

May 13, 2021

Report of Earning Results (Consolidated)
for the First Quarter of the Fiscal Year
Ending December 31, 2021

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Expected date of the submission of quarterly security reports (“Shihanki Hokokusho”)
: May 14, 2021

1. Financial Highlights for the Three Months Ended March 31, 2021

(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, 2021	44,594	5.9	12,226	20.8	12,126	0.8	8,804	(0.6)
Three Months Ended March 31, 2020	42,125	6.7	10,119	8.7	12,034	24.0	8,861	28.4

(Note) Comprehensive Income: 15,948million yen 209.0 % as of March 31, 2021
(5,160million yen Δ 27.1% as of March 31, 2020)

	Net Income per share (basic)	Net Income per share (diluted)
	Yen	Yen
Three Months Ended March 31, 2021	63.24	63.17
Three Months Ended March 31, 2020	63.68	63.51

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
As of	Million yen	Million yen	%
March 31, 2021	372,096	184,850	49.2
December 31, 2020	376,701	189,360	49.7

(Note) Net Assets after deduction of Share acquisition rights and Non-controlling interest
: 182,941million yen as of March 31, 2021 (187,310million yen as of December 31, 2020)

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, 2020	Yen —	Yen 0.0	Yen —	Yen 153.0	Yen 153.0
December 31, 2021	—				
Projection for FY 2021		0.0	—	—	—

(Note) Revision of the projection of dividend for the first quarter of FY 2021 : No

(Note) The dividend projection for FY2021 annual end has not been determined yet.

3. Forecasts of consolidated financial results for FY 2021

(January 1, 2021 through December 31, 2021)

(Note) For the forecast of FY 2021, 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):

140,704,904 shares as of March 31, 2021

140,629,204 shares as of December 31, 2020

② Number of treasury stocks :

1,355,290 shares as of March 31, 2021

1,471,155 shares as of December 31, 2020

③ Average number of shares outstanding :

139,223,837 shares three months ended March 31, 2021

139,156,449 shares three months ended March 31, 2020

* 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 2021

	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
FY2021 (January 1, 2021 through December 31, 2021)	183,400	5.4	40,900	3.6	41,200	3.4	28,800	7.0	206.96

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1 Qualitative Information and Financial Statements

(1) Qualitative Information on the Consolidated Business Results

(Unit: million yen)

	Net Sales		
	Three Month ending First Quarter of FY2021	Three Month ending First Quarter of FY2020	Rate of Change
Japan	18,731	17,392	7.7%
North America Reg.	8,298	8,877	-6.5%
Europe Reg.	8,034	7,427	8.2%
Asia and Pacific Reg.	8,212	7,245	13.3%
Latin America Reg.	1,317	1,182	11.4%
Total	44,594	42,125	5.9%

During this term of fiscal year 2021, from January 1 to March 31, despite the world economy shows recovery in some components, it has been going through which economic activities are limited caused by COVID-19 pandemic. In addition, the new variants which carries higher transmissibility brought a possibility in surge that of cases again. Under such a situation, deep recession and taking longer for worldwide economic recover have been concerned continuously.

Japanese economy has also been going through in a severe situation with the world economic risks mentioned above due to the novel coronavirus, even if it is showing movements of picking up recently.

The worldwide Information Technology industry has growth due to accelerated demands of remote working, education, DX (digital transformation) under the global affected by the COVID-19 pandemic. According to the report by 3rd party, it forecasts worldwide IT spending to grow 6.2% into \$3.9 trillion in 2021. Especially Enterprise software is expected to have the strongest rebound in 8.8%.

In the cyber security industry, continuously multitude of cyber terrorism that targets specific national institutions, etc., a spate of identity theft in business client information, and targeted attacks including crypto-assets drain in specific companies, organizations have been still coming across occasionally. In addition, the ransomware which recognized as new threat in targeted attacks, against IoT environment associated with industrial control system operations in smart factory, phishing scams using the global epidemic of COVID-19 infection and the malware files which abuse remote meeting system have infested. Due to worldwide COVID-19 pandemic, it has been required showing more rigorous approach to information management to regardless business or individual into new daily life.

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

With regards to sales in Japan region, both enterprise and consumer business were going well. Especially consumer business has led this region sales under the background of good demands in remote work and education. In Enterprise business, both security for endpoint and cloud showed large growth. As a result, net sales for this period in Japan region amounted to 18,731 million yen (7.7% increase from the same period in the previous year) increase to.

