

The logo for ZAPPALLAS, featuring the word "ZAPPALLAS" in a bold, white, sans-serif font. The letters are set against a solid red rectangular background.

Financial Results of Operations
for the Second Quarter of the
Year Ending April 30, 2018

ZAPPALLAS, INC.

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

TSE 1st Section:3770

I . Overview of Results for the Second Quarter of the Year Ending April 30, 2018

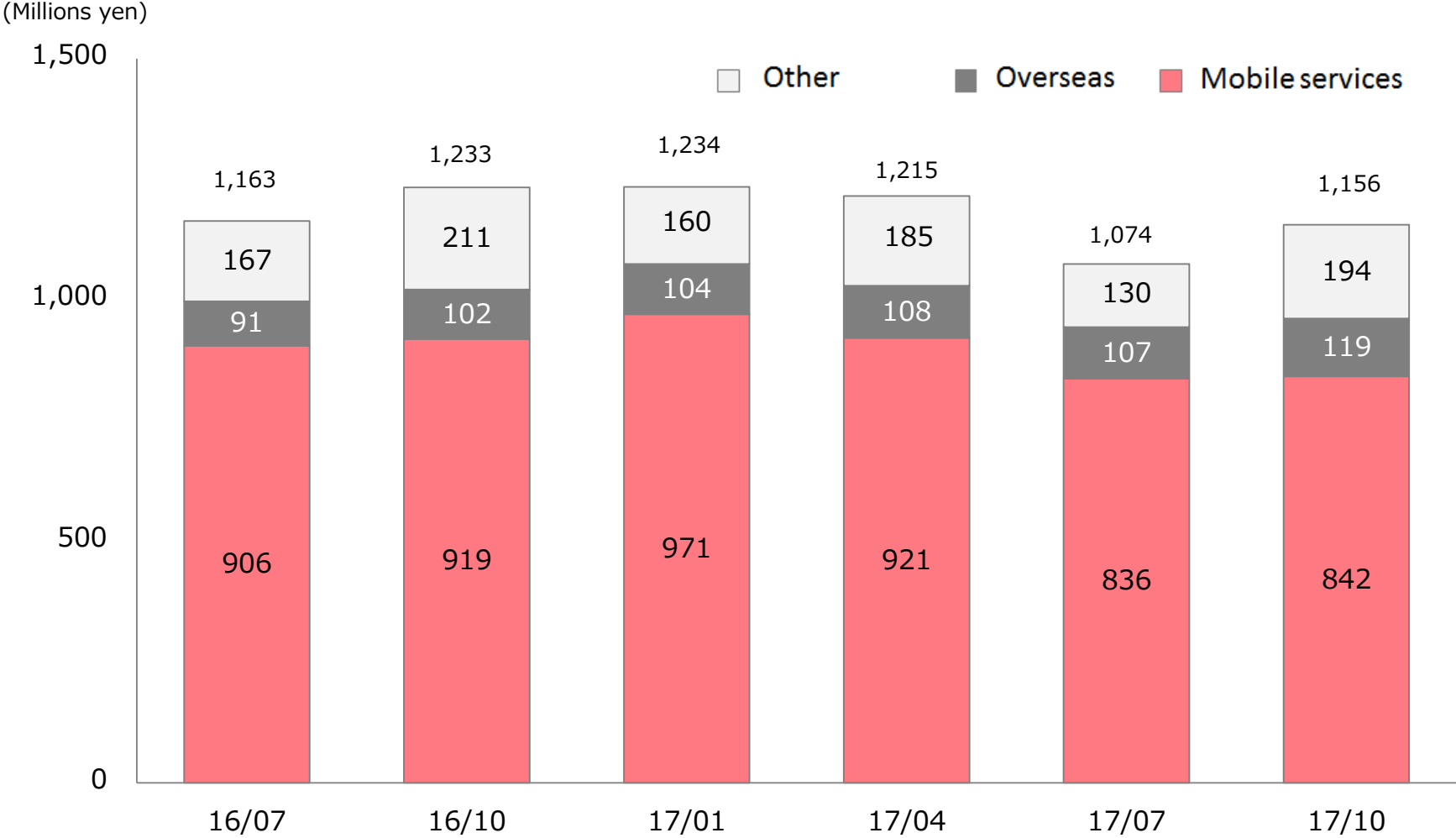
01 Consolidated P/L Summary (Comparison with Previous Quarter)

(Units: Millions yen)	1Q of year ending April 30, 2018(May - Jul.)		2Q of year ending April 30, 2018(Aug. - Oct.)		% change
	Amount	% of sales	Amount	% of sales	
Sales	1,074	100.0%	1,156	100.0%	7.6%
Net gross profit	746	69.5%	752	65.1%	0.8%
SG&A	852	79.3%	918	79.4%	7.7%
Operating income	-106	-	-165	-	-
Ordinary income	-112	-	-130	-	-
Net income	-153	-	-144	-	-

Points

- Sales in the mobile services business, overseas business, and other business were all up from the preceding quarter.
- SG&A increased as a result of continued investment including the costs of preparing for the Uranai Festival and production costs for Uranai TV programs.

