



Second Quarter of 2023  
Presentation of Financial Results

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August 9, 2023

FAN Communications, Inc.

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## Second Quarter of 2023 Results Highlights

## Second Quarter of 2023 (Apr.–Jun.): Key Points

### Results Highlights

- Transaction volume and ordinary income were down 5.8% and 24.8% YoY, respectively.
- Versus the previous quarter (first quarter of 2023), transaction volume decreased 2.8% and ordinary income 11.8%.
- Second quarter results were lackluster, with advertising spending down across all services. We have revised our forecasts for the half and full year.

# Consolidated Results of Operations

## Results Highlights

(¥ thousands)	2023 Q2	2022 Q2	YoY Change	% of transaction volume
Transaction volume	14,352,324	13,976,234	2.7%	100%
Net sales	3,764,521	3,834,912	-1.8%	26.2%
Operating income	1,138,125	1,260,167	-9.7%	7.9%
Ordinary income	1,149,130	1,299,417	-11.6%	8.8%
Profit attributable to owners of the parent	602,987	871,990	-30.8%	4.2%
Ordinary income to transaction volume ratio	8.0%	9.3%	-1.3pt	-
Earnings per share	¥9.10	¥12.47	-27.0%	-
Diluted earnings per share	-	-	-	-

**Notes:** The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) from the beginning of 2022. Transaction volumes for fiscal years 2022 and later were calculated internally to enable comparison with comparable figures prior and up to 2021, which were disclosed as net sales.

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

# Consolidated Balance Sheets

## Results Highlights

(¥ thousands)	December 31, 2022	Jun 30, 2023
<b>Assets</b>		
<b>Current assets</b>	<b>20,976,075</b>	<b>20,259,301</b>
Cash and deposits	16,982,969	16,770,850
Accounts receivable – trade	3,234,869	3,019,991
Securities	299,740	200,100
Other	495,636	288,737
Allowance for doubtful accounts	-37,140	-20,378
<b>Fixed assets</b>	<b>2,879,078</b>	<b>2,762,660</b>
Property, plant and equipment	100,072	89,731
Intangible assets	331,091	354,284
Investments and other assets	2,447,914	2,318,644
<b>Total assets</b>	<b>23,855,153</b>	<b>23,021,961</b>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>	<b>5,764,173</b>	<b>5,635,662</b>
Accounts payable – trade	4,458,211	4,555,492
Income taxes payable	485,881	387,767
Other current liabilities	820,080	692,402
<b>Long-term liabilities</b>	<b>137,200</b>	<b>135,847</b>
<b>Total liabilities</b>	<b>5,901,374</b>	<b>5,771,510</b>
<b>Total net assets</b>	<b>17,953,779</b>	<b>17,250,451</b>
<b>Total liabilities and net assets</b>	<b>23,855,153</b>	<b>23,021,961</b>

Main component was ¥1,993,428 thousand in investment securities.

Main factor for the decline was a dividend payment of ¥1,259,894 thousand, which could not be offset by the booking of ¥602,987 thousand in profit attributable to owners of the parent.

# Consolidated Performance Forecast

Results  
Highlights

(¥ millions)	2023 Full-Year Forecast	2023 Q2 Results	Progress (% of Full-Year Forecast)
Net sales	7,600	3,764	49.5%
Operating income	2,100	1,138	54.2%
Ordinary income	2,120	1,149	54.2%
Profit attributable to owners of the parent	1,240	602	48.5%

Note: The Company revised the full-year consolidated performance forecast figures on August 2, 2023.

