



Third Quarter of 2021
Presentation of Financial Results

November 9, 2021

FAN Communications, Inc.

Contents

Third 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
Stock Information	.....	P31
Reference Materials	.....	P33

Third Quarter of 2021 Results Highlights

Third Quarter of 2021 (Jul.–Sep.): Key Points

Results Highlights

- Figures continued to be lackluster, with net sales down 13.0% YoY and ordinary income down 10.4% YoY.
- Net sales were down 11.2% and ordinary income down 31.4% versus the previous quarter (second quarter of 2021) as well.
- The slowdown in sales was attributed to continued weak performance of nend, a drop in A8.net site traffic due to the Olympics, sluggish consumption under the state of emergency declarations, and the dropout of some stay-at-home demand.

Consolidated Results of Operations

Results
Highlights

(¥ thousands)	2021 Q3	2020 Q3	YoY Change	% of net Sales
Net sales	20,470,395	22,808,350	-10.3%	100%
Operating income	1,795,538	2,327,721	-22.9%	8.8%
Ordinary income	1,973,320	2,463,305	-19.9%	9.6%
Profit attributable to owners of the parent	1,362,707	1,643,655	-17.1%	6.7%
Ordinary income margin	9.6%	10.8%	-1.2pt	-
Earnings per share	¥18.71	¥22.19	-15.7%	-
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	September 30, 2021
Assets		
Current assets	24,379,779	22,622,336
Cash and deposits	19,532,772	18,711,959
Accounts receivable – trade	3,414,350	3,023,486
Securities	1,096,914	400,416
Other	348,491	499,574
Allowance for doubtful accounts	-12,750	-13,101
Fixed assets	1,941,796	1,791,110
Property, plant and equipment	156,770	117,109
Intangible assets	596,852	550,589
Investments and other assets	1,188,173	1,123,410
Total assets	26,321,576	24,413,447
Liabilities and net assets		
Current liabilities	5,661,753	4,812,133
Accounts payable – trade	4,321,757	3,964,334
Income taxes payable	434,076	137,294
Other current liabilities	905,918	710,503
Long-term liabilities	141,537	142,059
Total liabilities	5,803,290	4,954,193
Total net assets	20,518,285	19,459,253
Total liabilities and net assets	26,321,576	24,413,447

Main component was ¥812,934 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 ¥970,355 thousand, which offset the profit attributable to owners of the parent of ¥1,362,707 thousand.

Consolidated Performance Forecast

Results
Highlights

(¥ millions)	2021 Full-Year Forecast (YoY change)	2021 Q3 Results	Progress (% of Full-Year Forecast)
Net sales	28,900 (-1.6%)	20,470	70.8%
Operating income	2,720 (-4.7%)	1,795	66.0%
Ordinary income	2,740 (-8.2%)	1,973	72.0%
Profit attributable to owners of the parent	1,890 (-5.1%)	1,362	72.1%

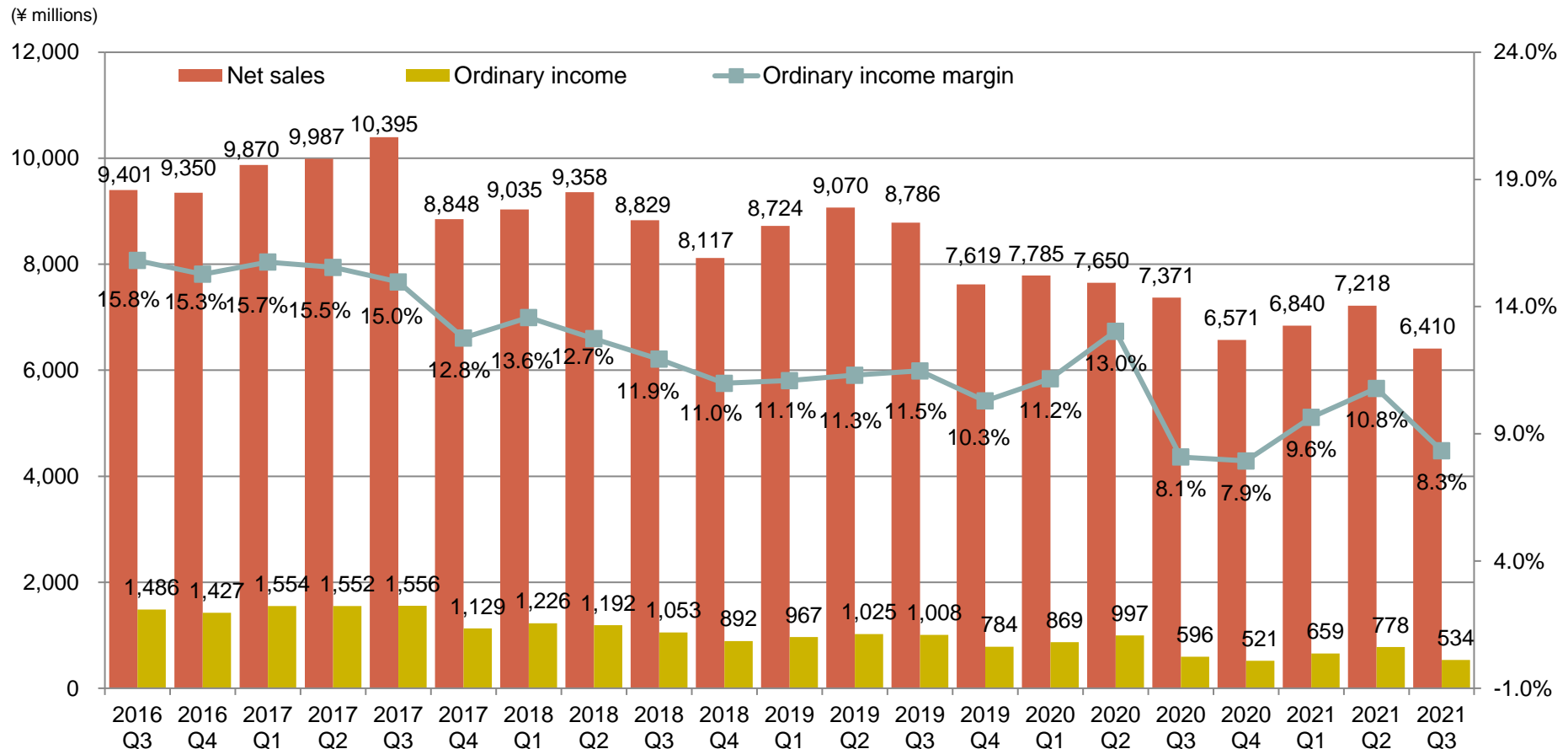
Dividend Forecast

	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)