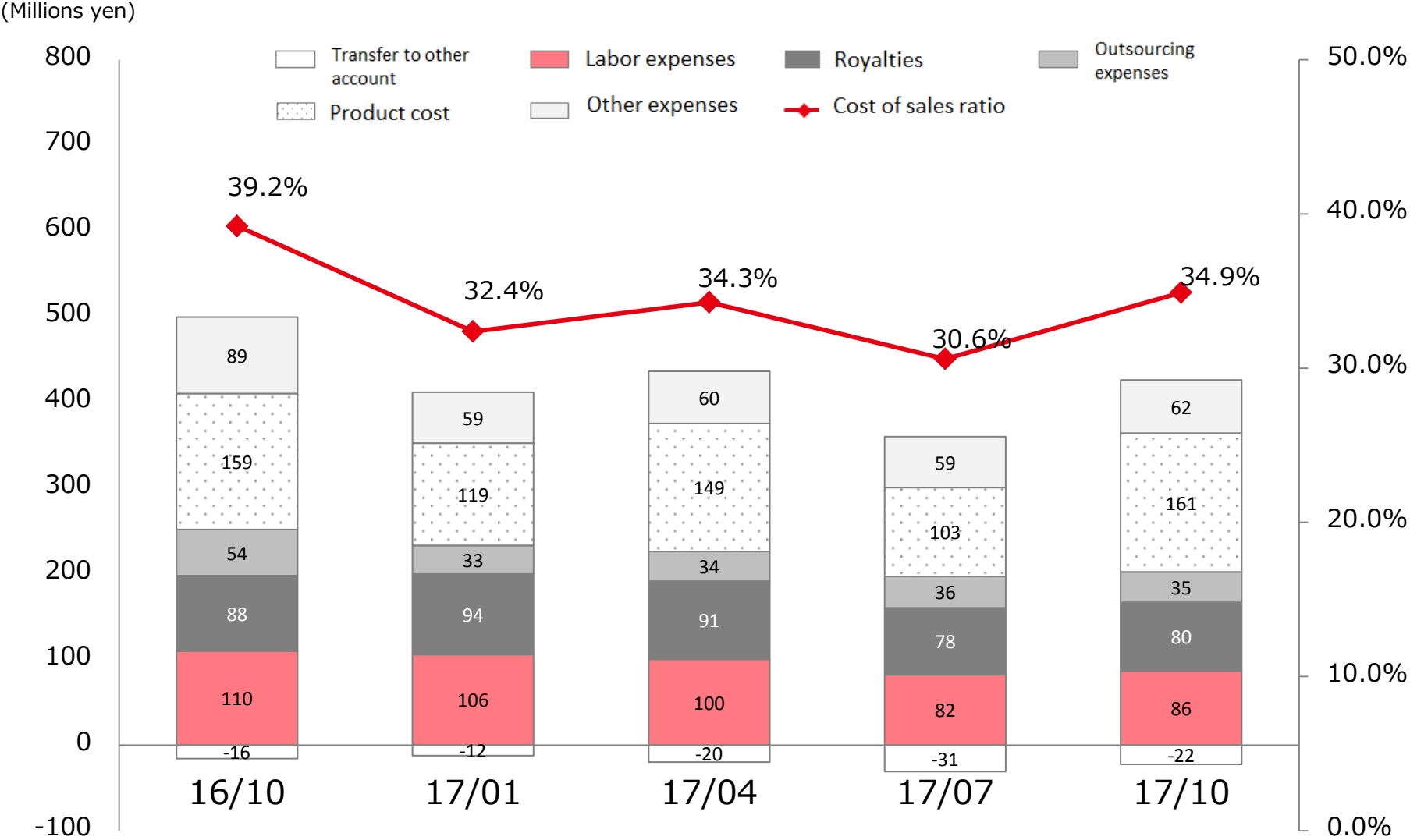
02 Consolidated Sales by Quarter



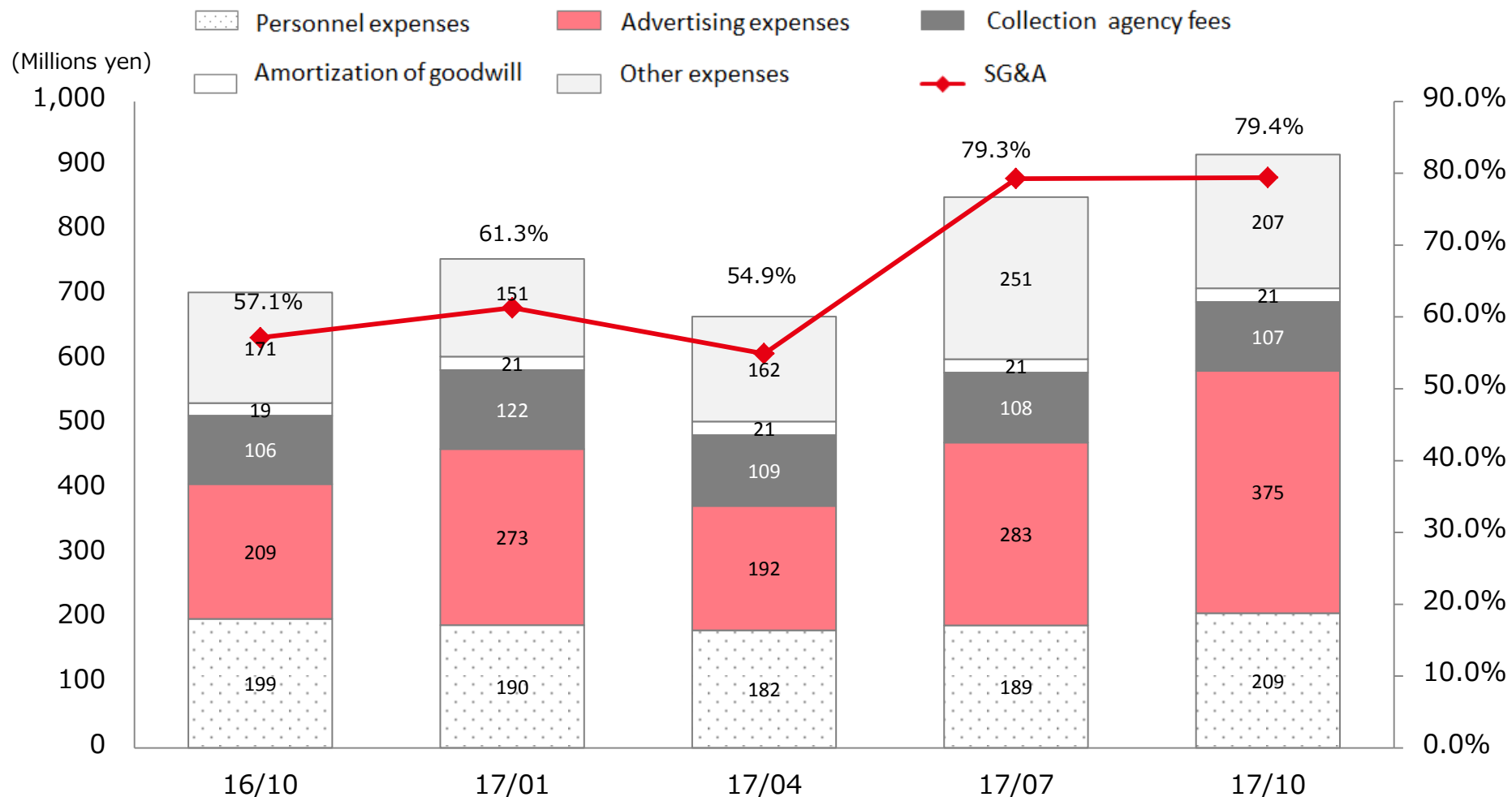
(*1): Comparison shows figures from the previous year after conversion to the new segments.

