



HIOKI | Integrated Report 2023



CONTENTS

About Us

Hioki Philosophy	3
A History of Creations and Challenges	4
Measurement Solutions that Foster the Decarbonization of Industry	5
At a Glance	6

Management Strategy (Value Creation Stories)

Top Message	7
CFO Message	12
Innovation at Hioki	14
Marketing at Hioki	15
Hioki's Human Resources Strategy	16
Hioki's Value Creation Story to Realize Vision 2030	17
Hioki's Strengths and Management Strategies	18
Hioki's Value Chain	19
DX Initiatives	20
Vision 2030 Business Direction —Contributing to the decarbonization and electrification of all industries—	21
Five Innovations for Realizing Hioki's Vision 2030	23

Sustainability Management

Message from Chief Sustainability Officer	26
Addressing the TCFD Recommendations	28
Contribution to Environmental Protection	29
Communication with Stakeholders and Initiatives	30
Board of Directors, Auditors, and Executive Management Board	33
Corporate Governance	34
Messages from Outside Directors & Outside Corporate Auditors	36
Risk Management and Compliance	38

Data

Management Discussion and Analysis	39
Eleven-Year Financial Data	40
Non-Financial Data (Social Data)	41
Stock Information	42
Company Profile	43

Table in the shape of the "O" as the Hioki logo
(Inside the entrance of the Creative Collaboration Laboratory)

Editorial Policy

Hioki E.E. Corporation (Hioki) aims to provide shareholders, investors, and other stakeholders with a better understanding of the Group's real potential, including intangible capital that is the source of value creation, which deserves wide disclosure. We publish an integrated report that summarizes financial and non-financial information. For more details, please visit our website.

➔ <https://www.hioki.com/>

Reporting Period

January 1, 2022–December 31, 2022
(Some information from January 2023 onward is included.)

Scope of Reporting

Data for the Hioki Group (Hioki and its 11 consolidated subsidiaries) is compiled and reported. When the scope of the data to be covered differs from the scope of the report, it is clearly indicated case by case.

Reference Guidelines

- GRI (Global Reporting Initiative) Standards
- ISO 26000 "Guidance on Social Responsibility"
- VRF (Value Reporting Foundation)
"International Integrated Reporting Framework"
- Ministry of Economy, Trade and Industry (Japan)
"Guidance on Integrated Disclosure and Dialogue for Value Creation"



Forward-Looking Statements

The forward-looking statements herein are estimates based on information available at the time of publication and encompass known and unknown risks and uncertainties. Various factors may cause actual results to differ materially from those described in the forward-looking statements.

Transforming People Value into Corporate Value

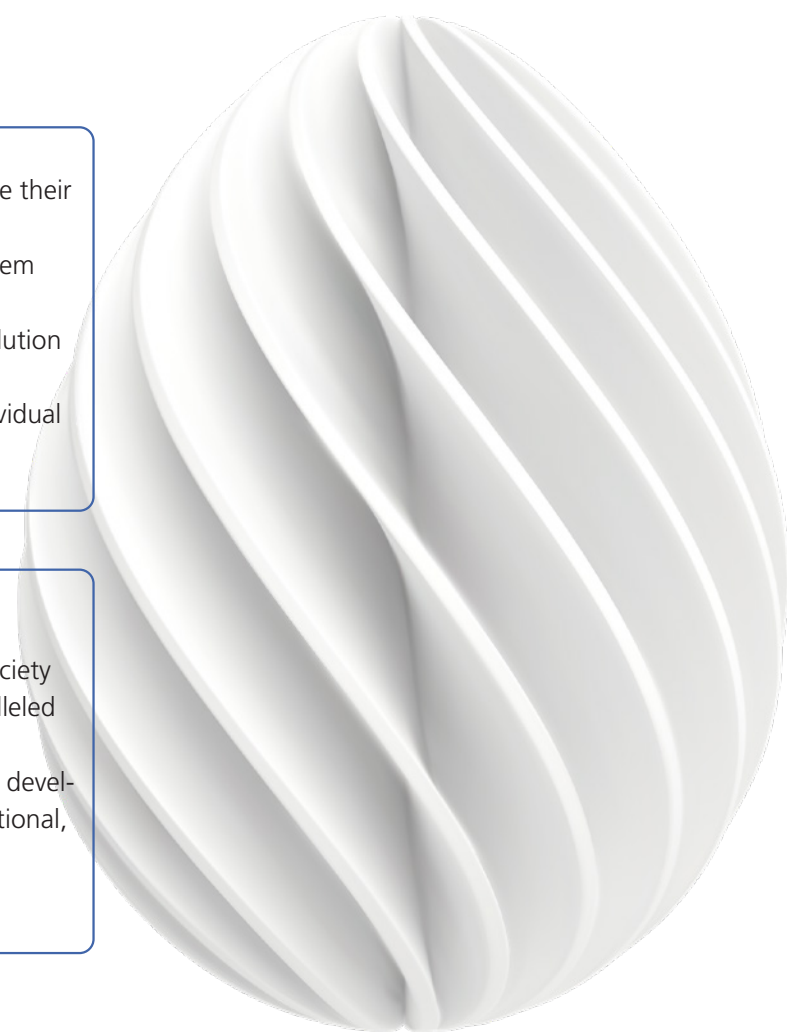
Hioki Philosophy

Hioki's corporate philosophy, established in 1986, embodies its views on management since its founding. Since then, we have always followed this philosophy. We will further accelerate Hioki's philosophy-driven management in our quest to realize Vision 2030.

HIOKI

The HIOKI logo

The "O" is not a simple circle but an oval. It symbolizes Earth embracing an egg of creation, nurturing people as it brings forth new things and contributes to the development of society.



Respect for Humanity

Hioki will build a free and open environment where employees can maximize their potential and abilities. Our aim is to foster the creativity and individuality of all persons and help them become the best version of themselves. To ensure that personal development is the driving force behind Hioki's evolution and achieve lasting growth and development, management demonstrates "Respect for Humanity" to achieve a high degree of harmony between individual potential and organizational goals.

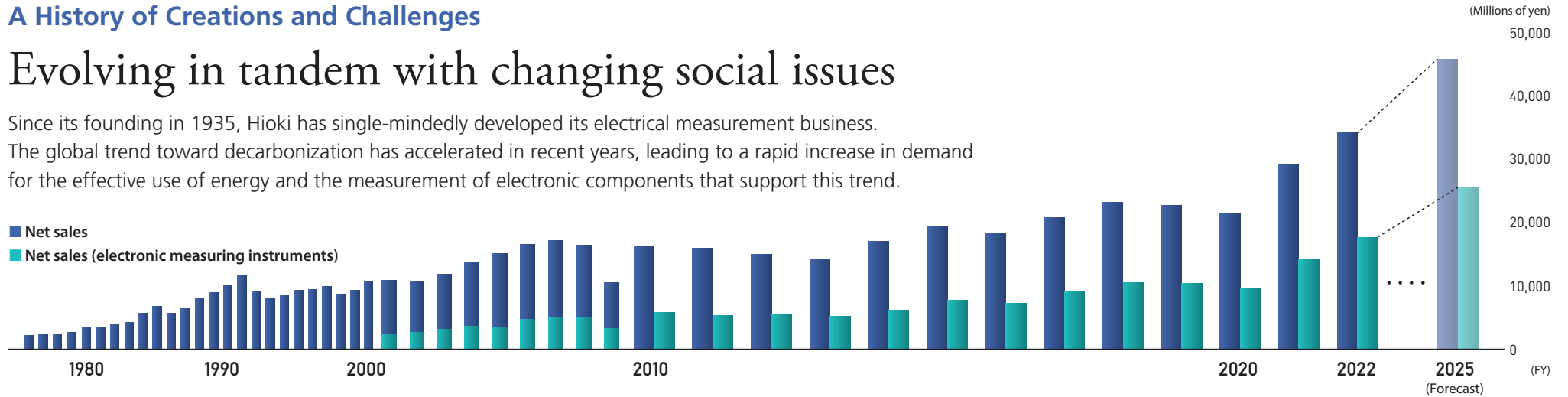
Contribution to Society

As a manufacturer, Hioki contributes to the security and advancement of society and the happiness of people by providing high-quality products and unparalleled services. As a member of the communities we serve, we work actively to support the development of local youth and protect the local environment to make an educational, cultural, and environmental contribution.

A History of Creations and Challenges

Evolving in tandem with changing social issues

Since its founding in 1935, Hioki has single-mindedly developed its electrical measurement business. The global trend toward decarbonization has accelerated in recent years, leading to a rapid increase in demand for the effective use of energy and the measurement of electronic components that support this trend.



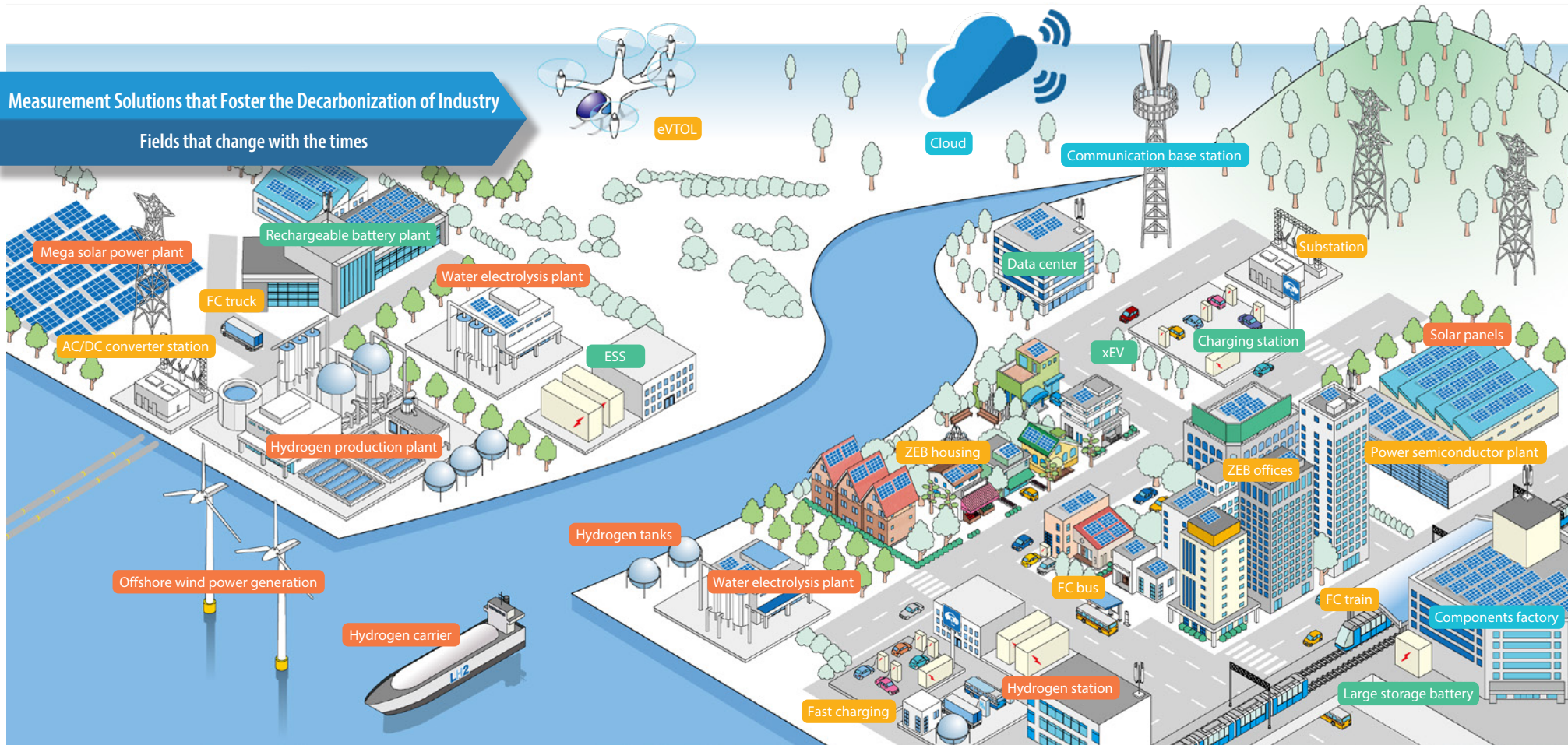
History of product development [Key products (electronic measuring instruments): Contributing to industries targeting decarbonization]

Category	Year	Product Name	Product Image	Key Feature/Contribution
Energy	1971	Clamp Ammeter CT-300		Current sensor essential for performance evaluation of high-efficiency inverters
	2000	Clamp on Probe 3274		
	2003	Clamp on Probe 3276		
	2018	AC/DC Current Sensor CT6875		
Energy	1978	Clamp on Power HiTester 3131, 3133		World's best-in-class high-speed response power analyzer
	1998	Power HiTester 3193		
	2014	Clamp on Power Logger PW3365		
	2017	Power Analyzer PW3390		
Batteries	1996	Battery HiTester 3550		Supporting the safety and reliability of mass-produced rechargeable batteries
	2005	Battery HiTester 3561		
	2013	Resistance Meter RM3545		
	2014	Insulation Tester ST5520		
Components	1976	Capacitance HiTester 3501		Ensuring the reliability of electronic components to ensure unstoppable 5G infrastructure
	2005	C HiTester 3504		
	2009	Resistance HiTester RM3542		
	2014	Impedance Analyzer IM7580s		
Components	2020	Battery HiTester BT3562A		Supporting the safety and reliability of mass-produced rechargeable batteries
	2022	LCR Meter IM3523A		



Measurement Solutions that Foster the Decarbonization of Industry

Fields that change with the times



Developing decarbonized energy

Production and transportation solutions

- Renewable energy
- Hydrogen energy
- Solar panels



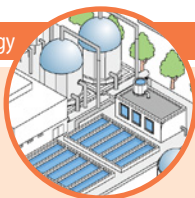
Power Analyzer PW8001



AC/DC Current Probe CT6845A



Bypass Diode Tester FT4310



Reducing energy loss

Power efficiency solutions

- Power conversion
- New battery types
- Power semiconductors



Clamp on Power Logger PW3360



Current Probe CT6700s



Memory HiCorder MR6000



Utilizing electrical energy

Rechargeable battery solutions

- Safety and performance testing
- New material evaluation
- Energy storage systems (ESSs)



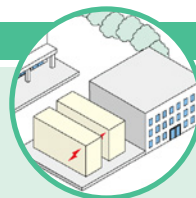
Electrode Resistance Measurement System RM2610



Battery HiTester BT3562A



Battery Tester BT3554-50



Digital transformation

Measurement data solutions

- Cloud-computing environment
- Remote measurement and data collection
- Data analysis



Memory HiLogger LR8450-01



GENNECT Cloud



Clamp Logger LR5051



At a Glance

Hioki by Numbers

Since its establishment, Hioki has addressed customer needs and challenges as a manufacturer of electrical measuring instruments. In this section, we introduce the current status of Hioki, which aims to be a front-runner in the industry.

Financial results

Profit ROE
¥5.33 billion **17.1%**

Ratio of overseas sales

63.9% 

CO₂ emissions (Scope 1 + 2)

815 t-CO₂

Return to shareholder

Annual dividend per share Dividend payout ratio
¥160 **41.0%**

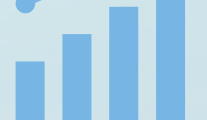
Profit/net assets per share

Profit Net assets
¥390.47 **¥2,401.01**

Percentage of employees who took childcare leave

Female employees Male employees
100% **50%**

Ratio of operating profit to net sales

20.6% 

Number of employees

Whole Group Percentage of employees stationed overseas
1,009 **23.3%**

History of Hioki

Since establishment
88 years (established in 1935)

Top Message



Becoming a solution creator that flexibly finds optimal solutions to changing conditions

We are now living in a “society with no correct answers.” And the business environment surrounding Hioki is changing dramatically. In addition to addressing climate change and rising energy prices, we must accelerate our efforts to realize a decarbonized society. When I visit countries outside Japan, I am struck by the speed of change in the external environment and the speed with which those countries are responding. This gives me a sense of urgency that Japan is lagging behind.

Becoming a front-runner in the electrical measurement instruments industry by placing “people” as the source of our growth

T. Okazawa

President

Hioki contributes to society as a manufacturer of electrical measuring instruments. These are considered the essential tools of industry that support the R&D efforts and production lines of our corporate customers. Going forward, we must address changing conditions, which are becoming more complex, and develop growth strategies based on short-, medium-, and long-term perspectives. From a global perspective, varied national policies on issues such as sustainability necessitate that we implement different measures for each country. We also need to be flexible and swift in developing optimal solutions.

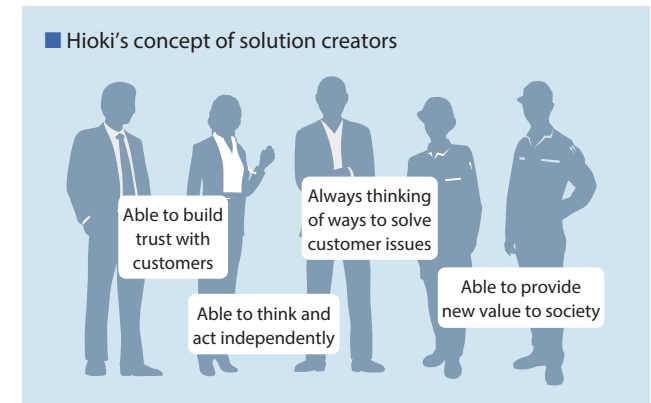
For this, it is important for employees to think, act independently, and be aware to provide new value to society. With this in mind, I have focused on returning to Hioki's philosophy of "Respect for Humanity" and "Contribution to Society" (see page 3 for details) or, in other words, "philosophy-driven" management. Looking back on the intention behind the philosophy, which was formulated in 1986, I asked our management team at the time, "What things do you wish to value?" We concluded that the core of the philosophy is that "each person should individually think things through."

The source of Hioki's growth is its people, and the slogan of Vision 2030, our long-term management policy announced in 2020, is "Beyond Measure." In addition to the technological perspective, which includes creating new inspection standards, it refers to our belief that all Hioki Group employees should be "solution creators" who go beyond "measurement" to think what kind of value they can provide to customers worldwide.

As many of our customers take on new business challenges, we are receiving more and more inquiries and requests for consultation about ways to solve their problems. To respond quickly, we must mobilize all our Company's capabilities. Internally,

we have reinforced our corporate culture of cooperation and support, where we pool our wisdom across departmental boundaries to solve customer issues. As a result, we now hear many more words of gratitude than before. In this way, Hioki will work as one to focus on problem-solving and building relationships of trust with its customers. We will adhere to this stance rather than blindly sell products or offer discounts, which will also help bolster sales.

Hioki has various systems in place for employees who aspire to become solution creators. Our new HR system, launched in 2018, was designed to allow employees to change their job roles, participate in projects of interest, and attend career and purpose training. We also announced our medium-term key policy, HI-CEO+ (see page 32 for details), which covers the period from 2023 through 2025. This policy calls for "all employees to seek change, respond to change, and act on change as an opportunity with a sense of ownership (entrepreneurial spirit)." Through its business and following its corporate philosophy, Hioki is helping employees fulfill their individual sense of purpose—that is to say—what they desire to "do, achieve, challenge, and contribute." We are working to create



a system that allows individual employees to challenge themselves with a broader range of choices for self-realization.

Aiming to be an industry front-runner and becoming an indispensable presence for electrical measurement solutions

By balancing the two goals of resolving social issues and achieving sustainable growth, Hioki aims to become a highly profitable company. Our targets are to achieve an operating profit margin of 20%, an overseas sales ratio of 70% or higher, and a return on equity (ROE) of 10% or higher. Rather than chasing after scale, however, we are committed to delivering value, so we do not consider short-term revenue growth to be our ultimate goal.

In Hioki's Vision 2030, we indicated where we wanted to be in 10 years (Hioki in 10 Years) and how we will contribute to society. In it, we focus on what we can do to: one, solve social issues with customers around the world who are embracing the challenge of decarbonization; and two, challenge ourselves with new endeavors and create new value. We will fulfill these goals by advancing measurement technologies as an industry front-runner. While identifying customers' needs, we will develop new markets where Hioki can contribute. By formulating growth strategies based on these two axes, we aim to become an industry front-runner.

