

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 logo is set against a solid red rectangular background.

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

ZAPPALLAS, INC.

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

TSE 1<sup>st</sup> Section:3770

# I . Overview of Results for the Second Quarter of the Year Ending April 30, 2017

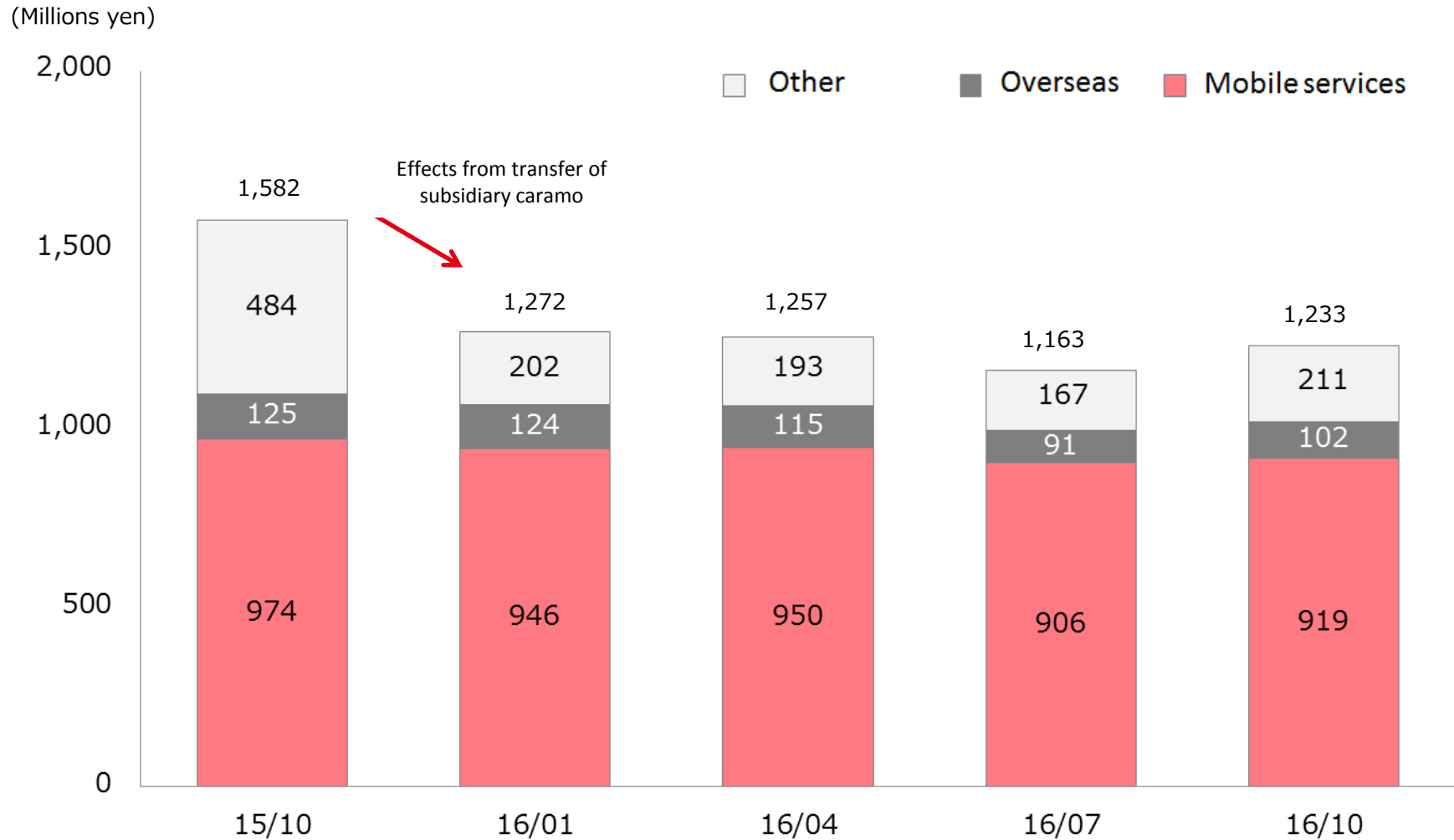
# 01 Consolidated P/L Summary (Comparison with Previous Quarter)

(Units: Millions yen)	1Q of year ending April 30, 2017(May - July)		2Q of year ending April 30, 2017(Aug. - Oct.)		% change
	Amount	% of sales	Amount	% of sales	
Sales	1,163	100.0%	1,233	100.0%	6.0%
Net gross profit	747	64.2%	749	60.7%	0.3%
SG&A	708	60.9%	704	57.1%	-0.6%
Operating income	39	3.4%	45	3.6%	15.4%
Ordinary income	△49	-	54	4.4%	-
Net income	△37	-	35	2.8%	-

## Points

- Sales in the mobile services business, overseas, and other business were up somewhat from the previous quarter.
- There was a small increase in operating income due to higher sales and lower SG&A expenses.
- Although we incurred an exchange loss of 9 million yen in the previous quarter and operations were in the red, this quarter we were in the black.

