

Trend Micro FY2022.2Q Results



Mahendra Negi CFO, Representative Director

August 9, 2022



Public

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.

FY2022. 2Q Financial Highlight

(Second quarter ended June 30, 2022)

Q2 Consolidated Results

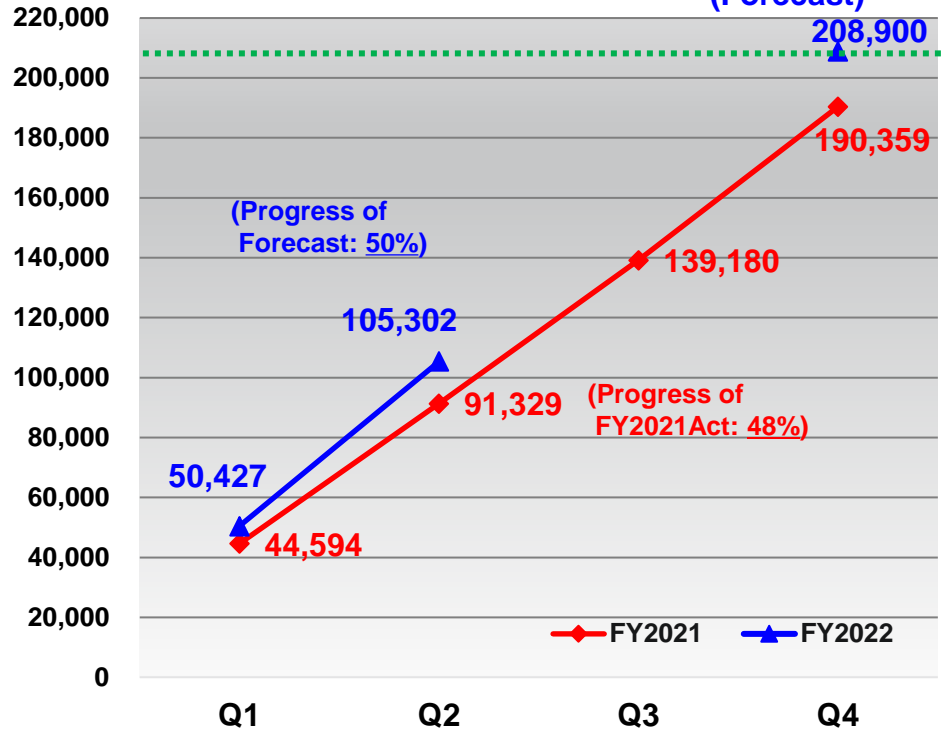
(unaudited)
(in million Yen)

| <i>Three months ended Jun 30,</i> | 2Q2021 | 2Q2022 | YoY growth |
|--|--------------------|--------------------|---|
| Net sales | 46,734 | 54,874 | + 17% |
| Total Operating expenses | 36,845 | 47,332 | + 28% |
| Operating income <i>(Margin)</i> | 9,888 <i>(21%)</i> | 7,542 <i>(14%)</i> | - 24% |
| Ordinary income | 10,615 | 9,344 | - 12% |
| Net income <small>attributable to owners of the parent</small> | 7,699 | 6,430 | - 16% |
| <i>If currency exchange rates used for 2Q2021 were used for 2Q2022</i> | | | |
| Net sales | 46,734 | 51,043 | + 9% (Non-GAAP) |
| <i>“For reference”</i> | | | |
| Pre-GAAP | 47,891 | 58,148 | + 21% <i>(excluding foreign exchange impact) + 12%</i> |
| Pre-GAAP based Operating Income | 11,046 | 10,816 | - 2% (Non-GAAP) |

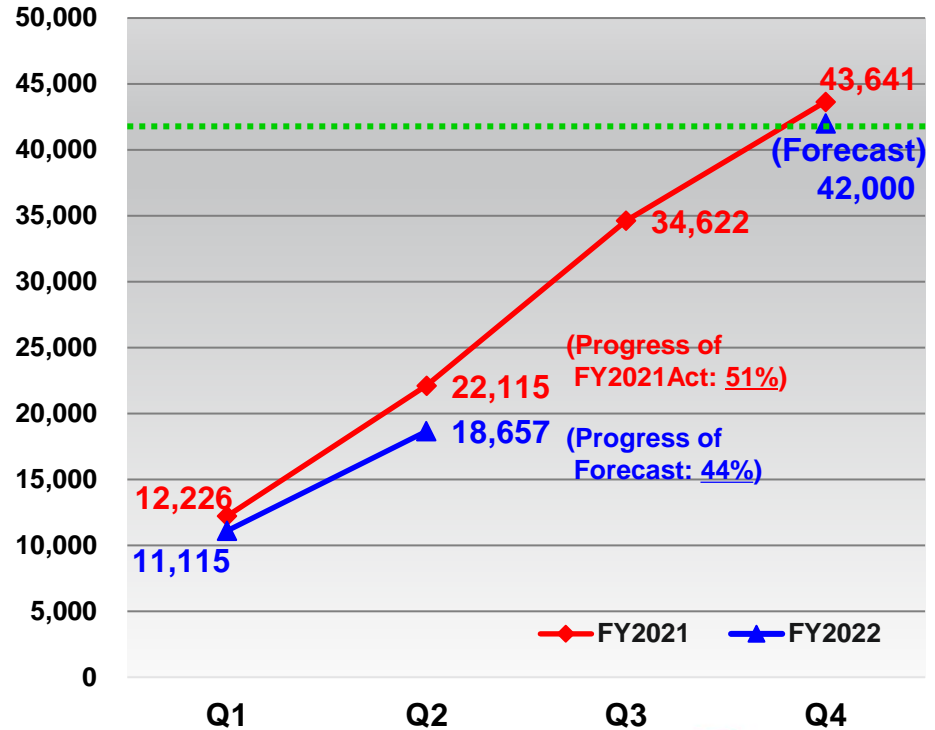
Progress (6 months)

(in million Yen)

Revenue



Operating Income



Q2 USD based Results (Non-GAAP)

(unaudited)

| <i>Three months ended Jun 30,</i> | <i>2Q2021</i> | <i>2Q2022</i> | <i>(in thousand USD) YoY change</i> |
|---------------------------------------|----------------|----------------|---|
| Net sales | 426,759 | 423,186 | - 1% |
| Cost of sales | 93,231 | 101,295 | + 9% |
| Operating expenses | 243,228 | 263,726 | + 8% |
| Operating income | 90,298 | 58,165 | - 36% |
| Ordinary income | 96,936 | 72,061 | - 26% |
| Net Income | 70,308 | 49,587 | - 29% |

attributable to owners of the parent

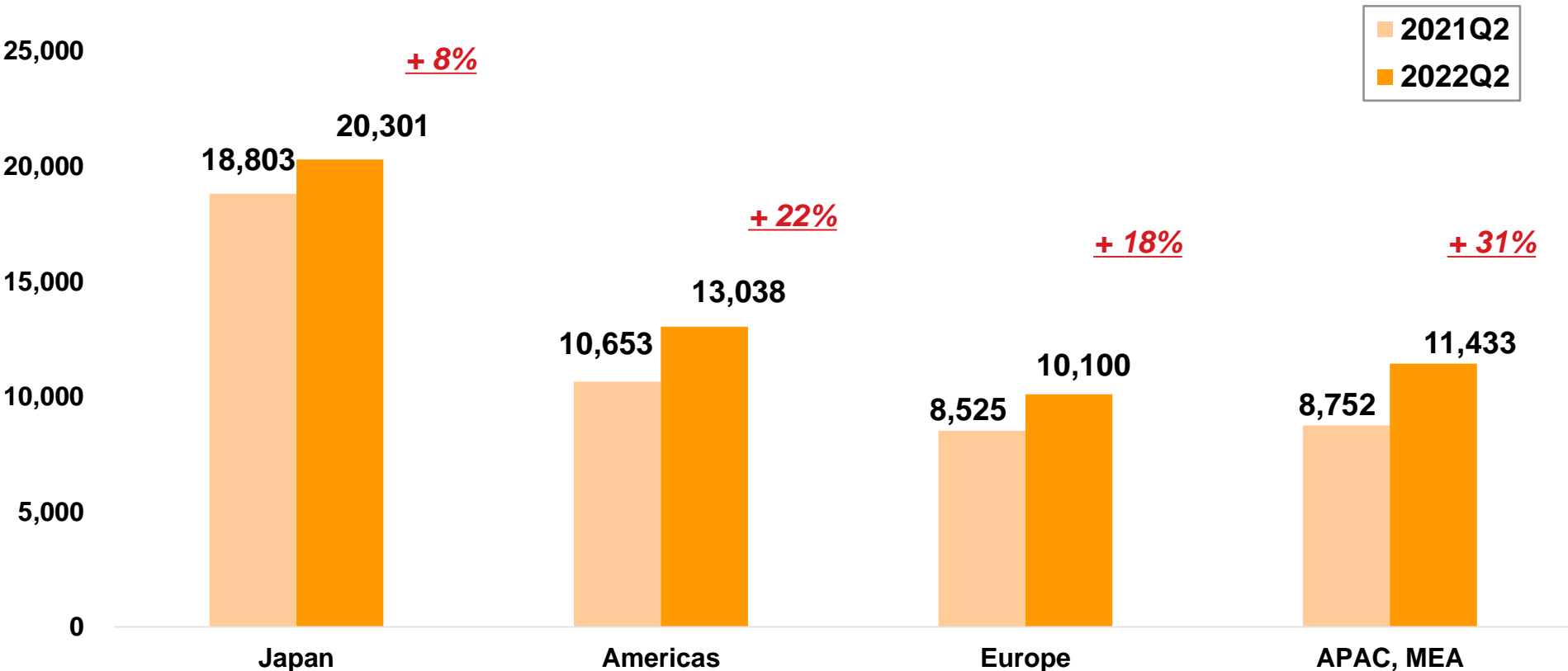
(Non-GAAP)

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=109.51 JPY for 2Q2021 and 1 USD =129.67 JPY for 2Q2022, respectively, which are the respective weighted average exchange rates used to convert USD net sales to JPY for these quarters.

