



First Quarter of 2024
Presentation of Financial Results

May 9, 2024

FAN Communications, Inc.

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First Quarter of 2024 Results Highlights

First Quarter of 2024 (Jan.–Mar.): Key Points

Results Highlights

1. Versus the previous quarter (fourth quarter of 2023), transaction volume declined 6.6% while ordinary income fell 11.7%.
2. Transaction volume and ordinary income were down 16.2% and 41.8% YoY, respectively.
3. The main reason for these decreases is the scaling down of the nend business.
We discontinued services of the nend business at the end of March 2024, and expect to see the YoY impact of the nend exit in 2024.
4. We accelerated investment in the new internet marketing support business from Q1, mainly kicking off development activities for solutions targeting A8.net customers. Multiple service releases are scheduled for Q3 onward.

Consolidated Results of Operations

Results Highlights

(¥ thousands)	2024 Q1	2023 Q1	YoY Change	% of transaction
Transaction volume	6,100,487	7,276,571	-16.2%	100%
Net sales	1,702,476	1,919,592	-11.3%	27.9%
Operating income	352,240	628,292	-43.9%	5.8%
Ordinary income	355,001	610,141	-41.8%	5.8%
Profit attributable to owners of the parent	515,595	389,948	32.2%	8.5%
Ordinary income to transaction volume ratio	5.8%	8.4%	-2.6pt	-
Earnings per share	¥7.78	¥5.89	32.1%	-
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 prior to 2022 have been calculated internally to enable comparison with said figures for 2022 and later. Until end-2021, transaction volume was disclosed as net sales.

- No diluted earnings per share has been provided for 2021, because there were no shares with potential dilutive effect.

Consolidated Balance Sheets

Results Highlights

(¥ thousands)	December 31, 2023	March 31, 2024
Assets		
Current assets	21,155,201	19,917,981
Cash and deposits	17,299,374	16,194,569
Accounts receivable – trade	2,877,883	2,642,815
Securities	596,288	697,606
Other	390,711	392,159
Allowance for doubtful accounts	-9,057	-9,168
Fixed assets	2,223,020	2,480,974
Property, plant and equipment	92,258	86,536
Intangible assets	387,974	401,595
Investments and other assets	1,742,787	1,992,842
Total assets	23,378,221	22,398,956
Liabilities and net assets		
Current liabilities	5,372,257	5,105,298
Accounts payable – trade	4,315,292	4,077,903
Income taxes payable	303,606	58,797
Other current liabilities	753,357	968,596
Long-term liabilities	117,356	113,712
Total liabilities	5,489,613	5,219,011
Total net assets	17,888,608	17,179,944
Total liabilities and net assets	23,378,221	22,398,956

Consolidated Performance Forecast

Results
Highlights

(¥ millions)	2024 Full-Year Forecast	2024 1Q Result	Progress (% of Full-Year Forecast)
Net sales	6,980	1,702	24.4%
Operating income	1,910	352	18.4%
Ordinary income	1,920	355	18.5%
Profit attributable to owners of the parent	1,560	515	33.0%

*No revisions have been made to the performance forecast announced on May 2, 2024.

