



First Quarter of 2021

Presentation of Financial Results

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May 11, 2021

FAN Communications, Inc.

# Contents

First Quarter of 2021 Results Highlights	.....	P3
Management Indicators (Quarterly Basis)	.....	P8
Overview by Service Category	.....	P14
▪ CPA Solution Business		
▪ AD Communication Business		
Consolidated Group Businesses	.....	P28
Future Outlook	.....	P31
Stock Information	.....	P32
Reference Materials	.....	P34

# First Quarter of 2021 Results Highlights

## First Quarter of 2021 (Jan.–Mar.): Key Points

### Results Highlights

- Figures continued to be lackluster, with net sales down 12.1% YoY and ordinary income down 24.1% YoY.
- On a QoQ comparison basis, net sales increased by 4.1% and ordinary income by 26.5%, turning around for the first positive growth in four quarters.
- The CPA Solution Business maintained previous-year levels, but AD Communications Business was down substantially.

# Consolidated Results of Operations

## Results Highlights

(¥ thousands)	2021 Q1	2020 Q1	YoY change	% of net sales
Net sales	6,840,785	7,785,637	-12.1%	100%
Operating income	626,977	871,896	-28.1%	9.2%
Ordinary income	659,927	869,634	-24.1%	9.6%
Profit attributable to owners of the parent	447,015	585,270	-23.6%	6.5%
Ordinary income margin	9.6%	11.2%	-1.6pt	-
Earnings per share	¥6.09	¥7.75	-21.4%	-
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, 2020	March 31, 2021
<b>Assets</b>		
Current assets	<b>24,379,779</b>	<b>23,476,347</b>
Cash and deposits	19,532,772	19,162,996
Accounts receivable – trade	3,414,350	3,054,464
Securities	1,096,914	900,880
Other	348,491	370,953
Allowance for doubtful accounts	-12,750	-12,947
Non-current assets	<b>1,941,796</b>	<b>1,890,092</b>
Property, plant and equipment	156,770	149,736
Intangible assets	596,852	590,105
Investments and other assets	1,188,173	1,150,250
<b>Total assets</b>	<b>26,321,576</b>	<b>25,366,439</b>
<b>Liabilities and net assets</b>		
Current liabilities	<b>5,661,753</b>	<b>5,632,329</b>
Accounts payable – trade	4,321,757	4,349,497
Income taxes payable	434,076	177,994
Other current liabilities	905,918	1,104,836
Long-term liabilities	<b>141,537</b>	<b>140,537</b>
<b>Total liabilities</b>	<b>5,803,290</b>	<b>5,772,866</b>
<b>Total net assets</b>	<b>20,518,285</b>	<b>19,593,572</b>
<b>Total liabilities and net assets</b>	<b>26,321,576</b>	<b>25,366,439</b>

Main component was ¥848,947 thousand in investment securities.

The main reason for the decline was a ¥1,393,555 decrease due to the payment of dividends, which offset the recording of ¥447,015 thousand in profit attributable to owners of the parent.

# Consolidated Performance Forecast

Results  
Highlights

(¥ millions)	2021 Full-year forecast (YoY change)	2021 1H Forecast (YoY change)	2021 Q1 Results	Progress (% of Full-Year Forecast)
Net sales	<b>28,900</b> (-1.6%)	<b>14,100</b> (-8.7%)	<b>6,840</b>	<b>23.7%</b>
Operating income	<b>2,720</b> (-4.7%)	<b>1,300</b> (-24.6%)	<b>626</b>	<b>23.0%</b>
Ordinary income	<b>2,740</b> (-8.2%)	<b>1,310</b> (-29.8%)	<b>659</b>	<b>24.1%</b>
Profit attributable to owners of the parent	<b>1,890</b> (-5.1%)	<b>900</b> (-27.6%)	<b>447</b>	<b>23.7%</b>

## Dividend Forecast

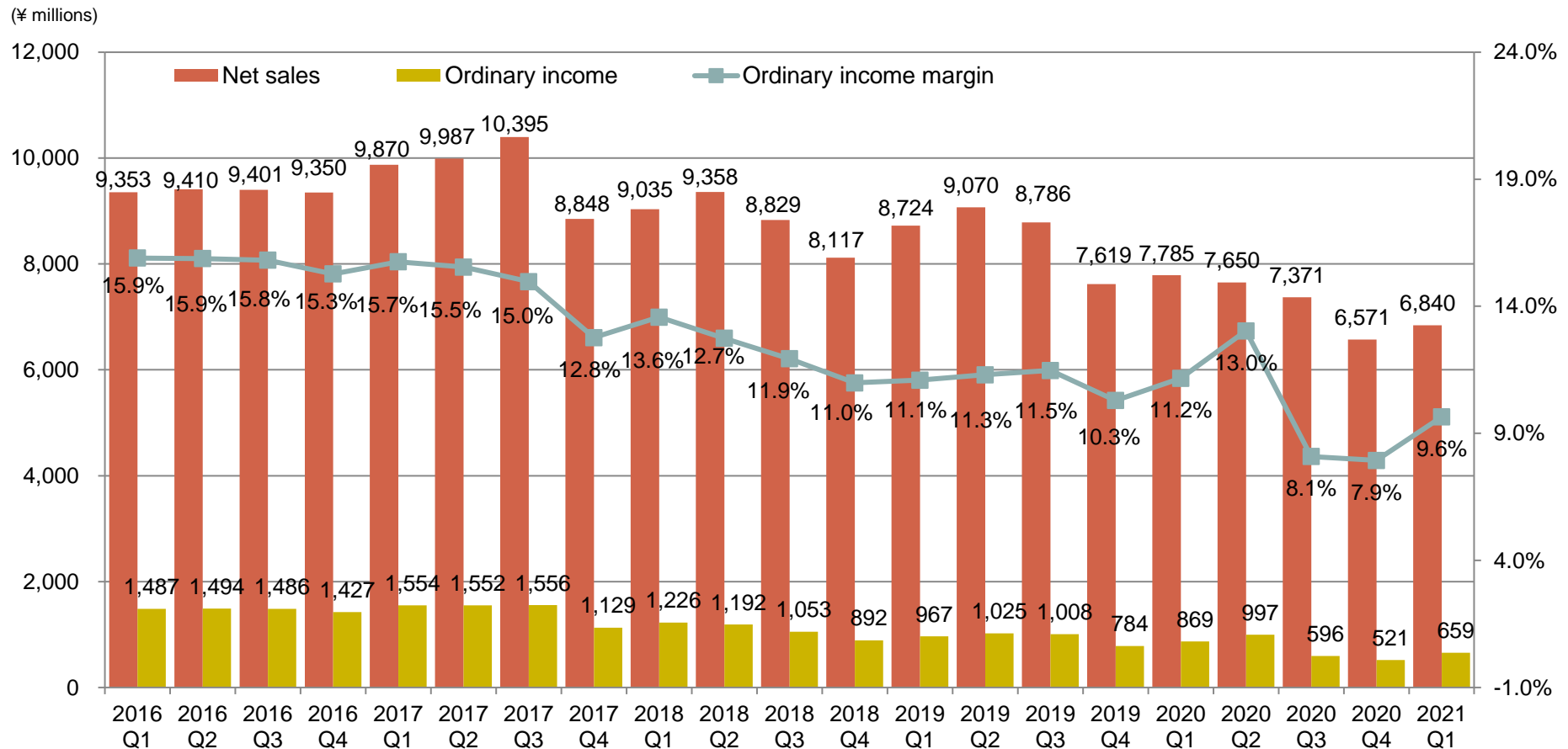
	2021 Forecast	2020 Results
Year-end dividend per share	<b>¥19</b>	<b>¥19</b>

