



Fourth Quarter of 2015
Presentation of Results

February 9, 2016

F@N Communications, Inc.

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Fourth Quarter of 2015 Performance Highlights

Fourth Quarter of 2015: Key Points

- **Net sales increased 2.7% compared with the same period of the previous year to ¥8,945 million, but ordinary income decreased 8.0% to ¥1,468 million.**
- **Net sales decreased 5.8% compared with the previous quarter and ordinary income decreased 11.0%.**
- **Smartphone advertising results for nend, adcrops and others were lower than expected.**
- **A8.net results remained solid.**

Consolidated Results of Operations

Performance
Highlights

(¥ thousands)	2015 Full Year	2014 Full Year	Year-on-Year Change	% of Net Sales
Net sales	35,789,555	31,990,509	11.9%	100%
Operating income	6,114,214	5,889,772	3.8%	17.1%
Ordinary income	6,179,856	5,948,530	3.9%	17.3%
Net income	3,950,014	3,630,523	8.8%	11.0%
Ordinary income margin	17.3%	18.6%	-1.3 points	-
Net income per share	¥50.95	¥47.14	8.1%	-
Diluted net income per share	¥50.70	¥46.54	8.9%	-

Consolidated Balance Sheets

Performance Highlights

(¥ thousands)	December 31, 2014	December 31, 2015
Assets		
Current assets	15,911,394	18,949,251
Cash and deposits	9,426,329	12,507,446
Notes and accounts receivable - trade	4,435,298	4,331,781
Securities	1,702,824	1,766,002
Other	367,594	359,033
Allowance for doubtful accounts	(20,653)	(15,012)
Fixed assets	2,443,533	2,284,428
Property and equipment	172,166	275,499
Intangible assets	211,099	223,702
Investments and other assets	2,060,267	1,785,225
Total assets	18,354,927	21,233,679
Liabilities and Net Assets		
Current liabilities	6,298,662	6,349,889
Notes and accounts payable - trade	3,674,452	4,344,564
Income taxes payable	1,577,198	1,172,093
Other current liabilities	1,047,011	833,230
Long-term liabilities	153,941	142,540
Total liabilities	6,452,604	6,492,429
Total net assets	11,902,323	14,741,250
Total liabilities and net assets	18,354,927	21,233,679

FAN MEDIA recognized impairment loss of ¥42,302 thousand.

Increase of ¥180,678 thousand because nend added servers.

Main component was ¥1,538,802 thousand in investment securities.

Increase in affiliated programs due to factors including growth in A8.net sales.

Main component was long-term guarantee deposits.

Main factors were dividend payments of ¥1,160,677 thousand and net income of ¥3,950,014 thousand.

Consolidated Performance Forecast

Performance
Highlights

(¥ millions)	2016 Full-Year Forecast (% Change from Same Period of Previous Year)	2016 Interim Period Forecast (% Change from Same Period of Previous Year)	2015 Full Year Results
Net sales	38,000 (6.2)	18,500 (6.7)	35,789
Operating income	6,200 (1.4)	2,960 (-2.2)	6,114
Ordinary income	6,240 (1.0)	3,000 (-2.0)	6,179
Net income	4,170 (5.6)	2,000 (2.6)	3,950

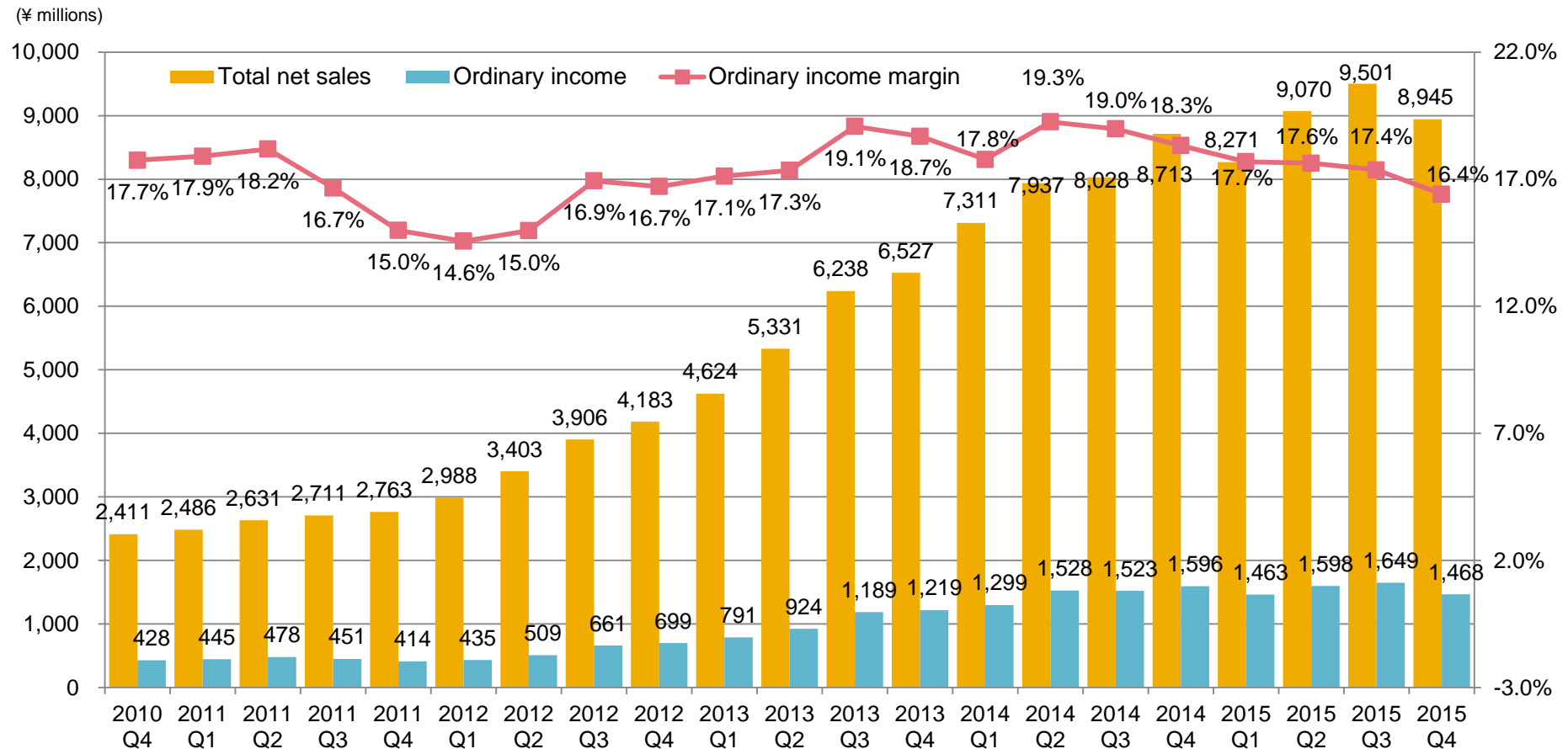
Dividend Forecast

	2016 Forecast	2015 Actual
Year-end dividend per share	¥18	¥17

Management Indicators (Quarterly Basis)

Net Sales, Ordinary Income and Ordinary Income Margin

(Consolidated/Quarterly basis)

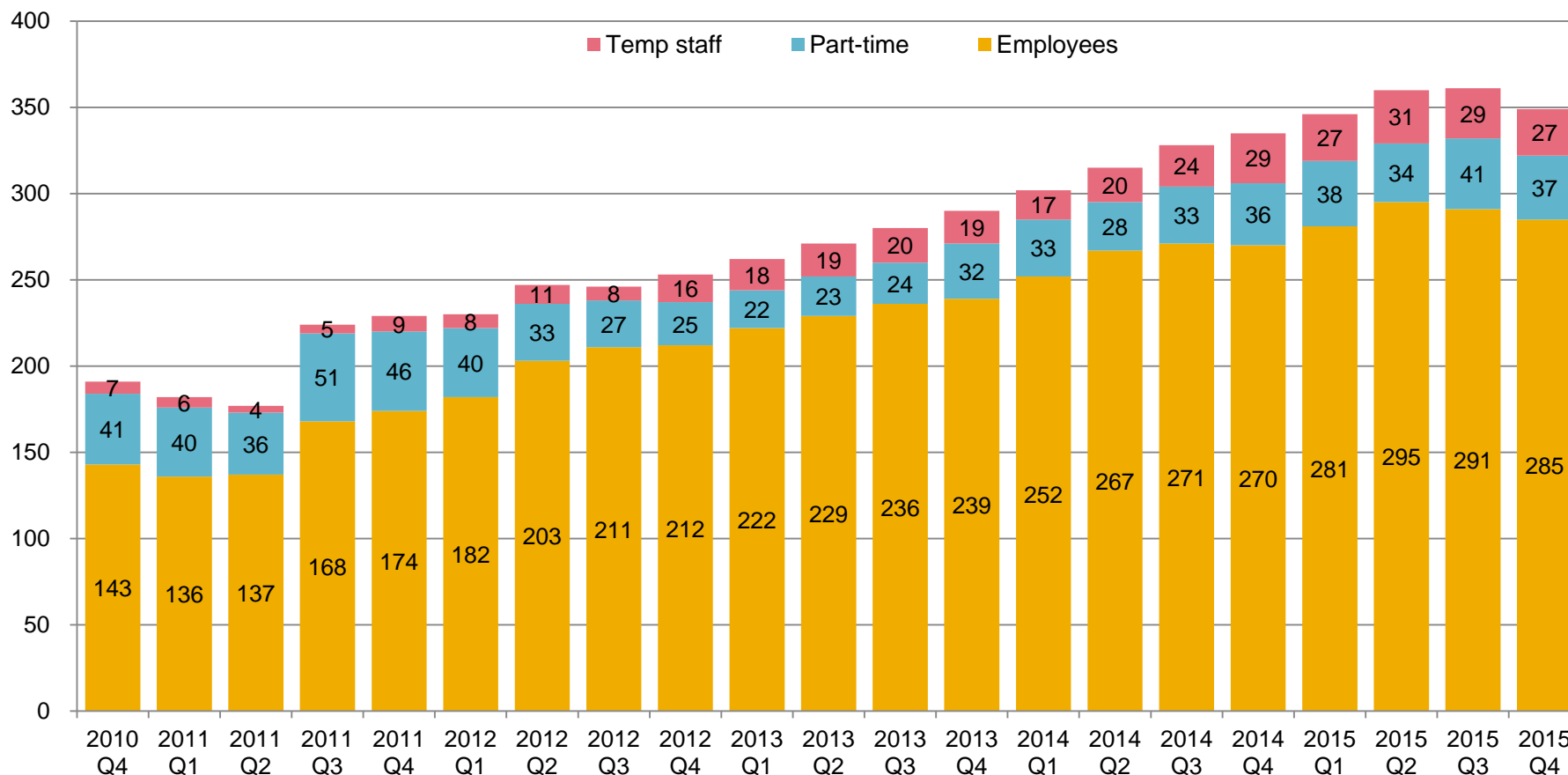


Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

Ordinary income margin decreased 1 percentage point compared with the previous quarter to the 16% range for the first time in 12 quarters.

