



First Quarter of 2016
Presentation of Results

May 10, 2016
F@N Communications, Inc.

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First Quarter of 2016 Performance Highlights

First Quarter of 2016: Key Points

- **Progress basically in line with initial plan**
- **Revenue slightly below expectations**
- **A8.net continued to perform well**

Performance Highlights

Consolidated Results of Operations

(¥ thousands)	2016 Q1	2015 Q1	Year-on-Year Change	% of Net Sales
Net sales	9,353,550	8,271,909	13.1%	100%
Operating income	1,477,438	1,448,278	2.0%	15.8%
Ordinary income	1,487,330	1,463,171	1.7%	15.9%
Net income	953,476	925,536	3.0%	10.2%
Ordinary income margin	15.9%	17.7%	-1.8 points	-
Net income per share	¥12.33	¥11.96	3.1%	-
Diluted net income per share	¥12.29	¥11.87	3.5%	-

Consolidated Balance Sheets

(¥ thousands)	December 31, 2015	March 31, 2016
Assets		
Current assets	18,949,251	17,854,297
Cash and deposits	12,507,446	11,300,927
Notes and accounts receivable - trade	4,331,781	4,441,212
Securities	1,766,002	1,759,283
Other	359,033	372,449
Allowance for doubtful accounts	(15,012)	(19,576)
Fixed assets	2,284,428	2,212,826
Property and equipment	275,499	267,909
Intangible assets	223,702	237,381
Investments and other assets	1,785,225	1,707,536
Total assets	21,233,679	20,067,123
Liabilities and Net Assets		
Current liabilities	6,349,889	6,239,817
Notes and accounts payable - trade	4,344,564	4,682,452
Income taxes payable	1,172,093	420,815
Other current liabilities	833,230	1,136,548
Long-term liabilities	142,540	142,177
Total liabilities	6,492,429	6,381,994
Total net assets	14,741,250	13,685,128
Total liabilities and net assets	21,233,679	20,067,123

Main component was investment securities totaling ¥1,491,405 thousand.

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

Increase due mainly to a ¥113,156 thousand increase in accrued dividends and a ¥148,167 thousand increase in income taxes associated with dividends.

Main component was long-term guarantee deposits.

Net assets decreased despite net income of ¥953,476 thousand due mainly to dividend payments of ¥1,319,175 thousand and purchase of treasury shares of ¥687,563 thousand.

Consolidated Performance Forecast

Performance Highlights

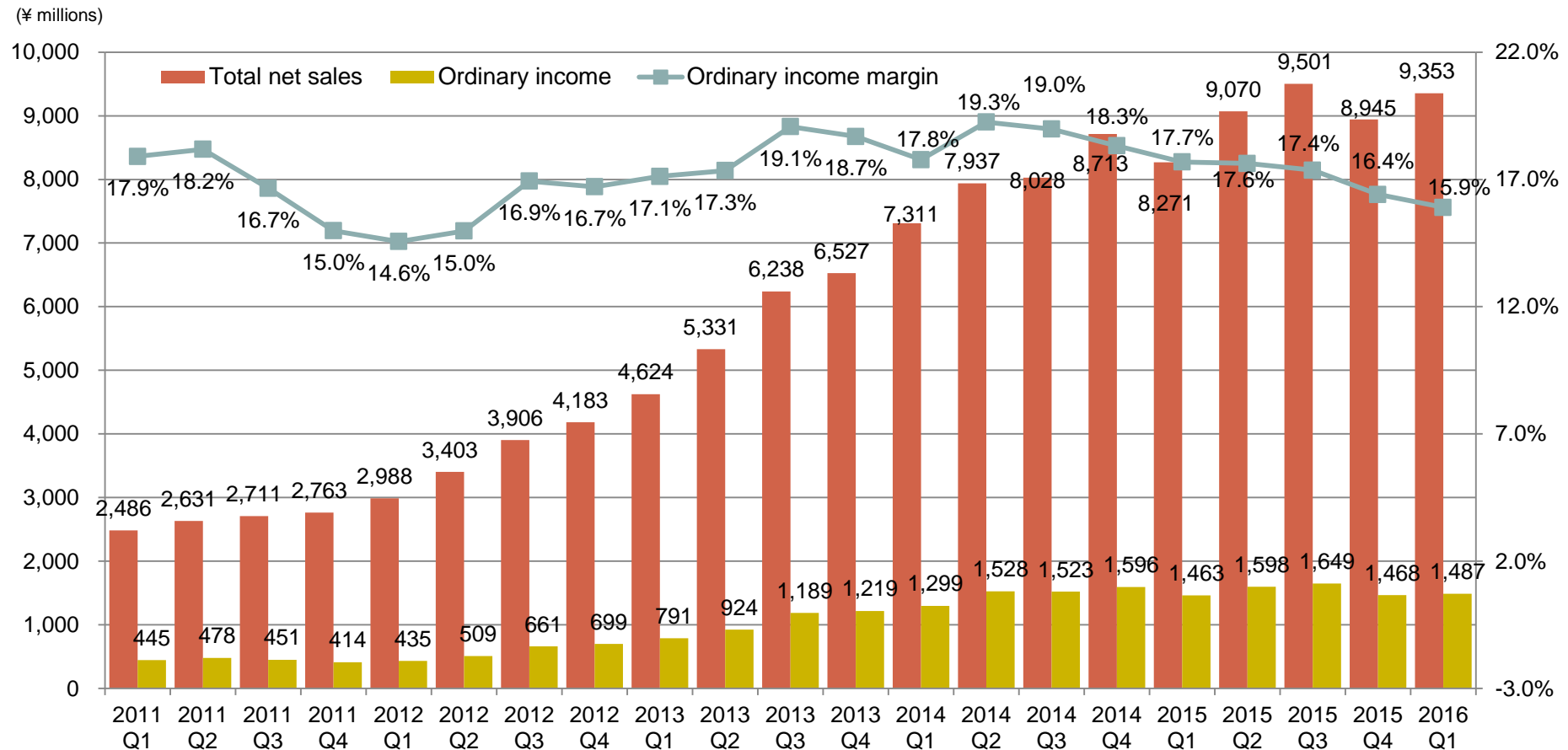
(¥ millions)	2016 Full-Year Forecast (% Change from Same Period of Previous Year)	2016 Interim Period Forecast (% Change from Same Period of Previous Year)	2016 1Q Actual	Progress (% of Full-Year Forecast)
Net sales	38,000 (6.2)	18,500 (6.7)	9,353	24.6%
Operating income	6,200 (1.4)	2,960 (-2.2)	1,477	23.8%
Ordinary income	6,240 (1.0)	3,000 (-2.0)	1,487	23.8%
Net income	4,170 (5.6)	2,000 (2.6)	953	22.9%

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)

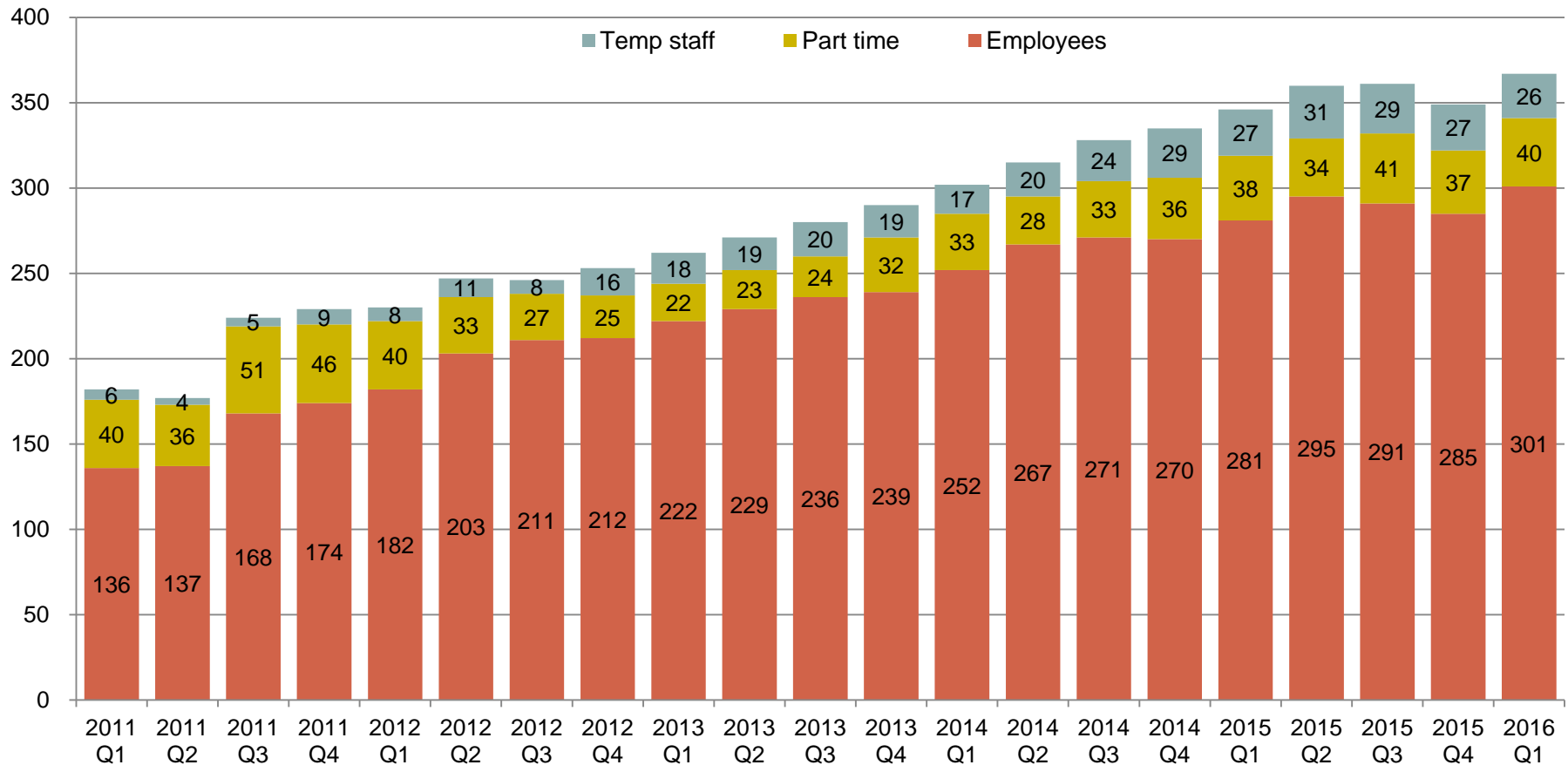


Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

Net sales for the quarter were the second highest ever, but the ordinary income margin decreased 0.5 percentage points to the 15% range compared with the previous quarter.

