

August 8, 2023

Report of Earning Results (Consolidated)  
for the Second Quarter of the Fiscal Year  
Ending December 31, 2023

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Expected date of the submission of quarterly security reports (“Shihanki Hokokusho”)  
: August 9, 2023

## 1. Financial Highlights for the Six Months Ended June 30, 2023

### (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, 2023	119,536	13.5	18,188	(2.5)	18,449	(10.5)	11,856	(20.8)
Six Months Ended June 30, 2022	105,302	15.3	18,657	(15.6)	20,609	(9.4)	14,962	(9.3)

(Note) Comprehensive Income: 27,041million yen (27.8) % as of June 30, 2023  
(37,453million yen 55.2% as of June 30, 2022)

	Net Income per share (basic)	Net Income per share (diluted)
	Yen	Yen
Six Months Ended June 30, 2023	85.86	85.80
Six Months Ended June 30, 2022	107.11	107.03

### (2) Consolidated Financial Position

As of	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
June 30, 2023	464,768	212,860	45.3
December 31, 2022	470,799	228,679	48.2

(Note) Net Assets after deduction of Share acquisition rights and Non-controlling interest  
: 210,565million yen as of June 30, 2023 (226,776million yen as of December 31, 2022)

## 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, 2022	Yen —	Yen 0.0	Yen —	Yen 151.0	Yen 151.0
December 31, 2023	—	0.0			
Projection for FY 2023			—	—	—

(Note) Revision of the projection of dividend for the second quarter of FY 2023 : No

(Note) The dividend projection for FY2023 annual end has not been determined yet.

## 3. Forecasts of consolidated financial results for FY 2023

**(January 1, 2023 through December 31, 2023)**

(Note) For the forecast of FY 2023, 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):

140,826,604 shares as of June 30, 2023

140,804,104 shares as of December 31, 2022

② Number of treasury stocks :

5,065,840 shares as of June 30, 2023

1,649,820 shares as of December 31, 2022

③ Average number of shares outstanding :

138,088,336 shares six months ended June 30, 2023

139,687,113 shares six months ended June 30, 2022

### \* 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 2023

	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
FY2023 (January 1, 2023 through December 31, 2023)	248,500	11.0	34,800	11.0	34,900	2.2	25,100	(15.9)	180.38

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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 FY2023	The First Half of FY2022	Rate of Change
Japan Reg.	41,603	40,559	2.6%
Americas Reg.	27,511	24,396	12.8%
Europe Reg.	23,453	18,941	23.8%
Asia and Pacific Reg.	26,968	21,403	26.0%
Total	119,536	105,302	13.5%

During this term of fiscal year 2023, from January 1 to June 30, despite the world economy is recovering at a moderate pace from a 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 the Russian-Ukrainian crisis, etc. The worldwide economic outlook has been concerned.

The worldwide Information Technology industry has grown due to accelerated demands of remote working, education, DX (digital transformation) under the global affected by the Covid-19 pandemic. Referring to the report by 3rd party forecasts worldwide IT spending to grow 5.5% to \$4.6 trillion in 2023. Although there are concerns about global inflation and companies are cautious about spending, enterprise software growth ratio will be expected to double digit mainly due to software-driven transformation with priority invest to increase productivity and automation by enterprise for gaining a competitive advantage.

In the cyber security industry, continuously multitude of cyber attacks that target specific national institutions, etc., leaking damage of sensitive business information, and targeted attacks including crypto assets drain in specific companies, organizations have been still coming across occasionally. Especially in ransomware, threats in targeted attacks that implemented the 'double extortion' technique by revealing stolen and sensitive information stood out. 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. In the future, as the use of interactive artificial intelligence (AI) expands, new security risks are becoming a concern.

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

With regards to sales in Japan region, in the enterprise business, cloud operation security made a big contribution. In addition, SOC operations security showed substantial growth besides on demands for Trend Micro Vision One ("Vision One" which is a security operation at the center of the Trend Micro cybersecurity platform.) and Managed Services security has been growing. IT infra operation security, which is mainly composed of traditional security, etc. also shows growth. In consumer business has been also going well continuously under the sustained good sales in mobile channel shops, etc. As a result, net sales for this period in Japan region amounted to 41,603 million yen (2.6% increase from the same period in the previous year) increase to.

For Americas region, in the enterprise business, SOC operations security performed well, and also Managed Services security has been growing. On the other hand, cloud operation security and IT infra operation security were weak. In addition, there were an adjustment for sales that were understated in previous years and a weak yen impact, net sales in this region were 27,511 million yen (12.8% increase from the same period in the previous year) increase in double-digit growth rate.

