

**Summary of Consolidated Financial Results for the Six Months Ended October, 2012 (2Q/FY2013)
[Japanese Standards] (Consolidated)**

Company name: ZAPPALLAS, INC. Stock listing: Tokyo Stock Exchange (First Section)
 Securities code: 3770 URL: <http://www.zappallas.com>
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 Scheduled date of filing of Annual Securities Report: December 12, 2012
 Scheduled date of payment of dividend: -
 Supplementary materials for the quarterly financial results: Yes
 Investor conference for the quarterly financial results: Yes (For institutional investors)

(All amounts are rounded down to the nearest million yen)

FINANCIAL HIGHLIGHTS

(As of and for the second quarter ended October 31, 2012)

1. Consolidated Performance

	2Q/ FY2012	2Q/ FY2013	YoY	2Q/ FY2013
	<i>(millions of yen)</i>		<i>(percentage change)</i>	<i>(thousands of U.S. dollars)</i>
(1) Consolidated financial results				
Net sales	5,293	4,574	(13.6)	\$57,421
Operating income	1,413	910	(35.6)	11,426
Ordinary income	1,416	921	(35.0)	11,565
Net income	833	595	(28.5)	7,476
Net income per share <i>(yen, U.S. dollars)</i>	6,696.42	4,746.20	—	59.58
Diluted net income per share <i>(yen, U.S. dollars)</i>	6,586.89	4,696.42	—	58.96
(Note) Comprehensive income (million yen)	As of October 31, 2012: 602 (-27.8%)		As of October 31, 2011: 834 (-14.4%)	

	FY2012	2Q/ FY2013	YoY	2Q/ FY2013
	<i>(millions of yen)</i>		<i>(percentage change)</i>	<i>(thousands of U.S. dollars)</i>
(2) Consolidated financial position				
Total assets	9,417	9,484	—	119,066
Net assets	8,032	8,110	—	101,813
Shareholders' equity ratio	84.4	84.9	—	
Net assets per share <i>(yen, U.S. dollars)</i>	63,558.81	64,158.66	—	805.41
(Reference) Shareholders' equity (million yen)	As of October 31, 2012: 8,053		As of April 30, 2012: 7,946	

2. Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	<i>(yen)</i>				
FY2012	—	0.00	—	4,200.00	4,200.00
FY2013	—	0.00			
FY2013 (Forecast)			—	4,200.00	4,200.00

(Note) Changes from the latest dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending April 30, 2013 (May 1, 2012 – April 30, 2013)

	FY4/2013
	Annual
	<i>(millions of yen)</i>
Net sales	12,000
Operating income	2,200
Ordinary income	2,200
Net income	1,326
Net income per share <i>(yen)</i>	10,610.57

(Note) Changes from the latest financial forecast: None

***Note**

1) Changes in important subsidiaries during the period (change of specified subsidiaries that lead to a change in the scope of consolidation): None

Newly included: — companies (Company name:), Removed: — companies (Company name:)

2) Application of specific accounting methods for producing quarterly consolidated financial statements: None

3) Changes to accounting policies, changes to accounting estimates, restatements

1) Changes to accounting principles caused by revision of accounting standards: Yes

2) Other changes to accounting principles: None

3) Changes to Accounting Estimates: Yes

4) Restatements: None

(Note) It falls under Article 10-5 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements. For details, please refer to “2. Summary Information (Other Information), Changes to Accounting Policies, Changes to Accounting Estimates, Restatements” on page 4 of the appendix.

4) Number of outstanding shares (common stocks)

1) Number of shares outstanding at the end of period (including treasury stock)

As of October 31, 2012: 134,710 shares

As of April 30, 2012: 134,710 shares

2) Number of treasury stock at the end of period

As of October 31, 2012: 9,185 shares

As of April 30, 2012: 9,685 shares

3) Average number of shares during the period (cumulative figure for consolidated quarterly period)

As of October 31, 2012: 125,490 shares

As of October 31, 2011: 124,425 shares

* Status of Implementation of Audit Process

This financial report (“Kessan Tanshin”) is outside the scope of audit procedures based on the Financial Instruments and Exchange Act, and at the time of the release of this financial report the process of auditing financial statements based on the Financial Instruments and Exchange Act has not yet been completed.

