HIOKI E.E. CORPORATION

Financial Results Briefing for the Fiscal Year Ending December 31, 2015

(Securities Code: 6866)

February 2016

HIOKI

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Overview

■ Name	HIOKI E.E. CORPORATION
■ Businesses	Development, manufacture, sale, and repair of electrical measuring instruments
■ Founded	June 1935
■ Incorporated	January 1952
■ Capitalization	¥3,299 million
■ Representative	Masanobu Machida, President & CEO
■ Head Office	81 Koizumi, Ueda-shi, Nagano Prefecture
■ Consolidated subsidiaries	HIOKI Forest Plaza Corporation; HIOKI USA Corporation; HIOKI (Shanghai) Sales & Trading Co., Ltd.; HIOKI India Private Limited; HIOKI Singapore Pte. Ltd.; HIOKI Korea Co., Ltd.
■ Employees	778 (consolidated-basis) (as of December 31, 2015)

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Financial Results Overview

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Photograph: Trees at HIOKI Forest Hills

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Overview of 2015 Results

	2014		2015		
	Results (millions of yen)	Percent of sales (%)	Results (millions of yen)	Percent of sales (%)	Year-on-year (%)
Sales	17,086		19,432		113.7%
Cost of sales	10,180	59.6%	11,085	57.0%	108.9%
Selling, general, and administrative expenses	4,936	28.9%	5,454	28.1%	110.5%
Operating profit	1,970	11.5%	2,892	14.9%	146.8%
Recurring profit	2,007	11.7%	2,914	15.0%	145.2%
Net income	1,348	7.9%	2,126	10.9%	157.7%
Earnings per share	¥98.97		¥156.03		

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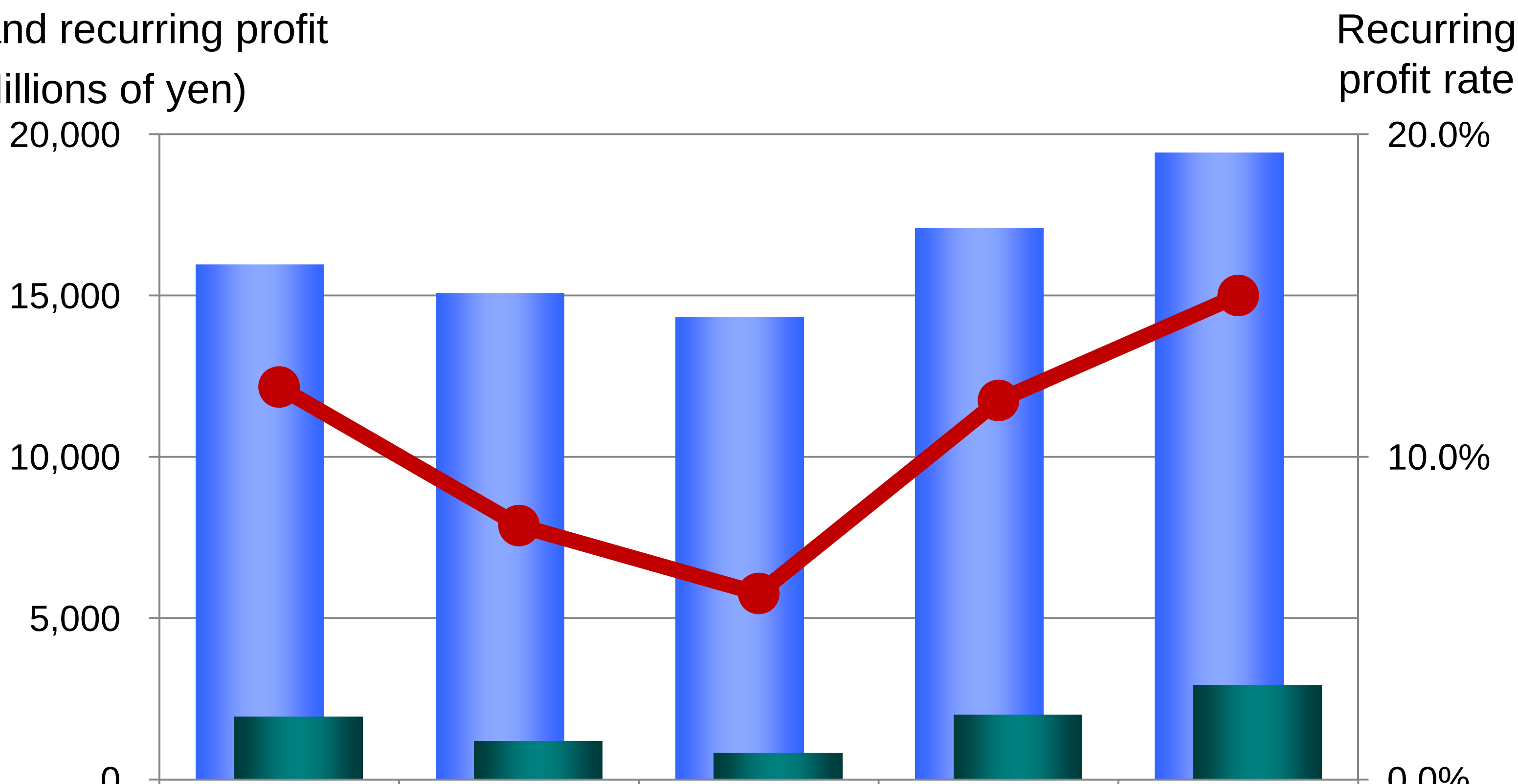
Trend in Sales and Recurring Profit



	2011	2012	2013	2014	2015
Sales	15,966	15,069	14,332	17,086	19,432
Recurring profit	1,942	1,186	826	2,007	2,914
Recurring profit rate	12.2%	7.9%	5.8%	11.7%	15.0%

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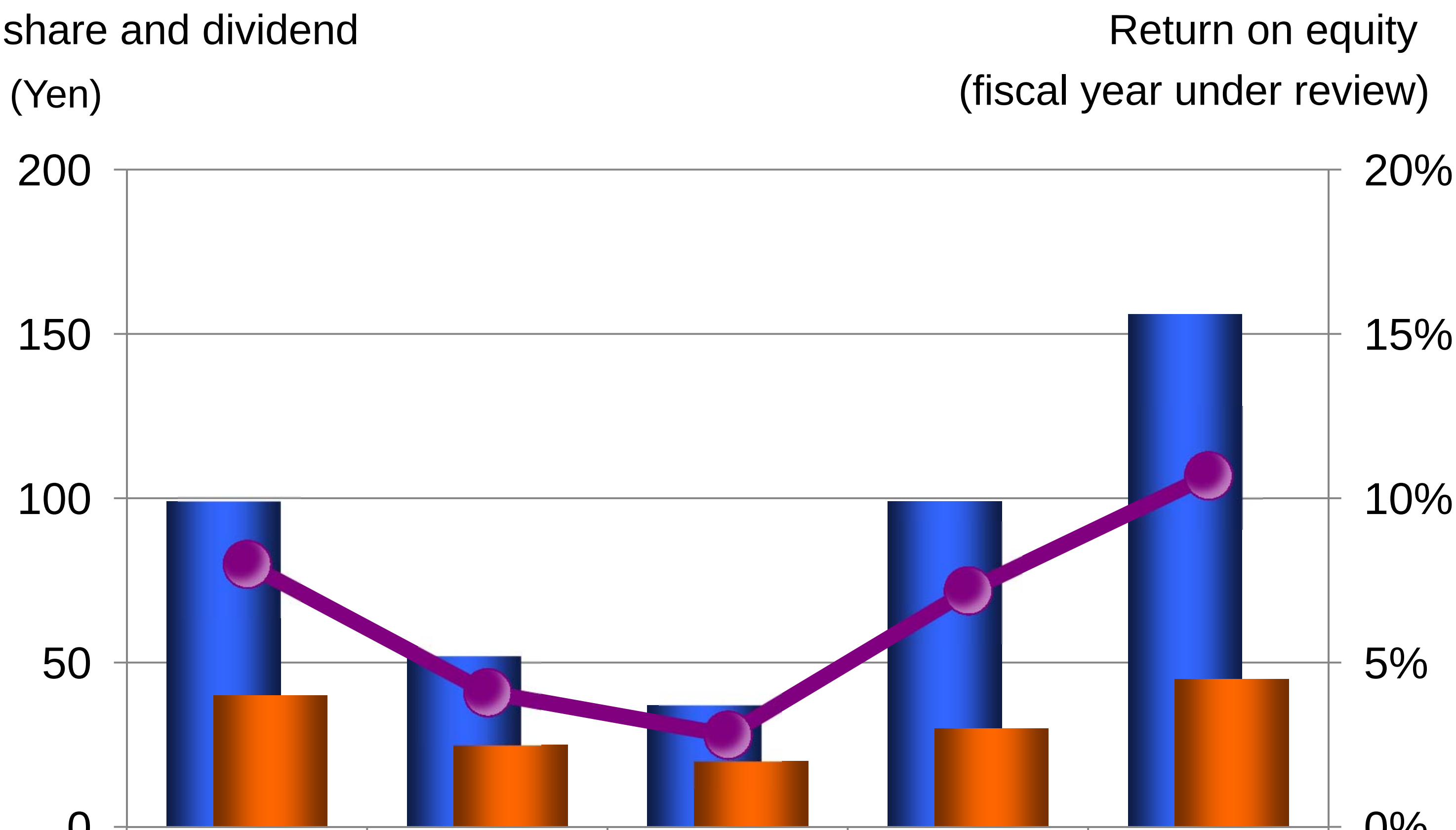
Trend in Earnings per Share and Dividend



	2011	2012	2013	2014	2015
Earnings per share (EPS)	99	52	37	99	156
Dividend per share (yen)	40	25	20	30	45
Return on equity (fiscal year under review)	8.0%	4.1%	2.8%	7.2%	10.7%

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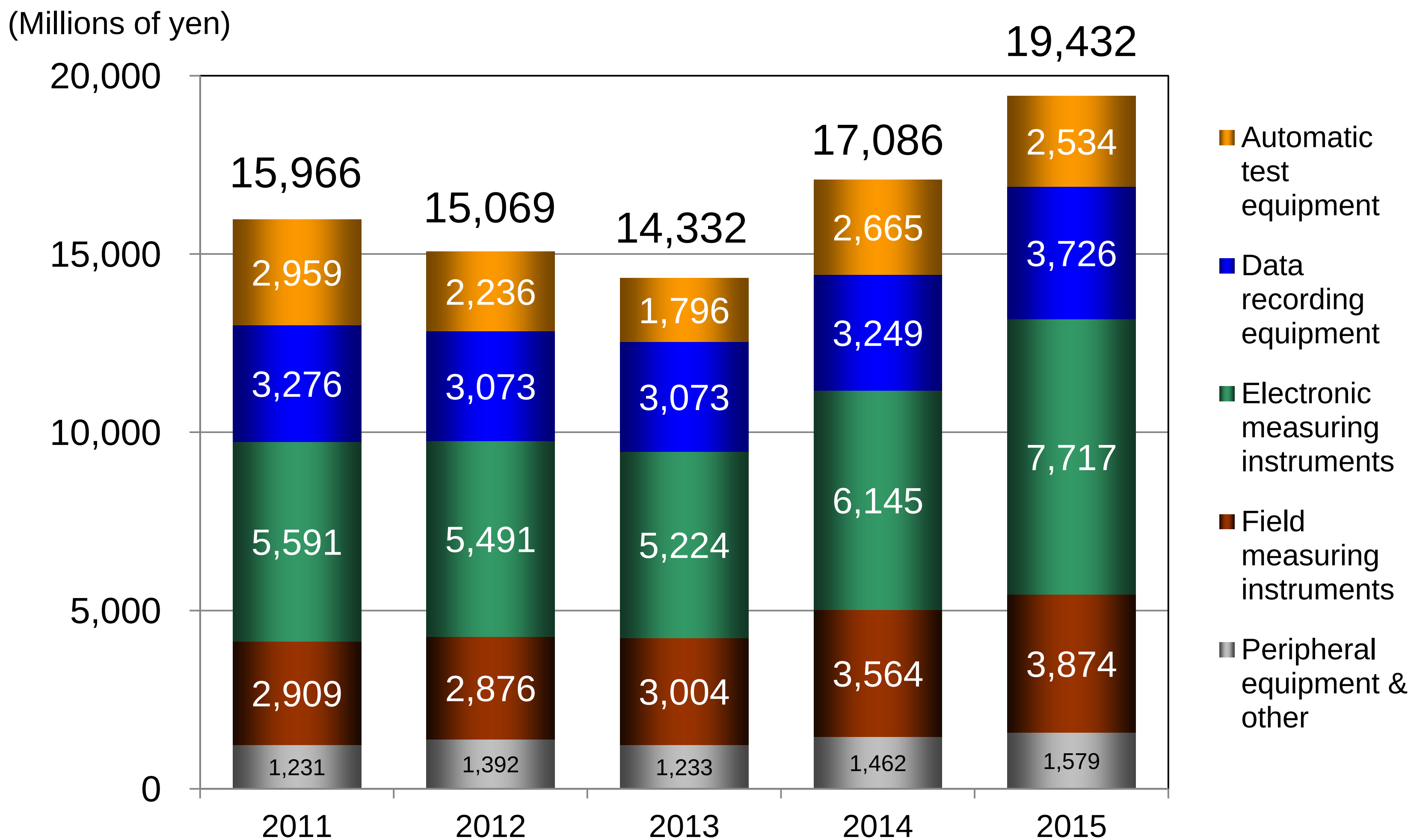
Trend in Sales by Product Category



*Some product categories were changed in 2013. Results for 2011 and 2012 have been allocated using the new categories.

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2015 Overview by Product Category

Automatic test equipment	• Printed circuit board manufacturers adopted a cautious approach to capital investment. • We focused on promoting our products to individual customers while keeping tabs on the trend toward thin printed circuit boards.
Data recording equipment	• We enhanced our line of wireless loggers. We also enhanced associated peripherals, for example by adding a high-voltage measurement unit. Sales in the segment have strengthened as a result.
Electronic measuring instruments	• After we introduced a high-precision, wideband power meter, we saw growth in orders for the product as a system for evaluating motors and inverters. • Thanks to the brisk pace of capital investment in the electronic components industry, we saw growth in order volume for measuring instruments used in inspection applications.
Field measuring instruments	• Sales grew thanks to launches of new products designed for use in electrical work and infrastructure maintenance applications. • Sales grew in the Asian market thanks to increased demand spurred by infrastructure development in the region’s emerging nations, particularly in Southeast Asia.

