

Trend Micro FY2023 Q1 Results

Mahendra Negi CFO, Representative Director

May 11, 2023



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.

FY2023.Q1 Financial Highlight

(First quarter ended March 31, 2023)

Q1 Consolidated Results

(unaudited)
(in million Yen)

Three months ended Mar 31,	1Q2022	1Q2023	YoY growth
Net sales	50,427	58,704	+ 16%
Total Operating expenses	39,312	49,155	+ 25%
Operating income <i>(Margin)</i>	11,115 <i>(22%)</i>	9,548 <i>(16%)</i>	- 14%
Ordinary income	11,265	8,979	- 20%
Net income attributable to owners of the parent	8,531	6,374	- 25%

If currency exchange rates used for 1Q2022 were used for 1Q2023

Net sales	50,427	55,041	+ 9%
			(Non-GAAP)

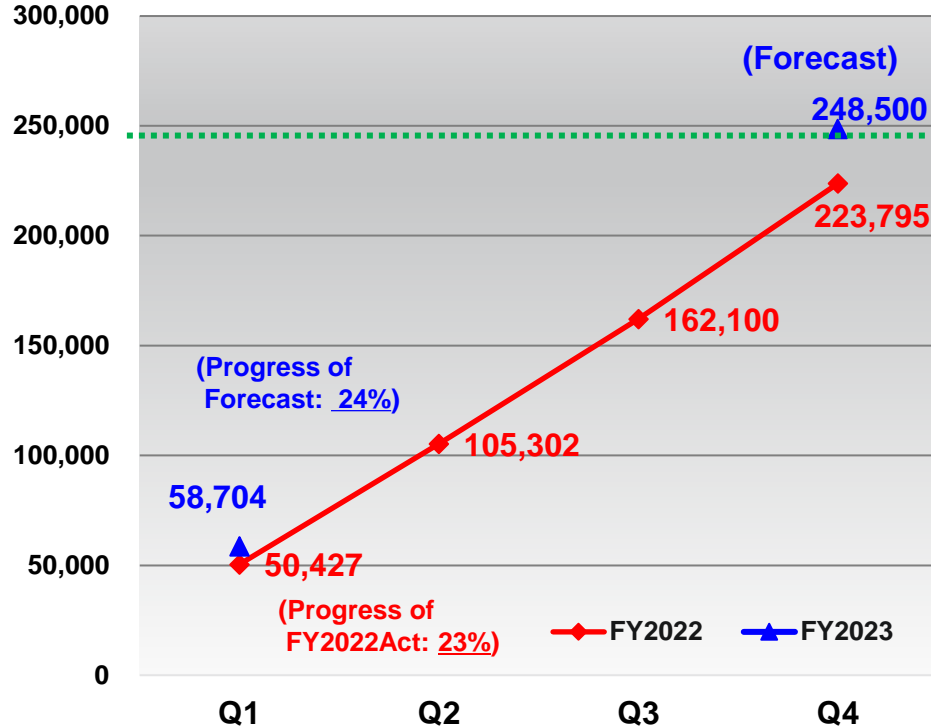
“For reference”

Pre-GAAP	49,980	57,970	+ 16%
			<i>(excluding foreign exchange impact)</i> + 10%
Pre-GAAP based Operating Income	10,667	8,815	- 17%

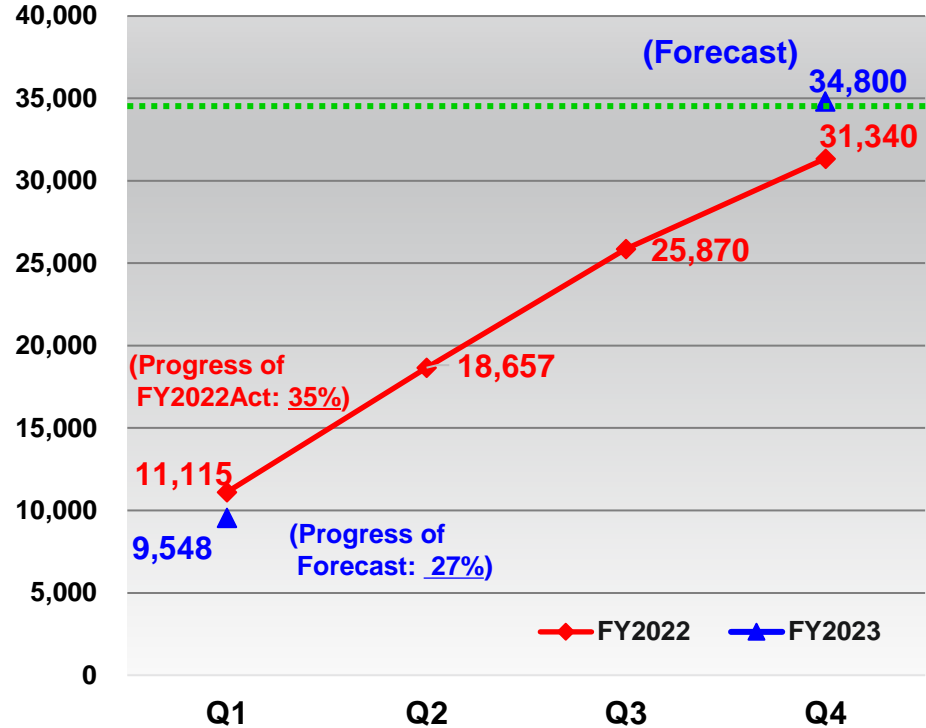
Progress (3 months)

(in million Yen)

Revenue



Operating Income



Q1 USD based Results (Non-GAAP)

(unaudited)

<i>Three months ended Mar 31,</i>	<i>1Q2022</i>	<i>1Q2023</i>	<i>(in thousand USD) YoY change</i>
Net sales	433,411	443,384	+ 2%
Cost of sales	106,293	108,730	+ 2%
Operating expenses	231,587	262,535	+ 13%
Operating income	95,531	72,119	- 25%
Ordinary income	96,824	67,817	- 30%
Net Income	73,330	48,146	- 34%
<small>attributable to owners of the parent</small>			(Non-GAAP)

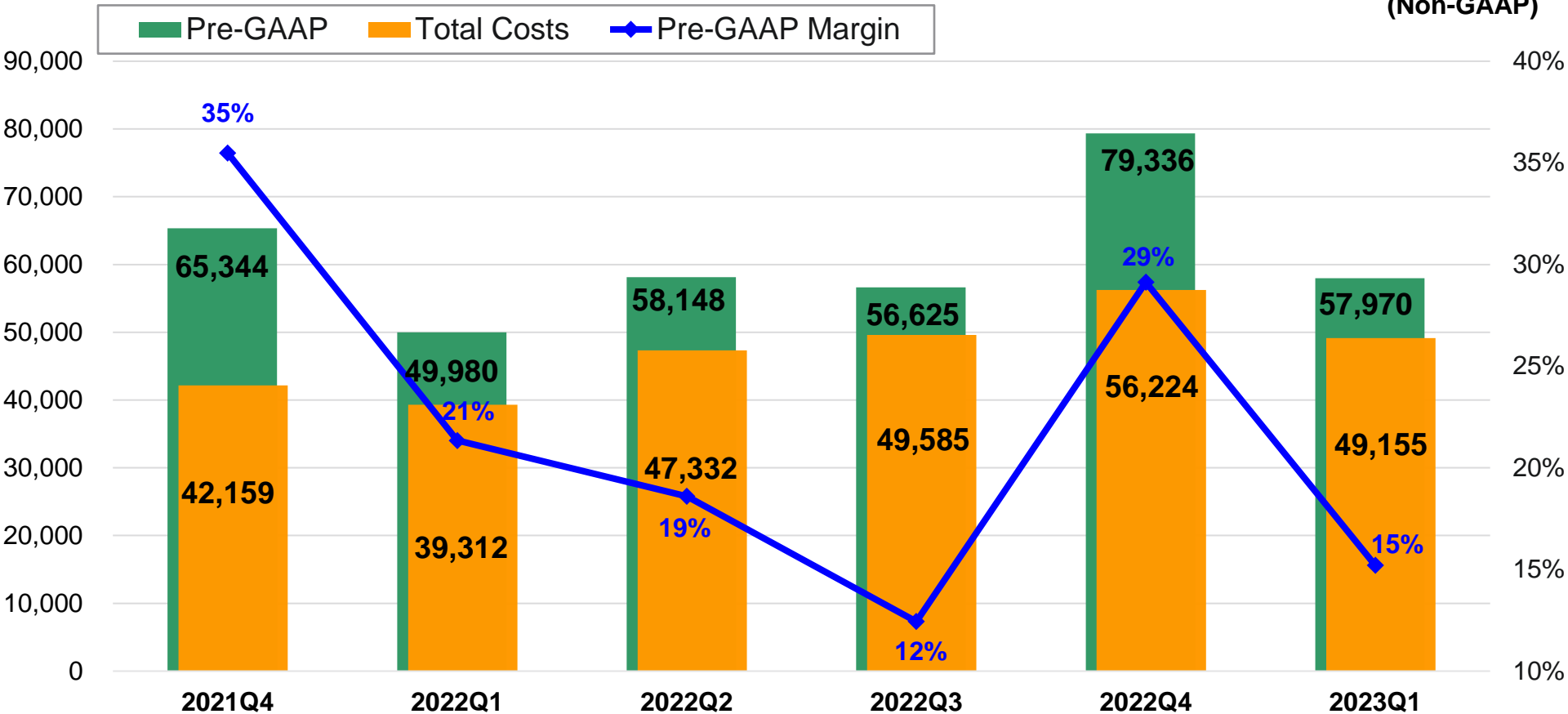
For each of the quarters shown in the table above, JPY Japan GAAP amounts have been converted to USD amounts using the exchange rates of USD=116.35 JPY for 1Q2022 and 1 USD =132.40 JPY for 1Q2023, respectively, which are the respective weighted average exchange rates used to convert USD net sales to JPY for these quarters.

