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TREND MICRO

Trend Micro
FY2006. 1Q Results

Mahendra Negi
COO / CFO , Representative Director

April 25, 2006

TRENDMICRO.AppletTrap.eDoctor.INTERSCAN VIRUSWALL.Trend Virus Control System.VSAPI.....eManager.PC-cillin.Interscan eManager.MacroTrap. ISVW.TVCS.InterScan..... On-Line Scan.GateLock.ISWM. InterScanWebManager.InterScan WebProtect.TRENDMICRO SERVERPROTECT.TRENDMICRO Portalprotect.Trend Micro Control Manager. InterScan WebManager Log Analyzer.IWSS.InterScan Web Security Suite.Trend Labs.License for Enterprise Information Security.LEISec.....

トレンドマイクロ株式会社

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.
For more details regarding risk factors relating to our future performance, please refer to our filings with the U.S. Securities and Exchange Commission.

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Consolidated Results

(unaudited)
(in million Yen)

Three months ended Mar 31,	*1Q2005*	*1Q2006*	*YoY growth*
Net sales	17,301	20,594	19%
Cost of sales	2,410	3,679	53%
Operating expenses	7,590	8,569	13%
Operating income *(Margin)*	7,301 *(42%)*	8,346 *(41%)*	14%
Income before taxes	7,550	8,694	15%
Net Income	4,557	4,954	9%

(In accordance with US GAAP)

If both stock option expenses 1,253M and one time payment income (1,766M) are not included

			YoY change
Operating income	7,301	7,833	7%
Net Income	4,557	5,085	12%

(Non-GAAP)

If currency exchange rates used for 1Q2004 were used for 1Q2005

			YoY change
Net sales	17,301	19,742	14%

** The JPY amount for 1Q2006 shown above has been calculated by applying to each foreign currency net sales amount for 1Q2006 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 1Q2005 into a JPY net sales amount for U.S. GAAP reporting purposes.*

(Non-GAAP)

USD based Results (Non-GAAP)

(unaudited)
(in thousand USD)

Three months ended Mar 31,	*1Q2005*	*1Q2006*	*YoY change*
Net sales	165,414	179,645	9%
Cost of sales	23,037	32,095	39%
Operating expenses	72,568	74,749	3%
Operating income	69,809	72,801	4%
Income before taxes	72,191	75,839	5%
Net Income	43,566	43,210	-1%

(Non-GAAP)

For each of the quarters shown in the table above, JPY U.S. GAAP amounts have been converted to USD amounts using the exchange rates of USD=104.59 JPY for 1Q2005 and 1 USD =114.64 JPY for 1Q2006, respectively, which are the respective weighted average exchange rates used to convert USD net sales to JPY for these quarters.

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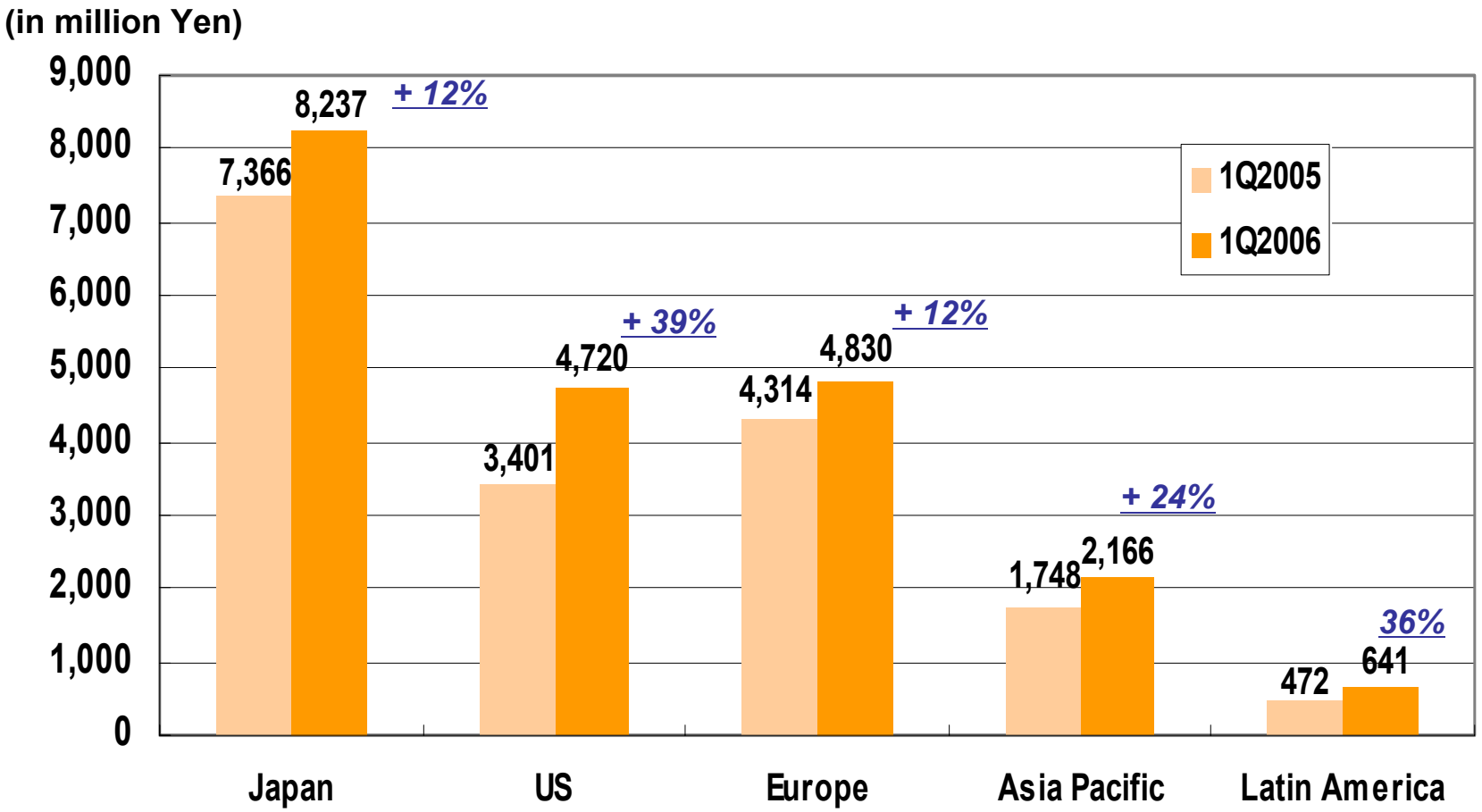
Net Sales Growth by Region

