

# Trend Micro FY2021.2Q Results



Mahendra Negi CFO, Representative Director  
August 12, 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. 2Q Financial Highlight***

**(Second quarter ended June 30, 2021)**

---

# Q2 Consolidated Results

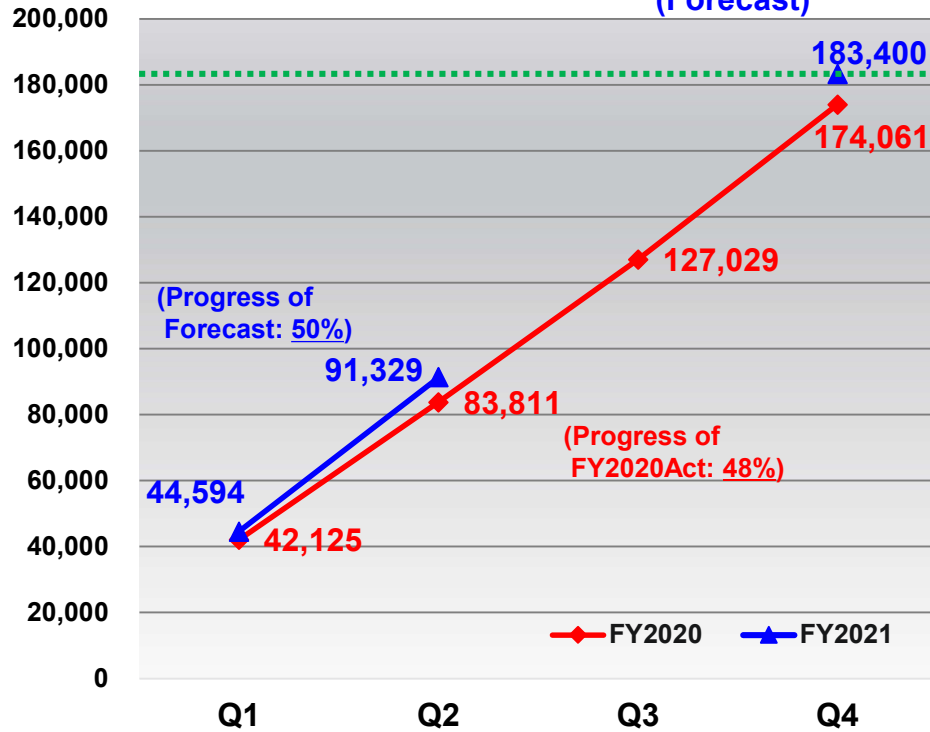
(in million Yen)

| <i>Three months ended Jun 30,</i>   | <b>2Q2020</b>      | <b>2Q2021</b>      | <b>YoY growth</b>  |
|---|--------------------|--------------------|--|
| <b>Net sales</b>  | <b>41,686</b>      | <b>46,734</b>      | <b>+ 12%</b>   |
| <b>Total Operating expenses</b>   | <b>31,758</b>      | <b>36,845</b>      | <b>+ 16%</b>   |
| <b>Operating income (Margin)</b>  | <b>9,927 (24%)</b> | <b>9,888 (21%)</b> | <b>- 0%</b>  |
| <b>Ordinary income</b>  | <b>8,314</b>       | <b>10,615</b>      | <b>+ 28%</b>   |
| <b>Net income</b>   | <b>6,264</b>       | <b>7,699</b>       | <b>+ 23%</b>   |
| <small>attributable to owners of the parent</small><br><b>Operating income excluding amortization of Goodwill</b> | <b>11,658</b>      | <b>10,545</b>      | <b>- 10%</b><br>(Non-GAAP)   |
| <b><i>“For reference” Revenue before adjusting deferred revenue</i></b>   |                    |                    |  |
| <b>Pre-GAAP</b>   | <b>43,179</b>      | <b>47,891</b>      | <b>+ 11%</b><br>(excluding foreign exchange impact)<br><b>+ 6%</b><br>(Non-GAAP) |
| <b><i>If currency exchange rates used for 2Q2020 were used for 2Q2021</i></b>                                     |                    |                    |  |
| <b>Net sales</b>  | <b>41,686</b>      | <b>44,693</b>      | <b>+ 7%</b><br>(Non-GAAP) 4  |

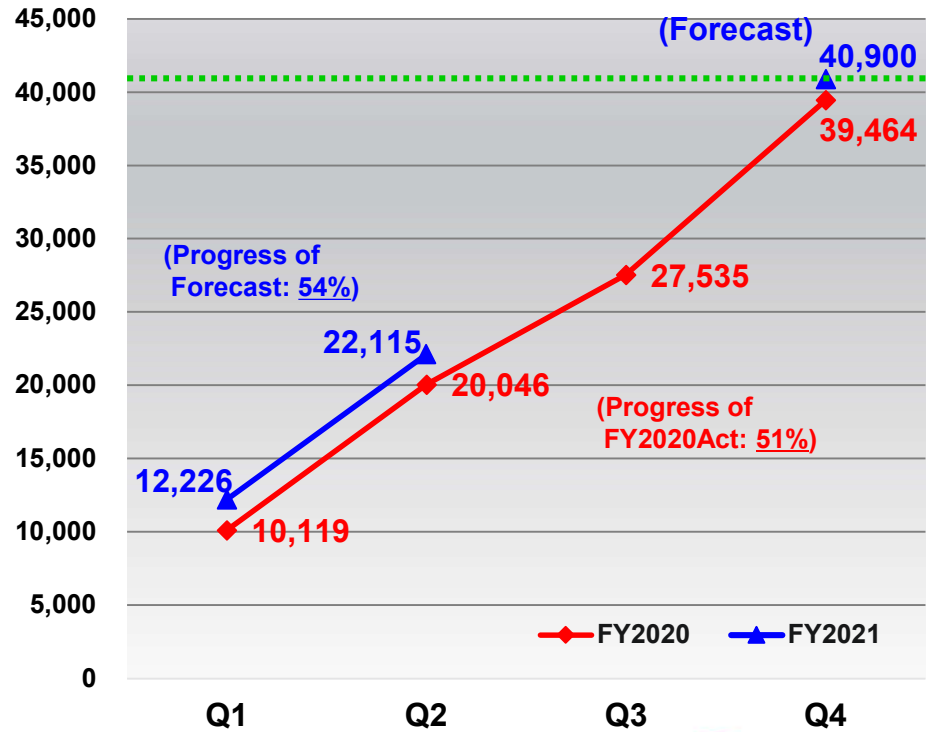
# Progress (6 months)

(in million Yen)

## Revenue (Forecast)



## Operating Income



# Q2 USD based Results (Non-GAAP)

(unaudited)

| <i>Three months<br/>ended Jun 30,</i> | <i>2Q2020</i>  | <i>2Q2021</i>  | <i>(in thousand USD)<br/>YoY change</i> |
|---------------------------------------|----------------|----------------|---|
| <b>Net sales</b>                      | <b>387,345</b> | <b>426,759</b> | <b>+ 10%</b>                            |
| <b>Cost of sales</b>                  | <b>71,502</b>  | <b>93,231</b>  | <b>+ 30%</b>                            |
| <b>Operating expenses</b>             | <b>223,596</b> | <b>243,228</b> | <b>+ 9%</b>                             |
| <b>Operating income</b>               | <b>92,246</b>  | <b>90,298</b>  | <b>- 2%</b>                             |
| <b>Ordinary income</b>                | <b>77,256</b>  | <b>96,936</b>  | <b>+ 25%</b>                            |
| <b>Net Income</b>                     | <b>58,209</b>  | <b>70,308</b>  | <b>+ 21%</b>                            |

attributable to owners of the parent

(Non-GAAP)

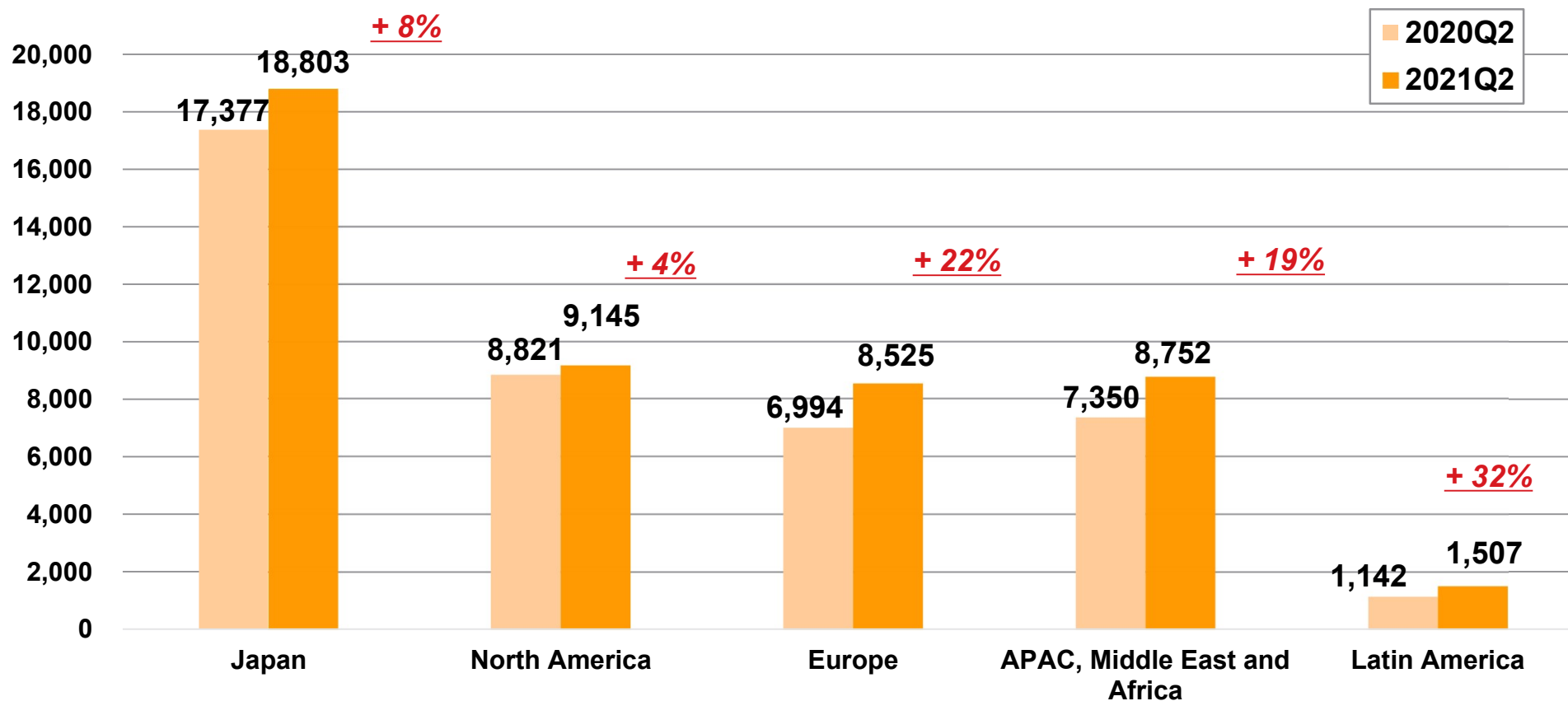
*For each of the quarters shown in the table above, JPY Japan GAAP amounts have been converted to USD amounts using the exchange rates of USD=107.62 JPY for 2Q2020 and 1 USD =109.51 JPY for 2Q2021, respectively, which are the respective weighted average exchange rates used to convert USD net sales to JPY for these quarters.*



# Net Sales Growth by Region

(unaudited)

(in million Yen)