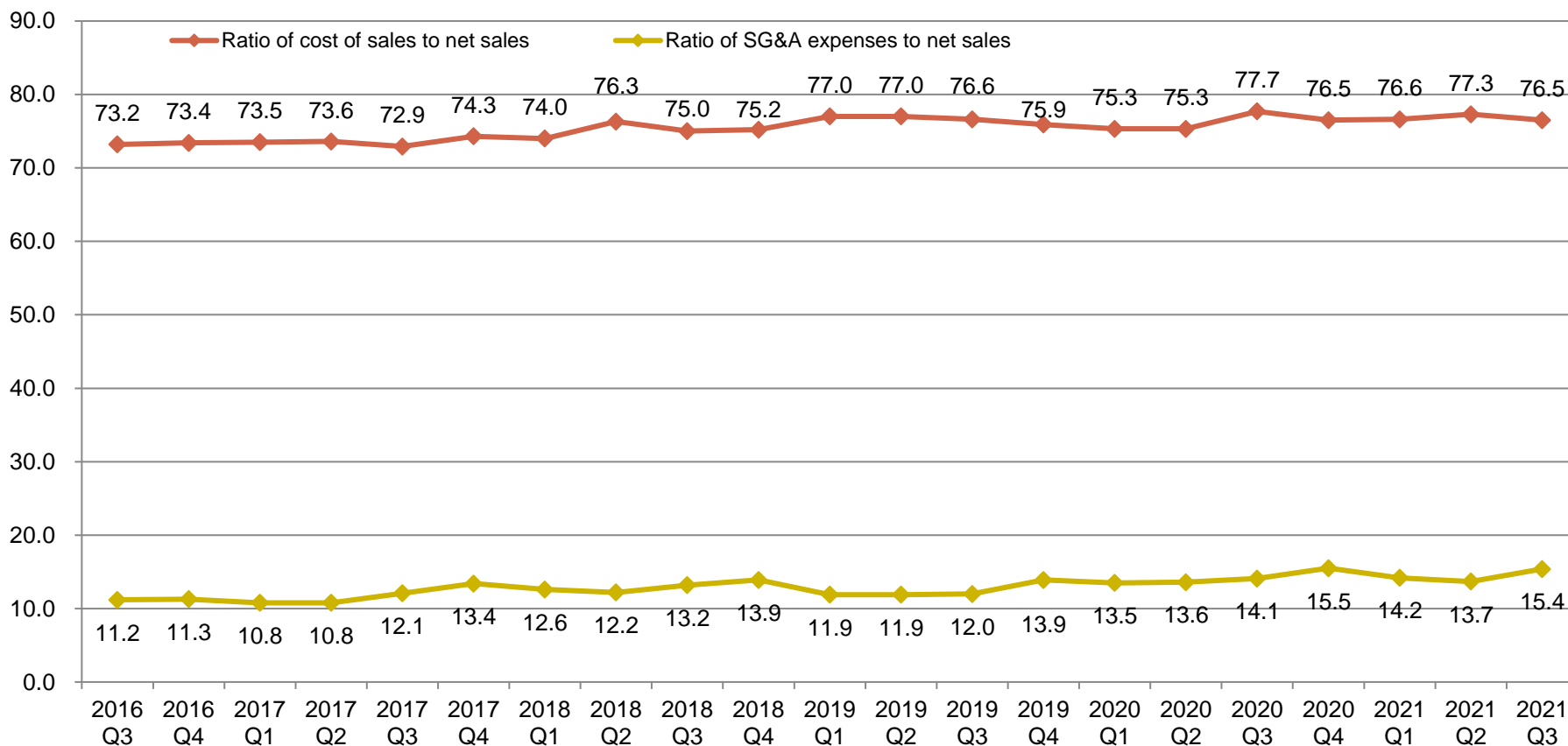
Management
Indicators



Ordinary income margin deteriorated due to a decline in net sales while fixed costs stayed largely unchanged. Gain on investments in partnerships was booked as non-operating income in Q2, but there was no such gain in Q3.

Cost of Sales Ratio and SG&A Ratio (Consolidated/Quarterly Basis)

Management
Indicators



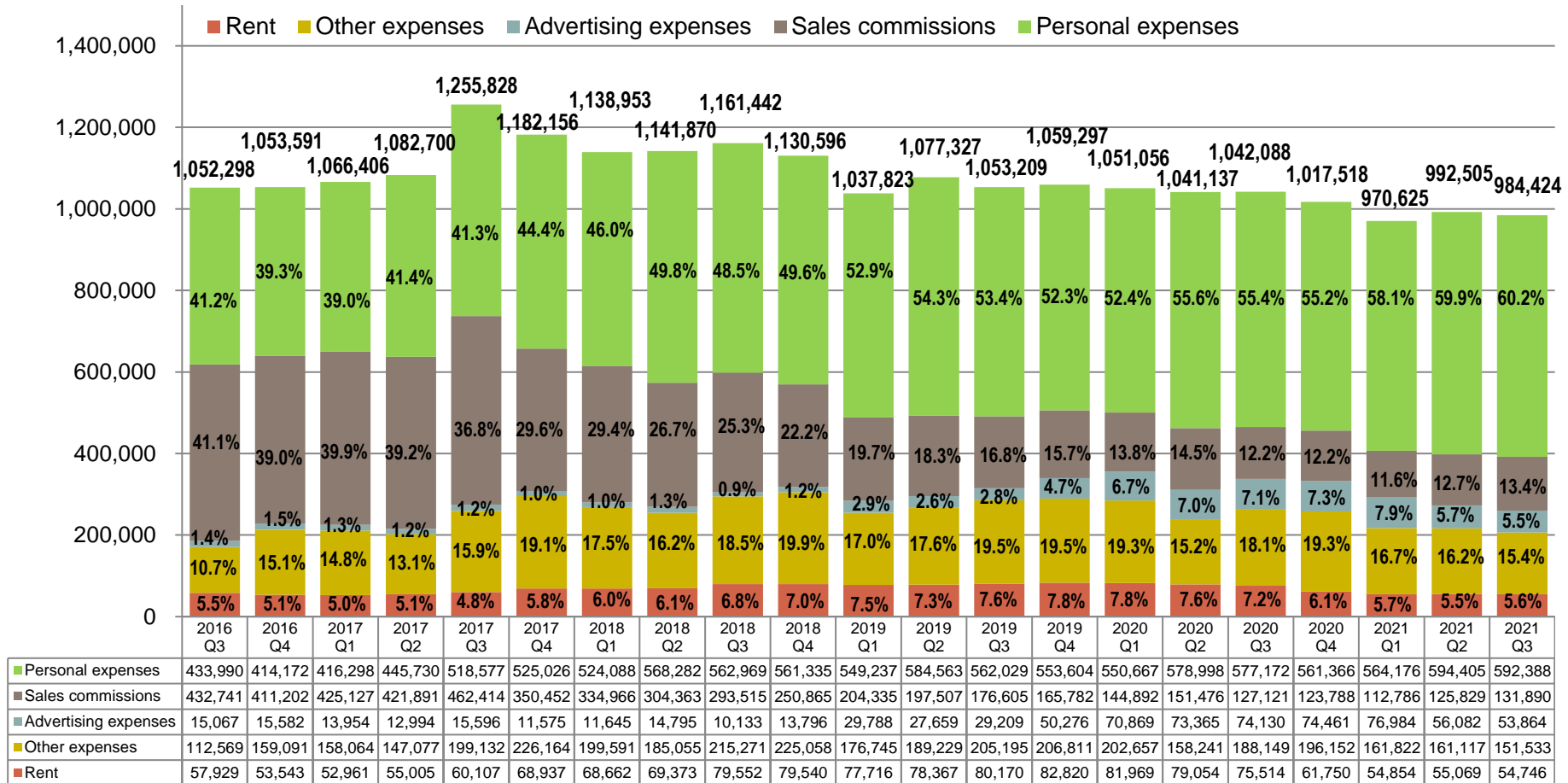
Versus the previous quarter (Q2), cost of sales ratio was down 0.8pp while SG&A expense ratio was up 1.7pp on lower sales.

Selling, General and Administrative Expenses

(Consolidated/Quarterly Basis)

Management
Indicators

(¥ thousands)



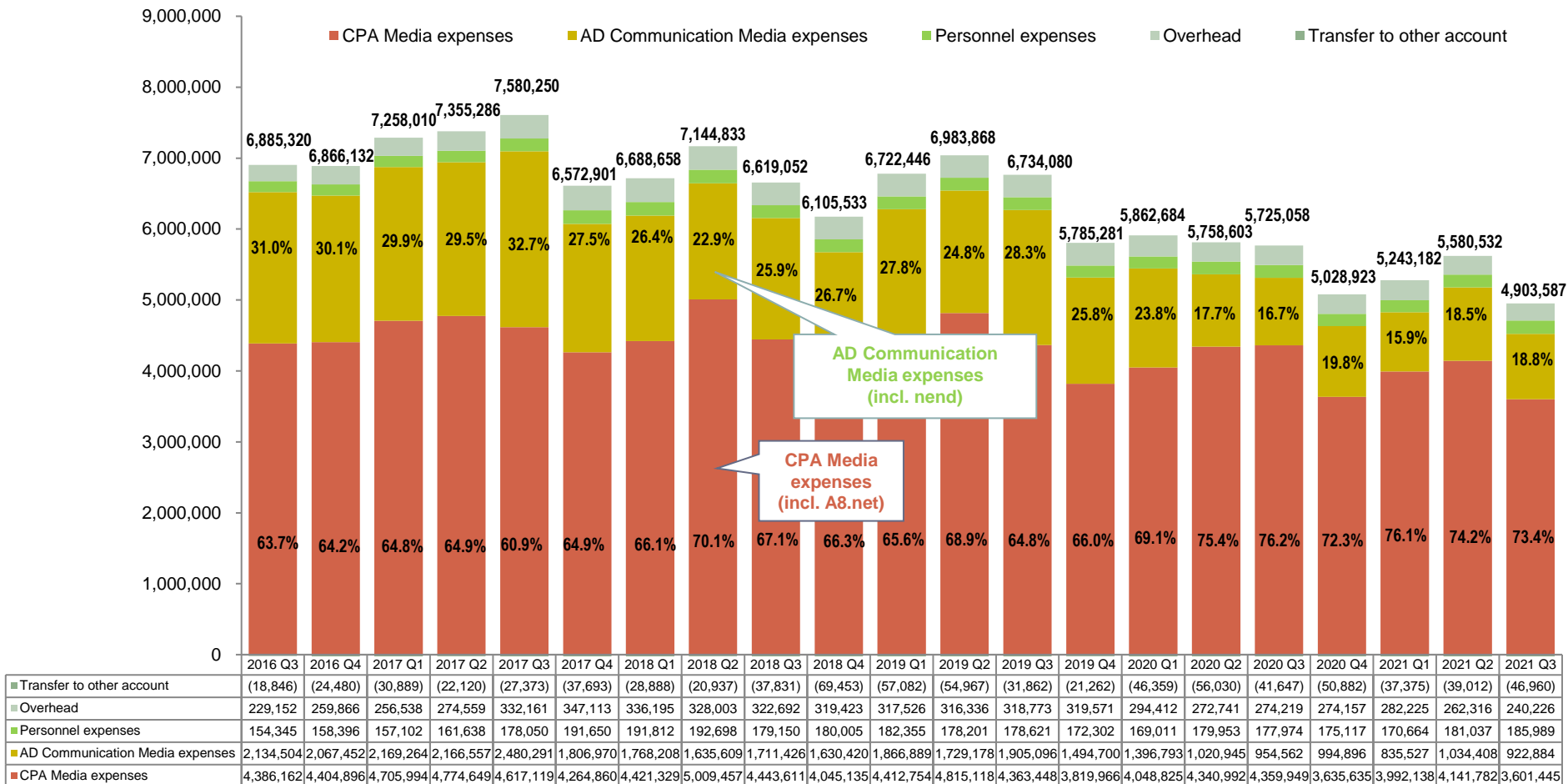
Note: Other expenses include commissions paid, outsourcing expenses, recruiting and training expenses, etc.