Pre-GAAP v s Total Costs

(in million Yen)

(unaudited)

(Non-GAAP)



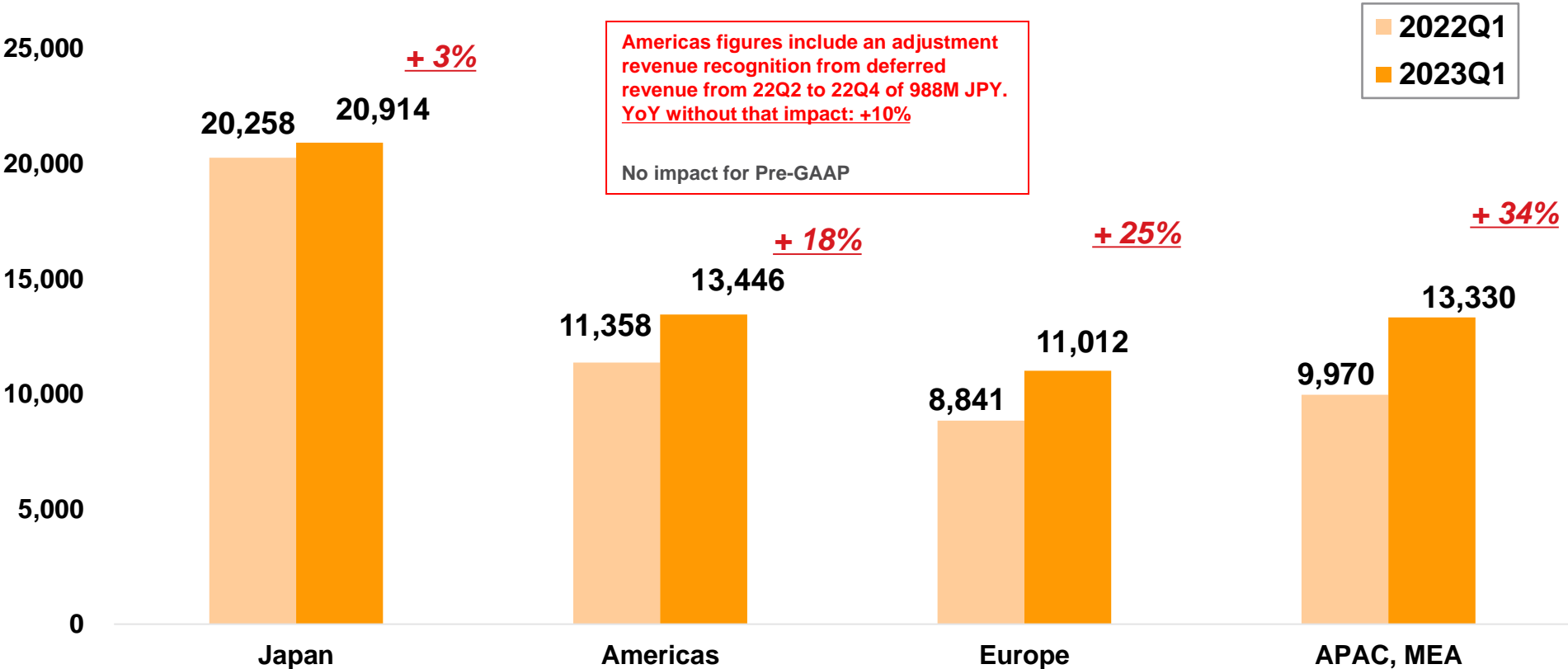
* "Total costs" means COGS + SGA.

Public

Net Sales Growth by Region

(unaudited)

(in million Yen)

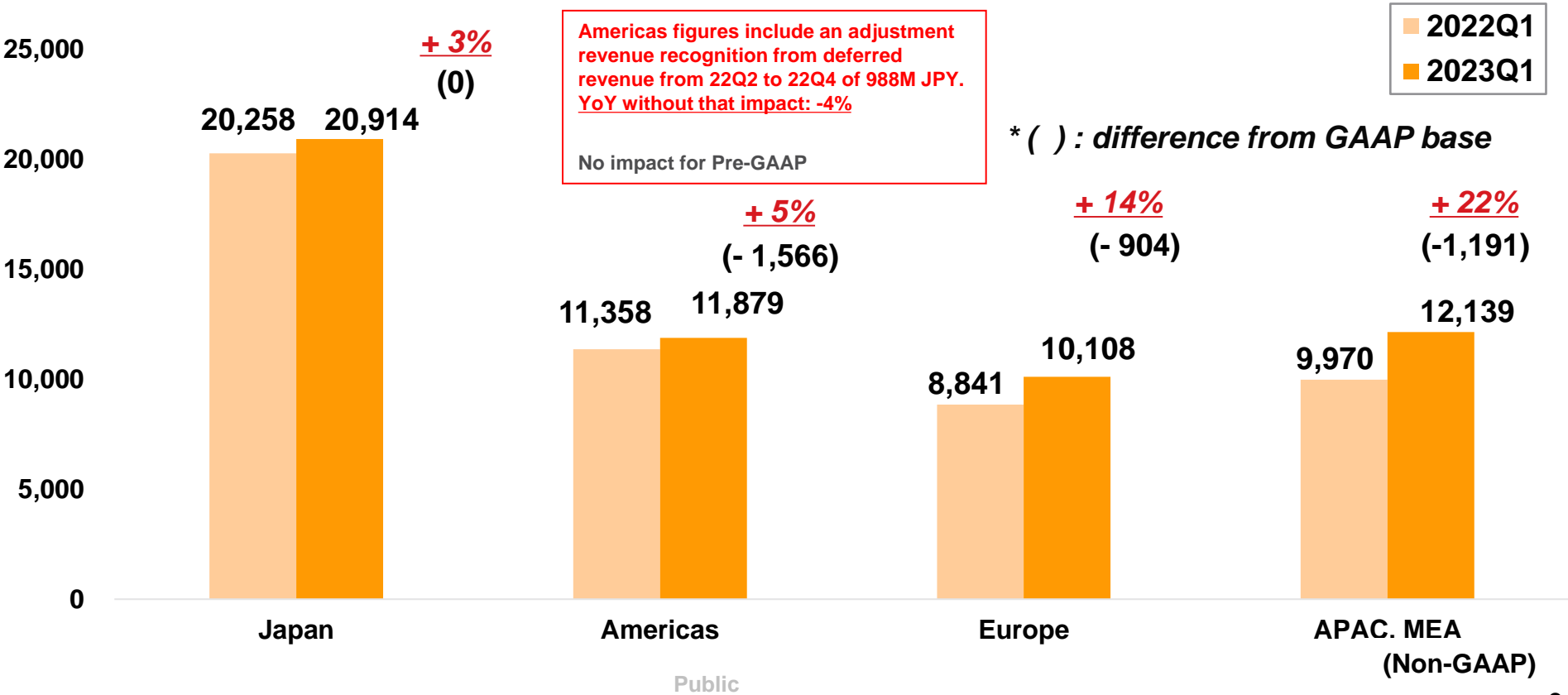


Net Sales Growth by Region

If currency exchange rates used for 1Q2022 were used for 1Q2023:

(unaudited)

(in million Yen)

