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TREND MICRO

Trend Micro
FY2009.4Q / Annual Results

Mahendra Negi COO/CFO, Representative Director

February 18,2010

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.

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FY2009. 4Q Financial Highlight

（Fourth quarter ended December 31, 2009）

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Consolidated Results

(in million Yen) (unaudited)

Three months ended Dec 31,	4Q2008		4Q2009		YoY growth
Net sales	24,030		24,339		+ 1%
Cost of sales	3,646		4,263		+ 17%
Operating expenses	13,053		12,595		- 4%
Operating income *(Margin)*	7,330	*(31%)*	7,479	*(31%)*	+ 2%
Ordinary income	7,652		7,640		- 0%
Net income	4,854		3,568		- 26%

(In accordance with Japan GAAP)

Amount of contracts concluded

Bookings	21,680	27,068	+ 25%
		(In case of excluding a foreign exchange impact)	- 1%

(Non-GAAP)

If currency exchange rates used for 4Q2008 were used for 4Q2009

Net sales	24,030	24,313	+ 1%

** The JPY amount for 4Q2009 shown above has been calculated by applying to each foreign currency net sales amount for 4Q2009 the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for 4Q2008 into a JPY net sales amount for Japan GAAP reporting purposes.*

(Non-GAAP)

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USD based Results (Non-GAAP)

(unaudited)
(in thousand USD)

Three months ended Dec 31,	4Q2008	4Q2009	YoY change
Net sales	250,158	271,277	8%
Cost of sales	37,958	47,524	25%
Operating expenses	135,887	140,384	3%
Operating income	76,313	83,368	9%
Ordinary income	79,664	85,156	7%
Net Income	50,535	39,778	-21%

(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=96.06 JPY for 4Q2008 and 1 USD =89.72 JPY for 4Q2009, respectively, which are the respective weighted average exchange rates used to convert USD net sales to JPY for these quarters.

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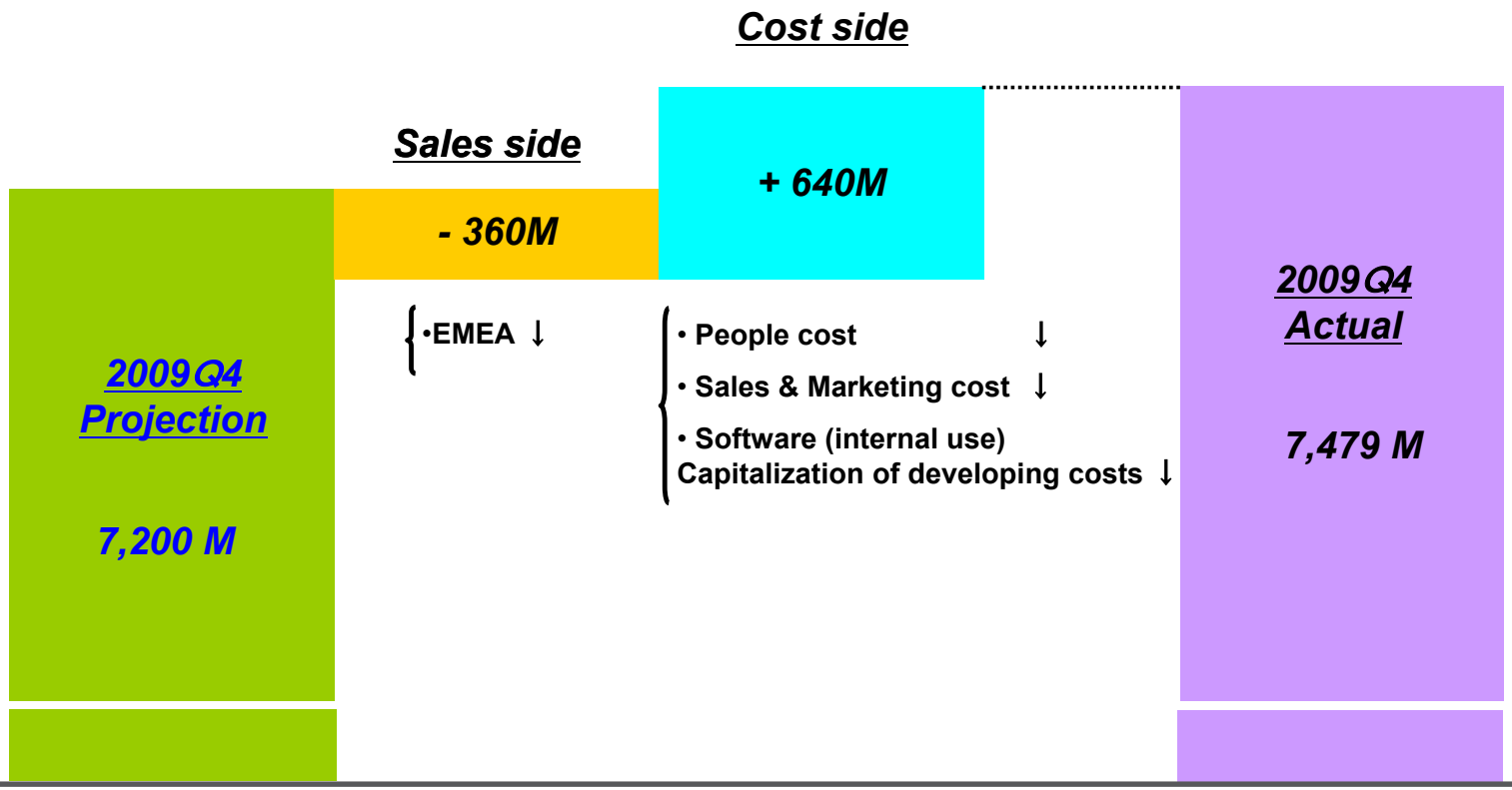
Vs. Projection analysis （Operating income）

(unaudited)



(Non-GAAP)

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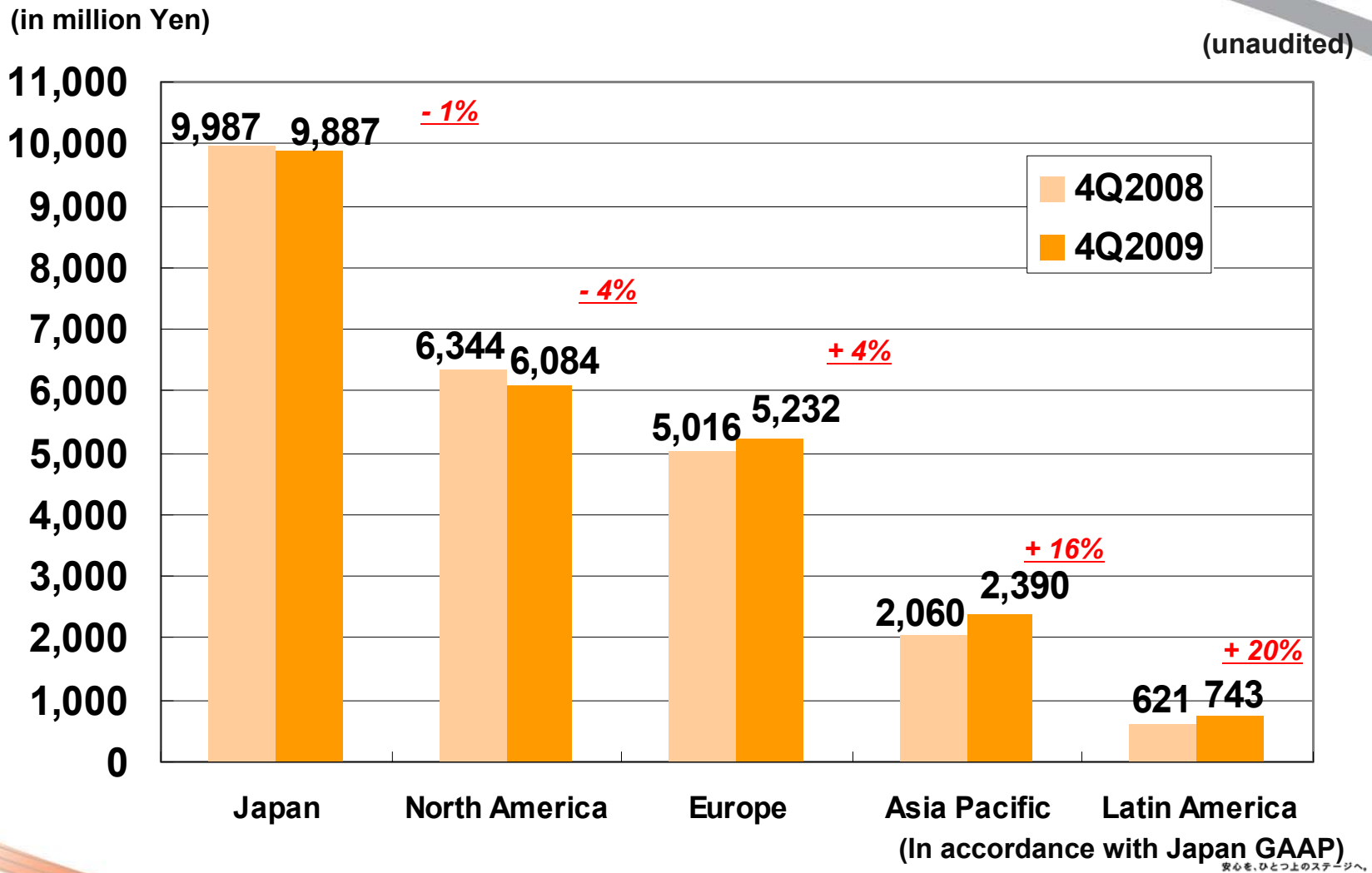
Net Sales Growth by Region



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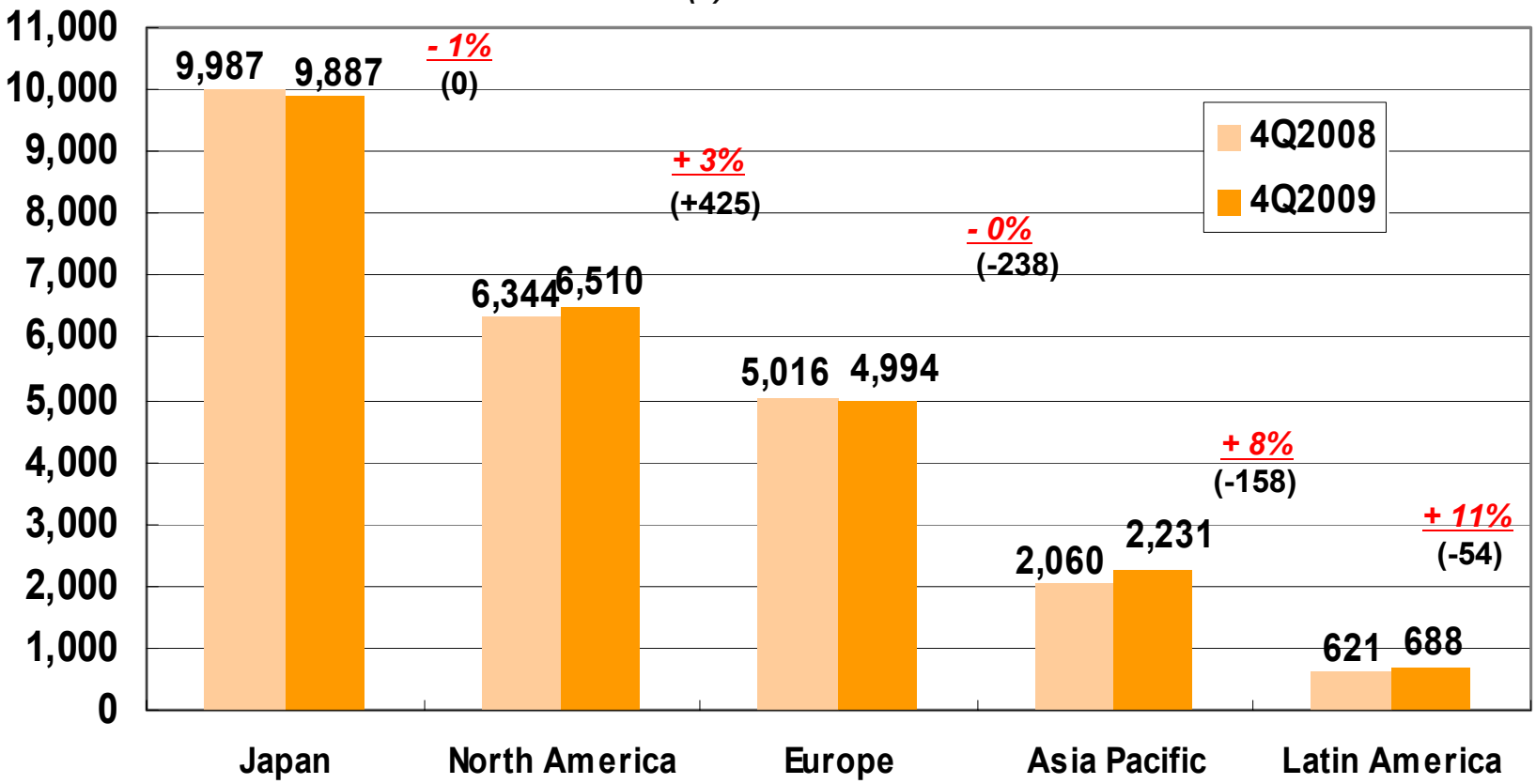
Net Sales Growth by Region

