

Trend Micro FY2023 Q2 Results

Mahendra Negi CFO, Representative Director

August 8, 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.Q2 Financial Highlight

(Second quarter ended June 30, 2023)

Q2 Consolidated Results

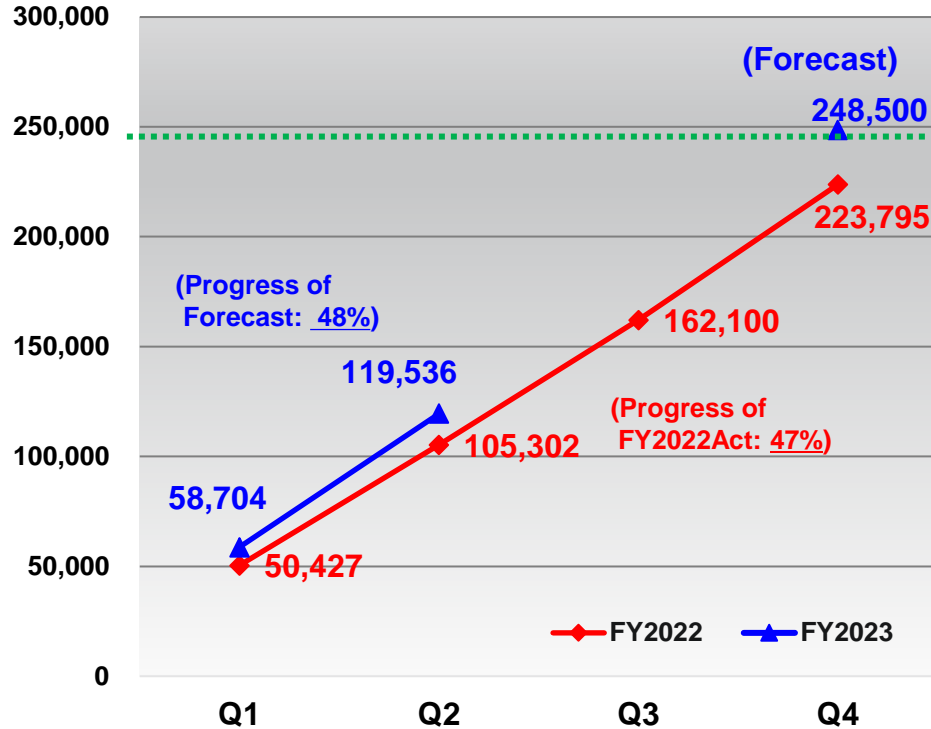
(unaudited)
(in million Yen)

Three months ended Jun 30,	2Q2022	2Q2023	YoY growth
Net sales	54,874	60,831	+ 11%
Total Operating expenses	47,332	52,192	+ 10%
Operating income <i>(Margin)</i>	7,542 <i>(14%)</i>	8,639 <i>(14%)</i>	+ 15%
Ordinary income	9,344	9,470	+ 1%
Net income attributable to owners of the parent	6,430	5,482	- 15%
<i>If currency exchange rates used for 2Q2022 were used for 2Q2023</i>			
Net sales	54,874	58,668	+ 7% (Non-GAAP)
<i>“For reference”</i>			
Pre-GAAP	58,148	61,733	+ 6%
		<i>(excluding foreign exchange impact)</i>	+ 2%
Pre-GAAP based Operating Income	10,816	9,541	- 12% (Non-GAAP)

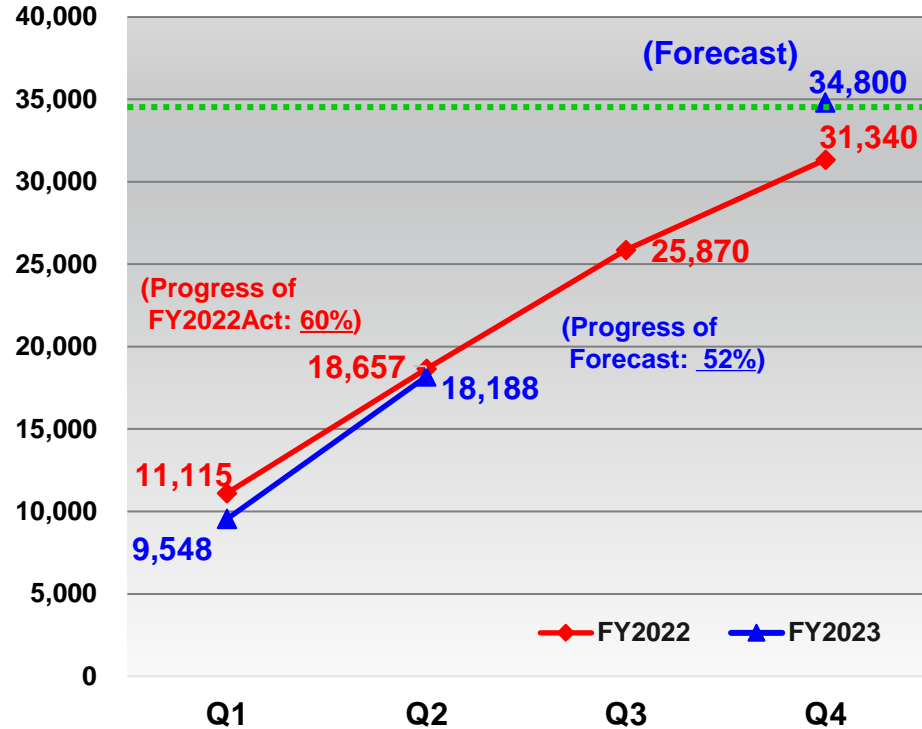
Progress (6 months)

(in million Yen)

Revenue



Operating Income



Q2 USD based Results (Non-GAAP)

(unaudited)

<i>Three months ended Jun 30,</i>	<i>2Q2022</i>	<i>2Q2023</i>	<i>(in thousand USD) YoY change</i>
Net sales	423,186	442,060	+ 4%
Cost of sales	101,295	109,787	+ 8%
Operating expenses	263,726	269,489	+ 2%
Operating income	58,165	62,783	+ 8%
Ordinary income	72,061	68,818	- 5%
Net Income	49,587	39,837	- 20%
<small>attributable to owners of the parent</small>			(Non-GAAP)

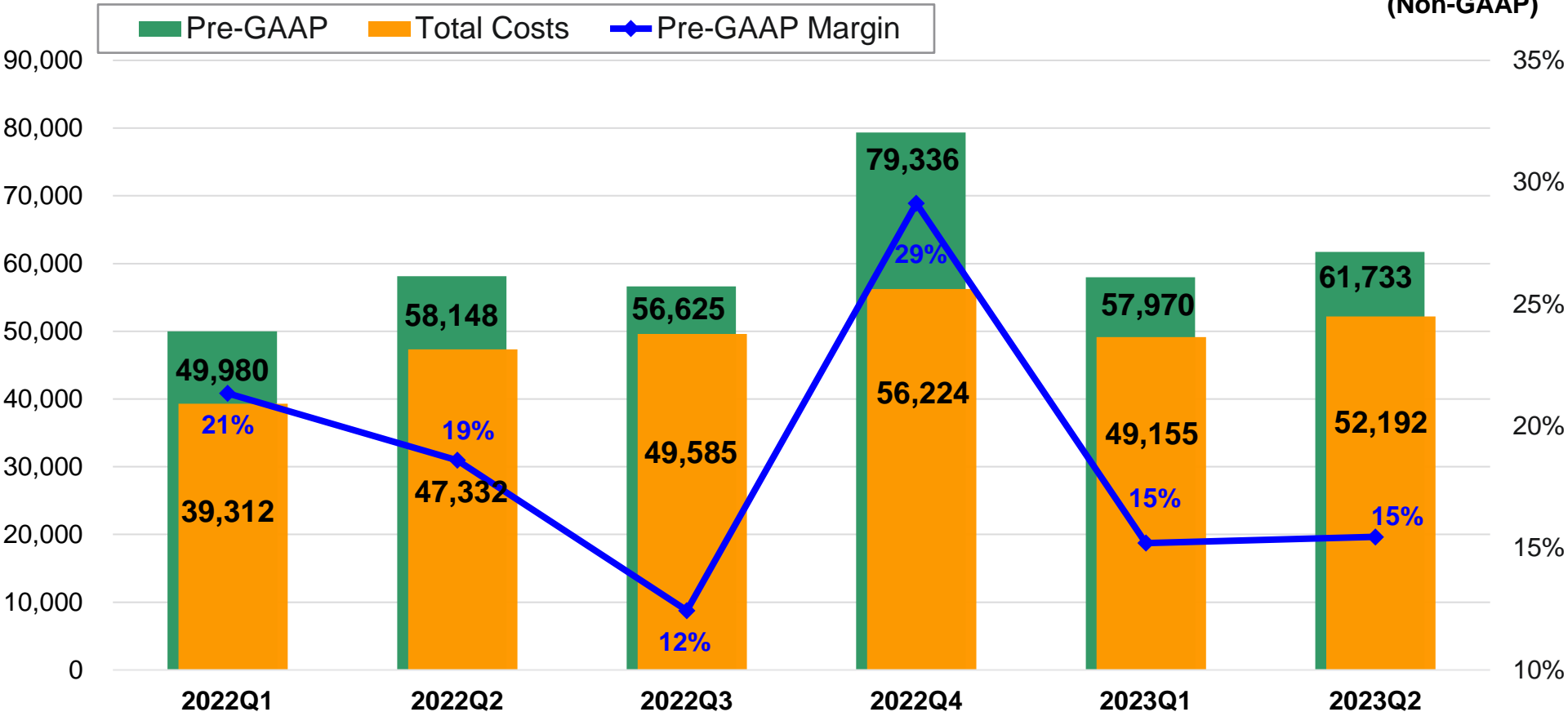
For each of the quarters shown in the table above, JPY Japan GAAP amounts have been converted to USD amounts using the exchange rates of USD=129.67 JPY for 2Q2022 and 1 USD =137.61 JPY for 2Q2023, respectively, which are the respective weighted average exchange rates used to convert USD net sales to JPY for these quarters.

