



Third Quarter of 2024 Presentation of Financial Results

FAN Communications, Inc.
November 11, 2024

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Agenda

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

01 Executive Summary

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

Major Topics

Strengthening our mainstay business A8.net and launching strategic new businesses are key issues.

Q3 summary

CPA Solution Business

New Business

Q4 plan

Promoted company-wide net sales (almost the same as gross profit) as key indicators

Net sales (almost the same as gross profit) have been recovering

For our mainstay business A8.net, the transaction volume in new business types continues to rise from FY2024 Q2

There is no decline in the transaction volume due to seasonal factors every year since Q3, but the transaction volume experienced an upward trend

PMI for influencer marketing WAND, which was acquired in June, is performing well

WAND transaction volume and operating income for Q3 both hit a new record high

Maintain upwards trend for A8.net net sales

Further accelerate investment into influencer marketing

Third Quarter of 2024: Major Figure Summary

The rate of the decline is slowing year on year. The quarter over quarter change is recovering.

Transaction volume

¥**6,578** million

YoY change **△3.0%**

QoQ change **+4.6%**

Net sales

¥**1,758** million

YoY change **△2.3%**

QoQ change **+3.3%**

Operating income

¥**358** million

YoY change **△30.6%**

QoQ change **+1.3%**

Q3 topics

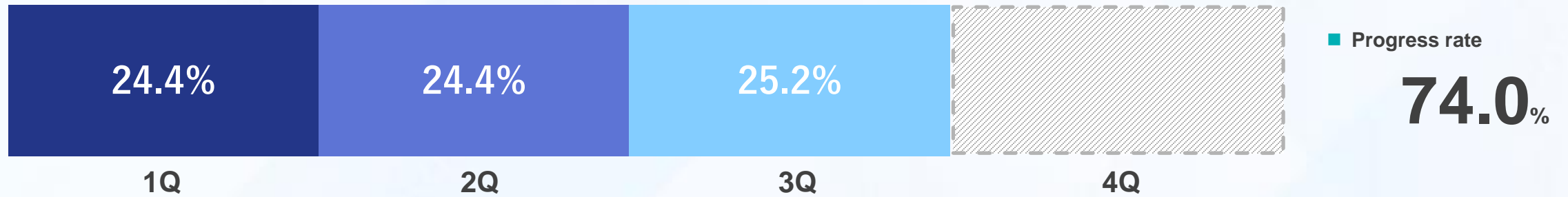
- Transaction volume and net sales are improving in planned progress
- Costs have increased temporarily due to such as office layout change costs
- The deterioration in planned progress of operating income is mainly due to the significant impact of advance investment in new businesses at FAN Communications Global
- A8.net has acquired Affiliates ASP Satisfaction Level 1 for 14 consecutive years*1
- A8.net launched the “d POINT MARKET” service on October 8 in collaboration with NTT Docomo Inc.
- Achieved record net sales in each quarter by holding a real-time event for listeners with GERA, the comedy radio app

*1 “2024 Awareness Survey on Affiliate Service Platform”, Affiliate Marketing Association (specified nonprofit corporation)

Progress vs. Performance Forecast

The consolidated net sales progress rate up to the 3rd quarter is 74.0%. This rate has improved since the interim period. Meanwhile, the operating income progress rate is 55.7% but has been significantly affected by advance investment.

Net sales progress rate in 2024 Q3



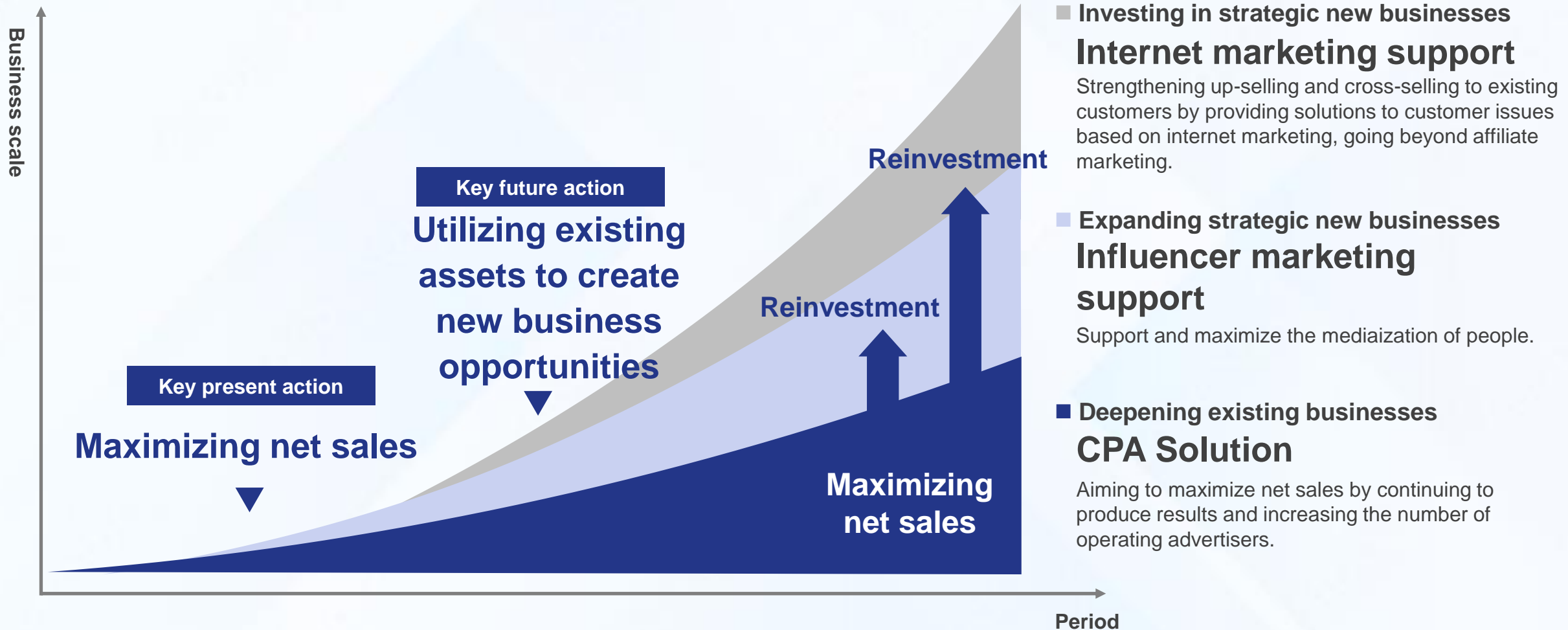
Operating income progress rate in 2024 Q2



*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 ■ Third 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 Q3	2024 Q3	YoY change	
			Change	Change (%)
Transaction volume	21,131	18,970	(2,161)	(10.2%)
Net sales	5,565	5,163	(402)	(7.2%)
Operating income	1,654	1,064	(590)	(35.7%)
(Operating income to transaction volume ratio)	7.8%	5.6%	—	—
Ordinary income	1,700	1,073	(627)	(36.9%)
Profit	895	995	+100	+11.2%
(Profit to transaction volume ratio)	4.2%	5.2%	—	—

