



Fourth Quarter of 2020

Presentation of Financial Results

---

February 9, 2021

FAN Communications, Inc.

# Contents

Fourth Quarter of 2020 Results Highlights	.....	P3
Management Indicators (Quarterly Basis)	.....	P9
Overview by Service Category	.....	P15
▪ CPA Solution Business		
▪ AD Communication Business		
Consolidated Group Businesses	.....	P29
Stock Information	.....	P33
Reference Materials	.....	P35

# Fourth Quarter of 2020 Results Highlights

## Fourth Quarter of 2020 (Oct.–Dec.): Key Points

### Results Highlights

- Figures continued to be lackluster, with net sales down 13.8% YoY and ordinary income down 33.5% YoY.
- On a QoQ comparison basis, net sales declined by 10.9% and ordinary income declined by 12.6%.
- The impact of the COVID-19 pandemic continued to weigh heavily on performance.

# Impact of COVID-19 pandemic in 2020

## Results Highlights

1. In transitioning to telework, online support was inadequate and optimizing resources took time (reduced office floor space by one-third, and fully adopted a free address system)
2. Budget cuts at advertisers affected by the pandemic
3. Change in online consumption trend due to the pandemic (concentrated in GAFA and well-known services)
4. Sluggish consumption (non-e-commerce, non-online services)
5. Stagnation in new order acquisitions and delayed start of operations

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

Results  
Highlights

(¥ thousands)	2020 Full Year	2019 Full Year	YoY change	% of net sales
Net sales	29,379,998	34,200,488	-14.1%	100%
Operating income	2,852,927	3,747,153	-23.9%	9.7%
Ordinary income	2,985,053	3,785,697	-21.1%	10.2%
Profit attributable to owners of the parent	1,991,515	2,488,514	-20.0%	6.8%
Ordinary income margin	10.2%	11.1%	-0.9pt	-
Earnings per share	¥26.95	¥32.85	-18.0%	-
Diluted earnings per share	-	-	-	-

Note: Diluted earnings per share data are not stated due to the absence of dilutive shares.

# Consolidated Balance Sheet

## Results Highlights

(¥ thousands)	December 31, 2019	December 31, 2020
<b>Assets</b>		
Current assets	<b>23,970,606</b>	<b>24,379,779</b>
Cash and deposits	18,610,946	19,532,772
Accounts receivable – trade	3,728,003	3,414,350
Securities	1,019,563	1,096,914
Other	622,935	348,491
Allowance for doubtful accounts	-10,842	-12,750
Non-current assets	<b>3,154,585</b>	<b>1,941,796</b>
Property, plant and equipment	200,133	156,770
Intangible assets	640,722	596,852
Investments and other assets	2,313,729	1,188,173
<b>Total assets</b>	<b>27,125,192</b>	<b>26,321,576</b>
<b>Liabilities and net assets</b>		
Current liabilities	<b>5,917,643</b>	<b>5,661,753</b>
Accounts payable – trade	4,207,343	4,321,757
Income taxes payable	599,908	434,076
Other current liabilities	1,110,390	905,918
Long-term liabilities	<b>154,237</b>	<b>141,537</b>
<b>Total liabilities</b>	<b>6,071,881</b>	<b>5,803,290</b>
<b>Total net assets</b>	<b>21,053,310</b>	<b>20,518,285</b>
<b>Total liabilities and net assets</b>	<b>27,125,192</b>	<b>26,321,576</b>

Main component was ¥830,836 thousand in investment securities.

Main reason for the decline was the ¥999,972 thousand used to acquire treasury shares, partially offset by a ¥552,092 thousand increase in retained earnings.

# Consolidated Performance Forecast

Results  
Highlights

(¥ millions)	2021 Full-year forecast (YoY change)	2021 1H Forecast	2020 Full-Year Results
Net sales	<b>28,900</b> (-1.6%)	<b>14,100</b>	<b>29,379</b>
Operating income	<b>2,720</b> (-4.7%)	<b>1,300</b>	<b>2,852</b>
Ordinary income	<b>2,740</b> (-8.2%)	<b>1,310</b>	<b>2,985</b>
Profit attributable to owners of the parent	<b>1,890</b> (-5.1%)	<b>900</b>	<b>1,991</b>

## Dividend Forecast

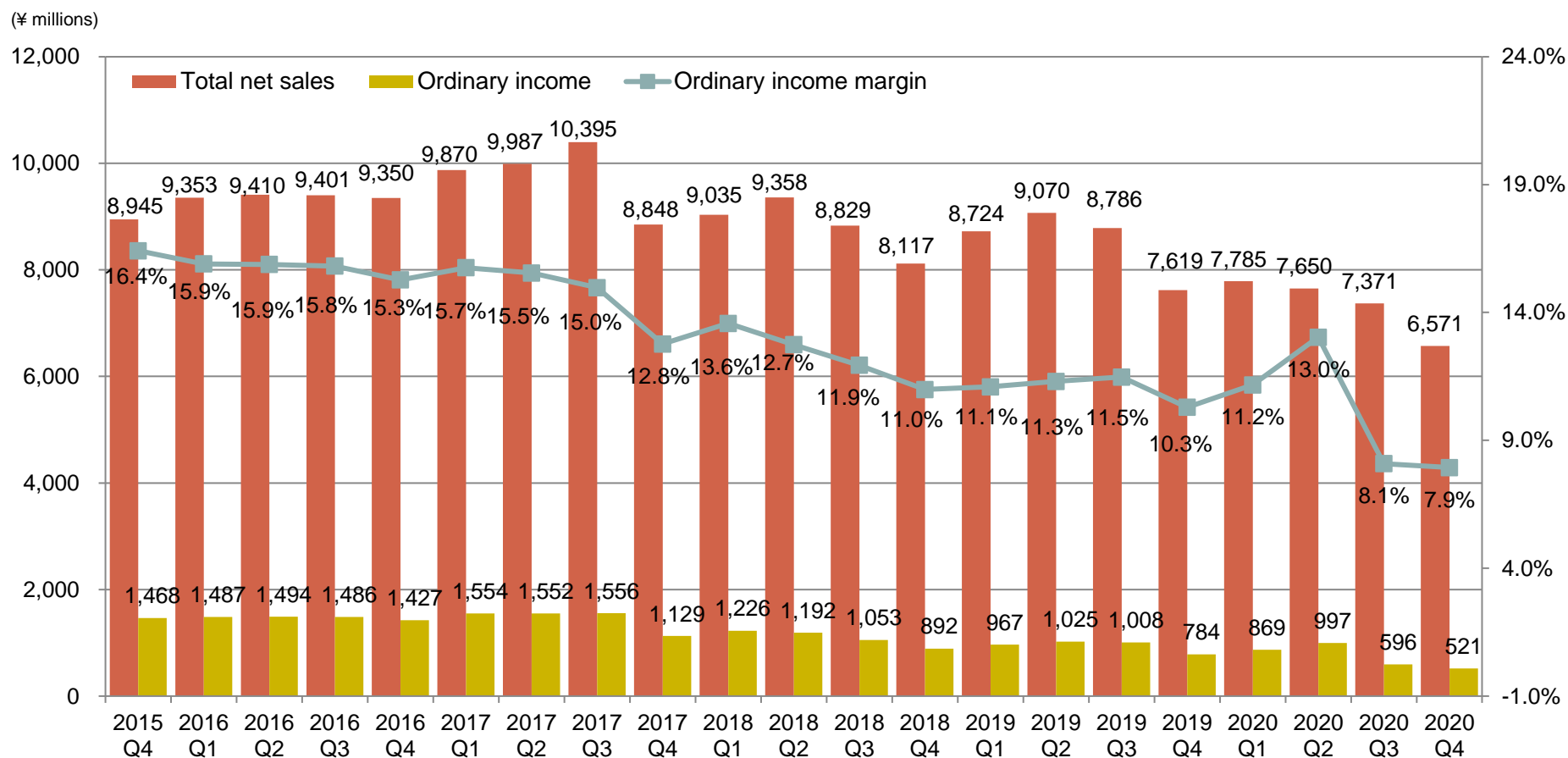
	2021 Forecast	2020
Year-end dividend per share	<b>¥19</b>	<b>¥19</b>