■ Our Aspiration for Vision 2030



Our Mission

To contribute to stability and development of society by promoting customers' safe and effective use of energy through electrical measurement

Our Vision
(10 Years in the Future)

"Beyond Measure"
As an industry front-runner, Hioki will become a solution-creator that helps forge a sustainable society together with customers worldwide by continuing to evolve what it means to "measure."

In a world centered on electric energy, Hioki can provide solutions in all fields that use electricity infrastructure, including solar power generation, power distribution, and power conversion. We also invest in key markets with new social systems. In May 2023, for example, we helped plan and organize the ASEAN Battery & Electric Vehicle Technology Conference, held in Indonesia. Various organizations, including a government-led consortium, participated in this conference, representing a next-generation business model. Through our involvement, we aim to spread recognition that “when it comes to battery measurement, you go to Hioki.”

Rather than simply selling products, we offer one-of-a-kind value to customers worldwide who are trying to create new technologies. It is also essential to become an indispensable presence that people turn to when they need advice. By doing so, we can join other front-runners at the top of our industry. If we can find a niche that has not yet been established, we can add even greater value. This is one principle of Hioki’s growth strategy for the medium and long term and the direction of its business development in new global markets (see page 15 for details).



As an independent solution creator, Hioki will work to become indispensable in the global market.



We see an increase in open innovation and collaboration around the world. Hioki is also promoting collaboration and relationship strengthening with companies outside Japan. One of these companies is ETAS, a subsidiary of Bosch (the German automotive parts manufacturer), known for its vehicle R&D software. During the COVID-19 pandemic, we had to communicate online, which in overseas marketing ironically enabled us to make swifter product offerings. Hioki has sales subsidiaries and engineers stationed in major overseas countries. All of them take ownership of their work. This allows us to provide products and services when needed, by listening to our local customers’ specific requirements on-site. We have also reformed our organizational structure by appointing a new Chief Marketing Officer (CMO) to ensure that overseas markets are correctly explored and decisions are made quickly. Until recently, quite a few of our customer solutions had been passive. Our current desire is for each of us to act more independently and proactively to provide new value, thereby demonstrating Hioki’s indispensability and presence.

As I mentioned earlier, Japan is lagging behind in terms of responding to changes in the global external environment. However, the opportunity to turn things around will definitely come. In preparation for that time, we will closely monitor issues from Japan and consider the best ways to address them.

Initiatives to realize Our Vision
Addressing social needs in a wide range of fields

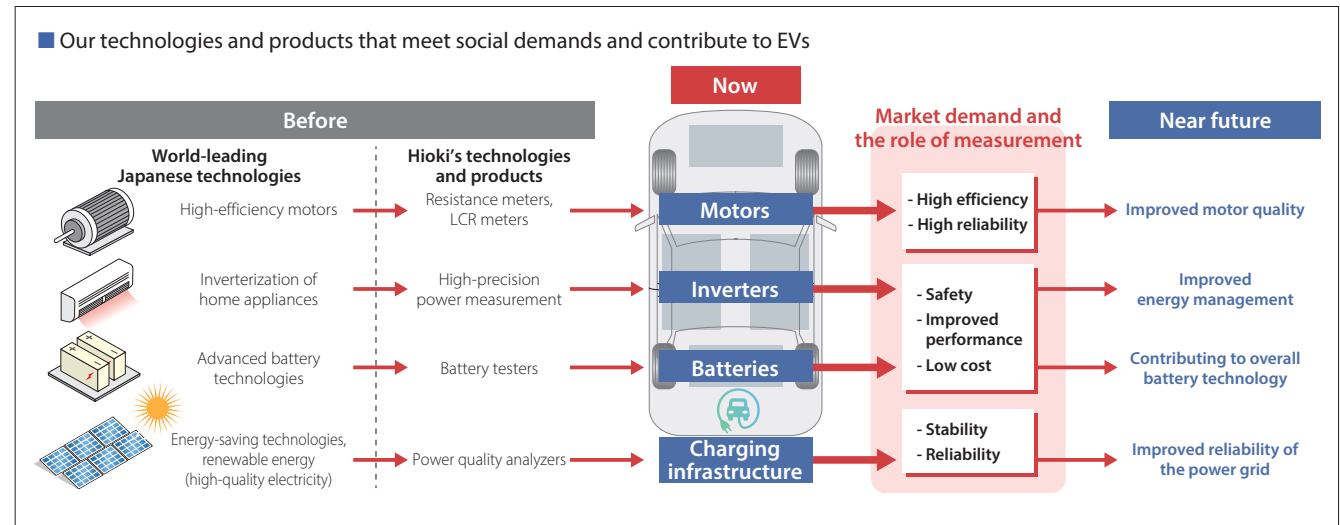
The Integrated Report that was published in 2022 gave us the opportunity to help people understand what we value in our businesses. To make it easier to understand various aspects of our businesses, we have also become more creative in the way we provide information. Instead of just disclosing results, we decided to give clear indications of our future direction. In the process, we have attracted attention from domestic and foreign investors, business partners, and listed companies. This has resulted in Hioki being featured in an increasing number of national newspapers, specialized magazines, and other media.

The slogan of Vision 2030 is “Hioki in 10 Years.” In our management strategy for realizing that vision, we have defined five innovations: creating new customer value, building new production systems, building relationships for creative collaboration with customers to forge a new society, building new supply chains, and realizing new internal structures. Innovation will be manifested through combinations of new or old elements, and we are making Companywide efforts to make progress in the five innovations.

For example, we established the Creative Collaboration Laboratory in March 2023 to create new customer value. This facility provides an environment for joint research with customers on batteries and power electronics, as well as hydrogen, a next-generation energy source. It serves as a forum for equal conversation about creating solutions. Through it, we can now explore how our customers are creating sustainable social innovations through the processes of development and experimentation. Immediately after the lab’s establishment, we succeeded in joint development in the motor field and achieved great results. As our sales subsidiaries continue to grow, we are considering establishment of similar facilities in those locations.

■ Five innovations:
Creating new combinations in multiple fields

-  **Creating new customer value**
-  **Building new production systems**
-  **Building relationships for creative collaboration with customers to forge a new society**
-  **Building new supply chains**
-  **Realizing new internal structures**



To build new production systems, we reviewed our existing systems and improved our productivity. In 2021, we started operation of a factory on the site of our partner company in Sakaki, Nagano Prefecture (Sakaki being adjacent to Ueda, where our head office and main factory are located). Then, in 2022, we extended the floor space of our head office factory. These measures have enabled integrated production and improved overall productivity. Meanwhile, to strengthen cooperation with suppliers, we held a face-to-face meeting with them to discuss materials procurement schemes in January 2023, for the first time in three years.

While investors ask us questions about how we are reviewing our business portfolio, we can say our strength lies in our ability to combine electrical measurement solutions in multiple fields. Rather than subdividing our portfolio along product lines, we believe it is important to combine solutions and create new technologies in response to market needs (see page 14 for details).

For many years, Hioki has developed measurement technologies that sustain numerous world-leading Japanese products. These include high-efficiency motors used in various industries, inverters for air conditioners and other home appliances, and cutting-edge battery and solar panel technologies. We have modified each of our technologies as a combination of solutions according to market needs. As the global trend toward decarbonization accelerates and electricity becomes our central energy source, we contribute to the advancement of electric vehicles (EVs) through our technologies. Using Hioki’s measurement technologies in EVs leads to enhanced motor efficiency, safety, and performance, which in turn contributes to building a circular economy.

More and more companies are seeking to collaborate with Hioki in the high-profile field of battery technologies. In this constantly evolving world, we are closely monitoring industry trends while fine-tuning our technologies to meet market needs.

Strengthen governance through free exchange of ideas

Hioki has focused on strengthening its corporate governance for quite some time, including by incorporating the opinions of outside experts into management discussions since 2002. The reason is to avoid biased decision-making done only by a team with members of similar thinking.

In 2023, we invited three new Outside Directors to the Board, in place of a retired one. The new Outside Directors have the skills to provide various forms of advice and support to develop our future solution creators and strengthen overseas operations. These include experience in executive management, building strong business models, and handling legal matters and risk judgments for overseas businesses. Moreover, our two outside Corporate Auditors have been cooperating with us for a long time. In addition to providing a financial perspective, they offer much feedback from a shared perception of our business purpose.

Our Outside Directors frequently speak at the board meetings, where discussions are very active. In such meetings, we separate matters that can be decided immediately from those that need further consideration so we can proceed with a sense of urgency. Members also have frank discussions about medium- and long-term management strategies. We feel that being able to freely share our opinions has led to a stronger governance structure.

Promoting carbon-neutral initiatives with local communities

In practicing sustainability management, it is important to address all ESG areas. Among these, Hioki places particular emphasis on decarbonization and is working continuously to reduce CO₂ emissions from its own manufacturing facilities to create “zero-emissions factories” that produce no environmental emissions at all. In 2022, we announced our Basic Sustainability Policy and the Hioki Sustainability Declaration, declaring our aim to be carbon neutral by 2025 for Scope 1 and 2 of the GHG Protocol, and by 2035 for Scope 3.

As part of our efforts to achieve these goals, we have switched all electricity used at our head office and the Sakaki Factory to CO₂-free electricity generated from hydroelectric power. We also began field-testing an off-grid solar carport to charge EVs at our head office. By 2025, we plan to install a solar carport with a 2MW-generating capacity for our own consumption.

In our product design stage, we define the environmental benefits and the zero-emission potential of our new products. At the development stage, we accurately assess the future power consumption of each new product, then focus on designs that help save energy. We are also working to evaluate the quality of materials with the aim of using recycled materials. In addition, we inform our suppliers that we place top priority on addressing human rights risks.

We have also launched a project to connect new Hioki technologies with solutions to local community issues.

To realize a sustainable society, we decided that we needed to obtain hands-on experience on using our battery and motor technologies to address social issues, such as regional revitalization, decarbonization of society, and an aging population. In May 2023, we announced our plan to field-test an autonomous electric bus in collaboration with Ueda City and local public transportation companies. This will deepen our employees’ awareness of their role as solution creators and help them gain important experience.

When all our employees become solution creators, they will have more opportunities to experience joy together with customers, which will revitalize our organization. By becoming a pioneer in the industry that drives the world forward, we can contribute to society beyond “measurement.” We will continue to take on management responsibilities aimed at keeping this virtuous cycle moving.

As a front-runner in the industry that drives the world forward, we will continue to advance our measurement technologies to help realize a sustainable society.



CFO Message

Building a strong financial foundation: Investment strategy focused on medium- to long-term growth



Yoshikazu Suyama
Managing Director
Executive Officer
Chief Financial Officer

A balanced financial foundation based on broad perspectives

Hioki places great importance on realizing a sustainable society together with customers and thus fulfilling its social responsibilities as a company. Each and every employee strives to improve himself or herself by putting our corporate philosophy of "Respect for Humanity" and "Contribution to Society" into practice and always remaining indispensable to society. As a corporate organization, we believe that constantly providing an environment enabling employees to achieve self-realization as they pursue these goals will lead to medium- and long-term enhancements in corporate value.

In this context, my role as Chief Financial Officer (CFO) is to

take a broad view of things and build a financial foundation that emphasizes balance. In managing businesses, some things need to be sacrificed because not everything goes according to plan. An important role of the CFO is to envision various scenarios considering all possible business risks and to sound the alarm as necessary depending on the situation.

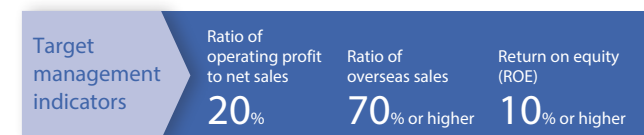
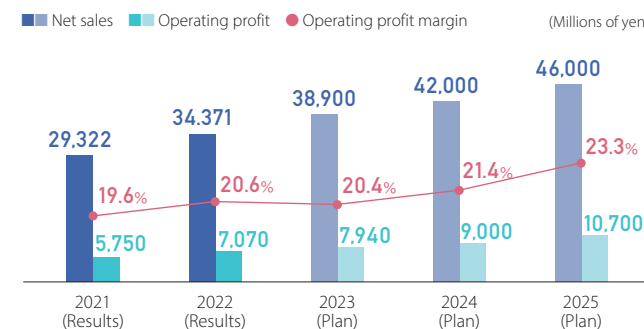
Under Hioki's business model, profits are heavily influenced by increases or decreases in sales. We will certainly invest capital in immediate production and sales, but with a view to medium- and long-term growth, we will intensively invest capital in initiatives that lead to the resolution of issues faced by our current customers and in fundamental research that anticipates future demand. While these investments will result in higher costs in the short term, we are confident that, over the medium and long term, they will help us establish a solid financial foundation that is resilient to fluctuations in sales and thus improve our operating profit margin. With this in mind, we will take a flexible approach to key investment projects while retaining a certain amount of cash.

If we do not meet our sales and profit targets, we will not be able to make critical investments. This could affect the visions outlined in our business plans and preclude us from achieving our medium- to long-term targets. It would be ideal if we could reach our performance goals while also meeting a wide variety of non-financial KPIs and targets, including those related to our human capital. However, there is still much work to be done in this area.

Management performance indicators for realizing our vision

The slogan of Vision 2030 is "Hioki in 10 Years." Under this vision, we decide which markets to enter and approach potential

Medium-term business plan (2023 through 2025) (As of Feb. 14, 2023)



customers accordingly. Our aim is to help realize a sustainable society together with our customers, who are world leaders in their respective fields.

In line with this objective, we have set an operating profit margin target of 20% as a performance indicator. Hioki aims to be a leader in niche markets. As a result, approximately one-third of our employees are involved in product and business development, and personnel costs account for much of our development investments. Rather than relying on future sales, we need to retain a larger portion of current-year sales, and operating profit margin is a key indicator in this context. To increase the operating profit margin, we must continue investments aimed at honing our competitive advantage while keeping a firm grasp of the needs of the world's most advanced companies and providing solutions to their challenges.

As we accelerate our global expansion, we have also set an overseas sales ratio target of 70% or higher to encourage our Japanese employees to look overseas. In recent years, we have also emphasized return on equity (ROE) to improve capital efficiency, with a target of 10% or higher, which is above the cost of capital. We will strive to maximize value for shareholders by efficiently managing their invested capital.

Challenges: Procurement risk responses and sales per employee

In fiscal 2022, we gave ourselves a passing grade with respect to achieving our performance indicators, with net sales of ¥34.3 billion, exceeding our initial sales forecast by 9% (¥2.8 billion), and most importantly, our operating profit of ¥7.07 billion (14%, or ¥890 million, higher than initially forecast), resulting in an operating profit margin of 20.6%.

Excluding the effect of the yen's depreciation, however, net sales were only around 2% higher than initially forecasted. One reason was a tight supply-demand situation for parts, especially semiconductors. Given that a single missing part can halt production, we responded to customer demands by negotiating with suppliers and procuring parts at above-market prices. As a result, inventories of parts and raw materials increased ¥3.4 billion year on year to ¥6.0 billion.

Another reason for the inventory increase is that if parts are not available, delivery of products will be delayed, and inventory levels will increase. We recognize that addressing such procurement risks will be an issue in the future, and we will also improve our operations to prevent the emergence of non-performing assets.

In addition, our financial statements reveal that sales per employee are lacking. In 2022, sales per employee were about

¥35 million, which would fall to ¥32–33 million if the yen's depreciation were excluded. This is not high in comparison with that of other companies. Increasing sales per employee will require employees to get closer to customers and serve as solution creators to address their needs. To accomplish this, we will pursue businesses with unique characteristics and strategies that further Hioki's independence from external influences and indispensability in the market.

Increasing investments in human capital and productivity

As mentioned earlier, Hioki focuses its investments on future demand. Among these, we will invest more than ever in human capital (see page 31 for details). We tell employees to value their own instincts and create new things. Simultaneous to this, Hioki's future business will be centered on overseas markets, so we will have more opportunities to deal with overseas customers. These conditions can create a challenge, however, as interpreting customer requests from a Japanese perspective may lead to wrong decisions. Accordingly, I would like to develop global human resources who actively go overseas and communicate directly with customers as well as respond with a high degree of insight to the information obtained from those global visits.

In fiscal 2022, we made capital investments totaling ¥1,685 million (see page 24 for details). This was mainly used to expand the floor space of our head office, which led to improved operation flow and enhanced our productivity. In fiscal 2023, we plan to spend ¥3 billion. This includes investment in our Creative Collaboration Laboratory, where customers bring their issues for discussion and work with Hioki to find solutions, as well as in the installation of a solar carport at our head office to foster carbon neutrality.

Going forward, manufacturers will be responsible for spearheading efforts to realize a circular economy, which is a recycling-oriented economic system that eliminates waste, recycles resources, and is sustainable. Such voluntary actions will incur unprecedented costs and may cause a temporary deterioration in our profit margins. Nevertheless, we need to take action from a medium- to long-term perspective.

Enhancing understanding of Hioki through dialogue

Recently, we have had more opportunities to talk with investors and disclose information, and we have even spoken directly with overseas investors at their request. Our President also actively discloses information through media interviews and press conferences.

However, it is also true that Hioki's business model and business fields are not easy to understand. We recognize that even if a product has "world-first" or "industry-leading" features, its business impact on the market as a whole is often small. With this in mind, we will strive to provide investors and other stakeholders with easy-to-understand explanations of Hioki's business style and a variety of other information.

Innovation at Hioki

Creating innovation by communicating with customers around the world

Innovation happens when technologies and needs come together in new combinations

At Hioki, innovation is created by bringing together our measurement technologies with customers' needs and combining them in new ways. Therefore, it is important to not only develop fundamental technology effectively but also proactively create opportunities for communication with customers.

The world is now making great strides toward sustainability. However, I feel that Japan is lagging in comparison, which gives me a sense of urgency. Hioki continues to invest in increasing the number of sales subsidiaries around the world to achieve its overseas sales ratio target of 70%, a performance indicator. In the process, we have seen a significant increase in opportunities to connect with customers who are leading the world in sustainability initiatives. Communicating with customers in this way enables us to create new bonds or "combinations" with them.

Engineers who understand customer needs will have an advantage

We have always worked hard to communicate with our customers. In addition to marketing personnel, our engineers are allowed to actively interact with customers from a young age and experience their needs firsthand. We have also promoted digital transformation (DX) within the Company by embracing digital technologies since the dawn of the Internet. These measures, together with information-sharing, have helped improve our engineers' understanding of customer needs. Such understanding of the customer has become a key strength for Hioki. In the last few years, online communication has become mainstream due to COVID-19, and interaction with customers around the world has been revitalized. Therefore, I feel we are making more

progress in training engineers who can understand customers and make good decisions.

For R&D, we have an innovation meeting and a marketing meeting every month. As Chief Technical Officer (CTO), I am closely involved in the innovation meetings, where we determine areas of focus for technological development while keeping a close eye on global technological and market trends. Recently, we have been focusing on areas conducive to realizing a sustainable world, including batteries, electrical energy, and hydrogen (see page 21 for details). We also protect the findings obtained through our R&D in the form of patents and other intellectual property rights. In recent years, the ratio of patent applications overseas (outside Japan) has increased in line with our overseas sales ratios product group.

Promoting cross-company development and co-creation

In developing new products, we form cross-company groups called "Concurrent Engineering Teams" to combine the wisdom of various departments and quickly commercialize customer needs. Each person in charge of the four new product aspects (R&D, production, quality assurance, and sales/marketing) makes his or her judgment for the product to finalize as new solutions addressing customers' issues. To become indispensable to our customers, we have adopted agile development methods that enable us to quickly address the needs of customers and society in rapidly evolving fields. Intending to strengthen our agile development capabilities through co-creation with our customers, we opened the Creative Collaboration Laboratory within our Innovation Center in March 2023. The new facility allows us to conduct joint experiments and development using Hioki's space and state-of-the-art facilities.

Hioki's target for R&D expenses as a percentage of net sales

Kunihisa Kubota

*Managing Director
Executive Officer,
Chief Technical Officer,
Chief Information Officer, and
Chief Sustainability Officer*



is 10%, which it has achieved almost every year for about 20 years. However, we did not reach this target in the last two years due to sharp increases in sales. Going forward, we need to evolve DX initiatives to realize a circular economy. In addition to introducing IT and technological systems, we need to change entire processes, from R&D and product design to production and after-sales service. Also, in a digitalized society, components reliability is also important. For this, we must also consider how we can enhance the reliability of electronic components that support the foundation of digital infrastructure.

