HIOKI E.E. CORPORATION

Financial Results Briefing for the Fiscal Year Ending December 31, 2019

(Securities Code: 6866)

February 2020

HIOKI

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  HIOKI

1. Company Overview

HIOKI

Photograph: The four seasons at HIOKI Forest Hills: Spring

Overview

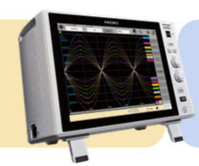
■ Name	HIOKI E.E. CORPORATION
■ Businesses	Development, manufacture, sale, and repair of electrical measuring instruments
■ Founded	June 1935
■ Incorporated	January 1952
■ Capitalization	¥3,299 million
■ Representative	Kazutoshi Hosoya, President & CEO
■ Head Office	81 Koizumi, Ueda-shi, Nagano Prefecture
■ Group companies	HIOKI Forest Plaza Corporation; HIOKI USA Corporation; HIOKI (Shanghai) Sales & Trading Co., Ltd.; HIOKI SINGAPORE PTE. LTD.; HIOKI KOREA CO.,LTD.; HIOKI INDIA PRIVATE LIMITED; HIOKI EUROPE GmbH ;HIOKI TAIWAN CO.,LTD. ;PT. HIOKI ELECTRIC INSTRUMENT
■ Employees	1,007 (consolidated-basis, including part-time workers) (as of December 31, 2019)

HIOKI

HIOKI Product Organization and Fields of Use

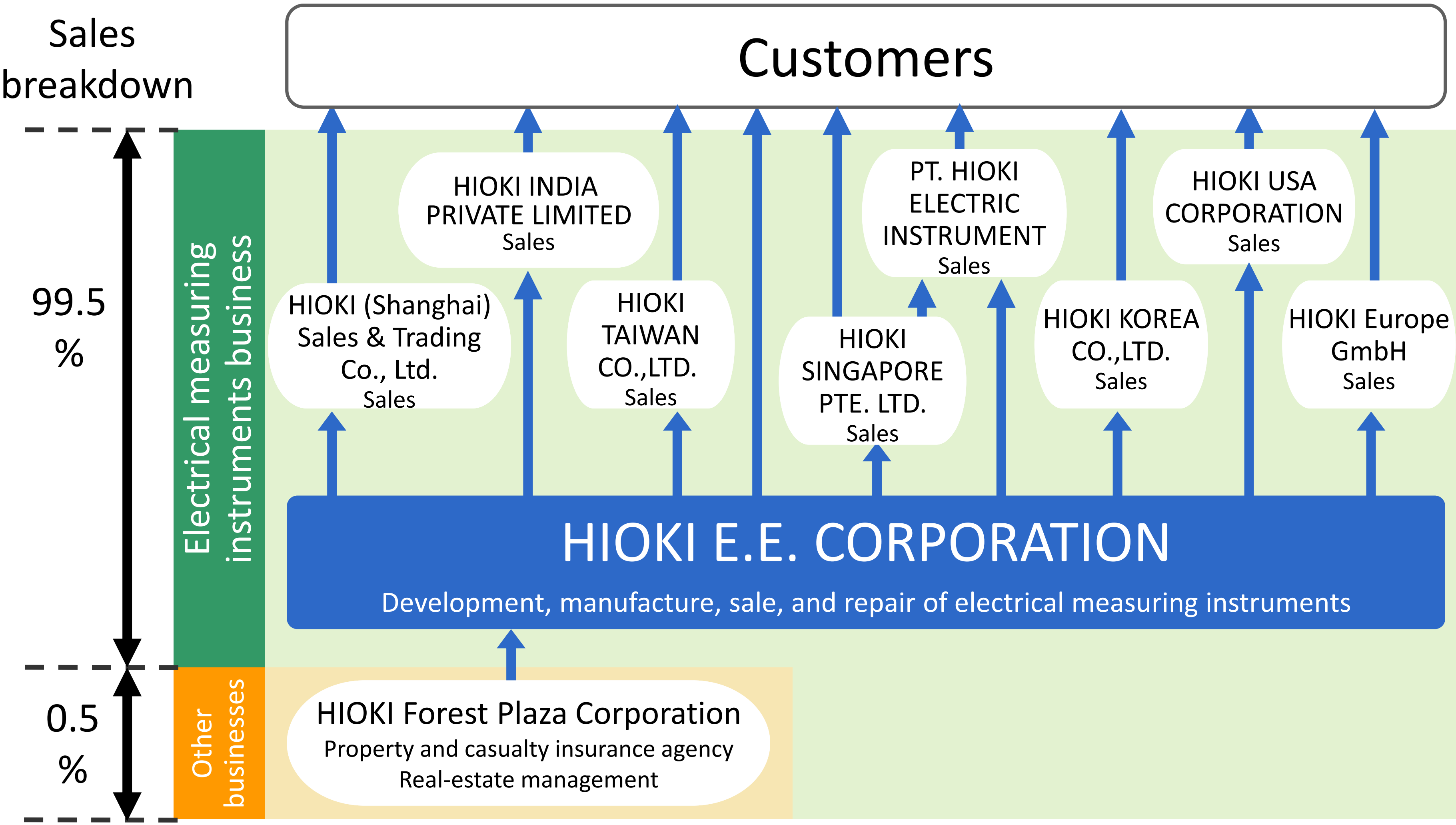
HIOKI meets customer needs ranging from advanced R&D to production lines and on-site electrical work in every industry with 300 products.

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		

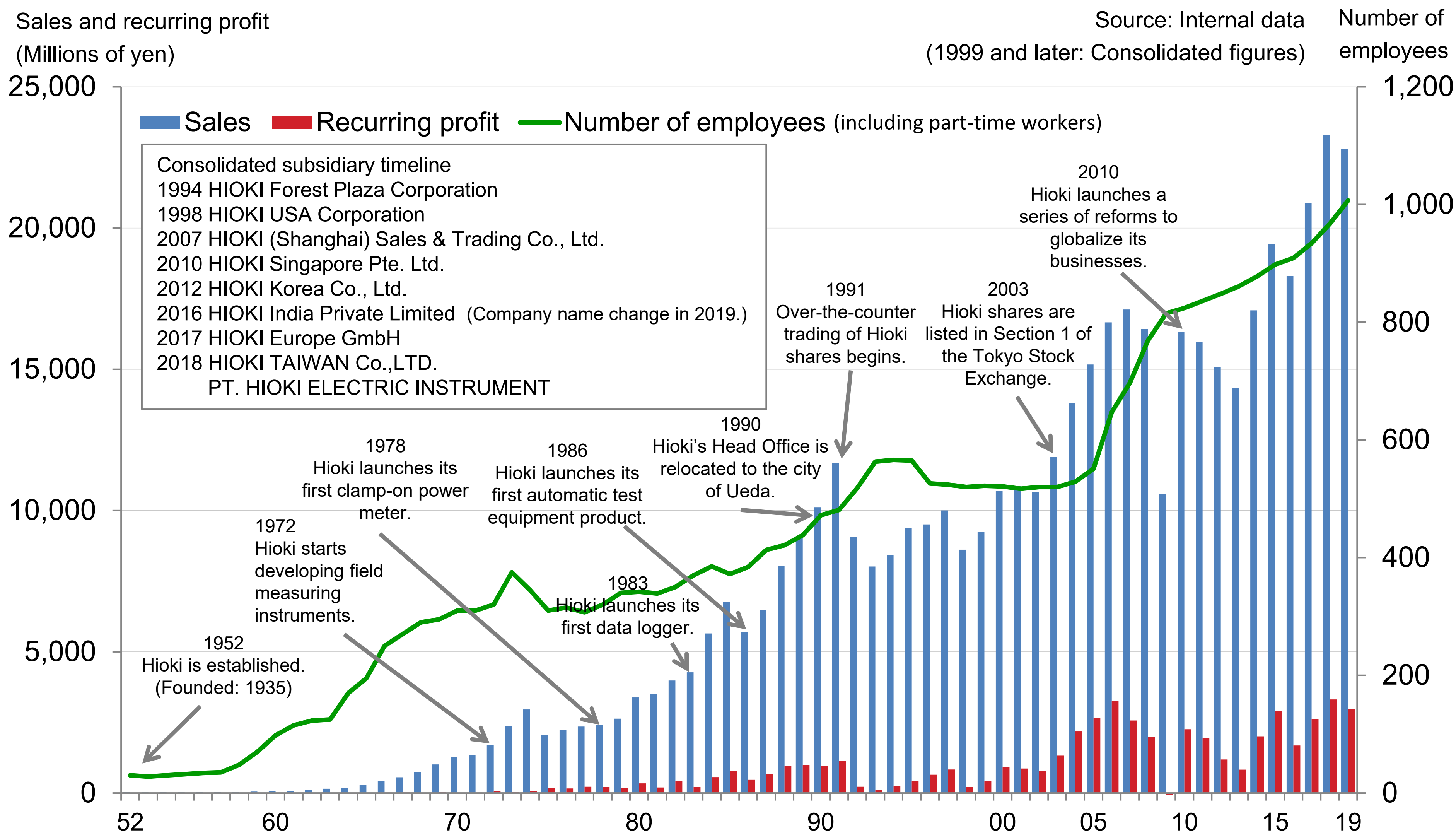


*The width of each application category illustrates its relative contribution to HIOKI's sales.

HIOKI Group Business Diagram



Performance and Employee Head Count since Hioki's Establishment



2.Financial Results Overview

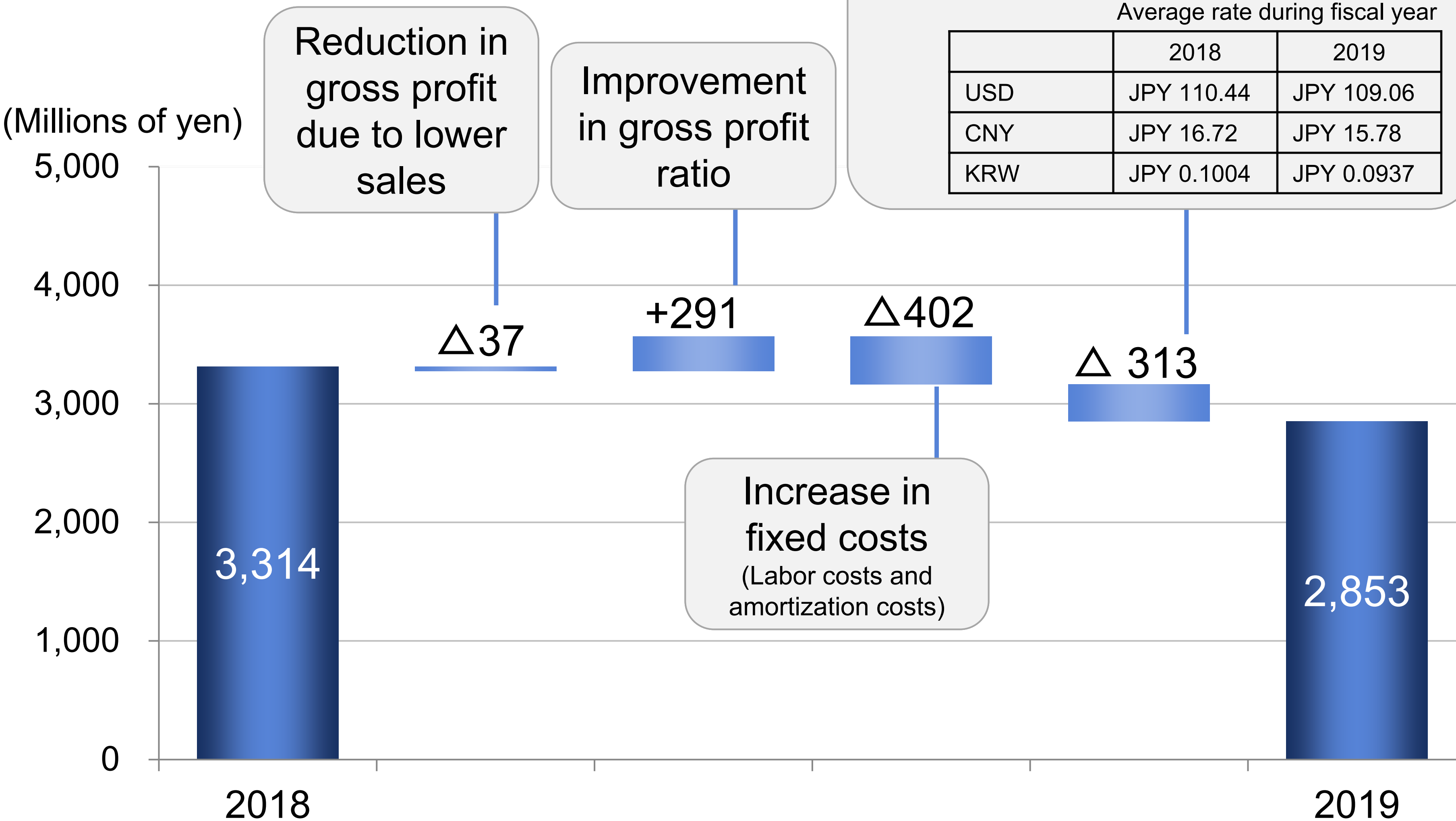
HIOKI

Photograph: The four seasons at HIOKI Forest Hills: Summer

Overview of 2019 Results

	2018		2019		
	Results (millions of yen)	Percent of sales (%)	Results (millions of yen)	Percent of sales (%)	Year-on-year (%)
Sales	23,288		22,810		97.9%
Cost of sales	12,924	55.5%	12,744	55.9%	98.6%
Selling, general, and administrative expenses	7,049	30.3%	7,211	31.6%	102.3%
Operating profit	3,314	14.2%	2,853	12.5%	86.1%
Recurring profit	3,403	14.6%	2,967	13.0%	87.2%
Net income	2,774	11.9%	2,197	9.6%	79.2%
Earnings per share	¥203.63		¥161.27		

Factors Affecting Operating Profit in 2019

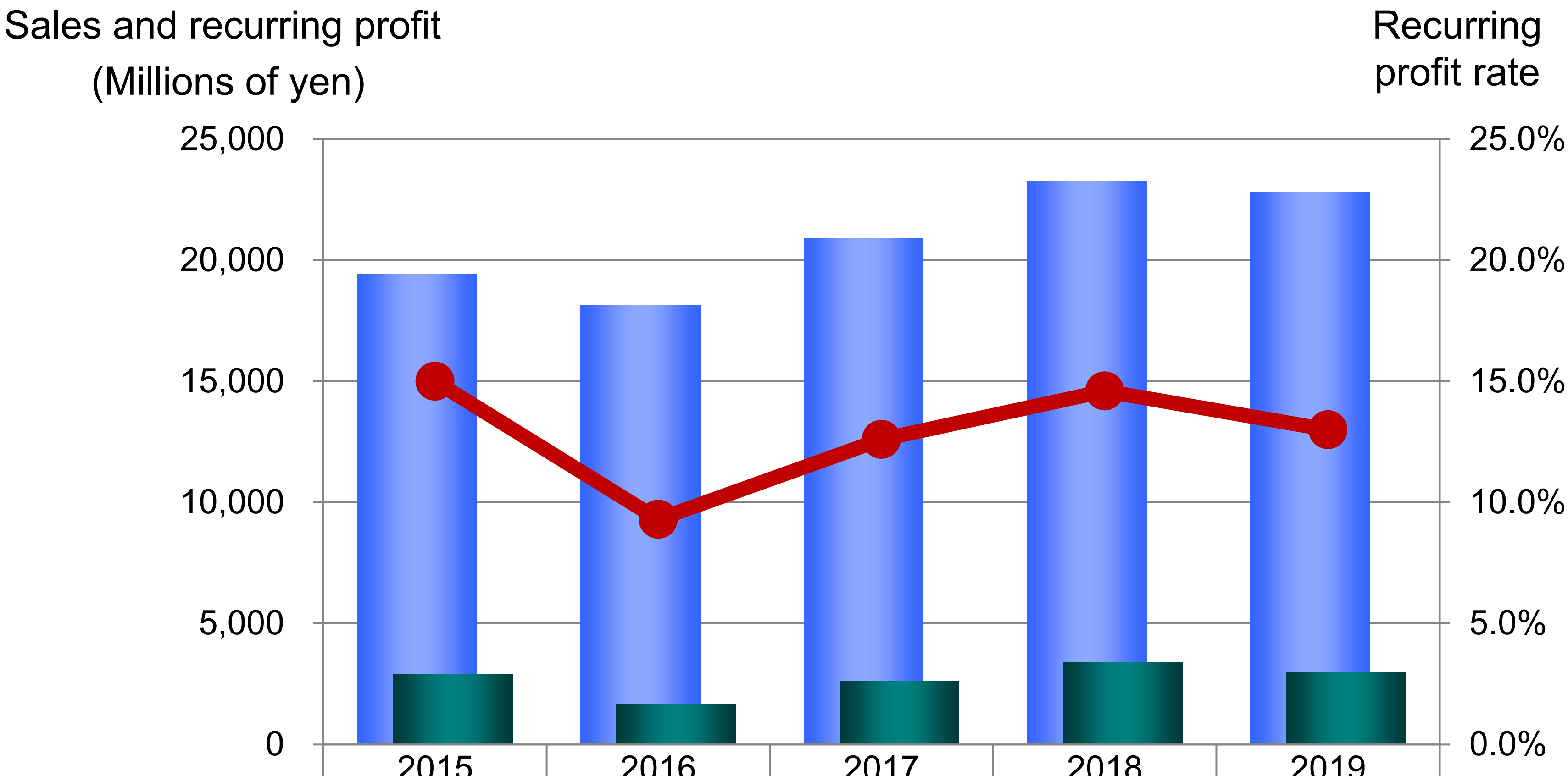


Impact of exchange rate fluctuations

Average rate during fiscal year

	2018	2019
USD	JPY 110.44	JPY 109.06
CNY	JPY 16.72	JPY 15.78
KRW	JPY 0.1004	JPY 0.0937

Trend in Sales and Recurring Profit



	2015	2016	2017	2018	2019
Sales	19,432	18,131	20,891	23,288	22,810
Recurring profit	2,914	1,682	2,630	3,403	2,967
Recurring profit rate	15.0%	9.3%	12.6%	14.6%	13.0%

