

Trend Micro FY2024 Q2 Results

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August 8, 2024



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.

FY2024.Q2 Financial Highlight

(Second quarter ended Jun 30, 2024)

Q2 Consolidated Results

(unaudited)
(in million Yen)

Three months ended Jun 30,	2Q2023	2Q2024	YoY growth
Net sales	60,831	68,603	+ 13%
Total Operating expenses	52,192	56,294	+ 8%
Operating income <i>(Margin)</i>	8,639 <i>(14%)</i>	12,308 <i>(18%)</i>	+ 42%
Ordinary income	9,470	12,707	+ 34%
Net income attributable to owners of the parent	5,482	7,141	+ 30%

Pre-GAAP	61,733	69,296	+ 12%
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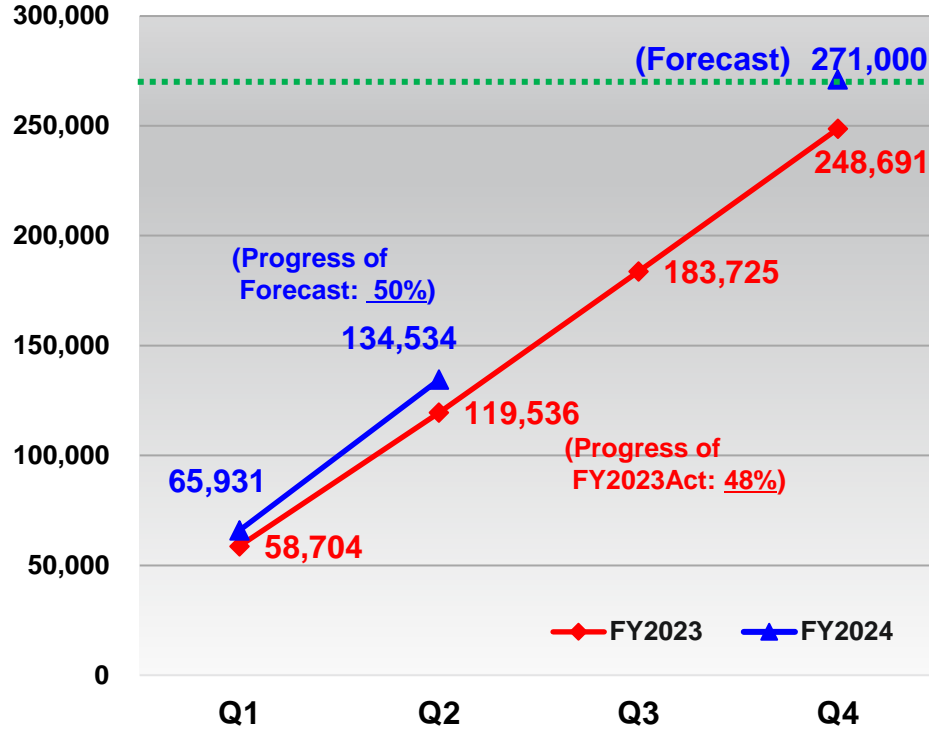
Pre-GAAP based Operating Income	9,541	13,001	+ 36%
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(Non-GAAP)

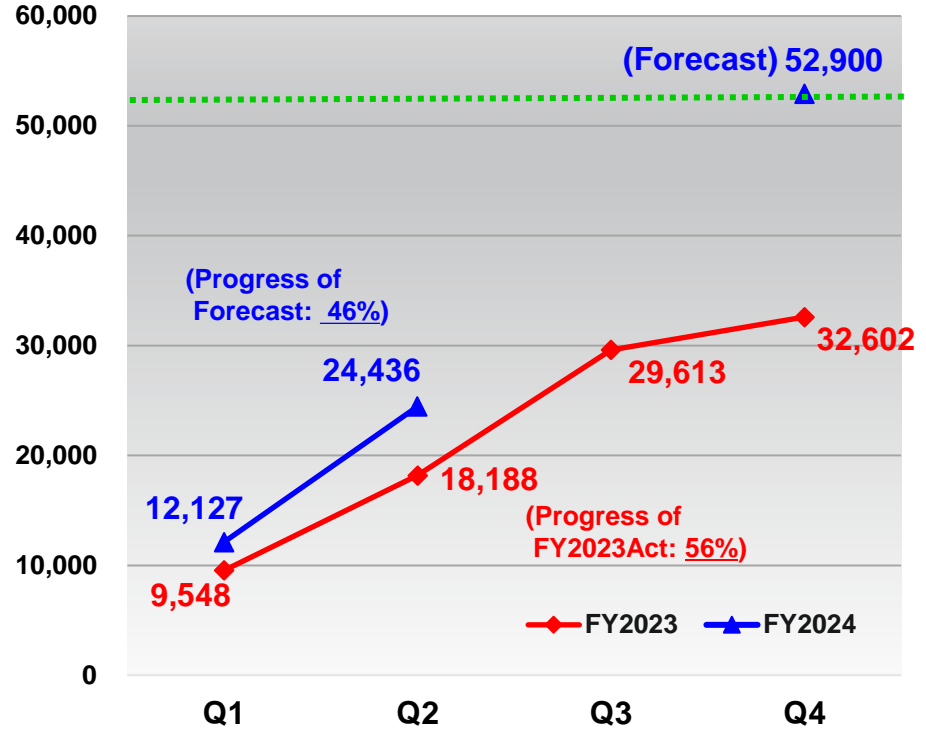
Progress (6 months)

(in million Yen)

Revenue



Operating Income

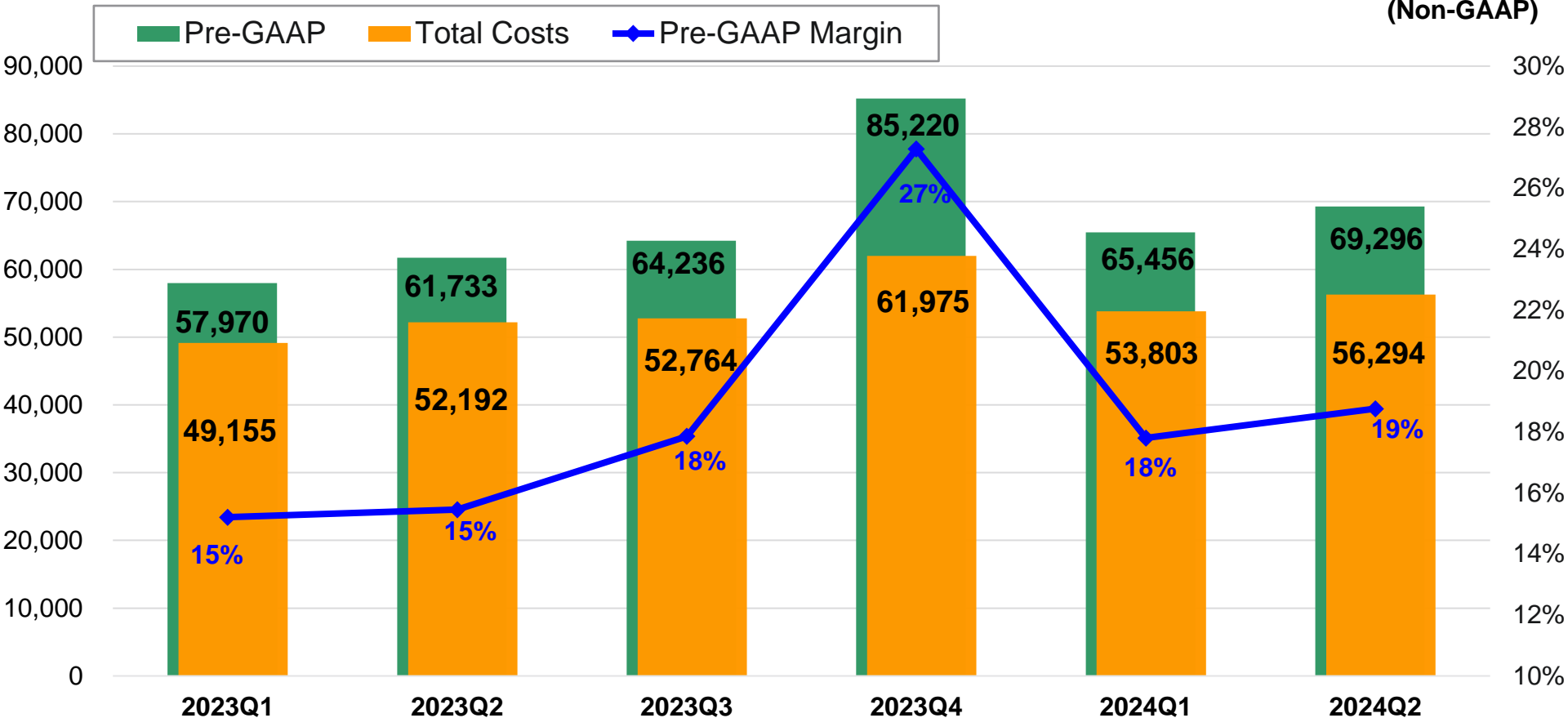


Pre-GAAP vs Total Costs

(in million Yen)

(unaudited)

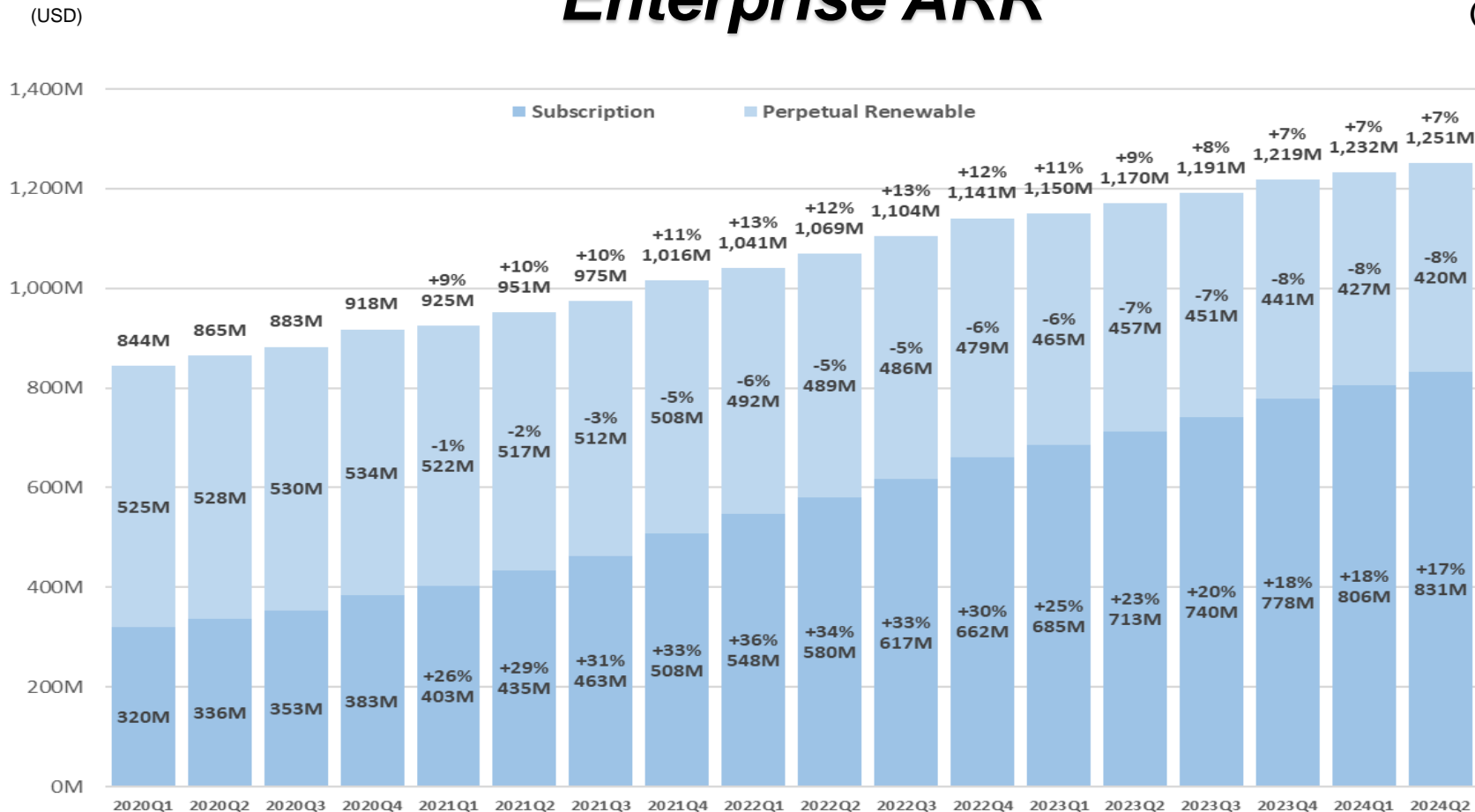
(Non-GAAP)