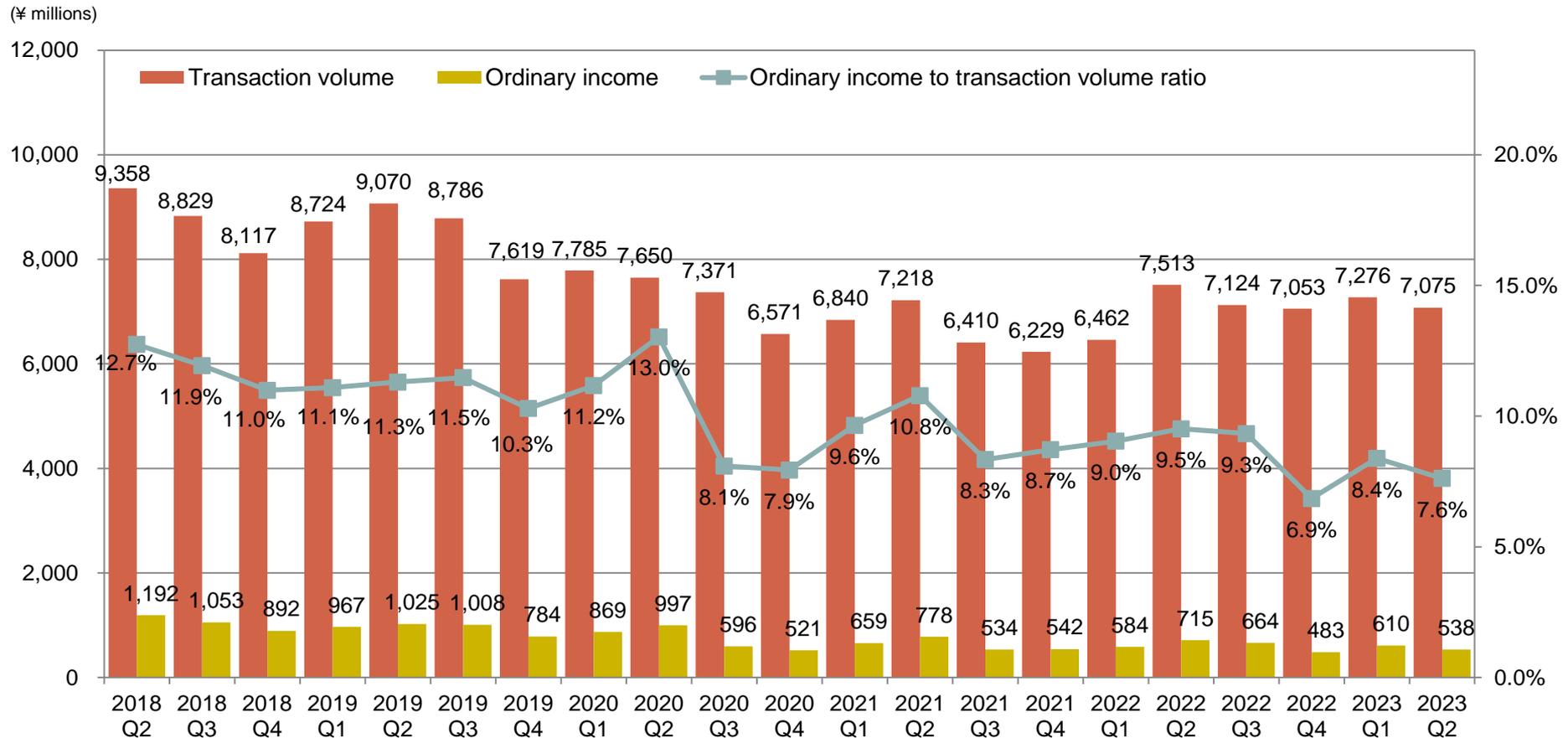
## Dividend Forecast

	2023 Forecast	2022 Results
Year-end dividend per share	¥19	¥19

## Management Indicators (Quarterly Basis)

# Transaction Volume, Ordinary Income and Ordinary Income to Transaction Volume Ratio (Consolidated/Quarterly Basis)

Management  
Indicators

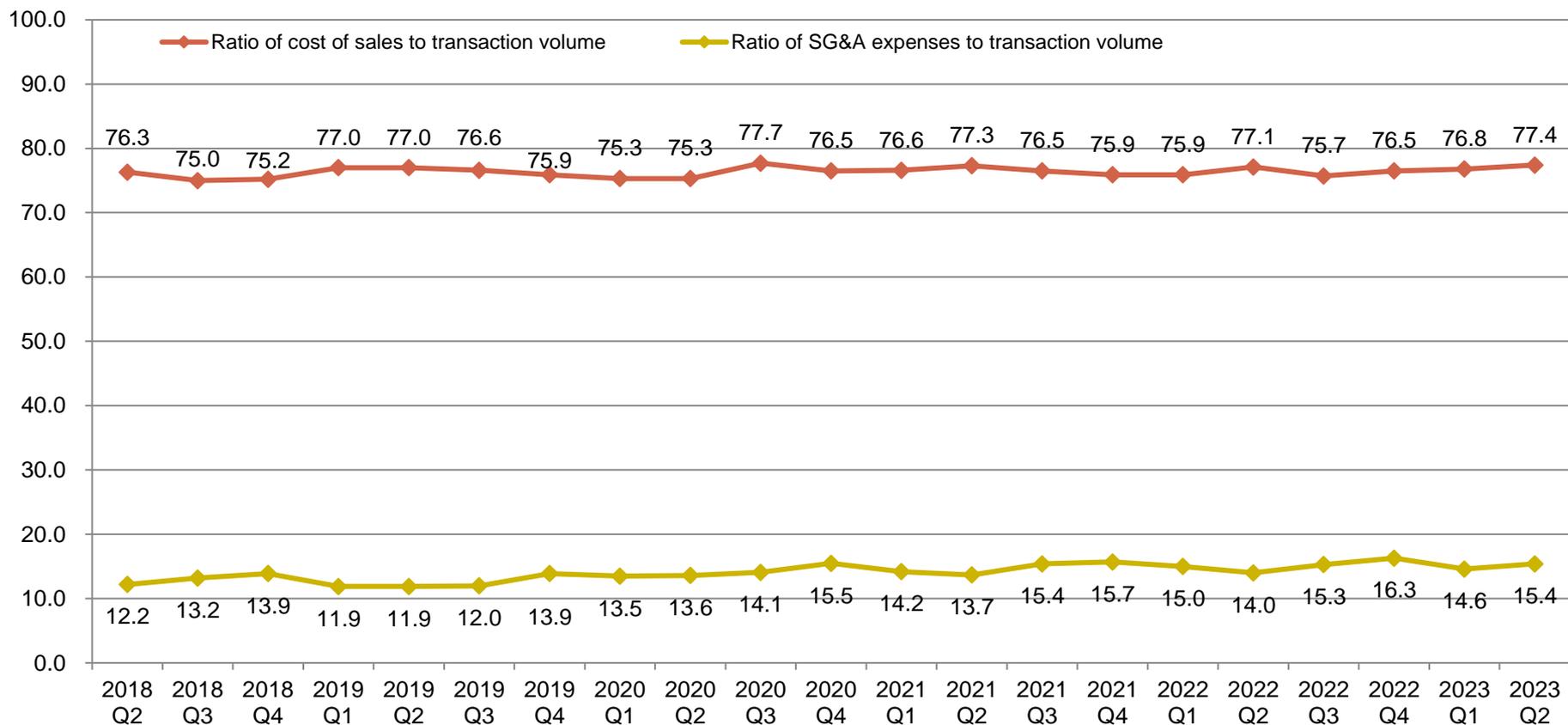


**Notes: The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) from the beginning of 2022. Transaction volumes for fiscal years 2022 and later were calculated internally to enable comparison with comparable figures prior and up to 2021, which were disclosed as net sales.**

# Cost of Sales Ratio and SG&A Ratio

## (Consolidated/Quarterly Basis)

Management  
Indicators



**Notes: Figures for 2022 and later above have been calculated based on the previous revenue recognition standard to enable comparison with previous results.**

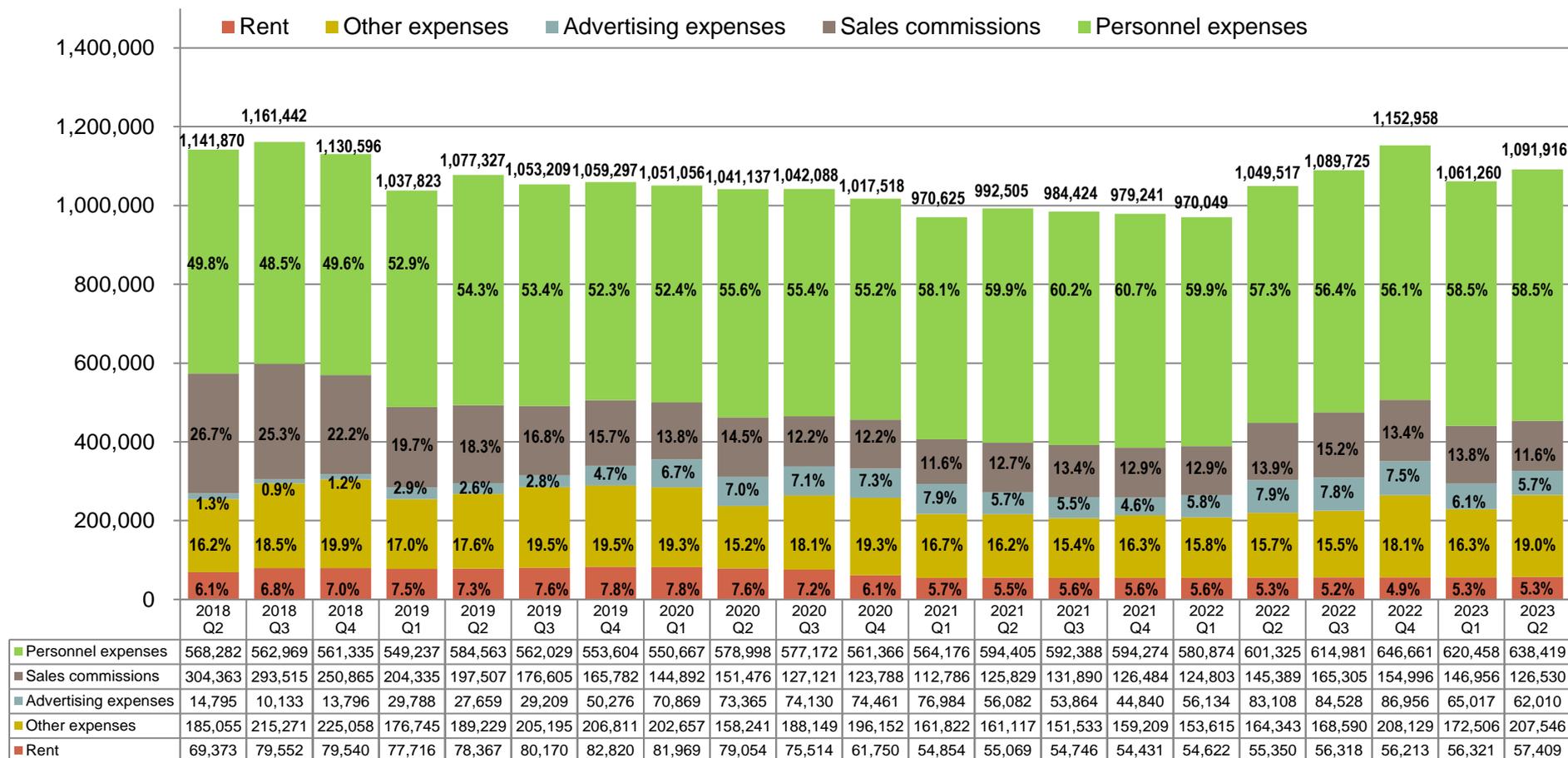
**Transaction volumes for fiscal years 2022 and later were calculated internally to enable comparison with comparable figures prior and up to 2021, which were disclosed as net sales.**

# Selling, General and Administrative Expenses

## (Consolidated/Quarterly Basis)

Management  
Indicators

(¥ thousands)



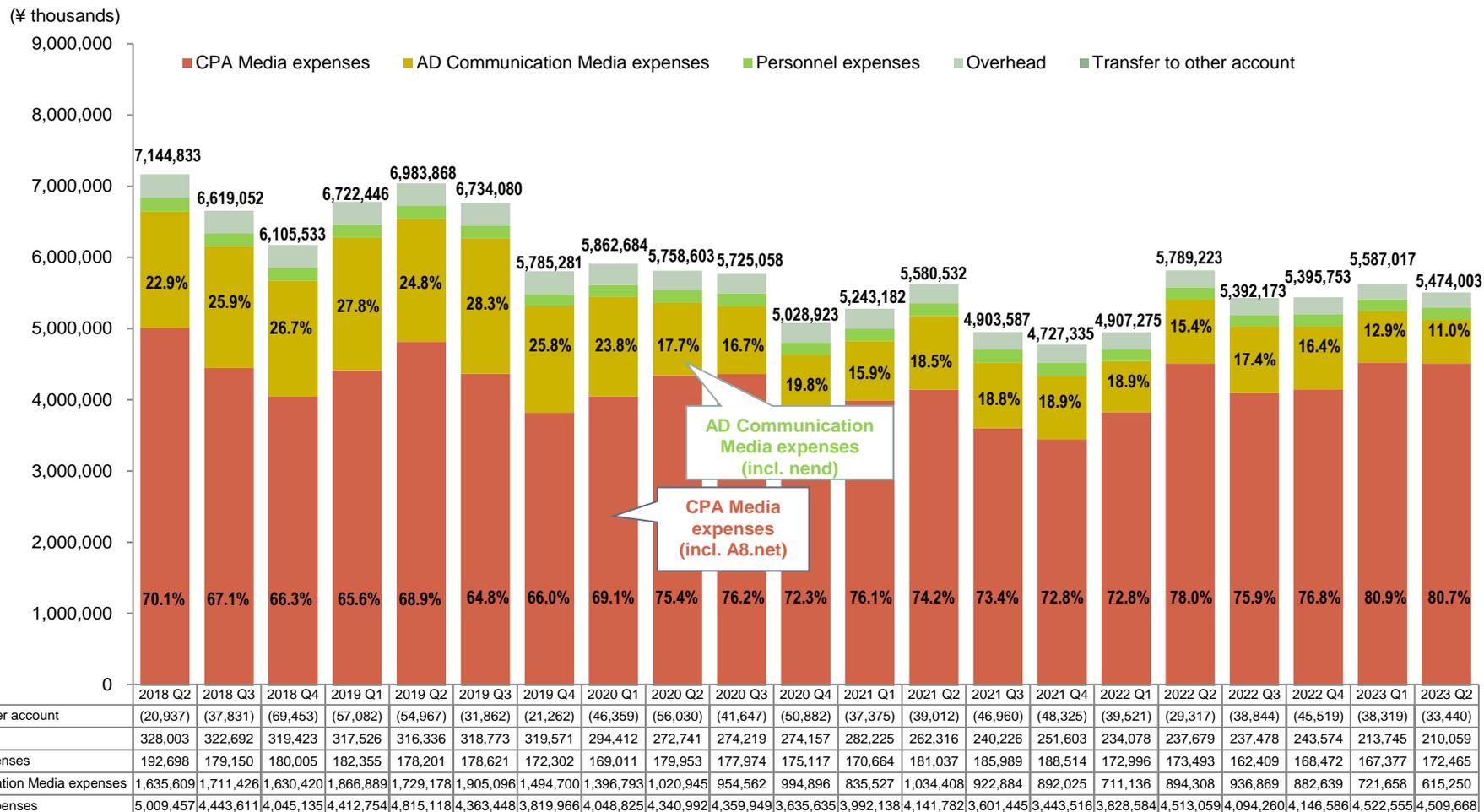
**Notes: Figures for 2022 and later above have been calculated based on the previous revenue recognition standard to enable comparison with previous results.**

