

HIOKI | Integrated Report 2024



Transforming Human 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 innovation 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.

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Editorial Policy

This Integrated Report has been published to provide shareholders, investors, and other stakeholders with a better understanding of the HIOKI Group's value creation stories from a medium- to long-term perspective and an overview of its real potential, including the intangible capital that is the source of value creation, which deserves wide disclosure. For more details, please visit our website.

➔ <https://www.hioki.com/>

Reporting Period

January 1, 2023–December 31, 2023
(Some information from January 2024 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"
- IFRS Foundation "International Integrated Reporting Framework"
- Ministry of Economy, Trade and Industry (Japan) "Guidance on Integrated Disclosure and Dialogue for Value Creation"



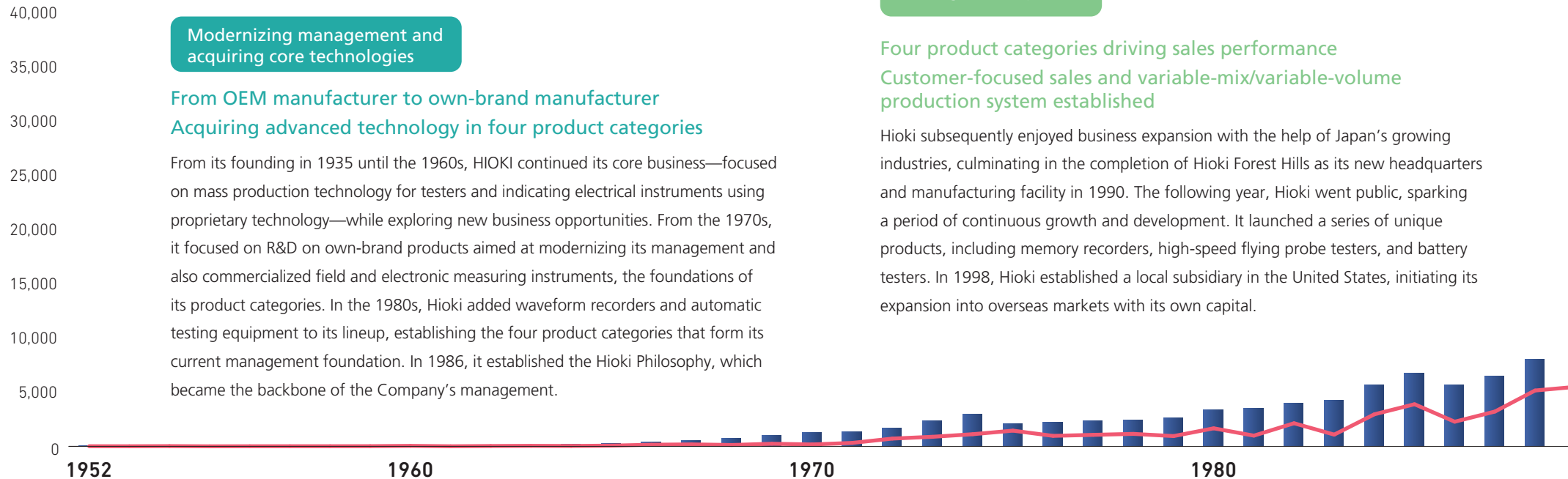
Forward-looking Statements

The forward-looking statements herein are forecasts 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.

A History of Creations and Challenges

Hioki: Evolving Together with “Measurement”

■ Net sales
(Millions of yen)



Modernizing management and acquiring core technologies

From OEM manufacturer to own-brand manufacturer
Acquiring advanced technology in four product categories

From its founding in 1935 until the 1960s, HIOKI continued its core business—focused on mass production technology for testers and indicating electrical instruments using proprietary technology—while exploring new business opportunities. From the 1970s, it focused on R&D on own-brand products aimed at modernizing its management and also commercialized field and electronic measuring instruments, the foundations of its product categories. In the 1980s, Hioki added waveform recorders and automatic testing equipment to its lineup, establishing the four product categories that form its current management foundation. In 1986, it established the Hioki Philosophy, which became the backbone of the Company’s management.

Striving for uniqueness

Four product categories driving sales performance
Customer-focused sales and variable-mix/variable-volume production system established

Hioki subsequently enjoyed business expansion with the help of Japan’s growing industries, culminating in the completion of Hioki Forest Hills as its new headquarters and manufacturing facility in 1990. The following year, Hioki went public, sparking a period of continuous growth and development. It launched a series of unique products, including memory recorders, high-speed flying probe testers, and battery testers. In 1998, Hioki established a local subsidiary in the United States, initiating its expansion into overseas markets with its own capital.



Company established
(Sakaki-machi, Nagano Prefecture, 1952)



First models in each
product category
(1946 to 1986)



Completion of Hioki Forest Hills
(Ueda, Nagano Prefecture, 1990)



HIOKI USA CORPORATION established
(NJ, USA, 1998)

Establishment as a global brand

**New foundation year:
Creating added value from the customer's perspective
No.1 strategic products driving rapid overseas sales growth**

In 2005, declared “year one of Hioki’s new foundation,” we made Company-wide efforts to reinforce our corporate structure through business reforms under a policy of “striving for uniqueness and becoming a high-value-added company.” Despite rapid market changes, Hioki has continued its activities in line with the principles of customer perspective, customer focus, and customer value creation while overcoming numerous challenges. In response to the expansion of the global economic sphere, we have accelerated the development of high-value-added products and the establishment of subsidiaries overseas.

Vision 2030

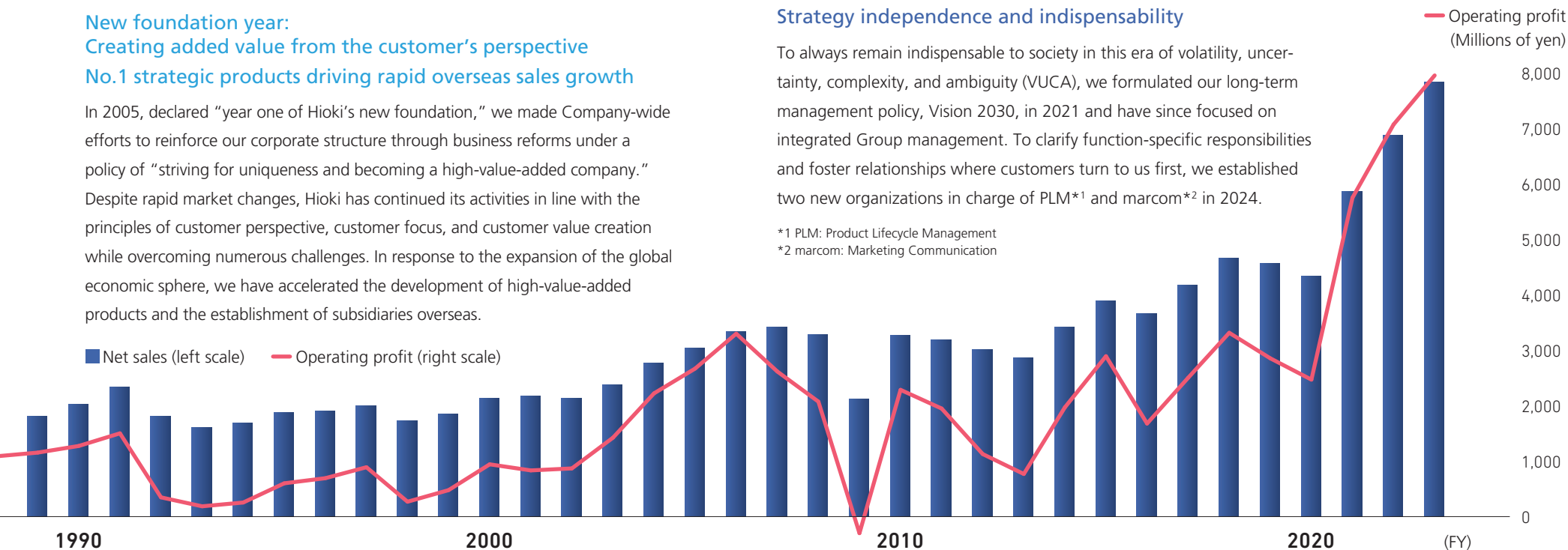
“Beyond Measure”

Strategy independence and indispensability

To always remain indispensable to society in this era of volatility, uncertainty, complexity, and ambiguity (VUCA), we formulated our long-term management policy, Vision 2030, in 2021 and have since focused on integrated Group management. To clarify function-specific responsibilities and foster relationships where customers turn to us first, we established two new organizations in charge of PLM*¹ and marcom*² in 2024.

*1 PLM: Product Lifecycle Management

*2 marcom: Marketing Communication



HIOKI (Shanghai) SALES & TRADING CO., LTD. established (Shanghai, China, 2007)



High-value-added products reflecting customer's perspective



Environmental improvements at Hioki Forest Hills



Vision 2030: Main visual

Evolving Core Technologies

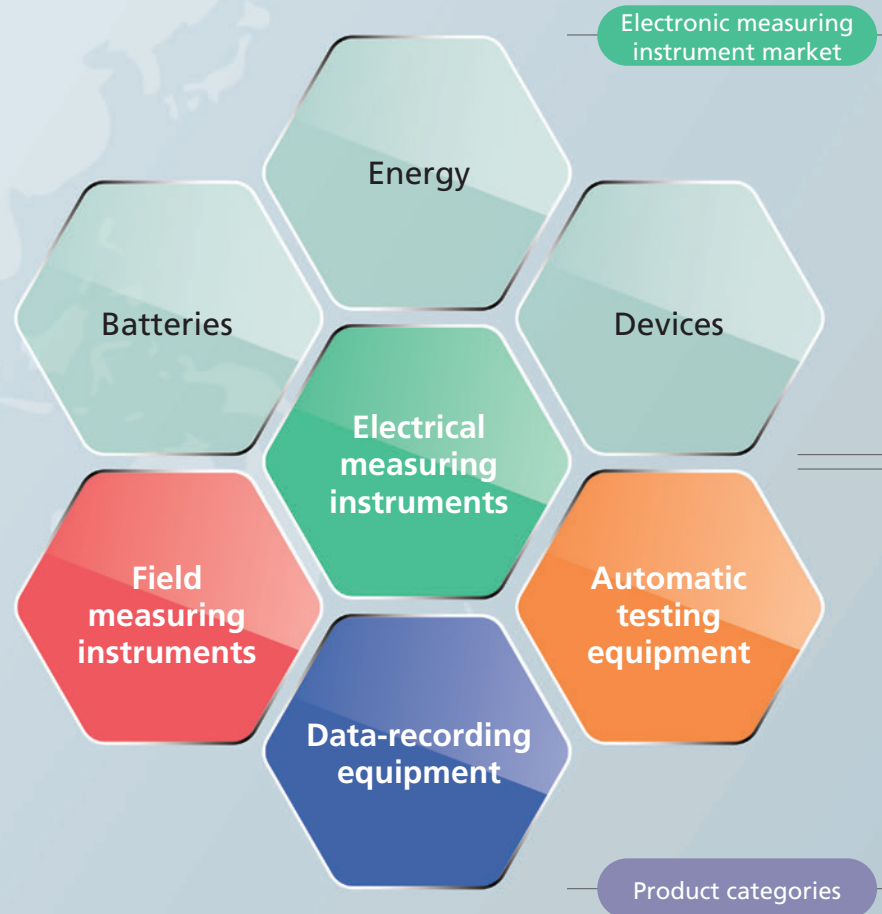
Product Categories that Change Alongside Market Trends

Innovative product lines developed to address changing social issues

Hioki's strengths lie in its wide-ranging business domains and a large number of new product launches. In the niche industry of measuring instruments, we are refining our core technologies with the goal of becoming the leader in multiple highly specialized product categories. By adapting our core technologies to focus on target markets, we have developed new products and cultivated new markets. During the period when Japanese industries were at the forefront globally, product categories tailored to the Japanese market experienced substantial growth. In recent years, as the global EV industry has advanced, electronic measuring instruments adapted for power efficiency measurement and rechargeable battery testing have also seen significant expansion.



Power Analyzer
PW8001



Swiftly electrifying society

- Rechargeable battery safety
- Improved battery performance
- High-speed, high-current components development
- Precise measurement of power efficiency
- Visualization of hydrogen production capacity
- New research into power storage devices

Electrified society

- Power monitoring of mega-solar installations
- Waveform recording and analysis of electricity
- Supporting peace of mind in everyday life
- Maintenance of urban infrastructure
- Reliability of electronic circuit boards
- Miniaturized inspection points



Electrical measuring instruments

Our development of battery testers began with inspection of lead-acid batteries using an AC milliohm meter to measure micro-resistance. Demand for LCR meters has expanded due to the large-scale production of electronic components used in globally popular mobile devices. We also have power analyzers and high-precision current sensors for developing more energy-efficient inverter power supplies.

As we head toward a decarbonized society, everyday items will progressively be replaced by electric and wireless products. By back-casting and envisaging what needs to be developed in such an era, we continue to build new categories of electronic measuring instruments.



Battery
HiTester
BT3562A

Sales ratio **54.6%**



Data-recording equipment

Our memory recorders are characterized by their extensive data recording capabilities and insulated input. Their versatility allows them to be used in a wide variety of applications, from R&D to infrastructure maintenance. With increasing need for decentralized control systems and parallel processing, we are seeing rapid growth in demand for multi-channel wireless data loggers.



Memory
HiLogger
LR8450

Sales ratio **13.9%**



Field measuring instruments

Hioki is renowned in the industry as “the leading name in testers” and “the benchmark for clamps.” Hioki’s identity is defined by its field measuring instruments, which combine robustness and high performance with human-centric design. By further enhancing these instruments with wireless communication capabilities, we help improve productivity at worksites.



AC/DC
Clamp Meter
CM4375-50

Sales ratio **19.6%**



Automatic testing equipment

Our automatic testing equipment has grown and evolved in tandem with Japan’s globally leading printed circuit board (PCB) industry. Here, we are expanding into high-value sectors, such as ultrahigh-precision inspection equipment for high-density circuit boards used in cutting-edge semiconductors. Additionally, we are expanding our local PCB inspection services, considered a growth field in emerging countries.



Flying Probe
Tester
FA1816

Sales ratio **7.4%**

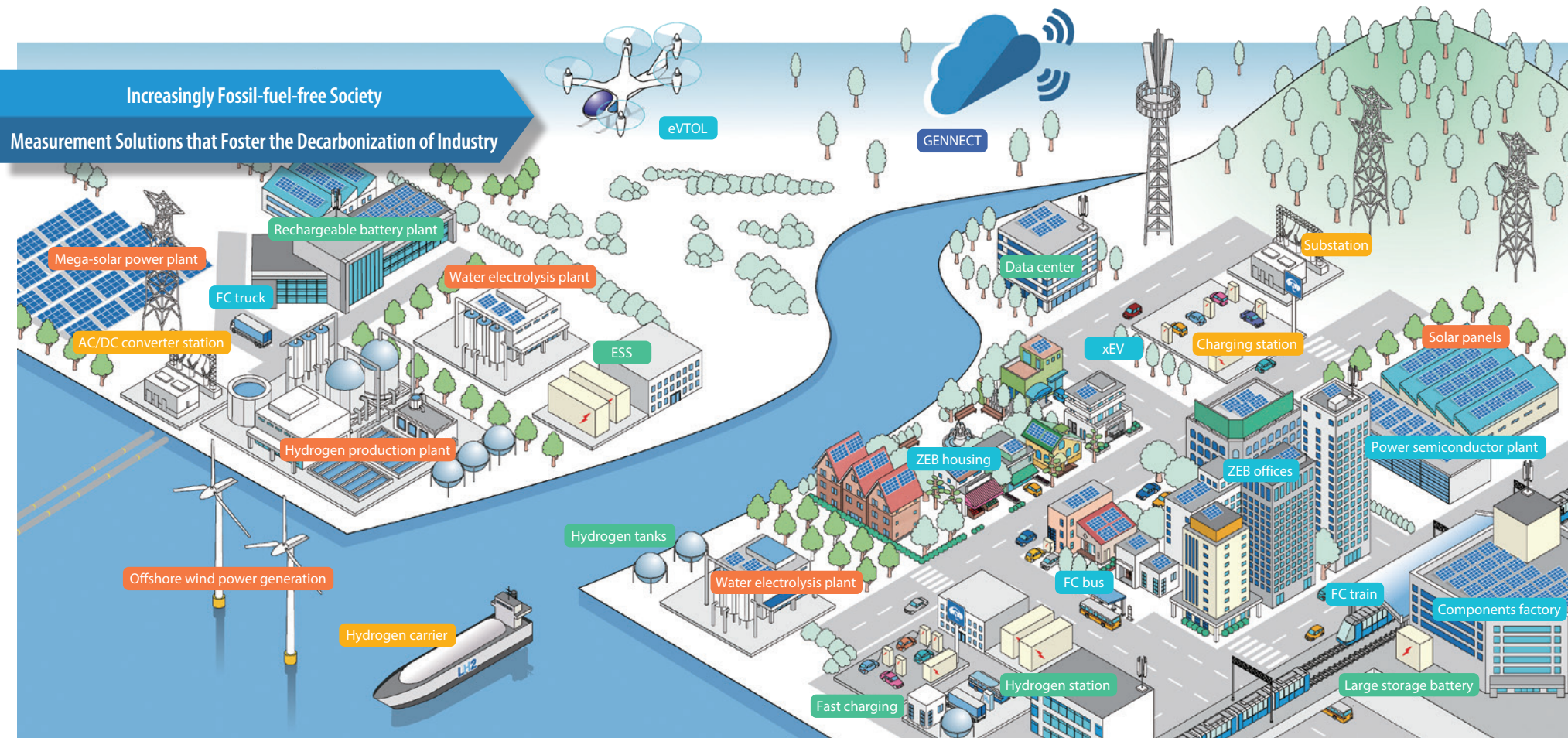
Building a resilient and flexible production system

At our headquarters factory, we have focused on building a system that ensures the timely delivery of a broad spectrum of products—ranging from palm-sized measuring instruments to large inspection equipment exceeding 2 tons—exactly when our customers require them. However, our concentrated production system, which is designed to enhance production efficiency, has raised concerns about potential capacity overload, especially when anticipated increases in medium- to long-term demand are considered. Accordingly, we have been implementing a plan to decentralize our production bases to locations near our headquarters. Our aim here is to bolster our production system while optimizing logistics to maintain our strong quality control standards while preventing any decline in productivity.

In 2021, we established the Sakaki Factory in the neighboring town, transferring the production of relatively small and mass-produced field measurement instruments. This allowed us to consolidate production equipment and warehousing, while strengthening collaboration with local partner factories. In 2022, we increased the floor space of our main factory to serve as a parts supply base and boost production capacity. We also constructed a new truck terminal to improve our logistics operations. In 2024, we are building Ueda Factory II within a 2-kilometer radius of our headquarters. The new facility will house our automatic testing equipment division, which requires large space, longer production lead times, and close coordination among the development, production, sales, and service functions. We anticipate that this series of changes will significantly increase our production capacity.



Ueda Factory II



Producing energy

Energy mix

- Renewable energy
- Hydrogen energy
- Photovoltaic maintenance and inspection



Impedance Analyzer for Water Electrolysis Cell ALDAS



High Voltage Insulation Tester IR5051

Delivering energy

Energy infrastructure

- Power grid
- EV charging stations
- Stable renewable energy supply



Power Quality Analyzer PQ3198



Earth Tester FT6041



AC/DC Clamp Meter CM4375-50

Storing energy

Rechargeable battery solutions

- New battery development
- Energy storage systems (ESSs)
- Local production for local consumption/reuse



Electrode Resistance Measurement System RM2610



Battery Tester BT3554-50



Battery Impedance Meter BT4560-50

Using energy

Highly efficient power usage

- Motors, inverters
- Energy conservation
- Thermal management



Power Analyzer PW8001



AC/DC Current Probe CT6841A



Memory HiLogger LR8450-01

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

¥ **6.32** billion **18.1**%

Ratio of overseas sales

63.3%

CO₂ emissions (Scope 1 + 2)

* In the process of verification by third-party organization
** Scope 2 is calculated based on the market standard

1,034 t-CO₂

Return to shareholders

Annual dividend per share

Dividend payout ratio

¥ **180** **38.8**%

Profit/net assets per share

Profit

Net assets

¥ **463.51** ¥ **2,718.23**

Percentage of employees who took childcare leave

Female employees

Male employees

100% **63.3**%

Ratio of operating profit to net sales

20.3%



Number of employees

Whole Group

1,048

Percentage of employees stationed overseas

24.9%

History of Hioki

Since establishment

89 years (established in 1935)



A Message from the President

Evolving our technical capabilities, personnel systems, and governance to drive global change through electrical measurement

T. Okazawa
President

Proactively driving change together with our leading-edge customers

Hioki is currently experiencing a period of significant change.

In fiscal 2023, as in fiscal 2022, we posted record-high consolidated net sales due to strong demand for measurement solutions related to the energy market, both domestically and internationally, in response to the global trend toward decarbonization. This trend is expected to continue, and while we see it as a great business opportunity, we recognize that we ourselves must also change.

Our medium-term priority policy states “all employees will take ownership (with entrepreneurial spirit), seeking out and responding to changes, and using them as opportunities” (see page 42 for details). As Vision 2030, our long-term management policy (see page 17 for details), enters its fourth year, we back-casted from our “ideal state” of 2030 and determined that Hioki must drive further change without delay. We recognize that how we implement this change is a critical management issue.

