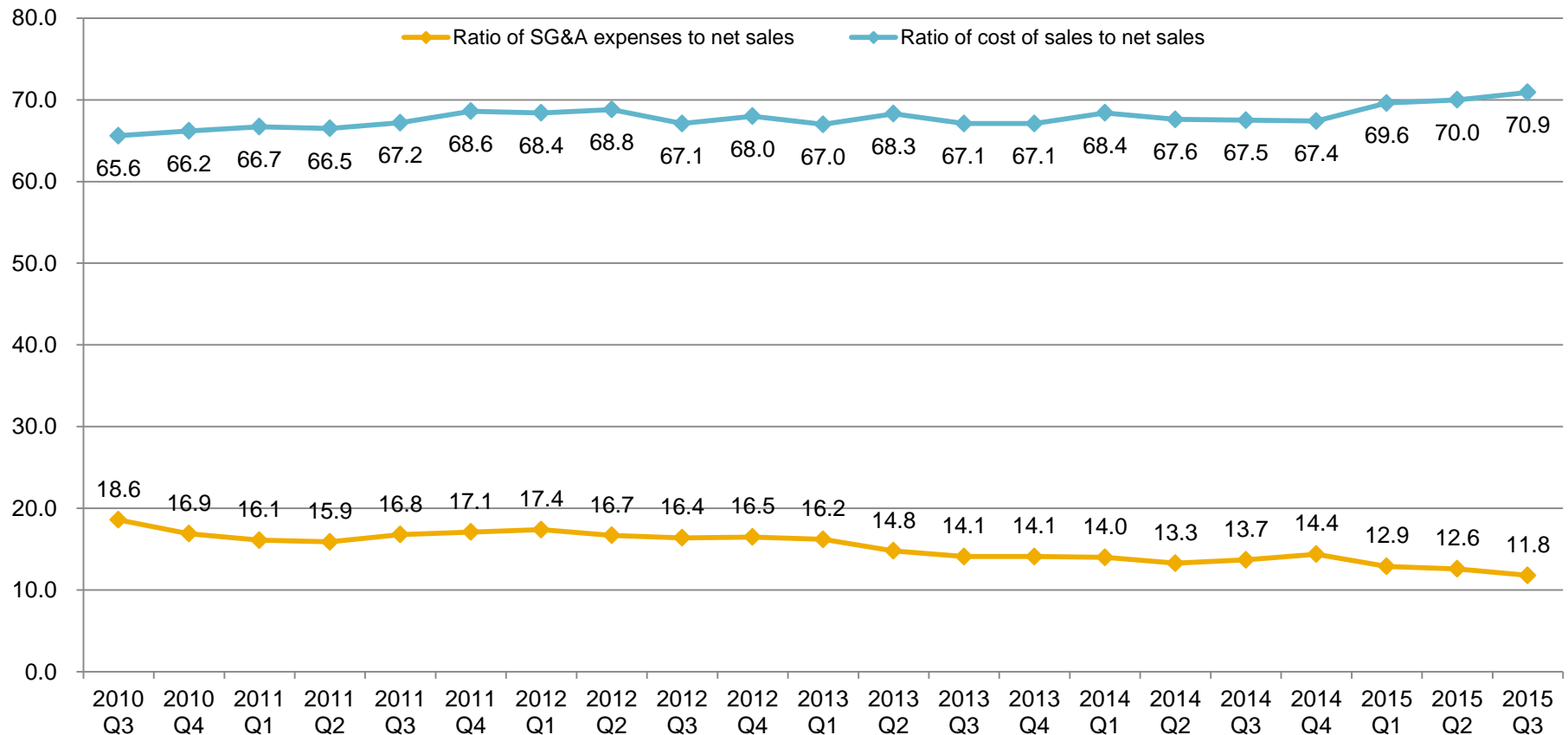
Cost of Sales Ratio and SG&A Expenses Ratio



The cost of sales ratio increased 0.7 percentage points, but the selling, general and administrative (SG&A) expenses ratio decreased 0.8 percentage points.

Management Indicators (Consolidated/Quarterly basis)

Cost of Sales Ratio and SG&A Expenses Ratio



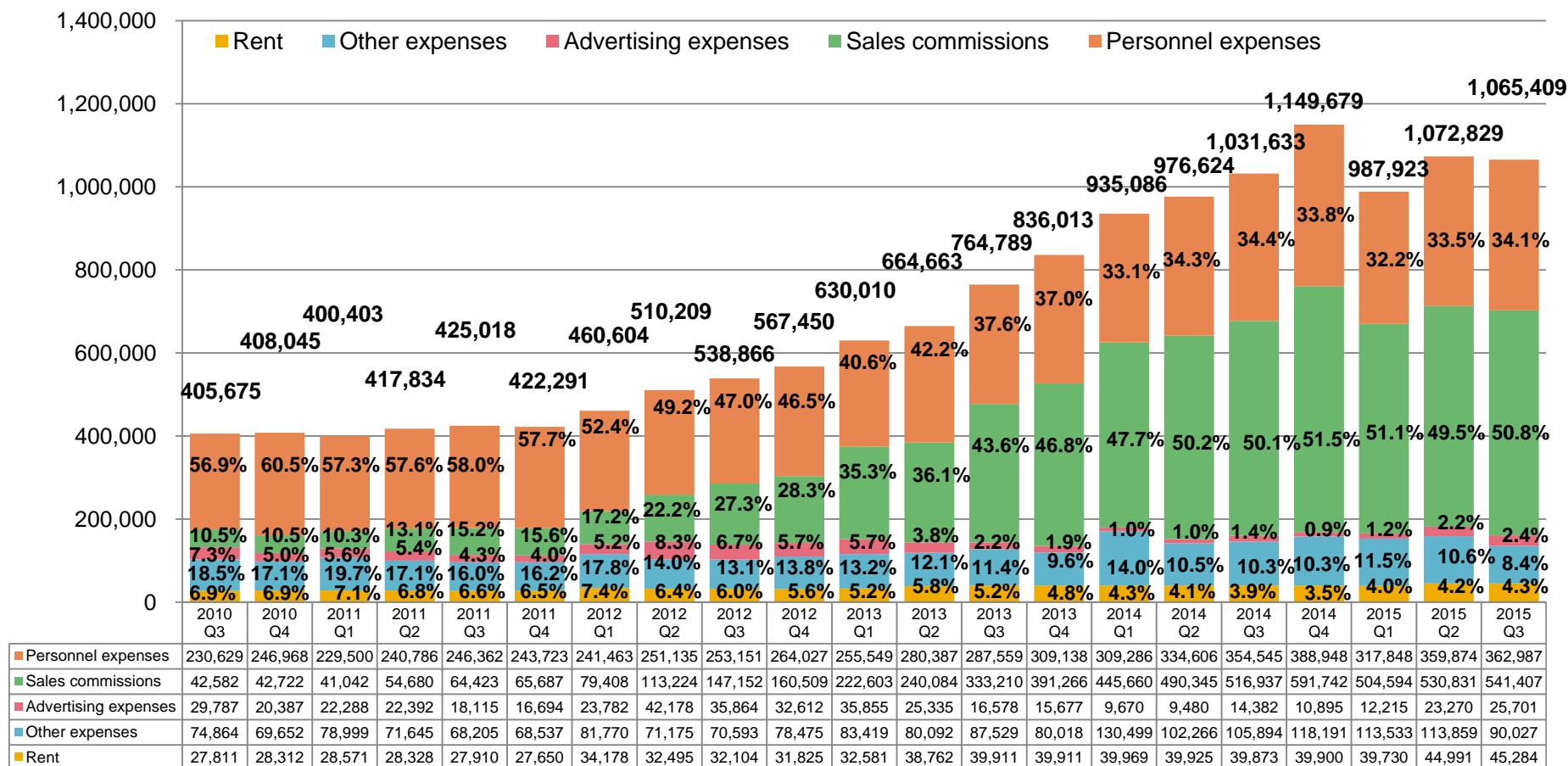
Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

The cost of sales ratio increased 0.9 percentage points, but the selling, general and administrative (SG&A) expenses ratio decreased 0.8 percentage points.

Management Indicators (Non-consolidated/Quarterly basis)

Selling, General and Administrative Expenses

(¥ thousands)

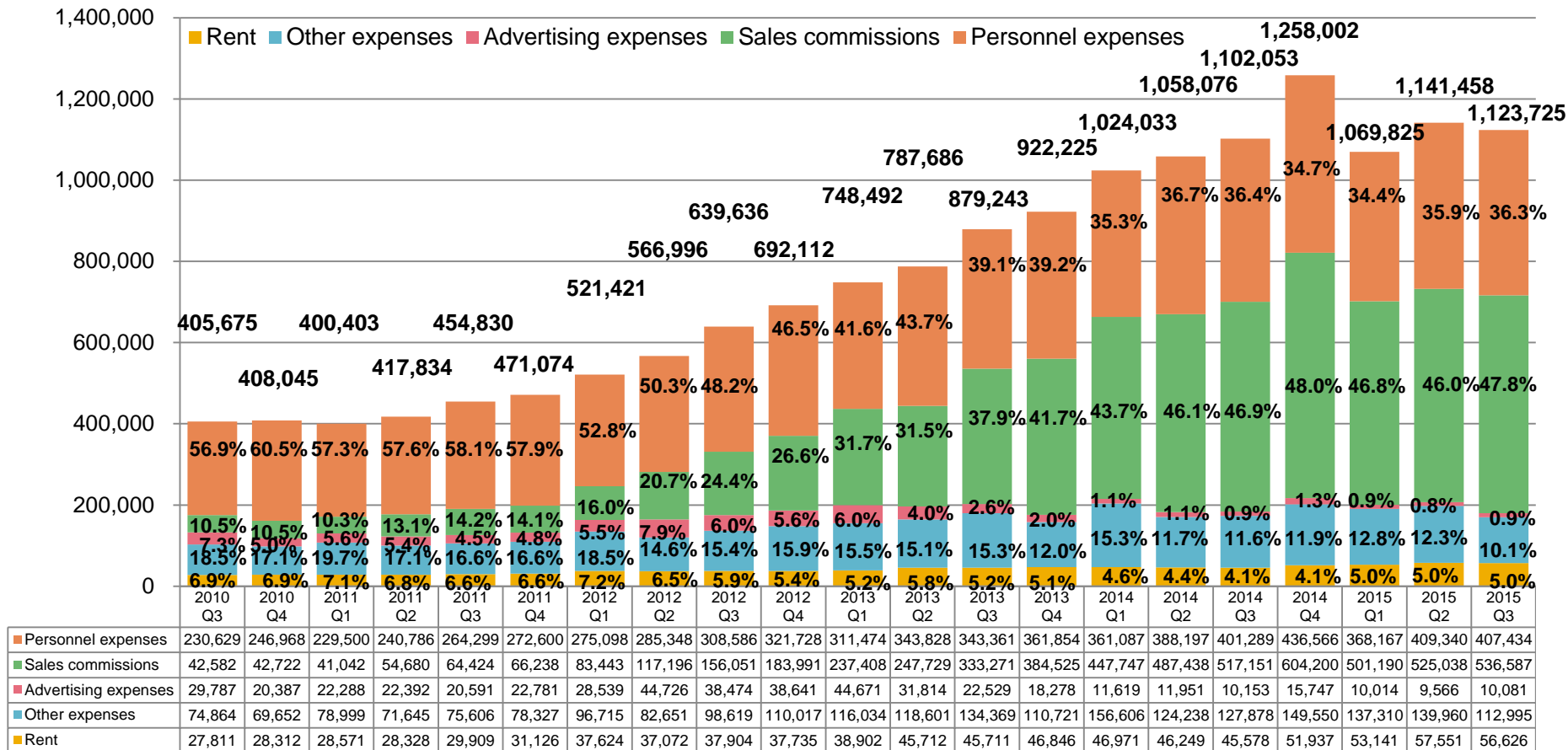


There were no significant changes from the previous quarter.