New technologies are emerging every day, expanding the domains in which Hioki can contribute. In this context, we need to determine what kind of innovations we should create that properly reflect the needs of our customers and step up investments accordingly.

Marketing at Hioki

Building relationships with the world's most advanced companies to develop new markets

Aiming to increase worldwide recognition of Hioki

Hioki's current goal is to become a front-runner in niche markets related to electrical measurement. To achieve this, we will identify the concerns of customers around the world who are trying to create a sustainable society and provide solutions from the perspective of electrical measurement. This is our ideal.

To date, we have expanded our business mainly in markets centered on infrastructure. However, the needs for electrical measurement are changing at an accelerating pace (see page 4 for details). As solution creators, therefore, our employees need to gather a variety of information and understand the needs of cutting-edge companies.

Under the concept of "One Hioki, One Team," we have established sales subsidiaries around the world intending to



Yasunao Takano

Director
Executive Officer
Chief Marketing Officer
(CMO)

expand our business in the global market. In the rest of Asia, as in Japan, we visit customers directly and use communication to expand our sales channels. In Europe and North America, however, we take a different approach because of the larger land areas and cultural difference in higher attrition rates of human resources. In addition, the marketing style difference requires adjustment from a Japanese perspective as Western customers need more direct communication of product benefits as opposed to simple presentation of specs. Here, our challenge is finding ways to increase recognition of the Hioki brand around the world, including through sales promotion.

Enhancing service capabilities and human resources at sales subsidiaries

As we expand our business globally, it is important to strengthen our network of sales subsidiaries (see page 23 for details) to deepen communication with customers around the world. To this end, we hold monthly online global marketing meetings with defined themes. In addition, we receive weekly reports from our sales subsidiaries. We have made it a habit to identify issues from those reports, share them with top management and department heads, and consider solutions to present back to the subsidiary members.

We also focus on hiring locally because local employees in each country are indispensable for identifying issues faced by our customers around the world. As in Japan, many employees join Hioki because they sympathize with our corporate philosophy. This is particularly true in China, where we have attracted exceptional human resources. Globally active human resources need to have certain qualities, such as curiosity and the ability to propose and act on one's initiative. Hioki values people who have a strong desire to produce results. As employees at our

head office become globally minded, they will become more active overseas. This includes our R&D staff that have offices at the head office in Nagano, Japan.

Even if we nurture global human resources to communicate with customers, however, it will be difficult to address the needs of local customers with the sales function alone. For this reason, we will add product development and manufacturing capabilities to our sales subsidiaries in the future.

Building relationships with top runners based on shared understanding

As a manufacturer, Hioki mainly adopted a product-oriented approach in the past, but since establishing a marketing department in 2016, it has shifted to a market-driven approach in product planning. Against this backdrop, in 2022, we launched our Global Business Development initiative, which is oriented toward business development from the perspective of the global market.

As a result, we successfully organized a conference in 2023 in Southeast Asia with the catchphrase of "carbon neutral." Our objective here is to create a consortium that will link government-affiliated research institutions with other organizations in Indonesia, Thailand, and Malaysia, leading to the development of new markets.

Until now, it has been the mainstream for Western countries to create social systems. In the future, Hioki will take a proactive role in creating such systems. This will enable us to gain a deeper understanding of our customers' needs and strengthen partnerships with them. To advance our businesses from the perspective of the global market, we will seek to build relationships based on shared understanding with the world's leading players.

Hioki's Human Resources Strategy

Empowering individuals to realize their purpose through our business

Fostering globally active human resources based on our corporate philosophy

People are indispensable for a company to continuously grow and develop as well as contribute to society. Hioki has an ingrained corporate culture that values people. We believe this culture is extremely valuable in strengthening our global expansion. We recently started to proactively disseminate this culture to our global subsidiaries. From many years past, people in Japan have regularly joined our Company because of its corporate philosophy and worker-friendly corporate culture. Nowadays the same motivation for joining is trending in our overseas sales subsidiaries.

Hioki has ample human resources capabilities. If we had any challenges, however, they would be the aging of our employees and the concentration of human resources at our head office.



Akiko Kobayashi

*Executive Officer
Director of Human
Resources and
DE&I Promotion*

These factors could lead to increased homogeneity, thus weakening the sense of competition and the speed of business development required to win in the global marketplace. This is why we need more people who are willing to try new things and take risks. Therefore, we plan to expand our personnel system to develop people who can play an active role in Hioki's future global expansion.

Becoming an industry front-runner in diversity

Hioki also actively promotes diversity, equity, and inclusion (DE&I) (see page 31 for details). Our corporate philosophy of "Respect for Humanity" includes a DE&I perspective, but there is still potential for improvement regarding aspects of diversity (D). Currently, we have nine management policies that clearly embody our corporate philosophy. By adding a perspective on DE&I to those policies, we aim to be a front-runner in DE&I, where the manufacturing industry as a whole is lagging behind.

One specific challenge related to diversity is the elimination of discrimination by, for example, closing the gender gap and hiring people with disabilities and foreign nationals. This may seem superficial, but we believe it will inevitably lead to a culture of diversity. We can achieve this by creating work-friendly environments for minorities, emphasizing mutual understanding, and other initiatives. We plan to set diversity targets for 2030. While pursuing those targets, we will recognize diversity as a given in everyday life and emphasize providing opportunities for people to take on challenges regardless of their personal attributes.

Future focus on measures to support individual purposes

In Vision 2030, we indicate our intention to become solution creators who deliver innovation. This applies to all employees, not

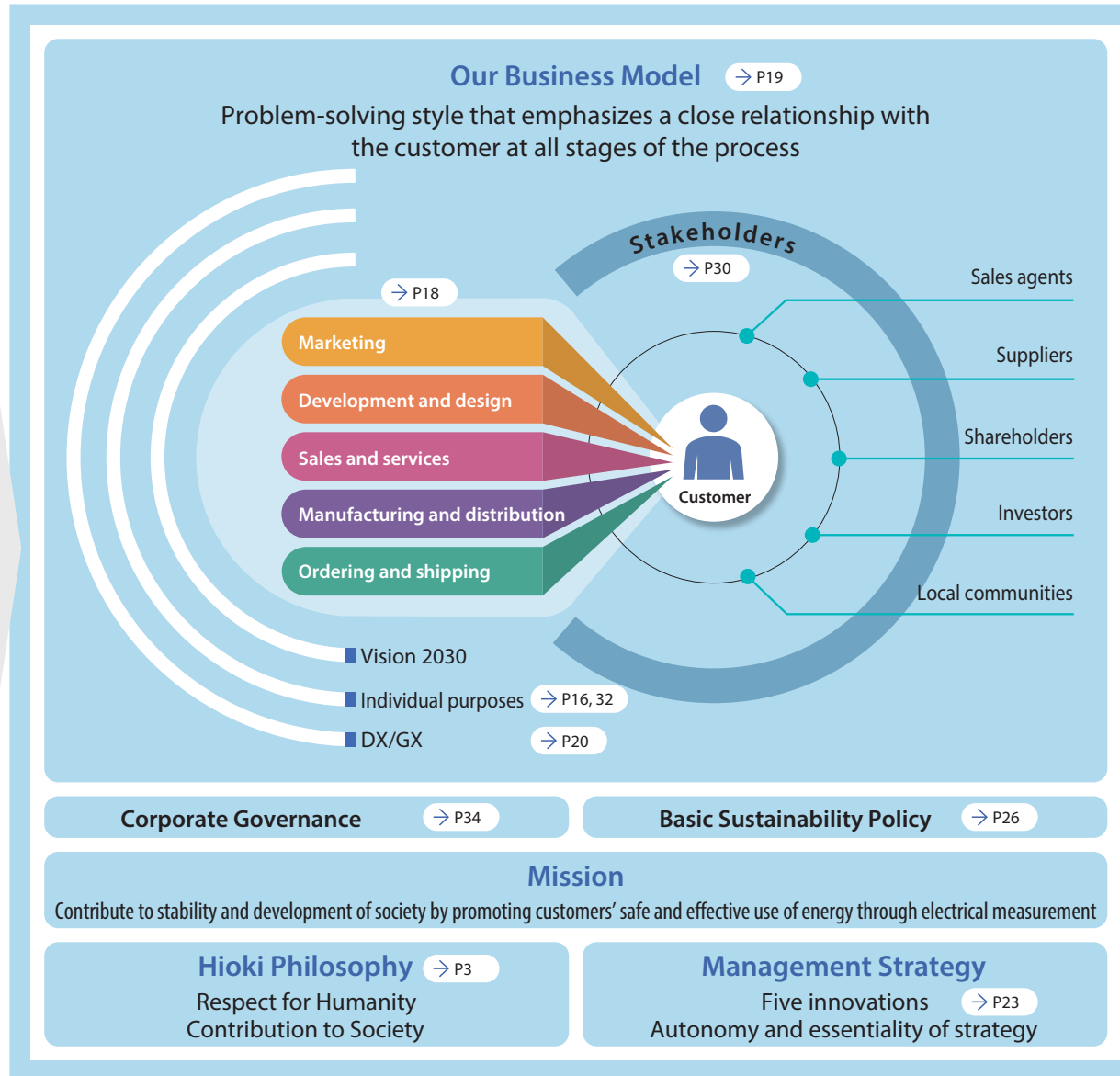
just our technical development team. To achieve this goal, we have systems in place that emphasize and value people with a willingness to instigate change for the better without fear of failure. These include people who pursue personal growth or bring about improvements and changes in our business operations.

In addition to open lectures and rank-specific training, we have our "Hi-Challenge" system, which that provides career development opportunities where employees can volunteer for improve their skills and career autonomy. The program offers opportunities to employees such as job changes (transfers), participation in projects, and in-house internships. Rather than having the sense of "being forced" that often accompanies mandatory training, employees who want to learn on their own are encouraged to voluntarily apply and enter the program. This leads to clarification of purpose, encourages active participation, and provides an opportunity for employees to think about their own careers.

Hioki is committed to nurturing and exercising the creativity of individuals based on its corporate philosophy. This is our driving force. As announced in our medium-term policy, HI-CEO+ (see page 32 for details), covering the period from 2023 through 2025, we will focus on measures to support individual purposes (see page 25 for details) and encourage employees to "do, achieve, challenge, and contribute" through our corporate business activities. By understanding and acknowledging mutual differences, all individuals can harness their inherent strengths and contribute to the team or organization. Our employees can feel a sense of solidarity as members of Hioki and contribute to the Company's vision. We believe that Hioki's people and Hioki as an entity can become even stronger when all employees' individual sense of purpose and organizational goals harmonize at a higher level.

Hioki's Value Creation Story to Realize Vision 2030

- Human Capital**
 Ability to think independently and autonomously
 Promoting human resources development and DE&I
 Number of employees: 1,009
- Intellectual Capital**
 Our accumulated know-how in electrical measurement
 Ratio of R&D expenses to net sales: 10% or higher
- Manufactured Capital**
 Robust production system
 Capital investment: ¥1.68 billion
- Financial Capital**
 Sound financial position, high management efficiency
 Total assets: ¥40.65 billion
 Free cash flow: ¥(234 million)
 ROE: 17.1%
- Social and Relationship Capital**
 Strong partnerships with customers
 Good relationships with stakeholders
- Natural Capital**
 Total energy consumption: 6,125 MWh



Realization of a Sustainable Society

The Ideal State

As an industry **front-runner**, Hioki continues to evolve "measurement"

Hioki will become a **solution creator** that helps forge a sustainable society together with customers worldwide

Value Creation

Social Value

Efficient use of energy

Environmental protection related to business activities and respect for human rights

Corporate Value

Employee growth and job satisfaction

Strengthening of business foundation

Sustainable growth

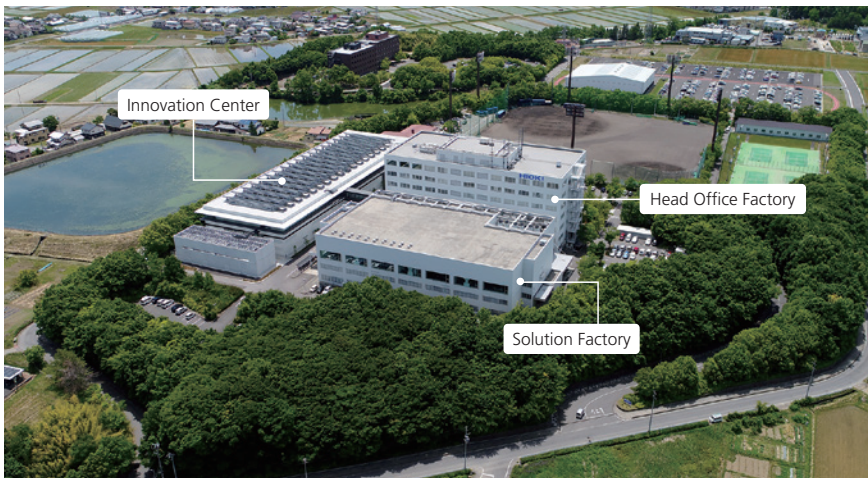
Hioki's Strengths and Management Strategies

The measuring instruments business is expanding in line with the rapid global trend toward carbon reduction, evidenced by the electrification of automobiles and growing demand for renewable energy. Reducing power consumption of electronic devices requires accurate measurement of voltage and current. At the same time, advanced sensing technology and analysis capabilities are needed to conduct research into high-performance electronic components and battery materials. As a front-runner in the industry, Hioki develops products that help resolve social issues and delivers those products to customers worldwide.

Evolving our three-in-one business model—development, production, and sales—to strengthen one-stop services and marketing for product purchases

The challenges faced by top runners in our customers' industries and the solutions for such challenges are diversifying. Hioki shares customer feedback throughout the value chain—development, production, and sales—as unique customer information. For many years, we have developed this three-in-one business model based on close customer contact that enables us to quickly address market needs. We have also enhanced the ordering/shipping and marketing functions of this value chain to allow swift and flexible responses to potential customer needs so we can continue providing value that exceeds expectations.

One-stop services, from initial quotation to delivery estimates and shipping, are an essential Hioki's strength. In marketing, we will reinforce our global business development capabilities, which center on business development from the perspective of the global market, to understand what customers are searching for beyond "measurement." In so doing, we will focus on understanding in a timely manner what issues are being addressed to propose speedy solutions.



Hioki Forest Hills

Our head office factory, located in Ueda City, Nagano Prefecture, was built in 1990. It houses all Company functions, including development, production, and sales.

The Solution Factory (factory building) was added in 2006, followed by the Hioki Innovation Center in 2015. In this enriched environment, the entire Company is working as one in strengthening efforts to provide advanced measurement technology to customers worldwide.

Hioki's Strengths

Marketing

Customer-focused global business development

Armed with our knowledge of broad-ranging Hioki products and highly specialized measurement know-how, we will work together with customers worldwide to resolve their problems. In this way, we translate potential needs into business opportunities.

Development and design

Advanced technological development and agile product development

We have embraced agile development methods to create products for expanding markets because rapidly evolving fields require us to swiftly address the needs of our customers.

Sales and services

Distributor collaboration and global services

We place great importance on deepening mutual understanding with our distributors, demonstrated by how we provide regular opportunities for interaction with them. Outside Japan, we are expanding our calibration service network to ensure the long and uninterrupted use of our measuring instruments.

Manufacturing and distribution

Supply chain that accommodates variable-mix/variable-volume production

We are pursuing optimal, highly flexible solutions for variable-mix/variable-volume production, from half-day production with short delivery times to hourly production for eliminating material inventory backlogs.

Ordering and shipping

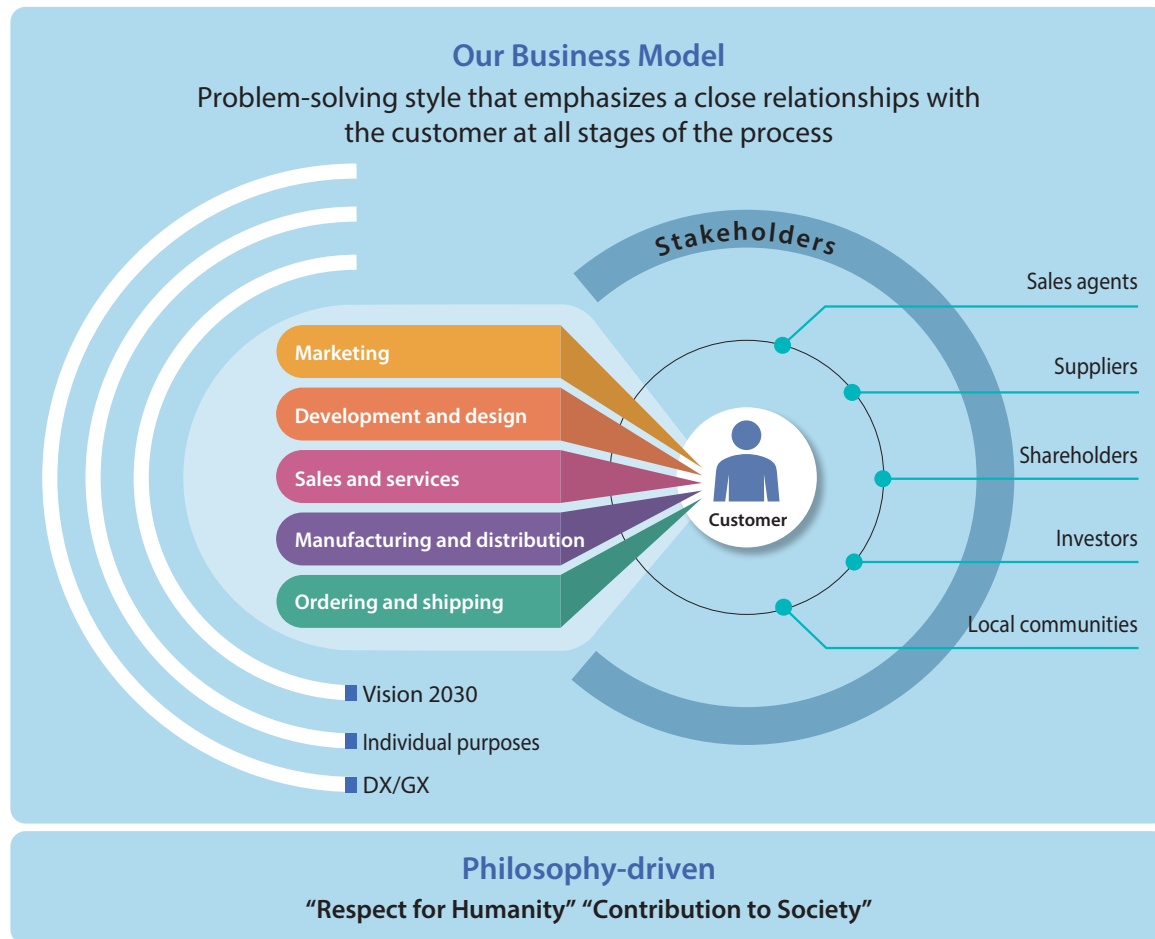
One-stop services from quotation to shipping

In addition to delivery estimates and responses to quotations, Hioki's Fulfillment Center is responsible for centralized management of various functions, from production line arrangement to shipping instructions.

Hioki's Value Chain

Hioki's management policies are driven by its corporate philosophy, and its employees pursue initiatives based on a shared understanding of that philosophy. In our Vision 2030, which was formulated in 2020, we explicitly stated our intention to become "solution creators" committed to fostering the ability to create innovations. This applies to all employees, not just our technology development teams. We believe that creating paths for employees to voluntarily pursue their own growth will lead to growth for Hioki.

By enhancing our customer-focused, three-in-one business model, we create value through combinations of optimal solutions stemming from all employees approaching from the customer's perspective. This is the key to Hioki's value chain.



Vision 2030

By creating value beyond "measurement," we aim to continue making advances in measurement as an industry front-runner and become a solution creator that builds a sustainable society together with customers worldwide. To this end, we will encourage the organic cohesion of our organization.

Individual purposes

Hioki has continuously grown as a company of people who share its corporate philosophy. We respect our employees' individual sense of purpose (their will to "do, achieve, challenge, and contribute") and will create environments and frameworks that enable them to do so.

