

Trend Micro FY2021.1Q Results



Mahendra Negi CFO, Representative Director

May 13, 2021



Forward Looking Statements

Certain Statements that we make in this presentation are forward-looking statements. These forward-looking statements are based upon management's current assumptions and beliefs in light of the information currently available to it, but involve known and unknown risks and uncertainties.

Many important factors could cause our actual results to differ materially from those expressed in our forward-looking statements. These factors include:

- **difficulties in addressing new virus and other computer security problems;**
- **timing of new product introductions and lack of market acceptance for our new products;**
- **the level of continuing demand for , and timing of sales of , our existing products;**
- **rapid technological change within the anti-virus software industry;**
- **changes in customer needs for anti-virus software;**
- **existing products and new product introductions by our competitors and the pricing of those products;**
- **declining prices for our products and services;**
- **the effect of future acquisitions on our financial condition and results of operations;**
- **the effect of adverse economic trends on our principal markets;**
- **the effect of foreign exchange fluctuations on our results of operations;**
- **an increase in the incidence of product returns;**
- **the potential lack of attractive investment targets; and**
- **difficulties in successfully executing our investment strategy.**

We assume no obligation to update any forward-looking statements.

FY2021. 1Q Financial Highlight

(First quarter ended March 31, 2021)

Q1 Consolidated Results

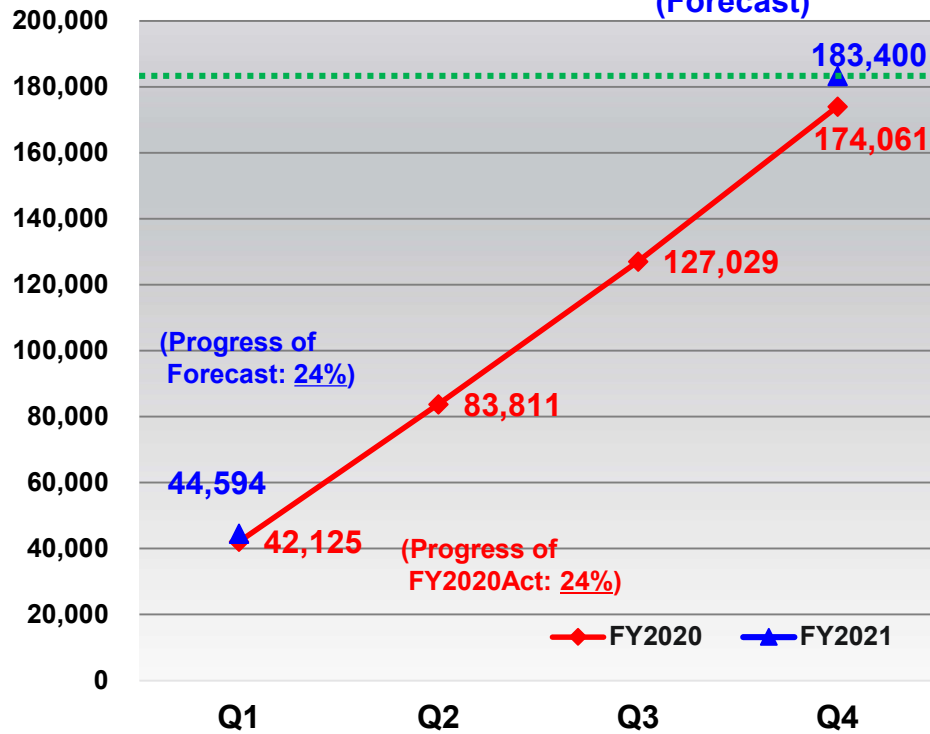
(in million Yen)

<i>Three months ended Mar 31,</i>	1Q2020	1Q2021	YoY growth
Net sales	42,125	44,594	+ 6%
Total Operating expenses	32,006	32,367	+ 1%
Operating income (Margin)	10,119 (24%)	12,226 (27%)	+ 21%
Ordinary income	12,034	12,126	+ 1%
Net income	8,861	8,804	- 1%
<small>attributable to owners of the parent</small> Operating income excluding amortization of Goodwill	11,906	13,576	+ 14% (Non-GAAP)
Pre-GAAP	41,017	44,218	+ 8% (excluding foreign exchange impact) + 6% (Non-GAAP)
<i>“For reference” Revenue before adjusting deferred revenue</i>			
<i>If currency exchange rates used for 1Q2020 were used for 1Q2021</i>			
Net sales	42,125	44,044	+ 5% (Non-GAAP) 4

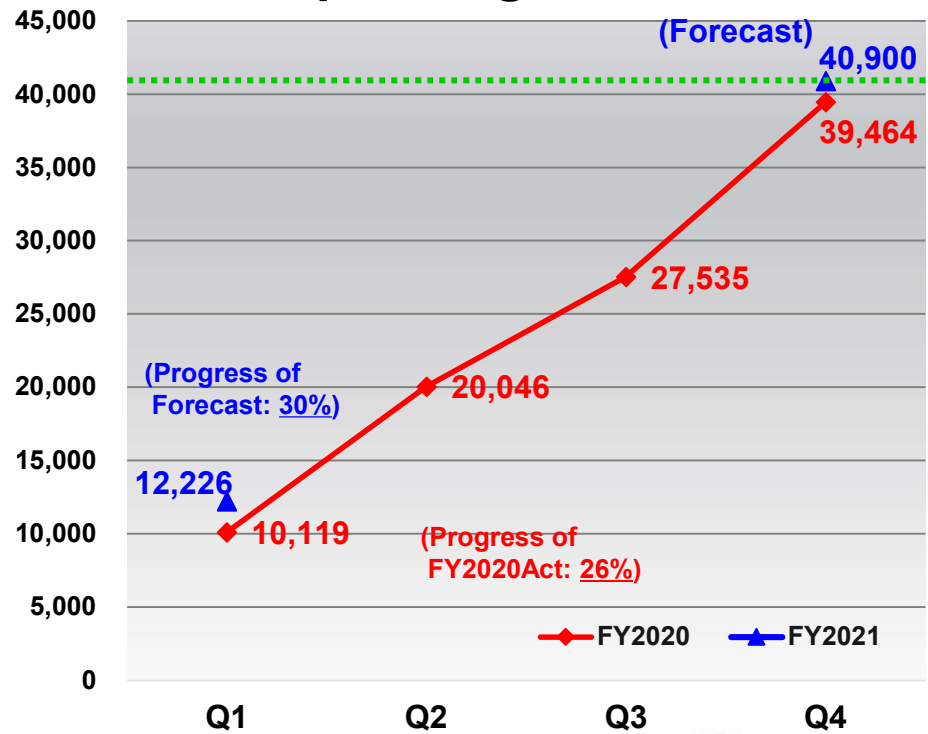
Progress (3 months)

(in million Yen)

Revenue (Forecast)



Operating Income (Forecast)



Q1 USD based Results (Non-GAAP)

(unaudited)

<i>Three months ended Mar 31,</i>	<i>1Q2020</i>	<i>1Q2021</i>	<i>(in thousand USD) YoY change</i>
Net sales	386,973	420,904	+ 9%
Cost of sales	76,192	93,204	+ 22%
Operating expenses	217,826	212,297	- 3%
Operating income	92,954	115,402	+ 24%
Ordinary income	110,552	114,457	+ 4%
Net Income	81,400	83,097	+ 2%

attributable to owners of the parent

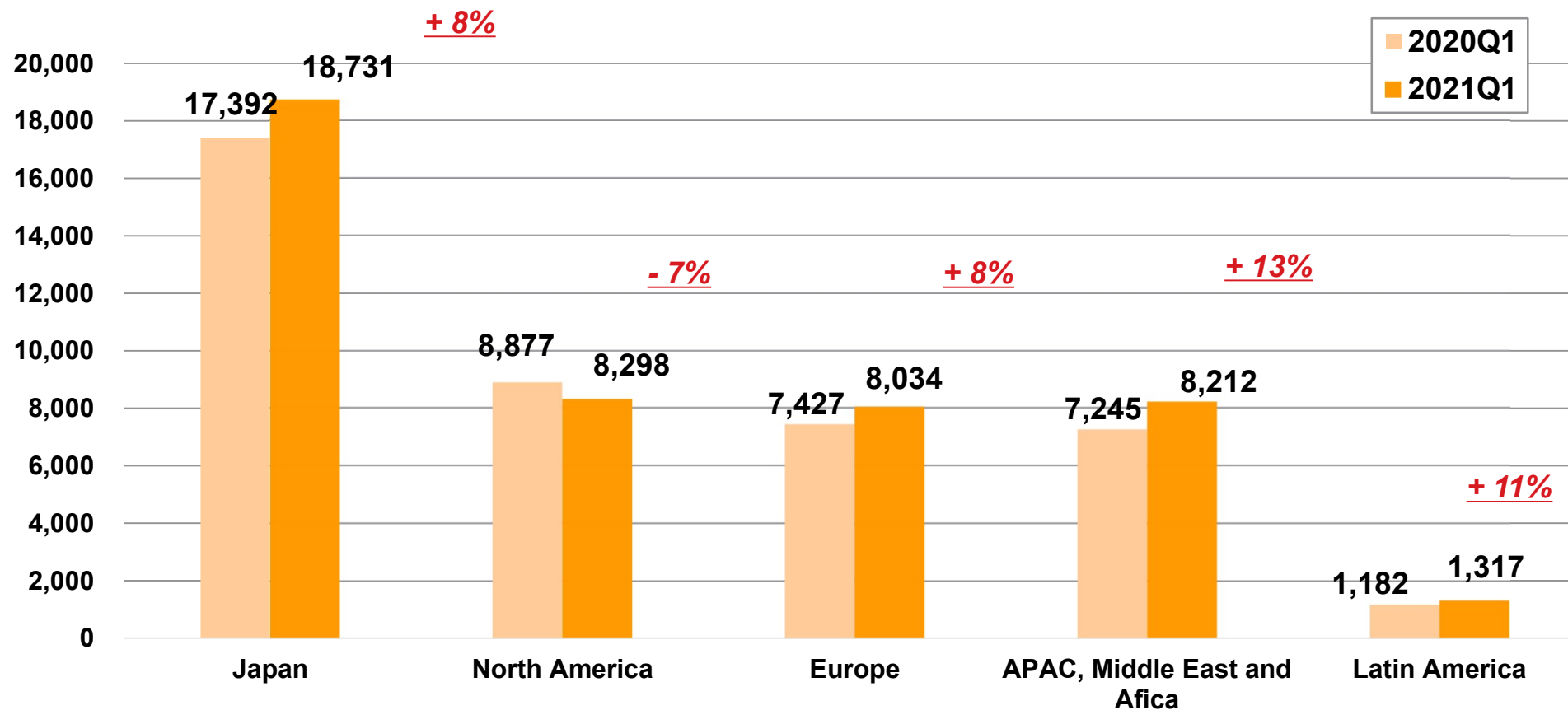
(Non-GAAP)

For each of the quarters shown in the table above, JPY Japan GAAP amounts have been converted to USD amounts using the exchange rates of USD=108.86 JPY for 1Q2020 and 1 USD =105.95 JPY for 1Q2021, respectively, which are the respective weighted average exchange rates used to convert USD net sales to JPY for these quarters.



