

The logo for ZAPPALLAS, featuring the word "ZAPPALLAS" in a bold, white, sans-serif font. The letter "A" is stylized with a horizontal line through its center. The text is set against a solid red rectangular background.

Financial Results of Operations
for the First Quarter of the Year
Ending April 30, 2017

ZAPPALLAS, INC.

<http://www.zappallas.com/>

TSE 1st Section:3770

I . Overview of Results for the First Quarter of the Year Ending April 30, 2016

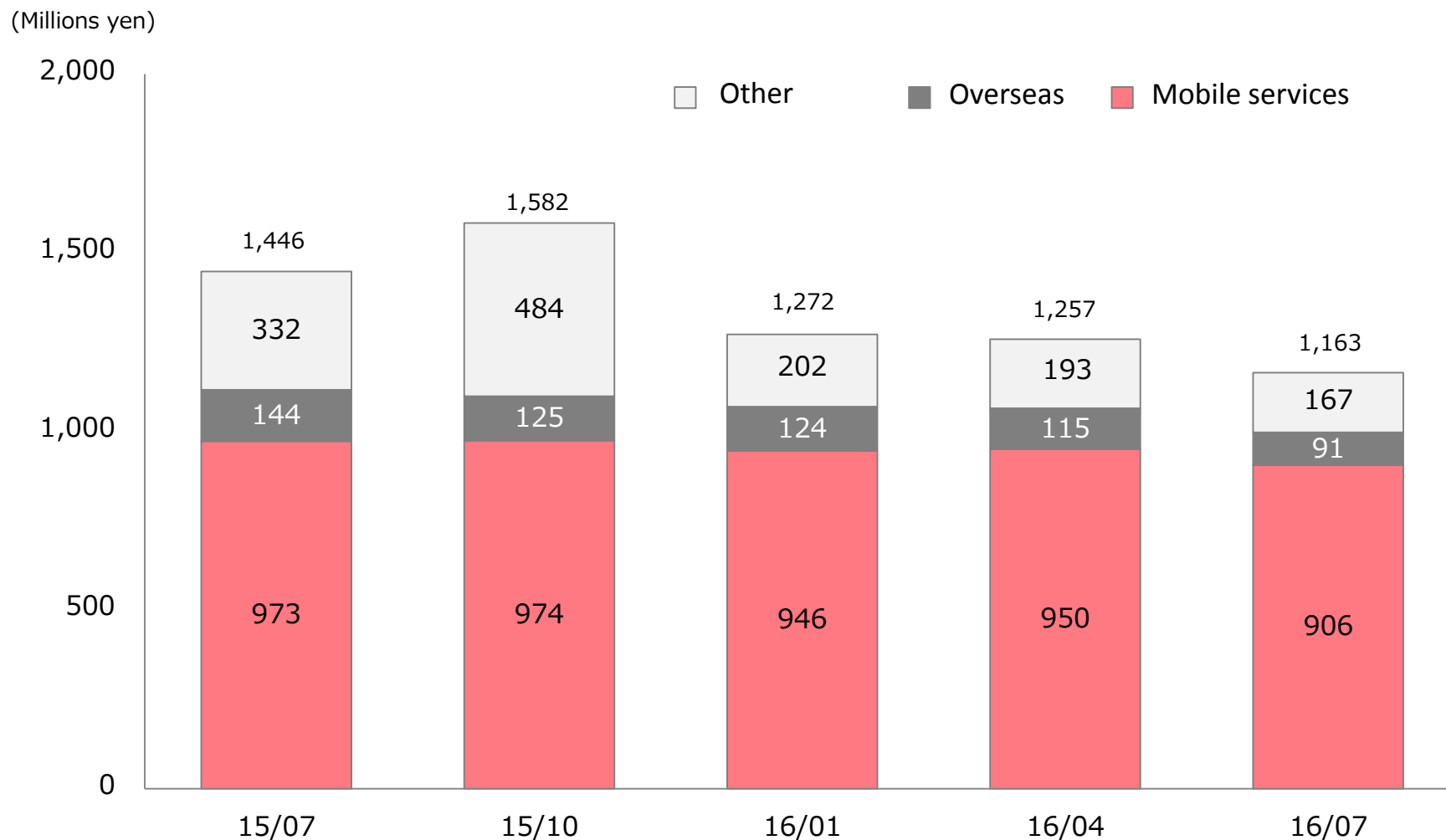
01 Consolidated P/L Summary (Comparison with Previous Quarter)

(Units: Millions yen)	4Q of year ended April 30, 2016 (Feb. - Apr.)		1Q of year ending April 30, 2017 (May - July)		% change
	Amount	% of sales	Amount	% of sales	
Sales	1,257	100.0%	1,163	100.0%	-7.5%
Net gross profit	779	62.0%	747	64.2%	-4.1%
SG&A	736	58.6%	708	60.9%	-3.8%
Operating income	43	3.4%	39	3.4%	-9.3%
Ordinary income	△44	-	△49	-	-
Net income	△19	-	△37	-	-

Points

- In addition to lower sales in the mobile services business that is our primary business area, sales were also down in overseas and other business.
- Although outsourcing, advertising, and other expenses were down, the decrease in sales led to a decline in operating income.
- Ordinary income was down due to a recorded 900,000 yen foreign exchange loss.