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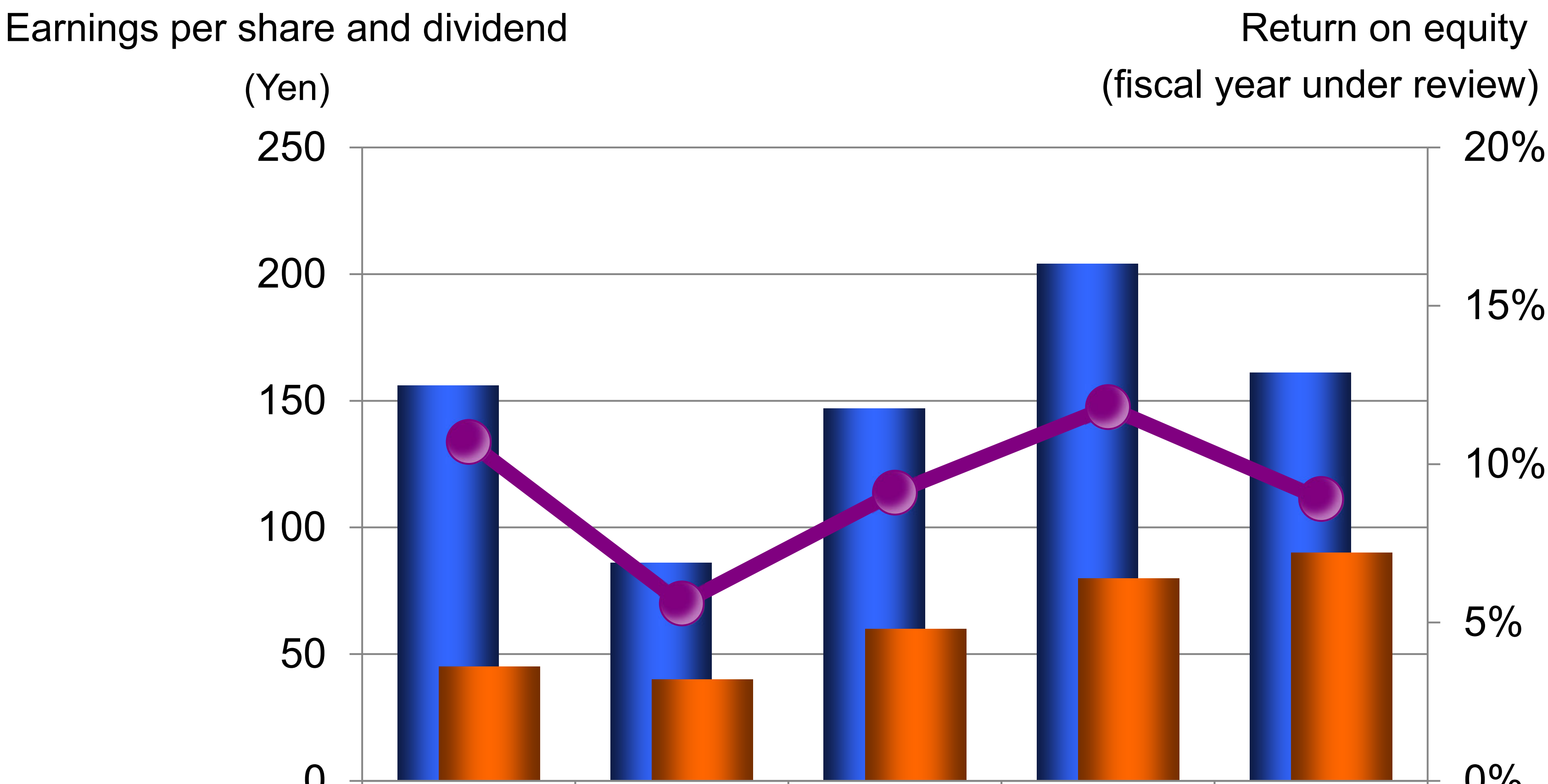
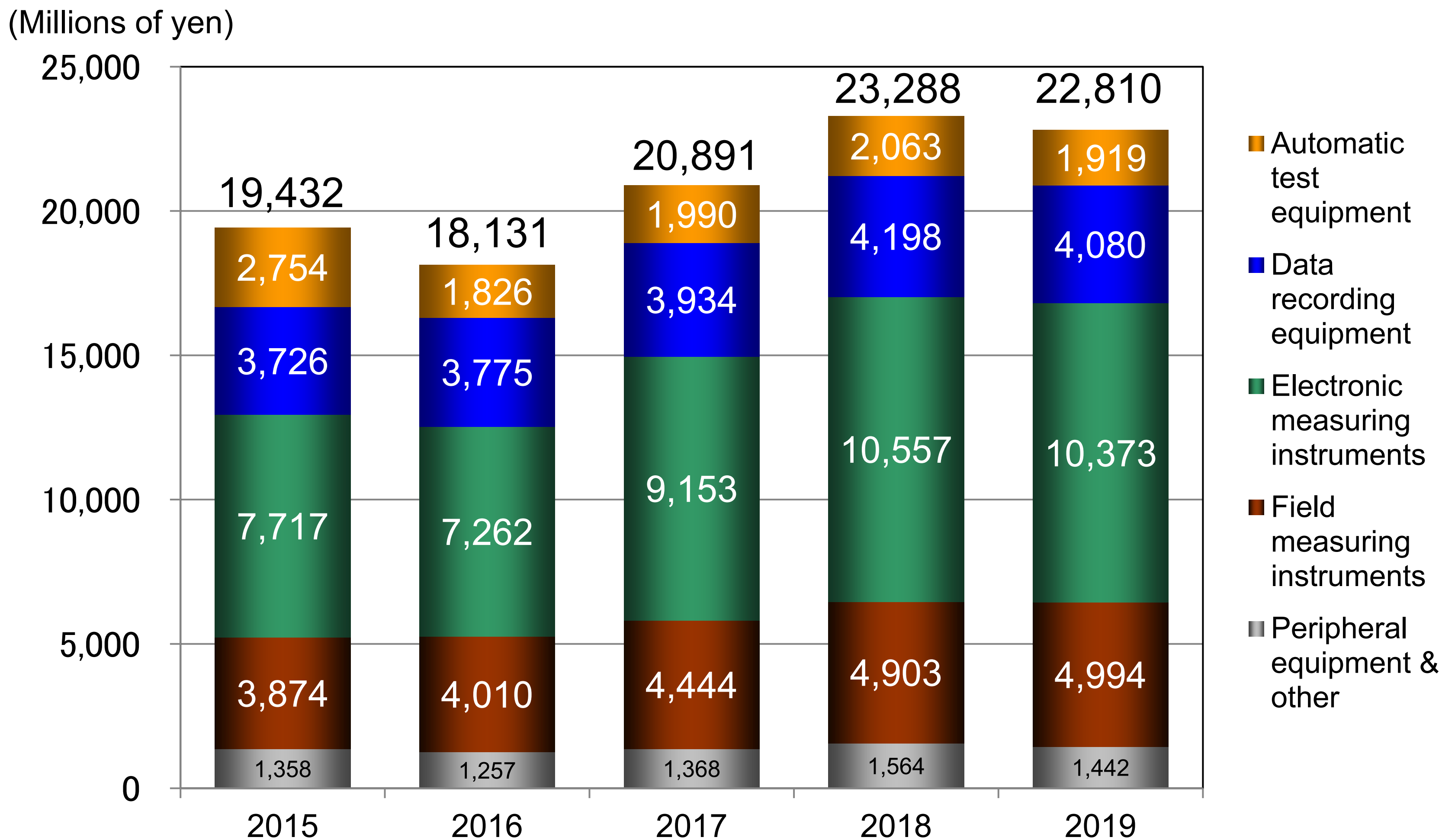
Trend in Earnings per Share and Dividend



	2015	2016	2017	2018	2019
Earnings per share (EPS)	156	86	147	204	161
Dividend per share (yen)	45	40	60	80	90
Return on equity (fiscal year under review)	10.7%	5.6%	9.1%	11.8%	8.9%

Trend in Sales by Product Category



*Some product categories changed in 2016. Results for 2015 and subsequent years have been stated in terms of the new categories.

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2019 Overview by Product Category

Automatic test equipment

- We launched a bare board testing system for high-density printed circuit boards as well as a compact, modular populated board testing system to accommodate increasing circuit density due to shrinking die sizes as well as the need for high reliability in automotive and other applications.
- Demand fell due to the effects of stagnating capital investment in industrial equipment.

Data recording equipment

- Sales of high-voltage, multi-channel data loggers for use in battery evaluation grew.
- We launched new data loggers in December in anticipation of growth in markets such as aviation.
- Demand for memory recorders fell due to the effects of stagnating capital investment in industrial equipment.

Electronic measuring instruments

- We launched a number of distinctive new products that enjoyed steady sales growth, including high-performance current sensors for use in the automotive and battery fields and a battery electrode resistance measurement system for use in battery materials research.
- Demand for instruments used to measure electronic components fell due to the effects of stagnating capital investment in industrial equipment.

Field measuring instruments

- We continued to launch new clamp-on ammeters with distinctively shaped sensors designed to streamline measurement of distribution panels and other circuits with increasingly dense connections.
- We brought the trend toward IoT-type networking to field measuring instruments by expanding the range of models that support functionality such as smartphone connectivity and cloud-enabled software.

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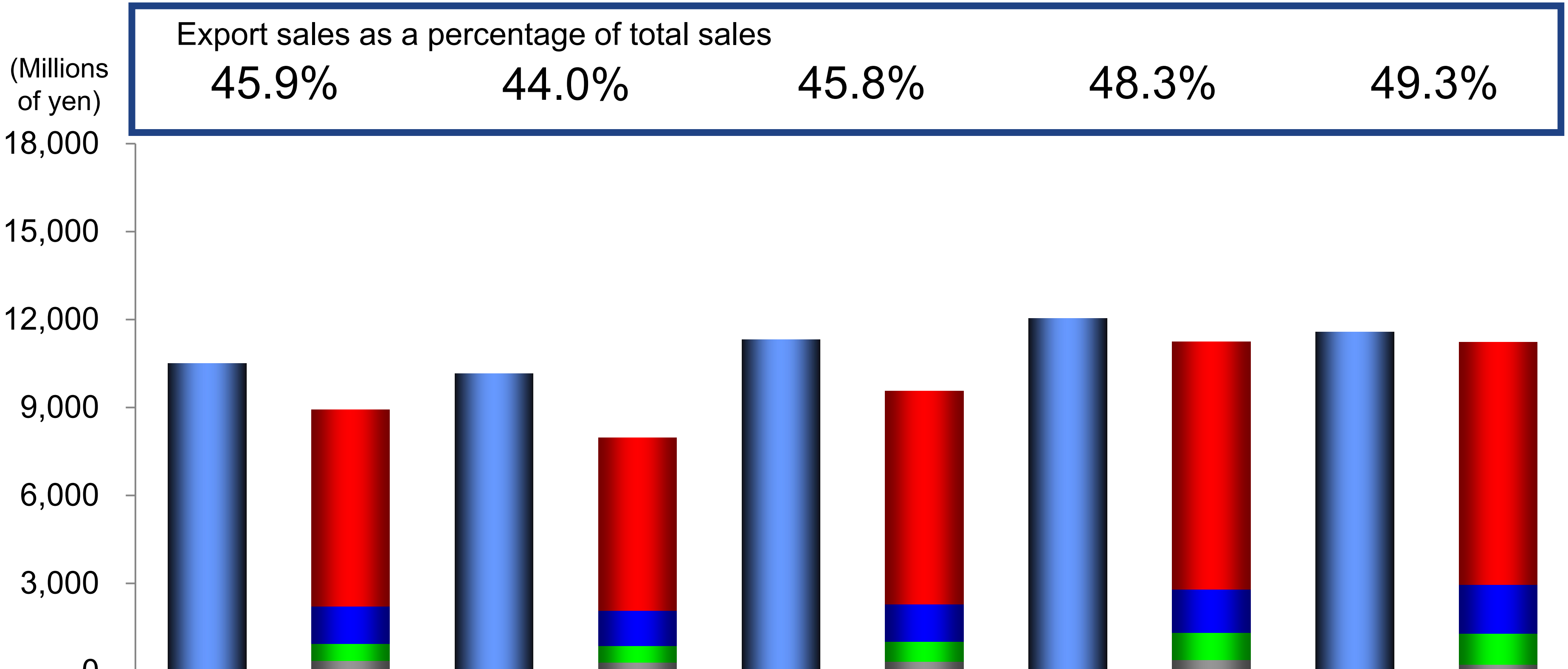
Trend in Export Sales



	2015 Domestic	2015 Export	2016 Domestic	2016 Export	2017 Domestic	2017 Export	2018 Domestic	2018 Export	2019 Domestic	2019 Export
Japan	10,505		10,159		11,324		12,046		11,574	
Asia		6,701		5,900		7,271		8,434		8,276
Americas		1,277		1,197		1,270		1,480		1,667
Europe		580		559		685		934		1,053
Other		366		315		339		391		238

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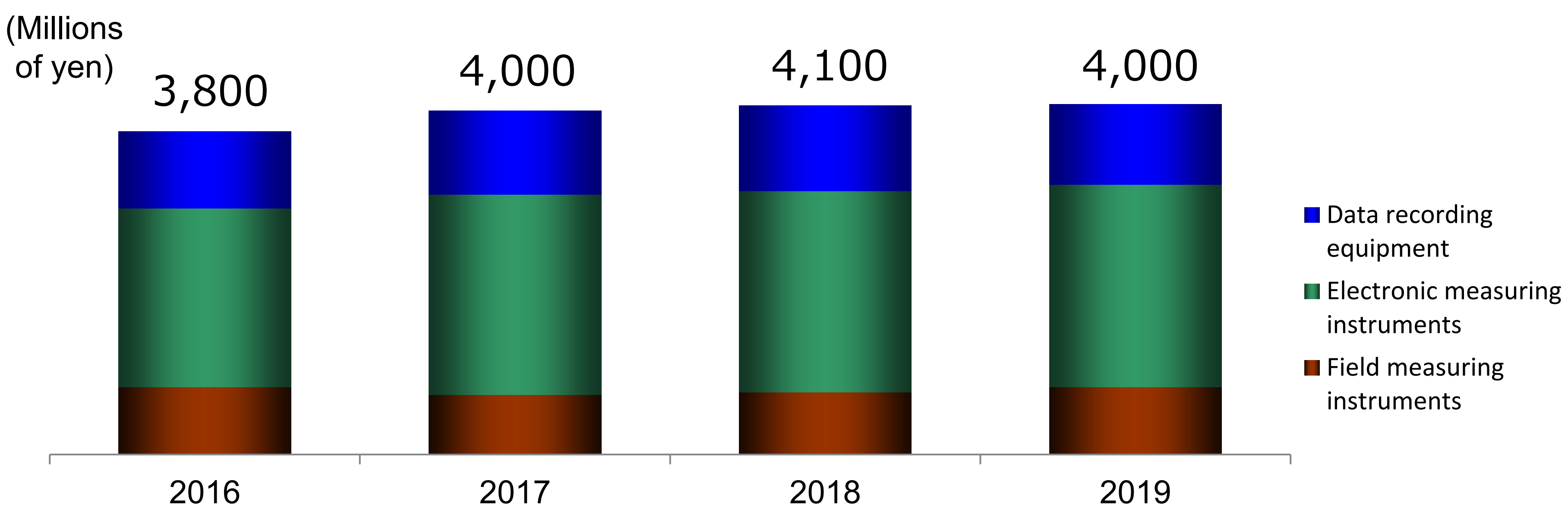
Environmental and Alternative Energy Markets
(Sales of Related Products)

Market trends

Demand for measurement is trending up in applications such as power circuit quality and safety assurance as renewable energy enters into increasingly widespread use.
These markets saw steady growth in R&D investment targeting improvements in the efficiency with which energy can be used and power interchange technologies.

Target products: **Data loggers**, **Remote measurement systems**
Power meters, **Power quality analyzers**, **Current sensors**
Clamp sensors, **PV megohmmeters**, **Battery testers**



Electronic Components and Automotive Markets
(Sales in Related Categories)

Trends in the electronic components market

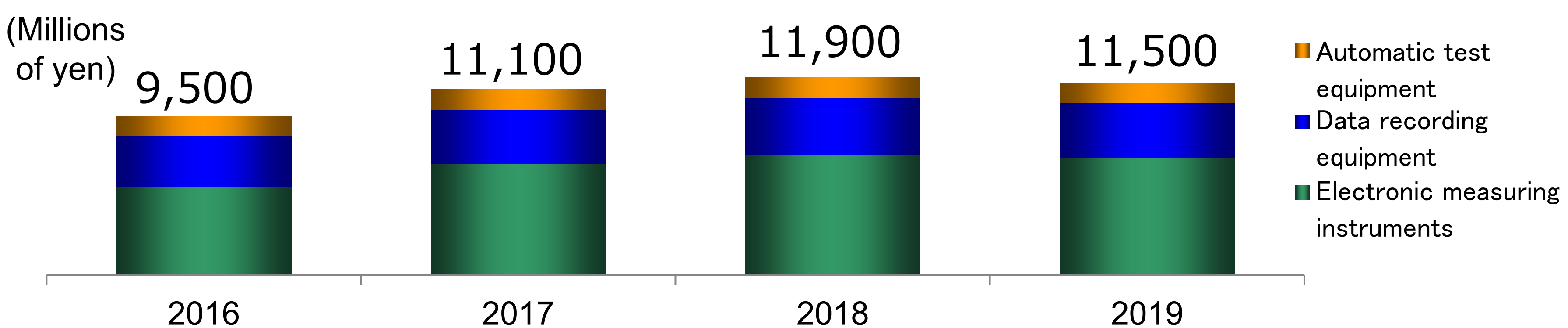
Investment in 5G-related technologies helped drive a recovery in capital investment in the electronic component market.
We expect to see a recovery in demand for LCR meters and ohmmeters used in component evaluation and testing.