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

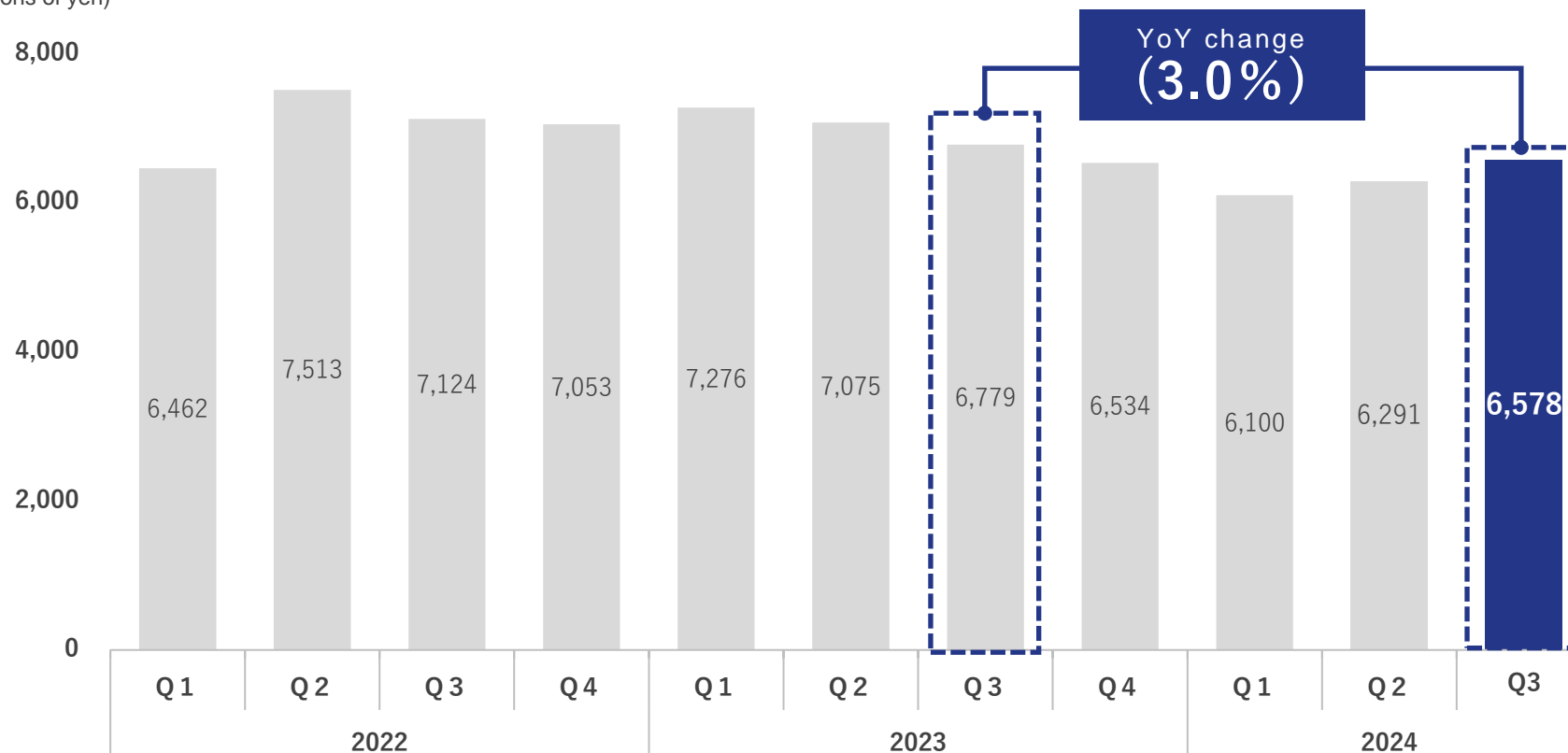
*Transaction volumes for fiscal years prior to 2022 have been calculated internally to enable comparison with said figures for 2022 and earlier. Until the end of 2021, transaction volume was disclosed as net sales.

Transaction Volume (Quarterly Basis)

Though this figure declined by 3.0% YoY, this was up 4.6% QonQ, showing a recovery trend. The increase in transaction volume in the CPA Solutions business contributed to the recovery.

Transaction volume

(Millions of yen)



2024 Q3 results

Overall

¥**6,578** million

YoY change (3.0%)

QoQ change **+4.6%**

*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.

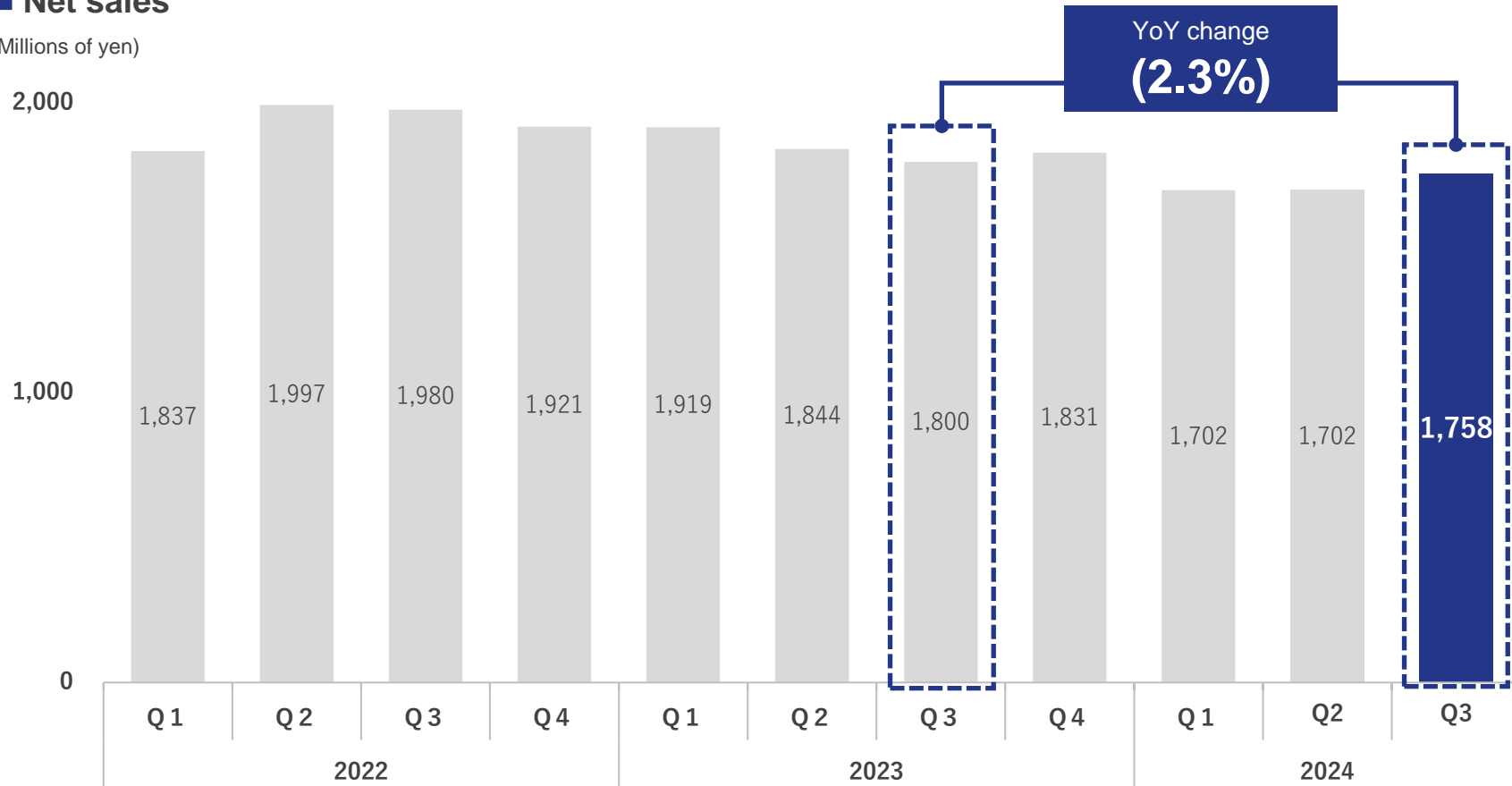
*Transaction volumes for fiscal years prior to 2022 have been calculated internally to enable comparison with said figures for 2022 and earlier. Until the end of 2021, transaction volume was disclosed as net sales.

[Net Sales] (Quarterly Basis)

Net sales were down 2.3% YoY , and +3.3 QonQ , also on a recovery trend.