Pre-GAAP v s Total Costs

(unaudited)

(Non-GAAP)

(in million Yen)

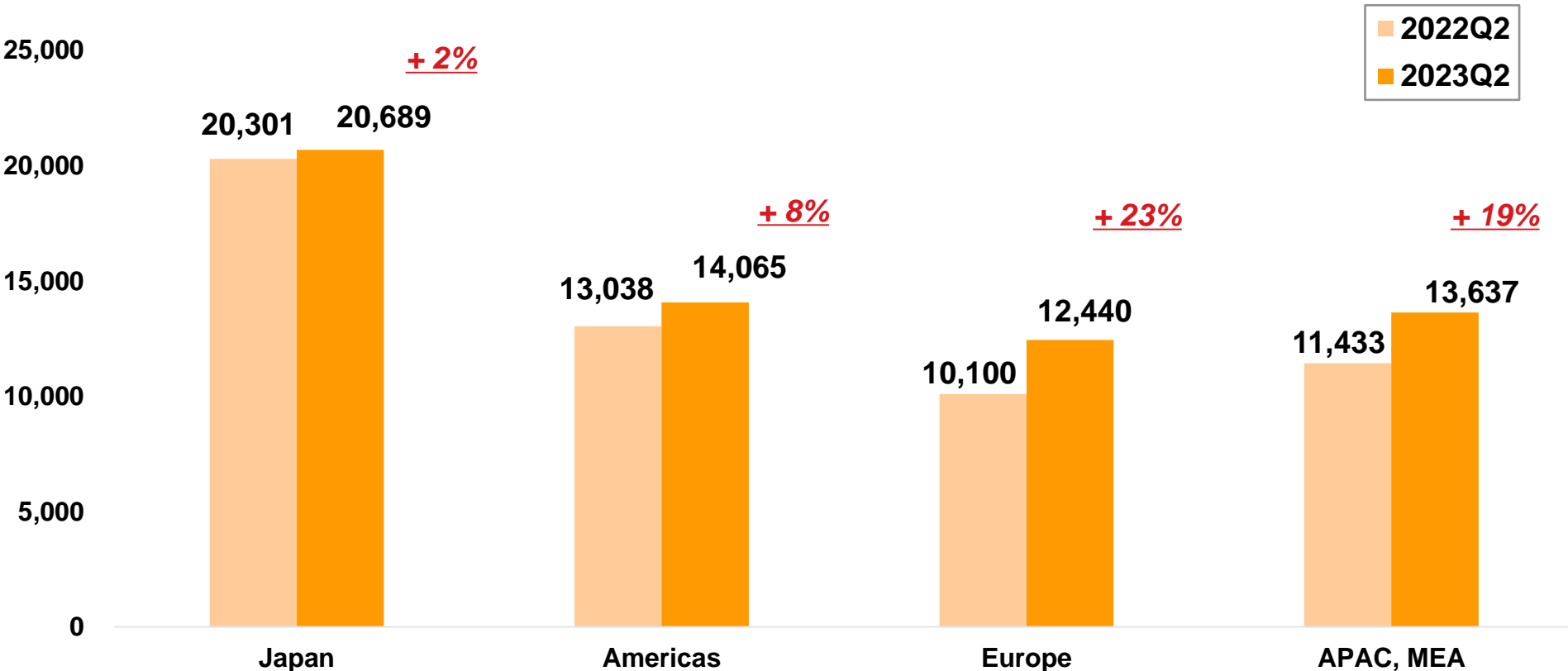


* "Total costs" means COGS + SGA.

(in million Yen)

Net Sales Growth by Region

(unaudited)

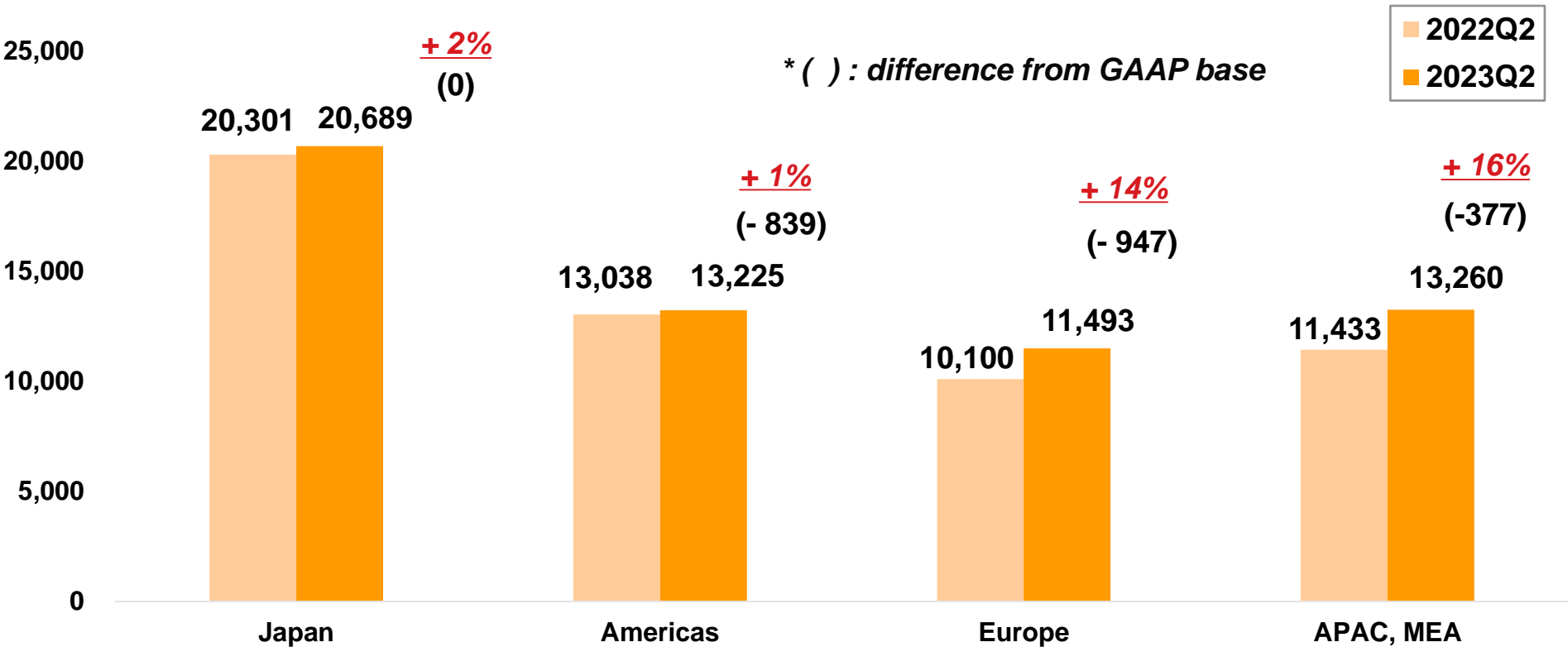


Net Sales Growth by Region

(in million Yen)

If currency exchange rates used for 2Q2022 were used for 2Q2023:

(unaudited)



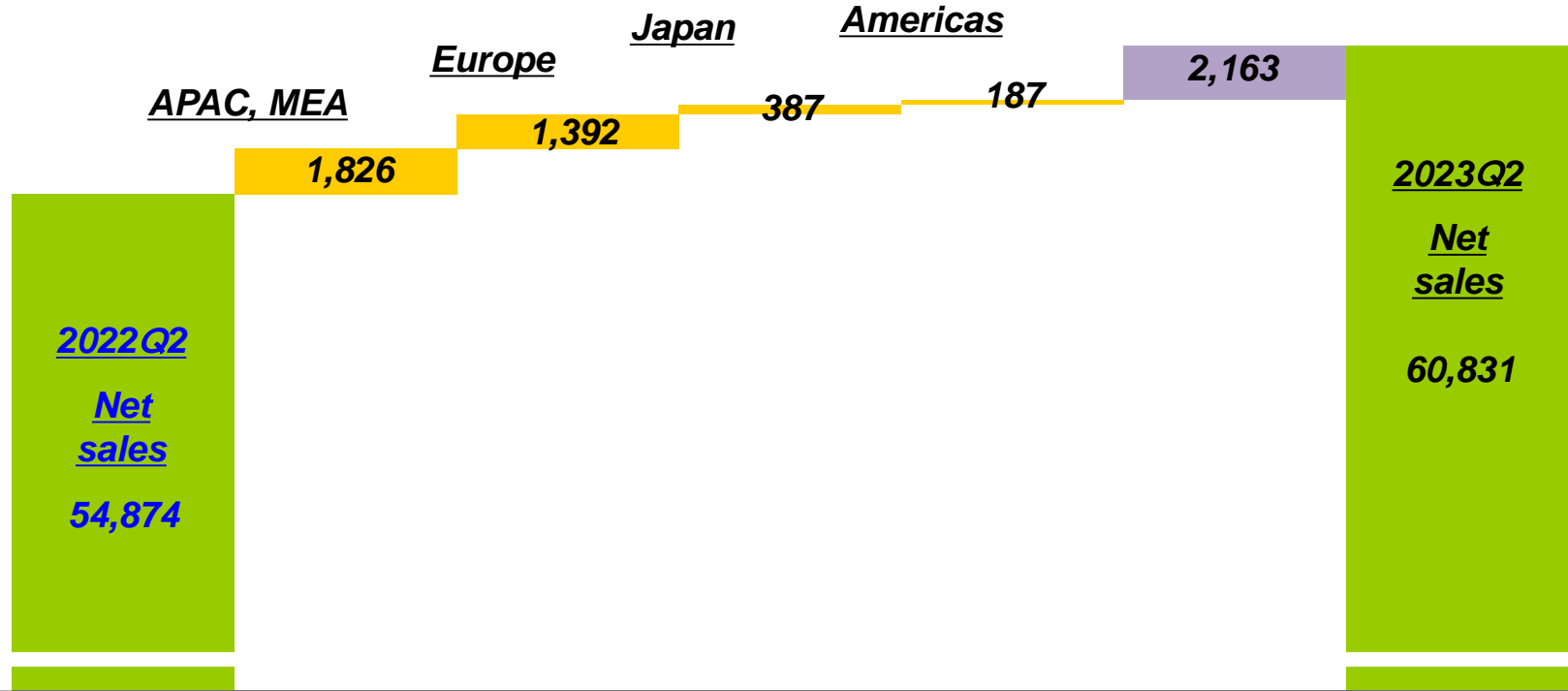
(Non-GAAP)

Decomposition of Revenue (vs. last year)

(in million Yen)

(unaudited)