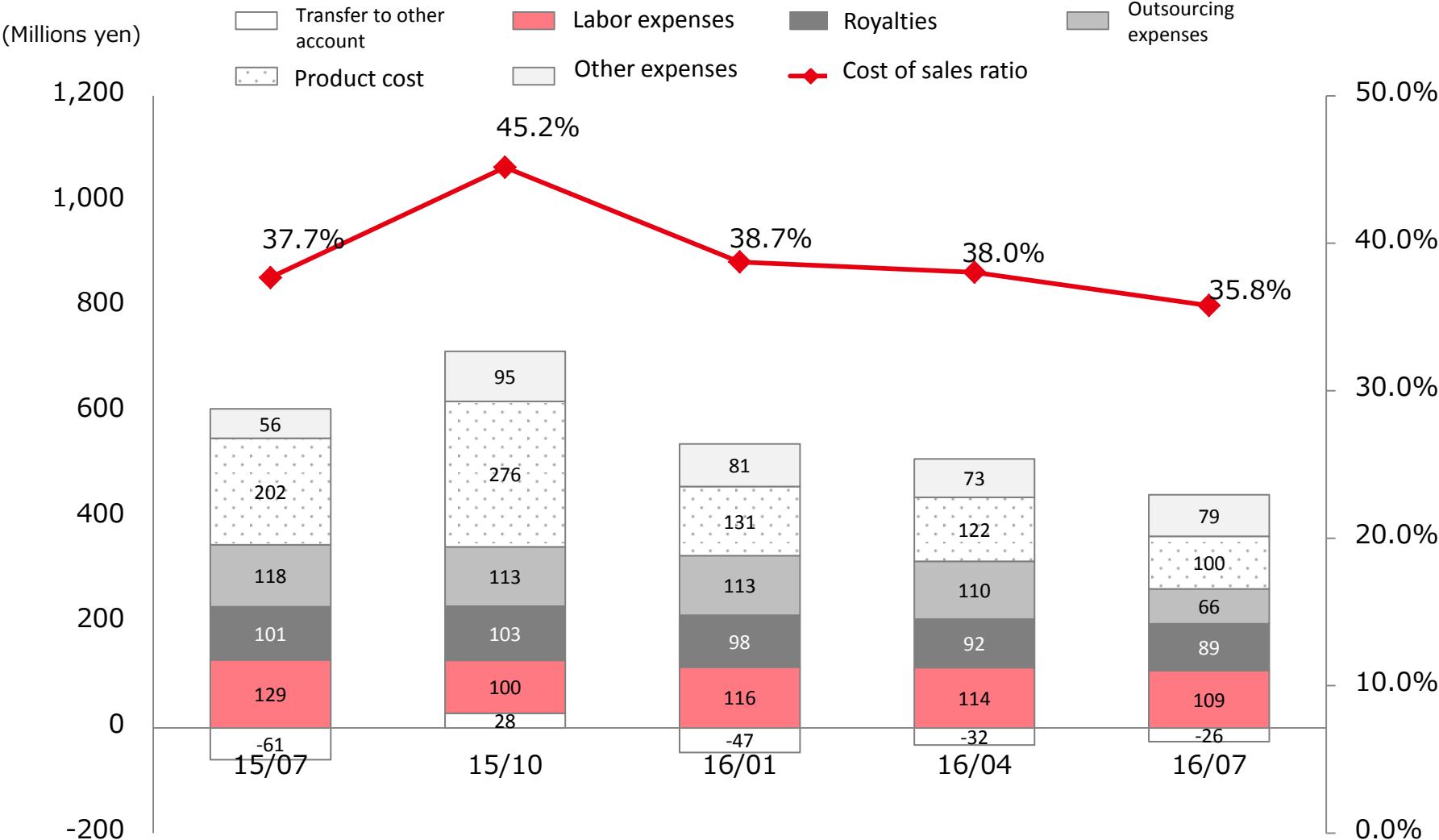
02 Consolidated P/L Summary (Comparison with Previous Quarter)



