

# ZAPPALLAS

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

(2014.5.1 - 2014.10.31 The 16<sup>th</sup> term)

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

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

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

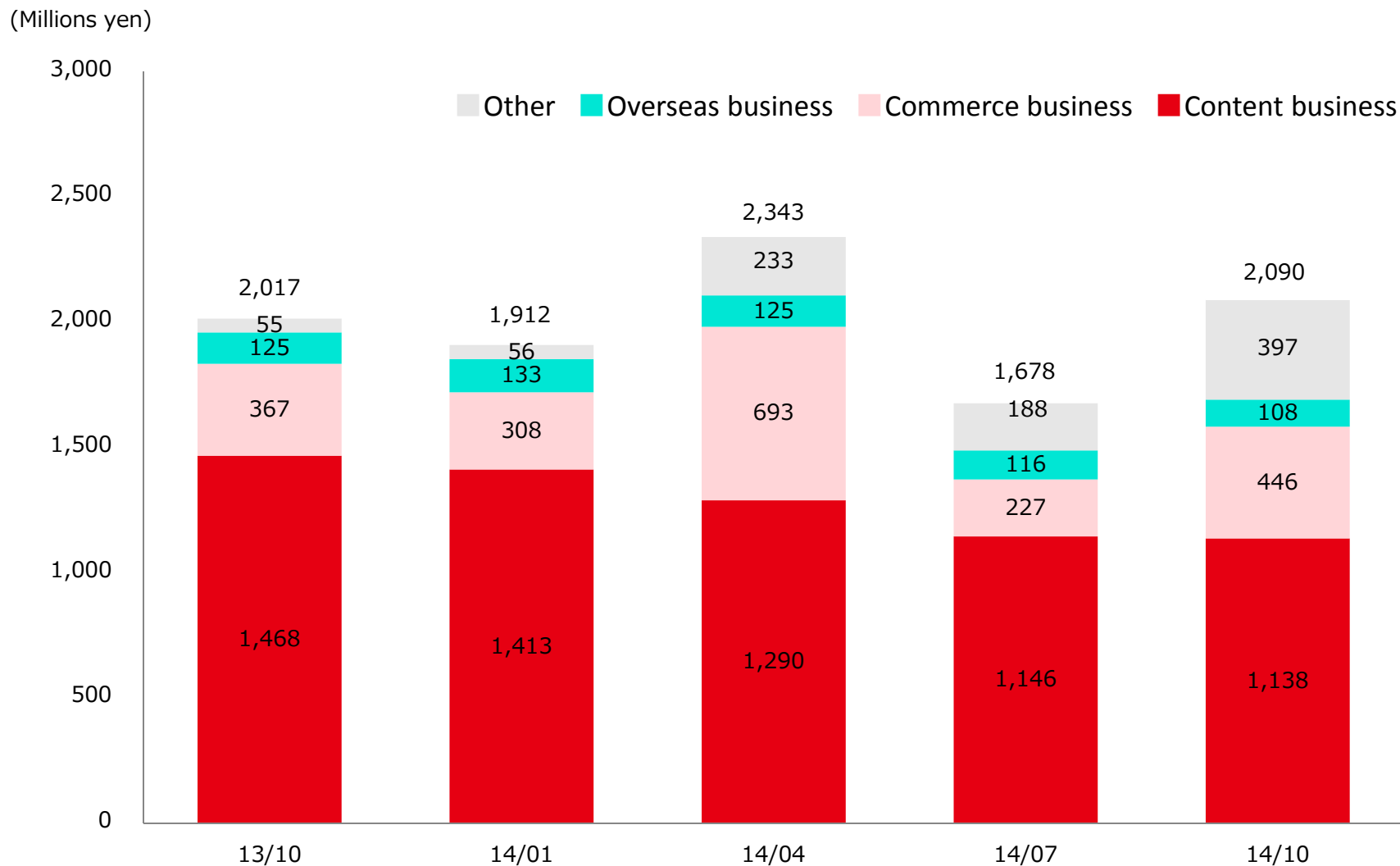
(Units: Millions yen)	1Q(May-July), year ending April 30, 2015		2Q(Aug.-Oct.), year ending April 30, 2015		Percentage change
	Amount	% of sales	Amount	% of sales	
Sales	1,678	100.0%	2,090	100.0%	24.6%
Net gross profit	1,027	61.2%	1,163	55.6%	13.2%
SG&A	967	57.6%	987	47.2%	2.1%
Operating income	59	3.5%	176	8.4%	198.3%
Ordinary income	63	3.8%	260	12.4%	312.7%
Net income	51	3.0%	159	7.6%	211.8%

### Points

- Sales remained mostly unchanged in the content business, which is our primary business area, while sales growth in the commerce business and other business resulted in sales that were up 24.6% from the previous quarter.
- Despite an increase in costs resulting from sales growth in the commerce business and other business, the growth in sales resulted in a 198.3% increase in operating income from the previous quarter.

## 02 Consolidated Sales by Quarter

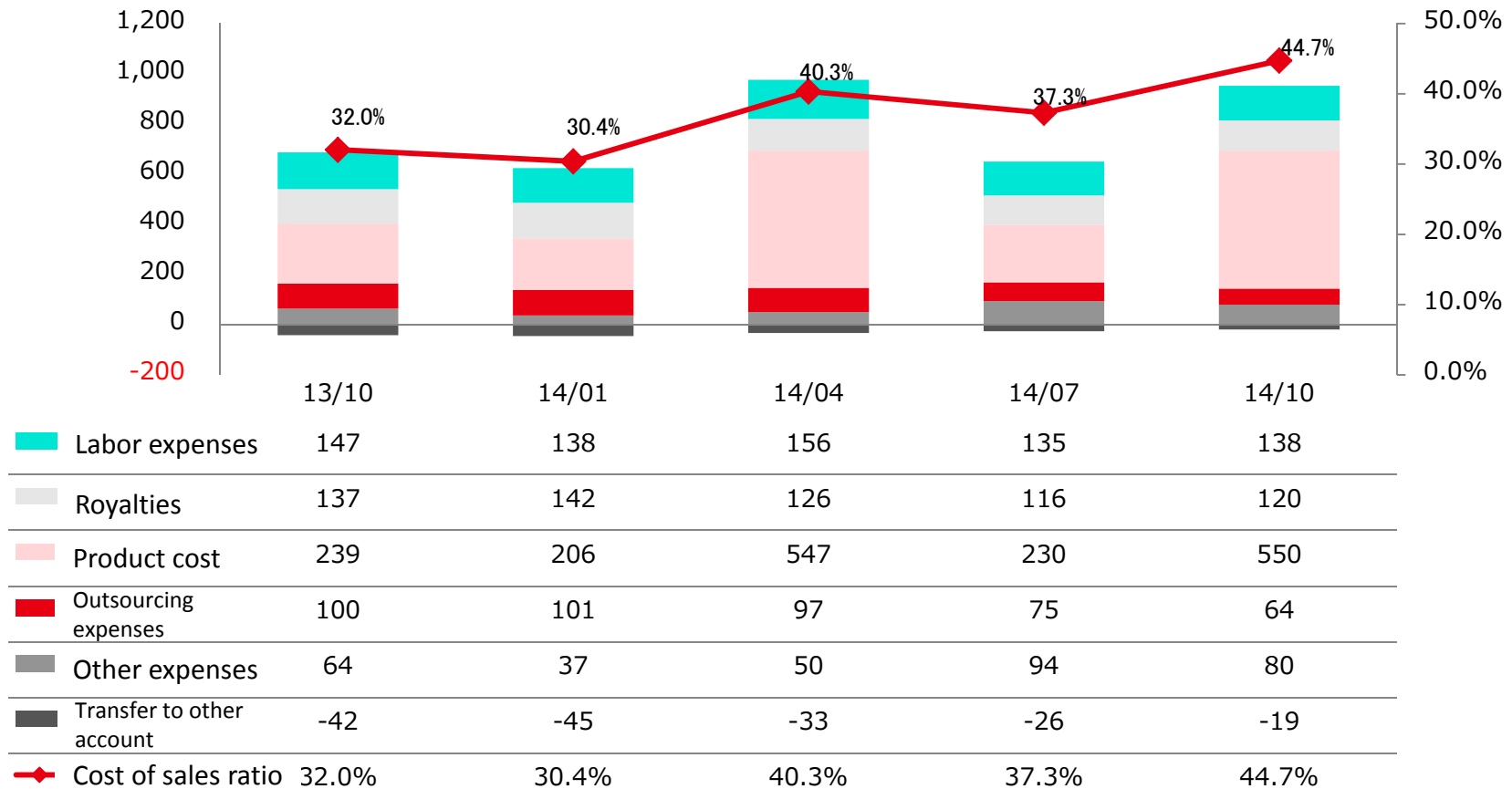
Sales grew in the commerce business and other business.