Target products: Automatic test equipment, Super-megohmmeters, LCR meters, Resistance meters, Battery measuring instruments

Trends in the automotive market

The move toward vehicle electrification and computerization continued. Demand for sensors with high-current, high-accuracy, wideband performance remained strong.
Demand for measurement in battery R&D and production streamlining held steady.

Target products: Automatic test equipment, Memory recorders, Super-megohmmeters, LCR meters, Resistance meters, Power meters, Battery measuring instruments



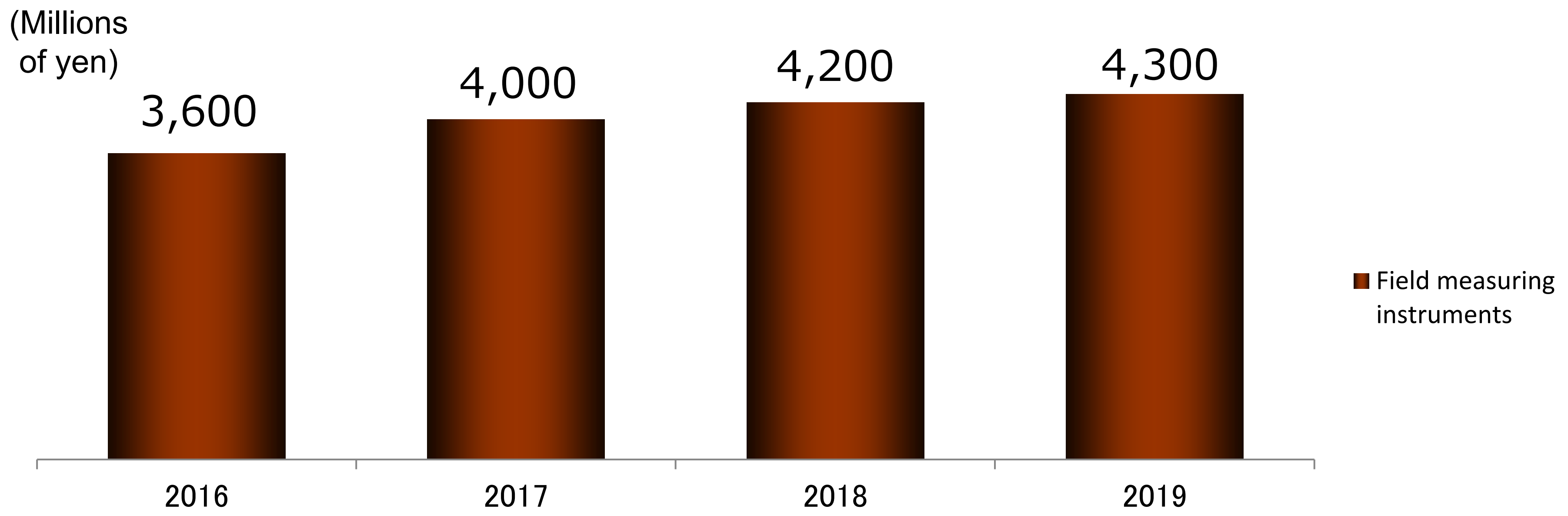
*Some product categories changed in 2019. Results for 2016 and subsequent years have been stated in terms of the new categories.

Infrastructure Market (Sales in Related Categories)

Trends in the infrastructure market

Demand for measurement in electrical work and facility maintenance held steady.
We expect to see increased demand for clamp-on measuring instruments with improved sensor shapes and enhanced convenience, and for measuring instruments that are designed to lower testing manpower requirements by offering additional communications functionality.

Target products: Digital multimeters, Clamp-on current meters, Grounding resistance meters, Phase detectors, etc.



*Some product categories changed in 2019. Results for 2016 and subsequent years have been stated in terms of the new categories.

3.Mid-term Business Plan and Strategy

HIOKI

Photograph: The four seasons at HIOKI Forest Hills: Autumn

Hioki's Vision

A company that continues to operate into the indefinite future

Striving to achieve sustained growth and development

Continuing to play 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

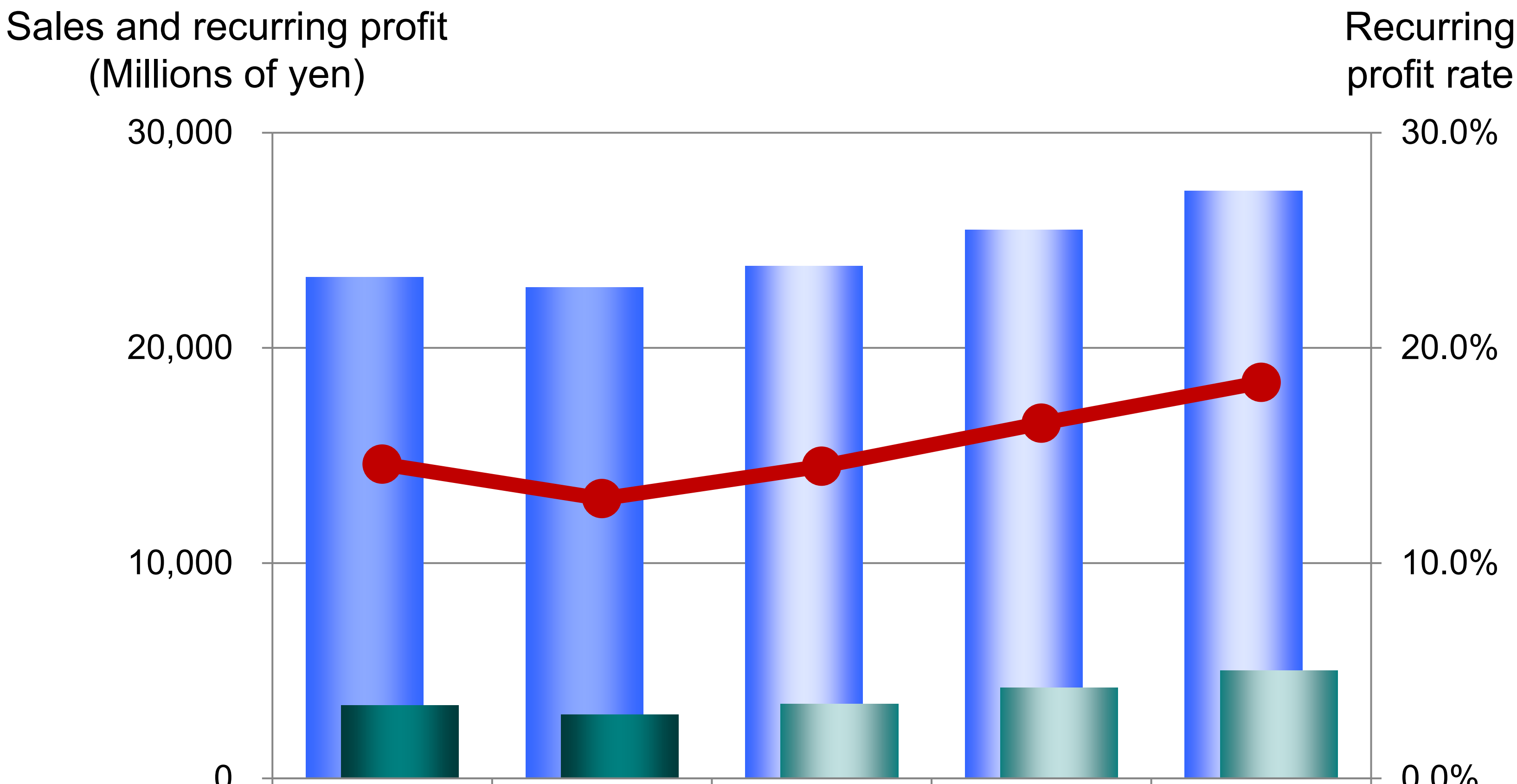
Priority Initiatives

- Product development
  (business development)
- Market expansion
  (overseas market expansion)
- Productivity growth
- Employee growth

2020 Results Forecast

	2019		2020		
	Results (millions of yen)	Percent of sales (%)	Plan (millions of yen)	Percent of sales (%)	Year-on-year (%)
Sales	22,810		23,800		104.3%
Cost of sales	12,744	55.9%	12,850	54.0%	100.8%
Selling, general, and administrative expenses	7,211	31.6%	7,610	32.0%	105.5%
Operating profit	2,853	12.5%	3,340	14.0%	117.0%
Recurring profit	2,967	13.0%	3,460	14.5%	116.6%
Net income	2,197	9.6%	2,600	10.9%	118.3%
Earnings per share	¥161.27		¥190.81		

Mid-term Business Plan (2020 to 2022)



	2018	2019	2020 plan	2021 plan	2022 plan
Sales	23,288	22,810	23,800	25,500	27,300
Recurring profit	3,403	2,967	3,460	4,220	5,010
Recurring profit rate	14.6%	13.0%	14.5%	16.5%	18.4%

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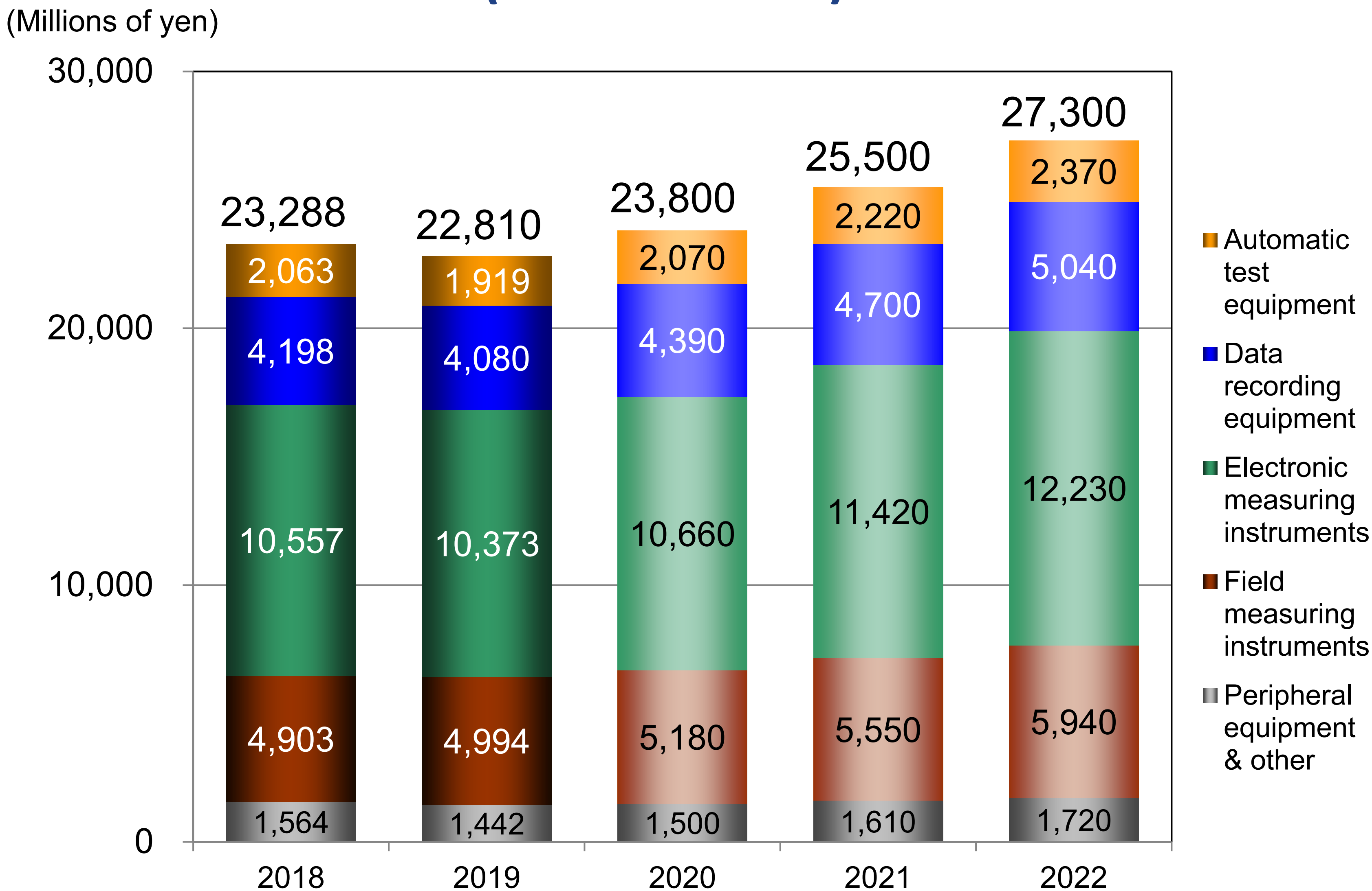
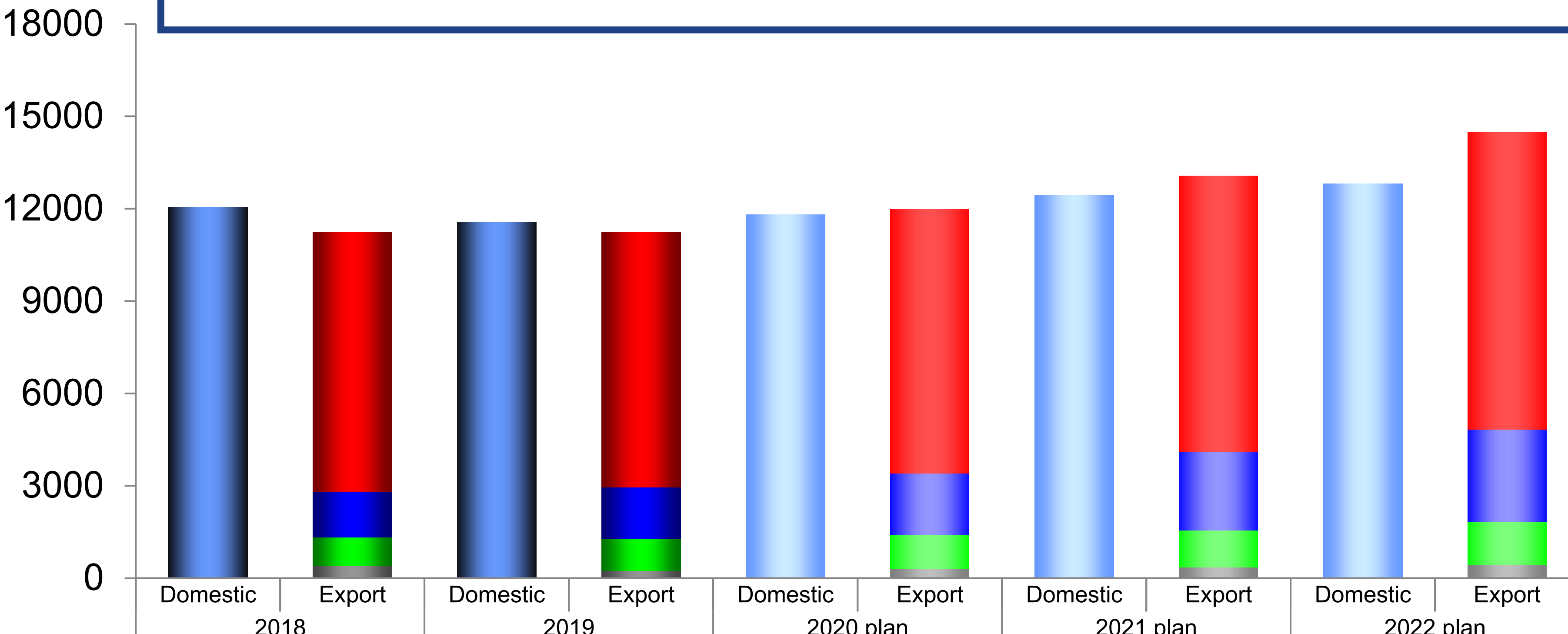
Mid-term Sales Plan by Product Category
(2020 to 2022)



Export Mid-term Sales Plan (2020 to 2022)

Export sales as a percentage of total sales

2018	2019	2020 plan	2021 plan	2022 plan
48.3%	49.3%	50.4%	51.3%	53.1%



	2018 Domestic	2018 Export	2019 Domestic	2019 Export	2020 plan Domestic	2020 plan Export	2021 plan Domestic	2021 plan Export	2022 plan Domestic	2022 plan Export
Japan	12,046		11,574		11,810		12,430		12,810	
Asia		8,434		8,276		8,580		8,960		9,660
Americas		1,480		1,667		2,000		2,550		3,000
Europe		934		1,053		1,100		1,200		1,400
Other		391		238		310		360		430

