



Second Quarter of 2021
Presentation of Financial Results

August 11, 2021

FAN Communications, Inc.

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Second Quarter of 2021 Results Highlights

Second Quarter of 2021 (Apr.–Jun.): Key Points

Results Highlights

- Figures continued to be lackluster, with net sales down 5.6% YoY and ordinary income down 22.0% YoY.
- Versus the previous quarter, net sales were up 5.5% and ordinary income was up 18.1%, increasing for the second quarter in a row.
- Slower growth in net sales compared to the previous year was attributed to the sluggish performance of nend, weak performances of A8.net's ad promotions aimed at attracting shoppers to brick and mortar stores, and falloff of some stay-at-home demand.

Consolidated Results of Operations

Results
Highlights

(¥ thousands)	2021 Q2	2020 Q2	YoY Change	% of net Sales
Net sales	14,059,399	15,436,534	-8.9%	100%
Operating income	1,272,554	1,723,052	-26.1%	9.1%
Ordinary income	1,438,655	1,866,854	-22.9%	10.2%
Profit attributable to owners of the parent	969,237	1,243,687	-22.1%	6.9%
Ordinary income margin	10.2%	12.1%	-1.9pt	-
Earnings per share	¥13.22	¥16.71	-20.9%	-
Diluted earnings per share	-	-	-	-

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

Consolidated Balance Sheets

Results Highlights

(¥ thousands)	December 31, 2020	June 30, 2021
Assets		
Current assets	24,379,779	23,831,990
Cash and deposits	19,532,772	18,591,706
Accounts receivable – trade	3,414,350	3,278,729
Securities	1,096,914	800,821
Other	348,491	1,173,515
Allowance for doubtful accounts	-12,750	-12,783
Fixed assets	1,941,796	1,777,701
Property, plant and equipment	156,770	126,065
Intangible assets	596,852	582,688
Investments and other assets	1,188,173	1,068,948
Total assets	26,321,576	25,609,691
Liabilities and net assets		
Current liabilities	5,661,753	5,626,161
Accounts payable – trade	4,321,757	4,333,462
Income taxes payable	434,076	466,718
Other current liabilities	905,918	825,979
Long-term liabilities	141,537	137,803
Total liabilities	5,803,290	5,763,964
Total net assets	20,518,285	19,845,727
Total liabilities and net assets	26,321,576	25,609,691

Main component was ¥711,285 thousand in investment securities.

The decline was due mainly to the dividend payment of ¥1,393,555 thousand and the acquisition of treasury shares of ¥183,635 thousand, which offset the profit attributable to owners of the parent of ¥969,237 thousand.

Consolidated Performance Forecast

Results
Highlights

(¥ millions)	2021 Full-Year Forecast (YoY change)	2021 Q2 Results	Progress (% of Full-Year Forecast)
Net sales	28,900 (-1.6%)	14,059	48.6%
Operating income	2,720 (-4.7%)	1,272	46.8%
Ordinary income	2,740 (-8.2%)	1,438	52.5%
Profit attributable to owners of the parent	1,890 (-5.1%)	969	51.3%

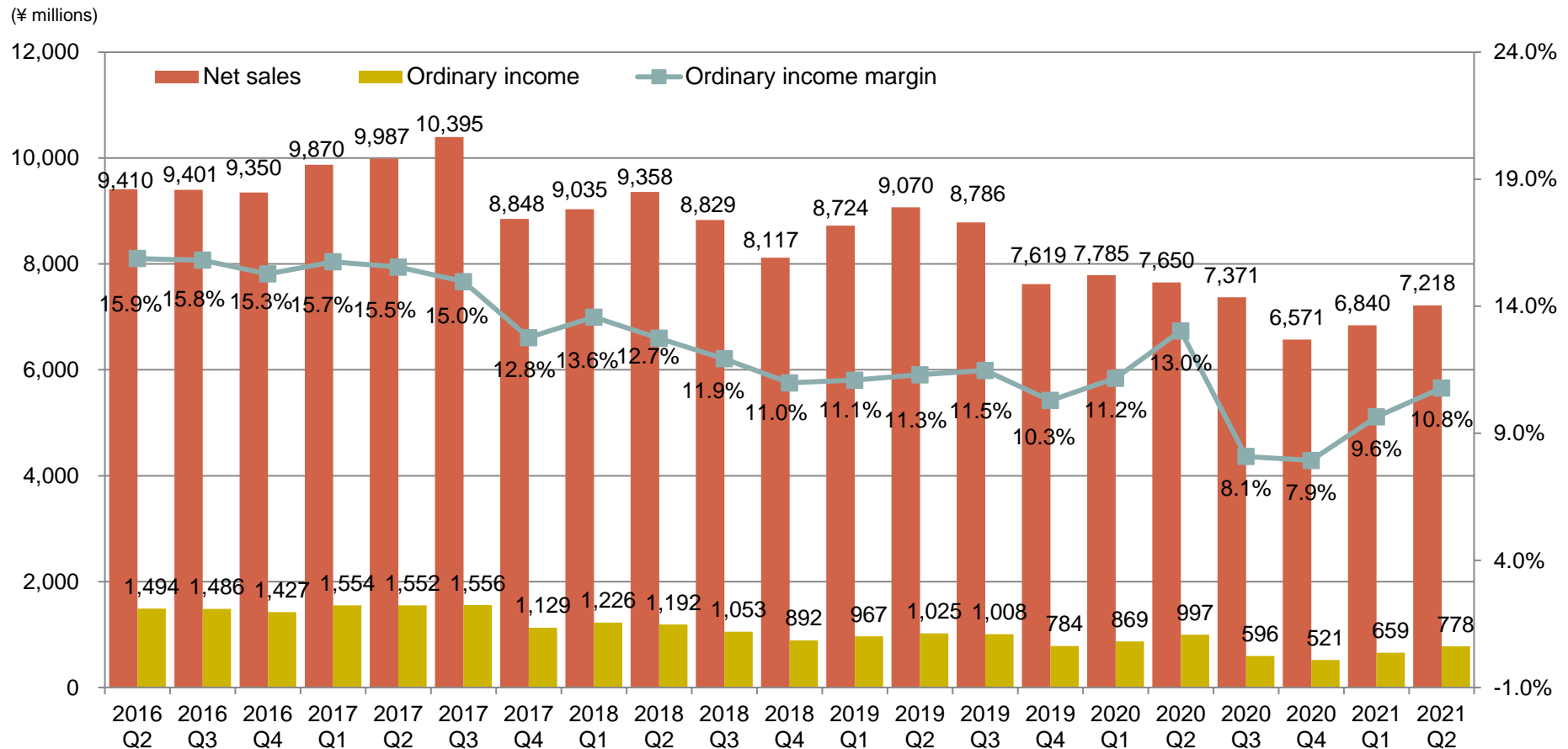
Dividend Forecast

	2021 Forecast	2020 Results
Year-end dividend per share	¥19	¥19

Management Indicators (Quarterly Basis)

