



First Quarter of 2020  
Presentation of Financial Results

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May 11, 2020

FAN Communications, Inc.

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# First Quarter of 2020 Performance Highlights

## First Quarter of 2020: Key Points

### Performance Highlights

- **Net sales decreased by 10.8% and ordinary income decreased by 10.1% year-on-year, which were tough results.**
- **Net sales increased by 2.2% and ordinary income increased by 10.9% compared with the previous quarter, resulting in increased revenue and income.**
- **Regarding the impact from the Novel Coronavirus, while there have been negative impacts on travel booking and promotion of visiting stores since March, there have been also positive impacts from the increased consumption caused by staying at home.**

# Consolidated Results of Operations

## Performance Highlights

(¥ thousands)	2020 Q1	2019 Q1	Year-on-Year Change	% of Net Sales
Net sales	7,785,637	8,724,816	-10.8%	100%
Operating income	871,896	964,546	-9.6%	11.2%
Ordinary income	869,634	967,733	-10.1%	11.2%
Profit attributable to owners of parent	585,270	628,003	-6.8%	7.5%
Ordinary income margin	11.2%	11.1%	0.1pt	-
Net income per share	¥7.75	¥8.29	-6.5%	-
Diluted net income per share	-	-	-	-

\*Since diluted net income per share for net income per share in 2020 full year doesn't exist, it's not mentioned here.

# Consolidated Balance Sheets

## Performance Highlights

(¥ thousands)	December 31, 2019	March 31, 2020
<b>Assets</b>		
<b>Current assets</b>	<b>23,970,606</b>	<b>22,523,677</b>
Cash and deposits	18,610,946	16,956,314
Notes and accounts receivable - trade	3,728,003	3,933,917
Securities	1,019,563	893,715
Other	622,935	754,200
Allowance for doubtful accounts	-10,842	-14,469
<b>Fixed assets</b>	<b>3,154,585</b>	<b>2,942,875</b>
Property and equipment	200,133	180,569
Intangible assets	640,722	626,654
Investments and other assets	2,313,729	2,135,651
<b>Total assets</b>	<b>27,125,192</b>	<b>25,466,553</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>	<b>5,917,643</b>	<b>5,757,279</b>
Notes and accounts payable - trade	4,207,343	4,358,729
Income taxes payable	599,908	228,635
Other current liabilities	1,110,390	1,169,914
<b>Long-term liabilities</b>	<b>154,237</b>	<b>150,837</b>
<b>Total liabilities</b>	<b>6,071,881</b>	<b>5,908,117</b>
<b>Total net assets</b>	<b>21,053,310</b>	<b>19,558,436</b>
<b>Total liabilities and net assets</b>	<b>27,125,192</b>	<b>25,466,553</b>

The main component was ¥1,751,570 thousand in investment securities.

The main factors of the decrease were the payment of dividend (a decrease of ¥1,439,423 thousand) and acquisition of treasury shares (a decrease of ¥630,823 thousand), though the profit attributable to owners of parent was ¥ 585,270 thousand.

# Consolidated Performance Forecast

## Performance Highlights

(¥ millions)	2020 Full-Year Forecast (% Change from Same Period of Previous Year)	2020 Interim Period Forecast (% Change from Same Period of Previous Year)	2020 1Q Actual	Progress (% of Full-Year Forecast)
Net sales	<b>34,300</b> (-0.3)	<b>17,000</b> (-4.5)	<b>7,785</b>	<b>22.7%</b>
Operating income	<b>3,750</b> (0.1)	<b>1,850</b> (-6.3)	<b>871</b>	<b>23.2%</b>
Ordinary income	<b>3,790</b> (0.1)	<b>1,870</b> (-6.2)	<b>869</b>	<b>22.9%</b>
Profit attributable to owners of parent	<b>2,610</b> (4.9)	<b>1,290</b> (-0.1)	<b>585</b>	<b>22.4%</b>

## Dividend Forecast

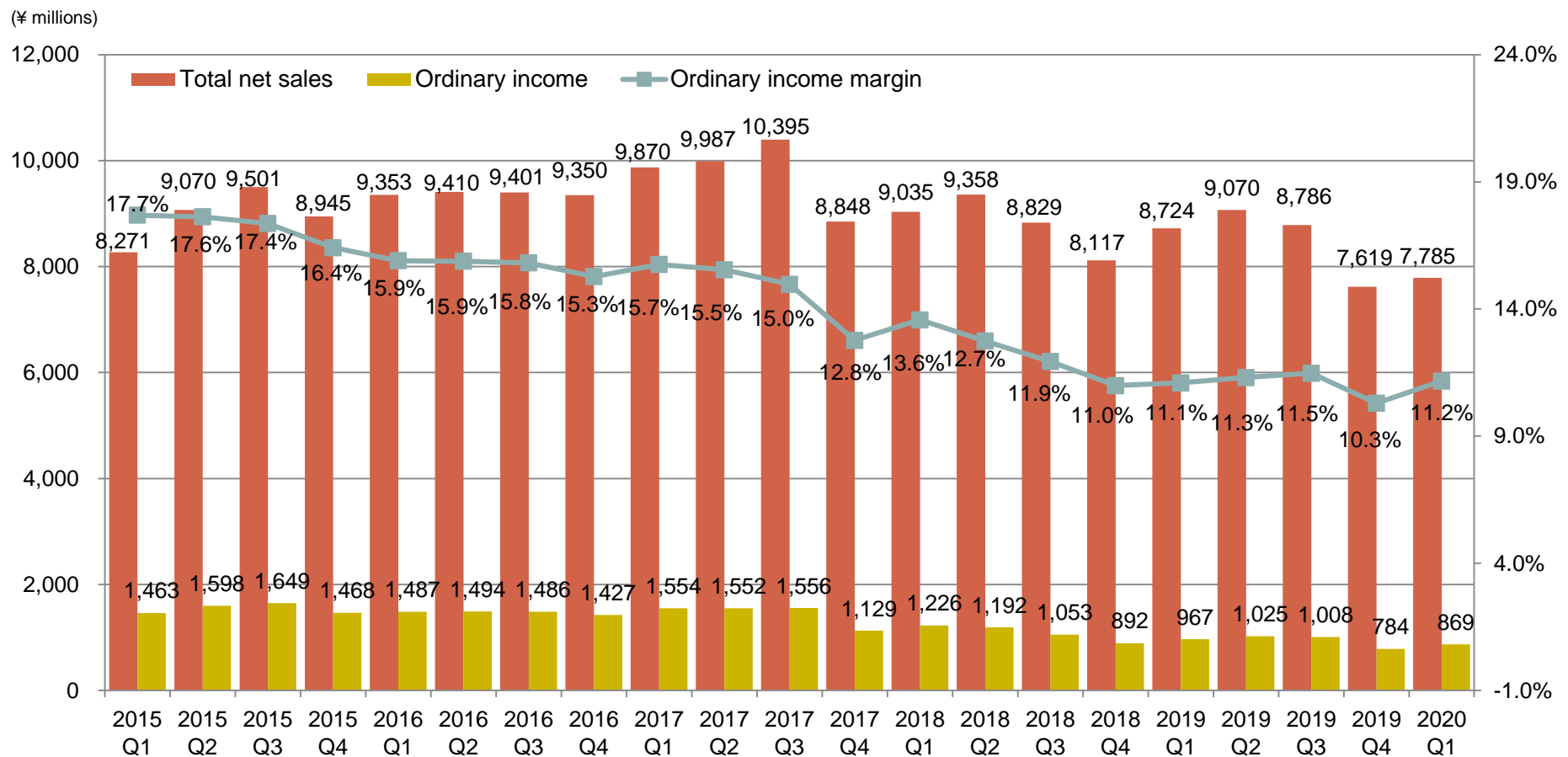
	2020 Forecast	2019 Actual
Year-end dividend per share	<b>¥19</b>	<b>¥19</b>