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

# Cost of Sales

## (Consolidated/Quarterly Basis)

### Management Indicators



**Notes: Figures for 2022 and later above have been calculated based on the previous revenue recognition standard to enable comparison with previous results.**

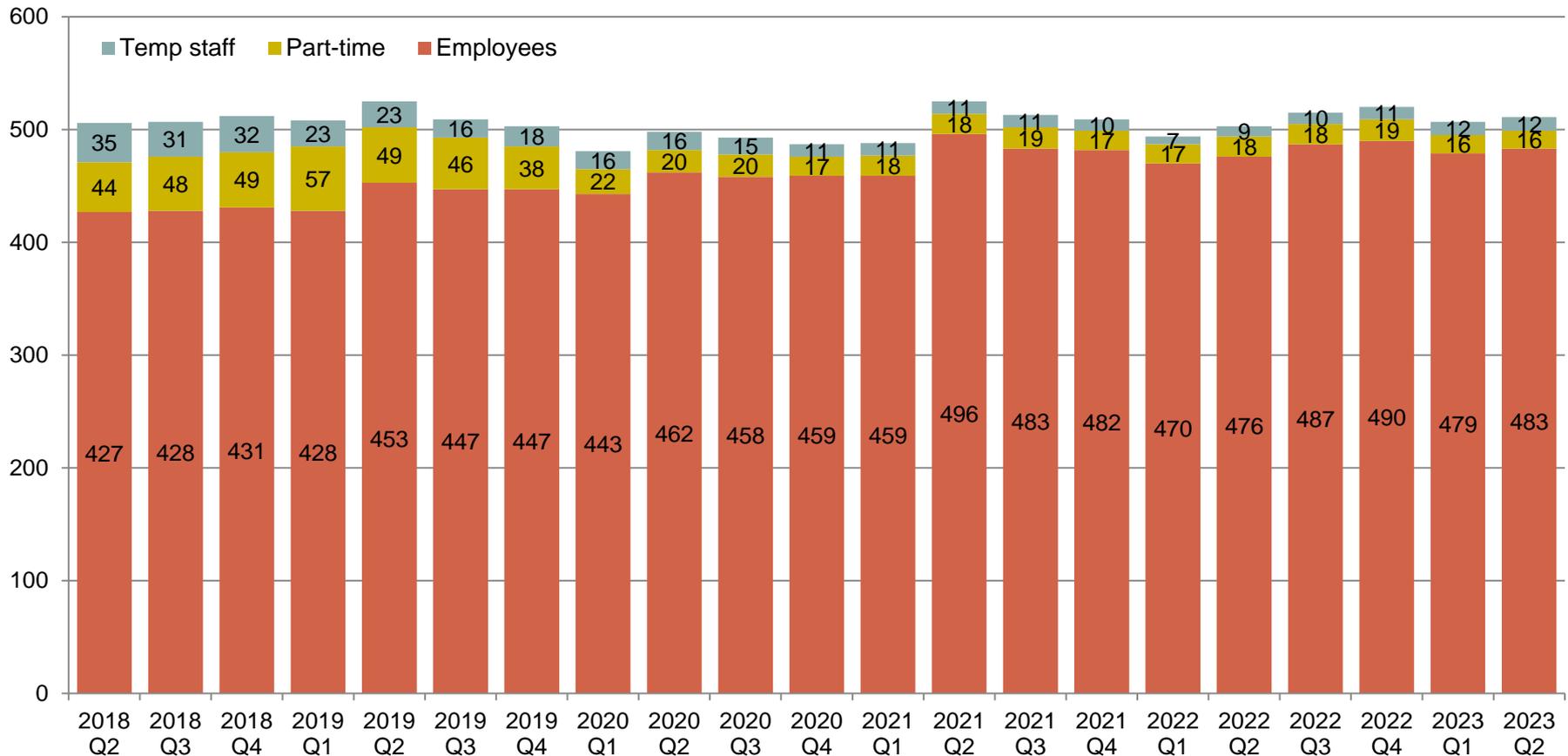
CPA Media expenses primarily consist of A8.net and seedApp. AD Communication Media expenses primarily consist of nend.

Overhead mainly consists of infrastructure costs such as data center costs.

# Number of Employees

(Consolidated/Quarterly Basis)

Management  
Indicators



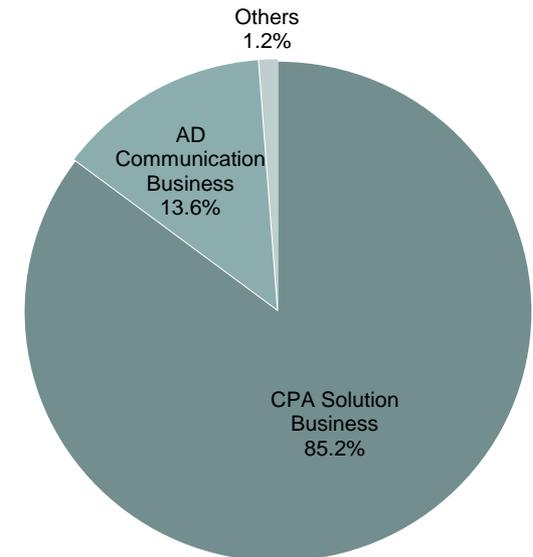
As of 2023 Q2, the Group employed 511 people (+8 YoY; +4 QoQ).

## Overview by Service Category

## Transaction Volume by Reportable Segment (Consolidated/Quarterly Basis)

### Overview by Service Category

(¥ thousands)	2023 Q2 (Apr.–Jun.)	2022 Q2 (Apr.–Jun.)	YoY Change
CPA Solution Business	<b>6,031,925</b> (1,520,294)	<b>6,086,324</b> (1,579,213)	<b>-0.9%</b>
AD Communication Business	<b>959,588</b> (249,532)	<b>1,303,317</b> (308,092)	<b>-26.4%</b>
Others	<b>84,238</b> (75,101)	<b>123,935</b> (109,966)	<b>-32.0%</b>
<b>Total transaction volume (Net sales)</b>	<b>7,075,753</b> (1,844,929)	<b>7,513,577</b> (1,997,272)	<b>-5.8%</b>



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

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

Others: Seesaa Inc.