Number of Employees

(Consolidated/Quarterly basis)

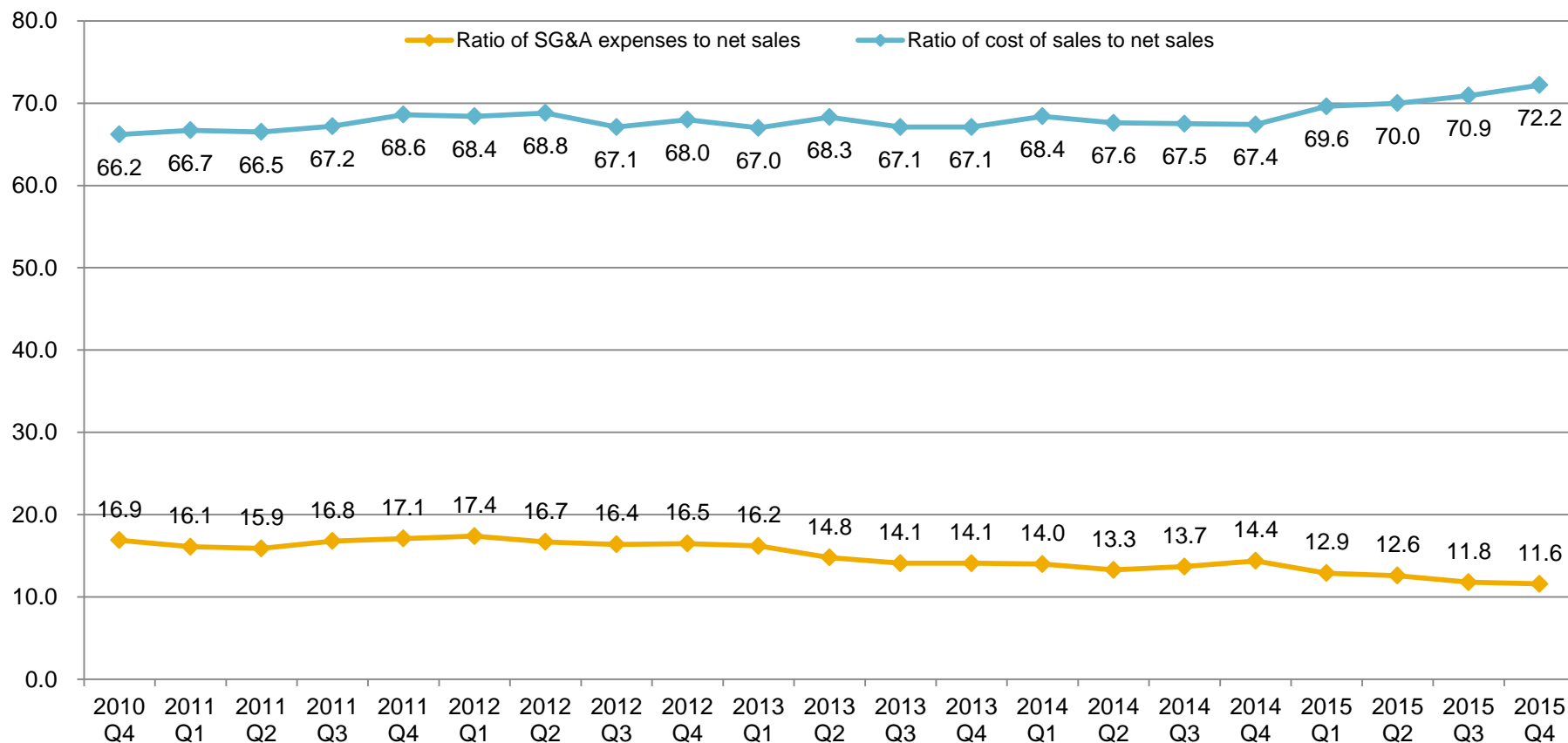


Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

The total number of employees in the Group was 349, an increase of 14 from the same period of the previous year but a decrease of 12 compared with the previous quarter.

Cost of Sales Ratio and SG&A Expenses Ratio

(Consolidated/Quarterly basis)



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

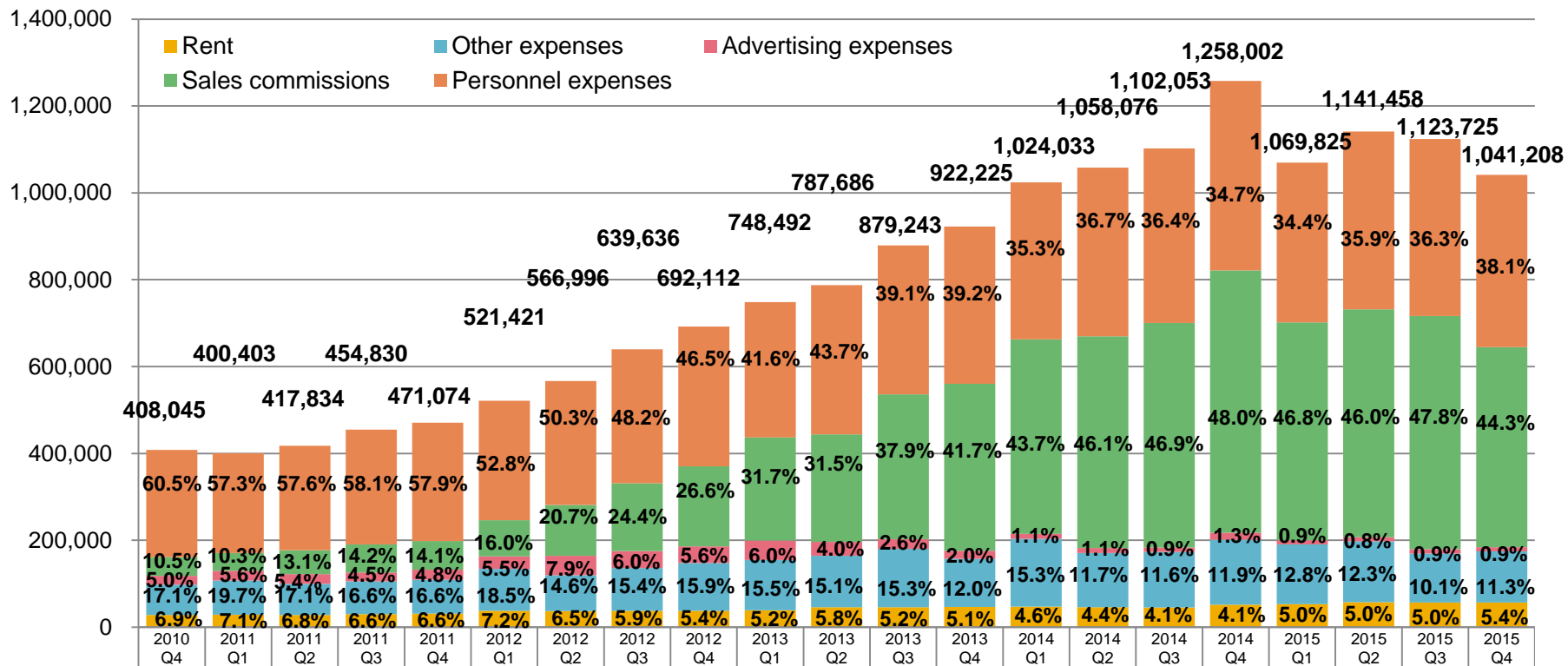
The cost of sales ratio increased 1.3 percentage points, but the selling, general and administrative (SG&A) expenses ratio decreased 0.2 percentage points.

Selling, General and Administrative Expenses

(Consolidated/Quarterly basis)

Management Indicators

(¥ thousands)



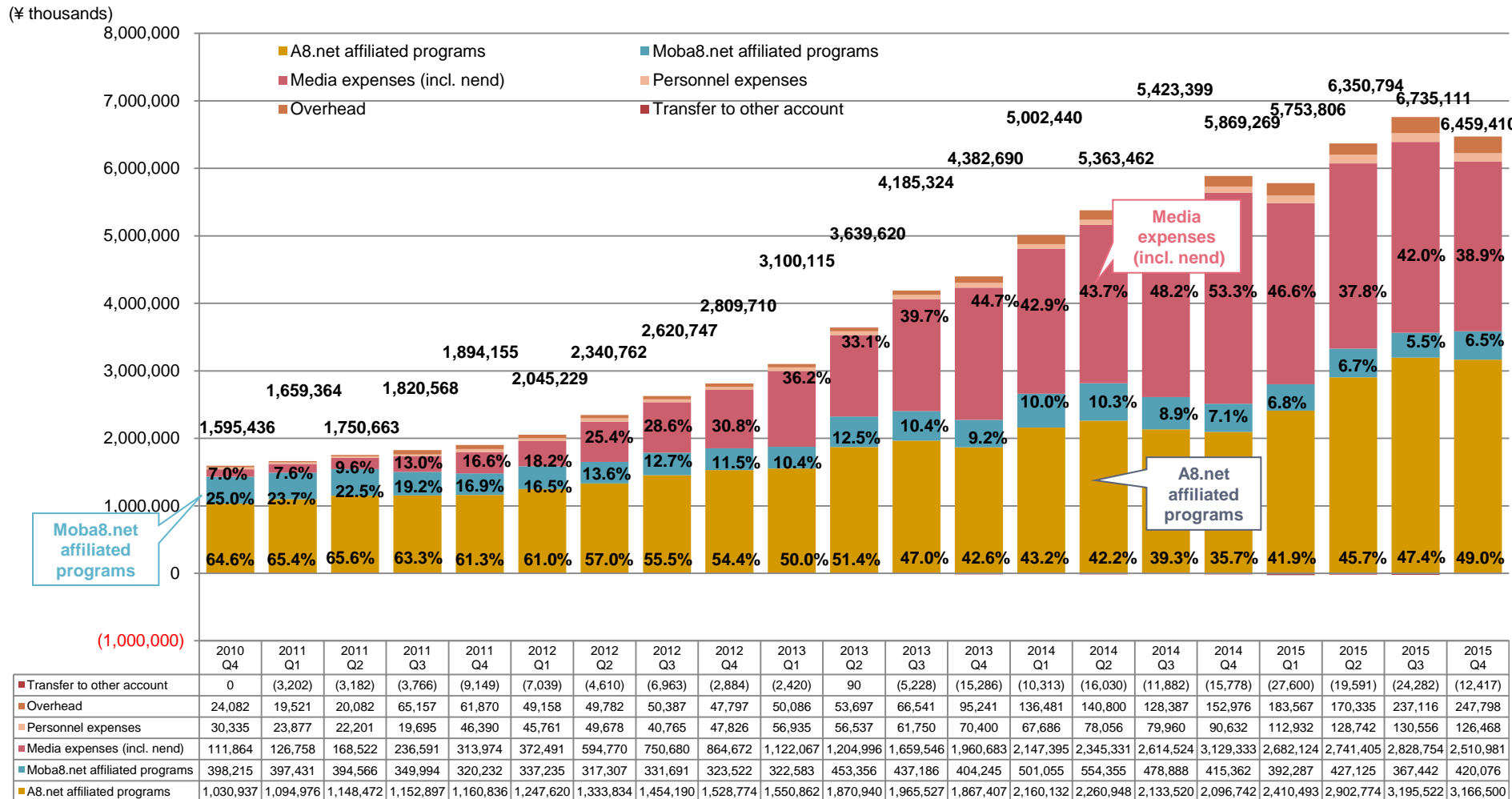
Personnel expenses	246,968	229,500	240,786	264,299	272,600	275,098	285,348	308,586	321,728	311,474	343,828	343,361	361,854	361,087	388,197	401,289	436,566	368,167	409,340	407,434	396,416
Sales commissions	42,722	41,042	54,680	64,424	66,238	83,443	117,196	156,051	183,991	237,408	247,729	333,271	384,525	447,747	487,438	517,151	604,200	501,190	525,038	536,587	460,743
Advertising expenses	20,387	22,288	22,392	20,591	22,781	28,539	44,726	38,474	38,641	44,671	31,814	22,529	18,278	11,619	11,951	10,153	15,747	10,014	9,566	10,081	9,553
Other expenses	69,652	78,999	71,645	75,606	78,327	96,715	82,651	98,619	110,017	116,034	118,601	134,369	110,721	156,606	124,238	127,878	149,550	137,310	139,960	112,995	117,887
Rent	28,312	28,571	28,328	29,909	31,126	37,624	37,072	37,904	37,735	38,902	45,712	45,711	46,846	46,971	46,249	45,578	51,937	53,141	57,551	56,626	56,606

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

Sales commissions decreased because sales decreased.

Cost of Sales

(Consolidated/Quarterly basis)



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.

Moba8 cost of sales ratio increased. Higher-cost segments tend to account for a higher percentage of A8.net sales.

Overview by Main Service Area

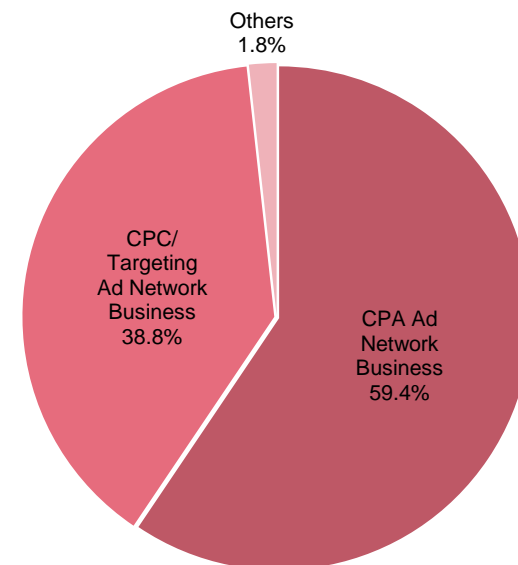
Net Sales by Reportable Segment

(Consolidated/Quarterly basis)

Overview by Service Area

(¥ thousands)	2015 Q4 (Oct. – Dec.)	2014 Q4 (Oct. – Dec.)	Change
CPA Ad Network Business	5,317,134	4,320,458	23.1%
CPC/Targeting Ad Network Business	3,471,344	4,240,324	-18.1%
Others	157,258	152,309	3.2%
Total net sales	8,945,737	8,713,091	2.7%

Main services of CPA Ad Network Business: A8.net, Moba8.net, adcrops
 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

