

Trend Micro FY2022.1Q Results



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May 12, 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. 1Q Financial Highlight

(First quarter ended March 31, 2022)

Q1 Consolidated Results

(unaudited)
(in million Yen)

Three months ended Mar 31,	1Q2021	1Q2022	YoY growth
Net sales	44,594	50,427	+ 13%
Total Operating expenses	32,367	39,312	+ 21%
Operating income <i>(Margin)</i>	12,226 <i>(27%)</i>	11,115 <i>(22%)</i>	- 9%
Ordinary income	12,126	11,265	- 7%
Net income	8,804	8,531	- 3%
attributable to owners of the parent			

If currency exchange rates used for 1Q2021 were used for 1Q2022

Net sales	44,594	48,611	+ 9%
(Non-GAAP)			

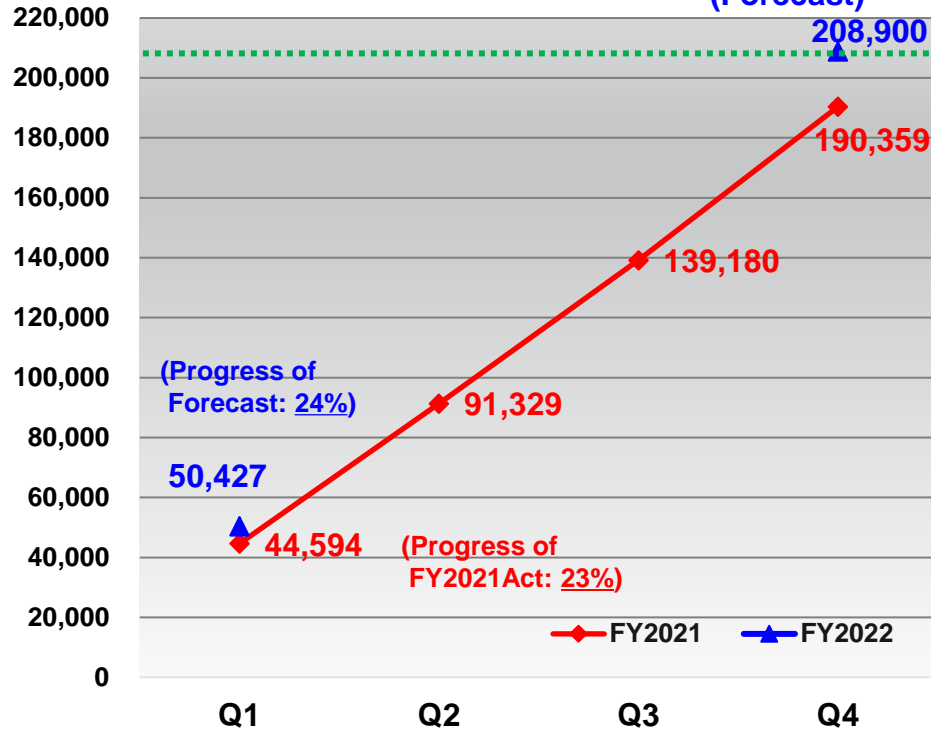
“For reference”

Pre-GAAP	44,218	49,980	+ 13%
			<i>(excluding foreign exchange impact)</i> + 9%
(Pre-GAAP based Operating Income)	(11,850)	(10,667)	(- 10%)
(Non-GAAP)			

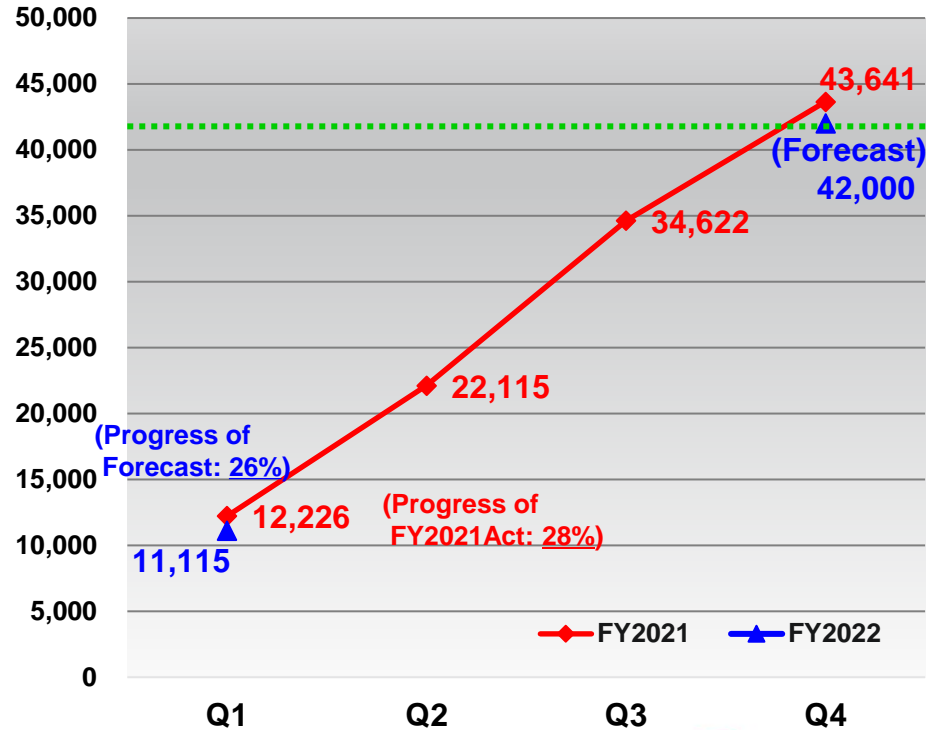
Progress (3 months)

(in million Yen)

Revenue



Operating Income



Q1 USD based Results (Non-GAAP)

(unaudited)

<i>Three months ended Mar 31,</i>	<i>1Q2021</i>	<i>1Q2022</i>	<i>(in thousand USD) YoY change</i>
Net sales	420,904	433,411	+ 3%
Cost of sales	93,204	106,293	+ 14%
Operating expenses	212,297	231,587	+ 9%
Operating income	115,402	95,531	- 17%
Ordinary income	114,457	96,824	- 15%
Net Income	83,097	73,330	- 12%

attributable to owners of the parent

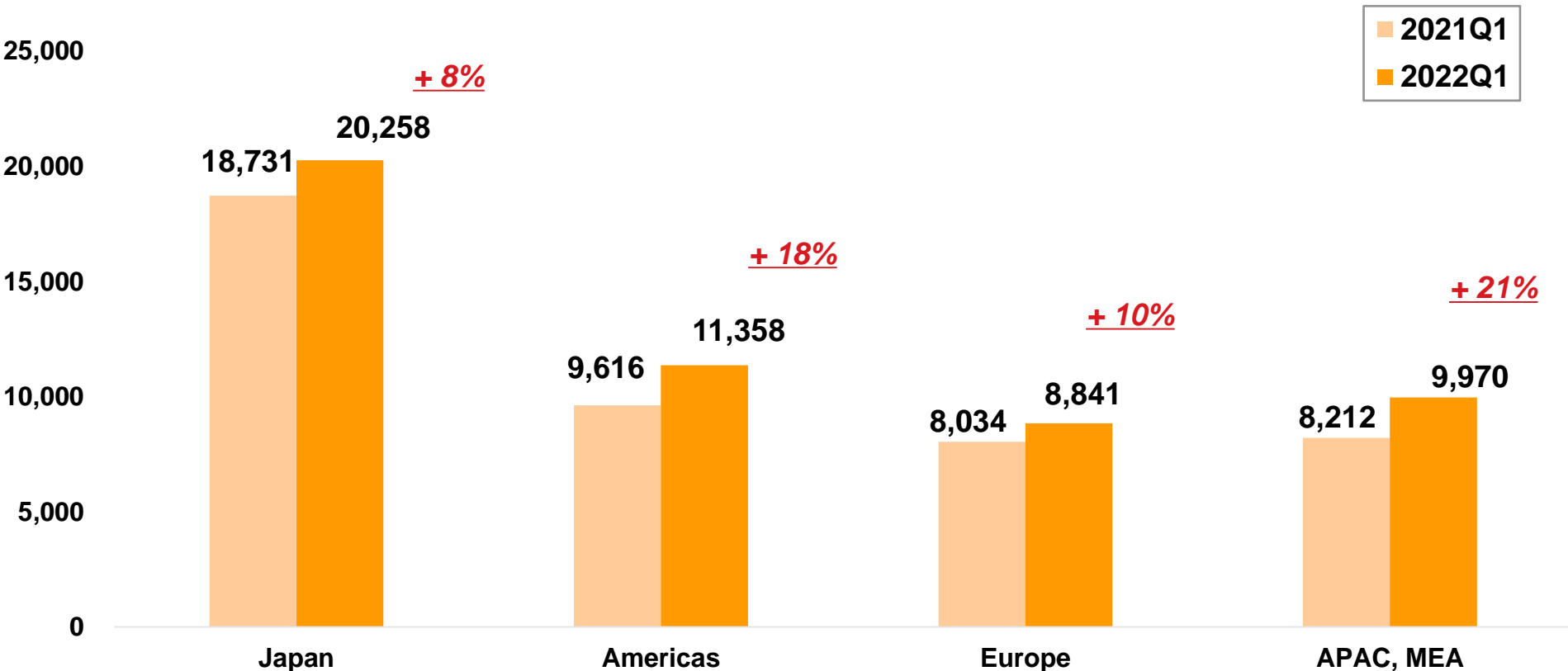
(Non-GAAP)