(in million Yen)

Net Sales Growth by Region

(unaudited)

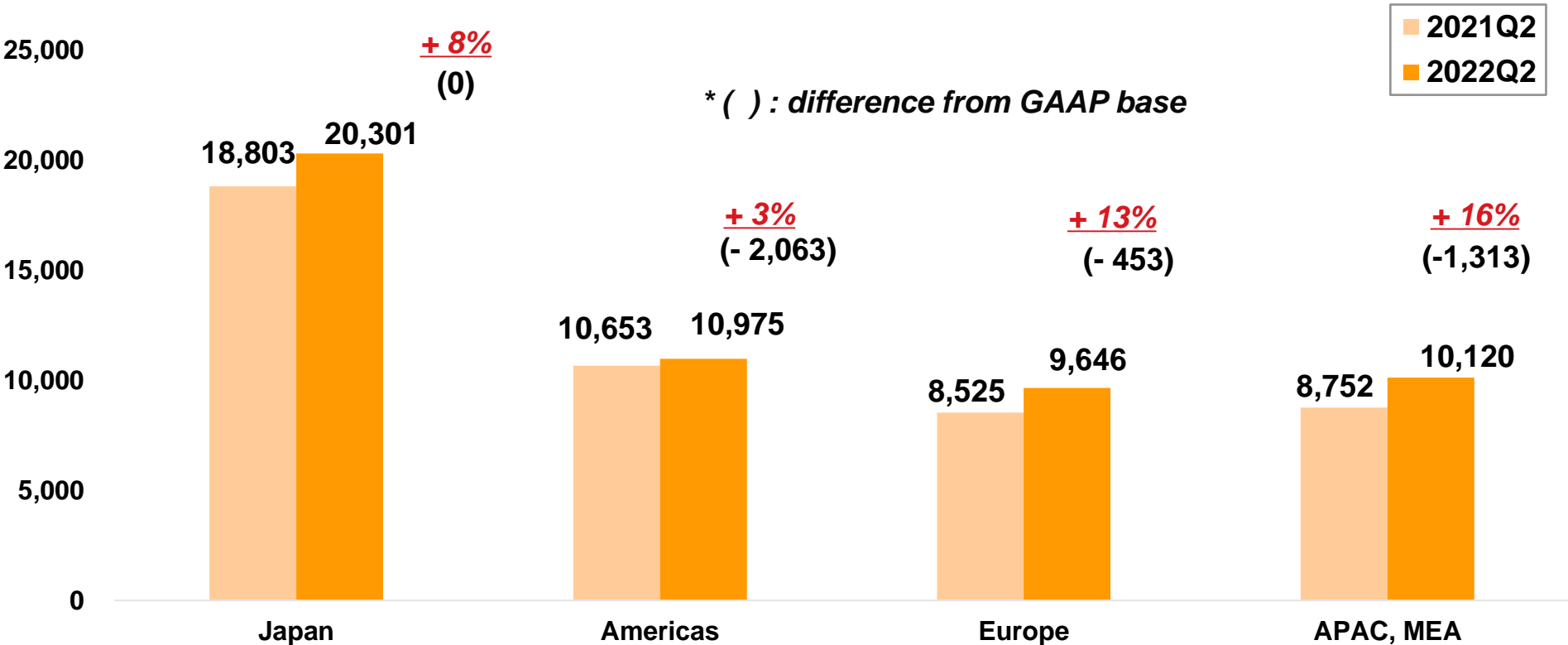


Net Sales Growth by Region

(in million Yen)

If currency exchange rates used for 2Q2021 were used for 2Q2022:

(unaudited)



* () : difference from GAAP base

(Non-GAAP)

Decomposition of Revenue (vs. last year)

(in million Yen)

(unaudited)

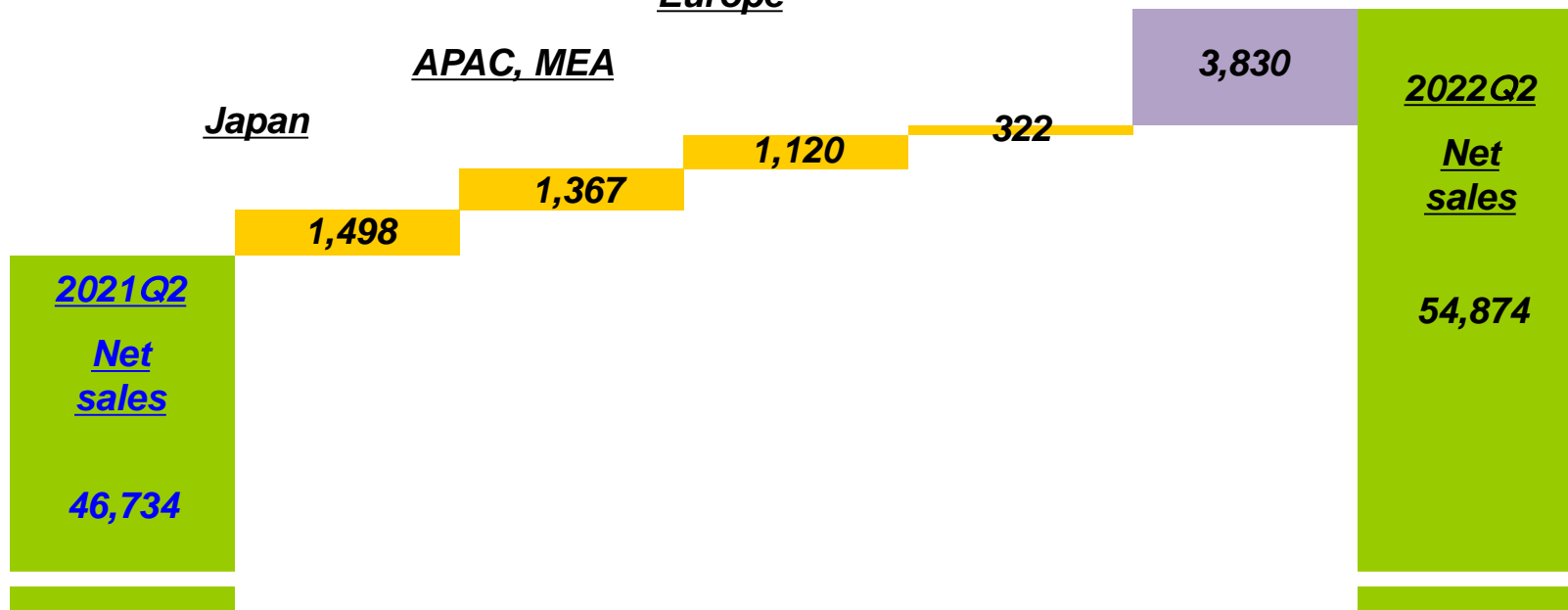
Exchange impact

Americas

Europe

APAC, MEA

Japan



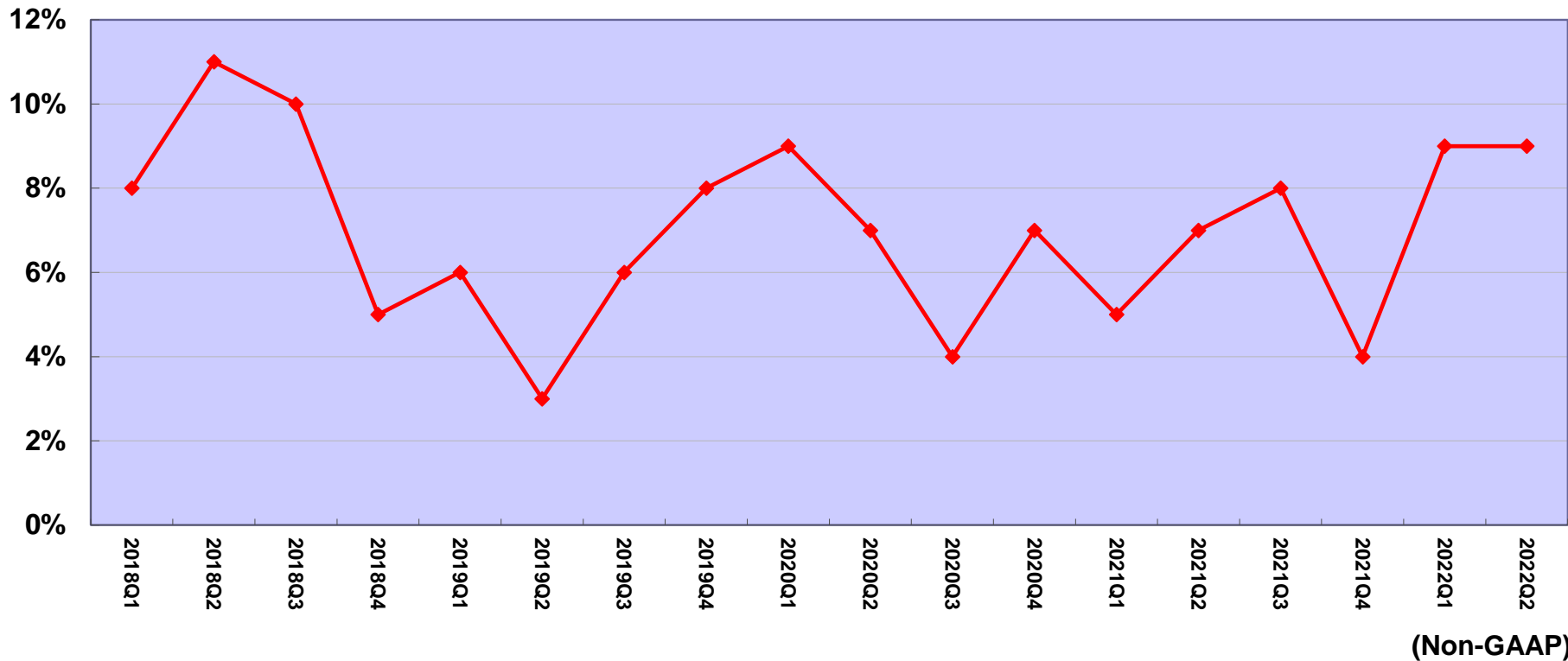
(Non-GAAP)



Constant currency Revenue growth

(YoY)

(unaudited)



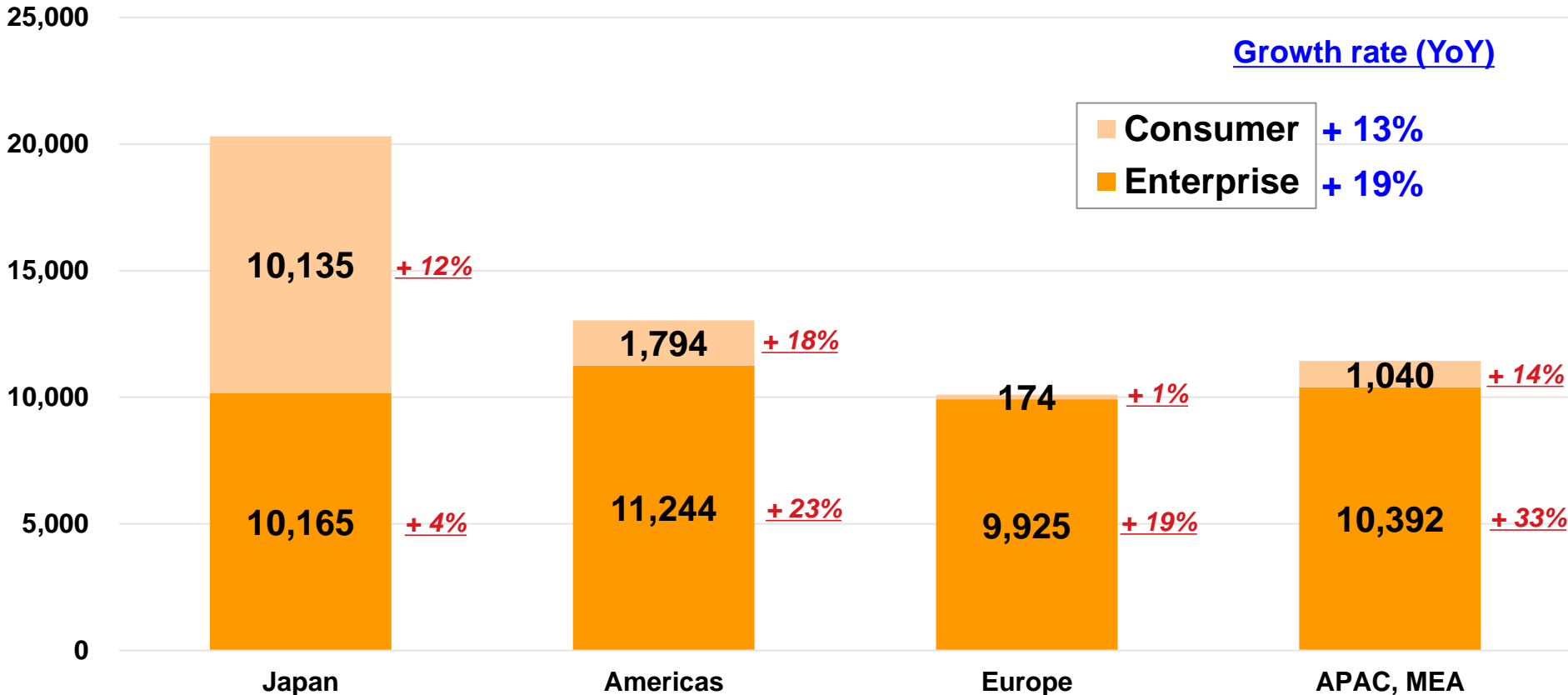
(Non-GAAP)

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

(in million Yen)

Sales by Segment

(unaudited)



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

(Non-GAAP)

Regarding the impact of new accounting standards for revenue recognition (1)

Theoretical revenues and operating income for FY2022Q2 figures as if the old standards were applied.