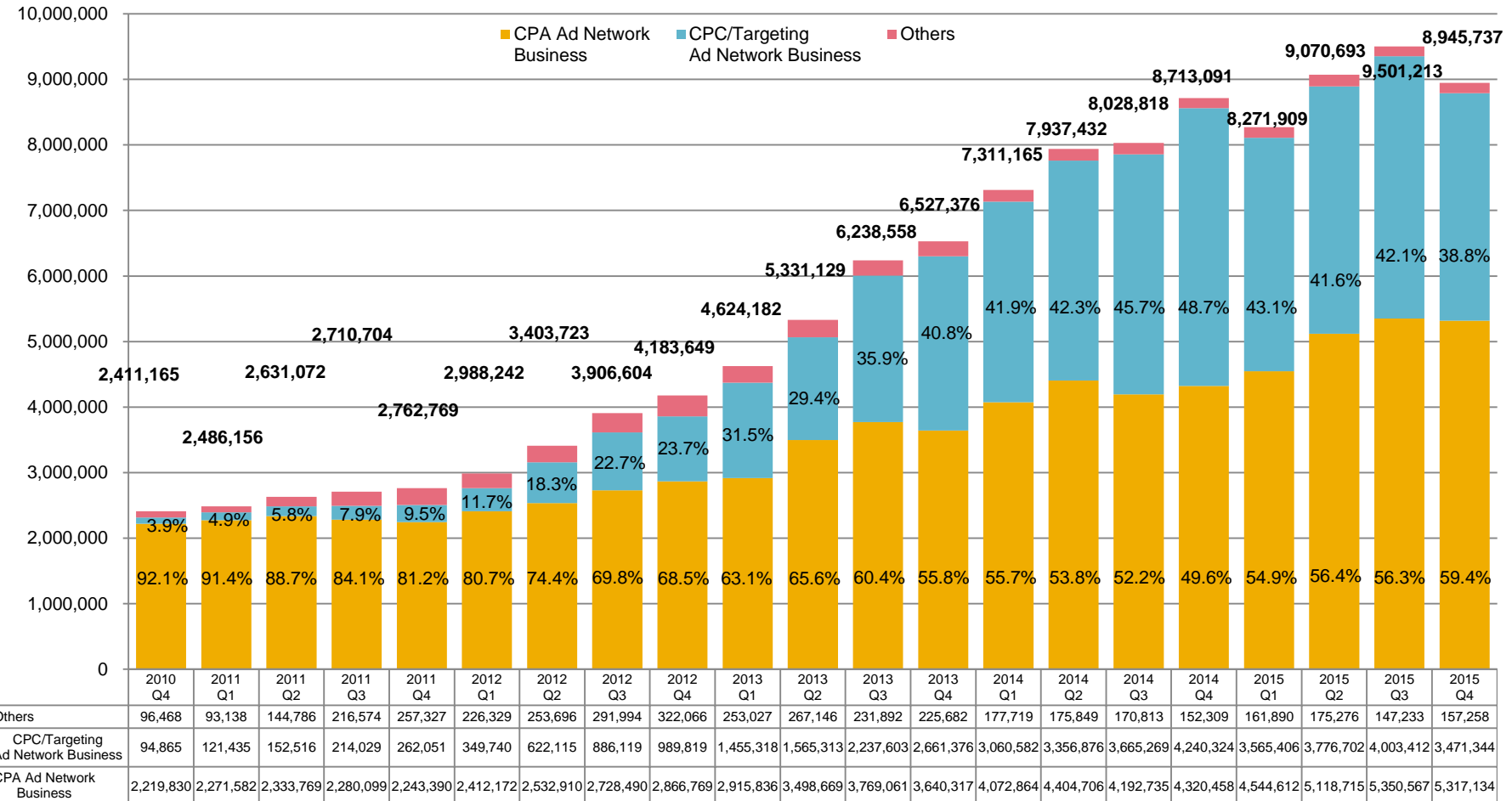


CPC/Targeting sales decreased significantly.

Net Sales by Reportable Segment

(Consolidated/Quarterly basis)

(¥ thousands)



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

CPA accounted for a higher proportion of sales.

A8.net Summary

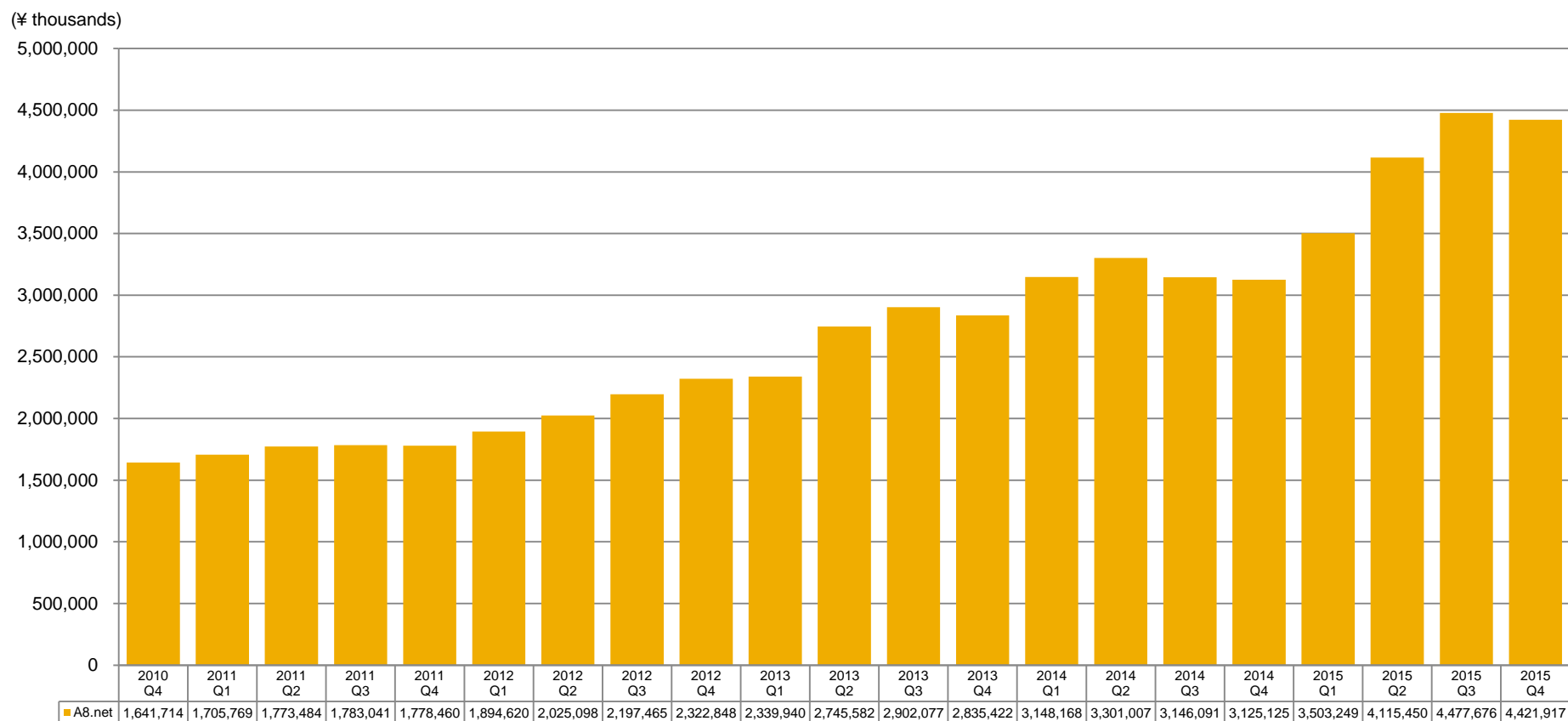
	2015 Q4 (Oct. – Dec.)	2014 Q4 (Oct. – Dec.)	Change
Sales (¥ thousands)	4,421,917	3,125,125	41.5%
Number of operating advertiser IDs	2,907	2,739	6.1%
Number of registered partner sites	1,957,945	1,790,719	9.3%

The figures for sales are before elimination of consolidated intercompany transactions.

The number of operating advertiser IDs increased by 168 from the same period of the previous year.

A8.net

Net Sales (Quarterly basis)

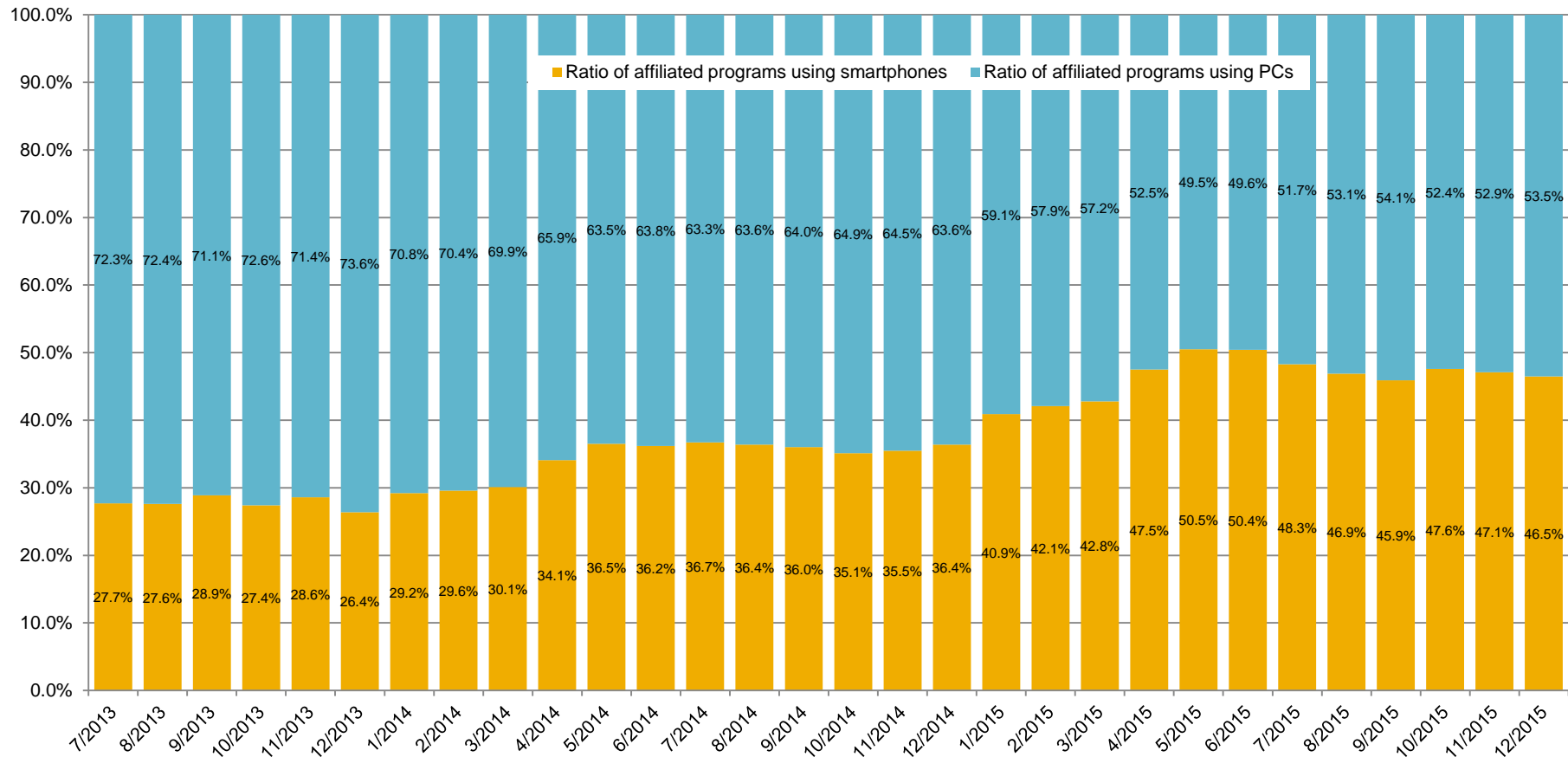


The figures for sales are before elimination of consolidated intercompany transactions.

Sales remained firm even though they were lower compared with the previous quarter.