Number of Employees

(Consolidated/Quarterly basis)

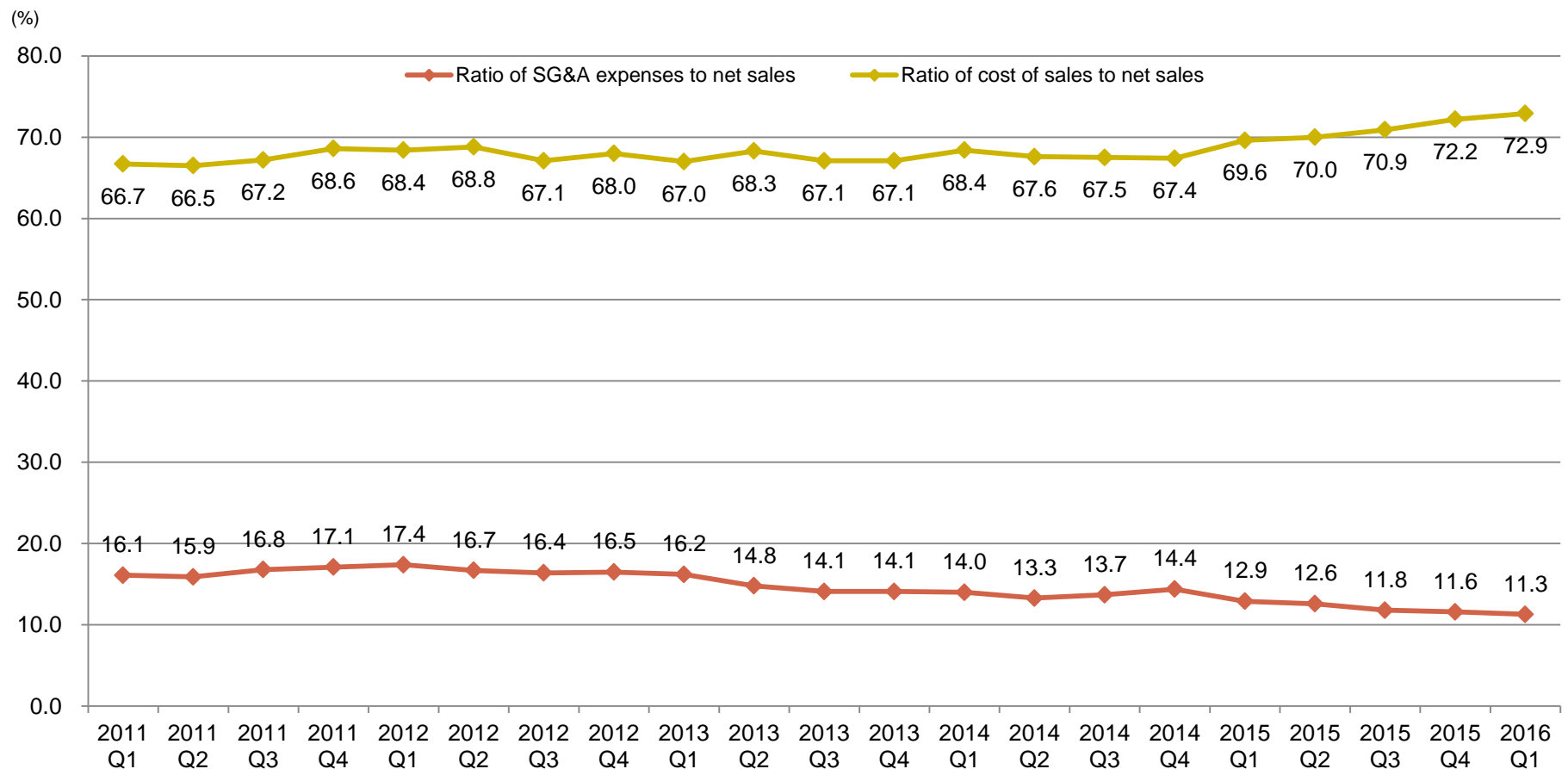


Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

The total number of employees in the Group was the highest ever at 367, an increase of 21 from the same period of the previous year and an increase of 18 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.

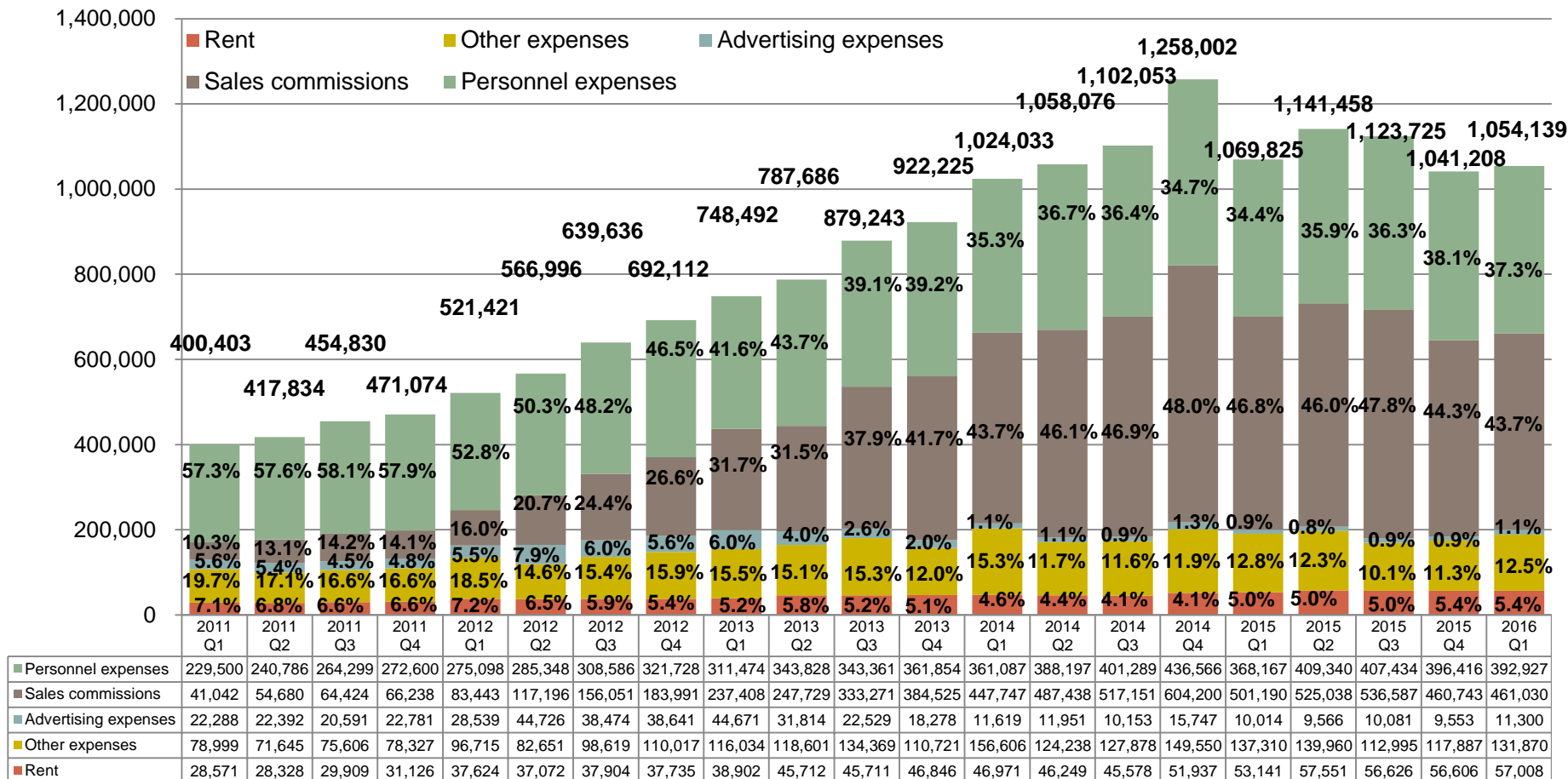
The cost of sales ratio increased 0.7 percentage points compared with the previous quarter. However, the selling, general and administrative (SG&A) expenses ratio decreased 0.3 percentage points.

Selling, General and Administrative Expenses

(Consolidated/Quarterly basis)

Management
Indicators

(¥ thousands)



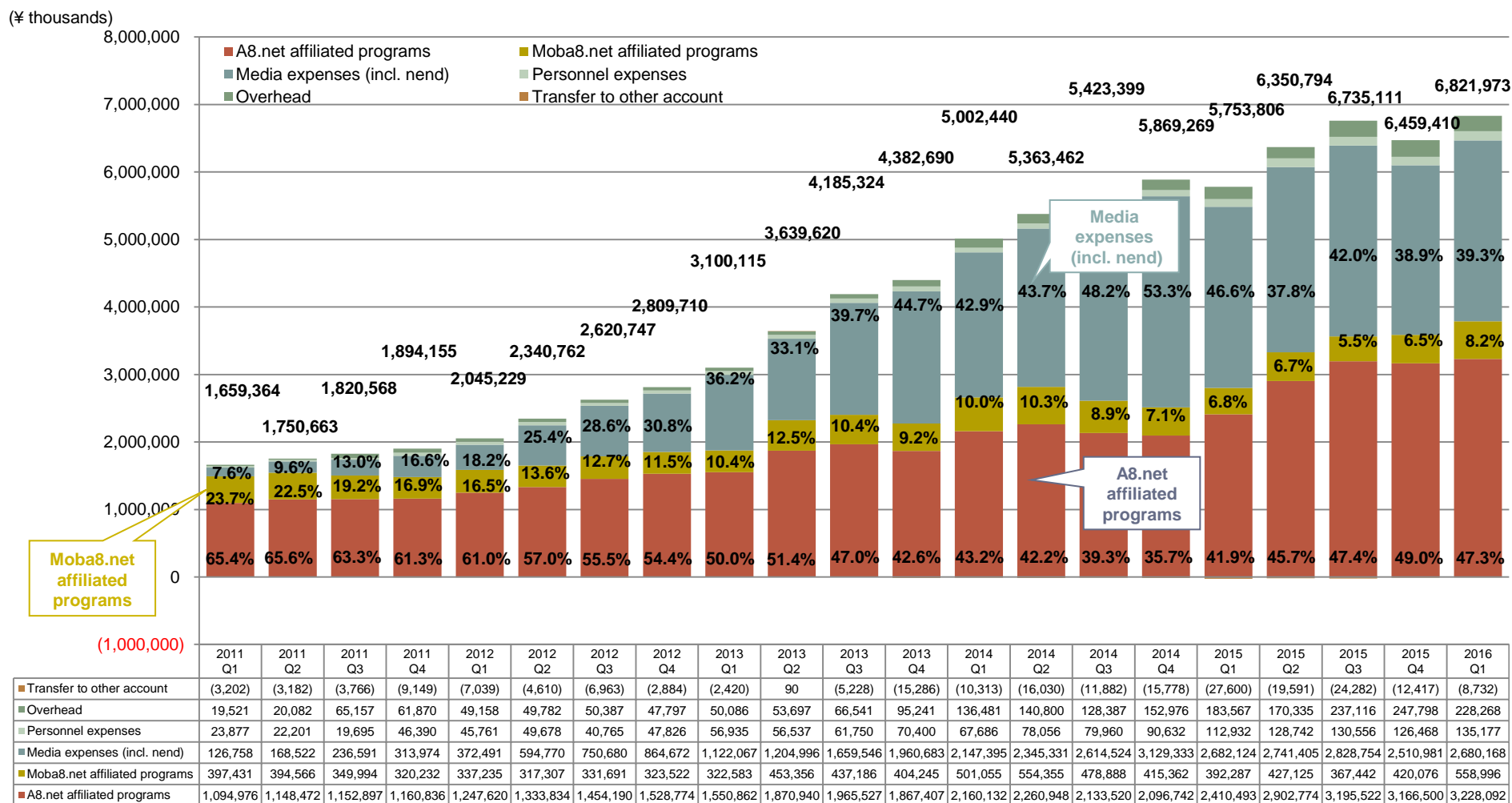
Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

Essentially unchanged from the previous quarter. Other expenses include expenses for the general meeting of shareholders.

Cost of Sales

(Consolidated/Quarterly basis)

Management
Indicators



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 remained high. Higher-cost segments tend to account for a higher percentage of A8.net sales. nend and nex8 are making modest investments.