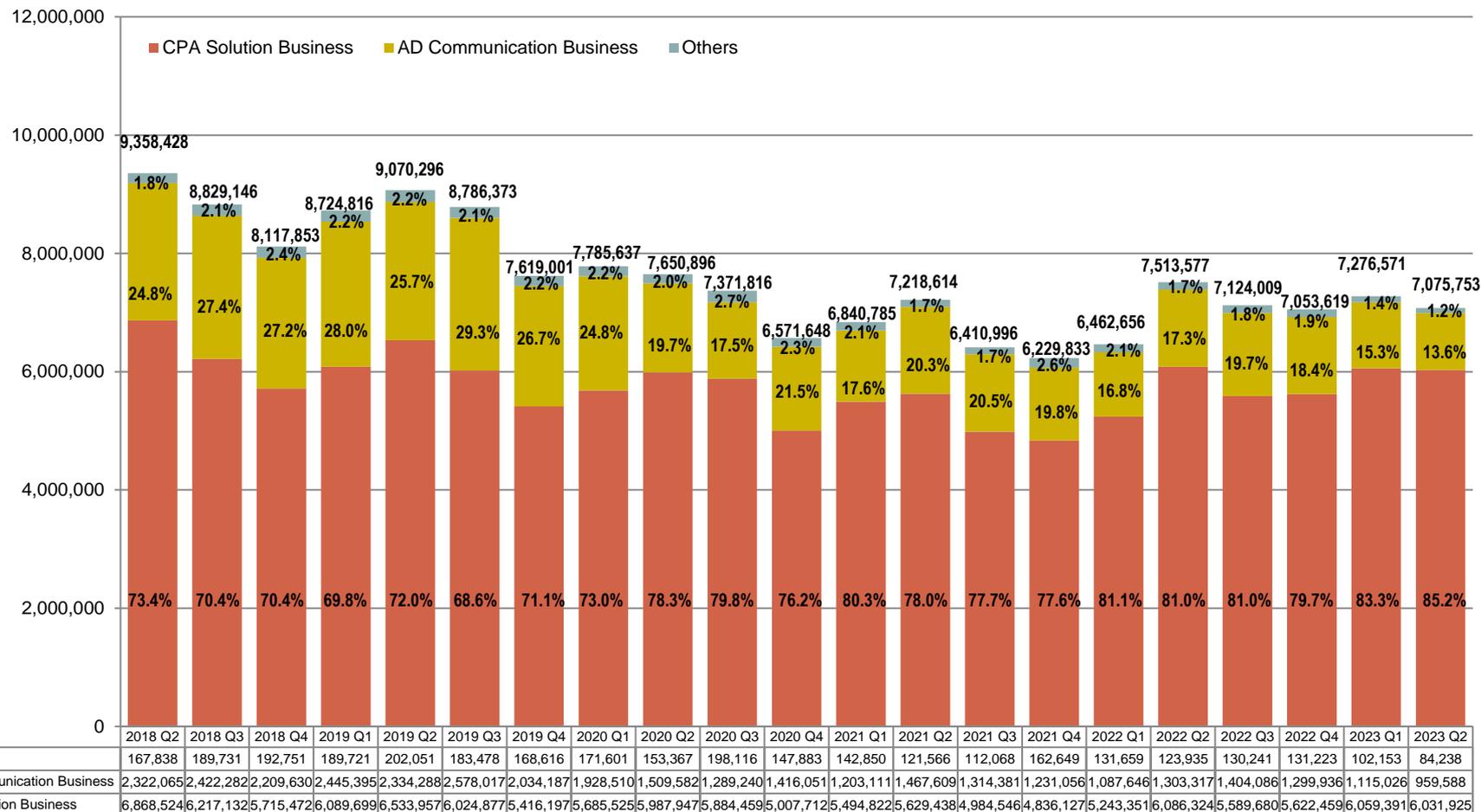
**Notes: The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) from the beginning of 2022. Transaction volumes for fiscal years 2022 and later were calculated internally to enable comparison with comparable figures prior and up to 2021, which were disclosed as net sales.**

Figures for transaction volume and net sales represent amounts after elimination of intragroup transactions.

# Transaction Volume by Reportable Segment (Consolidated/Quarterly Basis)

Overview by  
Service Category

(¥ thousands)



Notes: Figures for transaction volume represent amounts before elimination of intragroup transactions.

**The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) from the beginning of 2022.**

**Transaction volumes for fiscal years 2022 and later were calculated internally to enable comparison with comparable figures prior and up to 2021, which were disclosed as net sales.**

# A8.net

## Summary

### CPA Solution Business

	2023 Q2 (Apr.–Jun.)	2022 Q2 (Apr.–Jun.)	YoY Change
<b>Transaction volume</b> (¥ thousands)	<b>5,588,787</b>	<b>5,535,162</b>	<b>1.0%</b>
<b>Number of operating advertiser IDs</b>	<b>3,364</b>	<b>3,319</b>	<b>1.4%</b>
<b>Number of registered partner sites</b>	<b>3,304,106</b>	<b>3,131,305</b>	<b>5.5%</b>

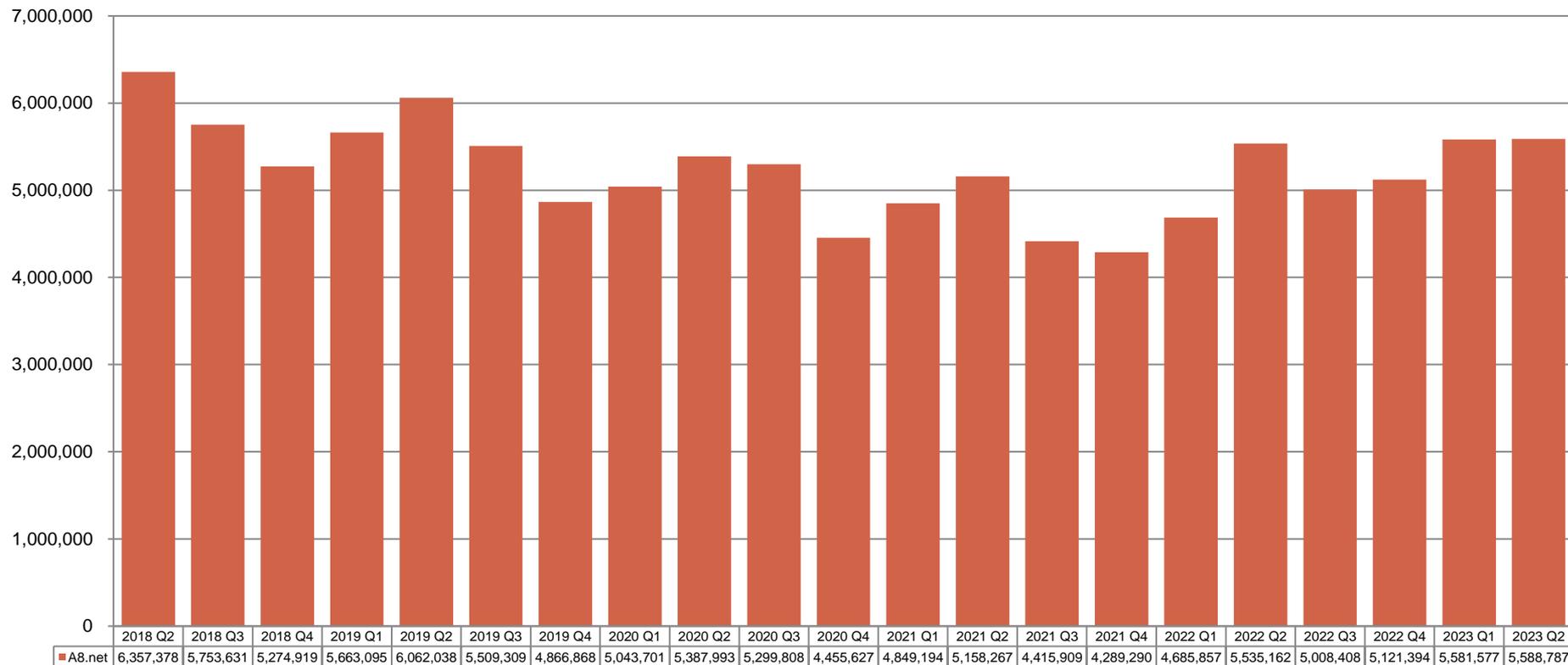
Notes: Figures for transaction volume represent amounts before elimination of intragroup transactions.  
The number of operating advertiser IDs increased by 47 YoY.

A8.net

CPA Solution Business

## Transaction Volume (Quarterly Basis)

(¥ thousands)

