



Second Quarter of 2020  
Presentation of Financial Results

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August 12, 2020

FAN Communications, Inc.

# Contents

Second Quarter of 2020 Performance Highlights	.....	P3
Management Indicators (Quarterly Basis)	.....	P8
Overview by Main Service Area	.....	P14
▪ CPA Solution Business		
▪ AD Communication Business		
Consolidated Group Businesses	.....	P28
Stock Information	.....	P31
Reference Materials	.....	P33

## Second Quarter of 2020 Performance Highlights

## Second Quarter of 2020: Key Points

### Performance Highlights

- **Net sales decreased by 15.7% and ordinary income decreased by 2.7% year-on-year, which was continuously tough results.**
- **Net sales decreased by 1.7% and ordinary income increased by 14.7% compared with the previous quarter, resulting in decreased revenue and increased income.**
- **Some advertisers cut their advertising budget in this quarter due to the impact from the COVID-19 pandemic.**

# Consolidated Results of Operations (Jan. – Jun.)

## Performance Highlights

(¥ thousands)	2020 Q2	2019 Q2	Year-on-Year Change	% of Net Sales
Net sales	15,436,534	17,795,113	-13.3%	100%
Operating income	1,723,052	1,973,647	-12.7%	11.2%
Ordinary income	1,866,854	1,993,163	-6.3%	12.1%
Profit attributable to owners of parent	1,243,687	1,290,884	-3.7%	8.1%
Ordinary income margin	12.1%	11.2%	0.9pt	-
Net income per share	¥16.71	¥17.04	-1.9%	-
Diluted net income per share	-	-	-	-

Note: There wasn't any diluted net income in 2020 Q2, so it's not described here.

# Consolidated Balance Sheets

## Performance Highlights

(¥ thousands)	December 31, 2019	June 30, 2020
<b>Assets</b>		
<b>Current assets</b>	<b>23,970,606</b>	<b>23,303,626</b>
Cash and deposits	18,610,946	18,415,261
Notes and accounts receivable – trade	3,728,003	3,731,953
Securities	1,019,563	795,002
Other	622,935	374,941
Allowance for doubtful accounts	△10,842	△13,532
<b>Fixed assets</b>	<b>3,154,585</b>	<b>2,690,708</b>
Property and equipment	200,133	165,463
Intangible assets	640,722	622,277
Investments and other assets	2,313,729	1,902,966
<b>Total assets</b>	<b>27,125,192</b>	<b>25,994,334</b>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>	<b>5,917,643</b>	<b>6,086,083</b>
Notes and accounts payable – trade	4,207,343	4,505,941
Income taxes payable	599,908	610,701
Other current liabilities	1,110,390	969,438
<b>Long-term liabilities</b>	<b>154,237</b>	<b>148,537</b>
<b>Total liabilities</b>	<b>6,071,881</b>	<b>6,234,620</b>
<b>Total net assets</b>	<b>21,053,310</b>	<b>19,759,714</b>
<b>Total liabilities and net assets</b>	<b>27,125,192</b>	<b>25,994,334</b>

Main component was ¥1,479,266 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 ¥999,972 thousand), though the profit attributable to owners of parent was ¥1,243,687 thousand.

# Consolidated Performance Forecast

## Performance Highlights

(¥ millions)	2020 Full-Year Forecast (% Change from Same Period of Previous Year)	2020 Interim Period Actual	Progress (% of Full-Year Forecast)
Net sales	<b>34,300</b> (0.3)	<b>15,436</b>	<b>45.0%</b>
Operating income	<b>3,750</b> (0.1)	<b>1,723</b>	<b>45.9%</b>
Ordinary income	<b>3,790</b> (0.1)	<b>1,866</b>	<b>49.2%</b>
Profit attributable to owners of parent	<b>2,610</b> (4.9)	<b>1,243</b>	<b>47.6%</b>

## Dividend Forecast

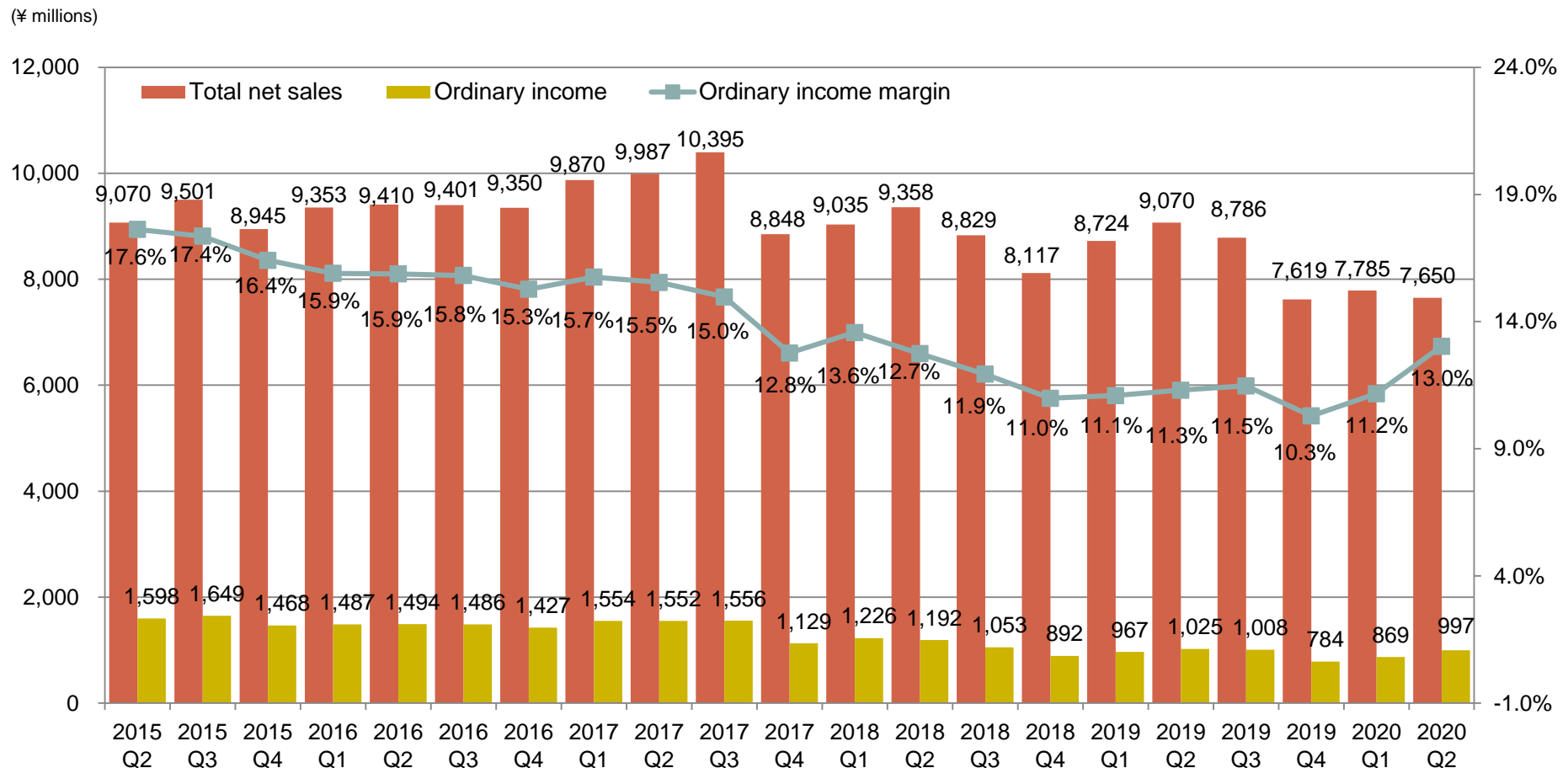
	2020 Forecast	2019 Actual
Year-end dividend per share	<b>¥19</b>	<b>¥19</b>