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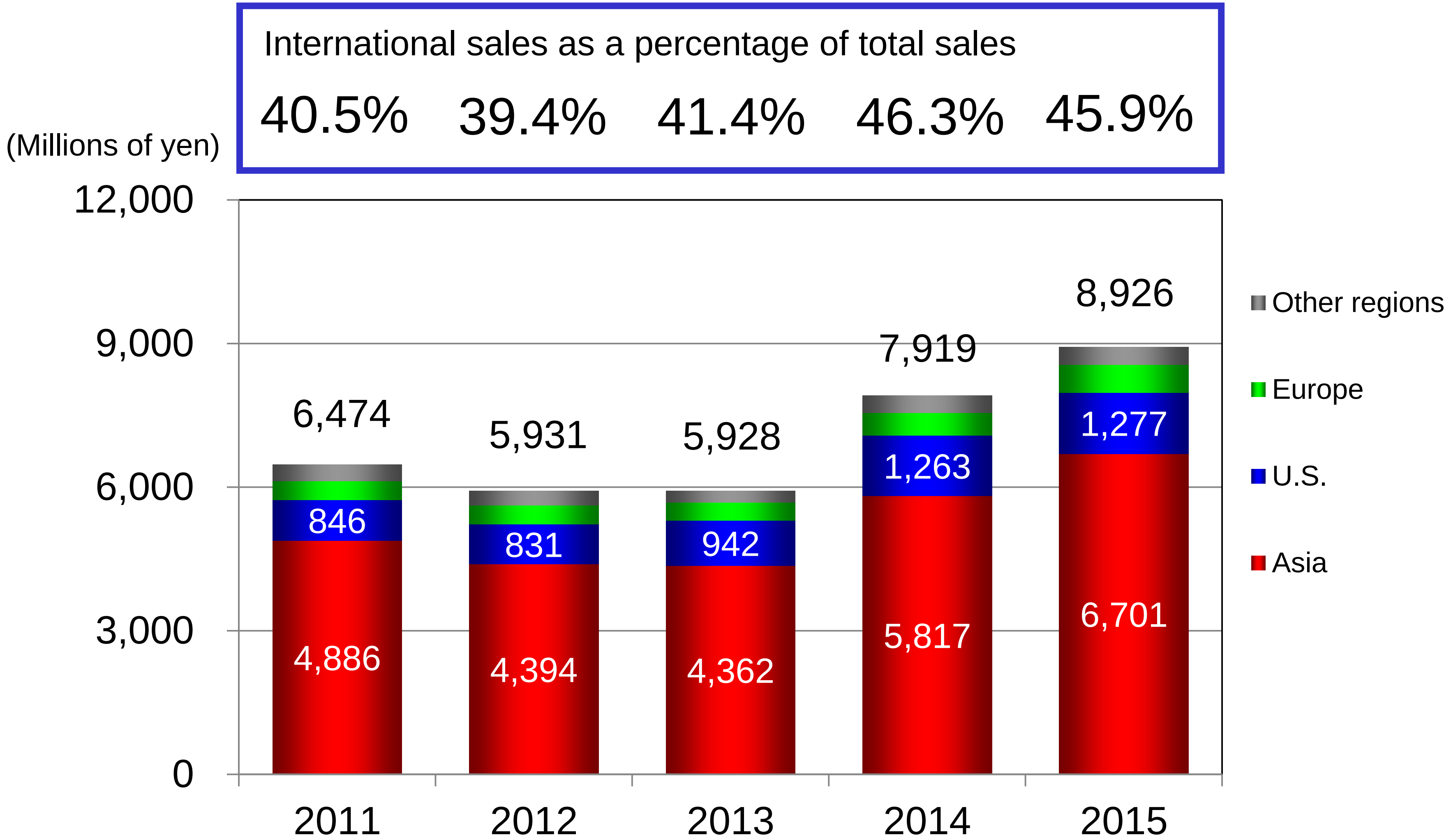
Trend in International Sales



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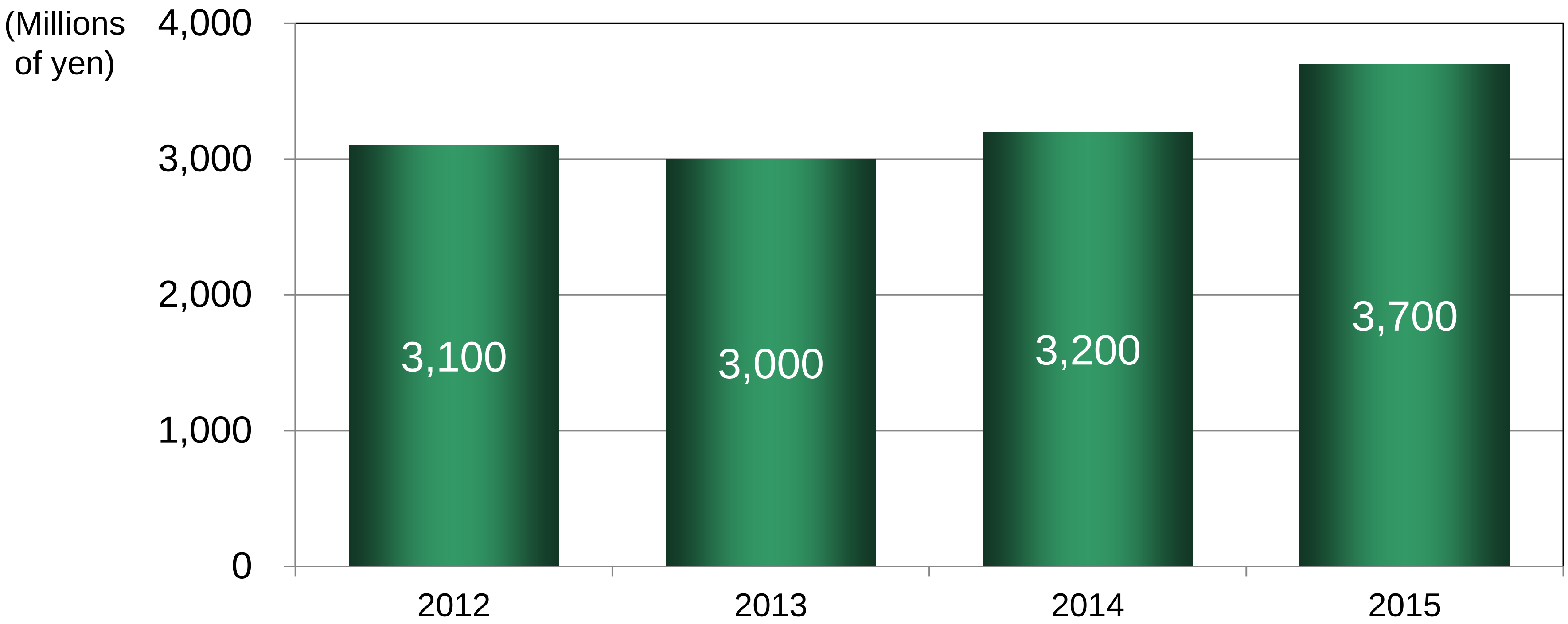
Environmental and Alternative Energy Markets
(Sales of Related Products)

Market trends

Demand for power meters used to measure the power consumption of electrical equipment grew. There was healthy demand for measurement products for use in solar power system maintenance, management, and monitoring applications.

Target products: Remote measurement systems, power meters, PV megohmmeters, battery testers, power quality analyzers, current sensors, loggers



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Electronic Components and Automotive Markets (Sales in Related Categories)

Trends in the electronic components market

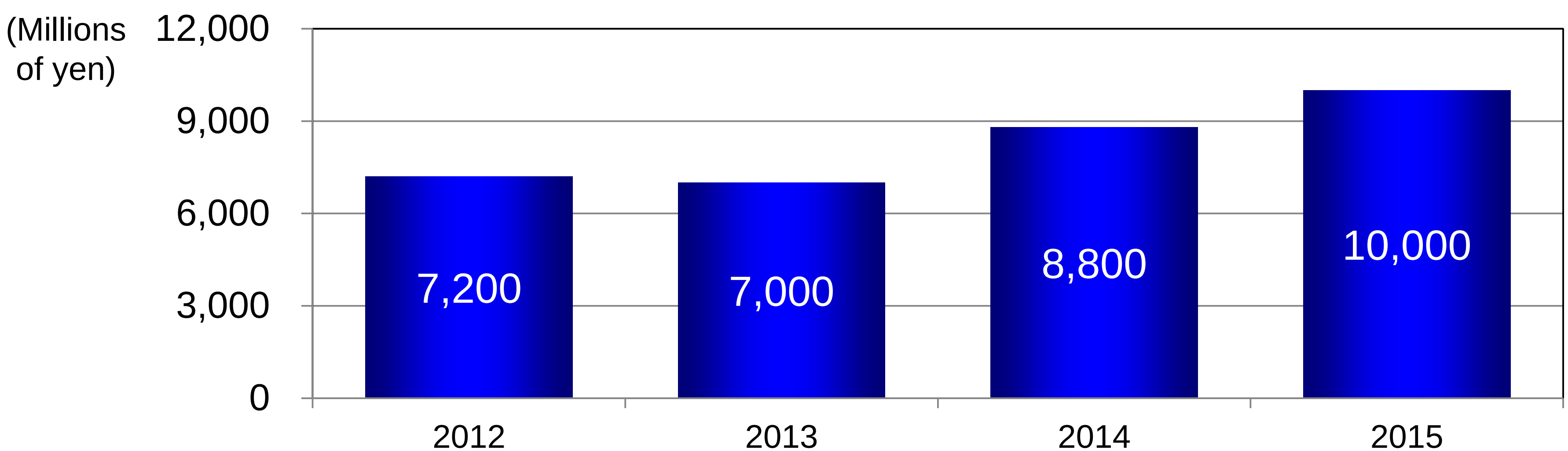
Brisk capital investment continued in the low-price smartphone and tablet market and in the power electronics market, particularly in the automotive segment of the latter. There was healthy demand for equipment for use in component inspection applications.

Target products: Automatic test equipment, super-megohmmeters, LCR meters, resistance meters, battery measuring instruments

Trends in the automotive market

The industry enjoyed strong sales of environmentally friendly vehicles in developed nations and low-cost compact models in emerging nations. Capital investment continued at a brisk pace thanks to increasingly widespread adoption of hybrid vehicles (HVs) and progress in the development of fuel cell vehicles and electric vehicles (EVs).

Target products: Automatic test equipment, super-megohmmeters, LCR meters, resistance meters, power meters, battery measuring instruments, memory recorders



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Mid-term Business Plan and Strategy

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2016 Results Forecast

	2015		2016		
	Results (millions of yen)	Percent of sales (%)	Plan (millions of yen)	Percent of sales (%)	Year-on-year (%)
Sales	19,432		21,500		110.6%
Cost of sales	11,085	57.0%	12,270	57.1%	110.7%
Selling, general, and administrative expenses	5,454	28.0%	5,860	27.3%	107.4%
Operating profit	2,892	14.8%	3,370	15.7%	116.5%
Recurring profit	2,914	14.9%	3,380	15.7%	116.0%
Net income	2,126	10.9%	2,270	10.6%	106.7%
Earnings per share	¥156.03		¥166.58		

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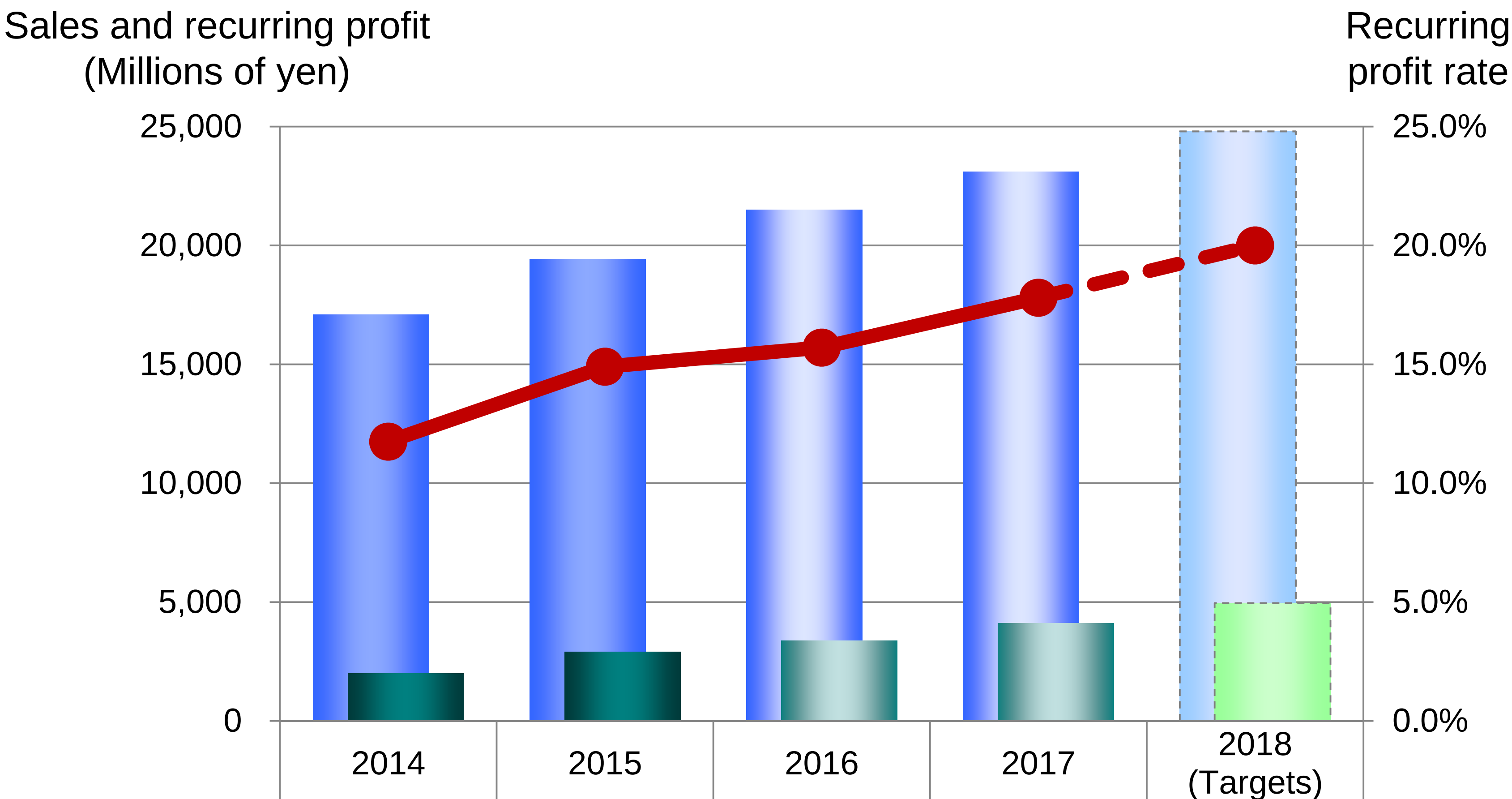
Mid-term Business Plan (2015 to 2017)