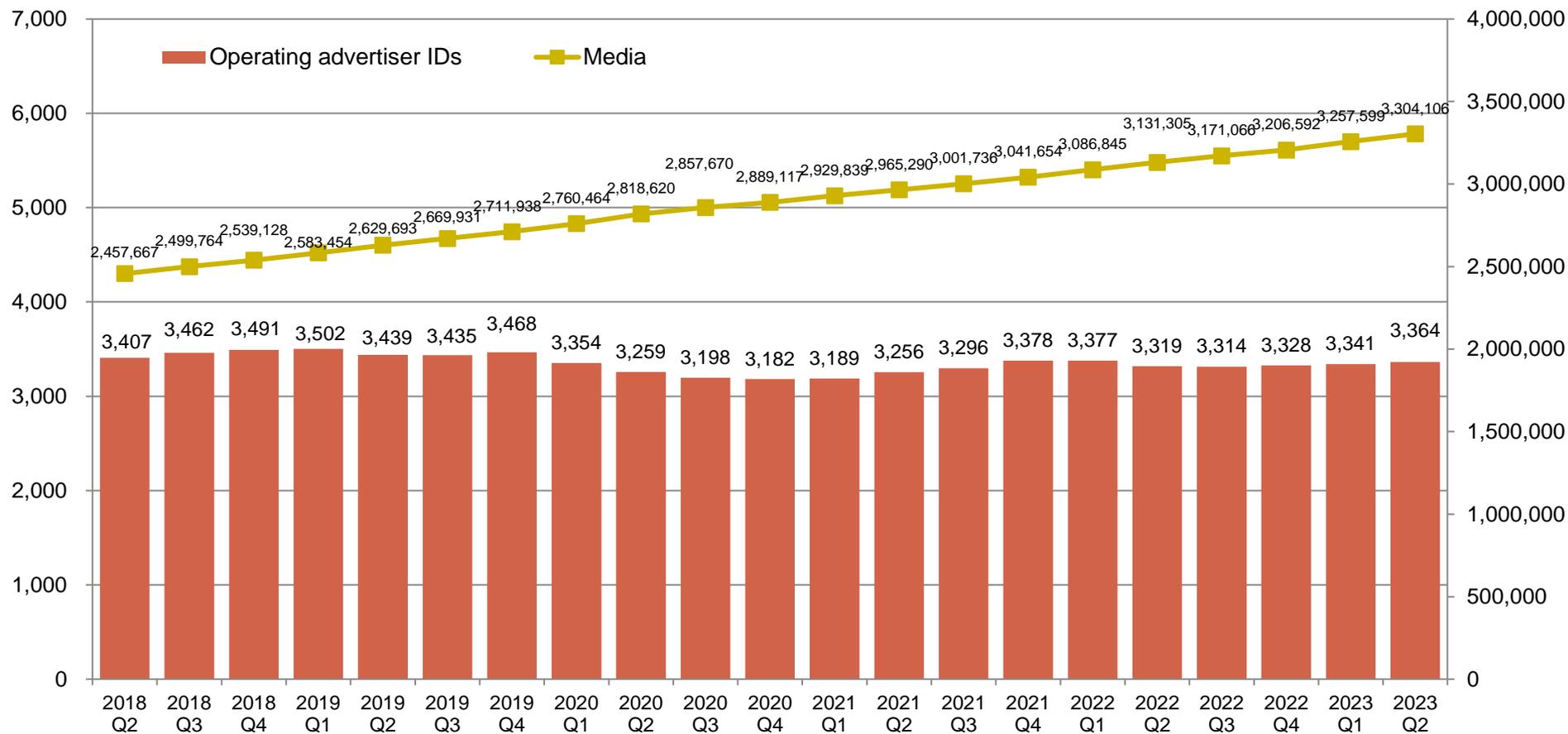


Note: Figures for transaction volume represent amounts before elimination of intragroup transactions.

A8.net

CPA Solution Business

## Number of Operating Advertisers and Media (Quarterly Basis)

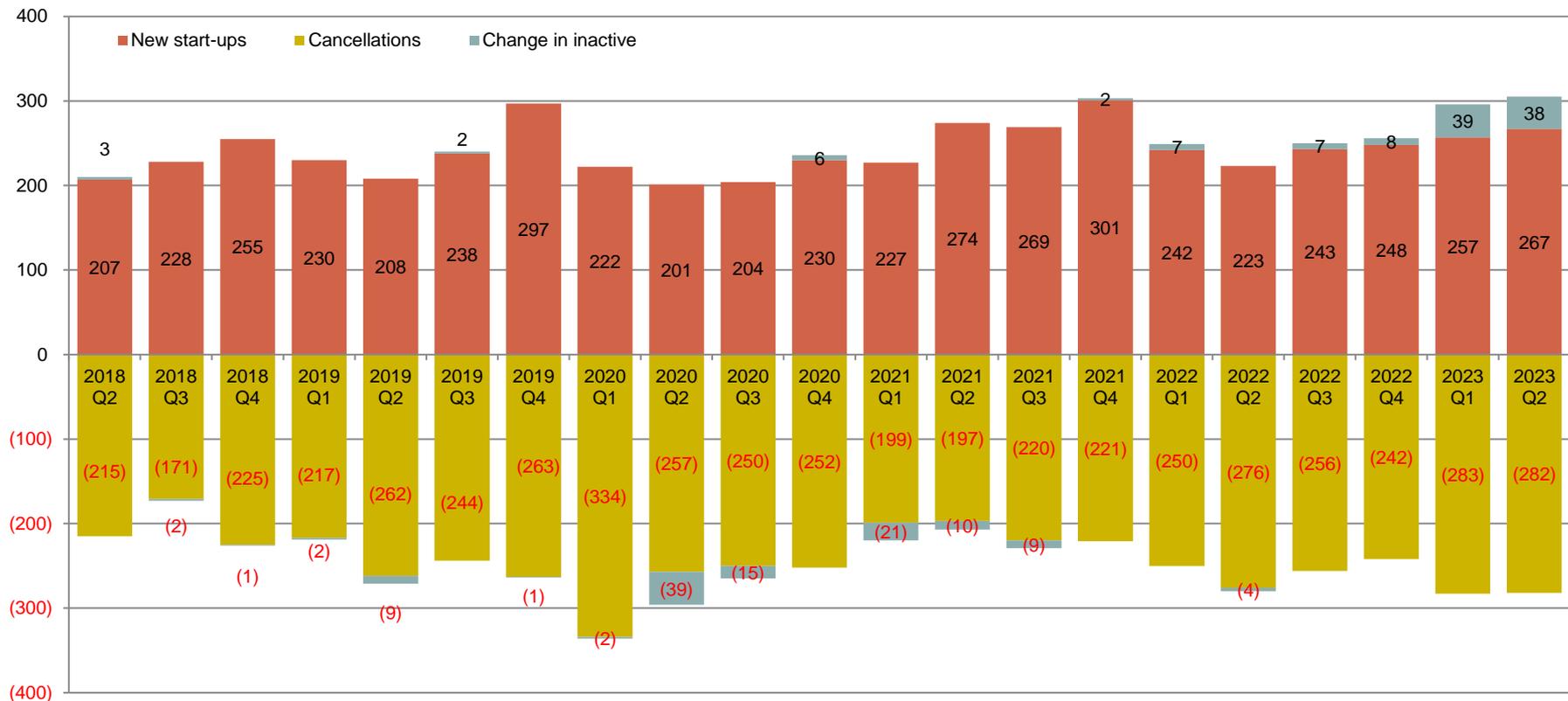


Notes: The number of operating advertisers is as of the final month of each quarter.  
 The number of operating advertisers increased by 25 from 2023 Q1.  
 The number of overseas operating advertisers was 85, down one from 2023 Q1.

## A8.net

## CPA Solution Business

## New Advertiser Start-Ups and Cancellations

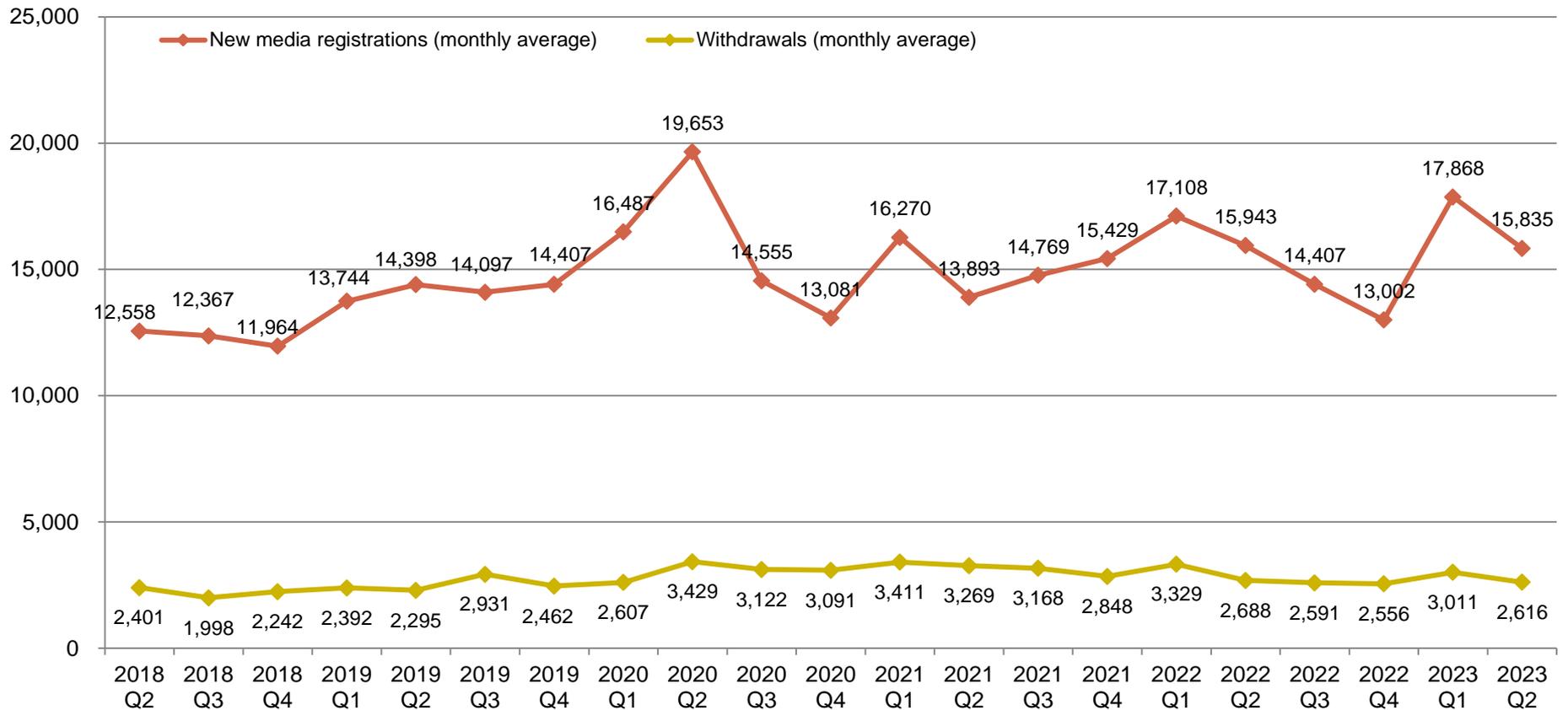


Note: "Change in inactive" is the difference between the number of customers who switched from "operating" to "inactive" and the number of customers switched from "inactive" to "operating," adjusted for the number of customers who switched from "inactive" to "cancelled," which is included under "cancellations."

