

February 17, 2022

Report of Earning Results (Consolidated)
for Fiscal Year
Ending December 31, 2021

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Expected date of the annual shareholders meeting : March 29, 2022

Expected date of the delivery of dividends : March 30, 2022

Expected date of the submission of annual security reports (“Yuka Shoken Hokokusho”) : March 29, 2022

1. Financial Highlights for FY2021 (January 1, 2021 through December 31, 2021)

(1) Consolidated Results of Operations

	Net Sales		Operating Income		Ordinary Income		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2021	190,359	9.4	43,641	10.6	44,501	11.7	38,367	42.6
FY 2020	174,061	5.4	39,464	4.7	39,854	1.8	26,904	(3.7)

(Note) Comprehensive Income : 49,226 million yen 114.3% as of December 31, 2021
22,972 million yen (13.0%) as of December 31, 2020

	Net income per share (basic)	Net income per share (diluted)	Return on shareholders' equity	Return on assets	Operating profit on sales
	Yen	Yen	%	%	%
FY 2021	275.20	275.06	18.9	11.2	22.9
FY 2020	193.39	192.87	14.4	10.8	22.7

(Note) Equity in earnings of affiliated companies : 110 million yen loss as of December 31, 2021
104 million yen loss as of December 31, 2020

(2) Consolidated Financial Position

As of	Total assets	Net Assets	Net Assets ratio	Net Assets per share
	Million yen	Million yen	%	Yen
December 31, 2021	420,457	221,434	52.1	1,568.52
December 31, 2020	376,701	189,360	49.7	1,346.03

(Note) Net assets after deduction of Share acquisition rights and Minority interest :
219,084 million yen as of December 31, 2021
187,310 million yen as of December 31, 2020

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
FY 2021	55,267	2,575	(16,445)	225,681
FY 2020	54,310	(5,777)	(21,142)	174,162

2. Dividend of Surplus

As of	Cash dividends per share					Aggregate amount of dividend annual	Dividends payout ratio (Consolidated)	Dividends on shareholders' equity (consolidated)
	The first quarter end	The second quarter end	The third quarter end	Annual end	Total	Total	Total	Total
	Yen	Yen	Yen	Yen	Yen	million yen	%	%
December 31, 2020	—	—	—	153.00	153.00	21,291	79.1	11.4
December 31, 2021	—	—	—	195.00	195.00	27,236	70.9	13.4
Projection for FY 2022	—	—	—	—	—	—	—	—

(Note) Dividend for FY2022 Annual end is not yet projected.

3. Forecasts of Consolidated Financial Results for FY 2022

(January 1, 2022 through December 31, 2022)

	Net Sales		Operating Income		Ordinary Income		Net income attributable to owners of the parent		Net income per share (basic)	
Annual	Million Yen		Million Yen		Million Yen		Million Yen		Yen	
	208,900	9.7	42,000	(3.8)	42,100	(5.4)	30,300	(21.0)	216.93	

4. Others

(1) Movement of significant subsidiary : No

(2) Changes in accounting principles, accounting estimates and restatements

- ① Changes under the revision of Accounting Standards : No
- ② Changes in Accounting Principles other than ① : No
- ③ Changes in Accounting Estimates : No
- ④ Restatements : No

(3) Number of shares issued (common shares)

① Number of shares issued (including treasury stocks):

140,744,104 shares as of December 31, 2021

140,629,204 shares as of December 31, 2020

② Number of treasury stocks :

1,068,790 shares as of December 31, 2021

1,471,155 shares as of December 31, 2020

③ Average number of shares outstanding :

139,415,408 shares as of December 31, 2021

139,118,324 shares as of December 31, 2020

Results of the non-consolidated operations

1. Financial Highlights for FY2021 (January 1, 2021 through December 31, 2021)

(1) Results of operations

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2021	76,628	6.5	23,046	(2.2)	22,221	(21.6)	21,384	2.2
FY 2020	71,945	8.1	23,562	18.6	28,345	(6.4)	20,930	(12.9)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
FY 2021	153.39	153.31
FY 2020	150.45	150.04

(2) Financial Position

As of	Total assets	Net Assets	Net Assets ratio	Net Assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2021	175,480	83,609	46.8	587.72
December 31, 2020	177,911	80,756	44.7	571.55

(Note) Net Assets after deduction of Share acquisition rights
: 82,090 million yen (79,536 million yen as of December 31, 2020)

* Statement relating to the status of the annual audit procedures

This report is not subject to the annual audit procedures, which are based on the Financial Instruments and Exchange Law. However, the audit procedures for annual consolidated accounts have not finished at the point of the disclosure of the annual financial results.

* Explanation for the proper use of projection and other notes

Any forward-looking statement in this report including results forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. However, various factors could cause actual results to differ materially. Please refer to (2) Qualitative Information on the Consolidated Earnings Forecast on page 4 of the attachment for conditions serving as assumptions for results forecasts.

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1 Qualitative Information and Financial Statements

(1) Qualitative Information on the Consolidated Business Results

(Unit: million yen)

	Net Sales	Operating Income	Ordinary Income	Net income before taxes	Net income attributable to owners of the parent
FY2021	190,359	43,641	44,501	52,371	38,367
FY2020	174,061	39,464	39,854	39,854	26,904
Rate of Change (%)	9.4%	10.6%	11.7%	31.4%	42.6%

(Unit: million yen)

	Net Sales		
	FY2021	FY2020	Rate of Change (%)
Japan	76,612	71,945	6.5%
North America Reg.	36,531	35,307	3.5%
Europe Reg.	34,833	30,843	12.9%
Asia and Pacific Reg.	36,309	31,037	17.0%
Latin America Reg.	6,071	4,927	23.2%
Total	190,359	174,061	9.4%

During this term of fiscal year 2021, from January 1 to December 31, the world economy has been going through the entire year under the limited economic activities by COVID-19 pandemic. Under going through the promotion of getting vaccinated, US stock which hit the highest ever record showed active stock markets on the expectation for business recovery by the resumption of economic activity. On the other hand, there are concerns about the future of the economy due to the progress of global inflation and the possibility of fresh outbreaks as the COVID-19 variant spreads.

Though Japanese economy shows movements of picking up recently from the severe situation in the COVID-19 which is gradually easing, it has also been going through in a severe situation under the unpredictable situation and additionally the world economic risks mentioned above.

The worldwide Information Technology industry has growth due to accelerated demands of remote working, education, DX (digital transformation) under the global affected by the Covid-19 pandemic. Refer to the report by 3rd party, it forecasts worldwide IT spending to grow 5.1% into \$4.5 trillion in 2022. According to accommodating increasingly complex hybrid work for employees, then enterprise software is expected to have growth in 11.0% mainly due to increasing in cloud usage and SaaS migration.

In the cyber security industry, continuously multitude of cyber terrorism that targets specific national institutions, etc., a spate of identity theft in business client information, and targeted attacks including crypto-assets drain in specific companies, organizations have been still coming across occasionally. In ransomware, threat in targeted attacks, against IoT environment associated with industrial control system operations in smart factory, and among them, especially the threat which implemented the 'double extortion' technique by reveal stolen and sensitive information stood out. In addition, the global epidemic of Covid-19 infection was used by phishing scams, the malware files which abuse remote meeting system have infested, and the cyber attack to vulnerabilities in VPN appliances, etc. Against this background, the conventional security measure, with defense of each single terminal and device, and the network segmented into smaller zones, has been changing to no longer desired. The demand is expanding for the solutions including visibility and deep analytics on the premise of intrusion risks. Going through the trend of such threat changes, it has been required showing more rigorous approach to information management to regardless business or individual into new daily life.

Under such environment, our group business conditions are as follows:

With regards to sales in Japan region, both enterprise and consumer business were going well. Especially consumer business has led this region sales under the background of good demands in remote work and education, and additionally sustained its good sales in mobile channel shop. In Enterprise business, despite network security performed not well, endpoint security and cloud security were growing. As a result, net sales for this period in Japan region amounted to 76,612 million yen (6.5% increase from the same period in the previous year) increase to.

For North America region, the entire enterprise business sales showed recovery mode including SaaS business in significant growth. In addition, cloud security achieved big growth and this region sales turned to surplus in this term. As the result, sales for this period in North America region was 36,531 million yen (3.5% increase from the same period in previous year) increased to.

In Europe region sales, whole enterprise business sales expanded with mainly endpoint security and cloud security, and additionally support business showed growth. In addition, there was a weak yen impact, net sales in this region were 34,833 million yen (12.9% increases from the same period in previous year) increase in double-digit growth rate.

In the Asia Pacific region, enterprise business showed growth with mainly both endpoint and cloud security. In addition, support business was also going well. Taiwan and Singapore area led this region sales performed well. In addition, there as a depreciation of yen impact. As a result, net sales for this period in Asia Pacific region amounted to 36,309 million yen (17.0% increase from the same period in the previous year) in double-digit growth rate.

In the Latin America region sales, cloud security showed substantial growth, and additionally network security and endpoint security were also going well in enterprise business. As a result, net sales in this region were 6,071 million yen (23.2% increases from the same period in previous year) to show the highest double-digit growth rate in all regions.

As a result, the consolidated net sales for this period (this term of fiscal year 2021, from January 1 to December 31,) marked 190,359 million yen (9.4% increase from the same period in previous year) with increasing in all regions.

For the costs, amortization of goodwill was a significantly decrease in. In addition, we had one-time collective correction which was related to Software assets in previous year. We got contribution of such a reactionary reduction this year. On the other hand, it was significant increases in people costs with huge impact of weak yen, public cloud service usage due to our SaaS business growth, and increase in outsource fee to consignee for good sales of consumer business at mobile channel shop, etc. As the result, cost of sales and operating expenses for this period totaled 146,718 million yen (9.0% increase from the same period in previous year.) increase to, and consolidated operating income for this period was 43,641 million yen (10.6% increase from the same period in previous year) increase to.

The forecast of financial results for the fiscal year ending December 31, 2021, announced on February 17, 2021, sales in all regions were generally going as expected against. Additionally, the entire group sales were slightly higher than expected due to the depreciation of the yen against our forecast of exchange rates for the Annual of FY2021.

Despite the costs was essentially lower than our forecast mainly due to cloud costs, etc., total costs including mainly people costs exceed our forecasts generally caused by weak yen impact against our forecast exchange rates. On the other hand, the increase in net sales covered most of increment due to yen depreciation in total costs. As the results, operating income has been over than the forecast.