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

Management
Indicators

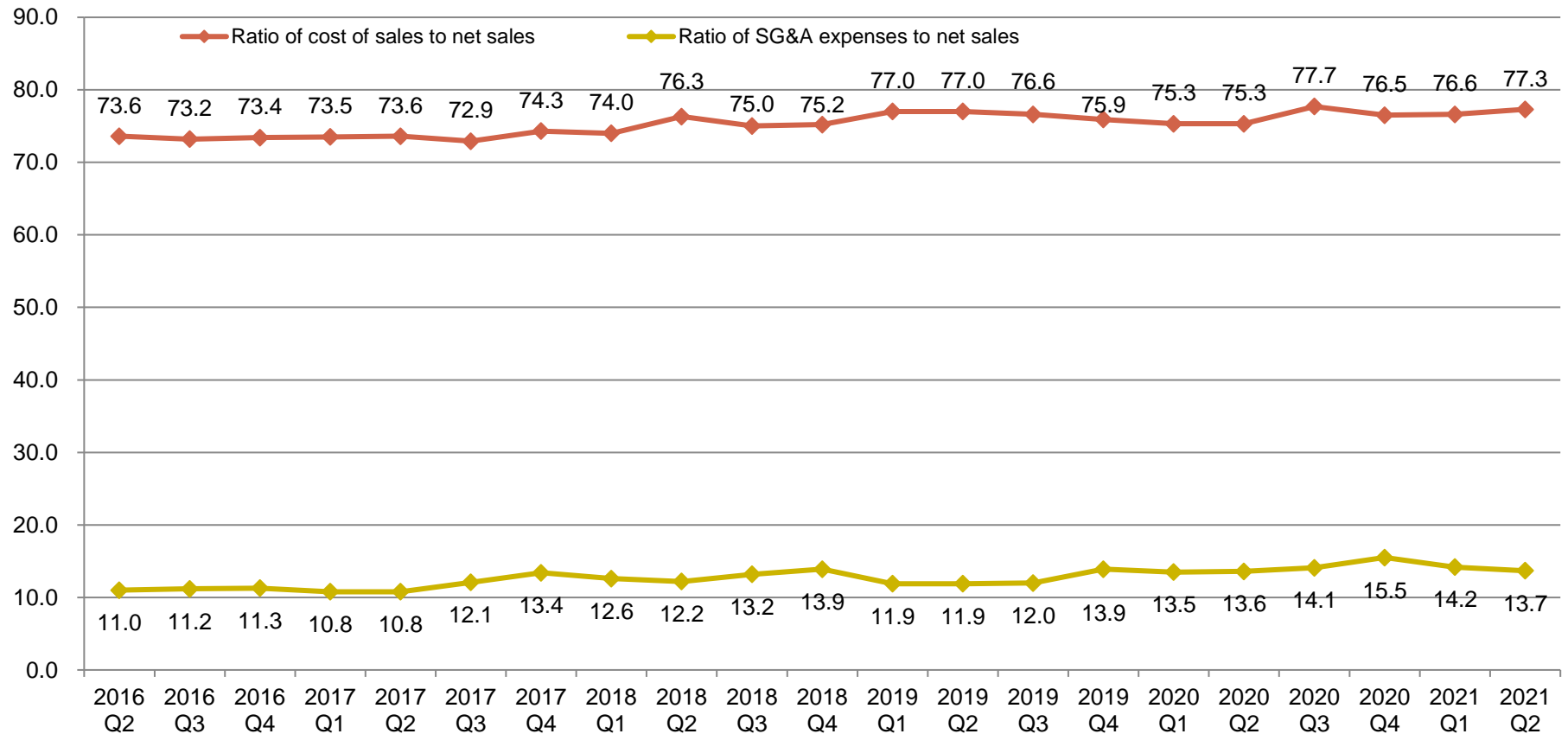


Ordinary income margin rose 1.2pp over Q1 due to the booking of gain on investments in partnerships as non-operating income. Operating income margin was essentially flat quarter-over-quarter.

Cost of Sales Ratio and SG&A Ratio

(Consolidated/Quarterly Basis)

Management
Indicators



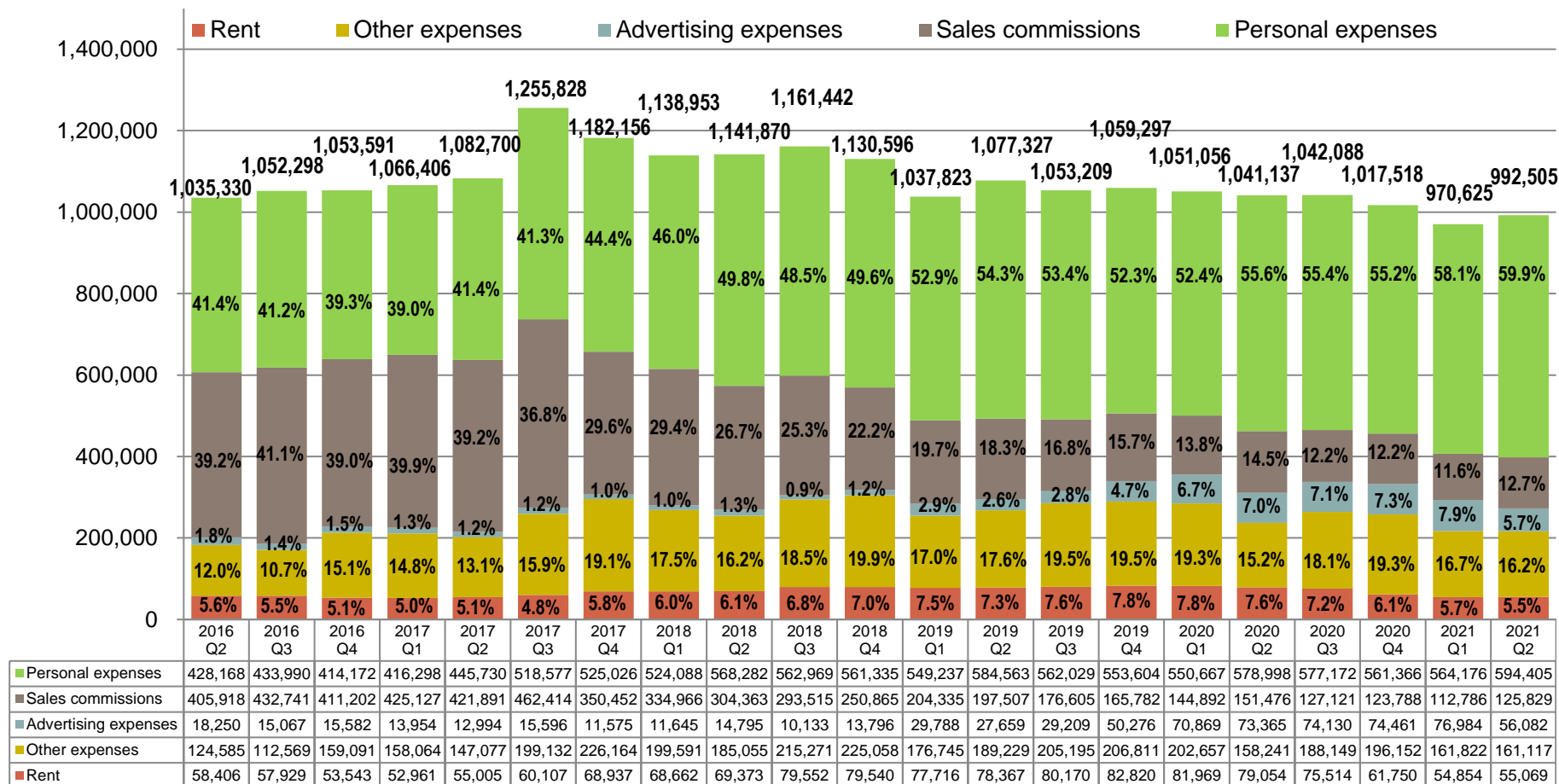
The cost of sales ratio increased by 0.7 points QoQ, and the SG&A ratio decreased by 0.5 points.

Selling, General and Administrative Expenses

(Consolidated/Quarterly Basis)

Management
Indicators

(¥ thousands)

