

November 30, 2021

To Those Shareholders with Voting Rights

Toshiya Kohno
President and Chief Executive Officer
TOYO Corporation
1-6, Yaesu 1-chome, Chuo-ku, Tokyo

NOTICE OF THE 69th ORDINARY GENERAL MEETING OF SHAREHOLDERS

- 1. Date and Time** 10:00 a.m., Thursday, December 23, 2021
(Reception starts at 9:00 a.m.)
- 2. Place** Room 2-3, BELLESALLE Yaesu 3F
(Yaesu First Financial Building)
3-7, Yaesu 1-chome, Chuo-ku, Tokyo
- 3. Agenda of the Meeting:**
Matters to be reported:
 1. Business Report and Consolidated Financial Statements for the 69th Fiscal Term (from October 1, 2020 to September 30, 2021) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors
 2. Non-consolidated Financial Statements for the 69th Fiscal Term (from October 1, 2020 to September 30, 2021)

Proposals to be resolved:

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Election of Five Directors
- Proposal No. 3:** Election of One Substitute Corporate Auditor
- Proposal No. 4:** Determination of remuneration and details of restricted shares allocated to Directors (excluding Outside Directors) in lieu of stock options

Matters relating to attached documents and Reference Documents for the General Meeting of Shareholders

If the Business Report, Consolidated Financial Statements, Non-consolidated Financial Statements or the Reference Documents for the General Meeting of Shareholders requires amendment, the information subject to amendment shall be published on the Company's website in its amended form.

The Company's website: https://www.toyo.co.jp/english/ir/financial_data/highlight/

<Voting methods>

You are kindly requested to review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights. You can exercise your voting rights by any of the following three methods:

1. By attending the Ordinary General Meeting of Shareholders to be held on Thursday, December 23, 2021 at 10:00 a.m. (Japan Time)
2. By postal mail
Deadline for exercise: Your ballot must reach us by post no later than 5:30 p.m. on Wednesday, December 22, 2021 (Japan Time).
3. Via the Internet
Deadline for exercise: Enter your vote by no later than 5:30 p.m. on Wednesday, December 22, 2021 (Japan Time).

<Instructions on filling out your Voting Rights Exercise Form>

Please indicate your approval or disapproval using the method shown below.

Proposals 1, 3 and 4:

If you approve: Put a circle in the box marked “賛” [Approve]
If you disapprove: Put a circle in the box marked “否” [Disapprove]

Proposal No. 2:

If you approve all candidates: Put a circle in the box marked “賛” [Approve]
If you disapprove all candidates: Put a circle in the box marked “否” [Disapprove]
If you selectively disapprove certain candidates: Put a circle in the box marked “賛” [Approve], and also write the candidate number for each candidate you disapprove.

<Matters decided for convocation>

- (1) Handling of duplicated exercise of voting rights both in writing and via the Internet
If you exercise your voting rights both in writing and via the Internet, the vote exercised via the Internet will be treated as valid.
- (2) Handling of duplicated exercise of voting rights via the Internet
If you exercise your voting rights more than once via the Internet, the last vote will be treated as valid.

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Appropriation of Surplus

TOYO Corporation (the “Company”) regards the return of profits to shareholders as an important management priority, and intends to positively distribute dividends with due regard for the business environment, while setting a minimum dividend payout ratio to approximately 60% of net income attributable to owners of parent based on maintaining a sound financial structure.

Based on this policy, the Company proposes that the appropriation of surplus in the current fiscal year be as follows.

Year-End Dividend

- (1) Type of dividend property
Cash
- (2) Appropriation of dividend property to shareholders and total amount
Payment of ¥27 per common share
Total amount of dividend: ¥638,527,212
- (3) Effective date of distribution of surplus
December 24, 2021

Note: Dividends for the fiscal year ended September 30, 2021

If this proposal is approved, combined with the interim dividend of ¥16 already disbursed, the total amount of the annual dividends for the fiscal year ended September 30, 2021 will be ¥43 per share.

Proposal No. 2: Election of Five Directors

Messrs. Toshiya Kohno, Masataka Kashiwa and Yasushi Kumagawa, the three (3) incumbent Directors of the Company, will complete their term of office at the closing of this General Meeting of Shareholders.

In that regard, the Company proposes the election of five (5) Directors, increasing the number of Directors by two to strengthen the management framework.

In order to realize its corporate philosophy, effective corporate governance, sustainable growth, and enhancement of corporate value over the medium- to long-term, the Company nominates candidates for Directors who have abundant experience and high-level capabilities and insight appropriate for the position of Director.

In addition, the Company nominates candidates for outside Directors who can not only supervise management from an independent and objective standpoint, but can also be expected to make proactive recommendations based on their extensive experience and knowledge, including expertise.

