

Zappallas, the spirit inside you.

Results of Operations for
the Third quarter ended January 31, 2011
March 2011

ZAPPALLAS
ZAPPALLAS, INC.

Tokyo Stock Exchange First Section: Code No. 3770

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3Q / FY2011 Consolidated Statements of Income

	FY2011 3Q (nine months)		FY2010 3Q (nine months)		YoY change	FY2011 3Q (three months)	
	Million yen	%	Million yen	%	%	Million yen	%
Net sales	8,831	100.0	8,361	100.0	105.6	3,116	100.0
Gross profit	5,861	66.4	5,688	68.0	103.0	2,023	64.9
SG&A expenses	3,449	39.1	3,480	41.6	99.1	1,248	40.0
Operating income	2,412	27.3	2,207	26.4	109.3	774	24.9
Ordinary income	2,425	27.5	2,209	26.4	109.8	777	24.9
Net income	1,432	16.2	1,193	14.3	120.0	459	14.7

3Q / FY2011 Consolidated Statements of Income

(Million yen)

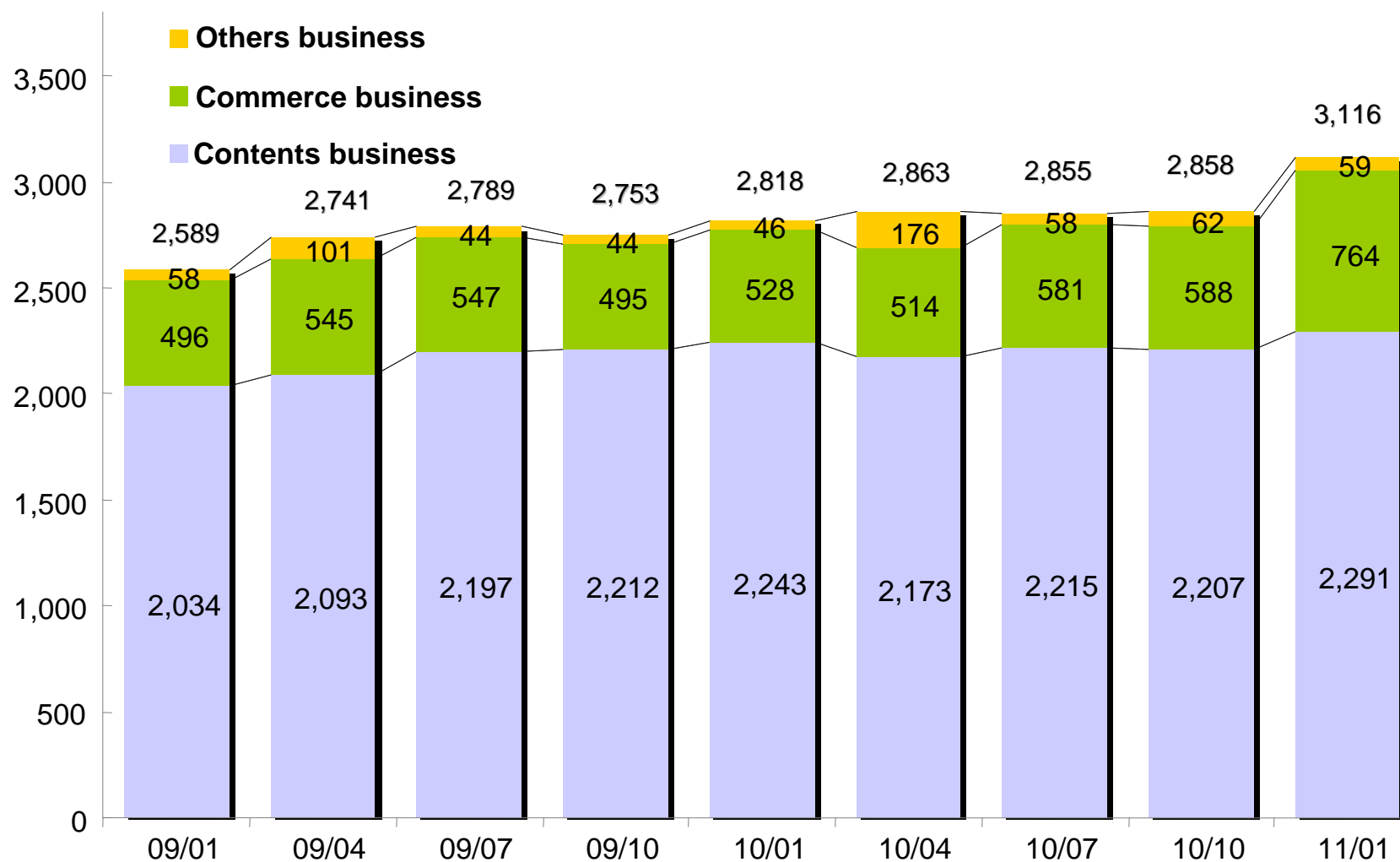
		FY2011		FY2010		YoY change	FY2011	
		3Q (nine months)		3Q (nine months)			3Q (three months)	
Contents business	Net sales	6,715	100.0%	6,654	100.0%	100.9%	2,291	100.0%
	Gross profit	5,183	77.2%	5,091	76.5%	101.8%	1,774	77.4%
	SG&A expenses	2,273	33.9%	2,500	37.6%	90.9%	829	36.2%
	Operating income	2,909	43.3%	2,590	38.9%	112.3%	944	41.2%
Commerce business	Net sales	1,935	100.0%	1,571	100.0%	123.2%	764	100.0%
	Gross profit	608	31.5%	519	33.0%	117.2%	223	29.2%
	SG&A expenses	517	26.7%	382	24.4%	135.2%	187	24.6%
	Operating income	91	4.7%	136	8.7%	66.8%	35	4.6%
Others business	Net sales	180	100.0%	135	100.0%	133.5%	59	100.0%
	Gross profit	70	38.8%	77	57.4%	90.1%	27	45.2%
	SG&A expenses	47	26.4%	97	72.1%	48.9%	23	39.6%
	Operating income	22	12.4%	(19)	(14.6%)	-	3	5.7%

※ The effects of the segment change are small, and so the values before the change are used for the data before the term ended Apr. 2010.

