

August 9, 2022

Report of Earning Results (Consolidated)
for the Second Quarter of the Fiscal Year
Ending December 31, 2022

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Expected date of the submission of quarterly security reports (“Shihanki Hokokusho”)
: August 10, 2022

1. Financial Highlights for the Six Months Ended June 30, 2022

(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 | % |
| Six Months Ended June 30, 2022 | 105,302 | 15.3 | 18,657 | (15.6) | 20,609 | (9.4) | 14,962 | (9.3) |
| Six Months Ended June 30, 2021 | 91,329 | 9.0 | 22,115 | 10.3 | 22,742 | 11.8 | 16,503 | 9.1 |

(Note) Comprehensive Income: 37,453million yen 55.2 % as of June 30, 2022
(24,126million yen 94.4% as of June 30, 2021)

| | Net Income per share (basic) | Net Income per share (diluted) |
|-----------------------------------|------------------------------|--------------------------------|
| | Yen | Yen |
| Six Months Ended June 30, 2022 | 107.11 | 107.03 |
| Six Months Ended June 30, 2021 | 118.48 | 118.39 |

(2) Consolidated Financial Position

| As of | Total Assets | Net Assets | Equity Ratio |
|-------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| June 30, 2022 | 459,377 | 222,683 | 48.0 |
| December 31, 2021 | 420,457 | 221,434 | 52.1 |

(Note) Net Assets after deduction of Share acquisition rights and Non-controlling interest
: 220,478million yen as of June 30, 2022 (219,084million yen as of December 31, 2021)

2. Dividend of Surplus

| As of | Cash dividends per share | | | | |
|------------------------|--------------------------|------------------------|-----------------------|--------------|--------------|
| | The first quarter end | The second quarter end | The third quarter end | Annual end | Total |
| December 31, 2021 | Yen — | Yen 0.0 | Yen — | Yen 195.0 | Yen 195.0 |
| December 31, 2022 | — | 0.0 | | | |
| Projection for FY 2022 | | | — | — | — |

(Note) Revision of the projection of dividend for the first quarter of FY 2022 : No

(Note) The dividend projection for FY2022 annual end has not been determined yet.

3. Forecasts of consolidated financial results for FY 2022

(January 1, 2022 through December 31, 2022)

(Note) For the forecast of FY 2022, please refer to next page.

4. Others

- (1) Change in the basis of consolidation and application of equity method : No
- (2) Application of simplified or specified accounting procedures : Yes
- (3) Changes in accounting principles, accounting estimates and restatement
- ① Changes under the revision of Accounting Standards : Yes
 - ② Changes in Accounting Principles other than ① : No
 - ③ Changes in Accounting Estimates : No
 - ④ Restatements : No

(4) Number of shares issued (common shares)

① Number of shares issued (including treasury stocks):

140,789,104 shares as of June 30, 2022

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

② Number of treasury stocks :

966,590 shares as of June 30, 2022

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

③ Average number of shares outstanding :

139,687,113 shares six months ended June, 2022

139,293,674 shares six months ended June, 2021

* Statement relating to the status of the quarterly review procedures

This quarterly report is not subject to the quarterly review procedures, which are based on the Financial Instruments and Exchange Law. The review procedures for quarterly consolidated accounts have not finished at the point of the announcement of the quarterly financial results.

* Explanation for the proper use of projection and other notes

Any forward-looking statement in this report including forecast results, are based on certain assumptions that were deemed rational as well as information currently available to the Company. However, various factors could cause actual results to differ materially. Please refer to (3) Qualitative Information on the Consolidated Earnings Forecast on page 3 of the attachment for conditions serving as assumptions for forecast results.

Forecasts of consolidated financial results for FY 2022

| | Net Sales | | Operating Income | | Ordinary Income | | Net Income Attributable to Owners of the Parent | | Net Income per share (basic) |
|---|-------------|------|------------------|-------|-----------------|-------|---|--------|---------------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| FY2022 (January 1, 2022 through December 31, 2022) | 225,900 | 18.7 | 42,000 | (3.8) | 42,100 | (5.4) | 30,300 | (21.0) | 216.93 |

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1 Qualitative Information and Financial Statements

