

November 12, 2024

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

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1. Financial Highlights for the Nine Months Ended September 30, 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	%
Nine Months Ended September 30, 2024	202,658	10.3	39,237	32.5	38,331	20.0	26,418	106.3
Nine Months Ended September 30, 2023	183,725	13.3	29,613	14.5	31,935	5.0	12,806	(55.1)

(Note) Comprehensive Income: 25,907million yen (20.3) % as of September 30, 2024
(32,525million yen (41.4)% as of September 30, 2023)

	Net Income per share (basic)	Net Income per share (diluted)
	Yen	Yen
Nine Months Ended September 30, 2024	198.48	197.38
Nine Months Ended September 30, 2023	93.32	93.26

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
As of	Million yen	Million yen	%
September 30, 2024	354,153	105,945	29.3
December 31, 2023	492,628	214,423	43.0

(Note) Net Assets after deduction of Share acquisition rights and Non-controlling interest
: 103,680million yen as of September 30, 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
	Yen	Yen	Yen	Yen	Yen
December 31, 2023	—	0.0	—	738.0	738.0
December 31, 2024	—	0.0	—		
Projection for FY 2024				—	—

(Note) Revision of the projection of dividend for the third 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):

140,901,604 shares as of September 30, 2024

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

② Number of treasury stocks :

9,713,967 shares as of September 30, 2024

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

③ Average number of shares outstanding :

133,104,951 shares nine months ended September 30, 2024

137,237,713 shares nine months ended September 30, 2023

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements

by certified public accountants or an audit firm: None

* 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		
	Nine Months Ending Third Quarter of FY2024	Nine Months Ending Third Quarter of FY2023	Rate of Change
Japan Reg.	64,030	62,155	3.0%
Americas Reg.	43,628	42,901	1.7%
Europe Reg.	43,510	36,812	18.2%
Asia and Pacific Reg.	51,489	41,856	23.0%
Total	202,658	183,725	10.3%

During this term of fiscal year 2024, from January 1 to September 30, the world economy has been continuing amid global attention to monetary policy trends. Additionally, concerns about the economic outlook have arisen due to associated exchange rate fluctuations and prolonged geopolitical risks.

In the worldwide Information Technology industry, according to the report by 3rd party, the forecasts worldwide IT spending to grow 7.5% to \$5.1 trillion in 2024.

In the cybersecurity industry, there have been continuous and notable occurrences of cyber attacks targeting national institutions, leaks of sensitive business information, and targeted attacks such as the draining of crypto assets in specific companies and organizations, as well as ransomware attacks. Additionally, new security risks associated with the proliferation of GenAI is raising concerns, leading to a heightened need for security awareness among both businesses and individuals.

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

With regards to sales in Japan region, in the enterprise business has been steady. Especially, Network security solutions and AI-Powered Next-Gen SOC security, which means Vision One main composed solutions, led this region's sales besides demands for our security platform as Trend Micro Vision One ("Vision One.") In addition, Email security solutions showed growth. The consumer business continued to grow due to sustained sales in mobile phone shops, even though PC security remained weak. As a result, net sales for this period in Japan region amounted to 64,030 million yen (3.0% increase from the same period in the previous year) increase to.

For Americas region, in the enterprise business, AI-Powered Next-Gen SOC security significantly led this region sales besides demands for Vision One. Additionally Email security solutions showed growth. On the other hand, Endpoint & Cloud security solutions did not performed well. In addition to a weak yen impact, net sales in this region were 43,628 million yen (1.7% increase from the same period in the previous year) increase to.

In Europe region sales, the enterprise business performed well. Despite Endpoint & Cloud security solutions did not performed well, either Network security solutions was sluggish, AI-Powered Next-Gen SOC security contributed to this region's sales significantly besides demands for Vision One. In addition, there was a weak yen impact, net sales in this region were 43,510 million yen (18.2% increase from the same period in the previous year) in a double-digit growth rate

In the Asia Pacific region, also the enterprise business overall showed growth. Driven by the demands for Vision One, AI-Powered Next-Gen SOC security contributed to this region's sales along with Endpoint & Cloud security solutions. Besides, both Network security solutions and Email security solutions showed growth. 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 51,489 million yen (23.0% increase from the same period in the previous year) in the highest double-digit growth rate in all regions.

As a result, the consolidated net sales for this period (this term of the fiscal year 2024, from January 1 to September 30,) marked 202,658 million yen (10.3% increase from the same period in previous year.)

For the costs, it showed growth caused by both, an increase in people costs with a significant 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 163,420 million yen (6.0% increase from the same period in previous year) increase to. As the results, consolidated operating income for this period was 39,237 million yen (32.5% increase from the same period in previous year) increase to.

