

Financial Results of Operations

the Year Ended April 30, 2023

ZAPPALLAS, INC.

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

TSE Standard Section:3770



I . Review and Outlook



01 Overview

For the purpose of attracting potential customers, we implemented various measures in FY 4/2022 and FY 4/2023.

- Helped produce terrestrial television programs under the theme of fortune-telling.
- Enhanced the media exposure of fortune-tellers belonging to the fortune-telling talent agency of our corporate group.
- Launched and nurtured multiple new services related to fortune-telling, including Uranai Academy.
- Continuously held the fortune-telling festival twice a year.



Saw a certain level of outcomes, but pushed through management rationalization in 4Q, based on judgment from a multifaceted viewpoint.

- Our know-how for promotion and service operation, which has been accumulated through the above activities, will be utilized for business execution from now on.
- Abolished the services for which we considered it is difficult to increase revenues, reshuffled the personnel, and so on.
- Changed our dividend policy, in order to clarify our attitude for returning profit to shareholders.

02 Management Rationalization

Transferred or discontinued several services, such as Uranai Academy, fortune-telling festivals, and WORDS.

Discontinued some services, including the services that did not grow as expected and loss-making services.
(*No significant impact on the fortune-telling content, which is the mainstay)

Soliciting voluntary retirement

Started soliciting voluntary retirement on March 31, 2023. In response, 40 employees, mainly those engaged in money-losing services, applied for it, and retired on April 30, 2023.

Transferred the shares of the fortune-telling talent agency as a subsidiary.

Transferred the shares of Luck Out Co., Ltd. to the joint venture partner.

Transferred the business of "cuna select," an EC site for baby goods.

Transferred this business, which is included in the Other Business Segment, to another company.

03 Return to Shareholders and Outlook

We put importance on the return to shareholders.

We changed our dividend policy, to pay dividends stably.

- On April 21, 2023, we disclosed the revision to our dividend policy. We plan to pay dividends continuously and stably.
- The new dividend policy is to "set the lower limit of dividend on equity ratio (DOE) at 2.0% and pay dividends with consolidated payout ratio being 50% or higher."
- For FY 4/2024, we plan to pay a term-end dividend of **10 yen/share**.

Thanks to cost reduction, we are expected to move

into the black in the year ending April 2024.

- The earnings forecast for the next year ending April 2024 calls for sales of 4,000 million yen and an operating income of 250 million yen.
- Shift to a robust organizational structure through management rationalization.
- With the aim of getting back on a growth track, we will formulate a new mid/long-term business plan.
- For FY 4/2023, we plan to pay a term-end dividend of **10 yen/share**.

II . Overview of Results



04 Our business

Results for FY 4/2023: Consolidated sales: 4,375 million yen, operating loss: 362 million yen

Mobile Service



- The sales of this segment in FY 4/2023: 3,573 million yen
- Business operation based on mainly cocoloni, Inc. and concourse, Inc.
- The mainstay is digital fortunetelling content offered via smartphones and PCs.
- According to sales, there emerge commissions for fee collection for cellphone carriers, etc. and royalties to editorial supervisors (fortune-tellers).
- In addition to the conventional fortune-telling websites, we offer telephone-based and chat-based fortune-telling services, etc., diversifying our business.

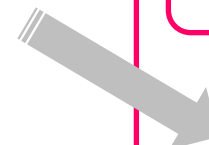
■サービス例



Others



- The sales of this segment in FY 4/2023: 362 million yen
- Zappallas, Inc. is in charge of the business administration of our corporate group.



Overseas



- The sales of this segment in FY 4/2023: 448 million yen
- U.S. corporation operates a fortune-telling site targeted at English-speaking countries.

Rationalized management processes in 4Q of FY 4/2023.

- Transferred the shares of the fortune-telling talent agency as a subsidiary, which was included in the Other Business Segment.
- Transferred the EC site for baby goods, which was included in the Other Business Segment.
- Termination of several loss-making services, etc.

Part of sales from cocoloni, Inc. is included in Other Business, while part of sales of Zappallas, Inc. is included in Mobile Service Business.

05 Full-year Results

(Millions of yen)	Results from previous year (year ended Apr 30, 2022)	Actual Results (year ended Apr 30, 2023)	Earnings forecast (year ending Apr 30, 2024)
Sales	4,804	4,375	4,000
Operating income	72	▲362	250
Ordinary income	212	▲341	-
Net income	▲8	▲469	-
Annual dividend	¥3.0	¥10.0	¥10.0

- In FY 4/2024, sales are projected to decline, due to the transfer of some businesses, etc.
- On the other hand, operating income is expected to be positive, thanks to cost reduction through management rationalization.
- The dividend for FY 4/2023 is 10 yen/share, based on the new dividend policy.
- For FY 4/2024, we plan to pay a term-end dividend of 10 yen/share.

