

# Trend Micro FY2021.4Q Results



Mahendra Negi CFO, Representative Director

February 17, 2022



# ***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. 4Q Financial Highlight***

**(Fourth quarter ended December 31, 2021)**

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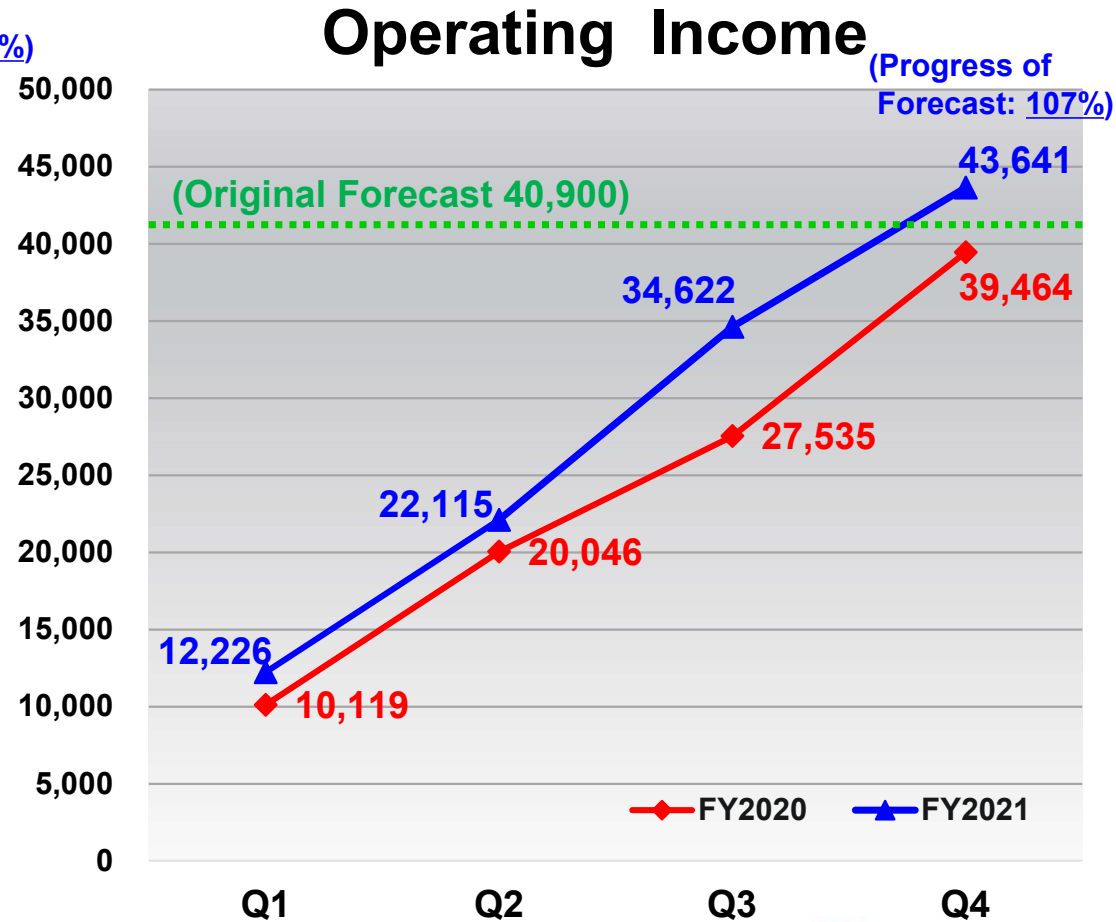
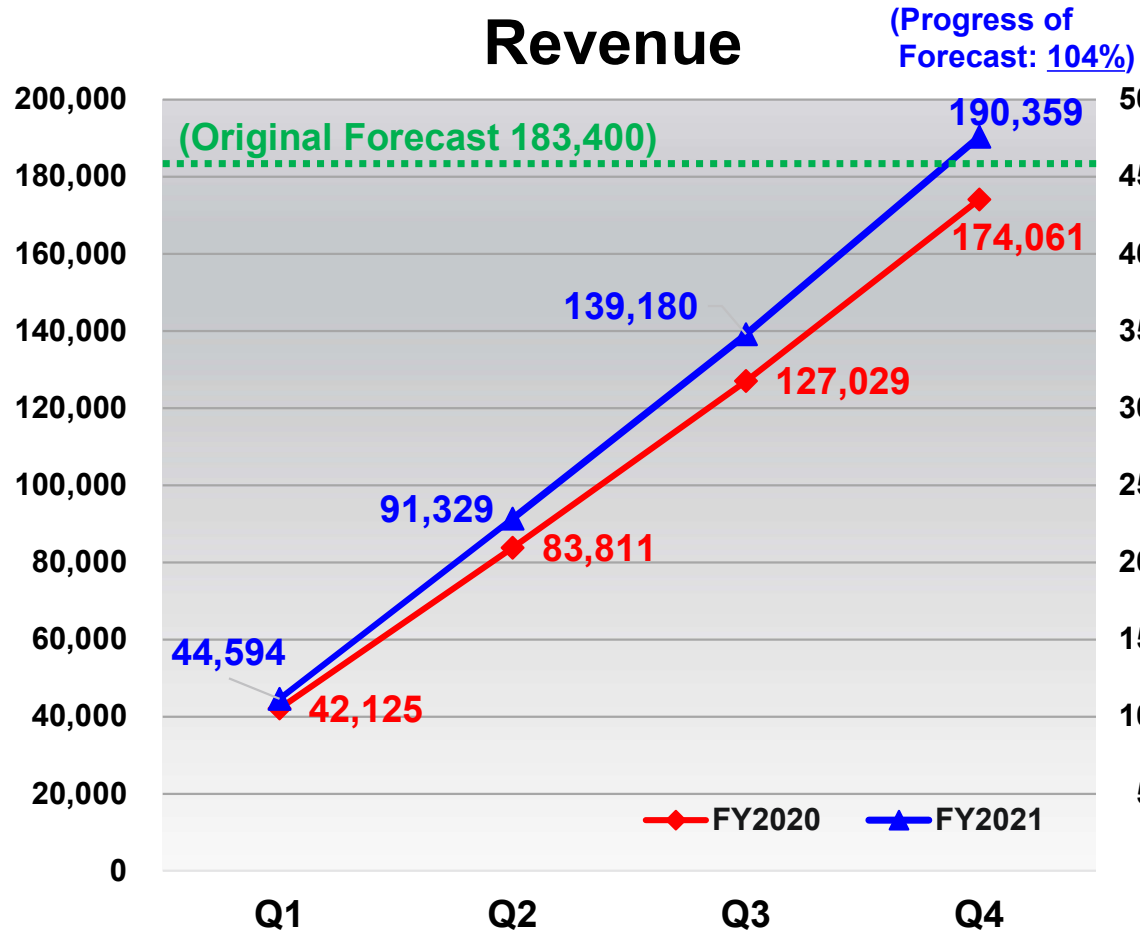
# Q4 Consolidated Results

(in million Yen)

<i>Three months ended Dec 31,</i>	<b>4Q2020</b>	<b>4Q2021</b>	<b>YoY growth</b>
<b>Net sales</b>	47,031	51,178	+ 9%
<b>Total Operating expenses</b>	35,102	42,159	+ 20%
<b>Operating income (<i>Margin</i>)</b>	11,929 ( <i>25%</i> )	9,018 ( <i>18%</i> )	- 24%
<b>Ordinary income</b>	12,350	9,078	- 26%
<b>Net income</b>	7,923	12,696	+ 60%
<small>attributable to owners of the parent</small>			
<b>Operating income excluding amortization of Goodwill</b>	13,623	9,697	- 29%
			(Non-GAAP)
<b><i>“For reference” Revenue before adjusting deferred revenue</i></b>			
<b>Pre-GAAP</b>	55,125	65,344	+ 19%
		<i>(excluding foreign exchange impact)</i>	+ 14%
			(Non-GAAP)
<b><i>If currency exchange rates used for 4Q2020 were used for 4Q2021</i></b>			
<b>Net sales</b>	47,031	49,048	+ 4%
			(Non-GAAP) 4

# Progress (12 months)

(in million Yen)



# Q4 USD based Results (Non-GAAP)

(unaudited)

<i>Three months ended Dec 31,</i>	<i>4Q2020</i>	<i>4Q2021</i>	<i>(in thousand USD) YoY change</i>
<b>Net sales</b>	<b>450,152</b>	<b>450,038</b>	<b>- 0%</b>
<b>Cost of sales</b>	<b>88,393</b>	<b>99,598</b>	<b>+ 13%</b>
<b>Operating expenses</b>	<b>247,583</b>	<b>271,136</b>	<b>+ 10%</b>
<b>Operating income</b>	<b>114,176</b>	<b>79,303</b>	<b>- 31%</b>
<b>Ordinary income</b>	<b>118,204</b>	<b>79,833</b>	<b>- 32%</b>
<b>Net Income</b>	<b>75,833</b>	<b>111,648</b>	<b>+ 47%</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=104.48 JPY for 4Q2020 and 1 USD =113.72 JPY for 4Q2021, respectively, which are the respective weighted average exchange rates used to convert USD net sales to JPY for these quarters.*

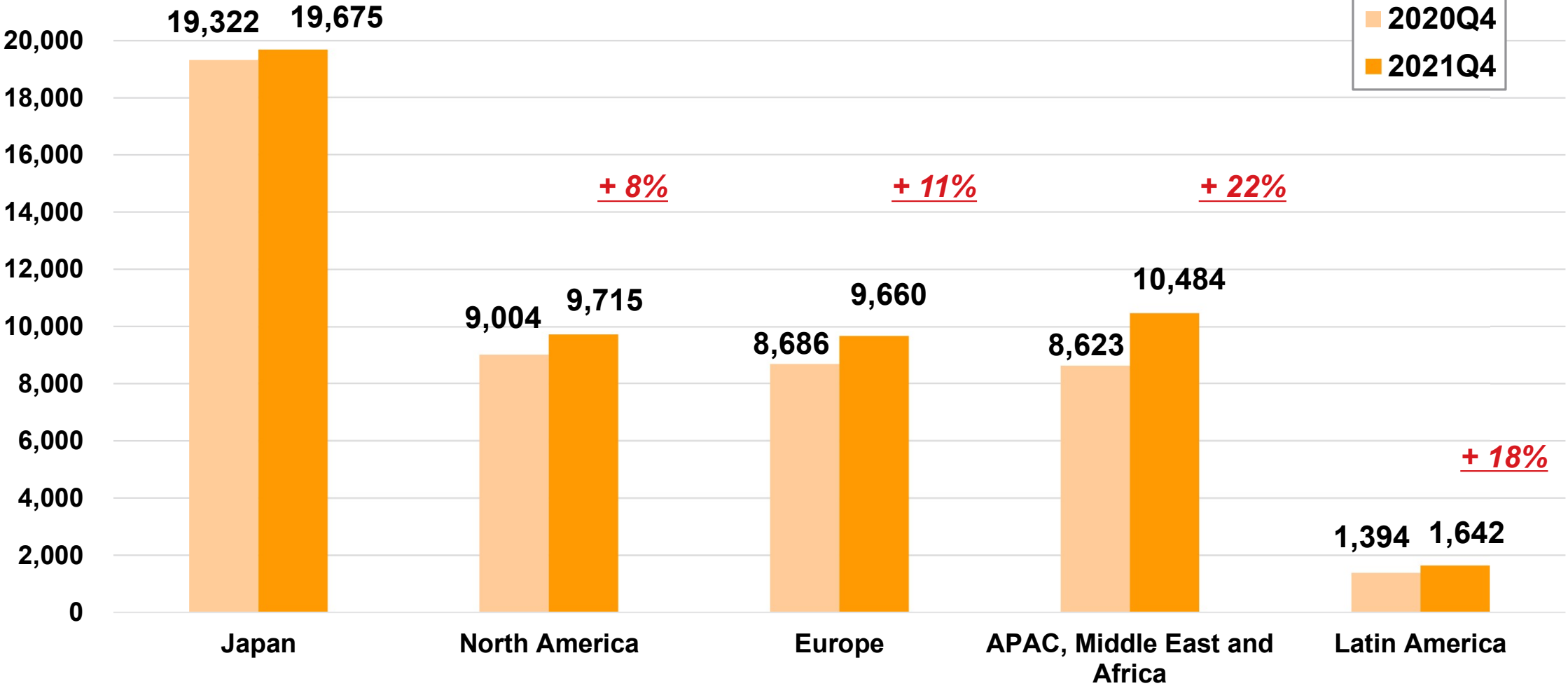


# Net Sales Growth by Region

(unaudited)

(in million Yen)

