

Trend Micro FY2022.3Q Results



Mahendra Negi CFO, Representative Director

November 10, 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.

FY2022. 3Q Financial Highlight

(Third quarter ended September 30, 2022)

Q3 Consolidated Results

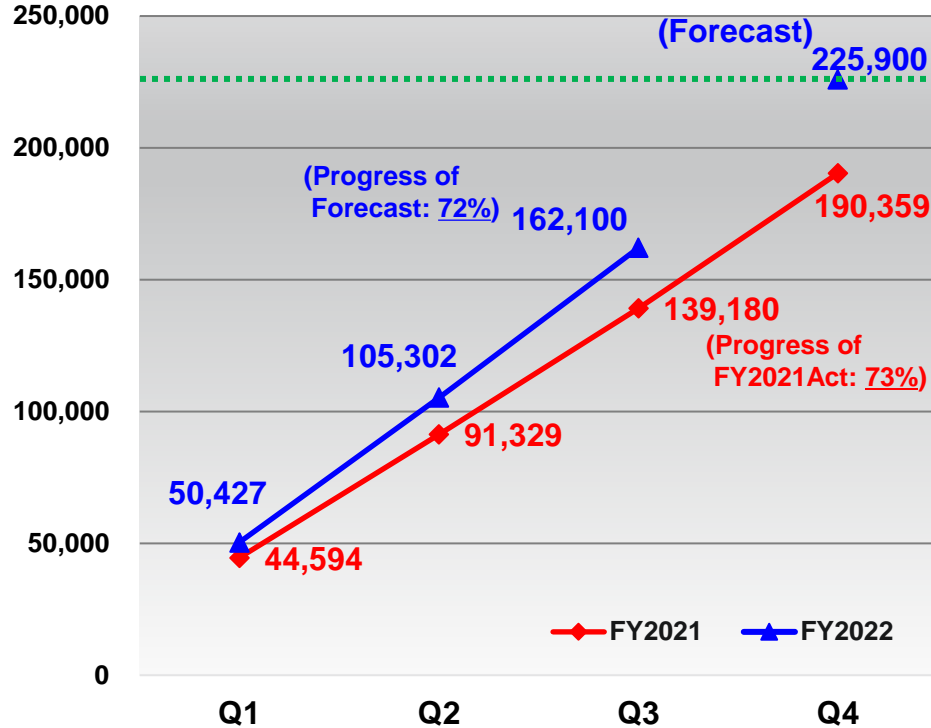
(unaudited)
(in million Yen)

<i>Three months ended Sep 30,</i>	3Q2021	3Q2022	YoY growth
Net sales	47,851	56,798	+ 19%
Total Operating expenses	35,344	49,585	+ 40%
Operating income (Margin)	12,507 (26%)	7,213 (13%)	- 42%
Ordinary income	12,680	9,798	- 23%
Net income attributable to owners of the parent	9,166	13,530	+ 48%
<i>If currency exchange rates used for 3Q2021 were used for 3Q2022</i>			
Net sales	47,851	51,373	+ 7%
			(Non-GAAP)
<i>“For reference”</i>			
Pre-GAAP	47,054	56,625	+ 20%
			<i>(excluding foreign exchange impact)</i> + 8%
Pre-GAAP based Operating Income	11,709	7,039	- 40%
			(Non-GAAP)

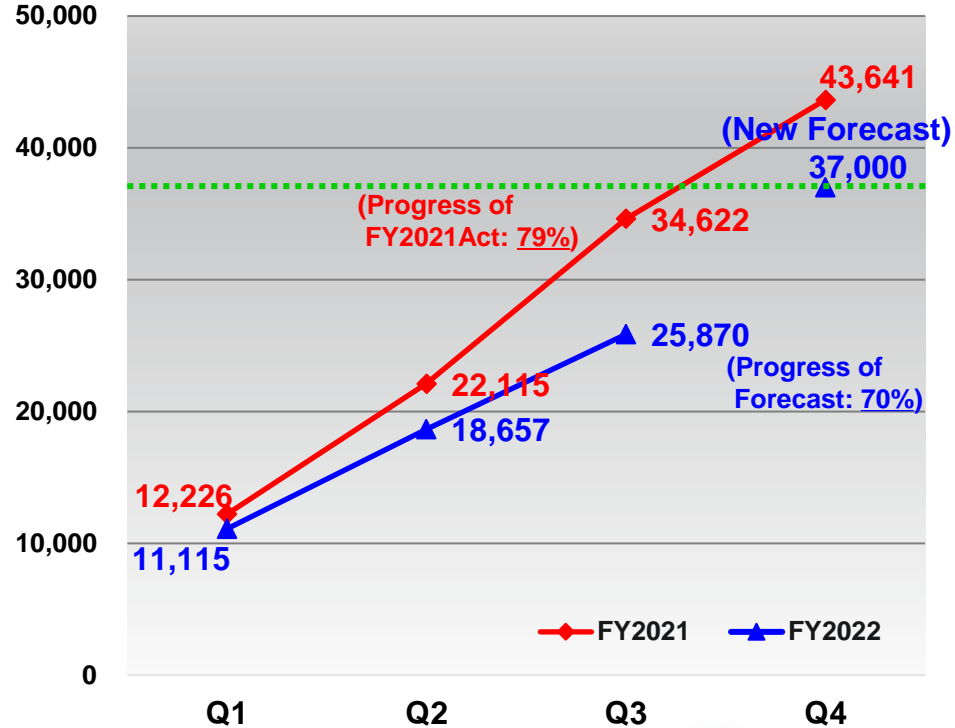
Progress (9 months)

(in million Yen)

Revenue



Operating Income



Q3 USD based Results (Non-GAAP)

(unaudited)

<i>Three months ended Sep 30,</i>	<i>3Q2021</i>	<i>3Q2022</i>	<i>(in thousand USD) YoY change</i>
Net sales	434,579	410,393	- 6%
Cost of sales	96,322	102,231	+ 6%
Operating expenses	224,669	256,044	+ 14%
Operating income	113,587	52,117	- 54%
Ordinary income	115,165	70,801	- 39%
Net Income	83,250	97,766	+ 17%

attributable to owners of the parent

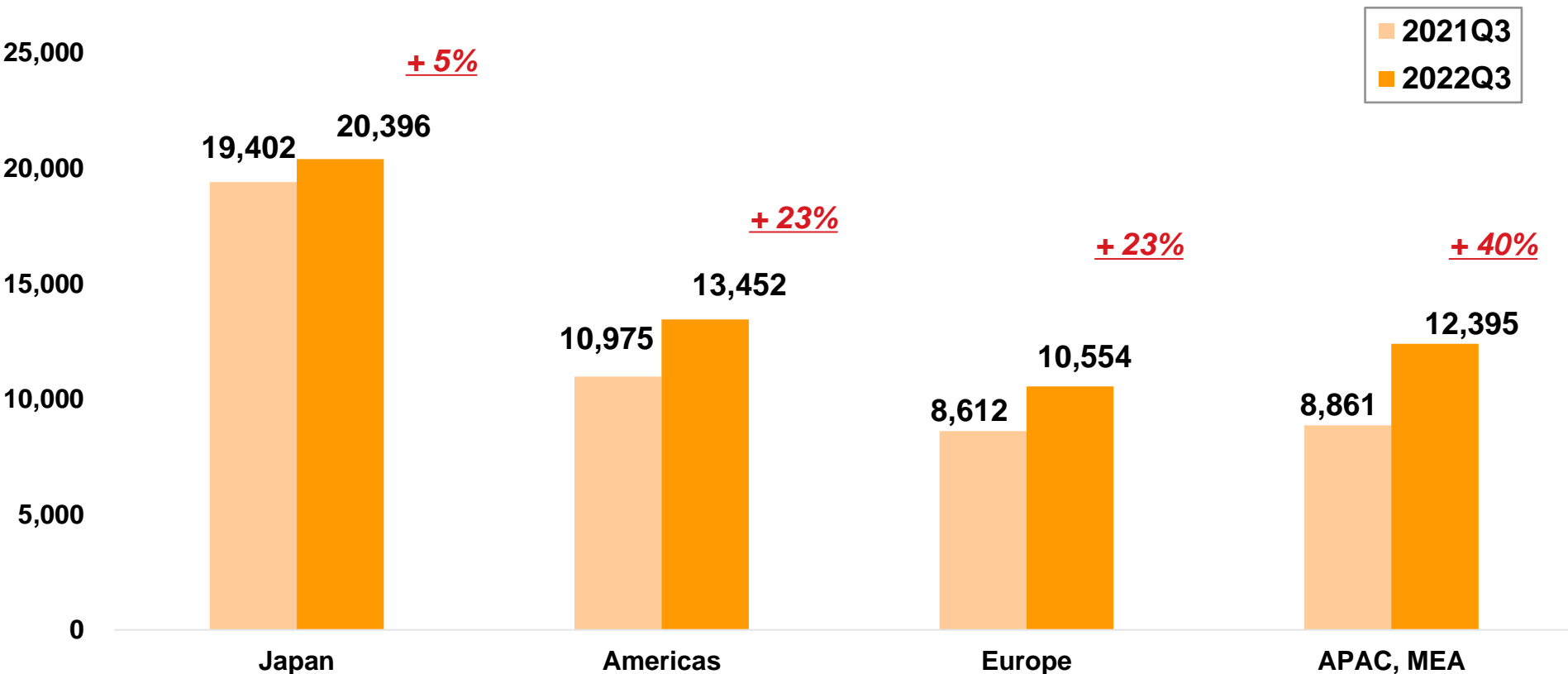
(Non-GAAP)

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=110.11 JPY for 3Q2021 and 1 USD =138.40 JPY for 3Q2022, 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)

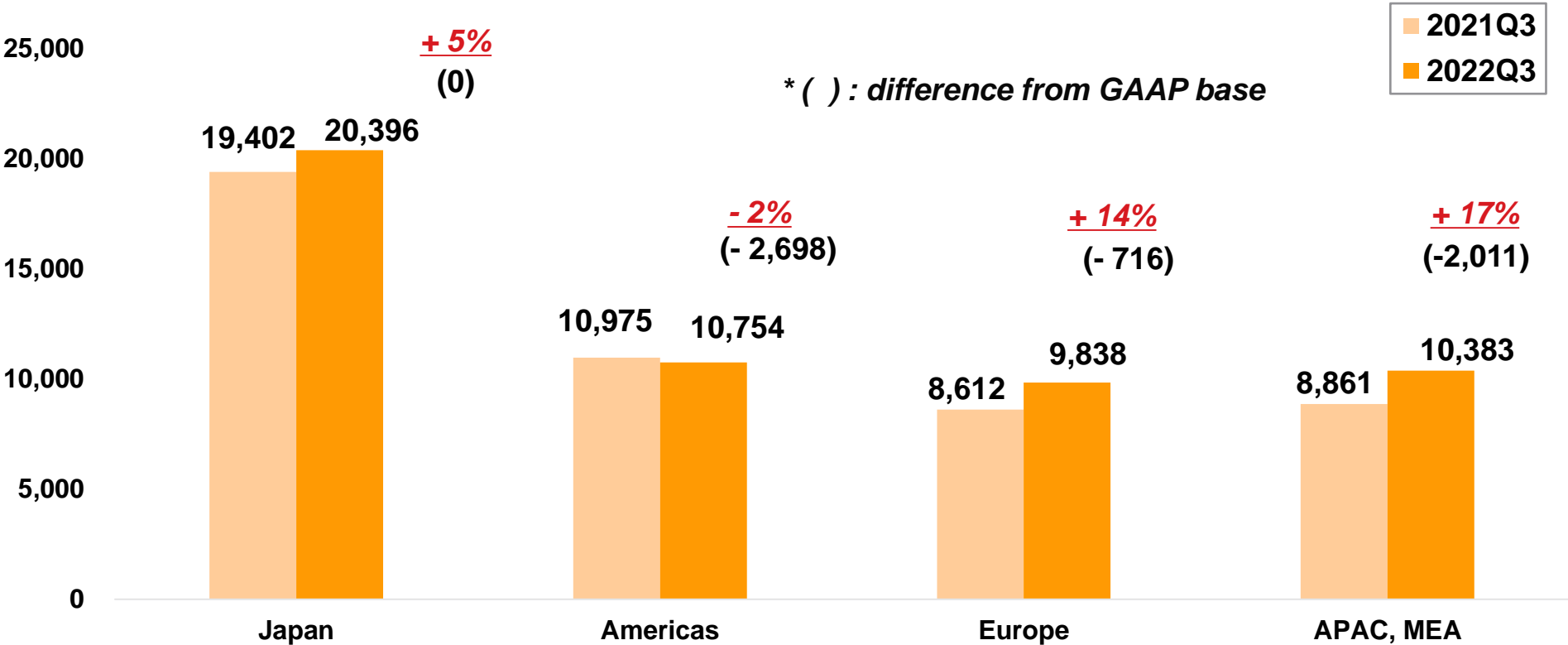


Net Sales Growth by Region

(in million Yen)