(in million Yen) **Net Sales Growth by Region**

(unaudited)

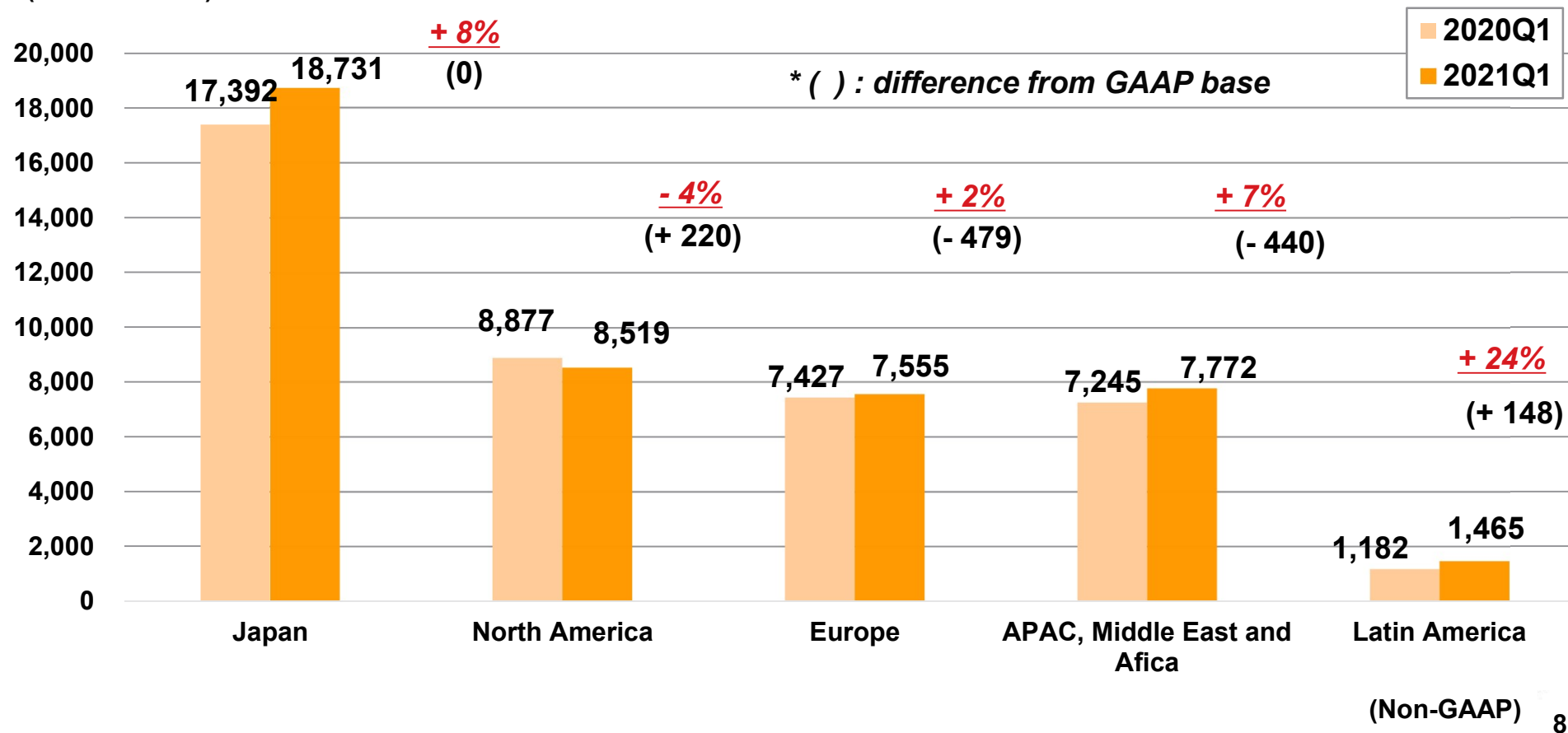


Net Sales Growth by Region

If currency exchange rates used for 1Q2020 were used for 1Q2021:

(unaudited)

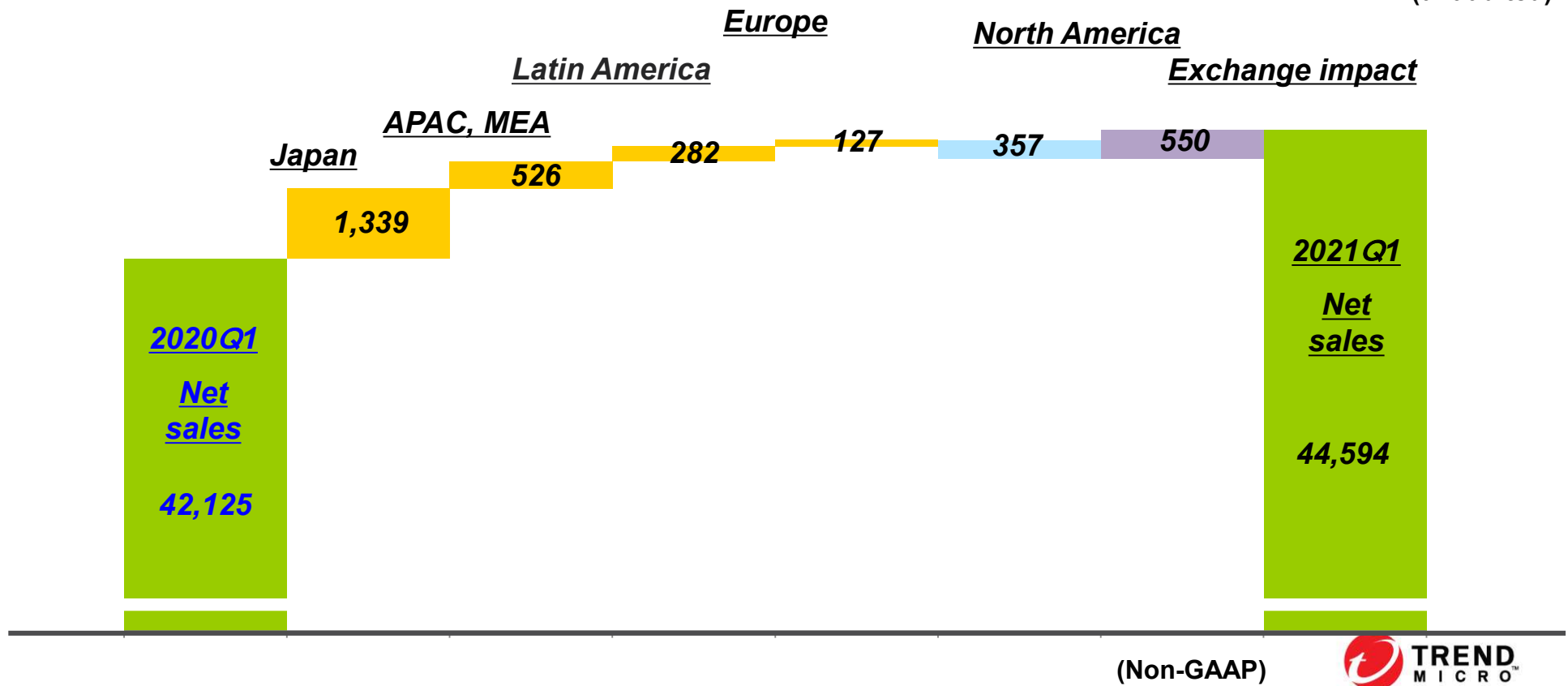
(in million Yen)



Decomposition of Revenue (vs. last year)

(in million Yen)

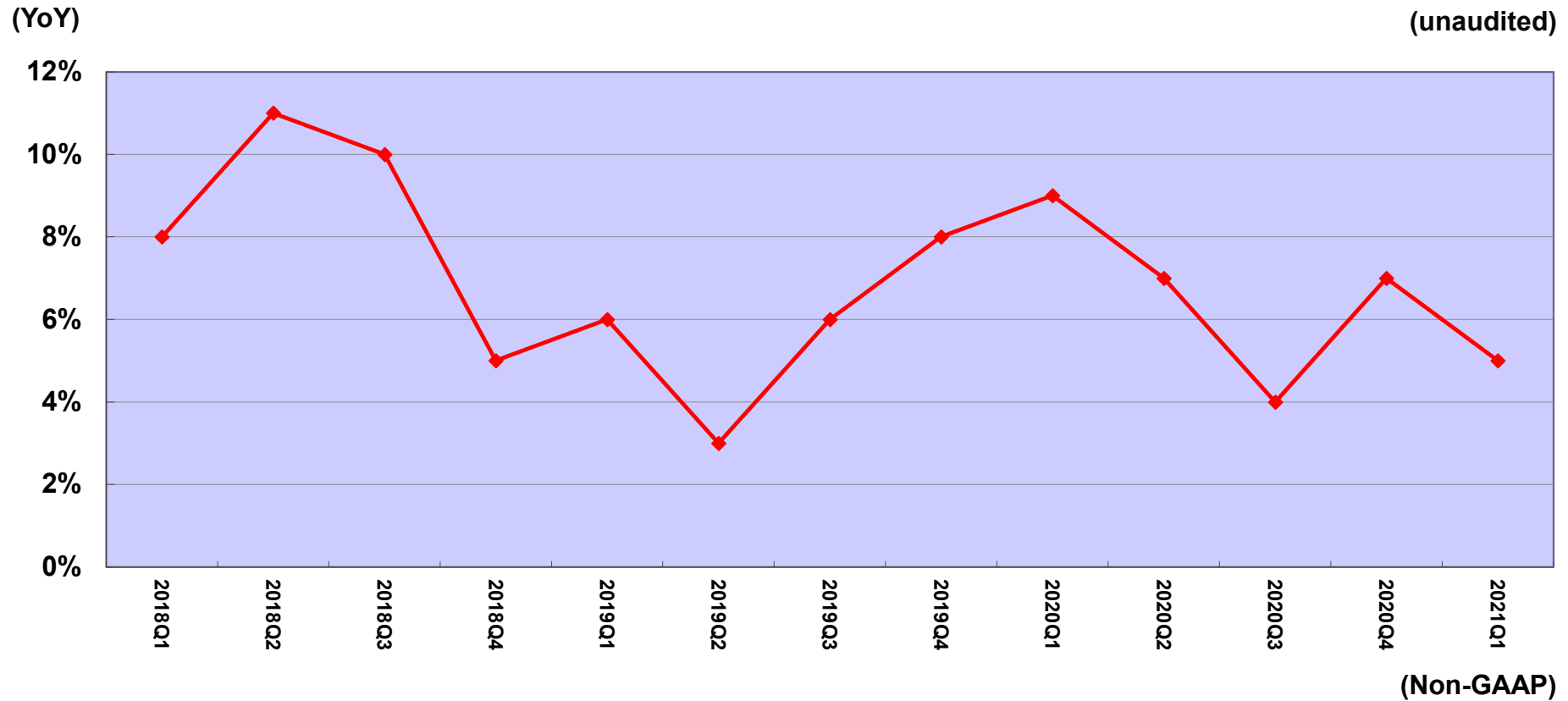
(unaudited)