	2014	2015	2016	2017	2018 (Targets)
Sales	17,086	19,432	21,500	23,100	24,800
Recurring profit	2,007	2,914	3,380	4,120	4,960
Recurring profit rate	11.7%	14.9%	15.7%	17.8%	20.0%

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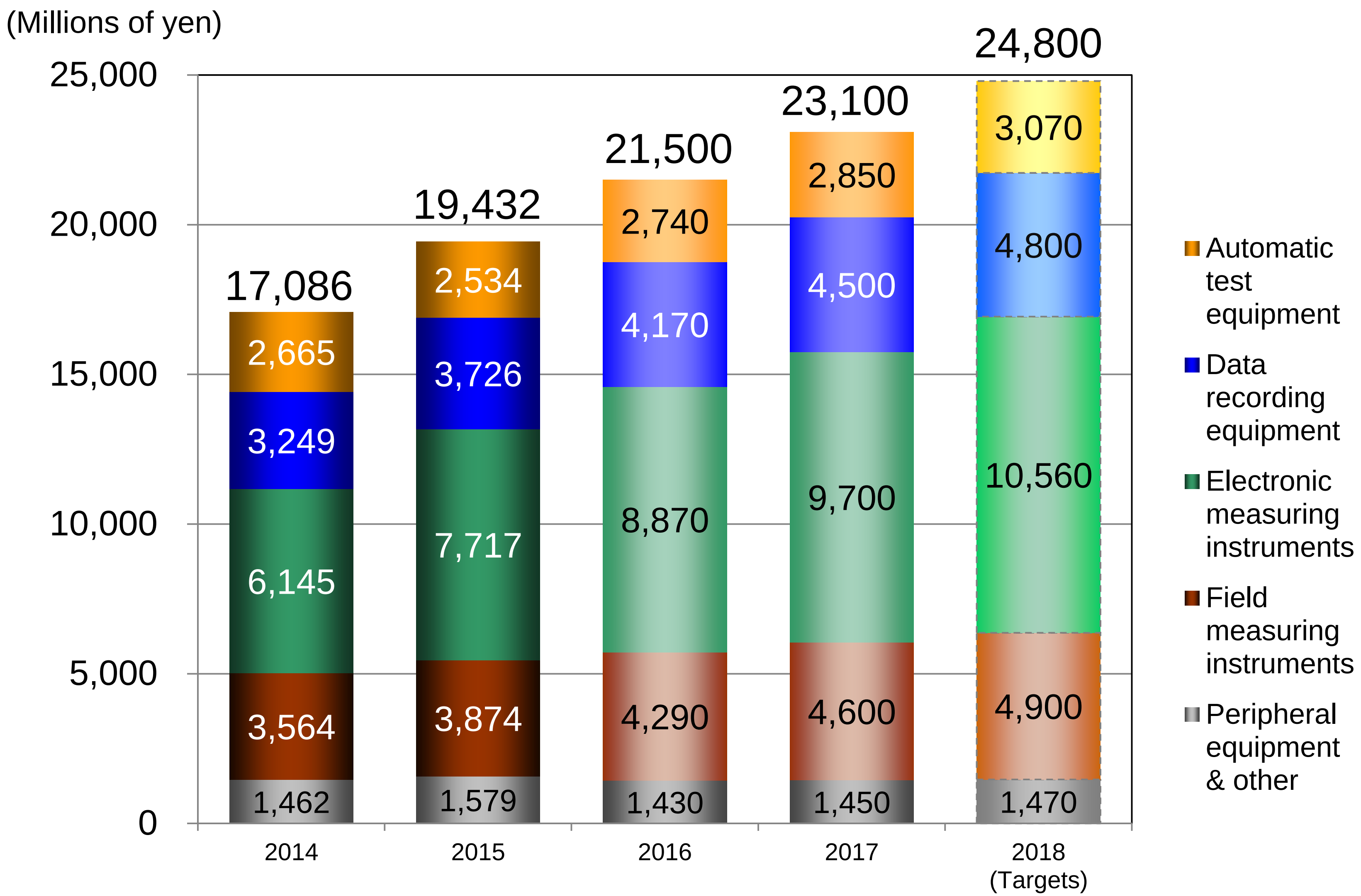
Mid-term Sales Plan by Product Category (2015 to 2017)



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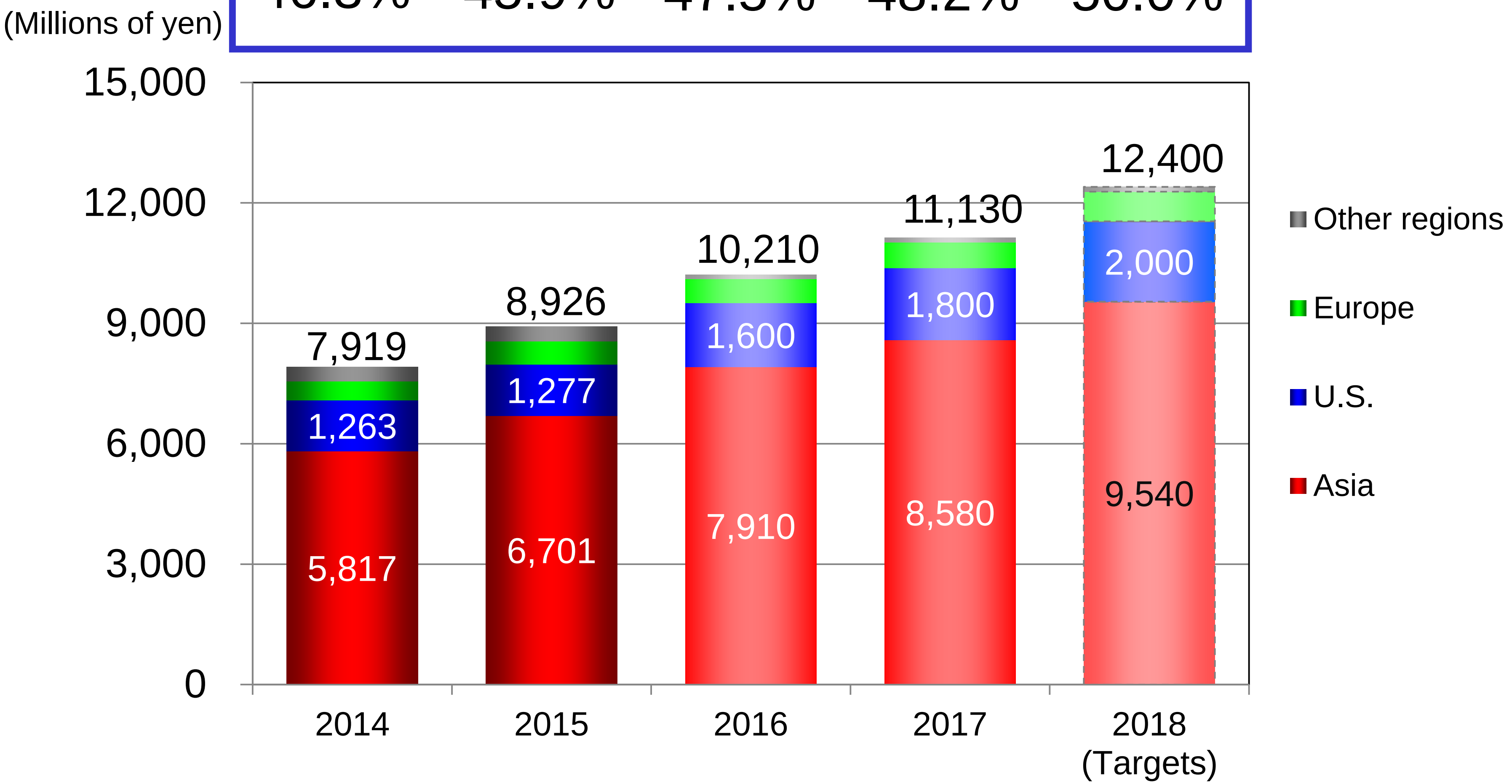
International Mid-term Sales Plan (2015 to 2017)

International sales as a percentage of total sales

46.3% 45.9% 47.5% 48.2% 50.0%



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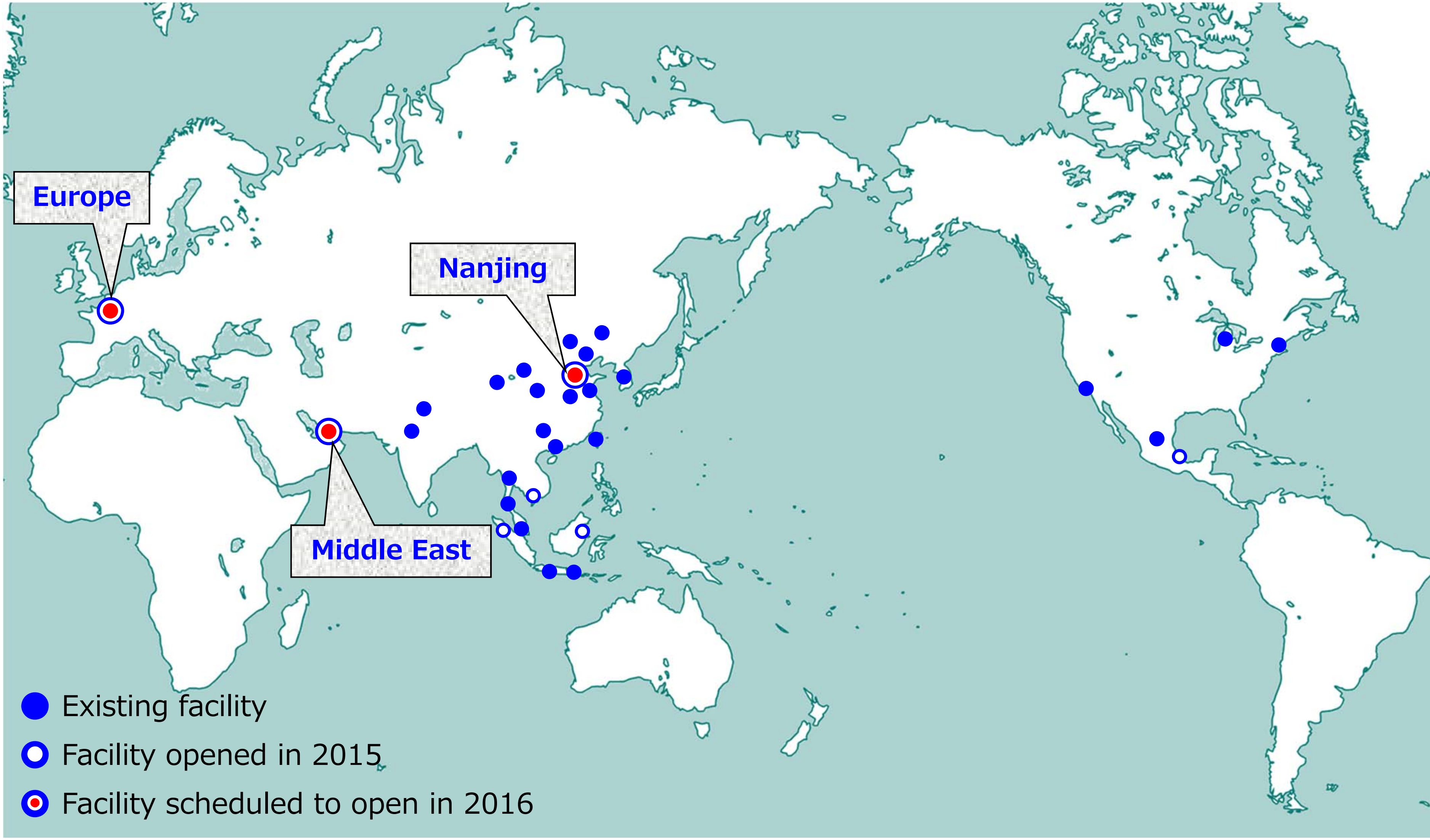
Pursuing Globalization