## Management Indicators (Quarterly Basis)



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

Management  
Indicators

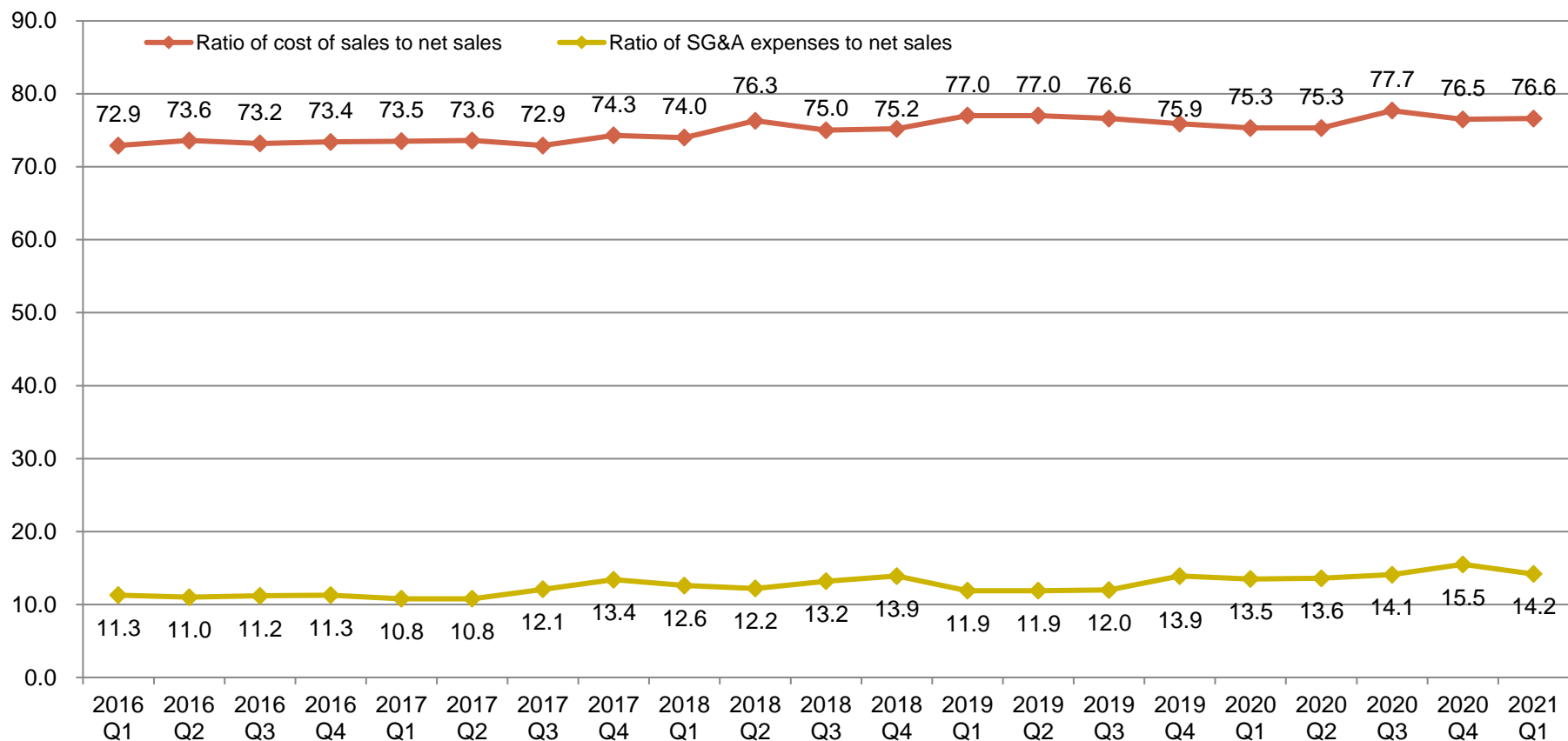


The ordinary income margin was 9.6%, up 1.7 points QoQ.

# Cost of Sales Ratio and SG&A Ratio

(Consolidated/Quarterly Basis)

Management  
Indicators



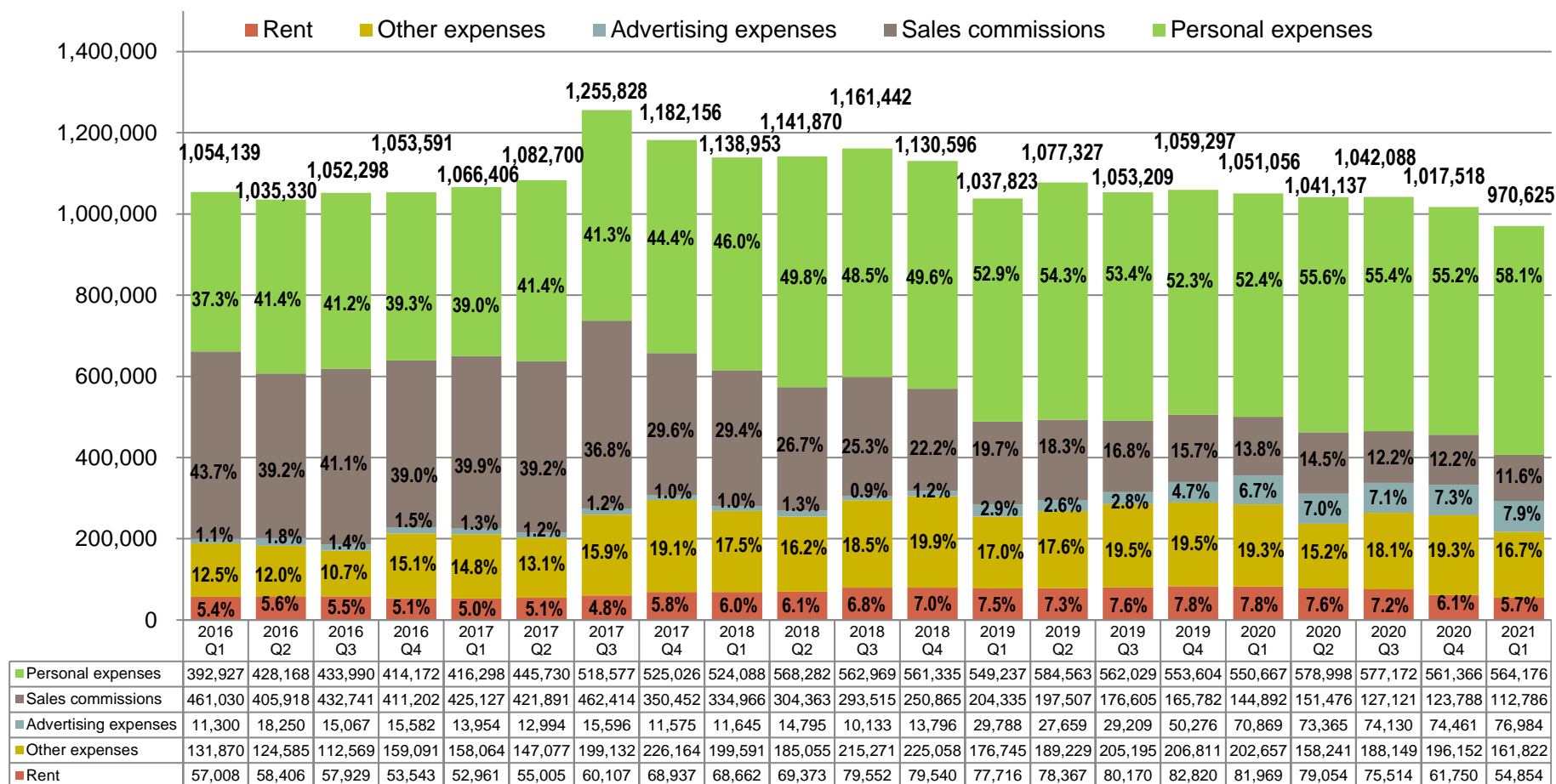
The cost of sales ratio increased by 0.1 points QoQ, and the SG&A ratio decreased by 1.3 points.

# Selling, General and Administrative Expenses

## (Consolidated/Quarterly Basis)

Management  
Indicators

(¥ thousands)