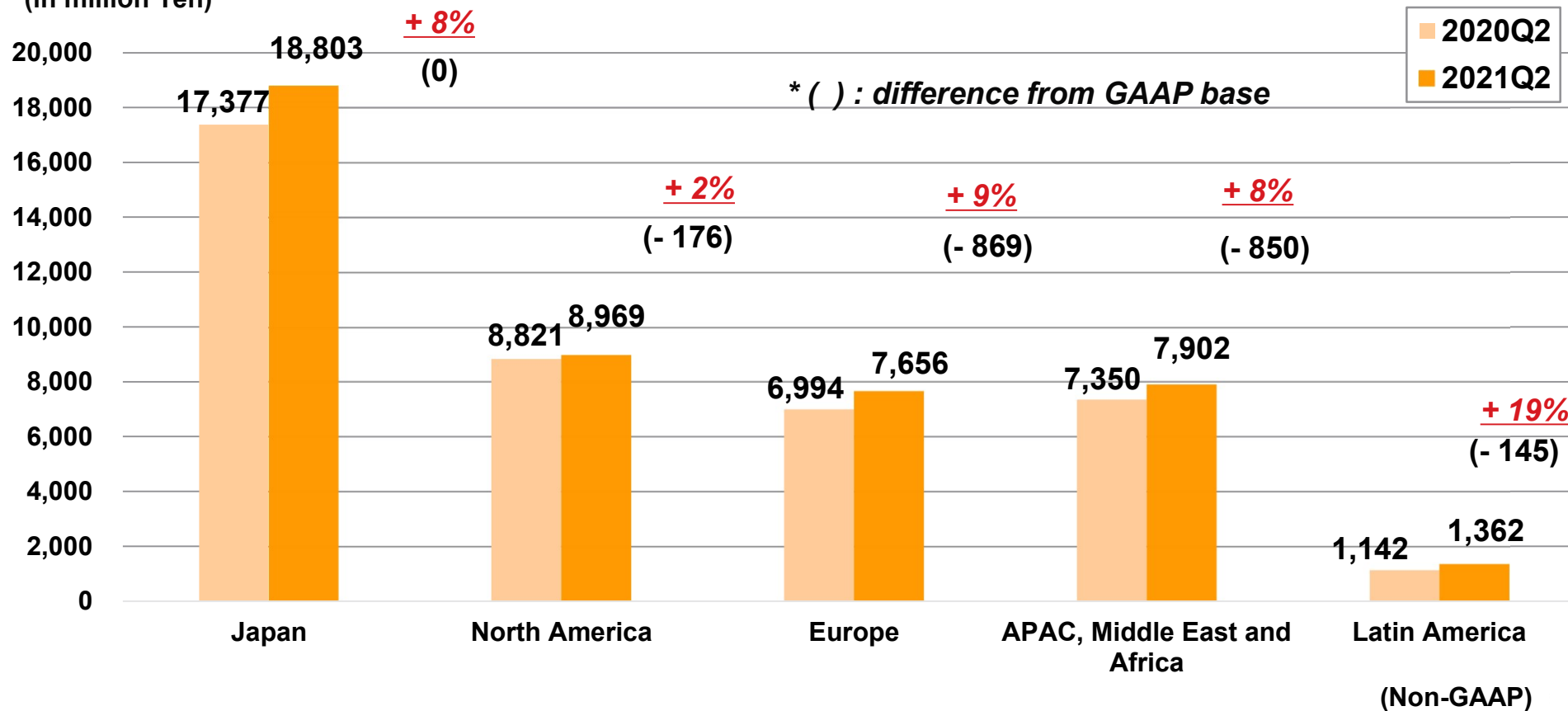


# Net Sales Growth by Region

If currency exchange rates used for 2Q2020 were used for 2Q2021:

(unaudited)

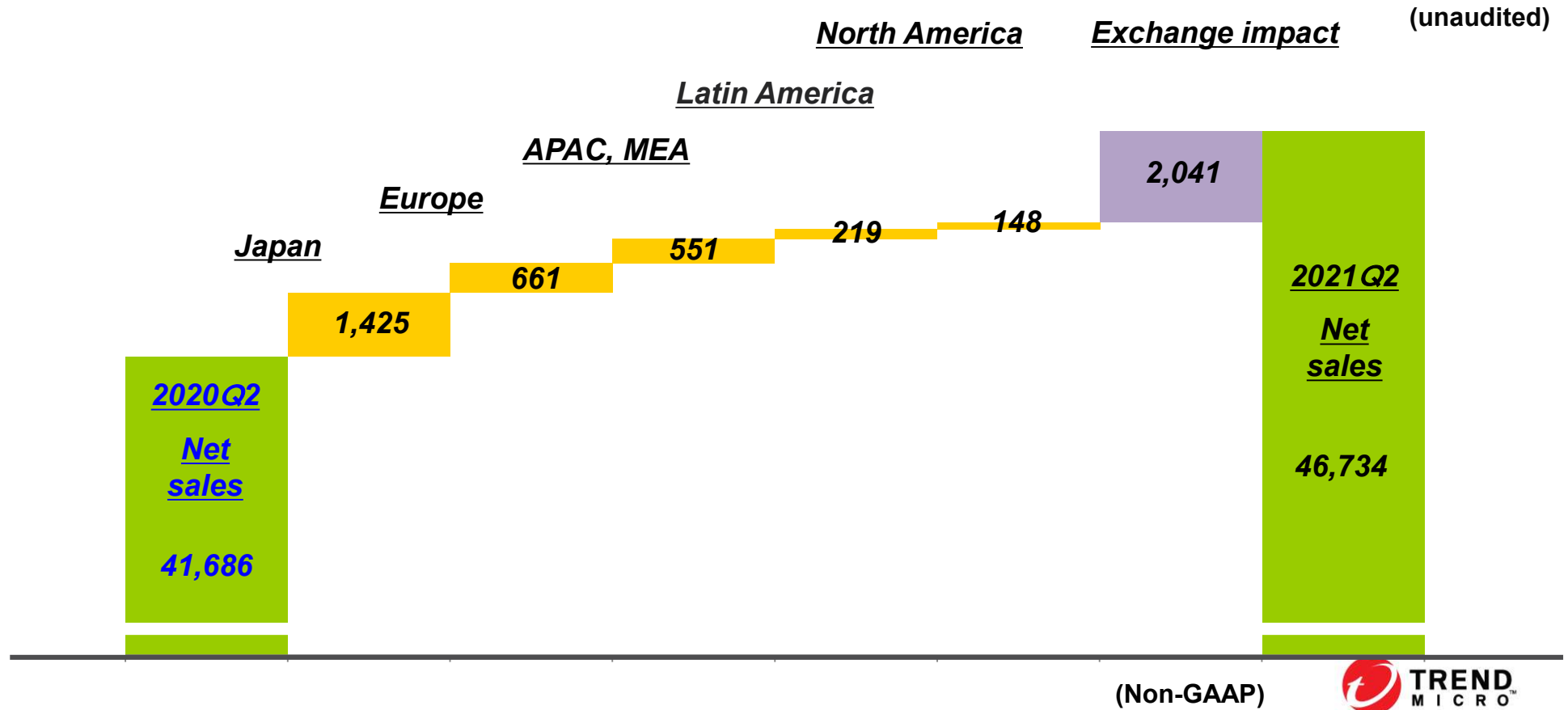
(in million Yen)



# Decomposition of Revenue (vs. last year)

(in million Yen)

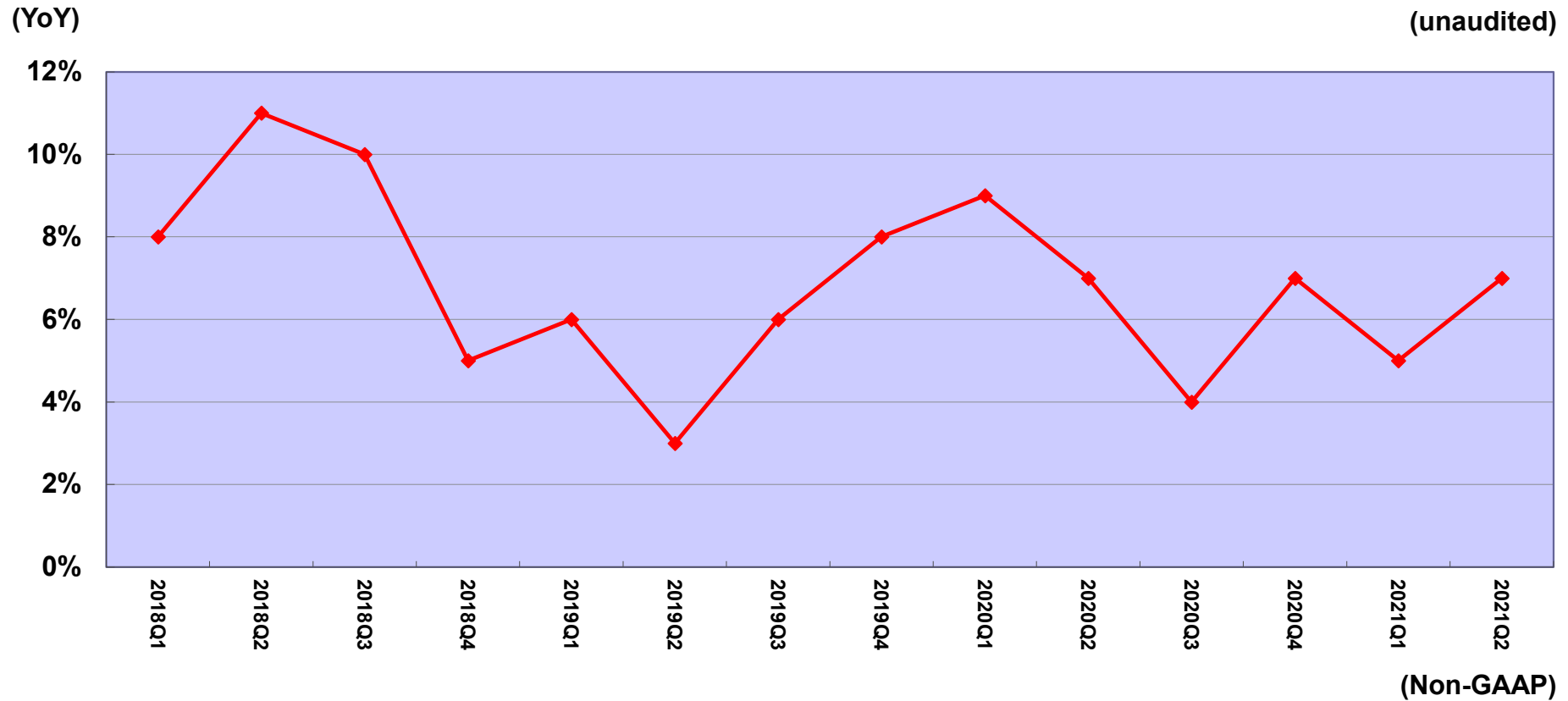
(unaudited)



(Non-GAAP)



# Constant currency Revenue growth

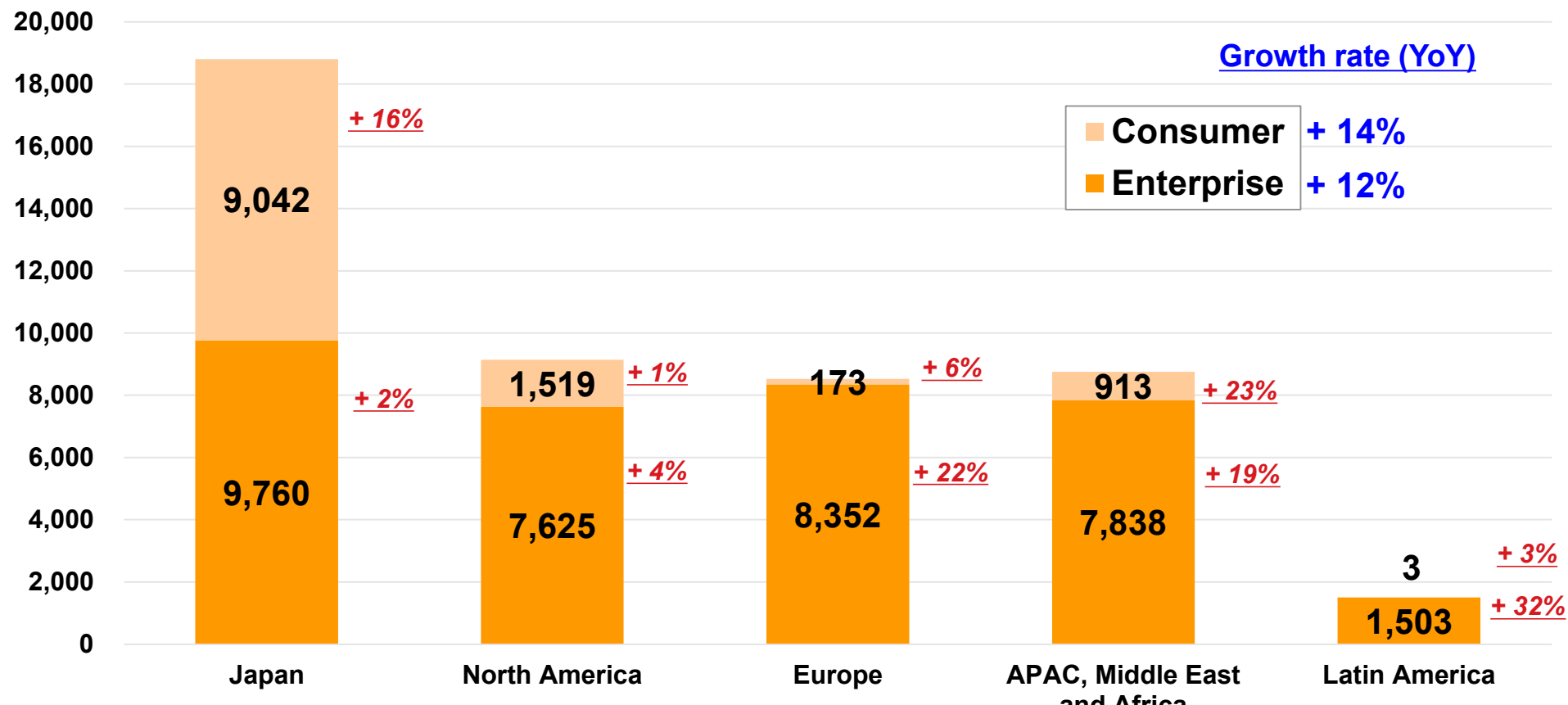


• Each growth rate shown above is based on applying to each quarter the same currency rate as the previous year for the same period