## Management Indicators (Quarterly Basis)



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

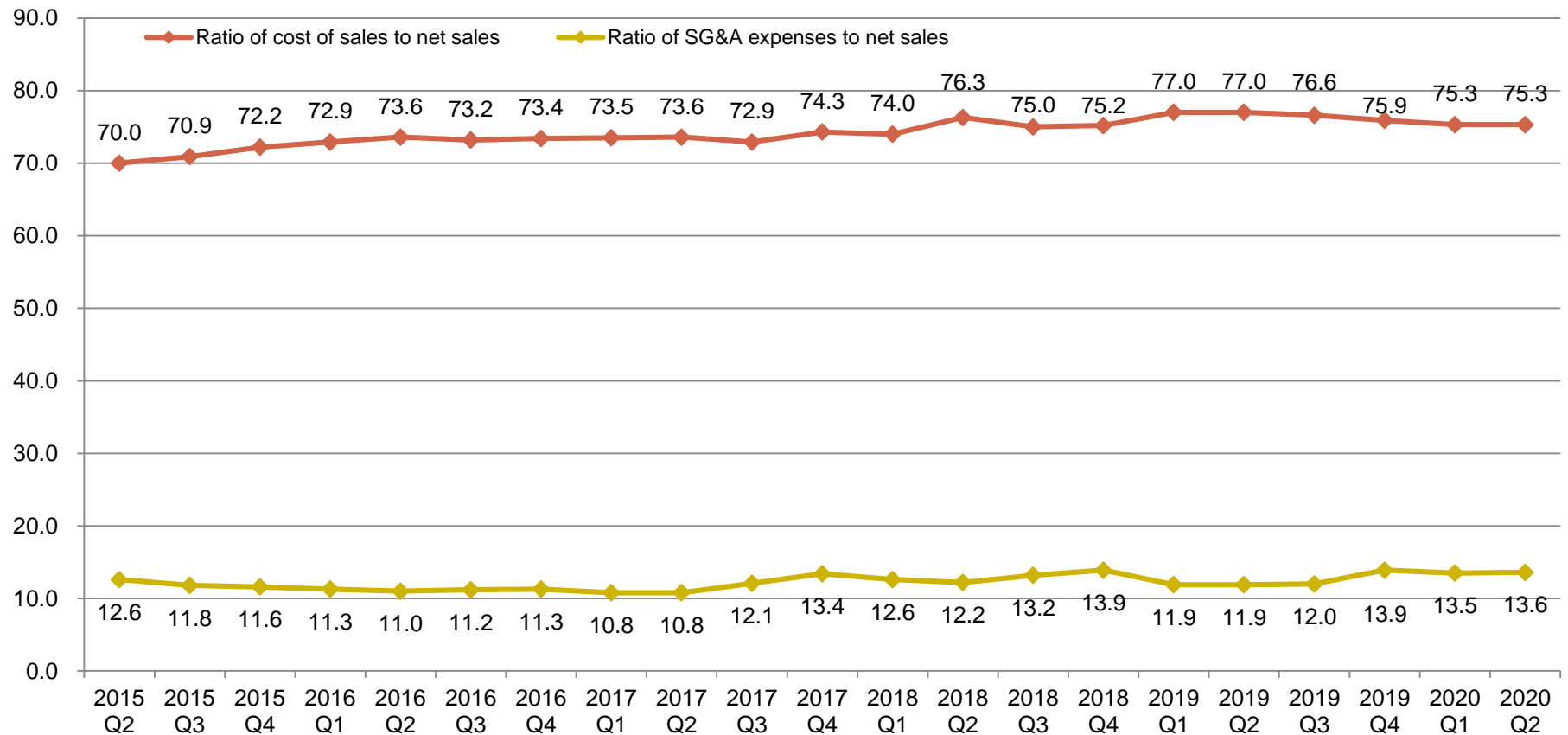
Management  
Indicators



The ordinary income margin was 13.0 %, an increase of 1.8 points from the previous quarter due to the calculation of the management gains of our Investment Limited Partnership.

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

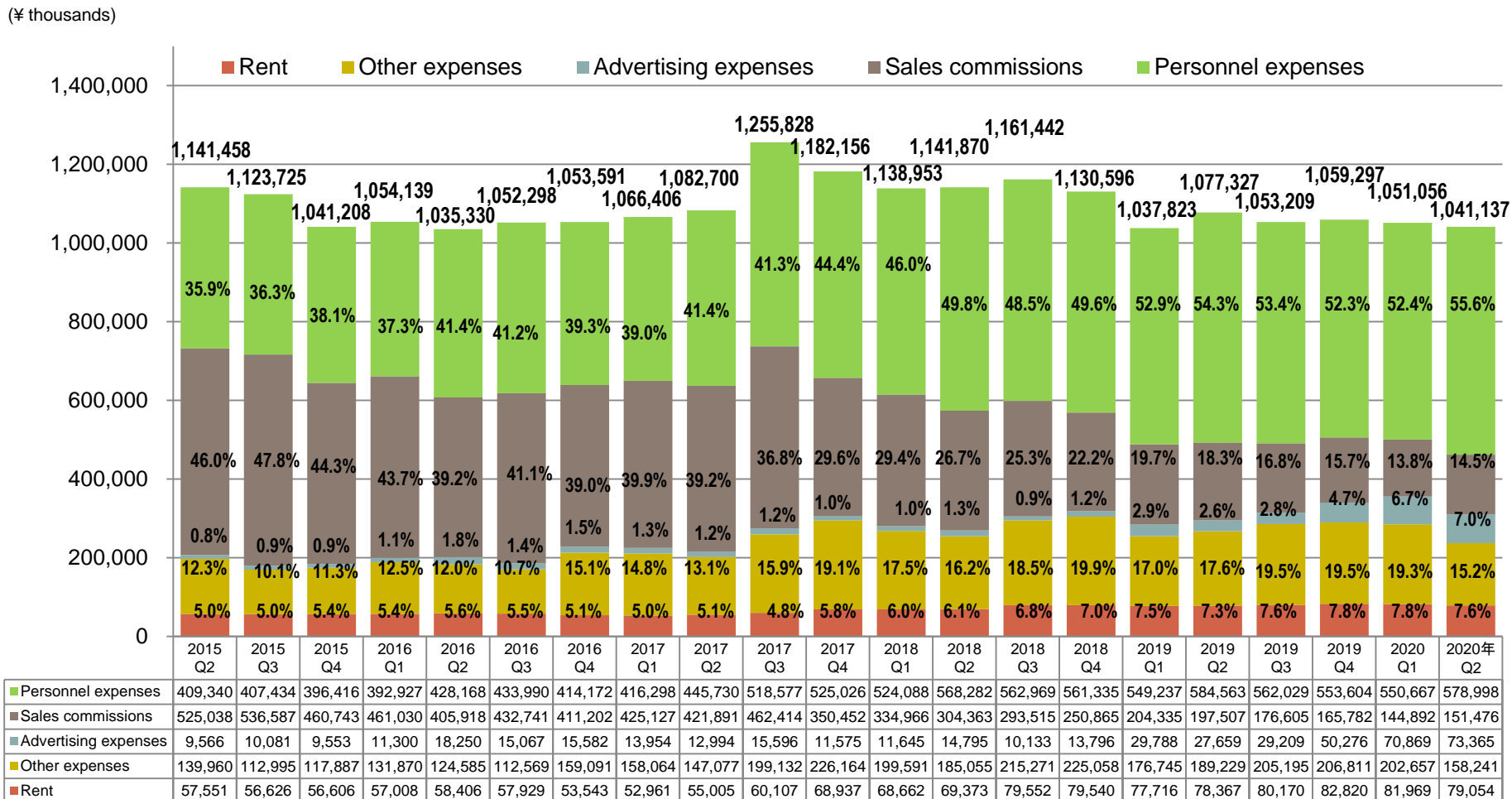
## Management Indicators



The ratio of cost of sales to net sales remained unchanged and the ratio of SG&A expenses to net sales increased by 0.1 points from the previous quarter.

