

The logo for ZAPPALLAS, featuring the company name in white, bold, uppercase letters on a red rectangular background.

Financial Results of
Operations for the First
Quarter of the Year
Ending April 30, 2016

ZAPPALLAS, INC.

<http://www.zappallas.com/>

TSE 1st Section:3770

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I. Overview of Results for the First Quarter of the Year Ending April 30, 2016

01 Topics for the First Quarter of the Year Ending April 30, 2016

■ Reorganization of the commerce business and concentrating on the content business

- ✓ All shares held by the company in BxE Inc. were transferred on May 1.
- ✓ Fujimaki Department Store was spun off and the independent company caramo, inc. was established on August 6.
- ✓ caramo, inc. will be transferred to transcosmos inc. on October 1.

■ Changes to reporting segments beginning from this fiscal year

02 Segment Changes

[Old segments]

Content business

- Divination, games, and other digital content
- Other new services

Commerce business

- BxE Inc.
- Mobile commerce
- STYLEST
- Fujimaki Department Store (caramo, inc.)
- cuna select

Overseas business

- Operation of US divination sites

Other business

- Travel business operated by PINK inc.
- Media business
- Telephone divination
- Contracted development of mobile sites

→ Name change

→ Abolished

} Sold

} Moved to "Other business".

} Moved to mobile services business

[New segments]

Mobile services business

- Divination, games, and other digital content
- Other new services
- Telephone divination
- Media business

Overseas business

- Operation of US divination sites

Other business

- Travel business operated by PINK inc.
- Contracted development of mobile sites
- cuna select
- Fujimaki Department Store (caramo, inc.)
* Spun off on 8/6. Will be transferred on 10/1.

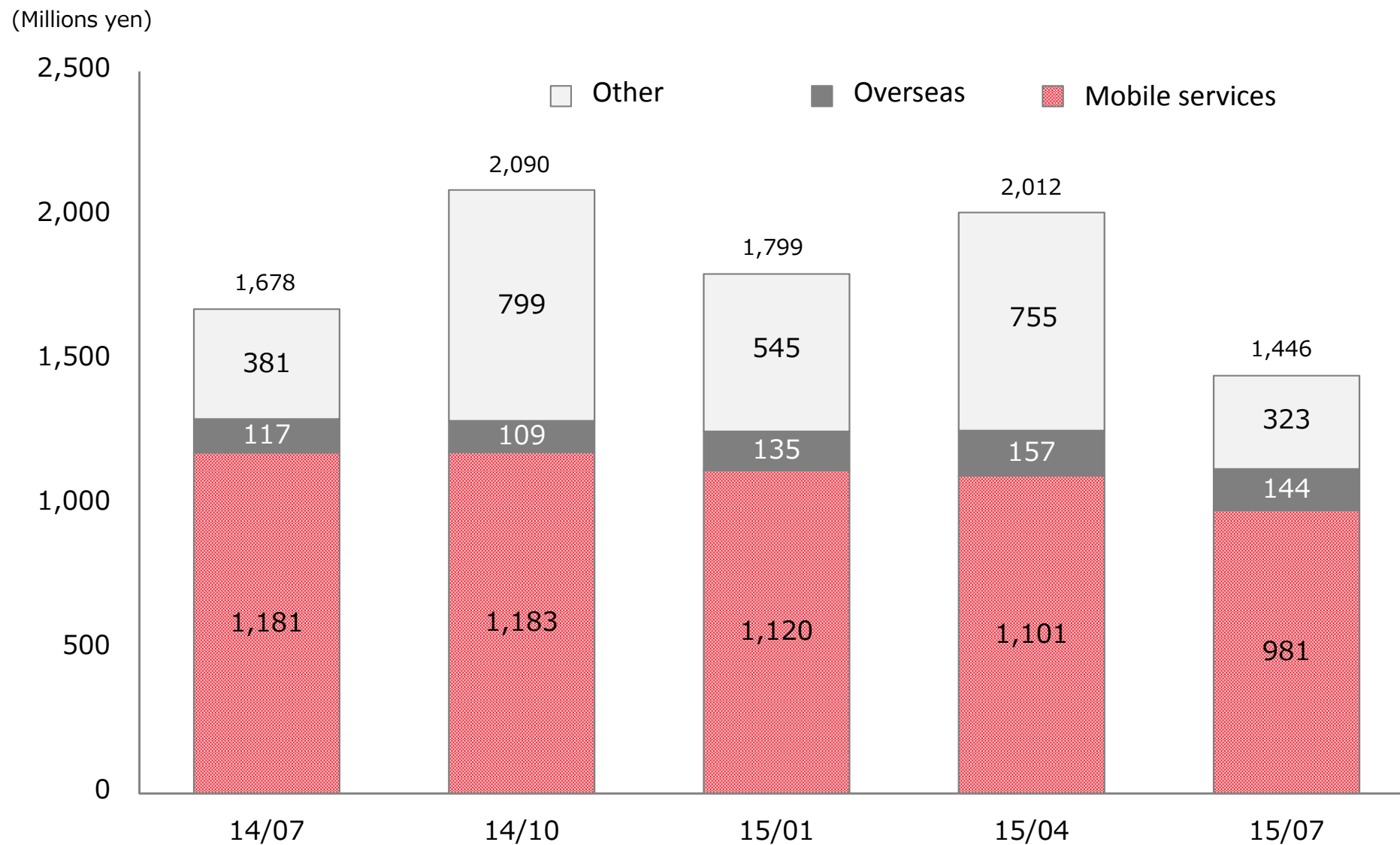
03 Consolidated P/L Summary (Comparison with Previous Quarter)

(Units: Millions yen)	4Q of year ended April 30, 2015 (Feb. - Apr. 2015)		1Q of year ending April 30, 2016 (May - July 2015)		Percentage change
	Amount	% of sales	Amount	% of sales	
Sales	2,012	100.0%	1,446	100.0%	-28.1%
Net gross profit	1,225	60.9%	901	62.3%	-26.4%
SG&A	1,086	54.0%	792	54.8%	-27.1%
Operating income	135	6.7%	109	7.5%	-19.3%
Ordinary income	144	7.2%	176	12.2%	22.2%
Net income	281	14.0%	197	13.6%	-29.9%