After three years of efforts, we now have a clear understanding of what Hioki should focus on by leveraging its strengths and assets to achieve the sustainable society outlined in Vision 2030. Furthermore, we sense that the expectations of our customers, who are at the leading edge of global technology, are even higher. Our customers are taking on new business challenges and demanding new technologies. To meet their expectations, we must change and stay one step ahead or we risk falling behind. Furthermore, as the market expands from Japan to the global stage, it is crucial to assess the needs of electrical measurement from a broad perspective.

We believe that times like this, when we are performing strongly, provide the best opportunity for us to institute change independently. In this Integrated Report, we describe the changes that we are pursuing.

Spreading our philosophy globally: Experience at Hioki USA

Hioki’s corporate philosophy calls for “Respect for Humanity” and “Contribution to Society” (see page 1 for details). All of our activities are based on this philosophy, which was established in 1986. In other words, we are a “philosophy-driven” company.

Based on this philosophy, our Vision 2030 describes the value of Hioki’s existence and its “ideal state.” The aim of Vision 2030, with “Beyond Measure” as its slogan, is to forge a sustainable society together with customers worldwide. It expresses our belief that all employees of the Hioki Group should become “solution creators” (see page 21 for details) who constantly consider what kind of value they can provide to customers and act accordingly.

As President, I am constantly striving to instill the Hioki Philosophy, and I make a conscious effort to return to it whenever I communicate something. I believe that both myself and all members of our management team understand that our philosophy is not just something to proclaim but something to embody, and each of us communicates and acts accordingly.

Over the past few years, I have focused particularly on the need to spread our philosophy globally. Whenever I visit an overseas sales subsidiary, I read the philosophy and its annotations aloud in the local language, repeatedly ensuring

that the philosophy is understood. As a result of these efforts, I feel that our philosophy has deeply penetrated not only domestically but also globally. It has instilled in our employees a sense of purpose to help realize a sustainable society through our business activities.

Our strength lies in the fact that the Hioki Philosophy and Vision 2030 have become the common language across the entire Group. For example, when Hioki USA, a sales subsidiary in the United States, recently implemented a program to formulate keywords to express common values within the subsidiary, I was impressed by the enthusiastic discussions among local employees, including those not involved in sales. They consistently reiterated our philosophy, vision, and medium-term priority policy. This is also a sign that our philosophy is taking root.

In this way, people who share the same philosophy as Hioki are gathering together at each base around the world and are already working to achieve Vision 2030 (see page 29 for details).

Advancing measurement technology to become an industry front runner

We aim to be an industry front runner that leads the way in innovation. To this end, we will advance measurement technology as outlined in Vision 2030 and identify the electrical measurement needs of customers worldwide who are working to realize a decarbonized society.

Here, a customer-focused attitude is paramount. This means staying in close contact with customers and quickly identifying needs and insights that will help us create value for them. By always prioritizing our customers and continuing to move

A Message from the President

toward them, we can enhance our corporate value, which will in turn lead to increased sales and profits for Hioki in the future (see page 23 for details).

Customers' expectations of Hioki are increasing year by year, and the conventional approach of creating innovation solely through a combination of technologies is no longer sufficient. In other words, we cannot become solution creators unless we ourselves evolve and further enhance our technical skills.

Here, we need to stay in close contact with customers to obtain the latest information. By understanding needs in the field, we can rapidly forecast future market movements and enhance the accuracy and speed of decision-making through data-driven, digitally enabled processes, which will enable us to reduce opportunity losses. To achieve this, we must further promote DX as a means of driving the necessary change. Accordingly, we established the Global DX Planning Department in May 2024 (see page 24 for details).

Since the movement toward decarbonization varies from country to country, it is essential to address needs more effectively through deeper customer contact by placing customers in each country at the center of our attention. As one change to achieve this, in China we are shifting our emphasis from traditional area-based sales to account-based sales focused on local markets.

To create new value together with our customers, in March 2023, we opened the Creative Collaboration Laboratory in Hioki Innovation Center (Ueda, Nagano Prefecture). This R&D complex is dedicated to conducting joint research with customers. In the future, we plan to establish technical centers in Yokohama, Nagoya, and Osaka. Additionally, we are in the process of setting up technical facilities within our overseas sales subsidiaries (see page 25 for details).

We are also promoting collaboration with external entities. For example, in our battery business, we have concluded

agreements with various companies. We are also collaborating as a member of external organizations, including the Lithium Ion Battery Technology and Evaluation Center (LIBTEC). In the hydrogen-related business, meanwhile, we joined the Japan Hydrogen Association (JH2A) and began collaborating to create a new industry.

Thoughts on reorganization at a time of rapidly changing external conditions

As a symbol of these various changes, we undertook a reorganization in May 2024. Traditionally, we reorganized in October each year, making this the first time we have done so at a different time.

This reorganization centered on three axes: the technical development division, the marketing division, and the Global DX Planning Department. The technical development division focused on accumulating the advanced technology needed to explore new business opportunities for our customers. The marketing division has been renamed the product & marketing division, with the goal of creating a framework that enables planning and development based on up-to-date, market-driven information.

Regarding DX, our aim is to make data-driven decisions about capital investments that generate increased sales and profits, while also raising the speed of the decision-making process. With this in mind, we decided to combine our in-house infrastructure staff and external software business staff into one department to advance both internal and external DX initiatives.

■ Our Aspiration for Vision 2030



Our Mission

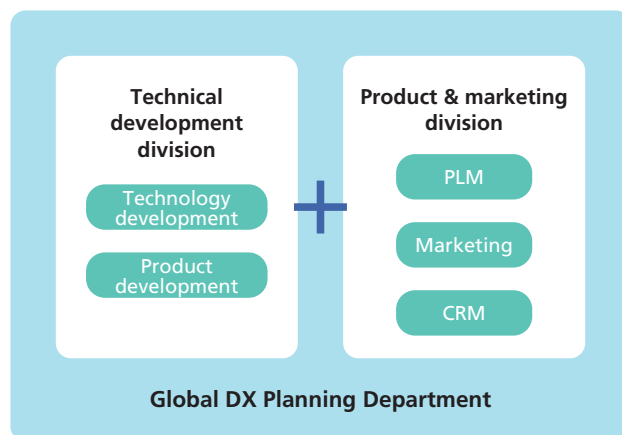
To contribute to stability and development of society by promoting customers' safe and effective use of energy through electrical measurement

Our Vision (Hioki in 10 years)

"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."

2024 and beyond



The reason for conducting the reorganization earlier than normal reflects our sense of crisis about the need to make changes right now as we confront rapidly evolving external conditions. As the global trend toward decarbonization differs according to the policies of each country, we need to promote speedy and timely responses tailored to each nation's characteristics to focus on value creation for our customers.

Initially, we considered and discussed centering the reorganization along the two axes of technology development and marketing. However, an Outside Director pointed out that without embracing DX, we would be constrained by outdated systems that hinder change. Consequently, we decided to promote the three axes in parallel.

To meet the expectations of our customers, we will continue investing aggressively in R&D while strengthening our competitiveness. Specifically, we will allocate 10% or more of net sales

to R&D expenditures.

In terms of technology development, we have high hopes for the hydrogen business. On May 1, 2024, we established a new organization to spearhead this business and make full-scale advances going forward.

Personnel system reform under our management strategy

When formulating Vision 2030, we identified changes in the external environment that would affect Hioki's management. One is macro-political and economic changes, and the other is demographic changes. Needless to say, Japan is an advanced aging country, and its working population will further decline in the future. Given the inevitable decrease in the working population, we need to turn this challenge into a positive factor. Accordingly, we established a medium-term priority policy called "HI-CEO+." The "H" stands for "Hioki," and the capitalized "I" stands for "Individual." At Hioki, we are committed to helping all employees realize their individual sense of purpose—their will to "do, achieve, challenge, and contribute." This is our driving force.

As part of the internal changes required to embody "HI-CEO+," we are currently drafting a new personnel framework called the "HI-Career System" (see pages 27 and 41 for details). A declining workforce is generally considered a risk, but I see it more as an opportunity. If we use this approach to successfully modify our personnel system, we may gain a new strength.

In Japanese society, the traditional norm has been to take time to acquire knowledge, grow through experience, and be promoted based on seniority. Now, however, the working population

continues to decline, and the way people work is changing dramatically. Therefore, we need to change the system by removing stereotypes and allowing employees to flexibly choose how they work. We must also structure our working and compensation arrangements to be adaptable to employees' chosen work styles. For these reasons, we decided to establish the "HI-Career System."

The new system, which will go into effect in 2025, will go further than allowing employees to choose how they work. It will also abolish the concept of regular salary increases and enable employees to actively seek promotion themselves, rather



A Message from the President

than wait to be recommended for it. In addition, we have introduced performance-linked bonuses, which will increase if the Group's overall sales rise. However, the allocation of bonuses will not follow a uniform approach but will be tailored to each person's chosen working arrangement.

To reiterate, the era of seniority-based pay is over, and taking on challenges and embracing change will become the norm. In principle, we reward our employees based on the results of their work, so we will compensate them according to their achievements. Although the system will take time to be fully implemented after its launch, it represents a milestone for our management as we prepare for a future with a shrinking workforce. This initiative is an upfront investment in human resources, undertaken as a key part of our management strategy.

As mentioned, the new system will enable employees to actively seek challenges themselves. In fact, our H2ES (Hydrogen Energy Solution) Section, which has now been upgraded to an official organization, was originally an in-house venture started by young employees. Similarly, ambitious employees initiated our participation in an NHK program, "Night of the Makaizo Society," in which Hioki employees appeared. More and more employees are beginning to raise their hands in their quest to become solution creators, which I find encouraging as President.

We think of "job satisfaction" as a combination of a great workplace environment and fulfilling work duties. The physical aspects related to creating a great workplace environment have been established by our predecessors. The next challenge is fulfilling work duties. Through the change in our personnel

system and other initiatives, we will continue striving to enhance employee job satisfaction. This is my mission.

Energizing the Board of Directors through free and open discussion

As for strengthening our management structure, there is also a change. Reflecting our "philosophy-driven" management approach, the Board of Directors actively engages in discussions with Outside Directors, full-time Corporate Auditors, and Outside Corporate Auditors regarding various necessary initiatives (see page 46 for details). At Hioki, we believe that meaningful change starts with discussion, followed by thorough debate on all matters. By fostering deeper discussions based on diverse opinions, we can energize the Board of Directors, which in turn will invigorate the Management Meeting, steering management in the right direction. Maintaining an open atmosphere daily helps minimize the risk of misconduct on the front lines.

In 2023, we increased the number of Outside Directors by two (one of whom is a woman), bringing the total number of Directors to eight, including four Outside Directors. Our Outside Directors form a well-balanced group with diverse experience and skills. We handle the selection and approach to Outside Director candidates by ourselves.

Each of our Outside Directors holds regular one-on-one meetings with me. Also, Outside Directors and Outside Corporate Auditors started to host meetings together, where free and open discussions take place. In response to a proposal by an Outside Director, the Board of Directors has decided to hold a meeting each year in a region where an overseas sales subsidiary is located,



starting in 2024. This is another positive outcome of the changes we have made in our executive structure.

In addition, an Outside Director chairs the Nominating Committee, which consists of four Outside Directors and myself. At our meetings, we discuss the content of succession plans, including the method of selecting candidates for next-generation management. This is one of the changes we are making to strengthen our governance. We are also putting effort into our whistle-blowing system. An Outside Director astutely pointed out that the absence of whistle-blowing over a long period of time could be problematic, not something to be proud of, and I realized this was indeed true. This is another change in governance that we can emphasize. We also consider sustainability management (see page 35 for details) a key part of our growth strategy, which is synonymous with realizing the Hioki Philosophy of “Respect for Humanity” and “Contribution to Society.”

Hioki’s mission is to help realize a sustainable society through its business. In accordance with its Basic Sustainability Policy, the Group is promoting sustainability activities in a unified manner, with a particular focus on decarbonization. In the Hioki Sustainability Declaration, we announced our goal of achieving carbon neutrality for Scope 1 and 2 emissions by 2025, and for Scope 3 emissions by 2035, which will mark the 100th anniversary of our founding.

Returning to Vision 2030: Embracing the challenge of creating new businesses

We believe that 2024 is the year in which Hioki’s ability to achieve Vision 2030 will become clear. This is why we need to

make significant changes now.

Needless to say, change by itself is not our goal. As we continue making changes, it is crucial to identify what is currently lacking in Hioki. Being able to pinpoint these gaps is an important management priority.

As President, I return once more to the starting point of Vision 2030 and clarify the following:

1. Our original purpose is not just to formulate a vision for creating a sustainable society but to embed this idea throughout the entire organization.
2. The essence of a company’s contribution to society lies in its ability to make its business useful to the world.

3. We will identify customers’ needs and create what they want through effective marketing and innovation.

4. In the face of geopolitical risks, it is crucial to take well-calculated risks and embrace challenges.

To drive further growth, we must take on the challenge of creating new businesses, rather than simply maintaining our current portfolio. We have set an overseas sales ratio target of 70% or higher. To achieve this, it is crucial to strengthen our presence in each region by taking well-calculated risks, rather than merely increasing overseas sales. To create a sustainable society together with our customers around the world, we will continue to adapt flexibly and take on new challenges to achieve further evolution.

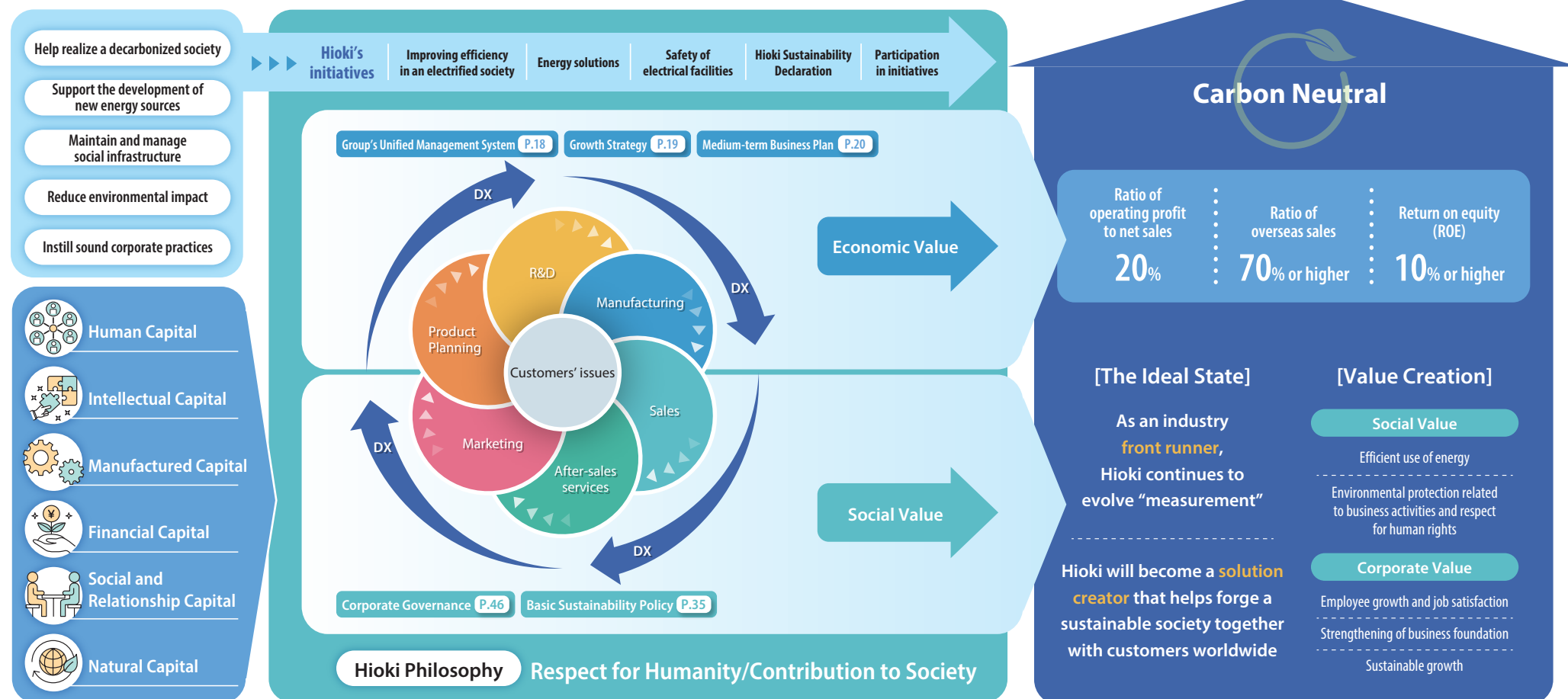
Going forward, we will instill the concept of Vision 2030 and take on the challenge of creating new businesses.



Value Creation Model

Hioki's Evolving Value Creation Story to Realize Vision 2030

To help realize a sustainable society, we aim to further enhance our corporate value by building relationships and structures that enable creative collaboration with our customers.



Sources of Competitive Advantage: Six Forms of Business Capital

The knowledge and technical capabilities we have cultivated over the years, as well as our diverse human resources, serve as the foundation that supports Hioki's corporate value and strengths. To realize Vision 2030, formulated in 2020, we are enhancing these foundational strengths through various initiatives.



Human Capital

Number of employees stationed overseas

188 (FY2020)
261 (FY2023)

We are increasing the number of Group employees working at overseas bases, including employees seconded from the headquarters.



Manufactured Capital

Production capacity

70% up (FY2023)
* compared with fiscal 2020

We are expanding our capacity by adding new production facilities and optimizing production workflows. In July 2024, our Ueda Factory II became operational.



Social and Relationship Capital

Number of registered product users on our membership website

74% up (FY2023)
* compared with fiscal 2020

We strive to improve membership benefits for domestic and overseas customers to build relationships of trust.



Intellectual Capital

Ratio of R&D expenses to net sales

11.6% (FY2023)

We will continue maintaining R&D expenses as a percentage of net sales, a key performance indicator, at 10% or higher even as our revenue continues growing steadily.



Financial Capital

Ratio of overseas sales

50.7% (FY2020)
63.3% (FY2023)

To prepare for industrial restructuring and geopolitical risks arising from increasing diversification of our target markets, we have set an overseas sales ratio target of 70% or higher.



Natural Capital

Renewable energy generation capacity

273.3 MWh (FY2020)
287.0 MWh (FY2023)

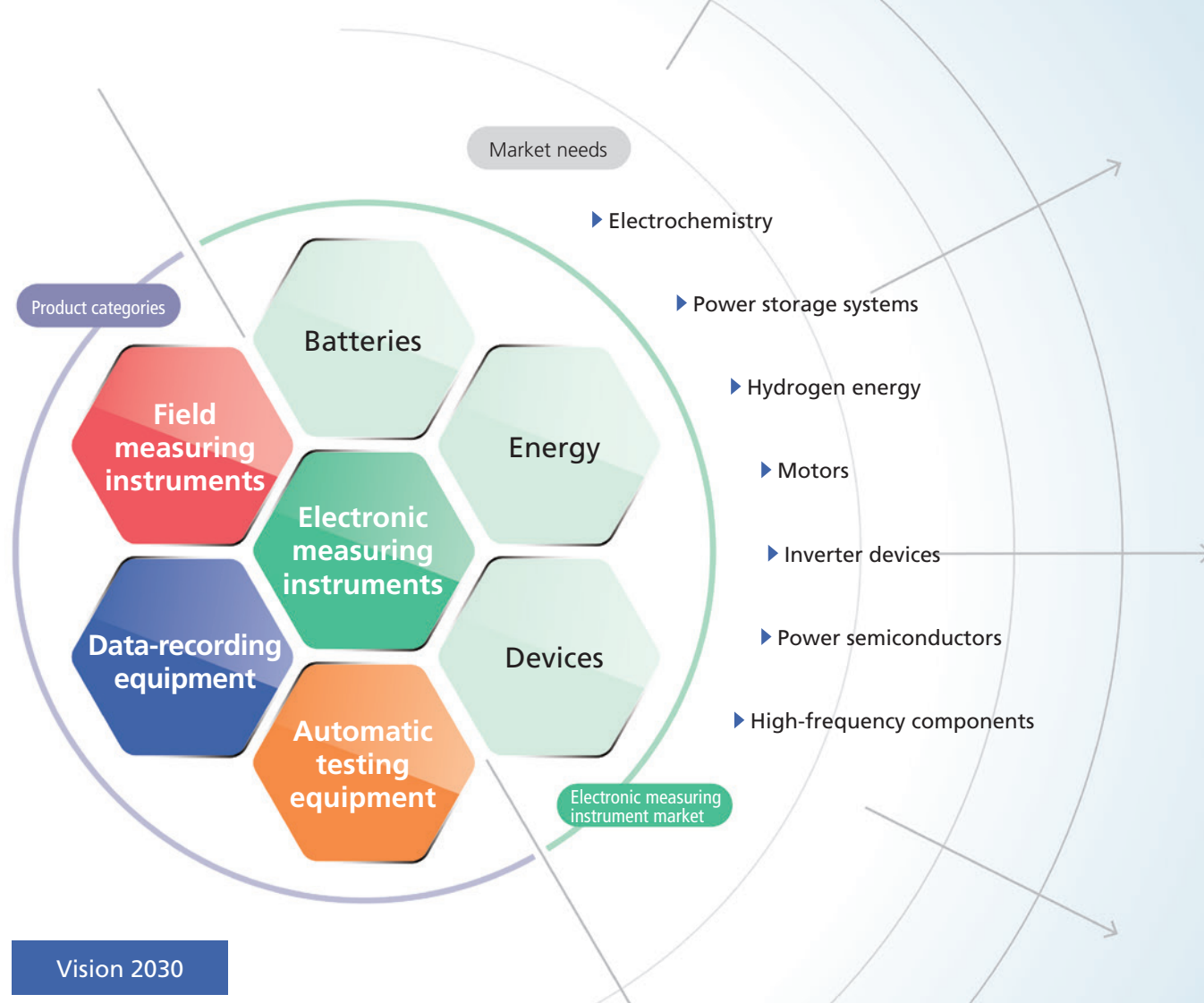
Through solar power generation, we are providing sustainable energy supplies and have plans to expand our capacity further in the future.