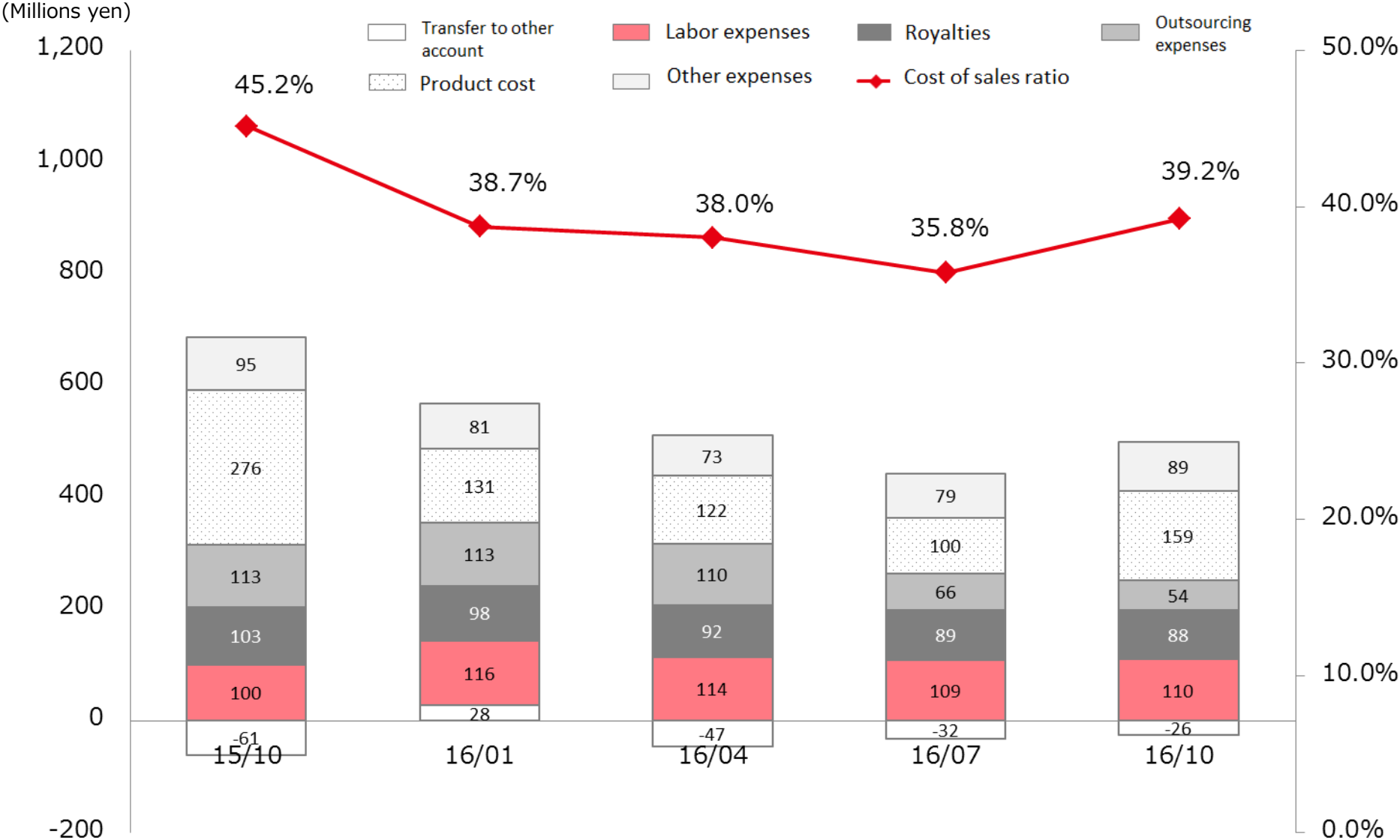
# 02 Consolidated P/L Summary (Comparison with Previous Quarter)