Consolidated Net Sales Transition (Quarterly Base)

Record-high quarterly sales in the contents and commerce-related businesses

(Millions of yen)

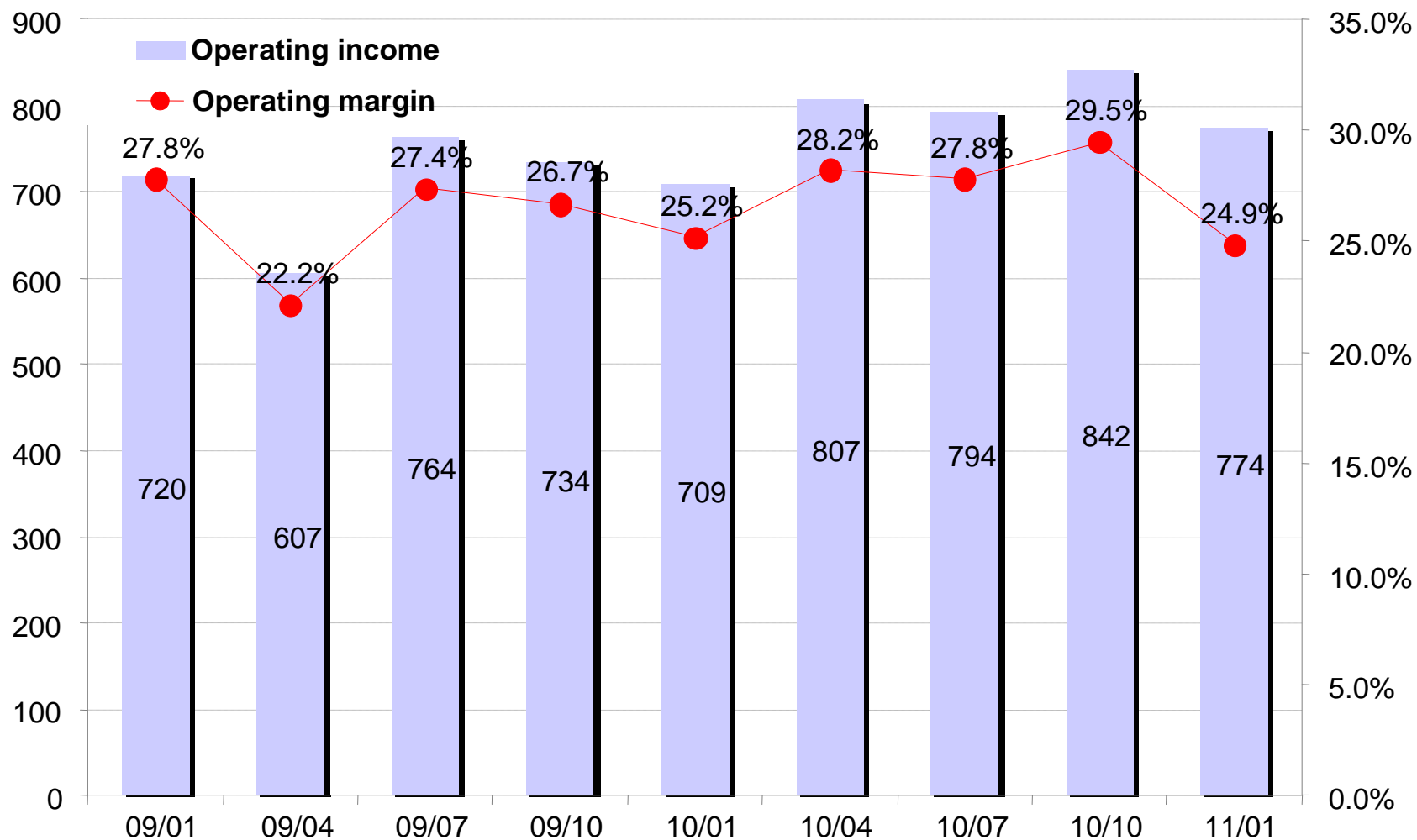


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Consolidated Operating Income Transition (Quarterly Base)

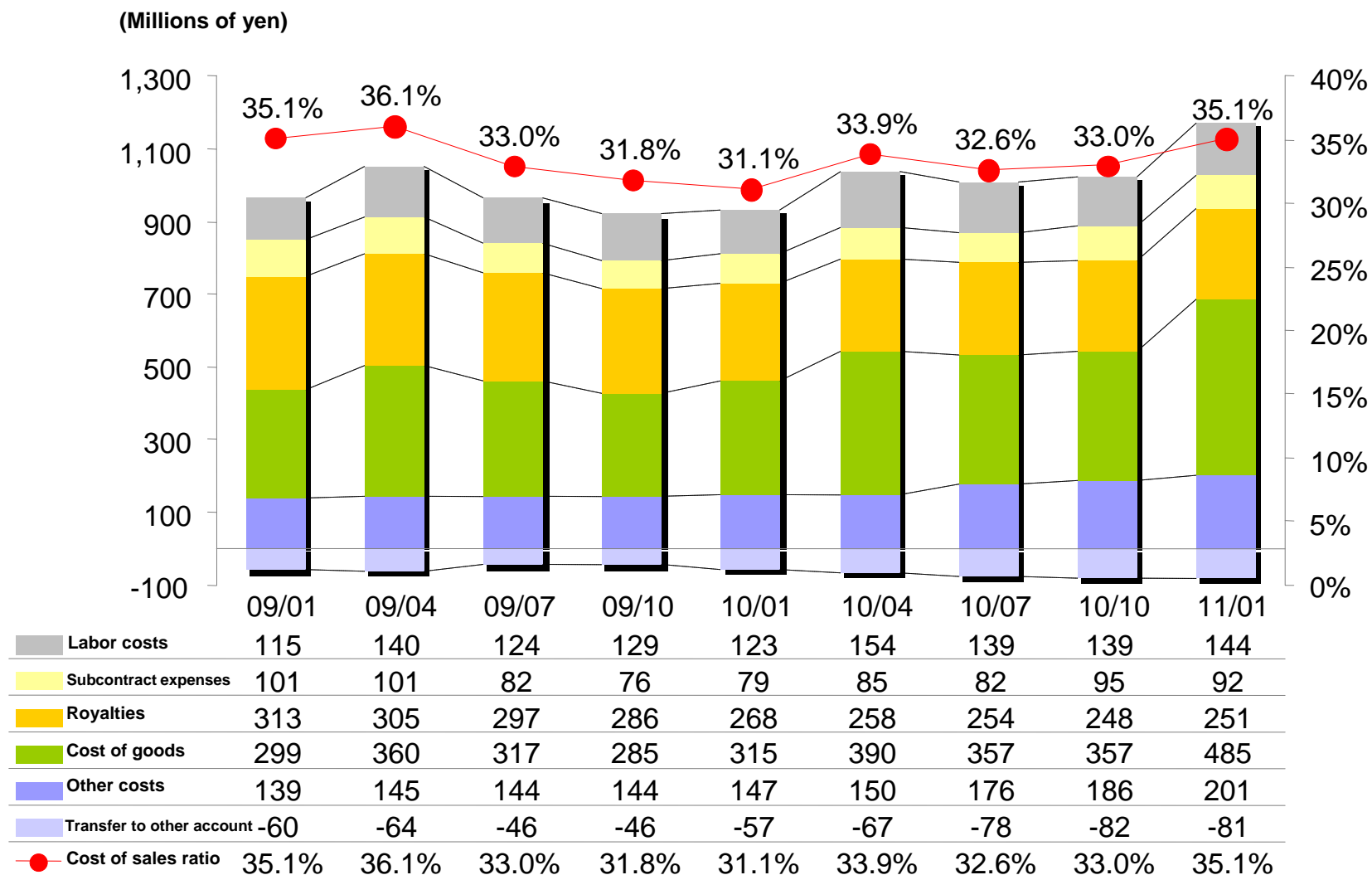
Due to the increase in ad cost, operating income decreased.

