



Fourth Quarter of 2019
Presentation of Results

February 12, 2020

FAN Communications, Inc.

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Fourth Quarter of 2019 Performance Highlights

2019 Q4: Key Points

Performance Highlights

- **Net sales on a quarterly basis decreased by 13%, and ordinary income decreased by 22%, compared with the previous quarter, which was a tough result.**
- **Due to the change in search engine algorithm, our main product, A8.net was more affected.**
- **The sales of nend have continuously decreased due to the budget reduction of games, etc.**

Consolidated Results of Operations

Performance Highlights

(¥ thousands)	2019 Full Year	2018 Full Year	Year-on-Year Change	% of Net Sales
Net sales	34,200,488	35,340,668	-3.2%	100%
Operating income	3,747,153	4,209,726	-11.0%	11.0%
Ordinary income	3,785,697	4,364,730	-13.3%	11.1%
Profit attributable to owners of parent	2,488,514	2,554,252	-2.6%	7.3%
Ordinary income margin	11.1%	12.4%	-1.3pt	-
Net income per share	¥32.85	¥33.36	-1.5%	-
Diluted net income per share	-	¥33.34	-	-

*Since diluted net income per share for net income per share in 2019 full year doesn't exist, it's not mentioned here.

Consolidated Balance Sheets

Performance Highlights

(¥ thousands)	December 31, 2018	December 31, 2019
Assets		
Current assets	22,596,975	23,970,606
Cash and deposits	17,778,004	18,610,946
Notes and accounts receivable - trade	3,703,909	3,728,003
Securities	800,590	1,019,563
Other	327,994	622,935
Allowance for doubtful accounts	-13,522	-10,842
Fixed assets	3,193,271	3,154,585
Property and equipment	327,920	200,133
Intangible assets	284,313	640,722
Investments and other assets	2,581,037	2,313,729
Total assets	25,790,246	27,125,192
Liabilities and Net Assets		
Current liabilities	5,800,864	5,917,643
Accounts payable - trade	4,384,454	4,207,343
Income taxes payable	590,647	599,908
Other current liabilities	825,762	1,110,390
Long-term liabilities	153,578	154,237
Total liabilities	5,954,442	6,071,881
Total net assets	19,835,804	21,053,310
Total liabilities and net assets	25,790,246	27,125,192

The main component was ¥1,871,905 thousand in investment securities.

The main factor in the increase was a ¥1,049,091 thousand increase in retained earnings.

Consolidated Performance Forecast

Performance Highlights

(¥ millions)	2020 Full-Year Forecast (% Change from Same Period of Previous Year)	2020 Interim Period Forecast	2019 Full-Year Results
Net sales	34,300 (0.3)	17,000	34,200
Operating income	3,750 (0.1)	1,850	3,747
Ordinary income	3,790 (0.1)	1,870	3,785
Profit attributable to owners of parent	2,610 (4.9)	1,290	2,488

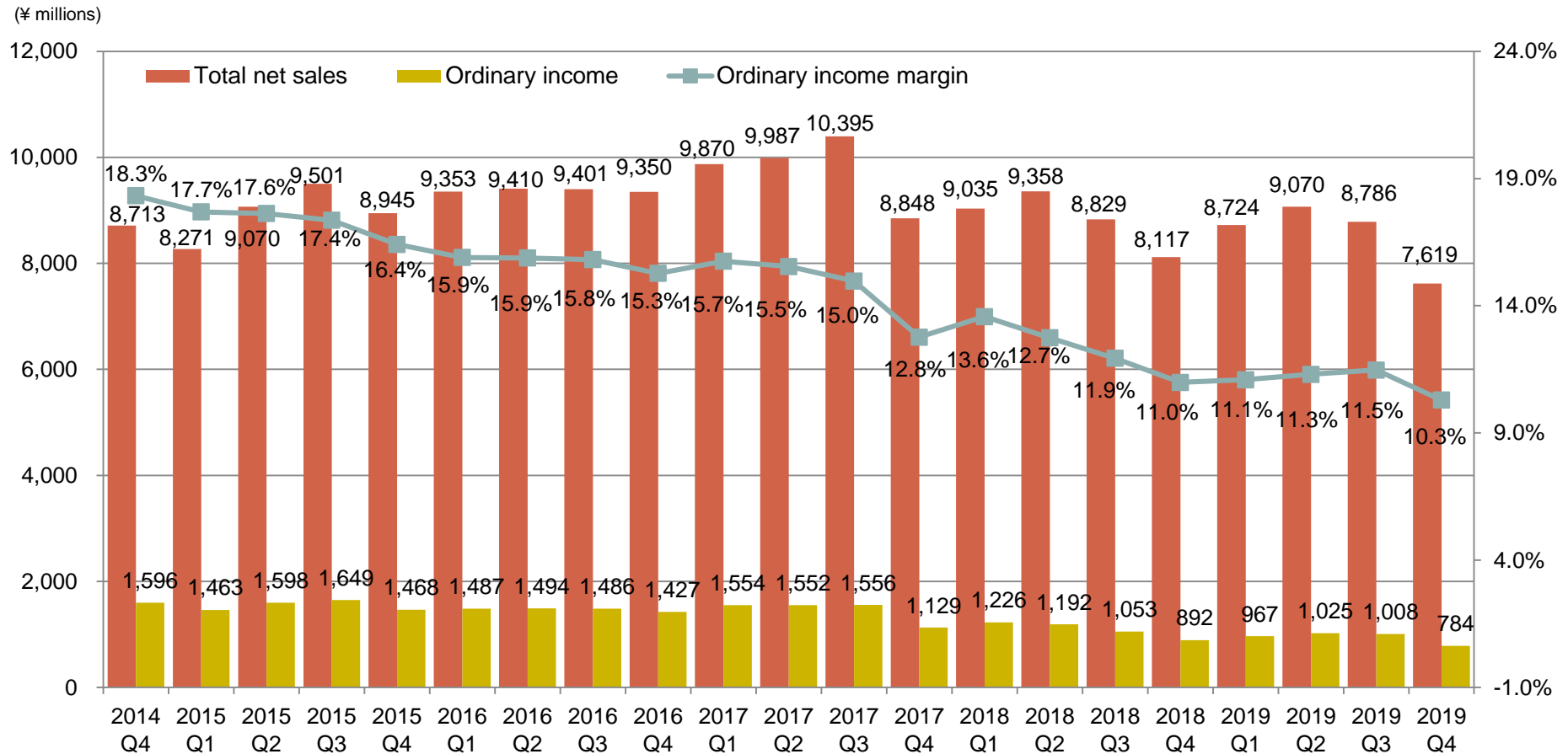
Dividend Forecast

	2020 Forecast	2019 (Expected)
Year-end dividend per share	¥19	¥19

Management Indicators (Quarterly Basis)

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

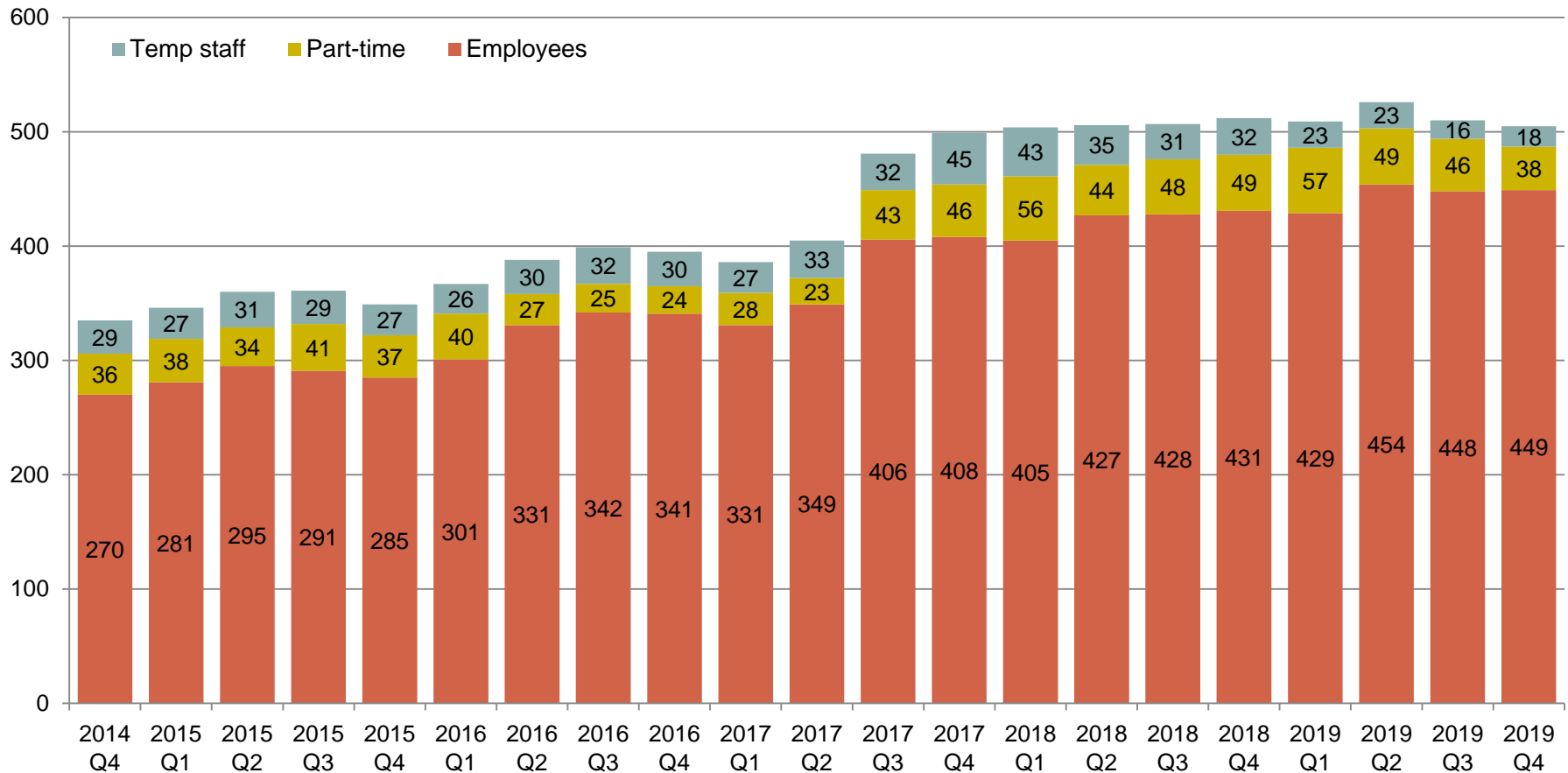
Management
Indicators



The ordinary income margin was 10.3%, a decrease of 1.2 points from the previous quarter.