(Non-GAAP)



Constant currency Revenue growth

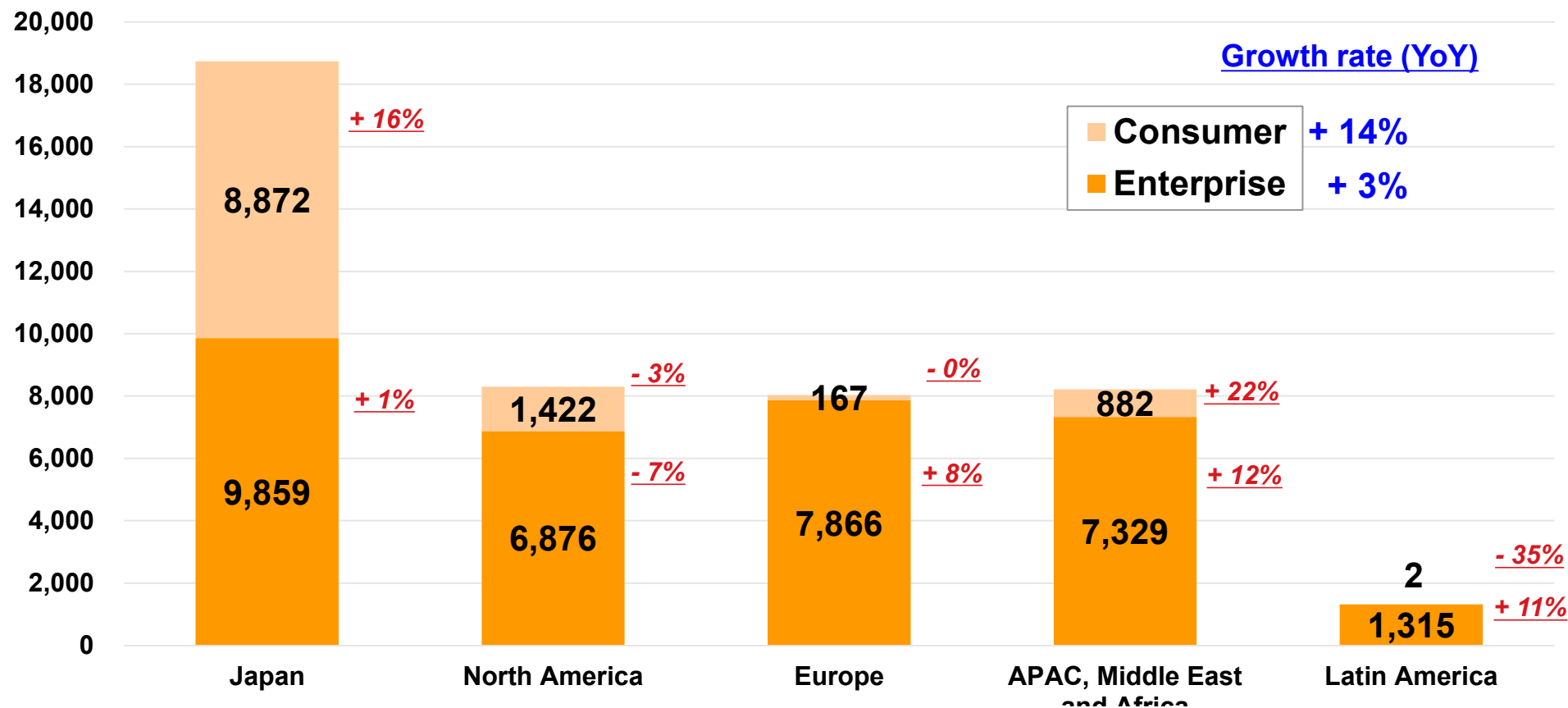


• Each growth rate shown above is based on applying to each quarter the same currency rate as the previous year for the same period

Sales by Segment

(in million Yen)

(unaudited)



"Notice" As Sales by Segment numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

“Hybrid Infrastructure protection” & “User protection”

Gross sales (* not including Consumer) (unaudited) (Non-GAAP)

(in million Yen)

+ 7% YoY

+ 11% YoY

Hybrid Infrastructure protection

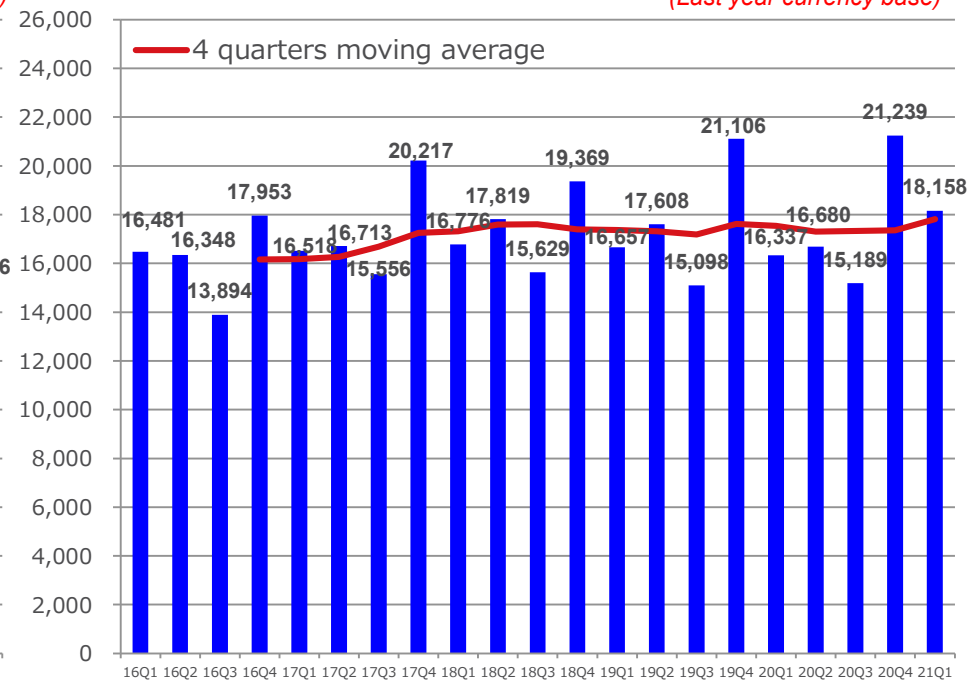
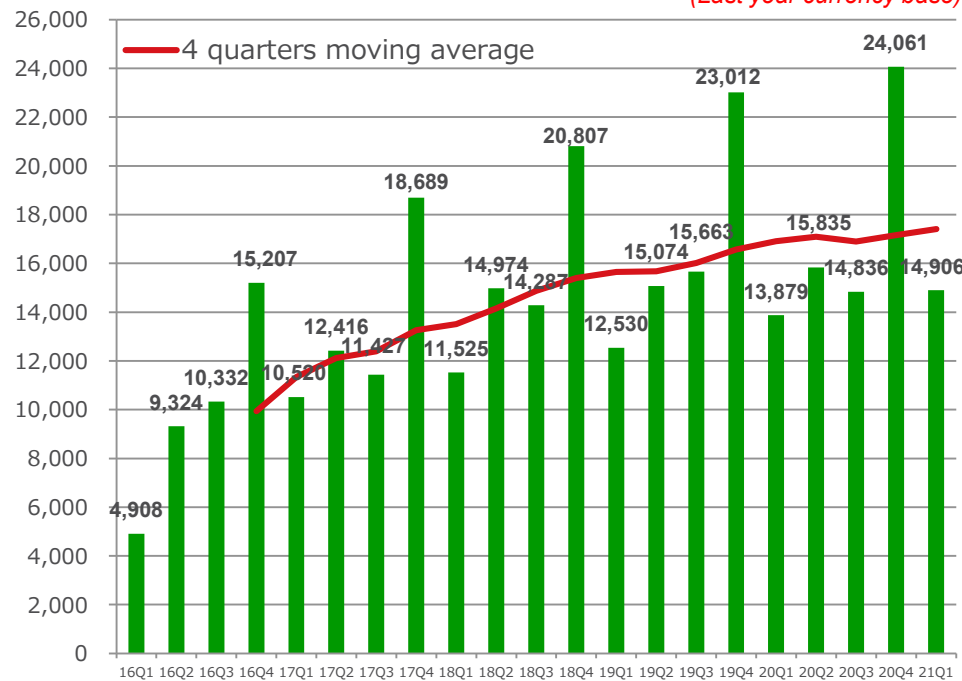
+ 5% YoY

User Protection

+ 9% YoY

(Last year currency base)

(Last year currency base)



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Definition of terms in new metrics

- Perpetual license

Traditional license agreement that "Requires" perpetual software license fees in the first year of the contract, and support fees in following years

Example:

***1 Year New contract \$240 (Perpetual Software license \$120 + 1 Year Support fees \$120)**

***3 Years New contract \$480 (Perpetual Software license \$120 + 1st Year Support fees \$120 + 2nd Year Support fees \$120 + 3rd Year Support fees \$120)**

***1 Year Renew contract \$120 (1 Year Support fees \$120)**

***3 Years Renew contract \$360 (1st Year Support fees \$120 + 2nd Year Support fees \$120 + 3rd Year Support fees \$120)**

- Subscription license

Subscription license agreement that "DOES NOT require" perpetual software license fees in the first year of the contract, and thus has the same price for the first year and the following years

Example:

***1 Month contract \$10 (1 month subscription fees \$10)**

***1 Year contract \$120 (1 year subscription fees \$120)**

***3 Years contract \$360 (1st Year subscription fees \$120 + 2nd Year subscription fees \$120 + 3rd Year subscription fees \$120)**

- Subscription ARR

Annualized Recurring Revenue of Subscription license

Example:

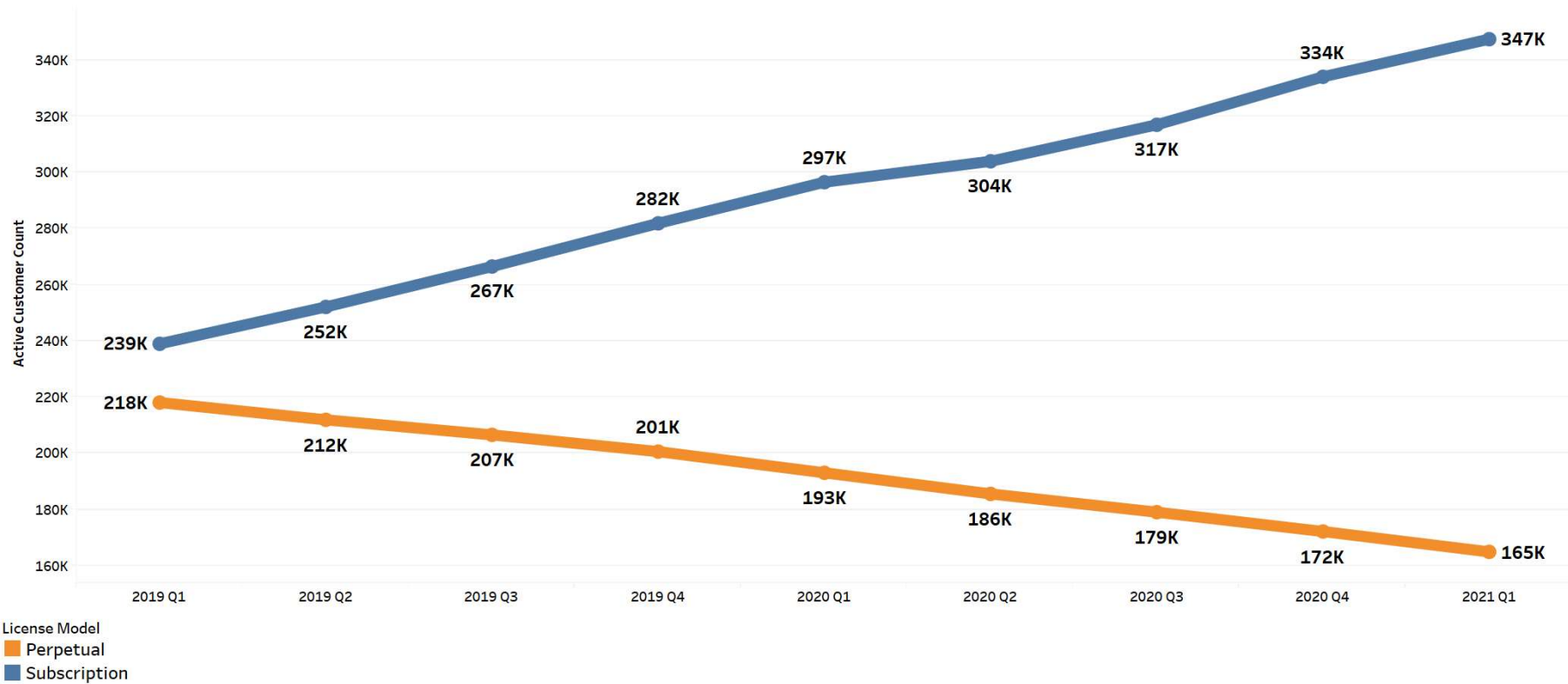
***1 Month contract \$10 (1 month subscription fees \$10) → $\$10 \times 12 \text{ months} = \text{ARR} \120**

***1 Year contract \$120 (1 year subscription fees \$120) → $\$120 / 1 = \text{ARR} \120**

***3 Years contract \$360 (1st Year subscription fees \$120 + 2nd Year subscription fees \$120 + 3rd Year subscription fees \$120) → $\$360 / 3 = \text{ARR} \120**

Active Customer Count

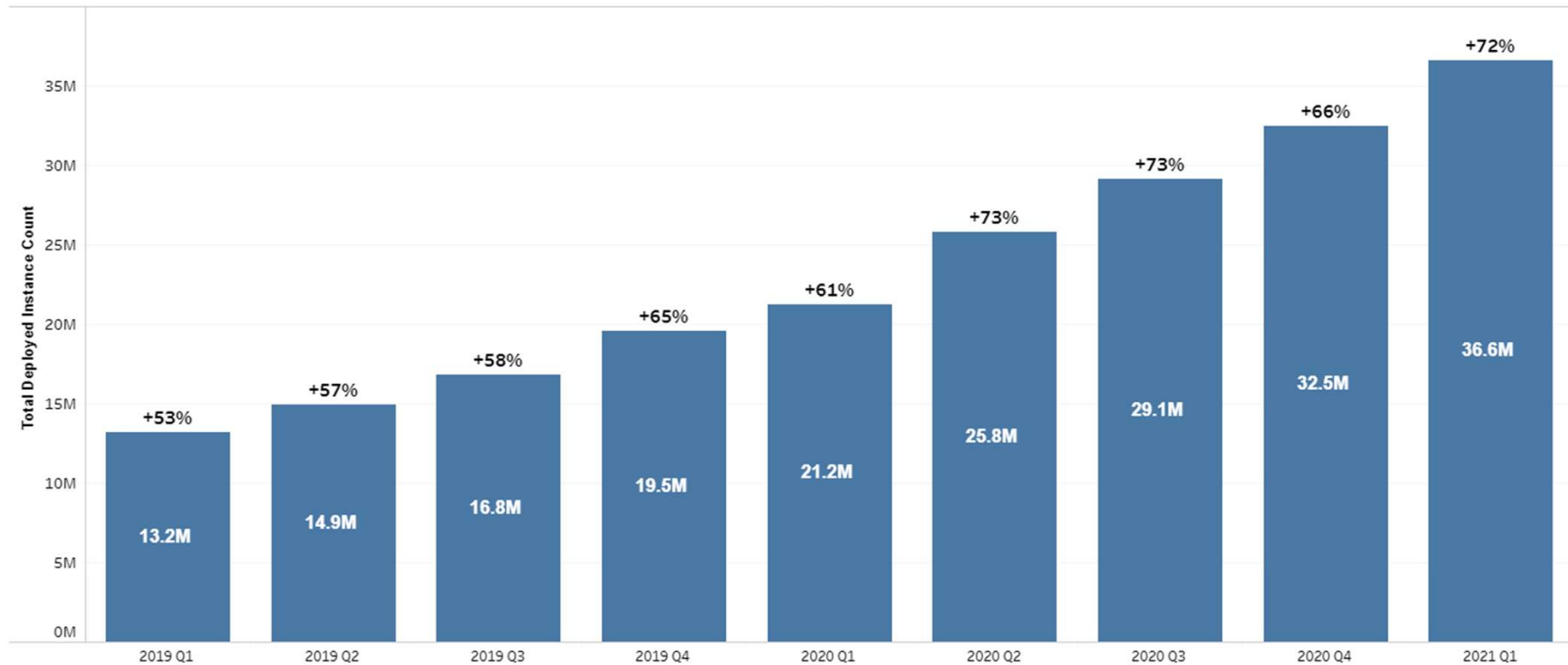
Active Customer Count
Subscription vs. Perpetual



“Notice” As these numbers are just for internal use, they may be subject to some changes hereafter.

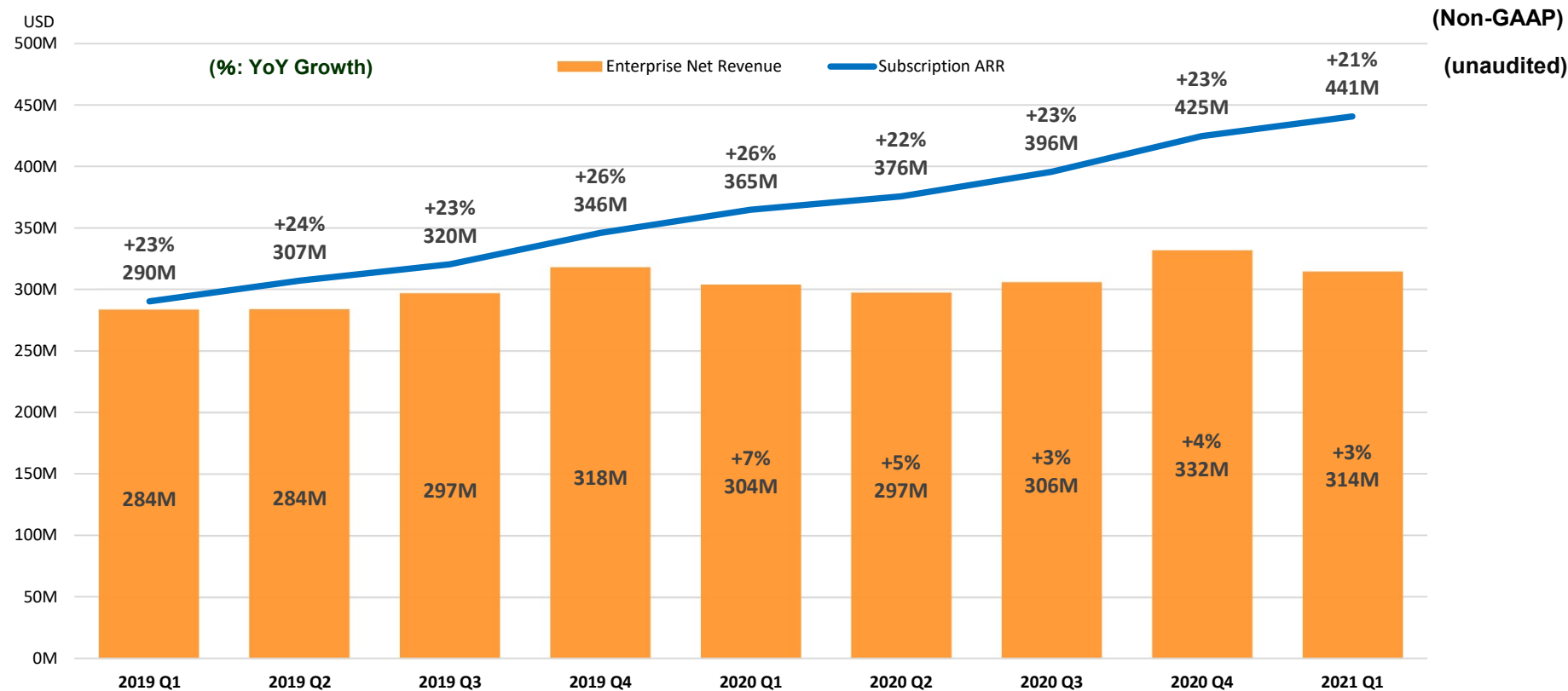
SaaS Deployed Instance Growth

SaaS Deployed Instance Growth (YoY%)



“Notice” As these numbers are just for internal use, they may be subject to some changes hereafter.

Enterprise Net Revenue & Subscription ARR



*Subscription ARR is an annual figure and converted to USD using the FY2021 Company budget exchange rate applied for the entire period.