(Millions of yen)



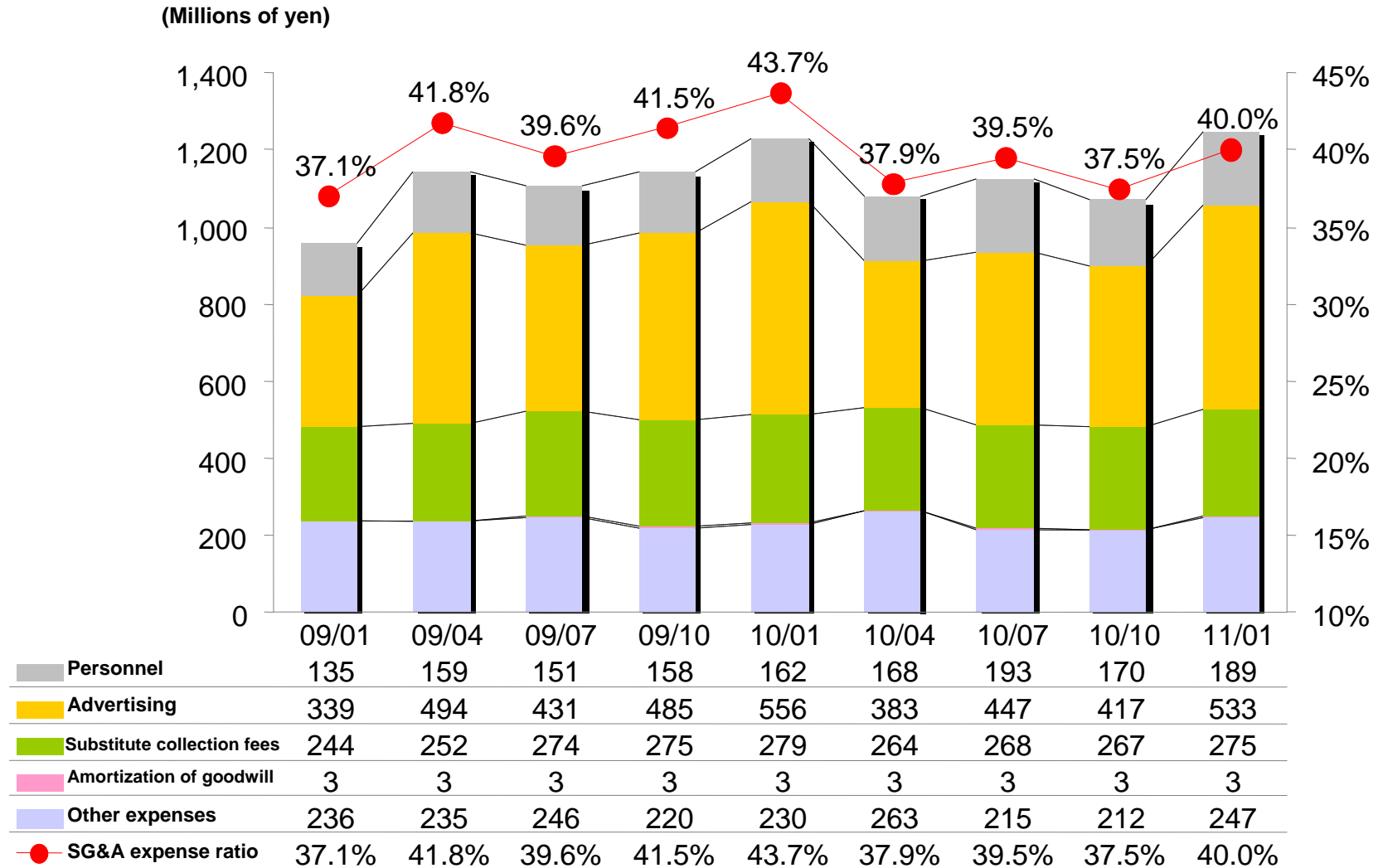
Consolidated Cost of Sales Transition (Quarterly Base)

Due to the increase in sales in the commerce-related business, product cost increased.



Consolidated SG&A Expenses Transition (Quarterly Base)

Due to seasonal factors, ad cost increased.



