

The logo for ZAPPALLAS, featuring the word "ZAPPALLAS" in a bold, white, sans-serif font centered within a solid red rectangular background.

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

**ZAPPALLAS, INC.**

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

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

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

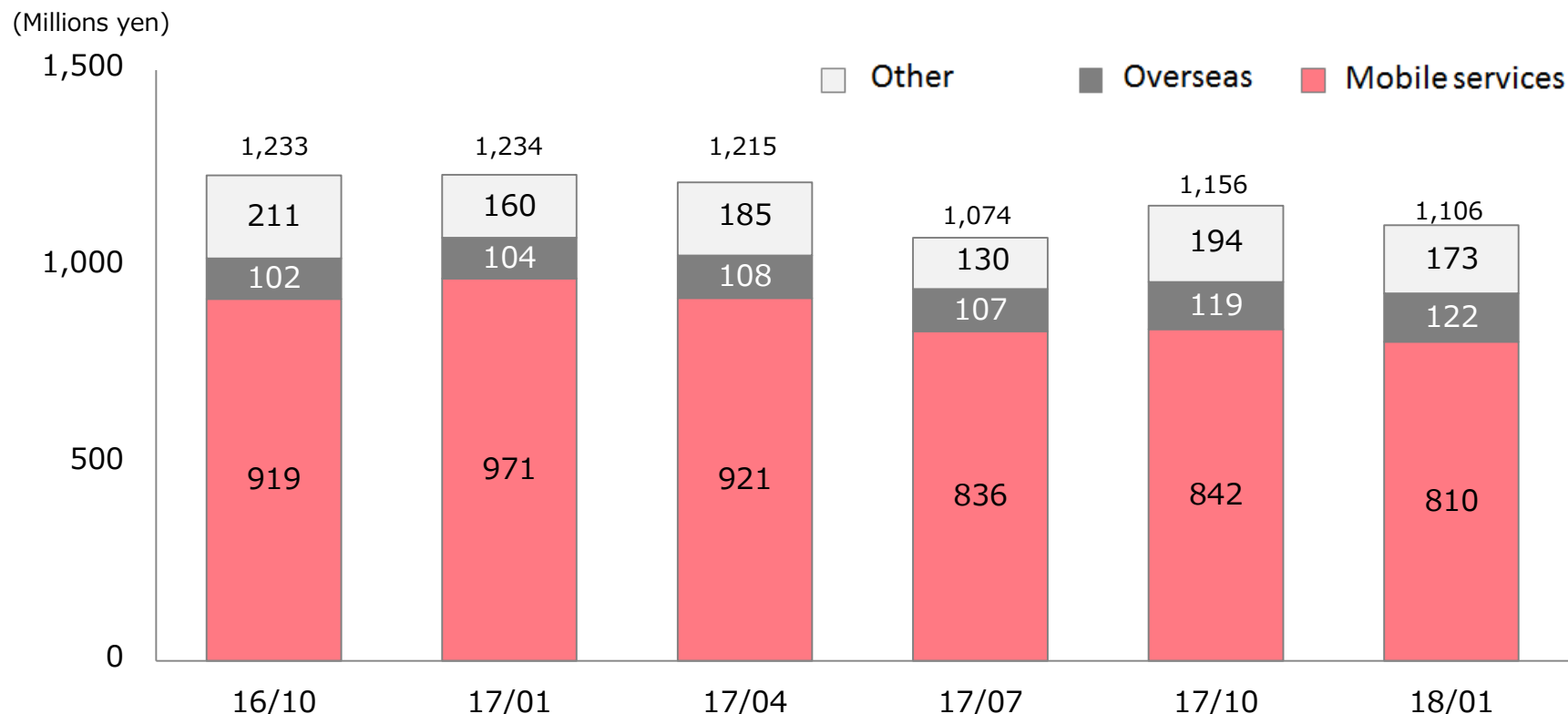
# 01 Consolidated P/L Summary (Comparison with Previous Quarter)

(Units: Millions yen)	2Q of year ending April 30, 2018(Aug. - Oct.)		3Q of year ending April 30, 2018(Nov. - Jan.)		% change
	Amount	% of sales	Amount	% of sales	
Sales	1,156	100.0%	1,106	100.0%	-4.3%
Net gross profit	752	65.1%	716	64.7%	-4.8%
SG&A	918	79.4%	987	89.2%	7.5%
Operating income	-165	-	-270	-	-
Ordinary income	-130	-	-310	-	-
Net income	-144	-	-302	-	-

## Points

- Sales grew in overseas business compared with the previous quarter.
- Sales were down from the previous quarter in the mobile services business and other business.
- SG&A increased as a result of continuing investment in new business (expenses for conducting the Uranai Festival and producing programs for Uranai TV, development expenses, and others).

