



Third Quarter of 2016  
Presentation of Results

---

November 9, 2016

F@N Communications, Inc.

# Contents

|  |       |     |
|--|-------|-----|
| Third 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 |

Third Quarter of 2016  
Performance Highlights

## Third Quarter of 2016: Key Points

- **Sales and earnings were down both year on year and quarter on quarter.**
- **A8.net continued to perform well, but nend's recovery has been slow.**

# Consolidated Results of Operations

## Performance Highlights

| (¥ thousands)                           | 2016 Q3           | 2015 Q3           | Year-on-Year Change    | % of Net Sales |
|---|-------------------|-------------------|------------------------|----------------|
| Net sales                               | <b>28,165,915</b> | <b>26,843,817</b> | 4.9%                   | 100%           |
| Operating income                        | <b>4,394,940</b>  | <b>4,669,096</b>  | -5.9%                  | 15.6%          |
| Ordinary income                         | <b>4,468,409</b>  | <b>4,711,673</b>  | -5.2%                  | 15.9%          |
| Profit attributable to owners of parent | <b>2,970,238</b>  | <b>2,989,788</b>  | -0.7%                  | 10.5%          |
| Ordinary income margin                  | <b>15.9%</b>      | <b>17.6%</b>      | -1.7 <sub>points</sub> | —              |
| Net income per share                    | <b>¥38.61</b>     | <b>¥38.57</b>     | 0.1%                   | —              |
| Diluted net income per share            | <b>¥38.51</b>     | <b>¥38.37</b>     | 0.4%                   | —              |

# Consolidated Balance Sheets

## Performance Highlights

| (¥ thousands)                           | December 31, 2015 | Third Quarter of 2016 |
|---|-------------------|-----------------------|
| <b>Assets</b>                           |                   |                       |
| <b>Current assets</b>                   | <b>18,949,251</b> | <b>19,369,314</b>     |
| Cash and deposits                       | 12,507,446        | 13,164,083            |
| Notes and accounts receivable - trade   | 4,331,781         | 4,345,832             |
| Securities                              | 1,766,002         | 1,594,241             |
| Other                                   | 359,034           | 282,696               |
| Allowance for doubtful accounts         | -15,012           | -17,539               |
| <b>Fixed assets</b>                     | <b>2,284,428</b>  | <b>2,333,514</b>      |
| Property and equipment                  | 275,499           | 235,732               |
| Intangible assets                       | 223,702           | 267,117               |
| Investments and other assets            | 1,785,225         | 1,830,664             |
| <b>Total assets</b>                     | <b>21,233,679</b> | <b>21,702,829</b>     |
| <b>Liabilities and Net Assets</b>       |                   |                       |
| <b>Current liabilities</b>              | <b>6,349,889</b>  | <b>5,878,770</b>      |
| Notes and accounts payable - trade      | 4,344,564         | 4,710,201             |
| Income taxes payable                    | 1,172,093         | 298,310               |
| Other current liabilities               | 833,230           | 870,257               |
| <b>Long-term liabilities</b>            | <b>142,540</b>    | <b>142,715</b>        |
| <b>Total liabilities</b>                | <b>6,492,429</b>  | <b>6,021,485</b>      |
| <b>Total net assets</b>                 | <b>14,741,250</b> | <b>15,681,343</b>     |
| <b>Total liabilities and net assets</b> | <b>21,233,679</b> | <b>21,702,829</b>     |

Main component was ¥1,599,585 thousand in investment securities

Increase in affiliated 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 ¥2,970,238 thousand.

# Consolidated Performance Forecast

Performance  
Highlights

| (¥ millions)                            | 2016<br>Full-Year<br>Forecast<br>(% Change from<br>Same Period of Previous Year) | 2016<br>Third Quarter<br>Actual | Progress<br>(% of Full-Year<br>Forecast) |
|---|--|---------------------------------|--|
| Net sales                               | <b>38,000 (6.2)</b>  | <b>28,165</b>                   | <b>74.1%</b>                             |
| Operating income                        | <b>6,200 (1.4)</b>   | <b>4,394</b>                    | <b>70.9%</b>                             |
| Ordinary income                         | <b>6,240 (1.0)</b>   | <b>4,468</b>                    | <b>71.6%</b>                             |
| Profit attributable to owners of parent | <b>4,170 (5.6)</b>   | <b>2,970</b>                    | <b>71.2%</b>                             |

## Dividend Forecast

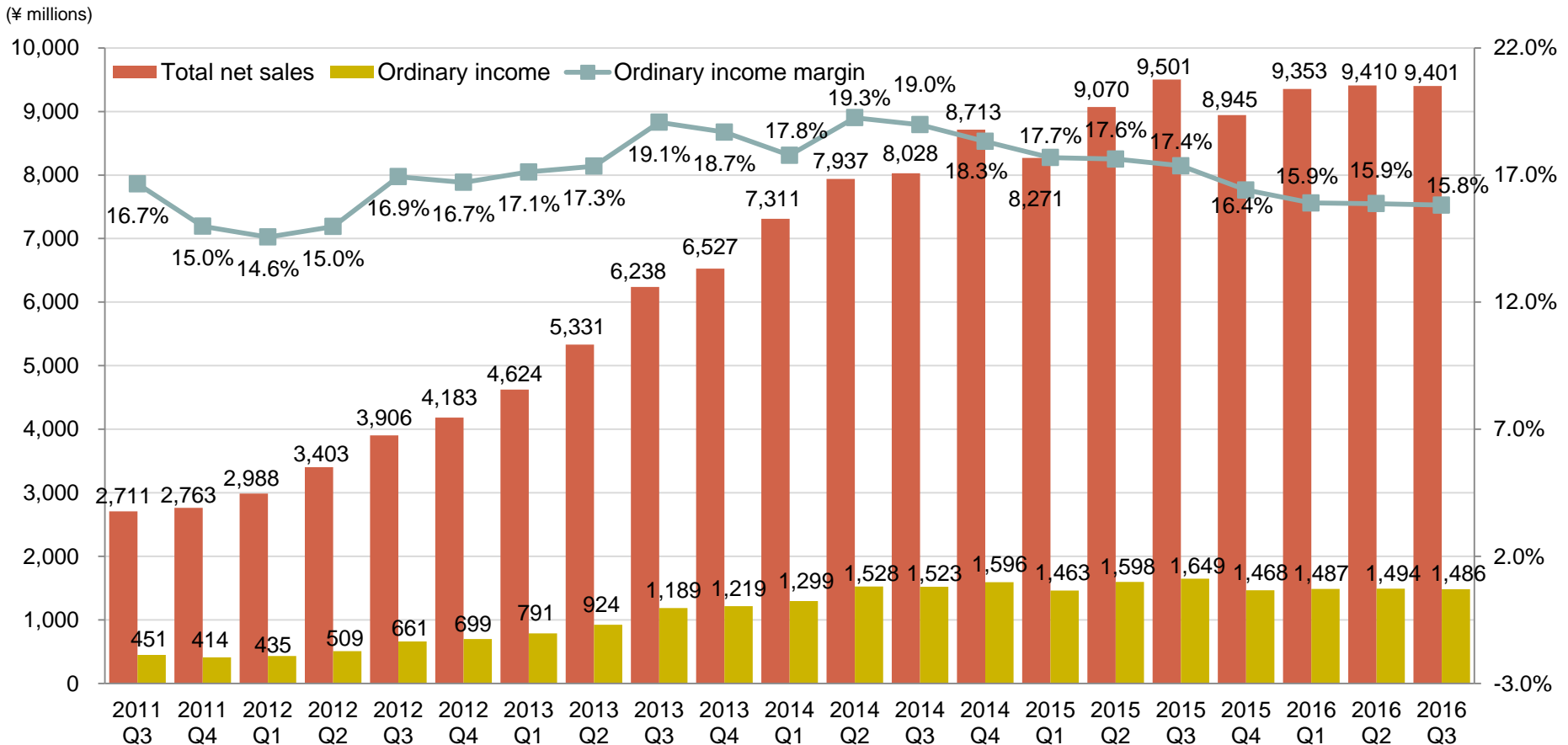
|                             | 2016<br>Forecast | 2015<br>Actual |
|-----------------------------|------------------|----------------|
| Year-end dividend per share | <b>¥18</b>       | <b>¥17</b>     |

## Management Indicators (Quarterly Basis)



# Net Sales, Ordinary Income and Ordinary Income Margin

(Consolidated/Quarterly basis)

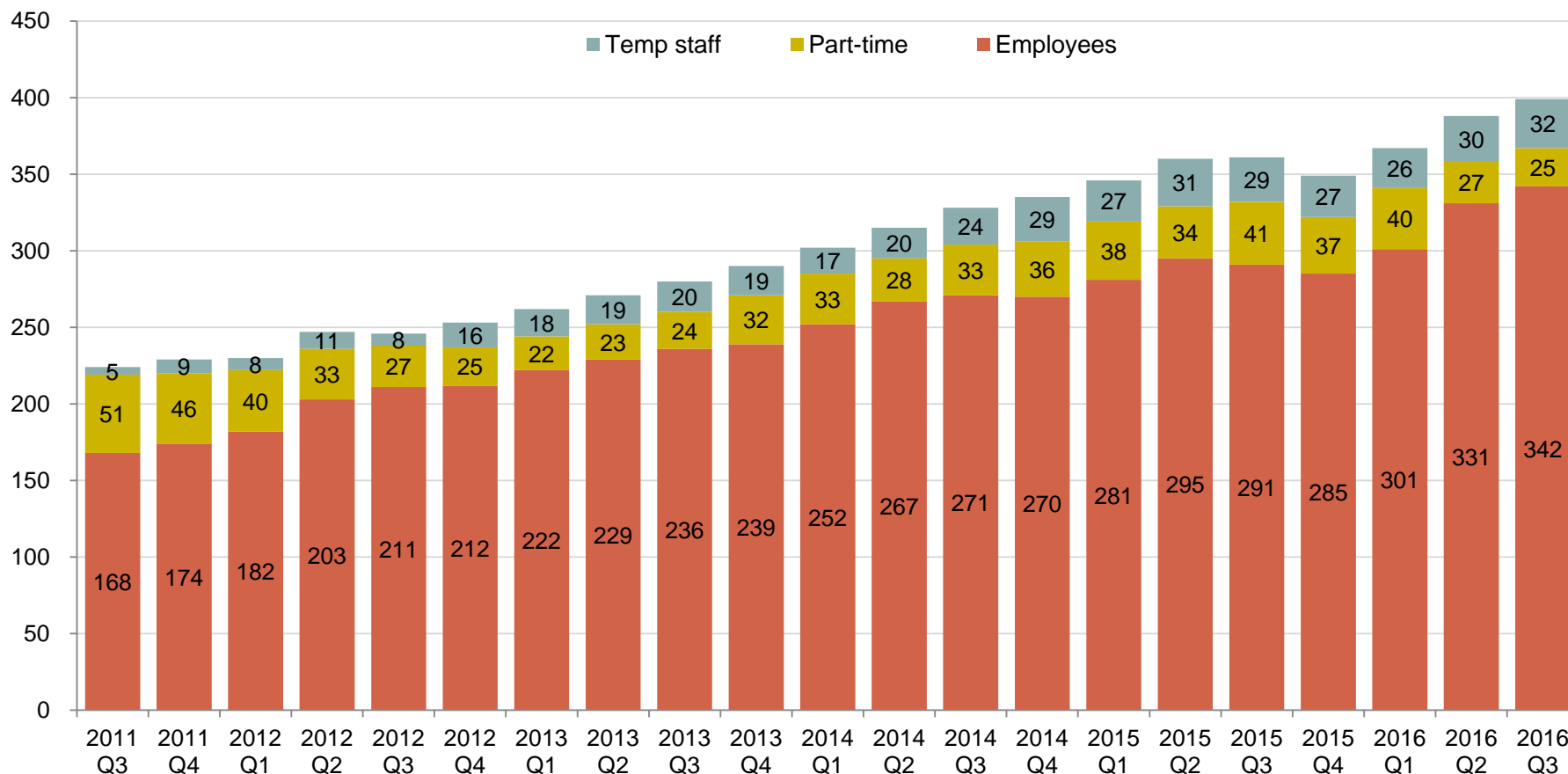


Sales, ordinary income and ordinary income margin were essentially unchanged quarter on quarter.