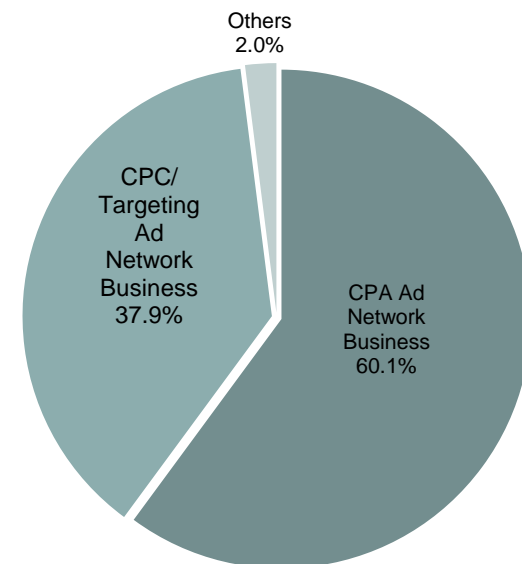
Overview by Main Service Area

Overview by Service Area

Net Sales by Reportable Segment (Consolidated/Quarterly basis)

(¥ thousands)	2016 Q1 (Jan. – Mar.)	2015 Q1 (Jan. – Mar.)	Change
CPA Ad Network Business	5,621,408	4,544,612	23.7%
CPC/Targeting Ad Network Business	3,543,805	3,565,406	-0.6%
Others	188,337	161,890	16.3%
Total net sales	9,353,550	8,271,909	13.1%

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

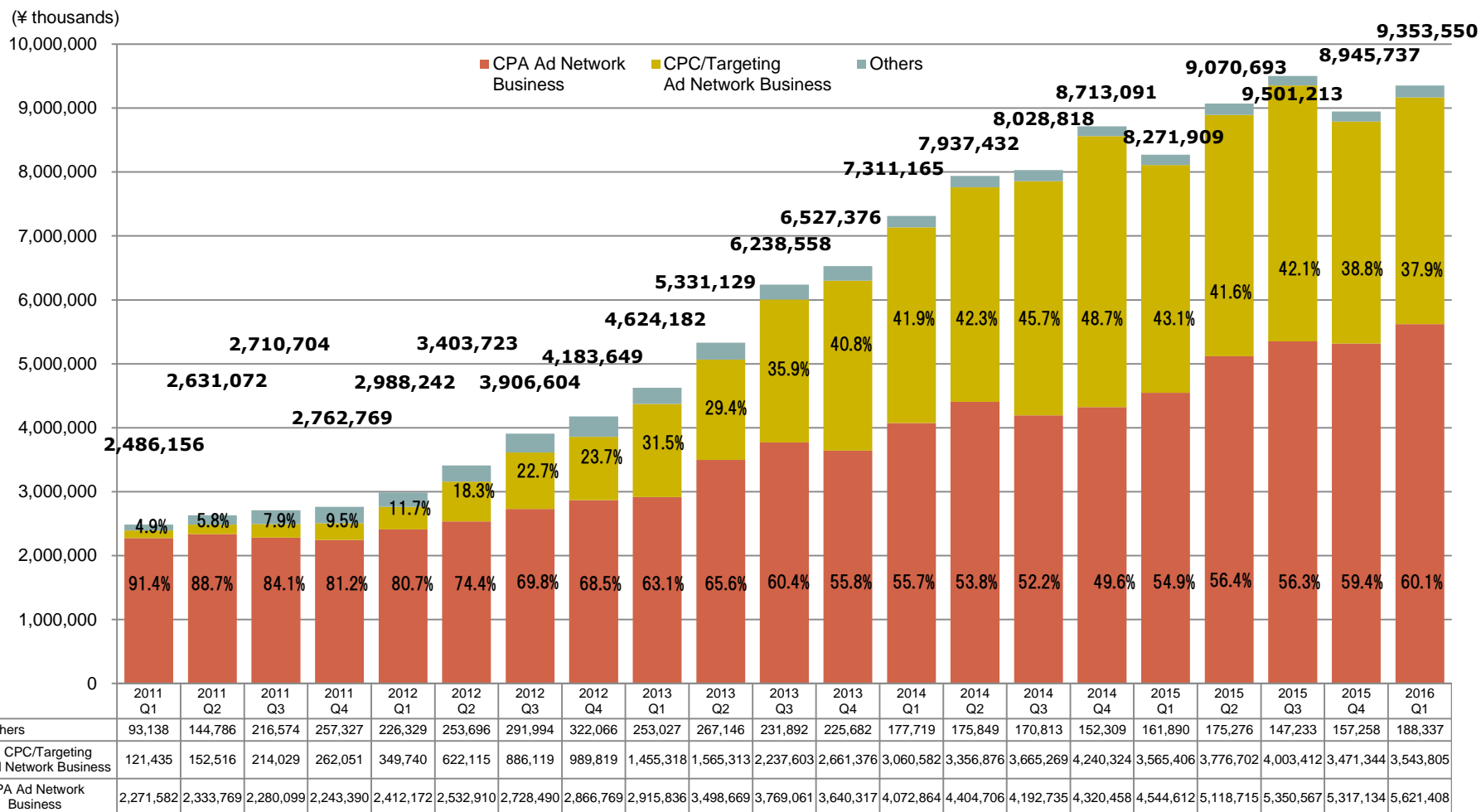


CPC/Targeting sales decreased more slowly than in 2015 Q4.

Net Sales by Reportable Segment

(Consolidated/Quarterly basis)

Overview by Service Area



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

CPA exceeded 60% of sales.

A8.net Summary

CPA Ad Network Business

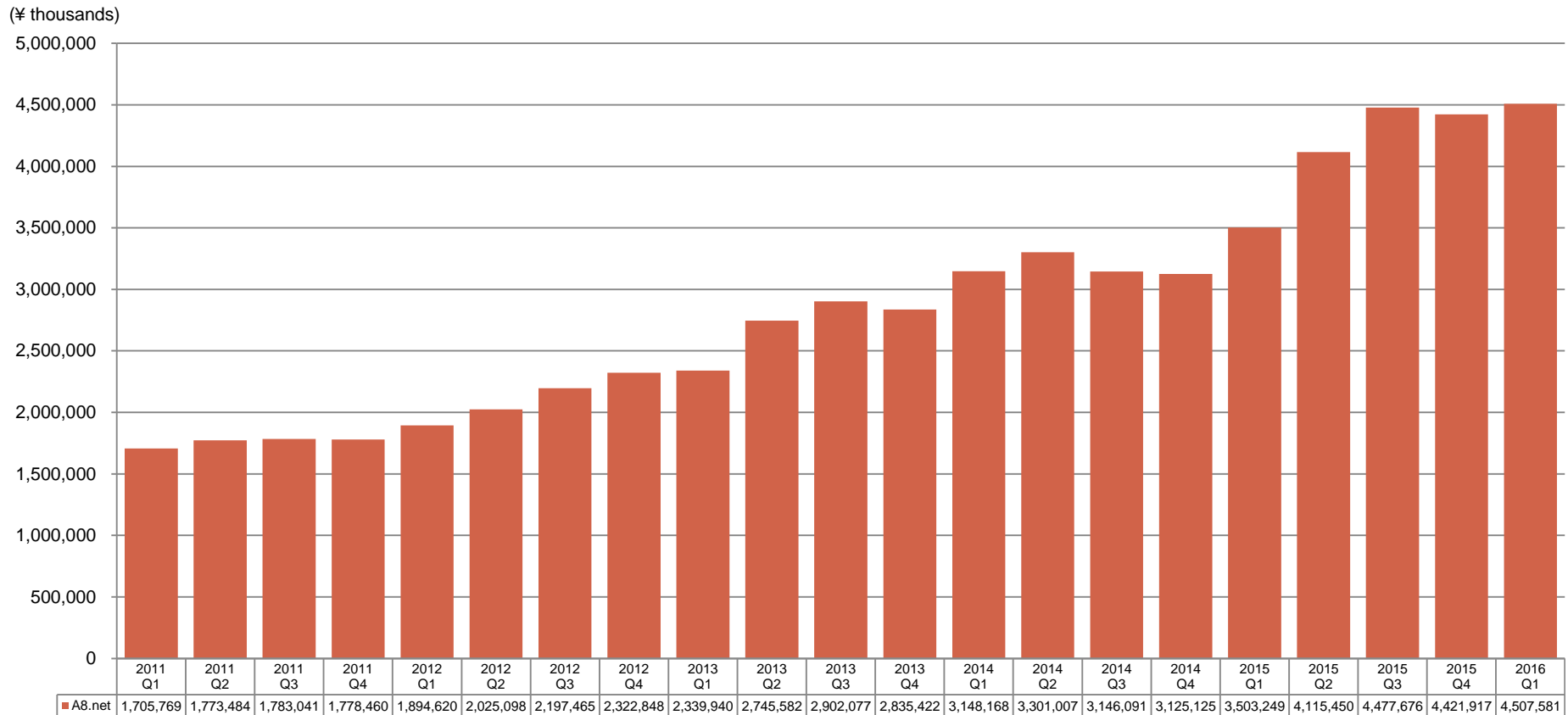
	2016 Q1 (Jan. – Mar.)	2015 Q1 (Jan. – Mar.)	Change
Sales (¥ thousands)	4,507,581	3,503,249	28.7%
Number of operating advertiser IDs	2,966	2,718	9.1%
Number of registered partner sites	2,006,787	1,842,805	8.9%

Sales before elimination of consolidated intercompany transactions

The number of operating advertiser IDs increased by 248 from the same period of the previous year.

A8.net

Net Sales (Quarterly basis)

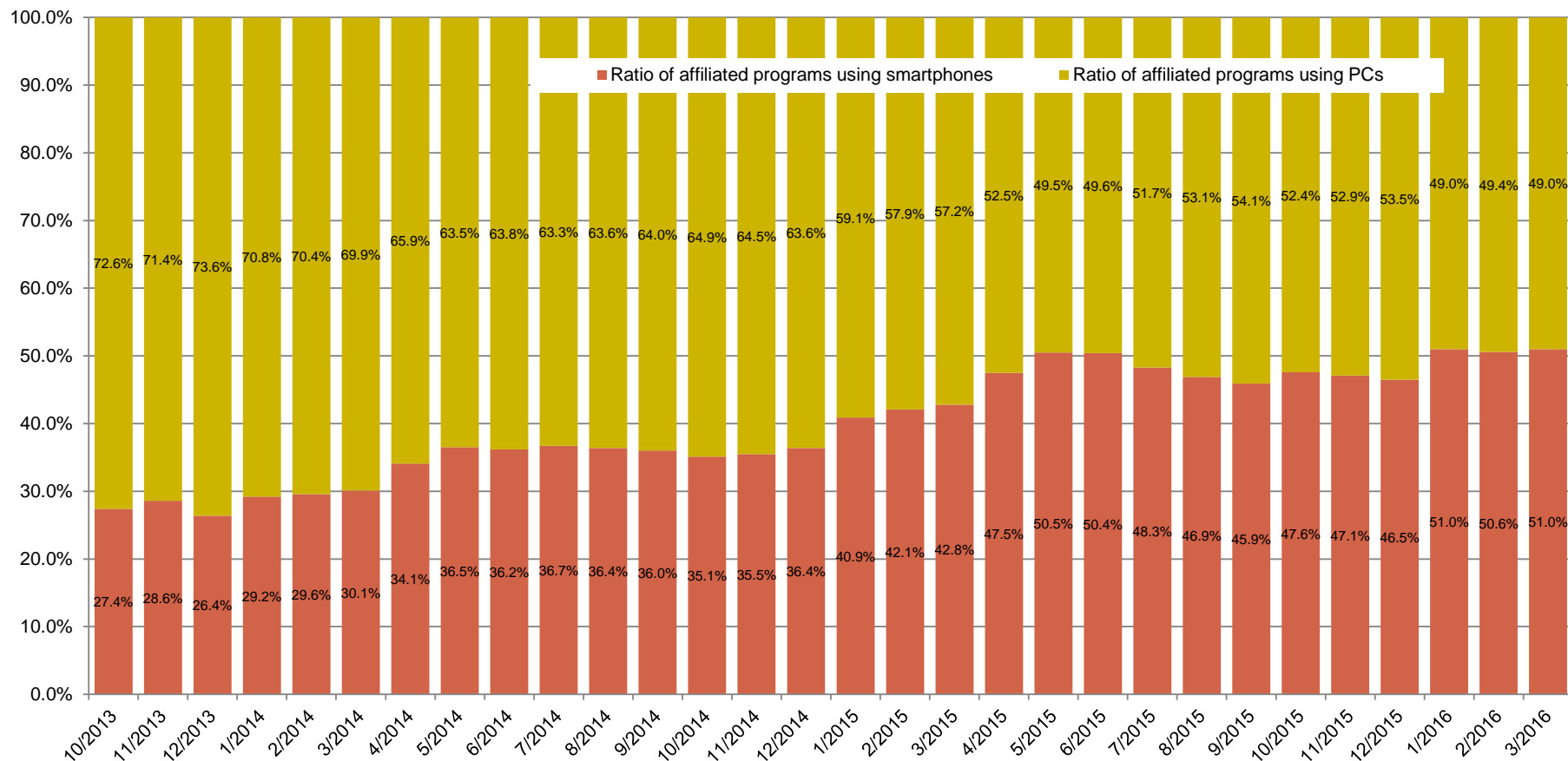


Sales before elimination of consolidated intercompany transactions

Sales remained firm and were the highest ever on a quarterly basis.