Exchange impact

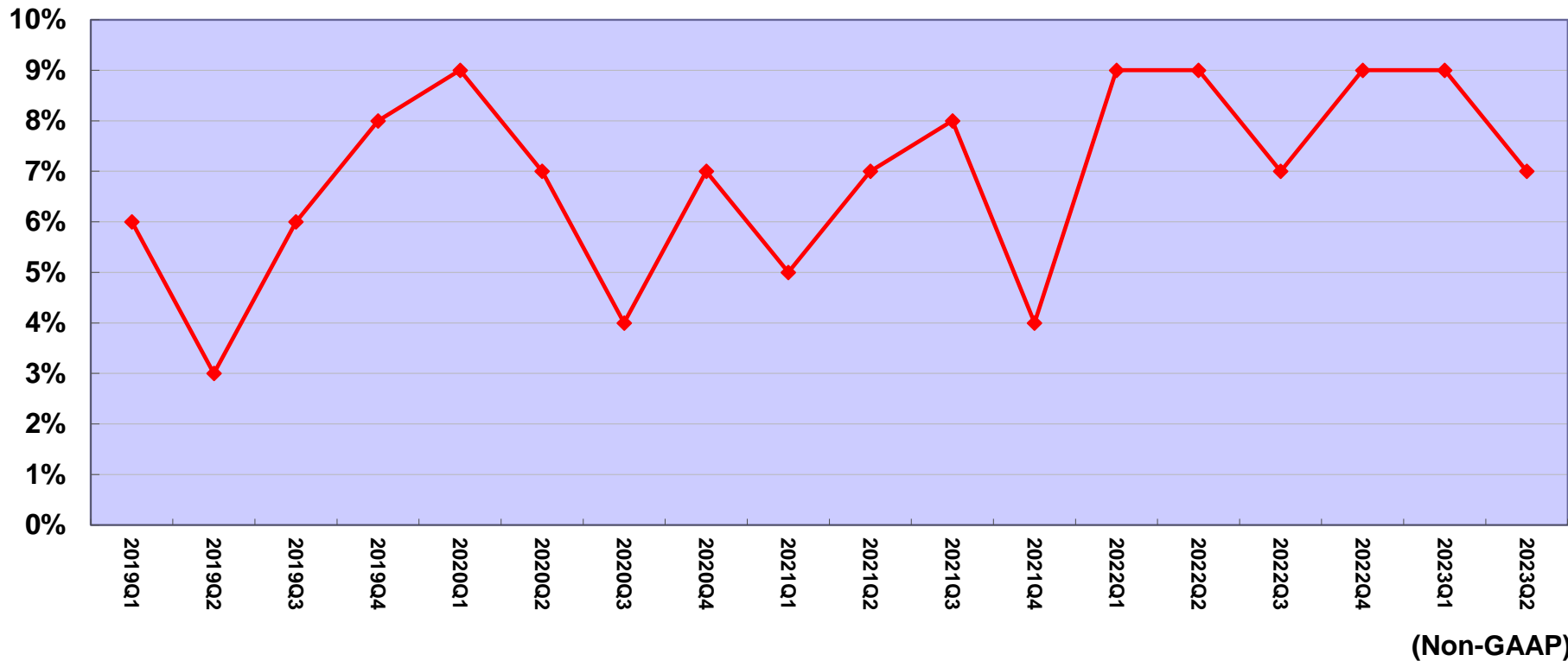


(Non-GAAP)

Constant currency Revenue growth

(YoY)

(unaudited)



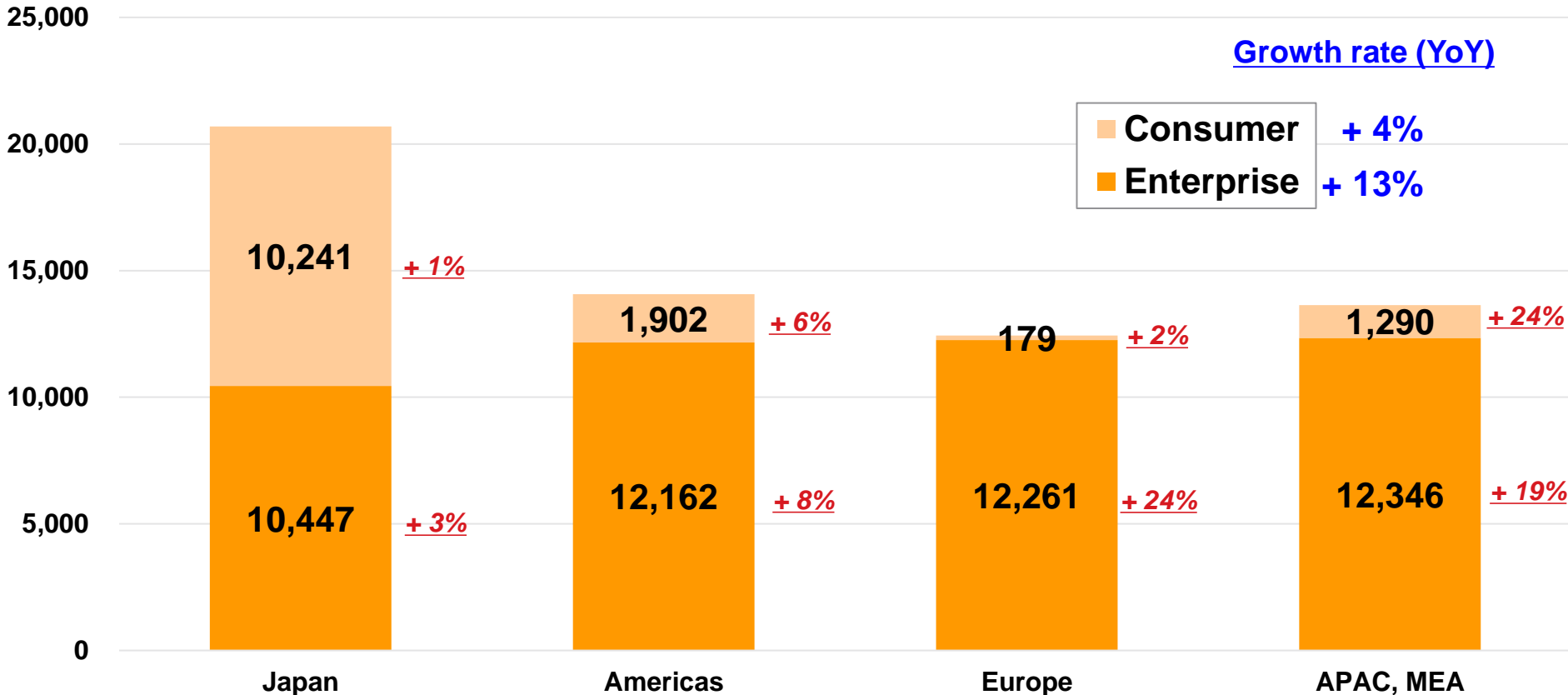
(Non-GAAP)

• 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)



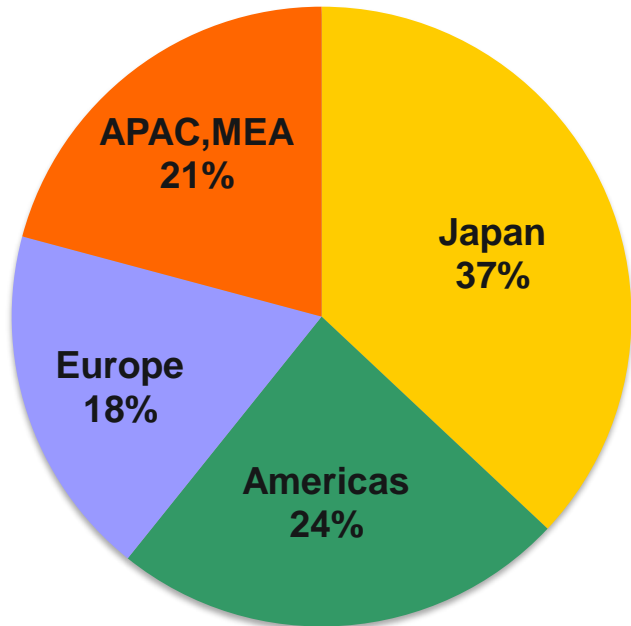
“Notice” As Sales by Segment numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

% share by region

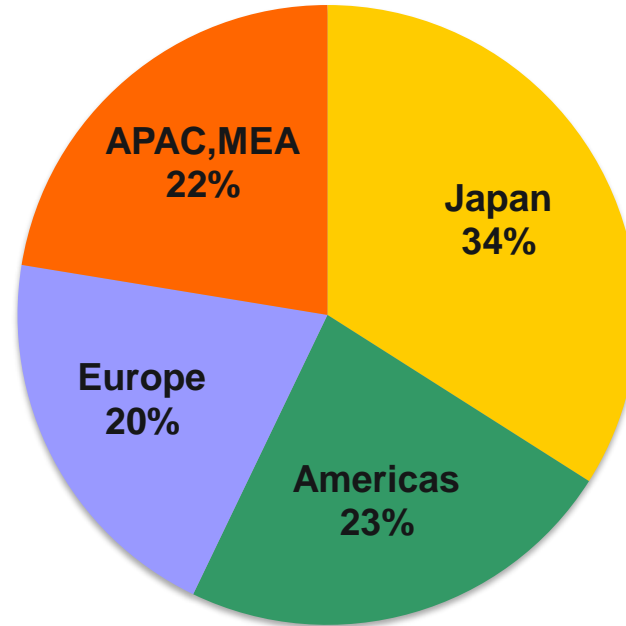
2Q2022

54,874 million Yen



2Q2023

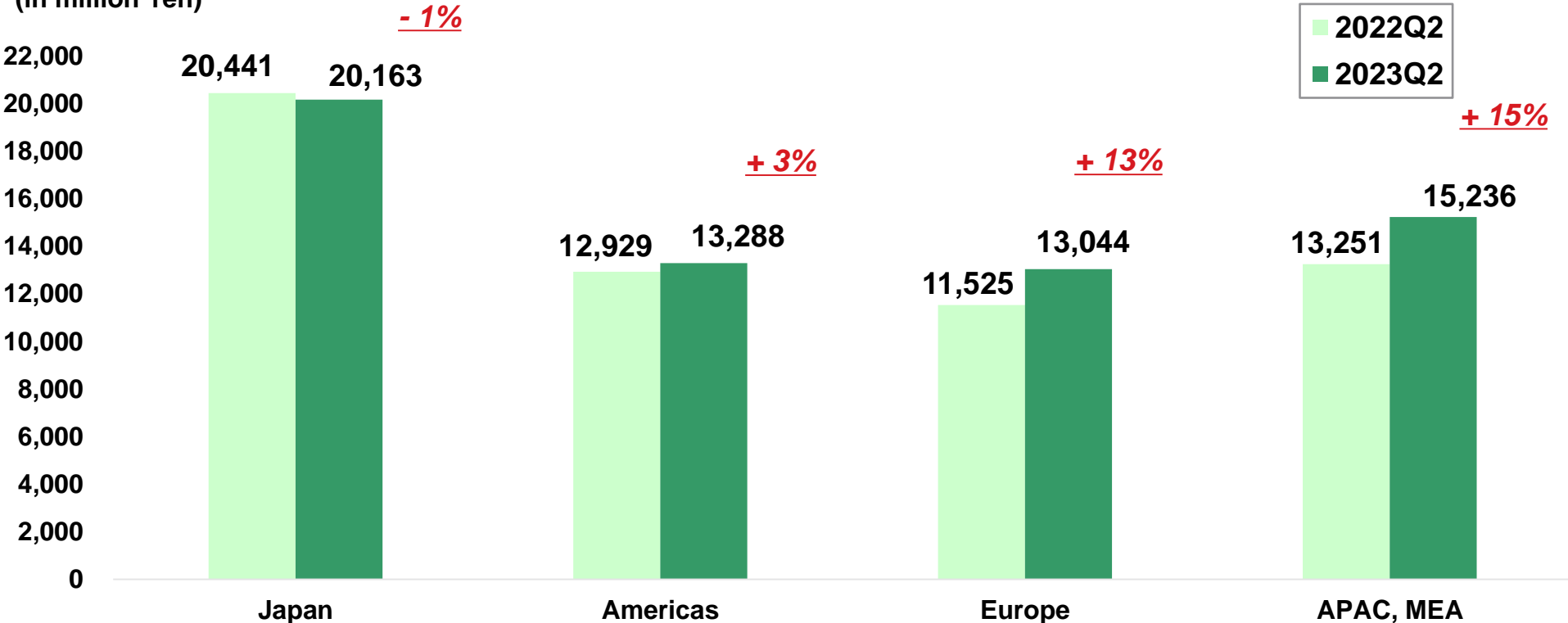
60,831 million Yen



“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(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.