# Number of Employees

(Consolidated/Quarterly basis)

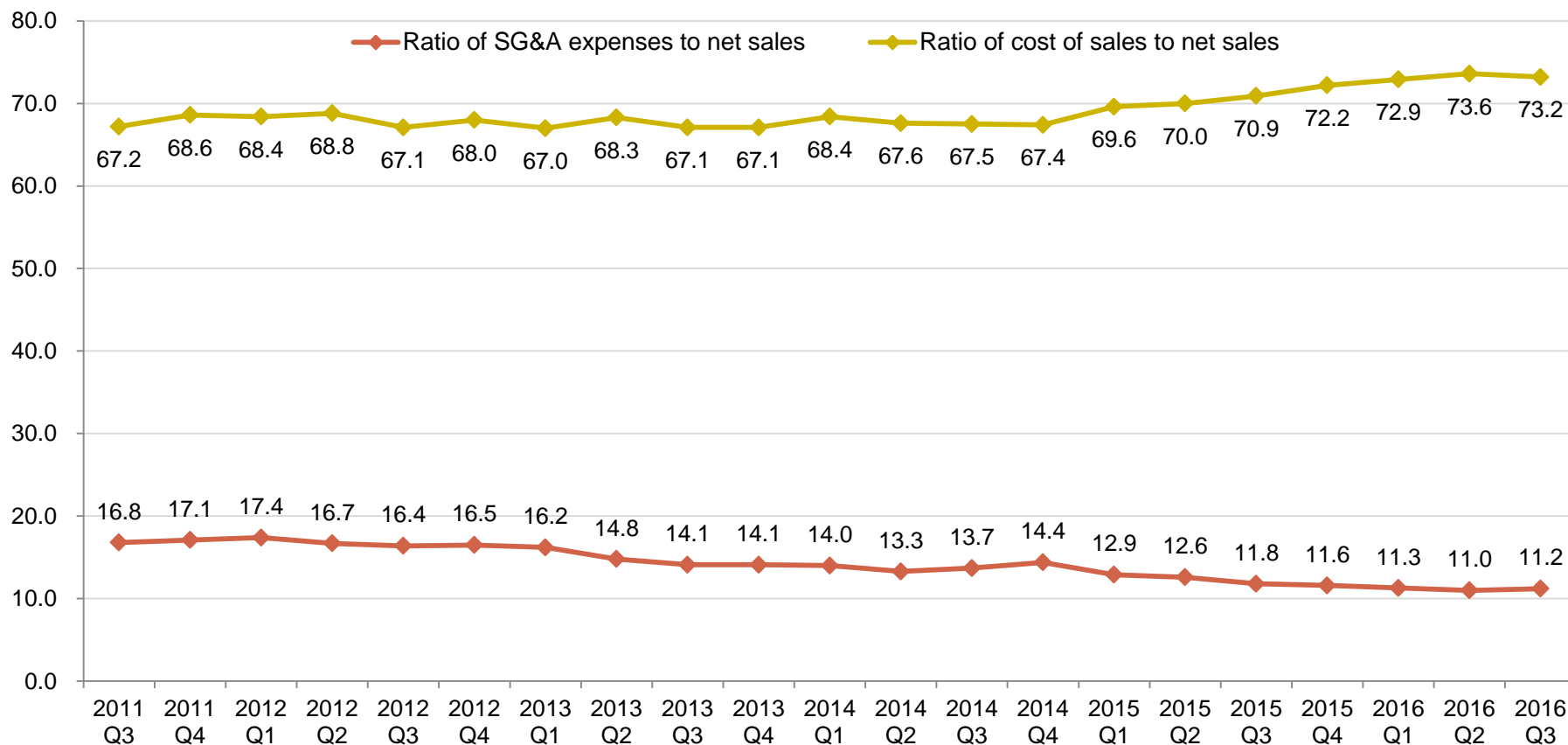
Management  
Indicators



The total number of employees in the Group was 399, an increase of 38 from 2015 Q3. Number of employees increased by 11 from 2016 Q2 to a record high.

# Cost of Sales Ratio and SG&A Expenses Ratio

(Consolidated/Quarterly basis)



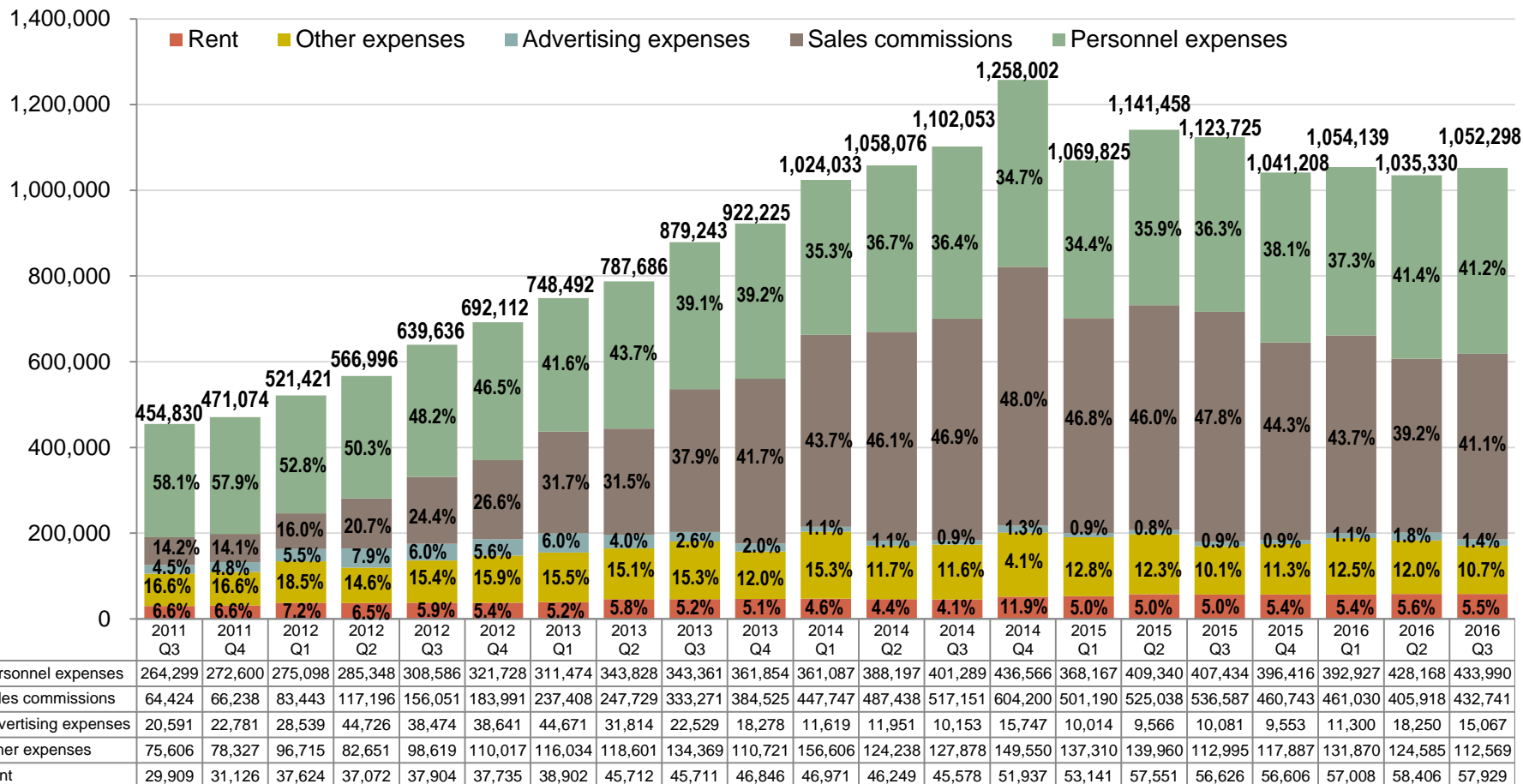
The cost of sales ratio decreased 0.4 percentage points compared with 2016 Q2. The selling, general and administrative (SG&A) expenses ratio increased 0.2 percentage points.

# Selling, General and Administrative Expenses

(Consolidated/Quarterly basis)

Management  
Indicators

(¥ thousands)



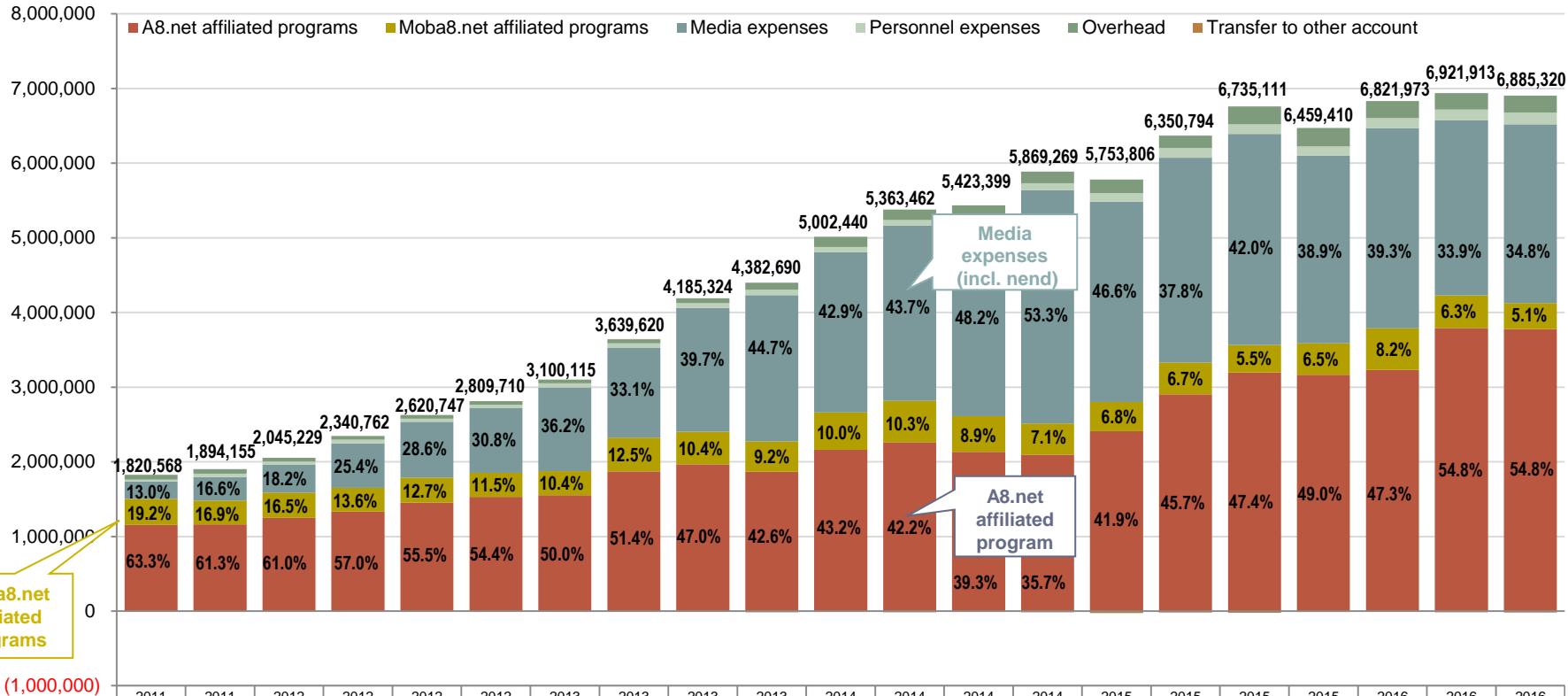
The quarter-on-quarter percentage point change was minor, while personnel expenses and sales commissions increased.

# Cost of Sales

## (Consolidated/Quarterly basis)

### Management Indicators

(¥ thousands)



Moba8.net affiliated programs

(1,000,000)

|                               | 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   | 2016 Q3   |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Transfer to other account     | (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)  | (18,846)  |
| Overhead                      | 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   | 229,152   |
| Personnel expenses            | 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   | 154,345   |
| Media expenses                | 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 | 2,394,630 |
| Moba8.net affiliated programs | 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   | 350,080   |
| A8.net affiliated programs    | 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 | 3,775,956 |

Media expenses consist of nend, seed App, other companies and other.