# 03 Consolidated Cost of Sales by Quarter

Product cost increased as a result of growing sales in the commerce business and other business.

(Millions yen)

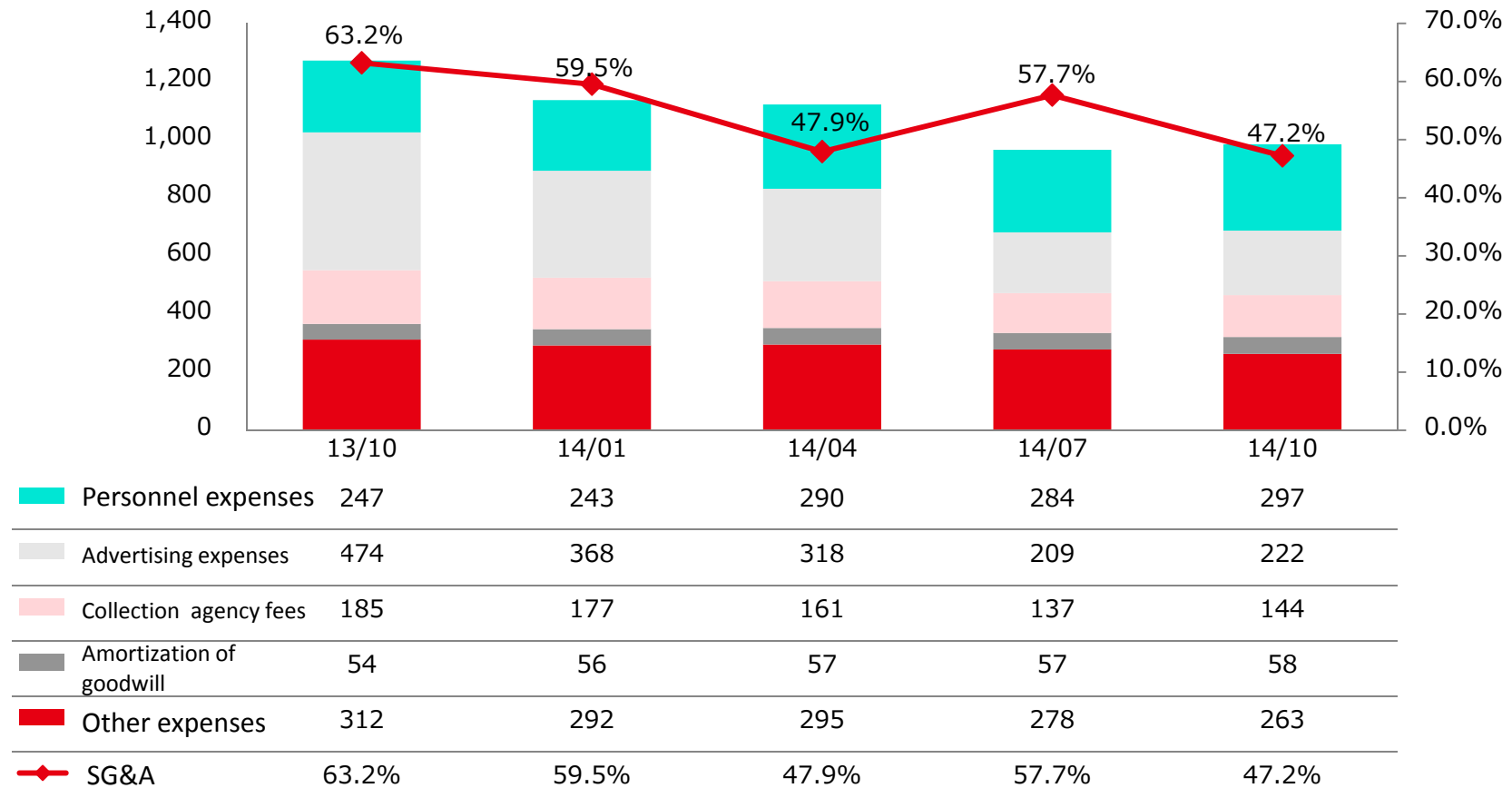


(\*1)] Does not include reversal of allowance for sales returns

# 04 Consolidated SG&A by Quarter

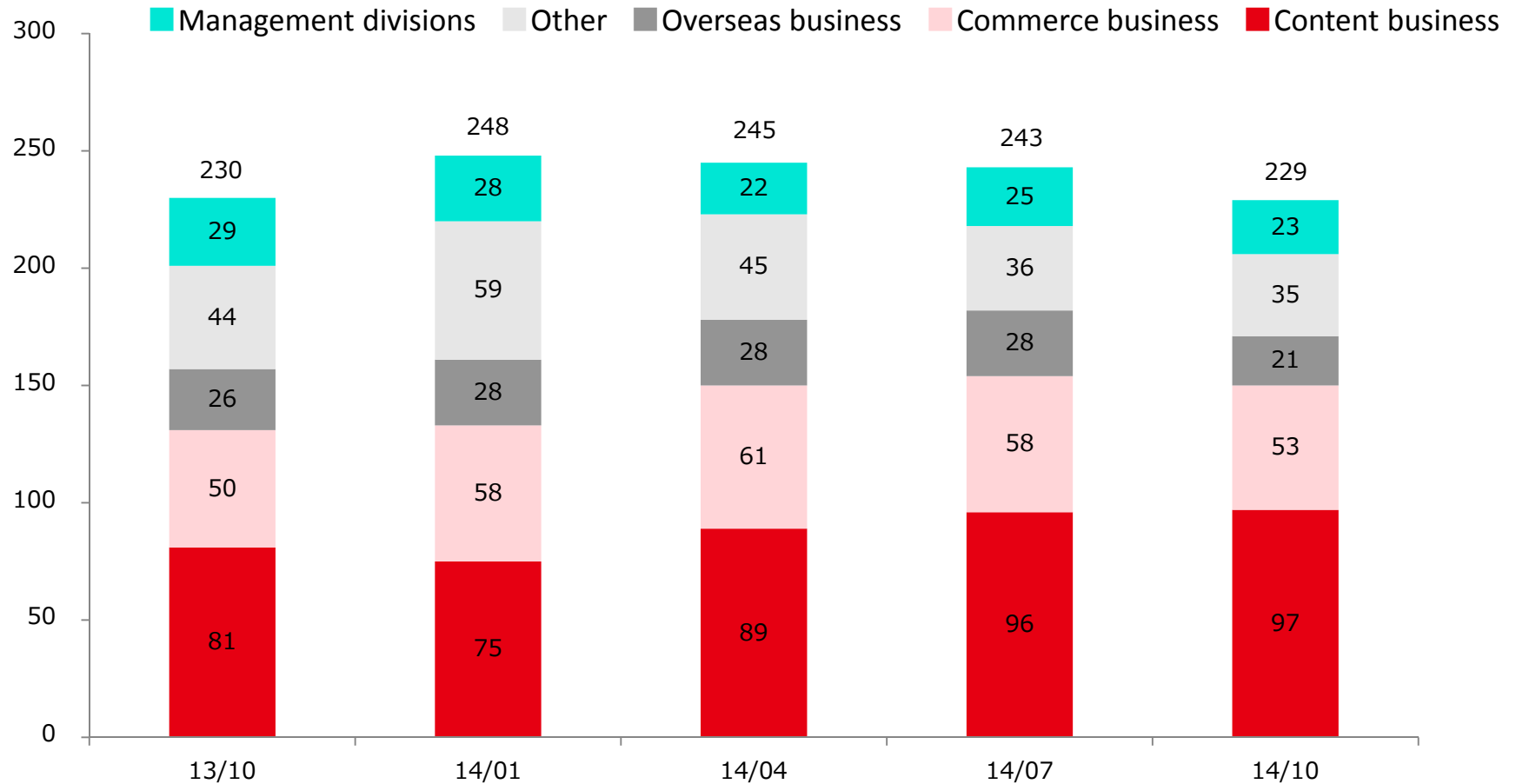
SG&A remained on approximately the same level as the previous quarter.