A8.net

Ratio of Smartphones in Affiliated Programs (Monthly basis)



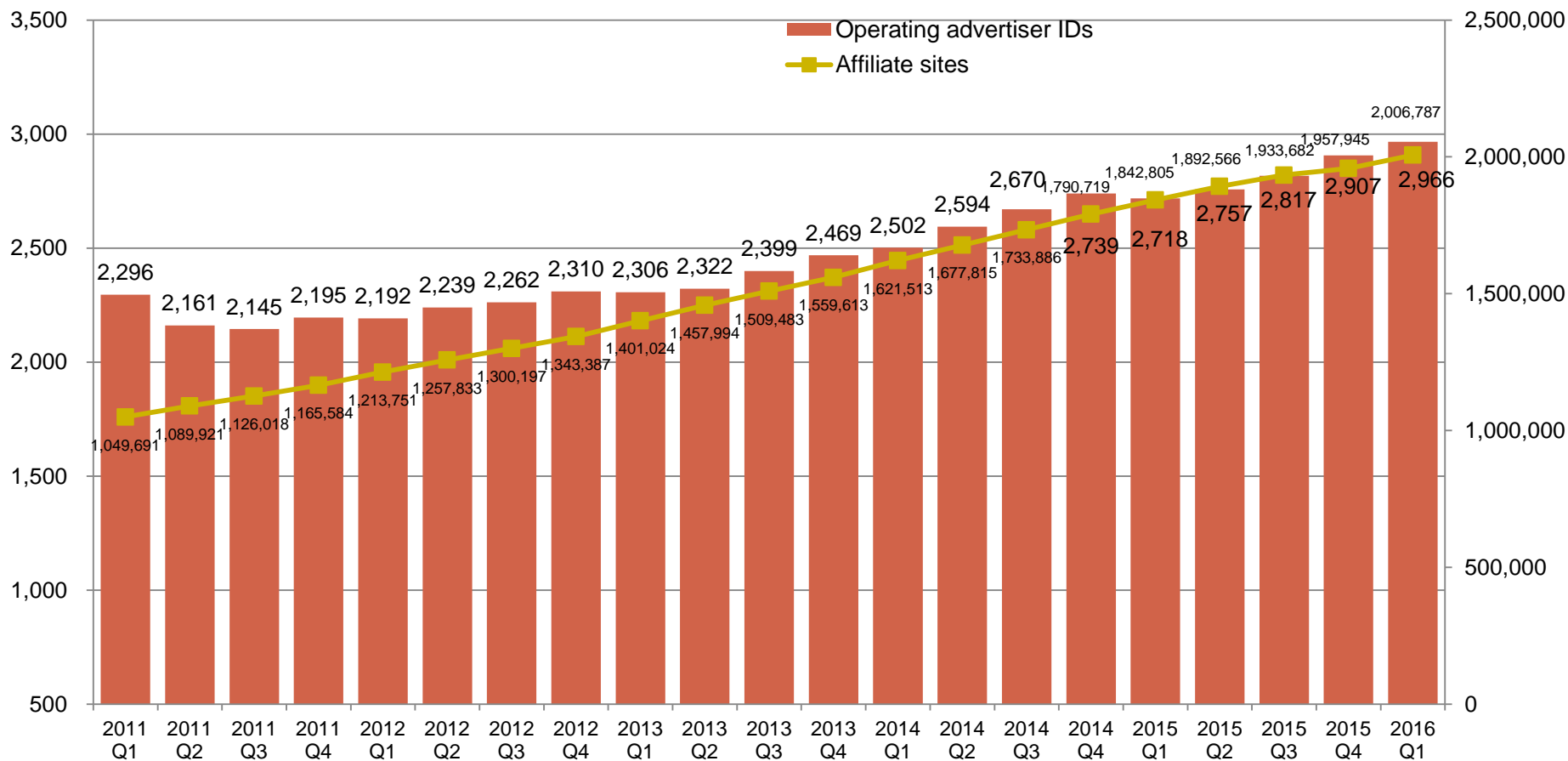
The ratio of affiliated programs using smartphones hasn't grown as much as expected since passing 50%.

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

A8.net

CPA Ad Network Business

Number of Operating Advertisers and Affiliate Sites (Quarterly basis)



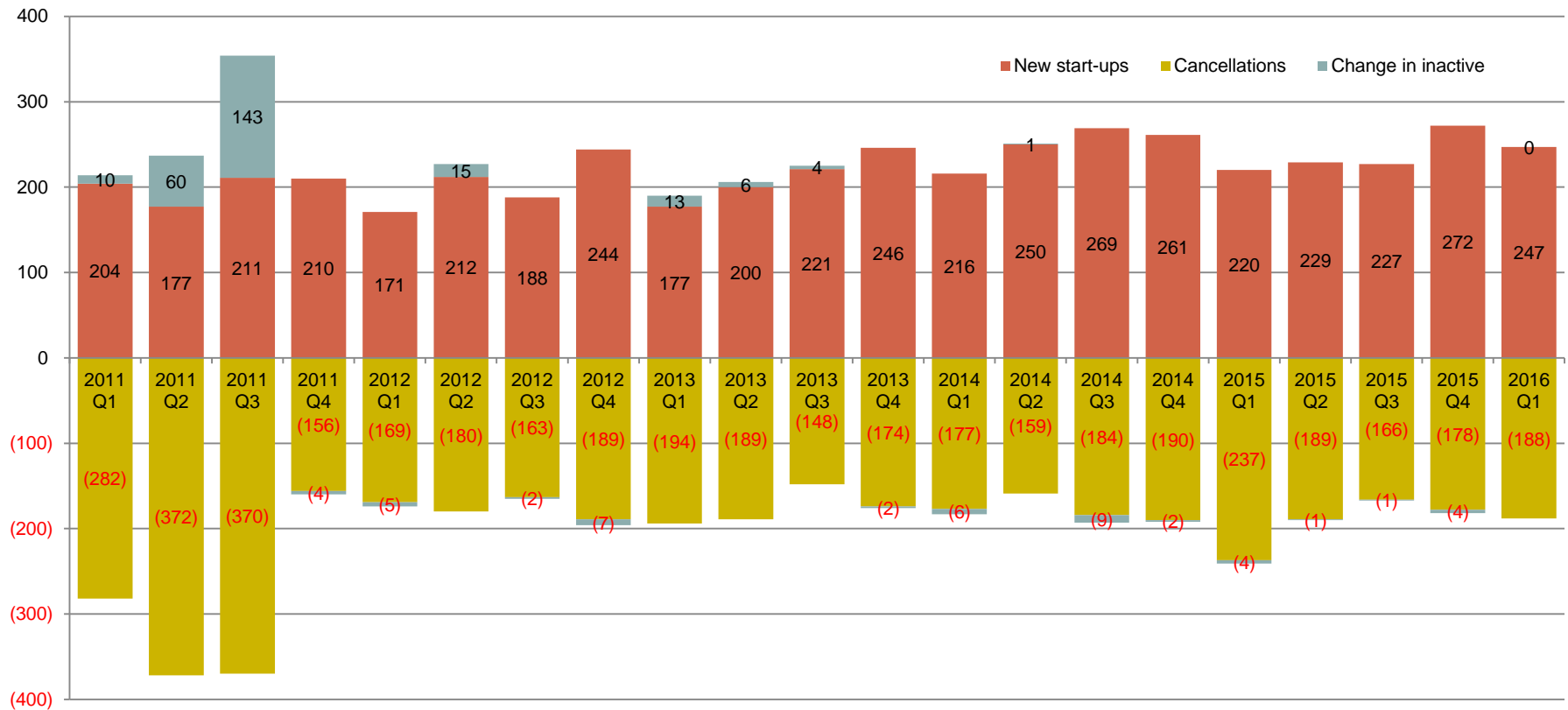
Notes: 1. The number of operating advertisers is as of the final month of each quarter.

2. The number of overseas advertisers is included from 2014 Q3.

The number of operating advertisers increased by 59 from the previous quarter. The number of overseas operating advertisers was 140.

A8.net

New Advertiser Start-ups and Cancellations

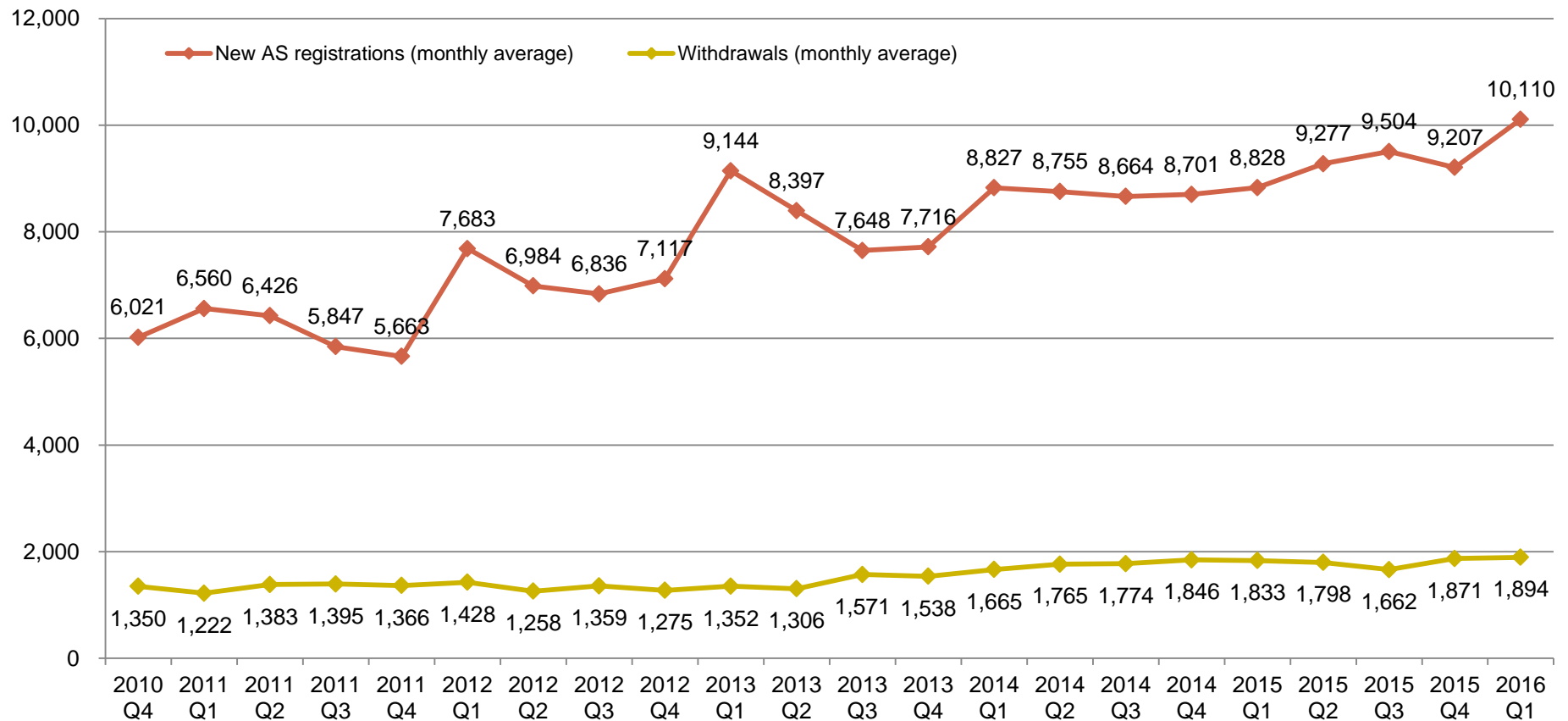


Note: "Change in inactive" is the difference in number of customers who switched between "operating" and "inactive," adjusted for the number of customers who switched from "inactive" to "cancelled" included in the number of cancellations.

