

May 8, 2024

Report of Earning Results (Consolidated)
for the First Quarter of the Fiscal Year
Ending December 31, 2024

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Expected date of the submission of quarterly security reports (“Shihanki Hokokusho”)
: May 9, 2024

1. Financial Highlights for the Three Months Ended March 31, 2024

(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	%
Three Months Ended March 31, 2024	65,931	12.3	12,127	27.0	13,664	52.2	10,754	68.7
Three Months Ended March 31, 2023	58,704	16.4	9,548	(14.1)	8,979	(20.3)	6,374	(25.3)

(Note) Comprehensive Income: 14,039million yen 65.8 % as of March 31, 2024
(8,469million yen (53.5)% as of March 31, 2023)

	Net Income per share (basic)	Net Income per share (diluted)
	Yen	Yen
Three Months Ended March 31, 2024	79.31	78.83
Three Months Ended March 31, 2023	45.84	45.82

(2) Consolidated Financial Position

As of	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
March 31, 2024	396,985	117,331	28.9
December 31, 2023	492,628	214,423	43.0

(Note) Net Assets after deduction of Share acquisition rights and Non-controlling interest
: 114,736million yen as of March 31, 2024 (211,998million yen as of December 31, 2023)

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, 2023	Yen —	Yen 0.0	Yen —	Yen 738.0	Yen 738.0
December 31, 2024	—				
Projection for FY 2024		0.0	—	—	—

(Note) Revision of the projection of dividend for the first quarter of FY 2024 : No

(Note) The dividend projection for FY2024 annual end has not been determined yet.

3. Forecasts of consolidated financial results for FY 2024

(January 1, 2024 through December 31, 2024)

(Note) For the forecast of FY 2024, 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 : No
 - 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):

140,886,604 shares as of March 31, 2024

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

② Number of treasury stocks :

6,711,177 shares as of March 31, 2024

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

③ Average number of shares outstanding :

135,601,194 shares three months ended March,2024

139,072,005 shares three months ended March,2023

* 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 2024

	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
FY2024 (January 1, 2024 through December 31, 2024)	271,000	9.0	52,900	62.3	50,100	38.5	34,600	222.4	255.05

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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 Quarter of FY2024	The First Quarter of FY2023	Rate of Change
Japan Reg.	21,361	20,914	2.1%
Americas Reg.	14,388	13,446	7.0%
Europe Reg.	13,679	11,012	24.2%
Asia and Pacific Reg.	16,501	13,330	23.8%
Total	65,931	58,704	12.3%

During this term of fiscal year 2024, from January 1 to March 31, the world economy has been going through with attention to global monetary policy trends. Associated with it, there were risks including exchange rate fluctuations, the steep rise in fuel import prices due to the uncertainties in prolonging geopolitical risks, etc. in a prospect.

In the worldwide Information Technology industry, according to the report by 3rd party, the forecasts worldwide IT spending to grow 6.8% to \$5 trillion in 2024. The overall for weak IT spending growth rate than previous forecast's is among CIO's change fatigue, including GenAI which was risen faster than expected and exploded awareness.

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 ransomware have been still standing out. Going through concerns such threat changes including new security risks coming from GenAI, the trend of cyber security consciousness has been required regardless business or individual into a new daily life.

Under such an 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.") 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 growing 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 21,361 million yen (2.1% increase from the same period in the previous year) increase to.

For Americas region, in the enterprise business, SOC operations security showed the highest growth rate in all regions, and Managed Services security performed well. On the other hand, cloud operation security was 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 14,388 million yen (7.0% increase from the same period in the previous year) increase to

In Europe region sales, in the enterprise business, despite IT infra operation security was weak, SOC operations security showed a significant growth to lead this region sales, and Managed Services security performed well. In addition, there was a weak yen impact, net sales in this region were 13,679 million yen (24.2% 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 IT infra operation security contributed significantly to this region's sales. Besides, both SOC operations security and Managed Services security showed growth 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 16,501 million yen (23.8% 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 2024, from January 1 to March 31,) marked 65,931 million yen (12.3% increase from the same period in previous year.)

For the costs, it showed growth caused by both, increase in people costs with huge impact of weak yen, and an increase in a cloud cost along with public cloud service usage growth, etc. Thus, cost of sales and operating expenses for this period totaled 53,803 million yen (9.5% increase from the same period in previous year) increase to. As the results, consolidated operating income for this period was 12,127 million yen (27.0% increase from the same period in previous year) increase to.

And the consolidated ordinary income for this period was 13,664 million yen (52.2% increase from the same period in previous year) significant increase due to foreign exchange gain, etc. The net income attributable to owners of the parent for this period was 10,754 million yen (68.7% increase from the same period in previous year) substantial increase mainly due to gain on change in equity, etc.

