

ZAPPALLAS

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

ZAPPALLAS, INC.

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

TSE 1st Section:3770

Contents

I.	Overview of Results for the Second Quarter of the Year Ending April 30, 2016	p. 4-10
II.	Status of Mobile Services	p. 12-15
III.	Reference Materials	p. 17-21

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

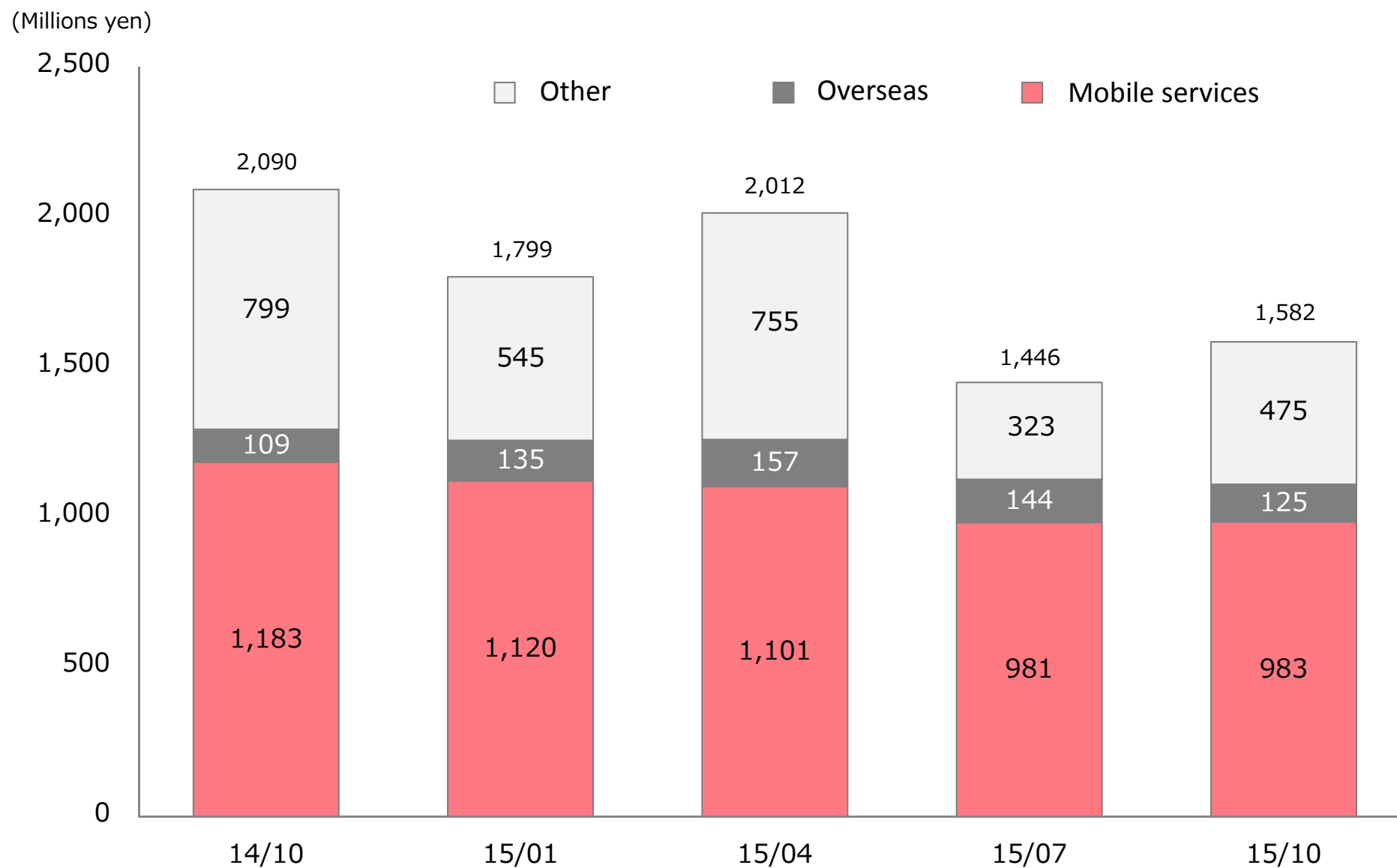
01 Consolidated P/L Summary (Comparison with Previous Quarter)

(Units: Millions yen)	1Q (Apr.-July), year ending April 30, 2016		2Q (Aug.-Oct.), year ending April 30, 2016		Percentage change
	Amount	% of sales	Amount	% of sales	
Sales	1,446	100.0%	1,582	100.0%	9.4%
Net gross profit	901	62.3%	868	54.9%	-3.7%
SG&A	792	54.8%	806	50.9%	1.8%
Operating income	109	7.5%	61	3.9%	-44.0%
Ordinary income	176	12.2%	20	1.3%	-88.6%
Net income	197	13.6%	168	10.6%	-14.7%

Points

- Sales in the "other" business category increased as a result of higher sales for contracted business.
- The gross profit margin decreased due to the higher sales in "other" business, where the cost ratio is high.
- We recorded an extraordinary gain of 235 million yen as a result of the transfer of shares in our subsidiary company caramo, inc.

