



Second Quarter of 2016  
Presentation of Results

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August 9, 2016

F@N Communications, Inc.

# Contents

Second Quarter of 2016 Performance Highlights	.....	P3
Management Indicators (Quarterly Basis)	.....	P8
Overview by Main Service Area	.....	P14
▪ CPA Ad Network Business		
▪ CPC/Targeting Ad Network Business		
Consolidated Group Businesses	.....	P36
Stock Information	.....	P40
Reference Materials	.....	P42

## Second Quarter of 2016 Performance Highlights

## Second Quarter of 2016: Key Points

- **Net sales exceeded initial forecast, but earnings were slightly below forecast.**
- **A8.net continued to perform well, but nend's performance was subpar.**

# Consolidated Results of Operations

Performance  
Highlights

(¥ thousands)	2016 Q2	2015 Q2	Year-on-Year Change	% of Net Sales
<b>Net sales</b>	<b>18,764,259</b>	<b>17,342,603</b>	8.2%	100%
<b>Operating income</b>	<b>2,930,903</b>	<b>3,026,718</b>	-3.2%	15.6%
<b>Ordinary income</b>	<b>2,981,452</b>	<b>3,061,957</b>	-2.6%	15.9%
<b>Net income</b>	<b>1,954,302</b>	<b>1,948,825</b>	0.3%	10.4%
<b>Ordinary income margin</b>	<b>15.9%</b>	<b>17.7%</b>	-1.8 <sub>points</sub>	-
<b>Net income per share</b>	<b>¥25.38</b>	<b>¥25.15</b>	0.9%	-
<b>Diluted net income per share</b>	<b>¥25.30</b>	<b>¥25.01</b>	1.2%	-

# Consolidated Balance Sheets

## Performance Highlights

(¥ thousands)	December 31, 2015	June 30, 2016
<b>Assets</b>		
<b>Current assets</b>	<b>18,949,251</b>	<b>19,045,931</b>
Cash and deposits	12,507,446	12,593,165
Notes and accounts receivable - trade	4,331,781	4,423,564
Securities	1,766,002	1,765,177
Other	359,034	282,712
Allowance for doubtful accounts	-15,012	-18,687
<b>Fixed assets</b>	<b>2,284,428</b>	<b>2,447,561</b>
Property and equipment	275,499	261,190
Intangible assets	223,702	247,758
Investments and other assets	1,785,225	1,938,613
<b>Total assets</b>	<b>21,233,679</b>	<b>21,493,493</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>	<b>6,349,889</b>	<b>6,690,156</b>
Notes and accounts payable - trade	4,344,564	4,848,550
Income taxes payable	1,172,093	983,104
Other current liabilities	833,230	858,500
<b>Long-term liabilities</b>	<b>142,540</b>	<b>138,177</b>
<b>Total liabilities</b>	<b>6,492,429</b>	<b>6,828,333</b>
<b>Total net assets</b>	<b>14,741,250</b>	<b>14,665,159</b>
<b>Total liabilities and net assets</b>	<b>21,233,679</b>	<b>21,493,493</b>

Main component was ¥1,702,373 thousand in investment securities.

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

Main component was long-term guarantee deposits.

Dividend payments of ¥1,319,175 thousand and acquisition of treasury shares valued at ¥687,563 thousand offset quarterly net income of ¥1,954,302 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 Interim Period Actual	Progress (% of Full-Year Forecast)
Net sales	<b>38,000 (6.2)</b>	<b>18,500 (6.7)</b>	<b>18,764</b>	<b>49.4%</b>
Operating income	<b>6,200 (1.4)</b>	<b>2,960 (-2.2)</b>	<b>2,930</b>	<b>47.3%</b>
Ordinary income	<b>6,240 (1.0)</b>	<b>3,000 (-2.0)</b>	<b>2,981</b>	<b>47.8%</b>
Net income	<b>4,170 (5.6)</b>	<b>2,000 (2.6)</b>	<b>1,954</b>	<b>46.9%</b>

## Dividend Forecast

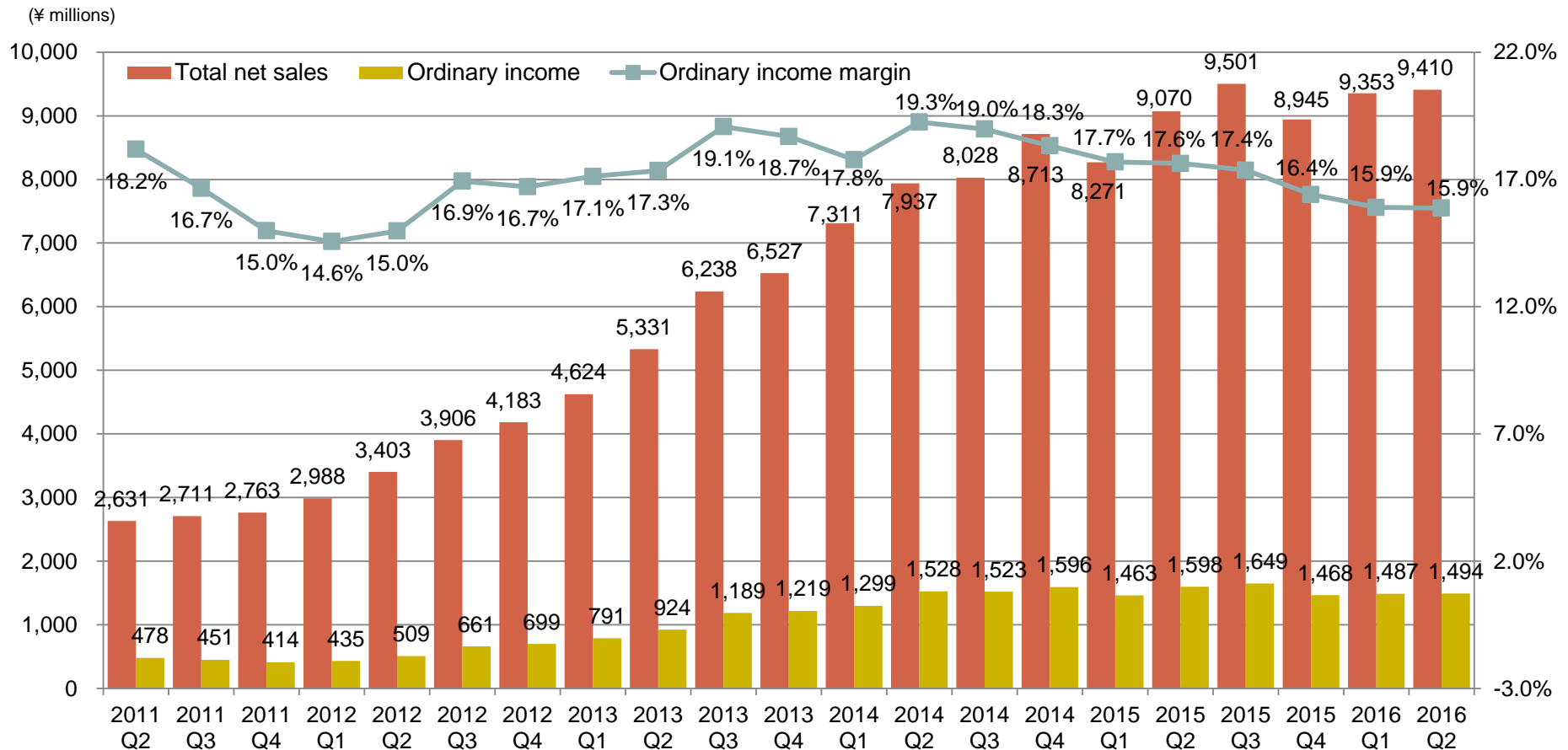
	2016 Forecast	2015 Actual
Year-end dividend per share	<b>¥18</b>	<b>¥17</b>

## Management Indicators (Quarterly Basis)



## Management Indicators

# Net Sales, Ordinary Income and Ordinary Income Margin (Consolidated/Quarterly basis)



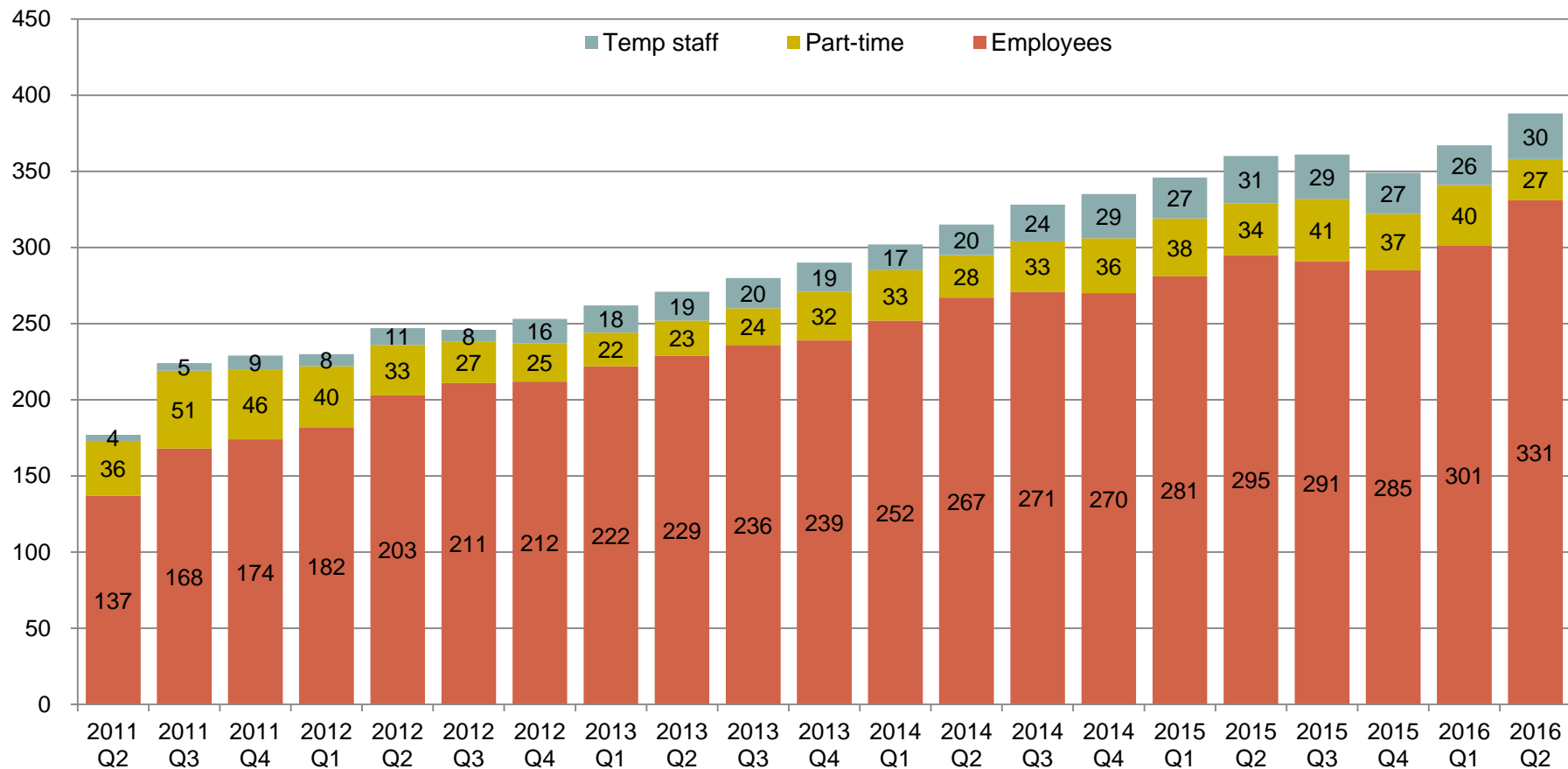
Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

Net sales for the quarter increased slightly from 2016 Q1 to a new record for the second consecutive quarter. Ordinary income margin was unchanged from 2016 Q1 at 15.9%.

