

May 1, 2015

ZAPPALLAS

Company	ZAPPALLAS, INC.
Representative	Mari Kawashima, Chairperson and CEO (TSE 1st section 3770)
Contact	Director Masato Kobayashi
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Notice Related to the Transfer (Share Transfer) of a Consolidated Subsidiary

Following is notice of a resolution that was adopted at a meeting of the board of directors held on May 1, 2015. The resolution concerns the transfer of all ZAPPALLAS shares in the consolidated subsidiary company B×E Inc. to Emi Oharazawa (currently president of B×E Inc.).

1. Reasons for the share transfer

In November 2011, ZAPPALLAS acquired the subsidiary company B×E Inc., a company involved in wholesale and retail sales of natural cosmetics. The objective was to achieve growth in our commerce business through sales of high added-value B×E merchandise.

Although we succeeded in generating some degree of synergy, there have recently been large changes in the business environment surrounding B×E Inc. Under these conditions, following a review of the future ZAPPALLAS Group strategy, we concluded that we should prioritize the concentration of business resources in our core business areas, and decided to transfer the shares of B×E Inc. As a result of this share transfer, B×E Inc. will no longer be a consolidated subsidiary of ZAPPALLAS, Inc.

2. Overview of the transferred subsidiary

(1) Corporate name	B×E Inc.	
(2) Home office address	4-12-1 Minami-aoyama, Minato-ku, Tokyo	
(3) Representative	Representative Director Emi Oharazawa	
(4) Business	Manufacturing, sale, import, and export of cosmetic products Planning of relaxation salons, etc., consulting business and operation	
(5) Capital	10 million yen	
(6) Date of establishment	December 24, 2004	
(7) Major shareholders and their shareholding	ZAPPALLAS, INC.	68.9%
	Emi Oharazawa	19.4%

ratios	Kohei Matsuki 5.5%		
(8) Relationship between listed company and company concerned in terms of	Capital	ZAPPALLAS owns 68.9% of the issued shares of the company.	
	Human Resources	4 ZAPPALLAS directors serve concurrently as directors and auditors of the company. 2 ZAPPALLAS employees are on loan to the company.	
	Transactions	ZAPPALLAS has concluded a subcontracting agreement, employee loan agreement, and basic product sales agreement with the company.	
(9) Financial status and business results from the most recent 3 years (*1)			
Accounting period	Year ended April 30, 2012	Year ended April 30, 2013	Year ended April 30, 2014
Net assets	155,374,000 yen	201,501,000 yen	254,689,000 yen
Total assets	383,877,000 yen	378,022,000 yen	613,127,000 yen
Net assets per share	11,897.00 yen	15,428.90 yen	19,501.46 yen
Net sales	235,020,000 yen	1,161,928,000 yen	1,112,220,000 yen
Operating income (loss)	(46,903,000 yen)	95,530,000 yen	80,441,000 yen
Ordinary income (loss)	(46,829,000 yen)	93,303,000 yen	78,814,000 yen
Net income (loss)	(22,262,000 yen)	46,126,000 yen	53,187,000 yen
Net income (loss) per share	(1,704.64 yen)	3,531.90 yen	4,072.56 yen
Dividends per share	—	—	—

*1: Because the settlement date was changed from November to April in the year ended April 30, 2012, this year shows the results from a period of 5 months.

3. Overview of party receiving transfer

(1) Name	Emi Oharazawa
(2) Address	Minato-ku, Tokyo
(3) Relationship between the listed company and this individual	This individual is the president of B×E Inc.

4. Number of transferred shares, transfer price, status of share ownership before/after the transfer

(1) Shares owned before transfer	9,000 (Number of voting rights: 9,000) (Ratio: 68.9%)
(2) Number of transferred shares	9,000 (Number of voting rights: 9,000)
(3) Transfer price	68,913,000 yen

(4) Shares owned after transfer	0 (Number of voting rights: 0) (Ratio: 0%)
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5. Schedule

(1) Resolution by the board of directors	May 1, 2015
(2) Conclusion of the contract for share transfer	May 1, 2015
(3) Share transfer	May 8, 2015 (scheduled)

6. Future outlook

It is expected that the tax effects of this share transfer will increase net income for the year ended April 30, 2015, however the forecast results for the year, including a range of other factors, are currently under investigation. We will report the results when they are confirmed. In addition, a gain or loss from sales of shares in an affiliated company is expected during 1Q of the year ending April 30, 2016. The amount is currently under investigation and will be reported when it is confirmed.

Reference: Forecast consolidated results for the year ended April 30, 2015 (information announced March 13, 2015) and results from the year ended April 30, 2014

	Sales	Operating income	Ordinary income	Net income
Year ended April 30, 2015 (forecast)	Millions yen 7,730	Millions yen 500	Millions yen 700	Millions yen 60
Year ended April 30, 2014	8,155	722	752	375