(unaudited)



(In accordance with US GAAP)

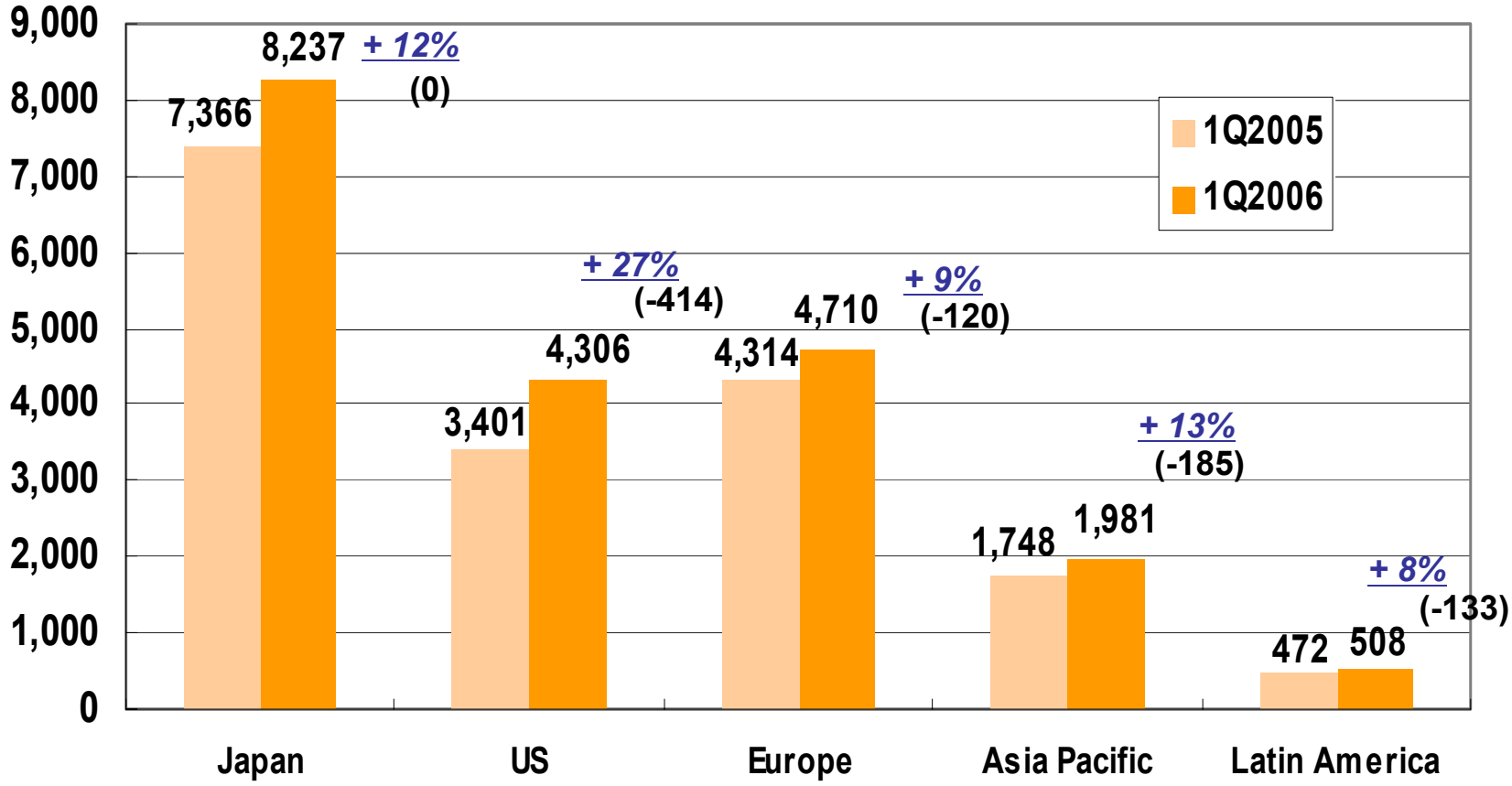
Net Sales Growth by Region

If currency exchange rates used for 1Q2005 were used for 1Q2006:

(unaudited)

(in million Yen)

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



** Each JPY amount for 1Q2006 shown above has been calculated by applying to the relevant foreign currency net sales amount for 1Q2006 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 1Q2005 into a JPY net sales amount for U.S. 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.*

Q1 Highlights

- ***Strong growth in US continues***
- ***Growth in all regions and segments..***
- ***Services business contributing to deferred revenue growth.***