Cost of Sales

(Consolidated/Quarterly Basis)

Management Indicators

(¥ thousands)

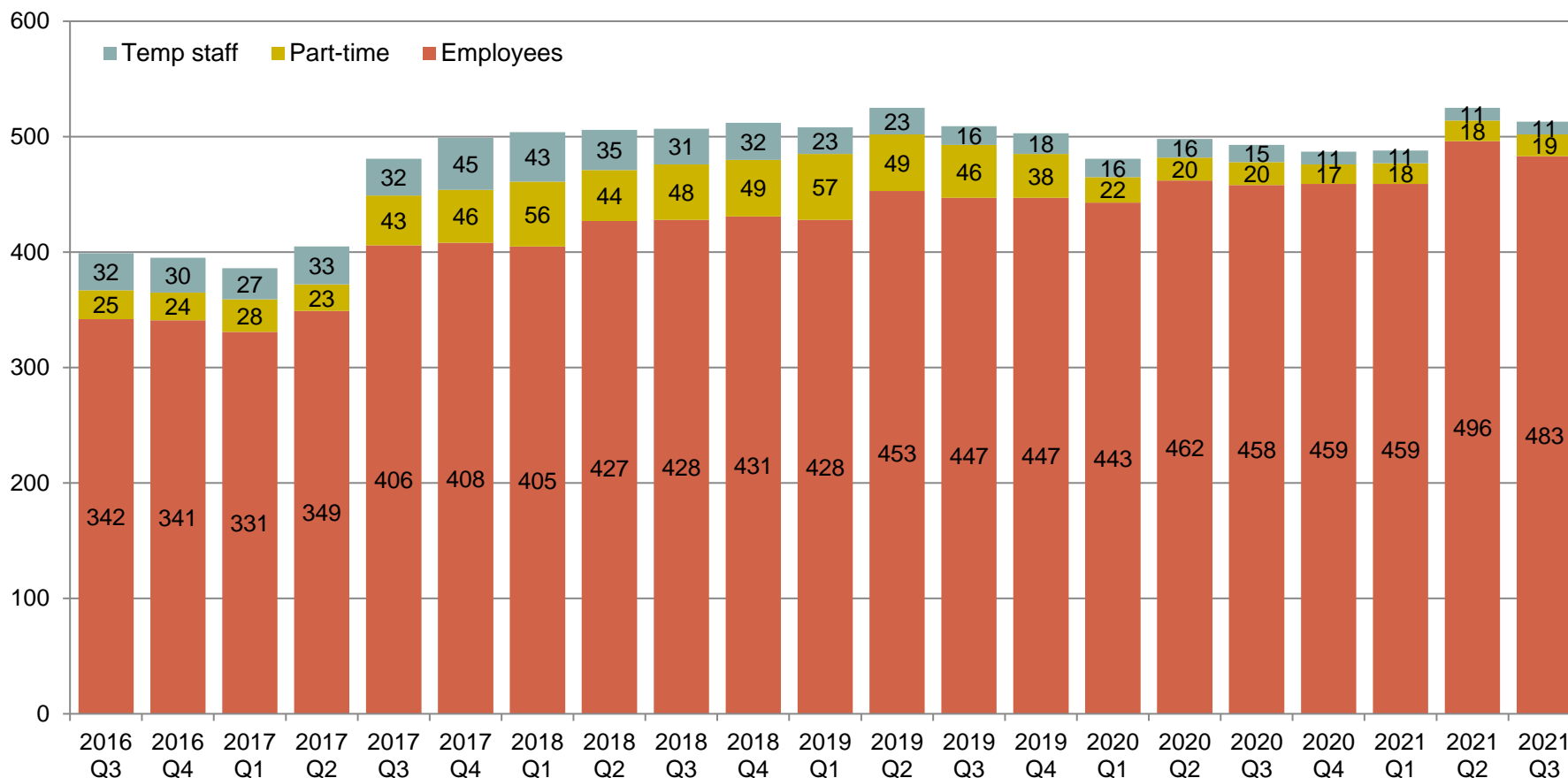


Notes: 1. CPA Media expenses primarily consist of A8.net and seedApp. AD Communication Media expenses primarily consist of nend.
2. Overhead mainly consists of infrastructure costs such as data center costs.

Number of Employees

(Consolidated/Quarterly Basis)

Management
Indicators



As of 2021 Q3, the Group employed 513 people (+20 YoY; -12 QoQ).

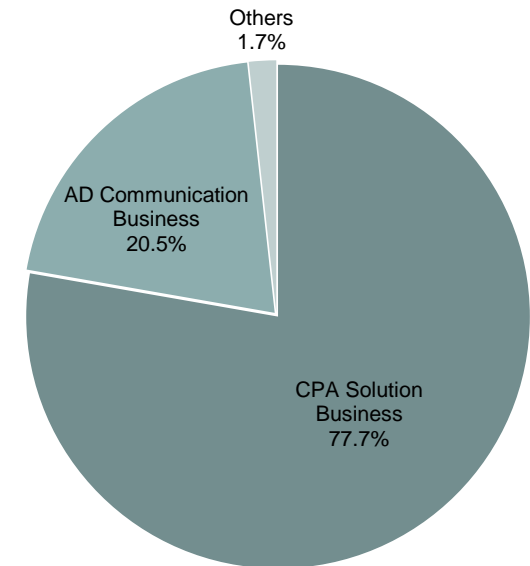
Overview by Service Category

Net Sales by Reportable Segment

(Consolidated/Quarterly Basis)

Overview by Service Category

(¥ thousands)	2021 Q3 (Jul.–Sep.)	2020 Q3 (Jul.–Sep.)	YoY Change
CPA Solution Business	4,984,546	5,884,459	-15.3%
AD Communication Business	1,314,381	1,289,240	2.0%
Others	112,068	198,116	-43.4%
Total net sales	6,410,996	7,371,816	-13.0%