If currency exchange rates used for 3Q2021 were used for 3Q2022:

(unaudited)



* () : difference from GAAP base

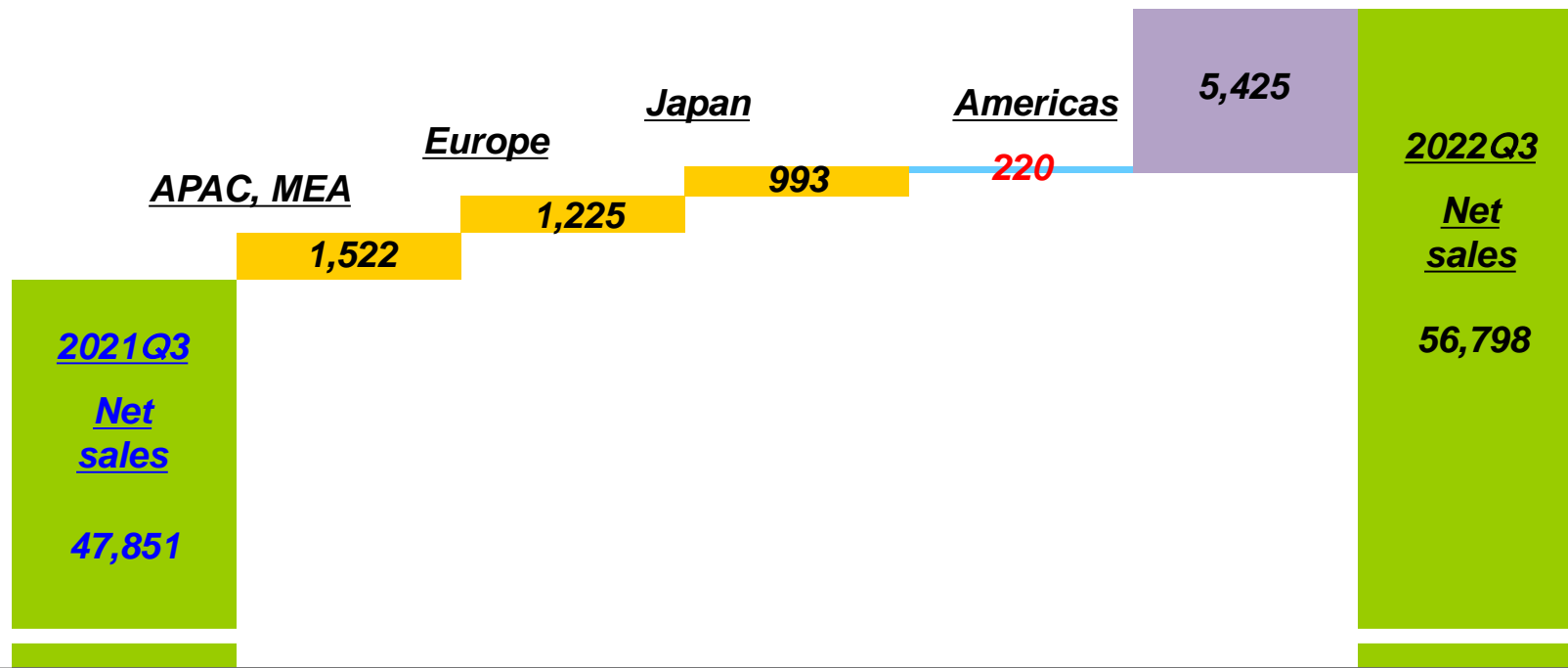
(Non-GAAP)

Decomposition of Revenue (vs. last year)

(in million Yen)

(unaudited)

Exchange impact



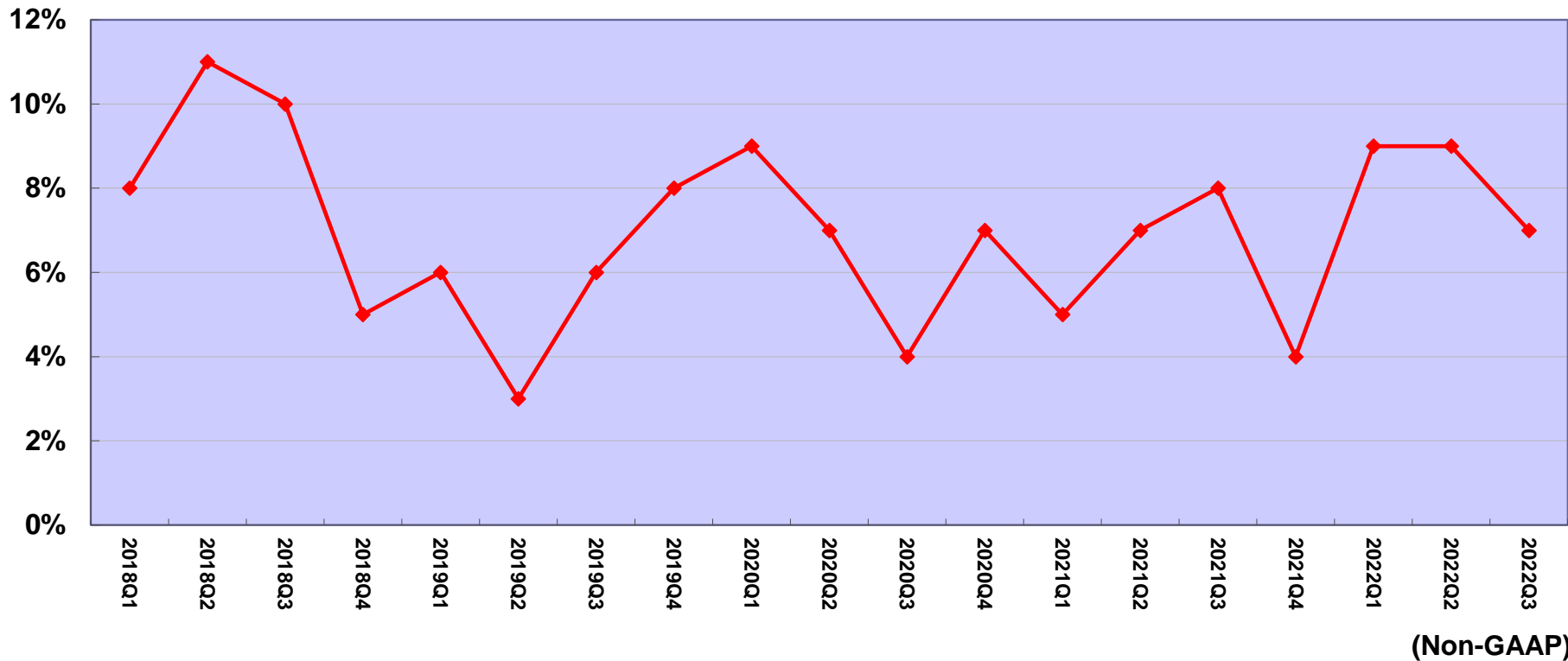
(Non-GAAP)



Constant currency Revenue growth

(YoY)

(unaudited)



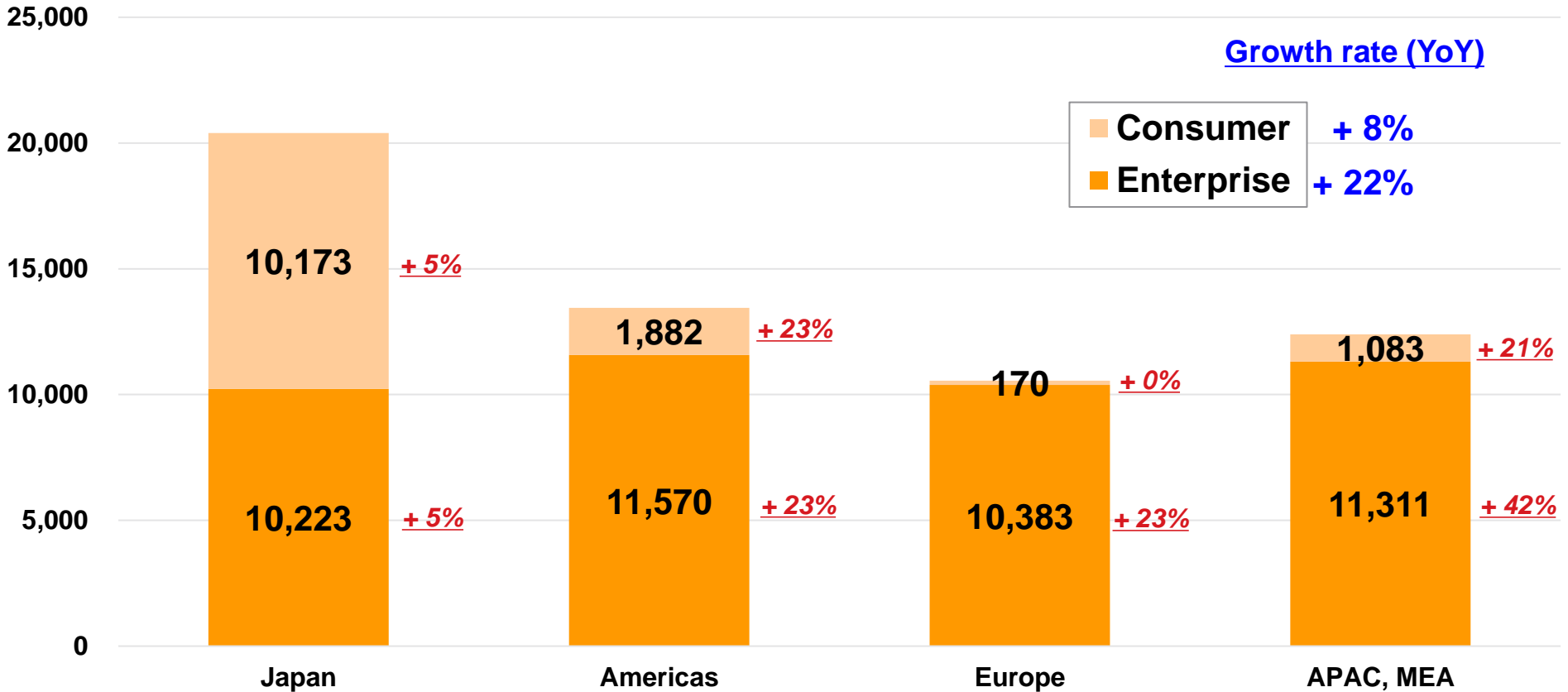
(Non-GAAP)

• 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 FY2022Q3 figures as if the old standards were applied.