Points

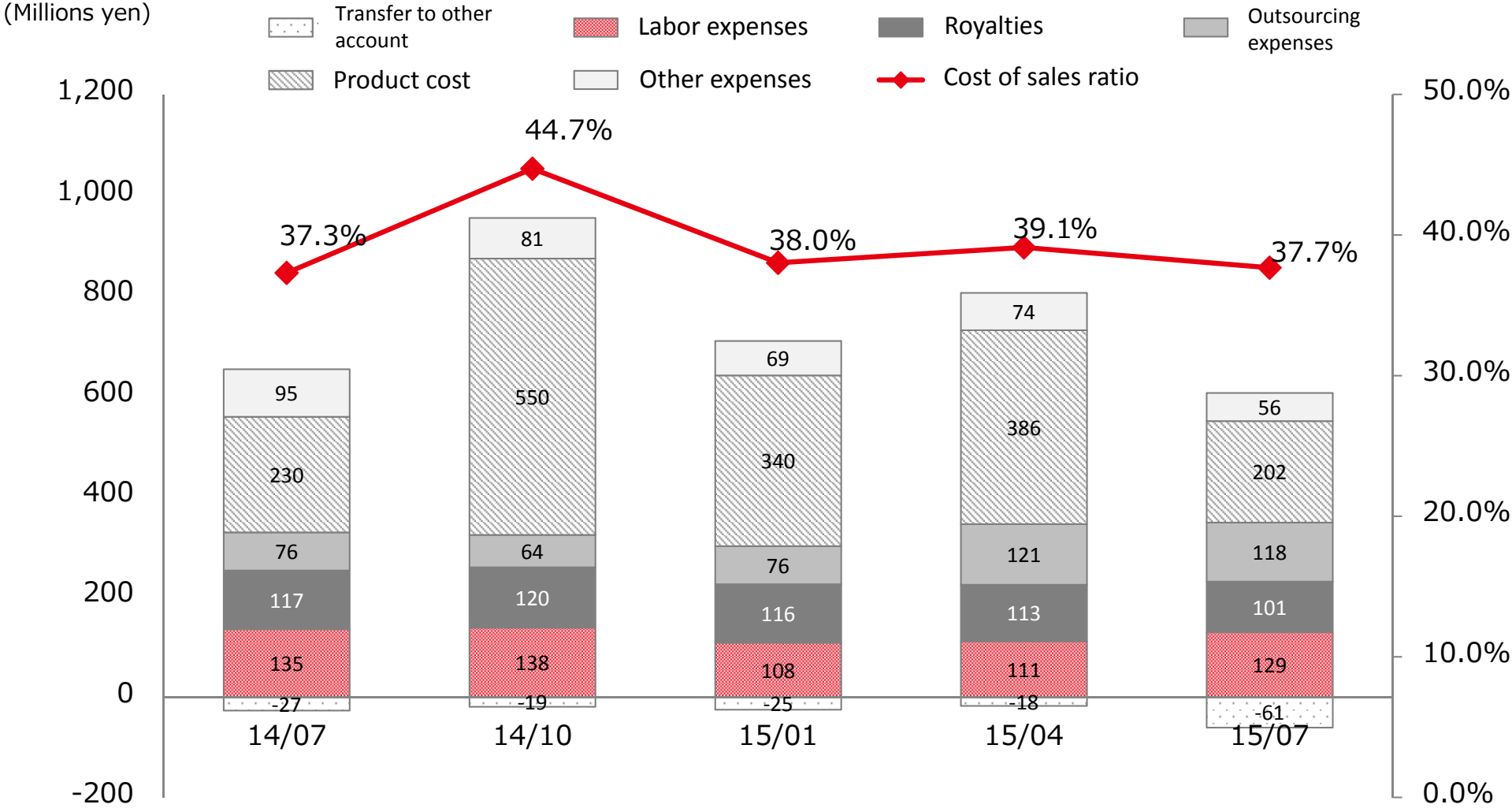
- Sales declined because all shares in BxE were transferred and it is no longer a subsidiary.
- SG&A decreased due to lower personnel expenses and other costs resulting from a reduction in advertising expenses and the above stock transfer.
- Ordinary income was higher due to non-operating income (foreign exchange profit) of 63 million yen.
- We recorded an extraordinary gain (gain on sales of investment securities) of 154 million yen.

04 Consolidated Sales by Quarter



(*1): Comparison shows figures from previous years after conversion to the new segments.