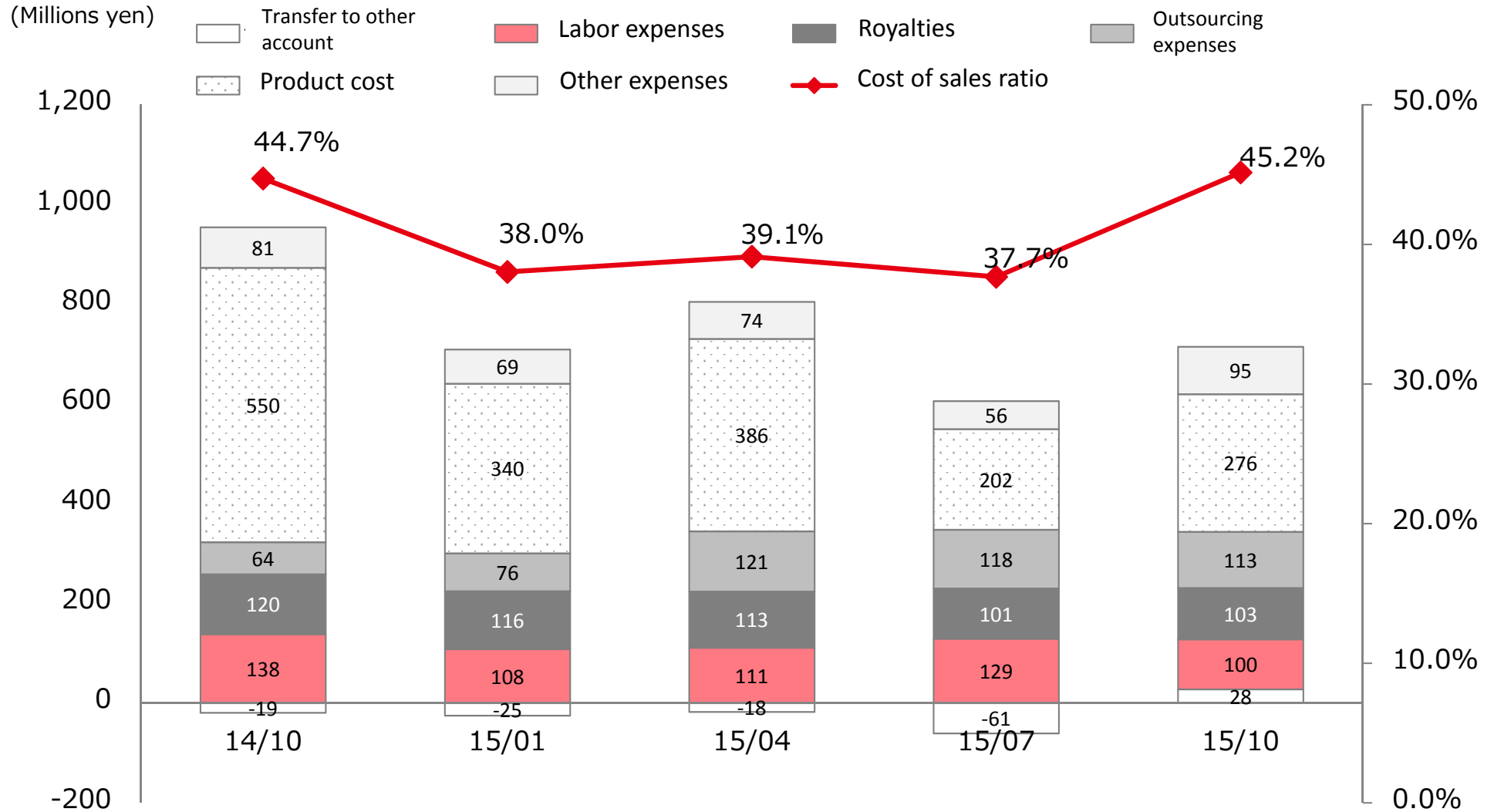
02 Consolidated Sales by Quarter



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

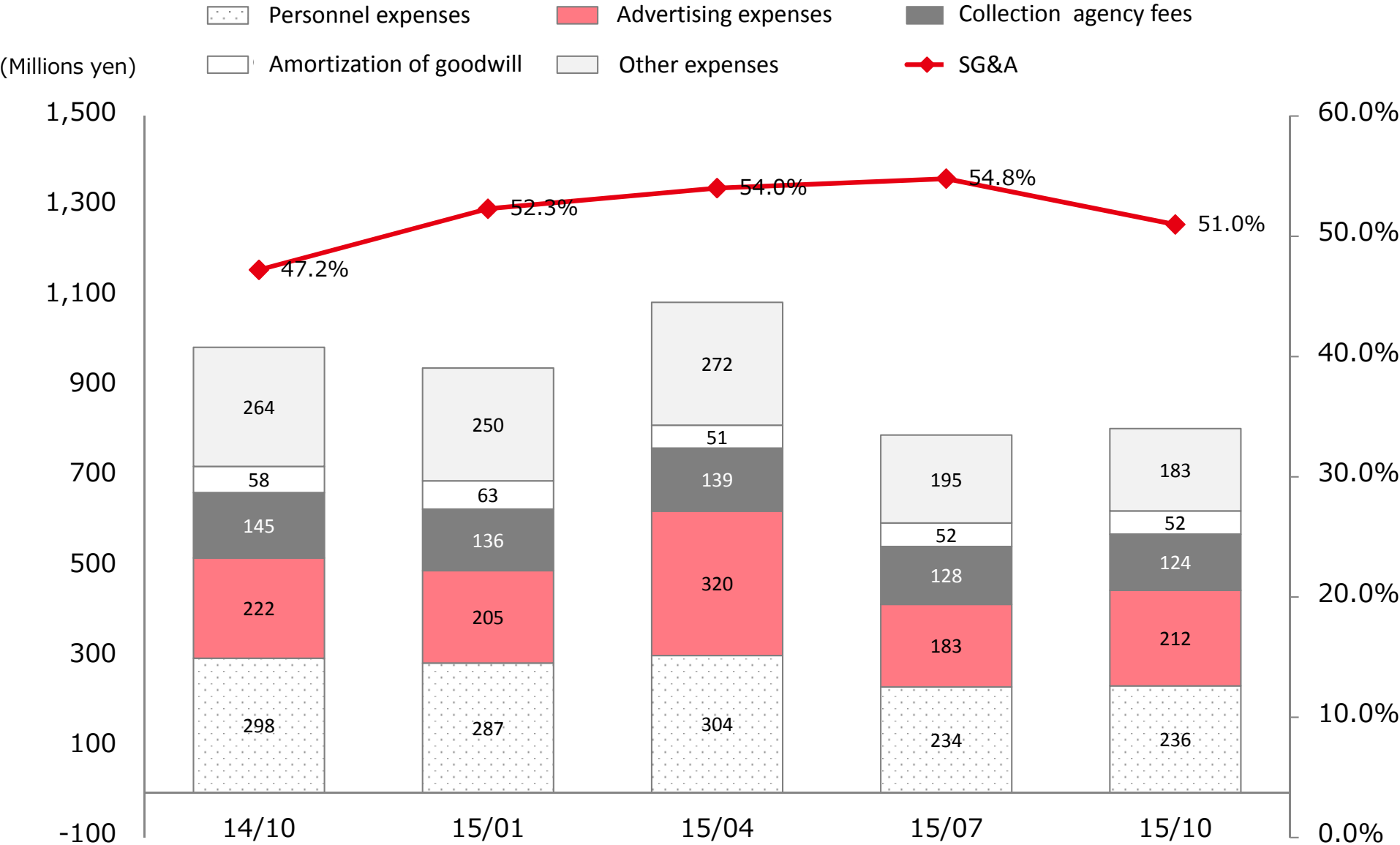
03 Consolidated Cost of Sales by Quarter

The cost ratio was higher due to higher sales in "other" business, where the cost ratio is high.