## Management Indicators (Quarterly Basis)



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

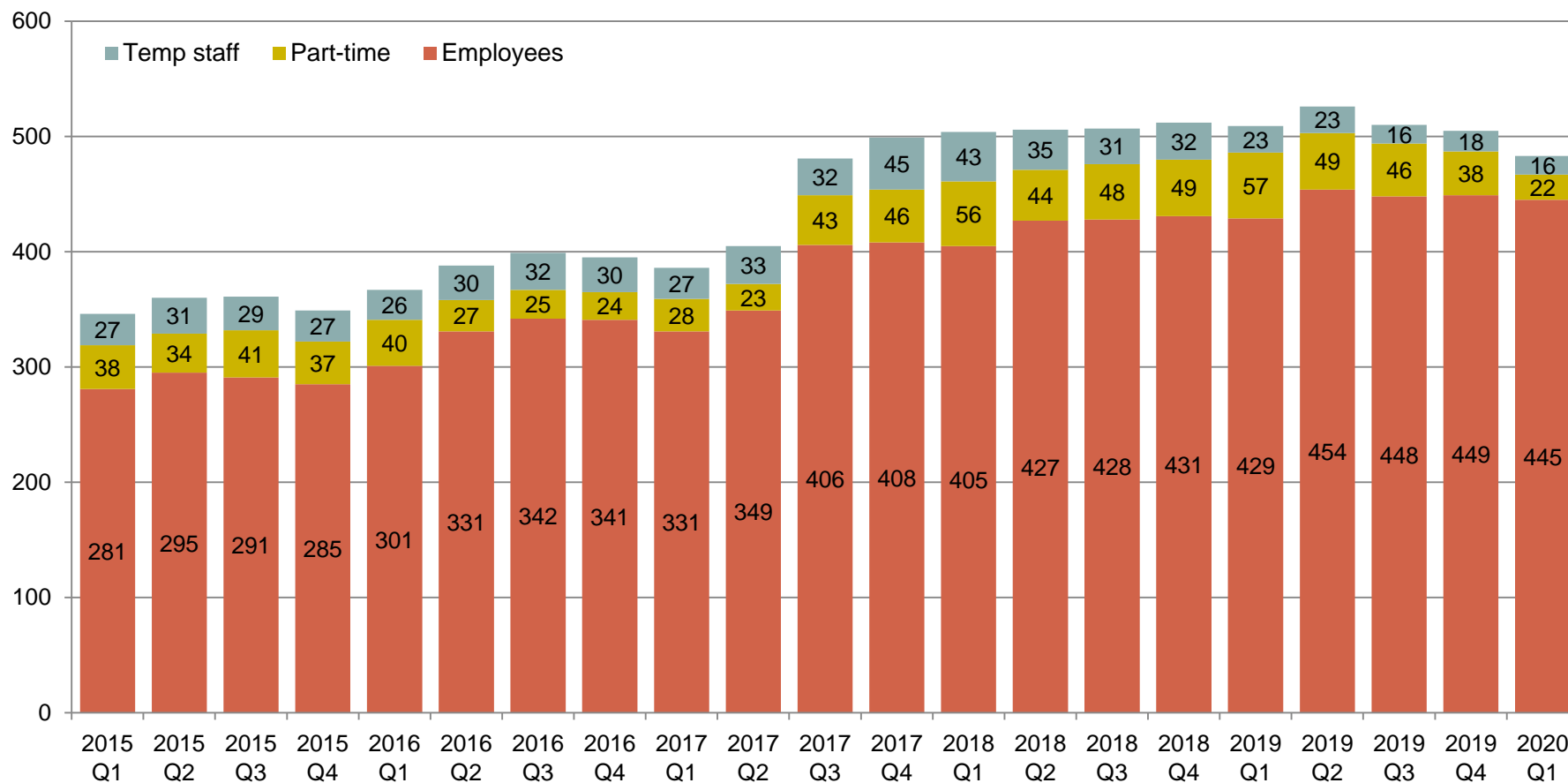
Management  
Indicators



The ordinary income margin was 11.2%, an increase of 0.9 points from the previous quarter.

# Number of Employees (Consolidated/Quarterly basis)

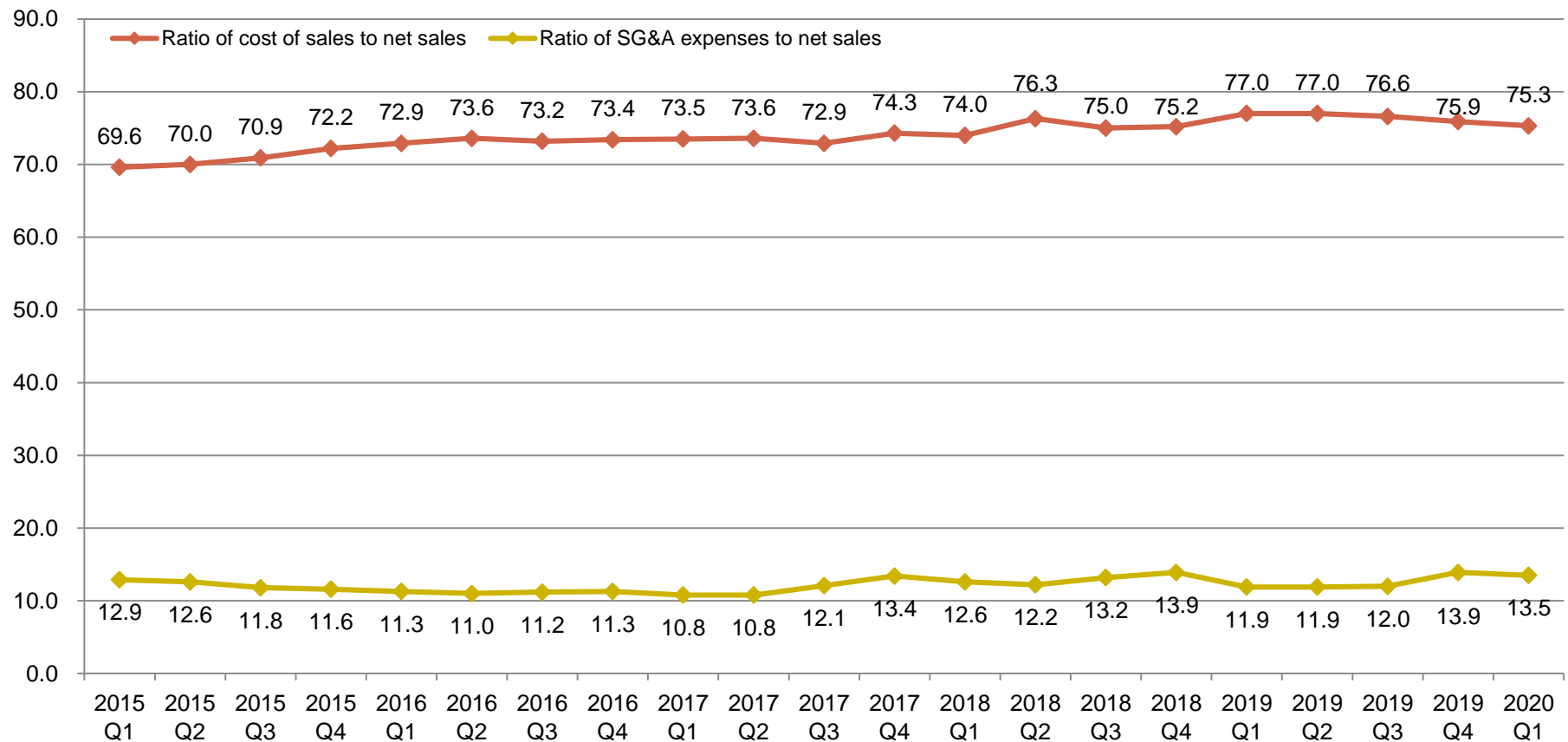
## Management Indicators



The total number of employees in the Group was 483, a decrease of 26 from the same period of the previous year and a decrease of 22 from the previous quarter.