3Q / FY2011 Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of Jan. 31, 2011		As of Apr. 30, 2010		Change
Current assets	6,498	79.6%	5,880	77.9%	618
Non-current assets	1,668	20.4%	1,663	22.1%	4
Property, plant and equipment	133	1.6%	143	1.9%	(10)
Intangible assets	528	6.5%	467	6.2%	61
Software	282	3.5%	211	2.8%	71
Goodwill	203	2.5%	213	2.8%	(10)
Other	43	0.5%	42	0.6%	0
Investments and other assets	1,006	12.3%	1,052	14.0%	(46)
Total assets	8,166	100.0%	7,543	100.0%	622
Total liabilities	1,431	17.5%	1,737	23.0%	(306)
Total net assets	6,735	82.5%	5,806	77.0%	929
Total liabilities and net assets	8,166	100.0%	7,543	100.0%	622

- ✓ **Current assets:** Major factor is an increase of 537 million yen in accounts receivable, trade
- ✓ **Liabilities :** Major factor is a decrease of 310 million yen income taxes payable, etc.
- ✓ **Net assets :** Major factor is an increase of 912 million yen in surplus

3Q / FY2011 Quarterly Consolidated Cash Flows

(Millions of yen)

	FY2011 3Q (nine months)	FY2010 3Q (nine months)
Cash flows from operating activities	834	939
Cash flows from investing activities	(314)	(423)
Cash flows from financing activities	(507)	(518)
Increase (decrease) in cash and cash equivalents	12	(2)
Cash and cash equivalents at end of period	3,793	2,239

✓Operating CF: Main factors are 2,418 million yen of income before income taxes, 212 million yen of depreciation and amortization, 537 million yen of the increase in notes and accounts receivable, trade due to the temporary collection of accounts receivable, trade for successive holidays around the end of the previous fiscal year, and 1,233 million yen of the income tax, etc.

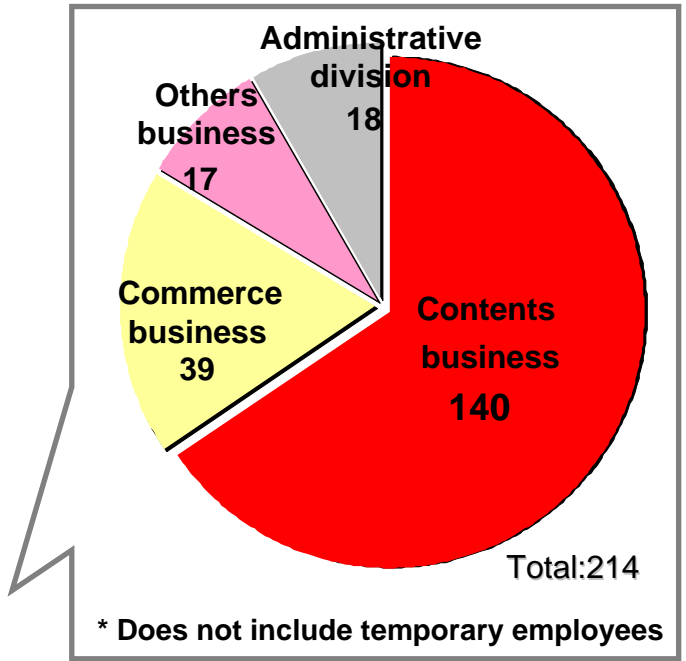
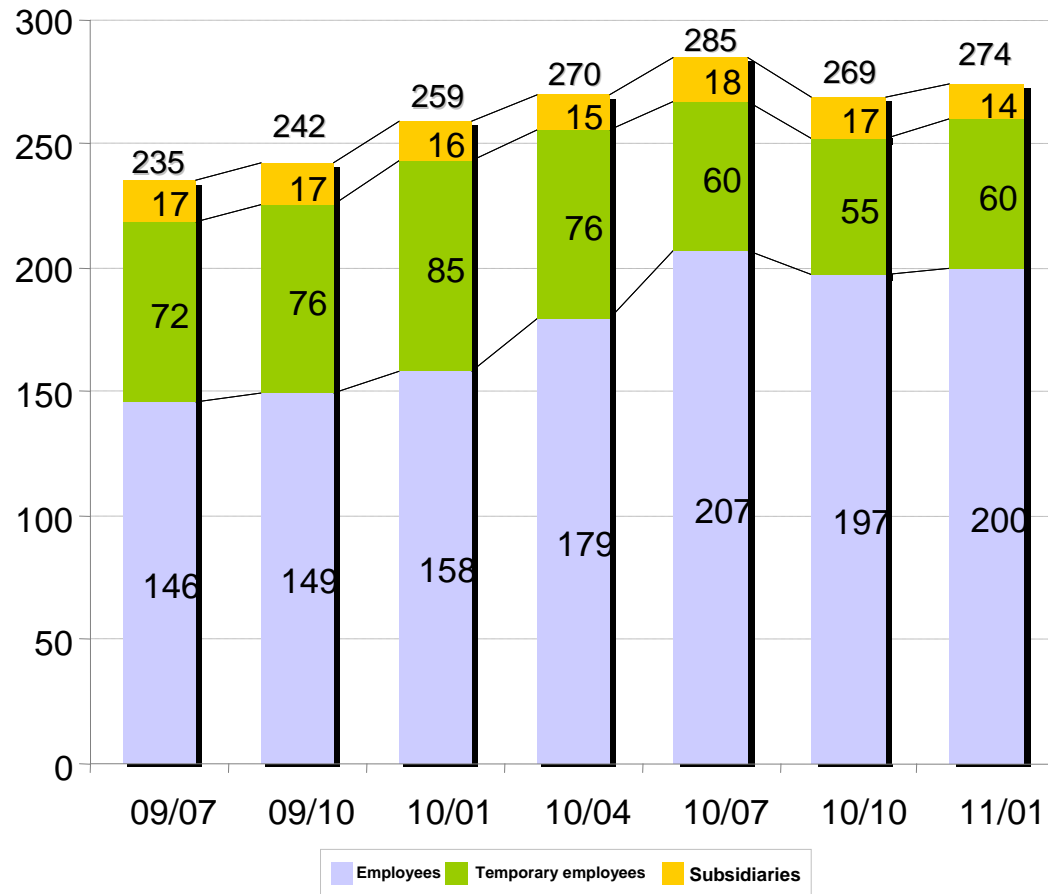
✓Investing CF: Main factors are 254 million yen of the expenditure due to the acquisition of intangible assets and 31 million yen of the expenditure due to the acquisition of property, plant and equipment

✓Financial CF: Main factor is 518 million yen of the cash dividend paid

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Number of Employees Transition (Consolidated)

(Employees)



※ The effects of the segment change are small, and so the values before the change are used for the data before the term ended Apr. 2010.