Number of Employees (Consolidated/Quarterly basis)

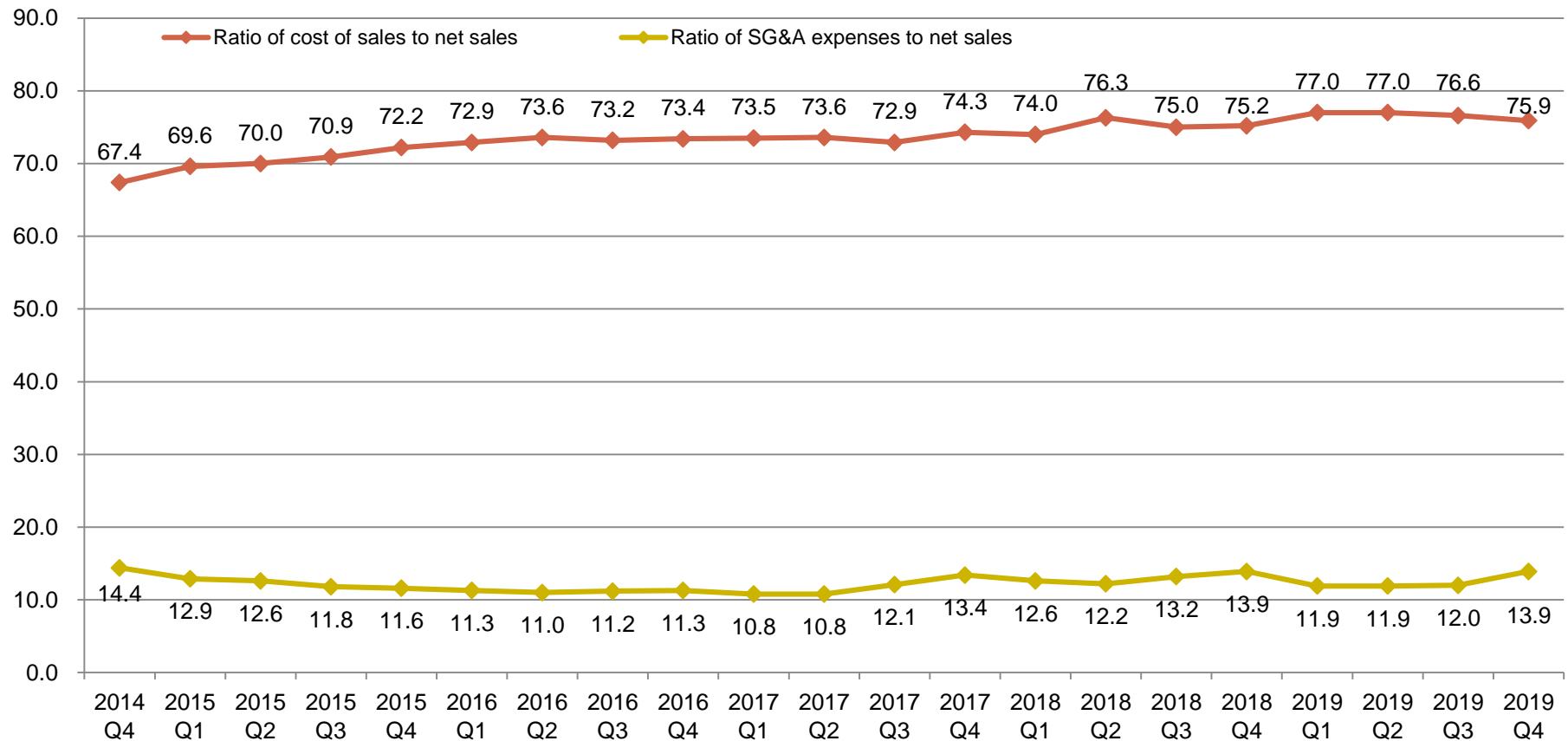
Management Indicators



The total number of employees in the Group was 505, a decrease of 7 from the same period of the previous year, and a decrease of 5 from the previous quarter.

Cost of Sales Ratio and SG&A Expenses Ratio (Consolidated/Quarterly basis)

Management Indicators

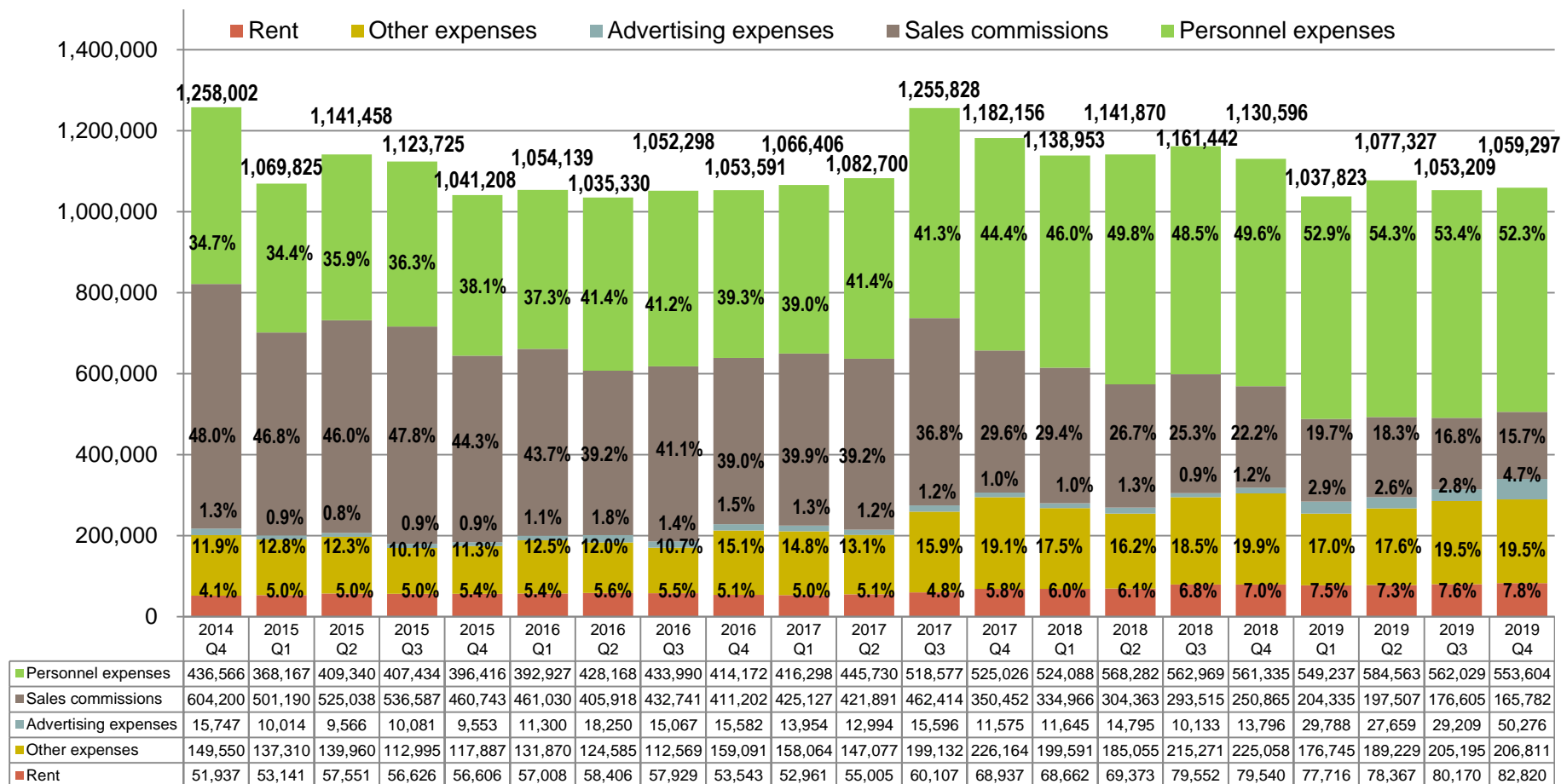


The ratio of cost of sales to net sales decreased by 0.7 points and the ratio of SG&A expenses to net sales increased by 1.9 points from the previous quarter.