In Europe region sales, the enterprise business overall showed growth. In the enterprise business, mainly SOC operations security and IT infra operation security contributed, moreover, SOC operations security and Managed Services security have also been growing. In addition, there was a weak yen impact, net sales in this region were 23,453 million yen (23.8% increase from the same period in the previous year) in a double-digit growth rate.

In the Asia Pacific region, also the enterprise business overall showed growth. Especially both IT infra operation security and cloud

operation security contributed significantly to this region's sales. Besides, SOC operations security and Managed Services security have been performed well. Locally, Australia, Middle East, and Taiwan area led this region's sales. In addition of the depreciation of yen impact, as a result, net sales for this period in Asia Pacific region amounted to 26,968 million yen (26.0% 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 2023, from January 1 to June 30,) marked 119,536 million yen (13.5% increase from the same period in the previous year.)

For the costs, it showed substantial growth caused by cloud service usage volume increase for the strengthening of our SaaS business, people costs with the huge impact of weak yen, and administration cost by a significant increase in business trips after a coronavirus restriction for economic reopened, etc. Thus, cost of sales and operating expenses for this period totaled 101,347 million yen (17.0% increase from the same period in the previous year) substantially increase. As a result, consolidated operating income for this period was 18,188 million yen (2.5% decrease from the same period in the previous year) decrease to.

And the consolidated ordinary income for this period was 18,449 million yen (10.5% decrease from the same period in the previous year) decrease due to the disappearance of foreign exchange gain from the same period in the previous year and an increase in equity in loss of affiliated companies, etc. The net income attributable to owners of the parent for this period was 11,856 million yen (20.8% decrease from the same period in the previous year) decrease to.

Operating income based on Pre-GAAP (revenue before adjusting deferred revenue, etc.) serves as an important management indicator for our company. It for this period was 18,356 million yen, a decrease of 3,127 million yen (14.6% decrease from the same period in the previous year.) This decrease was due to the cost of sales and operating expenses growth, including people cost with a strong up-front investment aspect and cost of public cloud service usage volume increase for the strengthening of our SaaS business, and additionally impact of yen depreciation. As a result, the cost of sales and operating expenses growth was in excess of Pre-GAAP sales which was in a double-digit growth rate.

## **(2) Consolidated Financial Positions**

Cash and bank deposits at the end of this period amounted to 187,740 million yen, a decrease of 3,801 million yen from FY2022 annual closing.

In spite of increases in marketable securities and goodwill, due to a substantial decrease in cash and bank deposits, investment securities, and notes and accounts receivable, trade and contract assets, total assets at the end of this period were 464,768 million yen, 6,031 million yen decrease from FY2022 annual closing.

Total liabilities at the end of this period were 251,907 million yen, 9,786 million yen increase from FY2022 annual closing mainly due to an increase in deferred revenue, etc.

Total net assets at the end of this period were 212,860 million yen, 15,818 million yen decrease from FY2022 annual closing. Despite substantial growth in foreign currency translation adjustments, this decrease is due to a decrease in retained earnings and an increase in treasury stock, etc.

## **(3) Consolidated Earnings Forecast**

As of now, we do not revise our consolidated results forecast for the full fiscal year ending December 31, 2023 (released on February 16, 2023).

### **Business forecast for the Annual of FY2023 (January 1, 2023 – December 31, 2023)**

Consolidated net sales	248,500 million yen
Consolidated operating income	34,800 million yen
Consolidated ordinary income	34,900 million yen
Net income attributable to owners of the parent	25,100 million yen

**In development of the business forecasts the main assumed exchange rates for the Annual of FY2023 (January 1, 2023 – December 31, 2023) as follows.**

1 US \$	135 yen
1 Euro	143 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, 2022	June 30, 2023
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and bank deposits	191,542	187,740
Notes and Accounts receivable, trade and contract assets	63,614	54,424
Marketable securities	51,307	73,627
Inventories	4,255	5,091
Others	9,532	11,157
Allowance for bad debt	(317)	(342)
<b>Total current assets</b>	<b>319,934</b>	<b>331,697</b>
<b>Non-current assets</b>		
<b>Property and equipment</b>		
(1) Buildings and structures, net	4,384	4,151
(2) Office furniture & equipment	2,685	2,739
(3) Others	19	49
<b>Total property and equipment</b>	<b>7,089</b>	<b>6,940</b>
<b>Intangibles</b>		
(1) Software	12,767	13,974
(2) Goodwill	1,094	4,673
(3) Others	10,431	13,490
<b>Total intangibles</b>	<b>24,292</b>	<b>32,138</b>
<b>Investments and other non-current assets</b>		
(1) Investment securities	70,297	45,543
(2) Investments in subsidiaries and affiliates	4,145	2,764
(3) Deferred tax assets	42,111	43,043
(4) Others	2,928	2,640
<b>Total investments and other non-current assets</b>	<b>119,483</b>	<b>93,990</b>
<b>Total non-current assets</b>	<b>150,865</b>	<b>133,070</b>
<b>Total assets</b>	<b>470,799</b>	<b>464,768</b>