A8.net

Ratio of Smartphones in Affiliated Programs (Monthly basis)

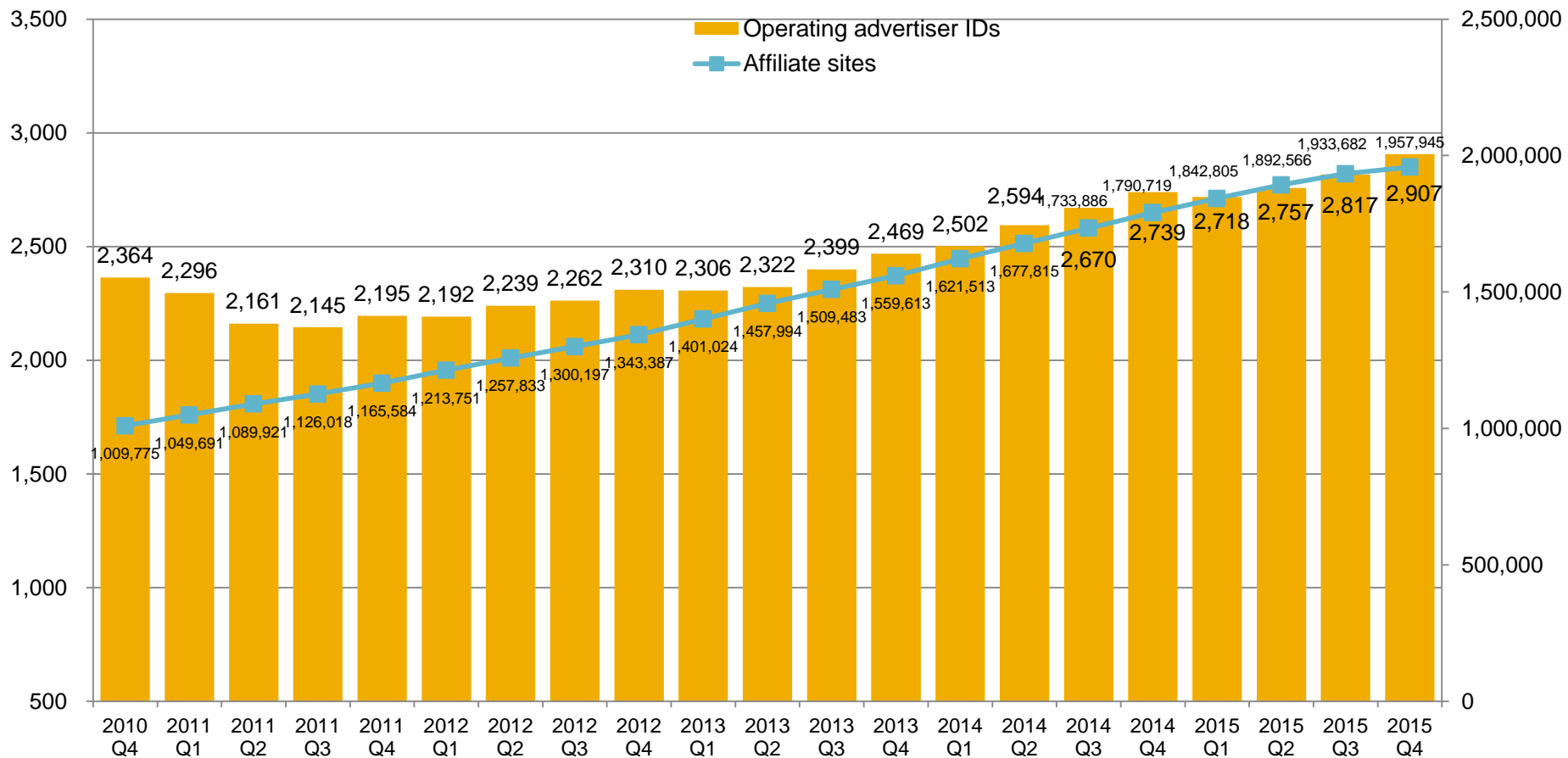


The ratio of affiliated programs using smartphones hasn't grown as much as expected since passing 50%.

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

A8.net

Number of Operating Advertisers and Affiliate Sites (Quarterly basis)

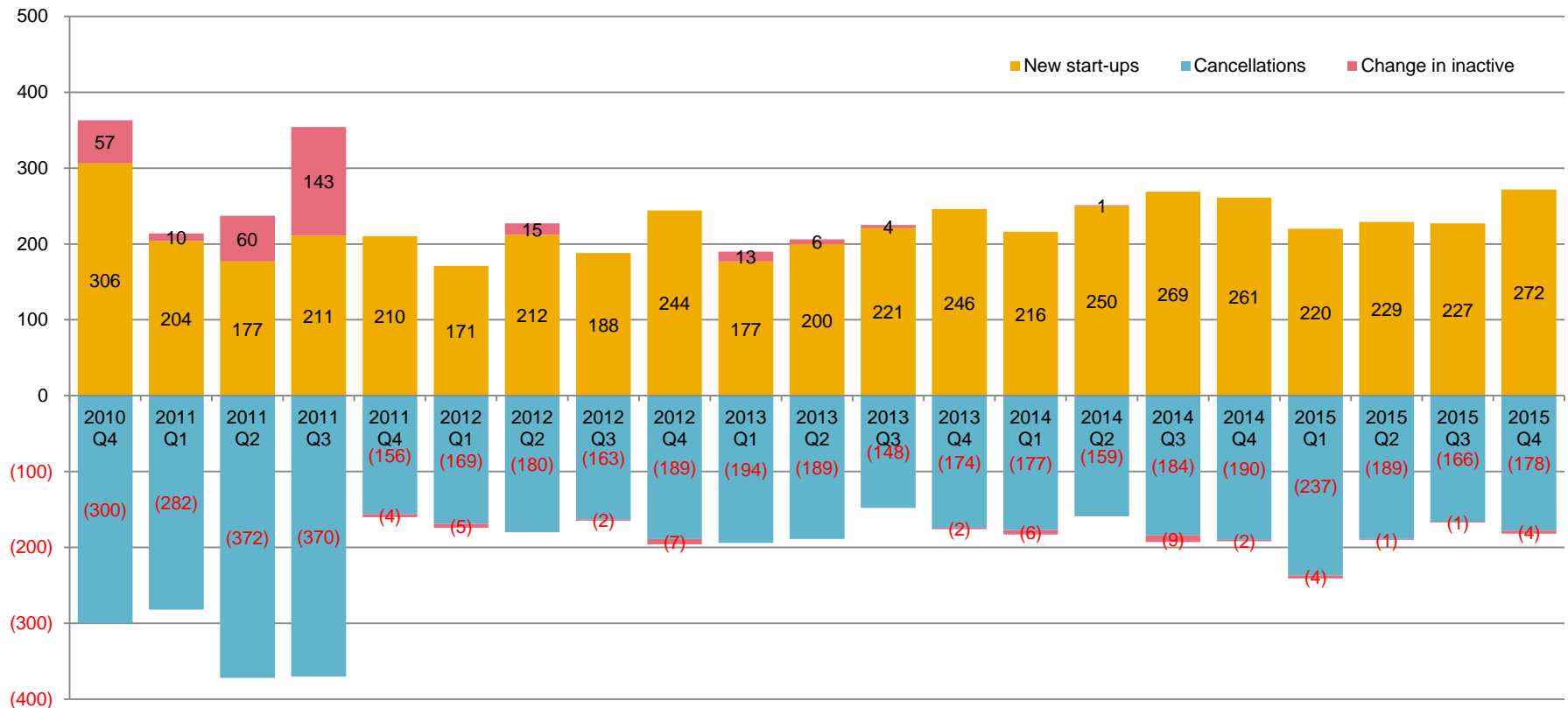


Notes: 1. The number of operating advertisers is as of the final month of each quarter.
2. The number of overseas advertisers is included from 2014 Q3.

The number of operating advertisers increased by 90 from the previous quarter. The number of overseas operating advertisers was 107.

A8.net

New Advertiser Start-ups and Cancellations

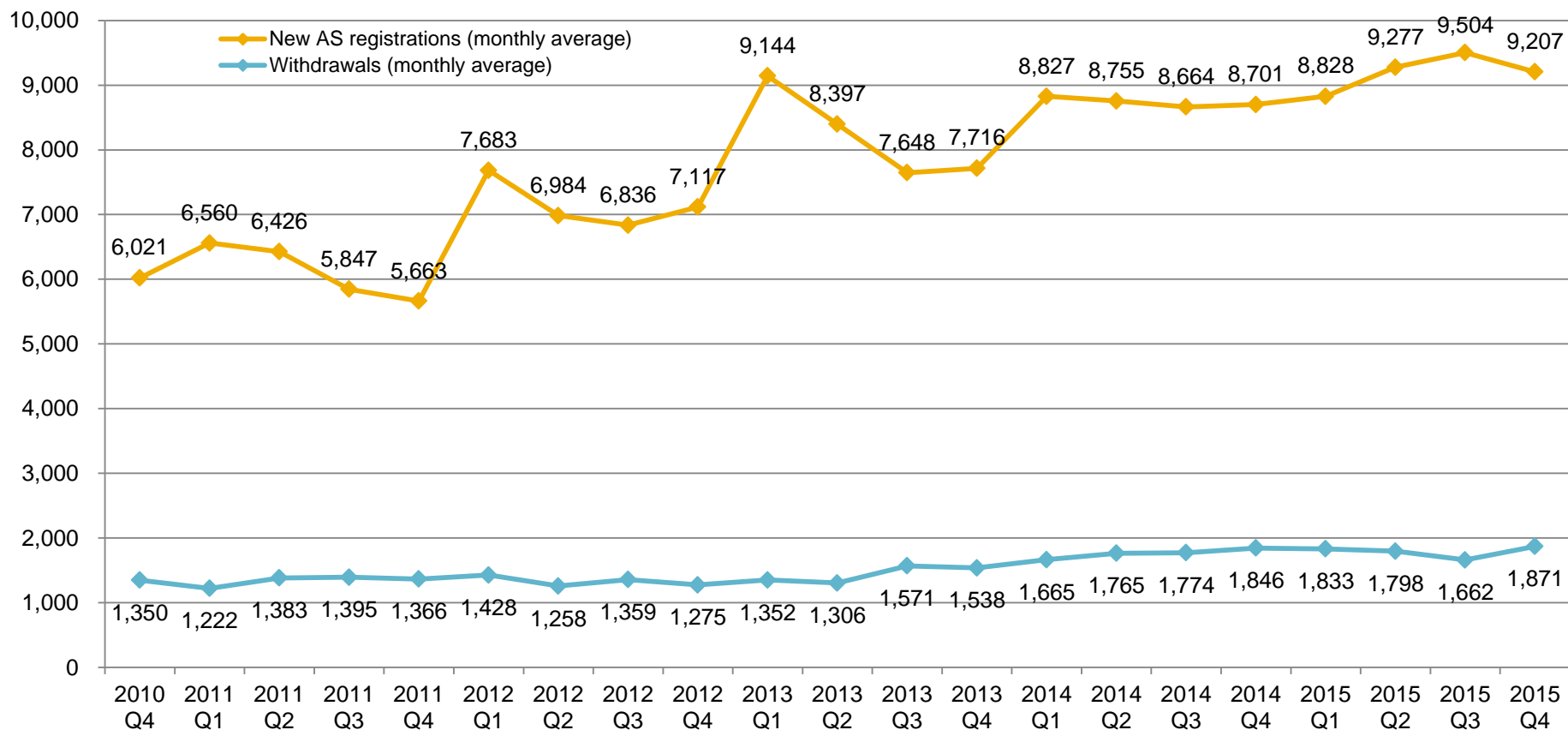


Note: "Change in inactive" is the difference in number of customers who switched between "operating" and "inactive," adjusted for the number of customers who switched from "inactive" to "cancelled" included in the number of cancellations.

The quarter ended December 31, 2015 had the most new advertiser start-ups at 272.

A8.net

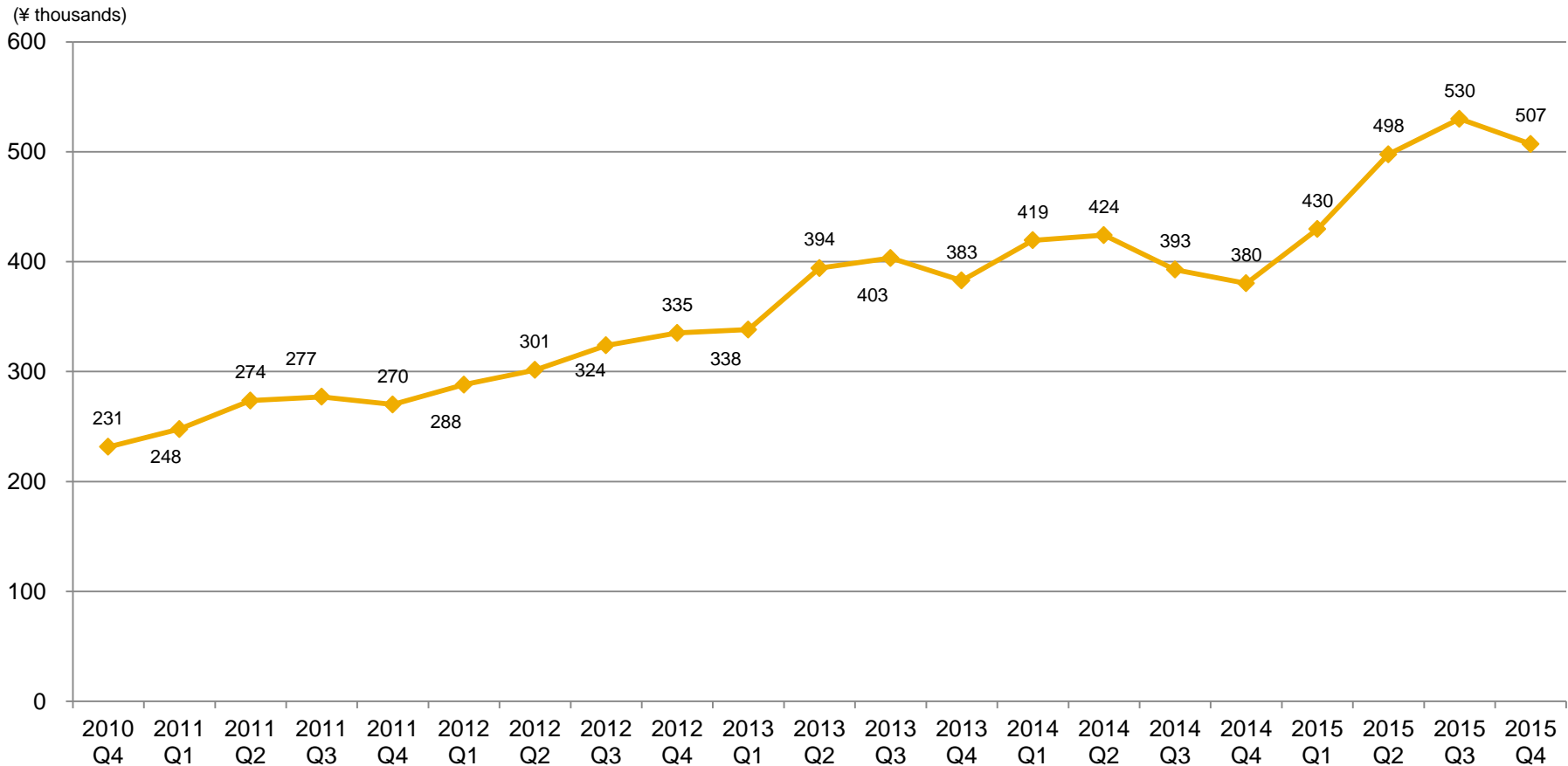
Average Monthly New Affiliate Site (AS) Registrations and Withdrawals



New registrations did not fluctuate much month to month.