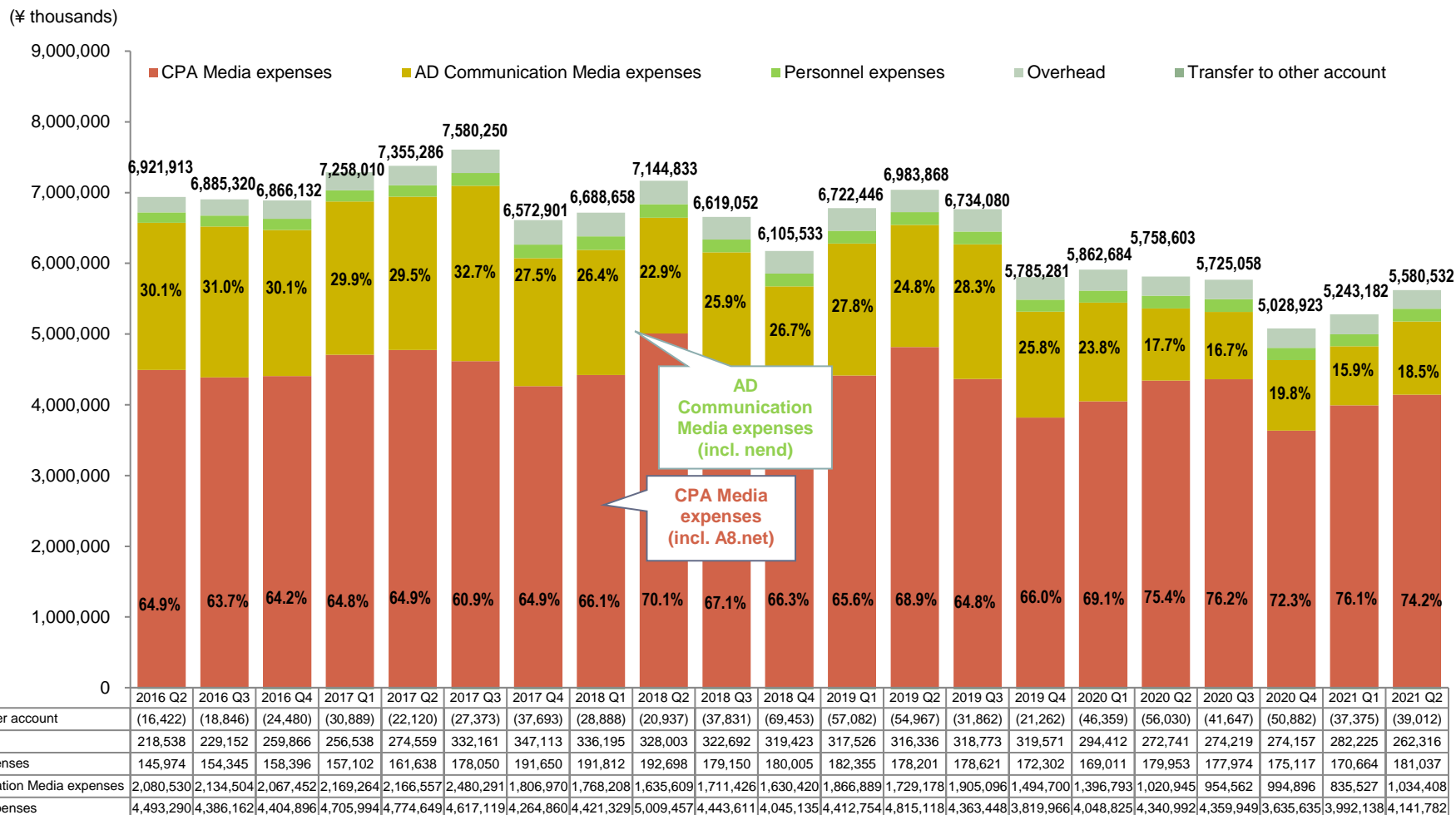


Note: Other expenses include commissions paid, outsourcing expenses, recruiting and training expenses, etc.
Personnel expenses rose on the hiring of new graduates and salary increases.

Cost of Sales

(Consolidated/Quarterly Basis)

Management Indicators

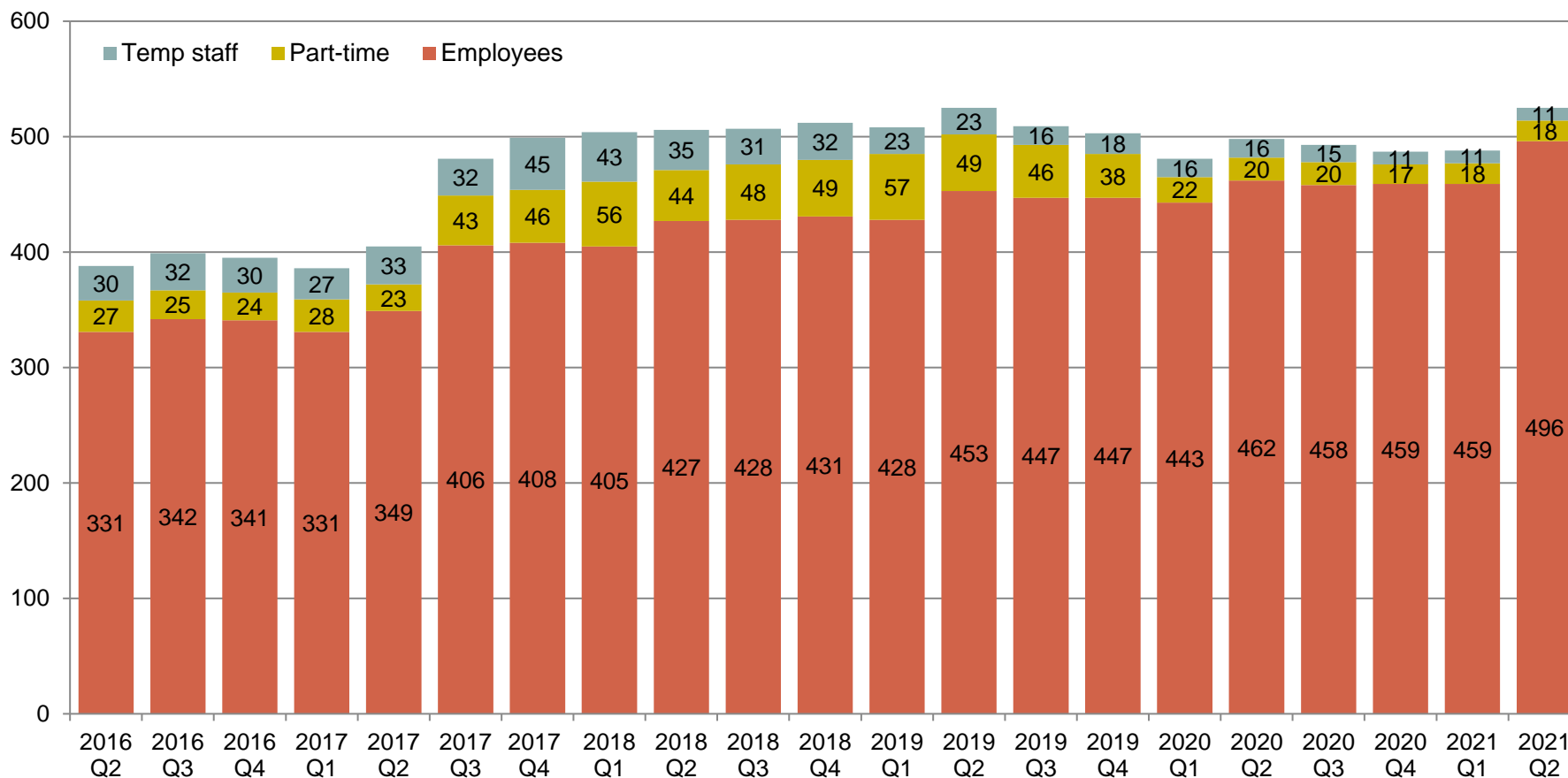


Notes: 1. CPA Media expenses primarily consist of A8.net and seedApp. AD Communication Media expenses primarily consist of nend.
2. Overhead mainly consists of infrastructure costs such as data center costs.

Number of Employees

(Consolidated/Quarterly Basis)

Management
Indicators



As of 2021 Q2, the Group employed 525 people (+27 YoY; +37 QoQ).

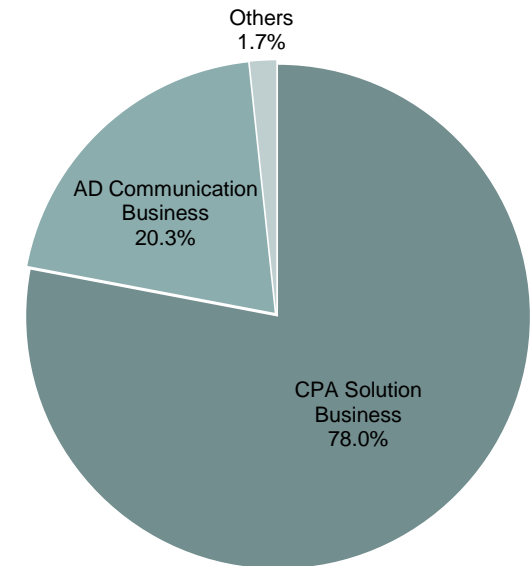
Overview by Service Category

Net Sales by Reportable Segment

(Consolidated/Quarterly Basis)

Overview by Service Category

(¥ thousands)	2021 Q2 (Apr.–Jun.)	2020 Q2 (Apr.–Jun.)	YoY Change
CPA Solution Business	5,629,438	5,987,947	-6.0%
AD Communication Business	1,467,609	1,509,582	-2.8%
Others	121,566	153,367	-20.7%
Total net sales	7,218,614	7,650,896	-5.7%



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

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

Others: Seesaa Inc.