(Millions yen)



# 05 Consolidated Numbers of Employees by Quarter

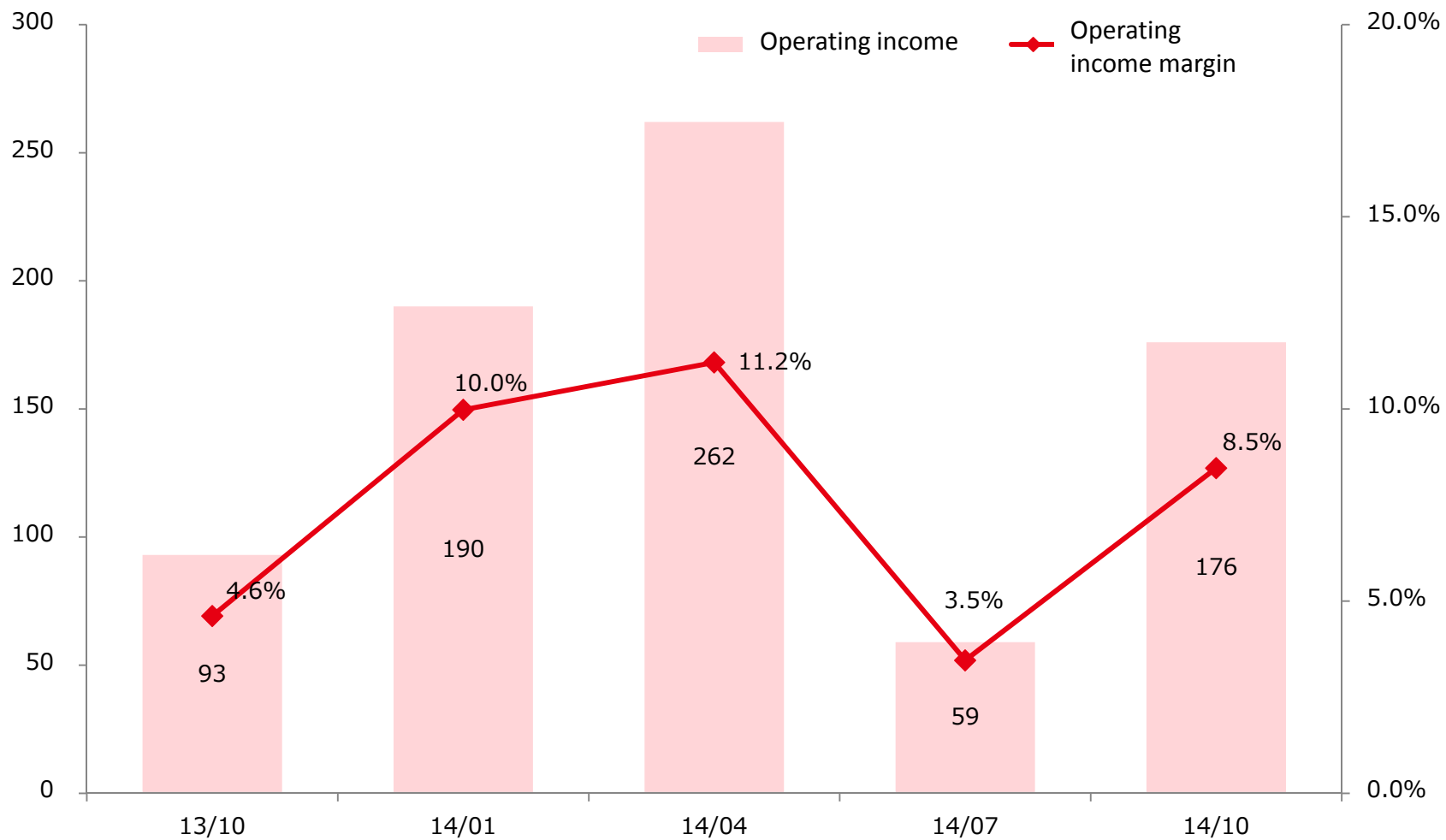
(Employees)



(\*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

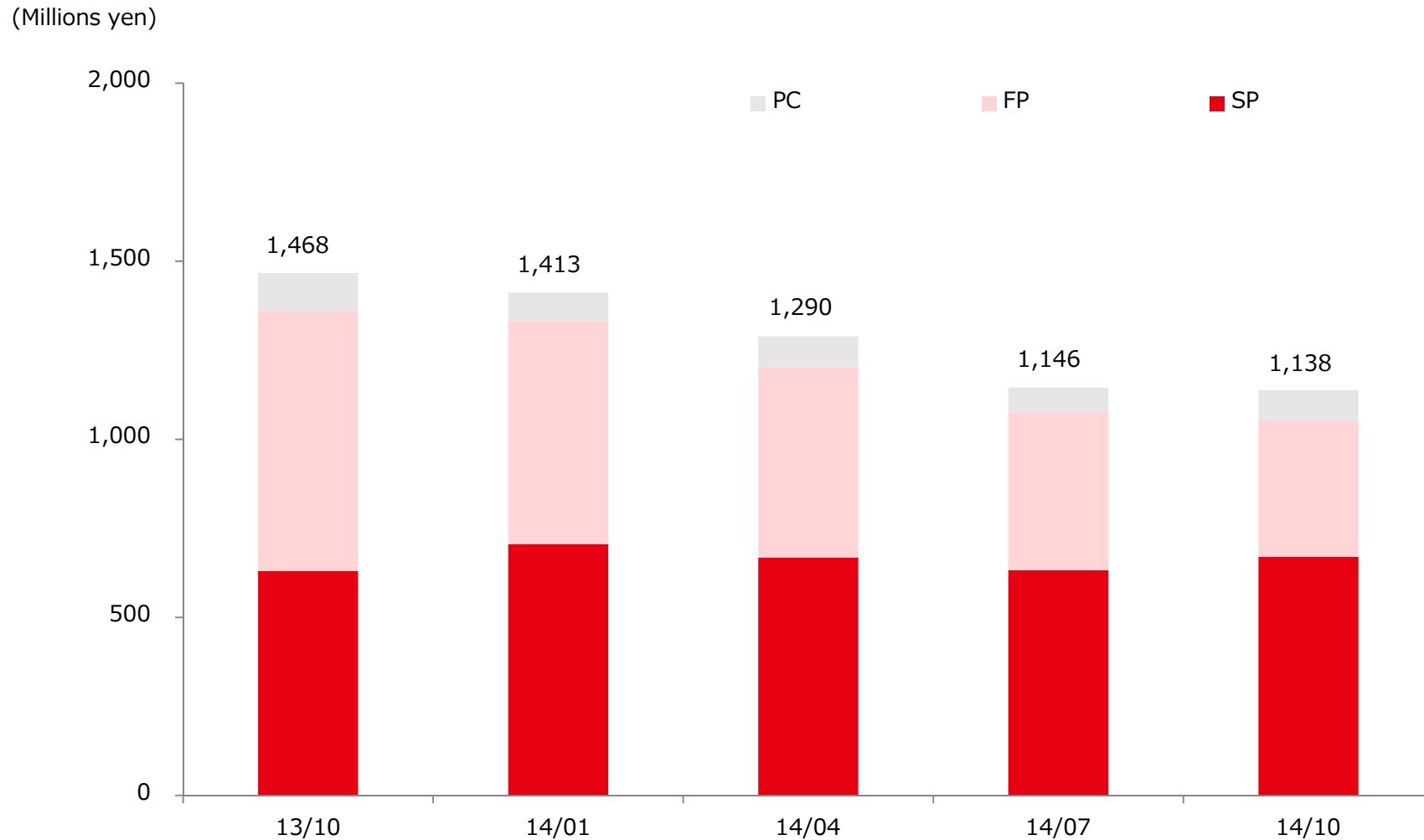
(Millions yen)