Selling, General and Administrative Expenses (Consolidated/Quarterly basis)

Management Indicators

(thousands)



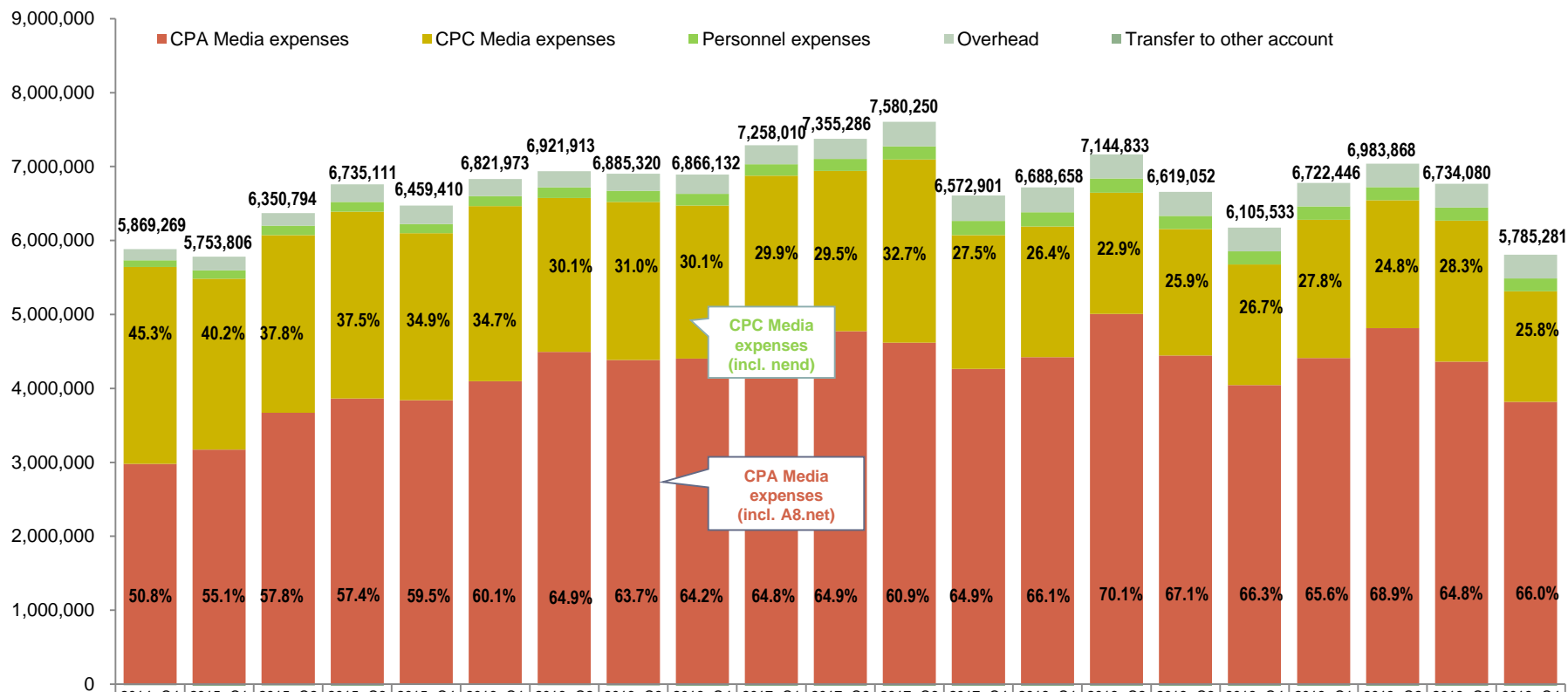
Note: Other expenses consist of business training expenses, business consignment expenses, payment commissions, sales promotion expenses, etc. The major factors of the increase in SG&A expenses ratio were an increase in advertising expenses for media and business training.

Cost of Sales

(Consolidated/Quarterly basis)

Management Indicators

(¥ thousands)



Transfer to other account	- 15,778	- 27,600	- 19,591	- 24,282	- 12,417	- 8,732	- 16,422	- 18,846	- 24,480	- 30,889	- 22,120	- 27,373	- 37,693	- 28,888	- 20,937	- 37,831	- 69,453	- 57,082	- 54,967	- 31,862	- 21,262
Overhead	152,976	183,567	170,335	237,116	247,798	228,268	218,538	229,152	259,866	256,538	274,559	332,161	347,113	336,195	328,003	322,692	319,423	317,526	316,336	318,773	319,571
Personnel expenses	90,632	112,932	128,742	130,556	126,468	135,177	145,974	154,345	158,396	157,102	161,638	178,050	191,650	191,812	192,698	179,150	180,005	182,355	178,201	178,621	172,302
CPC Media expenses	2,660,510	2,313,766	2,400,172	2,528,818	2,255,539	2,368,385	2,080,530	2,134,504	2,067,452	2,169,264	2,166,557	2,480,291	1,806,970	1,768,208	1,635,609	1,711,426	1,630,420	1,866,889	1,729,178	1,905,096	1,494,700
CPA Media expenses	2,980,927	3,171,138	3,671,132	3,862,900	3,842,018	4,098,871	4,493,290	4,386,162	4,404,896	4,705,994	4,774,649	4,617,119	4,264,860	4,421,329	5,009,457	4,443,611	4,045,135	4,412,754	4,815,118	4,363,448	3,819,966

Notes: 1. CPA Media expenses consist of A8.net and seedApp. CPC Media expenses consist of nend and nex8.
2. Overhead consists of infrastructure costs such as data center costs.

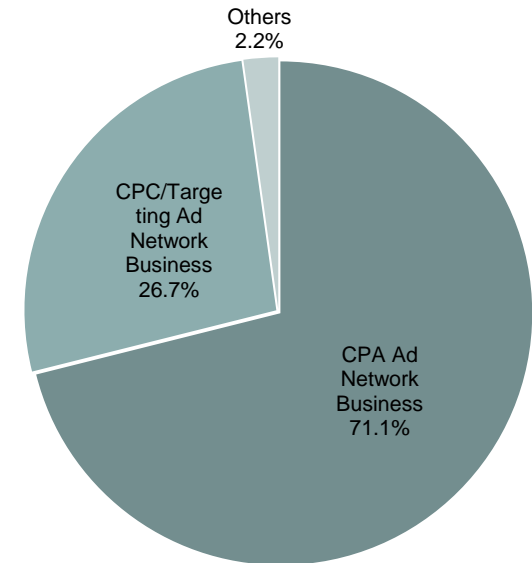
Overview by Main Service Area

Net Sales by Reportable Segment

(Consolidated/Quarterly basis)

Overview by Service Area

(¥ thousands)	2019 Q4 (October-December)	2018 Q4 (October-December)	YoY Change
CPA Ad Network Business	5,416,197	5,715,472	-5.2%
CPC/Targeting Ad Network Business	2,034,187	2,209,630	-7.9%
Others	168,616	192,751	-12.5%
Total net sales	7,619,001	8,117,853	-6.1%



<Main services of CPA Ad Network Business>
A8.net, seedApp

<Main services of CPC/Targeting Ad Network Business>
nend, nex8, FAN Communications Global

<Others>
Seesaa

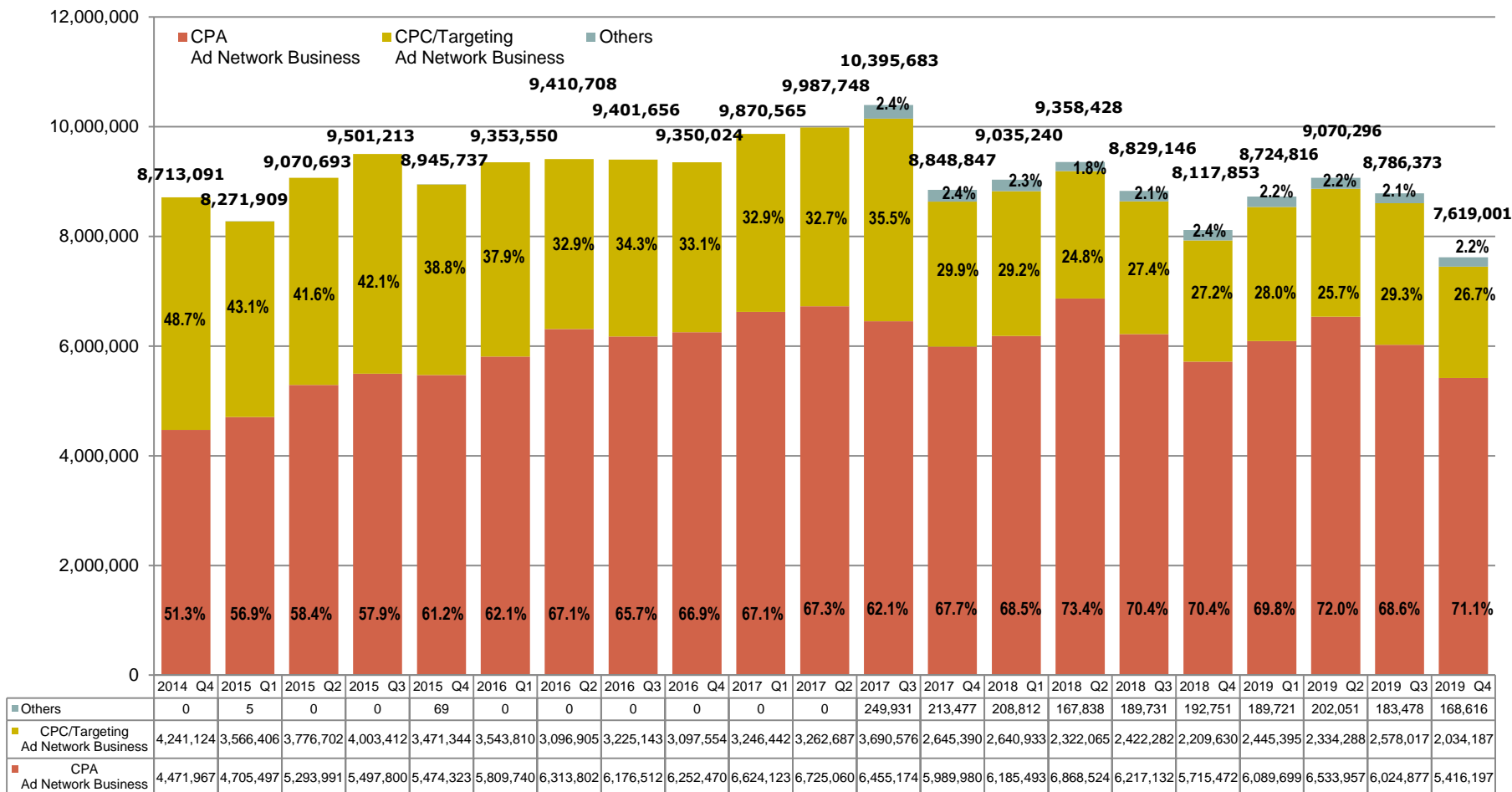
Note: Sales before elimination of consolidated intercompany transactions.

Net Sales by Reportable Segment

(Consolidated/Quarterly basis)

Overview by Service Area

(¥ thousands)



Note: Others consist of the sales of subsidiary Seesaa Inc.