If currency exchange rates used for 4Q2008 were used for 4Q2009:

(in million Yen) (unaudited)

*( ) : difference from GAAP base



(Non-GAAP)

** Each JPY amount for 4Q2009 shown above has been calculated by applying to the relevant foreign currency net sales amount for 4Q2009 the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for 4Q2008 into a JPY net sales amount for Japan GAAP reporting purposes. Net sales in Europe were all reported in Euro. Net sales in Asia Pacific and Latin America were reported in more than one foreign currency.*

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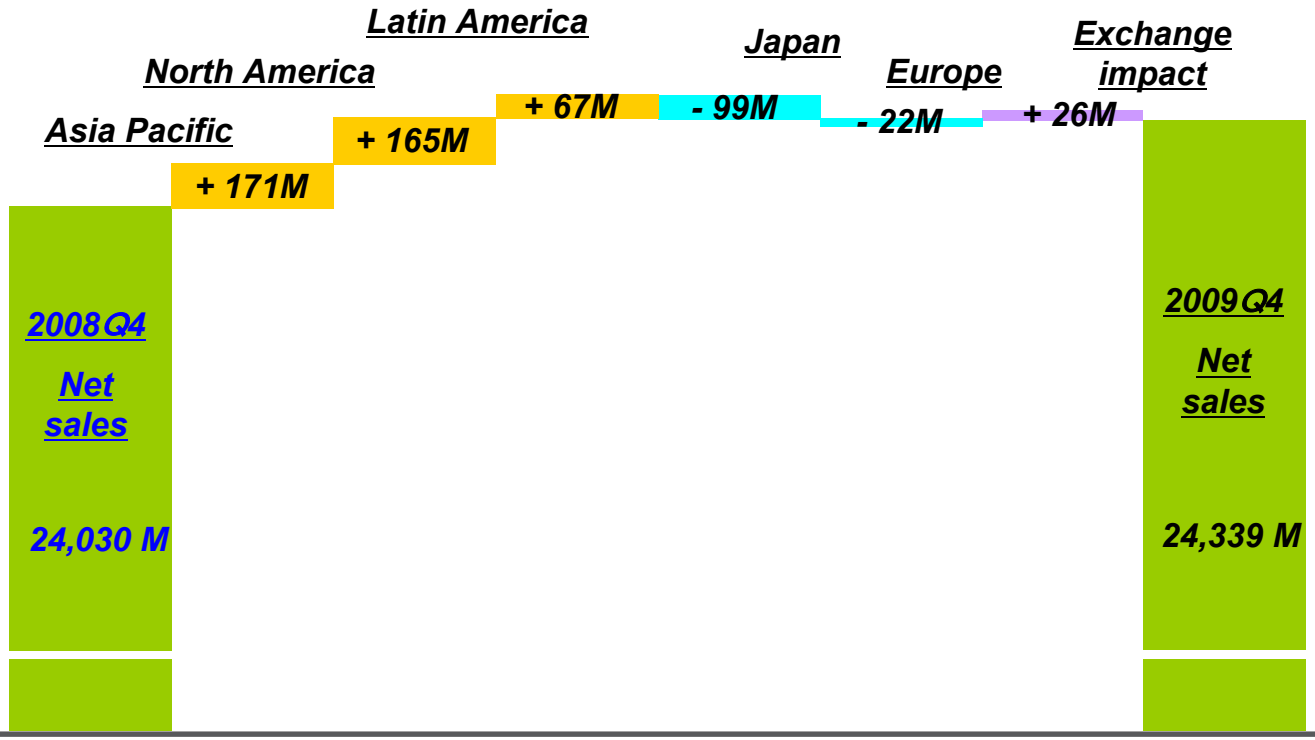
Decomposition of Revenue（vs Last year）

(unaudited)



(Non-GAAP)

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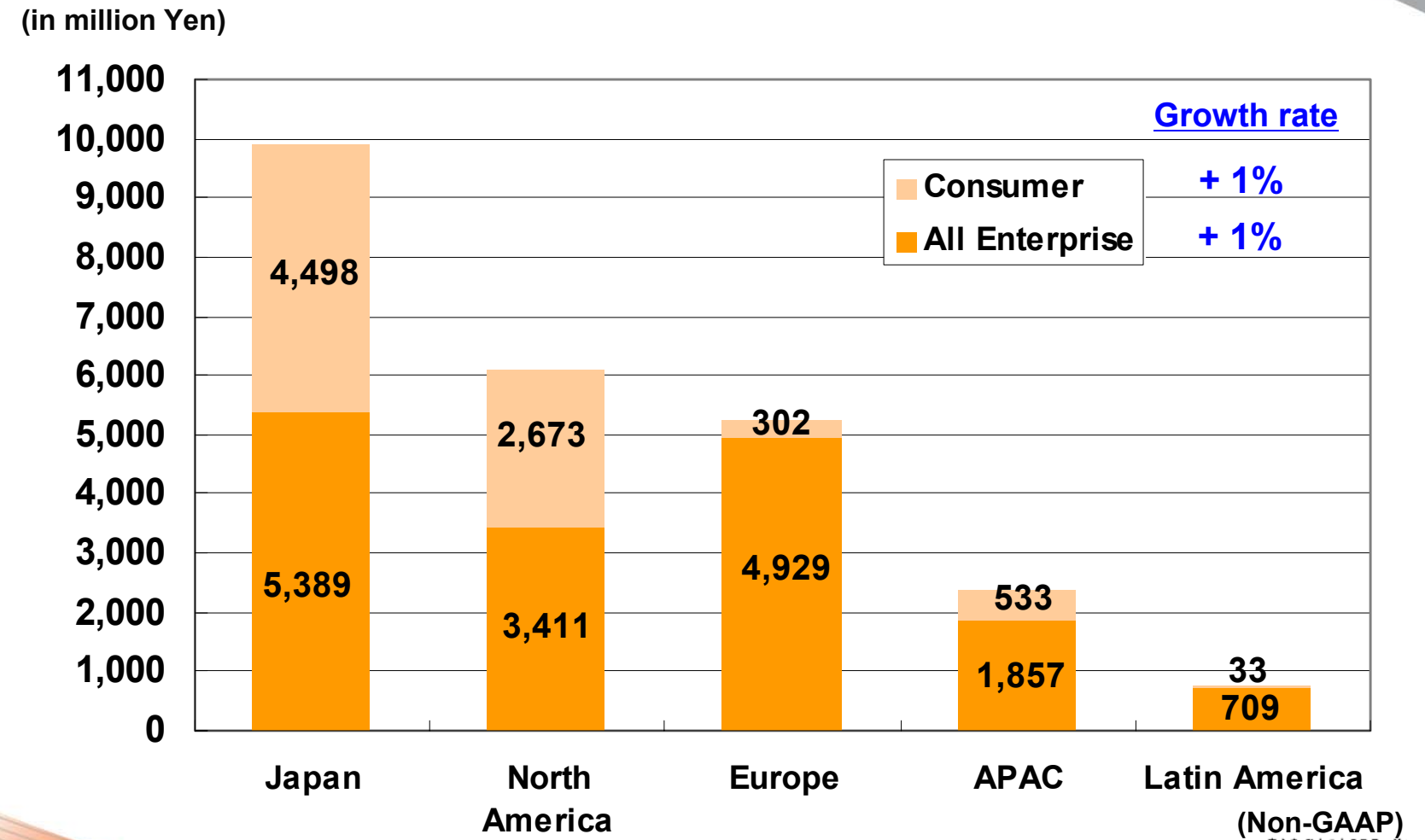
Sales by Segment



(Non-GAAP)

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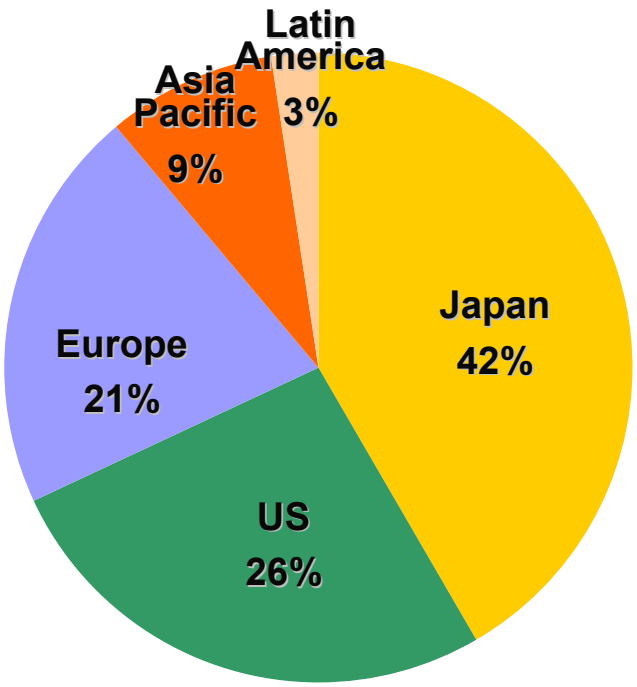
% share by region

(unaudited)

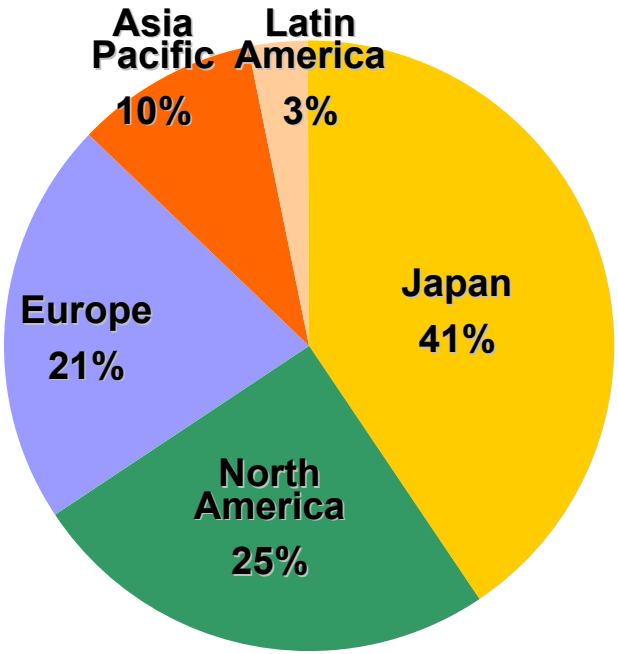
4Q2008

24,030 million Yen



4Q2009

24,339 million Yen



(In accordance with Japan GAAP)

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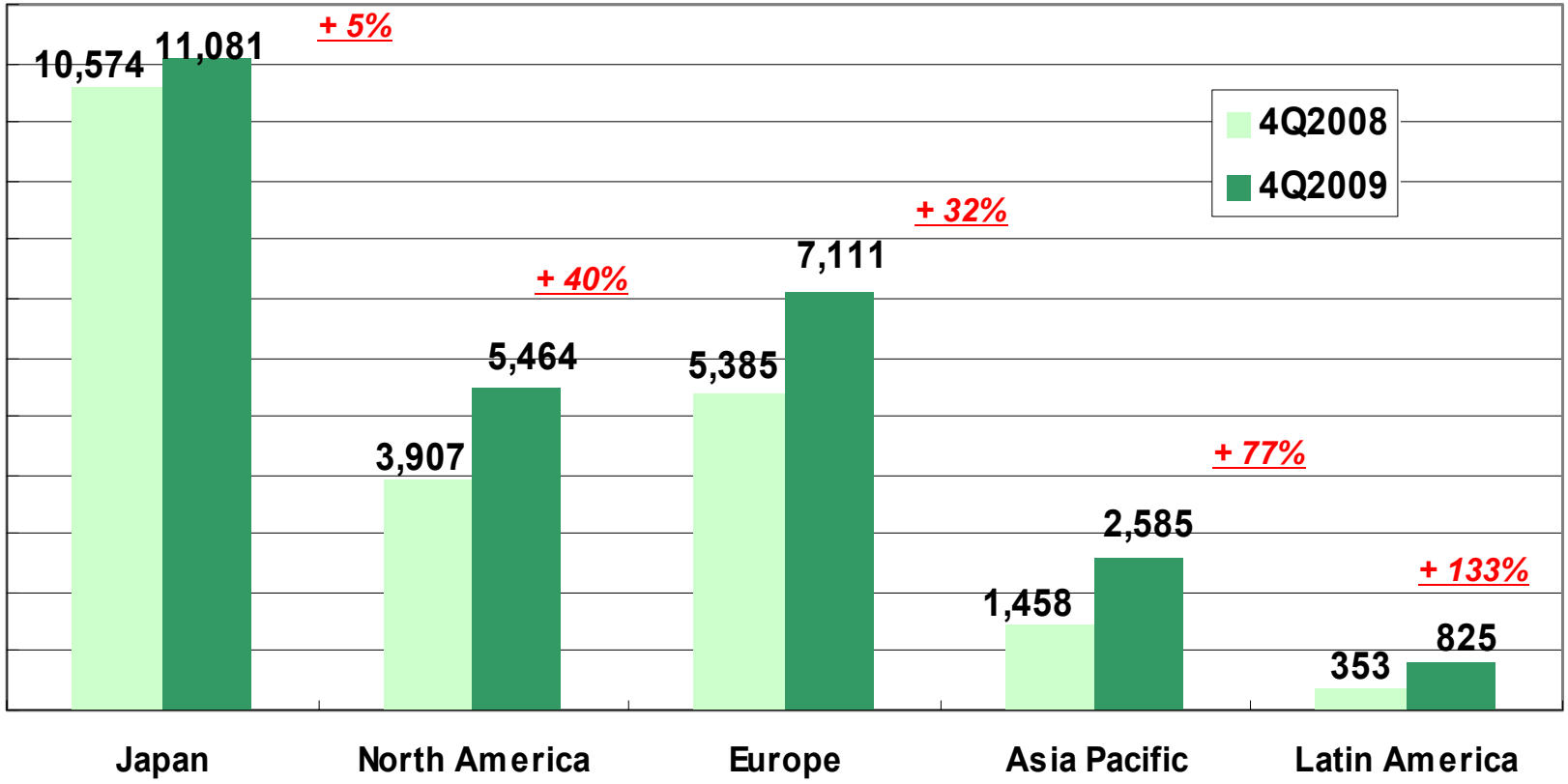
Bookings (Amount of contracts concluded)