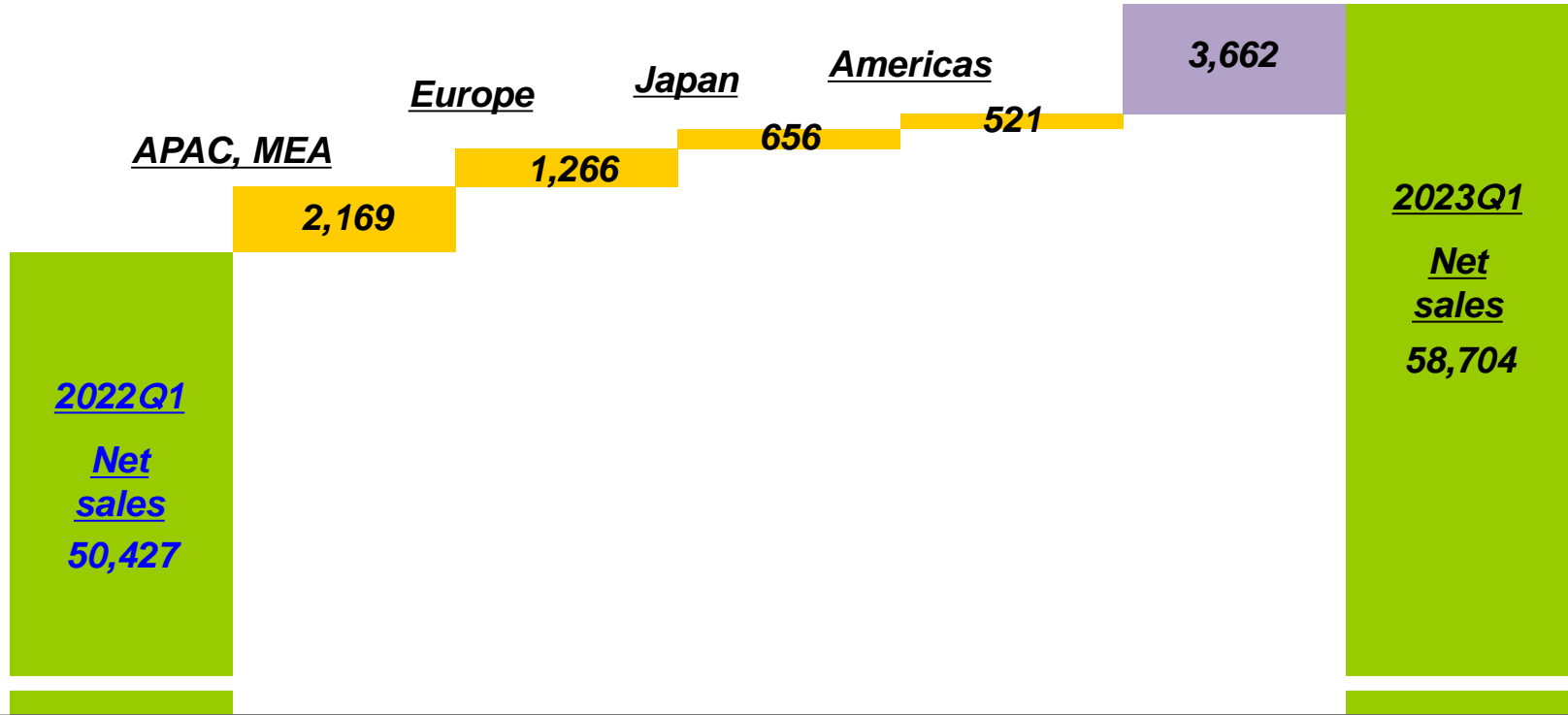


Decomposition of Revenue (vs. last year)

(in million Yen)

Exchange impact

(unaudited)



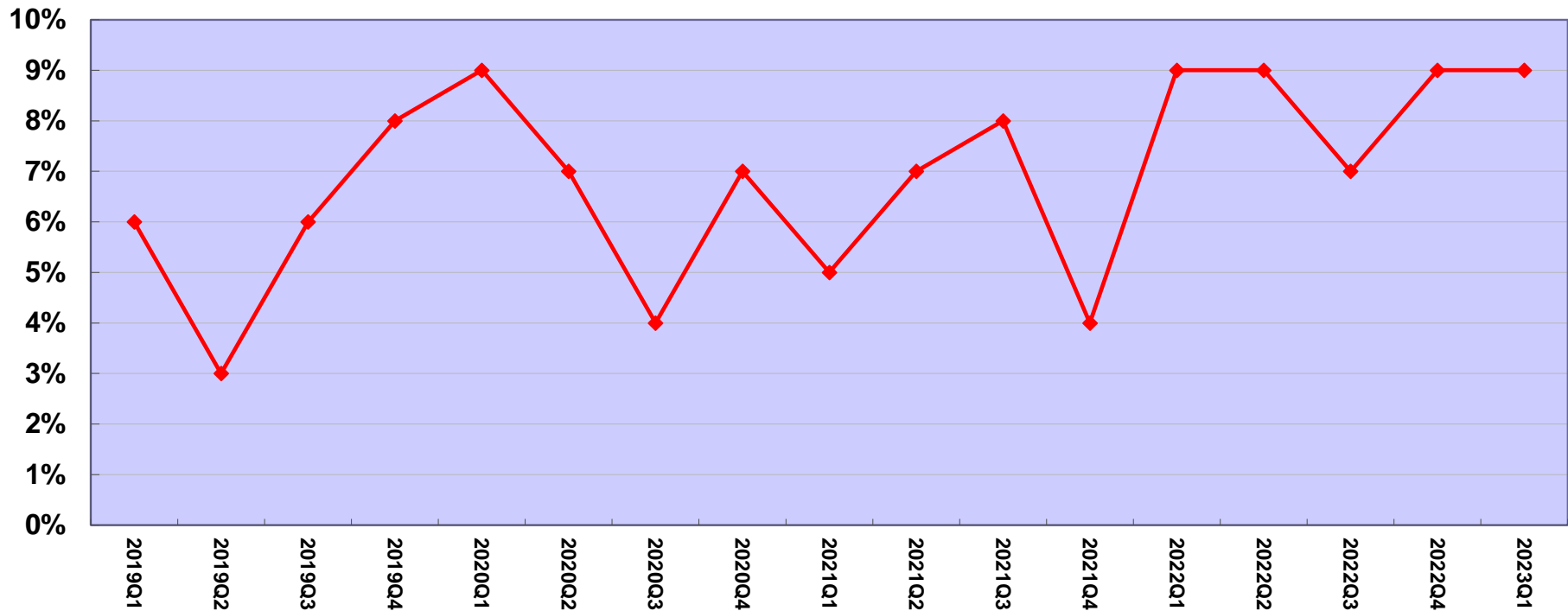
Public

(Non-GAAP)

Constant currency Revenue growth

(YoY)

(unaudited)



(Non-GAAP)

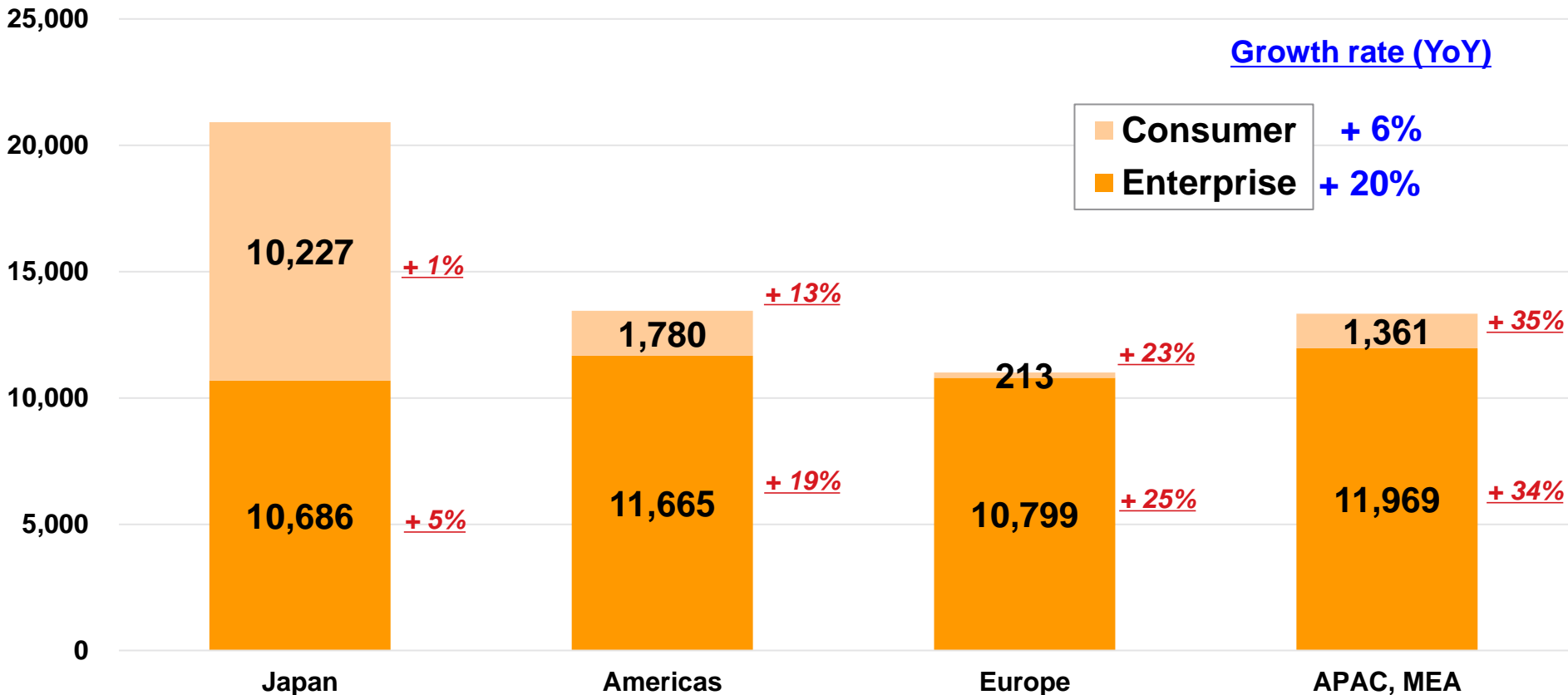
• Each growth rate shown above is based on applying to each quarter the same currency rate as the previous year for the same period

Public

(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.