Hioki in 10 Years

Our long-term management vision, Vision 2030, was launched as a project in 2019 and its overall framework was finalized in 2020. Since then, we have pursued in-house activities to raise internal awareness and released the details of the policy.

One of the ideas emphasized in the project is “the future that has already happened,” as advocated by Peter Drucker. This concept involves identifying fundamental and inevitable changes that are yet to have a full impact. By recognizing such changes as events that have already happened, we can anticipate future developments and prepare in advance. At that time, the focus was on climate change. The main cause of climate change is global warming due to greenhouse gas (GHG) emissions, with CO₂ having the greatest impact. Natural disasters induced by climate change and the effects of a 2°C rise in global temperatures have been widely covered in various media. International opinion strongly calls for a transformation of industrial structures away from fossil fuels. Recognizing this situation, we anticipated an accelerated transition away from fossil fuels toward alternative energy sources, alongside a potential shortfall in renewable energy supply relative to the growing demand for energy. As a countermeasure, we forecast a shift toward the electrification in various sectors, which will necessitate a substantial increase in energy storage devices to ensure a stable supply of electricity. Consequently, we expect a growing need to improve the efficiency of electricity usage through high-precision measurements while advancing R&D on diverse energy sources. This foresight has guided Hioki’s strategic direction.

Vision 2030 describes where Hioki wants to be 10 years from where HIOKI wants to be in 2030 in consideration of potential future changes in the external and internal business environments and shows how Hioki will contribute to society and its customers to realize a sustainable society. Recognizing that “the future that has already happened” is part of the global effort to achieve carbon neutrality, we will focus on identifying market needs through back-casting and concentrate allocation of management resources on these key areas.



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 Hioki in 10 years

“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.”

Company-wide efforts to fulfill vision

As a solution creator, we are committed to delivering high-value-added, competitive electrical measurement solutions to customers worldwide through continuous innovation across all Company functions.

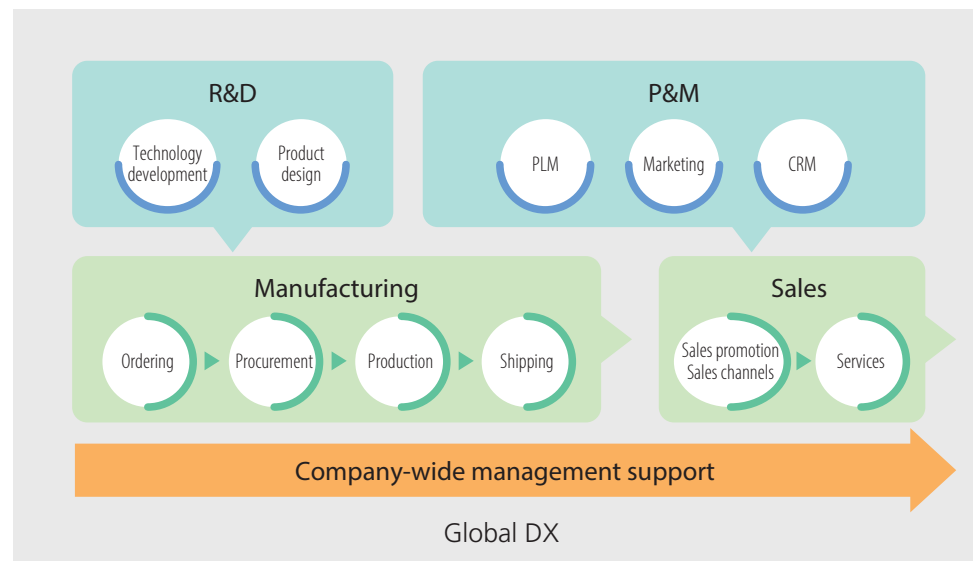
The Group's Unified Management System

Rebuilding Our Marketing Capabilities

The key characteristic of Hioki's value chain is that all of its departments pursue customer value. Each function, including development, sales, quality control, delivery, and service, emphasizes direct interaction with customers. Communication with customers in the field is extremely important to anticipate market needs. However, social issues in the global market are diversifying and the situation is changing dramatically. Even if we obtain accurate and up-to-date information from the field, delays in analysis or decision-making can prevent us from keeping pace with the market. In response, we will enhance our product planning capability. To accelerate collaboration between key market customers and overseas subsidiaries working on problem-solving, we will integrate product functions into the customer marketing division, restructuring it into the product & marketing (P&M) division.

The research and development (R&D) division, which previously handled technology development and product planning and design, will now focus more exclusively on technology development and product design while maintaining opportunities for communication with customers. Its goal is to acquire advanced technologies aimed at addressing more complex social challenges. Responsibility for product planning, including product lifecycle management (PLM), will be transferred to the P&M division, which will work to develop new niche markets by consolidating information on domestic and international market requirements and R&D-driven core technologies while strengthening coordination between the product planning and marketing communications teams. We will also strive to acquire a marketing capability with the agility to handle everything from timely new-product launches to strategic decisions for exiting commoditized markets effectively.

Restructured Value Chain



R&D

We will focus on agile, customer-focused product development in addition to medium- to long-term product development while working to attract and nurture global talent.

Product Planning

The product management function will become independent and work more closely with development and sales teams to develop a product roadmap for maximizing customer value.

Marketing

We will emphasize consistent marketing and communication both domestically and internationally to promote brand recognition and create new customer value.

Sales

In addition to focusing on regional efficiency, we have introduced an account-based system to increase touchpoints and communication opportunities with customers operating across broader areas.

DX

Leveraging our expertise of measurement instruments through the cloud, DX will help us enhance security and build a unified management platform for the Group.

Growth Strategy

In Vision 2030, Hioki has committed to concentrating its product and business development resources on the prioritized market that establishes new social systems aiming at achieving a sustainable society centered on decarbonization and zero emissions and another key market for building and maintaining social infrastructure to support DX. Additionally, we recognize the importance of markets involved in building and maintaining the social infrastructure necessary to support digital transformation (DX). The pace of adaptation to global shifts toward decarbonization and sustainability is accelerating, reflecting our customers' proactive efforts to develop new technologies in their quest for a sustainable society. Capturing these latent customer needs to deliver new value is crucial. To swiftly address such changes and enhance corporate value, Hioki has outlined the following three strategies aimed at achieving further growth.

Product development with the indispensability of Hioki

The shift toward decarbonization is transforming our society from one reliant on fossil fuels to one centered on electrical energy. As new technologies emerge one after another, it is essential that we incorporate these innovations into our product development.

To become an indispensable partner in resolving our customers' issues, Hioki is strengthening its focus on advanced technology development. A key initiative in this effort is our investment in the Creative Collaboration Laboratory, through which we are enhancing our measurement facilities and co-developing measurement solutions with our customers to meet their specific needs.

In May 2024, we carried out a reorganization to establish a structure specializing in technical functions. Going forward, we will accelerate the development of advanced and elemental technologies to create solutions that enhance Hioki's indispensability and existential value.

Market-oriented business development

Market changes have led to diversification of the applications of our product range. Looking ahead, we must fully understand latent needs and develop business strategies to address customers' challenges. In other words, we need to develop new businesses along market lines. Actions based on innovative ideas and thinking will enable us to create customer value.

Another important measure is to broaden our overseas sales network to promote activities in line with country/regional strategies. In 2024, we established new local subsidiaries in Thailand and the United Arab Emirates and expanded our sales offices in India and Indonesia. Under the recent reorganization, we transferred the roles and responsibilities of product planning and product management from the technical division to the marketing division. These measures will enable us to engage in product planning and product lifecycle management (PLM) that better reflect the voices of the market.

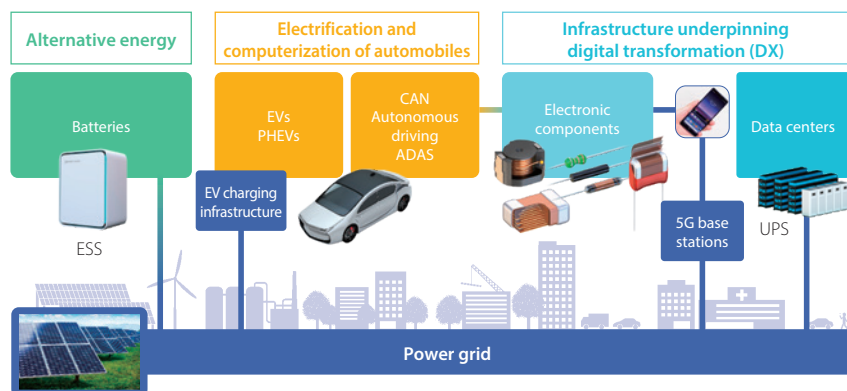
Achievement of Carbon Neutrality under the GHG Protocol

In line with the Hioki Sustainability Declaration, released in 2022, we are advancing efforts to calculate and reduce CO₂ emissions across our domestic and overseas locations, aiming at achieving carbon neutrality by 2035. We view this as a task that can be accomplished only by harnessing the efforts of every employee, the cooperation of our suppliers, and the collective technological innovations of society.

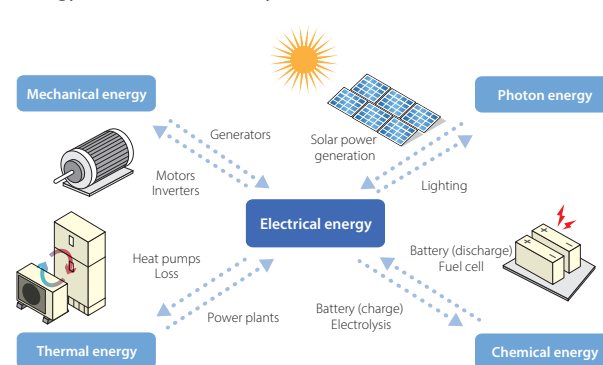
The first step toward carbon neutrality is to understand the overall CO₂ emissions related to Hioki's business operations. This involves calculating emissions by scope at each domestic and overseas location to determine total annual emissions. Since 2023, we have been undergoing third-party verification to confirm the accuracy of our Scope 1 and 2 emissions calculations. However, a significant portion of Hioki's emissions falls under Scope 3, Category 1, which involves purchased components, so reducing these emissions is one of the major issues.

We will continue advancing these initiatives to ensure that Hioki is the preferred choice for our customers.

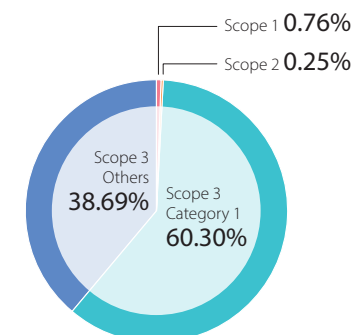
Key markets that constitute new social systems



Energy mix in future society



Total CO₂ emissions in 2023



* In the process of verification by third-party organization
 ** Scope 2 is calculated based on the market standard

Medium-term Business Plan

■ KPIs and progress

In our long-term management policy, Vision 2030, we declare our commitment to becoming an industry front runner and to contributing to the creation of a sustainable society alongside our customers worldwide. Three years have passed since we launched Vision 2030, and while the direction of each organization and base is still being shaped, collaboration between bases is deepening thanks to our DX strategy.

In Vision 2030, we used a back-casting method from our 2030 aspiration to define milestones in the form of medium-term business plans, and we are currently implementing a three-year plan with fiscal 2025 as the final year.

By achieving the KPIs we have set as targets, we will continue working to deliver further growth.

Ratio of operating profit to net sales	Ratio of overseas sales	Return on equity (ROE)	(FY2023)
20%	70% or higher	10% or higher	
			Ratio of operating profit to net sales 20.3%
			Ratio of overseas sales 63.3%
			Return on equity (ROE) 18.1%

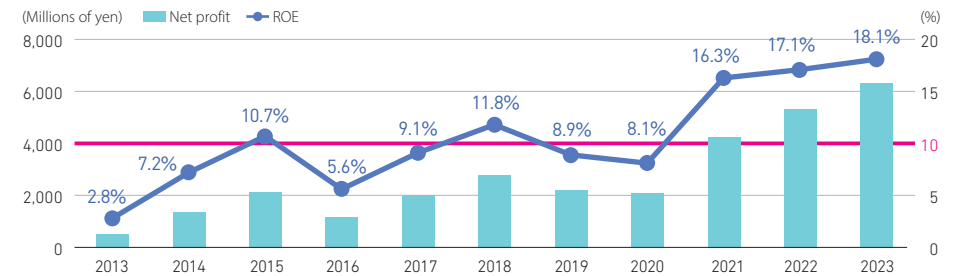
■ Strategic investment from a medium- to long-term perspective

To deliver products that meet market demands in a timely manner, it is crucial to stay closely connected with leading-edge global customers, swiftly identify their issues, make prompt decisions, and take actions to address such issues. To strengthen this foundation, we plan to increase investments in the short, medium, and long terms.

	Short-term investment (2024 through 2025)	Medium- to long-term investment (2024 and beyond)
New product development New business development	<ul style="list-style-type: none"> Obtain safety standard certification Increase development and production efficiency <ul style="list-style-type: none"> Introduce new systems Leverage external resources to shorten development period 	<ul style="list-style-type: none"> Strengthen investment in R&D Increase number of new-product development themes Promote collaborative creation with related organizations and companies <ul style="list-style-type: none"> Battery industry Hydrogen-related business
Aiming to increase overseas sales ratio	<ul style="list-style-type: none"> Invest in human resources, particularly at overseas bases Establish technical centers at domestic and overseas locations to strengthen sales to priority customers 	<ul style="list-style-type: none"> Reinforce overseas development system (China, India) Strengthen global after-sales service system
ESG investments	E: Construct solar carport at headquarters and conduct ZEB conversion of headquarters building S: Promote internal systems and technology development to establish a circular economy G: Strengthen global information systems and information security	

■ Management focused on cost of capital

To maintain an ROE of 10% or higher, one of Hioki's KPIs, we must enhance operational efficiency and increase added value, which will help improve capital efficiency and control capital costs. It is also important that every employee makes a contribution to addressing ESG issues.



■ Realizing a decarbonized society

The push toward a sustainable society is leading to diversification of measurement applications across various markets. By reinforcing our product marketing capabilities, we will promote proposals for products and solutions centered on applications demanded by the market.

Main measurement applications in key markets

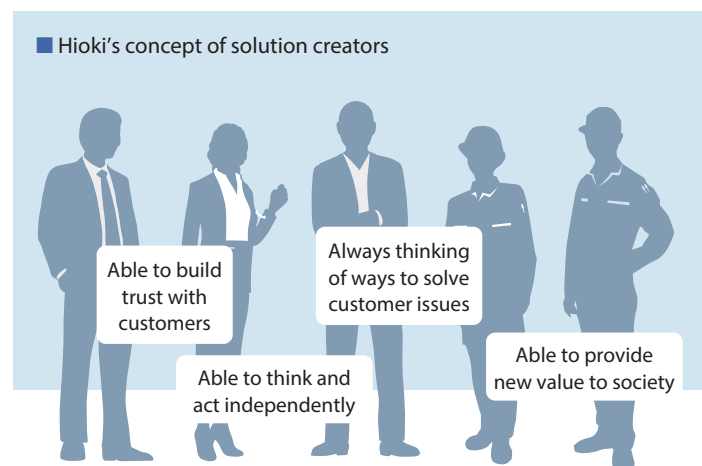
	Solar power generation Heat pumps	Battery industry Hydrogen industry	Mobility Electrification	Semiconductors Electronic components industry	Data centers DX infrastructure
Automatic testing equipment		Module welding inspection	ECU board inspection	Package substrate inspection Interposer inspection	
Data-recording equipment	Distribution system maintenance Temperature record management	Charge/discharge measurement Temperature control	Thermal management Model-based development	Temperature characteristic testing Predictive plant maintenance	Temperature control Power records Preventive maintenance
Batteries	ESS development Maintenance	Battery material development Cell mass-production inspection Module inspection	Battery degradation diagnosis		UPS maintenance
Devices	Solar panel insulation	Connection quality inspection	Motor insulation inspection Path resistance inspection	MLCC High-frequency inductors Large capacitors Mass-production inspection	
Energy	Power quality control Efficiency performance improvement	Electrolytic cell research Fuel cell development	Motor/inverter performance Energy management	Power devices Magnetic material performance assessment	Power quality control Power monitoring system for CO ₂ reduction
Maintenance	Distribution system maintenance		EV maintenance		Installation inspection and maintenance

Five Innovations for Realizing Vision 2030






Five innovations to become a solution creator

The external environment surrounding our business is changing significantly, 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 key 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 Company-wide functions.



Main initiatives

 <p>Creating new customer value</p>	<ul style="list-style-type: none"> ● We are restructuring our domestic sales organizations and our Chinese sales subsidiaries, shifting from an area-based sales approach to a market- and account-based model. ● To respond swiftly to changes in the external environment, we have reorganized three key business units: the technical development division, the marketing division, and the Global DX Planning Department.
 <p>Building new production systems</p>	<ul style="list-style-type: none"> ● Our Ueda Factory II, located near our headquarters factory, began operations in July 2024. Moving forward, we will optimize our production system, including the headquarters factory and the Sakaki Factory. ● To address ongoing increases in component prices, we are revising our product prices both domestically and overseas while working to improve the outsourced material cost ratio.
 <p>Building relationships for creative collaboration with customers to forge a new society</p>	<ul style="list-style-type: none"> ● Through our Creative Collaboration Laboratory, established within our Innovation Center (R&D complex), we are conducting joint research with numerous customers. ● To strengthen relationships with customers, we will open three technical centers in Japan and one in India (centers already opened in China and Indonesia). ● To strengthen our hydrogen-related business, developed through collaborative efforts aimed at creating new industries, we reorganized the in-house venture team into the Company's section officially. ● To enhance customer engagement in response to the global shift toward decarbonization, we established sales subsidiaries in Thailand and the United Arab Emirates.
 <p>Building new supply chains</p>	<ul style="list-style-type: none"> ● In line with our participation in the UN Global Compact, we are enhancing our focus on respecting human rights across our supply chain. ● Initiatives to reduce CO₂ emissions in the supply chain and at partner companies ● Ongoing close communication with suppliers to ensure smooth production
 <p>Realizing new internal structures</p>	<ul style="list-style-type: none"> ● To align our business strategy with our human resources strategy, we are working to introduce our HI-Career System. ● We are stepping up recruitment of international talent as part of our DE&I promotion efforts. ● The Nominating Committee (chaired by an Outside Director, Osamu Mawatari) has begun discussing a succession plan to select candidates for the next management team.



To respond swiftly to changes in the external environment, we reorganized the technical development division, the marketing division, and the Global DX Planning Department.

The global shift toward decarbonization and changing markets present significant business opportunities. To address these factors, we reorganized the technical development division, the marketing division, and the Global DX Planning Department.

The technical development division will be held more accountable than ever for accumulating the advanced technologies necessary to explore new business opportunities for our customers. The marketing division has been renamed the product & marketing division, with the aim of building a system that enables product planning and development based on the latest information obtained directly from the market. The reason for establishing the Global DX Planning Department is to adopt a data-driven approach to decision-making related to investing capital in strategies for boosting sales and profits, as well as to increase the speed at which these decisions are made.



Our Ueda Factory II, located near our headquarters factory, began operations in July 2024. Moving forward, we will optimize our production system, including the headquarters factory and the Sakaki Factory.

The Ueda Factory II (located in Nikoda, Ueda City, Nagano Prefecture) began operations on July 8, 2024. A portion of the production of the headquarters factory has been transferred to this new facility, which now engages in the development, production, sales, and servicing of automatic testing equipment.

The Ueda Factory II is a three-story steel-framed structure. The first and second floors are used primarily for production and demonstration, while the third floor has space for product development and sales personnel, as well as a restaurant.

From a sustainability perspective, we used recycled materials for the roofing, exterior cladding, and exterior fittings, resulting in a reduction of 2,324 tons of CO₂ emissions. (Our calculation was based on emissions from the structural frame alone.)

Additionally, the restaurant utilizes biomass tableware, and the kitchen equipment is all powered by electricity. Going forward, we will continue optimizing our production facilities, including the existing headquarters factory and the Sakaki Factory. These efforts will significantly increase our production capacity.



We are strengthening our hydrogen-related business, which we have advanced through collaborative efforts aimed at creating new industries. To this end, we reorganized the in-house venture team into the Company's section officially.

In recent years, the development of hydrogen utilization technologies has attracted much attention in the context of decarbonization. One such technology is water electrolysis, which is essential for producing green hydrogen stemming from renewable energy sources. With this in mind, Hioki developed and released ALDAS-E, which measures the impedance of water electrolysis devices and membrane electrode assemblies (MEAs). In February 2024, we delivered this system to the Japan Aerospace Exploration Agency (JAXA).

