



# Second Quarter of 2024 Presentation of Financial Results

FAN Communications, Inc.  
August 9, 2024

# Agenda

- 01 Executive Summary**
- 02 Second Quarter of 2024 Results**
- 03 2024 Performance Forecast**
- 04 Overview by Business**
- 05 Other Topics**
- 06 Company Information**
- 07 Reference Material**

# 01 Executive Summary

- Major Topics
- Major KPIs
- Progress vs. Performance Forecast
- Medium- to Long-Term Roadmap

## Major Topics

We are tackling the key issues of further strengthening A8.net, our mainstay business, and to launch strategic new businesses.

### Q2 summary

**FY24 Q2 was to be the launch of our second founding, where we worked to adapt to changes**

CPA Solution Business

**Recovered in FY24 Q2 after halting losses in Q1. Transaction volume rose in new business types.**

New Business

**Human resources post-withdrawal from nend are allocated to strategic new businesses.**

Q3 plan

**Currently seeking immediate and explosive launch of multiple B2B strategic new businesses.**

**To recover net sales in the CPA Solution Business.**

**Aiming for market fit for each new business.**

## Second Quarter of 2024: Major Figure Summary

The negative YoY trend due to nend withdrawal is expected to continue for some time, but we are building a foothold to start a positive YoY trend in FY24.

### Transaction volume

¥**6,291** million

YoY change ..... **(11.1%)**

### Net sales

¥**1,702** million

YoY change ..... **(7.7%)**

### Operating income

¥**353** million

YoY change ..... **(30.6%)**

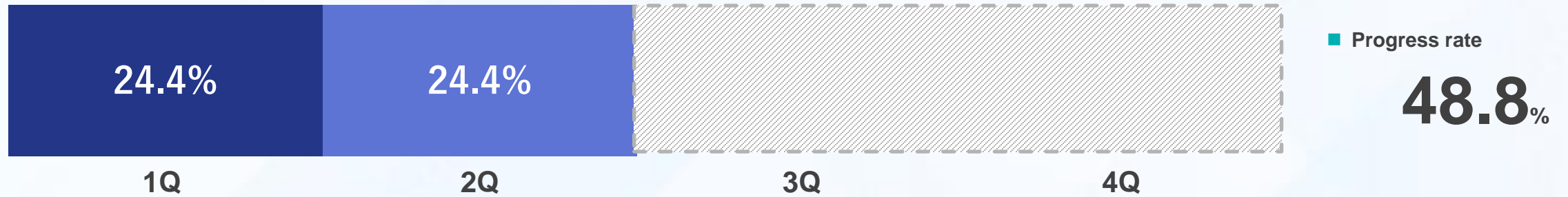
### Q2 topics

- The A8.net, our mainstay business, saw an increase in the number of advertisers in new industries, and June transaction volume turned positive YoY.
- Deteriorated operating income was due to the failure to achieve the A8.net targets and due to advance investment in new businesses, including subsidiaries.
- Withdrawing from existing businesses and launching strategic new businesses, with beginning of investments.
- Acquired WAND to strengthen influencer marketing, one of our strategic new businesses.
- MAU, views, and other key figures for GERA, the comedy radio app in the fan marketing business, showed firm performance. Launched in-app purchases and sales of advertising tie-ins, etc.

## Progress vs. Performance Forecast

Consolidated net sales and operating income for the first half reached 48.8% and 37.0% of the full-year targets, respectively, falling slightly short.

### Net sales progress rate in 2024 Q2



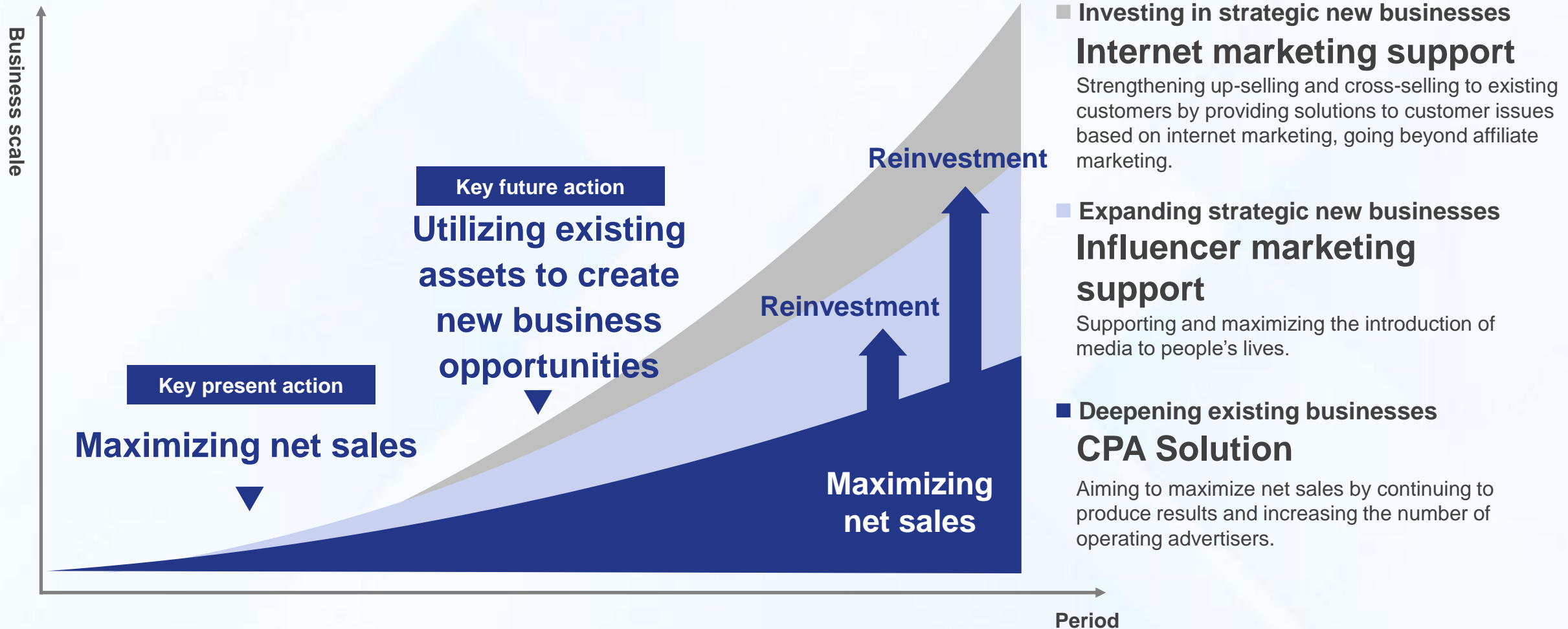
### Operating income progress rate in 2024 Q2



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

## Medium- to Long-Term Roadmap

Maximizing number of customers/net sales ( $\approx$  gross profit) for existing businesses: **Expanding and investing in strategic new businesses** to add value to existing businesses **and targeting new business opportunities**.



# 02 ■ Second Quarter of 2024 Results

- P/L
- [Major KPIs] (Quarterly Basis)



Compared to the same quarter of the previous fiscal year, transaction volume, net sales, and operating income decreased, but profit increased.

(Millions of yen)	2023 Q2	2024 Q2	YoY change	
			Change	Change (%)
<b>Transaction volume</b>	14,352	<b>12,391</b>	(1,961)	(13.7%)
<b>Net sales</b>	3,764	<b>3,404</b>	(360)	(9.6%)
<b>Operating income</b>	1,138	<b>706</b>	(432)	(37.9%)
<b>(Operating income to transaction volume ratio)</b>	7.9%	<b>5.7%</b>	—	—
<b>Ordinary income</b>	1,149	<b>781</b>	(368)	(32.0%)
<b>Profit</b>	602	<b>830</b>	+228	+37.7%
<b>(Profit to transaction volume ratio)</b>	4.2%	<b>6.7%</b>	—	—