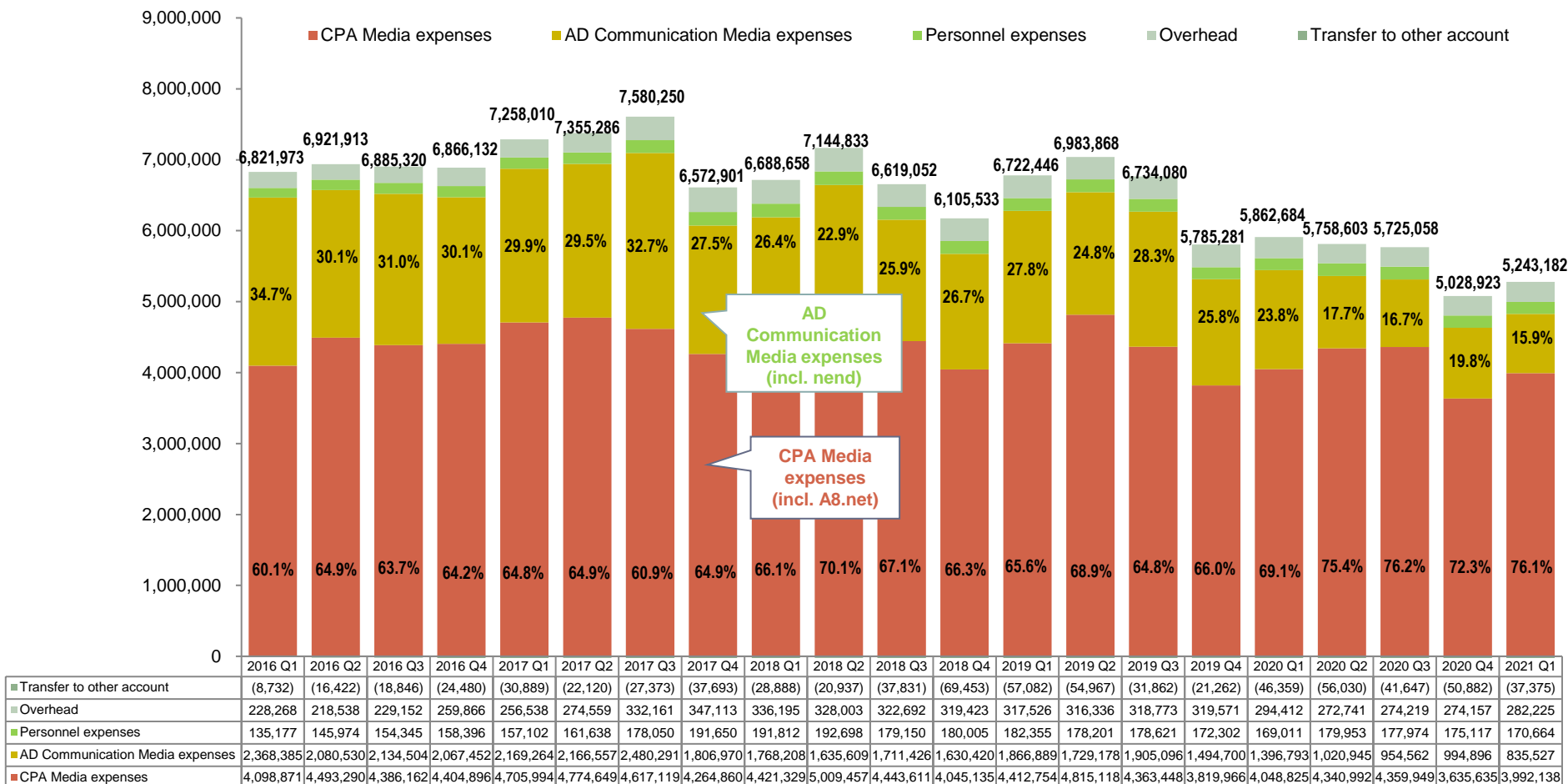
Note: Other expenses include commissions paid, outsourcing expenses, recruiting and training expenses, etc.  
The decrease in other expenses is attributable to a fall back from previous-year office renovation expenses. Rents declined due to reduction in office floor space.

# Cost of Sales

## (Consolidated/Quarterly Basis)

Management  
Indicators

(¥ thousands)

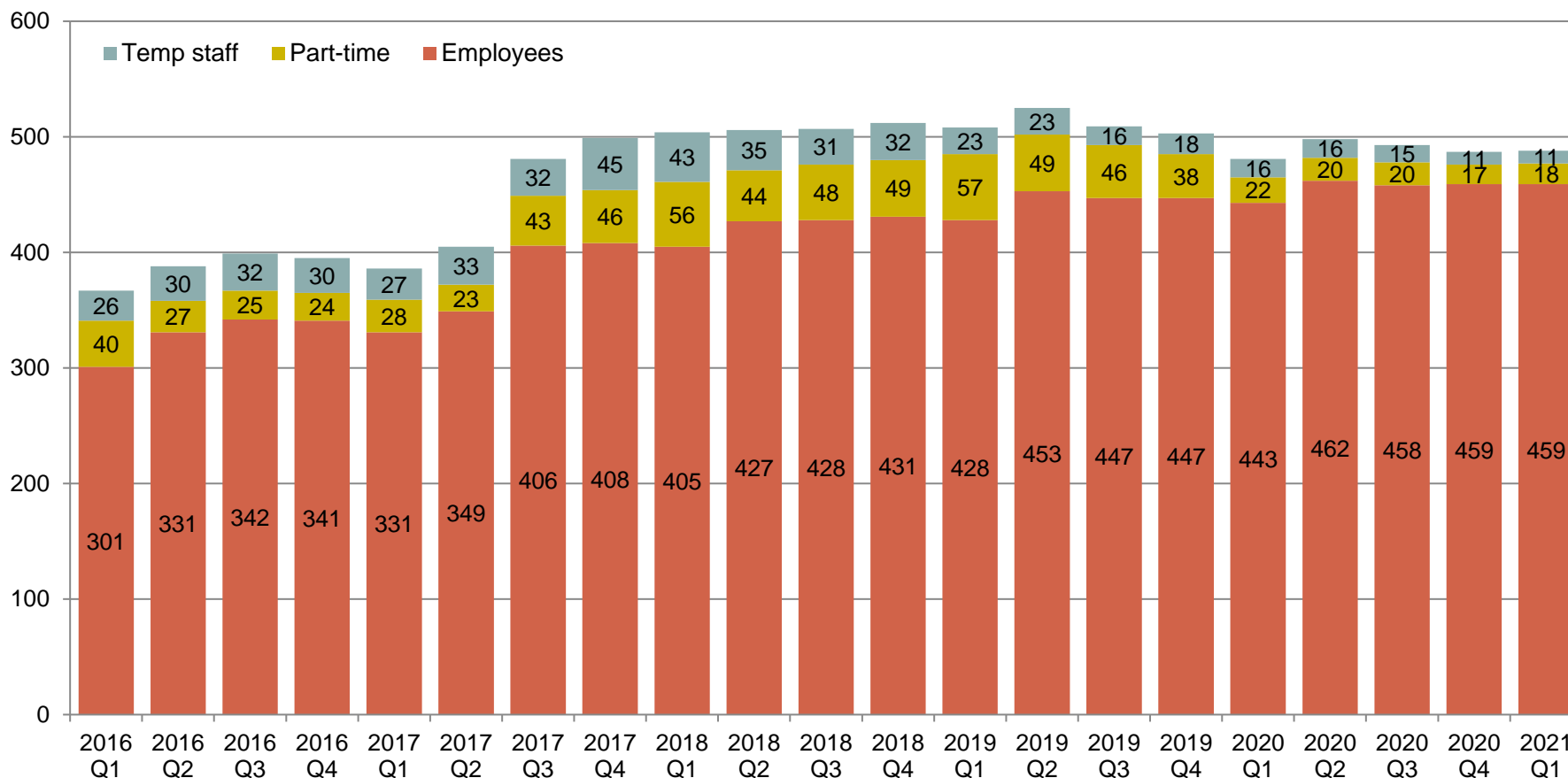


Notes: 1. CPA Media expenses primarily consist of A8.net and seedApp. AD Communication Media expenses primarily consist of nend.  
2. Overhead mainly consists of infrastructure costs such as data center costs.  
The portion of CPA Media expenses accounted for by A8.net declined.

# Number of Employees

(Consolidated/Quarterly Basis)

Management  
Indicators



Note: The number of employees for Q1 2019 through Q4 2020 have been revised down by approximately one to four employees (due to duplicate counting of employees seconded to group affiliates).

As of 2021 Q1, the Group employed 488 people (+7 YoY; +1 QoQ).

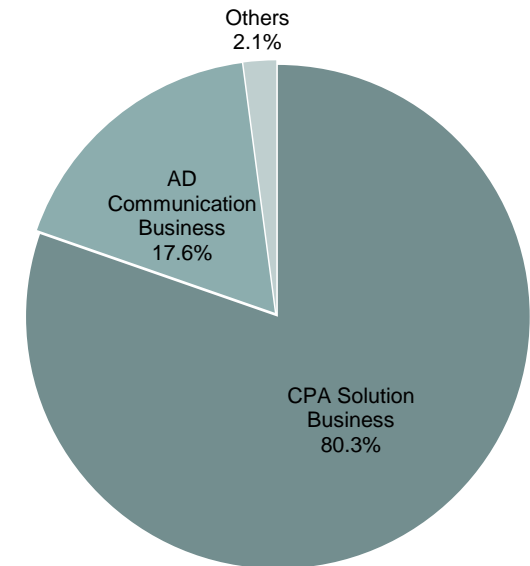
## Overview by Service Category

# Net Sales by Reportable Segment

(Consolidated/Quarterly Basis)

## Overview by Service Category

(¥ thousands)	2021 Q1 (Jan.–Mar.)	2020 Q1 (Jan.–Mar.)	YoY Change
CPA Solution Business	<b>5,494,822</b>	<b>5,685,525</b>	<b>-3.4%</b>
AD Communication Business	<b>1,203,111</b>	<b>1,928,510</b>	<b>-37.6%</b>
Others	<b>142,850</b>	<b>171,601</b>	<b>-16.8%</b>
<b>Total net sales</b>	<b>6,840,785</b>	<b>7,785,637</b>	<b>-12.1%</b>



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

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

Others: Seesaa Inc.

