

ZAPPALLAS

Financial Results of Operations for the First Quarter
of the Year Ending April 30, 2015

(2014.5.1-2014.7.31 The 16th term)

TSE 1st Section:3770 <http://www.zappallas.com/>

I. Overview of Results for the First Quarter of the Year Ending April 30, 2015

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

(Units: Millions yen)	4Q of year ended April 30, 2014		1Q of year ending April 30, 2015		Percentage change
	Amount	% of sales	Amount	% of sales	
Sales	2,343	100.0%	1,678	100.0%	-28.4%
Net gross profit	1,386	59.2%	1,027	61.2%	-25.9%
SG&A	1,123	47.9%	967	57.6%	-13.9%
Operating income	262	11.2%	59	3.5%	-77.5%
Ordinary income	252	10.8%	63	3.8%	-75.0%
Net income	56	2.4%	51	3.0%	-8.9%

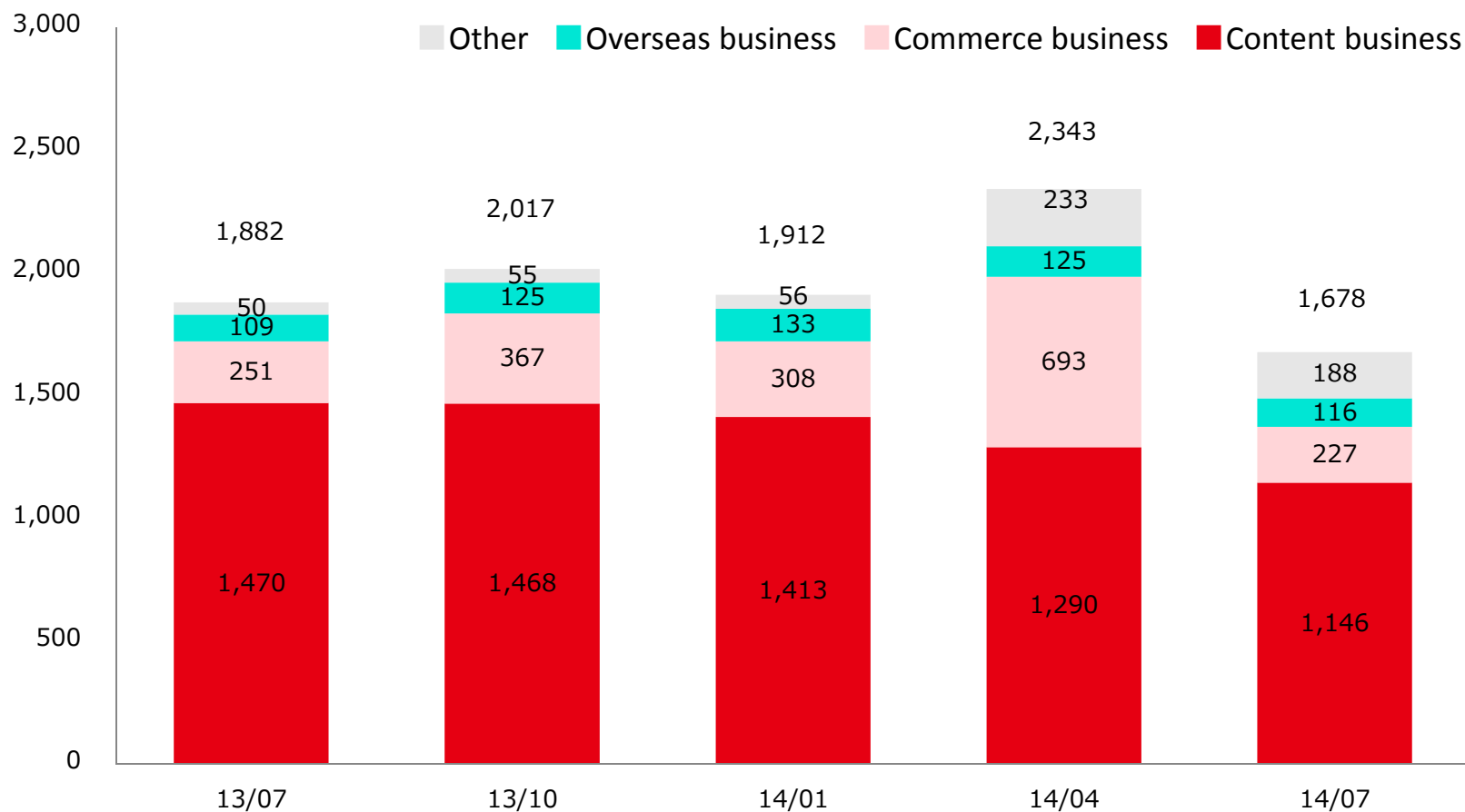
Points

- Sales declined due to lower sales at our subsidiary BxE in the commerce business, and to lower FP sales in our content business.
- The reasons for the decline in sales and income at our subsidiary BxE, and for the drop in consolidated operating income from the preceding quarter, included the absence of new products released during the first quarter, and also returns of some products.

02 Consolidated Sales by Quarter

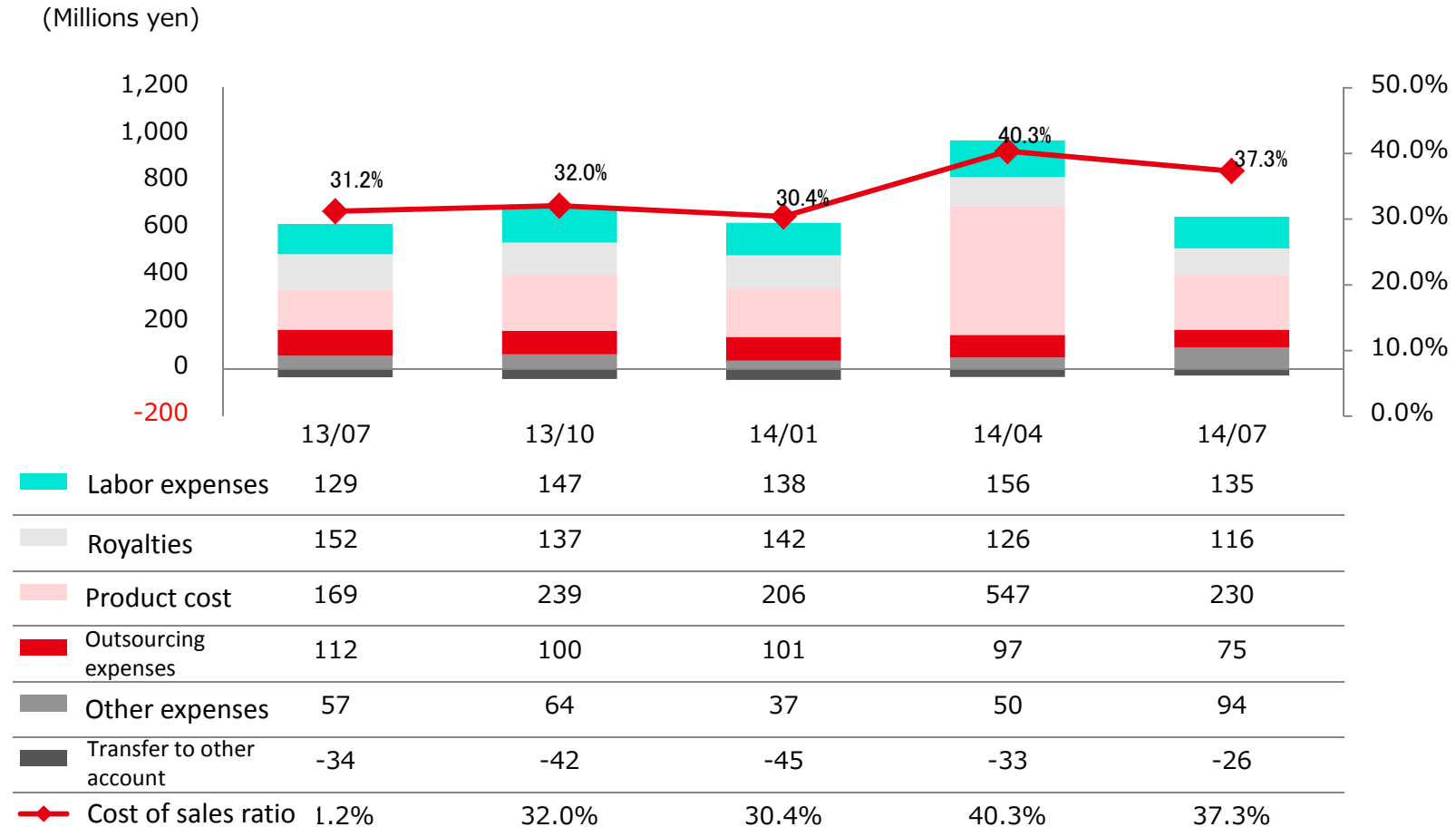
Lower sales at our subsidiary BxE resulted in a large decline in commerce business sales.