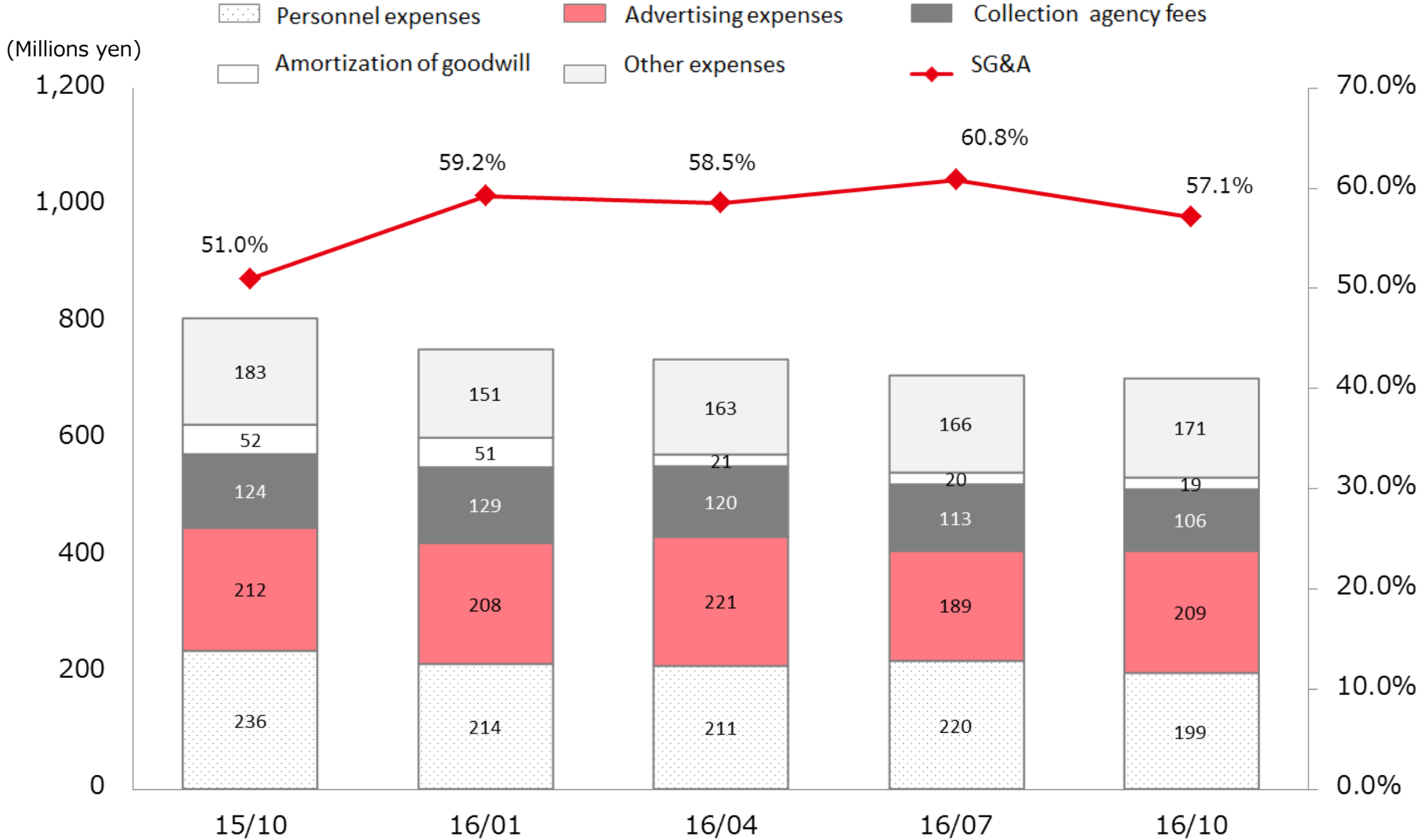
(\*1): Comparison shows figures from the previous year after conversion to the new segments.

(\*2): Although inter-segment transfers do occur, because the amounts are small, the graph above does not include adjustments for inter-segment transfers.