* Explanations and Special Instructions on the Appropriate Use of Earnings Forecasts

The above estimates were made based on the information available as of the date of this release. Actual results could significantly differ from the above estimates due to a variety of factors. For details on the conditions that form the assumptions used for earnings forecasts, and notes on using earnings forecasts, please refer to appendix page 3, “1. Qualitative Information Regarding the Consolidated Performance for the Current Quarter (3) Qualitative Information Regarding Consolidated Earnings Forecasts.”

* U.S. dollar amounts have been translated from Japanese yen, for readers’ convenience only, at the exchange rate of ¥79.66=US\$1, the approximate exchange rate of TTM of Bank of Tokyo-Mitsubishi UFJ, Ltd. as of October 31, 2012.

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1. Qualitative Information Regarding the Consolidated Performance for the Current Quarter

(1) Consolidated Management Analysis Report

During the second quarter of this consolidated fiscal year, the Japanese economy still remains uncertain, affected by the global economic recession and a decline in production and exportation.

Regarding the environment surrounding the mobile business, the mobile content-related market (mobile content markets and mobile commerce markets) is continuing to expand, reaching 1.9061 trillion yen in fiscal year 2011 (+15.2% compared to the previous quarter) (Note 1). Within the 734.5 billion yen mobile contents market (+13.6%), the feature phone (Note 2) market remained stable at 653.9 billion yen (+1.1%) and the 80.6 billion yen smartphone (Note 3) market was added. The rapid growth of the smartphone market is benefitting the mobile contents market as a whole (Note 1). Studies of the size of the smartphone market began in the 2011 fiscal year.

In this environment, in the midst of a transition from feature phones to smartphones, the Zappallas Group's existing digital content business took a variety of measures in order to meet the emerging needs of smartphone users and the reduction in content for users of its flagship feature phones.

Furthermore, the commerce business focused on the handling of high value-added products with a goal of expanding the product line-up. Also, we worked on the growth of new commerce sites that have been launched in the first quarter of this consolidated fiscal year.

As a result, sales in the second quarter of this consolidated accounting period totaled 4,574,222 thousand yen (-13.6% year-on-year), operating income 910,264 thousand yen (-35.6%), ordinary income 921,279 thousand yen (-35.0%), and quarterly net income 595,600 thousand yen (-28.5%).

(Note 1) Data obtained from a Mobile Content Forum survey made available on July 20, 2012.

(Note 2) Feature phones are more traditional mobile phones, with phone functions as the main focus, but also including other features such as cameras and internet.

(Note 3) This refers to multifunction mobile phones that possess functions similar to personal computers, such as the iPhone and Android phones.

Results by business segment are as follows.

1) Contents Business

For the contents business, we focused on responding the needs of the growing smartphone users market. Also, we have worked on the introduction of new contents, the enhancement of separately charged menus, etc.

In the second quarter of this consolidated fiscal year, we released 129 official contents for feature phones and smartphones and 54 PC contents, as well as working on diversified payment structures for divination contents in order to respond to varied user needs.

With the switch from feature phones to smartphones progressing, there was a continued decrease in the number of monthly paying users for official contents on feature phones. But with a steady increase in the number of monthly paying users for official contents on smartphones, the number of monthly subscribers for pay services on mobiles was 1.492 million at the end of the second quarter of this consolidated fiscal year.

As a result of the above, sales in the contents business for the second quarter of this consolidated fiscal year totaled 3,497,739 thousand yen (-13.9% year-on-year), and segment income totaled 1,369,836 thousand yen (-20.5%).

2) Commerce Business

Zappallas Group's commerce business can be divided into e-commerce business (mobile and PC) and other commerce businesses.

For the e-commerce business, based on the Group's policy of placing LTV (Note 5) as the most important factor, the commerce business created a policy of handling products with high added value and originality. In accordance with this policy, we implemented the measures such as enhancing product lines and improving the store's visibility for the newly-opened commerce site, the "Fujimaki Department Store", which was opened in the

first quarter of this consolidated fiscal year, and it showed stable growth. However, the downward trend in sales related to the e-commerce business has continued due to significantly decreasing the range of products handled since the change in policy for commerce business in the second quarter of the previous consolidated fiscal year.