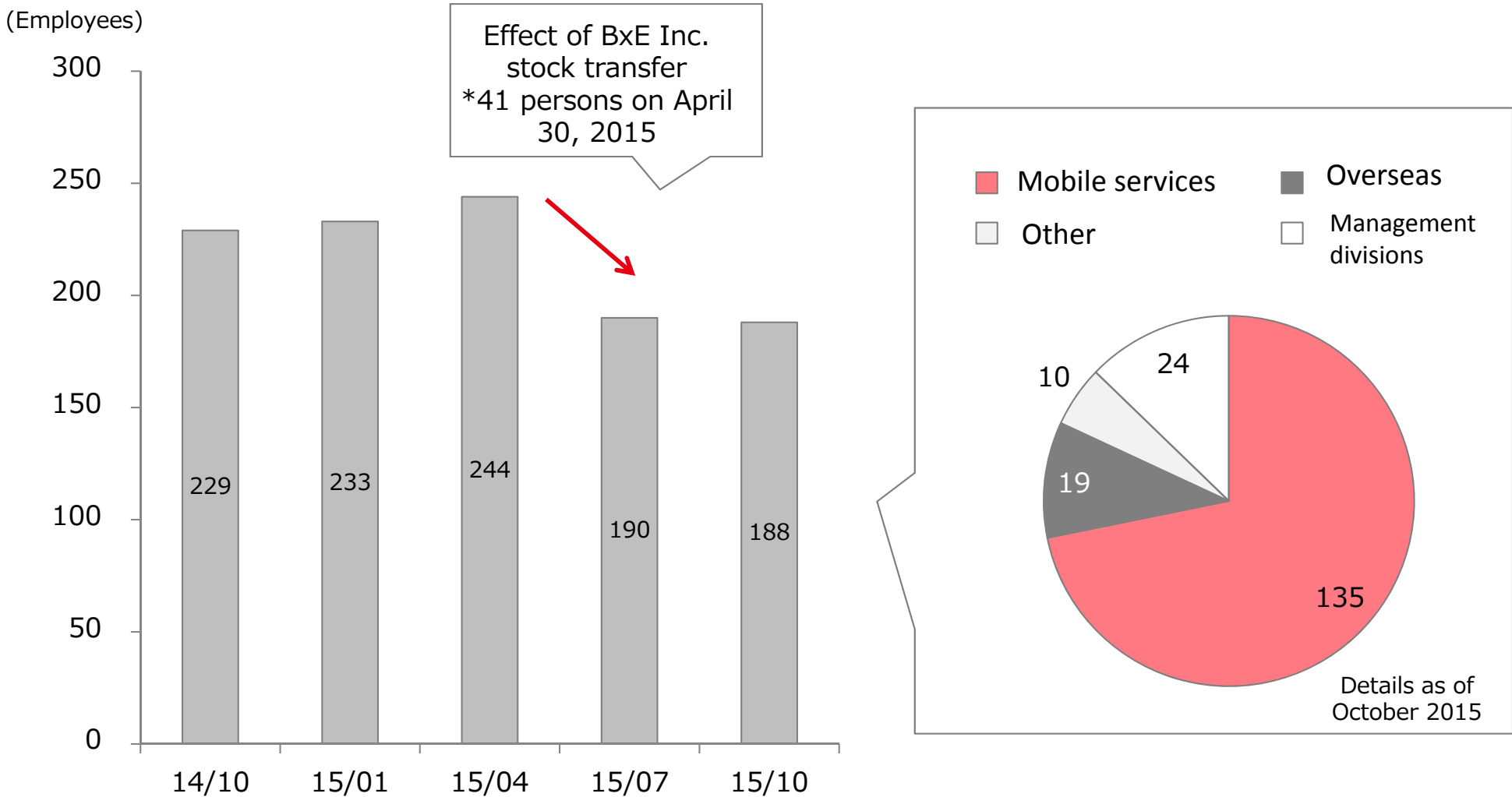


(*1): Does not include reversal of allowance for sales returns

04 Consolidated SG&A by Quarter

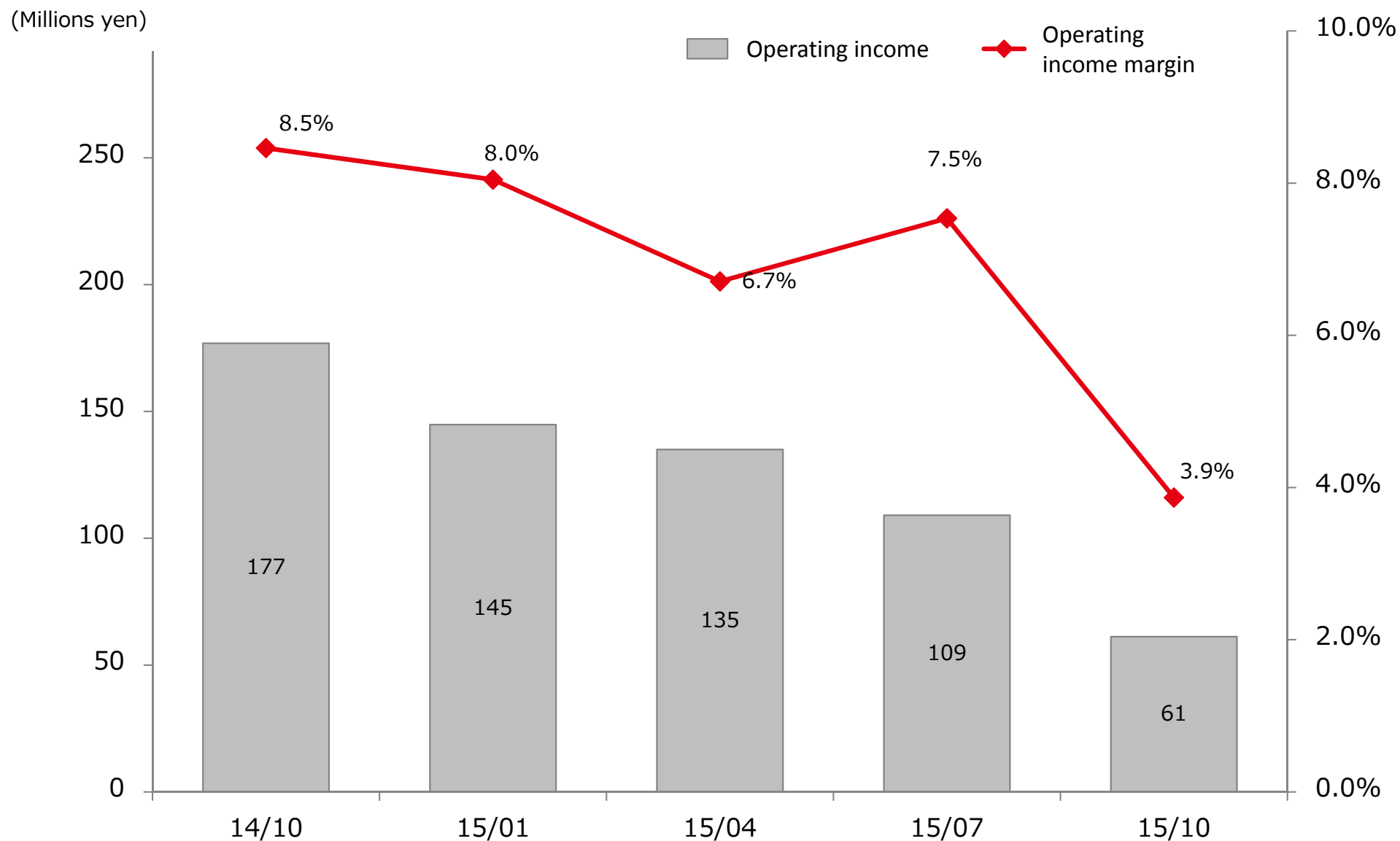


05 Consolidated Number of Employees by Quarter



(*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.

06 Consolidated Operating Income by Quarter



07 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-Apr.2016)	Year ending April 30, 2016(2Q results) (May 2015-Oct.2015)	Progress	Results from year ended April 30, 2015 (May 2014-Apr.2015)
	Amount	Amount		Amount
Sales	7,450	3,029	40.7%	7,581
Operating income	0	170	-	516