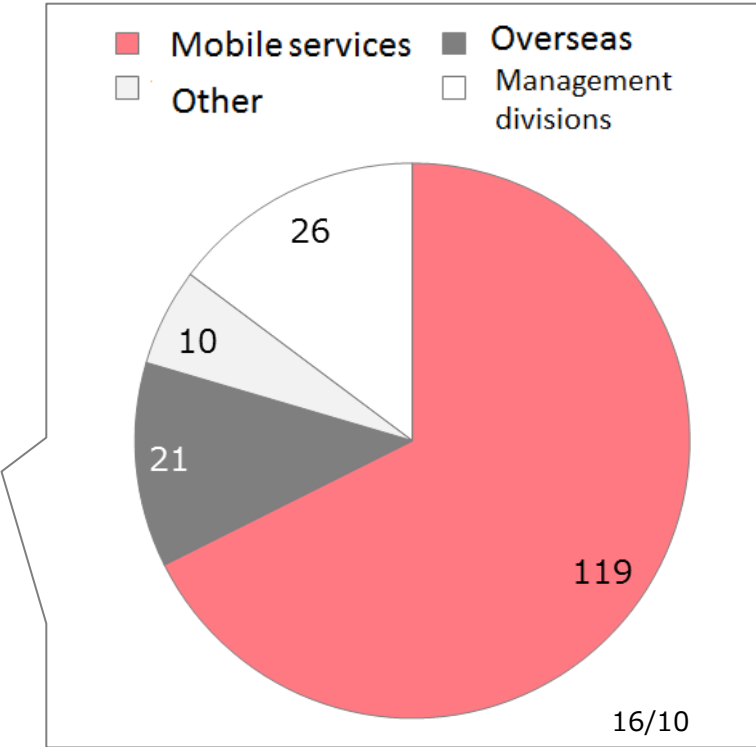
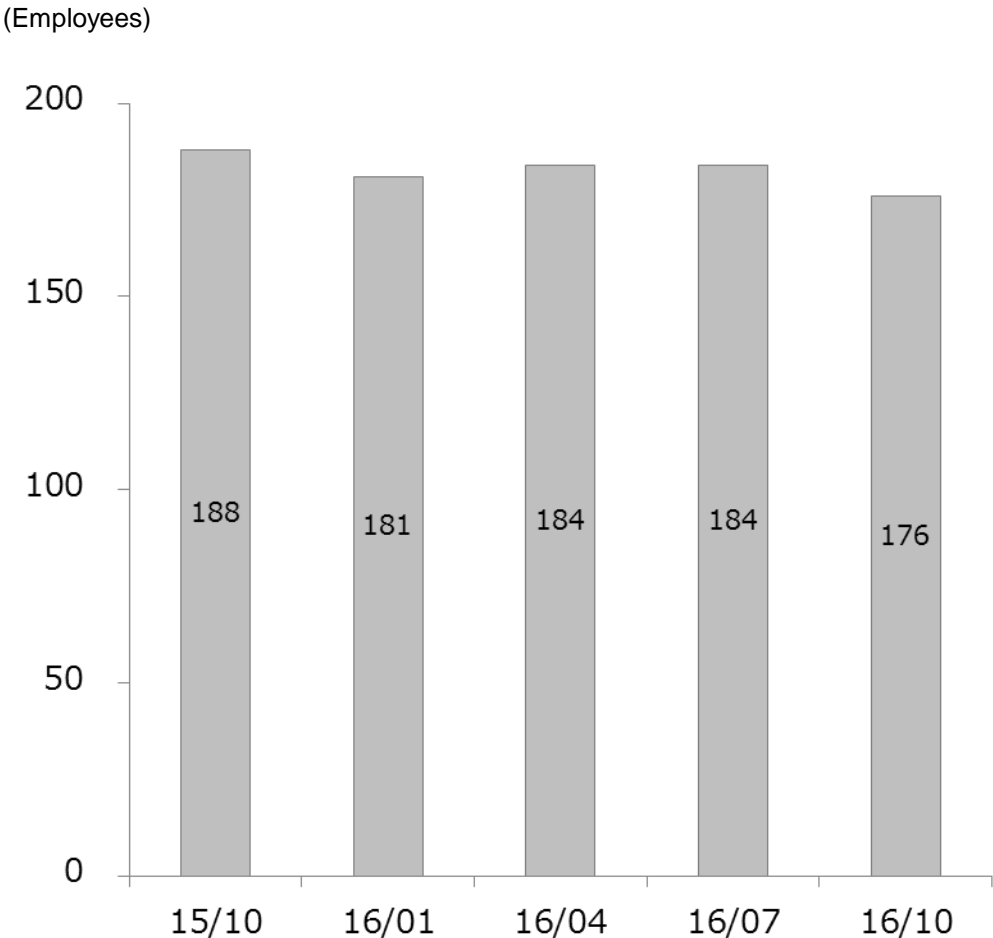
# 03 Consolidated Cost of Sales by Quarter