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Q1 Lowlights

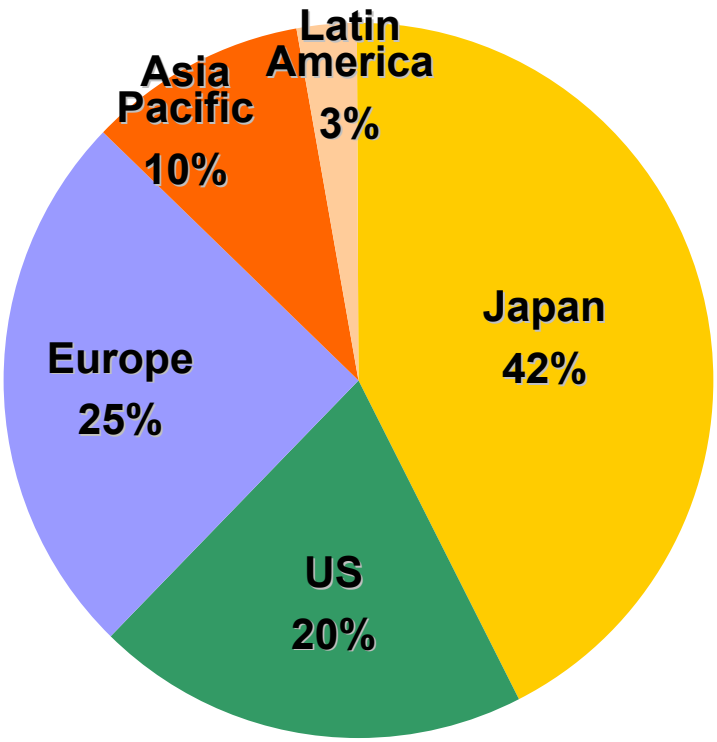
- *Cost of CRM / ERP deployment higher than expected*
- *People cost growing faster than expected*

% share by region

(unaudited)

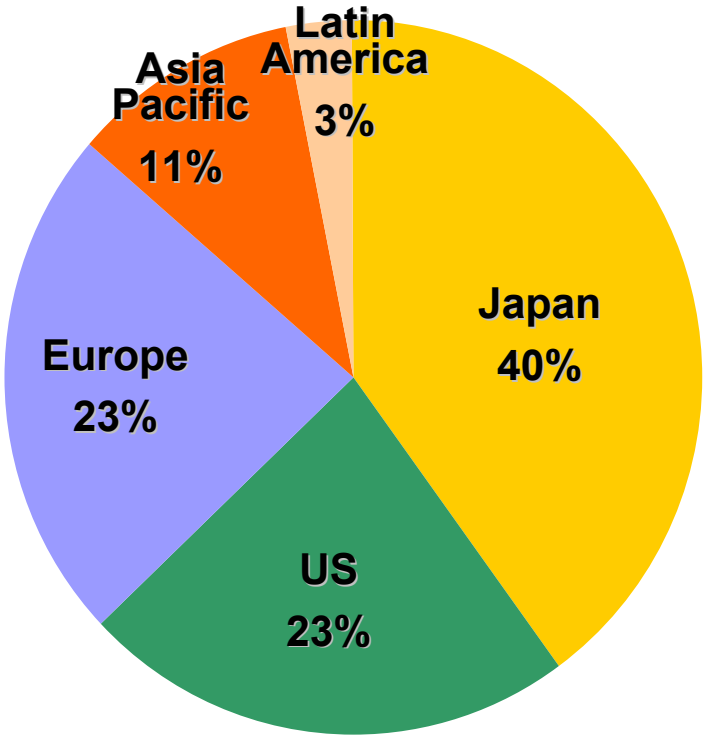
1Q2005

17,300 million Yen



1Q2006

20,594 million Yen

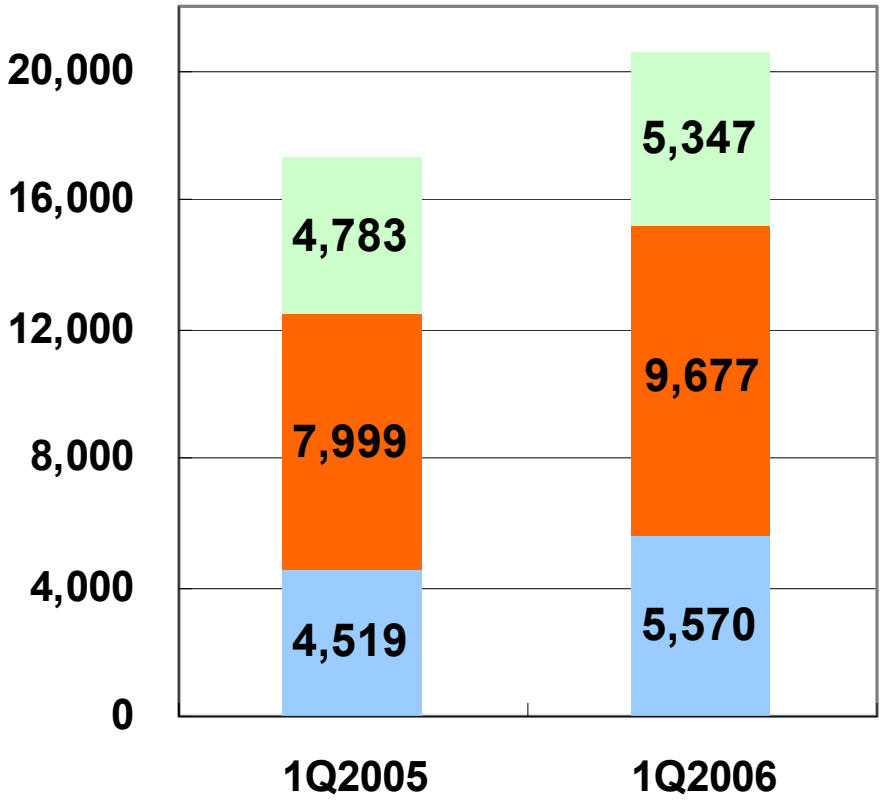


(In accordance with US GAAP)

