

August 12, 2021

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

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Expected date of the submission of quarterly security reports (“Shihanki Hokokusho”)  
: August 13, 2021

## 1. Financial Highlights for the Six Months Ended June 30, 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	%
Six Months Ended June 30, 2021	91,329	9.0	22,115	10.3	22,742	11.8	16,503	9.1
Six Months Ended June 30, 2020	83,811	5.5	20,046	9.6	20,349	6.9	15,125	10.8

(Note) Comprehensive Income: 24,126million yen 94.4 % as of June 30, 2021  
(12,413million yen 18.0% as of June 30, 2020)

	Net Income per share (basic)	Net Income per share (diluted)
	Yen	Yen
Six Months Ended June 30, 2021	118.48	118.39
Six Months Ended June 30, 2020	108.67	108.38

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of June 30, 2021	381,015	193,360	50.3
December 31, 2020	376,701	189,360	49.7

(Note) Net Assets after deduction of Share acquisition rights and Non-controlling interest  
: 191,538million yen as of June 30, 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	—	0.0			
Projection for FY 2021			—	—	—

(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):

140,718,604 shares as of June 30, 2021

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

② Number of treasury stocks :

1,309,790 shares as of June 30, 2021

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

③ Average number of shares outstanding :

139,293,674 shares six months ended June 30, 2021

139,185,249 shares six months ended June 30, 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		
	The First Half of FY2021	The First Half of FY2020	Rate of Change
Japan	37,534	34,769	8.0%
North America Reg.	17,444	17,698	-1.4%
Europe Reg.	16,560	14,421	14.8%
Asia and Pacific Reg.	16,964	14,596	16.2%
Latin America Reg.	2,824	2,325	21.5%
Total	91,329	83,811	9.0%

During this term of fiscal year 2021, from January 1 to June 30, despite the world economy shows recovery in some components, it has been going through which economic activities are limited caused by running rampant Covid-19 Delta variant. Under such a situation, deep recession and taking longer for worldwide economic recover have been concerned continuously.

Even if it is showing movements of picking up recently, Japanese economy has been considered in severe situation continuously going through the promotion of getting vaccinated under the fourth Covid-19 state of emergency by Delta variant pandemic.

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. Refer to the report by 3rd party, it forecasts worldwide IT spending to grow 8.6% into \$4.2 trillion in 2021. According to those demands are expected to continue in the future, then enterprise software is expected to have growth in 13.2%.

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, despite network security sales performed not well, endpoint security sales was growing. As a result, net sales for this period in Japan region amounted to 37,534 million yen (8.0% increase from the same period in the previous year) increase to.

For North America region, the entire enterprise business sales has been picking up due to SaaS business in significant growth which has not been led the entire sales in this region yet. Though cloud security sales was growing, network security sales performed not well. As the result, sales for this period in North America region was 17,444 million yen (1.4% decrease from the same period in previous year) slightly decreased to.

In Europe region sales, whole enterprise business sales showed growth mainly due to endpoint security, additionally network security and cloud security. In addition, there was a weak yen impact, net sales in this region were 16,560 million yen (14.8% increases from the same period in previous year) increase in double-digit growth rate.

In the Asia Pacific region, enterprise business performed well with mainly both cloud and endpoint security showed growth. Singapore and Taiwan area led this region sales. In addition, there as a depreciation of yen impact. As a result, net sales for this period in Asia Pacific region amounted to 16,964 million yen (16.2% increase from the same period in the previous year) in double-

digit growth rate.

In the Latin America region sales, cloud security showed substantial growth, and additionally network security and endpoint security were also going well. As a result, net sales in this region were 2,824 million yen (21.5% increases from the same period in previous year) to show the highest double-digit growth rate in all region.

As a result, the consolidated net sales for this period (this term of fiscal year 2021, from January 1 to June 30,) marked 91,329 million yen (9.0% increase from the same period in previous year.)

After over one year of the Covid-19 pandemic, it has been still very difficult to predict when it will be over due to Delta variant running rampant. 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, amortization of goodwill were significantly decrease, and additionally administration costs including business trip spending decrease. On the other hand, it was significant increase in both people costs due to staff up and public cloud service usage due to our SaaS business growth. Thus, cost of sales and operating expenses for this period totaled 69,213 million yen (8.5% increase from the same period in previous year) increase to. As the results, consolidated operating income for this period was 22,115 million yen (10.3% increase from the same period in previous year) increase to.

