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July 25, 2025

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Representative Director  
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## **Notice Concerning Execution of Share Exchange Agreement (Simplified Share Exchange) to Make ZAPPALLAS, INC. a Wholly Owned Subsidiary of HIKARI TSUSHIN, INC.**

HIKARI TSUSHIN, INC. (the “Company”) hereby announces that it has decided to execute a share exchange (the “Share Exchange”) in which the Company will become the wholly owning parent company resulting from the share exchange and ZAPPALLAS, INC. (“Zappallas”) will become the wholly owned subsidiary resulting from the share exchange, by resolution of the board of directors on this date, and that the Company entered into a share exchange agreement (the “Share Exchange Agreement”) with Zappallas on the same day, as outlined below.

For the Company, the Share Exchange will be conducted without obtaining the approval by the general shareholders meeting by way of simplified share exchange procedure as set forth in Article 796, Paragraph 2 of the Companies Act. As the Share Exchange is a simplified share exchange to make a consolidated subsidiary a wholly owned subsidiary, certain disclosure items and details have been omitted.

### **1. Purpose of wholly owning the subsidiary through the Share Exchange**

The Company regards the content business operated by Zappallas as having a certain level of presence in the domestic market and considers it an attractive recurring revenue business. Accordingly, we have been exploring the possibility of business collaboration between the parties. Since Zappallas became a consolidated subsidiary of our company in April 2025, we have been conducting closer discussions regarding business strategy and capital policy. Through these discussions, we have come to recognize that although Zappallas’s current business has certain strengths, its growth strategy lacks specificity and feasibility. Furthermore, its initiatives into new businesses are perceived as lacking a solid foundation for success and carrying high risks. From the standpoint, we believe it is desirable for Zappallas to strengthen its close collaboration with the Company and its consolidated subsidiaries (collectively the “Group”) and focus on its existing businesses to promote growth. However, maintaining its listing status requires ensuring independence as a publicly listed company, which poses certain limitations to deepening collaboration with the Group. Moreover, Zappallas has not sufficiently executed HR strategies such as leveraging the creditworthiness of a listed company for fundraising and recruitment. Additionally, the burden of listing maintenance costs relative to operating profit appears excessive, among other issues.

In light of these circumstances, and with full consideration for the interests of minority shareholders of Zappallas, we have come to view the potential delisting of Zappallas as a reasonable

capital strategy. As such, we proposed to Zappallas a share exchange to make it a wholly owned subsidiary after careful consideration with the company. As a result of careful discussions and negotiations between both companies, we reached a mutual understanding that the Share Exchange would contribute to enhancing the corporate value of both parties. Following a review and agreement on the terms and conditions, including the share exchange ratio pertaining to this Share Exchange (the “Share Exchange Ratio”), both companies decided by the resolutions of their respective board of directors today to proceed with the Share Exchange, and entered into the Share Exchange Agreement.

## 2. Summary of the Share Exchange

### (1) Share Exchange Schedule

Date of board of directors’ resolution to enter into the Share Exchange Agreement (the Company and Zappallas)	July 25, 2025
Date of execution of the Share Exchange Agreement (the Company and Zappallas)	July 25, 2025
Record Date for extraordinary shareholders meeting for obtaining the approval the Share Exchange Agreement (Zappallas)	August 12, 2025
Extraordinary shareholders meeting for obtaining the approval the Share Exchange Agreement (Zappallas)	September 30, 2025 (Scheduled)
Final trading date (Zappallas)	October 29, 2025 (Scheduled)
Delisting date (Zappallas)	October 30, 2025 (Scheduled)
Effective date of the Share Exchange (the Company and Zappallas)	November 1, 2025 (Scheduled)

Note 1: For the Company, the Share Exchange will be conducted through a simplified share exchange procedure that does not require obtaining the approval by a resolution of the shareholders meeting, in accordance with Article 796, Paragraph 2 of the Companies Act.

Note 2: The schedule for the Share Exchange may be changed by mutual agreement between the two companies if deemed necessary due to procedural requirements or other circumstances related to the progress of the Share Exchange. Any changes to the above schedule will be promptly announced.

### (2) Method of the Share Exchange

The Share Exchange will be conducted with the Company as the wholly owning parent company resulting from the share exchange and Zappallas as the wholly owned subsidiary resulting from the share exchange.