DX (Digital transformation) / GX (Green transformation)

We engage in DX initiatives to create new value through digital technology with a focus on two areas: internal information systems and product services. Hioki's business foundation is grounded on the basic principle of balancing environmental protection, which we have been working on for many years, with industrial development. This is highly compatible with Japan's recent green transformation (GX) trend (switching to energy from clean sources as opposed to that from fossil fuel) as it contributes to carbon neutrality and economic growth.

DX Initiatives

HioKI promotes digital transformation (DX) that enables development of services and value to customers as well as enables new business development.

Basic approach

HioKI promotes DX from both internal and external perspectives. We believe this approach not only fosters the advancement and optimization of our operations but also helps build a sustainable society.

Internally, it has led to enhanced understanding of in-house CO₂ emissions. Externally, it has led to extending our products' replacement cycle through automatic software updates (OTA function, see below for details), which also matches goals for the circular economy.

In-house information systems DX (Internal DX)

HioKI is furthering DX of its internal systems. Using both in-house systems and cloud services, we are speeding up the sharing of information. Throughout the HioKI Group, information such as customers' needs and advanced solutions are flowing at an unprecedented pace. We believe that engineers who have a deep understanding of our customers' needs are the source of our competitiveness. With this in mind, we aim to swiftly develop close ties between our engineers and customers around the world.

Through cloud computing, we aim to avoid risks and reduce costs related to managing information assets. By reducing the burden of managing information systems maintenance, we will redirect our in-house digital talent to future external DX.

DX promotion system and initiatives

We established the DX Promotion Team within the Company to promote DX initiatives. The team is headed by KuniHisa Kubota, as the newly appointed Chief Information Officer (CIO), in

addition to his titles of Managing Director Executive Officer and Chief Technology Officer (CTO).

In 2022, we conducted a full review of the HioKI Group's internal systems to comprehend the whole. Using that, we identified issues and considered ways to optimize those systems. Along those plans, we are now pursuing initiatives related to the renewal of internal systems, information security measures, and the development of digital human resources.

By introducing systems that automatically obtain non-financial information, such as CO₂ emissions, we aim to help realize a sustainable society.

Product/service DX (External DX)

Expanding our software services

HioKI has taken on the challenge of creating one-of-a-kind products in every aspect of its customers' R&D, production lines, and maintenance services. At present, we are advancing our proposal-based business style to meticulously address our customers' needs and resolve their problems. To this end, we are focusing on expanding our software services in addition to our hardware offerings.

One example is the GENNECT* series of remote measurement IoT solutions.

In September 2022, we launched GENNECT Cloud, a cloud service that enables remote monitoring, data collection, and operation of on-site measurement instruments, all in a safe and seamless way. In addition to facilitating on-site measurement, this service helps improve efficiency of overall work, including pre- and post-processing of data.

HioKI will continue developing and expanding such dedicated software services to support the

advancement and efficiency of its customers' measurement operations.

* GENNECT is a coined term that combines the Japanese word *genba* (meaning "field/site") with the English word "connect."

Cloud computing advancement and future-oriented software development

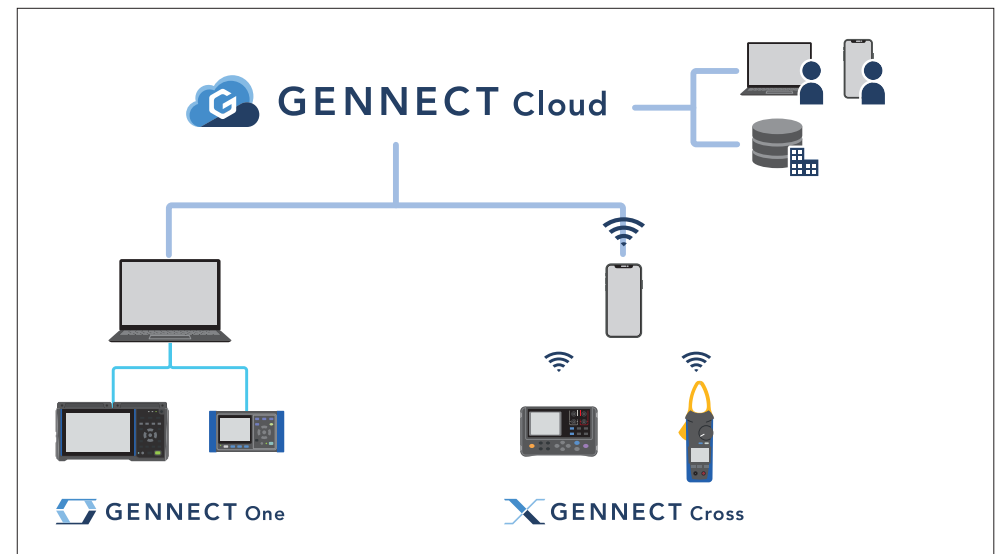
HioKI's vision is to be a solution creator that is continuously evolving "measurement" as we work with customers around the world to create a sustainable society. Going forward, we will focus on what customers want to achieve by using electrical measuring instruments and accelerate our shift from hardware-centric businesses to software and solution services.

One example is over-the-air (OTA) measuring equipment. Connecting our measurement instruments to the cloud enables the hardware to have a long life span since the software can be constantly updated. Looking to the future, we foresee that new services and businesses will emerge in which large volumes of wide-ranging data are collected, that in turn transform into valuable information through the application of AI, advanced simulation, and analytical technologies.

HIOKI will work to develop software that will be required for the next-generation services, leveraging our one-of-a-kind technology and open innovation development.

HioKI's DX infrastructure: GENNECT

Using Web API, GENNECT Cloud can be linked to other GENNECT series software as well as external systems.



Vision 2030

Business Direction—Contributing to the decarbonization and electrification of all industries—

By providing brand-new measurement solutions, we create and provide new standards for inspection and testing. Working together with customers, we will contribute to a sustainable society.

Boosting the shift to decarbonization and electrification of all industries

Since Hioki’s founding, we have been engaged in the development, production, sales, and services related to electrical measuring instruments, considered the essential tools of industry. In all our activities, we have adhered to the Hioki philosophy of “Respect for Humanity” and “Contribution to Society.”

Amid calls for society to decarbonize to achieve sustainability, a major global transformation is taking place as the world shifts its energy sources from fossil fuels to renewables.

To address these social changes in society, the Hioki Group supports the decarbonization and electrification of all industries. To this end, we leverage our accumulated expertise in electrical

measurement and our customer-oriented problem-solving style, which can be seen globally in any of our sales subsidiaries.

To supply electricity safely and utilize energy effectively, we will deploy our measurement solutions to create and provide new standards for inspection and testing, with the aim of realizing a sustainable society with customers.

Concentrating our development resources on key markets that will constitute a new social infrastructure

Hioki provides a wide range of measurement services in the field of electrical energy infrastructure.

Going forward, we will concentrate our development resources on key markets, such as electric vehicles (EVs), plug-in hybrid electric vehicles (PHEVs), and batteries. These markets will be part

of a new social infrastructure on the path to realizing a sustainable society through decarbonization and “zero emissions.” By always remaining one step ahead in providing measurement solutions, we will contribute to market growth.

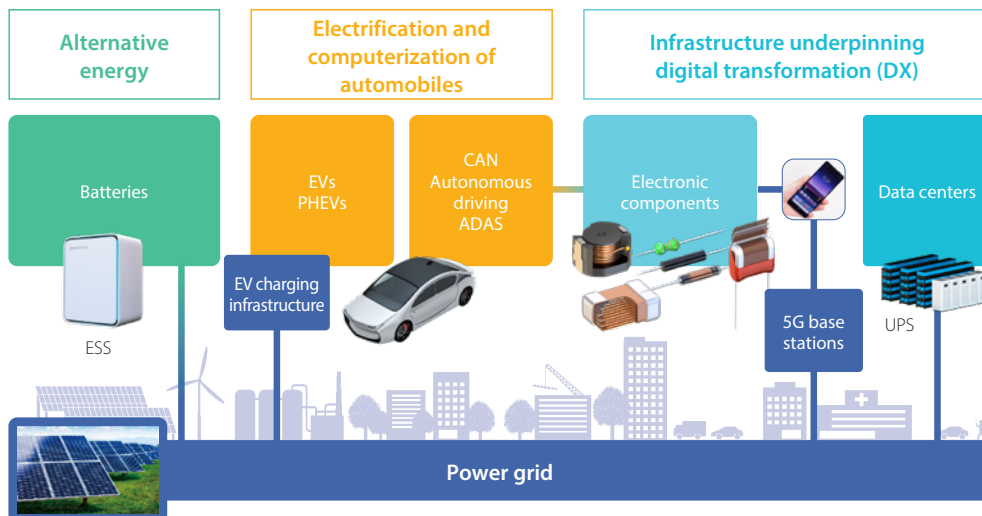
Maintaining the reliability of infrastructure that supports DX

The world is rapidly evolving thanks to DX. Being constantly connected to the Internet through the latest communication technologies, such as fiber-optic networks and 5G, will enable us to have sustainable social lives. To support this, we store a wealth of information in our data centers and process that information at an advanced level in real time.

Meanwhile, the automobile industry, which is massive in scale, is moving rapidly toward

electrification and electronification. Information gathered from radar and other advanced sensors is instantly processed into data to support people’s safe driving. These are connected to information and communication networks and are constantly updated. A new era has begun.

Such a society should be supported by stable power supplies and high-quality electronic components that are extremely reliable. However, in reality, the increase in renewable energy and the proliferation of fast-charging infrastructures have led to instability in the electric power distribution system. Sophisticated communication networks and data centers, which cannot tolerate even momentary stops in operation, rely on high-performance, highly reliable electronic components. Hioki’s mission is to constantly maintain the reliability of the infrastructure that supports DX.



Applications for our development resources

Transition to alternative energy
There are calls for industry to shift from fossil fuels to electricity as the energy source for various types of power. At the same time, the source of electric energy is shifting from thermal power generation to renewables, such as hydroelectric, wind, and solar power. We will use our measurement technology to address technical and social challenges presented by these changes.

Effective use of electrical energy
Right now, energy from alternative energy sources is not plentiful enough to meet the demands of society. There is a need to use these limited sources as effectively as possible, and we will support the development of these technologies accordingly.

DX (Digital Transformation)
The quest to achieve a sustainable society highlights the growing significance of DX. Hioki is committed to constantly developing the technologies that support DX. These supporting technologies are invisible to most people but are highly important for achieving advances in DX.

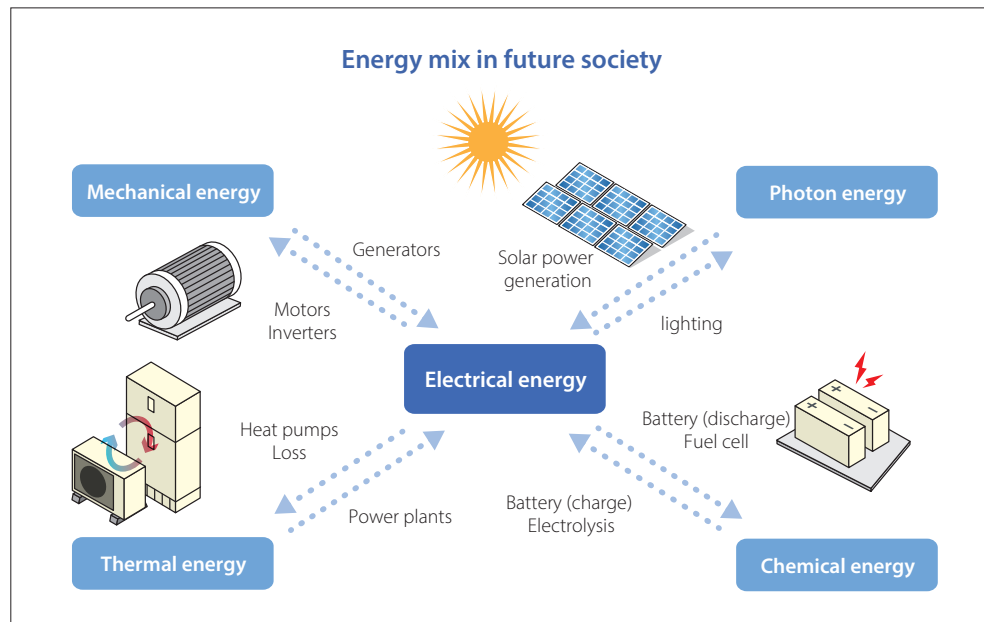
**A world centered on electrical energy:
Resolving social issues through electrical measurement**

The modern society in which we live was built on the consumption of large volumes of energy, and various types of energy have been converted and utilized according to each situation. We expect demand for energy conversion to continue growing in the future.

To date, our major energy source has been “chemical energy,” mainly in the form of fossil fuels. Engines that burn fossil fuels and convert chemical energy into “thermal energy” and then into “mechanical energy” are a typical example. Amid the recent trend toward decarbonization, the world is demanding a shift from fossil fuels to alternative energy sources. Electrical energy is at the center of this shift.

With solar power generation, “photon energy” in the form of sunlight is converted into electrical energy. We also have “mechanical energy” in the form of wind and hydro power that is converted into “electrical energy” using generators, as well as “chemical energy” that is stored and used in the form of batteries or hydrogen. Each household uses its own type of electrical energy by converting various types of energy to electricity. As we will discuss later, Hioki’s measuring instruments are connected to all these energy types.

We will continue developing new energy-related solutions.



How we are connected with each type of energy

In this section, we introduce each type of energy, with a focus on electrical energy, and its connection to Hioki.

Mechanical energy

In this case, a motor is used to convert electrical energy into mechanical energy, and an inverter is used to control the conversion. More recently, the latest power semiconductors, such as silicon carbide (SiC) and gallium nitride (GaN), are being used to ensure effective energy utilization. As the measurement for such new devices becomes more difficult, we meet market demands by providing broadband current sensors and other advanced measurement technologies.

Photon energy

Here, photon energy (energy from light) is converted to direct-current (DC) power using solar panels. In most cases, a photovoltaic inverter (power conversion system or PCS) then converts it to alternating-current (AC) power for public utilization. To ensure the effective use of this limited energy, Hioki provides high-performance power measurement technologies to its customers. These customers use Hioki’s measurement instruments for power development and production in fields that require ever-higher levels of voltage and power conversion efficiency.

Thermal energy

All energy types are eventually lost as they are converted into thermal energy (heat). Therefore, thermal management is important for the effective use of all energy. This requires technology to simultaneously measure, integrate, and analyze all types of energy conversion, not just electricity. In addition, the world is rapidly transitioning its heating and cooling systems from furnaces to heat pumps.

Chemical energy

Since electrical energy cannot be stored and carried in its original form, it needs to be converted to chemical energy forms, such as batteries and hydrogen, for storage and transport. Demand for batteries is expected to continue increasing. Furthermore, we anticipate significant investments in R&D on converting electricity to hydrogen and from hydrogen back to electricity. Hioki’s products are also active in this area of chemical energy.



Vision 2030

Five Innovations for Realizing Hioki's Vision 2030






We are working on five key innovations to realize Hioki's Vision 2030.

Five innovations to become a solution creator

The external environment surrounding our business is changing more and more dramatically, highlighted by rapid progress in efforts to achieve a decarbonized society.

To swiftly address these changes and create a sustainable society together with customers worldwide, Hioki is working on initiatives based on five innovations. As a solution creator, we will work to create social value by building closer relationships with customers, society, business partners, and employees while creating "new combinations" of Companywide functions.

Main initiatives

 Creating new customer value	<ul style="list-style-type: none"> ● Indian sales subsidiary opens Bengaluru branch after opening Pune branch
 Building new production systems	<ul style="list-style-type: none"> ● Sakaki Factory (opened 2021): full-scale production of field measuring instruments ● Floor expansion at head office factory completed to improve operational flows Productivity improvement expected in the future
 Building relationships for creative collaboration with customers to forge a new society	<ul style="list-style-type: none"> ● Opened the Creative Collaboration Laboratory within the R&D complex Equipped with state-of-the-art equipment for key markets, the laboratory will help build collaborative relationships with customers. ● Active participation in consortiums to grasp market demands
 Building new supply chains	<ul style="list-style-type: none"> ● Strengthening efforts to respect human rights in the supply chain ● Initiatives to reduce CO₂ emissions in the supply chain and at partner companies ● Ongoing close communication with suppliers to ensure smooth production
 Realizing new internal structures	<ul style="list-style-type: none"> ● Human resources system that helps employees attain individual purpose fulfillment ● Appointed DE&I Officer to promote DE&I initiatives within the Group



Creating new customer value

To focus on the individual challenges of customers and provide them with the ultimate level of service, we are striving to build a new sales and marketing structure attuned to changing business conditions of the era.

Remaining a valuable partner for customers

The first item on Hioki's management guidelines is to provide the ultimate level of customer service. As a research and development company, we have integrated development, production, and sales to meet the latest needs and challenges of customers and provide products and services valuable to them.

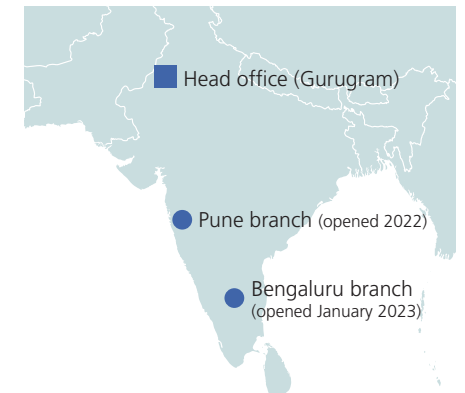
In Hioki's Vision 2030, we presented our vision of "Hioki in 10 Years." We stated that as an industry front-runner, we will continue to evolve measurement to become a solution creator that builds a sustainable society together with customers around the world. To realize this goal, we will maintain close relationships with customers who are at the forefront of the times and promote customer-focused, problem-solving sales.

Reinforcing Our Sales Structure in India

Armed with accumulated knowledge of wide-ranging product lines and extensive measurement know-how, our experienced salespeople have played a major role as application engineers in our overseas expansion initiatives in recent years.

Following this business style, we are focusing particular attention on the Indian market, which has grown remarkably over the past two years and is earmarked for full-scale growth in the future. To strengthen our customer focus in India, we opened branches in Pune (2022) and Bengaluru (January 2023).

Sales subsidiary in India:
Relaunched as a wholly owned sales company in 2019





Building new production systems

To provide the products that customers need in a quick and timely manner, we are working to strengthen cooperation with partner companies and increase the production capacity of our head office factory.

Sakaki Factory begins full-scale operations

To meet significant growth in demand, in November 2021, we opened the Sakaki Factory in Sakaki, Nagano Prefecture. (Sakaki is adjacent to Ueda, the site of our head office and main factory.) Located on the grounds of Nishizawa Electric Meters Manufacturing, a partner of Hioki, the factory has begun full-scale production of field measuring instruments used in the construction and maintenance of social infrastructure, which includes electrical and power facility inspections.

Operating at Nishizawa Electric, which has been manufacturing field measuring instruments in collaboration with Hioki for many years, enables us to improve production efficiency and shorten the parts transportation distance, thus reducing the environmental impact.

Floor-space extension at head office factory

Previously, the reception of materials and shipment of products were handled at the same

location, but we built a new truck terminal for product shipment to improve the flow from assembly to shipment. In addition, we used space freed up by moving to the Sakaki Factory to set up a parts storage area and optimize the terminal's internal layout. The revamped layout has improved the manufacturing flow, leading to shorter lead times.

At our head office factory, we aim to create a system that can more quickly manufacture products. This speed is especially important since our products supply growing markets and benefit our customers' operations in terms of product development and productivity improvement. The restructuring process, aimed at strengthening our production system, was completed in 2022, resulting in an increase in production space of approximately 10% (including the Sakaki Factory). As a result, we expect the overall production capacity of the Hioki Group to grow 1.5–2 times the current level.



Sakaki Factory



New truck terminal at head office factory



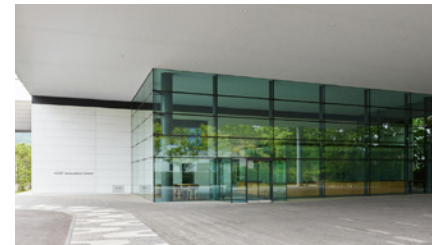
Building relationships for creative collaboration with customers to forge a new society

We are working to create opportunities for joint research for building a sustainable society together with customers who are at the forefront of the times.