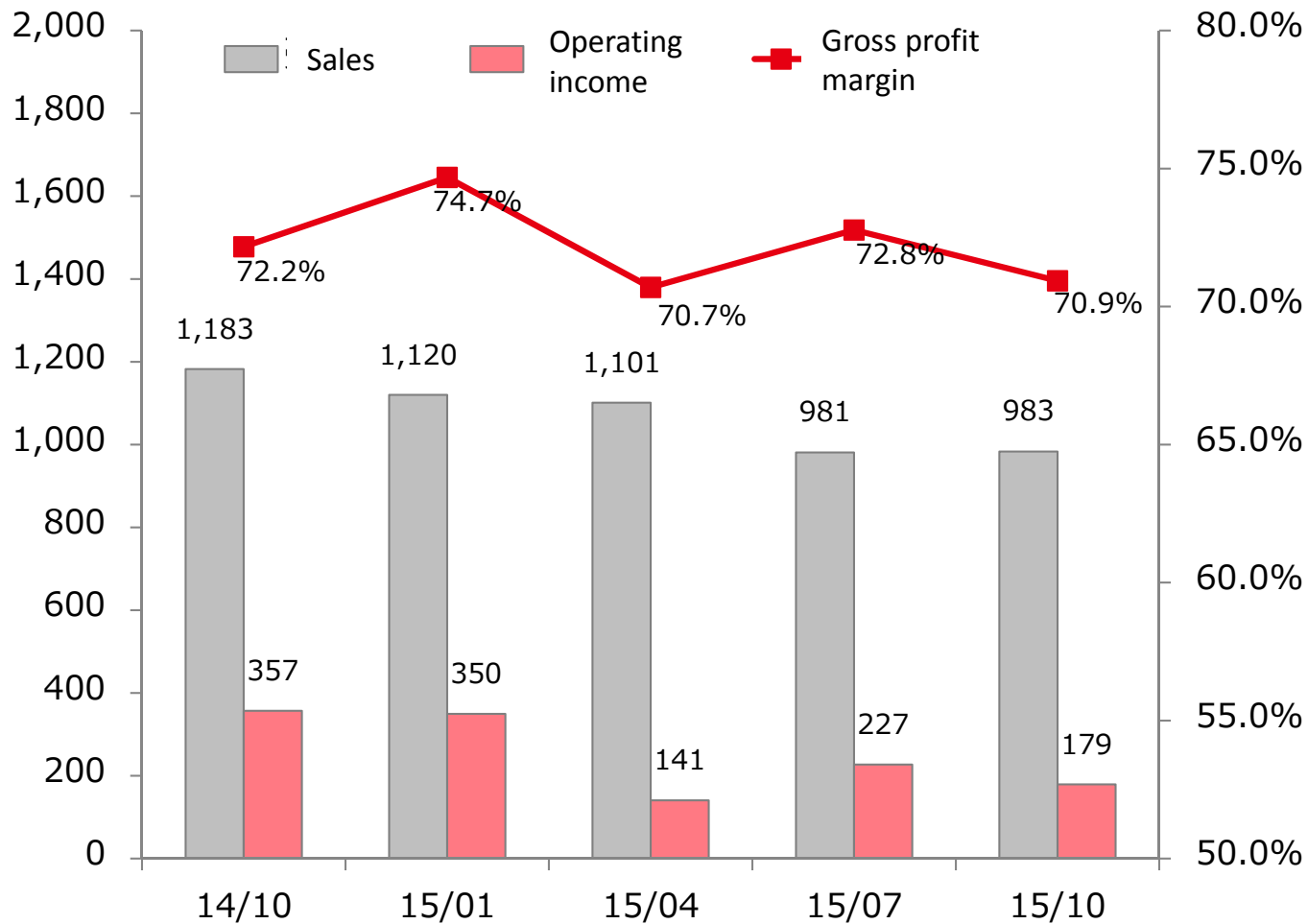
Points

- Sales are below the forecast from the start of the year due to delays in launches of the game business and new divination services.
- Operating income is higher than the forecast from the start of the year due to advertising expenses for existing services that were lower than expected, and to the lack of advertising and other expenses resulting from delays in new services.
- Although sales are expected to decline as a result of the caramo, inc. share transfer, this transfer is expected to have only a small effect on the consolidated results forecast, and at present there are no changes to the forecast.
- During this consolidated 2Q, we recorded extraordinary gains of 235 million yen resulting from a gain on sales of shares in an affiliated company, and of 154 million yen resulting from a gain on sales of investment securities.

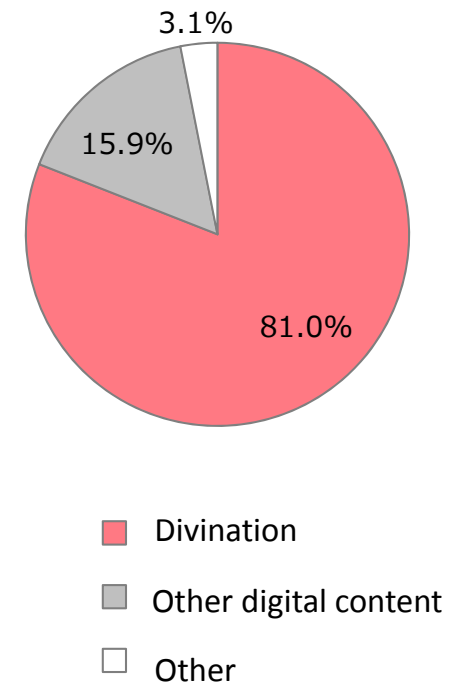
II. Status of Mobile Services

08 Mobile Services Business: Results by Quarter

(Millions yen)



[Details of second quarter sales]



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

09 Mobile Services Business: Comparison with Previous Quarter

Operating income decreased due to higher expenses including advertising expenses and outsourcing expenses.

(Units: Millions yen)		1Q of year ending April 30, 2016	% of sales	2Q of year ending April 30, 2016	% of sales
Sales		981	100.0%	983	100.0%
Costs	Labor expenses	91	9.3%	105	10.7%
	Royalties	96	9.8%	98	10.0%
	Outsourcing expenses	43	4.4%	57	5.8%
	Other	35	3.6%	24	2.4%
SG&A	Personnel expenses	115	11.7%	102	10.4%
	Advertising expenses	164	16.7%	196	20.0%
	Collection agency fees	128	13.0%	124	12.6%
	Other	77	7.8%	94	9.6%
Operating income		227	23.1%	179	18.2%

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

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

10 Mobile Services Business: Divination

We are expanding divination services aimed at light users and will be accelerating the launch of new services beginning from the second half of the year.



Divination × Romance × Beauty
× Lifestyle

Day of Fate: A divination app with a new feel
Opened on 9/10.