Furthermore, in other commerce business, the sales situation of BxE, Inc., which became a subsidiary during the third quarter of the previous consolidated fiscal year, displayed a moderate level of change in the second quarter of the current consolidated fiscal year, because of the favorable sales reaction due to product renewal in the first quarter of this consolidated fiscal year with the background of growth in the natural and organic cosmetics market. However, sales cost increased due to the aggressive advertising policy that was implemented during the renewal.

As a result of the above, sales in the commerce business for the second quarter of this consolidated fiscal year totaled 936,417 thousand yen (-16.1% year-on-year), and segment income totaled 5,345 thousand yen (-79.2%).

(Note 5) Abbreviation for LifeTime Value. Future profits that the customer will bring into the company.

3) Other Businesses

Other business was mainly centered on advertising on the middle- and high school student-aimed profile site (Note 6) “Zenryaku Profile,” and commissions for mobile site development and site management duties for sites including the “Y! Suica” service, but effort was also put into the development of new sites and new services.

As a result of these activities, sales for the second quarter of this consolidated fiscal year totaled 140,065 thousand yen (+22.9% year-on-year), while segment losses totaled 71,221 thousand yen (segment income in the same period the previous year was 57,582 thousand yen) due to upfront investment in developing new genres.

(Note 6) Services that enable users to upload introductory profile pages to the Internet by answering just a few simple questions.

(2) Consolidated Financial Analysis Report

1) Assets, Liabilities and Net Assets

Total assets were 9,484,864 thousand yen at the end of the second quarter of this consolidated fiscal year, an increase of 67,701 thousand yen from the end of the previous fiscal year. This was mainly due to a 350,605 thousand yen increase in cash and deposits and 117,332 thousand yen increase in software, despite a 461,873 thousand yen decrease in accounts receivable, trade due to decrease in sales.

Total liabilities were 1,374,414 thousand yen, a decrease of 9,844 thousand yen from the end of the previous fiscal year. This was mainly due to a 34,521 thousand yen decrease in accounts payable, trade, a 31,754 thousand yen decrease in provision for sales returns and a 22,959 thousand yen decrease in other current liabilities, despite an 85,643 thousand yen increase in accounts payable, other.

Net assets totaled 8,110,449 thousand yen, an increase of 77,545 thousand yen from the end of the previous fiscal year. This was mainly due to a 77,226 thousand yen decrease in treasury stock due to issuing treasury stock when share warrants were exercised and a 31,431 thousand yen increase in retained earnings, despite a 38,161 thousand yen decrease in subscription rights to shares.

2) Cash flow

Cash and cash equivalents (cash hereinafter) totaled 4,950,626 thousand yen at the end of the consolidated second quarter, an increase of 150,775 thousand yen from the end of the previous fiscal year.

Cash flow from operating activities

Net cash provided by operating activities was 1,268,394 thousand yen (+42.0% year-on-year). The main negative factors were income taxes paid of 340,010 thousand yen. The main positive factors were income before income taxes of 899,672 thousand yen, depreciation and amortization of 217,583 thousand yen, and a decrease in notes and accounts receivable, trade of 461,873 thousand yen.

Cash flow from investing activities

Net cash used in investing activities was 576,950 thousand yen (+485.6% year-on-year). The main negative factors were payments into time deposits of 200,000 thousand yen, purchase of property, plant and equipment of 78,648 thousand yen, purchase of intangible assets of 229,724 thousand yen, and payment for guarantee deposits of 70,082 thousand yen.

Cash flow from financing activities

Cash used in financing activities was 540,668 thousand yen (+3.9% year-on-year). This can mostly be accounted for by cash dividends payments of 523,145 thousand yen.

(3) Qualitative Information Regarding Consolidated Earnings Forecasts

With the transfer from feature phones to smartphones expected to continue, the environment surrounding mobile business will continue to see significant changes.

Considering this environment, in addition to continuing to develop and grow key contents to follow divination, the Group goal will be for current customers to continue to use Zappallas Group services even as they grow older, with a policy of providing a variety of services that can appeal to diverse age groups as part of a “Lifetime Platform” strategy

While expanding in a variety of directions, in addition to looking at optimizing sales expenses and general administration expenses including advertising costs, efforts will also be made to improve our operating base with investment into development and growth of new growth businesses.