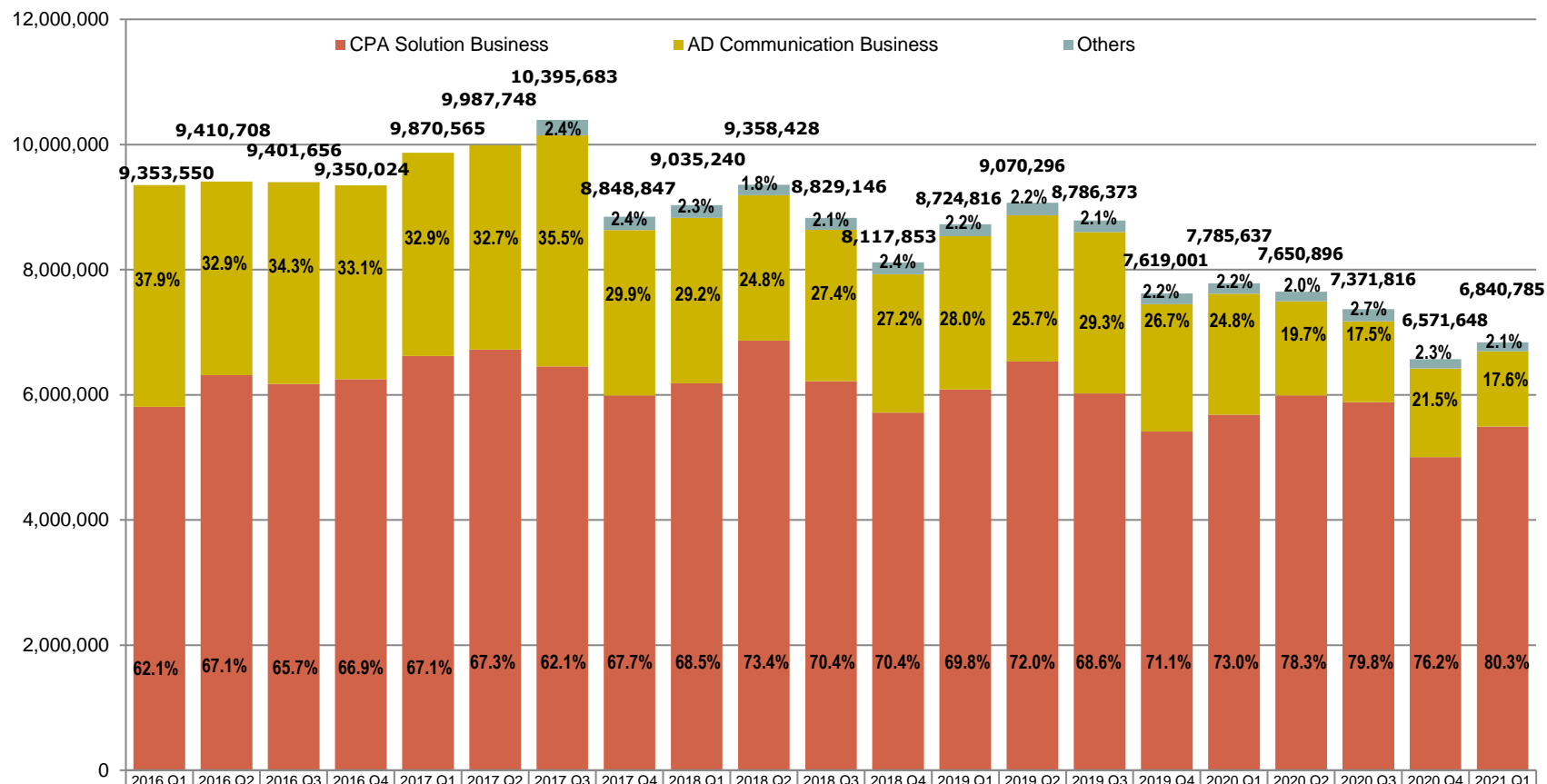
Notes: Sales figures represent amounts after elimination of intragroup transactions.

# Net Sales by Reportable Segment

## (Consolidated/Quarterly Basis)

Overview by  
Service Category

(¥ thousands)



	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	2020 Q2	2020 Q3	2020 Q4	2021 Q1
Others	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	153,367	198,116	147,883	142,850
AD Communication Business	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	1,509,582	1,289,240	1,416,051	1,203,111
CPA Solution Business	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	5,987,947	5,884,459	5,007,712	5,494,822



# A8.net

## Summary

### CPA Solution Business

	2021 Q1 (Jan.–Mar.)	2020 Q1 (Jan.–Mar.)	YoY change
<b>Sales (¥ thousands)</b>	<b>4,849,194</b>	<b>5,043,701</b>	<b>-3.9%</b>
<b>Number of operating advertiser IDs</b>	<b>3,189</b>	<b>3,354</b>	<b>-4.9%</b>
<b>Number of registered partner sites</b>	<b>2,929,839</b>	<b>2,760,464</b>	<b>6.1%</b>

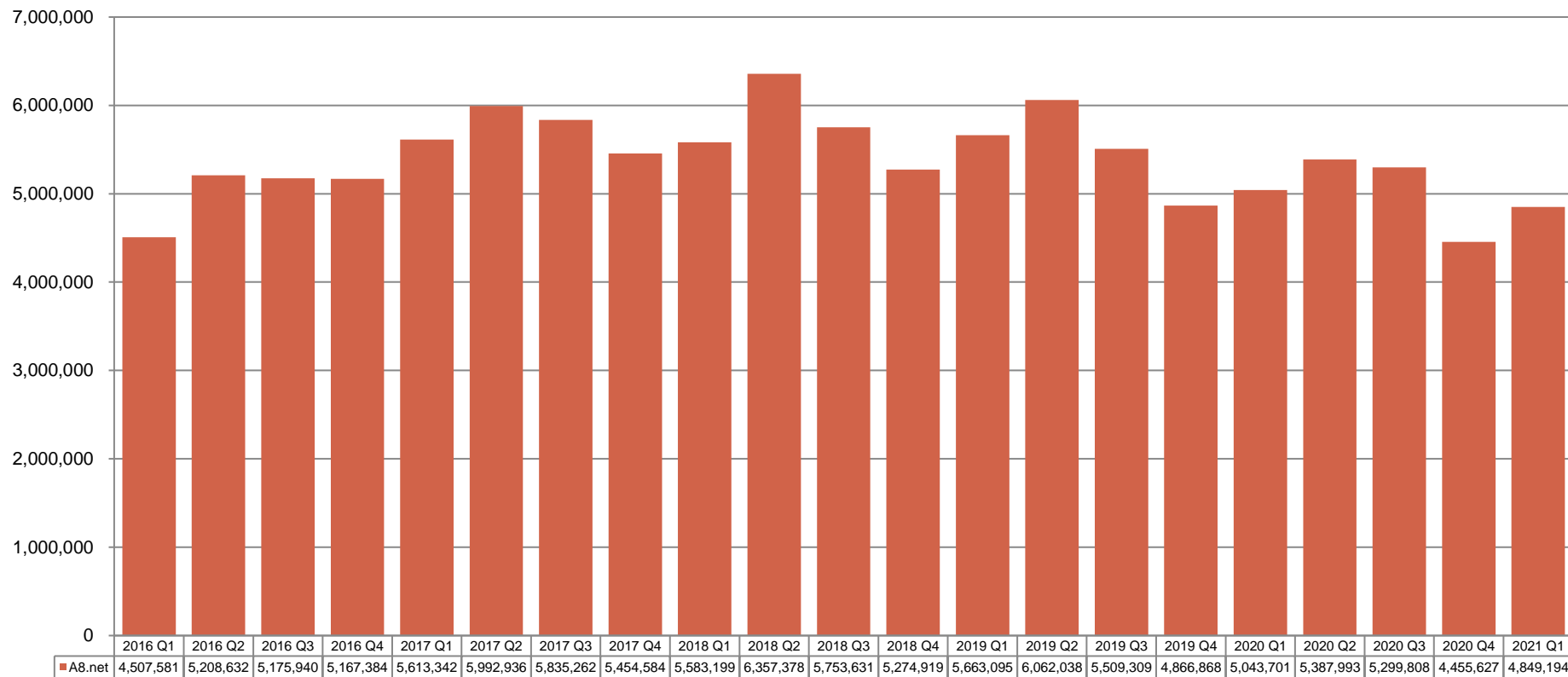
Note: Sales figures represent amounts before elimination of intragroup transactions.  
The number of operating advertiser IDs decreased by 165 YoY.