The candidates for Directors are as follows:

Candidate No.	Name (Date of Birth)	Career summary	Number of shares of the Company held	
1 Reelection	Toshiya Kohno (December 30, 1958) Term of office for Director: 8 years Attendance at the Board of Directors meetings: 22/22 (100%)	March 1989 October 2010 December 2013 December 2017 December 2019 December 2020 (Responsibilities in the Company) President and Chief Executive Officer	Joined the Company Managing Director of TOYO Corporation China Director of the Company Director, Executive VP, COO of the Company Representative Senior Managing Director of the Company President and Chief Executive Officer of the Company (current position)	10,000 shares
Reasons for nomination as candidate for Director	Mr. Toshiya Kohno, since assuming office as Director in 2013, has contributed to the Company's performances, improving sales capabilities and promoting global business with his abundant business experience and extensive knowledge in the sales field. After his assuming office as President and Chief Executive Officer in 2020, he has led the Company with his strong leadership and a high level of corporate management capabilities. Therefore, the Company proposes his election as Director again expecting that he can contribute to enhancing the Company's corporate value.			

Candidate No.	Name (Date of Birth)	Career summary		Number of shares of the Company held
2 Reelection	Masataka Kashiwa (July 4, 1954) Term of office for Director: 2 years Attendance at the Board of Directors meetings: 22/22 (100%)	April 1978 April 2012 June 2015 April 2016 December 2019 December 2020	Joined Hitachi, Ltd. Vice President and Executive Officer, Chief Executive for North America of Hitachi Transport System, Ltd. and President of Hitachi Transport System (America), Ltd. Auditor of VANTEC CORPORATION Corporate Auditor of Hitachi Solutions, Ltd. Outside Director of the Company Director, Executive VP, CFO of the Company (current position) (Responsibilities in the Company) Director, Executive VP, CFO, Accounting Division, Human Resources & General Affairs Division, Logistics Division, and Risk Management	10,000 shares
Reasons for nomination as candidate for Director	Mr. Masataka Kashiwa has abundant experience and profound insight as a corporate manager and auditor. After assuming the position of Director, Executive VP, COO in 2020, he has actively strived to improve governance and operational matters of the Company. Therefore, the Company proposes his election as Director anew, expecting that he can contribute to the enhancement of the Company's corporate value.			
3 Reelection	Yasushi Kumagawa (January 25, 1960) Term of office for Director: 4 years Attendance at the Board of Directors meetings: 22/22 (100%)	March 2009 October 2015 October 2016 December 2017	Joined the Company Division Manager, Sensor Solutions of the Company Senior Division Manager, Sensor Solutions of the Company Director of the Company (current position) (Responsibilities in the Company) Director, Mechanical Measurement Solutions	12,400 shares
Reasons for nomination as candidate for Director	Mr. Yasushi Kumagawa has abundant experience and extensive knowledge in the sales field, and has led performances, mainly in the divisions related to sensors, contributing to improving sales capabilities and securing revenues, among others. As he can be expected to use his past experience to continue contributing to enhancing the Company's corporate value, the Company proposes his election as Director.			

Candidate No.	Name (Date of Birth)	Career summary	Number of shares of the Company held
4 New candidate Outside Independent	Yoshiyuki Imabayashi (August 4, 1956) Term of office for Outside Director: — Attendance at the Board of Directors meetings: —	<p>April 1980 Joined Yokogawa HP Inc.</p> <p>November 1999 Joined Agilent Technologies Japan, Ltd.</p> <p>May 2006 General Manager, Indirect Sales Division of Agilent Technologies Japan, Ltd.</p> <p>August 2014 Joined Keysight Technologies Japan G.K. (currently Keysight Technologies Inc.)</p> <p>May 2016 Indirect Channel Sales Manager and Strategic Business Planning Manager of APFO (Asia Pacific Field Operation), Keysight Technologies Inc.</p> <p>September 2021 Resigned from Keysight Technologies Inc.</p> <p>(Responsibilities in the Company)</p> <p>—</p>	1,000 shares
Reasons for nomination as candidate for Outside Director and overview of expected roles	<p>Mr. Yoshiyuki Imabayashi has abundant experience and profound insight in the domestic and overseas sales fields, and he can be expected to provide appropriate opinions and guidance regarding the Company's overall management and sales activities, and to be involved in the selection of candidates for officers and decisions on executive compensation, etc. from an objective and neutral standpoint, and the Company proposes his election as Outside Director. He has never been involved in the management of a company, except as an outside Director, however, the Company judges he will appropriately fulfill his duties as an outside Director based on the above reasons.</p>		