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=105.95 JPY for 1Q2021 and 1 USD =116.35 JPY for 1Q2022, 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)

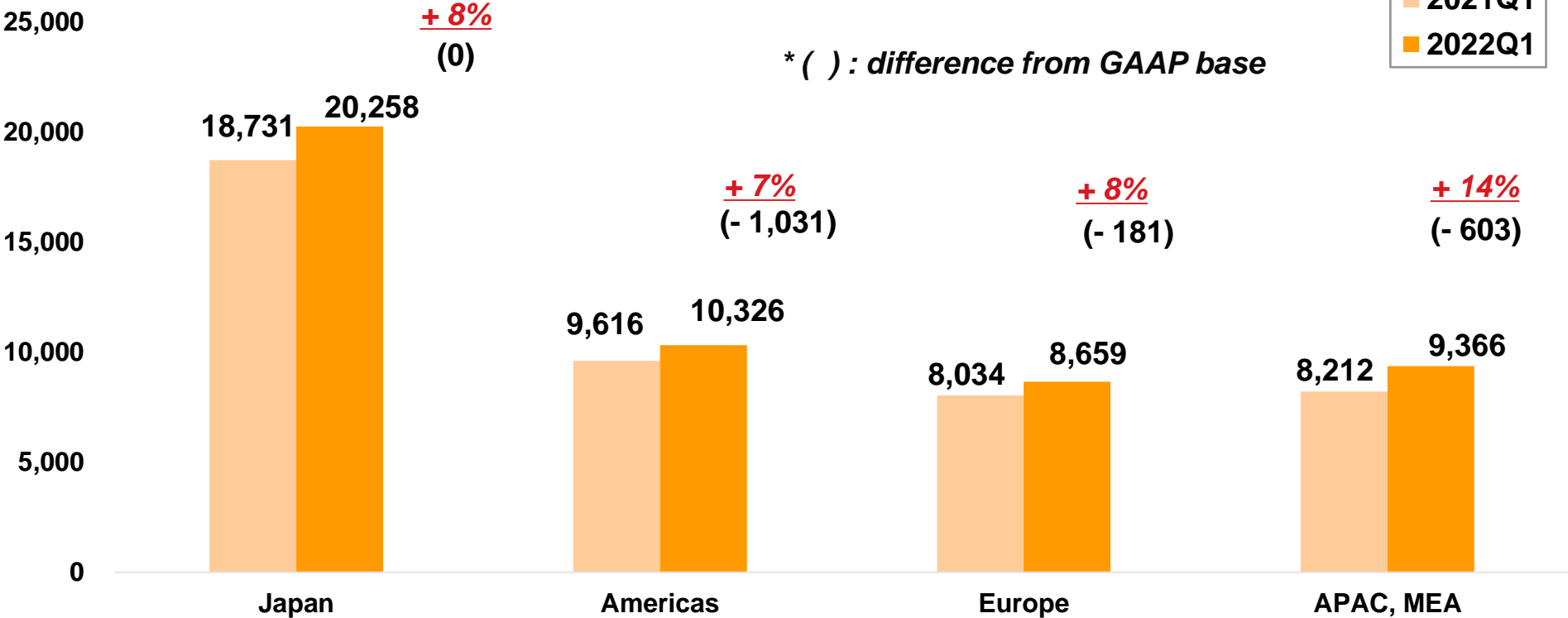


Net Sales Growth by Region

(unaudited)

If currency exchange rates used for 1Q2021 were used for 1Q2022:

(in million Yen)



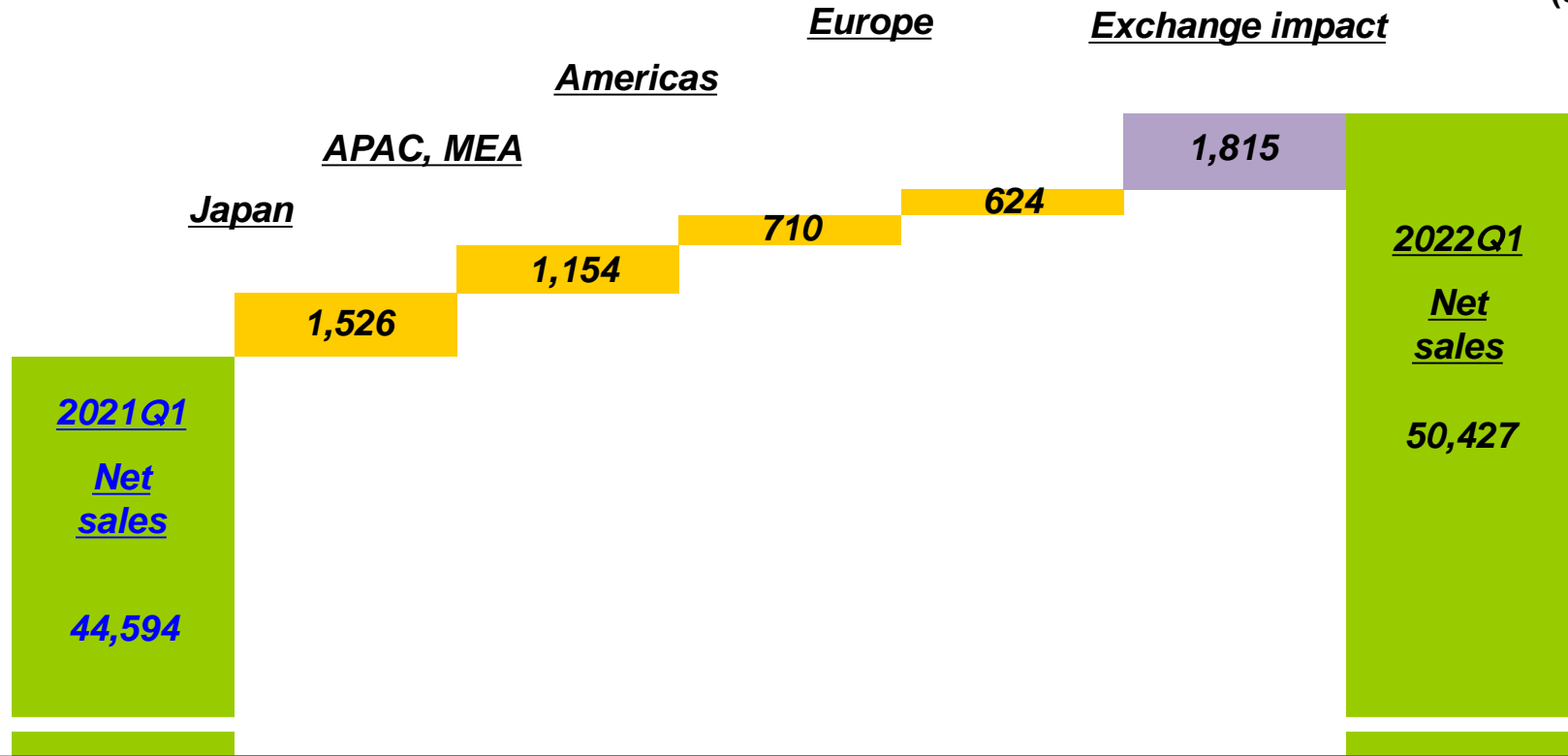
* () : difference from GAAP base

(Non-GAAP)

Decomposition of Revenue (vs. last year)

(in million Yen)

(unaudited)