# 04 Consolidated SG&A by Quarter

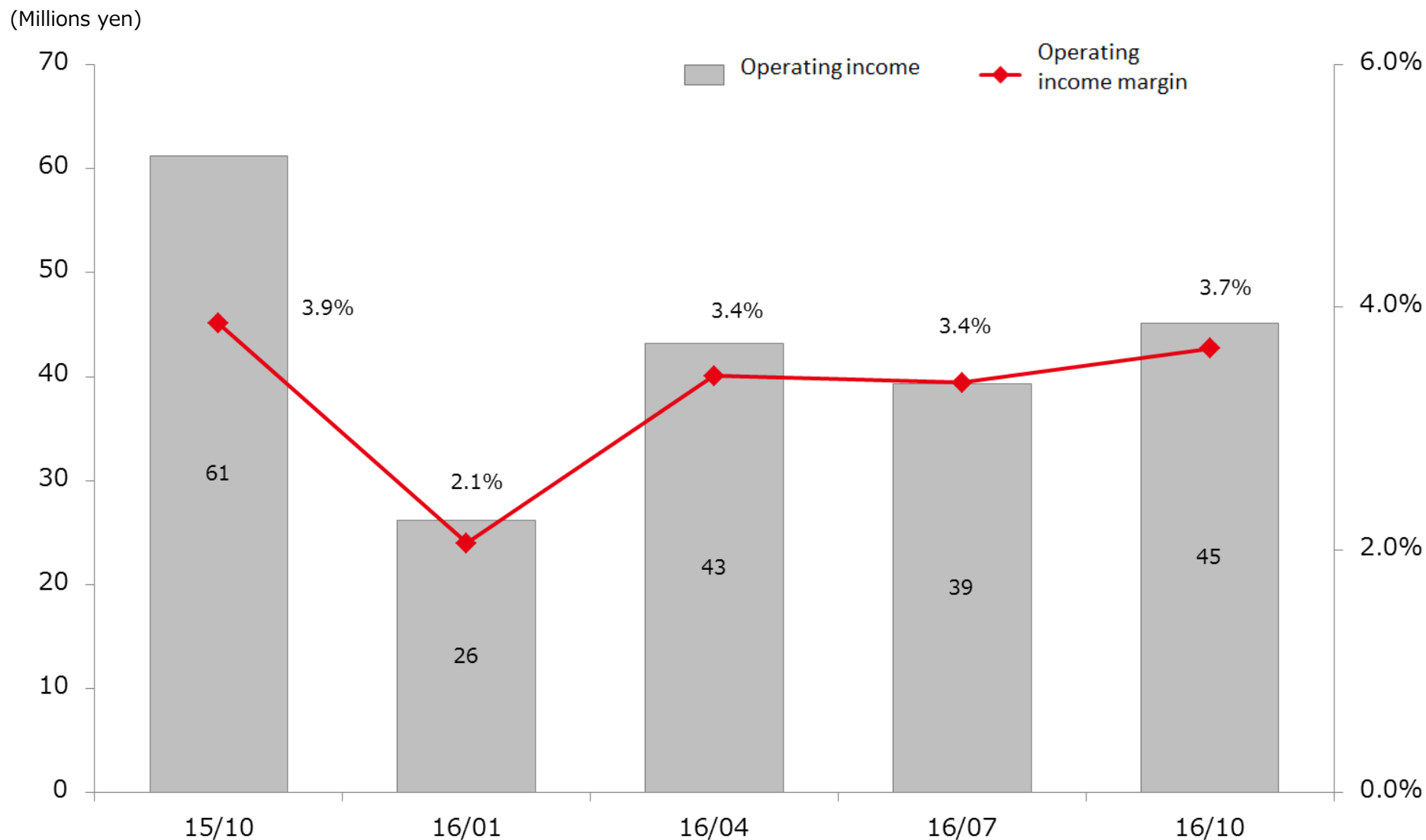


# 05 Consolidated Number of Employees by Quarter



(\*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.