Management Indicators (Consolidated/Quarterly basis)

Selling, General and Administrative Expenses

(¥ thousands)

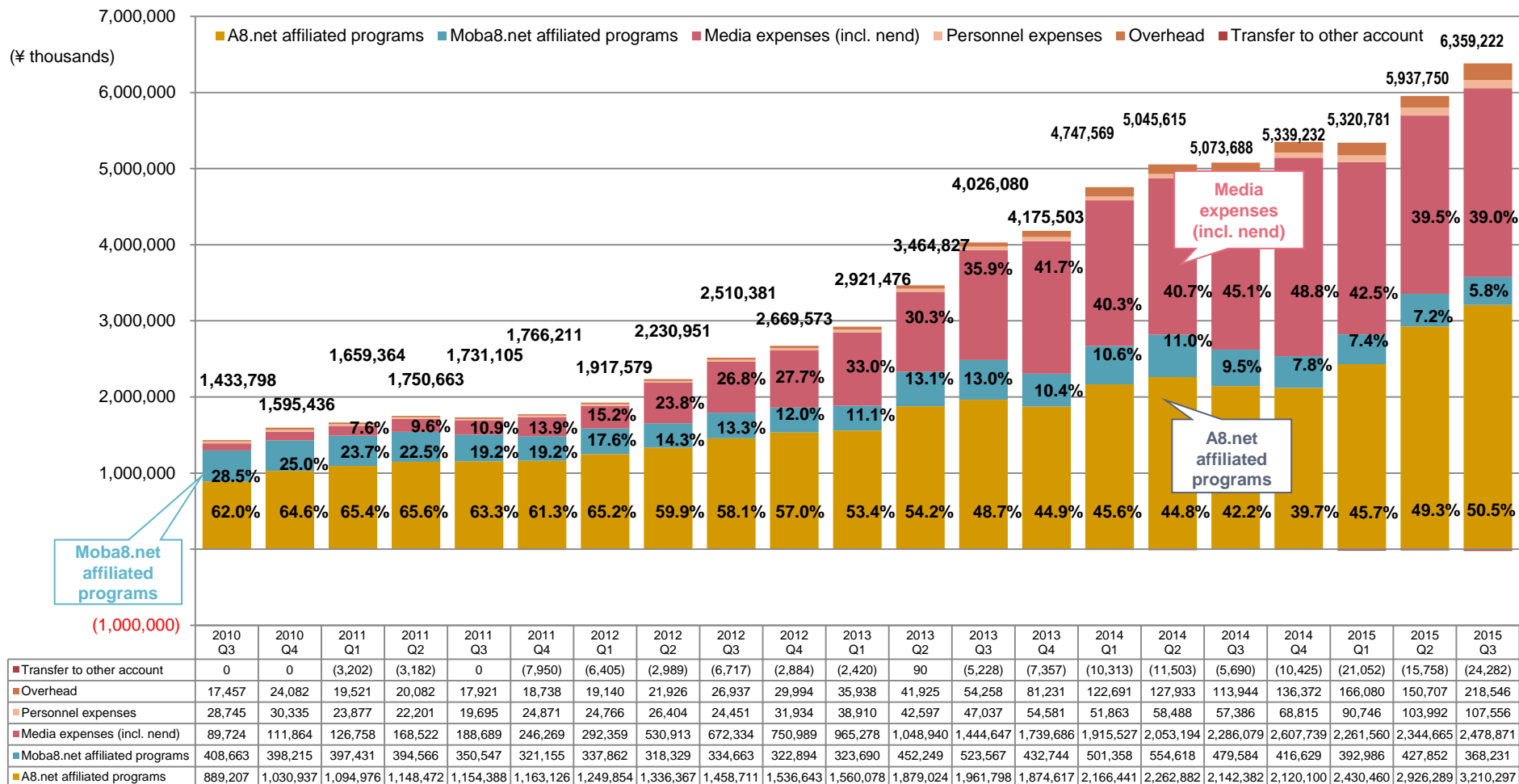


Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

There were no significant changes from the previous quarter.

Management Indicators (Non-consolidated/Quarterly basis)

Cost of Sales

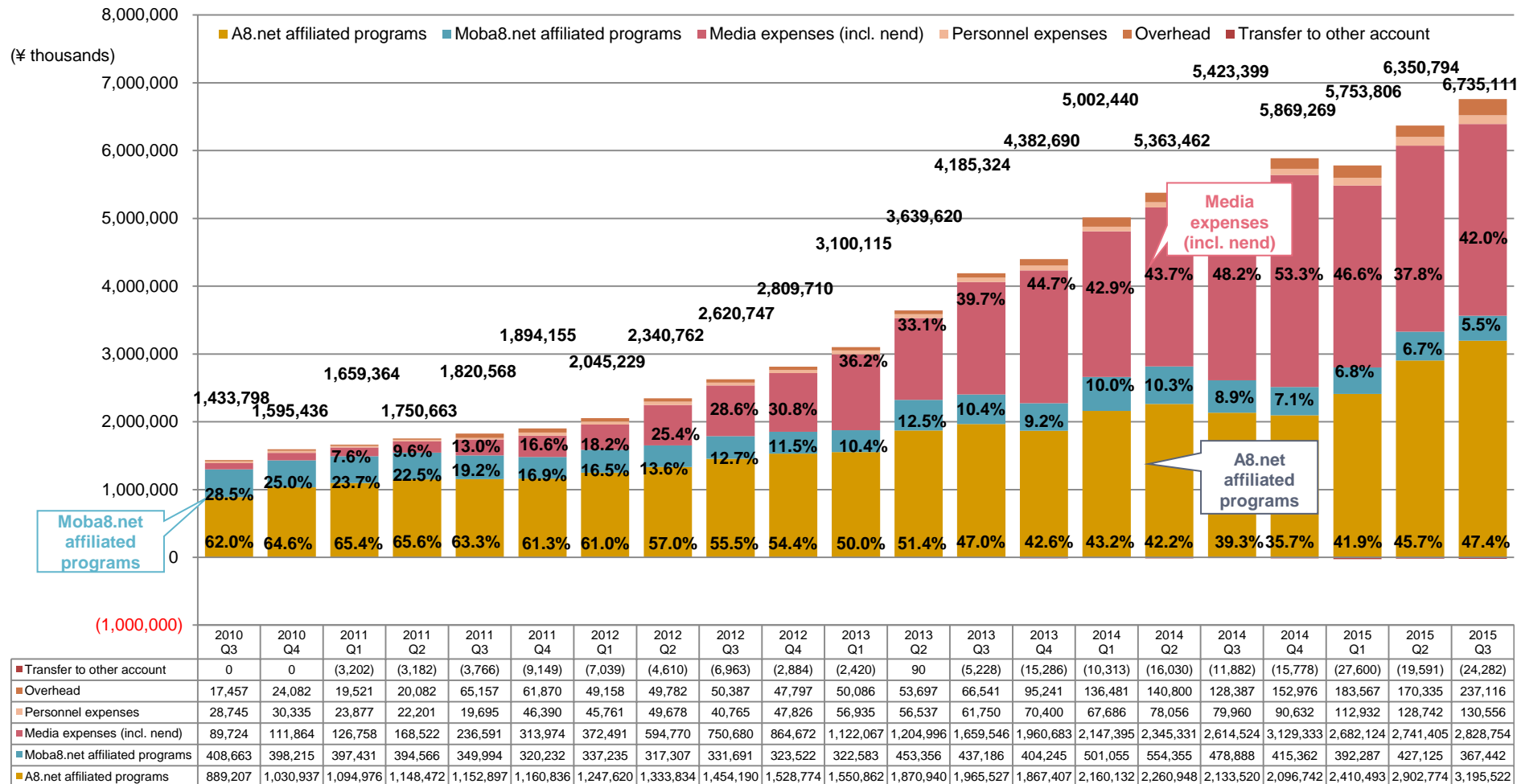


Note: Media expenses include expenses for other companies' media, nend and nex8.

The percentage of affiliate program payments to media was higher 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.

Overhead increased more than ¥60 million from the previous quarter. The increase was due to the transfer of certain depreciation expenses that increased in significance from SG&A expenses to production costs, as well as an increase in nend data center usage fees.

Overview by Main Service Area Non-consolidated Businesses

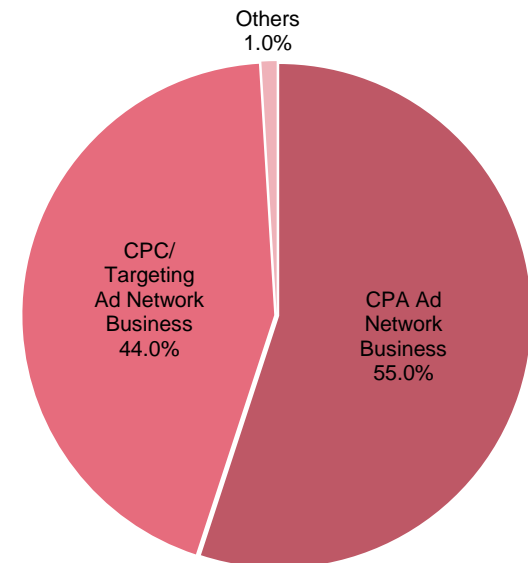
Net Sales by Reportable Segment (Non-consolidated/Quarterly basis)

(¥ thousands)	2015 Q3 (July – September)	2014 Q3 (July – September)	Change
CPA Ad Network Business	4,971,972	3,792,644	31.1%
CPC/Targeting Ad Network Business	3,974,879	3,669,348	8.3%
Others	87,538	91,377	-4.2%
Total net sales	9,034,391	7,553,371	19.6%

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

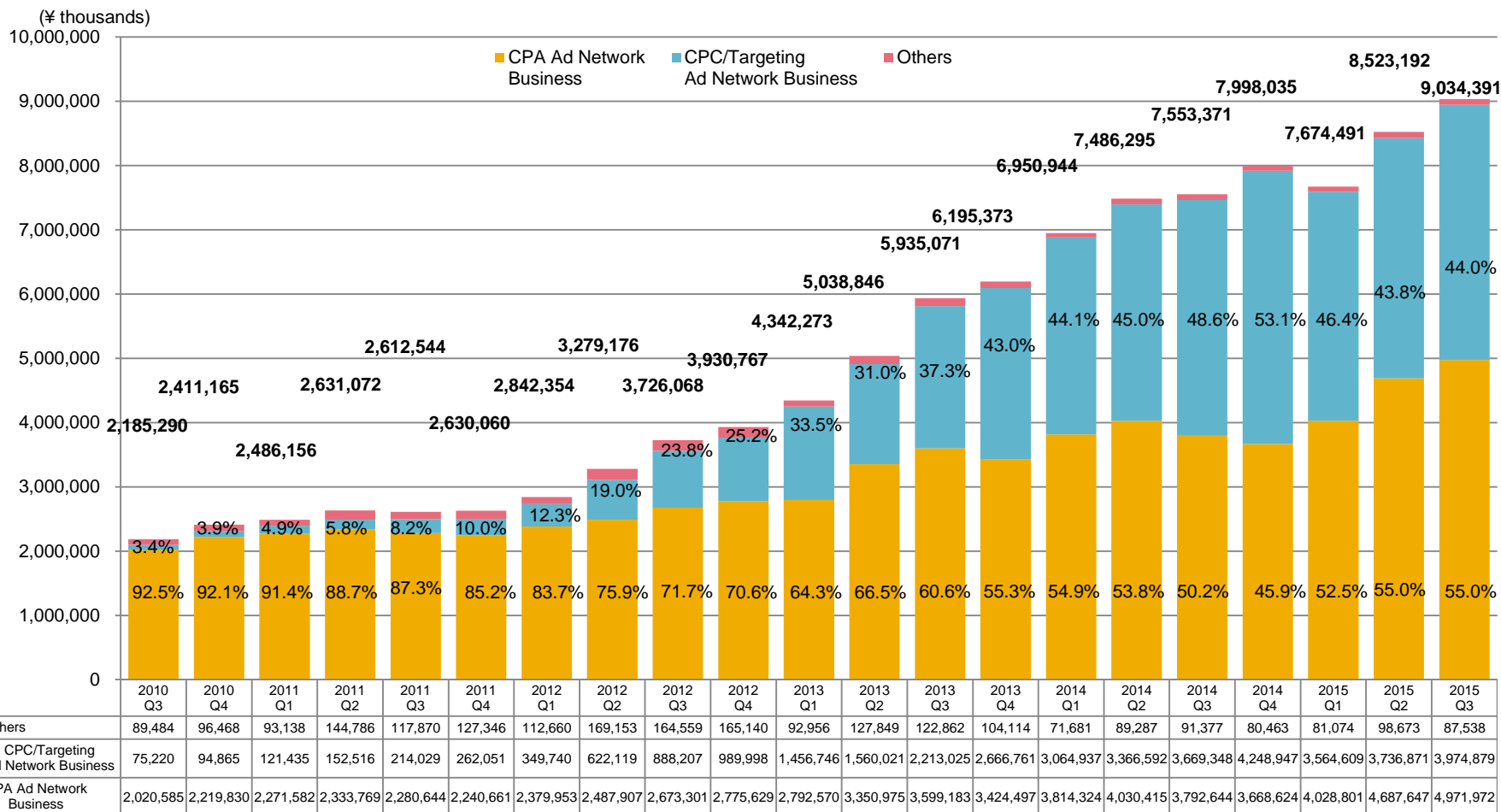
Main services of CPC/Targeting Ad Network Business: nend, nex8

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



CPA sales grew more than 30%, but CPC/Targeting sales were weaker, with only a single-digit increase.