A8.net

## Net Sales (Quarterly Basis)

CPA Solution Business

(¥ thousands)

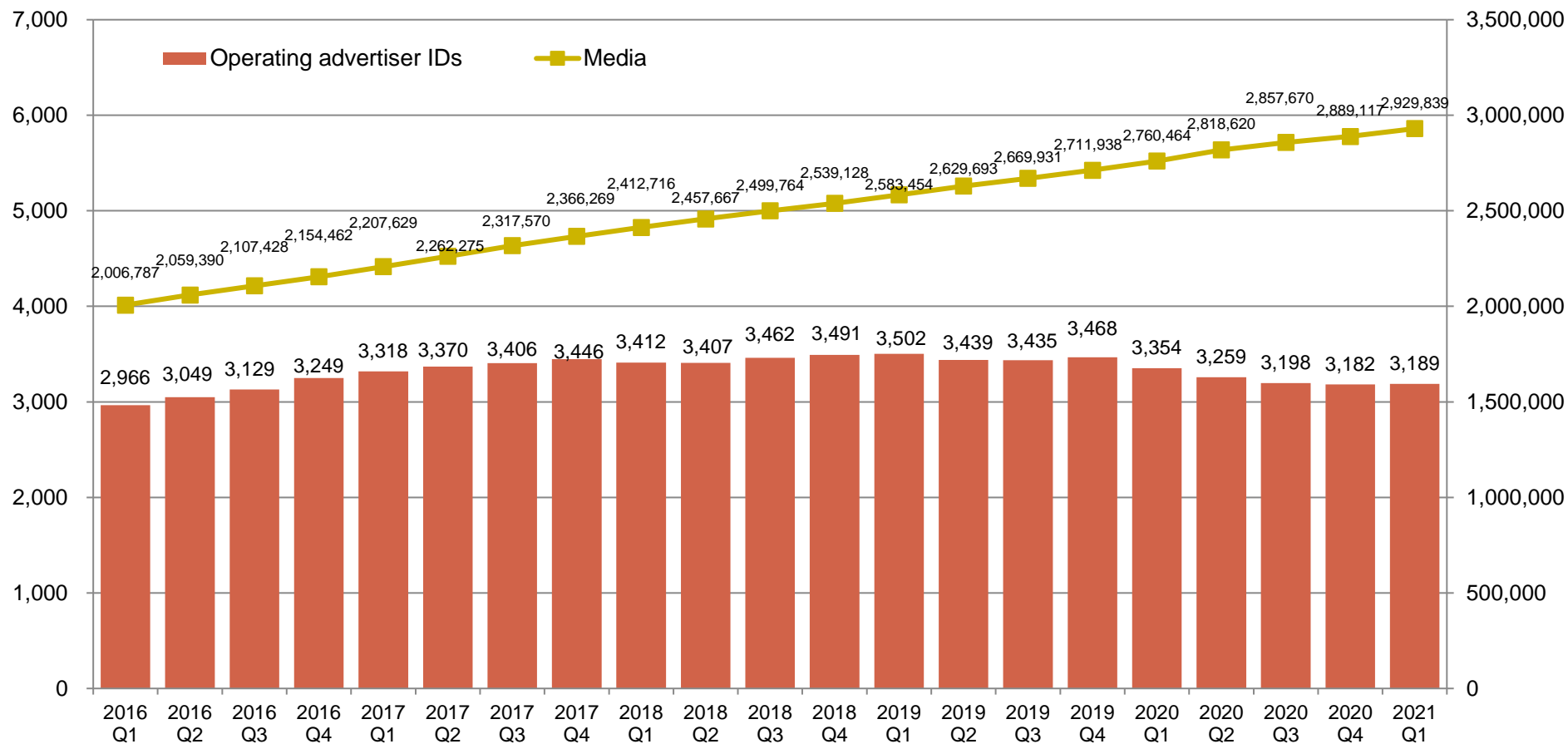


Note: Sales figures represent amounts before elimination of intragroup transactions.

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 increased by 7 from 2020 Q4, and the number of overseas operating advertisers decreased by 11.

## New Advertiser Start-Ups and Cancellations



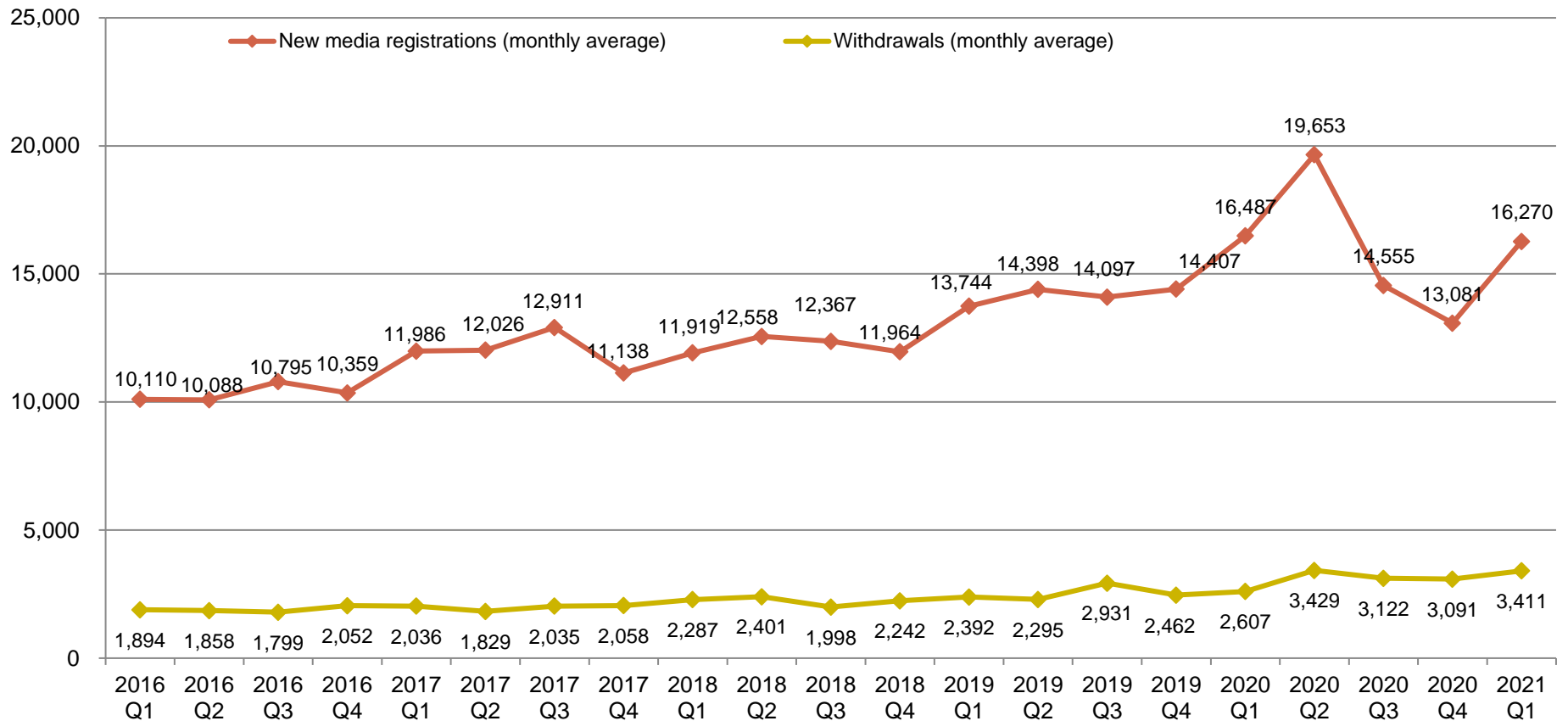
Note: "Change in inactive" is the difference between the number of customers who switched from "operating" to "inactive" and the number of customers switched from "inactive" to "operating," adjusted for the number of customers who switched from "inactive" to "cancelled," which is included under "cancellations."