(Millions yen)



03 Consolidated Cost of Sales by Quarter

Product cost decreased as a result of declining commerce sales.

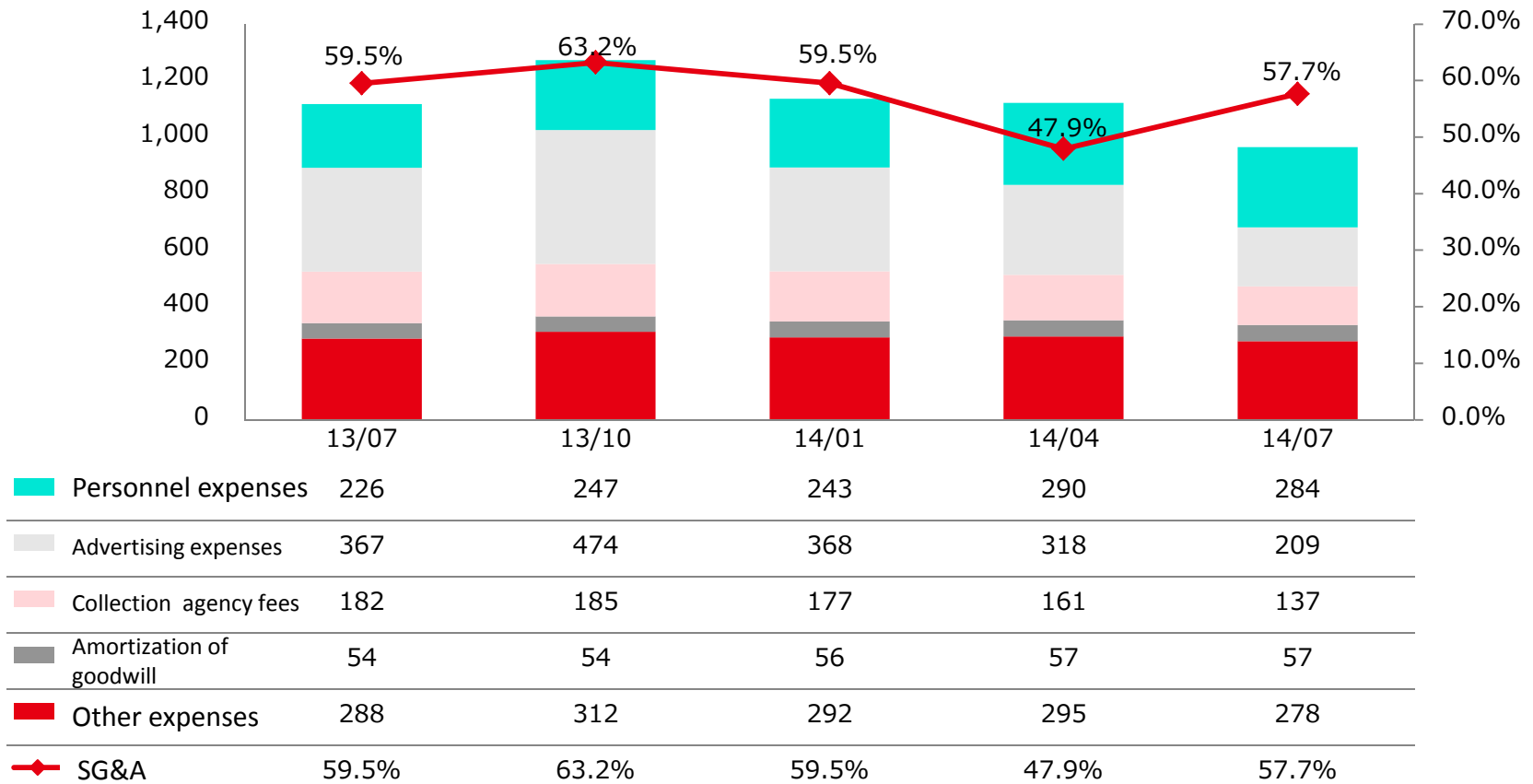


(*1)] Does not include reversal of allowance for sales returns

04 Consolidated SG&A by Quarter

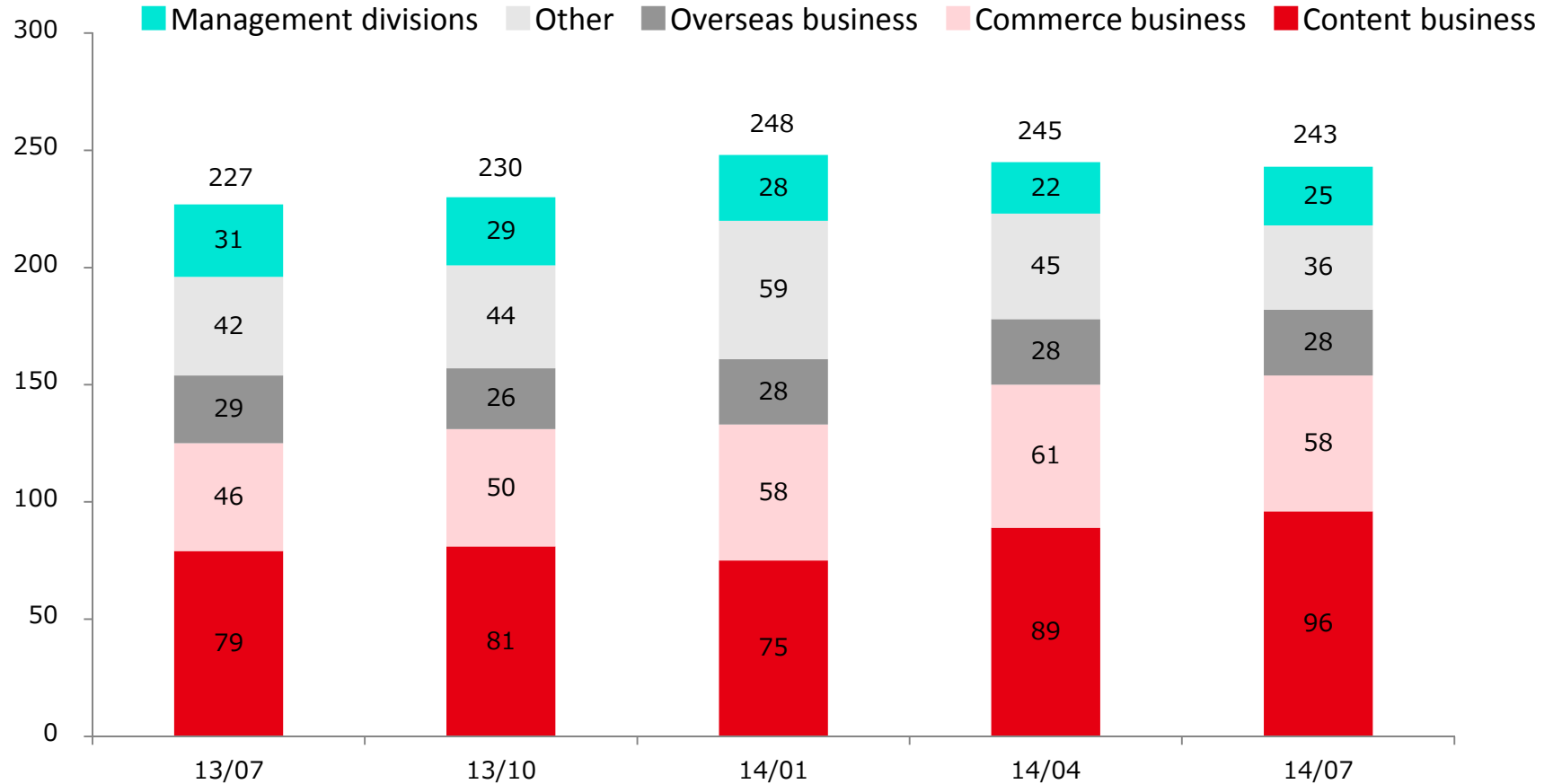
There was a drop in advertising expenses, centered primarily on FP ads.