A8.net

CPA Solution Business

## Average Monthly New Media Registrations and Withdrawals

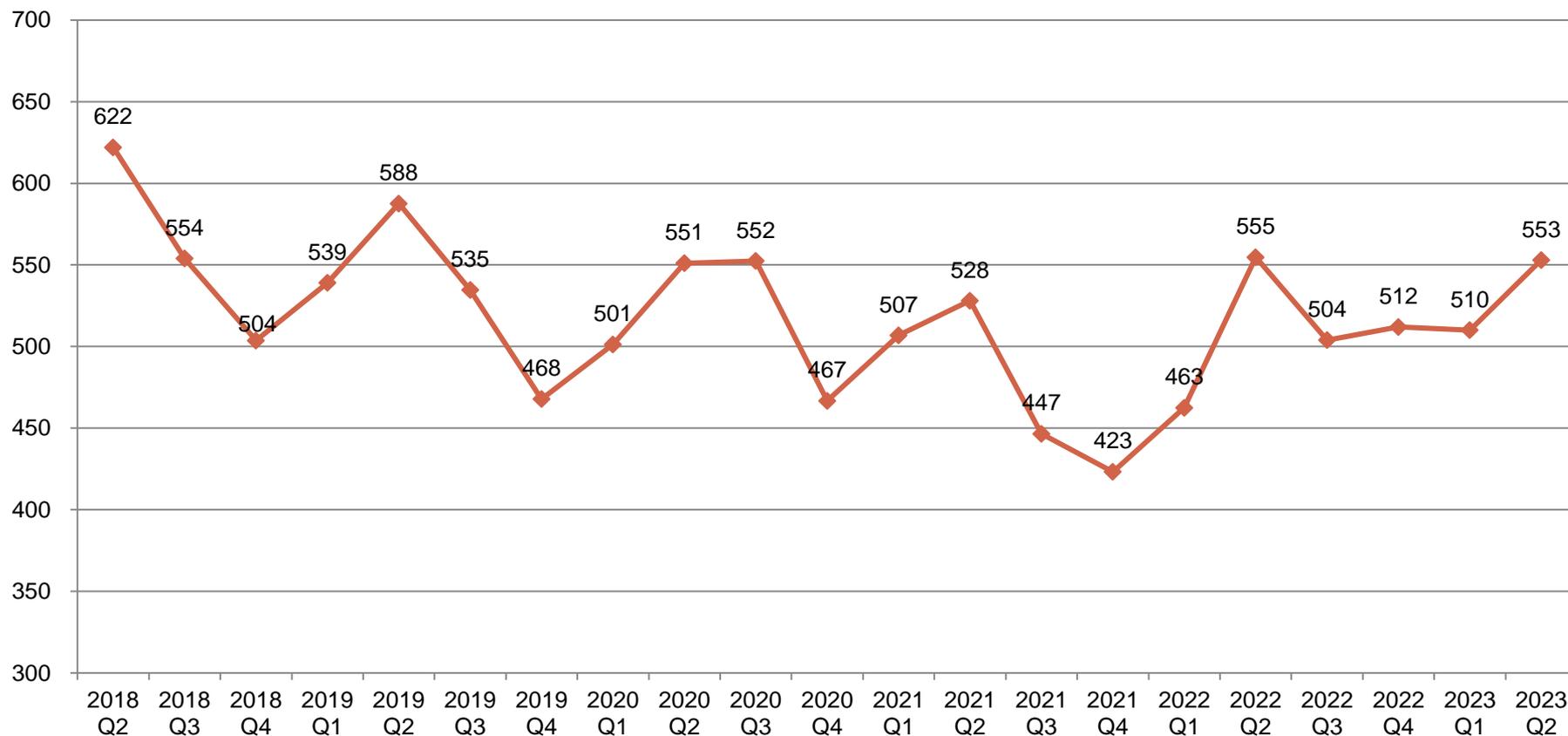


A8.net

CPA Solution Business

## Average Monthly Transaction Volume per Advertiser

¥ thousands



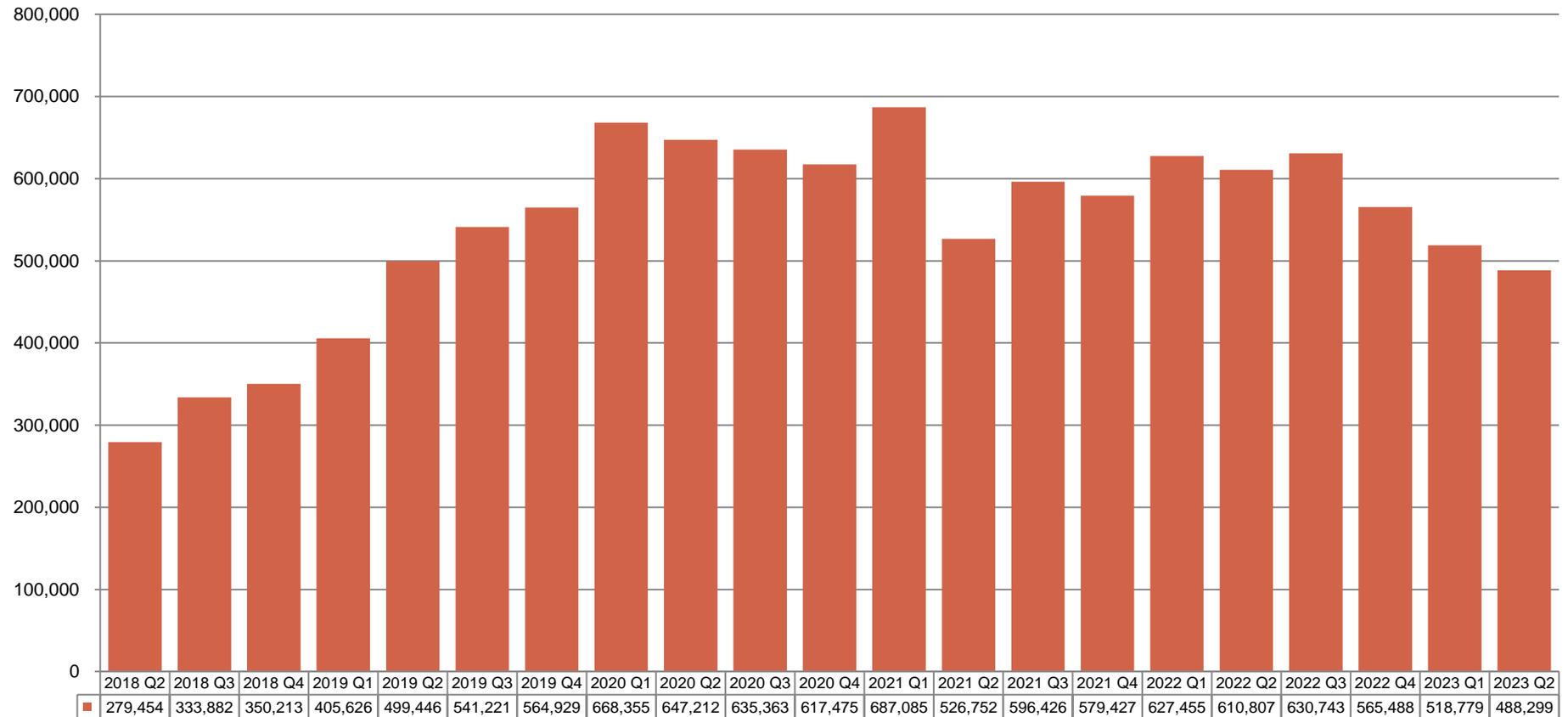
Note: Figures for transaction volume represent amounts before elimination of intragroup transactions.

## seedApp

## Transaction Volume (Quarterly Basis)

CPA Solution Business

¥ thousands)



Note: Figures for transaction volume represent amounts before elimination of intragroup transactions.