The 247 new advertiser start-ups exhibited the effect of the end and start of 2015 and 2016.

A8.net

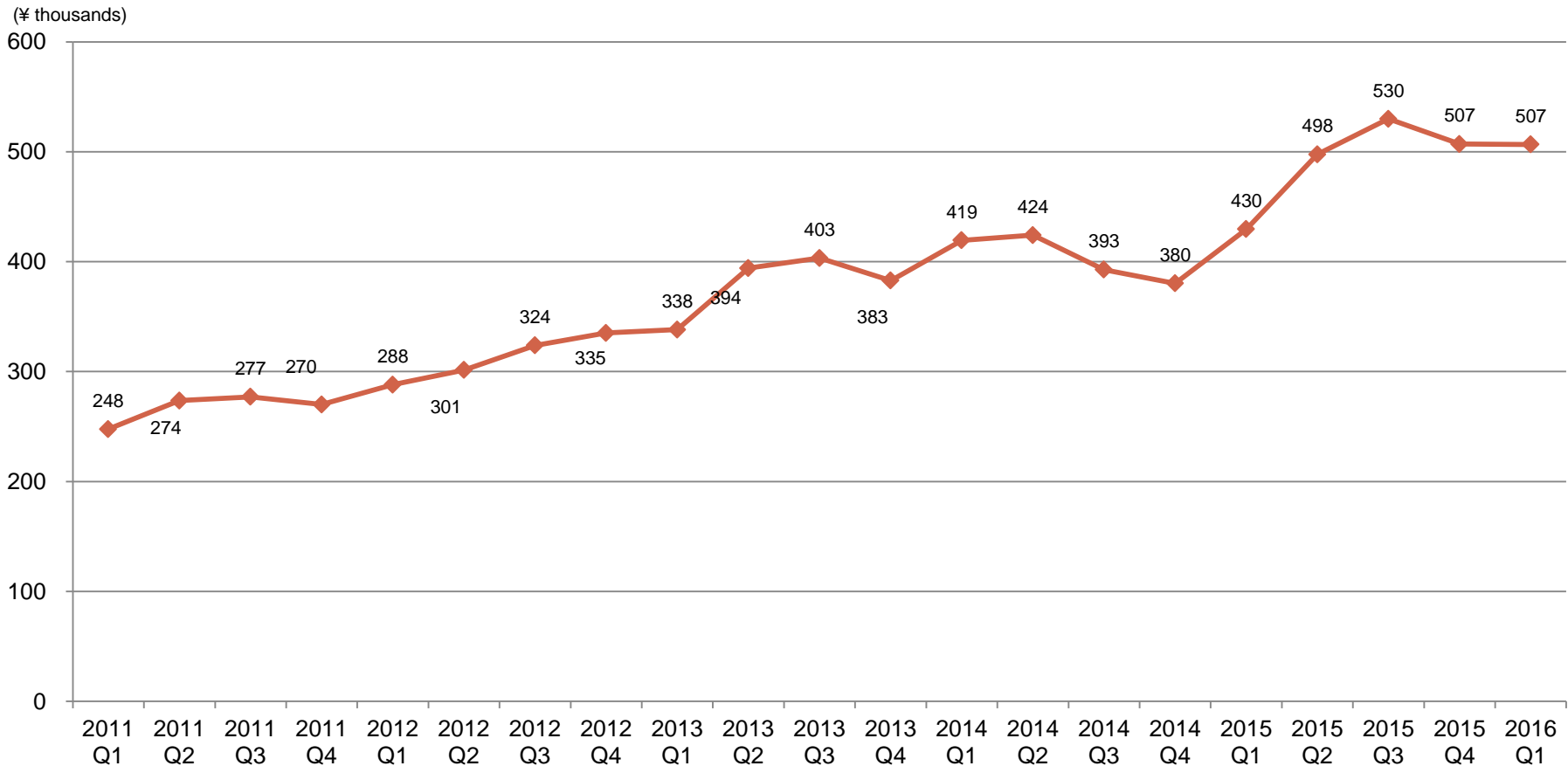
Average Monthly New Affiliate Site (AS) Registrations and Withdrawals



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 first quarter.

Moba8.net Summary

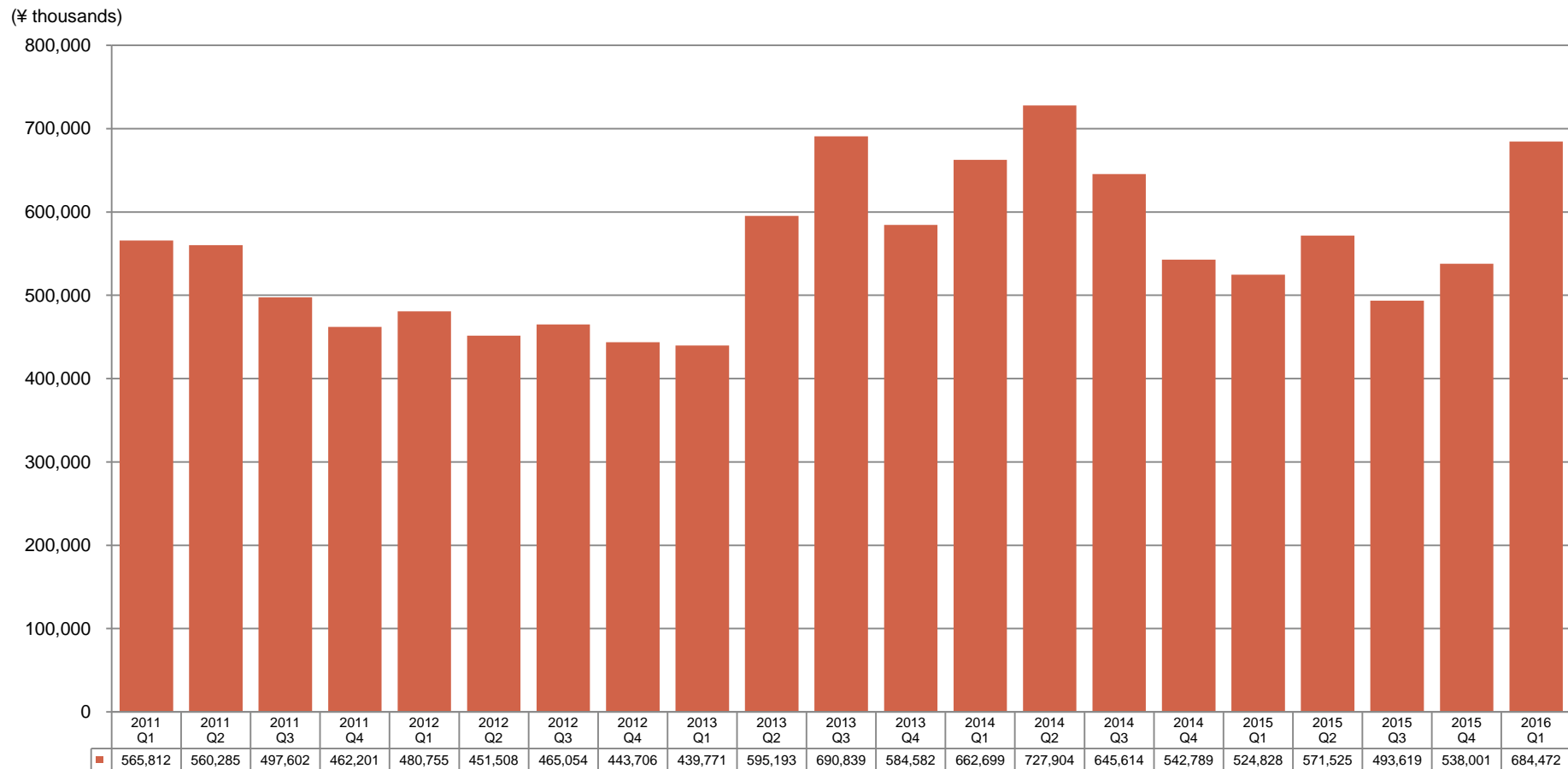
	2016 Q1 (Jan. – Mar.)	2015 Q1 (Jan. – Mar.)	Change
Sales (¥ thousands)	684,472	542,828	26.1%
Number of operating advertiser IDs	1,135	1,147	-1.0%
Number of registered partner sites	265,418	253,214	4.8%

Sales before elimination of consolidated intercompany transactions

Sales increased compared with 2015 Q1.

Moba8.net

Net Sales (Quarterly basis)

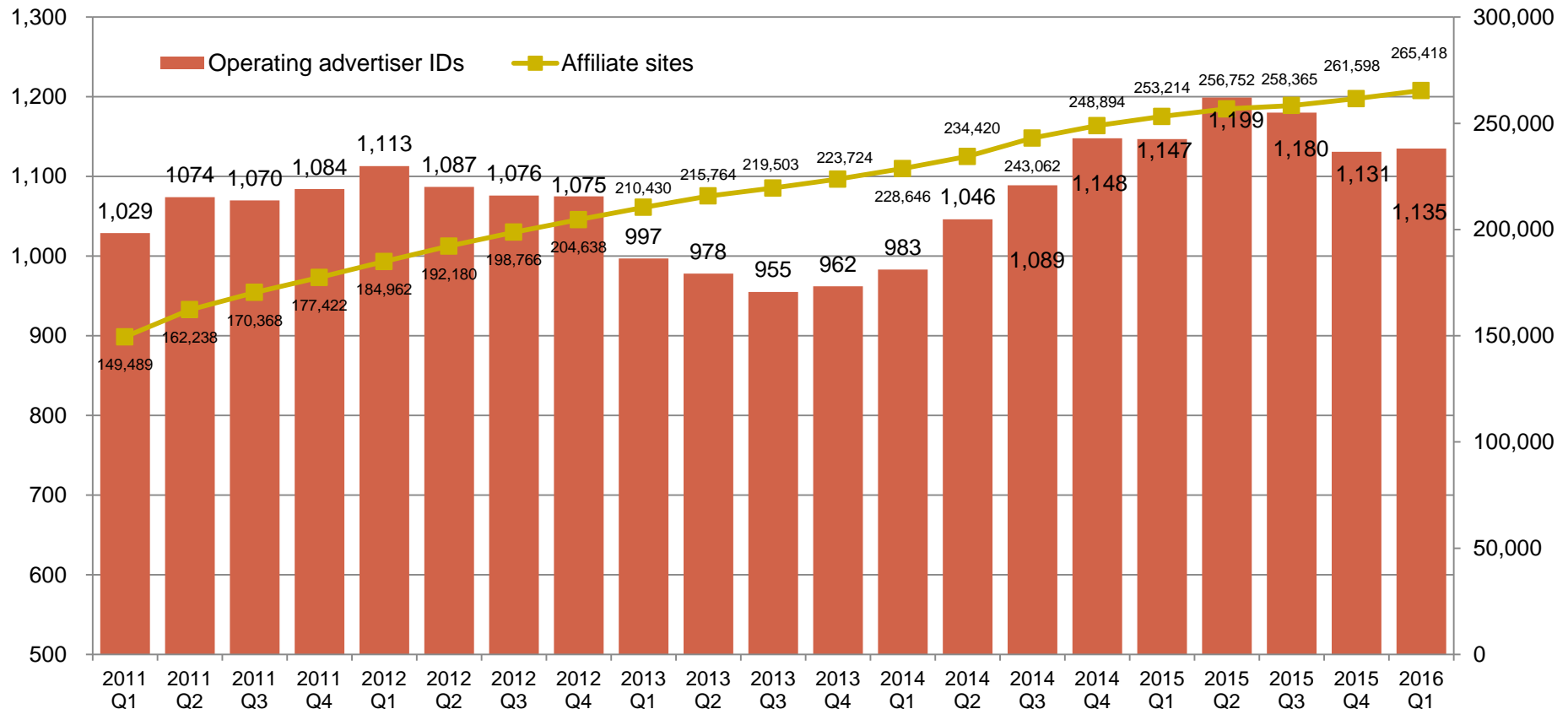


Sales before elimination of consolidated intercompany transactions

We think sales hit bottom in 2015 Q3.