Business results for the fiscal year ending April 30, 2013 are proceeding mostly as expected at the end of the second quarter, and there are no changes to be made for the results forecasts announced on June 13, 2012.

2. Summary Information (Other Information)

Changes to Accounting Policies, Changes to Accounting Estimates, Restatements

Changes to Accounting Policies

(Changes to Depreciation Method)

Following changes in the Corporation Tax Act, the Company and domestic subsidiaries will, as of this first quarter consolidated fiscal year, change the method for depreciation based on the revised Corporation Tax Act for all tangible fixed assets acquired from May 1, 2012 onwards.

As a result, there will be a minor impact on the operating income, ordinary income and income before income taxes for the second quarter of this consolidated fiscal year.

Changes to Accounting Estimates

(Changes to Service Lifetime)

Having decided during the first quarter of this consolidated fiscal year to move the head office building, the service lifetime for assets that will be rendered unusable by the move (a portion of the 'Buildings and structures' and 'Tools, furniture and fixtures:' held by the company) will be changed to have a service lifetime up to the month of the move, with changes made as necessary in the future.

With this change, compared to the previous method in the second quarter of this consolidated fiscal year depreciation increased by 38,918 thousand yen and operating income, ordinary income and income before income taxes all decreased by 38,918 thousand yen.

3. Consolidated Financial Statement

(1) Consolidated Balance Sheets

(Thousands of yen)

	Fiscal year ended April 2012 (At April 30, 2012)	Six Months Ended October 31, 2012 (At October 31, 2012)
ASSETS		
Current Assets		
Cash and deposits	4,296,316	4,646,922
Accounts receivable, trade	2,091,595	1,629,722
Short-term investment securities	503,535	503,704
Merchandise and finished goods	26,644	44,033
Other	209,953	211,114
Allowance for doubtful accounts	(30,498)	(22,277)
Total Current Assets	7,097,546	7,013,219
Non-current Assets		
Property, Plant and Equipment	175,048	136,098
Intangible Assets		
Software	467,590	584,922
Goodwill	585,811	551,646
Other	38,274	28,292
Total Intangible Assets	1,091,676	1,164,862
Investments and Other Assets		
Investment securities	608,471	606,613
Other	444,419	564,070
Total Investments and Other Assets	1,052,891	1,170,684
Total Non-current Assets	2,319,615	2,471,644
Total Assets	9,417,162	9,484,864
LIABILITIES		
Current Liabilities		
Accounts payable, trade	332,167	297,646
Account payable, other	485,419	571,063
Current portion of long-term loans payable	31,956	31,956
Income taxes payable	348,684	363,161
Provision for point card certificates	14,736	11,532
Provision for sales returns	31,754	—
Other	75,336	52,376
Total Current Liabilities	1,320,055	1,327,735
Non-current Liabilities		
Long-term loans payable	62,763	45,455
Other	1,440	1,224
Total Non-current Liabilities	64,203	46,679
Total Liabilities	1,384,258	1,374,414
NET ASSETS		
Shareholder's Equity		
Capital stock	1,458,343	1,458,343
Capital surplus	1,383,718	1,383,718
Retained earnings	6,599,800	6,631,231
Treasury stock	(1,495,870)	(1,418,644)
Total Shareholders' Equity	7,945,992	8,054,649
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	448	(1,133)
Total Accumulated other comprehensive income	448	(1,133)
Subscription rights to shares	38,161	—
Minority Interests	48,301	56,934
Total Net Assets	8,032,903	8,110,449
Total Liabilities and Net Assets	9,417,162	9,484,864

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Comprehensive Income
(Consolidated Quarterly Statements of Income)
(For the Six Months Ended October 31, 2012)