And the consolidated ordinary income for this period was 38,331 million yen (20.0% increase from the same period in previous year) increased due to decrease in interest income and foreign exchange loss, etc. For this period, the net income attributable to owners of the parent for this period was 26,418 million yen (106.3% increase from the same period in previous year) increased mainly due to a substantial decrease in income taxes, 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 36,440 million yen, an increase of 6,612 million yen (22.2% increase from the same period in previous year.) This increase was due to Pre-GAAP sales' 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

At the end of this period, cash and bank deposits amounted to 149,333 million yen, and a decrease of 98,523 million yen from FY2023 annual closing.

Mainly due to a significant decrease in cash and bank deposits, and additionally a substantial decrease in Notes and Accounts receivable, trade and contract assets, and investment securities, etc. As the result, total assets at the end of this period were 354,153 million yen, 138,475 million yen decrease from FY2023 annual closing.

Total liabilities at the end of this period were 248,208 million yen, 29,997 million yen decrease from FY2023 annual closing. Mainly due to a significant decrease in deferred revenue, etc., and additionally decreases in Accrued income and other taxes and Accrued expenses, etc.

Total net assets at the end of this period were 105,945 million yen, 108,477 million yen decrease from FY2023 annual closing. This decrease is mainly due to both, retained earnings with a significant decrease in, and a substantial increase in treasury stock based on massive shareholder returns, etc.

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

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

3. 【CONSOLIDATED FINANCIAL STATEMENTS】

(1) 【Consolidated Balance Sheets】

(Million yen)

Account	December 31, 2023	September 30, 2024
(Assets)		
Current assets		
Cash and bank deposits	247,856	149,333
Notes and Accounts receivable, trade and contract assets	69,260	47,872
Marketable securities	51,170	47,516
Inventories	6,662	8,153
Others	14,271	13,239
Allowance for bad debt	(335)	(134)
Total current assets	388,885	265,979
Non-current assets		
Property and equipment		
(1) Buildings and structures, net	3,963	3,279
(2) Office furniture & equipment	2,499	2,175
(3) Others	25	143
Total property and equipment	6,489	5,597
Intangibles		
(1) Software	16,100	17,234
(2) Goodwill	3,662	2,314
(3) Others	12,120	10,676
Total intangibles	31,883	30,226
Investments and other non-current assets		
(1) Investment securities	16,908	4,332
(2) Investments in subsidiaries and affiliates	1,467	1,718
(3) Deferred tax assets	44,380	44,292
(4) Others	2,612	2,007
Total investments and other non-current assets	65,369	52,350
Total non-current assets	103,743	88,173
Total assets	492,628	354,153

(Million yen)

Account	December 31, 2023	Septemebr 30, 2024
(Liabilities)		
Current liabilities		
Accounts payable and Notes payable, trade	2,727	2,492
Accounts payable, other	6,097	6,716
Accrued expenses	18,910	11,623
Accrued income and other taxes	10,248	2,434
Allowance for bonuses	3,456	3,044
Deferred revenue(Current and Non-current)	211,532	200,337
Others	12,104	7,043
Total current liabilities	265,077	233,694
Non-current liabilities		
Net defined benefit liability	8,071	7,973
Others	5,055	6,540
Total non-current liabilities	13,127	14,513
Total liabilities	278,205	248,208
(Net assets)		
Shareholders' equity		
Common stock	19,855	19,926
Capital surplus	28,239	27,941
Retained earnings	156,299	82,601
Treasury stock, at cost	(33,836)	(67,540)
Total shareholders' equity	170,558	62,927
Accumulated other comprehensive income		
Net unrealized gain (loss) on debt and equity securities	396	266
Foreign currency translation adjustments	41,237	40,617
Remeasurements of defined benefit plans	(194)	(131)
Total accumulated other comprehensive income	41,440	40,752
Stock acquisition rights	2,391	2,265
Non-controlling interests	33	—
Total net assets	214,423	105,945
Total liabilities and net assets	492,628	354,153

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

Consolidated Statements of Income

(Million yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Net sales	183,725	202,658
Cost of sales	45,435	48,475
Gross profit	138,289	154,183
Operating expenses	108,676	114,945
Operating income	29,613	39,237
Non-operating income		
Outsourcing service income	164	21
Interest income	4,142	1,922
Gain on sales of marketable securities	38	438
Foreign exchange gain	200	—
Other income	200	107
Total non-operating income	4,746	2,490
Non-operating expenses		
Foreign exchange loss	—	1,500
Equity in losses of affiliated companies	2,345	1,666
Loss on disposal of fixed assets	45	165
Other expenses	32	64
Total non-operating expenses	2,423	3,396
Ordinary income	31,935	38,331
Extraordinary gain		
Gain on business transfer	—	587
Gain on change in equity	—	2,145
Total extraordinary gain	—	2,732
Extraordinary loss		
Loss on valuation of investment securities	104	—
Total extraordinary loss	104	—
Net income before taxes	31,830	41,063
Income taxes	19,025	13,475
Income taxes for prior periods	—	994
Net income	12,805	26,593
Net income(loss) attributable to non-controlling interests	(1)	175
Net income attributable to owners of the parent	12,806	26,418