(in million Yen)

(unaudited)



(Non-GAAP)

*Bookings = Net sales + Deferred revenue balance as of this Q – Deferred revenue balance as of previous Q

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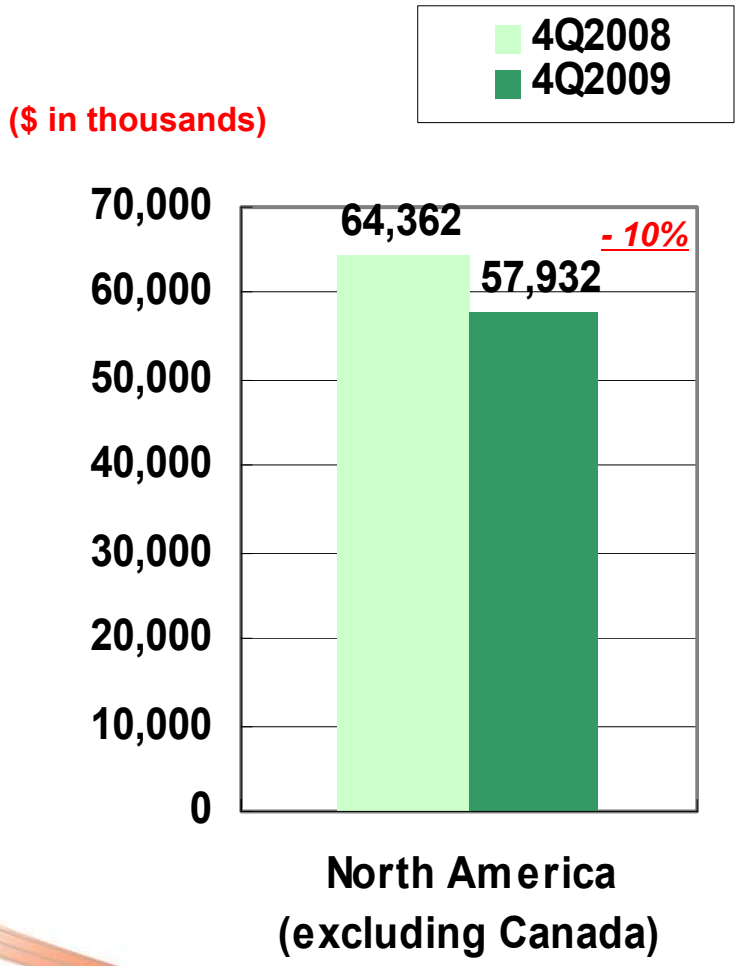
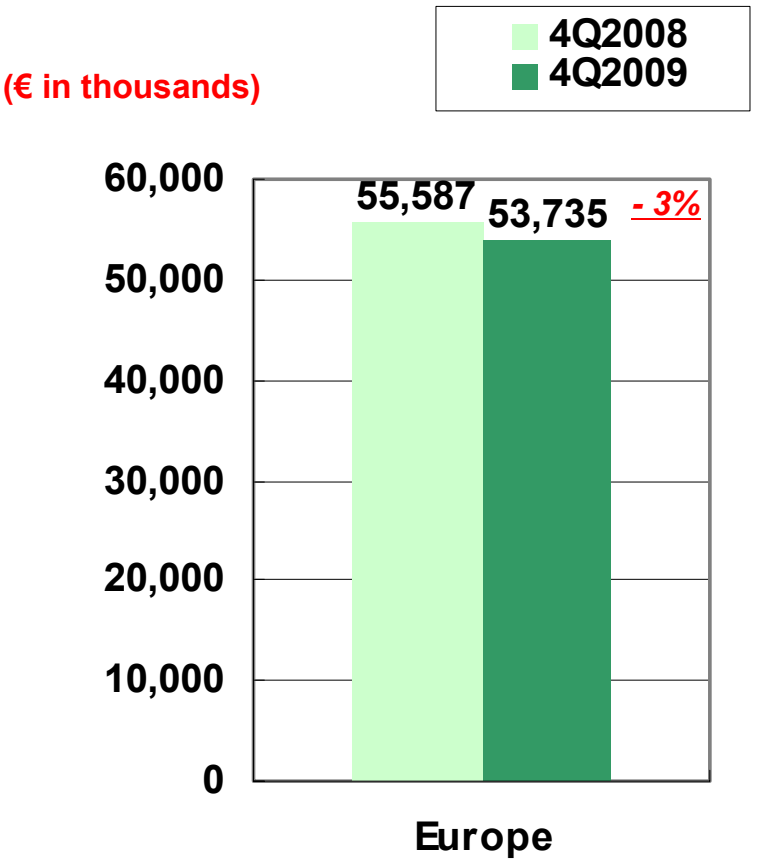
Local currency based Bookings (US, Europe)

North America (*excluding Canada) Bookings in $ and EMEA Bookings in €

(unaudited)





(Non-GAAP)

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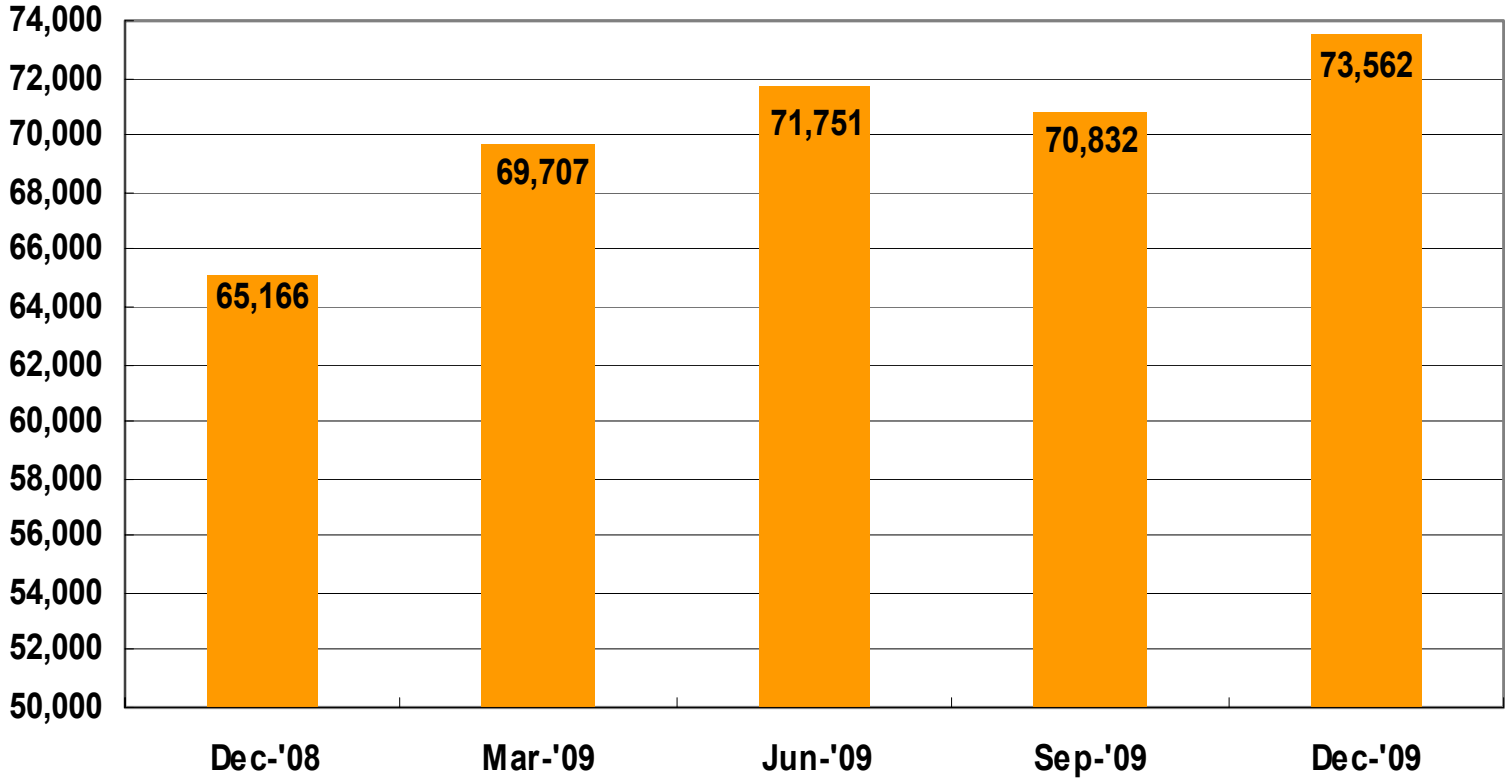
Deferred Revenue

(unaudited)

(in million Yen)

* Total of current and long term



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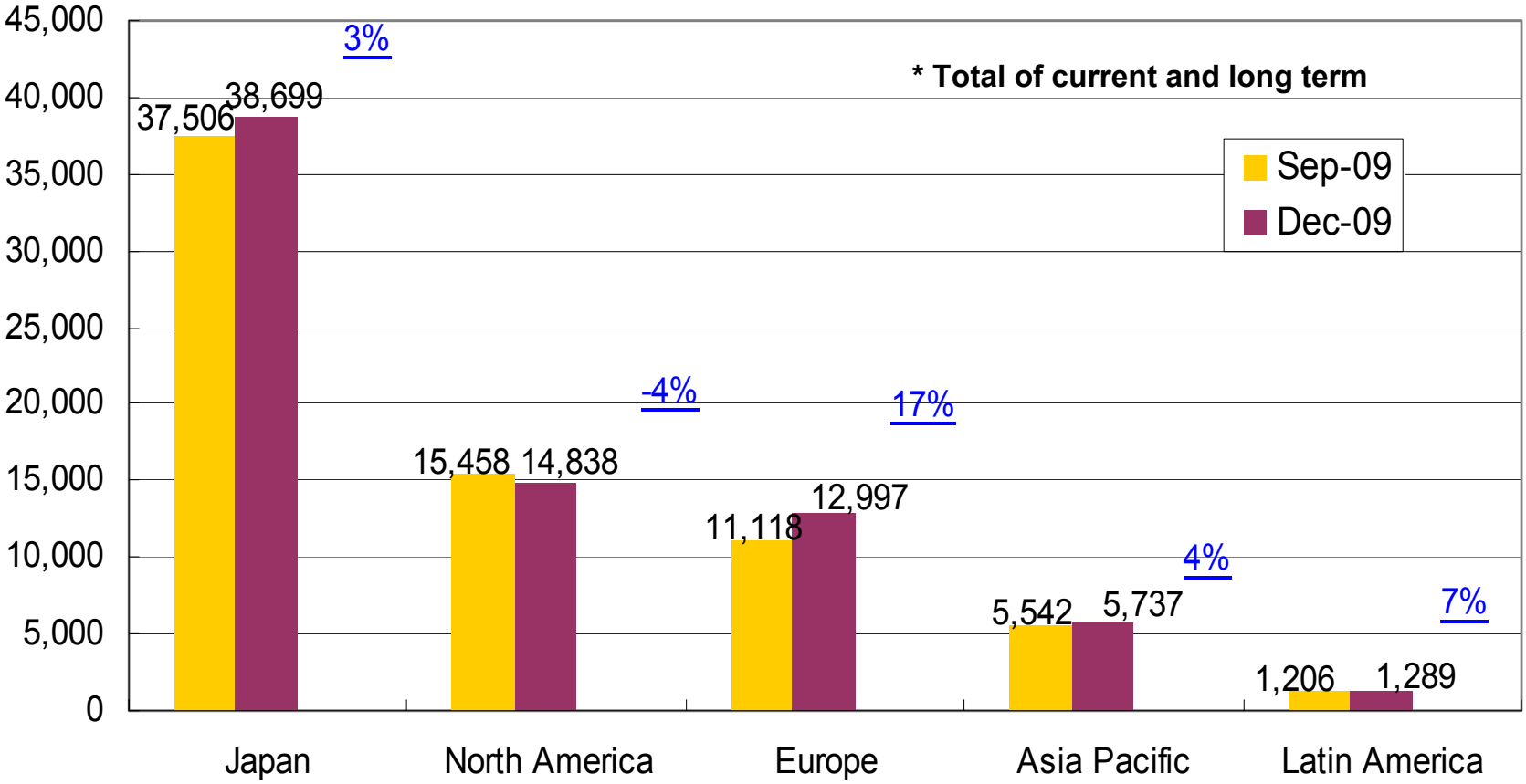
Deferred Revenue by Region