Net sales

(Millions of yen)



2024 Q3 results

Overall

¥ **1,758** million

YoY change (2.3%)

QoQ change **+3.3%**

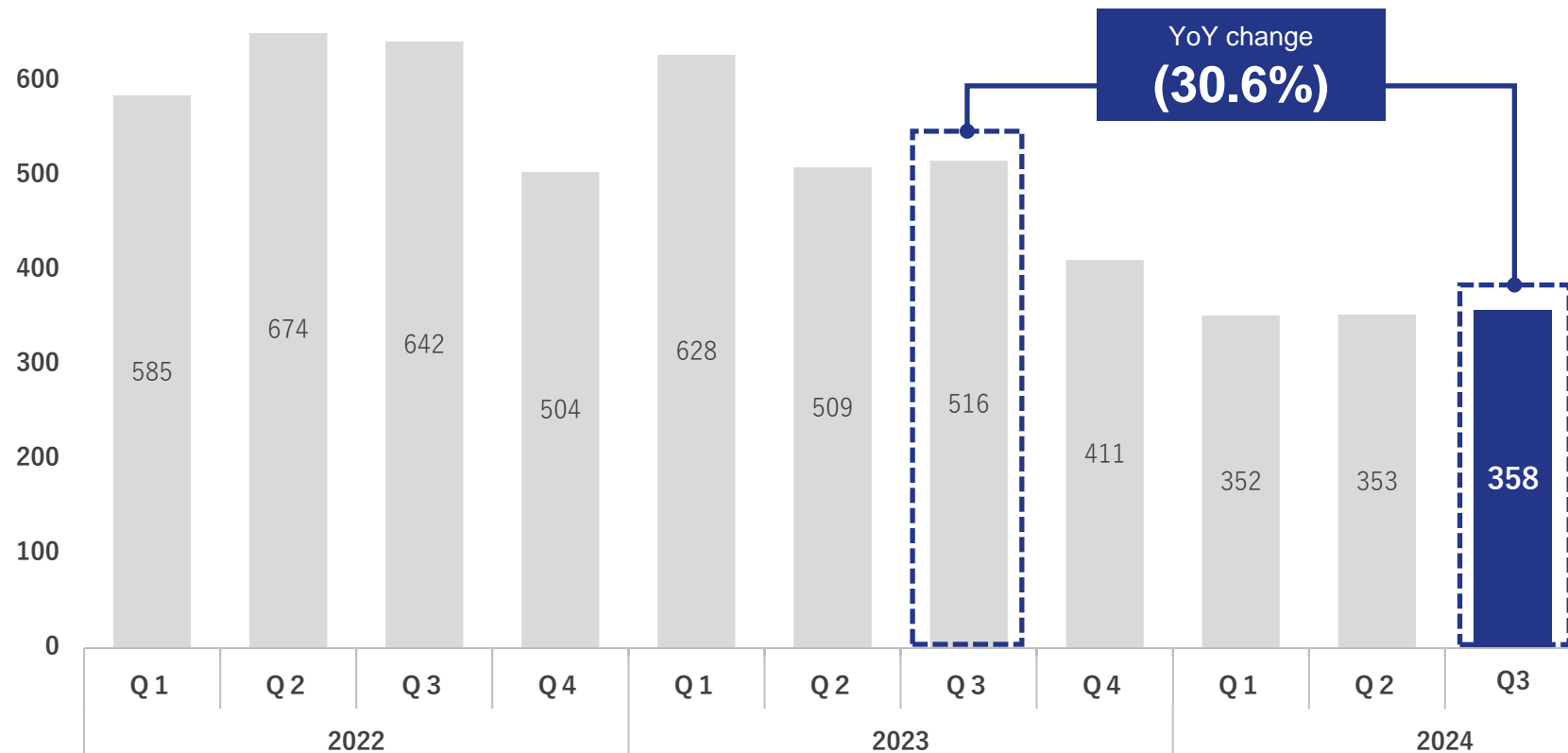
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[Operating Income] (Quarterly Basis)

Operating income was down 30.6% YoY, and up 1.3% QonQ, a slight increase in line with Transaction Volume and Net sales.

Operating income

(Millions of yen)



2024 Q3 results

Overall

¥**358** million

YoY change (30.6%)

QoQ change +1.3%

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03 ■ 2024 Performance Forecast

- P/L (Forecast)

P/L (Forecast)

Net sales have remained steady, but Operating income, Ordinary income, and profit have lagged slightly.

(Millions of yen)	2024 Full-year forecast	2024 3Q results	Progress rate
Net sales	6,980	5,163	74.0%
Operating income	1,910	1,064	55.7%
Ordinary income	1,920	1,073	55.9%
Profit	1,560	995	63.8%
(Earnings per share)	23.55	15.03	63.8%

(Yen)	2023 results	2024 forecast
Dividend forecast	19	19

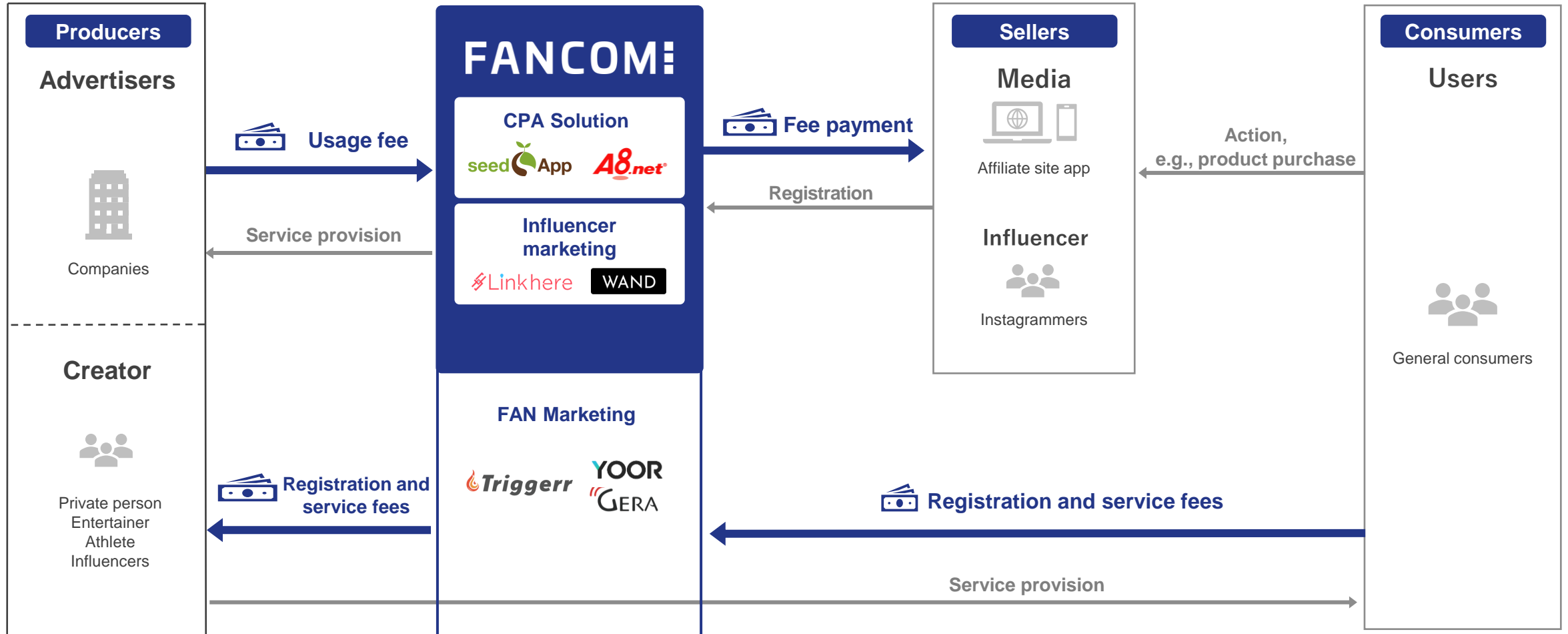
*No revisions have been made to the performance forecast announced on May 2, 2024.