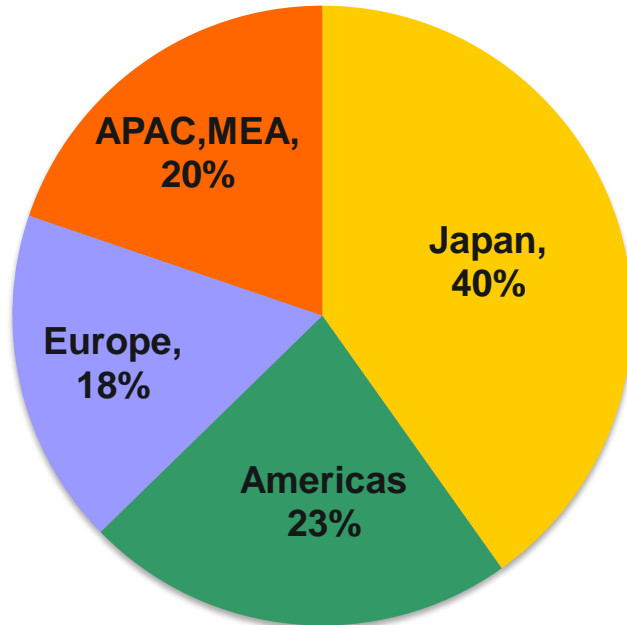
Public

(Non-GAAP)

% share by region

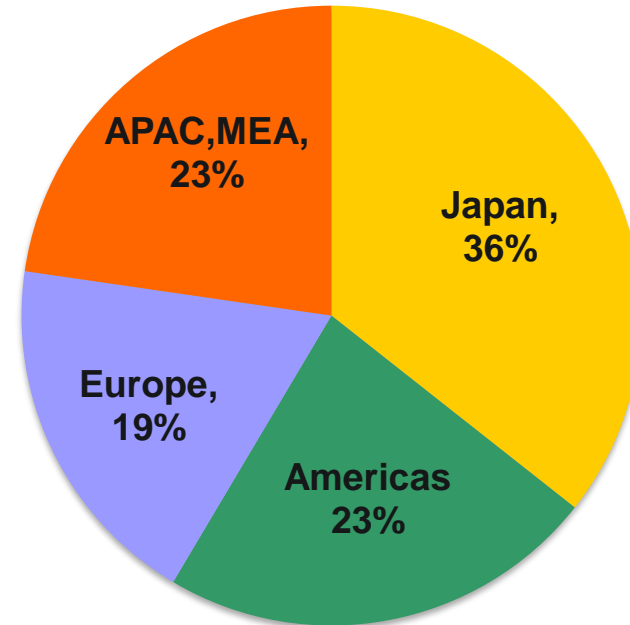
1Q2022

50,427 million Yen



1Q2023

58,704 million Yen

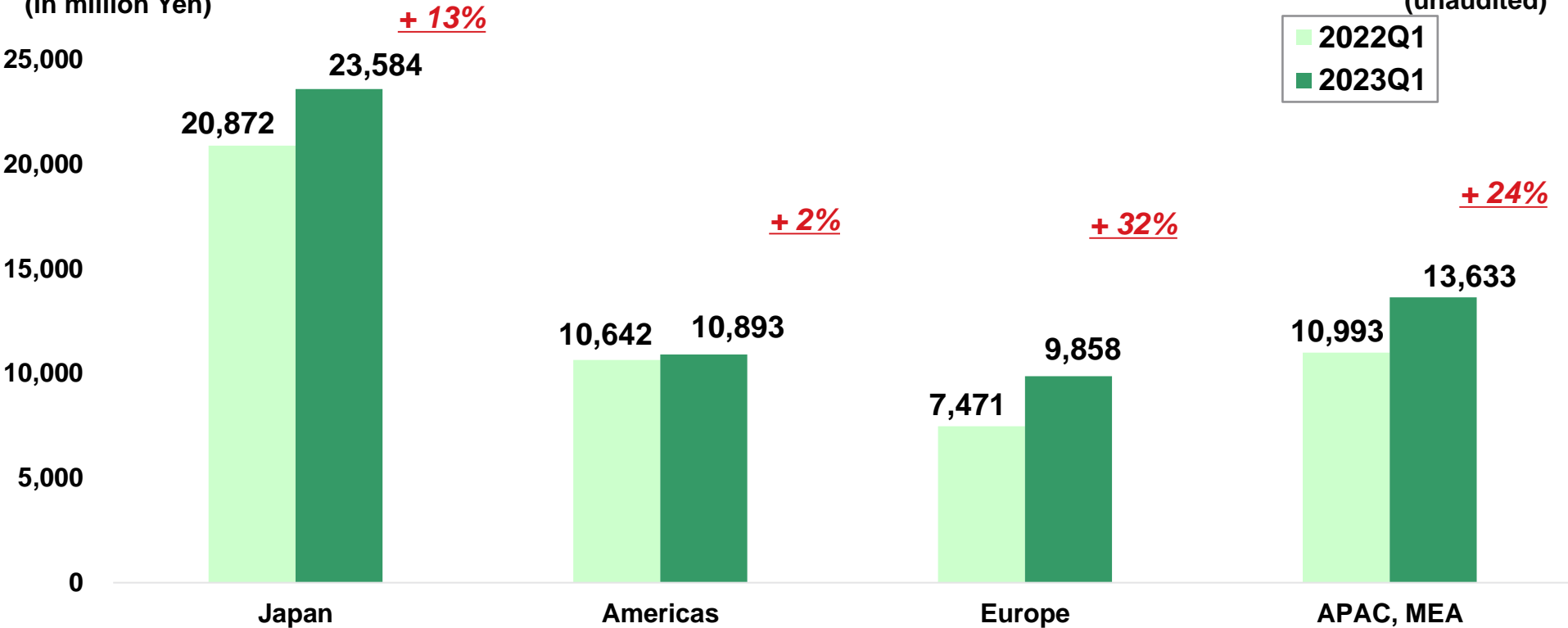


“For reference”

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)

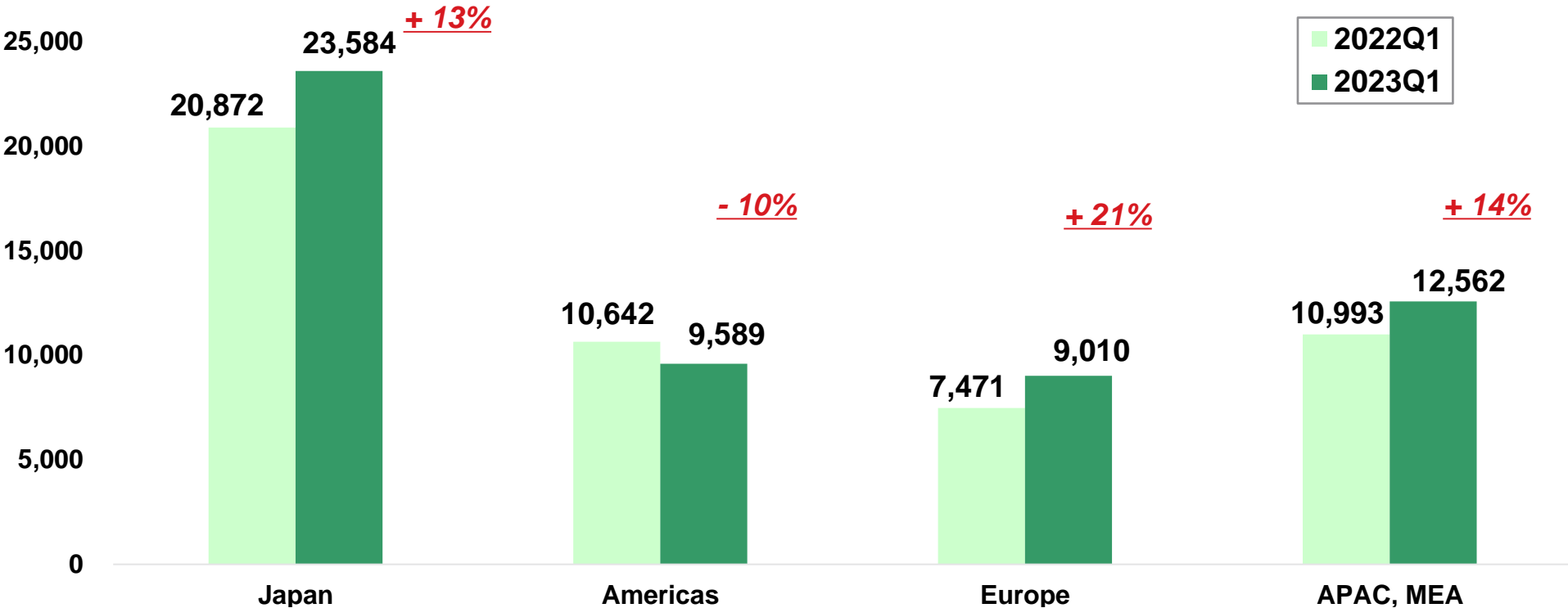
“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(in million Yen)

If currency exchange rates used for 1Q2022 were used for 1Q2023:

(unaudited)