Sales at A8.net still 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)

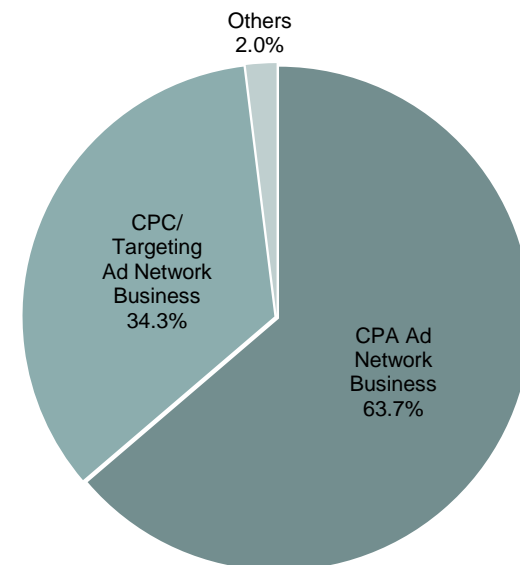
## Overview by Service Area

| (¥ thousands)                     | 2016 Q3<br>(July-September) | 2015 Q3<br>(July-September) | Change |
|-----------------------------------|-----------------------------|-----------------------------|--------|
| CPA Ad Network Business           | <b>5,992,684</b>            | <b>5,350,567</b>            | 12.0%  |
| CPC/Targeting Ad Network Business | <b>3,225,143</b>            | <b>4,003,412</b>            | -19.4% |
| Others                            | <b>183,828</b>              | <b>147,233</b>              | 24.9%  |
| <b>Total net sales</b>            | <b>9,401,656</b>            | <b>9,501,213</b>            | -1.0%  |

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

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

Main services of Others: Own media operations, advertising agency, others

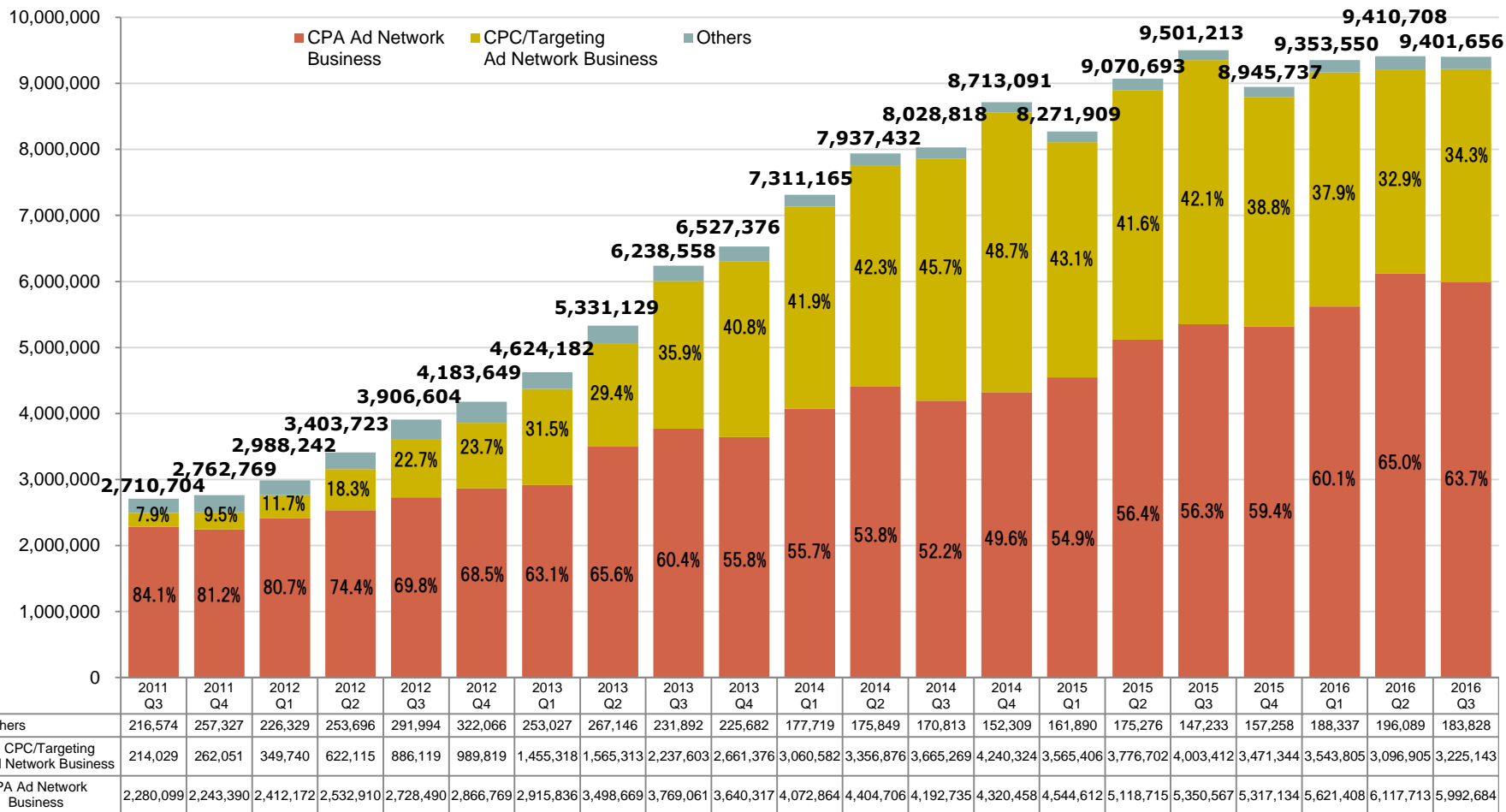


CPC/Targeting sales decreased significantly.

# Net Sales by Reportable Segment

(Consolidated/Quarterly basis)

(¥ thousands)



CPC/Targeting Ad Network Business increased somewhat as a percentage of net sales.



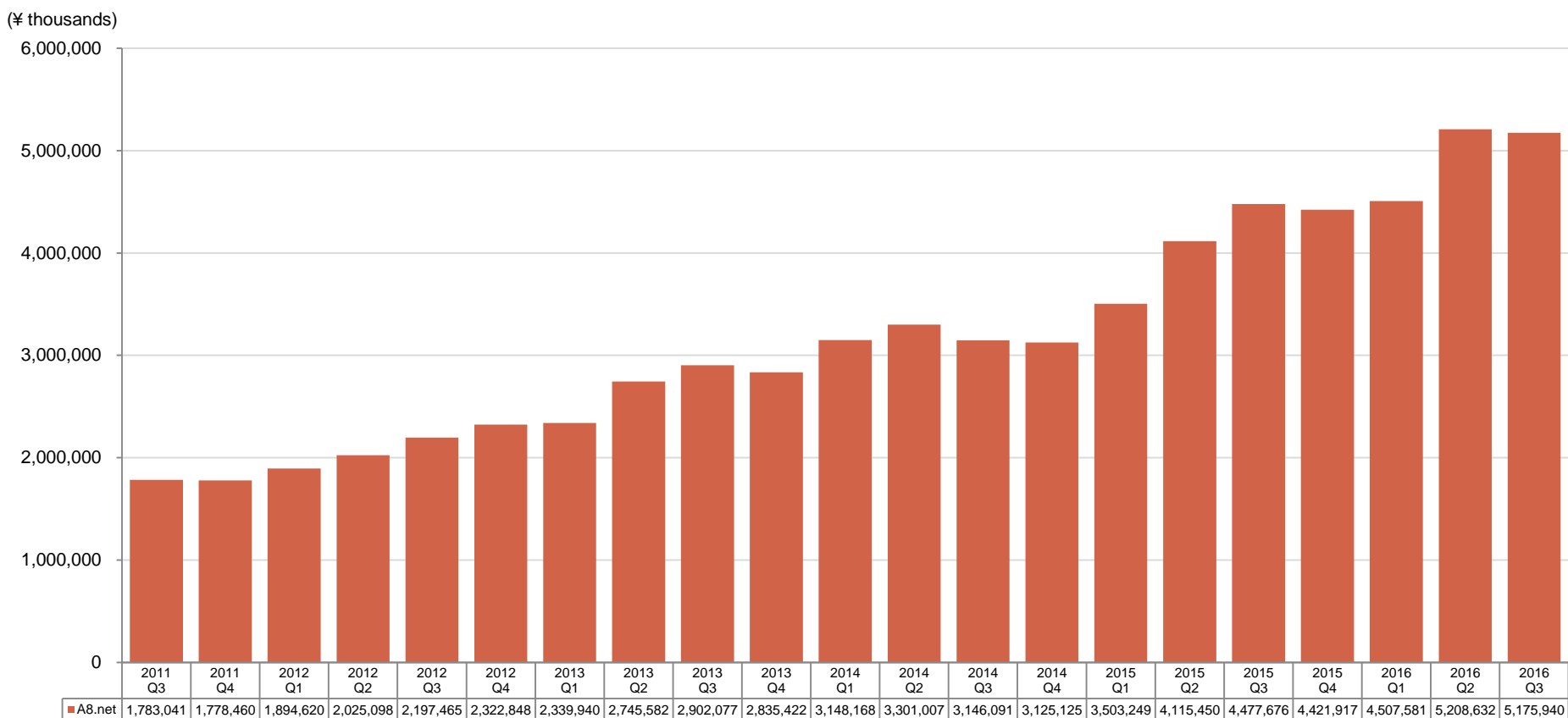
# 「A8.net」 Summary

|                                    | 2016 Q3<br>(July–September) | 2015 Q3<br>(July–September) | Change |
|------------------------------------|-----------------------------|-----------------------------|--------|
| Sales (¥ thousands)                | <b>5,175,940</b>            | <b>4,477,676</b>            | 15.6%  |
| Number of operating advertiser IDs | <b>3,129</b>                | <b>2,817</b>                | 11.1%  |
| Number of registered partner sites | <b>2,107,428</b>            | <b>1,933,682</b>            | 9.0%   |

Sales before elimination of consolidated intercompany transactions

The number of operating advertiser IDs increased by 312 from 2015 Q3.

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

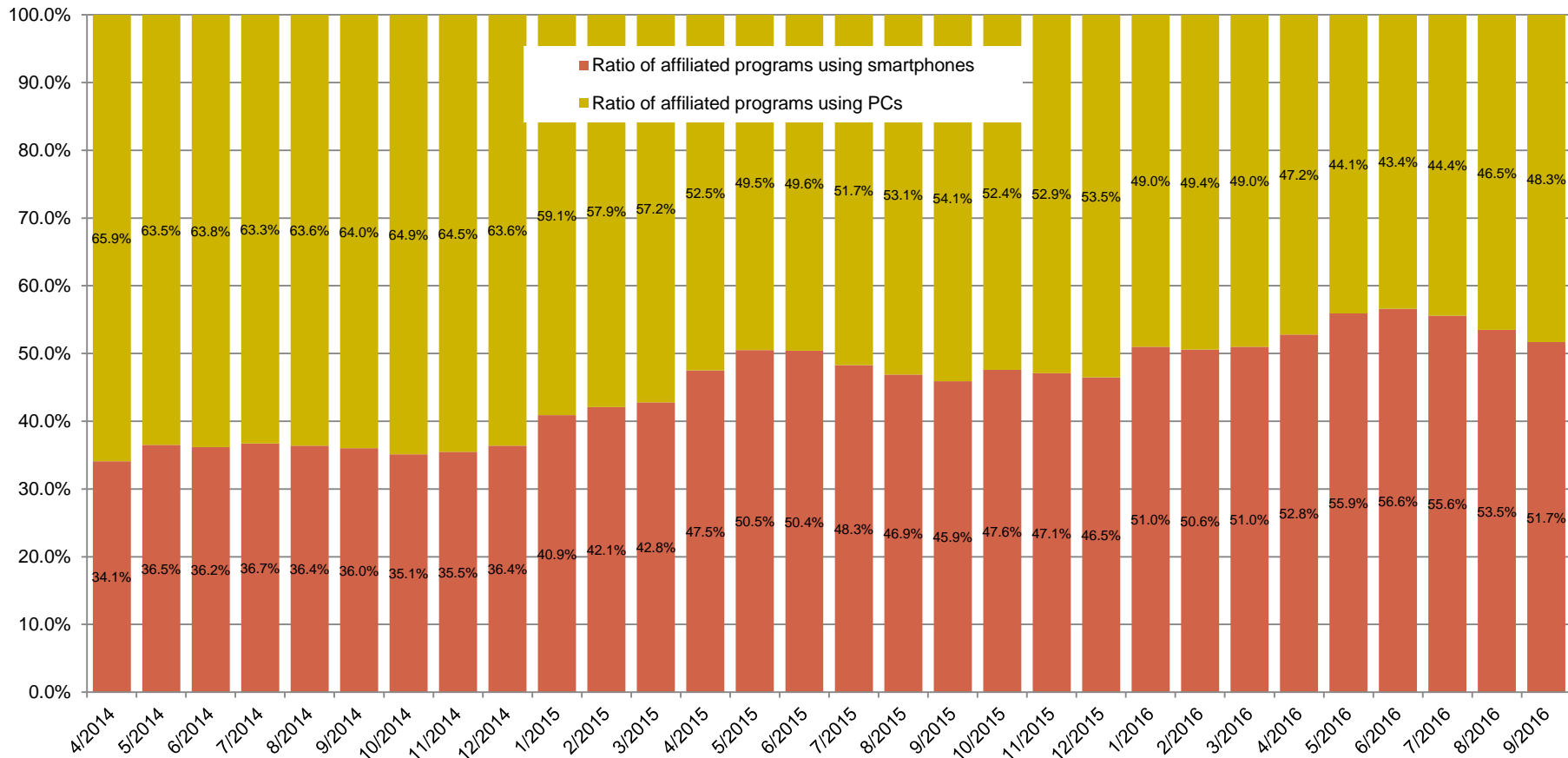


Sales before elimination of consolidated intercompany transactions

Sales did not increase due to factors including fewer cosmetics ads.

