Financial Results of Operations for the Year
Ended April 30, 2015
(2014.5.1-2015.4.30 The 16th term)
TSE 1st Section:3770  http://www.zappallas.com/
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I. Overview of Results for the Year Ended April 30, 2015
We are concentrating business resources in the content business that is our core business area.

- Transfer of STYLEST and mobile commerce sites to other companies
- Transfer of all shares in B×E Inc. on May 1
- Release of new content (Chapli, solomono)

Net income for the year exceeded our most recent results forecast.

- This was due to a 133 million yen reduction in the amount of deferred income taxes, resulting from factors including the recording of deferred tax assets in relation to the loss on valuation of subsidiaries and affiliates that occurred following the conclusion of an agreement for the transfer of B×E shares.
### Consolidated P/L Summary (Comparison with Previous Year)

**Points**
- Despite higher sales in other business and the commerce business, the continuing decline in the numbers of FP users resulted in content business sales that were lower than the previous year.
- As a result of thorough cost management, SG&A were down. However, the decline in sales in the content business, where the profit margin is high, resulted in operating income that was down from the previous year.
- Revaluation of our foreign currency-denominated assets using the year-end rate resulted in a foreign exchange profit of 216 million yen.
- As a result of recording deferred tax assets in relation to the loss on valuation of subsidiaries and affiliates that occurred following the conclusion of the B×E share transfer agreement, deferred tax assets decreased by 133 million yen. This increased net income for the year and yielded results that exceeded the most recent forecast.

<table>
<thead>
<tr>
<th>(Units: Millions yen)</th>
<th>Year ended April 30, 2014</th>
<th>Year ended April 30, 2015</th>
<th>Percentage change</th>
<th>Previously announced results forecast (March 13, 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>% of sales</td>
<td>Amount</td>
<td>% of sales</td>
</tr>
<tr>
<td>Sales</td>
<td>8,155</td>
<td>100.0%</td>
<td>7,581</td>
<td>100.0%</td>
</tr>
<tr>
<td>Operating income</td>
<td>722</td>
<td>8.9%</td>
<td>516</td>
<td>6.8%</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>752</td>
<td>9.2%</td>
<td>728</td>
<td>9.6%</td>
</tr>
<tr>
<td>Net income</td>
<td>375</td>
<td>4.6%</td>
<td>242</td>
<td>3.2%</td>
</tr>
</tbody>
</table>
Sales grew in the commerce business.
Despite higher product costs and outsourcing expenses, the growth in sales kept the cost of sales on approximately the same level.

(*1): Does not include reversal of allowance for sales returns.
Advertising expenses were higher.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Personnel expenses</th>
<th>Advertising expenses</th>
<th>Collection agency fees</th>
<th>Amortization of goodwill</th>
<th>Other expenses</th>
<th>SG&amp;A</th>
</tr>
</thead>
<tbody>
<tr>
<td>14/04</td>
<td>290</td>
<td>318</td>
<td>161</td>
<td>57</td>
<td>295</td>
<td>47.9%</td>
</tr>
<tr>
<td>14/07</td>
<td>284</td>
<td>209</td>
<td>137</td>
<td>57</td>
<td>278</td>
<td>57.7%</td>
</tr>
<tr>
<td>14/10</td>
<td>297</td>
<td>222</td>
<td>144</td>
<td>58</td>
<td>263</td>
<td>47.2%</td>
</tr>
<tr>
<td>15/01</td>
<td>287</td>
<td>204</td>
<td>136</td>
<td>62</td>
<td>250</td>
<td>52.3%</td>
</tr>
<tr>
<td>15/04</td>
<td>303</td>
<td>320</td>
<td>139</td>
<td>51</td>
<td>272</td>
<td>54.0%</td>
</tr>
</tbody>
</table>
06 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.
07 Consolidated Operating Income by Quarter

(Millions yen)

- 14/04: Operating income 262, Operating income margin 11.2%
- 14/07: Operating income 59, Operating income margin 3.5%
- 14/10: Operating income 176, Operating income margin 8.5%
- 15/01: Operating income 144, Operating income margin 8.0%
- 15/04: Operating income 135, Operating income margin 6.7%
II. Status of Services
08  Status of Services ①: Content Sales by Device

FP sales continued a gradual decline, while SP and PC sales grew slightly.
The casual divination app "Chapli", a new app targeting younger age groups, was launched on April 22.

It is off to a good start, with the number of provided divinations exceeding 4,000!

■ Features

- Users can consult in a casual, free conversation style similar to a message app.
- Payment is open and transparent. The price is 1,080 yen per 10-minute session. (The first session is completely free.)
- Palm reading and tarot reading can also be easily done by sending photos.
10 Status of Services ③: Customer-Attracting Media PVs

(*1): The number of customer-attracting media PVs is the total from i-Muryo Uranai, PROLO, Tarot.com.jp, wotopi, NewSphere, and Suzie.
Ⅲ. Future Plans
11 Consolidated Results Forecast for the Year Ending April 31, 2016

We are focusing on the content business as our core business area, and are working for new growth in sales.

<table>
<thead>
<tr>
<th>(Units: Millions yen)</th>
<th>Year ending April 30, 2016(forecast)</th>
<th>Year ended April 30, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>% of sales</td>
</tr>
<tr>
<td>Sales</td>
<td>7,450</td>
<td>100.0%</td>
</tr>
<tr>
<td>Operating income</td>
<td>0</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

**Points**

- Sales will be down from the previous year due to the removal of B×E Inc. from our consolidated subsidiaries.
- With sales of B×E Inc. excluded, sales are expected to be approximately 800 million yen higher than the previous year, primarily as a result of content business sales.
- Due to active investment in new services and content, advertising expenses will increase by approximately 600 million yen from the previous year. As a result, the forecast operating income is 0 yen.
- We expect to record a gain on sales of investment securities of 154 million yen during 1Q.
12 Themes for the Year Ending April 31, 2016

- Establishing a divination customer base in the SP market
- Launching ventures in new business areas, such as games
13 Establishing a Divination Customer Base in the SP Market

① Expanding the divination user groups

- Construct a divination customer base that can accommodate users from a broad range of groups.
- Provide new types of divination apps that can draw out potential divination needs.

- Core Mass Divination user groups
  - Romance advice group
  - Game-style recreation group
  - Free-time diversion group

- Targeted user groups
  - New ZAPPALAS user group
  - Targeted user groups
14 Establishing a Divination Customer Base in the SP Market

② Constructing new CRM

Direct customers from the divination customer base to services that meet individual customer interests.
15 Establishing a Divination Customer Base in the SP Market

③ Personalizing divination content

- Increase the size of the diviner base in order to expand 1-to-1 personal services such as telephone divination, chat divination, and email divination.

- Make divination services more familiar, aiming to expand the divination market.
16 Launching Ventures in New Business Areas, such as Games

Apply the successful model used for divination to game apps. Create a common format and apply it to wide-ranging content.

May 1: Nakatta-koto Detective

May 8: Money Honey

2 new titles were released in the "six doubts" drama game app series that is focused on storytelling.

New titles in the third group of releases are scheduled for August release!
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.

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