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

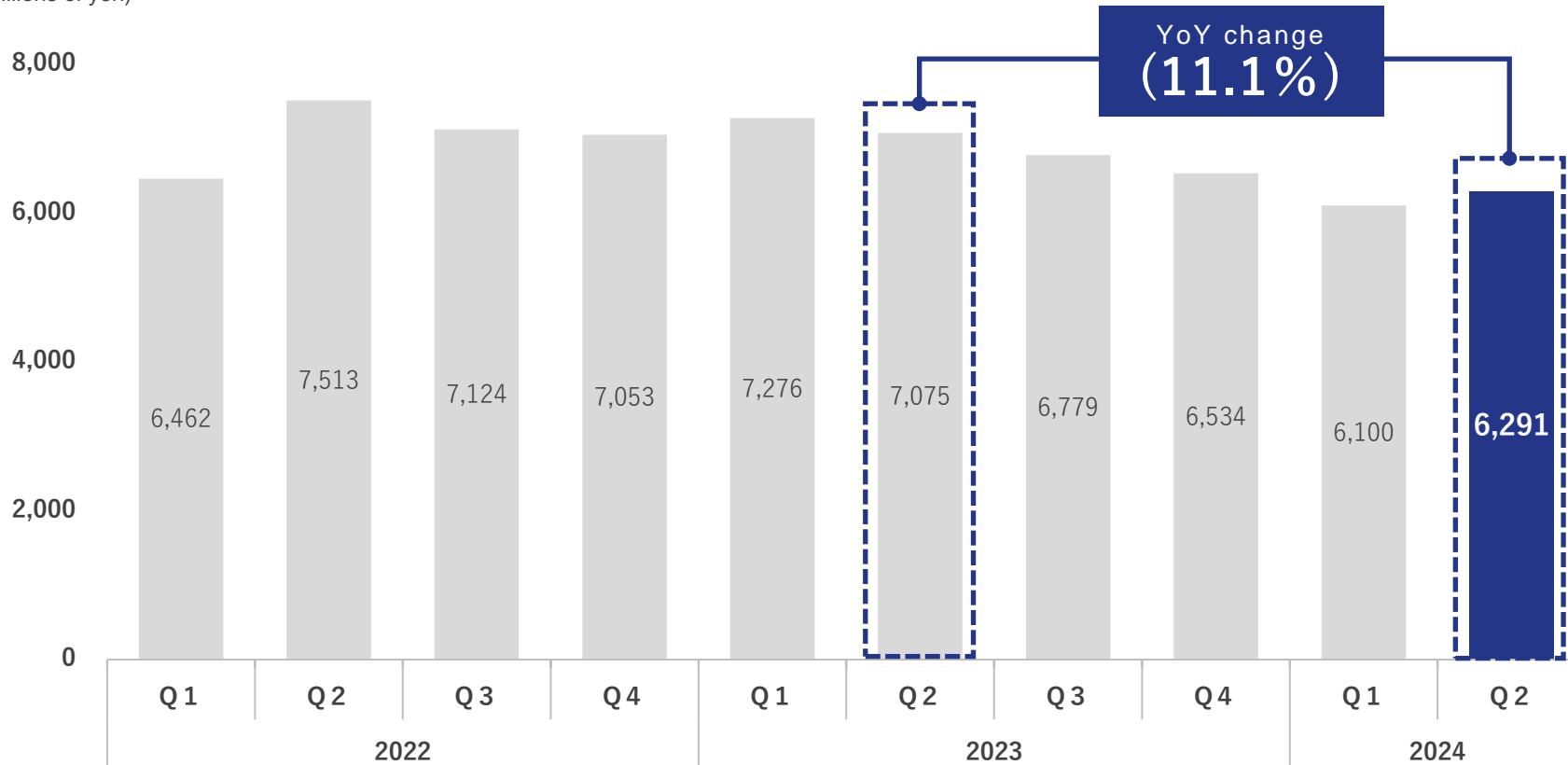
\*Transaction volumes for fiscal years prior to 2022 have been calculated internally to enable comparison with said figures for 2022 and earlier. Until the end of 2021, transaction volume was disclosed as net sales.

# Transaction Volume (Quarterly Basis)

Though this figure declined by 11.1% year on year, this was up 3.1% quarter on quarter.

## Transaction volume

(Millions of yen)



## 2024 Q2 results

Overall

¥**6,291** million

YoY change ..... (11.1%)

QoQ change ..... **+3.1%**

\*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.

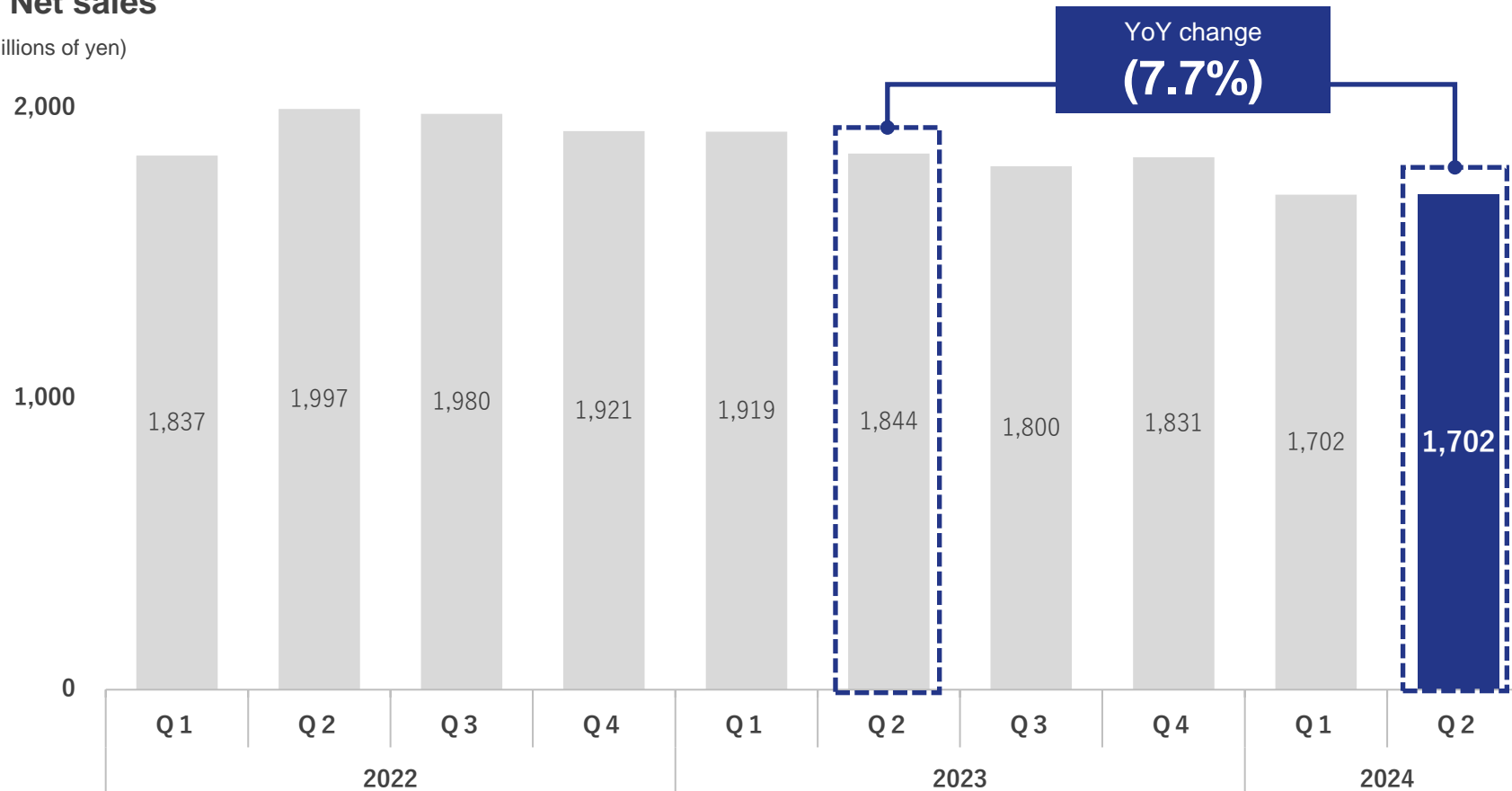
\*Transaction volumes for fiscal years prior to 2022 have been calculated internally to enable comparison with said figures for 2022 and earlier. Until the end of 2021, transaction volume was disclosed as net sales.

# [Net Sales] (Quarterly Basis)

Net sales were down 7.7% year on year, and flat (0.0% change) quarter on quarter.

## Net sales

(Millions of yen)



## 2024 Q2 results

Overall

¥ **1,702** million

YoY change ..... (7.7%)