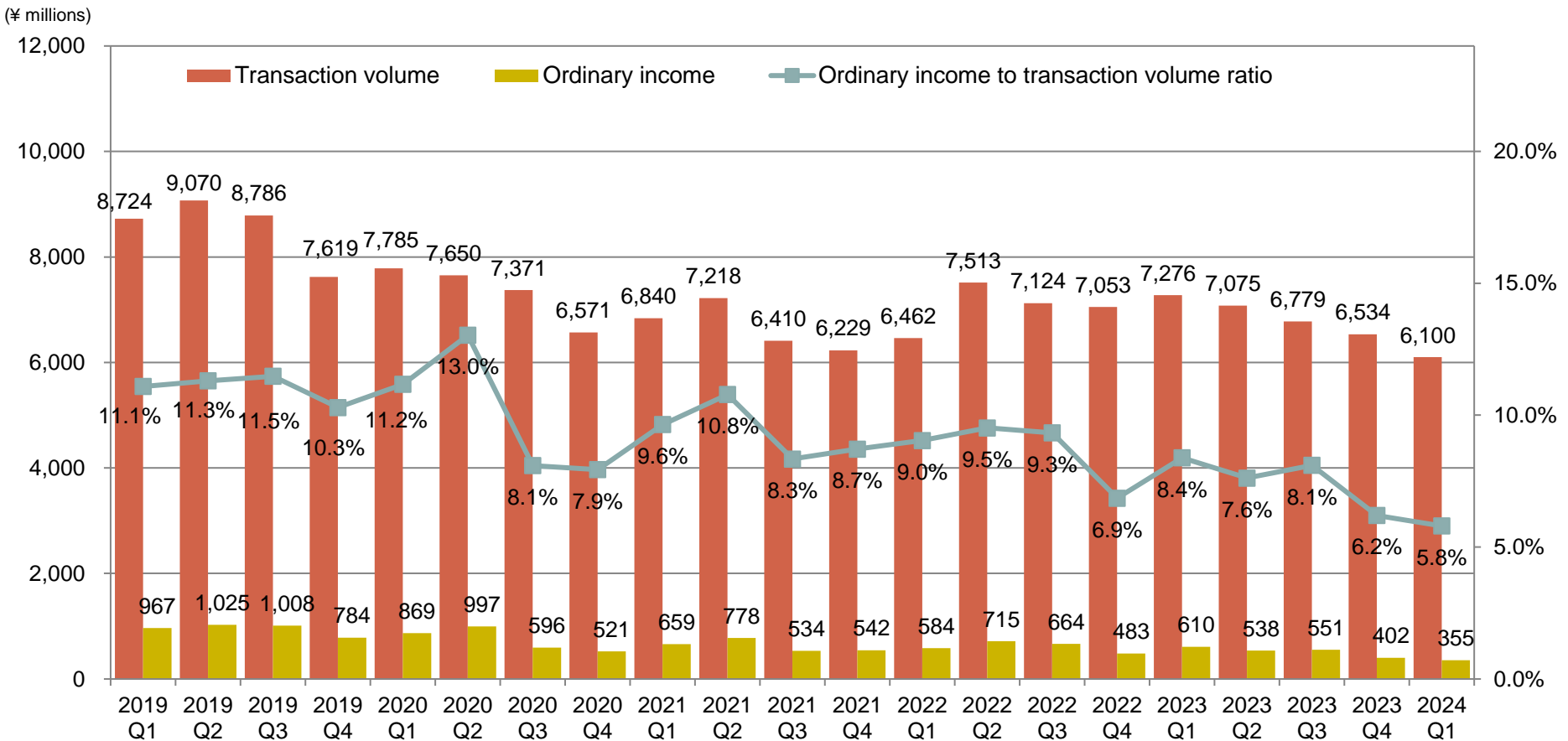
Dividend Forecast

	2024 Forecast	2023 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

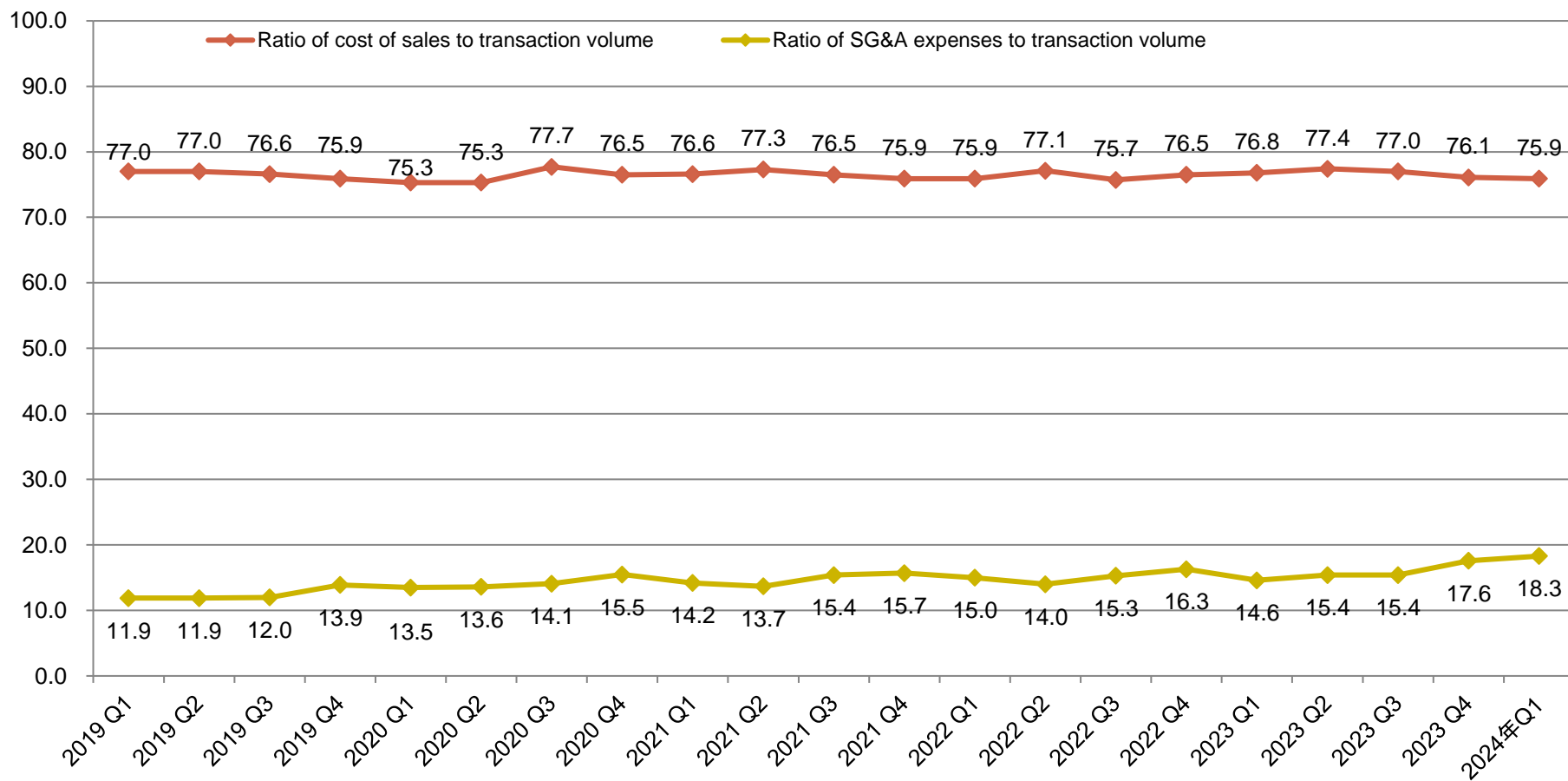


Notes: The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) from the beginning of 2022. Transaction volumes for fiscal years prior to 2022 have been calculated internally to enable comparison with said figures for 2022 and later. Until end-2021, transaction volume was disclosed as net sales.

Cost of Sales Ratio and SG&A Ratio

(Consolidated/Quarterly Basis)

