HIOKI E.E. CORPORATION

Financial Results Briefing for the Fiscal Year Ending December 31, 2017

(Securities Code: 6866)

February 2018

HIOKI

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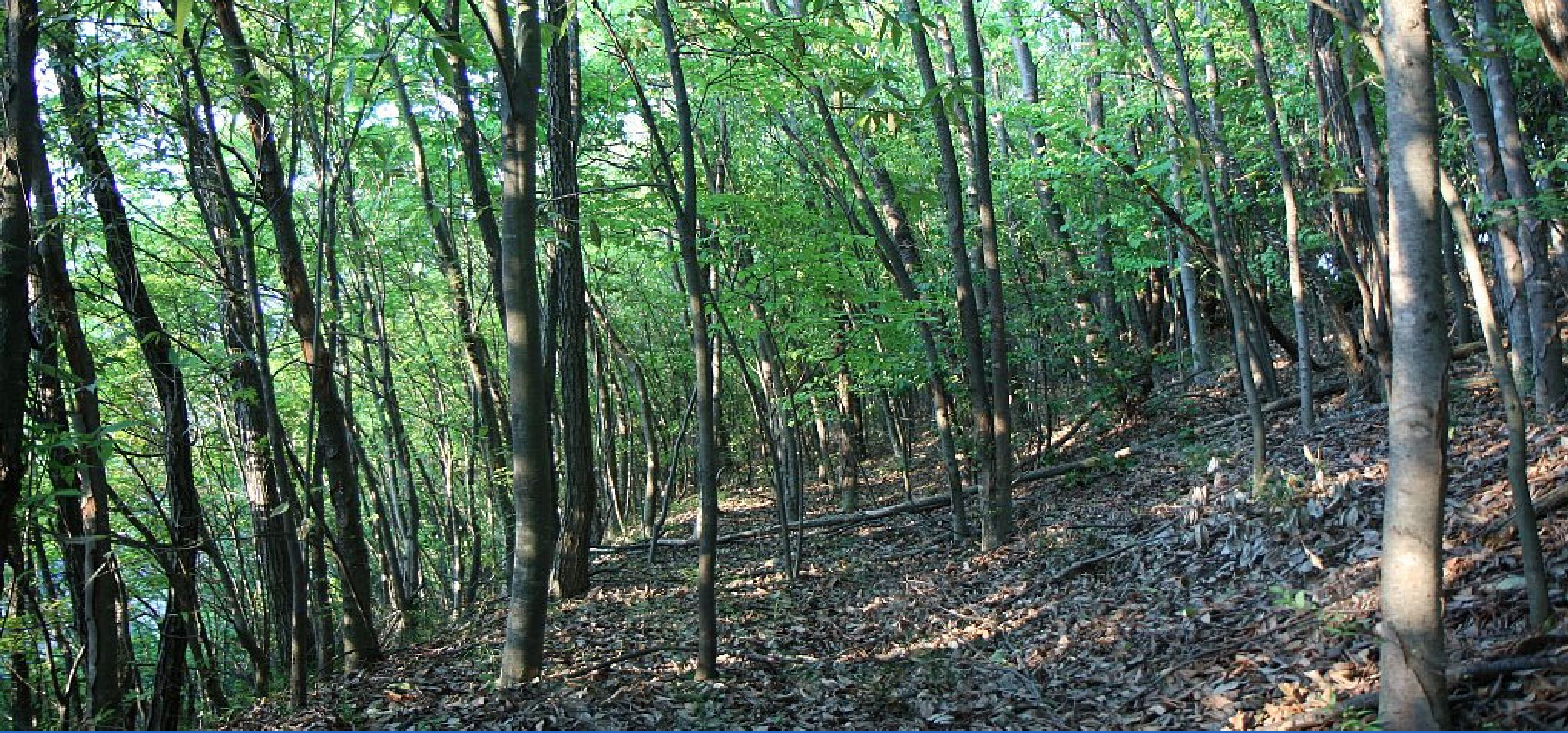


Company Overview

HIOKI

Photograph: Trees at HIOKI Forest Hills

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	Kazutoshi Hosoya, 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 SINGAPORE PTE. LTD.; HIOKI KOREA CO.,LTD.; HIOKI INDIA ENGINEERING PRIVATE LIMITED; HIOKI EUROPE GmbH
Employees	934 (consolidated-basis, including part-time workers) (as of December 31, 2017)

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		



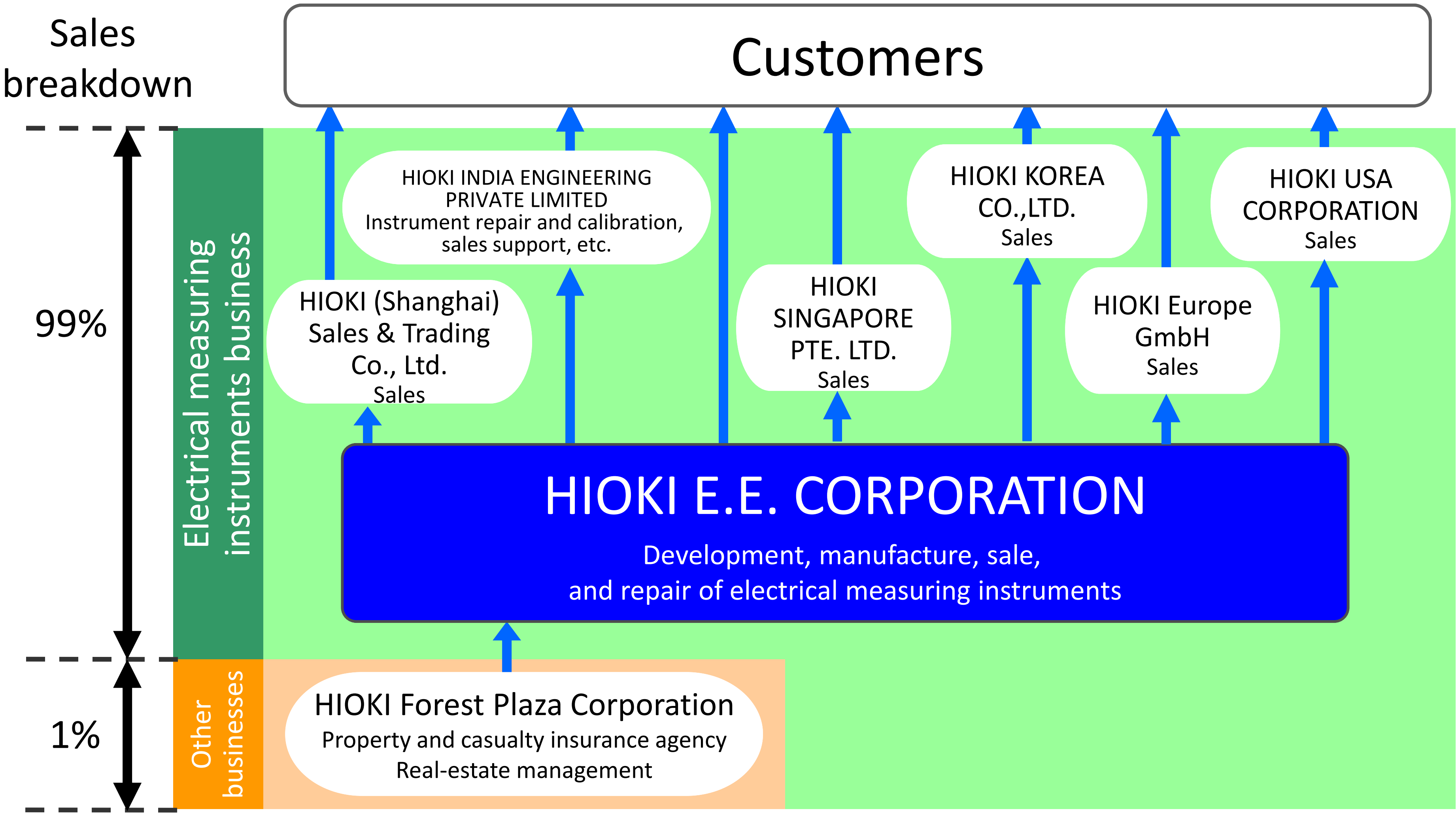




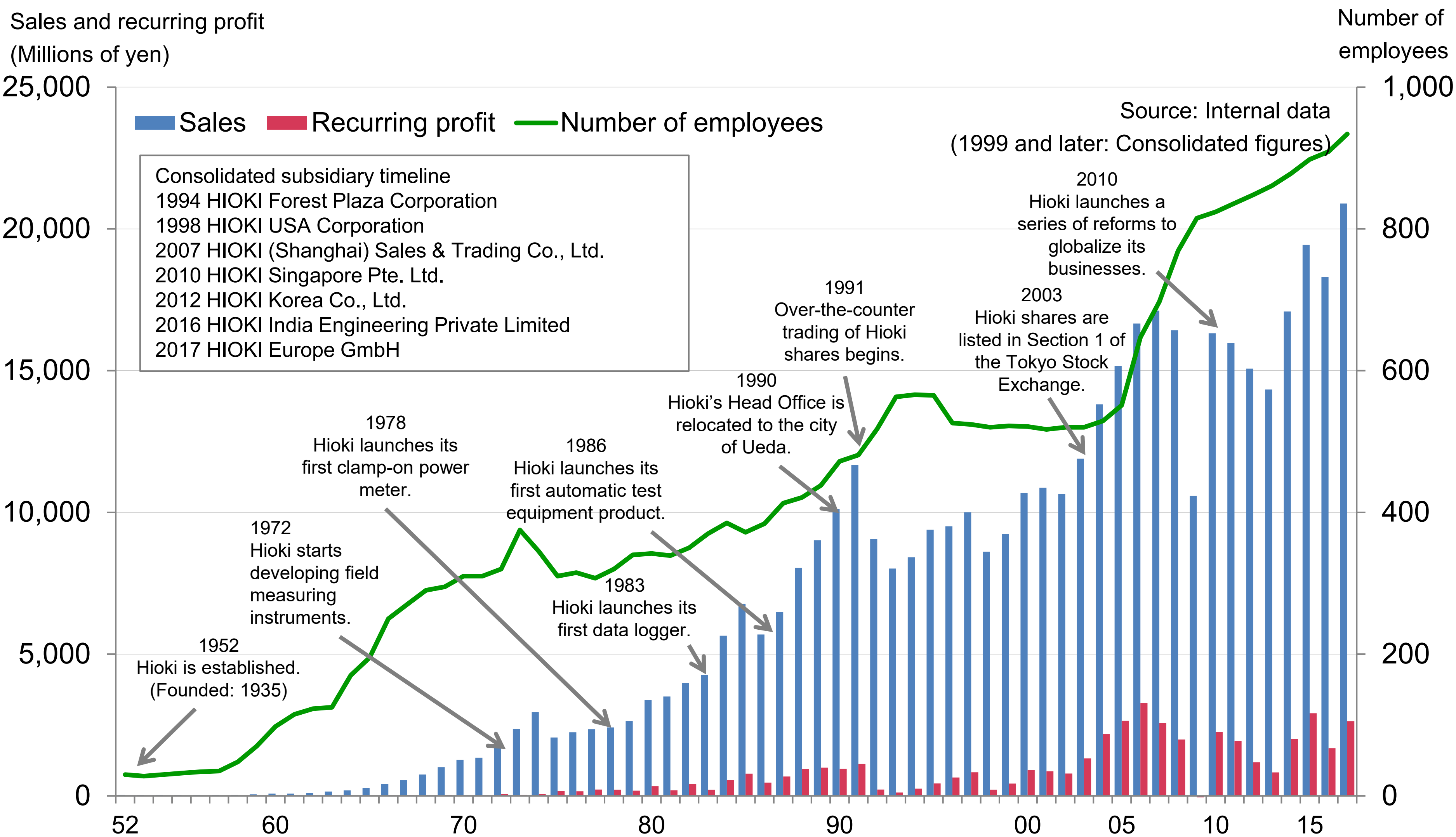

*The width of each application category illustrates its relative contribution to HIOKI's sales.