## 07 Status of Services ①: Content Sales by Device

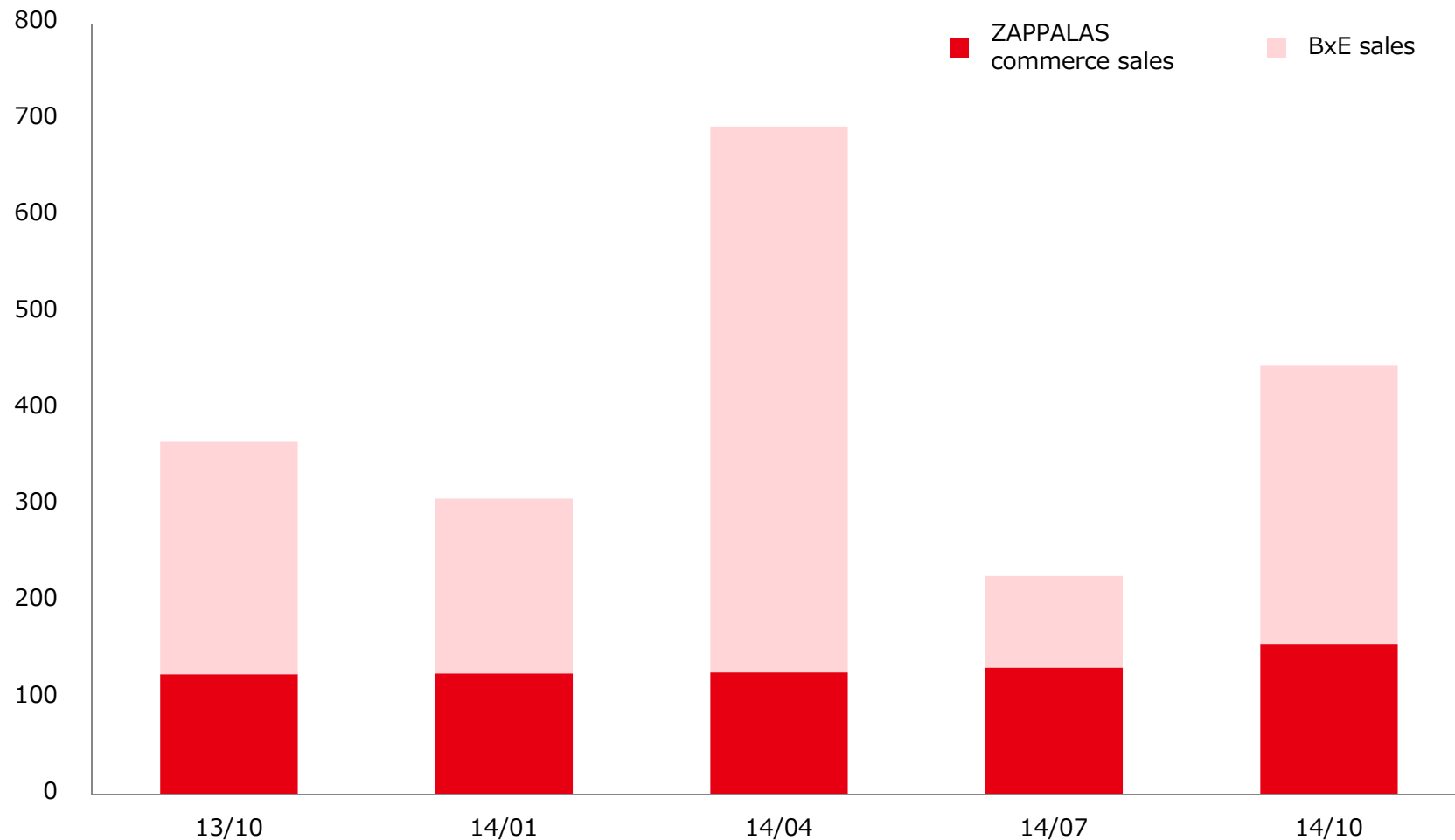
The decline in FP members has slowed, and content sales remained on approximately the same level.



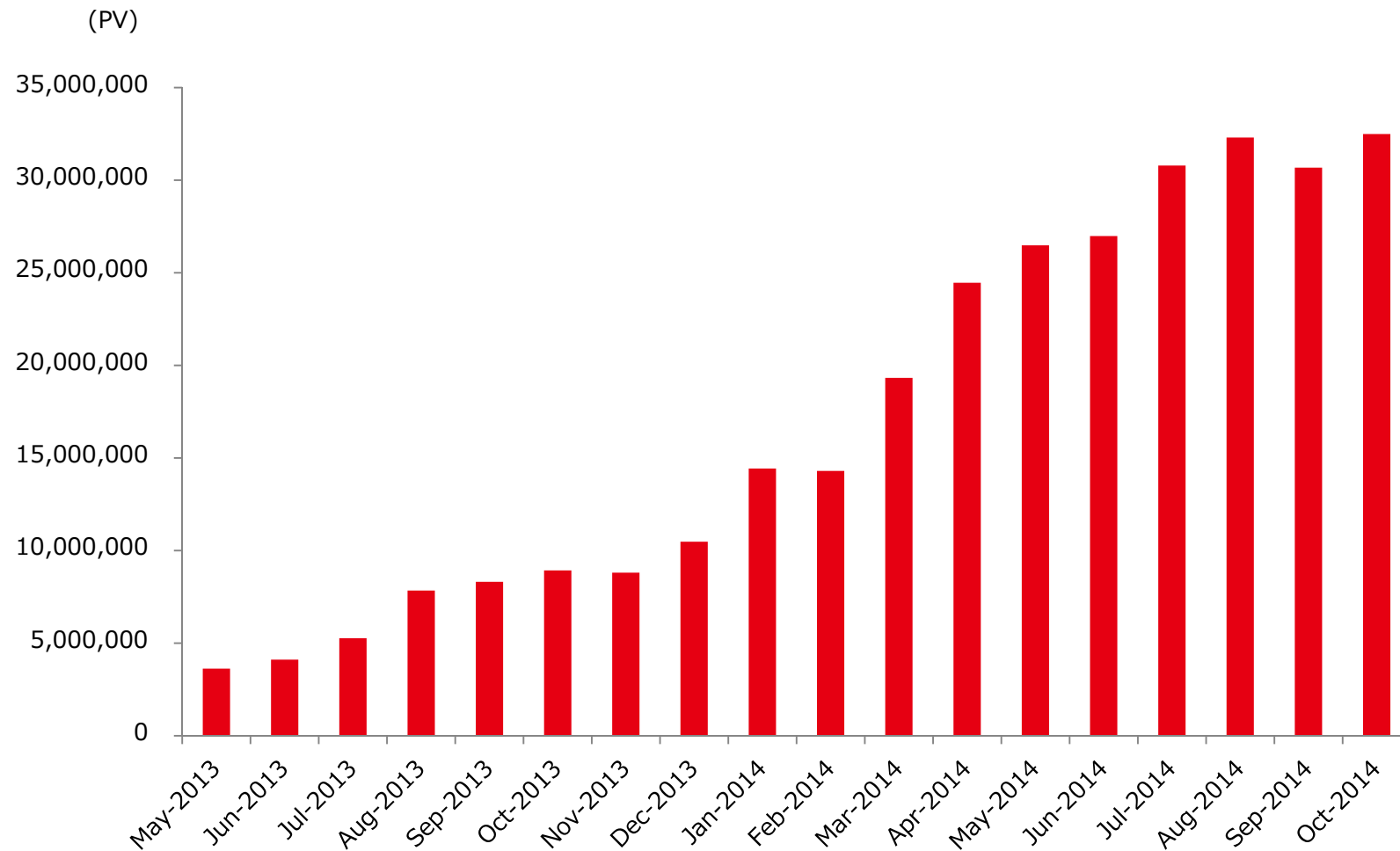
## 08 Status of Services ②: Breakdown of Commerce Business Sales

BxE sales grew due to the release of new products.