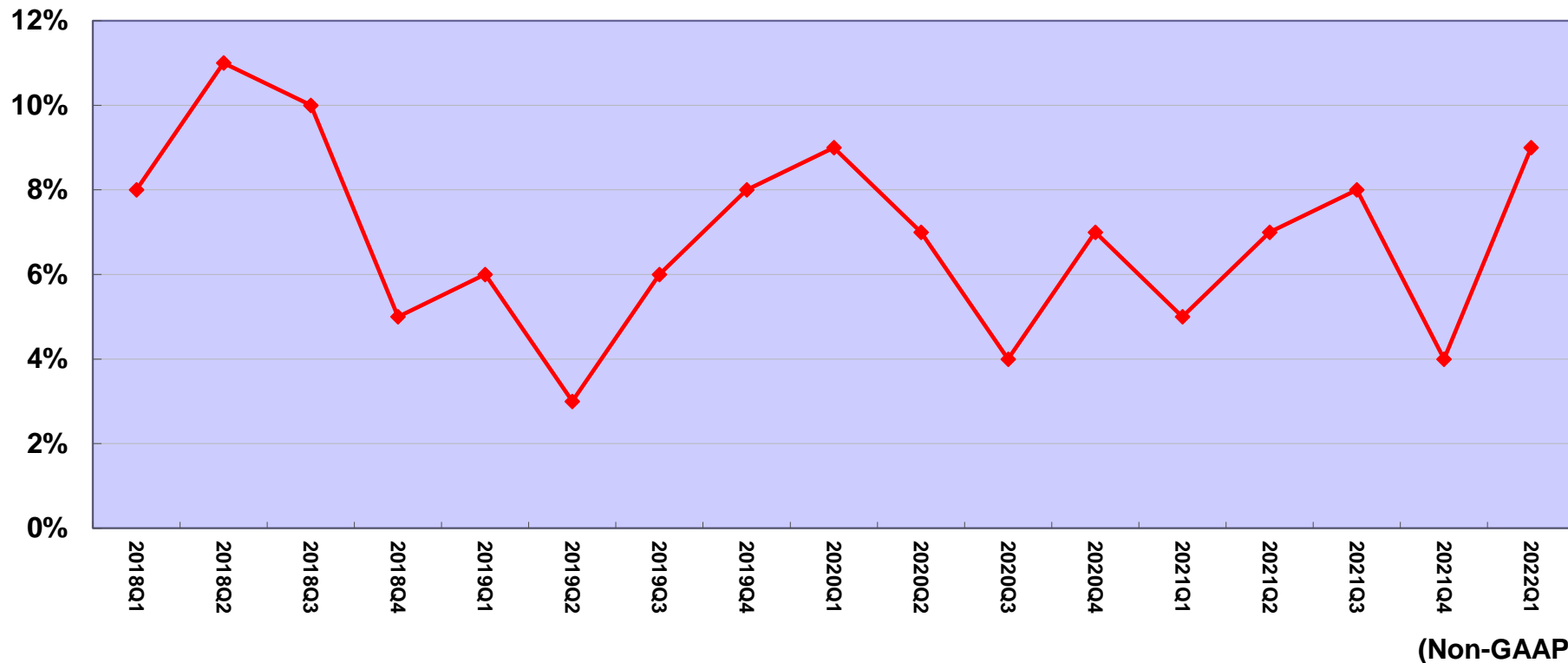
(Non-GAAP)



Constant currency Revenue growth

(YoY)

(unaudited)



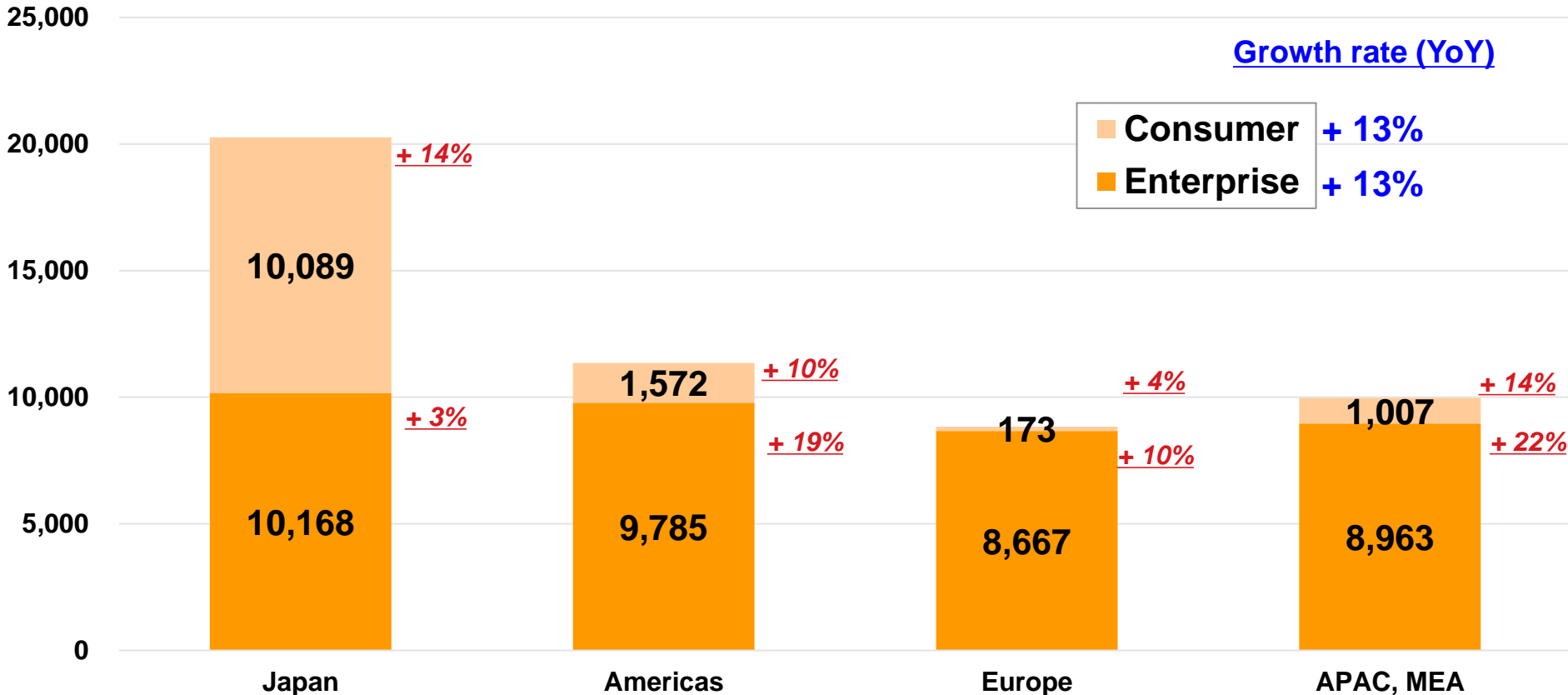
(Non-GAAP)

• 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 FY2022Q1 figures as if the old standards were applied.

(unaudited)
(in million Yen)

In conclusion, the impact was limited.

	1Q2022	Impact	<i>Theoretical 1Q2022 with old standards applied</i>	(real YoY)
Revenue	50,427	+ 138	50,289	(+13%)
Total Costs	39,312	+ 414	38,898	(+20%)
Operating Income	11,115	- 275	11,390	(- 7%)

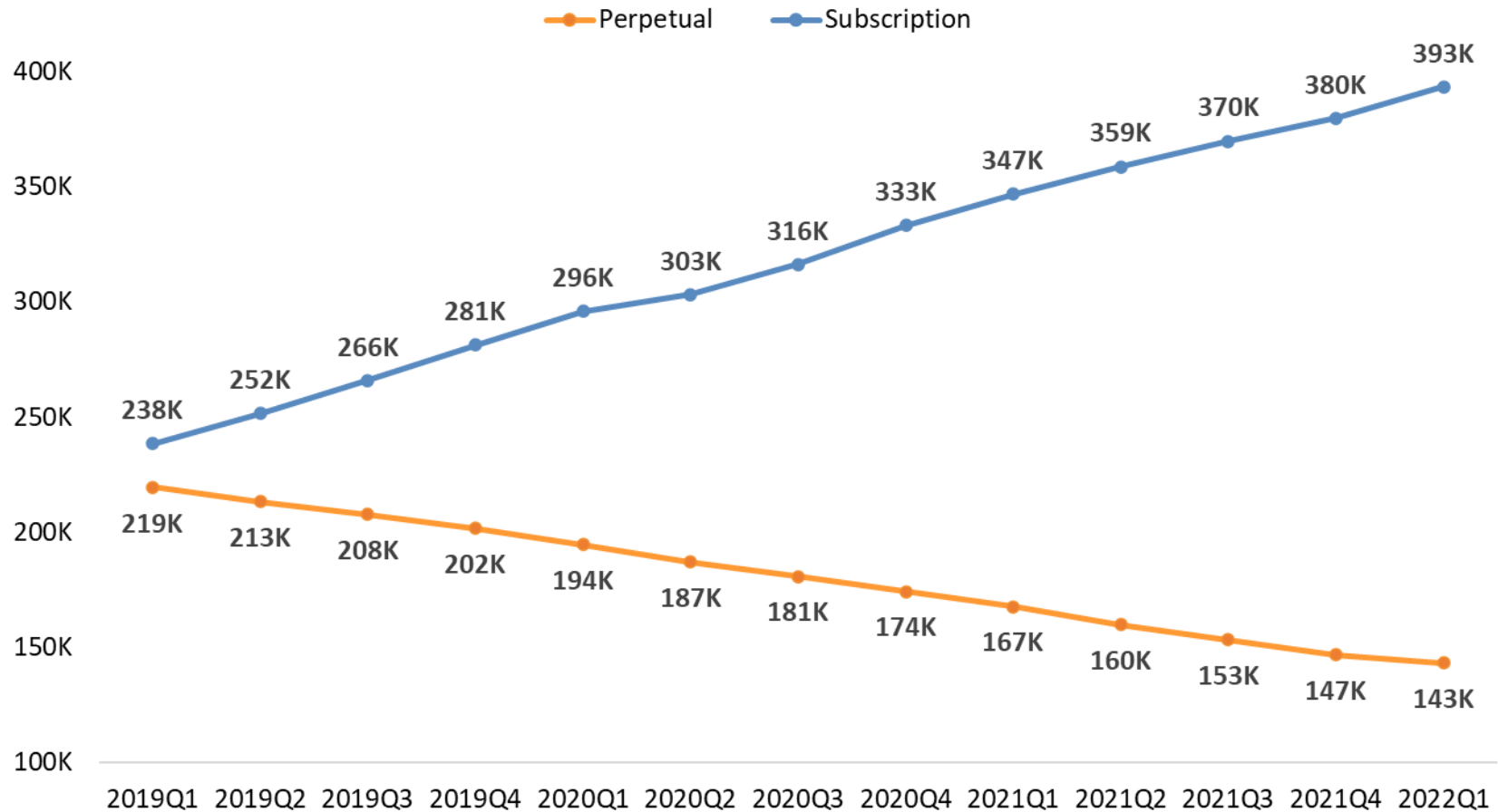
Regarding the impact of new accounting standards for revenue recognition (2)