QoQ change ..... 0.0%

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

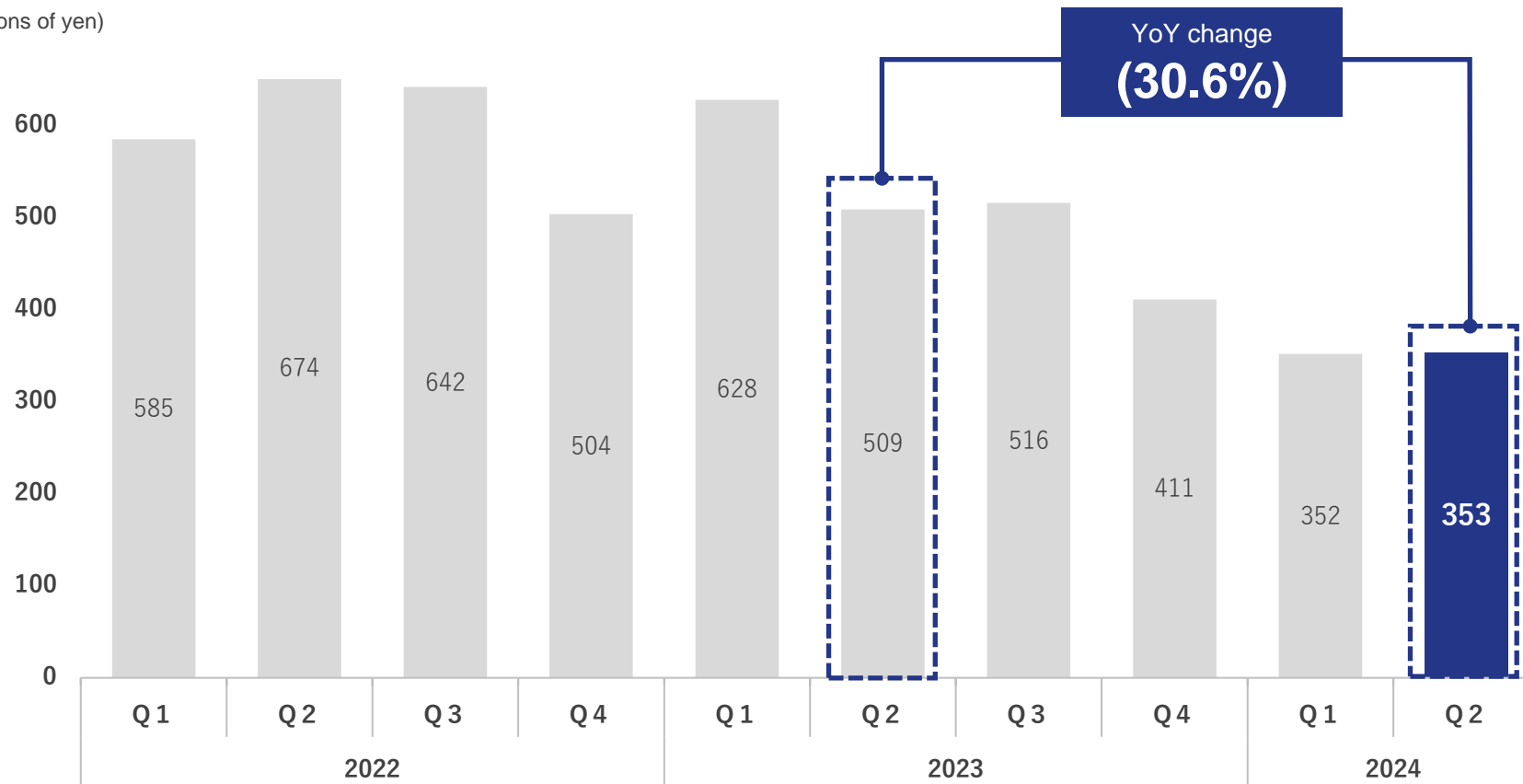
\*Transaction volumes for fiscal years prior to 2022 have been calculated internally to enable comparison with said figures for 2022 and earlier. Until the end of 2021, transaction volume was disclosed as net sales.

# [Operating Income] (Quarterly Basis)

Operating income was down 30.6% year on year, and up 0.5% quarter on quarter.

## Operating income

(Millions of yen)



## 2024 Q2 results

Overall

¥**353** million

YoY change ..... (30.6%)

QoQ change ..... +0.5%

\*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 earlier. Until the end of 2021, transaction volume was disclosed as net sales.

# 03 ■ 2024 Performance Forecast

- P/L (Forecast)

Operating income and ordinary income lagged behind, but profit remained steady.

(Millions of yen)	2024 Full-year forecast	2024 2Q results	Progress rate
<b>Net sales</b>	6,980	3,404	<b>48.8%</b>
<b>Operating income</b>	1,910	706	<b>37.0%</b>
<b>Ordinary income</b>	1,920	781	<b>40.7%</b>
<b>Profit</b>	1,560	830	<b>53.2%</b>
<b>(Earnings per share)</b>	23.55	12.53	<b>53.2%</b>

(Yen)	2023 results	2024 forecast
<b>Dividend forecast</b>	19	<b>19</b>

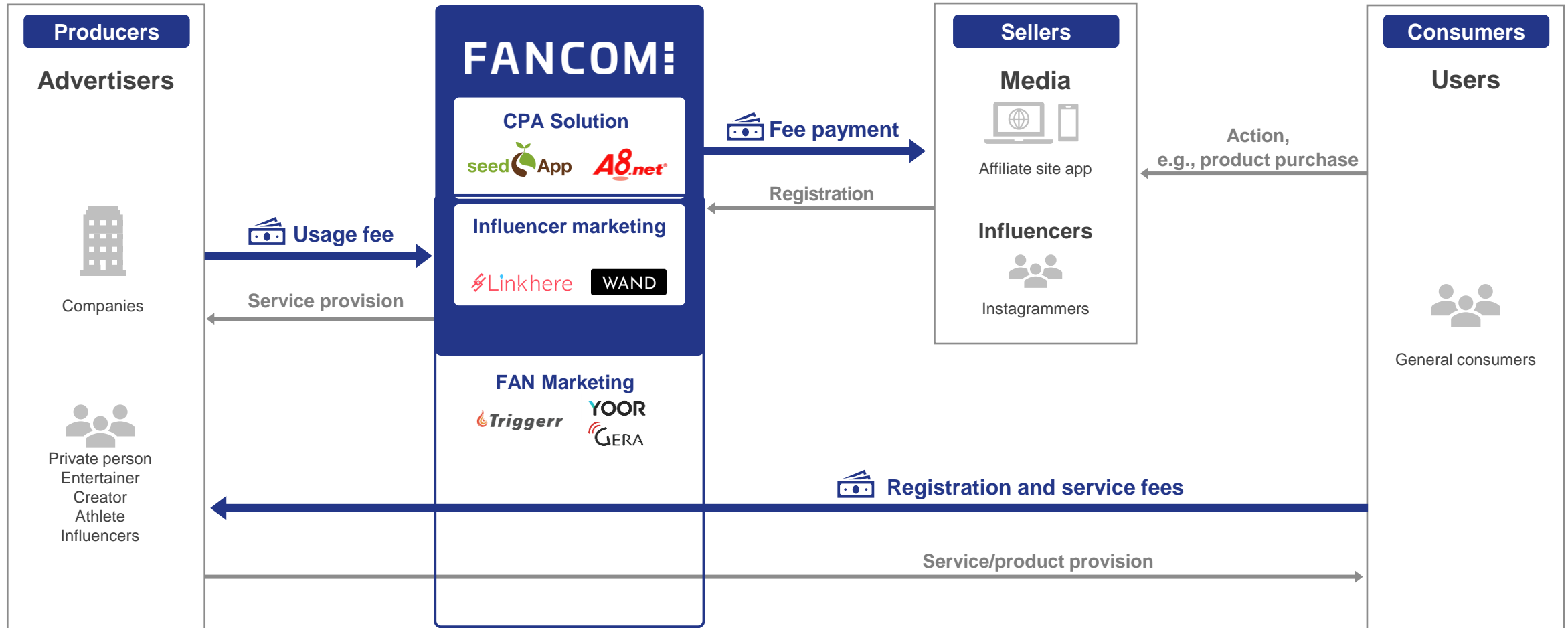
\*No revisions have been made to the performance forecast announced on May 2, 2024.

# 04 Overview by Business

- Business Model
- CPA Solution Business
- New Business

# Business Model

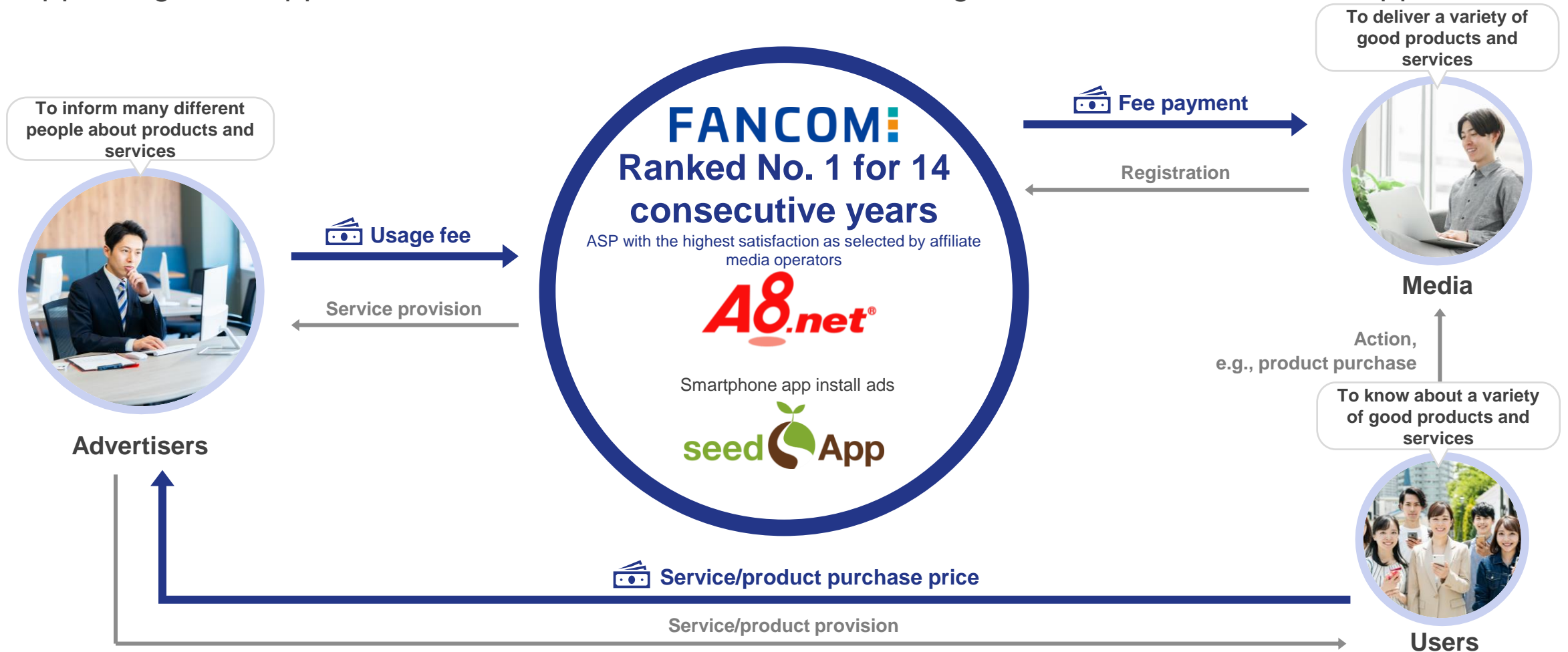
We are **in the business of connecting producers, sellers, and consumers**, and generate sales from fees we receive from advertisers. The Fan marketing connects producers and consumers not only through advertising but also through billing.