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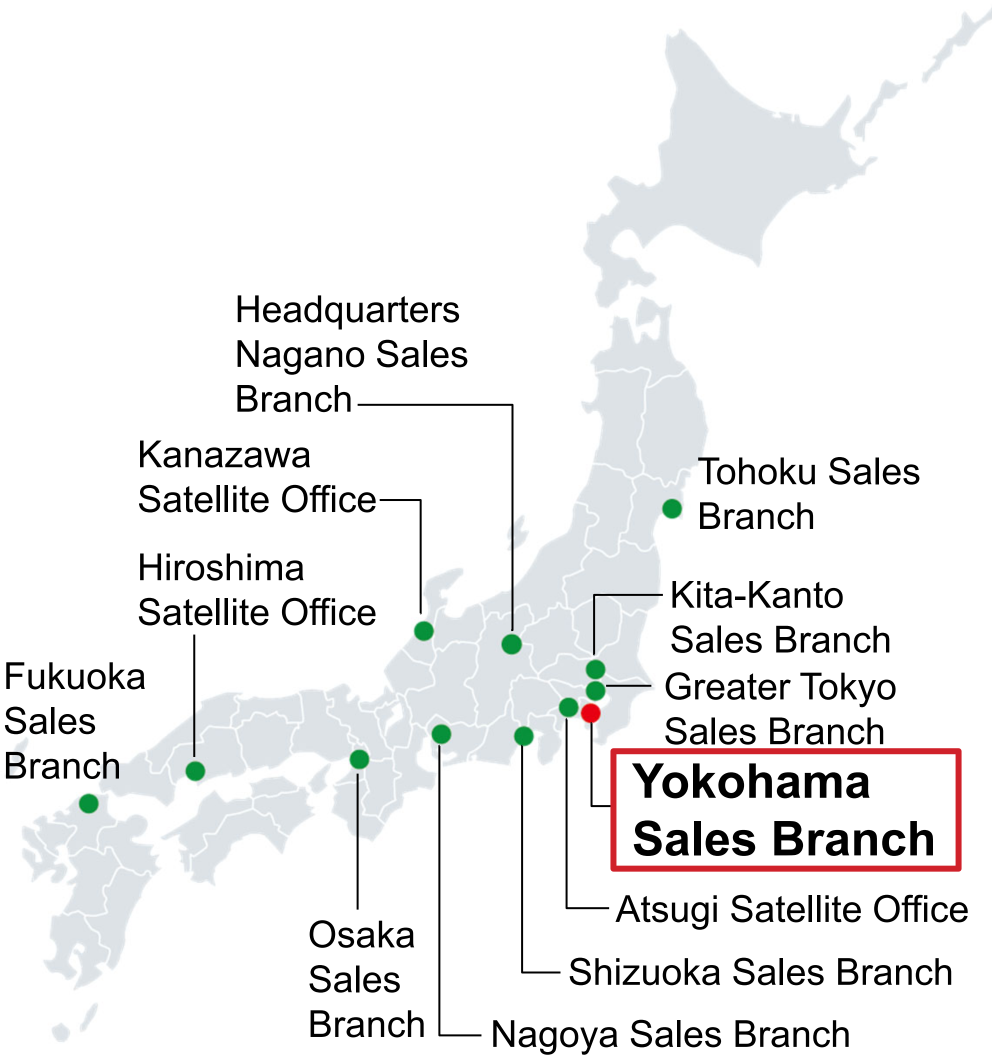
Sales and Service Structures (Japan)



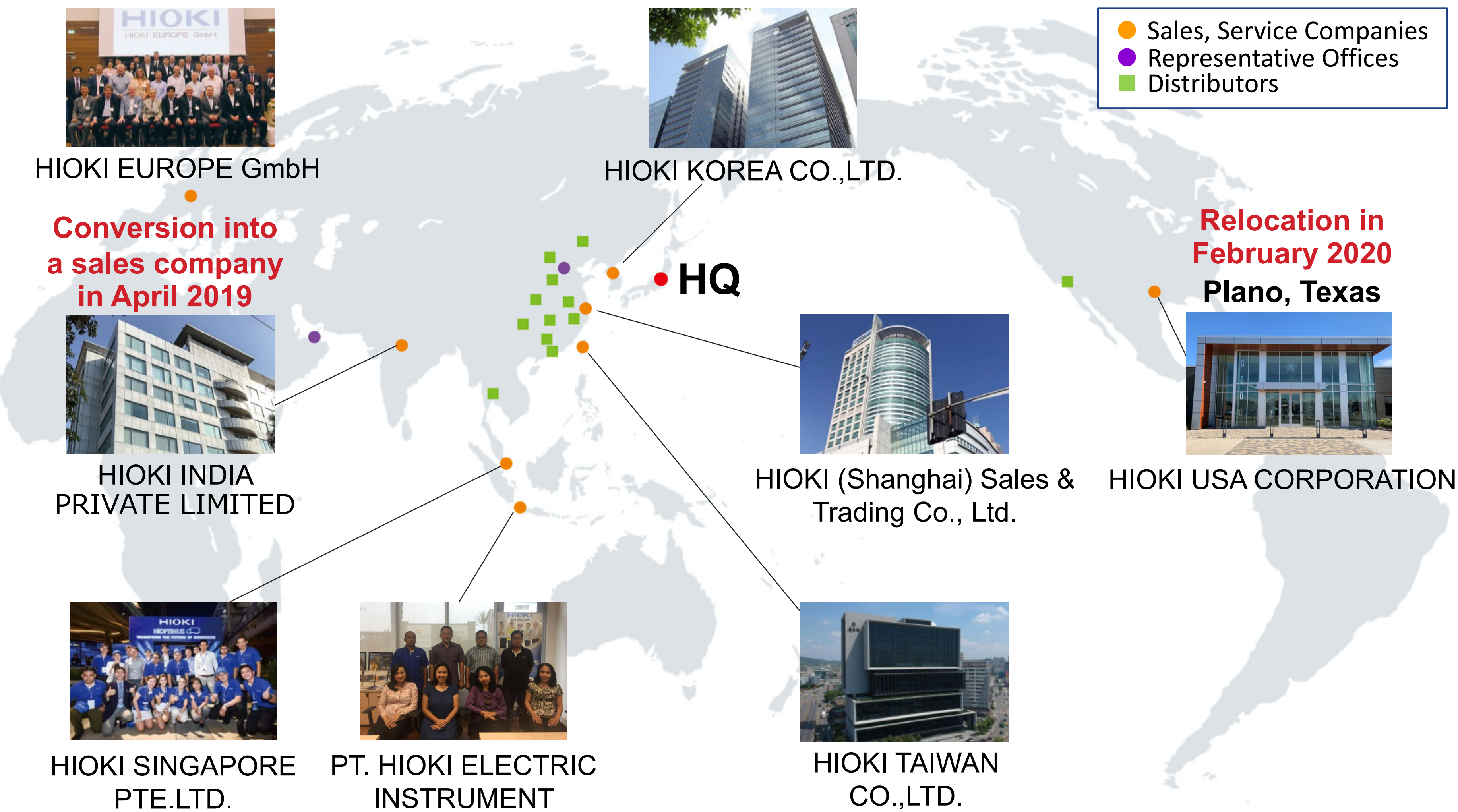
Headquarters

- A.T.E. Sales Engineering Division **NEW**
- Stategic Account Sales Division **NEW**

Domestic sales branches

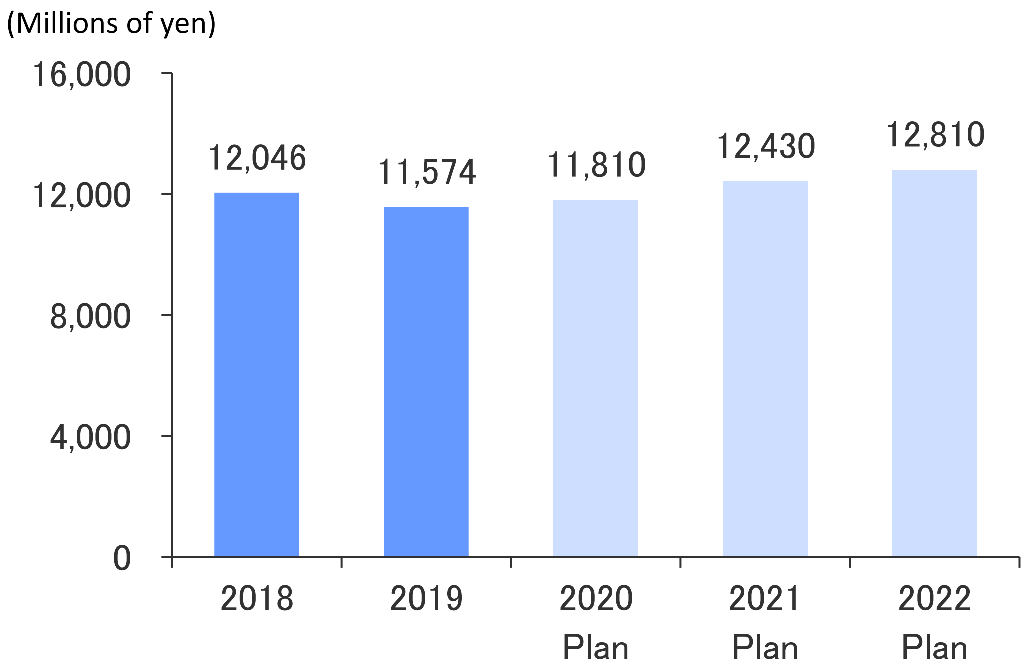
- Yokohama Sales Branch **NEW**

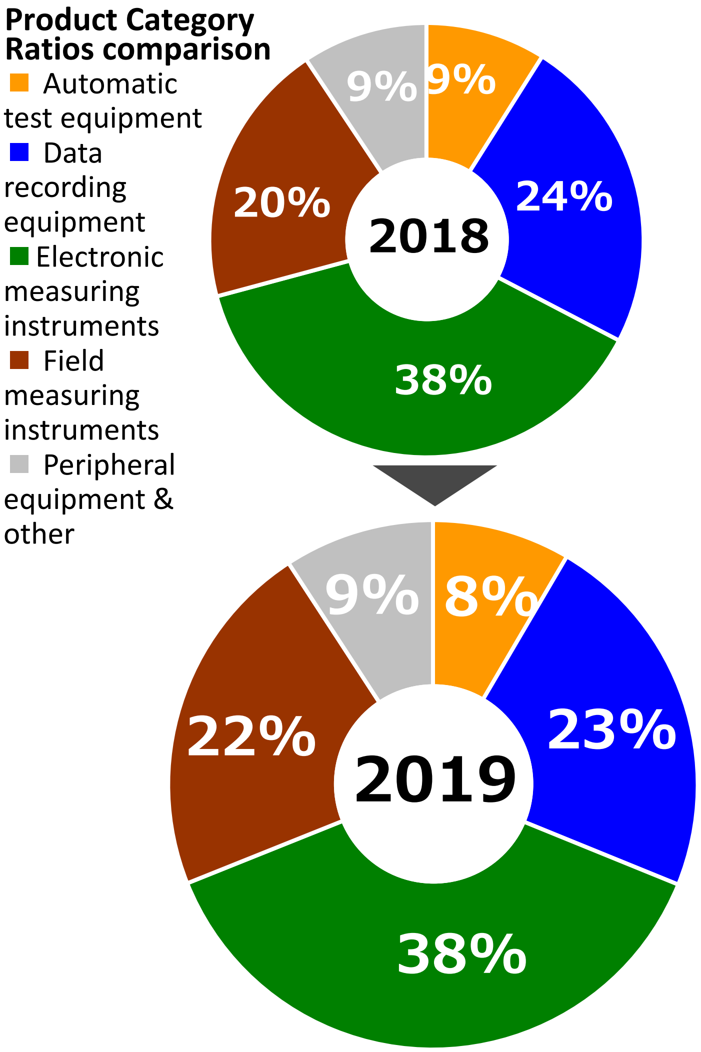
Pursuing Globalization



Actual and plan sales by geographic region: Japan

- We opened the Yokohama Sales Branch. We also formed new industry-specific and specialized sales teams and pursued more strategic sales activities.
- The electronic component market has stagnated due to the effects of trade friction between the U.S. and China. We expect to demand to firm in the automotive and infrastructure markets.





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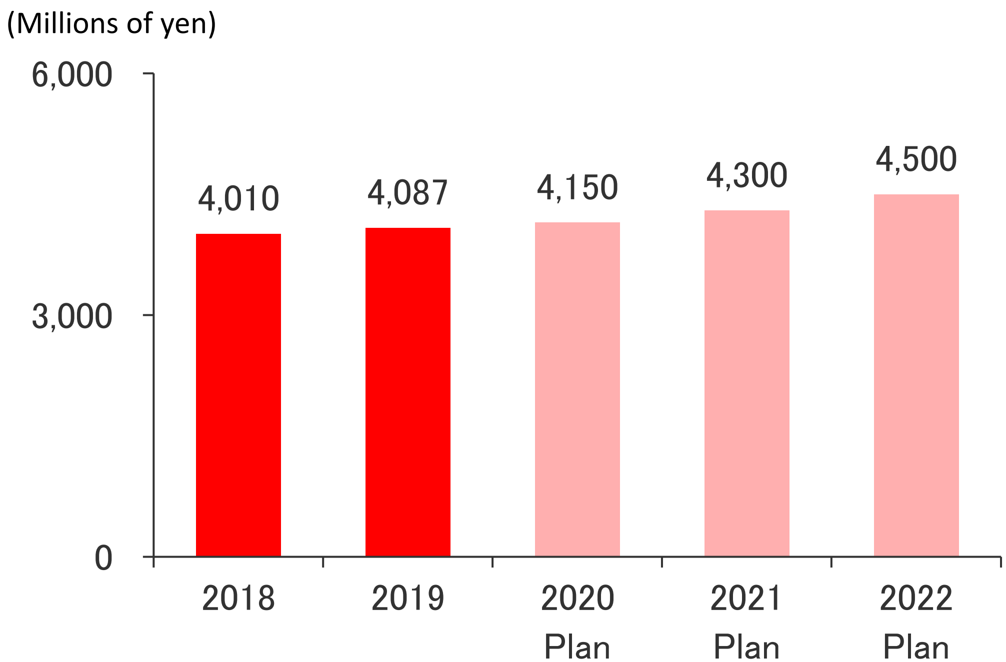
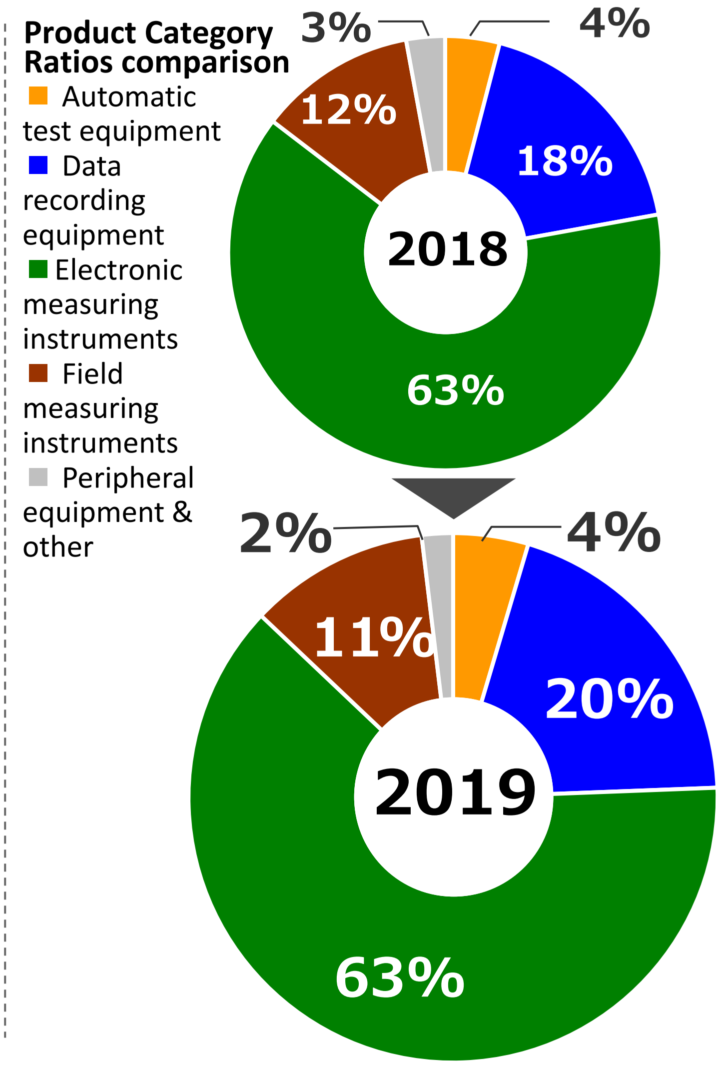
Actual and plan sales by geographic region: China

- Sales of recording instruments grew in the automotive and infrastructure markets.
- Domestic development and production of semiconductors strengthened due to trade friction between the U.S. and China.
- We will deepen our sales activities in the automotive and infrastructure markets.