(unaudited)
(in million Yen)

Impact by region

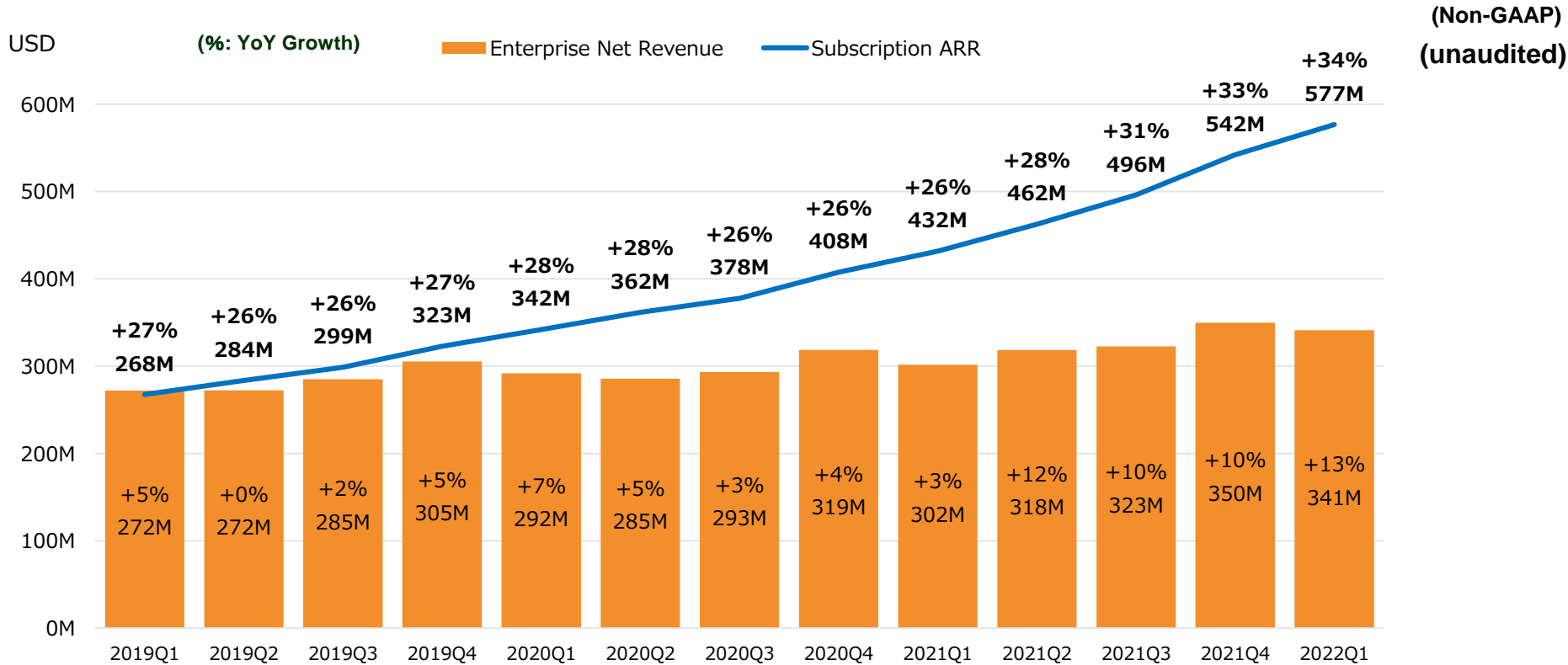
	1Q2022	Impact	<i>Theoretical 1Q2022 with old standards applied</i>	<i>(real YoY)</i>
Japan	20,258	+ 760	19,498	(+ 4%)
Americas	11,358	+ 74	11,283	(+ 17%)
Europe	8,841	+ 136	8,705	(+ 8%)
AMEA	9,970	- 831	10,802	(+ 32%)
Total	50,427	+ 138	50,289	(+ 13%)

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.

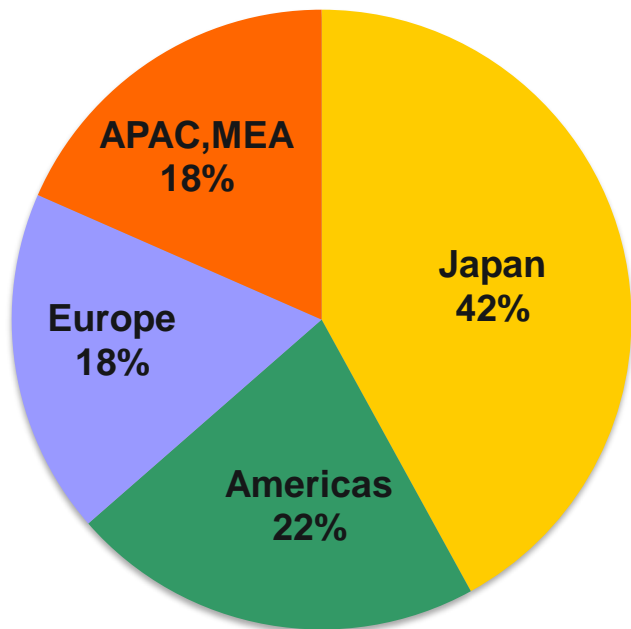
*Enterprise Net Revenue is a quarterly figure based on actual yen reported each quarter converted to USD at FY2022 Company budget exchange rate (1 USD = 110.18 yen).