# nend

## Summary

### AD Communication Business

	2023 Q2 (Apr.–Jun.)	2022 Q2 (Apr.–Jun.)	YoY Change
Transaction volume (¥ thousands)	<b>736,419</b>	<b>978,778</b>	<b>-24.8%</b>
Number of operating advertiser IDs	<b>93</b>	<b>110</b>	<b>-15.5%</b>
Number of ad spaces on registered partner sites	<b>1,132,232</b>	<b>1,057,458</b>	<b>7.1%</b>

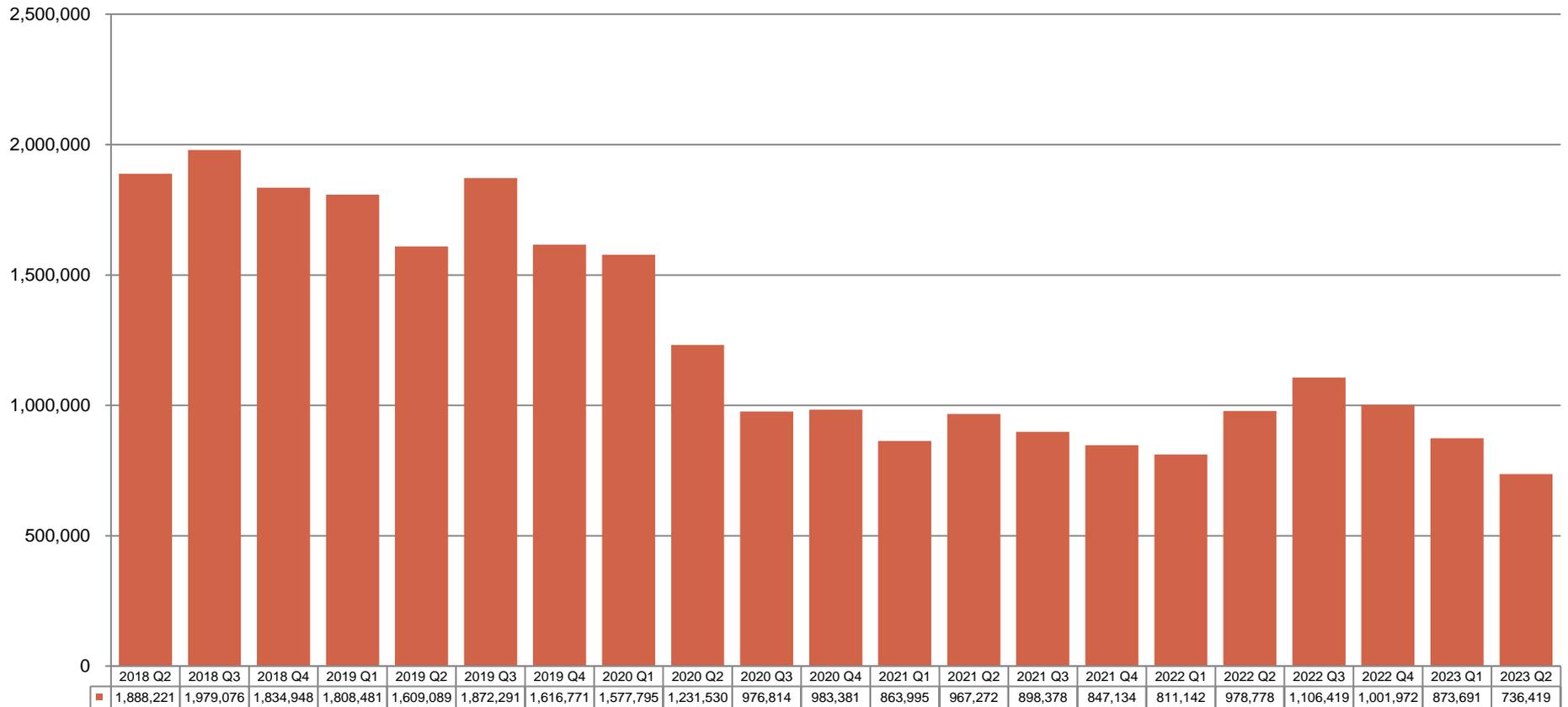
Notes: Figures for transaction volume represent amounts before elimination of intragroup transactions.  
Figures only include results of nend and exclude other services.

nend

AD Communication Business

## Transaction Volume (Quarterly Basis)

(¥ thousands)

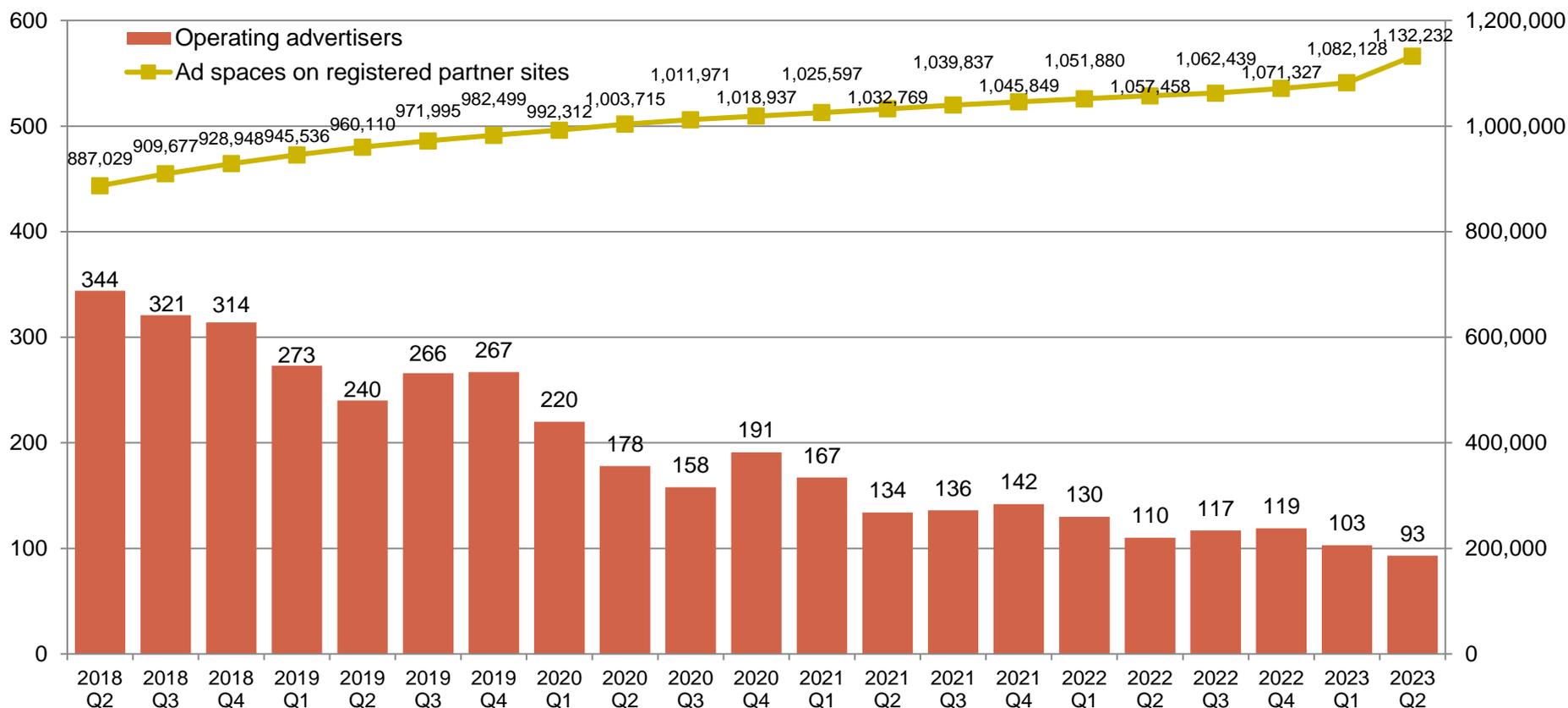


Note: Figures for transaction volume represent amounts before elimination of intragroup transactions.