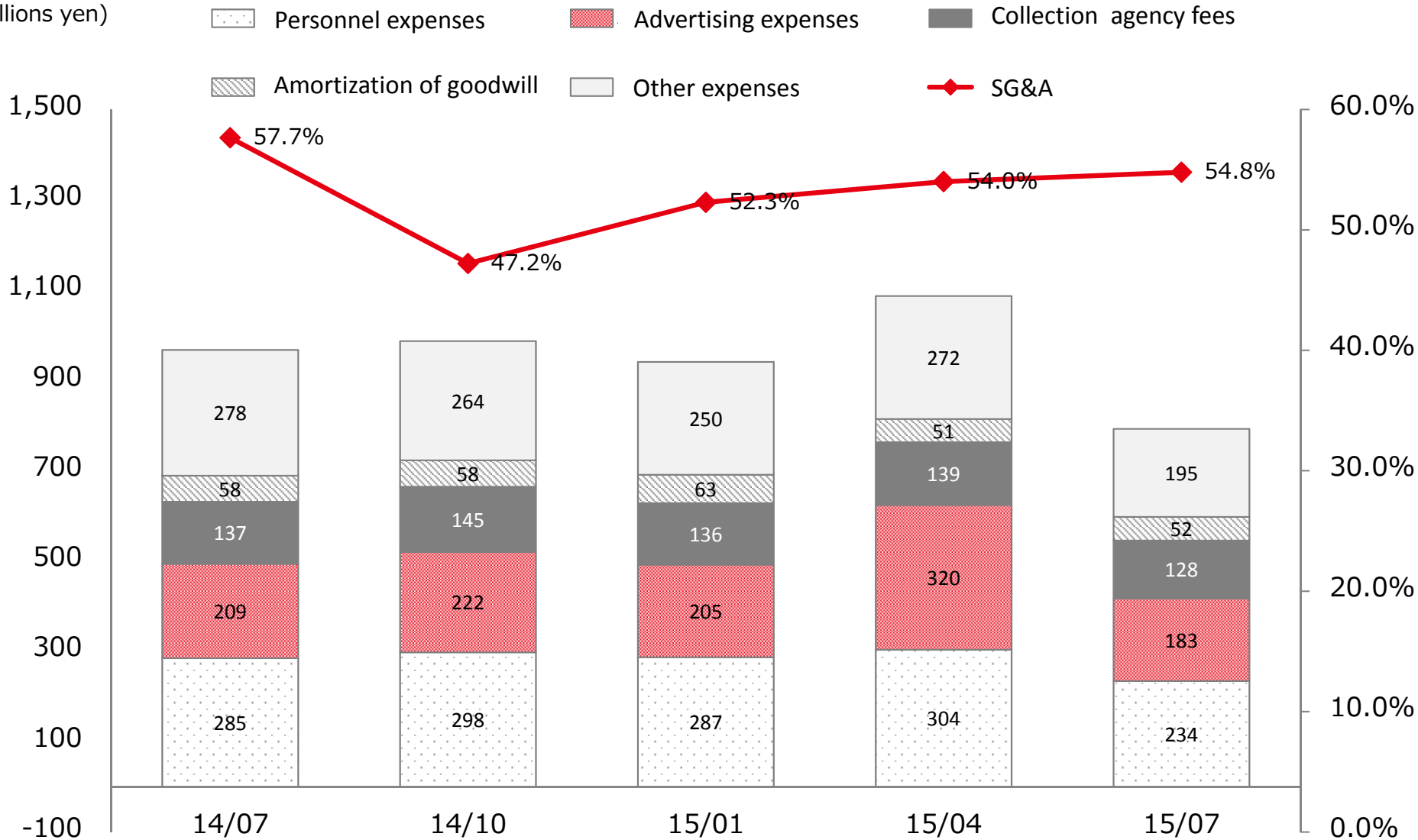
05 Consolidated Cost of Sales by Quarter



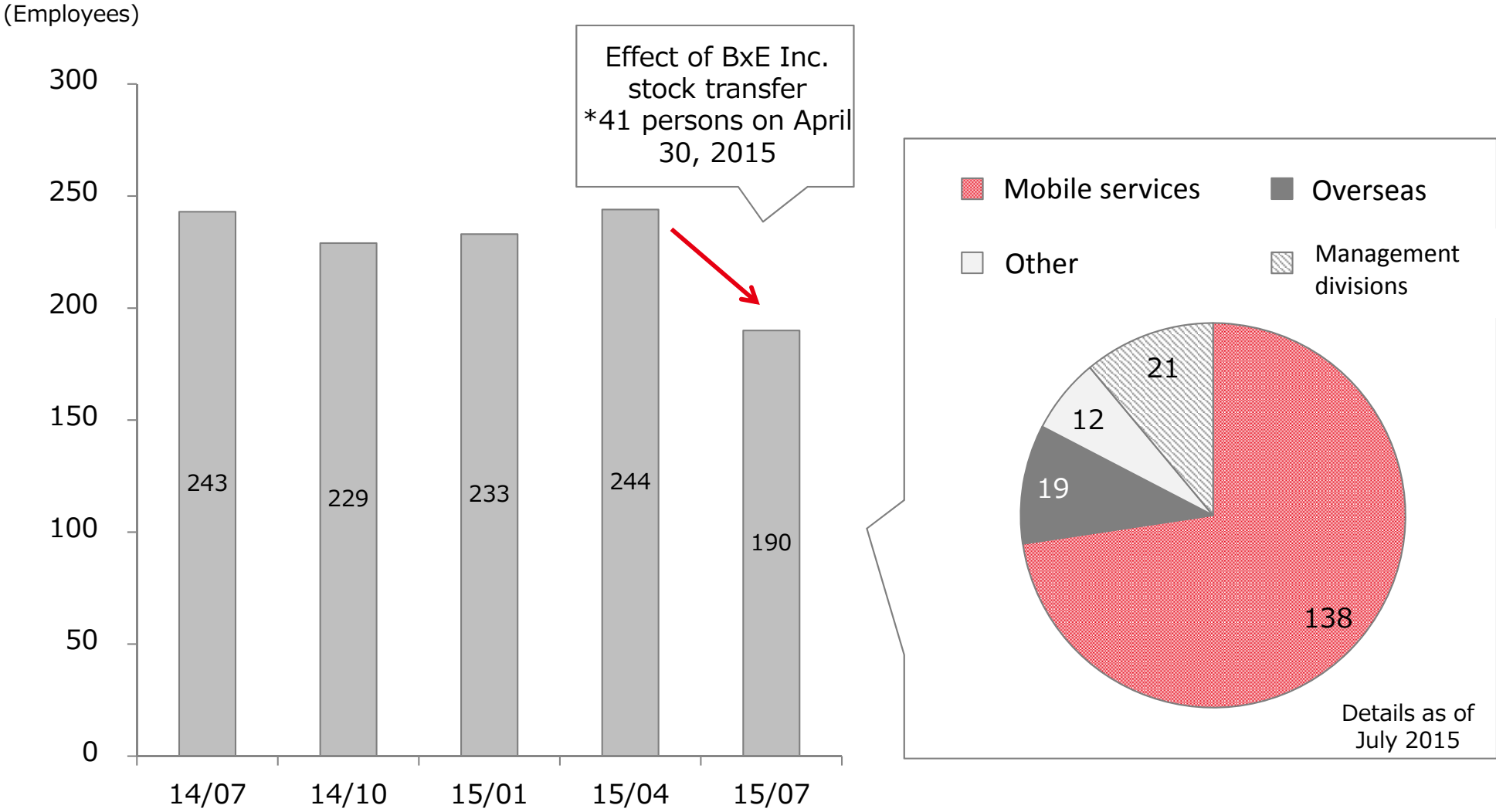
(*1): Does not include reversal of allowance for sales returns