(Millions yen)



05 Consolidated Numbers of Employees by Quarter

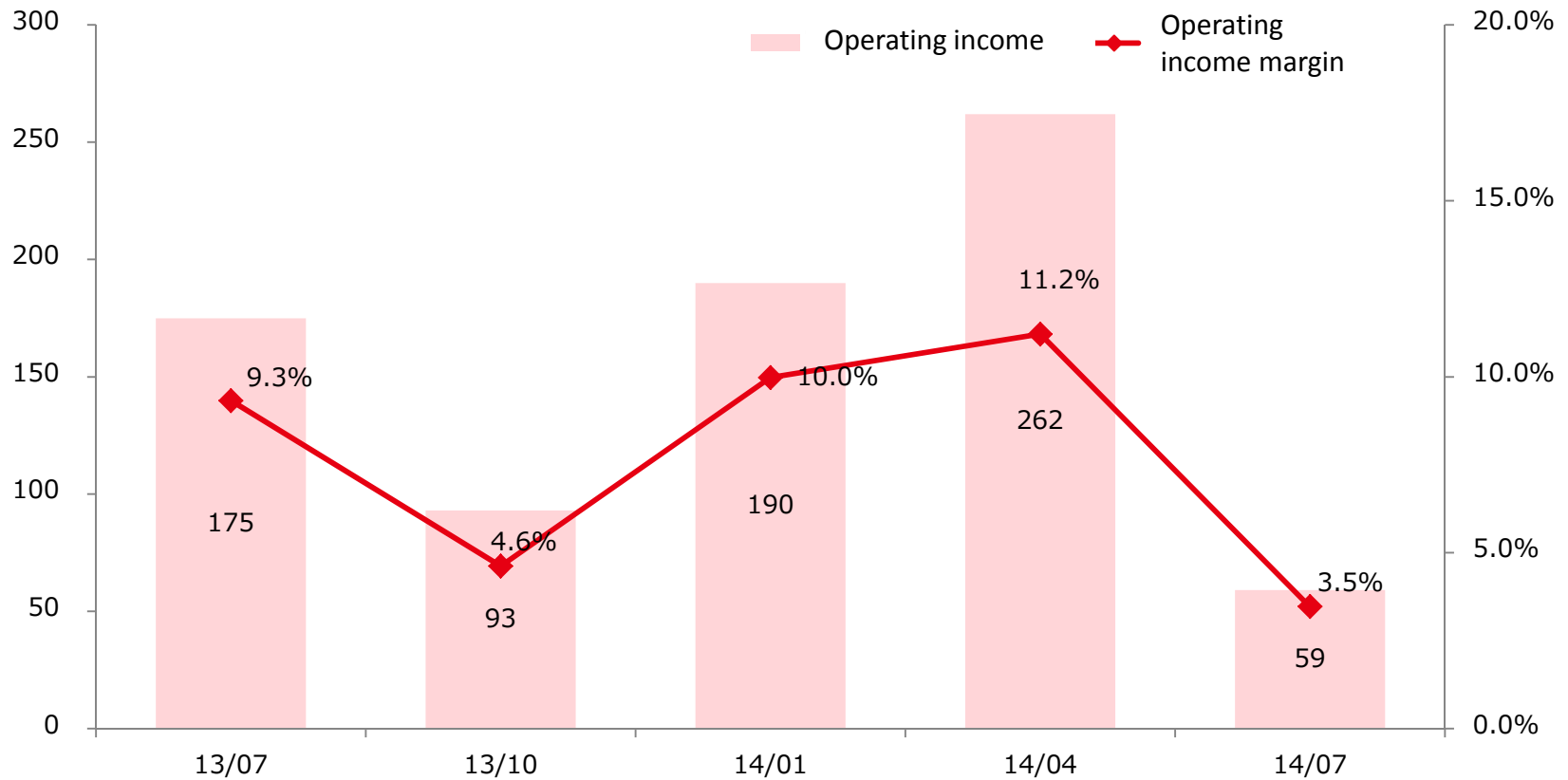
(Employees)



(*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

(Millions yen)



07 Consolidated B/S Summary

<Assets>

(Units: Millions yen)	End of year ended April 30, 2014 ①	End of 1Q for year ending April 30, 2015 ②	Amount of change
	(April 30, 2013)	(April 30, 2014)	(② - ①)
Cash and cash equivalents	4,576	4,582	6
Accounts receivable	1,559	1,082	-477
Marketable securities	504	504	0
Merchandise and products	93	179	86
Other	146	204	58
Total current assets	6,878	6,551	-327
Total tangible fixed assets	129	116	-13
Software	193	174	-19
Goodwill	1,943	1,863	-80
Other	48	38	-10
Total intangible fixed assets	2,184	2,076	-108
Investment securities	492	492	0
Other	371	354	-17
Total investments and other assets	863	846	-17
Total fixed assets	3,178	3,039	-139
Total assets	10,056	9,590	-466

<Liabilities and net assets>

(Units: Millions yen)	End of year ended April 30, 2014 ①	End of 1Q for year ending April 30, 2015 ②	Amount of change
	(April 30, 2013)	(April 30, 2014)	(② - ①)
Accounts payable - trade	376	255	-121
Accounts payable - other	291	295	4
Corporate tax payable	132	74	-58
Long-term loans payable scheduled for repayment within 1 year	183	183	0
Others	200	238	38
Total current liabilities	1,182	1,045	-137
Total fixed liabilities	484	438	-46
Total liabilities	1,666	1,484	-182
Capital stock	1,476	1,476	0
Capital surplus	1,401	1,401	0
Retained earnings	6,798	6,570	-228
Treasury stock	-1,418	-1,418	0
Total shareholders' assets	8,258	8,029	-229
Foreign currency translation	52	24	-28
Minority interests	79	52	-27
Total net assets	8,390	8,106	-284
Total liabilities and net assets	10,056	9,590	466