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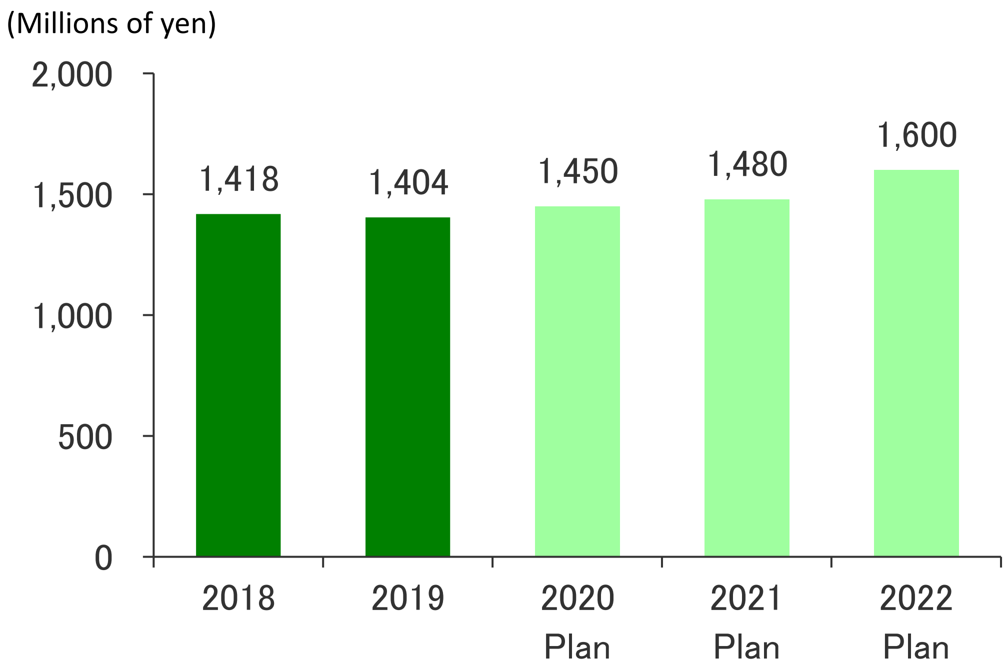
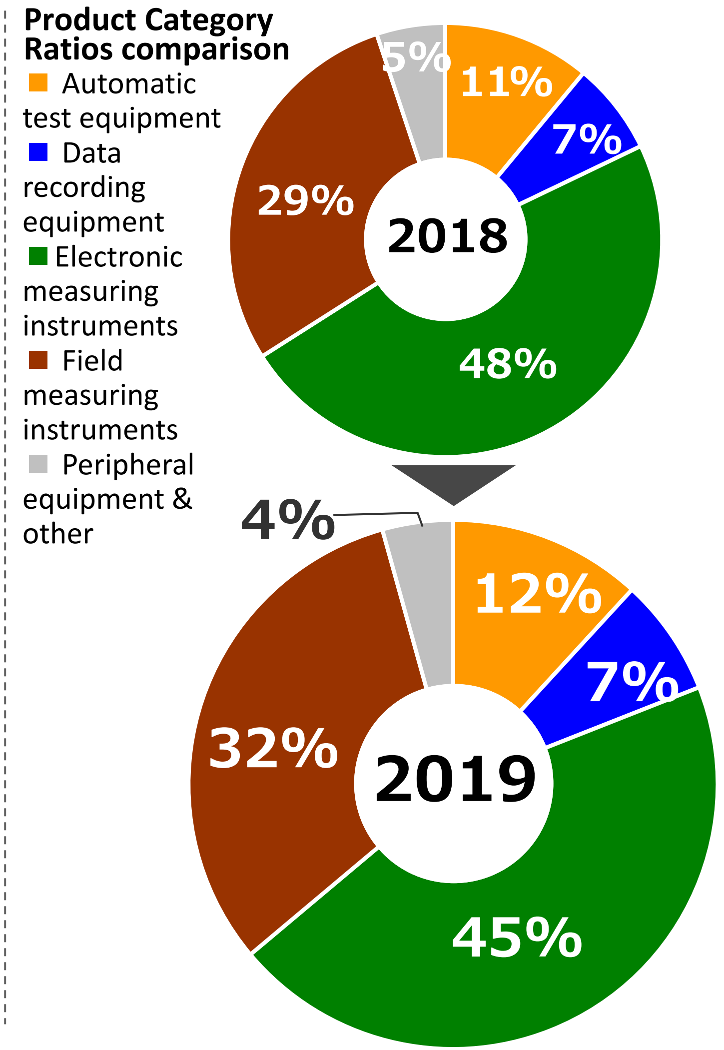
Actual and plan sales by geographic region: Southeast Asia (including Oceania)

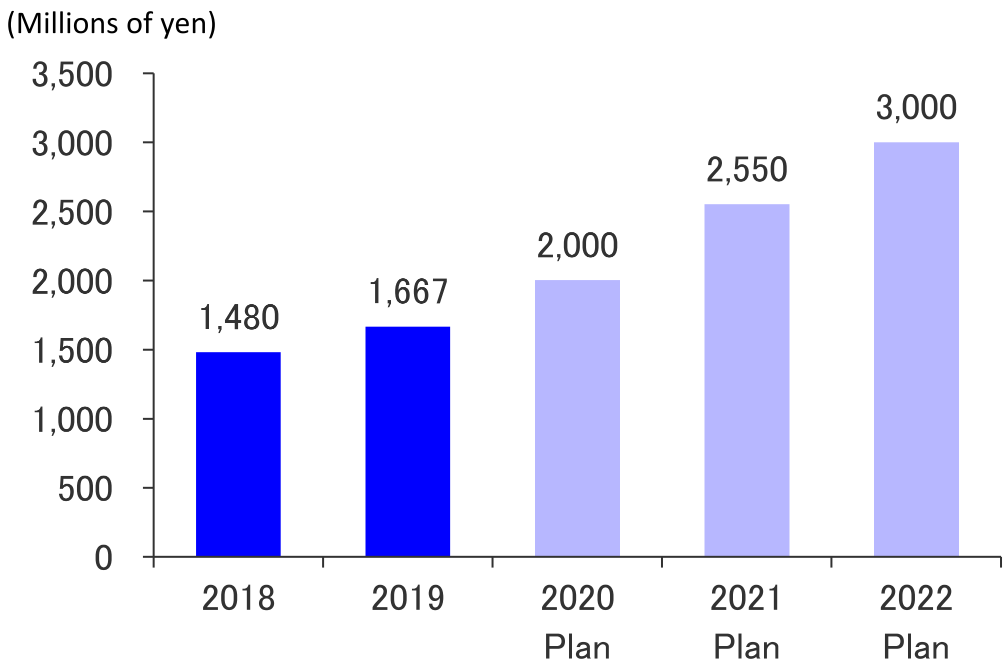
- Infrastructure investment remains strong despite a decline in automotive investment. Sales of field measuring instruments are growing steadily.
- We expect to see growth in the renewable energy market and will work to develop sales channels for related products.

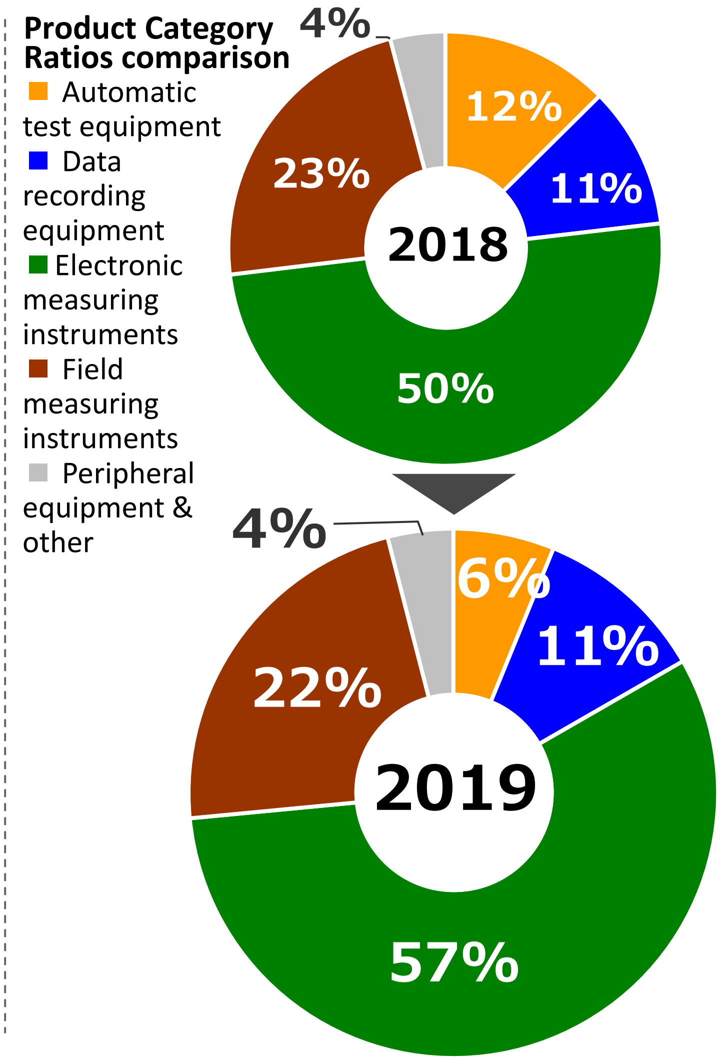




Actual and plan sales by geographic region: U.S.A. (North and South America)

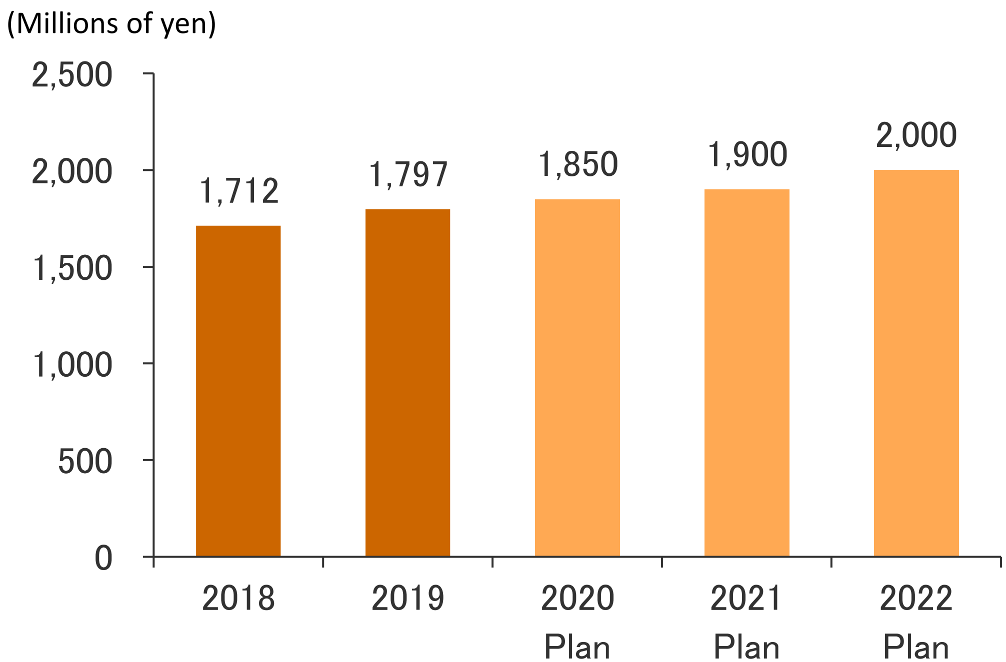
- HIOKI U.S.A. moved its Head Office to Texas. We will take advantage of the convenience of its new location to accelerate sales that center on customer engagement in growth markets.
- We will work to increase sales of power meters and field measuring instruments in the face of growth in markets such as renewable energy and batteries.

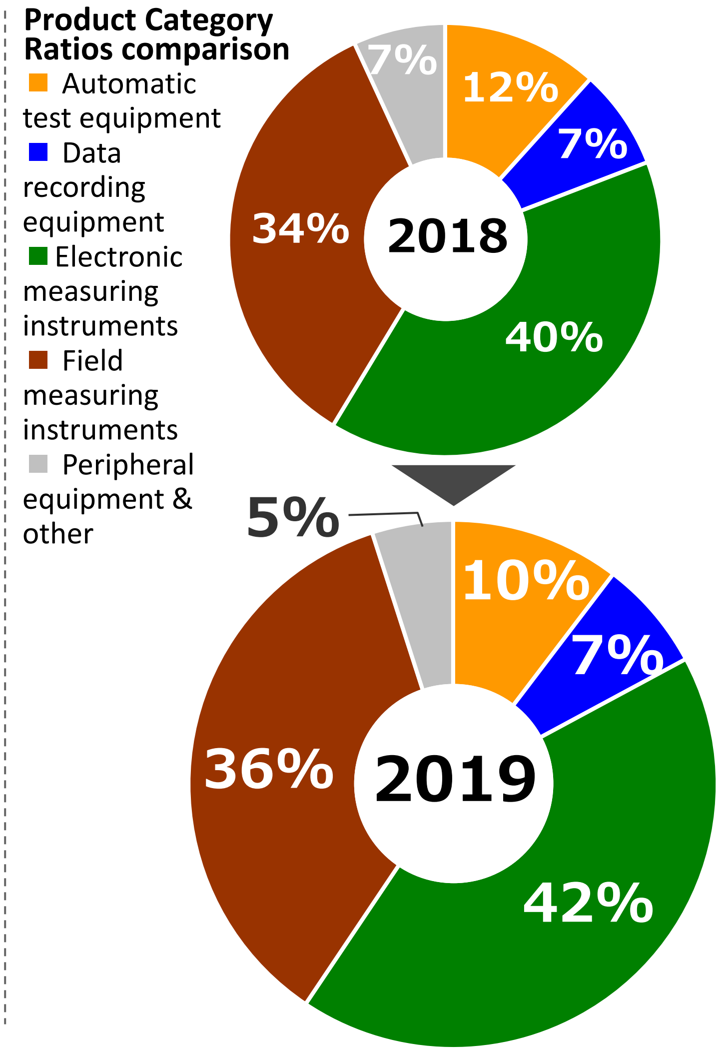




Actual and plan sales by geographic region: Korea

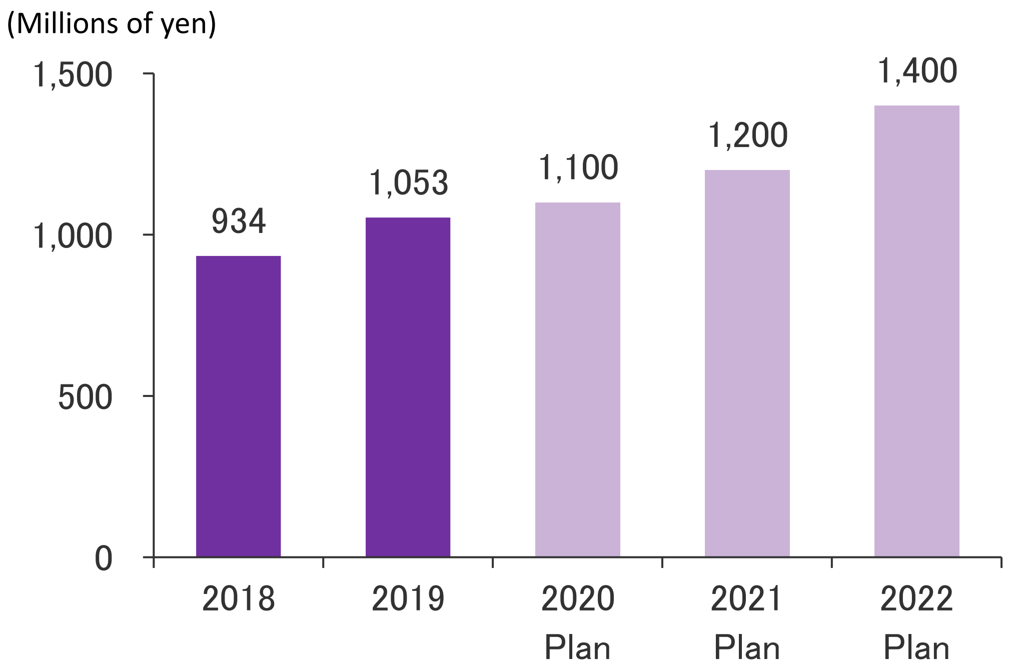
- Thanks to measures by distributors, sales in the infrastructure market have held steady.
- Investment in the battery market continues, and we saw strong sales of electronic measuring instruments and field measuring instruments.

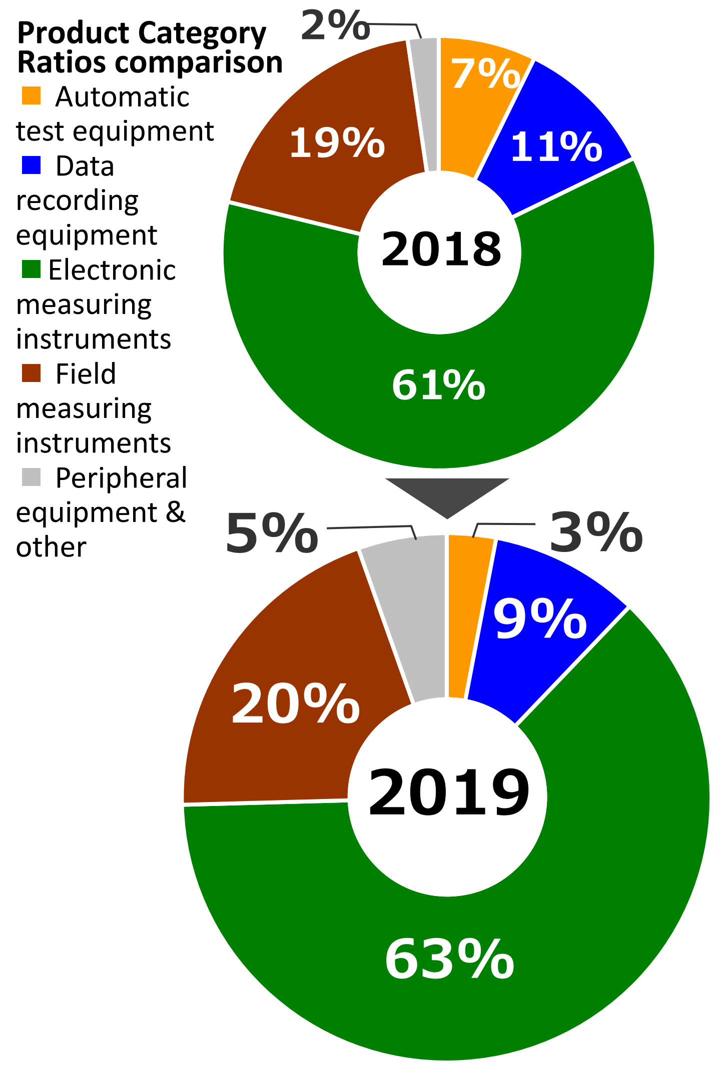




Actual and plan sales by geographic region: Europe

- Now in its third year, our sales company made smooth progress as it worked to increase awareness of the HIOKI brand and to build a sales network.
- We will work to increase sales of products such as high-precision power meters and current sensors in response to continued electrification in the automotive market.