(Millions yen)



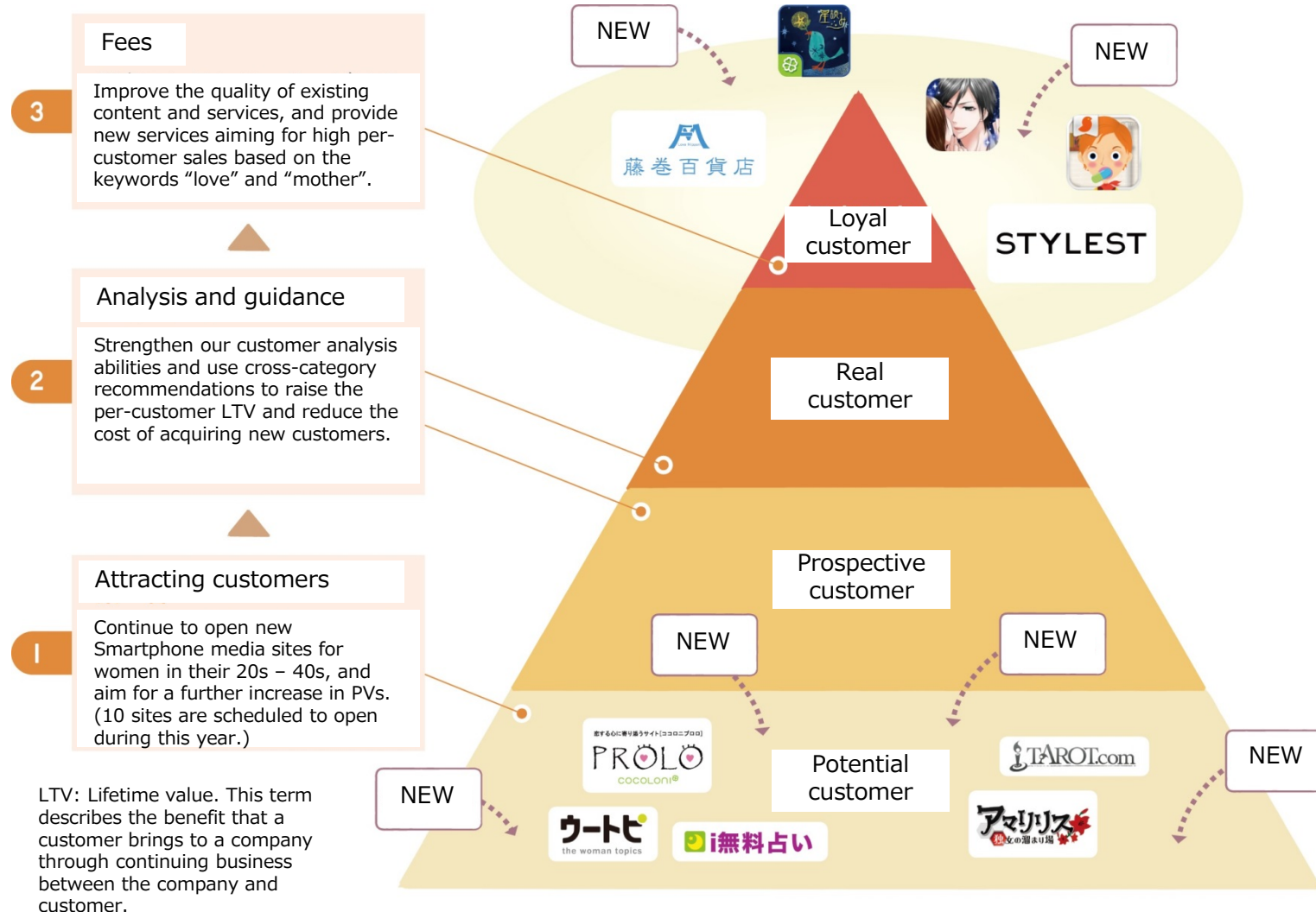
## 09 Status of Services ③: Status of Customer-Attracting Media



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

# 10 Objectives

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



# 11 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 (first 2Q results)	Progress relative to year-end forecast
	Amount	Amount	%
Sales	7,500	3,769	50%
Operating income	0	236	-
Ordinary income	0	323	-
Net income	-13	211	-

## Point

- Sales is progressing generally as planned with regards to the year-end forecast for the year ending April 30, 2015.
- Operating income is somewhat above the planned level due to delays in the investments required for construction of our system foundation, however we are expecting active investment during the second half of the year.

## II. Reference Materials

# 01 Consolidated B/S Summary

## <Assets>

(Units: Millions yen)	End of year ended April 30, 2014 ①	End of 2Q for year ending April 30, 2015 ②	Amount of change
	(April 30, 2013)	(April 30, 2014)	(② - ①)
Cash and cash equivalents	4,576	4,800	224
Accounts receivable	1,559	1,062	-497
Marketable securities	504	504	0
Merchandise and products	93	184	91
Other	146	225	79
<b>Total current assets</b>	<b>6,878</b>	<b>6,775</b>	<b>-103</b>
Total tangible fixed assets	129	109	-20
Software	193	143	-50
Goodwill	1,943	1,917	-26
Other	48	45	-3
Total intangible fixed assets	2,184	2,106	-78
Investment securities	492	481	-11
Other	371	326	-45
Total investments and other assets	863	807	-56
<b>Total fixed assets</b>	<b>3,178</b>	<b>3,022</b>	<b>-156</b>
<b>Total assets</b>	<b>10,056</b>	<b>9,798</b>	<b>-258</b>

## <Liabilities and net assets>

(Units: Millions yen)	End of year ended April 30, 2014 ①	End of 2Q for year ending April 30, 2015 ②	Amount of change
	(April 30, 2013)	(April 30, 2014)	(② - ①)
Accounts payable - trade	376	268	-108
Accounts payable - other	291	240	-51
Corporate tax payable	132	168	36
Long-term loans payable scheduled for repayment within 1 year	183	183	0
Others	200	235	35
<b>Total current liabilities</b>	<b>1,182</b>	<b>1,094</b>	<b>-88</b>
<b>Total fixed liabilities</b>	<b>484</b>	<b>392</b>	<b>-92</b>
<b>Total liabilities</b>	<b>1,666</b>	<b>1,487</b>	<b>-179</b>
Capital stock	1,476	1,476	0
Capital surplus	1,401	1,401	0
Retained earnings	6,798	6,729	-69
Treasury stock	-1,418	-1,418	0
Total shareholders' assets	8,258	8,189	-69
Total accumulated other comprehensive income	52	66	14
Minority interests	79	55	-24
<b>Total net assets</b>	<b>8,390</b>	<b>8,311</b>	<b>-79</b>
<b>Total liabilities and net assets</b>	<b>10,056</b>	<b>9,798</b>	<b>258</b>