And the consolidated ordinary income for this period was 22,742 million yen (11.8% increase from the same period in previous year.) This increase was due to gain on sales of marketable securities, etc., despite increase in foreign exchange loss. The net income attributable to owners of the parent for this period was 16,503 million yen (9.1% increase 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 22,896 million yen, an increase of 2,465 million yen (12.1% increase from the same period in previous year.) This increase was due to Pre-GAAP significant growth due to SaaS business growth in excess of increase in both people costs for mainly prior speculative staff up and cost of public cloud service costs from big usage volume.

## **(2) Qualitative Information on the Consolidated Financial Positions**

Cash and bank deposits at the end of this period amounted to 174,080 million yen, an increase of 18,339 million yen from FY2020 annual closing.

In spite of significant decrease in notes and accounts receivable, trade, and investments securities, due to substantial increase in cash and bank deposits, and marketable securities, etc., total assets at the end of this period were 381,015 million yen, 4,314 million yen increase from FY2020 annual closing.

Total liabilities at the end of this period were 187,654 million yen, 314 million yen increase from FY2020 annual closing mainly due to increase in deferred revenue, despite decrease in accrued consumption tax and income tax payable, etc.

Total net assets at the end of this period were 193,360 million yen, 3,999 million yen increase from FY2020 annual closing. This increase is due to significant increasing in foreign currency translation adjustments, etc., in spite of the dividends paid.

## **(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 (6 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	June 30, 2021
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and bank deposits	155,740	174,080
Notes and Accounts receivable, trade	47,280	37,705
Marketable securities	56,527	59,853
Inventories	3,404	3,395
Others	5,955	6,681
Allowance for bad debt	(260)	(282)
<b>Total current assets</b>	<b>268,648</b>	<b>281,433</b>
<b>Non-current assets</b>		
<b>Property and equipment</b>		
(1) Buildings and structures, net	4,566	4,616
(2) Office furniture & equipment	3,393	3,516
(3) Others	11	0
<b>Total property and equipment</b>	<b>7,971</b>	<b>8,133</b>
<b>Intangibles</b>		
(1) Software	8,741	10,540
(2) Goodwill	4,778	3,501
(3) Others	12,386	12,012
<b>Total intangibles</b>	<b>25,906</b>	<b>26,054</b>
<b>Investments and other non-current assets</b>		
(1) Investment securities	35,922	26,578
(2) Investments in subsidiaries and affiliates	295	183
(3) Deferred tax assets	36,228	36,797
(4) Others	1,728	1,835
<b>Total investments and other non-current assets</b>	<b>74,174</b>	<b>65,394</b>
<b>Total non-current assets</b>	<b>108,052</b>	<b>99,582</b>
<b>Total assets</b>	<b>376,701</b>	<b>381,015</b>

(Million yen)

Account	December 31, 2020	June 30, 2021
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable and Notes payable, trade	917	1,047
Accounts payable, other	4,964	4,584
Accrued expenses	8,594	8,392
Accrued income and other taxes	6,094	4,443
Allowance for bonuses	3,311	3,138
Allowance for sales returns	355	592
Deferred revenue	92,958	95,425
Others	14,273	11,418
Total current liabilities	131,468	129,042
<b>Non-current liabilities</b>		
Deferred revenue	46,072	47,935
Net defined benefit liability	7,273	7,696
Others	2,525	2,980
Total non-current liabilities	55,871	58,612
Total liabilities	187,340	187,654
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Common stock	19,104	19,292
Capital surplus	25,974	26,004
Retained earnings	158,429	153,642
Treasury stock, at cost	(7,785)	(6,931)
Total shareholders' equity	195,722	192,006
<b>Accumulated other comprehensive income</b>		
Net unrealized gain (loss) on debt and equity securities	(146)	(92)
Foreign currency translation adjustments	(7,412)	492
Remeasurements of defined benefit plans	(852)	(868)
Total accumulated other comprehensive income	(8,411)	(468)
Stock acquisition rights	1,220	1,353
Non-controlling interests	829	468
Total net assets	189,360	193,360
Total liabilities and net assets	376,701	381,015

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

## Consolidated Statements of Income

(Million yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Net sales	83,811	91,329
Cost of sales	15,989	20,084
Gross profit	67,822	71,244
Operating expenses	47,776	49,128
Operating income	20,046	22,115
Non-operating income		
Outsourcing service income	90	91
Interest income	469	231
Gain on sales of marketable securities	—	1,047
Other income	52	29
Total non-operating income	613	1,400
Non-operating expenses		
Litigation settlement	—	26
Foreign exchange loss	96	605
Equity in losses of affiliated companies	82	63
Loss on disposal of fixed assets	116	60
Other expenses	15	17
Total non-operating expenses	310	773
Ordinary income	20,349	22,742
Extraordinary loss		
Loss on liquidation of subsidiary	—	39
Total extraordinary loss	—	39
Net income before taxes	20,349	22,703
Income taxes	5,447	6,568
Net income	14,901	16,134
Net income(loss) attributable to non-controlling interests	(224)	(369)
Net income attributable to owners of the parent	15,125	16,503