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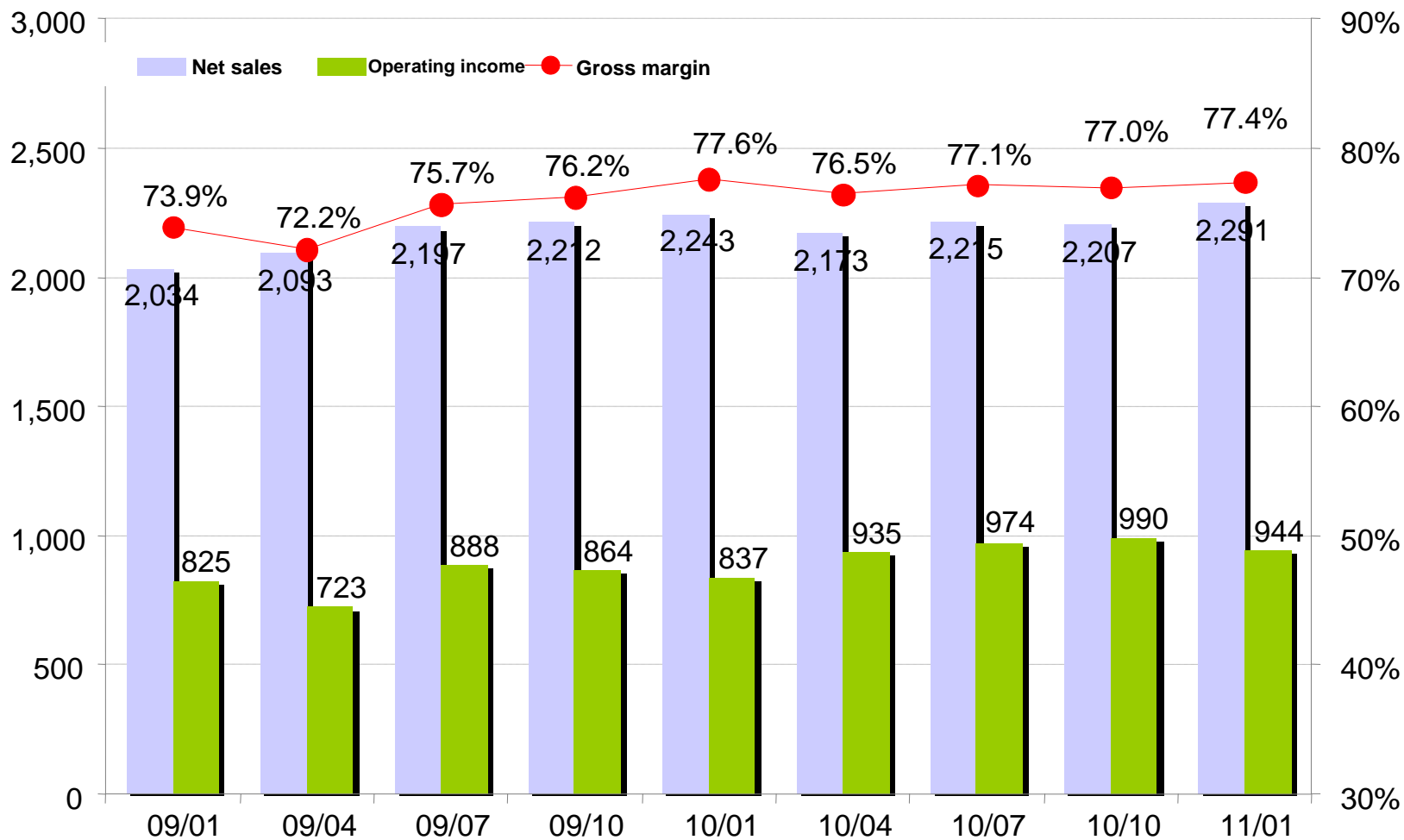
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Contents Business – Performance Transition (Quarterly Base)

Sales increased, because the subscribers to fortune telling increased.

(Millions of yen)



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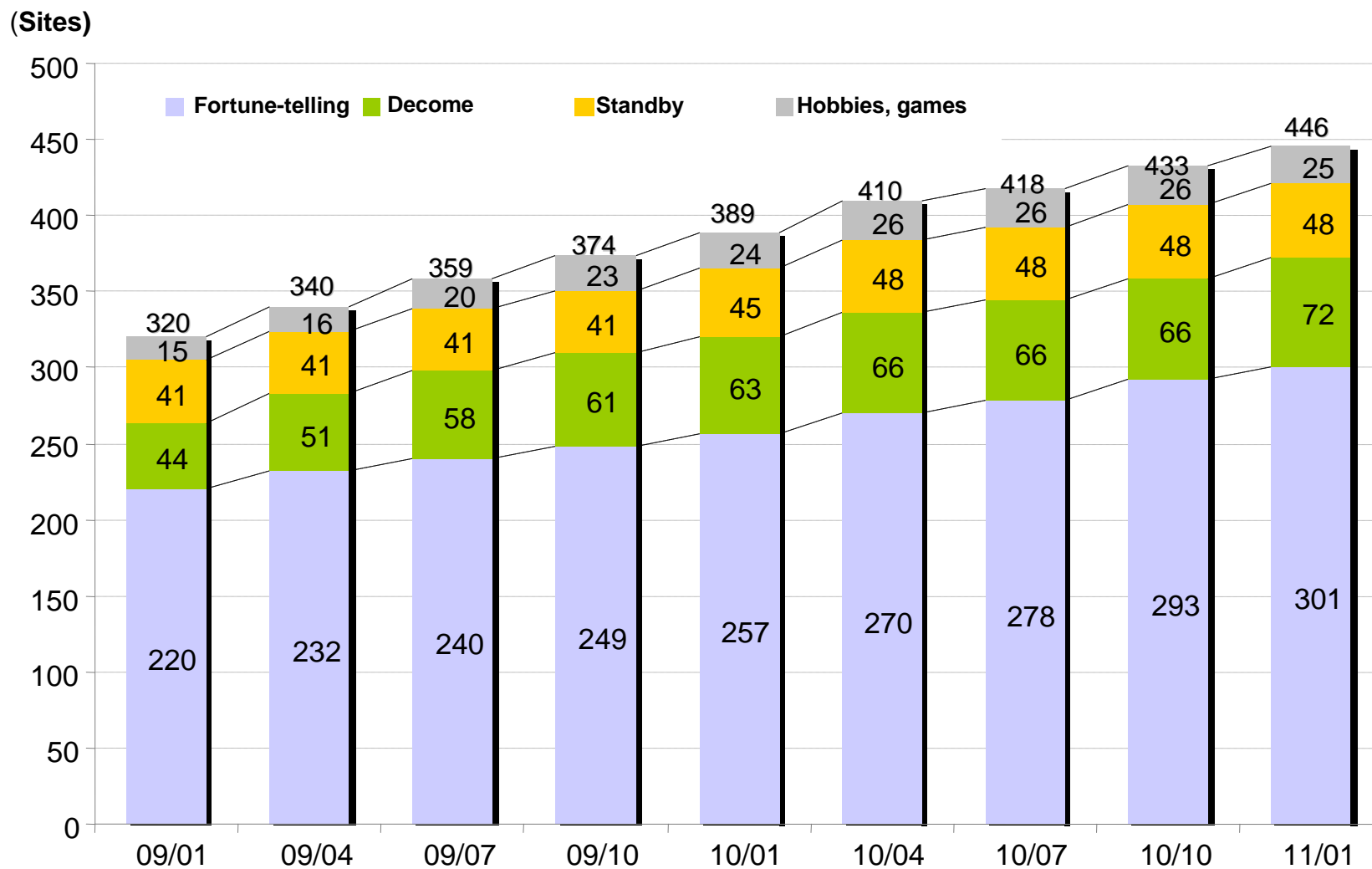
Main Items of Expense in Contents Business