The number of ALDAS-E deliveries is steadily increasing. To strengthen our hydrogen business, we restructured our internal venture team and newly established the H2ES (Hydrogen Energy Solution) Section in May 2024. We remain committed to fostering a sustainable, hydrogen-oriented society.



ALDAS-E



In line with our participation in the UN Global Compact, we are strengthening efforts to promote respect for human rights throughout our supply chain.

In May 2024, we joined the UN Global Compact, the world's largest sustainability initiative. While we had already been promoting initiatives related to human rights and other issues, we took this opportunity to strengthen our sustainability activities in line with the 10 principles in four areas advocated by the Compact.



The Nominating Committee (chaired by an Outside Director, Osamu Mawatari) has begun discussing a succession plan to select candidates for the next management team.

The Nominating Committee was established as an advisory body to the Board of Directors to ensure transparency and fairness in management decision-making. In fiscal 2023, the Committee held four meetings and provided recommendations to the Board of Directors on various matters, including selection of the candidate for President, nominations for Director candidates, and changes in executive positions. It also recommended candidates for Corporate Auditors. After obtaining the consent of the Board of Corporate Auditors, it then recommended the approved candidates to the Board of Directors.

Currently, the development and formation of a talent pool for the next generation of leadership is an urgent priority. In response, the Nominating Committee, in collaboration with the Human Resources Department, has initiated discussions on a succession plan.

Interview with the CTO

To establish a competitive advantage

Innovation that establishes a competitive advantage

At Hioki, innovation means creating new customer value by connecting measurement technology with our customers' latent needs. It is one of the most crucial elements for sustainable growth. The keys to generating innovation lie in the core technologies accumulated through our past technology development processes and the ability to quickly identify our customers' latent needs. We will establish a competitive advantage by making customers recognize Hioki's unique value while proposing solutions to society that combine the latest technologies with our core technologies.

Setting policies and standards for technological development

It takes many years to bring a technology to market. Therefore, it is essential to anticipate future trends and develop technologies in advance so that by the time the market needs such technologies, we have already established them internally and should be ready to offer them to our customers. At Hioki, we have set up an internal system that allows us to stay close to our customers, monitor their needs, and simultaneously anticipate future trends, giving us the direction for developing technologies accordingly. As the CTO, my role is to ensure that we select the right technologies and establish the criteria for making decisions in alignment with the Company's overall direction, specifically its long-term management policy, Vision 2030. If we can control these processes, technology development will naturally progress, and we will be well positioned to introduce products that meet market needs. Under this policy, we will continue to refine our core technologies and enlighten our inquisitive minds.

Encouraging employees to create innovations

One example of innovation co-created with our customers is our hydrogen-related business, which started as an internal venture and is now something we anticipate highly. Since the field of hydrogen energy first began to attract attention, we recognized the potential for Hioki to contribute through electrical measurement. As a result, we established an internal venture led by selected employees, giving them an environment and the discretion to freely pursue research and technology development. The expansion of the hydrogen business market has become a reality in recent years. With this in mind, we decided to organize and formalize our efforts to pursue this business as a serious venture and will make strategic investments in the hydrogen sector as our next growth market over the medium to long term.

As the CTO, I am thrilled to see young employees taking the initiative and driving forward innovation on their own. In addition to anticipating market needs, we will continue fostering innovation by encouraging employees to take the initiative in development promotion. We see these two approaches as efforts driving our innovation strategy.

Securing intellectual property rights in line with our global strategy

Hioki has been focusing on patent rights for more than 30 years. As a leading manufacturer of electrical measuring instruments, we have consistently been at the forefront in patent filings, and in 2017, our portfolio surpassed the milestone of 1,000 patents. The driving force behind this is our determination to protect the technologies that form the foundation of Hioki's strengths. Patent applications and infringement

investigations are also integrated into the product development process, and all engineers regard inventions as a natural part of their job. In line with the expansion of international markets, in 2020, we shifted our focus to strengthening international patent applications. We are actively pursuing patent filings in key market countries while strategically abandoning certain domestic patents. Additionally, we are strengthening our pricing power by enforcing our rights when it is necessary.



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

Hioki Innovation Center

DX Initiatives

Hioki promotes digital transformation (DX) to develop services and businesses that provide new value to customers.

Basic approach

Hioki is advancing its internal and external DX initiatives in parallel. Both of these are crucial for not only enhancing and optimizing operations to deliver new value to customers but also for contributing to a sustainable society.

Our DX initiatives to date

In external DX, we launched GENNECT Cloud, a cloud-based remote measurement IoT solution for customers, in September 2022. By adopting over-the-air (OTA) testing of our measurement instruments, we keep software consistently up-to-date, extend the utility of our hardware products for solving customer issues over the long term, and help realize a circular economy.

This approach allows us to create value for Hioki in terms of both hardware and software. Since 2023, our new software-equipped products have been designed to allow OTA-based updates, and we plan to complete this installation across our entire product line by around 2030. Furthermore, we envision a future where the performance and functionalities of our measurement instruments can be freely customized through software, tailored specifically to the requirements of each customer's production line or R&D environment.

In internal DX, we are refurbishing our in-house systems, strengthening our information security measures, and developing digital talent. Our aim here is to enhance information-sharing speed within the Group regarding customer needs and other requirements. This will enable us to deeply connect our engineers,

the source of our competitiveness, with customers around the world to pinpoint their needs and promote innovation in core technologies and solutions.

Developments from 2023 through 2024

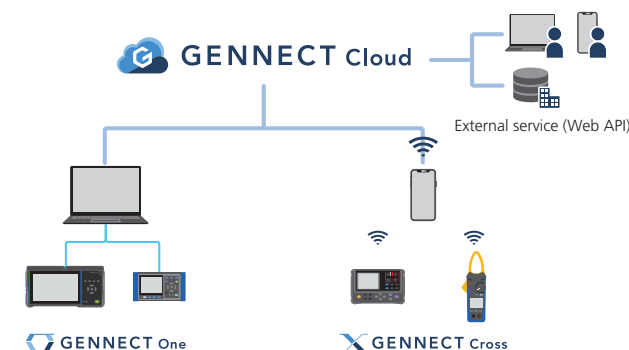
Meanwhile, Hioki is advancing efforts to integrate internal and external DX initiatives. Previously, our internal DX was primarily handled by the information systems division, while external DX was led by the technical development division. Under a loosely coordinated system, other initiatives were overseen by a DX promotion team, with Hioki's internal information systems concentrated at the headquarters, where nearly all development and production functions are centralized. Furthermore, since each country's information was kept within its own confines, we previously thought that it was adequate as long as the headquarters possessed such data and understood what was going on. To strengthen connections with customers undertaking advanced initiatives worldwide and operate with greater agility, however, it has become essential to consolidate customer information globally by dismantling national barriers and communicating more effectively not only at the headquarters but also among overseas offices by sharing information. Therefore, in May 2024, we established the Global DX Planning Department with the intention of bringing together both internal and external DX human resources to work collectively on a global basis. In addition to existing divisions, we have assembled personnel from global locations at the new organization, leveraging the strengths and expertise we have developed over time.

Regarding personnel, we are enhancing our recruitment of DX specialists and have already established recruitment channels in India, a leading IT-advanced country. Recognizing that our industry is constantly evolving, we will also strengthen partnerships with companies and experts possessing advanced technologies and human resources not currently existing at Hioki. To ensure maximum safety in the management of customer information, moreover, we are building and strengthening our systems in cooperation with leading companies in terms of security.

DX serves as the backbone of our commitment to enhancing our product marketing efforts. Accordingly, we will work closely with the new product & marketing division to further accelerate the Hioki Group's unified management approach.

Hioki's DX infrastructure: GENNECT

Leveraging OTA testing of measuring instruments to resolve customers' issues and achieve a circular economy



Hioki's Global Strategy

Build close relationships with the world's



Yasunao Takano

Director
Executive Officer
Chief Marketing Officer
(CMO)

Adopt a customer-focused approach for each region and build a system to quickly grasp information from around the world

As outlined in its long-term management policy, Vision 2030, Hioki aims to provide cutting-edge solutions to customers who are committed to realizing a sustainable society. To achieve this, we must deepen our relationships with customers and quickly identify their latent desires and future needs.

Currently, the global movement toward decarbonization is accelerating, with each country advancing its own unique policies, leading to diversification of customer needs worldwide. To date, Hioki has emphasized a customer-focused, problem-solving sales approach. We have made frequent visits to our domestic customers, carefully listening to their needs, then developing and providing solutions accordingly. We are also advancing these solutions internationally, contributing to our ongoing growth.

However, as policies and regulations for a decarbonized society vary significantly by country and region, the need to stay close to customers in each country and swiftly capture information has become increasingly important. Additionally, in regions where our brand recognition is not so strong, we must first make people understand that Hioki is a trustworthy company. More than ever, therefore, we need to build a system that enables global responses.

Organizational changes to strengthen globalization

Our marketing division's goal under Vision 2030 is to create collaborative relationships with customers committed to building a new society. To achieve this, we have made three major

organizational changes at the same time.

- (1) Establish product & marketing division
- (2) Concentrate on technology development by redefining the role of the technical development division
- (3) Establish Global DX Planning Department

Items (1) and (2) are closely related to the growth strategies of "product development with the indispensability of Hioki" and "market-oriented business development." Product planning, which has been primarily led by the Technical Development Department, has mostly been based on the needs of customers in Japan. Given our overseas sales ratio target of 70%, we must base our product planning on communication with customers in each country and explore potential needs on a global scale. With this in mind, we established the product & marketing division, enhancing its capabilities to explore customer needs globally, including in Japan, and drive forward our product planning. The technical development division is designed to specialize in not only product development but also advanced technology development, elemental technology development, and other technical functions, thereby accelerating our development speed to materialize solutions to customer needs.

The context behind (3) is the fact that our target customers are not developing their businesses only in a single country but are expanding globally. Our reasons for establishing the Global DX Planning Department are to strengthen information-sharing systems and collaboration across the entire Group, rapidly capture nuanced trends in each region that may go unnoticed at the national level, and effectively integrate this intelligence into our product planning and sales strategy development.

By implementing these three organizational changes

leading-edge customers and make Group-wide effort to quickly grasp future needs

simultaneously, we will further strengthen our global responsiveness beyond previous levels.

Restructure sales organization to strengthen customer focus

High levels of expertise and cross-regional customer support are essential to fully understand and address customer needs. Our Indonesian sales subsidiary, which was changed from a sub-subsidiary to a direct subsidiary in 2023, was the first to transition from a region-based system to an account-based system, allowing us to advance sales activities adapted to local characteristics. As a result, we achieved strong growth in that nation.

Following this example, we have now restructured our domestic sales organizations and our Chinese sales subsidiary, shifting from a region-based sales approach to a market- and customer-focused one.

Up until now, we have provided equal service to all customers in Japan and China. To deepen our customer-focused approach under Vision 2030, however, we must narrow our focus to customers who are dedicated to building a sustainable society and deepen our relationships with them.

In Japan, we recently restructured our sales organization to integrate our region-based system and account-based system.

Specifically, we divided our sales staff into Area Managers and User Experience Designers (UXDs), who serve as key account managers. The Area Managers focus on collaboration and development with sales agents, while the UXDs are dedicated to closely engaging with and deepening relationships with key account customers.

Additionally, we divided our sales locations into Sales & Solution

Hubs (SSHs), which provide market-specific technical and sales support, and Sales Expert Offices (SEOs), which also deliver premium sales support with high customer satisfaction through regionally customer-focused engagement. This structure is designed to maximize the value we provide. In addition, we will establish market-focused technical centers in our SSHs in Yokohama and Osaka. Here, we aim to engage in joint research with our customers, identify new challenges, and work toward solving them. We want to create a dynamic that makes customers think, "Let's consult with Hioki first."

In China, meanwhile, we restructured our sales organization along market-specific lines, with one team in charge of the battery and automotive markets, one in charge of the energy and electronic components markets, and one in charge of wholesale distribution. We made this change because China's vast territory made it difficult for region-based sales representatives to accurately capture cross-regional needs, leading to inefficiencies in sales activities. Additionally, many Chinese companies are now expanding overseas. We will deepen our customer engagement

from a global perspective by leveraging our in-depth knowledge of each industry and sharing information across regions.

We believe this organizational restructuring will enhance our ability to address customer needs and thus provide even better solutions.

Building collaborative relationships with customers around the world

By understanding the different market trends and cultural backgrounds in each region and developing products and services tailored to them, we can provide more accurate solutions.

We aim to establish a system where product planning is driven by deep communication with customers worldwide, and where the entire Hioki Group collaborates to support and continuously contribute to the global success of these customers.

When Hioki is recognized as indispensable by customers through these efforts, we will have secured our ticket to the next level of growth and success.



Yokohama Technical Center (artist's rendering)



Osaka Technical Center (artist's rendering)

Hioki's Human Resources Strategy

Creating a culture where people embrace



Akiko Kobayashi

Executive Officer
Director of Human
Resources and
DE&I Promotion

Building an environment for recruiting new personnel

At Hioki, we have a firmly established corporate culture that values people, as evidenced by our corporate philosophy of “Respect for Humanity.” We take pride in the fact that individuals who resonate with this philosophy have gathered here, making decisions and taking action in alignment with our philosophy. It goes without saying that the power of employees is essential for a company’s growth. We truly believe that Hioki exists because of its people, and we realize every day that the strength of our employees supports our growth and development.

To stay ahead of the ever-changing needs of the global market and respond in a timely manner, Hioki seeks individuals who possess ownership, can proactively identify and adapt to changes, and seize and act on them as positive opportunities. Additionally, we believe that, above all else, “integrity” is of the utmost importance.

Hioki is committed to promoting diversity, equity, and inclusion (DE&I). While we prioritize diversity and inclusion, we place particular emphasis on equity. We ensure that all employees, including those with diverse backgrounds and nationalities, are provided with fair opportunities to pursue their ambitions and challenges.

We actively hire foreign nationals as Group companies do, but even when hiring locally, we first explain Hioki’s philosophy thoroughly, and then approach those who empathize with our philosophy to work with us. We provide opportunities for all employees to recall and think about our philosophy, and we feel that all employees in the Group are philosophy driven. One core aspect of our corporate philosophy, “Respect for

Humanity,” underscores our commitment to upholding a shared value that transcends any differences among races. Our entire organization is dedicated to building a new environment that meets the needs of diverse talents. This includes not only providing communication tools in their native languages, which are essential for working in Japan, but also addressing various issues related to food, customs, religion, and so forth. We are convinced of the urgent need to create an environment where both Japanese and non-Japanese employees can communicate with one another in a respectful and natural manner.

In 2024, we are working to recruit students from Indian universities. We would like to provide internships for students at subsidiaries and foster a relationship of trust with universities before recruiting students who want to work at our headquarters in Japan. In the future, we aim to further expand our contact points for recruitment beyond India to other overseas countries. We want people to feel that Hioki has a corporate culture where everyone can realize what they want to do through the Company’s business and work freely and openly. Accordingly, we will aim to increase the number of diverse employees around the world.

New personnel system to drive change

We are introducing a new personnel system, called “HI-Career System” (see page 41 for details), which will start in January 2025.

The aim of this system is to encourage employees to “do, achieve, challenge, and contribute”—in other words, find their “individual purposes”—through our corporate business activities. Following Hioki’s philosophy of “Respect for Humanity,” we want individual employees to build careers where they play active and leading roles in their own lives, thereby enhancing

challenges to foster both company growth and social contribution



job satisfaction. We will help employees realize their individual purpose, which will lead to the sustainable growth of Hioki and align individual potential with our organizational goals at a high level.

The background reason for introducing the system is, after all, our desire to drive change. When we formulated our long-term management policy, Vision 2030, we strongly felt that Hioki's human resources must also change in line with social trends. With this in mind, we will launch the HI-Career System as a personnel system that links our management strategy with our human resources strategies.

Prior to introducing the HI-Career System, we have been promoting "HI-Challenge," an open application system where employees can volunteer and participate in positions of their choice (internal recruitment) and various projects. We have been openly soliciting applications for new businesses and training for the past several years, including "Hydrogen Energy Solutions," which began as an in-house venture, and our participation in the NHK program "Night of the Makaizo Society," which aired in 2023. In addition to our existing corporate culture of encouraging employees to make their own choices, a climate of boldly and independently taking on challenges has also spread. As a sense of anticipation and excitement that something was about to change began permeating the Company, we are finally ready to introduce the HI-Career System in earnest.

Enhancing the capability and job satisfaction of individuals and supporting each person's career

The HI-Career System focuses on the "I" ("Individual") part of "HI-CEO+" (medium-term priority policy). It is designed to

enhance the capability of individuals and job satisfaction for those who excel in times of change and serve as a driving force for Hioki. We believe that job satisfaction can be achieved by combining a great workplace environment with fulfilling work duties. This includes not only challenges, such as wanting to work on the global stage or creating new businesses, but also responding to individual needs of people wanting to work in communities with supportive environments for children or wanting more life-centric work arrangements due to nursing care duties. Therefore, we will also implement a system that allows employees to choose their work locations.

While it is certainly important for individuals to continue challenging themselves for the Company's ongoing growth, it is also essential for Hioki's employees to consider their future careers based on their own values and lifestyles, and we must provide an environment where everyone can thrive. The HI-Career System not only supports employees who are positively taking on challenges but also emphasizes the importance of being able to specifically and autonomously choose their career within the context of designing their entire life, including their private life. In other words, the greatest strength of the new HI-Career System is that it enables all employees, regardless of their diverse positions, to build the careers they desire.

Following this fundamental premise, we will actively support employees who take on challenges, with the aim of enhancing their motivation and fostering further growth in accordance with the Company's management policy. Simultaneously, we will review our salary standards, abolish the regular salary increase system (except for seniority), and introduce a new compensation structure centered on performance-based remuneration for promotions and incentives for embracing challenges.

By pursuing DE&I, we strengthen both individuals and our organization and help realize a sustainable society

The HI-Career System provides all employees, not only those who pursue challenges but also those who may not express an intention to take on challenges but who support Hioki's growth or belong to minority groups, with fair opportunities to choose a career aligned with their personal life circumstances. This is an opportunity for Hioki itself to change and is also as an important initiative from the perspective of DE&I promotion.

We categorize minority careers into five themes—"gender gap resolution," "multi-cultural co-existence," "SYOGAI (life-long employment of people with disabilities)," "childcare and nursing care," and "LGBTQ+"—and promote DE&I based on these themes. We aim to be a company where people in diverse positions can experience fairness, inclusivity, a sense of belonging, and psychological safety, and we believe that the HI-Career System will be a key driver supporting this aim. Furthermore, we are looking at abolishing the mandatory retirement age system in the future as we support ways of working and living where individuals can decide their own careers.

Through initiatives such as the HI-Career System, DE&I promotion, and the potential abolition of the mandatory retirement age, we aim to recruit exceptional individuals who resonate with our philosophy in Japan, where the workforce is shrinking due to declining birthrates and aging population, as well as in the broader global context. We will foster "new combinations" across the Company by having members with diverse backgrounds and expertise respect one another and collaborate. As an organization, we are committed to creating social value, which will lead to Hioki's continued growth and development and contribute to society.

Key Drivers for Enhancing Hioki's Competitive Advantage

Frontline Strength Driving Growth

China

Hioki's products becoming indispensable to customers

I first became involved with Hioki in 1997. At that time, I joined the Company's exclusive agent in China, where I was responsible for sales of Hioki products. In 2003, I joined Hioki's China Representative Office as a member, where I served as Technical Manager. In this role, I was responsible for providing technical support for products and technical training for customers and distributors. In 2007, after the establishment of Hioki's local subsidiary in China, I became that company's Deputy General Manager, responsible for sales and the development and management of distributors in the China region. At the end of 2017, I was appointed General Manager of the Hioki China Group*, overseeing all operations in the region.

* Collective term for all of Hioki's local subsidiaries in China

The Hioki China Group now has more than 100 employees and 10 sales offices in China. In line with our policy of being even more closely attuned to the needs of our customers, we established an R&D center in China in 2020. During its rapid development over recent years, the Hioki China Group has also progressively organized its functions into separate teams, including sales, technical support, quality assurance, promotions, and administration.

This rapid development is closely linked to our successful promotion of battery testers to customers in China's battery industry. Thanks to the efforts of our sales staff and application engineers, we have successfully integrated our battery testers into our customers' battery production lines. As a result, our electrical measurement instruments, previously used only in development laboratories and quality control departments for sample inspections, have become essential for undertaking comprehensive inspections of battery production lines.

Furthermore, the high-precision and rapid measurements provided by Hioki's instruments have helped our customers make safer and more reliable battery products. This has significantly improved product yield rates and helped reduce customers' production costs. The introduction of our instruments into customers' production lines has led to a substantial increase in

Training session for Managers



demand for our products, resulting in significant growth in the financial results of the Hioki China Group.

Recognition of the Hioki brand is now rising steadily in the Chinese market, and all employees of the Hioki China Group are eager to leverage this momentum. In line with Vision 2030, we will work to help realize a decarbonized society by actively developing opportunities in China's renewable energy sector, electric vehicle industry, and semiconductor industry. At the same time, we will enhance our R&D capabilities in China to develop new products that address our customers' measurement requirements. Currently, the aspects of measuring instruments most valued by customers on production lines are noise resistance, measurement speed, reliability for long-duration measurements, and high repeat stability. Looking ahead, we will address these needs incrementally and establish Hioki products as indispensable for our customers. At the same time, we will work actively to improve the accessibility of measurement data through wireless networks and cloud integration. In the future, we will also leverage AI to enhance data utility. Making measurement data available to customers more quickly, conveniently, and efficiently reflects Hioki's renewed pursuit of advancements "Beyond Measure."