06 Consolidated P/L Summary

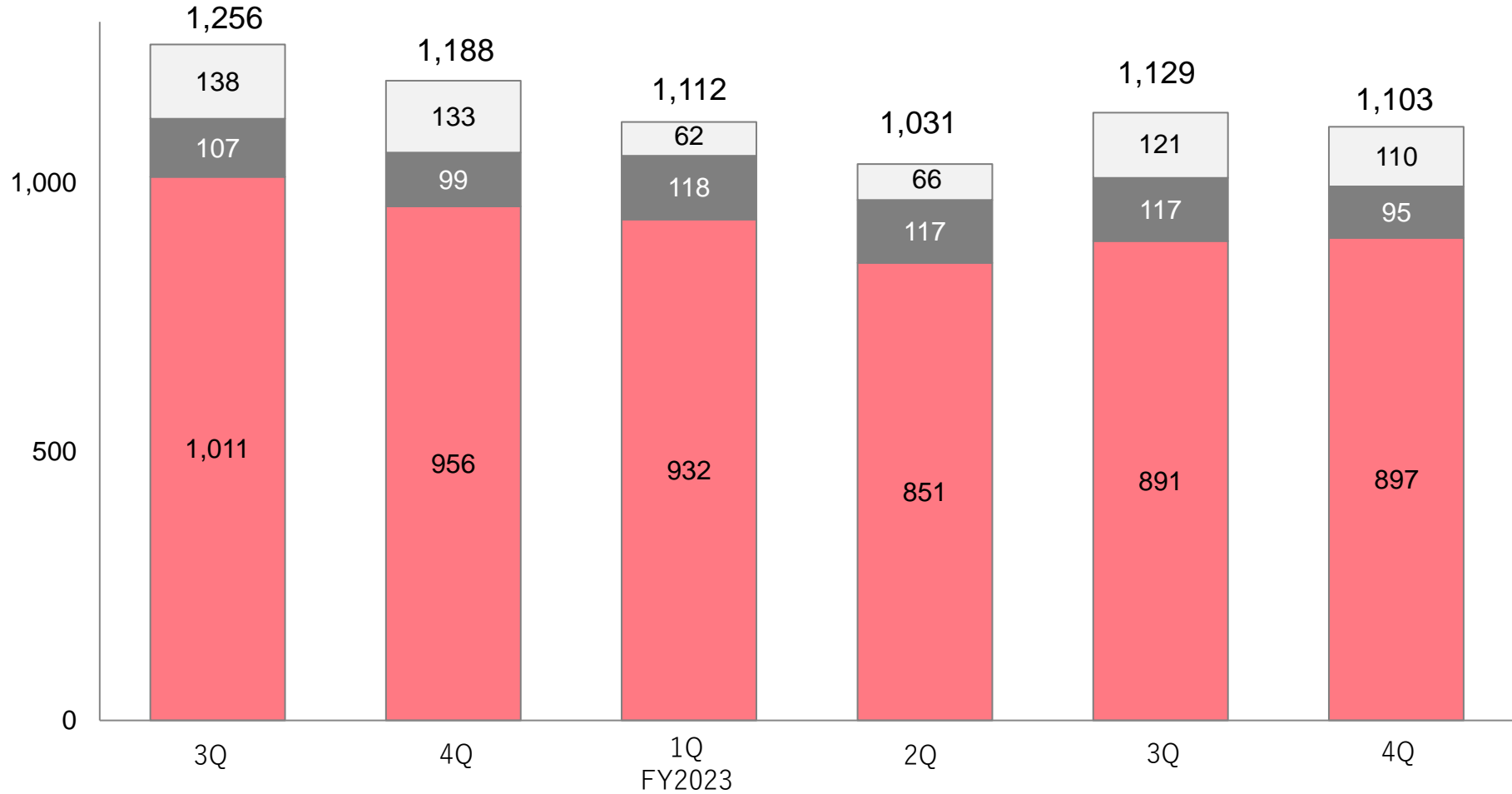
(Millions of yen)	Q4 of year ended April 30, 2022 (May. - Apr.)		Q4 of year ended April 30, 2023 (May. - Apr.)		% change
	Amount	% of sales	Amount	% of sales	
Sales	4,804	100.0%	4,375	100.0%	-8.8%
Gross profit	3,326	69.2%	2,981	68.1%	-10.3%
SG&A	3,253	67.7%	3,343	76.4%	2.7%
Operating income	72	1.5%	-362	-8.3%	-
Ordinary income	212	4.4%	-341	-7.8%	-
Net income	-8	-0.2%	-469	-10.7%	-

- Sales dropped year on year, due to the changes in the business environment surrounding fortune-telling services.
- We invested in advertisement, mainly the cooperation in production of terrestrial television programs, during the term. Accordingly, SGA augmented, and we posted an operating loss.
- For management rationalization, we solicited voluntary retirement and discontinued some businesses. We posted a loss on liquidation of business of 133 million yen in the section of extraordinary loss, and net loss augmented.