(1) Qualitative Information on the Consolidated Business Results

(Unit: million yen)

| | Net Sales | | |
|-----------------------|--------------------------|--------------------------|----------------|
| | The First Half of FY2022 | The First Half of FY2021 | Rate of Change |
| Japan Reg. | 40,559 | 37,534 | 8.1% |
| Americas Reg. | 24,396 | 20,269 | 20.4% |
| Europe Reg. | 18,941 | 16,560 | 14.4% |
| Asia and Pacific Reg. | 21,403 | 16,964 | 26.2% |
| Total | 105,302 | 91,329 | 15.3% |

During this term of fiscal year 2022, from January 1 to June 30, despite the world economy expects movements of picking up undergoing through recovery gradually from a severe situation due to COVID-19 pandemic, there are unpredictable situations by the possibility of fresh outbreaks as the COVID-19 variant spreads in some regions, the progress of global inflation, and steep rise in fuel import price due to prolong the Russian-Ukrainian crisis, etc. The worldwide economic outlook has been concerned.

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 addition, the global epidemic of Covid-19 infection was used by phishing scams, the malware files which abuse remote meeting system have infested. Especially in ransomware, threat in targeted attacks which implemented the 'double extortion' technique by reveal stolen and sensitive information stood out. In Japan, there was a stoppage incident attracted people's attention by ransomware attacking supply chain vulnerabilities of the large enterprise for its stoppage all factory operations. 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, consumer business has led this region sales with going well continuously under the sustained good sales in mobile channel shop, etc. In Enterprise business, despite endpoint security performed not well, cloud security and service business are going well. As a result, net sales for this period in Japan region amounted to 40,559 million yen (8.1% increase from the same period in the previous year) increase to.

For Americas region, which integrates the former North American region and Latin American region, SaaS related business has been still kept well and also cloud security besides on demands for Trend Micro Vision One ("Vision One" which is a security operation at the center of the Trend Micro cybersecurity platform) performed well in enterprise business sales. In addition, there was a weak yen impact, net sales in this region were 24,396 million yen (20.4% increases from the same period in previous year) increase in double-digit growth rate.

In Europe region sales, cloud security was growing with Vision One, and additionally support business showed growth in enterprise business. As a results, net sales in this region were 18,941 million yen (14.4% increase from the same period in the previous year) in double-digit growth rate.

In the Asia Pacific region, the entire region sales performed well. Especially in enterprise business sales, network security performed

well and Vision One strongly led in large part. Locally, Middle East, Australia and Taiwan area led this region sales. In addition of the depreciation of yen impact, as a result, net sales for this period in Asia Pacific region amounted to 21,403 million yen (26.2% increase from the same period in the previous year) in the highest double-digit growth rate in all regions.

As a result, the consolidated net sales for this period (this term of fiscal year 2022, from January 1 to June 30,) marked 105,302 million yen (15.3% increase from the same period in previous year.)

For the costs, it was caused by significant increase in people costs with huge impact of weak yen, increase in outsource fee due to good sales of consumer business at mobile channel shop, and others. Thus, cost of sales and operating expenses for this period totaled 86,644 million yen (25.2% increase from the same period in previous year) substantially increase. As the results, consolidated operating income for this period was 18,657 million yen (15.6% decrease from the same period in previous year.) decrease to.

And the consolidated ordinary income for this period was 20,609 million yen (9.4% decrease from the same period in previous year) due to foreign exchange gain, etc. The net income attributable to owners of the parent for this period was 14,962 million yen (9.3% decrease from the same period in previous year.)

Operating income based on Pre-GAAP (revenue before adjusting deferred revenue, etc.) serves as the important management indicators for our company. It for this period was 21,484 million yen, a decrease of 1,412 million yen (6.2% decrease from the same period in previous year.) This decrease was due to cost of sales and operating expenses growth, including both people cost with a strong up-front investment aspect and outsource fee to consignee for good sales at mobile channel shop in consumer business, etc., in excess of Pre-GAAP sales which was in double-digit growth rate.

We change in accounting policies according to the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. (Hereinafter referred to as the "Accounting Standard for Revenue Recognition") etc., which was applied from the beginning of the first quarter of the current fiscal year. As a result, compared with the previous method, net sales and selling, general and administrative expenses increased 318 million yen and 816 million yen, respectively, and operating income, ordinary income, and income before income taxes and minority interests decreased 498 million yen, respectively for this period (this term of fiscal year 2022, from January 1 to June 30)

(2) Consolidated Financial Positions

Cash and bank deposits at the end of this period amounted to 189,367 million yen, a decrease of 8,362 million yen from FY2021 annual closing. Despite decreases in marketable securities and cash and bank deposits, due to a substantial increase in investment securities, etc., total assets at the end of this period were 459,377 million yen, 38,919 million yen increase from FY2021 annual closing. Total liabilities at the end of this period were 236,694 million yen, 37,670 million yen increase from FY2021 annual closing mainly due to a substantial increase in deferred revenue, etc.