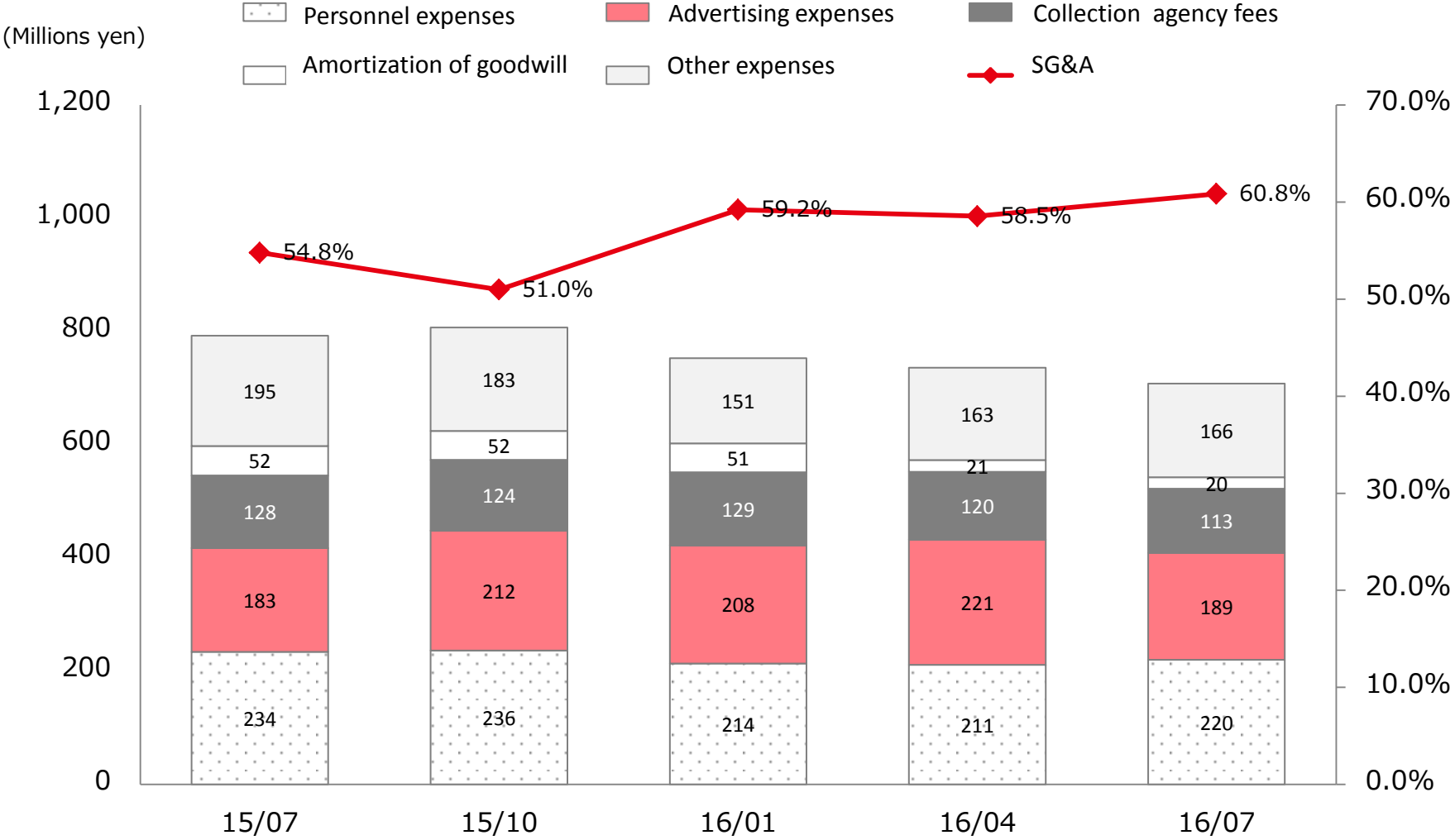
(*1) : 前期の数値を変更後のセグメント区分に組み替えた数値で比較しております。