The Share Exchange will be implemented effective as of November 1, 2025, for the Company, without obtaining the approval by the general shareholders’ meeting by way of simplified share exchange procedure as set forth in Article 796, Paragraph 2 of the Companies Act, and for Zappallas, by obtaining the approval for the execution of the Share Exchange Agreement in its extraordinary shareholders’ meeting scheduled for September 30, 2025.

### (3) Allotment of shares in the Share Exchange

	The Company (wholly owning parent company in Share Exchange)	Zappallas (wholly owned subsidiary in Share Exchange)
Share Exchange Ratio	1	0.0104
Number of shares allotted by the Share Exchange	Ordinary shares of the Company: 93,333 shares (tentative)	

#### Note 1: Share Exchange Ratio

The Company will allot 0.0104 shares of the Company's ordinary share (the "Company Share") per one (1) share of Zappallas (the "Zappallas Share"). Provided that no shares will be allotted in the Share Exchange regarding Zappallas Shares held by the Company as of the Reference Time (as defined below). The above-mentioned Share Exchange Ratio may be subject to change through mutual consultation and agreement between the parties if there is a material change in the conditions on which the calculation of the ratio is based.

#### Note 2: Number of Company Shares to be allotted by the Share Exchange

Upon the Share Exchange, the Company will allot to shareholders of Zappallas (excluding the Company and referring to the shareholders after the cancellation of treasury shares described below) the number of the Company Shares calculated by multiplying 0.0104 by the total number of Zappallas Shares held by each shareholder as of the time immediately before the Company acquires all issued shares of Zappallas (excluding the shares held by the Company) (the "Reference Time").

The Company intends to use its treasury shares (385,681 shares as of March 31, 2025) to allot all Company Shares to Zappallas shareholders in the Share Exchange and does not plan to issue new shares.

Zappallas plans to cancel all of its treasury shares (including any shares acquired by Zappallas in response to share purchase requests made by dissenting shareholders under Article 785, Paragraph 1 of the Companies Act) as of the Reference Time by resolution of the board of directors to be held by the day before the effective date of the Share Exchange.

#### Note 3: Handling of shares less than one unit (*tangen miman kabusihiki*)

Shareholders of Zappallas who, as a result of the Share Exchange, will hold any Company Shares constituting less than one unit (i.e., less than 100 shares) may use the following systems concerning the Company Shares. Please note that shares less than one unit cannot be sold on the financial instruments exchange market.

##### (i) Demand for sale to holder of shares less than one unit (additional purchase to reach one unit (100 Shares))

Under Article 194, Paragraph 1 of the Companies Act and the provisions of our Articles of Incorporation, shareholders who hold shares less than one unit may request to purchase from the Company the number of shares required to make up one full unit when combined with their current holdings.

##### (ii) Demand for purchase of holder of shares less than one unit (Sale of shares less than one unit)

Under Article 192, Paragraph 1 of the Companies Act, shareholders who hold shares less than one unit may request the Company to purchase the shares less than one unit they hold.

#### Note 4: Treatment of fractions less than one share

With respect to the shareholders of Zappallas who would be entitled to receive allotments of any fractions less than one share of the Company upon the Share Exchange, the Company will sell the Company Shares equivalent to the total number of such fractional shares (with any portion less

than one share in aggregate to be discarded) pursuant to Article 234 of the Companies Act and other applicable laws and regulations, and the proceeds from such sale will be distributed in cash to such shareholders in proportion to the respective fractional shares held.

(4) Treatment of stock acquisition rights and bonds with stock acquisition rights in connection with the Share Exchange

Zappallas has not issued any stock acquisition rights or bonds with stock acquisition rights.

3. Basis for the allotment concerning the Share Exchange

(1) Basis and reasons for the allotment

In determining the Share Exchange Ratio for this Share Exchange, the Company engaged Aoyama Trust Accounting Co., Ltd. ("Aoyama Trust"), an independent third-party valuation firm unaffiliated with either the Company or Zappallas, to ensure fairness and appropriateness in calculating the share values of both companies and the Share Exchange Ratio.

Based on the valuation results provided by Aoyama Trust, and after comprehensively considering factors such as the financial conditions, business performance, and stock price trends of both companies, as well as taking into account the interests of the minority shareholders of Zappallas, the Company engaged in careful discussions and negotiations with Zappallas. As a result, both parties concluded that the proposed Share Exchange Ratio is fair and in the best interests of their respective shareholders. Accordingly, the parties have agreed to implement the Share Exchange using this ratio, as resolved at the board meetings of both companies today.

Please note that the Share Exchange Ratio may be revised upon mutual agreement between the parties in the event of any significant change in the conditions on which the calculation is based, as stipulated in the Share Exchange Agreement.