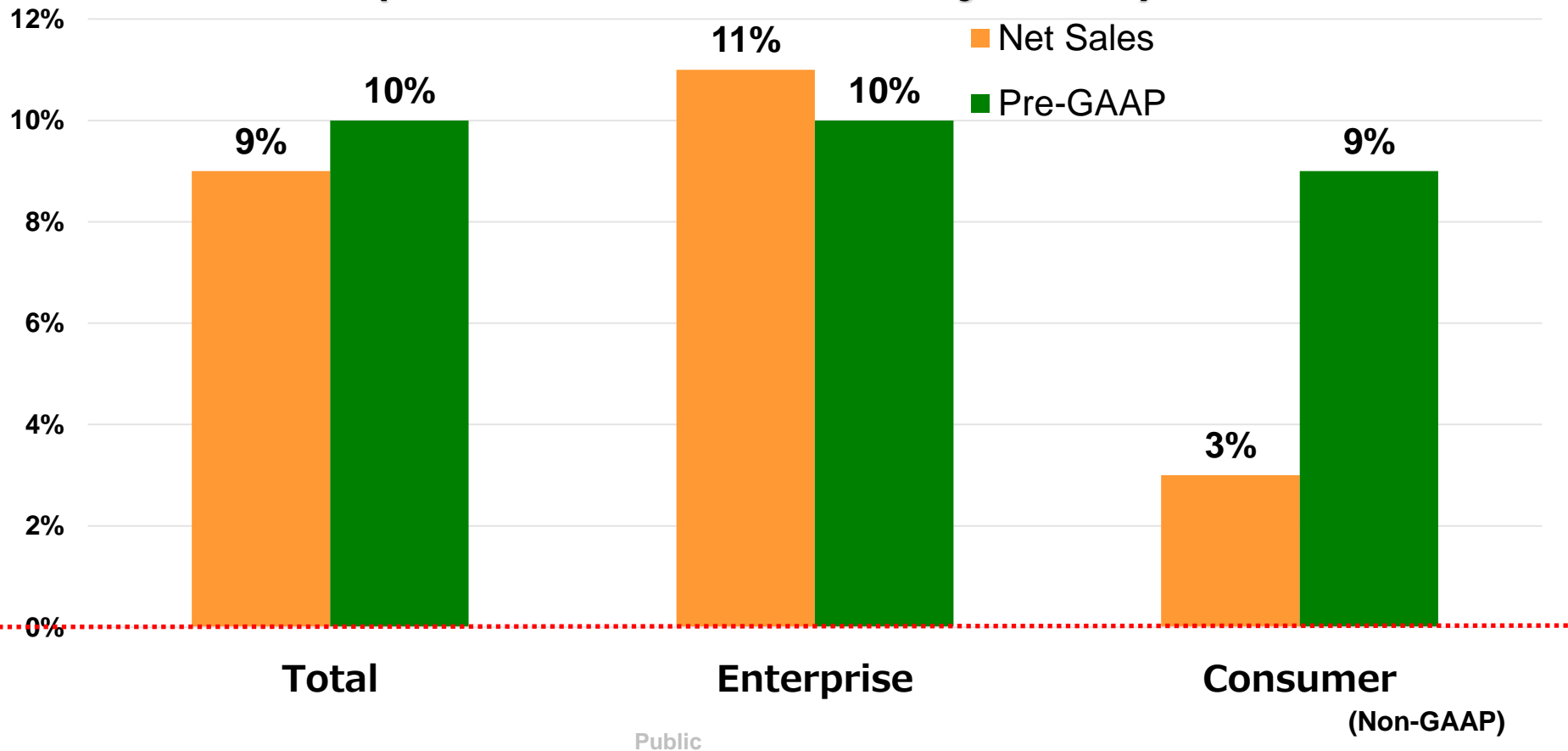
“Notice”

*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.*

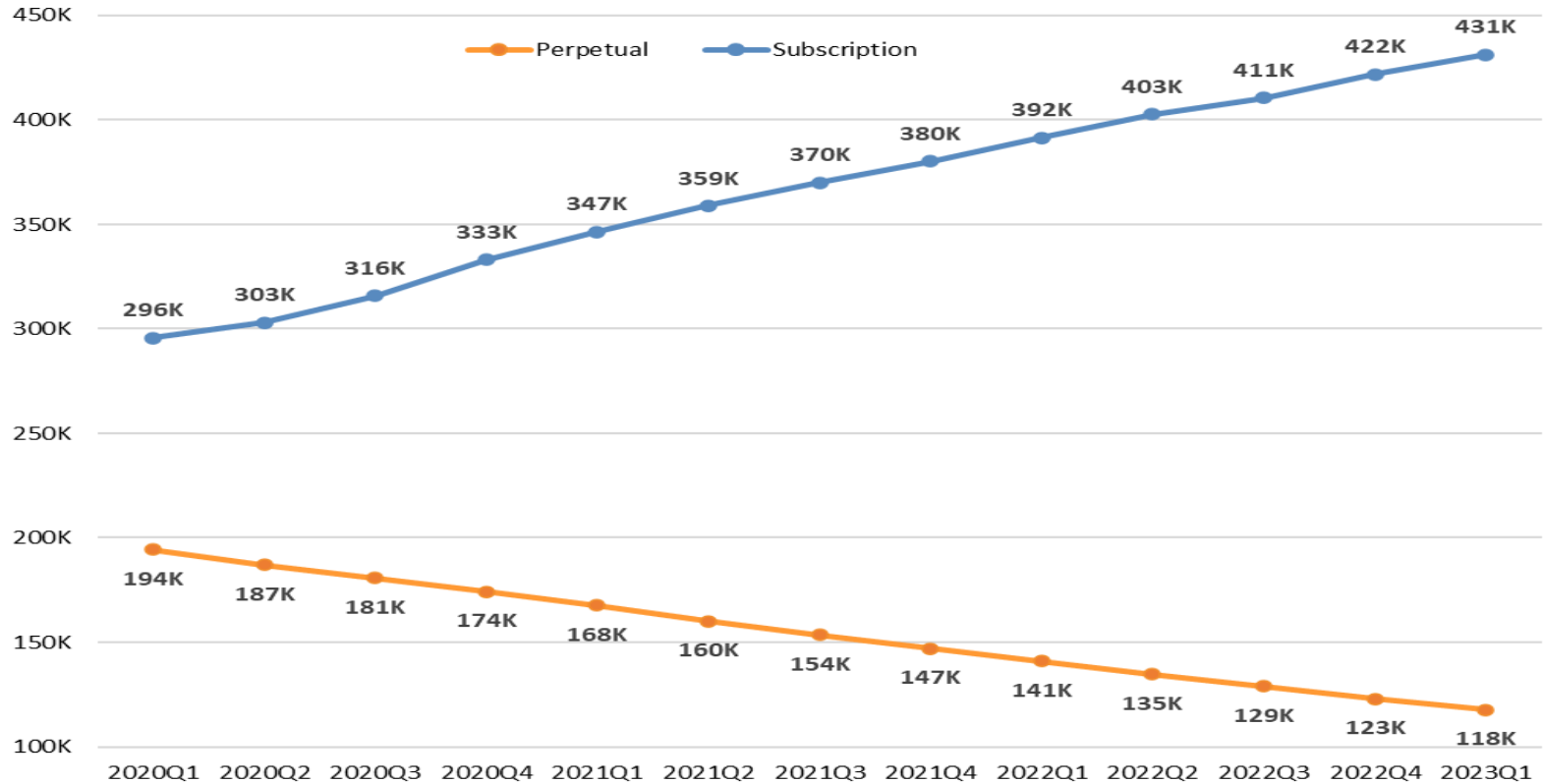
(Non-GAAP)

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

(unaudited)