The number of customers in operation is gradually improving thanks to increases in new orders received and decline in cancellations.

A8.net

CPA Solution Business

## Average Monthly New Media Registrations and Withdrawals



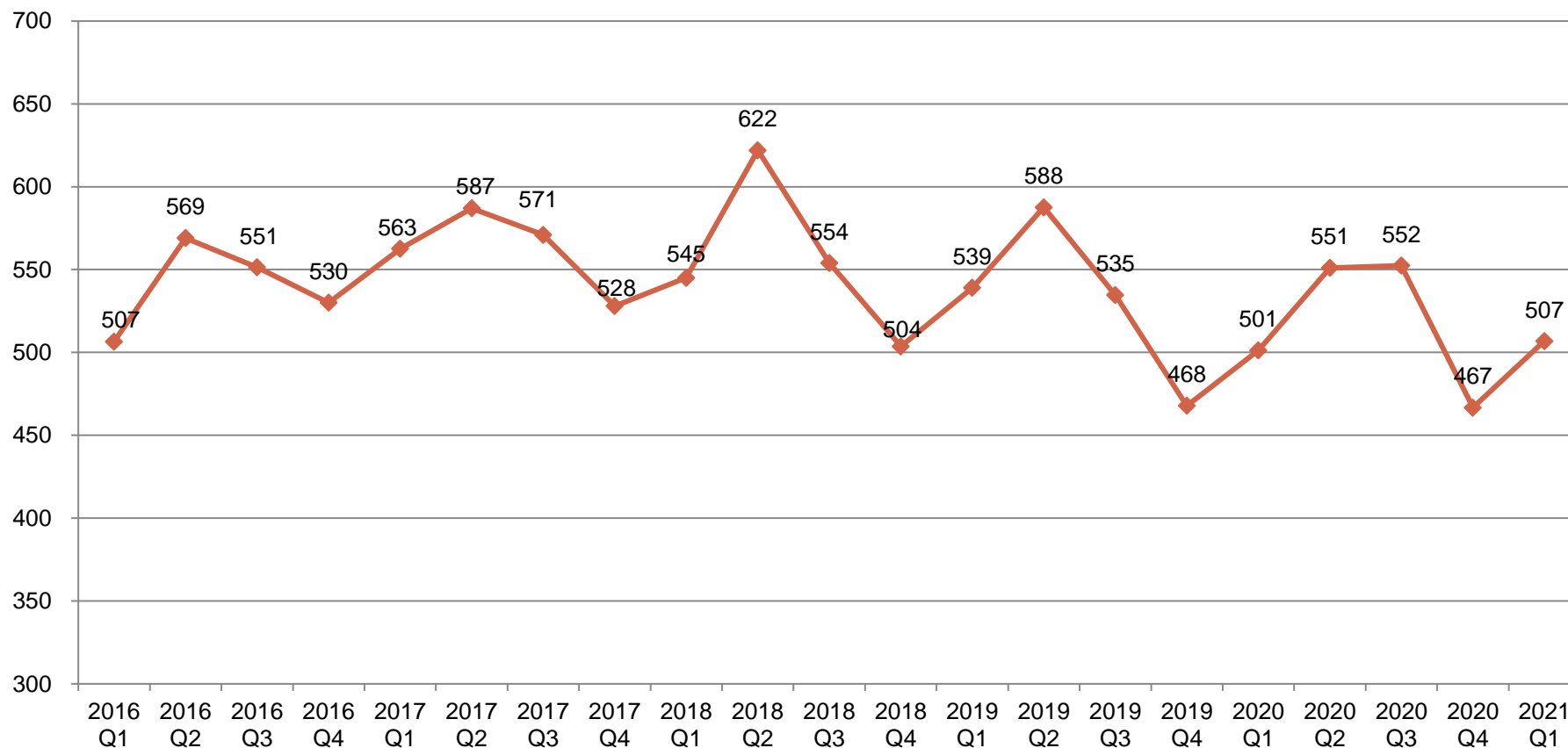
New media registrations have been robust since the outbreak of COVID-19.

A8.net

CPA Solution Business

## Average Monthly Sales per Advertiser

(¥ thousands)

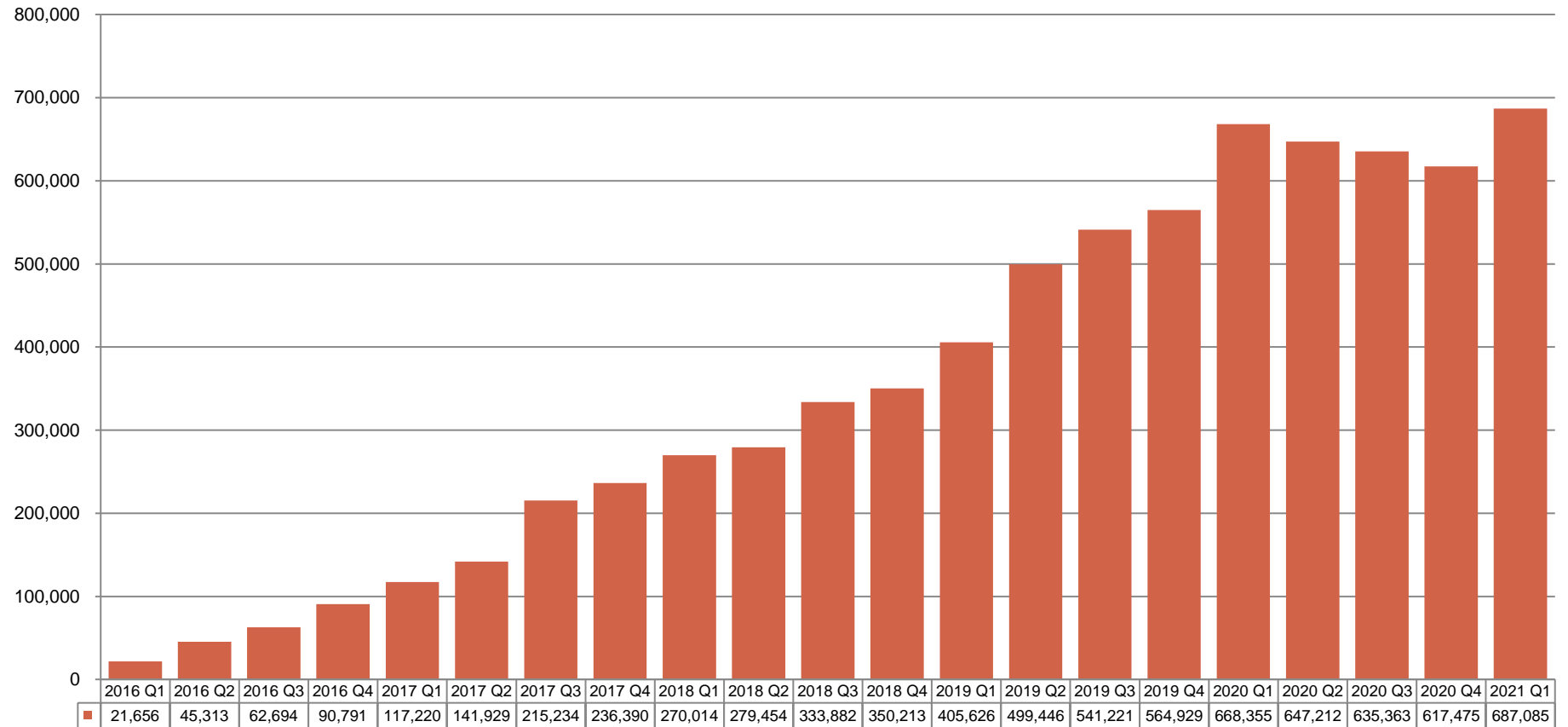


seedApp

## Net Sales (Quarterly Basis)

CPA Solution Business

¥ thousands)



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

# nend

## Summary

### AD Communication Business

(¥ thousands)	2021 Q1 (Jan.–Mar.)	2020 Q1 (Jan.–Mar.)	YoY change
Net sales	<b>863,995</b>	<b>1,577,795</b>	<b>-45.2%</b>
Number of operating advertiser IDs	<b>167</b>	<b>220</b>	<b>-24.1%</b>
Number of ad spaces on registered partner sites	<b>1,025,597</b>	<b>992,312</b>	<b>3.4%</b>