(2) Matters related to the valuation

(i) Name of the valuation firm and relationships with the Company and Zappallas

Aoyama Trust is an independent valuation firm unaffiliated with either the Company or Zappallas. It does not fall under the category of a related party of either company and has no material interest in the Share Exchange that would require disclosure.

(ii) Overview of the valuation

Aoyama Trust conducted its valuation of the Company Shares using the market price method, as our shares are listed on the Tokyo Stock Exchange Prime Market and have an observable market price. In addition, the discounted cash flow (DCF) method was also adopted to reflect the future business outlook in the valuation. The financial forecast based on the Company's business plan for the fiscal year ending March 2026 to March 2030, which Aoyama Trust used as the basis for calculating the share value of the Company Shares using the DCF method, does not include fiscal years that anticipate significant increases or decreases in profit, but does include fiscal years that anticipate significant increases in free cash flow. Specifically, compared to the previous fiscal year, we expect an increase of 60.5% from the previous fiscal year in the fiscal year ending March 2027, an increase of 49.4% from the previous fiscal year in the fiscal year ending March 2028, and an increase of 30.1% from the previous fiscal year in the fiscal year ending March 2029, mainly due to an increase in stock profit due to the growth of the electricity and gas business and insurance businesses and an increase in amortization of contract costs due to an increase in customers.

With respect to Zappallas Shares, since they are listed on the Tokyo Stock Exchange Standard Market and have a market price, the market price method was applied, and similarly, the DCF method was adopted to incorporate future business performance into the valuation. The financial

forecast for Zappallas based on Zappallas' business plan for the fiscal year ending April 2026 to April 2030, which is the basis for calculating the share value of Zappallas Shares using the DCF method, includes fiscal years in which profits are expected to decline significantly. Specifically, operating income for the fiscal year ending April 2026 is expected to decrease by 31.8% compared to the fiscal year ended April 2025, mainly due to a decrease in sales due to the deterioration of the market environment in the fortune-telling content business, as well as an increase in costs associated with the migration of cloud services while fixed costs remain constant.

The valuation results of the valuation of shares of the parties and the valuation range of Zappallas shares assuming the per-share value of the Company Share is set at 1, is as follows:

Adopted method		Per-share value (yen)		Share Exchange Ratio range
The Company	Zappallas	The Company	Zappallas	
Market price method	Market price method	39,295-41,726	366-390	0.00930-0.00935
DCF method	DCF Method	49,574-84,629	540-573	0.00678-0.01088

In conducting this valuation, Aoyama Trust assumed that all publicly available information and the information provided by both companies was accurate and complete. Aoyama Trust did not independently verify the accuracy or completeness of the information.

With respect to the assets and liabilities (including derivative transactions, off-balance-sheet assets and liabilities, and other contingent liabilities) of the Company, Zappallas, and their affiliated companies, no independent evaluation, appraisal, or assessment was conducted, including analysis and valuation of individual assets and liabilities. The valuation was based on information, judgments, and projections provided or disclosed by the Company and Zappallas, and no verification of such information was independently conducted, nor was any appraisal or assessment requested from third-party institutions. The financial forecasts of Zappallas (including profit projections and other relevant information) were assumed to be reasonably prepared by its management based on the best currently available judgments. The share exchange ratio valuation by Aoyama Trust reflects information and economic conditions available as of July 24, 2025. The valuation was prepared solely for the purpose of assisting our Board of Directors in considering the share exchange ratio.

#### 4. Company profile of the parties to the Share Exchange

	Wholly owning parent company	Wholly owned subsidiary
(1) Name	HIKARI TSUSHIN, INC.	ZAPPALLAS, INC.
(2) Location	1-4-10 Nishi-Ikebukuro, Toshima-ku, Tokyo	51-7, Sendagaya, Shibuya-ku, Tokyo
(3) Title and name of representative	President and Representative Director Hideaki Wada	CEO Masatoshi Mizogami
(4) Business description	Electricity & Gas, Telecommunications, Beverage, Insurance, Finance, Solution and Commission based sale businesses	Group-wide Corporate Management
(5) Capital	54,259 million yen (as of March 31, 2025)	1,476 million yen (as of April 30, 2025)
(6) Date of establishment	February 5, 1988	March 27, 2000
(7) Number of outstanding shares	44,269,642 shares (as of March 31, 2025)	10,739,000 shares (as of April 30, 2025)