## 02 Consolidated Sales by Quarter



### Points

- There was income growth from cocoloni Divination Hall, chat divination and other services, as well as overseas business.
- There was a large effect due to the decline in income from content for Sugo-Toku (\*3) and au Smart Pass (\*4).

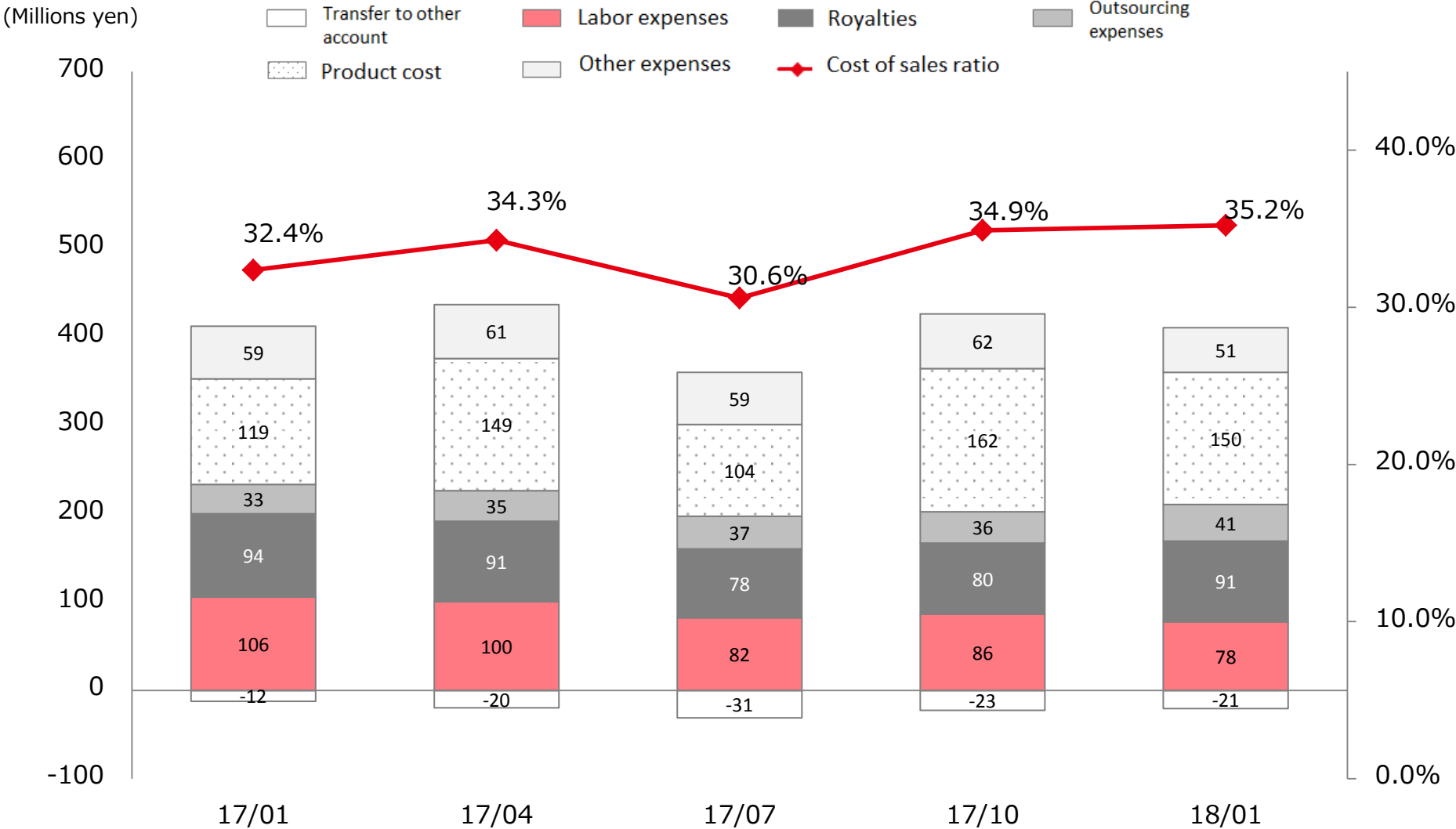
(\*1): Comparison shows figures from the previous year after conversion to the new segments.