(*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

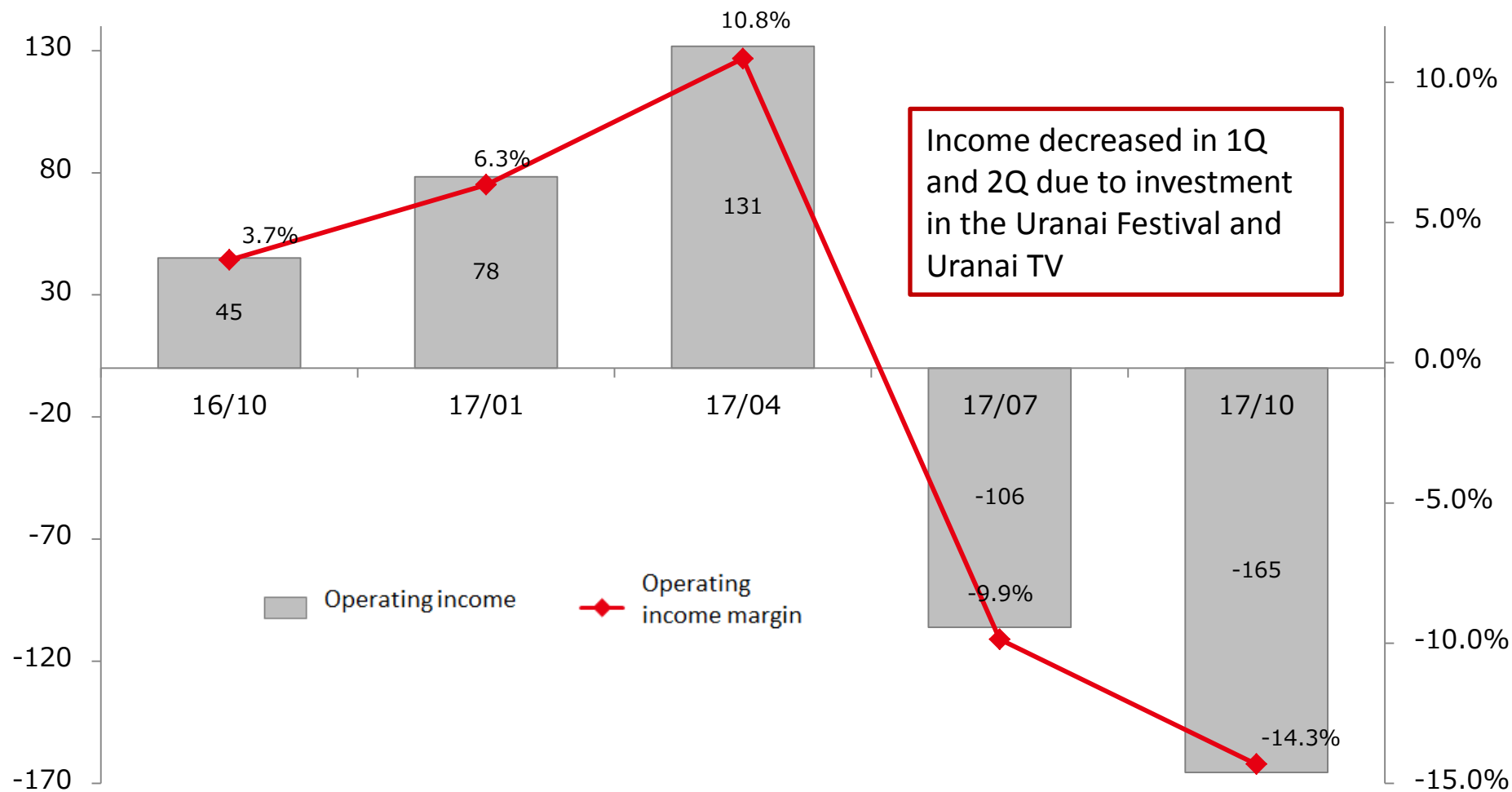


* Other expenses increased in July 2017 due to costs for relocation of the company headquarters and other factors.

