

March 1, 2010

ZAPPALLAS

For immediate release:

Name of company:	ZAPPALLAS, INC.
Stock code:	3770
Stock exchange listing:	Tokyo Stock Exchange, First Section
Headquarters:	1-19-19, Ebisu, Shibuya-ku, Tokyo
Representative	
Title:	President, Chief executive officer
Name:	Masanori Sugiyama
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Notification of the establishment of Hong Kong Corporation (name undecided), and the basic agreement on the business tie-up with GGwan and MMclick through investment.

ZAPPALLAS INC. (Head office: Shibuya-ku, Tokyo, President, chief executive officer: Masanori Sugiyama, hereinafter “Zappallas”) announced that Zappallas, GuangDong YiJun Computer System Ltd. (hereinafter “GGwan”) and GuangZhou MeiMei Network Technology Ltd. (hereinafter “MMclick”) has reached a consensus on the basic agreement on the establishment of Hong Kong Corporation (name undecided), and the business alliance through investment as attached below. Under partnership with those two companies, Zappallas will develop the business actively through using know-how of the mobile contents in the China.

Regarding the Investment scheme

Zappallas uses the structure called WFOE, and establishes Hong Kong Corporation with present GGwan management. The Hong Kong Corporation will establish WFOE in China, and hold 100% of the WFOE. The WFOE will arrange the business alliance with GGwan and MMclick.

We are planning that the ratio of investment to the Hong Kong Corporation will be 14.9%. We plan to send one board member.

Schedule

The Last Conclusion of the contract planned at the end of April, 2010

Establishment of Hong Kong Company planned at the end of April, 2010

Outlook for the hereafter

Zappallas believes that this business alliance is important for our mid-term strategy for China, however, its effect upon the corporate earnings of the fiscal year ended April 2010 will be particle.

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**Notification of concerning entry into the Chinese market
through business and capital alliance, etc.
~Beginning transmission of digital contents in China~**

ZAPPALLAS INC. (Head office: Shibuya-ku, Tokyo, president, chief executive officer: Masanori Sugiyama, hereinafter “Zappallas”), providing digital contents for mobile and PC, announced that Zappallas will enter into the Chinese market through the business alliance with iPeer and the business alliance with GGwan and MMclick through establishment and investment of Hong Kong Corporation (name undecided).

It is estimated that the number of chinese mobile phone users will expand into 1billion by 2012. At the same time, by starting 3G service, more expansion of the mobile internet market is expected. Zappallas regards Chinese market as one of the most important markets, and then also positively investigate its market through becoming a member of Mobile Internet Great Wall Club (MIGWC) which is one of the groups in this sector, as the first Japanese business corporation.

iPeer has Corrigan (Tianjin) Technique Consultation Co. Ltd., hereinafter “Kuro company” – China’s online music provider – as a subsidiary, and develops transmissions of Internet and mobile contents. The contents transmission platform “Kuro” that Kuro company supplies will be installed China’s local brand/non-brand mobile phones. In 2010, 150 million units of these mobile phones are expected to be purchased in China. Kuro is expected to be installed on more than 20% (30 million units) of these mobile phones and Zappallas’ contents will be pre-installed on Kuro.

Zappallas has decided to have business alliance with iPeer to make our chinese business grow up through Kuro, which has already established content provider platform and will expect to be more developed in the future.

Regarding concrete business alliance, Zappallas has already started to discuss with iPeer, and planning to provide digital content on Content provider Platform "Kuro" by the first quarter of fiscal year 2011. As installing the application which is available for downloading the contents we provide, users will be able to enjoy our contents through Kuro with charge. (providing content-service and its price is undecided.)

GGwan is providing SNS service for PC and mobile, and the number of members has been over 1 million. Also, it is planned to execute expanding contents service to mobile actively hereafter, and they have already got the ICP license which is necessary for providing mobile service in China. Otherwise, MMclick is developing data marketing business, and not only holds the marketing data among Chinese PC and mobile, but also builds intimate connection with major careers and clients.

Through the establishment of Hong Kong Corporation (name undecided) and investment, also by the business alliance with those two companies, our company will utilize MMclick's every data and human networks as well as actively develop our know-how of the mobile contents in the China through GGwan websites.

For enquiries concerning this document, please contact us at the following address.

ZAPPALLAS, INC. (<http://www.zappallas.com>)

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