(unaudited)

(in million Yen)

In conclusion, the impact was limited.

| | 2Q2022 | Impact | <i>Theoretical 2Q2022 with old standards applied</i> | <i>(real YoY)</i> |
|------------------|---------------|---------------|--|-------------------|
| Revenue | 54,874 | + 179 | 54,694 | (+17%) |
| Total Costs | 47,332 | + 402 | 46,930 | (+27%) |
| Operating Income | 7,542 | - 223 | 7,764 | (- 21%) |

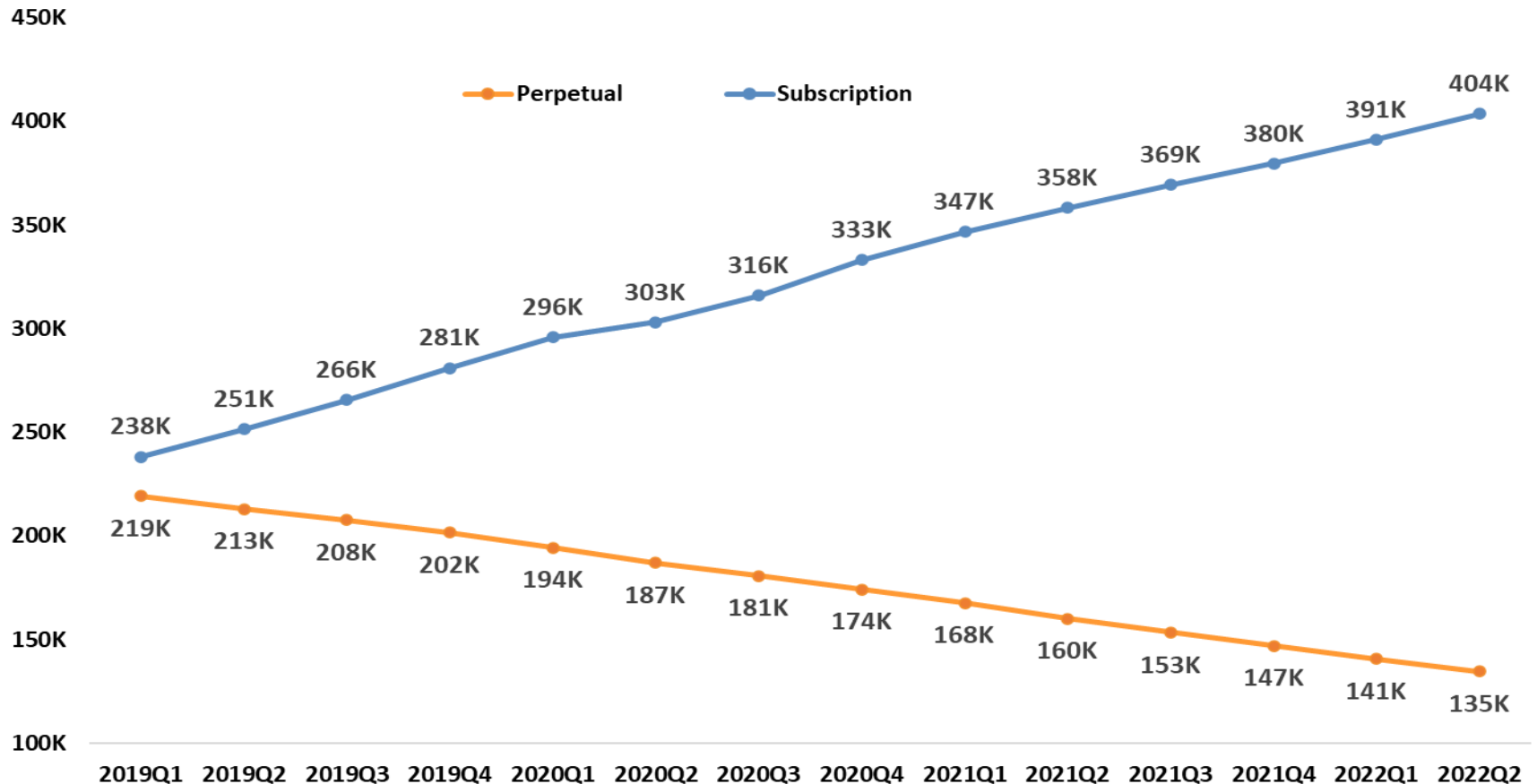
Regarding the impact of new accounting standards for revenue recognition (2)

(unaudited)
(in million Yen)

Impact by region

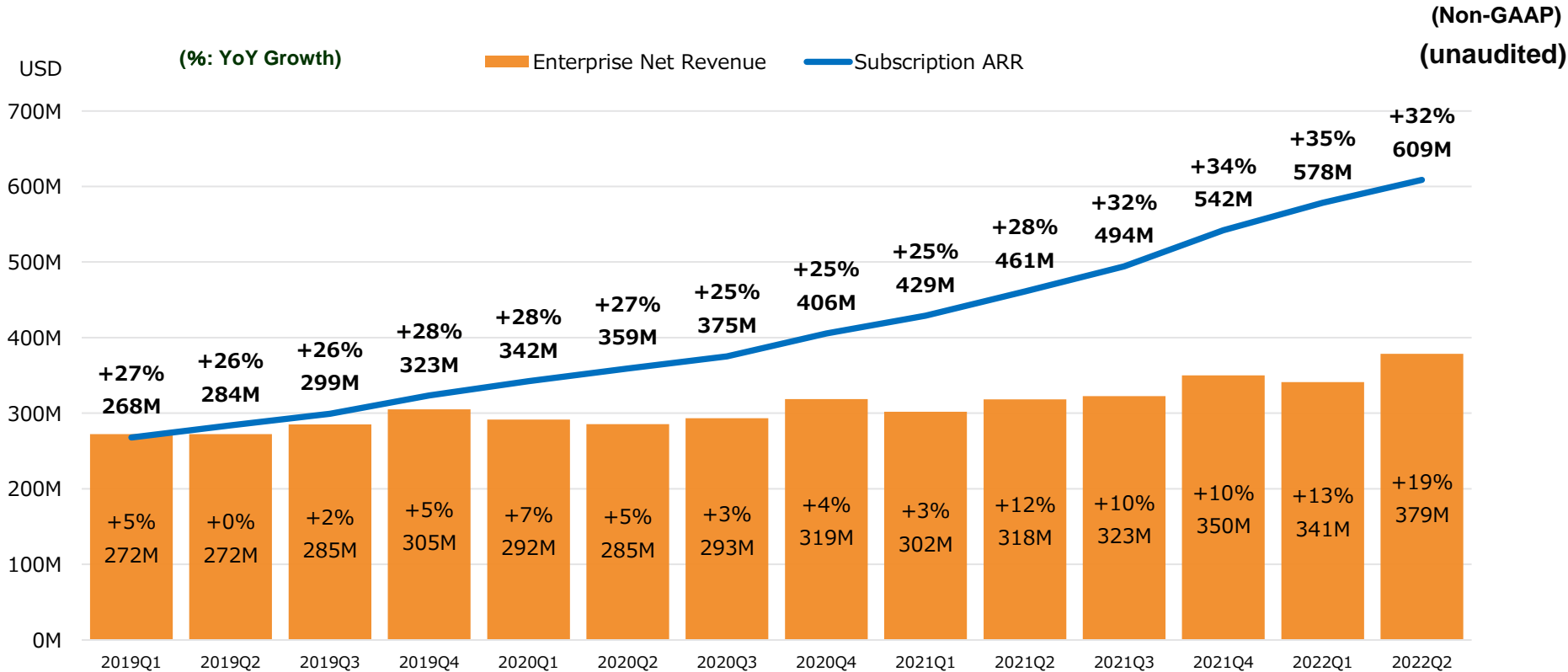
| | 2Q2022 | Impact | <i>Theoretical 2Q2022 with old standards applied</i> | <i>(real YoY)</i> |
|--------------|---------------|--------------|--|-------------------|
| Japan | 20,301 | + 267 | 20,034 | (+ 7%) |
| Americas | 13,038 | - 30 | 13,069 | (+ 23%) |
| Europe | 10,100 | - 184 | 10,284 | (+ 21%) |
| AMEA | 11,433 | + 126 | 11,306 | (+ 29%) |
| Total | 54,874 | + 179 | 54,694 | (+ 17%) |

Active Customer Count



“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 FY2022 Company budget exchange rate applied for the entire period.

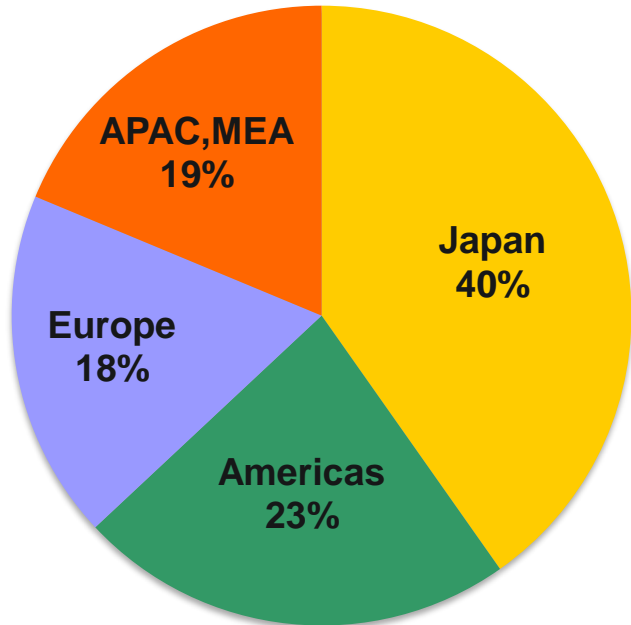
*Enterprise Net Revenue is a quarterly figure based on actual yen reported each quarter converted to USD at FY2022 Company budget exchange rate (1 USD = 110.18 yen).