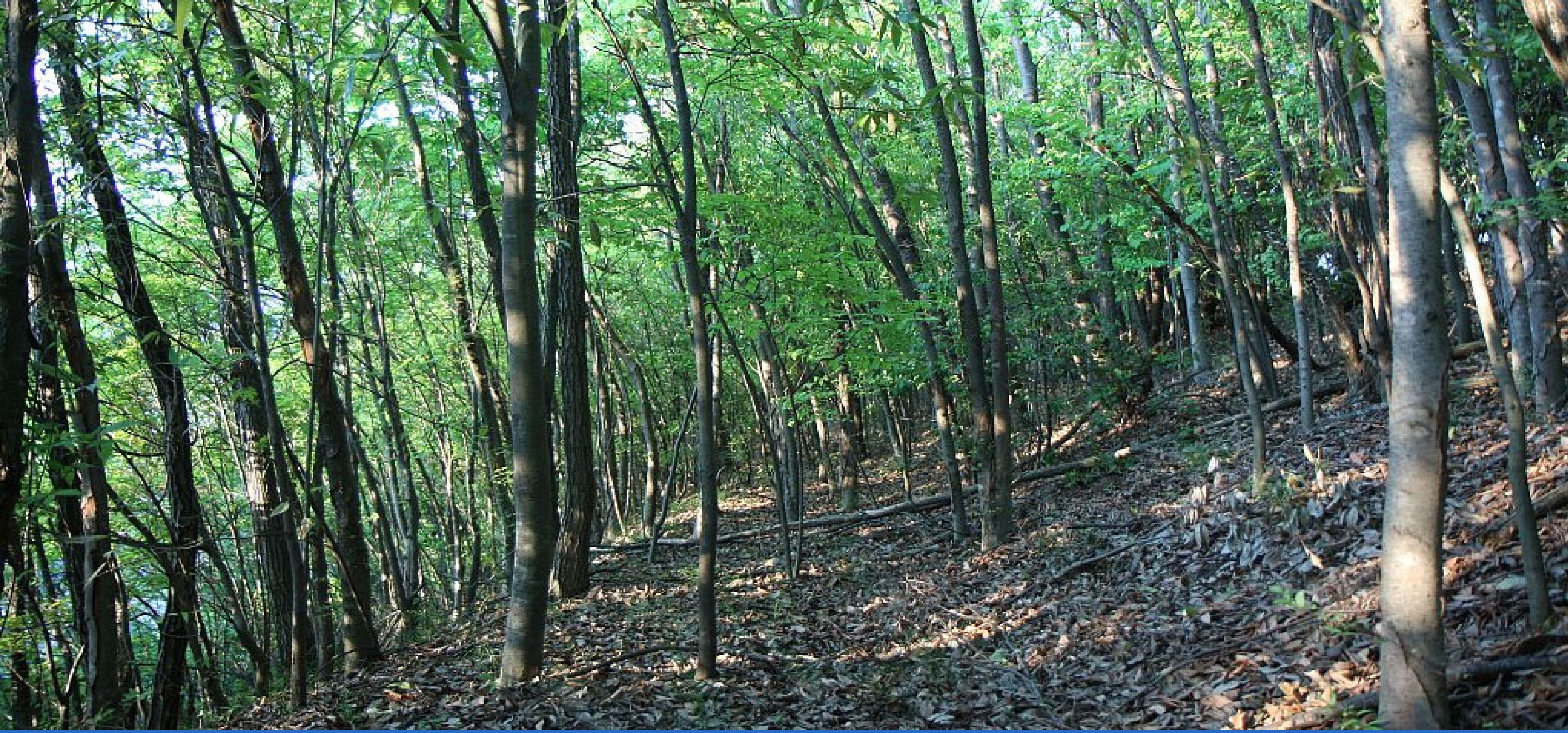
HIOKI

HIOKI Group Business Diagram



Performance and Employee Head Count since Hioki's Establishment





Financial Results Overview

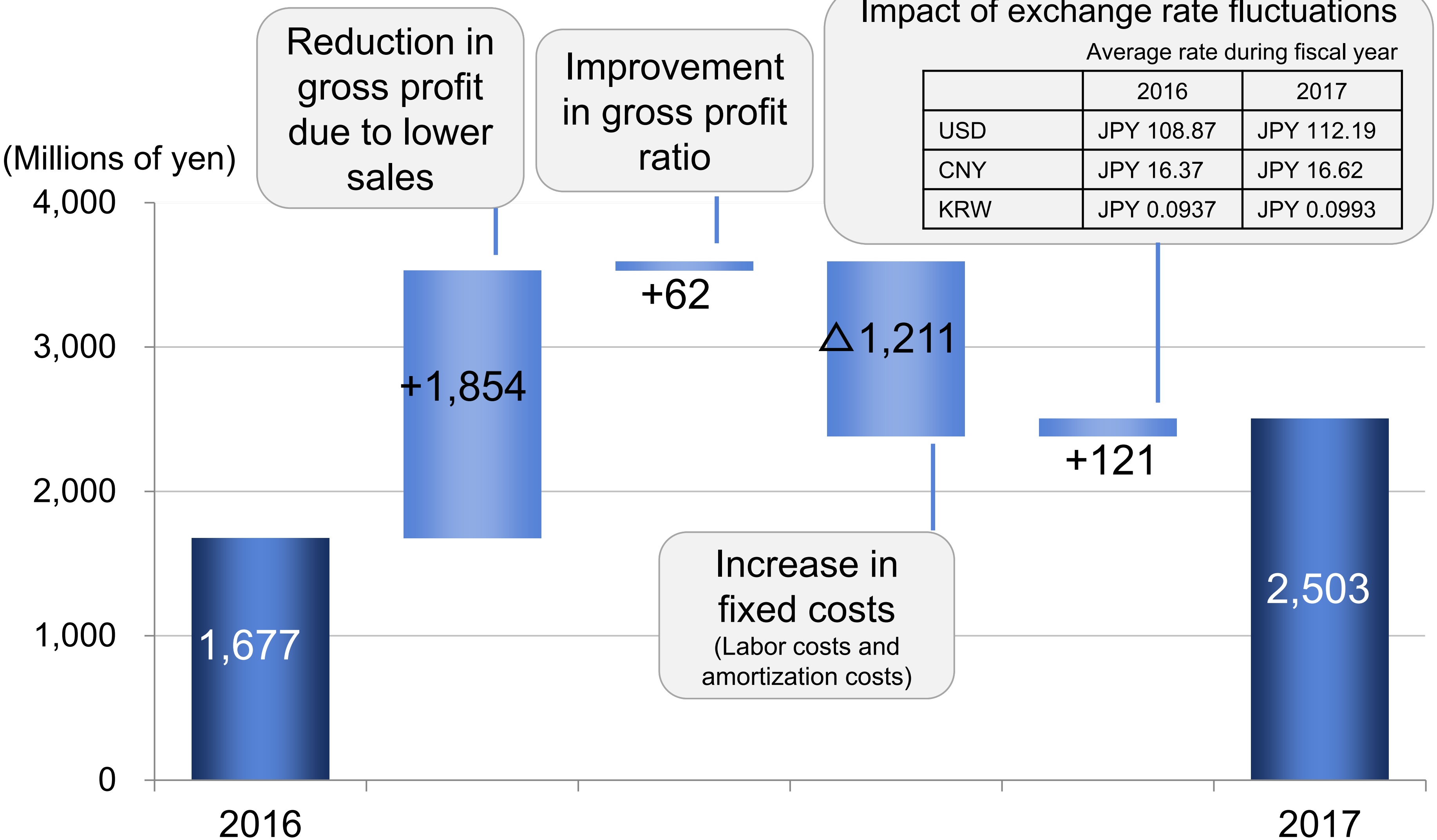
Photograph: Trees at HIOKI Forest Hills

Overview of 2017 Results

	2016		2017		
	Results (millions of yen)	Percent of sales (%)	Results (millions of yen)	Percent of sales (%)	Year-on-year (%)
Sales	18,131		20,891		115.2%
Cost of sales	11,053	61.0%	12,030	57.6%	108.8%
Selling, general, and administrative expenses	5,400	29.8%	6,357	30.4%	117.7%
Operating profit	1,677	9.3%	2,503	12.0%	149.2%
Recurring profit	1,682	9.3%	2,630	12.6%	156.4%
Net income	1,167	6.4%	1,998	9.6%	171.2%
Earnings per share	¥85.67		¥146.67		

HIOKI

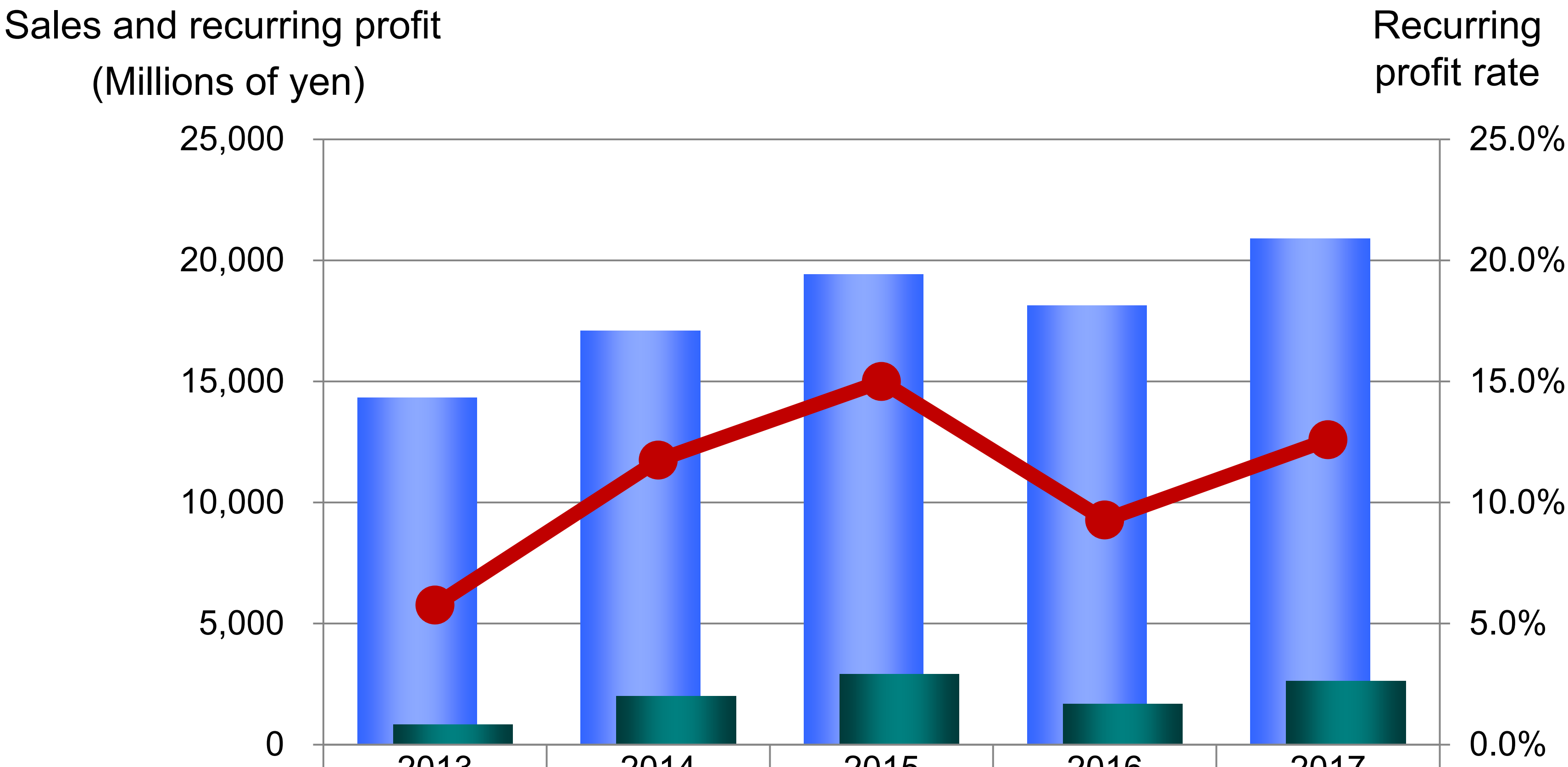
Factors Affecting Operating Profit in 2017



Average rate during fiscal year

	2016	2017
USD	JPY 108.87	JPY 112.19
CNY	JPY 16.37	JPY 16.62
KRW	JPY 0.0937	JPY 0.0993

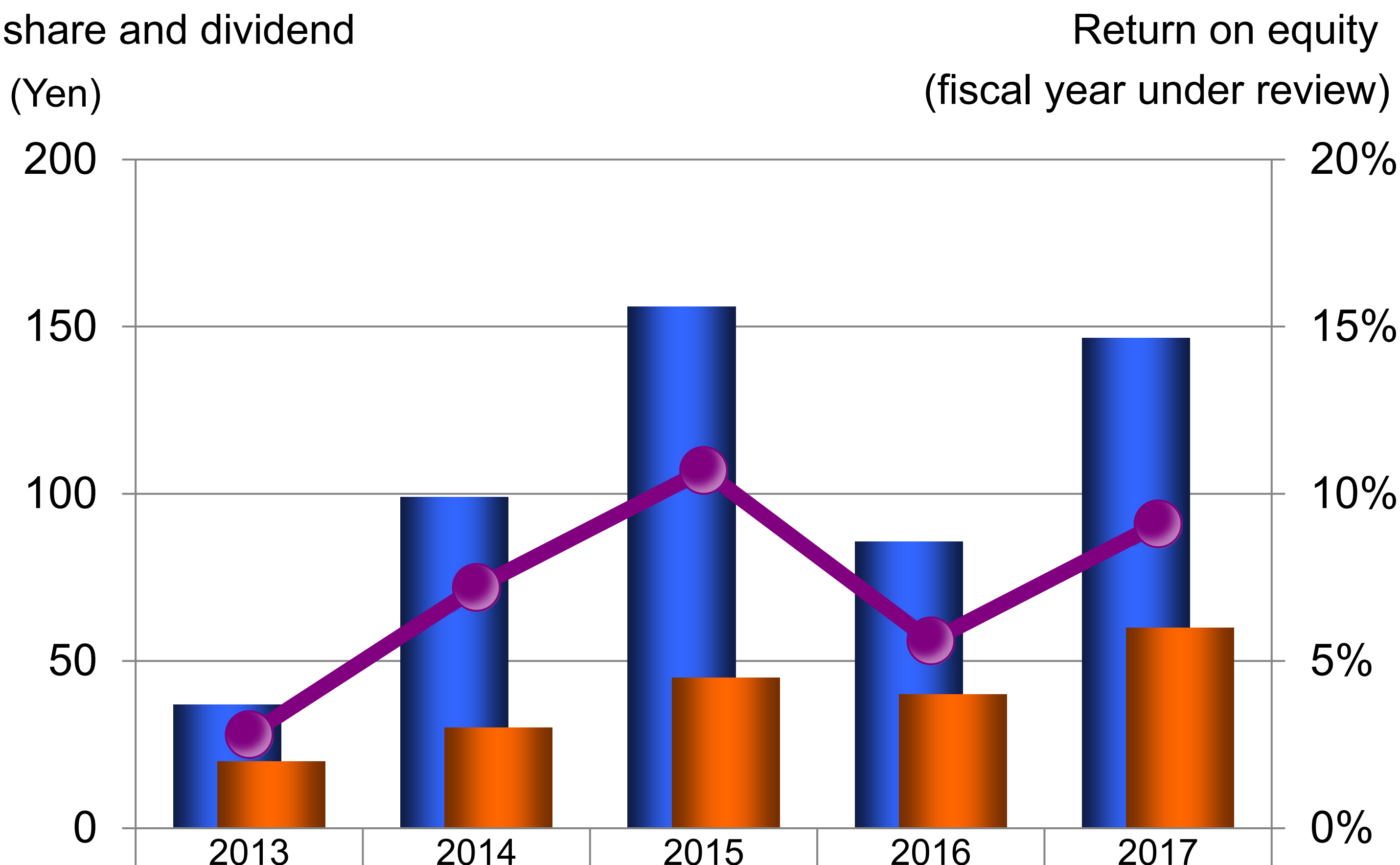
Trend in Sales and Recurring Profit



	2013	2014	2015	2016	2017
Sales	14,332	17,086	19,432	18,131	20,891
Recurring profit	826	2,007	2,914	1,682	2,630
Recurring profit rate	5.8%	11.7%	15.0%	9.3%	12.6%

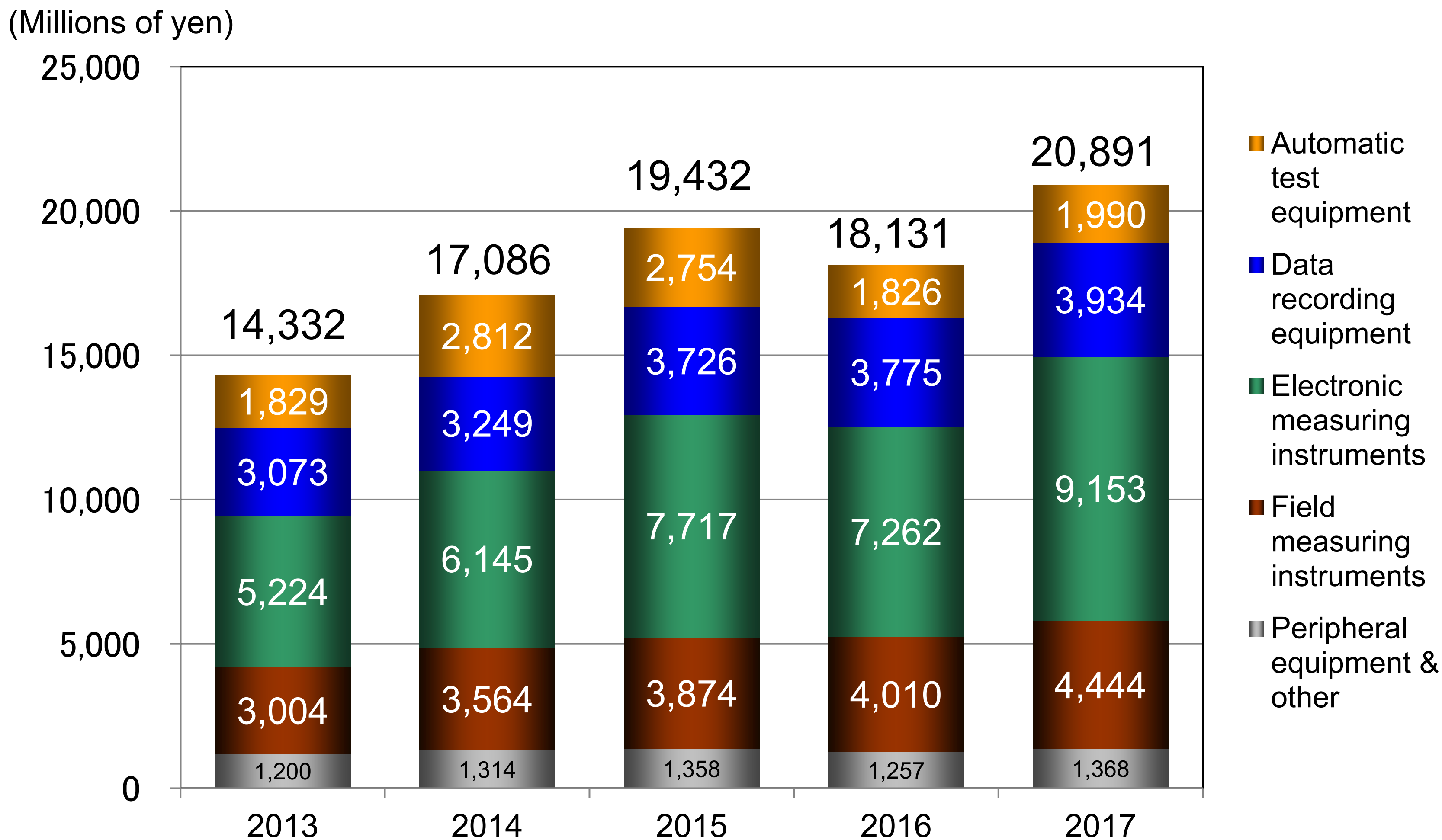
HIOKI

Trend in Earnings per Share and Dividend



	2013	2014	2015	2016	2017
Earnings per share (EPS)	37	99	156	86	147
Dividend per share (yen)	20	30	45	40	60
Return on equity (fiscal year under review)	2.8%	7.2%	10.7%	5.6%	9.1%

Trend in Sales by Product Category



*Some product categories changed in 2016. Results for 2013 and subsequent years have been stated in terms of the new categories.