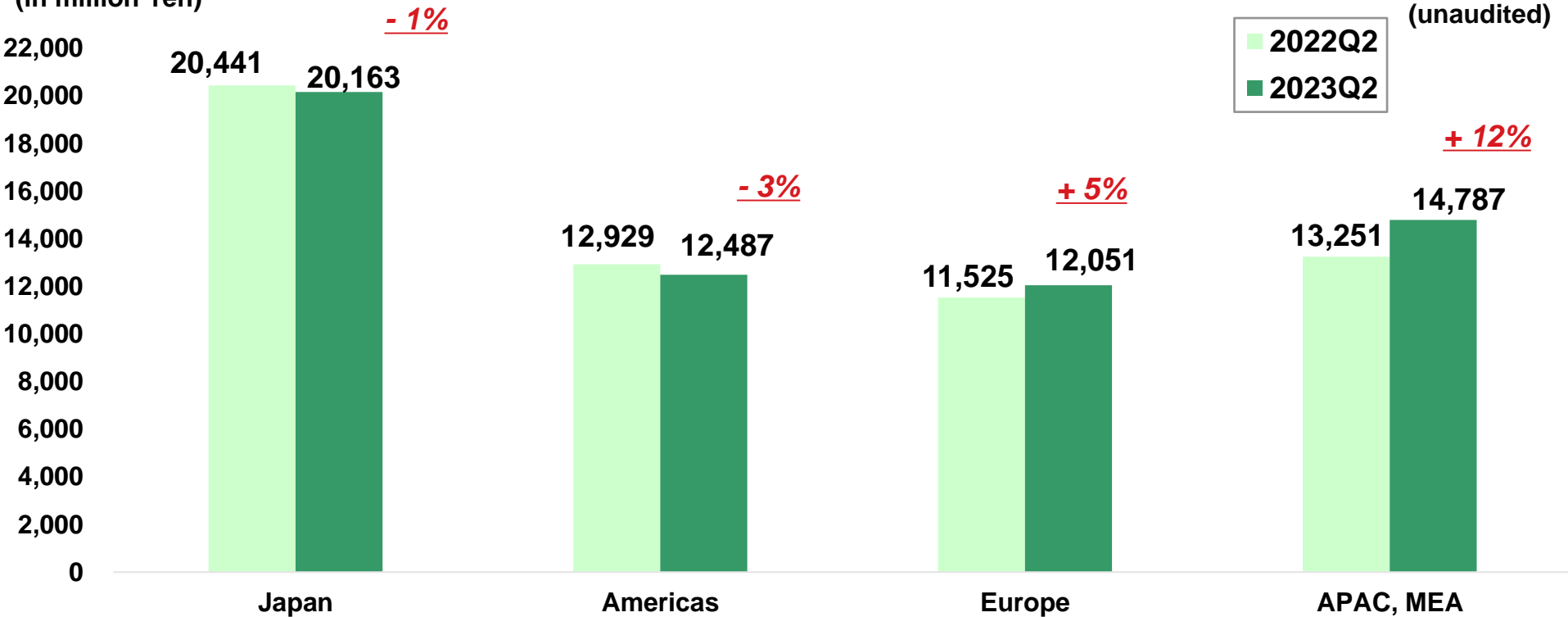
(Non-GAAP)

“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

If currency exchange rates used for 2Q2022 were used for 2Q2023:

(in million Yen)



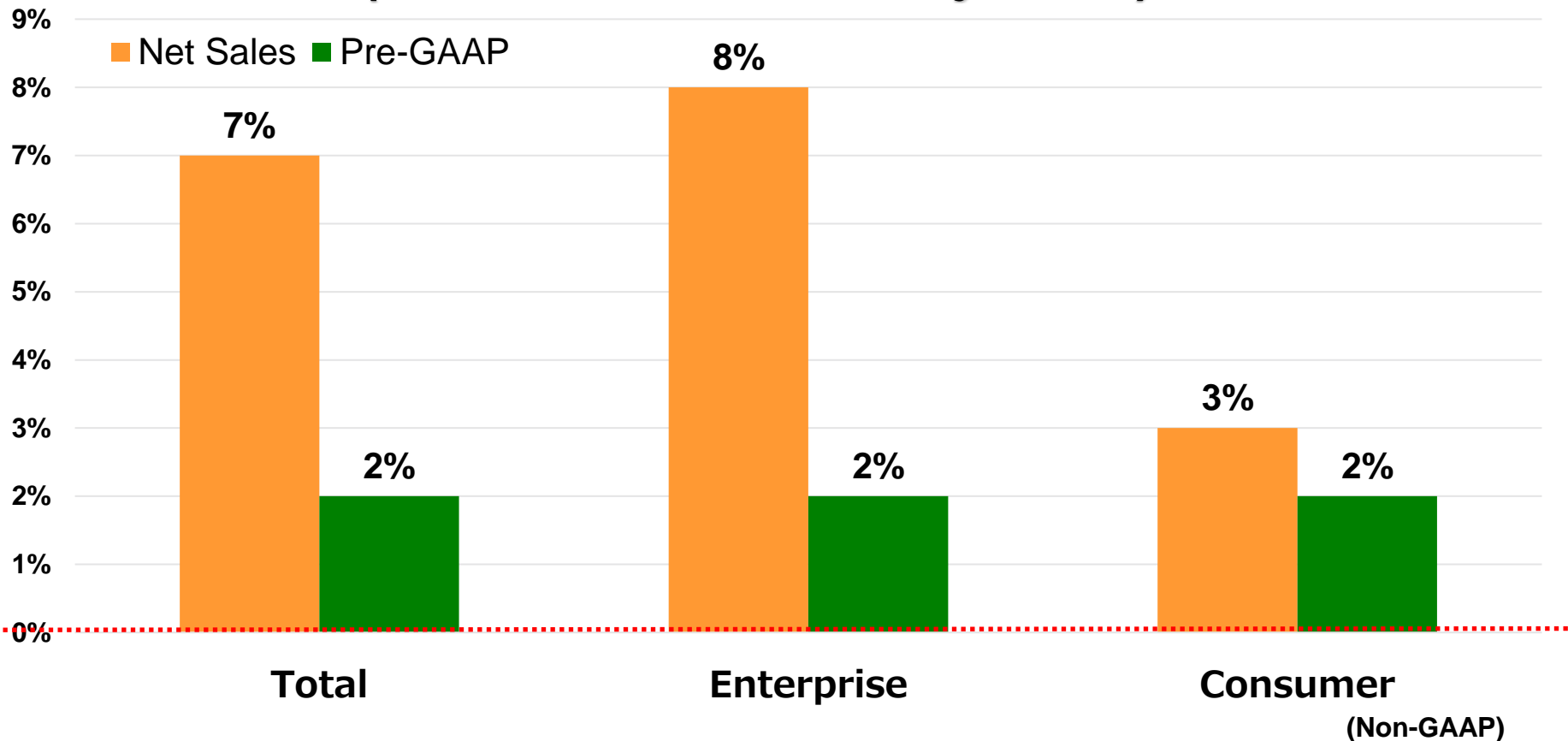
“Notice”

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.

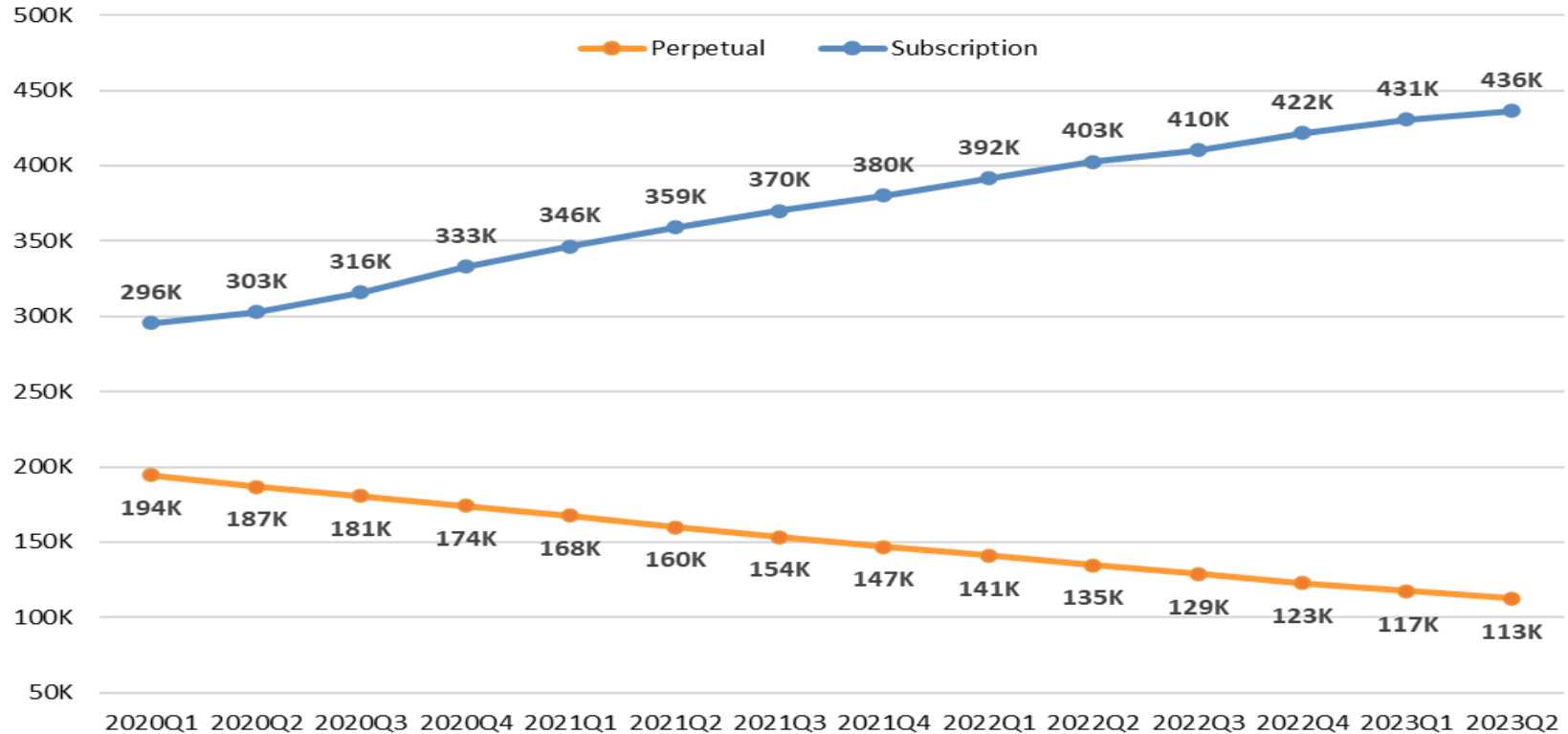
(Non-GAAP)

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

(unaudited)