+ 2%

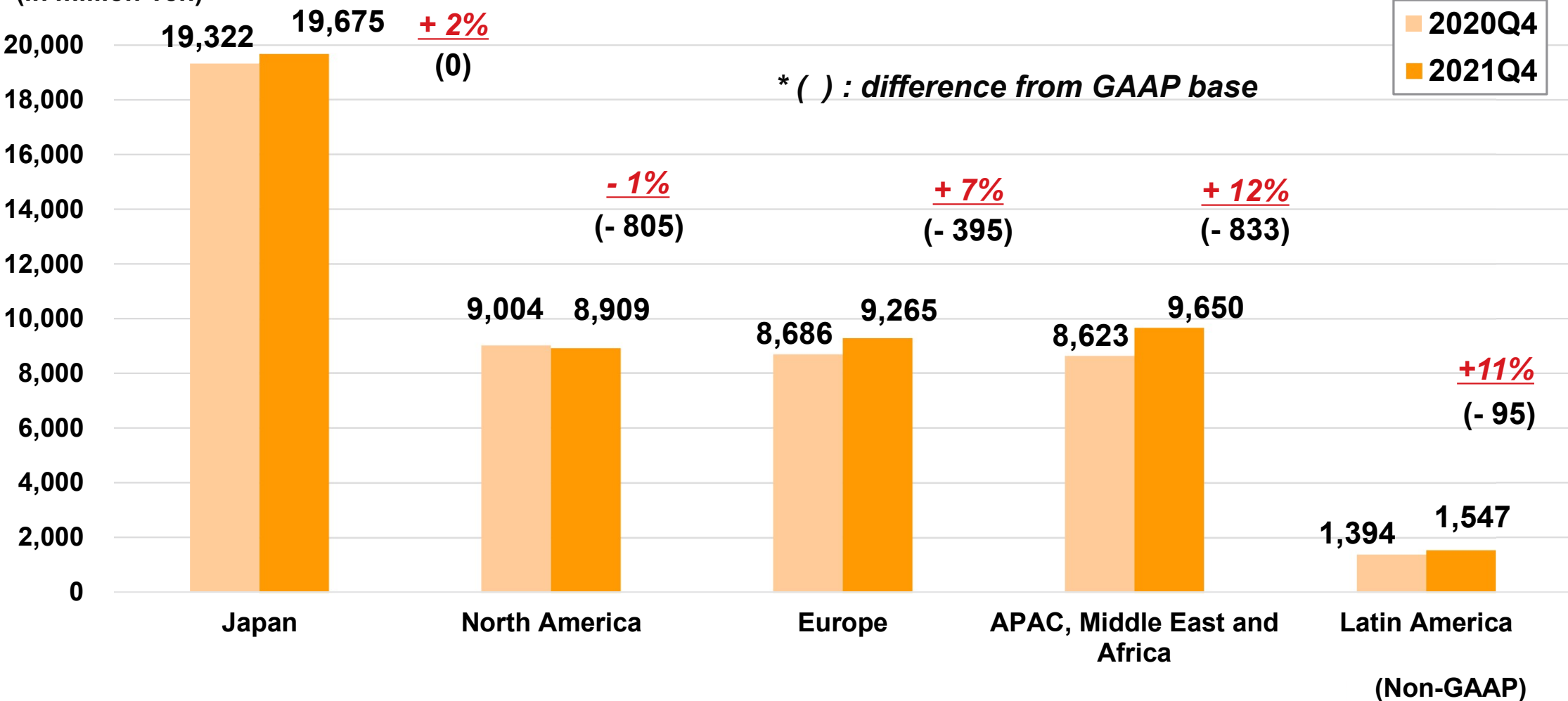


# Net Sales Growth by Region

*If currency exchange rates used for 4Q2020 were used for 4Q2021:*

(unaudited)

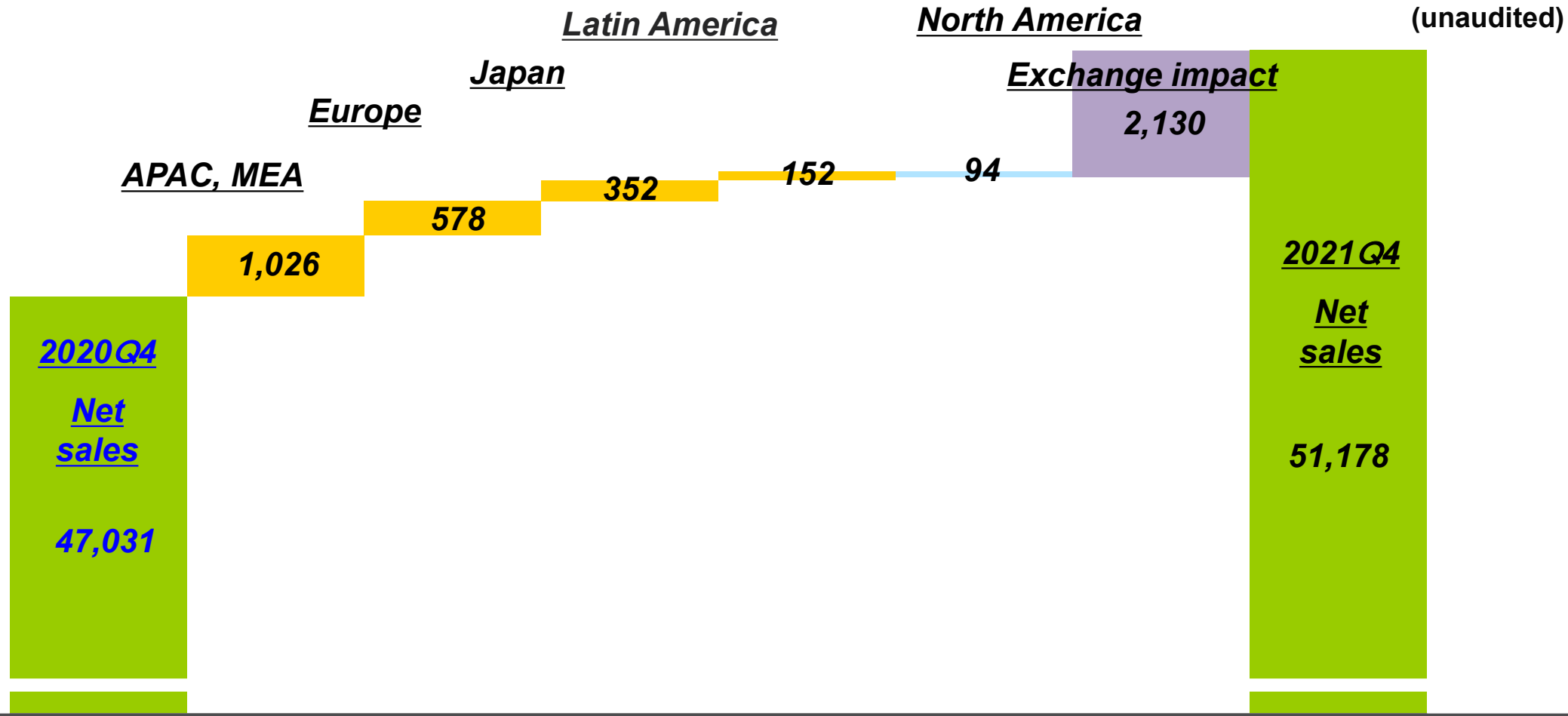
(in million Yen)



(Non-GAAP)

# Decomposition of Revenue (vs. last year)

(in million Yen)



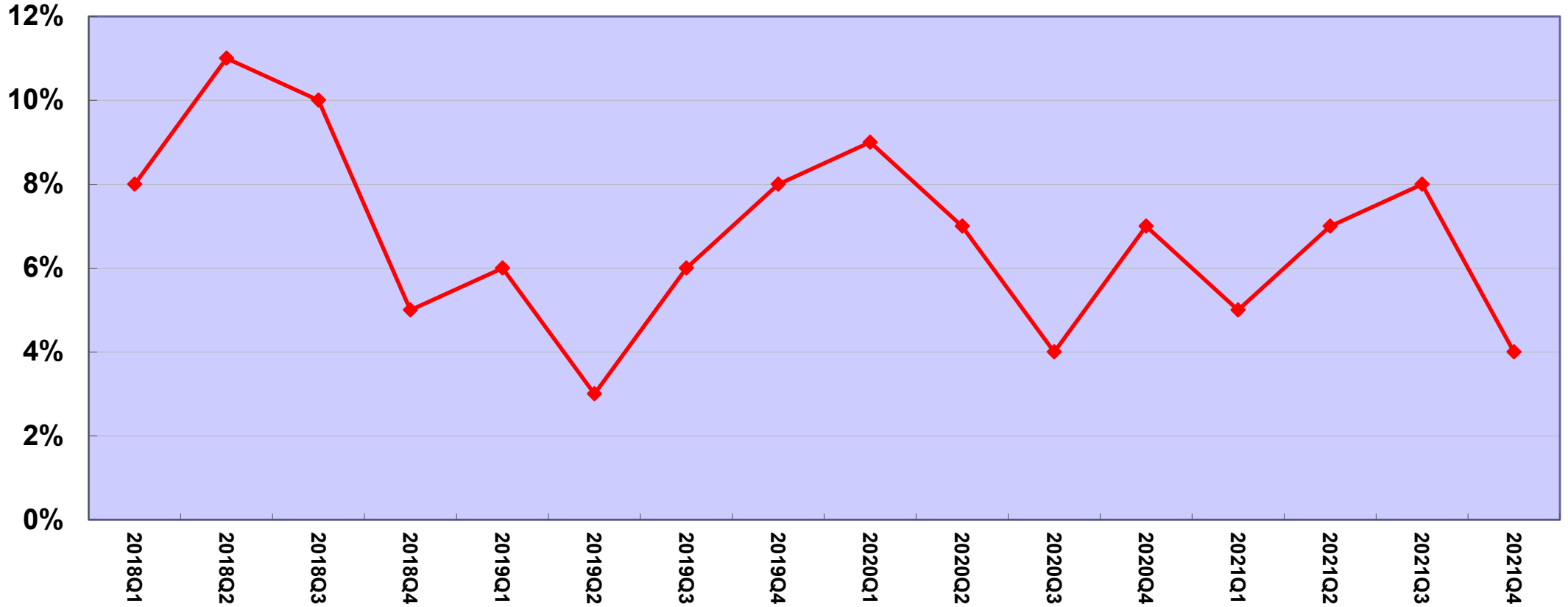
(Non-GAAP)



# Constant currency Revenue growth

(YoY)

(unaudited)



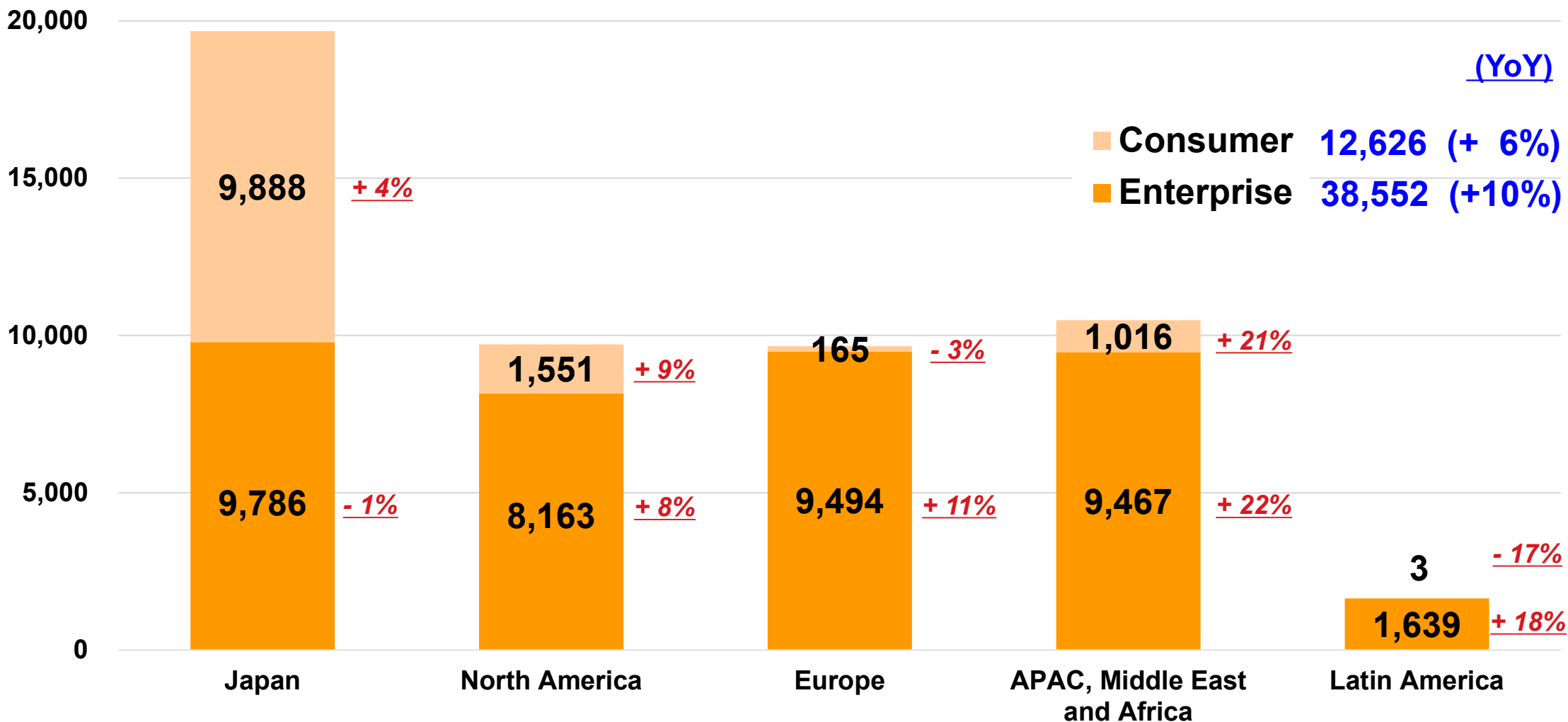
(Non-GAAP)

• 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.