「A8.net」

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

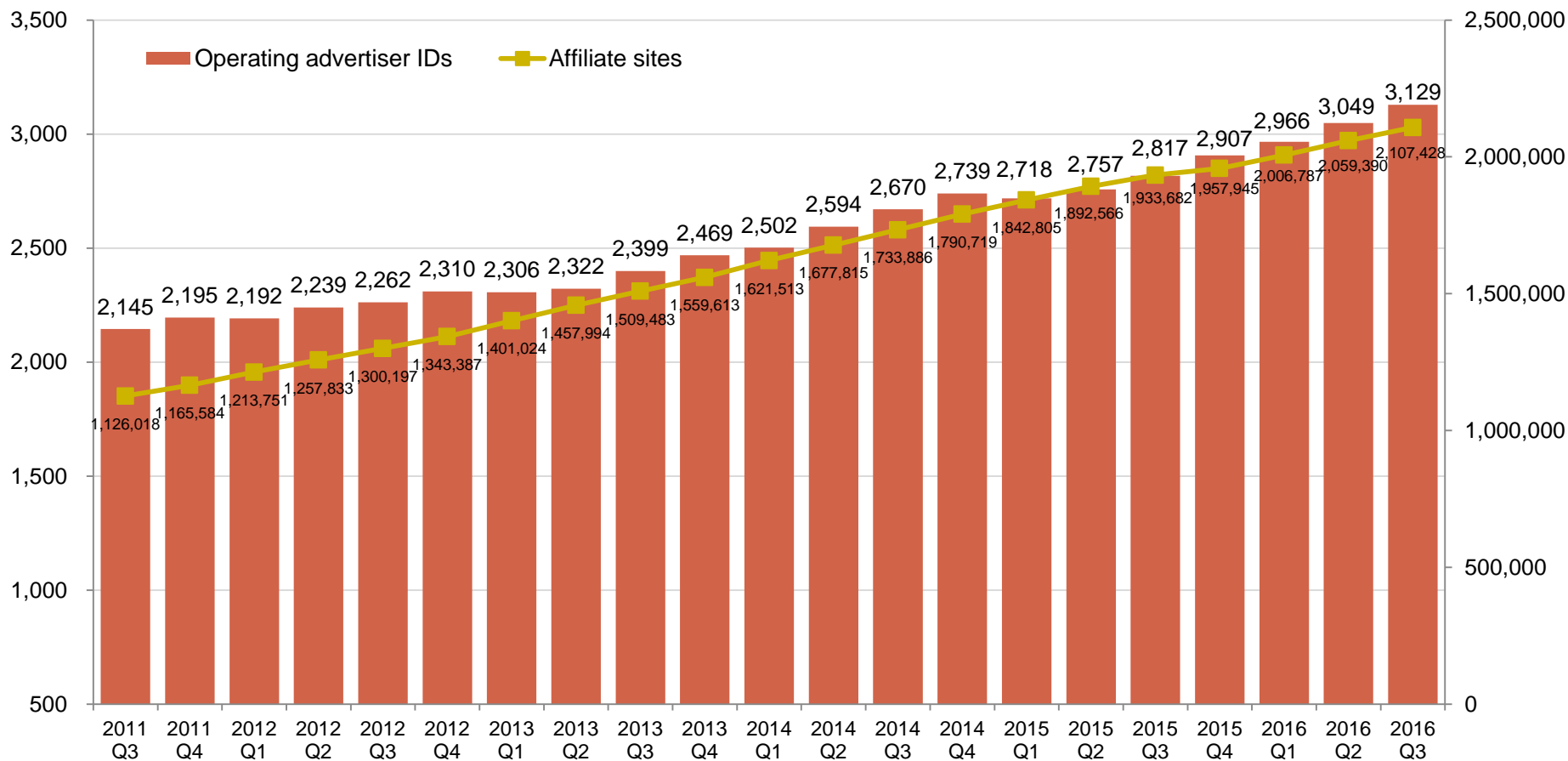


The ratio of affiliated programs using smartphones hasn't grown as much as expected since passing 50%.

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)

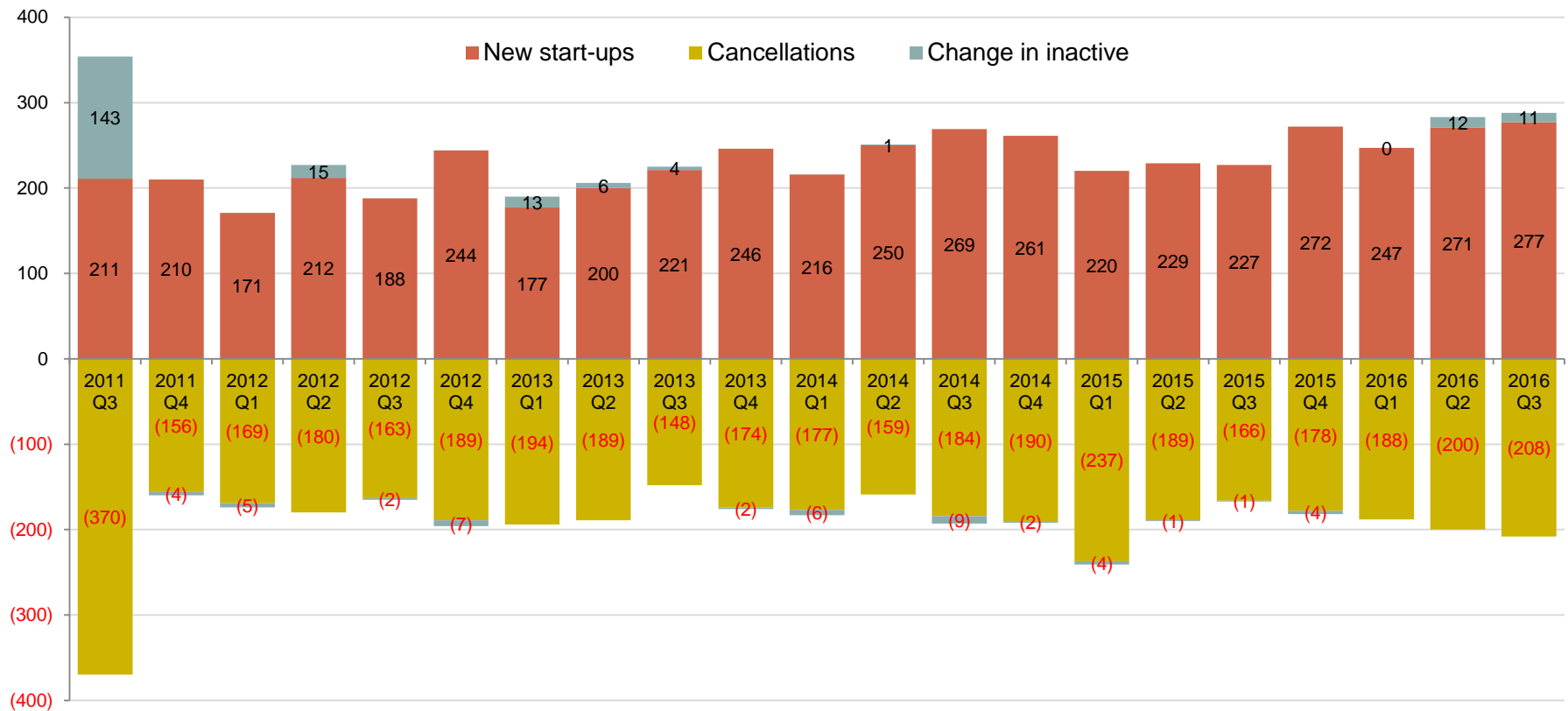


Notes: 1. The number of operating advertisers is as of the final month of each quarter.  
2. The number of overseas advertisers is included from 2014 Q3.

The number of operating advertisers increased by 80 from 2016 Q2. The number of overseas operating advertisers increased by 26 from 2016 Q2 to 193.

「A8.net」

## New Advertiser Start-ups and Cancellations

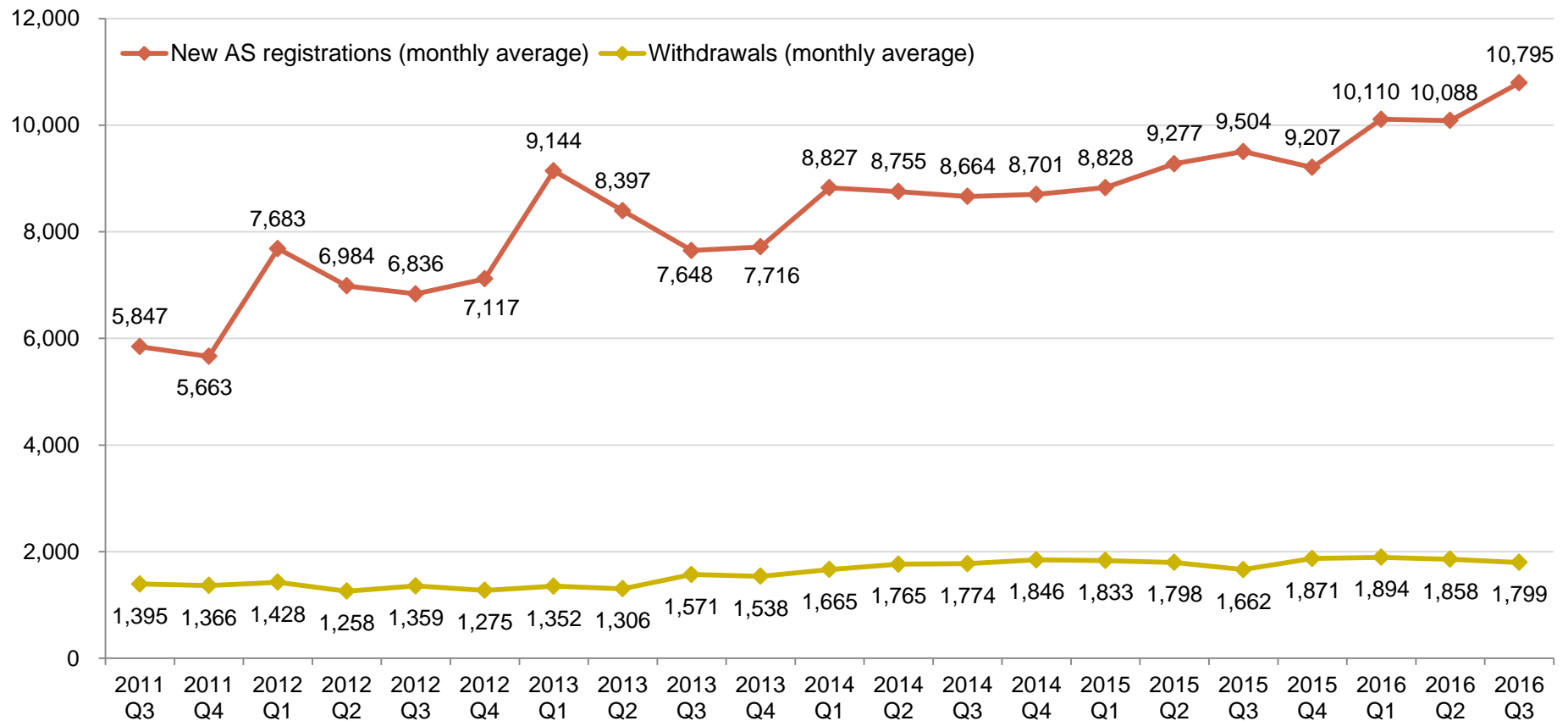


Note: "Change in inactive" is the difference in number of customers who switched between "operating" and "inactive," adjusted for the number of customers who switched from "inactive" to "cancelled" included in the number of cancellations.

