

February 15, 2024

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

Company : Trend Micro Incorporated Tokyo Stock Exchange, Prime Market
Code : 4704 Location : Tokyo
URL: <http://www.trendmicro.com>
Representative: Title Representative Director
Name Eva Chen
Contact: Title Representative Director
Name Mahendra Negi
TEL +81-3-4330-7600

Expected date of the annual shareholders meeting : March 28, 2024

Expected date of the delivery of dividends : March 29, 2024

Expected date of the submission of annual security reports (“Yuka Shoken Hokokusho”) : March 28, 2024

1. Financial Highlights for FY2023 (January 1, 2023 through December 31, 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	%
FY 2023	248,691	11.1	32,602	4.0	36,181	5.9	10,731	(64.0)
FY 2022	223,795	17.6	31,340	(28.2)	34,162	(23.2)	29,843	(22.2)

(Note) Comprehensive Income : 29,157 million yen Δ 40.4% as of December 31, 2023
48,947 million yen (0.6%) as of December 31, 2022

	Net income per share (basic)	Net income per share (diluted)	Return on shareholders' equity	Return on assets	Operating profit on sales
	Yen	Yen	%	%	%
FY 2023	78.45	78.38	4.9	7.5	13.1
FY 2022	213.59	213.22	13.4	7.7	14.0

(Note) Equity in earnings of affiliated companies : 2,862 million yen loss as of December 31, 2023
456 million yen loss as of December 31, 2022

(2) Consolidated Financial Position

As of	Total assets	Net Assets	Net Assets ratio	Net Assets per share
	Million yen	Million yen	%	Yen
December 31, 2023	492,628	214,423	43.0	1,562.72
December 31, 2022	470,799	228,679	48.2	1,629.67

(Note) Net assets after deduction of Share acquisition rights and Minority interest :
211,998 million yen as of December 31, 2023
226,776 million yen as of December 31, 2022

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
FY 2023	57,227	31,000	(43,433)	261,265
FY 2022	56,903	(67,716)	(30,437)	207,643

2. Dividend of Surplus

As of	Cash dividends per share					Aggregate amount of dividend annual	Dividends payout ratio (Consolidated)	Dividends on shareholders' equity (consolidated)
	The first quarter end	The second quarter end	The third quarter end	Annual end	Total	Total	Total	Total
	Yen	Yen	Yen	Yen	Yen	million yen	%	%
December 31, 2022	—	0.00	—	151.00	151.00	21,012	70.7	9.4
December 31, 2023	—	0.00	—	738.00	738.00	100,117	940.7	46.2
Projection for FY 2024	—	0.00	—	—	—		—	

(Note) Breakdown of dividend for FY2023: Ordinary dividend: 56.00Yen Special dividend: 682.00Yen
Dividend for FY2024 Annual end is not yet projected.

3. Forecasts of Consolidated Financial Results for FY 2024

(January 1, 2024 through December 31, 2024)

	Net Sales		Operating Income		Ordinary Income		Net income attributable to owners of the parent		Net income per share (basic)
Annual	Million Yen		Million Yen		Million Yen		Million Yen		Yen
	271,000	9.0	52,900	62.3	50,100	38.5	34,600	222.4	255.05

4. Others

(1) Movement of significant subsidiary : No

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

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

(3) Number of shares issued (common shares)

① Number of shares issued (including treasury stocks):

140,879,104 shares as of December 31, 2023

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

② Number of treasury stocks :

5,218,677 shares as of December 31, 2023

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

③ Average number of shares outstanding :

136,799,976 shares as of December 31, 2023

139,725,093 shares as of December 31, 2022

Results of the non-consolidated operations

1. Financial Highlights for FY2023 (January 1, 2023 through December 31, 2023)

(1) Results of operations

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2023	83,230	1.3	11,582	(6.4)	140,678	204.0	131,579	214.7
FY 2022	82,132	7.2	12,374	(46.3)	46,272	108.2	41,809	95.5

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
FY 2023	961.84	961.04
FY 2022	299.23	298.71

(2) Financial Position

	Total assets	Net Assets	Net Assets ratio	Net Assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	311,354	185,378	58.8	1,348.86
December 31, 2022	186,816	96,868	50.8	682.57

(Note) Net Assets after deduction of Share acquisition rights

: 182,987 million yen (94,982 million yen as of December 31, 2022)

* Statement relating to the status of the annual audit procedures

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

* Explanation for the proper use of projection and other notes

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

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1 Qualitative Information and Financial Statements

(1) Qualitative Information on the Consolidated Business Results

(Unit: million yen)

	Net Sales	Operating Income	Ordinary Income	Net income before taxes	Net income attributable to owners of the parent
FY2023	248,691	32,602	36,181	31,978	10,731
FY2022	223,795	31,340	34,162	41,897	29,843
Rate of Change (%)	11.1%	4.0%	5.9%	-23.7%	-64.0%

(Unit: million yen)

	Net Sales		
	FY2023	FY2022	Rate of Change (%)
Japan	83,002	82,087	1.1%
Americas Reg.	57,643	52,953	8.9%
Europe Reg.	50,643	41,460	22.1%
Asia and Pacific Reg.	57,401	47,293	21.4%
Total	248,691	223,795	11.1%

During this term of fiscal year 2023, from January 1 to December 31, the world economy has been going through with following concerned risks mainly associated with the global policy rate tightening and an exchange rate fluctuations, the global inflation, and steep rise in fuel import prices due to prolonging the Russia-Ukraine War, etc.

In the worldwide Information Technology industry, 2023 was the breakout year of generative AI(GenAI) to be risen faster than expected and exploded the awareness. Referring to the report by 3rd party, the forecasts worldwide IT spending to grow 8% to \$5.1 trillion in 2024 due to mainly cyber security investments lead to the software segments and besides hiking IT services segment growth rate.

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, and still ransomware have been still standing out. Going through concerning such threat changes including new security risks comes from GenAI, the trend of the trend of cyber security conscious has been require 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, in the enterprise business, 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.) In spite of the weak in IT infra operation security, cloud operation security made a big contribution in this region sales. In consumer business has been also going well continuously under the sustained good sales in mobile channel shops, except the weakness in security for PC. As a result, net sales for this period in Japan region amounted to 83,002 million yen (1.1% increase from the same period in the previous year) increase to.

