

November 10, 2022

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

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Expected date of the submission of quarterly security reports (“Shihanki Hokokusho”)
: November 11, 2022

1. Financial Highlights for the Nine Months Ended September 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	%
Nine Months Ended September 30, 2022	162,100	16.5	25,870	(25.3)	30,408	(14.2)	28,492	11.0
Nine Months Ended September 30, 2021	139,180	9.6	34,622	25.7	35,423	28.8	25,670	35.2

(Note) Comprehensive Income: 55,540million yen 65.5 % as of September 30, 2022
(33,552million yen 114.4% as of September 30, 2021)

	Net Income per share (basic)	Net Income per share (diluted)
	Yen	Yen
Nine Months Ended September 30, 2022	203.89	203.54
Nine Months Ended September 30, 2021	184.22	184.09

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of September 30, 2022	470,322	240,662	50.7
December 31, 2021	420,457	221,434	52.1

(Note) Net Assets after deduction of Share acquisition rights and Non-controlling interest
: 238,601million yen as of September 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):

140,796,604 shares as of September 30, 2022

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

② Number of treasury stocks :

850,220 shares as of September 30, 2022

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

③ Average number of shares outstanding :

139,744,340 shares nine months ended September, 2022

139,348,017 shares nine months ended September, 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	37,000	(15.2)	37,100	(16.6)	31,900	(16.9)	228.39

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1 Qualitative Information and Financial Statements

(1) Qualitative Information on the Consolidated Business Results

(Unit: million yen)

	Net Sales		
	Nine Months Ending Third Quarter of FY2022	Nine Months Ending Third Quarter of FY2021	Rate of Change
Japan Reg.	60,955	56,936	7.1%
Americas Reg.	37,849	31,244	21.1%
Europe Reg.	29,496	25,173	17.2%
Asia and Pacific Reg.	33,798	25,825	30.9%
Total	162,100	139,180	16.5%

During this term of fiscal year 2022, from January 1 to September 30, the world economy expects to pick up moderately due to the gradual easing of COVID-19 from the severe situation. On the other hand, there are risks mainly associated with the global policy rate tightening, exchange rate fluctuations, worldwide inflation, and steep rise in fuel import prices due to prolonging the Russian-Ukrainian crisis, etc. The worldwide economic outlook has been a concern.

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 60,955 million yen (7.1% 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, despite intensifying endpoint security market competition, 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 37,849 million yen (21.1% increases from the same period in previous year) increase in double-digit growth rate.

In Europe region sales, associated with good demands of Vision One which showed growth, mainly cloud security, network security and others were largely growing in entire enterprise business. As a results, net sales in this region were 29,496 million yen (17.2%

increase from the same period in the previous year) in a double-digit growth rate.

In the Asia Pacific region, the entire region sales performed well. Especially in enterprise business sales, network security showed substantial growth and cloud security also 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 33,798 million yen (30.9% 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 162,100 million yen (16.5% 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 136,230 million yen (30.3% increase from the same period in previous year) substantially increase. As the results, consolidated operating income for this period was 25,870 million yen (25.3% decrease from the same period in previous year.) decrease to.

And the consolidated ordinary income for this period was 30,408 million yen (14.2% decrease from the same period in previous year) due to foreign exchange loss, etc. The net income attributable to owners of the parent for this period was 28,492 million yen (11.0% 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 management indicators for our company. It for this period was 28,523 million yen, a decrease of 6,082 million yen (17.6% 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 decreased 43 million yen and selling, general and administrative expenses increased 1,224 million yen, respectively, and operating income, ordinary income, and income before income taxes and minority interests decreased 1,268 million yen, respectively for this period (this term of fiscal year 2022, from January 1 to September 30.)

(2) Consolidated Financial Positions

Cash and bank deposits at the end of this period amounted to 167,061 million yen, a decrease of 30,668 million yen from FY2021 annual closing. Despite decreases in cash and bank deposits, due to a substantial increase in investment securities and marketable securities and, etc., total assets at the end of this period were 470,322 million yen, 49,865 million yen increase from FY2021 annual closing.

Total liabilities at the end of this period were 229,660 million yen, 30,636 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 240,662 million yen, 19,228 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 not revise our consolidated results forecast for the full fiscal year ending December 31, 2022 (released on November 2, 2022).

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

Consolidated net sales	225,900 million yen
Consolidated operating income	37,000 million yen
Consolidated ordinary income	37,100 million yen
Net income attributable to owners of the parent	31,900 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 \$	134 yen
1 Euro	141 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 (9 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	September 30, 2022
(Assets)		
Current assets		
Cash and bank deposits	197,729	167,061
Notes and Accounts receivable, trade	53,499	—
Notes and Accounts receivable, trade and contract assets	—	46,528
Marketable securities	59,072	80,640
Inventories	3,701	3,971
Others	8,038	14,183
Allowance for bad debt	(292)	(416)
Total current assets	321,749	311,968
Non-current assets		
Property and equipment		
(1) Buildings and structures, net	4,732	4,685
(2) Office furniture & equipment	3,187	3,070
(3) Others	12	17
Total property and equipment	7,932	7,773
Intangibles		
(1) Software	11,254	13,170
(2) Goodwill	2,817	1,179
(3) Others	11,361	11,467
Total intangibles	25,433	25,816
Investments and other non-current assets		
(1) Investment securities	26,087	80,190
(2) Investments in subsidiaries and affiliates	406	91
(3) Deferred tax assets	36,501	42,327
(4) Others	2,345	2,153
Total investments and other non-current assets	65,341	124,764
Total non-current assets	98,708	158,354
Total assets	420,457	470,322