Sales by Segment

(unaudited)

(in million Yen)



	1Q2005	1Q2006
Large Enterprise	28%	26%
Small & Medium	46%	47%
Consumer	26%	27%
Total	100%	100%

** 1Q2005 shown above is just for reference purposes to compare with this year.*

(In accordance with US GAAP)

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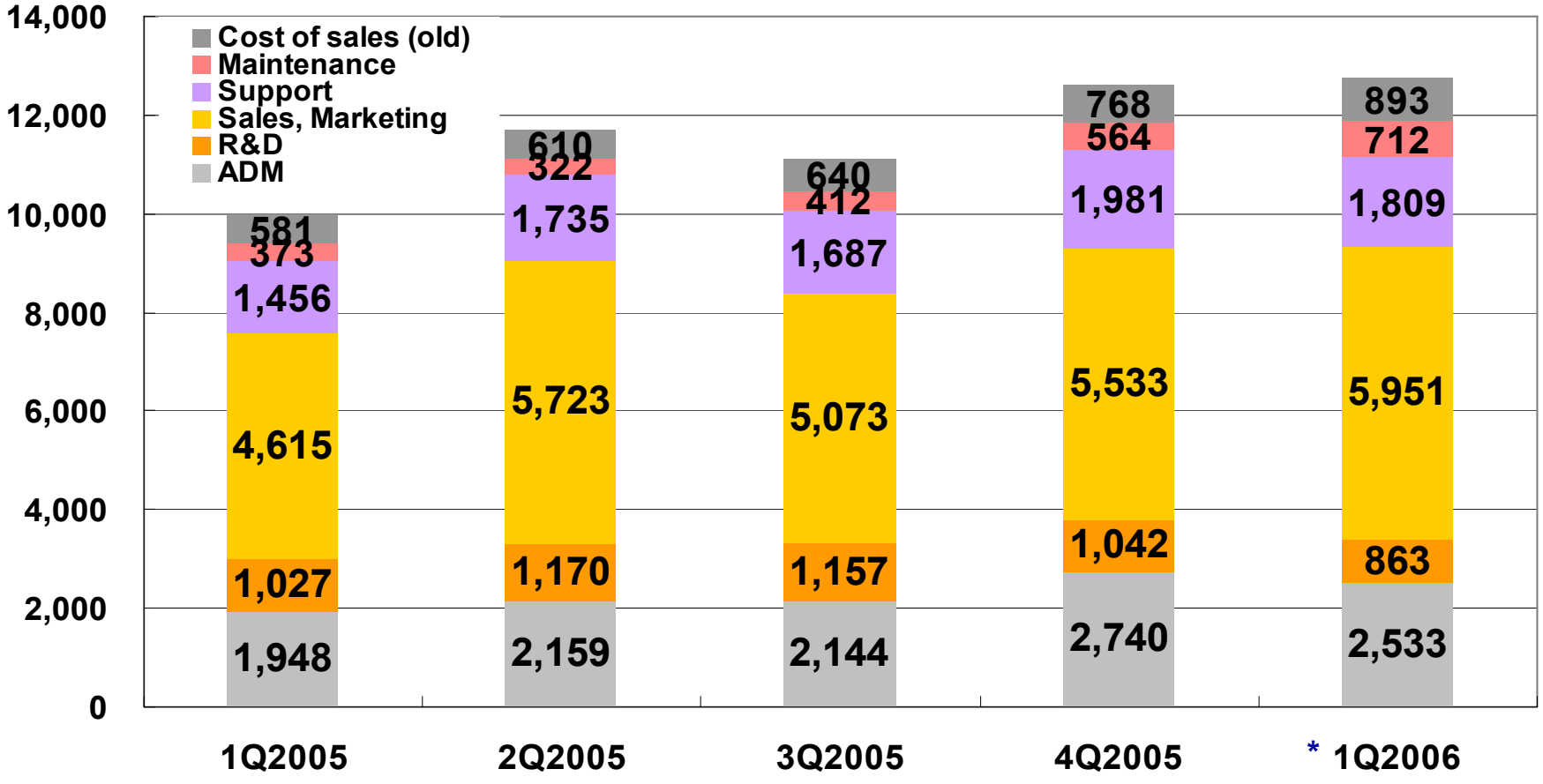
Cost of sales & Operating expenses

(excluding stock option expenses effects)

(in million Yen) (unaudited)