# Number of Employees

(Non-consolidated/Quarterly basis)

Management  
Indicators



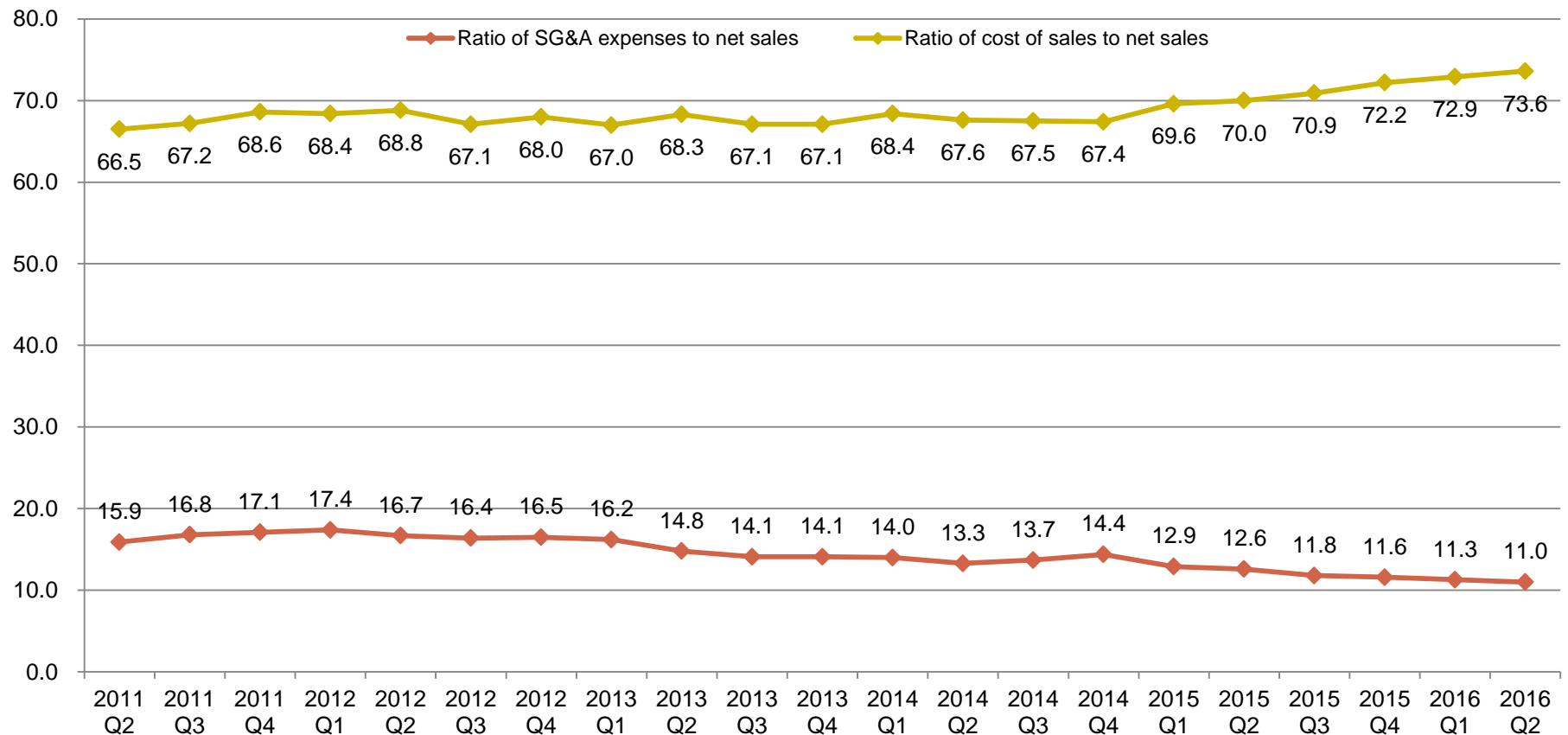
Note: Data are non-consolidated to 2011 Q2 and consolidated from 2011 Q3.

The total number of employees in the Group was 388, an increase of 28 from 2015 Q2.

Number of employees increased by 21 from 2016 Q1 to a record high.

# 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.

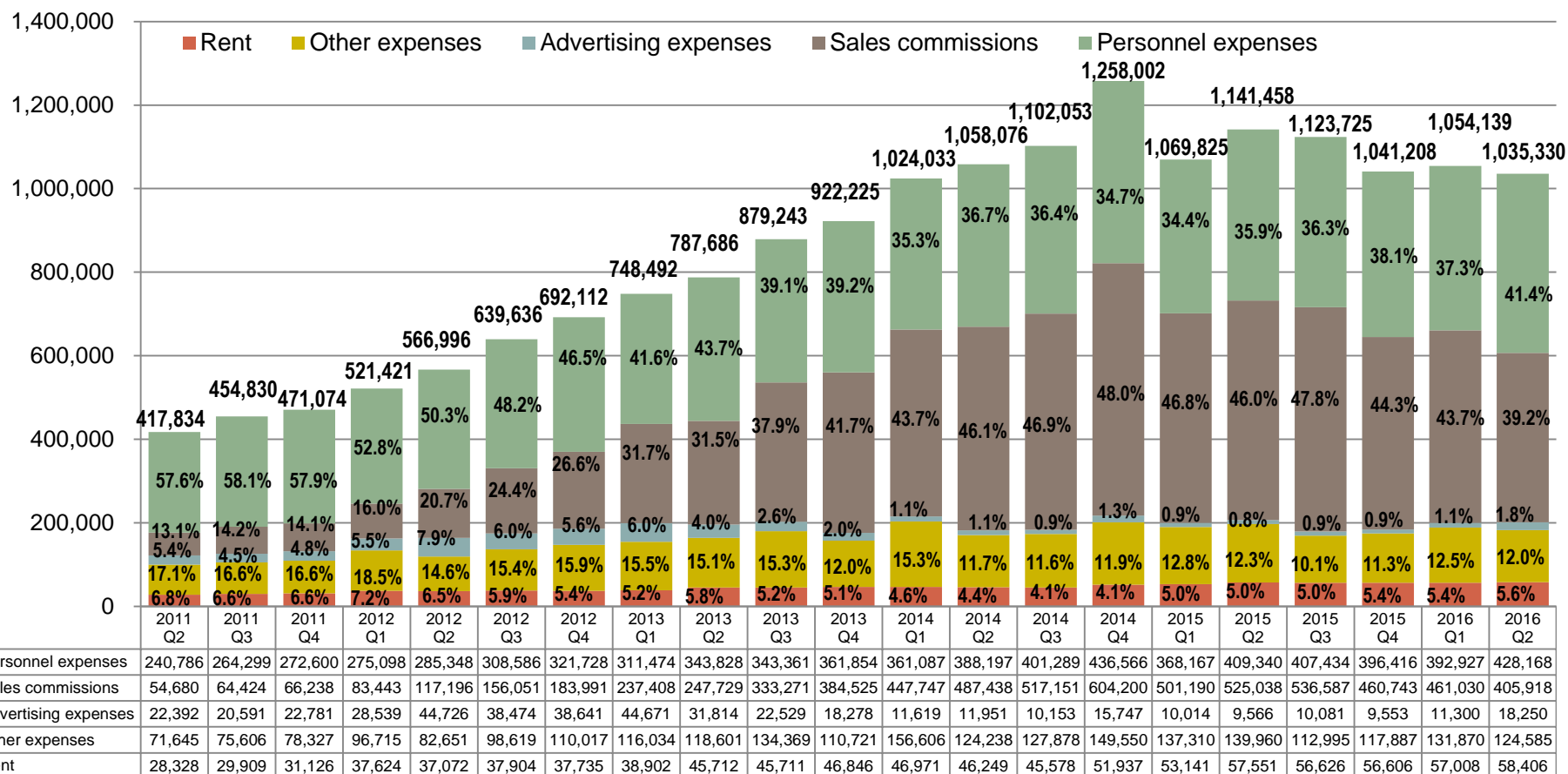
The cost of sales ratio increased 0.7 percentage points compared with 2016 Q1. However, the selling, general and administrative (SG&A) expenses ratio decreased 0.3 percentage points.

# Selling, General and Administrative Expenses

(Consolidated/Quarterly basis)

Management  
Indicators

(¥ thousands)



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

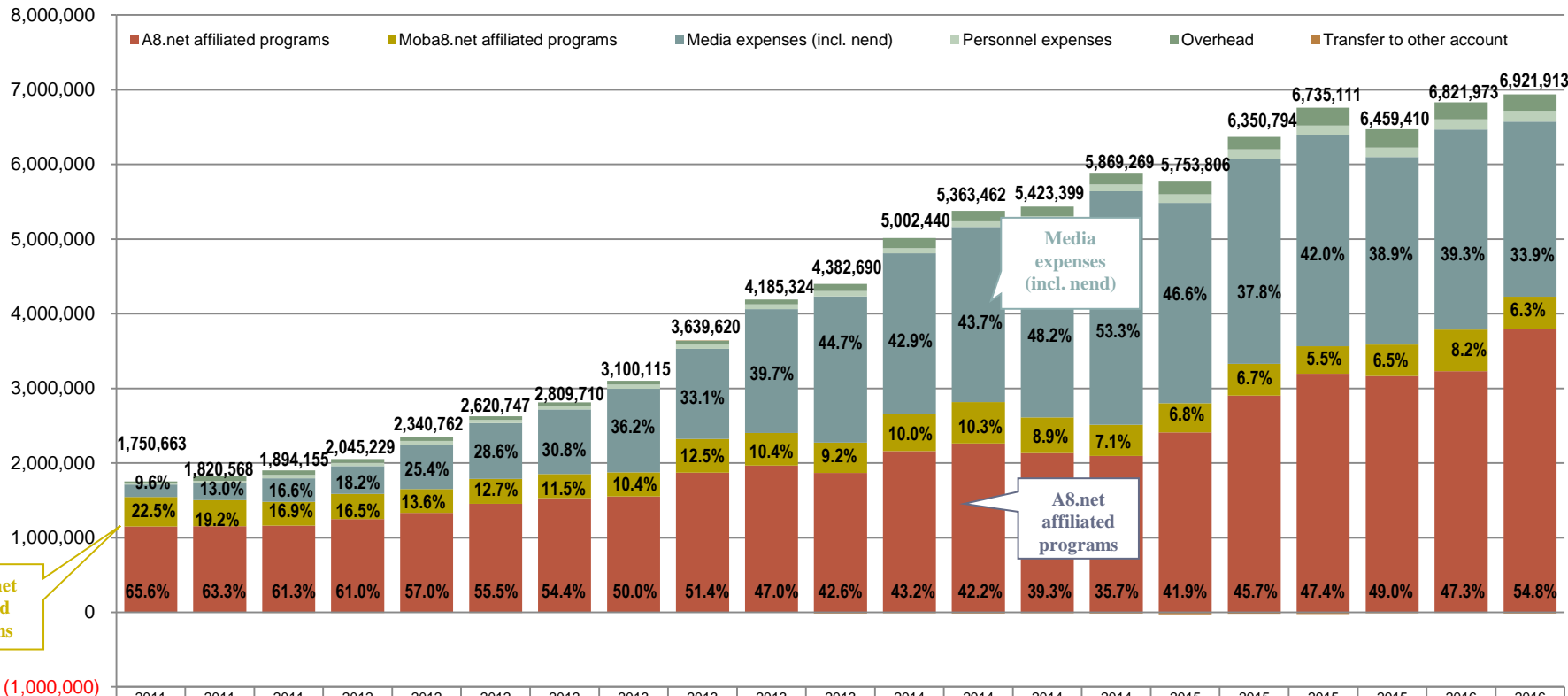
The ratio of personnel expenses increased due to the addition of employees. The ratio of sales commissions decreased due to lower sales at end.

# Cost of Sales

## (Consolidated/Quarterly basis)

### Management Indicators

(¥ thousands)



(1,000,000)

	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	2015 Q3	2015 Q4	2016 Q1	2016 Q2
Transfer to other account	(3,182)	(3,766)	(9,149)	(7,039)	(4,610)	(6,963)	(2,884)	(2,420)	90	(5,228)	(15,286)	(10,313)	(16,030)	(11,882)	(15,778)	(27,600)	(19,591)	(24,282)	(12,417)	(8,732)	(16,422)
Overhead	20,082	65,157	61,870	49,158	49,782	50,387	47,797	50,086	53,697	66,541	95,241	136,481	140,800	128,387	152,976	183,567	170,335	237,116	247,798	228,268	218,538
Personnel expenses	22,201	19,695	46,390	45,761	49,678	40,765	47,826	56,935	56,537	61,750	70,400	67,686	78,056	79,960	90,632	112,932	128,742	130,556	126,468	135,177	145,974
Media expenses (incl. nend)	168,522	236,591	313,974	372,491	594,770	750,680	864,672	1,122,067	1,204,996	1,659,546	1,960,683	2,147,395	2,345,331	2,614,524	3,129,333	2,682,124	2,741,405	2,828,754	2,510,981	2,680,168	2,347,429
Moba8.net affiliated programs	394,566	349,994	320,232	337,235	317,307	331,691	323,522	322,583	453,356	437,186	404,245	501,055	554,355	478,888	415,362	392,287	427,125	367,442	420,076	558,996	434,707
A8.net affiliated programs	1,148,472	1,152,897	1,160,836	1,247,620	1,333,834	1,454,190	1,528,774	1,550,862	1,870,940	1,965,527	1,867,407	2,160,132	2,260,948	2,133,520	2,096,742	2,410,493	2,902,774	3,195,522	3,166,500	3,228,092	3,791,684

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.