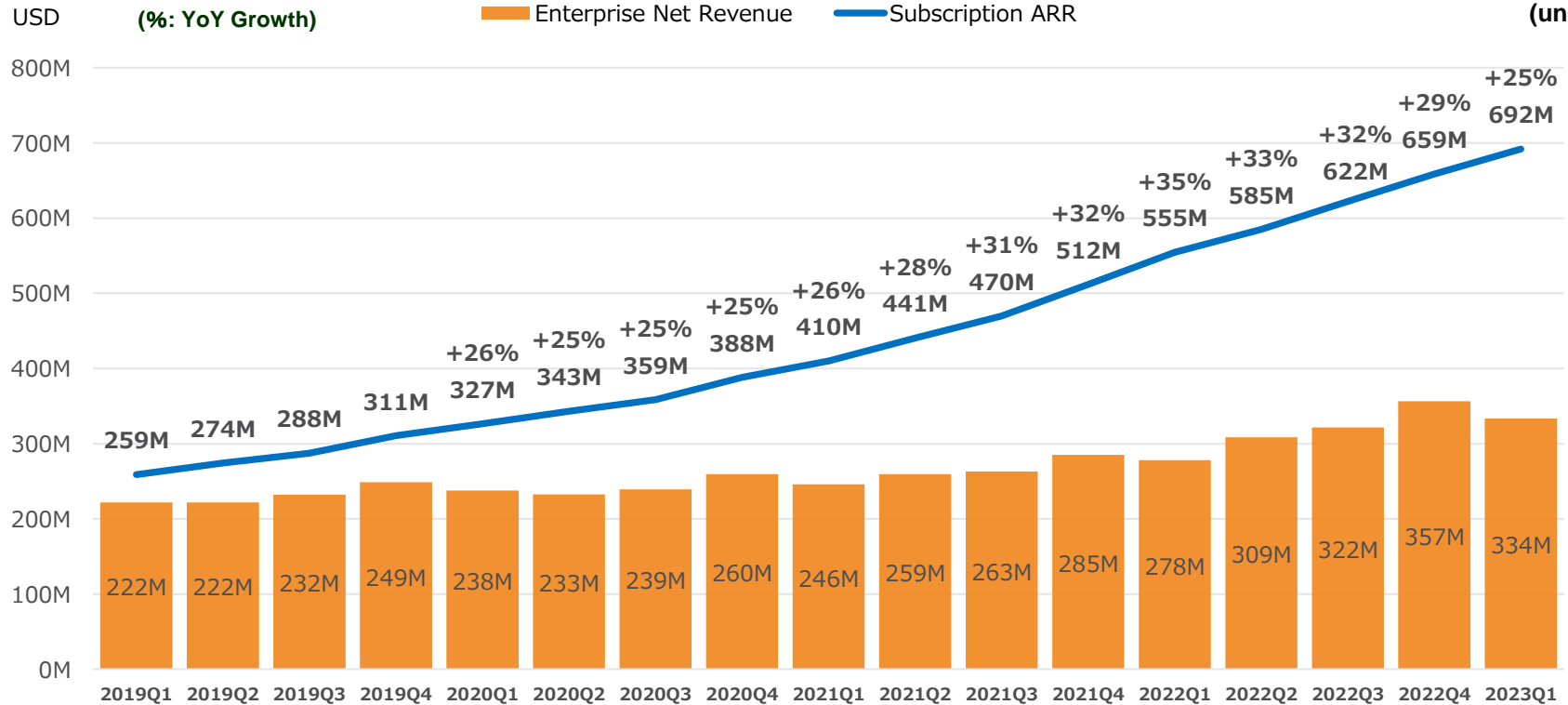
Active Customer Count



****Active customers using both perpetual and subscriptions products will be counted in both customer counts
*As these numbers are just for internal use, they may be subject to some changes hereafter.***

Enterprise Net Revenue & Subscription ARR

(Non-GAAP)
(unaudited)



*Subscription ARR is an annual figure and converted to USD using the FY2023 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 FY2023 Company budget exchange rate (1 USD = 135.23 yen).

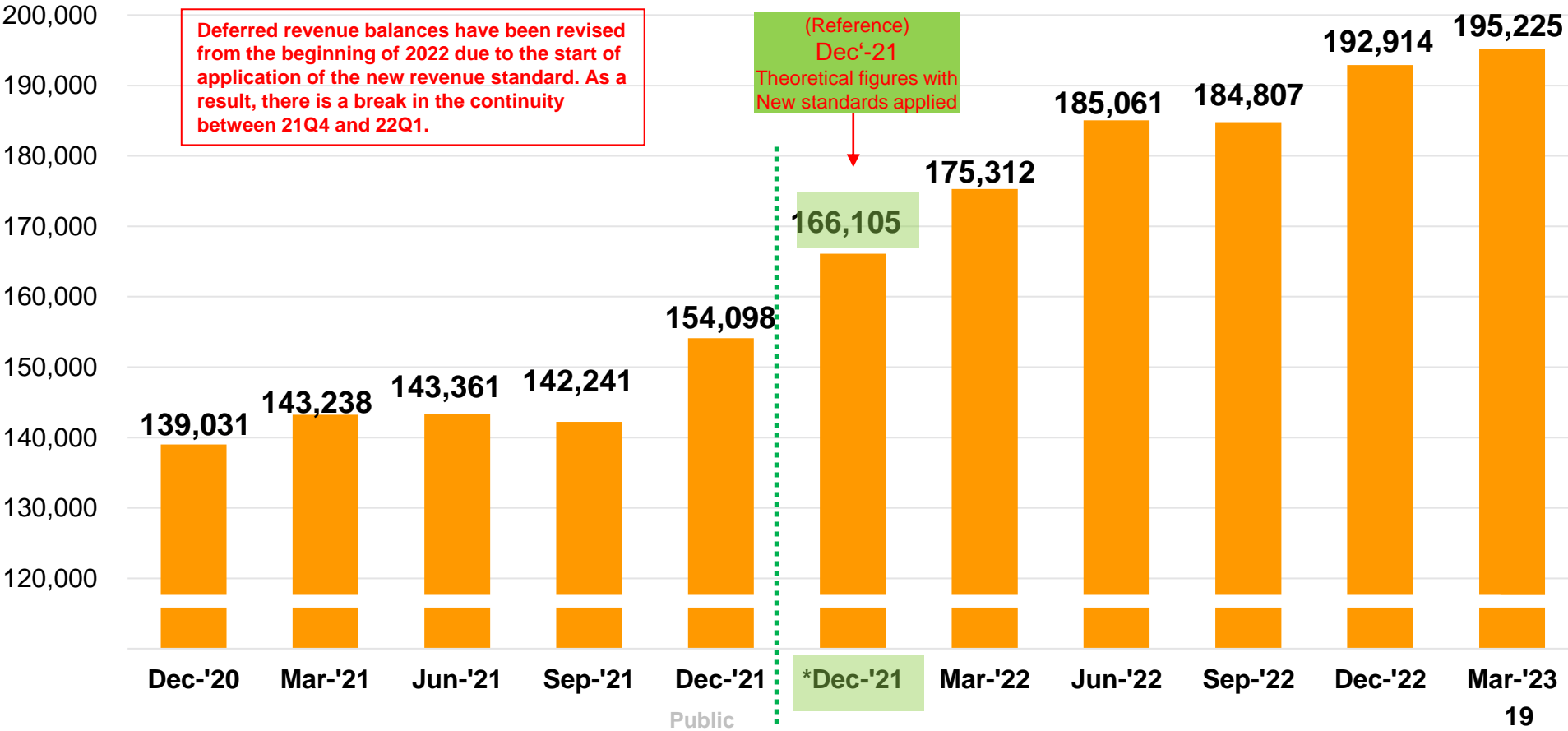
*As these numbers are just for internal use, they may be subject to some changes hereafter

Public

Deferred Revenue

(unaudited)

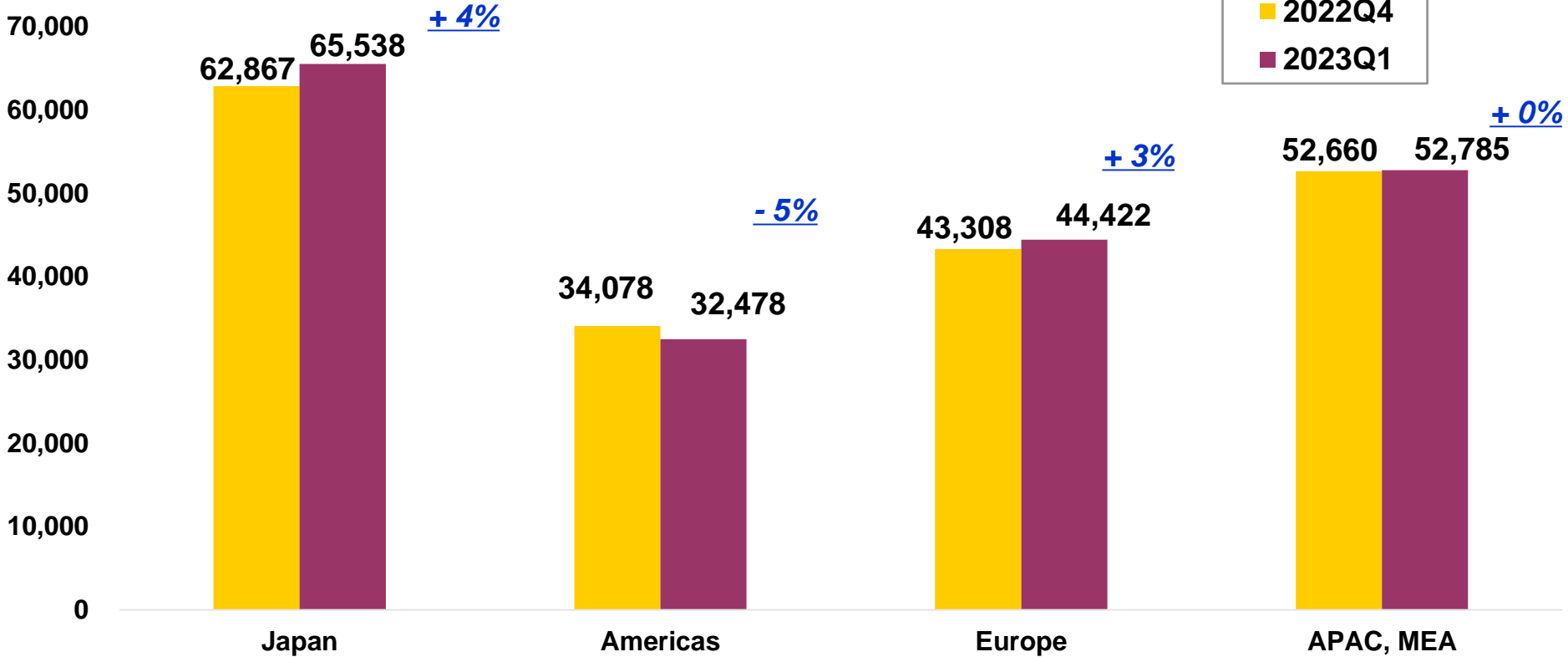
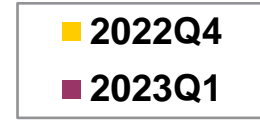
(in million Yen)