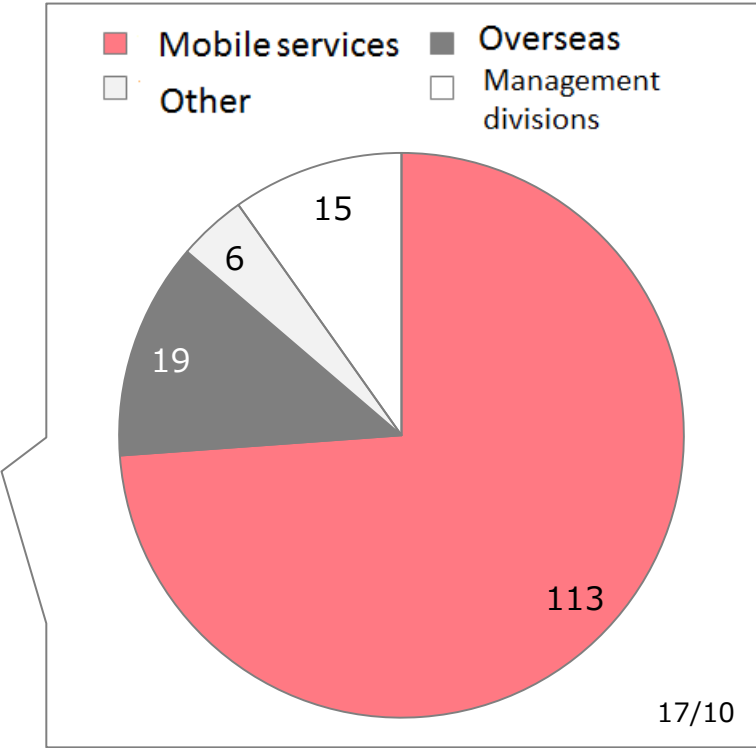
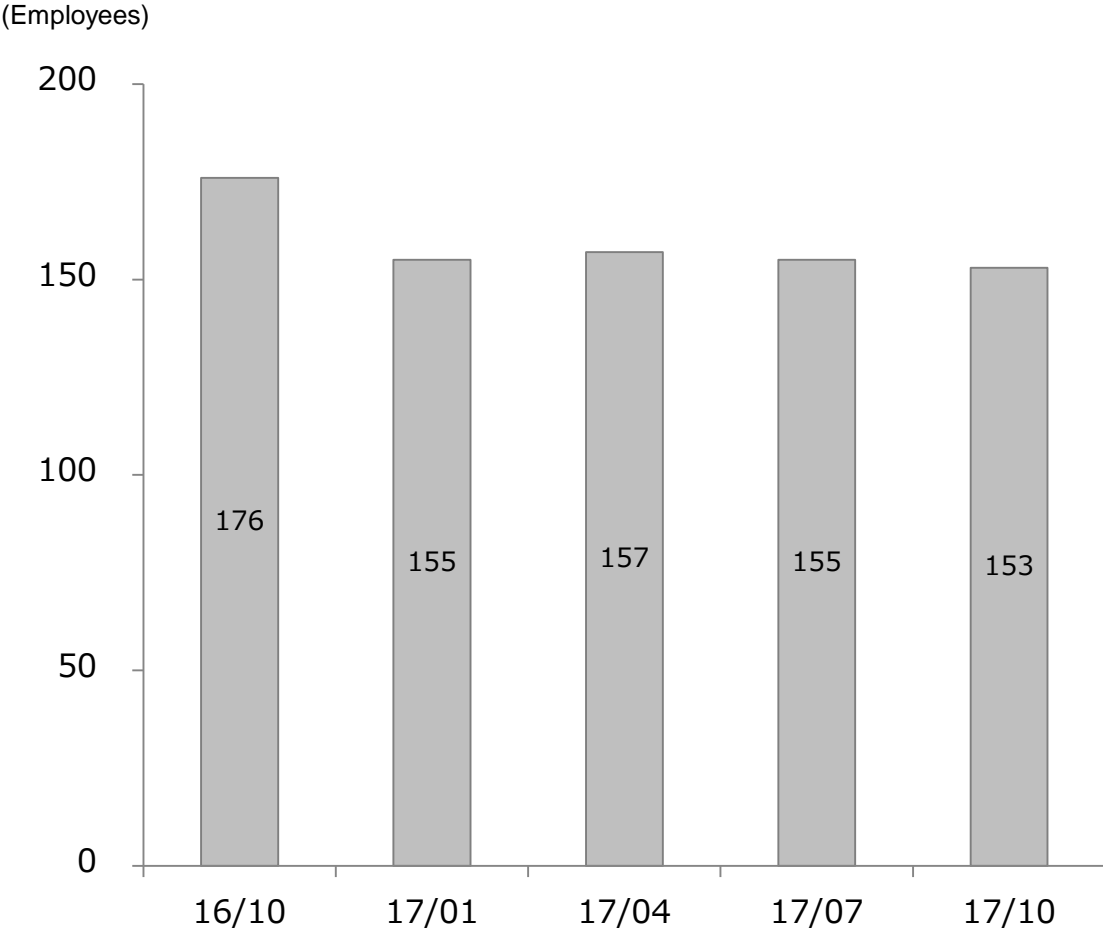
* Advertising expenses increased in October 2017 as a result of production costs for Uranai TV programs.

05 Consolidated Operating Income by Quarter

(Millions yen)