07 Consolidated Sales by Quarter

(Millions of yen)

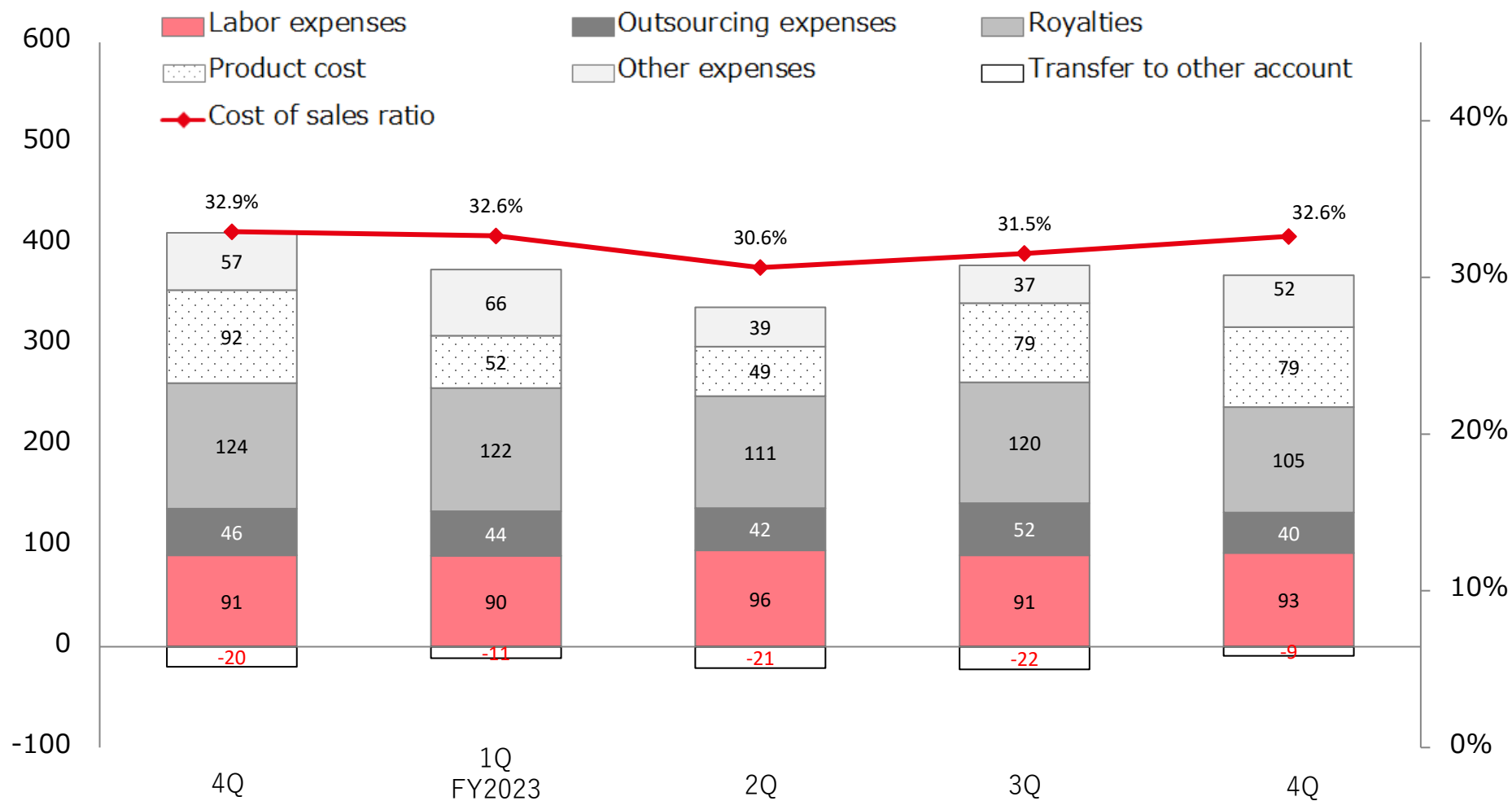
Other Overseas Mobile services



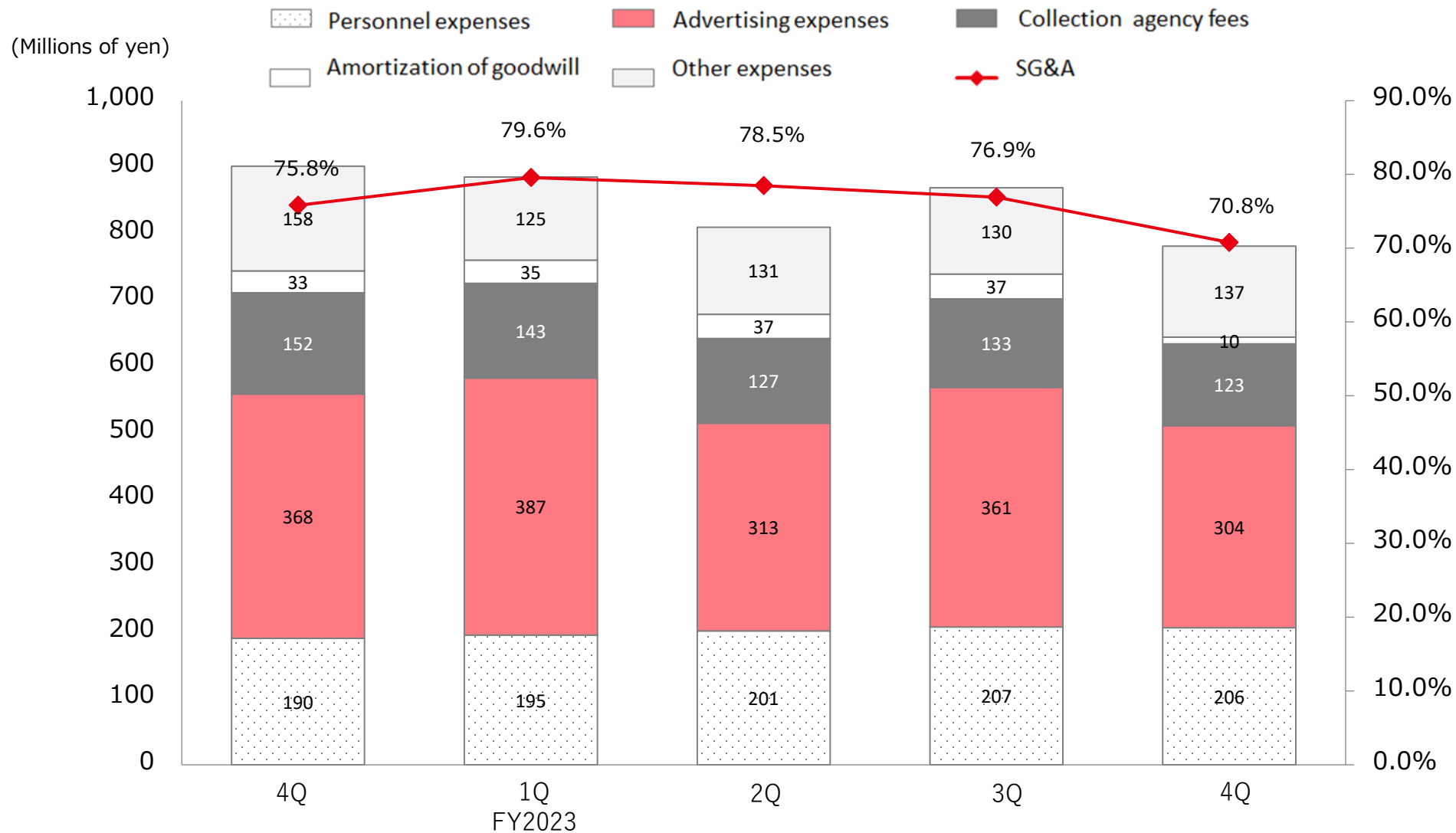
(*): Although inter-segment transfers do occur, because the amounts are small, the graph above does not include adjustments for inter-segment transfers.

08 Consolidated Cost of Sales by Quarter

(Millions of yen)