* "Total costs" means COGS + SGA.

Enterprise ARR

(Non-GAAP)
(unaudited)



*ARR at constant currency: (1USD= 147.74 yen as the company internal budget exchange rate for FY2024). Non-GAAP and reference for internal management. Therefore, they may be subject to so changes hereafter.

Cash flows

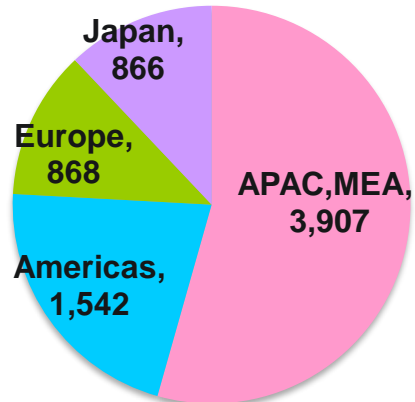
(unaudited)
(in million Yen)

	2Q2023	2Q2024	YoY growth
Cash flows from operating activities	14,294	11,410	- 20%
Cash flows from investing activities	- 741	2,679	—
Cash flows from financing activities	- 13,914	- 29,227	—
Effect of exchange rate changes on cash and cash equivalents	11,250	5,549	- 51%
Net increase (decrease) in cash and cash equivalents	+ 10,889	- 9,587	—
Cash and cash equivalents at beginning of this quarter period	198,334	169,122	- 15%
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	—	—
Cash and cash equivalents at end of this quarter period	209,224	159,534	- 24%

Headcount

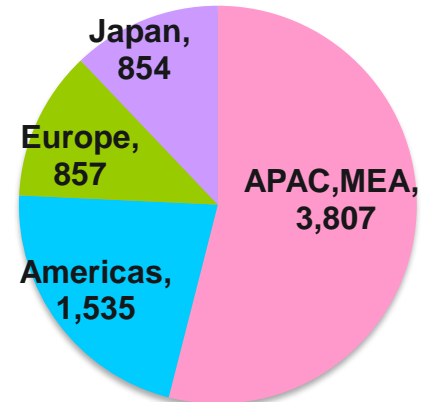
Mar - 2024

7,183



Jun - 2024

7,053



**- 130
(- 2%)**

(in million Yen)

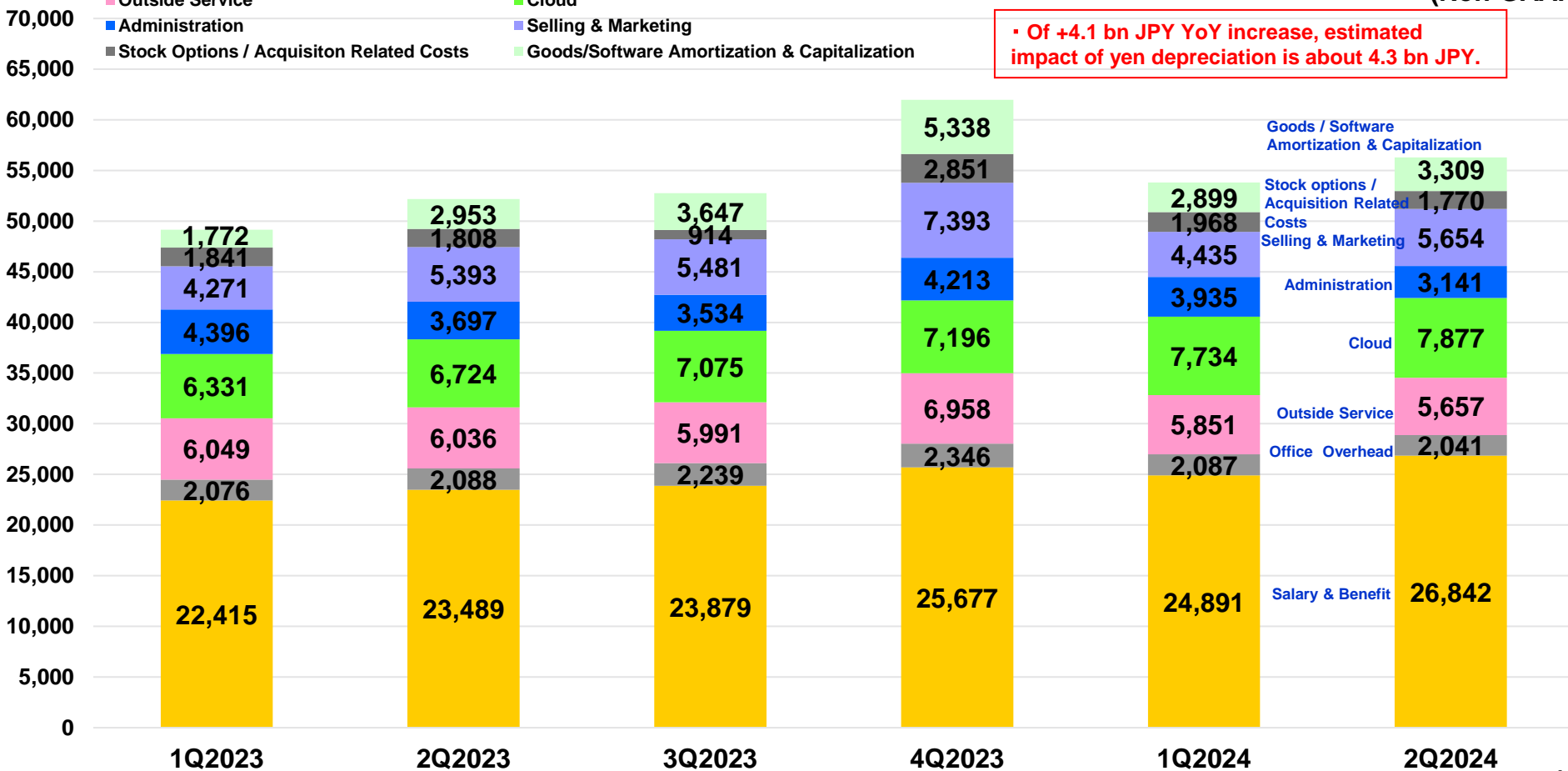
Cost

(unaudited)

(Non-GAAP)

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

• Of +4.1 bn JPY YoY increase, estimated impact of yen depreciation is about 4.3 bn JPY.



Q2 Highlights

- ***Highest ever net revenues***
- ***Highest ever operating income for 1H***
- ***Operating margin improvement continues***

FY2024 Guidance

Projection for FY2024 Annual **(Unchanged)**

(unaudited)
(in million Yen)

	<u>For FY2024</u> <u>Jan - Dec, 2024</u>	<u>Expected</u> <u>YoY growth</u>
Net Sales	271,000	<u>+ 9%</u>
Operating Income	52,900	<u>+ 62%</u>
Ordinary Income	50,100	<u>+ 38%</u>
Net Income attributable to owners of the parent	34,600	<u>+ 222%</u>

(Estimated annual exchange rate 1USD=147 yen, 1EUR=157 yen)

“Reference” actual exchange rate up to Q2: 1USD=152 yen, 1EUR=164 yen

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

Net Sales

+ 6%

(Non-GAAP)

Appendix for FY2024.Q2

Q2 USD based Results (Non-GAAP)

(unaudited)

<i>Three months ended Jun 30,</i>	<i>2Q2023</i>	<i>2Q2024</i>	<i>(in thousand USD) YoY change</i>
Net sales	442,060	440,017	- 0%
Cost of sales	109,787	105,780	- 4%
Operating expenses	269,489	255,289	- 5%
Operating income	62,783	78,947	+ 26%
Ordinary income	68,818	81,507	+ 18%
Net Income	39,837	45,803	+ 15%

attributable to owners of the parent

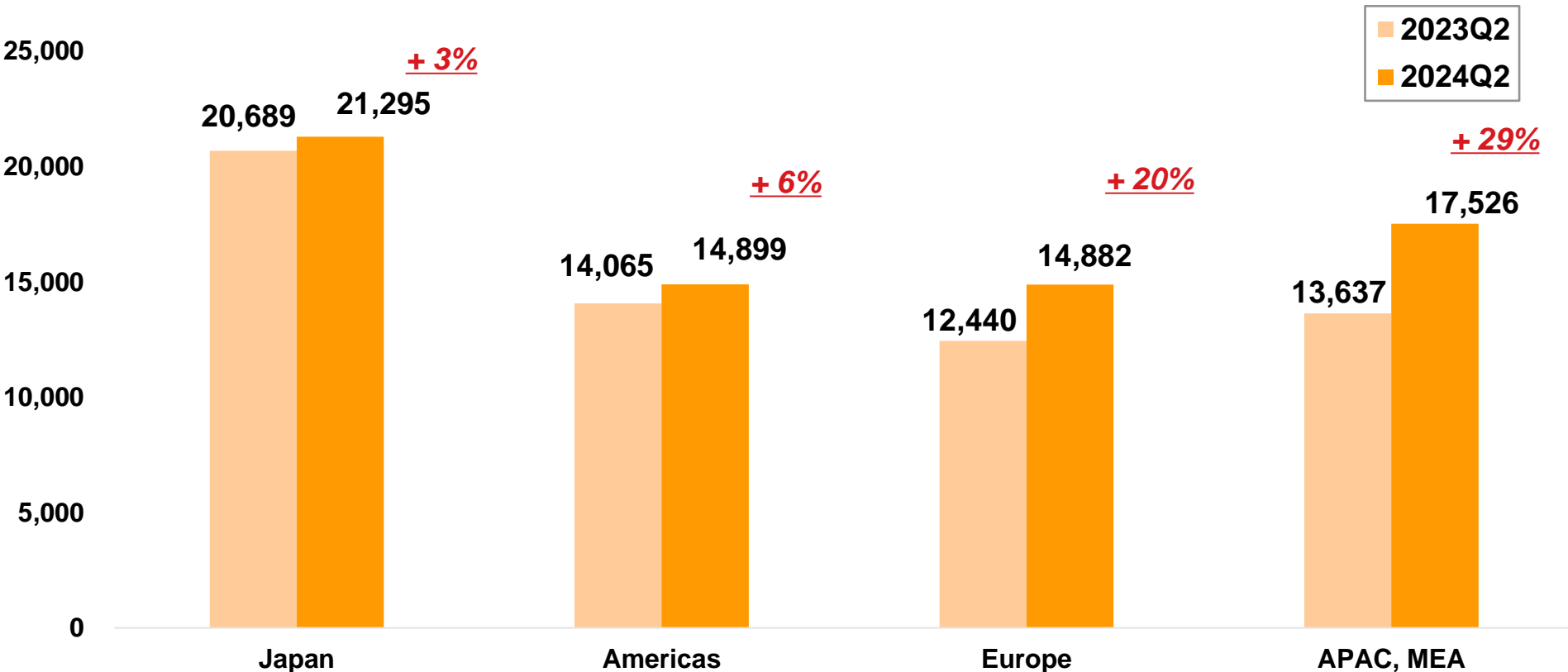
(Non-GAAP)