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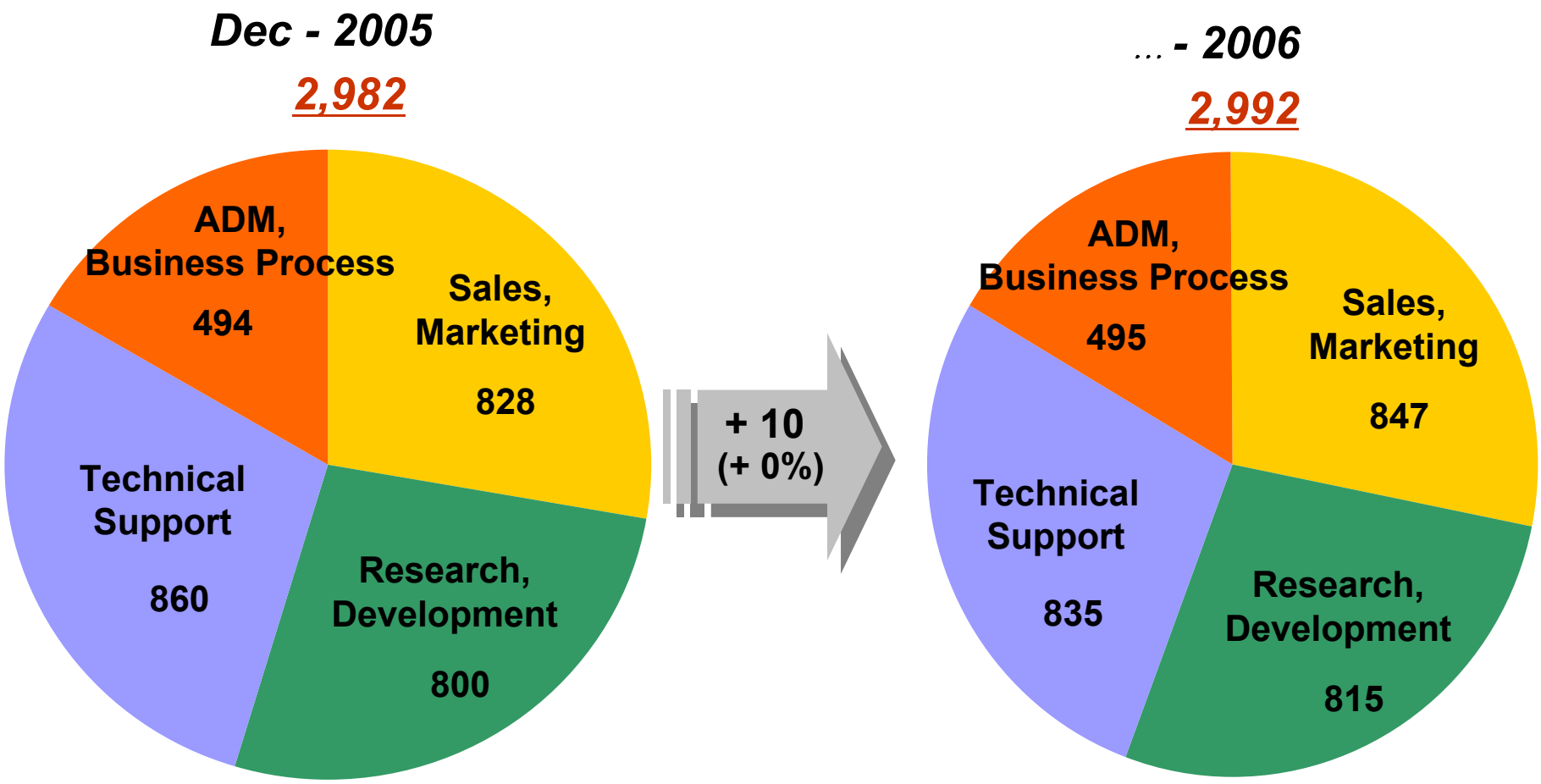
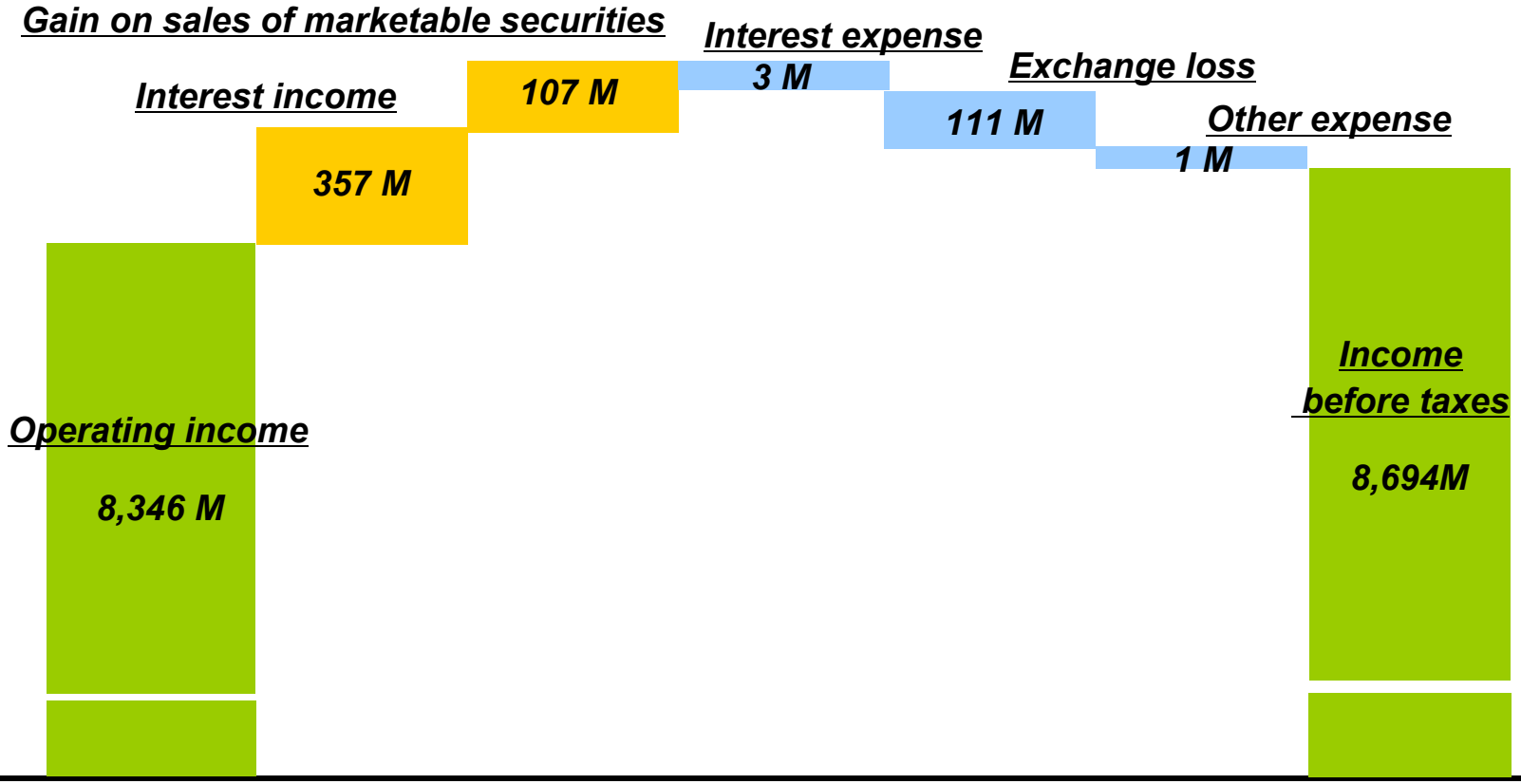
** Excluding one time payment (receipt) 1,766 million Yen for 1Q2006*