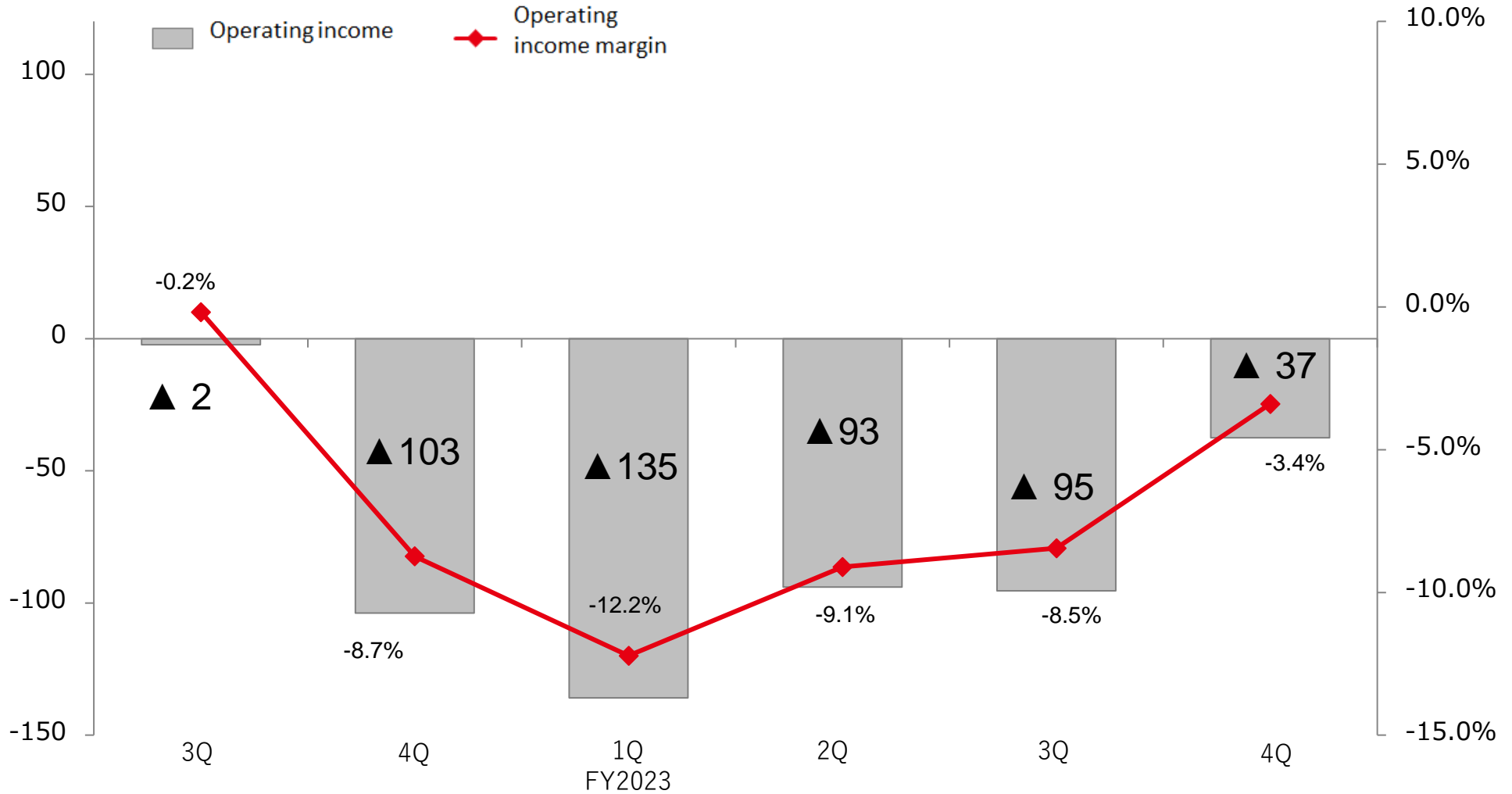


09 Consolidated SG&A by Quarter



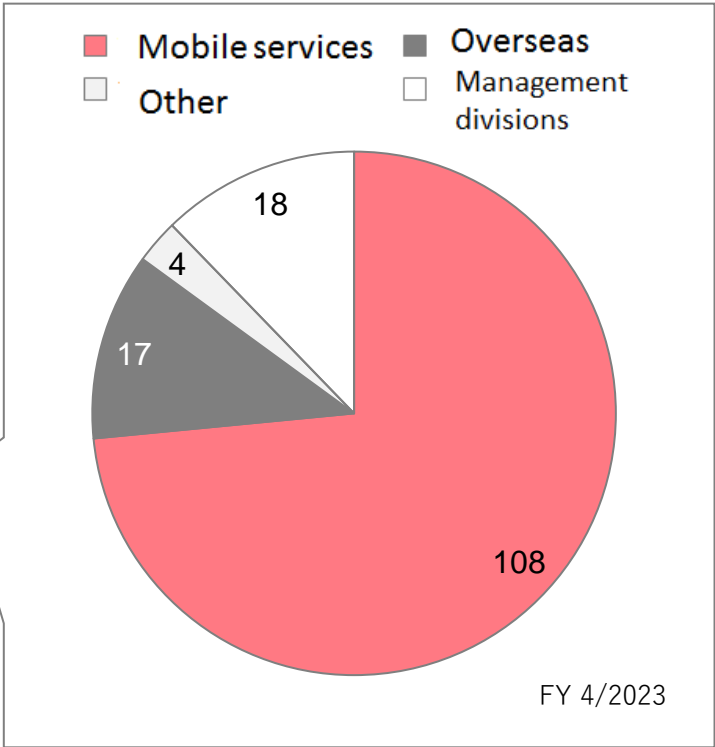