Advertiser start-ups increased by 50 compared with 2015 Q3

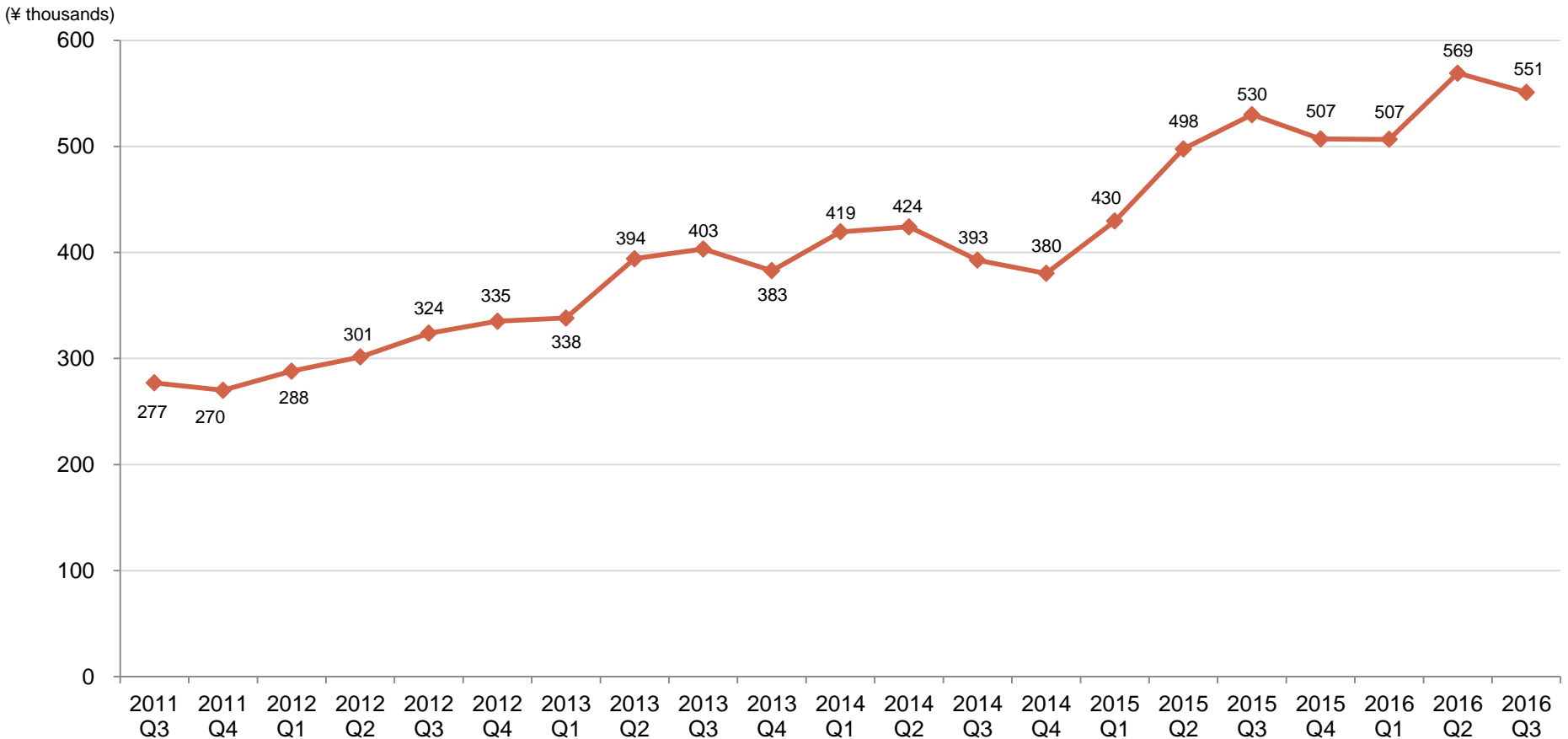
「A8.net」

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



New registrations are trending upward.

# 「A8.net」 Average Monthly Sales per Advertiser



Average monthly sales per advertiser decreased somewhat to ¥551,000.

# 「Moba8.net」 Summary

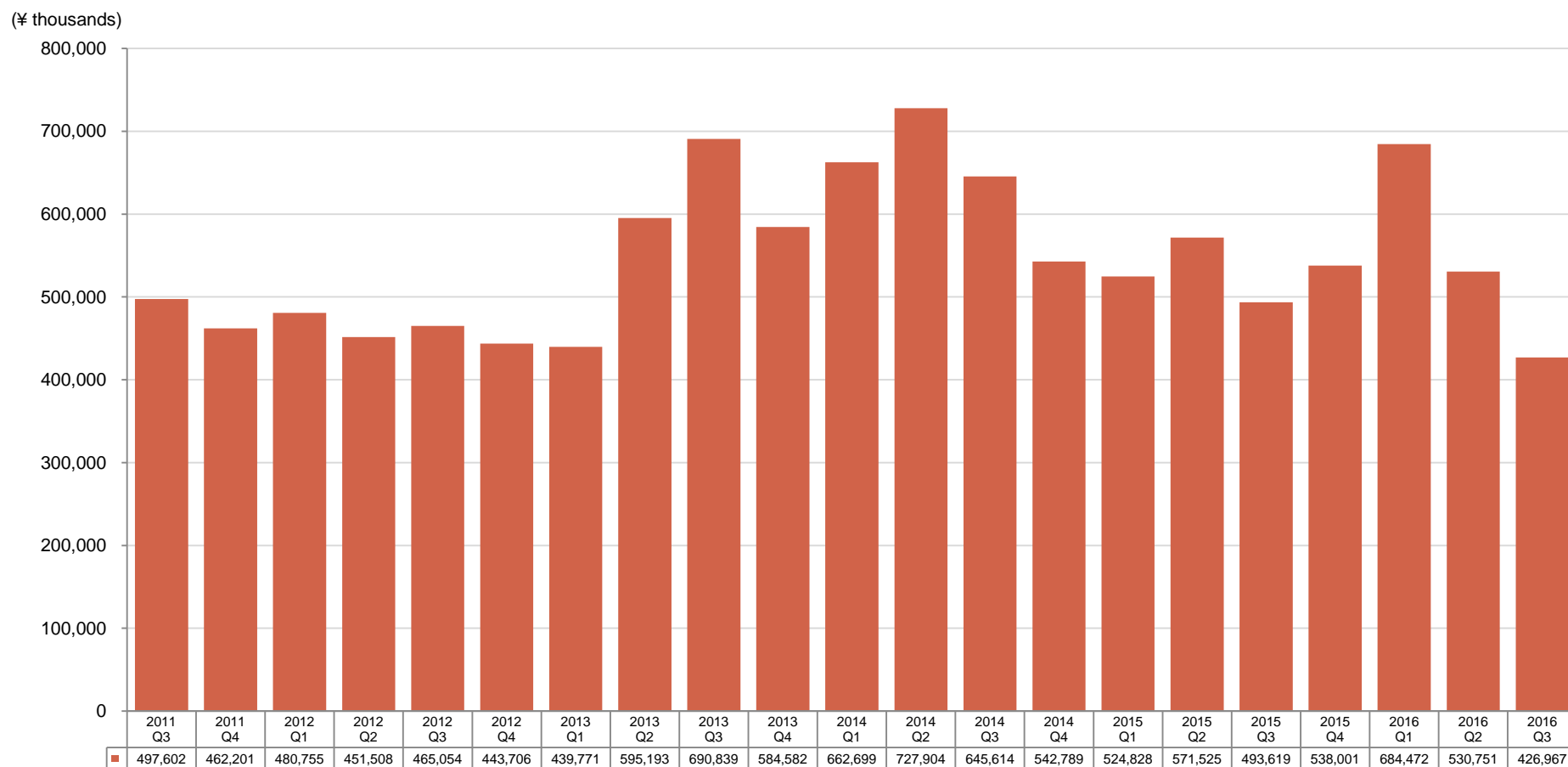
|                                    | 2016 Q3<br>(July – September) | 2015 Q3<br>(July – September) | Change |
|------------------------------------|-------------------------------|-------------------------------|--------|
| Sales (¥ thousands)                | <b>426,967</b>                | <b>493,619</b>                | -13.5% |
| Number of operating advertiser IDs | <b>1,076</b>                  | <b>1,180</b>                  | -8.8%  |
| Number of registered partner sites | <b>274,428</b>                | <b>258,365</b>                | 6.2%   |

Sales are before elimination of consolidated intercompany transactions. The figures for sales are for Moba8.net only, and do not include sales of other services.

Sales decreased compared with 2015 Q3.



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

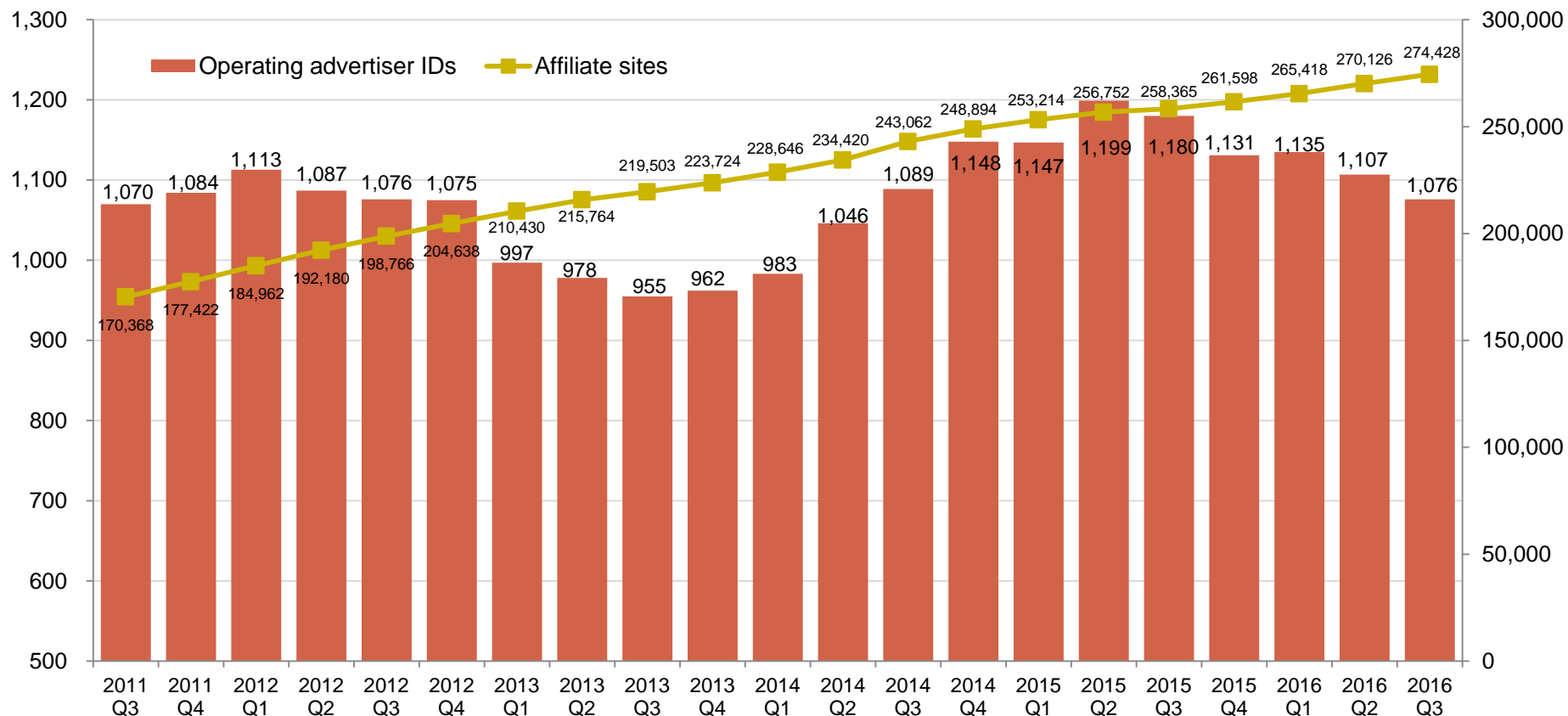


Sales are before elimination of consolidated intercompany transactions. The figures for sales are for Moba8.net only, and do not include sales of other services.

We are optimizing the allocation of Moba 8.net's sales resources to other services.