(unaudited)
(in million Yen)

	3Q2022	Impact	<i>Theoretical 3Q2022 with old standards applied</i>	<i>(real YoY)</i>
Revenue	56,798	- 361	57,160	(+19%)
Total Costs	49,585	+ 408	49,177	(+39%)
Operating Income	7,213	- 770	7,983	(- 36%)

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

(unaudited)
(in million Yen)

Impact by region

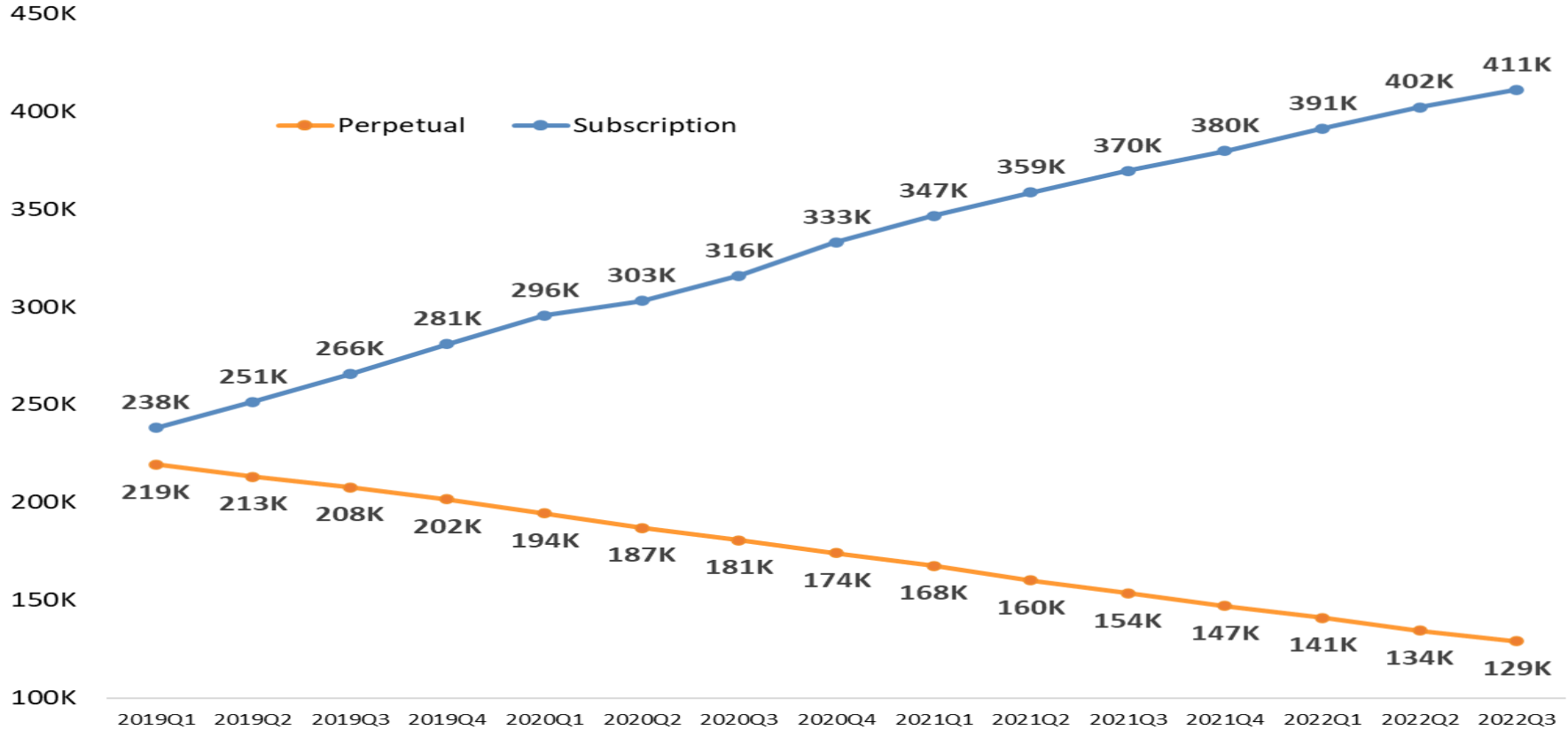
	3Q2022	Impact	<i>Theoretical 3Q2022 with old standards applied</i>	<i>(real YoY)</i>
Japan	20,396	+ 236	20,159	(+ 4%)
Americas	13,452	- 358	13,811	(+ 26%)
Europe	10,554	- 68	10,622	(+ 23%)
AMEA	12,395	- 171	12,566	(+ 42%)
Total	56,798	- 361	57,160	(+ 19%)

“For reference”

Operating income excluding the impact of both Forex and New accounting standards for revenue recognition

	3Q2022	YoY	(unaudited) (in million Yen)
Operating income (reported)	7,213	- 42%	
1) Foreign exchange impact	+ 611		
2) New accounting standards impact	+ 770		
Operating income excluding above impacts	8,593	- 31%	

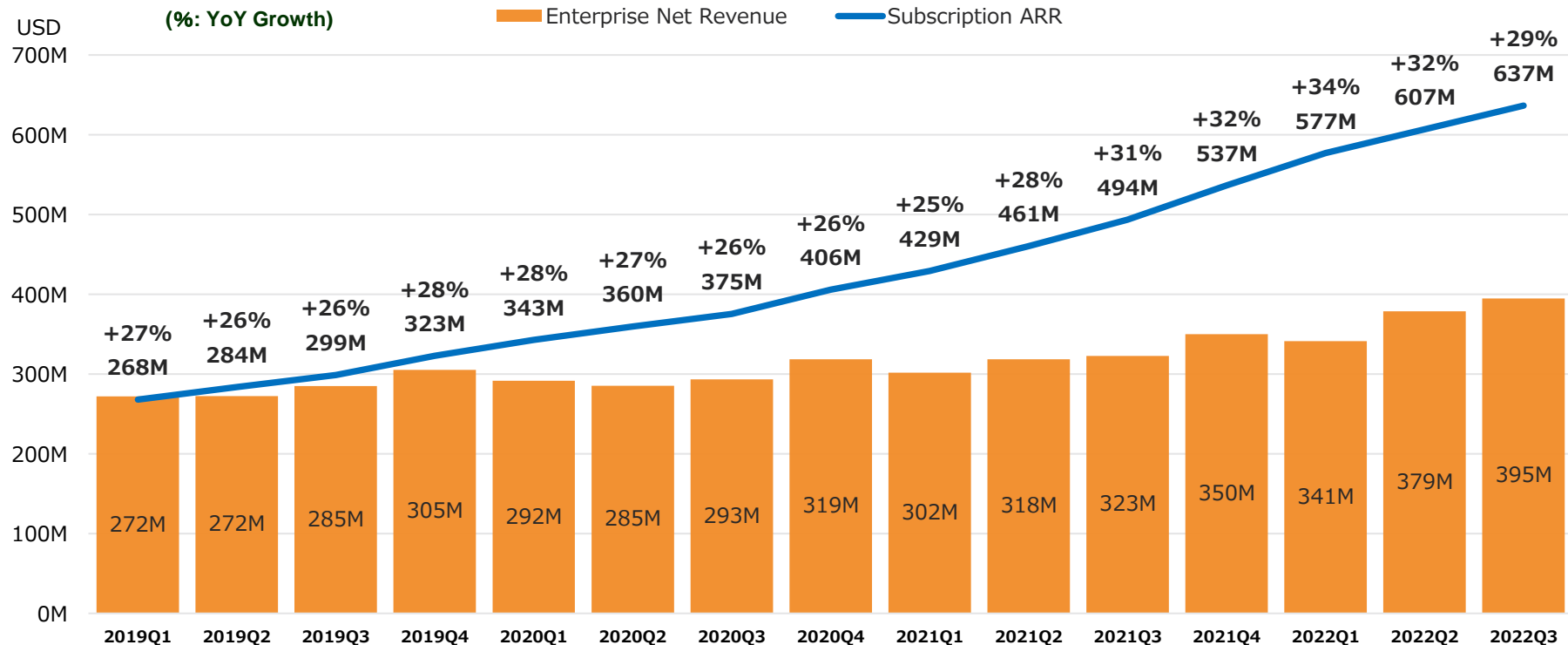
Active Customer Count



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

Enterprise Net Revenue & Subscription ARR

(unaudited) (Non-GAAP)



*Subscription ARR is an annual figure and converted to USD using the FY2022 Company budget exchange rate applied for the entire period.

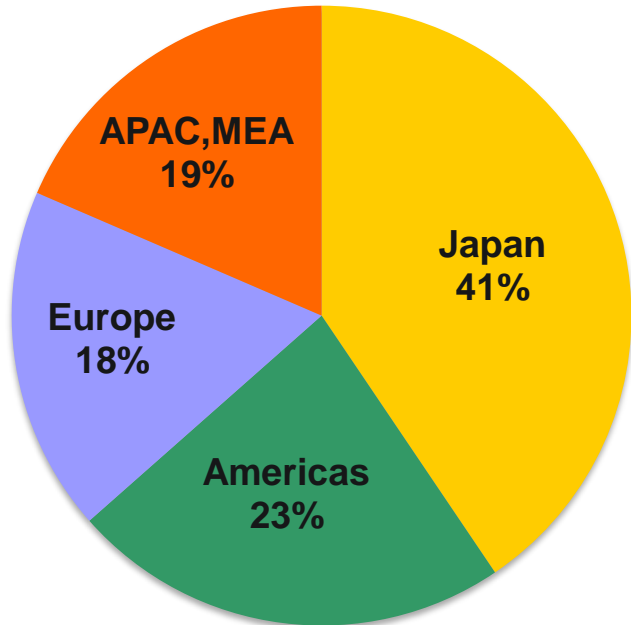
*Enterprise Net Revenue is a quarterly figure based on actual yen reported each quarter simply converted to USD at FY2022 Company budget exchange rate (1 USD = 110.18 yen).