# 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**

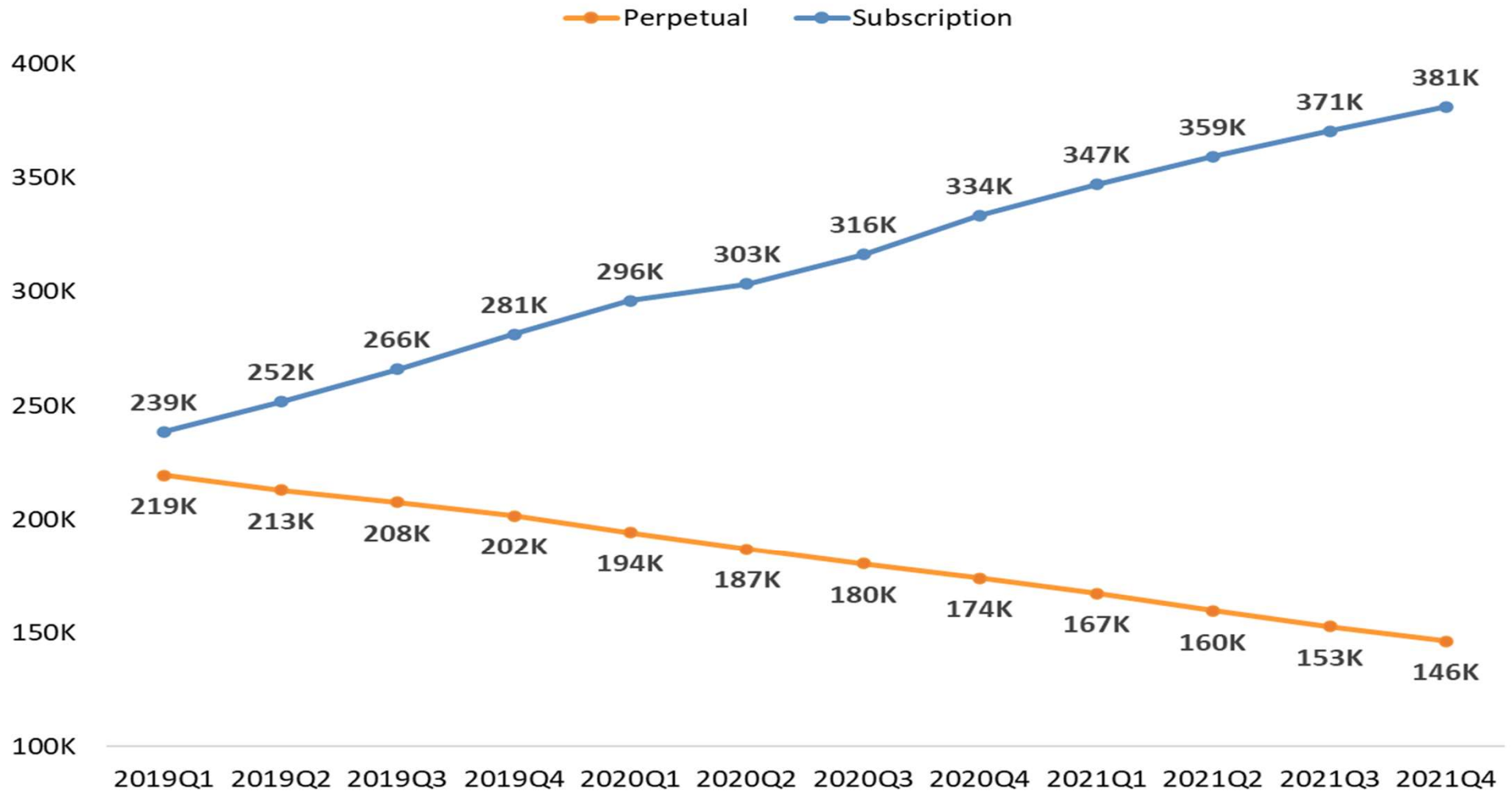
**Example:**

*\*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) →  $\$120 / 1 = \text{ARR} \$120$*

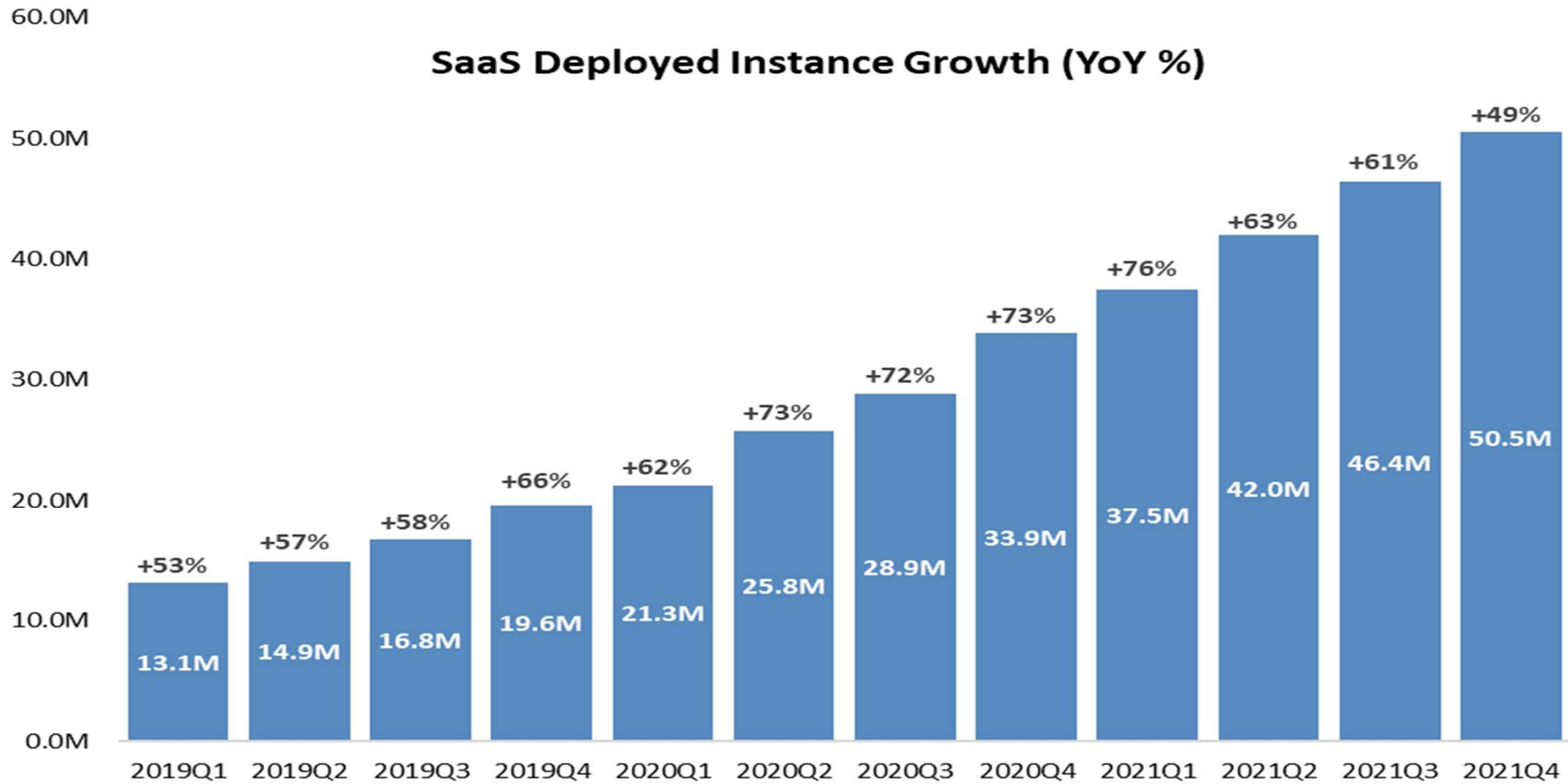
*\*3 Years contract \$360 (1<sup>st</sup> Year subscription fees \$120 + 2<sup>nd</sup> Year subscription fees \$120 + 3<sup>rd</sup> Year subscription fees \$120) →  $\$360 / 3 = \text{ARR} \$120$*

# Active Customer Count



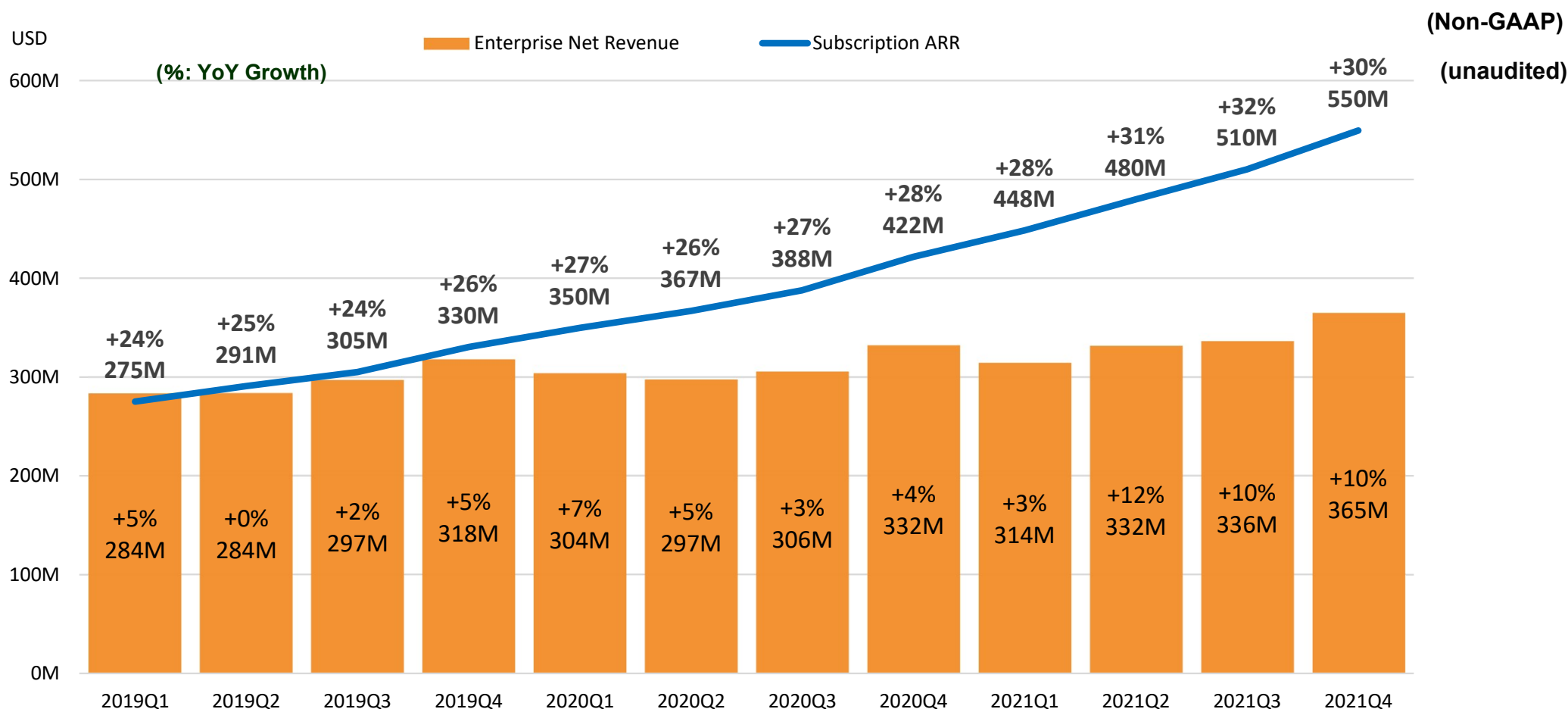
***“Notice” As these numbers are just for internal use, they may be subject to some changes hereafter.***

# 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.

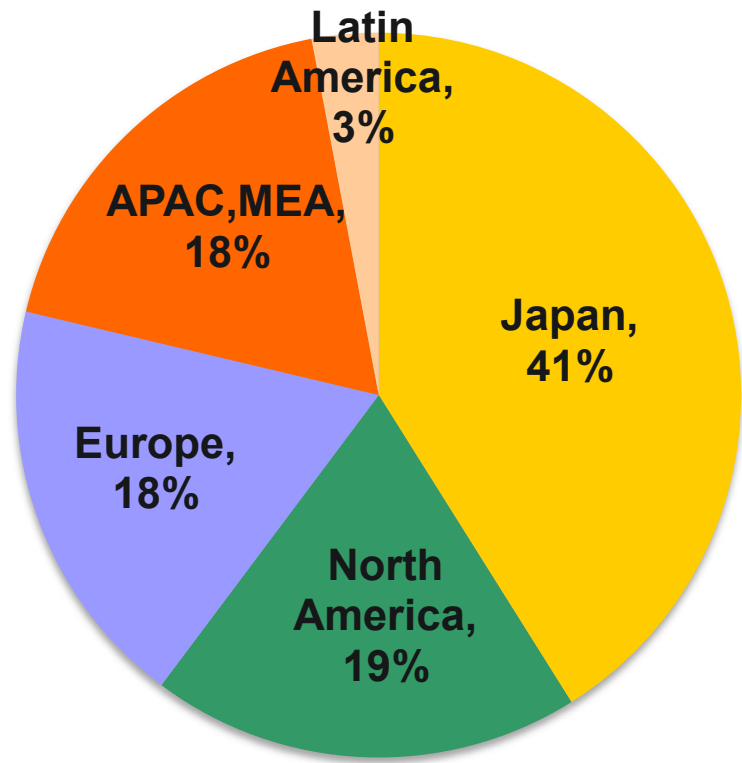
\*Enterprise Net Revenue is a quarterly figure based on actual yen reported each quarter converted to USD at FY2021 Company budget exchange rate (1 USD = 105.76 yen).