「Moba8.net」

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

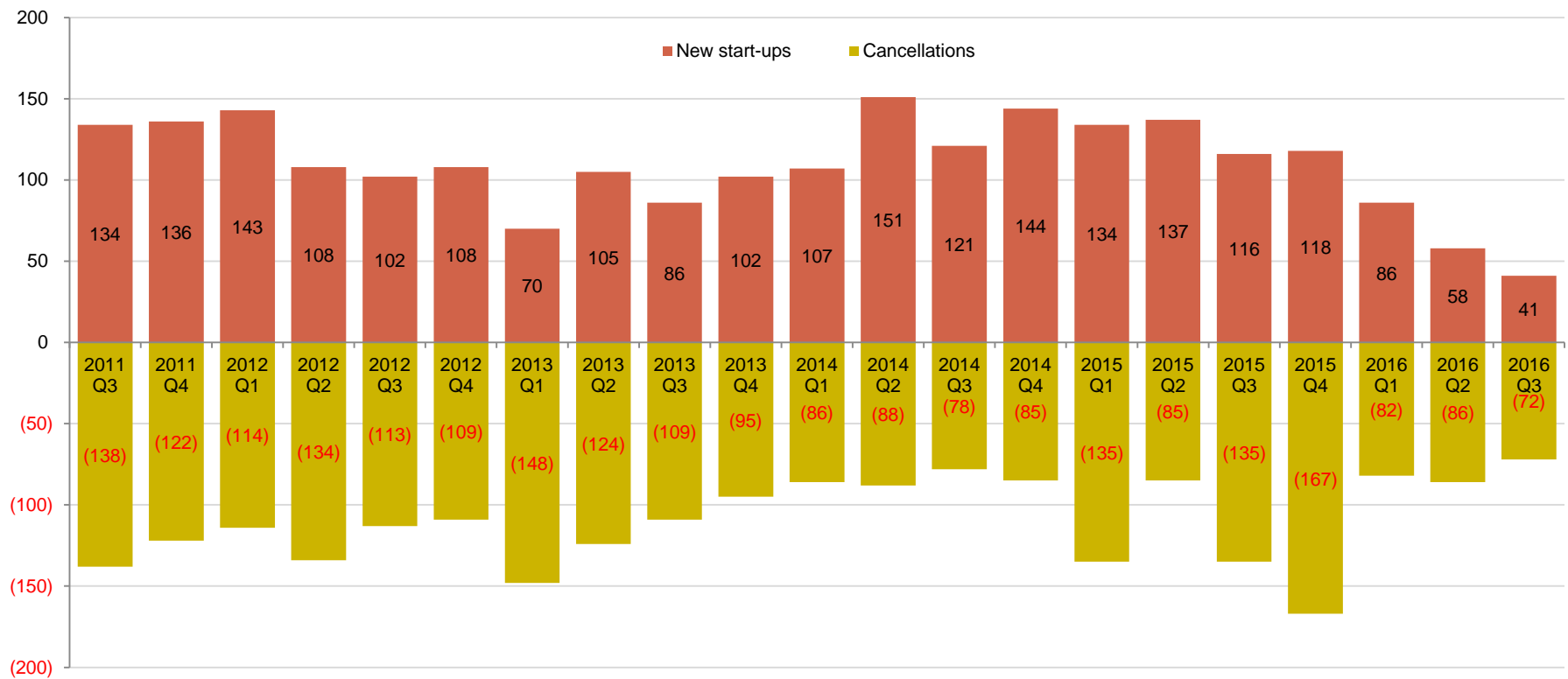


Note: The number of operating advertisers is as of the final month of each quarter.

The number of operating advertisers continued to decrease. We are redirecting new sales to other services.

「Moba8.net」

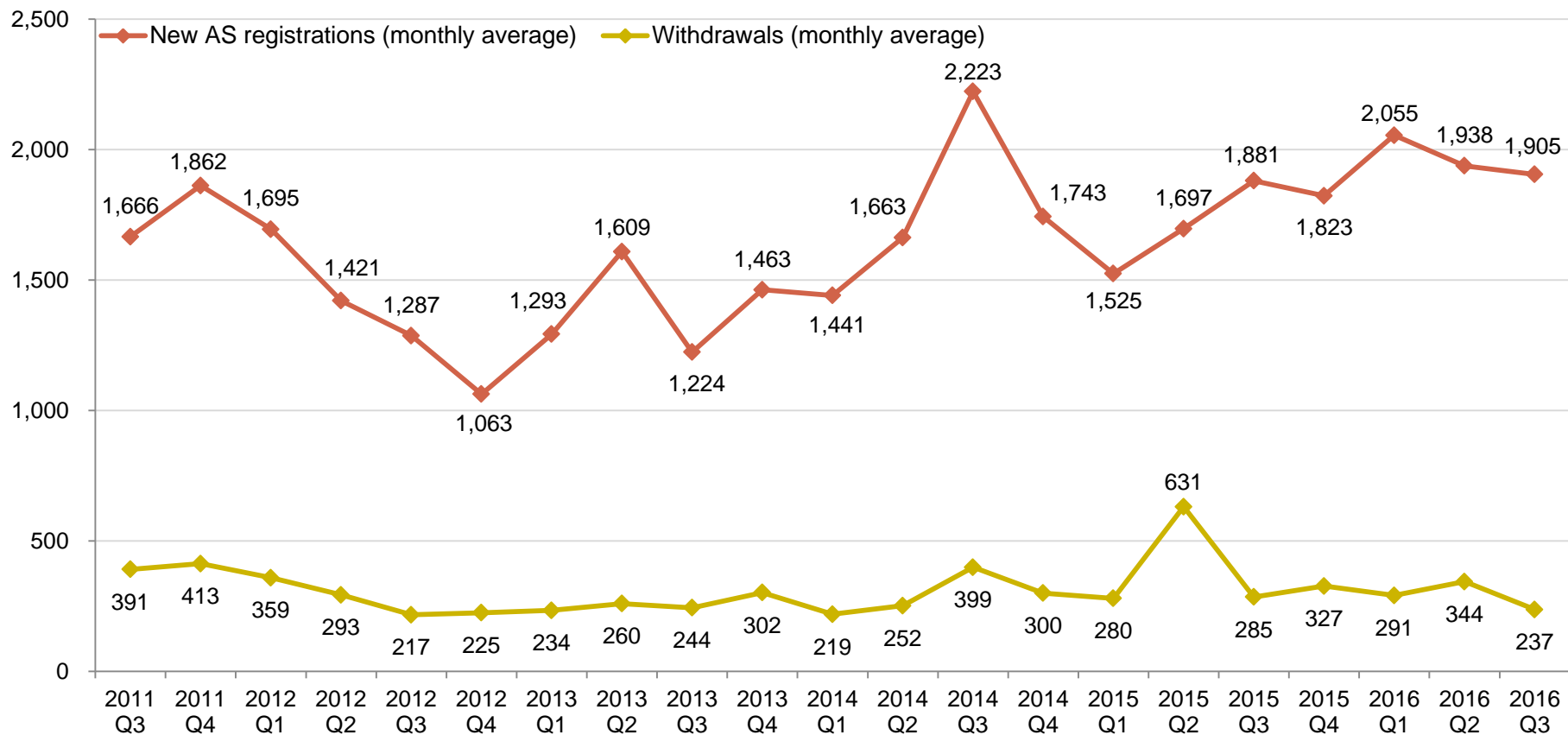
## New Advertiser Start-ups and Cancellations (Quarterly basis)



The number of new advertiser start-ups was low.