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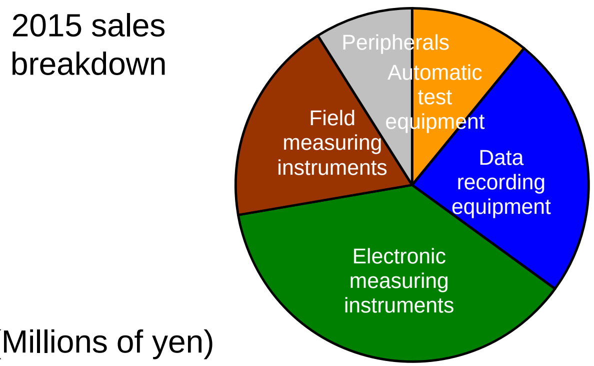
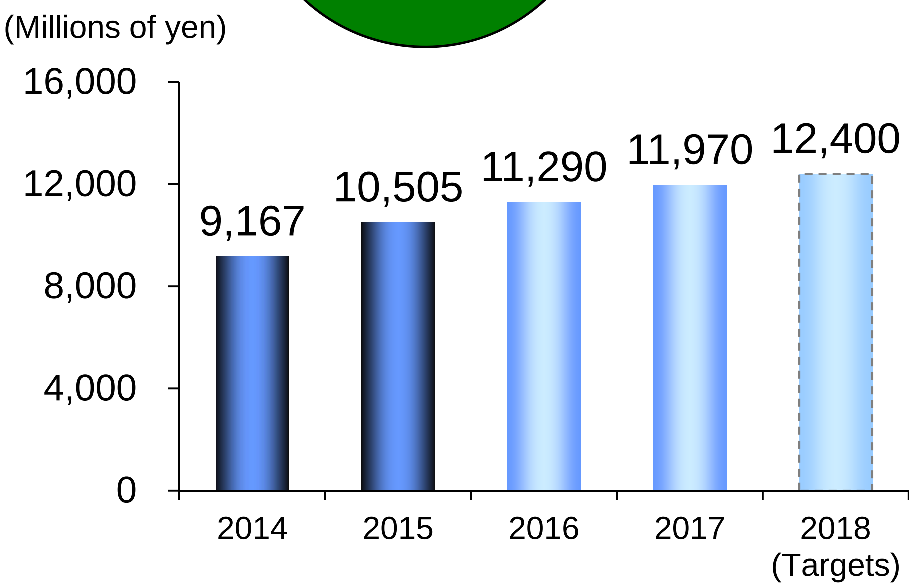
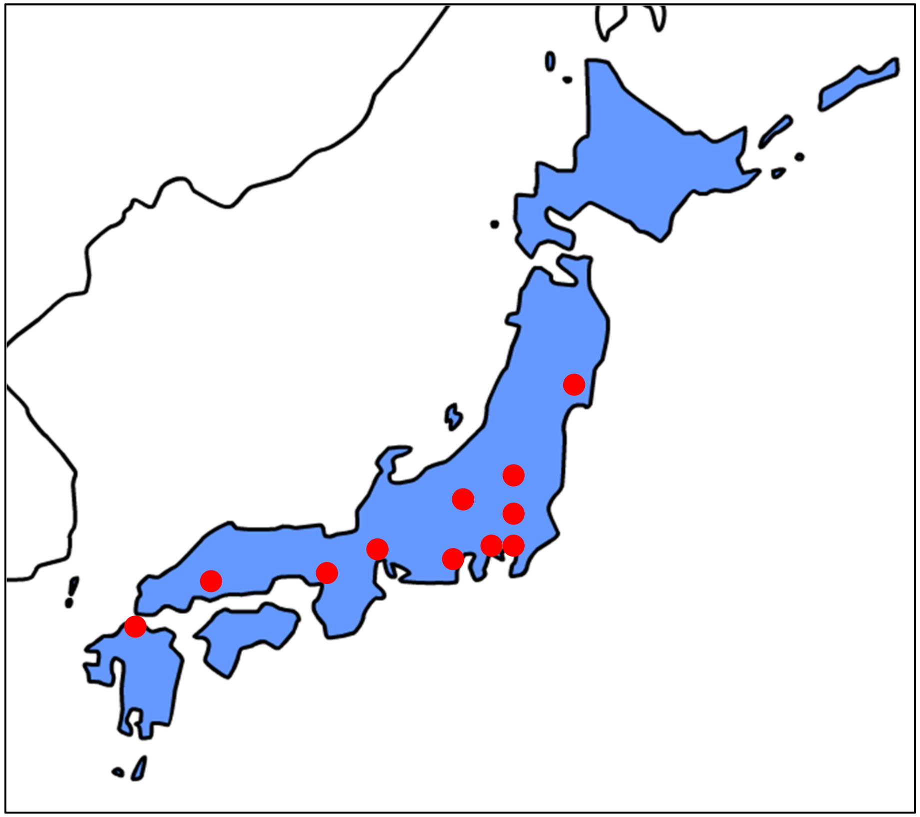
Key Regional Markets: Japan







- We pursued customer-focused sales.

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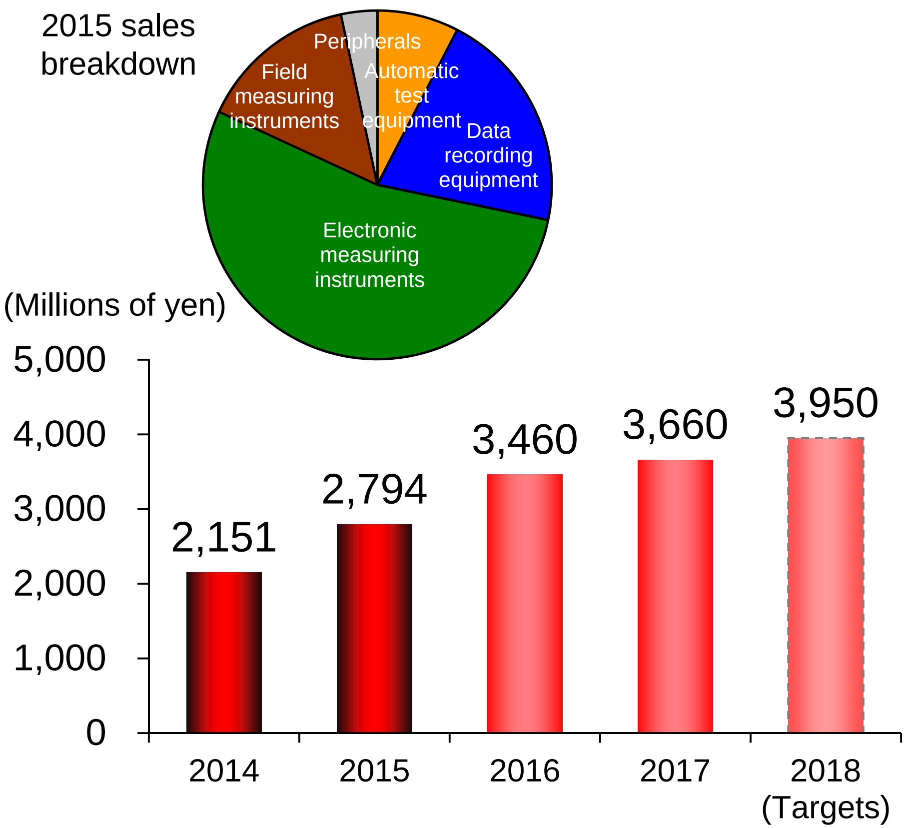
Key Regional Markets: China



*Blue: Facility scheduled to open during the current fiscal year

- We have established an Engineering Department, which is working to develop new products in line with local market needs.
- We plan to open a facility in Nanjing.

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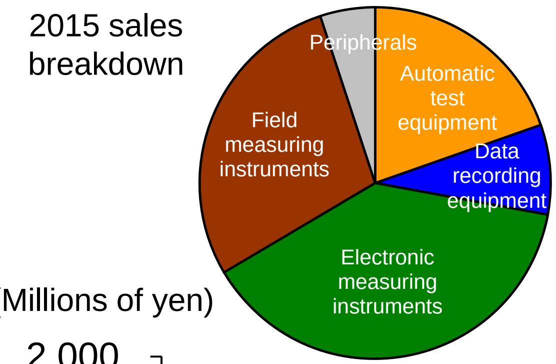
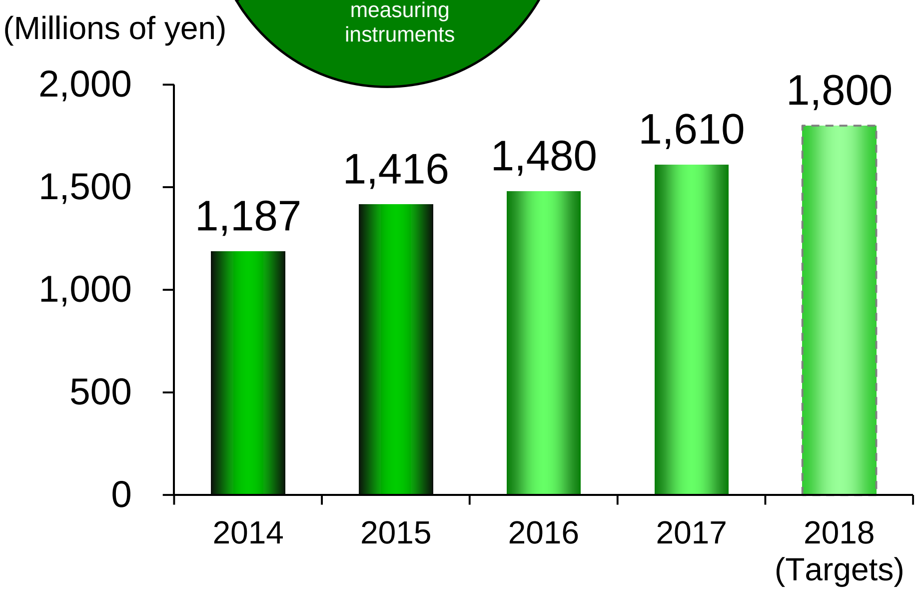
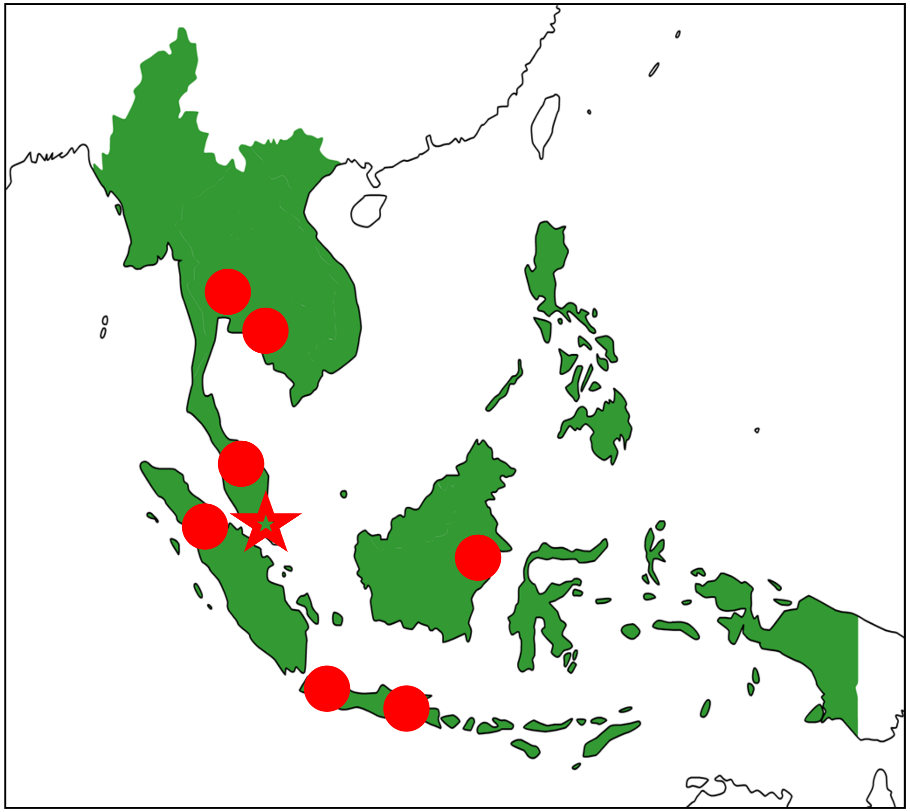
Key Regional Markets: Southeast Asia







- We have established a service center in Singapore to enhance after-sales service.
- We introduced a product display vehicle in an effort to promote our products in various markets around the country.

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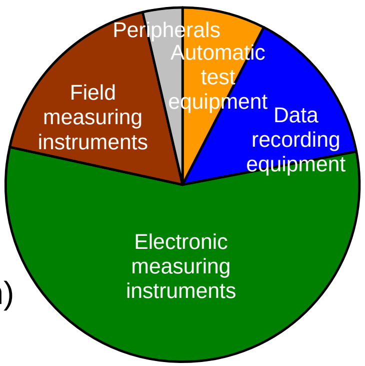
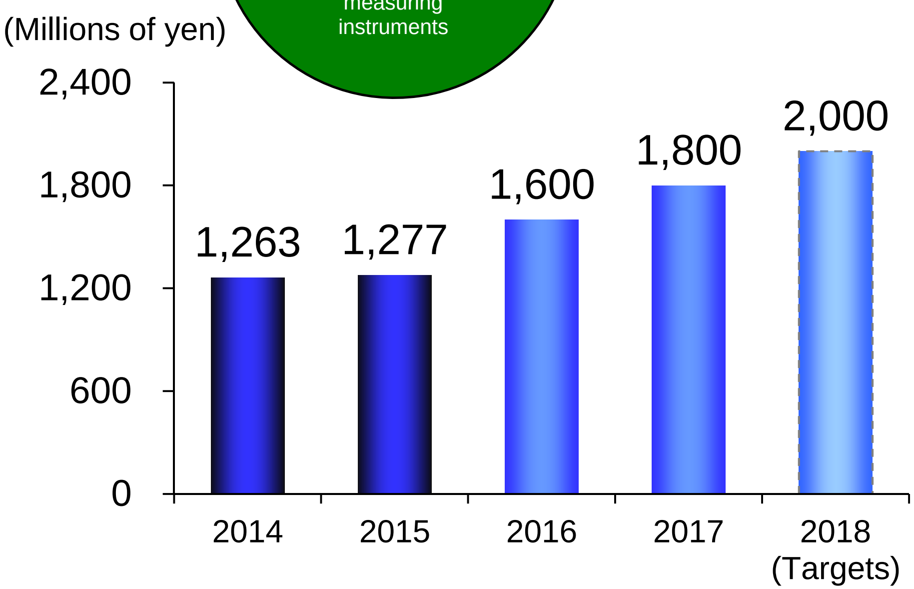
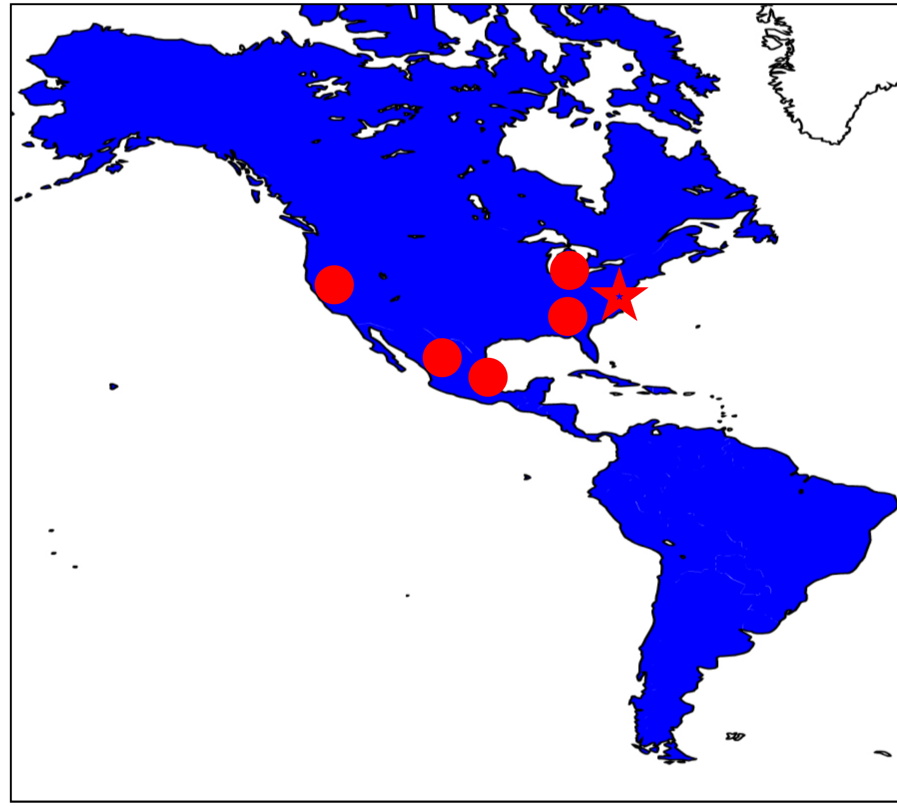
Key Regional Markets: U.S.A.