(in million Yen)

(unaudited)



(In accordance with Japan GAAP)

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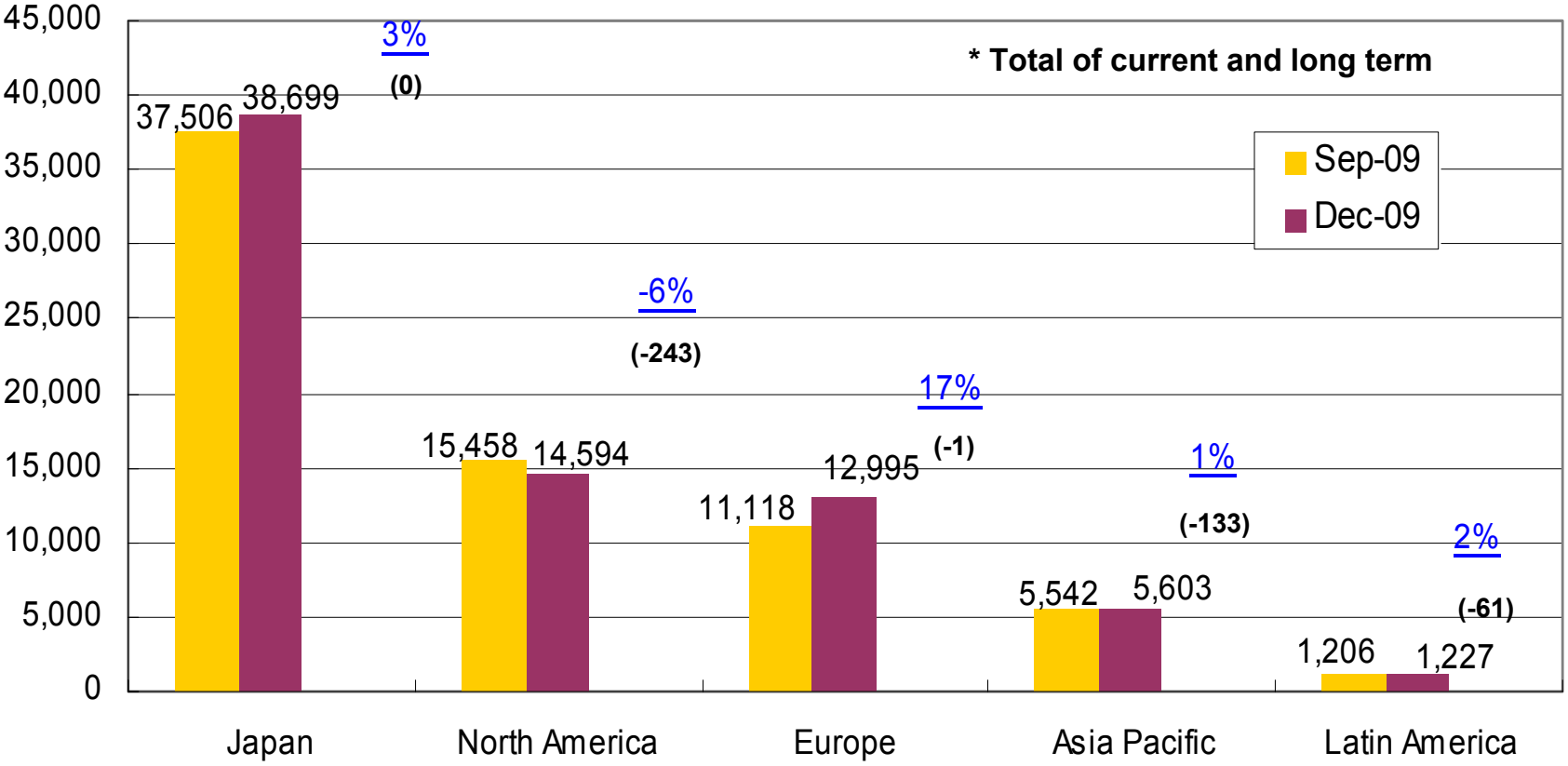
Deferred Revenue by Region

If currency exchange rates used as of the end of 3Q2009 were used as of the end of 4Q2009:

(unaudited)

(in million Yen)

**** ( ) : difference from GAAP base***



(Non-GAAP)

**** Each JPY amount as of the end of 4Q2009 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 3Q2009 the exchange rate between such foreign currency and JPY that was used to convert the deferred revenue amount denominated in such foreign currency as of the end of 3Q2009 into a JPY deferred revenue amount for Japan GAAP reporting purposes. Deferred revenue of Europe were all reported in Euro. Deferred revenues of Asia Pacific and Latin America were reported in more than one foreign currency.***

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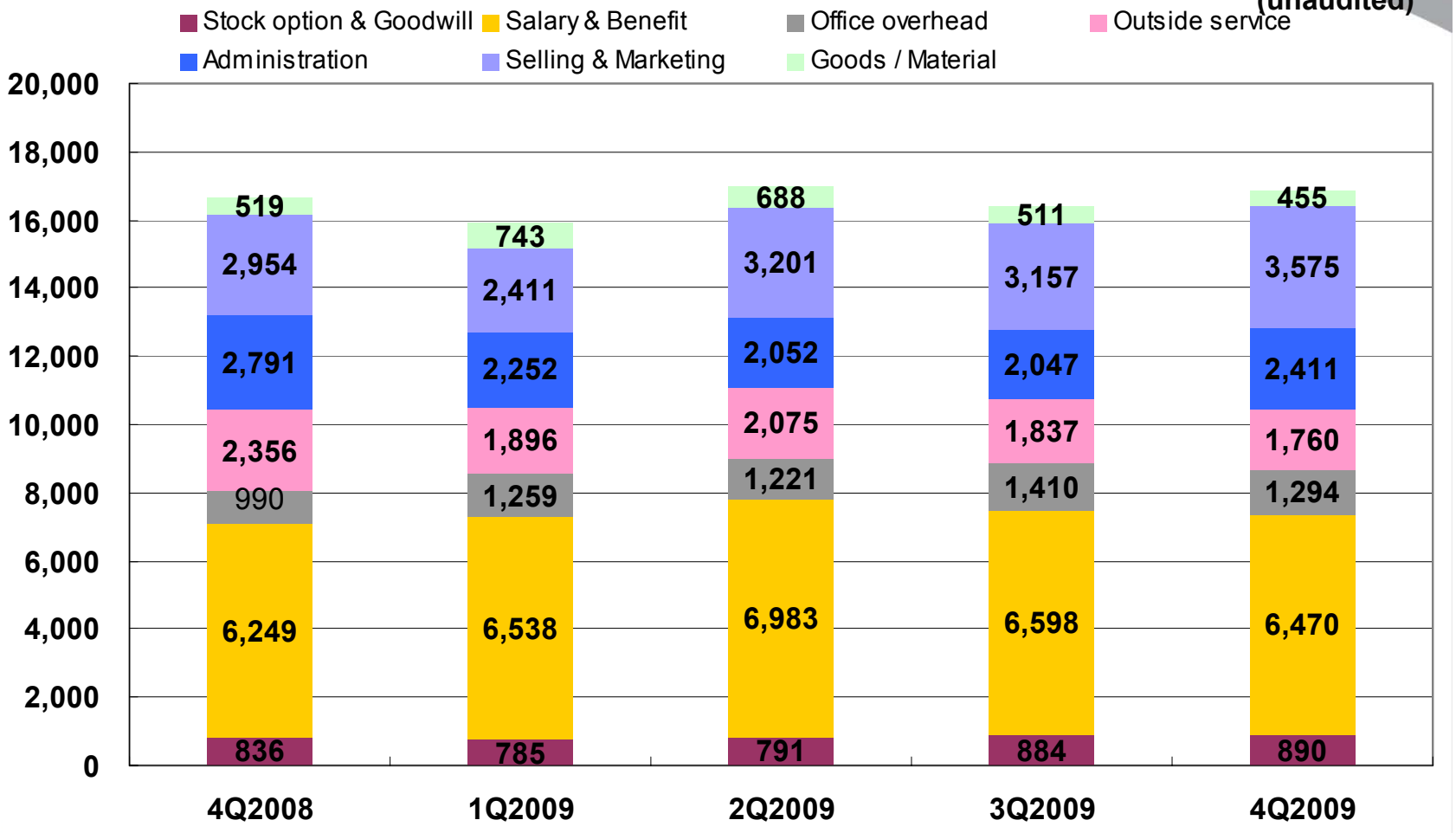
Cost

(in million Yen)

(unaudited)



(Non-GAAP)

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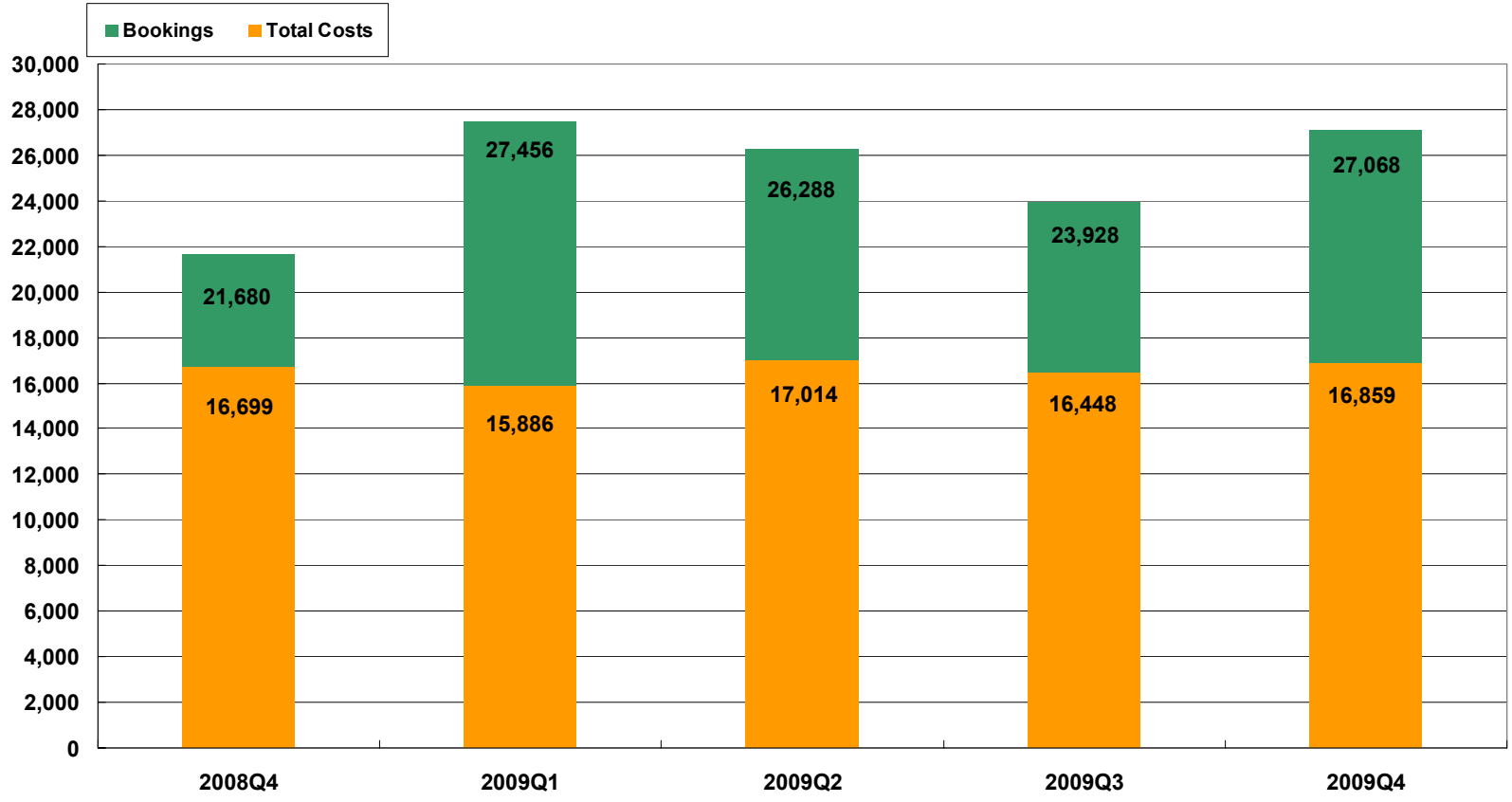
Bookings vs Total costs

(in million Yen)

(unaudited)



(Non-GAAP)

* *"Total costs" means COGS + SGA.*

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Cash flows

(unaudited)

(in million Yen)

項目	4Q2008 (Pro-forma)	4Q2009	YoY growth
Cash flows from operating activities	8,623	6,687	- 22%
Cash flows from investing activities	- 5,800	- 14,785	—
Cash flows from financing activities	252	167	—
Effect of exchange rate changes on cash and cash equivalents	- 7,794	744	—
Net increase (decrease) in cash and cash equivalents	- 4,718	- 7,185	—
Cash and cash equivalents at beginning of this quarter period	65,253	65,209	- 0%
Cash and cash equivalents at end of this quarter period	60,535	58,023	- 4%