The consolidated ordinary income for this period was 44,501 million yen (11.7% increase from the same period in previous year.) This increase was due to decrease in foreign exchange loss, etc. The net income attributable to owners of the parent for this period was 38,367 million yen (42.6% increase from the same period in previous year) increased to mainly due to gain on liquidation of subsidiary, etc.

Operating income based on Pre-GAAP (revenue before adjusting deferred revenue, etc.) serves as the important annual management indicators for our company. It for this period was 57,790 million yen, an increase of 11,936 million yen (26.0% increase from the same period in previous year.) This increase was due to Pre-GAAP growth which was get over than increase in the total of cost of sales and operating expenses including cost of public cloud service usage volume increase for future strengthening of our SaaS business.

(2) Qualitative Information on the Consolidated Earnings Forecast

Since the business environment surrounding Trend Micro Group tends to fluctuate in the short run, it is difficult to make a highly reliable projection figures on a yearly basis. However, forecasts of net sales for FY 2022 is assumed both Japan region, North America, and Asia and Pacific region increase by approximately 5% to 10% from the same period in previous year respectively. Europe region increases by approximately 20% from the same period in previous year respectively. As the results, entire group sales is assumed increases by around 10% from the same period in previous year respectively. The forecast of cost for FY 2022 is assumed increases mainly due to people costs to invest in human resources to further build up the momentum of strategy execution, and an increase in business travels and event expenses under the relaxation for the transfer of personnel, etc. in Covid-19. On the other hand, the increase in public cloud service usage, had showed a big growth, is expected to slow down. In consideration of such a condition, we have decided to announce the earnings on an annually basis in the fiscal year ending in December 2022 as followings.

Business forecast for the Annual of FY2022 (January 1, 2022 – December 31, 2022)

Consolidated net sales	208,900 million yen
Consolidated operating income	42,000 million yen
Consolidated ordinary income	42,100 million yen
Net income attributable to owners of the parent	30,300 million yen

In development of the business forecasts the main assumed exchange rates for the Annual of FY2022 (January 1, 2022 – December 31, 2022) as follows.

1 US \$	110 yen
1 Euro	130 yen

(3) FINANCIAL CONDITION ANALYSIS

CONDITION OF ASSETS, LIABILITIES, AND NET ASSETS

Cash and bank deposits at the end of this period amounted to 197,729 million yen, an increase of 41,989 million yen from FY2020 annual closing.

In spite of significant decrease in investments securities, due to substantial increase in cash and bank deposits, and marketable securities, etc., total assets at the end of this period were 420,457 million yen, 43,756 million yen increase from FY2020 annual closing. Total liabilities at the end of this period were 199,023 million yen, 11,683 million yen increase from FY2020 annual closing mainly due to significant increase in deferred revenue, etc., despite decrease in others of current liabilities accrued income and other taxes.

Total net assets at the end of this period were 221,434 million yen, 32,073 million yen increase from FY2020 annual closing. This increase is due to significant increasing in both retained earnings and foreign currency translation adjustments, etc.

CONDITION OF CASH FLOW

(Unit: million yen)

	FY 2021	FY 2020	Increase (Decrease)
Cash Flows from Operating Activities	55,267	54,310	957
Cash Flows from Investing Activities	2,575	(5,777)	8,352
Cash Flows from Financing Activities	(16,445)	(21,142)	4,696
Effect of Exchange Rate Changes on Cash and Cash Equivalents	10,121	(1,355)	11,476
Net Increase (Decrease) in Cash and Cash Equivalents	51,518	26,035	25,483
Cash and Cash Equivalents at beginning of period	174,162	148,127	26,035
Cash and Cash Equivalents at end of period	※1 225,681	※1 174,162	51,518

[Overview of Cash Flow]

Cash flows from operating activity for this period were cash inflow of 55,267 million yen increased by 957 million yen compared with the previous period. This increase of inflow was mainly due to the increase of deferred revenue.

Cash flows from investing activity were cash inflow of 2,575 million yen, increased by 8,352 million yen compared with the previous period. This was mainly due to the increase of proceeds from sale or redemptions of marketable securities and securities investmentsthe.

Cash flows from financing activity were cash outflow of 16,445 million yen decreased by 4,696 million yen compared with the previous period. This was mainly due to the decrease of payment for purchase of treasury stock.

Taking these cash flows and the effect of exchange rate change on cash and cash equivalents into account, cash and cash equivalents at the end of this period was 225,681million yen, increased by 51,518 million yen compared with the previous period.

[Trends of Cash Flow Indexes]

(Japan GAAP)

	FY2017	FY2018	FY2019	FY2020	FY2021
Shareholder's equity Ratio (%)	53.0	53.7	51.8	49.7	52.1
Capital Adequacy Ratio on Market Value Basis (%)	265.6	240.8	216.6	219.4	212.3
Debt Redemption Period (years)	-	-	-	-	-
Interest Coverage Ratio	13,311.6	24,706.9	-	-	5,845.0

(Note)

Shareholder's Equity Ratio : (Total shareholder's Equity)/(Total Assets)

Capital Adequacy Ratio on Market Value : (Total Market Value of Shares)/(Total Assets) Basis

Debt Redemption Period : (Interest-bearing Debt)/(Operating Cash Flow)

Interest Coverage Ratio : (Operating Cash Flow)/(Interest Payment)

* All indexes are calculated from the financial statement amounts on a consolidated basis.

* "Total Market Value of Shares" is calculated as follows; "closing share price at the term end" multiplies by "number of shares issued at the term end "(net of treasury shares).

* "Operating Cash Flow" is "Net cash flows from operating activities" in the consolidated statement of cash flows.

"Interest-bearing Debt" is all debts with interest payments among the debts reported in the consolidated balance sheet.

"Interest Payment" is the amount of payment for interest expense in the consolidated statement of cash flows.

(4) BASIC POLICY OF PROFIT SHARING

We intend to continue to return profits to shareholders based on our net profits on a consolidated basis while striving to enhance financial strength and secure inner reserves to deal with the significantly changing business environment and maintain a competitive edge against competitors.

Our basic policy on dividends has been aimed at 70% of net income attributable to owners of the parent.

As pertains to our purchase of the TippingPoint business in 2016, this acquisition's related amortization has started to be booked. According to such a background, to avoid the dividend payout being affected by this non-cash charge, we plan to pay the dividend in this year-end based on a dividend ratio of 70% calculated after excluding the effect of the after-tax impact of amortization related to purchase the TippingPoint business with the following formula.

(Reported net income attributable to owners of the parent + After-tax impact of amortization of related to purchase of the TippingPoint Business) x 70%

Accordingly a year-end dividend on the basis of a dividend ratio of 71.0% of net income attributable to owners of the parent of 38,367 million yen in FY2021, we have planned to pay total dividends of 27,236 million yen, which is 195 yen per share in this term.

Since the recording of goodwill amortization expenses for TippingPoint will end in the current fiscal year, the above adjustments will be made until the current fiscal year. From the next fiscal year onward, we would like to pay a year-end dividend with a dividend payout ratio of 70% based on net income attributable to owners of the parent company (hereinafter referred to as "consolidated net income") in accordance with the above basic policy.

(5) RISK FACTORS

The occurrence of any of the following risks could affect the Trend Micro group's business, financial condition, and operating results. If this should happen, the trading price of shares of Trend Micro Incorporated, Trend Micro group's parent company, could decline and its investors/shareholders could lose all or part of their investment. Other risks and uncertainties unknown to us, the Trend Micro group, or that we, the Trend Micro group, think are immaterial may also impair our business.

1. AS WE GENERATE SUBSTANTIALLY ALL OF OUR SALES FROM A SINGLE SCOPE OF BUSINESS, WE ARE VULNERABLE TO DECREASED DEMAND FOR SUCH PRODUCTS AND SERVICES.

Compare to any other general software vendors with a wide range products, we are mainly focusing our business in the field of cyber security business based on antivirus software. Although we have begun to offer more comprehensive network and internet security and management software and services, we expect antivirus and other security products and services to continue to account for the largest portion of our net sales in the foreseeable future. While such a situation is expected to continue for the time being, the cyber security industry to which our group belongs is intensifying market competition, and it is strategic to cooperate with other companies to provide new security products and services. We are preparing for a rapidly changing business environment by taking an active stance on alliances and considering acquisitions of other companies in order to expand our business domain.

The reliance on a single business area of our group can result in many risk and uncertainties, including:

- A material loss of both sales and market share in not only Japan where current leading market position to our entire group sales, but also any other regions as a result of invest substantial cash and other resources in product development, marketing promotions and support and maintenance activities, could have a material adverse effect on our business, financial condition and results of operations.
- May not earn revenue successfully as we expected from alliances despite our efforts
- May be terminated or dissolved due to various causes before generating revenue.
- Our inability to retain customers, suppliers and other important business relationships of an acquired business
- Difficulties in effective merging an acquired company into Trend Micro, including the acquired company's operations, personnel, products and information systems
- Diversion of our management's attention from other business concerns
- Possibilities of adverse effects on our results of operations arising from acquisition-related charges due to impairment of goodwill

and purchased technology and recognition of impairment charge

- Possibilities of dilution in our current shareholders' ownership interests in a case of using our stock for such an acquisition

2. OUR WIDE RANGE OF PRODUCTS AND SERVICES MAY BECOME OBSOLETE BECAUSE RAPID TECHNOLOGICAL CHANGES REGULARLY OCCUR IN THE COMPUTER SECURITY MARKET.

The cyber security industry, which our group belongs to, is characterized by:

- Rapid technological change
- Proliferation of new and changing computer viruses, malware programs, and threats over the internet
- Frequent product and services introductions and updates
- Changeable customer needs
- Changing market competition rapidly

These characteristics of our market create significant risks and uncertainties for our business success. For example, our competitors might introduce computer security products and services that are technologically superior to our wide range of products and services. Moreover, customers might still choose these vendors' antivirus products even if they offered fewer functions and less effective in detecting and cleaning virus-infected files than our wide range of products and services due to lower cost or for any other reasons. As a result, such a customer behavior may decline our competitiveness, various products and services of our group may not be accepted by the market, and the business environment may change due to the emergence of new computing and security technologies. If our group is unable to respond promptly and appropriately to such changes, it may have a significant impact on our business, financial position and operating results.