## Management Indicators (Quarterly Basis)

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

Management  
Indicators

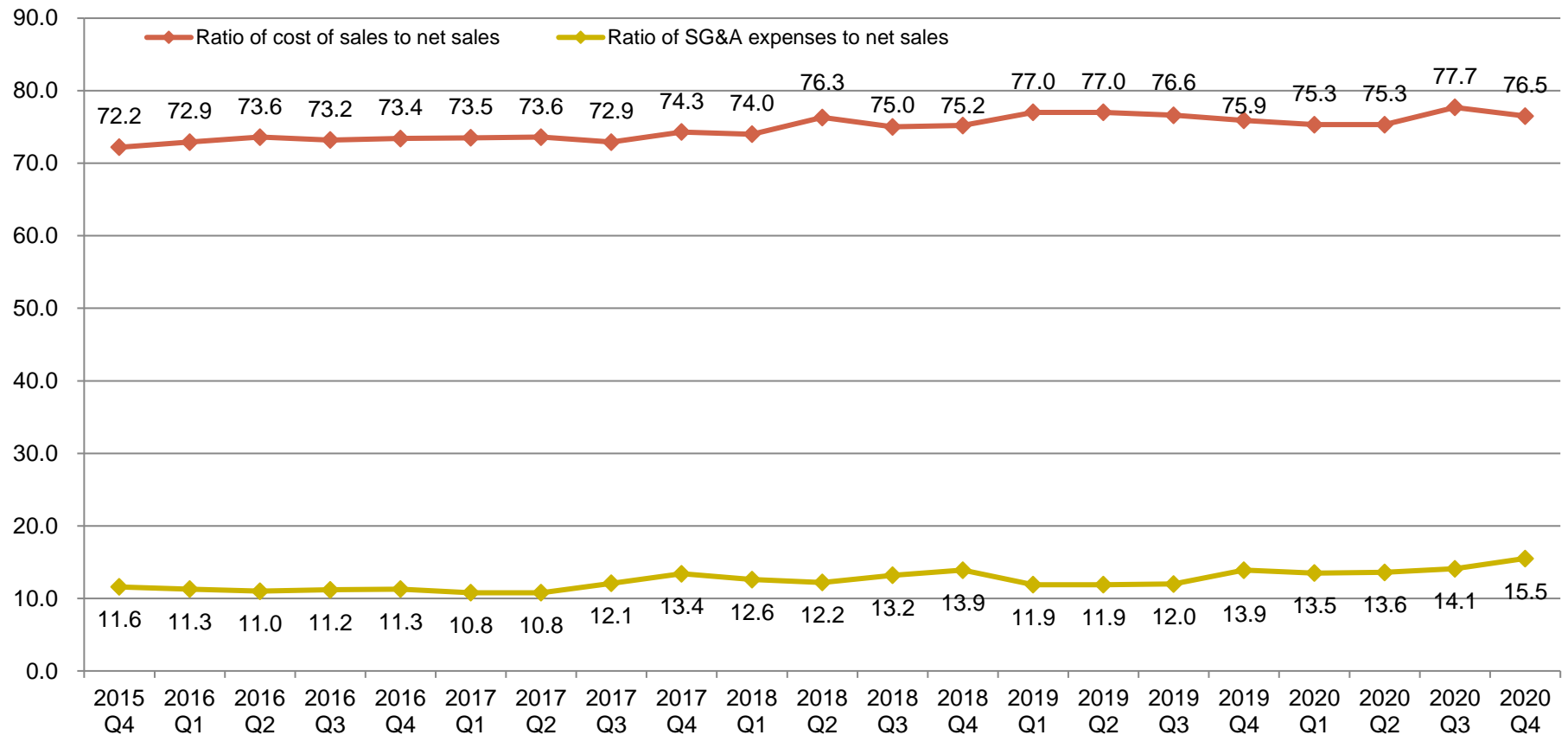


The ordinary income margin was 7.9%, down 0.2 points versus the previous quarter.

# Cost of Sales Ratio and SG&A Ratio

(Consolidated/Quarterly Basis)

Management  
Indicators



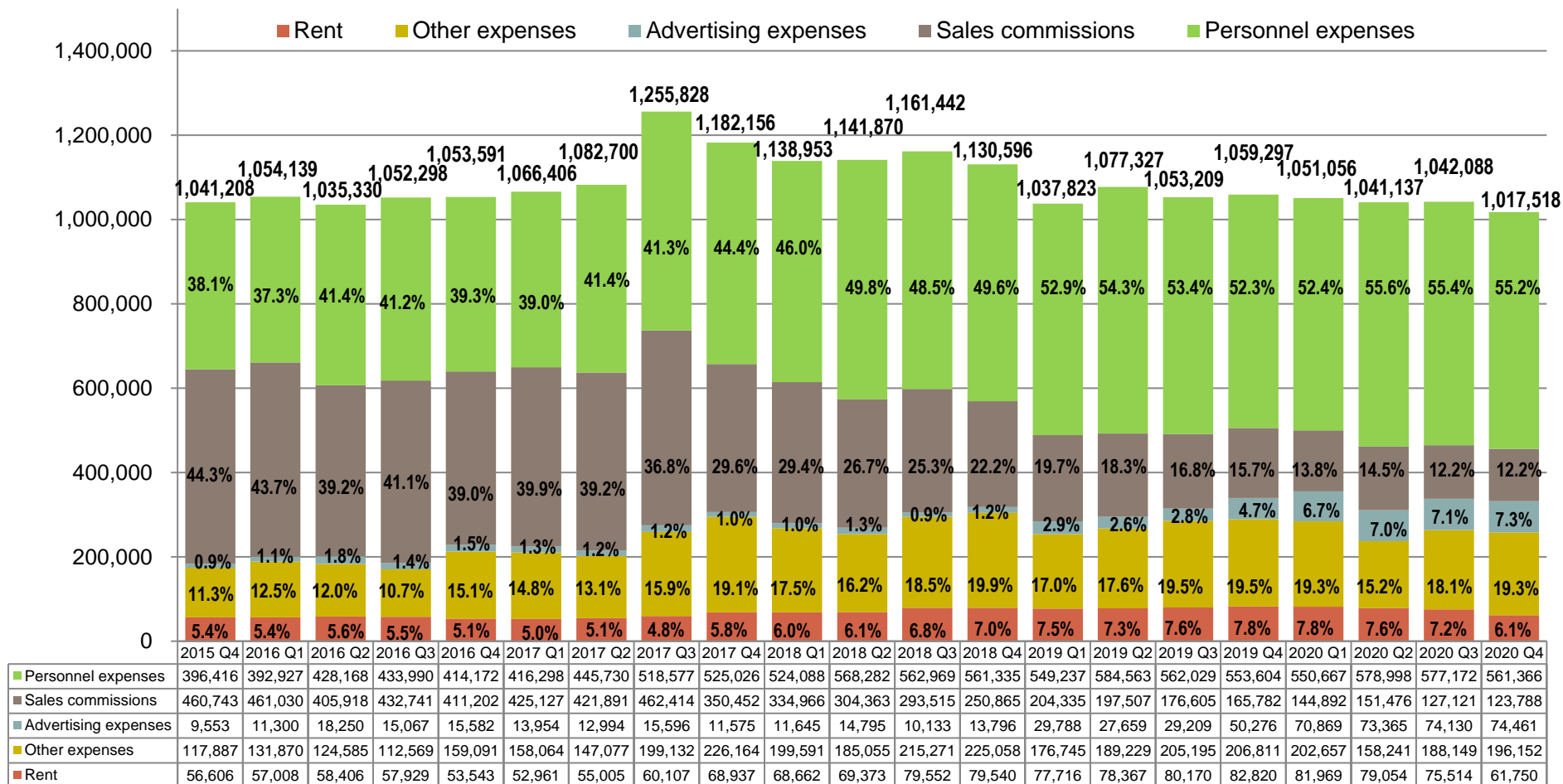
The cost of sales ratio decreased by 1.2 points from the previous quarter, and the SG&A ratio increased by 1.4 points.