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

% share by region

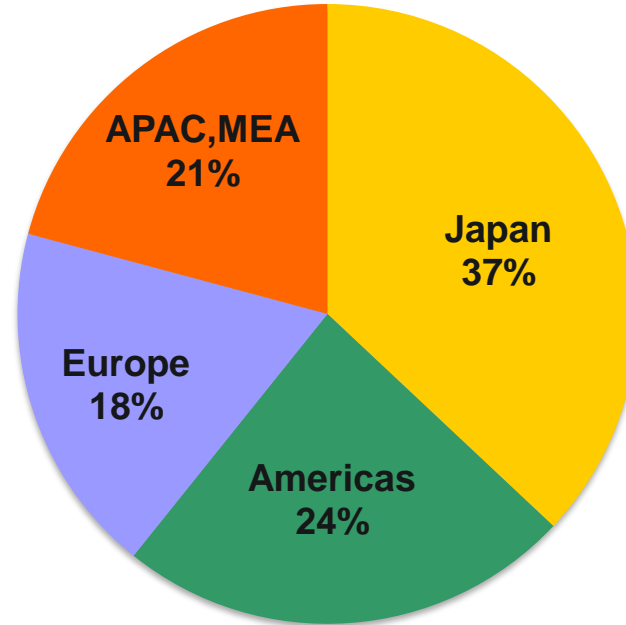
2Q2021

46,734 million Yen



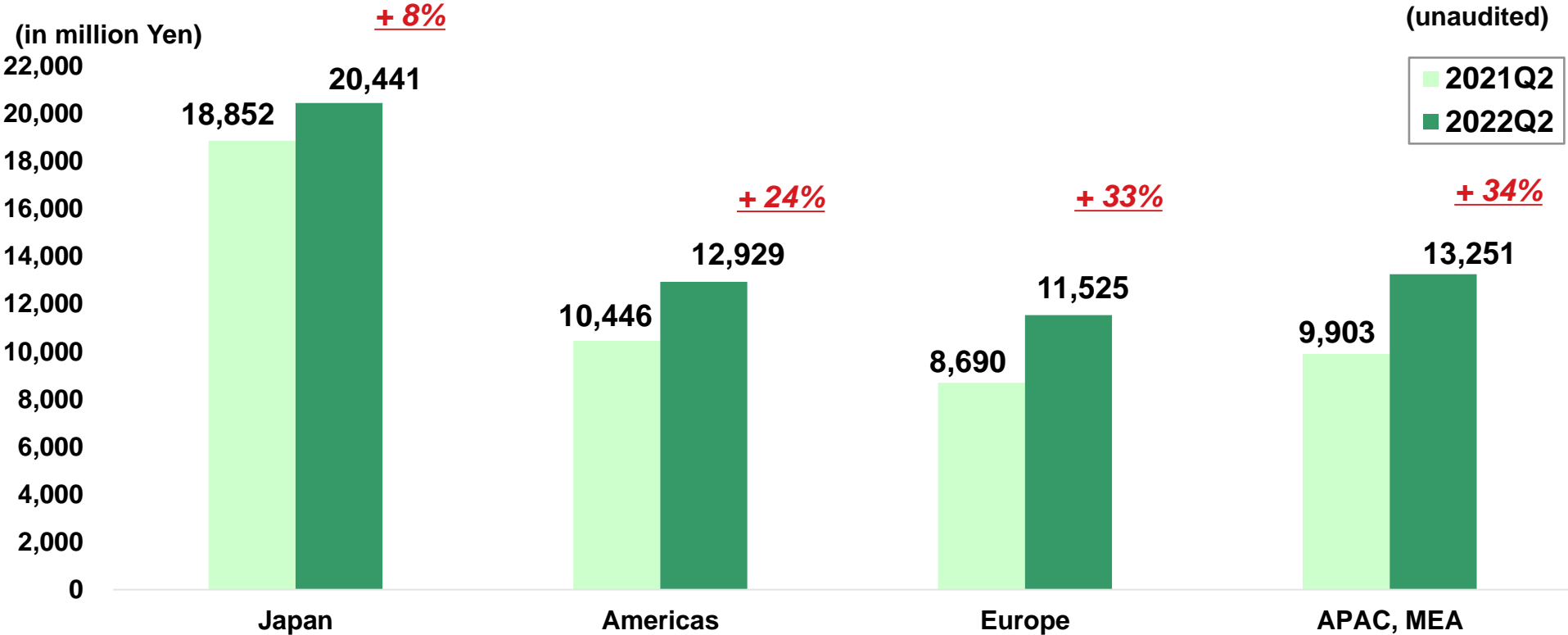
2Q2022

54,874 million Yen



“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)



“Notice”

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

(Non-GAAP)

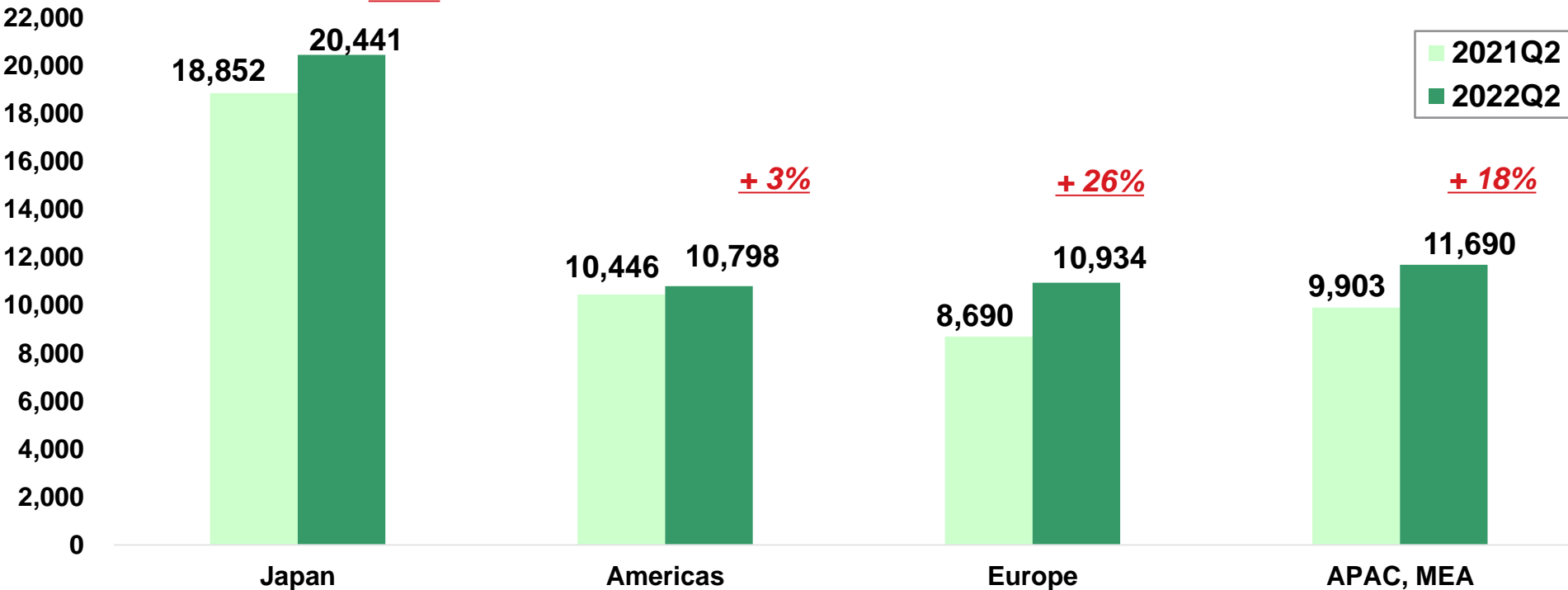
“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

If currency exchange rates used for 2Q2021 were used for 2Q2022:

(in million Yen)

(unaudited)



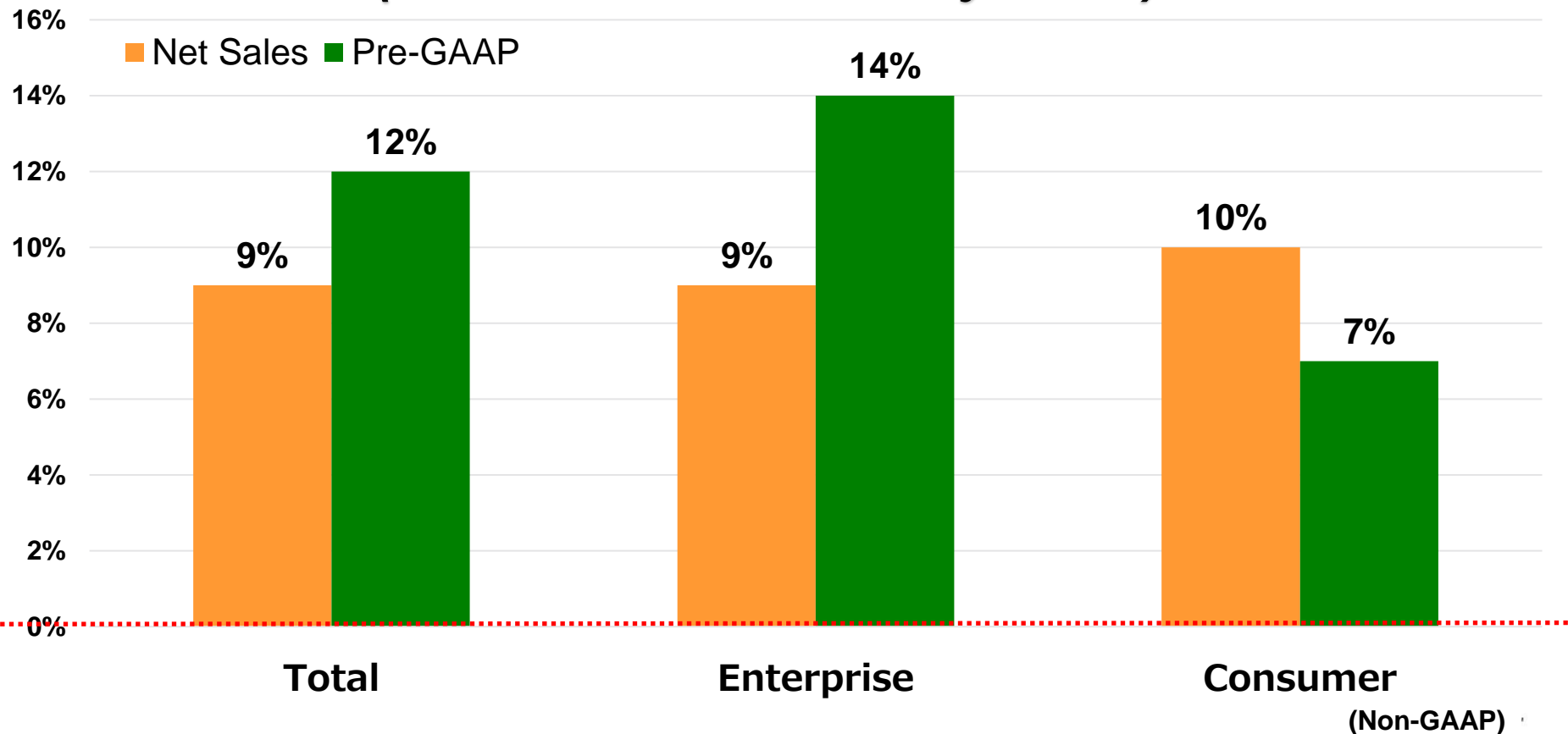
“Notice”

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)

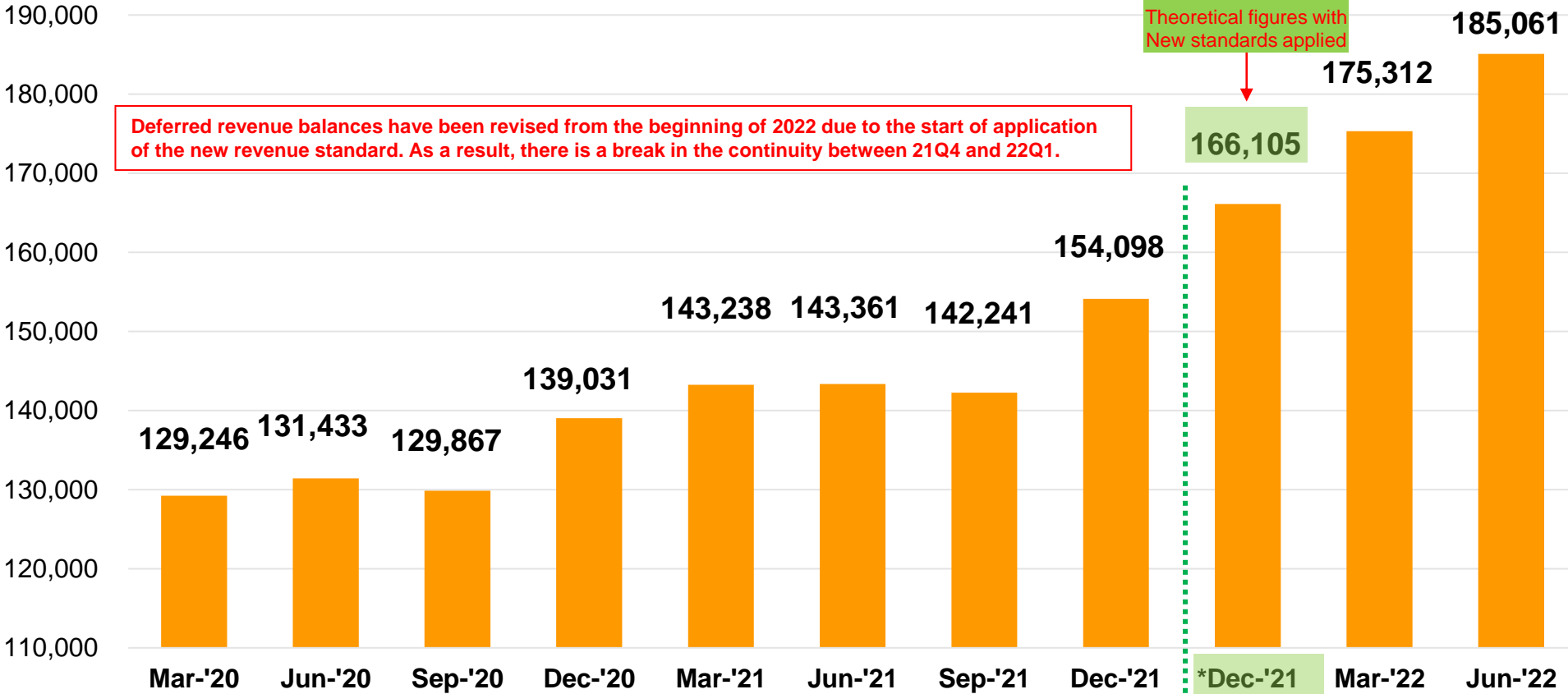
Net sales & Pre-GAAP growth trend (on a constant currency basis)