Management
Indicators

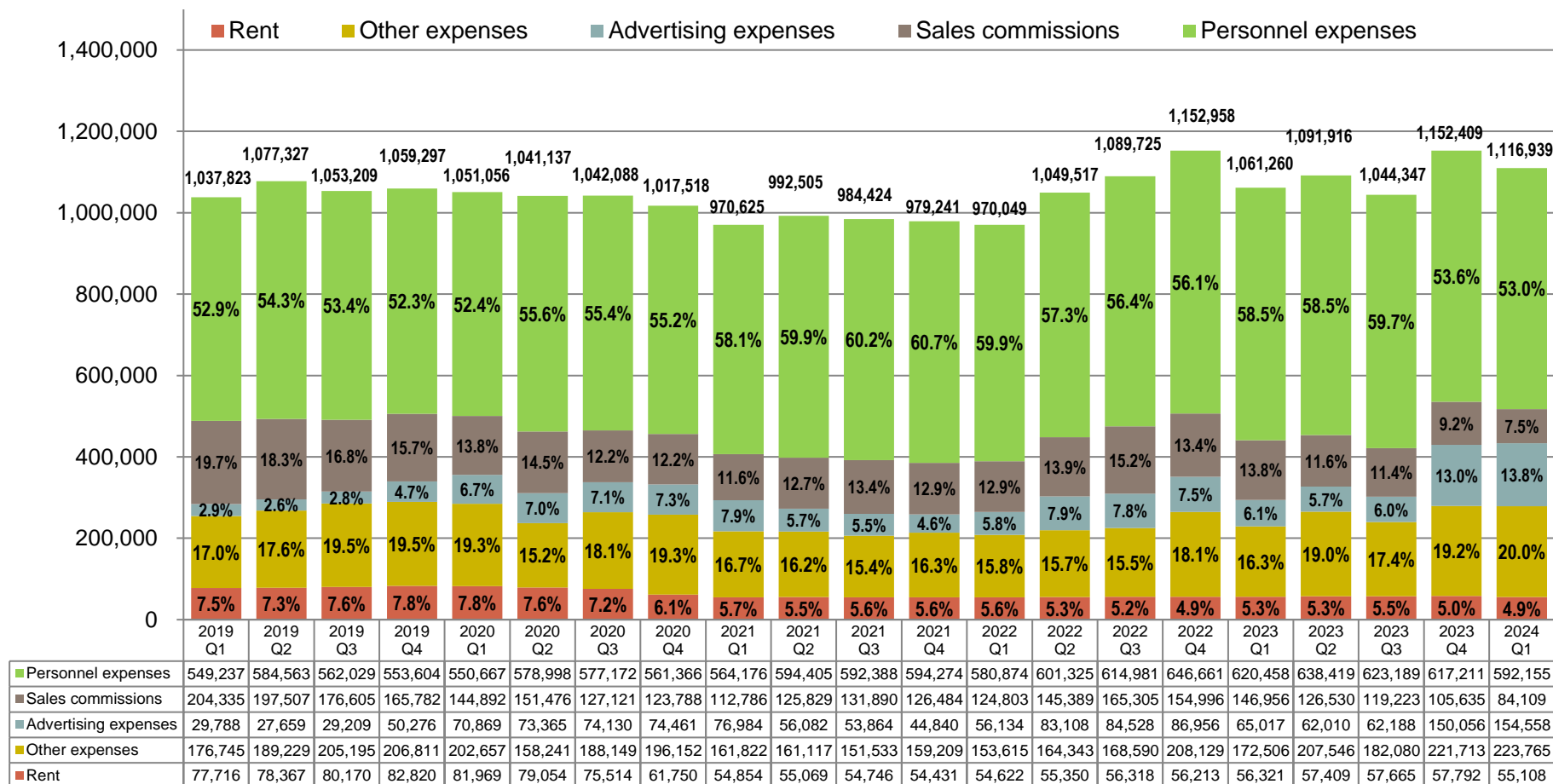


Notes: Figures for 2022 above have been calculated based on the previous revenue recognition standard to enable comparison with previous results.
Transaction volumes for fiscal years prior to 2022 have been calculated internally to enable comparison with said figures for 2022 and later. Until end-2021, transaction volume was 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.

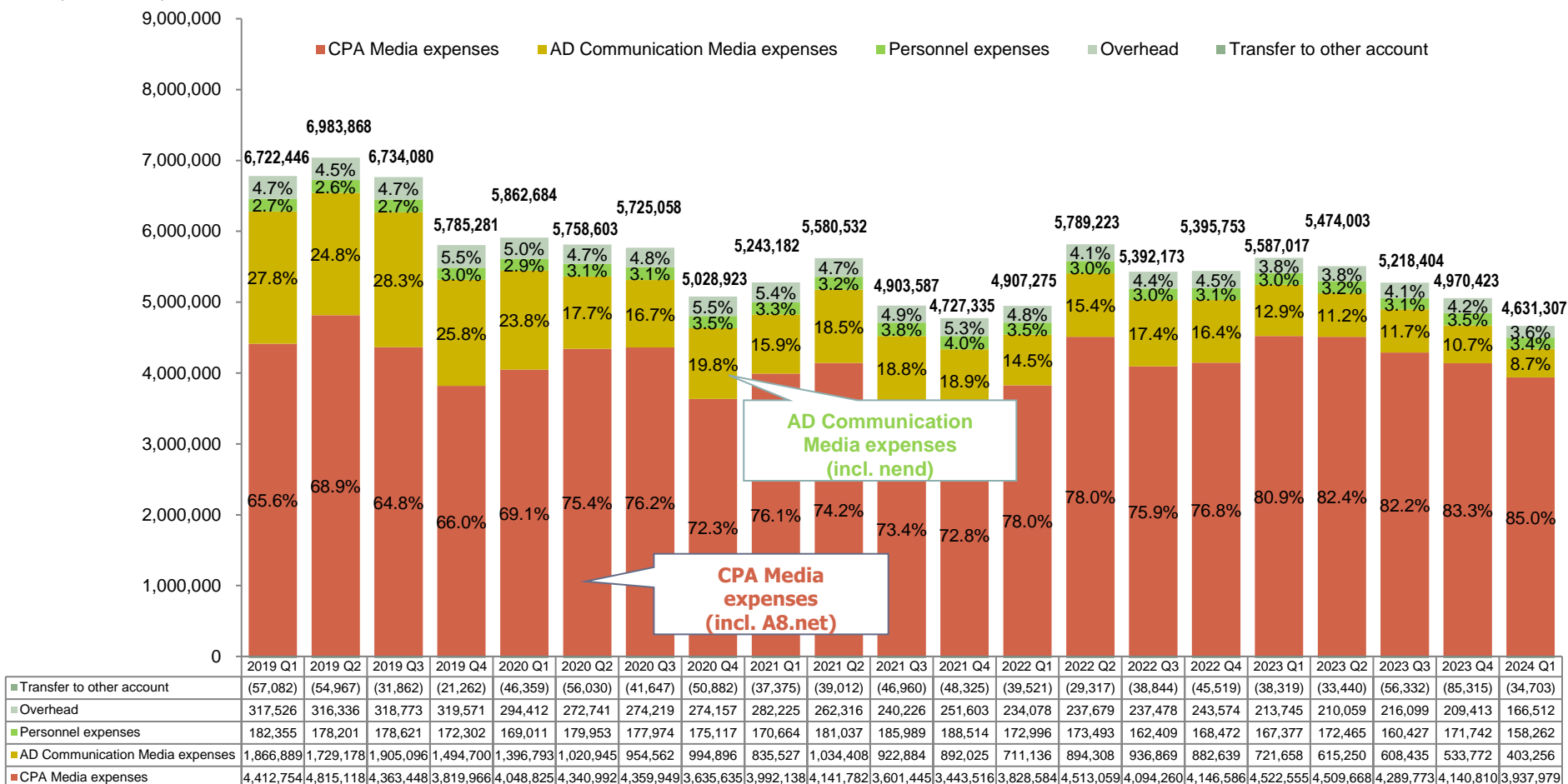
Other expenses include outsourcing fees, payment fees, etc.

Cost of Sales

(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.