Moba8.net

Number of Operating Advertisers and Affiliate Sites (Quarterly basis)

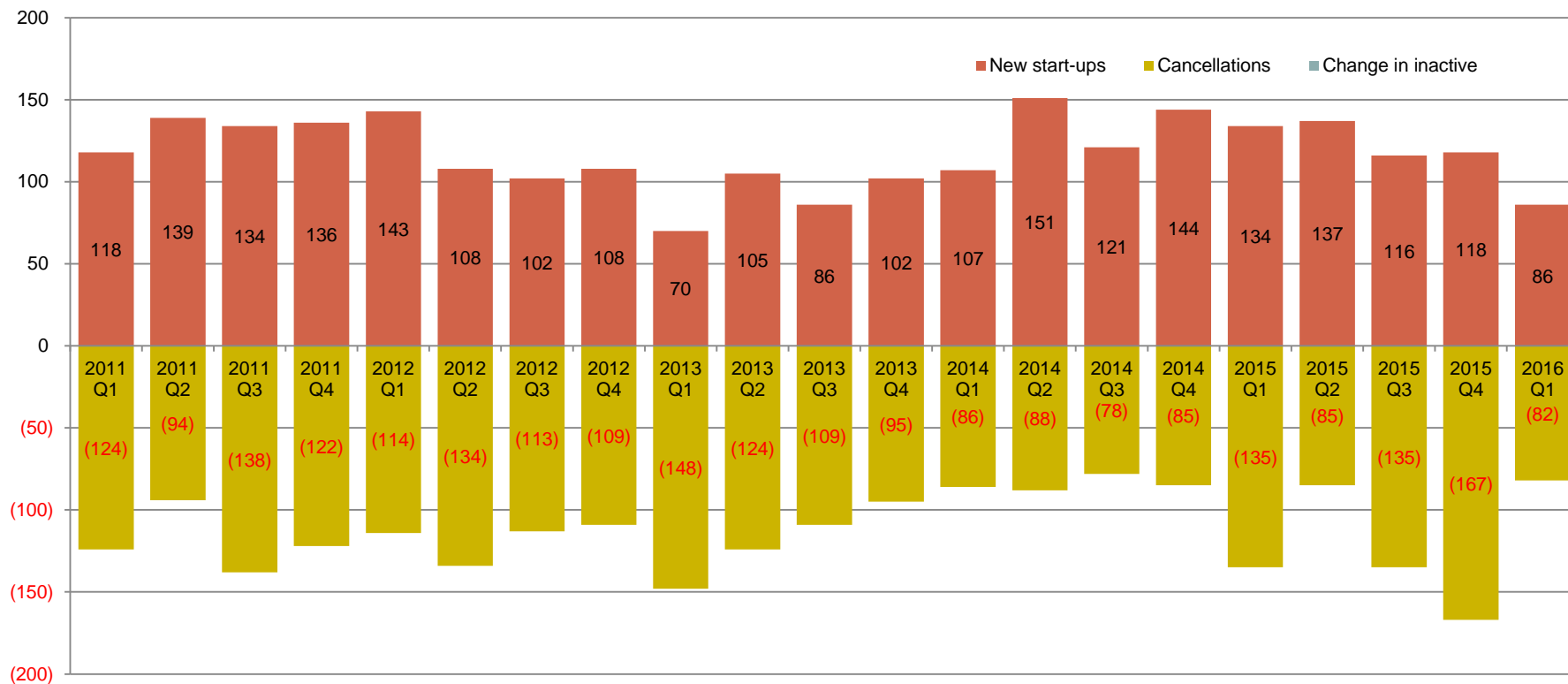


Note: The number of operating advertisers is as of the final month of each quarter.

The number of operating advertiser and affiliated sites increased quarter on quarter for the first time in a while.

Moba8.net

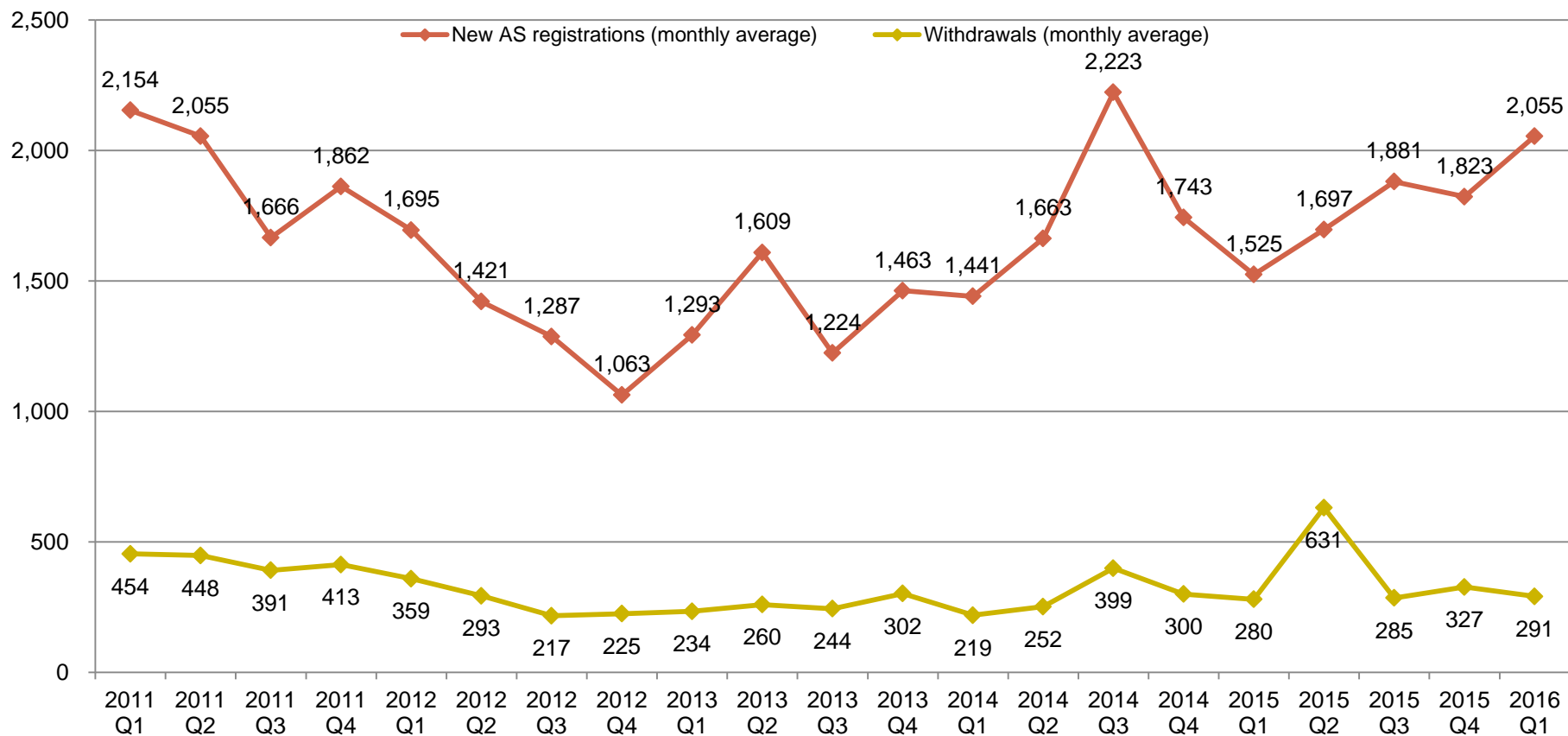
New Advertiser Start-ups and Cancellations (Quarterly basis)



Elimination of underperforming programs tapered off.

Moba8.net

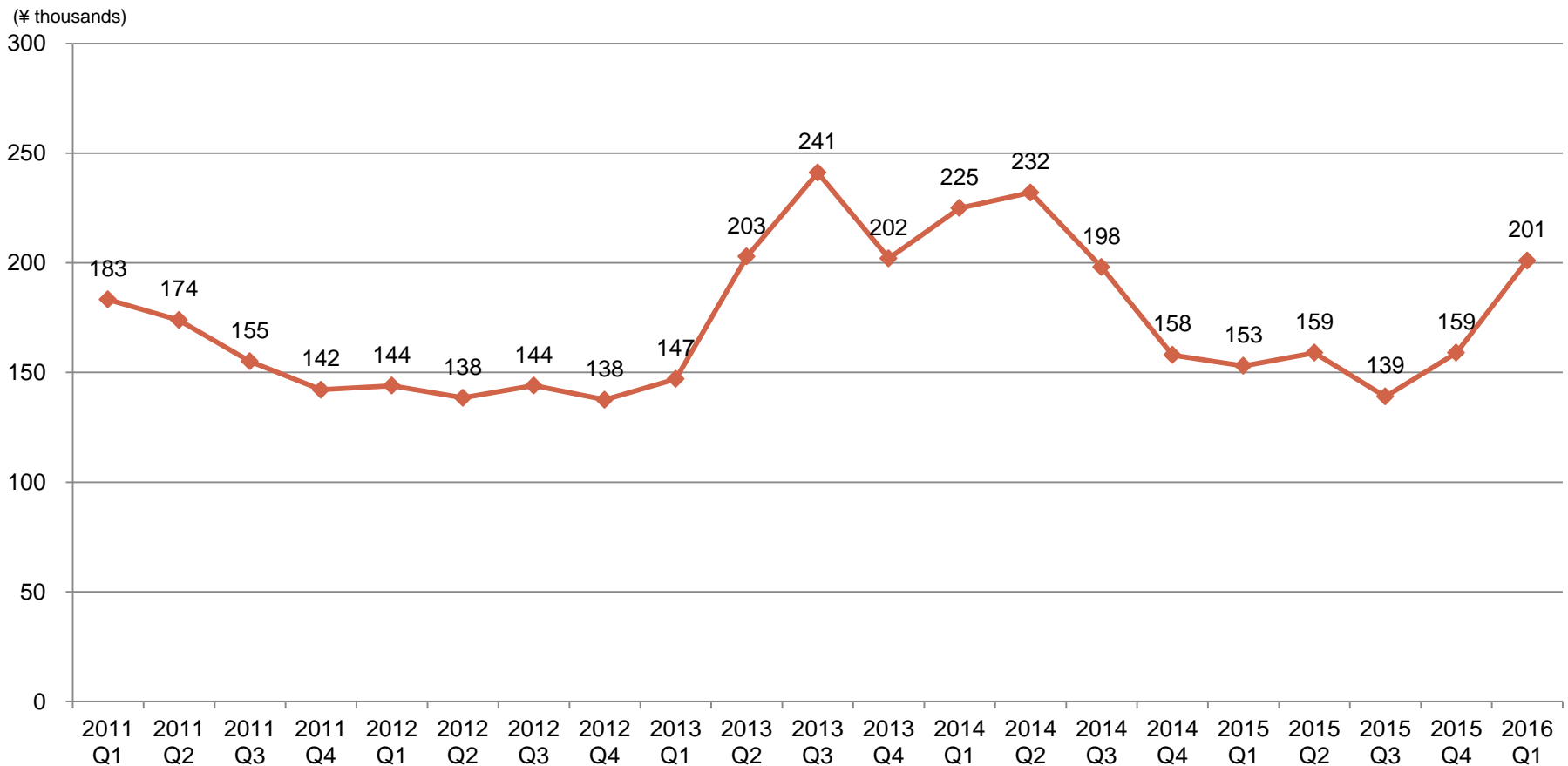
Average Monthly New Affiliate Site (AS) Registrations and Withdrawals



The trend has not changed significantly.