Sales at A8.net and Moba8.net tend to be in markets with a higher cost of sales ratio.

## Overview by Main Service Area

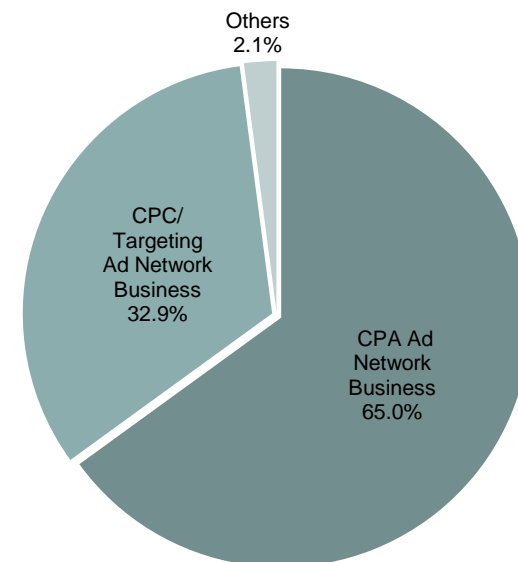
# Net Sales by Reportable Segment

(Consolidated/Quarterly basis)

## Overview by Service Area

(¥ thousands)	2016 Q2 (April - June)	2015 Q2 (April - June)	Change
CPA Ad Network Business	<b>6,117,713</b>	<b>5,118,715</b>	19.5%
CPC/Targeting Ad Network Business	<b>3,096,905</b>	<b>3,776,702</b>	-18.0%
Others	<b>196,089</b>	<b>175,276</b>	11.9%
<b>Total net sales</b>	<b>9,410,708</b>	<b>9,070,693</b>	3.7%

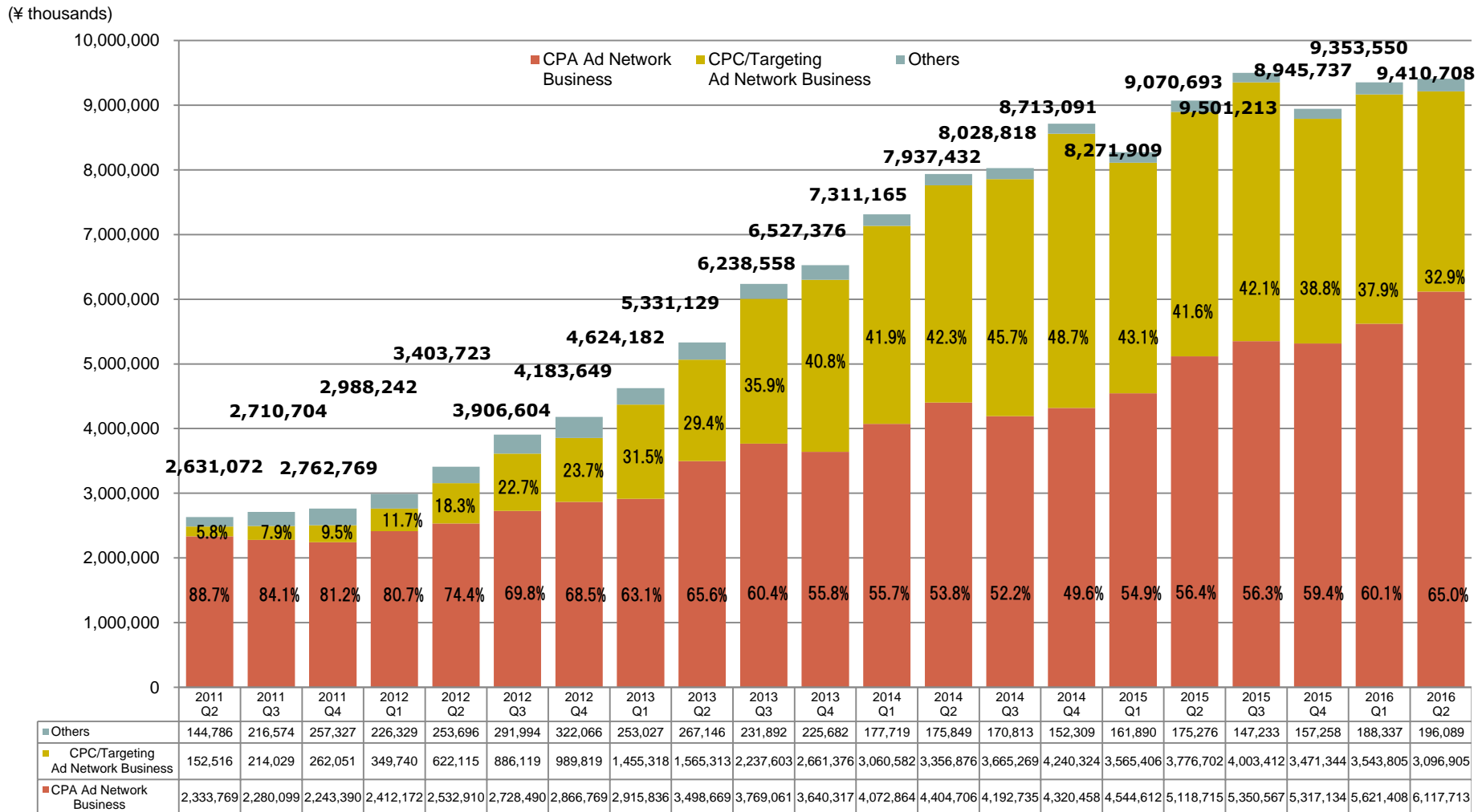
Main services of CPA Ad Network Business: A8.net, Moba8.net, adcrops  
 Main services of CPC/Targeting Ad Network Business: nend, nex8  
 Main services of Others: Own media operations, advertising agency, others



CPC/Targeting Ad Network Business sales decreased substantially.

# Net Sales by Reportable Segment

## (Consolidated/Quarterly basis)



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

CPA Network Ad Business increased to 65% of net sales.



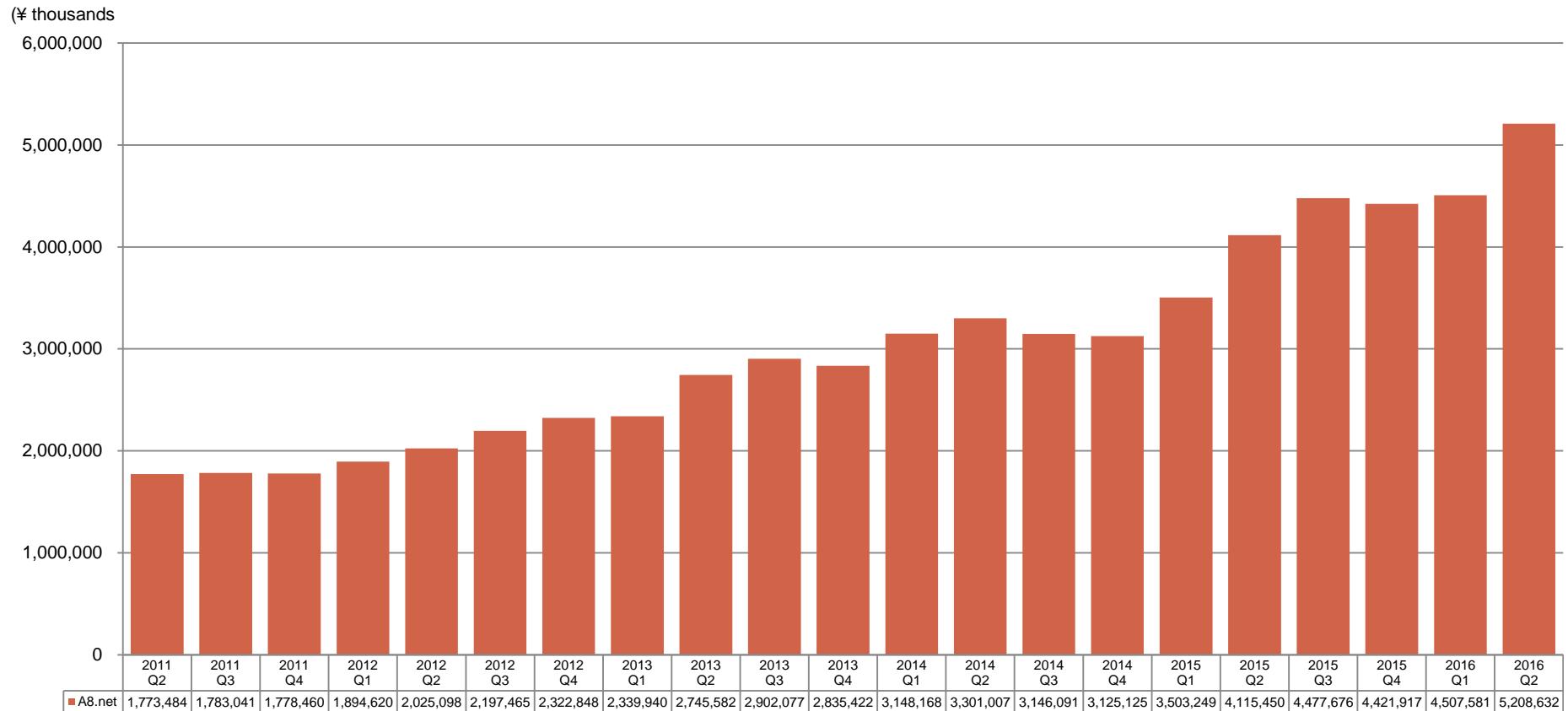
## 「A8.net」Summary

	2016 Q2 (April – June)	2015 Q2 (April – June)	Change
Sales (¥ thousands)	<b>5,208,632</b>	<b>4,115,450</b>	26.6%
Number of operating advertiser IDs	<b>3,049</b>	<b>2,757</b>	10.6%
Number of registered partner sites	<b>2,059,390</b>	<b>1,892,566</b>	8.8%

Sales before elimination of consolidated intercompany transactions

The number of operating advertiser IDs increased by 292 from 2015 Q1.

# 「A8.net」 Net Sales (Quarterly basis)

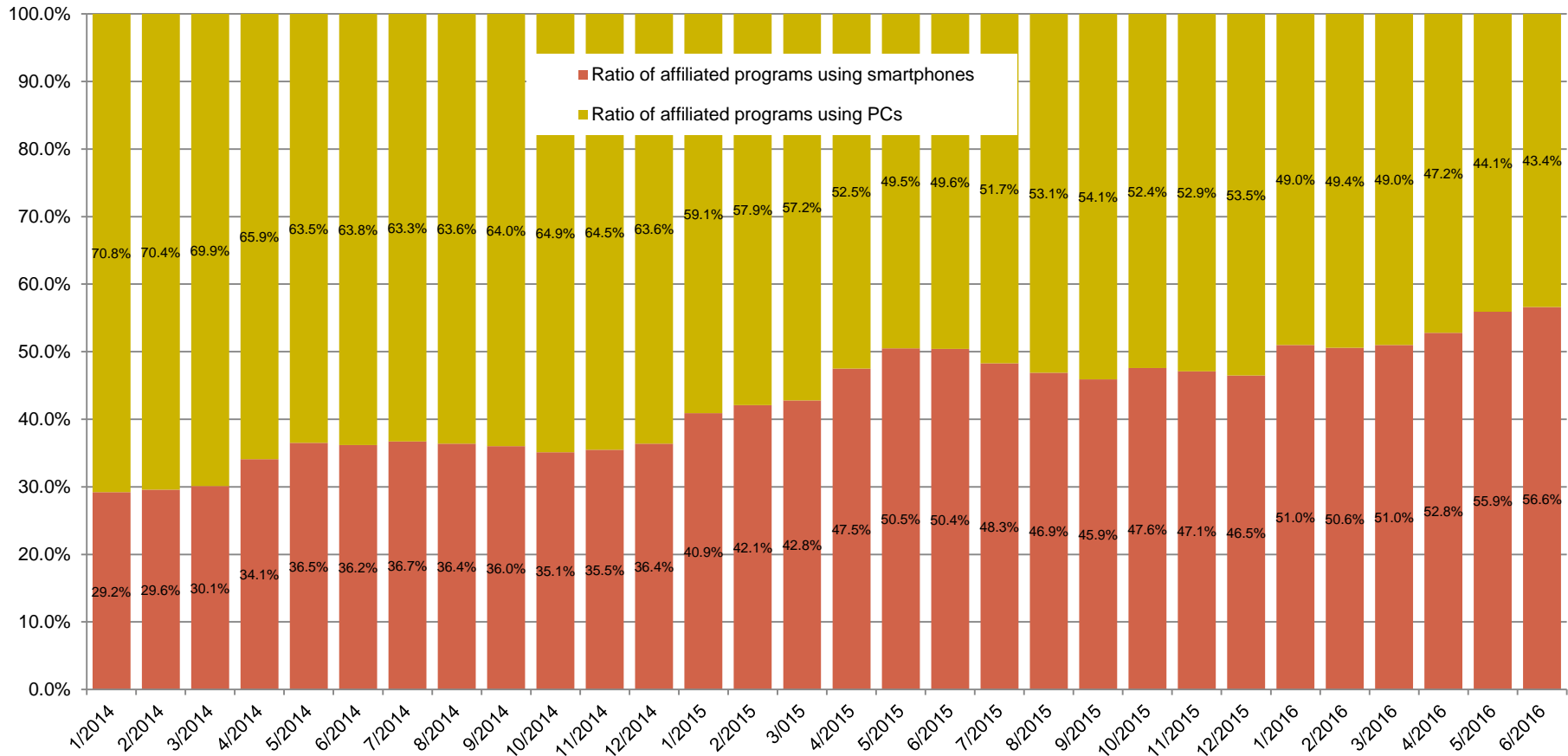


Sales before elimination of consolidated intercompany transactions

Quarterly net sales set a new record and topped ¥5 billion for the first time.