Creative Collaboration Laboratory newly opened

In April 2023, Hioki opened and started operation at the Creative Collaboration Laboratory in its Innovation Center (R&D complex).

We opened part of our R&D complex to the public to establish the Creative Collaboration Laboratory. It features equipment that enables us to conduct joint research and hypothesis testing with customers around the world. The new facility allows us to work with customers and collaborating companies to leverage electrical measurement technologies to develop elemental technologies and new products that address new social issues. In the use of this lab, we will especially be targeting important markets such as those for batteries, power electronics, and hydrogen.



Entrance of Creative Collaboration Laboratory

Active participation in consortiums

Hioki joined the Japan Hydrogen Association to strengthen R&D in the hydrogen field.

We are also a member of the Mobility Open Blockchain Initiative (MOBI), an international standardization consortium for blockchain technology in the field of next-generation mobility. Through measurement technology, we aim to support the construction of a battery value chain promoted by MOBI and thus help create a sustainable society.

In addition, we helped organize the ASEAN Battery & Electric Vehicle Technology Conference, which aims to strengthen collaboration among experts in the battery and EV fields and build a vibrant ecosystem.

As an industry front-runner, we aim to understand the true demands of the marketplace and communicate with people at the front lines of industry in many places and fields.



Memorandum-of-understanding (MOU) signing ceremony (six organizations) aimed at promoting collaborative R&D activities in the field of batteries



Building new supply chains

By strengthening cooperation with our business partners, we are responding to new social issues and promoting optimization of the entire supply chain.

Revision of Basic Procurement Policy

Hioki procures various parts from many suppliers around the world. Through close communication, we aim to build mutually beneficial relationships as partners. We also value cooperation and relationships of trust with our suppliers based on fair transactions that consider the global environment and local communities.

In February 2022, we revised our Basic Procurement Policy for materials. The new policy clearly states that we will conduct sound and sincere procurement activities in compliance with relevant laws and social ethical norms in each country (prohibiting child labor, forced labor, and all forms of discrimination, avoiding relations with antisocial forces, the use of conflict minerals, and so forth). In March 2022, we also revised our Green Procurement Guidelines.

In January 2023, after a three-year gap, we held our annual Materials Procurement Policy Briefing face-to-face. Here, we clarified the direction that Hioki aims to take under its Management Policy, Basic Procurement Policy (including policy on human rights), and Basic Sustainability Policy.

Realizing a sustainable society with business partners

We and our business partners need to work together to achieve the goal of a sustainable society.

In revising the Basic Procurement Policy, we formulated the Hioki Sustainability Declaration and set targets for not only Scope 1 of the GHG Protocol but for also Scope 2 and Scope 3. In particular, we cannot achieve Scope 3 without the cooperation of our partners. For this reason, we will work to strengthen our relationships with them.

Hioki will also increase cooperation with partner companies (those that supply parts designed by Hioki or manufacture Hioki products on a consignment basis) to further improve our productivity. We will also support the visualization of energy consumption at partner companies by utilizing our knowledge as a manufacturer of electrical measuring instruments.

Parts procurement risk

Going forward, we will address parts procurement risks through timely and close cooperation with suppliers based on relationships of trust we have built through comprehensive communication with our supply chain. Ways we will do this include holding in-house parts exhibitions and our annual Materials Procurement Policy Briefing.



Realizing new internal structures

We are promoting various reforms to create high value for society by maximizing the power of all individuals and the synergistic power of organizations.

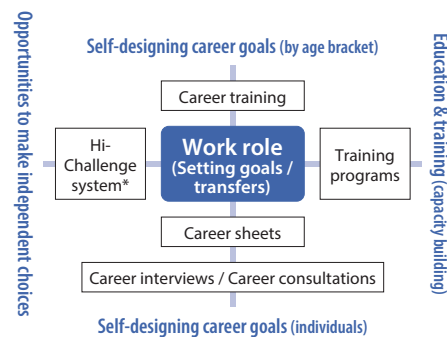
Initiatives to maximize individual potential

In line with our corporate philosophy of Respect for Humanity and Contribution to Society, the potential of each and every employee needs to be maximized to realize the “Hioki in 10 Years” in Vision 2030. Employees who embrace our corporate philosophy and vision will become solution creators through their independence and autonomy. Our focus is on creating high value for society by synergizing the strengths of individuals’ roles.

Attaining individual purpose through career autonomy

To maximize individual potential, it is important to respect the personal purpose of all employees (what they desire to “do, achieve, challenge, and contribute”). This requires opportunities for all individuals to proactively shape their own career. Here at Hioki, we aim for autonomous career development by utilizing various opportunities for career formation. In addition to accumulating experience in current jobs, we strive to refine our skills, knowledge, and experience, as well as our character, through the process of performing those jobs. We also aim to polish our own way of life, including our private lives.

Various opportunities for career development



* Hi-Challenge system
A system that respects an individual's purpose and readiness to take on new roles and solve problems

Promoting DE&I within the Group

Promoting DE&I is essential to maximizing the power of each individual and our organization. It is important for our employees, who practice our corporate philosophy of “Respect for Humanity,” to maximize their individuality. Achieving this requires an environment that embraces employees who take on the challenge of realizing Our Mission and Our Vision, regardless of their personal backgrounds and attributes. Accordingly, we must ensure that our approach to DE&I permeates the Company.

In DE&I, we will pursue initiatives to become a front-runner in the industry.

Message from Chief Sustainability Officer

Spearheading the entire business toward sustainability from a comprehensive perspective



Kunihisa Kubota

*Managing Director
Executive Officer,
Chief Technical Officer,
Chief Information Officer, and
Chief Sustainability Officer*

Sustainability at the core of our management

Sustainability has become an important element of corporate management over the past few years. Here, Hioki puts its corporate principles—"Respect for Humanity" and "Contribution to Society"—into practice as a corporate philosophy by including contributions to local communities and realizing a sustainable society in its management policies. This concept has been at the core of our management for more than 30 years, since before I joined the Company—far before the term "sustainability" reached the spotlight.

We have not actively publicized our sustainability-related initiatives outside the Company until now. However, we recognize

that the entire world has begun moving toward a sustainable society. For this reason, in Hioki's Vision 2030 we expressed our determination to create a sustainable society together with our customers worldwide. In 2022, moreover, we formulated our Basic Sustainability Policy, which is based on our corporate philosophy, and announced it along with the Hioki Sustainability Declaration, which is our commitment to decarbonization.

The first part of the Basic Sustainability Policy states, "The Hioki Group will contribute to the security and development of society by promoting the safe and effective use of energy by customers through electrical measurement." While this declares that our entire business is oriented toward sustainability, it also reiterates the fact that Hioki's business has always been sustainability-oriented.

The second part states, "We will build relationships of trust with all stakeholders through active communication." This expresses our commitment to understanding the desires and expectations of our stakeholders so that Hioki does not become complacent. Accordingly, we are willing to receive external evaluations. For some time, our CSR activities have been well understood within the Group, but we have not disclosed information for external evaluation, including international evaluations and perspectives based on ESG and the SDGs. In addition to Japan, we are also strengthening two-way communication with stakeholders outside Japan. Including through information disclosure, to help them understand our commitment.

The third part states, "As a member of society, we will engage in activities that contribute to the development of society and environmental preservation." This is a declaration of the Group's internal approach to the aforementioned activities and emphasizes the Hioki culture that has taken root to date.

Basic Sustainability Policy

The Hioki Group will contribute to the realization of a sustainable society through business activities based on the principles of "Respect for Humanity" and "Contribution to Society."

- The Hioki Group will contribute to the security and development of society by promoting customers' safe and efficient use of energy through electrical measurement.
- We will build relationships of trust with all stakeholders through active communication.
- As a member of society, we will engage in activities that contribute to the development of society and preservation of the environment.

Hioki Sustainability Declaration

We will continue efforts to decarbonize our business based on the following targets:

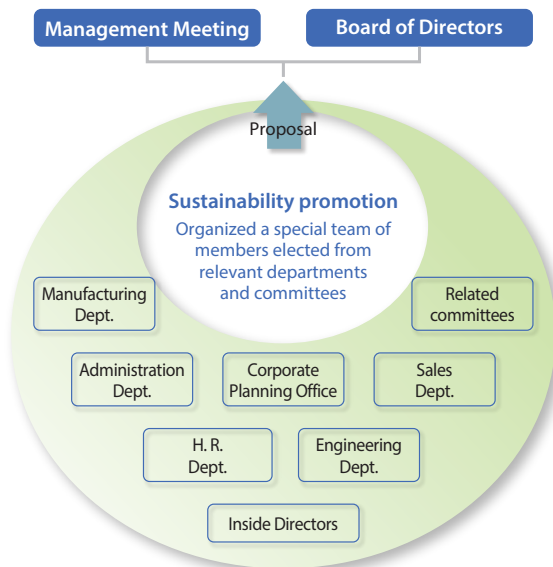
- Achieve carbon neutrality in Scope 1 and Scope 2 by 2025 (90th anniversary of founding)
- Achieve Scope 3 carbon neutrality by 2035 (100th anniversary)

The policy for Scope 3 emissions is to achieve the 2035 target without resorting to carbon emissions trading to the extent possible.

Pursuing integrated Groupwide efforts rather than establishing specialized departments

Under the Basic Sustainability Policy, we have also strengthened our sustainability promotion system. While many companies establish specialized organizations to integrate and promote sustainability initiatives, Hioki has deliberately not done so. This is because Hioki's entire business is geared toward sustainability. If we create a specialized organization, our sustainability efforts may become dependent on that organization. At Hioki, sustainability is not limited to the research and technology departments but extends to other areas, such as general affairs and marketing. In other words, the entire Company is focused on sustainability. For this reason, the Corporate Planning Office takes the helm, and then various committees and departments

Flat sustainability promotion structure



are brought into play to create a system that integrates the entire Company and works across departments. I am concurrently serving as Chief Technology Officer (CTO) and Chief Information Officer (CIO) and am also responsible for promoting sustainability. This is because I believe we need to look at all aspects of the Group and strike an optimal balance.

In addition, our Board of Directors actively discusses and makes decisions in sustainability-related matters at its meetings. The Board makes decisions after receiving and considering opinions from Outside Directors and Outside Corporate Auditors with specialized expertise.

Involving the community to target carbon neutrality

Publicly disclosing our strong commitment to sustainability has earned us empathy from our suppliers and prompted them to take concrete actions. For example, one supplier of parts used in our products has replaced its transportation fleet with EVs. We have also seen other changes, such as one supplier suggesting the use of renewable plastics.

The aforementioned Hioki Sustainability Declaration states our goal of becoming carbon neutral by 2025 for Scope 1 emissions (direct greenhouse gas emissions by the business itself) and Scope 2 emissions (indirect emissions from the use of electricity, heat, and steam supplied by other companies). For Scope 2, we have been comprehensively switching to CO₂-free electricity over the past two years. We have also been looking at the natural gas we use for heating and cooling and the gasoline we use in company cars and sales vehicles. After discussing this situation with a local gas company, we agreed to allow the use of carbon-neutral gas procured from overseas by that company, beginning in May 2023.

In addition, a local bank has started to introduce J-Credits, a national government program that certifies the amount of CO₂ absorbed through forest management. In May 2023, as the first company to purchase J-Credits from them, Hioki's J-Credits are derived from regional forests in Nagano Prefecture.

We will continue expanding collaborative efforts involving the community, local businesses, and others around us.

Management support for voluntary internal initiatives

In June 2022, our technology-related divisions held a forum on the theme of sustainability, where participants discussed in groups how Hioki can contribute.

Hioki's employees are highly aware of the importance of sustainability, and various divisions have expressed interest in participating in sustainability initiatives, not only technology-related divisions but also the manufacturing divisions and others. Employees also held a voluntary meeting to discuss sustainability at the end of 2022. In these and other ways, we continue engaging in such voluntary activities. Meanwhile, our younger employees are particularly interested in social contributions, so we made and implemented a suggestion to replace disposable batteries for our products with sustainable (rechargeable) ones. We also calculate the amounts of CO₂ and waste generated when each battery is used, evaluate whether the product operates safely and normally, and make proposals to our customers.

Sustainability has always had deep roots in our corporate culture, but I feel there is a growing momentum throughout the Group to be more proactive. Our management is also listening to voices of employees, and cooperation between both sides is progressing.

Hioki's business of providing tools to customers involved in renewable energy is itself sustainable. We also recognize that the impact of tighter restrictions of Scope 3 emissions (discharged by other companies related to our business activities) on our businesses in the near future will inevitably become one of our business risks.

Under these conditions, helping the world understand Hioki's sustainability management activities will represent a key corporate strength and lead to greater competitiveness. As an industry front-runner, we will deliver Hioki's value to customers around the world who are interested in sustainability.

Addressing the TCFD Recommendations

Hioki recognizes that promoting sustainability, including with regard to climate change, is an important management priority. With this in mind, we publicly endorsed the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) in April 2022 and subsequently joined the TCFD Consortium. In this way, we are pursuing sustainability initiatives.



For details of our efforts to address TCFD's recommendations, please see our Corporate Governance Report. <https://www.hioki.co.jp/jp/ir/governance/>



Governance and risk management

In 2022, following discussions at a Board of Directors meeting (chaired by the President and CEO), we announced our Basic Sustainability Policy and the Hioki Sustainability Declaration to promote decarbonization efforts in the Company.

We also appointed Kunihisa Kubota, a Managing Director Executive Officer, Chief Technology Officer (CTO), and Chief Information Officer (CIO) to the position of Chief Sustainability Officer (CSO) and assigned several employees, including management-level employees, to the Corporate Planning Office as the department in charge of sustainability promotion. Important measures are currently being formulated under the new structure. The CSO and Corporate Planning Office report on the progress of initiatives aimed at decarbonization in a timely manner and are overseen by the Board of Directors.

We recognize that measures related to sustainability, including climate change, represent

a significant risk for Hioki. For this reason, relevant people in charge and departments take the lead in managing risk and responding to crises.

Strategy

As the global trend toward decarbonization gathers pace, demand for our electric measuring instruments remains high, which we recognize as an important opportunity. We can also offer measurement solutions for each process in the customer's product life cycle. This allows Hioki to meet the requirements of high-efficiency motors and batteries, whose demand is accelerating with the shift to EVs.

The field of hydrogen energy, which is attracting attention as a clean energy source that emits zero CO₂, underscores the ongoing progress toward decarbonization. Regarding this as an opportunity, we are moving ahead with efforts to develop and strengthen our solution offerings.

Indicators, targets, and initiatives

Under the Hioki Sustainability Declaration, we have set targets for decarbonization in the Company. In 2023, we will start receiving third-party certification in stages based on the GHG Protocol for Scope 1, 2, and 3 emissions, and will step up measures and information disclosure accordingly.

As part of our efforts, in January 2020, we replaced one-third of the electricity used at the head office with CO₂-free electricity from hydroelectric power generation. On April 1, 2021, we switched to CO₂-free electricity from

hydroelectric power generation for all the electricity used at the head office. In effect, all the electricity used at the head office comes from renewable energy and emits zero CO₂. As a result, 97.9% of the electricity we use in Japan is now CO₂-free (95.7% for the entire Group).

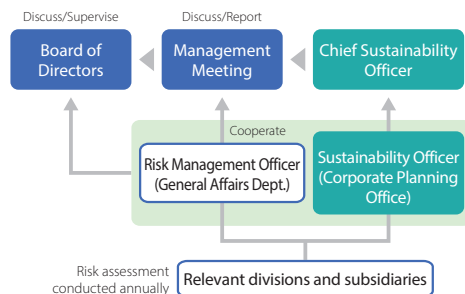
In addition, we will install a 2 MW solar carport at the head office by 2025. Our aim is to generate about half of the electricity used by the head office from power generated in-house.

To achieve Scope 1 and 2 carbon neutrality, we are promoting the use of EVs in our Company

fleet. We are also collaborating with Yanekara Inc. to field-test an off-grid charging system using solar panels and EVs at our head office.



Climate-related risk assessment system



Business, strategic, and financial impacts of climate-related risks and opportunities

	Main impacts	Our responses	Degree of impact
Transition risks	<ul style="list-style-type: none"> Introduction of carbon tax and soaring raw material costs 	<ul style="list-style-type: none"> Promote consumption of electricity generated in-house Reduce GHG emissions throughout the supply chain Deploy products and services free of fossil fuel resources Realize a circular economy 	Large
	<ul style="list-style-type: none"> Decrease in sales due to energy-saving demand 	<ul style="list-style-type: none"> Promote energy-saving and IoT-enabled products Adopt long-life and low-power-consumption components 	Medium
Physical risks	<ul style="list-style-type: none"> Opportunity losses due to business shutdowns (caused by typhoons, floods, etc.) and increased costs associated with damage restoration 	<ul style="list-style-type: none"> Select low-risk candidate areas when relocating or newly establishing branch/sales offices Identify supply chain risks 	Small
Opportunities	<ul style="list-style-type: none"> Energy conservation, switch to renewables, conversion of automobiles to EVs 	<ul style="list-style-type: none"> Develop and deploy products and services to meet environmental challenges and needs Deploy services built on Hioki's measurement solutions 	Large
	<ul style="list-style-type: none"> Creation of new markets and technologies 	<ul style="list-style-type: none"> Launched Hydrogen Energy Solution Team and joined the Japan Hydrogen Association 	Medium
	<ul style="list-style-type: none"> Addressing diversification of alternative resources gives us stronger resilience 	<ul style="list-style-type: none"> Secure independent power source by converting the head office parking lot into a solar carport 	Medium

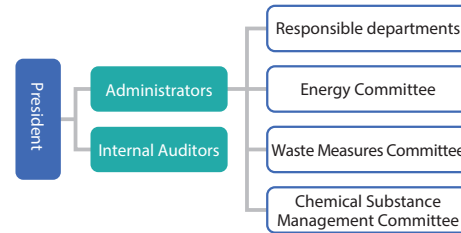
Contribution to Environmental Protection

Our entire Company carries out eco-friendly activities. By doing so, we aim to reduce the impact on, as well as maintain harmony with, local communities and the global environment.

Environmental activities: Overview and promotion structure

In 1978, Hioki developed and started selling the first clamp power meter in the market that enabled safe and simple measurement of electric power. Since then, we have recognized the usefulness of our products in the energy-saving activities of society and fostered a corporate culture of contributing to society with eco-friendly activities.

Environmental protection structure based on an integrated management system



Overview of activities to reduce environmental burden



*1 3 Rs: short for reduce, reuse, and recycle
*2 Site activities at factories and offices

- 1995: Local afforestation program launched
- 1997: ISO 14001 certification acquired
- Continuously offering environmentally friendly products
- 2016: Switched to integrated management system combining ISO 9001 and ISO 14001
- Dedicated committee established for this purpose

New initiatives in environmental protection

In 2022, we signed up to the Nagano prefectural government's Forest Foster Parent Promotion Project (*Nigiyaka* Forest Project).

This project is an initiative for sustainable forest management (of SGEC-certified forests* in the Ueda area) from environmental, economic, and social perspectives. Its aim is to create forests beneficial to the bustling life of creatures and humans on Earth.

In agreement with this philosophy, we will support the creation of a low-carbon society that makes the most of local forest resources while developing healthy forests and communities in the Shinshu (Nagano Prefecture) region.



This project will also take into consideration the Task Force on Nature-related Financial Disclosures (TNFD), which makes recommendations that will be imperative in the future.

* SGEC-certified forests: forests certified by the Sustainable Green Ecosystem Council (SGEC) as meeting certain standards for sustainable forest management and environmental conservation under international standards

Initiative launched to introduce autonomous EV buses to society

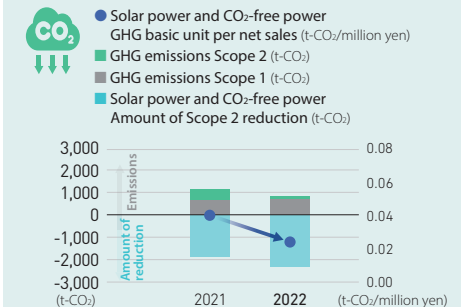


Aiming to achieve carbon neutrality, we will begin efforts in 2023 to promote the use of autonomous EV buses in society. With the support of Macnica, Inc., we will implement the program in collaboration with Ueda City and local public transportation companies.