Candidate No.	Name (Date of Birth)	Career summary	Number of shares of the Company held
5 New candidate Outside Independent	Miyuki Suka (May 24, 1961) Term of office for Outside Director: – Attendance at the Board of Directors meetings: –	<p>April 1984 Joined Orient Leasing Co., Ltd. (currently ORIX Corporation)</p> <p>November 1997 Branch Manager, Funabashi Branch of Orient Leasing Co., Ltd.</p> <p>July 2012 General Manager, Sales Promotion Department of ORIX Bank Corporation</p> <p>April 2020 Joined Hitachi Solutions, Ltd. Deputy General Manager of Diversity & Inclusion Development Center of Hitachi Solutions, Ltd.</p> <p>October 2021 Head of Diversity & Inclusion Development Center (current position) of Hitachi Solutions, Ltd.</p> <p>[Significant concurrent positions] Head of Diversity & Inclusion Development Center of Hitachi Solutions, Ltd. (Responsibilities in the Company)</p> <p>–</p>	0 shares
Reasons for nomination as candidate for Outside Director and overview of expected roles	<p>Ms. Miyuki Suka has abundant experience and profound insight in the sales field and diversity, and she can be expected to provide appropriate opinions and guidance regarding the Company's overall management and promotion of diversity, and to be involved in the selection of candidates for officers and decisions on executive compensation, etc. from an objective and neutral standpoint, and the Company proposes her election as Outside Director.</p> <p>She has never been involved in the management of a company, except as an outside Director, however, the Company judges she will appropriately fulfill her duties as an outside Director based on the above reasons.</p>		

- Notes: 1. No conflict of interest exists between the Company and the above candidates for Directors.
2. Mr. Yoshiyuki Imabayashi and Ms. Miyuki Suka are candidates for Outside Directors.
3. The Company has registered Mr. Yoshiyuki Imabayashi and Ms. Miyuki Suka as Independent Directors pursuant to the rules of Tokyo Stock Exchange, Inc.
4. If this proposal is approved, the number of the Company's Directors will be eight (8) (of whom three (3) are Outside Directors).
5. Overview of directors and officers liability insurance policy
The Company has concluded a directors and officers liability insurance policy with an insurance company as stipulated in Article 430-3, paragraph (1) of the Companies Act with the officers, etc. of the Company and its consolidated subsidiaries as insured persons, which is scheduled to be renewed in April 2022.
If Proposal No. 2 is approved as proposed and each candidate assumes office, he or she will be an insured.
- (i) Summary of insurance incidents covered
The policy covers losses that may arise from the insured's assumption of liability incurred in the course of the performance of duties as an officer or a person at a certain position, or receipt of claims pertaining to the pursuit of such liability.
 - (ii) Insurance premiums
Insurance premiums are borne by the Company.

<Reference>

The Skills Matrix of the Board of Directors after Proposal No. 2 is approved as proposed, is as follows:

Skills Matrix of the Company's Board of Directors

In light of the Company's medium- to long-term management direction and business strategy, the expertise and experience of the Company's officers have so that the Board of Directors of the Company appropriately exercises its decision-making and supervisory functions toward realization of the Medium-term Management Plan are as below.

	Name	Corporate Management	Science & Technology	Sales/Marketing	Global Business	Finance/Accounting /Human Resources	Legal/Risk Management
Inside Director	Toshiya Kohno	•	•	•	•		
	Masataka Kashiwa	•			•	•	•
	Noriyuki Kato		•	•	•		
	Mitsuru Onodera		•	•	•		
	Yasushi Kumagawa		•	•	•		
	Nobuyoshi Akiyama	•	•				
Outside Director	Yoshiyuki Imabayashi		•	•	•	•	
	Miyuki Suka			•	•	•	
Outside Corporate Auditor	Kazuhiko Nozaki	•			•		•
	Kiyo Morikawa		•				•
	Shigehisa Horinokita					•	•

<Policies for the election (nomination) of Directors>

We appoint Directors who have a deep understanding of the Group's corporate philosophy, have excellent management capabilities and leadership, qualities, broad perspective and foresight necessary for global management, and who have a strong desire to participate in management decisions to achieve sustainable growth of the Group as a member of society.

Candidates for Outside Directors are appointed not only to provide advice from an objective perspective to ensure the validity and appropriateness of decision-making by the Board of Directors, but also human resources who can be expected to make proactive recommendations based on their extensive experience and knowledge, including expertise in specialized fields, etc. for the execution of business in the Company's business divisions.

Furthermore, in order to strengthen the supervisory function of business execution, we will appoint human resources who meet the following requirements as independent Outside Directors.