For North America region, SaaS business has not been led the entire enterprise business sales in this region yet despite showing significant growth. Though cloud security business sales was growing, network security business sales performed not well. As the result, sales for this period in North America region was 8,298 million yen (6.5% decrease from the same period in previous year) decreased to.

In Europe region sales, both endpoint and cloud security showed growth in enterprise business. In addition, there was a weak yen impact, net sales in this region were 8,034 million yen (8.2% increases from the same period in previous year) increased to.

In the Asia Pacific region, enterprise business performed well with mainly both cloud and endpoint security showed growth. Australia and Singapore area led this region sales. As a result, net sales for this period in Asia Pacific region amounted to 8,212 million yen (13.3% increase from the same period in the previous year) with also the depreciation of yen impact to show the highest double-digit

growth rate in all region.

In the Latin America region sales, cloud related business showed substantial growth, and additionally endpoint security products sales were also going well. Despite a big strong yen impact, net sales in this region were 1,317 million yen (11.4% increases from the same period in previous year) increase in double-digit growth rate.

As a result, the consolidated net sales for this period (this term of fiscal year 2021, from January 1 to March 31,) marked 44,594 million yen (5.9% increase from the same period in previous year.)

After one year of the COVID-19 pandemic, it has been still very difficult to predict when it will be over. Under such a situation, Trend Micro group has been not able to avoid a bit business impacts caused by the shrink global sales activities mainly reduction of face-to-face business meetings in some region. However all our business and service providing has been sustain as usual based on our business continuity.

For the costs, it was significant increase in public cloud service usage due to our SaaS business growth, and also people costs due to staff up. On the other hand, both administration costs including business trip spending and amortization of goodwill were decrease. Thus, cost of sales and operating expenses for this period totaled 32,367 million yen (1.1% increase from the same period in previous year) slightly increase to stay. As the results, consolidated operating income for this period was 12,226 million yen (20.8% increase from the same period in previous year.) increase to.

And the consolidated ordinary income for this period was 12,126 million yen (0.8% increase from the same period in previous year.) This slight increase was due to no foreign exchange gain from the same period in previous year. The net income attributable to owners of the parent for this period was 8,804 million yen (0.6% decrease from the same period in previous year.)

Operating income based on Pre-GAAP (revenue before adjusting deferred revenue, etc.) serves as the important annual management indicators for our company. It for this period was 11,850 million yen, an increase of 2,839 million yen (31.5% increase from the same period in previous year.) This increase was due to Pre-GAAP significant growth in excess of staying slightly growth into both cost of sales and operating expenses. Despite of increase in both people costs for mainly prior speculative staff up and cost of public cloud service usage volume due to our SaaS business growth, other costs decreased in.

(2) Qualitative Information on the Consolidated Financial Positions

Cash and bank deposits at the end of this period amounted to 149,901 million yen, a decrease of 5,838 million yen from FY2020 annual closing. In spite of significant increase in marketable securities, due to substantial decrease in notes and accounts receivable, trade, cash and bank deposits, and investment securities, total assets at the end of this period were 372,096 million yen, 4,605 million yen decrease from FY2020 annual closing.

Total liabilities at the end of this period were 187,245 million yen, 94 million yen decrease from FY2020 annual closing mainly due to increase in deferred revenue and decrease in accrued income and other taxes, etc. and others.

Total net assets at the end of this period were 184,850 million yen, 4,510 million yen decrease from FY2020 annual closing due to the dividends paid, etc.

(3) Qualitative Information on the Consolidated Earnings Forecast

As of now, we do not revise our consolidated results forecast for the full fiscal year ending December 31, 2021 (released on February 17, 2021).

Business forecast for the Annual of FY2021 (January 1, 2021 – December 31, 2021)

Consolidated net sales	183,400 million yen
Consolidated operating income	40,900 million yen
Consolidated ordinary income	41,200 million yen
Net income attributable to owners of the parent	28,800 million yen

In development of the business forecasts the main assumed exchange rates for the Annual of FY2021 (January 1, 2021 – December 31, 2021) as follows.