A8.net

Average Monthly Sales per Advertiser



Average monthly sales per advertiser remained high despite a slight decline in the fourth quarter.

Moba8.net Summary

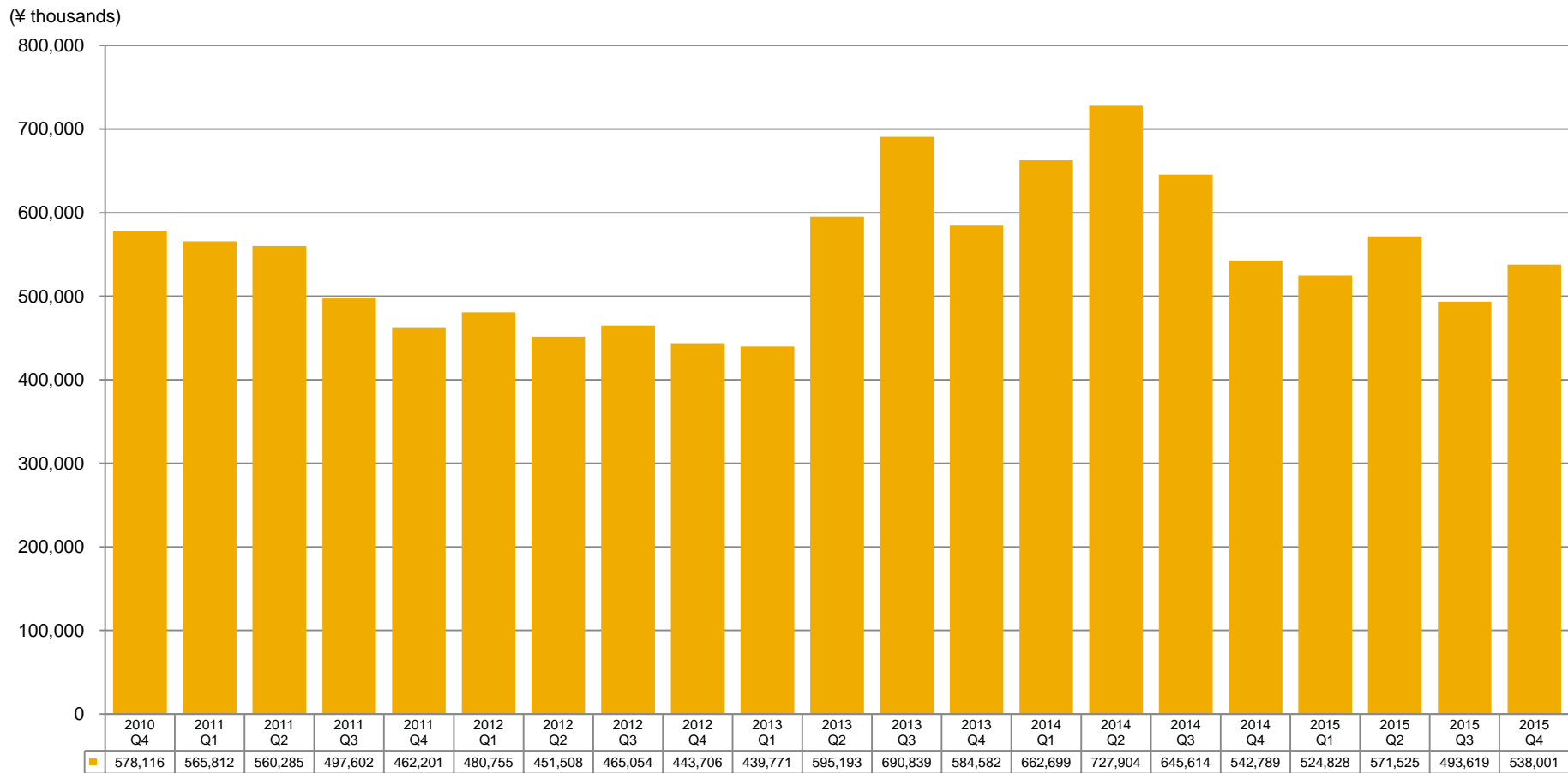
	2015 Q4 (Oct. – Dec.)	2014 Q4 (Oct. – Dec.)	Change
Sales (¥ thousands)	538,001	542,789	-0.9%
Number of operating advertiser IDs	1,131	1,148	-1.5%
Number of registered partner sites	261,598	248,894	5.1%

The figures for sales are before elimination of consolidated intercompany transactions.

Sales improved to about the same level as in the same period of the previous year.

Moba8.net

Net Sales (Quarterly basis)

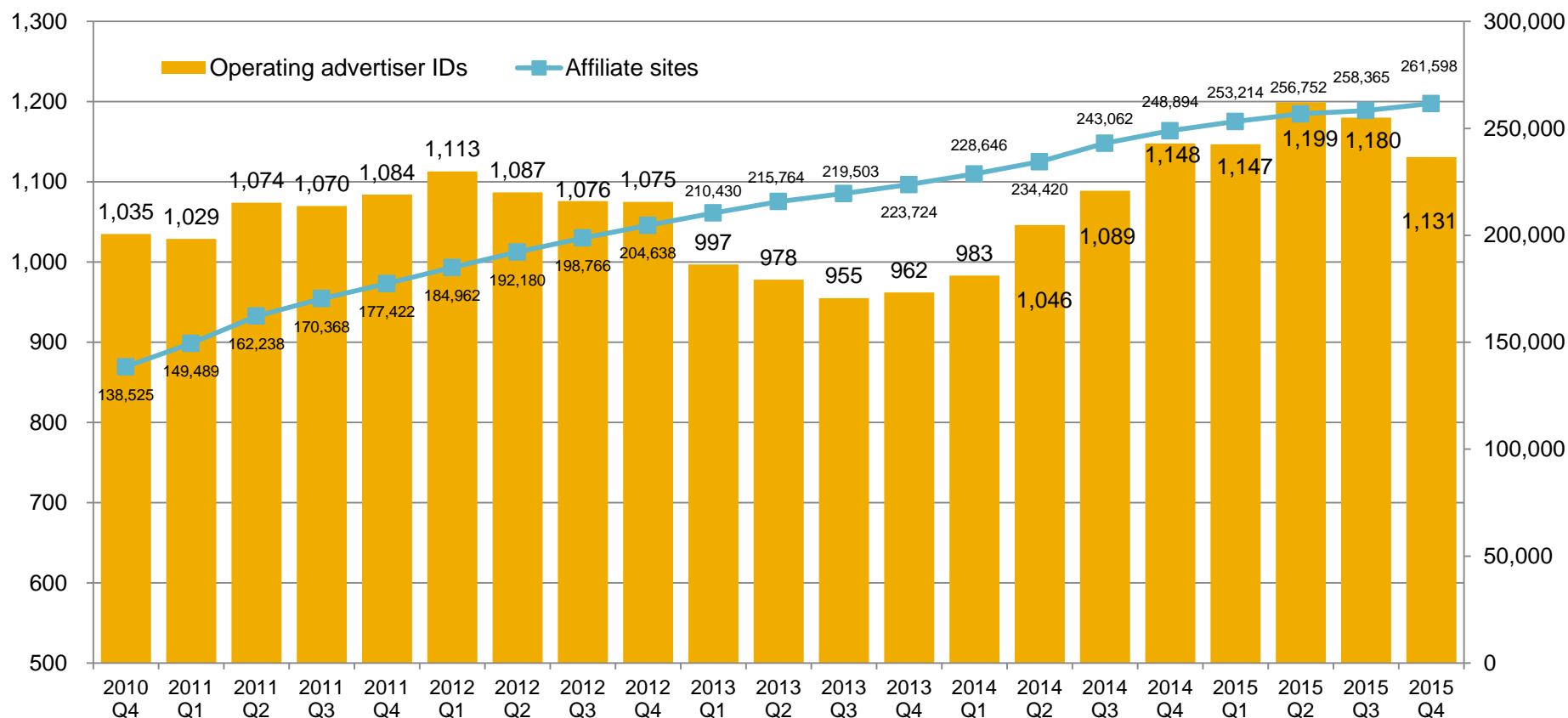


The figures for sales are before elimination of consolidated intercompany transactions.

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

Moba8.net

Number of Operating Advertisers and Affiliate Sites (Quarterly basis)

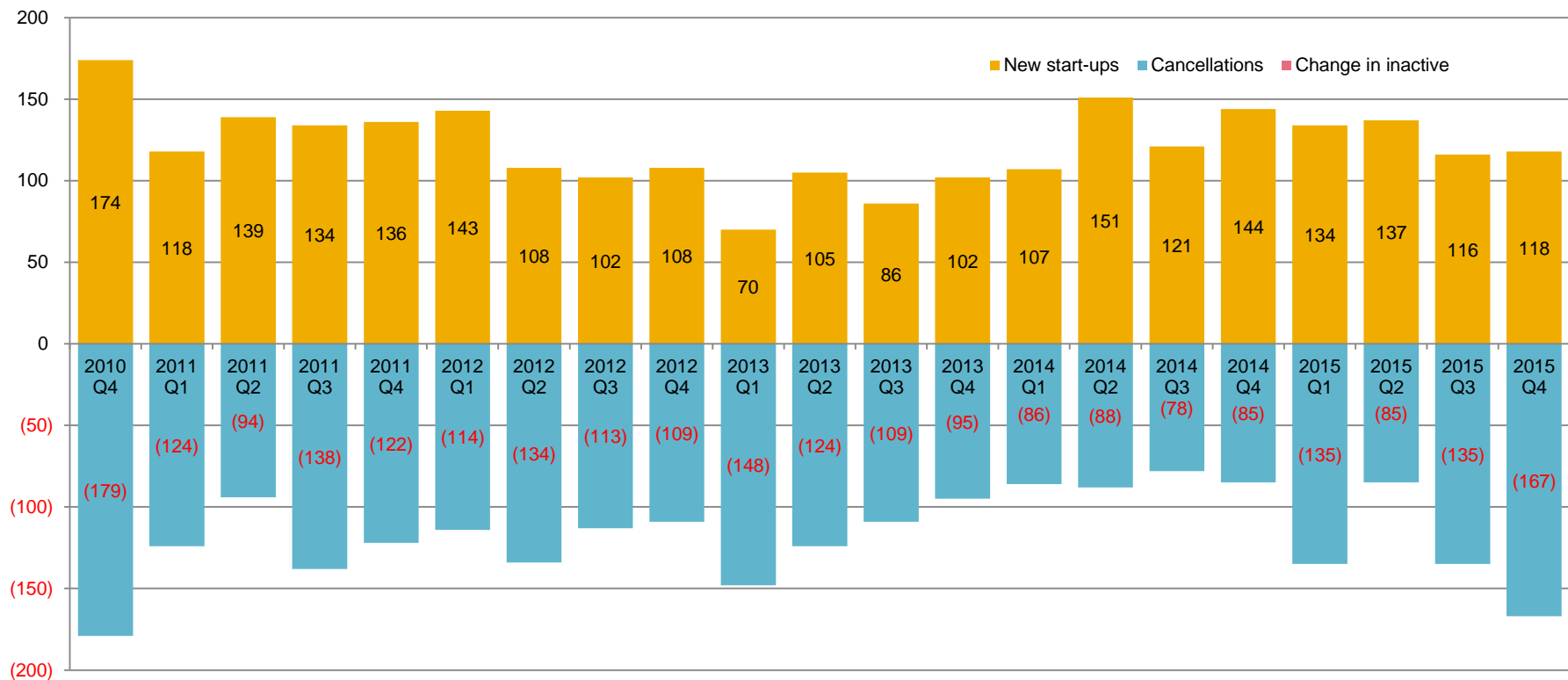


Note: The number of operating advertisers is as of the final month of each quarter.