(Millions of yen)

Item		FY2011 3Q (nine months)	% to net sales	FY2010 3Q (nine months)	% to net sales
Cost of sales	Labor	353	5.3%	363	5.5%
	Royalties	754	11.2%	853	12.8%
	Subcontract	223	3.3%	203	3.1%
	Other	200	3.0%	142	2.1%
SG&A expenses	Personnel	63	1.0%	93	1.4%
	Advertising	1,247	18.6%	1,386	20.8%
	Substitute collection fees	810	12.1%	828	12.5%
	Other	141	2.1%	191	2.9%

※ The effects of the segment change are small, and so the values before the change are used for the data before the term ended Apr. 2010.

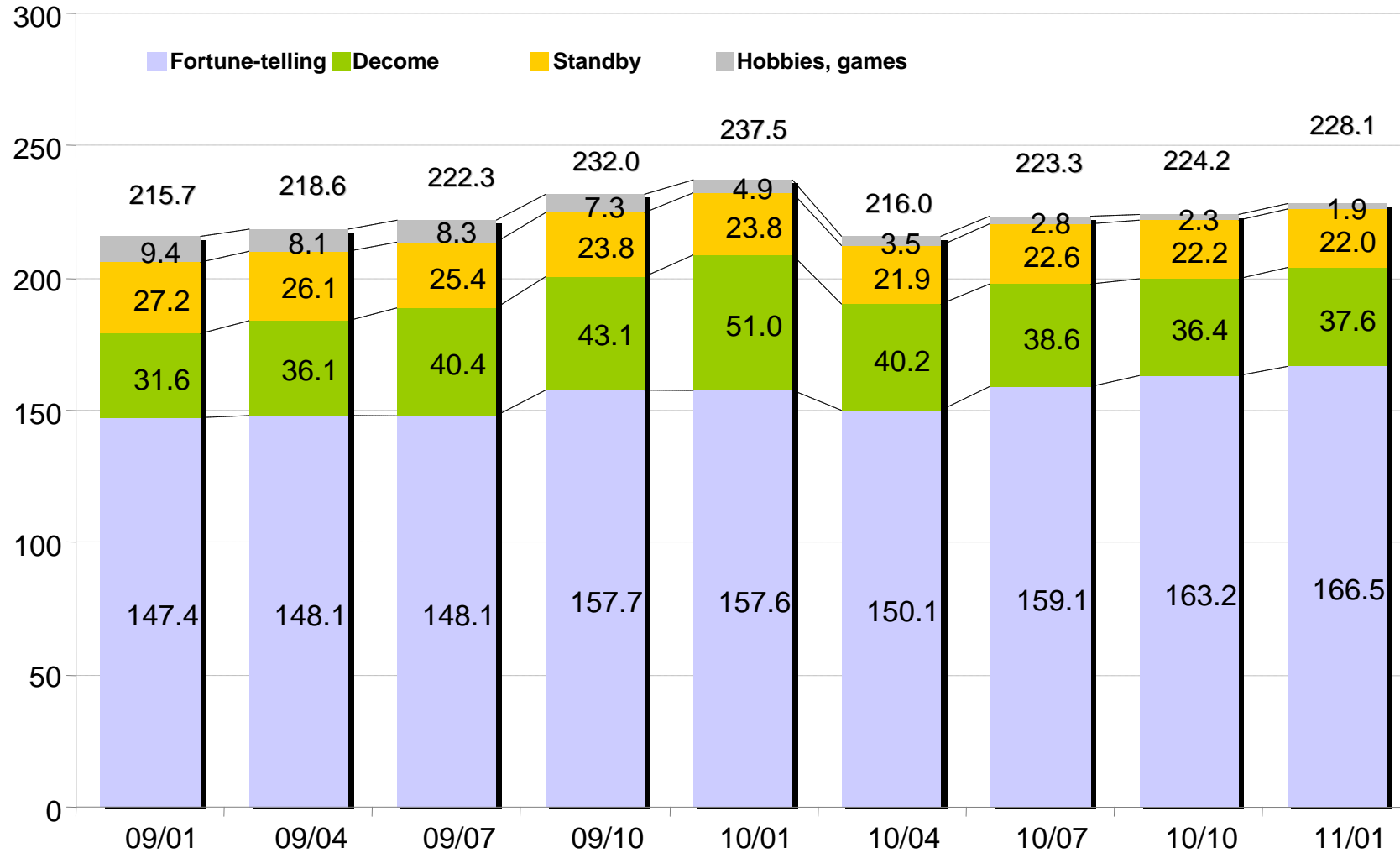
Number of Sites Supplied Transition (Quarterly Base)



Number of newly launched PC contents	09/01	09/04	09/07	09/10	10/01	10/4	10/7	10/10	11/01
		14	16	24	29	29	26	29	32

Subscriber Numbers for Zappallas' Fee-paying Contents Transition (Monthly Fee)