(Million yen)

Account	December 31, 2022	June 30, 2023
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable and Notes payable, trade	2,164	1,878
Accounts payable, other	4,986	4,994
Accrued expenses	14,819	15,534
Accrued income and other taxes	5,055	4,078
Allowance for bonuses	3,675	2,466
Deferred revenue(Current and Non-current)	192,914	203,061
Others	8,683	7,210
Total current liabilities	232,297	239,224
<b>Non-current liabilities</b>		
Net defined benefit liability	7,408	7,783
Others	2,414	4,899
Total non-current liabilities	9,822	12,682
Total liabilities	242,120	251,907
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Common stock	19,585	19,665
Capital surplus	27,810	27,914
Retained earnings	166,635	157,424
Treasury stock, at cost	(10,291)	(32,663)
Total shareholders' equity	203,738	172,341
<b>Accumulated other comprehensive income</b>		
Net unrealized gain (loss) on debt and equity securities	(1,477)	(1,325)
Foreign currency translation adjustments	24,392	39,548
Remeasurements of defined benefit plans	122	2
Total accumulated other comprehensive income	23,037	38,224
Stock acquisition rights	1,884	2,274
Non-controlling interests	18	20
Total net assets	228,679	212,860
Total liabilities and net assets	470,799	464,768

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

## Consolidated Statements of Income

(Million yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	105,302	119,536
Cost of sales	25,502	29,503
Gross profit	79,799	90,032
Operating expenses	61,142	71,844
Operating income	18,657	18,188
Non-operating income		
Outsourcing service income	87	152
Interest income	262	2,287
Gain on sales of marketable securities	—	7
Foreign exchange gain	1,673	—
Other income	88	170
Total non-operating income	2,112	2,618
Non-operating expenses		
Interest expenses	43	—
Foreign exchange loss	—	797
Equity in losses of affiliated companies	63	1,507
Loss on sales of marketable securities	19	—
Loss on disposal of fixed assets	5	8
Other expenses	28	43
Total non-operating expenses	160	2,357
Ordinary income	20,609	18,449
Extraordinary loss		
Loss on valuation of investment securities	—	104
Total extraordinary loss	—	104
Net income before taxes	20,609	18,344
Income taxes	5,990	6,488
Net income	14,619	11,855
Net income(loss) attributable to non-controlling interests	(343)	(1)
Net income attributable to owners of the parent	14,962	11,856

Consolidated Statements of Comprehensive Income

(Million yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net income	14,619	11,855
Other comprehensive income		
Valuation difference on available-for-sale securities	(801)	151
Foreign currency translation adjustment	23,688	15,027
Remeasurement of defined benefit plans	(8)	(120)
Share of other comprehensive income of associates accounted for using equity method	(42)	127
Total other comprehensive income	22,834	15,185
Comprehensive income	37,453	27,041
Comprehensive income attributable to owners of the parent	37,730	27,043
Comprehensive income attributable to non-controlling interests	(277)	(2)

## (3) 【Consolidated Statements of Cash Flows】

(Million yen)

Account	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities:		
Net income before taxes	20,609	18,344
Depreciation and amortization	11,711	12,777
Stock compensations	467	451
Amortization of goodwill	667	782
Increase (decrease) in allowance for bad debts	53	(0)
Increase (decrease) in net defined benefit liability	246	241
Interest income	(262)	(2,287)
Interest expenses	43	—
Equity in (earnings)/loss of affiliated companies	63	1,507
(Gain) loss on disposal of Fixed assets	5	8
(Gain) loss on sale of marketable securities	19	(7)
(Gain) loss on valuation of investment securities	—	104
(Increase) decrease in notes and accounts receivable and contract assets	10,109	11,778
(Increase) decrease in inventories	385	(499)
Increase (decrease) in notes and accounts payable	(119)	(687)
Increase (decrease) in accounts payable, other & accrued expenses	527	(13)
Increase (decrease) in deferred revenue	3,942	(2,084)
Increase (decrease) in virtual share bonus plan	(1,220)	(734)
Others	(2,806)	(1,233)
Subtotal	44,443	38,447
Proceeds from interest and dividend received	81	2,302
Payment for interest expenses	(43)	—
Payment for income tax	(7,951)	(6,912)
Payment for Litigation settlement	—	(62)
Net cash provided by operating activities	36,530	33,775
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	(8,232)	201
Payments for purchases of marketable securities and securities investments	(62,921)	(595)
Proceeds from sale or redemptions of marketable securities and securities investments	16,905	14,526
Payments for purchases of property and equipment	(483)	(762)
Payments for purchases of other intangibles	(9,749)	(10,917)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(3,765)
Net cash provided by investing activities	(64,480)	(1,312)
Cash flows from financing activities:		
Proceeds from issuance of common shares	289	137
Payment for purchase of treasury stock	(1,035)	(22,611)
Receipt from disposal of treasury stock	1,737	224
Dividends paid	(26,538)	(20,254)
Repayments to non-controlling shareholders	—	(5)
Proceeds from paid-up by non-controlling shareholders	1	9
Net cash used in financing activities	(25,546)	(42,500)
Effect of exchange rate changes on cash and cash equivalents	25,722	11,618
Net increase (decrease) in cash and cash equivalents	(27,774)	1,580
Cash and cash equivalents at beginning of period	225,681	207,643
Cash and cash equivalents at end of period	197,906	209,224