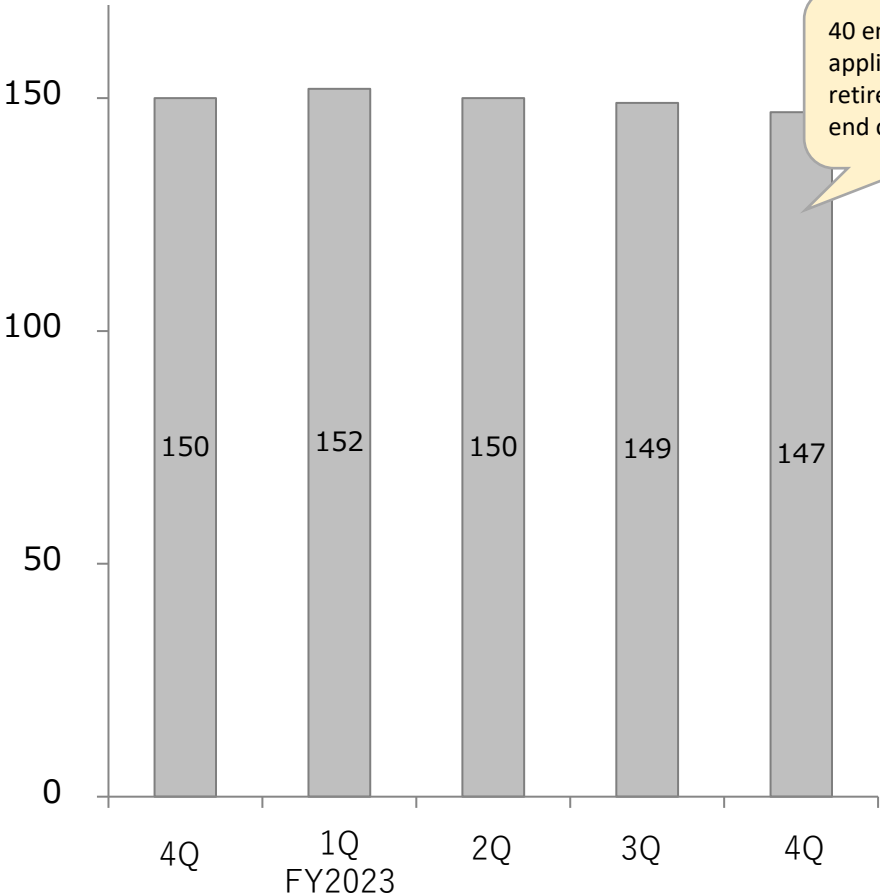
10 Consolidated Operating Income by Quarter