2015 sales breakdown





U.S. sales figures include figures for Canada and South and Central America.



- Our U.S. sales subsidiary now has responsibility for South America. Local sales companies are working to increase product sales throughout North and South America.
- We have strengthened sales efforts targeting Canada and Mexico.

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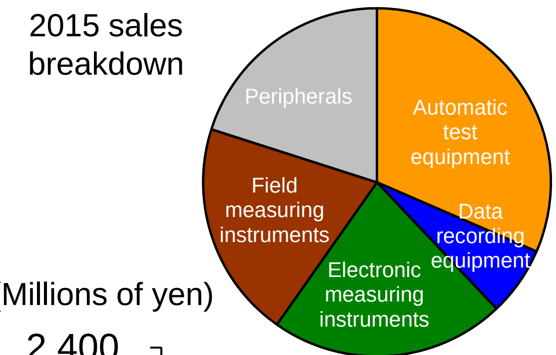
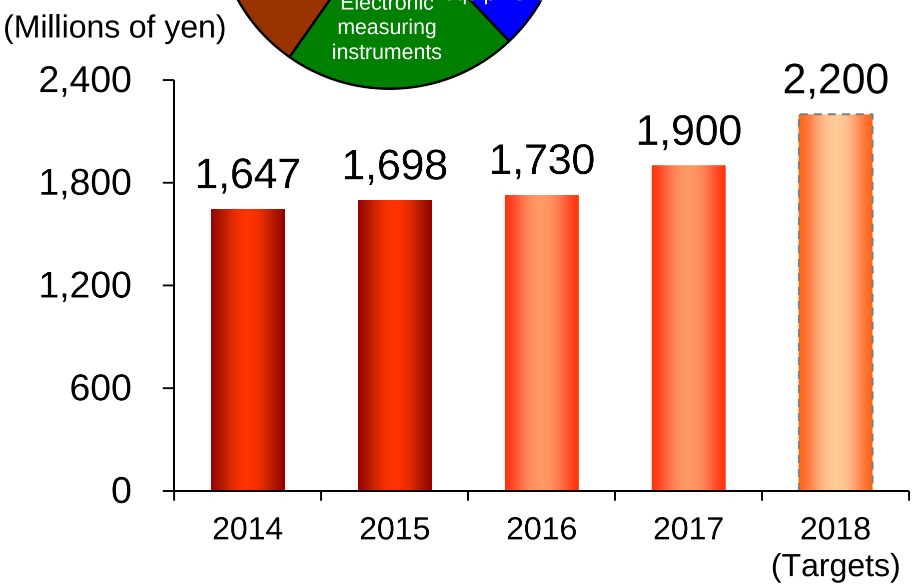
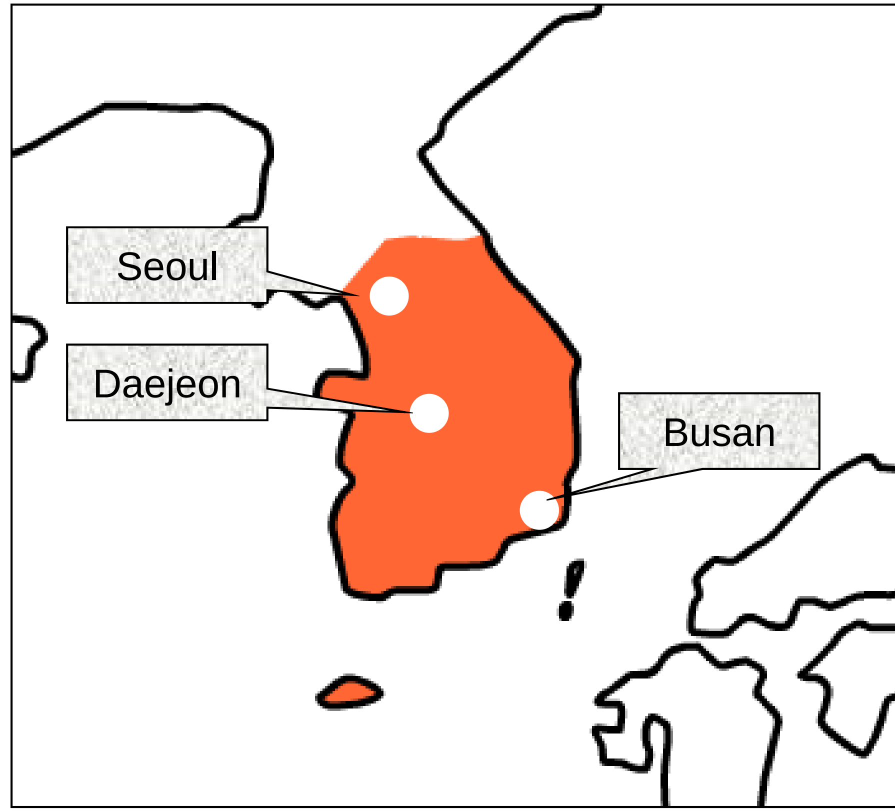
Key Regional Markets: South Korea







- We have strengthened sales efforts with a focus on electronic measuring instruments and field measuring instruments.
- We have strengthened our after-sales service business.

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Other Key Overseas Regions

Taiwan ¥810 million	Engineering and sales personnel will work closely with distributors through our representative office to increase sales.
India ¥160 million	We will strengthen our sales network and promote products to local companies, with a focus on the infrastructure industry.
Europe ¥600 million	We have identified Europe as a priority market and will study whether to open a representative office there. We will develop our network of distributors in an effort to broaden sales channels.
Middle East ¥270 million	We will study whether to open a representative office in the Middle East as a priority market. We will develop our network of distributors in the region, and we will actively participate in local tradeshows, with a focus on the UAE and Saudi Arabia.

Amounts: From 2016 plan

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Hioki's Expanding Products and Markets

We're working to grow and develop by expanding product launches in every market and by creating new product categories.

Key markets

- Environment and alternative energy
- Electronic components
- Automotive
- Infrastructure

Automatic test equipment

Data recording equipment

Electronic measuring instruments

Field measuring instruments

New product categories

Solar power
LEDs
Batteries
Etc.

Smartphones
Onboard devices
Etc.

EVs
HEVs

Power
Construction
Etc.

- Research and education
- Medicine
- Food
- Agriculture
- Service and lease
- Electrical machinery
- Untapped markets

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Adopting an R&D-oriented Approach

Creating unique products

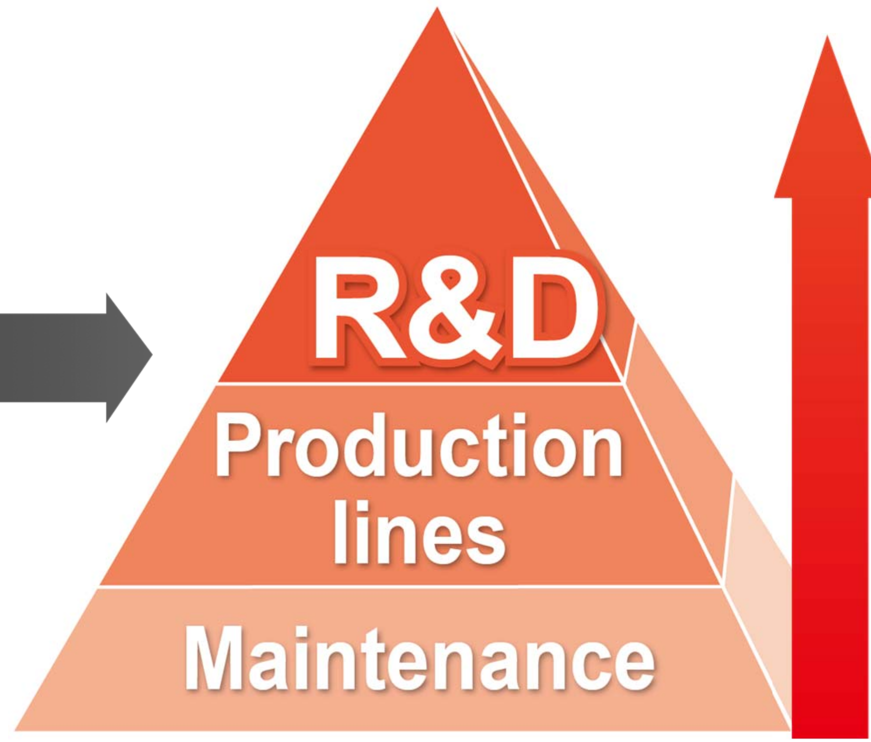
Becoming a global leader

Striving to bring product development closer to the source

Improving sensing technologies

Performance and functionality that are an order of magnitude better

No-metal-contact voltage measurement technology



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New Product Launches in 2016

Increasing the speed of product development
Shortening the prototyping and evaluation period

Extensive experimental and testing equipment

Developing a sales network in Japan and overseas
Gathering information in real time

Planned product launches
Total of 33
In 2016
(2015: 36 products)

Launching new products that meet customer needs in numerous markets

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Logo Change in 2016

HIOKI HIOKI

(Old) (New)

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Management Policies

- Providing high-quality products and service of the highest caliber
- Achieving a recurring profit rate of 20%
- Linking our dividend to business performance based on the ideal of consistently returning ¥20 of profit to investors and with a view to achieving a dividend ratio of 30%
- Increasing management transparency and objectivity by electing outside directors

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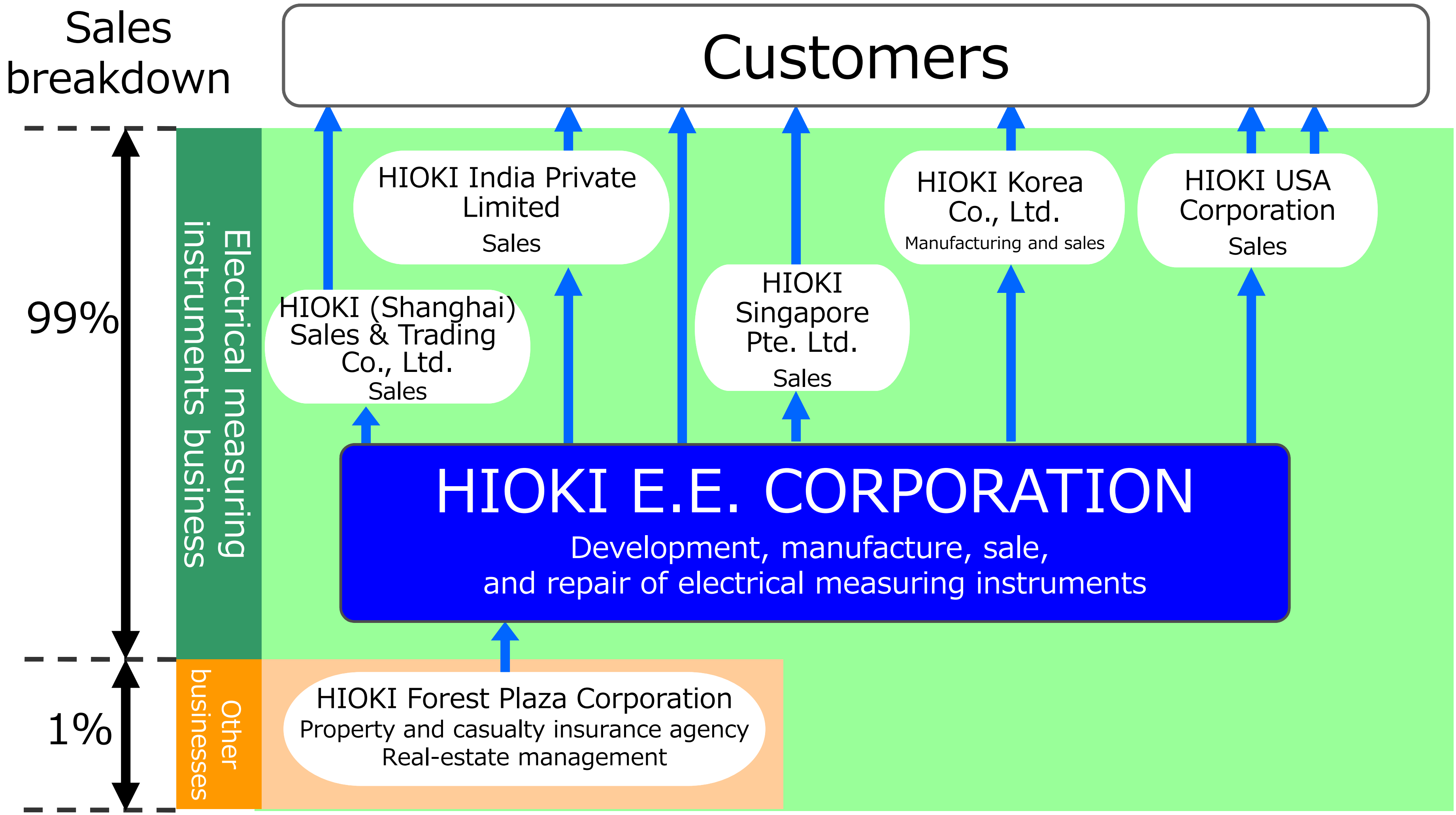
HIOKI Group Business Diagram