# CPA Solution Business: Business Overview

Together with **A8.net**, which has been ranked No. 1 for 14 consecutive years as the ASP with the highest satisfaction as selected by affiliate media operators, and the app-supporting seedApp, we will build an affiliate network through a fusion of media and apps.



# CPA Solution Business: Key Summary

Net sales at both A8.net and seedApp declined year on year, but the **number of active advertiser IDs and registered partner sites** at A8.net **both increased**.

## Net sales

## Number of operating advertiser IDs

## Number of registered partner sites

A8.net

¥ **1,327** million

YoY change ..... (3.4%)

**3,451**

YoY change ..... +2.6%

**3,461,463**

YoY change ..... +4.8%

seedApp

¥ **118** million

YoY change ..... (9.0%)

## Q2 topics

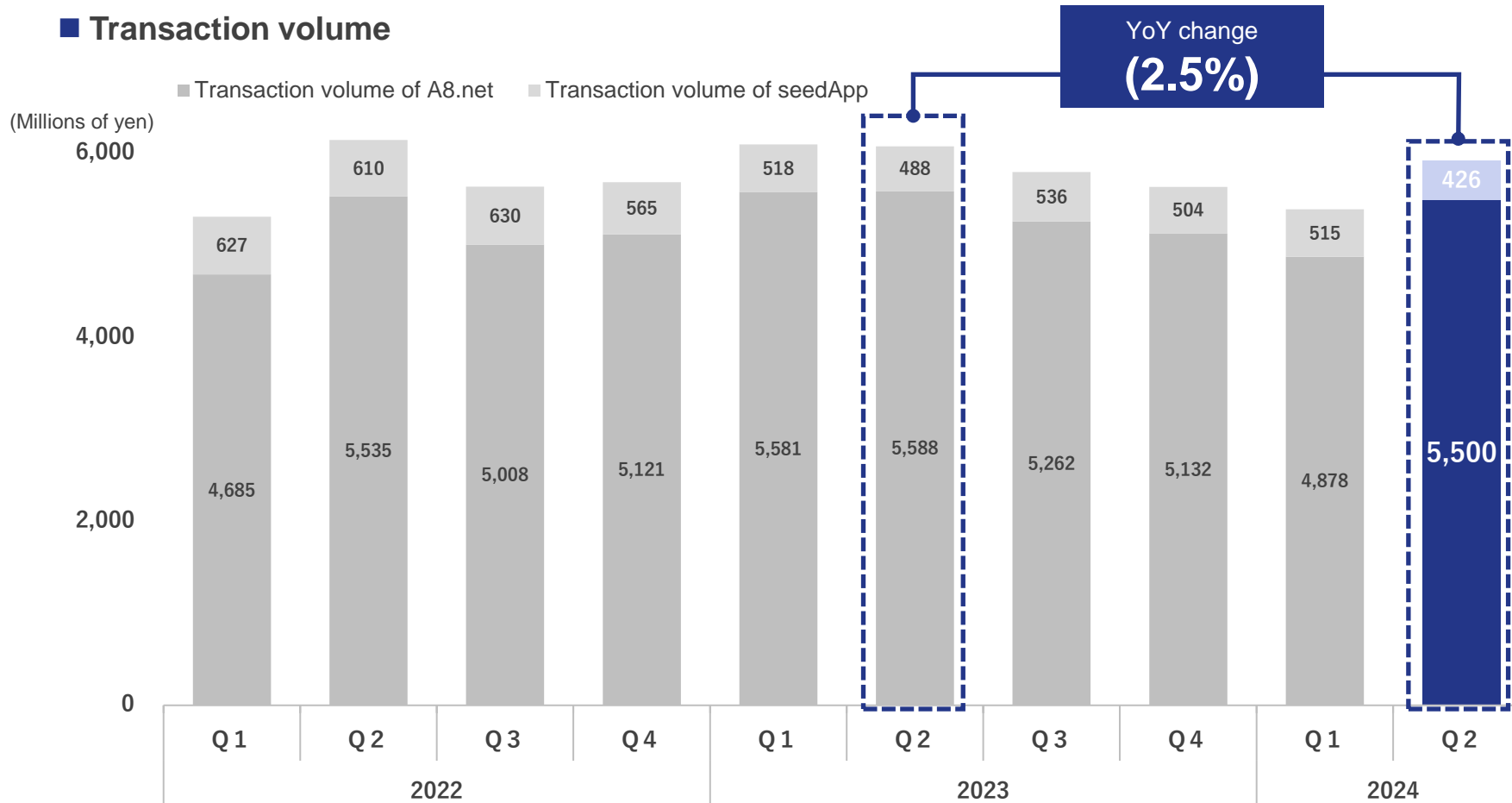
- The number of A8.net active advertiser IDs declined slightly on a quarter-to-quarter basis.
- A8.net's transaction volume has been growing overall while the top transaction volume categories have been gradually changing, a development that bore fruit in Q2. Transaction volume is also on an upward trend after halting losses in 2024 Q1 on a quarter-on-quarter basis.

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

# CPA Solution Business: Transaction Volume

Year on year, the CPA Solution Business was down 2.5%, while within the A8.net business, this was up 12.5% quarter on quarter.

## Transaction volume



## 2024 Q2 results

Overall

¥**5,926** million

YoY change ..... (2.5%)

A8.net

¥**5,500** million

YoY change ..... (1.6%)

seedApp

¥**426** million

YoY change ..... (12.7%)

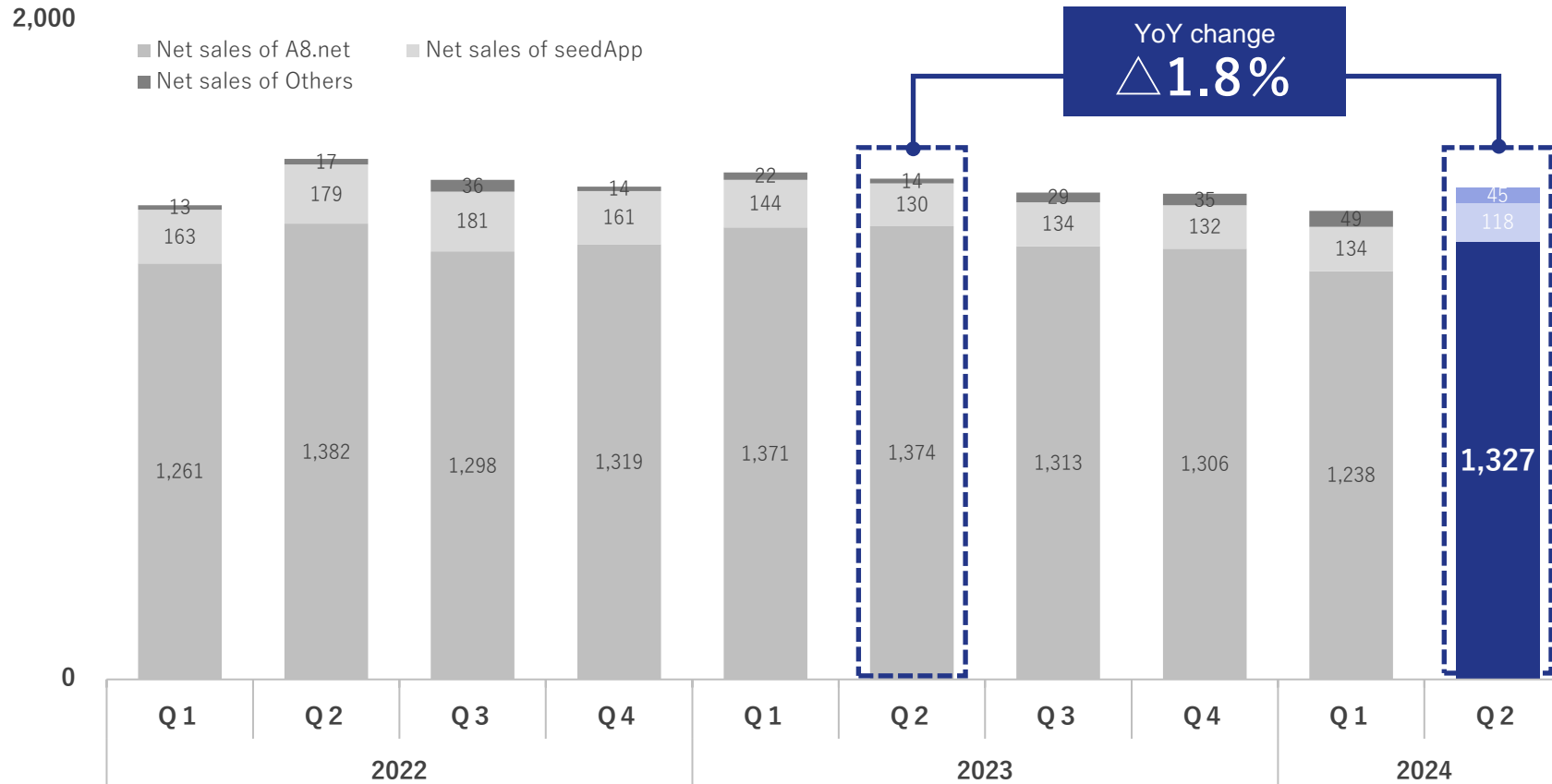
\*Figures for transaction volume represent amounts before elimination of intragroup transactions.