(*2) : セグメント間取引が発生しておりますが、金額が軽微のため上記グラフには調整額を含めておりません。

03 Consolidated Cost of Sales by Quarter

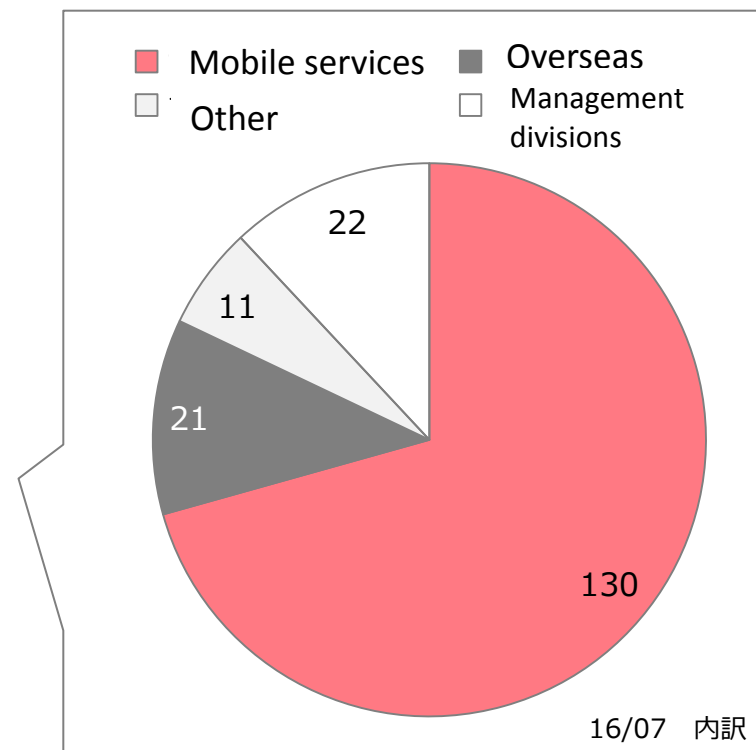
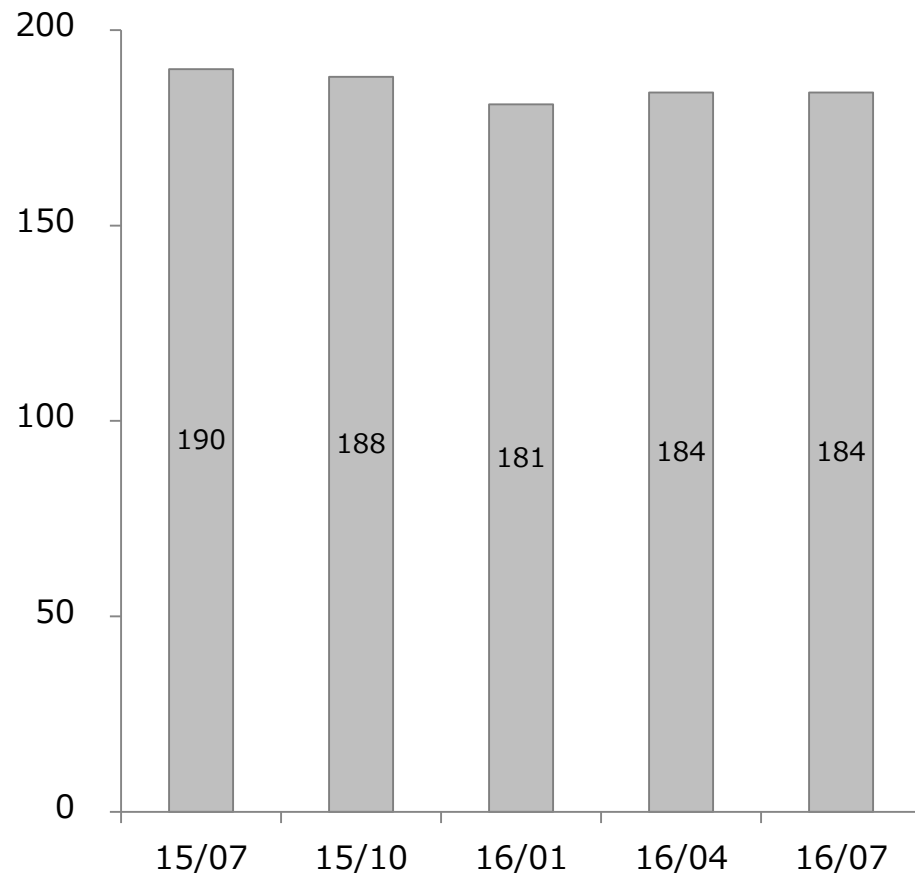


04 Consolidated SG&A by Quarter



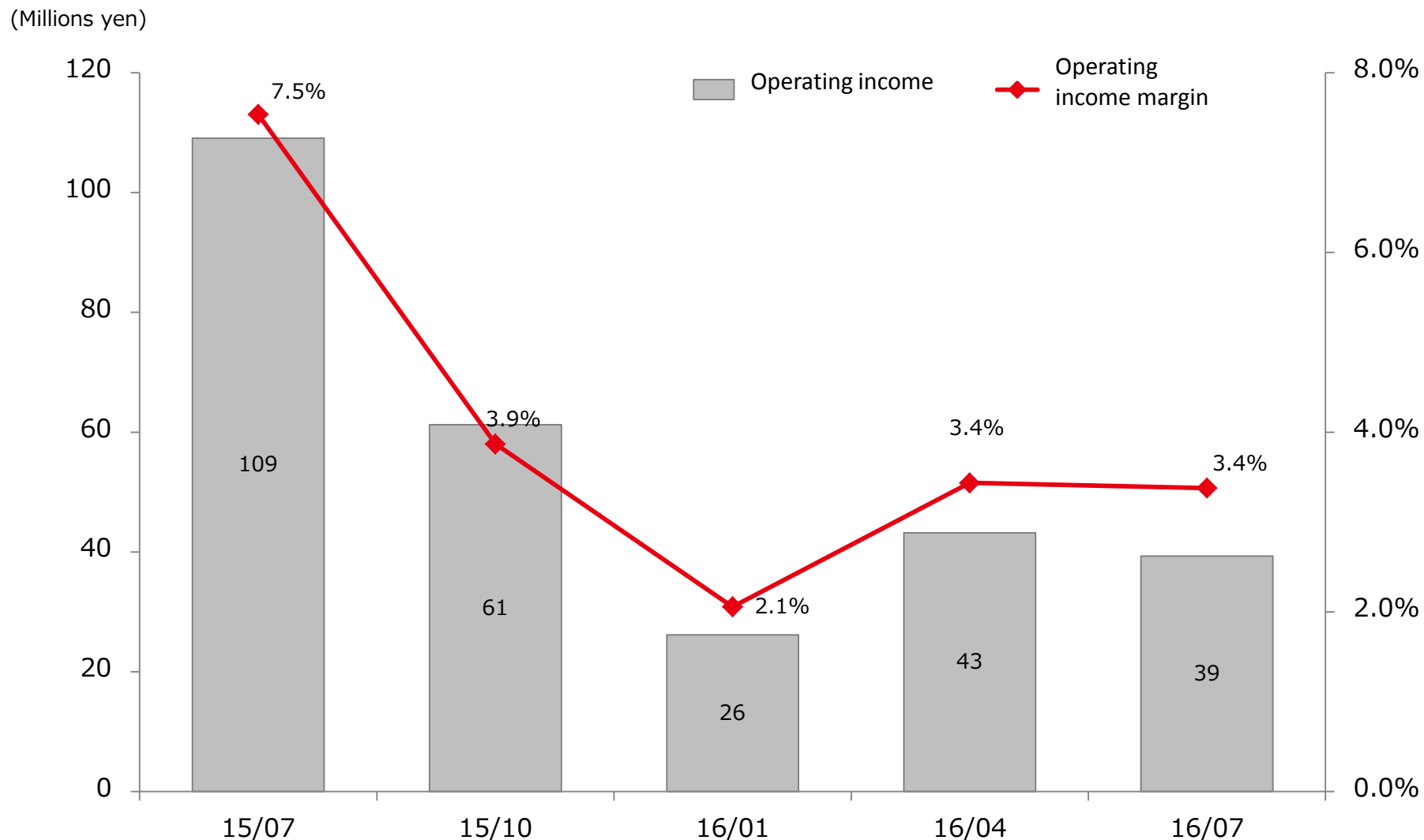
05 Consolidated Number of Employees by Quarter