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

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

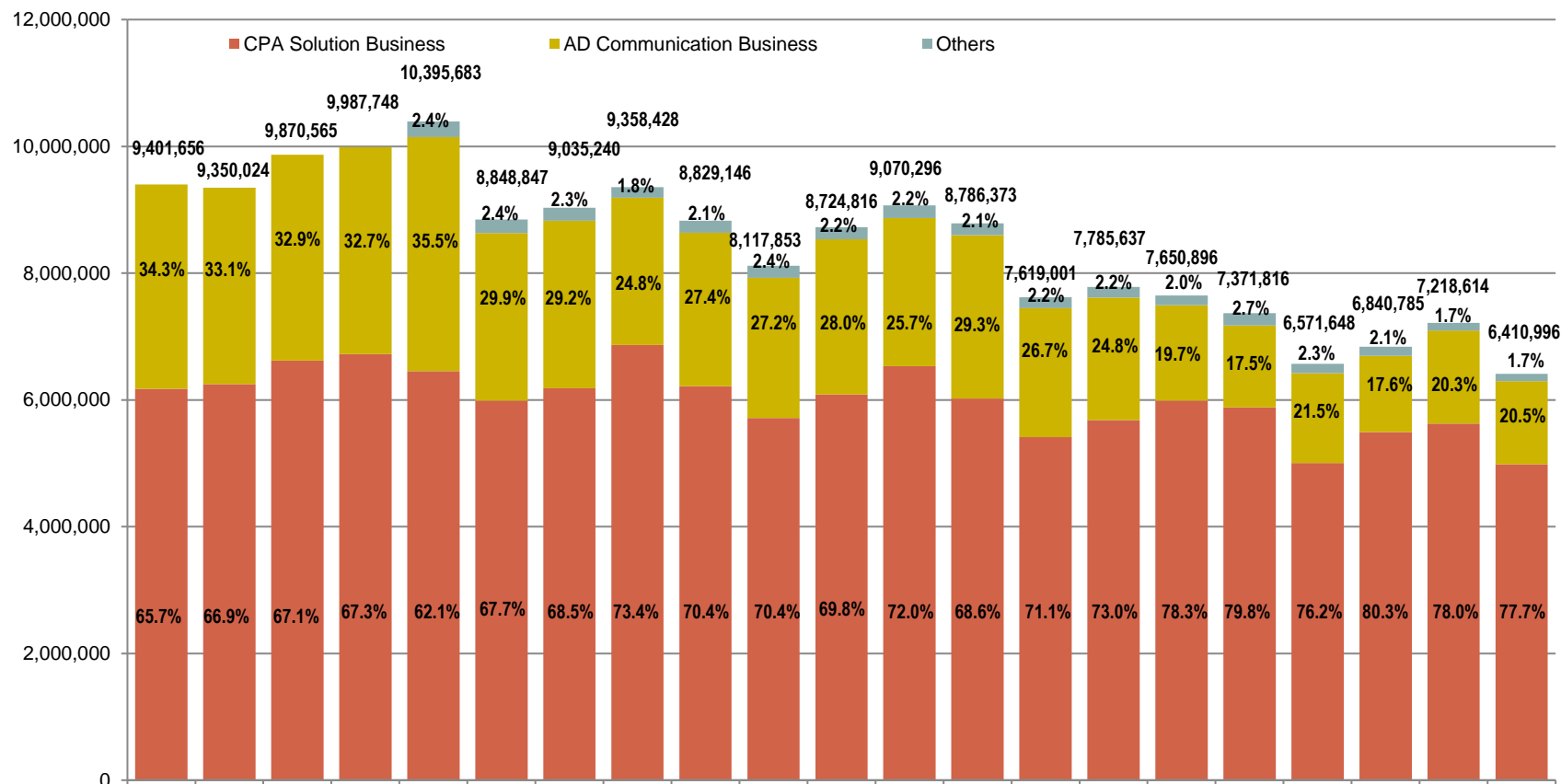
Others: Seesaa Inc.

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

Net Sales by Reportable Segment (Consolidated/Quarterly Basis)

Overview by
Service Category

(¥ thousands)



	2016 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	2021 Q2	2021 Q3
Others	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	121,566	112,068
AD Communication Business	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	1,467,609	1,314,381
CPA Solution Business	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	5,629,438	4,984,546

A8.net

Summary

CPA Solution Business

	2021 Q3 (Jul.–Sep.)	2020 Q3 (Jul.–Sep.)	YoY Change
Sales (¥ thousands)	4,415,909	5,299,808	-16.7%
Number of operating advertiser IDs	3,296	3,198	3.1%
Number of registered partner sites	3,001,736	2,857,670	5.0%

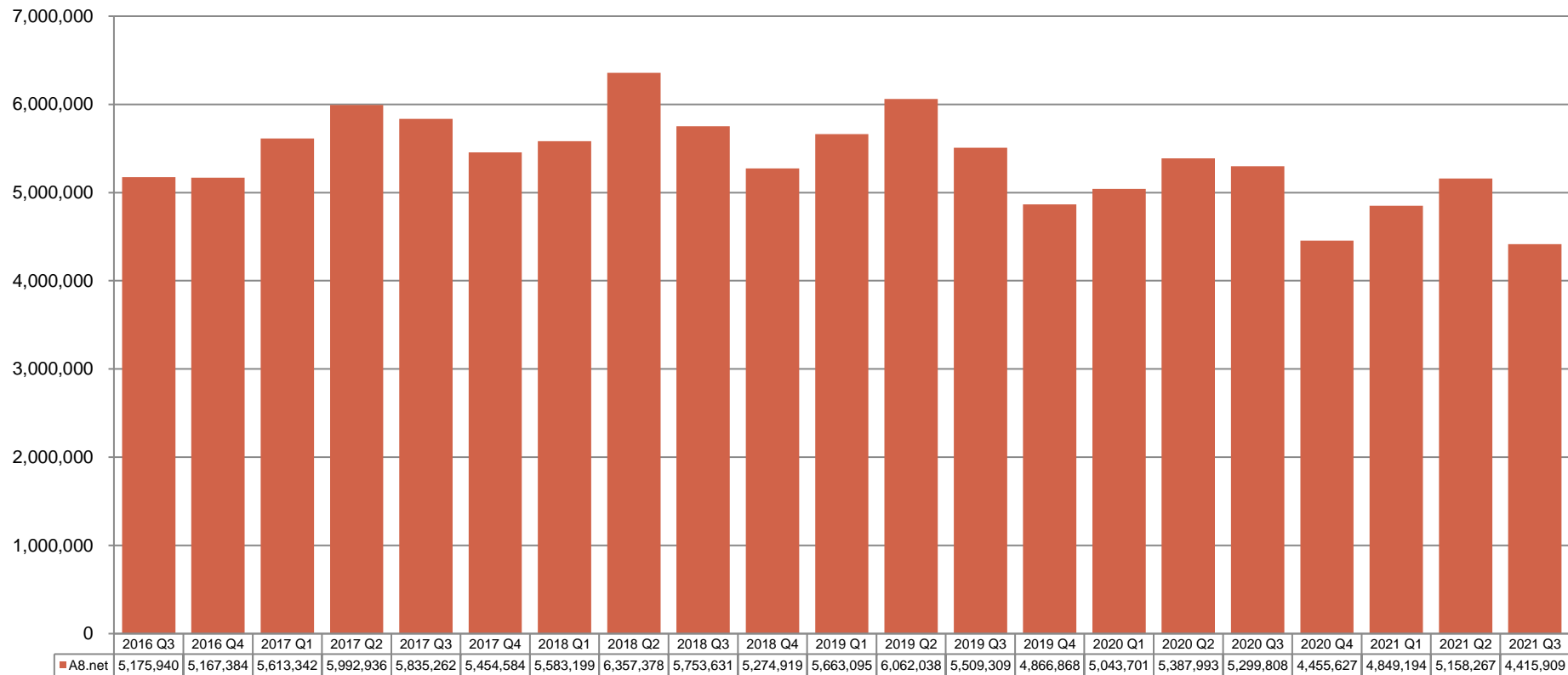
Note: Sales figures represent amounts before elimination of intragroup transactions.
The number of operating advertiser IDs increased by 98 YoY.

A8.net

Net Sales (Quarterly Basis)

CPA Solution Business

(¥ thousands)