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

## Management Indicators

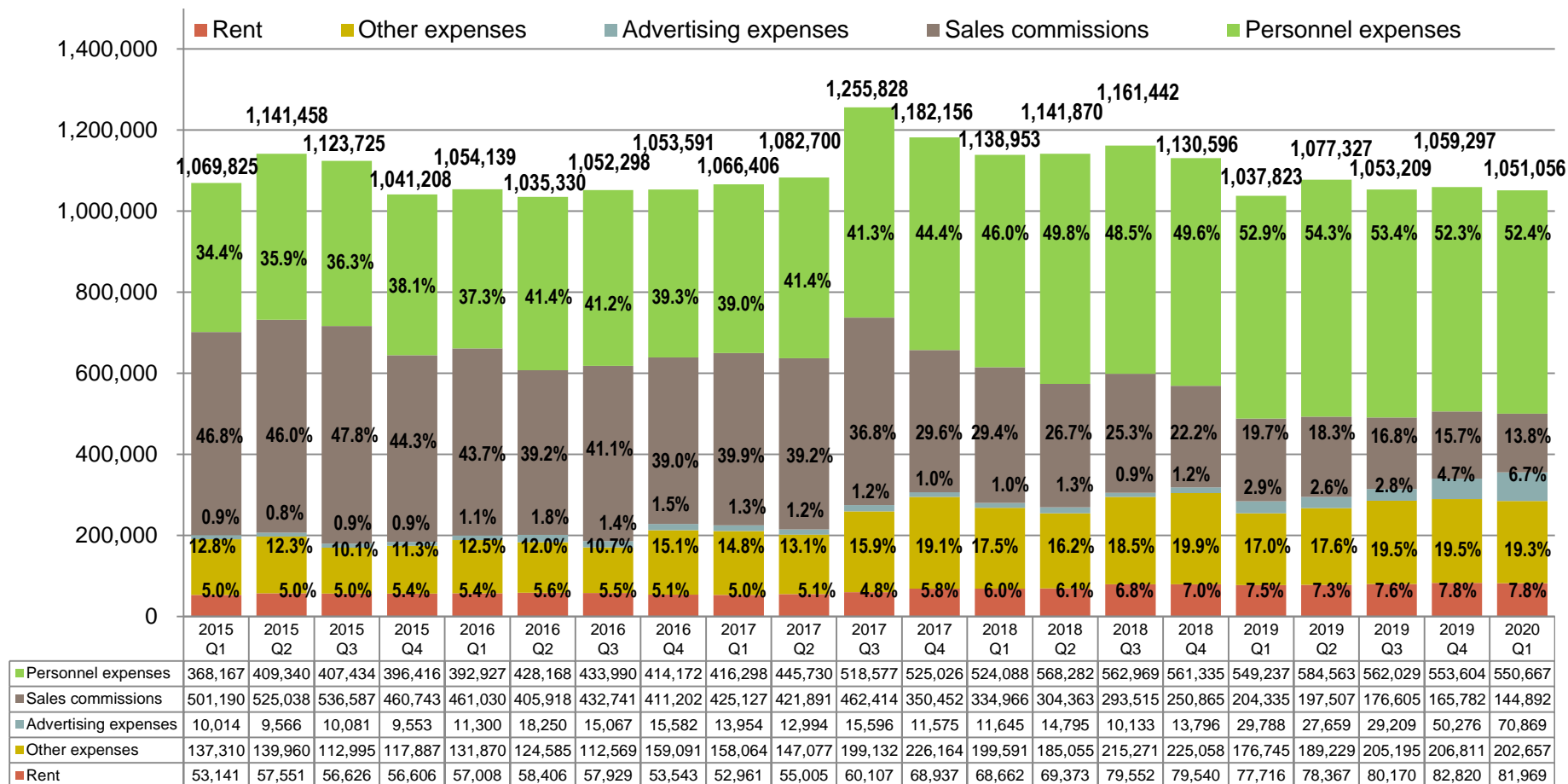


The ratio of cost of sales to net sales decreased by 0.6 points and the ratio of SG&A expenses to net sales decreased by 0.4 points from the previous quarter.

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

## Management Indicators

(¥ thousands)



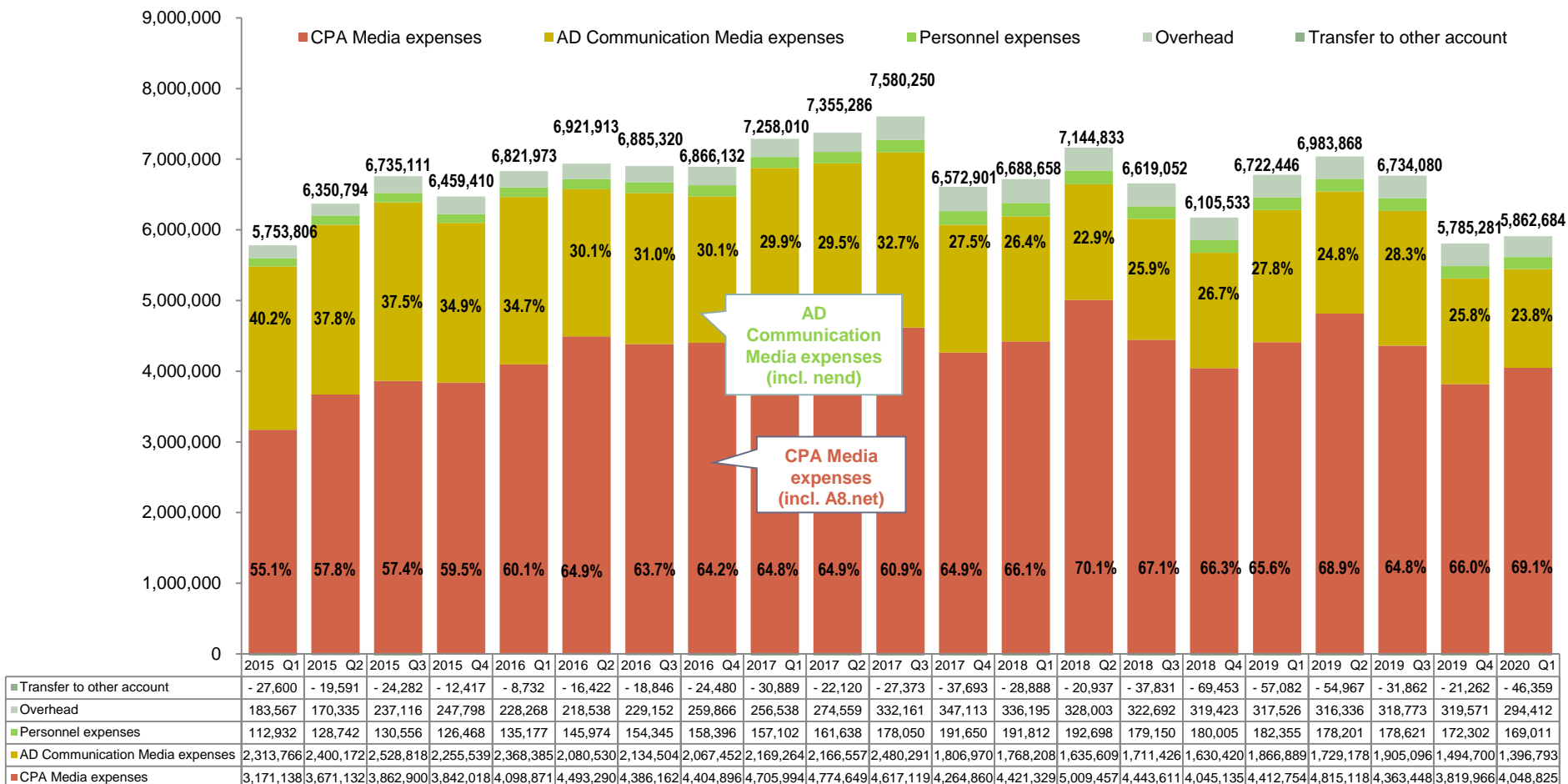
Note: Other expenses consist of business training expenses, business consignment expenses, payment commissions, sales promotion expenses, etc. While sales commissions are decreasing, following the decrease in the sales of nend, the ratio of advertising expenses for their own media is increasing.

# Cost of Sales

## (Consolidated/Quarterly basis)

### Management Indicators

(¥ thousands)



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

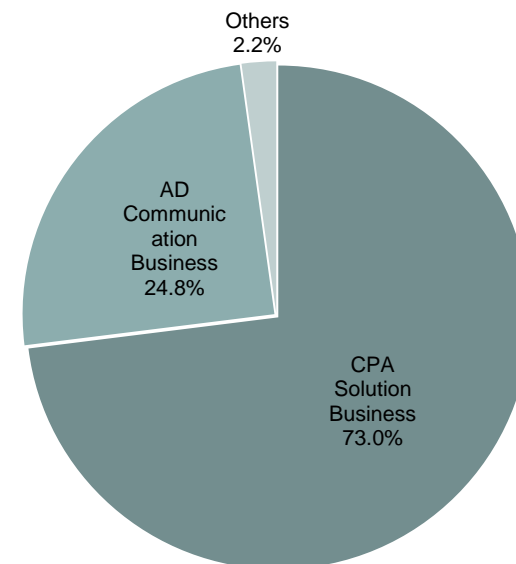
## Overview by Main Service Area

# Net Sales by Reportable Segment

(Consolidated/Quarterly basis)

## Overview by Service Area

(¥ thousands)	2020 Q1 (Jan. – Mar.)	2019 Q1 (Jan. – Mar.)	Change
CPA Solution Business	5,685,525	6,089,699	-6.6%
AD Communication Business	1,928,510	2,445,395	-21.1%
Others	171,601	189,721	-9.6%
<b>Total net sales</b>	<b>7,785,637</b>	<b>8,724,816</b>	<b>-10.8%</b>



Main services of CPA Solution Business: A8.net, seedApp

Main services of AD Communication Business: nend, FAN Communications Global Inc.

Others: Seesaa Inc.

Notes: 1. Sales after elimination of consolidated intercompany transactions.