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

## Management Indicators



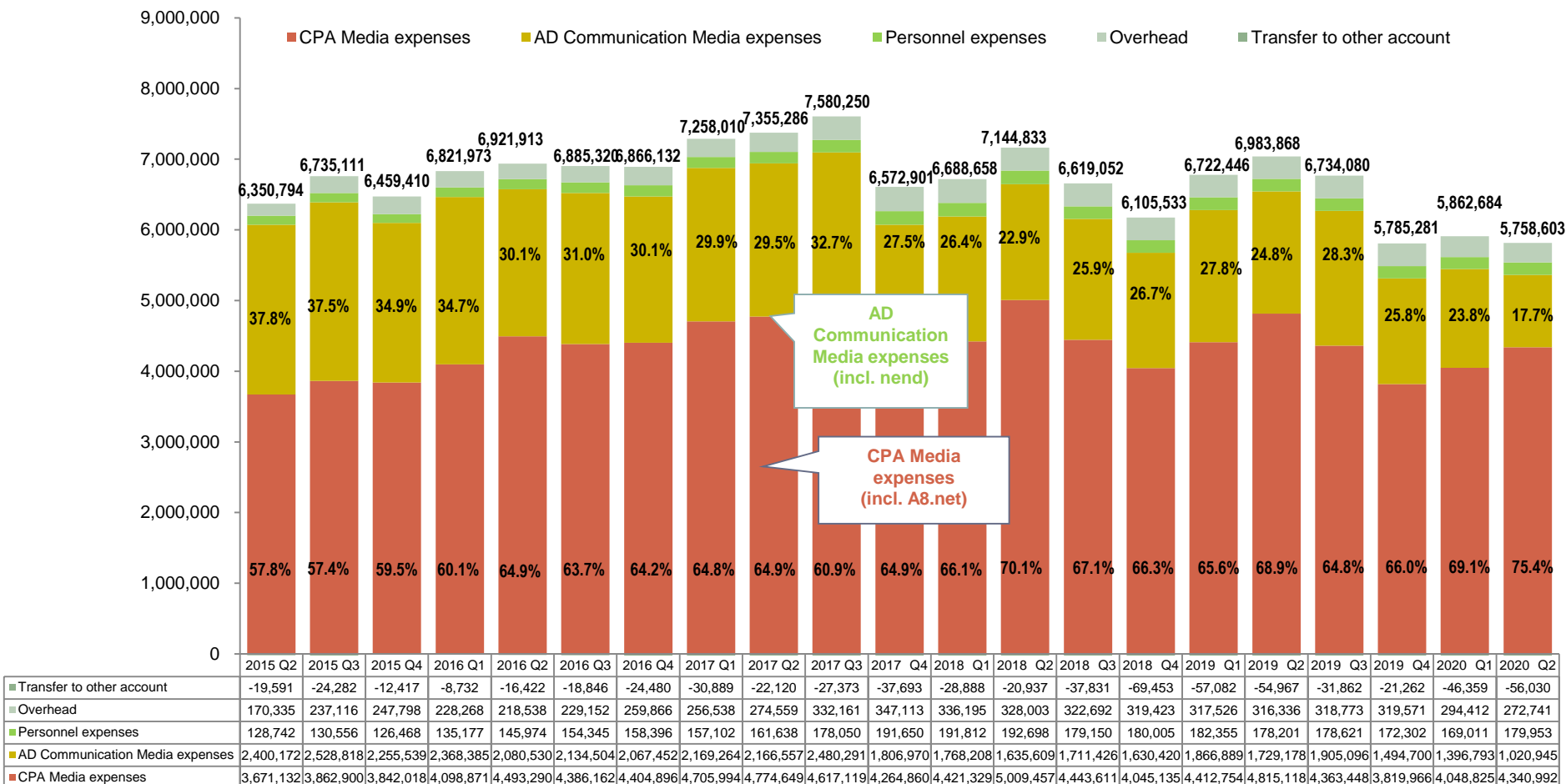
Note: Other expenses consist of business training expenses, business consignment expenses, payment commissions, sales promotion expenses, etc. Personnel expenses increased due to the employment of new graduates and the annual wage increase.

# Cost of Sales

## (Consolidated/Quarterly basis)

### Management Indicators

(¥ thousands)

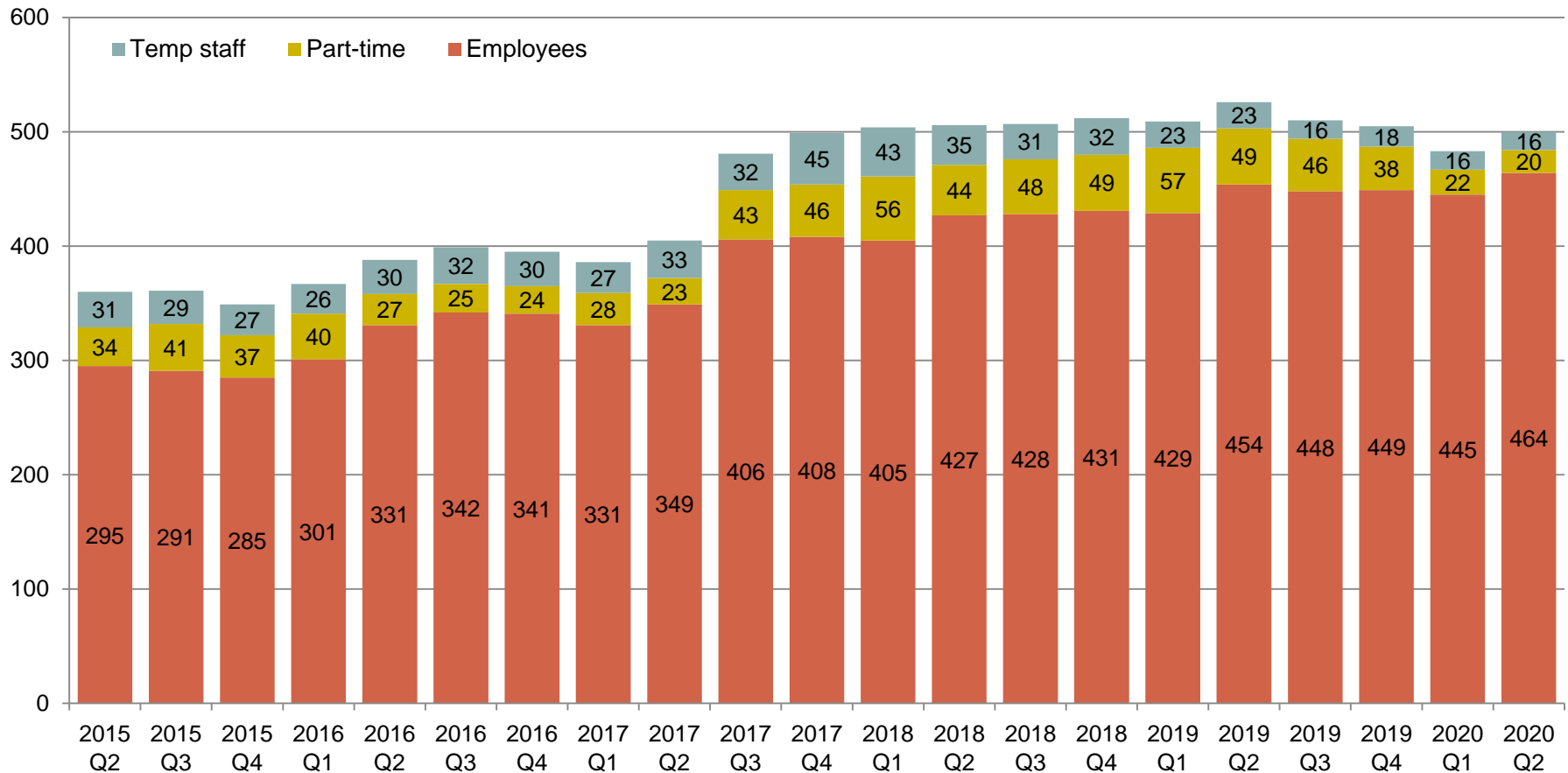


Notes: 1. CPA Media expenses consist of A8.net and seedApp. AD Communication Media expenses consist of nend.  
2. Overhead consists of infrastructure costs such as data center costs.

# Number of Employees

(Consolidated/Quarterly basis)

## Management Indicators



The total number of employees in the Group was 500, a decrease of 26 from the same period of the previous year and an increase of 17 from the previous quarter.