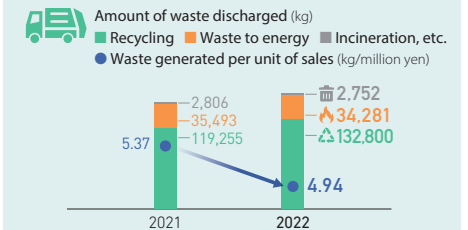
Compared with rapidly evolving global trends in mobility technologies, Japan has been slow to adopt mobility technologies, giving Hioki a strong sense of urgency. With this in mind, we will conduct demonstration tests with participation by not only employees but also local residents. We want them to have direct contact with next-generation mobility and deepen their understanding of environmentally friendly transportation.

Environmental preservation data

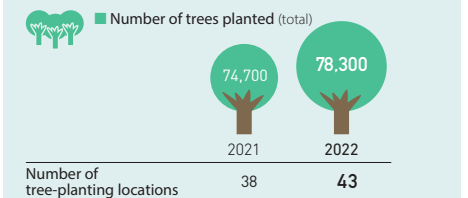
We are working to reduce our environmental impact to achieve Scope 3 carbon neutrality by 2035.



* Third-party certification of CO2 calculation data is scheduled for October 2023. (For this reason, data will be calculated in-house using a different method from that used in the previous year.)
* Scope 2 is calculated based on the market standard



* At the Hioki head office only



* By the Hioki head office only

Communication with Stakeholders and Initiatives

We consider CSR and new value creation important links in our supply chain and will work together in close communication to achieve further growth.

Communication with customers

We aim to provide high-quality products and the best service to satisfy customers and earn their trust.

■ Building a network for customer-focused sales activities

In line with our desire to resolve customers' problems using measurement technology, our bases in Japan and sales subsidiaries around the world are cooperating with distributors to establish a customer-oriented network. Here, our employees communicate closely with customers and use feedback to identify latent and future needs, which are then used to develop new products.

■ Quality assurance system

Hioki's operations run the gamut from production to repair and calibration in response to market requirements. Our repair service seeks to both improve lead times and minimize customer downtime, and to generate feedback for product design.

1993	ISO 9001 certification acquired
1997	ISO 14001 certification acquired
2005	Hioki earns certification as an ISO/IEC 17025 compliant JCSS calibration provider. * 2008: Hioki becomes a certified JCSS provider capable of issuing international MRAs.
2008	Obtained certification under the new JIS mark labeling system (first in the measurement industry)
2016	Hioki integrates its ISO 9001 and ISO 14001 certifications to comply with the 2015 edition of the underlying standards.

In addition, we earned third-party certification that enables customers to use Hioki products for long periods with peace of mind. We also strive to enhance product reliability and offer a three-year warranty for about 650 products.

Communication with business partners

By growing and evolving together with our business partners (suppliers and distributors), we are further strengthening win-win relationships.

■ Materials procurement policy briefings

Since 2009, we have held annual materials procurement policy briefings for our business partners. In addition to the procurement policy, we report recent events and priority measures, the status of product parts' quality and other news at these briefings. In 2023, we held a face-to-face briefing for the first time in three years. At the briefing, we clarified our commitment to working with business partners to achieve the goals of our Sustainability Declaration, including by describing our current sustainability activities and future policy on environmental measures for product development.

Through a survey conducted each year, we receive requests from business partners, who point out issues from diverse perspectives. By responding sincerely to this feedback, we aim to build deeper trust-based relationships and evolve together with our partners.

■ *Kyousou Kai* ("co-creation meetings" with distributors)

We currently conduct business with distributors through our Japanese sales offices and overseas sales subsidiaries while building sales networks

across the globe. We create many opportunities to improve our selling skills and frequently exchange information and actively work to deepen mutual understanding.

At our *Kyousou Kai* ("co-creation meetings" with Japanese distributors), we provide descriptions of our management strategy for realizing Vision 2030, present awards to exceptional distributors, give keynote speeches to promote understanding of our Company and business environment, and provide opportunities for two-way communication.

Communication with shareholders and investors

We are working to promote an understanding of Hioki and to earn the trust of shareholders and investors.

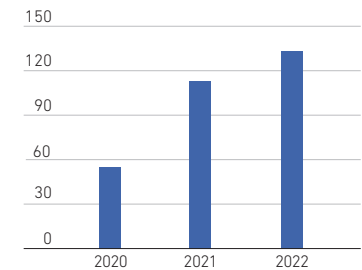
■ Information disclosure policy

Hioki has adopted the following basic policy on disclosing information to shareholders and investors: "Hioki is committed to disclosing information in a timely, fair, and appropriate manner to facilitate understanding and trust, so that the Company's operations can be evaluated fairly by all stakeholders, including shareholders and investors."

We comply with the Timely Disclosure Rules put in place by the Tokyo Stock Exchange regarding information disclosure. We also work to disclose information quickly and accurately based on considerations of fairness and timeliness when we believe it might be of use to stakeholders or the general public even if it does not technically fall under the rules.



Number of one-on-one meetings conducted



■ Status of dialogue with shareholders and other investors

We hold financial results briefings twice a year (interim and year-end) to provide institutional investors and securities analysts with a better understanding of our business performance and future corporate strategy. The 2020 interim and subsequent briefings have been held online due to COVID-19. We are also available for one-on-one meetings as needed to deepen understanding of our business activities and the electrical measuring instrument business. Both provide us with important communication opportunities to hear questions and requests directly. Over the last three fiscal years, in particular, the number of one-on-one meetings has been on the rise due to



"Platinum Kurumin" certified



"Eruboshi certification" (The highest rank: 3rd)



Certified as "Great Place to Work and Best Company" in 2023

increasing interest among shareholders and other investors as our business performance has grown.

After each General Meeting of Shareholders, we hold current status briefings for shareholders as a forum for open dialogue. These meetings provide an opportunity for shareholders in attendance to ask questions and offer feedback directly to the management team. We will continue holding these meetings to deepen dialogues.

Communication with employees

Under the philosophy of "Respect for Humanity," we provide a creative and liberating environment where each employee can grow as "autonomous and independent" individuals and thrive as a "Solution Creator."

■ Hioki's philosophy on people

While investing in people under the Hioki philosophy, we have managed our Company with the idea that people are at the center of our business.

In 2018, we launched a new human resources system aimed at "linking individual growth to company growth." Under this system, we are stepping up various measures and systems tailored to people.

To further promote this idea, we aim to establish our HI-Career (short for Hioki and Individual Career) System in 2023. Our objective is to not only change the system based on work-style reforms (as proposed by the Japanese government) but to actualize the higher goals of career autonomy and individual purposes of employees. It will enable employees to expand their range of work options and challenge themselves while choosing the best working arrangements.

■ Human capital promotion system

Investment in human capital is a top priority for enhancing our competitiveness. With this in mind,

we have taken a variety of measures to increase the comfort and satisfaction of our employees, and we are working to make further improvements based on external evaluations of our efforts.

Our management has always been people-oriented. Seeking to realize a sustainable society, we will embody and align the purposes of all employees with our own growth strategy to strike a balance between resolving social issues and achieving sustainable business growth. To accelerate initiatives with this thinking we will invest more than ever in human resources.

With respect to investment targets, the Board of Directors decides on proposals that have been examined and submitted by executives.

■ Promoting DE&I

Following our corporate philosophy of "Respect for Humanity," we have been working on diversity and inclusion to create an environment in which employees can work with vitality and enthusiasm. In 2023, we added "equity" to this initiative and gave our Director of Human Resources the

additional role of promoting DE&I.

Achieving equity helps maximize the capabilities of all employees and enables them to reach their full potential. Adding equity to our organization, which already excels in diversity and inclusion, will provide a better environment for our employees as they take on the challenge of realizing Vision 2030.

We expect our DE&I initiatives to help increase the number of employees who fulfill our desire for them to continue shining as "lifelong protagonists," creating new synergistic teams/organizations and strengthening our overseas structure.

Going forward, we will set KPIs for 2030, then plan and implement initiatives to achieve them.

We have implemented various initiatives to promote diversity and inclusion, such as action plans for nurturing the next generation and promoting women's participation, as well as employment plans for people with disabilities. As a result, we have a proven track record of creating an environment where individuals can thrive, regardless of their gender or whether they

Human Rights at Hioki

"Respect for Humanity" is a shared value and principle at Hioki and part of its corporate philosophy. Accordingly, we respect the human rights of all stakeholders involved in our businesses, including our employees and business partners.

Our Employee Code of Conduct, established in accordance with the philosophy of "Respect for Humanity," clearly states that we do not discriminate on the basis of race, gender, nationality, creed, physical condition, and the like in our recruitment and employment activities. In addition, we provide all employees with various education programs, including human rights

training, to promote the spread of our philosophy.

In our Basic Procurement Policy, which we revised in February 2022, we declare, "We will comply with the relevant laws, regulations, and social ethical norms of each country, respect the fundamental human rights and diversity of individuals, and strive to realize a safe and hygienic working environment in which all people can achieve their full potential."

We will continue emphasizing respect for human rights as a key management issue that is an important foundation for business continuity.

Human resources system reforms

2011	Extension of retirement age to 65 (implemented in stages until 2025)
2012	Treatment of veteran employees improved
2017	Continuous reemployment system until age 70 introduced Human Resources Department launched
2018	New personnel system started ("linking individual growth to company growth")
2019	Human resources policy formulated
2020	Treatment of veteran employees improved Career training started
2021	Annual salary system for management positions introduced Hi-Challenge System (internal recruitment)
2023	Director of Human Resources given the additional role of promoting DE&I. HI-Career System (under development)

External evaluations

2018	Received Kurumin certification as a company that supports childcare (Platinum certification in 2020)
2020	Awarded the highest-level Eruboshi certification from the Minister of Health, Labour and Welfare
2021	Selected as Certified Great Place to Work and Best Company (medium-sized company category) in 2021 edition of the Great Place to Work rankings Selected as Advanced Company with Vibrant Workplace under Workplace Improvement Promotion Project
2022	Received the Most Outstanding Business Supporting Future Generations Award from the Alliance of Governors Supporting the Future

have childcare or caregiving responsibilities. To make workplaces more comfortable and rewarding, meanwhile, we promote a good work-life balance through childcare support and parental leave programs, a nursing care leave program, and a program that encourages part-time employees to become full-time employees.

In recognition of these efforts, Hioki was awarded Kurumin certification in February 2018 and the prestigious Platinum Kurumin certification in June 2020 in recognition as a company that actively helps employees fulfill both work and childcare responsibilities. In September 2020, we received Level 3 Eruboshi certification (the highest level), which recognizes companies that excel in empowering women in the workplace. In February 2021, we were selected as a Best Company in the medium-sized category (100–999 employees) in the 2021 edition of the Great Place to Work rankings in Japan by the Great Place to Work® Institute Japan. In the same rankings, we were selected as a Certified Great Place to Work in 2022 and 2023.

■ Human resources development and career autonomy for individual employees

We believe that encouraging individual employees to constantly develop their abilities and pursue independent careers will lead to the growth of our Company and advancement of society. In addition to skills development through work, therefore, we have established an education and training system for career autonomy and professional development through pre-employment and entry-level training, rank-specific training, and career training.

Moreover, at technology-related divisions, we have established the “Future Creation Time” to secure time for Hioki employees to engage in self-directed education, in which 10% of working hours can be used for free research, learning, discussions, and other activities apart from daily

work. This program has become a source of innovation as free creation time.

■ Human resources development and realization of individual purposes

In response to major changes in the business environment, we moved on from our medium-term key policy of “Hi-CEO” (covering the period of 2021 through 2023) to the new policy, one year ahead of schedule. The new medium-term key policy started in the current fiscal year is “HI-CEO+” (with a capital “I”).

The capitalized “I” stands for “Individual,” and the added “+” sign signifies our commitment to complementing (or “adding”) and synergizing the strengths and distinctive attributes of each individual.

To create a sustainable society together with our customers around the world, we will accelerate “C” (Customer first), “E” (Excellence in balance), and “O” (One Hioki, One Team) to realize Vision 2030 by achieving each employee’s individual purpose on the foundation of Hioki’s corporate philosophy.

Medium-Term Priority Policy (2023 through 2025)

HI-CEO+

On our path toward the realization of Vision 2030, all employees will take ownership (with entrepreneurial spirit), **seeking out and responding to changes, and using them as opportunities.**

The driving force for Hioki to remain an independent and self-reliant company is for **individual** employees to nurture and demonstrate their creativity on the foundation of Hioki’s corporate philosophy. Achieving each **individual’s purpose**—what each wants to “do, achieve, challenge, and contribute” through Hioki—is an essential condition for Hioki to remain as it should be.

Contributing to local communities

We are actively supporting the development of local culture and education.

Local Afforestation program

Every year since 1995, Hioki has donated seedlings to local schools and public facilities as part of its Local Afforestation program, which seeks to create a green environment by providing an opportunity for employees and local residents to plant trees together. To date, a total of 78,300 seedlings have been planted at 43 locations in Japan under the program, which also contributes to local environmental protection and carbon dioxide absorption and capture.



Acceptance of interns

The typical internship at a Japanese company lasts about one week, but Hioki accepts technical college student interns for a minimum of one month and for up to four months. With participants involved in actual development, the program is practical in nature. It is not aimed primarily at future hiring but rather to help match interns with local companies.



Scholarships for science and engineering students

The “Hioki Scholarship and Greening Foundation” provides scholarships (non-repayable monetary award, usually four years) to students who have graduated from high schools in Nagano Prefecture and are entering college science or engineering departments. In addition, the scholarship continues two more years for those who move on to graduate school. From its establishment in 2005 through 2023, the foundation has awarded scholarships to 367 students, thus helping train young engineers.



* Hioki established the Forest Hills Scholarship Fund in 1989 to support the development of engineers and contribute to local communities. The fund was managed until 2005, when it was taken over by the Hioki Scholarship and Greening Foundation.

Support for Little League

In 1991, we established the Ueda Minami League, a little league youth baseball team with the Company’s property as its home ground, to deepen interaction with local communities through the sound development of young people. The team teaches basic behaviors, such as manners and teamwork, and encourages the youths to develop dreams and acquire people skills.



Board of Directors, Auditors, and Executive Management Board (As of February 27, 2023)



Directors

President
Takahiro Okazawa

Director
Yoshikazu Suyama

Director
Kunihisa Kubota

Director
Yasunao Takano

Outside Director
Sumio Ohtsuji

Outside Director
Yoshiharu Tamura

Outside Director
Yukari Maruta

Outside Director
Osamu Mawatari

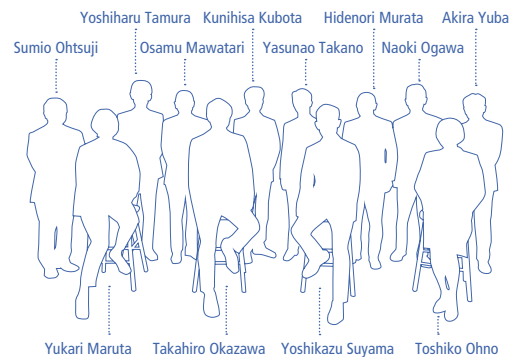
Auditors

Corporate Auditor
Toshiko Ohno

Corporate Auditor
Hidenori Murata

Outside Corporate Auditor
Naoki Ogawa

Outside Corporate Auditor
Akira Yuba



Executive Management Board

President Takahiro Okazawa

**Managing Director
Executive Officer** Yoshikazu Suyama
Chief Financial Officer

**Managing Director
Executive Officer** Kunihisa Kubota
Chief Technical Officer,
Chief Information Officer, and
Chief Sustainability Officer

**Director
Executive Officer** Yasunao Takano
Chief Marketing Officer

Executive Officer Toshihiko Tsuchiya
Vice President of Engineering

Executive Officer Katsuhiko Takeuchi
Director of Field Maintenance

Executive Officer Masamitsu Miyashita
Director of Test System

Executive Officer Tsutomu Mandai
Director of Manufacturing

Executive Officer Tsutomu Yamaguchi
Director of Quality Assurance

Executive Officer Hiroshi Tsuchiya
Director of Sales

Executive Officer Naoki Nakayama
Director of Customer Marketing

Executive Officer Akiko Kobayashi
Director of Human Resources and
DE&I Promotion

Executive Officer Masayuki Yamabe
Director of American Market
and President of HIOKI USA
CORPORATION

Executive Officer Pan Dongyun
Director of Chinese Market and
President of HIOKI (Shanghai)
MEASUREMENT TECHNOLOGIES
CO., LTD.

Corporate Governance

We pursue a management system aiming to enhance corporate value and fulfill our social responsibility to all stakeholders.

Outline of corporate governance system

Basic approach

We recognize corporate governance as a management system whose goal is to increase corporate value. Our highest priority is legal compliance.

We work to:

- Streamline business management
- Ensure appropriate profit
- Increase the transparency of leadership by actively disclosing management information
- Fulfill our responsibilities to society for shareholders, investors, customers, employees, and all other stakeholders

Management structure

■ Board of Directors

The Board of Directors consists of eight Directors (including four Outside Directors).

The Board of Directors meets once a month, and irregular meetings are held as necessary. Here, the board makes important decisions for the management of our business.

We have established the Nominating Committee and the Remuneration Committee as advisory bodies to the Board of Directors to ensure transparency and fairness in management decision-making. Both committees consist of five members, four of whom are Outside Directors designated as independent officers.

The Board of Directors is small (eight members) to ensure prompt management decision-making. We have also strengthened management oversight by inviting independent Outside Directors (four members) who have no vested interest in Hioki.

■ Executive Management Board system

We have adopted an Executive Management Board system. In this system, the functions for each Director's

management decision-making and supervising function on the Board are separated from their management duties. Executive Officers are responsible for promptly performing their duties based on management decisions previously made by the Board.

■ Board of Corporate Auditors

The Board of Corporate Auditors is composed of four Corporate Auditors (including two Outside Corporate

Auditors). Corporate Auditors attend important meetings such as those of the Board of Directors. The Board of Corporate Auditors audits the Directors' performance of their duties.

■ Nominating Committee and Remuneration Committee

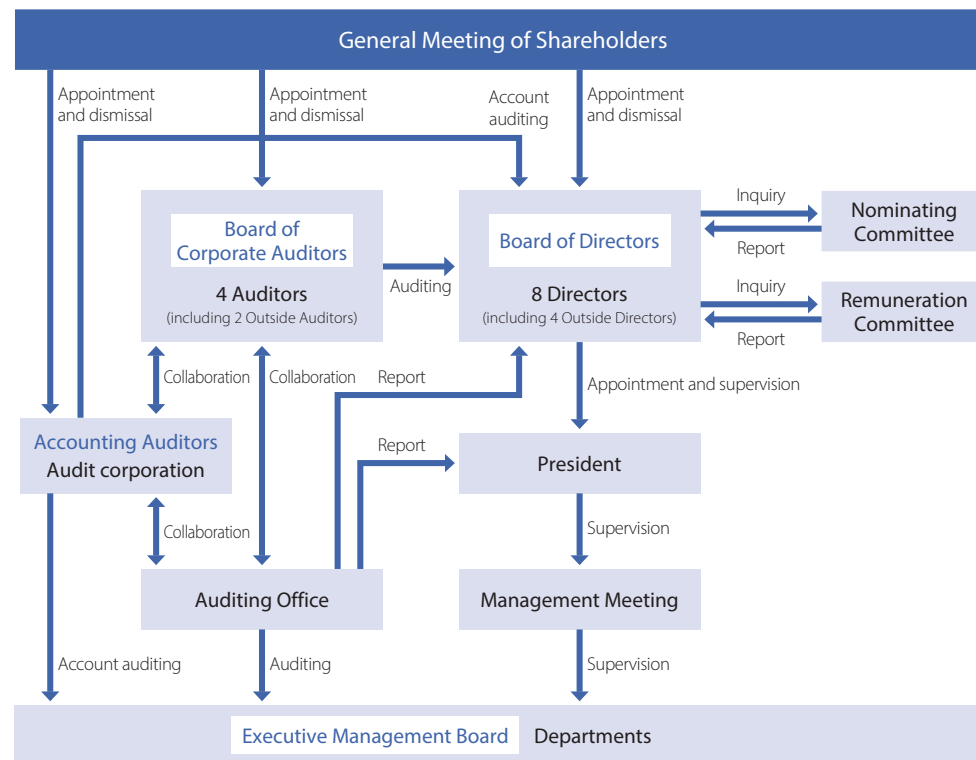
Outside Directors constitute the majority of the Nominating Committee and the Remuneration

Committee to ensure the independence of the committee structure.