3. OUR HARDWARE-BASED PRODUCTS FACE MANUFACTURING AND INVENTORY RISKS.

We rely on specified third parties, which design and manufacture of various products in accordance with the international standard that specifies requirements for a quality management system including ISO, etc., to manufacture our hardware-based products. Reliance on those third-party manufacturers involves a number of risks, including a lack of control over the manufacturing process, the potential absence or unavailability of adequate capacity and the unexpected loss of any of our manufacturers could disrupt our business. Against such supply chain risks, we are taking measures to ensure sustainable supply with sufficient buffers of product inventories based on careful analysis of past sales performance and future sales forecasts. However, even if we set those measures, those above factors might be caused by opportunity losses including customer orders cancellation and significant shortage of components, etc. In that case, our financial condition and results of operation are adversely affected.

4. WE COULD SUFFER DISRUPTIONS IN OUR BUSINESS AND LONG-TERM DAMAGE TO OUR REPUTATION.

Our group's reputation may be more susceptible to problems than other software companies caused by unauthorized access, cyber attacks, hackers / crackers trying to break into or attack our networks, steal secrets, and deface our site. Also, there are considered some cases of loss or theft of technical or private information for taking out and unfair use by our group insiders despite taking legislative actions, etc., our group's security products and services may also fail to properly identify, prevent unwanted, and falsely identify. In addition, as the system risks, should we fail to properly test these products, solutions, or protection files and distribution a defective file, vulnerabilities, etc., these could cause damage to customers. In such a case, it would adversely impact our operating results and financial condition.

Our group has established the Global Chief Information Security Officer (CISO), which oversees information security governance, and has established and operates the CSIRT (Computer Security Incident Response Team) as an organization that responds to security incidents. In addition, in the event that the risk level is related to the entire world, we have established a system to respond to the crisis company-wide in cooperation with the global crisis management system. Especially, the head office in Japan has a comprehensive crisis management system called SWAT to establish a system to visualize risks, regularly review them with management, and take appropriate measures promptly.

Also, our group has acquired the international standards "ISO27001" and JISQ15001 (privacy mark) for information security

management systems, concludes contracts with subcontractors and employees with the purpose of preservation of confidentiality, establishes information management regulations, employees and consignments. In addition to striving to strengthen and thoroughly manage and prevent leaks, such as educating and thoroughly disseminating information, strengthening infrastructure security, and taking measures to prevent intrusion from the outside into the in-house information system, in addition to providing products and services in advance We are conducting appropriate tests. Moreover, we also provide products and services that have been certified and certified by various external organizations such as FIPS 140-2, PCI DSS 3.2, and FedRAMP.

However, even if these measures are taken, the above risks may not be prevented. If these incidents occur, we could significantly discredit us, which could result in a significant loss of customers and other important business relationships until recovery of confidence. Not only our disrepute, there may be possible that our group's business may reduce the adoption of our products and services. We could also incur costs to fix technical problems or fix problems created by hackers gaining access to our proprietary information. In addition, if a proceeding is filed against our group and a huge claim for damages is granted, it will have a significant impact on our business, as well as on our financial position and operating results.

5. OUR DISTRIBUTORS AND INTERMEDIARIES WHO SELL OUR PRODUCTS AND SERVICES MAY ADVERSELY AFFECT OUR BUSINESS AND OPERATING RESULTS.

We market substantially all of our products and services to end users through intermediaries, including distributors, resellers and value-added resellers. Our distributors sell other products that are complementary to, or compete with, our products and services. While we encourage our distributors to focus on our wide range of products and services, these distributors may give greater priority to products of other suppliers, including competitors'. They may also return the products to us under certain circumstances. Additionally, we regularly review the collectability and creditworthiness of those our distributors and intermediaries to determine an appropriate allowance for doubtful receivables. If some of our distributors are experiencing financial difficulties worldwide, which may adversely impact our collection of accounts receivable. In such a case, our uncollectible accounts could exceed our current or future allowance for doubtful receivables, which would be adversely significant impact our operating results.

6. WE MUST EFFECTIVELY MANAGE OUR BUSINESS GROWTH.

Our business field has been expanding. This expansion has placed, and any future business expansion or growth will continue to place, a significant strain on our limited personnel, management and other resources. We have been strengthening and improving the following points in order to sustain growth in the future we will.

- attract, train, retain, motivate and manage new employees successfully;
- Effectively integrate new employees into our operations; and
- continue to improve our operational, financial, management and information systems and controls.

If we continue to expand or grow, our group's management systems in place may be inadequate or we may not be able to effectively manage our growth. In particular, we may be unable to:

- In a timely manner, provide effective customer service and develop and deliver products;
- implement effective financial reporting and control systems; and
- exploit new market opportunities and effectively respond to competitive pressures.

7. THE HUMAN RESOURCES INCLUDING MAJOR TECHNICAL SPECIALIST PERSONNEL COULD ADVERSELY AFFECT OUR BUSINESS.

The cyber security industry which our group belongs to, has grown increasingly competitive. In this competitive environment, recruiting top-class human resources has been the most important challenges to support innovative technology for all the companies. At the same time, we are required to take defense against possibility of human resources flow including major technical specialist personnel.

Our ability to manage any future expansion or growth in our business, we are strengthening and improving the acquisition and securing of new human resources, attract, train, retain, motivate and manage new employees successfully and effectively integrate new employees into our operations. Additionally, our group has made contracts with all employees for the purpose of preservation of confidentiality and obligation not to compete.

Despite taking such legislative actions, we could suffer substantial disruptions in our business to our reputation due to outflow of technical and strategic vital information, and other companies developing similar technology with ours. In addition, our group's business, operations and financial condition could suffer as a result of the above. Today, the majority of Trend Micro staff as of 55.1% is based in Asia including the emerging countries. Due to this region's rising inflation and costs of living, salaries will also have to increase. Any increase in costs caused by the above could cause our group's business, results of operations and financial condition could suffer. Also, the talent war with competitors could adversely affect to our group's labor cost. Moreover, unexpected high turnover and recruitment which does not work out as planned, may hurt our group's business performance. If any of cost increase caused by those above, our group's business, results of operations and financial condition could suffer.

8. FLUCTUATIONS IN OUR QUARTERLY FINANCIAL RESULTS COULD CAUSE THE MARKET PRICE OF TREND MICRO INCORPORATED, TREND MICRO GROUP'S PARENT COMPANY, FOR ITS SHARES TO BE VOLATILE.

Due to all the factors listed in this risk factors information, we believe that our quarterly financial results may fluctuate in ways that do not reflect the long-term trend of our future financial performance. It is likely that in some future quarterly periods, our operating results may be below the expectations of public market analysts and investors which could cause our quarterly financial results to fluctuate. In this event, the share price of Trend Micro Incorporated, Trend Micro group's parent company, could fall.

9. FOREIGN EXCHANGE FLUCTUATIONS AND FINANCIAL MARKET FLUCTUATIONS COULD LOWER OUR RESULTS OF OPERATIONS

Our reporting currency is the Japanese yen and the functional currency of each of our subsidiaries is the currency of the country in which the subsidiary is domiciled. However, a significant portion of our revenues and operating expenses is denominated in currencies other than the Japanese yen, primarily the US dollar, Euro, and Asian currencies. If we are successful in increasing our sales in markets outside of Japan, the impact of exchange rate fluctuations between these currencies and the Japanese yen may be greater and these negative effects from currency fluctuations could become more significant.

Also, we have a portion of marketable securities for fund management. Those values will be affected by the ups and downs of exchange rate denominated in foreign currencies and significant currency fluctuations could hurt our corporate earnings significantly. We have marketable securities and security investments for efficient fund management. Those values of the capital holdings will be affected by fluctuations in the financial market and exchange rates. In the future, if financial market fluctuates widely, this could have a material adverse effect on our financial condition and results of operations proportionate devaluation loss on investment in securities.

10. WE RELY HEAVILY ON OUR KEY MANagements, WHO MAY NOT REMAIN WITH US IN THE FUTURE.

We rely, and will continue to rely, on a number of key managements, including our Chief Executive Officer, Eva Yi-Fen Chen. If any of our key managements leave, our business, results of operations and financial condition could suffer. If key managements who are in our group violates the constitution or other laws or regulations, our group's business could suffer substantial disruptions in our business and to our reputation which could result in a loss of customers and other important business relationships until recovery of confidence.

In such cases, there is the possibility to have a material adverse effect on our operating results.

11. OUR BUSINESS FACES THE RISK OF EFFECT FROM VIOLATION OR AMENDMENT OF THE LAW AND THE LEGAL ACT.

All our business would be under various laws and regulations in each country and each region. If we would fail to comply with those laws and regulations, it would provide more severe administrative guidance and penal regulations.

Also, in the case of the laws and regulations legal amendments, there are the possibilities to be tightening regulations and restrictions on our products and services and carry a cost in terms of relevant issues. In such a case, our business may have a material adverse effect on our operating results.

12. THE POSSIBILITY OF OUR CUSTOMERS WHICH COULD ADVERSELY AFFECT OUR BUSINESS.

Our wide range of products and services may be considered to be capital purchases by certain enterprise customers. Capital purchases

are often uncertain and, therefore, are canceled or delayed if the customer experiences a downturn in its business prospects or as a result of unfavorable economic conditions. Any cancellation or delay could adversely affect our results of operations.

For all our group's customer users including above enterprise customer users, our products and services are designed to protect customers' network systems and personal computers from damage caused by computer viruses, web threats and data stealing malware. As a result, if a customer suffers damage from any of these threats or if the actual functions of our group's products and services differ from the stated, the customers may return those products and also demanded refunds for services and the customer could sue us on product liability or related grounds, claim damages for data loss or make other claims.

Additionally, as threats are constantly evolving, purchasers of our software products must regularly update the software they have purchased from us with signature protection files that we make available for download from our website. Should we fail to properly test these protection files and distribute a defective file including vulnerabilities, these files could cause damage to the personal computers, network environment, and various devices of our customers who have downloaded a defective file. In addition, our hardware products as a defective appliance, etc. could cause damage to human lives, health, and the personal property of our customers who have used a defective appliance, etc. As a result, if a customer suffers damage from our products, the customer could sue us on product liability or related grounds, claim damages for data loss or make other claims. Otherwise, we could order a recall of products at the discretion of company.

Our license agreements typically contain provisions, such as disclaimers of warranty and limitations of liability, which seek to limit our exposure to certain types of product liability claims. Also, we have insurance for product liability compensation. However, in some jurisdictions or products recall cases these provisions may not be enforceable on statutory, public policy or other grounds. In the case of losing such a lawsuit, there is a possibility that the case filed by our service and product users for damages and recovery of pain and suffering damages could have a material adverse effect on our business.