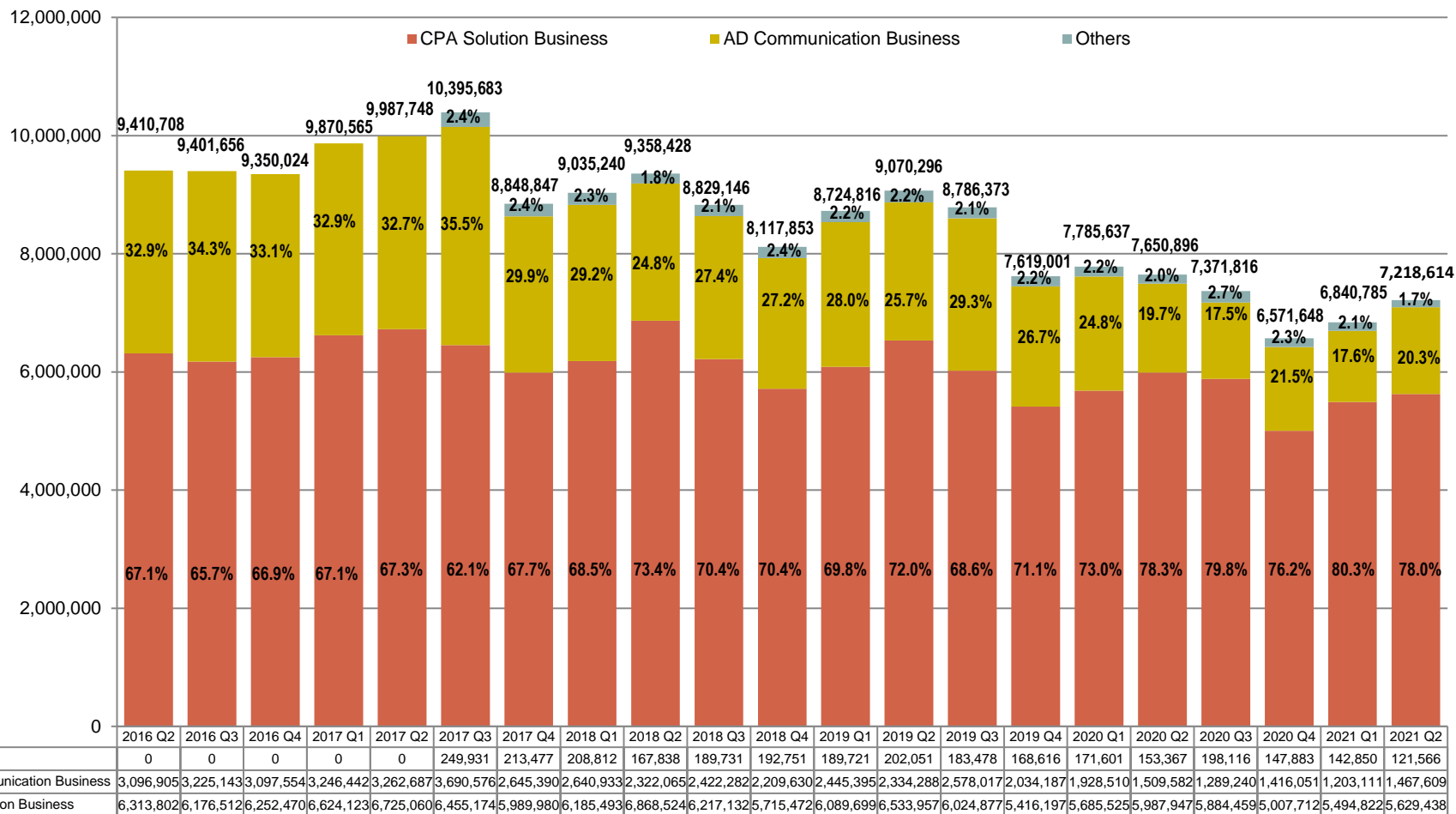
Notes: Sales figures represent amounts after elimination of intragroup transactions.

Net Sales by Reportable Segment

(Consolidated/Quarterly Basis)

Overview by
Service Category

(¥ thousands)



A8.net

Summary

CPA Solution Business

	2021Q2 (Apr.–Jun.)	2020 Q2 (Apr.–Jun.)	YoY Change
Sales (¥ thousands)	5,158,267	5,387,993	-4.3%
Number of operating advertiser IDs	3,256	3,259	-0.1%
Number of registered partner sites	2,965,290	2,818,620	5.2%

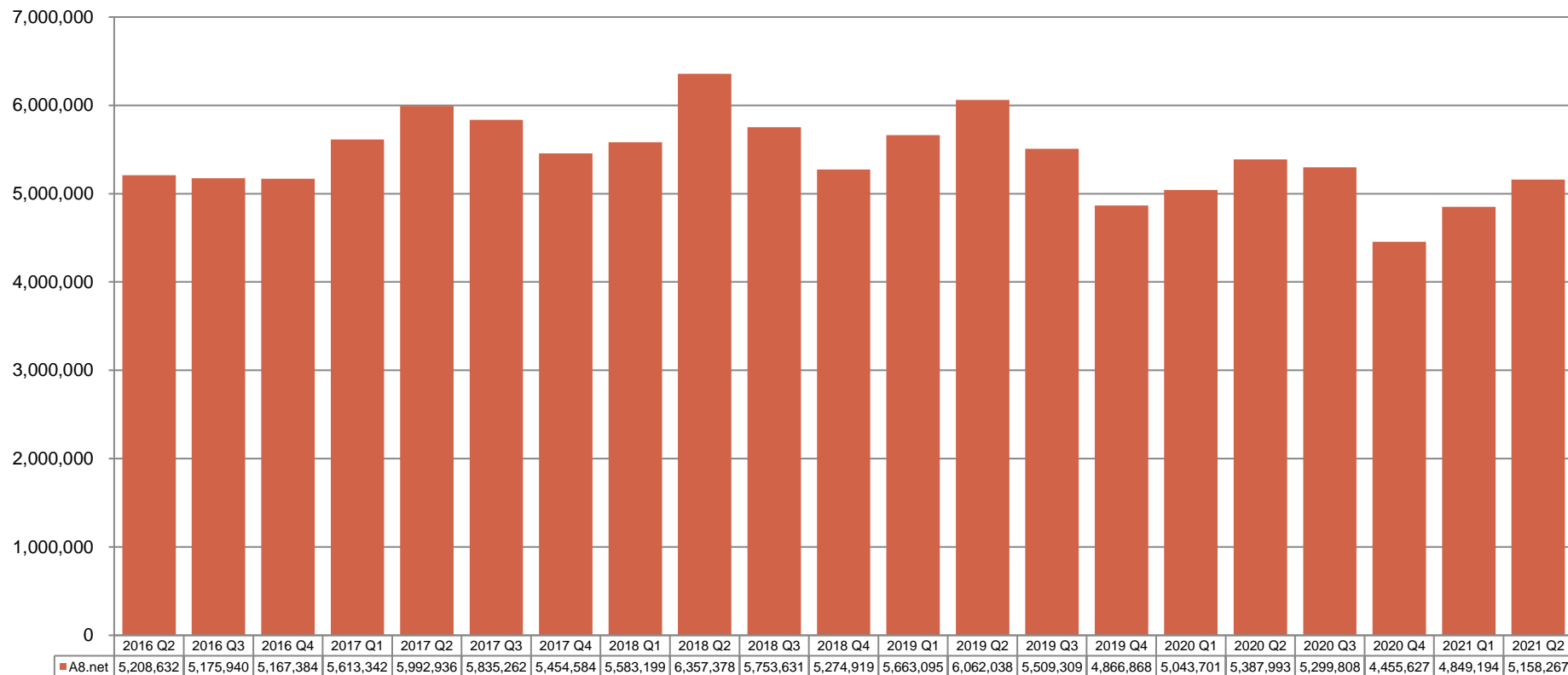
Note: Sales figures represent amounts before elimination of intragroup transactions.
The number of operating advertiser IDs decreased by 3 YoY.