The Nominating Committee meets as necessary as an advisory body to the Board of Directors and makes reports recommendations of candidates for Directors, changes of candidates for executives, and other matters to the Board of Directors including selecting candidates for President (chief executive officer). In addition, the Nominating Committee recommends candidates for Corporate Auditors to the Board of Corporate Auditors and recommends candidates approved by the Board of Corporate Auditors to the Board of Directors.

The Remuneration Committee meets as an advisory body to the Board of Directors and reports, as necessary, to the Board of Directors on remuneration systems, decision policies, amounts of remuneration, and other matters concerning the remuneration of Directors and Corporate Auditors while considering trends in other companies. The Remuneration Committee is entrusted by the Board of Directors to calculate the amount paid to each Director within the range approved at the General Meeting of Shareholders in accordance with the policy for determining the remuneration of Directors.

Corporate governance organization



Directors also serving as Directors or Corporate Auditors at other companies

One Outside Director serves as an executive of another listed company, but only one concurrent position is held, which is deemed reasonable. Also, one Outside Corporate Auditor serves as an executive of another listed company, but only one concurrent position is held, which is deemed reasonable. This information is disclosed every year through the Notice of Convocation of the General Meeting of Shareholders, the Securities Report, the Corporate Governance Report, and others.

Assessment of the effectiveness of the Board of Directors

We conduct anonymous surveys to enable the Board of Directors to evaluate its own effectiveness. The results of the assessment are discussed by the Board of Directors to conclude the self-evaluation. We have established a system to enable Directors and Corporate Auditors to share management information and customer information, the status of internal audits, the minutes of important meetings, and other documents on a daily basis. All Directors and Corporate Auditors attend meetings of the Board of Directors and have discussions based on this information. Directors concurrently serving as an Executive Officer report the status of their performance of duties to the Board of Directors. The Outside Directors and Outside Corporate Auditors comment on the performance of the Directors' and

Executive Officers' duties. In these two ways, we aim for the vitalization of the Board's activities. The Board of Directors holds unrestricted discussions and exchanges opinions, ensuring its effectiveness. Analyses of the Board's effectiveness evaluation in fiscal 2022 revealed the following future challenges:

- Ensure sufficient time for discussion and deliberation because management strategy planning is the basis for medium- to long-term corporate value improvement
- Improve the efficiency of Board meeting operations
- Improve management performance statistics
- Speed up documents sharing for the Board meetings

Using these findings, the Board of Directors deliberated and decided to arrange discussions on Hioki's management strategy and medium-term management plan, including periodical progress reports on its annual business plan, develop an online question-and-answer forum, and establish new

performance indicators for productivity. We are also working to ensure swifter providing of documents. We will continue these efforts to further improve the effectiveness of the Board of Directors.

Approach to the overall background balance (knowledge, experience, and skills), diversity, and size of the Board of Directors

Hioki's Articles of Incorporation specify that there be no more than 10 Directors, and we have appointed eight as of now. Of the eight Directors, three are Outside Directors who have business management experience at other companies. By welcoming knowledge from outside the Company, we strive to increase the transparency, soundness, and effectiveness of management. Also, one Director is female. In this way, the Company ensures diversity of the Board of Directors.

The table on the left is a skill matrix for the Board of Directors.

Our operations are audited by a Board of Corporate Auditors. The Articles of Incorporation specify that there be no more than five Corporate Auditors, and we have presently elected four, two of whom are Outside Corporate Auditors. We appointed at least one Corporate Auditor with abundant knowledge of finance and accounting qualifications such as being a certified public accountant. Other Corporate Auditors have vast experience and thorough knowledge of our business. One of the four Corporate Auditors is female.

consideration of that deliberation input.

[Appointment criteria]

In considering candidates, we select those who fully understand and respect Hioki's corporate philosophy and management guidelines, have a wealth of knowledge and experience in corporate management, possess capabilities to enhance the Group's corporate value, and have the following qualities.

- (1) Good character, deep insight, and integrity
- (2) Ability and willingness to embrace challenges with innovative ideas, unbound by precedent
- (3) Ability to conceptualize and execute strategies from global and Groupwide perspectives
- (4) Extensive knowledge and deep insight into corporate governance, sustainability, and compliance
- (5) Good health and abundant energy and stamina

Remuneration for executives

The basic policy for the remuneration of each Director is designed to encourage the Director to aim for the continuous increase of corporate value over the medium and long term. It is also designed to encourage Directors to enhance multiplicative effect between financial results and shareholder value to maintain a highly transparent system. The amount of remuneration for each Director is determined by the Board of Directors after consultation with the Remuneration Committee, in which Outside Directors are the majority, for greater objectivity and transparency.

The remuneration of Directors (excluding Outside Directors) is composed of a fixed remuneration (salary and stocks) and performance-linked remuneration.

For Outside Directors, only fixed remuneration (salary) is applied in view of their independence and neutrality.

Following the resolution of the General Meeting of Shareholders held on February 27, 2020, we provide compensation by granting stocks with a restriction on transfer.

Skill matrix of the Board of Directors (as of March 1, 2023)

		Corporate management	Global, overseas assignment	Finance and accounting	R&D, DX	Manufacturing and production technologies	Sales and marketing	Legal affairs, compliance, internal control	Personnel and labor management
Takahiro Okazawa	President	●	●			●	●		
Yoshikazu Suyama	Managing Director Executive Officer Chief Financial Officer	●		●		●		●	●
Kunihisa Kubota	Managing Director Executive Officer Chief Technical Officer Chief Information Officer Chief Sustainability Officer	●			●				
Yasunao Takano	Director Executive Officer Chief Marketing Officer	●	●	●			●	●	●
Sumio Ohtsuji	Outside Director	●	●				●		
Yoshiharu Tamura	Outside Director	●	●		●	●	●		
Yukari Maruta	Outside Director						●		
Osamu Mawatari	Outside Director	●	●				●		

Note: The following is a list of our Directors' principal areas of expertise and experience. It does not represent all areas of the expertise and experience of each Director.

Messages from Outside Directors & Outside Corporate Auditors



Sumio Ohtsuji
Outside Director

[Brief personal history]

Apr. 1976	Joined Toyota Motor Sales Co., Ltd.
Jun. 2003	General Manager, Overseas External Affairs Div., Toyota Motor Corporation
Jan. 2006	General Manager, Global External & Public Affairs Planning Div., Toyota Motor Corporation
Jan. 2008	Group Vice President, Toyota Motor North America, Inc.
Jul. 2008	Administrative Officer, Toyota Motor Corporation, and Senior Vice President, Toyota Motor North America, Inc.
Jun. 2012	Vice President and General Manager of Research & Planning Div., Institute for International Economic Studies
Jun. 2014	Representative Director and President, Institute for International Economic Studies
Aug. 2018	Senior Advisor, Kreab K.K. (current position)
Feb. 2021	Outside Director of Hioki (current position)

Efforts to develop judgment criteria that serve as the basis for decision-making

Hioki's business of electrical measurement is an essential element of the manufacturing industry. We feel that the demand for our products is especially high in recent times due to calls for measures to address climate change. In this context, we need to envisage the world's future needs and create technological innovations and new business models accordingly.

The main category of the battery business that will underpin Hioki's future growth is automobiles. For global expansion, we need to consider and discuss complex factors, such as trends in national policies and competition between internal-combustion vehicles and EVs. For many

years, I was involved in Toyota Motor Corporation's overseas market growth. During that time, I helped build good relationships with various countries, examined countries and regions with growth potential, formulated overseas business strategies and risk avoidance measures, and deployed new technologies overseas. I will make the most of these experiences at Hioki as it pursues significant global growth.

Outside Directors represent the expectations of people outside the Company. The Board of Directors thoroughly discusses risks and opportunities and strives to develop judgment criteria that serve as the basis for decision-making.



Yoshiharu Tamura
Outside Director (New)

[Brief personal history]

Apr. 1979	Joined NEC Corporation
Dec. 1993	Senior Manager, Development Department, Mobile Terminal Division, NEC Corporation
Apr. 2004	Senior General Manager, Mobile Terminal Division, NEC Corporation
Apr. 2010	Established and became Managing Director, NEC Casio Mobile Communications, Ltd.
Apr. 2011	President and Representative Director, NEC Casio Mobile Communications, Ltd.
Oct. 2014	Managing Partner, Avergence Incorporated (current position)
Feb. 2023	Outside Director of Hioki (current position)

Support for building a vertical consistency business model

Hioki's Board of Directors is a place where opinions can be expressed candidly. Instead of pushing through our arguments, we listen carefully to each other and discuss matters, always aiming for the betterment of the Company. If there is no need to make an immediate decision, we take our time to reach a conclusion.

I have held positions in product planning, marketing, product development, sales, and materials procurement in the technology sector of a major company. Key to Hioki's growth is to build a strong business model in which people involved in product development and technology have a marketing perspective and all processes

are integrated. My role is to apply my past experiences to realize this goal.

Not many companies actually practice their philosophy and vision. For this reason, I respect Hioki's unique "philosophy-driven" approach. In the future, attracting talented human resources will be a priority issue as Hioki expands overseas. If our efforts to carefully nurture employees and propose solutions to customers are reflected in our business performance, we will expand our presence worldwide and attract even more excellent people. I will strive to achieve this type of positive cycle.



Yukari Maruta
Outside Director (New)

[Brief personal history]

Sep. 2006	Registered as an attorney-at-law
Sep. 2006	Joined a law office in Tokyo
Sep. 2010	Established and became partner, Sakura Nagano Law Office (current position)
Mar. 2014	Outside Corporate Auditor, C. E. Management Integrated Laboratory Co., Ltd. (current position)
Feb. 2023	Outside Director of Hioki (current position)

Strengthening compliance without preconceptions

Hioki is actively introducing new systems to strengthen compliance. Even if there are no problems in the Company at this point and the atmosphere is good, I will check the situation with a strict eye, without preconceived notions, to make sure the systems are effective and take root. Internal information can be obtained from databases, but we also need to hear directly from employees in the field. I try to build relationships where I can talk closely with managers in the field while maintaining a certain distance from other Board members.

Compliance with laws and regulations is essential for global expansion. However, returning to Hioki's philosophy of "Respect for Humanity" also aligns with the values of overseas business standards. Following this philosophy, I will work to address environmental and human rights risks and other issues.

I think it is very important to diversify the Board of Directors in the future. If a suitable candidate is discovered, I believe that Directors should be added regardless of age, gender, or nationality.



Osamu Mawatari
Outside Director (New)

[Brief personal history]

Apr. 1979	Joined Motorola Semiconductors Japan, Inc.
Sep. 1998	General Manager, Imaging & Entertainment Systems Group, Motorola Japan, Inc.
Apr. 2001	Joined Nihon Synopsys G.K.
Jan. 2003	Joined Analog Devices KK
May 2006	President and Representative Director, Analog Devices KK; Vice President, Analog Devices Inc.
Feb. 2023	Outside Director of Hioki (current position)

Displaying growth potential through disclosure with a focus on capital

I am paying particular attention to Hioki's overseas business operations. This is because each country has different rules and business practices, and even minor issues can cause major problems for companies expanding globally. Therefore, I will use my past experience at foreign-affiliated companies to provide proper support.

At the same time, I will focus on maintaining transparency of information disclosure. From now on, we need to demonstrate Hioki's growth potential and disclose our business plan. How can we effectively use the capital entrusted to us by investors to increase

productivity? With this in mind, I will focus on disclosures with capital efficiency.

Going forward, it will be important for the Board of Directors to strike a balance between offense and defense. In addition to governance initiatives, we need to be proactive in terms of offense to achieve growth. As for human resources, we intend to introduce new systems, including succession plans, to develop successors at the managerial level and above. We will also provide compensation and incentives that better reflect the degree to which goals have been achieved.



Naoki Ogawa
Outside Corporate Auditor

[Brief personal history]

Aug. 1988	Registered as a Certified Public Accountant
Jul. 1994	Registered as a Tax Accountant
Nov. 1994	Established and became head of Naoki Ogawa Accounting Office (current position)
Jun. 2011	Outside Corporate Auditor, Maruichi Co., Ltd.
Feb. 2013	Outside Corporate Auditor of Hioki (current position)
Jun. 2016	Outside Director (Member of the Audit Committee), Maruichi Co., Ltd. (current position)
Aug. 2017	Established and became Representative Partner, Aozorashinano Tax Corporation (current position)

Reinforcing our defensive line based on assumption of human weakness

Hioki is an assembly of people who share its corporate philosophy of "Respect for Humanity." It also has flexibility as an organization and a corporate culture opposed to fraud. Nevertheless, accountants operate on the assumption that human beings are weak. Now that we are focusing on overseas business, we need to emphasize the second line of defense (indirect management, including risk management, finance, legal affairs, and compliance) at our overseas sales subsidiaries and our head office administrative departments.

While our day-to-day business processes are robust, placing too much emphasis on detailed procedures can

cause difficulties. Due to the large number of products in our portfolio, we also need to deploy digital transformation to introduce an inventory optimization system.

Global expansion means more and more transactions are taking place between our head office and our sales subsidiaries. Therefore, we need to understand not only the numbers but also the actual situation, such as transaction prices (transfer pricing) within the Group, evaluation methods for each Group company, and maintaining the motivation of sales subsidiaries. I plan to make proposals to address these issues.



Akira Yuba
Outside Corporate Auditor

[Brief personal history]

Mar. 1991	Registered as a Certified Public Accountant
Jan. 1992	Established and became head of Yuba CPA Firm (current position)
Jun. 2003	Registered as a Tax Accountant Established and became head of Akira Yuba Tax Accountant Office (current position)
Mar. 2005	Outside Corporate Auditor of Hioki
Feb. 2013	Resigned as Outside Corporate Auditor of Hioki
Feb. 2015	Outside Corporate Auditor of Hioki (current position)
Jun. 2015	Outside Director, Taihei Dengyo Kaisha, Ltd.
Nov. 2021	Outside Director, FB Care Service Co., Ltd.

Closely monitoring business execution

As the President emphasizes, Hioki is a philosophy-driven company that strongly demonstrates "Respect for Humanity" and "Contribution to Society." Respect for humanity means considering the distance between oneself and others and properly following rules. Hioki is a serious company that discusses and revises such rules as problems arise.

In terms of information sharing, we have a system that provides background information in addition to results, allowing users to check sales and order status as well as management information. As a supervisor of business execution, I find it very convenient to work in this

environment. At the same time, I also place importance on meeting and listening to people in the field to grasp the actual situation, rather than judging the Company based on financial statements and other figures alone.

I feel that the challenge as we expand globally is that we do not have the depth of human resources diversity overseas that we have in Japan. For this reason, I will pay attention to diversity initiatives in Japan and abroad. On the accounting side, we have numerous tax-related challenges because tax systems differ with each country, but I am confident that we can meet the challenges in collaboration with tax specialists.

Risk Management and Compliance

Internal control system

We have established Basic Policies for the Development of Internal Control Systems based on the Japanese laws of the Companies Act, Ordinance for Enforcement of the Companies Act, and Financial Instruments and Exchange Act. The Board of Directors continuously reviews its effectiveness to enhance the Group's corporate value and achieve sustainable growth and development.

We have built a system ensuring the compliance of the Hioki Group's operations and we improve upon existing systems. Examples of such existing systems are: one that ensures the adherence of the Directors and employees of the Hioki Group to laws, regulations, and the Articles of Incorporation; and another that ensures the Directors of Hioki and its subsidiaries efficiently perform their duties.

Risk management

Within the Hioki Group we have established and continue to improve regulations and other systems for managing risks of loss for the Company and its subsidiaries. We believe that risk management is extremely important and recognize that the way we address various risks can have a major impact on our corporate management foundation.

Hioki and its subsidiaries have established "Risk Management Rules" and "Crisis Response Rules" which stipulate risk assessment and prevention procedures for various risks, as well as measures to be taken when risks materialize.

The President oversees risk management and crisis responses for Hioki and its subsidiaries as the head in charge of those two things (see chart to the right). Hioki's departments and subsidiaries conduct their respective operations in accordance with the aforementioned rules and regulations and strive to avoid risks and mitigate losses for the entire Group.

Also, each department and subsidiary of the Company conducts annual risk assessments and

takes appropriate measures as necessary. Using the results of the assessments and measures, the Administration Department, which is in charge of risk management, conducts interviews with department managers and the presidents of subsidiaries to confirm whether there are any shortcomings in the identification of each risk. At this time, they also confirm the best ways to address each risk.

The results of risk assessments for each department and subsidiary are evaluated annually at our Management Meeting. The General Manager of the Administration Department, who is the Group's head of risk management, reports the details of these evaluations to the Board of Directors, which then deliberates and decides on improvement measures for important matters.

In addition, we have established Companywide committees for health and safety, environmental measures, export control, and the like, as well as Groupwide rules and procedures to address the various risk factors surrounding the Company and its subsidiaries.

Compliance

Code of Conduct for Employees

We have formulated the Hioki Employee Code of Conduct as the guideline for employees to comply with laws and regulations, the Articles of Incorporation, and social norms. Its formation is based on Hioki's principles of Respect for Humanity and Contribution to Society. Directors and executives in managerial positions within the Hioki Group are proactively complying with and practicing the Code of Conduct to be role models for the employees.

Initiatives to protect personal information

The Hioki Group has established regulations to appropriately handle private information and is working to build a system to protect the rights and interests of individuals while facilitating appropriate and efficient business operations within the entire Group. We are also regularly carrying out educational activities for the Group's employees through training and other events.

Internal reporting system

We have built and are operating a whistle-blowing system with Outside Directors and others as liaison for employees to directly provide information about inappropriate acts they suspect violate laws or regulations.

Insider Trading Prevention Rules

We have established rules to prevent insider trading of Hioki's shares by executives and employees of the Hioki Group and are promoting compliance with these rules throughout the Group.

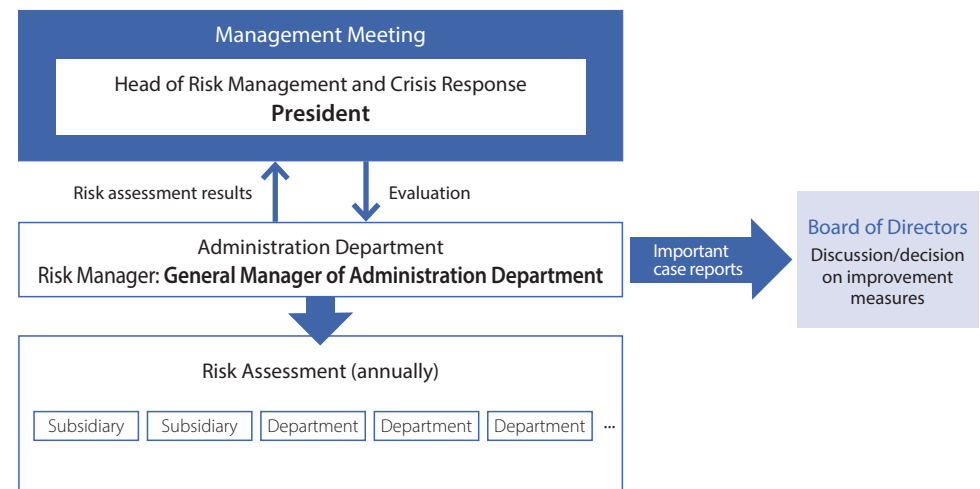
Compliance training

We also provide compliance training for employees working in Japan. The training sessions are regularly held on various themes to raise awareness of compliance.