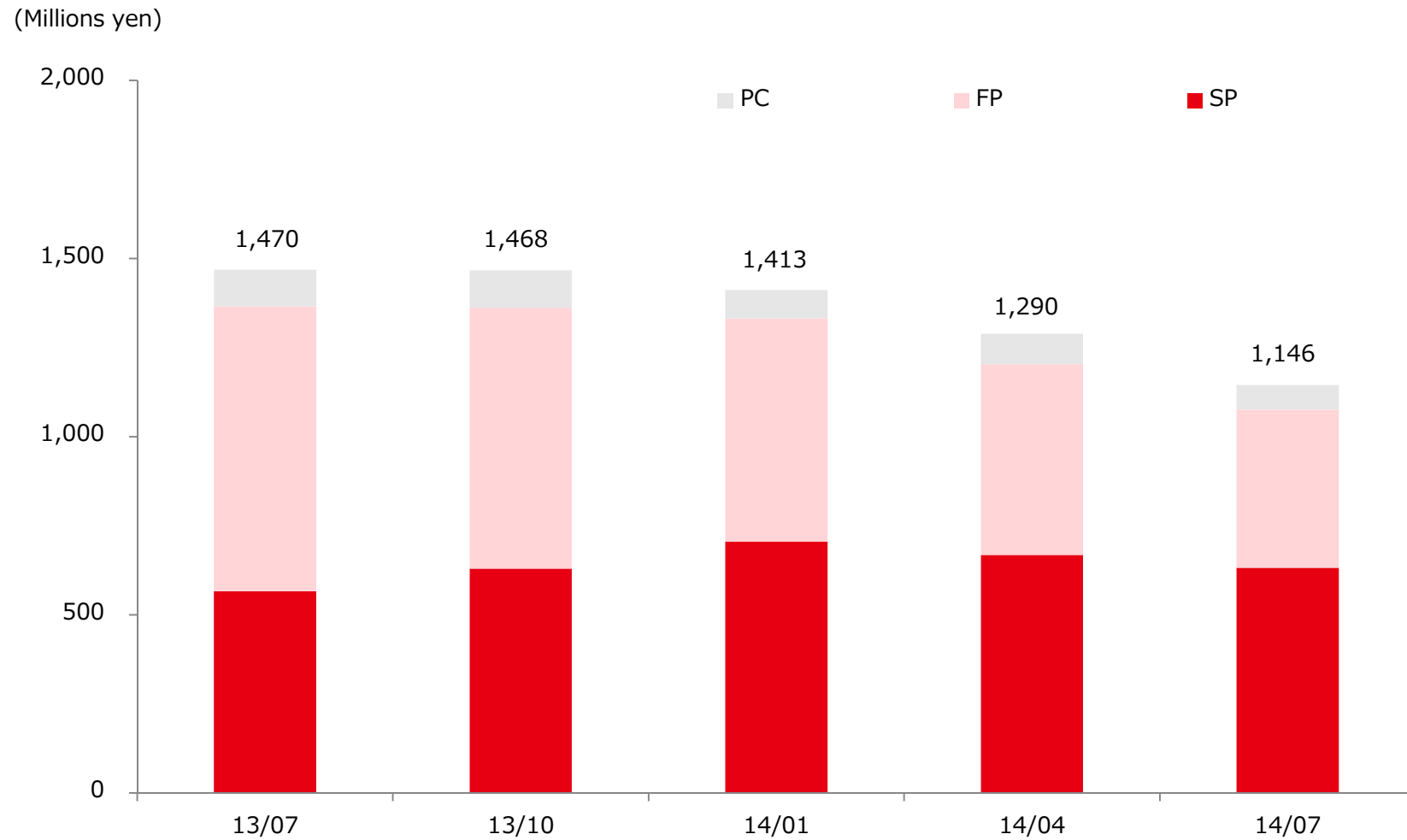
Point 1

- Declined due to a decline in sales.

Point 2

- Declined primarily due to the payment of dividends.

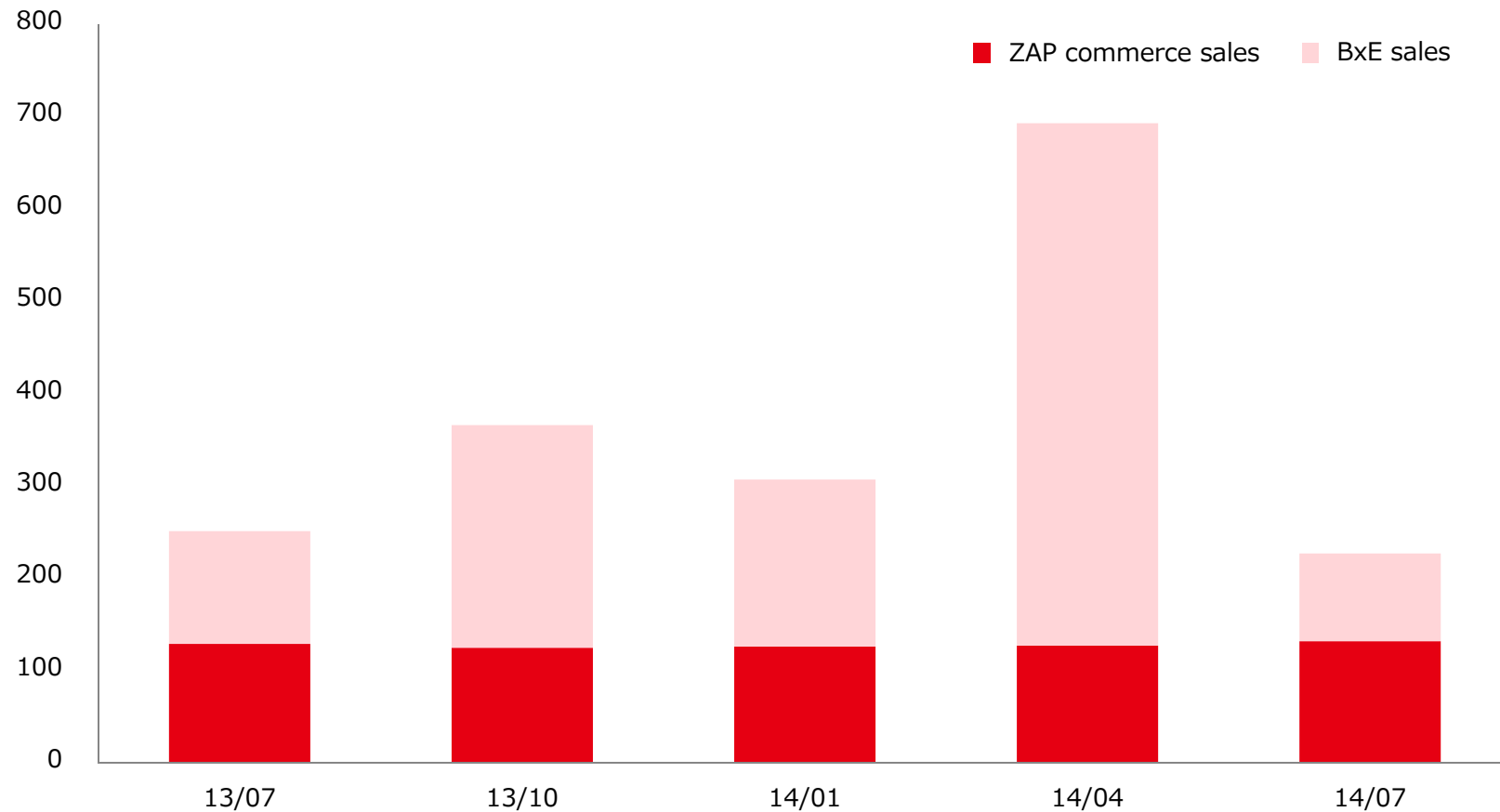
08 Status of Services ①: Content Sales by Device