For Americas region, in the enterprise business, SOC operations security showed growth. 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 57,643 million yen (8.9% increase from the same period in the previous year) increase to.

In Europe region sales, the enterprise business overall showed growth. In the enterprise business, especially IT infra operation security showed the highest growth in all regions, and together with SOC operations security showed the highest growth rate in all regions, and additionally Managed Services security contributed this region sales. In addition, there was a weak yen impact, net sales in this region were 50,643 million yen (22.1% increase from the same period in the previous year) in the highest double-digit growth rate in all regions.

In the Asia Pacific region, also the enterprise business overall showed growth. Especially SOC operations security contributed significantly to this region's sales. Besides, both IT infra operation 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 57,401 million yen (21.4% increase from the same period in the previous year) in a double-digit growth rate.

As a result, the consolidated net sales for this period (this term of fiscal year 2023, from January 1 to December 31,) marked 248,691 million yen (11.1% increase from the same period in previous year) with increasing in all regions.

For the costs, it was caused by significant increase in people costs with huge impact of weak yen, and additionally cloud service usage volume increase for the enhancement of our SaaS business, and hardware product costs due to increase in its good sales growth ratio, etc. Thus, cost of sales and operating expenses for this period totaled 216,088 million yen (12.3% increase from the same period in the previous year) increase. As a result, consolidated operating income for this period was 32,602 million yen (4.0% increase from the same period in the previous year) increase to.

In terms of the original forecast of financial results for the fiscal year ending December 31, 2023, announced on February 16, 2023, the entire group sales was generally in line with expectations. On the other hand, operating income forecast, despite outside fee and people costs were lower than expected, hardware product costs and cloud costs were essentially higher than our forecast. As the results, despite operating income slightly fell far short of the initial forecast, it was generally in line with expectations finally.

And the consolidated ordinary income for this period was 36,181 million yen (5.9% increase from the same period in previous year) increase due to an increase in interest income and gain on sales of marketable securities, etc. The net income attributable to owners of the parent for this period was 10,731 million yen (64.0% decrease from the same period in previous year) substantial decreased mainly due to the disappearance of gain on sales of shares of subsidiaries and associate, posting related to restructuring costs including mainly retirement benefit expenses into extraordinary loss, and increase in income taxes caused by a provision for tax liability based on the assumption that dividends, etc. will be paid from each of our subsidiaries to us as the parent company.

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 53,073 million yen, an increase of 1,437million yen (2.8% increase from the same period in the previous year.) This increase was due to Pre-GAAP sales' double-digit growth exceeded over increase in cost of sales and operating expenses growth, including a cost of public cloud service usage volume for the strengthening of our SaaS business and people cost with strong weak yen impact.

(2) Qualitative Information on the Consolidated Earnings Forecast

Since the business environment surrounding Trend Micro Group tends to fluctuate in the short run, it is difficult to make a highly reliable projection figure on a yearly basis. However, forecasts of net sales for FY 2023 is assumed Japan region increases by approximately a low single-digit growth ratio from the same period in previous year respectively. Americas, region increases by approximately a high single-digit growth ratio from the same period in previous year respectively. Both Europe region and Asia and Pacific region increase by approximately around mid-10% from the same period in previous year respectively. As the result, entire group sales is assumed increase by around 9% from the same period in previous year respectively. The forecast of cost for FY2024 is assumed to improve profit margins, we expect overall costs to be approximately comparable amount of the same period in the previous year's result. In consideration of such a condition, we have decided to announce the earnings on an annual basis in the fiscal year ending in December 2024 as followings.

Business forecast for the Annual of FY2024 (January 1, 2024 – December 31, 2024)

Consolidated net sales	271,000 million yen
Consolidated operating income	52,900 million yen
Consolidated ordinary income	50,100 million yen
Net income attributable to owners of the parent	34,600 million yen

In development of the business forecasts the main assumed exchange rates for the Annual of FY2024 (January 1, 2024 – December 31, 2024) as follows.

1 US \$	147 yen
1 Euro	157 yen

(3) FINANCIAL CONDITION ANALYSIS

CONDITION OF ASSETS, LIABILITIES, AND NET ASSETS

Cash and bank deposits at the end of this period amounted to 247,856 million yen, a significantly increase of 56,314 million yen from FY2022 annual closing.

In spite of substantial decrease in investment securities, due to a significantly increase in cash and bank deposits and increase in notes and accounts receivable, trade and contract asset, total assets at the end of this period were 492,628 million yen, 21,828 million yen increase from FY2022 annual closing.

Total liabilities at the end of this period were 278,205 million yen, 36,084 million yen increase from FY2022 annual closing mainly due to substantial increases in deferred revenue, etc.

Total net assets at the end of this period were 214,423 million yen, 14,255 million yen decrease from FY2022 annual closing. Despite substantial growth in foreign currency translation adjustments, this decrease is due to a significant increase in treasury stock, and a decrease in retained earnings, etc.

CONDITION OF CASH FLOW

(Unit: million yen)

	FY 2023	FY 2022	Increase (Decrease)
Cash Flows from Operating Activities	57,227	56,903	324
Cash Flows from Investing Activities	31,000	(67,716)	98,717
Cash Flows from Financing Activities	(43,433)	(30,437)	(12,996)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	8,827	23,908	(15,080)
Net Increase (Decrease) in Cash and Cash Equivalents	53,622	(17,342)	70,964

Cash and Cash Equivalents at beginning of period	207,643	225,681	(18,038)
Cash and Cash Equivalents at end of period	261,265	207,643	53,622

[Overview of Cash Flow]

Cash flows from operating activity for this period were cash inflow of 57,227 million yen. The inflow was increased by 324 million yen compared with the previous period. This increase of inflow was mainly due to the decrease of notes and accounts receivable and contract assets.

Cash flows from investing activity were cash inflow of 31,000 million yen, the outflow was decreased by 98,717 million yen compared with the previous period. This was mainly due to the decrease of payments for purchases of marketable securities and securities investments.