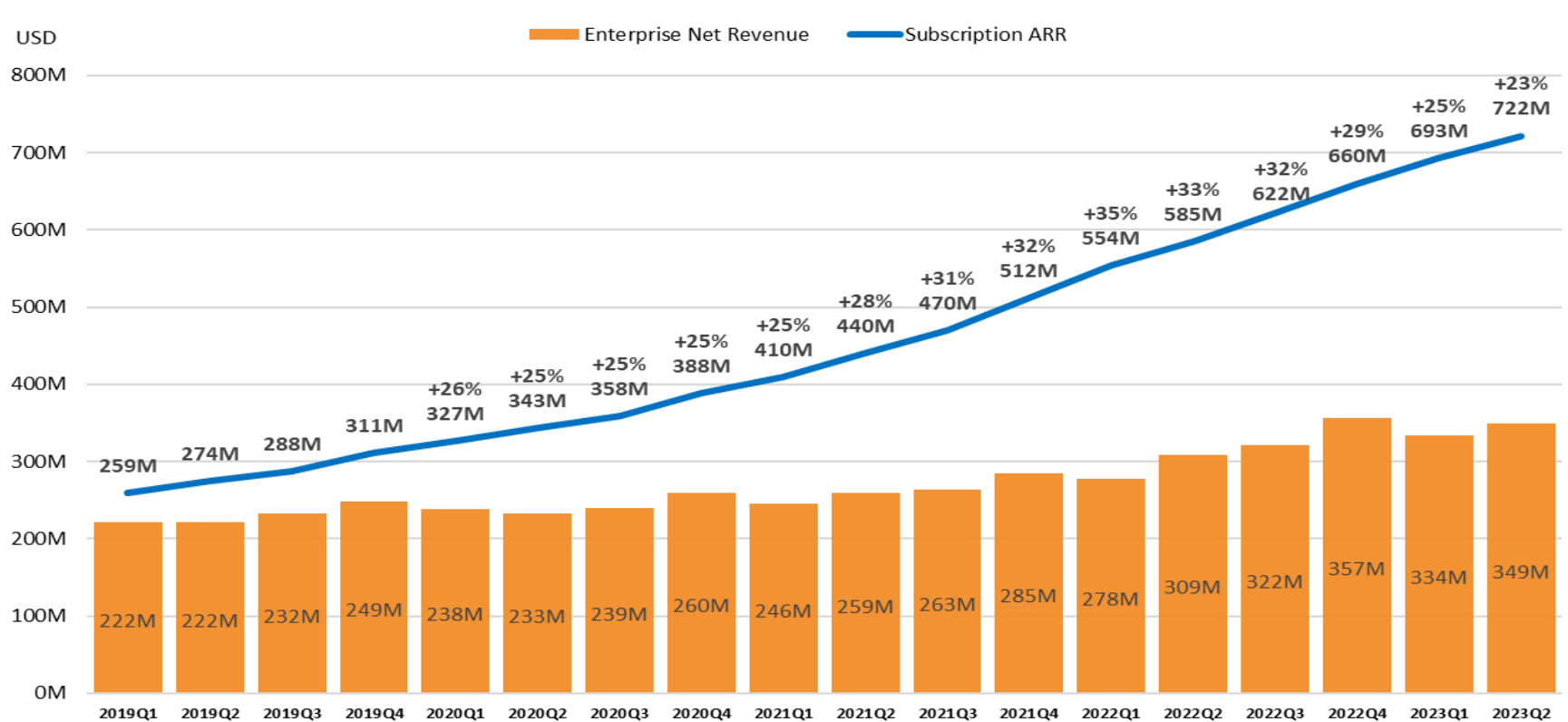


Active Customer Count



****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



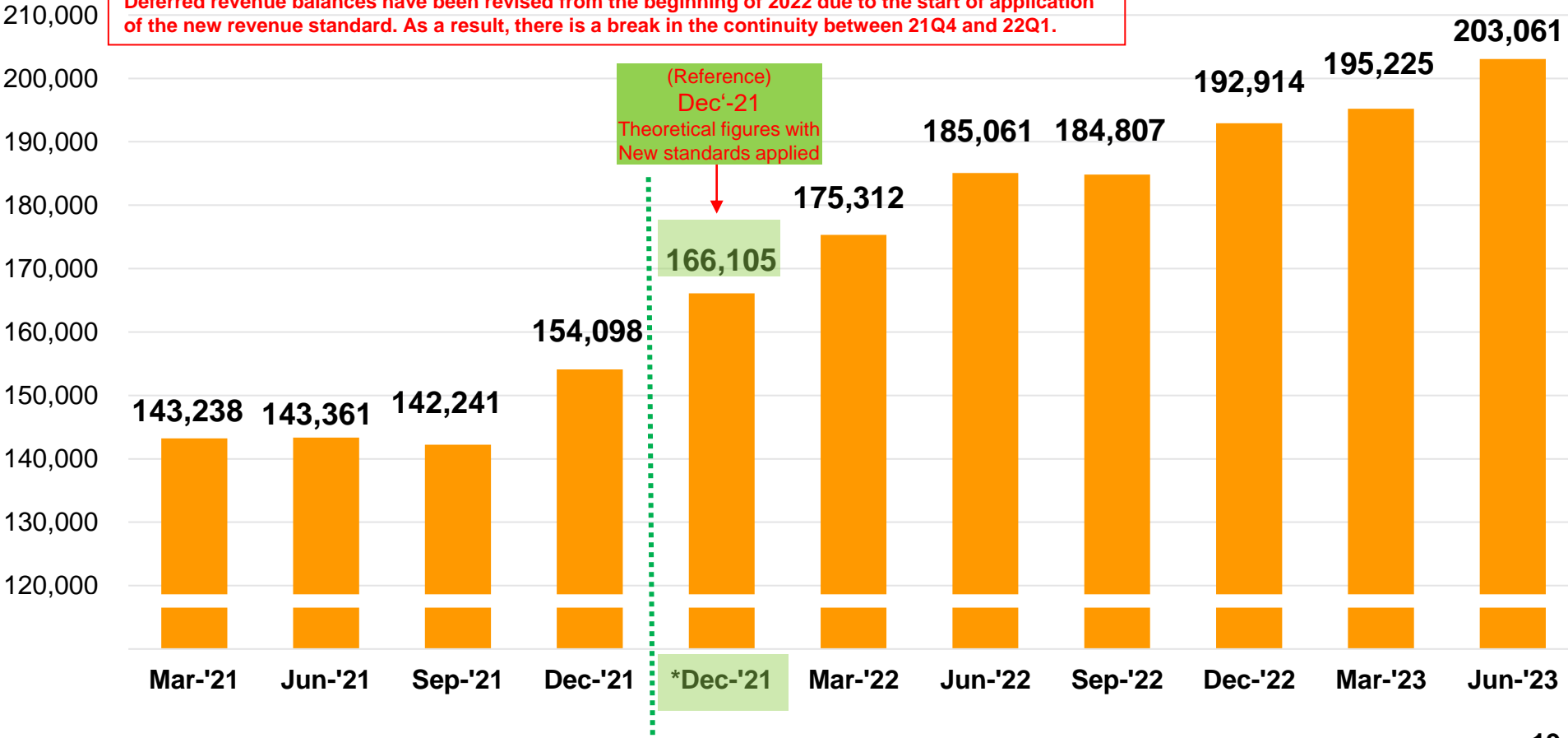
(AAP)
(Adjusted)

*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

Deferred Revenue

(in million Yen)

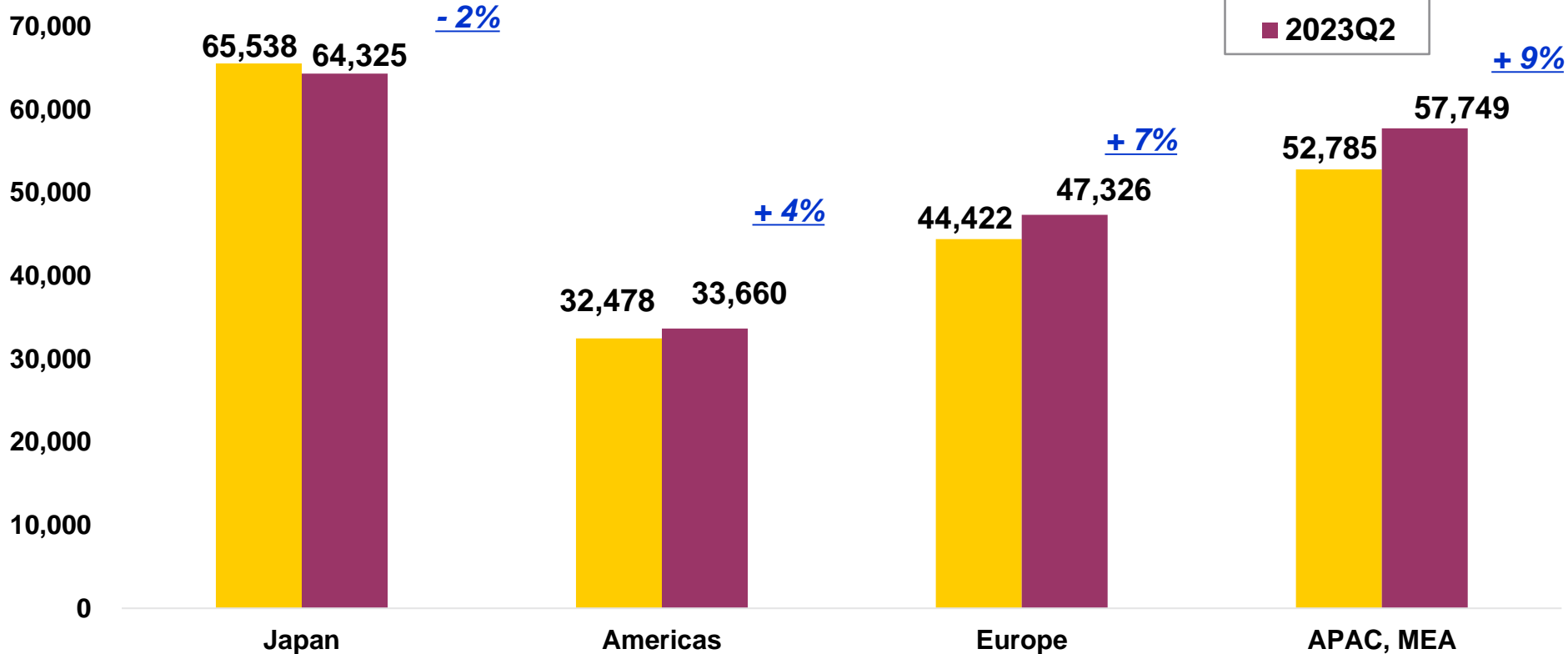
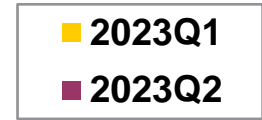
Deferred revenue balances have been revised from the beginning of 2022 due to the start of application of the new revenue standard. As a result, there is a break in the continuity between 21Q4 and 22Q1.