A8.net

Net Sales (Quarterly Basis)

CPA Solution Business

(¥ thousands)

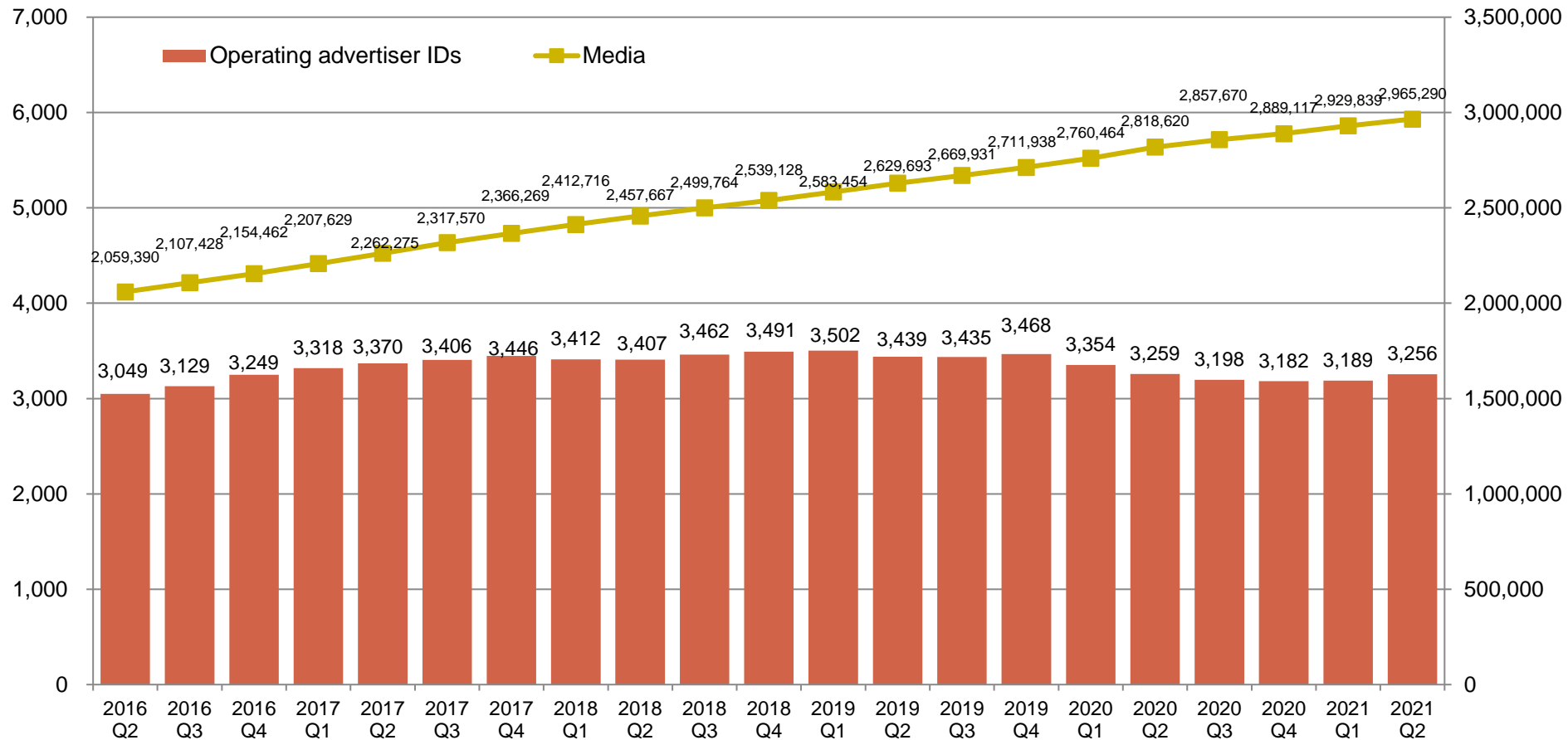


Note: Sales figures represent amounts before elimination of intragroup transactions.

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 67 from 2021 Q1, and the number of overseas operating advertisers decreased by 3.

New Advertiser Start-Ups and Cancellations



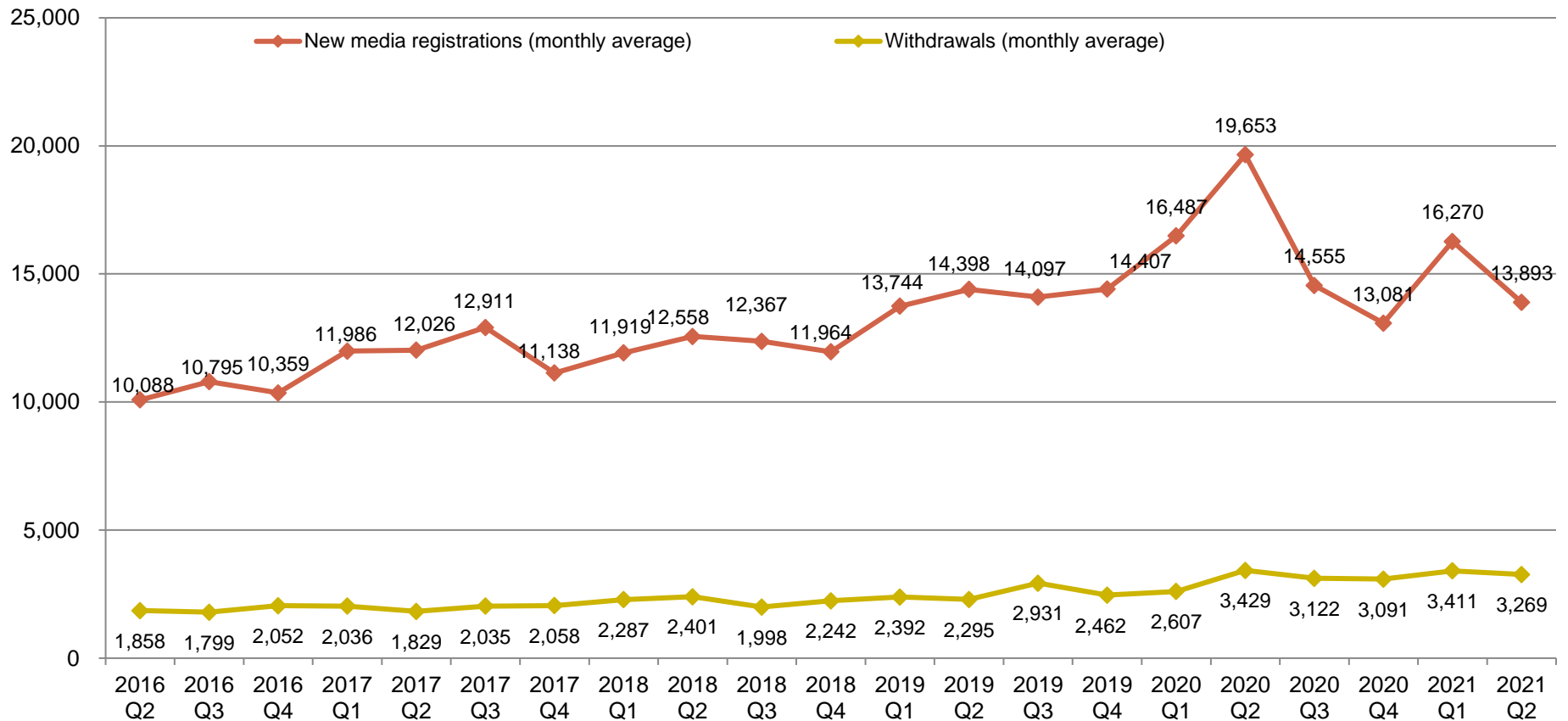
Note: "Change in inactive" is the difference between the number of customers who switched from "operating" to "inactive" and the number of customers who switched from "inactive" to "operating," adjusted for the number of customers who switched from "inactive" to "cancelled," which is included under "cancellations."