Cash flows from financing activity were cash outflow of 43,433 million yen, the outflow was increased by 12,996 million yen compared with the previous period. This was mainly due to the increase of payment for purchase of treasury stock.

Taking these cash flows and the effect of exchange rate change on cash and cash equivalents into account, cash and cash equivalents at the end of this period was 261,265 million yen, the balance was decreased by 53,622 million yen compared with the previous period.

[Trends of Cash Flow Indexes]

(Japan GAAP)

	FY2019	FY2020	FY2021	FY2022	FY2023
Shareholder's equity Ratio (%)	51.8	49.7	52.1	48.2	43.0
Capital Adequacy Ratio on Market Value Basis (%)	216.6	219.4	212.3	181.5	207.9
Debt Redemption Period (years)	-	-	-	-	-
Interest Coverage Ratio	-	-	5,845.0	1,307.1	-

(Note)

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

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

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

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

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

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

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

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

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

(4) BASIC POLICY OF PROFIT SHARING

In order to further improve the efficiency of shareholders' equity through the appropriate level of cash holdings, we intend to return a minimum amount of 100% or more of "Net income attributable to owners of the parent" (Consolidated net income) of the previous fiscal year to shareholders over the next several years. Its method of shareholder returns will be mainly through share buybacks, together with annual dividends (payout ratio 70%).

If we use a large amount of cash for acquisitions, etc. in each year, the amount used will be subtracted from the total amount of annual share buybacks (this will not affect the dividend payout ratio, which is set at 70%).

Our basic dividend policy is to pay year-end dividends, targeting a dividend payout ratio of 70% based on consolidated net income. For the current consolidated fiscal year, we plan to post 21,012 million yen (151 yen per share), which is 70.4% (gross basis) of the consolidated net income of 29,843 million yen.

(5) RISK FACTORS

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

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

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

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

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

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

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

- Rapid technological change
- Proliferation of new and changing computer viruses, malware programs, and threats over the internet
- Frequent product and services introductions and updates

- Changeable customer needs
- Changing market competition rapidly

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

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

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

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

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

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

Also, our group has acquired the international standards "ISO27001" and JISQ15001 (privacy mark) for information security management systems, concludes contracts with subcontractors and employees with the purpose of preservation of confidentiality, establishes information management regulations, employees and consignments. In addition to striving to strengthen and thoroughly manage and prevent leaks, such as educating and thoroughly disseminating information, strengthening infrastructure security, and taking measures to prevent intrusion from the outside into the in-house information system, in addition to providing products and services in advance We are conducting appropriate tests. Moreover, we also provide products and services that have been certified and certified by various external organizations such as FIPS 140-2, PCI DSS 3.2, and FedRAMP.

However, even if these measures are taken, the above risks may not be prevented. If these incidents occur, we could significantly discredit us, which could result in a significant loss of customers and other important business relationships until recovery of confidence. Not only our disrepute, there may be possible that our group's business may reduce the adoption of our products and

services. We could also incur costs to fix technical problems or fix problems created by hackers gaining access to our proprietary information. In addition, if a proceeding is filed against our group and a huge claim for damages is granted, it will have a significant impact on our business, as well as on our financial position and operating results.

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

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

6. WE MUST EFFECTIVELY MANAGE OUR BUSINESS GROWTH.

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

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

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

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

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

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

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

Despite taking such legislative actions, we could suffer substantial disruptions in our business to our reputation due to outflow of technical and strategic vital information, and other companies developing similar technology with ours. In addition, our group's business, operations and financial condition could suffer as a result of the above. Today, the majority of Trend Micro staff as of 53.7% is based in Asia including the emerging countries. Due to this region's rising inflation and costs of living, salaries will also have to increase. Any increase in costs caused by the above could cause our group's business, results of operations and financial condition could suffer. Also, the talent war with competitors could adversely affect to our group's labor cost. Moreover, unexpected high turnover and recruitment which does not work out as planned, may hurt our group's business performance.

If any of cost increase caused by those above, our group's business, results of operations and financial condition could suffer.

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

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

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

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

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

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

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

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

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

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

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

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

Our wide range of products and services may be considered to be capital purchases by certain enterprise customers. Capital purchases are often uncertain and, therefore, are canceled or delayed if the customer experiences a downturn in its business prospects or as a result of unfavorable economic conditions. Any cancellation or delay could adversely affect our results of operations.

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

Additionally, as threats are constantly evolving, purchasers of our software products must regularly update the software they have

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

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

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

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

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

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

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

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

Our group have been taking risk dispersion with our own management system to ensure stable business continuity. Our business model has not depended on specific regions, customers, supply chains, either products or services. Furthermore, regarding the service provision platform, we are taking recovery measures (business continuity management) under business continuity management, and we are conducting regular training after introducing mechanisms and processes to maintain measurableness. However, if power shortages, earthquakes and other natural disasters, hazards attribute to climate change such as torrential rains, floods, and forest fires caused by global warming, geopolitical risk, and virus infection disease, etc. continue to be a problem, our business may be materially adversely affected. Those events are difficult to predict, thus it is impossible to estimate those damage on our facilities, infrastructure and overall operations. In addition, even if we take full preparation for those, it may not be possible to limit the damage. Therefore, we face the possibility that we should stop all our business operations and significant impact on our group business.

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

15. THERE ARE POSSIBILITIES OF INVESTMENT LOSS AND UNABLE TO SELL STOCK FOR OUR

INVESTORS ON STOCK PRICE OF TREND MICRO INCORPORATED, TREND MICRO GROUP'S PARENT COMPANY

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

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

2. Condition of corporate group

Trend Micro Group consists of Trend Micro Inc. (Japan), and its subsidiaries which develop and sell anti-virus products and offer other related services. The affiliated company is General Mobile Corporation. and TXOne Networks Inc..