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

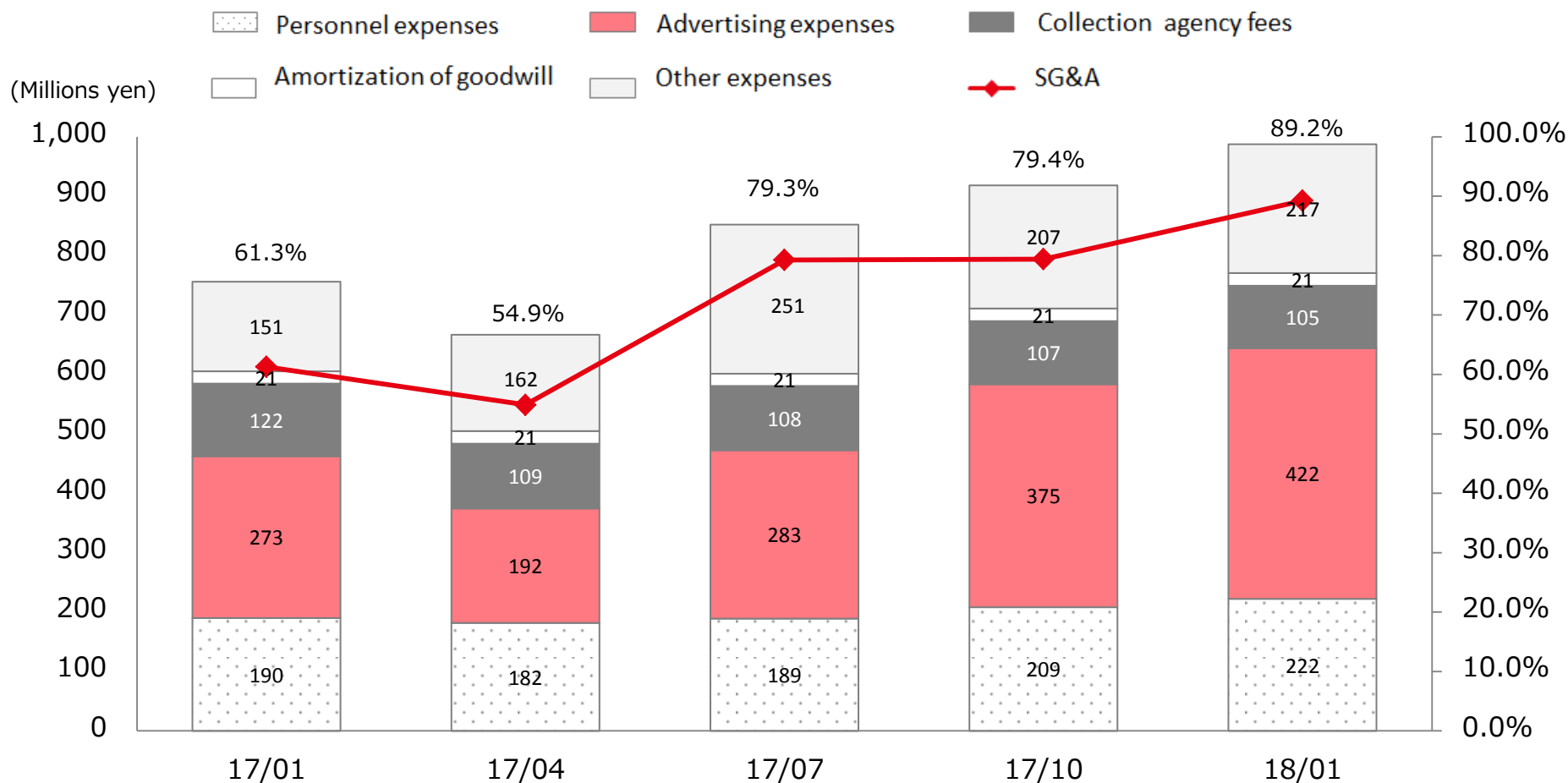
(\*3): Original service of NTT DoCoMo which provides multiple contents and apps to users of that company's smartphones and tablets for a flat fee

(\*4): Service of KDDI and Okinawa Cellular Telephone Company which provides multiple contents and apps to users of those companies' smartphones and tablets for a flat fee