	(Thousands of yen)	
	Six Months Ended October 31, 2011 (May 1, 2011 – October 31, 2011)	Six Months Ended October 31, 2012 (May 1, 2012 – October 31, 2012)
Net Sales	5,293,452	4,574,222
Cost of Sales	1,751,443	1,395,922
Gross Profit	3,542,009	3,178,300
Reversal of provision for sales returns	–	10,476
Gross profit-net	3,542,009	3,188,776
Selling, General and Administrative Expenses	2,128,601	2,278,512
Operating Income	1,413,407	910,264
Non-operating Income		
Interest income	847	766
Profit from investment-equity method	2,032	–
Technical support fee	1,315	–
Reversal of allowance for doubtful accounts	4,112	8,220
Gain on investments in partnership	–	851
Other	2,120	2,552
Total Non-operating Income	10,428	12,390
Non-operating Expenses		
Interest expenses	1,346	1,291
Equity in losses of affiliates	–	83
Loss on investments in partnership	6,013	–
Other	136	–
Total Non-operating Expenses	7,497	1,375
Ordinary Income	1,416,338	921,279
Extraordinary Loss		
Loss on sales and retirement of non-current assets	1,243	209
Loss on valuation of investment securities	5,250	–
Loss on abandonment of goods	–	21,398
Total Extraordinary Loss	6,493	21,607
Income before Income Taxes	1,409,844	899,672
Income taxes, current	596,234	353,782
Income taxes, deferred	(21,681)	(58,342)
Total Income Taxes	571,553	295,439
Income Before Minority Interests	835,291	604,232
Minority Interests in Income	2,090	8,632
Net Income	833,201	595,600

(Consolidated Quarterly Statements of Comprehensive Income)
(For the Six Months Ended October 31, 2012)

(Thousands of yen)

	Six Months Ended October 31, 2011 (May 1, 2011 – October 31, 2011)	Six Months Ended October 31, 2012 (May 1, 2012 – October 31, 2012)
Income Before Minority Interests	835,291	604,232
Other Comprehensive Income		
Valuation difference on available-for-sale securities	(655)	(1,582)
Total Other Comprehensive Income	(655)	(1,582)
Comprehensive Income	834,636	602,650
Comprehensive Income Attributable to		
Owners of the parent	832,546	594,018
Minority interests	2,090	8,632

(3) Consolidated Quarterly Statements of Cash Flows

(Thousands of yen)

	Six Months Ended October 31, 2011 (May 1, 2011 – Oct. 31, 2011)	Six Months Ended October 31, 2012 (May 1, 2012 – Oct. 31, 2012)
Net Cash Provided by (used in) Operating Activities:		
Income before income taxes	1,409,844	899,672
Depreciation and amortization	128,812	217,583
Amortization of long-term prepaid expenses	1,565	5,811
Loss (gain) on investments in partnership	6,013	(851)
Amortization of goodwill	1,680	34,164
Share-based compensation expenses	13,629	—
Increase (decrease) in allowance for doubtful accounts	(4,112)	(8,220)
Increase (decrease) in provision for sales returns	—	(31,754)
Increase (decrease) in provision for point card certificates	277	(3,204)
Increase (decrease) in allowance for bonuses	2,610	—
Interest income	(847)	(766)
Interest expenses	1,346	1,291
Loss (gain) on sales and retirement of non-current assets	1,243	209
Loss (gain) on valuation of investment securities	5,250	—
Equity in (earnings) losses of affiliates	(2,032)	83
Decrease (increase) in notes and accounts receivable, trade	378,022	461,873
Decrease (increase) in inventories	(3,606)	(18,031)
Increase (decrease) in notes and account payable, trade	(108,041)	(34,521)
Increase (decrease) in accounts payable, other	(17,461)	3,080
Increase (decrease) in accrued consumption taxes	(189,268)	106,548
Other	(99,506)	(24,253)
Subtotal	1,525,420	1,608,717
Interest income received	1,167	626
Interest income payment	(1,346)	(938)
Income taxes paid	(632,140)	(340,010)
Net Cash Provide by (Used in) Operating Activities	893,100	1,268,394
Net Cash Provided by (used in) Investing Activities		
Payments into time deposits	—	(200,000)
Proceeds from redemption of securities	100,000	—
Purchase of property, plant and equipment	(27,776)	(78,648)
Purchase of intangible assets	(173,906)	(229,724)
Payment for guarantee deposits	—	(70,082)
Proceeds from recovery of guarantee deposits	156	1,000
Other	3,004	504
Net Cash Provided by (Used in) Investing Activities	(98,521)	(576,950)
Net Cash Provided by (used in) Financing Activities		
Repayment of long-term loans payable	—	(17,308)
Cash dividends paid	(520,361)	(523,145)
Other	—	(215)
Net Cash Provided by (Used in) Financing Activities	(520,361)	(540,668)
Net Increase (decrease) in Cash and Cash Equivalents	274,217	150,775
Cash and Cash Equivalents at Beginning of the Period	4,587,155	4,799,851
Cash and Cash Equivalents at End of the Period	4,861,373	4,950,626

(4) Notes regarding the conditions of going business

Not applicable.