(unaudited)



Deferred Revenue

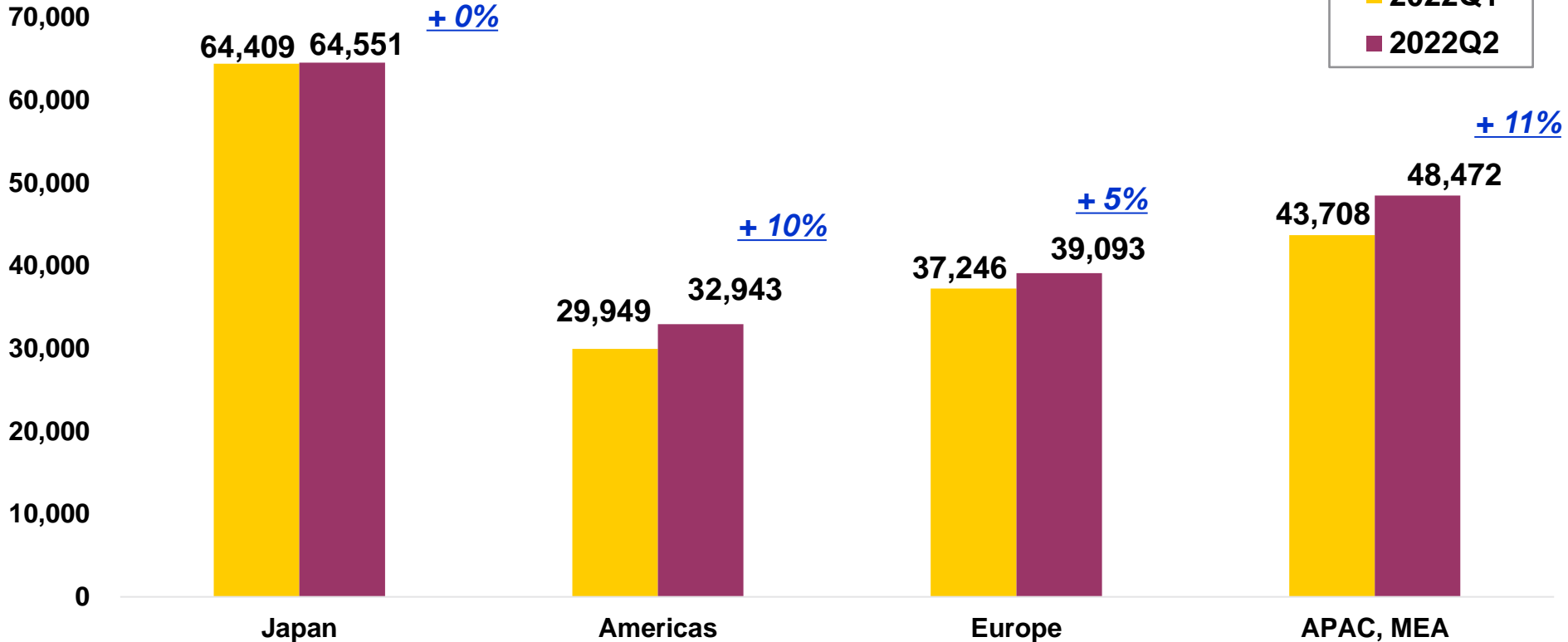
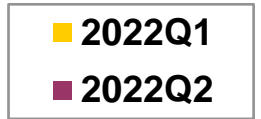
(in million Yen)



Deferred Revenue by Region

(in million Yen)

(unaudited)



(Non-GAAP)

Deferred Revenue by Region

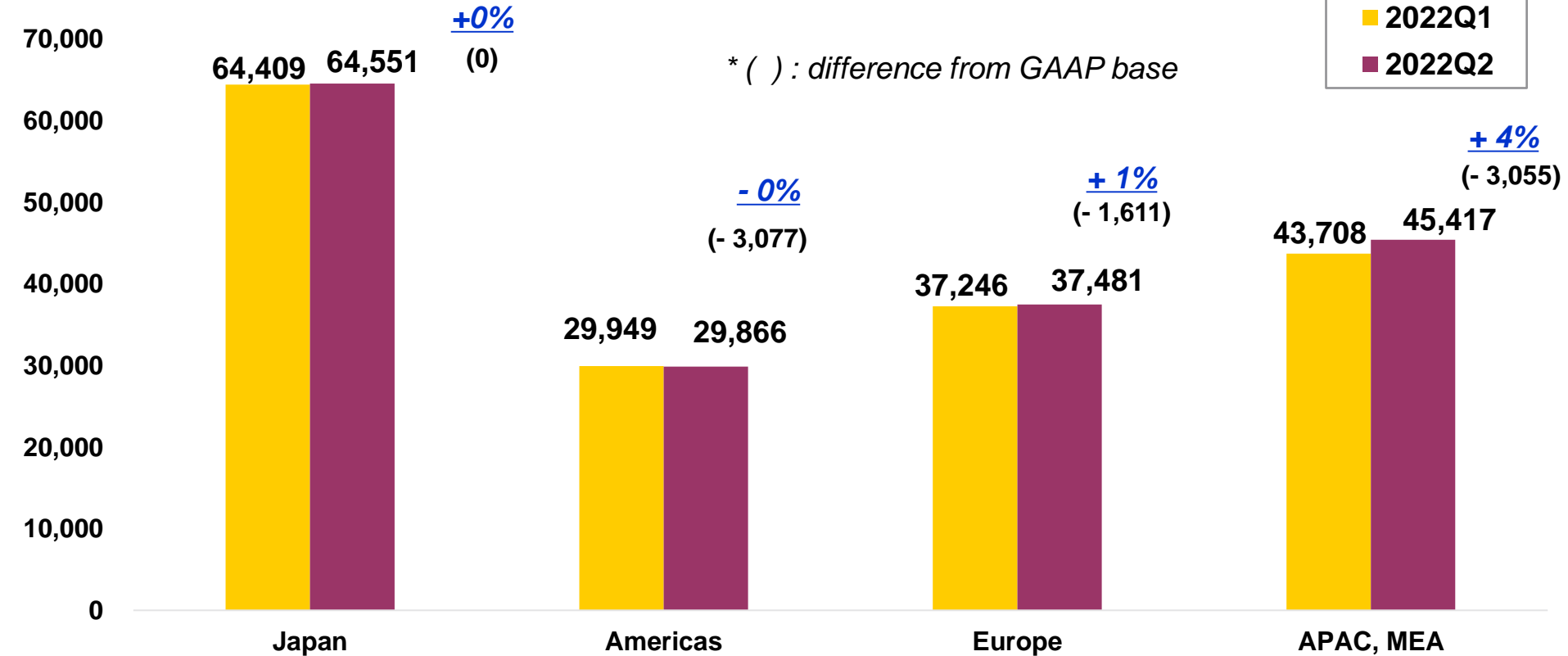
(unaudited)

If currency exchange rates used as of the end of 1Q2022 were used as of the end of 2Q2022:

(in millio Yen)



* () : difference from GAAP base



(Non-GAAP)

Cost

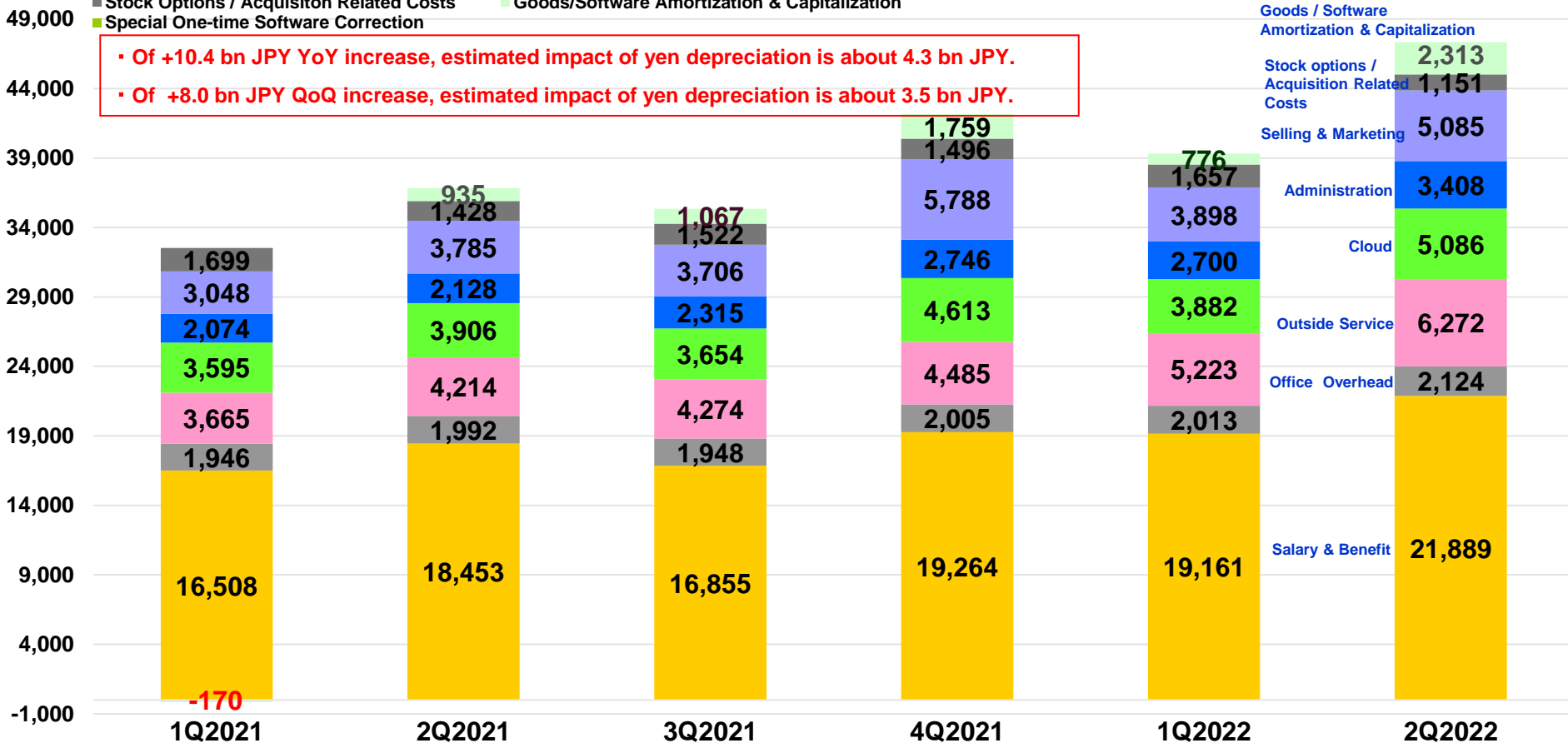
(unaudited)

(Non-GAAP)

(in million Yen)

- Salary & Benefit
- Office Overhead
- Outside Service
- Cloud
- Administration
- Selling & Marketing
- Stock Options / Acquisition Related Costs
- Goods/Software Amortization & Capitalization
- Special One-time Software Correction

• Of +10.4 bn JPY YoY increase, estimated impact of yen depreciation is about 4.3 bn JPY.
 • Of +8.0 bn JPY QoQ increase, estimated impact of yen depreciation is about 3.5 bn JPY.