# Selling, General and Administrative Expenses

(Consolidated/Quarterly Basis)

Management  
Indicators

(¥ thousands)



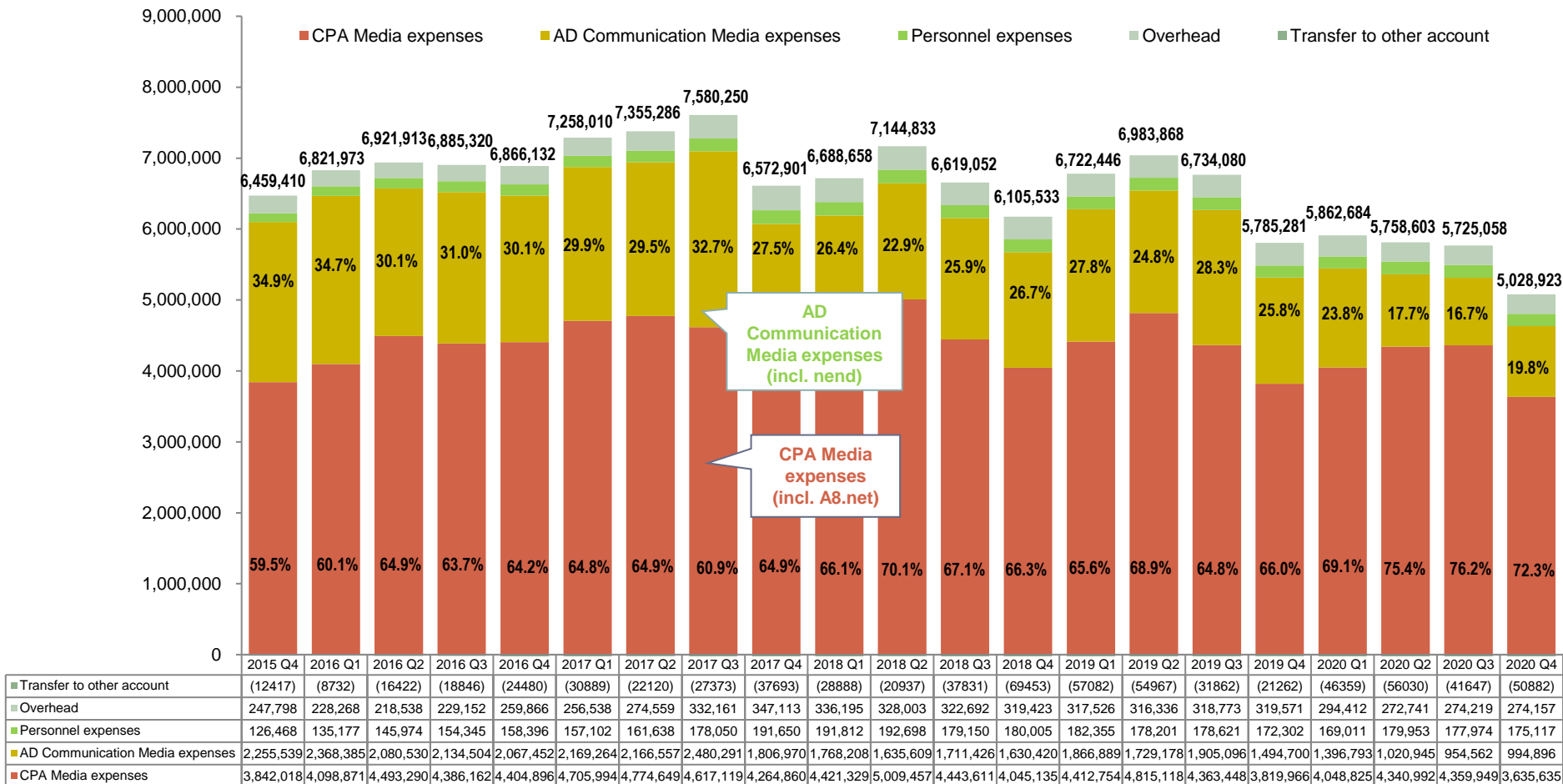
Note: Other expenses include depreciation expenses, outsourcing expenses, payment commissions, sales promotion expenses, etc.  
The increase in other expenses was attributed to office renovation expenses. Rent declined due to reduction in office floor space.

# Cost of Sales

## (Consolidated/Quarterly Basis)

### Management Indicators

(¥ thousands)

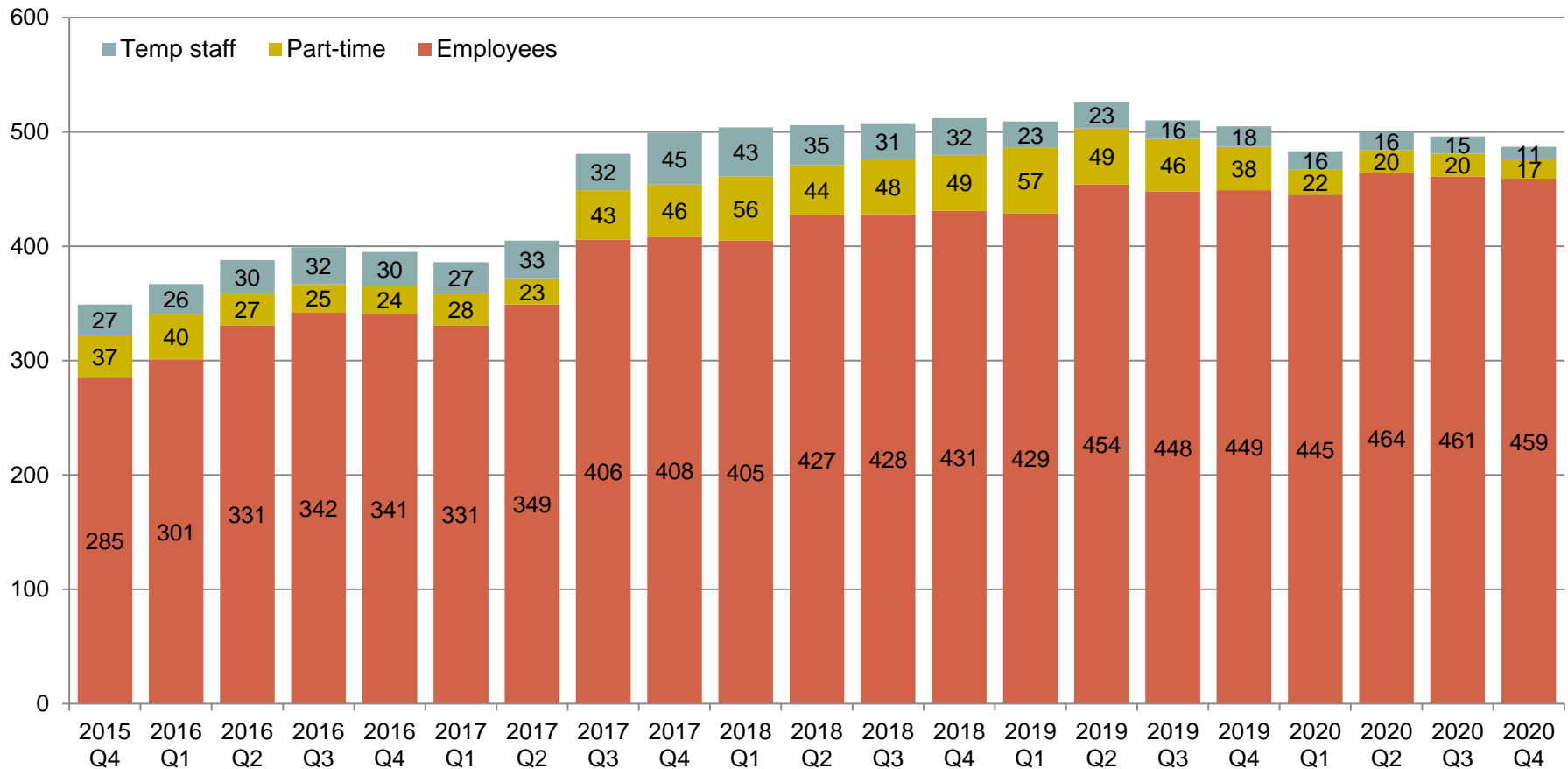


Notes: 1. CPA Media expenses primarily consist of A8.net and seedApp. AD Communication Media expenses primarily consist of nend.  
 2. Overhead mainly consists of infrastructure costs such as data center costs.  
 The portion of CPA Media expenses accounted for by A8.net declined.

# Number of Employees

(Consolidated/Quarterly Basis)

Management  
Indicators



As of 2020 Q4, the Group employed 487 people (-18YoY; -9 QoQ).