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

% share by region

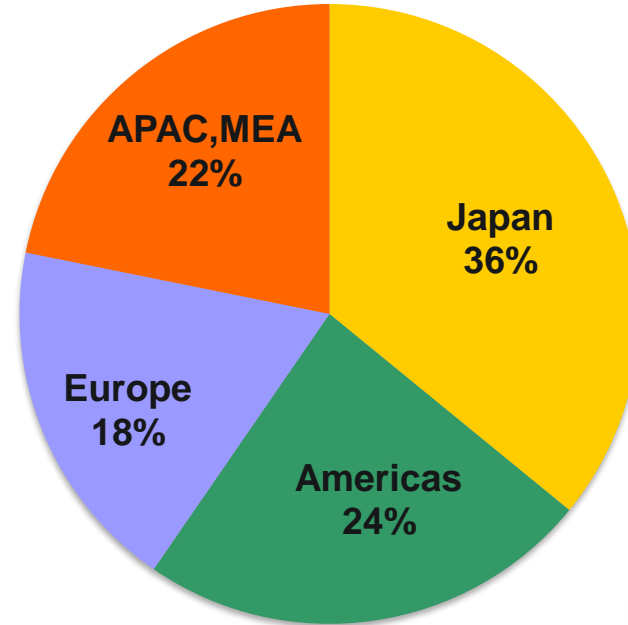
3Q2021

47,851 million Yen



3Q2022

56,798 million Yen

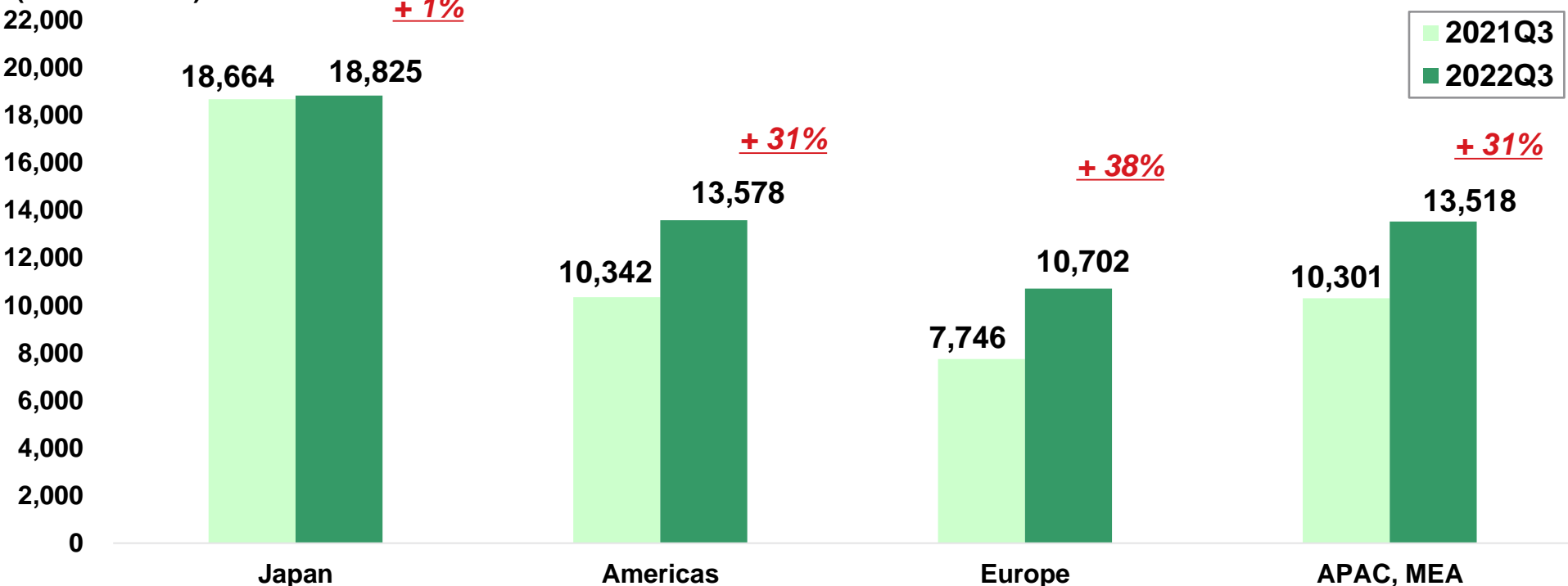


“For reference”

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”

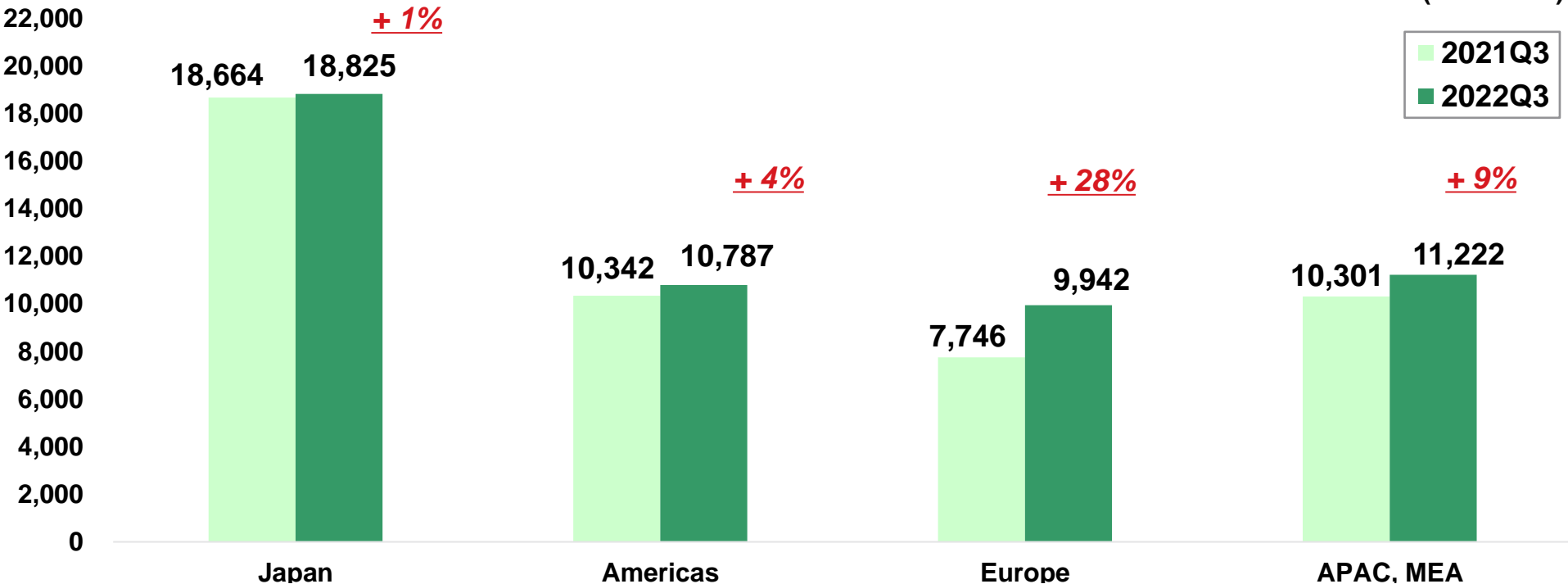
Pre-GAAP (Revenue before adjusting Deferred revenue)

If currency exchange rates used for 3Q2021 were used for 3Q2022:

(Non-GAAP)

(unaudited)

(in million Yen)



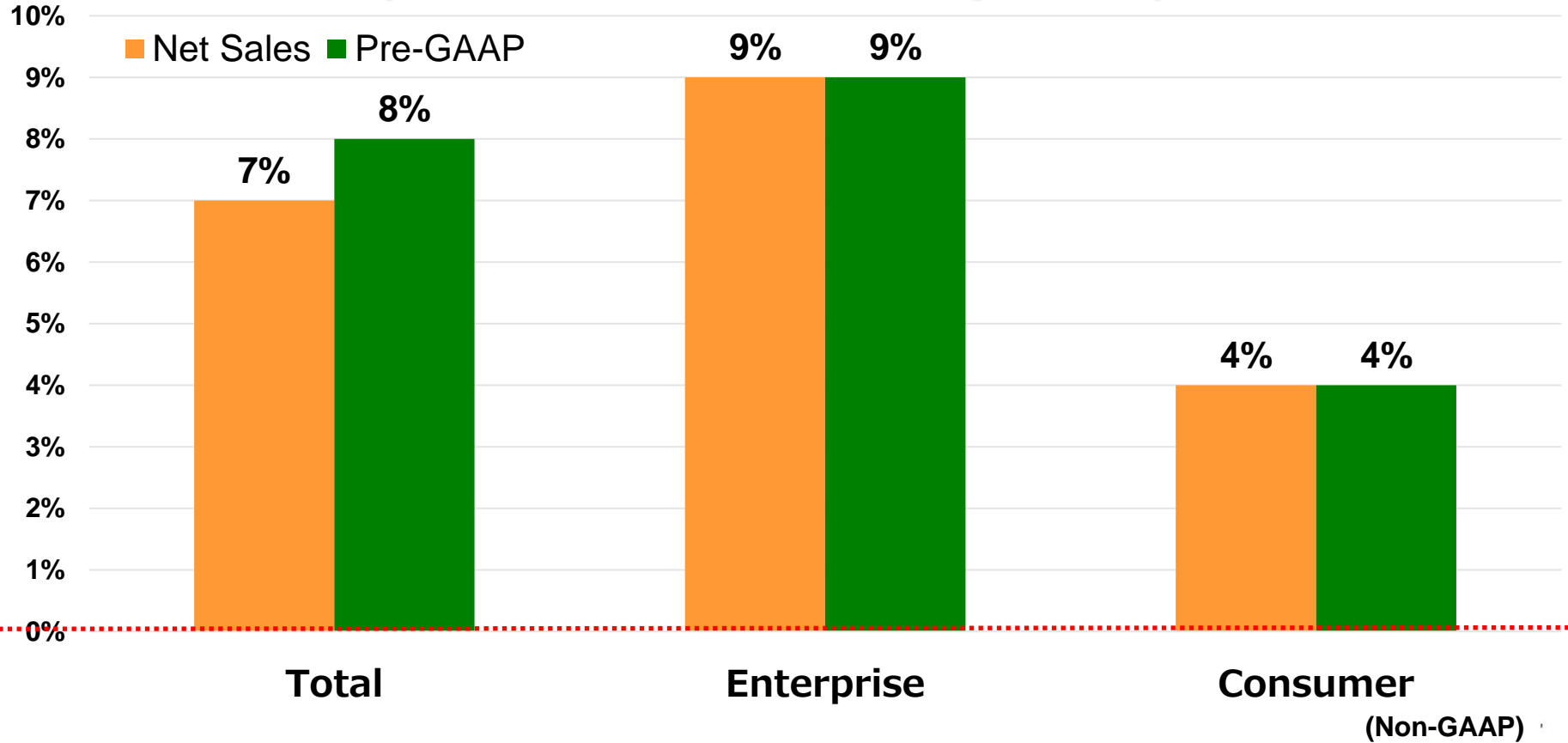
“Notice”

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)