06 Consolidated Number of Employees by Quarter



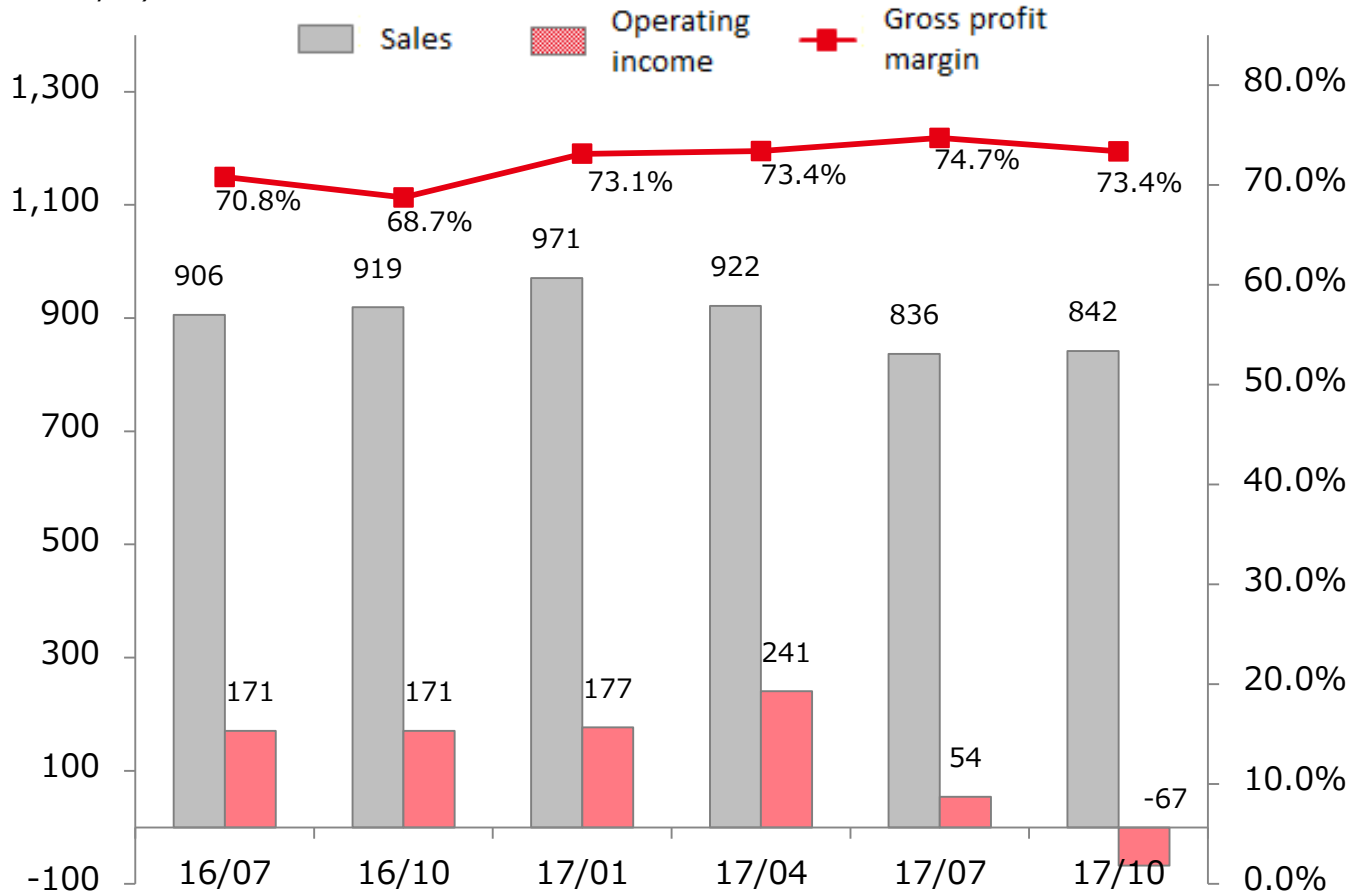
(*1) : The above numbers of employees indicate full-time employees and contract employees only. They do not include junior employees. Employees on leave are also excluded.

II . Status of Mobile Services

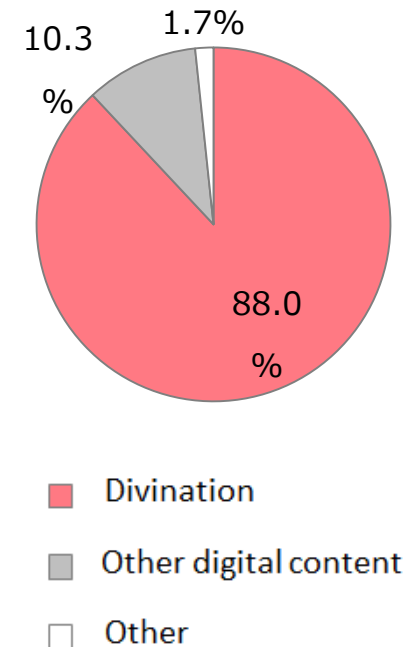
07 Mobile Services Business: Results by Quarter

Sales in our main business area of divination content are continuing at a constant level.
Income decreased as a result of continuing active investment in Uranai TV.

(Millions yen)



[Breakdown of 2Q sales]



08 Mobile Services Business: Comparison with Previous Quarter

(Units: Millions yen)		1Q of year ending April 30, 2018	% of sales	2Q of year ending April 30, 2018	% of sales
Sales		836	100.0%	842	100.0%
Costs	Labor expenses	67	8.0%	71	8.4%
	Royalties	78	9.3%	79	9.4%
	Outsourcing expenses	34	4.1%	34	4.0%
	Other	31	3.7%	38	4.5%
SG&A	Personnel expenses	96	11.5%	108	12.8%
	Advertising expenses	270	32.3%	360	42.8%
	Collection agency fees	108	12.9%	106	12.6%
	Other	96	11.5%	109	12.9%
Operating income		54	6.5%	-67	-8.0%

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

III. Topics

Approaching a wide range of users with diverse video content involving divination