# nend

## AD Communication Business

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



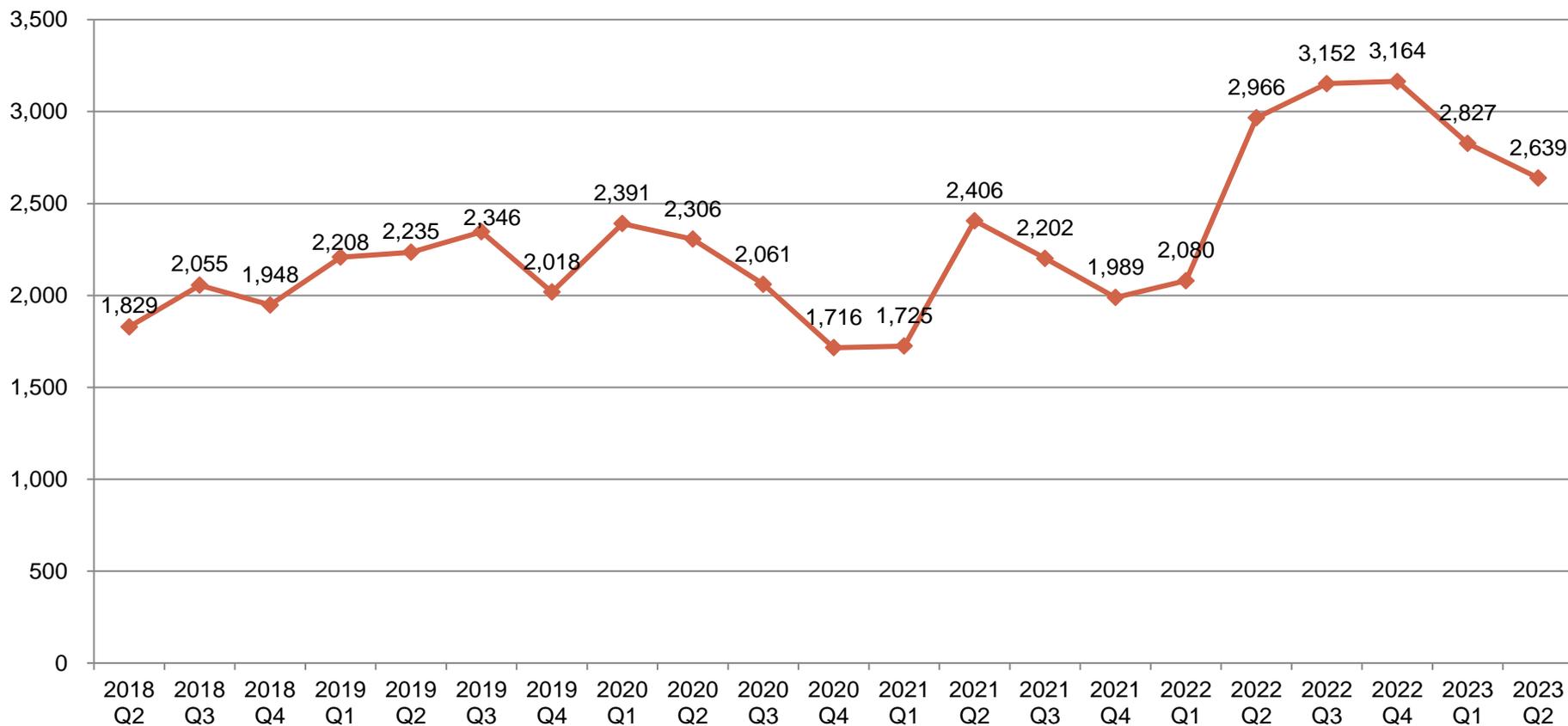
Note: The number of operating advertisers is as of the final month of each quarter.

nend

AD Communication Business

## Average Monthly Transaction Volume per Advertiser

(\u00a5 thousands)



## Consolidated Group Businesses

# FAN Communications Global, Inc.

Established: March 1, 2012  
(Wholly owned by FAN Communications, Inc.)

## Main Business

Provision of proposal-based sales solutions and consulting to smartphone app advertisers for their marketing activities targeting Japan  
Game publishing business



(¥ thousands)	2023 Q2	2022 Full year
Transaction volume	518,412	1,580,598
Net sales	71,470	169,109
Operating income (loss)	(11,096)	(360)
Profit attributable to owners of the parent	874	17,049

Note: Figures represent amounts before elimination of intragroup transactions.

Notes: Figures for transaction volume and net sales represent amounts before elimination of intragroup transactions.

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# 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)	2023 Q2	2022 Full year
Transaction volume	222,965	621,587
Net sales	189,709	535,895
Operating income (loss)	(57,720)	(88,999)
Profit (loss) attributable to owners of the parent	(87,290)	(156,266)

Note: Figures represent amounts before elimination of intragroup transactions.



Notes: Figures for transaction volume and net sales represent amounts before elimination of intragroup transactions.

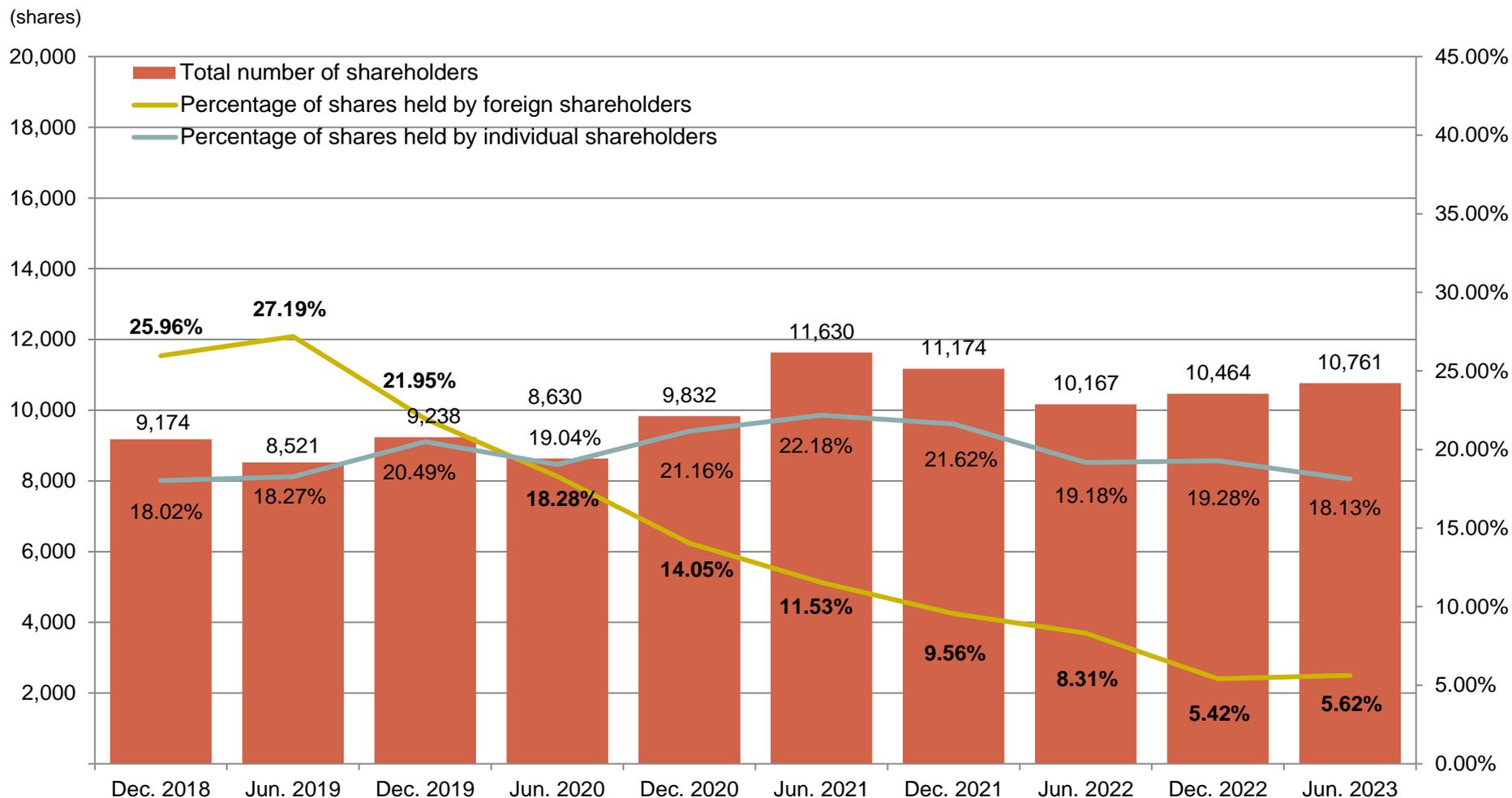
**The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) from the beginning of 2022. Transaction volumes for fiscal years 2022 and later were calculated internally to enable comparison with comparable figures prior and up to 2021, which were disclosed as net sales.**

## Stock Information

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



Note: Percentage of shares held by individual shareholders does not include shares held by the Company executives.

## 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	<b>FAN Communications, Inc.</b>
■ Securities code	<b>2461 (Tokyo Stock Exchange, Prime Market)</b>
■ Fiscal year-end	<b>December</b>
■ Established	<b>October 1, 1999</b>
■ Capital	<b>¥1,173.67 million (As of June 30, 2023)</b>
■ President and Representative Director	<b>Yasuyoshi Yanagisawa</b>
■ Number of employees	<b>Non-consolidated: 449</b> <b>Group total: 511</b> <small>(As of June 30, 2023; includes part-time and temp staff)</small>
■ Headquarters	<b>Aoyama Diamond Building</b> <b>1-1-8, Shibuya, Shibuya-ku, Tokyo 150-0002, Japan</b>
■ Telephone	<b>+81-(0)3-5766-3530 (IR)</b>
■ Fax	<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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## Contact

**FAN Communications, Inc.**

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