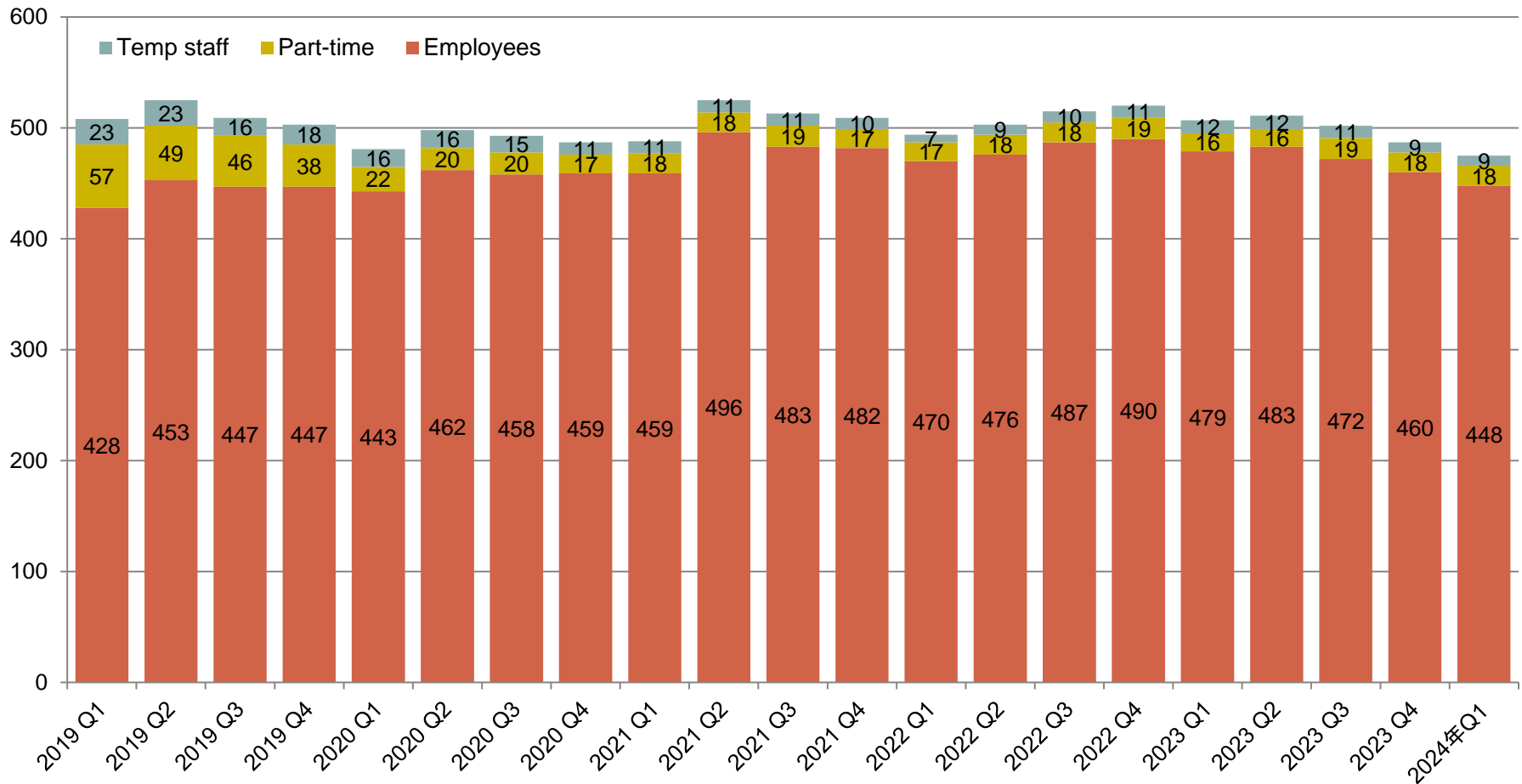
CPA Media expenses primarily consist of A8.net and seedApp. AD Communication Media expenses primarily consist of nend.

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

Number of Employees

(Consolidated/Quarterly Basis)

Management
Indicators



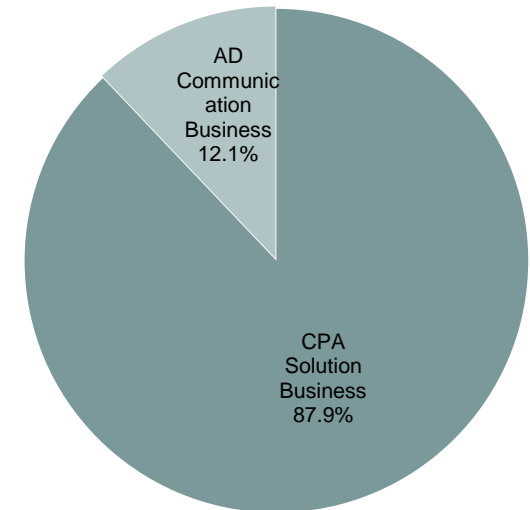
As of 2024 Q1, the Group employed 475 people (-32 YoY; -12 QoQ).

Overview by Service Category

Transaction Volume by Reportable Segment (Consolidated/Quarterly Basis)

Overview by
Service Category

(¥ thousands)	2024 Q1 (Jan.–Mar.)	2023 Q1 (Jan.–Mar.)	YoY Change
CPA Solution Business	5,364,152 (1,422,922)	6,059,391 (1,538,628)	-11.5%
AD Communication Business	736,335 (279,554)	1,115,026 (291,049)	-34.0%
Others	-	102,153 (89,914)	-
Total transaction volume (Net sales)	6,100,487 (1,702,476)	7,276,571 (1,919,592)	-16.2%



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

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

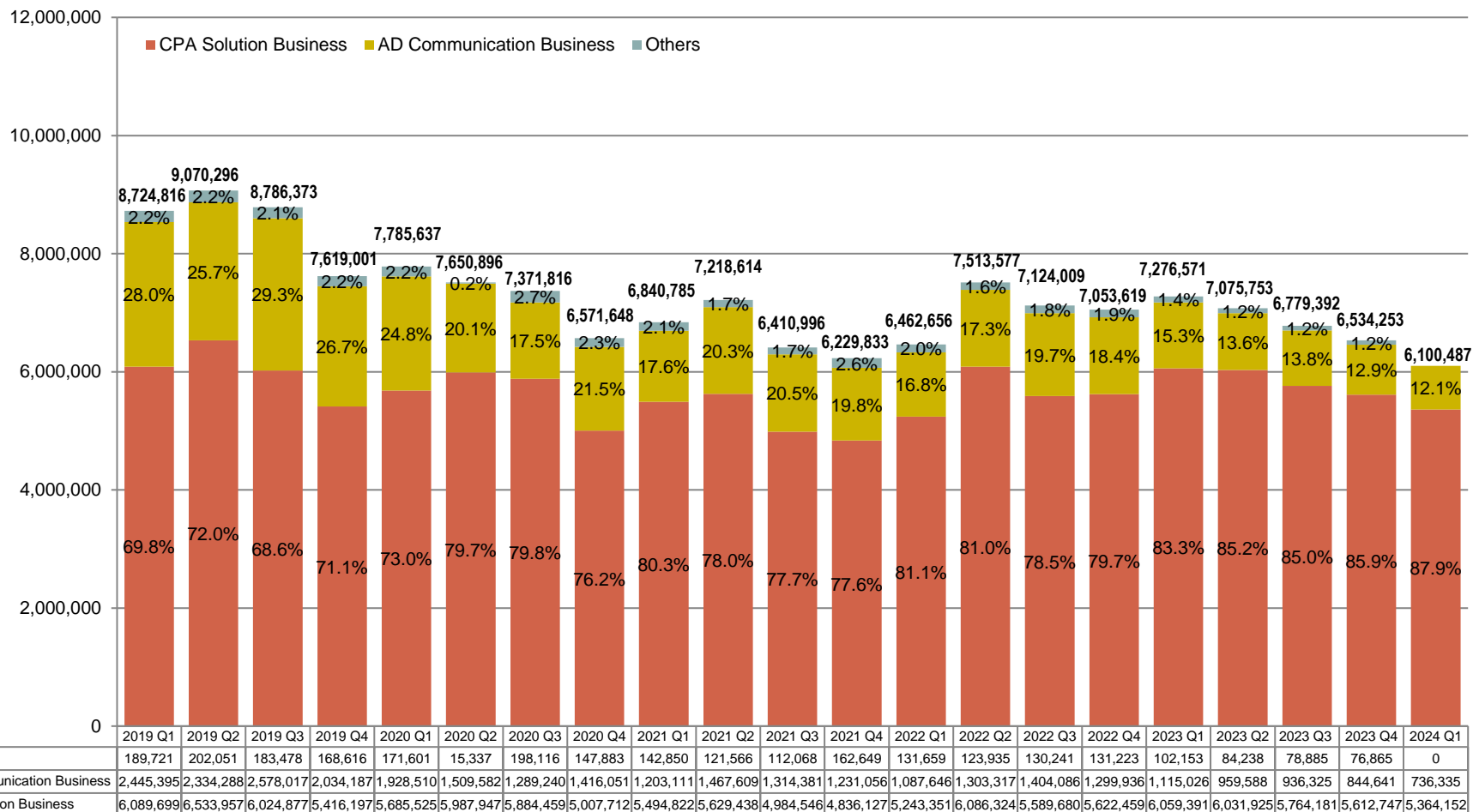
Others: Seesaa Inc.