#### (4) Footnotes on Consolidated Financial Statements

(Footnote on Going Concern)

N/A

(Notes on Significant Changes in Stockholders' Equity)

We repurchased 3,453,500 shares of treasury stock based on the resolution of the board of directors meeting held on February 16, 2023. As a result, treasury stock increased by 22,372 million yen for the current fiscal year consolidated cumulative period.

(Changes in Accounting Policies)

(Application of Application Guidelines of Accounting Standard for Calculation of Market Value)

The "Guidance for Application of Accounting Standards for Calculation of Market Value" (ASB Application Guidance No. 31, June 17, 2021; hereinafter referred to as "Guidance for Application of Accounting Standards for Calculation of Market Value") has been applied from the beginning of the current consolidated accounting period, and the new accounting policy set forth in the Guidance for Application of Accounting Standards for Calculation of Market Value has been applied into the future in accordance with the transitional treatment set forth in Section 27-2 of the Guidance for Application of Accounting Standards for Calculation of Market Value. There is no impact on the quarterly consolidated financial statements.

(Additional information)

(Correction of errors)

For the second through fourth quarters of the previous fiscal year, sales reversed from deferred revenue had been understated due to an error in revenue recognition related to the application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) in our subsidiary in the Americas region.

Errors for the previous fiscal year are not significant in the impact on financial position and operating results. Accordingly, the errors are corrected in the current financial statements.

As a result, net sales, gross profit, operating income, and ordinary income increased by 988 million yen and net income attributable to owners of parent increased by 741 million yen for the current fiscal year consolidated cumulative period.

In the segment information for the first quarter of the current fiscal year, net sales and segment income of "Americas" increased by 988 million yen.

There is no impact on cash flow statements for the errors.

(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, 2022 to June 30, 2022)

1. Information on net sales and profits by reporting segment

(Million Yen)

	Japan	Americas	Europe	Asia Pacific	Total	Adj (*) <sup>3</sup>	Amt in Con P&L (*) <sup>4</sup>
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.

For the current fiscal year (from January 1, 2023 to June 30, 2023)

1. Information on net sales and profits by reporting segment

(Million Yen)

	Japan	Americas	Europe	Asia Pacific	Total	Adj (*) <sup>3</sup>	Amt in Con P&L (*) <sup>4</sup>
Sales							
(1) Net sales to external customers	41,603	27,511	23,453	26,968	119,536	—	119,536
(2) Intercompany sales	(15)	4,579	2,920	27,838	35,323	(35,323)	—
Total	41,588	32,090	26,373	54,806	154,859	(35,323)	119,536
Segment income	5,651	3,495	4,035	5,390	18,573	(384)	18,188

(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 (384) 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.

(Business combination)

(Review of Provisional Accounting Procedures for Business Combinations)

Anlyz Inc. and Anlyz Cybersecure Private Limited, which acquired shares on February 15, 2023, were provisionally accounted for based on reasonable information available at the time due to the lack of identification of identifiable assets and liabilities and calculation of fair value at the date of the business combination in the first quarter of the consolidated fiscal year.

Subsequently, in accordance with the identification of identifiable assets and liabilities and the progress in the calculation of fair value, the amount of goodwill incurred decreased by 1,662 million yen, intangible fixed assets increased by 2,206 million yen, and deferred tax liabilities increased by 544 million yen compared to the end of the first quarter of the current consolidated fiscal year.

Identification of identifiable assets and liabilities and calculation of market value are incomplete at the end of the second quarter of the consolidated fiscal year.