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

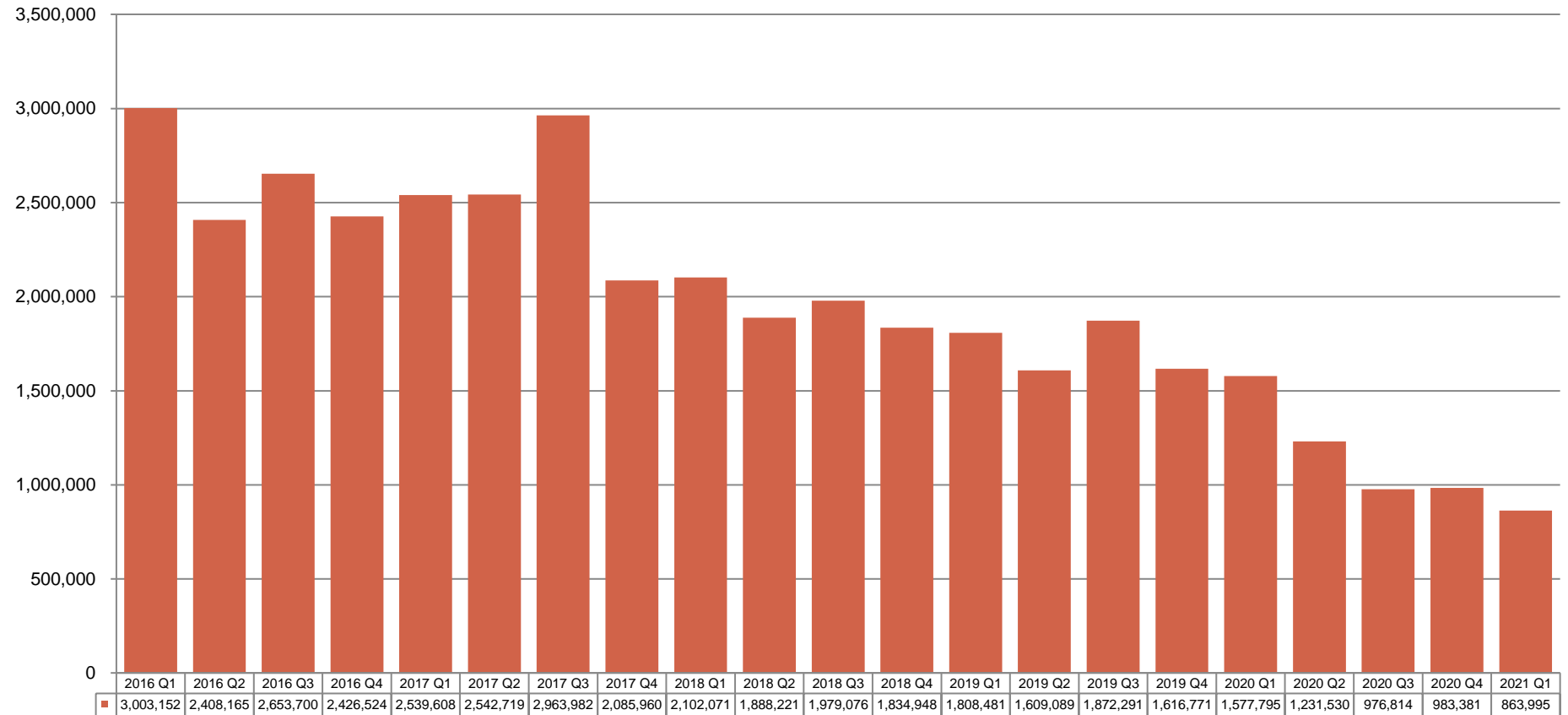


# nend

## Net Sales (Quarterly Basis)

### AD Communication Business

(¥ thousands)

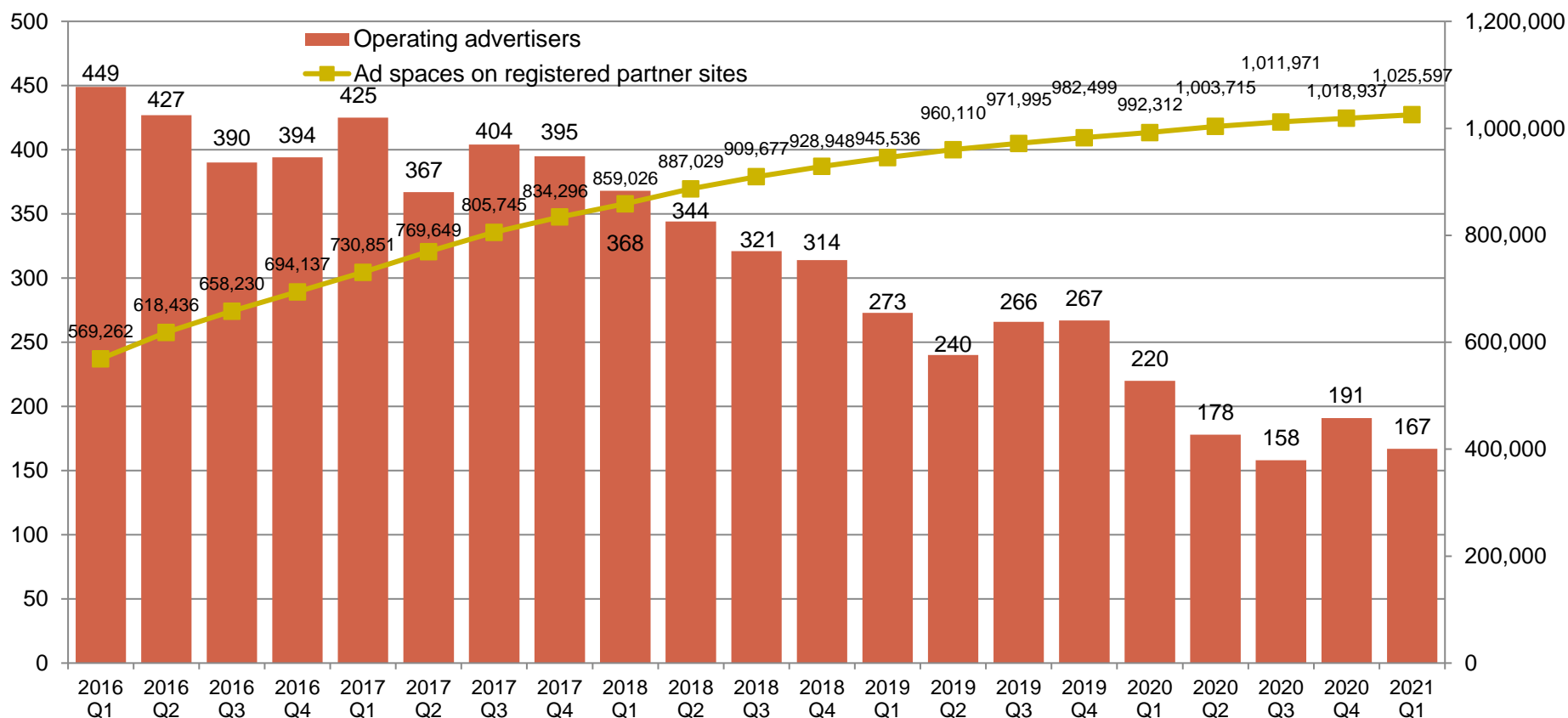


Note: Sales figures represent amounts before elimination of intragroup transactions.