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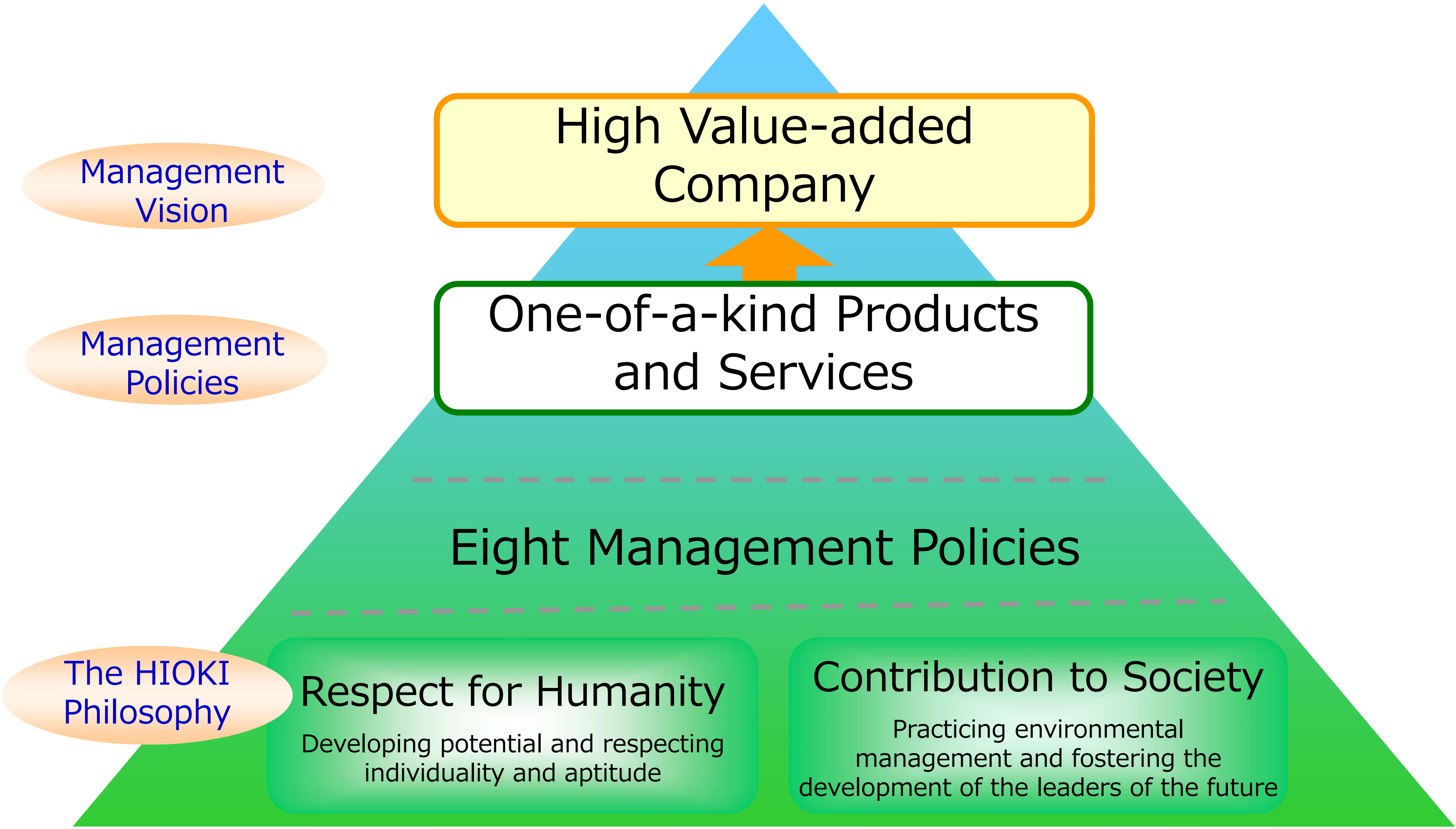
HIOKI's Corporate Vision



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HIOKI Product Organization and Fields of Use

HIOKI meets customer needs ranging from advanced R&D to production lines and on-site electrical work in every industry with 300 products.

Overall organization	R&D	Production lines	Field maintenance
Automatic testing equipment		Package and board manufacture Electric device manufacture	
Data recording equipment	Power generation and distribution Transport equipment	Machinery manufacture Transport equipment manufacture	Power equipment inspections Elevator maintenance
Electronic measuring instruments	Alternative energy Materials, environment	Electronic component manufacture Medical device manufacture	Environment Energy
Field measuring instruments	Electronic devices Transport equipment	Electrical and power equipment inspections Communications equipment testing	
Peripheral equipment and other	Accessories for products shown above		







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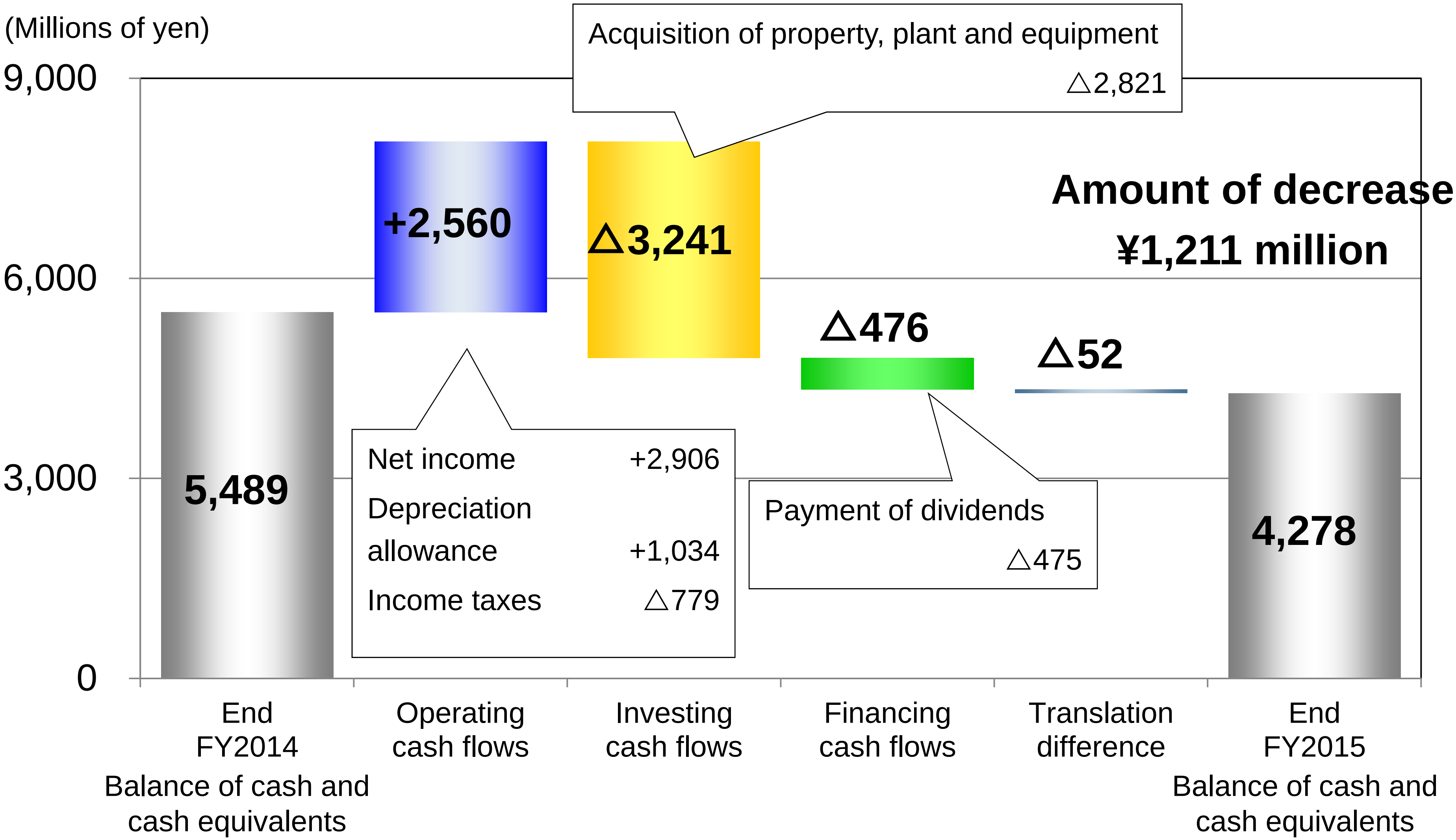
Cash Flows



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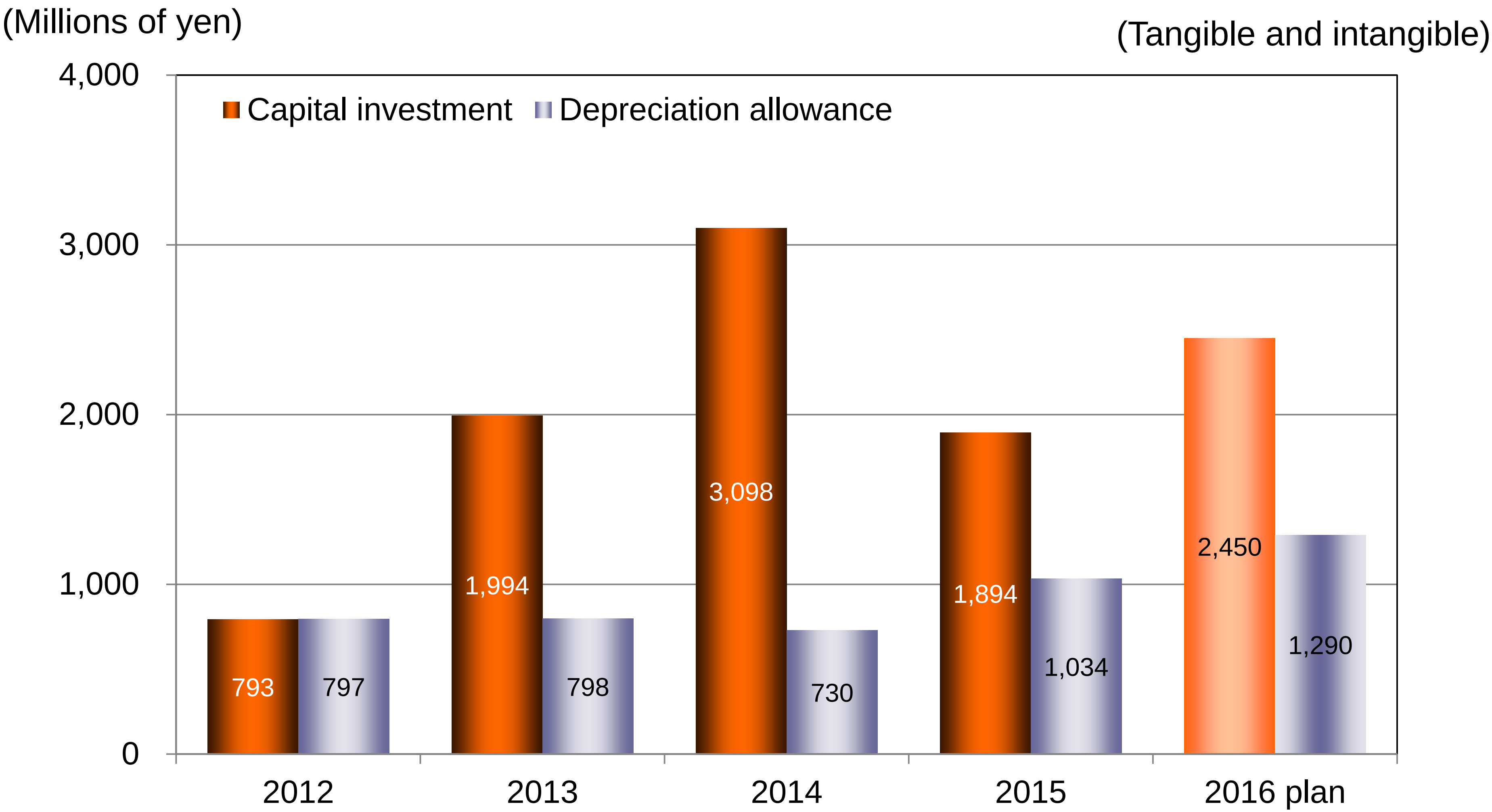
Capital Investment and Depreciation Allowance



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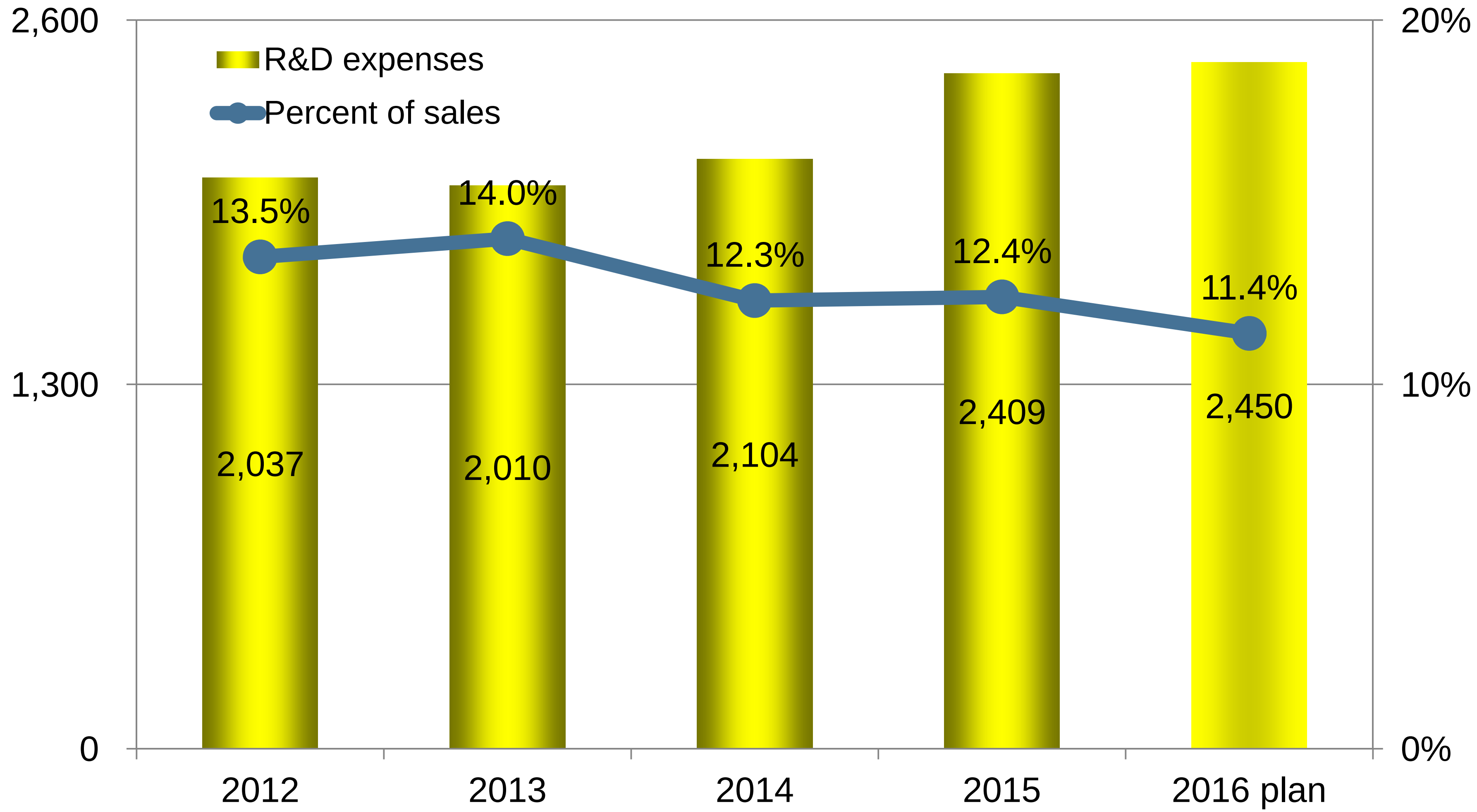
Trend in R&D Expenses