Total net assets at the end of this period were 222,683 million yen, 1,249 million yen increase from FY2021 annual closing due to a substantial increase in foreign currency translation adjustment, etc., despite the dividends paid.

As a result, due to the "Accounting Standard for Revenue Recognition" etc., which was applied from the beginning of the first quarter of the current fiscal year, the cumulative effect amount reflected in net assets at the beginning of the first quarter of the current fiscal year decreased the beginning balance of retained earnings by 10,427 million yen.

(3) Consolidated Earnings Forecast

As of now, we do revise as taking into consideration of the great volatility in the foreign currency exchange rates from our consolidated results forecast for the full fiscal year ending December 31, 2022 (released on February 17, 2022). Please note that this revision is made only in association with the foreign currency exchange rates, and there is no substantive change in the presupposedness from the forecast previously published.

Accordingly, we revise net sales upward by 225.9 billion yen, 17 billion yen increase. Assuming that there will be an increase in costs due to the same degree of exchange rate impact, we have decided to no revise in operating income, ordinary income, and net income attributable to owners of the parent.

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

(Million yen)

| | Net Sales | Operating Income | Ordinary Income | Net income attributable to owners of the parent |
|-----------------------------------|-----------|------------------|-----------------|---|
| Forecast previously publish (A) | 208,900 | 42,000 | 42,100 | 30,300 |
| Revision made (B) | 225,900 | 42,000 | 42,100 | 30,300 |
| Difference (B-A) | 17,000 | 0 | 0 | 0 |
| Ratio of increase or decrease (%) | +8.1 | 0.0 | 0.0 | 0.0 |

In development of the new business forecasts the main assumed exchange rates for the second half of FY2022 as follows.

1 US \$ 134 yen (previously 110 yen)

1 Euro 141 yen (previously 130 yen)

2. Others

(1) Movement of Significant Subsidiaries

N/A

(2) Application of Simplified or Special Accounting Procedures

(Calculation of income tax expenses)

Multiply net income before tax for this period (6 months) by effective tax rate, which is rationally calculated based on projected annual profit and its taxes taking into consideration of deferred tax accounting. In addition, deferred tax expense is included in income taxes.

However, if the calculation of tax expenses using the effective tax rate results in a markedly unreasonable outcome, tax expenses are calculated by using the statutory effective tax rate after adding and subtracting important differences that do not fall under temporary differences to and from profit before income taxes.

3. 【CONSOLIDATED FINANCIAL STATEMENTS】

(1) 【Consolidated Balance Sheets】

(Million yen)

| Account | December 31, 2021 | June 30, 2022 |
|--|-------------------|---------------|
| (Assets) | | |
| Current assets | | |
| Cash and bank deposits | 197,729 | 189,367 |
| Notes and Accounts receivable, trade | 53,499 | — |
| Notes and Accounts receivable, trade and contract assets | — | 47,338 |
| Marketable securities | 59,072 | 47,521 |
| Inventories | 3,701 | 3,802 |
| Others | 8,038 | 12,616 |
| Allowance for bad debt | (292) | (397) |
| Total current assets | 321,749 | 300,250 |
| Non-current assets | | |
| Property and equipment | | |
| (1) Buildings and structures, net | 4,732 | 4,889 |
| (2) Office furniture & equipment | 3,187 | 3,075 |
| (3) Others | 12 | 4 |
| Total property and equipment | 7,932 | 7,969 |
| Intangibles | | |
| (1) Software | 11,254 | 12,547 |
| (2) Goodwill | 2,817 | 1,734 |
| (3) Others | 11,361 | 11,699 |
| Total intangibles | 25,433 | 25,980 |
| Investments and other non-current assets | | |
| (1) Investment securities | 26,087 | 81,621 |
| (2) Investments in subsidiaries and affiliates | 406 | 300 |
| (3) Deferred tax assets | 36,501 | 40,641 |
| (4) Others | 2,345 | 2,613 |
| Total investments and other non-current assets | 65,341 | 125,176 |
| Total non-current assets | 98,708 | 159,127 |
| Total assets | 420,457 | 459,377 |