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2017 Overview by Product Category

Automatic test equipment	• As technological progress in printed circuit boards for use in vehicles accelerates with the adoption of electric vehicles and self-driving technologies, we are taking a case-by-case approach to accommodating diversifying testing requirements. • Hioki's high-precision measurement technologies are being adopted by semiconductor manufacturers, particularly in Taiwan and South Korea.
Data recording equipment	• We introduced a flagship Memory HiCorder for use with power electronics, which constitute a core technology for the post-carbon society of the future. • Sales of data recording equipment for use in electronic component and automotive testing systems continued to grow.
Electronic measuring instruments	• We introduced a number of new products, including no-metal-contact probes and an optical measuring instrument for RGB lasers. • Demand for components for use in smartphones rose, fueling dramatic growth in sales of circuit element measuring instruments. Adoption of EVs accelerated in China and Europe, and sales of battery testers grew significantly.
Field measuring instruments	• We launched numerous new products with features unique to Hioki (including a bypass diode tester and an AC clamp power meter for use in detecting electricity theft), leading to steady growth in sales.

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Trend in Export Sales

Export sales as a percentage of total sales

2013	2014	2015	2016	2017
41.4%	46.3%	45.9%	44.0%	45.8%

(Millions of yen)

	2013 Domestic	2013 Export	2014 Domestic	2014 Export	2015 Domestic	2015 Export	2016 Domestic	2016 Export	2017 Domestic	2017 Export
Japan	8,403		9,167		10,505		10,159		11,324	
Asia		4,362		5,817		6,701		5,900		7,271
Americas		942		1,263		1,277		1,197		1,270
Europe		376		472		580		559		685
Other		248		365		366		315		339

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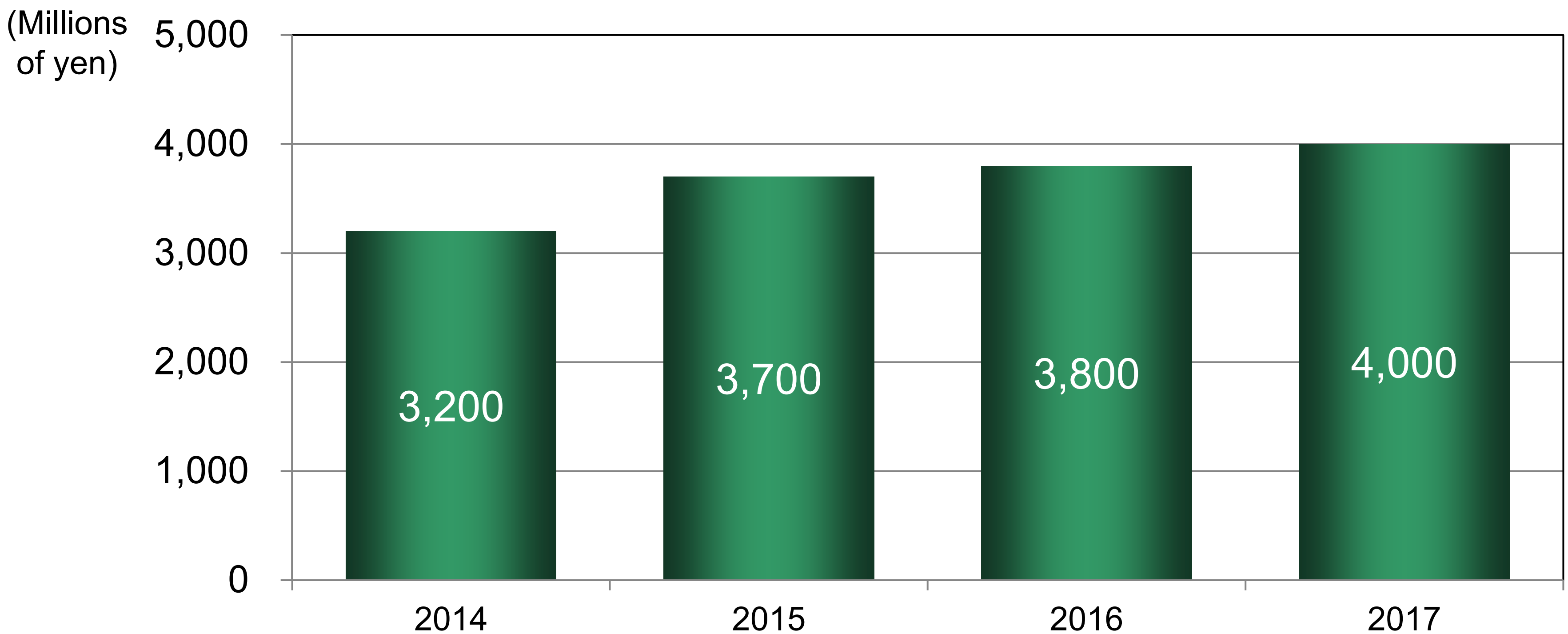
Environmental and Alternative Energy Markets
(Sales of Related Products)

Market trends

Demand for instruments used in equipment maintenance, management, and monitoring in the solar power market remained robust, as did demand for clamp-on power meters and equipment power meters used to measure the power consumption of various types of equipment and electrical machinery.

Target products: Clamp-on power meters, equipment power meters, PV megohmmeters, current sensors, loggers, battery testers, power quality analyzers, remote measurement systems



Electronic Components and Automotive Markets
(Sales in Related Categories)

Trends in the electronic components market

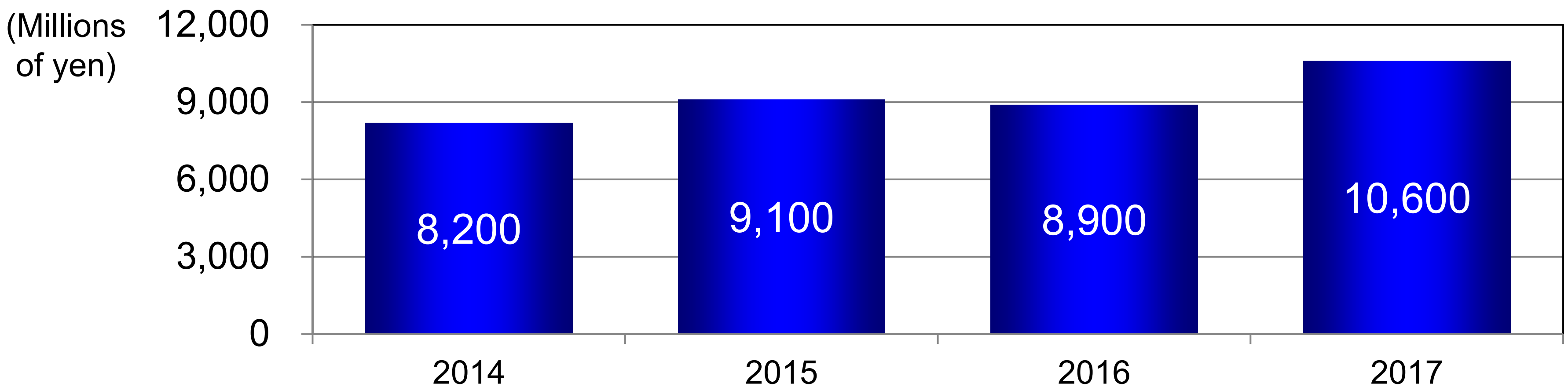
Capital investment in the electronic component market accelerated, reflecting factors such as faster communications speeds and more advanced functionality for mobile devices and growing use of the Internet of Things (IoT) throughout society. We expect continued growth in the future.

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

Trends in the automotive market

Capital investment in EV development accelerated on expectations that the vehicles would be rapidly adopted in China and Europe. Demand for instruments used to measure batteries was also robust. We expect to see global competition in developing self-driving technologies.

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



*Some product categories changed in 2017. Results for 2014 and subsequent years have been stated in terms of the new categories.

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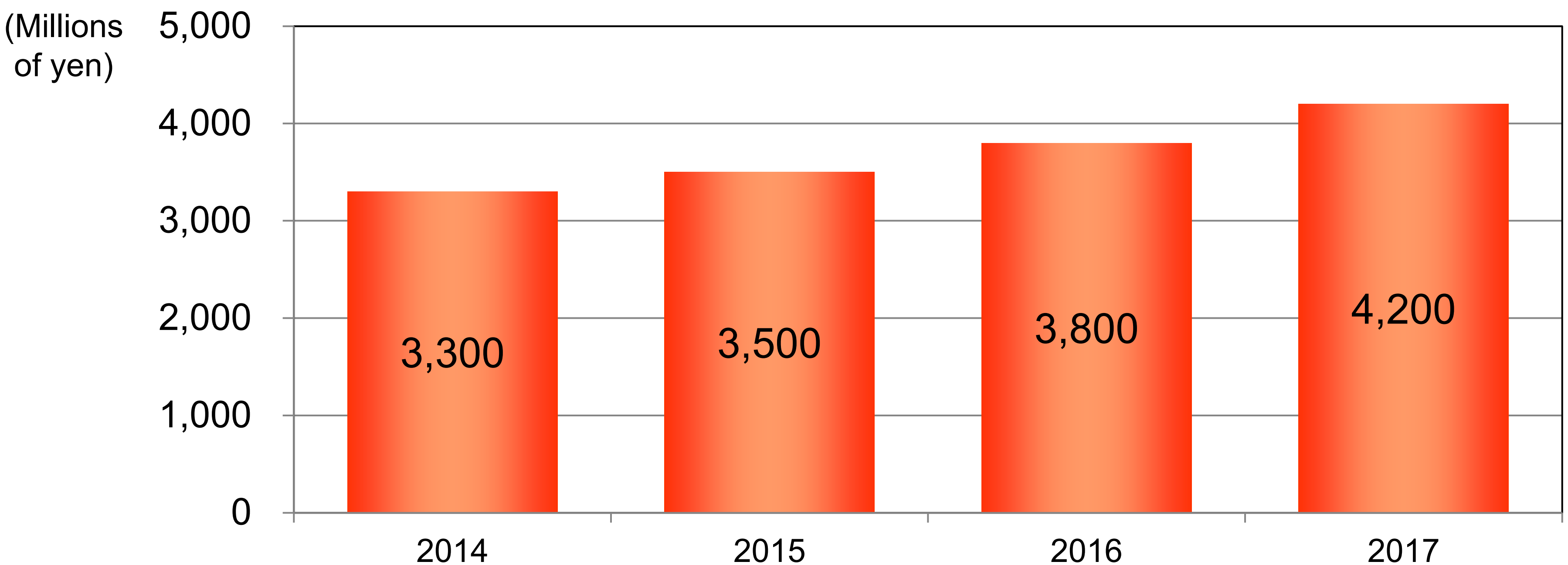
Infrastructure Market (Sales in Related Categories)

Trends in the infrastructure market

Demand for instruments used in electrical work and equipment maintenance rose, and the boost in domestic demand caused by infrastructure construction in advance of the Tokyo Olympics continued. We also saw strong demand in emerging markets spurred by economic development.

Target products: Digital multimeters, testers, clamp-on current meters, grounding resistance meters, PV megohmmeters, phase detectors, etc.



*Some product categories changed in 2017. Results for 2014 and subsequent years have been stated in terms of the new categories.

HIOKI

Mid-term Business Plan and Strategy

HIOKI

Hioki’s Vision

- A company that continues to operate into the indefinite future

Hioki is striving to become a company that generates continuous growth while playing an essential role in society.

Achieving Hioki's Vision

- Transforming Hioki into a high-value-added company
- Increasing productivity

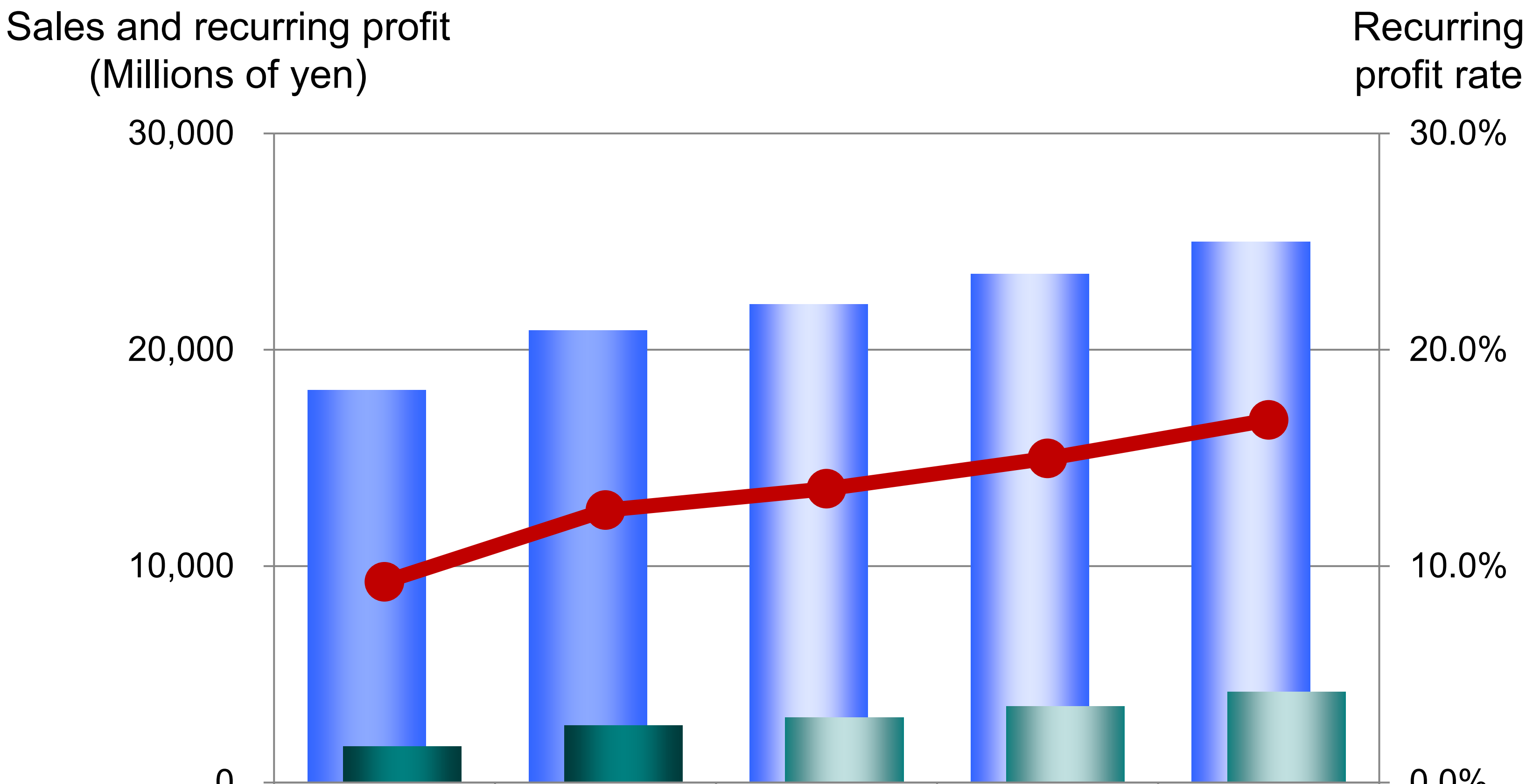
Recurring profit ratio of 20% or more

International sales as 50% or more of total sales

2018 Results Forecast

	2017		2018		
	Results (millions of yen)	Percent of sales (%)	Plan (millions of yen)	Percent of sales (%)	Year-on-year (%)
Sales	20,891		22,100		105.8%
Cost of sales	12,030	57.6%	12,460	56.4%	103.6%
Selling, general, and administrative expenses	6,357	30.4%	6,820	30.9%	107.3%
Operating profit	2,503	12.0%	2,820	12.8%	112.7%
Recurring profit	2,630	12.6%	3,000	13.6%	114.0%
Net income	1,998	9.6%	2,200	10.0%	110.1%
Earnings per share	¥146.67		¥161.45		

Mid-term Business Plan (2018 to 2020)



	2016	2017	2018	2019	2020
Sales	18,131	20,891	22,100	23,500	25,000
Recurring profit	1,682	2,630	3,000	3,520	4,190
Recurring profit rate	9.3%	12.6%	13.6%	15.0%	16.8%