# 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)

# 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 + 1<sup>st</sup> Year Support fees \$120 + 2<sup>nd</sup> Year Support fees \$120 + 3<sup>rd</sup> Year Support fees \$120)

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

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

## - Subscription ARR

**Annualized Recurring Revenue of Subscription license**

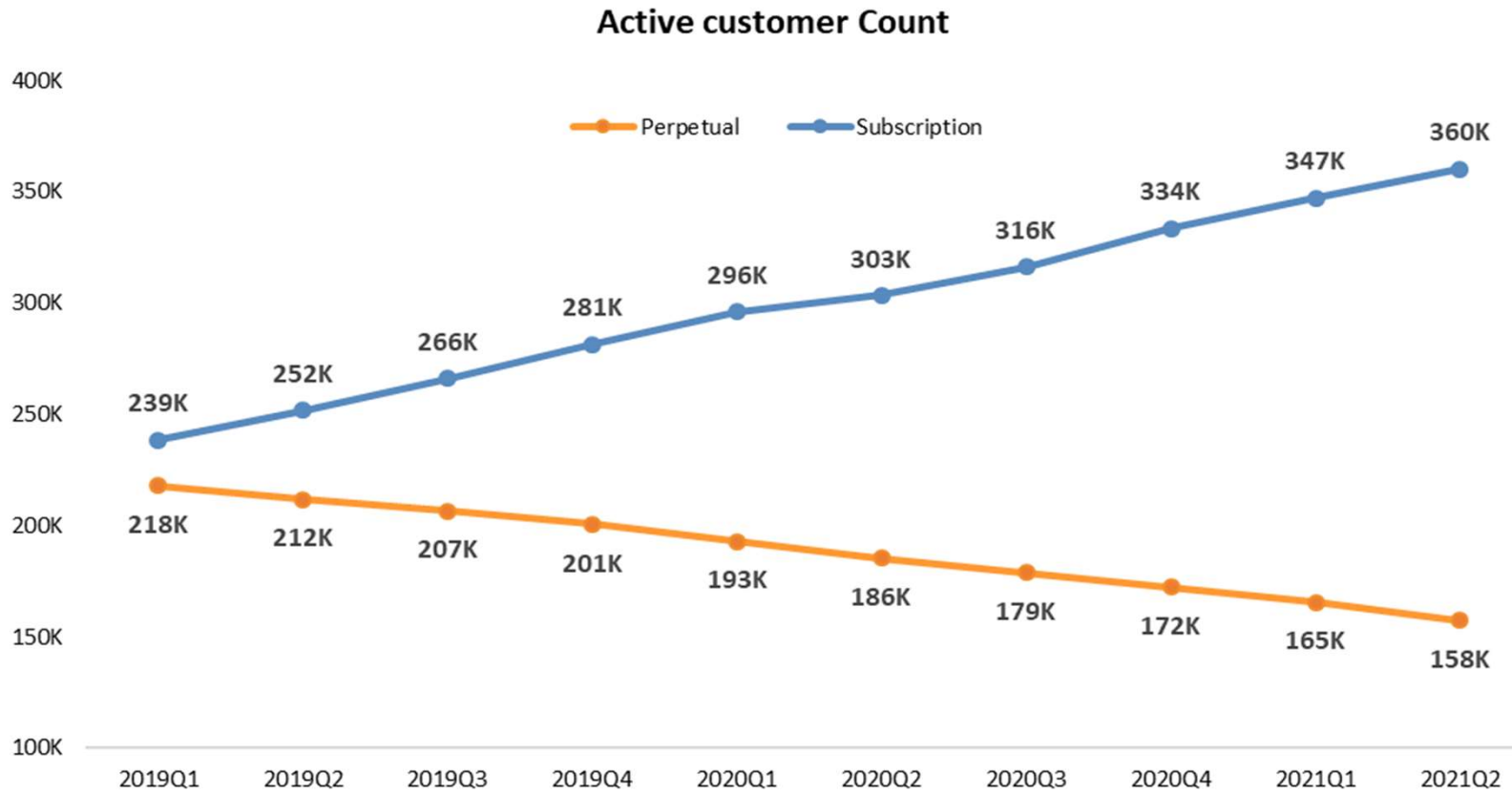
**Example:**

\*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) →  $\$120 / 1 = \text{ARR} \$120$

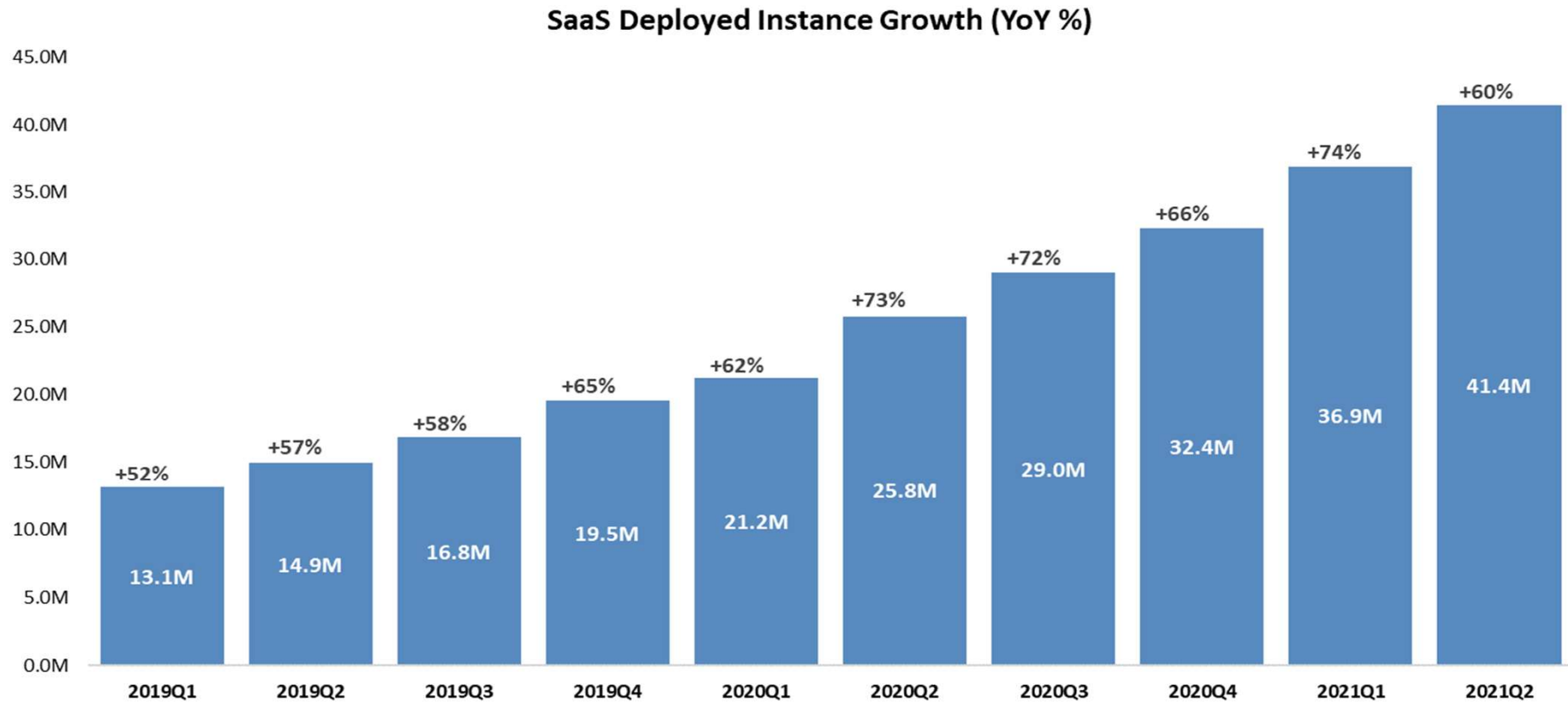
\*3 Years contract \$360 (1<sup>st</sup> Year subscription fees \$120 + 2<sup>nd</sup> Year subscription fees \$120 + 3<sup>rd</sup> Year subscription fees \$120) →  $\$360 / 3 = \text{ARR} \$120$

# Active Customer Count



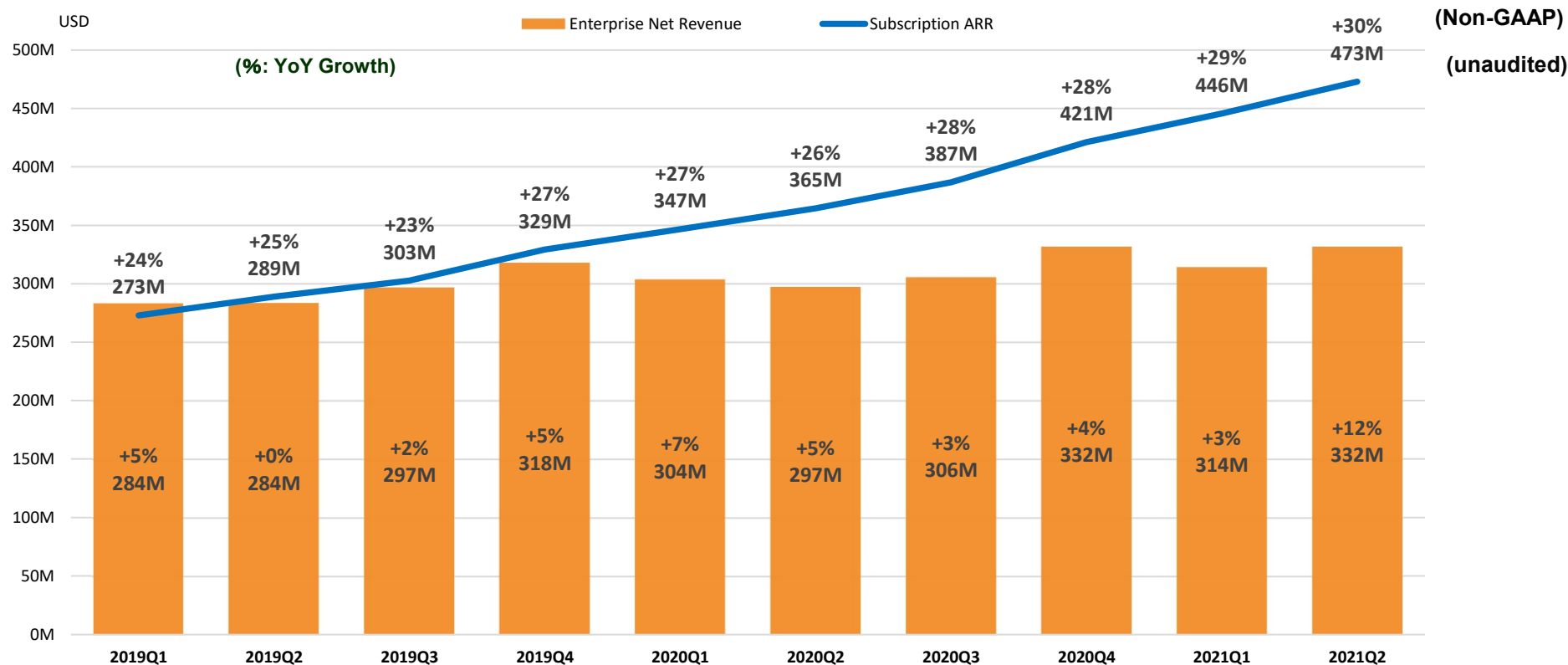
***“Notice” As these numbers are just for internal use, they may be subject to some changes hereafter.***

# SaaS Deployed Instance Growth



***“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.

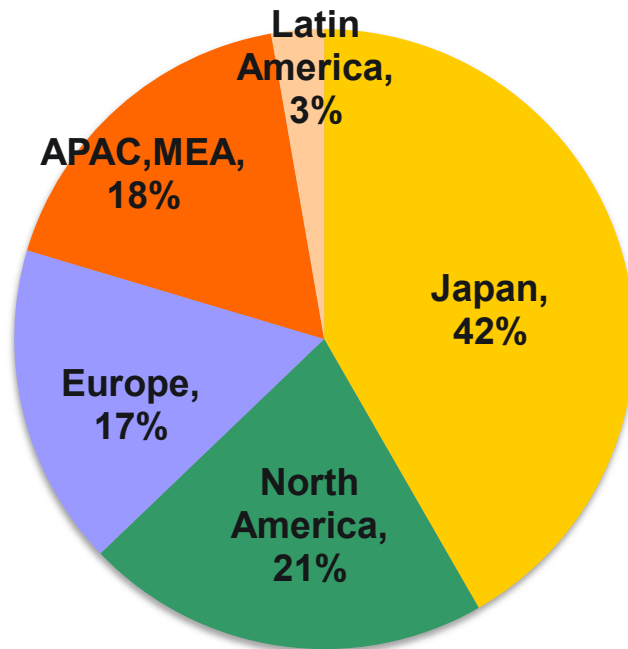
\*Enterprise Net Revenue is a quarterly figure based on actual yen reported each quarter converted to USD at FY2021 Company budget exchange rate (1 USD = 105.76 yen).