The number of operating advertisers decreased because we eliminated underperforming promotions.

Moba8.net

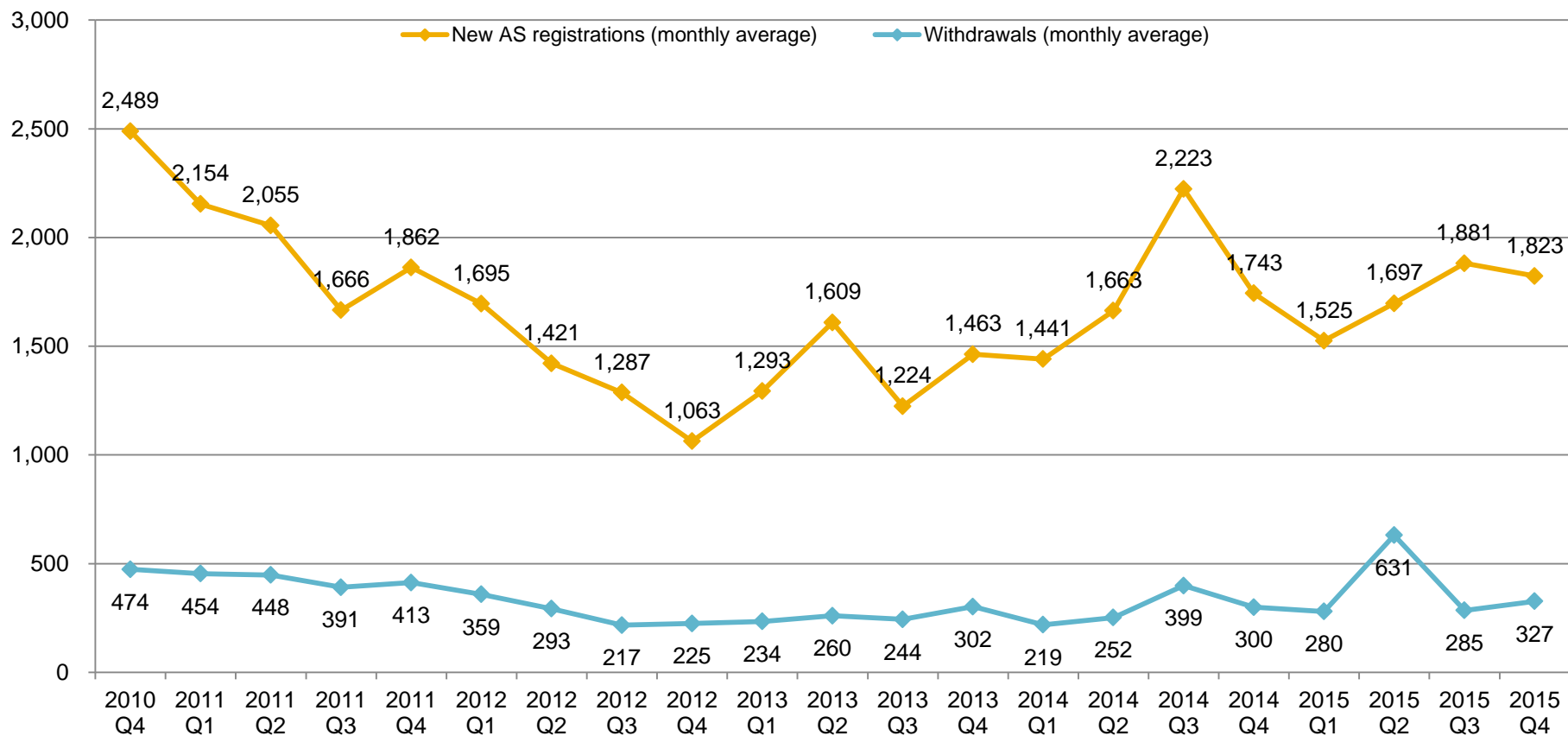
New Advertiser Start-ups and Cancellations (Quarterly basis)



There were numerous advertiser cancellations because we eliminated underperforming programs.

Moba8.net

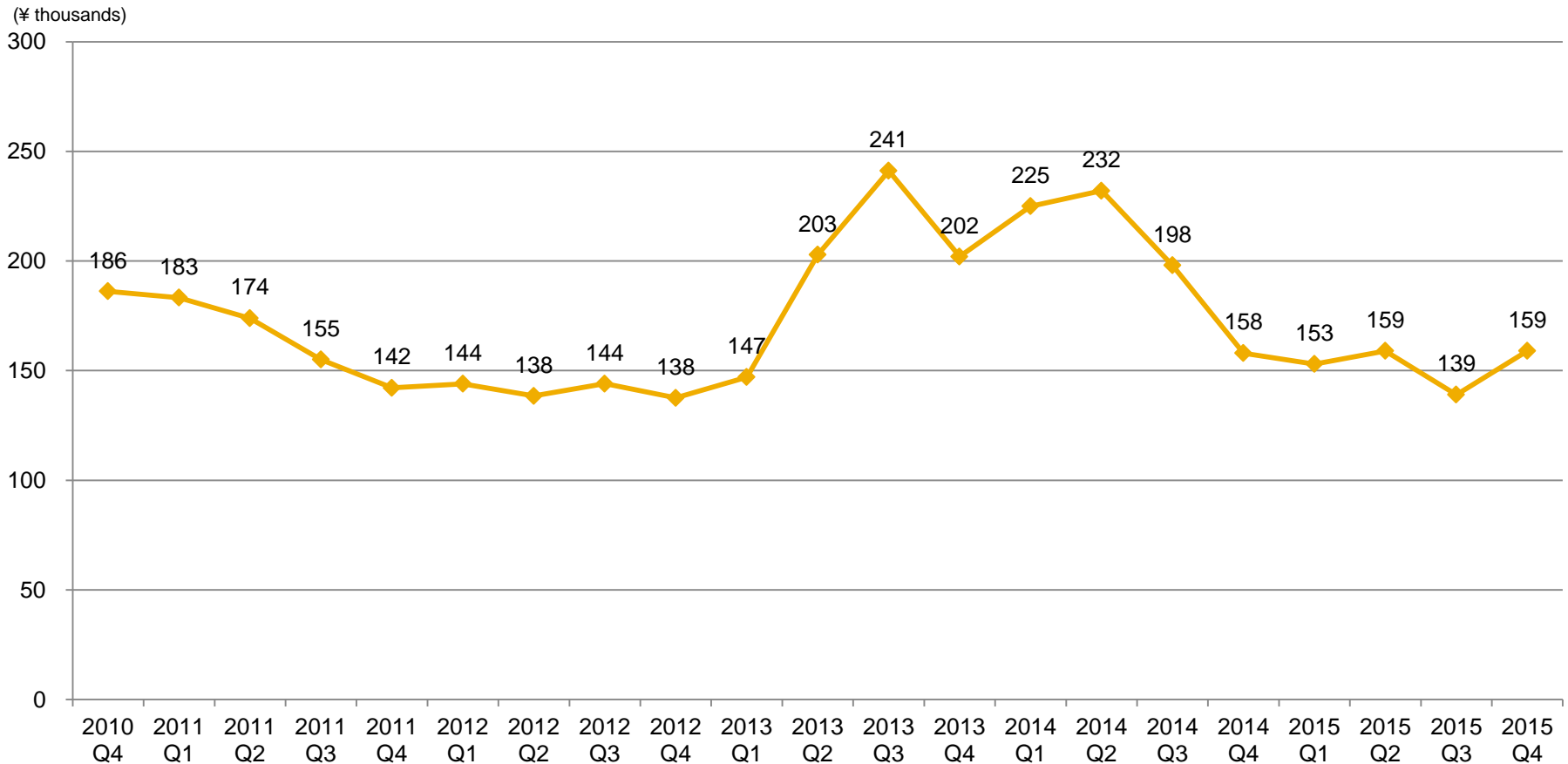
Average Monthly New Affiliate Site (AS) Registrations and Withdrawals



The trend has not changed significantly.

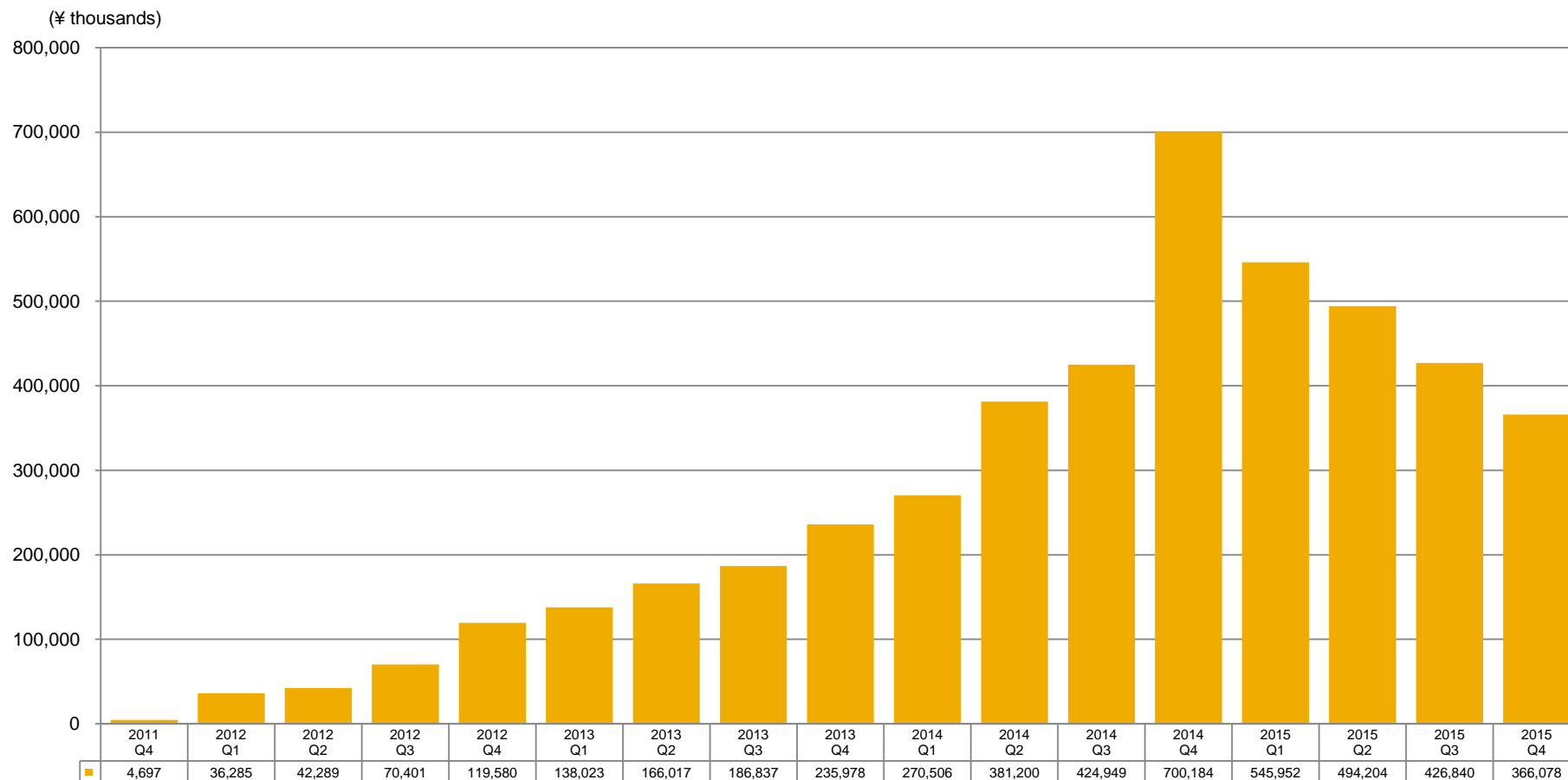
Moba8.net

Average Monthly Sales per Advertiser



There were no major changes.

8crops 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 "CPA Ad Network Business" in the consolidated sales of F@N Communications.