「A8.net」

## Ratio of Smartphones in Affiliated Programs (Monthly basis)

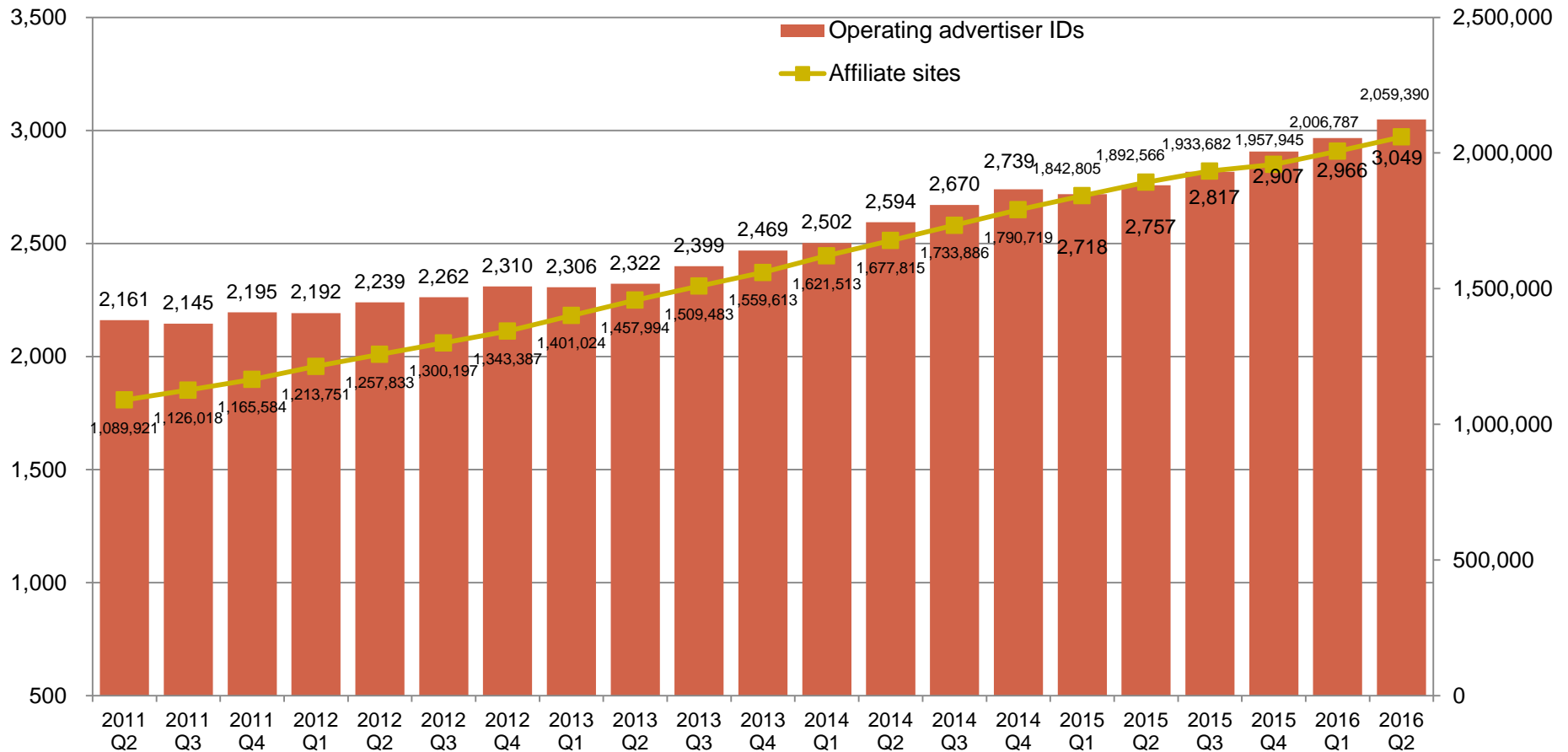


The ratio of smartphones in affiliated programs is increasing in small quarterly increments.

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)



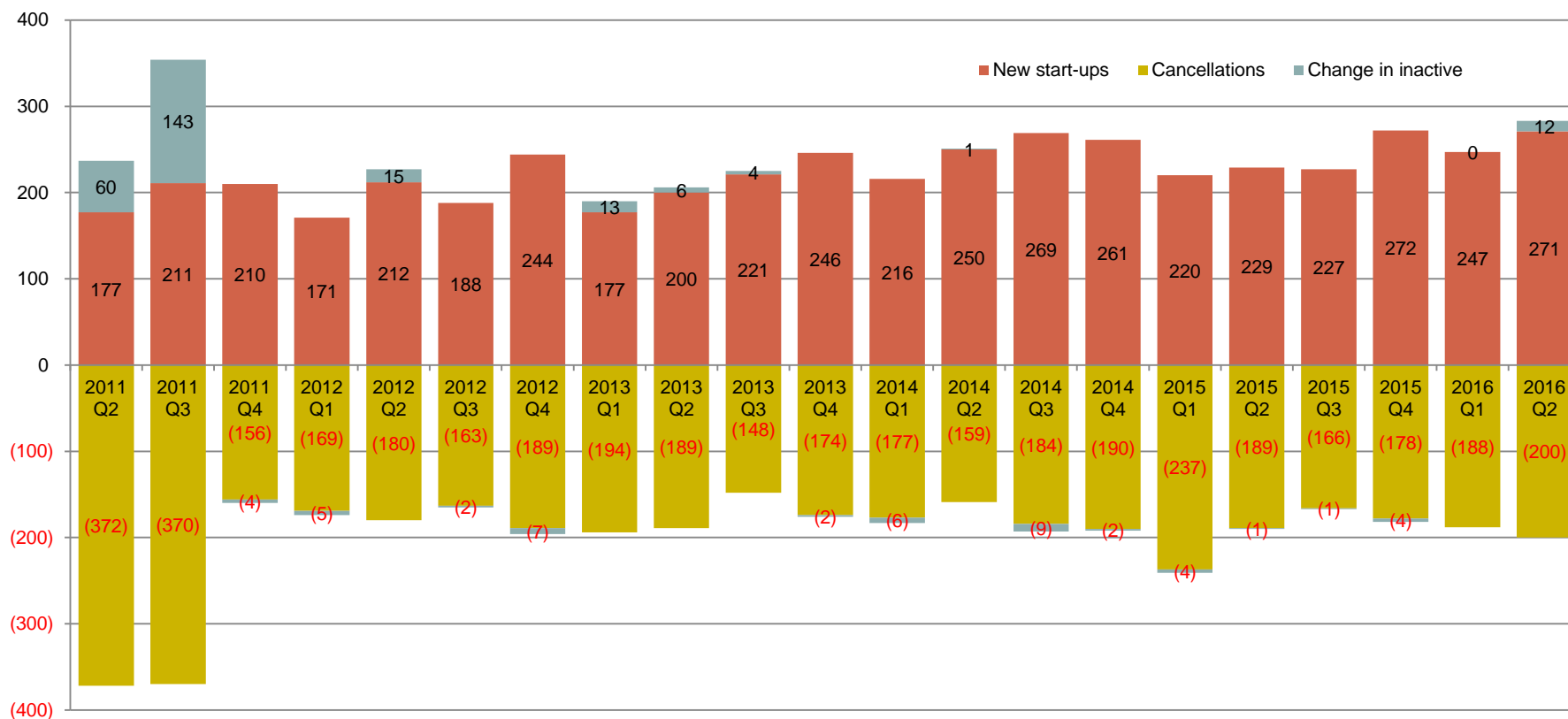
Notes: 1. The number of operating advertisers is as of the final month of each quarter.  
2. The number of overseas advertisers is included from 2014 Q3.

The number of operating advertisers increased by 83 from 2016 Q1.

The number of overseas operating advertisers increased by 27 from 2016 Q1 to 167.

「A8.net」

## New Advertiser Start-ups and Cancellations

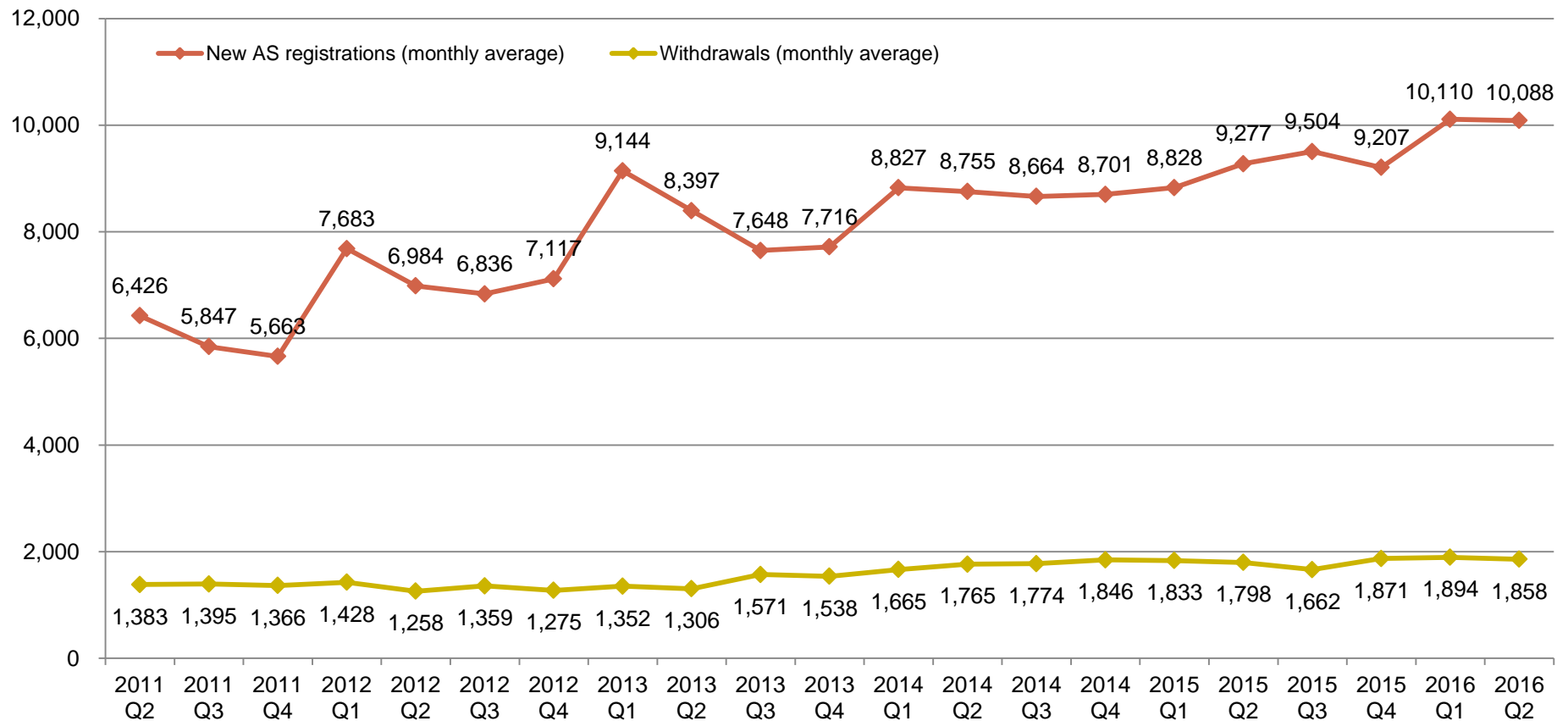


Note: "Change in inactive" is the difference in number of customers who switched between "operating" and "inactive," adjusted for the number of customers who switched from "inactive" to "cancelled" included in the number of cancellations.