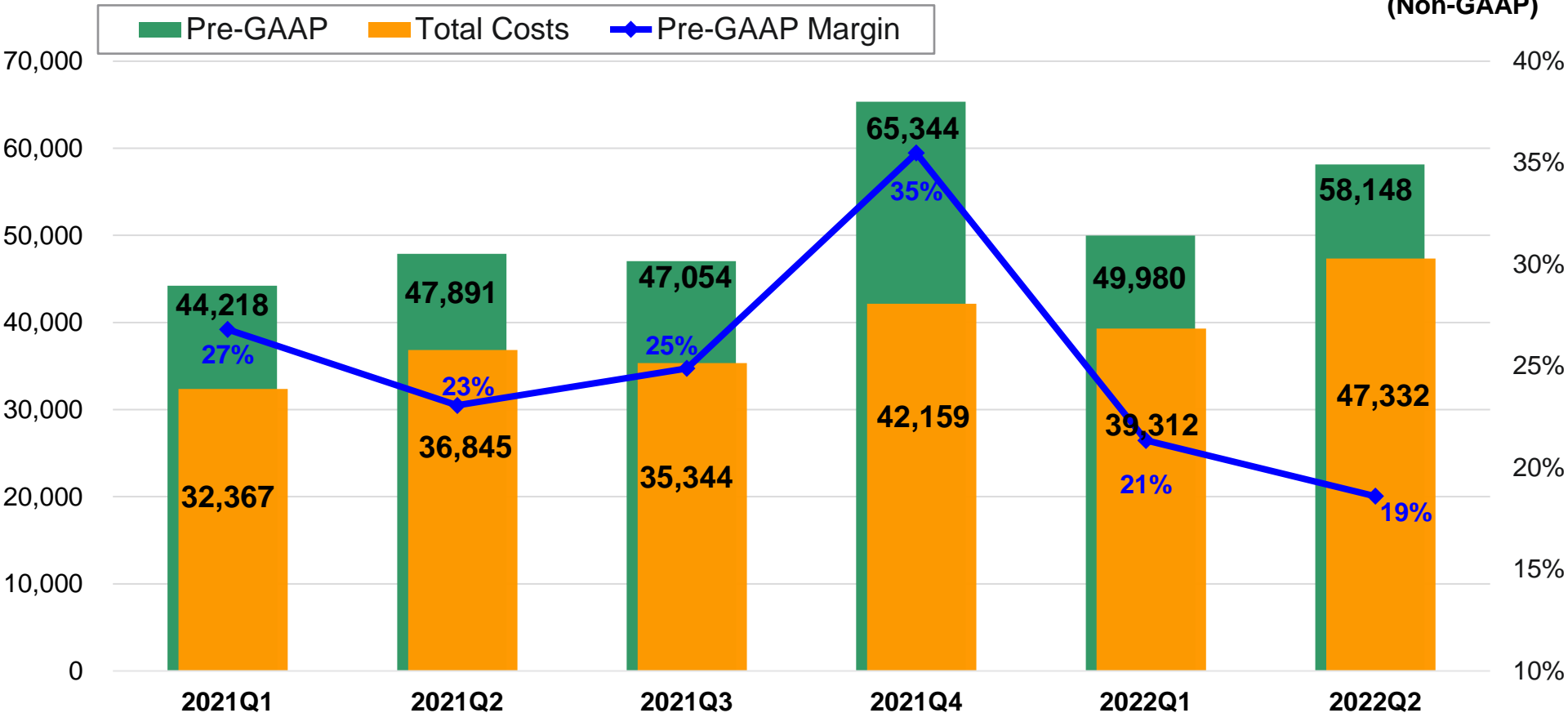


Pre-GAAP v s Total Costs

(unaudited)

(Non-GAAP)

(in million Yen)



* "Total costs" means COGS + SGA.

Cash flows

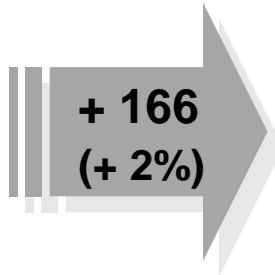
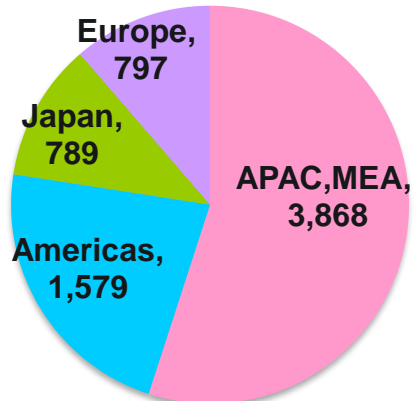
(unaudited)
(in million Yen)

| | 2Q2021 | 2Q2022 | YoY growth |
|--|---------|----------|------------|
| Cash flows from operating activities | 14,226 | 17,283 | + 21% |
| Cash flows from investing activities | 10,457 | - 64,749 | — |
| Cash flows from financing activities | 25 | 669 | + 2526% |
| Effect of exchange rate changes on cash and cash equivalents | 428 | 13,128 | + 2962% |
| Net increase (decrease) in cash and cash equivalents | 25,139 | - 33,667 | — |
| Cash and cash equivalents at beginning of this quarter period | 171,603 | 231,574 | + 35% |
| Increase in cash due to merger of consolidated subsidiary | — | — | — |
| Cash and cash equivalents at end of this quarter period | 196,742 | 197,906 | + 1% |

Headcount

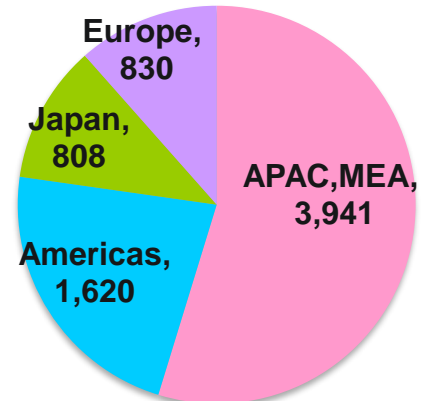
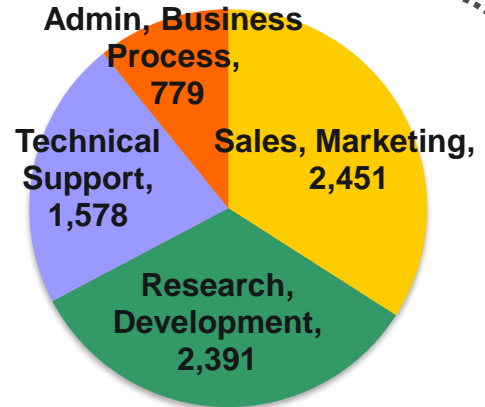
Mar - 2022

7,033



Jun - 2022

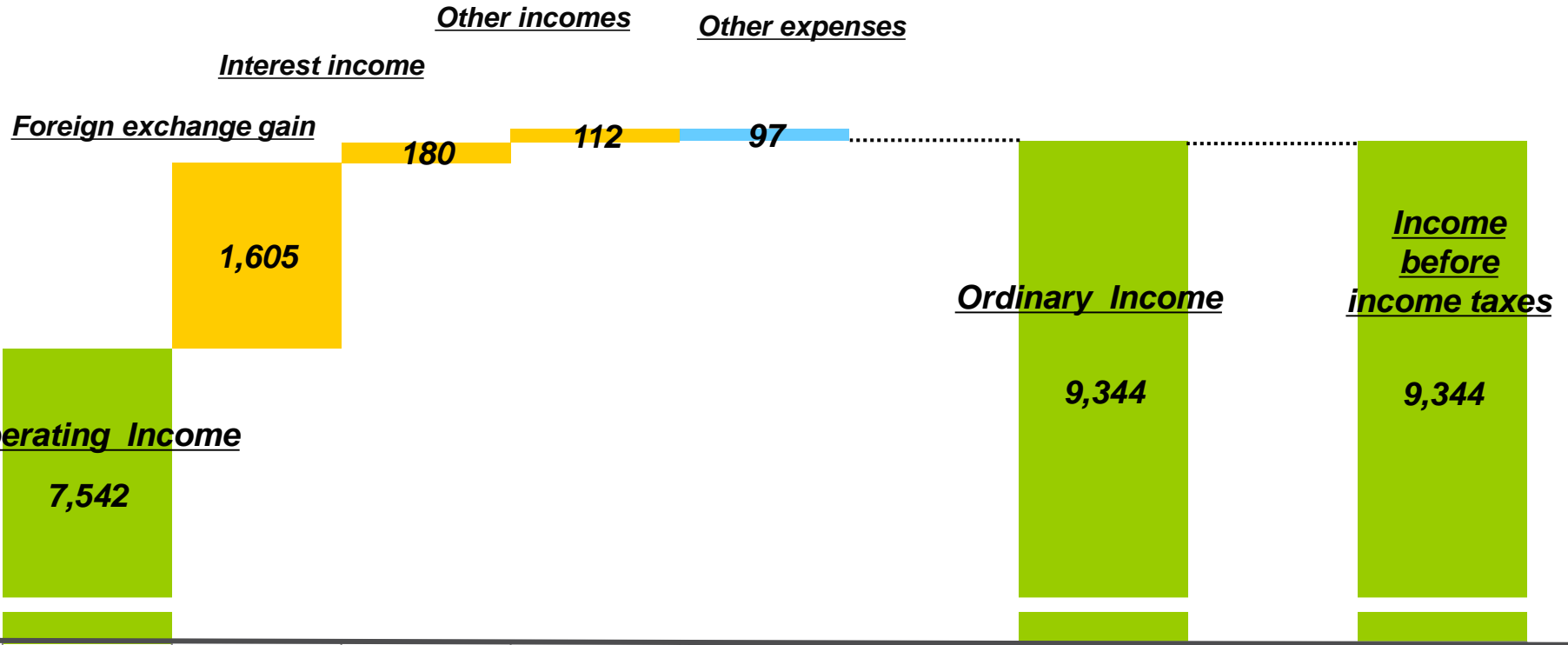
7,199



Non-operating & Extra-ordinary Items

(in million Yen)

(unaudited)



Balance Sheet

(unaudited)
(in million Yen)

| | <i>Mar-2022</i> | <i>change</i> | <i>Jun-2022</i> |
|--|-----------------|---------------|-----------------|
| <u>Assets</u> | | | |
| <i>Cash & cash equivalents</i> | 204,262 | - 14,895 | 189,367 |
| <i>Account receivable</i> <i>(less allowance for doubtful accounts)</i> | 45,083 | + 1,858 | 46,941 |
| <i>Marketable securities &</i> <i>Securities investments</i> | 79,247 | + 49,895 | 129,142 |
| <i>Software</i> | 12,304 | + 243 | 12,547 |
| <u>Liabilities</u> | | | |
| <i>Deferred revenue</i> | 175,312 | + 9,749 | 185,061 |
| <u>Shareholders' Equity</u> | | | |
| <i>Common Stock &</i> <i>Additional paid in capital</i> | 46,625 | + 375 | 47,000 |
| <i>Treasury Stock</i> | - 5,704 | + 506 | - 5,198 |