- Oversee management through important decision making by the Board of Directors
- Oversee conflicts of interest between the Company, management and controlling shareholders, etc.
- Appropriately reflect the opinions of minority shareholders and other stakeholders to the Board of Directors
- Oversee management from an objective standpoint independent of management
- Ensure there is no risk of conflict of interest with general shareholders

<Procedures for the election (nomination) of Directors>

Regarding the procedure for nominating candidates for Directors, after explaining to outside officers in advance and obtaining appropriate advice, the Board of Directors will make a resolution and submit it to the General Meeting of Shareholders.

<Criteria for judging independence>

The Company selects candidates for Independent Directors and Corporate Auditors in accordance with the requirements of independence of the Tokyo Stock Exchange, Inc.

Proposal No. 3: Election of One Substitute Corporate Auditor

To prepare for a contingency in which the Company does not have the number of Corporate Auditors required by laws and regulations, the Company proposes the election of one (1) Substitute Corporate Auditor.

The consent of the Board of Corporate Auditors has been obtained for this proposal.

The candidate for Substitute Corporate Auditor is as follows:

Name (Date of Birth)	Career summary	Number of shares of the Company held
Shigeo Yamazaki (October 13, 1951)	October 2002 Deputy Head, Corporate Auditors' Office of Japan Airlines Co., Ltd. April 2006 Branch Manager, Asahikawa Branch of Japan Airlines Corporation (currently Japan Airlines Co., Ltd.) July 2008 General Manager for Corporate Auditors of Japan Airlines International Co., Ltd. (currently Japan Airlines Co., Ltd.) September 2010 Joined the Company Division Manager, Audit Division of the Company September 2013 Left the Company	0 shares
Reasons for nomination as candidate for Substitute Corporate Auditor	Mr. Shigeo Yamazaki has abundant audit experience and extensive knowledge, and can be expected to provide appropriate opinions and guidance for compliance with laws and regulations and the Articles of Incorporation as well as for maintenance and improvement of the Company's compliance system. Therefore, the Company proposes his election as Substitute Corporate Auditor.	

Notes: 1. No conflict of interest exists between the Company and the above candidate for Substitute Corporate Auditor.

2. Overview of directors and officers liability insurance policy
 The Company has concluded a directors and officers liability insurance policy with an insurance company as stipulated in Article 430-3, paragraph (1) of the Companies Act with the officers, etc. of the Company and its consolidated subsidiaries as insured persons, which is scheduled to be renewed in April 2022.

If Proposal No. 2 is approved as proposed and the candidate assumes office, he will be an insured.

- (i) Summary of insurance incidents covered
 The policy covers losses that may arise from the insured's assumption of liability incurred in the course of the performance of duties as an officer or a person at a certain position, or receipt of claims pertaining to the pursuit of such liability.
- (ii) Insurance premiums
 Insurance premiums are borne by the Company.

Proposal No. 4: Determination of remuneration and details of restricted shares allocated to Directors (excluding Outside Directors) in lieu of stock options

The Company would like to introduce a new Restricted Share Remuneration Plan (hereinafter referred to as the "Plan") to replace the Share-based Remuneration Stock Option Plan, in order to provide the Company's Directors (excluding outside Directors; hereinafter referred to as "Eligible Directors") with incentives to continuously enhance the corporate value of the Company, as well as to promote further value sharing between the Eligible Directors and the shareholders, and hereby requests the shareholders' approval to pay compensation for the grant of restricted shares.

With the introduction of the Plan, the existing Share-based Remuneration Stock Option Plan for will be abolished, and no new share options will be issued to Directors as Share-based Remuneration Stock Options in the future.

The remuneration to be paid to the Eligible Directors for the grant of the restricted shares pursuant to this proposal shall be monetary claims, separate from the existing remuneration quota^{*1} for Directors, and the total amount of the remuneration shall be within ¥50 million per year, which is the same amount as the remuneration quota for the share-based remuneration stock options, an amount considered reasonable in light of the above purpose.

In addition, the Board of Directors shall decide the specific timing and allocation of payments to each Eligible Director.

The total number of shares of the Company's common stock to be issued or disposed of as a result of such issuance or disposal shall be no more than 100,000 shares per year^{*2}, and the amount to be paid per share shall be the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately before the date of the resolution by the Board of Directors (or the closing price of the business day immediately before the date of the resolution by the Board of Directors, if no trading is conducted on that date). In issuing or disposing of the Company's common stock in this manner, the Company and the Eligible Directors shall enter into a restricted share transfer agreement (hereinafter referred to as the "Transfer Agreement"), which includes the following details^{*3} (the shares of the Company's common stock transferred under the Transfer Agreement shall hereinafter be referred to as the "Shares").

The current number of Directors is six (6) (including one (1) outside Director), and if Proposal No. 2 is approved, the number will increase to eight (8) (including three (3) outside Directors), and the number of Eligible Directors for the remuneration under this proposal will be five (5).