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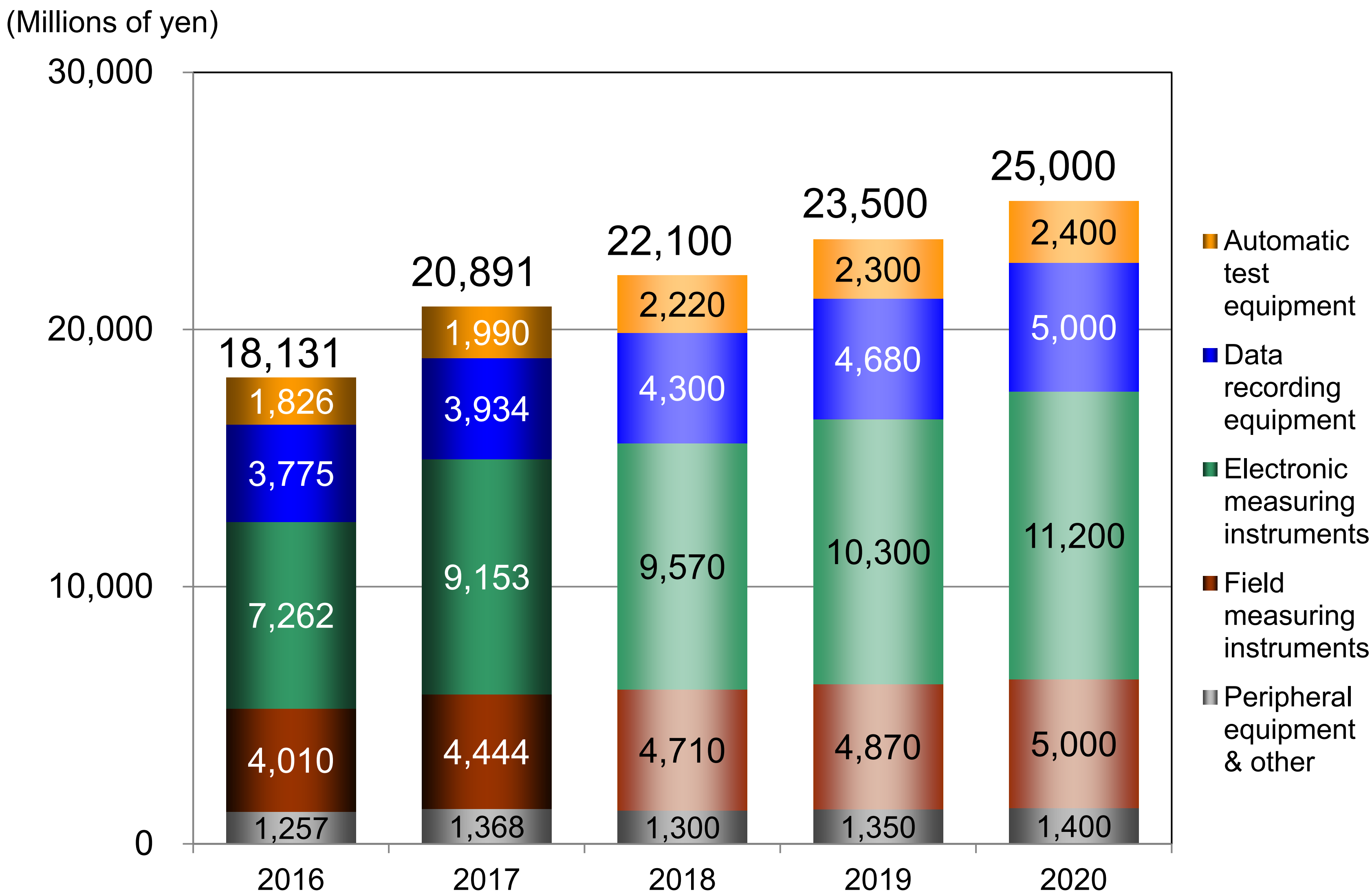
Mid-term Sales Plan by Product Category (2018 to 2020)



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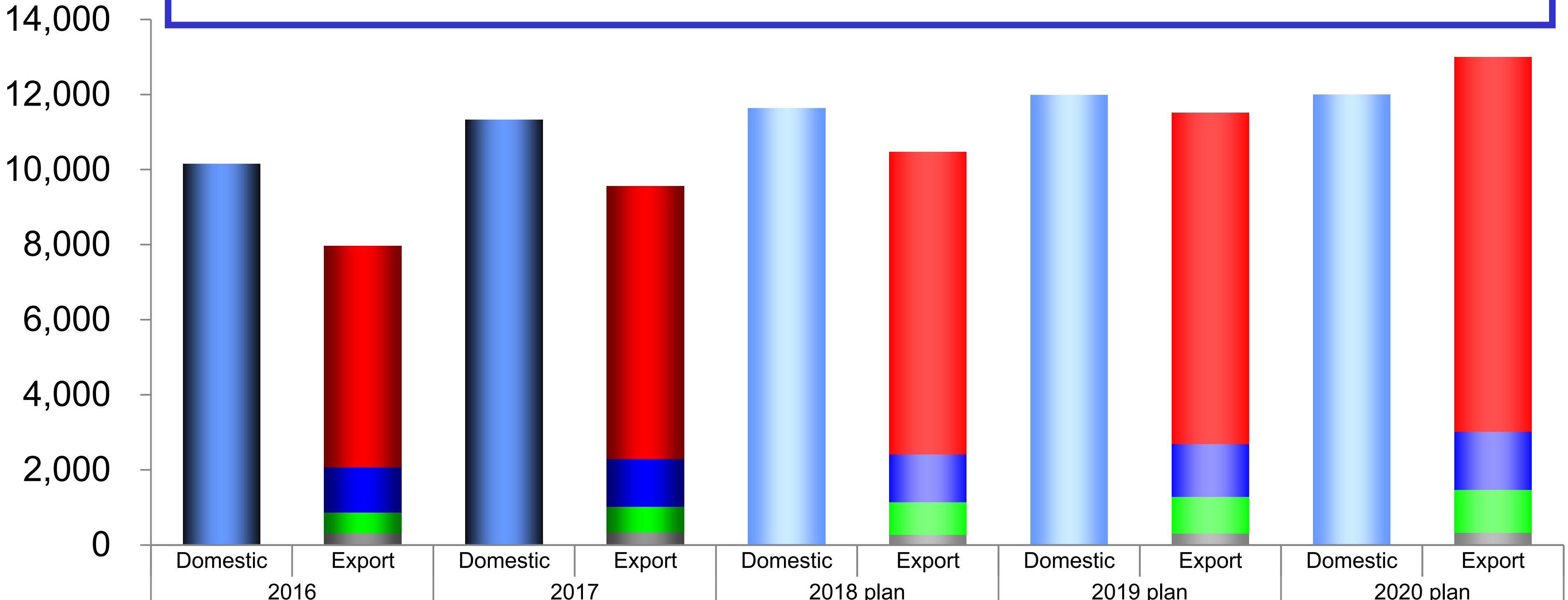
Export Mid-term Sales Plan (2018 to 2020)

Export sales as a percentage of total sales

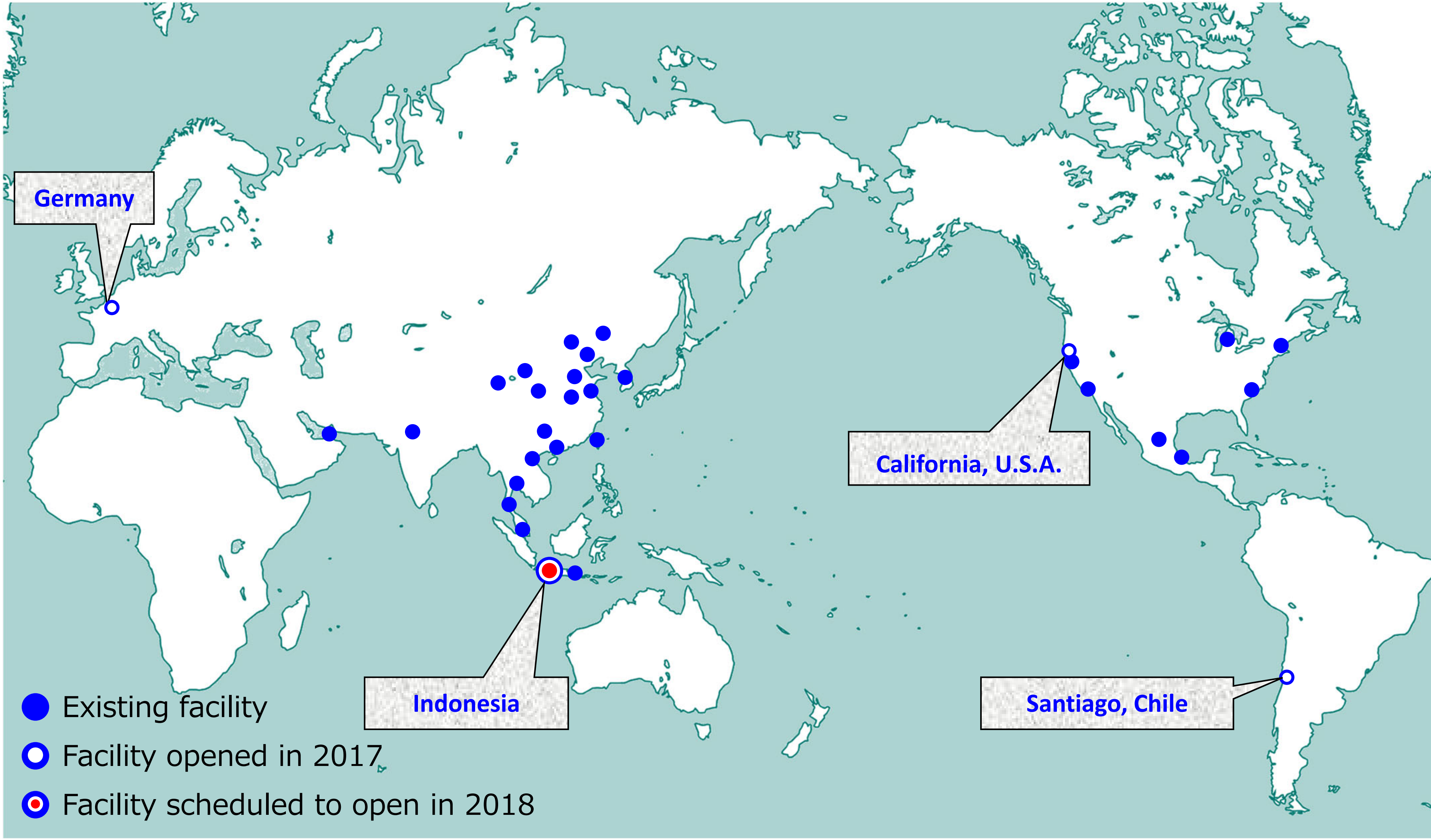
2016	2017	2018 plan	2019 plan	2020 plan
44.0%	45.8%	47.4%	49.0%	52.0%



	2016 Domestic	2016 Export	2017 Domestic	2017 Export	2018 plan Domestic	2018 plan Export	2019 plan Domestic	2019 plan Export	2020 plan Domestic	2020 plan Export
Japan	10,159		11,324		11,630		11,990		12,000	
Asia		5,900		7,271		8,050		8,820		9,980
Americas		1,197		1,270		1,280		1,410		1,540
Europe		559		685		860		970		1,150
Other		315		339		280		310		330

HIOKI

Pursuing Globalization



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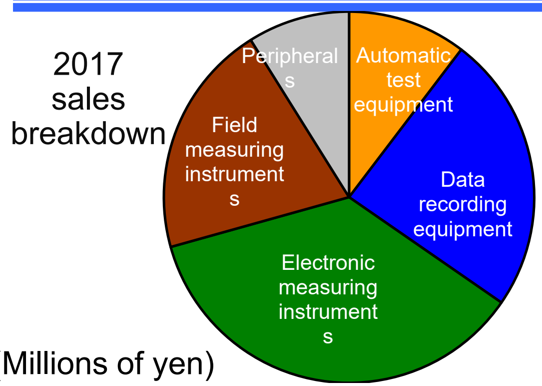
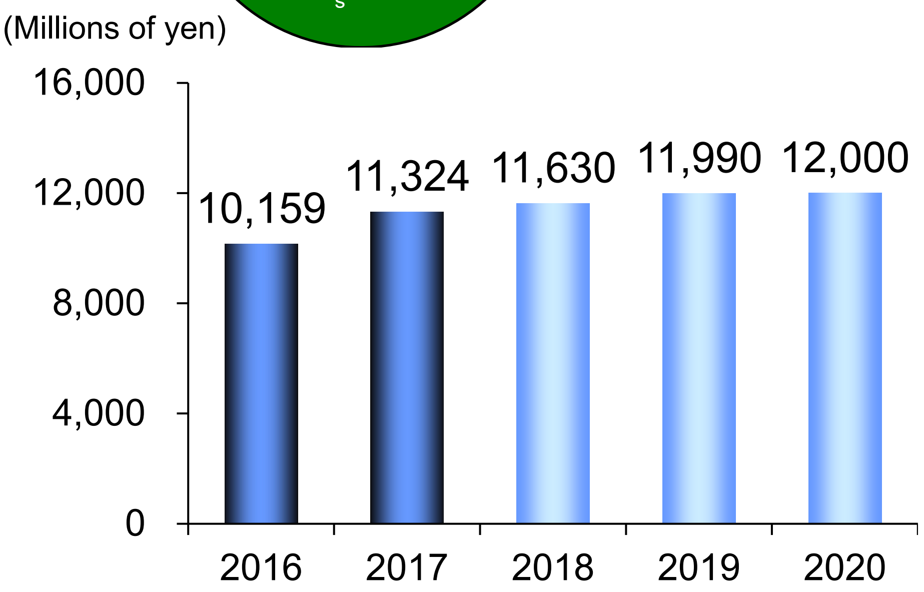
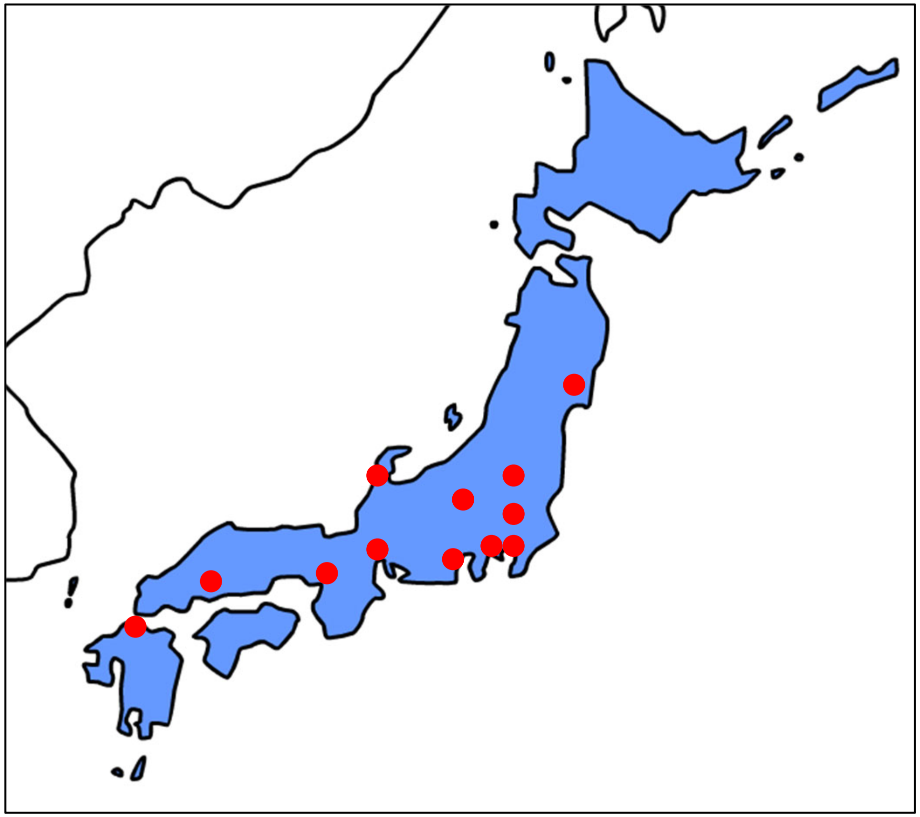
Key Regional Markets: Japan

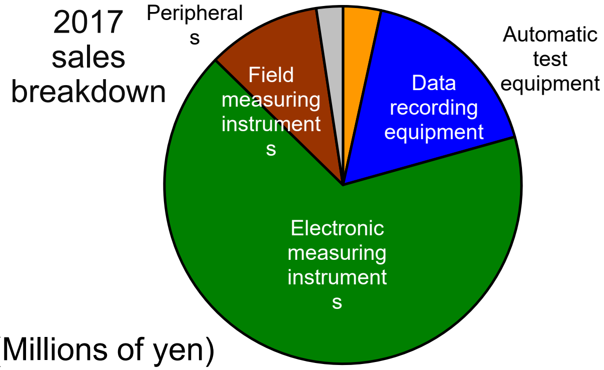


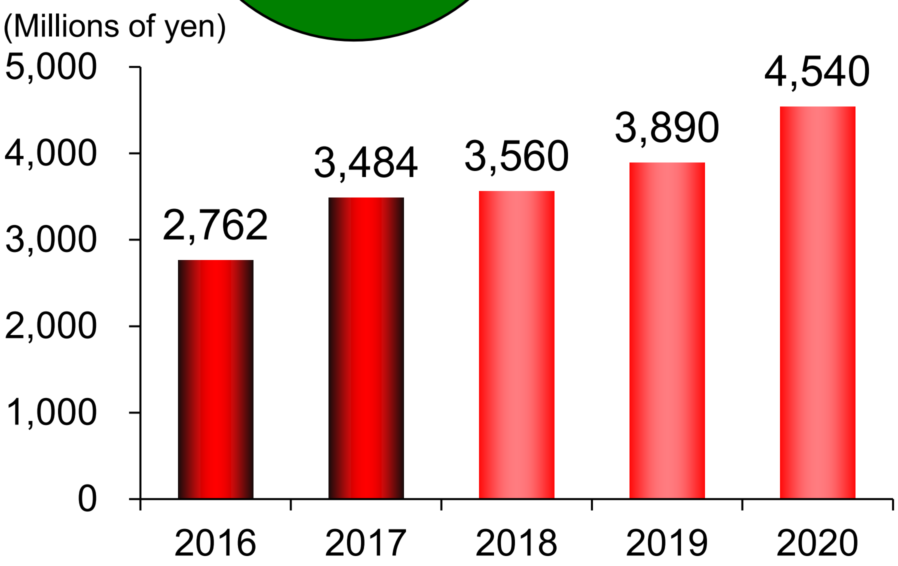




- We will reorganize our sales departments and introduce a new branch office system, transferring authority to bring it closer to manufacturing work and put in place structures to facilitate rapid decision-making.
- We will work to increase sales in priority growth markets such as automobiles, electronic components, and infrastructure.