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

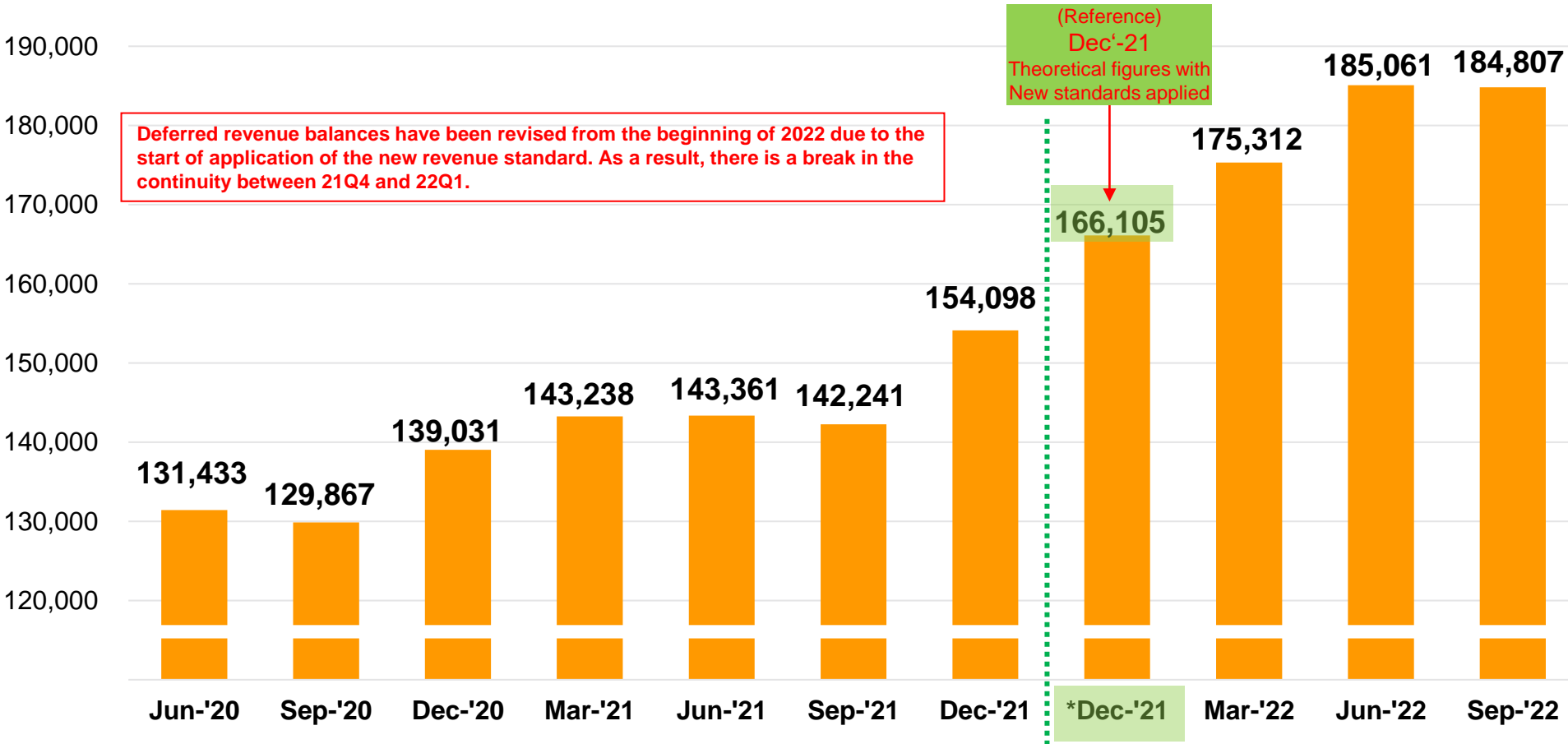
(unaudited)



(Non-GAAP)

Deferred Revenue

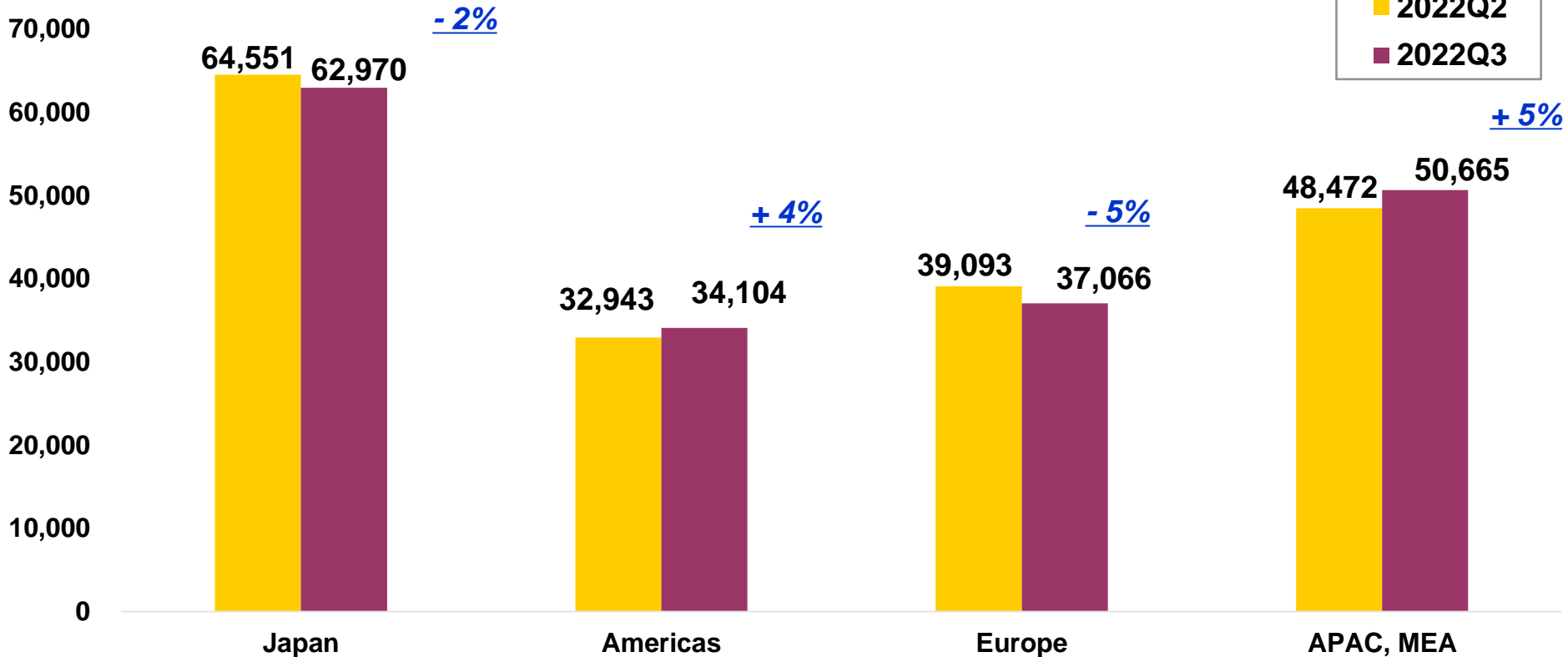
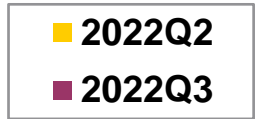
(in million Yen)



Deferred Revenue by Region

(in million Yen)

(unaudited)



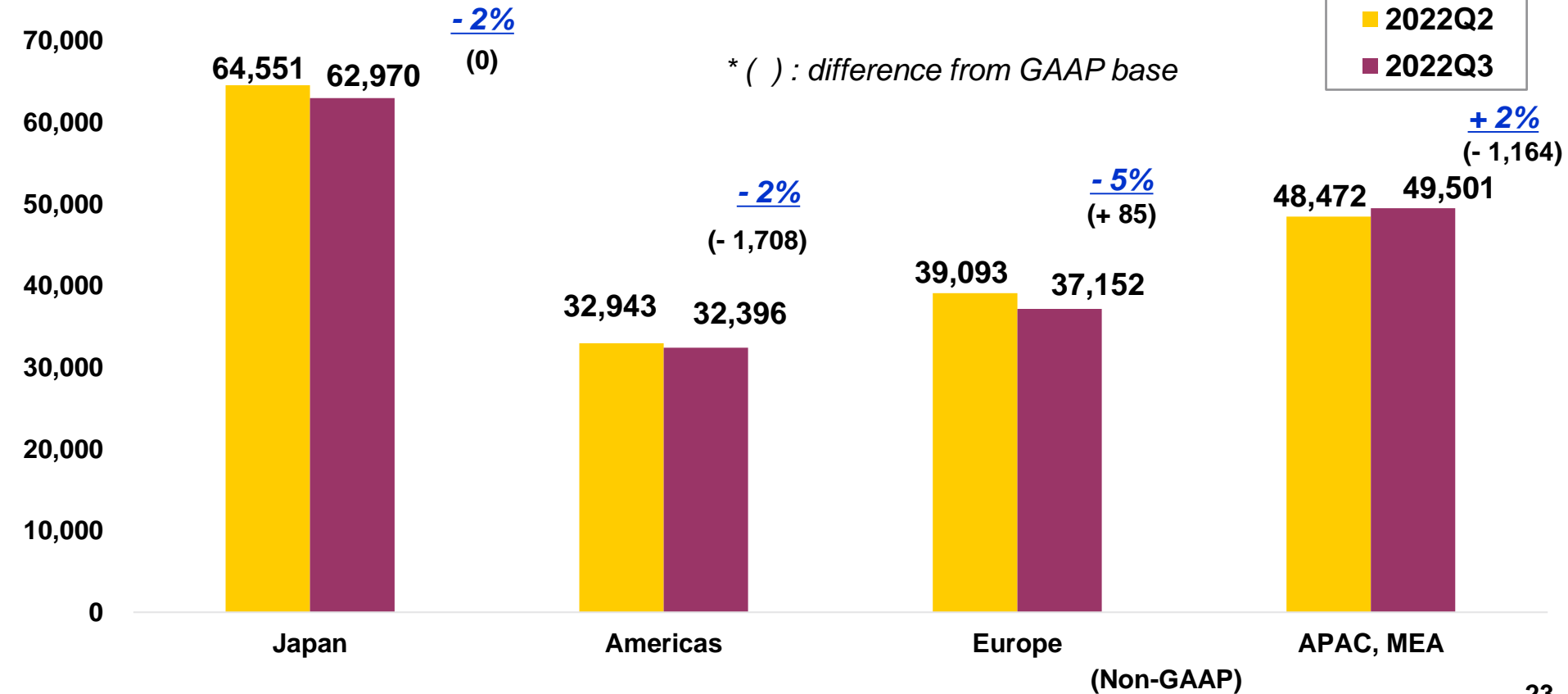
(Non-GAAP)

Deferred Revenue by Region

(unaudited)

If currency exchange rates used as of the end of 2Q2022 were used as of the end of 3Q2022:

(in millio Yen)



