【Qualitative information about performance】

Summary of Financial Results for the Six Months Ended June 30, 2024

(Japan Basis)

July 16, 2024

Company	HIOKI E.E. CORPORATION
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Scheduled date to file Semi-annual Securities Report: August 1, 2024

Scheduled date to commence dividend payments: August 13, 2024

Preparation of supplementary material on financial results: Yes

Holding of financial results meeting: Yes (for institutional investors and analysts)

Please see the following URL for consolidated financial performance and other results.

https://www.hioki.co.jp/file/cmw/hdInformation/2902/information_file1/?action=browser

1. Overview of business performance

(1) Overview of business performance during the interim period under review

The future direction of the global economy remains opaque due to factors including rising energy prices, prospects for an economic slowdown in various countries, and exchange rate instability. Although there are concerns about a slowdown in the global decarbonization effort in some countries and markets, growth in corporate capital investment in response to national governments' decarbonization policies is expected to continue over the medium and long term. Going forward, the accelerating electrification of automobiles is likely to drive pursuit of higher-performance power supplies (in the form of smaller, more lightweight systems that are also more efficient), and as a result, the capital investment environment in the battery, device, and energy markets is expected to remain robust over the medium and long term.

Orders received during the interim consolidated accounting period under review declined compared to the corresponding period of the previous fiscal year. Looking at performance by market segment, demand in the device and energy markets was lackluster despite ongoing decarbonization efforts by governments worldwide, causing orders received to remain flat. In the battery market, EV growth, particularly in China, exhibited a short-term slowdown, and the outlook continues to anticipate falling demand.

In terms of customers' geographic locations, demand fell significantly in China's battery and energy markets despite firming demand in South Korea, Southeast Asia, and other locations in Asia. Performance was robust in Japan, where decarbonization initiatives are gathering momentum.

As it works to realize Vision 203 and achieve the goals set forth in its Medium-term Business Plan, the Hioki Group has identified as growth strategies product development that adds to Hioki's essentiality, market-oriented business development, and achievement of carbon neutrality under the Greenhouse Gas Protocol. It is currently pursuing related initiatives. A description of initiatives in various areas follows.

In the area of development and marketing, we carried out a review of structures that facilitate product development that adds to Hioki's essentiality and of marketing structures that facilitate market-oriented business development. In response, we reorganized our development and marketing teams. For our development organization, we adopted a structure that explicitly defines responsibility for development of advance technologies; for our marketing organization, the new structure defines responsibility for new-product sales in the form of product ownership more explicitly than in the past.

To further boost our production capabilities, we put in place a suitable manufacturing environment on a property located about 2 kilometers from the Head Office Plant for which we had entered into a purchase agreement during the previous consolidated fiscal year. The Ueda No. 2 Plant was completed by the end of June and turned over to Hioki. The responsibilities of the new complex, which began operating on July 8, include the development, production, and sale of automatic test equipment, as well as the provision of after-sales service.

In the area of sales, we've moved forward with efforts to convert satellite offices in Thailand, Vietnam, and the Middle East into sales subsidiaries in order to strengthen customer-oriented sales targeting those countries' decarbonization efforts. Operations began in Thailand in April, and in the Middle East in July.

In the area of digital transformation (DX), administration, technology, and development teams responsible for the company's information systems have been reorganized alongside the reorganization of our development and marketing teams to form the new Global DX Planning Department. Hioki will strengthen its information security structures while accelerating the digital transformation (DX) both outside the company and within the Hioki Group.

We continued last year's efforts to study how product pricing can be adjusted, both in Japan and overseas, to reflect rising part and labor costs, and we revised product pricing in Japan in April. Notwithstanding those efforts, falling demand had a significant impact on the decline in sales, causing operating profit and ordinary profit to trail results for the corresponding period of the previous fiscal year.

As a result of the above, sales during the interim consolidated accounting period under review fell 8.2% from the corresponding period of the previous fiscal year to 18,662 million yen, while operating profit fell 26.4% to 3,344 million yen. Ordinary profit fell 23.6% to 3,614 million yen, and quarterly net income attributable to owners of the parent fell 24.0% to 2,620 million yen.

(2) Overview of Hioki's financial position during the interim period under review

(Assets, liabilities, and net assets)

Total assets at the end of the interim consolidated accounting period under review fell 1,212 million yen from the end of the previous consolidated fiscal year to 44,038 million yen due to a decrease in cash and deposits.

Liabilities fell 3,024 million yen from the end of the previous consolidated fiscal year to 5,103 million yen due to decreases in income taxes payable and accrued expenses and accounts payable, which are included in the "Other" category of current liabilities.

Net assets rose 1,811 million yen from the end of the previous consolidated fiscal year to 38,934 million yen due to an increase in retained earnings.

(Cash flows)

Cash and cash equivalents at the end of the interim consolidated accounting period under review fell 1,368 million yen from the end of the previous consolidated fiscal year to 13,376 million yen.

Cash flows from operating activities resulted in income of 1,665 million yen. Principal factors contributing to increased cash flows included interim income before income taxes of 3,604 million yen, depreciation expenses of 749 million yen, and a decrease in inventory assets of 751 million yen. Principal factors contributing to decreased cash flows included a decrease in accrued bonuses of 1,336 million yen and income tax and other payments of 721 million yen.

Cash flows from investing activities resulted in expenditures of 2,108 million yen due to factors including expenditures on purchases of tangible fixed assets.

Cash flows from financing activities resulted in expenditures of 1,227 million yen due to factors including payment of dividends.

(3) Explanation concerning consolidated earnings forecasts and other forward-looking statements

Meeting on July 9, Hioki's Board of Directors resolved to revise the consolidated earnings forecast that had been announced on January 25 to better reflect recent performance trends. While we continue to expect corporate capital expenditures to grow from a medium- and long-term perspective in the face of various countries' decarbonization policies, such investment currently remains constrained in key markets, both in Japan and overseas. Since demand for Hioki's measuring instruments is being affected as a result, the Board elected to revise the previously announced earnings forecast to reflect the anticipated decline in performance.

The forecast for dividends paid at the end of the second quarter and end of the fiscal year remains unchanged.

The environment in which the Group operates is characterized by a high level of uncertainty due to factors including rising energy prices, prospects for an economic slowdown in various countries, and exchange rate instability. We will continue to monitor order conditions at our sales facilities and to carefully examine the outlook for future orders. In the event the consolidated earnings forecast needs to be revised in the future due to changing conditions, we will announce those revisions in a timely manner.