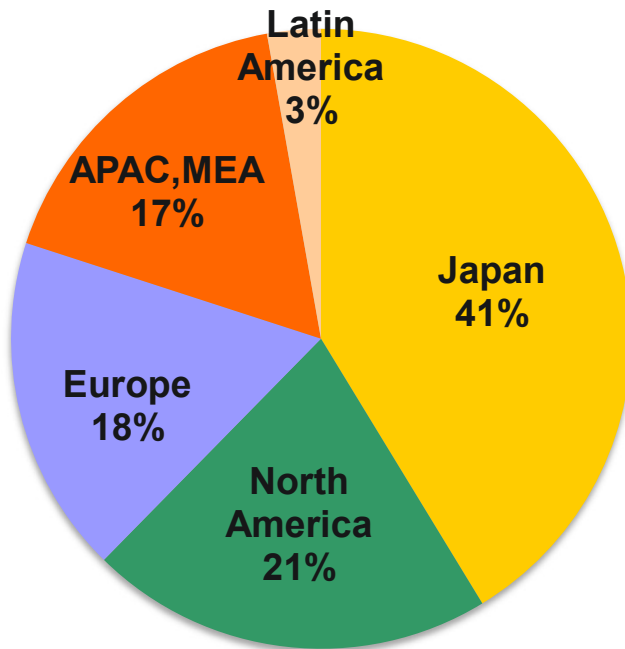
*Enterprise Net Revenue is a quarterly figure based on actual yen reported each quarter converted to USD at FY2021 Company budget exchange rate (1 USD = 105.76 yen).

*As these numbers are just for internal use, they may be subject to some changes hereafter

% share by region

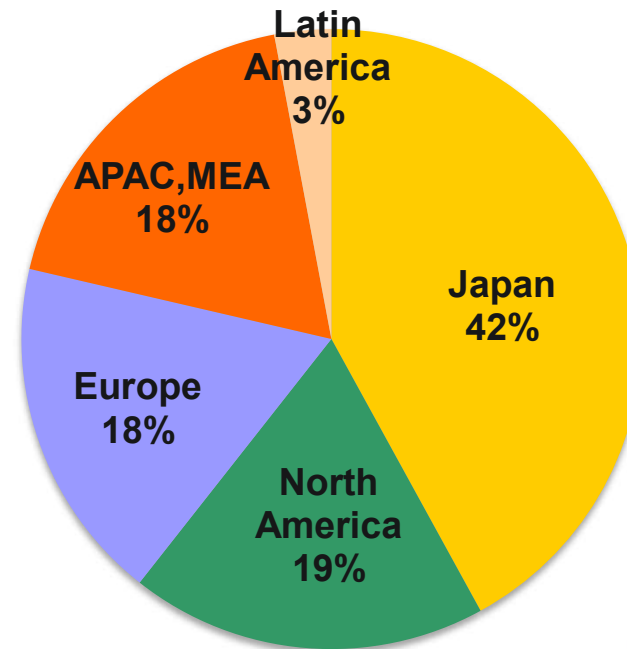
1Q2020

42,125 million Yen



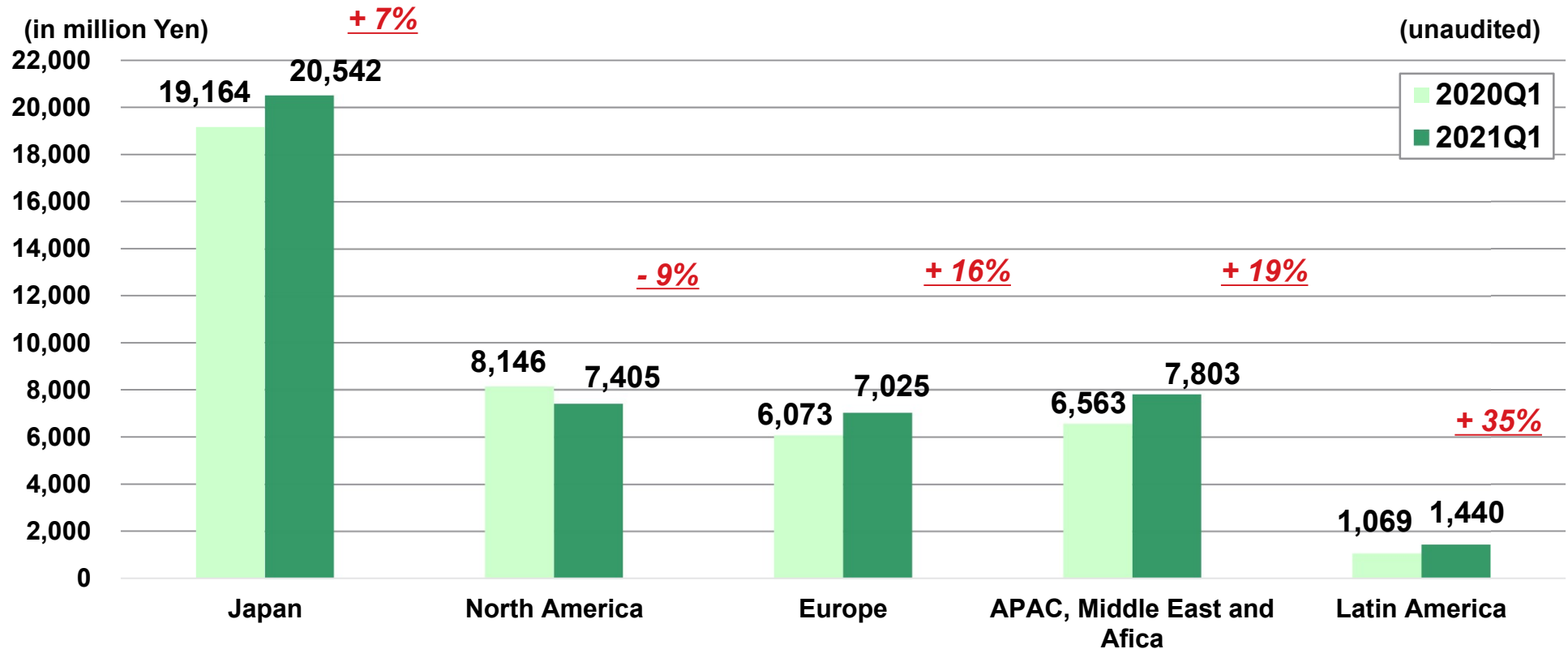
1Q2020

44,594 million Yen



“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)



“Notice”

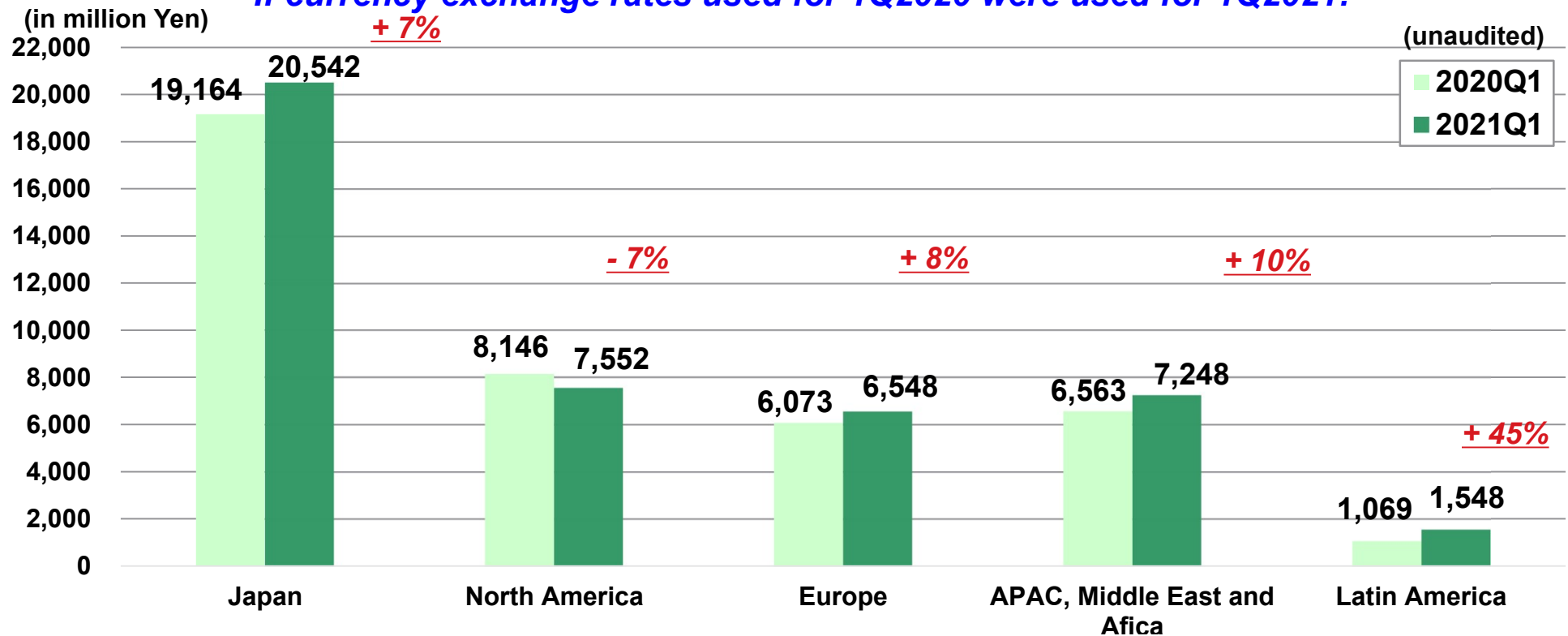
**Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance.
As these numbers are just for internal use, they may be subject to some changes hereafter.**

(Non-GAAP)

“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

If currency exchange rates used for 1Q2020 were used for 1Q2021:

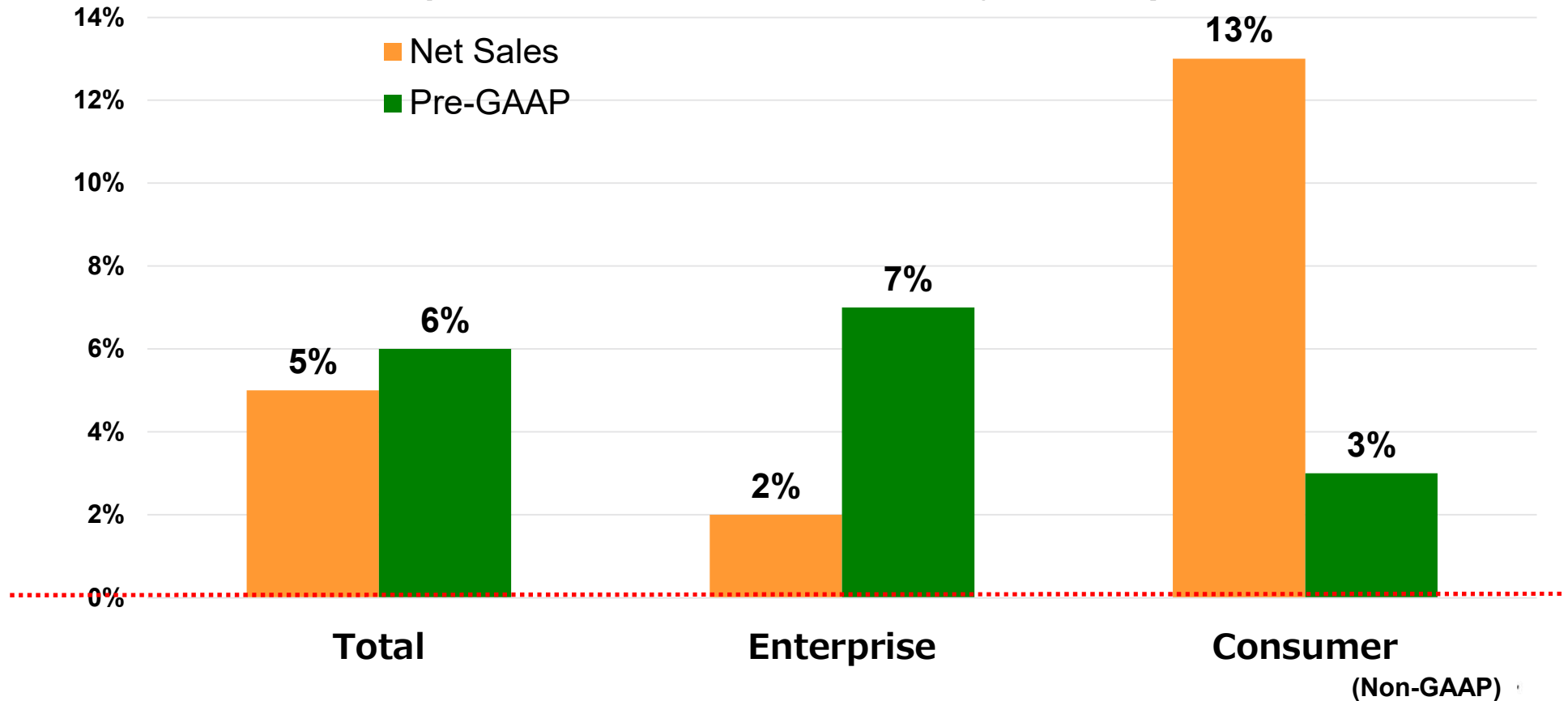


“Notice”

**Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance.
As these numbers are just for internal use, they may be subject to some changes hereafter.**

(Non-GAAP)

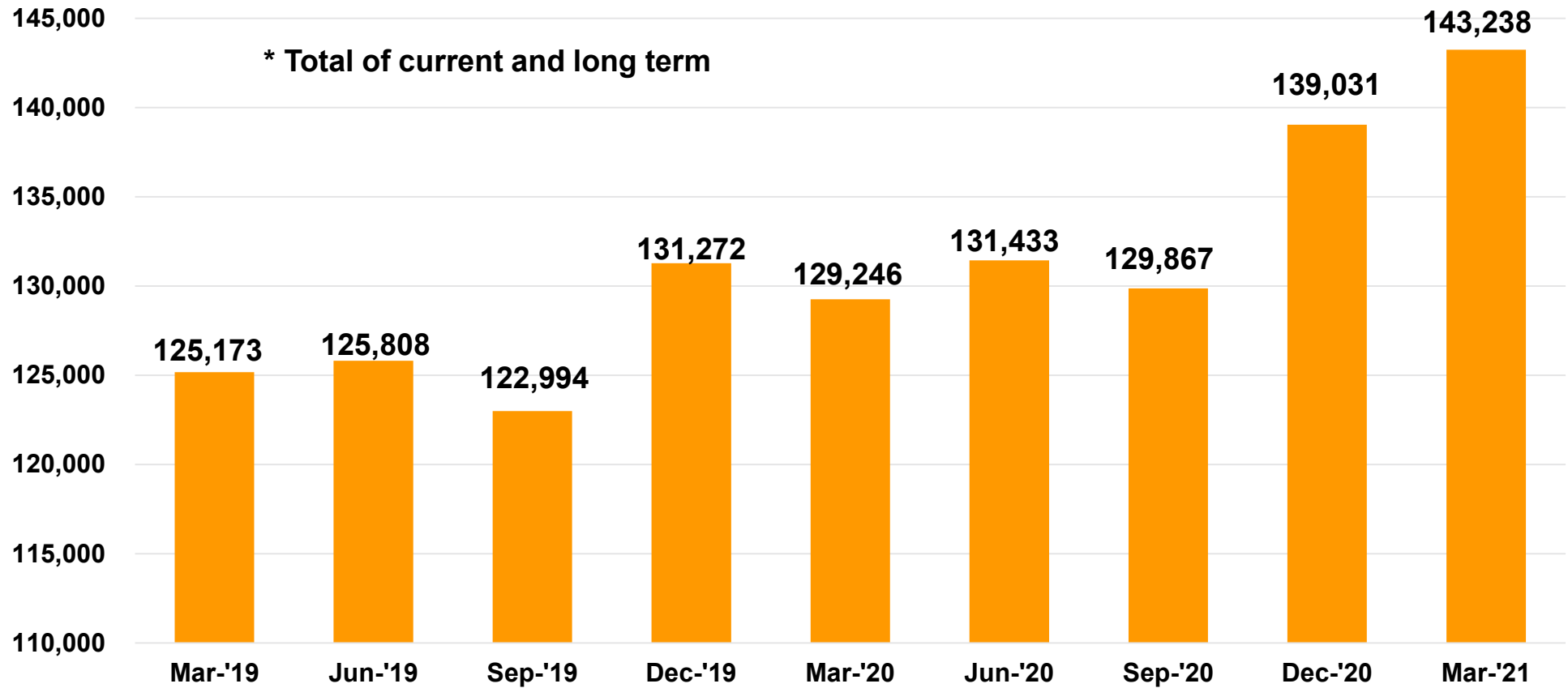
Net sales & Pre-GAAP growth trend (unaudited) *(on a constant currency basis)*



(Non-GAAP)

Deferred Revenue

(in million Yen)

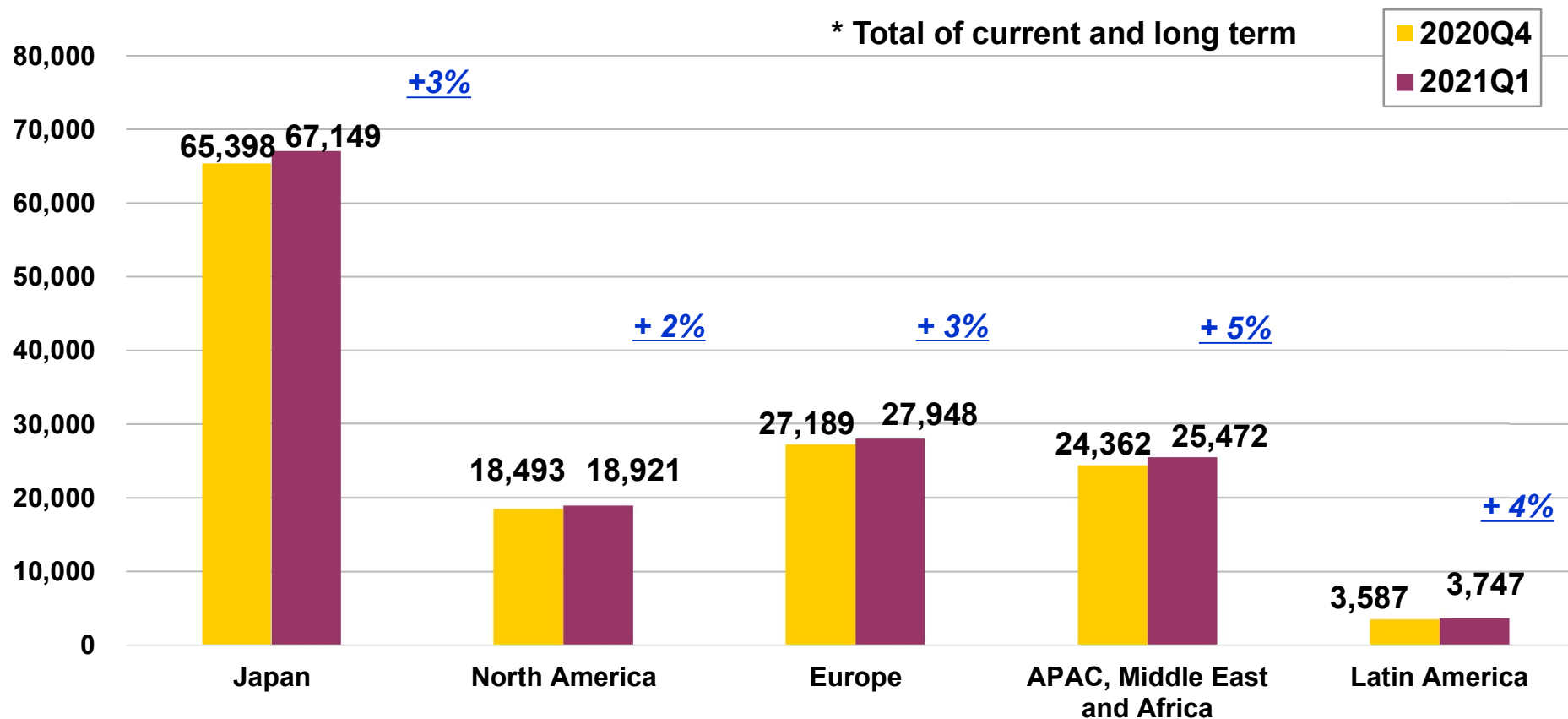


Deferred Revenue by Region

(in million Yen)

(unaudited)