Consolidated Statements of Comprehensive Income

(Million yen)

	Nine months ended September 30, 2023	Nine months ended Septemebr 30, 2024
Net income	12,805	26,593
Other comprehensive income		
Valuation difference on available-for-sale securities	1,044	(131)
Foreign currency translation adjustment	18,469	(395)
Remeasurement of defined benefit plans	(167)	63
Share of other comprehensive income of associates accounted for using equity method	372	(222)
Total other comprehensive income	19,719	(685)
Comprehensive income	32,525	25,907
Comprehensive income attributable to owners of the parent	32,527	25,731
Comprehensive income attributable to non-controlling interests	(2)	176

(3) 【Consolidated Statements of Cash Flows】

(Million yen)

Account	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Cash flows from operating activities:		
Net income before taxes	31,830	41,063
Depreciation and amortization	19,614	20,593
Stock compensations	613	922
Amortization of goodwill	1,262	1,471
Increase (decrease) in allowance for bad debts	0	(212)
Increase (decrease) in net defined benefit liability	317	(105)
Interest income	(4,142)	(1,922)
Equity in (earnings)/loss of affiliated companies	2,345	1,666
(Gain) loss on sale of businesses	—	(587)
(Gain) loss on change in equity	—	(2,145)
(Gain) loss on disposal of Fixed assets	45	165
(Gain) loss on sale of marketable securities	(38)	(438)
(Gain) loss on valuation of investment securities	104	—
(Increase) decrease in notes and accounts receivable and contract assets	9,604	18,796
(Increase) decrease in inventories	(410)	(1,614)
Increase (decrease) in notes and accounts payable	(501)	(20)
Increase (decrease) in accounts payable, other & accrued expenses	1,463	(6,964)
Increase (decrease) in deferred revenue	(4,931)	(12,667)
Increase (decrease) in virtual share bonus plan	(972)	456
Others	(823)	(5,023)
Subtotal	55,382	53,433
Proceeds from interest and dividend received	3,952	1,772
Payment for income tax	(12,469)	(20,719)
Payment for Litigation settlement	(62)	—
Net cash provided by operating activities	46,802	34,486
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	2,960	(8,805)
Payments for purchases of marketable securities and securities investments	(1,907)	(243)
Proceeds from sale or redemptions of marketable securities and securities investments	16,026	24,479
Payments for purchases of property and equipment	(1,031)	(1,092)
Payments for purchases of other intangibles	(17,403)	(18,345)
Proceeds from sales of businesses	—	291
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,773)	—
Net cash provided by investing activities	(5,130)	(3,715)
Cash flows from financing activities:		
Proceeds from issuance of common shares	184	119
Payment for purchase of treasury stock	(24,999)	(40,000)
Receipt from disposal of treasury stock	224	4,900
Dividends paid	(20,255)	(96,286)
Repayments to non-controlling shareholders	(5)	(210)
Proceeds from paid-up by non-controlling shareholders	10	1
Net cash used in financing activities	(44,841)	(131,476)
Effect of exchange rate changes on cash and cash equivalents	13,903	(157)
Net increase (decrease) in cash and cash equivalents	10,733	(100,862)
Cash and cash equivalents at beginning of period	207,643	261,265
Cash and cash equivalents at end of period	218,377	160,403

(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 73,698 million yen for the current fiscal year consolidated cumulative period.

(Repurchase of treasury stock)

We repurchased 5,401,200 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 33,704 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 September 30, 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	62,155	42,901	36,812	41,856	183,725	—	183,725
(2) Intercompany sales	(24)	6,552	4,773	42,497	53,799	(53,799)	—
Total	62,130	49,453	41,586	84,354	237,524	(53,799)	183,725
Segment income	8,955	4,756	6,900	9,073	29,685	(72)	29,613

(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 (72)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 September 30, 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	64,030	43,628	43,510	51,489	202,658	—	202,658
(2) Intercompany sales	47	8,409	6,820	42,869	58,146	(58,146)	—
Total	64,077	52,037	50,330	94,358	260,805	(58,146)	202,658
Segment income	12,904	6,534	9,798	10,154	39,392	(154)	39,237

(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 (154) 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.