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 prior to 2022 have been calculated internally to enable comparison with said figures for 2022 and later. Until end-2021, transaction volume was 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 prior to 2022 have been calculated internally to enable comparison with said figures for 2022 and later. Until end-2021, transaction volume was disclosed as net sales.

A8.net Summary

CPA Solution Business

	2024 Q1 (Jan.–Mar.)	2023 Q1 (Jan.–Mar.)	YoY Change
Transaction volume (¥ thousands)	4,878,821	5,581,577	-12.6%
Number of operating advertiser IDs	3,475	3,341	4.0%
Number of registered partner sites	3,421,804	3,257,599	5.0%

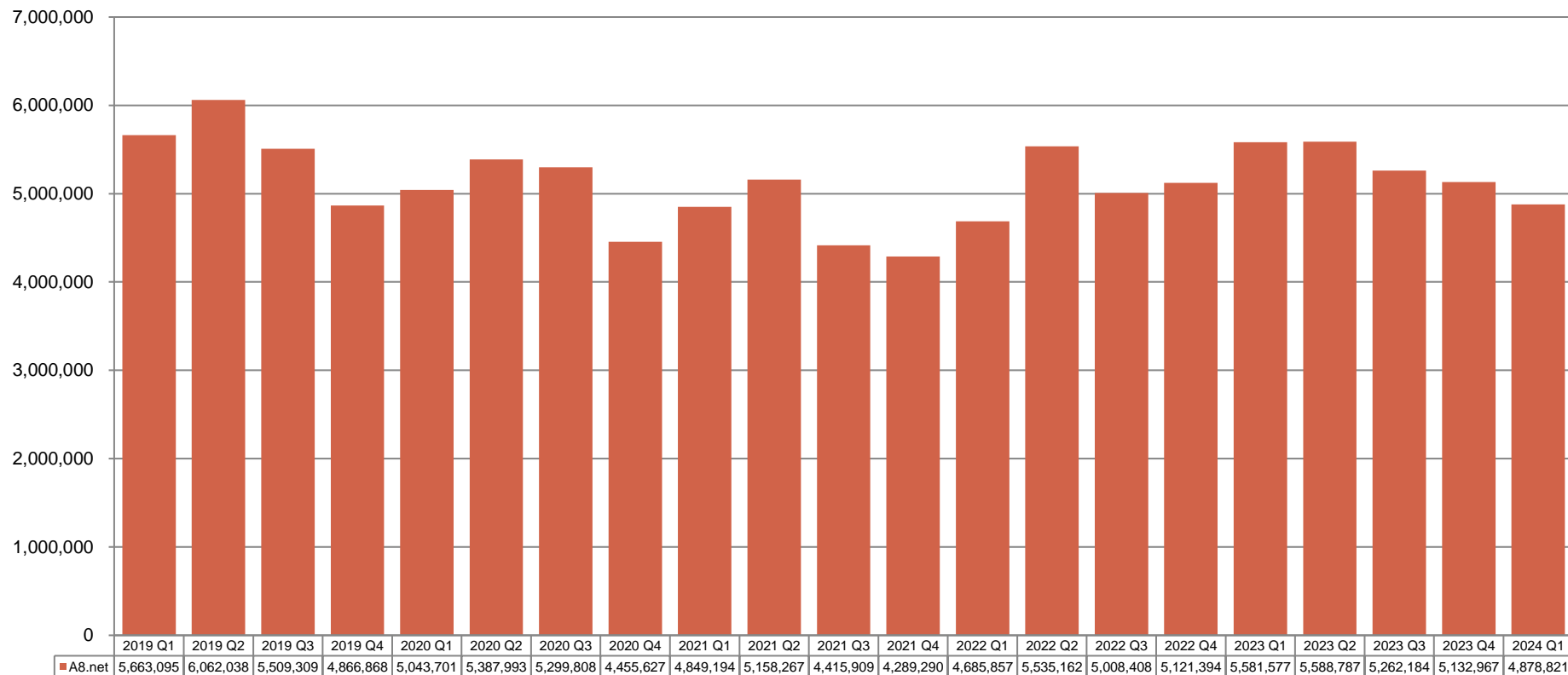
Notes: Figures for transaction volume represent amounts before elimination of intragroup transactions.
The number of operating advertiser IDs increased by 134 YoY.