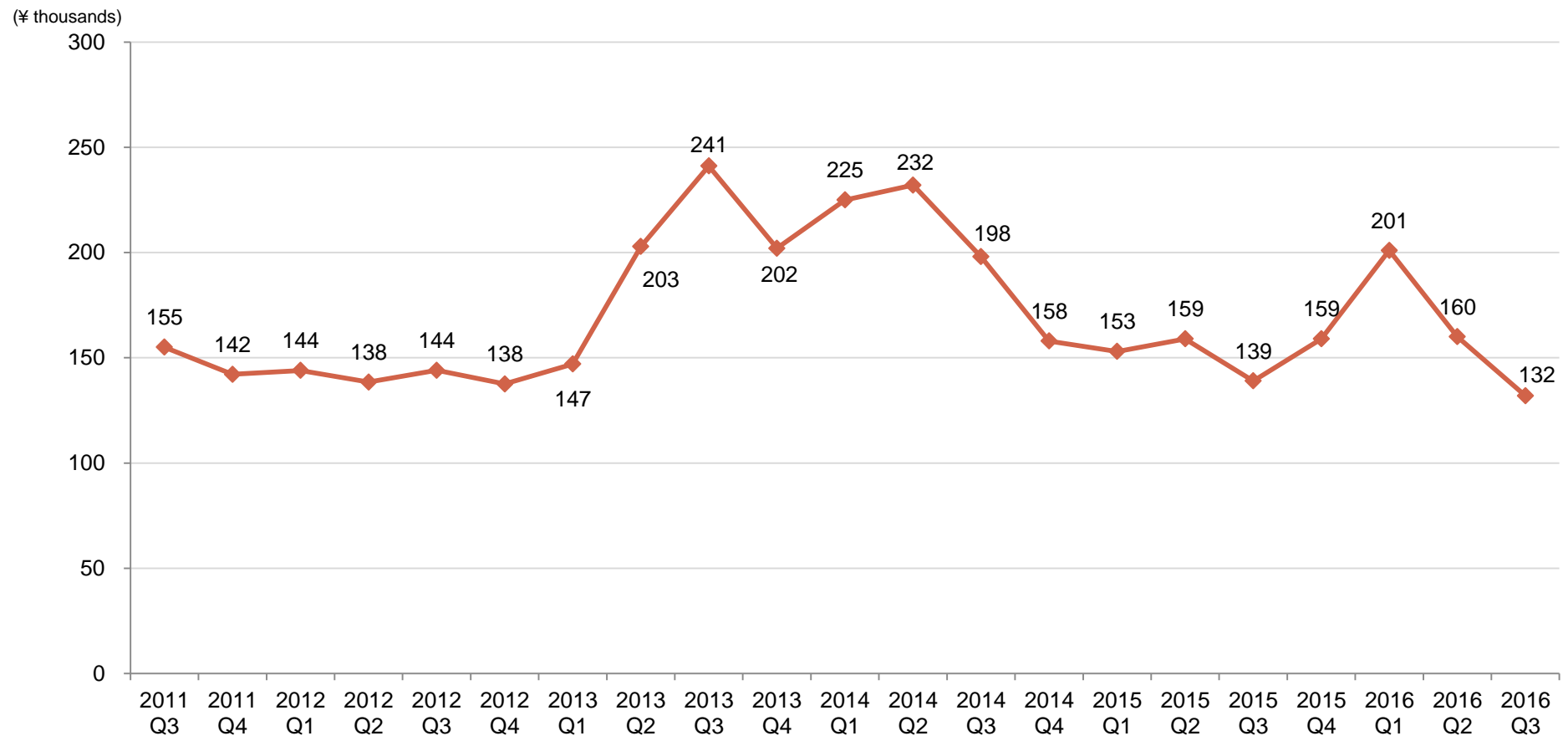
「Moba8.net」

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



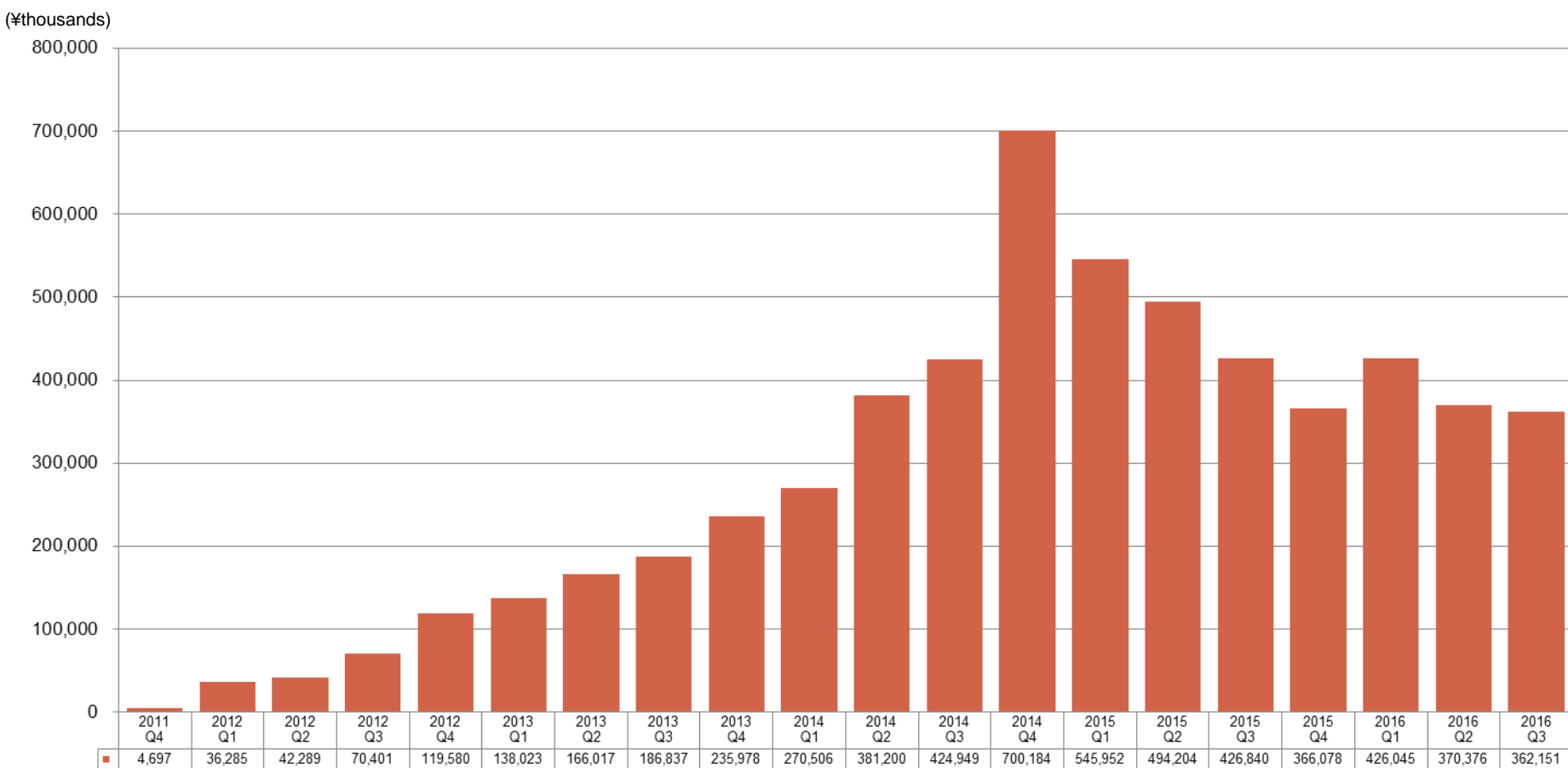
The trend has not changed significantly.

# 「Moba8.net」 Average Monthly Sales per Advertiser



Average monthly sales per advertiser are trending downward.

# 「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 Q3 continued.

# 「nend」 Summary

CPC/Targeting  
Ad Network Business

|                                    | 2016 Q3<br>(July – September) | 2015 Q3<br>(July – September) | Change |
|------------------------------------|-------------------------------|-------------------------------|--------|
| Sales (¥ thousands)                | <b>2,653,700</b>              | <b>3,645,248</b>              | -27.2% |
| Number of operating advertiser IDs | <b>390</b>                    | <b>492</b>                    | -20.7% |
| Number of registered partner sites | <b>658,230</b>                | <b>449,554</b>                | 46.4%  |

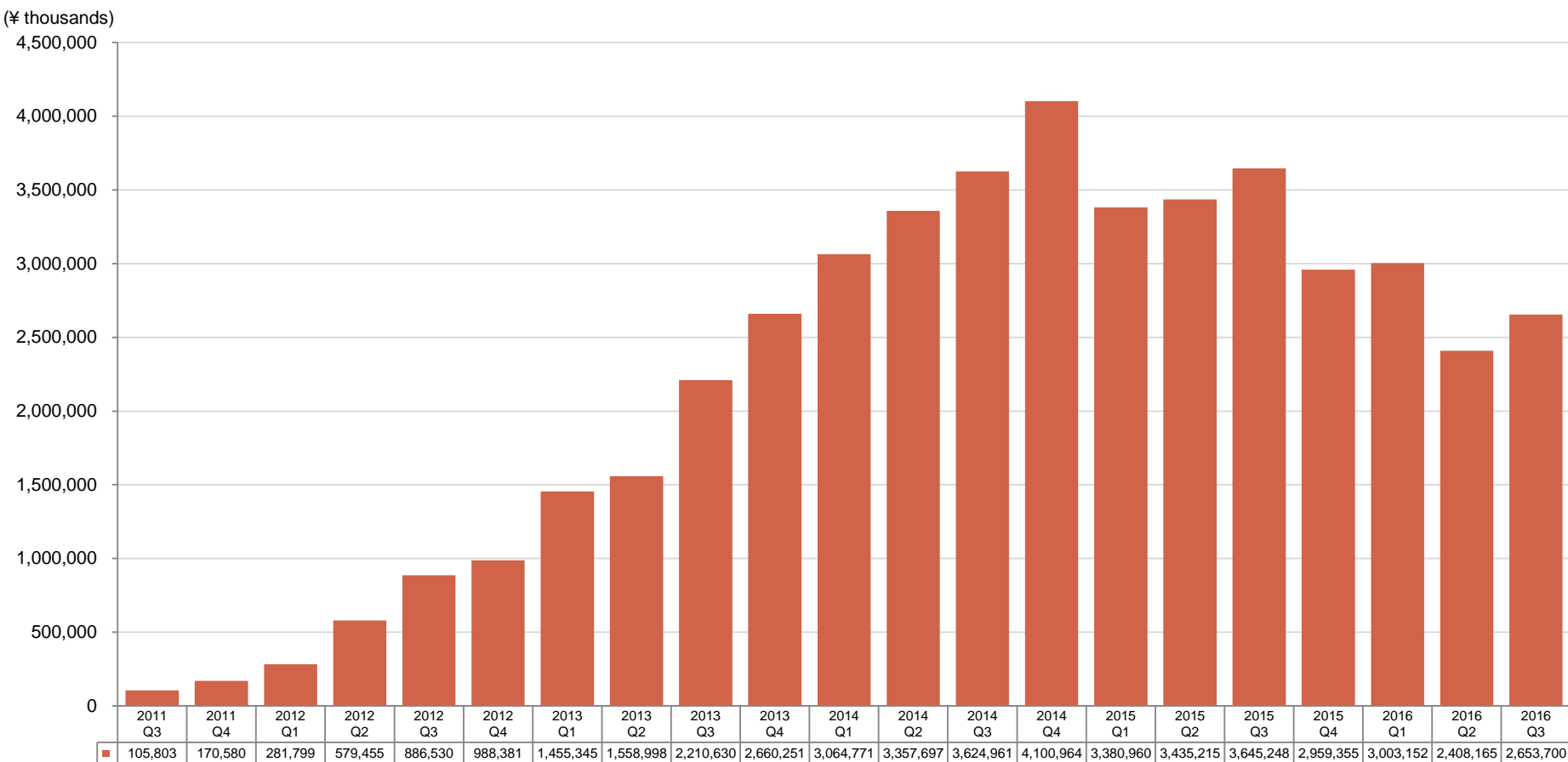
Sales before elimination of consolidated intercompany transactions

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

Sales continued to decrease compared with 2015 Q3.

## CPC/Targeting Ad Network Business

# 「nend」 Net Sales (Quarterly basis)



Sales before elimination of consolidated intercompany transactions

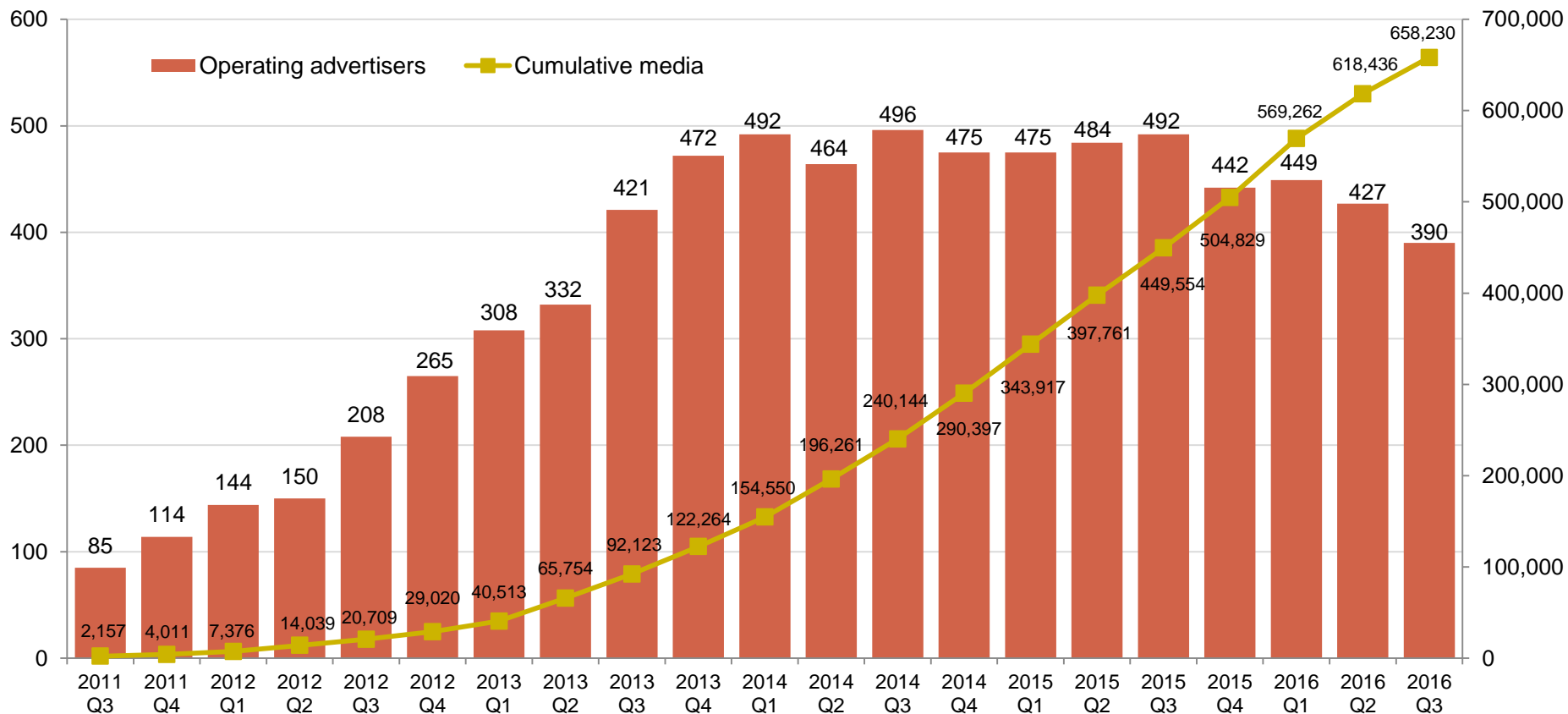
Net sales increased quarter on quarter.