(Millions of yen)



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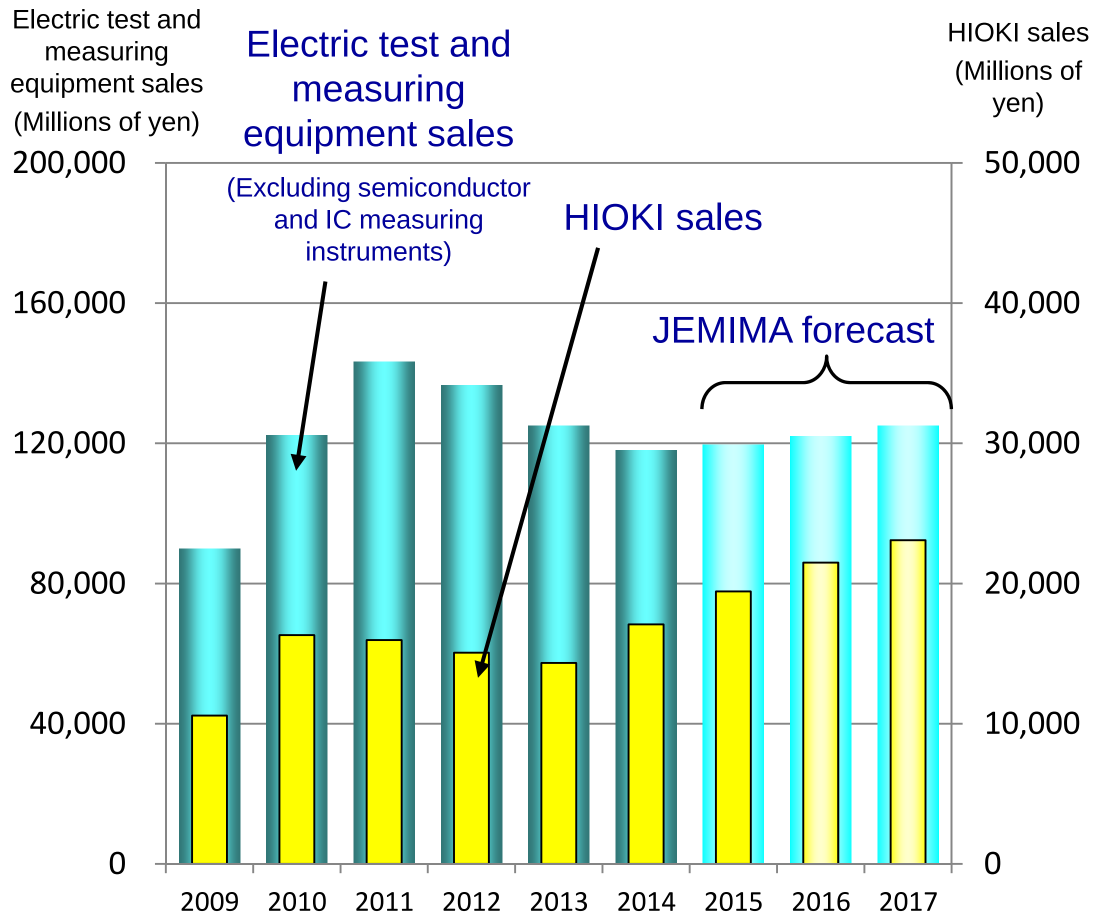
Business Environment in the Electrical Measuring Instruments Industry and Future Outlook

*Japan Electric Measuring Instruments Manufacturers' Association (JEMIMA) forecast

Electrical measuring instruments: Investment in communications, automobile, and energy technologies is expected to increase in preparation for market growth.

Manufacturers of communications devices are investing in 5G devices and infrastructure R&D, while automakers are investing in developing technologies for electric, fuel cell, and self-driving vehicles. In the energy field, investments are targeting EMS and smart grid development.



* As defined by JEMIMA, electric test and measuring equipment accounts for about 35% of electricity meters. Under the JEMIMA classification scheme, HIOKI's products consist of general measuring instruments, obtained by excluding semiconductor and IC measuring instruments from the electric test and measuring equipment category.

* Based on statistical data from the Japan Electric Measuring Instruments Manufacturers' Association. Sales figures for 2015 and subsequent years reflect JEMIMA forecasts (as of December 2015).

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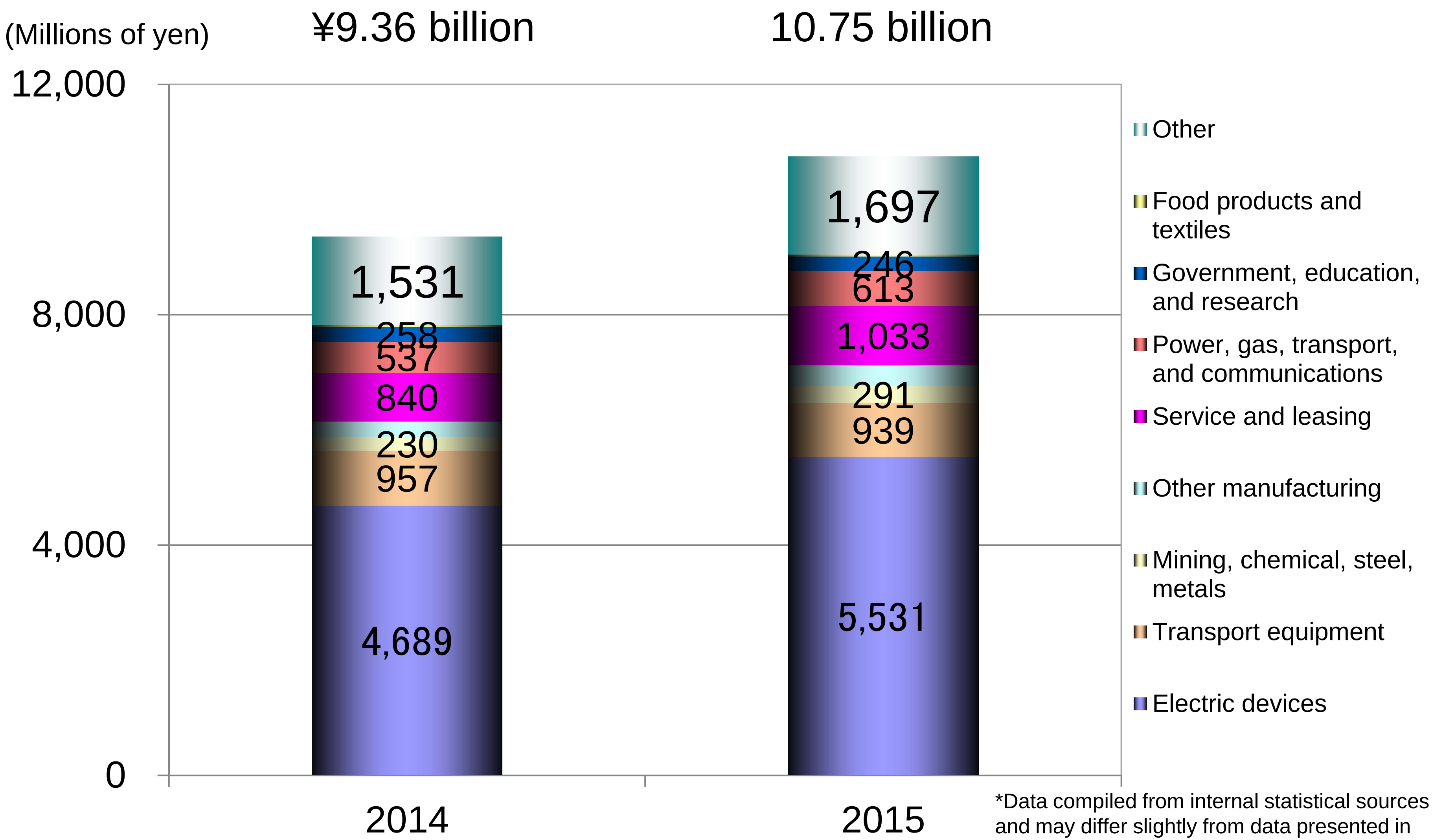
Trend in Sales (Domestic) by Industry



*Data compiled from internal statistical sources and may differ slightly from data presented in financial results briefings.

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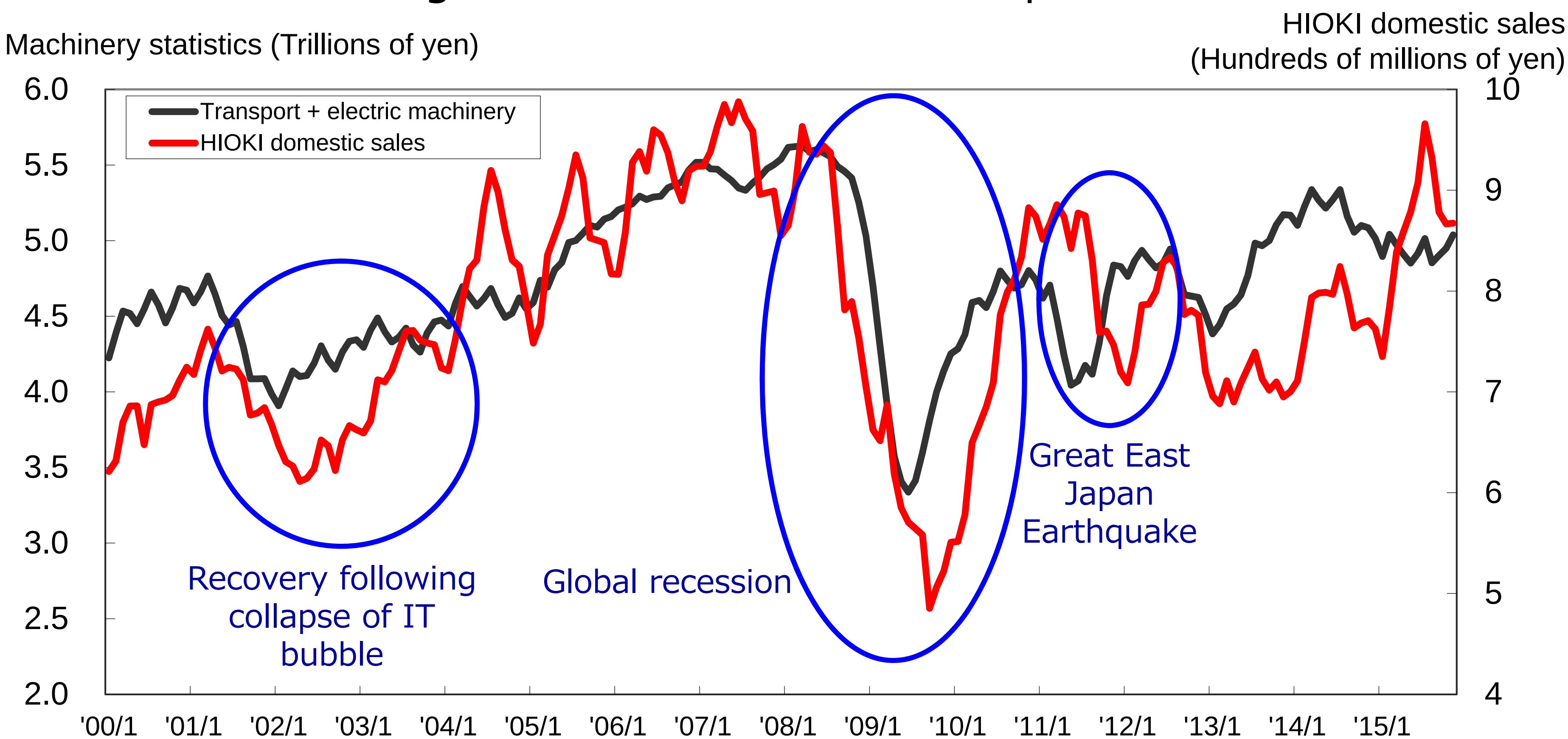
Trend in Machinery Statistics and HIOKI Performance

We consider machinery statistics (for transport machinery and electrical machinery) a leading indicator of our business performance.



＊ Machinery statistics and HIOKI domestic monthly sales calculated as six-month moving averages. Machinery statistics reflect estimated production value based on the mining and manufacturing index.