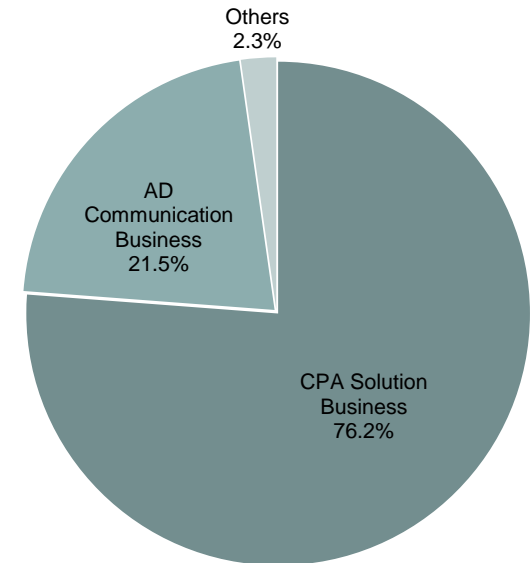
## Overview by Service Category

# Net Sales by Reportable Segment

(Consolidated/Quarterly Basis)

## Overview by Service Category

(¥ thousands)	2020 Q4 (Oct.–Dec.)	2019 Q4 (Oct.–Dec.)	YoY Change
CPA Solution Business	<b>5,007,712</b>	<b>5,416,197</b>	<b>-7.5%</b>
AD Communication Business	<b>1,416,051</b>	<b>2,034,187</b>	<b>-30.4%</b>
Others	<b>147,883</b>	<b>168,616</b>	<b>-12.3%</b>
<b>Total net sales</b>	<b>6,571,648</b>	<b>7,619,001</b>	<b>-13.7%</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 figures represent amounts after elimination of intragroup transactions.

2. The company has changed the segment names of the CPA Ad Network Business to “CPA Solution Business” and CPC/Targeting Ad Network Business to “AD Communication Business” since 2020.

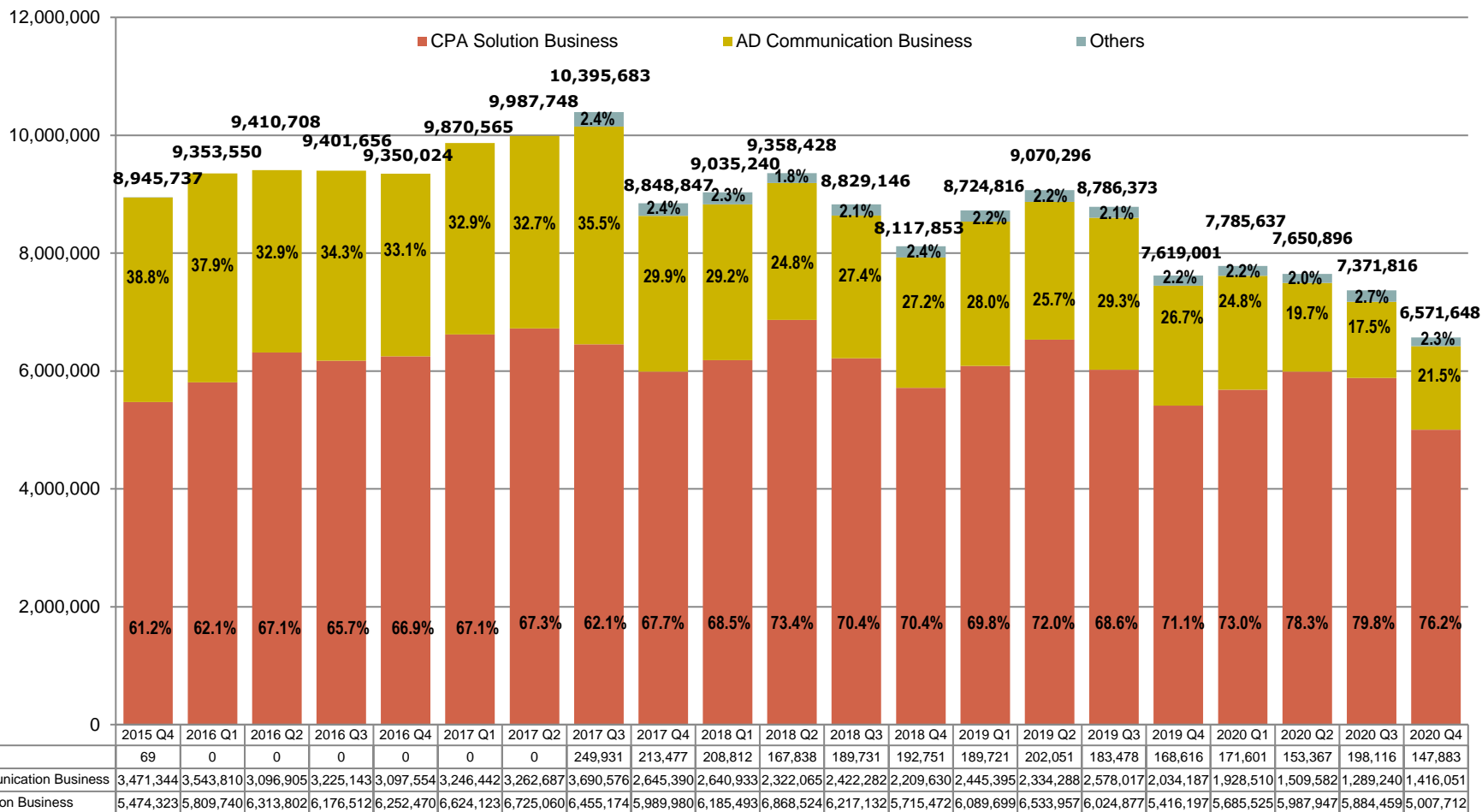


# Net Sales by Reportable Segment

## (Consolidated/Quarterly Basis)

Overview by  
Service Category

(¥ thousands)



# A8.net

## Summary

### CPA Solution Business

	2020 Q4 (Oct.–Dec.)	2019 Q4 (Oct.–Dec.)	YoY change
Sales (¥ thousands)	4,455,627	4,866,868	-8.4%
Number of operating advertiser IDs	3,182	3,468	-8.2%
Number of registered partner sites	2,889,117	2,711,938	6.5%

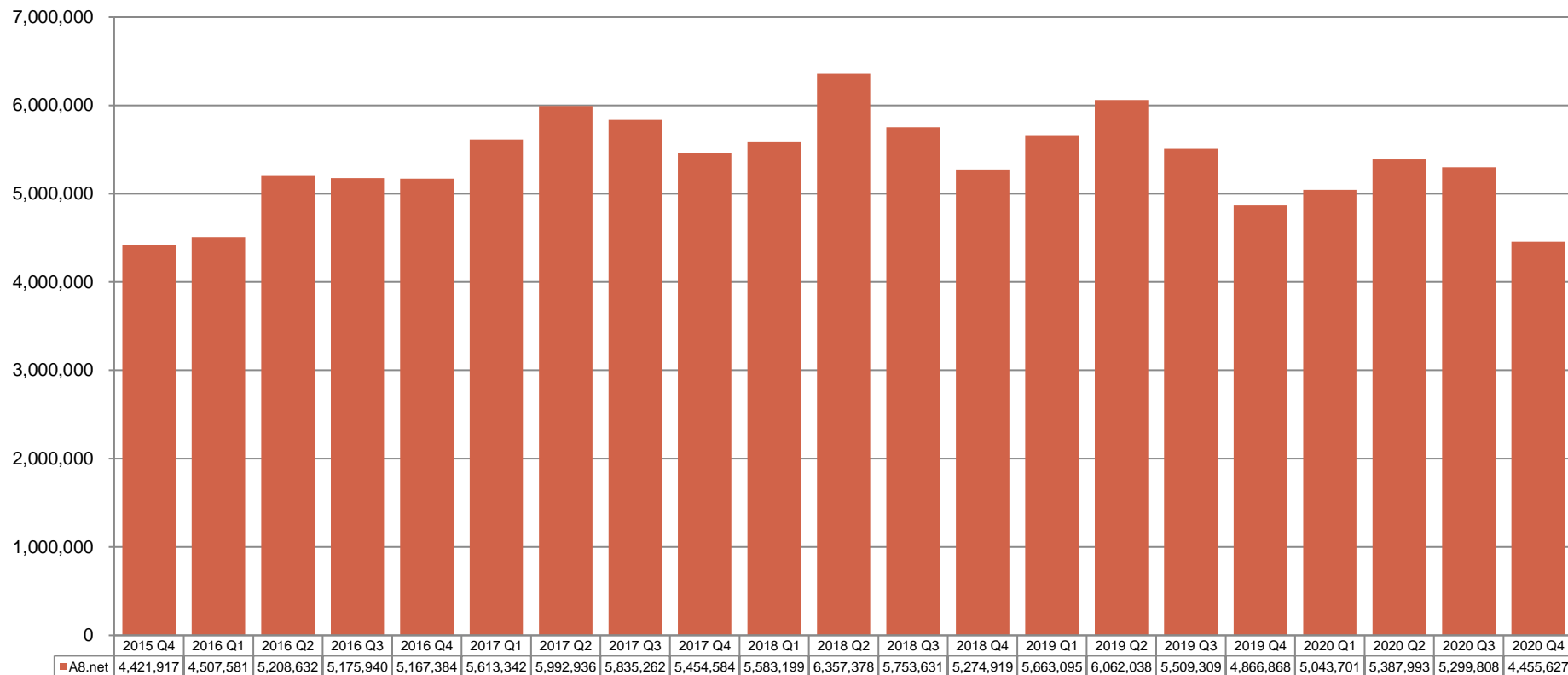
Note: Sales figures represent amounts before elimination of intragroup transactions.  
The number of operating advertiser IDs decreased by 286 YoY.