13. INFRINGEMENT OF OUR INTELLECTUAL PROPERTY COULD HURT OUR BUSINESS.

Our success depends on the development of proprietary software technology. We rely on a combination of contractual rights and patent, copyright, trademark and trade secret laws. If we are unable to establish and protect these rights, our competitors may be able to use our intellectual property to compete against us. This could limit our growth and hurt our business. It is possible that no additional patents will be issued to us or any of our subsidiaries. In addition, our issued patents may not prevent other companies from competing with us. On the other hand, there is the possibility of the suspension of our products and services sales, compensation, and royalty payment of licensee because of our patent infringement upon another company.

Our group has been taking all possible measures to prevent the leakage of important information such as technologies and strategies and the development of similar technologies. Specifically, we have license agreements with users that includes provisions regarding intellectual property rights, enter into confidentiality and non-competition agreements with all employees, and deploy enable network access control to our group highly confidential information, etc.

However, even if these measures are taken, it may not be possible to prevent unauthorized use or development similar technology in our group's technology.

In addition, if our group infringes the intellectual property rights of a third party, it may result in suspension of sales of products or services, payment of damages or royalties associated with the conclusion of a license agreement. Moreover, there is also a possibility that a case brought against a service invention and suit filed by employee. In the case of losing such a lawsuit, payment to compensate the employee may be incurred.

14. OUR BUSINESS FACES THE RISK OF INTERRUPTION FROM POWER SHORTAGES, EARTHQUAKES AND OTHER NATSURAL DISASTERS, GEOPOLITICAL RISK, AND VIRUS INFECTION DISEAS, etc.

Our group have been taking risk dispersion with our own management system to ensure stable business continuity. Our business model has not depended on specific regions, customers, supply chains, either products or services. Furthermore, regarding the service provision platform, we are taking recovery measures (business continuity management) under business continuity management, and we are conducting regular training after introducing mechanisms and processes to maintain measurableness. However, if power shortages, earthquakes and other natural disasters, hazards attribute to climate change such as torrential rains, floods, and forest fires caused by global warming, geopolitical risk, and virus infection disease, etc. continue to be a problem, our business may be materially

adversely affected. Those events are difficult to predict, thus it is impossible to estimate those damage on our facilities, infrastructure and overall operations. In addition, even if we take full preparation for those, it may not be possible to limit the damage. Therefore, we face the possibility that we should stop all our business operations and significant impact on our group business.

There is no guarantee that nature disasters would not seriously disturb our entire business operations. In addition, many of the key countries and regions in which we operate have sustained negative economic impact from events such as the continued fear of future virus infection disease / acute respiratory syndrome, etc., terrorist attacks and other geopolitical risks prolonged continuation of these adverse factors may hurt our results of operations and financial condition.

15. THERE ARE POSSIBILITIES OF INVESTMENT LOSS AND UNABLE TO SELL STOCK FOR OUR INVESTORS ON STOCK PRICE OF TREND MICRO INCORPORATED, TREND MICRO GROUP'S PARENT COMPANY

Shares of the common stock of Trend Micro Incorporated, Trend Micro group's parent company, are traded on the Tokyo Stock Exchange. Recently, the Japanese securities markets have experienced significant price and volume fluctuations. The market price of our shares is likely to fluctuate in the future.

In addition, this market set a price range limit, so even if an investor intends to sell shares, it may not be possible to sell at a stock price that exceeds the price range.

2. Condition of corporate group

Trend Micro Group consists of Trend Micro Inc. (Japan), and its subsidiaries which develop and sell anti-virus products and offer other related services. One of the affiliated company is General Mobile Corporation which is a service provider for mobile device platform.

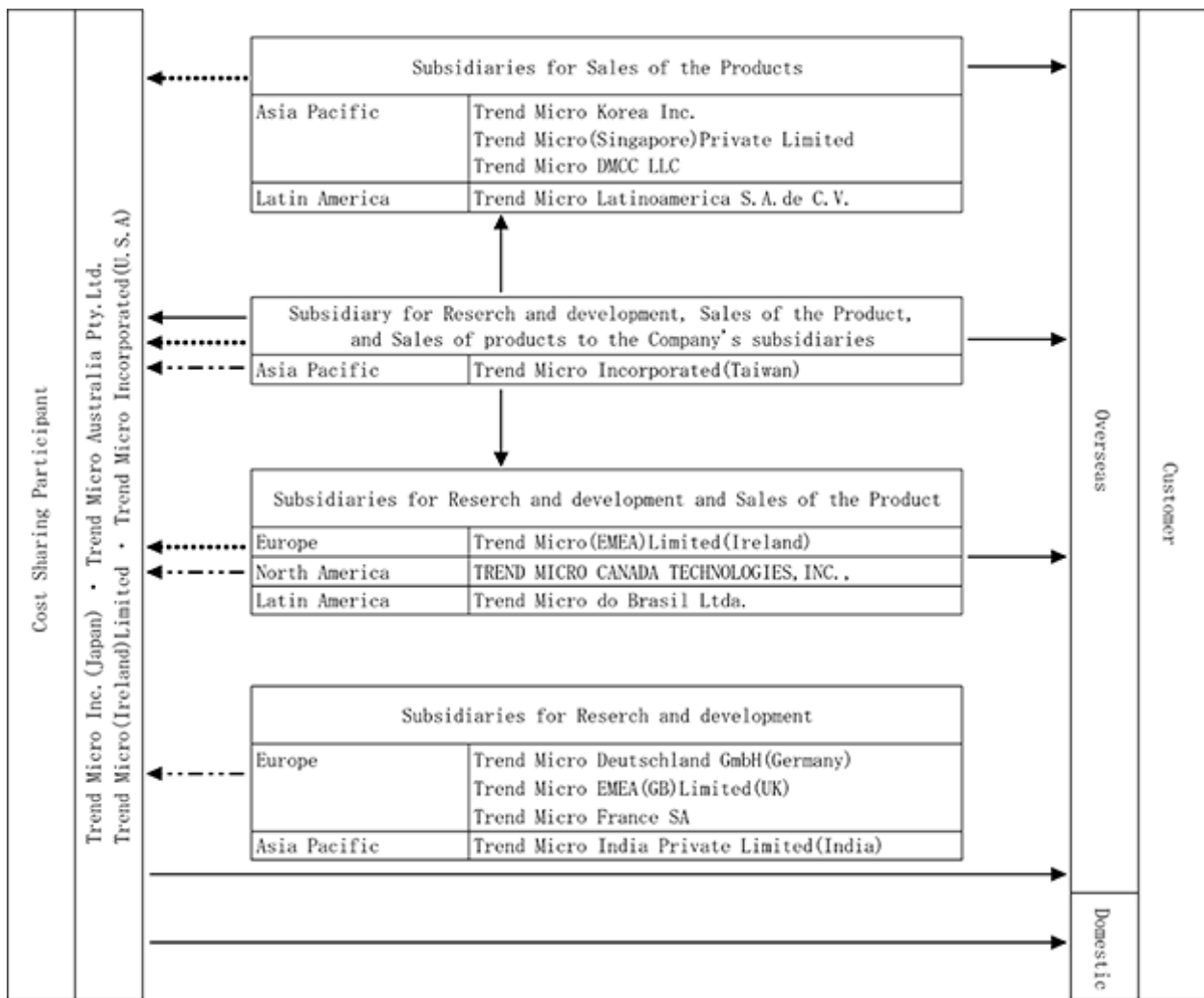
(1) Development and sales of anti-virus products

Products related to anti-virus:

PC client products, LAN server products, Internet server products, All Suite products and Other products

The business functions in Trend Micro Group are described below.

Function	Operating Segment	Main companies
Research and Development	Japan	Trend Micro Inc.(Japan)
	North America	Trend Micro Incorporated(U.S.A)
	Europe	Trend Micro Ireland Limited
	Asia Pacific	Trend Micro Australia Pty. Ltd.
Sales of the products	Japan	Trend Micro Inc.(Japan)
	North America	Trend Micro Incorporated(U.S.A) Trend Micro Canada Technologies, Inc.
	Europe	Trend Micro(EMEA)Limited(Ireland)
	Asia Pacific	Trend Micro Incorporated(Taiwan) Trend Micro DMCC LLC Trend Micro Australia Pty. Ltd. Trend Micro(Singapore)Private Limited Trend Micro Korea Inc.
	Latin America	Trend Micro do Brasil Ltda. Trend Micro Latinoamerica S.A. de C.V.(Mexico)
Back office	North America	Trend Micro Canada Technologies, Inc.
	Asia Pacific	Trend Micro Incorporated(Taiwan) Trend Micro(China)Incorporated



- > Anti-virus products
-> Royalty
- - - -> Outsourcing, Other

(Note) All Subsidiaries are consolidated.

(2) Other related service

Other related services are offered by General Mobile Corporation which provides total solutions for mobile device platform and mobile internet services.

3. Management policy

(1) BASIC POLICY OF MANAGEMENT

Our Vision: A world safe for exchanging digital information.

IT Infrastructure, mainly those linked to the internet, has been a global infrastructure, as lifelines of the information society regardless of individual, business or countries for a long time.

Today, most threats on the network such as computer viruses, spyware, spam, site defacing, and information theft cannot be predicted and completely prevented. In an increase of cyber-crimes which cause theft of proprietary information, monetary damages, and malicious destructions no matter enterprise or consumer, both users could be targeted and attacked. With APT, which is popular attack technique, enterprise, organizations, and even state institution, etc., are targeted as a particular organization by multi-faceted attacks. At the same time, consumer users could be also targeted through those new IT technologies and services including variable devices and services like smartphones, multi-functional mobile devices such as tablets, and SNS, etc. Now more than ever, security is the breath of life to enterprises and individuals.

Our group's generous burden is to protect the global IT infrastructure including further growing cloud computing due to the trend of digital transformation (DX), that improve the quality of business and life through IT technology. As a company, we will provide globally relevant products and services that cover multiple areas of computer security including preventing sequence of cyber-attacks mainly APT, minimizing damages in an emergency, restoration network systems and environment, etc. Our group is not only protecting enterprises and individual users from the threats over the networks without interrupting economic activities and usability, but it is also contributing to the further development of the information society by improving the safety of the whole network system.