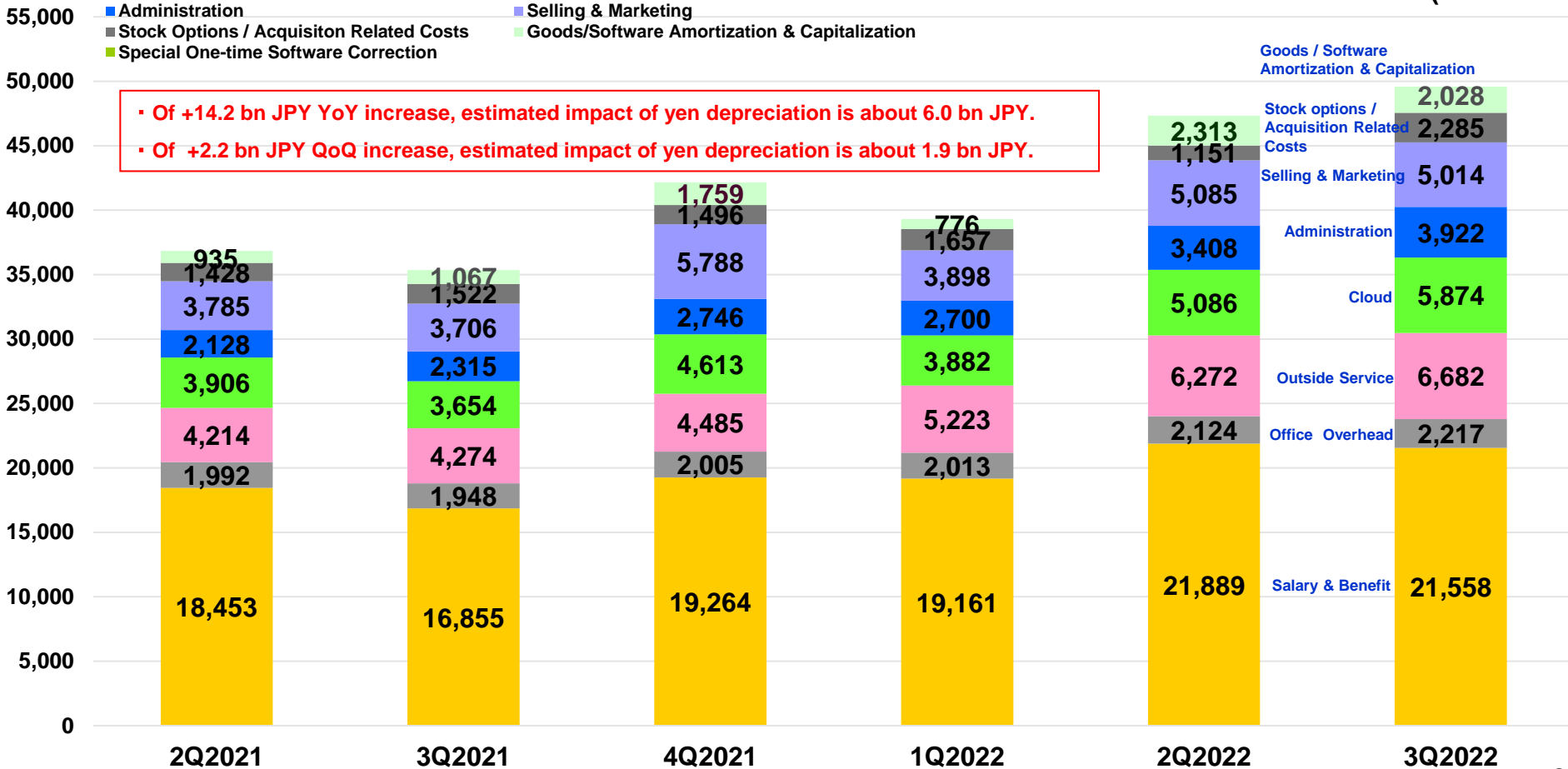
(in million Yen)

Cost

(unaudited)

(Non-GAAP)

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

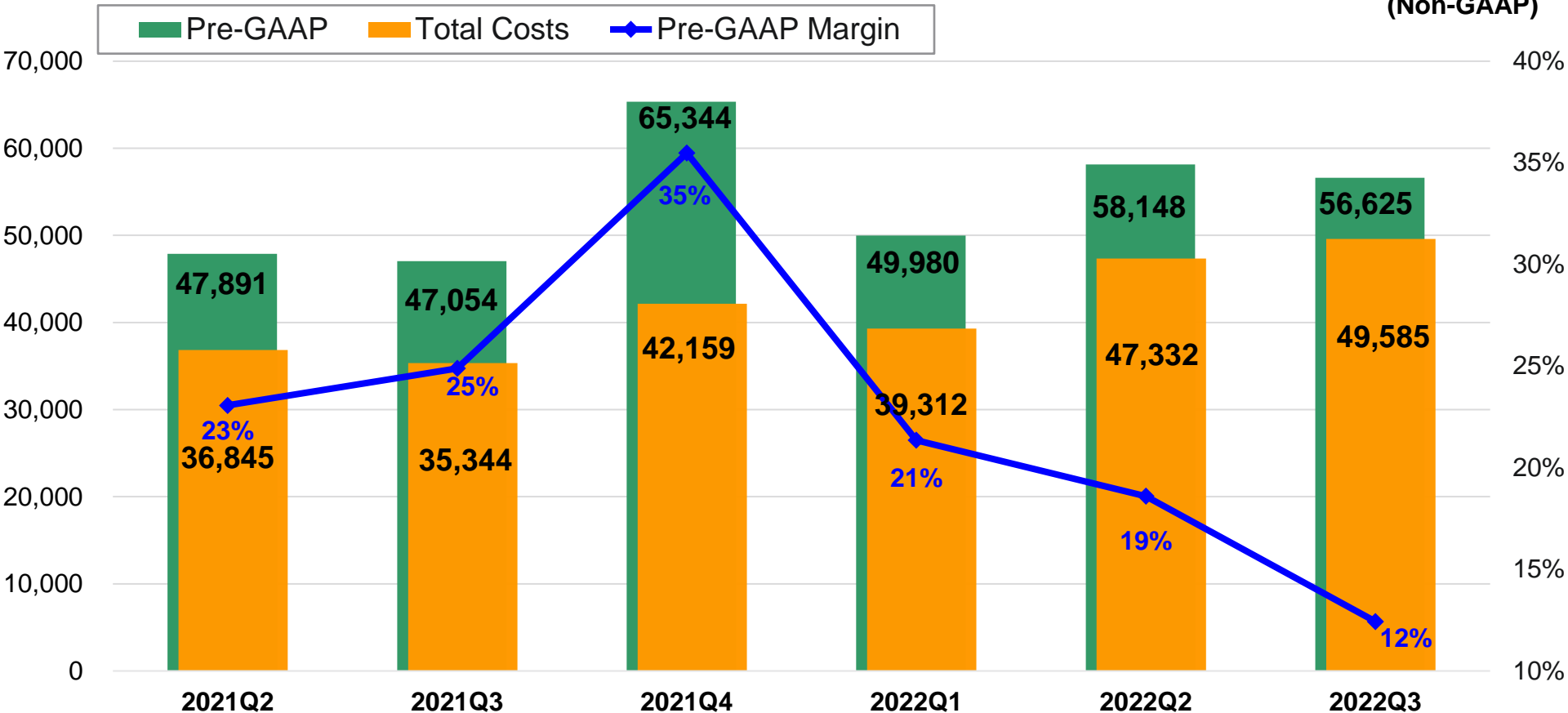


Pre-GAAP v s Total Costs

(unaudited)

(Non-GAAP)

(in million Yen)



* "Total costs" means COGS + SGA.

Cash flows

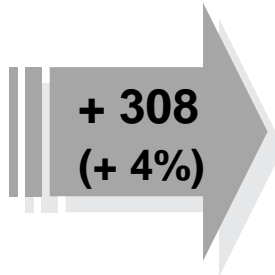
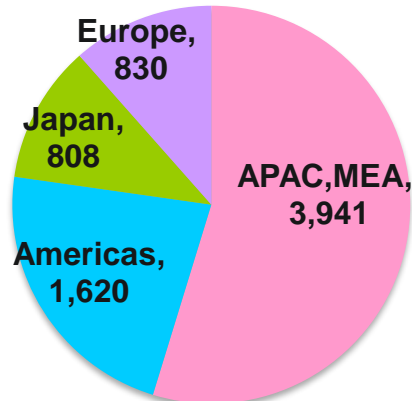
(unaudited)
(in million Yen)

	3Q2021	3Q2022	YoY growth
Cash flows from operating activities	10,764	10,032	- 7%
Cash flows from investing activities	- 4,634	- 924	—
Cash flows from financing activities	2,133	769	- 64%
Effect of exchange rate changes on cash and cash equivalents	- 272	6,421	—
Net increase (decrease) in cash and cash equivalents	7,990	16,299	+ 104%
Cash and cash equivalents at beginning of this quarter period	196,742	197,906	+ 1%
Increase in cash due to merger of consolidated subsidiary	—	—	—
Cash and cash equivalents at end of this quarter period	204,732	214,206	+ 5%

Headcount

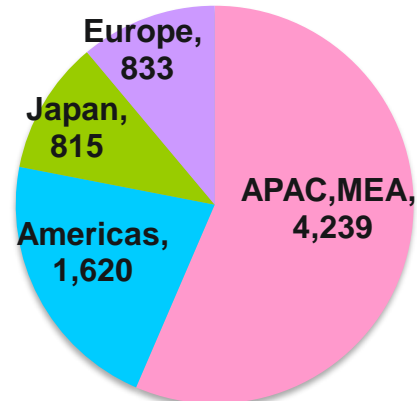
Jun - 2022

7,199



Sep - 2022

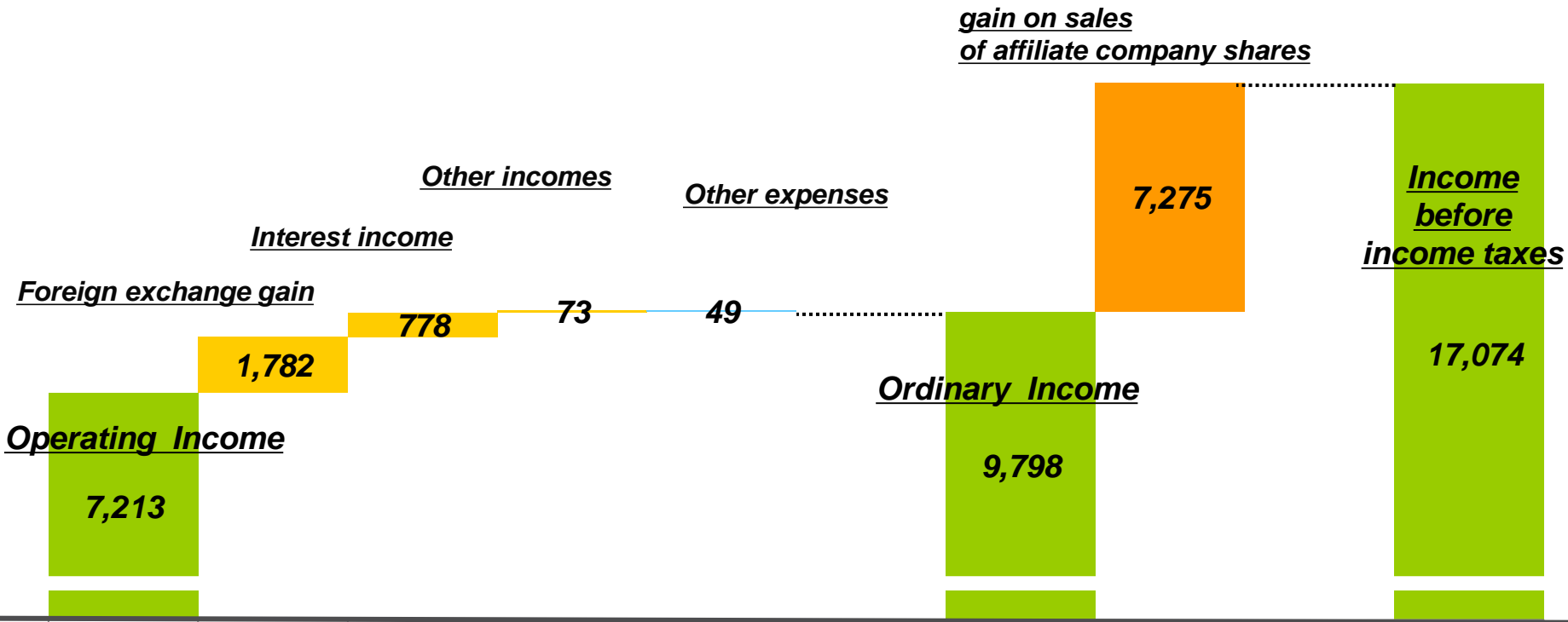
7,507



Non-operating & Extra-ordinary Items

(in million Yen)

(unaudited)



Balance Sheet

(unaudited)
(in million Yen)