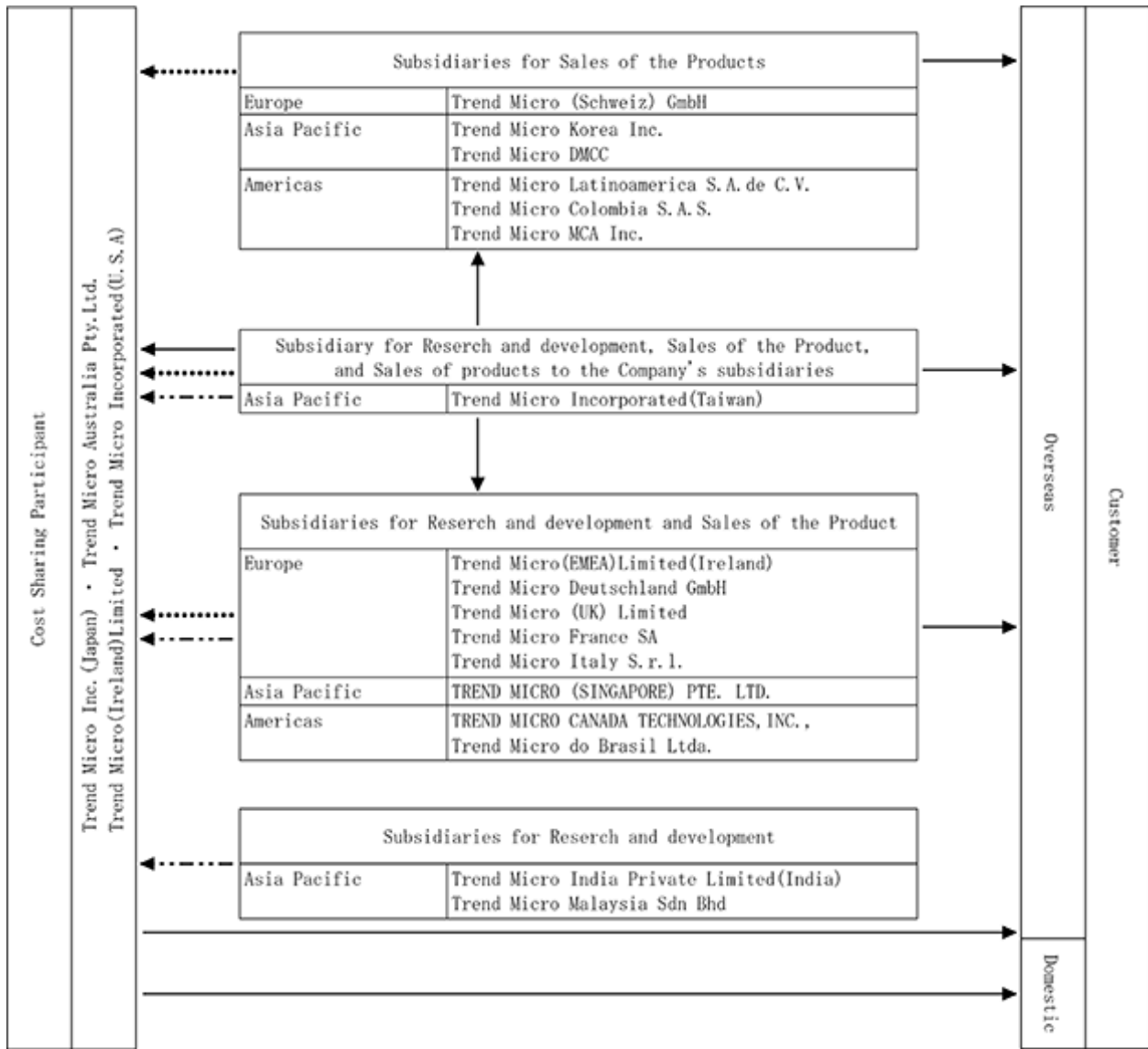
(1) Development and sales of anti-virus products

Products related to anti-virus:

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

The business functions in Trend Micro Group are described below.

Function	Operating Segment	Main companies
Research and Development	Japan	Trend Micro Inc.(Japan)
	Americas	Trend Micro Incorporated(U.S.A)
	Europe	Trend Micro Ireland Limited
	Asia Pacific	Trend Micro Australia Pty. Ltd.
Sales of the products	Japan	Trend Micro Inc.(Japan)
	Americas	Trend Micro Incorporated(U.S.A)
	Europe	Trend Micro(EMEA)Limited(Ireland) Trend Micro Deutschland GmbH Trend Micro (UK) Limited Trend Micro France SA
	Asia Pacific	Trend Micro Incorporated(Taiwan) Trend Micro DMCC Trend Micro Australia Pty. Ltd. TREND MICRO (SINGAPORE) PTE. LTD.
Back office	Americas	TREND MICRO CANADA TECHNOLOGIES, INC.,
	Asia Pacific	Trend Micro Incorporated(Taiwan) Trend Micro(China)Incorporated



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

(Note) All Subsidiaries are consolidated.

3. Management policy

(1) BASIC POLICY OF MANAGEMENT

Our Vision: A world safe for exchanging digital information.

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

Today, most threats on the network such as computer viruses, ransomware, spam, site defacing, and information theft cannot be predicted and completely prevented. In an increase of cyber-crimes which cause theft of proprietary information, monetary damages, and malicious destructions, those popular attack technique, enterprise users, organizations, and even state institution, etc., are targeted and attacked as a particular organization by multi-faceted attacks. At the same time, consumer users could be also targeted through those new IT technologies and services including variable devices and services like smartphones, multi-functional mobile devices such as tablets, and SNS, etc. Now more than ever, security is the breath of life to enterprises and individuals.

Our group's generous burden is to protect the global IT infrastructure including further growing cloud computing due to the trend of digital transformation (DX), that improve the quality of business and life through IT technology. As a company, we will provide globally relevant products and services including a robust cybersecurity solution that manages risk and blocks potential threats with advanced attack surface risk management. By leveraging real-time attack detection and risk analysis, enterprises can quickly identify and mitigate critical risks, minimizing damages in an emergency, restoration network systems and environment, etc.

Our group is not only protecting enterprises and individual users from the threats over the networks without interrupting economic activities and usability, but it is also contributing to the further development of the information society by improving the safety of the whole network system.

(2). TARGET MANAGEMENT INDEX

We have set Pre-GAAP (Revenue before adjusting Deferred revenue) based operating profit growth as a company and management performance index.