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



There was little change from the previous quarter in the share of net sales by segment.

CPA Ad Network Business (Non-consolidated)

A8.net

Summary

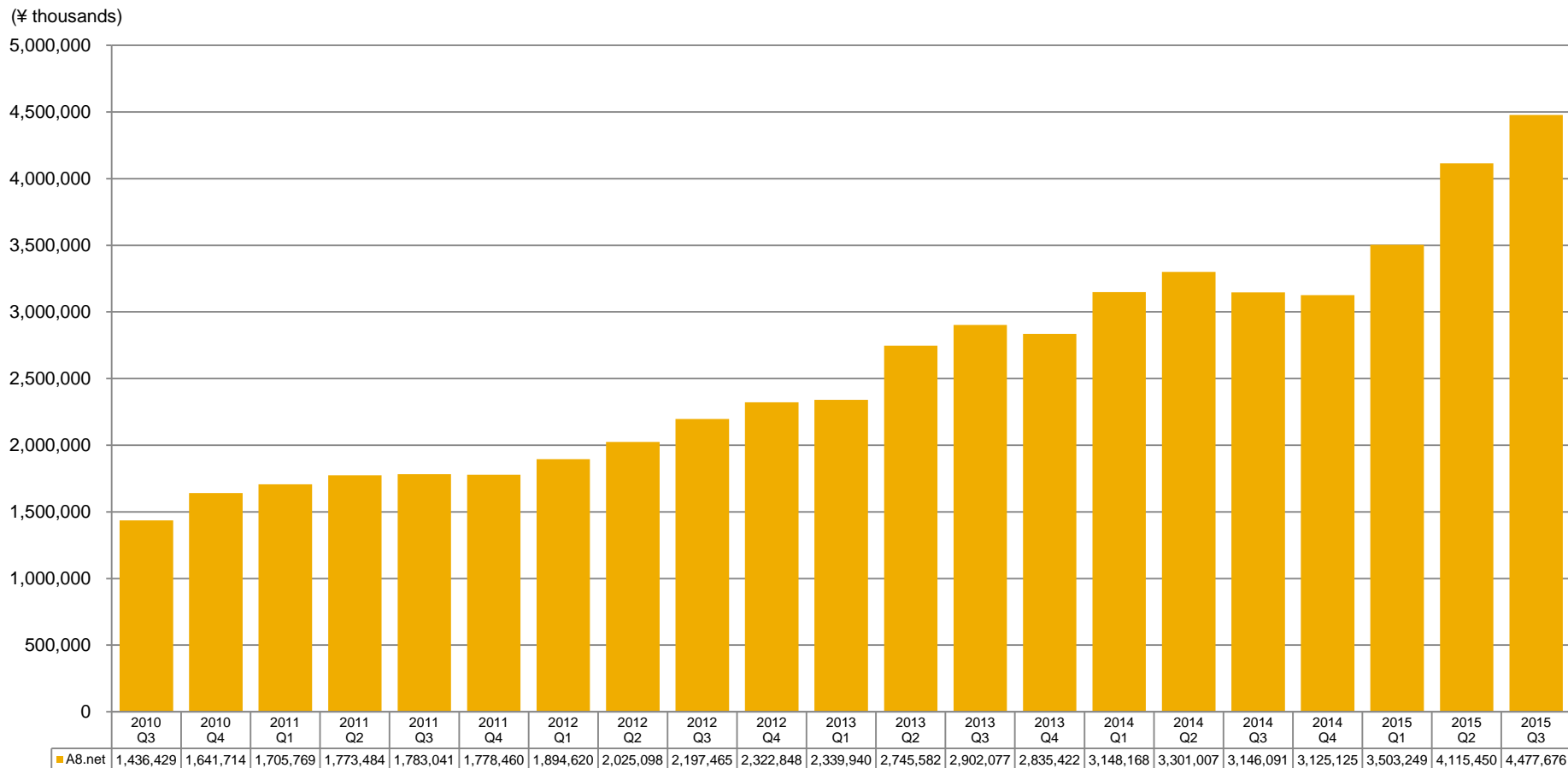
	2015 Q3 (July – September)	2014 Q3 (July – September)	Change
Sales (¥ thousands)	4,477,676	3,146,091	42.3%
Number of operating advertiser IDs	2,817	2,670	5.5%
Number of registered partner sites	1,933,682	1,733,886	11.5%

The number of operating advertiser IDs increased by 147 from the same period of the previous year.

CPA Ad Network Business (Non-consolidated)

A8.net

Net Sales (Quarterly basis)

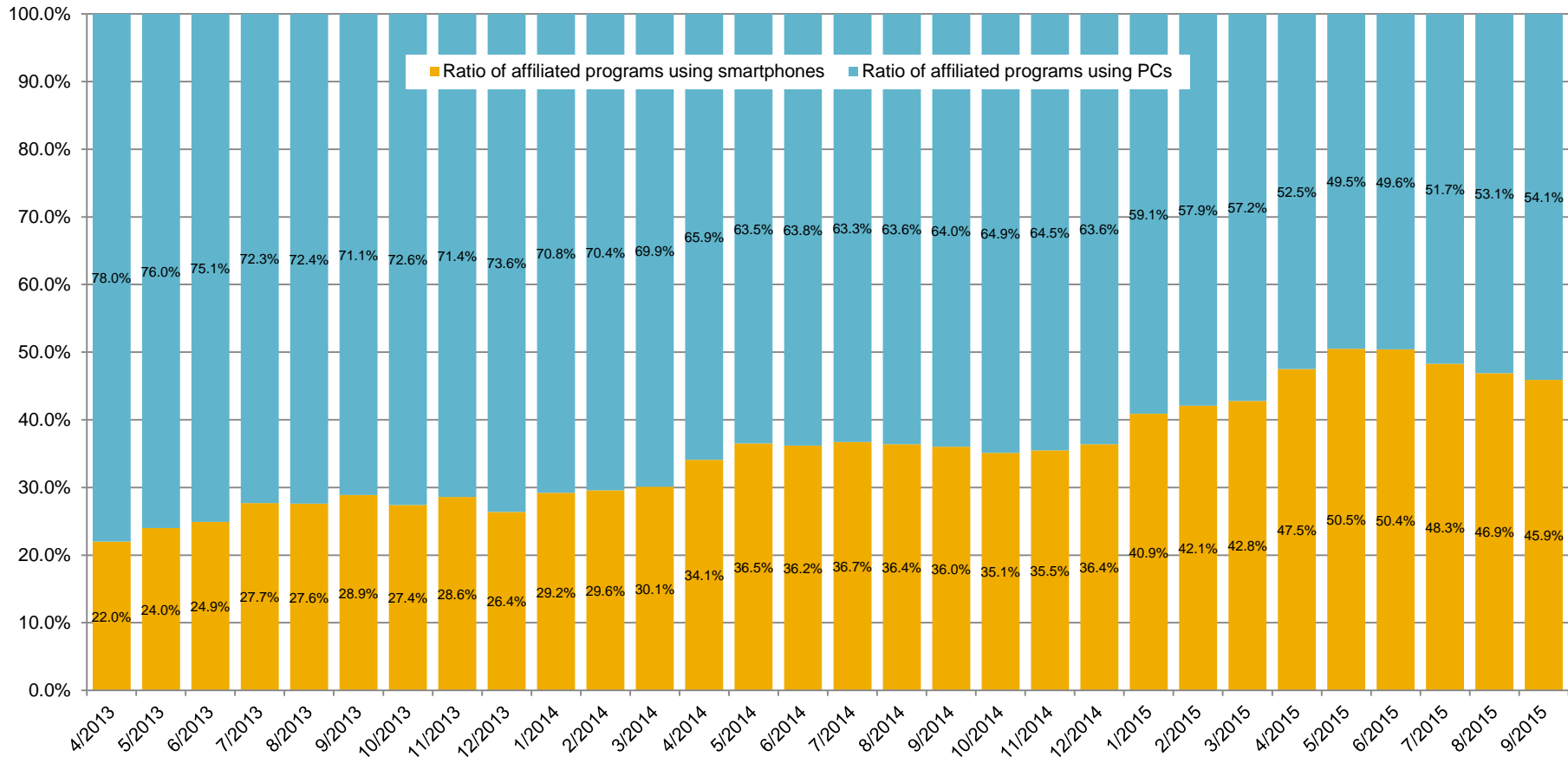


Sales were strong and set a new record.

CPA Ad Network Business (Non-consolidated)

A8.net

Ratio of Smartphones in Affiliated Programs (Monthly basis)



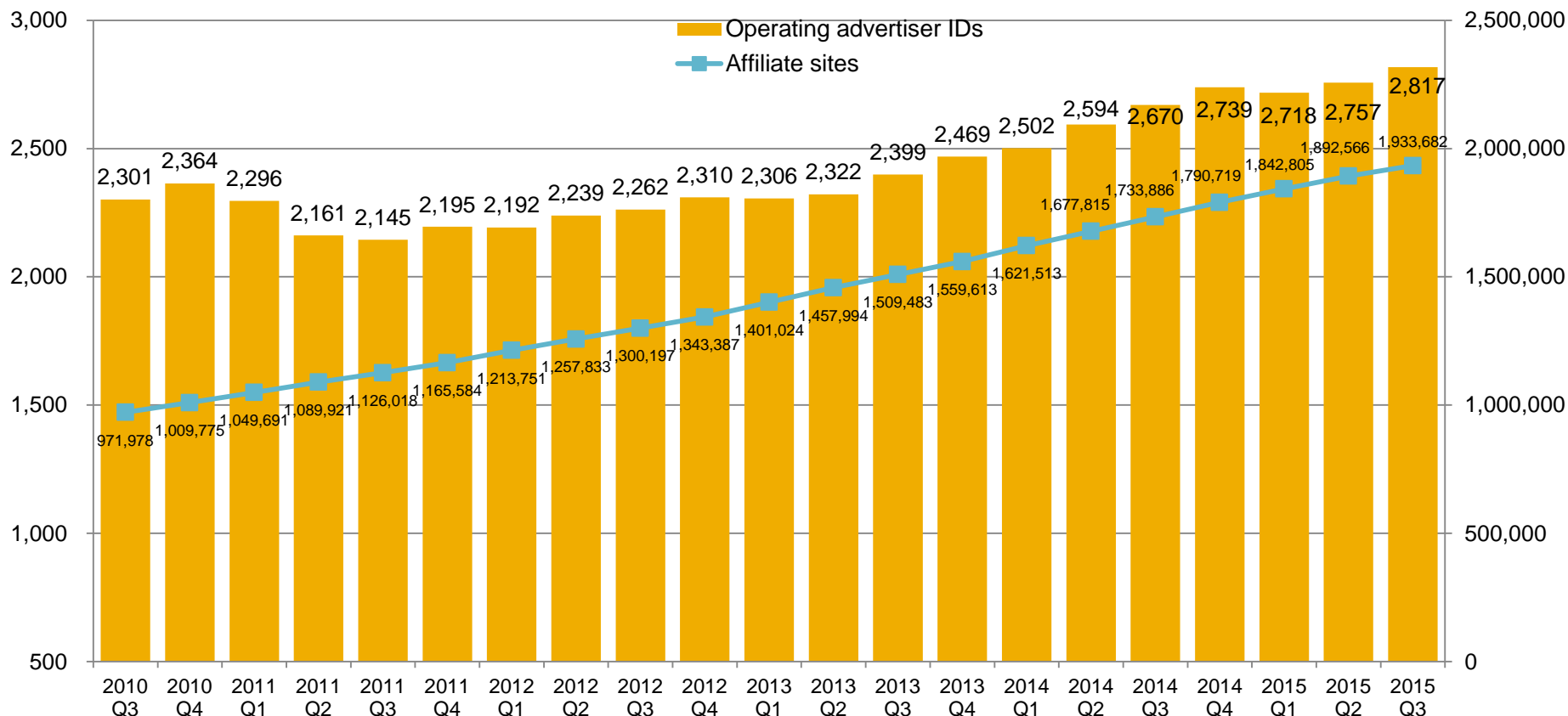
The ratio of affiliated programs using smartphones hasn't grown as much as expected since passing 50%.