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=137.61 JPY for 2Q2023 and 1 USD =155.91 JPY for 2Q2024, 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)

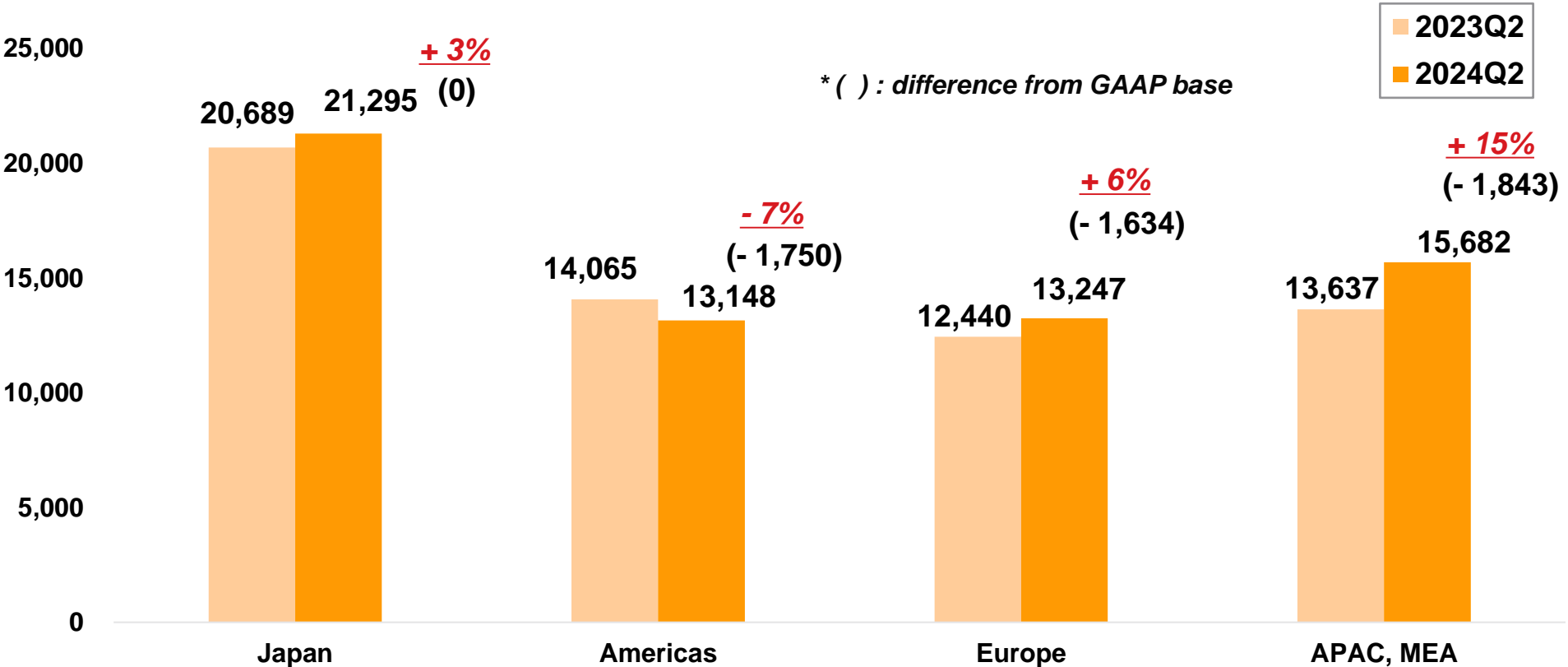


Net Sales Growth by Region

(in million Yen)

If currency exchange rates used for 2Q2023 were used for 2Q2024:

(unaudited)



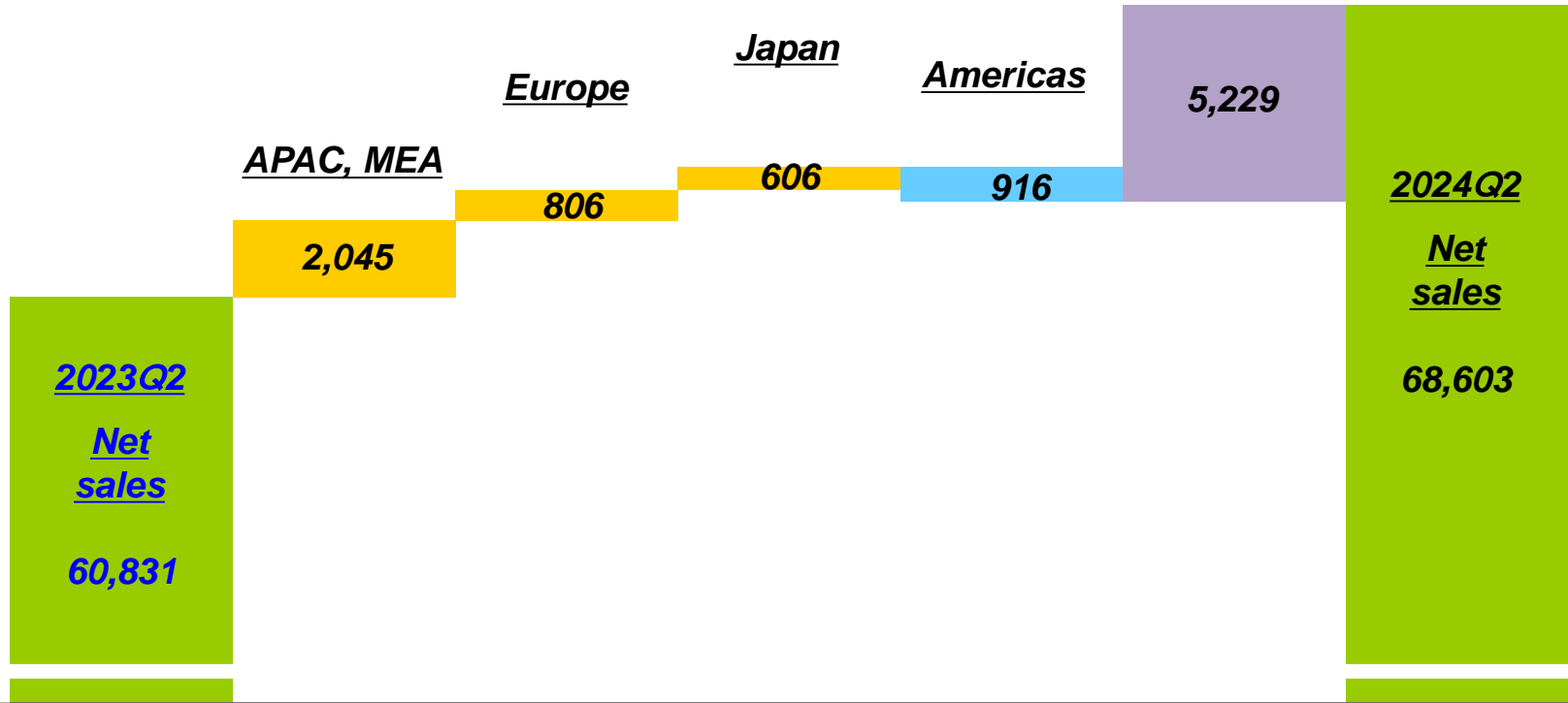
(Non-GAAP)

Decomposition of Revenue (vs. last year)

(in million Yen)

(unaudited)

Exchange impact

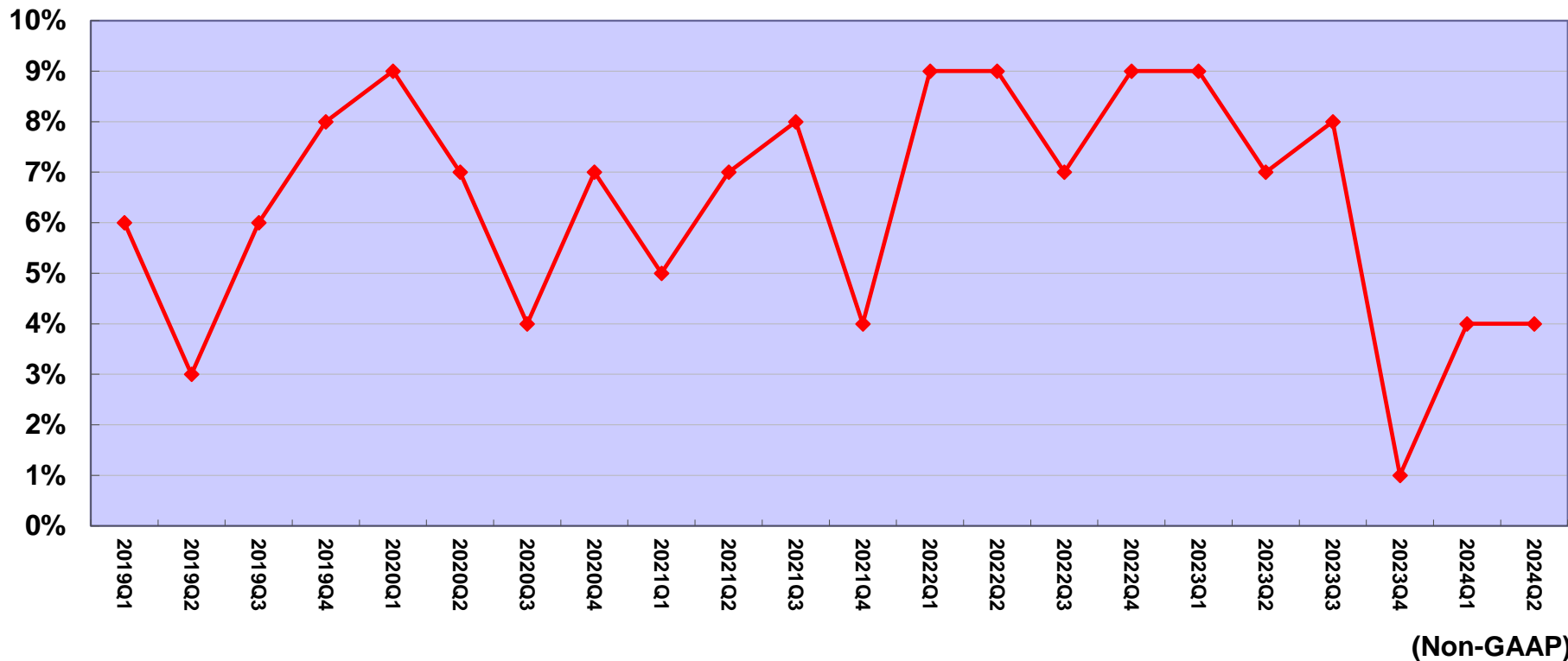


(Non-GAAP)