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

% share by region

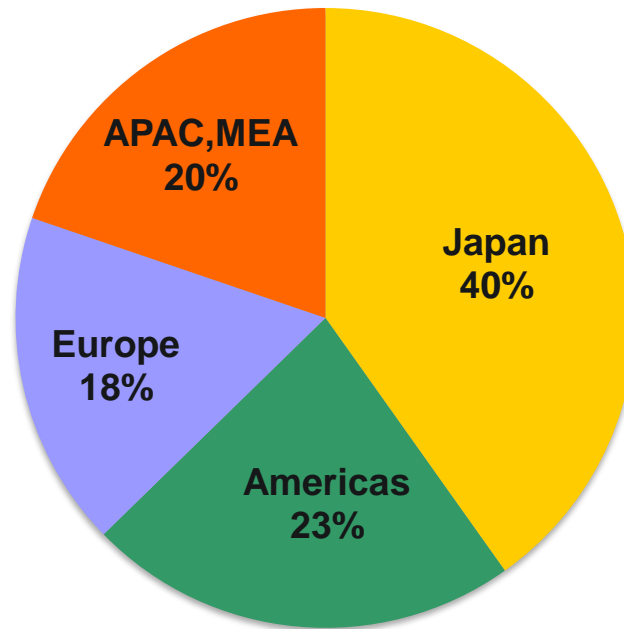
1Q2021

44,594 million Yen



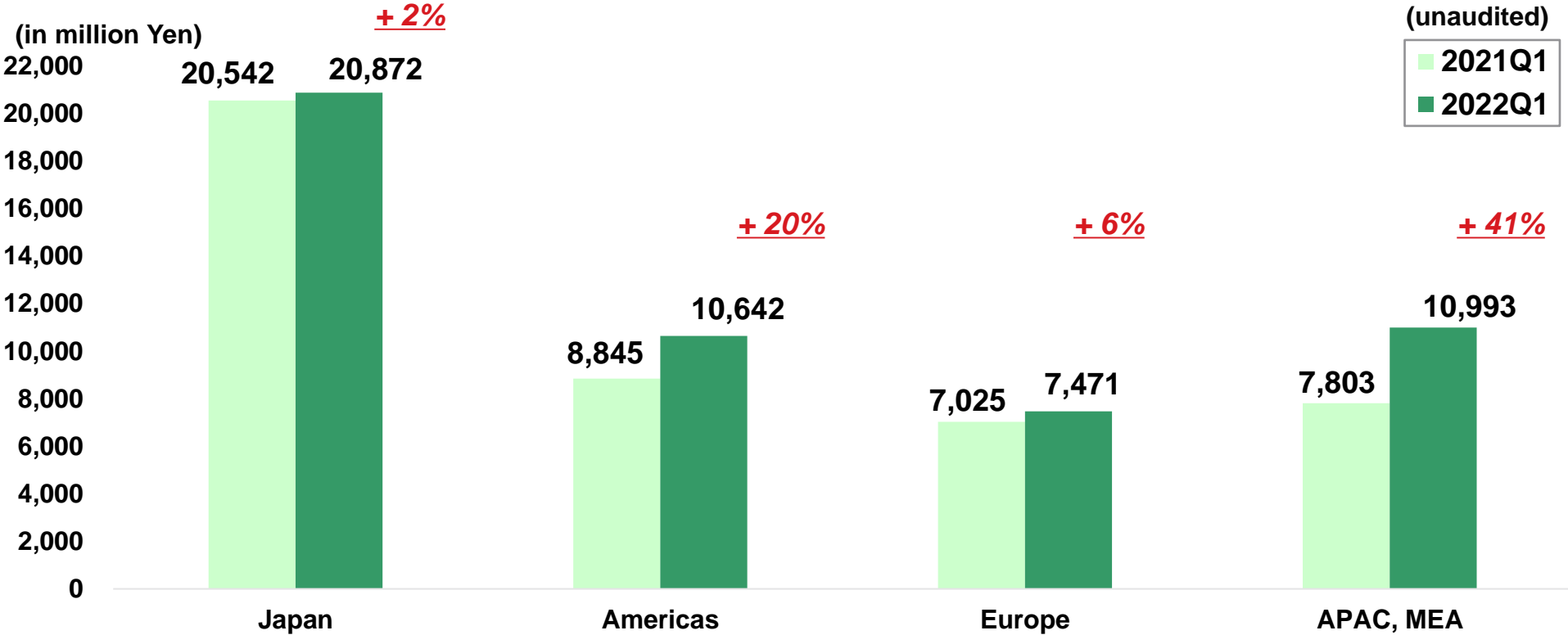
1Q2022

50,427 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.

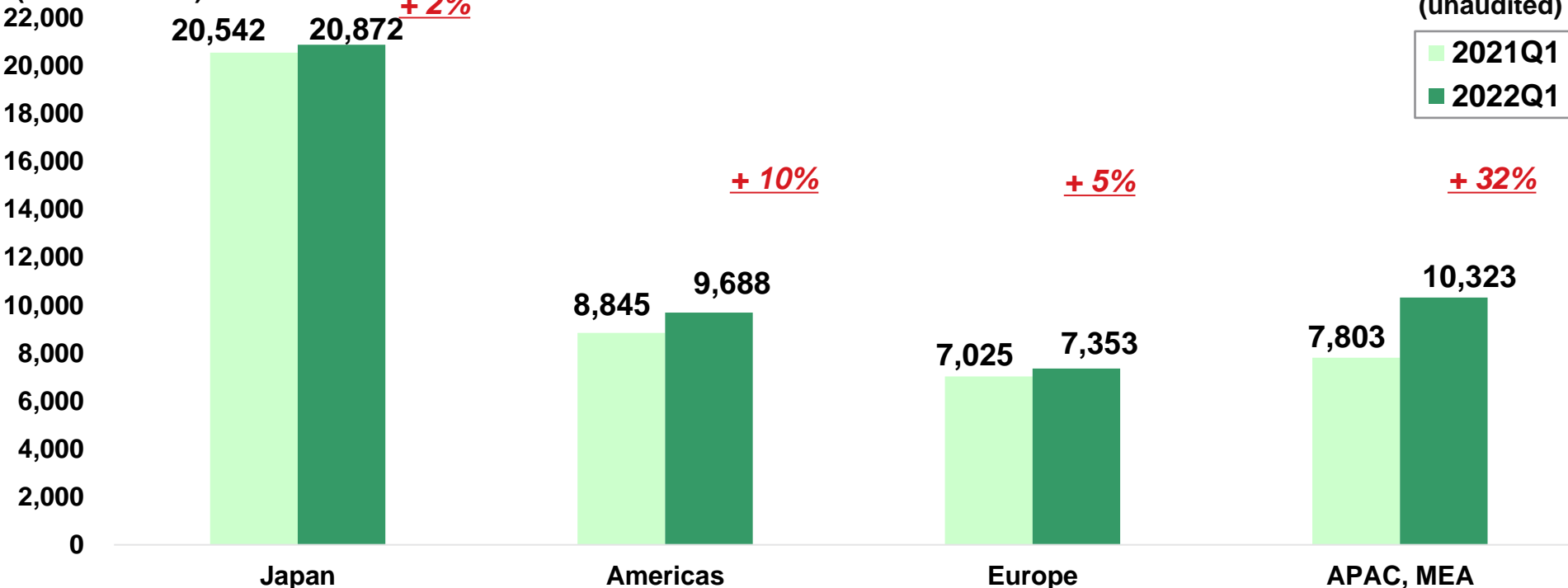
(Non-GAAP)

“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

If currency exchange rates used for 1Q2021 were used for 1Q2022:

(in million Yen)



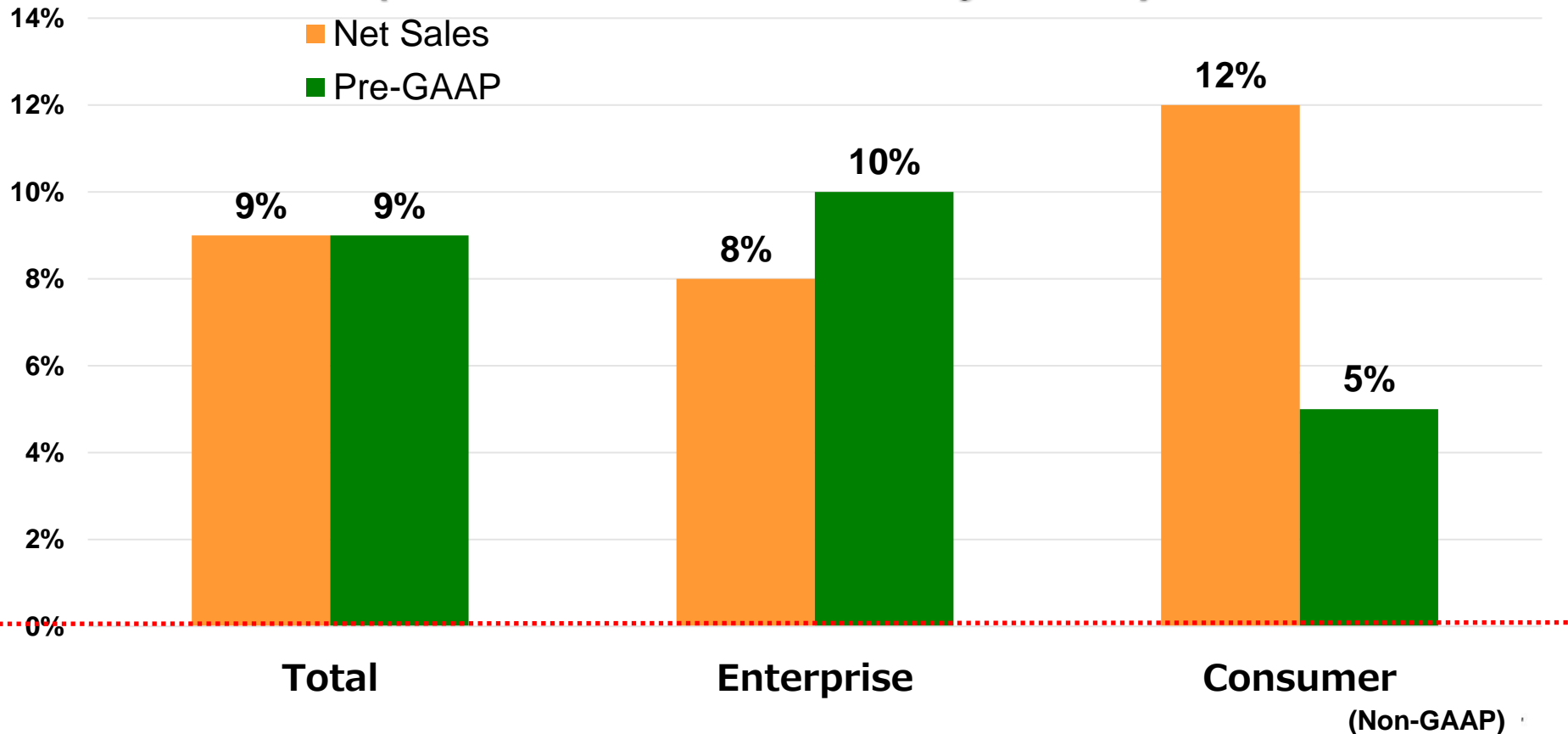
“Notice”

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)