04 Overview by Business

- Business Model
- CPA Solution Business
- New Business

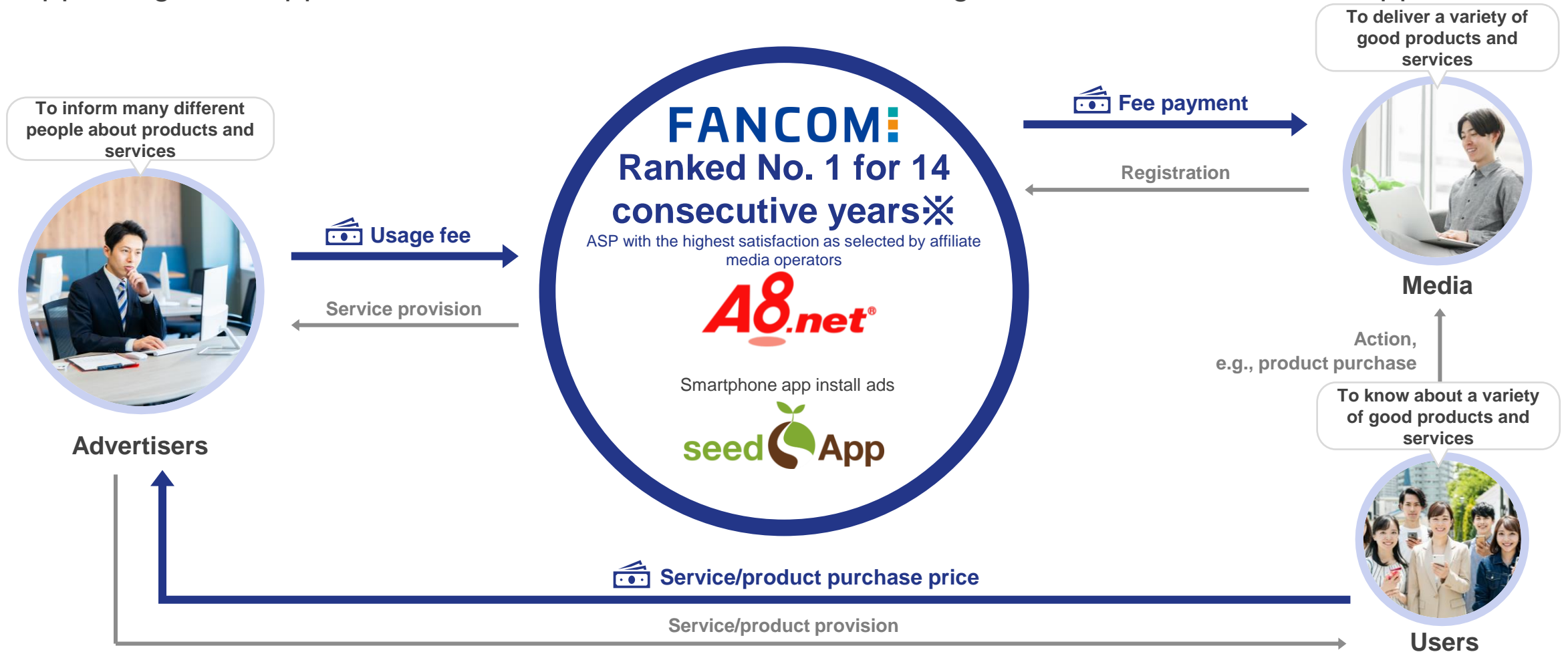
Business Model

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.

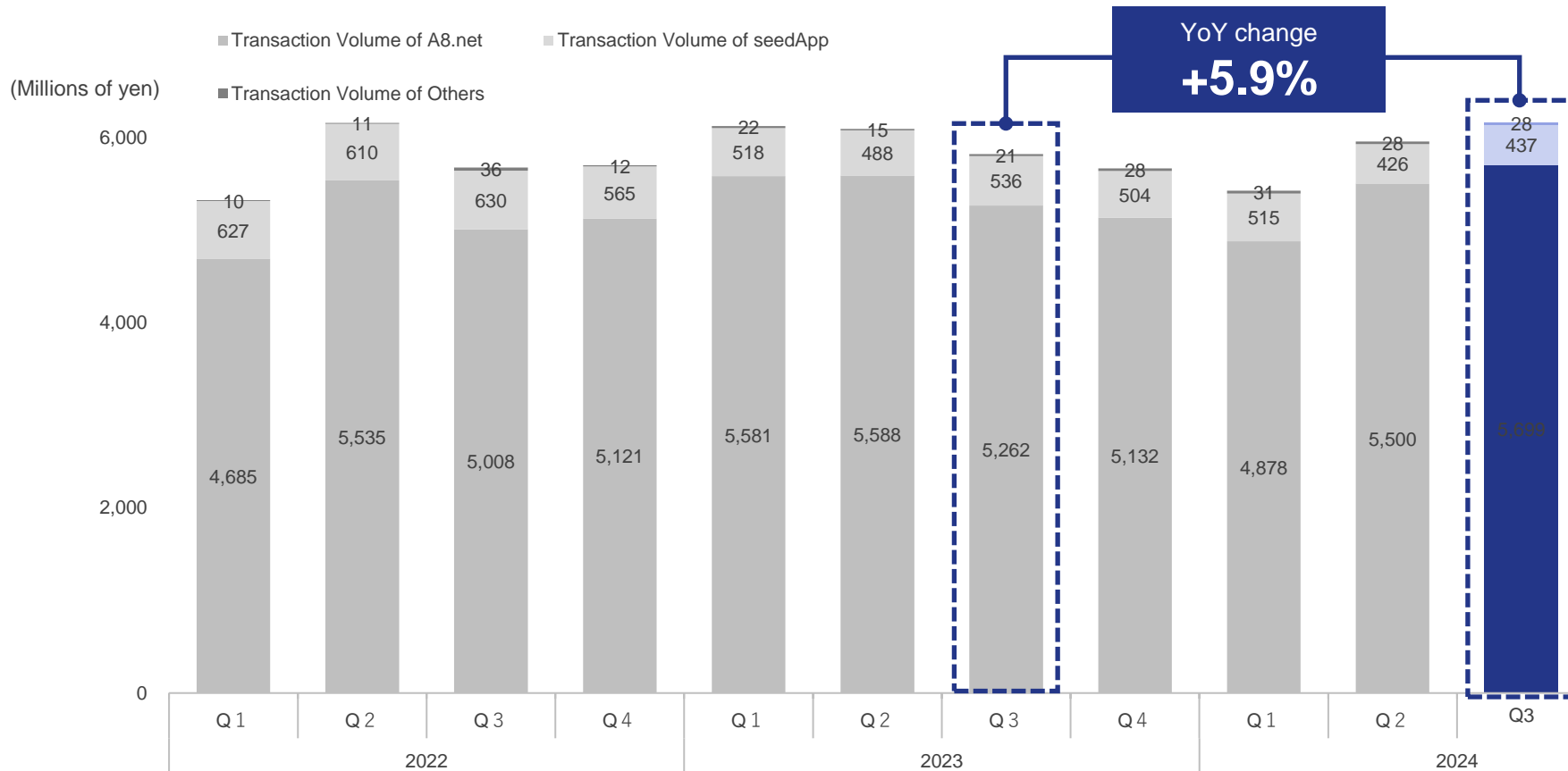


※Won the No.1 position out of 24 major ASPs in Japan in the "Affiliate Program Awareness Survey 2024".

CPA Solution Business: Transaction Volume

Overall, transaction volume in the CPA Solutions business increased by 5.9% YoY, and by 8.3% for A8.net.