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

# *% share by region*

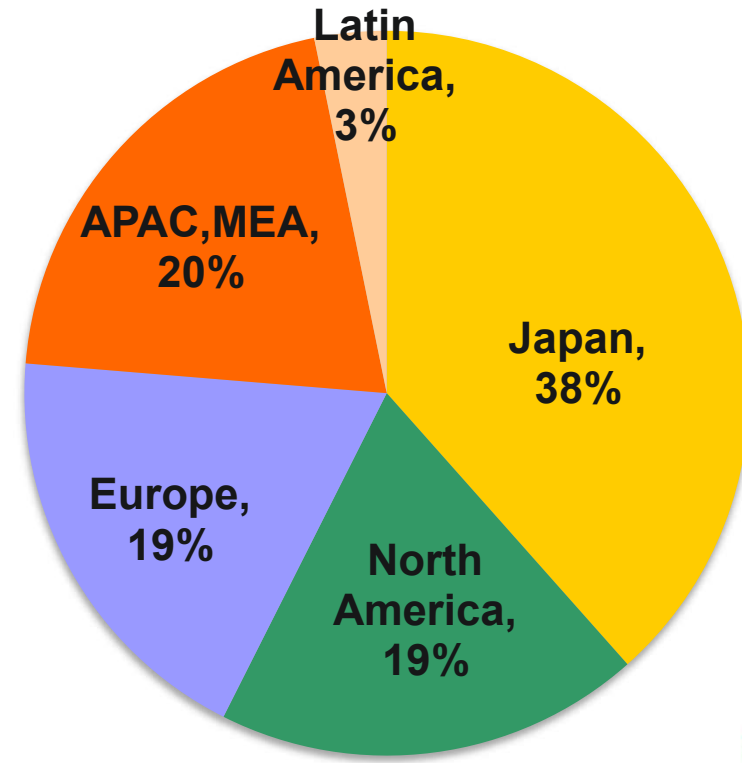
**4Q2020**

**47,031 million Yen**



**4Q2021**

**51,178 million Yen**

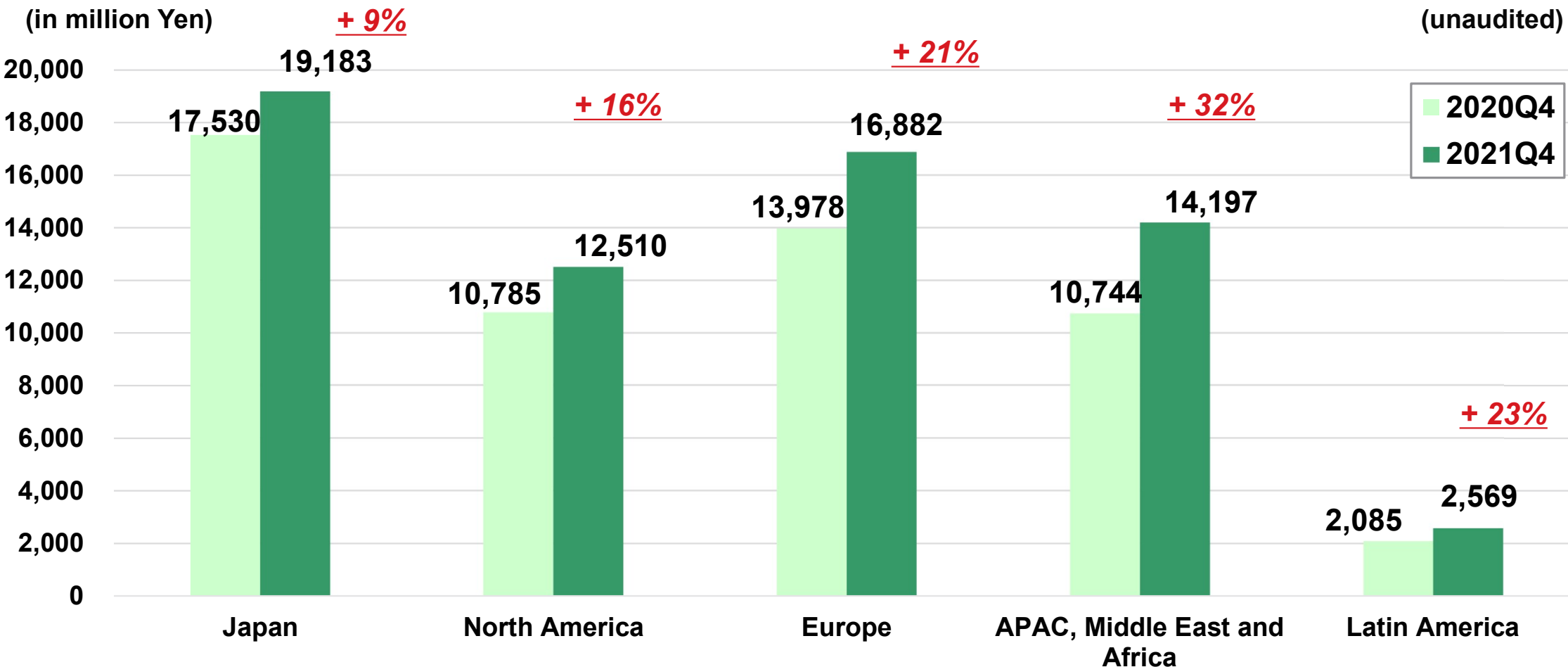


**“For reference”**

# 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)

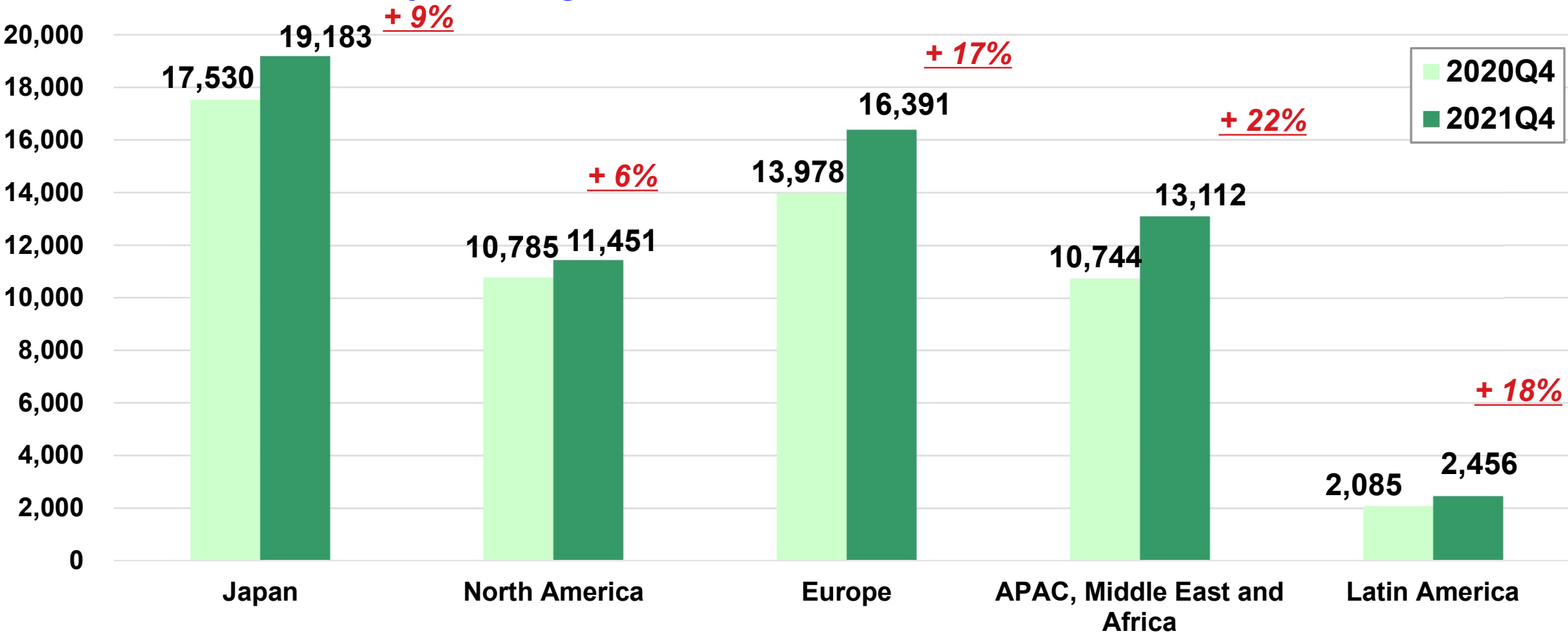
**“For reference”**

# Pre-GAAP (Revenue before adjusting Deferred revenue)

(in million Yen)

**If currency exchange rates used for 4Q2020 were used for 4Q2021:**

(unaudited)

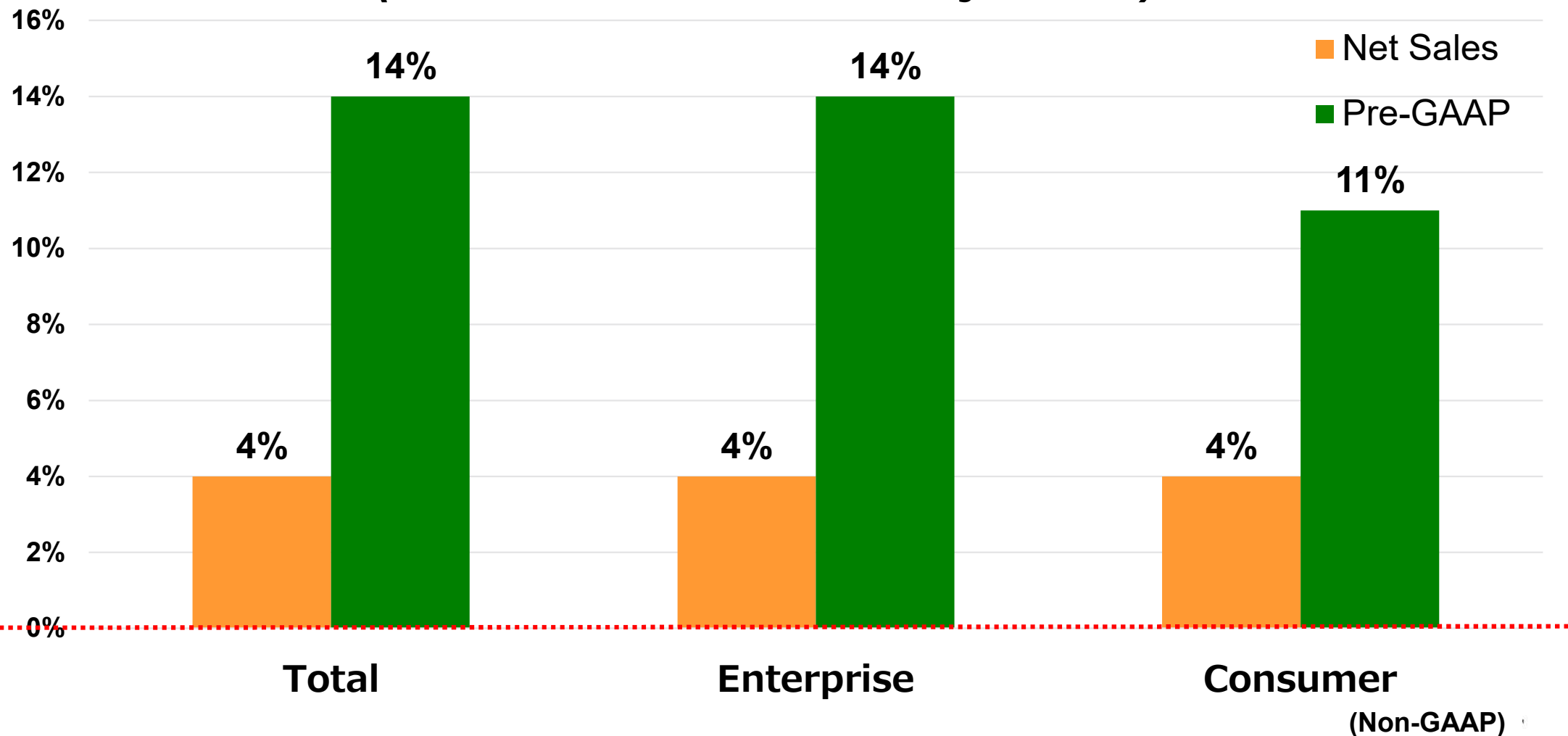


**“Notice”**

**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)***

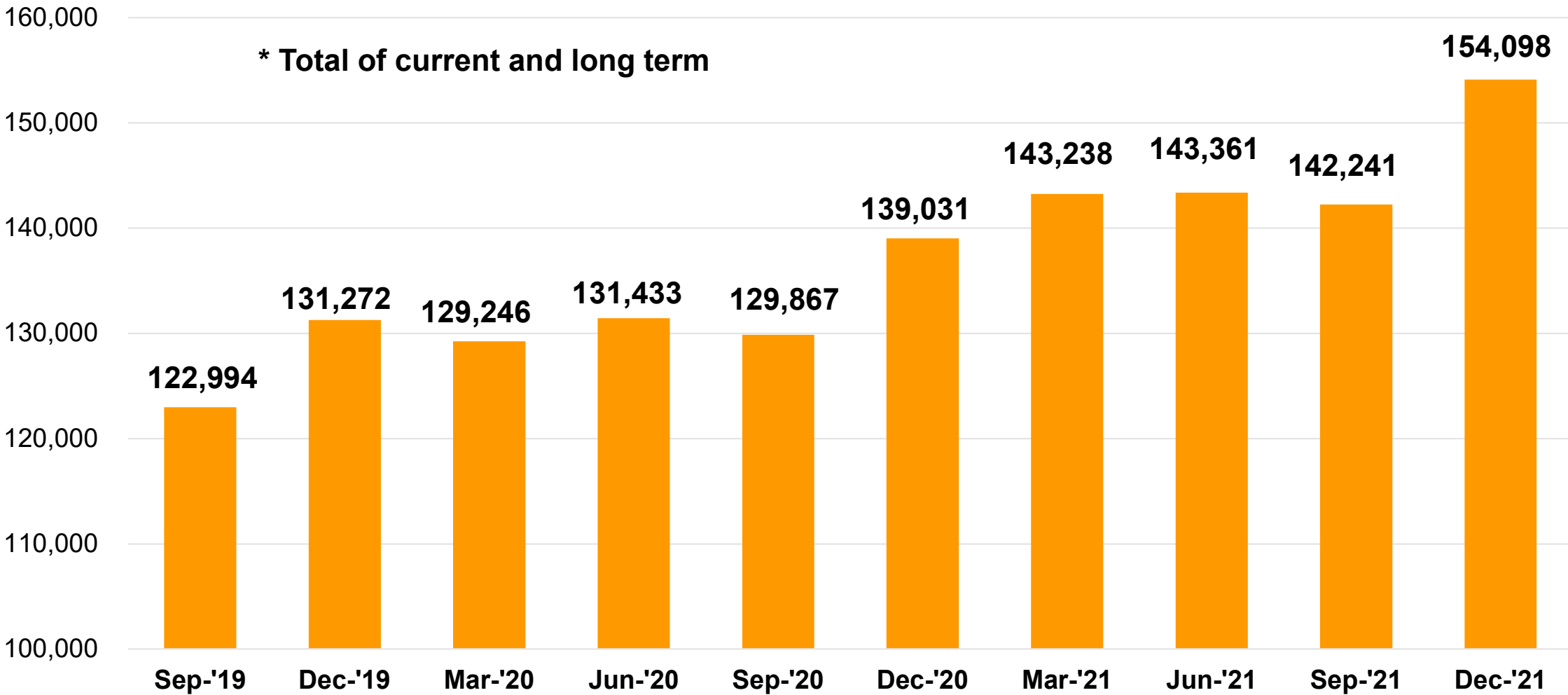


# Deferred Revenue

(in million Yen)

(unaudited)