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



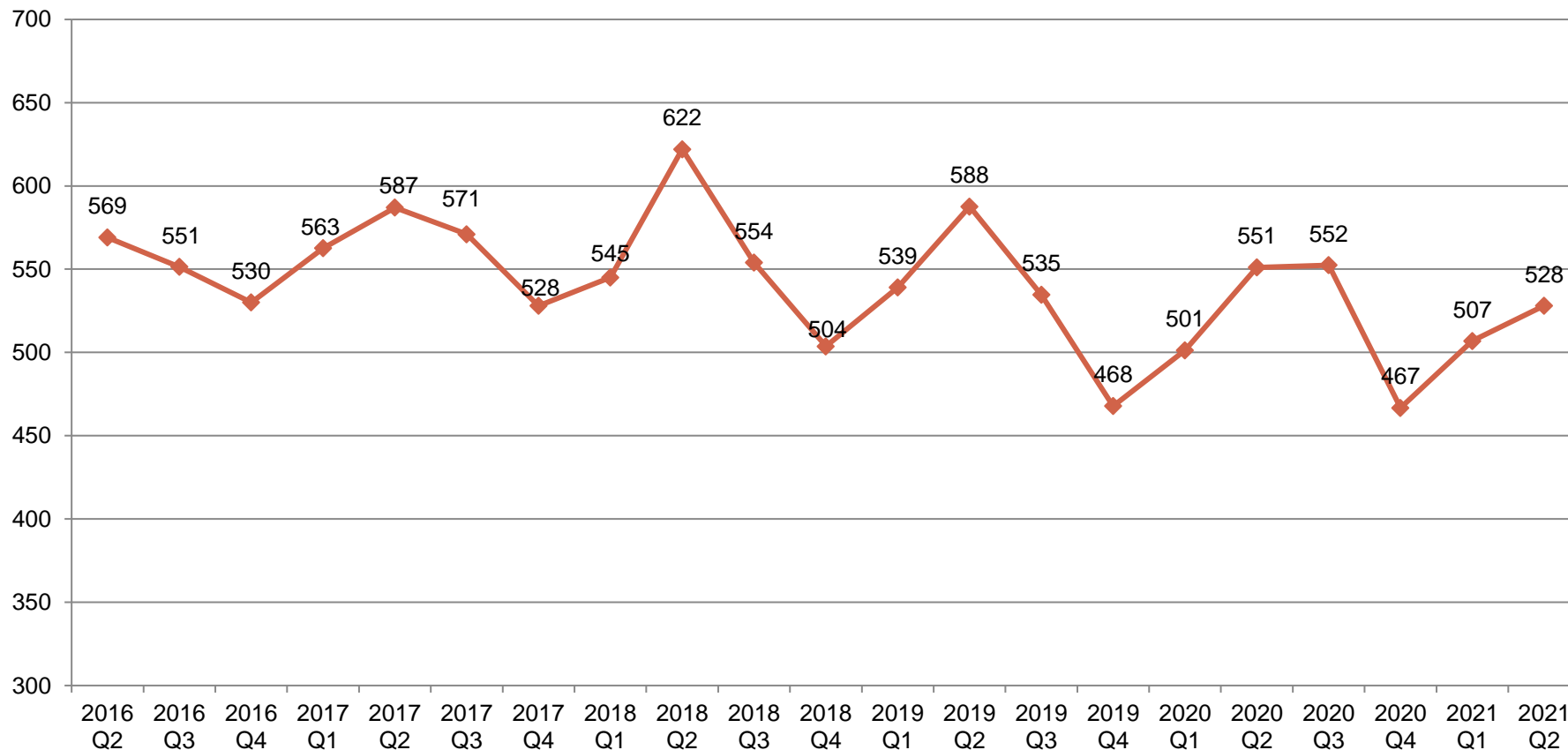
New media registrations have been robust since the outbreak of COVID-19.

A8.net

CPA Solution Business

Average Monthly Sales per Advertiser

(¥ thousands)

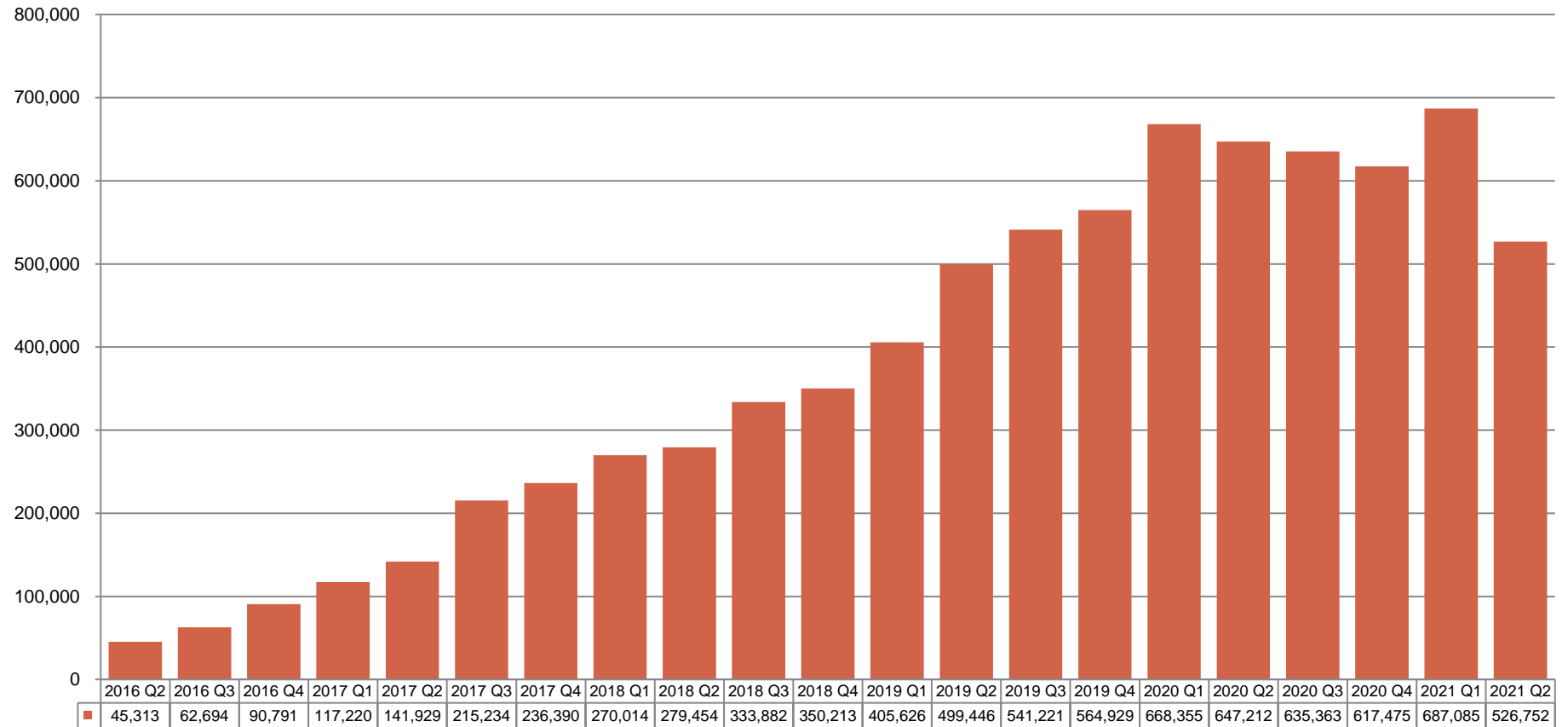


seedApp

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 Q2 (Apr.–Jun.)	2020 Q2 (Apr.–Jun.)	YoY change
Net sales	967,272	1,231,530	-21.5%
Number of operating advertiser IDs	134	178	-24.7%
Number of ad spaces on registered partner sites	1,032,769	1,003,715	2.9%