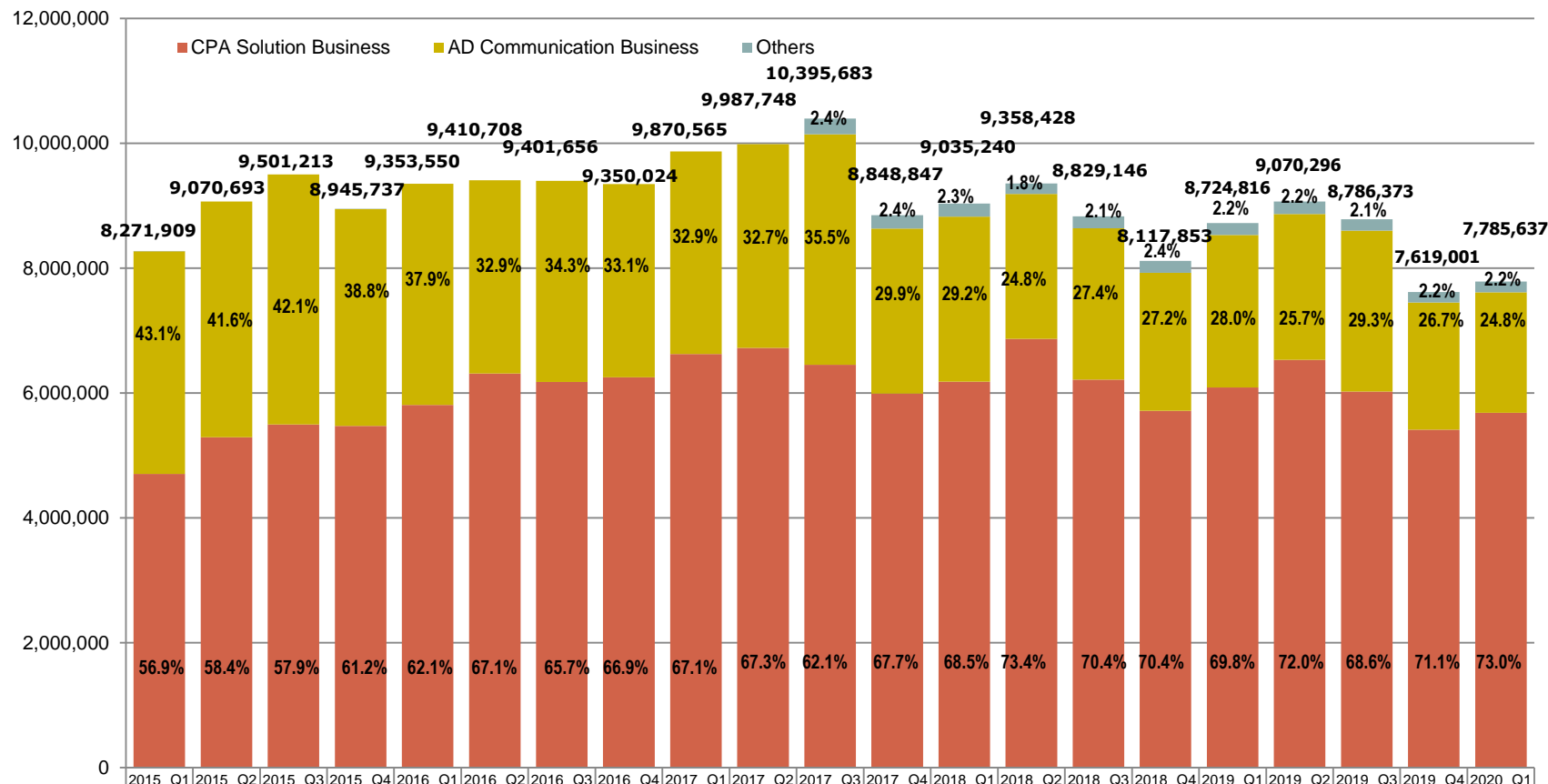
2. Regarding the reportable segment names, CPA Ad Network Business has changed to “CPA Solution Business”, and CPC/Targeting Ad Network Business has changed to “AD Communication Business” since the fiscal year ending December 31, 2020.

# Net Sales by Reportable Segment

(Consolidated/Quarterly basis)

## Overview by Service Area

(¥ thousands)



	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1
Others	5	0	0	69	0	0	0	0	0	0	249,931	213,477	208,812	167,838	189,731	192,751	189,721	202,051	183,478	168,616	171,601
AD Communication Business	3,566,406	3,776,702	4,003,412	3,471,344	3,543,810	3,096,905	3,225,143	3,097,554	3,246,442	3,262,687	3,690,576	2,645,390	2,640,933	2,322,065	2,422,282	2,209,630	2,445,395	2,334,288	2,578,017	2,034,187	1,928,510
CPA Solution Business	4,705,497	5,293,991	5,497,800	5,474,323	5,809,740	6,313,802	6,176,512	6,252,470	6,624,123	6,725,060	6,455,174	5,989,980	6,185,493	6,868,524	6,217,132	5,715,472	6,089,699	6,533,957	6,024,877	5,416,197	5,685,525



# A8.net Summary

## CPA Solution Business

	2020 Q1 (Jan. - Mar.)	2019 Q1 (Jan. - Mar.)	Change
<b>Sales (¥ thousands)</b>	<b>5,043,701</b>	<b>5,663,095</b>	<b>-10.9%</b>
<b>Number of operating advertiser IDs</b>	<b>3,354</b>	<b>3,502</b>	<b>-4.2%</b>
<b>Number of registered partner sites</b>	<b>2,760,464</b>	<b>2,583,454</b>	<b>6.9%</b>

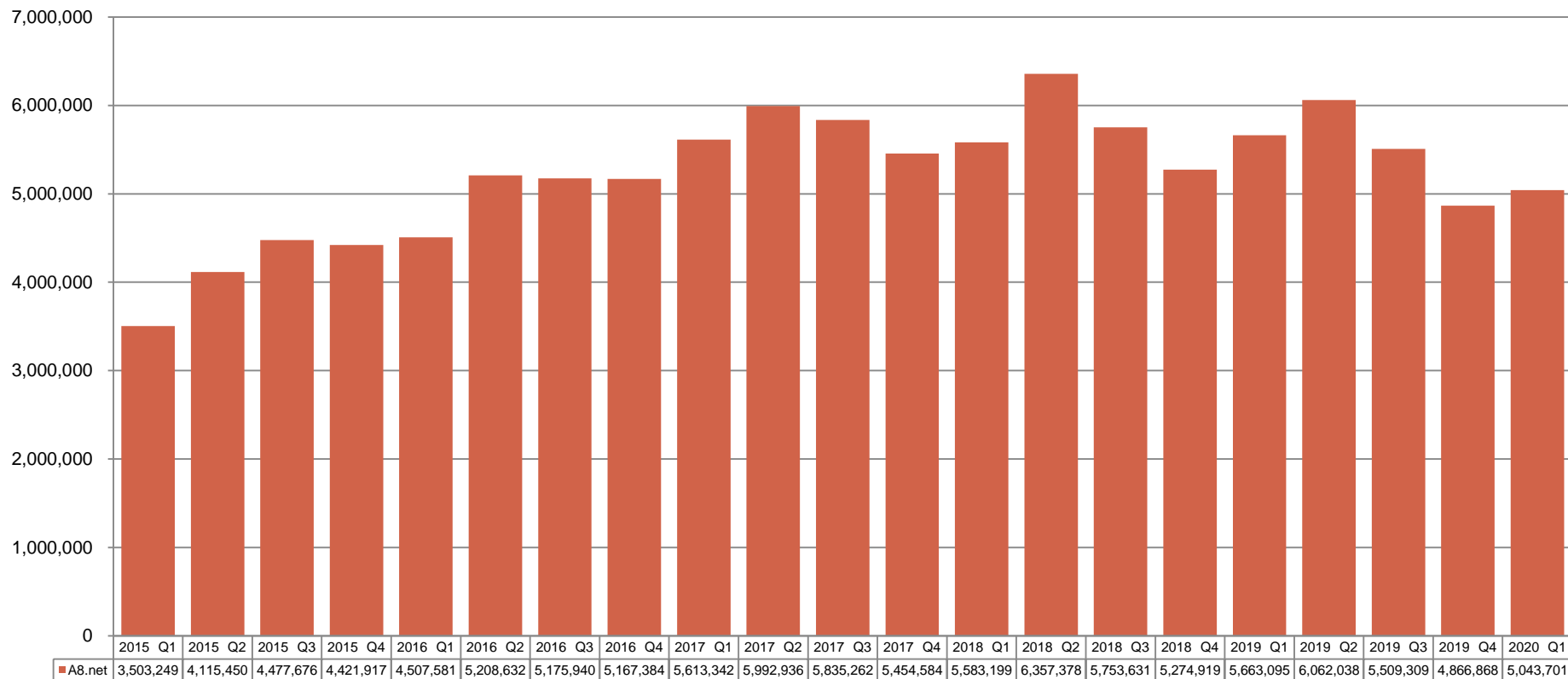
Note: Sales before elimination of consolidated intercompany transactions.  
The number of operating advertiser IDs decreased by 148 from 2019 Q1.

A8.net

CPA Solution Business

## Net Sales (Quarterly basis)

¥ thousands)

