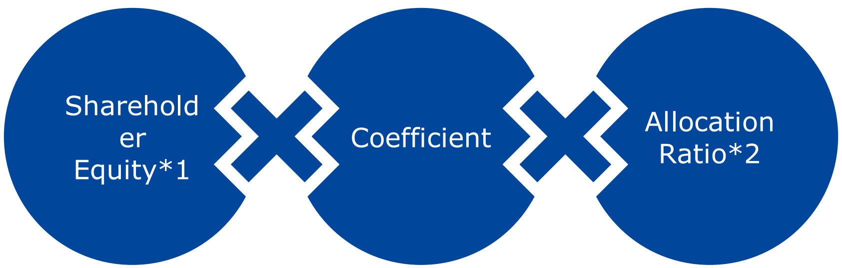
Appendix 2
Governance

Method for Setting Executive Compensation

1. Shareholder Equity-based and Responsibility-based allocation

The remuneration for directors is structured to function as an incentive for clarifying management responsibilities and sustainably enhancing corporate value, with an emphasis on alignment with shareholder interests.



*1 Does not include unrealized gains or losses on stocks.
*2 Allocation ratios are set according to responsibilities.

2. Goal-based setting

Individual compensation is set based on each director's contributions and achievements in their respective areas of responsibility. Evaluation metrics include not only statutory accounting indicators such as operating profit, but also management accounting indicators such as the growth in recurring operating profit and EY.

Target A	¥xx
Target B	¥xx
Target C	¥xx

*We set the compensation for each director to ensure that it does not significantly deviate from that of other companies of a similar size.
* When determining the compensation for individual directors, prior consultation with the Compensation Committee is conducted.

Skin in the game

- 87% of the board members own shares of Hikari Tsushin.

- The main asset of executive directors are Hikari Tsushin shares.

- 94% of the executive officers purchase Hikari Tsushin shares every month.

- We grant a 20% incentive to members of the employee shareholding association.

- Stock purchase-specific loans were extended to 63 executives and employees in the first half of the fiscal year ending March 25.

Many executives and employees take on financial risk by becoming shareholders of Hikari Tsushin.
The more our executives and employees work on creating value from a long-term perspective and increasing shareholder returns, the more their own returns increase.

Financial Discipline

(Billions JPY)

	Mar-21	Mar-22	Mar-23	Mar-24	Sep-24
(1) Cash Reserves	324.5	338.2	406.9	587.9	493.8
Cash and cash equivalents	324.5	338.2	389.3	494.8	391.0
Bonds (*Mainly U.S. bonds, high-grade corporate bonds)	-	-	17.5	93.1	102.7
(2) Balance of interest-bearing liabilities due within 3 years	221.5	212.3	265.9	361.0	369.0
(3) Difference (1-2)	102.9	125.9	140.9	226.8	124.8

Maintain cash reserves that exceeds the balance of interest-bearing liabilities due within 3 years.