

March 13, 2015

**ZAPPALLAS**

Company name Z A P P A L L A S , I N C .  
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**Notice of Upward Revision of Results Forecast, Revision of Dividend Forecast, and  
Recording of Extraordinary Loss**

Based on the recent trends in business results, we have made the following revisions of the results forecast and dividend forecast that were announced on June 13, 2014. Following is also a notice concerning the recording of an extraordinary loss.

●Revision of the results forecast

Revision of the consolidated results forecast figures for the full year ending April 30, 2015  
(May 1, 2014 – April 30, 2015)

	Sales	Operating income	Ordinary income	Net income	Net income per share
	Millions yen	Millions yen	Millions yen	Millions yen	Yen
Previously announced results forecast (A)	7,500	0	0	-13	-1.04
Revised forecast (B)	7,730	500	700	60	4.71
Change (B – A)	230	500	700	73	
Percentage change (%)	3.1	—	—	—	
(Reference) Results from previous year (year ended April 30, 2014)	8,155	722	752	375	29.72

Reasons for revision

1. Revision of the results forecast

In terms of sales, in the content business that is our main business, the decline in the number of feature phone users was smaller than predicted, and sales in existing divination business have been stronger than expected. As a result, sales are expected to be higher. In terms of profits, in addition to the above factors increasing sales, costs are also below the planned level due in part to delays in the launch of new services. As a result, operating income is expected to be higher. Ordinary income is also expected to increase as a result of non-operating income (foreign exchange profit).

## 2. Recording of an extraordinary loss

Our consolidated subsidiary BxE is engaged in wholesale and retail sales of natural cosmetic products. However in recent years numerous competitors have entered the market and competition has intensified in the natural shampoo field where the company's strongest products are located. In order to adapt to this change in the business environment, the company has carried out measures including the introduction of new products and renovation of existing primary products, and has maintained its level of sales by reinforcing its product strength and marketing strength. However the company was not able to cover the costs resulting from these measures, and performance is expected to continue to fall below the business plan. As a result, we have concluded that time will be required in order to achieve the initial income targets. Therefore we have recorded an extraordinary impairment loss totaling 378 million yen in fixed assets and unamortized goodwill.

### ●Revision of divided forecast

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year end	Total
Previous forecast (announced June 13, 2014)	Yen -	Yen -	Yen -	Yen -	Yen -
Revised forecast	-	-	-	10.00	10.00
Results from current year	-	0.00	-		
Results from previous year (year ended April 30, 2014)	-	0.00	-	22.00	22.00

### Reasons for revision

ZAPPALLAS has always considered the return of profits to shareholders to be an important index of our business, and our basic policy is to deliver stable dividends while also ensuring the internal reserves necessary to strengthen our financial structure and actively conduct our business. Specifically, our target is for a minimum dividend payout ratio of 30% relative to consolidated net income, and we decide the amounts of dividends with overall consideration for factors including increasing our internal reserves, business investment, and the business results of each quarter. For this reason, in light of the uncertain business environment, we initially did not decide a dividend forecast for the year ending April 30, 2015. However we considered the quarterly results, progress in business investment, non-operating income, and the extraordinary loss, and have decided on a dividend of 10 yen per share.