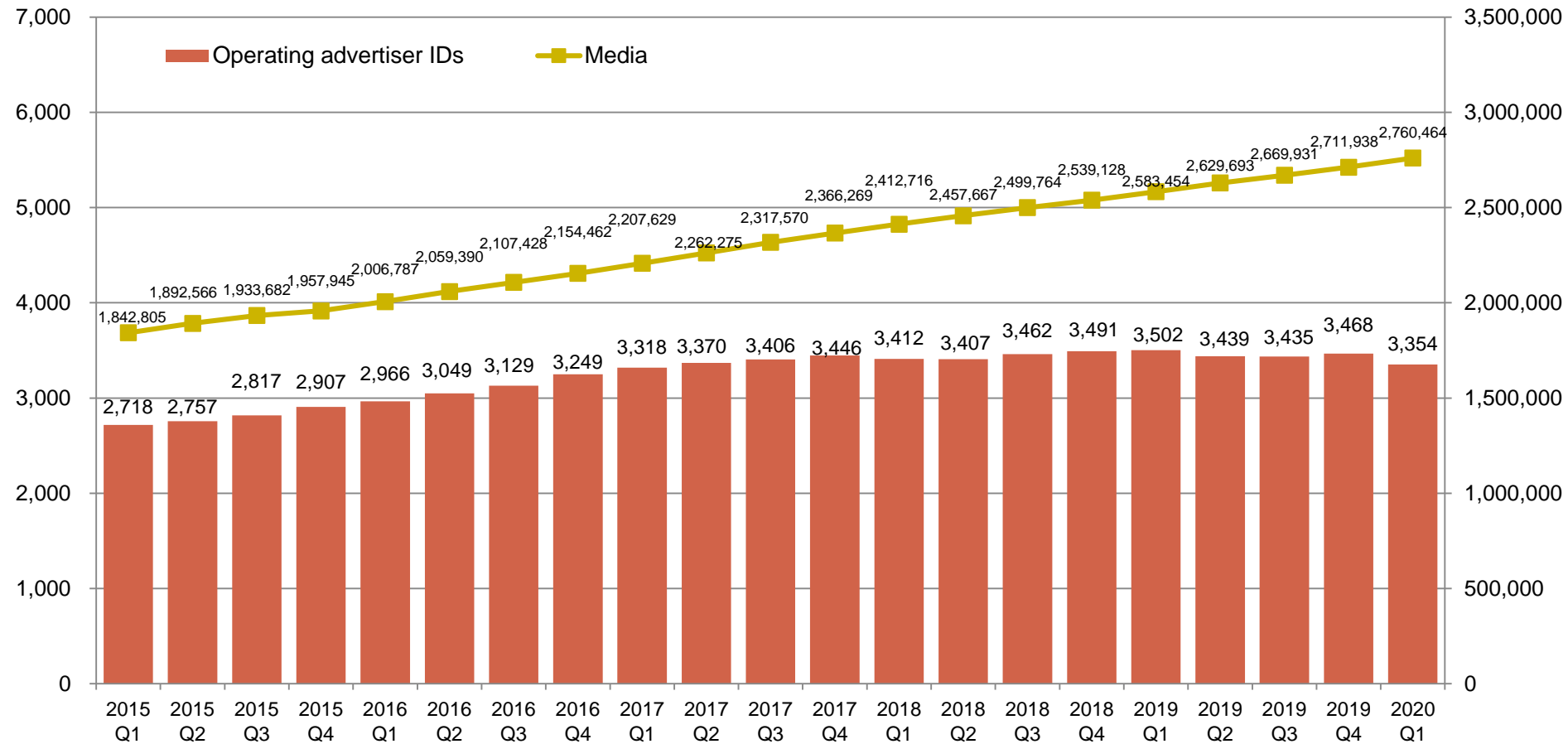


Note: Sales before elimination of consolidated intercompany transactions.

A8.net

CPA Solution Business

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

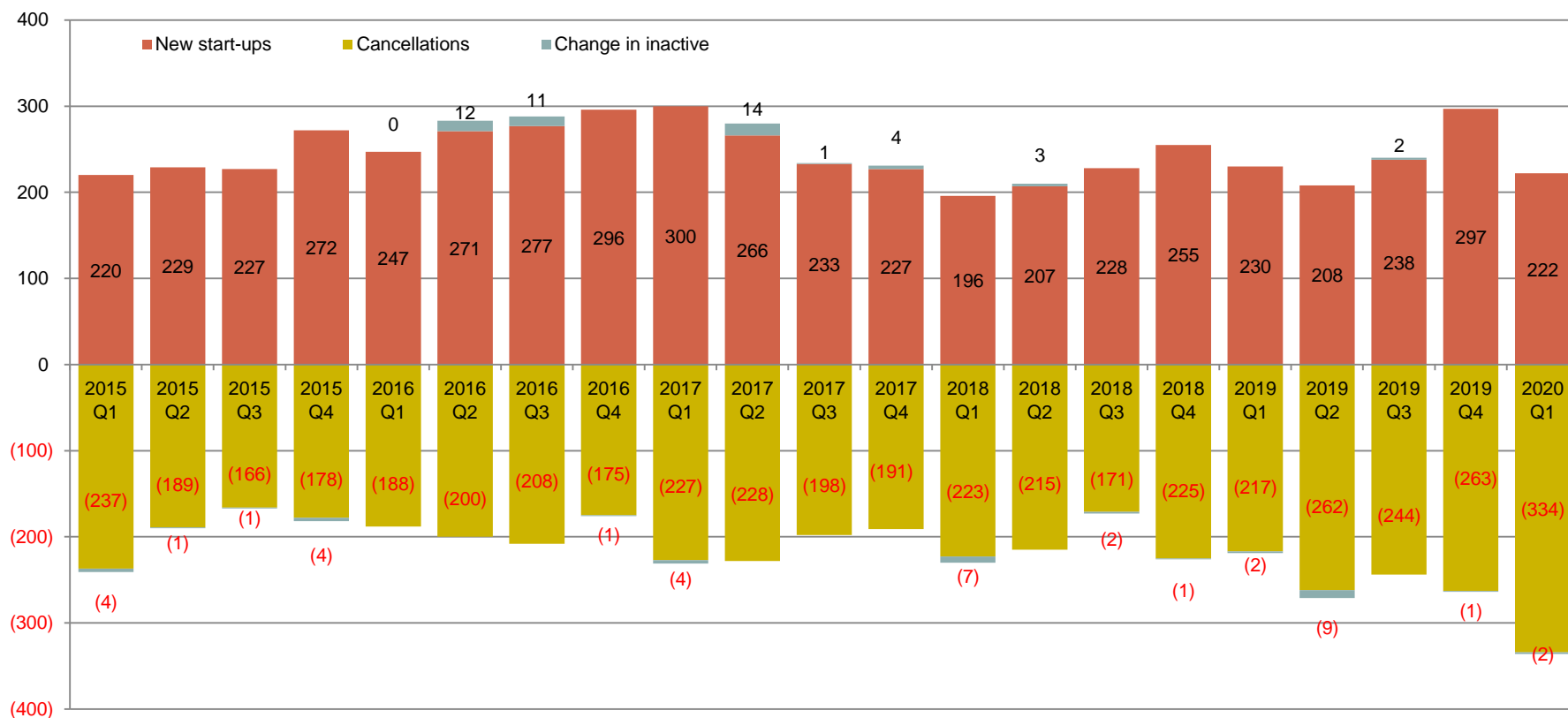


Note: The number of operating advertisers is as of the final month of each quarter.  
 The number of operating advertisers decreased by 114 from 2019 Q4.  
 The number of overseas operating advertisers decreased by 21 from 2019 Q4 to 180.

## A8.net

## CPA Solution Business

## New Advertiser Start-ups and Cancellations

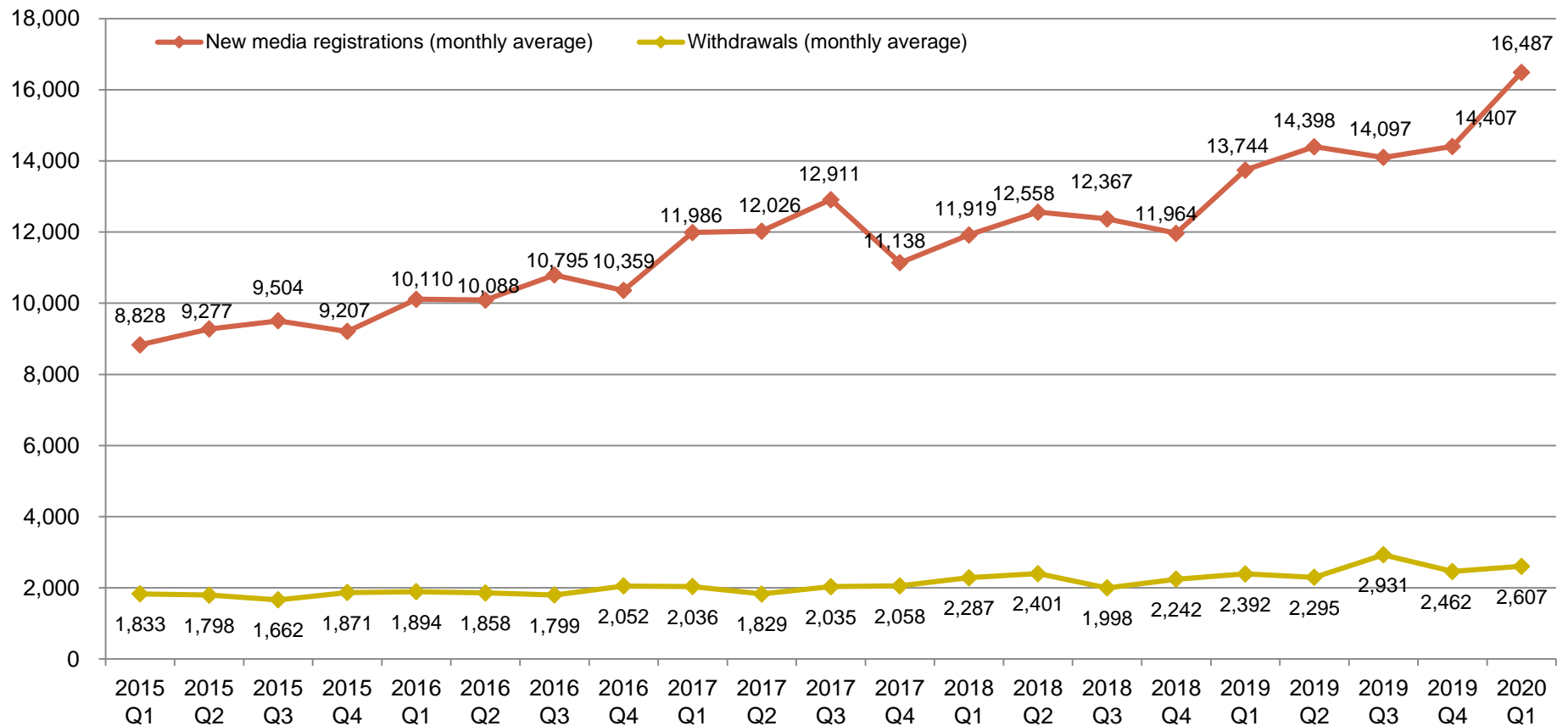


Note: "Change in inactive" is the difference in number of customers who switched between "operating" and "inactive," adjusted for the number of customers who switched from "inactive" to "cancelled" included in the number of cancellations.  
There were continuously many cancellations in this quarter. This tendency was accelerated especially after the outbreak of the Novel Coronavirus.