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

# *% share by region*

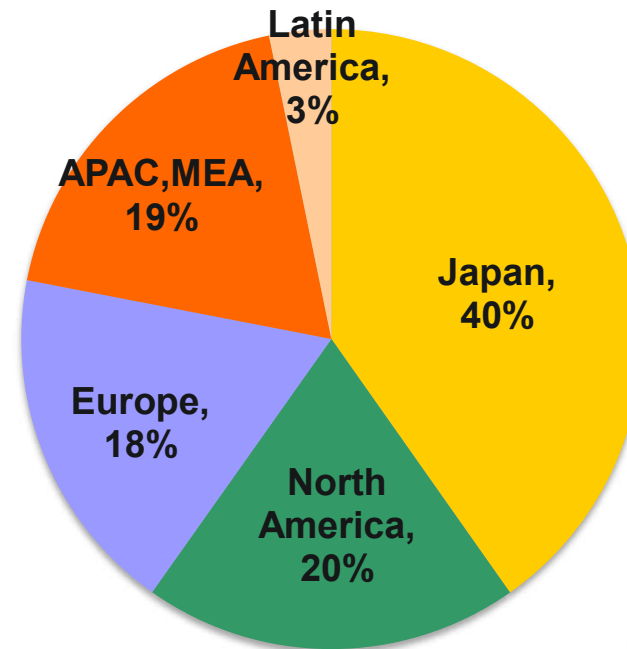
**2Q2020**

**41,686 million Yen**



**2Q2021**

**46,734 million Yen**



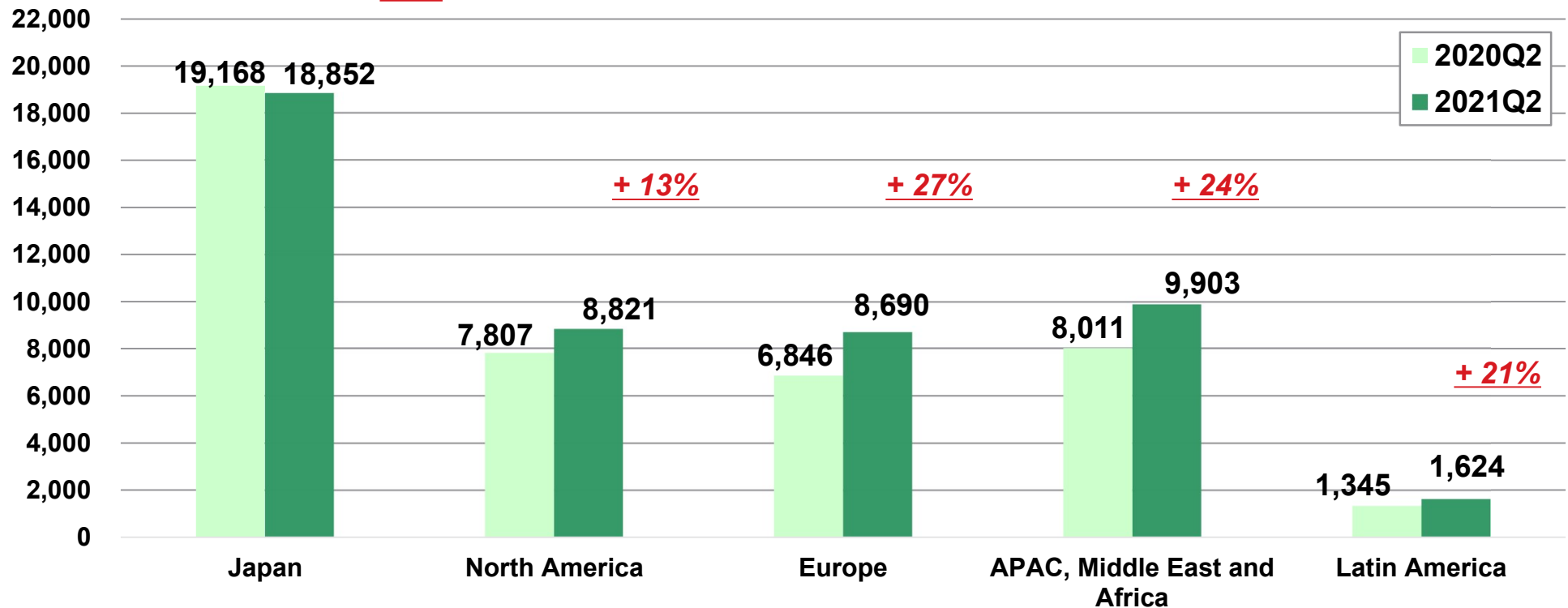
**“For reference”**

## **Pre-GAAP (Revenue before adjusting Deferred revenue)**

(in million Yen)

**- 2%**

(unaudited)



**“Notice”**

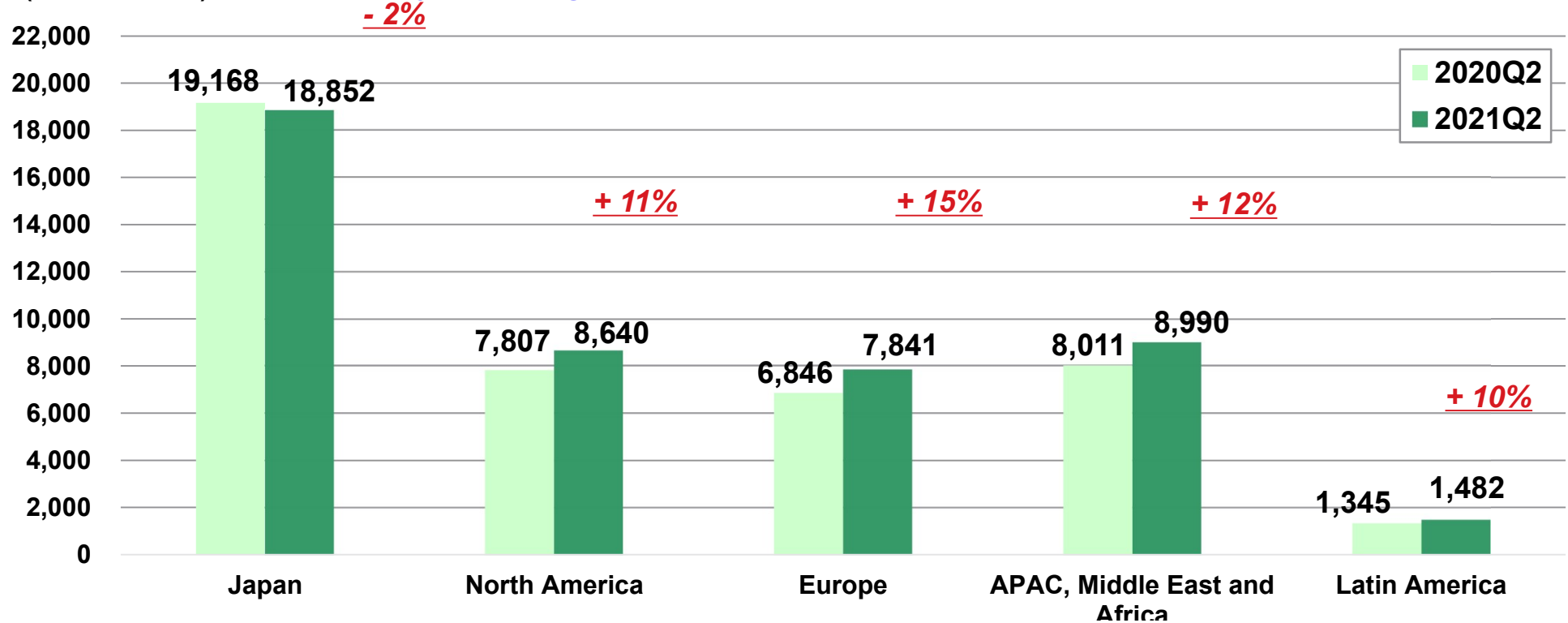
**Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance.  
As these numbers are just for internal use, they may be subject to some changes hereafter.**

(Non-GAAP)

**“For reference”**

## **Pre-GAAP (Revenue before adjusting Deferred revenue)**

(in million Yen) **If currency exchange rates used for 2Q2020 were used for 2Q2021:** (unaudited)