Transaction volume



2024 Q3 results

Overall

¥**6,165** million

YoY change **+5.9%**

A8.net

¥**5,699** million

YoY change **+8.3%**

seedApp

¥**437** million

YoY change **(18.4%)**

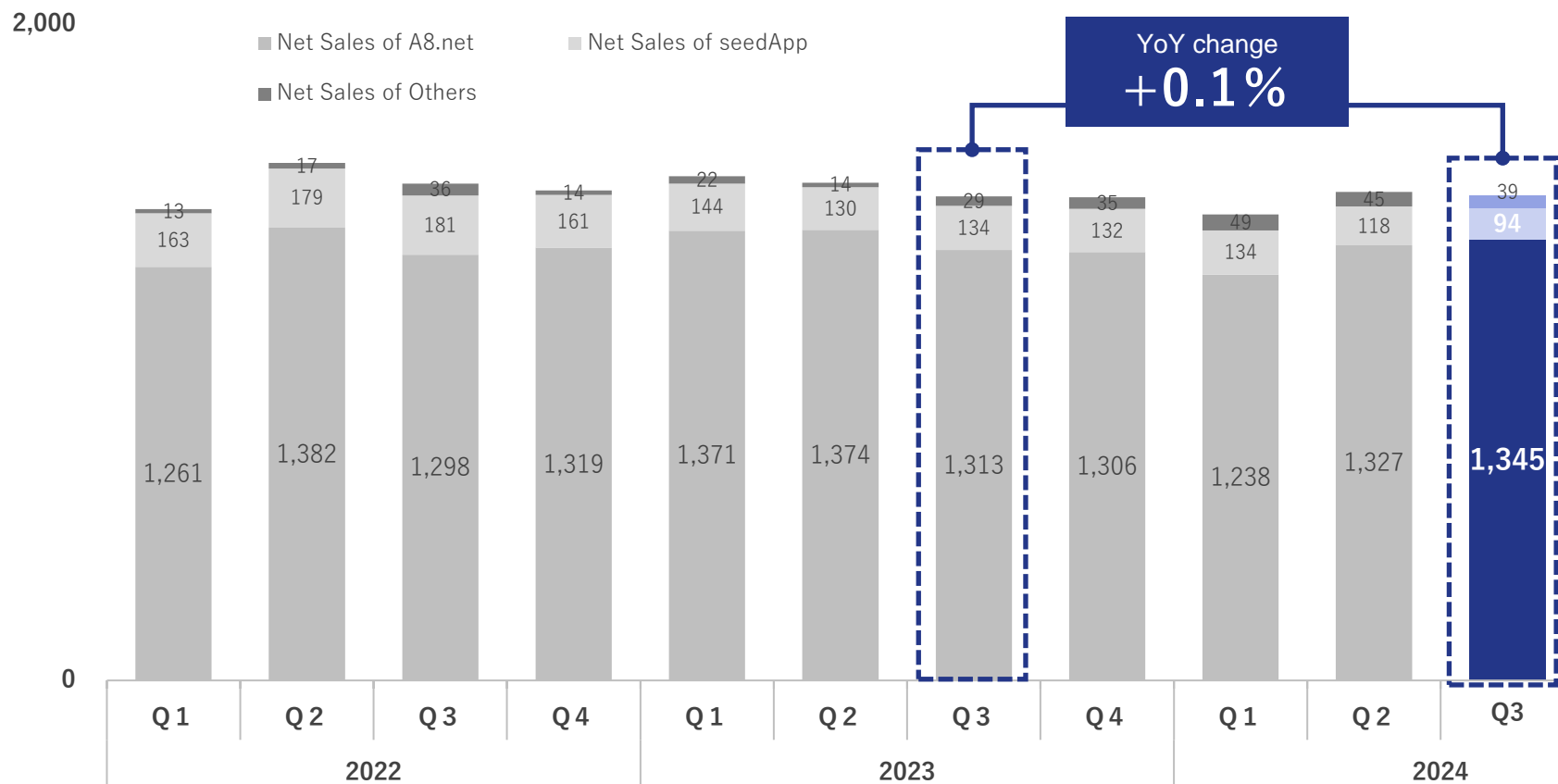
*Figures for transaction volume represent amounts before elimination of intragroup transactions.

CPA Solution Business: Net Sales

Overall, the CPA Solution Business were +0.1% YonY, A8.net was up 2.4%, and seedApp was -29.6%.

Net Sales

(Millions of yen)



2024 Q3 results

Overall

¥1,479 million

YoY change +0.1%

A8.net

¥1,345 million

YoY change +2.4%

seedApp

¥94 million

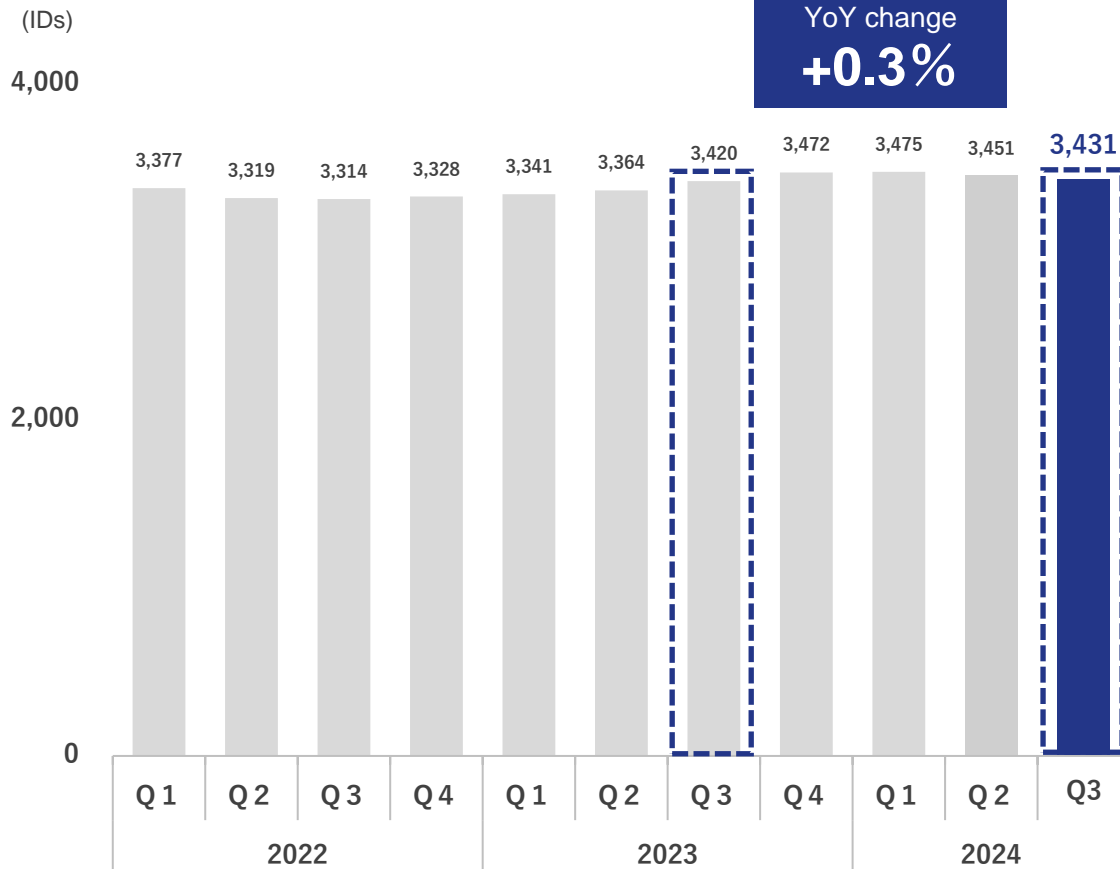
YoY change (29.6%)

* Others include contracted development and Seasaa-related sales.