# 03 Consolidated Cost of Sales by Quarter



# 04 Consolidated SG&A by Quarter

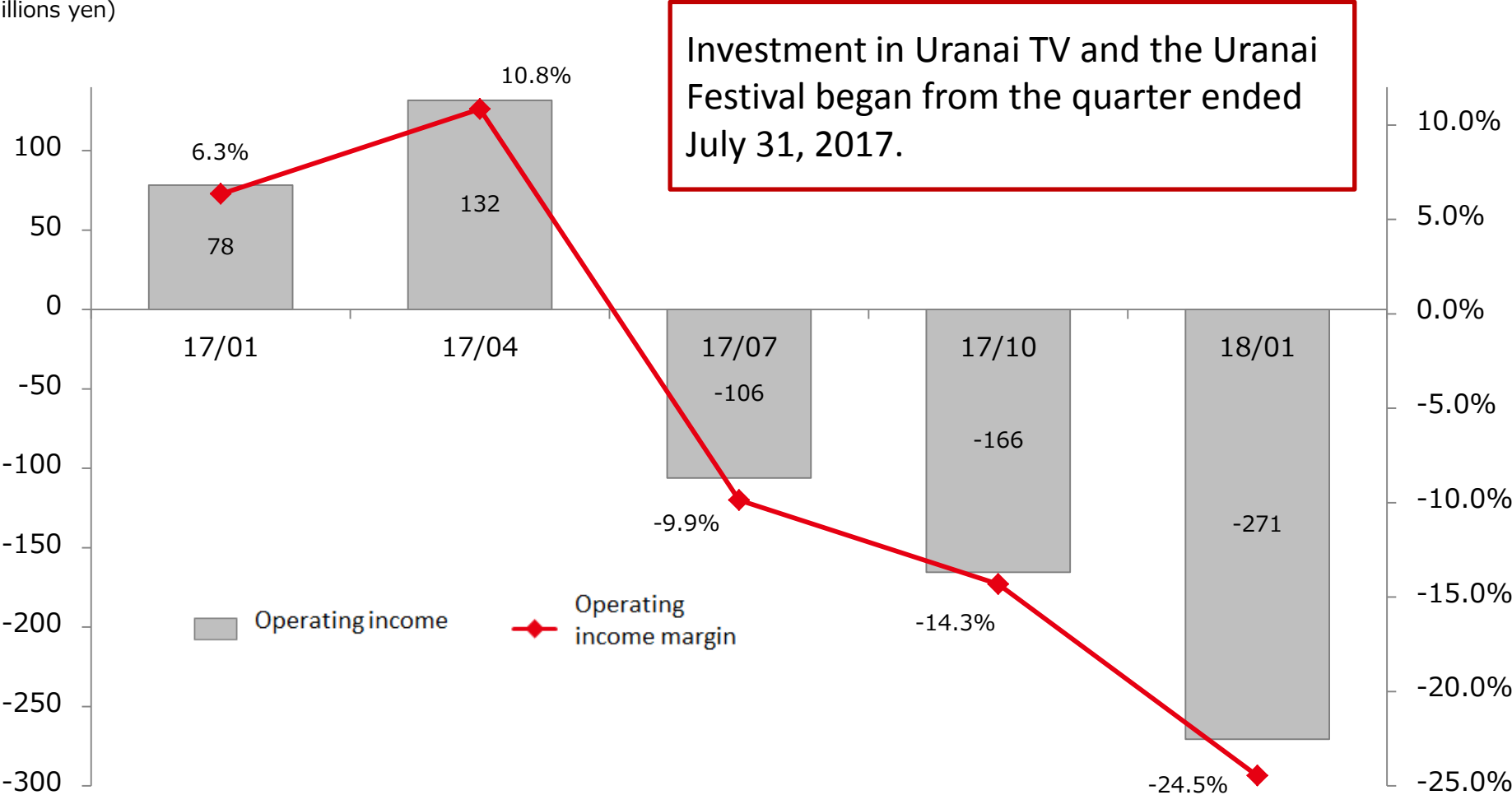


## Points

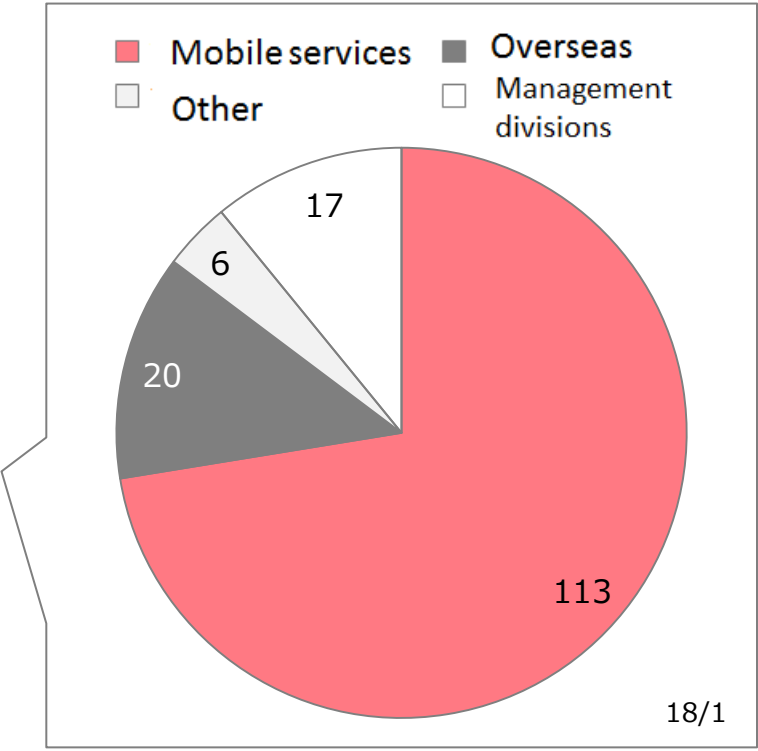