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

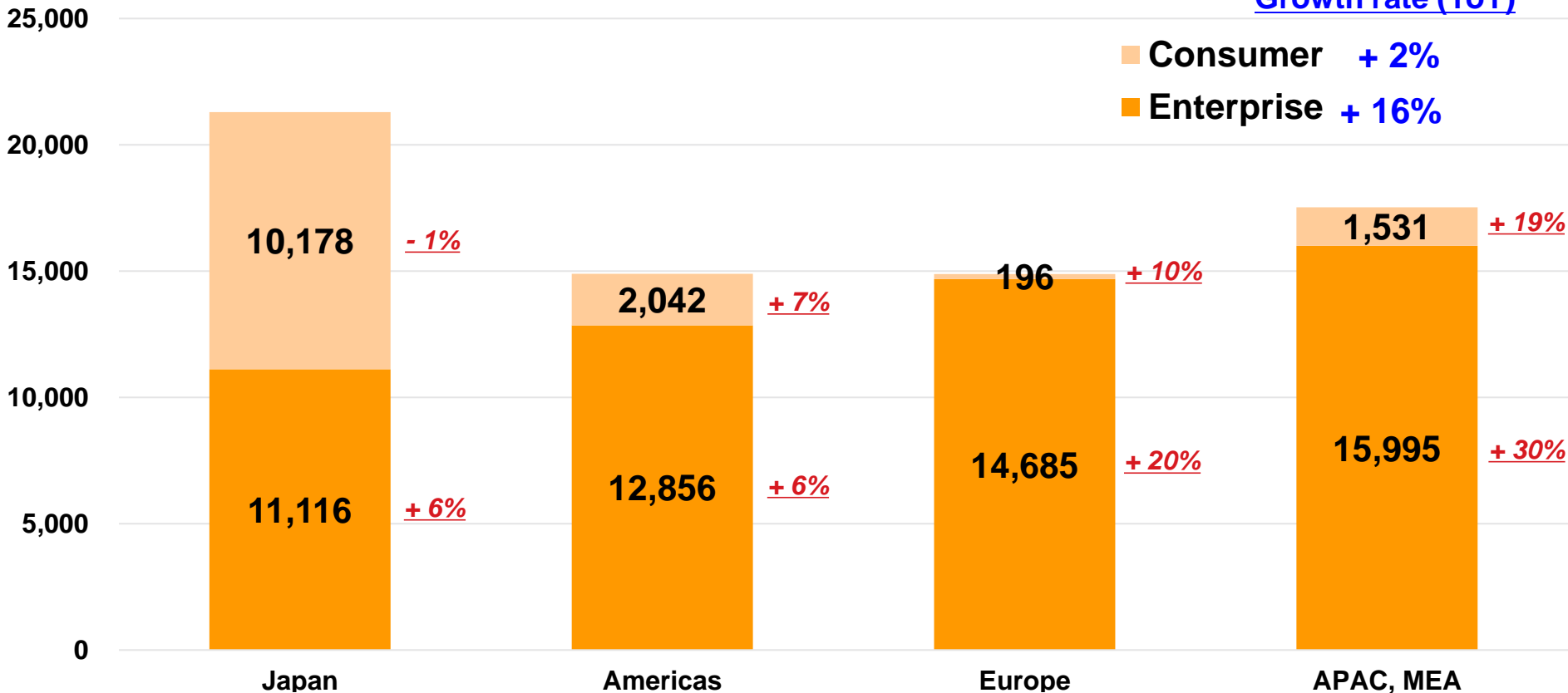
(in million Yen)

Net sales by Segment

(unaudited)

Growth rate (YoY)

Consumer + 2%
Enterprise + 16%



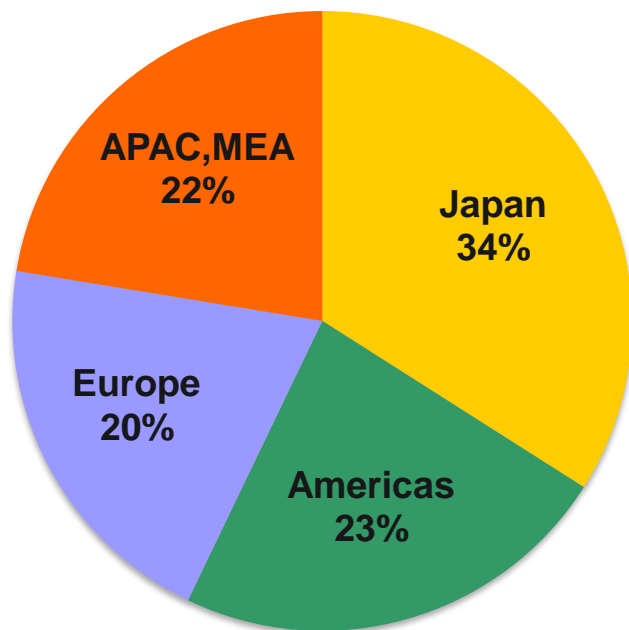
“Notice” As Sales by Segment numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

% share by region

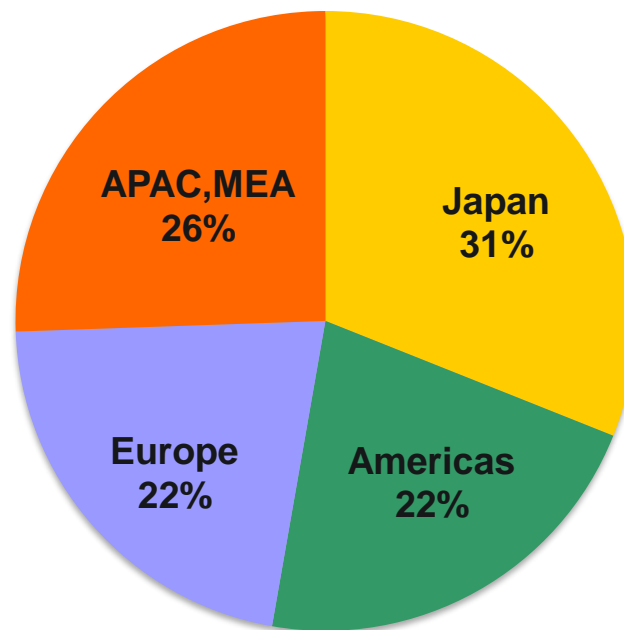
2Q2023

60,831 million Yen



2Q2024

68,603 million Yen

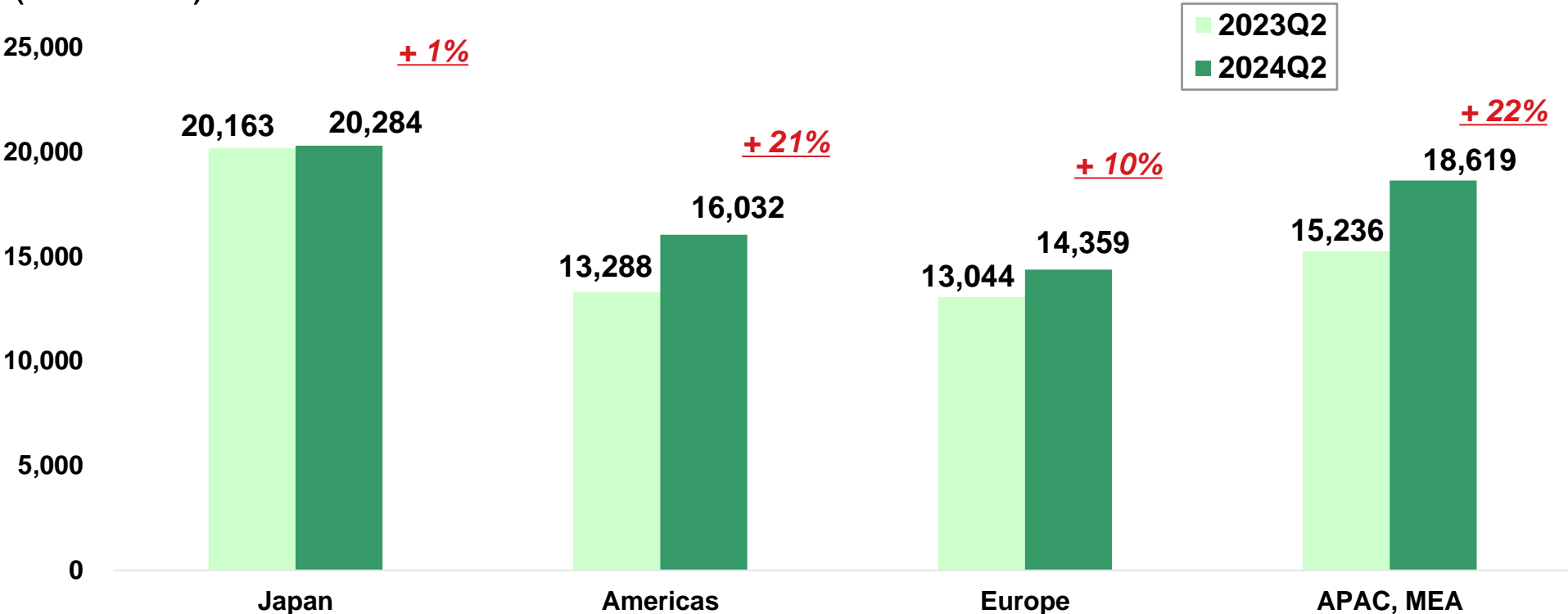


“For reference”

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)