A8.net Summary

CPA Ad Network Business

	2019 Q4 (October-December)	2018 Q4 (October-December)	YoY Change
Sales (¥ thousands)	4,866,868	5,274,919	-7.7%
Number of operating advertiser IDs	3,468	3,491	-0.7%
Number of registered partner sites	2,711,938	2,539,128	6.8%

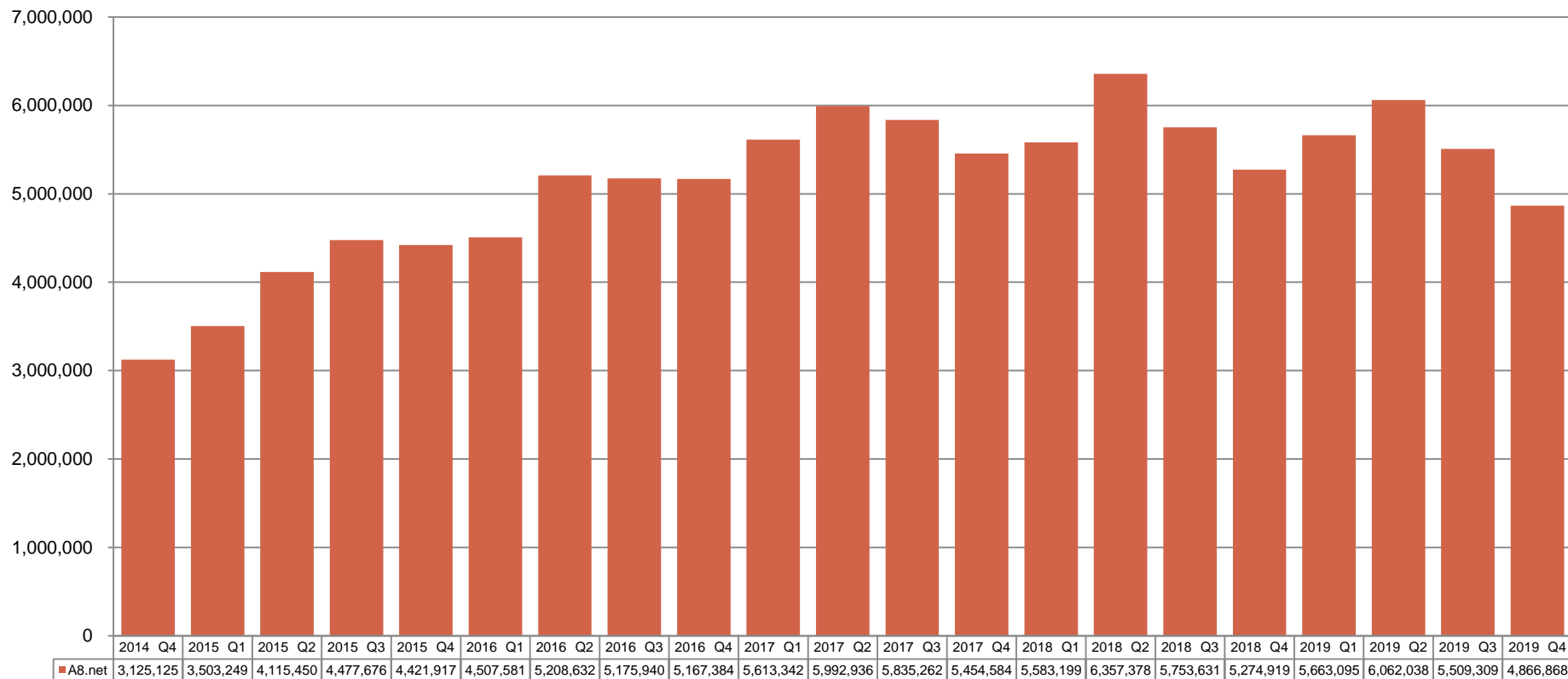
Note: Sales before elimination of consolidated intercompany transactions.
The number of operating advertiser IDs decreased by 23 from the same period of the previous year.

A8.net

Net Sales (Quarterly basis)

CPA Ad Network Business

(¥ thousands)

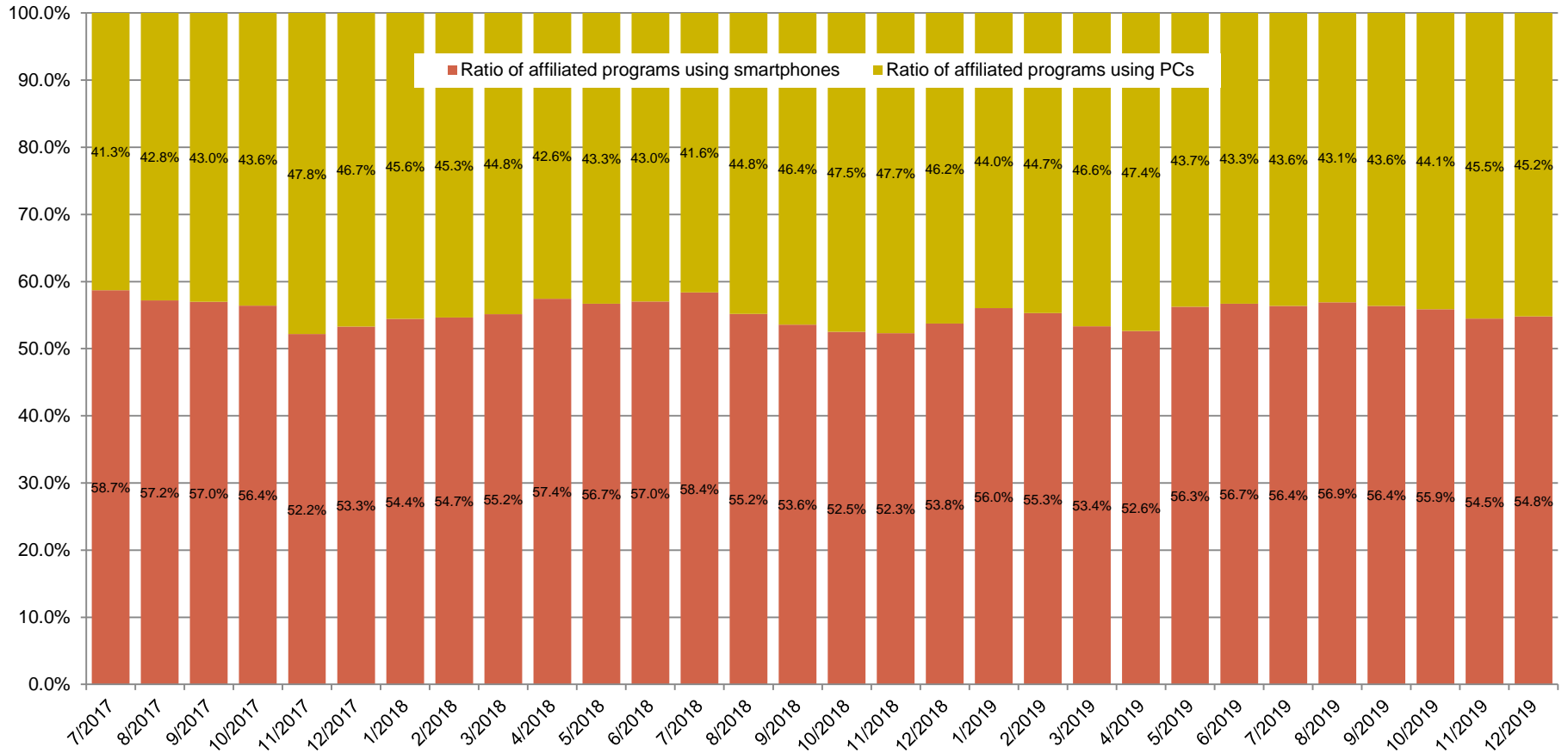


Note: Sales before elimination of consolidated intercompany transactions.
 Net sales were sluggish due to the impact from the change in search engine algorithms.

A8.net

CPA Ad Network Business

Ratio of Smartphones in Affiliated Programs (Monthly basis)