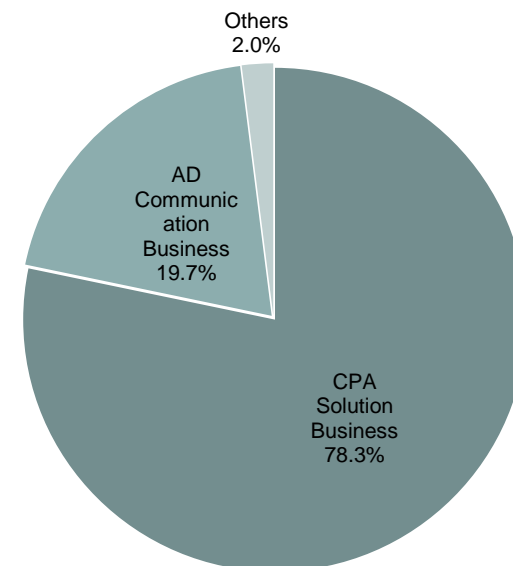
## Overview by Main Service Area

# Net Sales by Reportable Segment

(Consolidated/Quarterly basis)

## Overview by Service Area

(¥ thousands)	2020 Q2 (Apr. – Jun.)	2019 Q2 (Apr. – Jun.)	Change
CPA Solution Business	5,987,947	6,533,957	-8.4%
AD Communication Business	1,509,582	2,334,288	-35.3%
Others	153,367	202,051	-24.1%
<b>Total net sales</b>	<b>7,650,896</b>	<b>9,070,296</b>	<b>-15.6%</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.

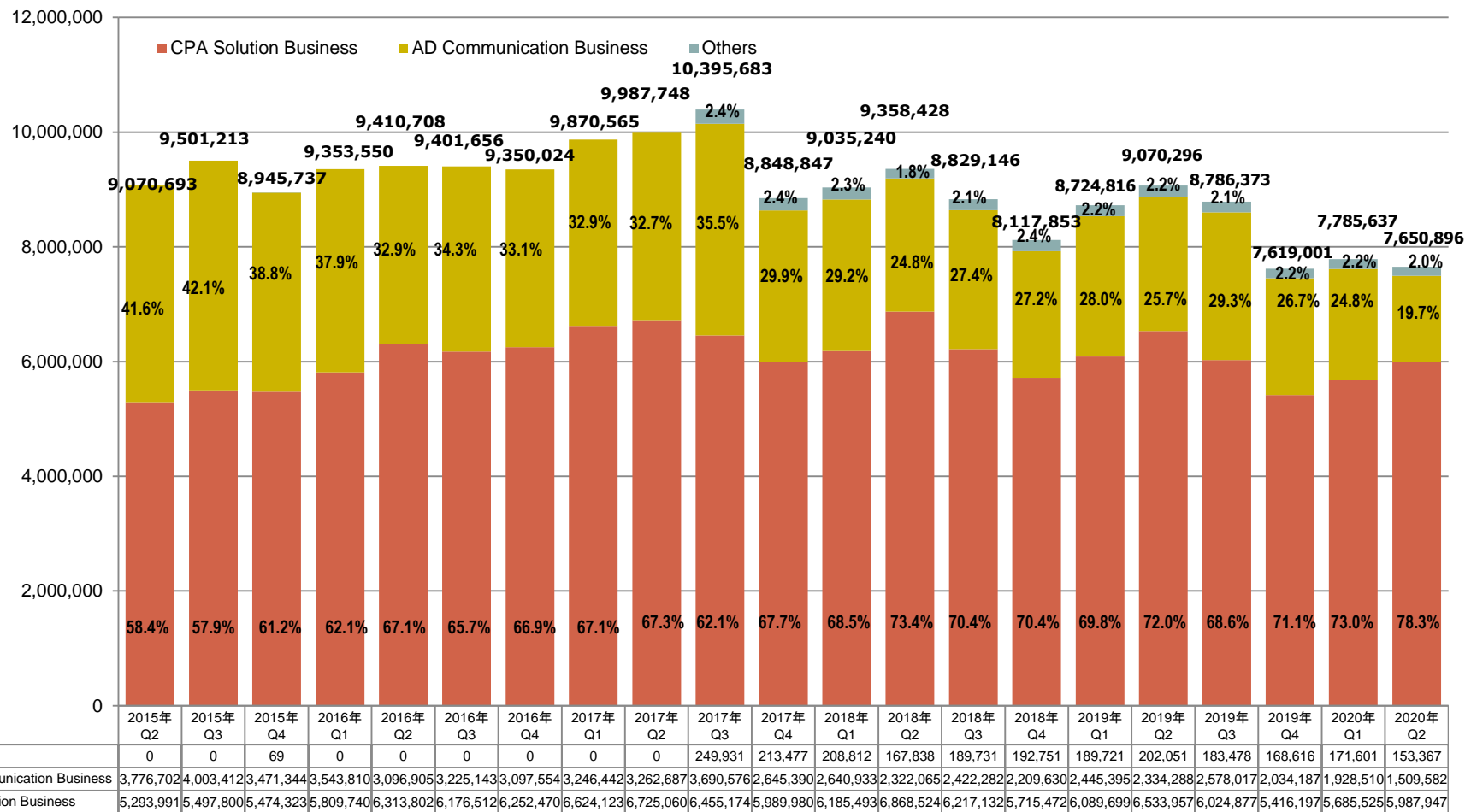
2. Regarding the reportable segment names, CPA Ad Network Business has changed to “CPA Solution Business”, and CPC/Targeting Ad Network Business has changed to “AD Communication Business” since the fiscal year ending December 31, 2020.

# Net Sales by Reportable Segment

## (Consolidated/Quarterly basis)

Overview by Service Area

(¥ thousands)





# A8.net Summary

## CPA Solution Business

	2020 Q2 (April – June)	2019 Q2 (April – June)	YoY Change
<b>Sales (¥ thousands)</b>	<b>5,387,993</b>	<b>6,062,038</b>	<b>-11.1%</b>
<b>Number of operating advertiser IDs</b>	<b>3,259</b>	<b>3,439</b>	<b>-5.2%</b>
<b>Number of registered partner sites</b>	<b>2,818,620</b>	<b>2,629,693</b>	<b>7.2%</b>

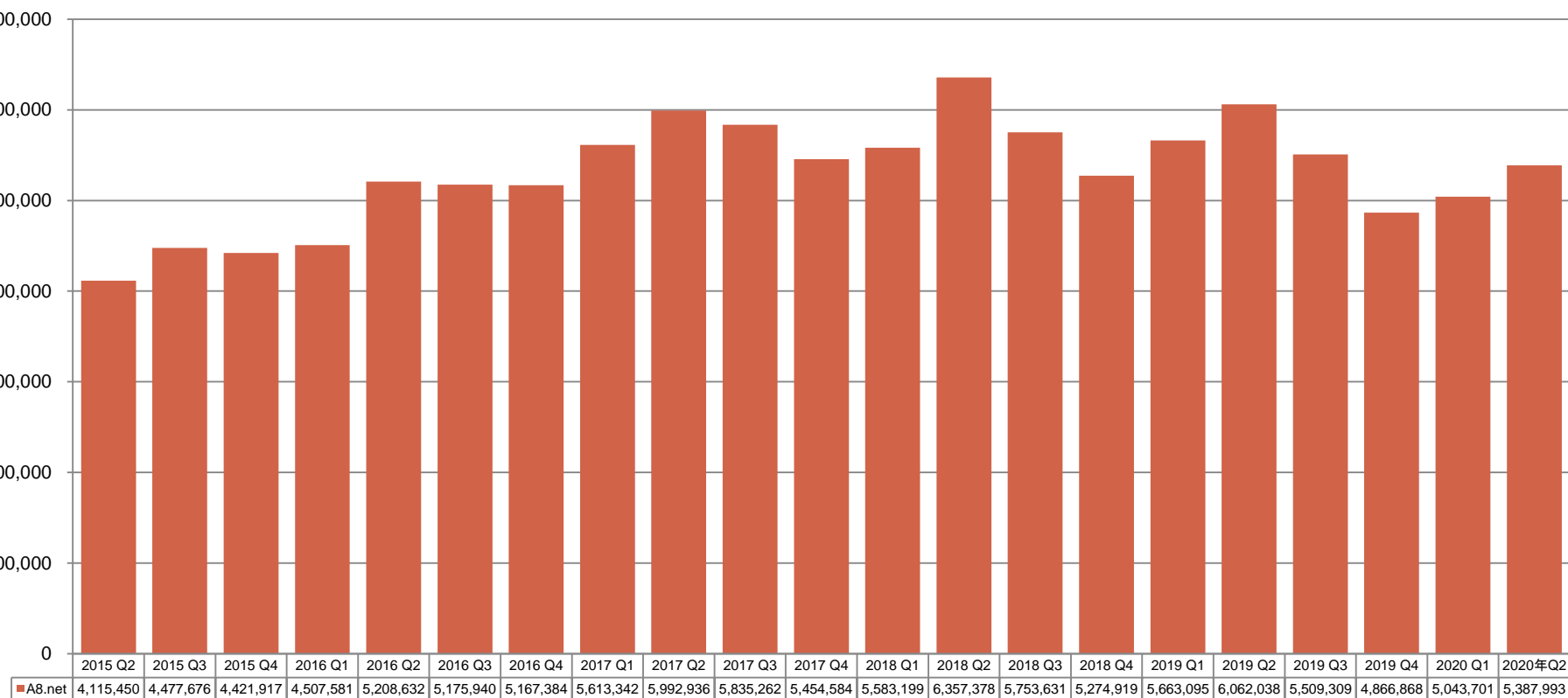
Note: Sales before elimination of consolidated intercompany transactions.  
The number of operating advertiser IDs decreased by 180 from the same period of the previous year.