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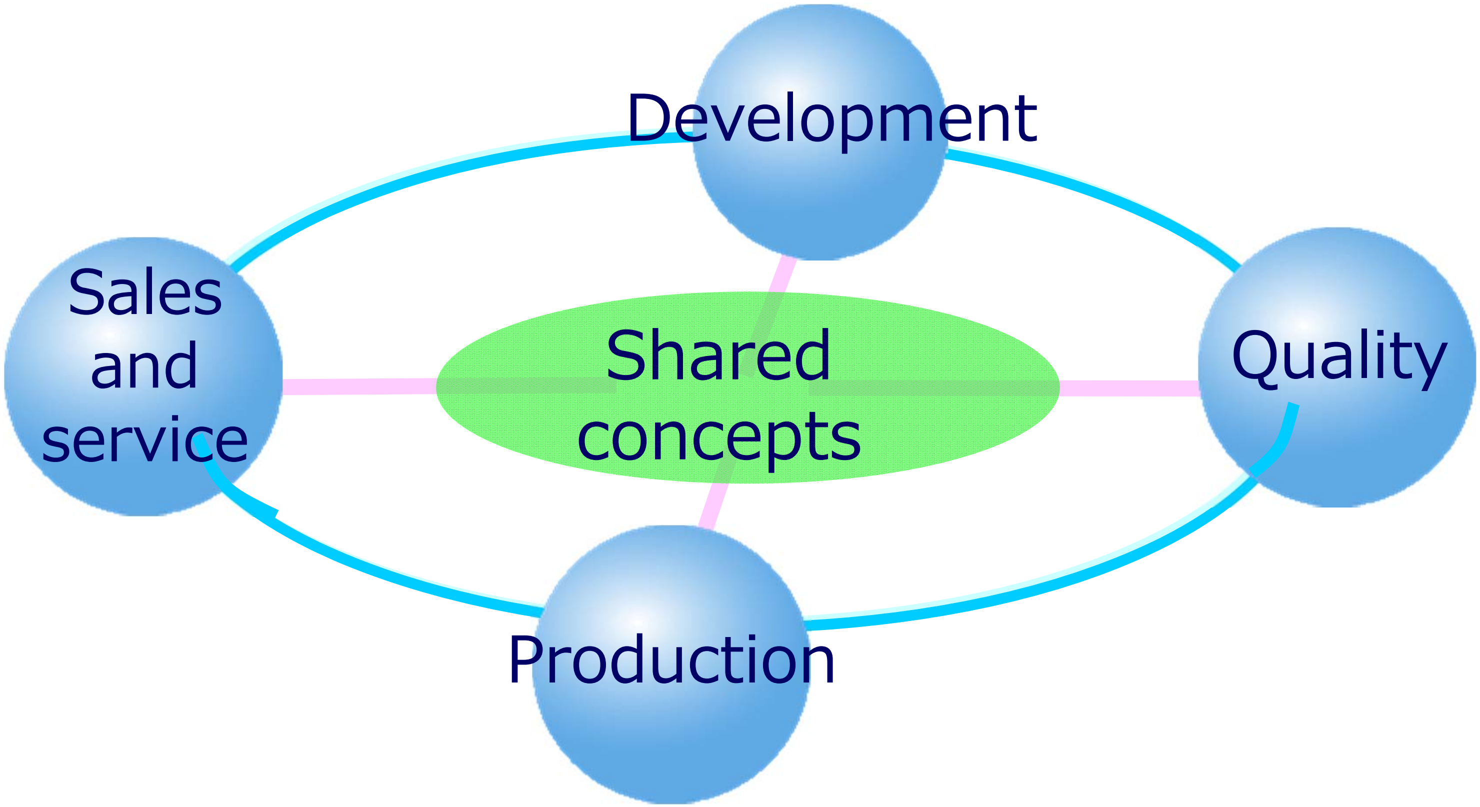
Improving Value-added Productivity

- Concurrent engineering



In HIOKI's approach to product development, departments come together organically with the goal of improving productivity.

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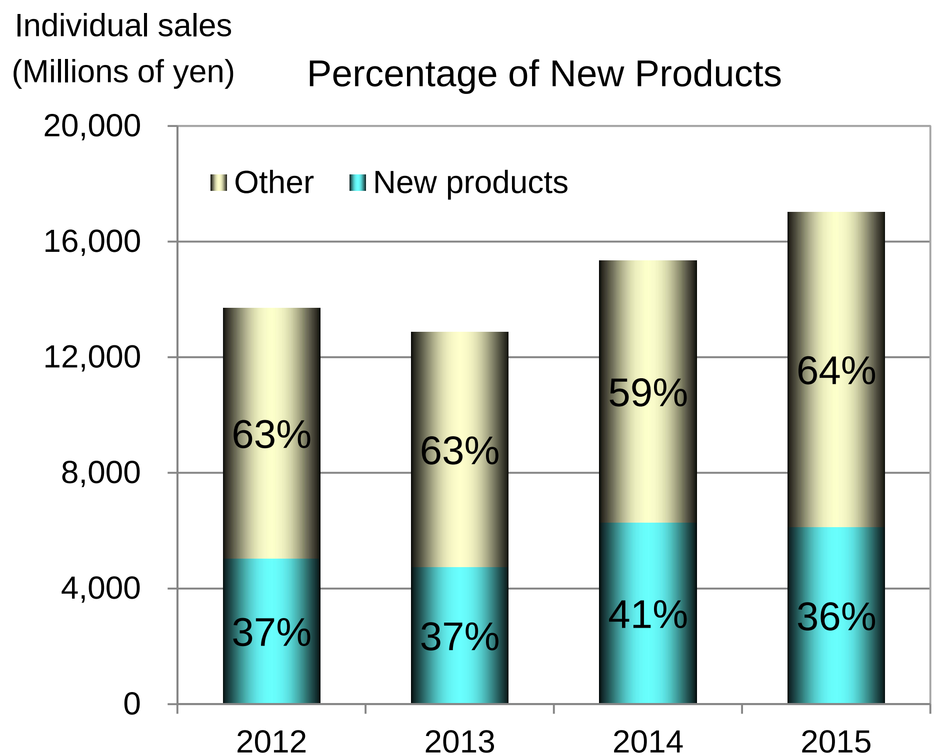
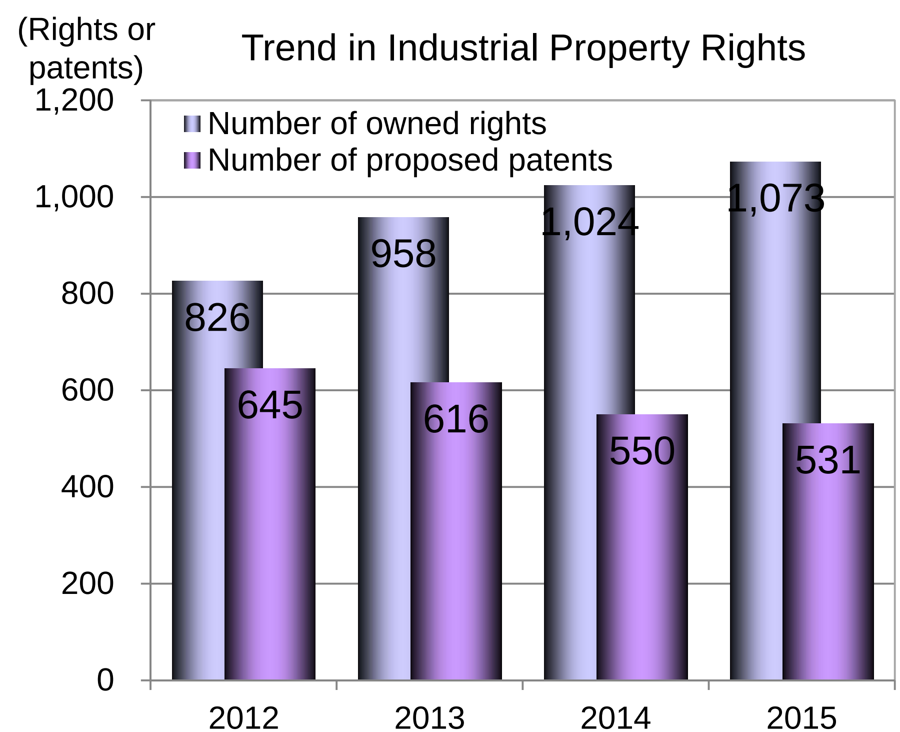
Development Capability: Unique Products Built around Core Technologies

- Patent program that motivates inventors
- R&D spending as percent of sales: Greater than 10%



*Products are regarded as new products for the first four years after their launch.



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Production Capability: Manufacturing Calibrated to Sales Velocity

Quality

Aggressively practicing a "Quality First" approach from the standpoint of the Three Reality principle based on the 5S philosophy

Cost

Enhancing initiatives at the source of development

Minimizing cost through leveled production

Delivery

Anticipating customer information and accommodating customer requests

Shortening delivery times for after-sales service

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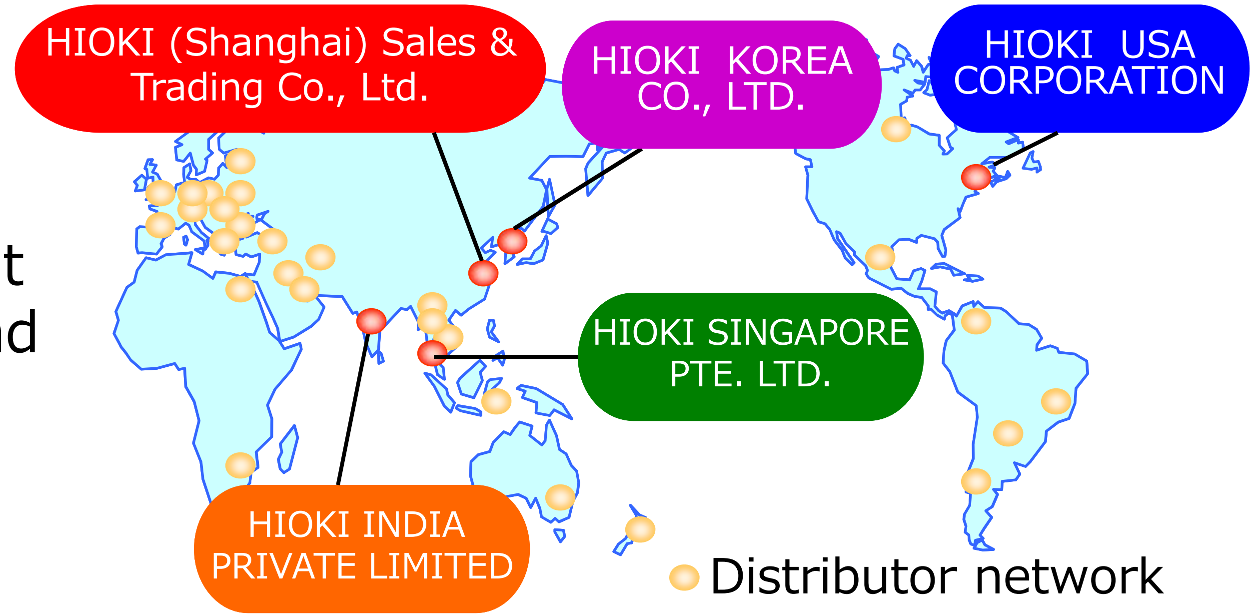
Sales Capability: Solutions-oriented Sales with a Customer Focus

- Direct marketing targeting customers in Japan (about 50,000 companies)
  - About 70 salespeople at 11 facilities in Japan
  - About 30,000 sales visits per year

Assessing latent customer wishes and future needs

- Partnerships with international distributors (about 90 companies) and sales subsidiaries



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Automatic Test Equipment

- Pass/fail testing of electronic circuit boards

Principal products	Fields of use (applications)
Populated circuit board testing systems	Testing circuit boards on which electronic components have already been mounted
Bare board testing systems	Testing circuit boards with embedded active and passive devices or boards on which no components have been mounted (Including IC packages and flexible boards used in devices such as mobile phones)

FA1240 FLYING PROBE TESTER

1236 BARE BOARD HiTESTER

1220-50 IN CIRCUIT HiTESTER

Featuring a complete line of products engineered for testing targets ranging from small-lot, multi-model boards to mass-produced boards

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Data Recording Equipment

- Recording and analyzing changes in electrical signals over time

Principal products	Fields of use (applications)
Memory recorders	Observing and recording waveforms for high-speed phenomena in an extensive array of applications ranging from the electric field to the machinery field
Data loggers	Monitoring and recording long-term changes in temperature, voltage, and other characteristics across numerous channels
Remote measurement systems	Managing data at remote locations in an integrated manner

Memory recorders: Developed in 1983

Data loggers: Capable of capturing large amounts of data over extended periods of time

Remote measurement systems: Capable of accommodating remote measurement needs

MR8847A
Memory HiCorder

LR8432
Heat Flow Logger

2300 Remote
Measurement System

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Electronic Measuring Instruments (1)

Evaluating and testing electronic components and devices

Principal products	Fields of use (applications)
Circuit element measuring instruments	Testing on electronic component production lines Evaluating performance of devices such as fuel cells and IC tags
Compact, lightweight, and low-cost	
Safety testers	Performing insulation resistance measurement and withstand voltage testing of electrical equipment
Broad product line for an array of applications	
Communications measuring instruments	Testing optical components
Measuring optical power and loss	

IM7581
Impedance Analyzer

ST5520
Insulation Tester

3661 Optical Power Meter

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Reference Materials

Electronic Measuring Instruments (2)

- Ensuring energy-saving performance and power supply quality in the environmental energy field

Principal products	Fields of use (applications)
Power meters	Implementing energy-saving measures and power management for electric equipment Testing in R&D settings and on production lines
Power quality analyzers	Verifying the quality of dispersed power supplies such as alternative energy (solar and wind power, fuel cells, etc.) and cogeneration systems
Current probes	Observing current waveforms

HIOKI developed the first clamp-type meter in 1978.

Analytical devices capable of identifying the causes of power supply problems

For use as oscilloscope sensors

PW6001
Power Analyzer

PW3198 Power Quality Analyzer

CT6700
Clamp on Probe

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Field Measuring Instruments

Reference Materials

- Performing maintenance and inspections of electrical wiring work and equipment

Principal products	Fields of use (applications)
Testers and clamp ammeters	Performing maintenance and inspections of electrical wiring work and equipment
Insulation resistance testers	Performing maintenance and inspections of electrical work and equipment
Digital multimeters	Measuring characteristics from voltage to current and resistance

A powerful brand with a long history

A must-have instrument for electrical work

Used in all applications

CM4373
Clamp Meter

IR4053 Solar Power System Insulation Resistance Tester

DT4254 Digital Multimeter

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Note on the Information in This Presentation

Plans, forecasts, strategies, and other information in this presentation relating to future business performance were compiled on the basis of currently available data and by their nature incorporate a certain degree of risk and uncertainty. Actual performance will be determined by a variety of important factors and may vary significantly.

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