(2). TARGET MANAGEMENT INDEX

We have set Pre-GAAP (Revenue before adjusting Deferred revenue) based operating profit growth as a company and management performance index. In the past we used to have operating profit margin as a performance index, however we felt that this could lead to too much focus on profit margins and thus result in opportunity loss by either ignoring lower margin business or avoiding investment longer term future projects. Since our business is not capital intensive, we can afford to take on lower margin business without the need to invest more capital, and thus as long as the revenues are higher than costs, the return on equity should improve.

(3). MID- TO LONG-TERM BUSINESS STRATEGY

Today, IT infrastructure is used by every person and in all types of scenes and location in every country across the world. It has been a part of our society and daily life for long time. Not only the personal computers, but also smartphones and multi-functional mobile devices such as tablets, etc. In addition, recently IoT and AI technology has brought about the creation of smart home appliances and smart cars. With this stream, application programs and purposes of use have become diversified. As a result, there is no longer a single solution that can protect against all the different type of threat environments. According to the rapid expansion of DX, cloud computing is expected to create more innovation in digital information traffic with easy, speedy, and reasonable for data mining and exchange to any information including big data in the network environment. This stream of IT technology evolution explosively increases the volume of information exchanged between no matter whether enterprise uses or consumer users. At the same time, the demands for the measurement not only for the prevention but also for the measurement against after intrusion has been desired. The necessity of information security in exchange for obtain convenience has become more important in the future.

Against this background, Trend Micro will achieve the security platform called "Trend Micro Vision One™." This security platform is the centralized solution to cooperation with multilayered SaaS solution by XDR (extended detection and response) as the advanced feature, collects and automatically correlates data across multiple security layers – email, endpoint, server, cloud workload, and network. This allows for simple visibility for entire cyber attack, even more possible to faster detection and response automatically.

Because we have a wide range of security products and services, it is possible to achieve speedily and appropriately performed respond by cooperate variety of SaaS solutions with various activity data from wide range and deep multiple security layers, security analytics by our threat intelligence, and visibility for entire cyber attack on this security platform. Not only the prevention as the conventional defense for each device, terminals, and the boundaries of the network environment divided into each area, but also after intrusion or attacking, we have deployed a wide range of solutions by "Trend Micro Vision One™."

In order to protect business, society, and the lives of users into getting more digitized daily life, we will further strengthen our security

solutions to achieve our vision: A world safe for exchanging digital information regardless companies and individuals.

(4). ISSUES TO DEAL WITH

In the cyber security industry, which our group belongs to, there have been many not only existed security vendors as our direct competitors, but also new vendors joining by recent M&A or acquisition from other industries and new entries, etc. They have been encouraging market competitions both domestic and overseas. Such a consolidation and new entries are now too fluid to foresee the future direction of this business and their presence in the computer security market will make the competition in the market more intense. In addition, under the facing an age of IoT, the cyber security industry has been constantly being required to make appropriate provision for the safety of both ginormous and significant data and infrastructure, the implementation of AI technology to security, and managed security services to set and operate various right products in the right place, etc. with perceiving alteration in both environment and user behavior.

Furthermore, the use of the cloud computing, which excels in efficiency and speed, has been expanding more and more. Because the digital transformation (DX), which improve the quality of business and life with IT technology, is the current trend, and additionally the environment that remote work has been rapidly generalized due to the COVID-19 pandemic. The customers' person in charge of IT security has been struggling increase in the recent security workload day by day. The traditional security measurement by monitoring PC and servers was enough for them before. Today, they are required more complicated and wide range of security for multi layered as like IoT appliances and devices, cloud computing, and VPN, etc. additionally.

According to user's choice in such an environment. software and services line up have been shifting software as a service (SaaS) model with changing "purchase" to "on-demand." Security service market is also transforming to respond coming more demands of SaaS model solution. Without exception, Trend Micro group has also made definite to extend our SaaS business and solution line up, we are working on it now. This transformation does not mean simple replacement for existing products and solutions.

Aim to promptly provide the superior security solutions, our group provides a wide range of security products and services centered on the security platform "Trend Micro Vision One™" to solve problems of the customer users who are require extended security detection and response caused by increasingly dependence on online networks on a daily basis. The customers' person in charge of IT security will be possible to deploy high spec security and reduce operational security workload with our variety of SaaS solutions under the centralization by "Trend Micro Vision One™."

Mainly "Trend Micro Vision One™," we will offer higher value-added security solutions for users and aim to achieve sustainable long-term growth with maintaining a stable financial foundation.

4. Basic policy on the selection of accounting standards

To secure comparability between companies and between fiscal years, Trend Micro group prepares its consolidated financial statements in accordance with the Japanese accounting standards. We will appropriately consider application of IFRS (International Financial Report Standards) taking into consideration of condition in Japan and overseas.

5. 【CONSOLIDATED FINANCIAL STATEMENTS】

(1) 【Consolidated Balance Sheets】

(Million yen)

Account	December 31, 2020	December 31, 2021
(Assets)		
Current assets		
Cash and bank deposits	155,740	197,729
Notes and Accounts receivable, trade	47,280	53,499
Marketable securities	56,527	59,072
Inventories	※1 3,404	※1 3,701
Others	5,955	8,038
Allowance for bad debt	(260)	(292)
Total current assets	268,648	321,749
Non-current assets		
Property and equipment		
(1) Buildings and structures, net	※2 4,566	※2 4,732
(2) Office furniture & equipment	※2 3,393	※2 3,187
(3) Others	※2 11	※2 12
Total property and equipment	7,971	7,932
Intangibles		
(1) Software	8,741	11,254
(2) Goodwill	4,778	2,817
(3) Others	12,386	11,361
Total intangibles	25,906	25,433
Investments and other non-current assets		
(1) Investment securities	35,922	26,087
(2) Investments in subsidiaries and affiliates	295	406
(3) Deferred tax assets	36,228	36,501
(4) Others	1,728	2,345
Total investments and other non-current assets	74,174	65,341
Total non-current assets	108,052	98,708
Total assets	376,701	420,457

(Million yen)

Account	December 31, 2020	December 31, 2021
(Liabilities)		
Current liabilities		
Accounts payable and Notes payable, trade	917	1,165
Accounts payable, other	4,964	4,808
Accrued expenses	8,594	11,197
Accrued income and other taxes	6,094	5,001
Allowance for bonuses	3,311	3,624
Allowance for sales returns	355	318
Deferred revenue	92,958	100,032
Others	14,273	7,477
Total current liabilities	131,468	133,624
Non-current liabilities		
Deferred revenue	46,072	54,065
Net defined benefit liability	7,273	7,913
Others	2,525	3,418
Total non-current liabilities	55,871	65,398
Total liabilities	187,340	199,023
(Net assets)		
Shareholders' equity		
Common stock	19,104	19,358
Capital surplus	25,974	26,771
Retained earnings	158,429	175,505
Treasury stock, at cost	(7,785)	(5,656)
Total shareholders' equity	195,722	215,979
Accumulated other comprehensive income		
Net unrealized gain (loss) on debt and equity securities	(146)	(299)
Foreign currency translation adjustments	(7,412)	4,229
Remeasurements of defined benefit plans	(852)	(824)
Total accumulated other comprehensive income	(8,411)	3,105
Stock acquisition rights	1,220	1,560
Non-controlling interest	829	789
Total net assets	189,360	221,434
Total liabilities and net assets	376,701	420,457

(2) 【Consolidated Statements of Income Consolidated Statements of Comprehensive Income】

Consolidated Statements of Income

(Million yen)

	For the year ended December 31, 2020	For the year ended December 31, 2021
Net sales	174,061	190,359
Cost of sales	38,166	42,017
Gross profit	135,894	148,341
Operating expenses	※1,※2 96,430	※1,※2 104,700
Operating income	39,464	43,641
Non-operating income		
Outsourcing service income	203	177
Interest income	724	424
Gain on sales of marketable securities	1,171	1,382
Subsidy income	409	—
Other income	128	49
Total non-operating income	2,638	2,033
Non-operating expenses		
Interest expenses	—	12
Litigation settlement	—	121
Foreign exchange loss	1,897	787
Equity in loss of affiliated companies	104	110
Loss on disposal of fixed assets	196	66
Other expenses	49	74
Total non-operating expenses	2,248	1,172
Ordinary income	39,854	44,501
Extraordinary gain		
Gain on sales of shares of subsidiaries and associates	—	7,909
Total extraordinary gain	—	7,909
Extraordinary loss		
Loss on liquidation of subsidiary	—	39
Total extraordinary loss	—	39
Net income before taxes	39,854	52,371
Income taxes current	15,356	14,315
Income taxes deferred	(1,877)	440
Total income taxes	13,478	14,755
Net income before non-controlling interest	26,376	37,616
Non-controlling interest in income of consolidated subsidiaries	(528)	(751)
Net income attributable to owners of the parent	26,904	38,367

Consolidated Statements of Comprehensive Income

(Million yen)

	For the year ended December 31, 2020	For the year ended December 31, 2021
Income before non-controlling interest	26,376	37,616
Other comprehensive income		
Valuation difference on available-for-sale securities	(148)	(154)
Foreign currency translation adjustment	(2,696)	11,470
Remeasurements of defined benefit plans	(376)	28
Share of other comprehensive income of associates accounted for using equity method	(181)	266
Total other comprehensive income	※1 (3,403)	※1 11,610
Comprehensive income	22,972	49,226
Comprehensive income attributable to owners of the parent	23,528	49,883
Comprehensive income attributable to non-controlling interests	(555)	(657)

(3) 【Consolidated Statements of Changes in Net Assets】

(Million yen)

	For the year ended December 31, 2020	For the year ended December 31, 2021
Shareholders' equity		
Common stock		
Balance at the end of previous period	18,822	19,104
Movement for the period		
Issuance of new stocks	282	254
Total movement	282	254
Balance at the end of current period	19,104	19,358
Capital surplus		
Balance at the end of previous period	24,715	25,974
Movement for the period		
Issuance of new stocks	282	254
Change in ownership interest of parent due to transactions with non-controlling interests	1,341	762
Sales of treasury stock	(364)	(218)
Total movement	1,259	797
Balance at the end of current period	25,974	26,771
Retained earnings		
Balance at the end of previous period	153,788	158,429
Movement for the period		
Dividend of surplus	(22,263)	(21,291)
Net income	26,904	38,367
Total movement	4,641	17,075
Balance at the end of current period	158,429	175,505
Treasury stock, at cost		
Balance at the end of previous period	(6,119)	(7,785)
Movement for the period		
Sales of treasury stock	3,333	2,129
Purchase of treasury stock	(4,999)	(0)
Total movement	(1,665)	2,129
Balance at the end of current period	(7,785)	(5,656)
Total shareholders' equity		
Balance at the end of previous period	191,205	195,722
Movement for the period		
Issuance of new stocks	564	508
Dividend of surplus	(22,263)	(21,291)
Change in ownership interest of parent due to transactions with non-controlling interests	1,341	762
Net income	26,904	38,367
Sales of treasury stock	2,969	1,910
Purchase of treasury stock	(4,999)	(0)
Total movement	4,516	20,256
Balance at the end of current period	195,722	215,979