06 Consolidated SG&A by Quarter

(Millions yen)



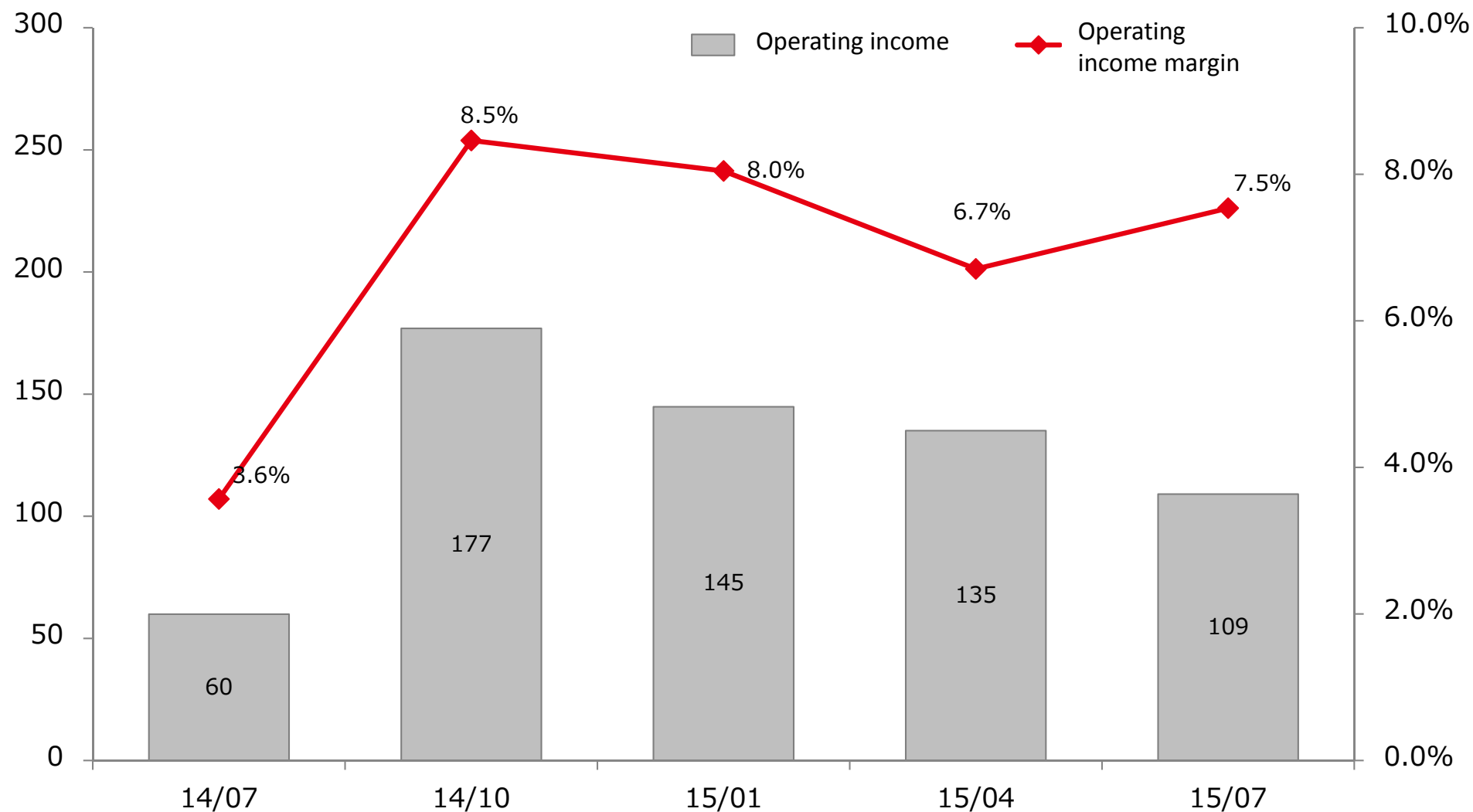
07 Consolidated Number of Employees by Quarter



(*1): The above numbers of employees indicate full-time employees and contract employees only. They do not include junior employees. Employees on leave are also excluded.

08 Consolidated Operating Income by Quarter

(Millions yen)



09 Progress Compared with the Consolidated Results Forecast for the Year Ending April 30, 2016

(Units: Millions yen)	Year ending April 30, 2016 (forecast) (May 2015 - April 2016)	Year ending April 30, 2016 (1Q results) (May 2015 - July 2015)	Progress	Results from year ended April 30, 2015 (May 2014 - April 2015)
	Amount	Amount		Amount
Sales	7,450	1,446	19.4%	7,581
Operating income	0	109	-	516

