Trend Micro Reports Solid Q1 Earnings to Kick-Off 2020

Despite increased global economic uncertainty first quarter sees growth across entire portfolio and across all geographies

DALLAS--(BUSINESS WIRE)--Trend Micro Incorporated (TYO: 4704; TSE: 4704), a global leader in cybersecurity solutions, today announced earnings results for the first quarter of fiscal year 2020, ending March 31, 2020.

In Q1 2020, Trend Micro's net sales maintained a stable increase, with a 9% year-over-year growth rate at constant currency, supported by growth across the company's entire portfolio and all geographic regions. The company grew its commercial business, driven by a 15% year-over-year growth of gross sales at constant currency of its key focus area, Hybrid Infrastructure Protection. This leadership position is more important than ever for supporting customers transitioning new applications to the cloud to meet their business objectives during this state of disruption.

The accelerated transition of commercial customers moving to SaaS-based solutions continued. SaaS deployed instance grew at a rate of 59% year-over-year as more businesses seek the flexible licensing and simplified deployment that SaaS-based solutions provide. A number of socioeconomic factors across the globe drove an increased interest in Trend Micro with customers seeking support in digital transformation initiatives, including but not limited to the multi-layer approach needed to secure enterprise-wide remote work.

"The global coronavirus pandemic is affecting families, communities, organizations – indeed, it affects our perspective and our very way of life," said Eva Chen, co-founder and chief executive officer for Trend Micro. "In the midst of these difficult times, I am very touched and proud of how our employees are engaging in generous acts of community support while maintaining dedication to both customer success and cloud excellence. These quarterly results truly reflect our dedication to making the digital world safer, and our part in helping to make the physical world a better place."

For the first quarter, Trend Micro posted consolidated net sales of 42,125 million Yen (or US $386 million, 108.86 JPY = 1USD). The company posted operating income of 10,119 million Yen (or US $92 million) and net income attributable to owners of the parent of 8,861 million Yen (or US $81 million) for the quarter.

The company will not revise expected consolidated results for the full fiscal year ending December 31, 2020 (released on February 18, 2020). Based on information currently available to the company, consolidated net sales for the year ending December 31, 2020 is expected to be 174,200 million Yen (or US $1,598 million, based on an exchange rate of 109 JPY = 1 USD). Operating income and net income are expected to be 37,700 million Yen (or US $345 million) and 27,300 million Yen (or US $250 million), respectively.

Key business updates in Q1

Community support during COVID-19:

In Q1, the company focused on allocating resources to help our customers and communities remain safe in these challenging times. A dedicated resource center was launched that highlights free security tools, informational resources, and regularly updated threat intelligence regarding COVID-19 attacks. Organizations have found this resource helpful, with over 1,700 organizations taking advantage of Trend Micro's free work from home assistance program.

Clear leadership in cloud and container security:

Trend Micro's strategy has always been focused on ensuring cloud security without disrupting how customers need to do business. Following the Q4 2019 acquisition of Cloud Conformity, Trend Micro can secure more cloud services and can resolve frequently overlooked security issues caused by cloud infrastructure misconfiguration. In Q1 2020, Trend Micro Conformity identified an average of 840 million misconfigurations per day across more than 630 rules.

Keeping strong momentum in enterprise detection and response:

Forrester Research declared Trend Micro a "leader" in enterprise detection and response (EDR)" in The Forrester Wave™: Enterprise Detection and Response, Q1 2020. In their 14-criteria evaluation of enterprise detection and response (EDR) providers, Forrester evaluated 12 security vendors in three distinct areas: current offering, strategy, and market presence. Trend Micro earned the highest possible score in the "endpoint telemetry" and "security analytics" criteria (under the current offering category), the "product vision" and "performance" criteria (under the strategy category) and "enterprise clients" and "product line revenue" criteria (under the market presence category).