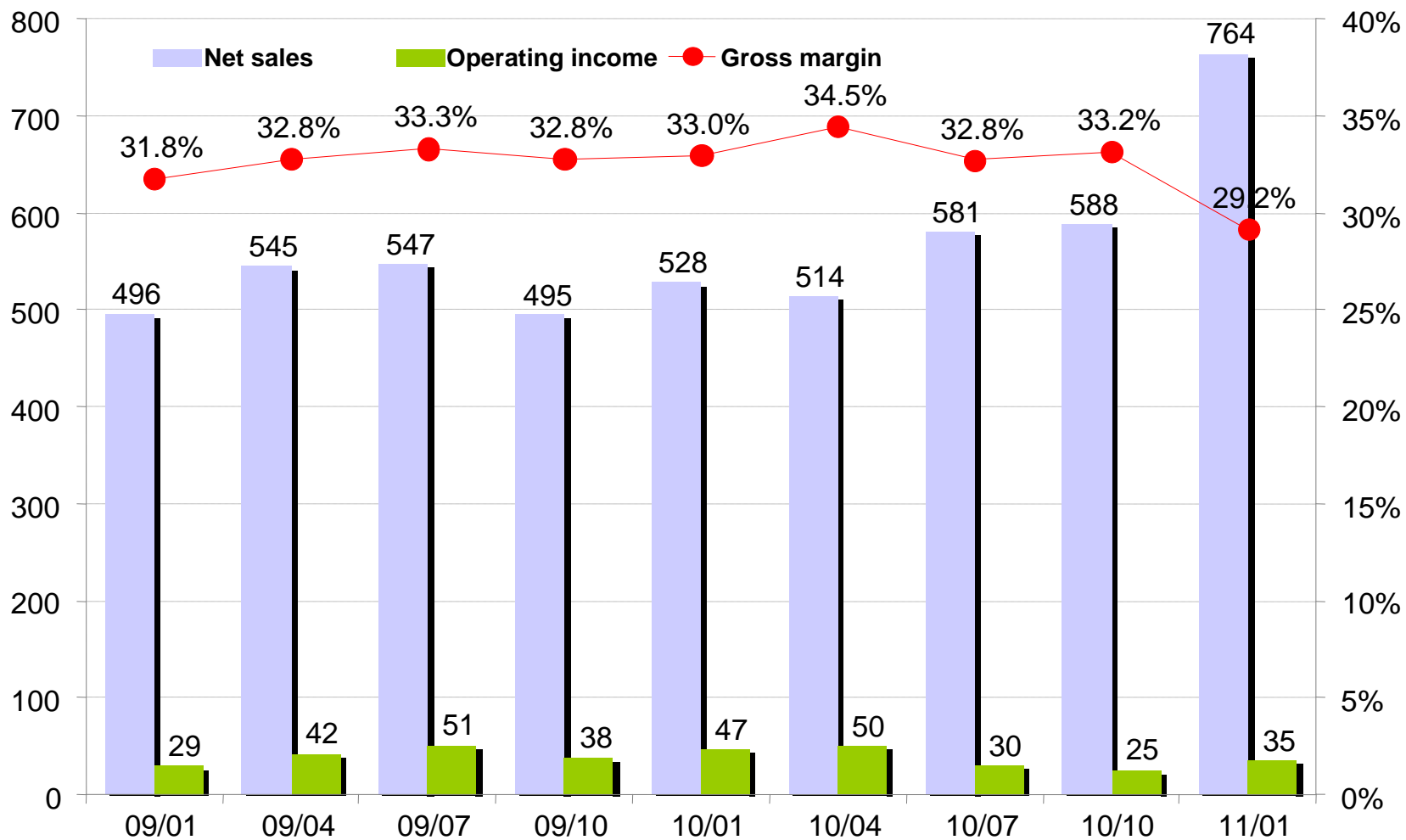
(10,000 people)



Commerce Business – Performance Transition (Quarterly Base)

Sales in commerce websites increased significantly.

(Millions of yen)



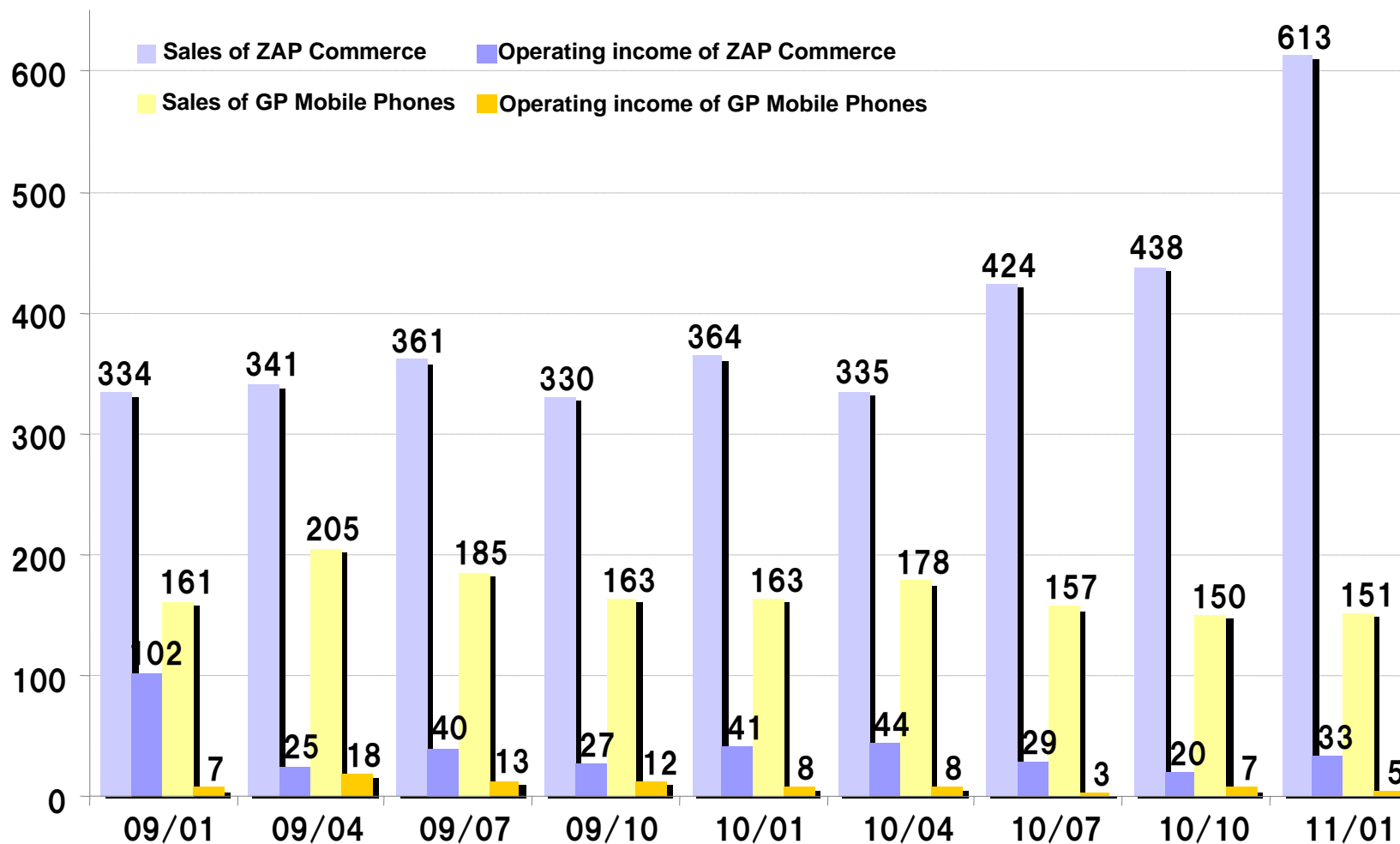
Main Items of Expenses in Commerce Business