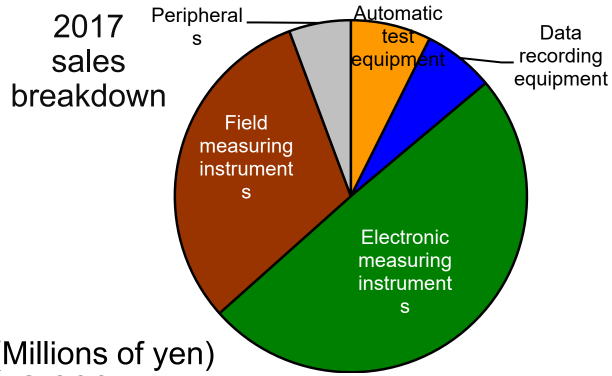
Key Regional Markets: China

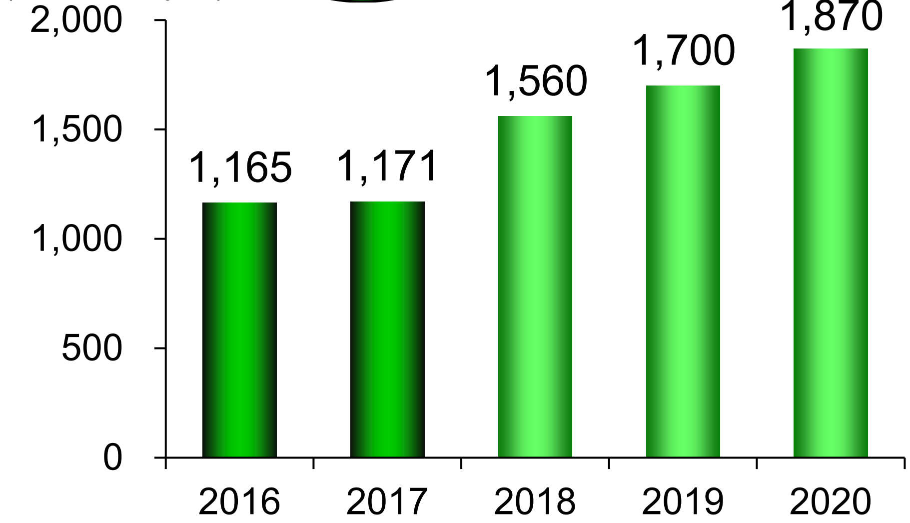


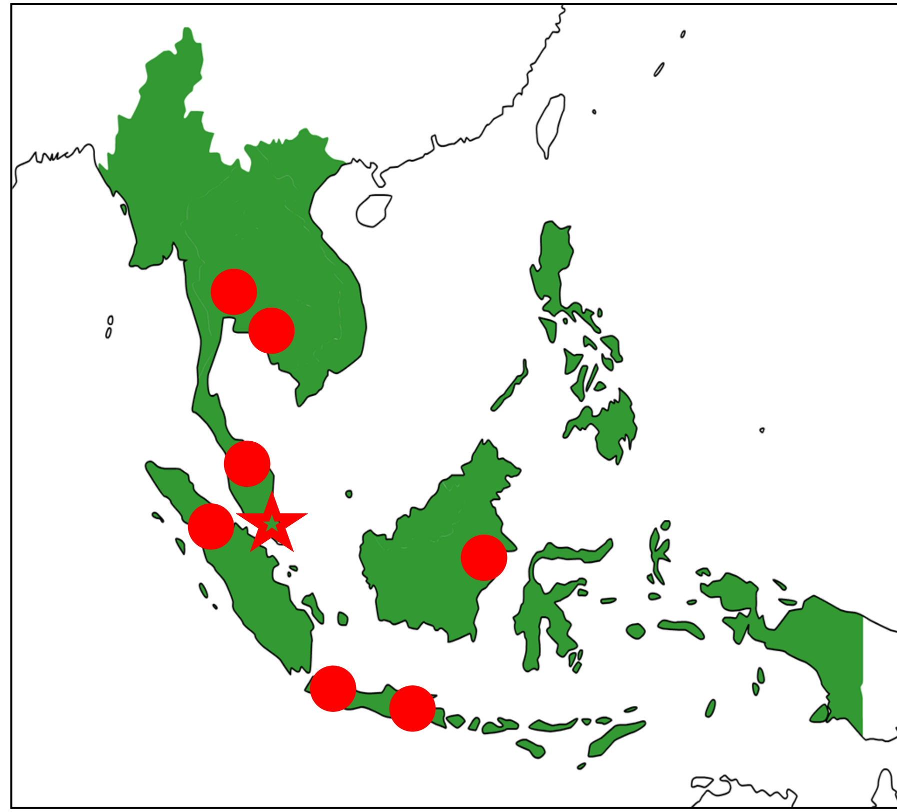


- We will formulate and work to implement a sales strategy that takes advantage of the Internet to spread awareness of the Hioki brand in the Chinese market.
- We will work to expand sales, particularly of electronic measuring instruments, in the EV, electronic component, and robotics markets, among other sectors.

Key Regional Markets: Southeast Asia



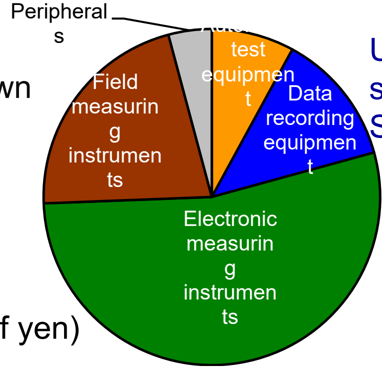




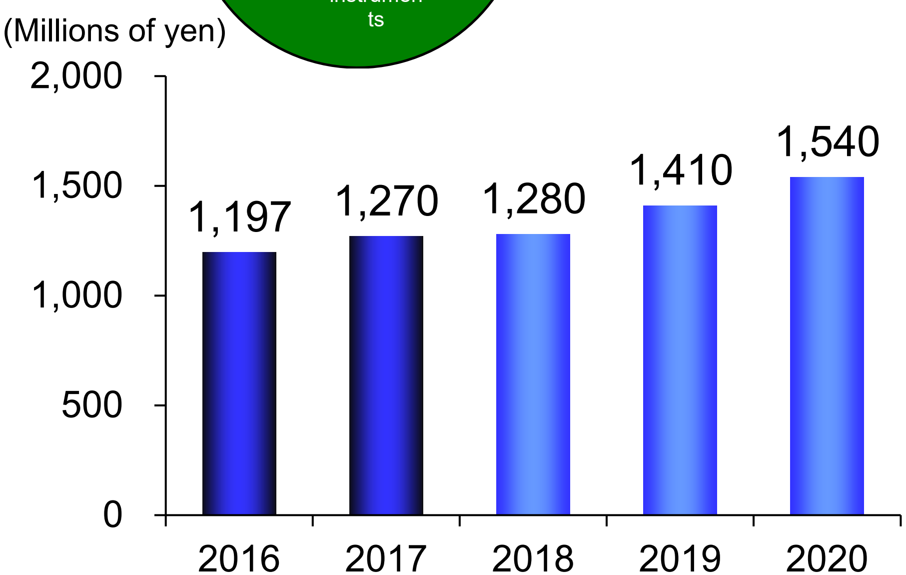
- We will continue to complete the process of converting our satellite office in Indonesia into a local corporation.
- We will add South Asia and Oceania to this regional category and work to increase sales in the infrastructure market and other sectors.

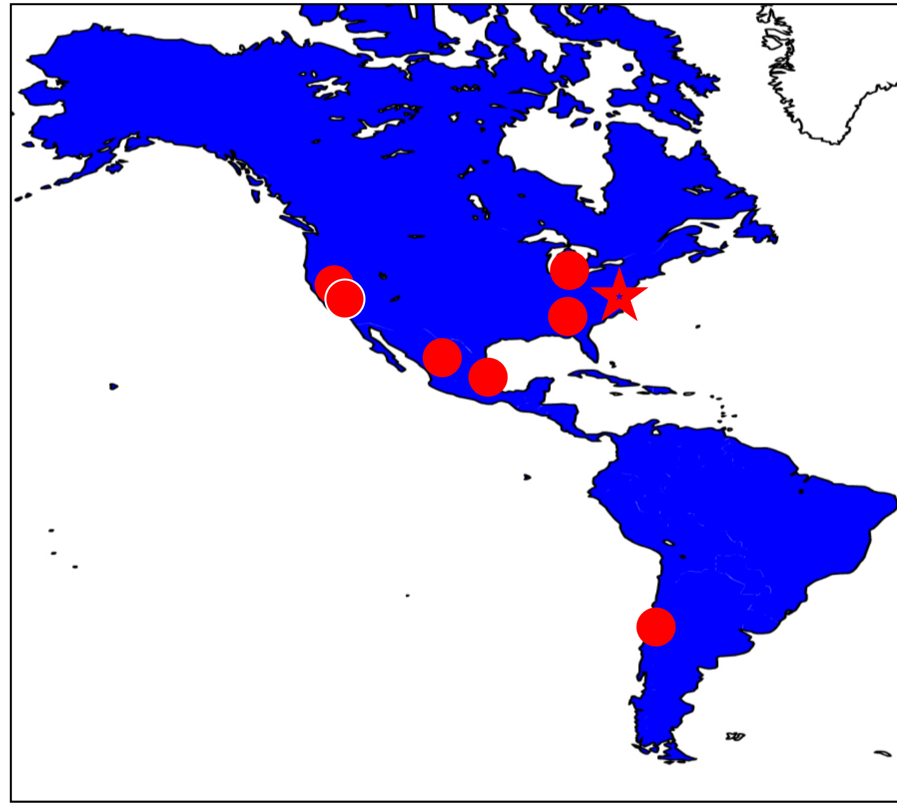
Key Regional Markets: U.S.A.

2017 sales breakdown



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

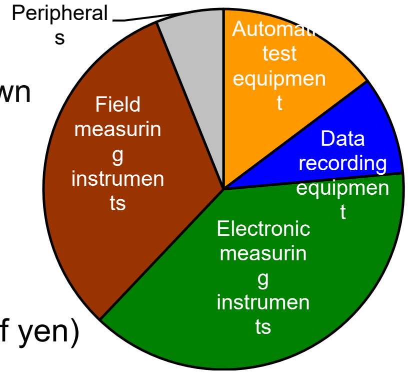


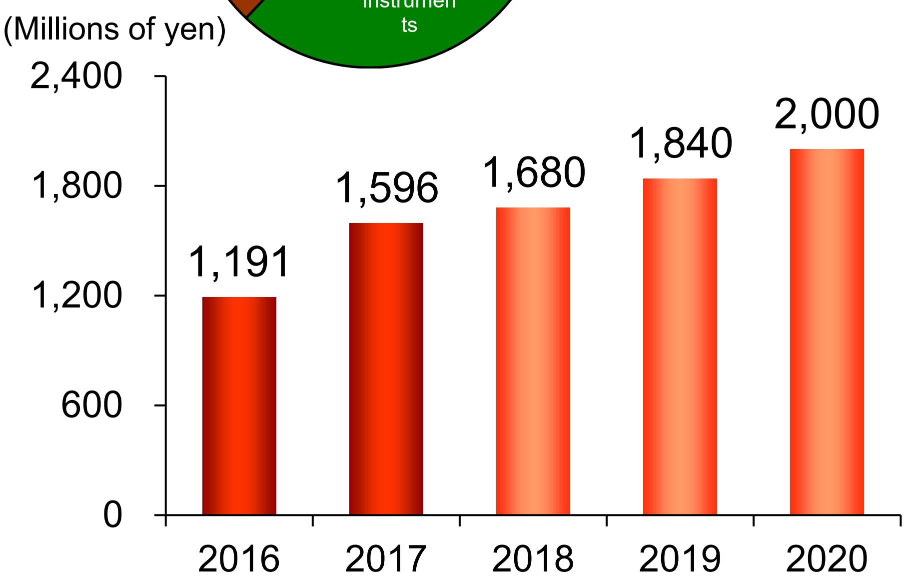


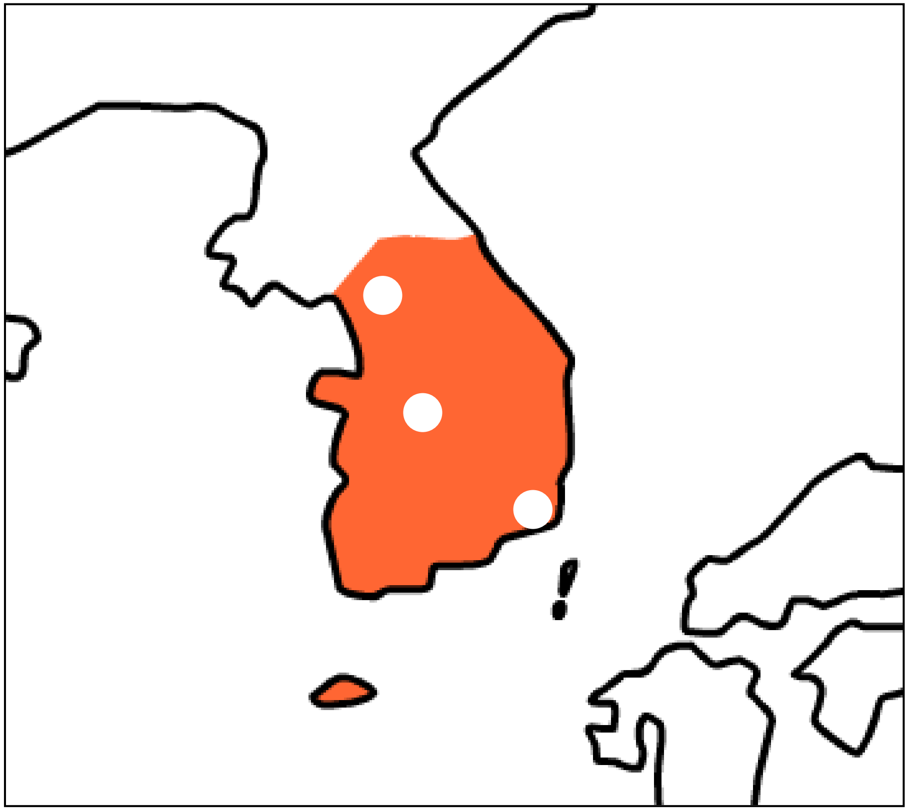
- We will open a branch office in California, and will work to increase sales with a focus on products used in the EV and battery industries.
- We will cultivate the Latin American market by assigning personnel to Chile (Santiago).