(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

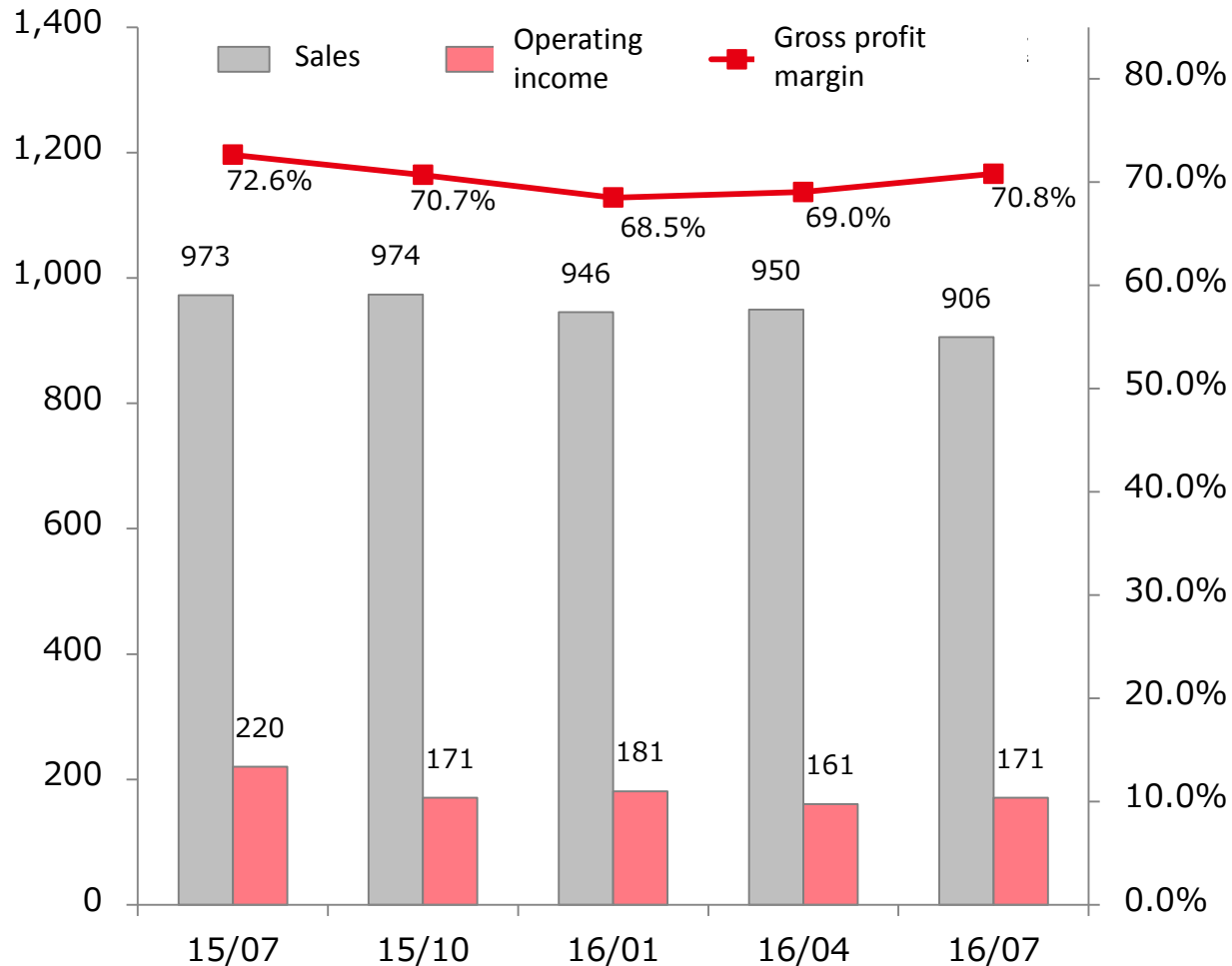


II . Status of Mobile Services

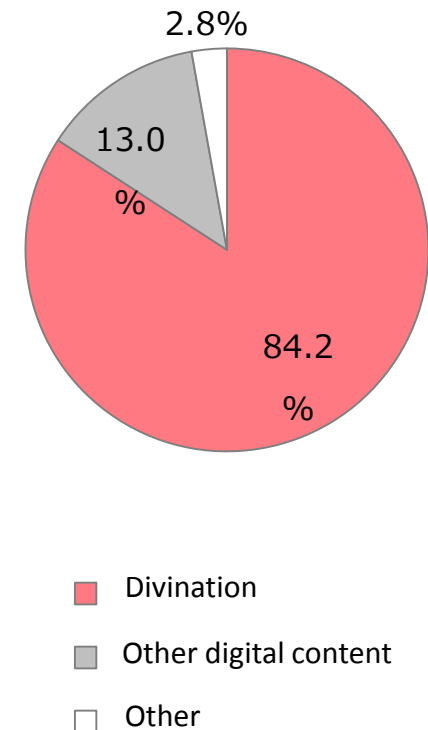
07 Mobile Services Business: Results by Quarter

Although sales were down, operating income increased as a result of lower costs.

(Millions yen)



[Breakdown of 1Q sales]



(*1): Comparison shows figures from the previous year after conversion to the new segments.

08 Mobile Services Business: Comparison with Previous Quarter