Deferred Revenue by Region

(in million Yen)

(unaudited)



Public

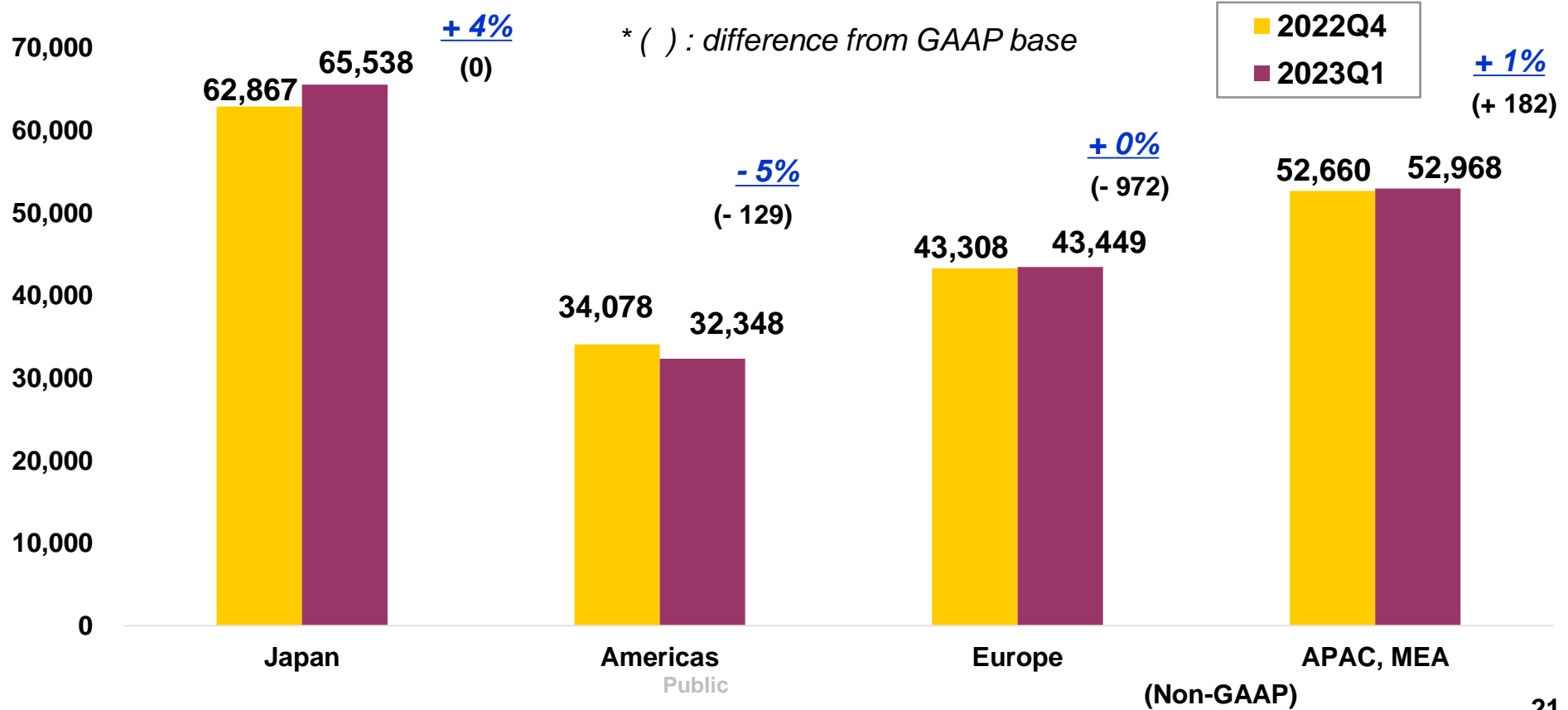
(Non-GAAP)

Deferred Revenue by Region

(unaudited)

If currency exchange rates used as of the end of 4Q2022 were used as of the end of 1Q2023:

(in million Yen)



(in million Yen)

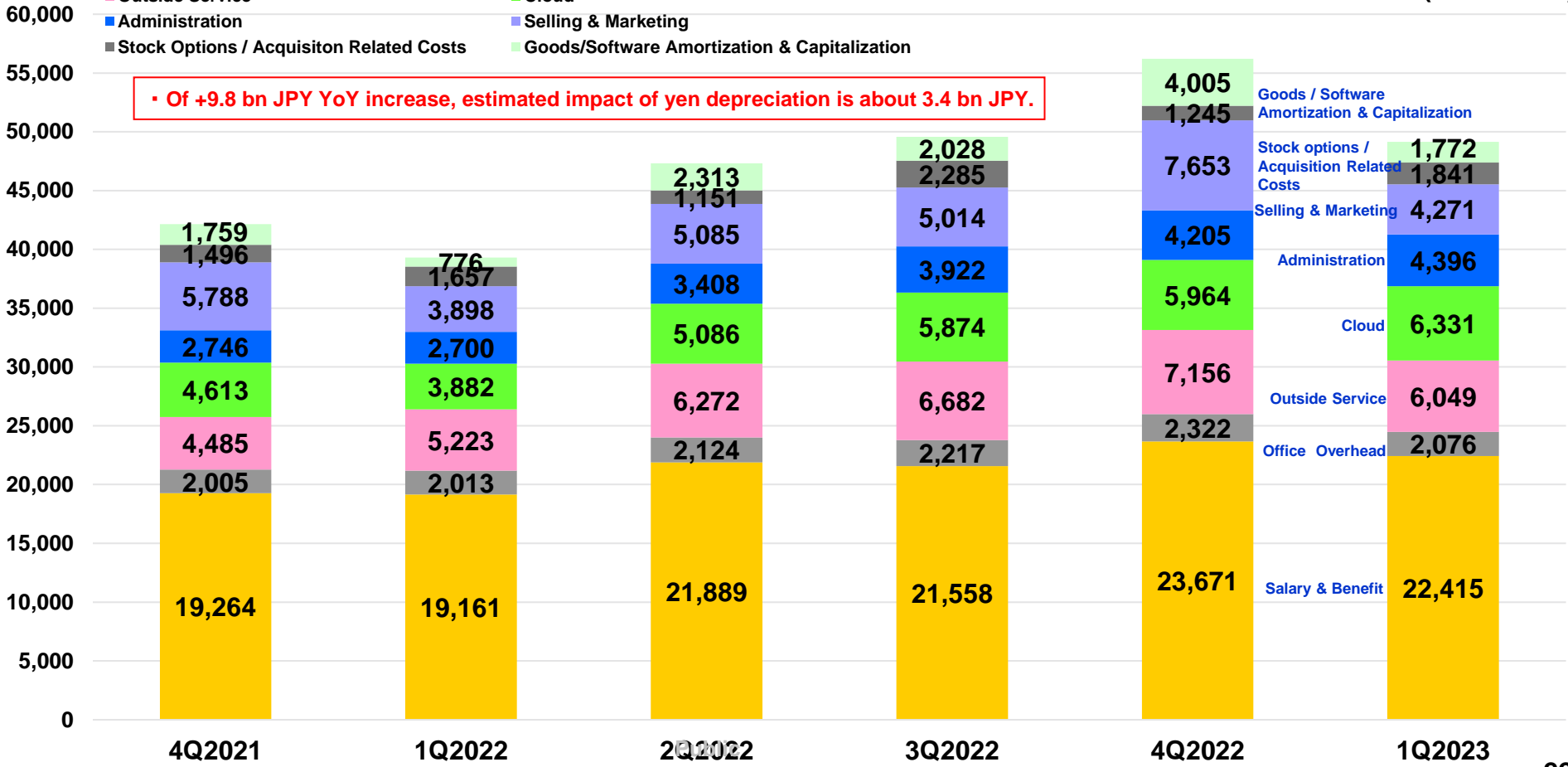
Cost

(unaudited)

(Non-GAAP)

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

• Of +9.8 bn JPY YoY increase, estimated impact of yen depreciation is about 3.4 bn JPY.