## CPC/Targeting Ad Network Business

「trend」

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

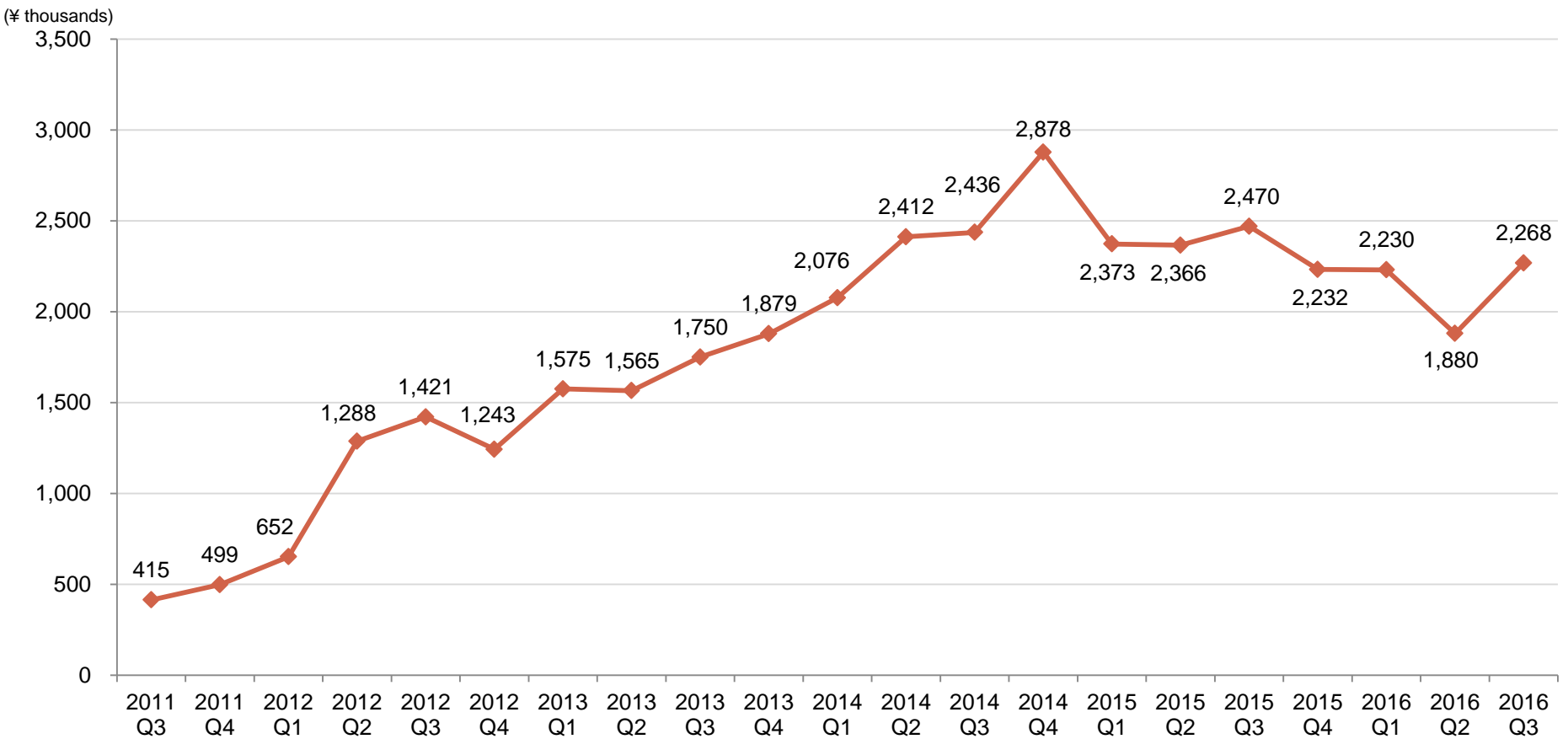


Note: The number of operating advertisers is as of the final month of each quarter.

The number of operating advertisers decreased by 37 compared with 2016 Q2.

## CPC/Targeting Ad Network Business

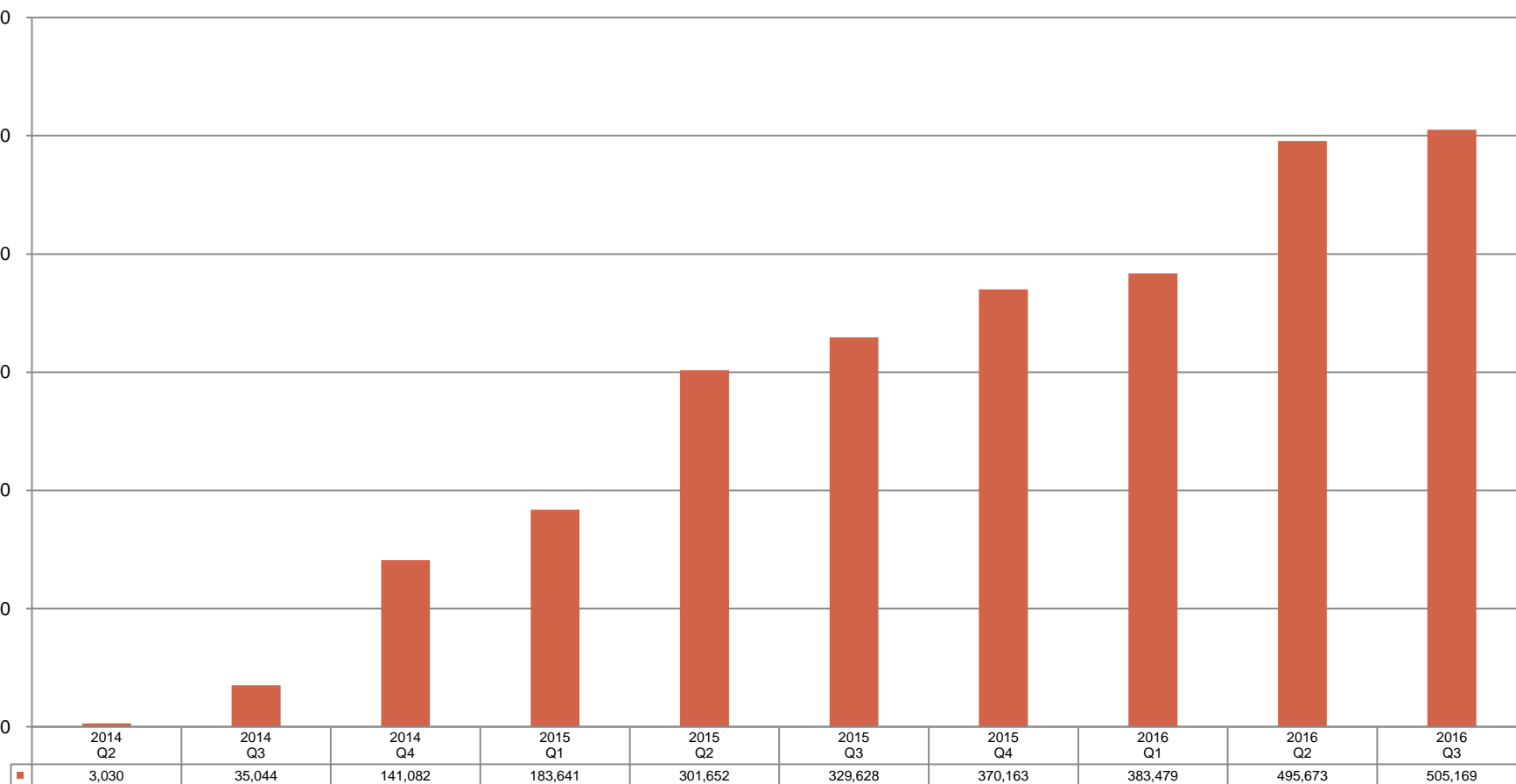
# 「rend」 Average Monthly Sales per Advertiser



Average monthly sales per advertiser increased because the number of operating advertisers decreased.

# 「nex8」 Net Sales (Quarterly basis)

(¥ thousands)



Sales before elimination of consolidated intercompany transactions

We believe we have established the basis for growth.

## Consolidated Group Businesses

# 8crops Inc.

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

## Main Business

Operation of ad crops CPI\* advertising services for smartphone applications

\* Cost Per Install



| (¥ thousands)                           | 2016<br>First Three Quarters | 2015<br>Full Year |
|---|------------------------------|-------------------|
| Net sales                               | <b>1,158,573</b>             | <b>1,833,074</b>  |
| Operating income                        | <b>62,114</b>                | <b>176,560</b>    |
| Profit attributable to owners of parent | <b>41,448</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<br>First Three Quarters | 2015<br>Full Year |
|---|------------------------------|-------------------|
| Net sales                               | <b>722,751</b>               | <b>911,371</b>    |
| Operating income                        | <b>44,172</b>                | <b>69,002</b>     |
| Profit attributable to owners of parent | <b>24,983</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<br>First Three Quarters | 2015<br>Full Year |
|---|------------------------------|-------------------|
| Net sales                                     | <b>297,027</b>               | <b>328,121</b>    |
| Operating<br>income<br>(loss)                 | <b>(27,779)</b>              | <b>(19,836)</b>   |
| Profit attributable<br>to owners of<br>parent | <b>(29,678)</b>              | <b>(65,333)</b>   |

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



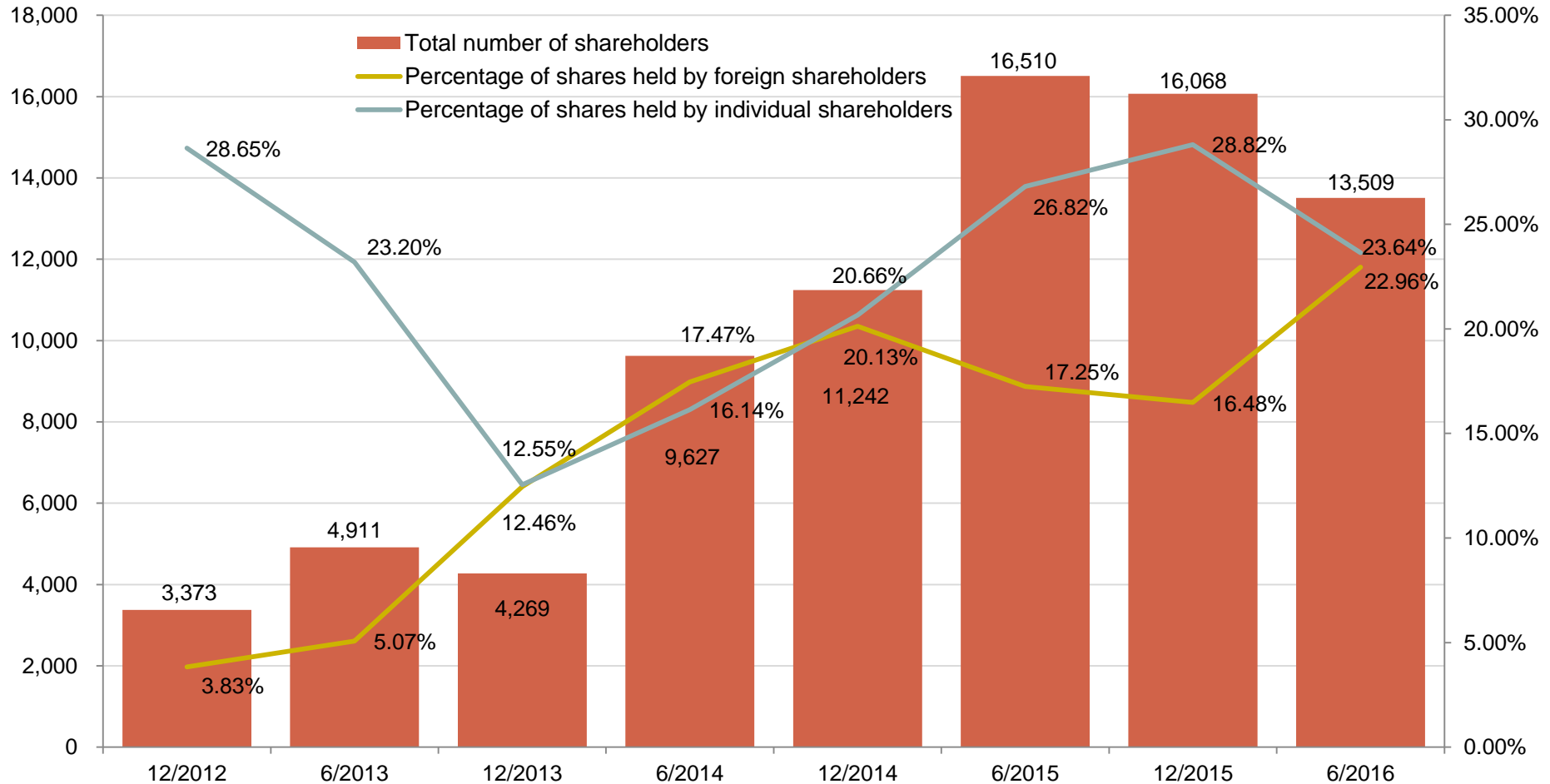
## Stock Information



# 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                          | <b>F@N Communications, Inc.</b>   |
| ■ Securities code                       | <b>2461 (Tokyo Stock Exchange, First Section)</b>   |
| ■ Fiscal year-end                       | <b>December</b>   |
| ■ Established                           | <b>October 1, 1999</b>  |
| ■ Capital                               | <b>¥1,135.67 million (As of September 30, 2016)</b>   |
| ■ President and Representative Director | <b>Yasuyoshi Yanagisawa</b>   |
| ■ Number of employees                   | <b>Non-consolidated: 347<br/>Group total: 399<br/>(As of September 30, 2016; includes part-time and temp staff)</b> |
| ■ Headquarters                          | <b>Aoyama Diamond Building<br/>1-1-8, Shibuya, Shibuya-ku, Tokyo 150-0002, Japan</b>                                |
| ■ Phone                                 | <b>+81-3-5766-3530 (IR)</b>   |
| ■ Fax                                   | <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.

## Contact

**F@N Communications, Inc.**

**Phone: +81-3-5766-3530**

E-mail : [ir-info@fancs.com](mailto:ir-info@fancs.com)