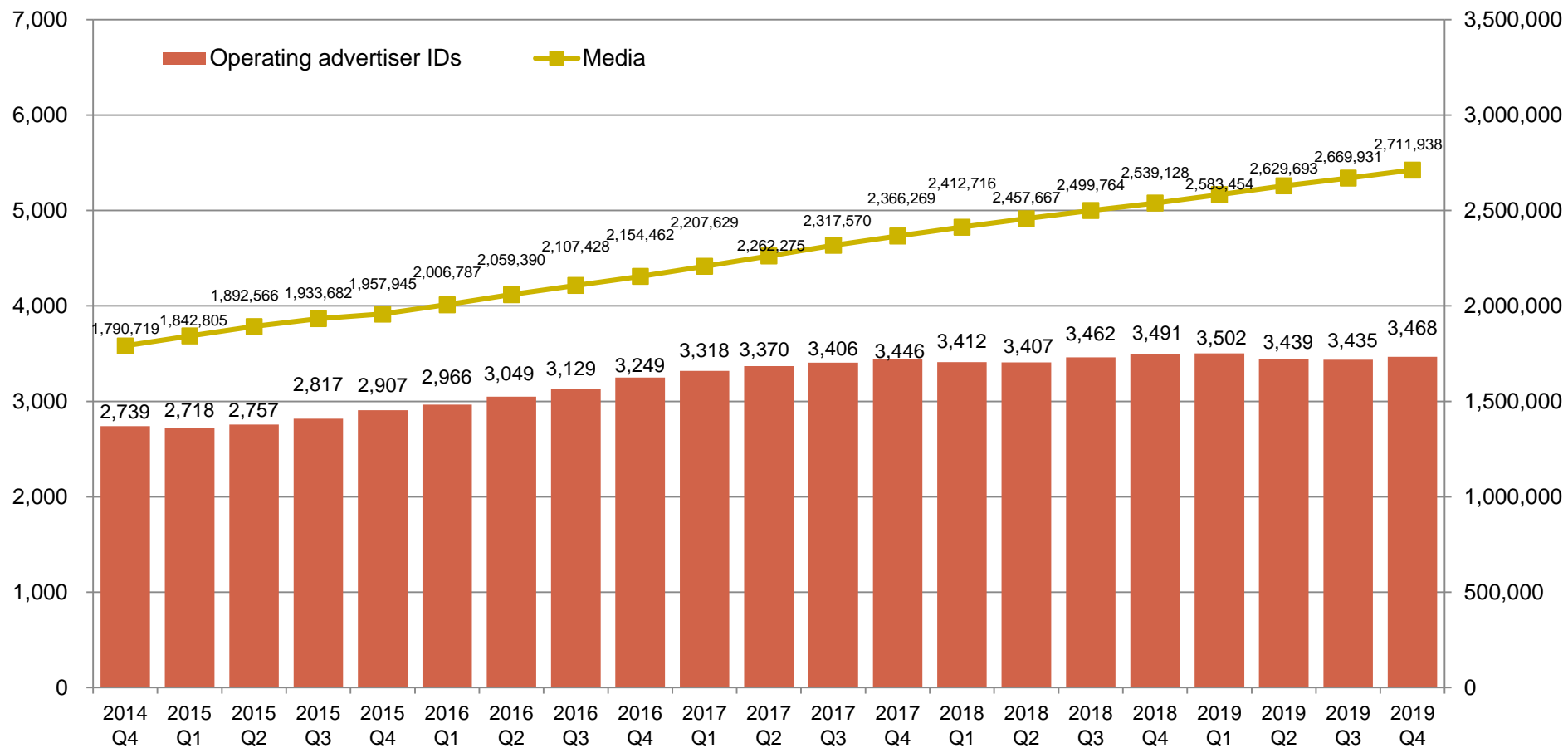


Note: The above affiliated program ratios are not final and are subject to change.

A8.net

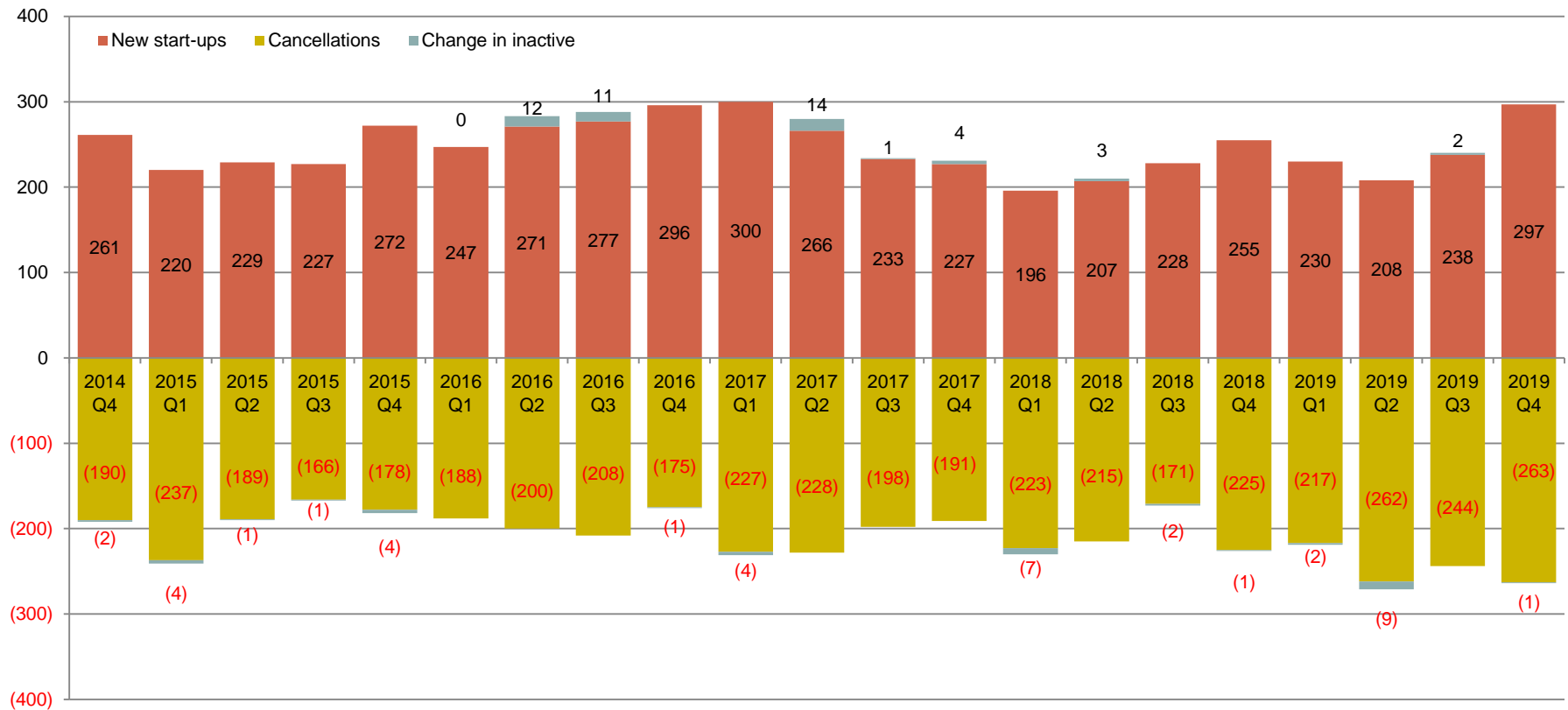
CPA Ad Network Business

Number of Operating Advertisers and 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 33 from 2019 Q3.
 The number of overseas operating advertisers decreased by 33 from 2019 Q3 to 201.

New Advertiser Start-ups and Cancellations

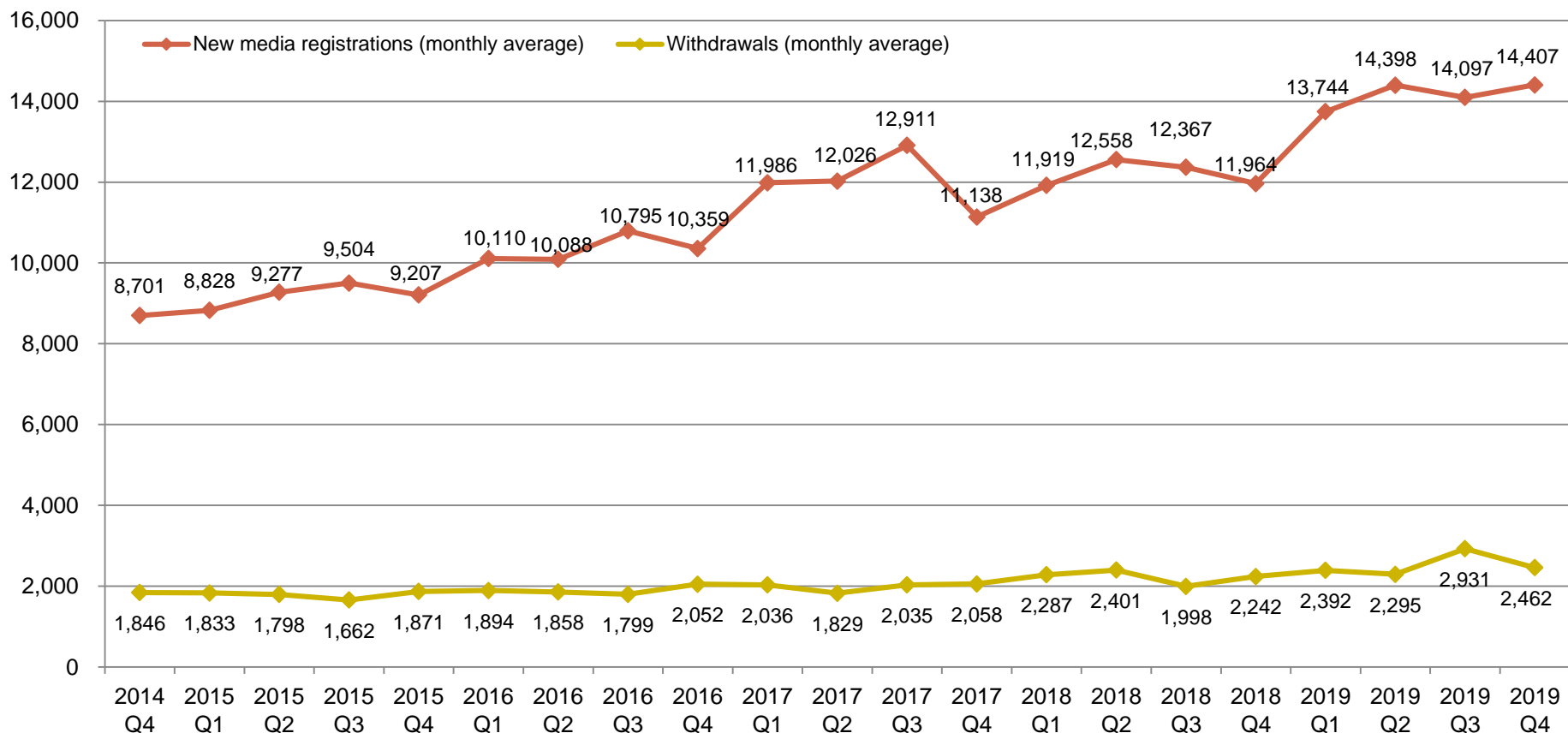


Note: "Change in inactive" is the difference in number of customers who switched between "operating" and "inactive," adjusted for the number of customers who switched from "inactive" to "cancelled" included in the number of cancellations.