At the same time, we will assume to improve profit margins. We are currently targeting an operating profit margin of 29% to 31% for the fiscal year ending December 2027, and are working to both increase sales and improve the operating profit margin. Since our business is not capital intensive, and thus as long as the revenues are higher than costs, the return on equity should improve.

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

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

Against this background, Trend Micro group will provide a unified cybersecurity platform called "Vision One™." Because we have a wide range of security products and services, it is possible to systematize and offer our products, services, knowledge, and experiences for corporate cybersecurity risk management. This security platform achieves centralized cooperation with multi layered while deploying a hybrid configuration that supports both environments SaaS model which shifts from "purchasing" to "on-demand via cloud" and on-premise model to identify vulnerabilities and mitigate risks in the organization by XDR (extended detection and response) as the advanced feature. "Vision One™" collects telemetry data across from wide range of multiple security layers for deep correlate analysis to visible entire cyber attack perspectives and points that have to be dealt with. Not only the prevention as the conventional defense for each device, terminal, and the boundaries of the network environment divided into each area, but also after

intrusions or attacks, we have deployed a wide range of solutions by “Vision One™.”

In order to protect businesses, society, and the lives of users in getting more digitized daily life, we will further strengthen our security solutions to achieve our vision: A world safe for exchanging digital information regardless of companies and individuals.

(4). ISSUES TO DEAL WITH

In the cyber security industry, which our group belongs to, there have been many not only existing security vendors as our direct competitors but also new vendors joining by recent M&A or acquisition from other industries and new entries, etc. They have been encouraging market competition both domestic and overseas. Such a consolidation and new entries are now too fluid to foresee the future direction of this business and their presence in the computer security market will make the competition in the market more intense.

In the customer environment, the use of cloud computing continues to expand under the promotion of DX, which improves the quality of business and life with IT technology. In terms of various software and services line up, regardless of whether it is for the enterprise customers or the individual users, there is a shift to SaaS model. Along with its penetration, SaaS model solutions is increasing also in the security service market.

In response to this changing environment, the number of cyberattacks that cause damage to Internet and PC users regardless of whether it is for enterprises or individuals, continues to increase. Along with it, the attack surface, meaning of the entire possible area of attacking targets, is also diversifying. The enterprise customers have been struggling to increase the recent security workload day by day. The traditional security measurement by monitoring PC and servers was enough for them before. Today, they are required more complicated and wide range of security for multi layered IoT appliances and devices, cloud computing, VPN, etc. additionally.

In response to these changes, the way of cybersecurity ought to be must be changing quickly and flexible in order to meet customer demands for exchanging vast amounts of data and quick responses. Our group develops a wide range of security products and services centered on Vision One, an integrated security platform for corporate organizations that require a wide range of security measures on a daily basis, and strives to achieve both advanced security and reduced operational burden. As part of these efforts and enhancements, we acquired Anlyz, a company that provides security solutions for SOC, during the fiscal year under review.

“Vision One™” is the unified cybersecurity platform to cooperate with multilayered SaaS solutions by XDR as the advanced feature, achieving automatic correlation analysis in collected telemetry data across multiple security layers –endpoint, server, email, cloud workload, network, and IoT. This cybersecurity platform allows businesses to consolidate visibility, analysis, and controls across security layers and workflows. It delivers across the attack protection cycle – responding to threats and mitigating cyber risks. Our group aims to improve the productivity and efficiency of security operations by enabling more customers to quickly identify a wide range of cyberattacks and provide appropriate responses through Vision One. We will continue to expand functions and incorporate new technologies in response to customer demands, such as by deploying a hybrid configuration between SaaS and on-premise, and incorporating generative AI technology to support operations personnel who do not have sufficient security expertise.

Mainly “Vision One™,” we will offer higher value-added security solutions besides users’ demands and aim to achieve sustainable long-term growth with maintaining a stable financial foundation.

4. Basic policy on the selection of accounting standards

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

5. 【CONSOLIDATED FINANCIAL STATEMENTS】

(1) 【Consolidated Balance Sheets】

(Million yen)

Account	December 31, 2022	December 31, 2023
(Assets)		
Current assets		
Cash and bank deposits	191,542	247,856
Notes and Accounts receivable, trade and contract assets	63,614	69,260
Marketable securities	51,307	51,170
Inventories	4,255	6,662
Others	9,532	14,271
Allowance for bad debt	(317)	(335)
Total current assets	319,934	388,885
Non-current assets		
Property and equipment		
(1) Buildings and structures, net	4,384	3,963
(2) Office furniture & equipment	2,685	2,499
(3) Others	19	25
Total property and equipment	7,089	6,489
Intangibles		
(1) Software	12,767	16,100
(2) Goodwill	1,094	3,662
(3) Others	10,431	12,120
Total intangibles	24,292	31,883
Investments and other non-current assets		
(1) Investment securities	70,297	16,908
(2) Investments in subsidiaries and affiliates	4,145	1,467
(3) Deferred tax assets	42,111	44,380
(4) Others	2,928	2,612
Total investments and other non-current assets	119,483	65,369
Total non-current assets	150,865	103,743
Total assets	470,799	492,628

(Million yen)

Account	December 31, 2022	December 31, 2023
(Liabilities)		
Current liabilities		
Accounts payable and Notes payable, trade	2,164	2,727
Accounts payable, other	4,986	6,097
Accrued expenses	14,819	18,910
Accrued income and other taxes	5,055	10,248
Allowance for bonuses	3,675	3,456
Deferred revenue(Current amd Non-current)	192,914	211,532
Others	8,683	12,104
Total current liabilities	232,297	265,077
Non-current liabilities		
Net defined benefit liability	7,408	8,071
Others	2,414	5,055
Total non-current liabilities	9,822	13,127
Total liabilities	242,120	278,205
(Net assets)		
Shareholders' equity		
Common stock	19,585	19,855
Capital surplus	27,810	28,239
Retained earnings	166,635	156,299
Treasury stock, at cost	(10,291)	(33,836)
Total shareholders' equity	203,738	170,558
Accumulated other comprehensive income		
Net unrealized gain (loss) on debt and equity securities	(1,477)	396
Foreign currency translation adjustments	24,392	41,237
Remeasurements of defined benefit plans	122	(194)
Total accumulated other comprehensive income	23,037	41,440
Stock acquisition rights	1,884	2,391
Non-controlling interest	18	33
Total net assets	228,679	214,423
Total liabilities and net assets	470,799	492,628