A8.net

CPA Solution Business

Transaction Volume (Quarterly Basis)

(¥ thousands)

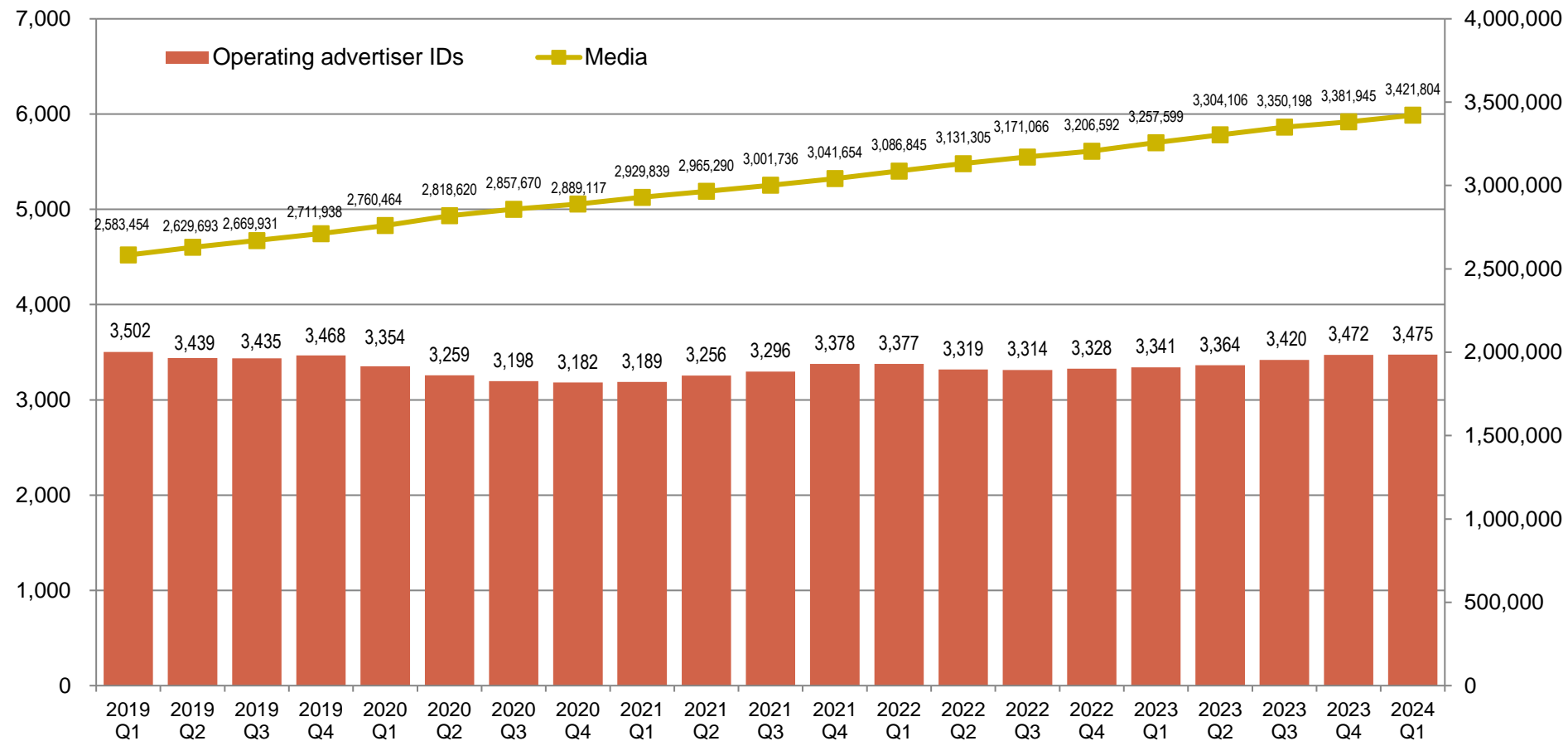


Note: Figures for transaction volume represent amounts before elimination of intragroup transactions.

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 3 from 2023 Q4.
 The number of overseas operating advertisers was 89, up 5 from 2023 Q4.

A8.net

CPA Solution Business

New Advertiser Start-Ups and Cancellations

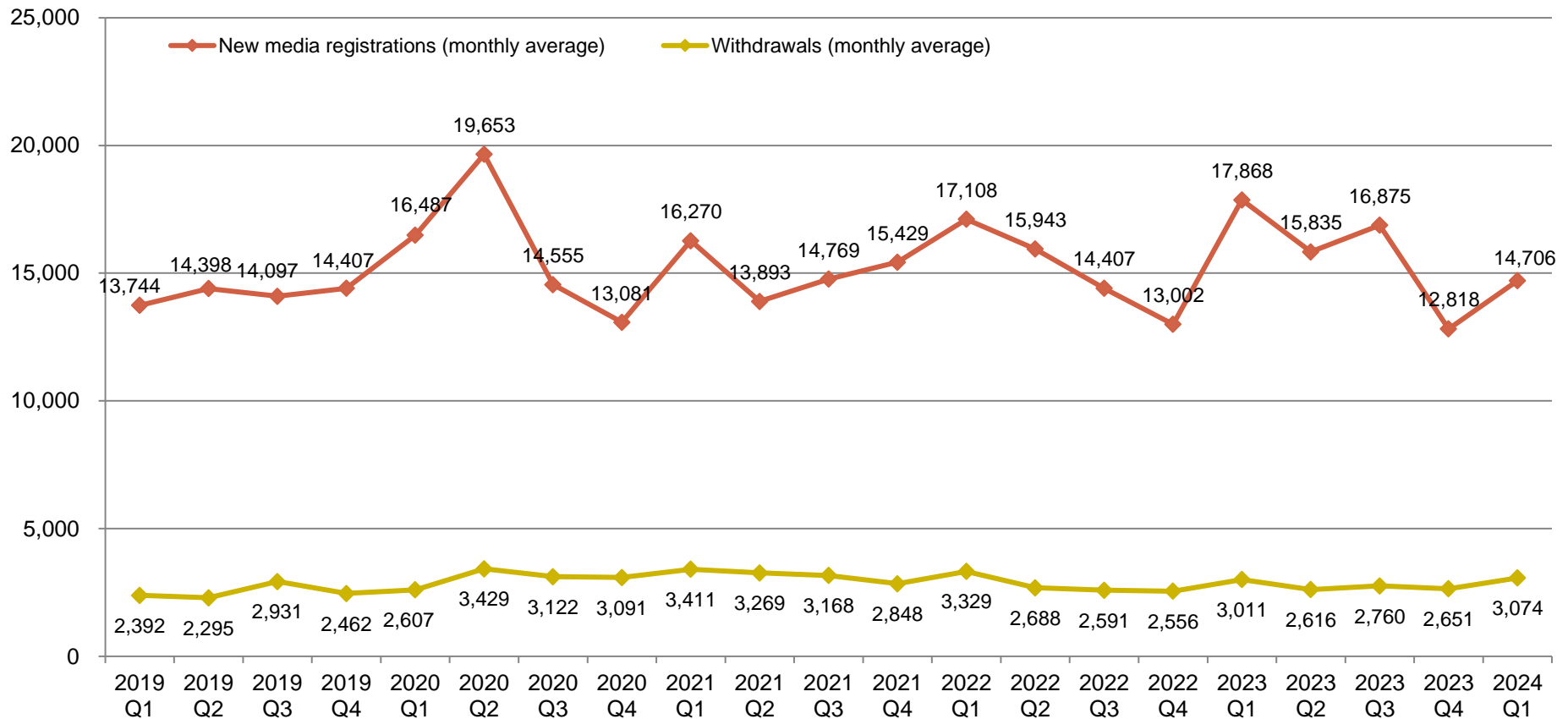


Note: "Change in inactive" is the difference between the number of customers who switched from "operating" to "inactive" and the number of customers switched from "inactive" to "operating," adjusted for the number of customers who switched from "inactive" to "cancelled," which is included under "cancellations."