A8.net

CPA Solution Business

## Net Sales (Quarterly basis)

(¥ thousands)

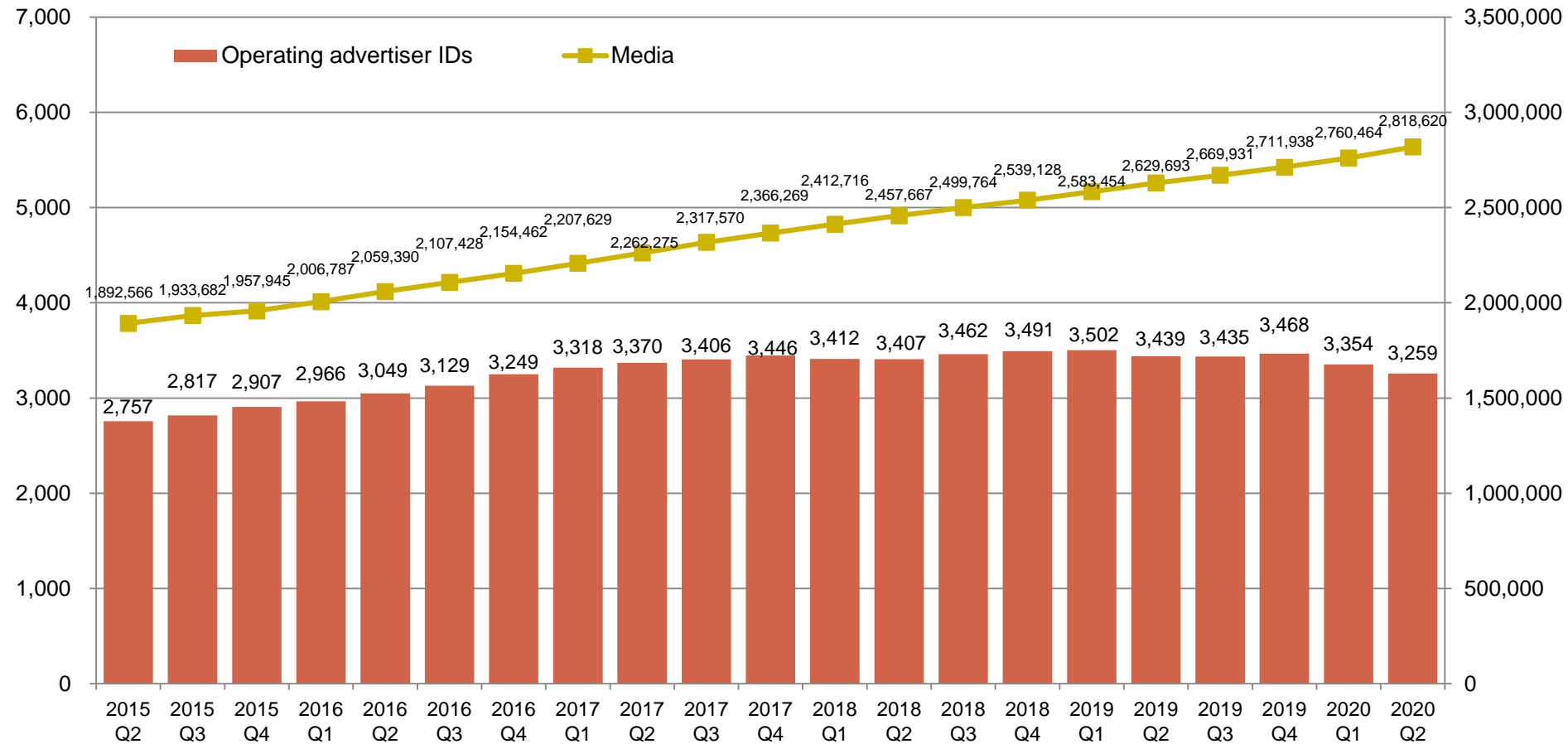


Note: Sales before elimination of consolidated intercompany transactions.

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 95 from 2020 Q1.  
 The number of overseas operating advertisers decreased by 12 from 2020 Q1 to 168.

## A8.net

## CPA Solution Business

## New Advertiser Start-ups and Cancellations



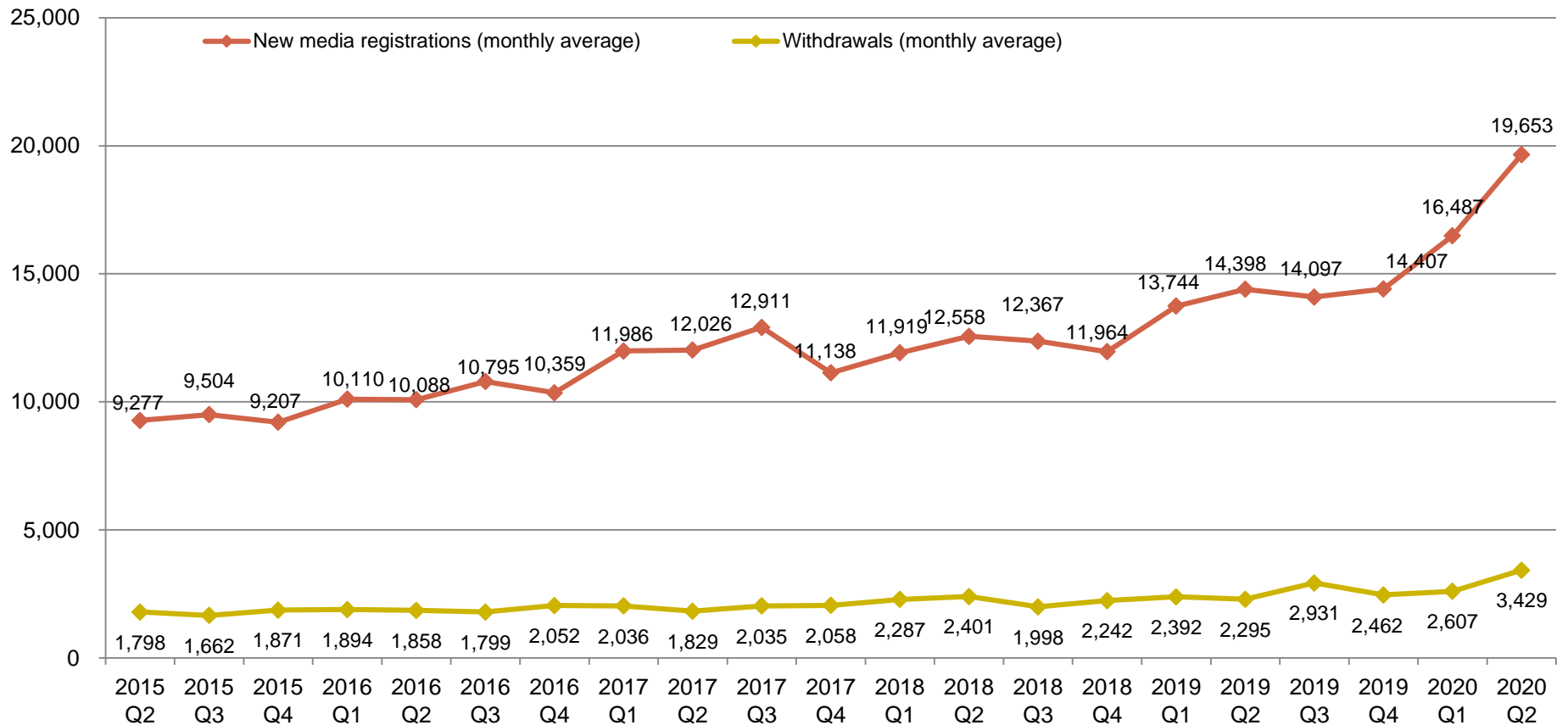
Note: "Change in inactive" is the difference in number of customers who switched between "operating" and "inactive," adjusted for the number of customers who switched from "inactive" to "cancelled" included in the number of cancellations.