## 02 Content Business ①: Comparison with Previous Quarter

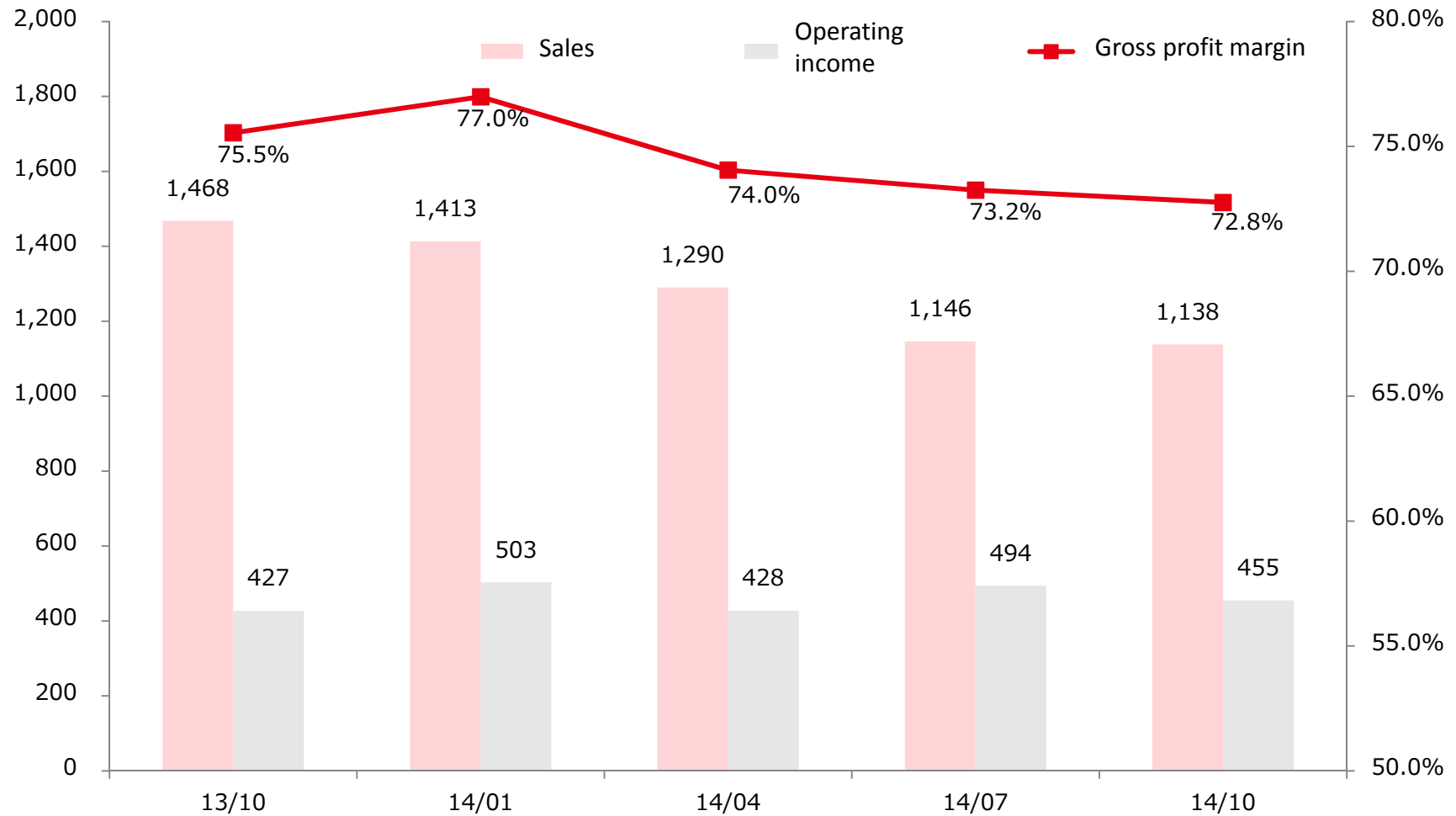
(Units: Millions yen)		1Q of year ending April 30, 2015	% of sales	2Q of year ending April 30, 2015	% of sales
Sales		1,146	100.0%	1,138	100.0%
Costs	Labor expenses	91	7.9%	111	9.8%
	Royalties	111	9.7%	115	10.1%
	Outsourcing expenses	47	4.1%	38	3.3%
	Other	56	4.9%	45	4.0%
SG&A	Personnel expenses	21	1.8%	27	2.4%
	Advertising expenses	164	14.3%	183	16.1%
	Collection agency fees	137	12.0%	144	12.7%
	Other	21	1.8%	17	1.5%
Operating income		494	43.1%	455	40.0%

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



## 03 Content Business ②: Quarterly Results

(Millions yen)



# 04 Commerce Business ①: Comparison with Previous Quarter

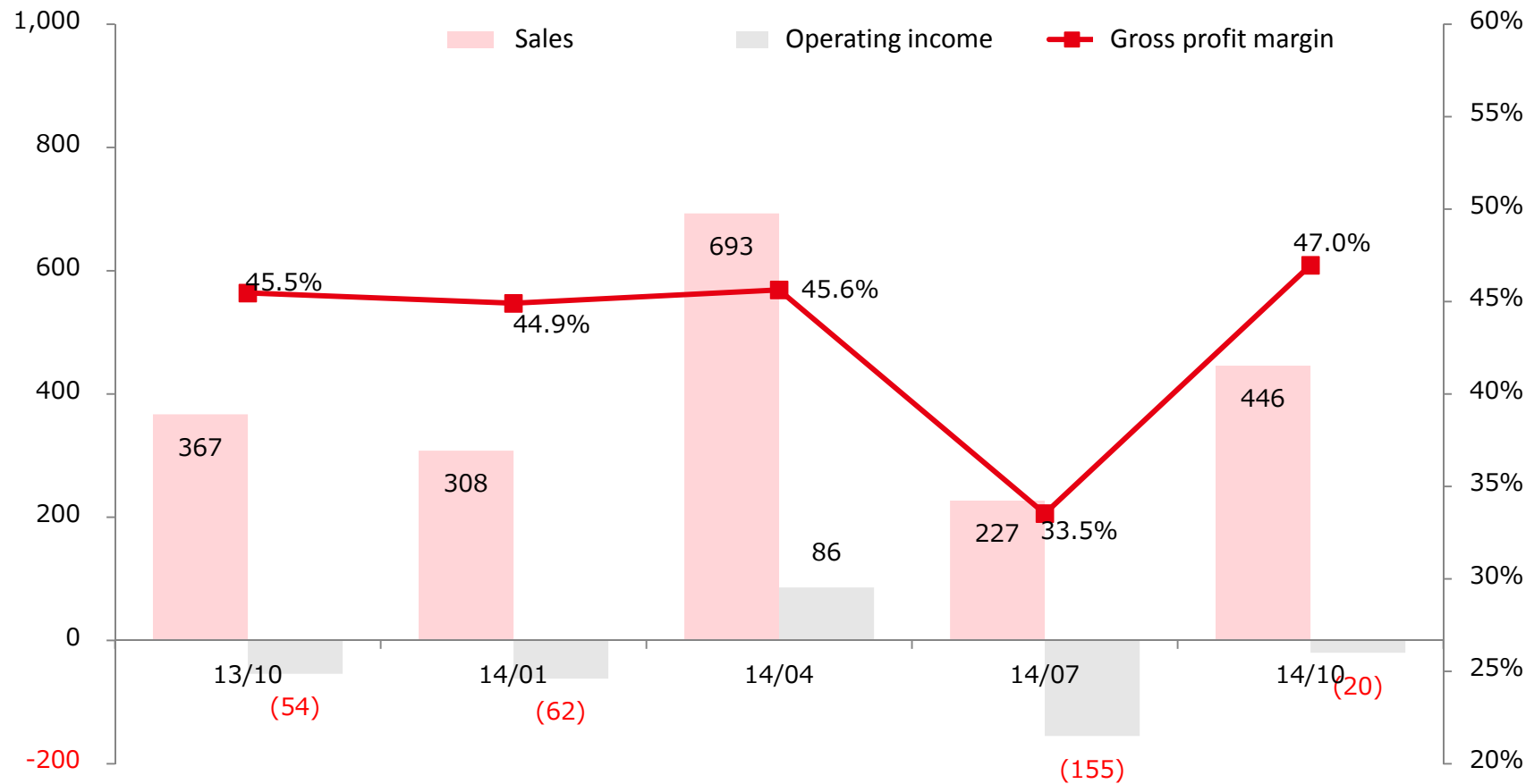
(Units: Millions yen)		1Q of year ending April 30, 2015	% of sales	2Q of year ending April 30, 2015	% of sales
Sales		227	100.0%	446	100.0%
Costs	Product cost	140	61.7%	225	50.4%
	Packaging and transport	9	4.0%	10	2.2%
	Other	1	0.4%	0	0.0%
	Personnel expenses	85	37.4%	89	20.0%
SG&A	Advertising expenses	39	17.2%	31	7.0%
	Commission fees	9	4.0%	11	2.5%
	Rents	18	7.9%	19	4.3%
	Other	79	34.8%	82	18.4%
Operating income		-168	-74.0%	-33	-7.4%