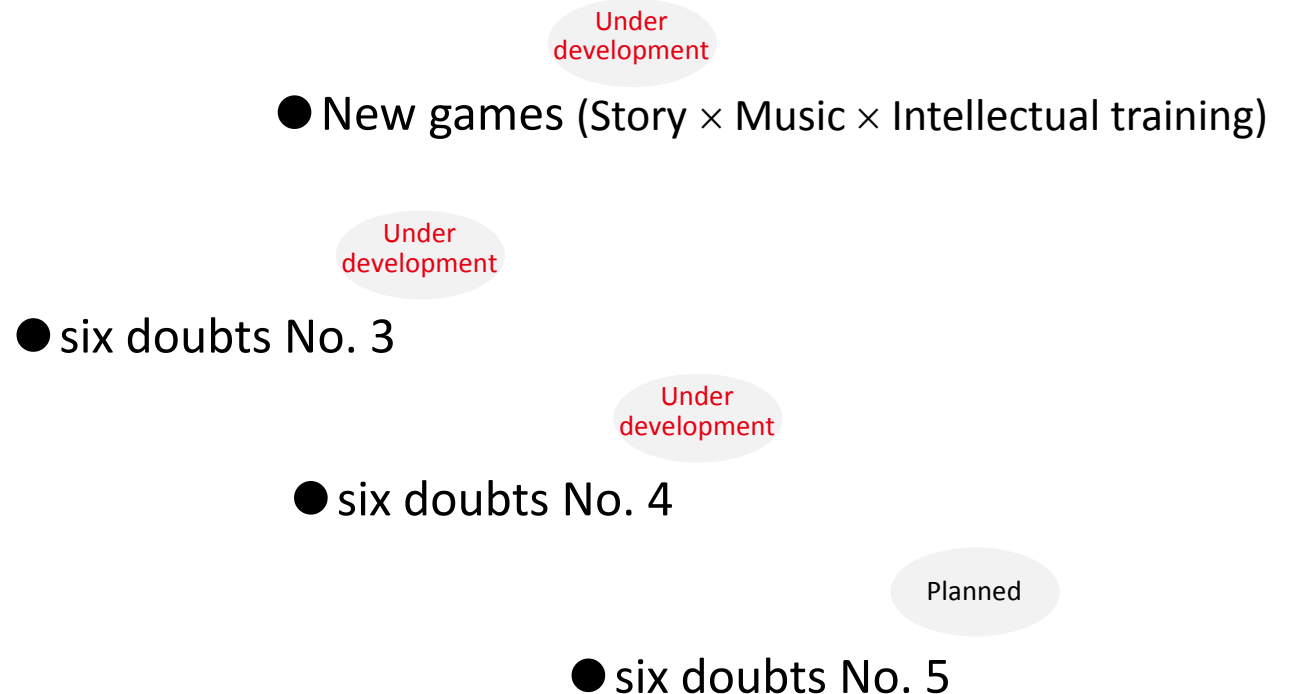
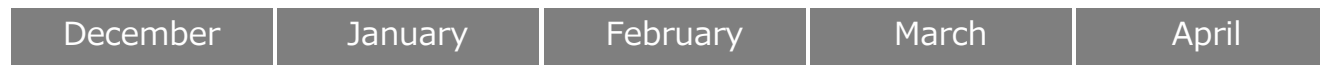
Chat divination app

chapli Android version
Opened 11/5.



11 Status of Mobile Services: Games

The release schedule has been changed due to adjustments for improving quality and a review of the PR strategy. 4 titles are scheduled for release during the second half of the year.



* The schedule shows plans current at the present time.

III. Reference Materials

01 Consolidated B/S Summary

<Assets>

	End of year ended April 30, 2014 ①	End of 2Q for year ending April	Amount of change
(Units: Millions yen)	(April 30, 2014)	(Oct. 31, 2015)	(② - ①)
Cash and cash equivalents	5,233	5,480	247
Accounts receivable	1,182	909	-273
Marketable securities	504	504	0
Merchandise and products	138	8	-130
Other	220	120	-100
Total current assets	7,277	7,021	-256
Total tangible fixed assets	89	72	-17
Software	98	88	-10
Goodwill	1,576	1,457	-119
Other	39	42	3
Total intangible fixed assets	1,713	1,589	-124
Investment securities	646	474	-172
Other	442	279	-163
Total investments and	1,088	753	-335
Total fixed assets	2,891	2,414	-477
Total assets	10,168	9,436	-732