Key Regional Markets: South Korea

2017 sales breakdown







- We will strengthen efforts to increase sales to major local users of our products, and work to spread awareness of distributors and the Hioki brand in each product category.
- We will work to increase sales of electronic measuring instruments and data recording equipment for use in the automotive and power industries.

Other Key Overseas Regions

Europe ¥860 million	Last July, we established a sales subsidiary in Frankfurt, Germany, and we're working to cultivate key markets such as the automotive and aviation sectors.
Taiwan ¥1,010 million	Orders of general-purpose measuring instruments are strong. Inquiries concerning automated testing equipment are rising.
Middle East ¥260 million	We will work from the satellite office we opened in Dubai to promote products and strengthen sales support in Middle Eastern countries.
India ¥240 million	The year before last, we established a subsidiary to offer before- and after-sales service. Going forward, we will focus on building repair capability and offering sales support in the growing Indian market.

Figures: From 2018 plan

HIOKI

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

Creating market value through the "value creation" approach

Providing distinctive products to customers worldwide from Hioki Innovation Center

Evolution of Technology

Changes in the competitive landscape

- AI, IoT, M2M
  Progress in computerization
- Progress in computerization, for example of transport equipment
- Growth of the environmental and alternative energy fields

Hioki's response

- Measurement technologies that are an order of magnitude better
- Sensing technologies
- Digital/software technologies
- Reliability technologies

Hioki is tracking changes in the competitive landscape as it works to advance its measurement technologies.

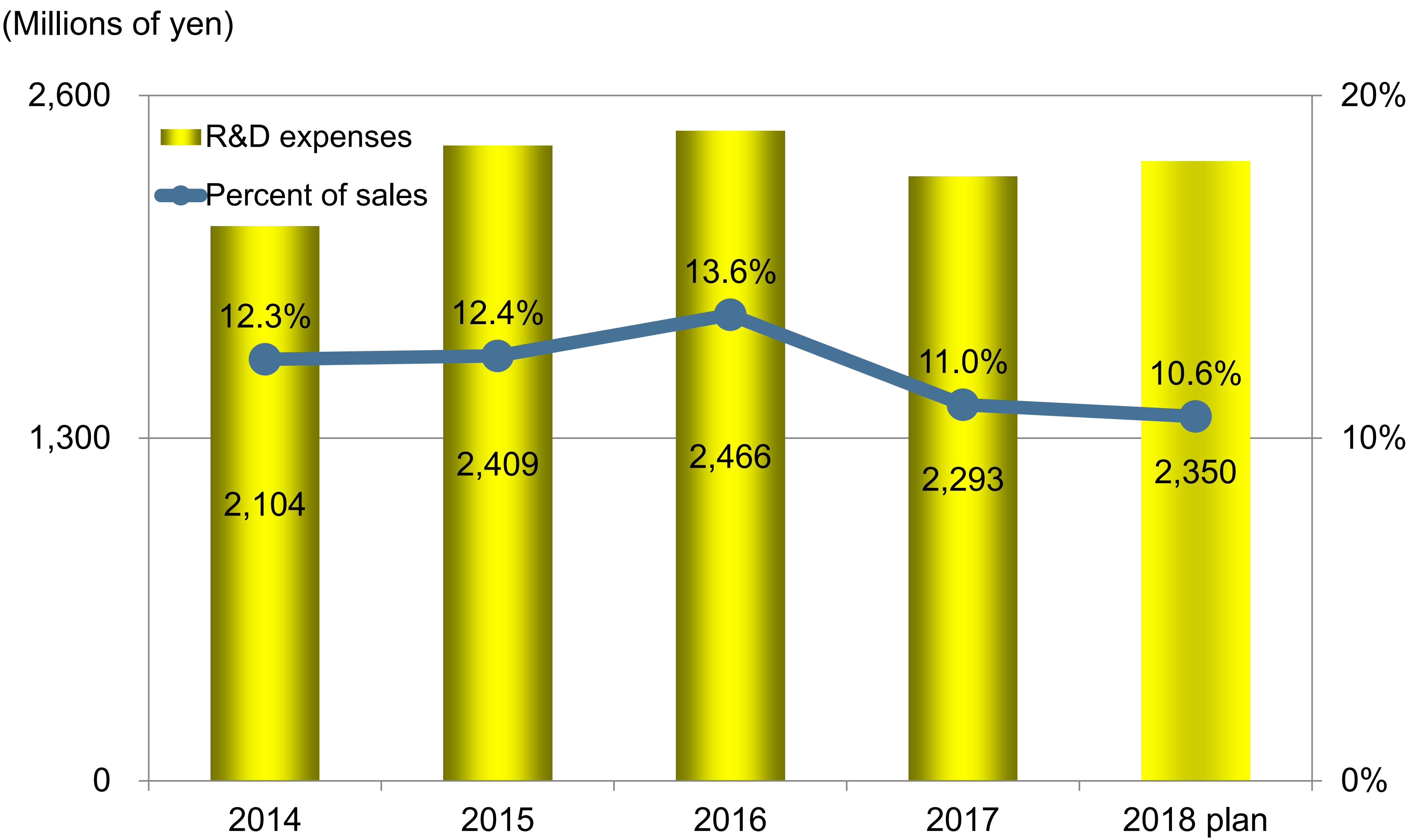
Measurement Technologies Developed in Response to Technological Evolution

Hioki has introduced products for the RGB laser market, which is expected to grow at a rapid pace.

Measuring instrument for RGB lasers

Hioki developed the Discrete Centroid Wavelength Method, a new measurement technology for adjusting the white balance of laser displays.

Trend in R&D Expenses



HIOKI

Management Policies

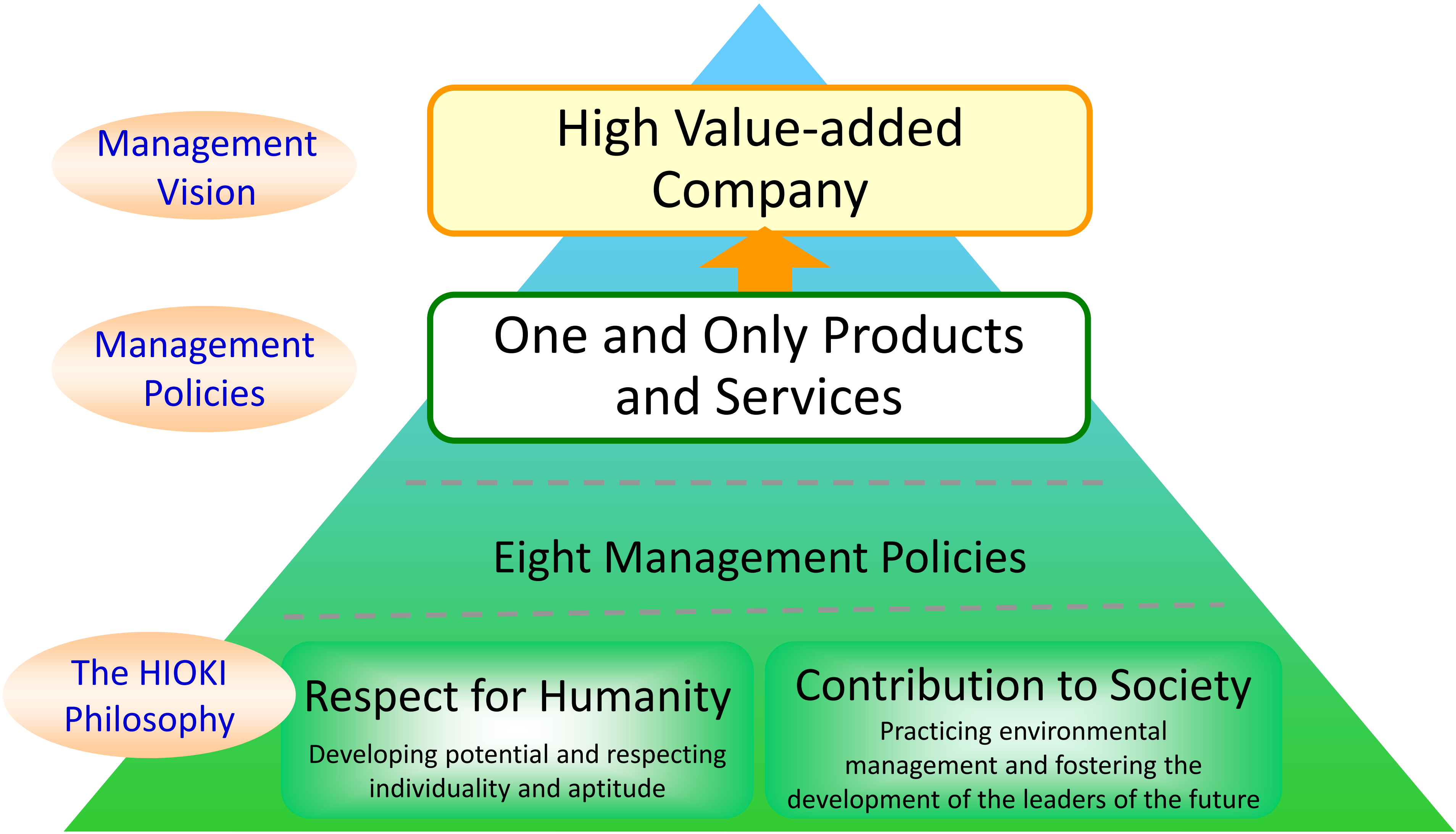
- Providing high-quality products and service of the highest caliber
- Link our dividend to business performance based on the ideal of consistently returning ¥20 of profit to investors and with a view to achieving a dividend ratio of 40%
- Increasing the transparency and objectivity of management in accordance with our corporate governance code

Reference Materials

HIOKI

Reference Materials

HIOKI's Corporate Vision



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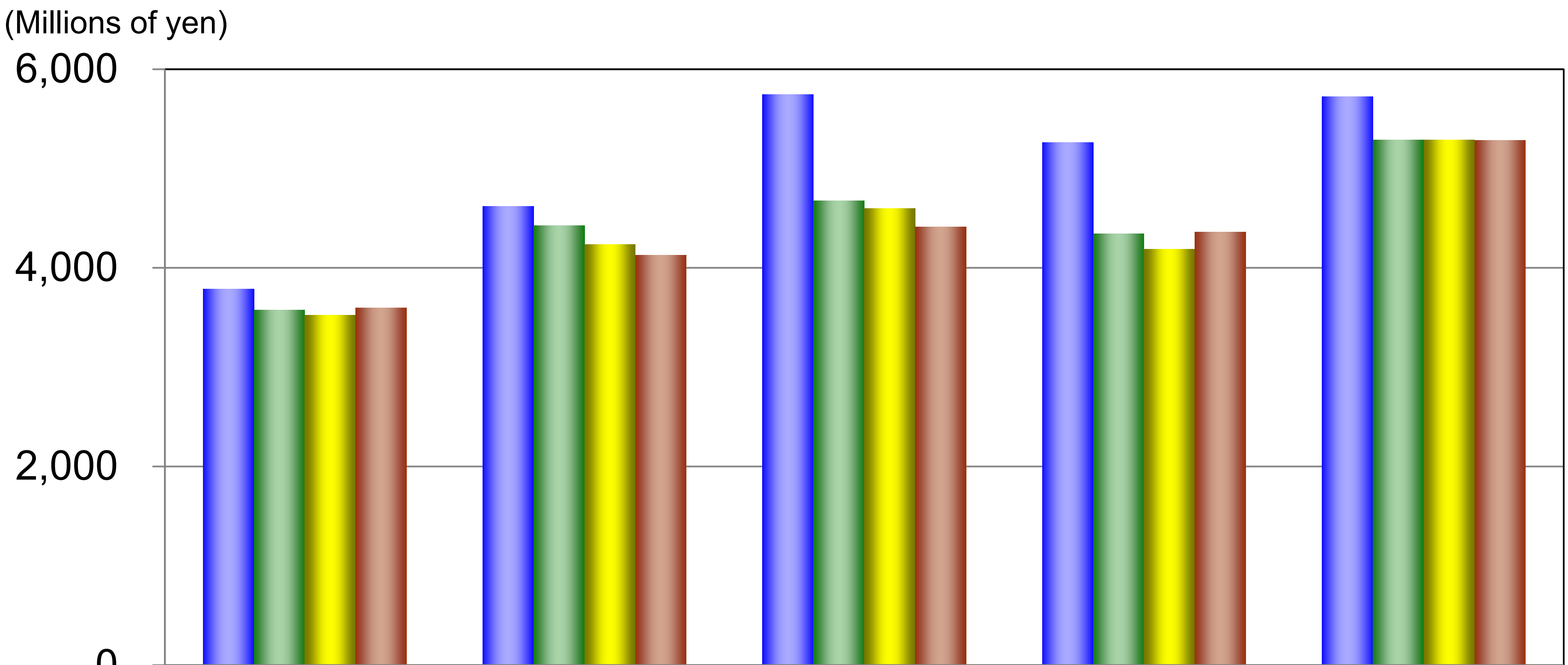
Quarterly Order Volume



	2013	2014	2015	2016	2017
Q1	3,785	4,621	5,746	5,264	5,725
Q2	3,574	4,427	4,674	4,341	5,289
Q3	3,524	4,235	4,600	4,189	5,287
Q4	3,599	4,129	4,413	4,361	5,283

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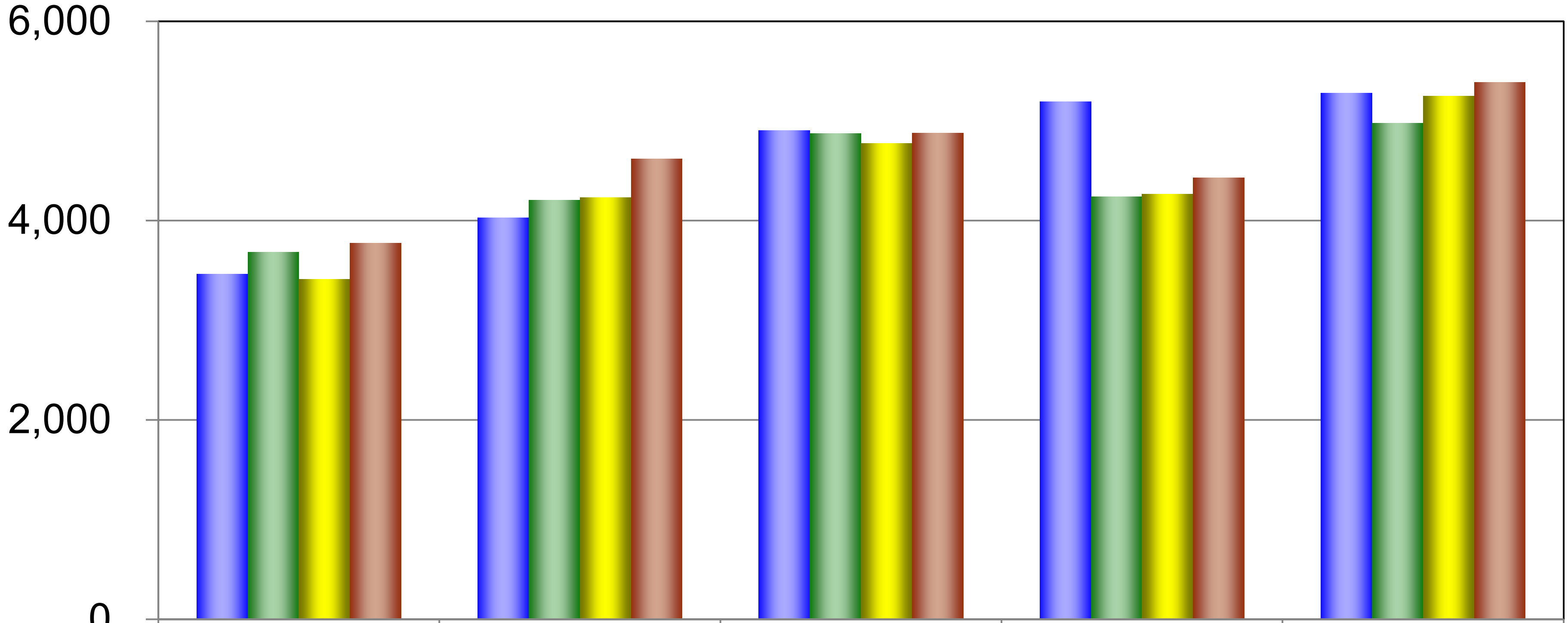
Reference Materials