A8.net

CPA Solution Business

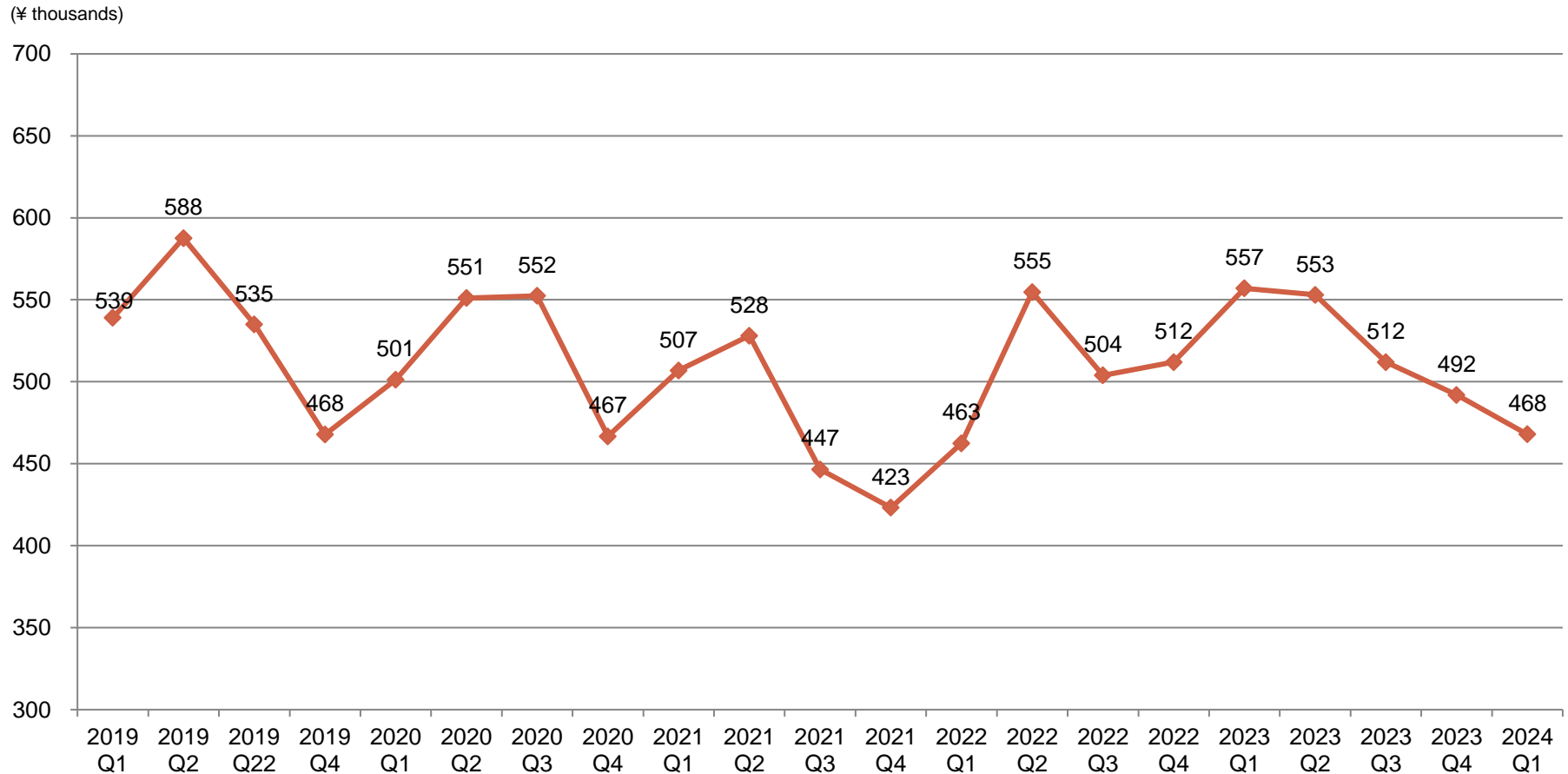
Average Monthly New Media Registrations and Withdrawals