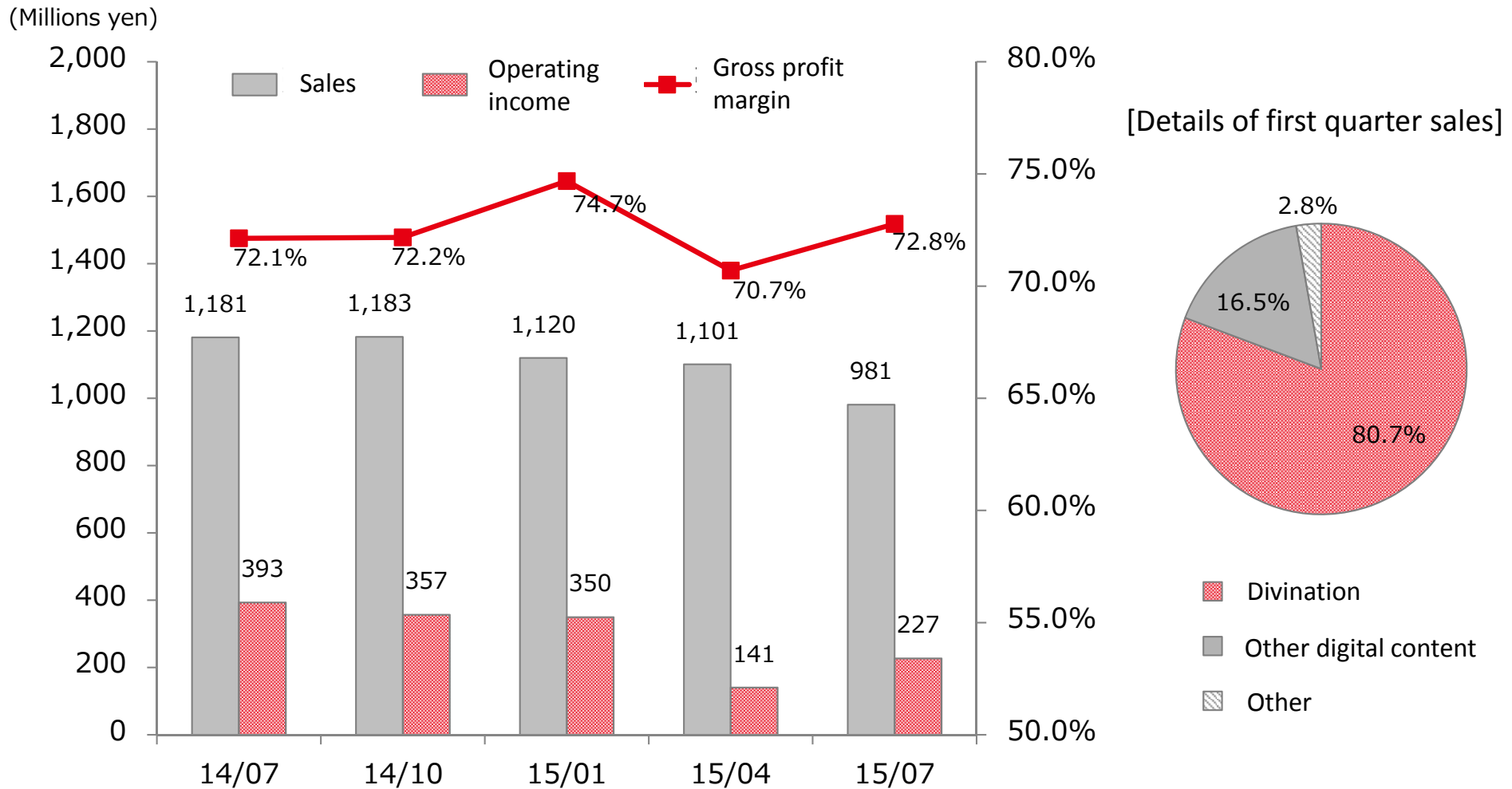
Points

- Progress to the end of the first quarter is approximately according to plan.
- Although a decline in sales and operating income is expected due to the transfer of all shares in caramo Inc., it is expected that the effect of this transfer on the consolidated results forecast will be minimal, and consequently there are no changes to the forecast at this time.

II. Status of Mobile Services

10 Mobile Services Business: Results by Quarter

Although sales declined, both the gross profit margin and operating income margin are higher.



(*1): Comparison shows figures from previous years after conversion to the new segments.

11 Mobile Services Business: Comparison with Previous Quarter

Operating income was higher due to reductions in outsourcing expenses, advertising expenses, and other costs.

(Units: Millions yen)		4Q of year ended April 30, 2015 (Feb. - Apr.)	% of sales	1Q of year ending April 30, 2016 (May - July)	% of sales
Sales		1,101	100.0%	981	100.0%
Costs	Labor expenses	95	8.6%	91	9.3%
	Royalties	107	9.7%	96	9.8%
	Outsourcing expenses	64	5.8%	43	4.4%
	Other	53	4.8%	35	3.6%
SG&A	Personnel expenses	118	10.7%	115	11.7%
	Advertising expenses	280	25.4%	164	16.7%
	Collection agency fees	139	12.6%	128	13.0%
	Other	99	9.0%	77	7.8%
Operating income		140	12.7%	227	23.1%

(*1): Comparison shows figures from previous years after conversion to the new segments.

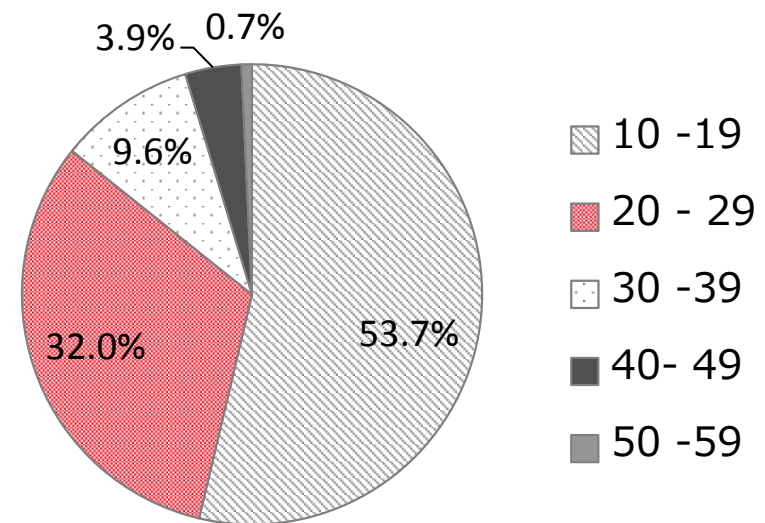
(*2): Comparison is of figures before consolidation adjustments.

12 Mobile Services Business: New Divination App "Chapli"

This app has successfully made inroads with younger age groups.
We will work to raise the rate of conversion to
paying users in the future.