(Million yen)

	For the year ended December 31, 2020	For the year ended December 31, 2021
Accumulated other comprehensive income		
Net unrealized gain(loss) on debt and equity securities		
Balance at the end of previous period	1	(146)
Movement for the period		
Movement for the period excluding shareholders' equity	(148)	(152)
Total movement	(148)	(152)
Balance at the end of current period	(146)	(299)
Foreign currency translation adjustments		
Balance at the end of previous period	(4,560)	(7,412)
Movement for the period		
Movement for the period excluding shareholders' equity	(2,851)	11,641
Total movement	(2,851)	11,641
Balance at the end of current period	(7,412)	4,229
Remeasurements of defined benefit plans		
Balance at the end of previous period	(476)	(852)
Movement for the period		
Movement for the period excluding shareholders' equity	(376)	28
Total movement	(376)	28
Balance at the end of current period	(852)	(824)
Total accumulated other comprehensive income		
Balance at the end of previous period	(5,035)	(8,411)
Movement for the period		
Movement for the period excluding shareholders' equity	(3,376)	11,516
Total movement	(3,376)	11,516
Balance at the end of current period	(8,411)	3,105
Stock acquisition rights		
Balance at the end of previous period	1,102	1,220
Movement for the period		
Movement for the period excluding shareholders' equity	118	339
Total movement	118	339
Balance at the end of current period	1,220	1,560
Minority interest		
Balance at the end of previous period	152	829
Movement for the period		
Movement for the period excluding shareholders' equity	677	(39)
Total movement	677	(39)
Balance at the end of current period	829	789
Total net assets		
Balance at the end of previous period	187,425	189,360
Movement for the period		
Issuance of new stocks	564	508
Dividend of surplus	(22,263)	(21,291)
Change in ownership interest of parent due to transactions with non-controlling interests	1,341	762
Net income	26,904	38,367
Sales of treasury stock	2,969	1,910
Purchase of treasury stock	(4,999)	(0)
Movement for the period excluding shareholders' equity	(2,580)	11,816
Total movement	1,935	32,073
Balance at the end of current period	189,360	221,434

(4) 【Consolidated Statements of Cash Flows】

(Million yen)

Account	For the year ended December 31, 2020	For the year ended December 31, 2021
Cash flows from operating activities:		
Net income before taxes	39,854	52,371
Depreciation and amortization	17,496	19,042
Stock compensations	691	714
Amortization of goodwill	5,181	1,852
Increase (decrease) in allowance for bad debts	(18)	5
Increase (decrease) in allowance for sales returns	(442)	(59)
Increase (decrease) in net defined benefit liability	1,060	429
Interest income	(724)	(424)
Interest expenses	—	12
(Gain) loss on sale of marketable securities	(1,171)	(1,382)
(Gain) loss on liquidation of subsidiaries and associates	—	39
(Gain) loss on sales of shares of subsidiaries and associates	—	(7,909)
Loss on disposal of fixed assets	196	66
Equity in (earnings)/loss of affiliated companies	104	110
Subsidy income	(409)	—
(Increase) decrease in notes and accounts receivable	(2,415)	(4,377)
(Increase) decrease in inventories	568	(2)
Increase (decrease) in notes and accounts payable	(243)	36
Increase (decrease) in accounts payable, other & accrued expenses	2,673	1,779
Increase (decrease) in deferred revenue	8,408	10,218
Increase (decrease) in virtual share bonus plan	(30)	(12)
Litigation settlement	—	121
Others	(753)	(555)
Subtotal	70,025	72,077
Proceeds from interest and dividend received	906	459
Payment for interest expenses	—	(9)
Proceeds from subsidy income	409	—
Payment for income tax	(17,030)	(17,137)
Payment for Litigation settlement	—	(121)
Net cash provided by operating activities	54,310	55,267
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	168	7,227
Payments for purchases of marketable securities and securities investments	(15,894)	(20,425)
Proceeds from sale or redemptions of marketable securities and securities investments	16,927	31,503
Payments for purchases of property and equipment	(1,559)	(2,156)
Payments for purchases of other intangibles	(10,281)	(16,631)
Purchase of investments in non-consolidated subsidiary	(181)	—
Proceeds from sales of shares of subsidiaries and associates	5,043	4,511
Repayments of guarantee deposits	—	(1,455)
Net cash used in/provided by investing activities	(5,777)	2,575
Cash flows from financing activities:		
Proceeds from long-term loan	—	900
Proceeds from issuance of common shares	471	428
Payment for purchase of treasury stock	(4,999)	(0)
Proceeds from sale of treasury stock	2,488	1,614
Dividends paid	(21,679)	(20,767)
Proceeds from paid-up by minority shareholders	2,577	1,426
Repayments to non-controlling shareholders	—	(48)
Net cash used in financing activities	(21,142)	(16,445)
Effect of exchange rate changes on cash and cash equivalents	(1,355)	10,121

Net increase (decrease) in cash and cash equivalents
Cash and cash equivalents at beginning of period
Cash and cash equivalents at end of period

	<u>26,035</u>	<u>51,518</u>
	<u>148,127</u>	<u>174,162</u>
	<u>※1 174,162</u>	<u>※1 225,681</u>

(5) **【Footnote on Going Concern】**

N/A

(6) **【Significant Accounting Policies and Practices for Preparing Consolidated Financial Statements】**

1 Basis of consolidation	<p>(1) Consolidated subsidiaries All of our 39 subsidiaries are consolidated. Names of major subsidiaries: Trend Micro Inc. Trend Micro Incorporated Trend Micro Australia Pty. Ltd. Trend Micro (EMEA) Limited Trend Micro Belgium BV(Belgium) were newly established and have been included in the scope of consolidation. Beijing New-Net Trend Micro Co., Ltd(China), which had been a consolidated subsidiary, was excluded from the scope of consolidation due to the liquidation. Servicentro TMLA, S.A. de C.V. (Mexico), which had been a consolidated subsidiary, was excluded from the scope of consolidation due to the merger into Trend Micro Latinoamerica S.A.de C.V.(Mexico)</p> <p>(2) Unconsolidated subsidiaries Secure Misr S.A.E. (Egypt) Cysiv Security UK Ltd Cysiv Security Private Limited(India) All non-consolidated subsidiaries' total assets, net sales, net income and retained earnings are immaterial which have no significant impact on the consolidated financial statements. Therefore, the Company has excluded from the scope of consolidation. Cloud Conformity Inc.(Canada), which had been an unconsolidated subsidiary, was excluded due to the liquidation.</p>
2 Affiliated companies	<p>(1)Affiliated companies applying equity method *General Mobile Corporation (British Cayman islands)</p> <p>(2)Unconsolidated subsidiaries not applying equity method Secure Misr S.A.E. (Egypt) Cysiv Security UK Ltd Cysiv Security Private Limited(India) All non-consolidated subsidiaries' total assets, net sales, net income and retained earnings are immaterial which have no significant impact on the consolidated financial statements. Therefore, the Comany has not applied equity method.</p>
3 Fiscal year of consolidated subsidiaries	All financial statements included in a set of consolidated financial statements are prepared as of the same date.
4 Accounting policies (1) Accounting for evaluation of assets	<p>A. Marketable securities and investment securities</p> <p>Available-for-sale with market value: The securities are stated at the market value method based on the value at the end of the period (Unrealized gains and losses, net of taxes, reported in a separate component of equity. Cost of selling is determined by the moving average method.)</p> <p>Available-for-sale without market value: Cost basis by moving average method</p> <p>B. Inventories Lower of cost or market by moving average method The carrying value on the balance sheet of the inventory with lower profit margin is written down</p>

(2) Depreciation and amortization	<p>A. Property and equipment Mainly, depreciation is computed by declining-balance method (except for the facilities attached to buildings and structure acquired on and after April 1, 2016, which is depreciated by straight-line method) in parent company and is computed by a straight-line method in consolidated subsidiaries. Useful lives of the main property and equipment are as follows : Office furniture and equipment : 2–20 years</p> <p>B. Intangibles</p> <p>a. Software for sale Straight -line method over the estimated useful lives (12 months)</p> <p>b. Software for internal use Straight-line method over the estimated useful lives (mainly 5 years)</p> <p>c. Other intangibles Straight-line method over the estimated useful lives</p> <p>C. Leased assets Finance lease without transfer of ownership of the leased assets Straight-line method in which the useful life is assumed to be the lease period and the residual value is zero.</p>
(3) Accounting policies for allowances	<p>A. Allowance for doubtful accounts In order to reserve future losses from default of notes and account receivable, allowance for bad debt is provided. The amount is determined using the percentage based on actual doubtful account loss against total of receivables. As for high-risk receivables, expected unrecoverable amount is considered individually.</p> <p>B. Allowance for bonuses Bonuses for employees are provided at an estimate of the amount.</p> <p>C. Allowance for sales returns In order to reserve future losses from sales return subsequent to the fiscal year end, allowance for sales return is provided based on the past experience in the sales return.</p>
(4) Accounting methods for retirement benefit obligation	<p>In calculating the retirement benefit obligation, the expected retirement benefits are attributed to the periods by standard pension benefit formula basis. Actuarial gains and losses are expensed in a certain period less than average future service years of employees of the year (1-23 years).</p>
(5) Translation of foreign currencies	<p>Foreign currency denominated receivables and payables are translated into Japanese yen at period-end rates of exchange and the resulting translation gains or losses are taken into current income. All asset and liability accounts of foreign subsidiaries are translated into Japanese yen at period-end rates of exchange and all income and expense accounts are translated at average exchange rate. The resulting foreign currency translation adjustments are included in accumulated other comprehensive income (loss) and non-controlling interest.</p>

5 Amortization of Goodwill	Goodwill is amortized evenly over the appropriate period in less than 20 years.
6 Definition of cash and cash equivalent in the consolidated statements of cash flows	Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and representing a minor risk of fluctuations in value.
7 Other important matters for preparing financial statements	<p>A. Consumption tax Transactions subject to consumption tax is stated at the amount net of the related consumption tax.</p> <p>B. Revenue recognition Basically, the product license agreement contracted with the end-user states the article for PCS (customer support and upgrading of products and its pattern files). The company applies the following revenue recognition method for the portion of PCS. Portion of PCS revenue is recognized separately from total revenue and is deferred as deferred revenues under current and non-current liabilities based on the contracted period. Deferred revenue is finally recognized as revenue evenly over the contracted period. On the other hand, the consideration for the hardware/license is accounted for as revenue when the product is licensed.</p>

(7) 【Accounting Standard Not Yet Applied】

(“Accounting Standard for Revenue Recognition” etc.)