(Millions of yen)



11 Consolidated Number of Employees by Quarter

(Employees)



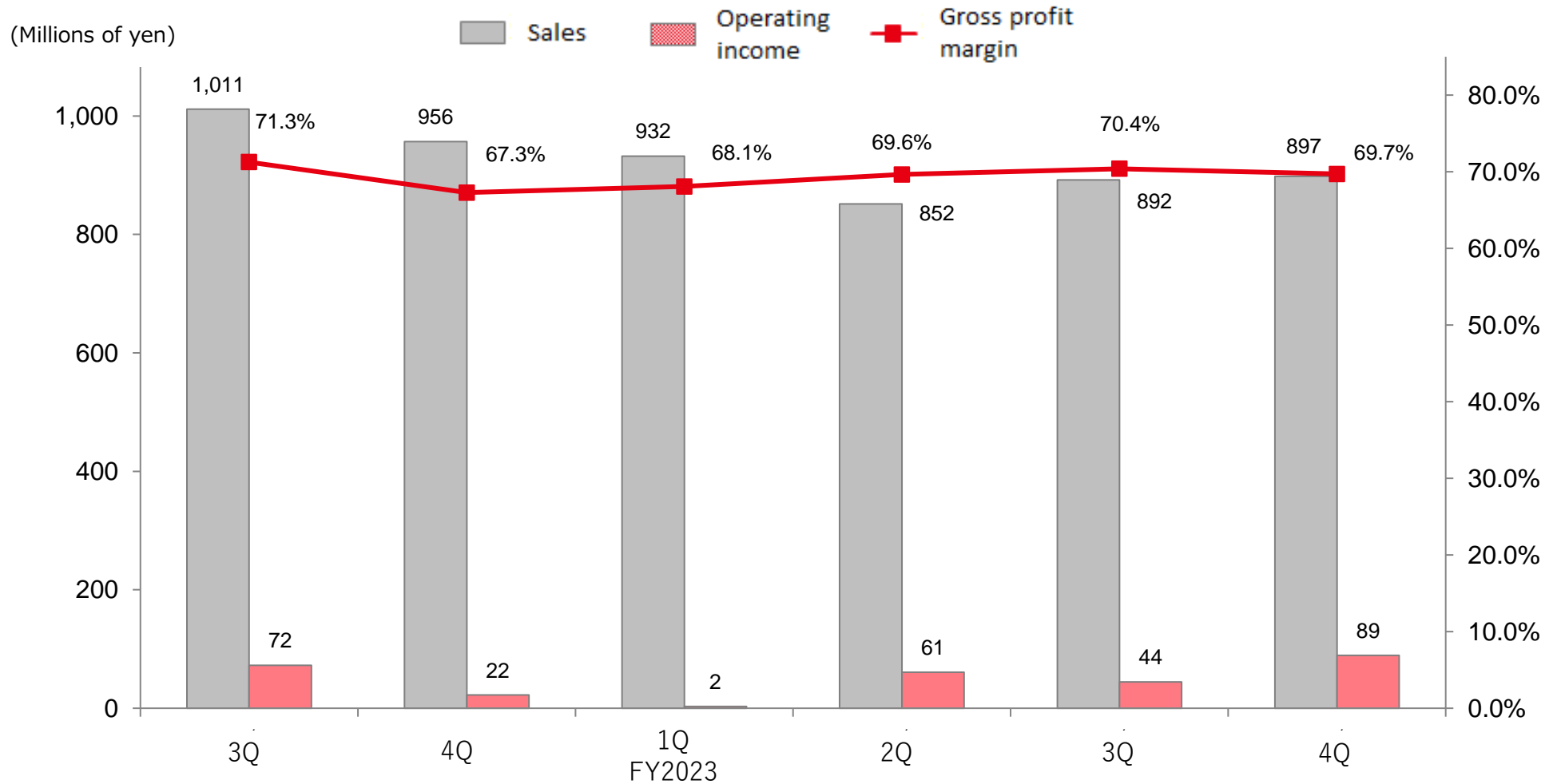
(*1) : The above numbers of employees indicate full-time employees and contract employees only. They do not include junior employees. Employees on leave are also excluded.