(Million yen)

Account	December 31, 2021	September 30, 2022
(Liabilities)		
Current liabilities		
Accounts payable and Notes payable, trade	1,165	1,575
Accounts payable, other	4,808	4,525
Accrued expenses	11,197	13,359
Accrued income and other taxes	5,001	3,577
Allowance for bonuses	3,624	2,886
Allowance for sales returns	318	—
Deferred revenue	100,032	—
Deferred revenue(Current amd Non-current)	—	184,807
Others	7,477	6,789
Total current liabilities	133,624	217,521
Non-current liabilities		
Deferred revenue	54,065	—
Net defined benefit liability	7,913	8,468
Others	3,418	3,670
Total non-current liabilities	65,398	12,138
Total liabilities	199,023	229,660
(Net assets)		
Shareholders' equity		
Common stock	19,358	19,557
Capital surplus	26,771	27,721
Retained earnings	175,505	165,284
Treasury stock, at cost	(5,656)	(4,572)
Total shareholders' equity	215,979	207,990
Accumulated other comprehensive income		
Net unrealized gain (loss) on debt and equity securities	(299)	(2,277)
Foreign currency translation adjustments	4,229	33,674
Remeasurements of defined benefit plans	(824)	(785)
Total accumulated other comprehensive income	3,105	30,611
Stock acquisition rights	1,560	1,701
Non-controlling interests	789	359
Total net assets	221,434	240,662
Total liabilities and net assets	420,457	470,322

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

Consolidated Statements of Income

(Million yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Net sales	139,180	162,100
Cost of sales	30,690	39,651
Gross profit	108,489	122,449
Operating expenses	73,867	96,579
Operating income	34,622	25,870
Non-operating income		
Outsourcing service income	133	134
Interest income	326	1,040
Gain on sales of marketable securities	1,047	—
Foreign exchange gain	—	3,456
Other income	38	116
Total non-operating income	1,545	4,747
Non-operating expenses		
Litigation settlement	118	—
Interest expenses	—	43
Foreign exchange loss	429	—
Equity in losses of affiliated companies	86	91
Loss on sales of marketable securities	—	19
Loss on disposal of fixed assets	64	5
Other expenses	45	49
Total non-operating expenses	744	209
Ordinary income	35,423	30,408
Extraordinary gain		
Gain on sales of shares of subsidiaries and associates	—	7,275
Total extraordinary gain	—	7,275
Extraordinary loss		
Loss on liquidation of subsidiary	39	—
Total extraordinary loss	39	—
Net income before taxes	35,383	37,684
Income taxes	10,319	9,705
Net income	25,064	27,978
Net income(loss) attributable to non-controlling interests	(606)	(514)
Net income attributable to owners of the parent	25,670	28,492

Consolidated Statements of Comprehensive Income

(Million yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Net income	25,064	27,978
Other comprehensive income		
Valuation difference on available-for-sale securities	37	(1,981)
Foreign currency translation adjustment	8,172	29,554
Remeasurement of defined benefit plans	3	39
Share of other comprehensive income of associates accounted for using equity method	274	(50)
Total other comprehensive income	8,488	27,561
Comprehensive income	33,552	55,540
Comprehensive income attributable to owners of the parent	34,092	55,999
Comprehensive income attributable to non-controlling interests	(540)	(458)

(3) 【Consolidated Statements of Cash Flows】

(Million yen)