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 60 from the previous quarter. The number of overseas operating advertisers was 92.

CPA Ad Network Business (Non-consolidated)

A8.net

New Advertiser Start-ups and Cancellations



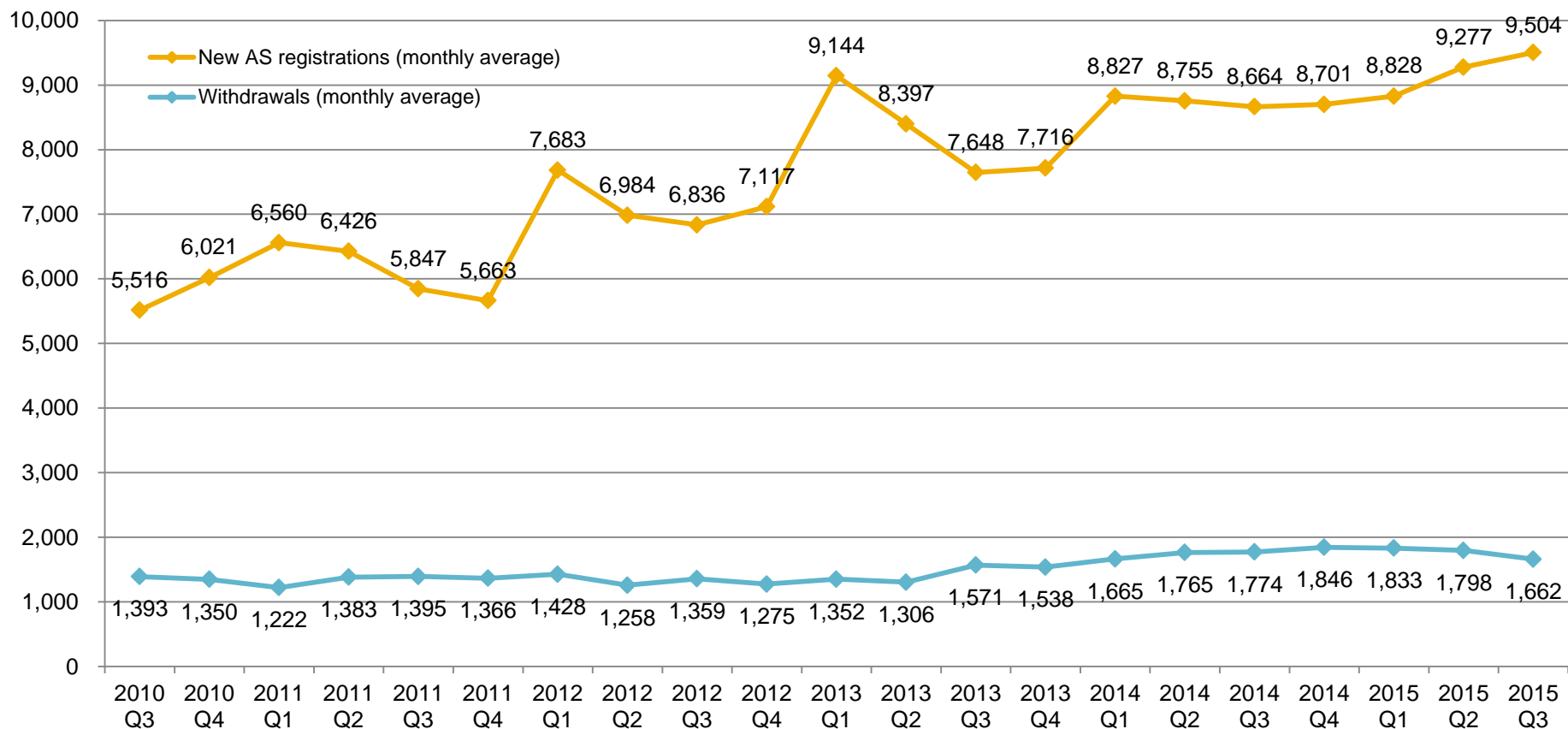
Note: "Change in inactive" is the difference in number of customers who switched between "operating" and "inactive," adjusted for the number of customers who switched from "inactive" to "cancelled" included in the number of cancellations.

There were 166 cancellations, the fewest of any quarter this year.

CPA Ad Network Business (Non-consolidated)

A8.net

Average Monthly New Affiliate Site (AS) Registrations and Withdrawals

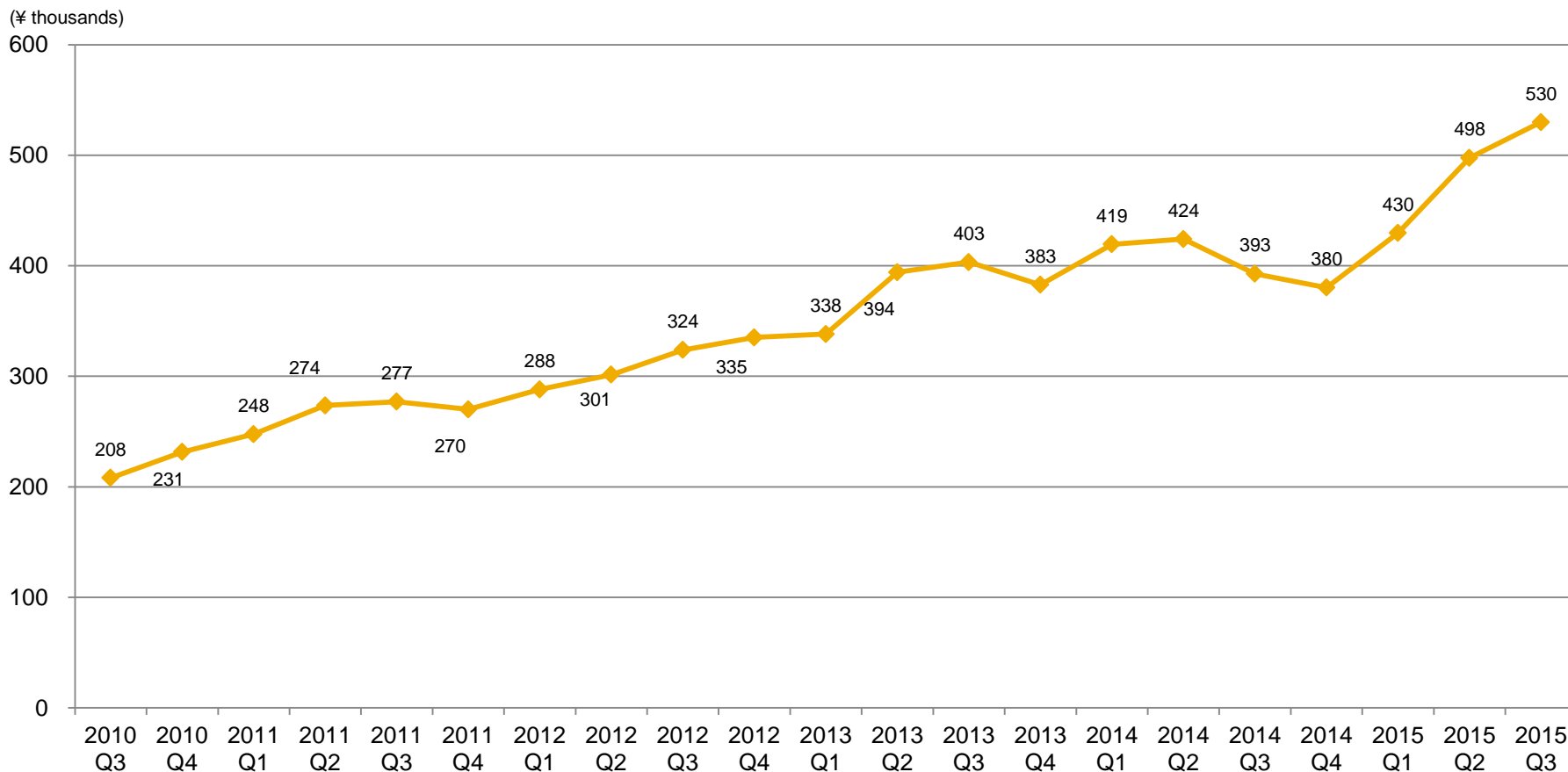


New AS registrations are trending gradually upward.

CPA Ad Network Business (Non-consolidated)

A8.net

Average Monthly Sales per Advertiser



Set new record due to increase in the amount of affiliate program payments.

CPA Ad Network Business (Non-consolidated)