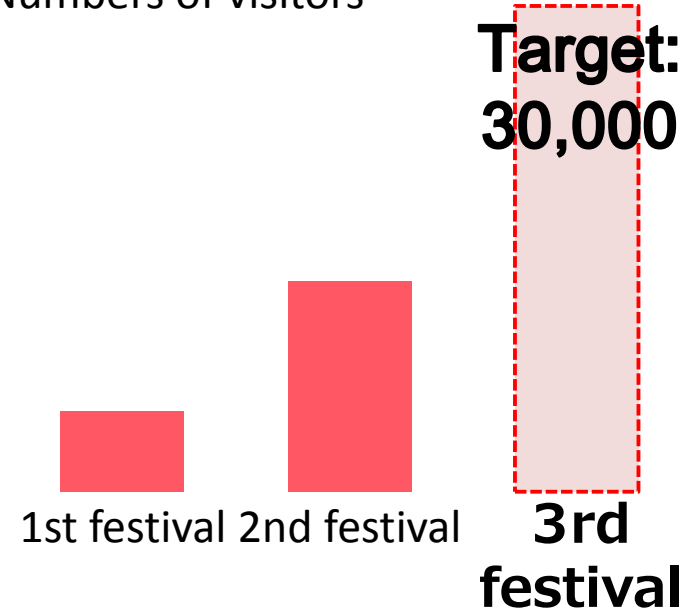
- Internet TV service launched in July 2017
- A recording service has been installed. A paid plan is provided to meet needs for long-time recording.
- The number of monthly actual users (MAU) is increasing. We intend to further strengthen promotions and expand video content and fee services in the future.
- URL: <http://uranaitv.jp/>

10 Uranai Festival

“Uranai Festival 2018 New Year” will be held on January 1 - 6, 2018.



Numbers of visitors



The festival will be held at Roppongi Hills based on the theme of a “Good Fortune Amusement Park” that improves good luck just by visiting.

30,000 visitors are expected – the largest number ever.

Official website: <http://uranaifes.com/>

11 Others

Strong results from our U.S. subsidiary Zappallas, Inc. (U.S.)

- Strong sponsorship advertising sales
- Advertising sales increased as a result of introducing a header bidding system.
- Sales of fee services have increased as a result of efforts to add to the mobile menu, strengthen user leads, and improve usability.

Start of a divination services collaboration between Google Assistant and Zappallas

Making it possible to access divination content provided by our company on Google Assistant smartphone apps and Google Home

* Google and Google Home are trademarks of Google Inc.

IV. Reference Materials

01 Consolidated B/S Summary

<Assets>

(Units: Millions yen)	End of year ended April 30, 2017 ①	3Q of year ended April 30, 2018 ②	Amount of change (② - ①)
	(Apr. 30, 2017)	(Oct. 31, 2017)	
Cash and cash equivalents	6,277	5,766	-511
Accounts receivable	709	625	-83
Merchandise and products	14	14	0
Other	77	159	81
Total current assets	7,079	6,566	-512
Total tangible fixed assets	56	180	123
Software	53	56	2
Goodwill	489	449	-40
Other	26	20	-6
Total intangible fixed assets	570	523	-47
Investment securities	422	422	0
Other	310	257	-53
Total investments and other	733	680	-53
Total fixed assets	1,360	1,383	23
Total assets	8,439	7,950	-489