Deferred Revenue by Region

(in million Yen)

(unaudited)



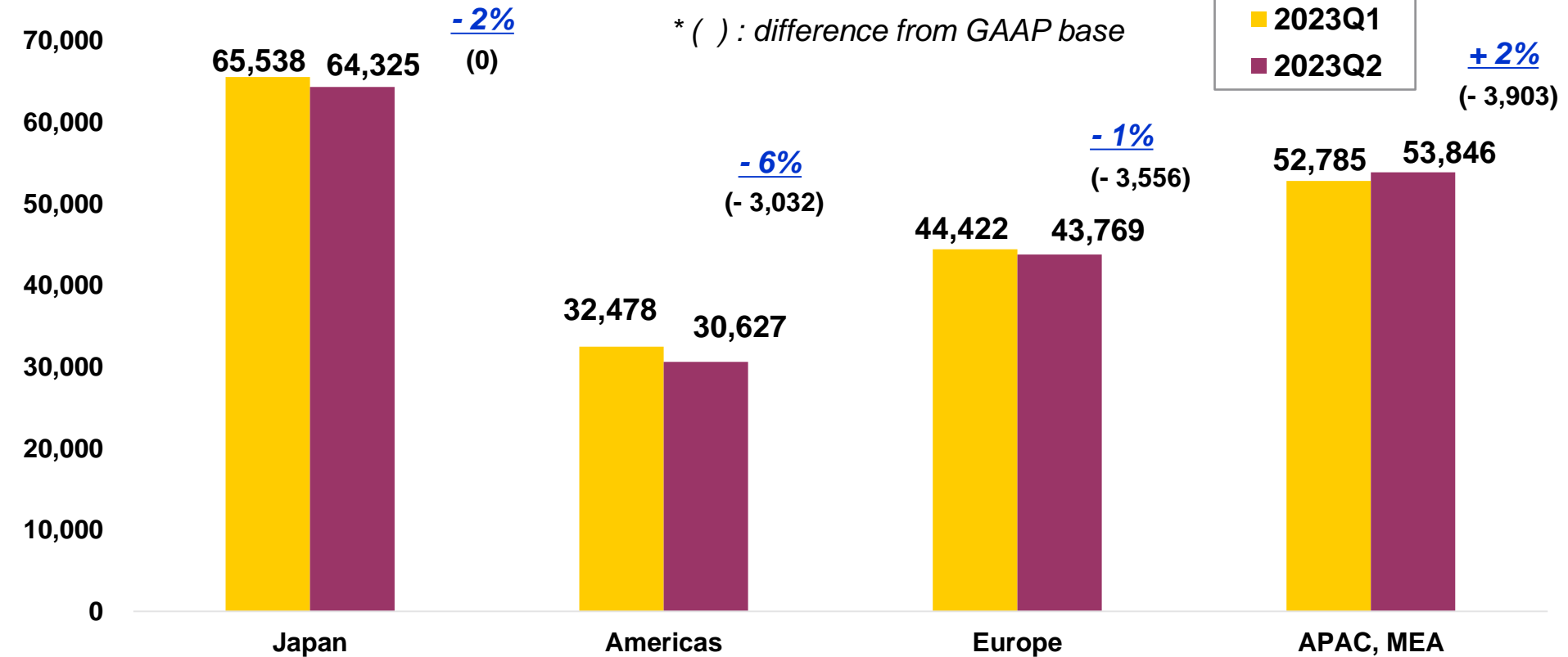
(Non-GAAP)

Deferred Revenue by Region

(unaudited)

If currency exchange rates used as of the end of 1Q2023 were used as of the end of 2Q2023:

(in millio Yen)



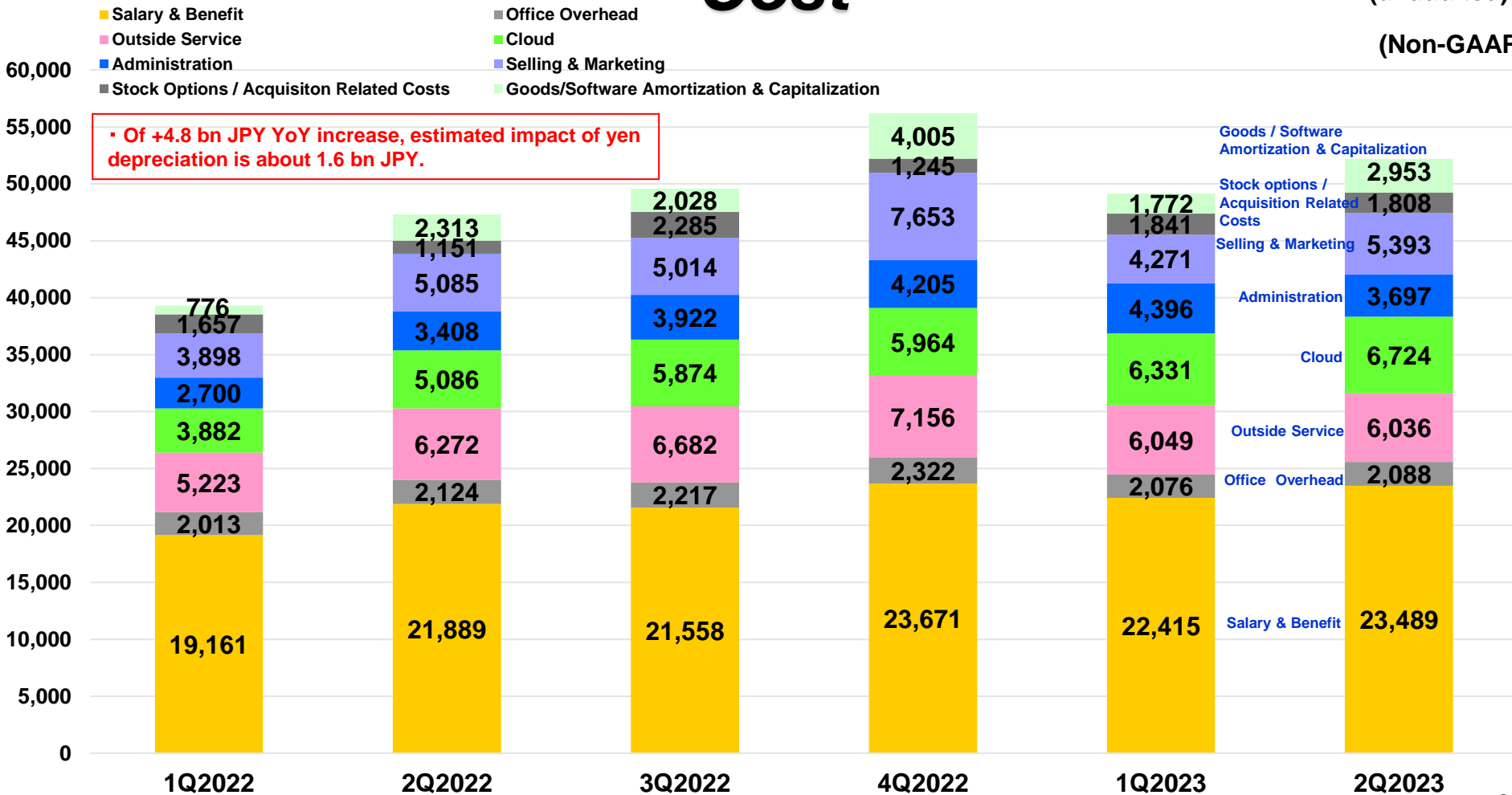
(Non-GAAP)

Cost

(unaudited)

(Non-GAAP)

(in million Yen)



Cash flows

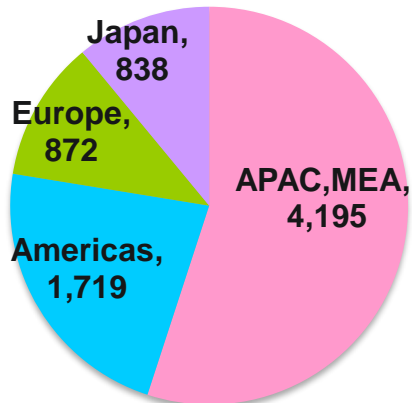
(unaudited)
(in million Yen)

	2Q2022	2Q2023	YoY growth
Cash flows from operating activities	17,283	14,294	- 17%
Cash flows from investing activities	- 64,749	- 741	—
Cash flows from financing activities	669	- 13,914	—
Effect of exchange rate changes on cash and cash equivalents	13,128	11,250	- 14%
Net increase (decrease) in cash and cash equivalents	- 33,667	+ 10,889	—
Cash and cash equivalents at beginning of this quarter period	231,574	198,334	- 14%
Increase in cash due to merger of consolidated subsidiary	—	—	—
Cash and cash equivalents at end of this quarter period	197,906	209,224	+ 6%

Headcount

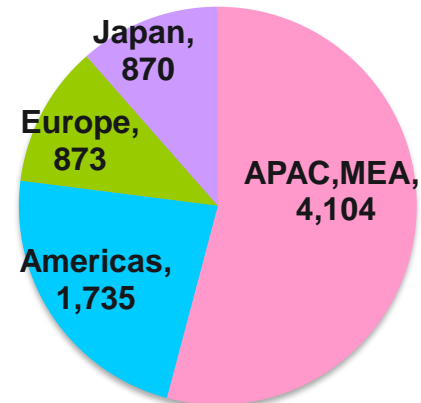
Mar - 2023

7,624



Jun - 2023

7,582

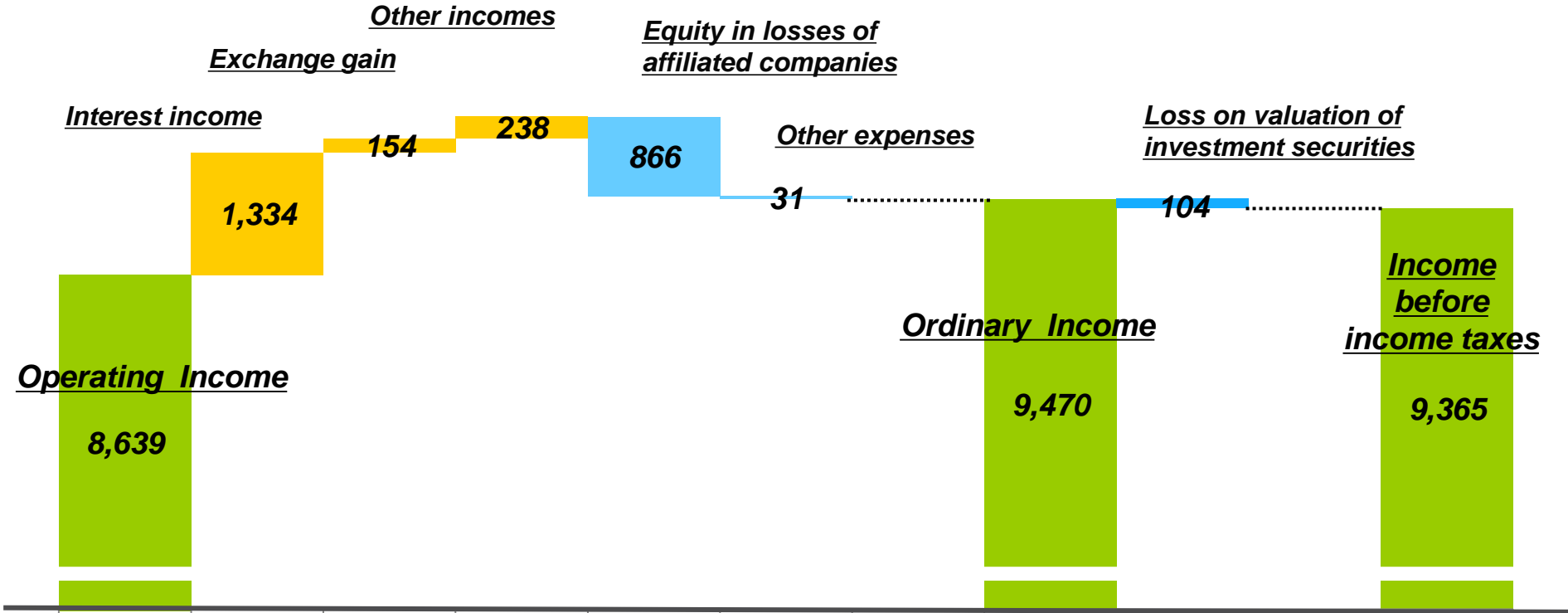


- 42
(- 1%)