Headcount



Non-operating Items

(unaudited)

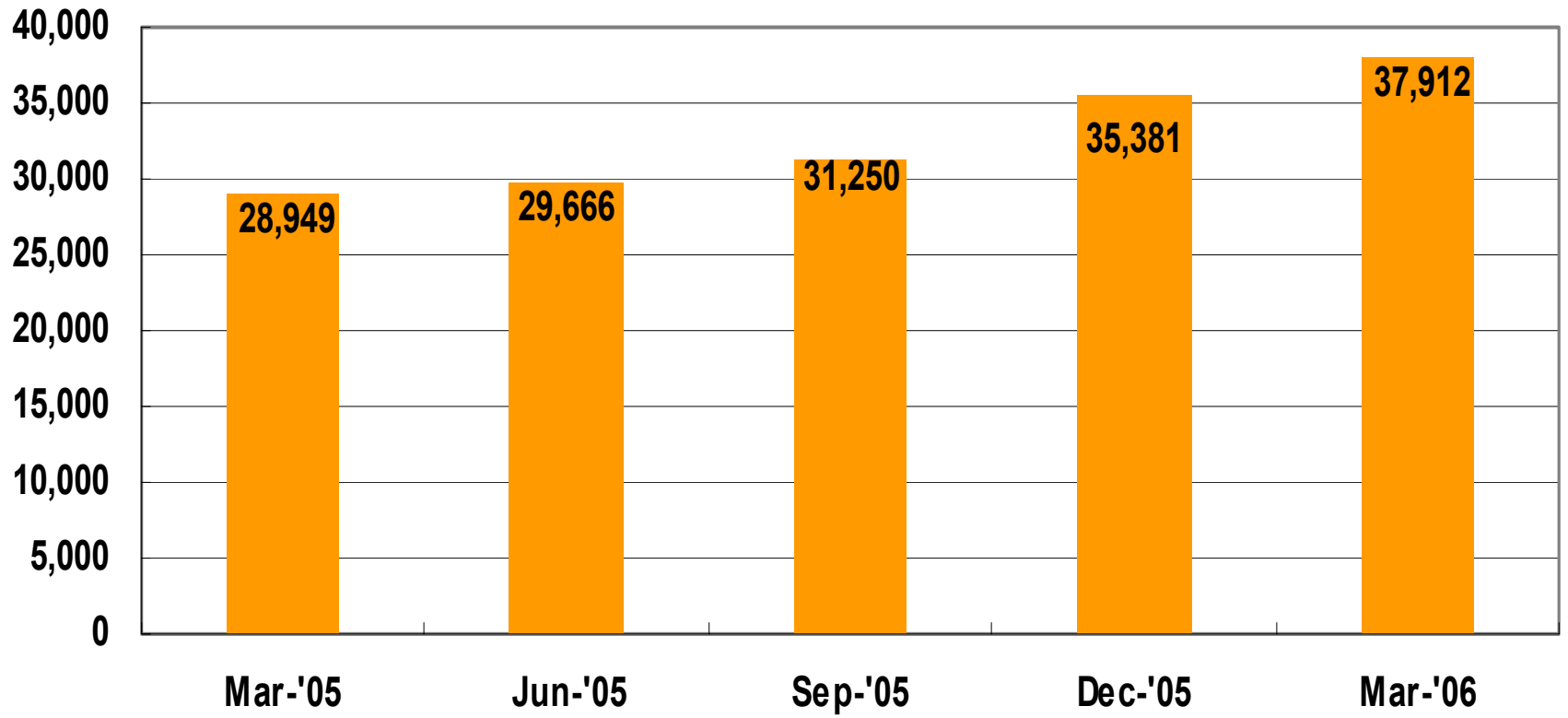


(In accordance with US GAAP)

Deferred Revenue

(unaudited)

(in million Yen)



* Total of current and long term

(In accordance with US GAAP)