(Million yen)

| Account | December 31, 2021 | June 30, 2022 |
|--|-------------------|---------------|
| (Liabilities) | | |
| Current liabilities | | |
| Accounts payable and Notes payable, trade | 1,165 | 1,324 |
| Accounts payable, other | 4,808 | 11,294 |
| Accrued expenses | 11,197 | 12,623 |
| Accrued income and other taxes | 5,001 | 4,269 |
| Allowance for bonuses | 3,624 | 3,222 |
| Allowance for sales returns | 318 | — |
| Deferred revenue | 100,032 | — |
| Deferred revenue(Current amd Non-current) | — | 185,061 |
| Others | 7,477 | 6,276 |
| Total current liabilities | 133,624 | 224,071 |
| Non-current liabilities | | |
| Deferred revenue | 54,065 | — |
| Net defined benefit liability | 7,913 | 8,391 |
| Others | 3,418 | 4,230 |
| Total non-current liabilities | 65,398 | 12,622 |
| Total liabilities | 199,023 | 236,694 |
| (Net assets) | | |
| Shareholders' equity | | |
| Common stock | 19,358 | 19,528 |
| Capital surplus | 26,771 | 27,471 |
| Retained earnings | 175,505 | 152,802 |
| Treasury stock, at cost | (5,656) | (5,198) |
| Total shareholders' equity | 215,979 | 194,604 |
| Accumulated other comprehensive income | | |
| Net unrealized gain (loss) on debt and equity securities | (299) | (1,098) |
| Foreign currency translation adjustments | 4,229 | 27,806 |
| Remeasurements of defined benefit plans | (824) | (833) |
| Total accumulated other comprehensive income | 3,105 | 25,873 |
| Stock acquisition rights | 1,560 | 1,671 |
| Non-controlling interests | 789 | 533 |
| Total net assets | 221,434 | 222,683 |
| Total liabilities and net assets | 420,457 | 459,377 |

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

Consolidated Statements of Income

(Million yen)

| | Six months ended June 30, 2021 | Six months ended June 30, 2022 |
|--|-----------------------------------|-----------------------------------|
| Net sales | 91,329 | 105,302 |
| Cost of sales | 20,084 | 25,502 |
| Gross profit | 71,244 | 79,799 |
| Operating expenses | 49,128 | 61,142 |
| Operating income | 22,115 | 18,657 |
| Non-operating income | | |
| Outsourcing service income | 91 | 87 |
| Interest income | 231 | 262 |
| Gain on sales of marketable securities | 1,047 | — |
| Foreign exchange gain | — | 1,673 |
| Other income | 29 | 88 |
| Total non-operating income | 1,400 | 2,112 |
| Non-operating expenses | | |
| Litigation settlement | 26 | — |
| Interest expenses | — | 43 |
| Foreign exchange loss | 605 | — |
| Equity in losses of affiliated companies | 63 | 63 |
| Loss on sales of marketable securities | — | 19 |
| Loss on disposal of fixed assets | 60 | 5 |
| Other expenses | 17 | 28 |
| Total non-operating expenses | 773 | 160 |
| Ordinary income | 22,742 | 20,609 |
| Extraordinary loss | | |
| Loss on liquidation of subsidiary | 39 | — |
| Total extraordinary loss | 39 | — |
| Net income before taxes | 22,703 | 20,609 |
| Income taxes | 6,568 | 5,990 |
| Net income | 16,134 | 14,619 |
| Net income(loss) attributable to non-controlling interests | (369) | (343) |
| Net income attributable to owners of the parent | 16,503 | 14,962 |

Consolidated Statements of Comprehensive Income

(Million yen)

| | Six months ended June 30, 2021 | Six months ended June 30, 2022 |
|--|-----------------------------------|-----------------------------------|
| Net income | 16,134 | 14,619 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 54 | (801) |
| Foreign currency translation adjustment | 7,967 | 23,688 |
| Remeasurement of defined benefit plans | (15) | (8) |
| Share of other comprehensive income of associates accounted for using equity method | (14) | (42) |
| Total other comprehensive income | 7,992 | 22,834 |
| Comprehensive income | 24,126 | 37,453 |
| Comprehensive income attributable to owners of the parent | 24,446 | 37,730 |
| Comprehensive income attributable to non-controlling interests | (319) | (277) |