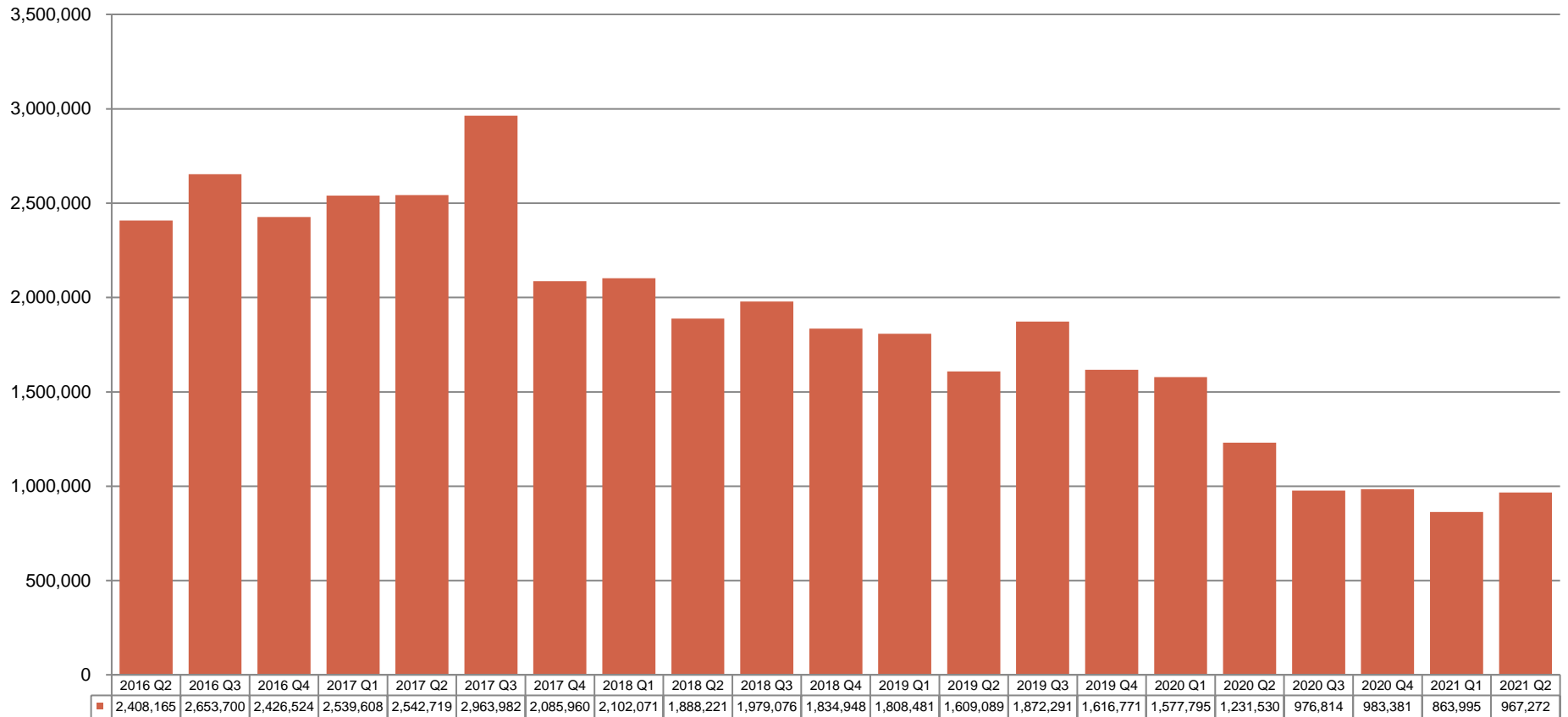
Notes: Sales figures represent amounts before elimination of intragroup transactions.
 Figures only include results of nend and exclude other services.

nend

Net Sales (Quarterly Basis)

AD Communication Business

(¥ thousands)

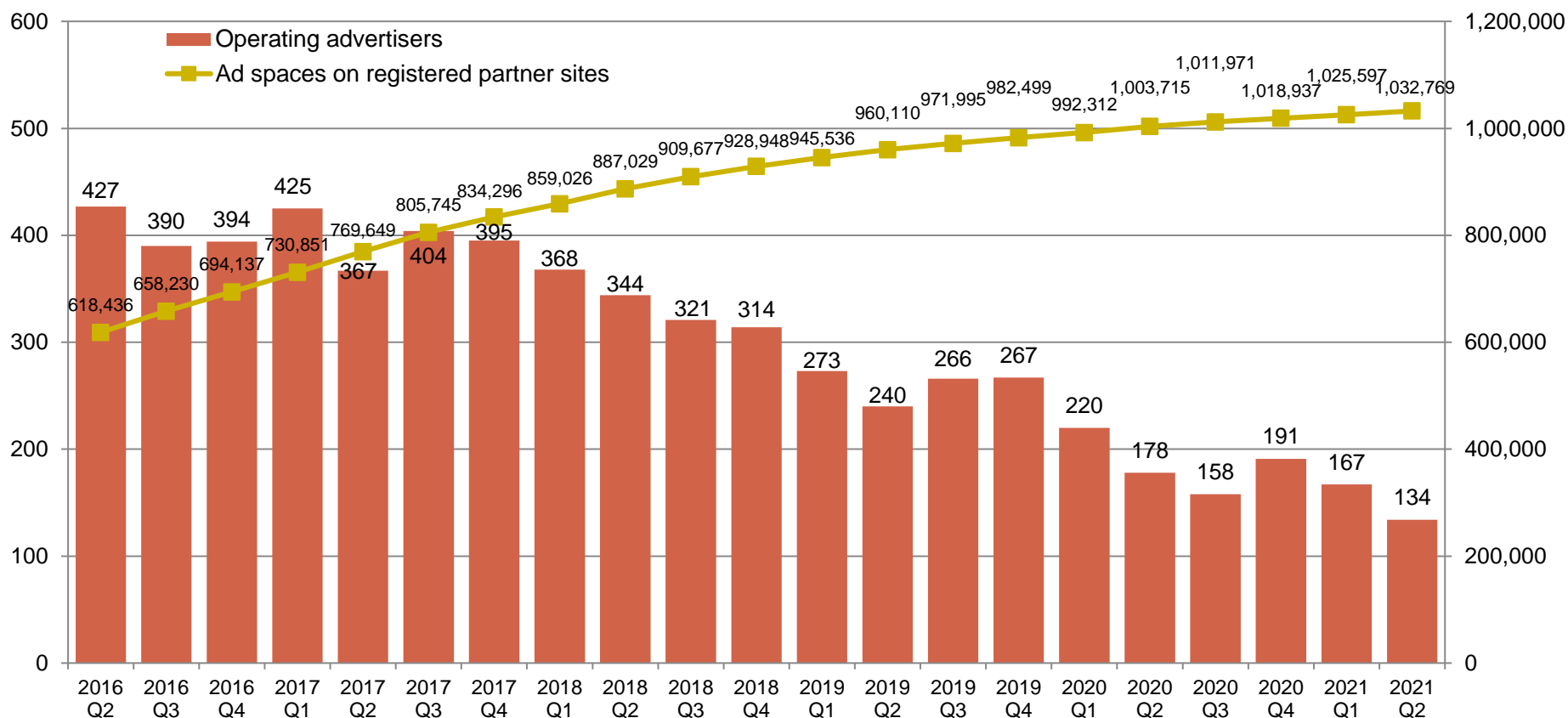


Note: Sales figures represent amounts before elimination of intragroup transactions.