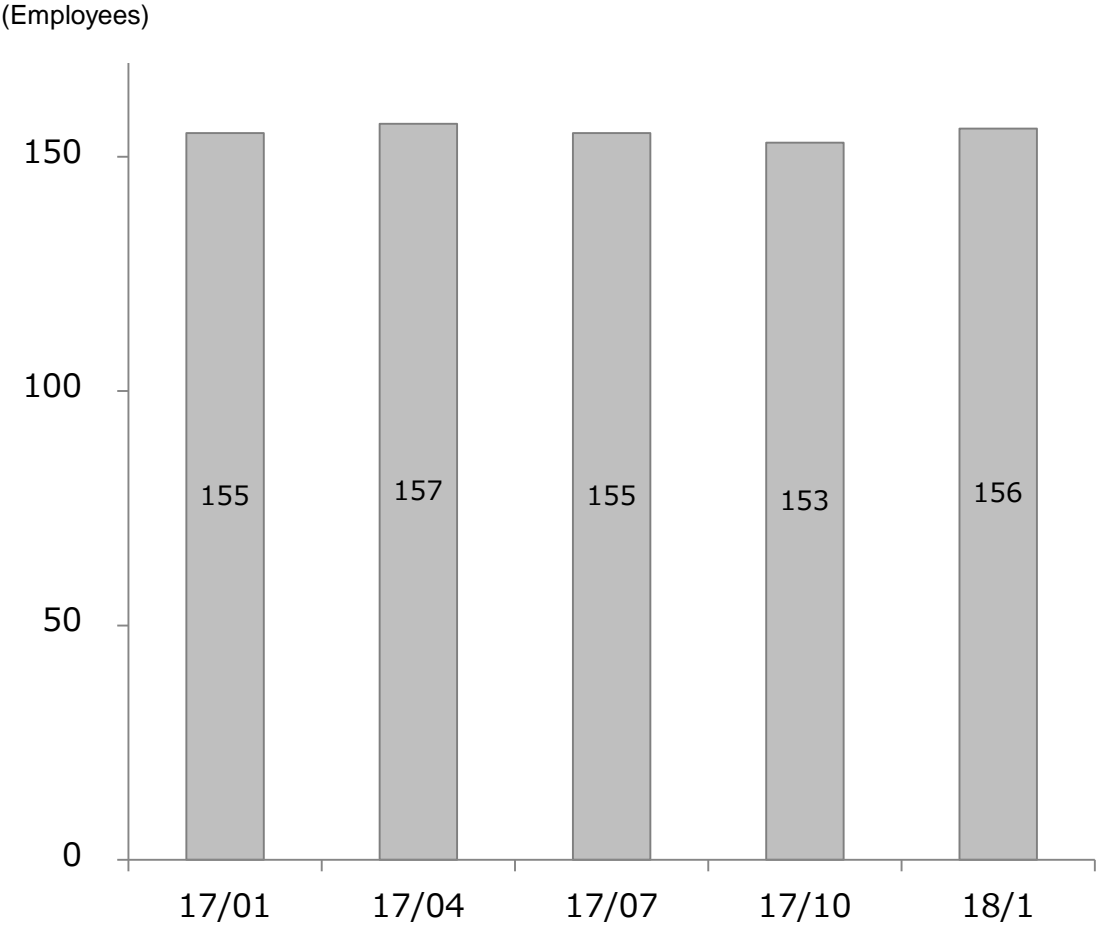
- The quarter ended January 31, 2018 saw an increase in advertising expenses due to holding of the 3rd Uranai Festival and continued investment in Uranai TV.