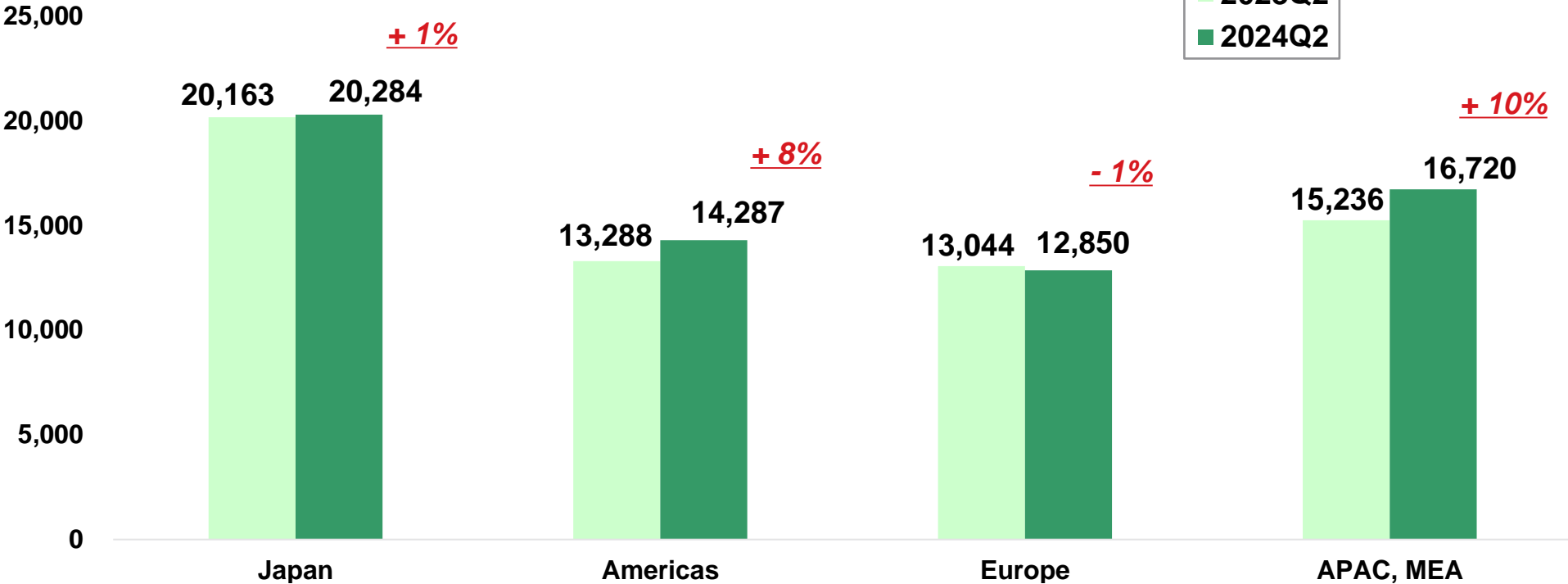
“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

If currency exchange rates used for 2Q2023 were used for 2Q2024:

(in million Yen)

(unaudited)



“Notice”

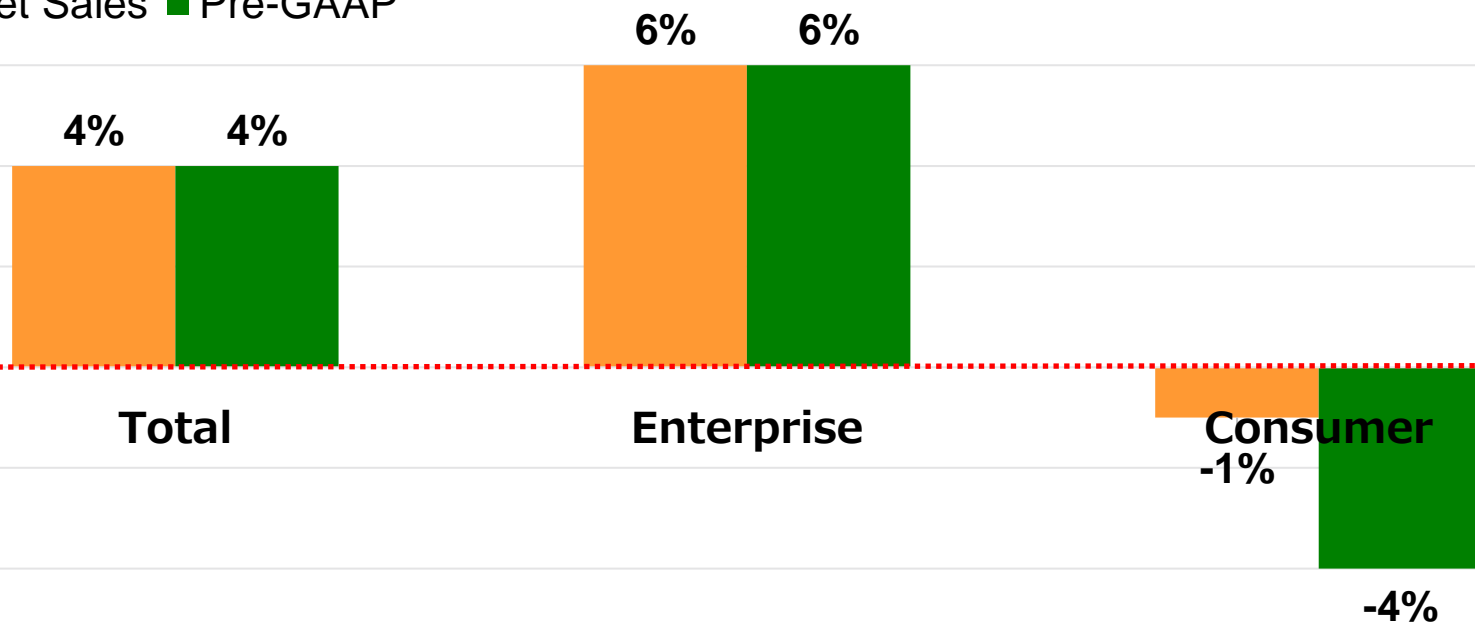
Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance.
As these numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

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

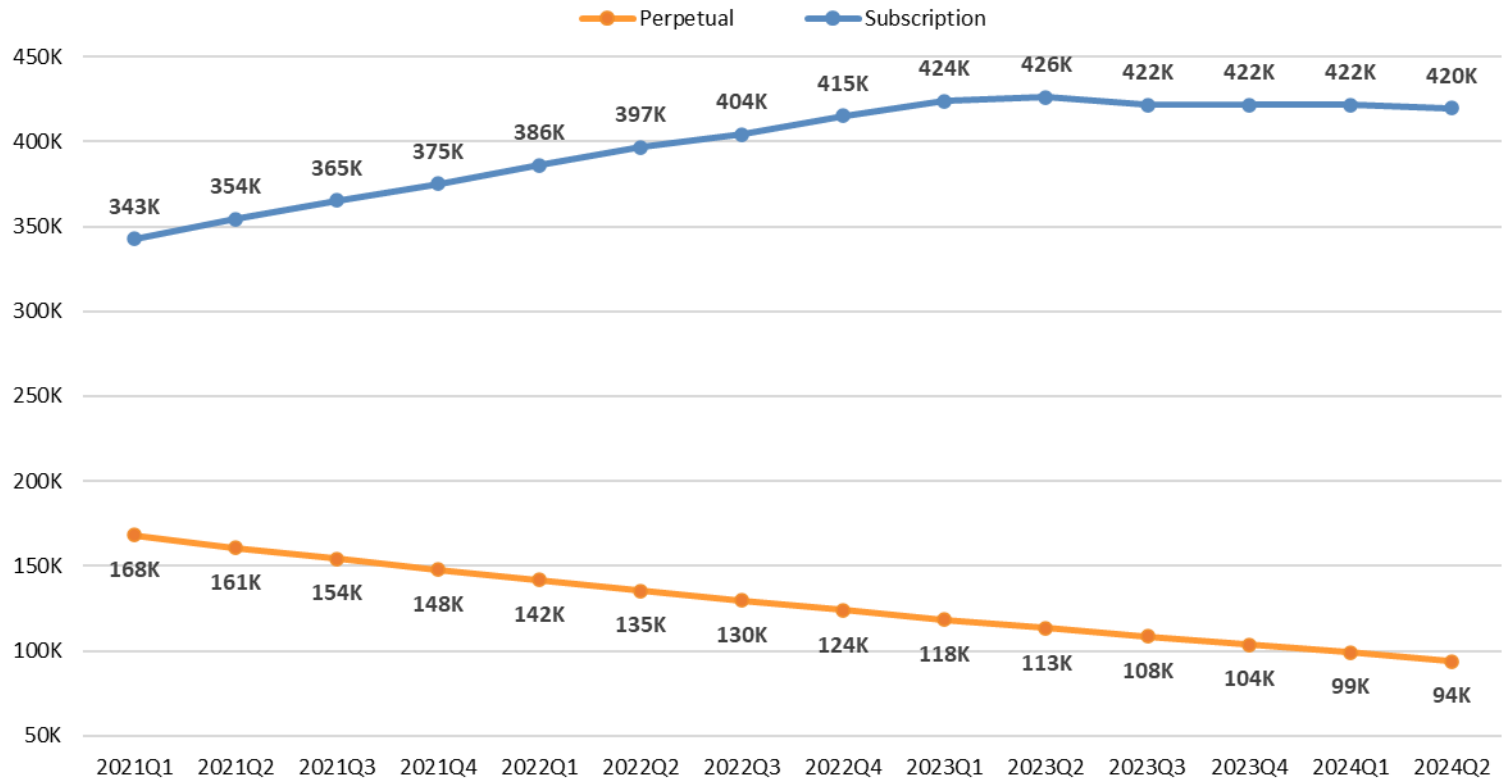
(unaudited)

Net Sales Pre-GAAP



(Non-GAAP)

Active Customer Count

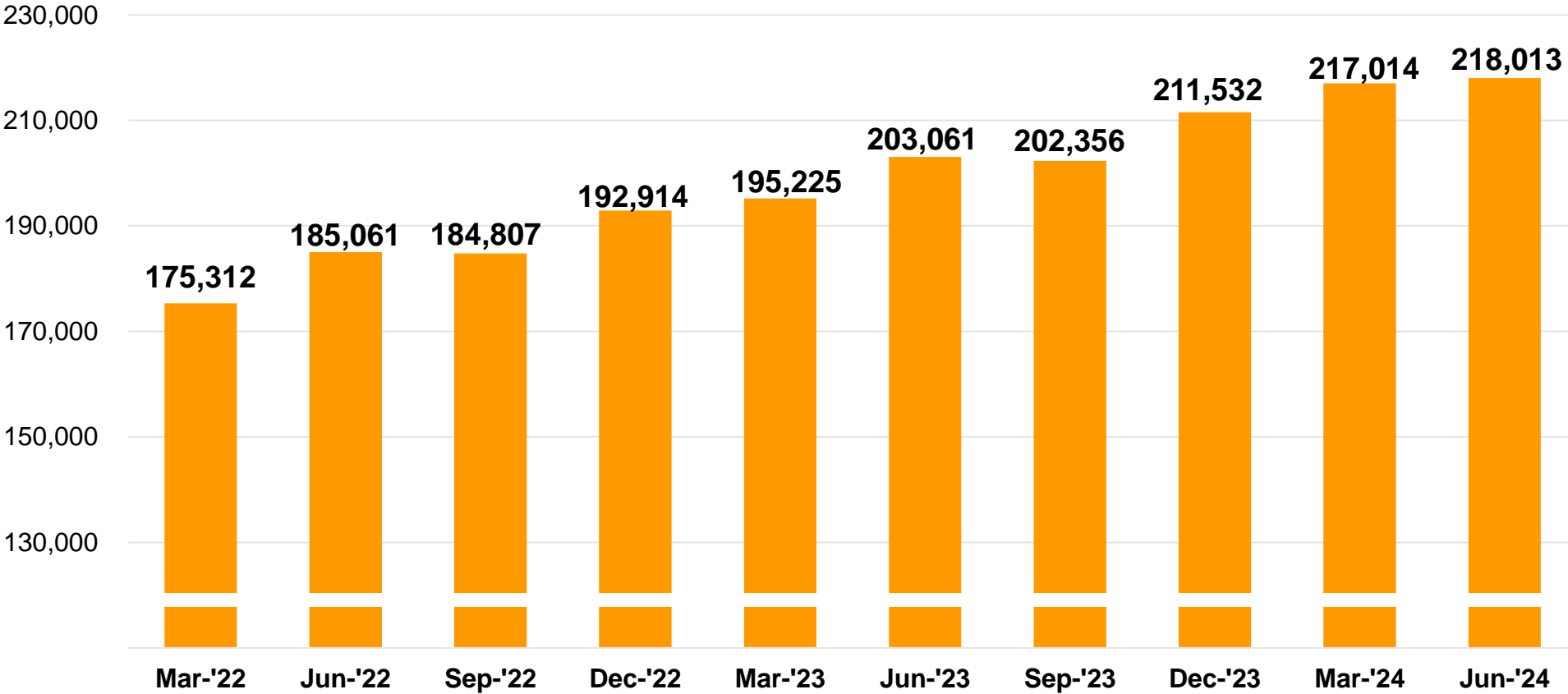


****Active customers using both perpetual and subscriptions products will be counted in both customer counts
*As these numbers are just for internal use, they may be subject to some changes hereafter.***