Maintaining Leadership in IIoT:

In addition to its hybrid cloud momentum, Trend Micro remains dedicated to Industrial Internet of Things (IIoT) security and announced its collaboration with Baker Hughes' Nexus Controls operational technology (OT) security experts. Together the

announced its collaboration with Baker Hughes' Nexus Controls operational technology (OT) security experts. Together the companies aim to provide comprehensive, industry leading guidance and support for enterprises running critical OT environments. IIoT is expanding rapidly and is predicted to add $14.2 trillion to the global economy by 2030. Under the terms of the agreement, Trend Micro and Baker Hughes plan to work together to help mitigate these and other cyber-risks in support of IT and security leaders looking to drive digital transformation success.

In its research paper, “Caught in the Act: Running a Realistic Factory Honeypot to Capture Real Threats,” Trend Micro Research created a factory honeypot to lure malicious attackers. During the six-month project, this highly sophisticated OT honeypot attracted fraud and financially motivated exploits. Additionally, Trend Micro’s Zero Day Initiative held its first IIoT Pwn2Own contest, hosted in Miami during the S4 conference. Security researchers demonstrated exploits using new vulnerabilities, earning a total of $280,000.

World-leading threat research:

Trend Micro Research analyzed 2019’s most notable threats across multiple attack surfaces, including business environments, mobile devices, and cloud-based email services. In total, Trend Micro blocked more than 52 billion threats in 2019. Ransomware continued to be a mainstay cyber threat last year, with a 10% increase in ransomware detections, despite a 57% decrease in the number of new ransomware families. The healthcare sector remained the most targeted industry by 2019 cyber threats, with more than 700 providers affected in 2019. Additionally, at least 110 US state and municipal governments and agencies fell victim to ransomware.

In addition, the company successfully blocked 13 million high-risk email threats last year for customers leveraging cloud-based email services from Microsoft and Google. For mobile devices, Trend Micro Research has observed mobile cyberespionage campaigns have increased by an astronomical 1,400% over the past four years.

In Q1 2020, the Trend Micro Zero Day Initiated hosted the first-ever remote Pwn2Own Vancouver competition. In two days of virtual attempts, researchers earned $270,000 for demonstrating exploits leveraging a total of 13 new vulnerabilities. The annual competition challenges the world’s top vulnerability researchers to test some of the most popular enterprise software and systems to improve their overall security and drive continued research in the areas most critical to Trend Micro customers.

New patents filed:

Trend Micro was awarded the following patents in Q4 2019:

Patent No.	Issue Date	Title
10530788	1/7/2020	Detection and prevention of malicious remote file operations
10528737	1/7/2020	Randomized Heap Allocation
10528732	1/7/2020	Identifying a Signature for a Data Set
10554691	2/4/2020	Security Policy Based on Risk
10608902	3/31/2020	Organizing and Storing Network Communications

Notice Regarding Forward-Looking Statements

Certain statements that are made in this release are forward-looking statements. These forward-looking statements are based on management's current assumptions and beliefs in light of the information currently available, but involve known and unknown risks and uncertainties. Many important factors could cause actual results to differ materially from those expressed in forward-looking statements. These factors include:

- Difficulties in addressing new threats and other computer security problems
- Timing of new product introductions and lack of market acceptance for new products
- The level of continuing demand for, and timing of sales of, existing products
- Rapid technological change within the security software industry
- Changes in customer needs for security software
- Existing products and new product introductions by competitors and pricing of those products
- Declining prices for products and services
- The effect of future acquisitions on our financial condition and results of operations
- The effect of adverse economic trends on 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
- New and potentially unforeseen risks and liabilities associated with the internet of things, the use of artificial intelligence in our products and services, and other emerging technologies

About Trend Micro

Trend Micro, a global leader in cybersecurity, helps make the world safe for exchanging digital information. Leveraging over 30 years of security expertise, global threat research, and continuous innovation, Trend Micro enables resilience for businesses, governments, and consumers with connected solutions across cloud workloads, endpoints, email, IIoT, and networks.

Our XGen™ security strategy powers our solutions with a cross-generational blend of threat-defense techniques that are optimized for key environments and leverage shared threat intelligence for better, faster protection.

With over 6,700 employees in 65 countries, and the world's most advanced global threat research and intelligence, Trend Micro enables organizations to secure their connected world. www.trendmicro.com

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