# 05 Consolidated Operating Income by Quarter

(Millions yen)



# 06 Consolidated Number of Employees by Quarter



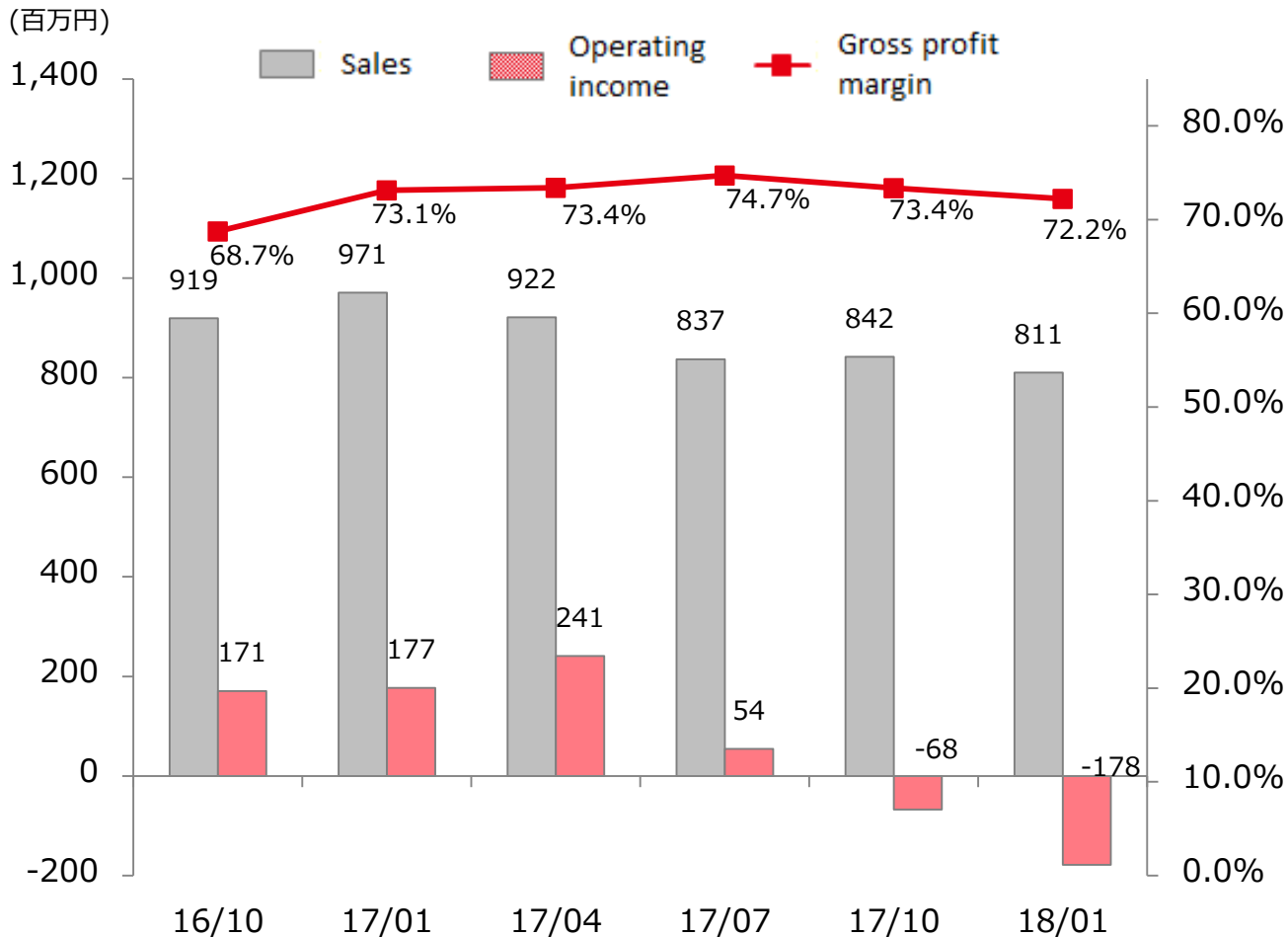
(\*1) : The above numbers of employees indicate full-time employees and contract employees only. They do not include junior employees. Employees on leave are also excluded.



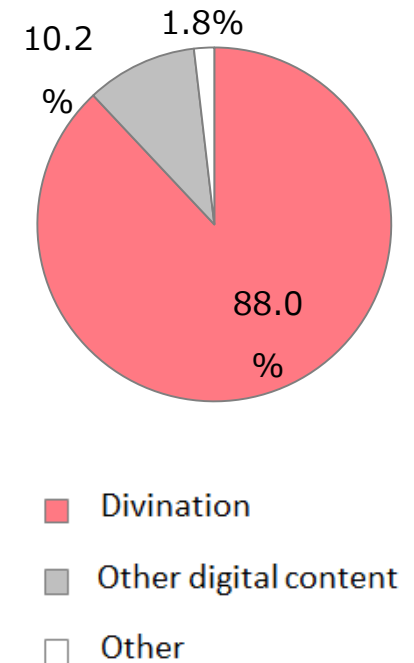
## II . Status of Mobile Services

# 07 Mobile Services Business: Results by Quarter

There was a small decline in sales in our primary business of divination content. Income declined as a result of continued active investment in the Uranai Festival and Uranai TV.



