

For immediate release

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Disclosure Concerning "Implementation of Capital Cost-and Share Value-Aware Management" and "Status of Dialog with Shareholders"

Meeting today, Hioki's Board of Directors deliberated and approved resolutions related to the disclosure of information about its "implementation of capital cost-and share value-aware management" and "status of dialog with shareholders", which are described below.

1. Implementation of Capital Cost- and Share Value-Aware Management

(1) Analysis of the status quo

As Hioki has not received any loans from financial institutions, its assessment of capital cost is founded on the cost of shareholder's equity. Currently, we estimate the cost of shareholder's equity to be approximately 7% (6% to 8%).

We consider improving return on capital to be a key priority in our management, and we've set a management indicator of a return on equity (ROE) of at least 10% as a target. ROE has exceeded 10% by a significant margin since 2021.

In addition, we consider Hioki's share price, market capitalization, price-to-book-value ratio (PBR), and price-to-earnings ratio (PER) to be key indicators of how capital markets assess Hioki. Share price has substantially since 2021, a time of growing performance for the company. The PBR has grown significantly in line with our share price and currently stands at about 3.

In light of these facts, a comparison of return on equity (ROE) and the cost of shareholder's equity supports the conclusion that Hioki's return on capital has improved significantly since 2021, enough so that it surpasses shareholders' and investors' expected rate of return.

At this point in time, Hioki assesses that it has earned a certain level of recognition from shareholders and investors, and it reiterates its commitment to satisfying shareholders and investors on an ongoing basis by continuing to increase return on capital going forward.

(2) Plan formulation and disclosure

In 2020, we formulated Vision 2030, our long-term management policy through 2030, and we are undertaking initiatives based on a decision to focus development resources on the key markets that will make up new social systems as humankind strives to realize a sustainable society.

We look forward to increasing corporate value as we pursue dialog with leading customers in key markets, anticipate latent needs, and emphasize medium- and long-term growth.

For more information about Vision 2030, please visit the following URL

(English site)

<https://www.hioki.com/corporate/vision.html>

(Japanese site)

<https://www.hioki.co.jp/jp/ir/long-term/>

https://www.hioki.co.jp/file/hioki_vision2030.pdf

We established the current Medium-Term Business Plan based on Vision 2030. We believe that it will be important to achieve the goals set forth in the currently disclosed Medium-Term Business Plan as we look to implement capital cost- and share price-aware management. Achieving the 2023 business plan is forecast to boost ROE to 17.5%.

Additionally, in order to lower the cost of capital, we believe it will be important to better earn the trust of shareholders and investors through active disclosure of important information. Hioki has disclosed a range of information in keeping with its Information Disclosure Policy, and we look forward to continuing to make public information that will contribute to investment decision-making by shareholders and investors.

We recently published Integrated Report 2023, which is available at the following URL

(Japanese site)

<https://www.hioki.co.jp/file.jsp?file/HIOKI2023.pdf>

【Reference】 : Return on capital, share price, and related information

Return on capital

	2018	2019	2020	2021	2022
ROE	11.8%	8.9%	8.1%	16.3%	17.1%

Share price, etc.

	2018	2019	2020	2021	2022
Share price (yen)	3,595	3,800	4,180	8,780	6,330
Market capitalization (hundreds of millions of yen)	504	532	586	1,231	887
PBR	2.02	2.06	2.19	4.07	2.64
PER	17.65	23.56	27.52	26.50	16.21

*Share price and other data have been calculated based on the closing price on the last trading day of the fiscal year in question.

2. Status of Dialog with Shareholders

The following describes the status of dialog between management and shareholders (including investors who are not Hioki shareholders) during the most recent business year (the fiscal year ended December 2022).

(1) Approach to dialog with shareholders and investors

In order to fulfill its social responsibility to shareholders, investors, and other stakeholders, Hioki believes it is important to increase the transparency of its management by actively disclosing management-related information. Based on this belief, we consider it critical for not only departments responsible for investor relations, but also corporate executives and our president to actively engage in dialog with shareholders and investors, and we've pursued various initiatives to facilitate such communication. Dialog takes many forms, including conversations with shareholders and investors, biannual financial results briefings, the Annual General Meeting of Shareholders, and a session featuring reports on the company's recent operations that follows it.

(2) Publication of the Integrated Report

In pursuing dialog with shareholders and investors, Hioki believes it is important to actively disclose both financial and non-financial information. We published our first Integrated Report in July 2022 to provide information about the non-financial aspects of our operations. Topics from the report are sometimes taken up in conversations with shareholders and investors, and we feel it has helped deepen dialog. Moreover, we drew on feedback from shareholders and investors in the compilation of Integrated Report 2023.

(3) Parties responsible for dialog with shareholders and investors

In principle, the Administration Division's Public Relations Lead, who is responsible for investor relations, engages in conversation with shareholders and investors.

The Manager of the Administration Department (and CFO), who is the executive responsible for overseeing IR activities, and the president also participate in those conversations at the request of shareholders and investors.

Although they have not yet done so, we also make directors, including outside directors, and auditors available to participate in conversations that involve important matters, within reasonable bounds and when shareholders and investors desire such participation.

(4) Overview of Hioki's track record in shareholder and investor dialog

Below is a list of the number of individual conversations held in each of the three most recent business years. The number of conversations is trending up as Hioki's rising performance fuels shareholders' and investors' interest.

【 Number of individual conversations 】

In FY2020, 55 cases

In FY2021, 113 cases

In FY2022, 133 cases

【 Breakdown of FY2022 conversations 】

Buy-side (Japan) 88

Buy-side (Overseas): 6

Sell-side (Japan): 23

Sell-side (Overseas): 3

Others : 13

(5) Communication of shareholder views and concerns gleaned from dialog to management and the Board of Directors

The Administration Division's investor relations staff keeps records that provide an overview of conversations held with individual shareholders and investors and reports regularly to the president and the Board of Directors. Information about the needs of shareholders and investors as gained from individual conversations also is reflected in presentations given at financial results briefings, which are held once every six months for investors.

In addition, questions and answers from the financial results briefing are summarized and communicated to the president and the Board of Directors along with the results of a questionnaire administered to attendees.

Furthermore, we host a session featuring reports on the company's recent operations after the Annual General Meeting of Shareholders as a venue for free and open dialog. By answering questions posed by attendees, we are able to assess shareholders' views and provide them as feedback to top management.