Cash flows

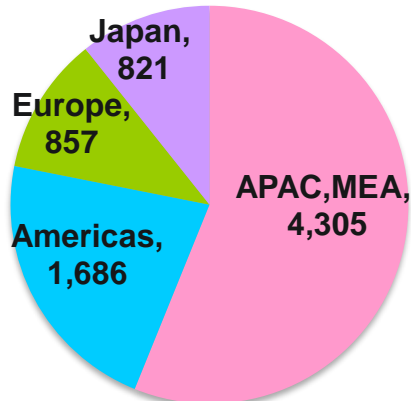
(unaudited)
(in million Yen)

	1Q2022	1Q2023	YoY growth
Cash flows from operating activities	19,246	19,480	+ 1%
Cash flows from investing activities	268	- 570	—
Cash flows from financing activities	- 26,216	- 28,586	—
Effect of exchange rate changes on cash and cash equivalents	12,594	367	- 97%
Net increase (decrease) in cash and cash equivalents	5,892	- 9,308	—
Cash and cash equivalents at beginning of this quarter period	225,681	207,643	- 8%
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	—	—
Cash and cash equivalents at end of this quarter period	231,574	198,334	- 14%

Headcount

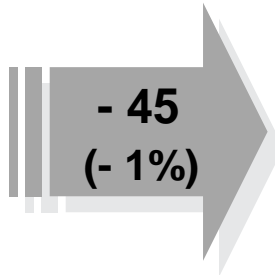
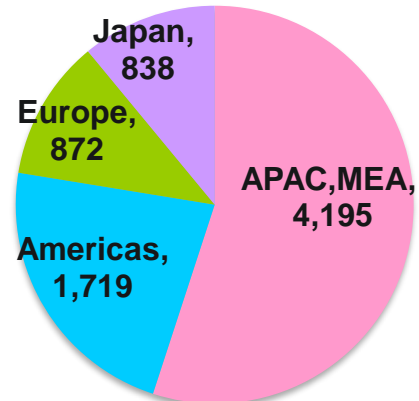
Dec - 2022

7,669



Mar - 2023

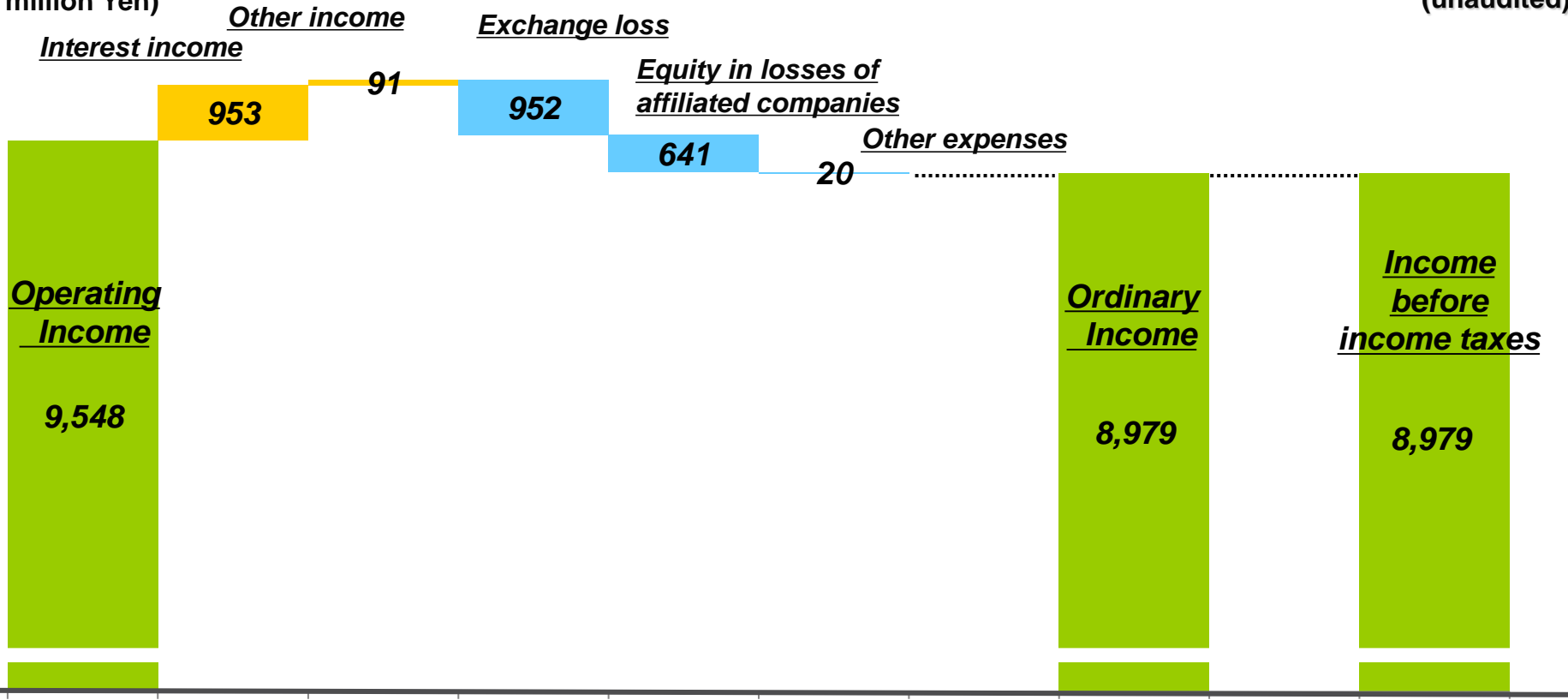
7,624



Non-operating & Extra-ordinary Items

(in million Yen)

(unaudited)



Public

(Non-GAAP)

Balance Sheet

(unaudited)
(in million Yen)

	<i>Dec-2022</i>	<i>change</i>	<i>Mar-2023</i>
<u>Assets</u>			
<i>Cash & cash equivalents</i>	191,542	- 17,846	173,696
<i>Account receivable</i> <i>(less allowance for doubtful accounts)</i>	63,296	- 8,956	54,340
<i>Marketable securities &</i> <i>Securities investments</i>	121,605	- 11	121,594
<i>Software</i>	12,767	+ 755	13,522
<u>Liabilities</u>			
<i>Deferred revenue</i>	192,914	+ 2,311	195,225
<u>Shareholders' Equity</u>			
<i>Common Stock &</i> <i>Additional paid in capital</i>	47,395	+ 105	47,500
<i>Treasury Stock</i>	- 10,291	- 8,537	- 18,828

Public

Q1 Highlights

- ***Strong growth in Europe and AMEA***
- ***Both Consumer and Enterprise business show healthy growth***
- ***Pre booking of renewal revenues in Japan due to price increase***

Q1 Lowlights

- ***Slow down in ARR due to slow down in cloud operations security spending***
- ***YoY decline in Americas revenues due to the same reason***

FY2023 Guidance

Projection for FY2023 Annual **(Unchanged)**

(unaudited)
(in million Yen)

	<u>For FY2023</u> <u>Jan - Dec, 2023</u>	<u>Expected</u> <u>YoY growth</u>
Net Sales	248,500	<u>+ 11%</u>
Operating Income	34,800	<u>+ 11%</u>
Ordinary Income	34,900	<u>+ 2%</u>
Net Income attributable to owners of the parent	25,100	<u>- 16%</u>

(Estimated annual exchange rate 1USD=135 yen, 1EUR=143 yen)

“Reference” actual exchange rate up to Q1: 1USD=132 yen, 1EUR=142 yen

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

Net Sales

+ 9%

(Non-GAAP)



Thank You

Appendix

Quarterly Chart (1)

(unaudited)

(in million Yen)

	FY2022				FY2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	50,427	54,874	56,798	61,694	58,704			
Cost of sales	12,367	13,135	14,148	14,649	14,395			
Operating expenses	26,945	34,197	35,436	41,575	34,759			
Operating income	11,115	7,542	7,213	5,470	9,548			
Ordinary income	11,265	9,344	9,798	3,753	8,979			
Net income attributable to owners of the parent	8,531	6,430	13,530	1,350	6,374			
(Costs)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Goods / Software Amortization & Capitalization	776	2,313	2,028	4,005	1,772			
Stock option cost	962	378	1,478	441	1,136			
Acquisition related costs	694	772	806	804	704			
Selling & Marketing	3,898	5,085	5,014	7,653	4,271			
Administration	2,700	3,408	3,922	4,205	4,396			
Cloud	3,882	5,086	5,874	5,964	6,331			
Outside service	5,223	6,272	6,682	7,156	6,049			
Office overhead	2,013	2,124	2,217	2,322	2,076			
Salary & Benefit	19,161	21,889	21,558	23,671	22,415			
Total	39,312	47,332	49,585	56,224	49,155			
The number of employees	7,033	7,199	7,507	7,669	7,624			
Applied rate to yen (US\$)	116.35	129.67	138.40	141.19	132.40			
Applied rate to yen (Euro)	130.38	138.19	139.28	144.27	142.06			

Appendix

Quarterly Chart (2)

(unaudited)

(in million Yen)

(Sales by region)	FY2022				FY2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	20,258	20,301	20,396	21,131	20,914			
Americas	11,358	13,038	13,452	15,103	13,446			
Europe	8,841	10,100	10,554	11,964	11,012			
APAC, Middle East and Africa	9,970	11,433	12,395	13,494	13,330			
Total	50,427	54,874	56,798	61,694	58,704			
(Sales by segment)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All Enterprise	37,584	41,728	43,489	48,226	45,120			
Consumer	12,842	13,146	13,309	13,467	13,583			
Total	50,427	54,874	56,798	61,694	58,704			
(Pre-GAAP by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	20,872	20,441	18,825	21,019	23,584			
Americas	10,642	12,929	13,578	19,593	10,893			
Europe	7,471	11,525	10,702	20,888	9,858			
APAC, Middle East and Africa	10,993	13,251	13,518	17,834	13,633			
Total	49,980	58,148	56,625	79,336	57,970			

“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.**