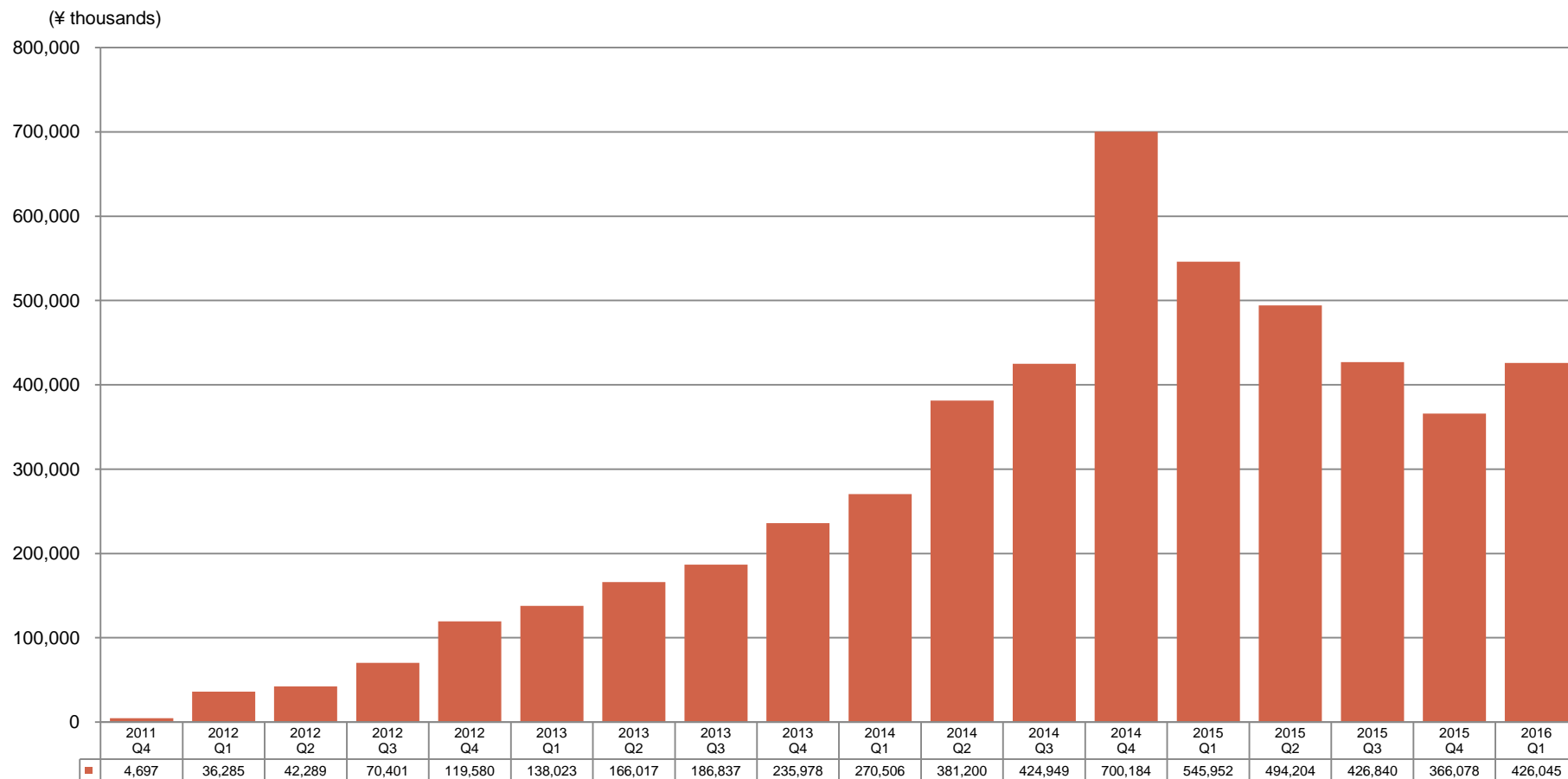
Moba8.net

Average Monthly Sales per Advertiser



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.

The decrease in sales over the four preceding quarters stopped.

nend Summary

	2016 Q1 (Jan. – Mar.)	2015 Q1 (Jan. – Mar.)	Change
Sales (¥ thousands)	3,003,152	3,380,960	-11.2%
Number of operating advertiser IDs	449	475	-5.5%
Number of registered partner sites	569,262	343,917	65.5%

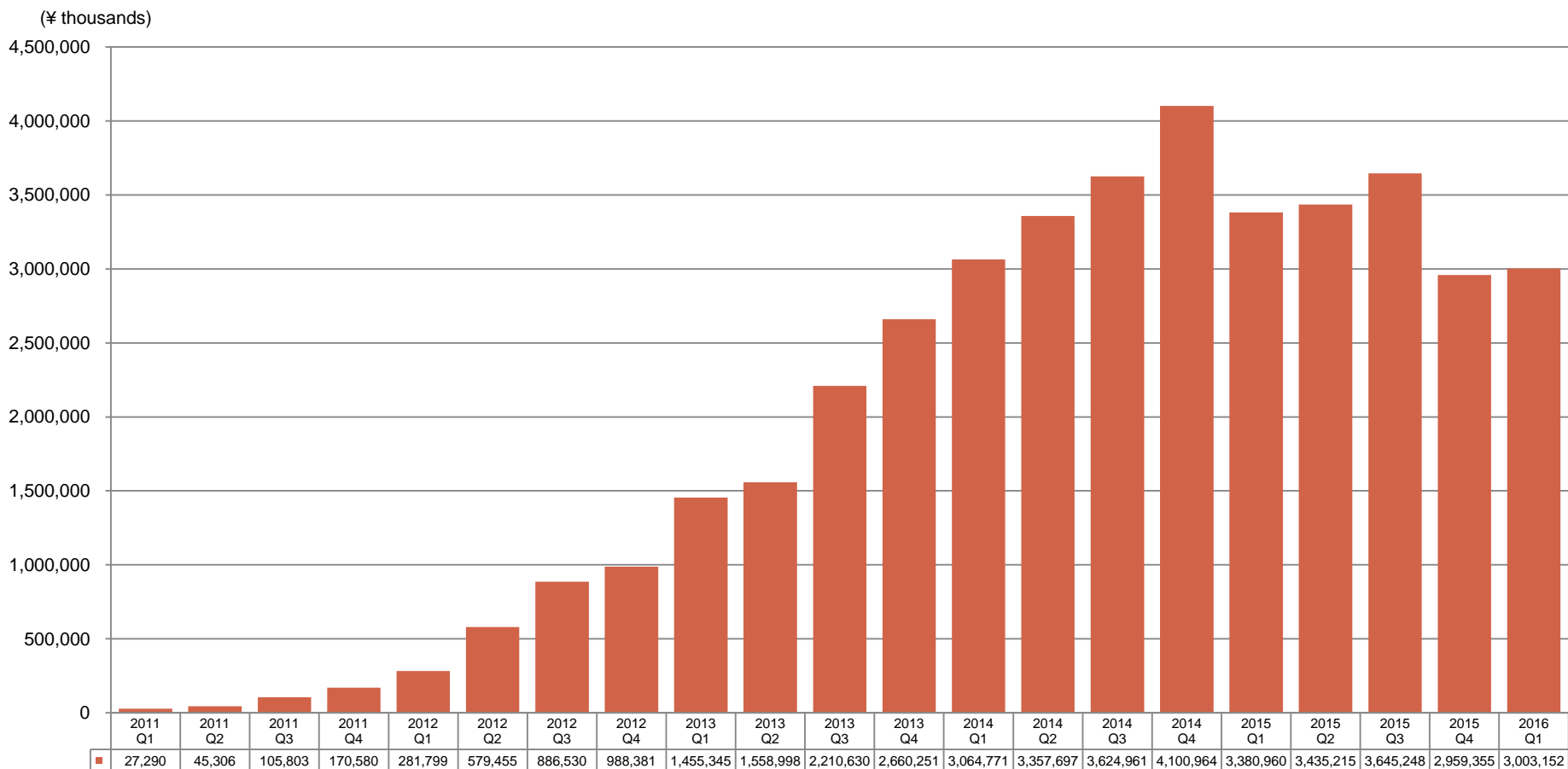
Sales before elimination of consolidated intercompany transactions

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

Sales continued to decrease compared with the same period of the previous year.

CPC/Targeting Ad Network Business

nend Net Sales (Quarterly basis)



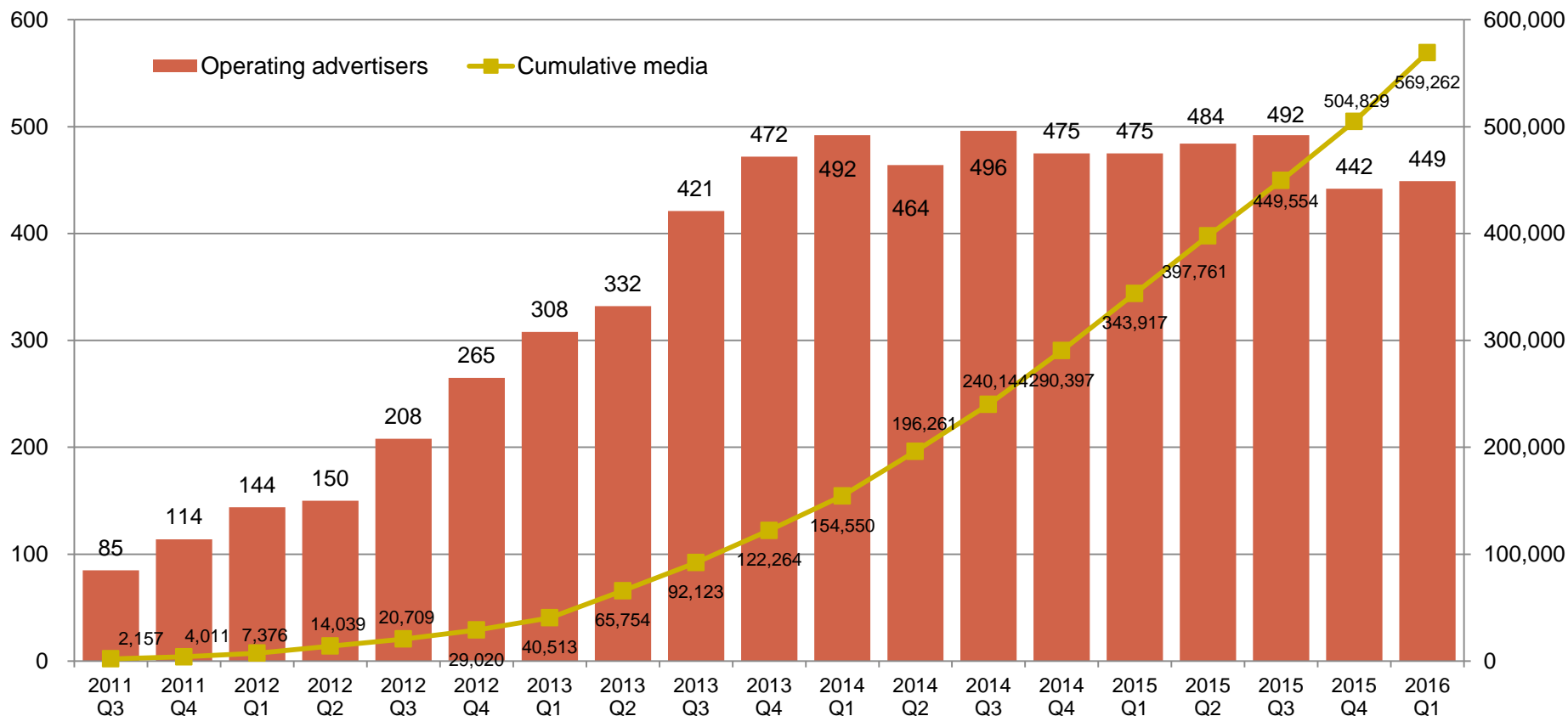
Sales before elimination of consolidated intercompany transactions

Sales were on par with the previous quarter.