Deferred Revenue

(unaudited)

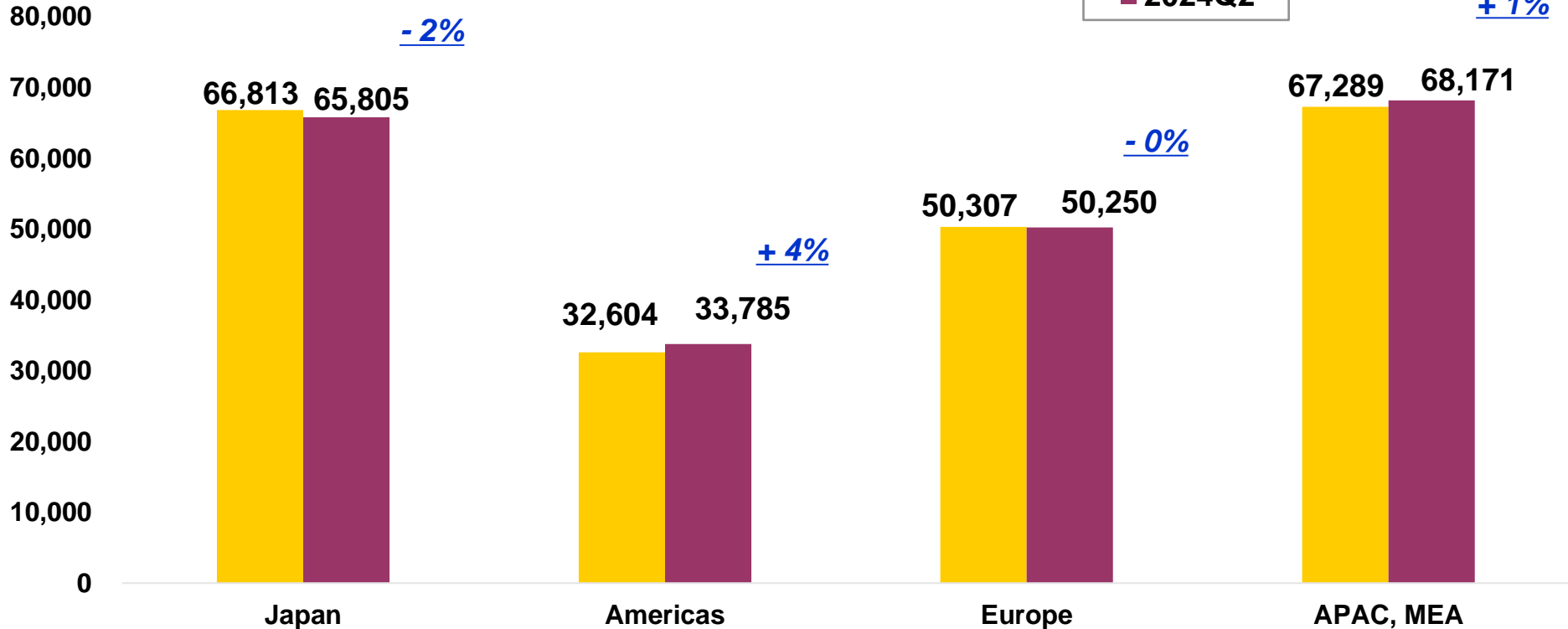
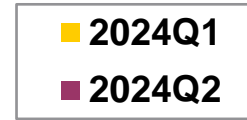
(in million Yen)



Deferred Revenue by Region

(in million Yen)

(unaudited)



(Non-GAAP)

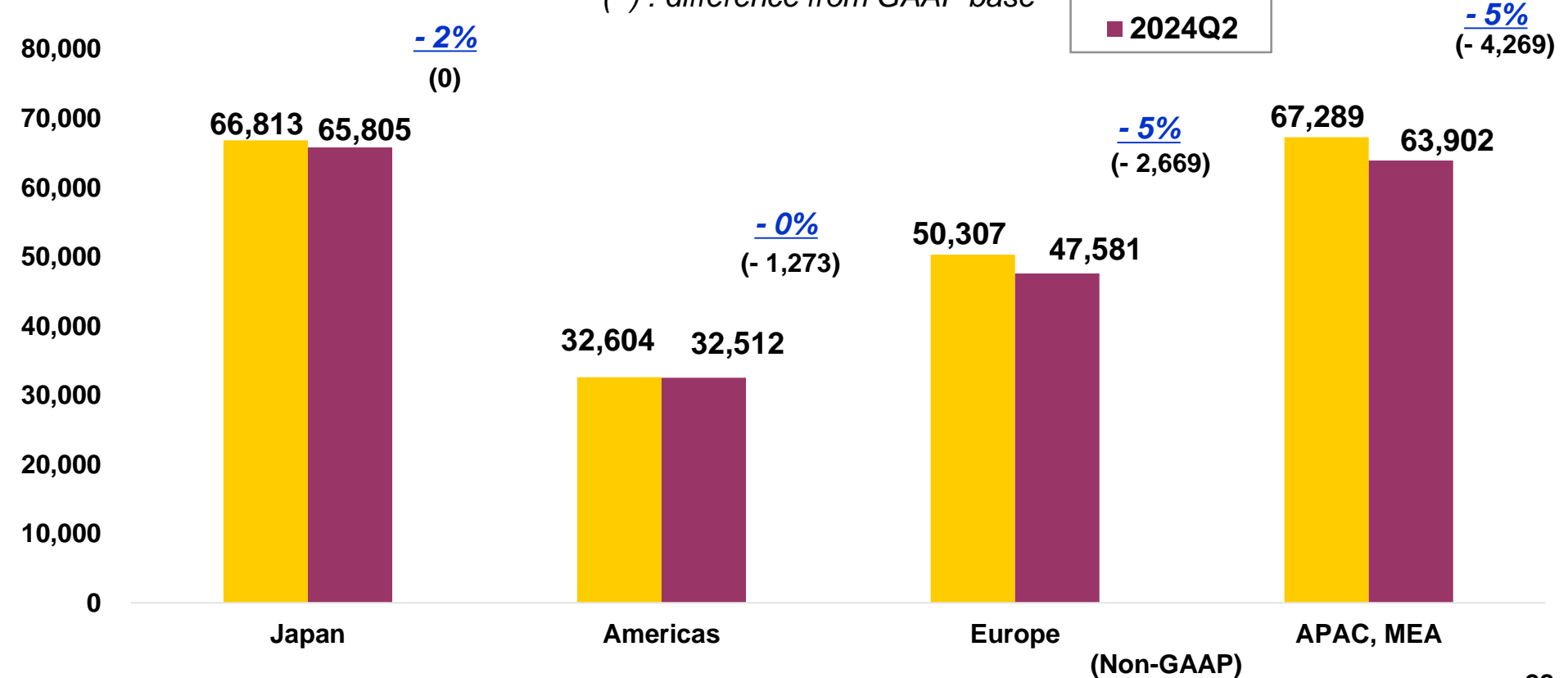
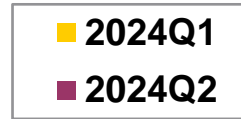
Deferred Revenue by Region

(unaudited)

If currency exchange rates used as of the end of 1Q2024 were used as of the end of 2Q2024:

(in million Yen)

* () : difference from GAAP base

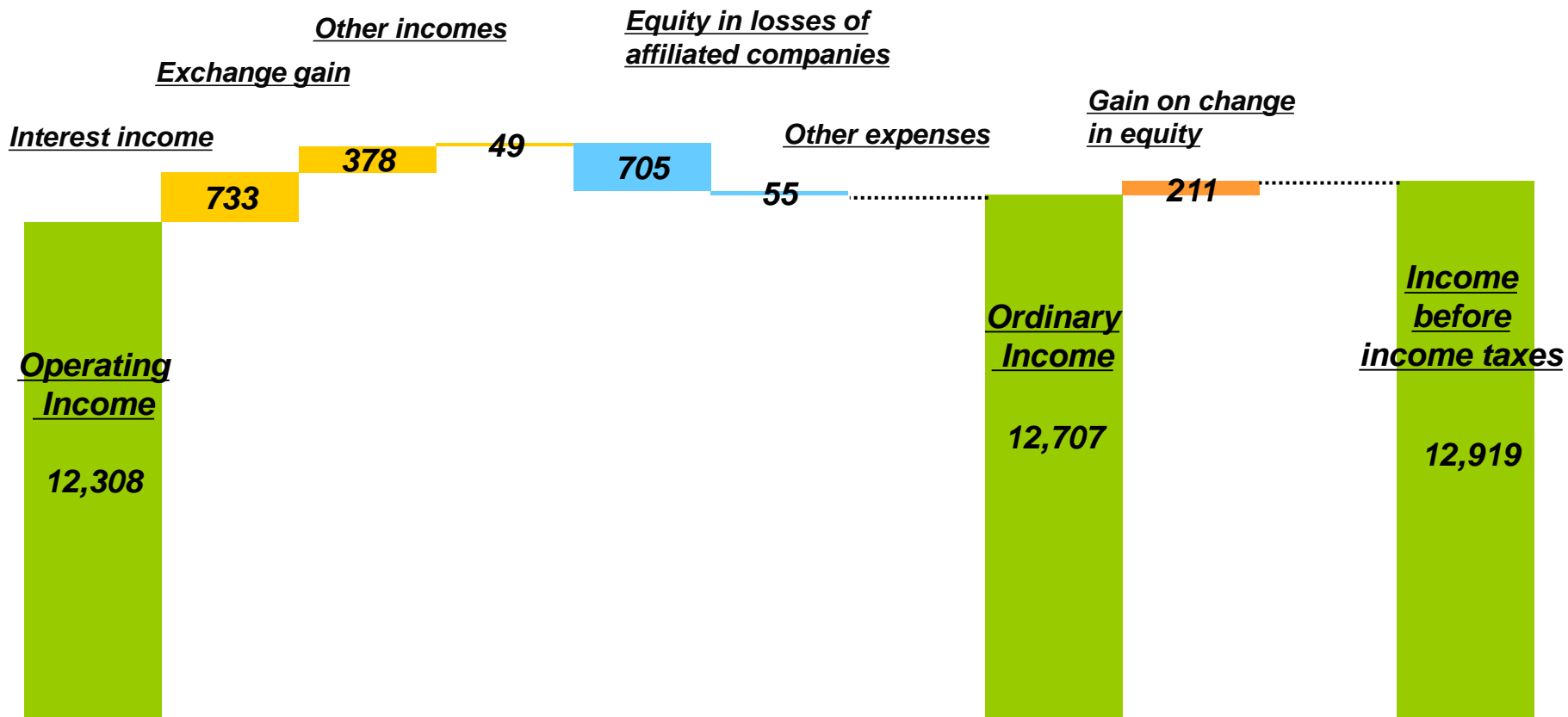


(Non-GAAP)