III. Status of Mobile Services



12 Mobile Services Business: Results by Quarter

Profit grew between 3Q and 4Q, due to the reduction of advertisement costs.



13 Mobile Services Business : Comparison with Year on Year Comparison

(Units: Millions yen)		4Q of year ended April 30, 2022	% of sales	4Q of year ended April 30, 2023	% of sales
Sales		3,945	100.0%	3,573	100.0%
Costs	Labor expenses	262	6.6%	272	7.6%
	Royalties	476	12.1%	455	12.7%
	Outsourcing expenses	137	3.5%	106	3.0%
	Other	274	6.9%	257	7.2%
SG&A	Personnel expenses	297	7.5%	290	8.1%
	Advertising expenses	1,047	26.5%	1,252	35.0%
	Collection agency fees	667	16.9%	546	15.3%
	Other	248	6.3%	195	5.5%
Operating income		533	13.5%	197	5.5%

IV. Topics



14 App originating from a TV program

The app "Calendar for finding lucky days" performed well! In January 2023, we conducted a commemorative campaign for 1 million downloads.



The contents of fortune-tellers appearing in TV programs are available through our app. This feature is highly evaluated, and the number of downloads is increasing.

URL : <https://uranattemoiidesuka.app/>

15 Chat fortune-telling

8th anniversary of launch of the chat fortune-telling "Chapli"



- We conducted a commemorative campaign for the 8th anniversary of launch of the chat fortune-telling Chapli, which was recognized as one of worry-free, reliable fortune-telling services.

Chapli <https://chapli.me/>

V . Reference Materials



16 Consolidated B/S Summary

<Assets>

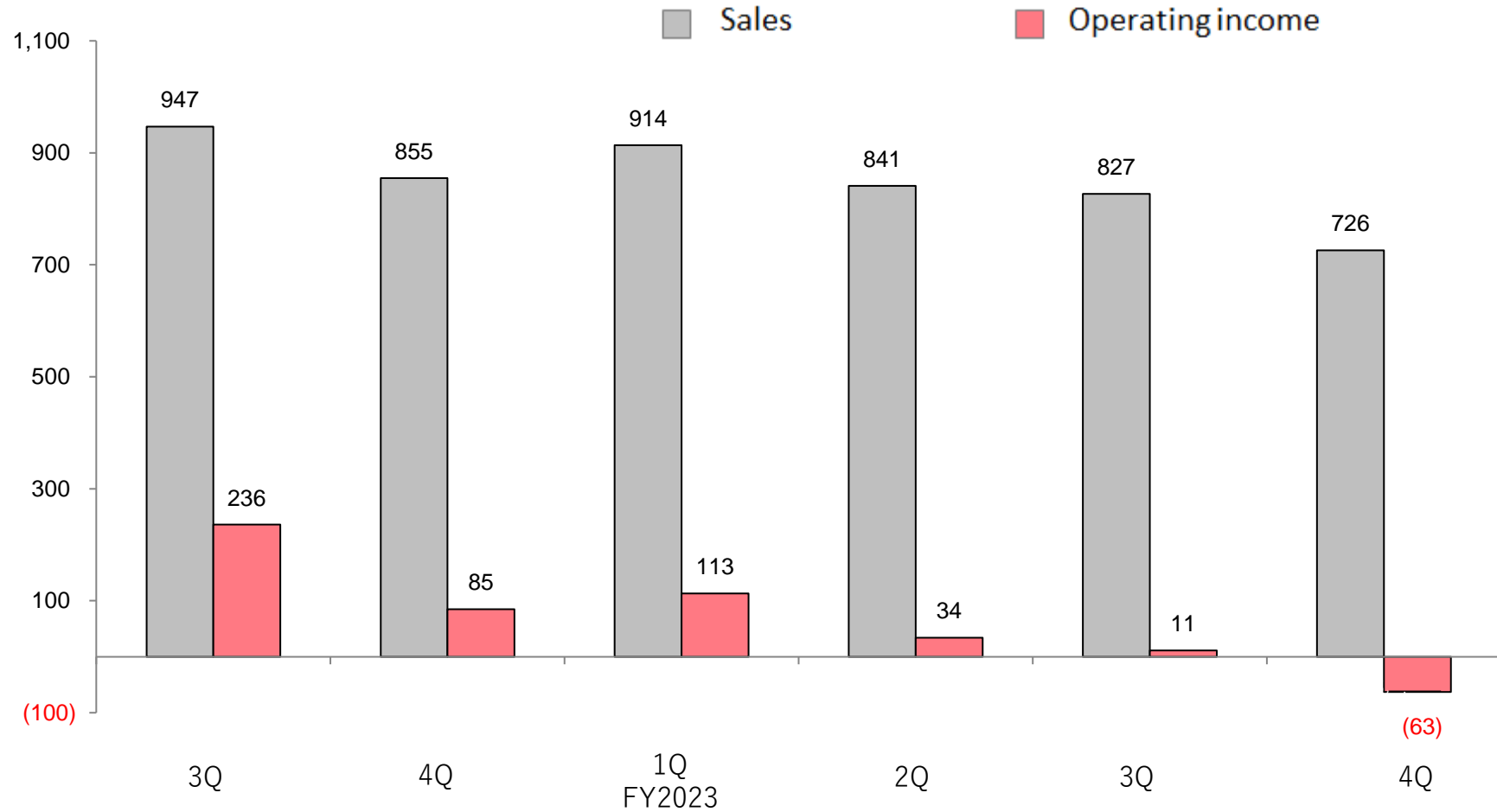
(Units: Millions yen)	End of year ended April 30, 2022 ①	End of year ended April 30, 2023②	Amount of change (② - ①)
	(Apr. 30, 2022)	(Apr. 30, 2023)	
Cash and cash equivalents	5,424	4,818	-606
Accounts receivable	566	500	-66
Merchandise and products	39	23	-16
Other	261	230	-30
Total current assets	6,292	5,572	-720
Total tangible fixed assets	85	59	-26
Software	54	37	-17
Goodwill	181	69	-112
Other	11	7	-3
Total intangible fixed assets	248	114	-133
Investment securities	424	424	0
Other	92	110	17
Total investments and other	516	534	17
Total fixed assets	850	708	-141
Total assets	7,143	6,280	-862