Deferred Revenue

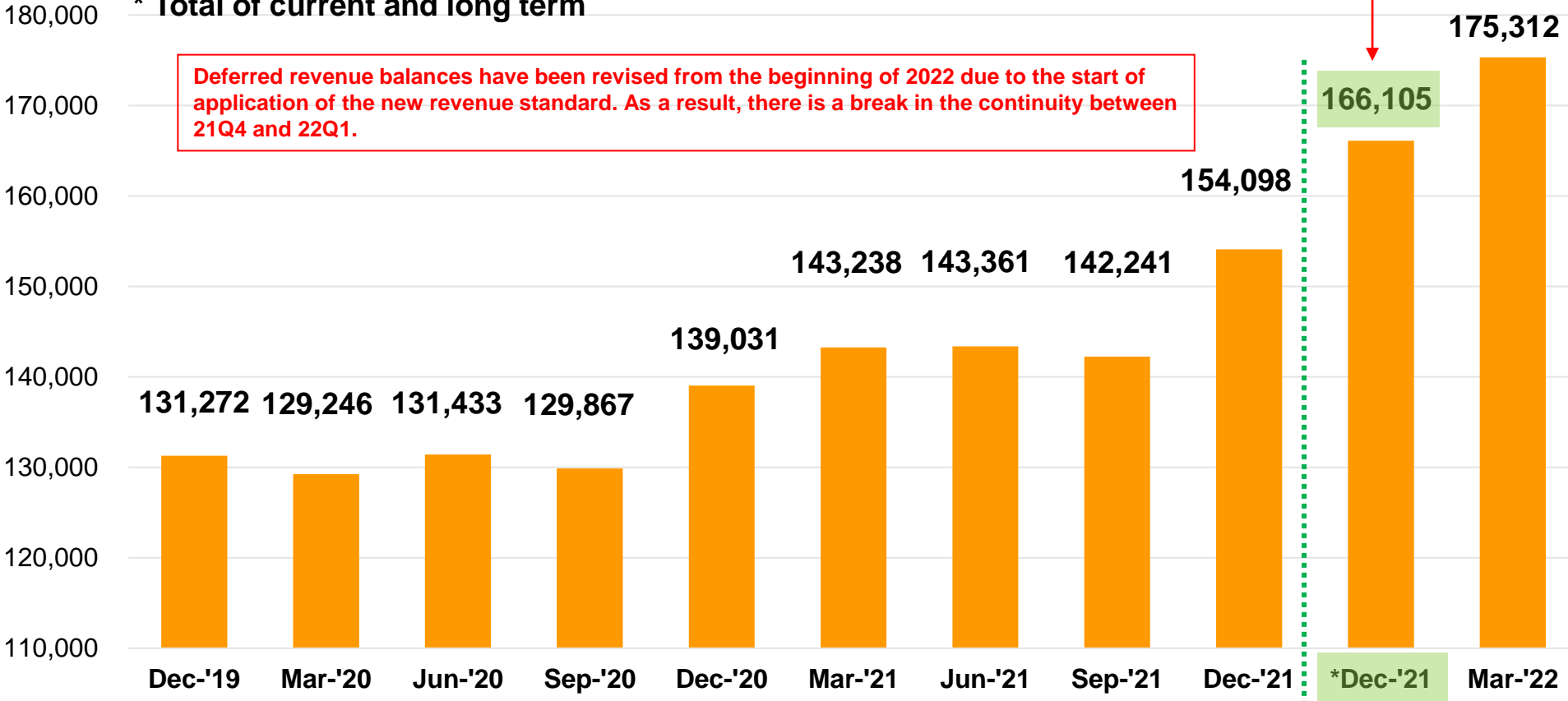
(unaudited)

(in million Yen)

* Total of current and long term

Deferred revenue balances have been revised from the beginning of 2022 due to the start of application of the new revenue standard. As a result, there is a break in the continuity between 21Q4 and 22Q1.

(Reference)
Dec-'21
Theoretical figures with
New standards applied



Deferred Revenue by Region

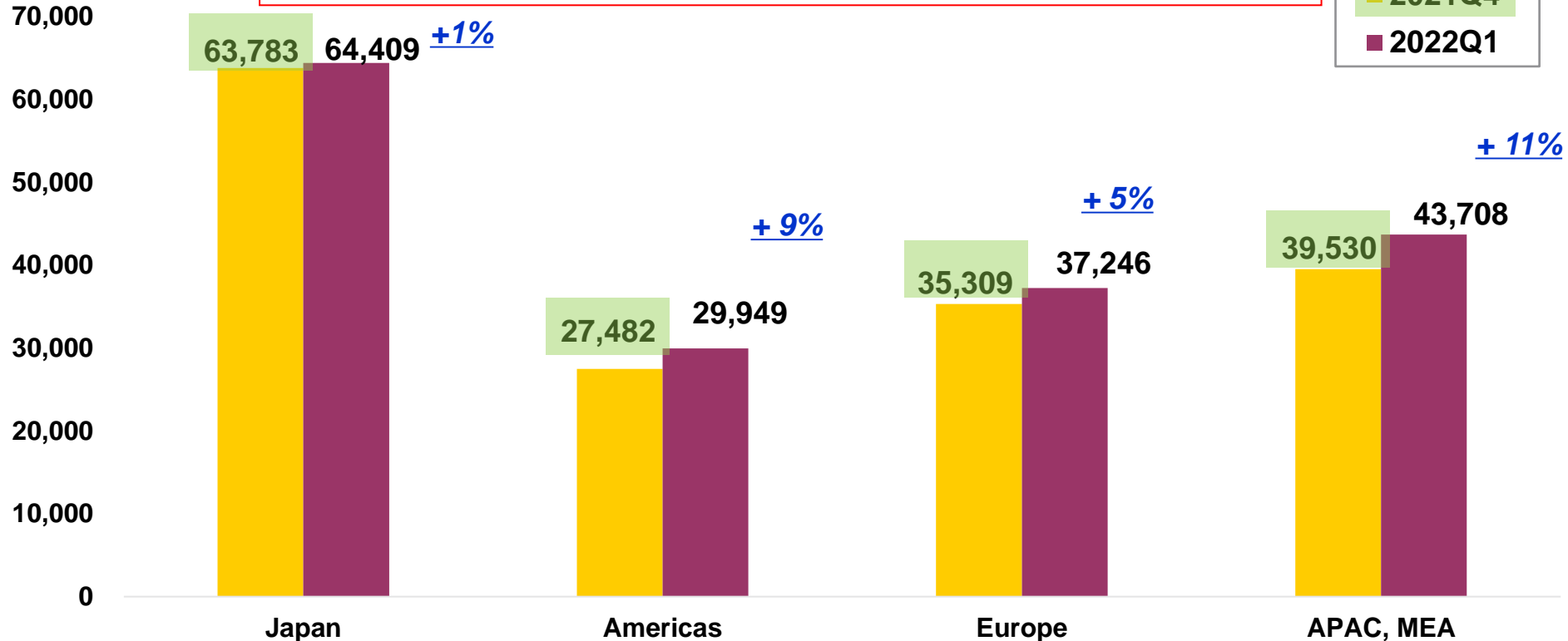
(in million Yen)

Deferred revenue balances have been revised from the beginning of 2022 due to the start of application of the new revenue standard.
The comparison below is based on the theoretical 21Q4 with new standards applied.

(unaudited)

2021Q4*

2022Q1



(Non-GAAP)

Deferred Revenue by Region

(unaudited)

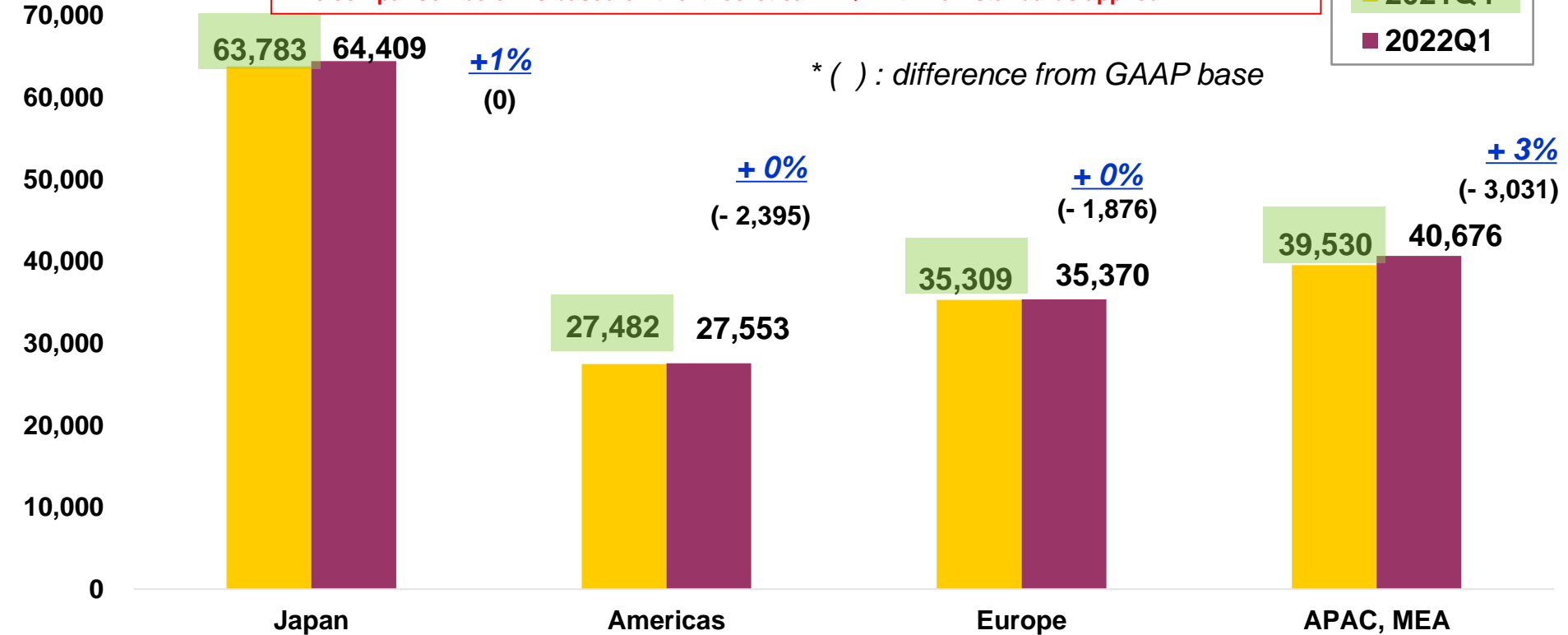
If currency exchange rates used as of the end of 4Q2021 were used as of the end of 1Q2022:

Deferred revenue balances have been revised from the beginning of 2022 due to the start of application of the new revenue standard.
The comparison below is based on the theoretical 21Q4 with new standards applied.