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Q4 Highlights

- ***New technology helping new customer acquisition***
- ***Margins maintained despite aggressive pricing by competition***

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Q4 Lowlights

- *End of year revenues weaker than expected*
- *Weak performance by Consumer business in N America*
- *Lower number of multiple year deals (affecting bookings / cash flow YoY comparison)*

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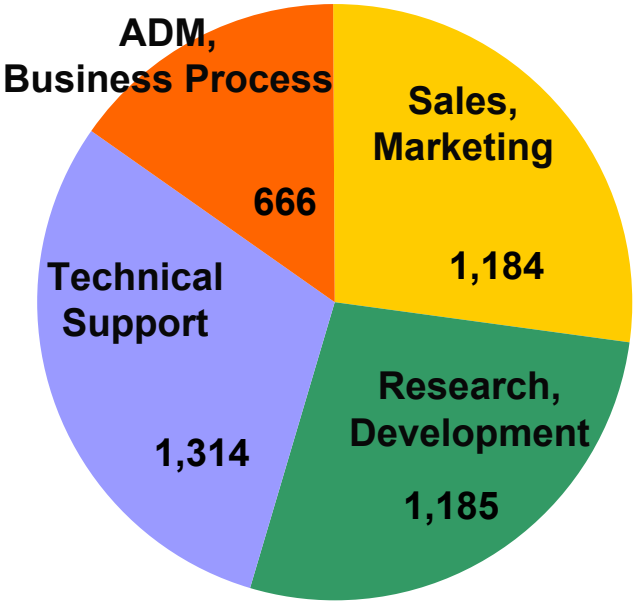
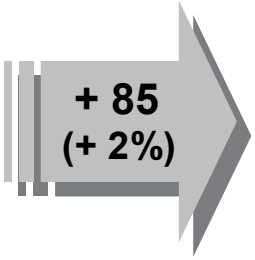
Headcount

Sep - 2009

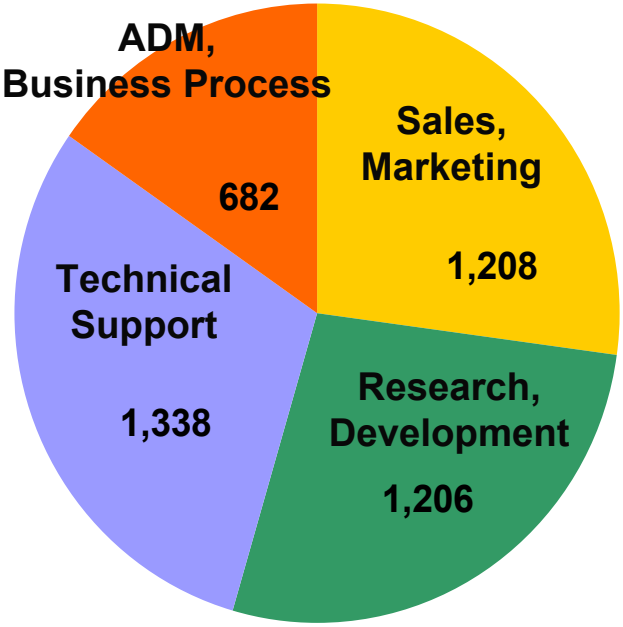
4,349





Dec - 2009

4,434



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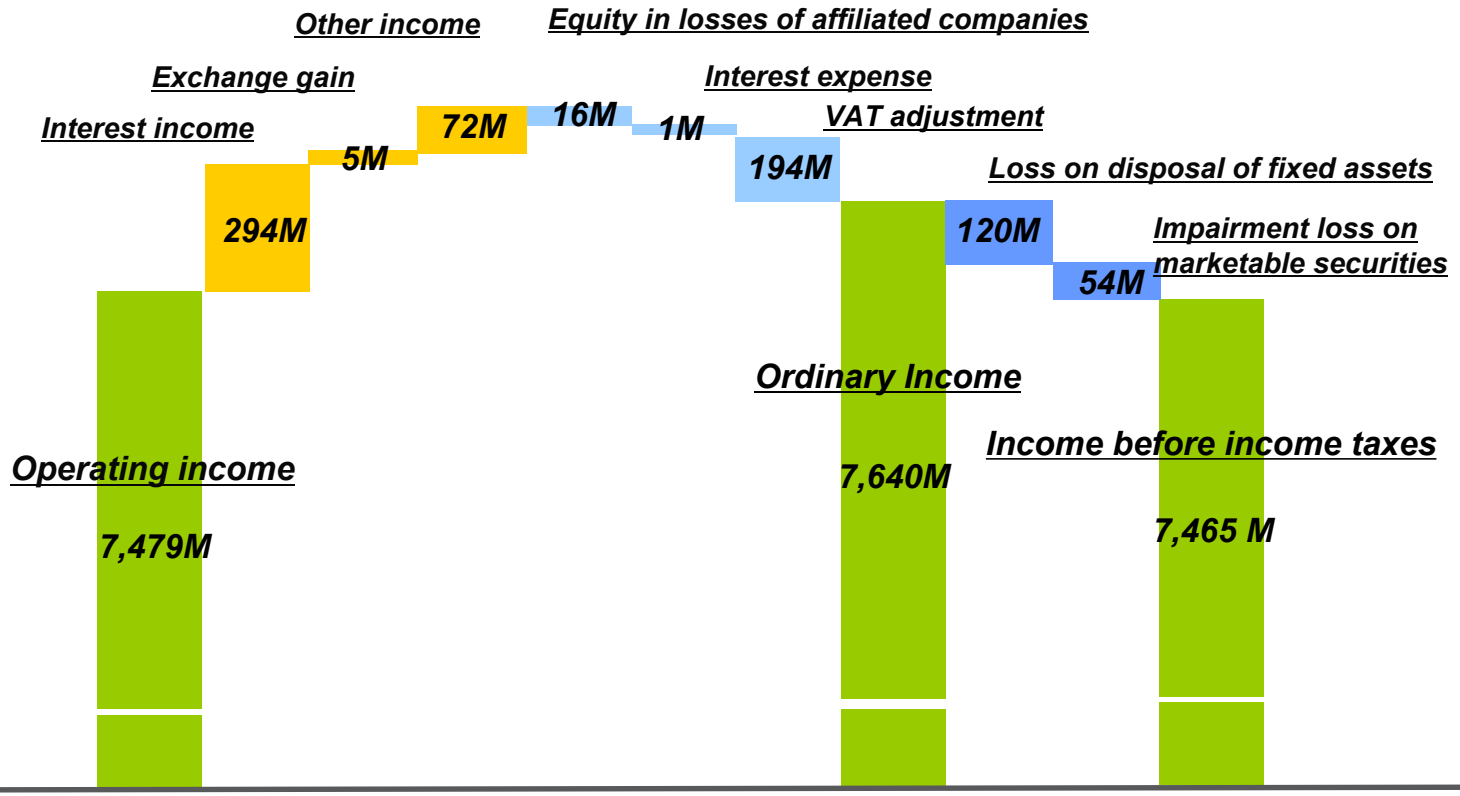
Non-operating & Extra-ordinary Items

(unaudited)



(In accordance with Japan GAAP)

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Specific factors of income tax for Q4

1) The impact of tax payment related to past earnings :

Approximately 500 million yen

2) The impact of the reversal of deferred tax assets relating to overseas stock options :

Approximately 600 million yen

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Balance Sheet

(unaudited)

(in million Yen)

	Sep-2009	change	Dec-2009
Assets			
Cash & cash equivalents	79,928	- 5,657	74,271
Account receivable (less allowance for doubtful accounts)	20,110	+ 2,873	22,983
Marketable securities & Securities investments	53,742	+ 11,370	65,112
Liabilities			
Deferred revenue (total of current and long-term)	70,832	+ 2,730	73,562
Shareholders' Equity			
Common Stock & Additional paid in capital	39,495	+ 0	39,495
Treasury Stock	- 22,340	+ 212	- 22,128

(In accordance with Japan GAAP)

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Snapshot of our CDO investments（Update）

We don't have any CDOs related to RMBS (e.g. Subprime mortgages).

Since the underlying cash flow is intact, we intend to hold till maturity.

Exposure as a % of our "Marketable securities & Securities investments" : 3%

Exposure as a % of our "Cash + Marketable securities & Securities investments" : 1%

(in million Yen)

Name	Vendor	Beginning principal	Market value as of 2009 Dec. 31	Write-down	Unrealized P/L	Loss ratio	Current Rating	Collateral	Maturity date
BERYL FINANCE	Lehman Bro.	1,000	460	- 540		- 54%		Corporate Credit	2010/9/20
SEA CDO limited	Calyon	1,000 (758)	437	- 797	+ 234	- 56%	Ca	Corporate Credit	2010/9/30
SONATA	Calyon	1,000	820	- 610	+ 431	- 18%	CCC	Corporate Credit	2011/3/30
Momentum Limited CMO1	Mizuho	1,000	0	- 1,000		-100%		Corporate Credit	Wiped out
Total		4,000 (3,758)	1,717	- 2,947	+ 665	- 57%			

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FY2009 Annual Financial Highlight

（Full year ended December 31, 2009）

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Consolidated Results (Annual)

(in million Yen) (unaudited)

Fiscal year ended Dec 31,	FY2008		FY2009		YoY growth
Net sales	101,707		96,346		- 5%
Cost of sales	15,748		14,990		- 5%
Operating expenses	54,155		51,218		- 5%
Operating income *(Margin)*	31,803	*(31%)*	30,137	*(31%)*	- 5%
Ordinary income	33,640		31,714		- 6%
Net income	19,247		17,638		- 8%
Earnings per share (Yen)	143.88		132.16		- 8%
Dividend per share (Yen)	97.00		91.00		- 6%

(In accordance with Japan GAAP)

Amount of contracts concluded

Bookings	99,419	104,742	+ 5%

(Non-GAAP)

If currency exchange rates used for FY2008 were used for FY2009

Net sales	101,707	104,316	+ 3%

** The JPY amount for FY2009 shown above has been calculated by applying to each foreign currency net sales amount for FY2009 the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for FY2008 into a JPY net sales amount for Japan GAAP reporting purposes.*

(Non-GAAP)

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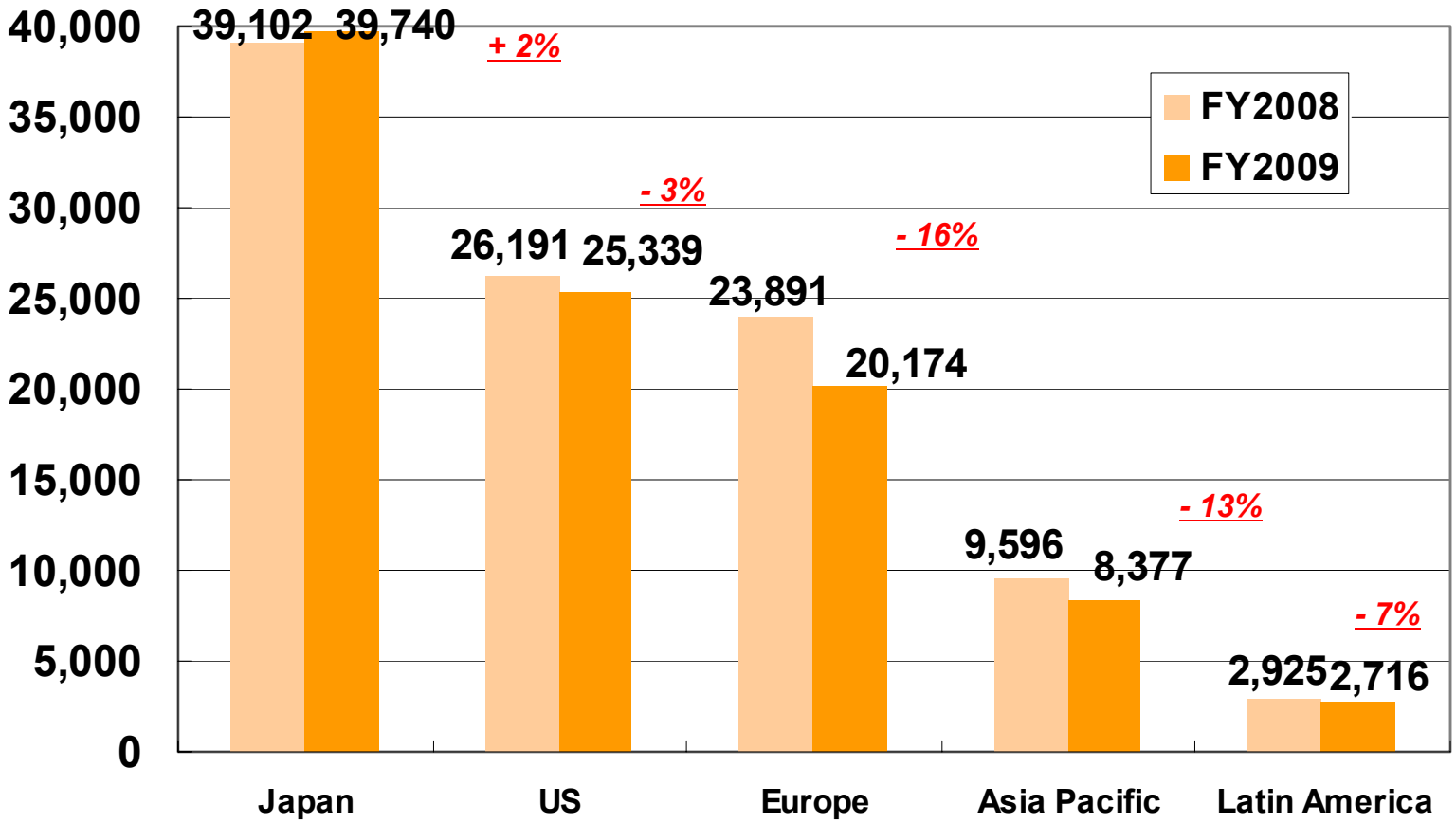
Net Sales Growth by Region