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

Consolidated Statements of Income

(Million yen)

	For the year ended December 31, 2022	For the year ended December 31, 2023
Net sales	223,795	248,691
Cost of sales	54,300	63,662
Gross profit	169,494	185,028
Operating expenses	138,154	152,426
Operating income	31,340	32,602
Non-operating income		
Outsourcing service income	176	194
Interest income	2,142	5,845
Gain on sales of marketable securities	—	3,415
Foreign exchange gain	857	—
Other income	302	219
Total non-operating income	3,478	9,675
Non-operating expenses		
Interest expenses	43	—
Litigation settlement	66	—
Foreign exchange loss	—	1,748
Loss on sales of marketable securities	19	1,236
Equity in loss of affiliated companies	456	2,862
Loss on disposal of fixed assets	13	129
Other expenses	58	120
Total non-operating expenses	656	6,096
Ordinary income	34,162	36,181
Extraordinary gain		
Gain on sales of shares of subsidiaries and associates	7,275	—
Gain on change in equity	4,371	—
Total extraordinary gain	11,646	—
Extraordinary loss		
Retirement benefit expenses	—	2,321
Loss on cancellation of leases	—	607
Impairment losses	—	451
Loss on valuation of investment securities	3,911	822
Total extraordinary loss	3,911	4,203
Net income before taxes	41,897	31,978
Income taxes current	15,620	19,723
Income taxes for prior periods	—	2,500
Income taxes deferred	(2,676)	(1,002)
Total income taxes	12,944	21,221
Net income before non-controlling interest	28,953	10,756
Non-controlling interest in income of consolidated subsidiaries	(890)	24
Net income attributable to owners of the parent	29,843	10,731

Consolidated Statements of Comprehensive Income

(Million yen)

	For the year ended December 31, 2022	For the year ended December 31, 2023
Income before non-controlling interest	28,953	10,756
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,176)	1,875
Foreign currency translation adjustment	20,159	16,656
Remeasurements of defined benefit plans	947	(316)
Share of other comprehensive income of associates accounted for using equity method	64	185
Total other comprehensive income	19,994	18,401
Comprehensive income	48,947	29,157
Comprehensive income attributable to owners of the parent	49,776	29,134
Comprehensive income attributable to non-controlling interests	(828)	23

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

(Million yen)

	For the year ended December 31, 2022	For the year ended December 31, 2023
Shareholders' equity		
Common stock		
Balance at the end of previous period	19,358	19,585
Movement for the period		
Issuance of new stocks	226	270
Total movement	226	270
Balance at the end of current period	19,585	19,855
Capital surplus		
Balance at the end of previous period	26,771	27,810
Movement for the period		
Issuance of new stocks	226	270
Change in ownership interest of parent due to transactions with non-controlling interests	(19)	—
Sales of treasury stock	830	159
Total movement	1,038	429
Balance at the end of current period	27,810	28,239
Retained earnings		
Balance at the end of previous period	175,505	166,635
Cumulative effects of change in accounting policies	(10,427)	—
Beginning balance after change in accounting policies	165,077	166,635
Movement for the period		
Dividend of surplus	(27,236)	(21,012)
Net income	29,843	10,731
Change in scope of consolidation	(1,049)	(54)
Total movement	1,557	(10,335)
Balance at the end of current period	166,635	156,299
Treasury stock, at cost		
Balance at the end of previous period	(5,656)	(10,291)
Movement for the period		
Sales of treasury stock	2,400	1,454
Purchase of treasury stock	(7,035)	(24,999)
Total movement	(4,635)	(23,544)
Balance at the end of current period	(10,291)	(33,836)
Total shareholders' equity		
Balance at the end of previous period	215,979	203,738
Cumulative effects of change in accounting policies	(10,427)	—
Beginning balance after change in accounting policies	205,551	203,738
Movement for the period		
Issuance of new stocks	453	540
Dividend of surplus	(27,236)	(21,012)
Change in ownership interest of parent due to transactions with non-controlling interests	(19)	—
Net income	29,843	10,731
Change in scope of consolidation	(1,049)	(54)
Sales of treasury stock	3,231	1,613
Purchase of treasury stock	(7,035)	(24,999)
Total movement	(1,812)	(33,180)
Balance at the end of current period	203,738	170,558

(Million yen)

	For the year ended December 31, 2022	For the year ended December 31, 2023
Accumulated other comprehensive income		
Net unrealized gain(loss) on debt and equity securities		
Balance at the end of previous period	(299)	(1,477)
Movement for the period		
Movement for the period excluding shareholders' equity	(1,177)	1,874
Total movement	(1,177)	1,874
Balance at the end of current period	(1,477)	396
Foreign currency translation adjustments		
Balance at the end of previous period	4,229	24,392
Movement for the period		
Movement for the period excluding shareholders' equity	20,162	16,845
Total movement	20,162	16,845
Balance at the end of current period	24,392	41,237
Remeasurements of defined benefit plans		
Balance at the end of previous period	(824)	122
Movement for the period		
Movement for the period excluding shareholders' equity	947	(316)
Total movement	947	(316)
Balance at the end of current period	122	(194)
Total accumulated other comprehensive income		
Balance at the end of previous period	3,105	23,037
Movement for the period		
Movement for the period excluding shareholders' equity	19,932	18,402
Total movement	19,932	18,402
Balance at the end of current period	23,037	41,440
Stock acquisition rights		
Balance at the end of previous period	1,560	1,884
Movement for the period		
Movement for the period excluding shareholders' equity	324	507
Total movement	324	507
Balance at the end of current period	1,884	2,391
Minority interest		
Balance at the end of previous period	789	18
Movement for the period		
Movement for the period excluding shareholders' equity	(771)	14
Total movement	(771)	14
Balance at the end of current period	18	33
Total net assets		
Balance at the end of previous period	221,434	228,679
Cumulative effects of change in accounting policies	(10,427)	—
Beginning balance after change in accounting policies	211,006	228,679
Movement for the period		
Issuance of new stocks	453	540
Dividend of surplus	(27,236)	(21,012)
Change in ownership interest of parent due to transactions with non-controlling interests	(19)	—
Net income	29,843	10,731
Change in scope of consolidation	(1,049)	(54)
Sales of treasury stock	3,231	1,613
Purchase of treasury stock	(7,035)	(24,999)
Movement for the period excluding shareholders' equity	19,485	18,924
Total movement	17,672	(14,255)
Balance at the end of current period	228,679	214,423