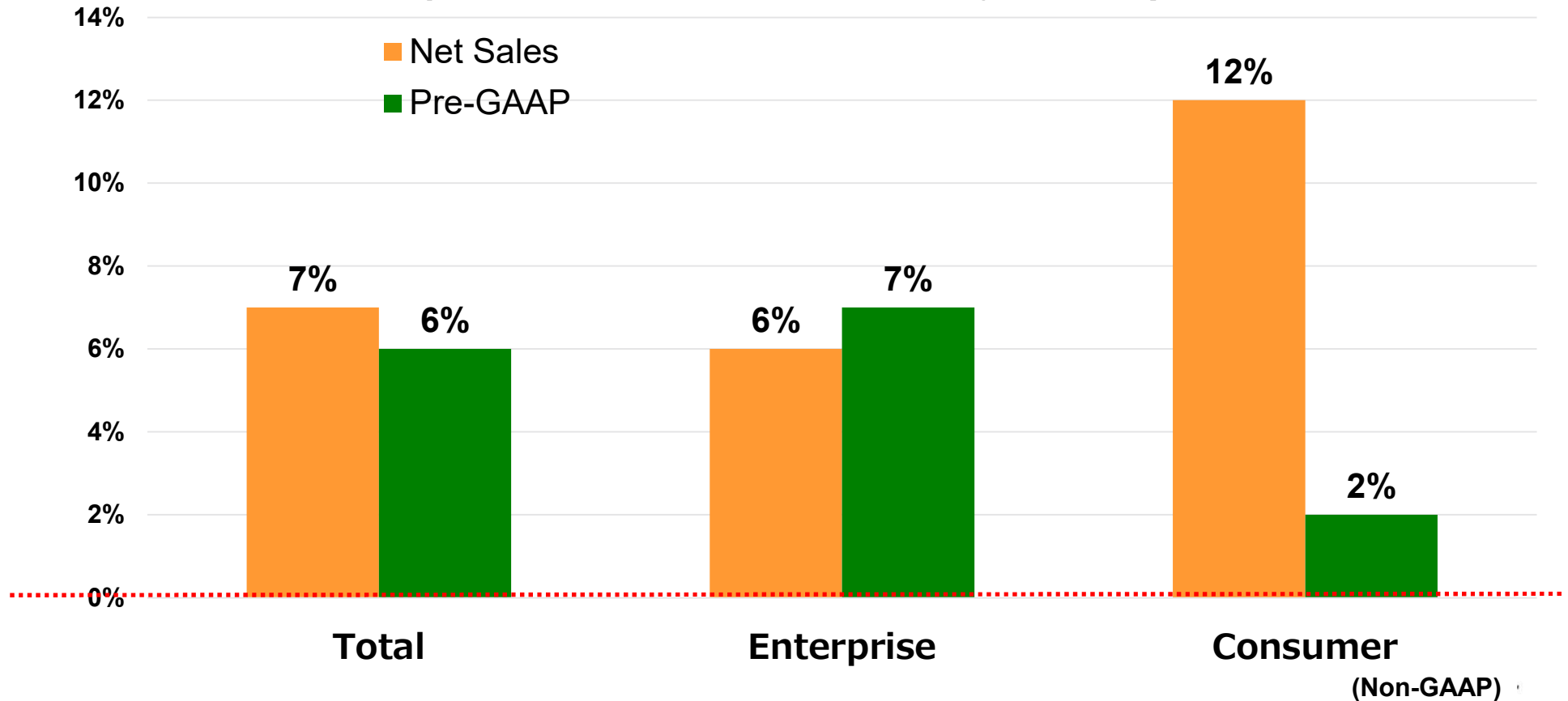


**“Notice”**

**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.**

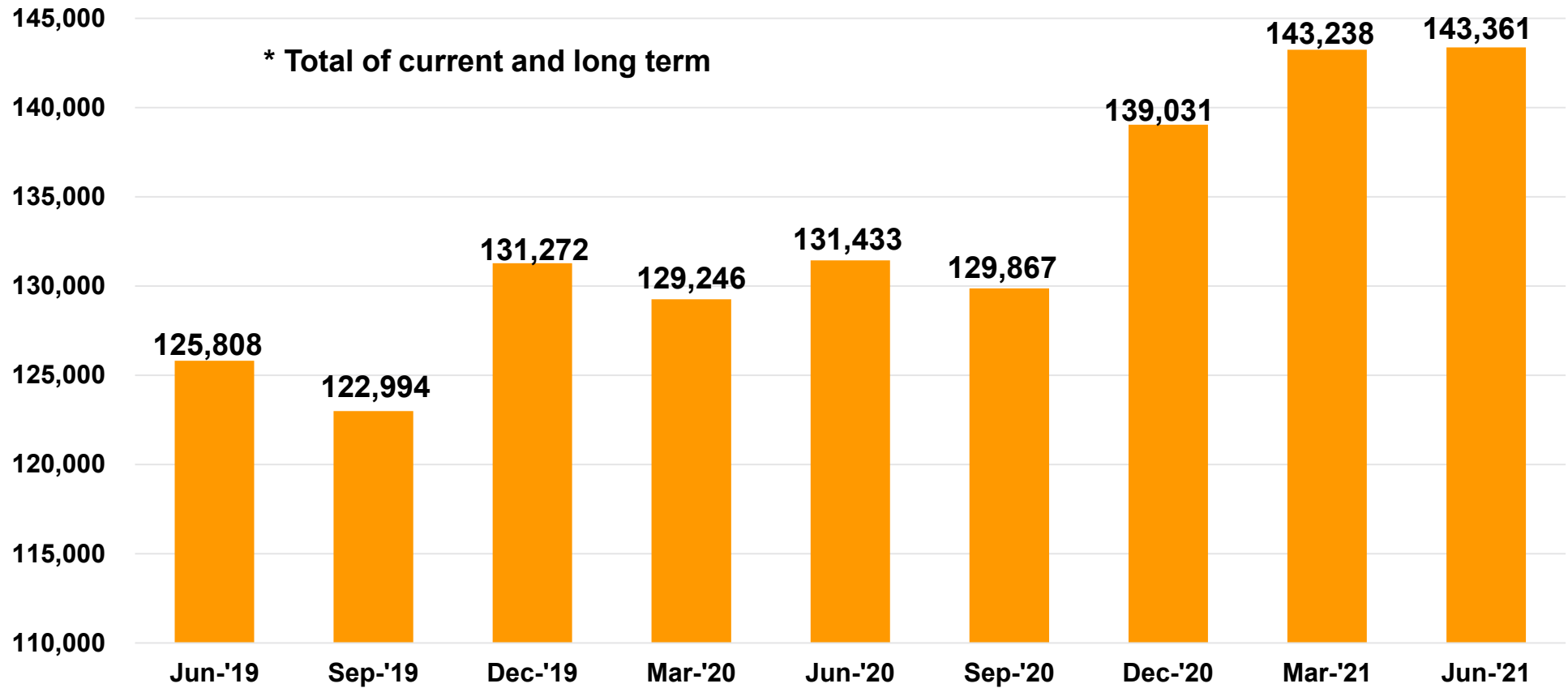
(Non-GAAP)

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



# Deferred Revenue

(in million Yen)

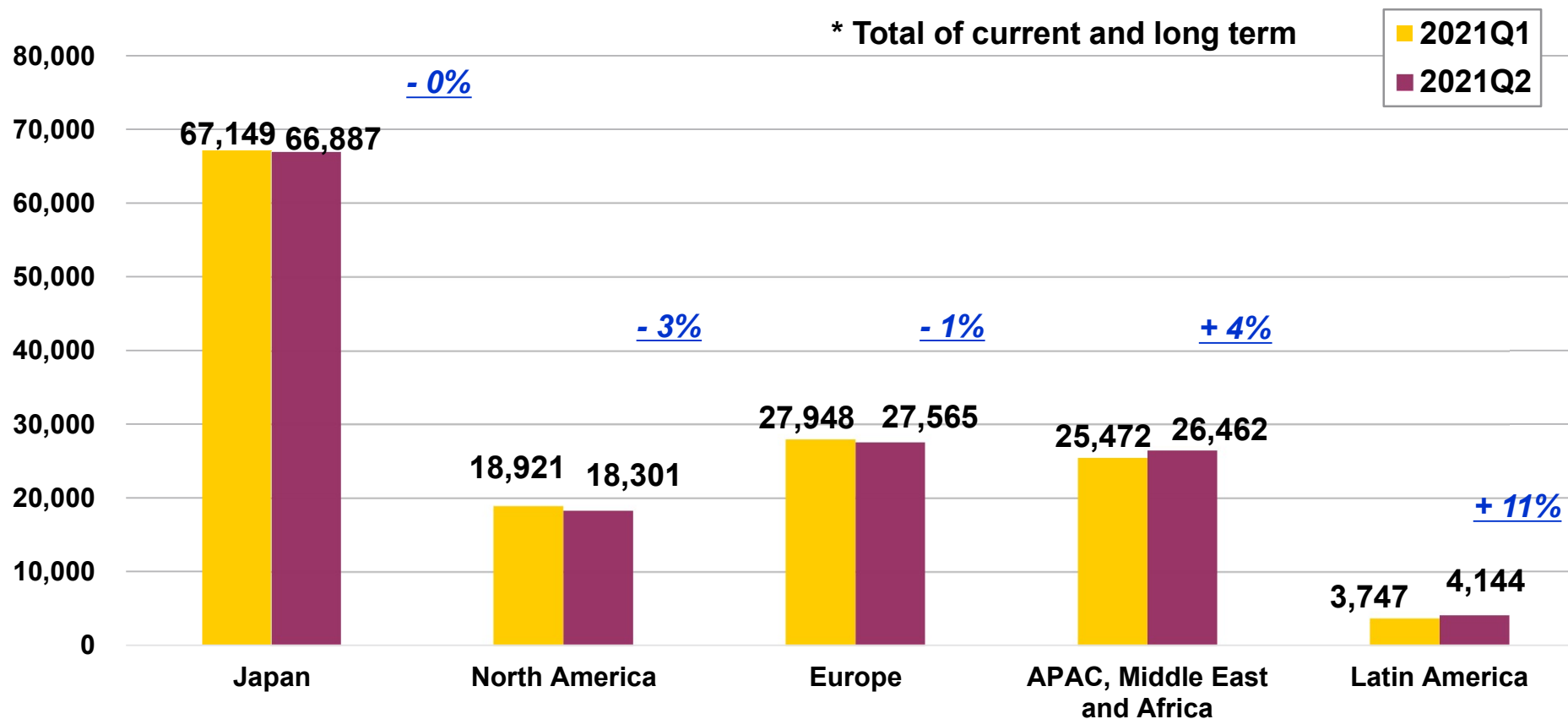


# Deferred Revenue by Region

(in million Yen)

(unaudited)

\* Total of current and long term

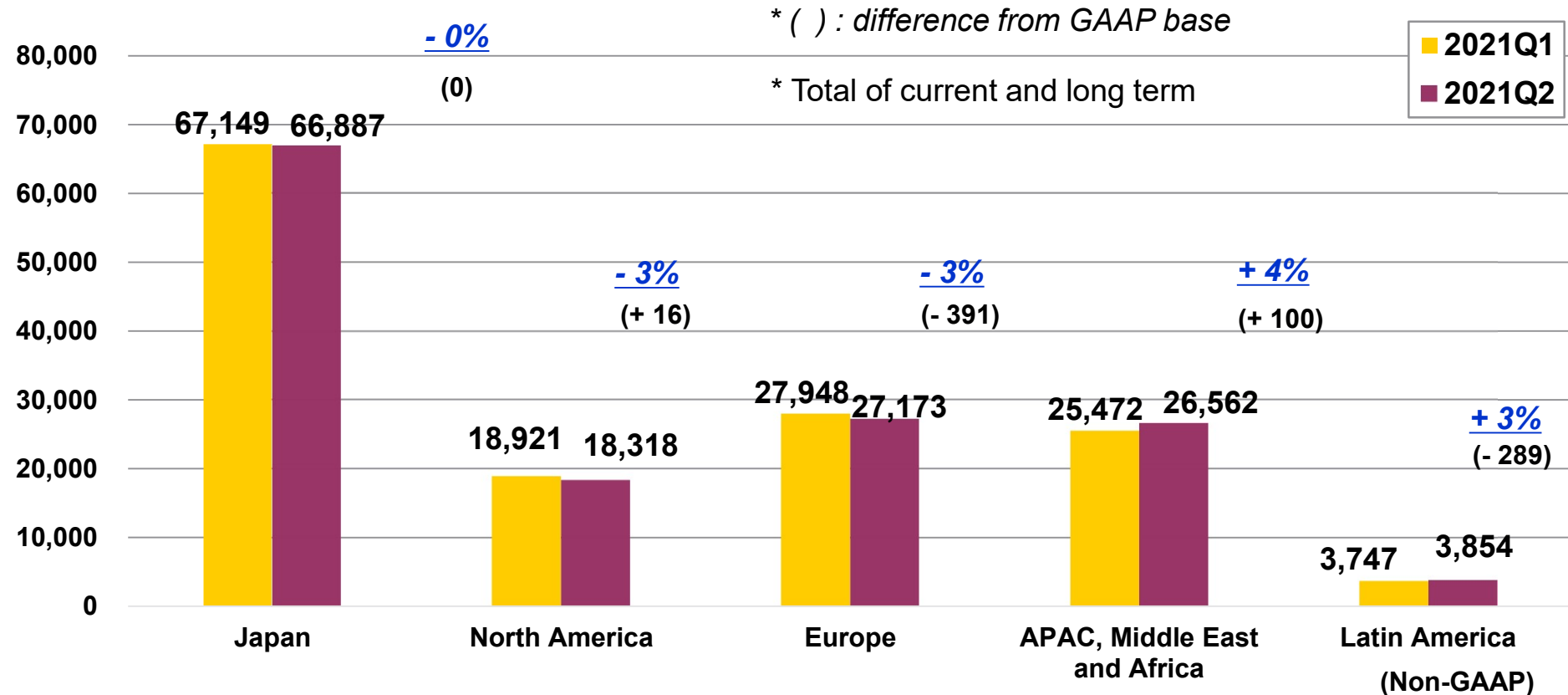


# Deferred Revenue by Region

*If currency exchange rates used as of the end of 1Q2021 were used as of the end of 2Q2021:*

(in million Yen)

(unaudited)

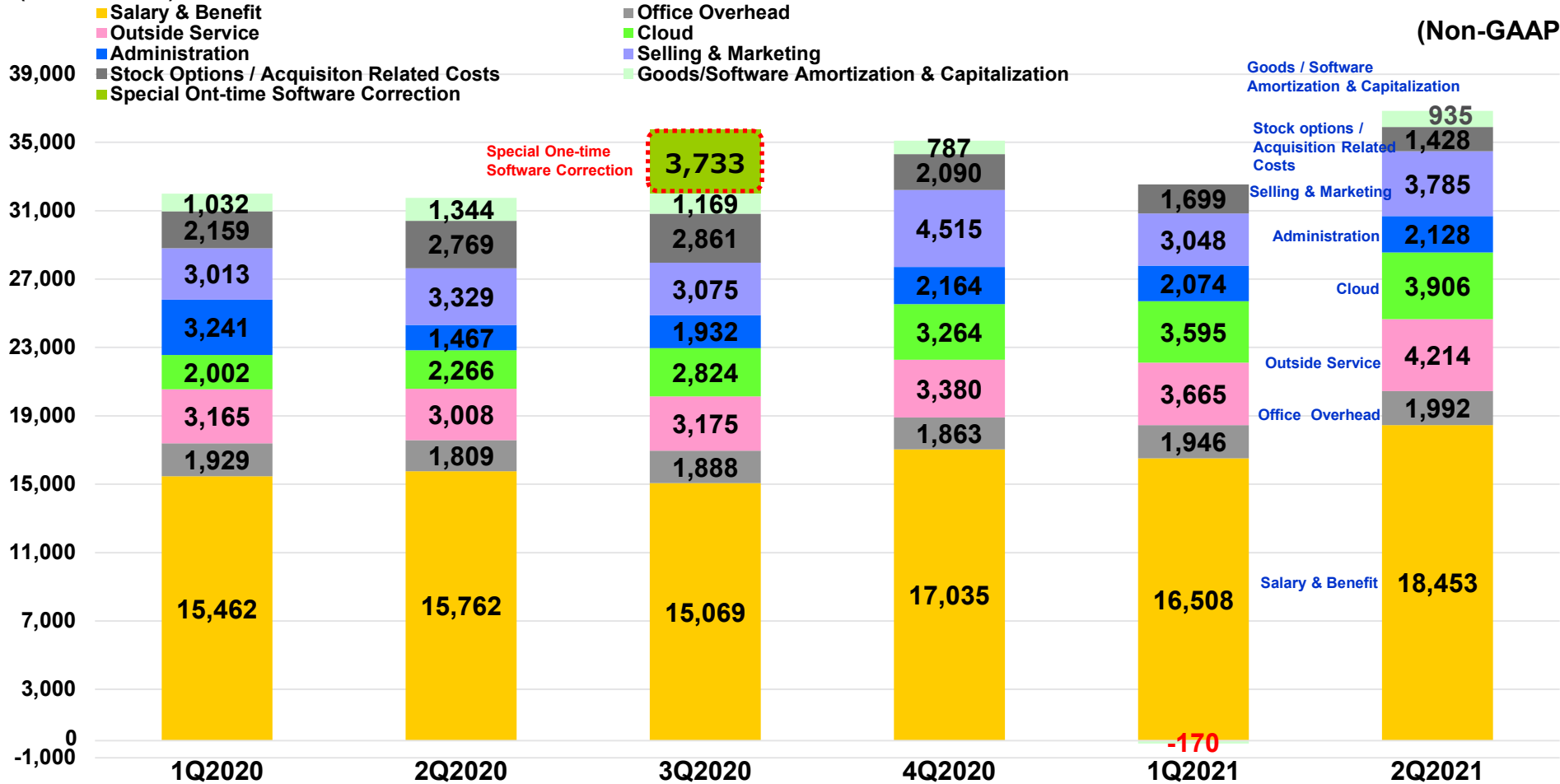


# Cost

(unaudited)