(3) 【Consolidated Statements of Cash Flows】

(Million yen)

| Account | Six months ended June 30, 2021 | Six months ended June 30, 2022 |
|--|-----------------------------------|-----------------------------------|
| Cash flows from operating activities: | | |
| Net income before taxes | 22,703 | 20,609 |
| Depreciation and amortization | 8,721 | 11,711 |
| Stock compensations | 303 | 467 |
| Amortization of goodwill | 1,244 | 667 |
| Increase (decrease) in allowance for bad debts | 5 | 53 |
| Increase (decrease) in allowance for sales returns | 221 | — |
| Increase (decrease) in net defined benefit liability | 281 | 246 |
| Interest income | (231) | (262) |
| Interest expenses | — | 43 |
| Equity in (earnings)/loss of affiliated companies | 63 | 63 |
| (Gain) loss on disposal of Fixed assets | 60 | 5 |
| (Gain) loss on liquidation of subsidiaries and associates | 39 | — |
| (Gain) loss on sale of marketable securities | (1,047) | 19 |
| (Increase) decrease in notes and accounts receivable | 10,889 | — |
| (Increase) decrease in notes and accounts receivable and contract assets | — | 10,109 |
| (Increase) decrease in inventories | 206 | 385 |
| Increase (decrease) in notes and accounts payable | 4 | (119) |
| Increase (decrease) in accounts payable, other & accrued expenses | (1,208) | 527 |
| Increase (decrease) in deferred revenue | 385 | 3,942 |
| Increase (decrease) in virtual share bonus plan | (1,072) | (1,220) |
| Litigation settlement | 26 | — |
| Others | (1,519) | (2,806) |
| Subtotal | 40,074 | 44,443 |
| Proceeds from interest and dividend received | 245 | 81 |
| Payment for interest expenses | — | (43) |
| Payment for income tax | (8,922) | (7,951) |
| Payment for Litigation settlement | (26) | — |
| Net cash provided by operating activities | 31,371 | 36,530 |
| Cash flows from investing activities: | | |
| (Payments for)/Proceeds from time deposits | 2,313 | (8,232) |
| Payments for purchases of marketable securities and securities investments | (9,361) | (62,921) |
| Proceeds from sale or redemptions of marketable securities and securities investments | 19,916 | 16,905 |
| Payments for purchases of property and equipment | (882) | (483) |
| Payments for purchases of other intangibles | (8,006) | (9,749) |
| Net cash provided by investing activities | 3,978 | (64,480) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common shares | 316 | 289 |
| Payment for purchase of treasury stock | (0) | (1,035) |
| Receipt from disposal of treasury stock | 587 | 1,737 |
| Dividends paid | (20,763) | (26,538) |
| Repayments to non-controlling shareholders | (48) | — |
| Proceeds from paid-up by non-controlling shareholders | 3 | 1 |
| Net cash used in financing activities | (19,904) | (25,546) |
| Effect of exchange rate changes on cash and cash equivalents | 7,133 | 25,722 |
| Net increase (decrease) in cash and cash equivalents | 22,579 | (27,774) |
| Cash and cash equivalents at beginning of period | 174,162 | 225,681 |
| Cash and cash equivalents at end of period | 196,742 | 197,906 |

(4) Footnotes on Consolidated Financial Statements

(Footnote on Going Concern)

N/A

(Notes on Significant Changes in Stockholders' Equity)

N/A

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, Etc.)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. (hereinafter referred to as the "Accounting Standard for Revenue Recognition") etc., was applied from the beginning of the first quarter of the current fiscal year, and revenue is recognized at the time control of the promised goods or services is transferred to the customer in the amount expected to be received in exchange for such goods or services.

As a result, the Company changed its method of recognizing revenue for certain transactions from recognizing revenue at the time of shipment to recognizing revenue over a period of time for performance obligations satisfied over time.

The Company followed the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the first quarter of the current fiscal year is included in retained earnings at the beginning of the first quarter of the current fiscal year. The cumulative effect of retrospectively applying the new accounting policies prior to the beginning of the first quarter of the current fiscal year was added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policies were applied to the beginning balance of the current fiscal year.

As a result, the cumulative effect amount reflected in net assets at the beginning of the first quarter of the current fiscal year decreased the beginning balance of retained earnings by 10,427 million yen.

Compared with the previous method, net sales and selling, general and administrative expenses increased 318 million yen and 816 million yen, respectively, and operating income, ordinary income, and income before income taxes and minority interests decreased 498 million yen, respectively, in the first quarter of the current fiscal year.