(in million Yen)

(unaudited)



(In accordance with Japan GAAP)

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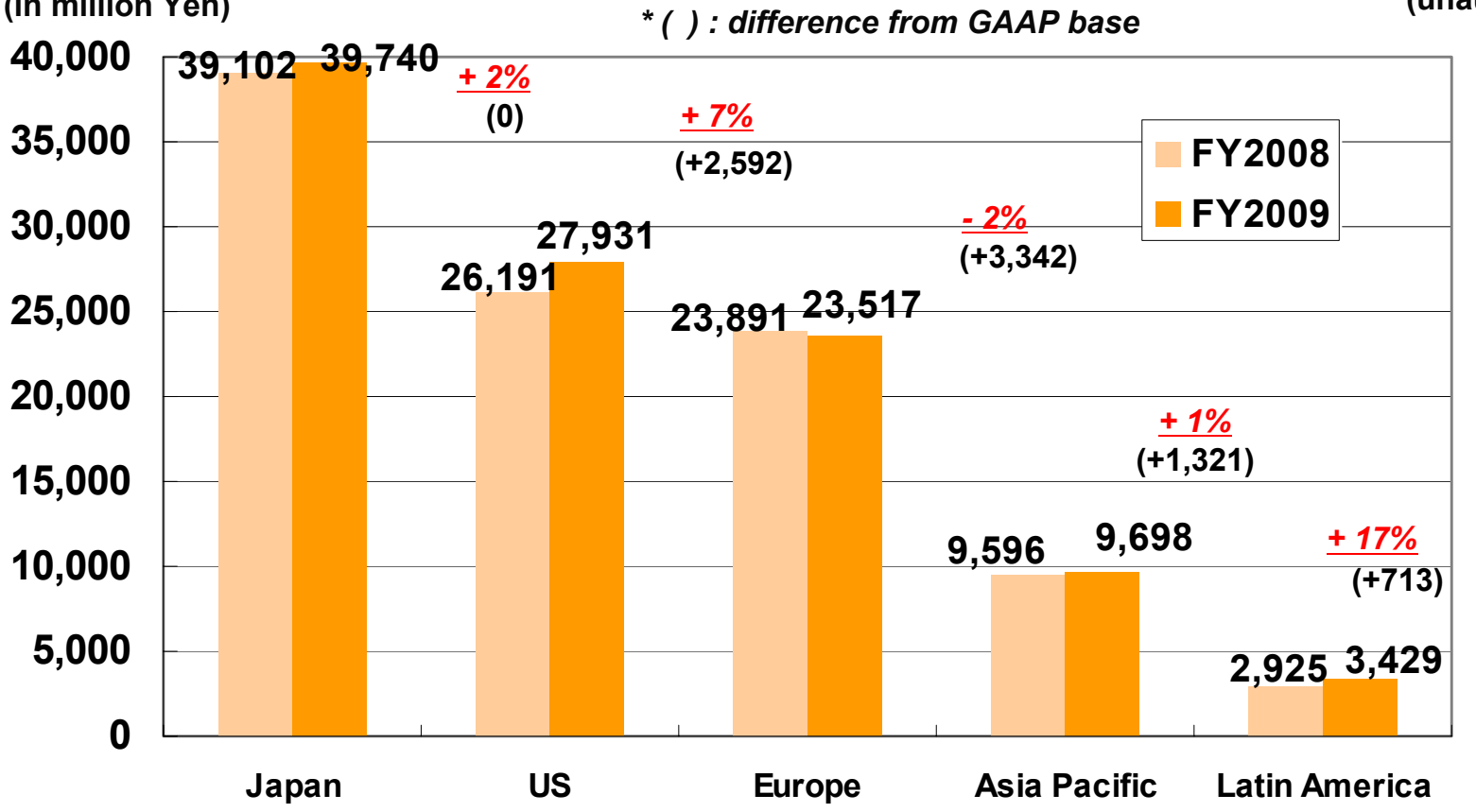
Net Sales Growth by Region

If currency exchange rates used for FY2008 were used for FY2009:

(in million Yen) (unaudited)



(Non-GAAP)

** Each JPY amount for FY2009 shown above has been calculated by applying to the relevant foreign currency net sales amount for FY2009 the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for FY2008 into a JPY net sales amount for Japan GAAP reporting purposes. Net sales in Europe were all reported in Euro. Net sales in Asia Pacific and Latin America were reported in more than one foreign currency.*

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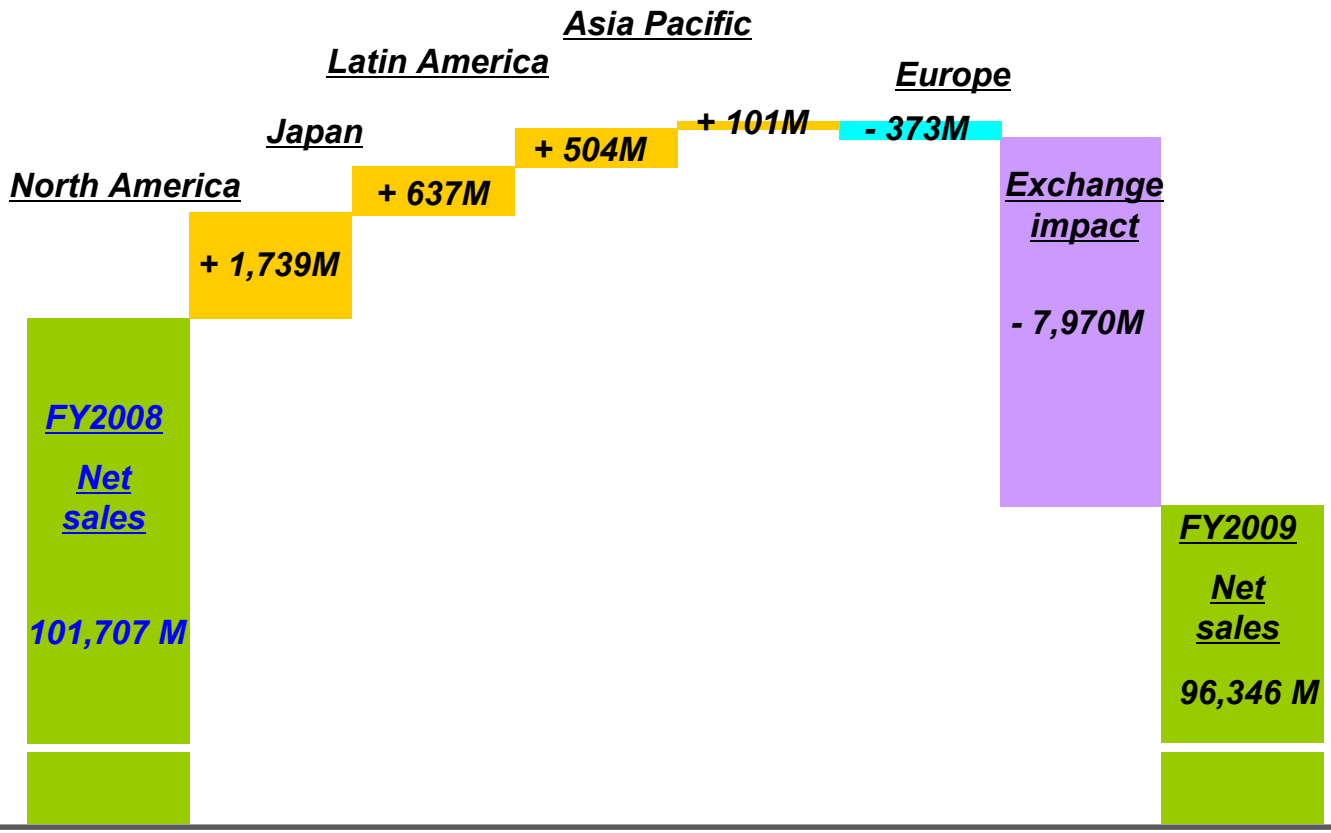
Decomposition of Revenue（vs Last year）

(unaudited)



(Non-GAAP)

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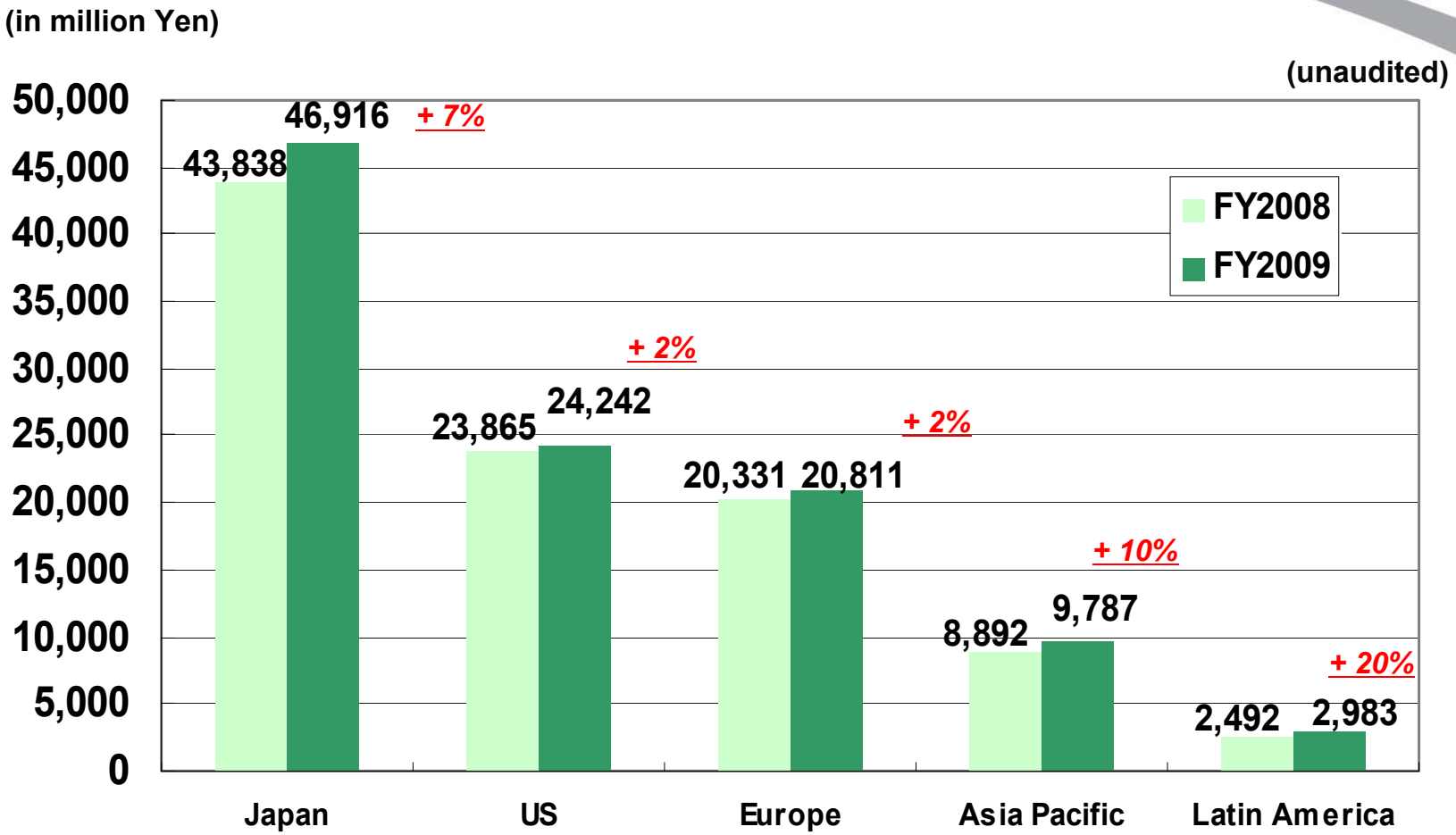
Bookings (Amount of contracts concluded)



* *"Bookings" means amount of contracts concluded.*

(Non-GAAP)