^{*1} At the 67th Ordinary General Meeting of Shareholders held on December 19, 2019, the remuneration limit for the Company's Directors was approved at an annual amount of no more than ¥350 million (of which no more than ¥25 million to be paid to outside Directors and excluding the salary to be paid to Directors who also serve as employees).

In addition, at the 58th Ordinary General Meeting of Shareholders held on December 17, 2010, the Company received approval for the transfer of stock acquisition rights as share-based remuneration stock options to Directors (excluding outside Directors) in an amount of not more than ¥50 million per annum, separately from the above.

^{*2} The total number of shares of the Company's common stock to be issued or disposed of through the payment of monetary claims in kind by the Eligible Directors is limited to 100,000 shares per annum; however, in the event of a stock split of the Company's common stock (including free allotment of the Company's common stock) or a reverse stock split of the Company's common stock with an effective date on or after the date of approval of this proposal, the total number of shares shall be adjusted as necessary to a reasonable extent in accordance with the split ratio, reverse stock split ratio, etc.

^{*3} Details Regarding the Restricted Shares

(1) Restriction Period

From the payment date of the Shares (hereinafter the "Payment Date") to the time the Eligible Director retires from his or her position as Director of the Company (hereinafter the "Transfer Restriction Period"), the shares cannot be transferred, be used to establish a collateral lien, or otherwise be disposed of.

(2) Conditions for lifting of transfer restrictions

Transfer restrictions on all of the Shares will be lifted upon the expiration of the Transfer Restriction Period, provided that the Eligible Director continues to be a Director of the Company during the Transfer Restriction Period.

(3) Reasons for obtaining without contribution

If it is determined that the Eligible Director will retire from the position of Director of the Company in the absence of death, expiration of his or her term of office, retirement age or other justifiable grounds, the Company shall acquire all of the Shares without contribution.

(4) Treatment for death or resignation

Notwithstanding the provisions of (2) above, if an Eligible Director retires from the position of Director of the Company due to death or other justifiable reasons during the period from the day following the Ordinary General Meeting of Shareholders in which the payment date falls to the date of the next Ordinary General Meeting of Shareholders (hereinafter "Service Provision Period"), the transfer restriction shall be lifted at the time of such resignation with a reasonable number of Shares based on the period of office of the Service Provision Period. In cases specified above, the Company shall automatically acquire without contribution the Shares on which the transfer restrictions have not been lifted as of the time immediately after the transfer restrictions were lifted.

(5) Treatment during reorganization, etc.

Notwithstanding the provisions of (1) and (2) above, during the Transfer Restriction Period, in the event the Company concludes a merger agreement where it becomes the absorbed company, or share exchange agreement or share transfer plan where the Company becomes a wholly owned subsidiary, or other reorganization, etc. approved by General Meeting of Shareholders of the Company (however in the case said reorganization, etc., does not require approval from a General Meeting of Shareholders, by the Company's Board of Directors), by resolution of the Board of Directors, the transfer restriction period shall be lifted for the number of Shares reasonably determined based on the period from the month after the Ordinary General Meeting of Shareholders in the year to which the payment date falls until the approval date of said reorganization prior to the effective date of the reorganization. In cases specified above, the Company shall automatically acquire without contribution the Shares on which the transfer restrictions have not been lifted as of the time immediately after the transfer restrictions were lifted.

(6) Other matters

Other matters concerning the Allotment Agreement shall be determined by the Company's Board of Directors.

(Attached documents)

Business Report

(From October 1, 2020 to September 30, 2021)

Business Overview of the Company and affiliated companies (the “Group”)

Business Performance

Progress and Results of Operations

“Measuring” is an indispensable process for creating new things and experiences, and the Group contributes to technological innovation as a leading company in cutting-edge “measurement” technologies. Based on the import and sale of measuring instruments and technologies, we are focusing on expanding our business by developing our own original products and solutions, expanding outside the Japanese market into the Chinese and U.S. markets. Growing our business directly contributes to the realization of a sustainable society, and we will promote the improvement of corporate value through a growth strategy based on our efforts toward realizing the Sustainable Development Goals (SDGs).

In terms of the Group’s business performance, consolidated net sales increased by 1.8% year on year to ¥23,511 million, which comprised domestic sales of ¥22,570 million and overseas sales, mainly to China and the U.S., of ¥941 million. The operating income increased by 38.1% year on year to ¥1,725 million, the ordinary income increased by 53.9% year on year to ¥2,231 million, and the net income attributable to owners of parent increased by 20.6% year on year to ¥1,734 million.