Consolidated Statements of Comprehensive Income

(Million yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Net income	14,901	16,134
Other comprehensive income		
Valuation difference on available-for-sale securities	(240)	54
Foreign currency translation adjustment	(2,195)	7,967
Remeasurement of defined benefit plans	95	(15)
Share of other comprehensive income of associates accounted for using equity method	(147)	(14)
Total other comprehensive income	(2,487)	7,992
Comprehensive income	12,413	24,126
Comprehensive income attributable to owners of the parent	12,629	24,446
Comprehensive income attributable to non-controlling interests	(215)	(319)

## (3) 【Consolidated Statements of Cash Flows】

(Million yen)

Account	Six months ended June 30, 2020	Six months ended June 30, 2021
Cash flows from operating activities:		
Net income before taxes	20,349	22,703
Depreciation and amortization	6,174	8,721
Stock compensations	192	303
Amortization of goodwill	2,632	1,244
Increase (decrease) in allowance for bad debts	(1)	5
Increase (decrease) in allowance for sales returns	133	221
Increase (decrease) in net defined benefit liability	110	281
Interest income	(469)	(231)
Equity in (earnings)/loss of affiliated companies	82	63
(Gain) loss on disposal of Fixed assets	116	60
(Gain) loss on liquidation of subsidiaries and associates	—	39
(Gain) loss on sale of marketable securities	—	(1,047)
(Increase) decrease in notes and accounts receivable	8,529	10,889
(Increase) decrease in inventories	152	206
Increase (decrease) in notes and accounts payable	(384)	4
Increase (decrease) in accounts payable, other & accrued expenses	964	(1,208)
Increase (decrease) in deferred revenue	1,893	385
Increase (decrease) in virtual share bonus plan	(805)	(1,072)
Litigation settlement	—	26
Others	(2,162)	(1,519)
Subtotal	37,509	40,074
Proceeds from interest and dividend received	608	245
Payment for income tax	(9,179)	(8,922)
Payment for Litigation settlement	—	(26)
Net cash provided by operating activities	28,938	31,371
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	(770)	2,313
Payments for purchases of marketable securities and securities investments	(8,333)	(9,361)
Proceeds from sale or redemptions of marketable securities and securities investments	9,450	19,916
Payments for purchases of property and equipment	(856)	(882)
Payments for purchases of other intangibles	(4,096)	(8,006)
Purchase of investments in non-consolidated subsidiary	(167)	—
Proceeds from sales of shares of subsidiaries and associates	1,005	—
Net cash provided by investing activities	(3,768)	3,978
Cash flows from financing activities:		
Proceeds from issuance of common shares	158	316
Payment for purchase of treasury stock	—	(0)
Receipt from disposal of treasury stock	649	587
Dividends paid	(21,673)	(20,763)
Repayments to non-controlling shareholders	—	(48)
Proceeds from paid-up by non-controlling shareholders	2,157	3
Net cash used in financing activities	(18,707)	(19,904)
Effect of exchange rate changes on cash and cash equivalents	(1,920)	7,133
Net increase (decrease) in cash and cash equivalents	4,542	22,579
Cash and cash equivalents at beginning of period	148,127	174,162
Cash and cash equivalents at end of period	152,669	196,742

(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 June 30, 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	34,769	17,698	14,421	14,596	2,325	83,811	—	83,811
(2) Intercompany sales	4	4,204	2,174	12,230	7	18,621	(18,621)	—
Total	34,773	21,903	16,596	26,826	2,332	102,433	(18,621)	83,811
Segment income	11,179	2,635	3,604	2,267	416	20,103	(56)	20,046

(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 (56)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 June 30, 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	37,534	17,444	16,560	16,964	2,824	91,329	—	91,329
(2) Intercompany sales	10	4,486	1,203	15,948	7	21,657	(21,657)	—
Total	37,544	21,931	17,764	32,913	2,832	112,986	(21,657)	91,329
Segment income	11,437	3,046	3,586	3,946	432	22,450	(334)	22,115

(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 (334) 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.