	<i>Jun-2022</i>	<i>change</i>	<i>Sep-2022</i>
<u>Assets</u>			
<i>Cash & cash equivalents</i>	189,367	- 22,306	167,061
<i>Account receivable</i> <i>(less allowance for doubtful accounts)</i>	46,941	- 829	46,112
<i>Marketable securities &</i> <i>Securities investments</i>	129,142	+ 31,688	160,830
<i>Software</i>	12,547	+ 623	13,170
<u>Liabilities</u>			
<i>Deferred revenue</i>	185,061	- 254	184,807
<u>Shareholders' Equity</u>			
<i>Common Stock &</i> <i>Additional paid in capital</i>	47,000	+ 278	47,278
<i>Treasury Stock</i>	- 5,198	+ 626	- 4,572

Q3 Highlights

- ***Highest ever quarterly revenues***
- ***Gain from sale of affiliate company shares***
- ***Subscription business continues to grow across all regions***

Q3 Lowlights

- ***Decline in Operating income due to exchange rate movement***
- ***Increase on costs due to share price increase***
- ***Negative impact of 770 million JPY on Operating income due to the New accounting standards***

FY2022 9 months Financial Highlight

(January ~ September, 2022)

Consolidated Results (9 months)

(in million Yen)

9 months ended Sep 30,	2021 (1-3Q)	(Progress vs. last year's annual result)	2022 (1-3Q)	YoY growth	(Progress vs. current year's new annual forecast)
Net sales	139,180	(73%)	162,100	+ 16%	(72%)
Total Operating expenses	104,558		136,230	+ 30%	
Operating income (Margin)	34,622 (25%)	(79%)	25,870 (16%)	- 25%	(70%)
Ordinary income	35,423	(80%)	30,408	- 14%	(82%)
Net income attributable to owners of the parent	25,670	(67%)	28,492	+ 11%	(89%)

"For reference"

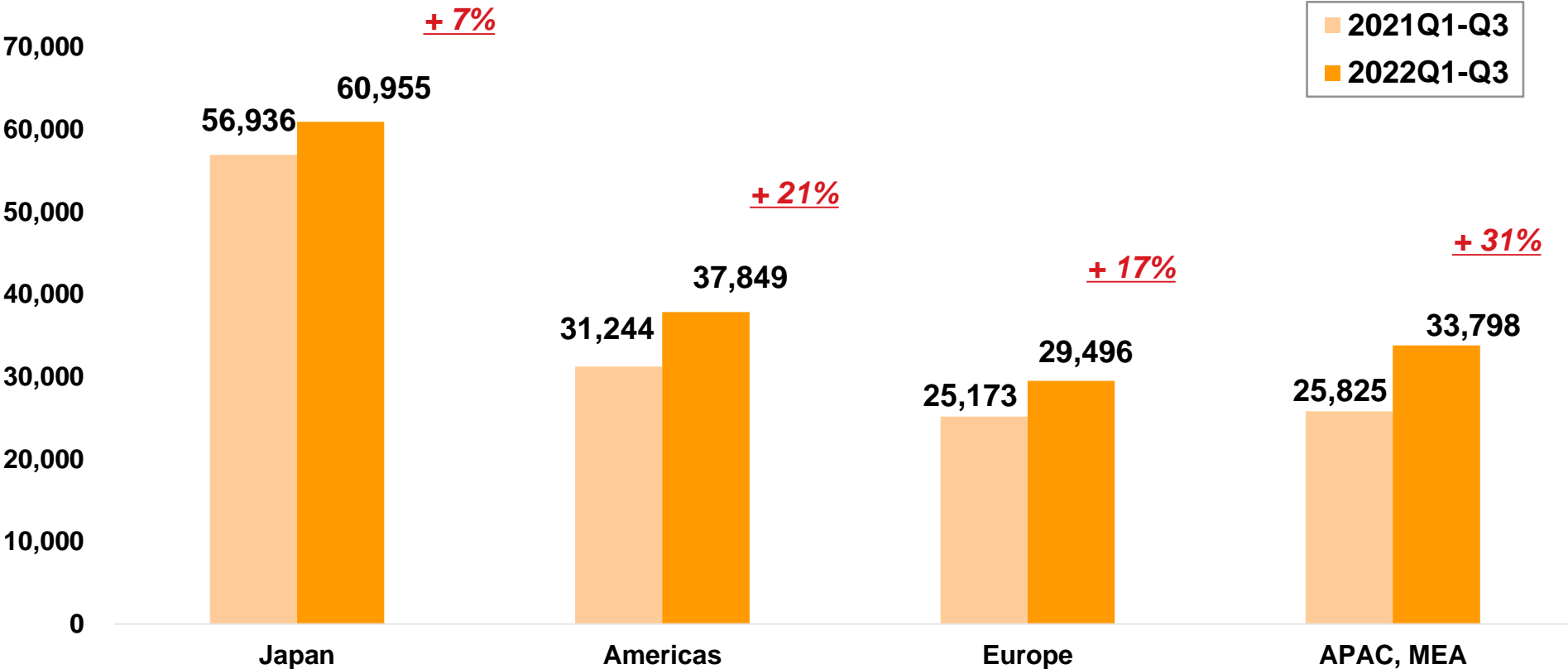
Pre-GAAP	139,164		164,753	+ 18%	
Pre-GAAP based Operating Income	34,606		28,523	- 18%	

(Non-GAAP)

Net Sales Growth by Region

(unaudited)

(in million Yen)



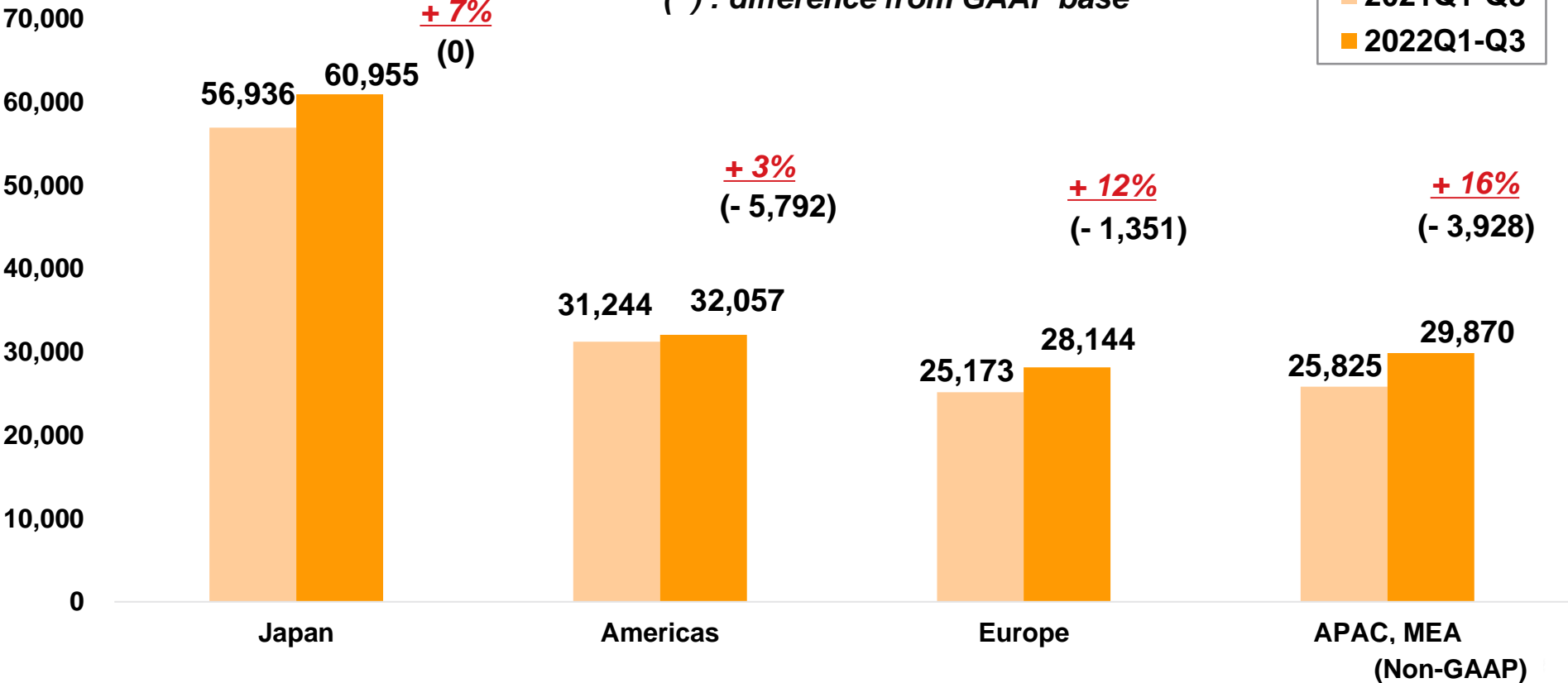
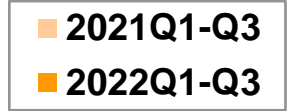
Net Sales Growth by Region

(in million Yen)

If currency exchange rates used for 2021 (Q1-Q3) were used for 2022 (Q1-Q3):

(unaudited)

* () : difference from GAAP base

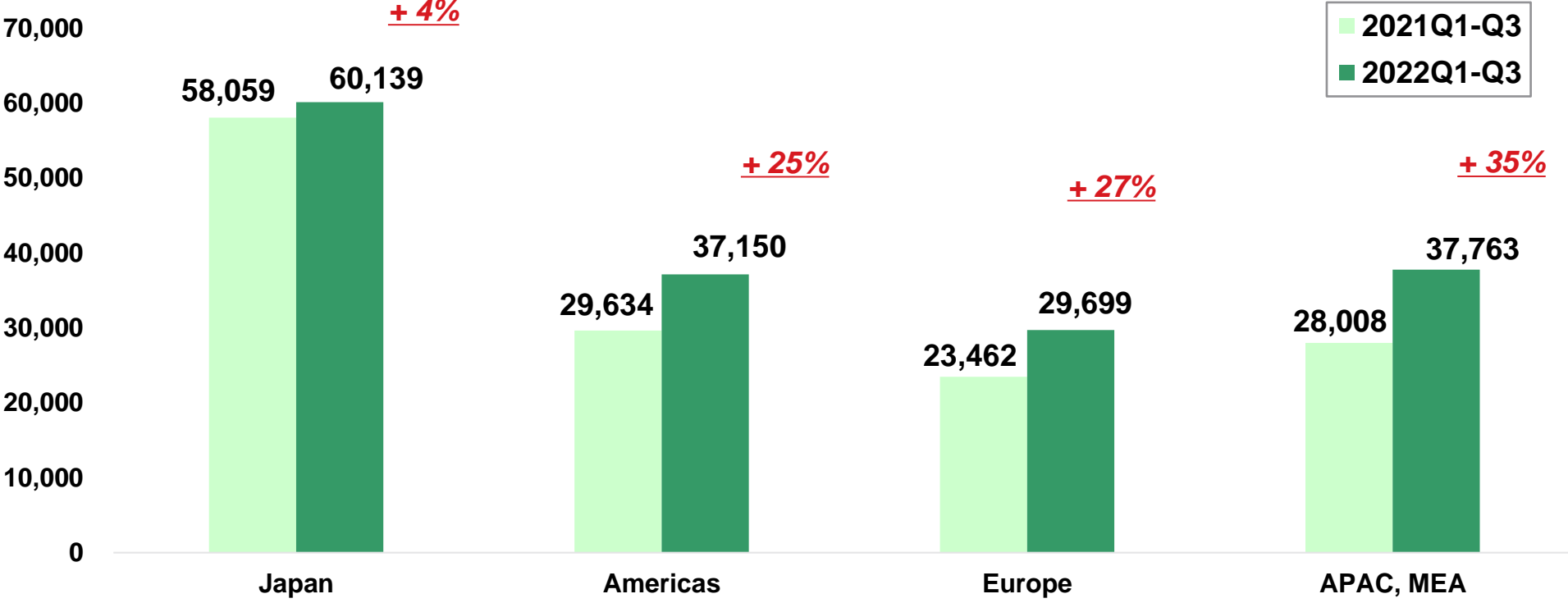


“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(in million Yen)