Sales decreased a significant 52.2% compared with the same period of the previous year after decreasing in four consecutive quarters.

nend Summary

	2015 Q4 (Oct. – Dec.)	2014 Q4 (Oct. – Dec.)	Change
Sales (¥ thousands)	2,959,355	4,100,964	-27.8%
Number of operating advertiser IDs	442	475	-6.9%
Number of registered partner sites	504,829	290,397	73.8%

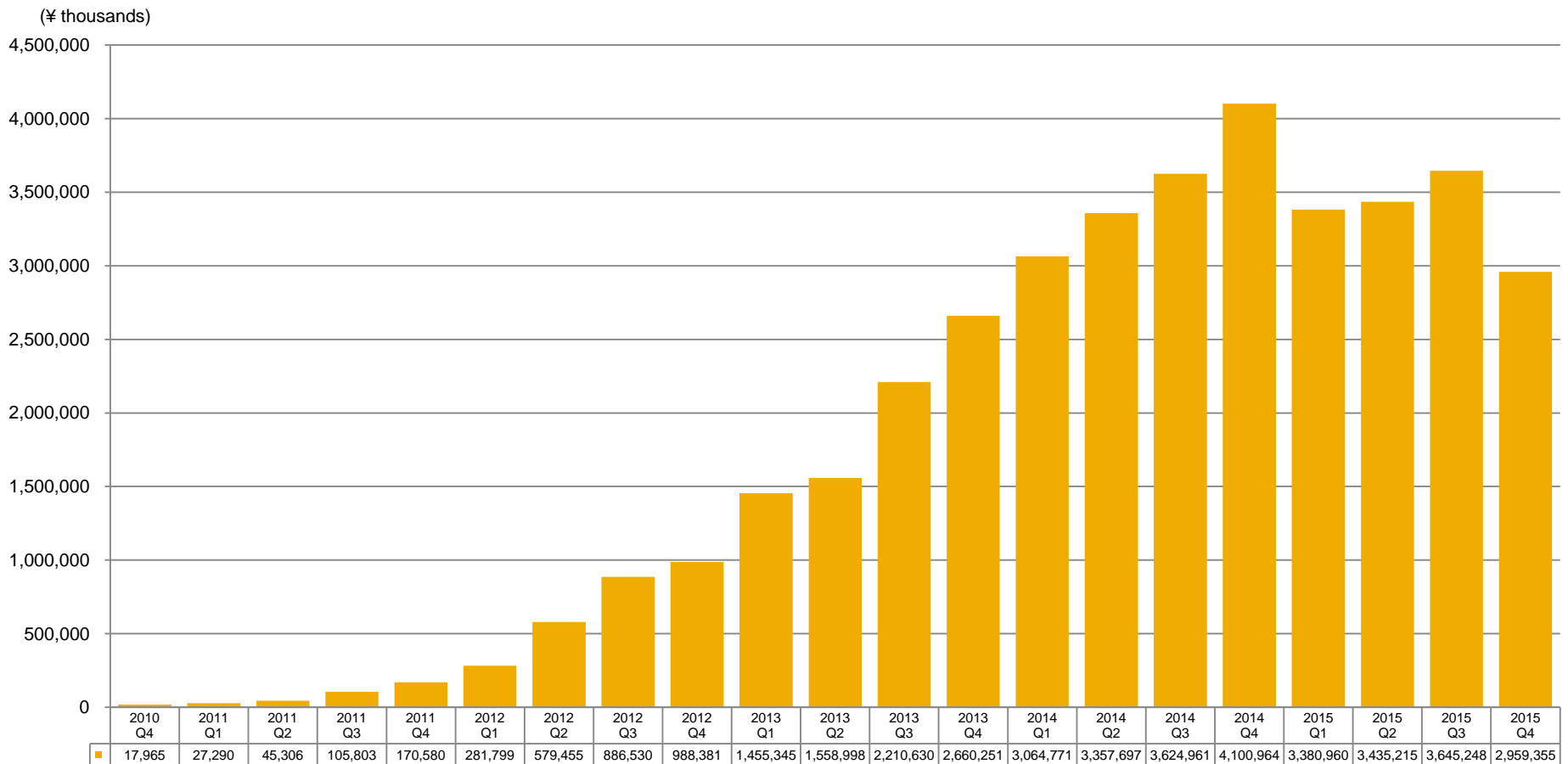
The figures for sales are before elimination of consolidated intercompany transactions.

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

Sales decreased significantly compared with the same period of the previous year.

nend

Net Sales (Quarterly basis)



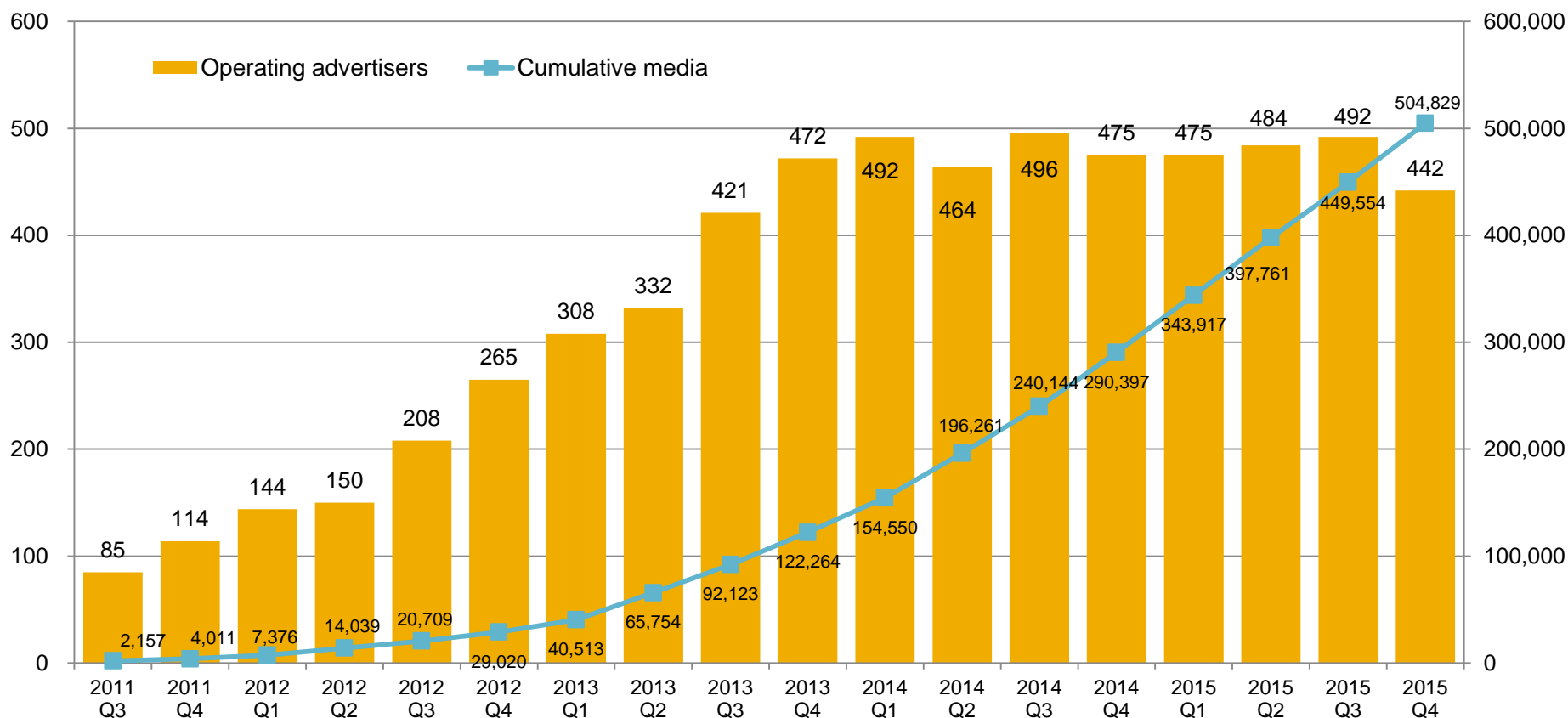
The figures for sales are before elimination of consolidated intercompany transactions.

Sales decreased substantially compared with the previous quarter.

CPC/Targeting Ad Network Business

trend

Number of Operating Advertisers and Media (Quarterly basis)

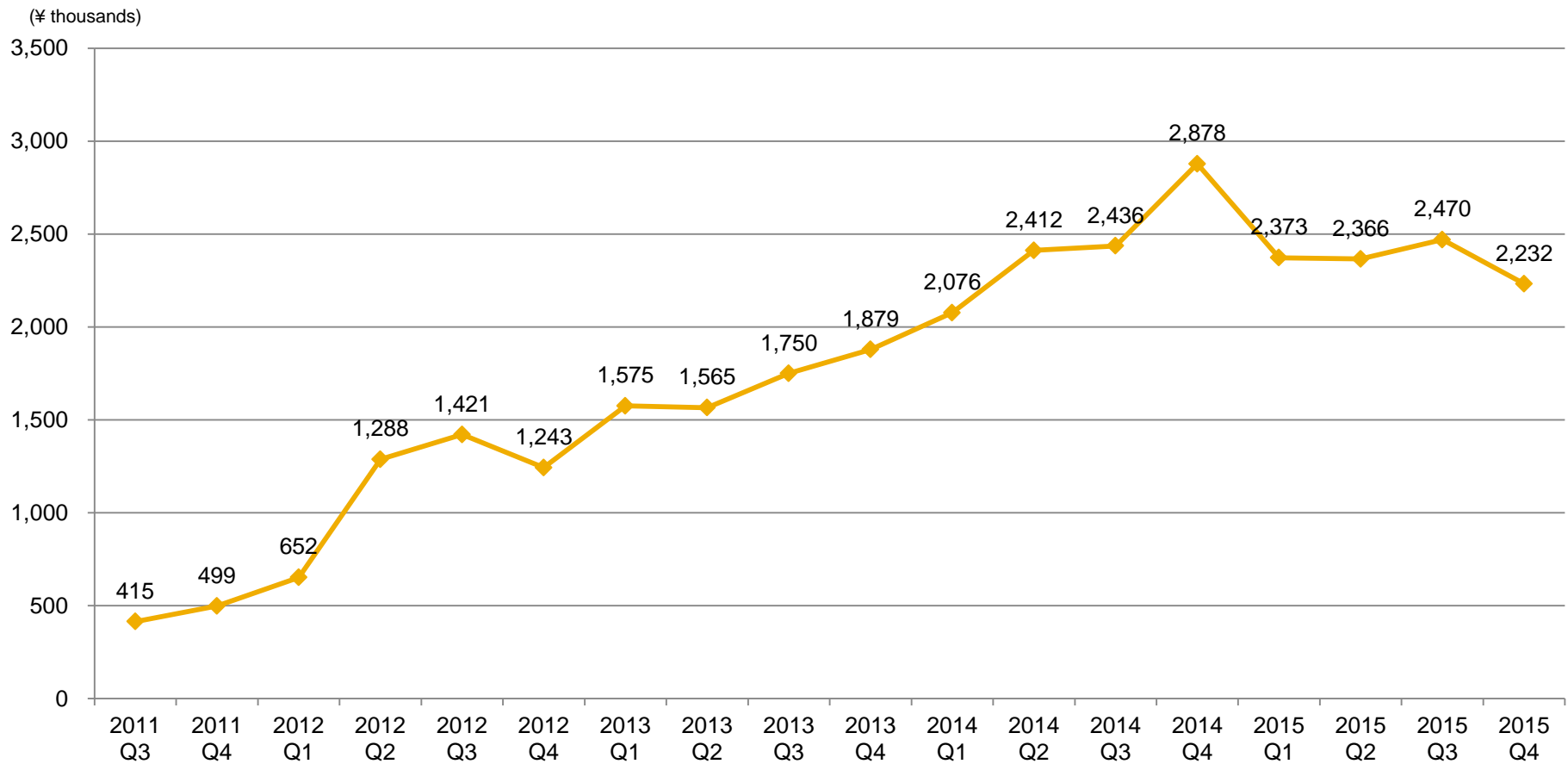


Note: The number of operating advertisers is as of the final month of each quarter.