Moba8.net

Summary

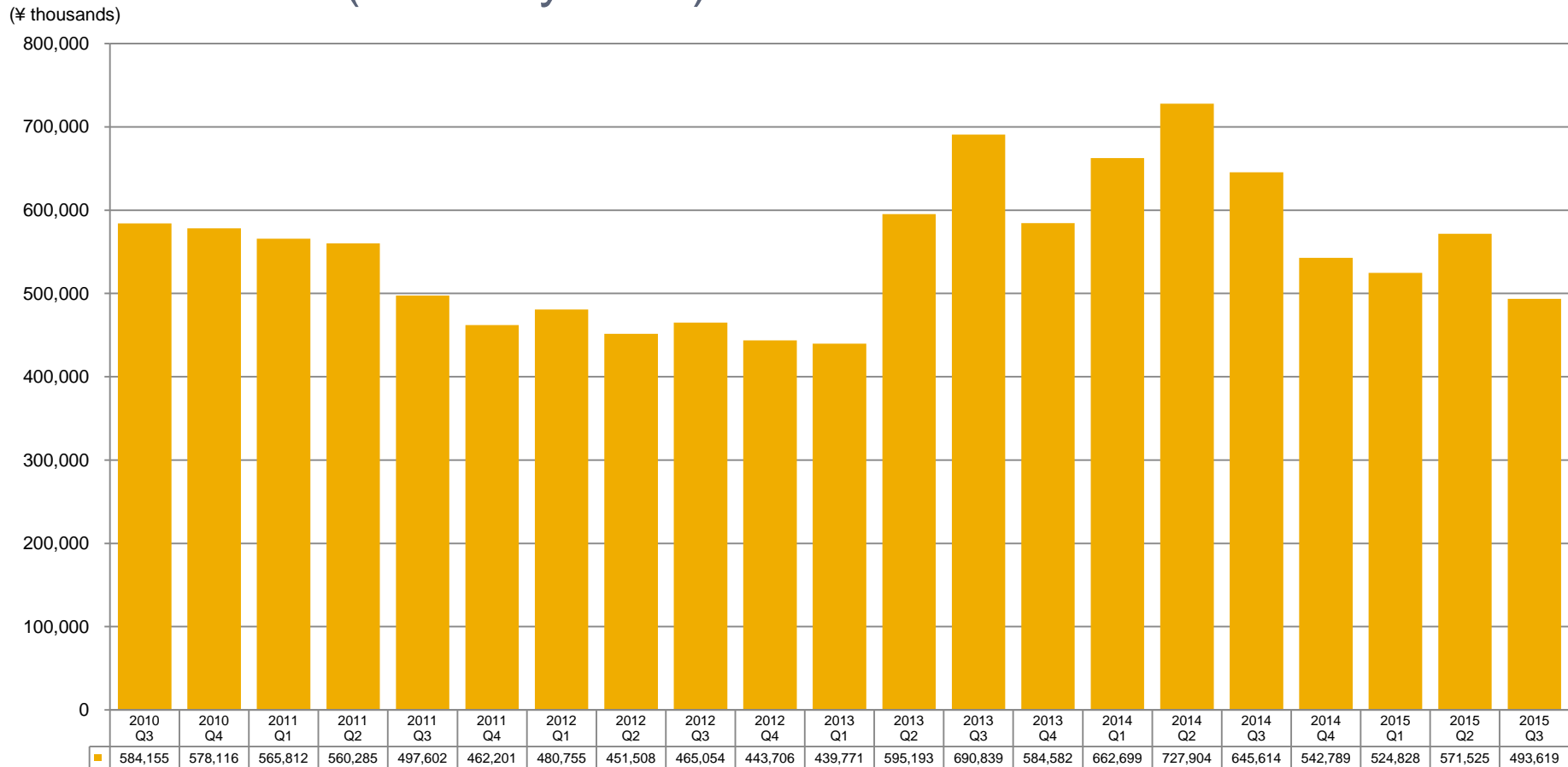
	2015 Q3 (July – September)	2014 Q3 (July – September)	Change
Sales (¥ thousands)	493,619	645,614	-23.5%
Number of operating advertiser IDs	1,180	1,089	8.4%
Number of registered partner sites	258,365	243,062	6.3%

Significant 23.5% decrease from the same period of the previous year.

CPA Ad Network Business (Non-consolidated)

Moba8.net

Net Sales (Quarterly basis)

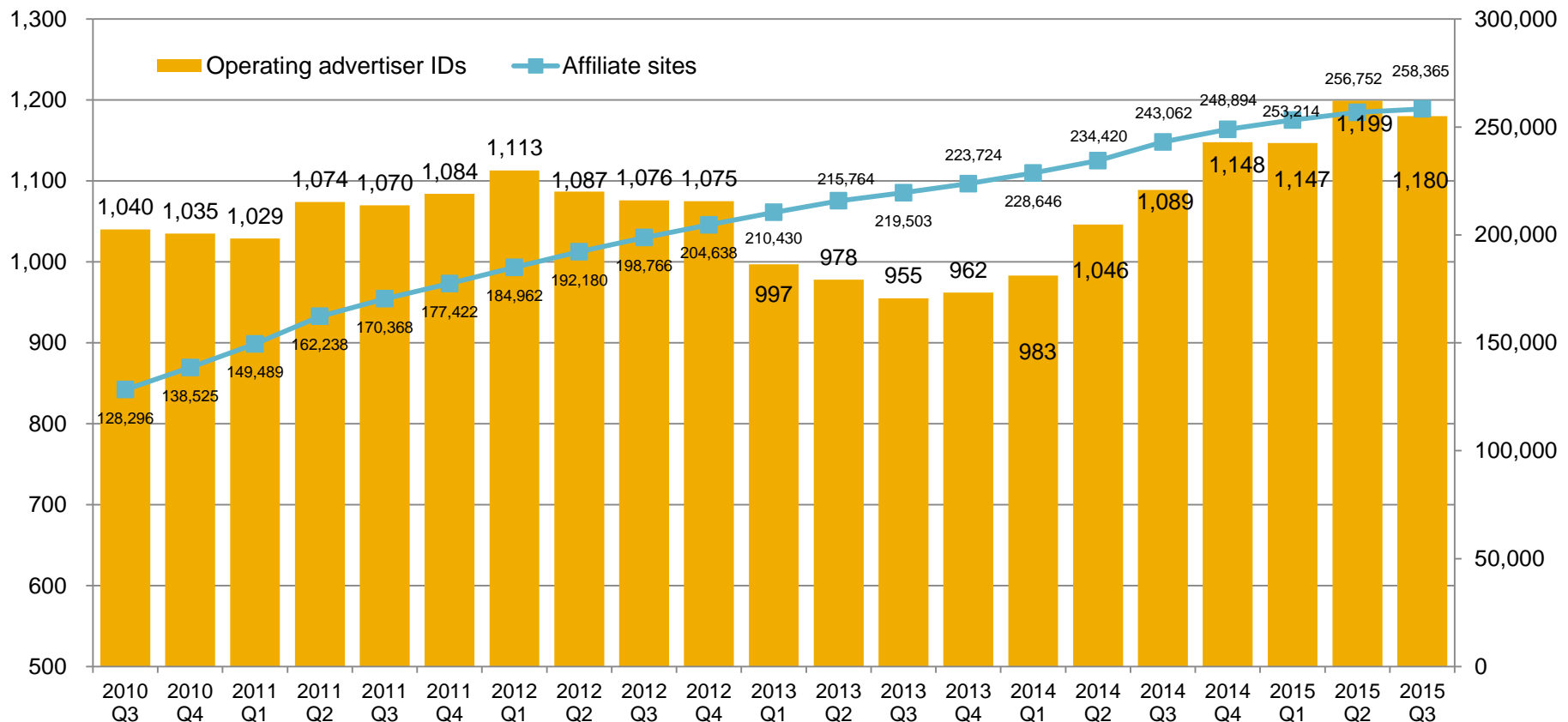


Conditions remain challenging, but we think sales hit bottom in Q3.

CPA Ad Network Business (Non-consolidated)

Moba8.net

Number of Operating Advertisers and Affiliate Sites (Quarterly basis)



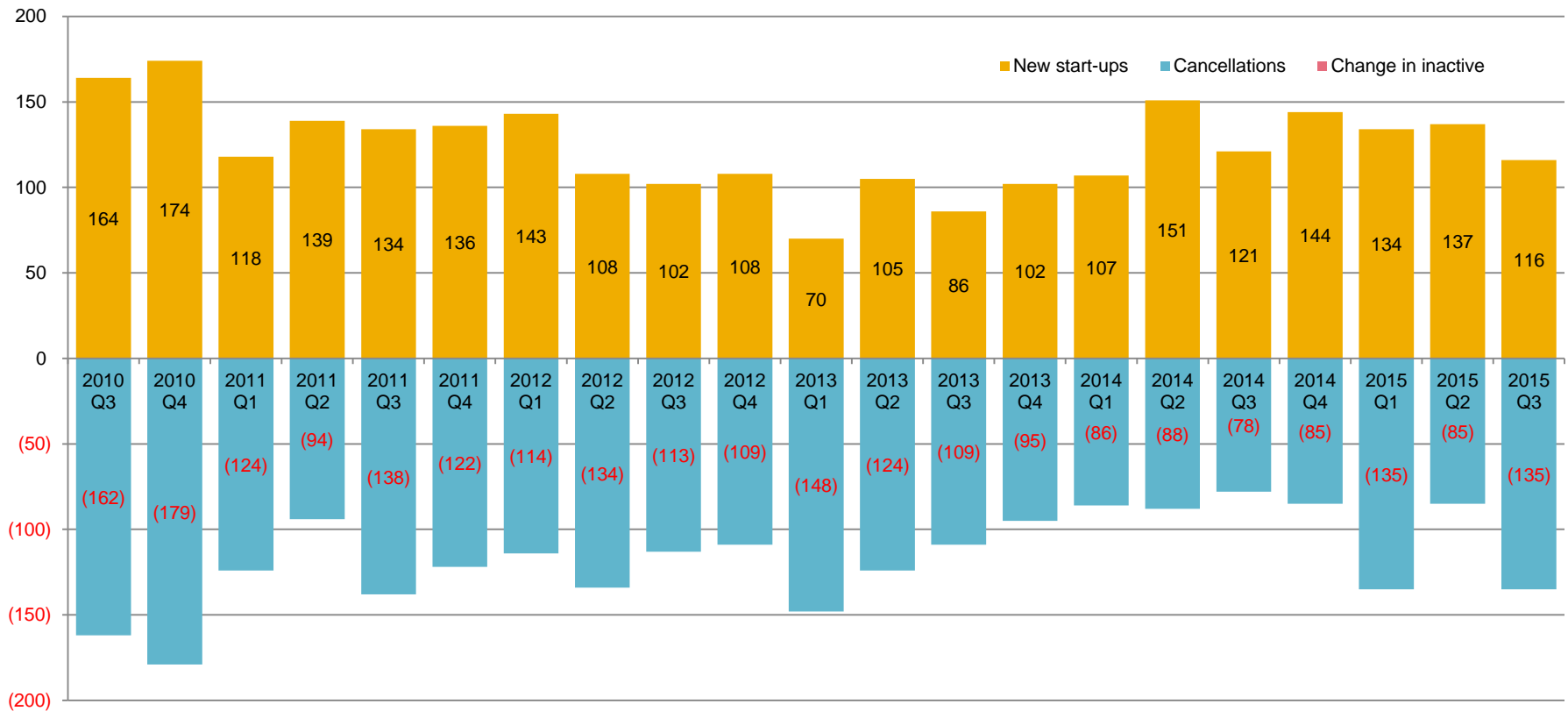
Note: The number of operating advertisers is as of the final month of each quarter.

The number of operating advertisers decreased from the previous quarter.

CPA Ad Network Business (Non-consolidated)

Moba8.net

New Advertiser Start-ups and Cancellations (Quarterly basis)