nend

## AD Communication Business

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



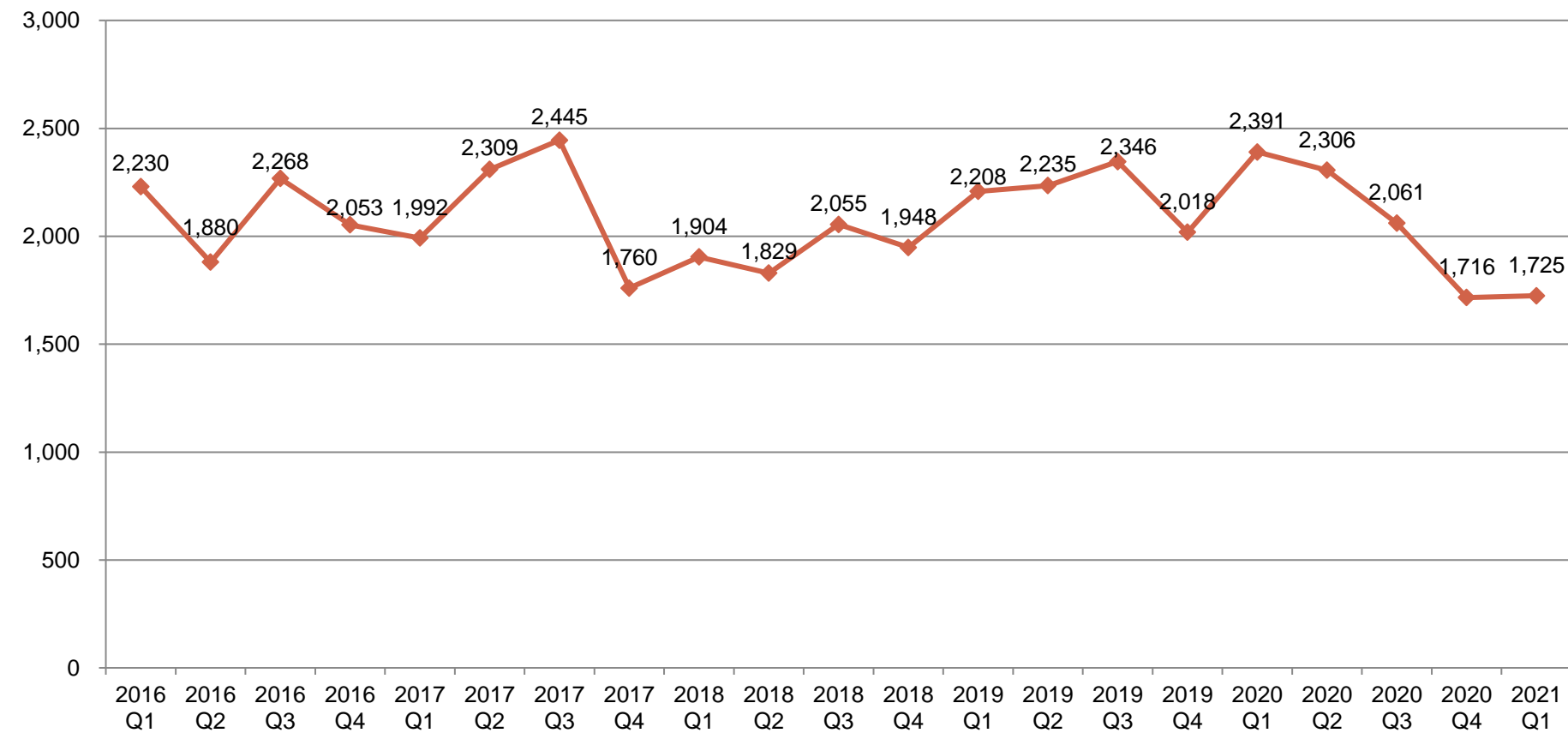
Note: The number of operating advertisers is as of the final month of each quarter.  
The number of operating advertisers decreased by 24 QoQ.

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



(¥ thousands)	2021 Q1	2020 Full year
Net sales	504,799	2,335,402
Operating income	37,161	113,781
Profit attributable to owners of the parent	38,683	64,039

Note: Figures represent amounts before elimination of intragroup transactions.

Business is doing well, but customer diversification and delays in new businesses present challenges.

# 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



(¥ thousands)	2021 Q1	2020 Full year
Net sales	168,489	766,317
Operating income (loss)	(8,198)	(58,130)
Profit (loss) attributable to owners of the parent	(8,958)	(92,067)

Note: Figures represent amounts before elimination of intragroup transactions.



We made progress on cost reduction. In the next phase we will aim to expand sales.

# Future Outlook

We consider Q1 result to be in line with our initial targets.

The impact of COVID-19 is gradually easing down as teleworking takes hold and new advertisers replace old ones.

We will continue to focus on privacy issues and changes in search algorithms.

In our core A8.net operation, customer attraction budgets remain restricted for advertisers operating brick-and-mortar stores (e.g., beauty salons), but cancellations are declining and new orders and start-ups are on the rise.

We expect it to take time before we see sales start to grow, but they appear to have bottomed out.

Meanwhile, nend sales continue to decline.

However, nend still has strong advertising appeal in our assessment. We believe there will be opportunities among the changes in the post-iOS14 advertising industry, and we are placing priority on cost cutting.

We intend to continue to invest proactively in new businesses.

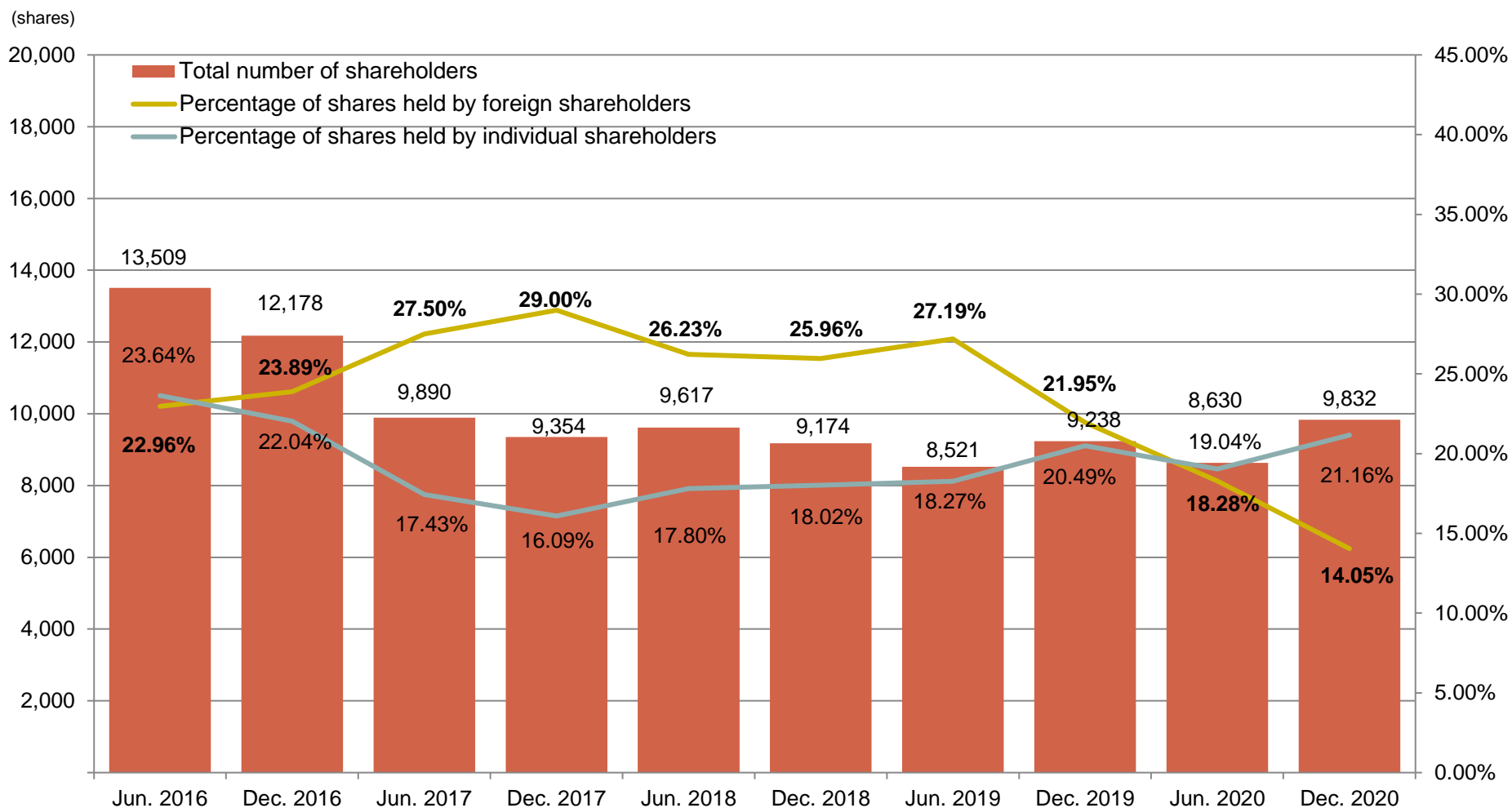
## Stock Information



# 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 March 31, 2021)</b>
■ <b>President and Representative Director</b>	<b>Yasuyoshi Yanagisawa</b>
■ <b>Number of employees</b>	<b>Non-consolidated: 422</b> <b>Group total: 488</b> <small>(As of March 31, 2021; 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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