The number of operating advertisers decreased by 50 compared with the previous quarter.

nend

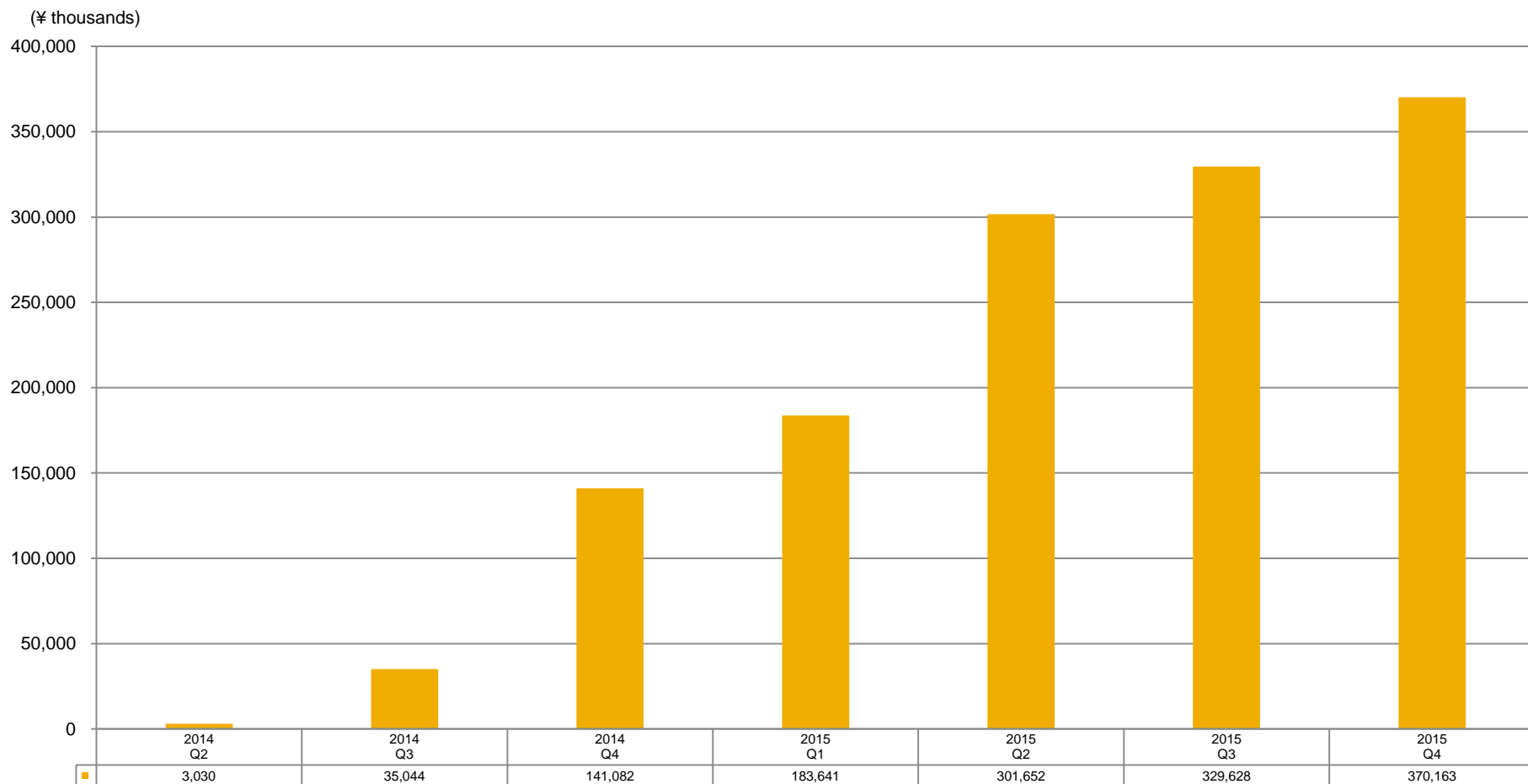
Average Monthly Sales per Advertiser



Sales per company is also trending downward.

nex8

Net Sales (Quarterly basis)



The figures for sales are before elimination of consolidated intercompany transactions.

Growth is below plan, so we need to take immediate corrective action.

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 Full Year	2014 Full Year
Net sales	1,833,074	1,776,840
Operating income	176,560	202,506
Net income	111,245	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 Full Year	2014 Full Year
Net sales	911,371	827,207
Operating income	69,002	52,435
Net income	43,545	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



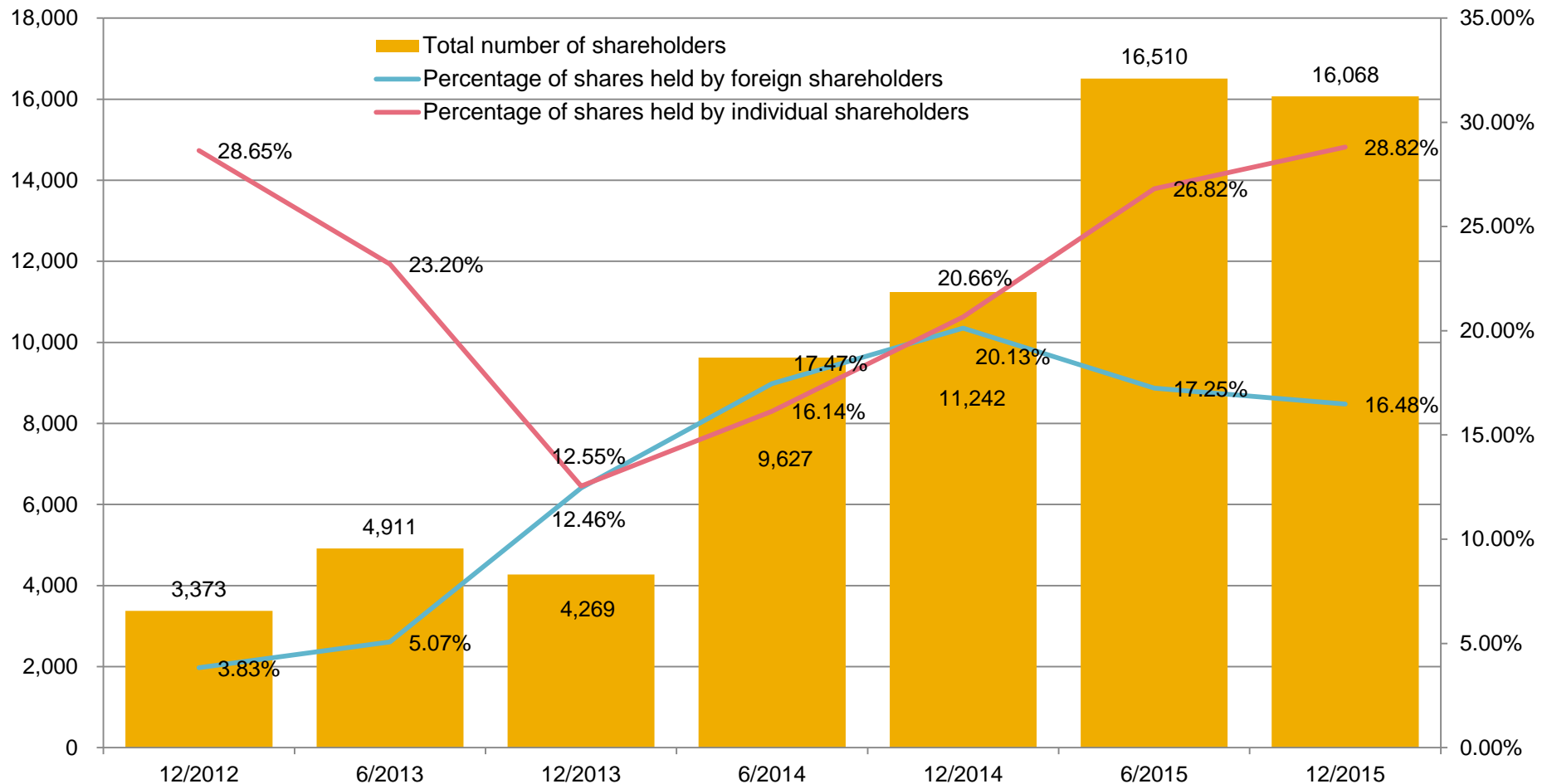
(¥ thousands)	2015 Full Year	2014 Full Year
Net sales	328,121	346,105
Operating income (loss)	(19,836)	(53,222)
Net income (loss)	(65,333)	(43,886)

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

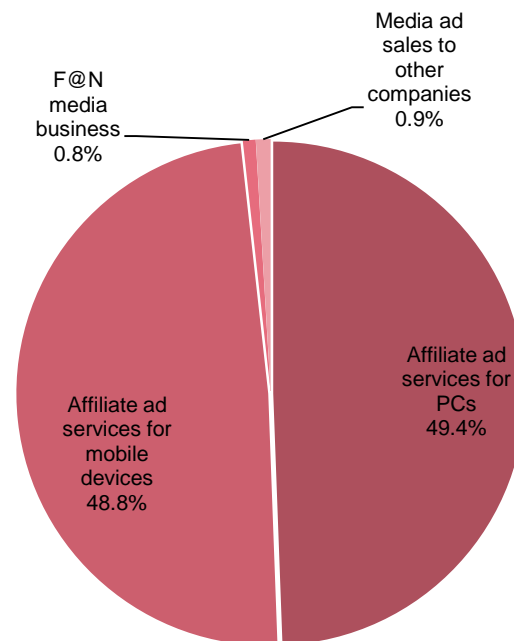


Reference Materials on Former Service Areas

Reference : Net Sales by Service Area (Former Service Areas) (Consolidated/Quarterly basis)

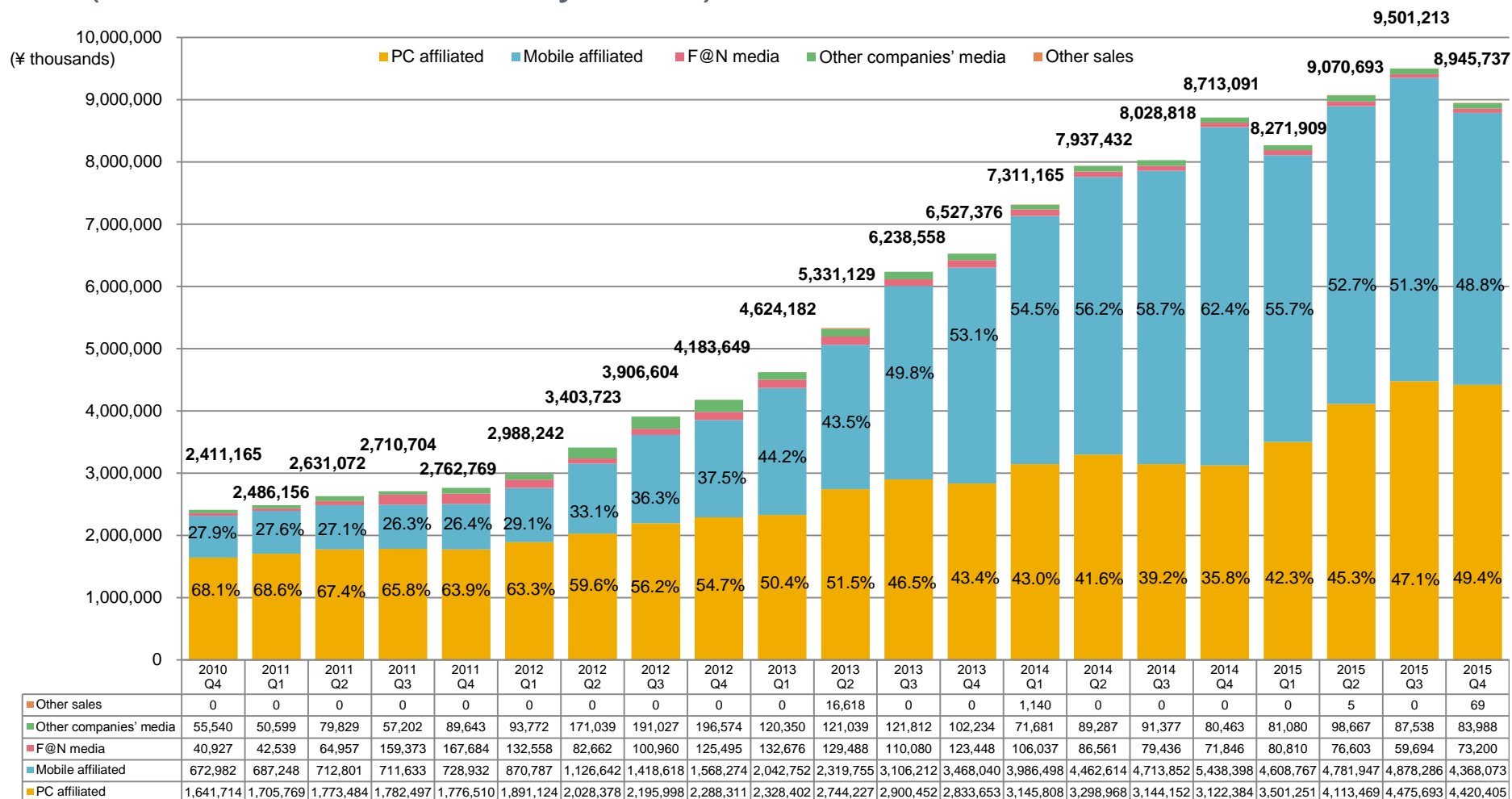
Reference Materials
on Former Service
Areas

(¥ thousands)	2015 Q4 (Oct. – Dec.)	2014 Q4 (Oct. – Dec.)	Change
Affiliate ad services for PCs	4,420,405	3,122,384	41.6%
Affiliate ad services for mobile devices	4,368,073	5,438,398	-19.7%
F@N media business	73,200	71,846	1.9%
Media ad sales to other companies	83,988	80,463	4.4%
Other sales	69	0	-
Total net sales	8,945,737	8,713,091	2.7%



Reference: Net Sales by Service (Former Service Areas) (Consolidated/Quarterly basis)

Reference Materials
on Former Service
Areas



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	¥1,127.0 million (As of December 31, 2015)
■ President and Representative Director	Yasuyoshi Yanagisawa
■ Number of employees	Non-consolidated: 297 Group total: 349 <small>(As of December 31, 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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