A8.net

CPA Ad Network Business

Average Monthly New Media Registrations and Withdrawals



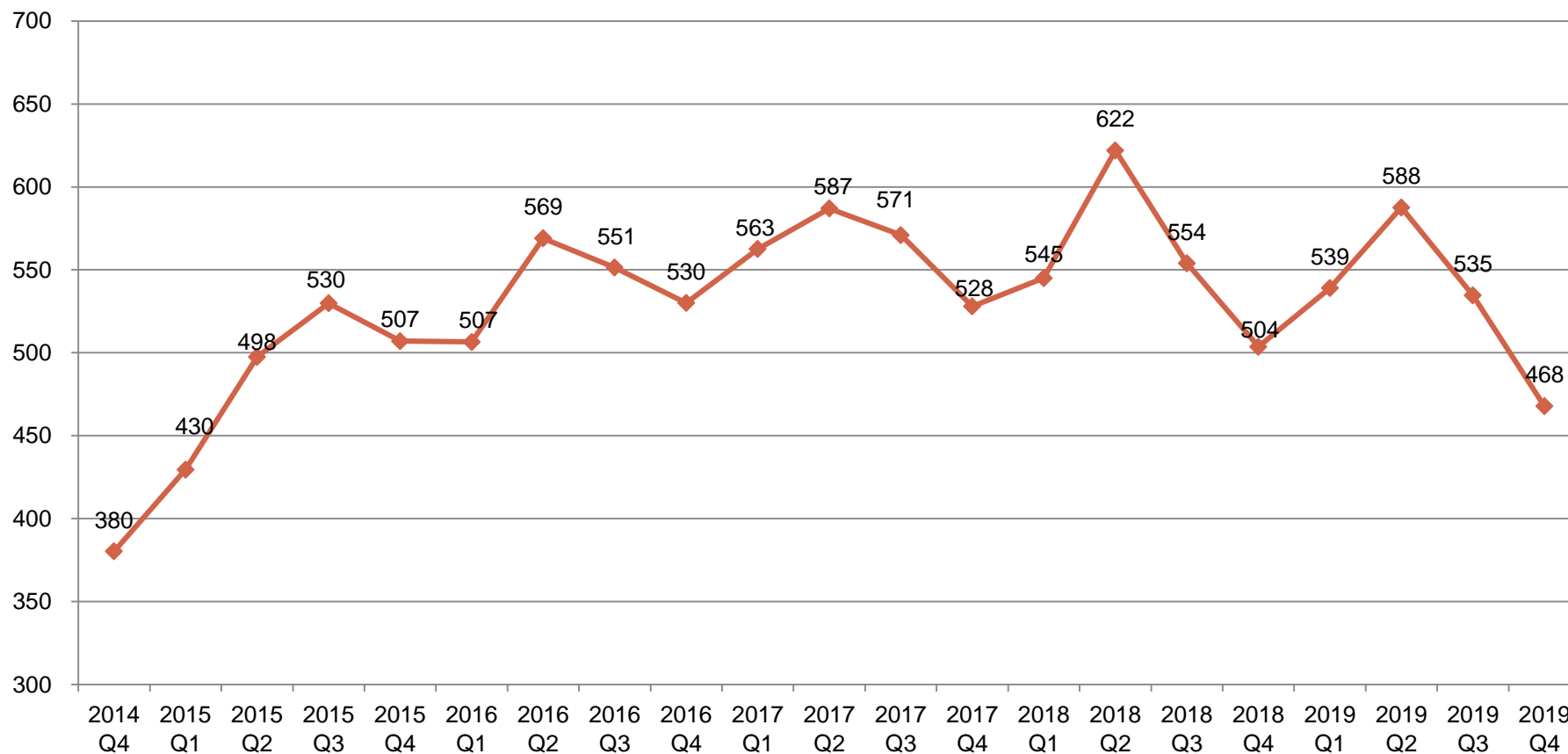
Monthly new media registrations increased and monthly withdrawals decreased.

A8.net

CPA Ad Network Business

Average Monthly Sales per Advertiser

(¥ thousands)



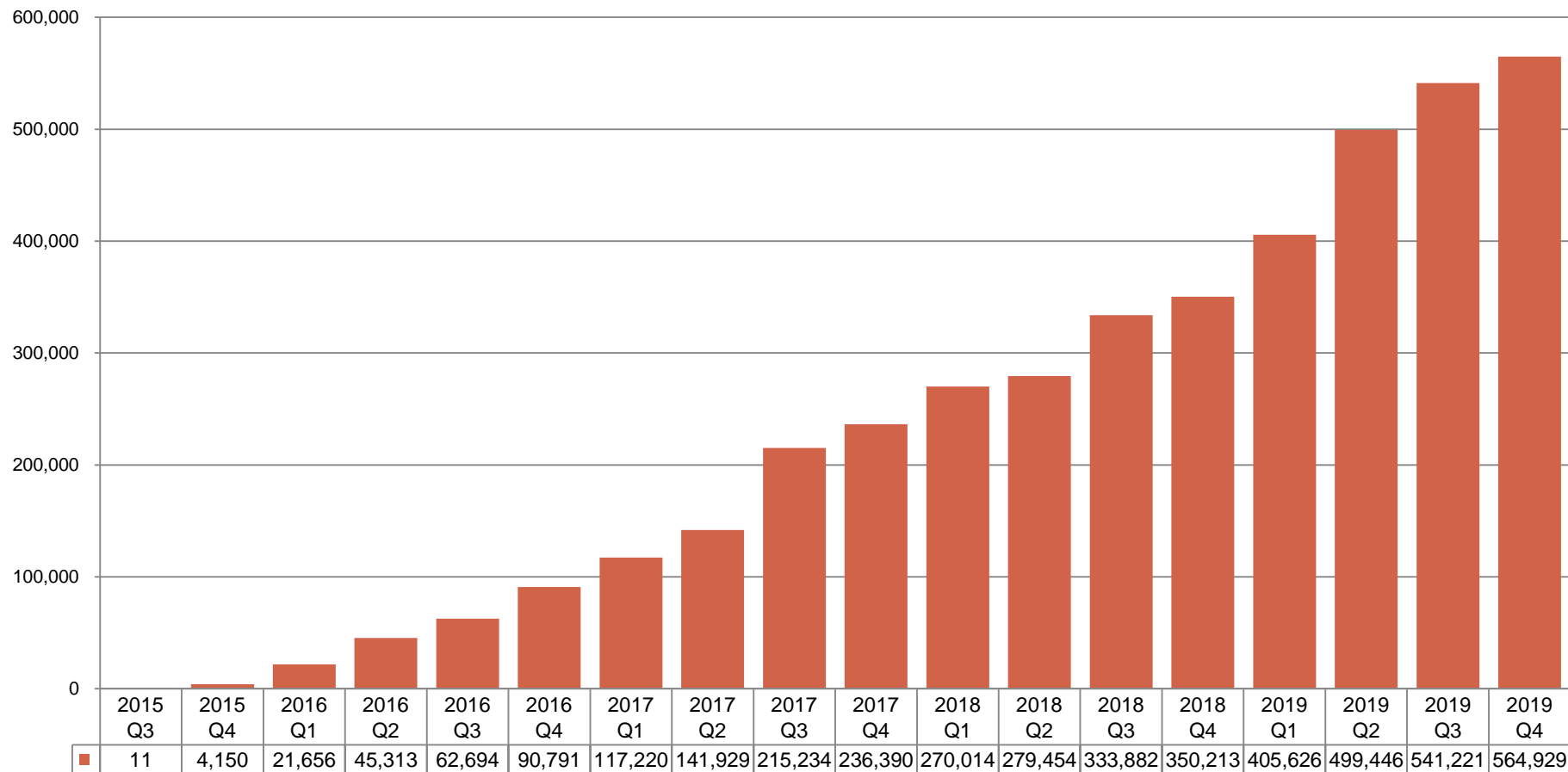
Average monthly sales per advertiser decreased to 460 thousand yen.

seedApp

Net Sales (Quarterly basis)

CPA Ad Network Business

(¥ thousands)



Note: Sales before elimination of consolidated intercompany transactions.

nend Summary

CPC/Targeting Ad Network Business

	2019 Q4 (October-December)	2018 Q4 (October-December)	YoY Change
Sales (¥ thousands)	1,616,771	1,834,948	-11.9%
Number of operating advertiser IDs	267	314	-15.0%
Number of ad spaces on registered partner sites	982,499	928,948	5.8%

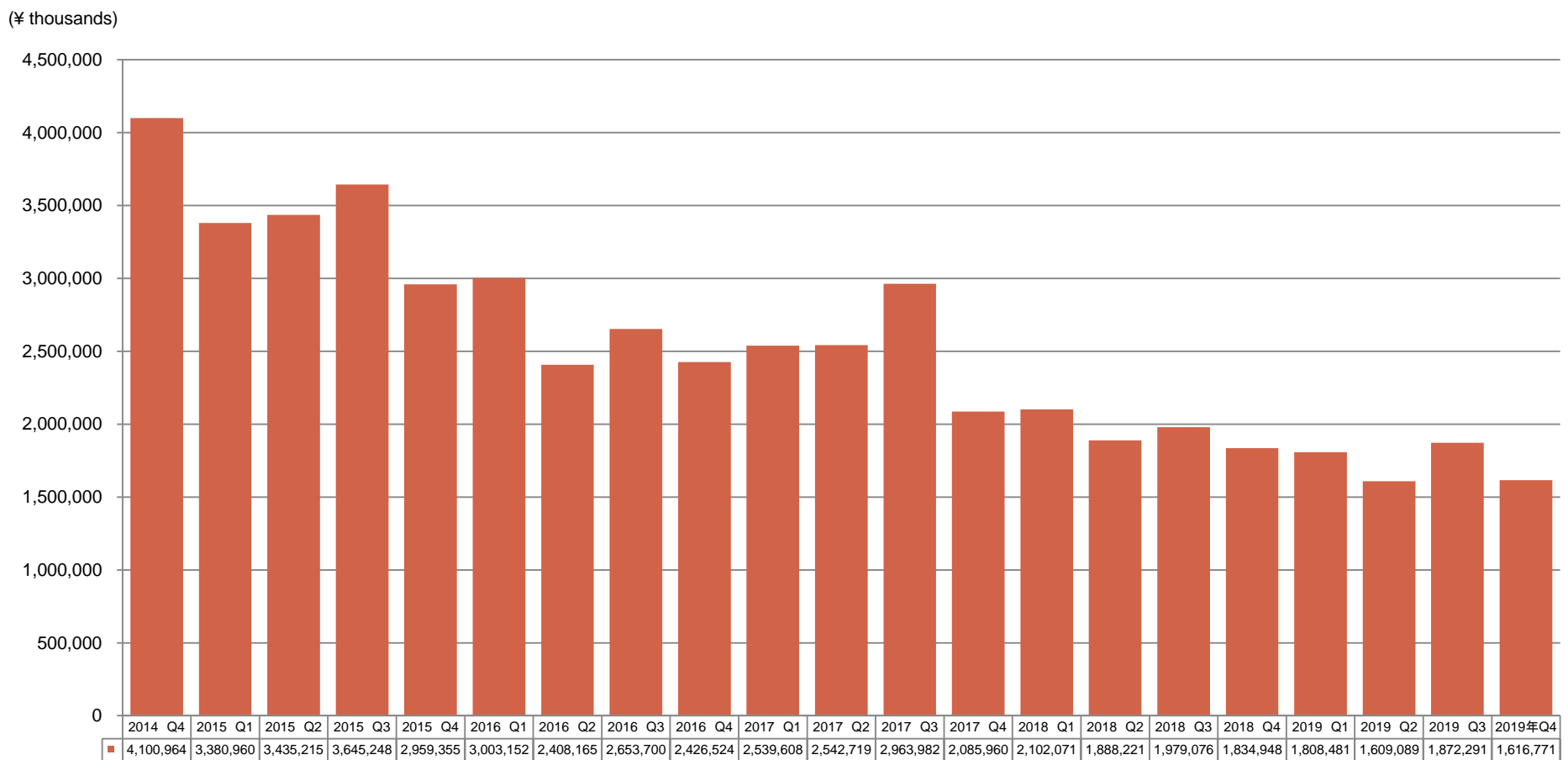
Sales before elimination of consolidated intercompany transactions.
Note: Figures are those of nend only, and do not include other services.