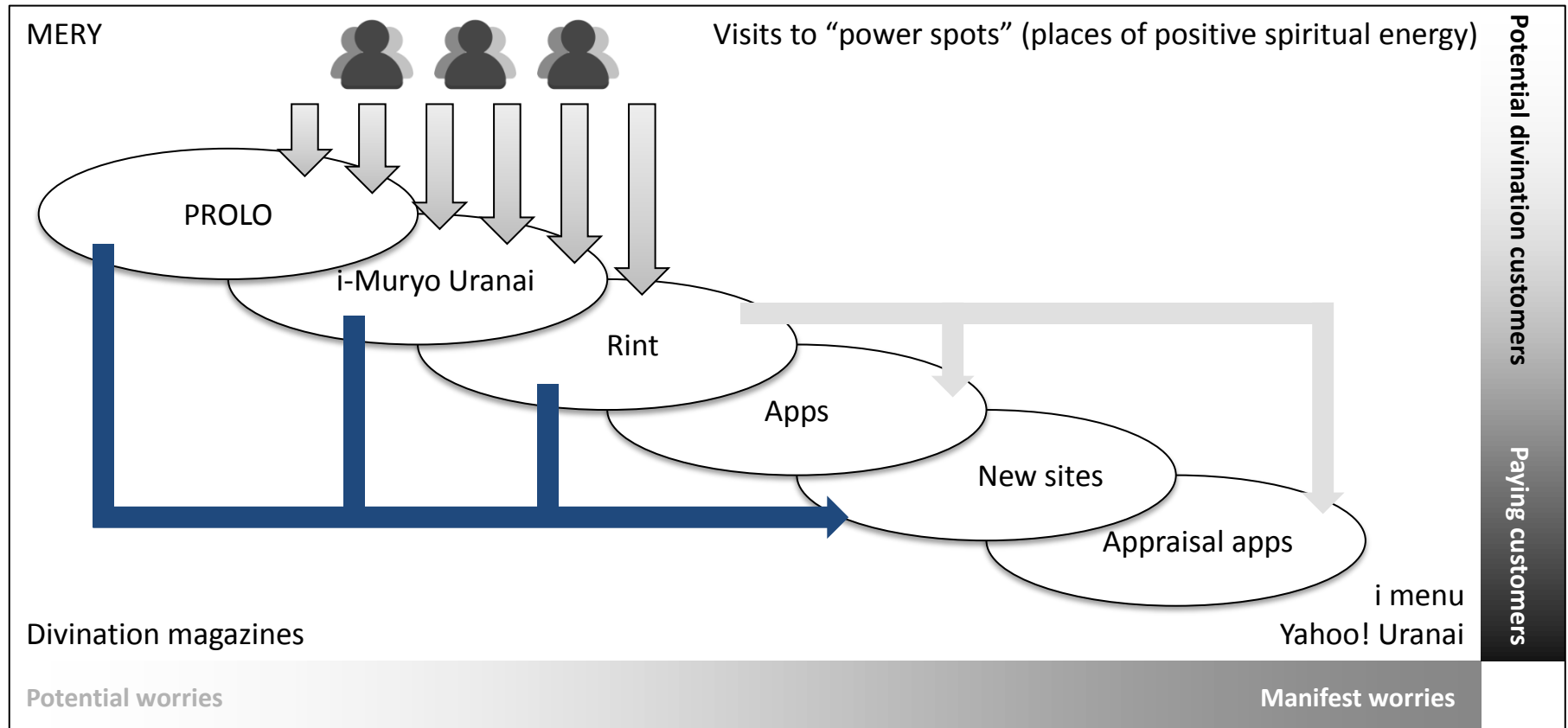
(Units: Millions yen)		4Q of year ended April 30, 2016	% of sales	1Q of year ending April 30, 2017	% of sales
Sales		949	100.0%	905	100.0%
Costs	Labor expenses	98	10.3%	93	10.3%
	Royalties	80	8.4%	85	9.4%
	Outsourcing expenses	73	7.7%	35	3.9%
	Other	41	4.3%	51	5.6%
SG&A	Personnel expenses	102	10.7%	104	11.5%
	Advertising expenses	202	21.3%	176	19.4%
	Collection agency fees	119	12.5%	113	12.5%
	Other	70	7.4%	77	8.5%
Operating income		160	16.9%	170	18.8%