Non-operating & Extra-ordinary Items

(in million Yen)

(unaudited)



Balance Sheet

(unaudited)

(in million Yen)

	<i>Mar-2024</i>	<i>change</i>	<i>Jun-2024</i>
<u>Assets</u>			
<i>Cash & cash equivalents</i>	154,203	- 9,921	144,282
<i>Account receivable</i> <i>(less allowance for doubtful accounts)</i>	59,252	- 4,492	54,760
<i>Marketable securities & Securities investments</i>	69,127	- 5,732	63,395
<i>Software</i>	18,021	+ 411	18,432
<u>Liabilities</u>			
<i>Deferred revenue</i>	217,014	+ 999	218,013
<u>Shareholders' Equity</u>			
<i>Common Stock & Additional paid in capital</i>	48,147	+ 91	48,238
<i>Retained earnings</i>	66,936	+ 7,141	74,077
<i>Treasury Stock</i>	- 45,070	- 28,718	- 73,788

FY2024 6months Financial Highlight

(January ~ June, 2024)

Consolidated Results (6 months)

(in million Yen)

6 months ended Jun 30,	2023 (1-2Q)	(Progress vs. last year's annual result)	2024 (1-2Q)	YoY growth	(Progress vs. current year's annual forecast)
Net sales	119,536	(48%)	134,534	+ 13%	(50%)
Total Operating expenses	101,347		110,098	+ 9%	
Operating income (Margin)	18,188 (15%)	(56%)	24,436 (18%)	+ 34%	(46%)
Ordinary income	18,449	(51%)	26,371	+ 43%	(53%)
Net income attributable to owners of the parent	11,856	(110%)	17,895	+ 51%	(52%)

“For reference”

Pre-GAAP 119,704 134,752 + 13%

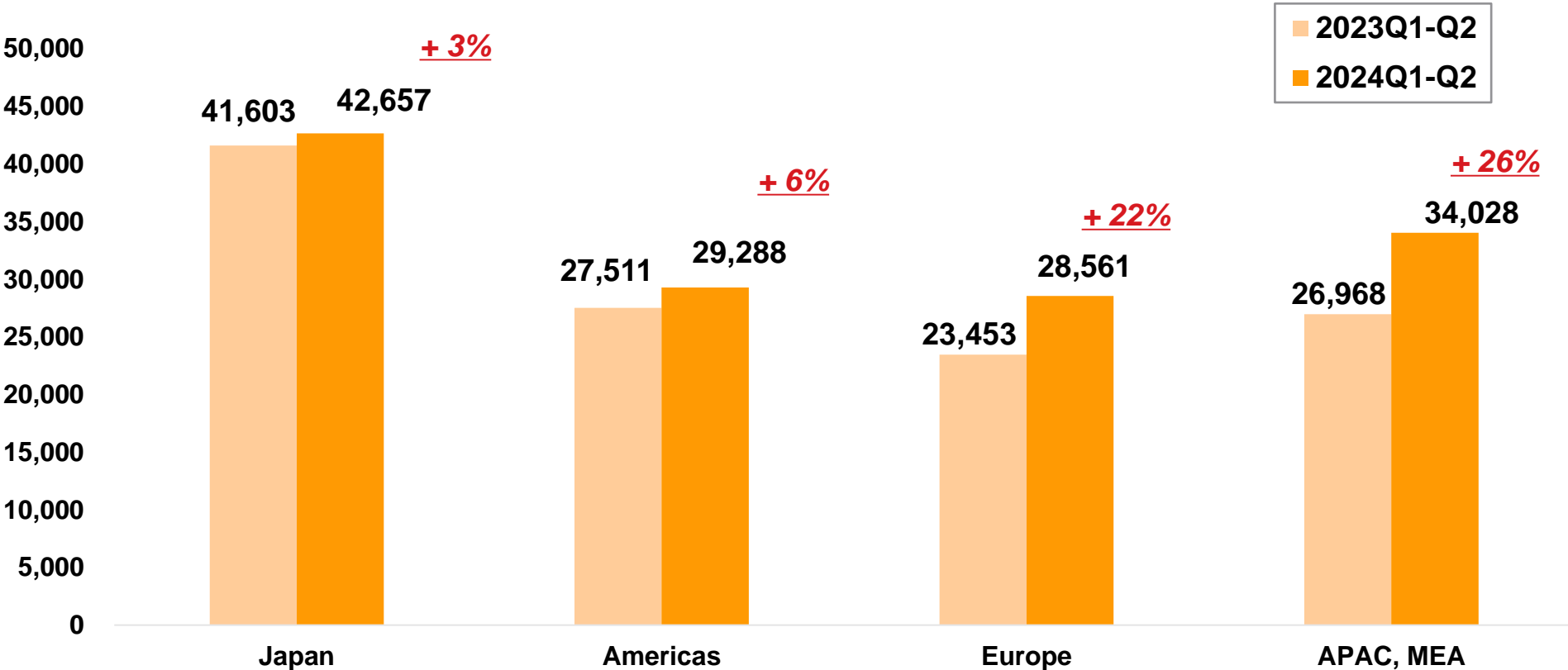
Pre-GAAP based
Operating Income 18,356 24,654 + 34%

(Non-GAAP)

Net Sales Growth by Region

(unaudited)

(in million Yen)



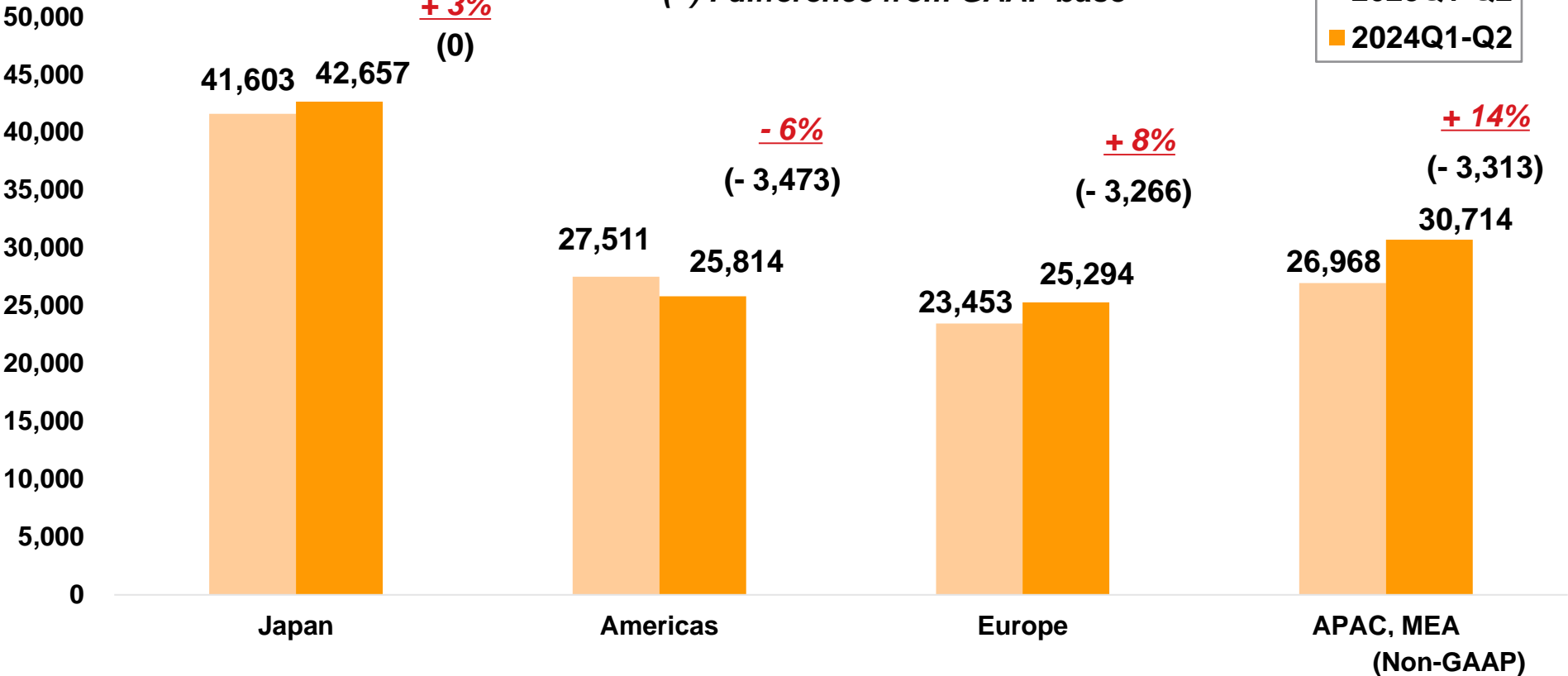
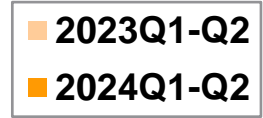
Net Sales Growth by Region

(in million Yen)

If currency exchange rates used for 2023 (Q1-Q2) were used for 2024 (Q1-Q2):

(unaudited)