CPC/Targeting Ad Network Business

trend

Number of Operating Advertisers and Media (Quarterly basis)

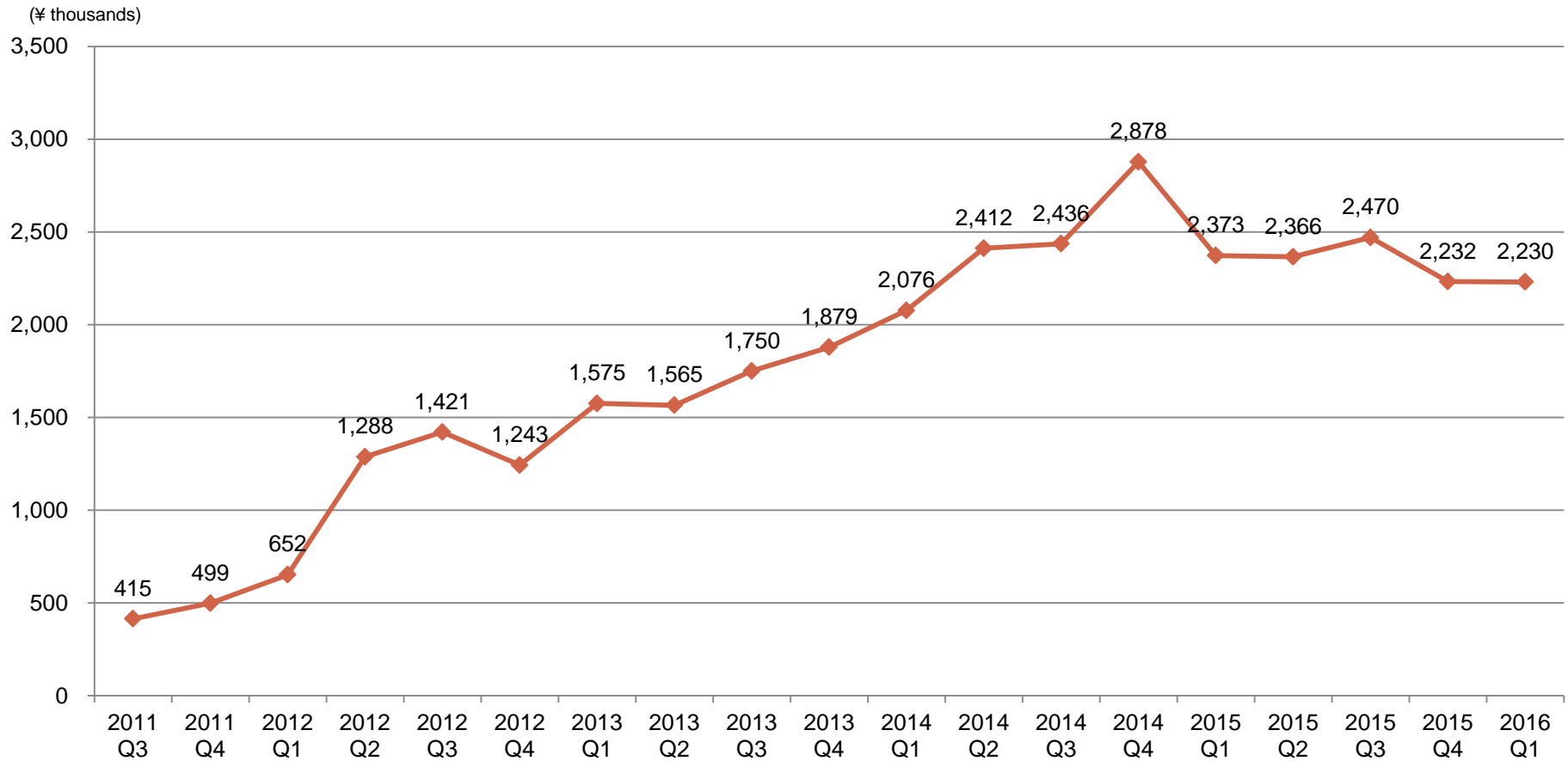


Note: The number of operating advertisers is as of the final month of each quarter.

The number of operating advertisers increased by 7 compared with the previous quarter.

CPC/Targeting Ad Network Business

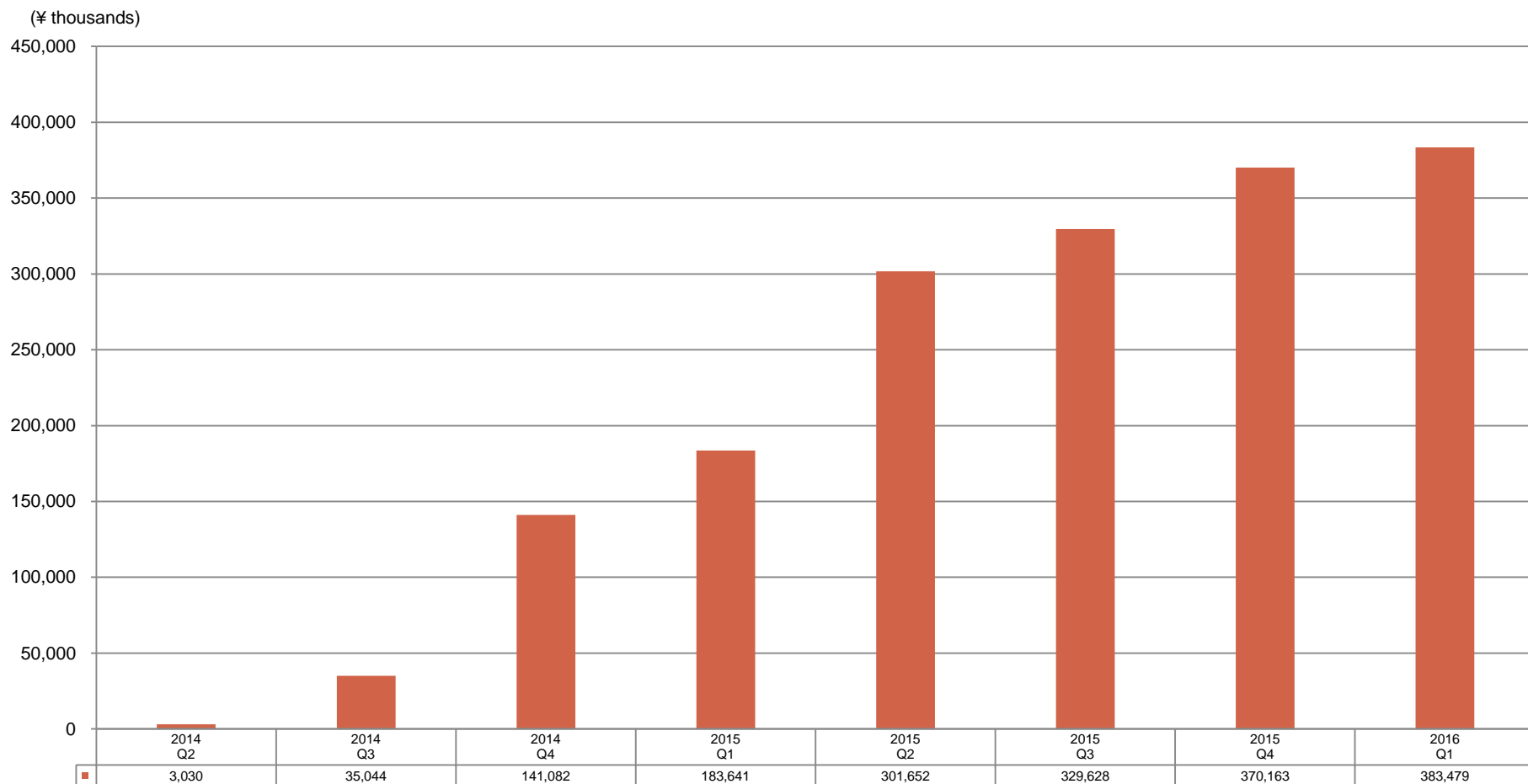
nend Average Monthly Sales per Advertiser



Sales per company were essentially unchanged.

nex8

Net Sales (Quarterly basis)



Sales before elimination of consolidated intercompany transactions

We will make changes in 2016 Q1 and Q2 for future growth.

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)	2016 Q1	2015 Full Year
Net sales	426,045	1,833,074
Operating income	29,177	176,560
Net income	19,642	111,245

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)	2016 Q1	2015 Full Year
Net sales	290,641	911,371
Operating income	18,246	69,002
Net income	10,696	43,545

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)	2016 Q1	2015 Full Year
Net sales	88,660	328,121
Operating income (loss)	(3,782)	(19,836)
Net income (loss)	(4,604)	(65,333)

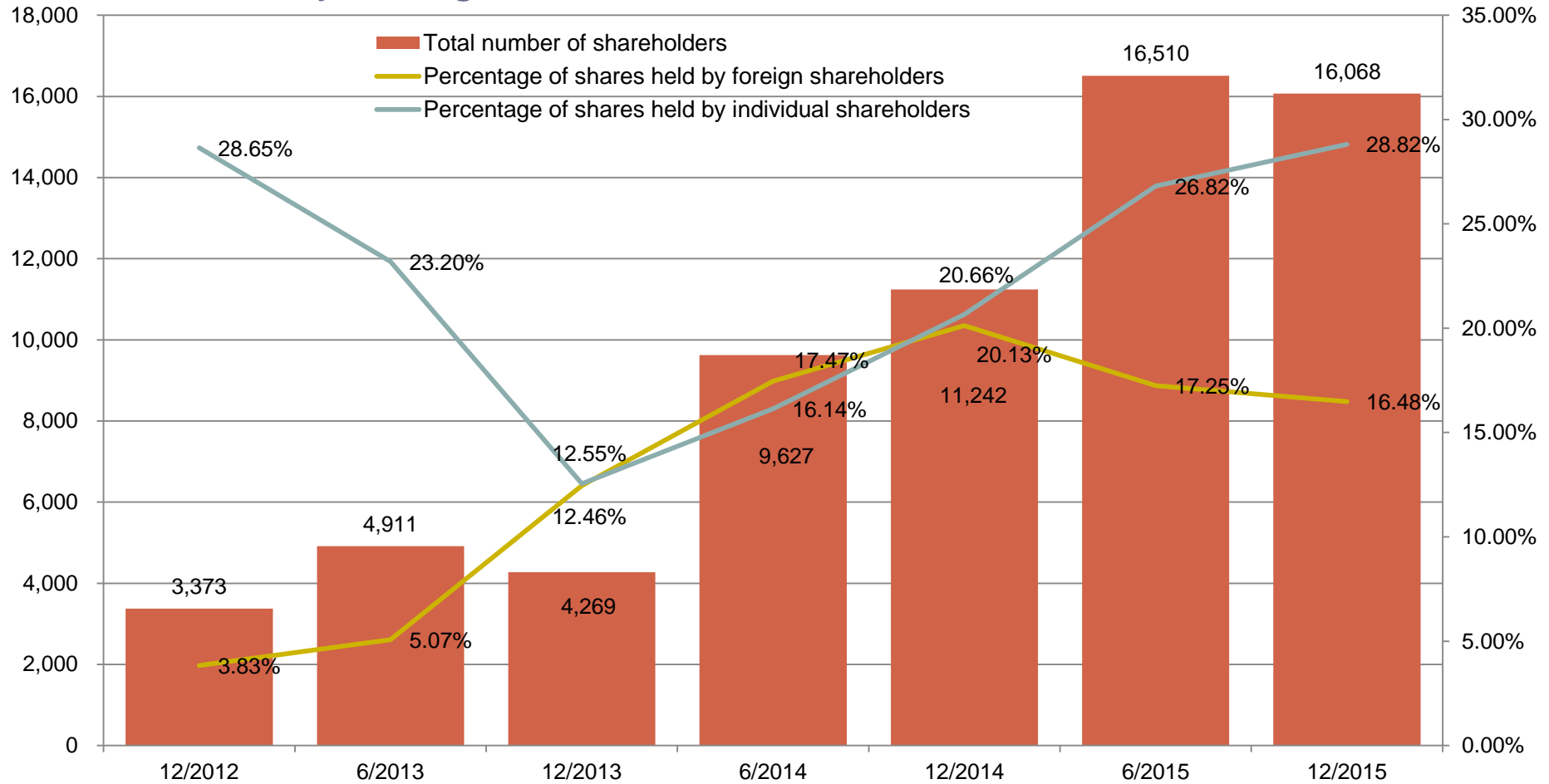
Note: The above figures are before elimination of consolidated intercompany transactions.

Stock Information

Stock Information

Stock Information

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



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	¥1,129.0 million (As of March 31, 2016)
■ President and Representative Director	Yasuyoshi Yanagisawa
■ Number of employees	Non-consolidated: 315 Group total: 367 <small>(As of March 31, 2016; 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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