09 Status of Services ② Breakdown of Commerce Business Sales

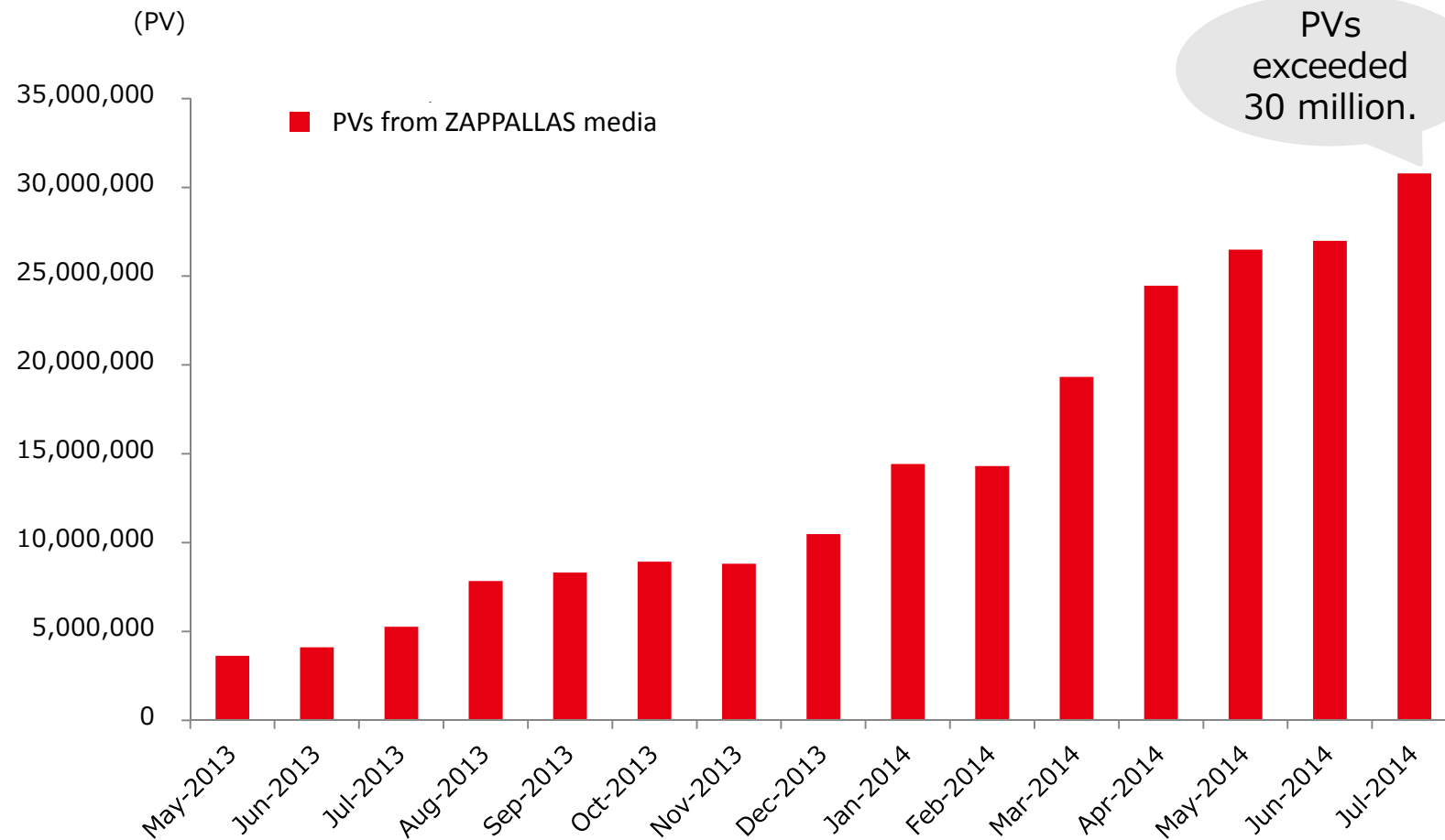
BxE sales declined due to the absence of new products released during 1Q.

(Millions yen)



10 Status of Services ②: Status of Customer-Attracting Media

The numbers of PVs are growing, centered on *wotopi* and *i-Muryo Uranai*.



(*1): The number of customer-attracting media PVs is the total for *i-Muryo Uranai*, *PROLO*, *Tarto.com.jp*, *wotopi*, *Amaryllis*, and *NewsPhere*.

11 Status of Services ④ New Media Information

We are opening new media sites one after another.

8/27_{open}

 eyes.+
アイズプラス

Add a new perspective to liven up
your everyday life!
A bible of famous words and advice
from adult women

<http://eyes-woman.com/>

8/28_{open}

Media for products to help adult women make
the most of themselves

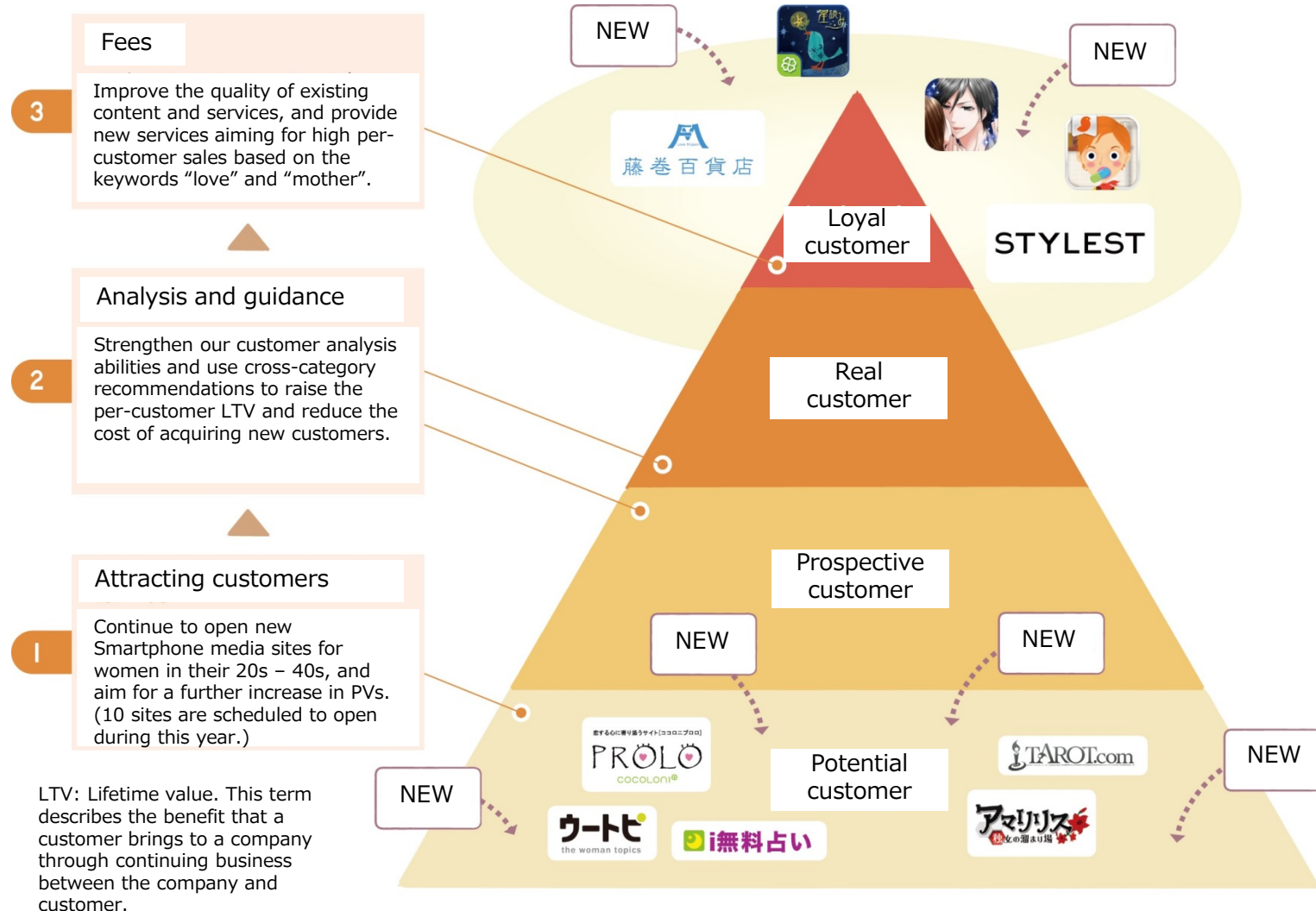
 Soell  - そえる -

<http://soell.jp/>

We are planning to continue opening new media
sites at the pace of 1 or more each month.

12 Objectives

Theme for this year: Construct a system for continual growth in the Smartphone market.



13 Progress with Regards to Forecasts for the Year Ending April 30, 2015

(Units: Millions yen)	Year ending April 30, 2015 (forecast)	Year ending April 30, 2015 (1Q results)	Progress relative to year-end forecast
	Amount	Amount	%
Sales	7,500	1,678	22%
Operating income	0	59	-
Ordinary income	0	63	-
Net income	-13	51	-

Point

- We are progressing generally as planned with regards to the year-end forecast for the year ending April 30, 2015.