A8.net

CPA Solution Business

Average Monthly Transaction Volume per Advertiser

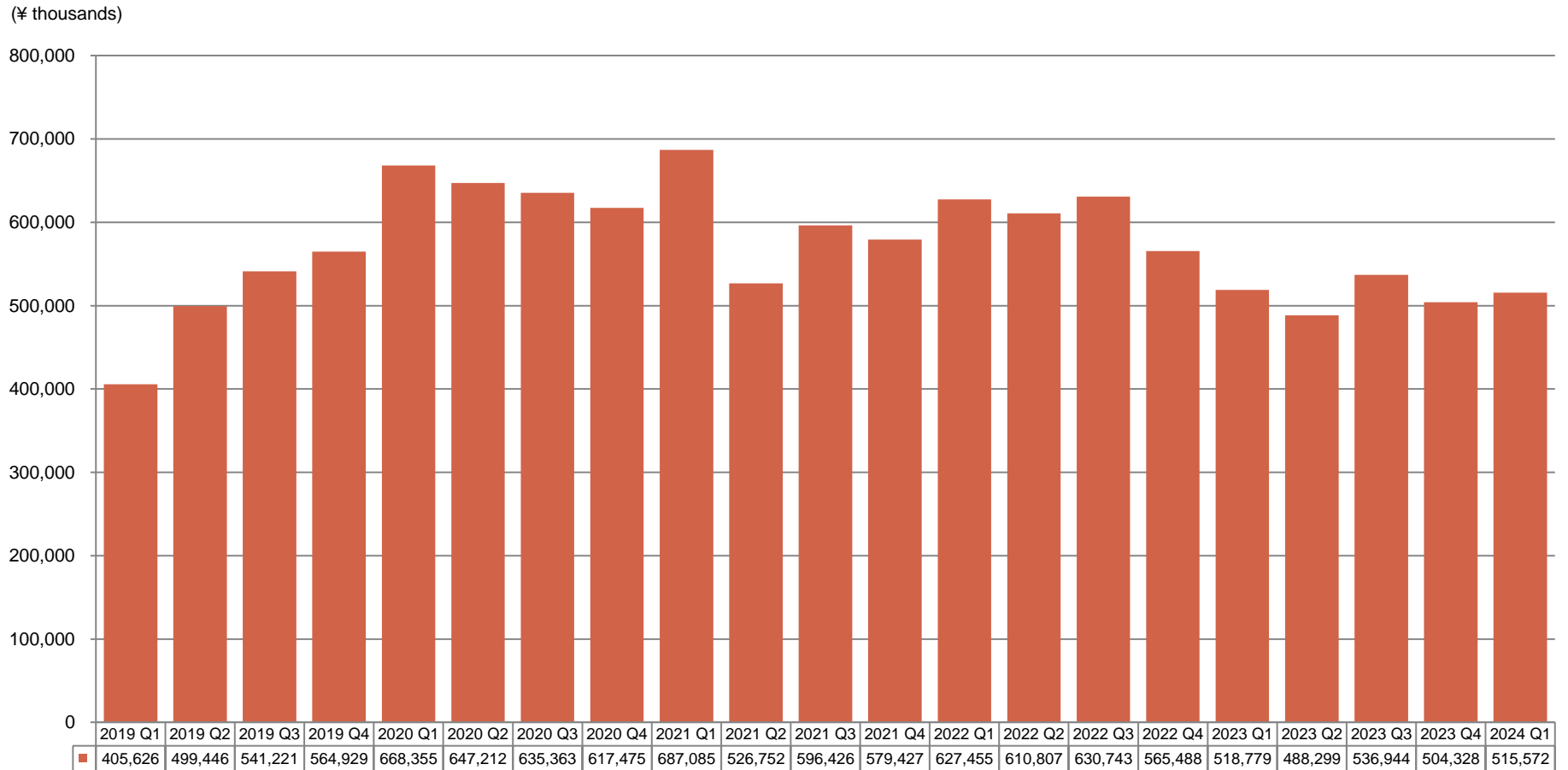


Note: Figures for transaction volume represent amounts before elimination of intragroup transactions.

seedApp

CPA Solution Business

Transaction Volume (Quarterly Basis)



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

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)	2024 Q1	2023 Full year
Transaction volume	363,292	1,104,257
Net sales	138,732	212,833
Operating income (loss)	(21,292)	(46,727)
Profit attributable to owners of the parent	(10,063)	(37,451)

Note: Figures represent amounts before elimination of intragroup transactions.

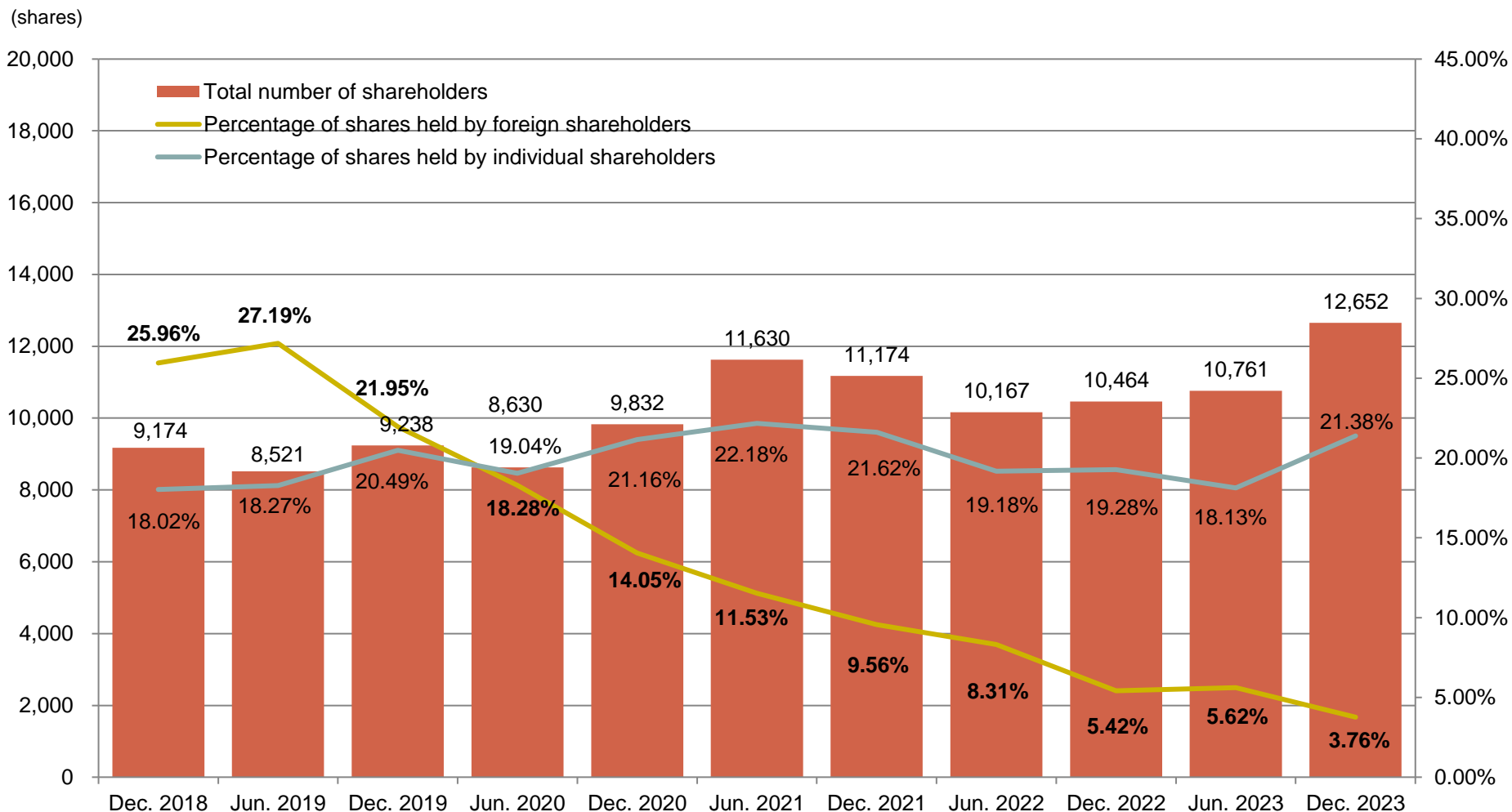
Notes: Figures for transaction volume and net sales represent amounts before elimination of intragroup transactions.

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Stock Information

Stock Information

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** FAN Communications, Inc.
- **Securities code** 2461 (Tokyo Stock Exchange, Prime Market)
- **Fiscal year-end** December
- **Established** October 1, 1999
- **Capital** ¥1,173.67 million (As of March 31, 2024)
- **President and Representative Director** Koji Ninomiya
- **Number of employees** Non-consolidated: 449
Group total: 475
(As of March 31, 2024; includes part-time and temp staff)
- **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

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