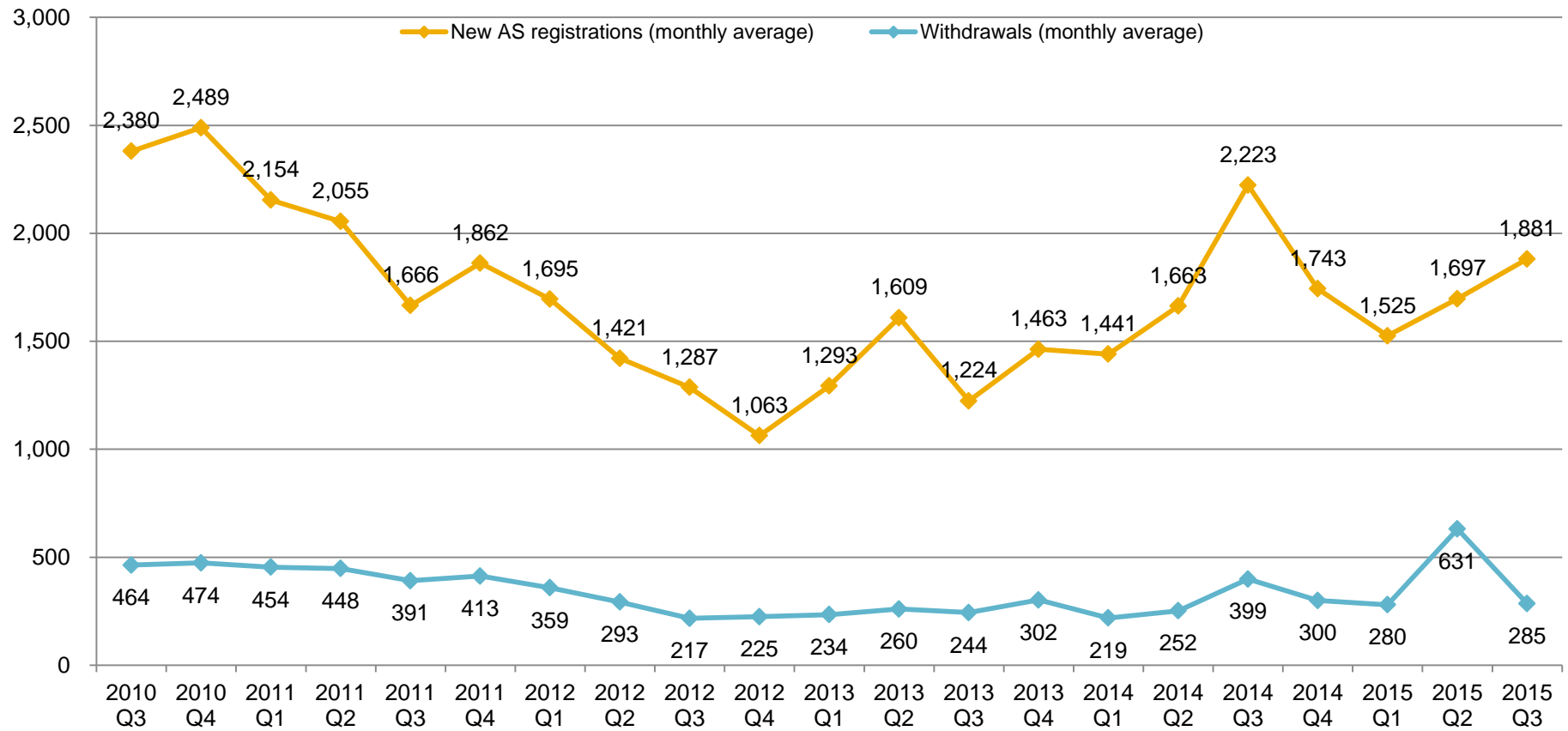


There were many cancellations but relatively few start-ups.

CPA Ad Network Business (Non-consolidated)

Moba8.net

Average Monthly New Affiliate Site (AS) Registrations and Withdrawals

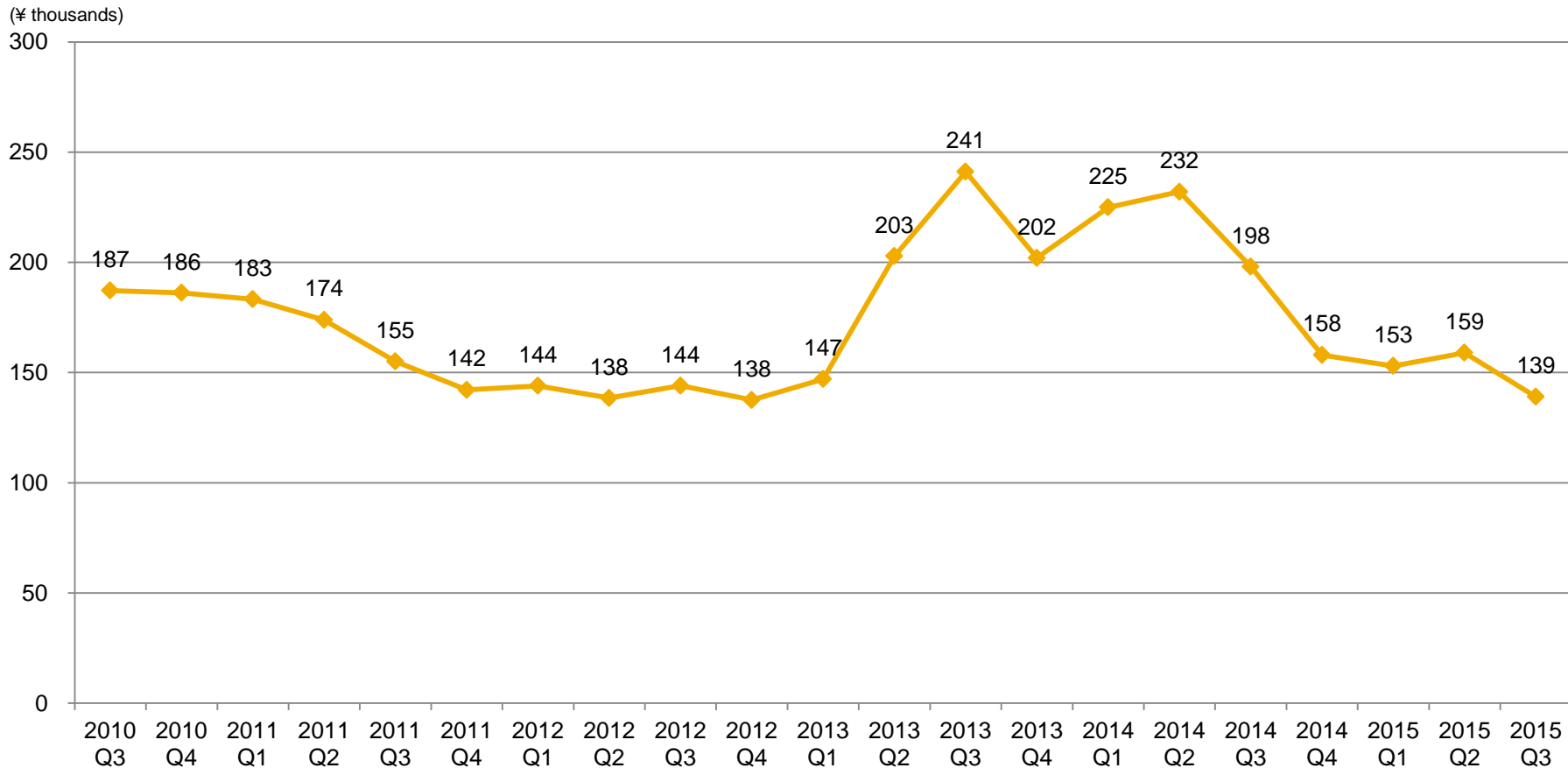


The trend has not changed significantly.

CPA Ad Network Business (Non-consolidated)

Moba8.net

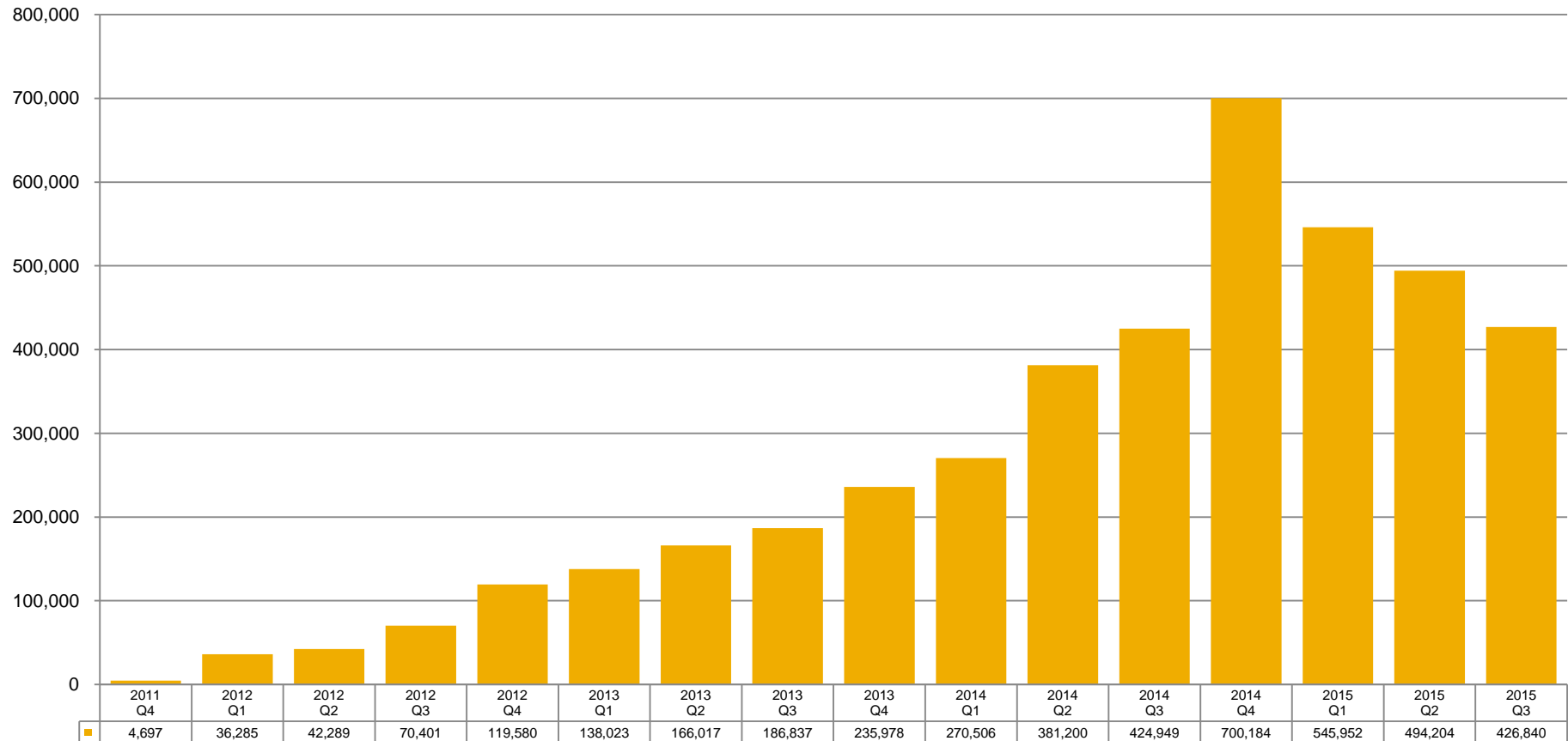
Average Monthly Sales per Advertiser



The downward trend continued.

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 "CPA Ad Network Business" in the consolidated sales of F@N Communications.

Sales declined for the third straight quarter, and were near the level of Q3 in 2014.

CPC/Targeting Ad Network Business (Non-consolidated)

nend Summary

	2015 Q3 (July – September)	2014 Q3 (July – September)	Change
Sales (¥ thousands)	3,645,248	3,624,961	0.6%
Number of operating advertiser IDs	492	496	-0.8%
Number of registered partner sites	449,554	240,144	87.2%