\* Total of current and long term

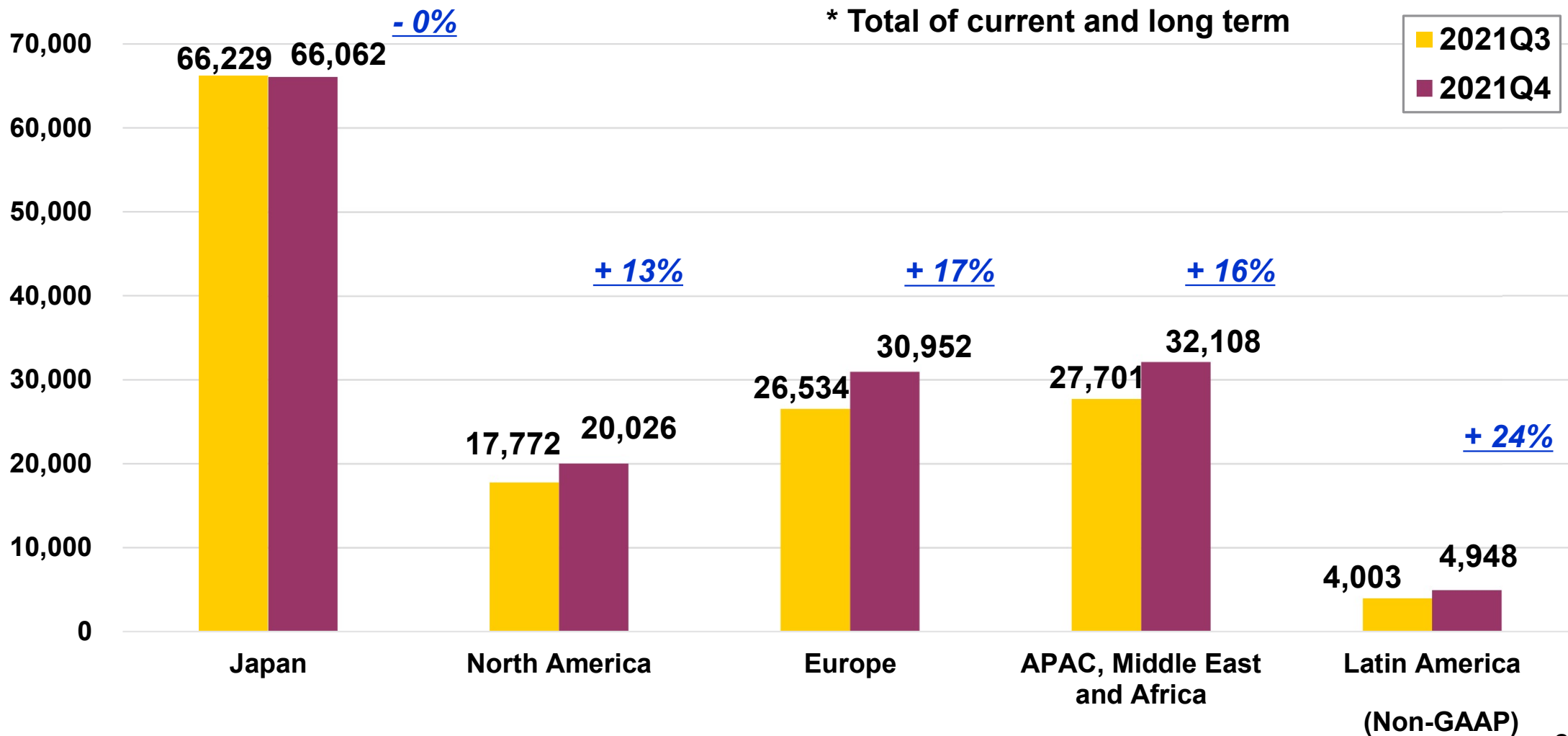
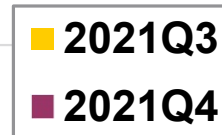


# Deferred Revenue by Region

(in million Yen)

(unaudited)

\* Total of current and long term

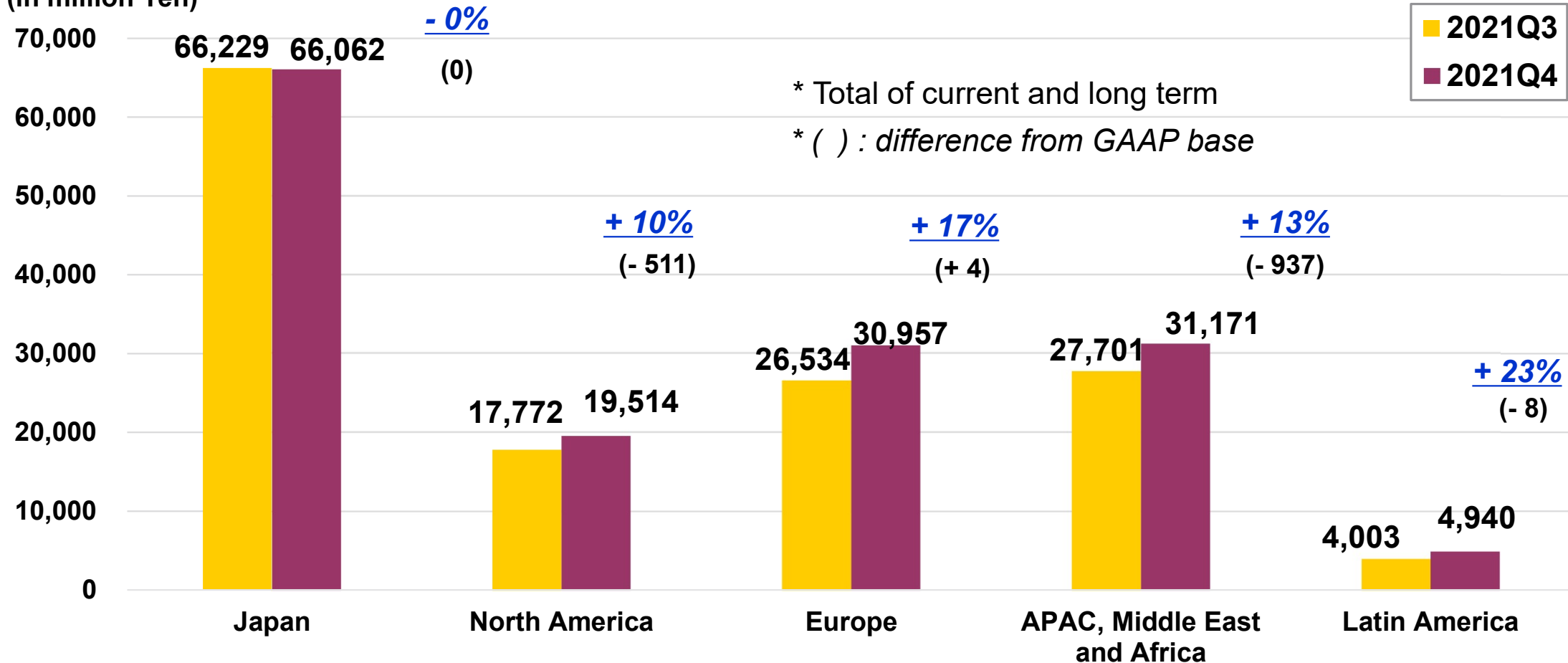


# Deferred Revenue by Region

(unaudited)

**If currency exchange rates used as of the end of 3Q2021 were used as of the end of 4Q2021:**

(in million Yen)



\* Total of current and long term

\* ( ) : difference from GAAP base

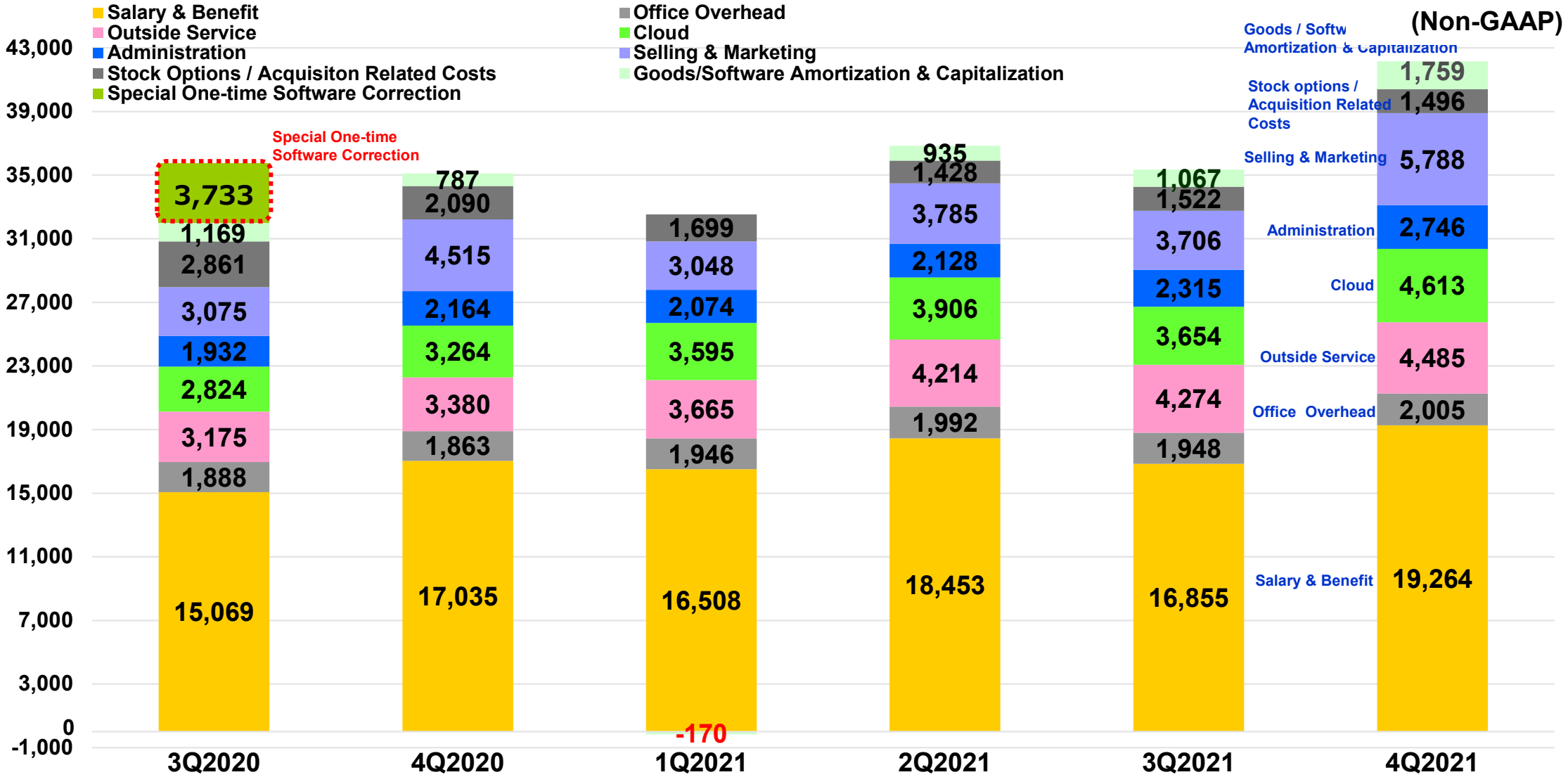
(Non-GAAP)

# Cost

(unaudited)

(Non-GAAP)

(in million Yen)

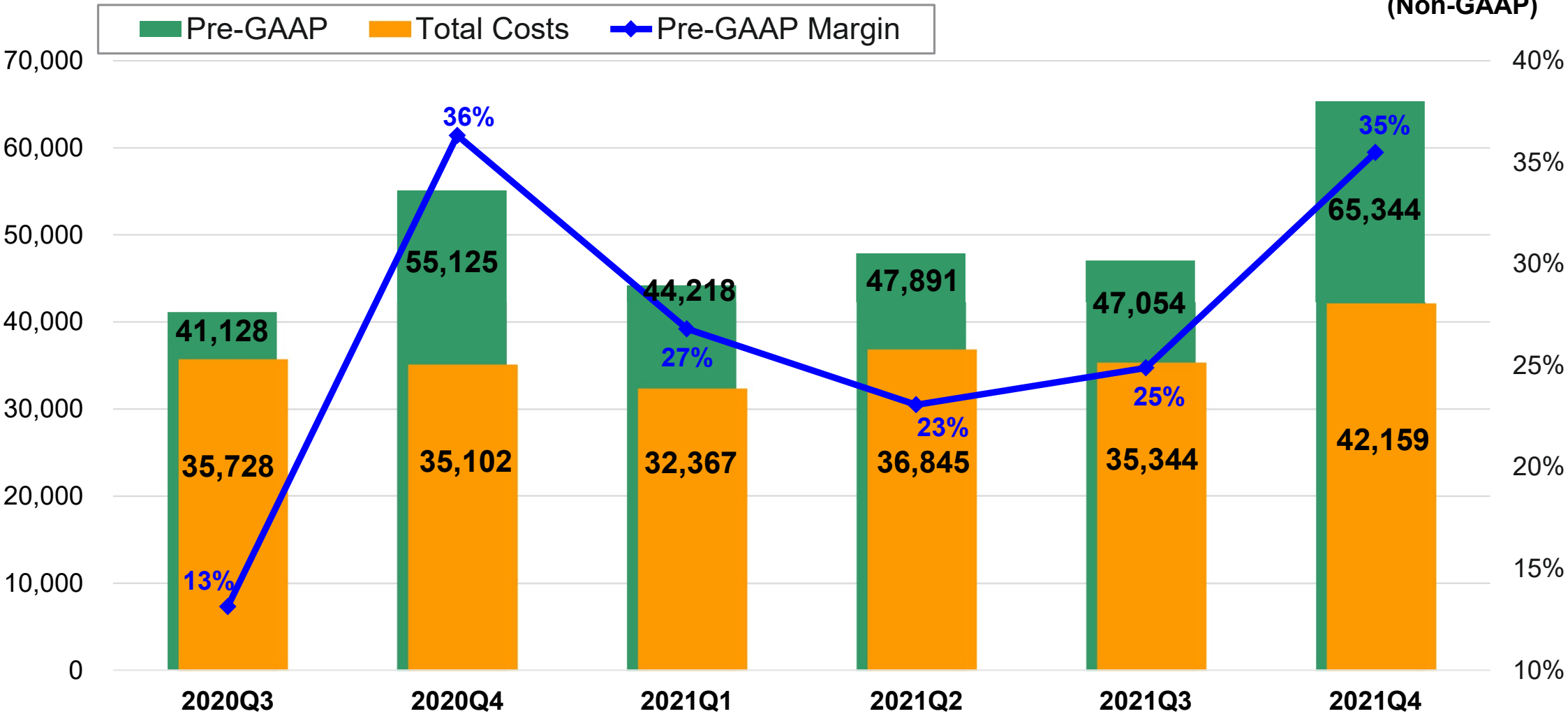


# Pre-GAAP vs Total Costs

(in million Yen)

(unaudited)

(Non-GAAP)



\* "Total costs" means COGS + SGA.