Advertiser start-ups increased by 42 compared with 2015 Q2

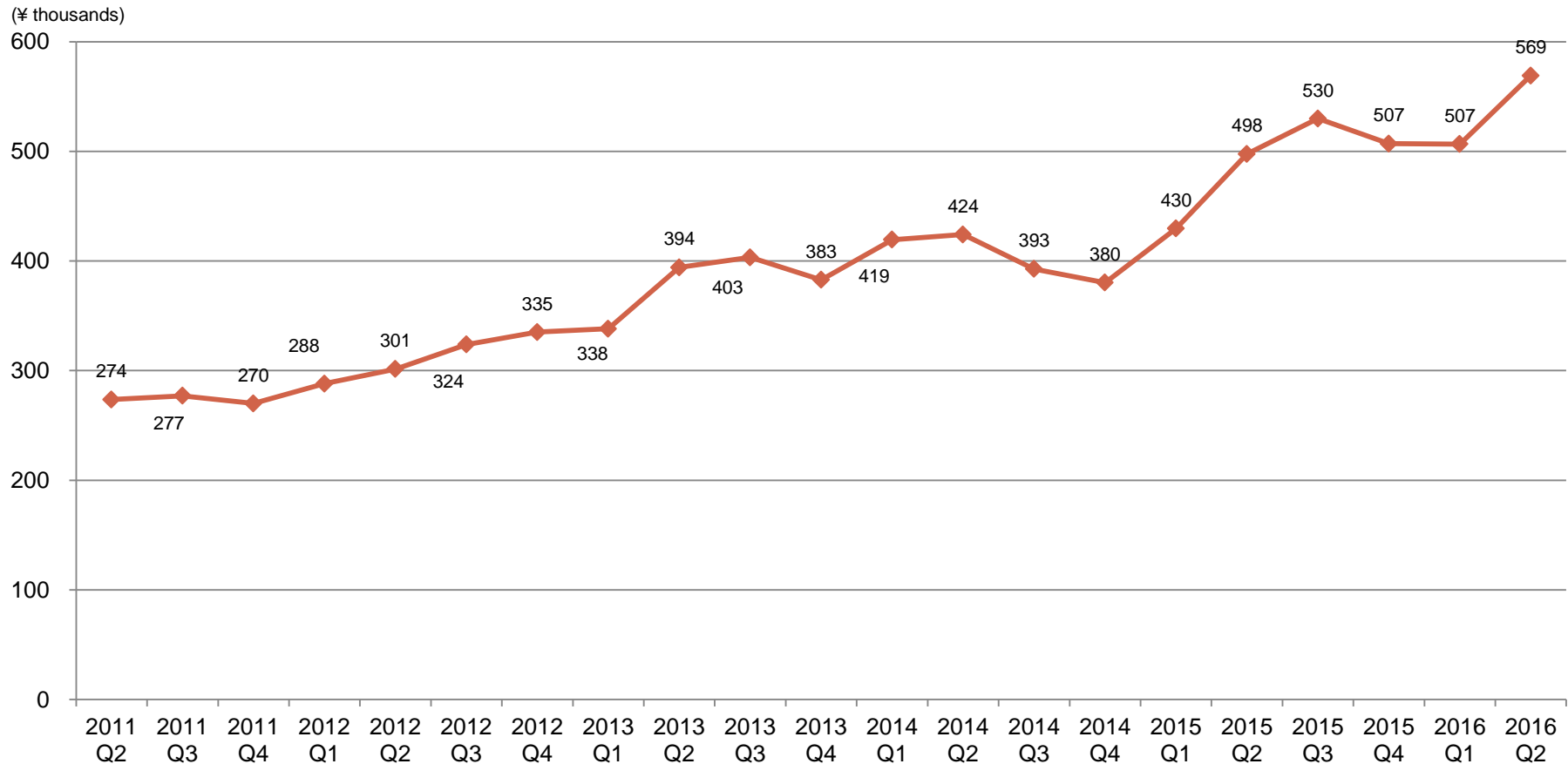
「A8.net」

## 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 hit a new record of ¥569,000.

# 「Moba8.net」 Summary

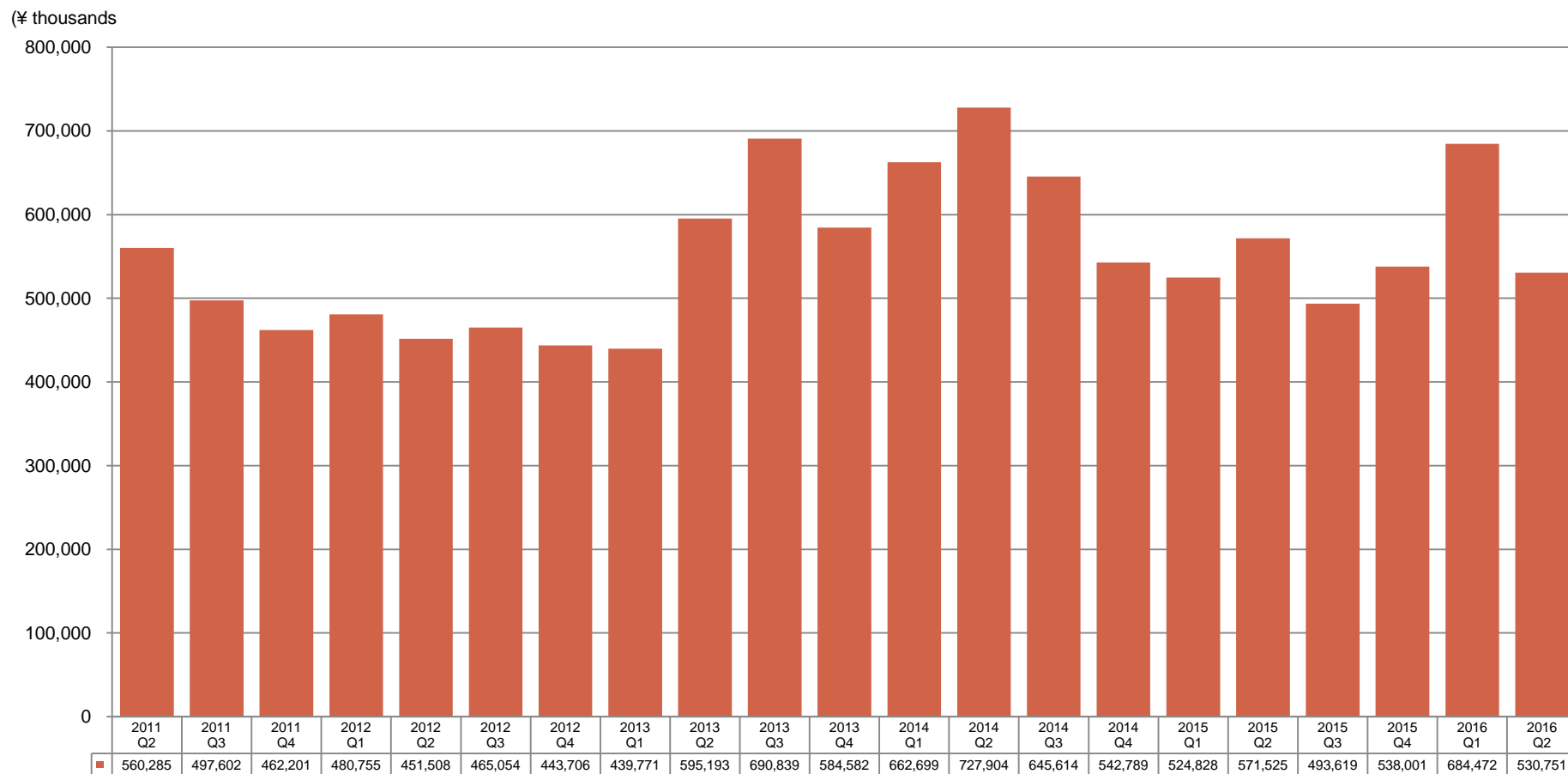
	2016 Q2 (April – June)	2015 Q2 (April – June)	Change
Sales (¥ thousands)	<b>530,751</b>	<b>571,525</b>	-7.1%
Number of operating advertiser IDs	<b>1,107</b>	<b>1,199</b>	-7.7%
Number of registered partner sites	<b>270,126</b>	<b>256,752</b>	5.2%

Sales before elimination of consolidated intercompany transactions

Sales and number of operating advertisers IDs decreased compared with 2015 Q2.



# 「Moba8.net」 Net Sales (Quarterly basis)

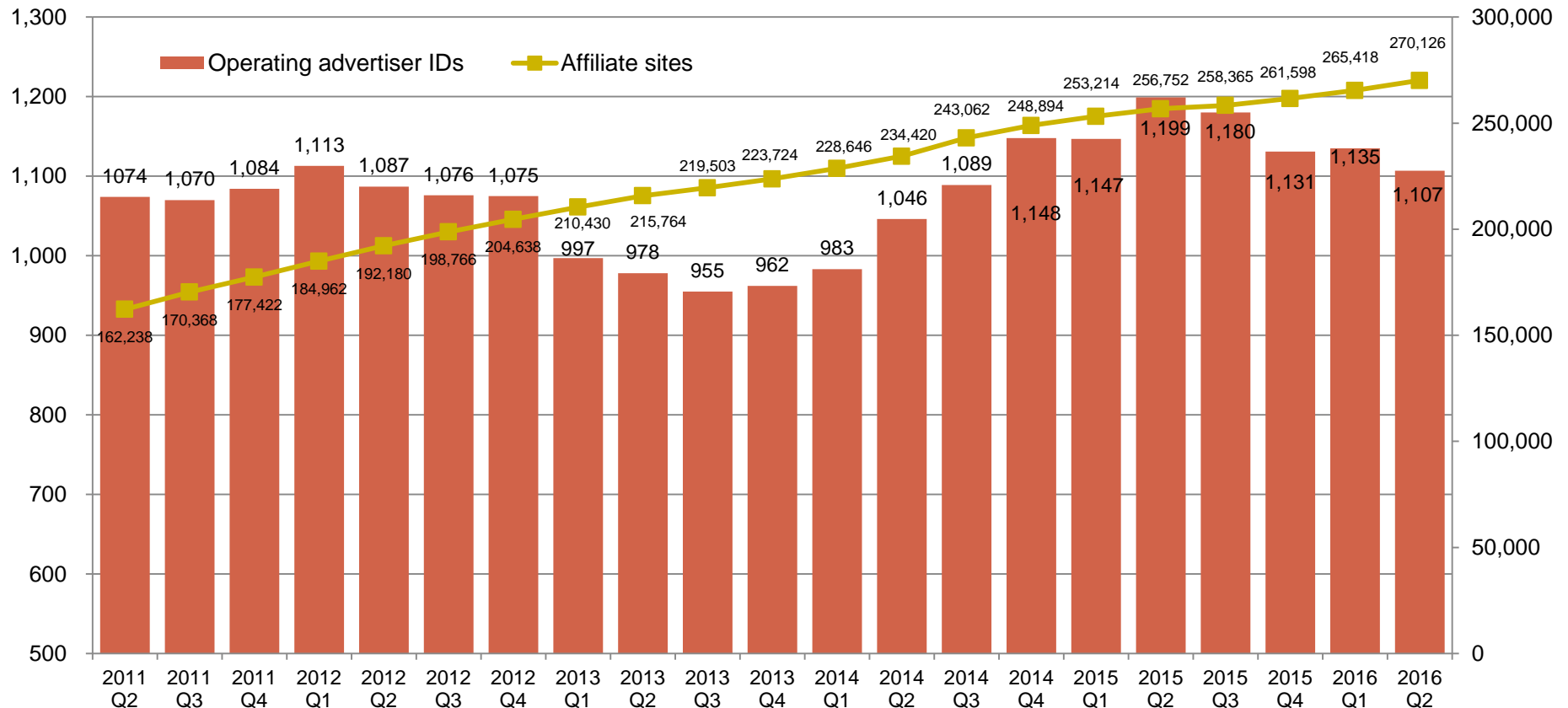


Sales before elimination of consolidated intercompany transactions

Net sales decreased from 2016 Q1 due to reduced activity among major customers.