(4) 【Consolidated Statements of Cash Flows】

(Million yen)

Account	For the year ended December 31, 2022	For the year ended December 31, 2023
Cash flows from operating activities:		
Net income before taxes	41,897	31,978
Depreciation and amortization	23,784	26,575
Stock compensations	980	826
Amortization of goodwill	1,401	1,740
Increase (decrease) in allowance for bad debts	(19)	(0)
Increase (decrease) in net defined benefit liability	(630)	573
Interest income	(2,142)	(5,845)
Interest expenses	43	—
(Gain) loss on sale of marketable securities	19	(2,179)
(Gain) loss on sales of shares of subsidiaries and associates	(7,275)	—
(Gain) loss on change in equity	(4,371)	—
Loss on disposal of fixed assets	13	129
Equity in (earnings)/loss of affiliated companies	456	2,862
(Gain) loss on valuation of investment securities	3,911	822
Retirement benefit expenses	—	2,321
Impairment losses	—	451
(Gain) Loss on cancellation of leases	—	607
(Increase) decrease in notes and accounts receivable and contract assets	(7,089)	(2,901)
(Increase) decrease in inventories	(205)	(2,260)
Increase (decrease) in notes and accounts payable	1,487	124
Increase (decrease) in accounts payable, other & accrued expenses	3,535	3,556
Increase (decrease) in deferred revenue	14,087	7,328
Increase (decrease) in virtual share bonus plan	(384)	712
Litigation settlement	66	—
Others	2,560	2,864
Subtotal	72,124	70,289
Proceeds from interest and dividend received	1,674	6,016
Payment for interest expenses	(43)	—
Payment for income tax	(16,850)	(19,015)
Payment for Litigation settlement	(1)	(62)
Net cash provided by operating activities	56,903	57,227
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	(10,613)	13,715
Payments for purchases of marketable securities and securities investments	(69,547)	(2,148)
Proceeds from sale or redemptions of marketable securities and securities investments	27,905	49,569
Payments for purchases of property and equipment	(1,402)	(2,178)
Payments for purchases of other intangibles	(19,577)	(24,183)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(3,773)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	5,518	—
Net cash used in/provided by investing activities	(67,716)	31,000
Cash flows from financing activities:		
Proceeds from issuance of common shares	384	459
Payment for purchase of treasury stock	(7,035)	(24,999)
Proceeds from sale of treasury stock	2,749	1,372
Dividends paid	(26,541)	(20,258)
Proceeds from paid-up by minority shareholders	5	11
Repayments to non-controlling shareholders	—	(20)

Net cash used in financing activities	(30,437)	(43,433)
Effect of exchange rate changes on cash and cash equivalents	23,908	8,827
Net increase (decrease) in cash and cash equivalents	(17,342)	53,622
Cash and cash equivalents at beginning of period	225,681	207,643
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(695)	—
Cash and cash equivalents at end of period	207,643	261,265

(5) **【Footnote on Going Concern】**

N/A

(6) **【Changes in Accounting Policies】**

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

Effective from the beginning of the fiscal year under review, the Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as “Fair Value Measurement Guidance”) and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. There has been no impact on the quarterly consolidated financial statements.

(7) **【Notes for Consolidated Financial Statements】**

(Segment Information)

1 Outline of reporting segment

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

The company is mainly engaged in developing and selling anti-virus software product and providing anti-virus related services. The company is taking care of Japan area and its affiliates in Americas, Europe, or Asia Pacific are in charge of their own area respectively. Therefore, our segments are made of 4 segments which are Japan, Americas, Europe and Asia Pacific based on the business of developing, selling anti-virus products and related services.

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

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

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

For the previous fiscal year (from January 1, 2022 to December 31, 2022)

(Million Yen)

	Japan	Americas	Europe	Asia Pacific	Total	Consolidation Adjustment	Consolidation
Sales							
(1) Net sales to external customers	82,087	52,953	41,460	47,293	223,795	—	223,795
(2) Intercompany sales	19	8,639	2,142	50,731	61,533	(61,533)	—
Total sales	82,107	61,592	43,603	98,025	285,328	(61,533)	223,795
Operating income by segment	12,346	6,107	4,532	8,548	31,535	(194)	31,340
Asset by segment	187,573	141,350	81,069	120,228	530,221	(59,421)	470,799
Other items							
Depreciation and amortization	11,406	6,667	3,629	3,810	25,514	(1,729)	23,784
Increase in tangible and intangible fixed assets	12,505	4,256	3,386	2,893	23,042	(2,062)	20,979

(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, Philippines, Singapore, Malaysia, Thailand, India, UAE, Egypt

3 Consolidation Adjustment at Operating income (194) million yen comes from the elimination between segments transactions.

Majority of Consolidation Adjustment at Asset (59,421) million yen comes from the elimination between segments transactions.

Consolidation Adjustment at Depreciation and amortization (1,729) million yen comes from the elimination between segments transactions.

Consolidation Adjustment at Increase in tangible and intangible fixed assets (2,062) million yen comes from the elimination between segments transactions.