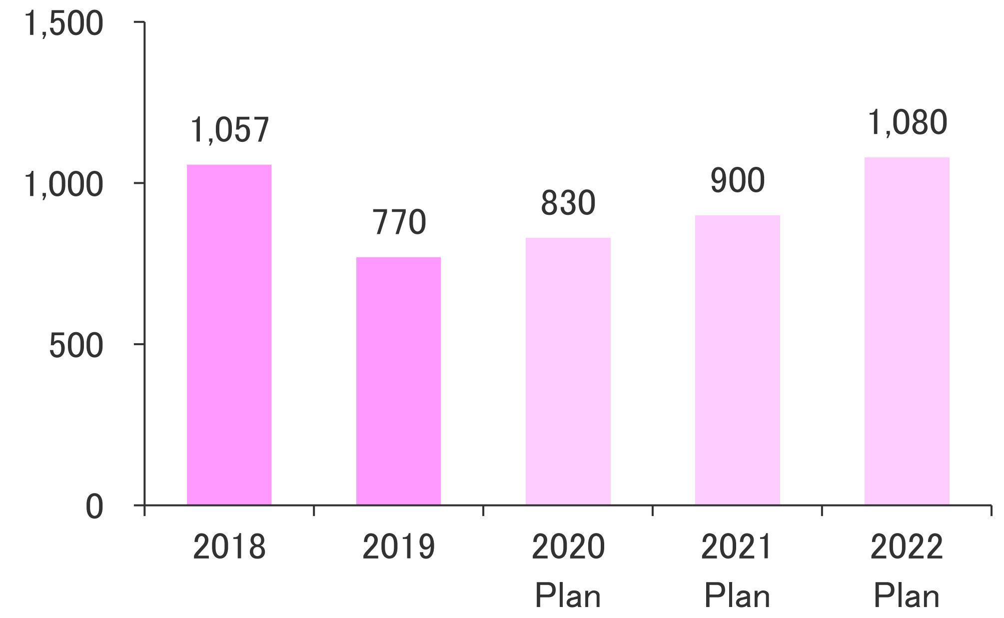




Actual and plan sales by geographic region: Taiwan

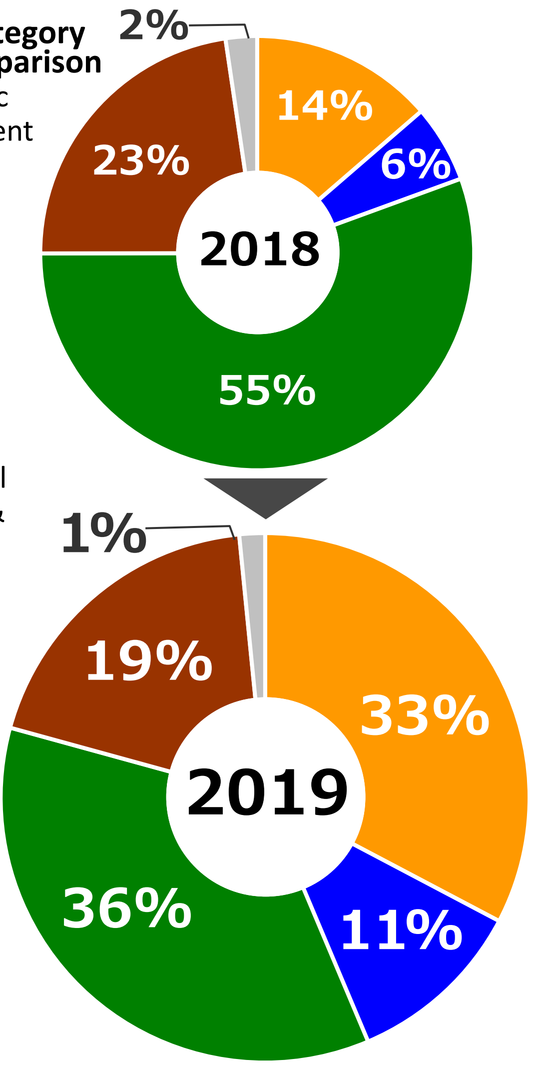
- Sales in the electronic component market stagnated due to trade friction between the U.S. and China.
- Sales of automatic test equipment grew. We expect to see sales in the package board industry firm.

(Millions of yen) *2018: Representative office + sales subsidiary full-year results



Product Category Ratios comparison

- Automatic test equipment
- Data recording equipment
- Electronic measuring instruments
- Field measuring instruments
- Peripheral equipment & other



Actual and plan sales by geographic region: Other

India	**2020 plan: ¥300 million** We converted our Indian subsidiary into a sales company in April 2019, and the company launched a robust program of sales activities. Economic activity remained strong in all markets as new infrastructure, power plants, and factories were built. We will strengthen our sales activities going forward.
Middle East	**2020 plan: ¥180 million** The rate of economic growth slowed significantly due to heightened geopolitical risk, pushing down demand for measuring instruments in the infrastructure and construction maintenance industries. We expect to see a recovery in the Middle Eastern economy, particularly in terms of demand for power plant-related products. We will also work to increase sales in Egypt and other African markets.

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 testing equipment
- Data recording equipment
- Electronic measuring instruments
- Field measuring instruments
- New product categories

Solar power, LEDs, batteries, etc.

Smartphones, onboard, 5th Generation, etc.

EVs

HEVs

Power, construction, etc.

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

Creating customer value through unique products and services

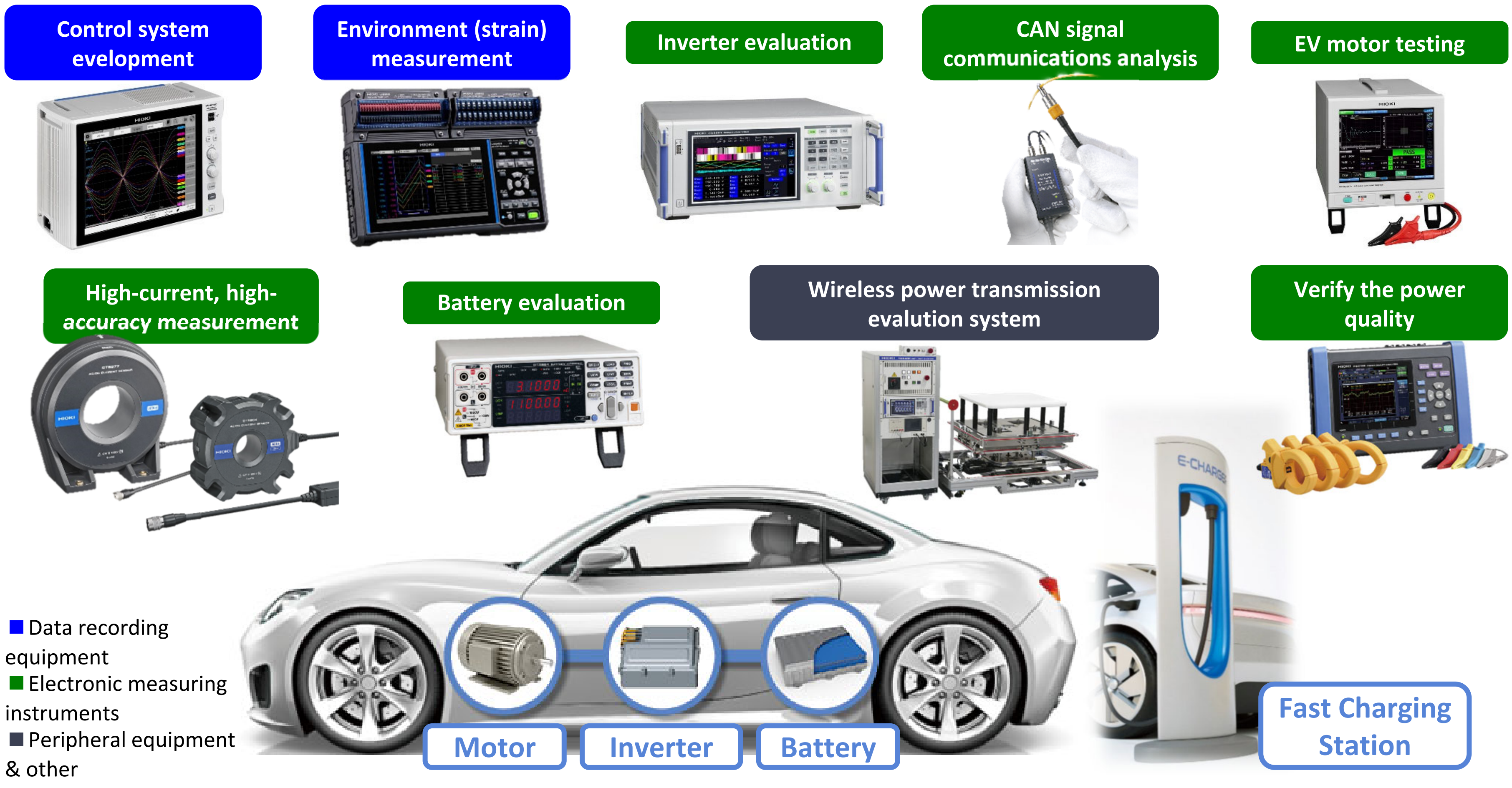
- Delivering unique customer value
- Boosting creativity and developing high-added-value products

Providing distinctive products to customers worldwide from Hioki Innovation Center

Priority market

Solutions for Vehicle Electrification and Computerization

For electric vehicle (EV) R&D and production



HIOKI

Priority market

Unique Hioki Products for the Automotive Market

Pursuing measurement convenience

Non-Contact CAN Sensor SP7001, SP7002

Industry first

Accurate, no-metal-contact detection of CAN signals from outside wire insulation

Memory HiLogger LR8450, LR8450-01

Best-in-class measurement speeds

1 ms sampling, even over a wireless link

Priority market

Battery Process Solutions

From R&D to field maintenance and recycling

Lithium-ion battery production processes

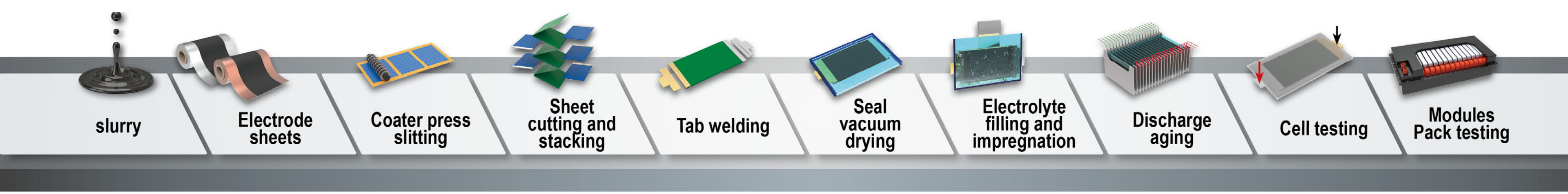
Electrode sheets research and development

Verifying the quality of cell junctions

Test charge and discharge

Measuring internal resistance

Evaluate and test BMS



Multichannel measurement

Detecting contamination, separator damage

No-load voltage measurement

Discovering and analyzing the causes of cell defects

■ Electronic measuring instruments

Priority market

Unique Hioki Products for the Battery Market

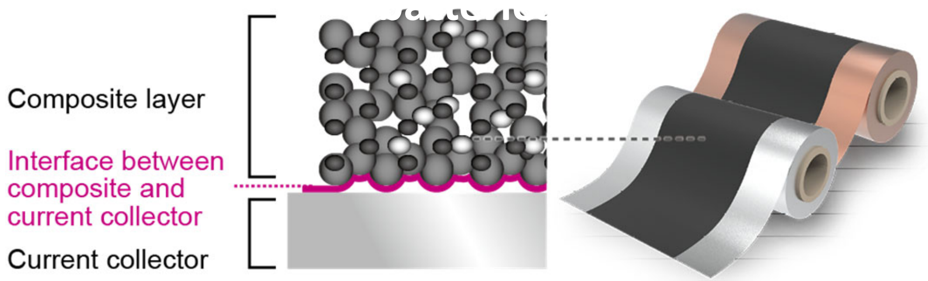
Electrode Resistance Measurement System RM2610

Industry first

Quantify composite layer resistance and interface resistance of electrode sheets using a proprietary HIOKI analytical technique to visualize these previously inaccessible properties

When you can visualize changes in resistance caused by materials, composition, and manufacturing conditions…

characteristics and quality trends, helping develop higher-output and longer-life



Electrode sheet diagram

Solutions for Peace of Mind, Safety, and Efficiency in Infrastructure (Rail, Power, etc.)

Improving the productivity of measurement work in the field

Send measurement data to a smartphone and create reports on the spot.

Measures to Achieve Management Plan Goals

Strengthening Sales Capability and Product Competitiveness

1. Overseas market expansion

2. New product launches

- **New-product launches for FY2019**

  22 for the year

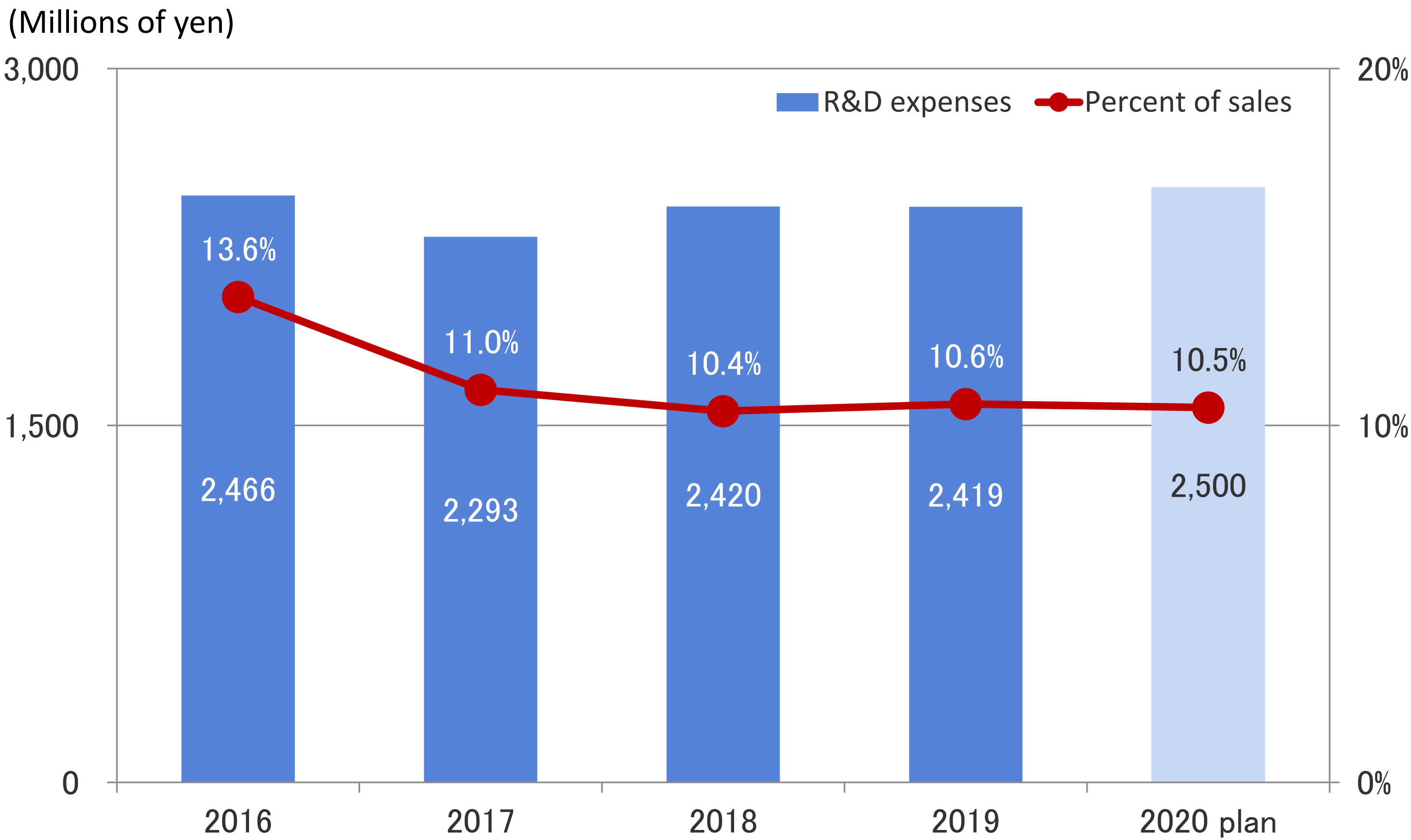
  (First halve 15 products, second halves 7 products)

- **New-product launches planned for FY2020**

  18 for the year

  (9 each planned for the first and second halves)