# CPA Solution Business: Net Sales

Overall, the CPA Solution Business was down 1.8% year on year. Within A8.net, this was down 3.4%, with seedApp down 9.0%.

## Net Sales

(Millions of yen)



## 2024 Q2 results

Overall

¥1,492 million

YoY change ..... (1.8%)

A8.net

¥1,327 million

YoY change ..... (3.4%)

seedApp

¥118 million

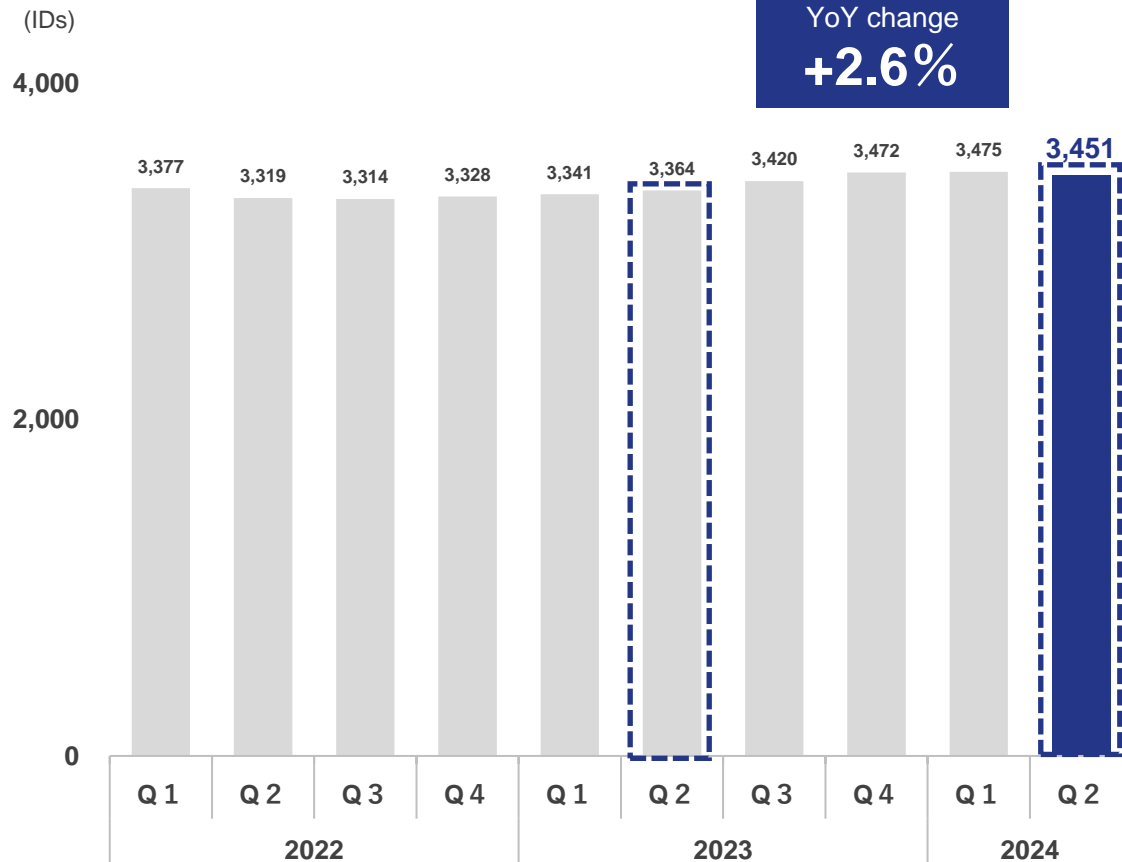
YoY change ..... (9.0%)

\* Others include contracted development and Seasaa-related sales.

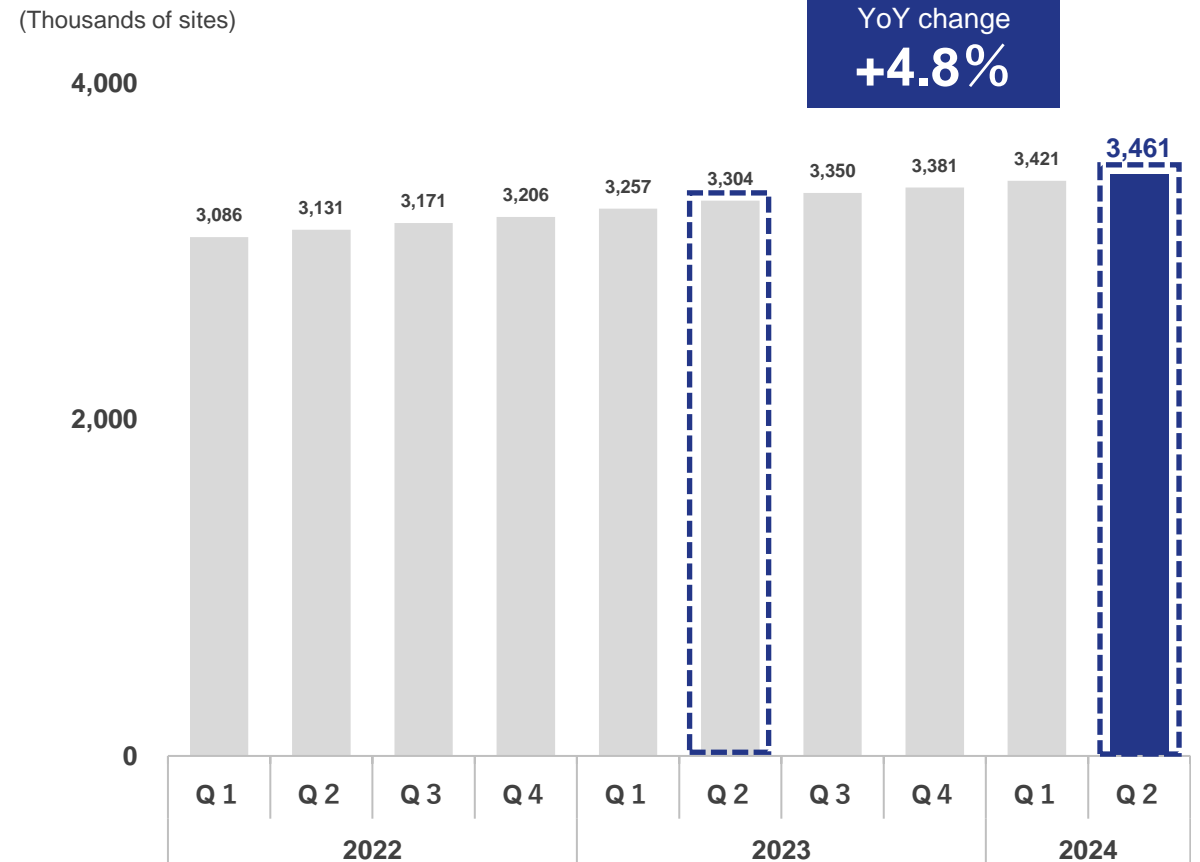
# CPA Solution Business: Number of Operating Advertiser IDs and Registered Partner Sites

The number of operating advertiser IDs and the number of registered partner sites on A8.net both increased year on year.

## Number of operating advertiser IDs



## Number of registered partner sites



\*The number of operating advertisers is as of the final month of each quarter.

## CPA Solution Business: Key Points

We will increase the number of advertisers continuously generating results through company-wide efforts to both provide added value in acquiring new customers, as well in acquiring existing customers.