* Total of current and long term

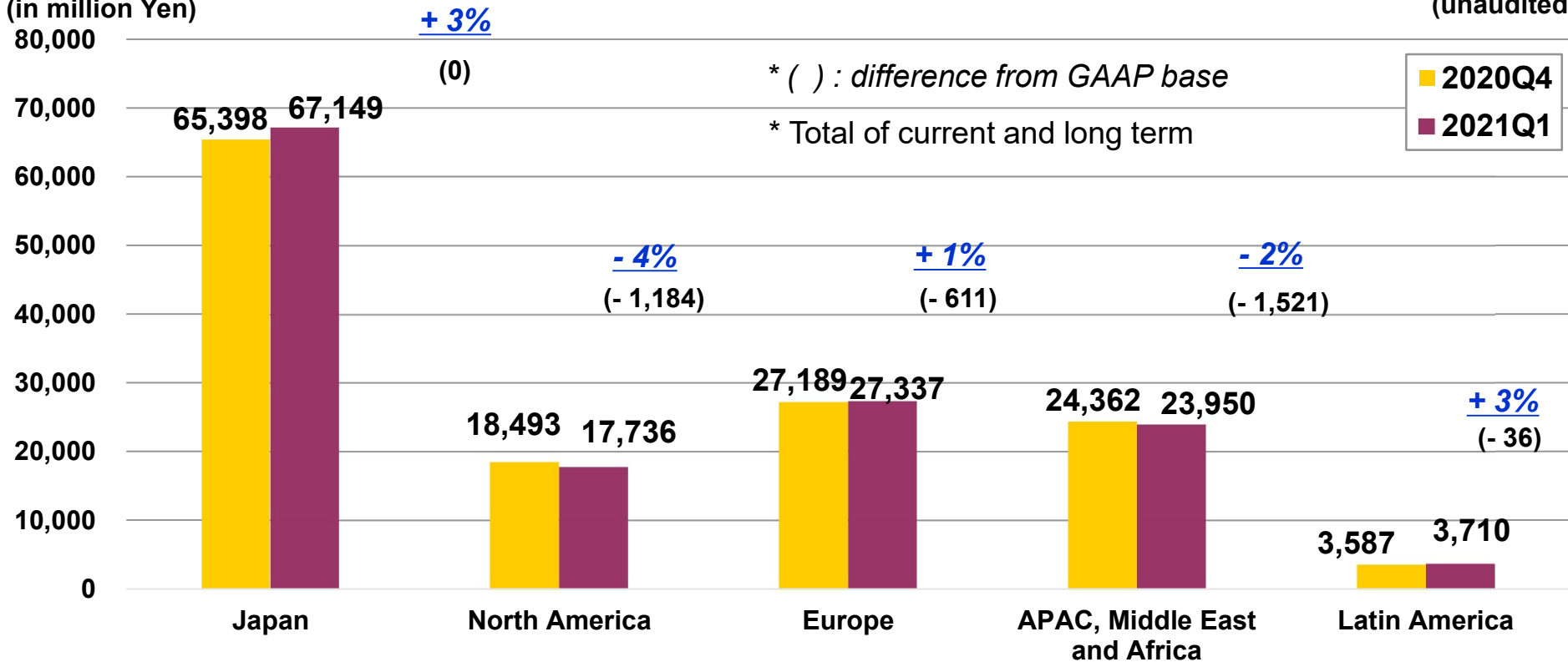


Deferred Revenue by Region

If currency exchange rates used as of the end of 4Q2020 were used as of the end of 1Q2021:

(in million Yen)

(unaudited)



* () : difference from GAAP base

* Total of current and long term



(Non-GAAP)

Cost

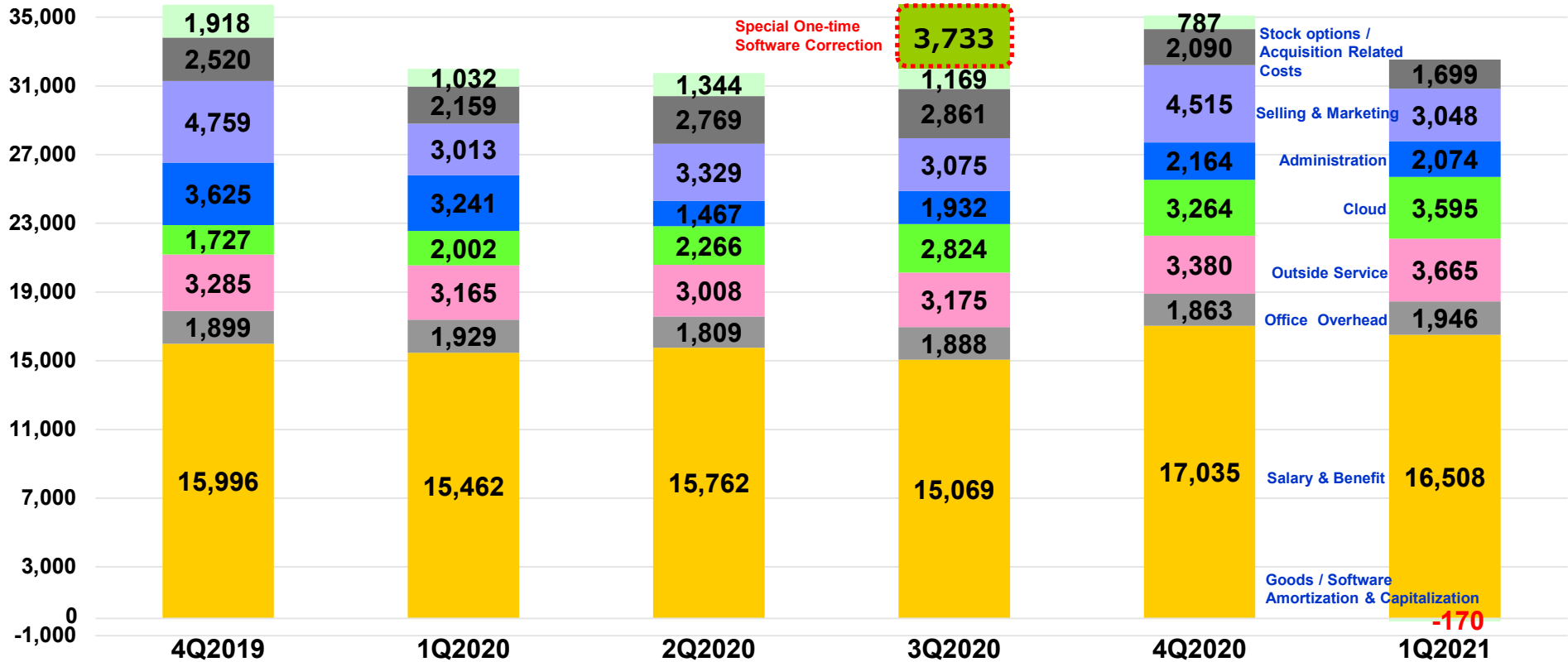
(unaudited)

(Non-GAAP)

(in million Yen)

- Salary & Benefit
- Outside Service
- Administration
- Stock Options / Acquisition Related Costs
- Special Ont-time Software Correction

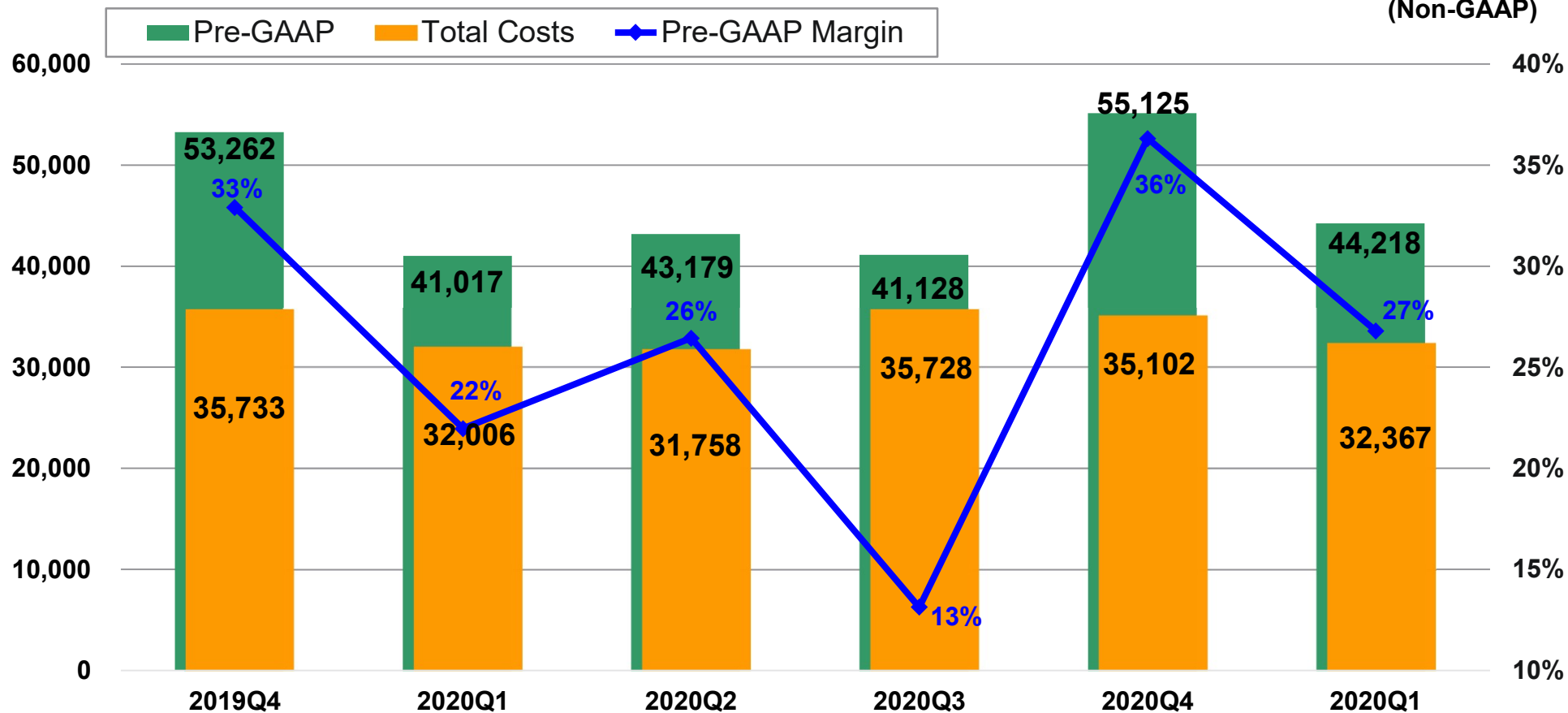
- Office Overhead
- Cloud
- Selling & Marketing
- Goods/Software Amortization & Capitalization



Pre-GAAP vs Total Costs

(unaudited)
(Non-GAAP)

(in million Yen)



* "Total costs" means COGS + SGA.

Cash flows

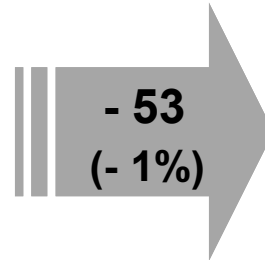
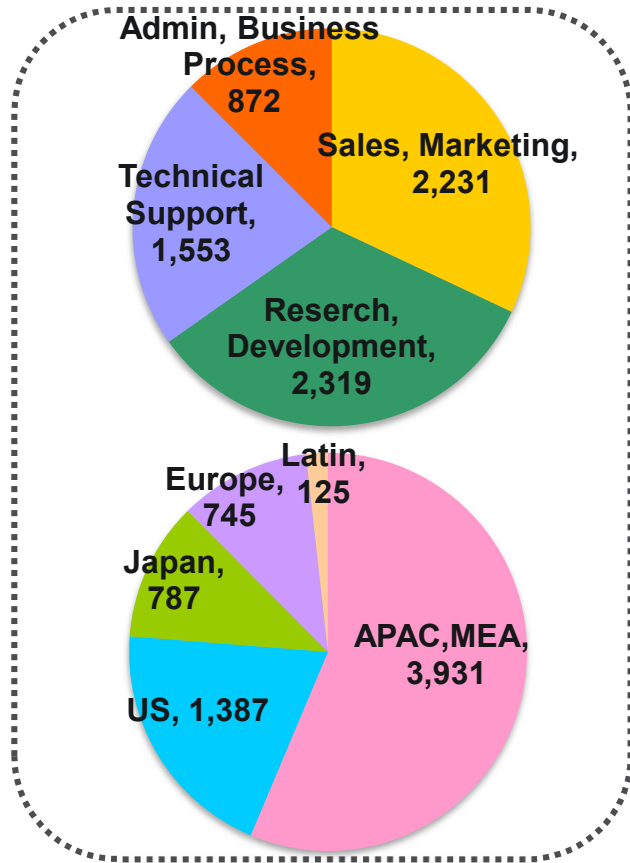
(unaudited)
(in million Yen)