[Breakdown of 4Q sales]



## 08 Mobile Services Business: Comparison with Previous Quarter

(Units: Millions yen)		2Q of year ending April 30, 2018	% of sales	3Q of year ending April 30, 2018	% of sales
Sales		842	100.0%	810	100.0%
Costs	Labor expenses	71	8.4%	59	7.3%
	Royalties	79	9.4%	79	9.8%
	Outsourcing expenses	34	4.0%	37	4.6%
	Other	38	4.5%	48	5.9%
SG&A	Personnel expenses	108	12.8%	122	15.1%
	Advertising expenses	360	42.8%	409	50.5%
	Collection agency fees	106	12.6%	105	13.0%
	Other	109	12.9%	125	15.4%
Operating income		-67	-8.0%	-178	-22.0%

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

### III. Topics

# 09 Uranai Festival

Uranai Festival 2018 New Year was held on January 6 – 8, 2018 and received 50,000 visitors.



This festival was held at Roppongi Hills as a “divination amusement park” that boosts good luck just by visiting.

- Achieved the target number of visitors by a large margin.
- However costs exceeded the plan and resulted in a larger operating loss.

The next festival is planned for summer 2018.

# 10 Uranai TV

## A wide range of new endeavors centered on divination-related videos



- Working to increase customers through means such as special seasonal programs and programs linked with the Uranai Festival.
- The numbers of monthly active users (MAU) is continuing to grow gradually.
- We have launched the associated fee-based service “Uranai TV Store”. The primary issue is short-term expansion of income.

URL: <http://uranaitv.jp/>

# 11 Others

## Continuing strong results from our U.S subsidiary Zappallas, Inc. (U.S.)

- Continued steady 3Q growth in advertising sales and fee-based services
- Cumulative 3Q results are up year-on-year.

## Release of original products based on the “Divination × Travel” theme by subsidiary PINK Inc.

Our wholly-owned subsidiary PINK Inc. has started providing original products that combine travel with divination.

## “momoiLo” fortune-building trips supervised by selected diviners

Special site: <https://www.loveandtravel.co.jp/momoiLo/>



## 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
	(Apr. 30, 2017)	(Jan. 31, 2018)	(② - ①)
Cash and cash equivalents	6,277	5,766	-511
Accounts receivable	709	625	-83
Merchandise and products	14	14	0
Other	77	159	81
<b>Total current assets</b>	<b>7,079</b>	<b>6,566</b>	<b>-512</b>
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
<b>Total fixed assets</b>	<b>1,360</b>	<b>1,383</b>	<b>23</b>
<b>Total assets</b>	<b>8,439</b>	<b>7,950</b>	<b>-489</b>