Due to the application of the Accounting Standard for Revenue Recognition, "Notes and Accounts receivable, trade," which was included in "Current assets" in the consolidated balance sheets for the previous fiscal year, are included in "Notes and Accounts receivable, trade and contract assets" in the first quarter of the current fiscal year. "Deferred revenue" which was included in "Current liabilities" and "Non-current liabilities" in the consolidated balance sheets for the previous fiscal year, are included in "Deferred revenue(Current and Non-current)" in the first quarter of the current fiscal year. In addition, "(Increase) decrease in notes and accounts receivable" presented in "Net cash provided by operating activities" in the quarterly consolidated statements of cash flows for the first quarter of the previous fiscal year is included in "(Increase) decrease in notes and accounts receivable and contract assets" from the first quarter of the current fiscal year.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous consolidated fiscal year using the new presentation. In addition, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), the Company has not presented information that disaggregates revenue from contracts with customers.

(Application of Accounting Standard for Fair Value Measurement, Etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year. Furthermore, in accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company will prospectively apply the new accounting policy provided in the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations. There is no impact on the quarterly consolidated financial statements.

(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.

(Segment Information)

Information on sales, profit/loss by reporting segments

For the previous fiscal year (from January 1, 2021 to June 30, 2021)

1. Information on net sales and profits by reporting segment

(Million Yen)

| | Japan | Americas | Europe | Asia Pacific | Total | Adj (*)3 | Amt in Con P&L (*)4 |
|-------------------------------------|--------|----------|--------|--------------|---------|-------------|---------------------------|
| Sales | | | | | | | |
| (1) Net sales to external customers | 37,534 | 20,269 | 16,560 | 16,964 | 91,329 | — | 91,329 |
| (2) Intercompany sales | 10 | 2,982 | 1,203 | 15,948 | 20,145 | (20,145) | — |
| Total | 37,544 | 23,252 | 17,764 | 32,913 | 111,475 | (20,145) | 91,329 |
| Segment income | 11,437 | 3,484 | 3,586 | 3,946 | 22,455 | (339) | 22,115 |

(Note)

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

2 Major countries other than Japan:

Americas U.S.A., Canada, Brazil, Mexico

Europe Ireland, Germany, Italy, France, UK

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

3 Consolidation Adjustment in segment income (339) million yen comes from the elimination between segments transaction.

4 Total amount of segment income is adjusted to operating income in consolidated statement of income.

For the current fiscal year (from January 1, 2022 to June 30, 2022)

1. Information on net sales and profits by reporting segment

(Million Yen)

| | Japan | Americas | Europe | Asia Pacific | Total | Adj (*) ³ | Amt in Con P&L (*) ⁴ |
|-------------------------------------|--------|----------|--------|--------------|---------|----------------------|---------------------------------|
| Sales | | | | | | | |
| (1) Net sales to external customers | 40,559 | 24,396 | 18,941 | 21,403 | 105,302 | — | 105,302 |
| (2) Intercompany sales | 16 | 3,942 | 1,106 | 23,074 | 28,139 | (28,139) | — |
| Total | 40,575 | 28,339 | 20,047 | 44,478 | 133,441 | (28,139) | 105,302 |
| Segment income | 8,122 | 3,085 | 2,639 | 4,987 | 18,834 | (176) | 18,657 |

(Note)

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

2 Major countries other than Japan:

Americas U.S.A., Canada, Brazil, Mexico

Europe Ireland, Germany, Italy, France, UK

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

3 Consolidation Adjustment in segment income (176) million yen comes from the elimination between segments transaction.

4 Total amount of segment income is adjusted to operating income in consolidated statement of income.

2. Matters Regarding Changes in Reportable Segments

(Changes in Reportable Segments)

The Group's reportable segments were previously "Japan," "North America," "Europe," "Asia Pacific," and "Latin," but from the beginning of the first quarter of the current fiscal year, these have been changed to "Japan," "Europe," "Asia Pacific," and "Americas,"

(Application of Accounting Standard for Revenue Recognition, Etc.)

As described in "Changes in Accounting Policies," the Company has applied the Accounting Standard for Revenue Recognition and other accounting standards from the beginning of the first quarter of the current fiscal year, and has changed its accounting method for revenue recognition, and has therefore changed its method for calculating profit or loss by business segment in the same manner.

As a result, compared with the previous method, sales and segment income of "Japan" increased 1,027 million yen and 210 million yen, respectively, sales and segment income of "Americas" increased 44 million yen, sales and segment income of "Europe" decreased 48 million yen and sales and segment income of "Asia Pacific" decreased 704 million yen in the second quarter of this consolidated fiscal year. .