II . Reference Materials

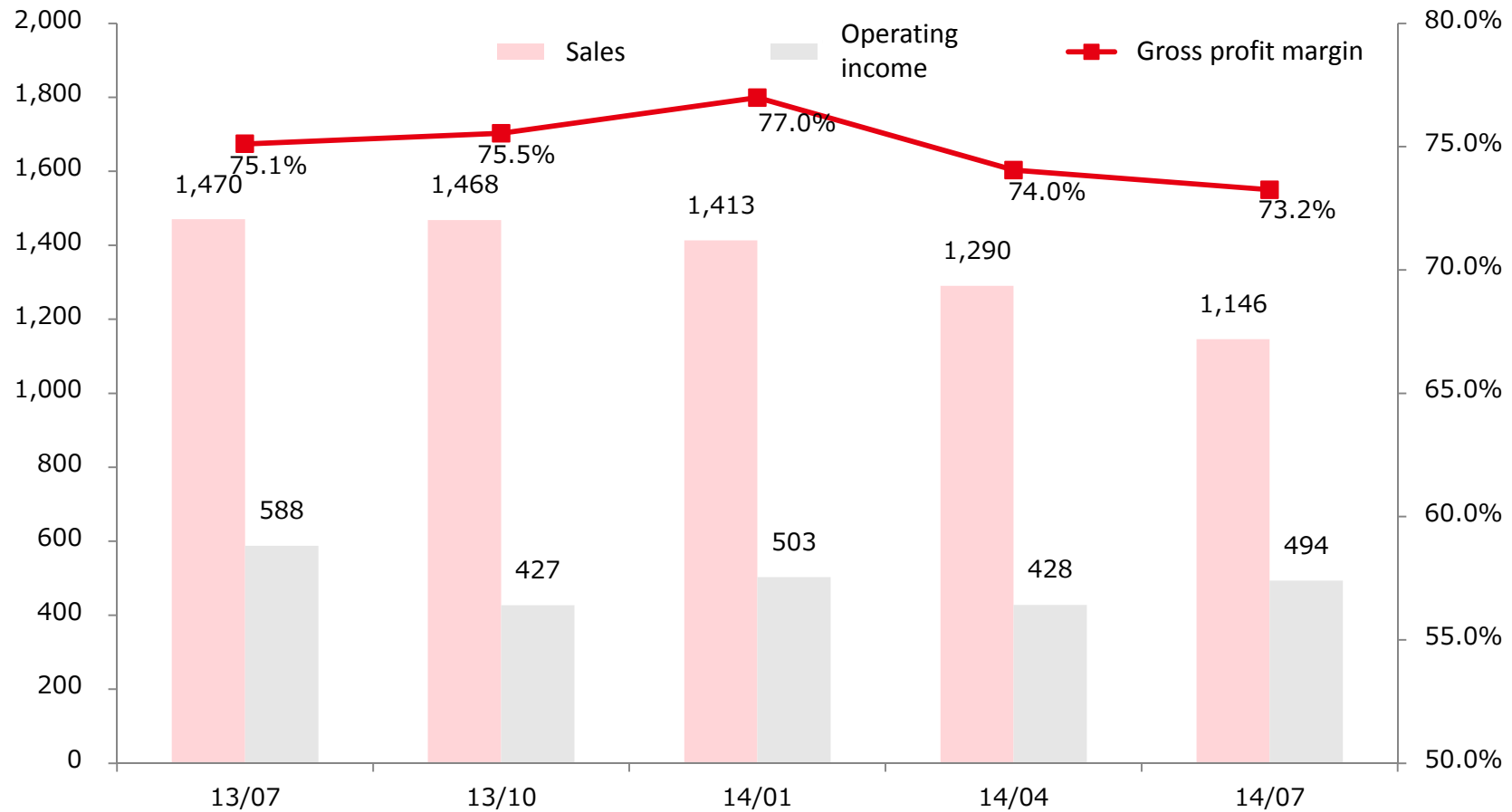
01 Content Business (1): Comparison with Previous Quarter

(Units: Millions yen)		4Q of year ended April 30, 2014	% of sales	1Q of year ending April 30, 2015	% of sales
Sales		1,290	100.0%	1,146	100.0%
Costs	Labor expenses	97	7.5%	91	7.9%
	Royalties	121	9.4%	111	9.7%
	Outsourcing expenses	60	4.7%	47	4.1%
	Other	55	4.3%	56	4.9%
SG&A	Personnel expenses	37	2.9%	21	1.8%
	Advertising expenses	285	22.1%	164	14.3%
	Collection agency fees	161	12.5%	137	12.0%
	Other	43	3.3%	21	1.8%
Operating income		428	33.2%	494	43.1%

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

02 Content Business (2): Quarterly Results

(Millions yen)



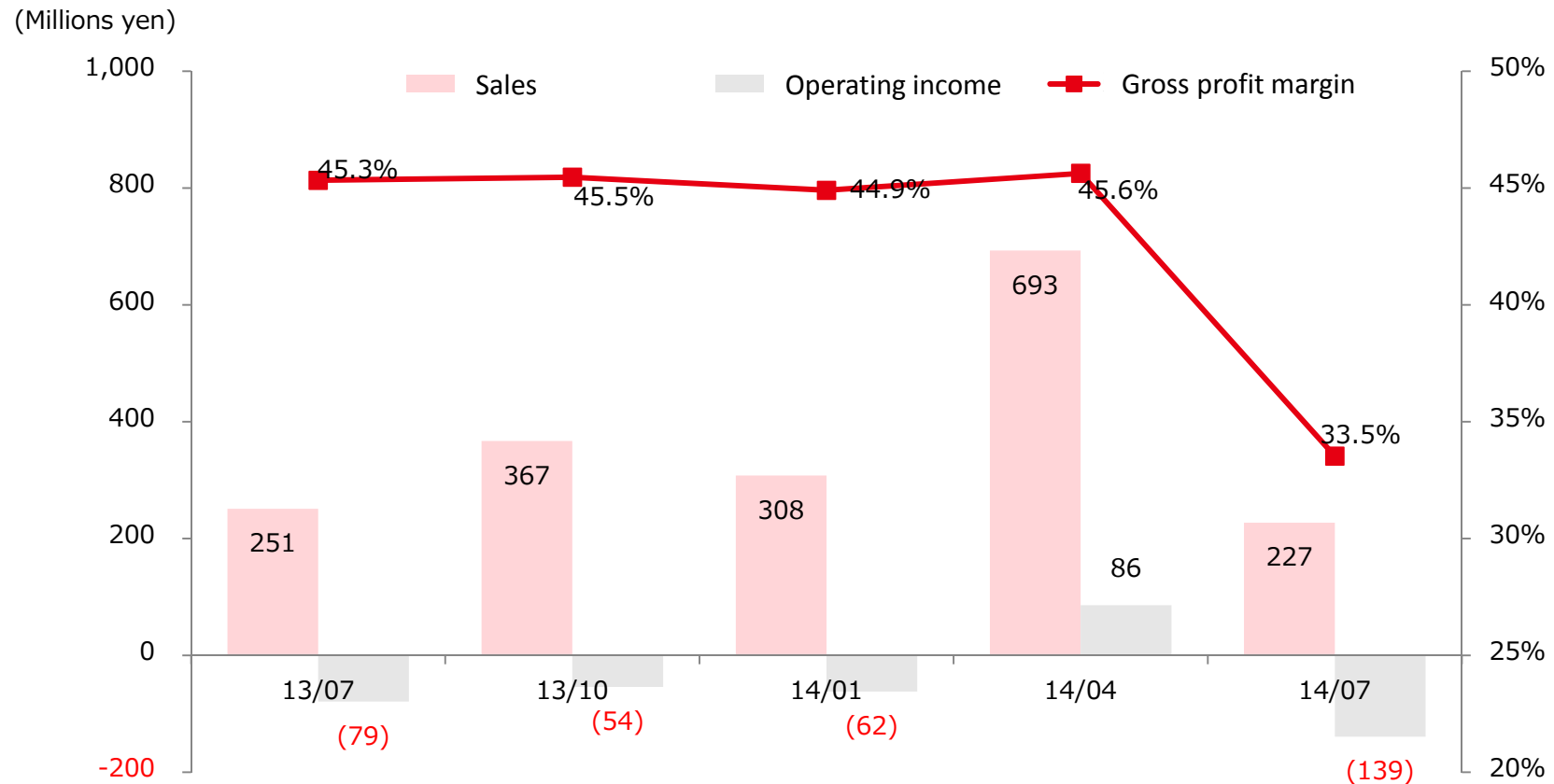
03 Commerce Business (1): Comparison with Previous Quarter