nend

AD Communication Business

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



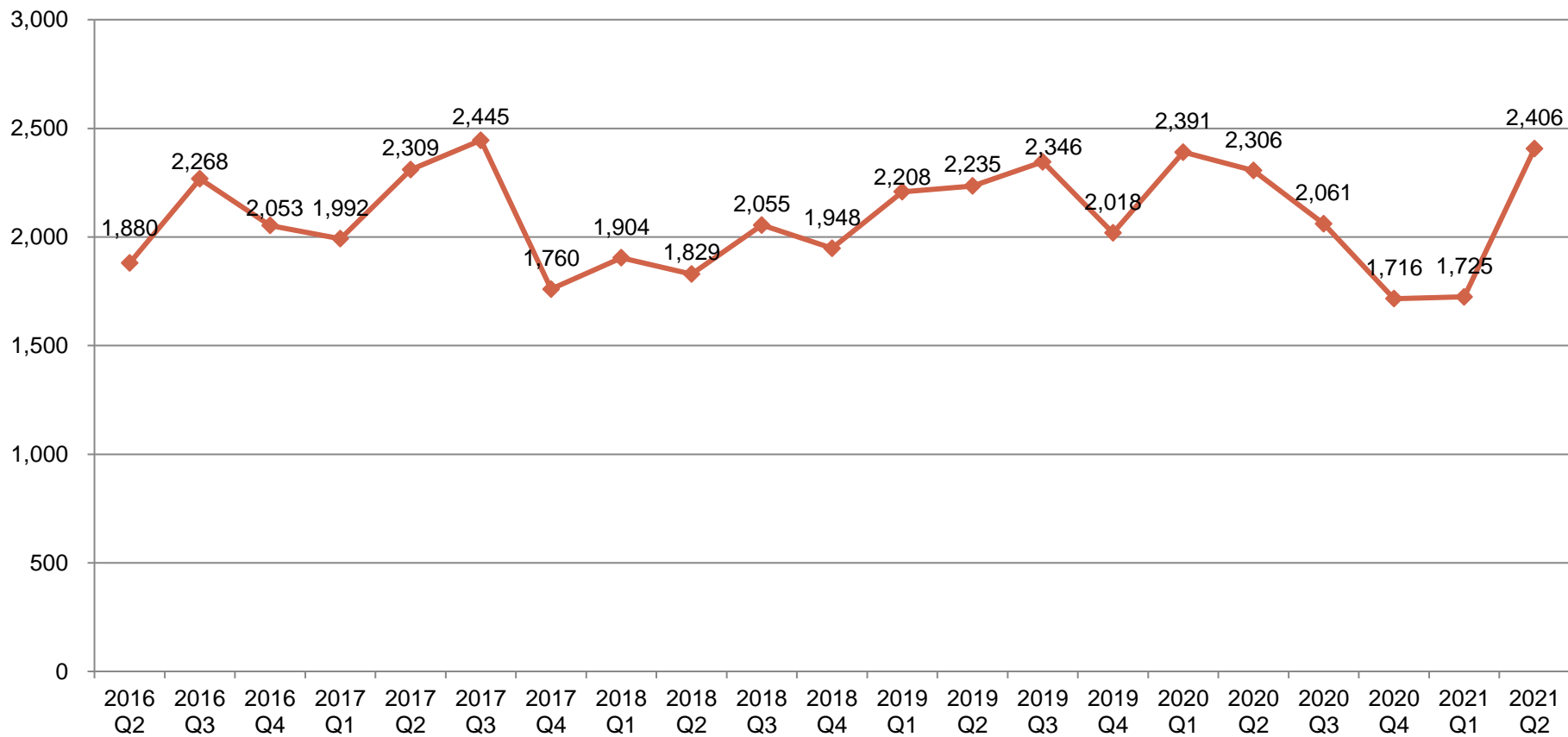
Note: The number of operating advertisers is as of the final month of each quarter.
The number of operating advertisers decreased by 33 QoQ.

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 Q2	2020 Full year
Net sales	1,218,138	2,335,402
Operating income	85,704	113,781
Profit attributable to owners of the parent	70,459	64,039

Note: Figures represent amounts before elimination of intragroup transactions.

Results were firmly in line with plan, but issues remain with diversifying customers and delays in the launch of new businesses.

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 Q2	2020 Full year
Net sales	308,159	766,317
Operating income (loss)	(41,806)	(58,130)
Profit (loss) attributable to owners of the parent	(42,558)	(92,067)

Note: Figures represent amounts before elimination of intragroup transactions.



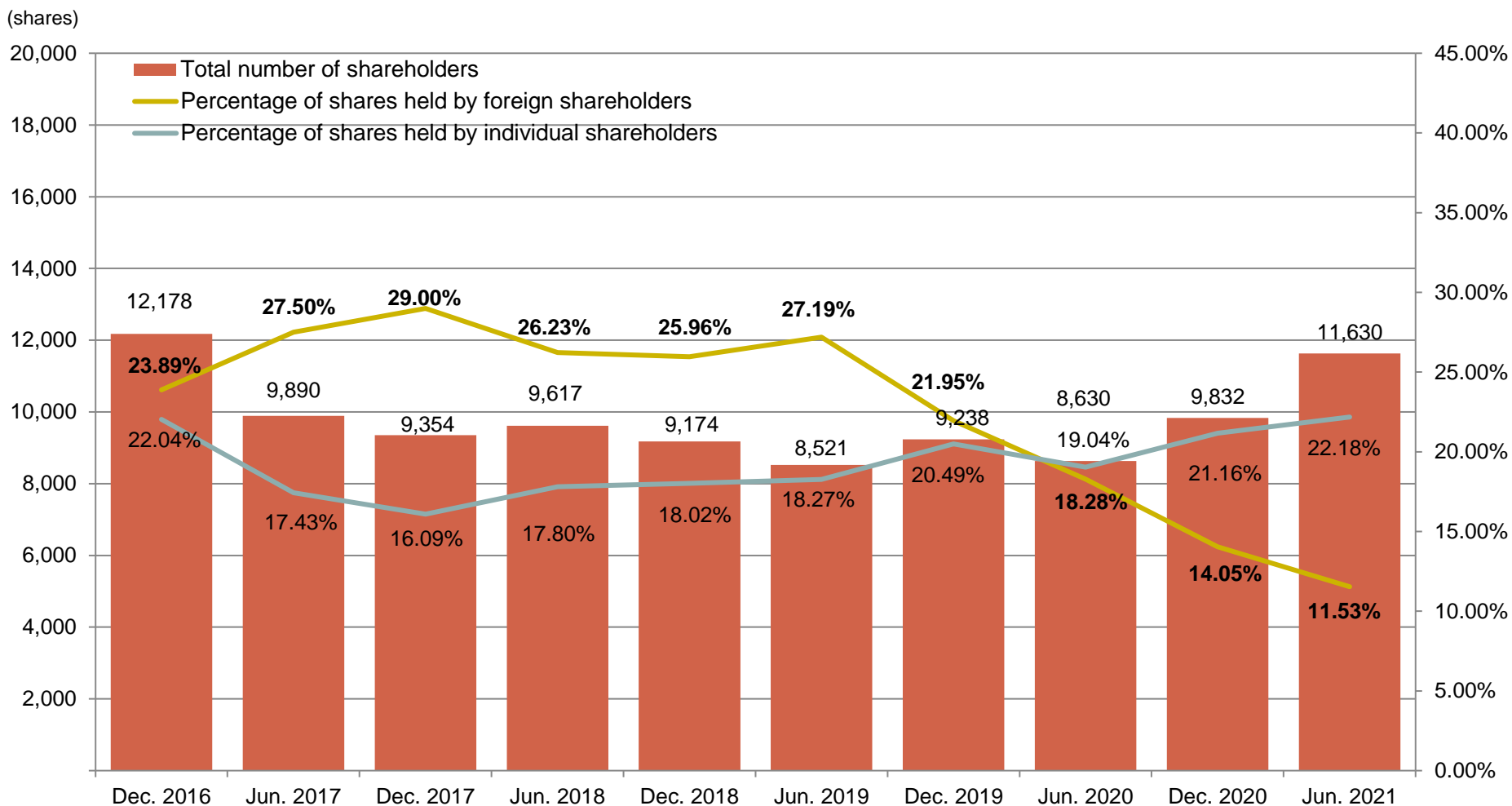
Seesaa is struggling as advertising revenue remains weak.

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

■ 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 June 30, 2021)
■ President and Representative Director	Yasuyoshi Yanagisawa
■ Number of employees	Non-consolidated: 455 Group total: 525 <small>(As of June 30, 2021; includes part-time and temp staff)</small>
■ Headquarters	Aoyama Diamond Building 1-1-8, Shibuya, Shibuya-ku, Tokyo 150-0002, Japan
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