# Cash flows

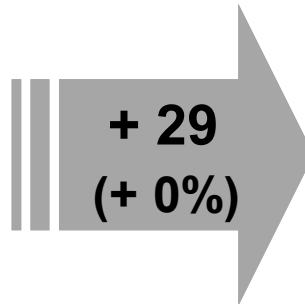
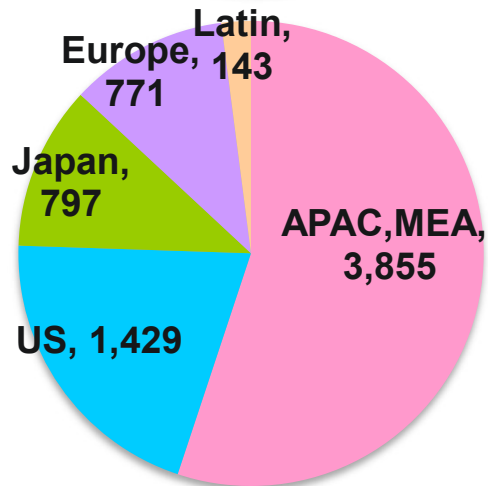
(unaudited)  
(in million Yen)

	4Q2020	4Q2021	YoY growth
Cash flows from operating activities	13,312	13,131	- 1%
Cash flows from investing activities	1,468	3,231	+ 120%
Cash flows from financing activities	1,932	1,326	- 31%
Effect of exchange rate changes on cash and cash equivalents	611	3,260	+ 433%
Net increase (decrease) in cash and cash equivalents	17,325	20,949	+ 21%
Cash and cash equivalents at beginning of this quarter period	156,837	204,732	+ 31%
Increase in cash due to merger of consolidated subsidiary	—	—	—
Cash and cash equivalents at end of this quarter period	174,162	225,681	+ 30%

# Headcount

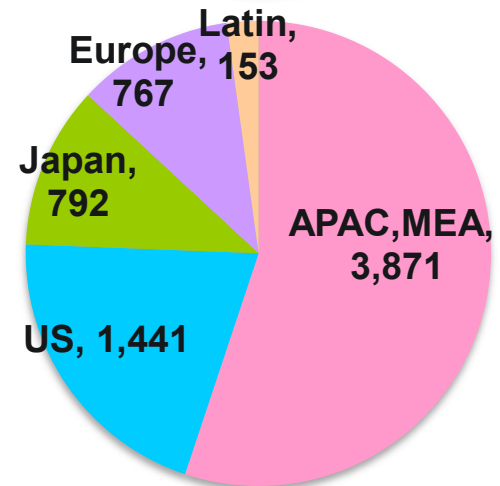
Sep - 2021

**6,995**



Dec - 2021

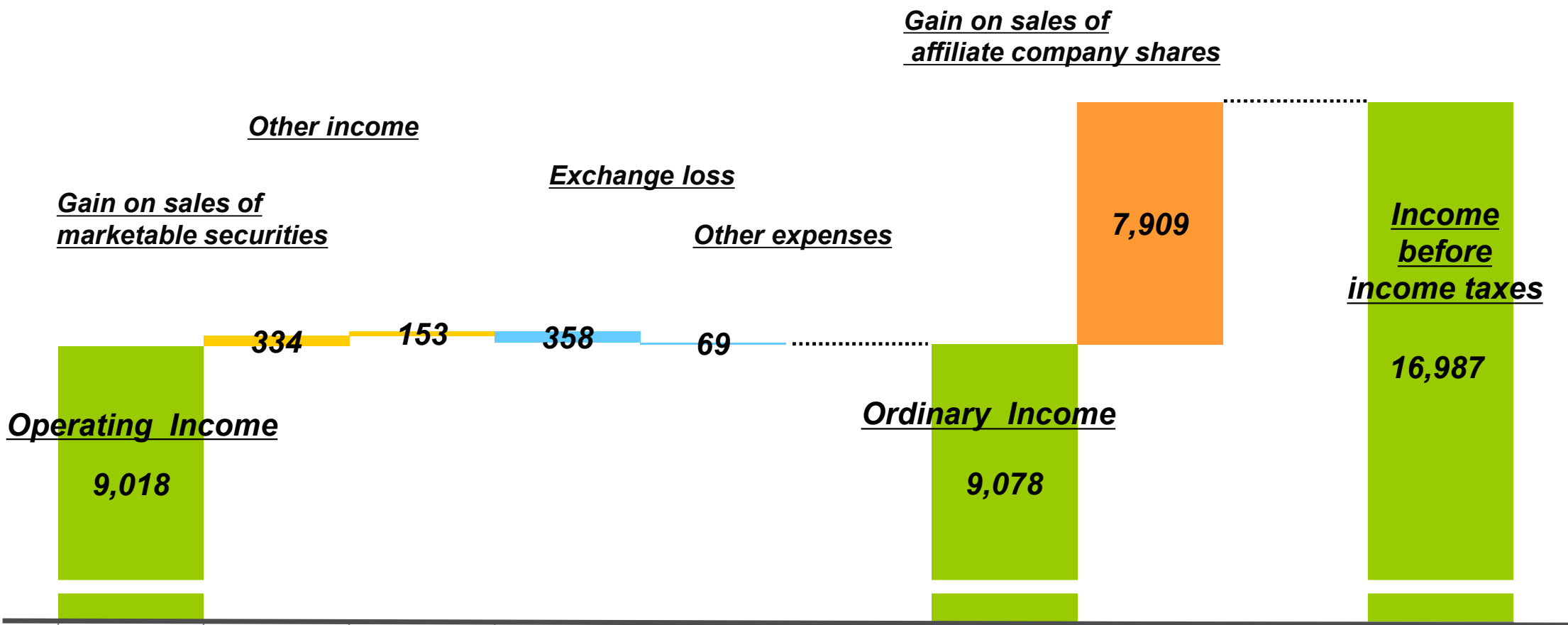
**7,024**



# Non-operating & Extra-ordinary Items

(in million Yen)

(unaudited)



(Non-GAAP)



# Balance Sheet

(unaudited)  
(in million Yen)

	<i>Sep-2021</i>	<i>change</i>	<i>Dec-2021</i>
<b><u>Assets</u></b>			
<i>Cash &amp; cash equivalents</i>	178,843	+ 18,886	197,729
<i>Account receivable</i> <i>(less allowance for doubtful accounts)</i>	38,449	+ 14,758	53,207
<i>Marketable securities &amp;</i> <i>Securities investments</i>	89,543	- 4,384	85,159
<i>Goodwill</i>	3,173	- 356	2,817
<b><u>Liabilities</u></b>			
<i>Deferred revenue</i> <i>(total of current and long-term)</i>	142,241	+ 11,857	154,098
<b><u>Shareholders' Equity</u></b>			
<i>Common Stock &amp;</i> <i>Additional paid in capital</i>	45,950	+ 179	46,129
<i>Treasury Stock</i>	- 5,975	+ 319	- 5,656

# ***Q4 Highlights***

- ***Highest ever net revenues and net income***
- ***Highest growth of Pre-GAAP revenues since disclosure started (2011)***
- ***All regions show healthy growth***

# ***Q4 Lowlights***

- ***Double digit growth in people and cloud costs***
- ***Consumer retail business remains weak***

# ***FY2021 12 months Financial Highlight***

**(January ~ December, 2021)**

# Consolidated Results (12 months)

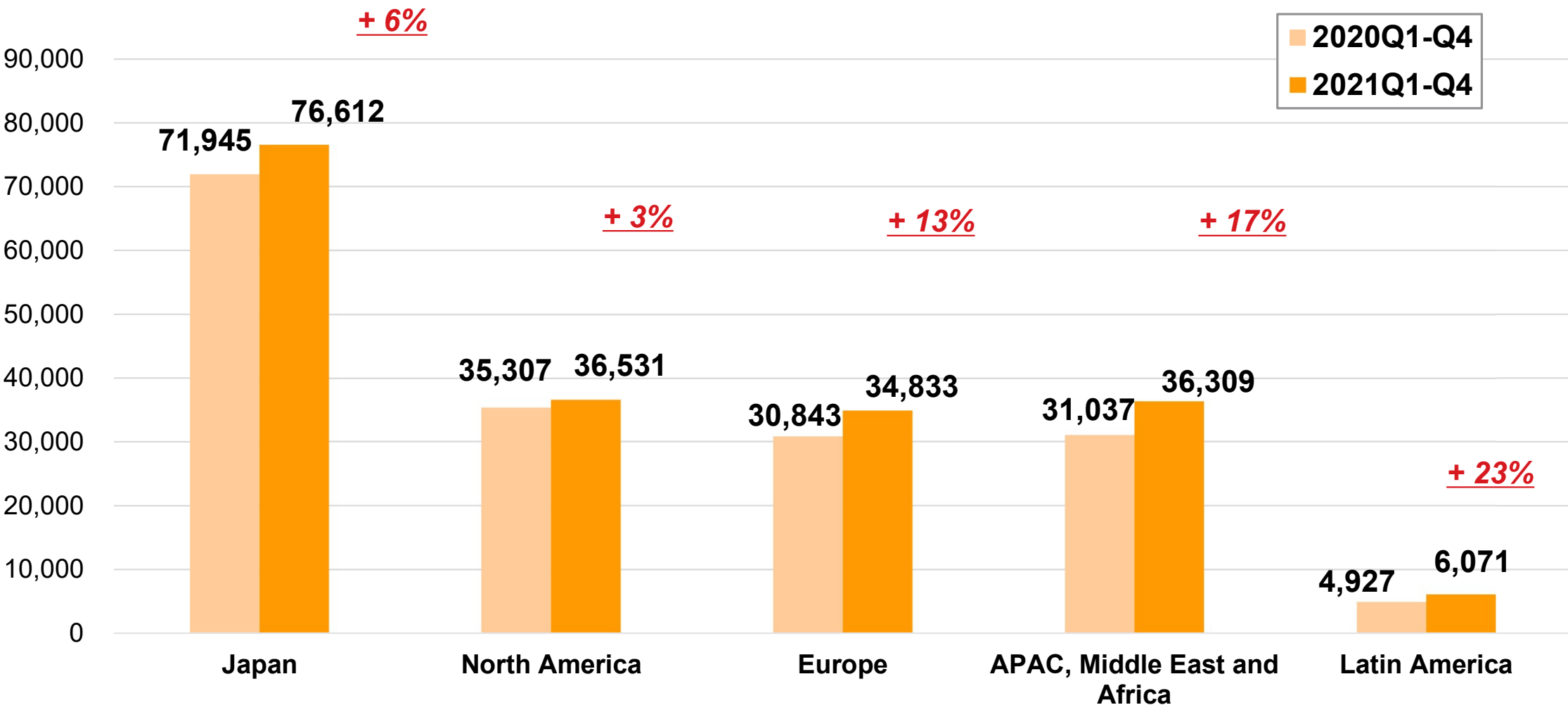
(unaudited)  
(in million Yen)

12 months ended Dec 31,	2020 (1-4Q)	2021 (1-4Q)	YoY growth	(Progress vs. current year's original annual forecast)
Net sales	174,061	190,359	+ 9%	(104%)
Total Operating expenses	134,596	146,718	+ 9%	
Operating income (Margin)	39,464 ( 23%)	43,641 ( 23%)	+ 11%	(107%)
Ordinary income	39,854	44,501	+ 12%	(108%)
Net income attributable to owners of the parent	26,904	38,367	+ 43%	(133%)
Earnings per share (Yen)	193.39	275.20	+ 42%	
Dividend per share (Yen)	153.00	195.00	+ 27%	
Operating income excluding amortization of Goodwill	46,394	46,985	+ 1%	(Non-GAAP)
<b>“For reference” Revenue before adjusting deferred revenue</b>				
Pre-GAAP	180,450	204,508	+ 13%	(Non-GAAP)

# Net Sales Growth by Region

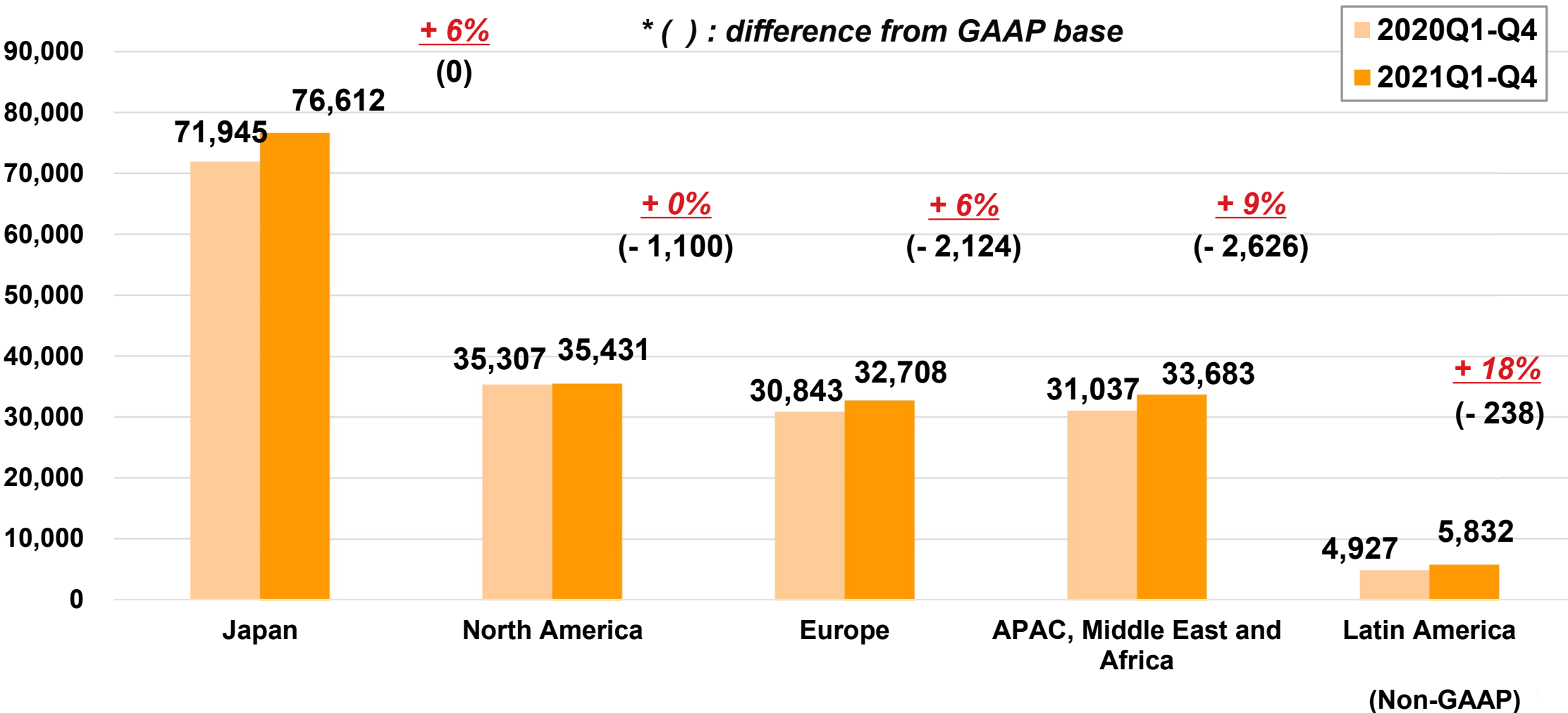
(unaudited)

