

December 7, 2012

**ZAPPALLAS**

To whom it may concern

Name of company: ZAPPALLAS, INC.  
Stock code: 3770  
Stock exchange listing: Tokyo Stock Exchange, First Section  
Headquarters: 2-12-19, Shibuya, Shibuya-ku, Tokyo  
Representative  
Title: Representative Director / Chairperson / President  
Name: Mari Kawashima  
Contact person  
Title: General Manager of Corporate Management Division  
Name: Masato Kobayashi  
Tel: +81-(3)-6434-1036 (Main)  
URL: <http://www.zappallas.com/>

**Notice Regarding the Establishment of a Subsidiary and  
Acquisition of Business at the Subsidiary**

At a Board of Directors meeting held on December 7th, 2012 at ZAPPALLAS, INC., a company resolution was passed in regards to the establishment a new subsidiary and acquisition of business at the subsidiary. The information relevant to the decision is as follows.

1. Reason for Establishment of a Subsidiary & Acquisition of Business at the Subsidiary

Although our company has primarily offered digital content focused on "divination" domestically within Japan, in the aim of developing content distribution for the global market in earnest in the future, our company has established a subsidiary that deliver content in the USA. Also, the subsidiary acquired Daily Insight Group (hereinafter referred to as DIG), a "divination" business operating under the umbrella of NameMedia, Inc. (hereinafter referred to as NameMedia, Inc.), from NameMedia, Inc..

DIG, the acquired company, is a top-class divination related website, which is offering a variety of divination content to an active user base totaling nearly six million users through websites such as Tarot.com, as well as content to significant USA-based media sites, such as AOL. Through the acquisition, we anticipate becoming the world's largest provider of divination content.

Hereafter, we believe that it will be possible to expand business substantially by uniting the mobile-content production and billing knowledge that our company has cultivated thus far with promotion expertise such as CRM. Furthermore, through combining DIG, we expect the expansion of the English version of the eastern divination portal site "senn" that was originally released during the current fiscal year to accelerate.

Our company considers DIG as a foothold for the future global expansion. Through the primary creation of US-based international expansion initiative, our company will continue to focus on business expansion internationally, not only domestically, in aim towards the continued expansion of our group.

2. Information regarding the subsidiary to be established

- |      |  |   |
|------|--|---|
| (1)  | Trade Name   | Zappallas, Inc. (U.S.)  |
| (2)  | Representative   | CEO Naokazu Morita  |
| (3)  | Location of Head Office                                  | Delaware, USA   |
| (4)  | Date of Establishment                                    | December 12th, 2012 (TBD)   |
| (5)  | Primary Business   | Content Distribution for the International Market   |
| (6)  | Accounting Period  | March   |
| (7)  | Capital  | 100,000 US\$ (At time of establishment)   |
| (8)  | Issued Shares  | 1,000 Shares (At time of establishment)   |
| (9)  | Composition of Major Shareholders & Ownership Percentage | ZAPPALLAS, INC. 1,000 Shares (100%)   |
| (10) | Relationship to Company                                  | There are no capital or business-related ties.<br>In regards to personnel, there are one board member and one employee who will serve concurrently. |

3. Acquisition Information in Regards to the Subsidiary

(1) Description of Business Acquisition

All of the organizational assets constituting the "divination" business (Daily Insight Group), as affiliated with NameMedia, Inc.

Specifically, our company will take over all of the websites currently operating under the domain names "Tarot.com", "DailyHoroscope.com", "Numerology.com", "Decoz.com", and "Twittascope.com", as well as its related business and assets, personnel and all various rights relating to business.

(2) Operating Results for the Acquisition

	Term Ended December, 2010	Term Ended December, 2011
Sales	6.9 million US\$	5.8 million US\$
Income Before Interest, Taxes, Depreciation and Amortization	3.2 million US\$	2.7 million US\$
Net Income	1.2 million US\$	0.9 million US\$

(3) Acquired Assets & Liabilities and Its Amount

At the time of business acquisition, our company took over the website, the rights accompanying the website and the personnel, etc. in regards to businesses described in the aforementioned section 4 (1). The expected monetary amount will be approximately 1.4 billion yen on December 2012.

Furthermore, in regards to employees of the aforementioned business, all of the employees are scheduled to be received as the subsidiary's employees under new employment contracts. With headquarters located in Delaware, USA, there are plans to continue business in Portland, Oregon, where the Daily Insight Group is currently located.

(4) Acquisition Cost & Means of Settlement

To be a cash settlement of approximately 1.4 billion yen.

4. Partner Company Overview

- |     |                         |  |
|-----|-------------------------|--|
| (1) | Trade Name              | NameMedia, Inc.  |
| (2) | Representative          | Kelly Conlin   |
| (3) | Location of Head Office | 225 Wyman Street Waltham, MA 02451 U.S.A.                  |
| (4) | Establishment Date      | February 2005  |
| (5) | Primary Business        | Sale, Intermediation for Internet Domain Names             |
| (6) | Relationship            | There are no capital, personnel, or business-related ties. |

\*We do not announce the amount of capital, assets and composition of shareholders because it is not disclosed.

5. Schedule

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|---------------------|--|
| December 7th, 2012  | Corporate Resolution, Business Transfer Agreement          |
| December 10th, 2012 | Completion of Registration & Formation Process (Tentative) |
| December 14th, 2012 | Transfer of Business (Tentative)                           |

6. Future Prospects

Although this company is scheduled to be consolidated as a subsidiary during the 3rd quarter of the fiscal year ending in April 2013, the predicted impact that this will have on consolidated results for the period through April 2013 is considered to be minor, and there will be no revision of the company earnings forecast.