(unaudited)



“Notice”

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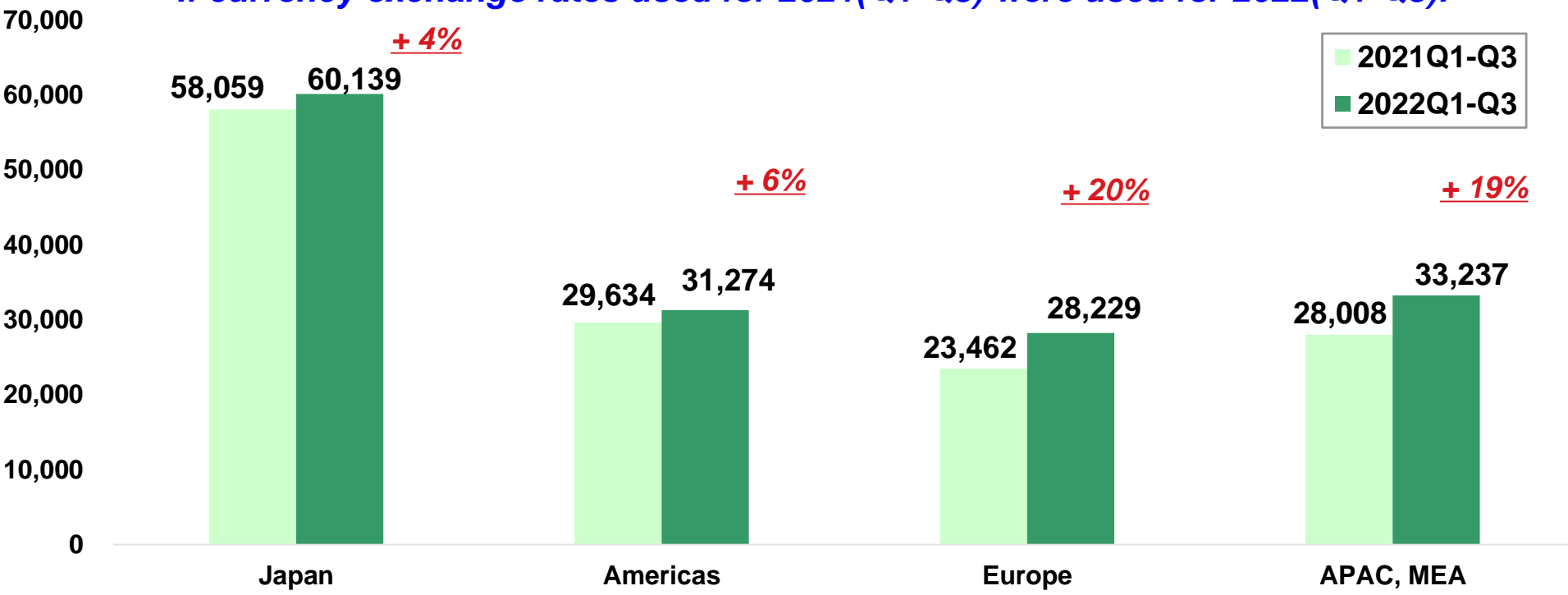
(Non-GAAP)

“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(unaudited)

If currency exchange rates used for 2021(Q1-Q3) were used for 2022(Q1-Q3):



“Notice”

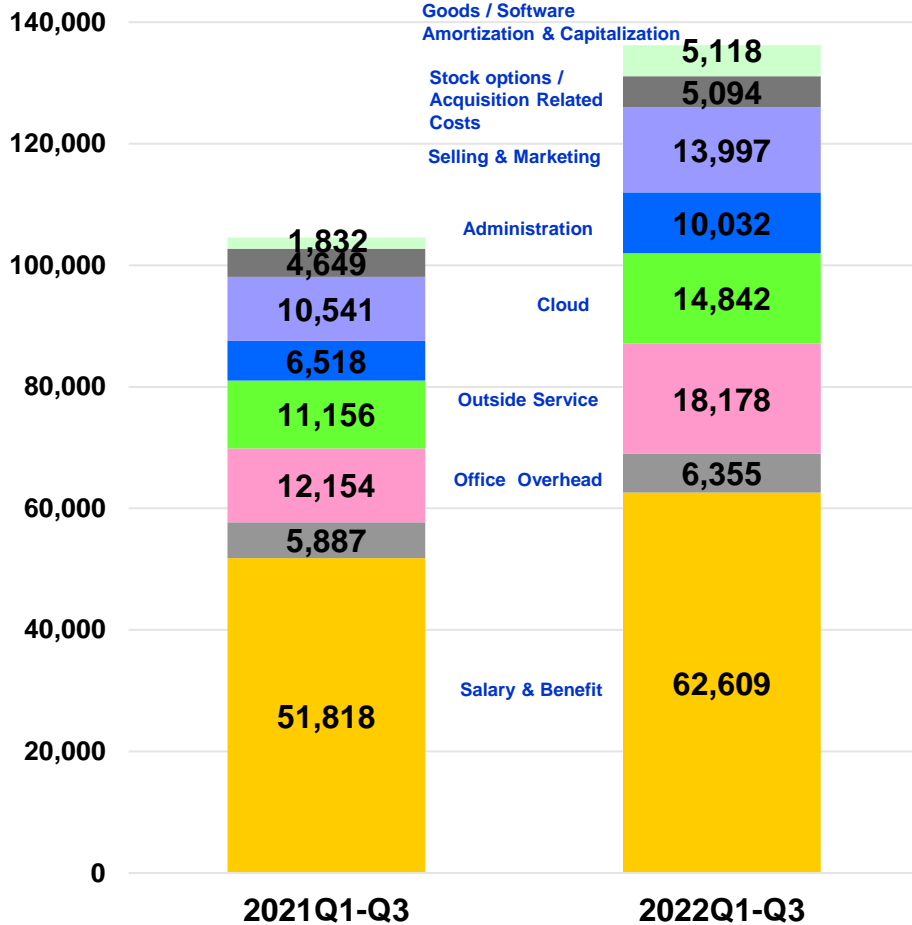
Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance.
As these numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

FY2022 Cost (9 months)

YoY Growth (unaudited)

(in million Yen)



Salary & Benefit	+ 21%
Office Overhead	+ 8%
Outside Service	+ 50%
Cloud	+ 33%
Administration	+ 54%
Selling & Marketing	+ 33%
Stock Options / Acquisition Related Costs	+ 10%
Goods/Software Amortization & Capitalization	+ 179%

Total + 30%

Headcount +512 (+7%) (Non-GAAP)

Revision of the forecast announced on Nov. 2, 2022

Operating income was revised downward by 5.0 billion yen from the previous forecast due to an expected increase in costs. The cost factor breakdown of the increase is as follows.

1) Under our combination of revenues and costs, the impact of foreign exchange had previously been offset and had a fairly small impact on operating income, and we had also assumed almost zero in this fiscal year. However, the recent depreciation of Japanese Yen has had a larger impact on cost increases and is expected to have a negative impact on operating income → approximately 2.0 billion yen

2) We have a special bonus program based on the results of the first and second half of the fiscal year. However, the degree of achievement was uncertain, so the previous forecast did not include this bonus costs, which leads to the people cost increase → approximately 2.0 billion yen

3) Our usage of public cloud services seems to be more than expected, which leads to the cloud cost increase → approximately 1.0 billion yen

On the other hand, net income is expected to be affected by the sale of Cysiv, a subsidiary, and an extraordinary gain of approximately 7.2 billion yen were booked in 2022Q3. Since this extraordinary profit was not included in the previous forecast, the forecast of net income is revised upward by 1.6 billion yen, absorbing the downward revision of 5.0 billion yen in operating income.

Projection for FY2022 Annual *(Re-revised on Nov. 2, 2022)*

	<u>For FY2022</u> <u>Jan - Dec, 2022</u>	<u>Expected</u> <u>YoY growth</u>	(in million Yen)
Net Sales	225,900	<u>+ 19%</u>	
Operating Income	37,000 <i>(before: 42,000, -5,000)</i>	<u>- 15%</u> <i>(before: -4%)</i>	
Ordinary Income	37,100 <i>(before: 42,100, -5,000)</i>	<u>- 17%</u> <i>(before: -5%)</i>	
Net Income attributable to owners of the parent	31,900 <i>(before: 30,300, +1,600)</i>	<u>- 17%</u> <i>(before: -21%)</i>	

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

“Reference” actual exchange rate up to Q3: 1USD=128 yen, 1EUR=136 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	56,798	
Cost of sales	9,875	10,209	10,606	11,326	12,367	13,135	14,148	
Operating expenses	22,492	26,635	24,738	30,833	26,945	34,197	35,436	
Operating income	12,226	9,888	12,507	9,018	11,115	7,542	7,213	
Ordinary income	12,126	10,615	12,680	9,078	11,265	9,344	9,798	
Net income attributable to owners of the parent	8,804	7,699	9,166	12,696	8,531	6,430	13,530	
(Costs)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Goods / Software Amortization & Capitalization	-170	935	1,067	1,759	776	2,313	2,028	
Stock option cost	349	771	863	817	962	378	1,478	
Acquisition related costs	1,349	657	658	679	694	772	806	
Selling & Marketing	3,048	3,785	3,706	5,788	3,898	5,085	5,014	
Administration	2,074	2,128	2,315	2,746	2,700	3,408	3,922	
Cloud	3,595	3,906	3,654	4,613	3,882	5,086	5,874	
Outside service	3,665	4,214	4,274	4,485	5,223	6,272	6,682	
Office overhead	1,946	1,992	1,948	2,005	2,013	2,124	2,217	
Salary & Benefit	16,508	18,453	16,855	19,264	19,161	21,889	21,558	
Total	32,367	36,845	35,344	42,159	39,312	47,332	49,585	
The number of employees	6,922	6,972	6,995	7,024	7,033	7,199	7,507	
Applied rate to yen (US\$)	105.95	109.51	110.11	113.72	116.35	129.67	138.40	
Applied rate to yen (Euro)	127.76	131.99	129.84	129.97	130.38	138.19	139.28	

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	20,396	
Americas	9,616	10,653	10,975	11,358	11,358	13,038	13,452	
Europe	8,034	8,525	8,612	9,660	8,841	10,100	10,554	
APAC, Middle East and Africa	8,212	8,752	8,861	10,484	9,970	11,433	12,395	
Total	44,594	46,734	47,851	51,178	50,427	54,874	56,798	
(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	43,489	
Consumer	11,347	11,652	12,293	12,626	12,842	13,146	13,309	
Total	44,594	46,734	47,851	51,178	50,427	54,874	56,798	
(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	18,825	
Americas	8,845	10,446	10,342	15,080	10,642	12,929	13,578	
Europe	7,025	8,690	7,746	16,882	7,471	11,525	10,702	
APAC, Middle East and Africa	7,803	9,903	10,301	14,197	10,993	13,251	13,518	
Total	44,218	47,891	47,054	65,344	49,980	58,148	56,625	

“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.**