Sales declined 11.9% YoY.

nend

Net Sales (Quarterly basis)

CPC/Targeting
Ad Network Business

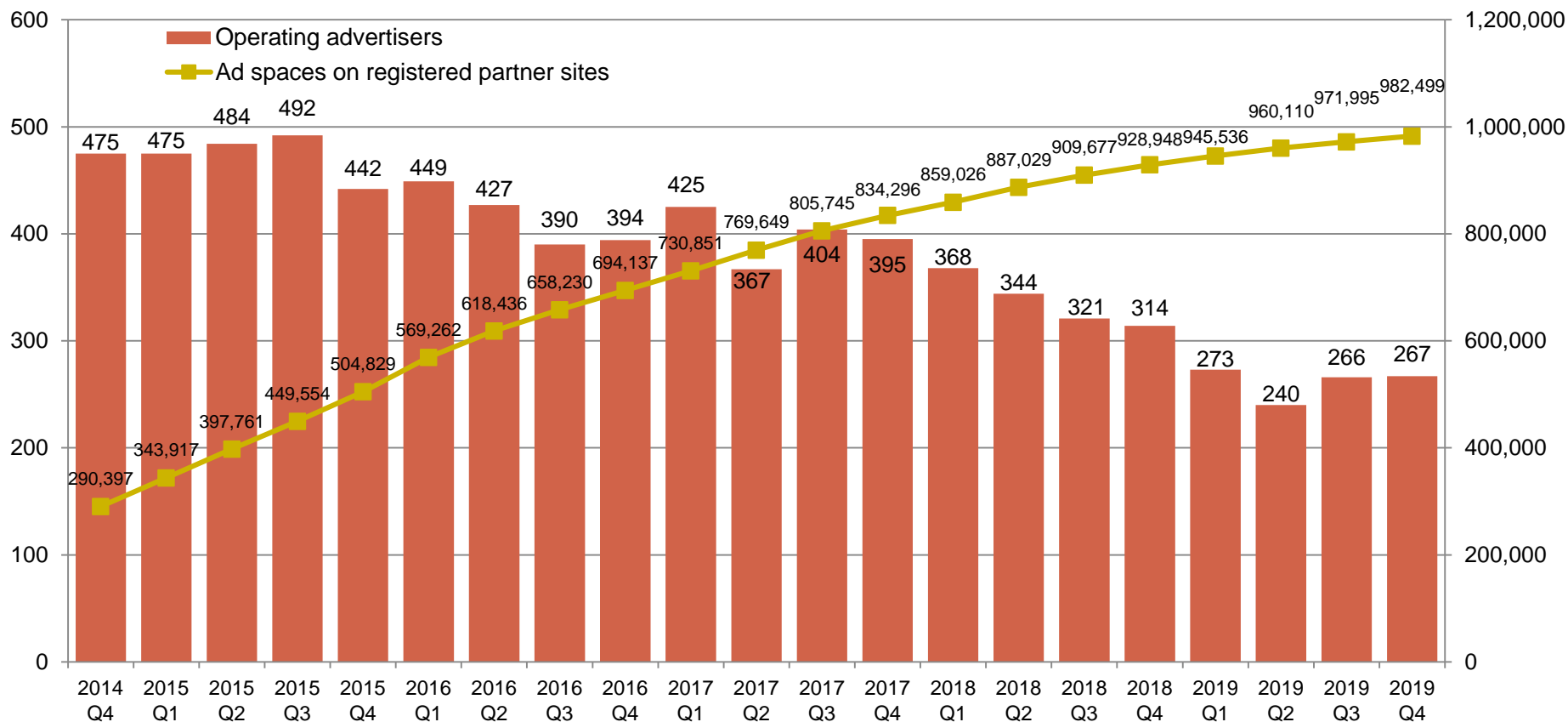


Note: Sales before elimination of consolidated intercompany transactions.

nend

Number of Operating Advertisers and Ad Spaces on Registered Partner Sites (Quarterly basis)

CPC/Targeting Ad Network Business

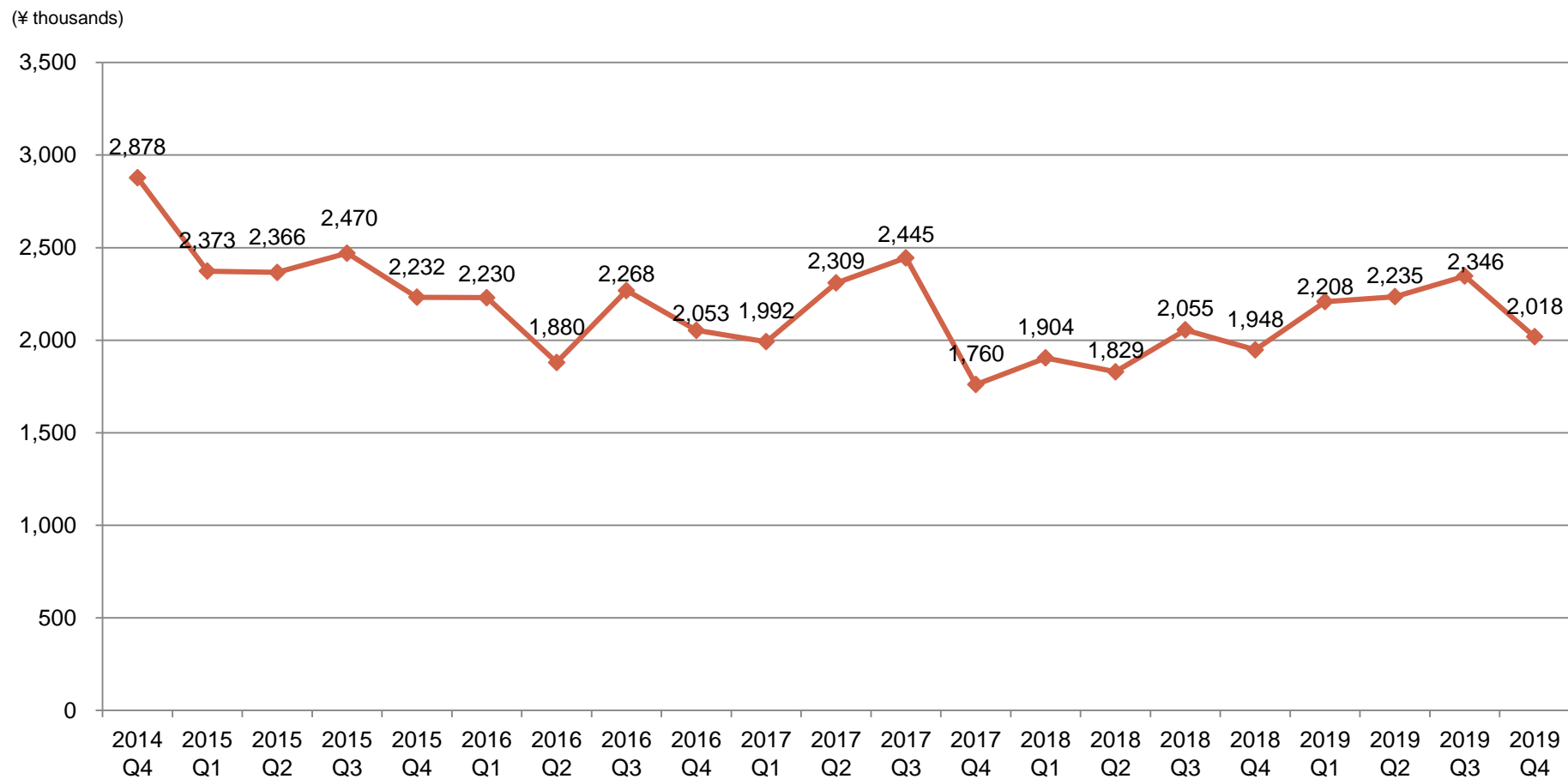


Note: The number of operating advertisers is as of the final month of each quarter.
The number of operating advertisers was almost the same as the previous quarter.