## A8.net

## Net Sales (Quarterly Basis)

CPA Solution Business

(¥ thousands)

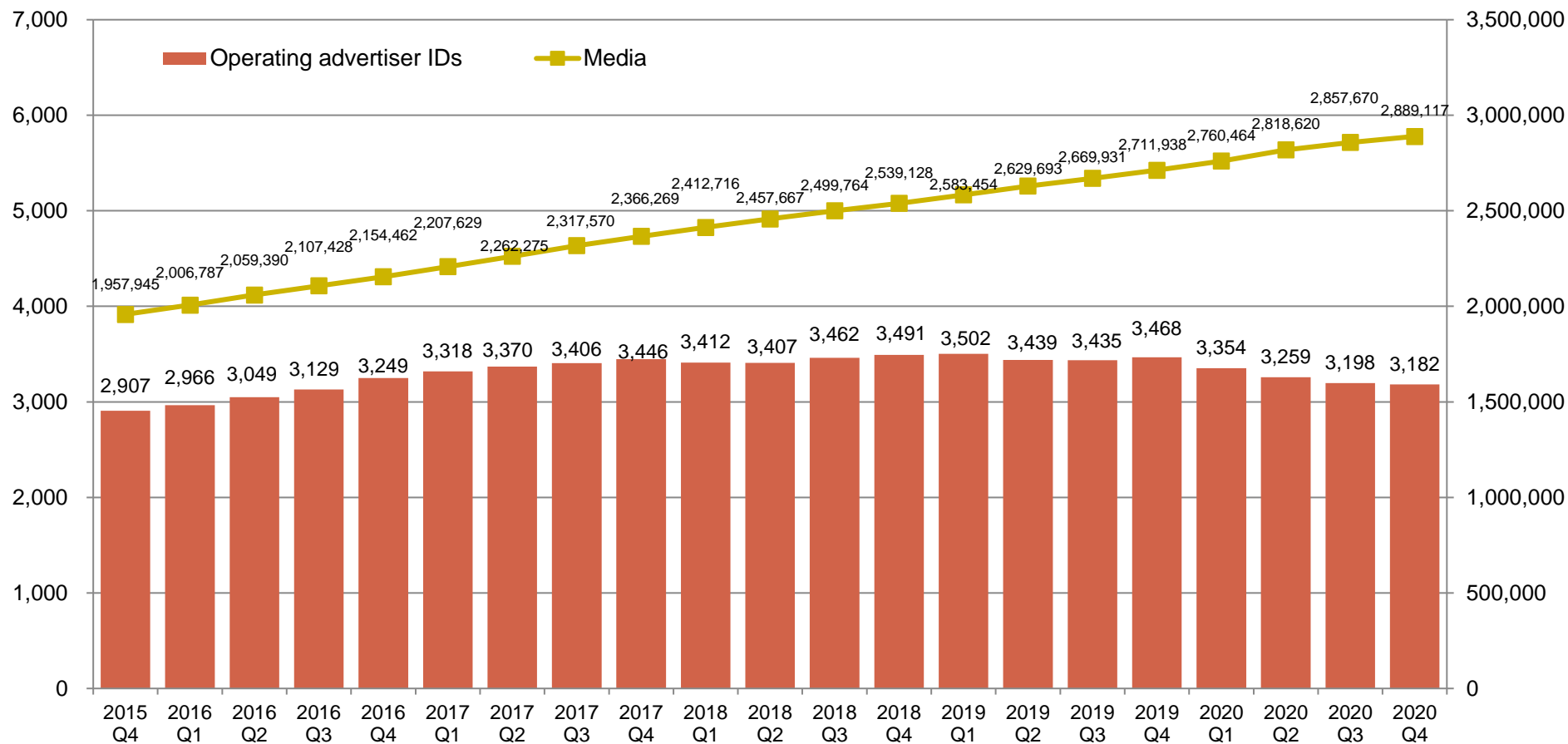


Note: Sales figures represent amounts before elimination of intragroup transactions.

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 16 from 2020 Q3, and the number of overseas operating advertisers decreased by 4 from Q3.

## A8.net

## CPA Solution Business

## New Advertiser Start-Ups and Cancellations



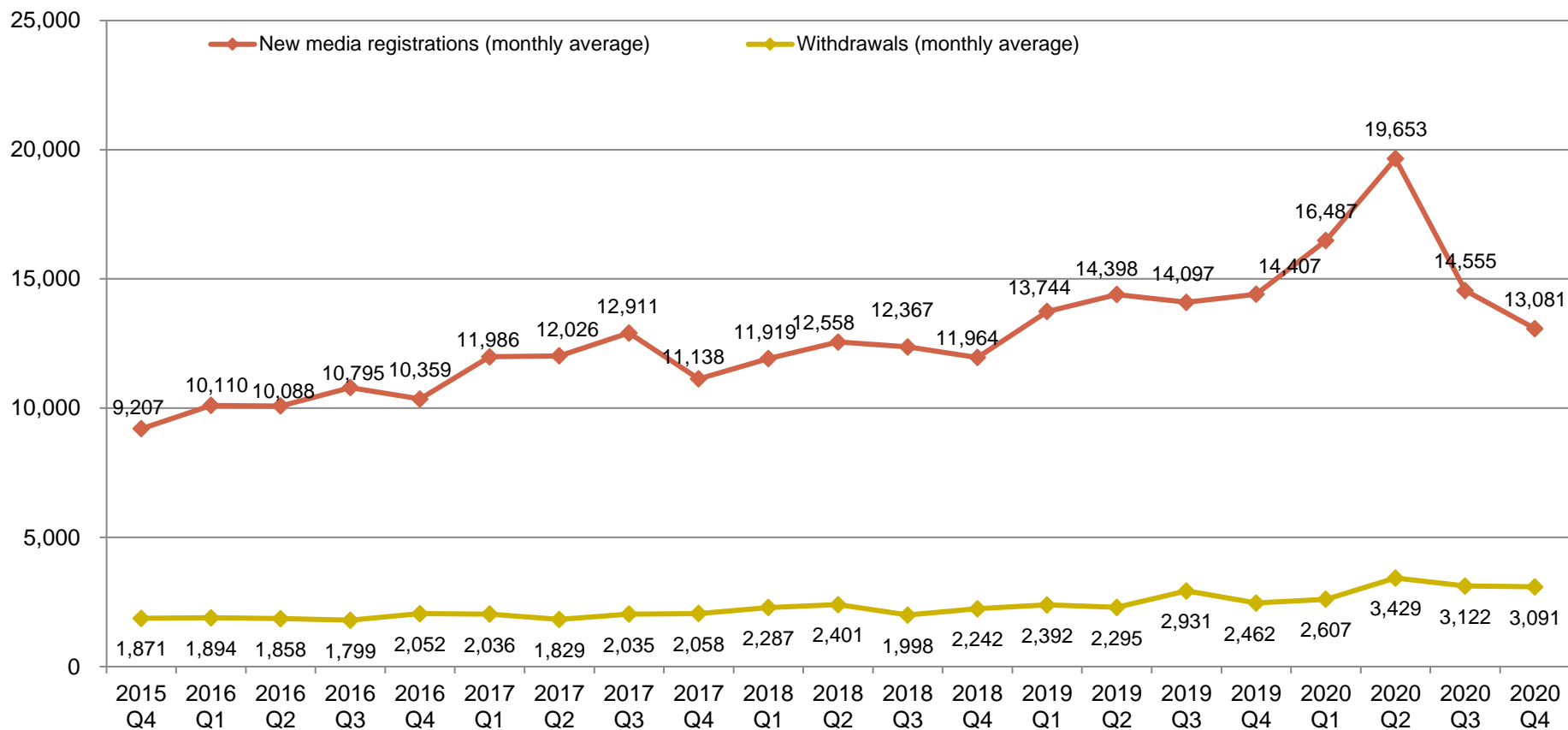
Note: "Change in inactive" is the difference between the number of customers who switched from "operating" to "inactive" and the number of customers switched from "inactive" to "operating," adjusted for the number of customers who switched from "inactive" to "cancelled," which is included under "cancellations."