**Increasing the number of operating advertisers**

- **Launching affiliate launch preparation support services**
- **Making marketing investments to acquire prospective customers**

**Increasing success fees**

- **Proposing and executing strategies for each customer category**
- **Acquiring media for focus categories**

**Increasing productivity**

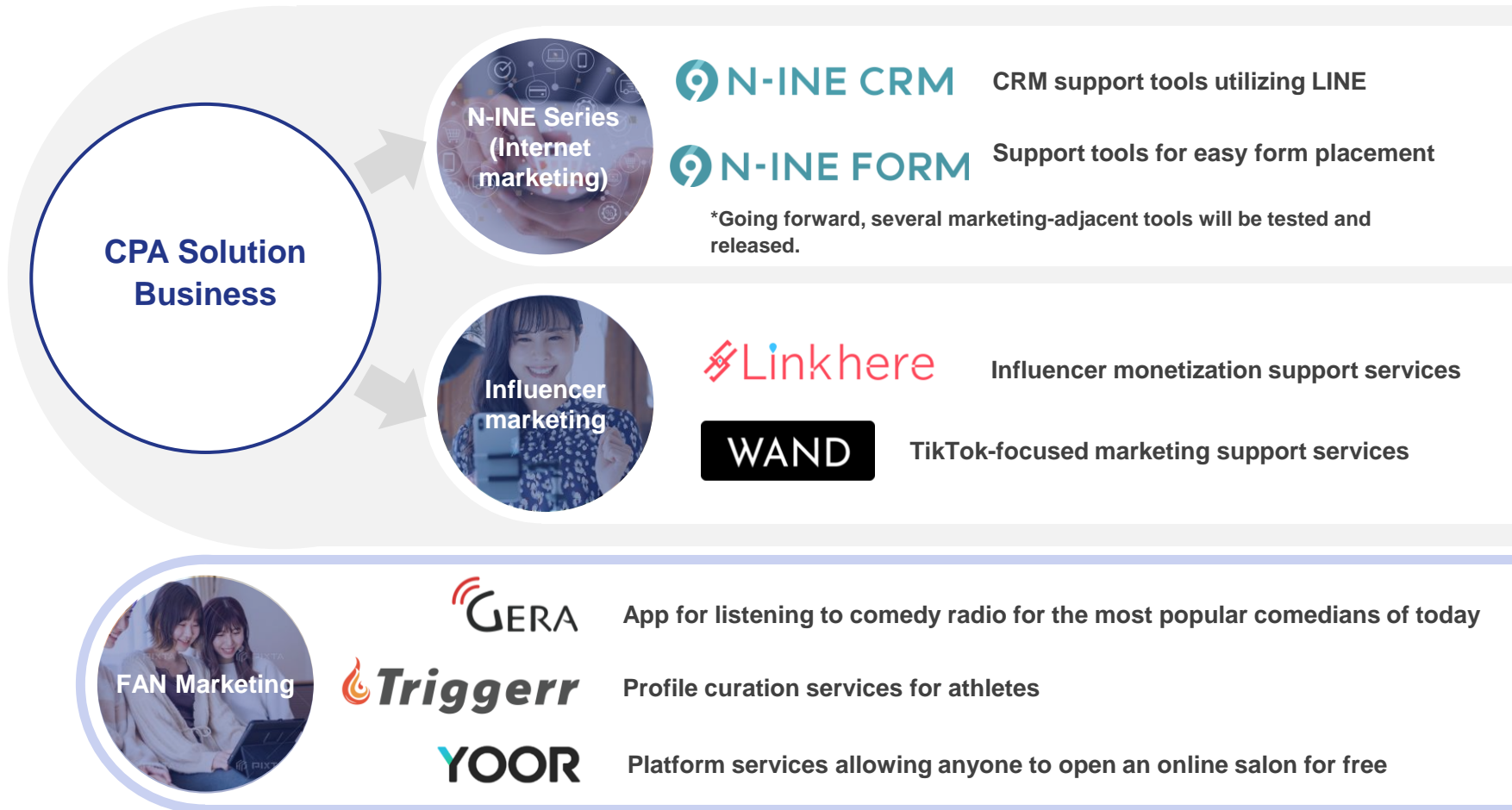
- **Reviewing workflows**
- **Using systems to resolve issues in areas where systemization can be applied**

**Synergizing with strategic new businesses**

- **Understanding needs for Internet marketing services and verifying new products**
- **Verifying combinations of influencer marketing and affiliates**

# New Business Summary

Began investing in the influencer marketing support, Internet marketing support, and fan marketing businesses as strategic new businesses with high compatibility to the core CPA Solution Business. Aiming for market fit in the second half of the year.



Selecting non-investment businesses  
Selection and concentration

Emphasis on speed of verification

## New Business FY24 2H Milestones

Resources are being invested in strategic new businesses. Since April, new personnel resources have been allocated to strategic new businesses, and personnel expenses related to new businesses have doubled compared to FY24 Q1.

### 2H milestones

**Achieving market fit in each business and aim for further investment expansion in FY25.**



**N-INE Series**  
Internet marketing support

- 100 operating accounts
- Creating best practices

**WAND · Linkhere**  
Influencer marketing support

- WAND: PMI = Budget achieved + sales generated through partnership with A8.net

**GERA**  
FAN Marketing

- Building up recurring sales (subscription billing)
- Achievement of monthly profitability



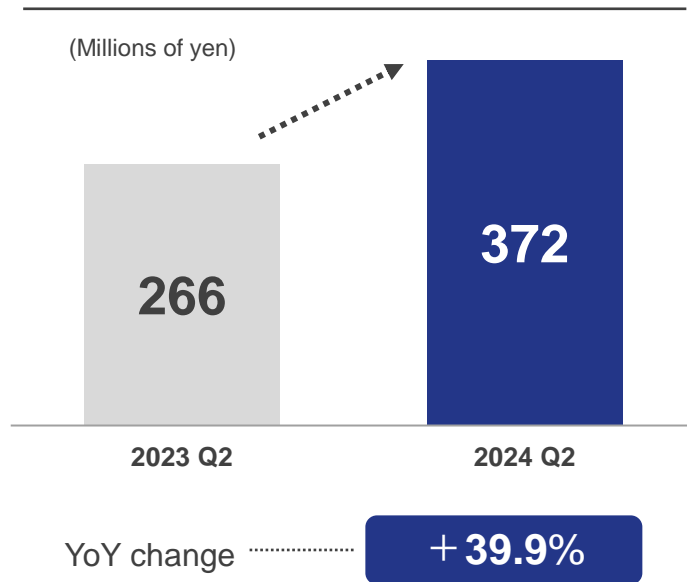
# 05 Other Topics

- Consolidated Group Businesses
- Business Investment Status

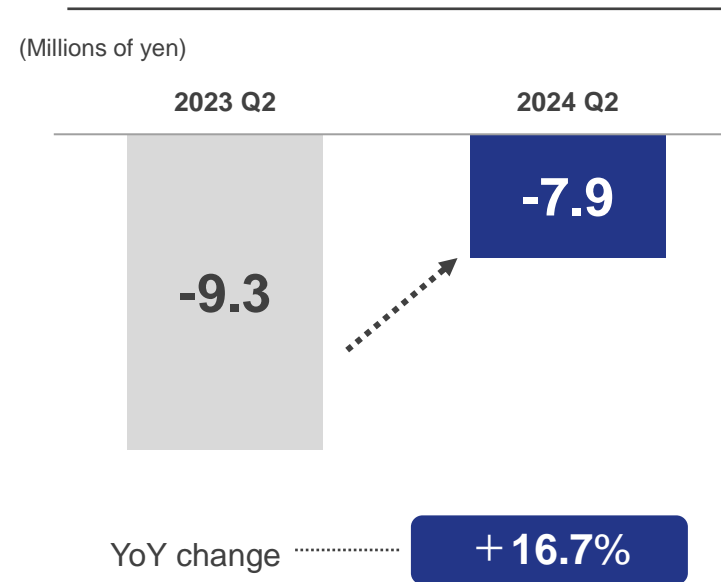
# Consolidated Group Businesses: FAN Communications Global

Although transaction volume increased due to strong performance of the game publishing business, operating income was a loss due to advance investment in advertising expenses.

## Transaction volume



## Operating income



### Topics

- New businesses have been launched and transaction volume has been steadily increasing, but it has fallen short of the budget.
- Formed business alliance with Luckmon, a platform for mobile game users.

\*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 earlier. Until the end of 2021, transaction volume was disclosed as net sales.

## Business Investment Status: Partnership with WAND

With an advertising network combining WAND Co.,Ltd., an influencer marketing company, and A8.net and strategic businesses, we will promote the activation of the influencer business and accelerate its growth strategy.

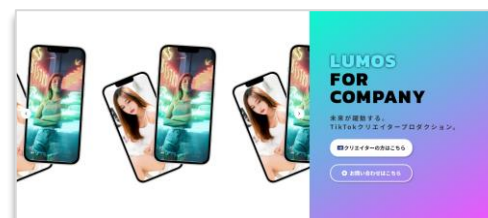
### Company Overview

<b>Company Name</b>	WAND Co.,Ltd.
<b>Corporate Management</b>	Yuichi Kurosaki, Representative Director and CEO Yuta Kamezaki, Director, CTO and COO
<b>Head Office</b>	Aoyama Diamond Building, 1-1-8, Shibuya Shibuya-ku, Tokyo
<b>Established</b>	October 2021
<b>Capital</b>	¥20,007,400 (including capital reserve)
<b>Business Lines</b>	Operation of a marketing platform utilizing short videos such as those on TikTok.