A8.net

CPA Solution Business

## Average Monthly New Media Registrations and Withdrawals



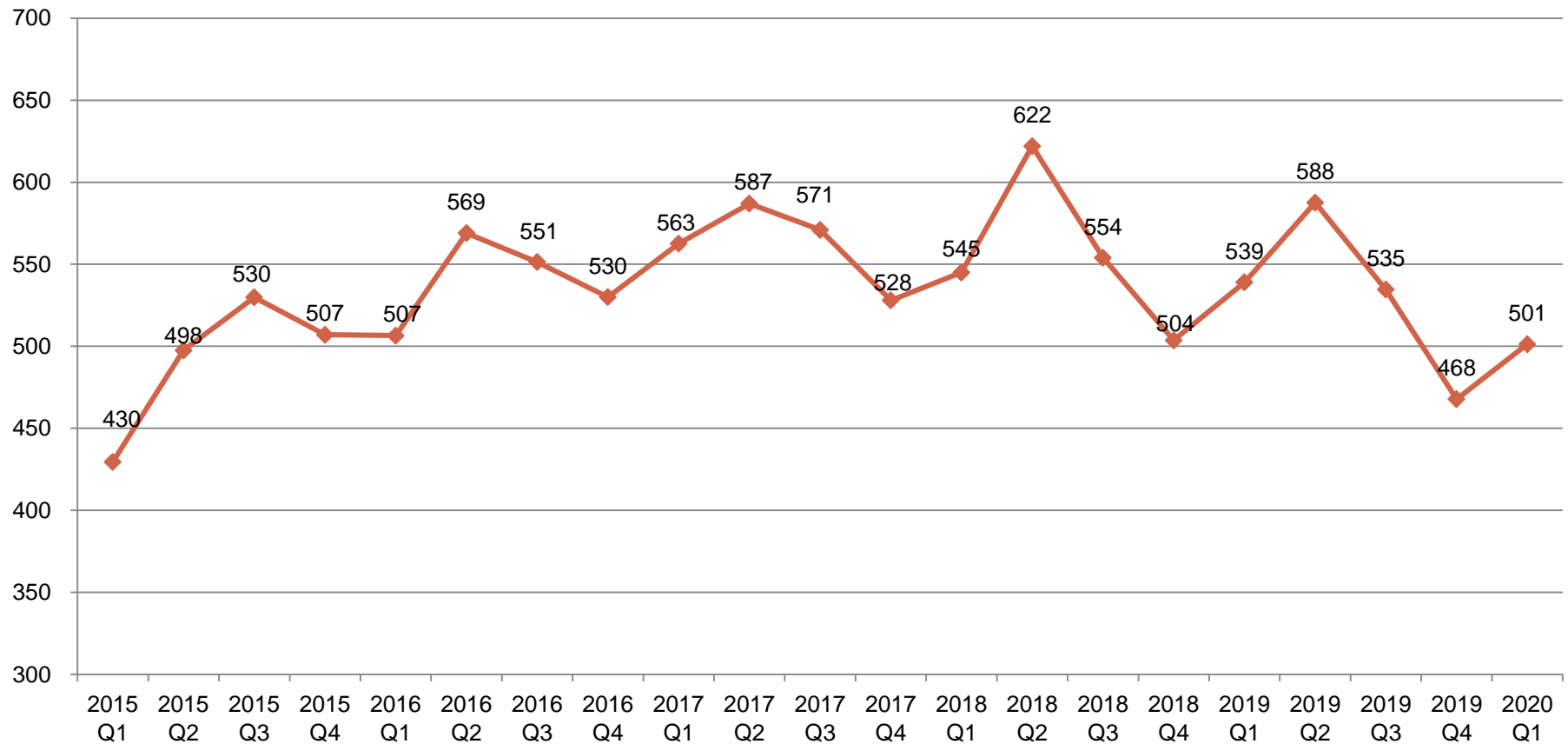
Monthly new media registrations have significantly increased since the outbreak of the Novel Coronavirus.

A8.net

CPA Solution Business

## Average Monthly Sales per Advertiser

(\u00a5 thousands)

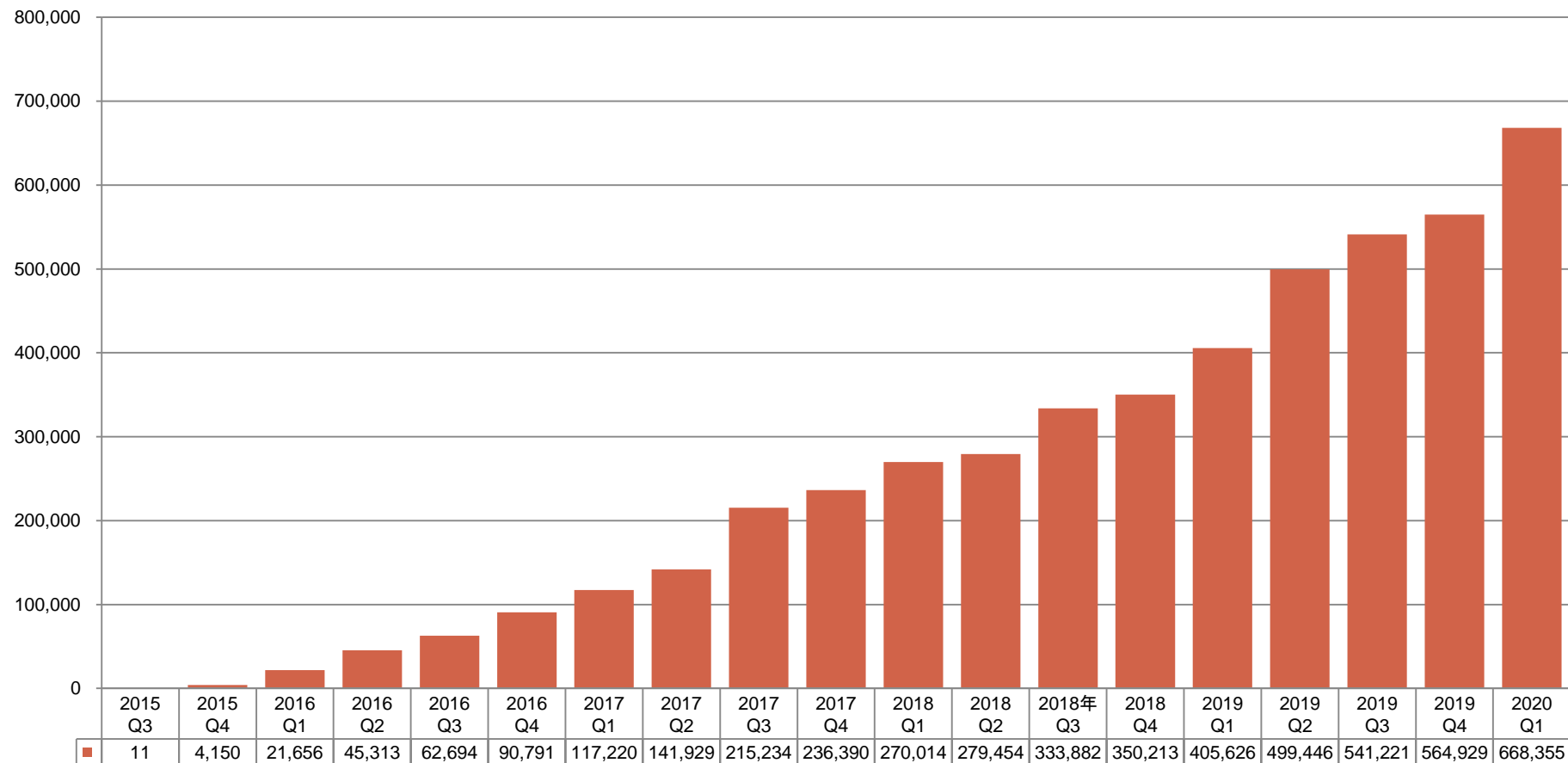


## seedApp

## Net Sales (Quarterly basis)

## CPA Solution Business

(¥ thousands)



Note: Sales before elimination of consolidated intercompany transactions.