There were continuously many cancellations in this quarter.

A8.net

CPA Solution Business

## Average Monthly New Media Registrations and Withdrawals



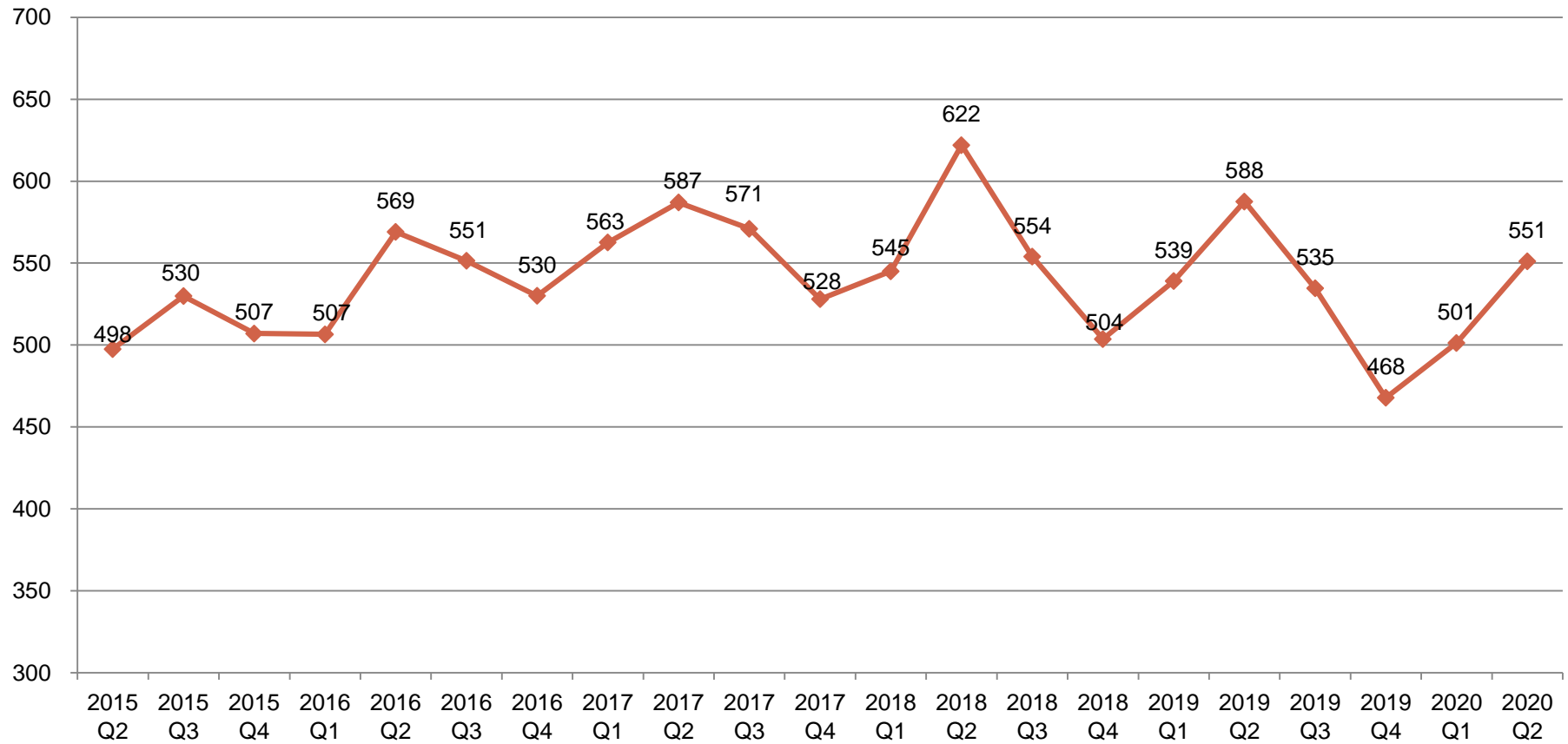
Monthly new media registrations have significantly increased since the outbreak of the COVID-19.

A8.net

CPA Solution Business

## Average Monthly Sales per Advertiser

(¥ thousands)

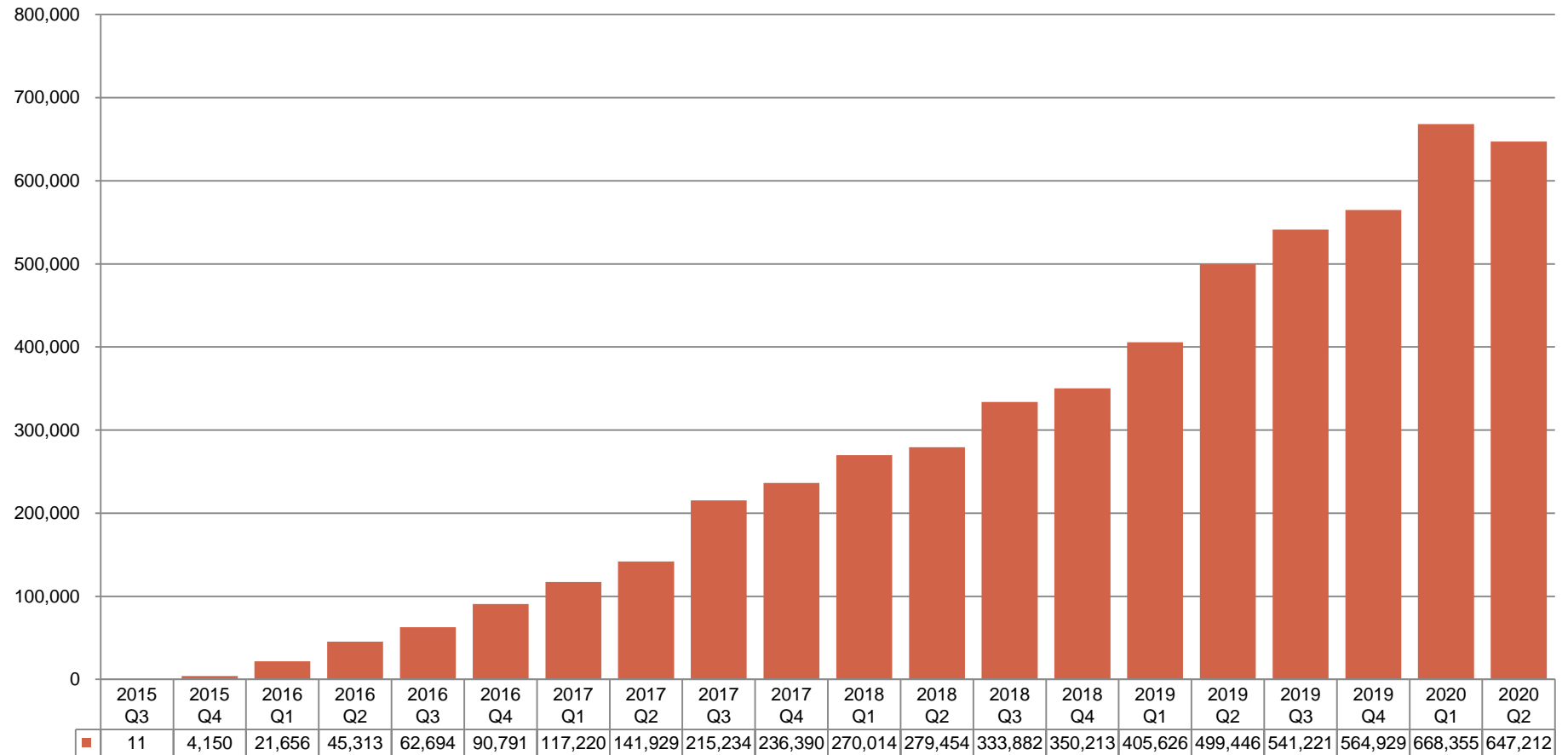


seedApp

Net Sales (Quarterly basis)

CPA Solution Business

(¥ thousands)



Note: Sales before elimination of consolidated intercompany transactions.