### Services Handled

#### LUMOS

TikTok creator multi-channel network



Number of Affiliated Creators

**5,000**



#### LUMOS BUZZ

Closed project acquisition platform for creators



Total Number of Followers

**100 million**



**Accelerating growth by combining FAN Communications' management resources with WAND's creator network assets and unique marketing knowledge**

# 06 ■ Company Information

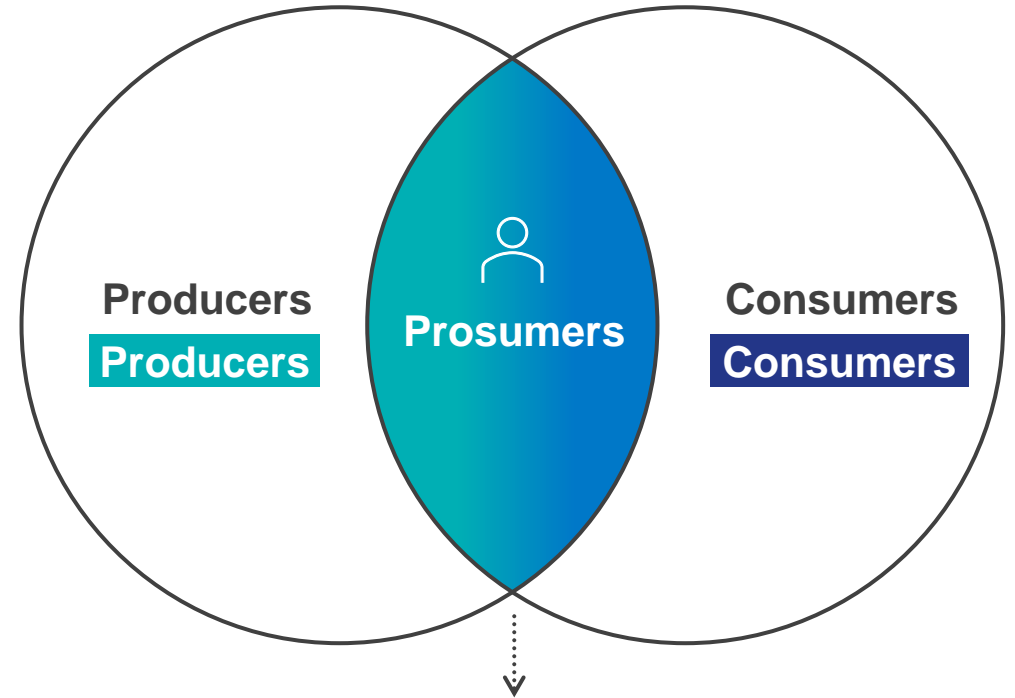
- Vision
- Company Overview
- External Environment

# From an ad network provider to a prosumer support company.

The market mechanism created by the era of mass production and mass consumption is coming to an end.

The boundary between production and consumption will blur, and the world will be filled with “**prosumers**” who resemble both sides.

We, FAN Communications will continue to develop our business to support such **prosumers** and move forward to become a company that can maximize their joy.



**Prosumer happiness**

= The “vision” we are working toward

<b>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, 2024)
<b>President and Representative Director</b>	Koji Ninomiya
<b>Number of Employees</b>	Non-consolidated: 440 Group total: 463 (As of June 30, 2024; includes part-time and temp staff)
<b>Headquarters</b>	Aoyama Diamond Building, 1-1-8, Shibuya, Shibuya-ku, Tokyo 150-0002, Japan
<b>Telephone</b>	+81-3-5766-3530 (IR)
<b>Fax</b>	+81-3-5766-3782



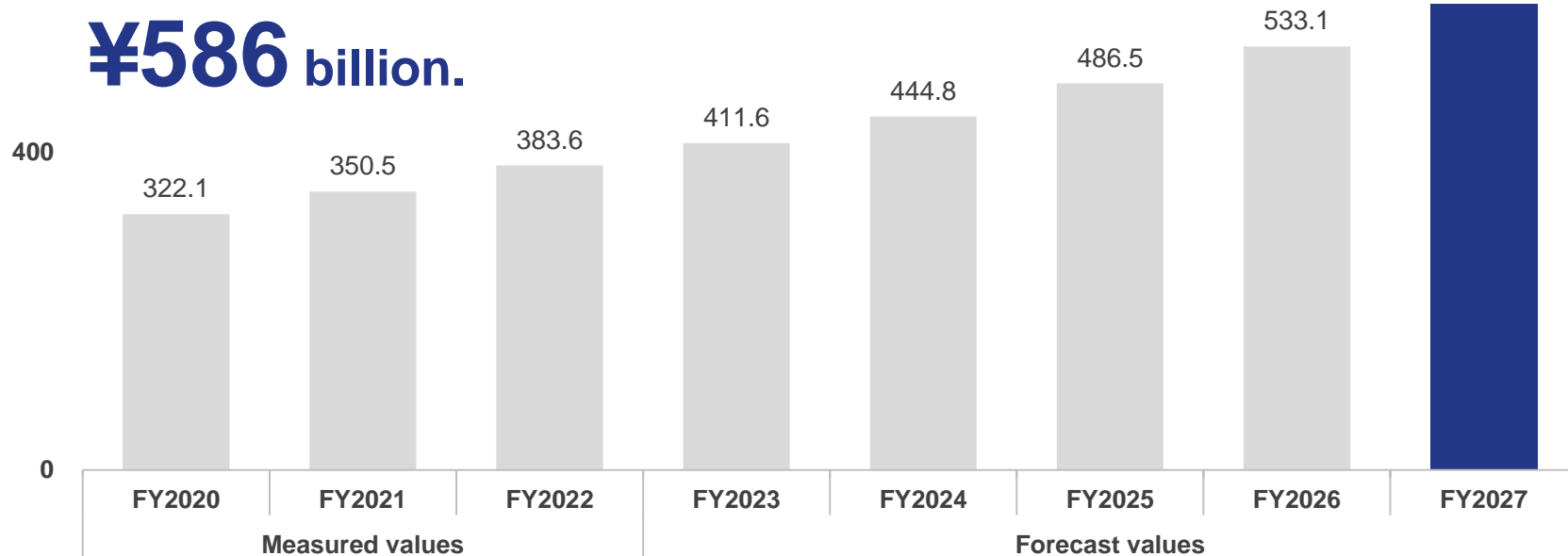
The internet advertising market is expected to continue to grow, which is **expected to be a tailwind for our affiliate network business.**

Domestic affiliate market size and forecast

(Billions of yen)

800

The size of the market in FY2027 is forecast to exceed **¥586 billion.**



Source: From "Research on the Affiliate Market (2024)" by Yano Research Institute Ltd. [https://www.yano.co.jp/press-release/show/press\\_id/3523](https://www.yano.co.jp/press-release/show/press_id/3523)

Future trend forecast

Growth expected in young generation participation, with focus on social media

Our actions

Focusing on A8.net with the largest number of registered users in the industry and aiming to expand by attracting influencers

# 07 Reference Material

- Stock Information
- Selling, General and Administrative Expenses
- Balance Sheet Summary
- Disclaimer