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

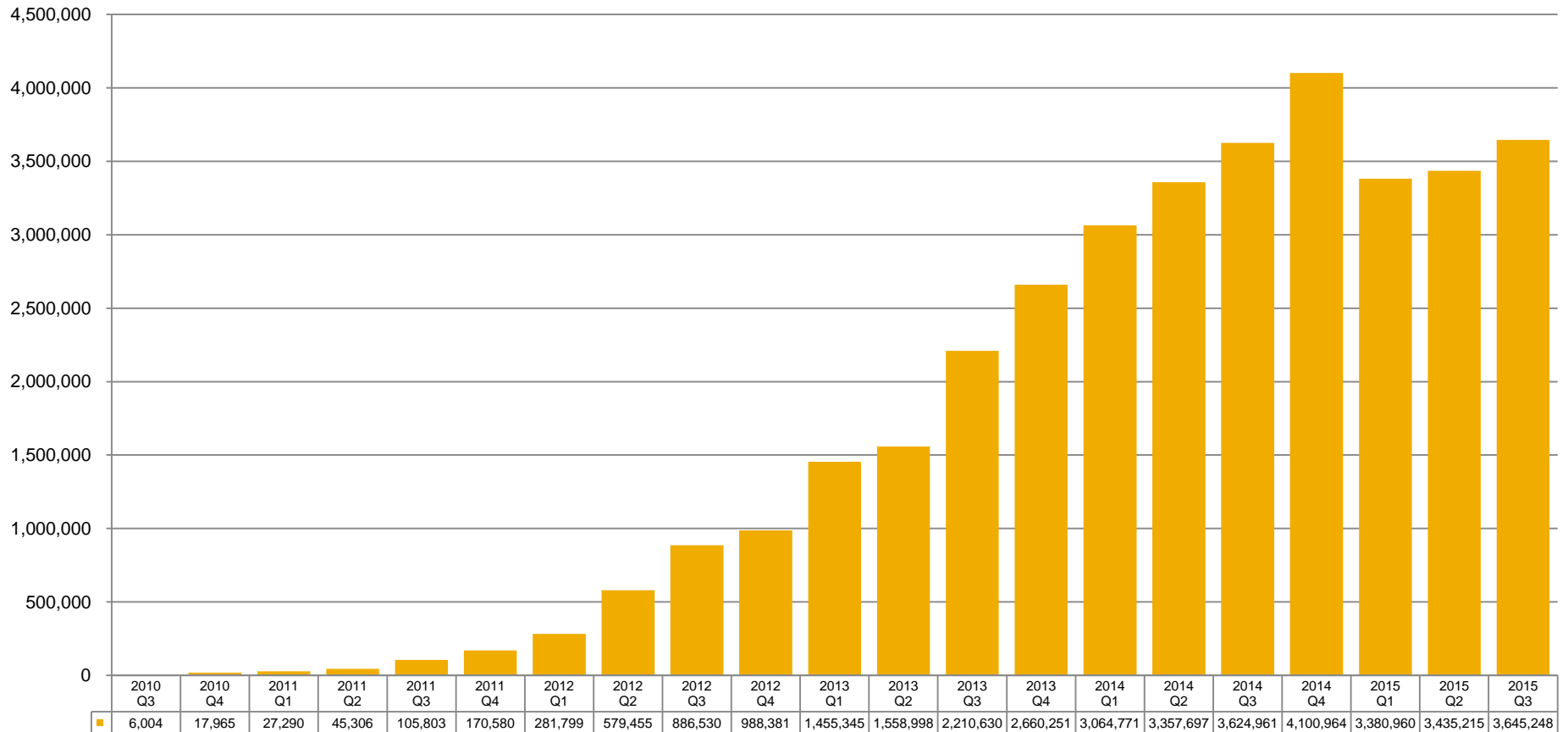
Sales narrowly surpassed the level of the same period in 2014.

CPC/Targeting Ad Network Business (Non-consolidated)

end

Net Sales (Quarterly basis)

(¥ thousands)

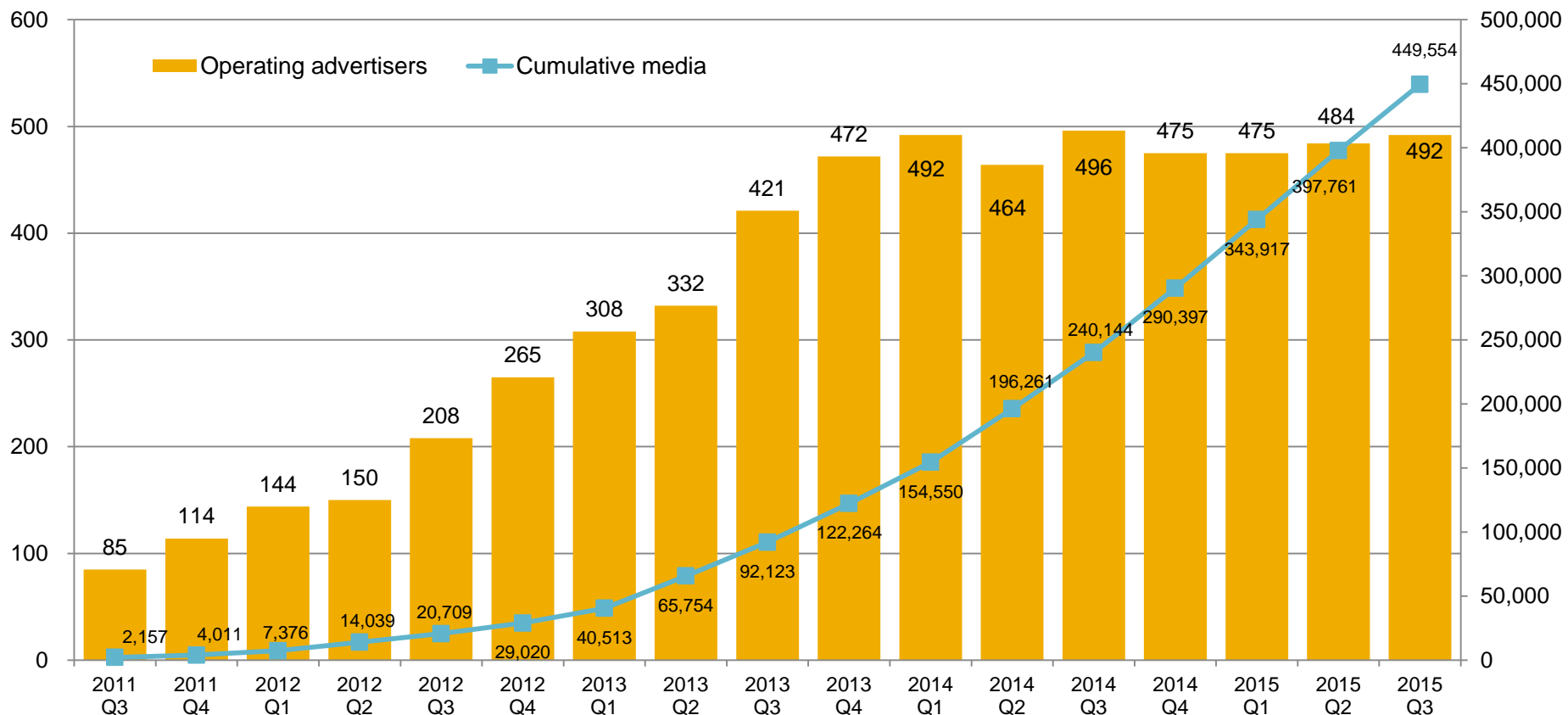


Sales increased slightly compared with the previous quarter.

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.

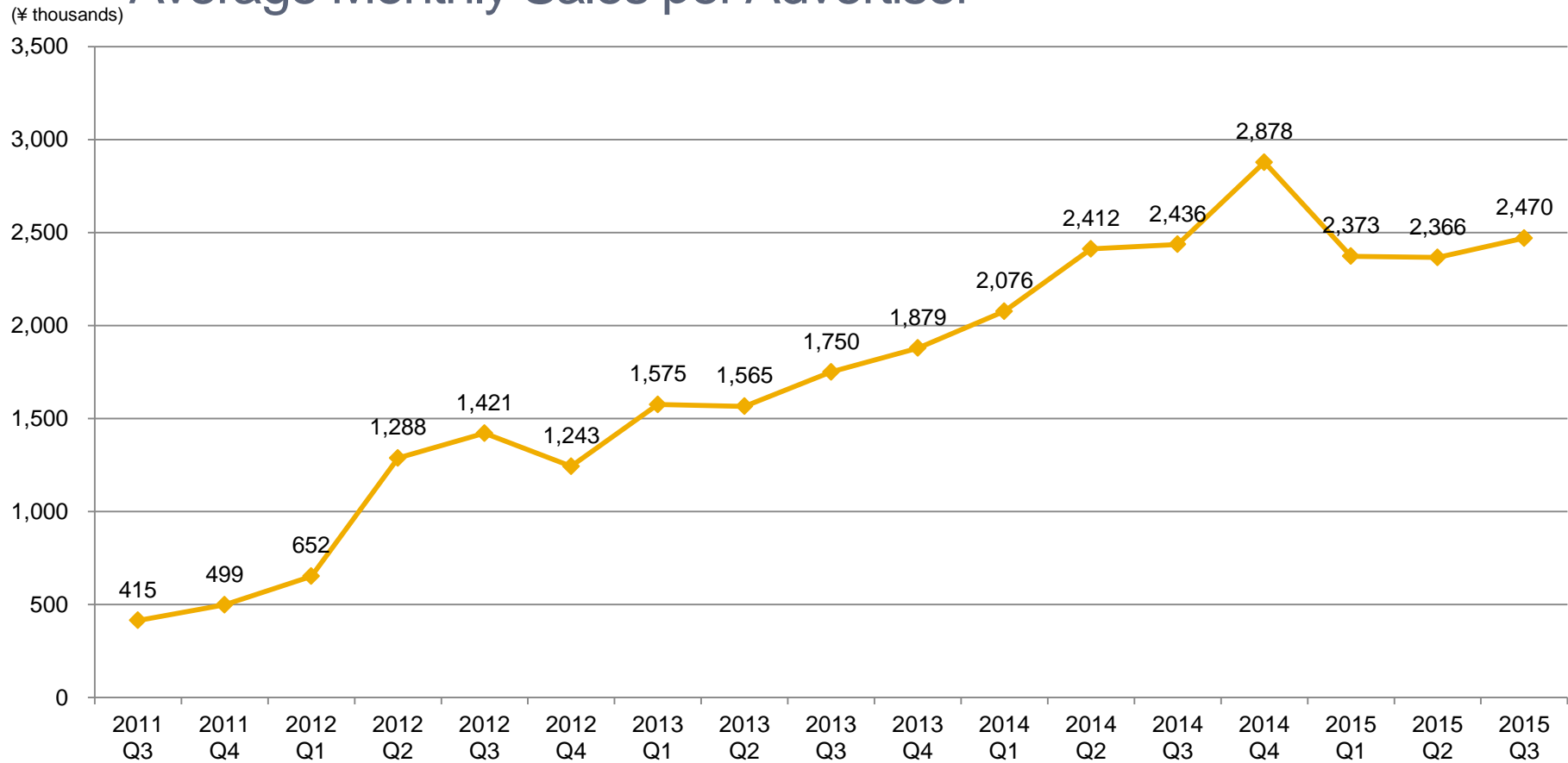
2. The method of calculating the number of operating advertisers was changed as of this presentation. Therefore, figures are different from those disclosed in the past.

The number of operating advertisers increased by eight 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



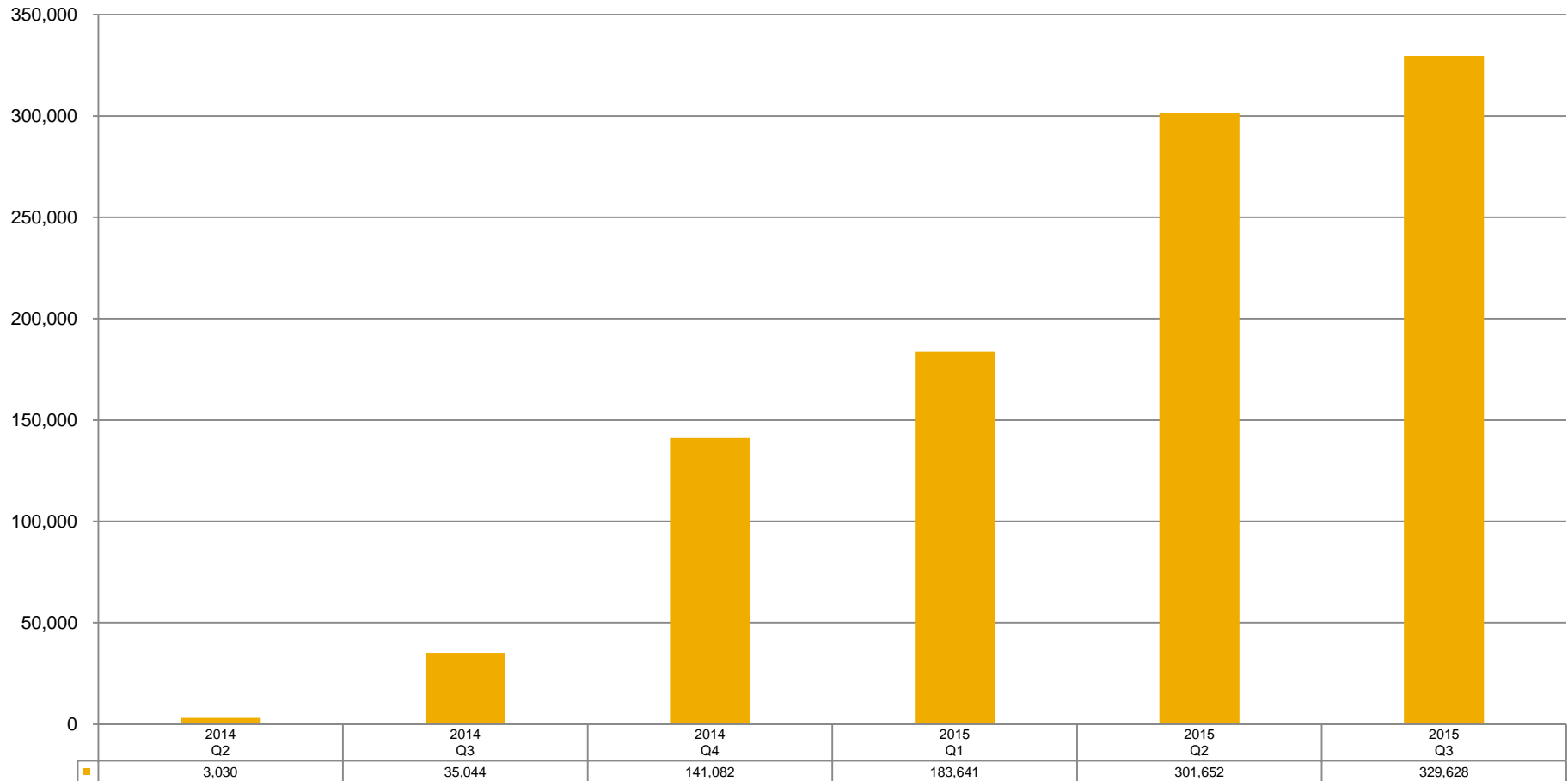
Sales per advertiser were roughly the same as in the previous quarter.