「Moba8.net」

## Number of Operating Advertisers and Affiliate Sites (Quarterly basis)

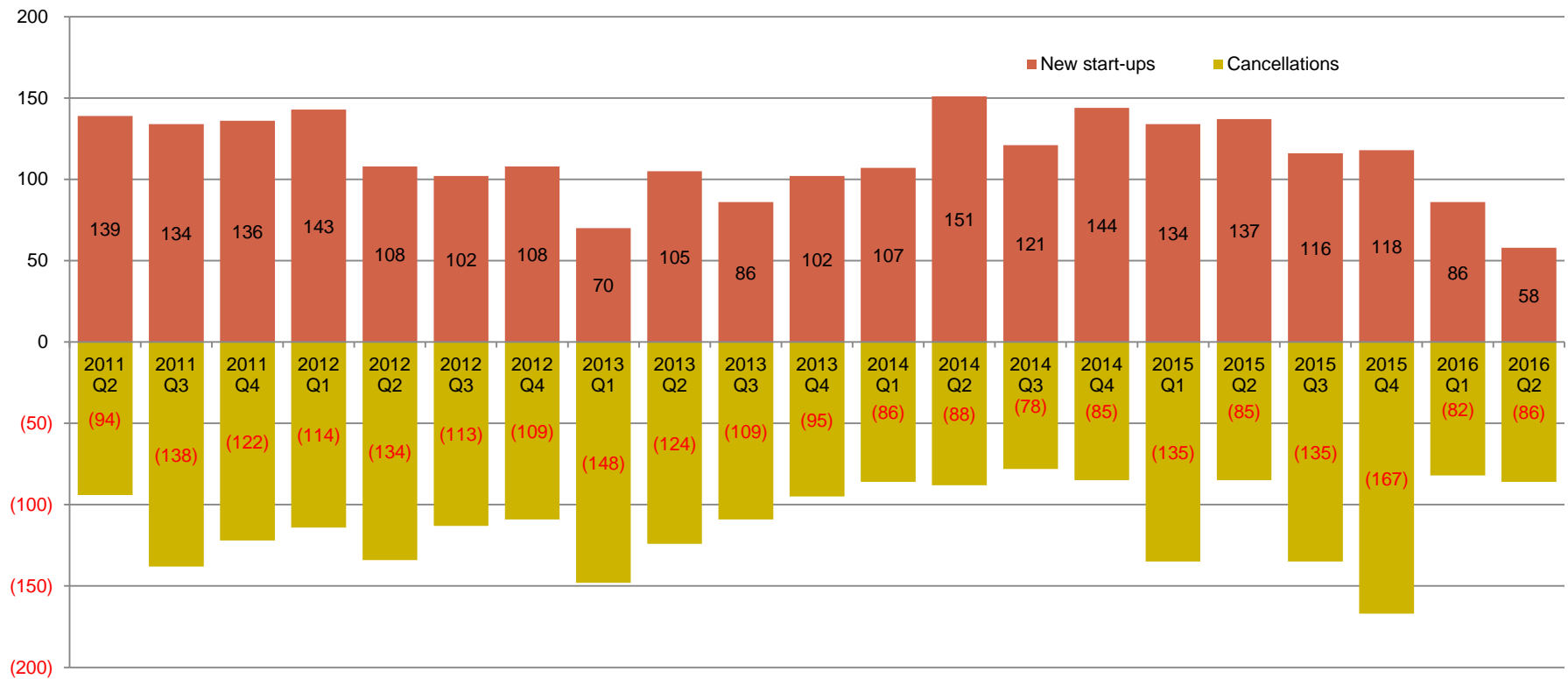


Note: The number of operating advertisers is as of the final month of each quarter.

The number of operating advertisers decreased. One factor was a redirection in new sales to other services.

## 「Moba8.net」

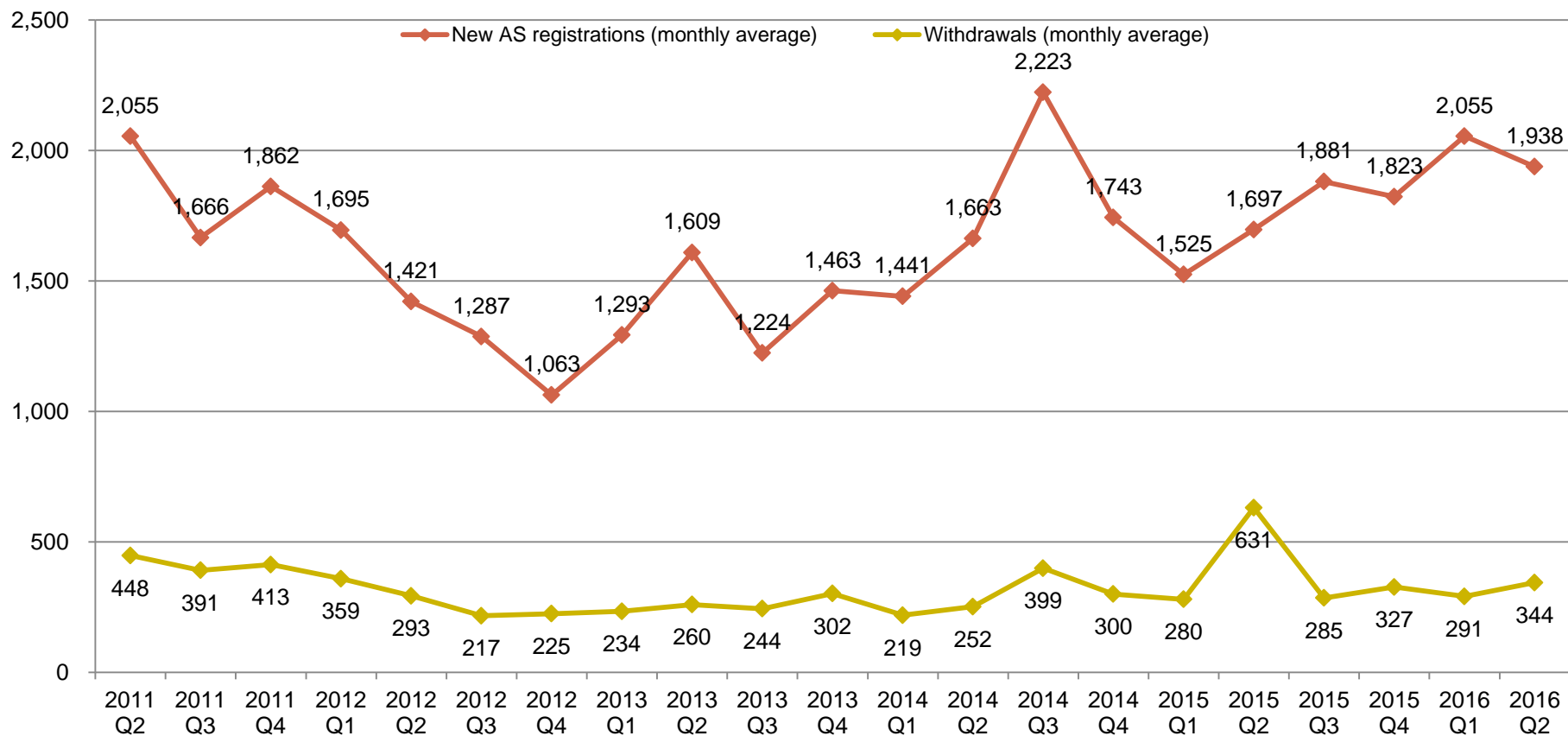
## New Advertiser Start-ups and Cancellations (Quarterly basis)



The number of new advertiser start-ups was disappointing.