* () : difference from GAAP base

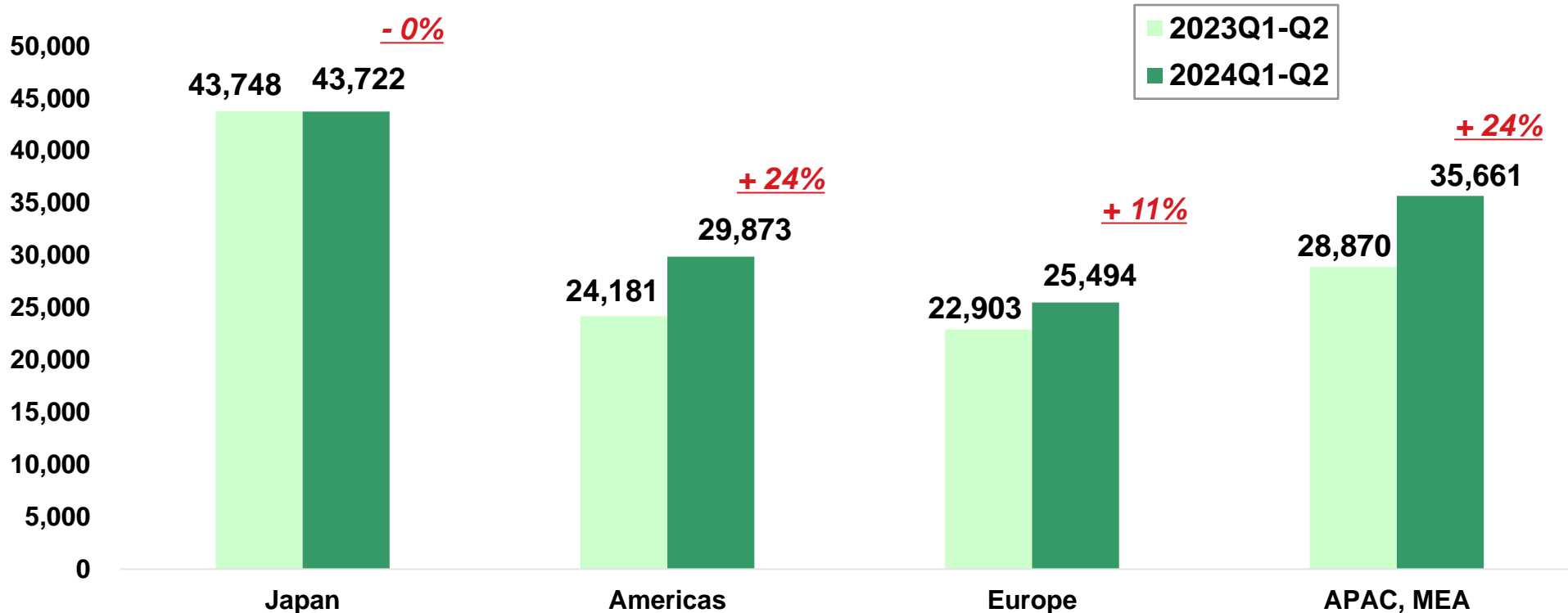


“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(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.**

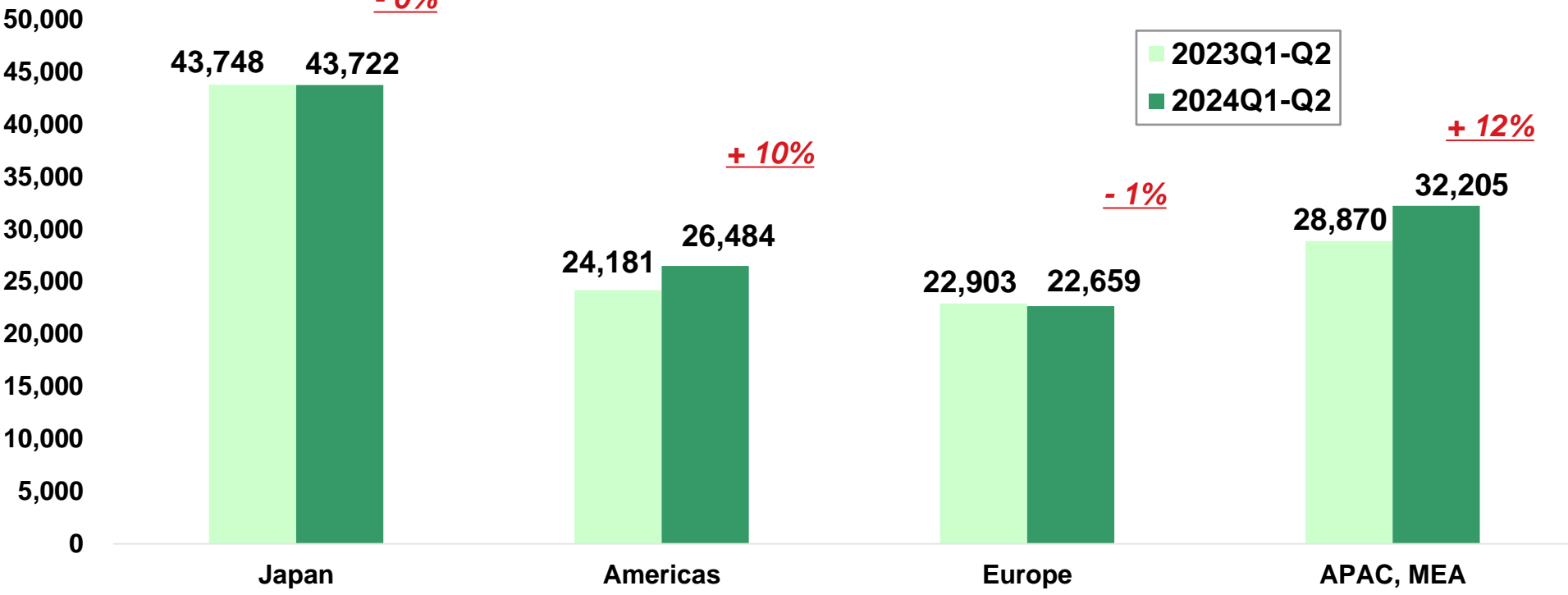
(Non-GAAP)

“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(unaudited)

If currency exchange rates used for 2023(Q1-Q2) were used for 2024(Q1-Q2):



“Notice”

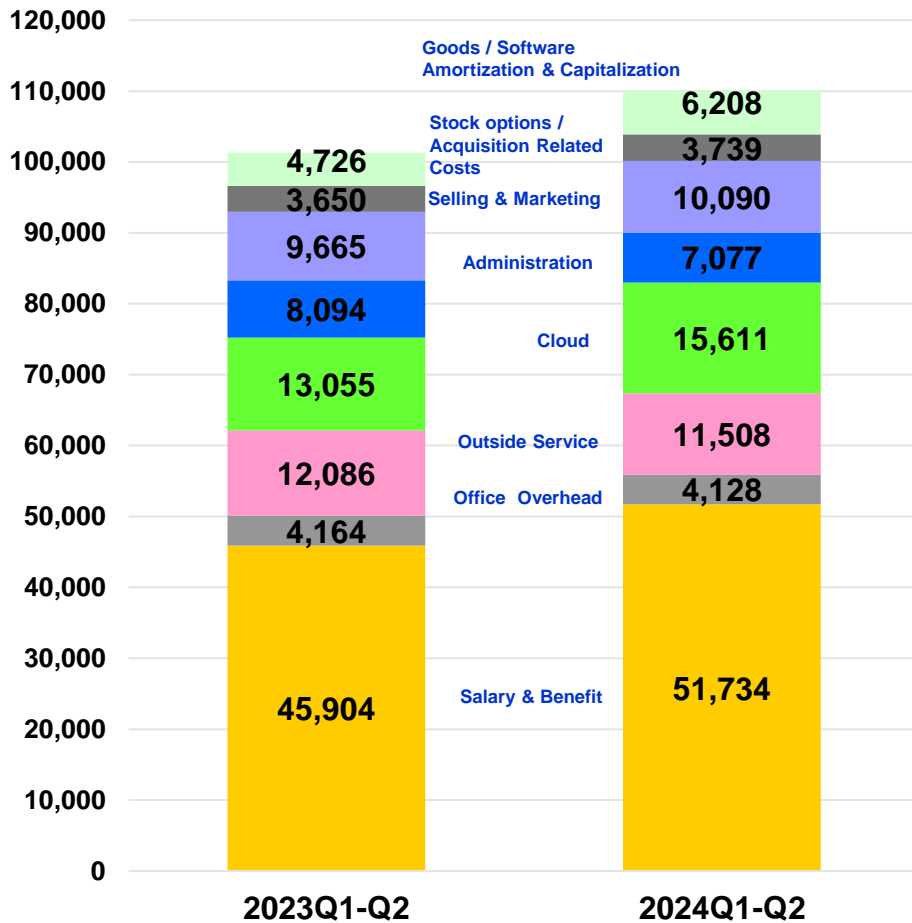
Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance.
As these numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

FY2024 Cost (6 months)

YoY Growth (unaudited)

(in million Yen)



Salary & Benefit	+ 13%
Office Overhead	- 1%
Outside Service	- 5%
Cloud	+ 20%
Administration	- 13%
Selling & Marketing	+ 4%
Stock Options / Acquisition Related Costs	+ 2%
Goods/Software Amortization & Capitalization	+ 31%

Total + 9%

Headcount - 529 (- 7%)

(Non-GAAP)
37



Thank You

Appendix

Quarterly Chart (1)

(unaudited)

(in million Yen)

	FY2023				FY2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	58,704	60,831	64,189	64,965	65,931	68,603		
Cost of sales	14,395	15,107	15,931	18,226	16,015	16,492		
Operating expenses	34,759	37,084	36,832	43,749	37,788	39,802		
Operating income	9,548	8,639	11,424	2,989	12,127	12,308		
Ordinary income	8,979	9,470	13,486	4,245	13,664	12,707		
Net income attributable to owners of the parent	6,374	5,482	950	-2,074	10,754	7,141		
(Costs)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Goods / Software Amortization & Capitalization	1,772	2,953	3,647	5,338	2,899	3,309		
Stock option cost	1,136	775	-127	1,814	946	742		
Acquisition related costs	704	1,033	1,041	1,037	1,022	1,027		
Selling & Marketing	4,271	5,393	5,481	7,393	4,435	5,654		
Administration	4,396	3,697	3,534	4,213	3,935	3,141		
Cloud	6,331	6,724	7,075	7,196	7,734	7,877		
Outside service	6,049	6,036	5,991	6,958	5,851	5,657		
Office overhead	2,076	2,088	2,239	2,346	2,087	2,041		
Salary & Benefit	22,415	23,489	23,879	25,677	24,891	26,842		
Total	49,155	52,192	52,764	61,975	53,803	56,294		
The number of employees	7,624	7,582	7,540	7,432	7,183	7,053		
Applied rate to yen (US\$)	132.40	137.61	144.80	147.84	148.58	155.91		
Applied rate to yen (Euro)	142.06	149.56	157.30	159.02	161.29	167.89		

Appendix

Quarterly Chart (2)

(unaudited)

(in million Yen)

(Sales by region)	FY2023				FY2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	20,914	20,689	20,551	20,846	21,361	21,295		
Americas	13,446	14,065	15,389	14,742	14,388	14,899		
Europe	11,012	12,440	13,359	13,831	13,679	14,882		
APAC, Middle East and Africa	13,330	13,637	14,888	15,544	16,501	17,526		
Total	58,704	60,831	64,189	64,965	65,931	68,603		
(Sales by segment)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All Enterprise	45,120	47,218	50,563	50,853	52,056	54,654		
Consumer	13,583	13,613	13,625	14,111	13,875	13,948		
Total	58,704	60,831	64,189	64,965	65,931	68,603		
(Pre-GAAP by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	23,584	20,163	20,421	20,703	23,437	20,284		
Americas	10,893	13,288	14,159	17,044	13,840	16,032		
Europe	9,858	13,044	12,753	25,684	11,135	14,359		
APAC, Middle East and Africa	13,633	15,236	16,902	21,788	17,042	18,619		
Total	57,970	61,733	64,236	85,220	65,456	69,296		

“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.**