Q2 Highlights

- ***All regions and all segments grow***
- ***Strong growth of Subscription business continues***
- ***2nd highest quarterly operating cash flow***
(22Q1 was highest)

Q2 Lowlights

- ***Cost growth higher than revenue growth***
- ***Decline in multiple year deals (affecting Pre-GAAP revenue growth)***

FY2022 6 months Financial Highlight

(January ~ June, 2022)

Consolidated Results (6 months)

(in million Yen)

| 6 months ended Jun 30, | 2021 (1-2Q) | (Progress vs. last year's annual result) | 2022 (1-2Q) | YoY growth | (Progress vs. current year's annual forecast) |
|--|-----------------|--|-----------------|---------------|---|
| Net sales | 91,329 | (48%) | 105,302 | + 15% | (50%) |
| Total Operating expenses | 69,213 | | 86,644 | + 25% | |
| Operating income (Margin) | 22,115 (24%) | (51%) | 18,657 (18%) | - 16% | (44%) |
| Ordinary income | 22,742 | (51%) | 20,609 | - 9% | (49%) |
| Net income attributable to owners of the parent | 16,503 | (43%) | 14,962 | - 9% | (49%) |

"For reference"

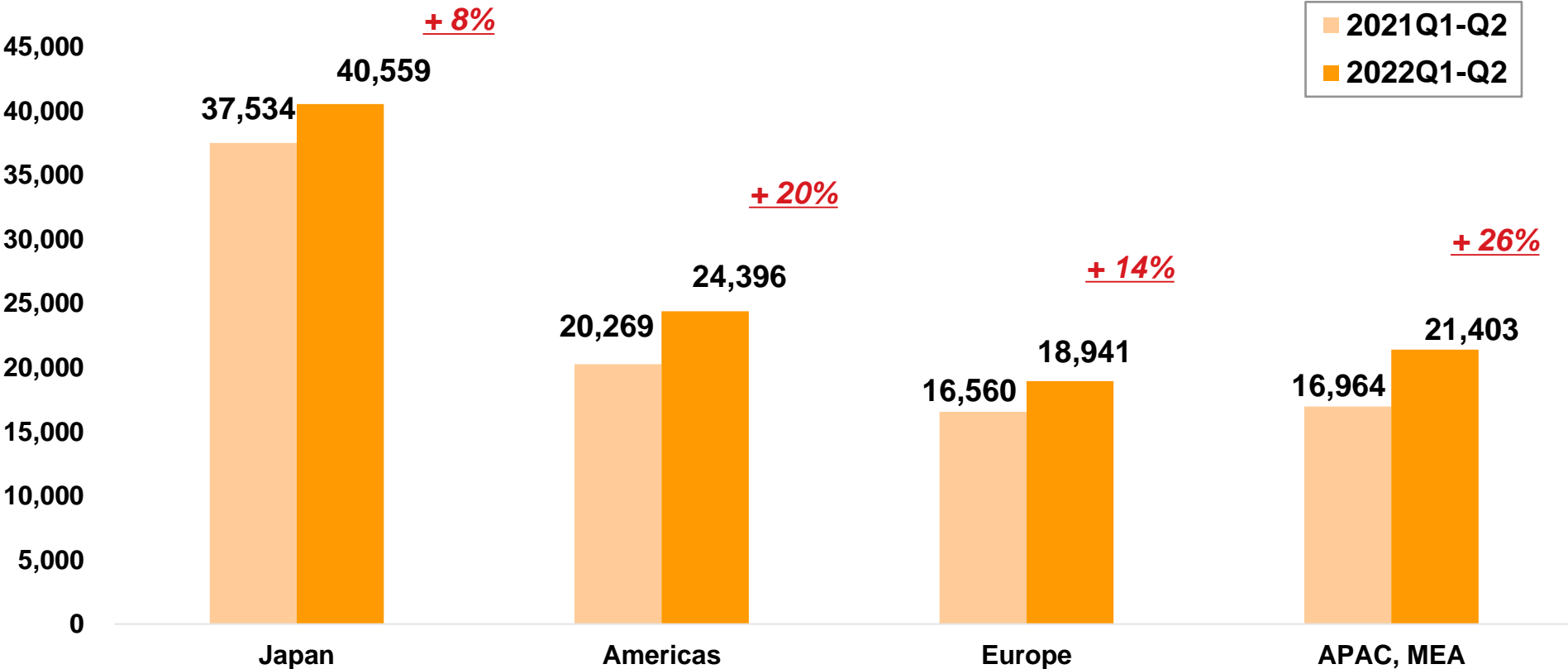
| | | | | | |
|------------------------------------|--------|--|---------|-------|--|
| Pre-GAAP | 92,110 | | 108,128 | + 17% | |
| Pre-GAAP based Operating Income | 22,896 | | 21,484 | - 6% | |

(Non-GAAP)

Net Sales Growth by Region

(unaudited)

(in million Yen)



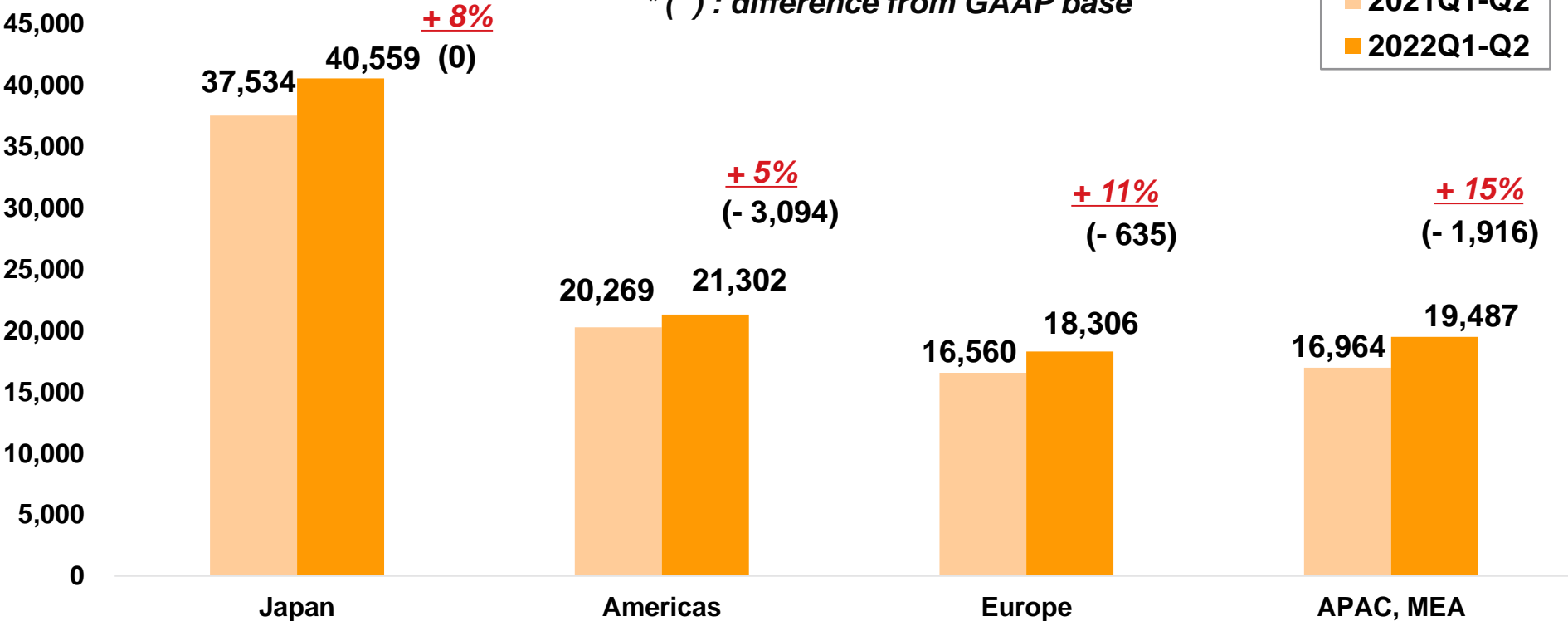
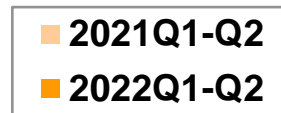
Net Sales Growth by Region

(in million Yen)

If currency exchange rates used for 2021 (Q1-Q2) were used for 2022 (Q1-Q2):

(unaudited)

* () : difference from GAAP base



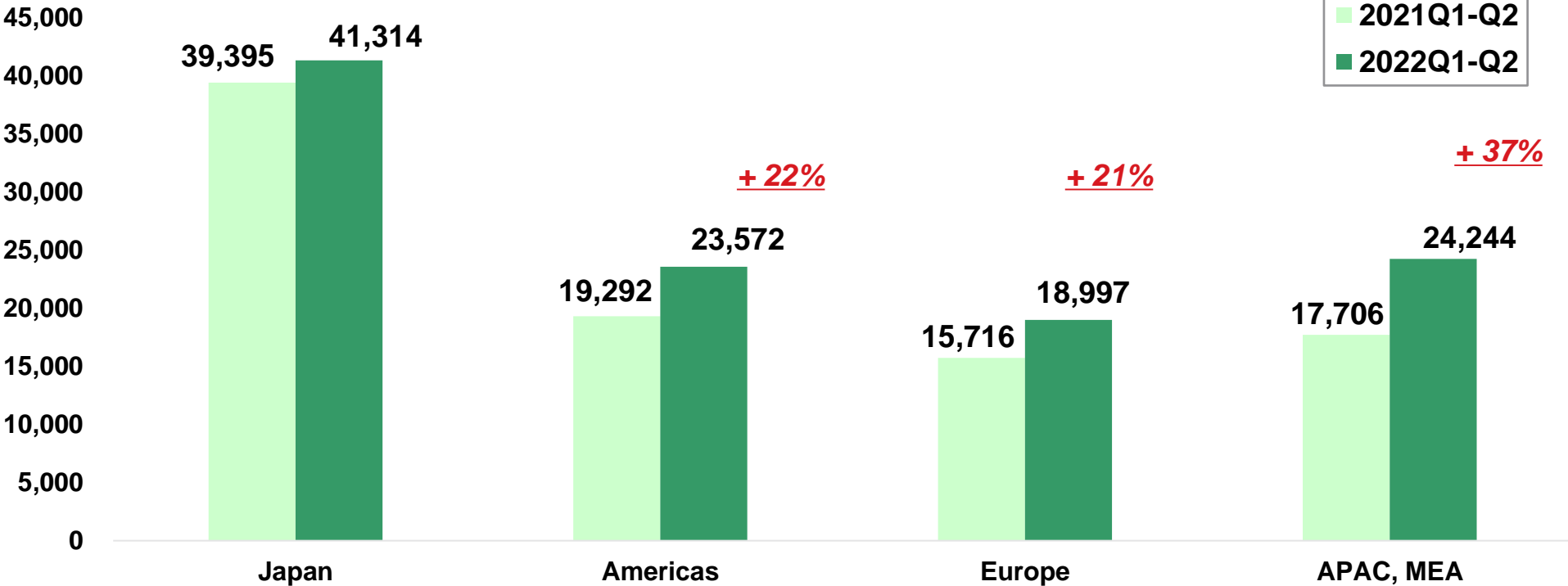
(Non-GAAP)