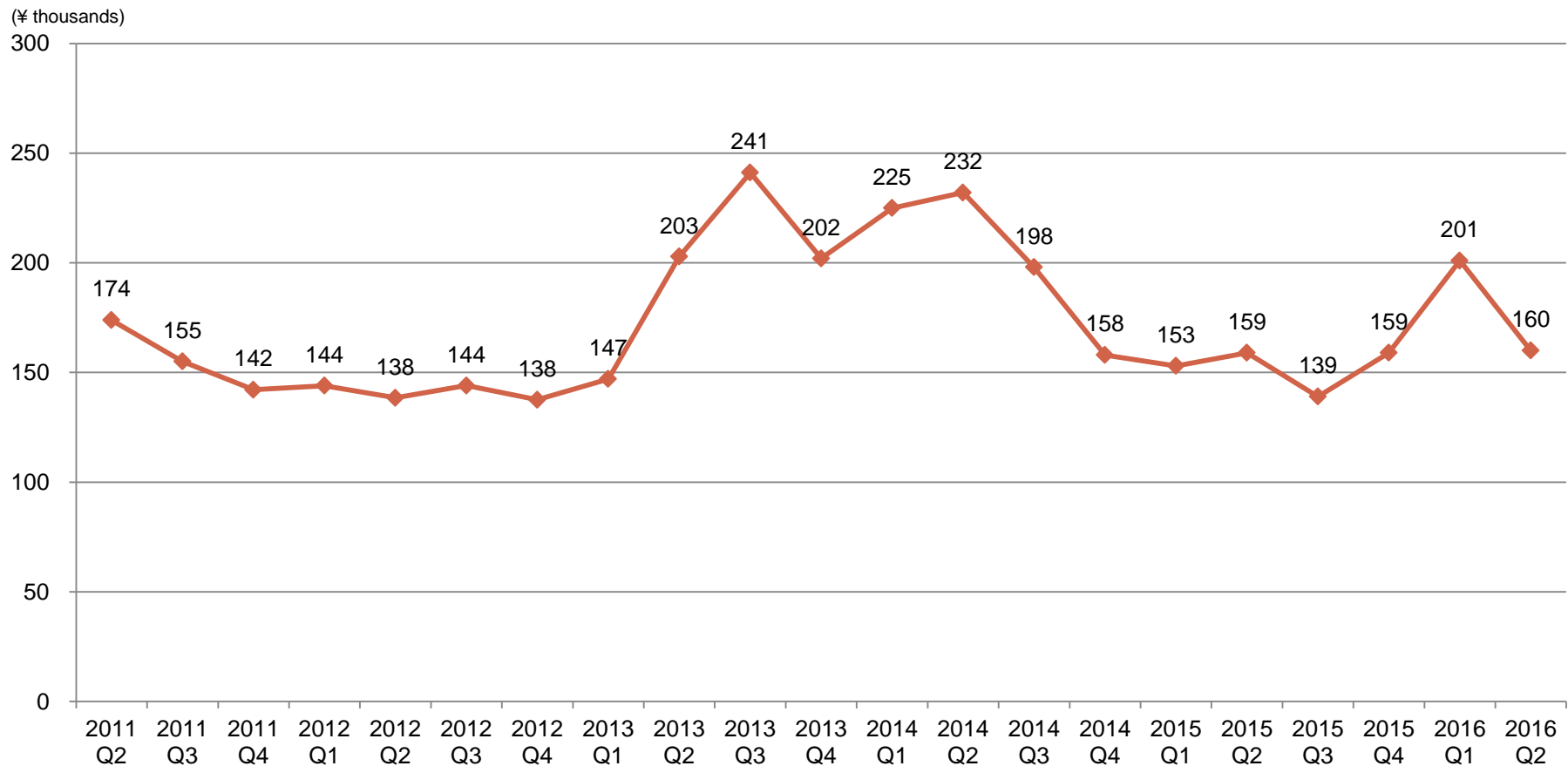
「Moba8.net」

## Average Monthly New Affiliate Site (AS) Registrations and Withdrawals



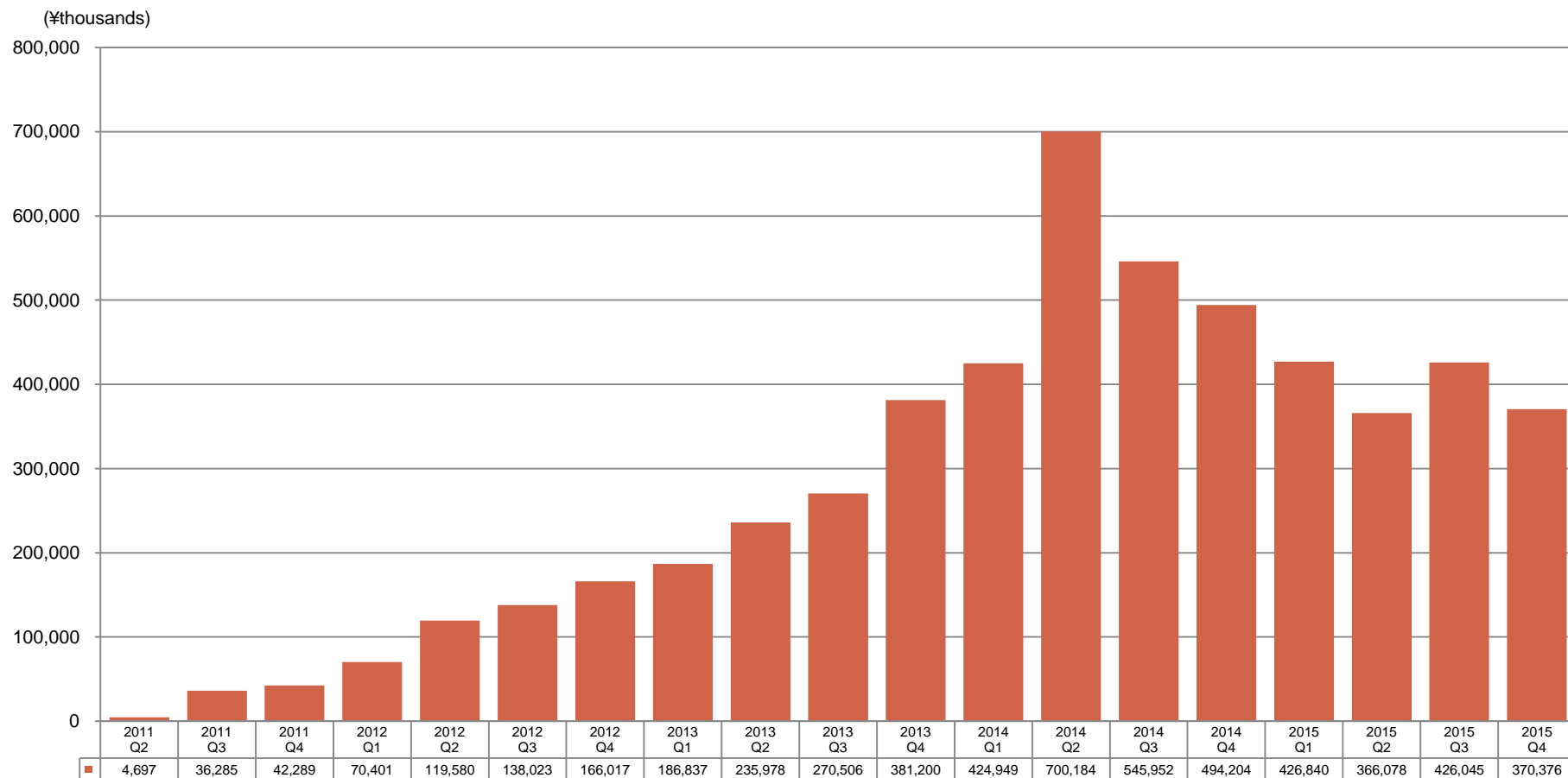
The trend has not changed significantly.

# 「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 net sales since 2015 Q2 continued.

# 「nend」 Summary

CPC/Targeting  
Ad Network Business

	2016 Q2 (April – June)	2015 Q2 (April – June)	Change
Sales (¥ thousands)	<b>2,408,165</b>	<b>3,435,215</b>	-29.9%
Number of operating advertiser IDs	<b>427</b>	<b>484</b>	-11.8%
Number of registered partner sites	<b>618,436</b>	<b>397,761</b>	55.5%

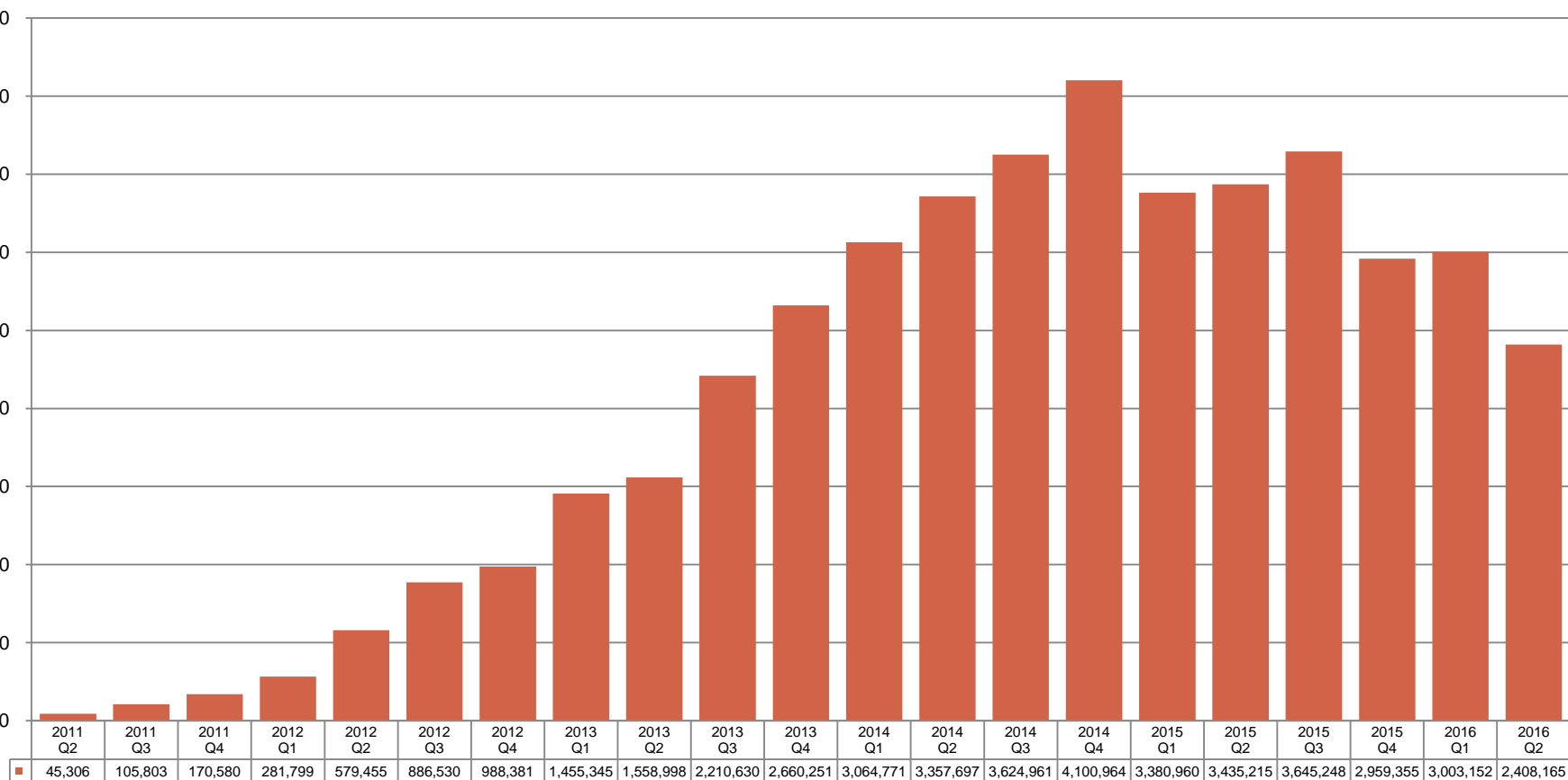
Sales before elimination of consolidated intercompany transactions

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

Sales continued to decrease compared with 2015 Q2.

# 「nend」 Net Sales (Quarterly basis)

(¥ thousands)



Sales before elimination of consolidated intercompany transactions

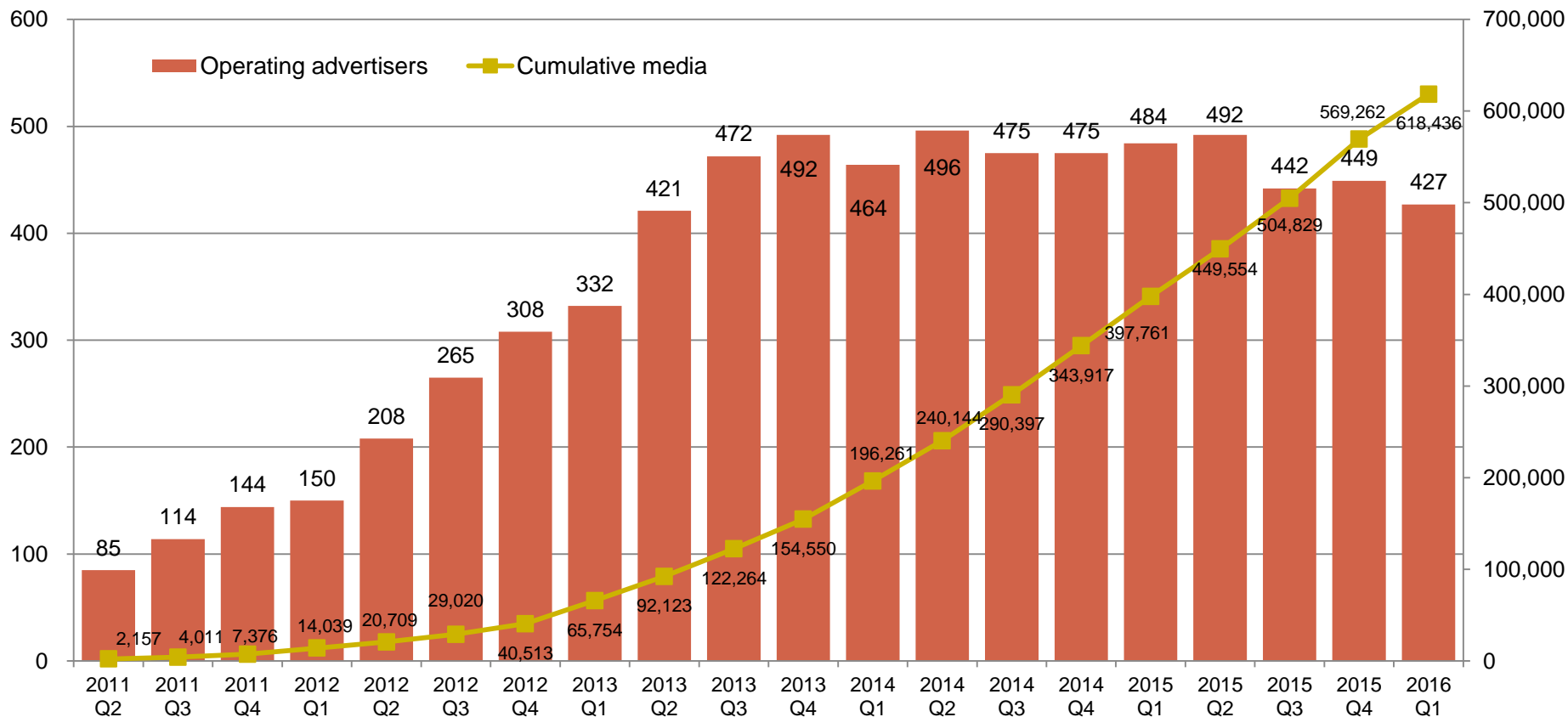
Net sales fell again compared with 2016 Q1.