[DL user age groups]



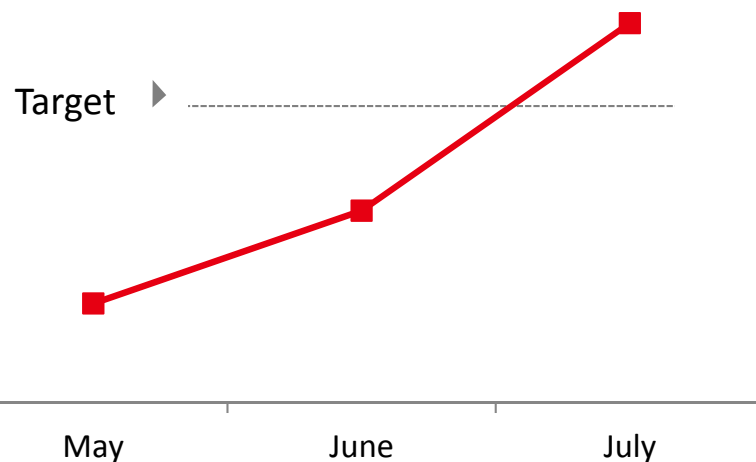
July 2015

13 Status of Mobile Services: Games

During the first quarter, we focused on improving the percentage of paying users which had been an issue before.

Changes in fee payment rate

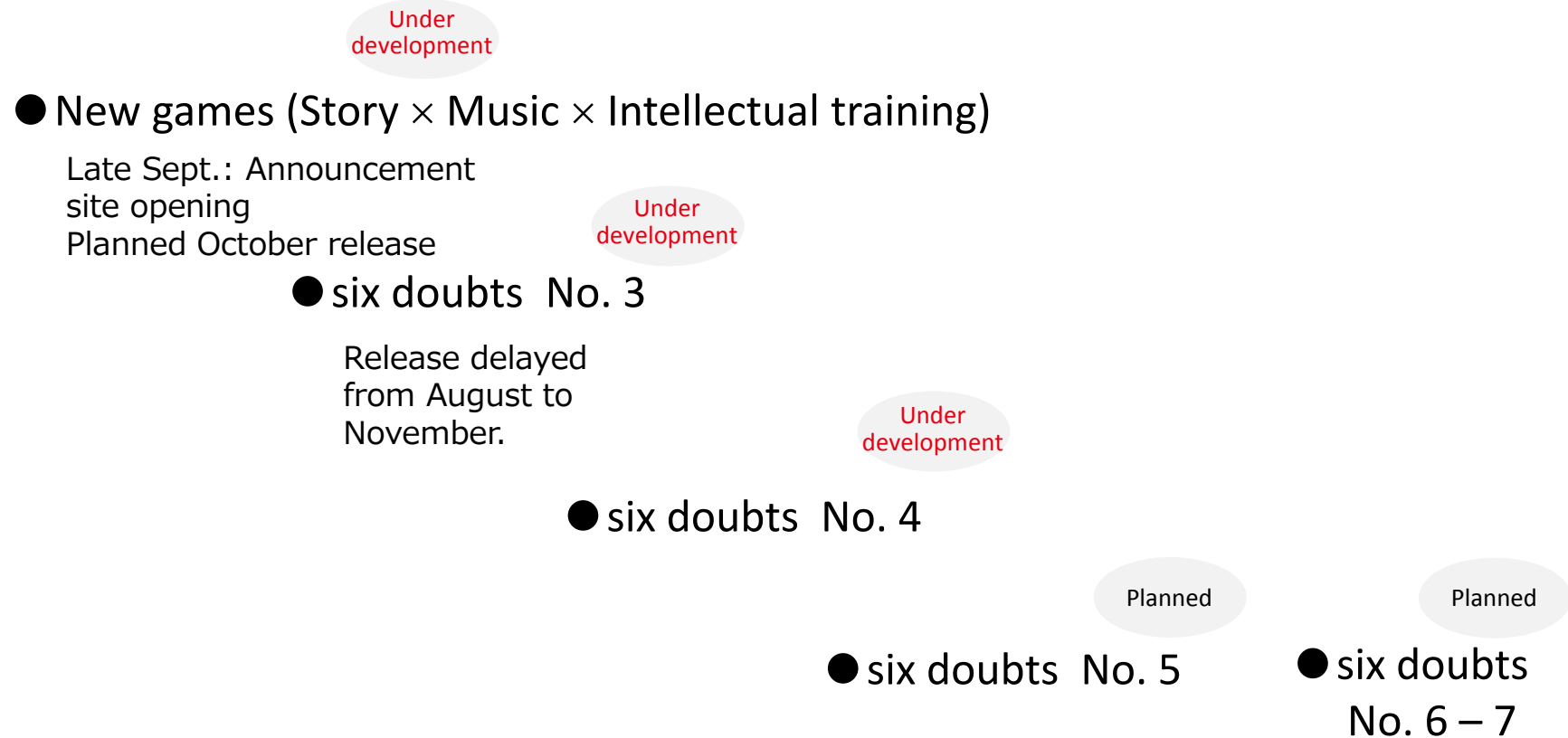
"Detective for Things that Never Happened": Percentage of users paying monthly fees



During the first quarter, we focused on improving some figures which had not reached the expected levels. As a result, the percentage of paying users was improved to the target level. Based on the results from existing titles, we added functions and changed some specifications for the new 3rd game titles that are now under development.

14 Status of Mobile Services: Games

We will carry out active promotions as soon as future titles are ready.