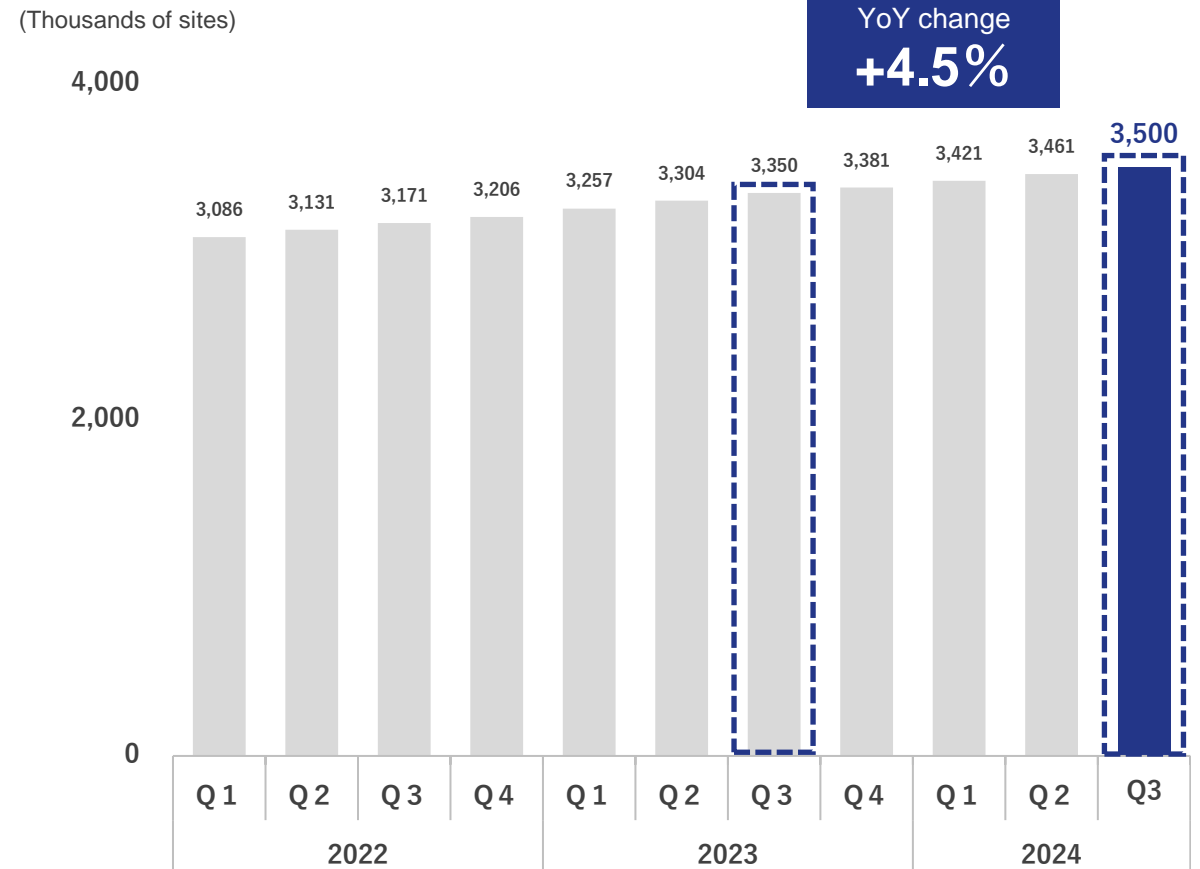
CPA Solution Business: Number of Operating Advertiser IDs and Registered Partner Sites

The number of operating advertiser IDs and the number of registered partner sites on A8.net both increased year on year. The number of registered partner sites exceeded 3.5 million.

■ 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

The key point, “increasing success fees,” reached a record high in the 3Q (Jul.-Sep.) due to the implementation of measures. The number of advertisers in the top major categories is being replaced. Category turnover is progressing among the top major advertisers.

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

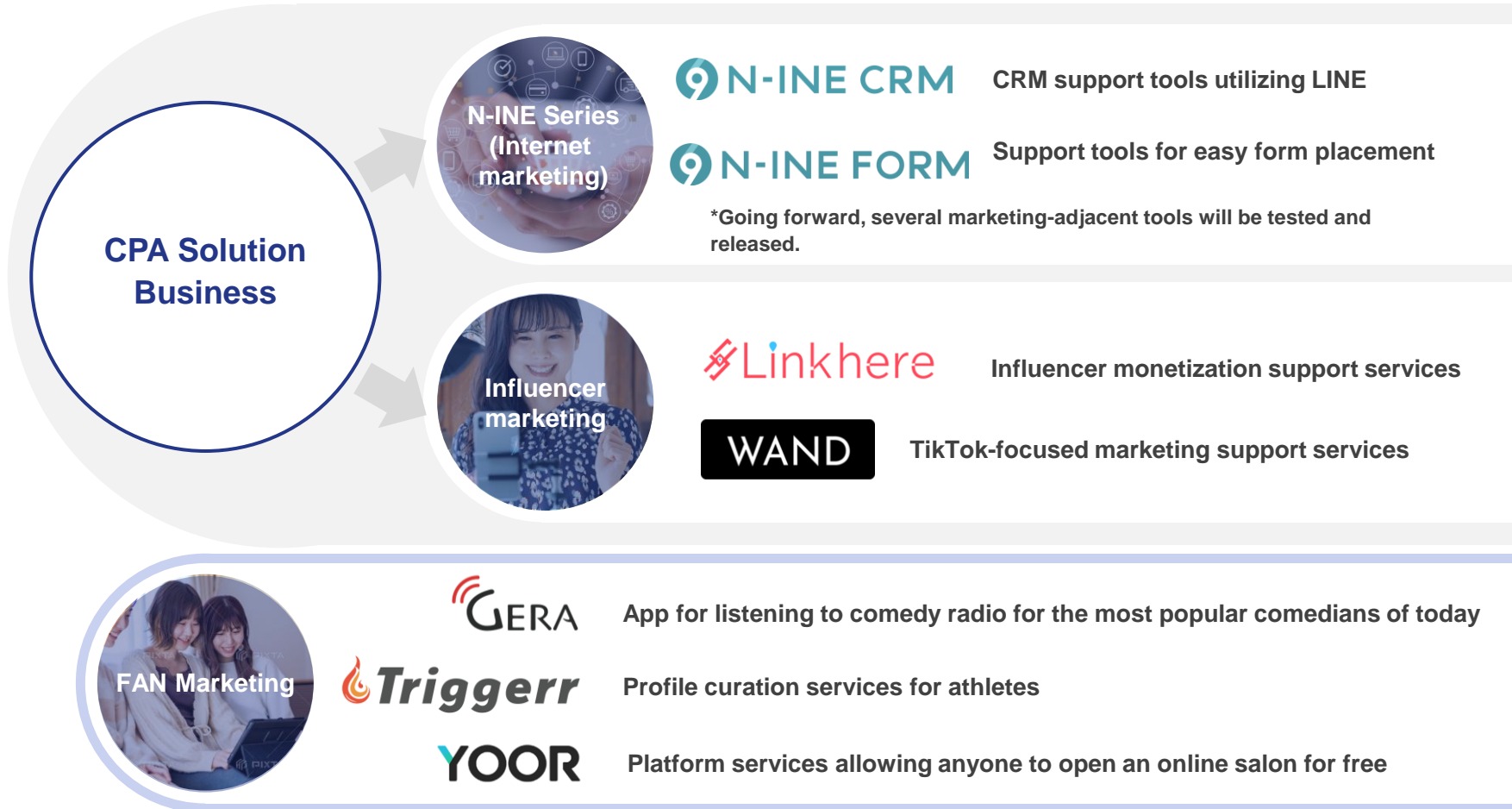
- **Reviewing workflows**
- **Using systems to resolve issues in areas where systemization can be applied**

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.