## CPC/Targeting Ad Network Business

「trend」

### Number of Operating Advertisers and Media (Quarterly basis)

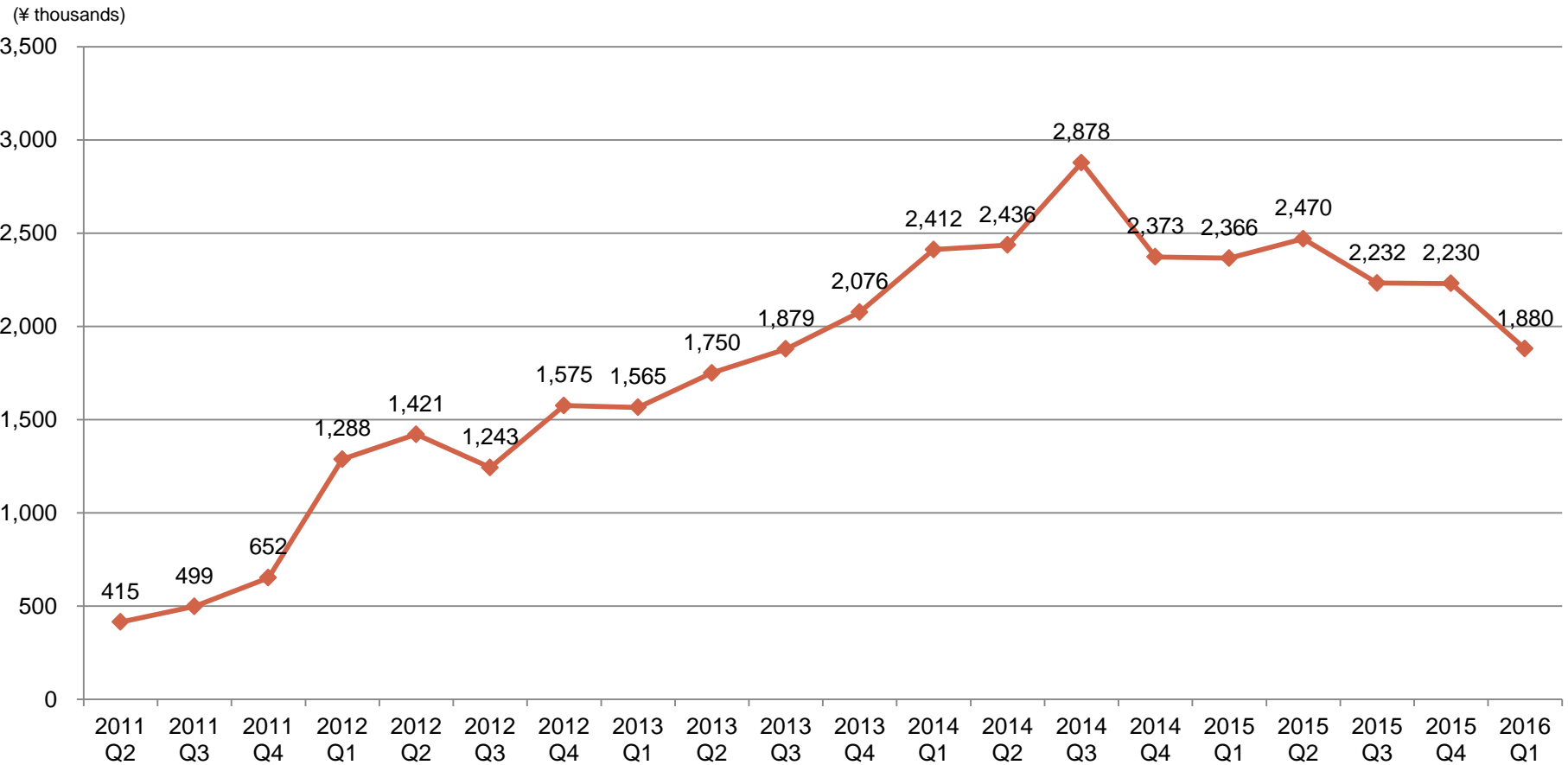


Note: The number of operating advertisers is as of the final month of each quarter.

The number of operating advertisers decreased by 22 compared with 2016 Q1.

## CPC/Targeting Ad Network Business

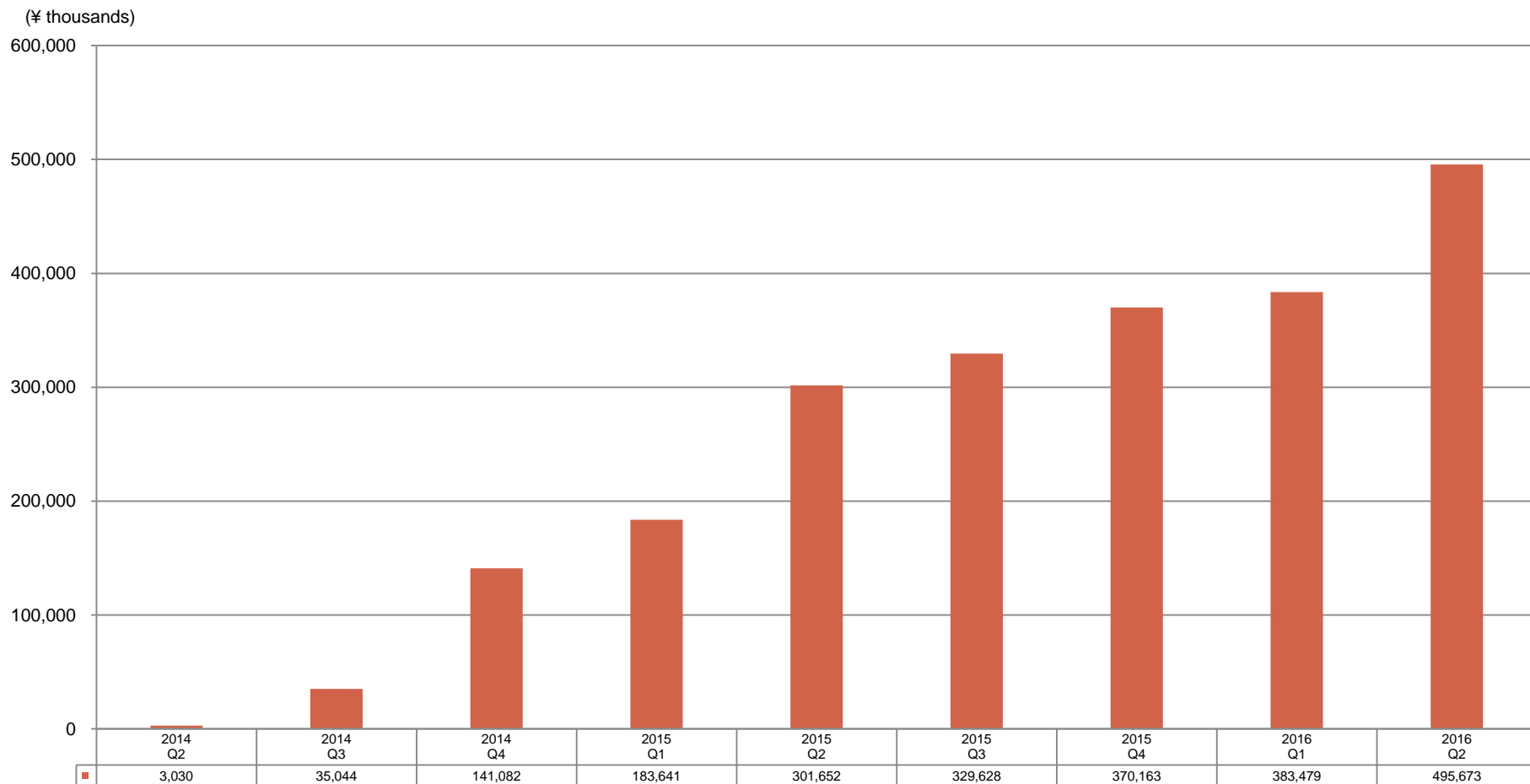
# 「trend」 Average Monthly Sales per Advertiser



Average monthly sales per advertiser decreased to the level of 2013.

## CPC/Targeting Ad Network Business

# 「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 First Two Quarters	2015 Full Year
Net sales	<b>796,421</b>	<b>1,833,074</b>
Operating income	<b>48,098</b>	<b>176,560</b>
Net income	<b>32,299</b>	<b>111,245</b>

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 First Two Quarters	2015 Full Year
Net sales	<b>555,191</b>	<b>911,371</b>
Operating income	<b>37,739</b>	<b>69,002</b>
Net income	<b>22,044</b>	<b>43,545</b>

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 First Two Quarters	2015 Full Year
Net sales	<b>193,979</b>	<b>328,121</b>
Operating income (loss)	<b>(13,542)</b>	<b>(19,836)</b>
Net income (loss)	<b>(14,606)</b>	<b>(65,333)</b>



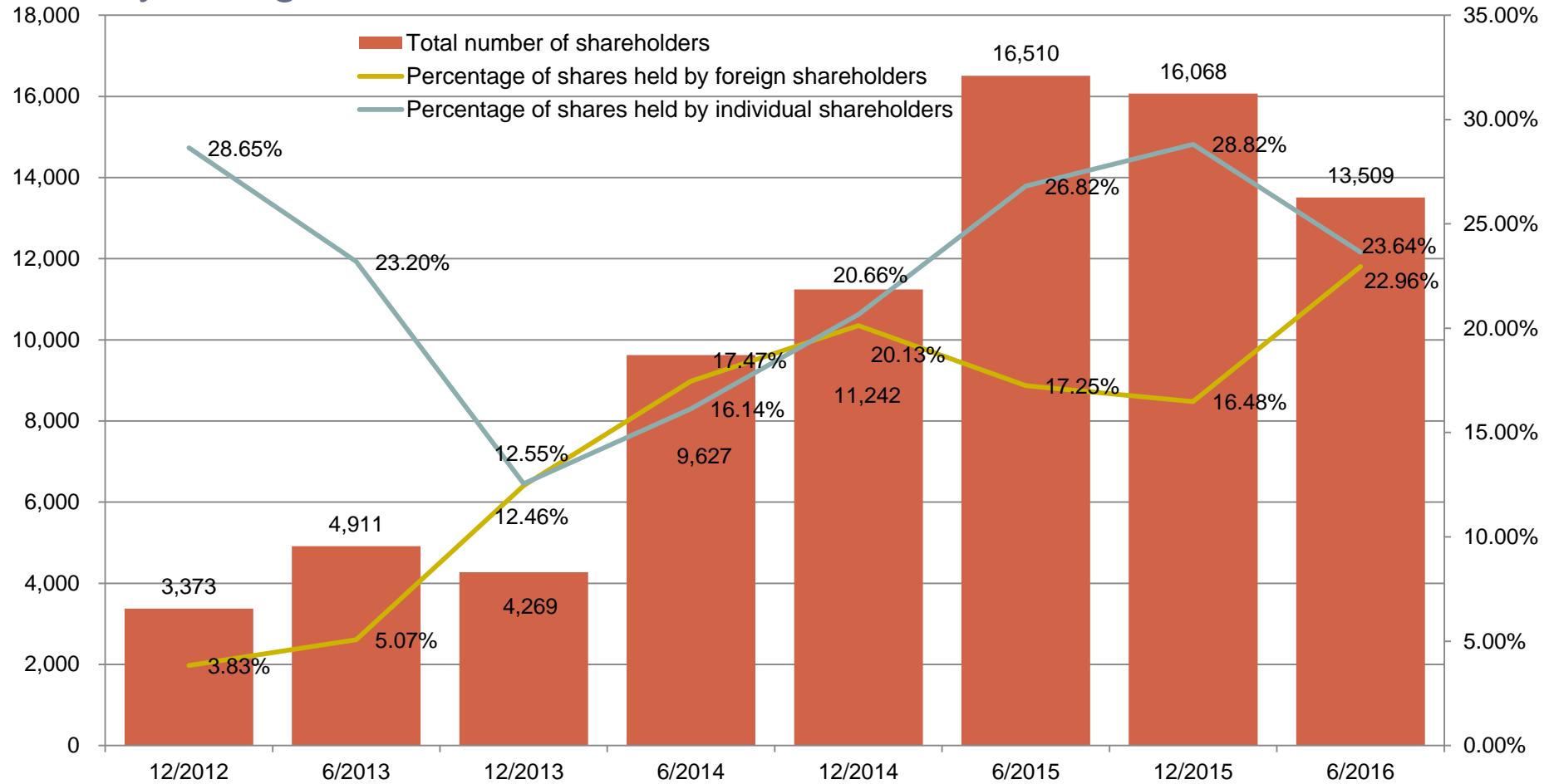
Note: The above figures are before elimination of consolidated intercompany transactions.

## Stock Information



## Stock Information

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



## Reference Materials

# 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

■ <b>Company name</b>	<b>F@N Communications, Inc.</b>
■ <b>Securities code</b>	<b>2461 (Tokyo Stock Exchange, First Section)</b>
■ <b>Fiscal year-end</b>	<b>December</b>
■ <b>Established</b>	<b>October 1, 1999</b>
■ <b>Capital</b>	<b>¥1,135.04 million (As of June 30, 2016)</b>
■ <b>President and Representative Director</b>	<b>Yasuyoshi Yanagisawa</b>
■ <b>Number of employees</b>	<b>Non-consolidated: 332 Group total: 388 (As of June 30, 2016; includes part-time and temp staff)</b>
■ <b>Headquarters</b>	<b>Aoyama Diamond Building 1-1-8, Shibuya, Shibuya-ku, Tokyo 150-0002, Japan</b>
■ <b>Phone</b>	<b>+81-3-5766-3530 (IR)</b>
■ <b>Fax</b>	<b>+81-3-5766-3782</b>

# Disclaimer

Forward-looking statements such as the performance forecasts, other predictions of future events and strategies published in this document are based on the Company's judgment within the scope of events foreseeable under normal conditions using data that were reasonably available at the time of preparation. However, there is a risk that actual results may differ from the Company's published performance forecasts due to reasons including special events or outcomes that are unforeseeable under normal conditions. The Company works to proactively disclose information that it considers important for investors. However, we strongly advise that you not rely solely on the performance forecasts in this document in making decisions. The Company makes every effort to ensure the accuracy of published content, but takes no responsibility for errors in the information or damage caused by downloading the data. These materials may not be reproduced or retransmitted for any purpose without the prior written consent of the Company.

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