# nend Summary

## AD Communication Business

	2020 Q2 (Apr. - Jun.)	2019 Q2 (Apr. - Jun.)	Change
Sales (¥ thousands)	<b>1,231,530</b>	<b>1,609,089</b>	<b>-23.5%</b>
Number of operating advertiser IDs	<b>178</b>	<b>240</b>	<b>-25.8%</b>
Number of ad spaces on registered partner sites	<b>1,003,715</b>	<b>960,110</b>	<b>4.5%</b>

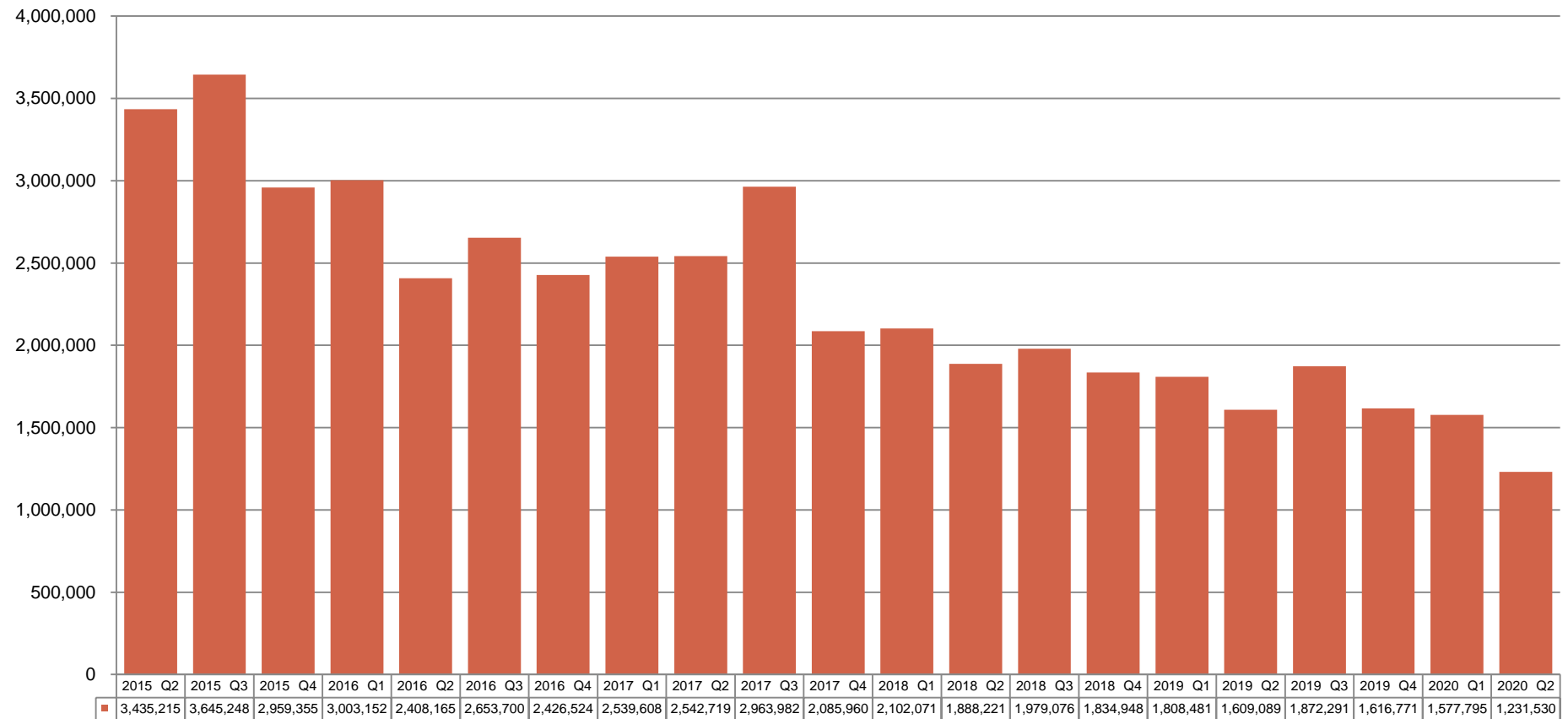
Sales before elimination of consolidated intercompany transactions.  
Note: Figures are those of nend only, and do not include other services.



# nend

## Net Sales (Quarterly basis)

(¥ thousands)

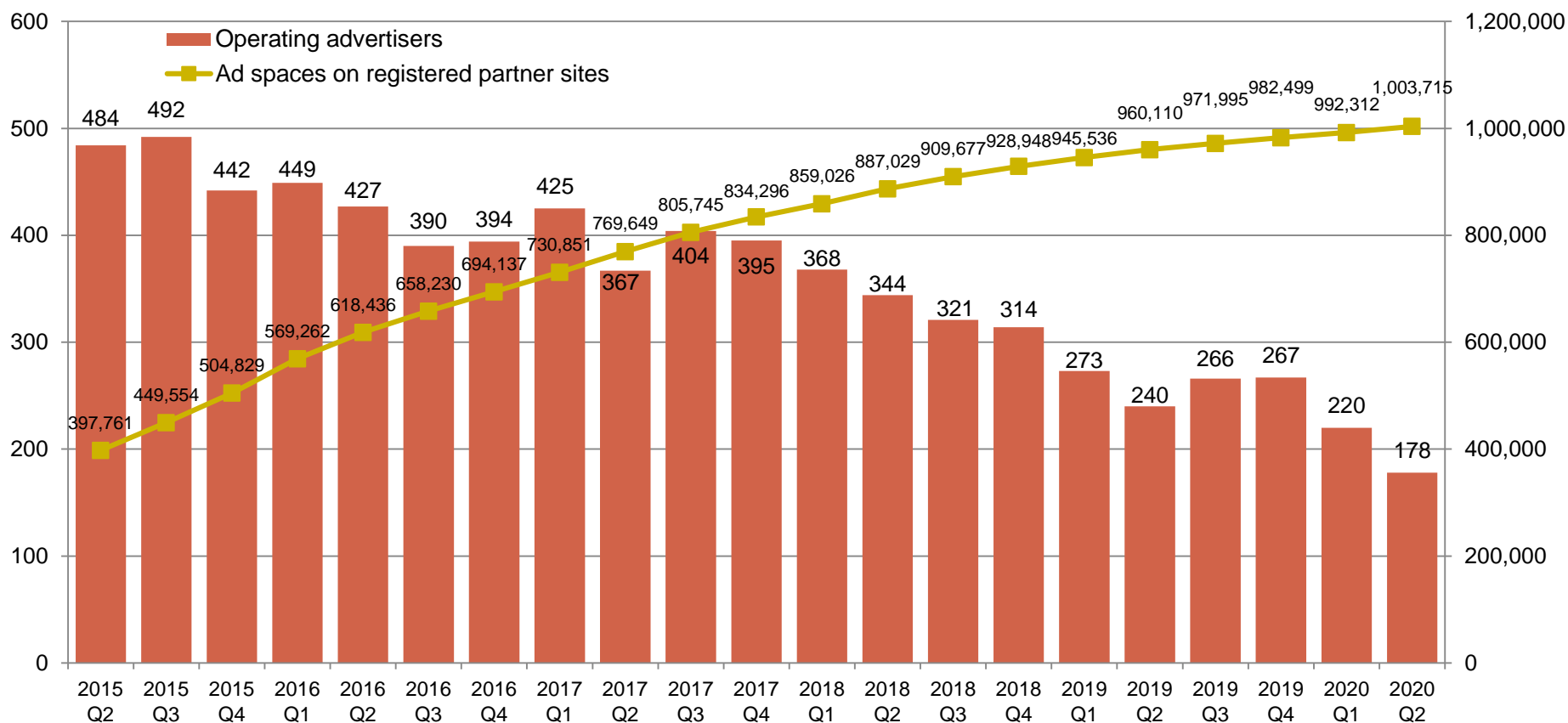


Note: Sales before elimination of consolidated intercompany transactions.