New orders increased, and the number of operating customers gradually improved. However, the time between order and start of operation has not narrowed and remains an issue.

A8.net

CPA Solution Business

## Average Monthly New Media Registrations and Withdrawals



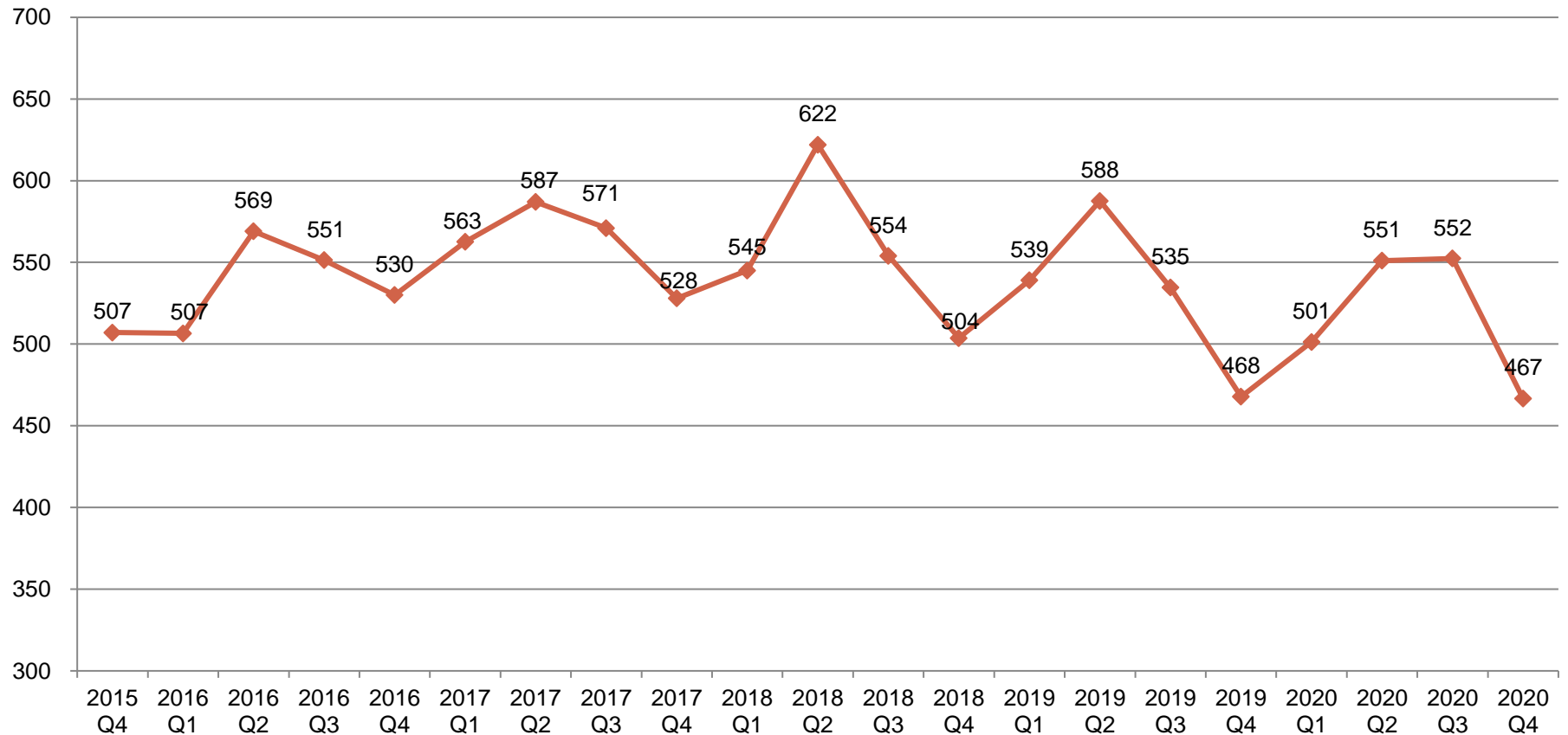
Monthly new media registrations significantly increased after the outbreak of COVID-19, but have returned to pre-COVID levels.

A8.net

CPA Solution Business

## Average Monthly Sales per Advertiser

(¥ thousands)

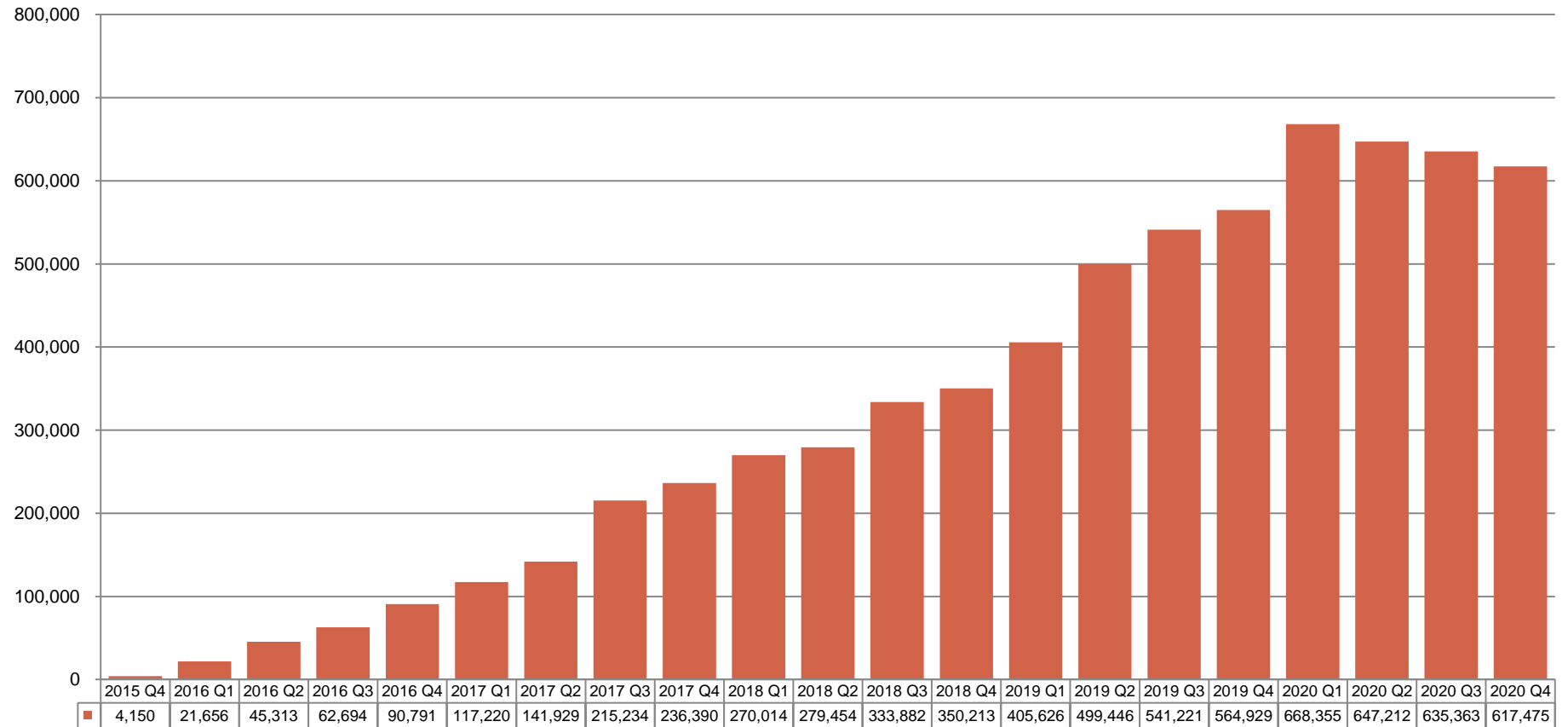


## seedApp

## Net Sales (Quarterly Basis)

CPA Solution Business

(¥ thousands)



Note: Sales figures represent amounts before elimination of intragroup transactions.