In addition, the consolidated fiscal year under review was the final year of the Medium-term Management Plan “TY2021” (management indicators: net sales ¥26 billion, operating income ¥2 billion, ROE 5.0%). Orders were favorable at ¥25,666 million (up 9.5% year on year), but due to the spread of COVID-19 (hereinafter the pandemic), lockdowns overseas, semiconductor shortages and delays in electronic component deliveries, and delays in inspections due to the inability of overseas supply engineers to come to Japan resulted in both net sales and operating income posting shortfalls to targets. Meanwhile, we achieved target ROE, which was 5.8%, due to improving capital efficiency, etc.

The results by business segment were as follows:

(Information and Communication Technologies / Cyber Security)

In the ICT business, both orders and sales were strong due to orders received for large-scale systems from automobile companies and rising communication quality test demand from telecommunication carriers for 5G test equipment and due to the spread of teleworking. For information security business, sales of products for carriers such as communication visualization and DDoS countermeasures increased significantly. In addition, improved profitability resulted in a significant increase in operating income. As a result, net sales increased by 7.2% year on year to ¥6,845 million, while operating income increased by 873.1% year on year to ¥761 million.

(Mechatronics / Noise & Vibration)

In the Mechatronics / Noise & Vibration business, orders for sensors used in R&D, mainly from automobile companies, continue to be on a moderate recovery trend. Meanwhile, propensity to invest in large-scale systems in conventional R&D fields such as vibration and noise at automobile companies was sluggish, and both orders and net sales were affected. In addition, sales were affected by shortages of semiconductors and delays in delivery of electronic components. As a result, net sales decreased by 11.2% year on year to ¥4,359 million, while operating income decreased by 21.8% year on year to ¥741 million.

(Physics / Energies)

In the Physics / Energy business, sales of in-house developed measurement systems for all-solid-state battery development and quick charge evaluation devices for electric vehicles (EVs) were strong amid trends such as carbon neutrality and ESG investment. There was also a lot of demand from the renewable energy projects that the government advocated, and net sales in the energy field were also favorable. As a result, net sales increased by 23.8% year on year to ¥4,897 million, while operating income increased by 48.7% year on year to ¥848 million.

(EMC / Antenna Systems)

In the EMC / Antenna Systems business, sales of newly developed EMC software proceeded as planned, but as for sales of large systems, inspections were delayed due to the effects of the pandemic pushing out budgets and the inability of engineers from overseas suppliers to visit Japan. In the Chinese market, demand for EMC and communication quality evaluation equipment for automobiles recovered and orders increased significantly, but sales were delayed due to the customer's equipment environment. As a result, net sales decreased by 17.1% year on year to ¥3,265 million, while operating income decreased by 7.8% year on year to ¥266 million.

(Ocean / Defense & Security)

In the Ocean, Defense & Security business, demand from the private sector, which had been affected by the pandemic, is returning to a normal level, and we have begun to receive orders for measurement systems using small, unmanned boats, which we have been focusing on. In addition, orders for special equipment increased significantly. However, since a feature of this segment is that the delivery period to sales is long, order backlogs increased, but sales for the current fiscal year declined. As a result, net sales decreased by 6.8% year on year to ¥1,300 million, and operating income decreased by 3.4% year on year to ¥216 million.

(Software Quality and Productivity)

In the Software Quality & Productivity business, demand for software configuration management tools was high in the game industry, and sales increased due to additional license purchases and subscription renewals. In addition, awareness of application security for security vulnerability testing tools has increased, and subscription sales, including continued use, have been firm. As a result, net sales increased by 16.0% year on year to ¥1,720 million, while operating income increased by 54.7% year on year to ¥380 million.

(Life Science / Materials)

In the Life Science / Materials business, sales for medical institutions are on a recovery trend from the effects of the pandemic, and sales of our main products such as the chest image enhancing software and orthopedic digital planning tools increased, but nano imaging product sales declined due to competition with low-priced products. Net sales posted a shortfall to the target, and while profitability improved, it failed to turn profitable. As a result, net sales increased by 9.0% year on year to ¥1,121 million, while operating loss was ¥11 million (compared with operating loss of ¥95 million in the previous fiscal year).

Business segment	Net sales	Orders received
	Thousands of yen	Thousands of yen
Information and Communication Technologies / Cyber Security	6,845,495	7,038,260
Mechatronics / Noise & Vibration	4,359,681	4,738,474
Physics / Energies	4,897,892	5,051,479
EMC / Antenna Systems	3,265,473	3,684,090
Ocean / Defense & Security	1,300,490	2,305,109
Software Quality and Productivity	1,720,796	1,694,441
Life Science / Materials	1,121,804	1,154,653

Note: The above amounts do not include consumption taxes.