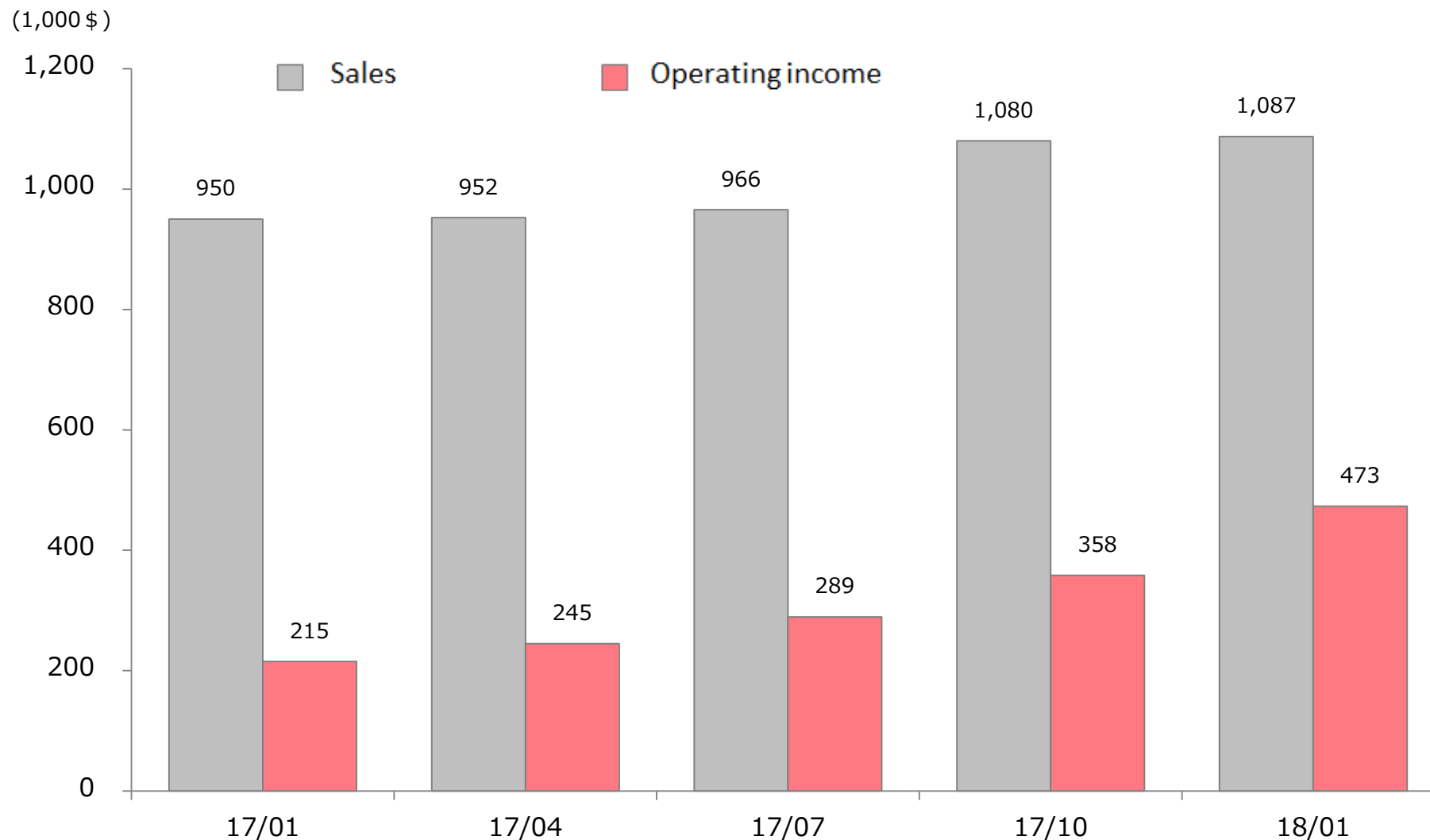
## <Liabilities and net assets>

(Units: Millions yen)	End of year ended April 30, 2017 ①	3Q of year ended April 30, 2018 ②	Amount of change
	(Apr. 30, 2017)	(Jan. 31, 2018)	(② - ①)
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
<b>Total current liabilities</b>	<b>598</b>	<b>462</b>	<b>-136</b>
<b>Total fixed liabilities</b>	<b>0</b>	<b>22</b>	<b>22</b>
<b>Total liabilities</b>	<b>598</b>	<b>484</b>	<b>-113</b>
Total shareholders' assets	7,688	7,326	-361
Total accumulated other comprehensive income	153	138	-14
<b>Total net assets</b>	<b>7,841</b>	<b>7,465</b>	<b>-375</b>
<b>Total liabilities and net assets</b>	<b>8,439</b>	<b>7,950</b>	<b>-489</b>

### Points

- There was an increase in tangible fixed assets as a result of our Head Office relocation.
- Cash and savings decreased primarily due to investment in Uranai TV and the Uranai Festival.

## 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

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- 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 Jan 31, 2018)
- No. of employees 156(as of Jan 31, 2018)
- 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)

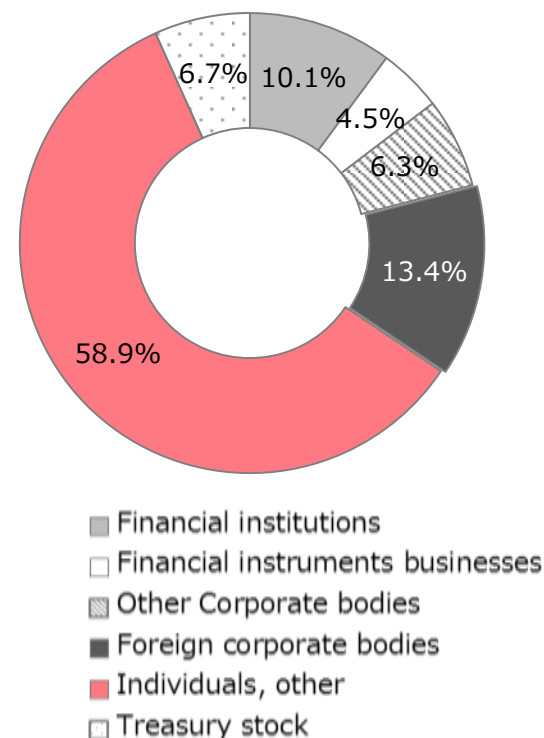
# 04 Shareholders (as of Oct. 30, 2017)

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)



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## **IR Contact**

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