(Units: Millions yen)		4Q of year ended April 30, 2014	% of sales	1Q of year ending April 30, 2015	% of sales
Sales		693	100.0%	227	100.0%
Costs	Product cost	368	53.1%	140	61.7%
	Packaging and transport	8	1.2%	9	4.0%
	Other	1	0.1%	1	0.4%
	Personnel expenses	94	13.6%	85	37.4%
SG&A	Advertising expenses	26	3.8%	39	17.2%
	Commission fees	14	2.0%	9	4.0%
	Rents	18	2.6%	18	7.9%
	Other	78	11.3%	79	34.8%
Operating income		72	10.4%	-168	-74.0%

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

(*2): Costs include reversal of allowance for sales returns (subsidiary BxE).

04 Commerce Business (2): Results by Quarter



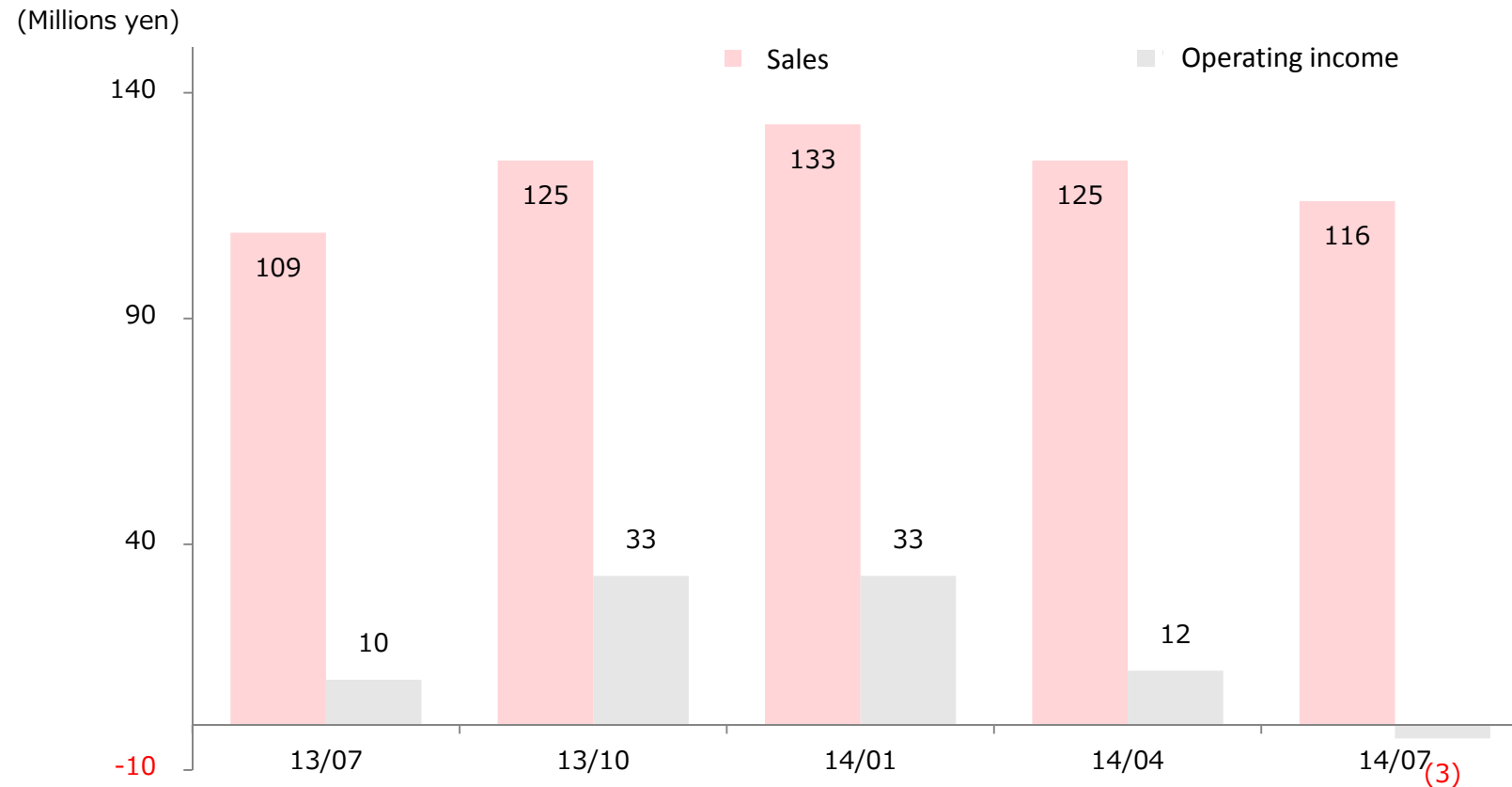
(*1): The business segments were changed beginning from the consolidated first quarter of this fiscal year. However because the effects of the segment change are minor, the change has not been applied to the numbers for the quarter ended April 30, 2013 and earlier quarters.

(*2): Costs include reversal of allowance for sales returns (subsidiary BxE).

(*3): The operating income shown above is the figure before amortization of goodwill. (Amortization of goodwill: 13 million yen/quarter)

05 Overseas Business

We are working to construct a system that will generate profits.



(*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)

06 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 April 30, 2014)
- No. of employees 245 (as of April 30, 2014)
- Officials

President & CEO	Mari Tamaki (Kawashima)
Director	Hirohiko Ogusu
Director	Sachio Shibata
Director	Akira Nakamura
Director	Masato Kobayashi
Director (outside)	Shinichi Misawa
Director	Haruyuki Mori
Standing auditor (outside)	Toyoyoshi Yamaguchi
Auditor (outside)	Masaharu Inoue (attorney)
Auditor	Makoto Tanima

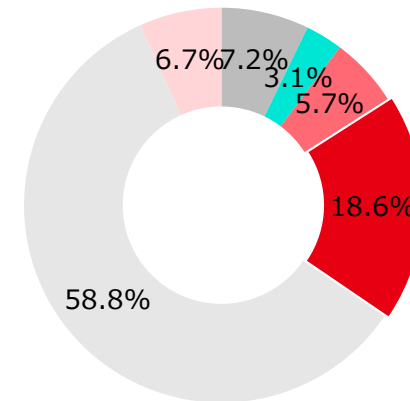
07 Shareholders (as of April 30, 2014)

Shares issued: 13,651,000
Shareholders: 8,163

Major shareholders

	Number of stocks	Ratio of stocks
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%
Goldman Sachs International Co. Ltd.	302,100	2.21%
JPMorgan Chase Bank 385093	174,800	1.28%
The Master Trust Bank of Japan, Ltd.	144,100	1.05%
Japan Trustee Services Bank, Ltd.	143,600	1.05%
Tachibana Securities Co. Ltd.	135,300	0.99%
Japan Trustee Services Bank, Ltd.(Account 1)	117,400	0.86%
Japan Trustee Services Bank, Ltd.(Account 2)	114,500	0.83%

Shareholder distribution (percentage ownership)