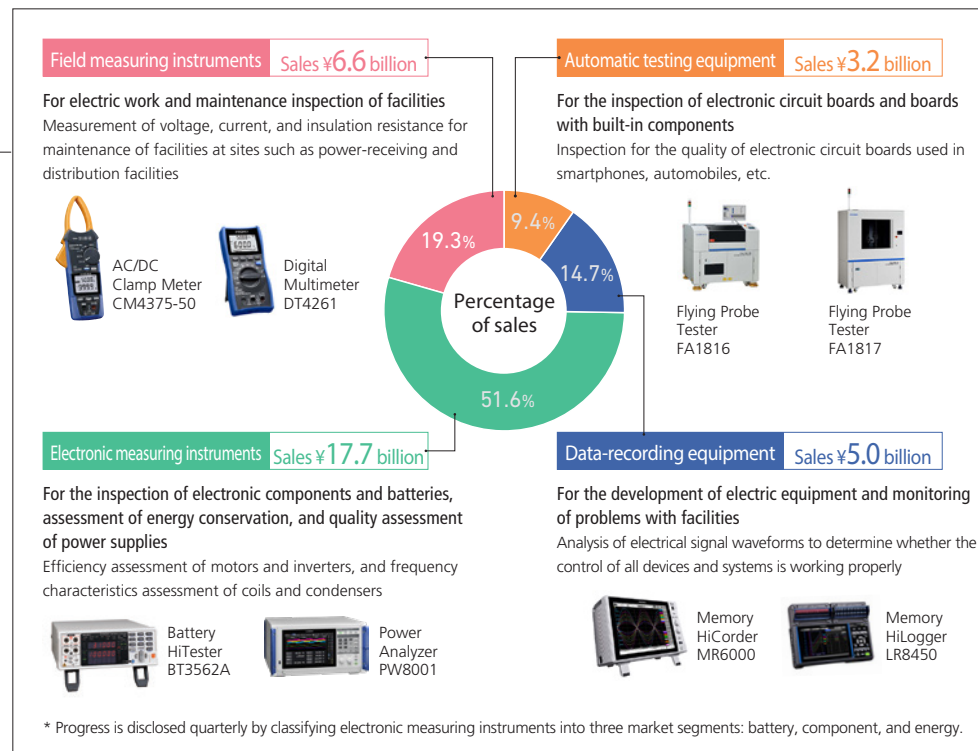
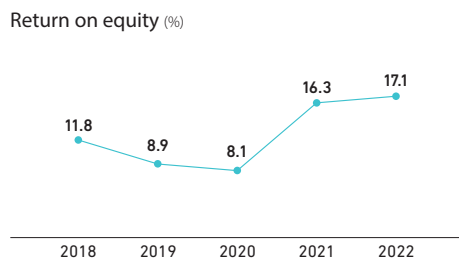
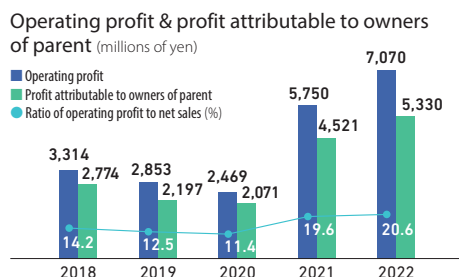
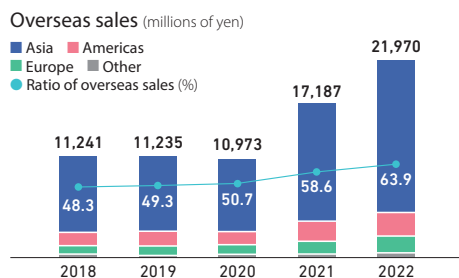
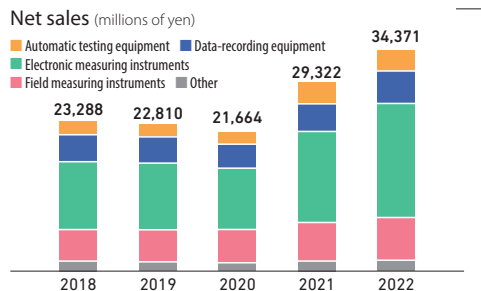
Basic approach to eliminating antisocial forces

We take a strong stance against antisocial forces that threaten public order and the safety of civic life. Hioki will have no relationship with groups involved in such activities. Hioki's internal regulations stipulate that the General Manager of the Administration Department is responsible for preventing damage caused by antisocial forces (including fraud) on the premise that the entire Group will take action to prevent damage caused by such entities. That department builds close relationships by working with Group companies in activities such as gathering information.

Risk management system



Management Discussion and Analysis



Net sales, operating profit, and profit attributable to owners of parent

Demand for measuring instruments in Hioki's focus markets remained high thanks to global efforts to achieve decarbonization. In many markets outside Japan, such positive trends continued, resulting in a significant 16.9% year-on-year increase in orders received. In terms of profit, cost of sales increased due to soaring component prices and special procurement of parts above market prices through various channels. Such special procurement took place because we place high priority on fulfilling our supply responsibilities to customers. Nevertheless, the

yen's depreciation against the U.S. dollar exceeded our initial expectations, resulting in higher sales in yen terms, which also led to a year-on-year increase in profit.

Status of assets, capital, and liabilities

Total assets at fiscal year-end amounted to ¥40,605 million, up ¥4,214 million from those of the previous year. This was due to an increase in raw materials and supplies.

Total liabilities stood at ¥7,826 million, up ¥889 million. This was due to increases in accounts payable and accrued expenses.

Net assets amounted to ¥32,779 million, up ¥3,325 million. This was due to an increase in retained earnings.

Overview of capital investment and cash flow

The major elements of capital requirements for the Hioki Group include the cost of materials, the cost of personnel, research and development expenses for new product development, operating expenses, management expenses, and capital expenditure. We self-fund all our capital requirements.

Capital investment totaled ¥1,685 million in the fiscal year. That amount primarily consisted of the acquisition of development and production equipment. During the consolidated fiscal year under review, there were no sales or disposals of essential equipment.

Cash and cash equivalents amounted to ¥11,836 million at the end of the fiscal year, decreasing ¥2,400 million from those of the end of the previous fiscal year.

● Cash flows from operating activities

Net cash flow from operating activities amounted to ¥1,241 million (down 73.6% year on year). The main positive factors were profit before income taxes of ¥7,283 million and depreciation of ¥1,152 million. The main negative factor was a ¥4,016 million increase in inventories.

● Cash flows from investing activities

Net cash used in investing activities totaled ¥1,475 million (up 78.5% year on year) mainly due to the purchase of property, and equipment.

● Cash flows from financing activities

Net cash used in financing activities was ¥2,455 million (up 71.1% year on year) as a result of dividends paid.

Eleven-Year Financial Data

(Millions of yen)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Financial Data											
Net sales	15,069	14,332	17,086	19,432	18,131	20,891	23,288	22,810	21,664	29,322	34,371
Operating profit	1,127	768	1,970	2,892	1,677	2,503	3,314	2,853	2,469	5,750	7,070
Ordinary profit	1,186	826	2,007	2,914	1,682	2,630	3,403	2,967	2,646	5,999	7,287
Profit attributable to owners of parent	711	499	1,348	2,126	1,167	1,998	2,774	2,197	2,071	4,521	5,330
Earnings per share (yen)	52.22	36.68	98.97	156.03	85.67	146.67	203.63	161.27	151.91	331.35	390.47
Ratio of operating profit to net sales (%)	7.5	5.4	11.5	14.9	9.3	12.0	14.2	12.5	11.4	19.6	20.6
Ratio of ordinary profit to net sales (%)	7.9	5.8	11.7	15.0	9.3	12.6	14.6	13.0	12.2	20.5	21.2
Ratio of profit to net sales (%)	4.7	3.5	7.9	10.9	6.4	9.6	11.9	9.6	9.6	15.4	15.5
Return on equity (%)	4.1	2.8	7.2	10.7	5.6	9.1	11.8	8.9	8.1	16.3	17.1
Return on assets (%)	6.0	4.1	9.2	12.5	7.3	10.8	12.8	10.7	9.1	18.0	18.9
Ratio of overseas sales (%)	39.4	41.4	46.3	45.9	44.0	45.8	48.3	49.3	50.7	58.6	63.9
Profit before income taxes	1,145	810	1,883	2,906	1,668	2,609	3,601	2,975	2,707	6,006	7,283
Total assets	19,773	20,328	23,252	23,177	23,200	25,650	27,365	27,963	30,440	36,391	40,605
Net assets	17,744	18,286	19,369	20,721	21,035	22,786	24,216	25,122	26,012	29,454	32,779
Net worth	17,722	18,259	19,331	20,670	21,035	22,786	24,216	25,122	26,012	29,454	32,779
Net assets per share (yen)	1,300.56	1,339.93	1,418.66	1,516.91	1,543.68	1,672.18	1,777.17	1,843.68	1,907.33	2,158.34	2,401.01
Cash flows from operating activities	2,501	1,372	2,674	2,560	2,333	3,499	3,845	3,282	4,207	4,695	1,241
Cash flows from investing activities	(1,112)	(2,113)	(1,668)	(3,241)	(1,827)	(1,166)	(121)	(1,199)	(1,018)	(826)	(1,475)
Cash flows from financing activities	(547)	(275)	(272)	(476)	(680)	(612)	(884)	(1,293)	(885)	(1,434)	(2,455)
Free cash flow*1	1,389	(741)	1,006	(681)	506	2,333	3,724	2,083	3,189	3,869	(234)
Cash and cash equivalents at end of period	5,499	4,666	5,489	4,278	3,999	5,768	8,504	9,223	11,542	14,237	11,836
Capital investment	739	1,910	2,868	1,443	1,683	1,078	655	985	740	736	1,685
R&D expenses	2,037	2,010	2,104	2,409	2,466	2,293	2,420	2,419	2,327	2,725	3,081
Depreciation	797	798	730	1,034	1,249	1,239	1,185	1,231	1,180	1,121	1,152
Dividend payout ratio (%)	47.9	54.5	30.3	28.8	46.7	40.9	39.3	55.8	39.5	49.8	41.0
Annual dividends per share (yen)	25	20	30	45	40	60	80	90	60	165*2	160
Total amount of dividends	340	272	408	613	545	817	1,090	1,226	818	2,251	2,184

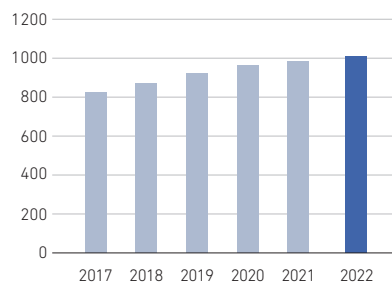
*1 Total of cash flows from operating activities and cash flows from investing activities

*2 Including 30 yen of commemorative dividend

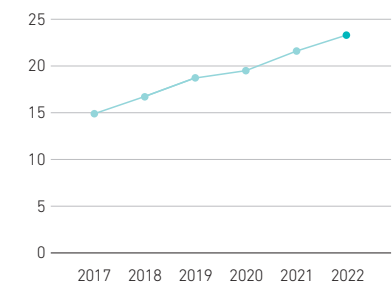
Non-Financial Data (Social Data)

	2017	2018	2019	2020	2021	2022	Remarks
Number of employees	826	872	920	965	983	1,009	Entire Group
Percentage of employees stationed overseas (%)	14.9	16.7	18.7	19.5	21.6	23.3	
Number of female managers	5	6	7	7	8	9	Hioki head office only
Percentage of female managers (%)	5.4	6.5	7.6	7.4	7.4	8.4	
Average length of employment (years)	16.8	16.9	16.7	17.0	17.1	17.2	Entire Group
Percentage of employees with disabilities (%)	1.8	2.1	2.1	2.0	1.9	2.2	Hioki head office only
Percentage of childcare leave taken by male employees (%)	2.6	1.9	14.0	12.9	26.7	50.0	Hioki head office only
Percentage of childcare leave taken by female employees (%)	100.0	100.0	100.0	100.0	100.0	100.0	Hioki head office only
Retention rate of new graduates (%)	100.0	100.0	100.0	98.4	98.4	98.4	Hioki head office only, retention rate after 3 years of employment
Number of annual paid holidays taken (days)	12.7	13.2	13.8	11.7	13.1	14.7	Hioki head office only
Industrial property rights (cases)	1,220	1,187	1,174	1,155	1,133	1,031	
Percentage of foreign interests (%)	10.0	12.0	13.0	16.0	18.0	22.0	

■ Number of employees

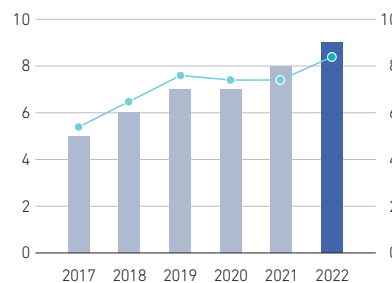


● Percentage of employees stationed overseas (%)

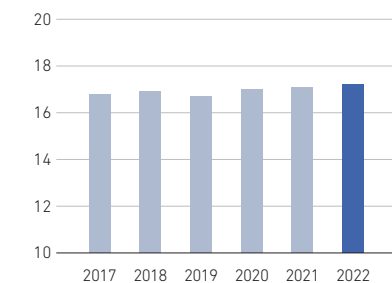


■ Number of female managers

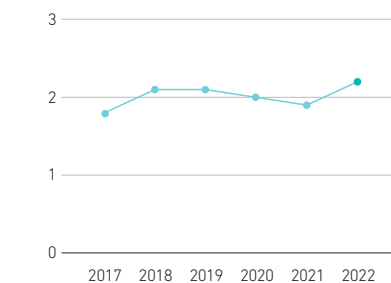
● Percentage of female managers (%)



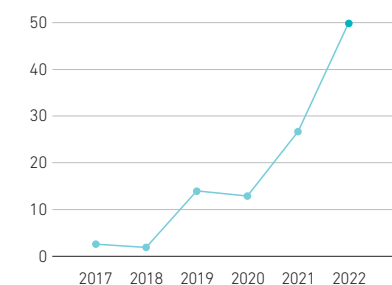
■ Average length of employment (years)



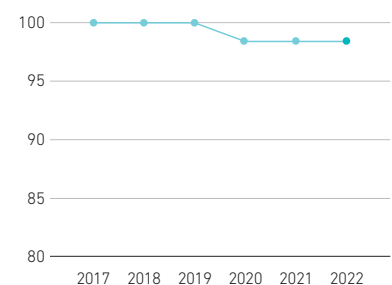
● Percentage of employees with disabilities (%)



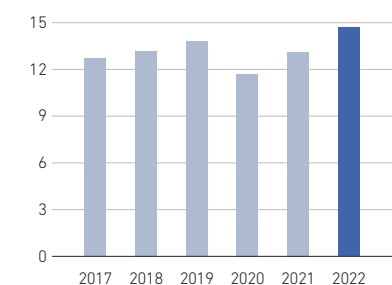
● Percentage of childcare leave taken by male employees (%)



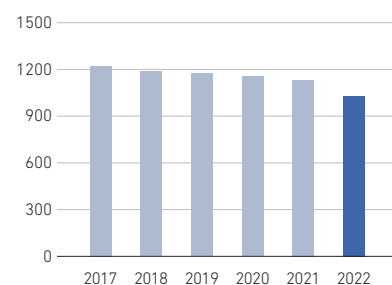
● Retention rate of new graduates (%)



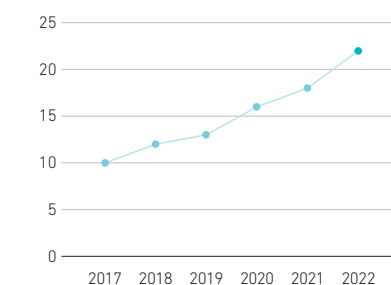
■ Number of annual paid holidays taken (days)



■ Industrial property rights (cases)



● Percentage of foreign interests (%)



Stock Information (as of December 31, 2022)

Stock information

Number of authorized shares	40,514,000
Number of shares Issued	14,024,365
Number of shareholders	7,700

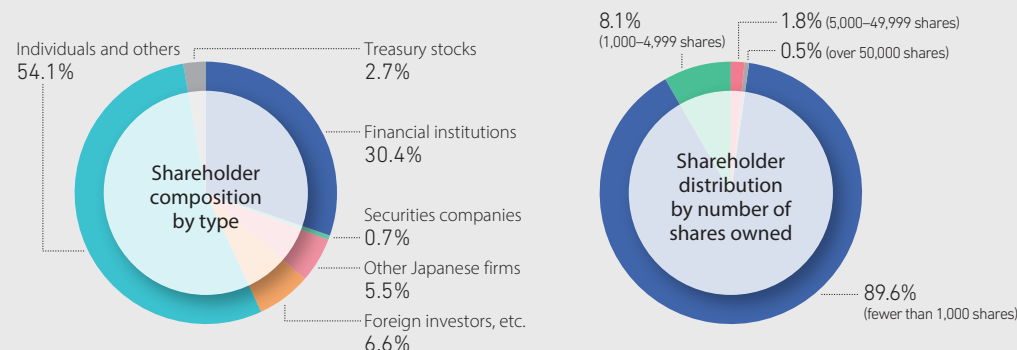
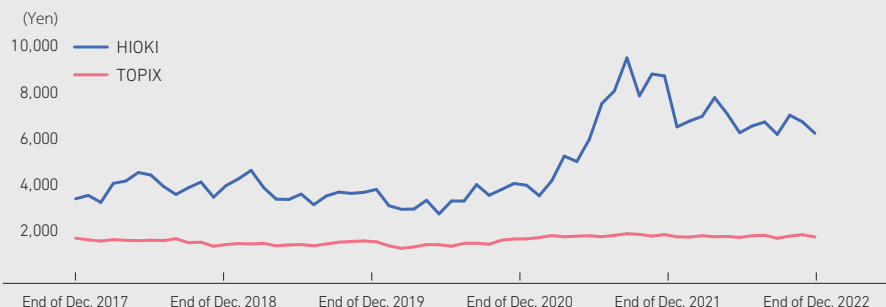
Major shareholders (top 10)

Shareholder's name	Number of shares (thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	1,747	12.80
Hioki Employee Shareholding Association	827	6.06
Tsuneaki Hioki	800	5.86
Custody Bank of Japan, Ltd. (trust account)	783	5.74
Yuji Hioki	719	5.27
The Hachijuni Bank, Ltd.	666	4.88
Taeko Hioki	573	4.20
Meiji Yasuda Life Insurance Company	510	3.74
Hideo Hioki	352	2.58
The Hioki Scholarship and Greening Foundation	301	2.20

Notes:
 1. The Company holds 372,000 treasury shares that are excluded from the list of major shareholders above.
 2. The shareholding ratio is calculated excluding treasury shares.

Fiscal year	From January 1 through December 31
General Meeting of Shareholders	February
Fixed date for receipt of year-end dividend	December 31 of each year (June 30 for interim dividend)
Number of shares per unit	100
Administrator of shareholder register	Mitsubishi UFJ Trust and Banking Corporation
Account management institution for special accounts	Mitsubishi UFJ Trust and Banking Corporation
Contact for inquiries	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division 1-1, Nikko cho, Fuchu-shi, Tokyo, 183-0044, Japan Telephone: +81-42-204-0303 (Business hours: 9:00 a.m. to 5:00 p.m. Closed Saturday, Sunday, and holidays)
Mail address	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division Shin-TOKYO Post Office post office box No. 29 137-8081, Japan
Public notices	Public notices will be posted electronically on the Company's website at https://www.hioki.co.jp/jp/ir/ If for any reason the Company is unable to make an electronic public notice, the notice concerned will be published in the Nihon Keizai Shimbun.
Listed market	Tokyo Stock Exchange Prime Market (Securities code 6866)

Stock price



Company Profile (as of February 27, 2023)

Company profile

Company Name	HIOKI E.E. CORPORATION
Founded	June 1935
Incorporated	January 1952
Trademark	HIOKI
Capitalization	¥3,299 million
Employees	1,009 (as of December 31, 2022)
Main business	Development, production, sale, and servicing of electrical measuring instruments
Head Office	81 Koizumi Ueda, Nagano 386-1192 Japan
Group companies	HIOKI FOREST PLAZA CORPORATION HIOKI USA CORPORATION HIOKI (Shanghai) MEASUREMENT TECHNOLOGIES CO., LTD. HIOKI (Shanghai) TECHNOLOGY DEVELOPMENT CO., LTD. HIOKI (Shanghai) MEASURING INSTRUMENTS CO., LTD. HIOKI SINGAPORE PTE. LTD. PT. HIOKI ELECTRIC INDONESIA HIOKI KOREA CO., LTD. HIOKI INDIA PRIVATE LIMITED HIOKI EUROPE GmbH HIOKI TAIWAN CO., LTD.

Sales and service network