(Millions of yen)

Item		FY2011 3Q (nine months)	% to net sales	FY2010 3Q (nine months)	% to net sales
Cost of sales	Cost of goods	1,144	59.1%	909	57.9%
	Packing and transportation	182	9.4%	142	9.1%
	Other	0	0.0%	0	0.0%
SG&A expenses	Personnel	142	7.4%	110	7.0%
	Advertising	144	7.5%	79	5.1%
	Commission fee	59	3.1%	54	3.5%
	Rents	39	2.1%	28	1.8%
	Other	130	6.7%	108	6.9%

Breakdown of Commerce Related Business

(Millions of yen)



* This data is based on internal information prior to allocation of administrative costs and consolidated balancing.

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Some Measures from the Third Quarter

ex.) Low-cost promotion through the media



【Frequency of searching “Zappallas” increased steeply】
After the airing of “Akko-ni-Omakase” which is a popular TV program in Japan, “Zappallas” was ranked as the most rapidly growing search word in Google!



The first collaboration plan with entertainers
“Imoto Wataron,” which was produced by the entertainer Ayako Imoto, was released on Jan. 30.

TV (4 cases)
Scramble (EX), Goji-ni-muchu (Tokyo MX), Otoko Obasan (Fuji TV ONE), Akko-ni-omakase! (TBS)

Newspaper (4 cases)
Nikkan Sports, Sankei Sports, Sports Hochi, Mainichi RT

Evening daily (2 cases)
Tokyo Sports, Yukan Fuji

WEB (22 cases)
ORICON STYLE, SANPO.com, Maichini.jp, Maicomi Journal, Mantan Web, J-Cast News, ZAKZAK, YAHOO! JAPAN, livedoor, mixi, nifty, goo, MSN Sankei News, BIGLOBE, excite

TV (1 case)
Nichiyo-da PON! (NTV)

Newspaper (2 cases)
Nikkan Sports, Tokyo Chunichi Sports

Evening daily (2 cases)
Yukan Fuji

WEB (19 cases)
ORICON STYLE, nikkansports.com, Mainichi.jp, Maicomi Journal, Mantan Web, asahi.com, Nippon TV News 24, Zoom In !! Super (WEB), TV Asahi news, Nico Nico News, Neta Rica, Owarai Natary, ZAKZAK, YAHOO! JAPAN, livedoor, mixi, nifty, goo, BIGLOBE, excite, Infoseek

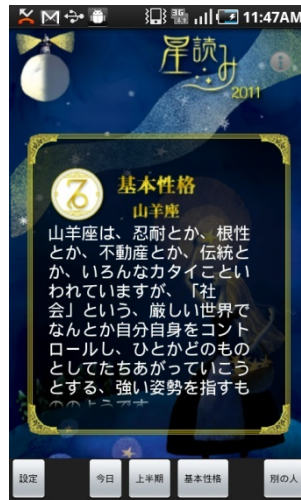
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Some Measures from the Third Quarter

Smartphones



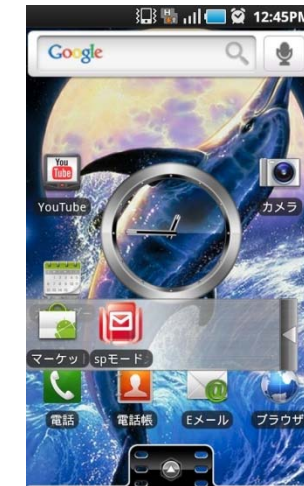
Achieved 1.73 million downloads in total! "tarot card reading" for iPhone and Android in Japanese, English, and Chinese



Fortune-telling application "Hoshi yomi 2011" for iPhone and Android
Released in Dec. 2010



Mailer for iPhone "pocket emoji"
Released in Dec. 2010



For Android Dress-up application "Lassen Home"
Released in Dec. 2010

Many websites for smartphones will open.

Progress Towards Business Forecasts for the Year Ending April 2011


(Millions of yen)

Consolidated		FY2011 Full-year Forecast		FY2011 3Q (nine months) Result		Full-year rate of progress
	Net sales	11,230	100.0%	8,831	100.0%	78.6%
	Operating income	3,020	26.9%	2,412	27.3%	79.9%
	Ordinary income	3,030	27.0%	2,425	27.5%	80.0%
	Net income	1,790	15.9%	1,432	16.2%	80.0%

(Millions of yen)

Non-Consolidated		FY2011 Full-year Forecast		FY2011 3Q (nine months) Result		Full-year rate of progress
	Net sales	10,600	100.0%	8,371	100.0%	79.0%
	Operating income	3,000	28.3%	2,404	28.7%	80.1%
	Ordinary income	3,000	28.3%	2,408	28.8%	80.3%
	Net income	1,770	16.7 %	1,420	17.0%	80.2%

※There are no revisions to the earnings forecast for the term ending Apr. 2011.



The earnings forecasts, etc. included in this reference, excluding past results, are based on our confidential business plans as of today, currently available information, and assumed uncertainties about future performance. Actual performance may differ from them due to various factors.