(in million Yen)



# Net Sales Growth by Region

(in million Yen) *If currency exchange rates used for 2020 (Q1-Q4) were used for 2021 (Q1-Q4):* (unaudited)

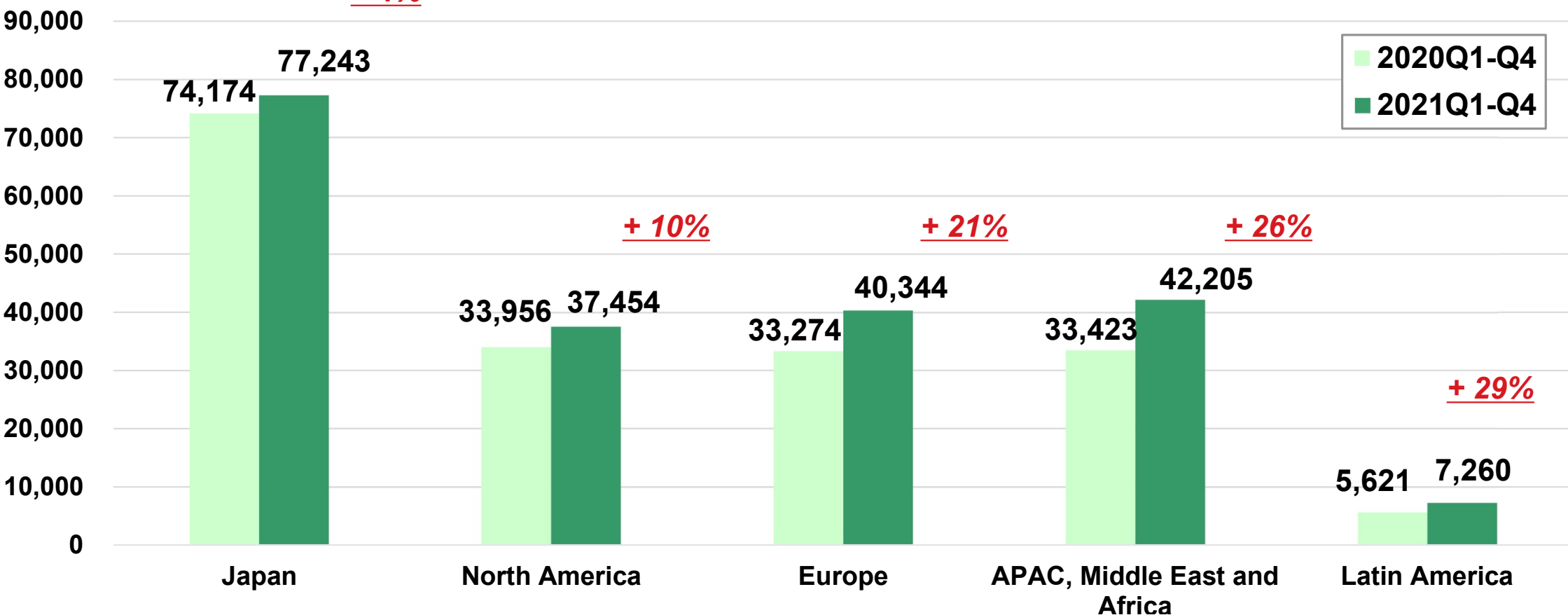


**“For reference”**

# Pre-GAAP (Revenue before adjusting Deferred revenue)

(unaudited)

(in million Yen)



**“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)

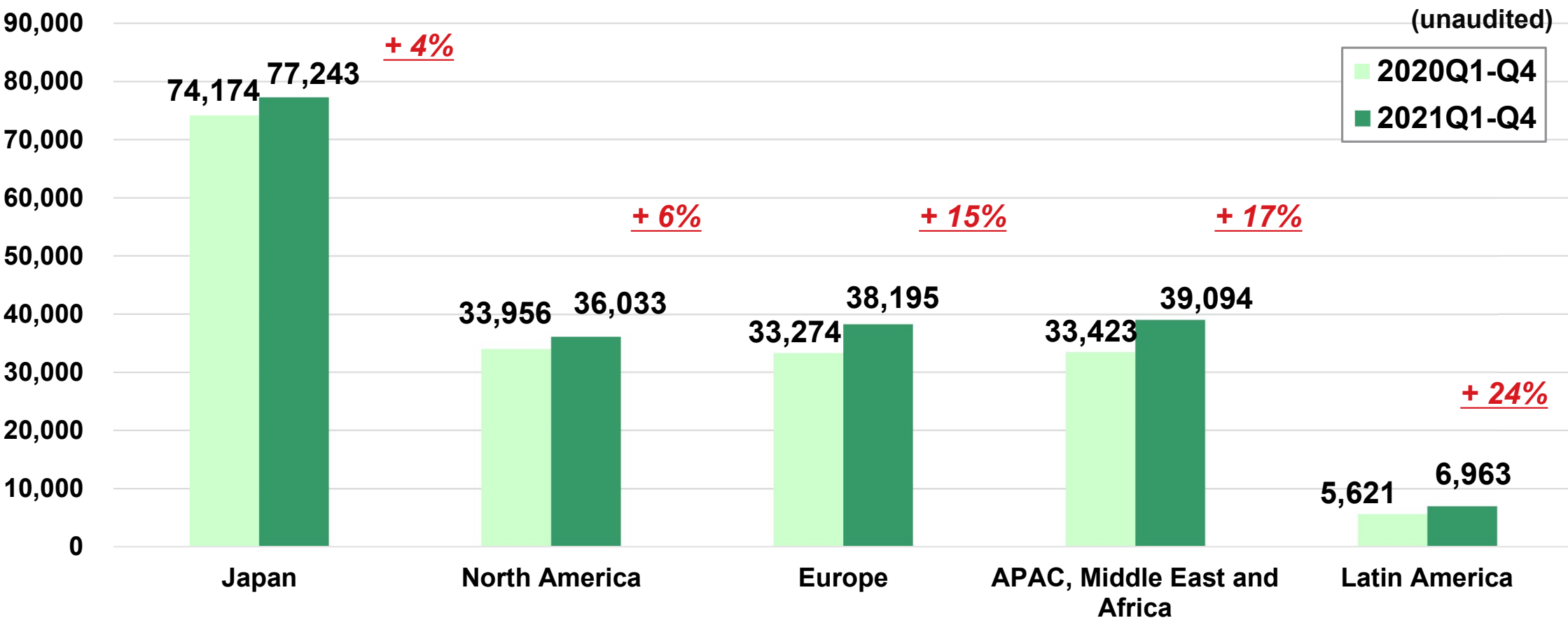
**“For reference”**

# Pre-GAAP (Revenue before adjusting Deferred revenue)

(in million Yen)

**If currency exchange rates used for 2020(Q1-Q4) were used for 2021(Q1-Q4):**

(unaudited)



**“Notice”**

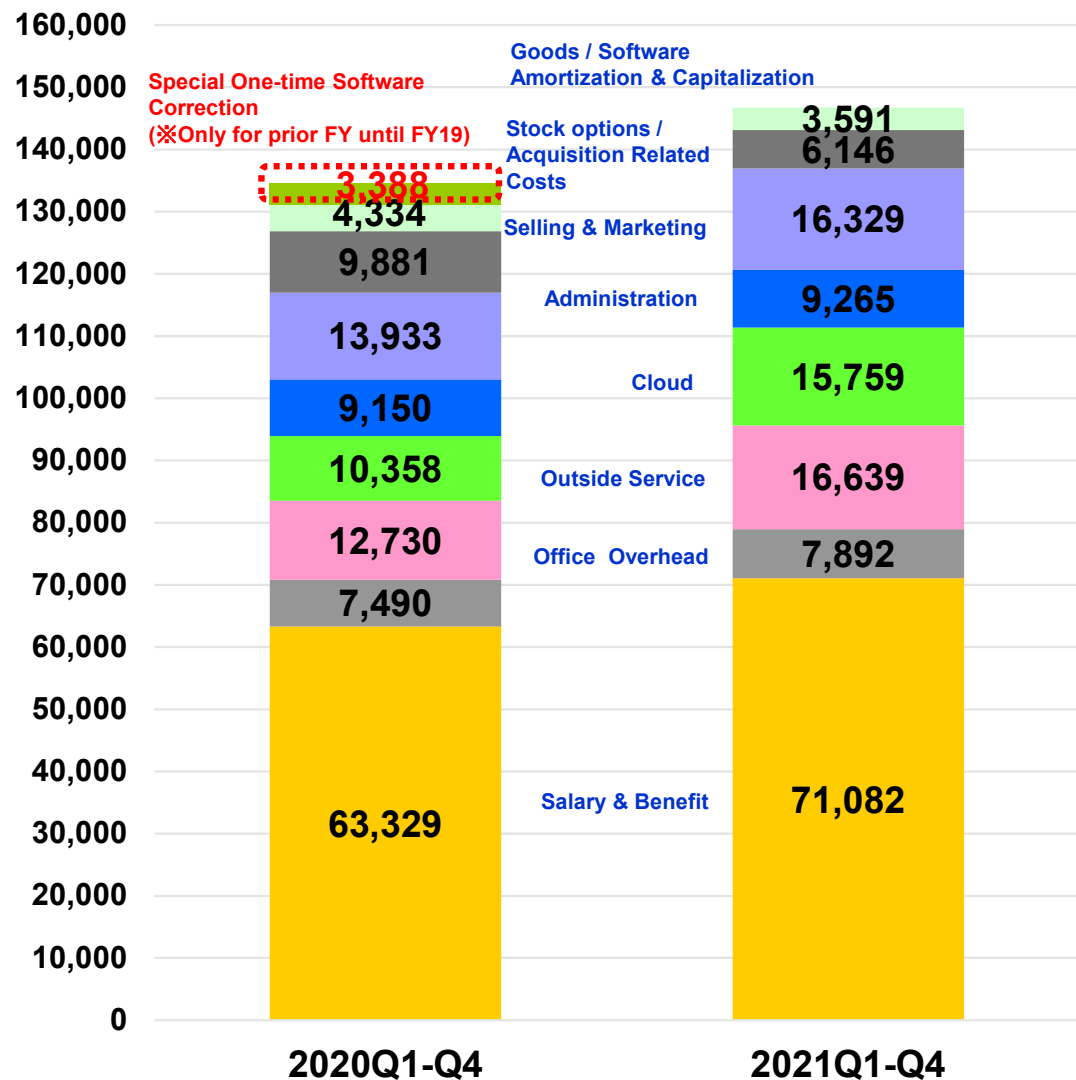
**Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance.  
As these numbers are just for internal use, they may be subject to some changes hereafter.**

(Non-GAAP)

# FY2021 Cost (12 months)

(unaudited)

(in million Yen)