The number of downloading game apps, etc. increased due to the impact from the increased consumption caused by staying at home.

# nend Summary

## AD Communication Business

	2020 Q1 (Jan. - Mar.)	2019 Q1 (Jan. - Mar.)	Change
Sales (¥ thousands)	<b>1,577,795</b>	<b>1,808,481</b>	<b>-12.8%</b>
Number of operating advertiser IDs	<b>220</b>	<b>273</b>	<b>-19.4%</b>
Number of ad spaces on registered partner sites	<b>992,312</b>	<b>945,536</b>	<b>4.9%</b>

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

Mostly things transited as they were expected, but transactions with overseas advertisers were slightly affected by the Novel Coronavirus.

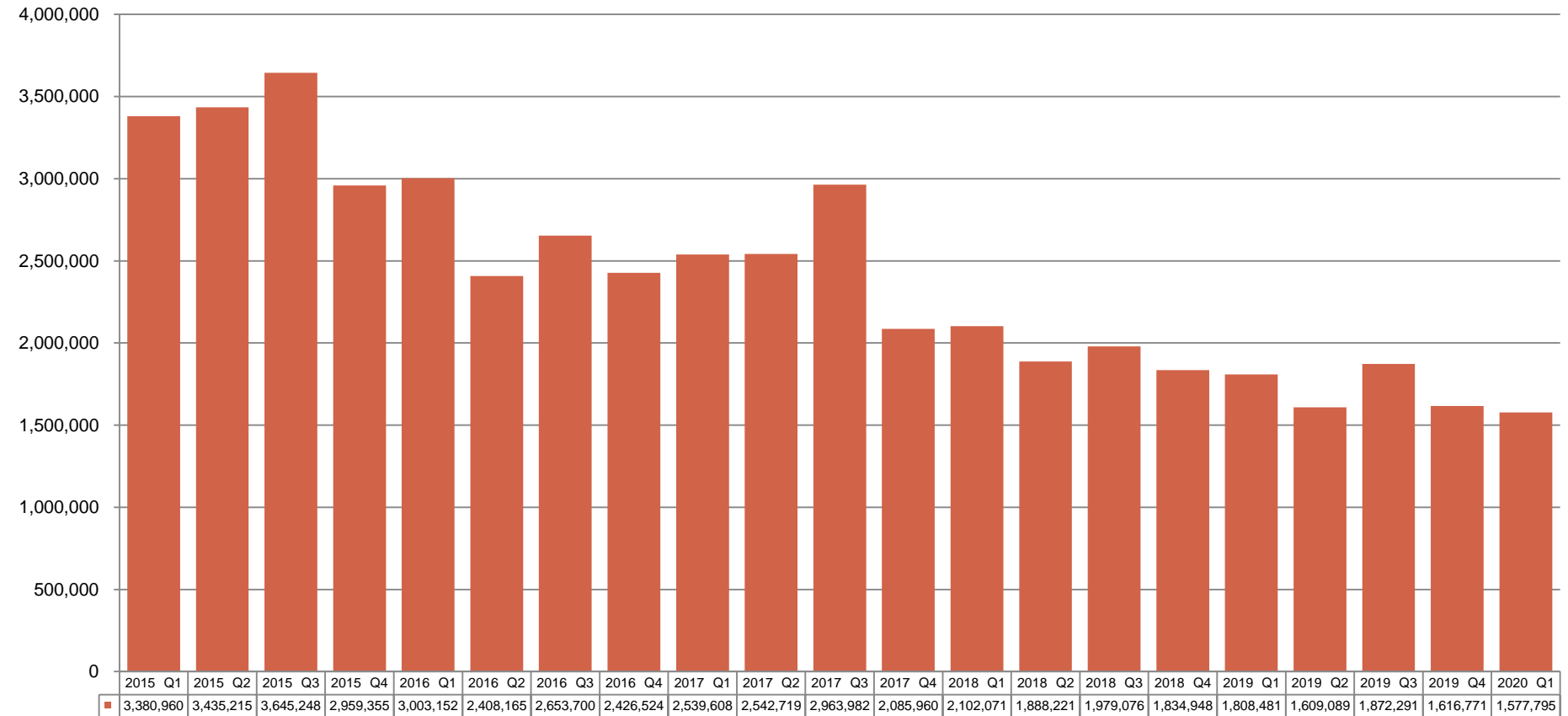


nend

## Net Sales (Quarterly basis)

## AD Communication Business

(¥ thousands)

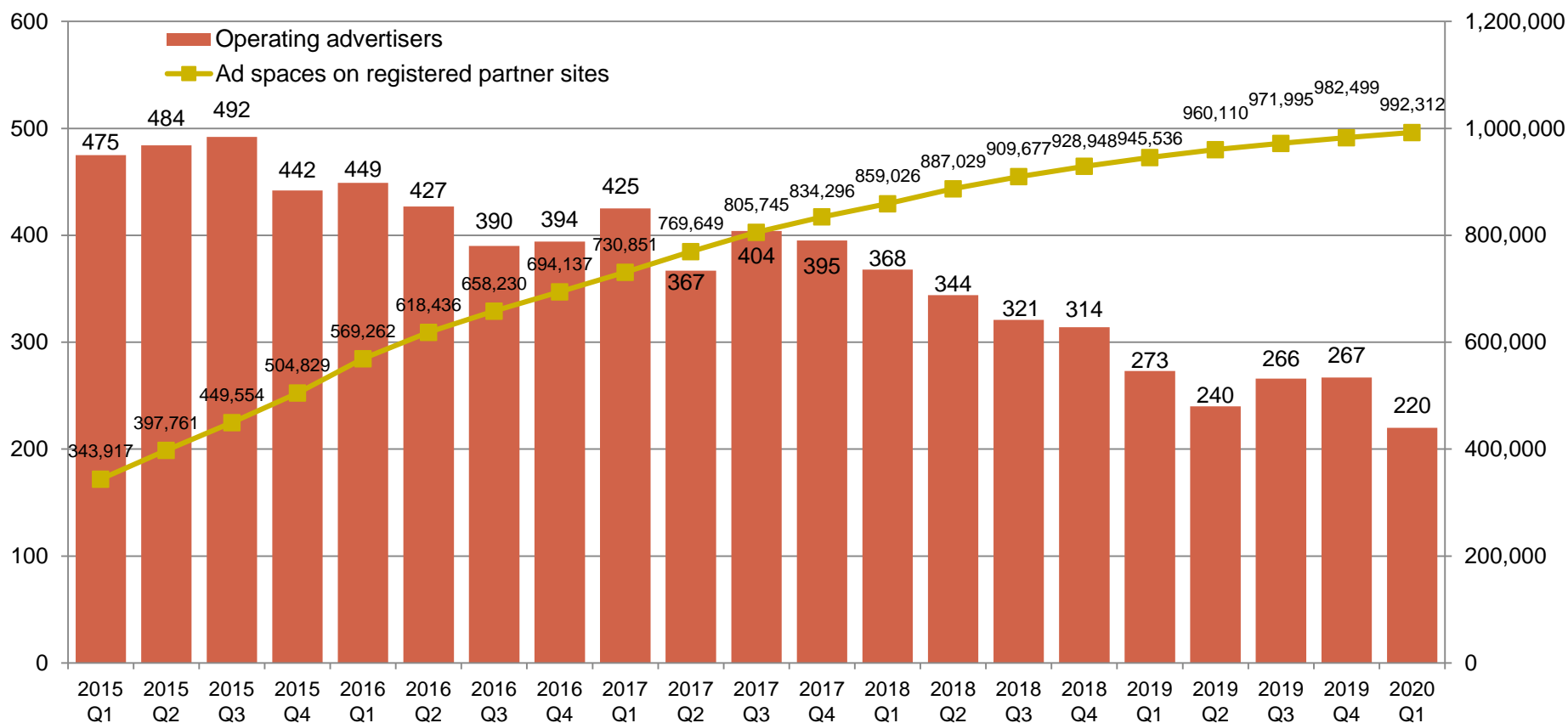


Note: Sales before elimination of consolidated intercompany transactions.