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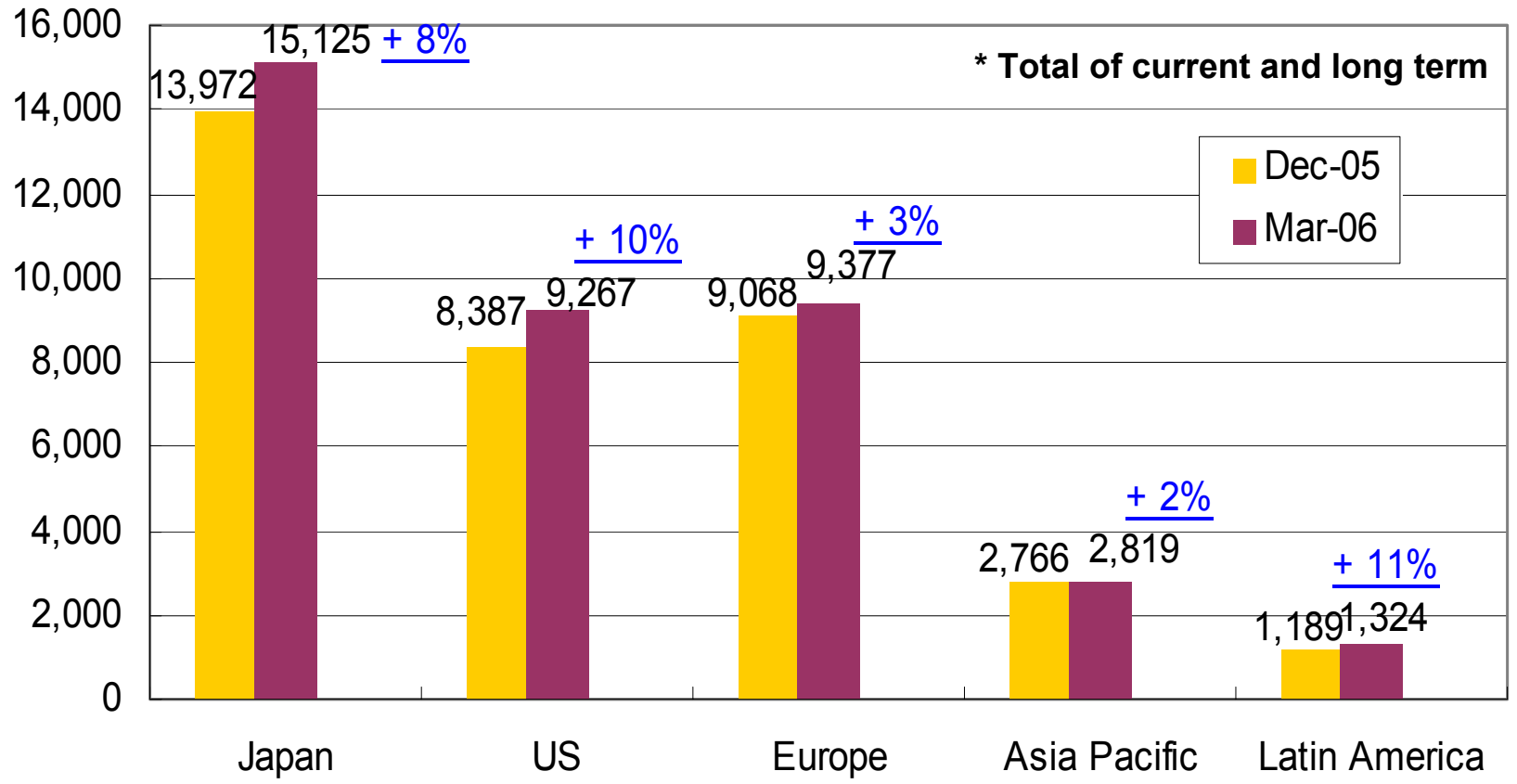
Deferred Revenue by Region

(unaudited)

(in million Yen)



(In accordance with US GAAP)