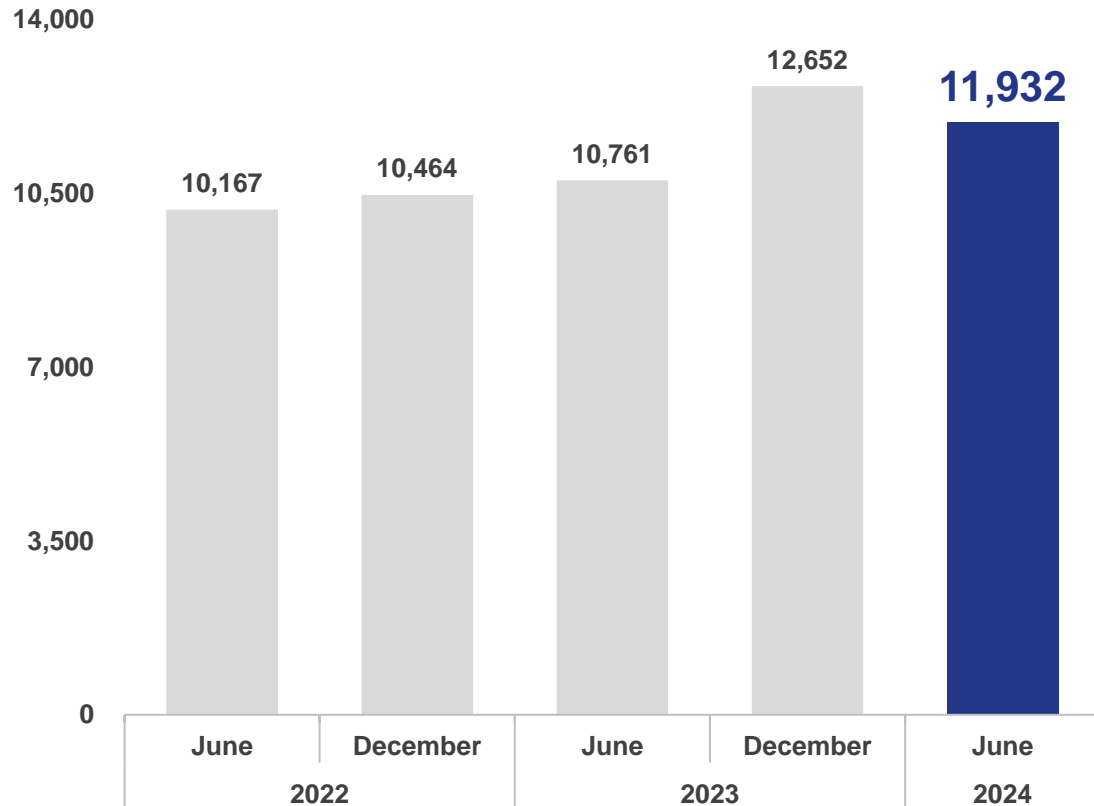


# Stock Information

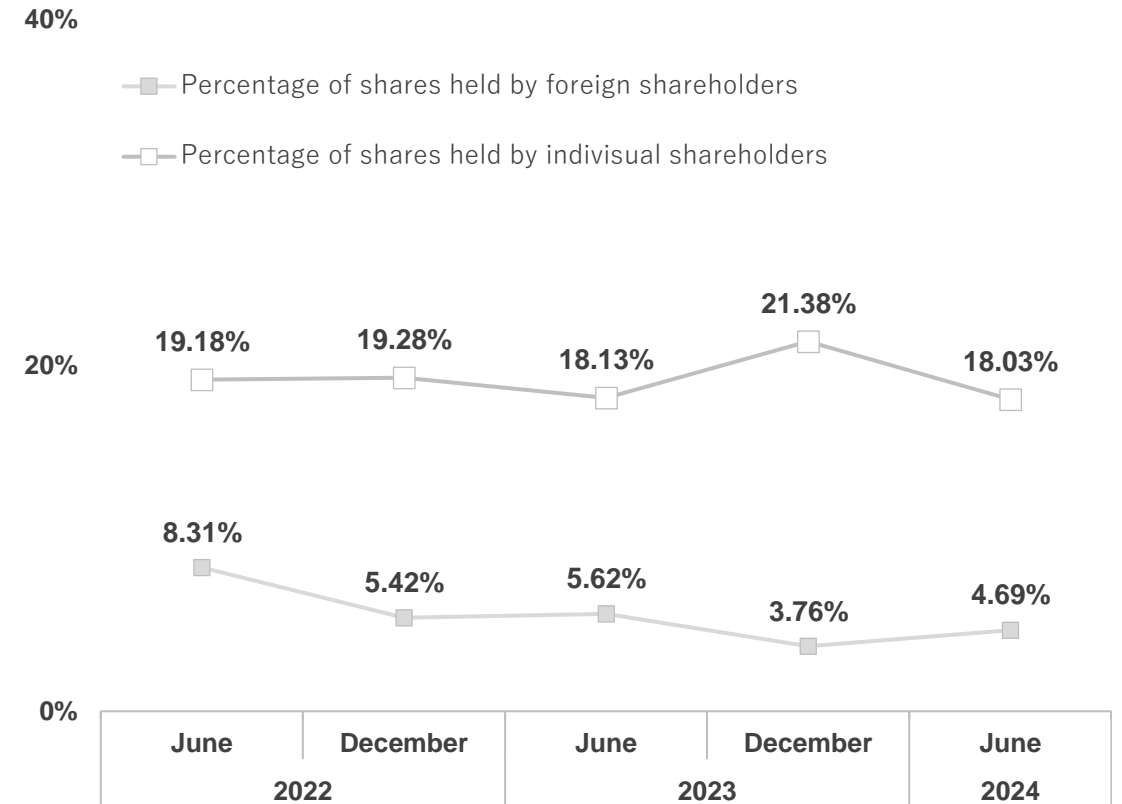
The number of total shareholders has decreased. The percentage of shares held by foreign shareholders is on the rise.

## Total number of shareholders

(shares)



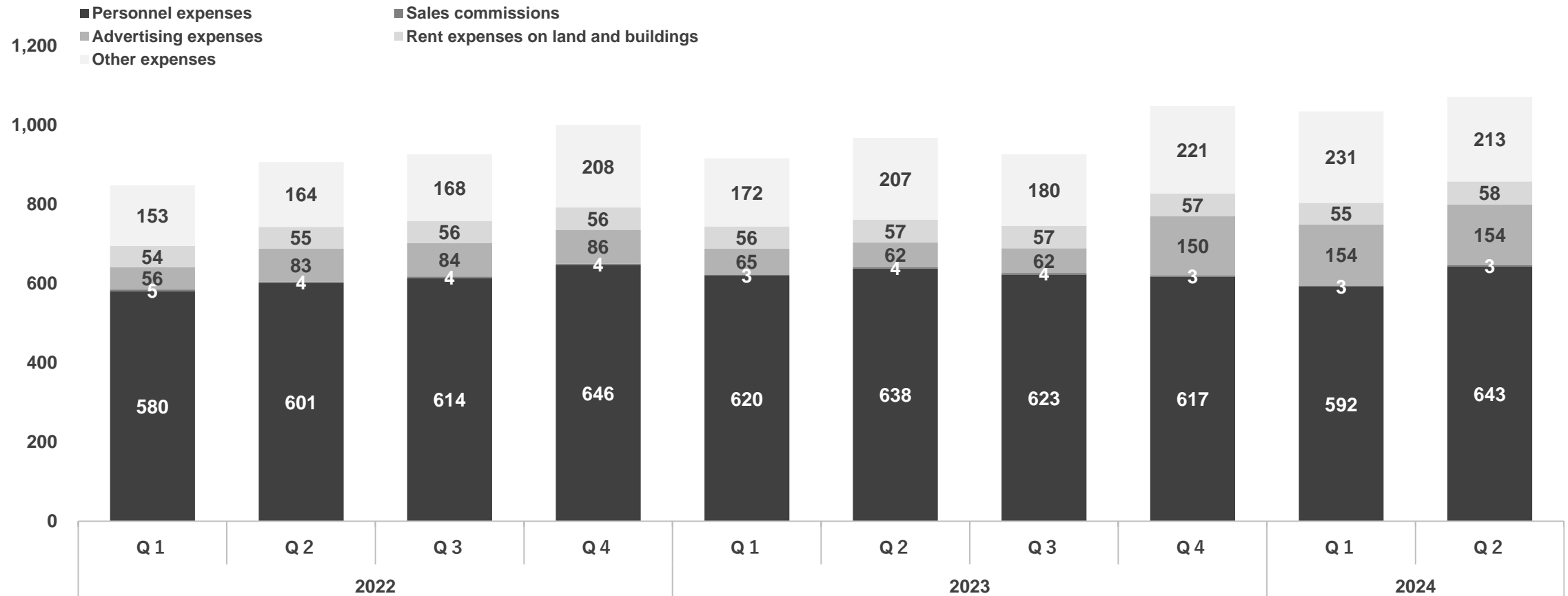
## Percentage of shares held by individual and foreign shareholders



\*Percentage of shares held by individual shareholders does not include shares held by the Company's executives.

# Selling, General and Administrative Expenses (Consolidated/Quarterly Basis)

The increase in advertising expenses from Q4 2023 is due to activities to acquire new customers.



\*Figures have been calculated based on figures before application of the Accounting Standard for Revenue Recognition to enable comparison with previous results.

\*Other expenses include outsourcing expenses, commission expenses, etc.

# Balance Sheet Summary

The increase in intangible assets was due to goodwill from the acquisition of WAND.

(Millions of yen)		2023 End of FY	2024 Q2	Vs. End of previous FY	
				Change	Change (%)
Assets	<b>Current assets</b>	21,155	<b>19,975</b>	(1179)	(5.6%)
	Cash and deposits	17,299	<b>15,954</b>	(1345)	(7.8%)
	<b>Non-current assets</b>	2,223	<b>2,808</b>	+ 585	+ 26.3%
	Property, plant and equipment	92	<b>62</b>	(30)	(32.7%)
	Intangible assets	387	<b>1,034</b>	+646	+166.6%
	Investments and other assets	1,742	<b>1,712</b>	(30)	(1.7%)
	<b>Total</b>	23,378	<b>22,784</b>	(593)	(2.5%)
Liabilities and net assets	<b>Liabilities</b>	5,489	<b>5,305</b>	(184)	(3.4%)
	<b>Net assets</b>	17,888	<b>17,479</b>	(409)	(2.3%)
	<b>Total</b>	23,378	<b>22,784</b>	(593)	(2.5%)

- 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 consent of the Company.

■ **Contact**

**FAN Communications, Inc.**

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