(5) Notes in the Case of Major Changes in Shareholders' Equity

Not applicable.

(6) Segment Information**I Six Months Ended October 31, 2011 (May 1, 2011 – October 31, 2011)****1. Information Concerning Sales and Income or Loss Amount by Reporting Segment**

(Thousands of yen)

	Reporting segment			Other business (Note 1)	Total	Adjustment amounts (Note 2)	Quarterly consolidated income/loss statement amount (Note 3)
	Contents business	Commerce business	Total				
Sales							
Sales to outside customers	4,063,818	1,115,634	5,179,452	114,000	5,293,452	—	5,293,452
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	4,063,818	1,115,634	5,179,452	114,000	5,293,452	—	5,293,452
Segment income (loss)	1,722,264	25,695	1,747,959	57,582	1,805,541	(392,134)	1,413,407

Notes: 1. The classification “Other business” refers to business segments that are not included in reporting segments, and includes commissioned work and advertising businesses etc.

2. Adjustment amounts for segment earnings are company expenses. Company expenses are mainly selling, general and administrative expenses that are not allocated to reporting segments.

3. Segment income is adjusted with operating incomes calculated in consolidated quarterly statements of income.

2. Information on impairment of non-current assets and goodwill etc. for each reporting segment

Not applicable.

II Six Months Ended October 31, 2012 (May 1, 2012 – October 31, 2012)**1. Information Concerning Sales and Income or Loss Amount by Reporting Segment**

(Thousands of yen)

	Reporting segment			Others business (Note 1)	Total	Adjustment amounts (Note 2)	Quarterly consolidated income/loss statement amount (Note 3)
	Contents business	Commerce business	Total				
Sales							
Sales to outside customers	3,497,739	936,417	4,434,156	140,065	4,574,222	—	4,574,222
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	3,497,739	936,417	4,434,156	140,065	4,574,222	—	4,574,222
Segment income (loss)	1,369,836	5,345	1,375,182	(71,221)	1,303,960	(393,695)	910,264

Notes: 1. The classification “Other business” refers to business segments that are not included in reporting segments, and includes commissioned work and advertising businesses etc.

2. Adjustment amounts for segment earnings are company expenses. Company expenses are mainly selling, general and administrative expenses that are not allocated to reporting segments.

3. Segment income is adjusted with operating incomes calculated in consolidated quarterly statements of income.

2. Information on impairment of non-current assets and goodwill etc. for each reporting segment
Not applicable.

(7) Important Subsequent Events

Establishment of a Subsidiary & Acquisition of Business at the Subsidiary

At the board of director meeting held on December 7th, 2012, in regards to the establishment a new subsidiary and acquisition of business at the subsidiary, a business transfer agreement was entered into on December 7th, 2012. The decision resulted as follows.

1. 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 10th, 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%)

2. The Source and Content of The Acquisition

(1) The Source (Other Party)

NameMedia, Inc. (hereinafter referred to as NameMedia, Inc.)

(2) Business Content

Business related to "divination", affiliated with NameMedia, Inc. (The Daily Insight Group, referred to as DIG below)

3. Reason for Establishment of a Subsidiary & Acquisition of Business

We have established a subsidiary that delivers content in the USA. Also, the subsidiary acquired Daily Insight Group, a "divination" business operating under the umbrella of 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 expect to accelerate the global expansion of the Zappallas Group.

4. Time of Business Transfer

December 7th, 2012, Corporate Resolution, Conclusion of the Business Transfer Agreement

December 14th, 2012, Business Acquisition (Scheduled)

5. Legal Form of Business Combination

Business Acquisition

6. Acquired Assets & Liabilities and Its Amount

Presently have yet to be determined.

7. Acquisition Cost & Means of Settlement

Acquisition Value (Cash Settlement) \$17 Million US\$

** This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*