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

08 Business Areas

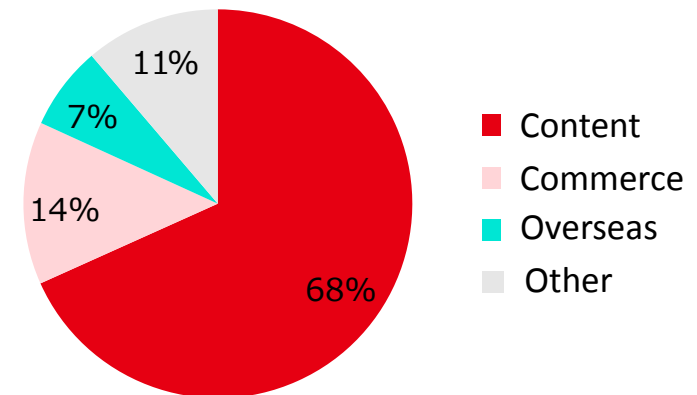
Operation of information sites and other sites utilizing mobile devices

Content business
Operation of for-fee divination sites and other sites

Commerce business
Operation of shopping sites
Sales of natural cosmetics and other products (subsidiary BxE)

Overseas business
Operation of divination sites in the U.S. (U.S. subsidiary)

Other business
Contracted website development
Operation of free media (advertising income), etc.



[Sales by business area] (End of July 2014)

09 Divination Site Rankings

ZAPPALLAS divination sites overwhelmingly control the top rankings.

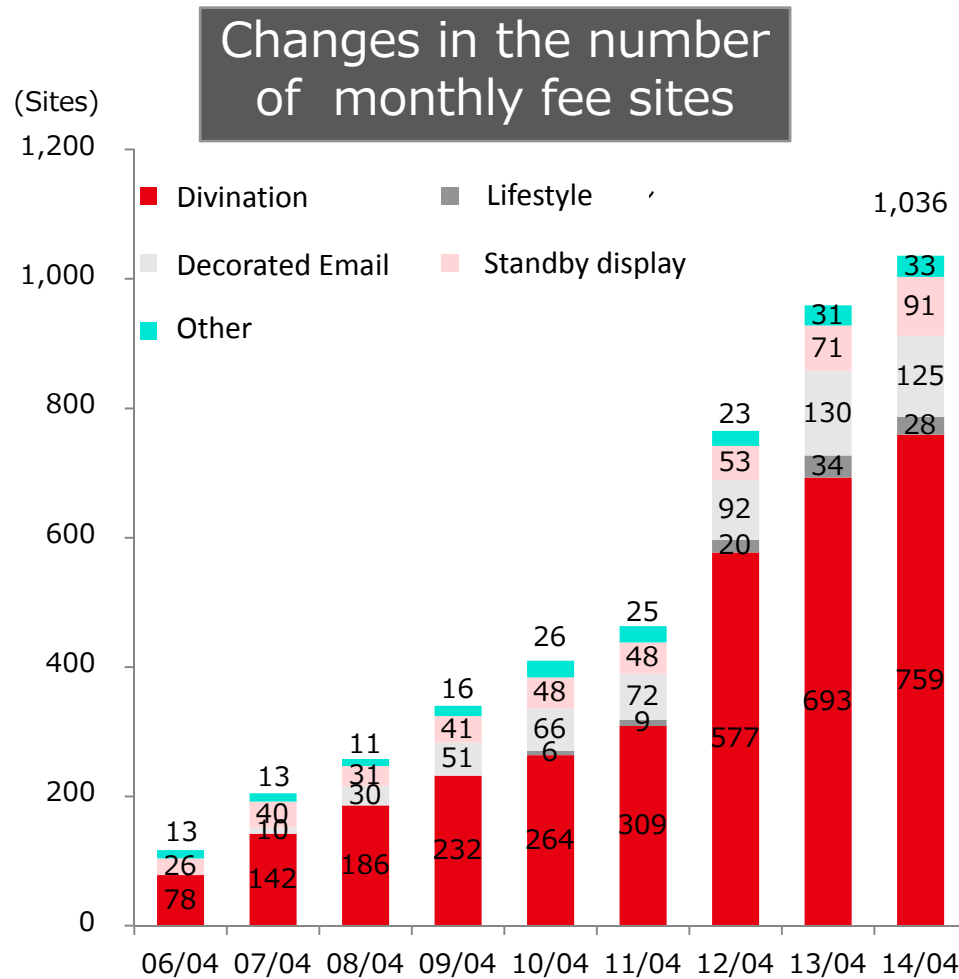
Western divination	Oriental divination	Diagnosis, psychology
1 Today's Fortune DX	1 Kazuko Hosoki's 6-Star Astrology	1 ☆Hiroyuki Ehara☆
2 365 Birthday Grand Divination	2 Smart Divination DX	2 Getters Iida Style
3 Astrology by Yukari Ishii	3 Divination by Getters Iida	3 Dream Divination for Good Fortune
4 Goddess of Love DX	4 Shuehei Shimada's Palm Reading	4 Animal Divination
5 The Last Ryukyu Yuta◇Haru	5 Power of Miracles◆Kazumi Uechi	5 Relationships for Adults
6 Ryuji Kagami Astrology	6 7 Planets◆Name Divination	6 Animal Character Navi
7 Blood-type Compatibility Diagnosis	7 Ansei-Style Fortune Telling	7 Goddess of Aomori◆Fujiko Kimura
8 HAPPY! Divination	8 Mother of Shinjuku	8 Male Brain × Female Brain
9 John Hayes England Astrology	9 Kyomei Hashimoto: The Last Yin-Yang Master	9 Rika Kayama's Deep-Mind Psychology
10 Destiny Love Divination	10 Mother of Ginza◆Yoshie Yokota	10 Spiritual Dream Interpretation
11 Karin's Million Person Deeply Moving Salon	11 Ultimate Name Divination - Journey to Shangri-La	11 Real Psychology Tests
12 Dates of Fate	12 Mother of Ginza◇Names for Good Fortune	12 Truth and Lies in the Male Mind
13 My Birthday	13 Father of Okinawa◆Miracle Appraisal	13 Nami Kagawa★Good Fortune Predictions
14 Destiny and Prophecy	14 Yoshiko Shimo-Style Living	14 Rules for Personality Beauty
15 Shinbashi Mama◆Spiritual Divination	15 Accurate Mother of Hong Kong! Yan Jing	15 Love Psychology for Women
16 Yoshiyuki Hamaguchi's Tarot Divination	16 Miracle Appraiser Karin	16 Yasufumi Nakoshi's Laboratory of the Heart
17 Miyoko Sensei, Goddess of Fuchu◆Messages of Love	17 Feng Shui Artist◆Okuni Izumo	17 The Ultimate Love Science
18 Mademoiselle Ai◆Astrology	18 Yumily Naoi's Love and Feng Shui	18 Past Life Therapy
19 Savior of Light ◇ Black Dog	19 Mother of Asakusabashi - Name Divination	19 The Brain's Switches
20 Promises from Past Lives	20 Mother of Nishi-Shinjuku	20 99 Rules for Finding Love
21 The Future in 3 Months	21 Takanoyama Baccha Divination	21 Blood-Type Human Science DX
22 Ayako Izumiya [Ultimate Predictions]	22 Economic Feng Shui	22 Jucelino's Future Predictions
23 Miiru - Mononoke - Spirit Master Mon Aoyama	23 Mama of Dazaifu	23 Counseling for Persons Hopeless at Love
24 Miraculous Prophecies of Barat Clara	24 Pleasure and Delight! Sakana-chan	24 Encyclopedia of Dream Divination
25 Stella Kaoruko◆Happy Fate	25 Good Fortune★Name Divination	25 Flower Divination

Source: NTT DoCoMo menu list (dmenu) (April 2014)

indicates content provided by ZAPPALLAS

10 Number of Provided Services

An operating system capable of developing and running large numbers of sites



Provided services
End of April 2014

FP sites	564
SP sites	472
SP applications	226

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

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