# nend

## Summary

### AD Communication Business

(¥ thousands)	2020 Q4 (Oct.–Dec.)	2019 Q4 (Oct.–Dec.)	YoY change
Net sales	<b>983,381</b>	<b>1,616,771</b>	<b>-39.2%</b>
Number of operating advertiser IDs	<b>191</b>	<b>267</b>	<b>-28.5%</b>
Number of ad spaces on registered partner sites	<b>1,018,937</b>	<b>982,499</b>	<b>3.7%</b>

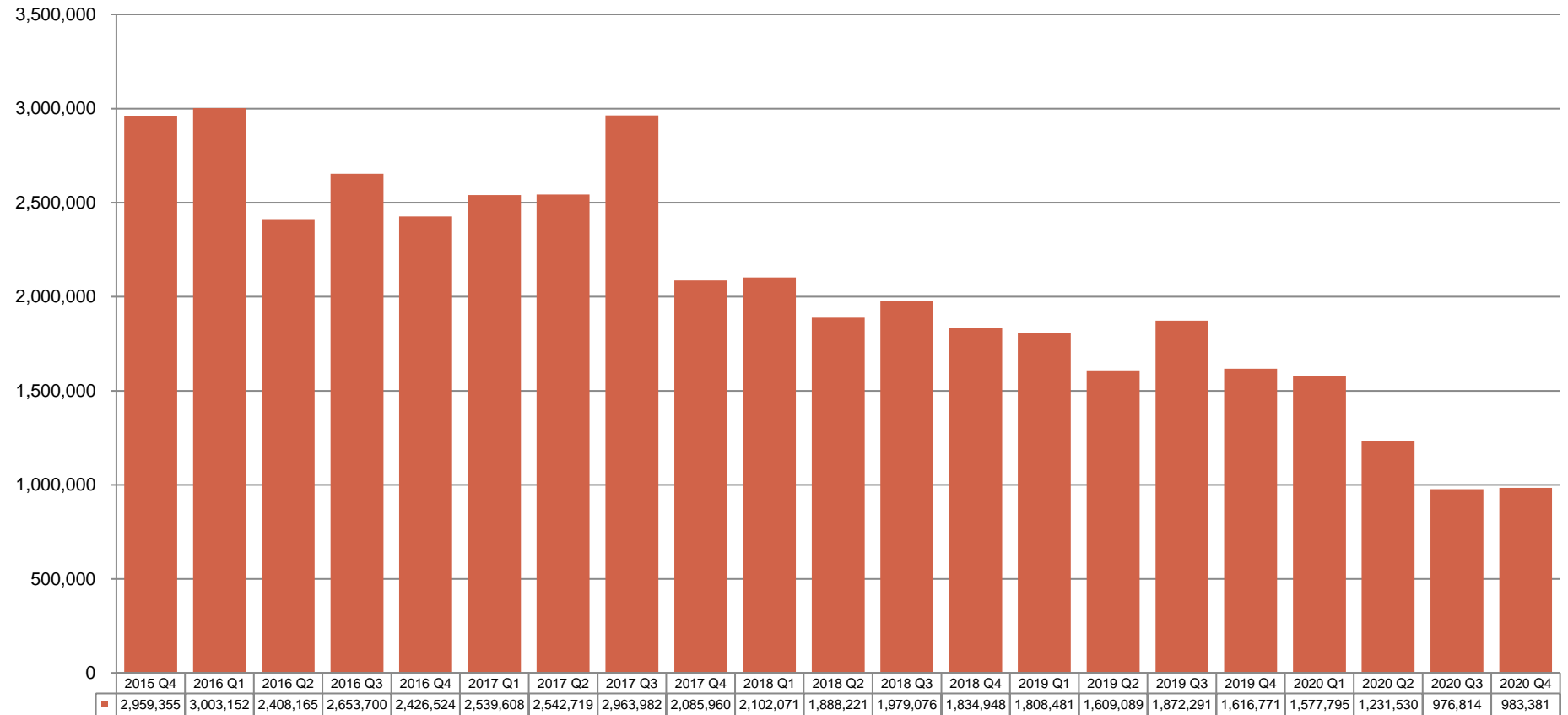
Notes: Sales figures represent amounts before elimination of intragroup transactions.  
 Figures only include results of nend and exclude other services.

nend

## Net Sales (Quarterly Basis)

AD Communication Business

(¥ thousands)

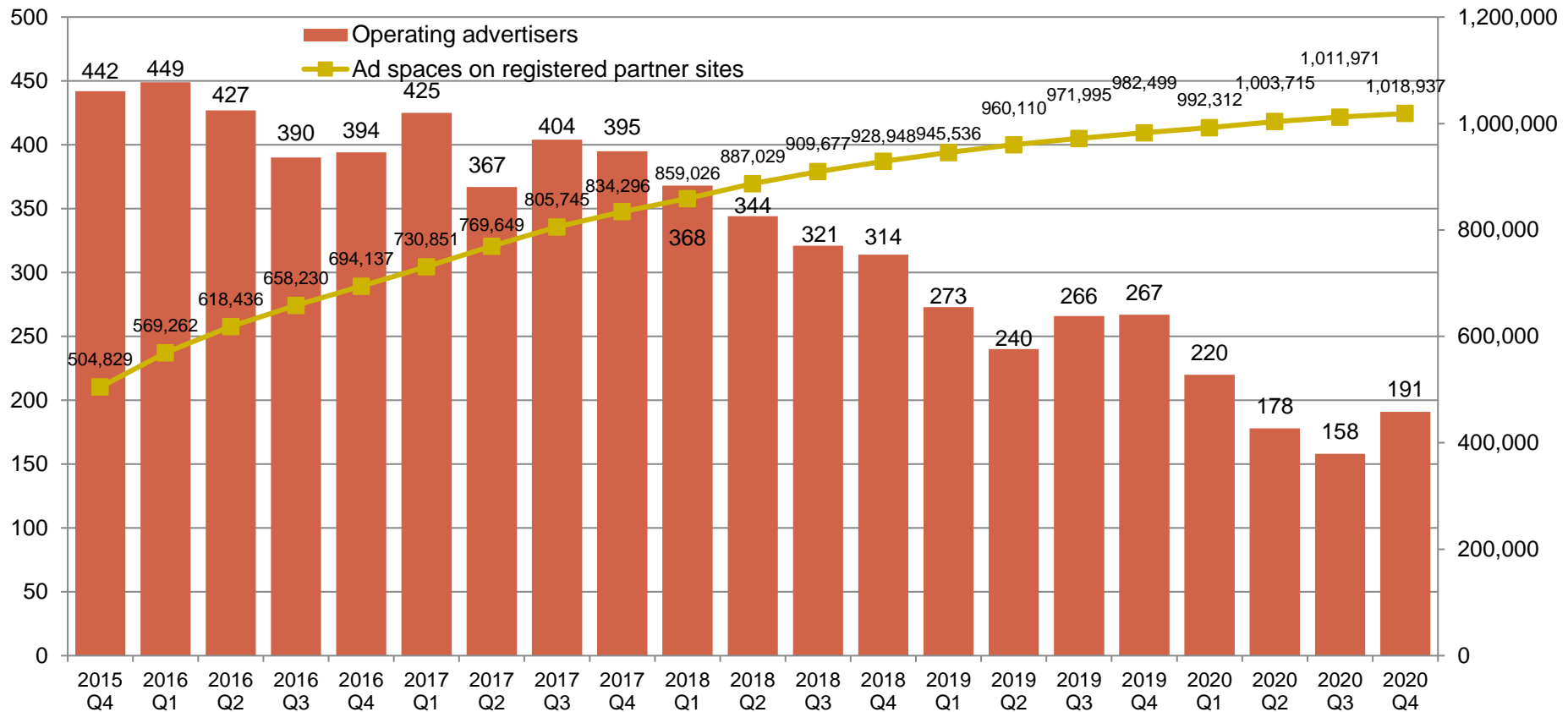


Note: Sales figures represent amounts before elimination of intragroup transactions.