(8)	Fiscal year-end	End of March	End of April				
(9)	Number of employees	4,861 (consolidated) (as of March 31, 2025)	87 (consolidated) (as of April 30, 2025)				
(10)	Major shareholders and shareholding ratios	HIKARI POWER LIMITED 29.02% The Nomura Trust and Banking Co., Ltd. (Trust Account 2052286) 10.25% Kagoshima East India Inc. 7.51% The Master Trust Bank of Japan, Ltd. (Trust Account) 7.25% Hikari Power Honke LLC 5.35% Custody Bank of Japan, Ltd. (Trust Account) 3.01% Yasumitsu Shigeta 2.73% Takeshi Tamamura 2.42% STATE STREET BANK AND TRUST COMPANY 505001 1.2% Hikari Power Z LLC 0.91% (as of March 31, 2025)	Hikari Tsushin K.K. 19.27% UH Partners 2, Inc. 14.96% SIL, Inc. 14.27% UH Partners 3, Inc. 14.27% Seitaro Nitanda 2.38% Yoshihiro Takebayashi 1.51% BANK JULIUS BAER AND CO. LTD. SINGAPORE CLIENTS (Standing Proxy MUFG Bank, Ltd.) 1.45% NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB) 1.22% Seigo Naito 0.85% Shingo Kaneda 0.80% (as of April 30, 2025)				
(11)	Relationships between the parties						
	Capital relationships	As of today, the Group holds 5,634,200 shares, which is 62.78% of the total number of issued shares of Zappallas (10,739,000 shares) minus the number of treasury shares (1,764,603 shares).					
	Personnel relationships	Out of the 6 directors of Zappallas, two (including one director who is an Audit and Supervisory Committee member) are employees of the Company.					
	Business relationships	We have transactions related to business alliances and content sales between our subsidiary and Zappallas subsidiary.					
	Status as a related party	The Company qualifies as the parent company of Zappallas.					
(12)	Business performance and financial position over the past three years						
The Company (consolidated) (IFRS)							
Zappallas (consolidated) (JGAAP)							
Fiscal year-end (million yen)	Fiscal year ended March 2023	Fiscal year ended March 2024	Fiscal year ended March 2025	Fiscal year-end (million yen)	Fiscal year ended April 2023	Fiscal year ended April 2024	Fiscal year ended April 2025
Equity attributable to owners of the parent	571,009	790,478	914,768	Net consolidated assets	5,749	5,677	4,963
Total consolidated assets	1,691,949	2,078,956	2,371,026	Total consolidated assets	6,280	6,202	5,478
Equity attributable to owners of the parent per share (yen)	12,773.00	17,906.68	20,845.16	Net consolidated assets per share (yen)	473.32	472.45	553.12
Consolidated revenue	643,984	601,948	686,553	Consolidated revenue	4,375	4,373	4,317
Consolidated operating profit	86,615	94,546	105,036	Consolidated operating profit	(362)	280	300
Consolidated pre-tax profit	118,479	168,000	150,718	Consolidated ordinary profit	(341)	350	243

Profit attributable to owners of the parent	91,345	122,225	117,523	Profit attributable to owners of the parent	(469)	162	158
Consolidated net income per share (yen)	2,037.65	2,753.52	2,671.18	Consolidated net income per share (yen)	(36.86)	13.41	13.56
Dividend per share (yen)	545.00	638.00	661.00	Dividend per share (yen)	10.00	5.00	5.00

## 5. Post-Share Exchange status

There will be no changes to the Company's name, head office location, representative's title and name, business description, capital, or fiscal year-end as the wholly owning parent company after the Share Exchange.

## 6. Outlook

We believe that the impact of the Share Exchange on our consolidated financial results is expected to be insignificant. If any matters requiring disclosure arise in the future, we will make announcements promptly.

(Reference) Consolidated earnings forecast for the current fiscal year and consolidated results for the previous fiscal year

### The Company

(Unit: Million yen)

	Revenue	Operating profit	Profit attributable to owners of the parent
Consolidated earnings forecast (Fiscal year ending March 2026)	760,000	115,000	100,000
Consolidated results (Fiscal year ended March 2025)	686,553	105,036	117,523

### Zappallas

(Unit: Million yen)

	Consolidated revenue	Consolidated operating profit	Consolidated ordinary profit	Profit attributable to owners of the parent
Consolidated earnings forecast (Fiscal year ending April 2026)	4,100	210	—	—
Consolidated results (Fiscal year ended April 2025)	4,317	300	243	158