Operating income based on Pre-GAAP (revenue before adjusting deferred revenue, etc.) serves as the important management indicators for our company. It for this period was 11,652 million yen, an increase of 2,837 million yen (32.2% increase from the same period in 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 people cost with weak yen impact, and public cloud service fee with usage volume increasing on the expansion of our SaaS business.

(2) Consolidated Financial Positions

Cash and bank deposits at the end of this period amounted to 154,203 million yen, and decrease of 93,653 million yen from FY2023 annual closing.

Mainly due to a significantly decrease in cash and bank deposits, and additionally a substantial decrease in notes and accounts receivable, trade and contract asset, total assets at the end of this period were 396,985 million yen, 95,642 million yen decrease from FY2023 annual closing.

Total liabilities at the end of this period were 279,654 million yen, 1,449 million yen increase from FY2023 annual closing due to an increase in deferred revenue, etc.

Total net assets at the end of this period were 117,331 million yen, 97,092 million yen decrease from FY2023 annual closing. This decrease is due to a significant decrease in retained earnings and a slightly increase in treasury stock, etc. mainly caused by massive shareholder returns.

(3) Consolidated Earnings Forecast

As of now, we do not revise our consolidated results forecast for the full fiscal year ending December 31, 2024 (released on February 15, 2024).

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

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 (3 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, 2023	March 31, 2024
(Assets)		
Current assets		
Cash and bank deposits	247,856	154,203
Notes and Accounts receivable, trade and contract assets	69,260	59,394
Marketable securities	51,170	51,733
Inventories	6,662	8,772
Others	14,271	14,961
Allowance for bad debt	(335)	(142)
Total current assets	388,885	288,924
Non-current assets		
Property and equipment		
(1) Buildings and structures, net	3,963	3,704
(2) Office furniture & equipment	2,499	2,416
(3) Others	25	79
Total property and equipment	6,489	6,200
Intangibles		
(1) Software	16,100	18,021
(2) Goodwill	3,662	3,433
(3) Others	12,120	12,341
Total intangibles	31,883	33,797
Investments and other non-current assets		
(1) Investment securities	16,908	17,393
(2) Investments in subsidiaries and affiliates	1,467	2,969
(3) Deferred tax assets	44,380	44,978
(4) Others	2,612	2,721
Total investments and other non-current assets	65,369	68,063
Total non-current assets	103,743	108,061
Total assets	492,628	396,985

(Million yen)

Account	December 31, 2023	March 31, 2024
(Liabilities)		
Current liabilities		
Accounts payable and Notes payable, trade	2,727	2,300
Accounts payable, other	6,097	4,739
Accrued expenses	18,910	18,797
Accrued income and other taxes	10,248	8,903
Allowance for bonuses	3,456	1,912
Deferred revenue(Current and Non-current)	211,532	217,014
Others	12,104	12,234
Total current liabilities	265,077	265,902
Non-current liabilities		
Net defined benefit liability	8,071	8,273
Others	5,055	5,478
Total non-current liabilities	13,127	13,752
Total liabilities	278,205	279,654
(Net assets)		
Shareholders' equity		
Common stock	19,855	19,880
Capital surplus	28,239	28,267
Retained earnings	156,299	66,936
Treasury stock, at cost	(33,836)	(45,070)
Total shareholders' equity	170,558	70,013
Accumulated other comprehensive income		
Net unrealized gain (loss) on debt and equity securities	396	508
Foreign currency translation adjustments	41,237	44,394
Remeasurements of defined benefit plans	(194)	(179)
Total accumulated other comprehensive income	41,440	44,723
Stock acquisition rights	2,391	2,559
Non-controlling interests	33	35
Total net assets	214,423	117,331
Total liabilities and net assets	492,628	396,985

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

Consolidated Statements of Income

(Million yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Net sales	58,704	65,931
Cost of sales	14,395	16,015
Gross profit	44,308	49,915
Operating expenses	34,759	37,788
Operating income	9,548	12,127
Non-operating income		
Outsourcing service income	54	11
Interest income	953	522
Foreign exchange gain	—	1,931
Other income	37	51
Total non-operating income	1,045	2,518
Non-operating expenses		
Foreign exchange loss	952	—
Equity in losses of affiliated companies	641	813
Loss on disposal of fixed assets	3	157
Other expenses	16	10
Total non-operating expenses	1,614	981
Ordinary income	8,979	13,664
Extraordinary gain		
Gain on business transfer	—	587
Gain on change in equity	—	1,934
Total extraordinary gain	—	2,521
Net income before taxes	8,979	16,185
Income taxes	2,604	5,431
Net income	6,374	10,754
Net income(loss) attributable to non-controlling interests	(0)	(0)
Net income attributable to owners of the parent	6,374	10,754