1 US \$	105 yen
1 Euro	125 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, 2020	March 31, 2021
(Assets)		
Current assets		
Cash and bank deposits	155,740	149,901
Notes and Accounts receivable, trade	47,280	39,640
Marketable securities	56,527	67,187
Inventories	3,404	3,843
Others	5,955	7,060
Allowance for bad debt	(260)	(276)
Total current assets	268,648	267,356
Non-current assets		
Property and equipment		
(1) Buildings and structures, net	4,566	4,743
(2) Office furniture & equipment	3,393	3,309
(3) Others	11	17
Total property and equipment	7,971	8,070
Intangibles		
(1) Software	8,741	10,069
(2) Goodwill	4,778	3,797
(3) Others	12,386	12,447
Total intangibles	25,906	26,314
Investments and other non-current assets		
(1) Investment securities	35,922	31,756
(2) Investments in subsidiaries and affiliates	295	230
(3) Deferred tax assets	36,228	36,652
(4) Others	1,728	1,716
Total investments and other non-current assets	74,174	70,355
Total non-current assets	108,052	104,739
Total assets	376,701	372,096

(Million yen)

Account	December 31, 2020	March 31, 2021
(Liabilities)		
Current liabilities		
Accounts payable and Notes payable, trade	917	1,060
Accounts payable, other	4,964	4,978
Accrued expenses	8,594	9,321
Accrued income and other taxes	6,094	4,094
Allowance for bonuses	3,311	1,647
Allowance for sales returns	355	267
Deferred revenue	92,958	95,751
Others	14,273	12,386
Total current liabilities	131,468	129,508
Non-current liabilities		
Deferred revenue	46,072	47,486
Net defined benefit liability	7,273	7,521
Others	2,525	2,728
Total non-current liabilities	55,871	57,736
Total liabilities	187,340	187,245
(Net assets)		
Shareholders' equity		
Common stock	19,104	19,263
Capital surplus	25,974	26,026
Retained earnings	158,429	145,942
Treasury stock, at cost	(7,785)	(7,172)
Total shareholders' equity	195,722	184,059
Accumulated other comprehensive income		
Net unrealized gain (loss) on debt and equity securities	(146)	(77)
Foreign currency translation adjustments	(7,412)	(163)
Remeasurements of defined benefit plans	(852)	(876)
Total accumulated other comprehensive income	(8,411)	(1,117)
Stock acquisition rights	1,220	1,250
Non-controlling interests	829	658
Total net assets	189,360	184,850
Total liabilities and net assets	376,701	372,096

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

Consolidated Statements of Income

(Million yen)

	Three months ended March 31, 2020	Three months ended March 31, 2021
Net sales	42,125	44,594
Cost of sales	8,294	9,875
Gross profit	33,831	34,719
Operating expenses	23,712	22,492
Operating income	10,119	12,226
Non-operating income		
Outsourcing service income	50	29
Interest income	285	113
Foreign exchange gain	1,622	—
Other income	42	17
Total non-operating income	2,002	160
Non-operating expenses		
Litigation settlement	—	26
Foreign exchange loss	—	184
Equity in losses of affiliated companies	19	17
Loss on disposal of fixed assets	60	21
Other expenses	7	11
Total non-operating expenses	86	260
Ordinary income	12,034	12,126
Extraordinary loss		
Loss on liquidation of subsidiary	—	39
Total extraordinary loss	—	39
Net income before taxes	12,034	12,087
Income taxes	3,254	3,484
Net income	8,780	8,602
Net income(loss) attributable to non-controlling interests	(80)	(201)
Net income attributable to owners of the parent	8,861	8,804

Consolidated Statements of Comprehensive Income

(Million yen)

	Three months ended March 31, 2020	Three months ended March 31, 2021
Net income	8,780	8,602
Other comprehensive income		
Valuation difference on available-for-sale securities	(791)	69
Foreign currency translation adjustment	(2,883)	7,313
Remeasurement of defined benefit plans	61	(23)
Share of other comprehensive income of associates accounted for using equity method	(6)	(13)
Total other comprehensive income	(3,619)	7,345
Comprehensive income	5,160	15,948
Comprehensive income attributable to owners of the parent	5,243	16,098
Comprehensive income attributable to non-controlling interests	(82)	(150)

(3) 【Consolidated Statements of Cash Flows】

(Million yen)