Trend in R&D Expenses



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

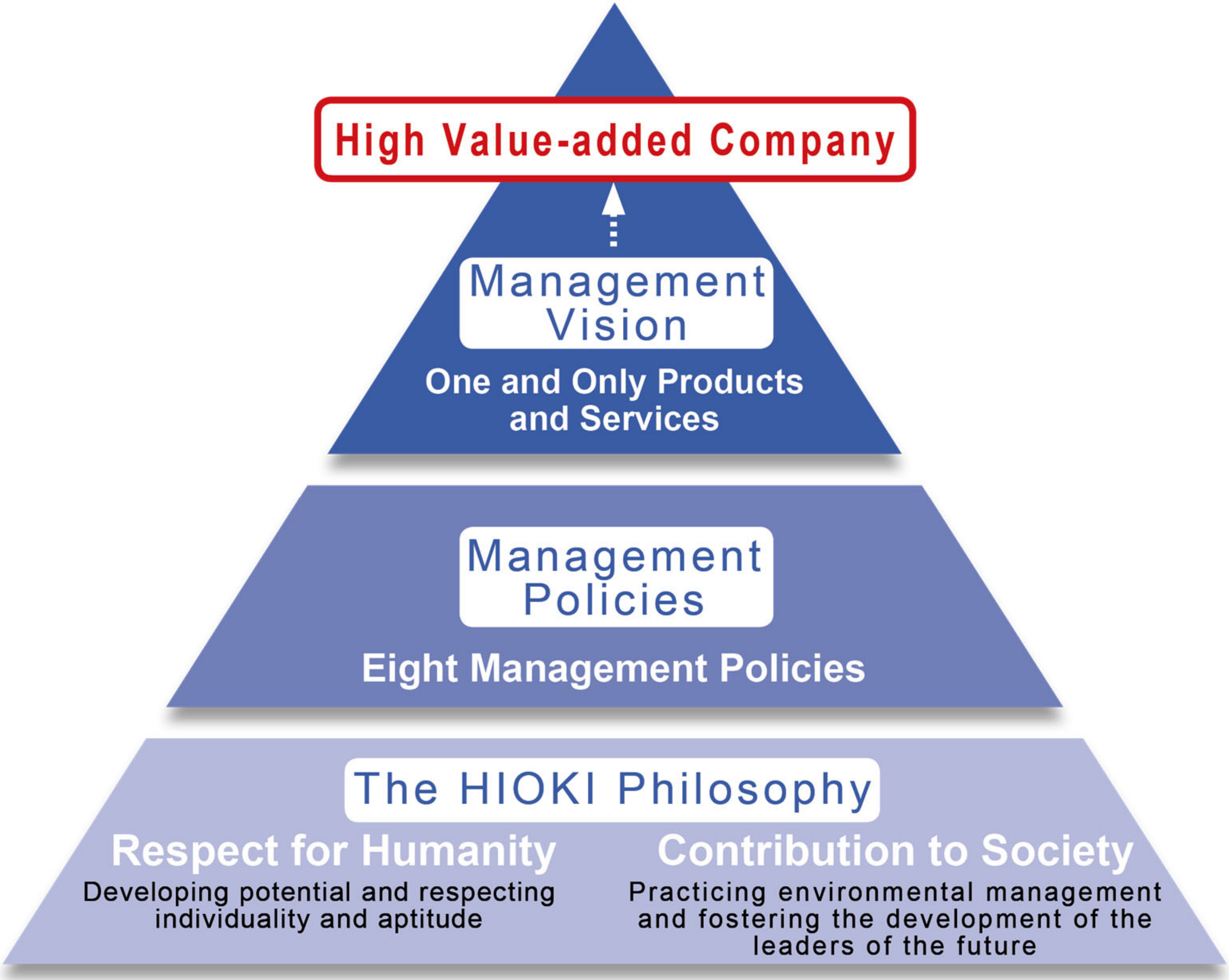
HIOKI

4.Reference Materials

HIOKI

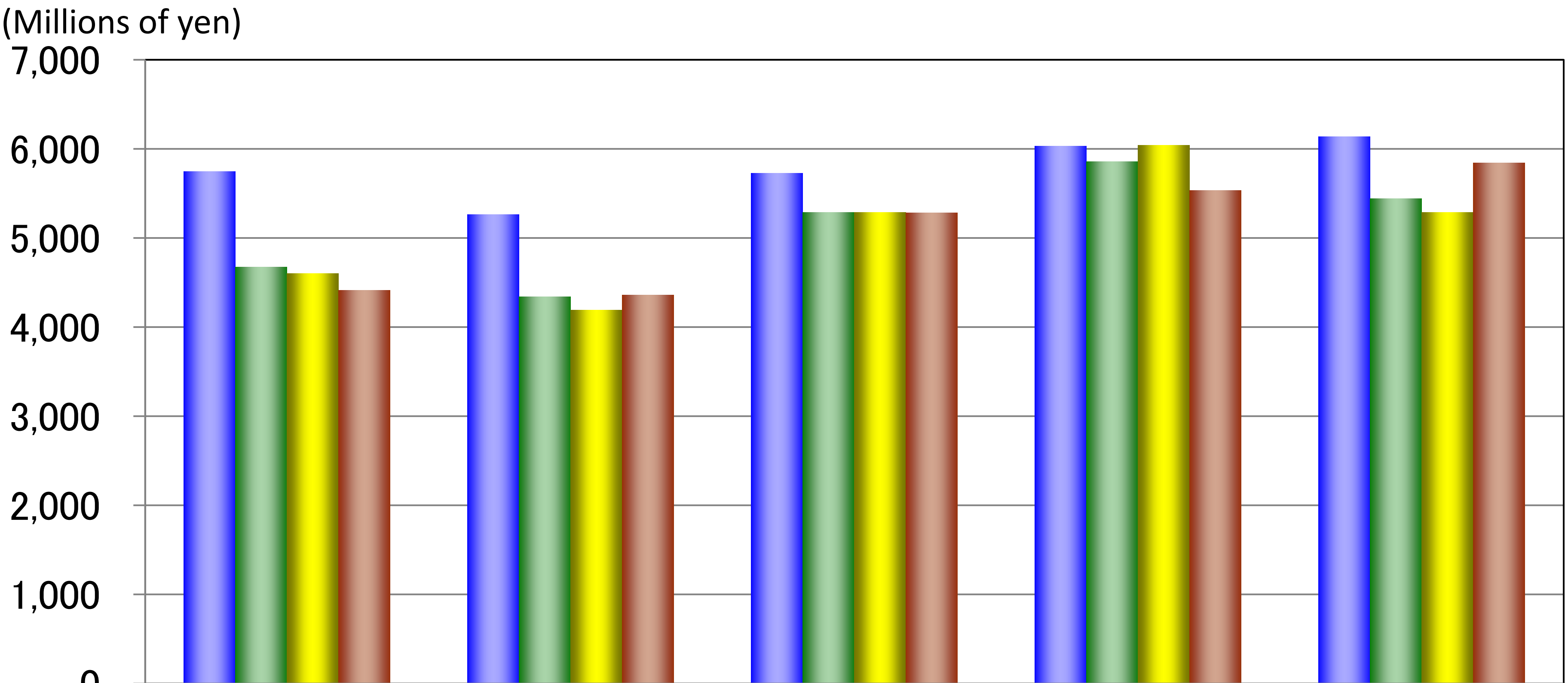
Photograph: The four seasons at HIOKI Forest Hills: Winter

HIOKI's Corporate Vision



Reference Materials

Quarterly Order Volume



	2015	2016	2017	2018	2019
1Q	5,746	5,264	5,725	6,033	6,137
2Q	4,674	4,341	5,289	5,856	5,443
3Q	4,600	4,189	5,287	6,041	5,290
4Q	4,413	4,361	5,283	5,535	5,842

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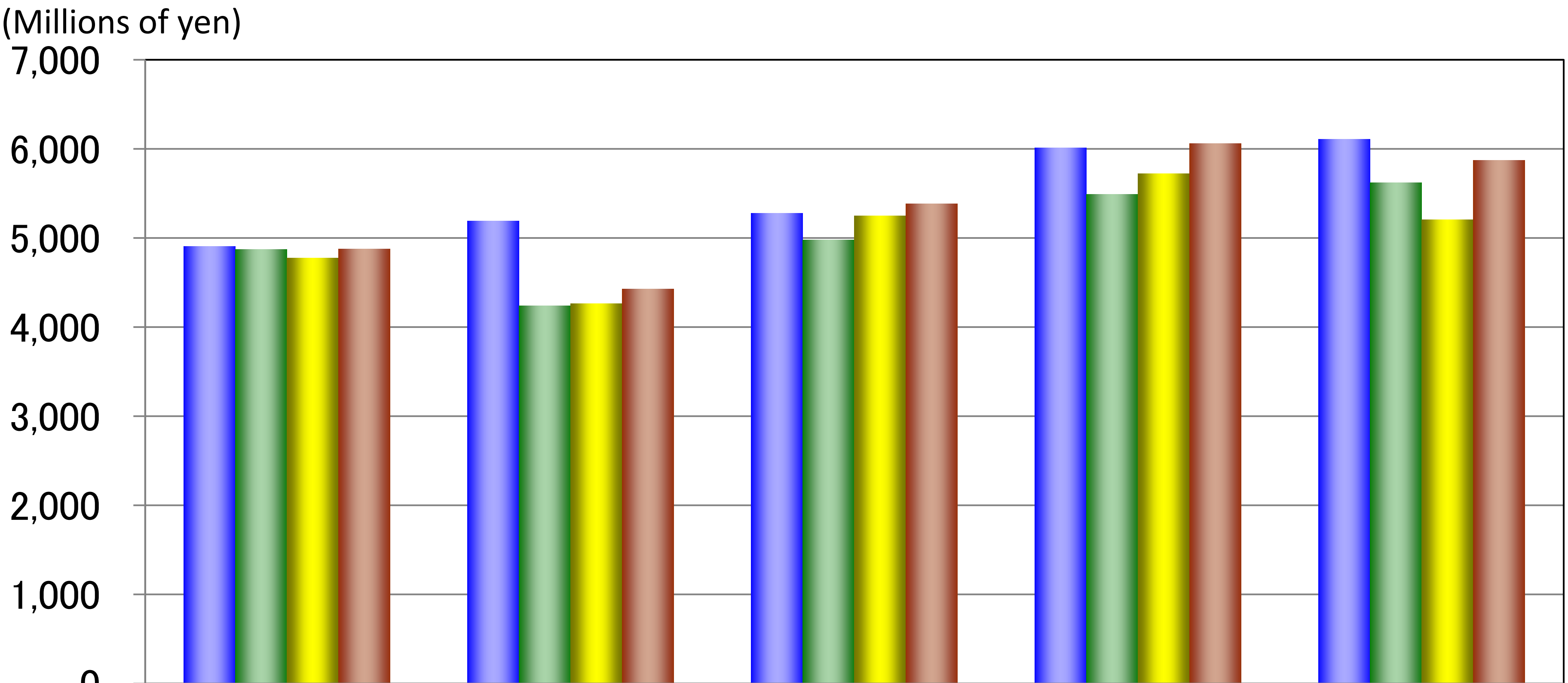
Reference Materials

Quarterly Sales



	2015	2016	2017	2018	2019
1Q	4,904	5,192	5,280	6,011	6,107
2Q	4,874	4,242	4,977	5,490	5,622
3Q	4,777	4,265	5,248	5,723	5,207
4Q	4,877	4,430	5,386	6,062	5,871

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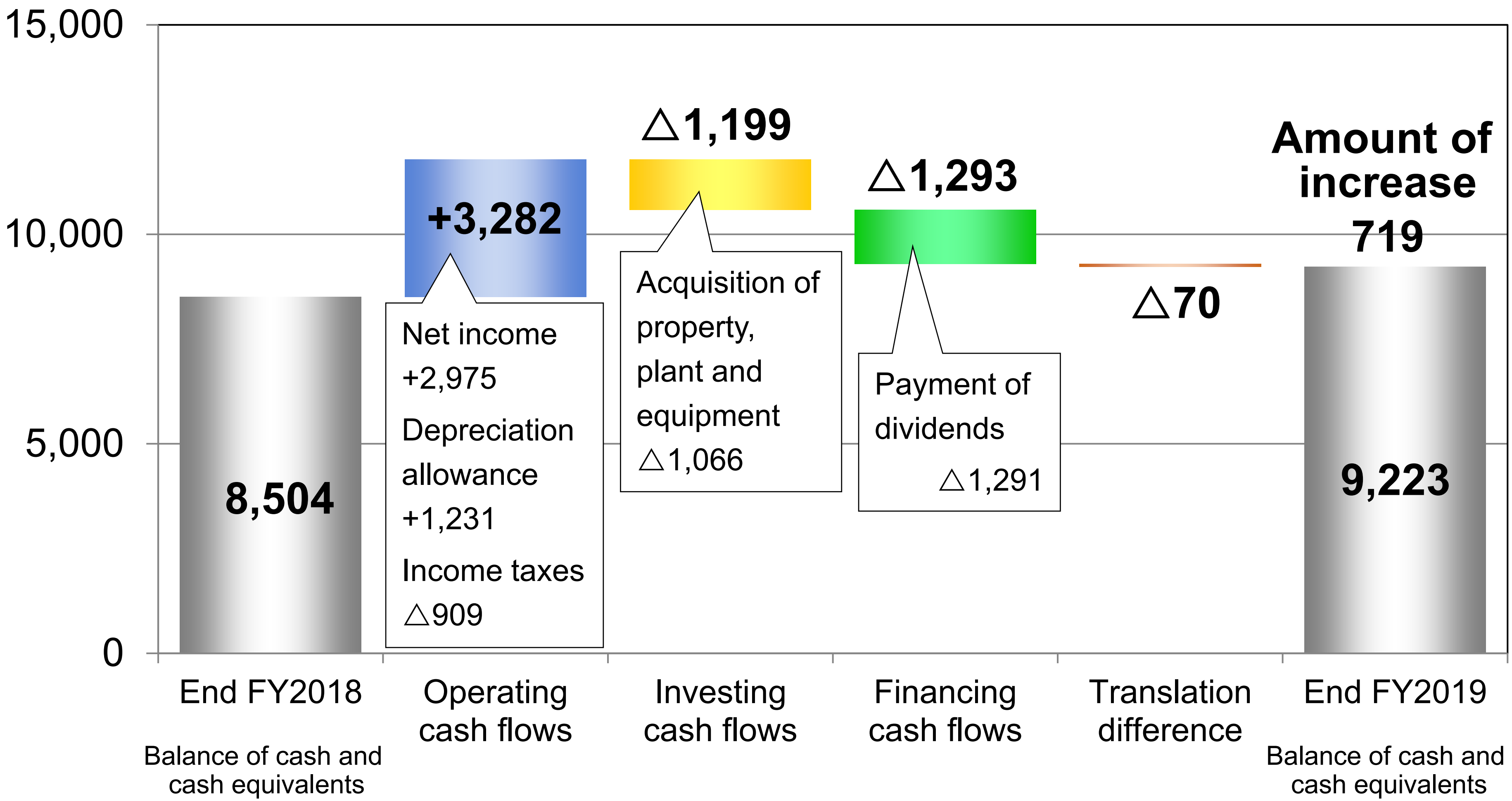
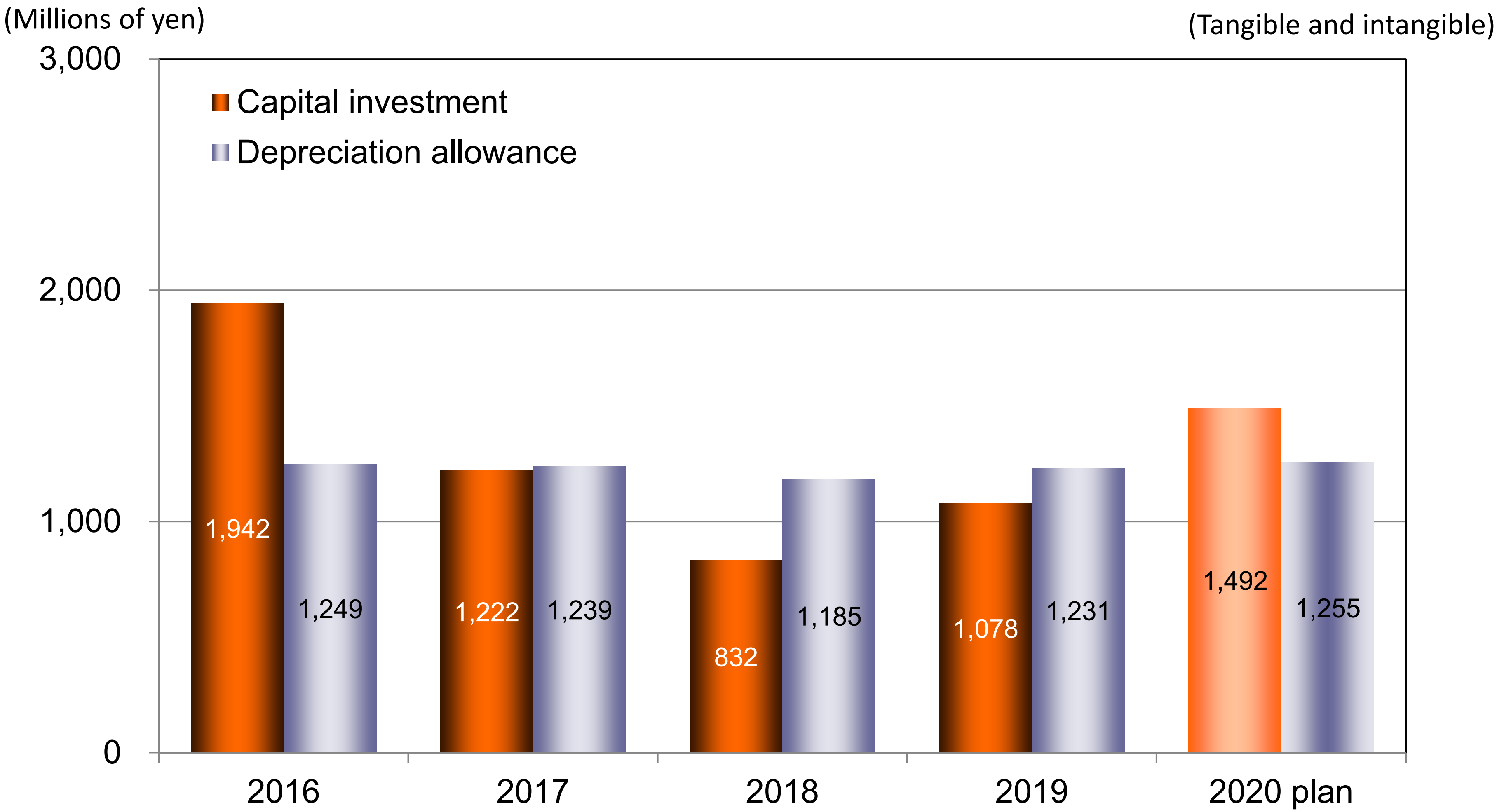
Cash Flows