Non-operating & Extra-ordinary Items

(in million Yen)

(unaudited)



Balance Sheet

(unaudited)
(in million Yen)

	<i>Mar-2023</i>	<i>change</i>	<i>Jun-2023</i>
<u>Assets</u>			
<i>Cash & cash equivalents</i>	173,696	+ 14,044	187,740
<i>Account receivable</i> <i>(less allowance for doubtful accounts)</i>	54,340	- 259	54,081
<i>Marketable securities &</i> <i>Securities investments</i>	121,594	- 2,424	119,170
<i>Software</i>	13,522	+ 452	13,974
<u>Liabilities</u>			
<i>Deferred revenue</i>	195,225	+ 7,836	203,061
<u>Shareholders' Equity</u>			
<i>Common Stock &</i> <i>Additional paid in capital</i>	47,500	+ 80	47,580
<i>Treasury Stock</i>	- 18,828	- 13,835	- 32,663

Q2 Highlights

- ***Tighter cost control***
- ***ARR continues healthy growth***
- ***Vision One users showing strong growth***

Q2 Lowlights

- ***Deal slippage due to slower buying cycle amongst Enterprise users***
- ***Japan Pre-GAAP negatively affected by front loading (due to price increase) in Q1***

FY2023 6months Financial Highlight

(January ~ June, 2023)

Consolidated Results (6 months)

(in million Yen)

6 months ended Jun 30,	2022 (1-2Q)	(Progress vs. last year's annual result)	2023 (1-2Q)	YoY growth	(Progress vs. current year's annual forecast)
Net sales	105,302	(47%)	119,536	+ 14%	(48%)
Total Operating expenses	86,644		101,347	+ 17%	
Operating income (Margin)	18,657 (18%)	(60%)	18,188 (15%)	- 3%	(52%)
Ordinary income	20,609	(60%)	18,449	- 10%	(53%)
Net income attributable to owners of the parent	14,962	(50%)	11,856	- 21%	(47%)

“For reference”

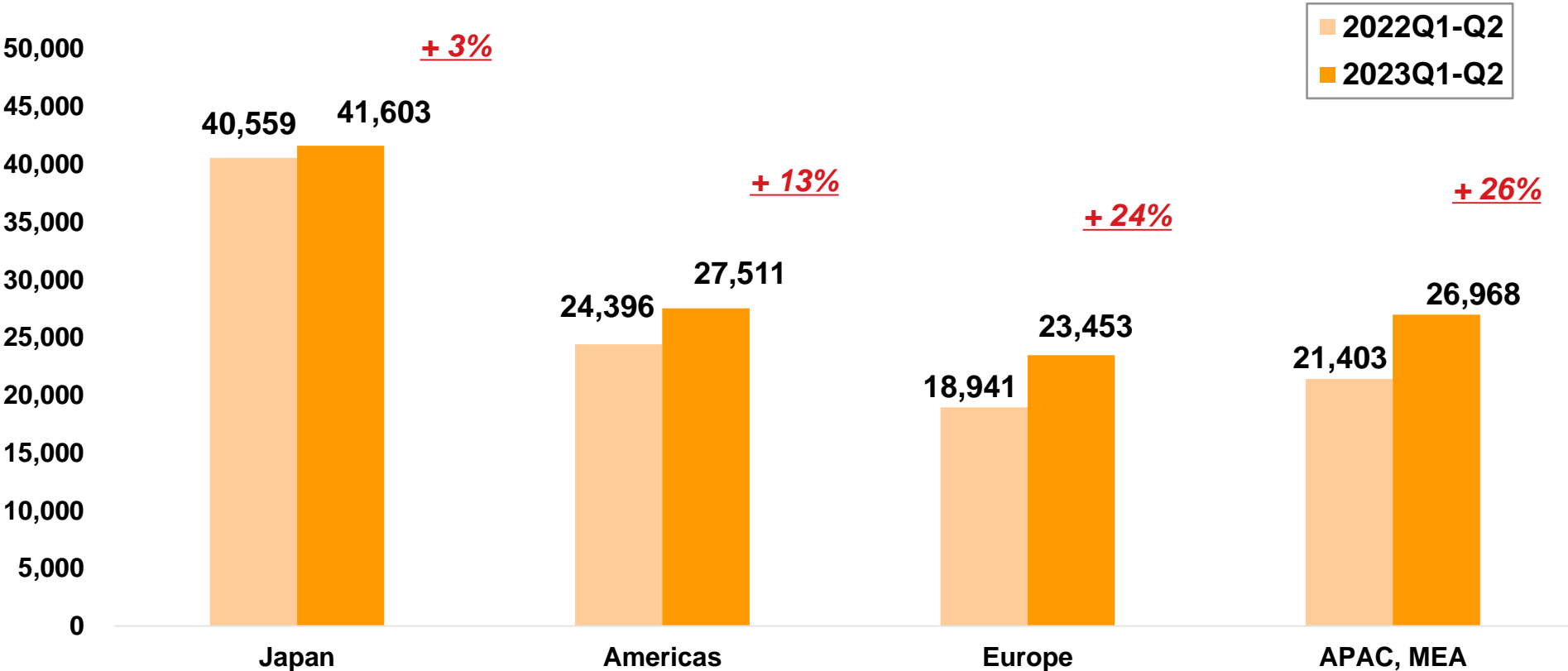
Pre-GAAP	108,128		119,704	+ 11%	
Pre-GAAP based Operating Income	21,484		18,356	- 15%	

(Non-GAAP)

Net Sales Growth by Region

(unaudited)

(in million Yen)



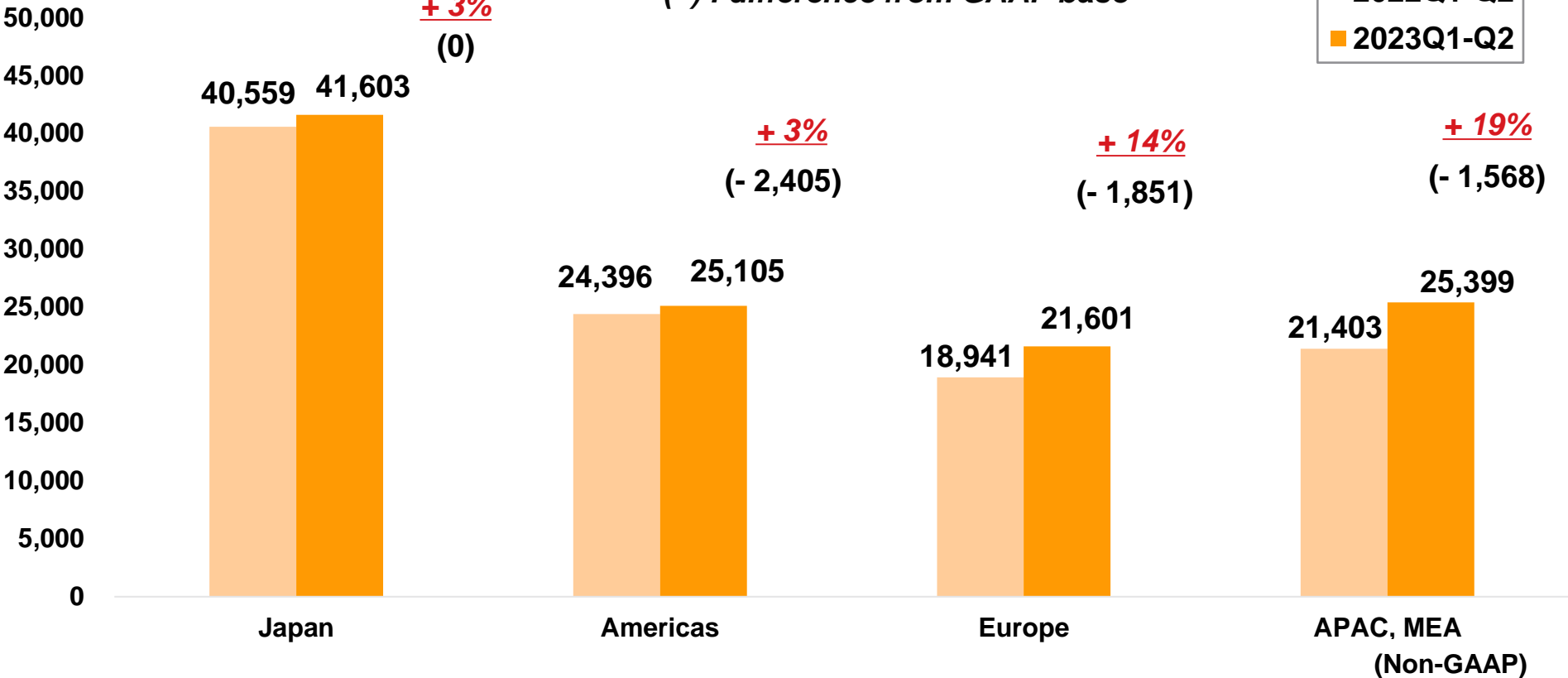
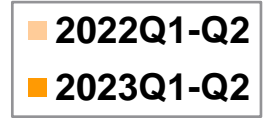
Net Sales Growth by Region

(in million Yen)

If currency exchange rates used for 2022 (Q1-Q2) were used for 2023 (Q1-Q2):

(unaudited)