-“Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March31, 2020(hereinafter, ”Statement No.29”))

-“Implementation Guidance on Accounting Standard for Revenue Recognition”(ASBJ Guidance No.30, March 26, 2021(hereinafter, ”Statement No.29”))

(1) Overview

The International Accounting Standards Board (IASB) and the U.S.Financial Accounting Standards Board (FASB) collaborated on a project to develop a single, comprehensive revenue recognition model and jointly issued new revenue recognition standards “Revenue from Contracts with Customers” (IFRS 15 published by IASB,Topic 606 published by FASB) in May 2014.IFRS15 is effective for annual reporting periods beginning on or after 1 January2018 and Topic606 is effective for annual reporting periods beginning after December 15,2017.

Considering the above circumstances, the Accounting Standard Board of Japan (ASBJ) also developed a new revenue recognition standards and issued Statement No.29 together with Guidance No.30.

ASBJ’s basic policy in developing the new revenue recognition standards is to first incorporate the core principle of IFRS 15 in the light of improving the international comparability of financial statements and then add additional alternative treatments to the extent that international comparability would not be significantly impaired where any business practices operated in Japan need to be considered.

(2) Scheduleddate of applying the new guidance

Effective from the beginning of the fiscalyear ending December 31,2022.

(3)The effects by the application of the new guidance,etc.

The Company and its consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

(“Accounting Standard for Fair Value Measurement” etc.)

-“Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019)

-“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31, July 4, 2019)

(1) Overview

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) collaborated on a project to develop Fair value measurement and jointly issued new “Accounting Standard for Fair Value Measurement” (IFRS 13 published by IASB, Topic 820 published by FASB) in May 2011. IFRS 13 is effective for annual reporting periods beginning on or after 1 January 2013 and Topic 820 is effective for annual reporting periods beginning after December 15, 2011.

Considering the above circumstances, the Accounting Standard Board of Japan (ASBJ) also developed a new Fair value measurement standard and issued Statement No.30 together with Guidance No.31.

ASBJ’s basic policy in developing the new Fair Value measurement standards is to first incorporate the core principle of IFRS 13 in the light of improving the international comparability of financial statements and then add additional alternative treatments to the extent that international comparability would not be significantly impaired where any business practices operated in Japan need to be considered.

(2) Scheduled date of applying the new guidance

Effective from the beginning of the fiscal year ending December 31, 2022.

(3) The effects by the application of the new guidance, etc.

The Company and its consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

(8) 【Additional Information】

(Matters concerning consolidated subsidiaries)

We invest in Trend Forward Capital I, L.P. (hereinafter TFI), which operates a venture capital business in the United States as a limited partnership. Business execution powers of TFI were held by Wael Mohamed who was our board until March 2020, while we are only limited partners and have no authority or intention to participate in the management of TFI.

However, we have contributed more than half of the total amount invested in TFI and have not been able to prove that Wael is not a close member in accordance with “the Practical Handling of the Application of Control and Influence Standards to Investment Partnerships” (Practical Handling Report No. 20). Therefore, we have included TFI in our consolidation scope in accordance with “the Practical Handling Report No.20” and “the Accounting Standards for Consolidated Financial Statements” (ASBJ Statement No. 22).

The ratio of voting rights to Cysiv Inc. (hereinafter Cysiv) is 38% for us and our subsidiaries (excluding TFI), but the ratio of voting rights including TFI exceeds 50%, so Cysiv is also included in the scope of consolidation.

As stated above, we and our subsidiaries (excluding TFI) do not own the majority of the voting rights of Cysiv, and Cysiv may make management decisions that are different from our intentions.

(Correction of errors)

Software in R&D and related deferred tax assets had been overstated for past years due to the computation error.

Errors for past years and the previous fiscal year are not significant in the impact on financial position and operating results.

Accordingly, the errors are corrected in the previous financial statements.

As a result, gross profit, operating income, and ordinary income decreased by 3,522 million yen and net income attributable to owners of parent decreased by 4,078 million yen for the previous fiscal year consolidated cumulative period. There is no impact on cash flow statements for the errors.

(9) 【Notes for Consolidated Financial Statements】

(Consolidated Balance Sheets)

(Million Yen)

At the end of the previous fiscal year (As of December 31, 2020)		At the end of the current fiscal year (As of December 31, 2021)	
*1 Inventory		*1 Inventory	
Finished Goods	3,038	Finished Goods	3,078
Materials	252	Materials	472
Goods	113	Goods	150
*2 Accumulated depreciation of property and equipment	21,882	*2 Accumulated depreciation of property and equipment	25,829

(Consolidated Statements of Income)

(Millions Yen)

For the previous fiscal year (From January 1, 2020 To December 31, 2020)		For the current fiscal year (From January 1, 2021 To December 31, 2021)	
*1 Major components of Operating expenses are as follows		*1 Major components of Operating expenses are as follows	
Sales promotion	6,461	Sales promotion	7,135
Salaries	42,051	Salaries	47,270
Bonus	2,372	Bonus	2,586
Service fee	11,116	Service fee	14,623
Telephone/Network Service	10,293	Telephone/Network Service	15,538
*2 Research and development expense were 7,340 millions of yen and included in Operating expenses.		*2 Research and development expense were 4,680 millions of yen and included in Operating expenses.	

(Consolidated Statements of Comprehensive Income)

※ 1 Reclassification and deferred tax amount of total other comprehensive income

For the previous fiscal year (from January 1, 2020 to December 31, 2020)

Valuation difference on available-for sales securities	(Million Yen)
Amount incurred in current year	(212)
Reclassification	—
Before deferred tax	(212)
Deferred tax	63
Valuation difference on securities	(148)
Foreign currency translation adjustment	
Amount incurred in current year	(2,696)
Reclassification	—
Before deferred tax	(2,696)
Deferred tax	—
Foreign currency translation adjustment	(2,696)
Remeasurement of defined benefit plans	
Amount incurred in current year	(687)
Reclassification	231
Before deferred tax	(456)
Deferred tax	79
Remeasurement of defined benefit plans	(376)
Share of other comprehensive income of associates accounted for using equity method	
Amount incurred in current year	(181)
Total other comprehensive income	(3,403)

For the current fiscal year (from January 1, 2021 to December 31, 2021)

Valuation difference on available-for sales securities	(Million Yen)
Amount incurred in current year	(148)
Reclassification	(52)
Before deferred tax	(200)
Deferred tax	45
Valuation difference on securities	(154)
Foreign currency translation adjustment	
Amount incurred in current year	11,470
Reclassification	—
Before deferred tax	11,470
Deferred tax	—
Foreign currency translation adjustment	11,470
Remeasurement of defined benefit plans	
Amount incurred in current year	(146)
Reclassification	132
Before deferred tax	(13)
Deferred tax	41
Remeasurement of defined benefit plans	28
Share of other comprehensive income of associates accounted for using equity method	
Amount incurred in current year	266
Total other comprehensive income	11,610

(Consolidated Stockholders' Equity Statements)

For the previous fiscal year (from January 1, 2020 to December 31, 2020)

1. Number of common stock issued

Class of stock	As of Jan 1, 2020	Increase	Decrease	As of Dec 31, 2020
Common stock	140,513,004	116,200	—	140,629,204

The increase by 116,200 shares is due to the issuance of new shares upon the exercise of stock acquisition rights.

2. Number of treasury stocks

Class of treasury stock	As of Jan 1, 2020	Increase	Decrease	As of Dec 31, 2020
Common stock	1,365,655	760,900	655,400	1,471,155

The increase by 760,900 is due to the market purchasing of treasury stock.

The decrease by 655,400 shares is due to the disposition of treasury stock upon the exercise of stock acquisition right.

3. Stock acquisition rights

Detail	Class of shares subject to stock acquisition right	Number of shares subject to the exercise of stock acquisition rights				Amount outstanding (Million yen)
		As of Jan 1, 2020	Increase	Decrease	As of Dec 31, 2020	
Stock Option	—	—	—	—	—	1,220

4. Dividend of surplus

(1) Dividends payment

Resolution	Class of stock	Total dividends (Million yen)	Cash dividends per share (yen)	Record date	Effective date
Shareholders' meeting on Mar 26, 2020	Common stock	22,263	160.00	Dec 31, 2019	Mar 27, 2020

(2) Dividends that will be effective in the next fiscal year but the record date is in the current fiscal year

Resolution	Class of stock	Dividends resource	Total dividends (Million yen)	Cash dividends per share (yen)	Record date	Effective date
Shareholders' meeting on Mar 25, 2021	Common stock	Retained earnings	21,291	153.00	Dec 31, 2020	Mar 26, 2021

For the current fiscal year (from January 1, 2021 to December 31, 2021)

1. Number of common stock issued

Class of stock	As of Jan 1, 2021	Increase	Decrease	As of Dec 31, 2021
Common stock	140,629,204	114,900	—	140,744,104

The increase by 114,900 shares is due to the issuance of new shares upon the exercise of stock acquisition rights.

2. Number of treasury stocks

Class of treasury stock	As of Jan 1, 2021	Increase	Decrease	As of Dec 31, 2021
Common stock	1,471,155	35	402,400	1,068,790

The increase by 35 is due to the purchase of the stock less than 1 unit.

The decrease by 402,400 shares is due to the disposition of treasury stock upon the exercise of stock acquisition right.