(Millions of yen)



Reference Materials

Capital Investment and Depreciation Allowance



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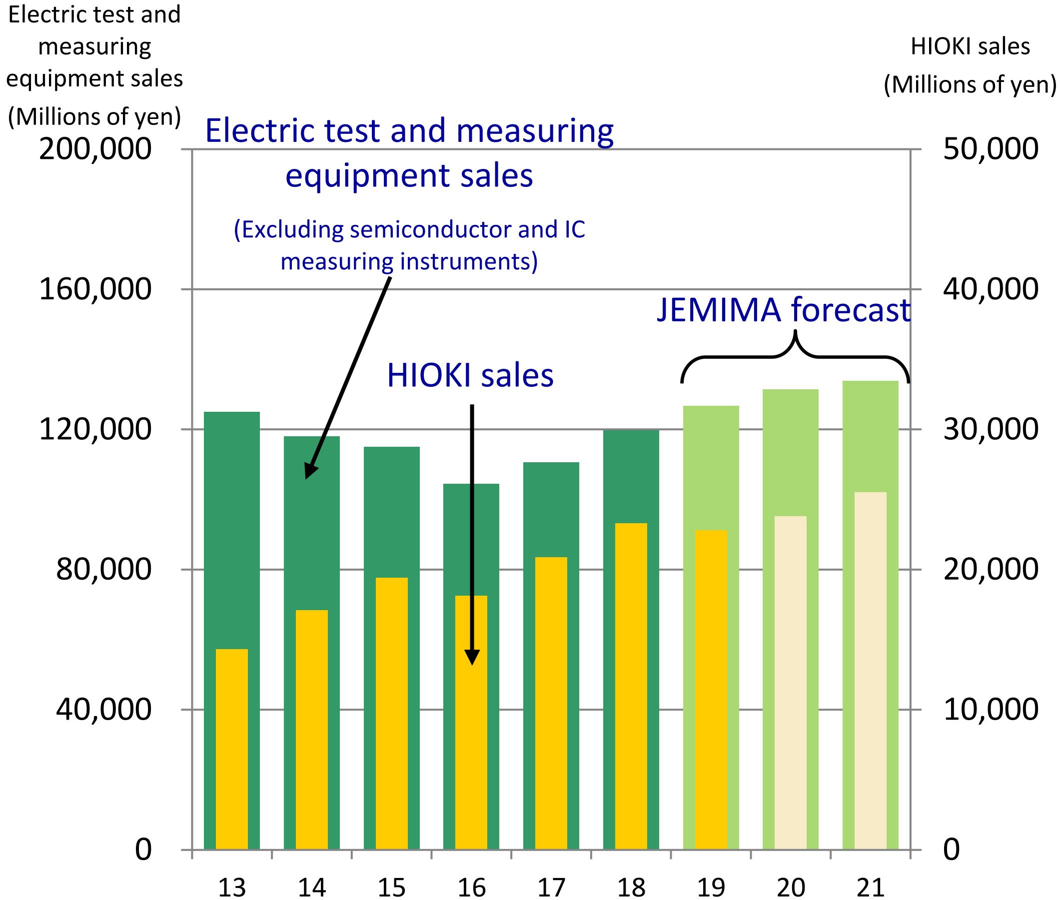
Business Environment in the Electrical Measuring Instruments Industry and Future Outlook



* 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 2019 and subsequent years reflect JEMIMA forecasts (as of December 2019).

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

The forecast calls for an average annual growth rate of +2.8% from FY2019 to FY2023.

Underlying factors: Demand for measuring instruments will continue due to 5G-related infrastructure development and other factors until the 2020 Tokyo Olympics and Paralympics, in the immediate aftermath of which there is unlikely to be a sharp decline since the national roll-out of 5G networks will take time.

Demand for motor-, inverter-, and battery-related measurement will grow as the automotive industry continues to make large investments in xEV R&D in order to reduce CO_2 emissions.

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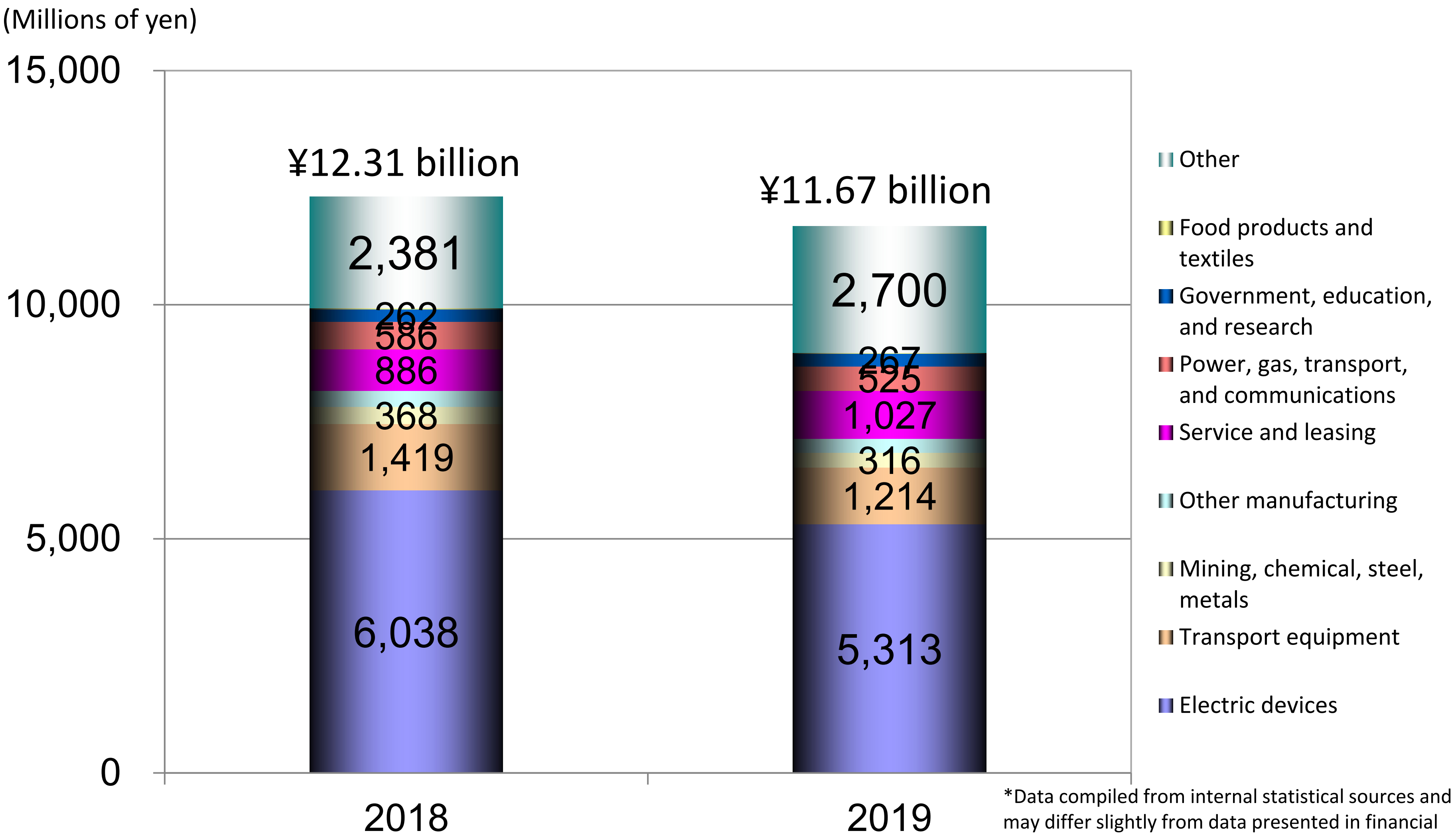
Trend in Sales (Domestic) by Industry



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

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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.

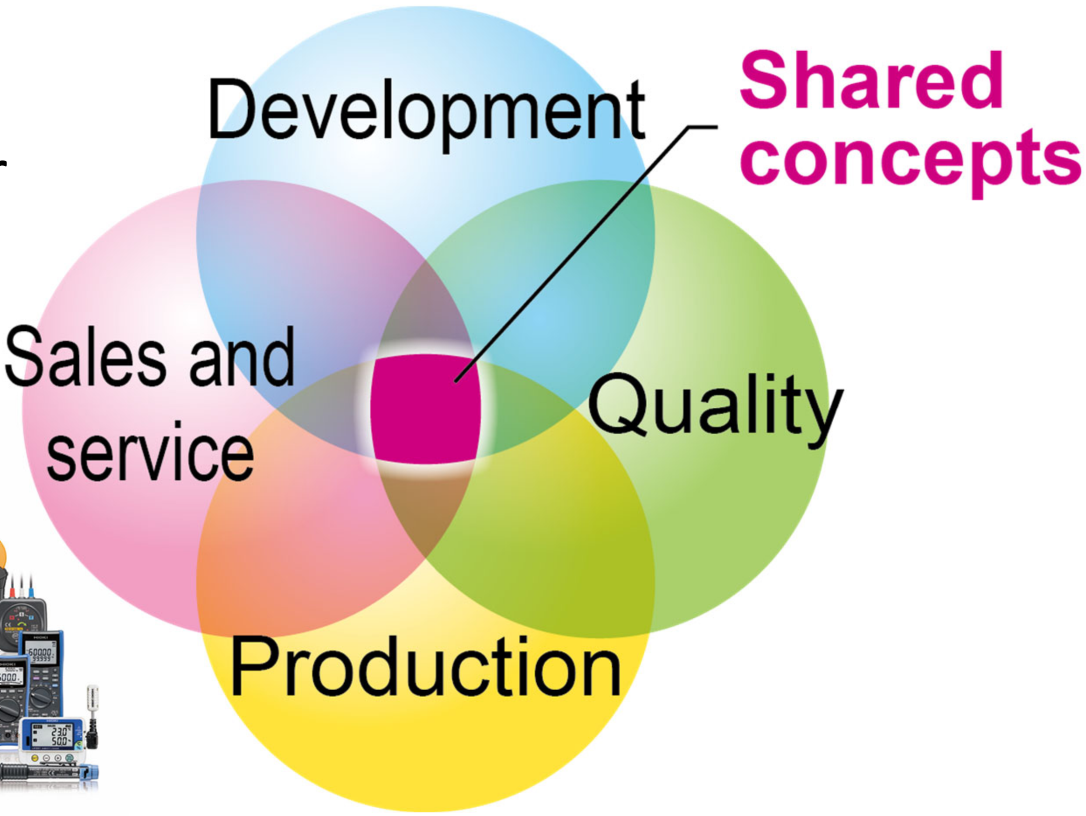
* Machinery statistics and HIOKI domestic monthly sales calculated as six-month moving averages.
Machinery statistics reflect estimated production value based on the mining and manufacturing index.

Reference Materials

Improving Value-added Productivity

Concurrent engineering

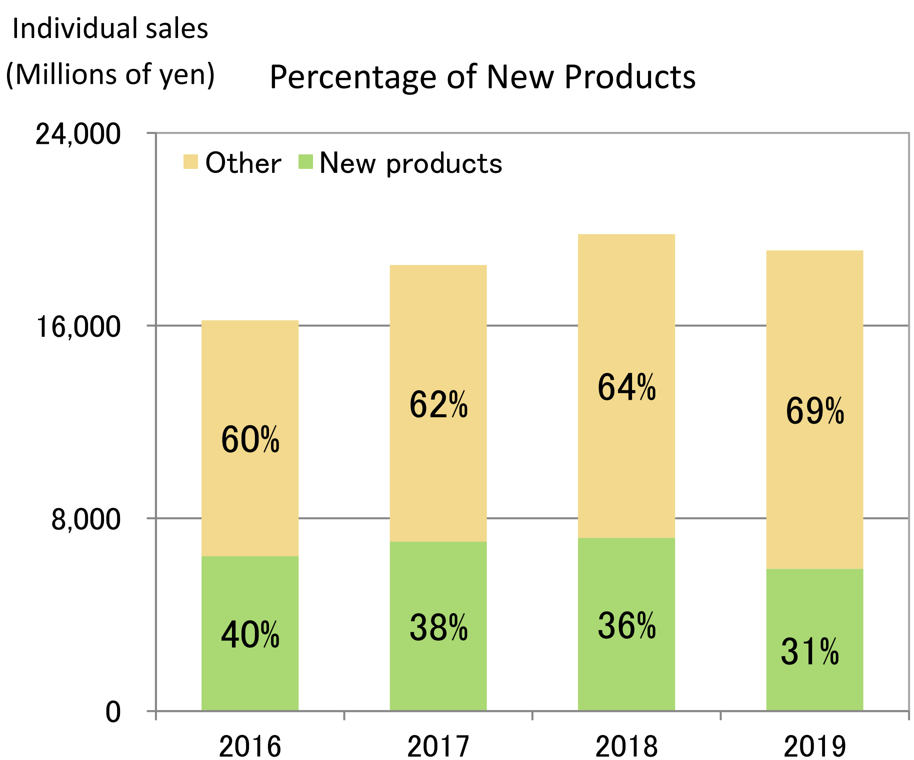
In HIOKI's approach to product development, departments come together organically with the goal of improving productivity.



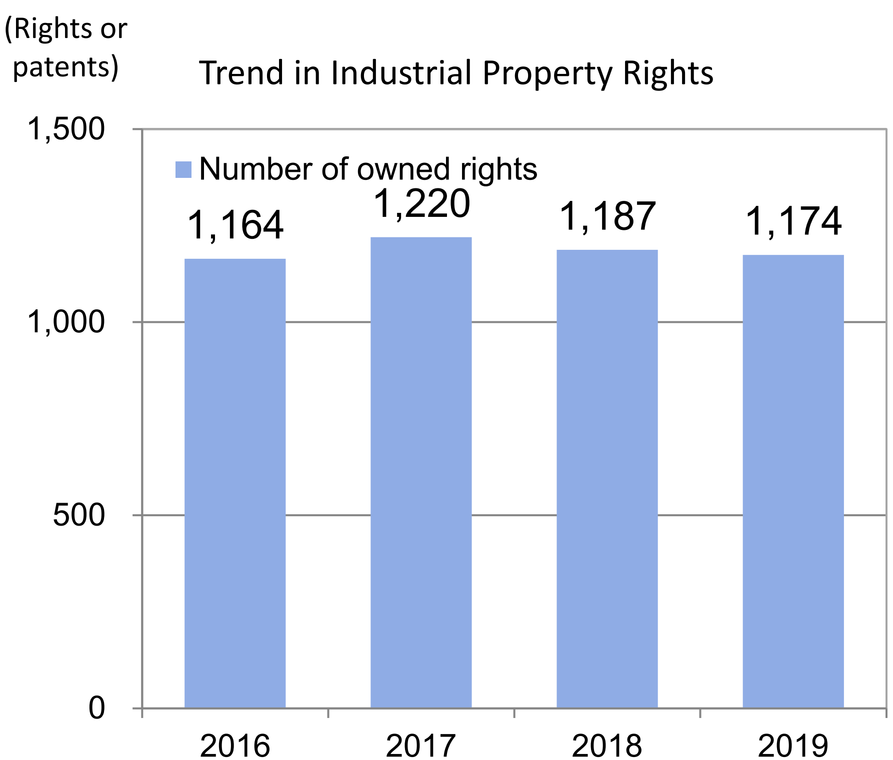
Reference Materials

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.



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

Domestic Japanese sales

- Direct marketing targeting customers in Japan (about 55,000 companies)
- About 60 salespeople at 12 facilities in Japan
- About 20,000 sales visits per year

Global sales

- Eight group companies
- Two overseas representative offices
- Partnerships with international distributors (about 200 companies)

Assessing latent customer wishes and future needs

Reference Materials

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)

In-Circuit Tester FA1220

Flying Probe Tester FA1816

Flying Probe Tester FA1817

Reliable detection of latent defects on high-density circuit boards

Reference Materials

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

Memory HiCorder MR6000

Memory HiLogger LR8450

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

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

Impedance Analyzer
IM7585

Principal products	Fields of use (applications)
Battery testers	Battery R&D and shipping inspections; measuring internal resistance and battery voltage

Extensive product line to accommodate a variety of batteries

BATTERY HiTESTER
BT3564

Principal products	Fields of use (applications)
Safety testers	Measuring the insulation resistance of electrical equipment and devices; withstand voltage testing

Broad product line for an array of applications

Insulation Tester
ST5520

Reference Materials

Electronic Measuring Instruments (2)

- Power and power quality analysis in the environment and 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

Power Analyzer PW6001

Power Quality Analyzer PQ3198

Current Probe CT6711

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Field Measuring Instruments

- Performing maintenance and inspections of electrical wiring work and equipment

Principal products	Fields of use (applications)
Clamp ammeters	Performing maintenance and inspections of electrical wiring work and equipment
A powerful brand with a long history	
Insulation resistance testers	Performing maintenance and inspections of electrical work and equipment
A must-have instrument for electrical work	
Digital multimeters	Measuring characteristics from voltage to current and resistance
Used in all applications	

AC/DC Clamp Meter CM4376

Insulation Tester for Photovoltaic Systems IR4053

Digital Multimeter DT4254

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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