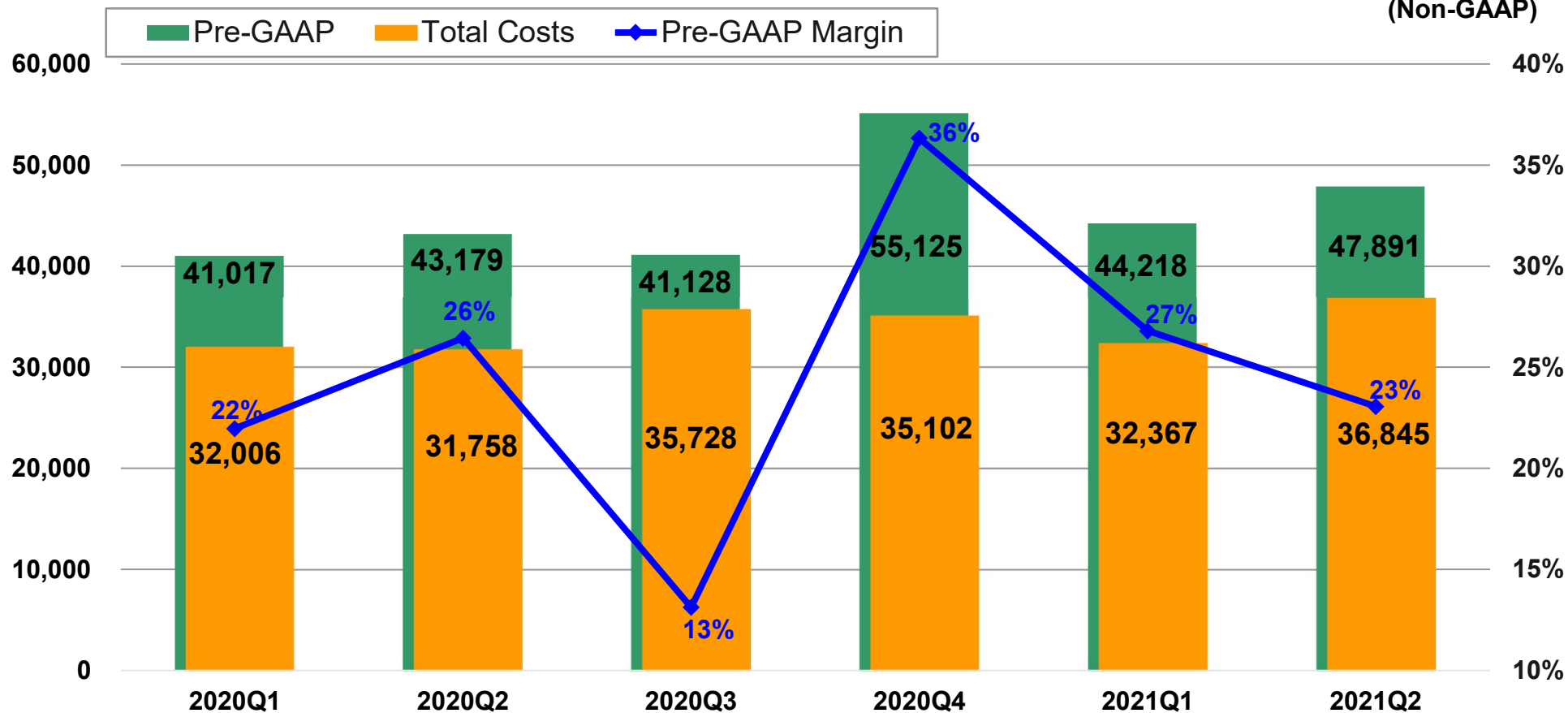
(Non-GAAP)

(in million Yen)



# Pre-GAAP vs Total Costs

(unaudited)  
(Non-GAAP)



\* "Total costs" means COGS + SGA.

# Cash flows

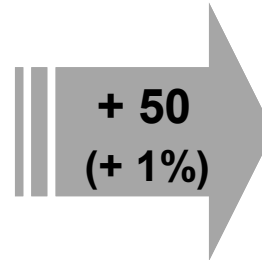
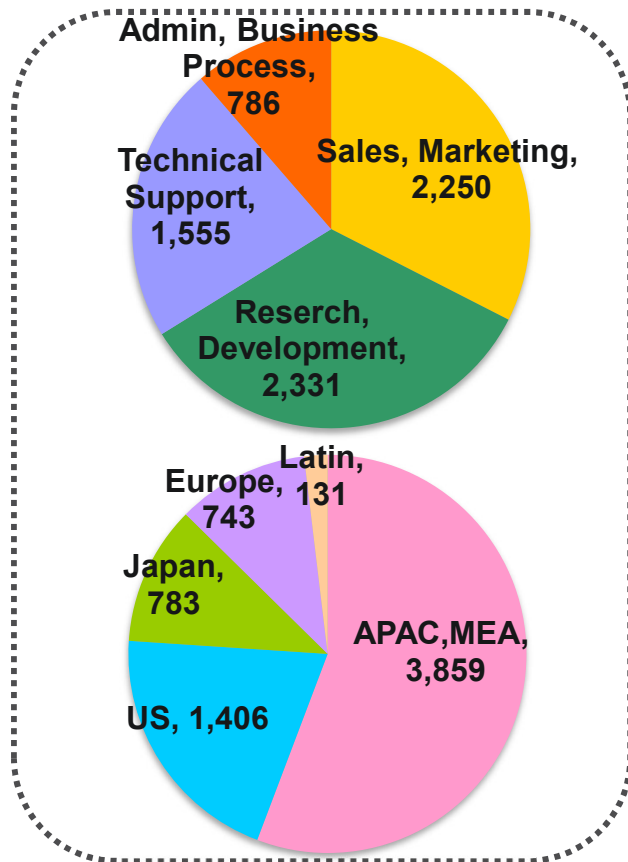
(unaudited)  
(in million Yen)

|  | 2Q2020  | 2Q2021  | YoY growth |
|--|---------|---------|------------|
| Cash flows from operating activities                             | 16,486  | 14,226  | - 14%      |
| Cash flows from investing activities                             | - 4,068 | 10,457  | —          |
| Cash flows from financing activities                             | 456     | 25      | - 94%      |
| Effect of exchange rate changes<br>on cash and cash equivalents  | 1,412   | 428     | - 70%      |
| Net increase (decrease) in cash and cash<br>equivalents          | 14,286  | 25,139  | + 76%      |
| Cash and cash equivalents at beginning of this<br>quarter period | 138,382 | 171,603 | + 24%      |
| Increase in cash due to merger of consolidated<br>subsidiary     | —       | —       | —          |
| Cash and cash equivalents at end of this quarter<br>period       | 152,669 | 196,742 | + 29%      |

# Headcount

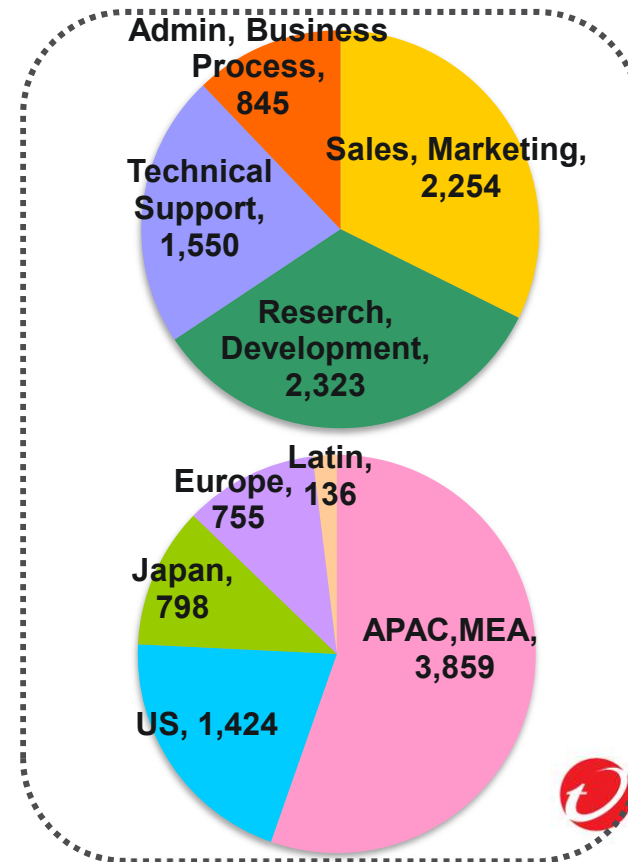
Mar - 2021

**6,922**



Jun - 2021

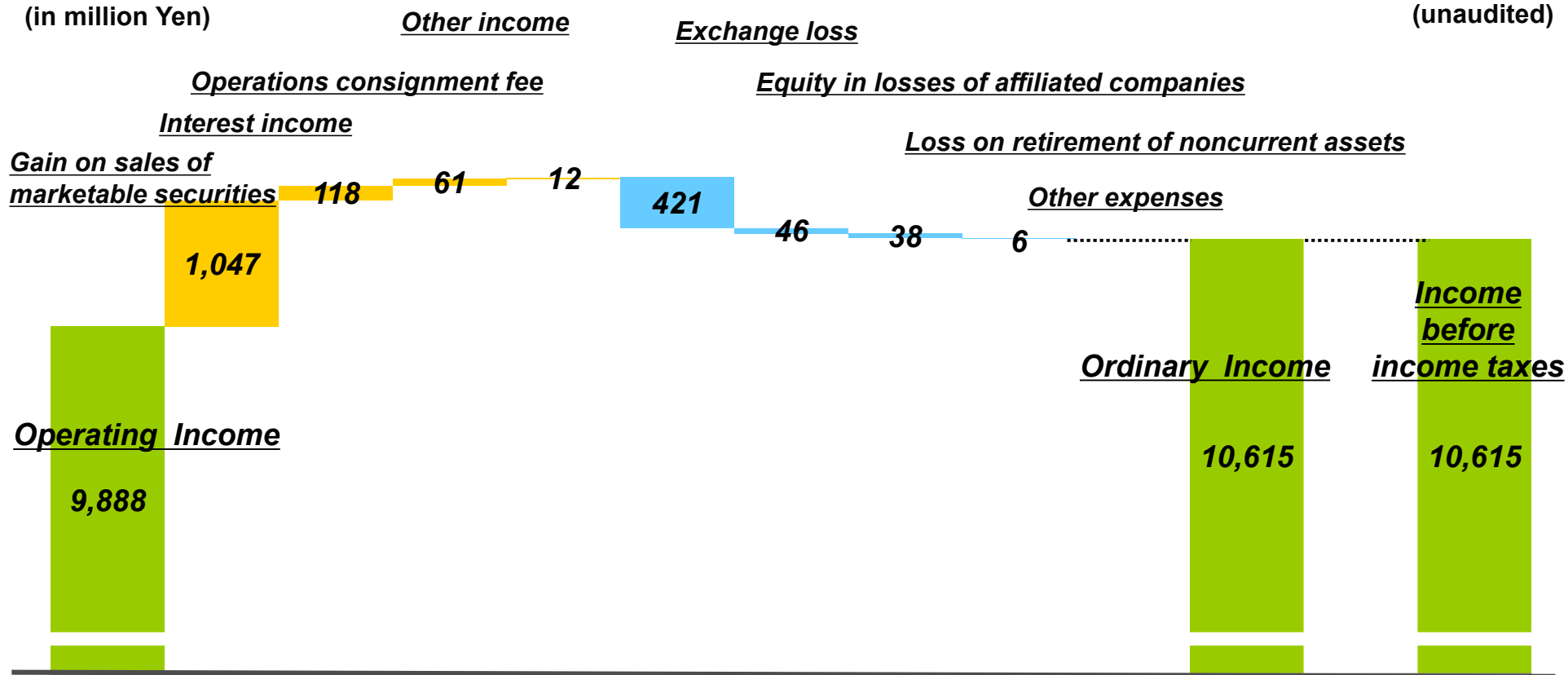
**6,972**



# Non-operating & Extra-ordinary Items

(in million Yen)