# nend

## AD Communication Business

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



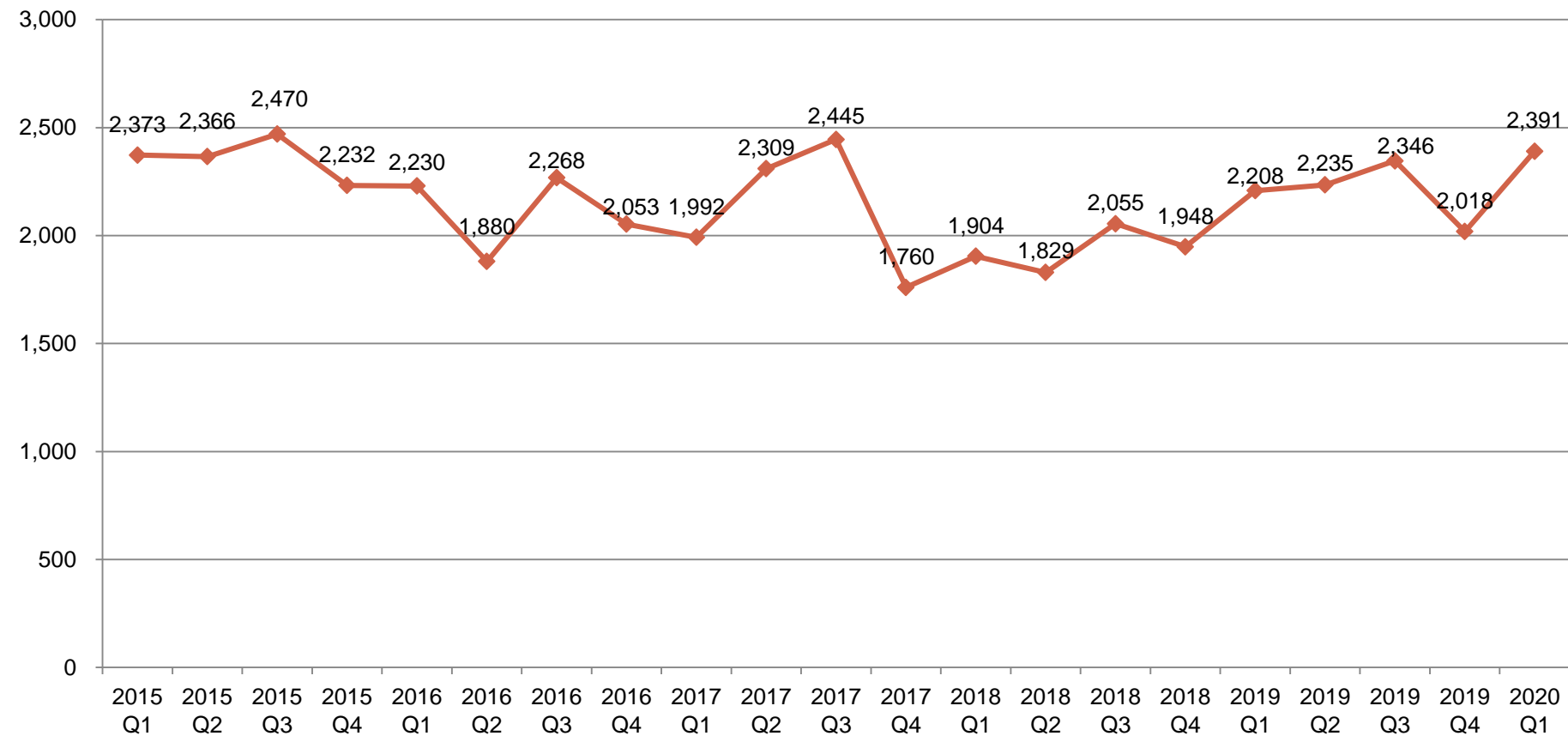
Note: The number of operating advertisers is as of the final month of each quarter.  
The number of operating advertisers decreased by 47 from the previous quarter.

nend

AD Communication Business

## Average Monthly Sales per Advertiser

(\u00a5 thousands)



## 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)	2020 Q1	2019 Full Year
Net sales	791,648	3,227,956
Operating income	44,492	216,272
Profit attributable to owners of parent	28,108	177,301

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

The results were mostly what we had expected. Since some transactions with overseas advertisers were affected by the Novel Coronavirus in March, we couldn't have sales activities we had expected.

# 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)	2020 Q1	2019 Full Year
Net sales	201,011	837,644
Operating income (loss)	-24,160	-162,424
Profit (loss) attributable to owners of parent	-31,772	-229,536

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

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

We promoted the restructuring of the business steadily, so the loss was reduced.



## Impact from the Novel Coronavirus

## 1. About the impact on the business management of our group

Since we put the highest priority on the safety of our employees and their families, we have responded to off-peak commuting and teleworking since the outbreak of the Novel Coronavirus.

All our group companies have switched to teleworking since March 27.

Currently, more than 96% of our staff are working remotely. Because working remotely is our first experience, there are unaccustomed things and some work unmanageable by online.

However, our businesses are going well without problems.

We will make efforts to further improve the teleworking system, and increase our productivity through teleworking more than office working.

## 2. About the changes in the business environment surrounding our company

Currently, there are cases where some advertisers are suspending execution of advertisement budgets or are forced to withdraw from their business operation due to the impact from the declaration of a state of emergency.

On the other hand, some advertisers have been doing advertisement placements well thanks to the increased demand of online services.

It is expected that if the economic situations get further worsened, that will affect the overall consumption. However, we believe we will be able to help advertisers who want to strengthen their online services and media managers whose sales amounts will rapidly decrease due to the shrinkage in the advertisement budgets of advertising agencies, by focusing on the strength of our “result reward type advertising system”.

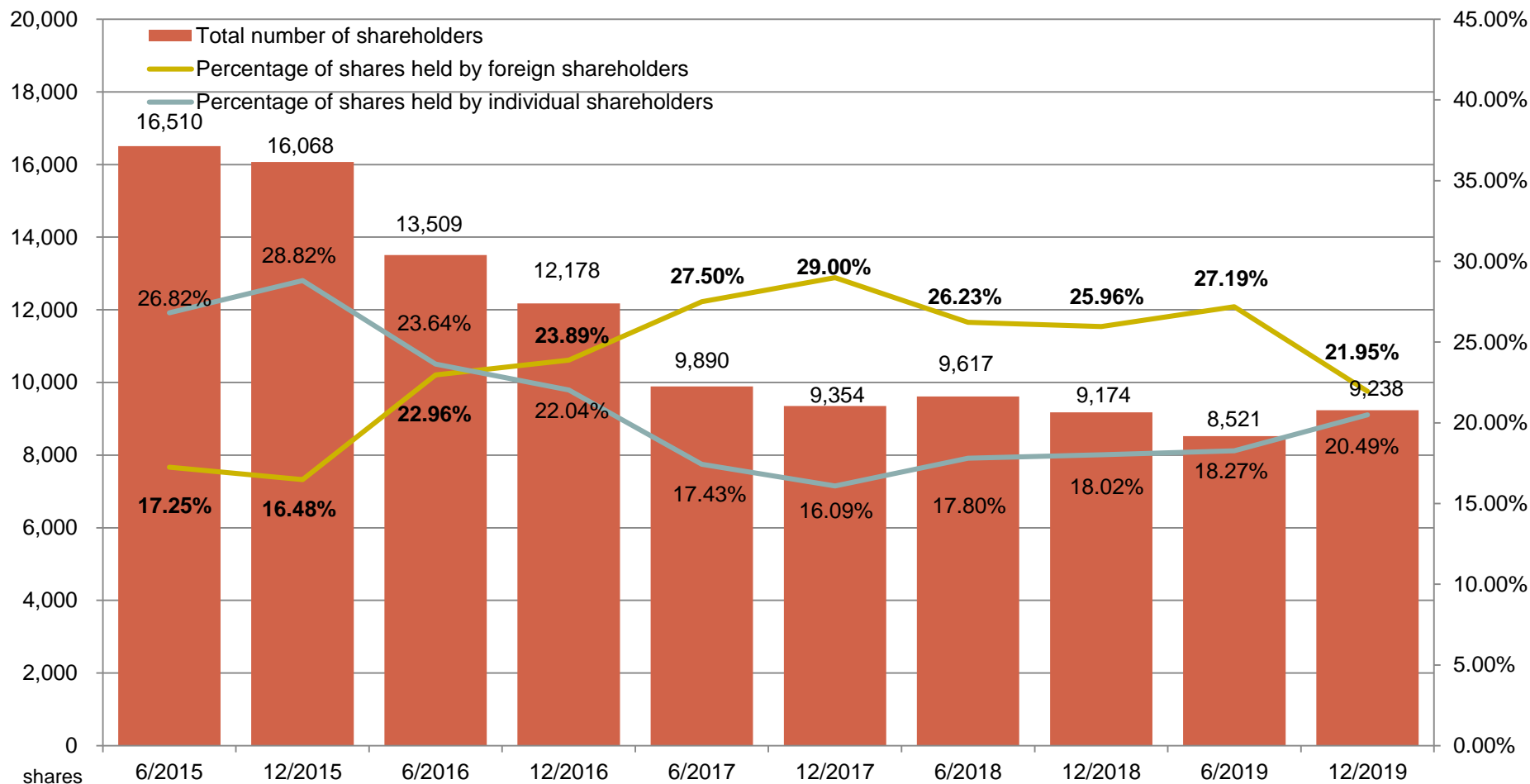


## Stock Information

# 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

■ <b>Company name</b>	<b>FAN 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>¥1,173.67 million (As of March 31, 2020)</b>
■ <b>President and Representative Director</b>	<b>Yasuyoshi Yanagisawa</b>
■ <b>Number of employees</b>	<b>Non-consolidated: 402</b> <b>Group total: 483</b> <small>(As of March 31, 2020; includes part-time and temp staff)</small>
■ <b>Headquarters</b>	<b>Aoyama Diamond Building</b> <b>1-1-8, Shibuya, Shibuya-ku, Tokyo 150-0002, Japan</b>
■ <b>Telephone</b>	<b>+81-(0)3-5766-3530 (IR)</b>
■ <b>Fax</b>	<b>+81-(0)3-5766-3782</b>

# Disclaimer

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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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