Account	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Cash flows from operating activities:		
Net income before taxes	35,383	37,684
Depreciation and amortization	13,709	18,017
Stock compensations	488	689
Amortization of goodwill	1,543	1,041
Increase (decrease) in allowance for bad debts	5	57
Increase (decrease) in allowance for sales returns	132	—
Increase (decrease) in net defined benefit liability	406	341
Interest income	(326)	(1,040)
Interest expenses	—	43
Equity in (earnings)/loss of affiliated companies	86	91
(Gain) loss on disposal of Fixed assets	64	5
(Gain) loss on liquidation of subsidiaries and associates	39	—
(Gain) loss on sale of marketable securities	(1,047)	19
(Gain) loss on sales of shares of subsidiaries and associate	—	(7,275)
(Increase) decrease in notes and accounts receivable	9,790	—
(Increase) decrease in notes and accounts receivable and contract assets	—	11,373
(Increase) decrease in inventories	83	345
Increase (decrease) in notes and accounts payable	(115)	281
Increase (decrease) in accounts payable, other & accrued expenses	(368)	1,004
Increase (decrease) in deferred revenue	(202)	1,037
Increase (decrease) in virtual share bonus plan	(441)	(166)
Litigation settlement	118	—
Others	(2,582)	(3,422)
Subtotal	56,768	60,128
Proceeds from interest and dividend received	344	607
Payment for interest expenses	—	(43)
Payment for income tax	(14,858)	(14,129)
Payment for Litigation settlement	(118)	—
Net cash provided by operating activities	42,135	46,562
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	5,322	(7,344)
Payments for purchases of marketable securities and securities investments	(15,207)	(69,249)
Proceeds from sale or redemptions of marketable securities and securities investments	22,916	21,905
Payments for purchases of property and equipment	(1,458)	(965)
Payments for purchases of other intangibles	(12,228)	(15,270)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	5,518
Net cash provided by investing activities	(656)	(65,405)
Cash flows from financing activities:		
Proceeds from issuance of common shares	380	337
Payment for purchase of treasury stock	(0)	(1,036)
Receipt from disposal of treasury stock	1,236	2,460
Dividends paid	(20,765)	(26,540)
Repayments to non-controlling shareholders	(48)	—
Proceeds from paid-up by non-controlling shareholders	1,425	2
Net cash used in financing activities	(17,771)	(24,776)
Effect of exchange rate changes on cash and cash equivalents	6,860	32,144
Net increase (decrease) in cash and cash equivalents	30,569	(11,475)
Cash and cash equivalents at beginning of period	174,162	225,681
Cash and cash equivalents at end of period	204,732	214,206

(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 decreased 43 million yen, selling, general and administrative expenses increased 1,224 million yen and operating income, ordinary income, and income before income taxes and minority interests decreased 1,268 million yen in the third 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" from 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)" from 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 third 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).

(Segment Information)

Information on sales, profit/loss by reporting segments

For the previous fiscal year (from January 1, 2021 to September 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	56,936	31,244	25,173	25,825	139,180	—	139,180
(2) Intercompany sales	19	4,508	1,763	25,692	31,984	(31,984)	—
Total	56,956	35,753	26,936	51,518	171,164	(31,984)	139,180
Segment income	17,725	5,780	5,777	5,727	35,009	(387)	34,622

(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 (387) 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 September 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	60,955	37,849	29,496	33,798	162,100	—	162,100
(2) Intercompany sales	24	6,190	1,587	36,825	44,627	(44,627)	—
Total	60,980	44,040	31,083	70,624	206,728	(44,627)	162,100
Segment income	10,620	4,522	4,021	7,051	26,215	(344)	25,870

(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 (344) 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 1,263 million yen and 38 million yen, respectively, sales and segment income of "Americas" decreased 314 million yen, sales and segment income of "Europe" decreased 116 million yen and sales and segment income of "Asia Pacific" decreased 876 million yen in the third quarter of this consolidated fiscal year. .

(Business Combinations, etc.)

In July 2022, our U.S. subsidiaries Trend Micro Incorporated (hereafter AMT) and Trend Forward Capital I, L.P. (hereafter TFI) completed the transfer of all shares of our subsidiary Cysiv, Inc. (hereafter Cysiv), a subsidiary of AMT and TFI, directly owned by AMT and TFI, to Forescout Technologies, Inc.

1. Outline of Business Divestiture

(1) Name of the company to be divested

Forescout Technologies, Inc.

(2) Description of business divested

Cysiv and its subsidiary (Americas)

(3) Main reason for business divestiture

We have invested in Cysiv and made it a subsidiary in order to understand managed security services (hereafter MSSP) until now. However, since we have generally made progress in understanding the structure of the MSSP business, we have decided to transfer all of our shares in Cysiv.

(4) Date of business divestiture

July 11, 2022 (date of receipt of consideration)

July 1, 2022 (deemed sale date)

(5) Other matters regarding the outline of the transaction including legal form

Share transfers for which the consideration received is cash or other property and equity in an outside company

2. Summary of Accounting Procedures Implemented

(1) Amount of gain or loss on transfer

Gain on sale of shares of affiliated company 7,275 million yen

(2) Appropriate book value of assets and liabilities related to the transferred business and their major breakdown

Current assets 4,160 million yen

Fixed assets 1,441 million yen

Total assets 5,601 million yen

Current liabilities 3,609 million yen

Fixed liabilities 1,097 million yen

Total liabilities 4,707 million yen

(3) Accounting treatment

The consideration for the transfer of AMT's shareholding was cash and AMT booked a gain of 7,275 million yen, but the consideration for the transfer of TFI's shareholding was the shares of the parent company of Forescout Technologies, Inc., and the investment objective of TFI as a venture capital was to earn a gain on the sale for the cash consideration, and there was no change in the objective at the time the shares of the parent company of Forescout Technologies, Inc. were acquired. Therefore, the investment was deemed to be ongoing and no gain on sale was booked.

3. Reportable segments in which the divested business was included

Americas

4. Estimated profit/loss of the separated business included in the quarterly consolidated statements of income for the cumulative consolidated accounting period

Cumulative period

Net sales 1,208 million yen

Operating loss 557 million yen