Quarterly Sales

(Millions of yen)



	2013	2014	2015	2016	2017
Q1	3,462	4,028	4,904	5,192	5,280
Q2	3,684	4,205	4,874	4,242	4,977
Q3	3,410	4,233	4,777	4,265	5,248
Q4	3,776	4,620	4,877	4,430	5,386

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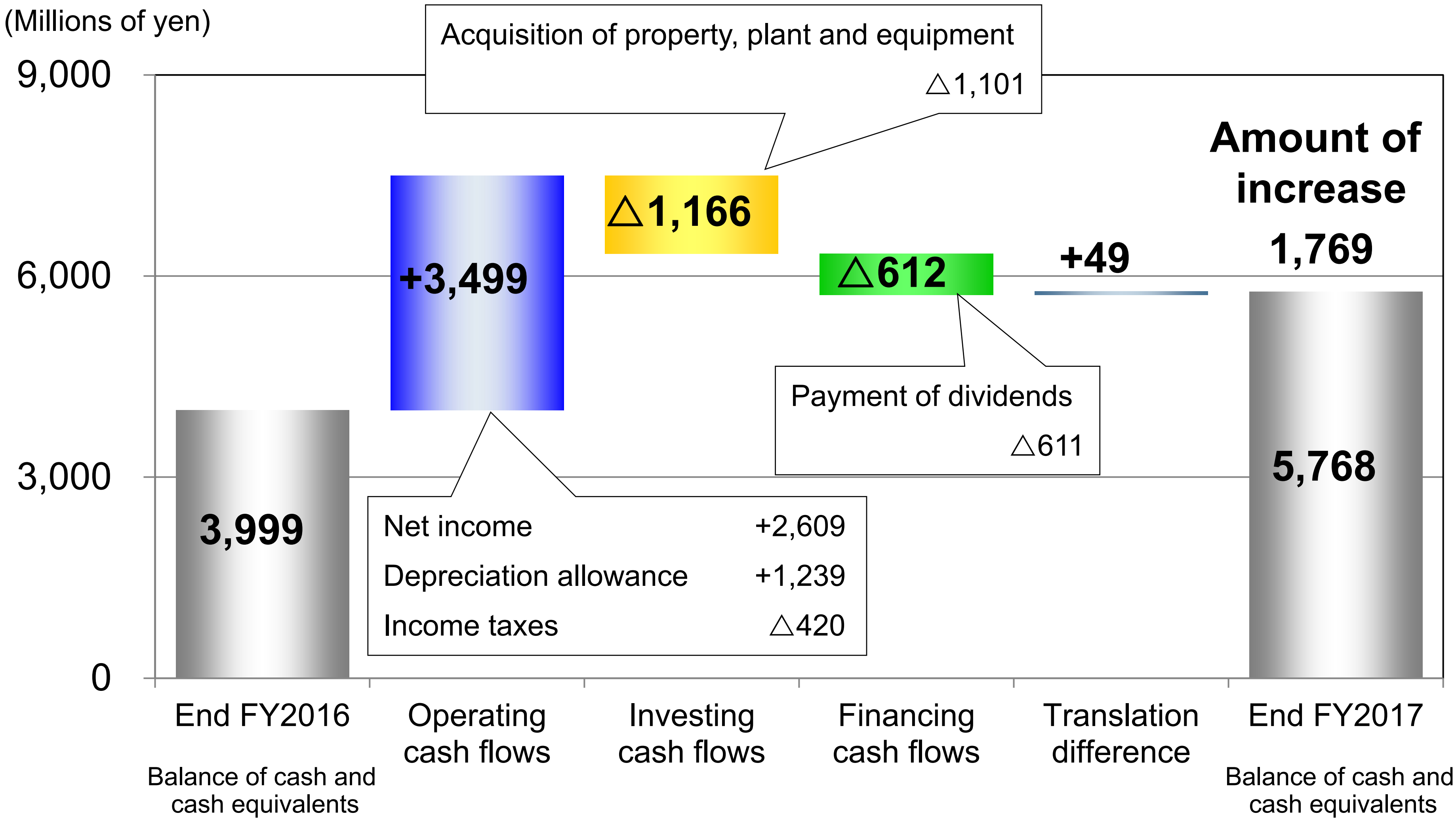
Reference Materials

Cash Flows



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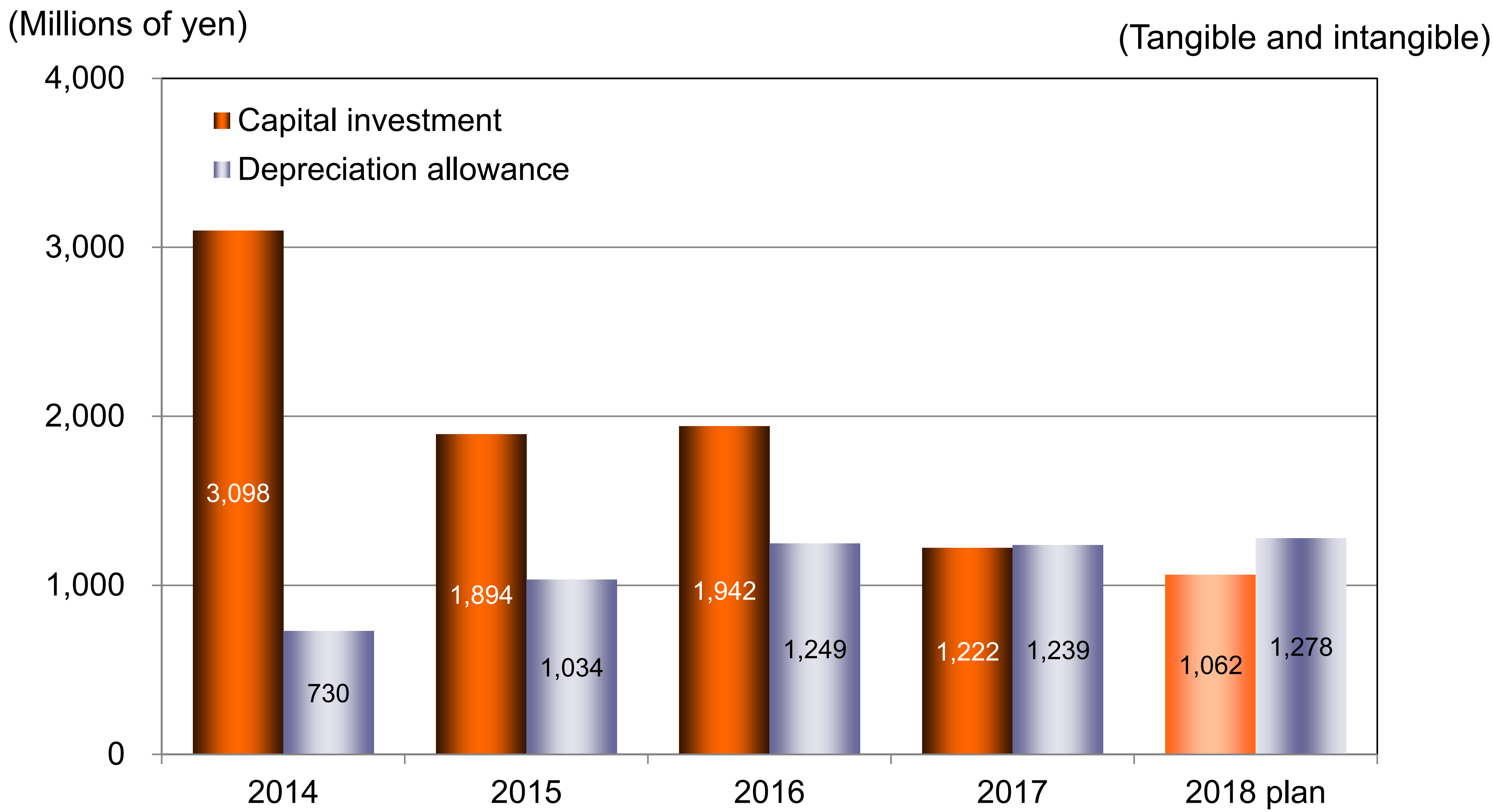
Reference Materials

Capital Investment and Depreciation Allowance



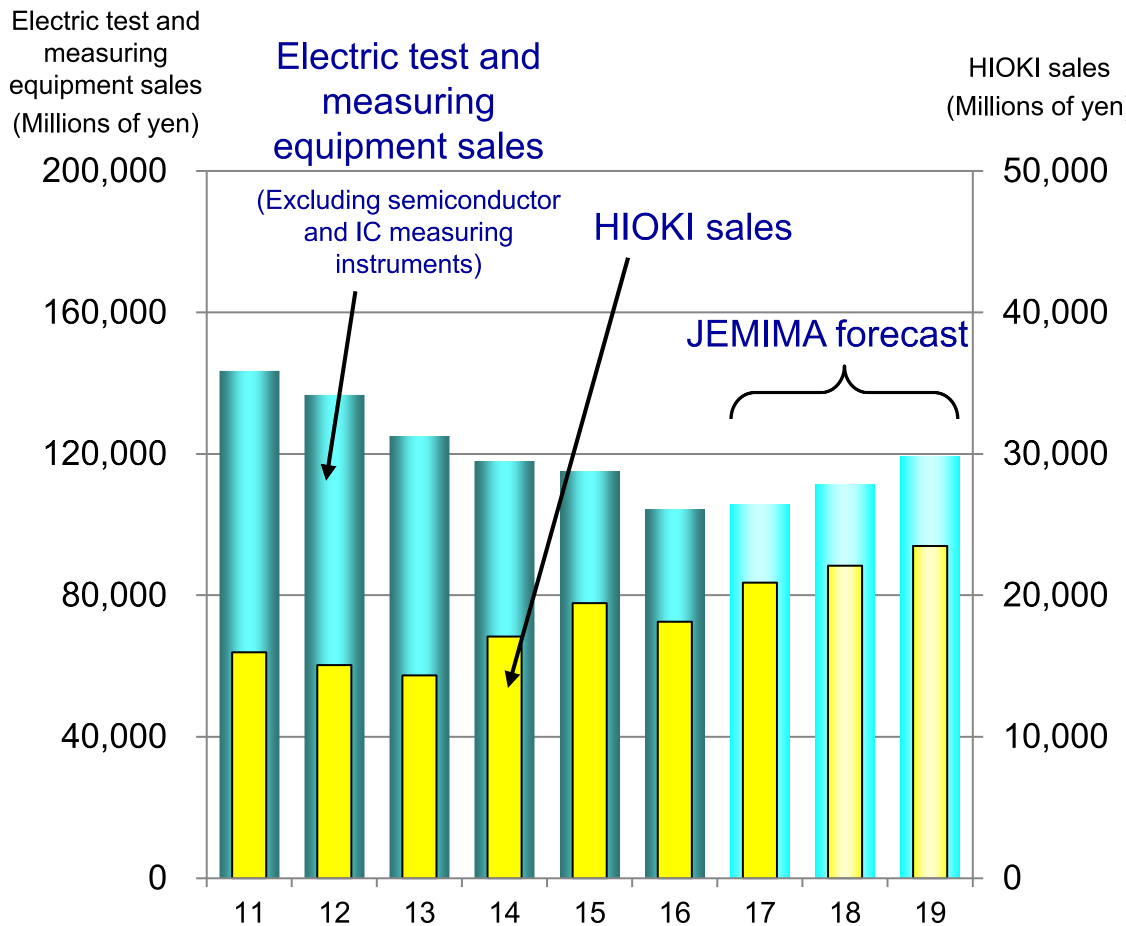
Business Environment in the Electrical Measuring Instruments Industry and Future Outlook

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

Electrical measuring instruments: Growth is expected to continue at an average annual rate of 6.3% from FY2017 to FY2021.

This growth reflects the start of next-generation 5G mobile communications service worldwide in 2020, development of wireless infrastructure for IoT use, and investment in data centers. Other factors include accelerating development of technologies for use in EVs and self-driving systems.

Based on statistical data from the Japan Electric Measuring Instruments Manufacturers' Association. Sales figures for 2017 and subsequent years reflect JEMIMA forecasts (as of December 2017).

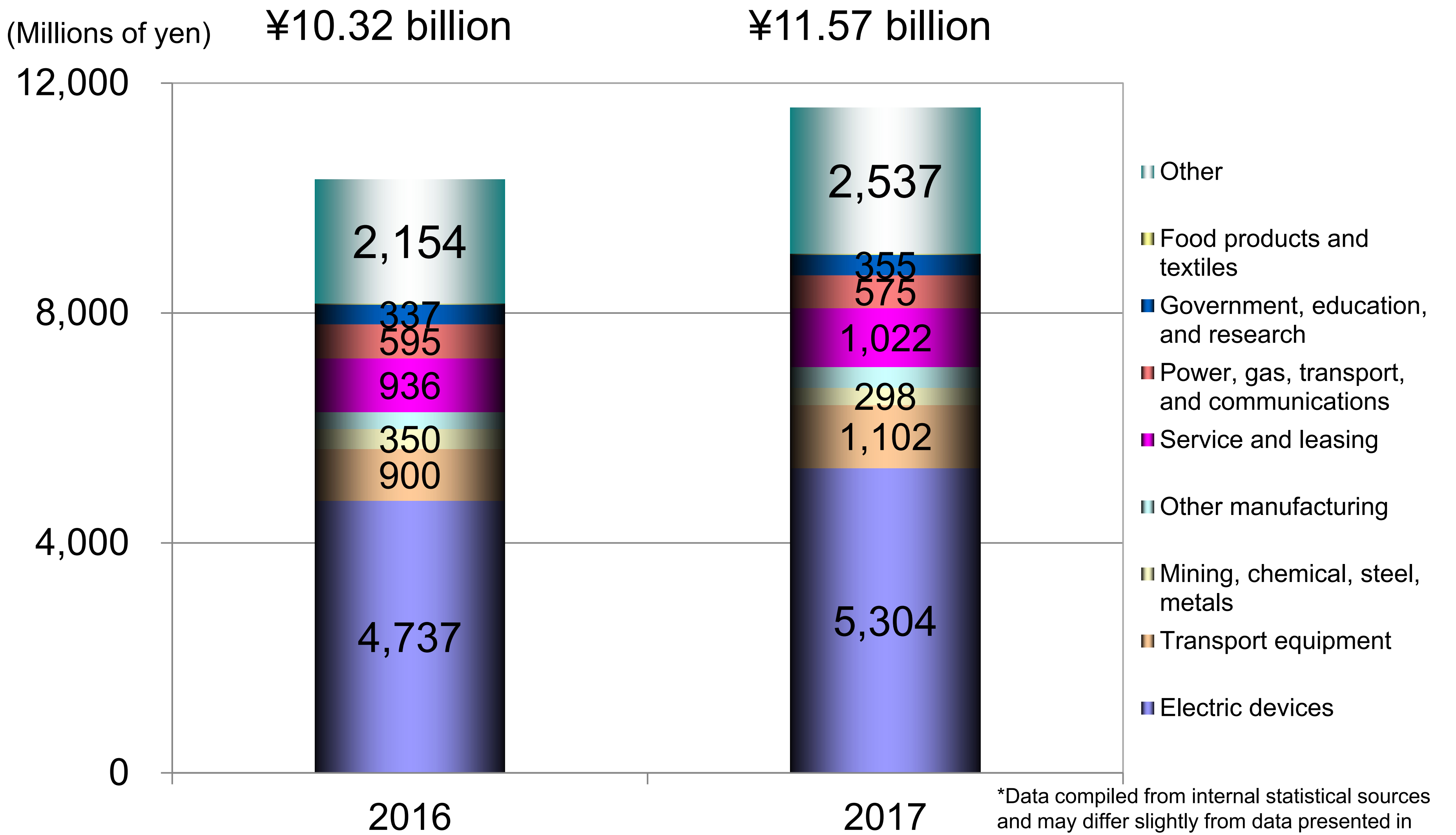


* As defined by JEMIMA, electric test and measuring equipment accounts for about 30% of electricity meters. Under the JEMIMA classification scheme, HIOKI's products consist of general measuring instruments, obtained by excluding semiconductor and IC measuring instruments from the electric test and measuring equipment category.