(*1): Comparison shows figures from previous years after conversion to the new segments.

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

09 Status of Mobile Services: Divination

We are constructing a divination platform that will turn the group of potential customers into paying customers.



→ Towards the end of the year, we will be releasing a large number of new apps and sites aimed at light users.

III . Reference Materials

01 Consolidated B/S Summary

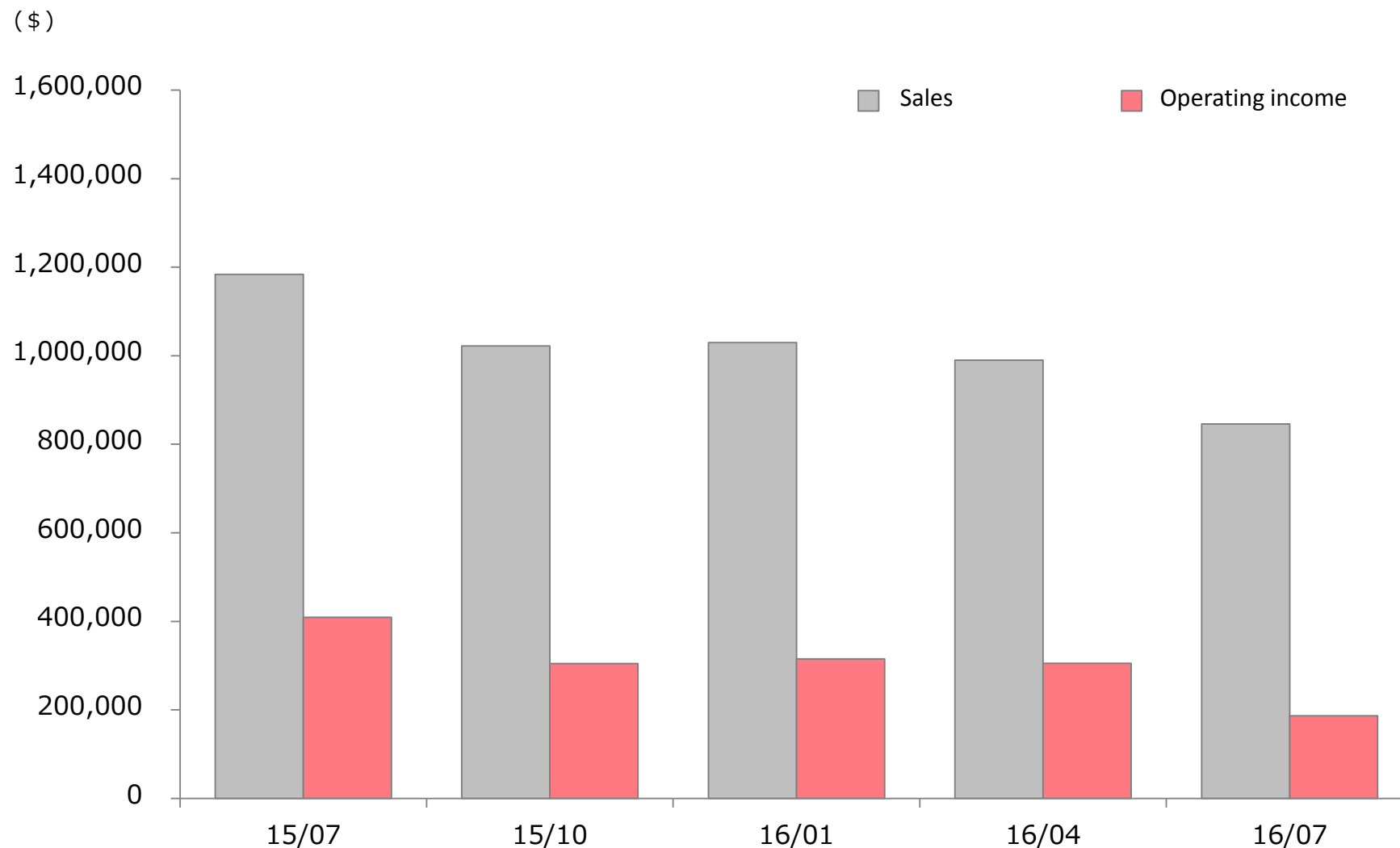
<Assets>

(Units: Millions yen)	End of year ended April 30, 2016 ① (Apr. 30, 2015)	End of 1Q for year ending April 30, 2017 ② (Apr. 30, 2016)	Amount of change (② - ①)
Cash and cash equivalents	5,519	6,024	505
Accounts receivable	739	736	-3
Merchandise and products	7	11	4
Other	694	174	-520
Total current assets	6,959	6,945	-14
Total tangible fixed assets	53	49	-4
Software	96	96	0
Goodwill	577	509	-68
Other	39	33	-6
Total intangible fixed assets	712	639	-73
Investment securities	467	457	-10
Other	236	247	11
Total investments and other	703	704	1
Total fixed assets	1,469	1,393	-76
Total assets	8,428	8,338	-90

<Liabilities and net assets>

(Units: Millions yen)	End of year ended April 30, 2016 ① (Apr. 30, 2015)	End of 1Q for year ending April 30, 2017 ② (Apr. 30, 2016)	Amount of change (② - ①)
Accounts payable - trade	134	126	-8
Accounts payable - other	212	158	-54
Corporate tax payable	9	5	-4
Long-term loans payable scheduled for repayment within 1 year	160	160	0
Others	87	123	36
Total current liabilities	602	572	-30
Total fixed liabilities	120	80	-40