The Hioki China Group is committed to advancing "Beyond Measure," continuously reaching new heights in each business endeavor alongside its customers with the goal of protecting our planet.



Members of the Hioki China Group

Indonesia

Becoming a top brand and earning the trust of our customers

My career with Hioki began in 2013 when I was appointed as the head of the Indonesia Representative Office. Now, 11 years later, I serve as President of PT. HIOKI ELECTRIC INDONESIA (Hioki Indonesia). My goal is to expand Hioki's business and the measuring instrument market in Indonesia.

Hioki's excellent corporate philosophy greatly helps in the formulation of our business strategies. This philosophy enables us to make meaningful contributions to our employees, customers, and all other stakeholders.

Currently, Hioki Indonesia has 18 employees. By focusing on sales, marketing, and after-sales services (Hioki Care), we anticipate further growth. In May 2024, we established a Technical Center with the aim of providing our partners and customers with the latest inspection and measurement tools and technical services, which will help improve their skills and competencies. This was in response to technological advances in various markets, such as those for electric vehicles, renewable energy, and batteries. Expanding the Technical Center in Indonesia is also part of our long-term strategy. We also established the Surabaya Office to enhance service delivery, focusing on the East Java region.

Hioki Indonesia's growth is reflected in its sales figures. In 2018, it reported net sales of 330 million rupiah, and by 2023 this had reached 3.65 billion rupiah.

The outlook for Hioki's business in Indonesia toward 2030 is very promising. Our optimism is supported by a range of macroeconomic factors, demographic changes, and government policies aimed at supporting businesses. In Indonesia, several sectors directly linked to Hioki's business are poised for rapid development. These are listed below.

Infrastructure In the construction, logistics, and real estate sectors, we anticipate major investments in highways, airports, ports, and railroads.

Renewable energy Efforts to reduce CO₂ emissions and expand the usage of renewable energy are advancing swiftly, with notable progress in solar, wind, hydrogen, and biomass power development.

Manufacturing and industry The "Making Indonesia 4.0" program encourages the active adoption of advanced technologies in the manufacturing industry, including those for automobiles, electronics, textiles, and food. Here, investments in automation, robotics, and smart technologies will be key driving forces.

Healthcare and pharmaceuticals Telemedicine, biotechnology, and pharmaceuticals are growth sectors.

Education and training Due to Indonesia's large young population, there is a growing demand for high-quality education and vocational training.

Tisna Irawan

President
PT. HIOKI ELECTRIC INDONESIA



To achieve long-term growth, Hioki is committed to implementing business strategies aligned with Indonesia's national policies and government roadmap.

It is very important that we continue developing markets in line with Hioki Indonesia's vision and mission. Our vision is to become a leading player in providing solutions through both standalone products and integrated systems, with the aim of achieving net sales of 10 billion rupiah by 2030. And our mission is to build the Hioki ecosystem in Indonesia to ensure sustainable growth. To fulfill this mission, we will adopt a comprehensive approach, engaging with regulatory bodies responsible for policy and legislation, agencies responsible for product quality standards and inspections/certifications, and end-users.

We envision a growth trajectory that begins with generating demand as a solution innovator, progresses to shaping specific markets as a game changer, and ultimately aims to establish ourselves as a market leader. We will also grow our brand in alignment with this trajectory. By establishing a brand concept that positions Hioki products as the premier engineering tools and expanding brand recognition, we aim to create genuine brand value. Through this process, Hioki will become a top brand in Indonesia and earn the trust of its customers.

To achieve the "Beyond Measure" ambition of Vision 2030, we will work steadfastly to realize the future of innovative marketing, sales, and services.



Members of Hioki Indonesia



Energy seminar hosted by Hioki Indonesia



Interview with the CFO

Strengthening R&D investments to increase profits and improve capital efficiency

Yoshikazu Suyama
Managing Director
Executive Officer
Chief Financial Officer

Role of the CFO in achieving medium- to long-term growth

Hioki's long-term management policy, Vision 2030, aims to help realize a sustainable society in partnership with customers around the world. Today, electricity is intricately connected with various initiatives undertaken by business entities, and the further advancement of electrical energy will be a pivotal factor in emerging technologies. We see this as an excellent opportunity for Hioki, whose main business is the development and production of electrical measuring instruments.

As CFO, I believe my role is to view things from a broad perspective and build a balanced and robust financial foundation. I also must identify potential business risks, develop multiple scenarios, and sound the alarm as needed.

To prepare for further advancements beyond 2025, we will make forward-looking investments in people and resources from a medium- to long-term perspective starting from 2024. For initial short-term investments, we will focus on taking measures to improve productivity, investing in human capital, and strengthening sales by establishing technical centers in domestic and overseas locations. For the medium and long terms, we will step up investments in R&D from the perspective of new

product and business development. We will also continue reinforcing our product development operations in China and India, as well as our global after-sales service network, and we will develop appropriate investment plans as needed for these purposes accordingly.

Thanks to growth in our financial results over the past three years, the level of free cash flow generated has increased significantly. We will carefully evaluate the best ways to reinvest these resources.

KPIs to target niche markets

To become a leader in the niche market of electrical measurement, we must fully understand social challenges and customer needs and provide timely solutions that address them. This is where R&D investment for new products and businesses becomes important. Since we must generate greater profit from such investments, we consider the ratio of operating profit to net sales an important KPI, for which we have set a 20% target.

As our global expansion gathers momentum, we have set an overseas sales ratio target of 70% or higher. We are also working to maximize shareholder value through efficient capital management by setting a target for return on equity (ROE).

We will emphasize management that is conscious of the cost of capital and will work to further increase corporate value by achieving ROE of 10% or higher, which exceeds the cost of shareholders' equity, estimated to be in the 6–8% range.

Achieve good results by gaining an understanding from customers about the need for price adjustments even when cost increases are unavoidable

In fiscal 2023, the issue of shipping suspensions for certain products due to parts shortages was resolved by mid-year, and we also strengthened our production capacity. As a result, net sales grew to ¥39.1 billion, a record-high figure. However, this was largely due to the impact of the weaker yen in the foreign exchange market. Nevertheless, we posted increased year-on-year sales in all segments except automatic testing equipment.

On the other hand, rising prices of parts pushed up the cost of sales, and increased personnel at sales subsidiaries led to higher SG&A expenses, which put pressure on profits. By raising product prices, however, we posted an increase in gross profit alongside the rise in sales. With the added benefit of the yen's depreciation, we achieved a ratio of operating profit to net sales of 20.3%, which was above our target.

Amid rising costs and expenses, it would be challenging to continue returning value to shareholders and other investors, as well as employees, without implementing price adjustments. Therefore, we made the decision to raise prices. We deeply appreciate that our customers accepted the price adjustments, which is a testament to their high valuation of Hioki's products.

In fiscal 2023, we achieved ROE of 18.1%, surpassing our target of 10% or higher. We believe that posting an operating margin of 20% was the primary factor in achieving this figure. We will continue striving to maintain and improve ROE while increasing net profit and will pursue both top- and bottom-line growth accordingly.

On the other hand, one current issue is that sales per employee are around ¥36 million, which is not a high level. Nevertheless, we believe there is room for growth regarding this issue. By having each employee develop as a "solution creator," we aim to improve this indicator.

Our forecasts for fiscal 2024 are net sales of ¥42 billion (up 7.3% year on year), operating profit of ¥8.7 billion (up 9.4% year on year), and an operating margin of 20.7%.

Investing in people, organizations, and R&D to cultivate new businesses

Hioki's greatest asset is its people, namely, its employees. In making strategic investments with a medium- to long-term perspective, therefore, we place top priority on investing in people. As for investing in human capital, we have long had a system in which bonuses are linked to our financial results as a way of returning profits to employees.

In 2025, we will introduce a new human resources system that places greater emphasis on employee choice. We want employees to clearly express their preferences, and we will provide strong incentives to those who embrace the challenges

that Hioki seeks. Needless to say, this is an investment for Hioki's future growth and will entail a one-time cost increase due to incentives.

In 2024, we plan to strengthen our capital investments related to DX by establishing a Global DX Planning Department. We are committed to making a data-driven transformation of our management and will make substantial, medium- to long-term investments in DX, which is essential for the digital standardization of our operations.

Investing in R&D is absolutely crucial for Hioki to enhance its competitive edge and become a leader in niche markets. As CFO, I will focus on maintaining a high ratio of R&D expenses to net sales of 10% or more while making strategic investments from a medium- to long-term perspective.

Ultimately, the largest portion of our R&D investment is personnel expenses. In a highly competitive market environment, attracting and retaining exceptional talent is essential for achieving sustainable corporate growth. With this in mind, we will continue making personnel investments that help us attract talented individuals and enhance employee motivation. We will also work to enhance our patent system to further motivate inventors. In the process, we will create an environment where individual employees can fully unleash their creativity and demonstrate innovative initiatives, further strengthening the Company's technological capabilities.

Maintaining stable shareholder returns and following our customers toward the forefront of the world

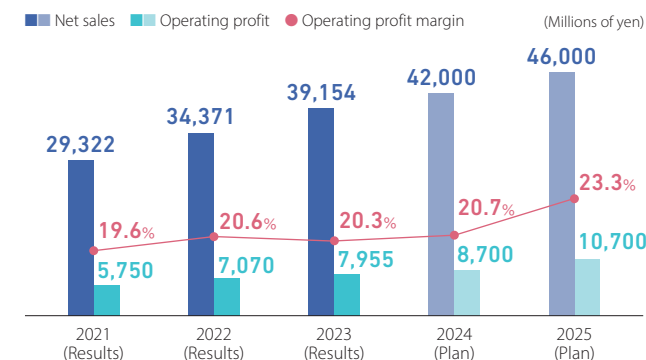
For shareholders, we will maintain our approach of using consolidated dividends on equity (DOE) of 2% or higher as our fundamental indicator for stable profit returns, while targeting a consolidated dividend payout ratio of 40% and continuing to

provide performance-linked dividends. We will also constantly evaluate and consider various methods of shareholder returns.

Recently, we have seen an increase in opportunities for dialogue with our investors where they could enhance their engagement, and we are actively responding to these meeting requests. In 2023, we held such dialogues with them on 160 occasions. We will also disclose information in a timely manner. By focusing on stakeholder dialogue and timely information disclosure, we aim to raise the price-to-earnings ratio (PER), which reflects investor expectations, and thereby enhance corporate value and improve the price-to-book ratio (PBR). As CFO, I am committed to helping realize Vision 2030 by working alongside the world's most advanced customers to address social challenges.

Medium-term business plan (2024 through 2025)

(As of Feb. 14, 2024)



Target management indicators

Ratio of operating profit to net sales
20%

Ratio of overseas sales
70% or higher

Return on equity (ROE)
10% or higher

Risk Management and Compliance

Risk Management

Internal control system

We have established the 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 guaranteeing the compliance of the Hioki Group's operations and are organizing existing systems. Examples of 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 perform their duties efficiently.

Risk management system

We have organized a risk management system for the Group, establishing regulations and other systems for managing risks for the Company and its subsidiaries. We believe that risk management is extremely important, recognizing that how we address various risks can significantly affect our corporate management foundation.

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

As the head in charge of risk management and crisis responses for Hioki and its subsidiaries, President oversees measures in those two areas. Hioki's divisions and subsidiaries conduct their respective operations in accordance with the aforementioned rules and regulations, striving to avoid risks and mitigate losses for the entire Group.

Also, every division and subsidiary of the Company conducts annual risk assessments and takes appropriate measures as necessary. Using the results of the assessments and measures, the General Administration Department, which is in charge of risk management, conducts interviews with division managers and the presidents of subsidiaries to determine whether any shortcomings for identifying risks exist. At the same time, they confirm the best ways to address each risk.

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

In addition, we have established Company-wide committees for health and safety, environmental measures, export control, and other goals, as well as Groupwide rules and procedures to address the various risks surrounding the Company and its subsidiaries.

Internal reporting system

We have built and are operating a whistle-blowing system with a legal advisor, Outside Directors, and others as liaison for employees to directly provide information about possible inappropriate acts they suspect violate laws or regulations. This system guarantees confidentiality and allows whistle-blowers to report issues related to human rights or harassment. Depending on the nature of the report, an investigative committee consisting of Corporate Auditors can be formed to conduct an investigation. The findings are then reported to the Board of Directors to determine corrective actions and disciplinary measures, if needed.



Insider trading prevention rules

We have established regulations 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. Training sessions on various themes are regularly held 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 Director of the General Administration Department is responsible for preventing damage by antisocial forces on the premise that the entire Group will take action to prevent damage by such entities. That department builds close relationships by working with the police and a legal advisor to gather information.

Compliance

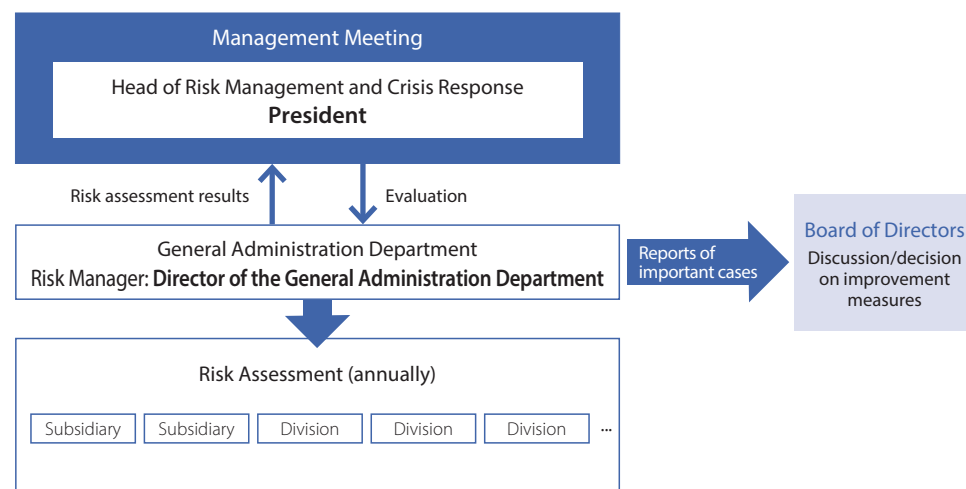
Employee Code of Conduct

In line with Hioki's philosophy of Respect for Humanity and Contribution to Society, we have formulated the Employee Code of Conduct to comply with laws and regulations, the Articles of Incorporation, and social norms. Directors and executives in managerial positions within the Group are proactively complying with and practicing the Code of Conduct to serve as role models for the employees.

Initiatives to protect personal information

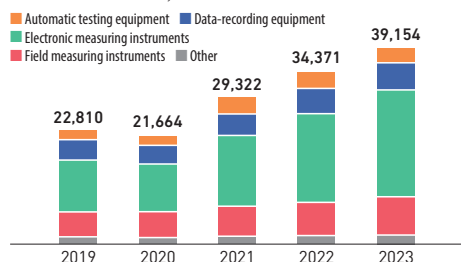
The Hioki Group has established provisions to appropriately handle private information and is working to build a system to protect the rights and interests of individuals while operating businesses appropriately and efficiently within the entire Group. We are also regularly carrying out educational activities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

Risk management system

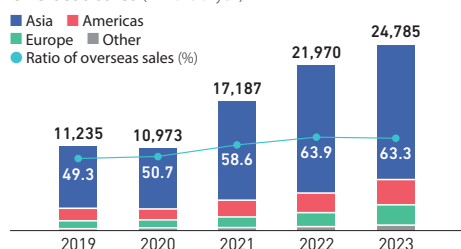


Management Discussion and Analysis

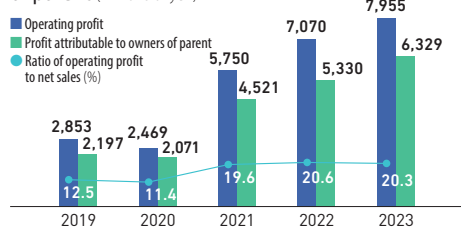
Net sales (millions of yen)



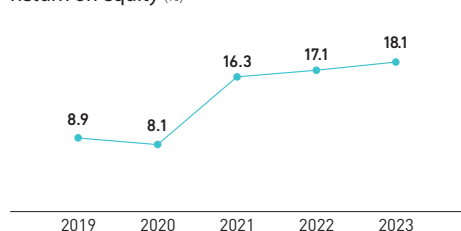
Overseas sales (millions of yen)



Operating profit & profit attributable to owners of parent (millions of yen)



Return on equity (%)



Field measuring instruments Sales ¥7.6 billion

For electric work and maintenance inspection of facilities
Measurement of voltage, current, and insulation resistance for maintenance at sites such as power-receiving and distribution facilities



AC/DC
Clamp Meter
CM4375-50



Digital
Multimeter
DT4261

Electronic measuring instruments Sales ¥21.3 billion

For the inspection of electronic components and batteries, assessment of energy conservation, and quality assessment of power supplies

Efficiency assessment of motors and inverters, and frequency characteristics assessment of coils and condensers



Battery
HiTester
BT3562A



Power
Analyzer
PW8001

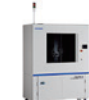
Automatic testing equipment Sales ¥2.8 billion

For the inspection of electronic circuit boards and boards with built-in components

Inspection for the quality of electronic circuit boards used in smartphones, automobiles, etc.



Flying Probe
Tester
FA1816

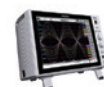


Flying Probe
Tester
FA1817

Data-recording equipment Sales ¥5.4 billion

For the development of electric equipment and monitoring of problems with facilities

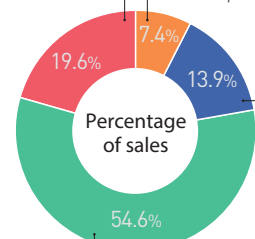
Analysis of electrical signal waveforms to determine whether the control of all devices and systems is working properly



Memory
HiCorder
MR6000



Memory
HiLogger
LR8450



* Progress is disclosed quarterly by classifying electronic measuring instruments into three market segments: battery, component, and energy.

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

In response to global efforts toward decarbonization, demand for measurement instruments related to the energy market has remained strong across a wide range of regions. However, in Asia, demand for measuring instruments was weak, mainly in China, and orders in that region declined year on year. Nevertheless, we posted record-high consolidated net sales for the third consecutive year due to various factors. These included resolution of shipping suspensions for certain products due to component shortages, the expansion of floor space to increase production capacity at the

headquarters factory, and the clearing of order backlogs. The depreciation of the yen in foreign exchange markets also bolstered revenues and profit.

Status of assets, capital, and liabilities

Total assets at fiscal year-end amounted to ¥45,250 million, up ¥4,644 million from a year earlier. This was mainly due to increases in cash and deposits and construction in progress.

Despite a decrease in accrued expenses, total liabilities increased ¥301 million year on year, to ¥8,128 million, owing to an increase in provision for bonuses.

Net assets amounted to ¥37,122 million, up ¥4,343 million from a year earlier. 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 for the year totaled ¥3,006 million. This was allocated primarily to the purchase of development and production equipment. During the year, there were no sales or disposals of essential equipment.

Cash and cash equivalents at fiscal year-end amounted to ¥14,745 million, up ¥2,908 million from a year earlier.

● Cash flows from operating activities

Net cash flow provided by operating activities amounted to ¥8,438 million (up 579.7% year on year). The main positive factors were profit before income taxes of ¥8,233 million and an increase in provision for bonuses of ¥2,888 million. The main negative factor was a ¥2,553 million decrease in accrued expenses.

● Cash flows from investing activities

Net cash used in investing activities totaled ¥3,353 million (up 127.4% year on year), mainly due to the purchase of property, plant and equipment.

● Cash flows from financing activities

Net cash used in financing activities was ¥2,320 million (down 5.5% year on year), mainly reflecting dividends paid.



Kunihisa Kubota

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

A Message from the Chief Sustainability Officer

Accelerating efforts to achieve our targets together with our highly motivated employees

Initiatives for 2025 targets

The concept of sustainability has been at the core of Hioki's management system from its founding to the present day. Under our corporate philosophy, which emphasizes "Respect for Humanity" and "Contribution to Society," we established our Basic Sustainability Policy in 2022, with the aim of helping realize a sustainable society through our businesses. As part of our sustainability efforts, we also announced the Hioki Sustainability Declaration, with a particular focus on decarbonization. Guided by our Basic Sustainability Policy, we are working to achieve the targets outlined in the Hioki Sustainability Declaration: achieving carbon neutrality by 2025 for Scope 1 emissions (direct greenhouse gas emissions from our operations) and Scope 2 emissions (indirect emissions from the consumption of purchased electricity, heat, and steam); and carbon neutrality by 2035 for Scope 3 emissions (emissions from activities related to our operations but controlled by other entities).

The decarbonization of Hioki Forest Hills, which includes the headquarters factory in Ueda, Nagano Prefecture, is on schedule to achieve the Scope 1 and 2 targets. We have taken several measures, including offsetting gasoline and diesel usage through the purchase of J-Credits, switching to carbon-neutral gas for the energy used at our headquarters, and transitioning our company fleet to electric vehicles (EVs). We are also working

to transform our headquarters building into a net zero energy building (ZEB) and are constructing a solar carport, which is scheduled for completion in 2025. We will also install a 2MWh lithium-ion energy storage system to cover about half of the electricity used at the headquarters, thus reducing greenhouse gas emissions. The first phase of construction has already been

completed, with approximately 1,600 solar panels installed. We will continue to advance these efforts moving forward.