2021Q4*
2022Q1

* () : difference from GAAP base

(in million Yen)



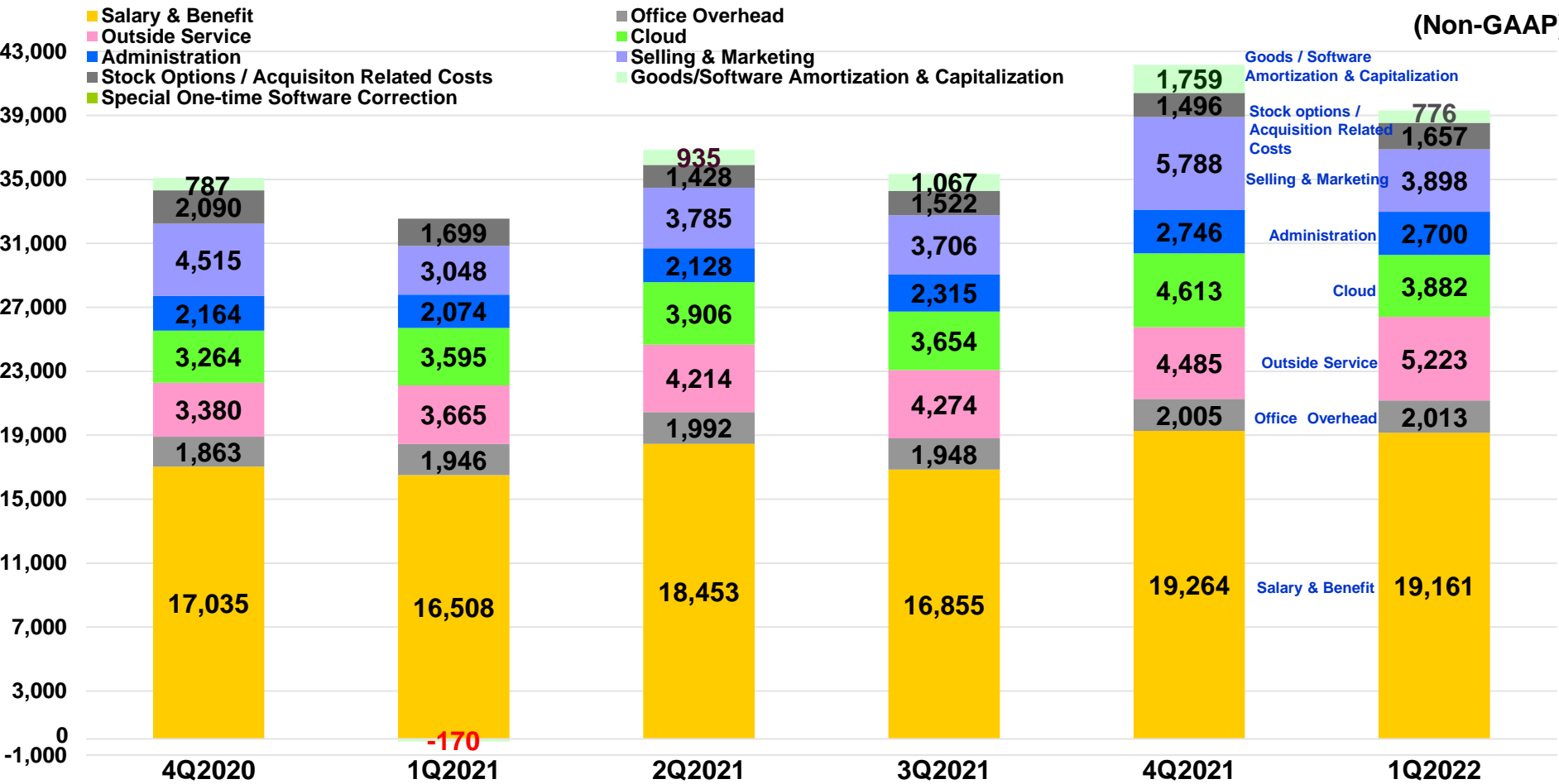
(Non-GAAP)

Cost

(unaudited)

(Non-GAAP)

(in million Yen)

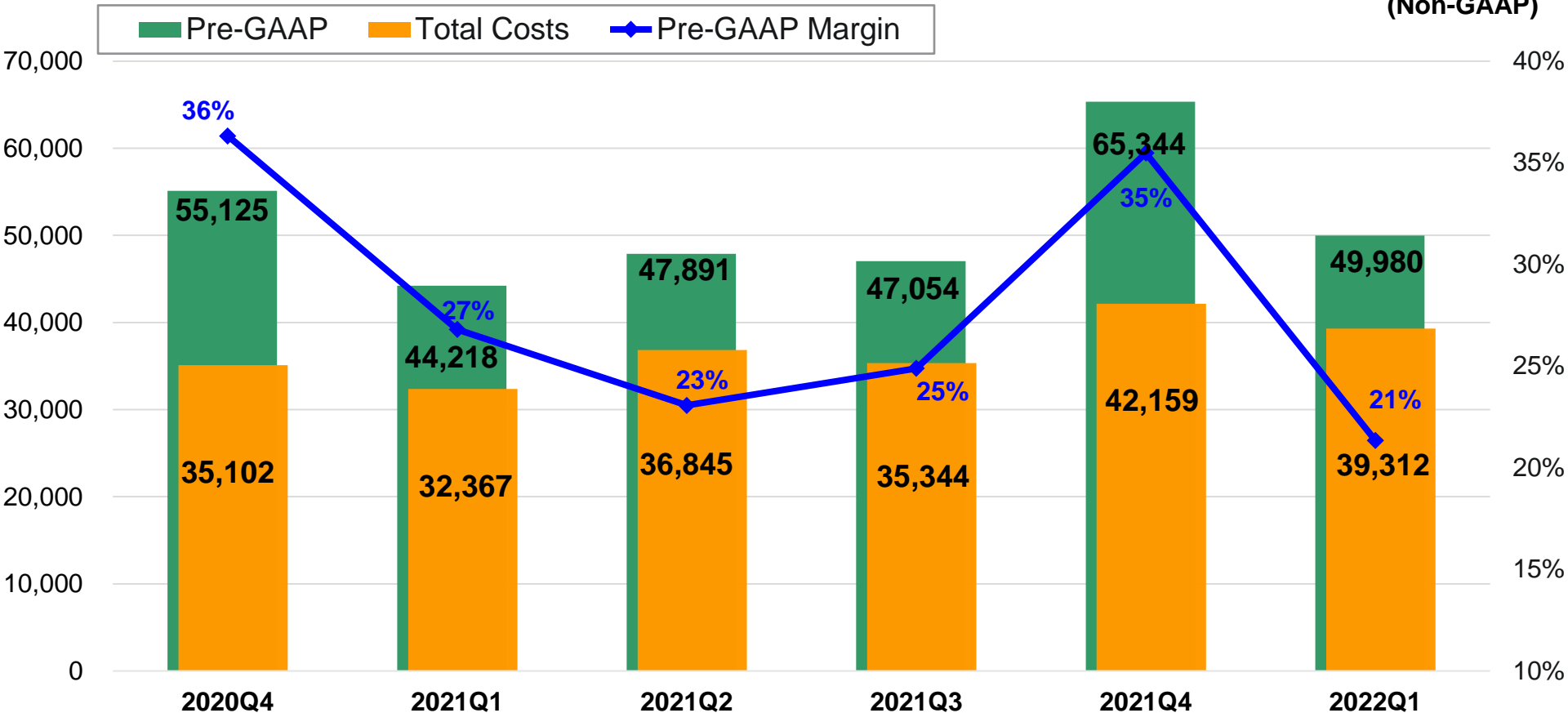


Pre-GAAP v s Total Costs

(in million Yen)

(unaudited)

(Non-GAAP)



* "Total costs" means COGS + SGA.