# nend

## AD Communication Business

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



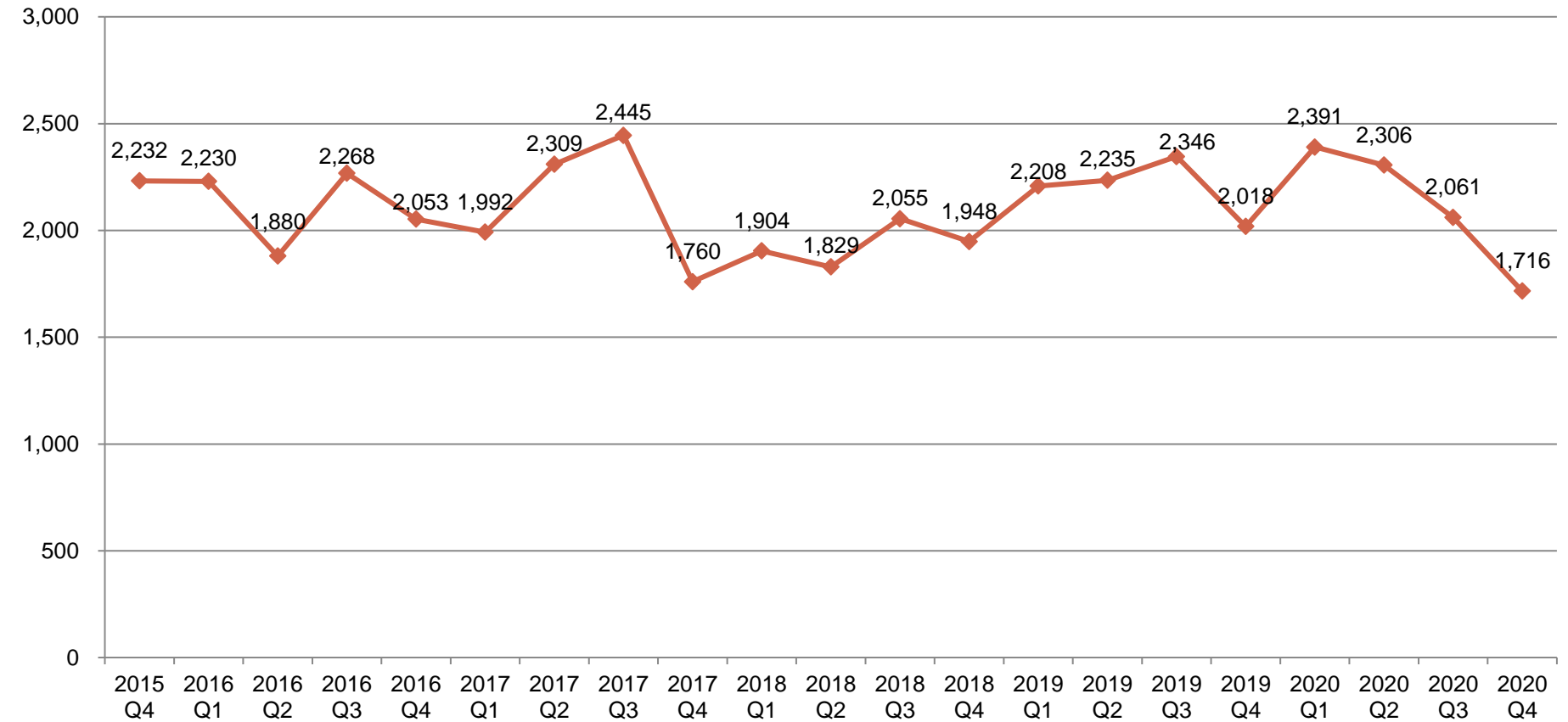
Note: The number of operating advertisers is as of the final month of each quarter.  
The number of operating advertisers increased by 33 from the previous quarter.

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 app 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 Full year	2019 Full year
Net sales	2,335,402	3,227,956
Operating income	113,781	216,272
Profit attributable to owners of the parent	64,039	177,301

Note: Figures represent amounts before elimination of intragroup transactions.

Results came in below the company forecast primarily due to the impact of 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 apps  
Management of own media

Note: Became a subsidiary on July 3, 2017

(¥ thousands)	2020 Full year	2019 Full year
Net sales	766,317	837,644
Operating income (loss)	(58,130)	(162,424)
Profit (loss) attributable to owners of the parent	(92,067)	(229,536)

Notes: 1. Seesaa Inc. became a consolidated subsidiary in July 2017.  
2. Figures represent amounts before elimination of intragroup transactions.




We narrowed the loss by steadily rebuilding the business.

## Key points of the 2021 budget

1. Optimize resources in a telework scheme
2. Increase new orders and establish a system that enables early start of operation
3. Invest to capture post-pandemic customer needs
4. Strengthen the incubation function, which nurtures new businesses
5. Optimize costs for existing services post-pandemic, and prepare for new opportunities

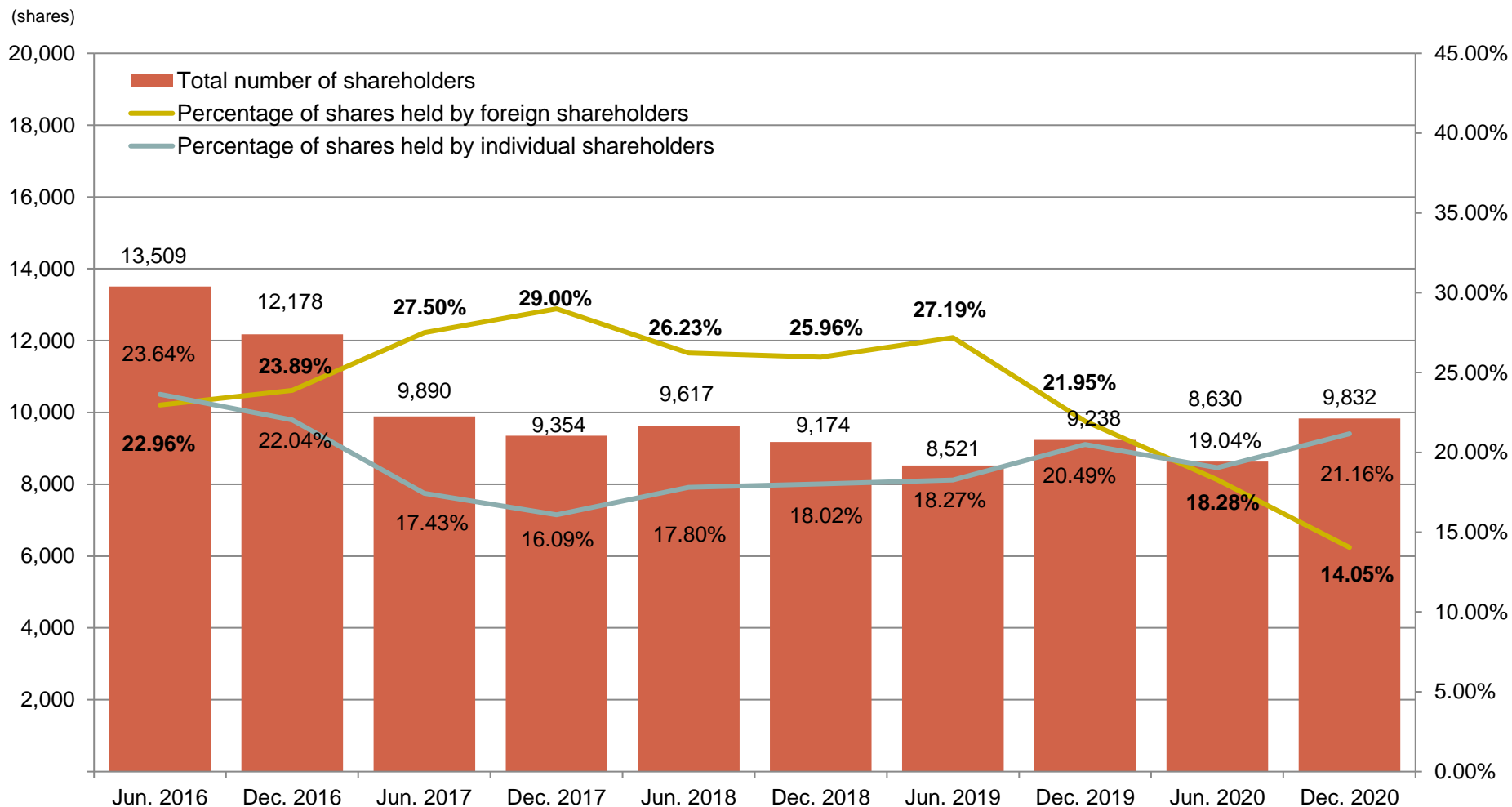


## Stock Information

# Stock Information

## Stock Information

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



Note: The percentage of shares held by individual shareholders and the percentage of shares held by foreign shareholders exclude the number of shares owned by the company's executive officers and employees.

## Reference Materials

# Management Vision

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

We strive to build ad networks that bring a performance marketing advertising model to advertisers, affiliate site and app developers (media), and consumers, forming 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 and app developers (media), and the reduction of customer 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 December 31, 2020)</b>
■ <b>President and Representative Director</b>	<b>Yasuyoshi Yanagisawa</b>
■ <b>Number of employees</b>	<b>Non-consolidated: 422</b> <b>Group total: 487</b> <small>(As of December 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

Forward-looking statements such as the performance forecasts and 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

**FAN Communications, Inc.**

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