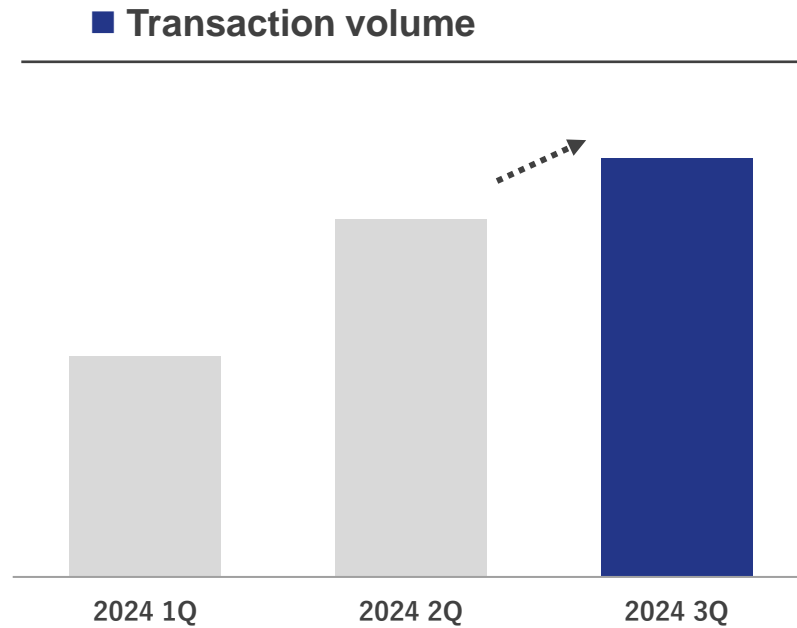


Selecting non-investment businesses
Selection and concentration

Emphasis on speed of verification

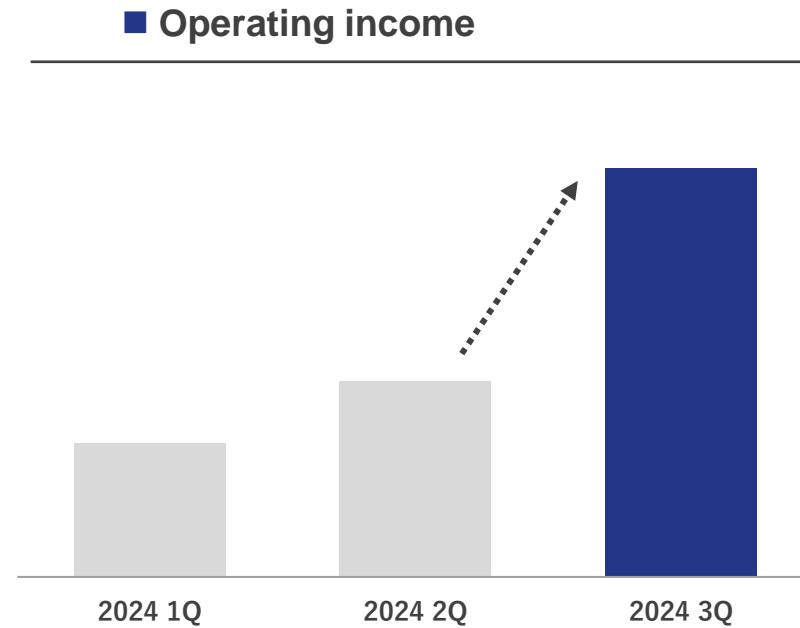
New Business Topics: WAND

WAND has integrated into operations well since it joined the Group. Its transaction volume and operating income in Q3 hit a new record high.



QoQ change

+117.0%



QoQ change

+209.3%

We will invest in personnel more from Q4 with the aim **of acquiring new customers and providing influencer marketing support** to existing advertisers.

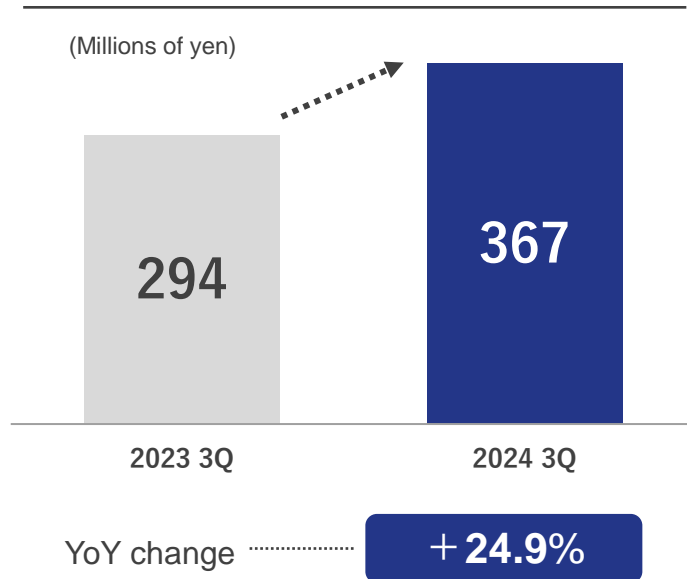
05 Other Topics

- Consolidated Group Businesses

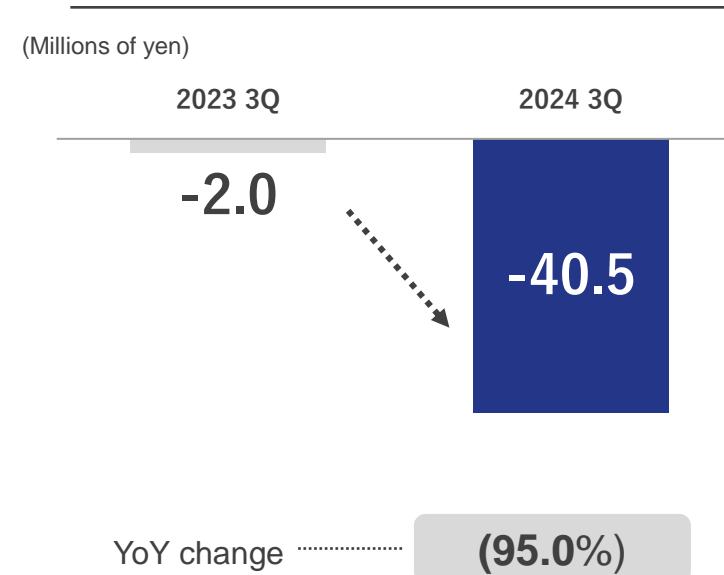
Consolidated Group Businesses: FAN Communications Global

Poikatsu Sudoku, which was newly launched by our game publishing business is performing well. Although transaction volume increased, operating income was a loss due to advance investment in advertising expenses.

Transaction volume



Operating income



Topics

- The second Poikatsu game app “Poikatsu Sudoku” has reached the No.1 spot in the puzzle category on Google Play Store

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06 ■ Company Information

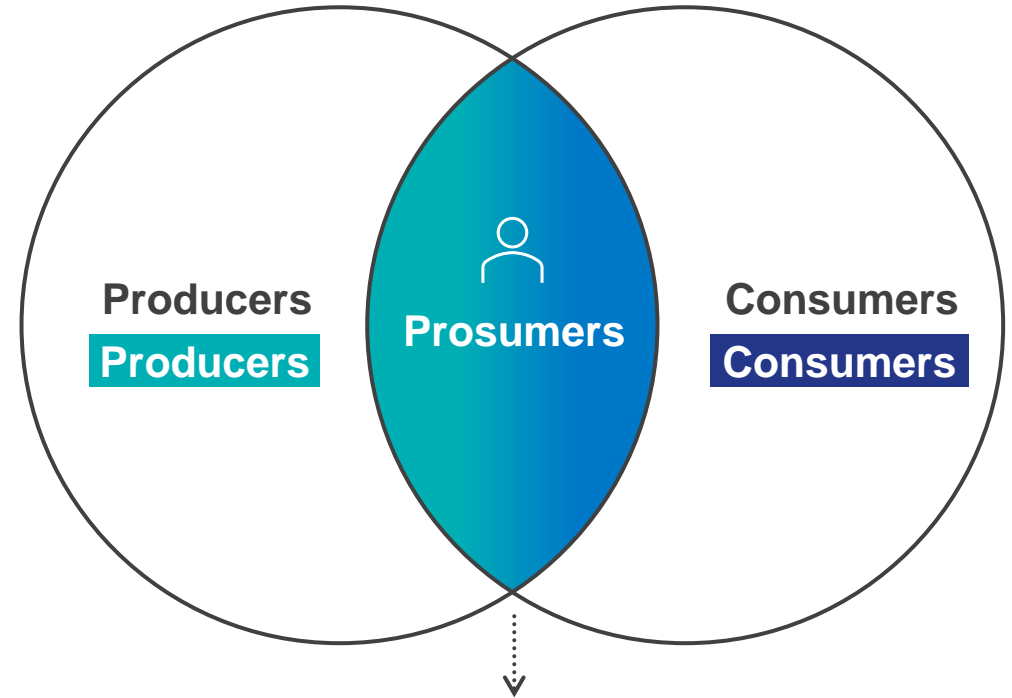
- Vision
- Company Overview
- External Environment