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.

Employees proactively driving our sustainability initiatives

The success of sustainability initiatives requires the support and agreement of all stakeholders, including customers, investors, business partners, and employees. Hioki has been able to advance its initiatives in a very favorable environment because all stakeholders have a deep understanding of the significance and necessity of the initiatives. Recently, we have noticed a significant increase in sustainability awareness among our employees. Hioki is a company where employees who share a commitment to sustainability come together. For this reason, we have deliberately chosen not to establish a dedicated sustainability department, instead engaging the entire Company in sustainability-related initiatives. The fact that employees participate in a wide variety of activities on their own initiative, not just through management-directed measures, is proof that sustainability management has taken root within Hioki.

Younger employees, in particular, have a strong desire to contribute to a sustainable society and are proactively making proposals and taking action on their own initiative. For example, a campaign to replace disposable batteries in our products with rechargeable nickel-metal hydride batteries was initiated and led by our younger employees. We have already commercialized this as a service offered to our customers. As the person in charge of promoting sustainability, I am very encouraged by the fact that our employees are becoming more active in their autonomous efforts to achieve the targets of the Hioki Sustainability Declaration.

Speed is essential to achieving our targets

Through various initiatives, we are progressing on schedule with reducing greenhouse gas emissions, but we have not yet achieved our Scope 1 and 2 targets. We are keenly aware of the need to step up our efforts to reach those targets by the end of 2025.

External stakeholders also have strong sustainability awareness, highlighting the need for Hioki to take a proactive approach. To help achieve our Scope 3 target, in addition to the aforementioned switch to nickel-metal hydride rechargeable batteries, we are exploring the use of recycled materials for the plastic housings of our products, gradually phasing out plastic packaging, and promoting paperless operations by transitioning product manuals to digital formats. We are also working to support decarbonization by encouraging our suppliers to switch to CO₂-free electricity and use EVs for deliveries.

To reduce Scope 3 emissions, it is also important to further lower the power consumption of our products. On average, most products are replaced by new products every 10 years at HIOKI. Under Scope 3, greenhouse gas emissions from purchased parts and products shipped by Hioki account for a large proportion of emissions and those parts and products should be designed to reduce emissions in a focused manner. Therefore, we need to begin replacing our products with lower-emission ones by 2025, 10 years before our 2035 target. At this point, we do not have many products in the pipeline that contribute to emission reductions. Therefore, we must accelerate the pace of product replacement with a view to the next 10 years.

In response, we have adopted energy-efficient and resource-saving designs to strengthen our product development management, including by revising our new-product planning format, so that we can offer customers products that contribute to a sustainable society.

Under the revised new-product planning format, the elements that contribute to decarbonization should be clearly detailed at the product planning stage, and products that do not adequately describe these elements will not be approved. As the person responsible for promoting sustainability, my goal is to create an organization where employees knowledgeable in each business area can make independent decisions without requiring constant detailed instructions. To ensure that employees can move forward confidently, however, we must have some framework in place. If we can make this framework effective in guiding the actions of

our employees, I am confident that the entire Group will make even greater strides in its contribution to a sustainable society.

Moreover, we cannot achieve Scope 3 carbon neutrality by 2035, the 100th anniversary of our founding, by acting alone. Therefore, finding ways to cooperate and collaborate with all parties in the supply chain will be a challenge for the future.

Participation in the UN Global Compact to strengthen our own initiatives

As part of a Groupwide effort, we joined the UN Global Compact, the world's largest sustainability initiative, in May 2024. Going forward, we will strengthen our sustainability efforts in alignment with the 10 principles and four key areas advocated by the UN Global Compact. We are also participating in the "Industry-Government-Academia Partnership for a Circular Economy." In line with the premise that our business itself contributes to a sustainable society, we will intensify our efforts under our Basic Sustainability Policy to ensure that we achieve our goals.



Environmental Management

Basic approach

In 2022, we established our Basic Sustainability Policy, which reflects our corporate philosophy, and publicly announced it alongside our decarbonization initiative, the Hioki Sustainability Declaration. In addition, we are proactively working on environmentally friendly initiatives under our environmental policy.

Contributing to a sustainable society through our businesses is an important responsibility for Hioki. With this in mind, each and every employee strives hard to reduce the environmental impact in every process of our business activities. Furthermore, we plan to roll out our measurement solutions globally, thereby also helping our customers realize a sustainable society.

Overview of environmental activities

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 pursued energy-saving activities with our products and fostered a corporate culture of contributing to society with eco-friendly activities.

Recently, we expanded the scope of our Local Afforestation program, a tree-planting initiative that began in 1995, in cooperation with the Hioki Scholarship and Greening Foundation.

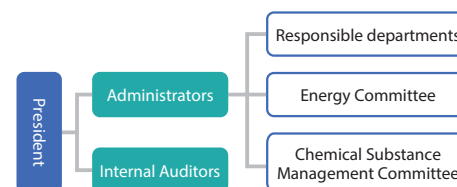
We have obtained ISO 9001 certification, the international standard for quality control and quality assurance, for the development, manufacture, sales, and servicing (repair and calibration) of electrical measuring instruments. We also obtained ISO 14001 certification, the international standard for environmental management systems, for our headquarters factory and the Sakaki Factory in 1997 and 2022, respectively. To integrate our environmental promotion

activities with our business activities, in 2016, we shifted our ISO 14001 and ISO 9001 certifications to an integrated management system. For energy and chemical substances requiring special expertise, we have established committees to spearhead activities Group-wide.

In addition to consistently providing environmentally friendly products, our entire Company engages in activities aimed at reducing the environmental impact.

As a member of the local community, we actively engage in environmental protection efforts and

Environmental protection structure based on an integrated management system



collaborate with the Nagano Association for Conserving Environment and other regional partners.

Overview of activities to reduce environmental burden



*1 3 Rs: short for reduce, reuse, and recycle

*2 Site activities at factories and offices

Environmental Policy

Realization of a Sustainable Society

We aim to contribute to the realization of a sustainable society through our business.

Environmental issues like global warming are social problems that demand global solutions. Contributing to the resolution of such problems through our businesses is an important responsibility as we strive to play an essential role in society.

It's only natural for a company's employees to work energetically to reduce the environmental impact of each of the processes that make up its business activities and to actively take the environment into consideration.

There's a limit to how much any single company or individual can contribute to the resolution of environmental issues. That said, we can increase our contribution without limit by bringing our core business of measurement solutions to as broad an audience as possible in the world and consistently creating customer value.

We are committed to contributing to the realization of a globally sustainable society, and we will not shirk from embracing challenges and doing the hard work necessary to solve these problems.

Established January 1, 2018
Amended January 1, 2021

Examples of environmental activities and improvements

1988	Planting of 60,000 trees at the factory construction site	2009	Hioki headquarters factory received the Prime Minister's Commendation for its contribution to greenery initiatives
1990	Completion of Hioki Forest Hills (new headquarters factory) and relocation there	2010	Hioki Scholarship and Greening Foundation transitioned to public interest incorporated foundation in line with Japan's public interest corporation system reforms
1992	Received Japan Greenery Research and Development Center Chairman's Award	2020	Announced Long-term Management Policy
1995	Launched our Local Afforestation program, a tree-planting initiative Received Greenery Promotion Prize in 15th Urban Green Awards	2021	Signed "Forestation Support Agreement" under Nagano Prefecture's "Forest Foster Parent Promotion Project" (Hioki Scholarship and Greening Foundation) Switched power supply at headquarters factory to CO ₂ -free electricity
1997	Obtained ISO 14001 certification	2022	Developed Basic Sustainability Policy and Hioki Sustainability Declaration Endorsed TCFD recommendations
1998	Received Kanto Bureau of Economy, Trade and Industry Director-General's Award for outstanding factory-greening efforts	2023	Installing 2MW solar carport and 2MWh lithium-ion energy storage facility (to be completed in 2025) Introduced VCS-certified and CCB-certified carbon-neutral gas Purchased J-Credits derived from forests in Nagano Prefecture
2005	Established Hioki Scholarship and Greening Foundation Obtained 1st Social and Environmental Green Evaluation System (SEGES) certification Received METI Minister's Award for outstanding factory-greening efforts		
2007	Participation in Kenya vegetation restoration project		

Addressing the TCFD Recommendations



Basic approach

Hioki recognizes that promoting sustainability, including with regard to climate change issues, 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 2022 and subsequently joined the TCFD Consortium.

Following the TCFD recommendations, we will continue analyzing the risks and opportunities that climate-related issues pose to the Group's business, and we will disclose relevant financial and management information while incorporating these insights into our management strategy.

Governance

In January 2022, we gave our Managing Director, Executive Officer, and Chief Technical Officer (CTO), who serves concurrently as Chief Information Officer (CIO), the responsibility for spearheading the Group's sustainability initiatives, including addressing climate change. Additionally, we designated the Corporate Planning Office as the department in charge of sustainability promotion. We also assigned several dedicated personnel, including management-level employees, to that office, which works with the Management Meeting to formulate necessary measures.

President and other senior management report to the Board of Directors at least once a year, and more frequently if necessary, about the impact of climate-related issues on our business and performance, and the Board provides oversight accordingly. In fiscal 2023, the Board of Directors discussed climate-related topics, including future action plans, on three occasions.

Strategy

■ Scenario Analysis

From the climate change scenarios published by the International Energy Agency (IEA) and other organizations, we chose the 2°C scenario to analyze the projected impacts of climate change by 2050.

Our analysis of significant risks and opportunities revealed major potential impacts on our financial performance. These include rising costs for energy, components, and manufacturing due to the introduction of carbon taxes, as well as increased procurement costs for raw materials driven by growing demand for various resources, including rare metals, as renewable energy usage expands. To address the introduction of carbon taxes, we have made investments to develop a system that allows us to generate the electricity we use in-house. We are also working to reduce GHG emissions across our entire supply chain. To address the issue of rare metals, meanwhile, we are shifting toward software-based products and expanding solutions and services that do not depend on mineral resources.

■ Opportunities

We also anticipate continued growth in public investments by governments and capital investments by corporations. In this context, we expect particularly strong growth in vehicle electrification, which will drive expansion of related markets, including batteries. Due to these global trends, demand for our electrical measuring instruments remains strong, and we see this as an important opportunity for the Company. We are also focusing on hydrogen as a clean energy source that does not emit CO₂.

Initiatives for the battery market

- Joined the Mobility Open Blockchain Initiative (MOBI in California, USA)
- Helped organize the ASEAN Battery and Electric Vehicle Technology Conference (ABEVTC) in Bali, Indonesia
- Signed agreements with five companies, including the Japan Research Institute, Limited

Initiatives in the hydrogen energy sector

- Launched Hydrogen Energy Solution, an in-house venture (to be established as a new business section in 2024)
- Joined the Japan Hydrogen Association

The mission of Vision 2030, our long-term management policy, is "to contribute to stability and development of society by promoting customers' safe and effective use of energy through electrical measurement." With oversight by the Board of Directors, we are focusing our R&D resources on the transition to alternative and renewable energy, efficient use of electrical energy, and digital transformation (DX). Through these efforts, we are developing new electrical measurement solutions.

Regarding climate-related risks, the department and officers responsible for sustainability promotion have been working to identify both the nature of these risks and their financial impact. The climate-related risks and opportunities that we currently recognize, along with their potential impacts on our business, strategy, and finances, are outlined below.

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

	Main impacts	Our responses	Degree of impact
Transition risks	● 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
	● 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	● 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 including overseas bases ● Identify supply chain risks 	Small
Opportunities	● Energy conservation, switch to renewables, conversion of automobiles to EVs	<ul style="list-style-type: none"> ● Develop and release products and services to meet environmental challenges and needs ● Deploy services built with Hioki's measurement solutions 	Large
	● Creation of new markets and technologies	<ul style="list-style-type: none"> ● Newly established H2ES (Hydrogen Energy Solution) Section and joined the Japan Hydrogen Association 	Medium
	● Addressing diversification of alternative resources gives us stronger resilience	<ul style="list-style-type: none"> ● Secure independent power source by converting the headquarters parking lot into a solar carport 	Medium

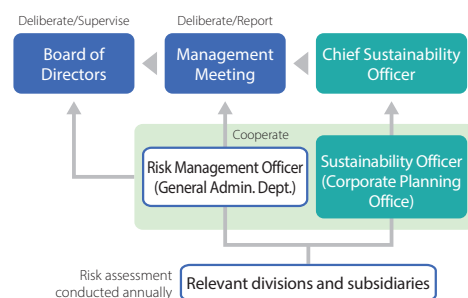
Environmental Risk Management

Risk Management System

To address various climate-related risks, the Group has established "Risk Management Regulations" and "Crisis Response Regulations," which stipulate risk assessment and prevention procedures, as well as measures to be taken when risks materialize. The President oversees the Group's risk management and crisis responses as the person responsible for those matters.

The relevant business divisions and Group companies conduct their operations in accordance with the aforementioned rules and strive to avoid risks and mitigate losses for the entire Group. They conduct such risk assessments once a year to identify risk factors and their potential impact, including human harm, financial loss, and frequency of occurrence. The results are then scored to determine the level of importance. Using the results of the assessments and measures, the General Administration Department, which is in charge of risk management, conducts interviews with division managers and Group company presidents to ensure that all risks, including climate-related ones, have been thoroughly identified. At the same time, they also confirm the best ways to address each risk.

Climate-related risk assessment system



The results of the risk assessments are evaluated annually at our Management Meeting to determine the relative importance of climate-related risks compared with other risks. The Director of the General Administration Department, who is the Group's head of risk management, receives advice as necessary after reporting the details of these evaluations to the Board of Directors, which then deliberates and decides on improvement measures for important matters.

Indicators and targets

The Company has established the Hioki Sustainability Declaration and is continuing its efforts toward decarbonization, based on the following objectives.

By 2025
(90th anniversary of founding)
Achieve carbon neutrality
in Scope 1 and Scope 2

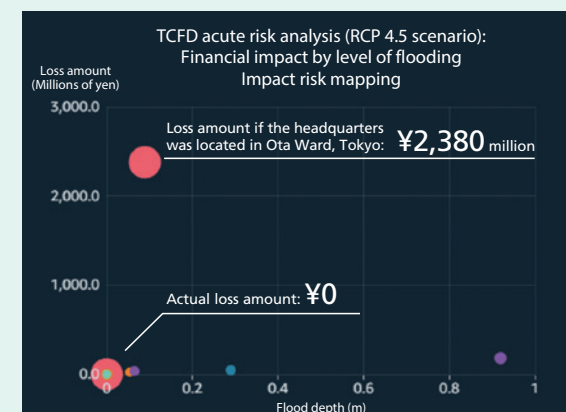
By 2035
(100th anniversary)
Achieve Scope 3 carbon neutrality

For Scope 3 emissions, our policy is to achieve carbon offsetting by 2035 with minimal reliance on emissions trading.

Looking ahead, we will continue emphasizing energy-saving activities (operational improvement and equipment renewal), energy conservation in our headquarters building, and ZEB conversion.

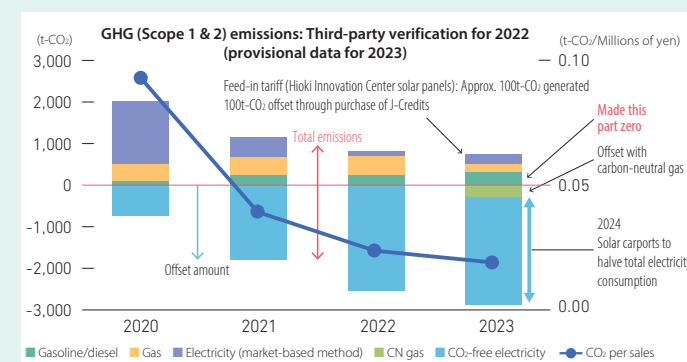
Risk analysis using "Climate Impact"

In analyzing climate-related risks, our Company utilizes "Climate Impact," a climate change risk analysis service provided by Weathernews Inc. After calculating and verifying the financial impact of potential damage at our headquarters, domestic branches, and overseas locations in the acute risk analysis, we found that the financial risk at our sites is lower than the average risk faced by other companies.



Hypothetical risk assessment assuming the headquarters was located in Ota Ward, Tokyo.

Carbon-neutral plan for GHG emissions (Scope 1 and 2)



* Since the GHG Protocol does not recognize carbon offsets, our carbon neutrality goal is measured relative to our own internal benchmarks.

* The 100 tons of CO₂ purchased through J-Credits are not reflected in this graph.

* GHG (greenhouse gas)

* CN gas (carbon-neutral gas)

* Data for 2020 pertains to domestic operations only.

The Company is working steadily to achieve carbon neutrality for Scope 1 and 2 GHG emissions by 2025 through various initiatives, including GHG emission reduction efforts, electricity generation from solar carports, and offsetting through J-Credits and use of carbon-neutral gas.

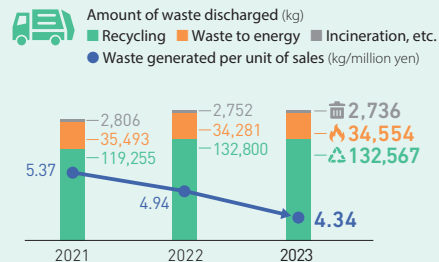
ESG initiatives—Environment

Environmental Preservation Activities

Waste reduction initiatives

The Company recognizes that the release of environmental pollutants and chemicals can affect human health and biodiversity. For this reason, we are committed to reducing the environmental impact caused by our products and minimizing pollution associated with our business activities. We also strive to minimize waste by reusing and recycling materials as much as possible.

Going forward, we will focus on reducing incinerated waste, a factor that negatively affects the recycling rate, while maintaining a recycling rate of 97% or higher. We will also implement strict cost control measures by managing disposal costs incurred by waste-handling contractors.



* At the HioKI headquarters only

New initiatives in environmental protection

The HioKI Scholarship and Greening Foundation signed on to the Nagano prefectural government's Forest Foster Parent Agreement in 2021 and the *Nigiyaka* Forest Project (an extension of the agreement) in 2022.

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.

* Reference: Josho Shinrin Ninsho Kyogikai
<https://nigiyaka-mori.com/>

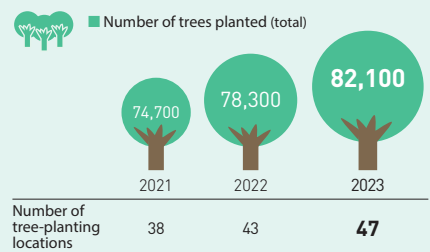
* SGEC-certified forests: Forests certified by the Sustainable Green Ecosystem Council (SGEC) for meeting certain criteria for sustainable forest management and environmental conservation under international standards



Nigiyaka Forest Project

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. In May 2023, the HioKI Scholarship and Greening Foundation donated 2,300 larch trees for a tree-planting ceremony held in Nagano Prefecture. Ten employees participated in this event.

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.



* By the HioKI headquarters only

* Combined figures for the Local Afforestation program and *Nigiyaka* Forest Project

Pilot project to test commuting via public transportation

From June to August 2024, we conducted a pilot project to encourage environmentally friendly commuting and contribute to the local community. As part of this initiative, employees were asked to commute using public transportation once a week. The project is part of a Nagano prefectural government initiative to promote shifting away from private car use. It is being carried out in collaboration with Nagano Prefecture, Ueda City, local public transportation companies, a fare payment company using QR codes, and a consulting firm selected by Nagano Prefecture.

We aim to achieve carbon neutrality for Scope 1 and 2 emissions by 2025 and Scope 3 emissions by 2035. To this end, we launched an autonomous EV bus pilot project in 2023 and have since been encouraging employees to shift away from private cars when they commute, to reduce CO₂ emissions. This initiative also aims to support and revitalize public transportation, which has seen a decline in the number of users.

Through this pilot project, we are focusing on addressing environmental challenges, starting with commuting via public transport.

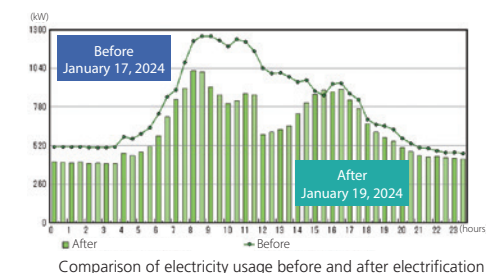
Solar carport power generation started

We are in the process of installing a 2MW solar carport (carport-type solar power generation system) along with a 2MWh lithium-ion battery storage system at our headquarters. Once these are installed, we will be able to supply approximately half of the electricity used at our headquarters from our own renewable energy sources.

In January 2024, the first phase of the solar carport construction was completed and is now operational. The project is on track for full completion in 2025.

To enhance its functionality as a testing ground for our electrical measurement business, we are

installing four different types of solar panels. Additionally, we will experiment with an energy management system utilizing IoT technology.



Solar carport construction (phase one) completed

Initiatives for Human Resources

Basic approach

Under the philosophy of “Respect for Humanity,” we provide a creative and liberating environment where employees can grow as autonomous and independent individuals and thrive as solution creators—an environment that greatly aligns with our organizational goals.

Hioki’s philosophy on people

Under Hioki’s philosophy, we believe that people are the core of the Company. Accordingly, we have always maintained a “people-centered management” approach that spares no expense in investing in “people.”