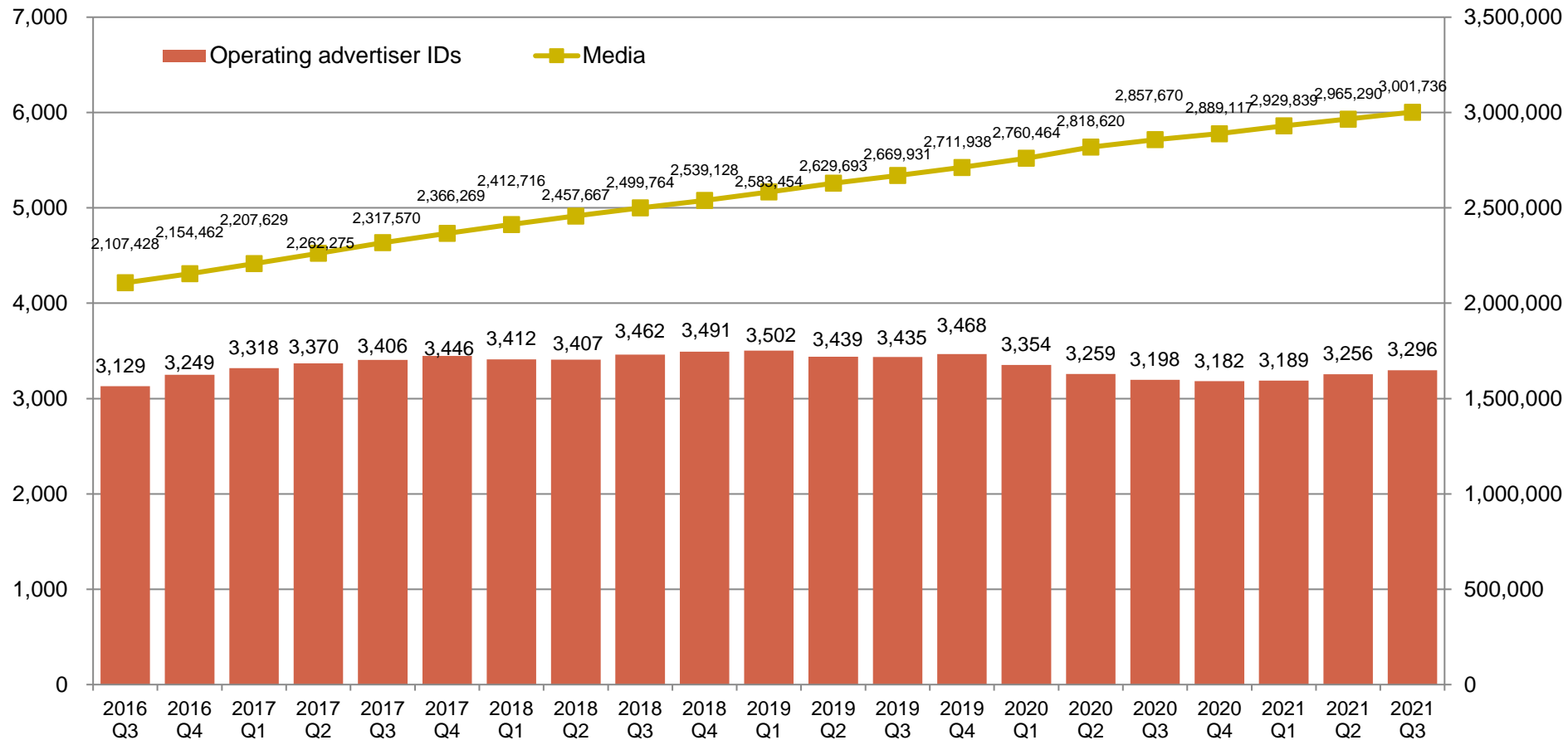


Note: Sales figures represent amounts before elimination of intragroup transactions.

A8.net

CPA Solution Business

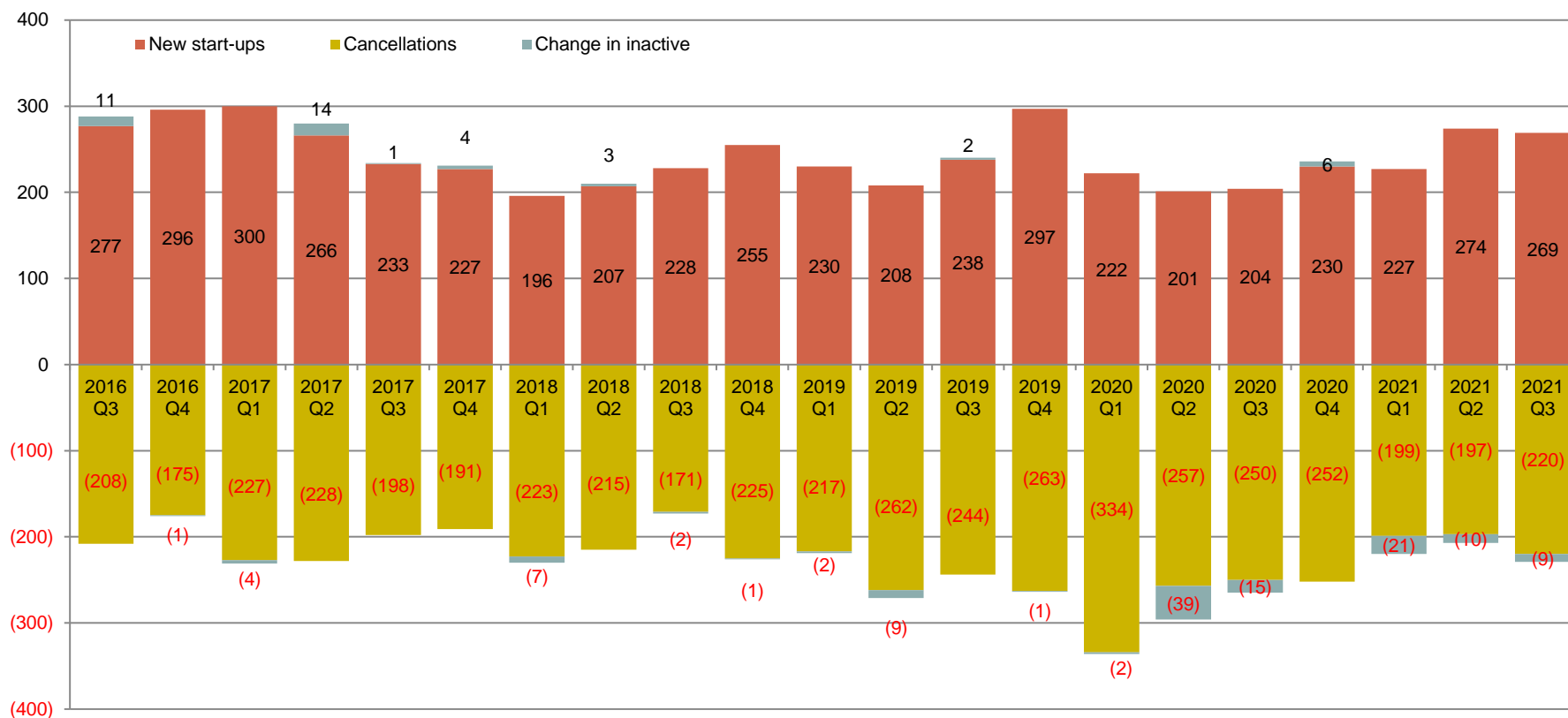
Number of Operating Advertisers and Media (Quarterly Basis)



Note: The number of operating advertisers is as of the final month of each quarter.

The number of operating advertisers increased by 40 from 2021 Q2. Of these, the number of overseas operating advertisers increased by 3 (124 in total)

New Advertiser Start-Ups and Cancellations



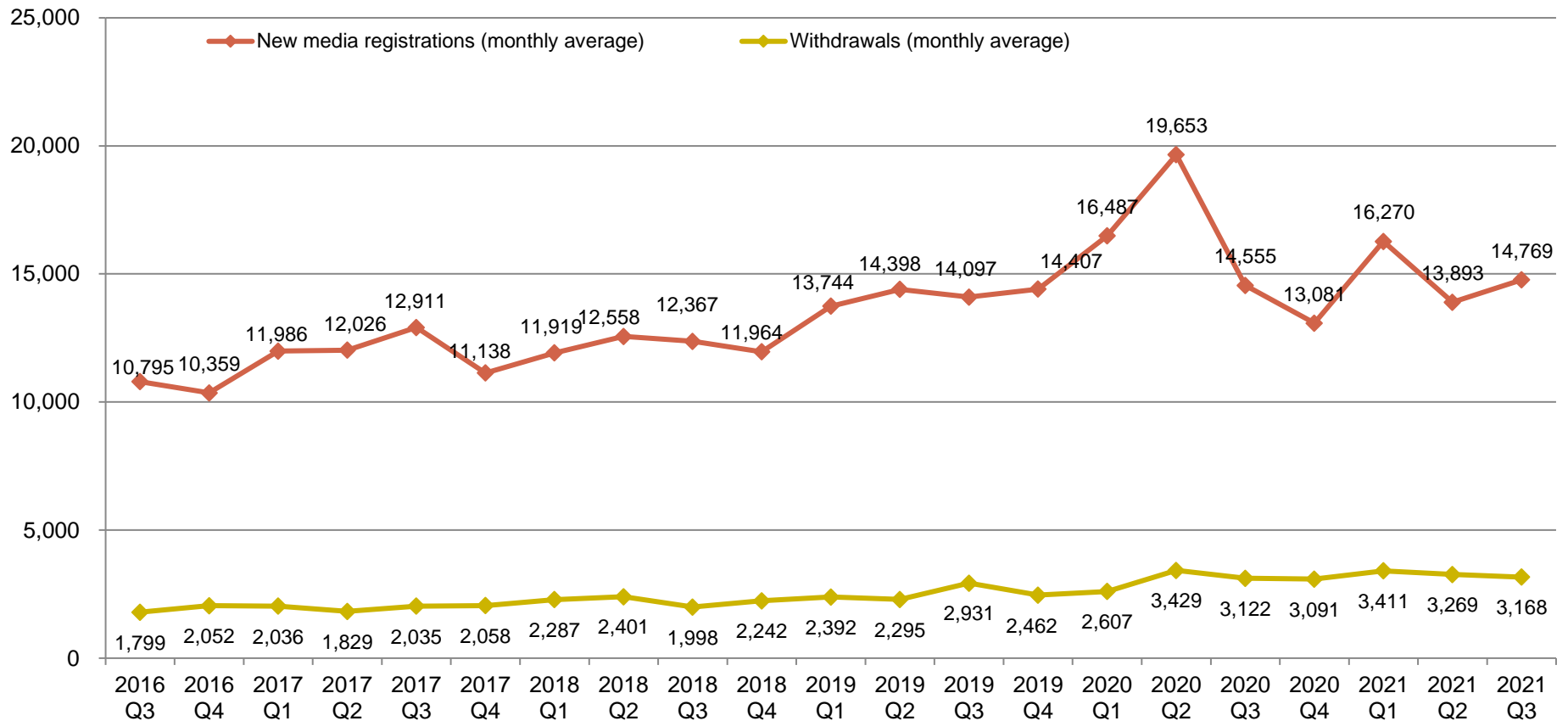
Note: "Change in inactive" is the difference between the number of customers who switched from "operating" to "inactive" and the number of customers who switched from "inactive" to "operating," adjusted for the number of customers who switched from "inactive" to "cancelled," which is included under "cancellations."