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 December 31, 2023)

(Million Yen)

	Japan	Americas	Europe	Asia Pacific	Total	Consolidation Adjustment	Consolidation
Sales							
(1) Net sales to external customers	83,002	57,643	50,643	57,401	248,691	—	248,691
(2) Intercompany sales	86	10,072	5,786	58,185	74,130	(74,130)	—
Total sales	83,088	67,716	56,429	115,586	322,821	(74,130)	248,691
Operating income by segment	10,763	5,789	6,086	9,866	32,507	95	32,602
Asset by segment	311,563	116,210	84,989	118,740	631,504	(138,875)	492,628
Other items							
Depreciation and amortization	12,871	7,026	4,449	4,148	28,496	(1,921)	26,575
Increase in tangible and intangible fixed assets	13,962	6,033	4,757	3,545	28,298	(1,936)	26,361

(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, Philippines, Singapore, Malaysia, Thailand, India, UAE, Egypt

3 Consolidation Adjustment at Operating income 95 million yen comes from the elimination between segments transactions.

Majority of Consolidation Adjustment at Asset (138,875) million yen comes from the elimination between segments transactions.

Consolidation Adjustment at Depreciation and amortization (1,921) million yen comes from the elimination between segments transactions.

Consolidation Adjustment at Increase in tangible and intangible fixed assets (1,936) million yen comes from the elimination between segments transactions.

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

(Relative information)

For the previous fiscal year (from January 1, 2022 to December 31, 2022)

1. Information by production and service

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

2. Information by geographical area

(1) Sales

(Million Yen)

Japan	Americas	Europe	Asia Pacific	Total
81,936	53,270	41,183	47,405	223,795

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

Sales in U.S.A is 43,777 million yen of the Americas.

(2) Tangible fixed asset

(Million Yen)

Japan	Americas	Europe	Asia Pacific	Total
833	3,266	512	2,477	7,089

(Note) Tangible fixed asset in U.S.A is 2,388 and that of Canada is 724 million yen of the Americas and that of China is 825 million yen and that of Taiwan is 887 million yen of the Asia Pacific.

3. Information by major customers

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

Therefore, information by major customers is not disclosed.

For the current fiscal year (from January 1, 2023 to December 31, 2023)

1. Information by production and service

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

2. Information by geographical area

(1) Sales

(Million Yen)

Japan	Americas	Europe	Asia Pacific	Total
82,798	57,885	50,245	57,761	248,691

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

Sales in U.S.A is 49,397 million yen of the Americas.

(2) Tangible fixed asset

(Million Yen)

Japan	Americas	Europe	Asia Pacific	Total
1,512	2,580	468	1,927	6,489

(Note) Tangible fixed asset in U.S.A is 2,090 million yen of the Americas and that of Taiwan is 744 million yen of the Asia Pacific.

3. Information by major customers

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

Therefore, information by major customers is not disclosed.

(Information of impairment loss on fixes asset by segment)

For the previous fiscal year (from January 1, 2022 to December 31, 2022)

N/A

For the current fiscal year (from January 1, 2023 to December 31, 2023)

(Million Yen)

	Segment					Consolidation Elimination	Total
	Japan	Americas	Europe	Asia Pacific	total		
Impairment loss	—	311	83	57	451	—	451

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

For the previous fiscal year (from January 1, 2022 to December 31, 2022)

(Million Yen)

	Segment					Consolidation Elimination	Total
	Japan	Americas	Europe	Asia Pacific	total		
Amortization Expense of GW	—	401	8	990	1,401	—	1,401
Unamortized balance of GW	—	123	75	894	1,094	—	1,094

For the current fiscal year (from January 1, 2023 to December 31, 2023)

(Million Yen)

	Segment					Consolidation Elimination	Total
	Japan	Americas	Europe	Asia Pacific	total		
Amortization Expense of GW	—	657	9	1,073	1,740	—	1,740
Unamortized balance of GW	—	2,632	72	957	3,662	—	3,662

(Information of negative goodwill by segment)

N/A

(Information of EPS)

(Yen)

	For the previous fiscal year (From January 1, 2022 To December 31, 2022)	For the current fiscal year (From January 1, 2023 To December 31, 2023)
Book value per share	1,629.67	1,562.72
Net income per share	213.59	78.45
Diluted net income per share	213.22	78.38

(Note)

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

	For the previous fiscal year (From January 1, 2022 To December 31, 2022)	For the current fiscal year (From January 1, 2023 To December 31, 2023)
<Basic EPS>		
Net income (Million Yen)	29,843	10,731
-not to attributable to common stock holders	—	—
-to common stock holders	29,843	10,731
Weighted-average number of common shares (Shares)	139,725,093	136,799,976
<Diluted EPS>		
Adjustments to net income (Million Yen)	—	—
Increased numbers of common shares (Shares)	242,916	113,820
(Stock acquisition rights (Shares))	(242,916)	(113,820)
Details of shares not included in the computation of diluted EPS since it did not have dilutive effect	191,100 for Stock option round 36 243,400 for Stock option round 37 1,193,500 for Stock option round 38 281,000 for Stock option round 39 1,656,000 for Stock option round 40 300,000 for Stock option round 41	157,200 for Stock option round 37 1,103,500 for Stock option round 38 239,800 for Stock option round 39 1,569,700 for Stock option round 40 300,000 for Stock option round 41 290,000 for Stock option round 42

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

(Million yen)

	For the previous fiscal year (From January 1, 2022 To December 31, 2022)	For the current fiscal year (From January 1, 2023 To December 31, 2023)
Total net assets	228,679	214,423
Amount deducted from total net assets	1,902	2,424
(Stock acquisition rights)	(1,884)	(2,391)
(Minority interest)	(18)	(33)
Total net assets attributable to common stock	226,776	211,998
Number of common shares (Shares)	139,154,284	135,660,427

(Significant Subsequent Events)

(Share buyback)

On February 15, 2024, the company's Board of Directors approved share buyback under Article 459, paragraph (1), item (i) of the Company Law as described below:

1.Reason for Share Buyback

In order to respond to the changing business environment, we are implementing a flexible capital budgeting policy.

2.Class of Capital Stock to be Purchased

Shares of Common Stock

3.Number of Shares to be Purchased

Up to 6,300,000 shares (4.64% of the total outstanding shares)

4.Total Purchase Price

Up to 40,000 million yen

5.Schedule

From February 26, 2024 to November 29, 2024 (based on trade date)

6.Method of repurchase

Open market purchases at the Tokyo Stock Exchange