nend

Average Monthly Sales per Advertiser

CPC/Targeting
Ad Network Business

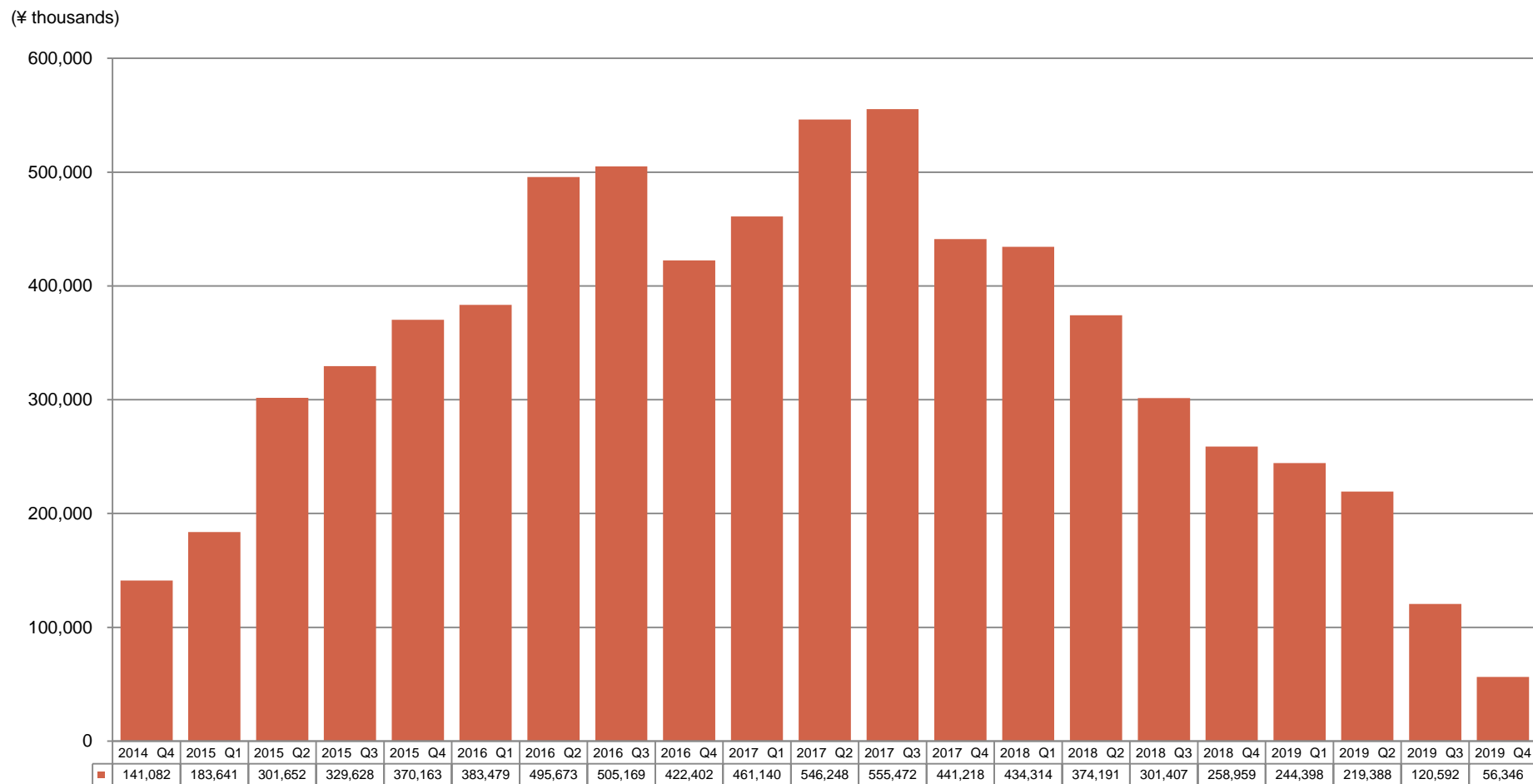


Average monthly sales per advertiser were ¥2.01 million.

nex8

Net Sales (Quarterly basis)

CPC/Targeting
Ad Network Business



Note: Sales before elimination of consolidated intercompany transactions.
This service ended on December 3, 2019 due to the changes in the market environments.

Consolidated Group Businesses

FAN Communications Global Inc.

Established: March 1, 2012
(Wholly owned by FAN Communications, Inc.)

Main Business

Smartphone application marketing support business
Development of overseas new businesses



Note: Changed the company name from Ad Japon Inc. to FAN Communications Global Inc. on October 1, 2019

(¥ thousands)	2019 Full Year	2018 Full Year
Net sales	3,227,956	814,433
Operating income (loss)	216,272	-39,578
Profit (loss) attributable to owners of parent	177,301	-75,768

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

Seesaa Inc.

Established: October 2003
(Wholly owned by FAN Communications, Inc.)

Main Business

Development, operation and sales of blog systems, planning, development and sales of smartphone applications, and management of own media

Note: Became a subsidiary on July 3, 2017

(¥ thousands)	2019 Full Year	2018 Full Year
Net sales	837,644	810,001
Operating income (loss)	-162,424	20,481
Profit (loss) attributable to owners of parent	-229,536	94,909

Notes: 1. Became a consolidated subsidiary In July 2017.

2. The above figures are before elimination of consolidated intercompany transactions.

Seesaa

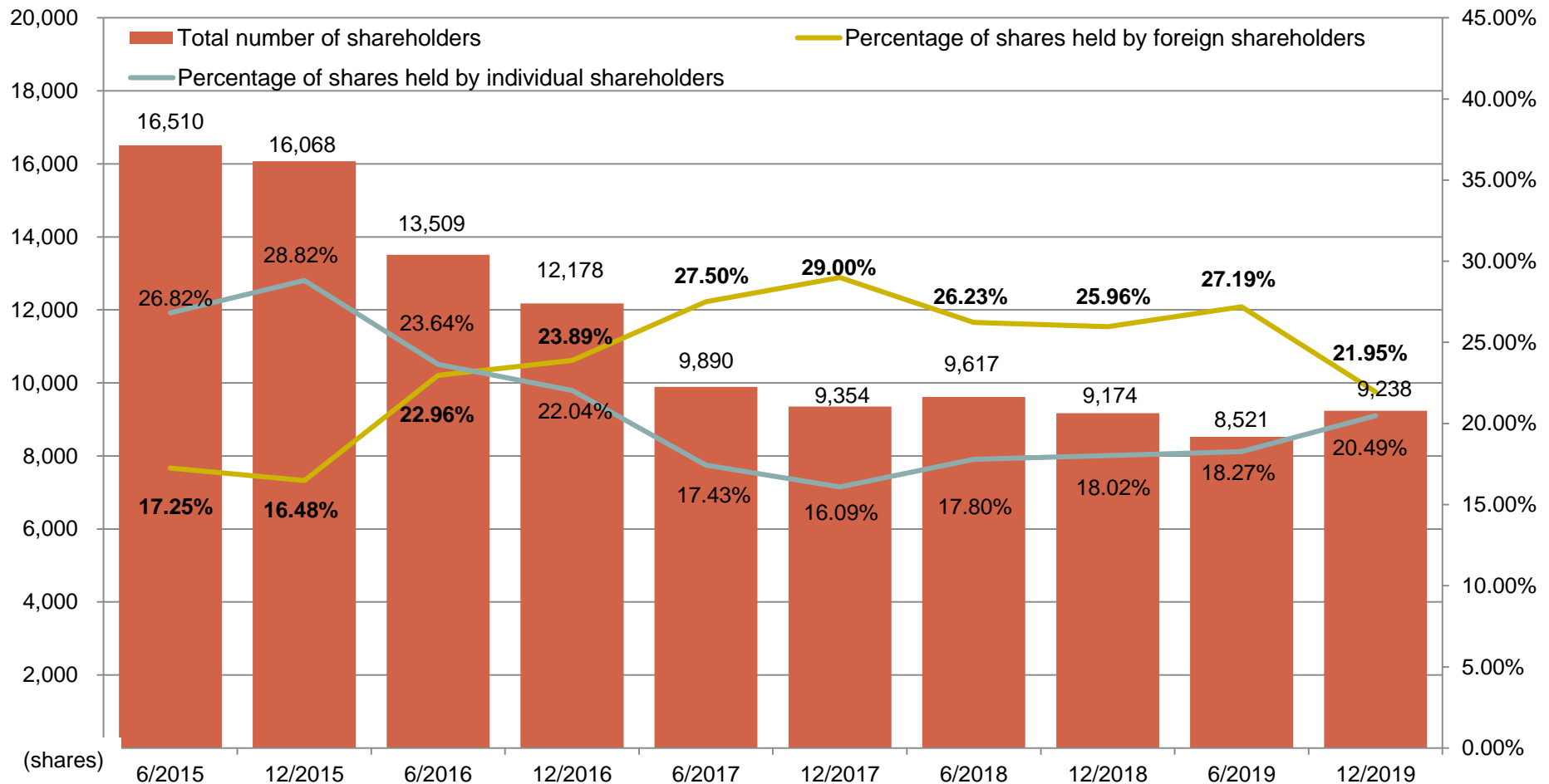


Stock Information

Stock Information

Stock Information

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



Note: In "Percentage of shares held by individual shareholders" and "Percentage of shares held by foreign shareholders", the number of shares owned by our company's executive officers and employees is excluded.

Reference Materials

Management Vision

FAN seeks to become one of the largest affiliated program network corporate groups in the world.

We build ad networks that bring a performance marketing advertising model to advertisers, affiliate site application developers (media), and consumers, resulting in optimal win-win-win relationships.

Our model provides 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 are the world's largest corporate group that structures ad networks committed to effective advertisements. We contribute to society by creating new added value in the cycle of production, sales, and consumption that is changing with the Internet.

Company Overview

■ Company name	FAN Communications, Inc.
■ Securities code	2461 (Tokyo Stock Exchange, First Section)
■ Fiscal year-end	December
■ Established	October 1, 1999
■ Capital	¥1,173.67 million (As of December 31, 2019)
■ President and Representative Director	Yasuyoshi Yanagisawa
■ Number of employees	Non-consolidated: 410 Group total: 505 <small>(As of December 31, 2019; includes part-time and temp staff)</small>
■ Headquarters	Aoyama Diamond Building 1-1-8, Shibuya, Shibuya-ku, Tokyo 150-0002, Japan
■ Telephone	+81-(0)3-5766-3530 (IR)
■ Fax	+81-(0)3-5766-3782

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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.

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