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

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

# 05 Commerce Business ②: Results by Quarter

(Millions yen)

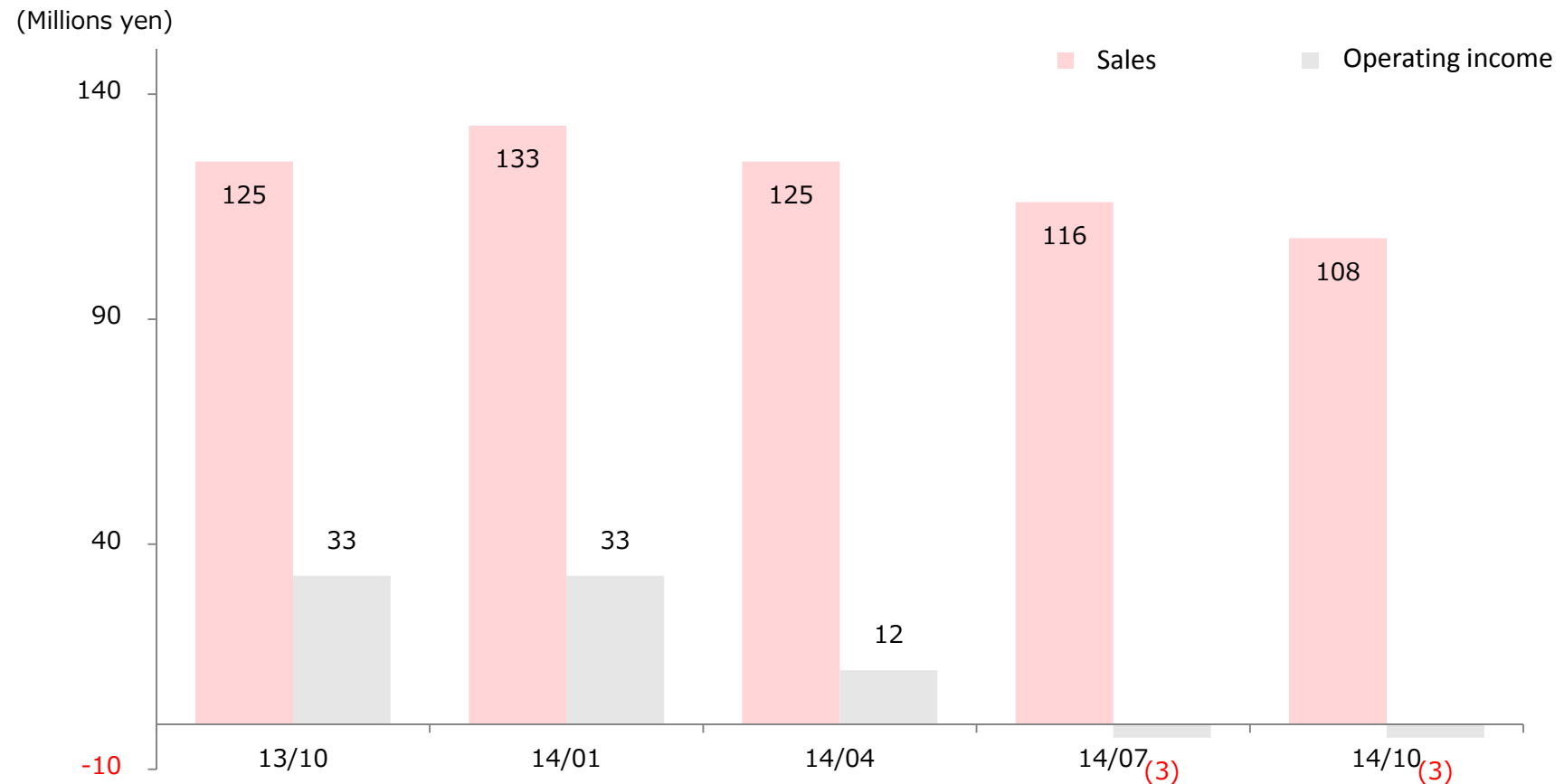


(\*1): Costs include reversal of allowance for sales returns (subsidiary BxE).

(\*2): The operating income shown above is the figure before amortization of goodwill. (Amortization of goodwill: 13 million yen/quarter)

## 06 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)

## 07 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, 2014)
- No. of employees 229 (as of October 31, 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

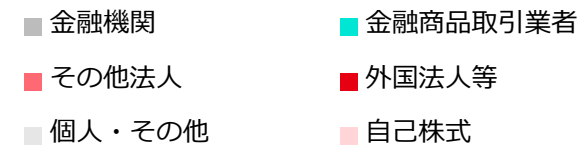
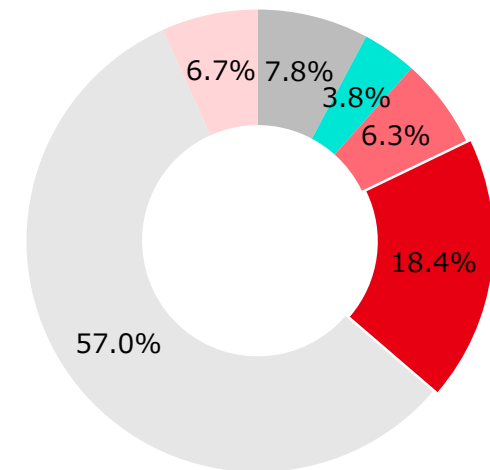
## 08 Shareholders (as of October 31, 2014)

Shares issued: 13,651,000 / Shareholders:7,682

### ■ Major shareholders

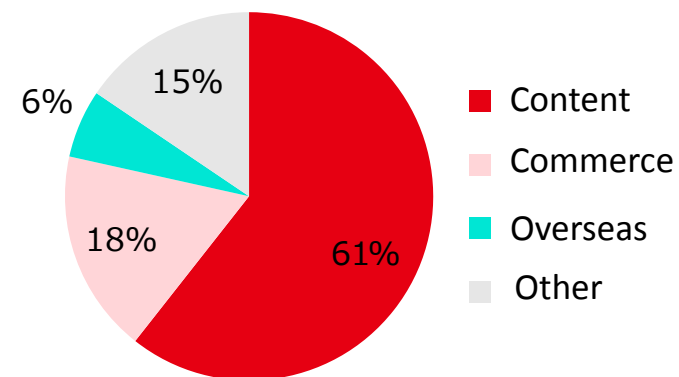
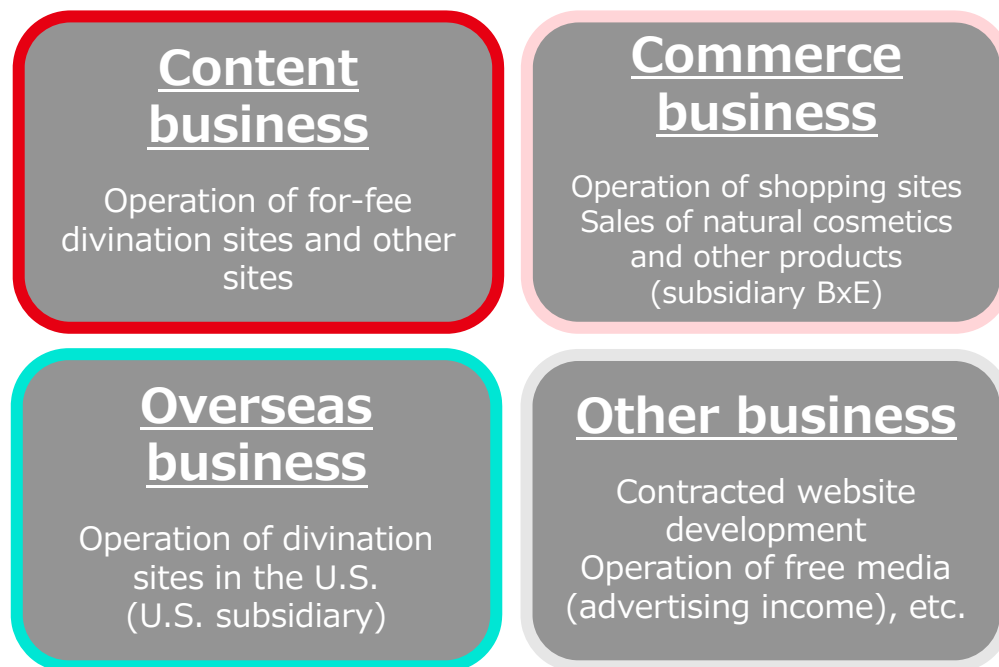
	Number of stocks	Ratio of stocks
Mari Kawashima	2,912,000	21.33%
BBH for Fidelity Puritan, Fidelity Series, Intrinsic Opportunities Fund	1,100,000	8.05%
Crimsongroup LLC	668,200	4.89%
JPMorgan Chase Bank 385093	174,800	1.28%
Japan Trustee Services Bank, Ltd.	173,500	1.27%
The Master Trust Bank of Japan, Ltd.	155,400	1.13%
Bank of New York GCM Client Accounts JPRD ISG (FE-AC)	147,344	1.07%
Tachibana Securities Co., Ltd.	136,000	0.99%
Japan Trustee Services Bank, Ltd.(Account 1)	123,000	0.90%
Rakuten Securities, Inc.	116,200	0.85%