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

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 September 30, 2024)
President and Representative Director	Koji Ninomiya
Number of Employees	Non-consolidated: 428 Group total: 450 (As of September 30, 2024; includes part-time and temp staff)
Headquarters	Aoyama Diamond Building, 1-1-8, Shibuya, Shibuya-ku, Tokyo 150-0002, Japan
Telephone	+81-3-5766-3530 (IR)
Fax	+81-3-5766-3782



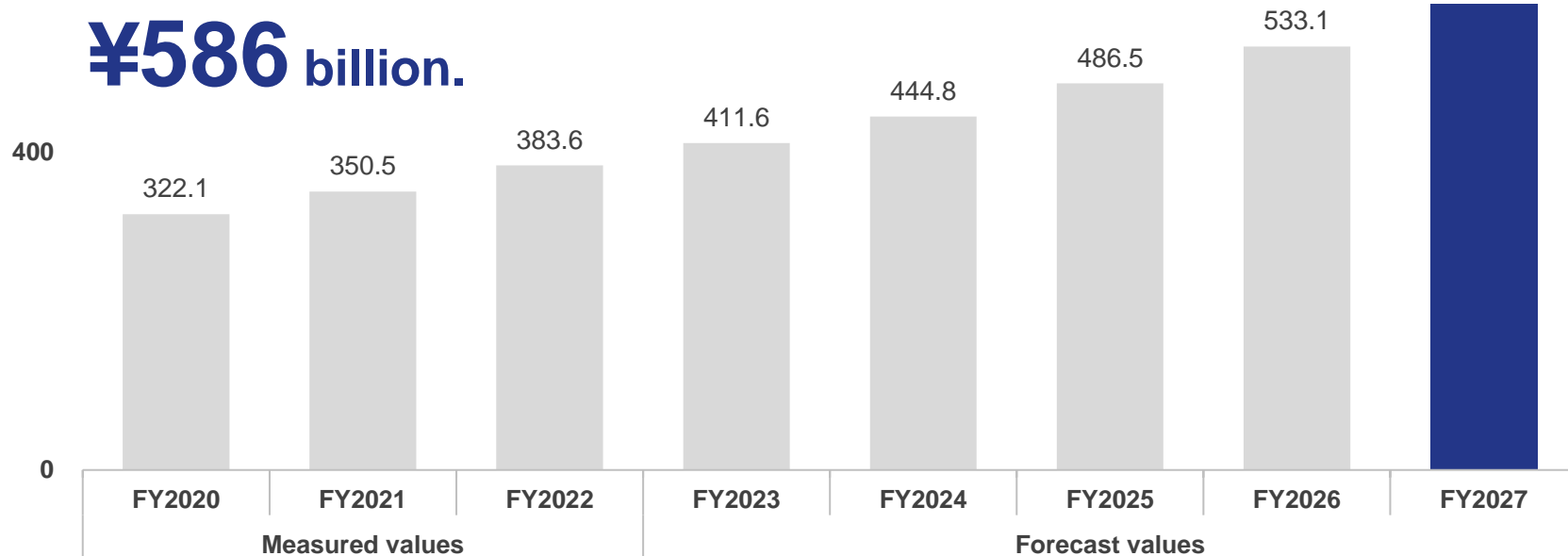
The internet advertising market is expected to continue to grow, which is **expected to be a tailwind for our affiliate network business.**

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

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

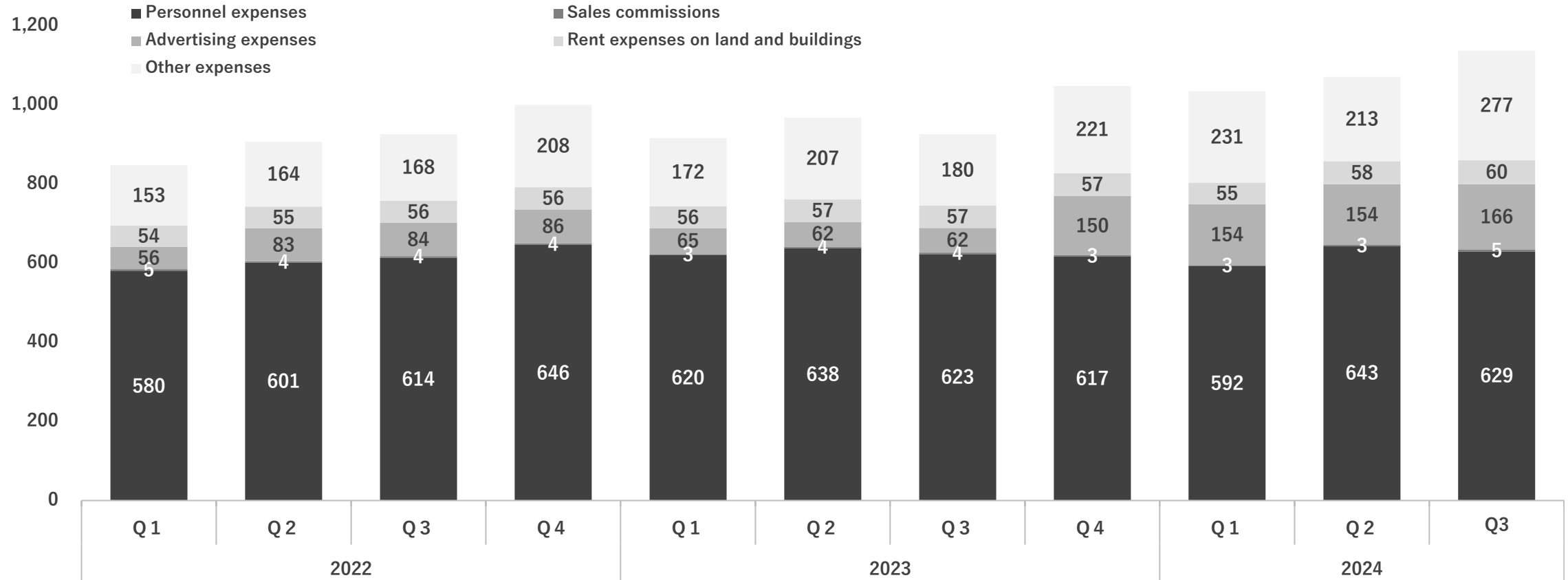
07 Reference Material

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

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

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

(Millions of yen)



*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 Q3	Vs. End of previous FY	
				Change	Change (%)
Assets	Current assets	21,155	19,958	(1,197)	(5.7%)
	Cash and deposits	17,299	15,950	(1,348)	(7.8%)
	Non-current assets	2,223	2,788	+ 565	+ 25.4%
	Property, plant and equipment	92	61	(31)	(33.7%)
	Intangible assets	387	1,020	+632	+163.0%
	Investments and other assets	1,742	1,707	(35)	(2.0%)
	Total	23,378	22,746	(631)	(2.7%)
Liabilities and net assets	Liabilities	5,489	5,150	(338)	(6.2%)
	Net assets	17,888	17,595	(292)	(1.6%)
	Total	23,378	22,746	(631)	(2.7%)

- 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.
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■ **Contact**

FAN Communications, Inc.

E-mail: ir-info@fancs.com