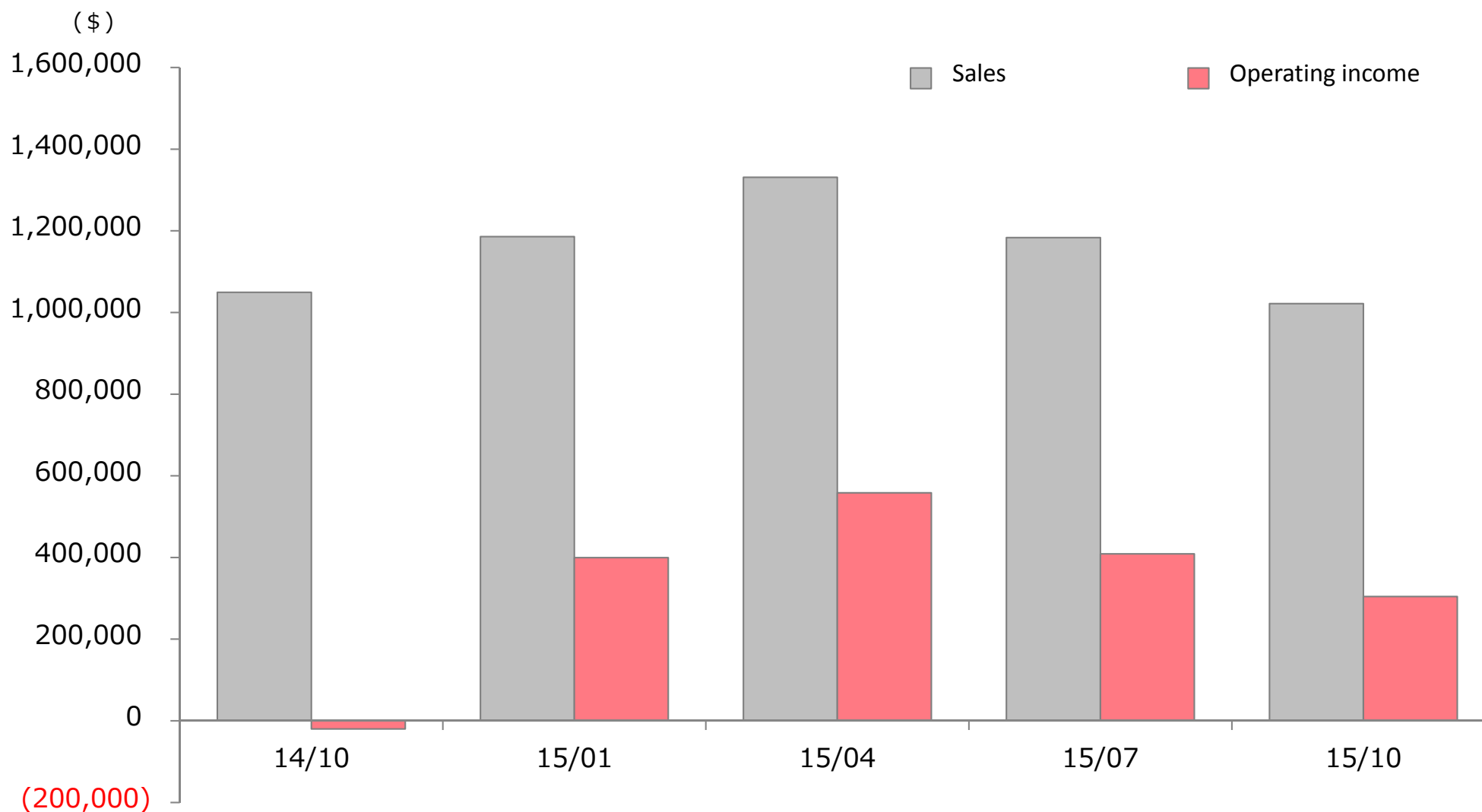
<Liabilities and net assets>

	End of year ended April 30, 2014 ①	End of 2Q for year ending April	Amount of change
(Units: Millions yen)	(April 30, 2014)	(Oct. 31, 2015)	(② - ①)
Accounts payable - trade	348	158	-190
Accounts payable - other	333	211	-122
Corporate tax payable	179	6	-173
Long-term loans payable scheduled for repayment	193	160	-33
Others	284	143	-141
Total current liabilities	1,337	678	-659
Total fixed liabilities	340	200	-140
Total liabilities	1,678	878	-800
Total shareholders' assets	8,220	8,458	238
Total accumulated other comprehensive	231	99	-132
Minority interests	39	-	-39
Total net assets	8,490	8,558	68
Total liabilities and net assets	10,168	9,436	732

Points

- There were decreases in accounts receivable, merchandise and products, and accounts payable due to the transfer of shares in subsidiaries BxE and caramo, inc.

02 Overseas Business



(*1): Sales and operating income for overseas business utilizes quarterly figures converted to Japanese yen at the average exchange rate during the quarter and following consolidation adjustments.

(*2): The operating income shown above is the figure before amortization of goodwill. (Amortization of goodwill: 41 million yen/quarter)

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

Source: NTT DoCoMo menu list (dmenu) (Oct. 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 October 31, 2015)
- No. of employees 188 (as of October 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)

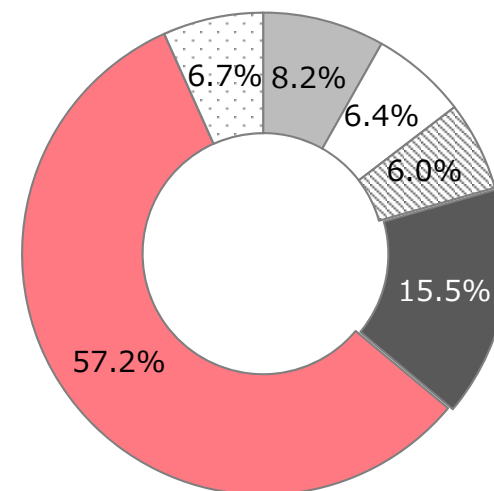
05 Shareholders (as of October 31, 2015)

Shares issued : 13,651,000 / Shareholders : 6,495名

■ Major shareholders

	Number of stocks	Ratio of stocks %
Mari Kawashima	2,912,000	21.33
BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND	1,100,000	8.06
Crimsongroup LLC	668,200	4.89
Daiwa Securities Co. Ltd.	341,800	2.5
The Master Trust Bank of Japan, Ltd.	227,100	1.66
Japan Trustee Services Bank, Ltd.	178,500	1.31
MSIP CLIENT SECURITIES	168,600	1.24
SBI SECURITIES Co., Ltd.	149,300	1.09
Rakuten Securities, Inc.	147,200	1.08
Japan Trustee Services Bank, Ltd.(Account 1)	124,800	0.92

■ Shareholder distribution (percentage ownership)



- Financial institutions
- Financial instruments businesses
- ▨ Other Corporate bodies
- Foreign corporate bodies
- Individuals, other
- Treasury stock

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.

IR Contact

Management Group, IR
TEL: 03-6434-1036 (operator)
MAIL: ir@zappallas.com