The number of customers in operation is on an uptrend, but cancellations are also increasing, albeit slightly, as of the time of Q3 results announcement.

A8.net

CPA Solution Business

Average Monthly New Media Registrations and Withdrawals

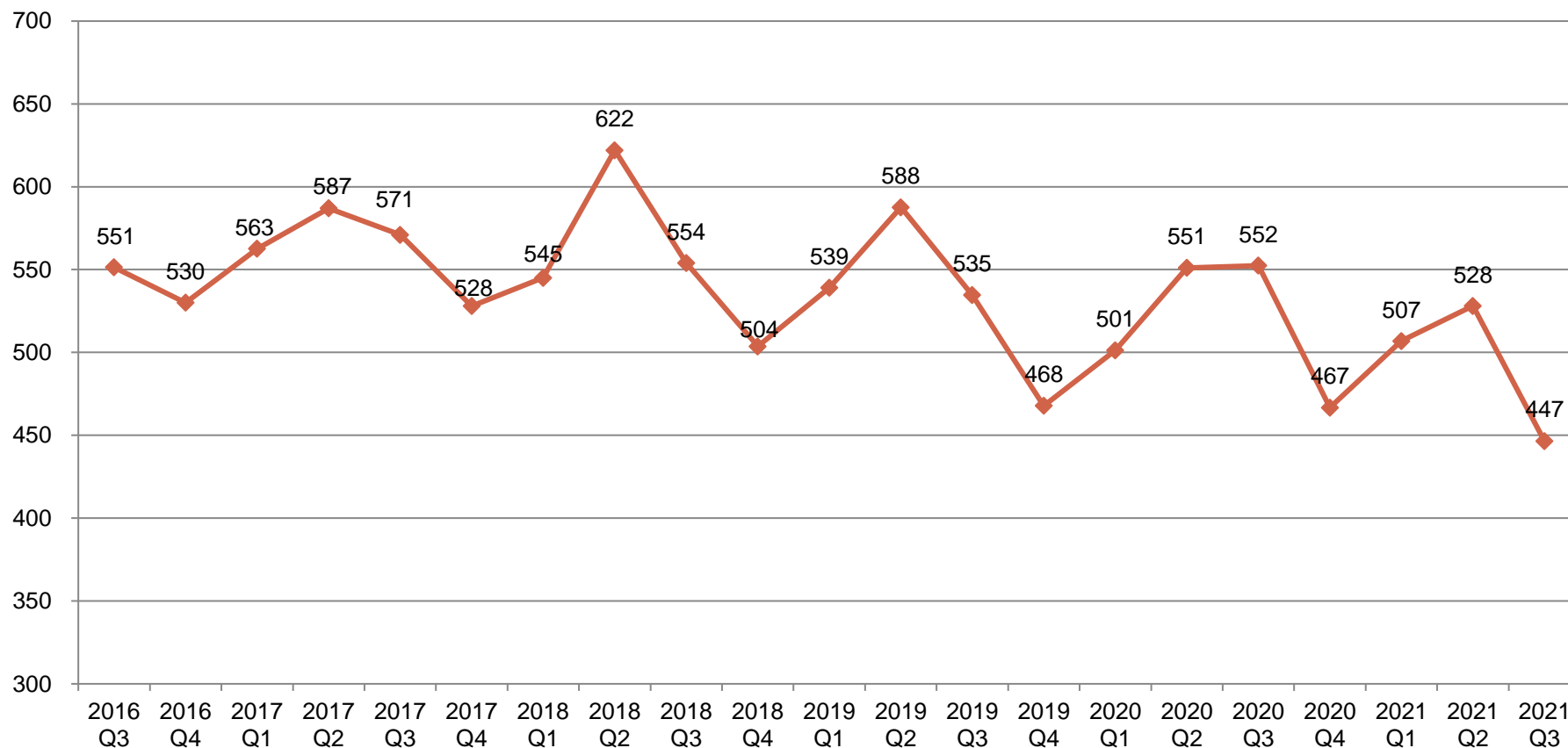


A8.net

CPA Solution Business

Average Monthly Sales per Advertiser

¥ thousands

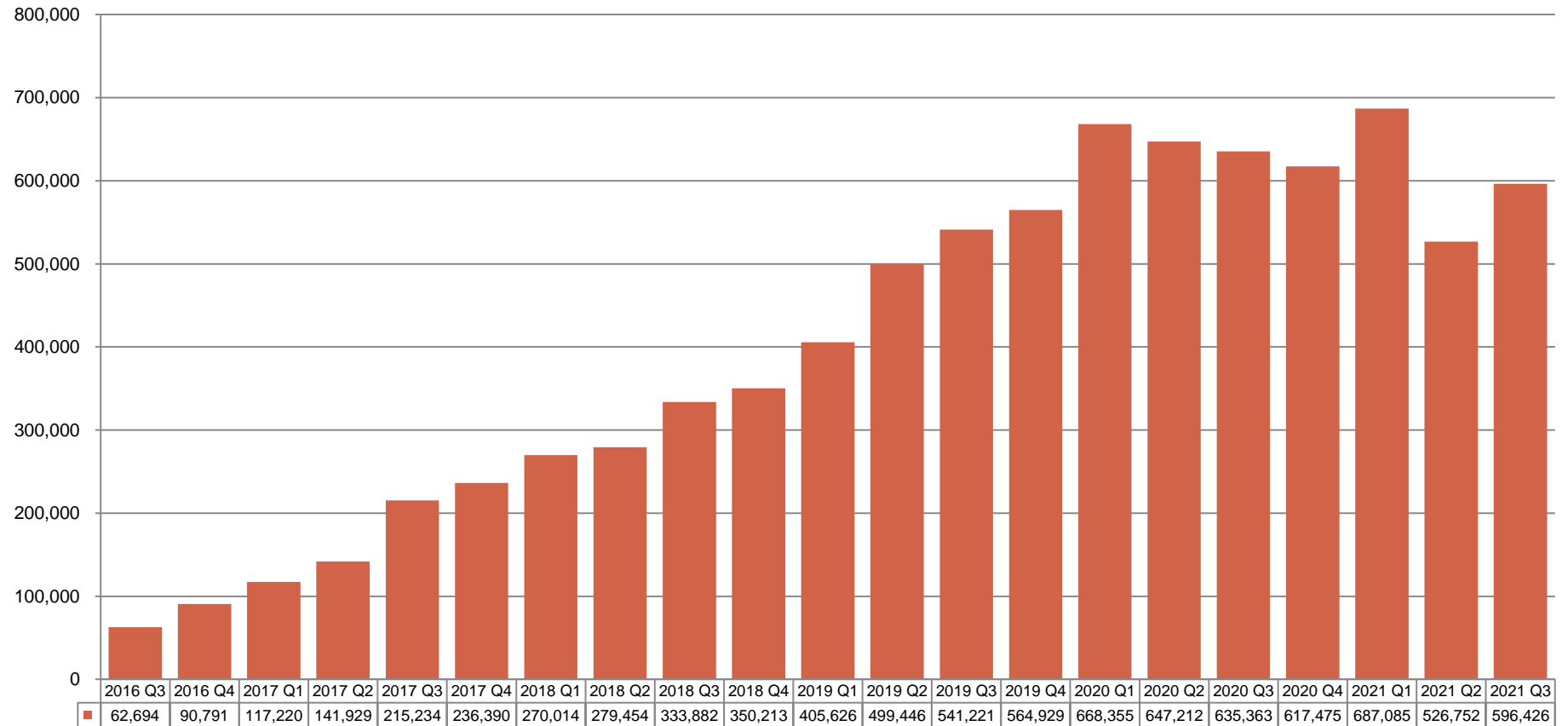


seedApp

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 Q3 (Jul.–Sep.)	2020 Q3 (Jul.–Sep.)	YoY change
Net sales	898,378	976,814	-8.0%
Number of operating advertiser IDs	136	158	-13.9%
Number of ad spaces on registered partner sites	1,039,837	1,011,971	2.8%