* () : difference from GAAP base



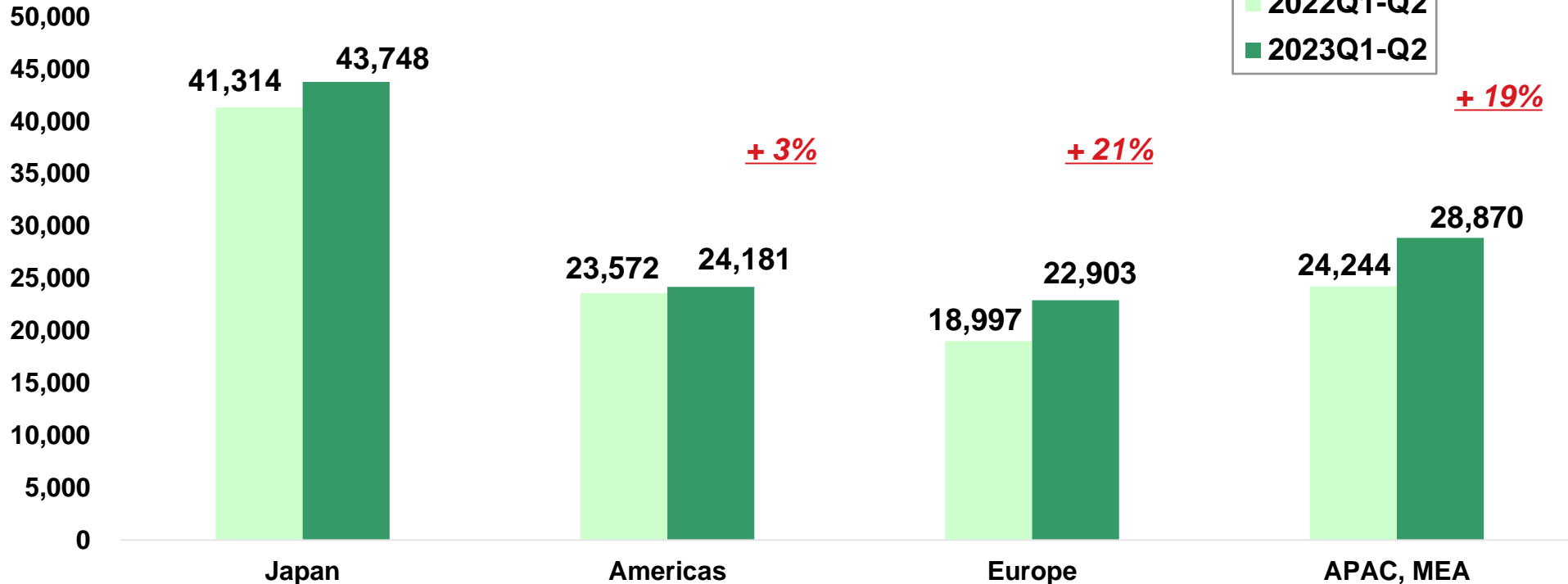
“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(in million Yen)

(unaudited)

+ 6%



“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.**

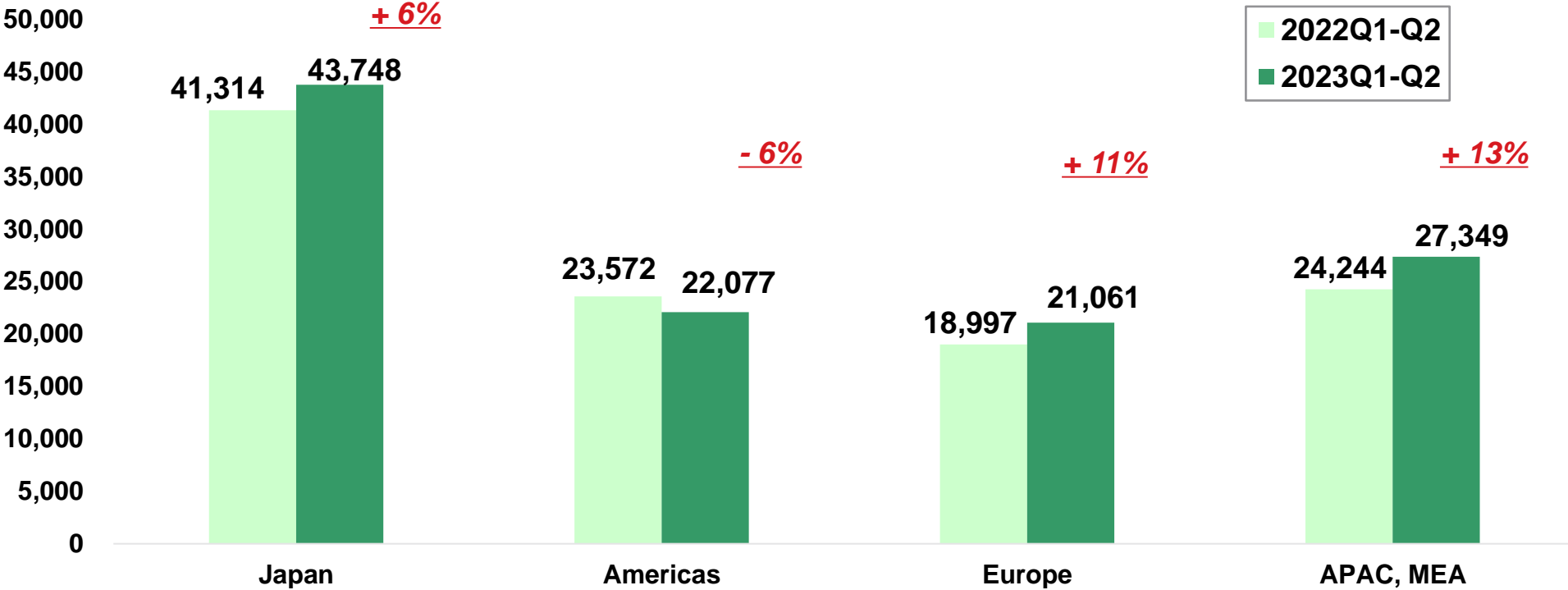
(Non-GAAP)

“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(unaudited)

If currency exchange rates used for 2022(Q1-Q2) were used for 2023(Q1-Q2):



“Notice”

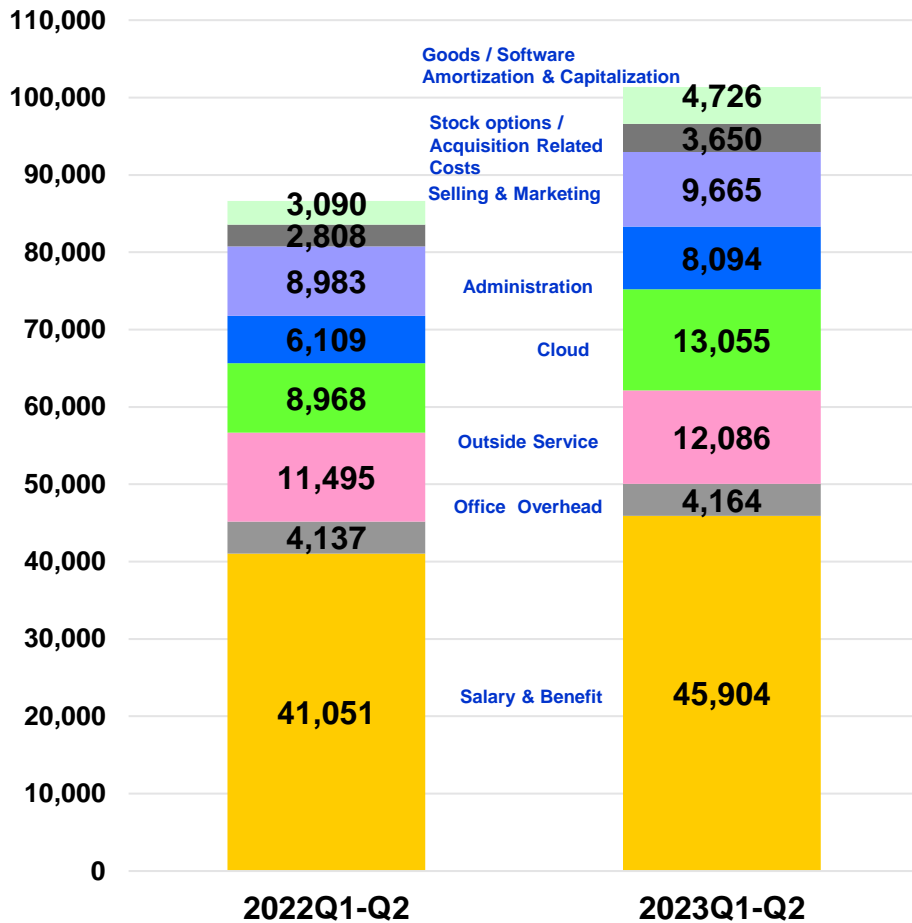
Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance.
As these numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

FY2023 Cost (6 months)

YoY Growth (unaudited)

(in million Yen)



Salary & Benefit	+ 12%
Office Overhead	+ 1%
Outside Service	+ 5%
Cloud	+ 46%
Administration	+ 32%
Selling & Marketing	+ 8%
Stock Options / Acquisition Related Costs	+ 30%
Goods/Software Amortization & Capitalization	+ 53%

Total + 17%

Headcount

+383 (+5%)

(Non-GAAP)

35

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 Q2: 1USD=135 yen, 1EUR=146 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	60,831		
Cost of sales	12,367	13,135	14,148	14,649	14,395	15,107		
Operating expenses	26,945	34,197	35,436	41,575	34,759	37,084		
Operating income	11,115	7,542	7,213	5,470	9,548	8,639		
Ordinary income	11,265	9,344	9,798	3,753	8,979	9,470		
Net income attributable to owners of the parent	8,531	6,430	13,530	1,350	6,374	5,482		
(Costs)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Goods / Software Amortization & Capitalization	776	2,313	2,028	4,005	1,772	2,953		
Stock option cost	962	378	1,478	441	1,136	775		
Acquisition related costs	694	772	806	804	704	1,033		
Selling & Marketing	3,898	5,085	5,014	7,653	4,271	5,393		
Administration	2,700	3,408	3,922	4,205	4,396	3,697		
Cloud	3,882	5,086	5,874	5,964	6,331	6,724		
Outside service	5,223	6,272	6,682	7,156	6,049	6,036		
Office overhead	2,013	2,124	2,217	2,322	2,076	2,088		
Salary & Benefit	19,161	21,889	21,558	23,671	22,415	23,489		
Total	39,312	47,332	49,585	56,224	49,155	52,192		
The number of employees	7,033	7,199	7,507	7,669	7,624	7,582		
Applied rate to yen (US\$)	116.35	129.67	138.40	141.19	132.40	137.61		
Applied rate to yen (Euro)	130.38	138.19	139.28	144.27	142.06	149.56		

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	20,689		
Americas	11,358	13,038	13,452	15,103	13,446	14,065		
Europe	8,841	10,100	10,554	11,964	11,012	12,440		
APAC, Middle East and Africa	9,970	11,433	12,395	13,494	13,330	13,637		
Total	50,427	54,874	56,798	61,694	58,704	60,831		
(Sales by segment)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All Enterprise	37,584	41,728	43,489	48,226	45,120	47,218		
Consumer	12,842	13,146	13,309	13,467	13,583	13,613		
Total	50,427	54,874	56,798	61,694	58,704	60,831		
(Pre-GAAP by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	20,872	20,441	18,825	21,019	23,584	20,163		
Americas	10,642	12,929	13,578	19,593	10,893	13,288		
Europe	7,471	11,525	10,702	20,888	9,858	13,044		
APAC, Middle East and Africa	10,993	13,251	13,518	17,834	13,633	15,236		
Total	49,980	58,148	56,625	79,336	57,970	61,733		

“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.**