(unaudited)



(Non-GAAP)



# Balance Sheet

(unaudited)  
(in million Yen)

|  | <i>Mar-2021</i> | <i>change</i> | <i>Jun-2021</i> |
|--|-----------------|---------------|-----------------|
| <b><u>Assets</u></b>   |                 |               |                 |
| <i>Cash &amp; cash equivalents</i>   | 149,901         | + 24,179      | 174,080         |
| <i>Account receivable</i><br><i>(less allowance for doubtful accounts)</i> | 39,363          | - 1,941       | 37,422          |
| <i>Marketable securities &amp;</i><br><i>Securities investments</i>        | 98,944          | - 12,513      | 86,431          |
| <i>Goodwill</i>  | 3,797           | - 296         | 3,501           |
| <b><u>Liabilities</u></b>  |                 |               |                 |
| <i>Deferred revenue</i><br><i>(total of current and long-term)</i>         | 143,238         | + 123         | 143,361         |
| <b><u>Shareholders' Equity</u></b>   |                 |               |                 |
| <i>Common Stock &amp;</i><br><i>Additional paid in capital</i>             | 45,289          | + 7           | 45,296          |
| <i>Treasury Stock</i>  | - 7,172         | + 241         | - 6,931         |

## ***Q2 Highlights***

- ***North America shows YoY growth***
- ***All regions Pre-GAAP other than Japan show double digit growth***
- ***Subscription ARR growth continues to be strong***

## ***Q2 Lowlights***

- ***Impact of state of emergency on Japan Pre-GAAP growth***
- ***People / Cloud costs continue to grow***

# ***FY2021 6 months Financial Highlight***

**(January ~ June, 2021)**

# Consolidated Results (6 months)

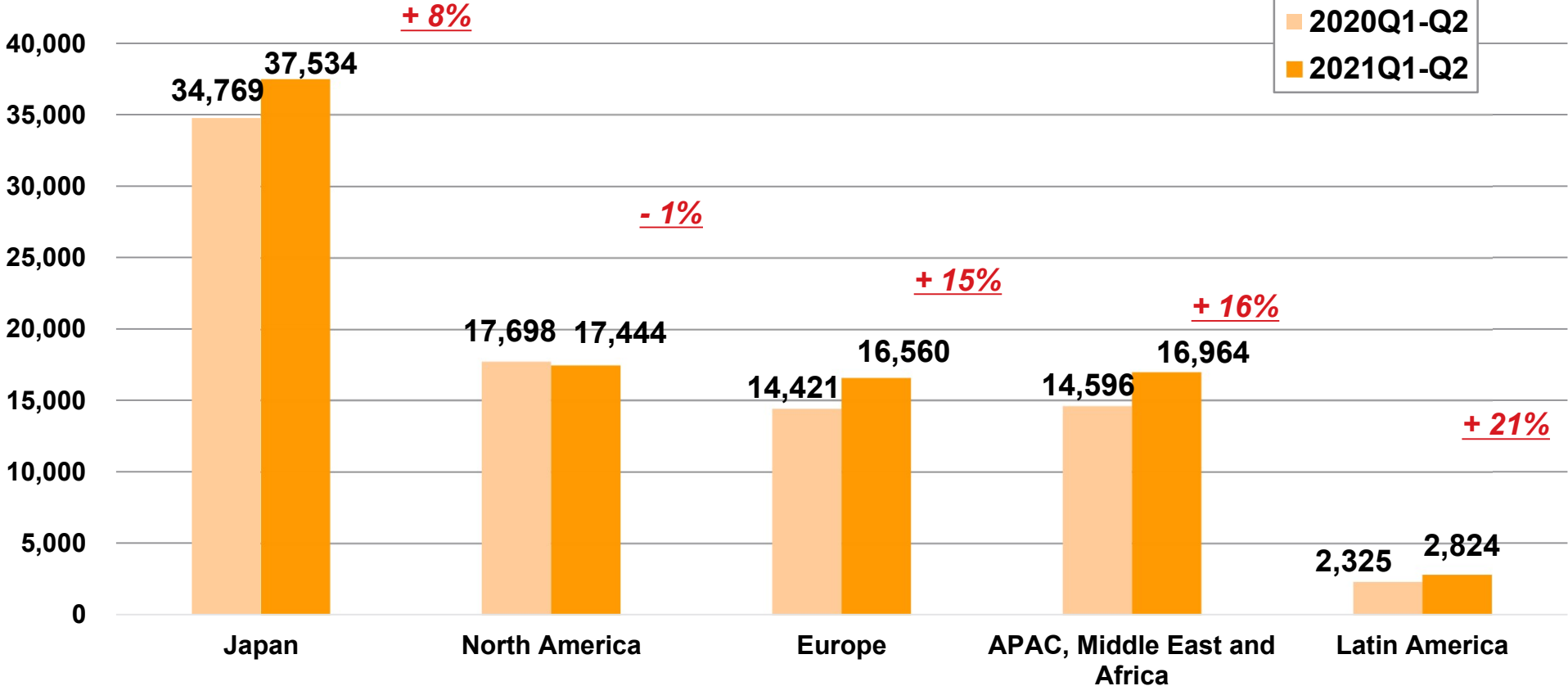
(in million Yen)

| 6 months<br>ended Jun 30,  | 2020 (1-2Q)     | (Progress vs. last<br>year's annual<br>result) | 2021 (1-2Q)     | YoY<br>growth | (Progress vs.<br>current year's<br>annual forecast) |
|--|-----------------|--|-----------------|---------------|---|
| Net sales  | 83,811          | (48%)  | 91,329          | + 9%          | (50%)   |
| Total Operating expenses   | 63,765          |  | 69,213          | + 9%          |   |
| Operating income<br>(Margin)                                     | 20,046<br>(24%) | (51%)  | 22,115<br>(24%) | + 10%         | (54%)   |
| Ordinary income  | 20,349          | (51%)  | 22,742          | + 12%         | (55%)   |
| Net income<br>attributable to owners of the parent               | 15,125          | (56%)  | 16,503          | + 9%          | (57%)   |
| Operating income<br>excluding amortization of Goodwill           | 23,564          |  | 24,122          | + 2%          | (Non-GAAP)  |
| <b>“For reference” Revenue before adjusting deferred revenue</b> |                 |  |                 |               |   |
| Pre-GAAP   | 84,196          |  | 92,110          | + 9%          | (Non-GAAP)  |

# Net Sales Growth by Region

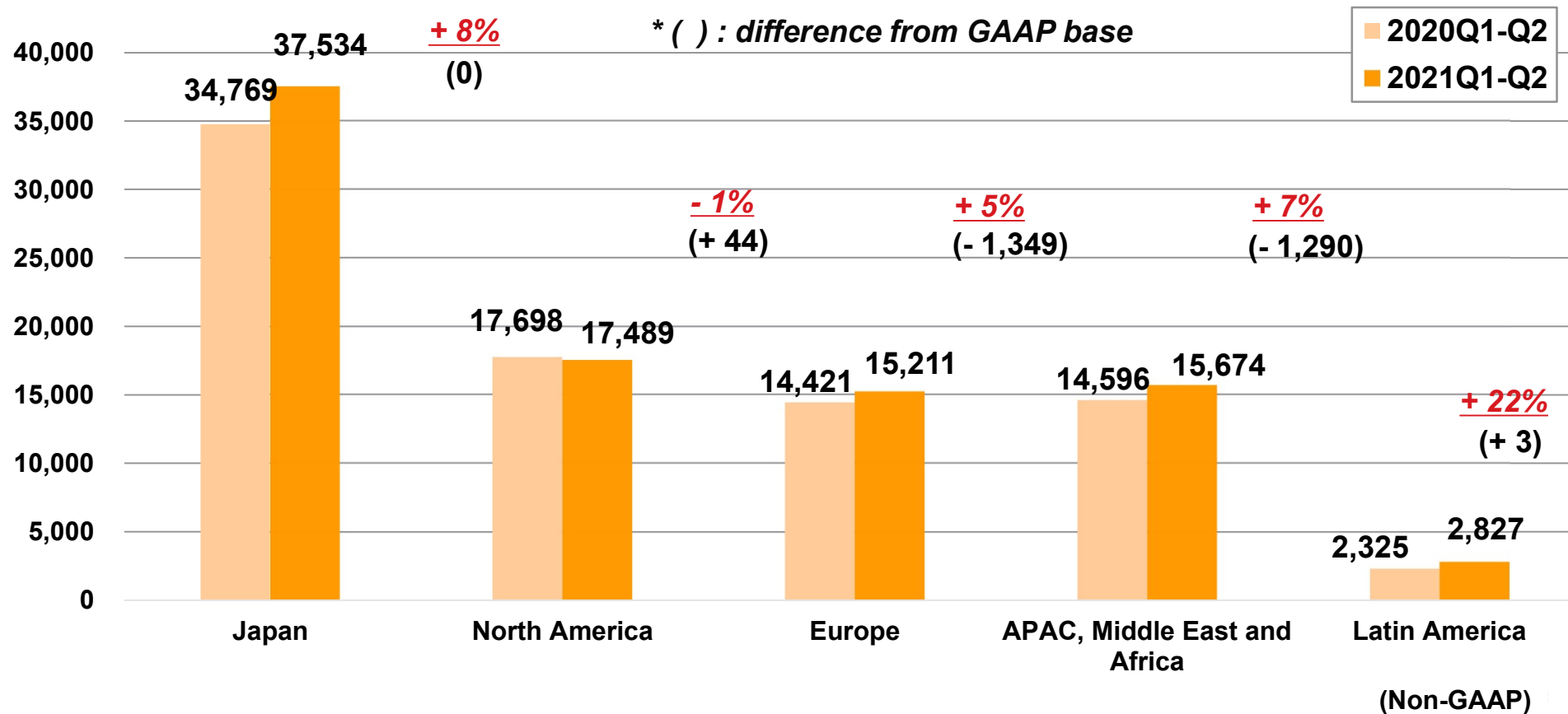
(unaudited)

(in million Yen)



# Net Sales Growth by Region

(in million Yen) *If currency exchange rates used for 2020 (Q1-Q2) were used for 2021 (Q1-Q2):* (unaudited)

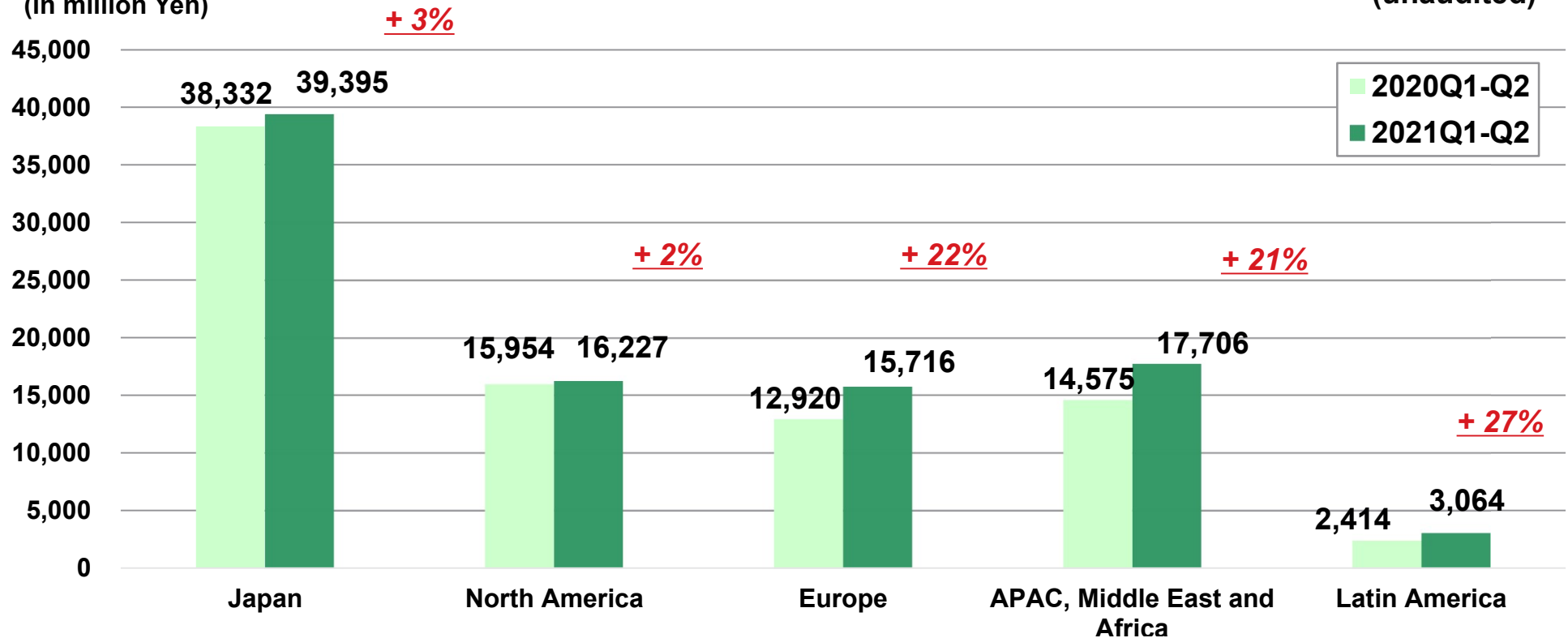


**“For reference”**

## **Pre-GAAP (Revenue before adjusting Deferred revenue)**

(in million Yen)