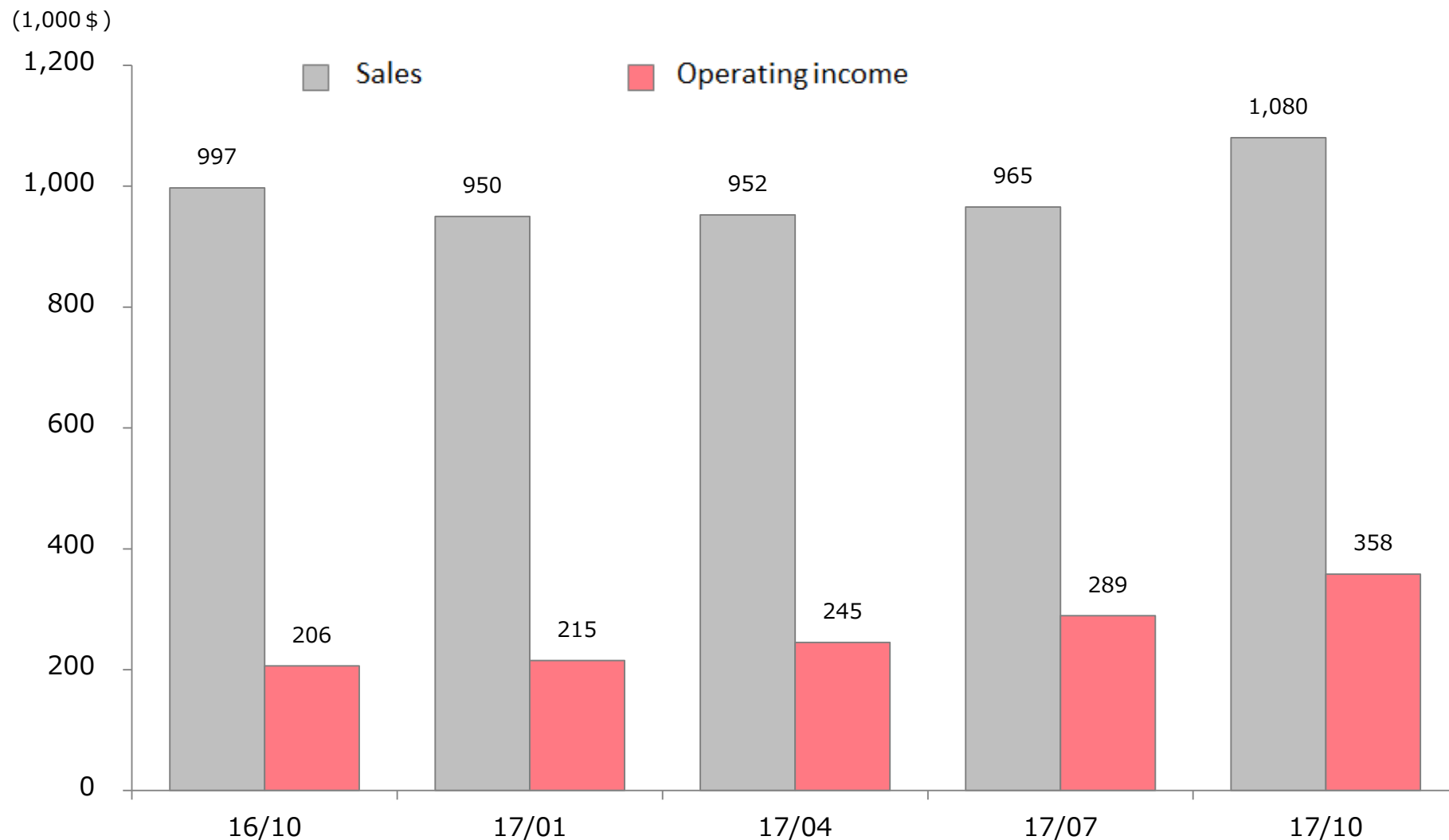
<Liabilities and net assets>

(Units: Millions yen)	End of year ended April 30, 2017 ①	3Q of year ended April 30, 2018 ②	Amount of change (② - ①)
	(Apr. 30, 2017)	(Oct. 31, 2017)	
Accounts payable - trade	130	120	-10
Accounts payable - other	127	204	77
Corporate tax payable	94	7	-87
Long-term loans payable schedule	120	40	-80
Others	126	89	-36
Total current liabilities	598	462	-136
Total fixed liabilities	0	22	22
Total liabilities	598	484	-113
Total shareholders' assets	7,688	7,326	-361
Total accumulated other comprehensive income	153	138	-14
Total net assets	7,841	7,465	-375
Total liabilities and net assets	8,439	7,950	-489

Points

- There was a decrease in cash and savings, primarily as a result of investment in Uranai TV.

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, 2017)
- No. of employees 153(as of Oct 31, 2017)
- 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)

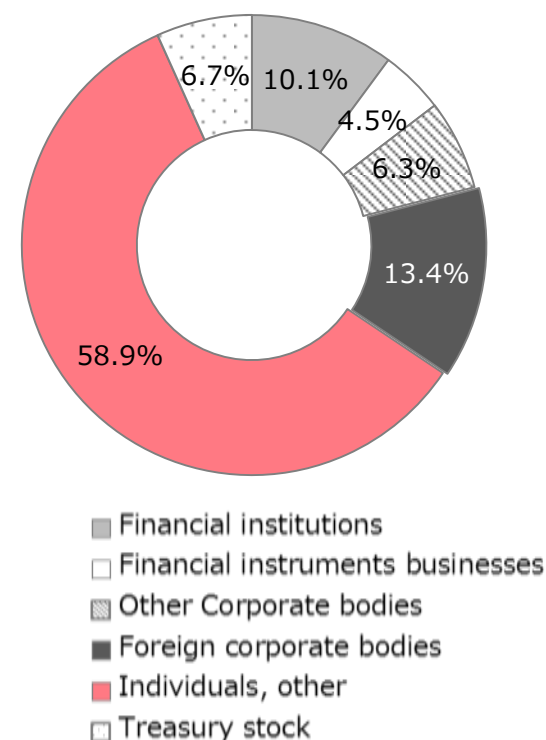
04 Shareholders (as of Oct. 30, 2017)

Shares issued : 13,651,000 / Shareholders : 5,460

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.	328,800	2.4
Seigo Naito	321,014	2.35
Japan Trustee Services Bank, Ltd.	302,700	2.21
Japan Trustee Services Bank, Ltd. (Account 5)	199,500	1.46
SBI SECURITIES Co., Ltd.	188,800	1.38
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	179,224	1.31

Shareholder distribution (percentage ownership)



IR Contact

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