CPC/Targeting Ad Network Business (Non-consolidated)

nex8

Net Sales (Quarterly basis)

(¥ thousands)



Sales are rising steadily despite a number of challenges.

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 Three Quarters	2014 Full Year
Net sales	1,466,996	1,776,840
Operating income	152,069	202,506
Net income	92,555	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 Three Quarters	2014 Full Year
Net sales	657,560	827,207
Operating income	44,293	52,435
Net income	28,610	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 Three Quarters	2014 Full Year
Net sales	250,173	346,105
Operating income (loss)	(11,017)	(53,222)
Net income (loss)	(13,450)	(43,886)

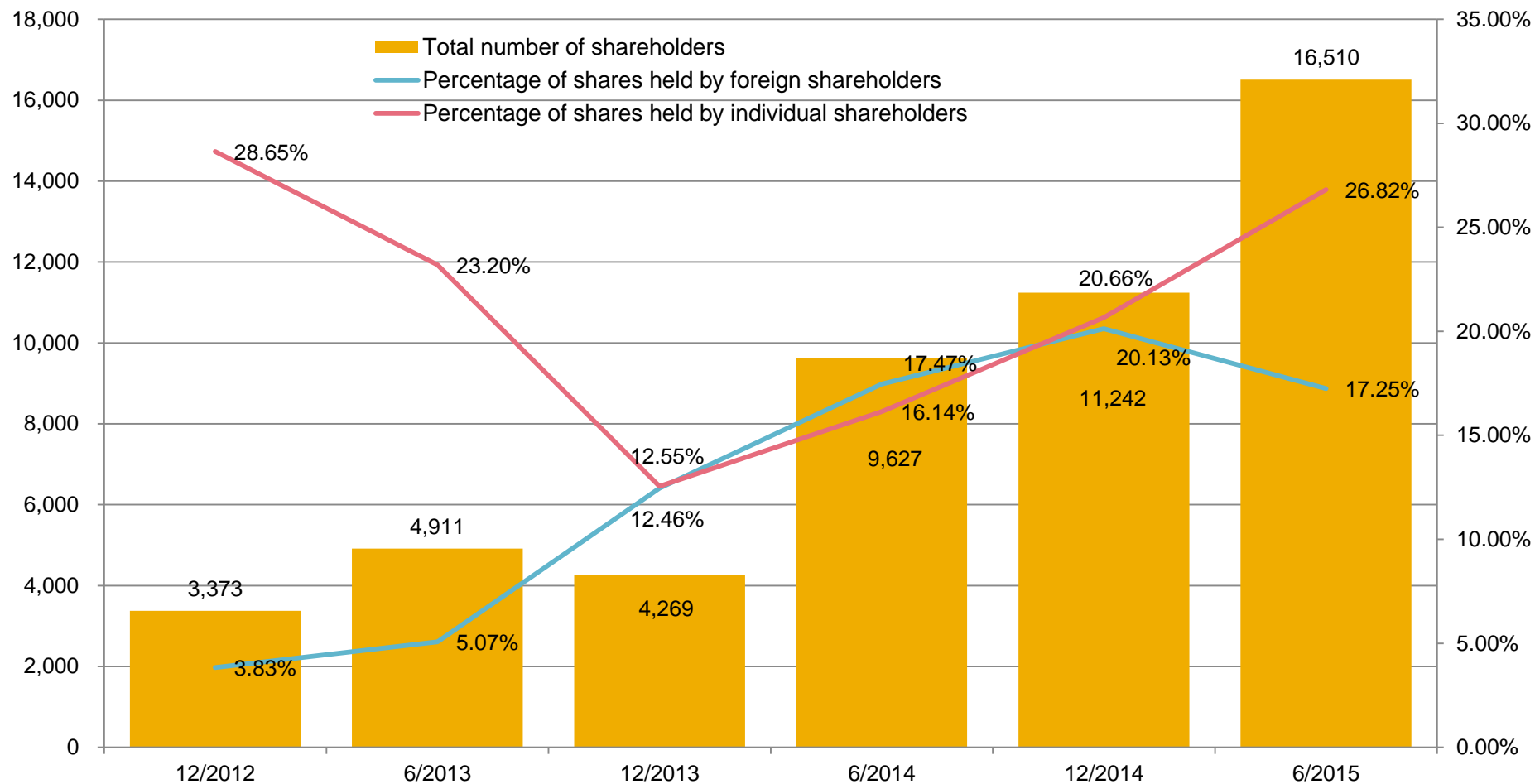


Note: The above figures are before elimination of consolidated intercompany transactions.

Stock Information

Stock Information

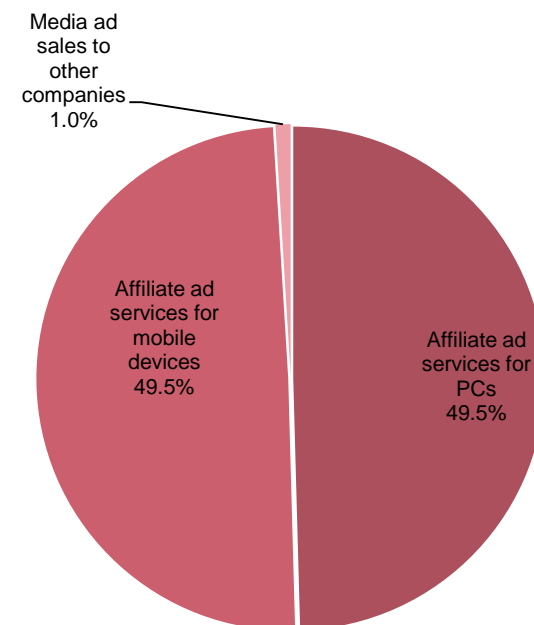
Number of Individual Shareholders and Percentage of Shares Held by Foreign Shareholders



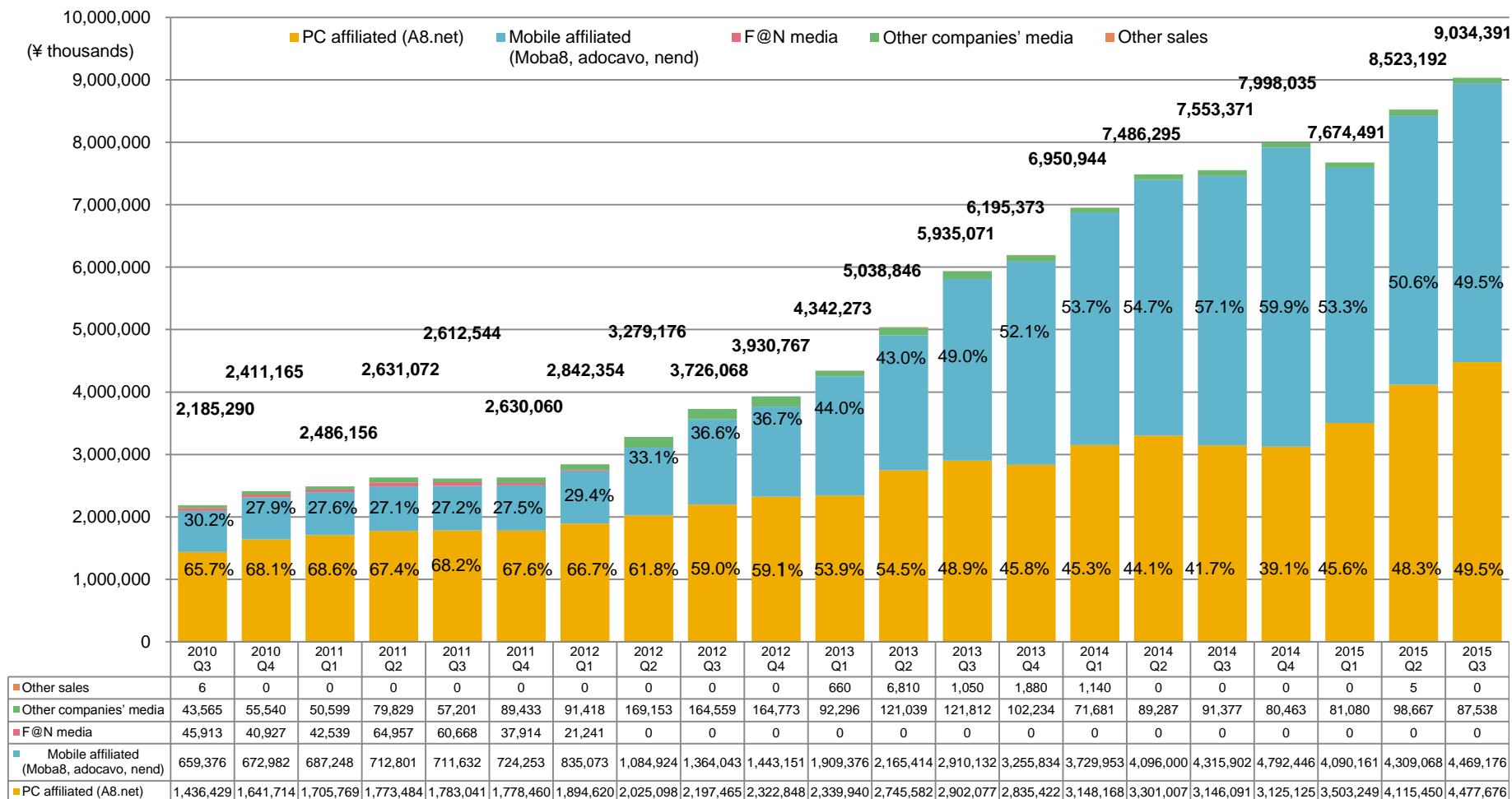
Reference Materials on Former Service Areas

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

(¥ thousands)	2015 Q3 (July – September)	2014 Q3 (July – September)	Change
Affiliate ad services for PCs	4,477,676	3,146,091	42.3%
Affiliate ad services for mobile devices	4,469,176	4,315,902	3.6%
F@N media business	0	0	-
Media ad sales to other companies	87,538	91,377	-4.2%
Other sales	0	0	-
Total net sales	9,034,391	7,553,371	19.6%



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



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	¥1,124.3 million (As of September 30, 2015)
■ President and Representative Director	Yasuyoshi Yanagisawa
■ Number of employees	Non-consolidated: 304 Group total: 361 <small>(As of September 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)
■ Fax	+81-3-5766-3782

Disclaimer

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