“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.**

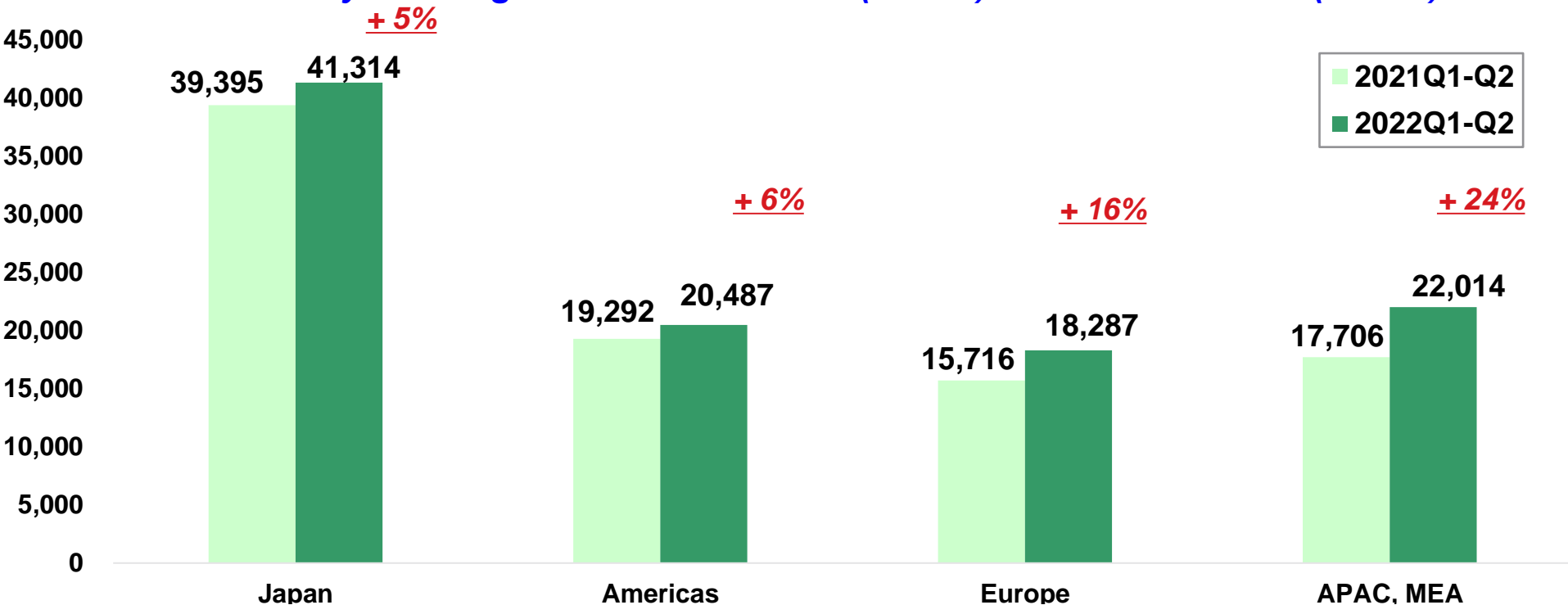
(Non-GAAP)

“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(unaudited)

If currency exchange rates used for 2021(Q1-Q2) were used for 2022(Q1-Q2):



“Notice”

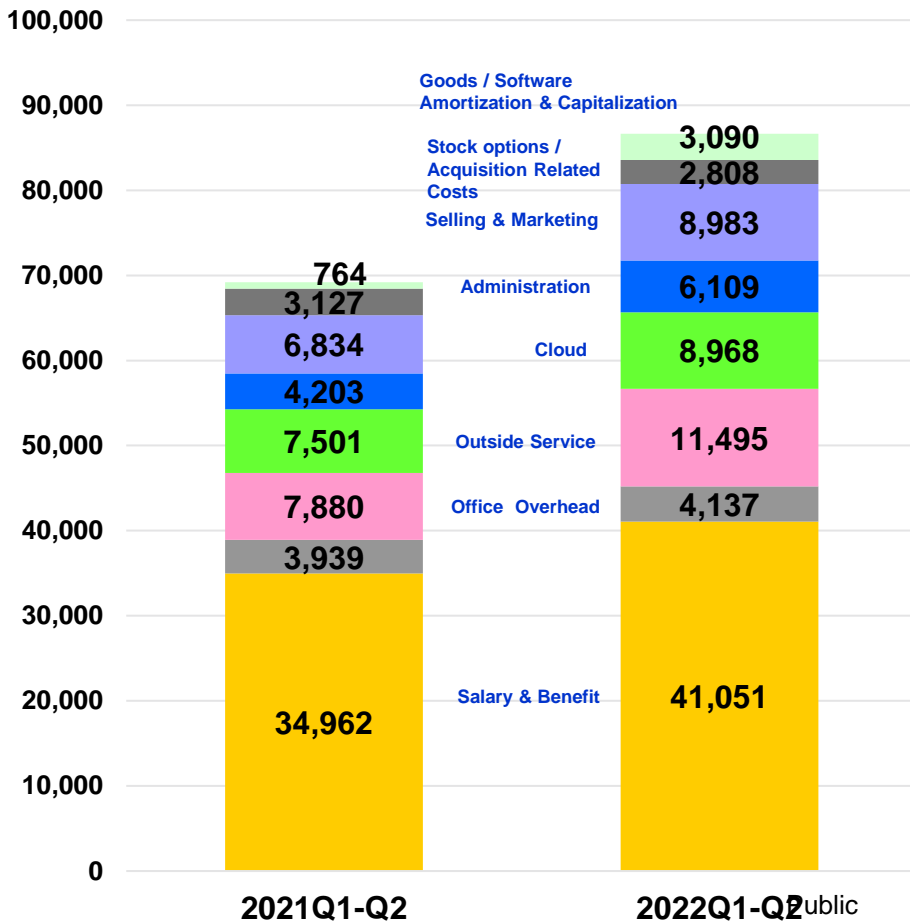
Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance.
As these numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

FY2022 Cost (6 months)

YoY Growth (unaudited)

(in million Yen)



| | |
|--|--------|
| Salary & Benefit | + 17% |
| Office Overhead | + 5% |
| Outside Service | + 46% |
| Cloud | + 20% |
| Administration | + 45% |
| Selling & Marketing | + 31% |
| Stock Options / Acquisiton Related Costs | - 10% |
| Goods/Software Amortization & Capitalization | + 304% |

Total + 25%

Headcount

+227 (+3%)

(Non-GAAP)

Reasons for revision of the forecast

•Considering the current situation in which exchange rates have fluctuated significantly from the assumed exchange rates at the time the original full-year forecast for FY2022 was formulated, the assumed exchange rates for the second half of FY2022 have been changed, and only the estimated impact of exchange rates on net revenue (+17,000 million JPY) has been revised.

1USD =110JPY → 134JPY

1EUR =130JPY → 141JPY

•The same level of foreign exchange impact is expected for costs. No change except for net sales.

Projection for FY2022 Annual *(Revised on Aug. 9th)*

| | <u>For FY2022</u> <u>Jan - Dec, 2022</u> | <u>Expected</u> <u>YoY growth</u> | (in million Yen) |
|--|---|--|------------------|
| Net Sales | 225,900 <small>(before: 208,900, +17,000)</small> | <u>+ 19%</u> <small>(before: +10%)</small> | |
| Operating Income | 42,000 | <u>- 4%</u> | |
| Ordinary Income | 42,100 | <u>- 5%</u> | |
| Net Income <small>attributable to owners of the parent</small> | 30,300 | <u>- 21%</u> | |

(Estimated second half exchange rate 1USD=134 yen, 1EUR=141 yen)

“Reference” actual exchange rate up to Q2: 1USD=123 yen, 1EUR=134 yen

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

Net Sales

+ 10%

(Non-GAAP)

Thank You

Appendix

Quarterly Chart (1)

(unaudited)

(in million Yen)

| | FY2021 | | | | FY2022 | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|-----------|-----------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Net sales | 44,594 | 46,734 | 47,851 | 51,178 | 50,427 | 54,874 | | |
| Cost of sales | 9,875 | 10,209 | 10,606 | 11,326 | 12,367 | 13,135 | | |
| Operating expenses | 22,492 | 26,635 | 24,738 | 30,833 | 26,945 | 34,197 | | |
| Operating income | 12,226 | 9,888 | 12,507 | 9,018 | 11,115 | 7,542 | | |
| Ordinary income | 12,126 | 10,615 | 12,680 | 9,078 | 11,265 | 9,344 | | |
| Net income attributable to owners of the parent | 8,804 | 7,699 | 9,166 | 12,696 | 8,531 | 6,430 | | |
| | | | | | | | | |
| (Costs) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Goods / Software Amortization & Capitalization | -170 | 935 | 1,067 | 1,759 | 776 | 2,313 | | |
| Stock option cost | 349 | 771 | 863 | 817 | 962 | 378 | | |
| Acquisition related costs | 1,349 | 657 | 658 | 679 | 694 | 772 | | |
| Selling & Marketing | 3,048 | 3,785 | 3,706 | 5,788 | 3,898 | 5,085 | | |
| Administration | 2,074 | 2,128 | 2,315 | 2,746 | 2,700 | 3,408 | | |
| Cloud | 3,595 | 3,906 | 3,654 | 4,613 | 3,882 | 5,086 | | |
| Outside service | 3,665 | 4,214 | 4,274 | 4,485 | 5,223 | 6,272 | | |
| Office overhead | 1,946 | 1,992 | 1,948 | 2,005 | 2,013 | 2,124 | | |
| Salary & Benefit | 16,508 | 18,453 | 16,855 | 19,264 | 19,161 | 21,889 | | |
| Total | 32,367 | 36,845 | 35,344 | 42,159 | 39,312 | 47,332 | | |
| | | | | | | | | |
| The number of employees | 6,922 | 6,972 | 6,995 | 7,024 | 7,033 | 7,199 | | |
| | | | | | | | | |
| Applied rate to yen (US\$) | 105.95 | 109.51 | 110.11 | 113.72 | 116.35 | 129.67 | | |
| Applied rate to yen (Euro) | 127.76 | 131.99 | 129.84 | 129.97 | 130.38 | 138.19 | | |

Appendix

Quarterly Chart (2)

(unaudited)

(in million Yen)

| (Sales by region) | FY2021 | | | | FY2022 | | | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Japan | 18,731 | 18,803 | 19,402 | 19,675 | 20,258 | 20,301 | | |
| Americas | 9,616 | 10,653 | 10,975 | 11,358 | 11,358 | 13,038 | | |
| Europe | 8,034 | 8,525 | 8,612 | 9,660 | 8,841 | 10,100 | | |
| APAC, Middle East and Africa | 8,212 | 8,752 | 8,861 | 10,484 | 9,970 | 11,433 | | |
| Total | 44,594 | 46,734 | 47,851 | 51,178 | 50,427 | 54,874 | | |
| | | | | | | | | |
| (Sales by segment) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| All Enterprise | 33,247 | 35,081 | 35,557 | 38,552 | 37,584 | 41,728 | | |
| Consumer | 11,347 | 11,652 | 12,293 | 12,626 | 12,842 | 13,146 | | |
| Total | 44,594 | 46,734 | 47,851 | 51,178 | 50,427 | 54,874 | | |
| | | | | | | | | |
| (Pre-GAAP by region) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Japan | 20,542 | 18,852 | 18,664 | 19,183 | 20,872 | 20,441 | | |
| Americas | 8,845 | 10,446 | 10,342 | 15,080 | 10,642 | 12,929 | | |
| Europe | 7,025 | 8,690 | 7,746 | 16,882 | 7,471 | 11,525 | | |
| APAC, Middle East and Africa | 7,803 | 9,903 | 10,301 | 14,197 | 10,993 | 13,251 | | |
| Total | 44,218 | 47,891 | 47,054 | 65,344 | 49,980 | 58,148 | | |

“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.**