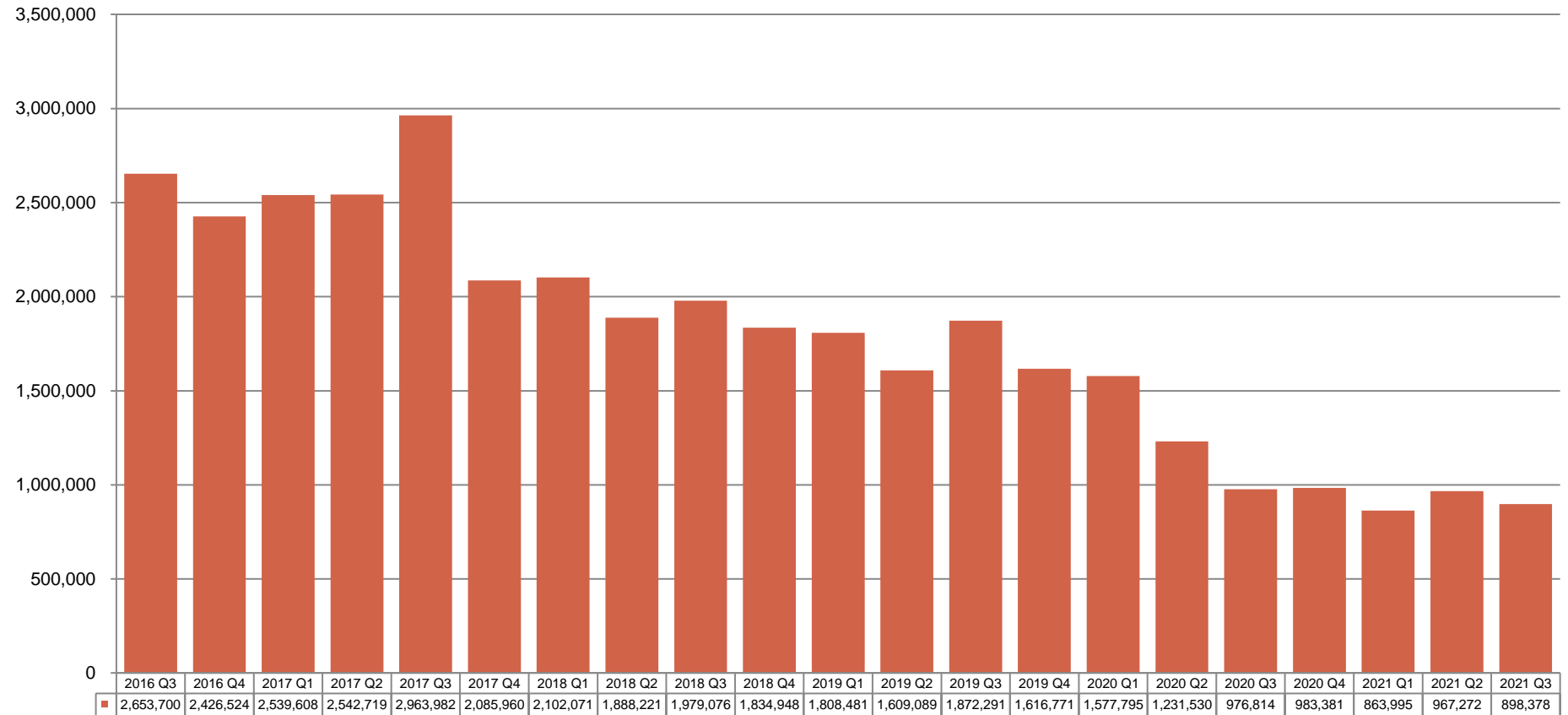
Notes: Sales figures represent amounts before elimination of intragroup transactions.
 Figures only include results of nend and exclude other services.

nend

Net Sales (Quarterly Basis)

AD Communication Business

(¥ thousands)

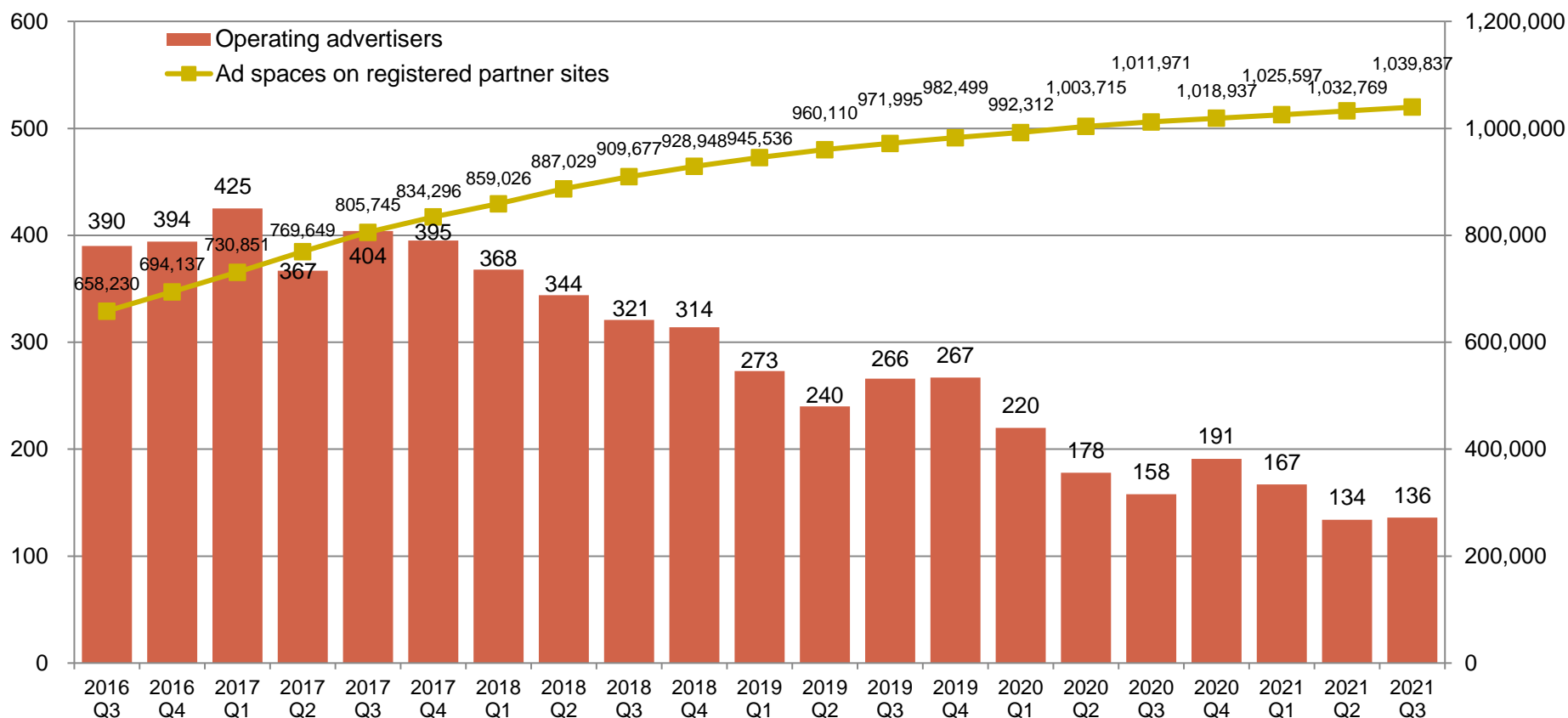


Note: Sales figures represent amounts before elimination of intragroup transactions.