Total liabilities	722	652	-70
Total shareholders' assets	7,553	7,516	-37
Total accumulated other comprehensive	152	169	17
Total net assets	7,705	7,685	-20
Total liabilities and net assets	8,428	8,338	-90

02 Overseas Business: Results by Quarter



(*1) : 海外事業の売上高・営業利益につきましては、日本円換算前の連結相殺後の数値を用いております。

(*2) : 上記営業利益は、のれん償却前の数値です。(のれん償却費 418K\$/Q、16/04以降は185K\$/Q)

03 Company Profile

- Company name ZAPPALLAS, INC.
- Head office Totate International Bldg., 2-12-19 Shibuya, Shibuya-ku, Tokyo
- Established March 2000
- Capital 1,476,340,000 yen (as of April 30, 2016)
- No. of employees 184(as of April 30, 2016)
- Officials

President & CEO	Mari Tamaki (Kawashima)
Director	Hirohiko Ogusu
Director	Masato Kobayashi
Director (outside)	Shinichi Misawa
Standing auditor (outside)	Tooru Sasaki
Auditor (outside)	Masaharu Inoue (attorney)
Auditor	Makoto Tanima (Accountant)

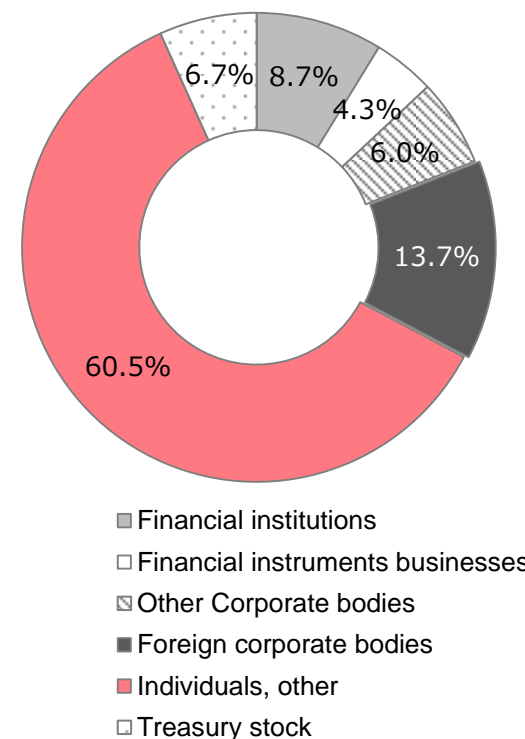
04 Shareholders (as of April 30, 2016)

Shares issued : 13,651,000 / Shareholders : 6,158

Major shareholders

	Number of stocks	Ratio of stocks %
Mari Kawashima	2,912,000	21.33
BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND	1,100,000	8.05
Crimsongroup LLC	668,200	4.89
Yuzuru Sotokawa	348,000	2.54
The Master Trust Bank of Japan, Ltd.	242,800	1.77
Japan Trustee Services Bank, Ltd.	234,600	1.71
古春 司	198,600	1.45
Rakuten Securities, Inc.	174,800	1.28
SBI SECURITIES Co., Ltd.	160,800	1.17
Japan Trustee Services Bank, Ltd. (Account 1)	127,700	0.93

Shareholder distribution (percentage ownership)



IR Contact

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