<Liabilities and net assets>

(Units: Millions yen)	End of year ended April 30, 2022 ①	End of year ended April 30, 2023②	Amount of change (② - ①)
	(Apr. 30, 2022)	(Apr. 30, 2023)	
Accounts payable - trade	161	152	-8
Accounts payable - other	282	272	-10
Corporate tax payable	50	11	-39
Others	108	95	-13
Total current liabilities	602	531	-71
Total fixed liabilities	20	0	-19
Total liabilities	622	531	-90
Total shareholders' assets	6,412	5,646	-765
Total accumulated other comprehensive income	103	102	-1
Total net assets	6,520	5,749	-771
Total liabilities and net assets	7,143	6,280	-862

17 Overseas Business: Results by Quarter

(1,000 \$)



18 Company Profile

- Company name ZAPPALLAS, INC.
- Head office PORTAL POINT HARAJUKU ANNEX 3F ,3-51-7 ,Sendagaya , Shibuya-ku , Tokyo
- Established March 2000
- Capital 1,476,340,000 yen (as of Apr. 30, 2023)
- No. of employees 144 (as of Apr. 30, 2023)
- Officials
 - CEO Mari Tamaki (Kawashima)
 - Director Masato Kobayashi
 - Director Masatoshi Mizogami
 - Outside Director Shinichi Misawa
 - Outside Director (Audit and supervisory committee member) Kazuhiko Ueda
 - Outside Director (Audit and supervisory committee member) Masaharu Inoue (attorney)
 - Outside Director (Audit and supervisory committee member) Makoto Tanima (Accountant)

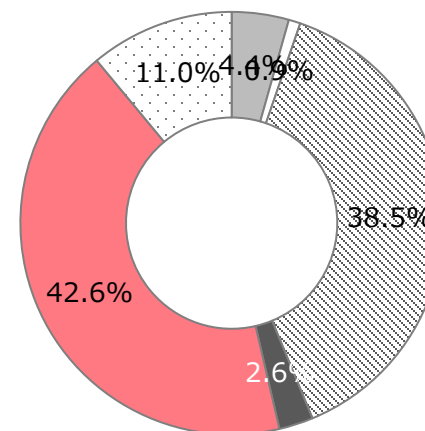
19 Shareholders (as of Apr. 30, 2023)

- Shares issued : 13,651,000 / Shareholders : 3,484

■ Major shareholders

	Number of stocks	Ratio of stocks %
Mari Kawashima	2,941,835	21.55
Zappallas(Treasury Stocks)	1,504,668	11.02
UH Partners 2	1,342,800	9.83
SIL	1,281,000	9.38
UH Partners 3	1,281,000	9.38
HIKARI TSUSHIN	1,262,900	9.25
The Master Trust Bank of Japan, Ltd.	500,200	3.66
Individual Shareholder	274,000	2.00
Individual Shareholder	196,300	1.43
MSIP CLIENT SECURITIES	130,000	0.95

■ Shareholder distribution (percentage ownership)



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

IR Contact

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MAIL : ir@zappallas.com