nend

AD Communication Business

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



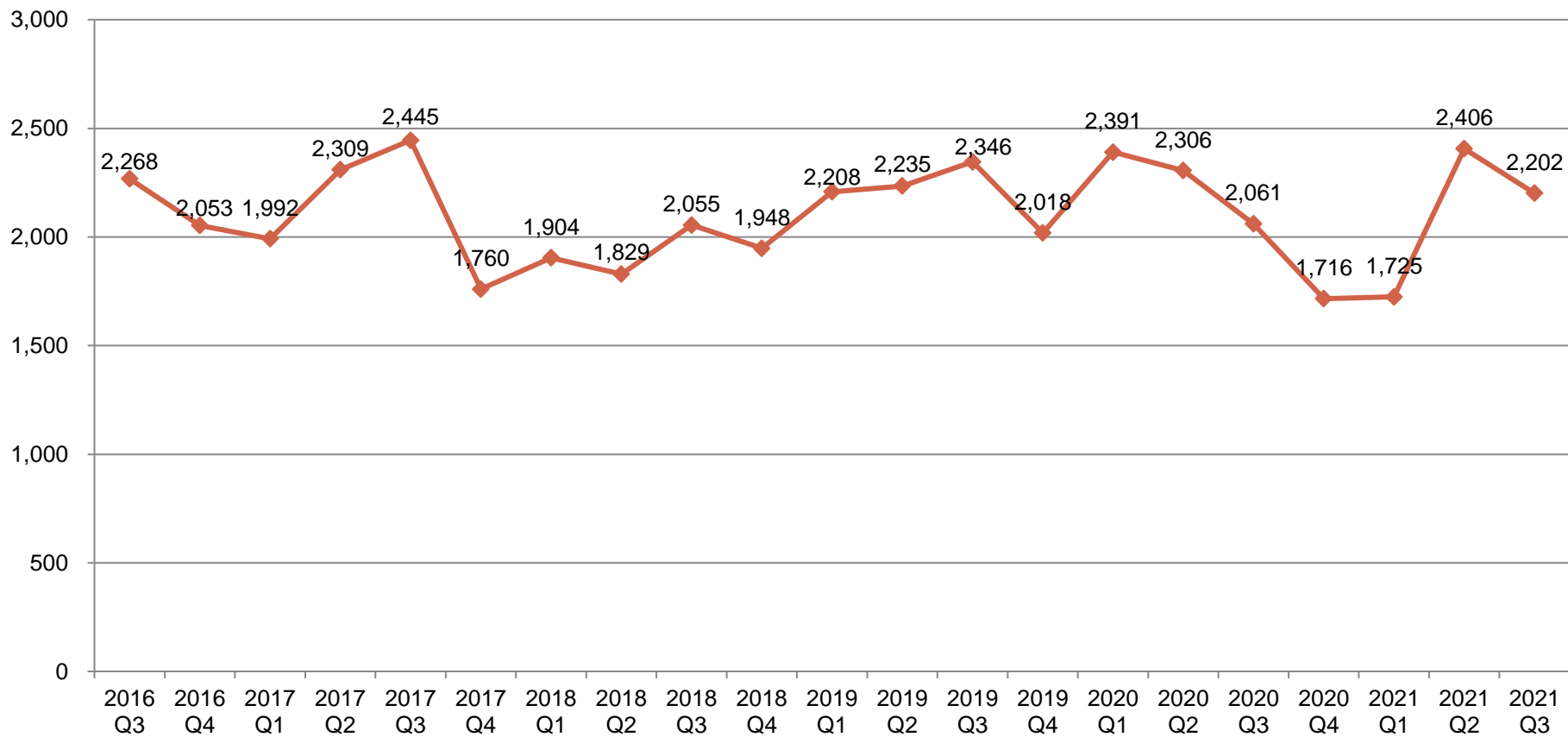
Note: The number of operating advertisers is as of the final month of each quarter.
The number of operating advertisers increased by 2 QoQ.

nend

Average Monthly Sales per Advertiser

AD Communication Business

(¥ 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 Q3	2020 Full year
Net sales	1,761,195	2,335,402
Operating income	113,519	113,781
Profit attributable to owners of the parent	92,898	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	434,850	766,317
Operating income (loss)	(83,378)	(58,130)
Profit (loss) attributable to owners of the parent	(84,081)	(92,067)

Note: Figures represent amounts before elimination of intragroup transactions.



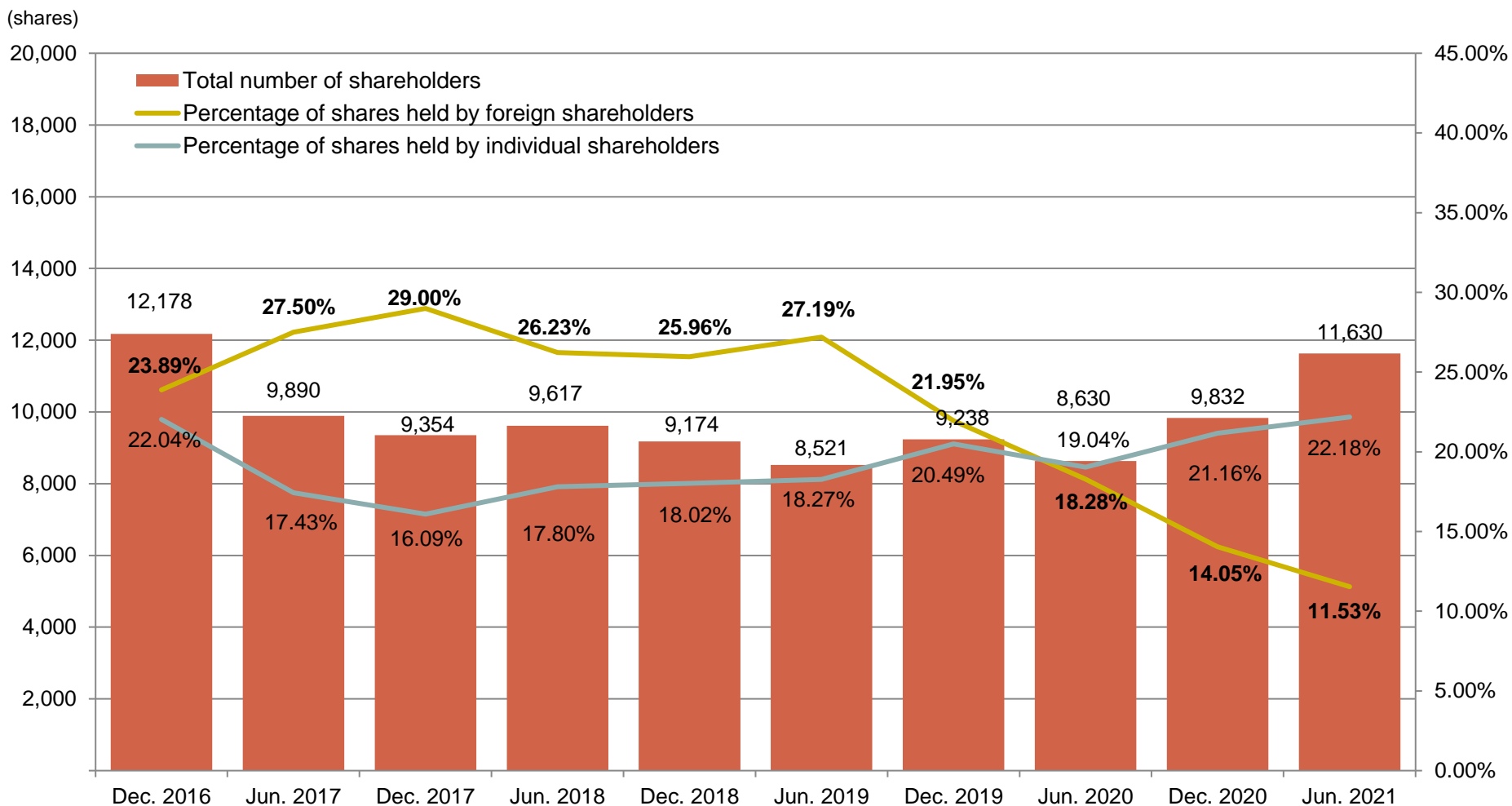
Seesaa is struggling as advertising revenue remains weak.

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 September 30, 2021)
■ President and Representative Director	Yasuyoshi Yanagisawa
■ Number of employees	Non-consolidated: 444 Group total: 513 <small>(As of September 30, 2021; includes part-time and temp staff)</small>
■ Headquarters	Aoyama Diamond Building 1-1-8, Shibuya, Shibuya-ku, Tokyo 150-0002, Japan
■ Telephone	+81-(0)3-5766-3530 (IR)
■ Fax	+81-(0)3-5766-3782

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