(unaudited)



**“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.**

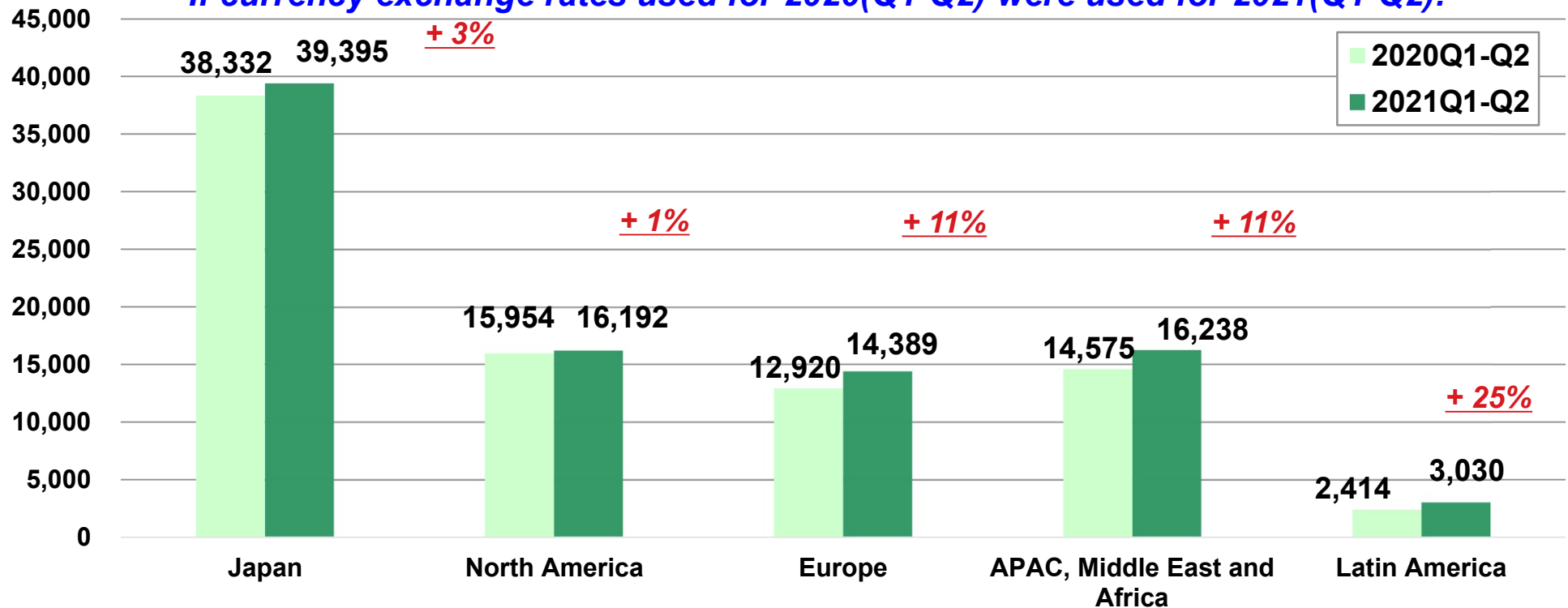
(Non-GAAP)

**“For reference”**

## **Pre-GAAP (Revenue before adjusting Deferred revenue)**

(unaudited)

**If currency exchange rates used for 2020(Q1-Q2) were used for 2021(Q1-Q2):**



**“Notice”**

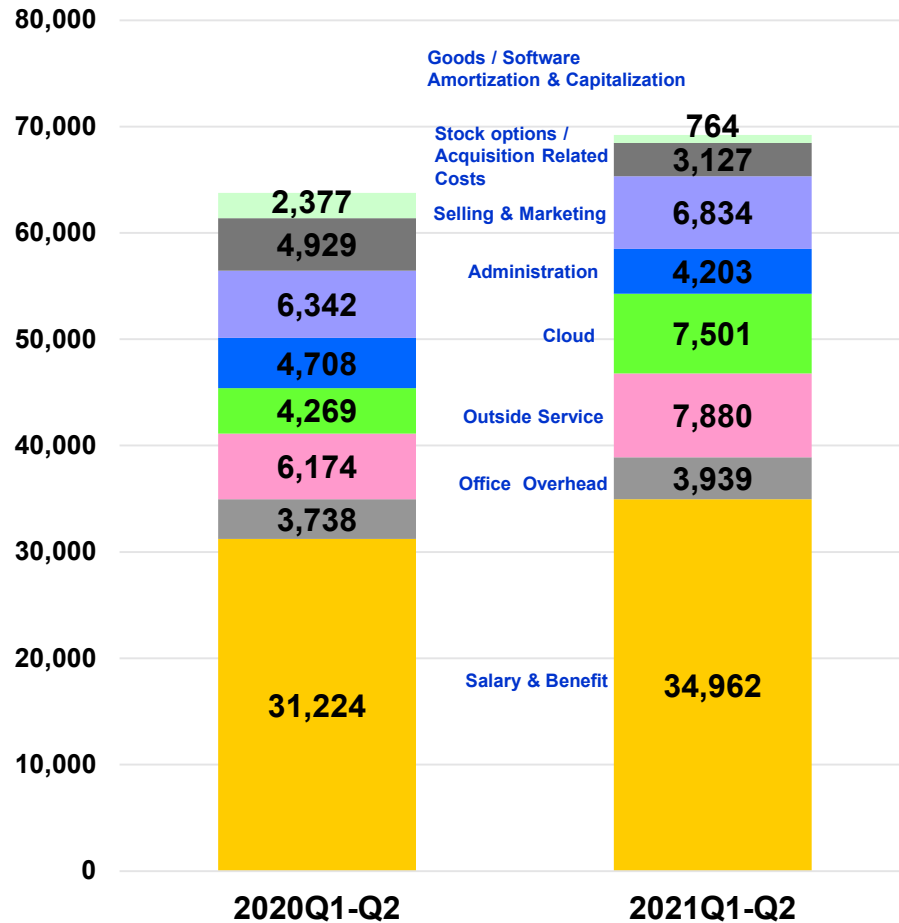
**Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance.  
As these numbers are just for internal use, they may be subject to some changes hereafter.**

(Non-GAAP)

# FY2021 Cost (6 months)

YoY Growth (unaudited)

(in million Yen)



|  |       |
|--|-------|
| Salary & Benefit                             | + 12% |
| Office Overhead                              | + 5%  |
| Outside Service                              | + 28% |
| Cloud  | + 76% |
| Administration                               | - 11% |
| Selling & Marketing                          | + 8%  |
| Stock Options / Acquisition Related Costs    | - 37% |
| Goods/Software Amortization & Capitalization | - 68% |

**Total** + 9%

**Headcount**

+ 1% (Non-GAAP)  
37

# Projection for FY2021 Annual *(Unchanged)*

(unaudited)  
(in million Yen)

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

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

*“Reference” actual exchange rate up to 21Q2: 1USD=108 yen, 1EUR=130 yen*

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

**Net Sales** **+ 6%**

(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 | 46,734 |    |    |
| Cost of sales                                      | 8,294  | 7,695  | 12,941 | 9,235  | 9,875  | 10,209 |    |    |
| Operating expenses                                 | 23,712 | 24,063 | 22,786 | 25,867 | 22,492 | 26,635 |    |    |
| Operating income                                   | 10,119 | 9,927  | 7,488  | 11,929 | 12,226 | 9,888  |    |    |
| Ordinary income                                    | 12,034 | 8,314  | 7,155  | 12,350 | 12,126 | 10,615 |    |    |
| Net income<br>attributable to owners of the parent | 8,861  | 6,264  | 3,855  | 7,923  | 8,804  | 7,699  |    |    |
|  |        |        |        |        |        |        |    |    |
| (Costs)  | Q1     | Q2     | Q3     | Q4     | Q1     | Q2     | Q3 | Q4 |
| Goods / Software<br>Amortization & Capitalization  | 1,032  | 1,344  | 1,169  | 787    | -170   | 935    |    |    |
| Stock option cost                                  | 372    | 1,039  | 1,144  | 396    | 349    | 771    |    |    |
| Acquisition related costs                          | 1,787  | 1,730  | 1,717  | 1,694  | 1,349  | 657    |    |    |
| Selling & Marketing                                | 3,013  | 3,329  | 3,075  | 4,515  | 3,048  | 3,785  |    |    |
| Administration                                     | 3,241  | 1,467  | 1,932  | 2,164  | 2,074  | 2,128  |    |    |
| Cloud  | 2,002  | 2,266  | 2,824  | 3,264  | 3,595  | 3,906  |    |    |
| Outside service                                    | 3,165  | 3,008  | 3,175  | 3,380  | 3,665  | 4,214  |    |    |
| Office overhead                                    | 1,929  | 1,809  | 1,888  | 1,863  | 1,946  | 1,992  |    |    |
| Salary & Benefit                                   | 15,462 | 15,762 | 15,069 | 17,035 | 16,508 | 18,453 |    |    |
| One-time Software correction                       |        |        | 3,733  |        |        |        |    |    |
| Total  | 32,006 | 31,758 | 35,728 | 35,102 | 32,367 | 36,845 |    |    |
|  |        |        |        |        |        |        |    |    |
| The number of employees                            | 6,836  | 6,926  | 6,919  | 6,975  | 6,922  | 6,972  |    |    |
|  |        |        |        |        |        |        |    |    |
| Applied rate to yen (US\$)                         | 108.86 | 107.62 | 106.22 | 104.48 | 105.95 | 109.51 |    |    |
| Applied rate to yen (Euro)                         | 120.16 | 118.54 | 124.11 | 124.73 | 127.76 | 131.99 |    |    |

# Appendix

## Quarterly Chart (2)

(unaudited)

(in million Yen)

|                              | FY2020 |        |        |        | FY2021 |        |    |    |
|------------------------------|--------|--------|--------|--------|--------|--------|----|----|
| (Sales by region)            | Q1     | Q2     | Q3     | Q4     | Q1     | Q2     | Q3 | Q4 |
| Japan                        | 17,392 | 17,377 | 17,852 | 19,322 | 18,731 | 18,803 |    |    |
| North America                | 8,877  | 8,821  | 8,603  | 9,004  | 8,298  | 9,145  |    |    |
| Europe                       | 7,427  | 6,994  | 7,736  | 8,686  | 8,034  | 8,525  |    |    |
| APAC, Middle East and Africa | 7,245  | 7,350  | 7,817  | 8,623  | 8,212  | 8,752  |    |    |
| Latin America                | 1,182  | 1,142  | 1,207  | 1,394  | 1,317  | 1,507  |    |    |
| Total                        | 42,125 | 41,686 | 43,217 | 47,031 | 44,594 | 46,734 |    |    |
|                              |        |        |        |        |        |        |    |    |
| (Sales by segment)           | Q1     | Q2     | Q3     | Q4     | Q1     | Q2     | Q3 | Q4 |
| All Enterprise               | 32,132 | 31,454 | 32,331 | 35,113 | 33,247 | 35,081 |    |    |
| Consumer                     | 9,993  | 10,231 | 10,885 | 11,918 | 11,347 | 11,652 |    |    |
| Total                        | 42,125 | 41,686 | 43,217 | 47,031 | 44,594 | 46,734 |    |    |
|                              |        |        |        |        |        |        |    |    |
| (Pre-GAAP by region)         | Q1     | Q2     | Q3     | Q4     | Q1     | Q2     | Q3 | Q4 |
| Japan                        | 19,164 | 19,168 | 18,311 | 17,530 | 20,542 | 18,852 |    |    |
| North America                | 8,146  | 7,807  | 7,216  | 10,785 | 7,405  | 8,821  |    |    |
| Europe                       | 6,073  | 6,846  | 6,374  | 13,978 | 7,025  | 8,690  |    |    |
| APAC, Middle East and Africa | 6,563  | 8,011  | 8,104  | 10,744 | 7,803  | 9,903  |    |    |
| Latin America                | 1,069  | 1,345  | 1,121  | 2,085  | 1,440  | 1,624  |    |    |
| Total                        | 41,017 | 43,179 | 41,128 | 55,125 | 44,218 | 47,891 |    |    |

### **“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.**