# 06 Consolidated Operating Income by Quarter



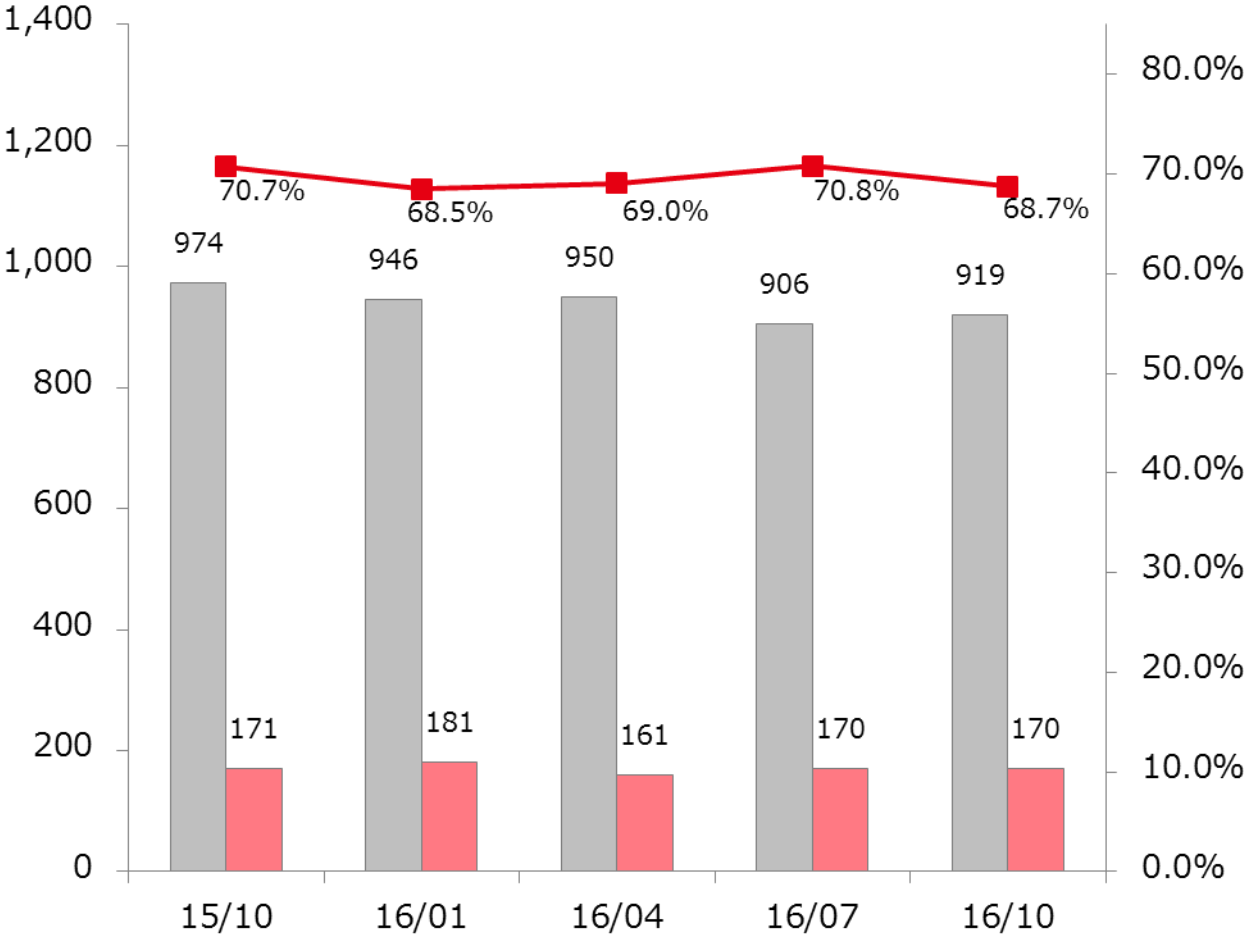


## II . Status of Mobile Services

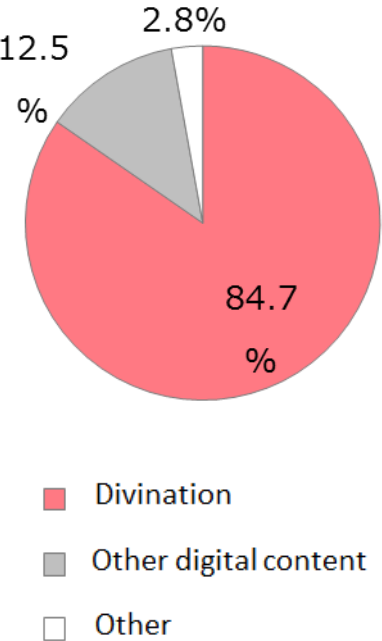
# 07 Mobile Services Business: Results by Quarter

Both sales and operating income were up slightly from the previous quarter.

(Millions yen)



[Breakdown of 2Q sales]



## 08 Mobile Services Business: Comparison with Previous Quarter

(Units: Millions yen)		1Q of year ending April 30, 2017	% of sales	2Q of year ending April 30, 2017	% of sales
Sales		905	100.0%	919	100.0%
Costs	Labor expenses	93	10.3%	95	10.3%
	Royalties	85	9.4%	84	9.1%
	Outsourcing expenses	35	3.9%	34	3.7%
	Other	51	5.6%	73	7.9%
SG&A	Personnel expenses	104	11.5%	90	9.8%
	Advertising expenses	176	19.4%	193	21.0%
	Collection agency fees	113	12.5%	105	11.4%
	Other	77	8.5%	71	7.7%
Operating income		170	18.8%	170	18.5%

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

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

## 9 Future Plans : Divination

24 new divination sites are scheduled for launch in December 2016.