III. Reference Materials

01 Consolidated B/S Summary

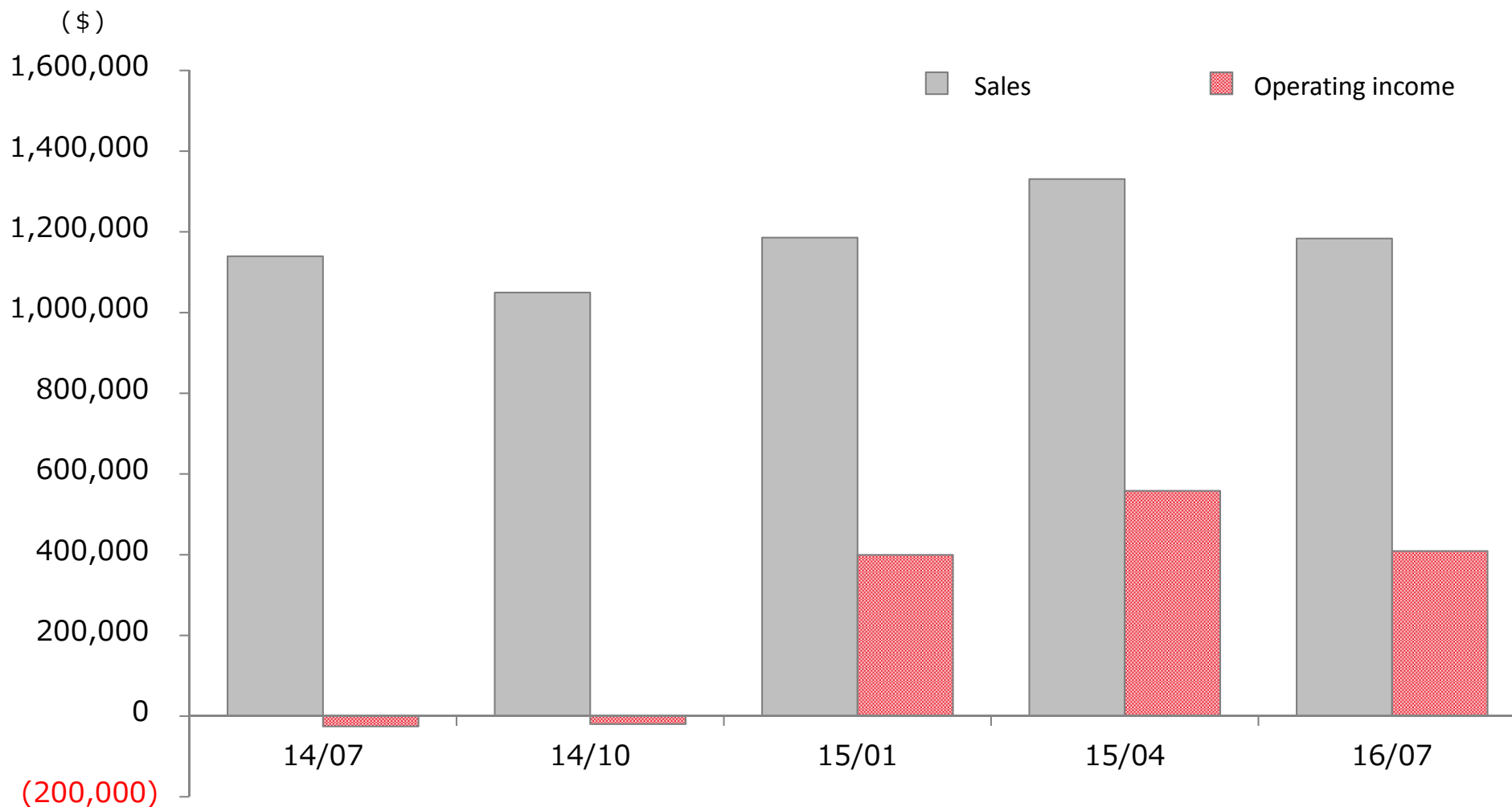
<Assets>

(Units: Millions yen)	End of year ended April 30, 2015 ① (April 30, 2015)	End of 1Q for year ending April 30, 2016 ② (Jan. 31, 2015)	Amount of change (② - ①)
Cash and cash equivalents	5,233	5,138	-95
Accounts receivable	1,182	857	-325
Marketable securities	504	504	0
Merchandise and products	138	26	-112
Other	220	308	88
Total current assets	7,277	6,833	-444
Total tangible fixed assets	89	83	-6
Software	98	94	-4
Goodwill	1,576	1,539	-37
Other	39	37	-2
Total intangible fixed assets	1,713	1,670	-43
Investment securities	646	483	-163
Other	442	262	-180
Total investments and other	1,088	745	-343
Total fixed assets	2,891	2,499	-392
Total assets	10,168	9,332	-836

<Liabilities and net assets>

(Units: Millions yen)	End of year ended April 30, 2015 ① (April 30, 2015)	End of 1Q for year ending April 30, 2016 ② (Jan. 31, 2015)	Amount of change (② - ①)
Accounts payable - trade	348	176	-172
Accounts payable - other	333	224	-109
Corporate tax payable	179	3	-176
Long-term loans payable scheduled for repayment within 1 year	193	160	-33
Others	284	142	-142
Total current liabilities	1,337	705	-632
Total fixed liabilities	340	240	-100
Total liabilities	1,678	945	-733
Total shareholders' assets	8,220	8,290	70
Total accumulated other comprehensive	231	96	-135
Minority interests	39	0	-39
Total net assets	8,490	8,386	-104
Total liabilities and net assets	10,168	9,332	836

02 Overseas Business



(*1) : 海外事業の売上高・営業利益につきましては、日本円換算前の連結相殺後の数値を用いております。

(*2) : 上記営業利益は、のれん償却前の数値です。(のれん償却費 418K\$/Q)

03 Divination Site Rankings (SP)

Zappallas divination sites overwhelmingly control the top rankings.