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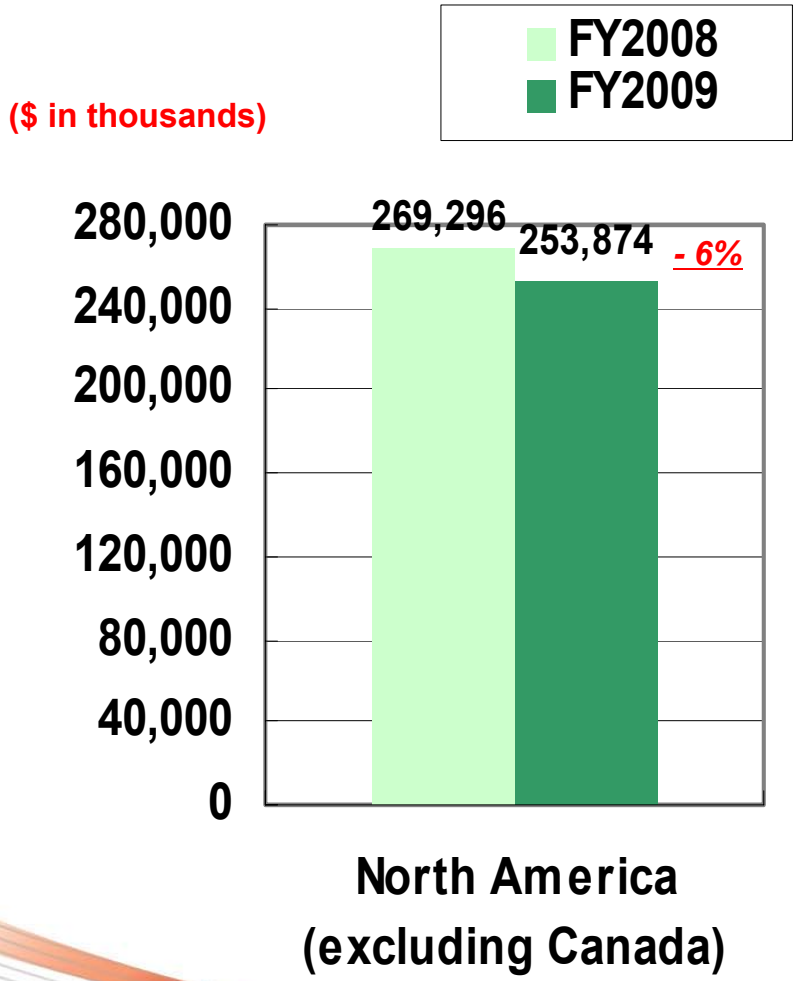
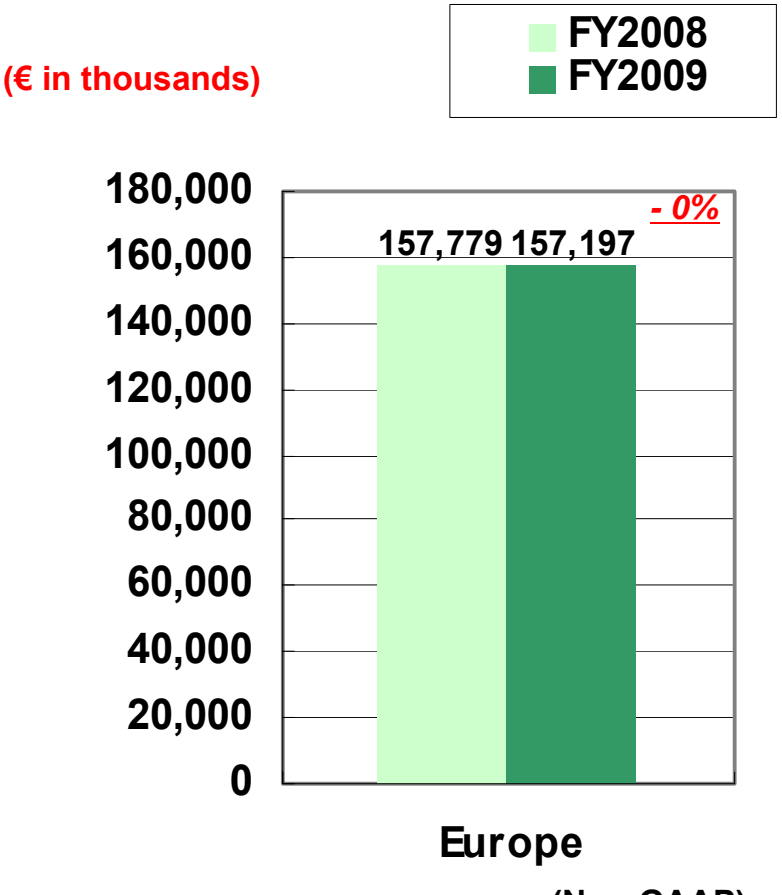
Local currency based Bookings (US, Europe)

North America (*excluding Canada) Bookings in $ and EMEA Bookings in €

(unaudited)





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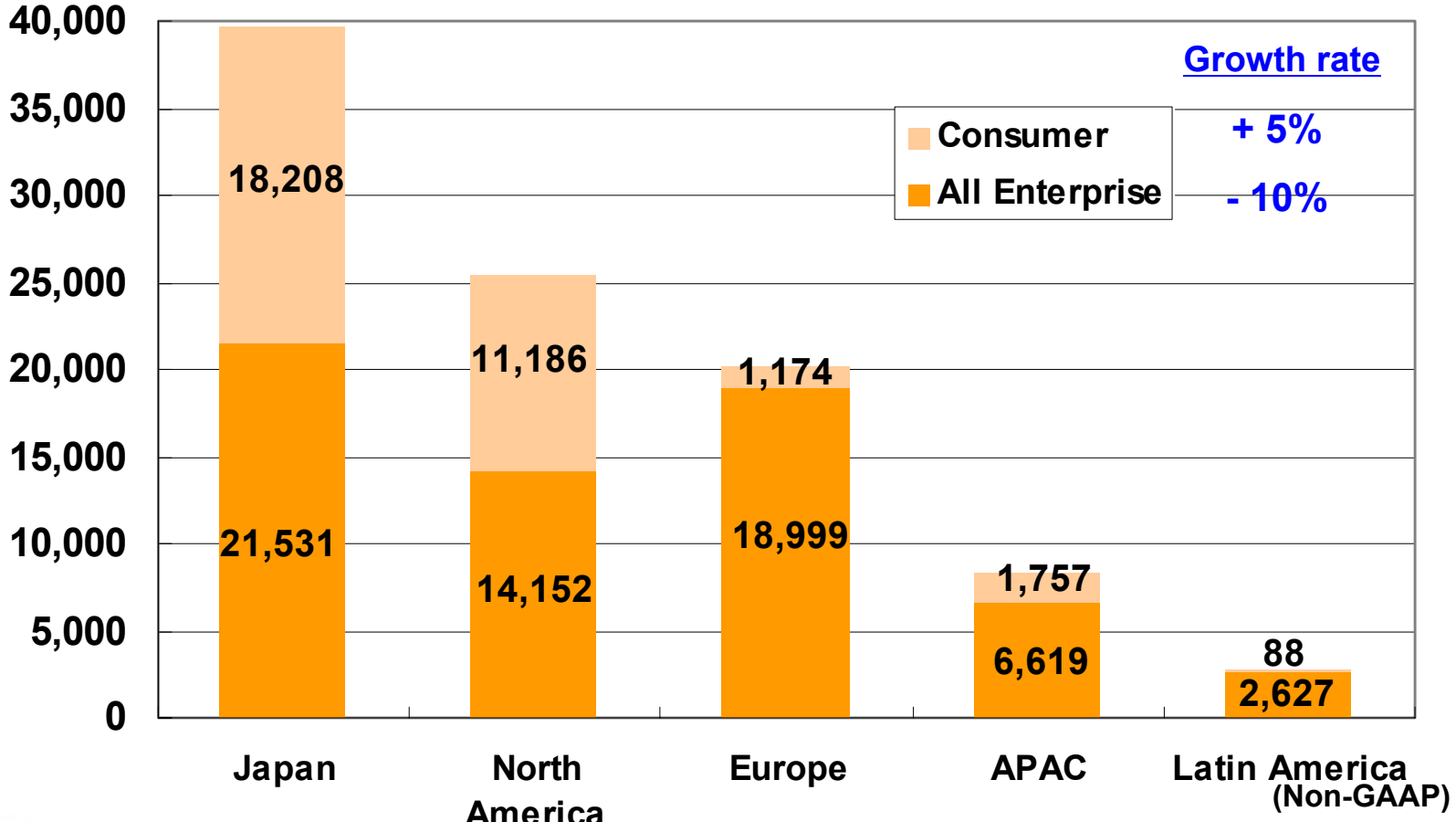
FY2009 Annual Sales by segment

(in million Yen)

(unaudited)



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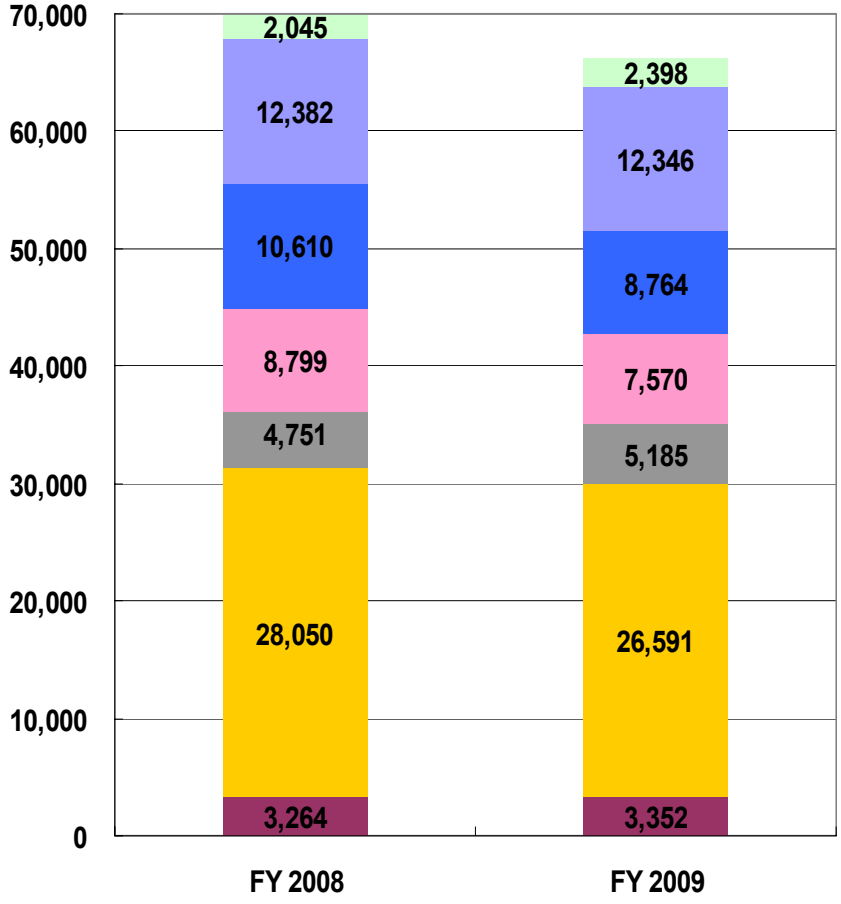
FY2009 Annual Cost

(in million Yen)



(unaudited)

	YoY Growth
Goods / Material	+ 17%
Selling & Marketing	- 0%
Administration	- 17%
Outside service	- 14%
Office overhead	+ 9%
Salary & Benefit	- 5%
Stock option & Goodwill	+ 3%
Total	- 5%
Headcount	+ 8%

(Non-GAAP)

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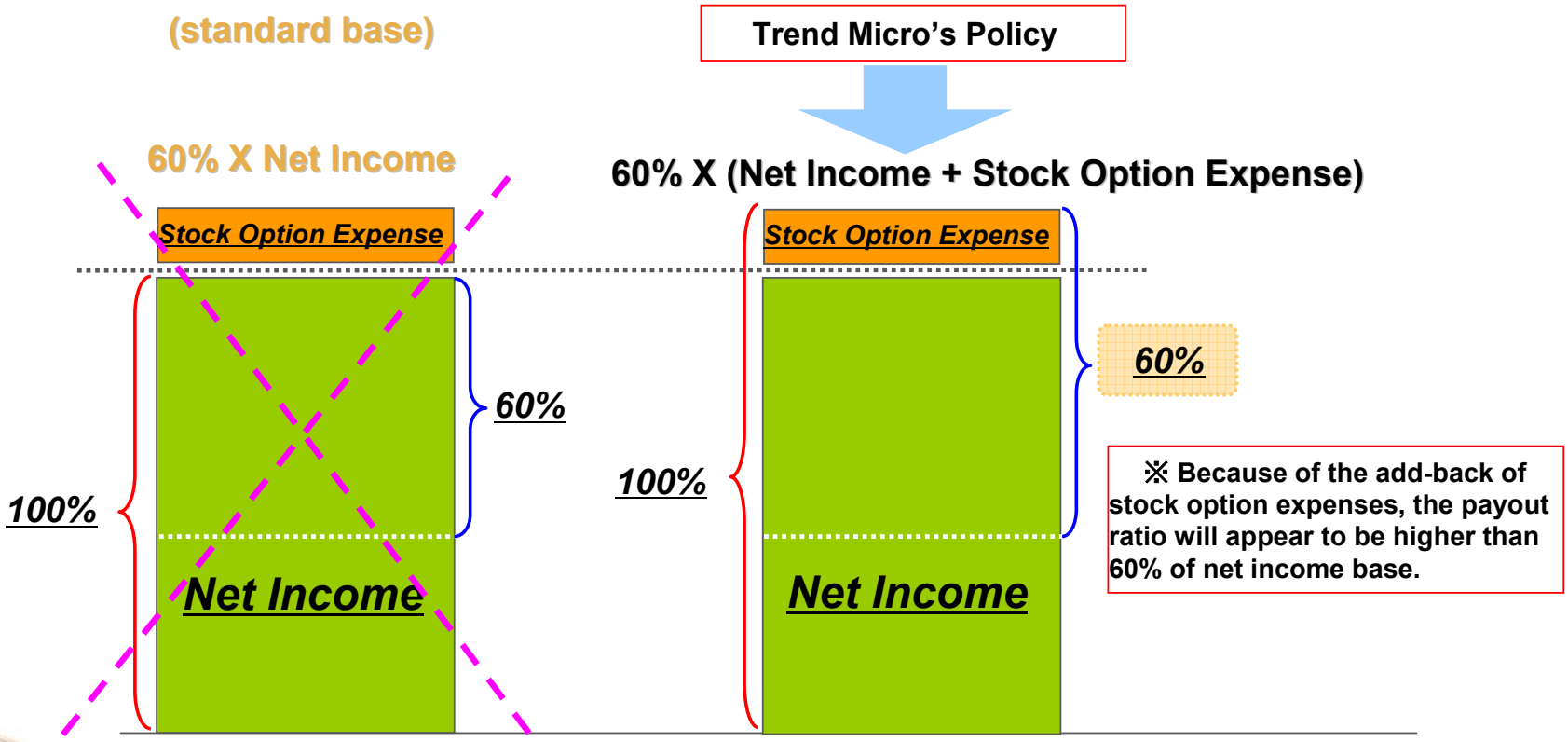
Trend Micro's Cash Dividend policy