Consolidated Balance Sheet

(As of September 30, 2021)

(Thousands of yen)

Account Title	Amount	Account Title	Amount
Assets		Liabilities	
Current assets	21,605,864	Current liabilities	4,369,374
Cash and deposits	3,496,888	Notes and accounts payable - trade	1,362,971
Notes and accounts receivable - trade	4,216,667	Income taxes payable	508,266
Securities	10,687,470	Provision for bonuses	741,567
Merchandise and finished goods	2,403,537	Provision for directors' bonuses	61,500
Other	801,700	Other	1,695,070
Allowance for doubtful accounts	(400)	Non-current liabilities	4,773,124
Non-current assets	17,273,673	Net defined benefit liability	642,992
Property, plant and equipment	8,201,178	Long-term advances received	4,060,080
Buildings and structures	1,977,049	Other	70,052
Vehicles	14,599	Total liabilities	9,142,499
Tools, furniture and fixtures	601,588	Net assets	
Land	5,607,940	Shareholders' equity	29,451,111
Intangible assets	935,312	Capital stock	4,158,000
Goodwill	95,266	Capital surplus	4,603,500
Software	632,077	Retained earnings	23,411,295
Software in progress	193,281	Treasury stock	(2,721,684)
Other	14,687	Accumulated other comprehensive income	148,118
Investments and other assets	8,137,182	Valuation difference on available-for-sale securities	196,647
Investment securities	5,479,760	Deferred gains or losses on hedges	6,239
Net defined benefit asset	634,463	Foreign currency translation adjustments	(86,861)
Deferred tax assets	820,327	Remeasurements of defined benefit plans	32,093
Long-term time deposits	700,000	Subscription rights to shares	137,808
Other	632,293	Total net assets	29,737,038
Allowance for doubtful accounts	(129,661)	Total liabilities and net assets	38,879,538
Total assets	38,879,538		

Note: Amounts are rounded down to the nearest thousand yen.

Consolidated Statement of Income

(From October 1, 2020 to September 30, 2021)

(Thousands of yen)

Account Title	Amount	
Net sales		23,511,633
Cost of sales		13,194,881
Gross profit		10,316,751
Selling, general and administrative expenses		8,590,874
Operating income		1,725,876
Non-operating income		
Interest income	93,692	
Dividend income	123,916	
Insurance income	63,101	
Gain on sales of securities	62,676	
Foreign exchange gain	115,403	
Subsidy income	73,458	
Other	39,241	571,490
Non-operating expenses		
Interest expenses	2,665	
Loss on valuation of inventory	47,738	
Share of loss of entities accounted for using equity method	14,145	
Other	933	65,483
Ordinary income		2,231,884
Extraordinary income		
Gain on sales of non-current assets	5,642	
Gain on sales of investment securities	338,409	344,052
Extraordinary losses		
Loss on disposal of non-current assets	5,023	5,023
Income before income taxes		2,570,913
Income taxes - current	858,303	
Income taxes - deferred	(22,379)	835,924
Net income		1,734,989
Net income attributable to owners of parent		1,734,989

Note: Amounts are rounded down to the nearest thousand yen.

Consolidated Statement of Changes in Net Assets

(From October 1, 2020 to September 30, 2021)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	4,158,000	4,603,500	22,691,789	(1,712,762)	29,740,527
Changes of items during the period					
Dividends of surplus			(981,571)		(981,571)
Net income attributable to owners of parent			1,734,989		1,734,989
Purchase of treasury stock				(1,131,621)	(1,131,621)
Disposal of treasury stock			(33,911)	122,699	88,788
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	719,505	(1,008,921)	(289,415)
Balance at the end of current period	4,158,000	4,603,500	23,411,295	(2,721,684)	29,451,111

	Accumulated other comprehensive income					Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	361,748	(1,964)	(63,900)	37,801	333,685	190,251	30,264,463
Changes of items during the period							
Dividends of surplus							(981,571)
Net income attributable to owners of parent							1,734,989
Purchase of treasury stock							(1,131,621)
Disposal of treasury stock							88,788
Net changes of items other than shareholders' equity	(165,100)	8,204	(22,961)	(5,708)	(185,566)	(52,442)	(238,008)
Total changes of items during the period	(165,100)	8,204	(22,961)	(5,708)	(185,566)	(52,442)	(527,424)
Balance at the end of current period	196,647	6,239	(86,861)	32,093	148,118	137,808	29,737,038

Note: Amounts are rounded down to the nearest thousand yen.