To link “individual growth to Company growth,” we are further enhancing various measures and frameworks that support individual growth under the new human resources system launched in 2018.

Human resources system reforms

2011	Extension of retirement age to 65 (implemented in stages through 2025)
2012	Treatment of veteran employees improved
2017	Continuous reemployment system until age 70 introduced Human Resources Department established
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
2025	HI-Career System (to be launched)

In 2025, meanwhile, we will launch the HI-Career System, which focuses on enhancing individual strengths. 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. The system will offer a wider range of work-style options, allowing employees to pursue challenges that align with their personal lives and career goals.

Human capital promotion system

Investing in human capital is a top priority for enhancing the Company’s competitiveness. To improve job satisfaction (combination of a great workplace environment and fulfilling work duties), we have implemented various initiatives, and we are working to make further improvements based on external evaluations of our efforts.

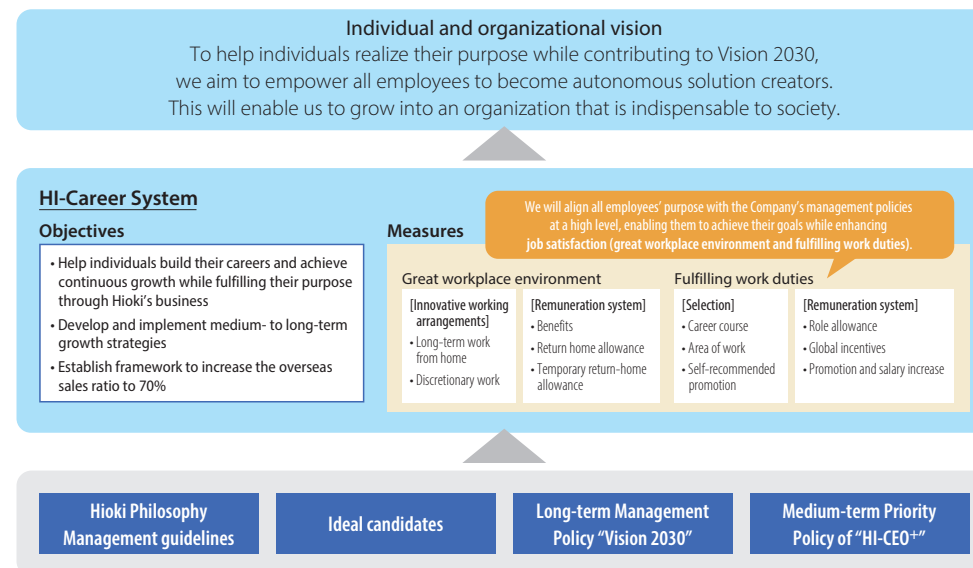
Our management has always been people-oriented. Seeking to realize a sustainable society, we will embody and align the purposes of all employees with our own growth strategy to strike a balance between resolving social issues and achieving sustainable business growth. To accelerate initiatives with this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

Under the philosophy of “Respect for Humanity,” we have been promoting diversity aimed at creating a work environment where employees can work with enthusiasm. Since 2023, we have expanded this initiative to encompass DE&I (diversity, equity, and inclusion), and we appointed the Director of Human Resources to take charge of DE&I promotion.

HI-Career System



To build a more diverse workforce and generate synergies, we set specific annual targets for recruiting new graduates, career professionals, foreign nationals, individuals with disabilities, and women.

To close the gender gap, we are considering and implementing initiatives to achieve a 100% uptake for male parental leave and a 15% ratio of female managers by 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.

We have implemented various initiatives to promote DE&I, 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 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, by the Minister of Health, Labour and Welfare. 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

ESG initiatives—Social

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 through 2024.

In 2024, the Company was recognized as a 2024 Certified Health & Productivity Management Outstanding Organization in the large enterprise category, while our Group company Hioki Forest Plaza received the same recognition in the small and medium enterprise (SME) category from the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

We are working to build a workplace where employees can work in good physical and mental health, while also supporting the well-being of

employees and their families through our health management initiatives.

Human resources development and career autonomy for individual employees

We believe that encouraging individual employees to constantly develop their abilities and pursue independent careers based on their purposes 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 capability 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 priority policy of “HI-CEO” (covering the period of 2021 through 2023) to the new policy, one year ahead of schedule. The new medium-term priority policy started in the current fiscal year is “HI-CEO+” (with a capital “I”).

The capitalized “I” stands for “Individual,” and the newly added “+” sign signifies synergy generated from individual strengths and characteristics.

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 every 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.**

Health Management Initiatives

1. Improving Health Literacy

To encourage employees to take an active interest in their health and adopt proactive behavior, we aim to improve health awareness by organizing health-related training sessions and events. Under the assignment of the President, “Health Promotion Committee members” selected from each workplace spearhead activities aimed at maintaining and improving employee health.

We hold an event to help employees measure their vegetable intake and reflect on their eating habits. We also encourage the use of our Health Promotion Center (an exercise facility located on Company premises) and organize “challenge walks” to establish exercise habits and refresh the body and mind.

2. Preventing Lifestyle Diseases

We conduct regular health checkups for all employees. For employees aged 30 and those 35 and older, as well as their dependent spouses, we cover the cost of comprehensive medical exams and cancer screenings.

We offer individual health consultations with a public health nurse, provide specific health guidance for employees at risk of lifestyle diseases in collaboration with a health insurance association, and organize health seminars and smoking-cessation support programs.

3. Mental Health Support

We conduct mental health training for employees at different levels of the organization. We also administer annual stress checks with a 100% participation rate. Employees diagnosed with high stress levels receive follow-up counseling, and feedback is provided to their workplace units. We also implement measures to improve working environments in areas considered high risk.

Hioki’s job satisfaction (great workplace environment and fulfilling work duties) in figures

Number of HI-Challenge events

2021 13 events; 32 participants (including 10 persons wanting to move to a different production site)

2022 12 events; 42 participants (including 24 persons wanting to participate in the NHK program “Night of the Makaizo Society”)

2022 9 events; 21 participants

* This program, launched in 2021, encourages all employees to become solution creators and drive continuous innovation across the organization (by creating new combinations) based on Vision 2030.

Under the HI-Challenge program*, employees can take on new roles through internal job changes or participate in internal projects, internal ventures, and internal internships on their own initiative. This program enables employees to pursue challenges that align with their purpose, such as job transfers, overseas assignments, and exchanges with other companies (secondments). It also helps employees launch new business ventures and contribute to social initiatives across various regions in Japan.

“Great Place to Work (GPTW)” survey

	2020	2021	2022	2023
I think the Company contributes to local communities and society at large.	86%	85%	87%	87%
I think the Company provides opportunities for training and skills development to enhance my professional expertise.	64%	64%	65%	68%
The Company offers unique benefits and advantages.	75%	76%	74%	74%

** The above figures represent the percentage of respondents who answered positively, selecting “Strongly agree” or “Somewhat agree.”

Communication with Stakeholders

Communication with customers

We prioritize customer interactions to deliver high-quality products and exceptional service.

■ 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-focused network. Depending on the circumstances in each country, from 2024 we will shift from area-based sales to account-based sales and open technical centers, thus further expanding our contact points with customers. Here, our employees communicate closely with customers to provide solutions for their issues. They also use feedback to identify latent and future needs, which are then used to develop new products.

■ Quality assurance system

To provide high-quality products and top-notch services, we obtained ISO 9001 certification in 1993. Since then, we have established a rigorous quality assurance system across all stages, including design, production, sales, and after-sales service. As a result, most of our products now have a three-year warranty.

We have established a global after-sales service system to provide prompt and appropriate support to customers worldwide. This ensures the long-term reliability of our products and guarantees high customer satisfaction.

In addition, we share feedback from customers to make continuous improvements, ensuring that we consistently deliver high-quality products.

Communication with shareholders and investors

We actively create opportunities for communication to enhance understanding of our Company and build trust with our stakeholders.

■ 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.

■ Status of dialogue with shareholders and other investors

We also hold interim and year-end financial results briefings for institutional investors. Due to COVID-19, these briefings have been conducted in a hybrid format, combining both Web-based and in-person sessions. Nevertheless, we aim to engage in direct interaction with top management whenever possible. We are also holding one-on-one meetings as needed to deepen understanding of our business. In recent years, the number of one-on-one meetings has been on the rise due to increasing interest among investors as our business performance has grown.

After every General Meeting of Shareholders, we hold current-status briefings for shareholders as a forum for open dialogue annually. We actively encourage shareholders in attendance to ask questions and share their opinions with management. In this way, we strive to address shareholders' concerns as much as possible.

Contributing to local communities

Following our philosophy of "Contribution to Society," we actively support the development of local culture and education. By growing alongside our local community, we aim to create a prosperous society with the people living in that community.

Acceptance of interns

We offer a practical curriculum that involves students in real development projects, ranging from short-term programs lasting about one week to longer programs for colleges of technology students lasting from one to four months. In 2023, we launched an internship program called "Learning Consortium" in collaboration with a high school in Nagano Prefecture. This initiative aims to help the next generation of people deepen their learning by connecting with the real world and supporting their growth into globally capable individuals.



Hioki Festival

Since 2000, we have held the Hioki Festival with the goal of fostering interaction with the local community. The festival features over 30 food stalls, an outdoor stage, and a children's play space, along with various activities, such as factory tours, electric craft workshops, and traditional tea ceremonies. Group employees handle everything, from planning to running the events, to welcome members of the local community. The 2023 festival featured a "revenge run" of the popular robot "Panda Yukimura" from NHK's "Night of the Makaizo Society," as well as a display of the "Spider Demon" mechanism, which provided extra enjoyment.



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 82,100 seedlings have been planted at 47 locations in Japan under the program, which also contributes to local environmental protection and carbon dioxide absorption and capture.



Supply Chain Management

Basic approach

The Hioki Group aims to strengthen win-win relationships by fostering close communication with both suppliers and distributors. Through these efforts, we strive to grow and develop together as partners.

We prioritize relationships of cooperation and trust with our business partners, maintaining fair transactions while being conscious of the global environment and local communities.

We aim to foster the security and development of society by providing high-quality electrical measurement solutions that meet customers' requested deadlines worldwide. To achieve this, we source various components from suppliers around the globe and deliver solutions.

For this, we collaborate with our business partners in materials procurement, focusing on not only quality

and supply stability but also social aspects, such as human rights, labor safety, and the environment. In so doing, we help realize a sustainable society with an integrated supply chain.

Revision of Basic Procurement Policy

We revised our Basic Procurement Policy in February 2022 to promote more sound and ethical procurement activities. * Please refer to "Human Rights at Hioki" section.

Under our Green Procurement Guidelines, we ask our business partners to cooperate in protecting the environment and managing chemicals and environmentally hazardous substances, including not using such substances. We also prohibit the use of conflict minerals, as we work together with business partners to build a sustainable society.

Procurement policy briefings and supplier surveys

Since 2009, we have held annual procurement policy briefings for our domestic and international business partners. In addition to reiterating the importance of our procurement policy, we provide updates on various matters related to Vision 2030, including recent developments within the Group, key priority initiatives, and the status of parts quality.

In 2024, we held a sustainability seminar during the second half of the briefing. Survey results from the seminar showed that while many of our business partners are interested in reducing CO₂ emissions, they are unsure of where to start and how to approach the issue. For this reason, we will work together with all suppliers to share our challenges and promote sustainability activities.

We also conduct annual surveys of our existing business partners to identify risks involving social issues, such as human rights violations related to child labor and forced labor, as well as occupational health and environmental challenges, including CO₂ emissions and waste management.

In 2023, we surveyed 238 companies and received responses from 227, for a 95% response rate. As a result, we identified eight high-risk business partners.

For those companies identified as high risk, we visited them on-site, and introduced case studies to encourage them to make improvements. If no improvements are observed in the upcoming year, we may consider suspending or terminating contracts with those business partners.

We conduct this survey for not only existing business partners but also new ones.

Basic Procurement Policy (summary)

Fair and Equitable Transactions

In procurement, we emphasize open, fair, and equitable transactions with all business partners. This means ensuring compliance with relevant laws, regulations, and ethical standards, proper information management, and appropriate payment procedures.

Mutual Development

We aim to promote mutual development with our business partners through our transactions. By prioritizing communication, we foster trust-based relationships. We also seek partners around the world with whom we can grow and develop.

Contribution to Society

In line with our philosophy of "Contribution to Society," we will foster the security and development of society together with our business partners. At the same time, we will respect fundamental human rights and diversity and strive to realize a safe and hygienic working environment.

Consideration for the Environment

We established our Green Procurement Guidelines to promote eco-friendly sourcing practices and protect our irreplaceable global environment. In collaboration with our business partners, we are committed to developing environmentally conscious products and engaging in environmental protection activities.

Human Rights at Hioki

"Respect for Humanity" is a shared value and also part of Hioki's 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 that "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 demonstrate their full potential."

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

→ The full text of the Basic Procurement Policy is shown on our corporate website. <https://www.hioki.com/sustainability/society/partners.html>

Board of Directors, Auditors, and Executive Management Board (As of June 1, 2024)



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

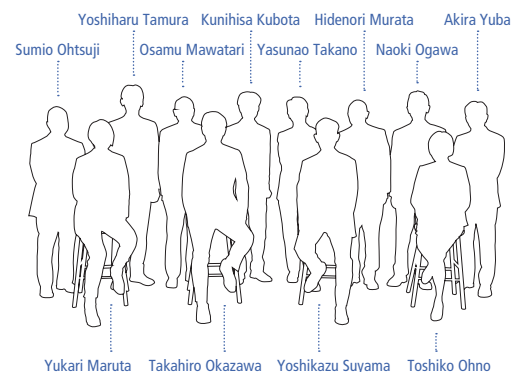
Auditors

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 Koichi Yanagisawa
Director of Technical Development and
Manager of Metrology Laboratory

Executive Officer Hajime Yoda
Director of Product Development and
Manager of Sensing & Storage Unit

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 Manabu Watanabe
Director of Domestic Sales

Executive Officer Kenneth Soh
Director of Product & 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, President
of HIOKI (Shanghai) MEASUREMENT
TECHNOLOGIES CO., LTD. and
Director of Quality Assurance

* Mr. Sumio Ohtsuji resigned from his position as Outside Director on June 30, 2024 due to personal reasons.

Corporate Governance

We pursue a management system that aims 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 to make important decisions for managing our business. Other irregular meetings are held as necessary.

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.

To ensure prompt management decision-making, we keep the Board of Directors relatively small (eight members). We have also strengthened management oversight by inviting independent Outside Directors (four members) with no vested interest in Hioki.

All Outside Directors and Outside Corporate

Auditors who meet the qualifications for independent Officers are designated as independent Officers.

The Company appoints the lead independent Outside Director through mutual selection by independent Outside Directors who meet the independence criteria established by the Financial Instruments and Exchange Act. The lead independent Outside Director is responsible for coordinating and communicating with the executive management, as well as for collaborating with the Auditors and the Board of Corporate Auditors.

■ Executive Management Board System

We have adopted an Executive Management Board system in which the responsibilities for each Director's supervising function and the management decision-making on

the Board are separated from their management duties. Executive officers are responsible for business execution and promptly carry out decisions made by the Board of Directors, thereby ensuring swift execution of operations based on management decisions.

■ Board of Corporate Auditors

In addition to adopting the Corporate Auditor system based on the Companies Act, the Company strengthened its management oversight function by inviting independent Outside Corporate Auditors (two of the four) with no vested interest in the Company. 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.

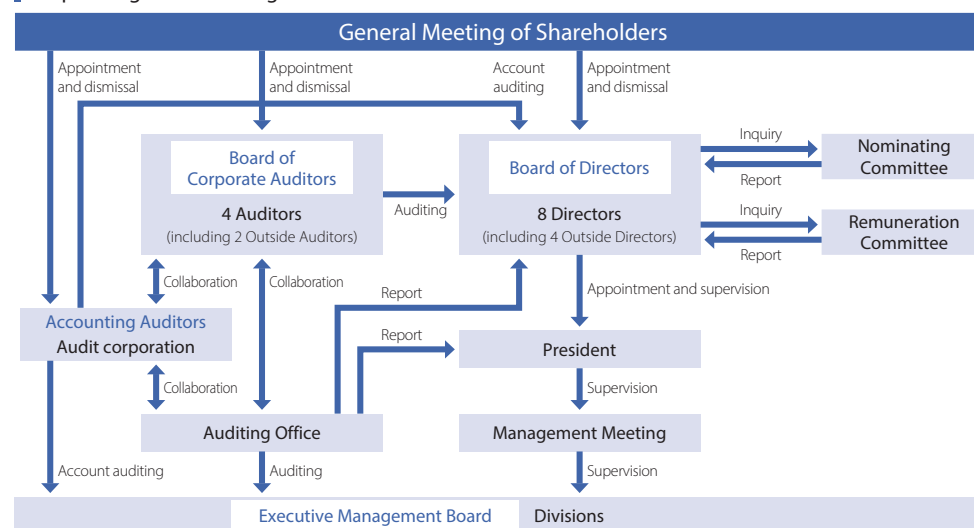
■ Nominating Committee and Remuneration Committee

Both the Nominating Committee and the Remuneration Committee consist of five members, four of whom are Outside Directors designated as independent Officers to ensure the independence of the Committee.

The Nominating Committee meets as necessary as an advisory body to the Board of Directors, reports to the Board of Directors, and recommends candidates for Directors, changes of candidates for executives, and other matters, including the selection of candidates for President (Chief Executive Officer). In addition, the Nominating Committee recommends candidates for Corporate Auditors to the Board of Corporate Auditors and candidates approved by the Board of Corporate Auditors to the Board of Directors. The Committee met four times in fiscal 2023.

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. The Committee met five times in fiscal 2023.

Corporate governance organization



* Due to the resignation of Sumio Ohtsuji, an Outside Director, on June 30, 2024, the Board had seven Directors (including three Outside Directors) as of July 1, 2024.

Directors and Corporate Auditors also serving as Executive Officers at other companies

One Outside Director serves as an executive of another listed company but holds only one concurrent position, which is deemed reasonable. Also, one Outside Corporate Auditor serves as an executive of another

Corporate Governance

listed company but holds only one concurrent position, which is deemed reasonable. This information is disclosed every year on the Notice of Convocation of the Annual Shareholder Meeting, 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 enable self-evaluation. We have established a system for 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 the information they receive. 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 ways, we aim for the vitalization of the meetings of the Board of Directors.

Using the results of the effectiveness evaluation of the Board of Directors in fiscal 2022, the Board made improvements in fiscal 2023, such as increasing opportunities for free discussions on management strategies. These efforts have been assessed as effective. We also confirmed the necessary education and training for Directors and Corporate Auditors are being conducted appropriately, which is a strong point. We also identified ongoing challenges, such as the manner in which agenda items are presented

to the Board, the timely provision of materials, and the allocation of sufficient deliberation time, and concluded that further improvements are needed to ensure the effectiveness of the Board.

In fiscal 2024, we will actively promote discussions to enhance corporate value by holding multiple sessions throughout the year without time limits and also by organizing off-site meetings.

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 skills 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 presently we have four, two of whom are Outside Corporate Auditors. We appointed at least one Corporate Auditor with abundant knowledge of finance and accounting qualifications including 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.

Senior management appointments and criteria

The appointment of the President and other Directors is made by the Board of Directors. The Board makes appointments by first nominating individuals using selection criteria, the candidates are then deliberated by the Nominating Committee, then decided by the Board upon consideration of the 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 additional 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 effects 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 transparency.

The remuneration of Directors (excluding Outside Directors) is composed of a fixed remuneration (salary

Skills matrix of the Board of Directors (as of March 5, 2024)		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.

ESG initiatives—Governance

and stocks) and performance-linked remuneration. Outside Directors receive fixed remuneration (salary) only in view of their independence and neutrality. Following a resolution of the General Meeting of Shareholders held on February 27, 2020, we provide compensation by granting stocks with a restriction on transfers.

Outside Directors and Outside Corporate Auditors Meetings

Meetings for Outside Directors and Outside Corporate Auditors only

We provide Outside Directors and Outside Corporate Auditors with opportunities to participate not only

in Board meetings but also in the Management Meeting. This enhances their understanding of our business, which helps improve the effectiveness of the Board of Directors.

On the other hand, we also hold meetings consisting solely of Outside Directors and Outside Corporate Auditors. These meetings are conducted independently by the Outside Directors and Outside Corporate Auditors, without the presence of Internal Directors, Officers, or employees. We will continue holding these meetings regularly.

Role of Outside Directors and Outside Corporate Auditors Meetings

The first Outside Directors and Outside Corporate Auditors meeting was held in July 2023, and it has

been held every quarter since then. Three of our four Outside Directors were newly appointed in fiscal 2023. By engaging in frequent discussions with our two Outside Corporate Auditors, who maintain regular communication with the Full-time Corporate Auditor with extensive knowledge about the Group, our Outside Directors can share a wealth of valuable information.

At Outside Directors and Outside Corporate Auditors meetings, participants discuss issues about the Company identified by each member. This allows them to recognize such issues as common challenges. It also helps bridge any gaps in understanding of Hioki that may arise from members' individual backgrounds, enabling all members to approach Board meetings with a shared perspective.

Reports on discussions at these meetings are utilized by the Board of Directors and the Management Meeting, as well as in business promotion. At the meeting held in January 2024, discussions focused on the theme of new business incubation. In the process of launching our new hydrogen-related business, we received advice from the Outside Officers about the challenges the Company would face, which enabled a smoother launch than initially expected. At that time, the knowledge of the Outside Directors and Outside Corporate Auditors was shared with our frontline employees, which played an important role in advancing our business.