男子のトリセツ

男子のトリセツ【提供: ZAPPALLAS】



Proven existing content has been restructured for lighter users.

We are strengthening our approach to the generation that is newly approaching the F1 level, rather than existing customers who were previously F1.

## 9 Future Plans : Divination

The chat divination app "Chapli" was renovated in December 2016.



"Chapli" is steadily increasing the number of divination appraisals, and has added a new type of mail divination function.

Users can enjoy mail divination appraisals with a book-like design that feels made-to-order.

## 10 Future Plans : Games

The 5th installment in the *six doubts* series - "Sumatori – Identity Theft Enforcement Section" - is scheduled for release in early spring 2017.



"Can people actually switch places?" This smartphone novel app is set in a world where crimes making use of strange phenomena are common.

### III . Reference Materials

# 01 Consolidated B/S Summary

(Millions yen)

## <Assets>

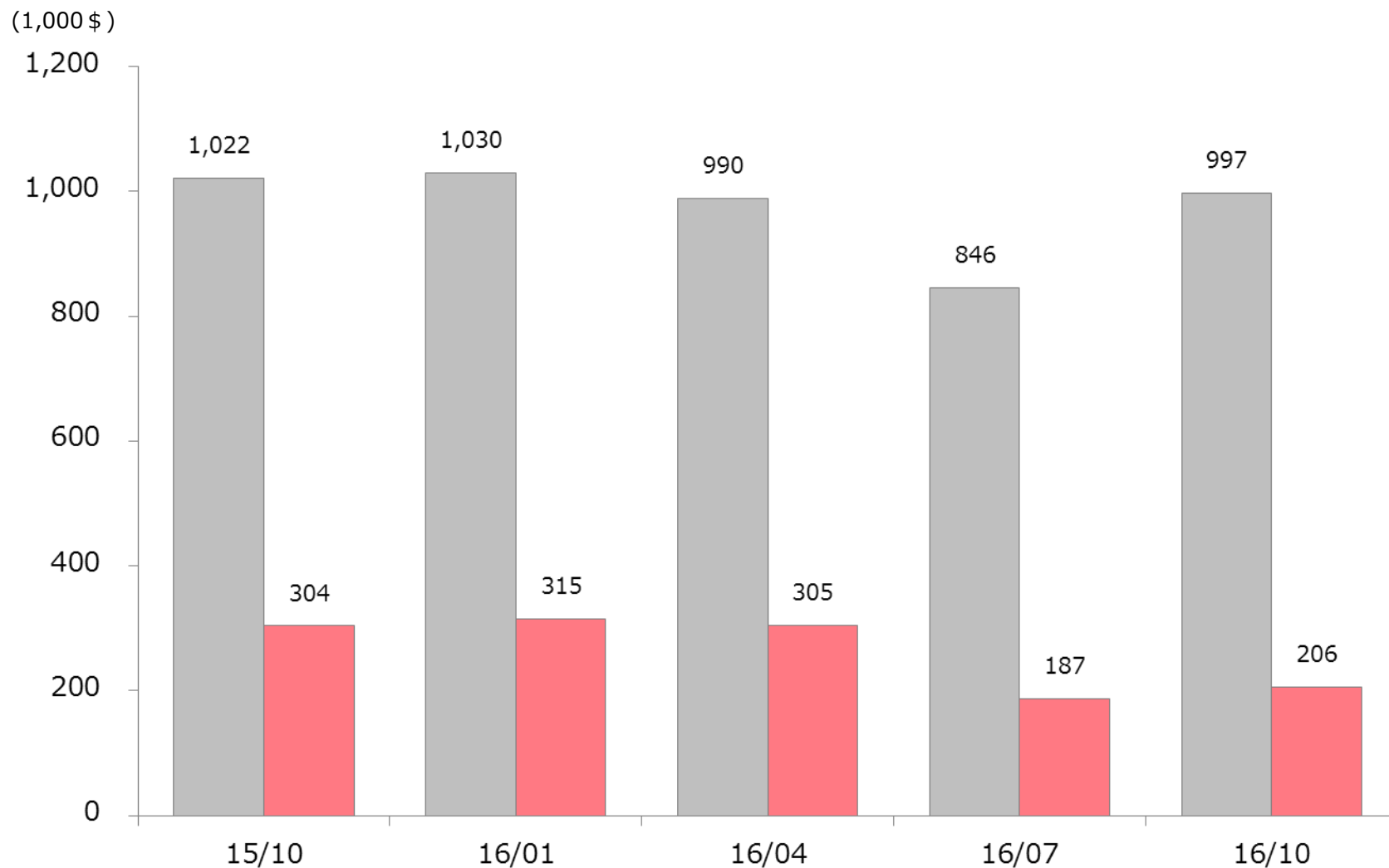
(Units: Millions yen)	End of year ended April 30, 2016 ①	End of 2Q for year ending April 30, 2017	Amount of change
	(Apr. 30, 2016)	(Oct. 31, 2016)	(② - ①)
Cash and cash equivalents	5,519	6,125	606
Accounts receivable	739	724	-15
Merchandise and products	7	14	7
Other	694	66	-628
<b>Total current assets</b>	<b>6,959</b>	<b>6,929</b>	<b>-30</b>
<b>Total tangible fixed assets</b>	<b>53</b>	<b>72</b>	<b>19</b>
Software	96	71	-25
Goodwill	577	480	-97
Other	39	25	-14
<b>Total intangible fixed assets</b>	<b>712</b>	<b>576</b>	<b>-136</b>
Investment securities	467	457	-10
Other	236	235	-1
<b>Total investments and other</b>	<b>703</b>	<b>692</b>	<b>-11</b>
<b>Total fixed assets</b>	<b>1,469</b>	<b>1,341</b>	<b>-128</b>
<b>Total assets</b>	<b>8,428</b>	<b>8,270</b>	<b>-158</b>