Account	Three months ended March 31, 2020	Three months ended March 31, 2021
Cash flows from operating activities:		
Net income before taxes	12,034	12,087
Depreciation and amortization	3,164	4,123
Stock compensations	101	160
Amortization of goodwill	1,341	944
Increase (decrease) in allowance for bad debts	(1)	(0)
Increase (decrease) in allowance for sales returns	18	(103)
Increase (decrease) in net defined benefit liability	94	137
Interest income	(285)	(113)
Equity in (earnings)/loss of affiliated companies	19	17
(Gain) loss on disposal of Fixed assets	60	21
(Gain) loss on liquidation of subsidiaries and associates	—	39
(Increase) decrease in notes and accounts receivable	6,414	8,768
(Increase) decrease in inventories	4	(247)
Increase (decrease) in notes and accounts payable	(375)	56
Increase (decrease) in accounts payable, other & accrued expenses	1,287	436
Increase (decrease) in deferred revenue	659	823
Increase (decrease) in virtual share bonus plan	(1,381)	(1,542)
Litigation settlement	—	26
Others	(3,898)	(3,178)
Subtotal	19,257	22,458
Proceeds from interest and dividend received	349	117
Payment for income tax	(7,154)	(5,404)
Payment for Litigation settlement	—	(26)
Net cash provided by operating activities	12,452	17,144
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	283	1,184
Payments for purchases of marketable securities and securities investments	(5,633)	(7,290)
Proceeds from sale or redemptions of marketable securities and securities investments	8,450	4,036
Payments for purchases of property and equipment	(566)	(332)
Payments for purchases of other intangibles	(2,089)	(4,077)
Purchase of investments in non-consolidated subsidiary	(143)	—
Net cash provided by investing activities	299	(6,479)
Cash flows from financing activities:		
Proceeds from issuance of common shares	40	268
Payment for purchase of treasury stock	—	(0)
Receipt from disposal of treasury stock	124	425
Dividends paid	(21,486)	(20,601)
Repayments to non-controlling shareholders	—	(25)
Proceeds from paid-up by non-controlling shareholders	2,157	2
Net cash used in 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 period	148,127	174,162
Cash and cash equivalents at end of period	138,382	171,603

(4) Footnotes on Consolidated Financial Statements

(Footnote on Going Concern)

N/A

(Notes on Significant Changes in Stockholders' Equity)

N/A

(Additional information)

(Transfer of AsiaInfo Security Limited's shares)

On October 8, 2019, Trend Micro has reached a share transfer agreement with Great Media Security Limited to transfer all shares of Asia Info Security Limited, which was an equity-method affiliate.

Though the shareholders' right is transferred, the settlement of consideration is done by three installment payment by October 2021. The consideration will be approximately 585 million RMB (approximately 8.7 billion yen / 1 RMB=15 JPY).

AsiaInfo Security Limited's share is transferred to Great Media Security Limited. However, Trend Micro has the right to recover the share rights in case of default. Thus it is interpreted as such Trend Micro keeps the share investment as was before. The book value is transferred to investment securities, and the gain on sale will be recognized in October 2021, after all consideration is received.

(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).

The ratio of voting rights to Cysiv Inc. (hereinafter Cysiv) is 38% for us and our subsidiaries (excluding TFI), but the ratio of voting rights including TFI exceeds 50%, so Cysiv is also included in the scope of consolidation.

As stated above, we and our subsidiaries (excluding TFI) do not own the majority of the voting rights of Cysiv, and Cysiv may make management decisions that are different from our intentions.

(Segment Information)

Information on sales, profit/loss by reporting segments

For the previous fiscal year (from January 1, 2020 to March 31, 2020)

1. Information on net sales and profits by reporting segment

(Million Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Adj (*)3	Amt in Con P&L (*)4
Sales								
(1) Net sales to external customers	17,392	8,877	7,427	7,245	1,182	42,125	—	42,125
(2) Intercompany sales	2	2,217	1,110	6,692	5	10,028	(10,028)	—
Total	17,394	11,095	8,537	13,938	1,188	52,154	(10,028)	42,125
Segment income	5,166	1,555	1,776	1,519	225	10,242	(123)	10,119

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Major countries other than Japan:

North America U.S.A., Canada

Europe Ireland, Germany, Italy, France, UK

Asia Pacific Taiwan, Korea, Australia, China, The Philippines, Singapore, Malaysia, Thailand, India, UAE, Egypt

Latin America Brazil, Mexico

3 Consolidation Adjustment in segment income (123)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, 2021 to March 31, 2021)

1. Information on net sales and profits by reporting segment

(Million Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Adj (*)3	Amt in Con P&L (*)4
Sales								
(1) Net sales to external customers	18,731	8,298	8,034	8,212	1,317	44,594	—	44,594
(2) Intercompany sales	5	2,246	717	7,917	4	10,890	(10,890)	—
Total	18,736	10,545	8,752	16,129	1,321	55,485	(10,890)	44,594
Segment income	5,906	1,708	1,955	2,736	200	12,508	(281)	12,226

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Major countries other than Japan:

North America U.S.A., Canada

Europe Ireland, Germany, Italy, France, UK

Asia Pacific Taiwan, Korea, Australia, China, The Philippines, Singapore, Malaysia, Thailand, India, UAE, Egypt

Latin America Brazil, Mexico

3 Consolidation Adjustment in segment income (281) 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.