	1Q2020	1Q2021	YoY growth
Cash flows from operating activities	12,452	17,144	+ 38%
Cash flows from investing activities	299	- 6,479	—
Cash flows from financing activities	- 19,163	- 19,929	—
Effect of exchange rate changes on cash and cash equivalents	- 3,333	6,704	—
Net increase (decrease) in cash and cash equivalents	- 9,744	- 2,559	—
Cash and cash equivalents at beginning of this quarter period	148,127	174,162	+ 18%
Increase in cash due to merger of consolidated subsidiary	—	—	—
Cash and cash equivalents at end of this quarter period	138,382	171,603	+ 24%

Headcount

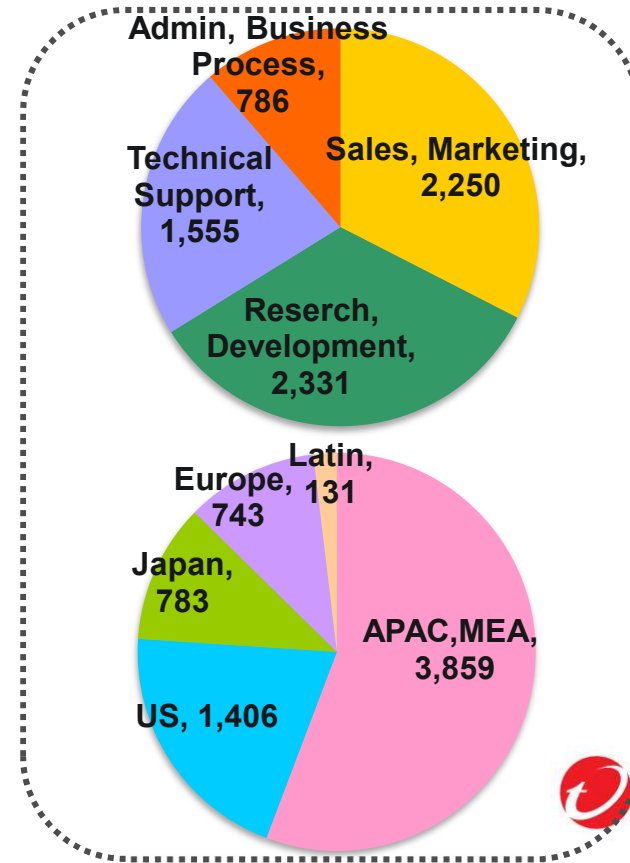
Dec - 2020

6,975



Mar - 2021

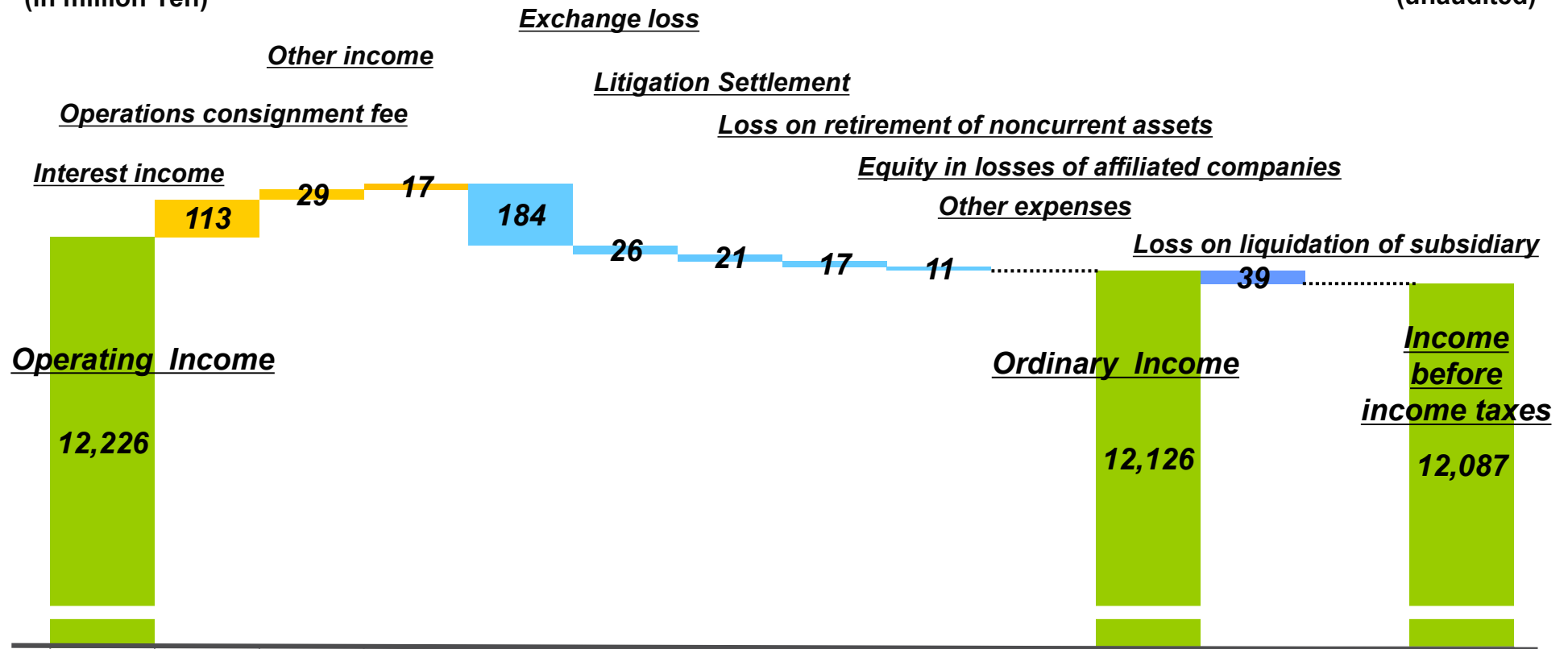
6,922



Non-operating & Extra-ordinary Items

(in million Yen)

(unaudited)



(Non-GAAP)



Balance Sheet

(unaudited)
(in million Yen)

	<i>Dec-2020</i>	<i>change</i>	<i>Mar-2021</i>
<u>Assets</u>			
<i>Cash & cash equivalents</i>	155,740	- 5,839	149,901
<i>Account receivable</i> <i>(less allowance for doubtful accounts)</i>	47,019	- 7,656	39,363
<i>Marketable securities & Securities investments</i>	92,450	+ 6,494	98,944
<i>Goodwill</i>	4,778	- 981	3,797
<u>Liabilities</u>			
<i>Deferred revenue</i> <i>(total of current and long-term)</i>	139,031	+ 4,207	143,238
<u>Shareholders' Equity</u>			
<i>Common Stock & Additional paid in capital</i>	45,078	+ 211	45,289
<i>Treasury Stock</i>	- 7,785	+ 613	- 7,172

Q1 Highlights

- ***Enterprise business growth improves***
- ***SaaS deployed instances continue healthy growth***
- ***Highest ever Operating Income and Cash flow***

Q1 Lowlights

- ***North America revenues declined***
- ***Cloud costs continue to grow***

Projection for FY2021 Annual *(Unchanged)*

	<u>For FY2021</u> <u>Jan - Dec, 2021</u>	<u>Expected</u> <u>YoY growth</u>	(unaudited) (in million Yen)
Net Sales	183,400	<u>+ 5%</u>	
Operating Income	40,900	<u>+ 4%</u>	
Ordinary Income	41,200	<u>+ 3%</u>	
Net Income <small>attributable to owners of the parent</small>	28,800	<u>+ 7%</u>	

(Estimated annual exchange rate 1USD=105 yen, 1EUR=125 yen)

“Reference” actual exchange rate up to Q1: 1USD=106 yen, 1EUR=128 yen

In case of excluding a foreign exchange impact (a rule of thumb)

Net Sales	<u>+ 6%</u>
------------------	--------------------

(Non-GAAP)



Thank You

Appendix

Quarterly Chart (1)

(unaudited)

(in million Yen)

	FY2020				FY2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	42,125	41,686	43,217	47,031	44,594			
Cost of sales	8,294	7,695	12,941	9,235	9,875			
Operating expenses	23,712	24,063	22,786	25,867	22,492			
Operating income	10,119	9,927	7,488	11,929	12,226			
Ordinary income	12,034	8,314	7,155	12,350	12,126			
Net income attributable to owners of the parent	8,861	6,264	3,855	7,923	8,804			
(Costs)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Goods / Software Amortization & Capitalization	1,032	1,344	1,169	787	-170			
Stock option cost	372	1,039	1,144	396	349			
Acquisition related costs	1,787	1,730	1,717	1,694	1,349			
Selling & Marketing	3,013	3,329	3,075	4,515	3,048			
Administration	3,241	1,467	1,932	2,164	2,074			
Cloud	2,002	2,266	2,824	3,264	3,595			
Outside service	3,165	3,008	3,175	3,380	3,665			
Office overhead	1,929	1,809	1,888	1,863	1,946			
Salary & Benefit	15,462	15,762	15,069	17,035	16,508			
One-time Software correction			3,733					
Total	32,006	31,758	35,728	35,102	32,367			
The number of employees	6,836	6,926	6,919	6,975	6,922			
Applied rate to yen (US\$)	108.86	107.62	106.22	104.48	105.95			
Applied rate to yen (Euro)	120.16	118.54	124.11	124.73	127.76			

Appendix

Quarterly Chart (2)

(unaudited)

(in million Yen)

(Sales by region)	FY2020				FY2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	17,392	17,377	17,852	19,322	18,731			
North America	8,877	8,821	8,603	9,004	8,298			
Europe	7,427	6,994	7,736	8,686	8,034			
APAC, Middle East and Africa	7,245	7,350	7,817	8,623	8,212			
Latin America	1,182	1,142	1,207	1,394	1,317			
Total	42,125	41,686	43,217	47,031	44,594			
(Sales by segment)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All Enterprise	32,132	31,454	32,331	35,113	33,247			
Consumer	9,993	10,231	10,885	11,918	11,347			
Total	42,125	41,686	43,217	47,031	44,594			
(Pre-GAAP by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	19,164	19,168	18,311	17,530	20,542			
North America	8,146	7,807	7,216	10,785	7,405			
Europe	6,073	6,846	6,374	13,978	7,025			
APAC, Middle East and Africa	6,563	8,011	8,104	10,744	7,803			
Latin America	1,069	1,345	1,121	2,085	1,440			
Total	41,017	43,179	41,128	55,125	44,218			

“Notice”

**Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance.
As these numbers are just for internal use, they may be subject to some changes hereafter.**