## <Liabilities and net assets>

(Units: Millions yen)	End of year ended April 30, 2016 ①	End of 2Q for year ending April 30, 2017	Amount of change
	(Apr. 30, 2016)	(Oct. 31, 2016)	(② - ①)
Accounts payable - trade	134	128	-6
Accounts payable - other	212	132	-80
Corporate tax payable	9	22	13
Long-term loans payable scheduled for repayment within 1 year	160	160	0
Others	87	85	-2
<b>Total current liabilities</b>	<b>602</b>	<b>527</b>	<b>-75</b>
<b>Total fixed liabilities</b>	<b>120</b>	<b>40</b>	<b>-80</b>
<b>Total liabilities</b>	<b>722</b>	<b>567</b>	<b>-155</b>
Total shareholders' assets	7,553	7,551	-2
Total accumulated other comprehensive income	152	151	-1
<b>Total net assets</b>	<b>7,705</b>	<b>7,702</b>	<b>-3</b>
<b>Total liabilities and net assets</b>	<b>8,428</b>	<b>8,270</b>	<b>-158</b>



## 02 Overseas Business: Results by Quarter



(\*1): The figures for overseas sales and operating income are figures after eliminations for consolidation and before conversion to Japanese yen.

(\*2): The above figures for operating income are those before amortization of goodwill. (Amortization of goodwill: 418 k\$/Q through 16/01, and 185 k\$/Q beginning from 16/04.)

## 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 Oct 31, 2016)
- No. of employees 176(as of Oct 31, 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)

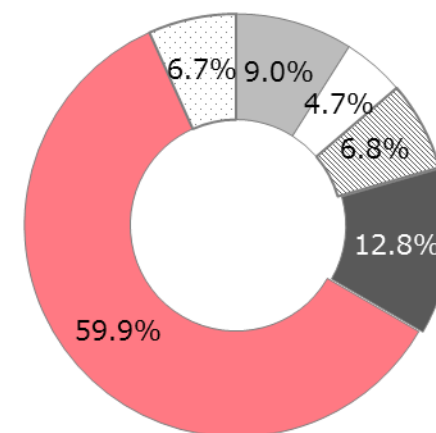
# 04 Shareholders (as of Oct 31, 2016)

Shares issued : 13,651,000 / Shareholders : 5,837

## 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	8.06
Crimsongroup LLC	668,200	4.89
SBI SECURITIES Co., Ltd.	358,600	2.63
Yuzuru Sotokawa	348,000	2.55
The Master Trust Bank of Japan, Ltd.	254,800	1.87
Japan Trustee Services Bank, Ltd.	253,600	1.86
Tsukasa Koharu	236,300	1.73
Rakuten Securities, Inc.	135,700	0.99
Japan Trustee Services Bank, Ltd. (Account 1)	130,400	0.96

## Shareholder distribution (percentage ownership)



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

---

## **IR Contact**

Management Group, IR  
MAIL : [ir@zappallas.com](mailto:ir@zappallas.com)