Consolidated Statements of Comprehensive Income

(Million yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Net income	6,374	10,754
Other comprehensive income		
Valuation difference on available-for-sale securities	222	111
Foreign currency translation adjustment	1,936	2,777
Remeasurement of defined benefit plans	(47)	14
Share of other comprehensive income of associates accounted for using equity method	(16)	380
Total other comprehensive income	2,094	3,285
Comprehensive income	8,469	14,039
Comprehensive income attributable to owners of the parent	8,472	14,037
Comprehensive income attributable to non-controlling interests	(3)	1

(3) 【Consolidated Statements of Cash Flows】

(Million yen)

Account	Three months ended March 31, 2023	Three months ended March 31, 2024
Cash flows from operating activities:		
Net income before taxes	8,979	16,185
Depreciation and amortization	6,129	6,981
Stock compensations	227	182
Amortization of goodwill	290	481
Increase (decrease) in allowance for bad debts	(0)	(212)
Increase (decrease) in net defined benefit liability	128	86
Interest income	(953)	(522)
Equity in (earnings)/loss of affiliated companies	641	813
(Gain) loss on sale of businesses	—	(587)
(Gain) loss on change in equity	—	(1,934)
(Gain) loss on disposal of Fixed assets	3	157
(Increase) decrease in notes and accounts receivable and contract assets	9,036	11,977
(Increase) decrease in inventories	(12)	(1,718)
Increase (decrease) in notes and accounts payable	(585)	(545)
Increase (decrease) in accounts payable, other & accrued expenses	(278)	(2,091)
Increase (decrease) in deferred revenue	1,029	(1,440)
Increase (decrease) in virtual share bonus plan	(1,299)	(1,062)
Others	(3,061)	(4,892)
Subtotal	20,274	21,860
Proceeds from interest and dividend received	903	394
Payment for income tax	(1,634)	(5,949)
Payment for Litigation settlement	(62)	—
Net cash provided by operating activities	19,480	16,304
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	3,425	—
Payments for purchases of marketable securities and securities investments	(582)	(10)
Proceeds from sale or redemptions of marketable securities and securities investments	6,341	2,000
Payments for purchases of property and equipment	(321)	(361)
Payments for purchases of other intangibles	(5,676)	(7,294)
Proceeds from sales of businesses	—	291
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,757)	—
Net cash provided by investing activities	(570)	(5,374)
Cash flows from financing activities:		
Proceeds from issuance of common shares	90	43
Payment for purchase of treasury stock	(8,536)	(11,282)
Receipt from disposal of treasury stock	—	42
Dividends paid	(20,148)	(95,695)
Proceeds from paid-up by non-controlling shareholders	8	—
Net cash used in financing activities	(28,586)	(106,892)
Effect of exchange rate changes on cash and cash equivalents	367	3,818
Net increase (decrease) in cash and cash equivalents	(9,308)	(92,143)
Cash and cash equivalents at beginning of period	207,643	261,265
Cash and cash equivalents at end of period	198,334	169,122

(4) Footnotes on Consolidated Financial Statements

(Footnote on Going Concern)

N/A

(Notes on Significant Changes in Stockholders' Equity)

(Dividends from Surplus)

We resolved to pay a dividend of 100,117 million yen based on the resolution of the Ordinary General Meeting of Shareholders on March 28, 2024. As a result, retained earnings decreased by 89,363 million yen for the current fiscal year consolidated cumulative period.

(Repurchase of treasury stock)

We repurchased 1,499,900 shares of treasury stock based on the resolution of the board of directors meeting held on February 15, 2024. As a result, treasury stock increased by 11,234 million yen for the current fiscal year consolidated cumulative period.

(Additional information)

(Matters concerning consolidated subsidiaries)

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

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

(Segment Information)

Information on sales, profit/loss by reporting segments

For the previous fiscal year (from January 1, 2023 to March 31, 2023)

1. Information on net sales and profits by reporting segment

(Million Yen)

	Japan	Americas	Europe	Asia Pacific	Total	Adj (*) ³	Amt in Con P&L (*) ⁴
Sales							
(1) Net sales to external customers	20,914	13,446	11,012	13,330	58,704	—	58,704
(2) Intercompany sales	(7)	2,217	1,490	14,107	17,807	(17,807)	—
Total	20,906	15,663	12,502	27,437	76,511	(17,807)	58,704
Segment income	2,621	1,985	1,777	3,586	9,971	(423)	9,548

(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 (423)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, 2024 to March 31, 2024)

1. Information on net sales and profits by reporting segment

(Million Yen)

	Japan	Americas	Europe	Asia Pacific	Total	Adj (*) ³	Amt in Con P&L (*) ⁴
Sales							
(1) Net sales to external customers	21,361	14,388	13,679	16,501	65,931	—	65,931
(2) Intercompany sales	18	2,968	2,506	16,011	21,504	(21,504)	—
Total	21,380	17,356	16,185	32,513	87,435	(21,504)	65,931
Segment income	3,470	2,134	2,890	3,873	12,367	(240)	12,127

(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 (240) 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.