Dividend payout ratio for FY2009 : 60%

(Year-end dividends on the basis of a dividend ratio of 60% excluding the effect of stock option compensation expenses)



** subject to shareholder approval in the ordinary general meeting of shareholders*

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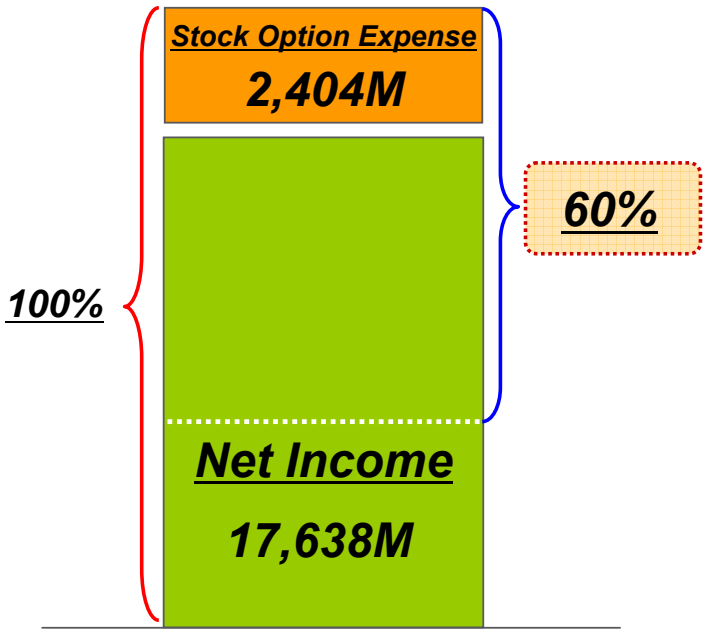
Cash Dividends for FY2009



(unaudited)

Dividends for FY2009

Total : 12,144 Million Yen

60% X (17,638M + 2,404M)

Per Share: 91 Yen

(- 6% YoY)

Payout ratio : 69%

FY2008: 97 Yen per share

** Subject to the approval at the Ordinary General Meeting of Shareholders scheduled in late March, 2010*

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Return for Shareholders in FY2009

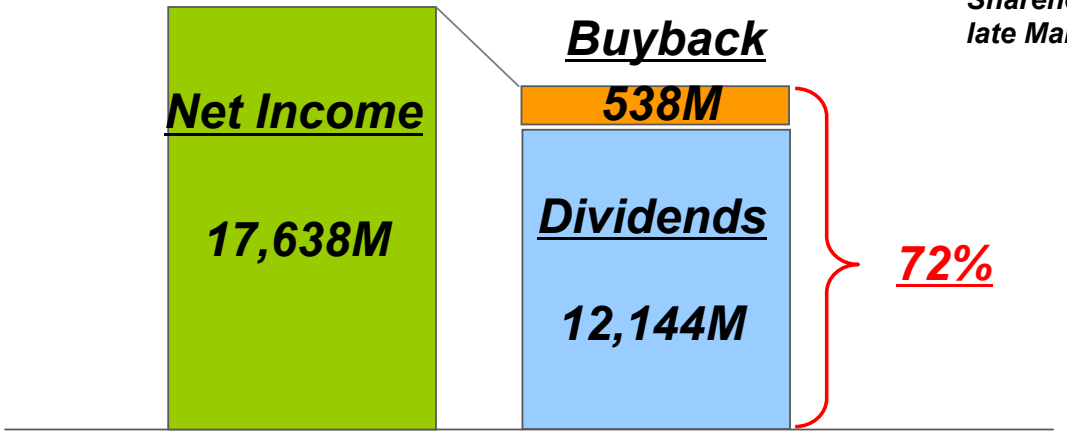
(unaudited)

1. Dividends* : 12,144 Million Yen
2. Buyback (done) : 538 Million Yen

Total : 12,682 Million Yen （-36% YoY）

（72% Return based on Net Income in 2009）

* Subject to the approval at the Ordinary General Meeting of Shareholders scheduled in late March, 2010



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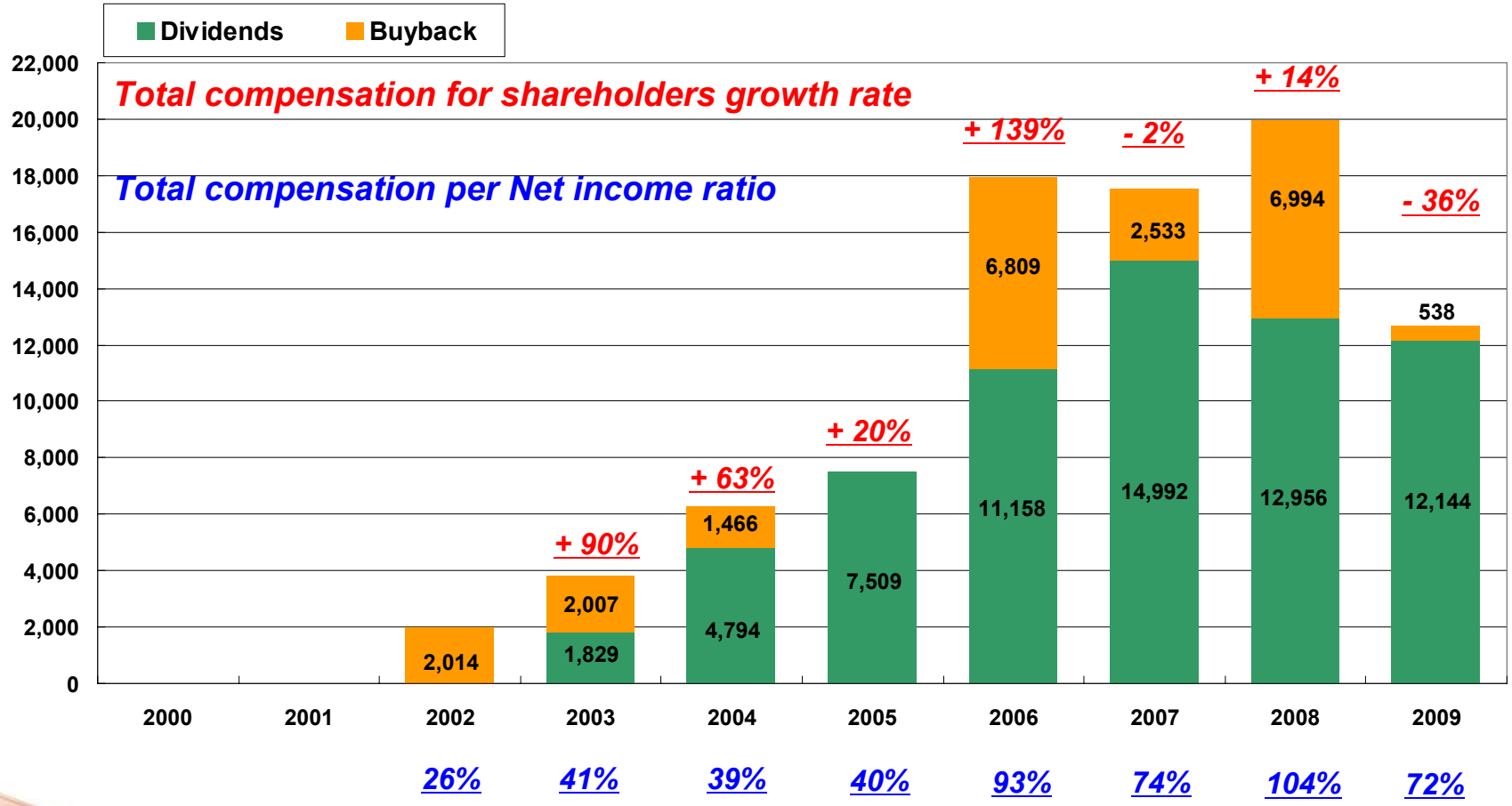
Compensation for Share holders

(unaudited)

(in million Yen)



(Between FY2000 and FY2005 in accordance with US GAAP)

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Q1 forecast assumptions

- *US increases by low single digit, Japan flat and Europe decreases by low single digit respectively*

- *Stock option expenses will be 0.6Bn yen*

- *Estimated exchange rate:*

  1USD = 90 yen (last year: 94 yen)

  1EUR = 125 yen (last year: 122 yen)

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Projection for 1Q2010

(unaudited)

(in million Yen)

	For 1Q2010 Jan - Mar, 2010	Expected YoY growth
Net Sales	23,400	+ 2%
Operating Income	5,700	- 19%
Ordinary Income	6,100	- 23%
Net Income	3,600	- 25%

(In accordance with Japan GAAP)

- Including both stock option expenses and amortization of goodwill（about 782M Yen）

In case of excluding a foreign exchange impact

Net Sales	+ 2%

(Non-GAAP)

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Thank you!

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Appendix

Quarterly Chart (1)

(unaudited)

(in million Yen)

	FY2008				FY2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	25,604	26,105	25,968	24,030	22,915	24,244	24,848	24,339
Cost of sales	4,054	3,859	4,188	3,646	3,597	3,511	3,618	4,263
Operating expenses	13,211	13,693	14,197	13,053	12,289	13,503	12,829	12,595
Operating income	8,338	8,552	7,582	7,330	7,028	7,229	8,399	7,479
Ordinary income	7,517	9,313	9,157	7,652	7,936	7,522	8,615	7,640
Net income	4,594	3,936	5,861	4,854	4,821	4,028	5,219	3,568
(COGS and SG&A)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Goods / Material	470	451	603	519	743	688	511	455
Salling & Marketing	2,886	3,342	3,198	2,954	2,411	3,201	3,157	3,575
Administration	2,696	2,474	2,647	2,791	2,252	2,052	2,047	2,411
Outside service	1,968	2,086	2,388	2,356	1,896	2,075	1,837	1,760
Office overhead	1,154	1,287	1,320	990	1,259	1,221	1,410	1,294
Salary & Benefit	7,366	7,101	7,332	6,249	6,538	6,983	6,598	6,470
Stock option cost	513	513	631	601	542	548	649	663
Amortization of goodwill	210	296	263	235	242	242	235	227
合計	17,266	17,552	18,385	16,699	15,886	17,014	16,448	16,859
Applied rate to yen (US$)	104.88	104.72	107.58	96.06	93.79	97.22	93.58	89.72
Applied rate to yen (Euro)	157.63	163.68	161.46	126.73	121.97	132.67	133.66	132.54

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Appendix

Quarterly Chart (2)

(unaudited)

(in million Yen)

	FY2008				FY2009			
(Sales by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	9,823	9,885	9,405	9,987	9,784	9,631	10,435	9,887
US	6,178	6,570	7,098	6,344	5,953	6,729	6,571	6,084
Europe	6,185	6,551	6,137	5,016	4,748	5,100	5,092	5,232
Asia Pacific	2,680	2,325	2,530	2,060	1,842	2,124	2,019	2,390
Latin America	735	772	795	621	585	658	729	743
Total	25,604	26,105	25,968	24,030	22,915	24,244	24,848	24,339
(Sales by segment)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All Enterprise	18,148	18,763	17,930	16,081	15,097	16,124	16,410	16,297
Consumer	7,455	7,341	8,037	7,948	7,817	8,119	8,438	8,041
合計	25,604	26,105	25,968	24,030	22,915	24,244	24,848	24,339
(Bookings by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	11,696	11,066	10,501	10,574	12,628	10,918	12,287	11,081
US	5,226	7,625	7,104	3,907	7,358	6,352	5,066	5,464
Europe	4,608	6,920	3,416	5,385	4,584	5,471	3,644	7,111
Asia Pacific	2,040	3,246	2,146	1,458	2,153	2,792	2,257	2,585
Latin America	730	910	497	353	730	753	674	825
Total	24,302	29,769	23,667	21,680	27,456	26,288	23,928	27,068

* *"Bookings" means amount of contracts concluded.*

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