### ■ Shareholder distribution (percentage ownership)



## 09 Business Areas

### Operation of information sites and other sites utilizing mobile devices



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

# 10 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 Astrology by Yukari Ishii	2 Smart Divination DX	2 God in Aomori by Fujiko Kimura
3 365 Birthday Grand Divination	3 Divination by Getters Iida	3 Getters Iida Style
4 Goddess of Love DX	4 Shuehei Shimada's Palm Reading	4 Dream Divination for Good Fortune
5 The Last Ryukyu Yuta◇Haru	5 Power of Miracles◆Kazumi Uechi	5 Animal Divination
6 Ryuji Kagami Astrology	6 Ansei-Style Fortune Telling	6 Animal Character Navi
7 Blood-type Compatibility Diagnosis	7 7 Planets◆Name Divination	7 Relationships for Adults
8 Destiny Love Divination	8 Mother of Shinjuku	8 Rika Kayama's Deep-Mind Psychology
9 John Hayes England Astrology	9 Mother of Ginza◇Names for Good Fortune	9 Spiritual Dream Interpretation
10 Destiny Love Divination	10 Ultimate Name Divination - Journey to Shangri-La	10 Real Psychology Tests
11 HAPPY! Divination	11 Kyomei Hashimoto: The Last Yin-Yang Master	11 Male Brain × Female Brain
12 Dates of Fate	12 Name Divination by Getters Iida	12 Nami Kagawa★Good Fortune Predictions
13 My Birthday	13 Yoshiko Shimo-Style Living	13 Rules for Personality Beauty
14 Destiny and Prophecy	14 Father of Okinawa◆Miracle Appraisal	14 Truth and Lies in the Male Mind
15 Pasin Peron Hayabusa★Spritual	15 Moved to Tears! Miracle Yuta Haru	15 Love Psychology for Women
16 Yoshiyuki Hamaguchi's Tarot Divination	16 Mother of Ginza◆Yoshie Yokota	16 Yasufumi Nakoshi's Laboratory of the Heart
17 Mademoiselle Ai◆Astrology	17 Miracle Appraiser Karin	17 The Ultimate Love Science
18 Shinbashi Mama◆Spiritual Divination	18 Economic Feng Shui	18 Past Life Therapy
19 Miyoko Sensei, Goddess of Fuchu◆ Messages of Love	19 Accurate Mother of Hong Kong! Yan Jing	19 Fortune and Happiness comes By Miyoko Birthday Divination
20 HIT 365 Birthday Code	20 Yumily Naoi's Love and Feng Shui	21 Blood-Type Human Science DX
21 Miraculous Prophecies of Barat Clara	21 Feng Shui Artist◆Okuni Izumo	22 Counseling for Persons Hopeless at Love
22 The Future in 3 Months	22 Mother of Asakusabashi - Name Divination	23 The Brain's Switches
23 C. Adrienne Future Prediction	23 Chinese Geomancy by Dr. Kopa	24 Jucelino's Future Predictions
24 Promises from Past Lives	24 Mother of Nishi-Shinjuku	25 Encyclopedia of Dream Divination
25 Stella Kaoruko◆Happy Fate	25 Mama of Dazaifu	

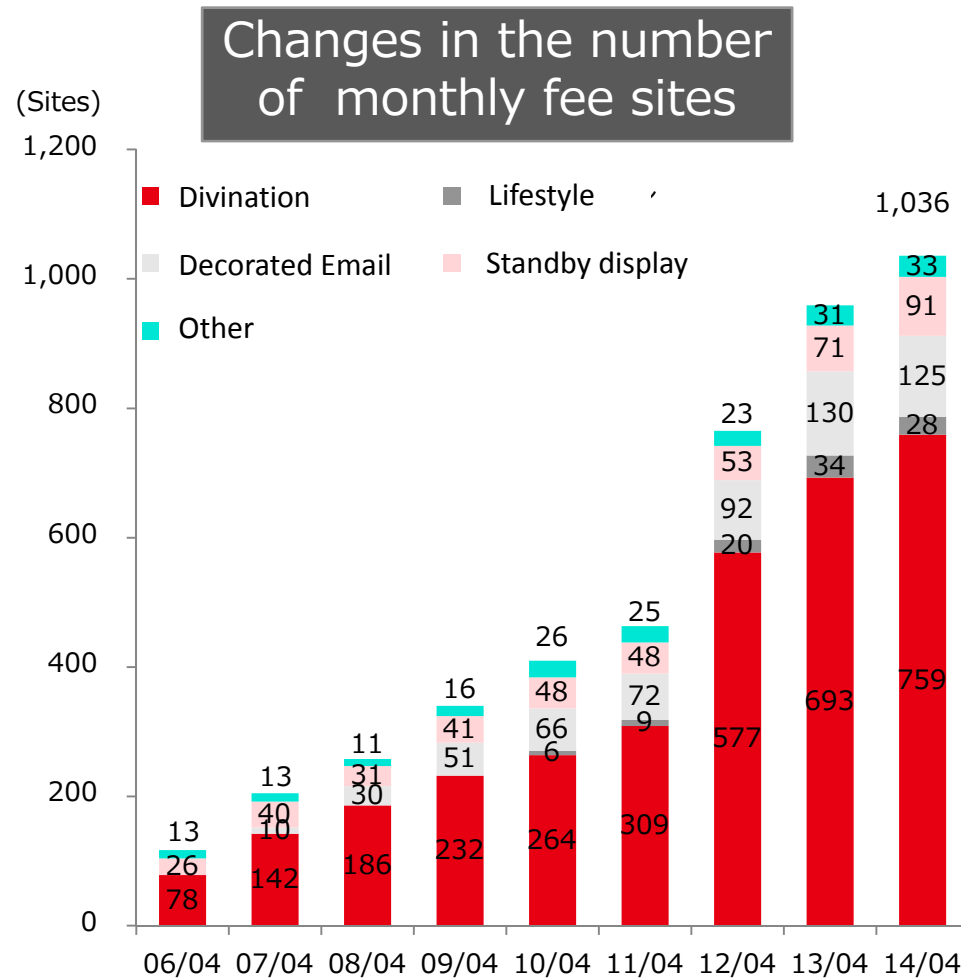
Source: NTT DoCoMo menu list (dmenu) (Oct. 2014)

■ indicates content provided by ZAPPALLAS



# 11 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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