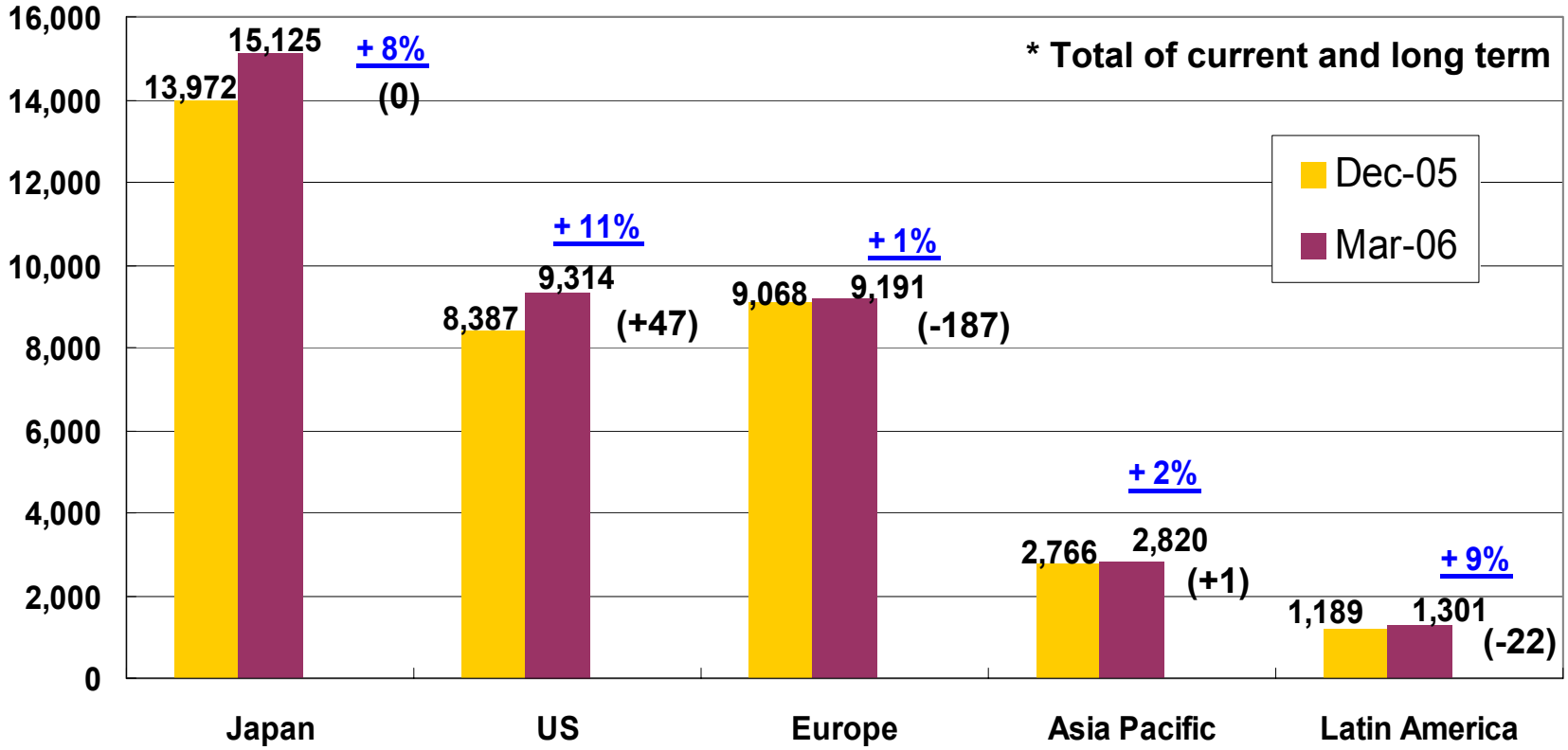
Deferred Revenue by Region

If currency exchange rates used as of the end of 4Q2005 were used as of the end of 1Q2006:

(unaudited)

(in million Yen)

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



(Non-GAAP)

** Each JPY amount as of the end of 1Q2006 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 1Q2006 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 4Q2005 into a JPY deferred revenue amount for U.S. 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.*

Balance Sheet

(unaudited)

(in million Yen)

	Dec-2005	change	Mar-2006
Assets			
Cash & cash equivalents	59,613	+ 2,627	62,240
Account receivable *(less allowance for doubtful accounts and sales returns)*	19,199	-1,558	17,641
Marketable securities & Securities investments	33,555	+ 2,159	35,714
Liabilities			
Deferred revenue *(total of current and long-term)*	35,381	+ 2,531	37,912
Shareholders' Equity			
Common Stock & Additional paid in capital	31,057	+ 2,107	33,164
Treasury Stock	- 7,283	- 89	- 7,372

(In accordance with US GAAP)

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Q2 forecast assumptions

- *US growth higher than company average, Japan and EMEA at company average*
- *SMB segment growth to be higher than average, Enterprise and Consumer at company average*
- *Stock option expenses will be about 1.38Bn yen*
- *Estimated exchange rate: 1USD = 117yen*
  1EUR = 143yen

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Projection for 2Q2006

(unaudited)

(in million Yen)

	For 2Q2006 Apr - Jun, 2006	Expected YoY growth
Net Sales	20,000	16%
Operating Income	6,000	10%
Net Income	3,250	-17%

* Including stock option expense .about 1,380M Yen.

(In accordance with US GAAP)

If stock option expenses are not included

Net Sales	20,000	16%
Operating Income	7,400	35%
Net Income	4,550	16%

(Non-GAAP)

Thank you!

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Appendix

Quarterly Chart

(in million Yen)

(unaudited)

	FY2005				FY2006
	1Q	2Q	3Q	4Q	1Q
□□□sales	17,301	17,189	17,975	20,565	20,594
Cost of sales	2,410	2,667	2,739	3,312	3,679
Operating expenses	7,590	9,052	8,374	9,314	8,569
Operating income	7,301	5,470	6,862	7,939	8,346
Net income	4,557	3,934	4,385	5,795	4,954
□Sales by region□	1Q	2Q	3Q	4Q	1Q
Japan	7,366	6,882	6,942	8,226	8,237
US	3,401	3,484	4,182	4,350	4,720
Europe	4,314	4,515	4,391	5,160	4,830
Asia Pacific	1,748	2,017	1,943	2,201	2,166
Latin America	472	291	517	628	641
Total	17,301	17,189	17,975	20,565	20,594
□Sales by segment□	1Q	2Q	3Q	4Q	1Q
Enterprise	4,783	5,427	5,680	6,649	5,347
Small & Medium	7,999	8,099	8,412	8,463	9,677
Consumer	4,519	3,663	3,882	5,454	5,570
Total	17,301	17,189	17,975	20,565	20,594
□COGS and SG&A□	1Q	2Q	3Q	4Q	1Q
Amortization of capitalized software, and Material	581	610	640	768	893
Maintenance	373	322	412	564	712
Support	1,456	1,735	1,687	1,981	1,809
Sells, Marketing	4,615	5,723	5,073	5,533	5,951
R&D	1,027	1,170	1,157	1,042	863
Admin, etc.	1,948	2,159	2,144	2,740	2,533
Stock Option expenses					1,253
One time payment income					-1,766
Total	9,999	11,719	11,113	12,626	12,248

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