nend

## AD Communication Business

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



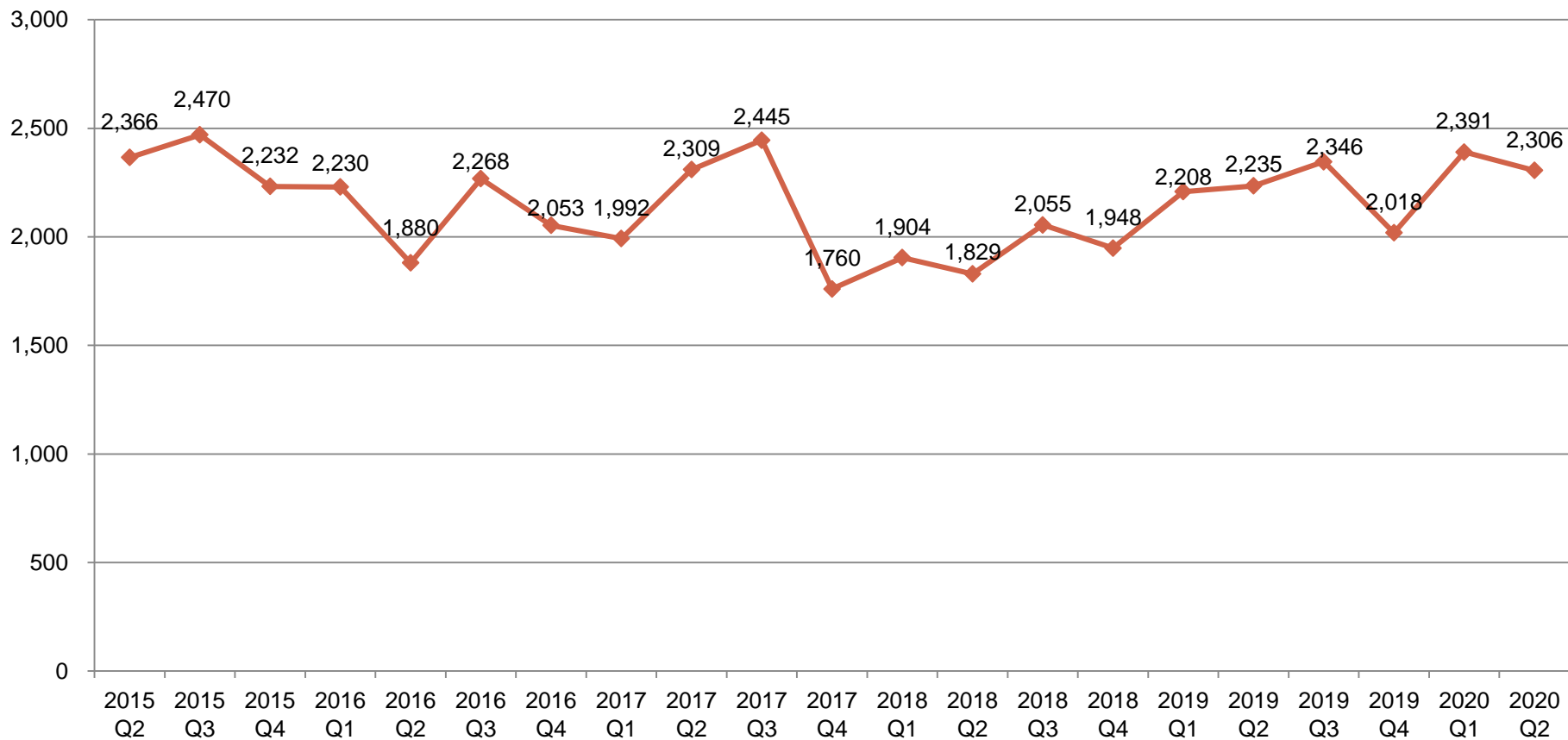
Note: The number of operating advertisers is as of the final month of each quarter.  
The number of operating advertisers decreased by 42 from the previous quarter.

nend

AD Communication Business

## Average Monthly Sales per Advertiser

(¥ 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 Q2	2019 Full Year
Net sales	1,295,034	3,227,956
Operating income	60,659	216,272
Profit attributable to owners of parent	37,153	177,301

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

The results were unfavorable against our expectations due to the impact from the COVID-19 pandemic.

# 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 Q2	2019 Full Year
Net sales	379,918	837,644
Operating income (loss)	-37,464	-162,424
Profit (loss) attributable to owners of parent	-46,769	-229,536

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

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

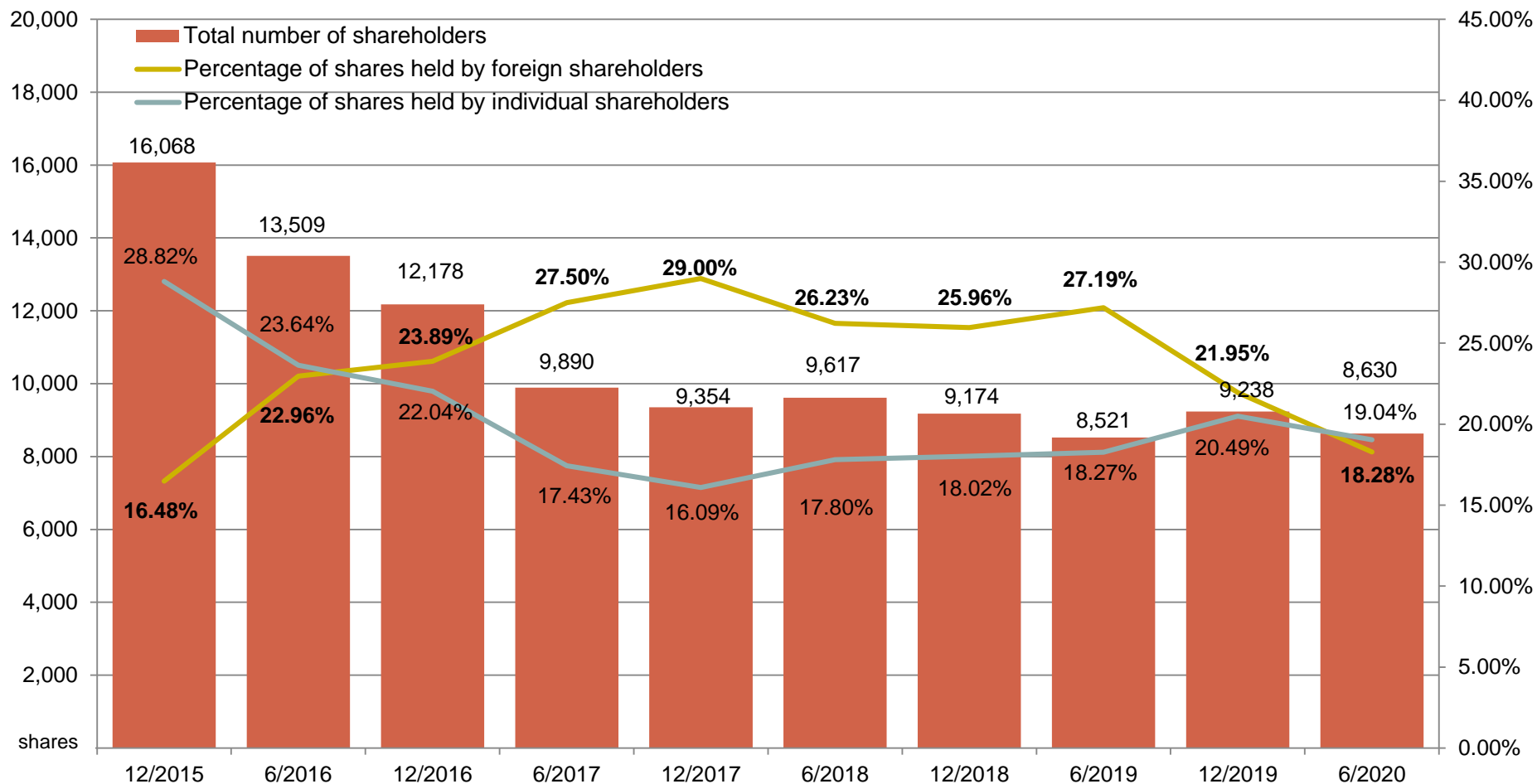
We promoted the reconstruction of the business steadily, so the loss was reduced.



## 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 June 30, 2020)</b>
■ <b>President and Representative Director</b>	<b>Yasuyoshi Yanagisawa</b>
■ <b>Number of employees</b>	<b>Non-consolidated: 420</b> <b>Group total: 500</b> <small>(As of June 30, 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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