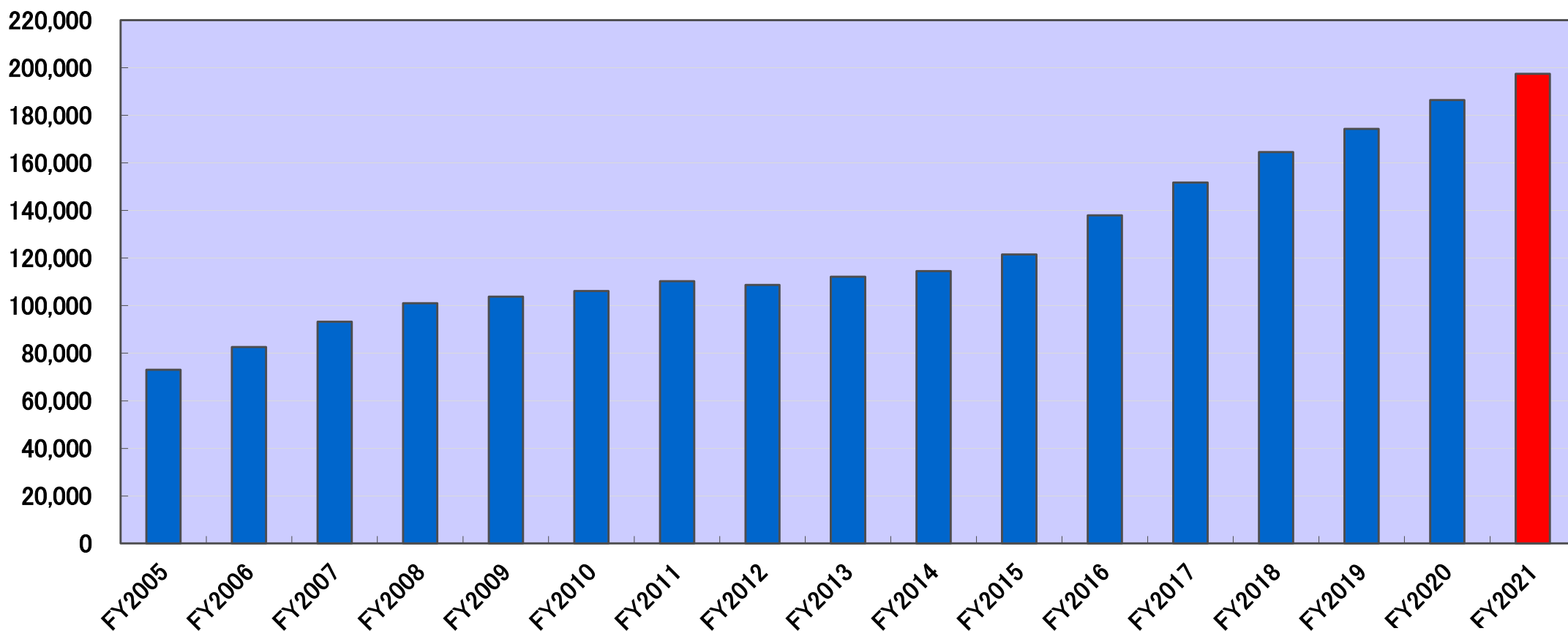
Category	YoY Growth
Salary & Benefit	+ 12%
Office Overhead	+ 5%
Outside Service	+ 31%
Cloud	+ 52%
Administration	+ 1%
Selling & Marketing	+ 17%
Stock Options / Acquisition Related Costs	- 38%
Goods/Software Amortization & Capitalization	- 17%
Special One-time Software Correction	-
<b>Total</b>	<b>+ 9%</b>
<b>Headcount</b>	<b>+ 1% (+49)</b>

(Non-GAAP)

# Constant currency Revenue transition (based on FY2005)

(in million Yen)

(unaudited)



(Non-GAAP)

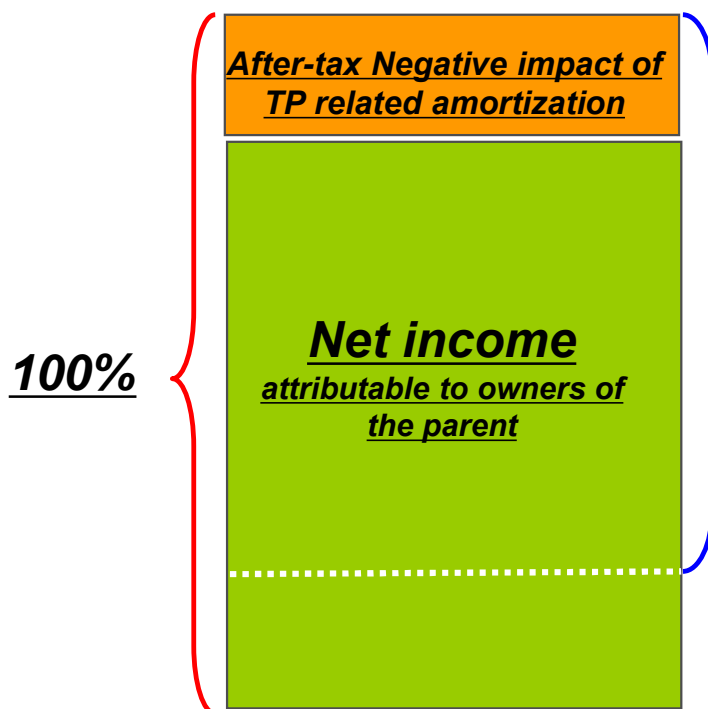
•JPY net revenue amount for each fiscal year shown above is calculated using each foreign currency exchange rate applied in FY2005

# Cash Dividends for FY2021 \*FY21 is the last time of adjusting TP related amortization for dividends

**FY 2021 Dividend Policy:** Year-end dividends on the basis of a dividend payout ratio of 70%, calculated after excluding the effect of TippingPoint related amortization, net of tax

$$70\% \times (\text{Net income attributable to owners of the parent} + \text{After-tax impact of TP related amortization})$$

**From FY 2022 Dividend Policy:** Year-end dividends on the basis of a dividend payout ratio of 70%

$$70\% \times \text{Net income attributable to owners of the parent}$$


※ Because of the add-back of after-tax impact of amortization, the payout ratio will appear to be higher than 70% of normal basis.

## Dividends for FY2021

**Total: 27,236 million Yen**

**Per share: 195 Yen**

**(+ 27% YoY)**

**\*FY2020: 153 Yen per share**

*\* Subject to the approval at the Ordinary General Meeting of Shareholders scheduled in late March, 2022*

# Compensation for Shareholders

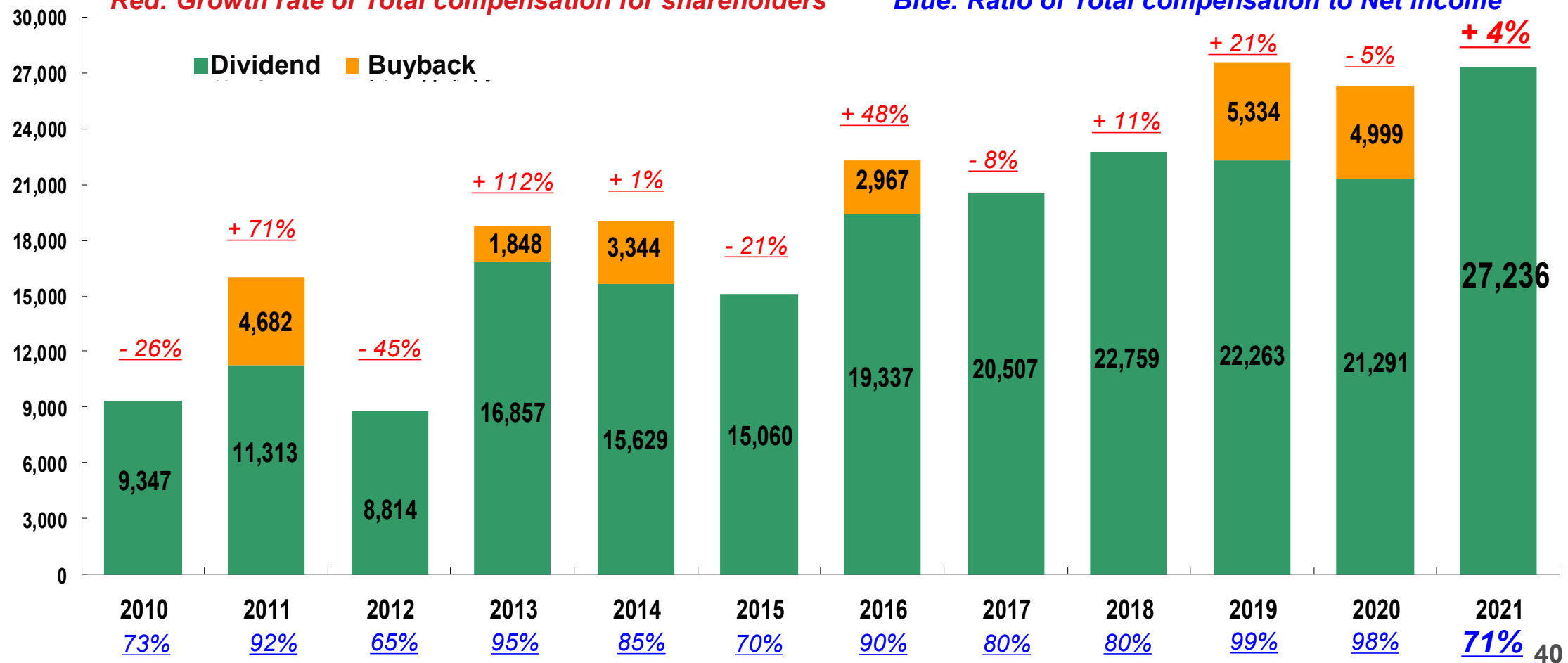
(unaudited)

The ratio of 10 years' cumulative total compensation to Net income from 2012 to 2021: **84%**

(百万円) Million Yen

Red: Growth rate of Total compensation for shareholders

Blue: Ratio of Total compensation to Net income



# ***FY2022 annual forecast assumptions***

- ***To further increase the momentum of our strategy execution we will continue to invest in human resources, mainly to improve our customer reach.***
- ***Japan, North America and AMEA increase by around 5-10% YoY respectively and Europe increases by around 20% YoY.***
- ***Administration costs are expected to increase due to an increase in activities after Covid 19 such as a travel and events.***
- ***Cloud cost growth rate will moderate in 2022***
- ***The decrease in net income due to the absence of the extraordinary income (a gain on sales of affiliate company shares) in 2021***
- ***Estimated exchange rate:***  
***1USD = 110 yen ( last year: 110 yen) , 1EUR = 130 yen ( last year: 130 yen)***

# Projection for FY2022 Annual

(unaudited)  
(in million Yen)

	<u>For FY2022</u> <u>Jan - Dec, 2022</u>	<u>Expected</u> <u>YoY growth</u>
<b>Net Sales</b>	<b>208,900</b>	<b><u>+ 10%</u></b>
<b>Operating Income</b>	<b>42,000</b>	<b><u>- 4%</u></b>
<b>Ordinary Income</b>	<b>42,100</b>	<b><u>- 5%</u></b>
<b>Net Income</b> <small>attributable to owners of the parent</small>	<b>30,300</b>	<b><u>- 21%</u></b>

*(Estimated annual exchange rate 1USD=110 yen, 1EUR=130 yen)*

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

**Net Sales**

**+ 10%**

(Non-GAAP)



## New revenue recognition standard applied from FY2022 Before / After

Changed Item	Before	After	P/L related impact	Impacted amounts	Reflection in FY22 forecast
<ul style="list-style-type: none"> <li>• Perpetual software license</li> <li>• Hardware products</li> <li>• Rebate payment</li> </ul>	Book at one time	Deferral based on the contract period	<ul style="list-style-type: none"> <li>• Net Revenue</li> <li>• Gross profit and subsequent incomes</li> </ul> ※No impact on Pre-GAAP	Since the new standard will be applied retrospectively, the positive and negative impacts will be offset and we expect there will be no significant change from the previous method.	Assumption of no significant impact
<ul style="list-style-type: none"> <li>• Some other rebate programs</li> </ul>	Book at one time & Sales deduction	Book at one time & SG&A	<ul style="list-style-type: none"> <li>• Pre-GAAP (+)</li> <li>• Net Revenue (+)</li> <li>• Gross profit (+)</li> <li>• Total Cost (+)</li> </ul> ※No impact on Operating income and subsequent incomes	Just a change from negative sales to positive costs  Estimated impact of <u>approx. 2.0 billion JPY</u>	○

# 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	47,851	51,178
Cost of sales	8,294	7,695	12,941	9,235	9,875	10,209	10,606	11,326
Operating expenses	23,712	24,063	22,786	25,867	22,492	26,635	24,738	30,833
Operating income	10,119	9,927	7,488	11,929	12,226	9,888	12,507	9,018
Ordinary income	12,034	8,314	7,155	12,350	12,126	10,615	12,680	9,078
Net income attributable to owners of the parent	8,861	6,264	3,855	7,923	8,804	7,699	9,166	12,696
(Costs)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Goods / Software Amortization & Capitalization	1,032	1,344	1,169	787	-170	935	1,067	1,759
Stock option cost	372	1,039	1,144	396	349	771	863	817
Acquisition related costs	1,787	1,730	1,717	1,694	1,349	657	658	679
Selling & Marketing	3,013	3,329	3,075	4,515	3,048	3,785	3,706	5,788
Administration	3,241	1,467	1,932	2,164	2,074	2,128	2,315	2,746
Cloud	2,002	2,266	2,824	3,264	3,595	3,906	3,654	4,613
Outside service	3,165	3,008	3,175	3,380	3,665	4,214	4,274	4,485
Office overhead	1,929	1,809	1,888	1,863	1,946	1,992	1,948	2,005
Salary & Benefit	15,462	15,762	15,069	17,035	16,508	18,453	16,855	19,264
One-time Software correction			3,733					
Total	32,006	31,758	35,728	35,102	32,367	36,845	35,344	42,159
The number of employees	6,836	6,926	6,919	6,975	6,922	6,972	6,995	7,024
Applied rate to yen (US\$)	108.86	107.62	106.22	104.48	105.95	109.51	110.11	113.72
Applied rate to yen (Euro)	120.16	118.54	124.11	124.73	127.76	131.99	129.84	129.97

# 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	18,803	19,402	19,675
North America	8,877	8,821	8,603	9,004	8,298	9,145	9,371	9,715
Europe	7,427	6,994	7,736	8,686	8,034	8,525	8,612	9,660
APAC, Middle East and Africa	7,245	7,350	7,817	8,623	8,212	8,752	8,861	10,484
Latin America	1,182	1,142	1,207	1,394	1,317	1,507	1,603	1,642
<b>Total</b>	<b>42,125</b>	<b>41,686</b>	<b>43,217</b>	<b>47,031</b>	<b>44,594</b>	<b>46,734</b>	<b>47,851</b>	<b>51,178</b>
(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	35,557	38,552
Consumer	9,993	10,231	10,885	11,918	11,347	11,652	12,293	12,626
<b>Total</b>	<b>42,125</b>	<b>41,686</b>	<b>43,217</b>	<b>47,031</b>	<b>44,594</b>	<b>46,734</b>	<b>47,851</b>	<b>51,178</b>
(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	18,664	19,183
North America	8,146	7,807	7,216	10,785	7,405	8,821	8,716	12,510
Europe	6,073	6,846	6,374	13,978	7,025	8,690	7,746	16,882
APAC, Middle East and Africa	6,563	8,011	8,104	10,744	7,803	9,903	10,301	14,197
Latin America	1,069	1,345	1,121	2,085	1,440	1,624	1,625	2,569
<b>Total</b>	<b>41,017</b>	<b>43,179</b>	<b>41,128</b>	<b>55,125</b>	<b>44,218</b>	<b>47,891</b>	<b>47,054</b>	<b>65,344</b>

### “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.**