* Based on statistical data from the Japan Electric Measuring Instruments Manufacturers' Association. Sales figures for 2017 and subsequent years reflect JEMIMA forecasts (as of December 2017).

Reference Materials

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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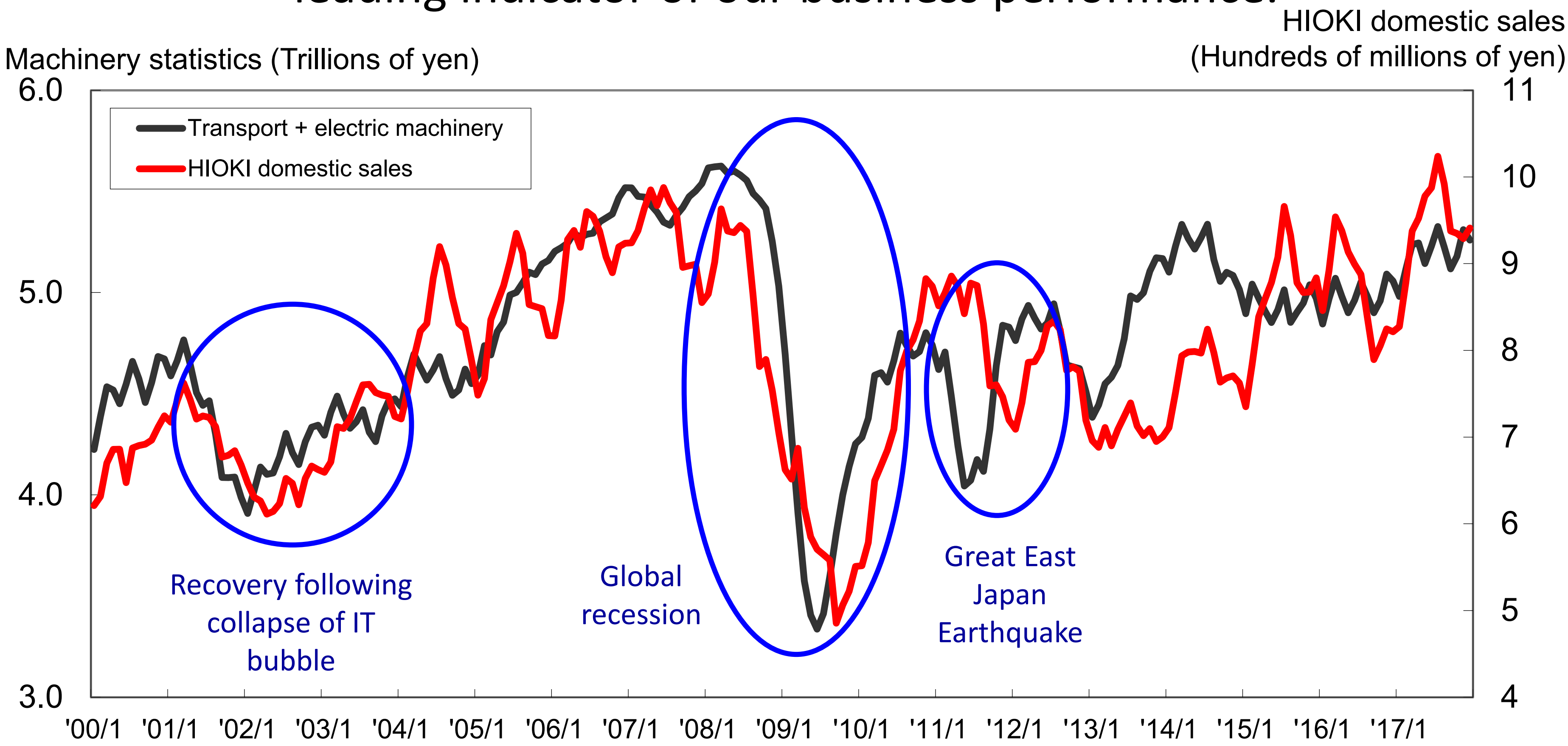
Reference Materials

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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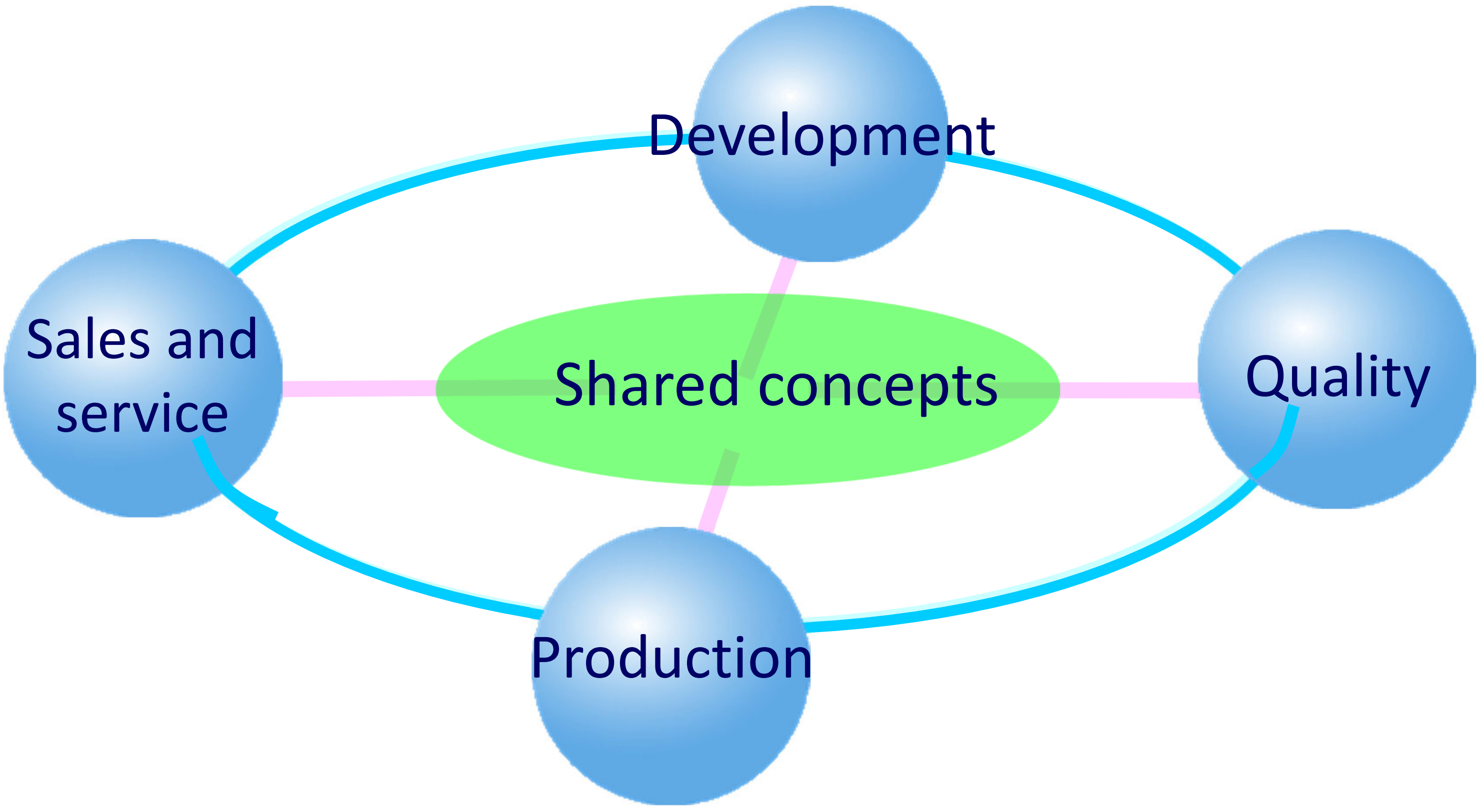
Reference Materials

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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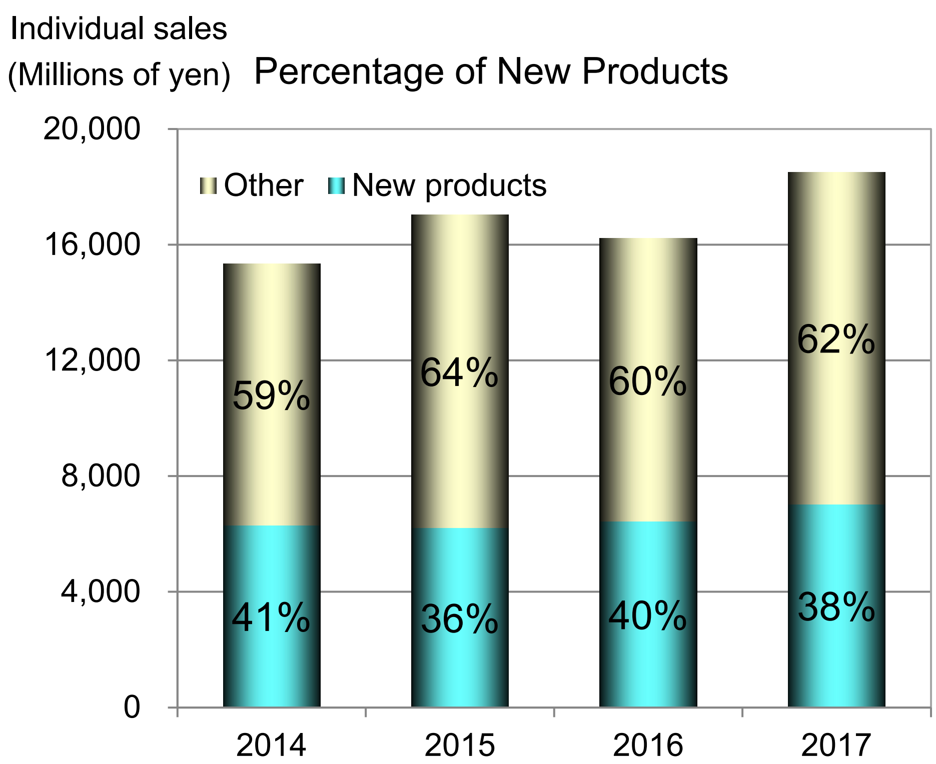
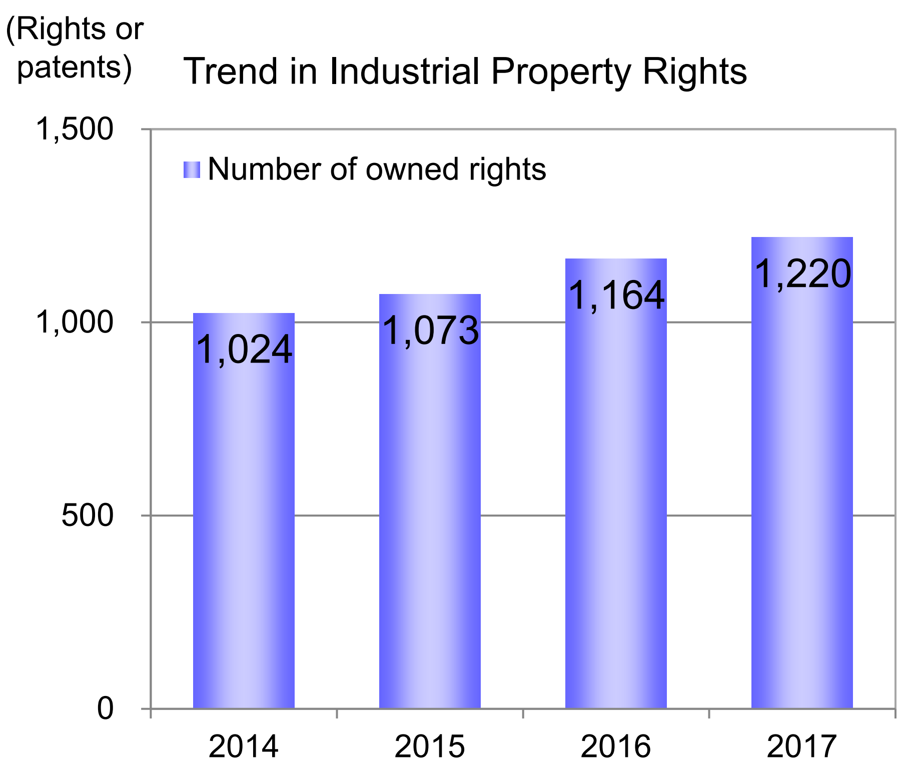
Development Capability: Unique Products Built around Core Technologies

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



*Products are treated 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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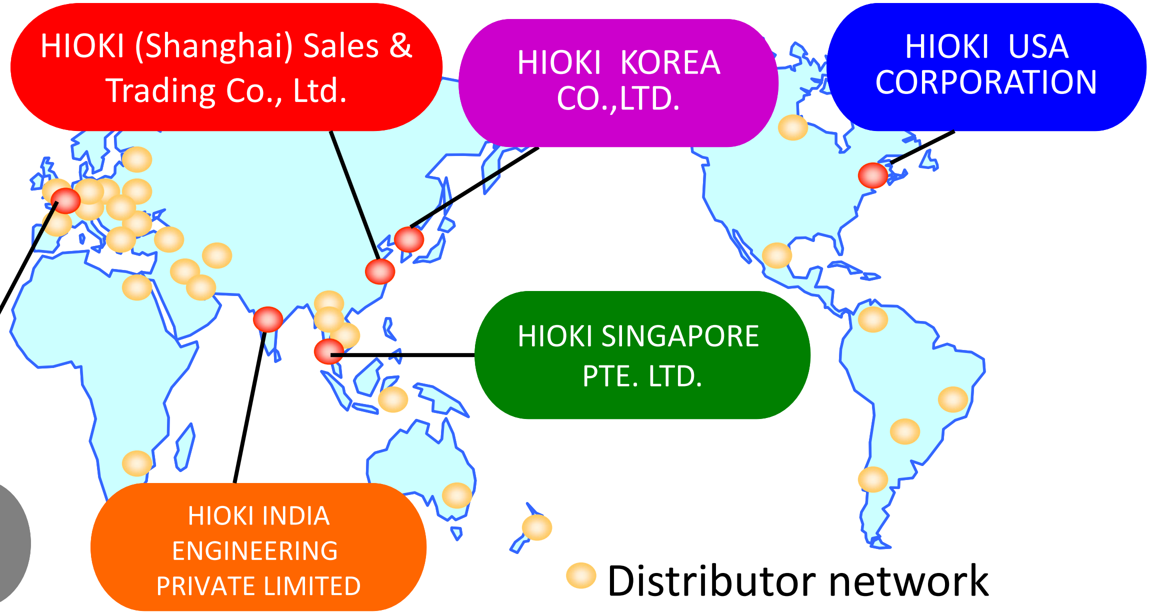
Sales Capability: Solutions-oriented Sales with a Customer Focus

- Direct marketing targeting customers in Japan (about 55,000 companies)
  - About 70 salespeople at 11 facilities in Japan
  - About 34,000 sales visits per year

Assessing latent customer wishes and future needs

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



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

FA1811 Flying Probe Tester

1220-50 IN CIRCUIT HiTESTER

Support for higher-density patterns and multifunctional 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

Developed in 1983

Capable of capturing large amounts of data over extended periods of time

MR6000
Memory HiCorder

LR8432
Heat Flow Logger

Reference Materials

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 the performance of materials
Safety testers	Performing insulation resistance measurement and withstand voltage testing of electrical equipment
Optical measuring instruments	Testing components used in optical devices (LEDs, lasers)

Fast, high-stability measurement in a compact, lightweight package


IM7585
Impedance Analyzer

Broad product line for an array of applications


ST5520
Insulation Tester

Illuminance, luminance, and power measurement


RGB Laser Luminance Meter
TM6103

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	Evaluating and analyzing inverters and motors Reducing energy use by electrical equipment; managing power
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

PQ3100 Quality Analyzer

CT6700
Clamp on Probe

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Field Measuring Instruments

- 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

A powerful brand with a long history

Principal products	Fields of use (applications)
Insulation resistance testers	Performing maintenance and inspections of electrical work and equipment

A must-have instrument for electrical work

Principal products	Fields of use (applications)
Digital multimeters	Measuring characteristics from voltage to current and resistance

Used in all applications

CM3286
AC Clamp Meter

IR4053
Insulation Tester for Photovoltaic Systems

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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