By having Outside Directors and Outside Corporate Auditors discuss issues facing the Group, we can identify risks and opportunities at an early stage. We will continue to hold Outside Directors and Outside Corporate Auditors meetings to enhance the sustainability of the Company.

Advancing Group Governance

Normally, Board of Directors' meetings are held at the headquarters. To give Outside Directors and Outside Corporate Auditors a better understanding of the

Company, however, we decided to hold meetings in the regions where our overseas sales subsidiaries are located, starting in fiscal 2024. By having our Directors and Corporate Auditors, including Outside ones, visit our business sites, we aim to enhance communication with frontline workers.

In addition, Outside Directors and Outside Corporate Auditors regularly hold one-on-one meetings with the President. At such meetings, the President works to encourage open discussion, including sharing appropriate information with Outside Officers.

Outside Directors and Outside Corporate Auditors, who have extensive experience and deep expertise as business leaders and professionals, will continue to play a key role in strengthening the oversight function of the Company's operations from an independent standpoint.

Topics discussed at Outside Directors and Outside Corporate Auditors Meetings

- Proposals for improving the operation of the Board of Directors to the secretariat and Internal Directors
 - Discussion on issues to address in expanding business globally
 - Discussion on promoting diverse human resources
- Hioki's incubation
 - Discussion on new business incubation
- Strengths and weaknesses of Hioki's management team
 - Discussion of strengths and weaknesses of the Company's entire management team (including Directors)



Messages from Outside Directors & Outside Corporate Auditors



Yoshiharu Tamura
Outside Director

[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)

Opinion exchanges with Outside Directors have uplifted our initiatives

We are advancing various initiatives, such as global expansion, digital transformation (DX), and marketing structure reorganization, and are implementing strategies to address various challenges properly. However, we feel that the pace of these efforts is still insufficient.

I originally came from a business development field, with expertise in the value chain. When issues related to my expertise were brought up at Board meetings, I actively shared my opinions, including those on business development responsibilities and process reforms. I emphasized that the business development team should take primary responsibility for business development above all else. This may have influenced the Company's

significant reorganization of separating the marketing and business development functions. I pointed out several times that many of the measures to address our challenges are not data driven. The establishment of the Global DX Planning Department is also a beneficial outcome of our opinion exchanges to date.

At Hioki, Outside Directors and Outside Corporate Auditors gather once a quarter to share their opinions on various challenges. I also feel that a unique and positive aspect of Hioki is that the topics discussed at these meetings are fed back to management.



Yukari Maruta
Outside Director

[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 and creating comfortable work environments in Japan and overseas

Given the size of Hioki, the number of whistle-blowing reports is still relatively low. Since whistle-blowing provides an opportunity to correct problems that have gone unnoticed and can prevent major fraud, we need to create an environment that encourages many voices, large and small, to be heard. To this end, we have been strengthening internal communications through in-house education and the display of awareness posters. I anticipate that these efforts will continue to evolve, leading to an even better environment at Hioki.

Hioki's global expansion has been gathering momentum every year. Since countries have different cultures and religions, the Company as a whole must work on risk countermeasures

and improve working conditions for overseas sales subsidiaries in various locations. While we value local feedback, we also need to respond swiftly by providing clear guidance from the headquarters when issues arise. Furthermore, the Company is launching new initiatives with a forward-looking perspective. Regarding these initiatives, I intend to actively contribute from a legal and compliance standpoint, providing support behind the scenes. I also highly appreciate the fact that the Board of Directors brings together Outside Directors with diverse experiences and allows us to hear the opinions of those with different perspectives.



Osamu Mawatari
Outside Director

[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)

Pursuing true globalization and technologies with added value

I believe I am expected to provide opinions based on my management experience overseas. From that perspective, I have pointed out issues at Board meetings that Hioki needs to address in order to truly globalize. Our globalization itself is steadily progressing, and we started promoting DX in earnest in 2024. Nevertheless, speeding up the process that leads to sound management decisions remains an issue to be resolved. In addition, there are still aspects of our sales system, recruiting system, and HR policies that are not fully adapted to a global environment. I plan to focus on these areas and provide advice at Board meetings.

Hioki has great technologies, and its organization runs on this technological foundation. Nevertheless, I believe that market segmentation and an account-based sales approach will be necessary in the future, and I pointed this out on various occasions in fiscal 2023. Thankfully, my suggestions have been taken into account, and a new organization is already starting to evolve. I will continue presenting my opinions and making every effort to accelerate Hioki's evolution by adding "customer friendliness" as a new value to complement its superior technologies.

ESG initiatives—Governance

**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)

Focus on internal and external communication to improve the effectiveness of the Board of Directors

In financial audits, it is essential to have a clear understanding of the work performed by the accounting auditor. At Hioki, we have opportunities for frequent communication. We place great importance on whether the questions posed by the accounting auditor—covering a wide range of areas, such as legal, labor, and environmental issues—make sense and whether they accurately grasp Hioki's situation and challenges. Of course, we also closely monitor to ensure that the CFO provides comprehensive and necessary responses to these questions.

In addition, Outside Corporate Auditors are given ample opportunities to speak at our Board meetings. If time runs out, they send additional comments via email, which will be included

in the minutes. I also appreciate the meticulous support of the secretariat, which provides extensive pre-meeting materials.

The most important aspect of governance is the effectiveness of the Board of Directors. Some of the topics discussed at Board meetings include important issues that are raised multiple times. Hioki's Board of Directors has significantly improved its agenda to better reflect management's intentions on these issues, and I anticipate that this will positively influence future decision-making.

**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)
	Registered as a Tax Accountant
Jun. 2003	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.

Moving to the next stage with a culture allowing open opinion exchanges with the President

From my perspective as a certified public accountant, I leverage my knowledge of accounting and the Companies Act to focus on compliance-related audits. I also monitor management's business execution, with a focus on protecting minority shareholders in matters related to conflicts of interest between shareholders and the Company. With regard to disclosing information to investors, I rigorously review the content of such information in advance, even in cases where disclosure is not necessarily required by laws and regulations, and communicate my opinion as an Outside Corporate Auditor to management.

Regarding operational audits, I exchange opinions with the President in the presence of Outside Directors. In addition

to the President having a proactive stance on exchanging opinions, the Board of Directors has fostered a culture that encourages open and active discussions. This makes it easy to speak freely.

Due to cultural differences across countries, we must ensure proper internal controls at our overseas subsidiaries as we pursue global expansion. In this respect, I am reassured that Hioki has a solid internal audit system and that information is properly shared with the Auditing Office. On the other hand, I recognize that we must leverage DX to further strengthen information-sharing with our overseas operations in the future.

Nominating Committee: Selection and Dismissal of Officers and Succession Plan

To ensure the appropriateness and transparency of the decision-making process for appointing and dismissing the President and other senior management, we established the Nominating Committee as an advisory body to the Board of Directors.

The Committee has five members: four Outside Directors and the President. It is chaired by an independent Outside Director, ensuring objectivity and transparency. As an advisory body to the Board of Directors, the Committee meets as necessary and reports to the Board on its recommended candidates for Directors and changes in Officers, including the selection of candidates for President, who is the Chief Executive Officer.

The Nominating Committee also discusses a succession plan, which includes determining the method for selecting candidates for the Company's next management team. To objectively identify future succession candidates, the Company plans to have Outside Directors share their past management experiences and to visualize the necessary skills sets and potential. By having a visual representation of each candidate's skills sets, we can clarify the areas that might be lacking, which we can reflect in subsequent training methods. This will also enable the Nominating Committee to deliberate on candidates for the next management team.

Eleven-year Financial Data

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	(Millions of yen) 2023
Financial Data											
Net sales	14,332	17,086	19,432	18,131	20,891	23,288	22,810	21,664	29,322	34,371	39,154
Operating profit	768	1,970	2,892	1,677	2,503	3,314	2,853	2,469	5,750	7,070	7,955
Ordinary profit	826	2,007	2,914	1,682	2,630	3,403	2,967	2,646	5,999	7,287	8,236
Profit attributable to owners of parent	499	1,348	2,126	1,167	1,998	2,774	2,197	2,071	4,521	5,330	6,329
Earnings per share (yen)	36.68	98.97	156.03	85.67	146.67	203.63	161.27	151.91	331.35	390.47	463.51
Ratio of operating profit to net sales (%)	5.4	11.5	14.9	9.3	12.0	14.2	12.5	11.4	19.6	20.6	20.3
Ratio of ordinary profit to net sales (%)	5.8	11.7	15.0	9.3	12.6	14.6	13.0	12.2	20.5	21.2	21.0
Ratio of profit to net sales (%)	3.5	7.9	10.9	6.4	9.6	11.9	9.6	9.6	15.4	15.5	16.2
Return on equity (%)	2.8	7.2	10.7	5.6	9.1	11.8	8.9	8.1	16.3	17.1	18.1
Return on assets (%)	4.1	9.2	12.5	7.3	10.8	12.8	10.7	9.1	18.0	18.9	19.2
Ratio of overseas sales (%)	41.4	46.3	45.9	44.0	45.8	48.3	49.3	50.7	58.6	63.9	63.3
Profit before income taxes	810	1,883	2,906	1,668	2,609	3,601	2,975	2,707	6,006	7,283	8,233
Total assets	20,328	23,252	23,177	23,200	25,650	27,365	27,963	30,440	36,391	40,605	45,250
Net assets	18,286	19,369	20,721	21,035	22,786	24,216	25,122	26,012	29,454	32,779	37,122
Net worth	18,259	19,331	20,670	21,035	22,786	24,216	25,122	26,012	29,454	32,779	37,122
Net assets per share (yen)	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	2,718.23
Cash flows from operating activities	1,372	2,674	2,560	2,333	3,499	3,845	3,282	4,207	4,695	1,241	8,438
Cash flows from investing activities	(2,113)	(1,668)	(3,241)	(1,827)	(1,166)	(121)	(1,199)	(1,018)	(826)	(1,475)	(3,353)
Cash flows from financing activities	(275)	(272)	(476)	(680)	(612)	(884)	(1,293)	(885)	(1,434)	(2,455)	(2,320)
Free cash flow*1	(741)	1,006	(681)	506	2,333	3,724	2,083	3,189	3,869	(234)	5,085
Cash and cash equivalents at end of period	4,666	5,489	4,278	3,999	5,768	8,504	9,223	11,542	14,237	11,836	14,745
Capital investment	1,910	2,868	1,443	1,683	1,078	655	985	740	736	1,685	3,006
R&D expenses	2,010	2,104	2,409	2,466	2,293	2,420	2,419	2,327	2,725	3,081	3,745
Depreciation	798	730	1,034	1,249	1,239	1,185	1,231	1,180	1,121	1,152	1,437
Dividend payout ratio (%)	54.5	30.3	28.8	46.7	40.9	39.3	55.8	39.5	49.8	41.0	38.8
Annual dividends per share (yen)	20	30	45	40	60	80	90	60	165*2	160	180
Total amount of dividends	272	408	613	545	817	1,090	1,226	818	2,251	2,184	2,458

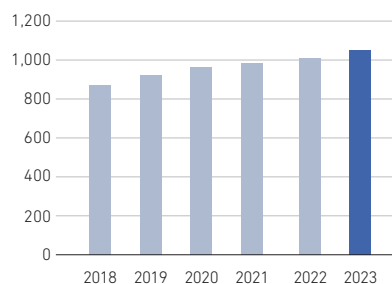
*1 Total of cash flows from operating activities and cash flows from investing activities

*2 Including 30 yen of commemorative dividend

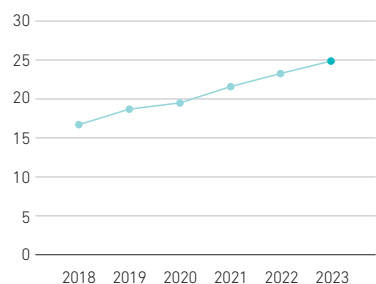
Non-financial Data (Social Data)

	2018	2019	2020	2021	2022	2023	Remarks
Number of employees	872	920	965	983	1,009	1,048	Entire Group
Percentage of employees stationed overseas (%)	16.7	18.7	19.5	21.6	23.3	24.9	
Percentage of female managers (%)	6.5	7.6	7.4	7.4	8.4	7.4	Hioki E.E. Corporation only
Average length of employment (years)	16.9	16.7	17.0	17.1	17.2	17.3	Entire Group
Percentage of employees with disabilities (%)	2.1	2.1	2.0	1.9	2.2	2.5	Hioki E.E. Corporation only
Percentage of childcare leave taken by male employees (%)	1.9	14.0	12.9	26.7	50.0	63.3	Hioki E.E. Corporation only
Percentage of childcare leave taken by female employees (%)	100.0	100.0	100.0	100.0	100.0	100.0	Hioki E.E. Corporation only
Retention rate of new graduates (%)	100.0	100.0	98.4	98.4	98.4	96.7	Hioki E.E. Corporation only, retention rate after 3 years of employment
Number of annual paid holidays taken (days)	13.2	13.8	11.7	13.1	14.7	13.3	Hioki E.E. Corporation only
Industrial property rights (cases)	1,187	1,174	1,155	1,133	1,031	1,041	
Percentage of foreign interests (%)	12.0	13.0	16.0	18.0	22.0	23.0	

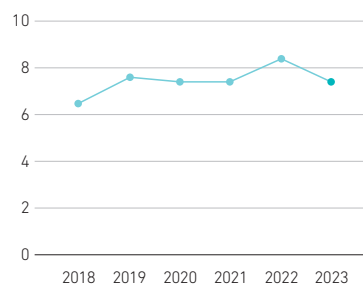
■ Number of employees



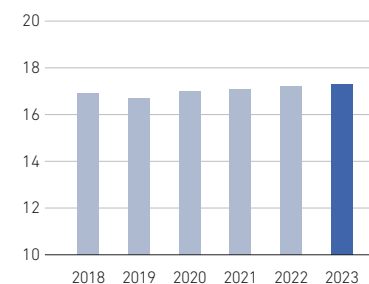
● Percentage of employees stationed overseas (%)



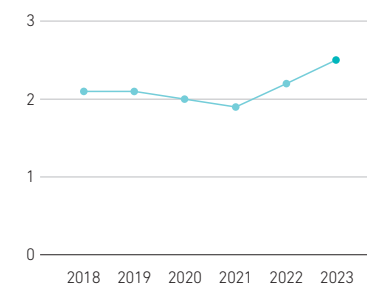
● Percentage of female managers (%)



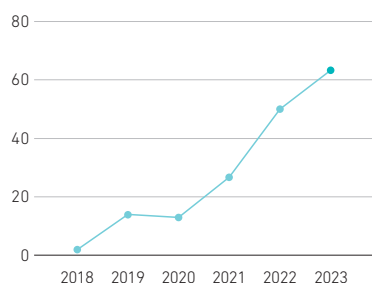
■ Average length of employment (years)



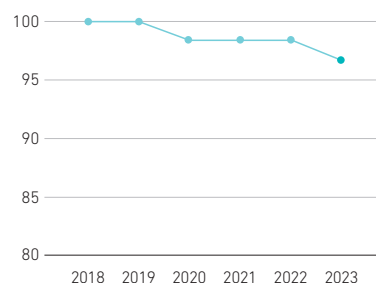
● Percentage of employees with disabilities (%)



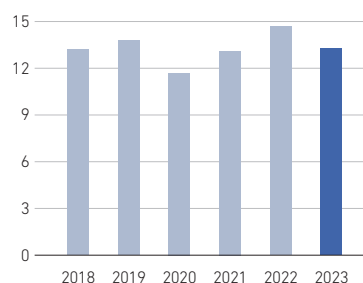
● Percentage of childcare leave taken by male employees (%)



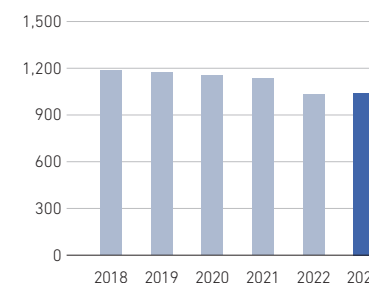
● Retention rate of new graduates (%)



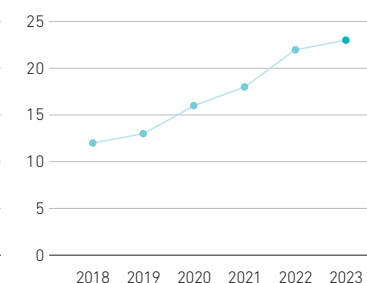
■ Number of annual paid holidays taken (days)



■ Industrial property rights (cases)



● Percentage of foreign interests (%)



Stock Information (as of December 31, 2023)

Stock information

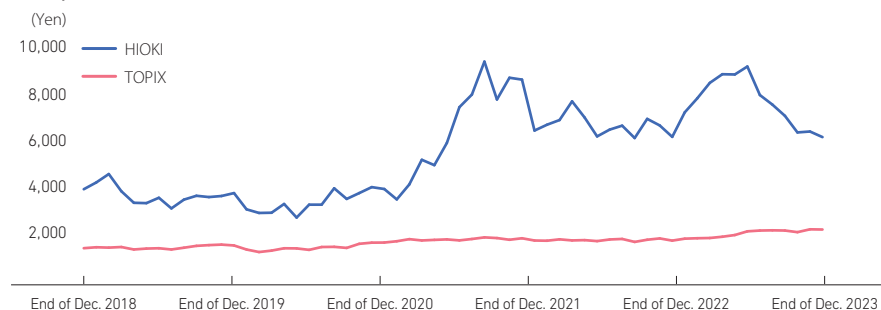
Number of authorized shares	40,514,000
Number of shares Issued	14,024,365
Number of shareholders	8,709

Major shareholders (top 10)

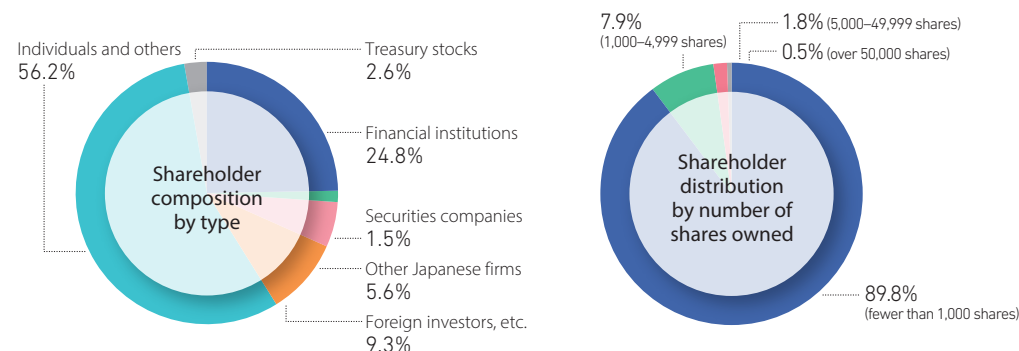
Shareholder's name	Number of shares (thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	1,267	9.28
Hioki Employee Shareholding Association	833	6.10
Tsuneaki Hioki	800	5.86
Yuji Hioki	719	5.27
The Hachijuni Bank, Ltd.	666	4.88
Taeko Hioki	573	4.20
Custody Bank of Japan, Ltd. (trust account)	560	4.11
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 367,000 treasury shares that are excluded from the list of major shareholders above.
 2. The shareholding ratio is calculated excluding treasury shares.

Stock price



Shareholder Information



External Evaluations



2018
Received Kurumin certification from the Minister of Health, Labour and Welfare as a company that supports childcare (Platinum certification received in 2020)



2020
Awarded the highest-level Eruboshi certification from the Minister of Health, Labour and Welfare as a company promoting the advancement of women



2022
TCFD
Announced endorsement for the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board (FSB)

2022
Received Best Future Generation Support Company Award from the Alliance of Governors Supporting Future Generations for the Revitalization of Japan



2023
Selected as Certified Great Place to Work in 2024 edition of Great Place to Work Japan rankings



2024
Joined the world's largest sustainability initiative, where the United Nations and the private sector (companies and organizations) collaborate to build a healthy global society



2024
Hioki and Hioki Forest Plaza were recognized as Certified Health & Productivity Management Organizations 2024 by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi for their excellent efforts in health management

Company Profile (as of February 28, 2024)

Company profile

Company Name	HIOKI E.E. CORPORATION
Founded	June 1935
Incorporated	January 1952
Trademark	HIOKI
Capitalization	¥3,299 million
Employees	1,048 (as of December 31, 2023)
Main Business	Development, production, sale, and servicing of electrical measuring instruments
Headquarters	81 Koizumi Ueda, Nagano 386-1192 Japan
Group Companies	<p>HIOKI FOREST PLAZA CORPORATION</p> <p>HIOKI USA CORPORATION</p> <p>HIOKI (Shanghai) MEASUREMENT TECHNOLOGIES CO., LTD.</p> <p>HIOKI (Shanghai) TECHNOLOGY DEVELOPMENT CO., LTD.</p> <p>HIOKI (Shanghai) MEASURING INSTRUMENTS CO., LTD.</p> <p>HIOKI SINGAPORE PTE. LTD.</p> <p>HIOKI KOREA CO., LTD.</p> <p>HIOKI INDIA PRIVATE LIMITED</p> <p>HIOKI EUROPE GmbH</p> <p>HIOKI TAIWAN CO., LTD.</p> <p>PT. HIOKI ELECTRIC INDONESIA</p>

Sales and service network