3. Stock acquisition rights

Detail	Class of shares subject to stock acquisition right	Number of shares subject to the exercise of stock acquisition rights				Amount outstanding (Million yen)
		As of Jan 1, 2021	Increase	Decrease	As of Dec 31, 2021	
Stock Option	—	—	—	—	—	1,560

4. Dividend of surplus

(1) Dividends payment

Resolution	Class of stock	Total dividends (Million yen)	Cash dividends per share (yen)	Record date	Effective date
Shareholders' meeting on Mar 25, 2021	Common stock	21,291	153.00	Dec 31, 2020	Mar 26, 2021

(2) Dividends that will be effective in the next fiscal year but the record date is in the current fiscal year

Resolution	Class of stock	Dividends resource	Total dividends (Million yen)	Cash dividends per share (yen)	Record date	Effective date
Shareholders' meeting on Mar 29, 2022	Common stock	Retained earnings	27,236	195.00	Dec 31, 2021	Mar 30, 2022

(Consolidated Statements of Cash Flows)

(Million yen)

For the previous fiscal year (From January 1, 2020 To December 31, 2020)	For the current fiscal year (From January 1, 2021 To December 31, 2021)
*1 Reference of cash and cash equivalents on balance sheet is as follows.	*1 Reference of cash and cash equivalents on balance sheet is as follows.
Cash and bank deposits 155,740	Cash and bank deposits 197,729
Time deposits with original maturities of longer than three month (9,093)	Time deposits with original maturities of longer than three month (2,624)
Short term investments which is in Marketable securities account 27,516	Short term investments which is in Marketable securities account 30,576
Cash and cash equivalent 174,162	Cash and cash equivalent 225,681

(Segment Information)

1 Outline of reporting segment

The segment of Trend Micro group shall be part of its organizational units whose financial information is individually available, and shall be subject to regular review by its decision-making-body for the purpose of deciding the allocation of its managerial resources and evaluating its business performances.

The company is mainly engaged in developing and selling anti-virus software product and providing anti-virus related services. The company is taking care of Japan area and its affiliates in North America, Europe, Asia Pacific or Latin America are in charge of their own area respectively. Therefore, our segments are made of 5 segments which are Japan, North America, Europe, Asia Pacific and Latin America based on the business of developing, selling anti-virus products and related services.

2 Method of calculating amounts of net sales, income/loss, assets, liabilities and other items by segments

Accounting procedures reported by segment are almost the same as those which are described in **【Significant Accounting Policies and Practices for Preparing Consolidated Financial Statements】**

3 Information of the amount of sales, profit/loss, assets, liabilities and other items by reporting segments

For the previous fiscal year (from January 1, 2020 to December 31, 2020)

(Million Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Consolidation Adjustment	Consolidation
Sales								
(1) Net sales to external customers	71,945	35,307	30,843	31,037	4,927	174,061	—	174,061
(2) Intercompany sales	7	9,013	4,605	24,624	18	38,269	(38,269)	—
Total sales	71,952	44,320	35,449	55,662	4,945	212,330	(38,269)	174,061
Operating income by segment	21,741	4,768	6,988	5,204	827	39,530	(65)	39,464
Asset by segment	179,636	102,683	61,197	68,699	7,840	420,057	(43,356)	376,701
Other items								
Depreciation and amortization	7,398	5,667	2,375	2,579	41	18,063	(566)	17,496
Increase in tangible and intangible fixed assets	5,848	1,814	2,244	1,901	32	11,840	—	11,840

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Major countries other than Japan:

North America U.S.A., Canada

Europe Ireland, Germany, Italy, France, UK

Asia pacific Taiwan, Korea, Australia, China, Philippines, Singapore, Malaysia, Thailand, India, UAE, Egypt

Latin America Brazil, Mexico

3 Consolidation Adjustment at Operating income (65) million yen comes from the elimination between segments transactions.

4 Majority of Consolidation Adjustment at Asset (43,356) million yen comes from the elimination between segments transactions.

5 Consolidation Adjustment at Depreciation and amortization (566) million yen comes from the elimination between segments transactions.

For the current fiscal year (from January 1, 2021 to December 31, 2021)

(Million Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Consolidation Adjustment	Consolidation
Sales								
(1) Net sales to external customers	76,612	36,531	34,833	36,309	6,071	190,359	—	190,359
(2) Intercompany sales	27	9,297	2,612	36,117	23	48,078	(48,078)	—
Total sales	76,639	45,829	37,446	72,427	6,094	238,437	(48,078)	190,359
Operating income by segment	23,059	5,957	7,157	6,982	898	44,054	(413)	43,641
Asset by segment	176,668	120,173	71,364	91,332	8,030	467,569	(47,111)	420,457
Other items								
Depreciation and amortization	8,428	5,258	3,050	3,105	32	19,874	(832)	19,042
Increase in tangible and intangible fixed assets	9,910	2,689	3,106	3,063	17	18,787	—	18,787

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Major countries other than Japan:

North America U.S.A., Canada

Europe Ireland, Germany, Italy, France, UK

Asia Pacific Taiwan, Korea, Australia, China, Philippines, Singapore, Malaysia, Thailand, India, UAE, Egypt

Latin America Brazil, Mexico

3 Consolidation Adjustment at Operating income (413) million yen comes from the elimination between segments transactions.

4 Majority of Consolidation Adjustment at Asset (47,111) million yen comes from the elimination between segments transactions.

5 Consolidation Adjustment at Depreciation and amortization (832) million yen comes from the elimination between segments transactions.

(Relative information)

For the previous fiscal year (from January 1, 2020 to December 31, 2020)

1. Information by production and service

The amount of sales in the single category of production and service to external customers exceeds 90% of sales which was recognized in consolidated statement of income, then, reporting is omitted.

2. Information by geographical area

(1) Sales

(Million yen)

Japan	North America	Europe	Asia Pacific	Latin America	Total
71,848	35,569	30,584	31,118	4,940	174,061

(Note) Sales is categorized by area or country based on the location of customers.

Sales in U.S.A is 35,052 million yen of the North America.

(2) Tangible fixed asset

(Million yen)

Japan	North America	Europe	Asia Pacific	Latin America	Total
512	4,275	530	2,512	139	7,971

(Note) Tangible fixed asset in U.S.A is 2,929 and that of Canada is 1,247 million yen of the North America and that of China is 970 million yen and that of Taiwan is 986 million yen of the Asia Pacific.

3. Information by major customers

There are no customers which account for more than 10% of the consolidated sales.

Therefore, information by major customers is not disclosed.

For the current fiscal year (from January 1, 2021 to December 31, 2021)

1. Information by production and service

The amount of sales in the single category of production and service to external customers exceeds 90% of sales which was recognized in consolidated statement of income, then, reporting is omitted.

2. Information by geographical area

(1) Sales

(Million yen)

Japan	North America	Europe	Asia Pacific	Latin America	Total
76,495	36,668	34,752	36,362	6,080	190,359

(Note) Sales is categorized by area or country based on the location of customers.

Sales in U.S.A is 36,142 million yen of the North America.

(2) Tangible fixed asset

(Million yen)

Japan	North America	Europe	Asia Pacific	Latin America	Total
701	3,752	513	2,833	131	7,932

(Note) Tangible fixed asset in U.S.A is 2,654 and that of Canada is 1,003 million yen of the North America and that of China is 924 million yen and that of Taiwan is 1,060 million yen of the Asia Pacific.

3. Information by major customers

There are no customers which account for more than 10% of the consolidated sales.

Therefore, information by major customers is not disclosed.

(Information of impairment loss on fixes asset by segment)

For the previous fiscal year (from January 1, 2020 to December 31, 2020)

N/A

For the current fiscal year (from January 1, 2021 to December 31, 2021)

N/A

(Information of amortization expense of goodwill and unamortized balance of goodwill by segment)

For the previous fiscal year (from January 1, 2020 to December 31, 2020)

(Million yen)

	Segment						Consolidation Elimination	Total
	Japan	North America	Europe	Asia Pacific	Latin America	total		
Amortization Expense of GW	27	3,811	272	1,039	29	5,181	—	5,181
Unamortized balance of GW	4	1,427	129	3,206	10	4,778	—	4,778

For the current fiscal year (from January 1, 2021 to December 31, 2021)

(Million yen)

	Segment						Consolidation Elimination	Total
	Japan	North America	Europe	Asia Pacific	Latin America	total		
Amortization Expense of GW	4	925	54	863	5	1,852	—	1,852
Unamortized balance of GW	—	531	77	2,203	5	2,817	—	2,817

(Information of negative goodwill by segment)

N/A

(Information of EPS)

(Yen)

	For the previous fiscal year (From January 1, 2020 To December 31, 2020)	For the current fiscal year (From January 1, 2021 To December 31, 2021)
Book value per share	1,346.03	1,568.52
Net income per share	193.39	275.20
Diluted net income per share	192.87	275.06

(Note)

1. Basis of calculation for net income per share and diluted net income per share are as follows.

	For the previous fiscal year (From January 1, 2020 To December 31, 2020)	For the current fiscal year (From January 1, 2021 To December 31, 2021)
<Basic EPS>		
Net income (Million Yen)	26,904	38,367
-not to attributable to common stock holders	—	—
-to common stock holders	26,904	38,367
Weighted-average number of common shares (Shares)	139,118,324	139,415,408
<Diluted EPS>		
Adjustments to net income (Million Yen)	—	—
Increased numbers of common shares (Shares)	376,421	71,075
(Stock acquisition rights (Shares))	(376,421)	(71,075)
Details of shares not included in the computation of diluted EPS since it did not have dilutive effect	345,000 for Stock option round 35 315,000 for Stock option round 36 315,000 for Stock option round 37 1,396,500 for Stock option round 38 315,000 for Stock option round 39	303,700 for Stock option round 35 299,800 for Stock option round 36 299,900 for Stock option round 37 1,271,500 for Stock option round 38 315,000 for Stock option round 39 1,809,000 for Stock option round 40

2. Basis of calculation for book value per share is as follows.

(Million yen)

	For the previous fiscal year (From January 1, 2020 To December 31, 2020)	For the current fiscal year (From January 1, 2021 To December 31, 2021)
Total net assets	189,360	221,434
Amount deducted from total net assets	2,050	2,349
(Stock acquisition rights)	(1,220)	(1,560)
(Minority interest)	(829)	(789)
Total net assets attributable to common stock	187,310	219,084
Number of common shares (Shares)	139,158,049	139,675,314

(Significant Subsequent Events)

N/A

The Company omits the notes for "Lease transaction", "Related party transaction", "Deferred tax accounting", "Financial instrument", "Marketable Securities and Security Investments", "Derivative", "Stock Option", "Employee retirement benefit plan", "Investment and Rental Property" and "Business combinations", because for the current fiscal year, the Company considers there is not a strong need to release them.