Non-consolidated Balance Sheet

(As of September 30, 2021)

(Thousands of yen)

Account Title	Amount	Account Title	Amount
Assets		Liabilities	
Current assets	20,196,943	Current liabilities	3,587,177
Cash and deposits	2,962,789	Notes payable - trade	100,020
Notes receivable - trade	297,305	Accounts payable - trade	1,163,986
Accounts receivable - trade	3,784,073	Accounts payable - other	324,790
Securities	10,687,470	Income taxes payable	507,971
Merchandise	2,237,519	Advances received	492,551
Advance payments - trade	106,074	Provision for bonuses	740,000
Other	122,110	Provision for directors' bonuses	61,500
Allowance for doubtful accounts	(400)	Other	196,356
Non-current assets	18,031,449	Non-current liabilities	4,745,782
Property, plant and equipment	8,180,551	Provision for retirement benefits	653,562
Buildings	1,968,661	Long-term advances received	4,060,080
Structures	8,387	Other	32,140
Vehicles	14,599	Total liabilities	8,332,959
Tools, furniture and fixtures	580,961	Net assets	
Land	5,607,940	Shareholders' equity	29,554,737
Intangible assets	848,409	Capital stock	4,158,000
Software	636,156	Capital surplus	4,603,500
Software in progress	197,565	Legal capital surplus	4,603,500
Other	14,687	Retained earnings	23,514,921
Investments and other assets	9,002,488	Legal retained earnings	581,208
Investment securities	5,454,851	Other retained earnings	22,933,713
Shares of subsidiaries and associates	37,187	General reserve	17,000,000
Investments in capital of subsidiaries and associates	111,200	Retained earnings brought forward	5,933,713
Long-term loans receivable	82,910	Treasury stock	(2,721,684)
Long-term loans receivable from subsidiaries and associates	503,775	Valuation and translation adjustments	202,886
Insurance funds for directors	280,292	Valuation difference on available-for-sale securities	196,647
Prepaid pension cost	598,775	Deferred gains or losses on hedges	6,239
Deferred tax assets	823,579	Subscription rights to shares	137,808
Long-term time deposits	700,000		
Other	761,497		
Allowance for doubtful accounts	(351,580)	Total net assets	29,895,433
Total assets	38,228,393	Total liabilities and net assets	38,228,393

Note: Amounts are rounded down to the nearest thousand yen.

Non-consolidated Statement of Income

(From October 1, 2020 to September 30, 2021)

(Thousands of yen)

Account Title	Amount	
Net sales		22,981,248
Cost of sales		12,845,084
Gross profit		10,136,163
Selling, general and administrative expenses		8,169,261
Operating income		1,966,902
Non-operating income		
Interest income	1,993	
Interest on securities	90,698	
Dividend income	123,916	
Insurance income	63,101	
Gain on sales of securities	62,676	
Foreign exchange gain	57,974	
Other	33,503	433,864
Non-operating expenses		
Interest expenses	2,327	
Loss on valuation of inventory	47,738	
Provision of allowance for doubtful accounts	27,984	
Other	460	78,511
Ordinary income		2,322,255
Extraordinary income		
Gain on sales of non-current assets	5,642	
Gain on sales of investment securities	338,409	344,052
Extraordinary losses		
Loss on disposal of non-current assets	5,023	
Loss on valuation of investments in capital of subsidiaries and associates	55,610	60,633
Income before income taxes		2,605,674
Income taxes - current	857,775	
Income taxes - deferred	(18,539)	839,235
Net income		1,766,438

Note: Amounts are rounded down to the nearest thousand yen.

Non-consolidated Statement of Changes in Net Assets

(From October 1, 2020 to September 30, 2021)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings			Treasury stock	Total shareholders' equity
		Legal capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
				General reserve	Retained earnings brought forward			
Balance at the beginning of current period	4,158,000	4,603,500	581,208	17,000,000	5,182,758	22,763,966	(1,712,762)	29,812,703
Changes of items during the period								
Dividends of surplus					(981,571)	(981,571)		(981,571)
Net income					1,766,438	1,766,438		1,766,438
Purchase of treasury stock							(1,131,621)	(1,131,621)
Disposal of treasury stock					(33,911)	(33,911)	122,699	88,788
Net changes of items other than shareholders' equity								
Total changes of items during the period	-	-	-	-	750,955	750,955	(1,008,921)	(257,966)
Balance at the end of current period	4,158,000	4,603,500	581,208	17,000,000	5,933,713	23,514,921	(2,721,684)	29,554,737

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	361,748	(1,964)	359,783	190,251	30,362,739
Changes of items during the period					
Dividends of surplus					(981,571)
Net income					1,766,438
Purchase of treasury stock					(1,131,621)
Disposal of treasury stock					88,788
Net changes of items other than shareholders' equity	(165,100)	8,204	(156,896)	(52,442)	(209,339)
Total changes of items during the period	(165,100)	8,204	(156,896)	(52,442)	(467,305)
Balance at the end of current period	196,647	6,239	202,886	137,808	29,895,433

Note: Amounts are rounded down to the nearest thousand yen.