Western divination	Oriental divination	Diagnosis, psychology
1 今日の運勢DX	1 細木数子六星占術	1 ☆江原啓之☆
2 石井ゆかりの星読み	2 スマート占いDX	2 ゲッターズ飯田流
3 最後の琉球ユタ◇はる	3 ゲッターズ飯田の占い	3 青森の神様◆木村藤子
4 365誕生日大占術	4 島田秀平手相占い	4 動物占い
5 恋愛の神様DX	5 安斎流開運鑑定	5 開運夢診断
6 鏡リュウジ占星術	6 奇跡の力◆上地一美	6 動物キャラナビ
7 血液型相性診断	7 七曜◆姓名鑑定	7 大人の関係
8 花凜100万人感涙サロン	8 ゲッターズ飯田の姓名判断	8 香山リカ深層心理学
9 運命の恋占い	9 新宿の母	9 スピリチュアル女子大生CHIEの部屋
10 運命日	10 究極の姓名判断～桃源紀行～	10 スピリチュアル夢診断
11 ジョン・ヘイズ英国占星術	11 銀座の母◇開運姓名	11 本物の心理テスト
12 HAPPY! 占い	12 感涙! 奇跡のユタはる	12 佳川奈未★幸運予告
13 マイバースデイ	13 橋本京明ラスト陰陽師	13 男子脳×女子脳
14 新橋の母◆占霊術	14 下ヨシ子流生命	14 男心の本当と嘘
15 宿命と予言	15 銀座の母◆横田淑恵	15 女性の恋愛心理学
16 濱口善幸のタロット占い	16 金運風水	16 性格美人の法則
17 パシンペロンはやぶさ★スピリチュアル	17 沖縄の父◆奇跡鑑定	17 名越康文のココラボ
18 マドモアゼル愛◆星語り	18 風水芸人◆出雲阿国	18 誕生日占い
19 奇跡予言バラート・クララ	19 Dr. コバの風水相談所	19 前世療法
20 府中の神様みよこ先生◆愛のメッセージ	20 香港的中の母! 燕京	20 究極の恋愛科学
21 3ヶ月後の未来	21 キセキの鑑定士 花凜・KARIN	21 みよこ先生の笑う門にはなに來たる?
22 ステラ薫子◆幸せ革命	22 愉快痛快! 魚ちゃん	22 脳内スイッチ黒川伊保子
23 星相	23 直居ユミリー恋愛・風水	23 血液型人間学DX
24 C・アドリエンヌ未来予言	24 一億人の絶対婚期	24 ジュセリーノの未来予言
25 前世からの約束	25 太宰府の母ちゃん	25 夢占い大事典

Source: NTT DoCoMo menu list (dmenu) (July 2015)

indicates content provided by ZAPPALLAS

04 Company Profile

- Company name ZAPPALLAS, INC.
- Head office Token International Bldg., 2-12-19 Shibuya, Shibuya-ku, Tokyo
- Established March 2000
- Capital 1,476,340,000 yen (as of July 31, 2015)
- No. of employees 190 (as of July 31, 2015)
- Officials
 - President & CEO Mari Tamaki (Kawashima)
 - Director Hirohiko Ogusu
 - Director Sachio Shibata
 - Director Masato Kobayashi
 - Director Shinji Senoo
 - Director (outside) Shinichi Misawa
 - Director Haruyuki Mori
 - Standing auditor (outside) Tooru Sasaki
 - Auditor (outside) Masaharu Inoue (attorney)
 - Auditor Makoto Tanima (Accountant)

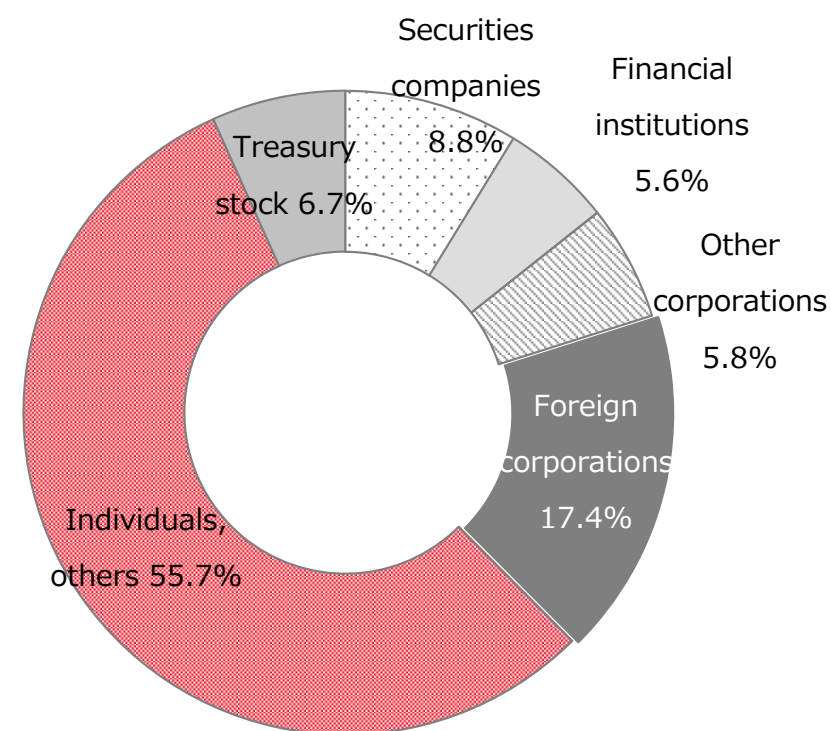
05 Shareholders (as of April 30, 2015)

Shares issued : 13,651,000 / Shareholders : 6,974

Major shareholders

	Number of shares	Ratio of shares
Mari Kawashima	2,912,000	21.33%
BBH for Fidelity Puritan, Fidelity Series, Intrinsic Opportunities Fund	1,100,000	8.05%
Crimsongroup LLC	668,200	4.89%
SBI SECURITIES Co., Ltd.	340,100	2.49%
Japan Trustee Services Bank, Ltd.	215,600	1.57%
The Master Trust Bank of Japan, Ltd.	175,500	1.28%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	127,744	0.93%
Japan Trustee Services Bank, Ltd.(Account 1)	123,600	0.90%
Japan Trustee Services Bank, Ltd.(Account 5)	116,200	0.85%
Japan Trustee Services Bank, Ltd.(Account 6)	115,900	0.84%

Shareholder distribution (percentage ownership)



Forecasts and other information contained in these materials which are not past results are based on our company's confidential business plan, available information, postulations regarding uncertain factors that may influence future results, and other information which is current as of the date of announcement. Actual results may differ as a result of various future factors.

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