Cash flows

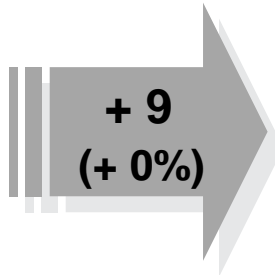
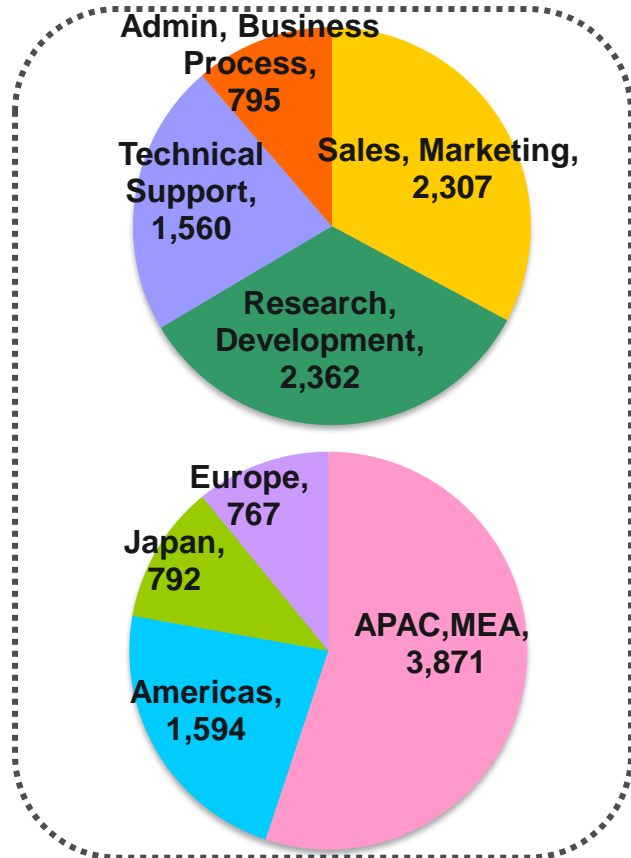
(unaudited)
(in million Yen)

	1Q2021	1Q2022	YoY growth
Cash flows from operating activities	17,144	19,246	+ 12%
Cash flows from investing activities	- 6,479	268	—
Cash flows from financing activities	- 19,929	- 26,216	—
Effect of exchange rate changes on cash and cash equivalents	6,704	12,594	+ 88%
Net increase (decrease) in cash and cash equivalents	- 2,559	5,892	—
Cash and cash equivalents at beginning of this quarter period	174,162	225,681	+ 30%
Increase in cash due to merger of consolidated subsidiary	—	—	—
Cash and cash equivalents at end of this quarter period	171,603	231,574	+ 35%

Headcount

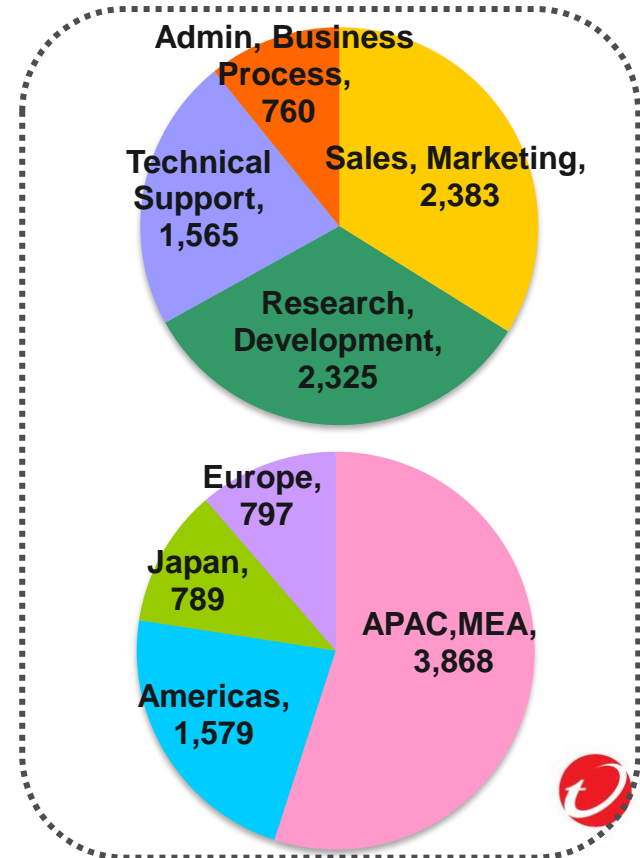
Dec - 2021

7,024



Mar - 2022

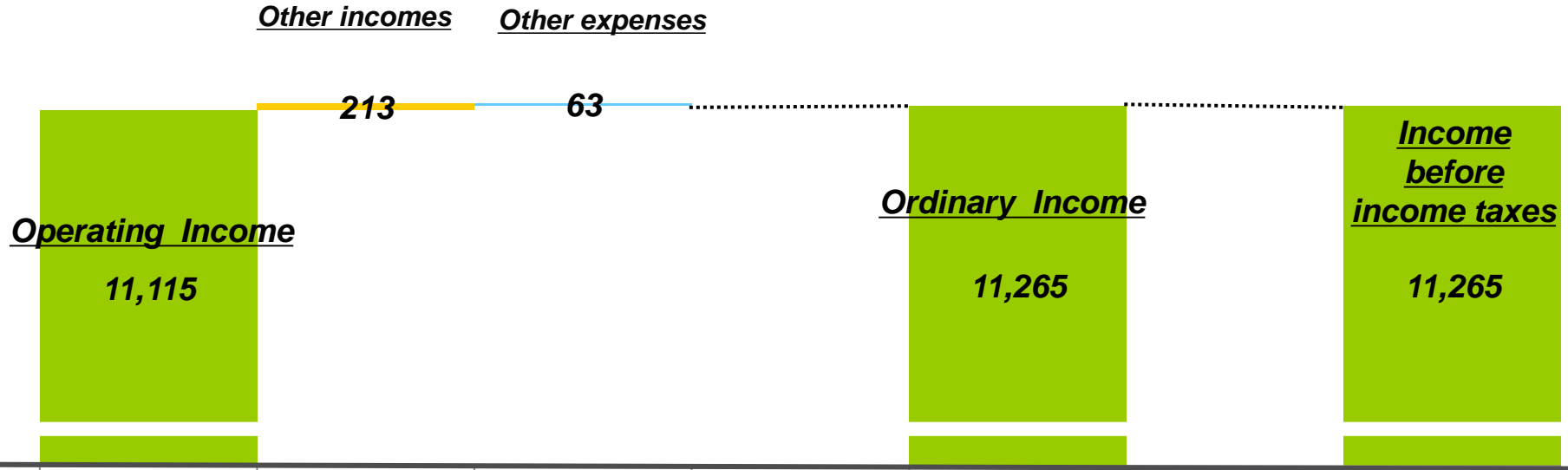
7,033



Non-operating & Extra-ordinary Items

(in million Yen)

(unaudited)



Balance Sheet

Deferred revenue balances have been revised from the beginning of 2022 due to the start of application of the new revenue standard. The following comparison is a simple comparison of 21Q4 figures with the old standard vs. 22Q1 figures with the new Standard.

(unaudited)
(in million Yen)

	<i>Dec-2021</i>	<i>change</i>	<i>Mar-2022</i>
<u>Assets</u>			
<i>Cash & cash equivalents</i>	197,729	+ 6,533	204,262
<i>Account receivable</i> <i>(less allowance for doubtful accounts)</i>	53,207	- 8,124	45,083
<i>Marketable securities &</i> <i>Securities investments</i>	85,159	- 5,912	79,247
<i>Software</i>	11,254	+ 1,050	12,304
<u>Liabilities</u>			
<i>Deferred revenue</i> <i>(total of current and long-term)</i>	154,098	+ 21,214	175,312
<u>Shareholders' Equity</u>			
<i>Common Stock &</i> <i>Additional paid in capital</i>	46,129	+ 496	46,625
<i>Treasury Stock</i>	- 5,656	- 48	- 5,704

Q1 Highlights

- ***All regions and all segments grow***
- ***Strong growth of Subscription business continues***
- ***Consumer mobile channel growth continues***

Q1 Lowlights

- ***Double digit growth in people costs***
- ***Consumer mobile channel costs grow***

Projection for FY2022 Annual **(Unchanged)**

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

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

“Reference” actual exchange rate up to Q1: 1USD=116 yen, 1EUR=130 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			
Cost of sales	9,875	10,209	10,606	11,326	12,367			
Operating expenses	22,492	26,635	24,738	30,833	26,945			
Operating income	12,226	9,888	12,507	9,018	11,115			
Ordinary income	12,126	10,615	12,680	9,078	11,265			
Net income attributable to owners of the parent	8,804	7,699	9,166	12,696	8,531			
(Costs)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Goods / Software Amortization & Capitalization	-170	935	1,067	1,759	776			
Stock option cost	349	771	863	817	962			
Acquisition related costs	1,349	657	658	679	694			
Selling & Marketing	3,048	3,785	3,706	5,788	3,898			
Administration	2,074	2,128	2,315	2,746	2,700			
Cloud	3,595	3,906	3,654	4,613	3,882			
Outside service	3,665	4,214	4,274	4,485	5,223			
Office overhead	1,946	1,992	1,948	2,005	2,013			
Salary & Benefit	16,508	18,453	16,855	19,264	19,161			
Total	32,367	36,845	35,344	42,159	39,312			
The number of employees	6,922	6,972	6,995	7,024	7,033			
Applied rate to yen (US\$)	105.95	109.51	110.11	113.72	116.35			
Applied rate to yen (Euro)	127.76	131.99	129.84	129.97	130.38			

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

“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.**