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Trend Micro

FY2006. 2Q / Semi Annual Results

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COO / CFO , Representative Director

August 10, 2006

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.

TREND MICRO

Consolidated Results

(unaudited)
(in million Yen)

Three months ended Jun 30,	*2Q2005*	*2Q2006*	*YoY growth*
Net sales	17,189	20,079	17%
Cost of sales	2,667	3,826	44%
Operating expenses	9,052	10,881	20%
Operating income *(Margin)*	5,470 *(32%)*	5,371 *(27%)*	- 2%
Income before taxes	5,765	5,534	- 4%
Net Income	3,934	3,043	- 23%

(In accordance with US GAAP)

If both stock option expenses (1,224M) and deferred revenue recognition change impact (972M) are not included

			YoY change
Operating income	5,470	7,567	38%
Net Income	3,934	4,638	18%

(Non-GAAP)

If currency exchange rates used for 2Q2005 were used for 2Q2006

			YoY change
Net sales	17,189	19,357	13%

** The JPY amount for 2Q2006 shown above has been calculated by applying to each foreign currency net sales amount for 2Q2006 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 2Q2005 into a JPY net sales amount for U.S. GAAP reporting purposes.*

(Non-GAAP)

Accounting method of Deferred revenue recognition (1)

Model : In case of "New contract & Cash-in" as 100 (Subject to deferred rate as 30%)

* Actual deferred rate depends on each countries and business substances.

Cash-in

100%

A 70

B 30

Breakdown of New contract

A : perpetual licenses of software products

B : virus pattern updates,
unspecified product version updates,
telephone and online technical support, etc.

Timing of revenue recognition

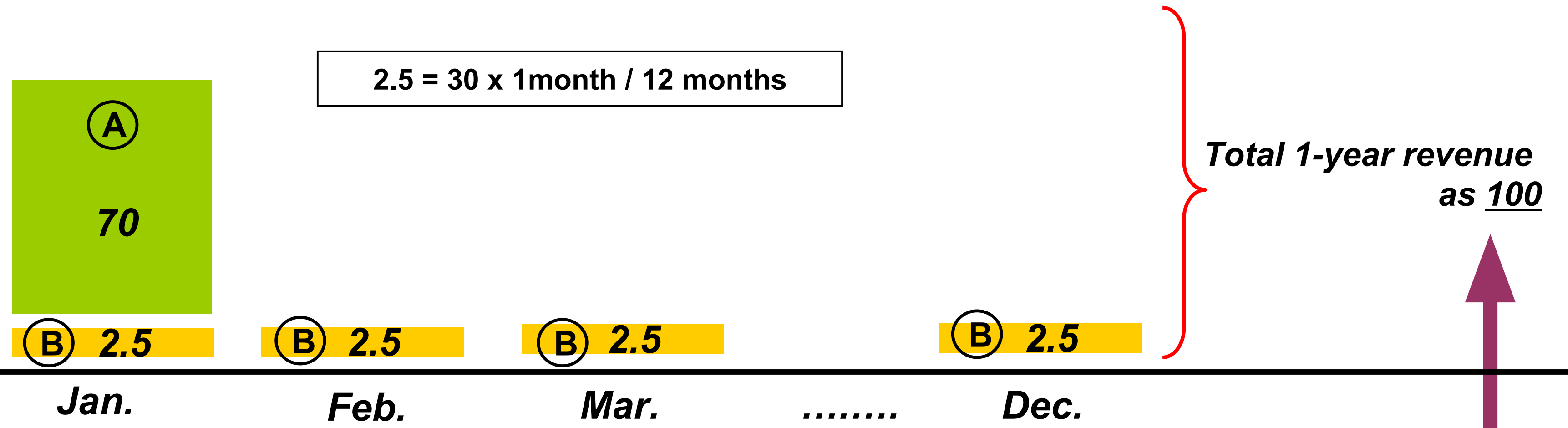
2.5 = 30 x 1month / 12 months

Jan.	Feb.	Mar.	……..	Dec.
A 70				
B 2.5	B 2.5	B 2.5		B 2.5

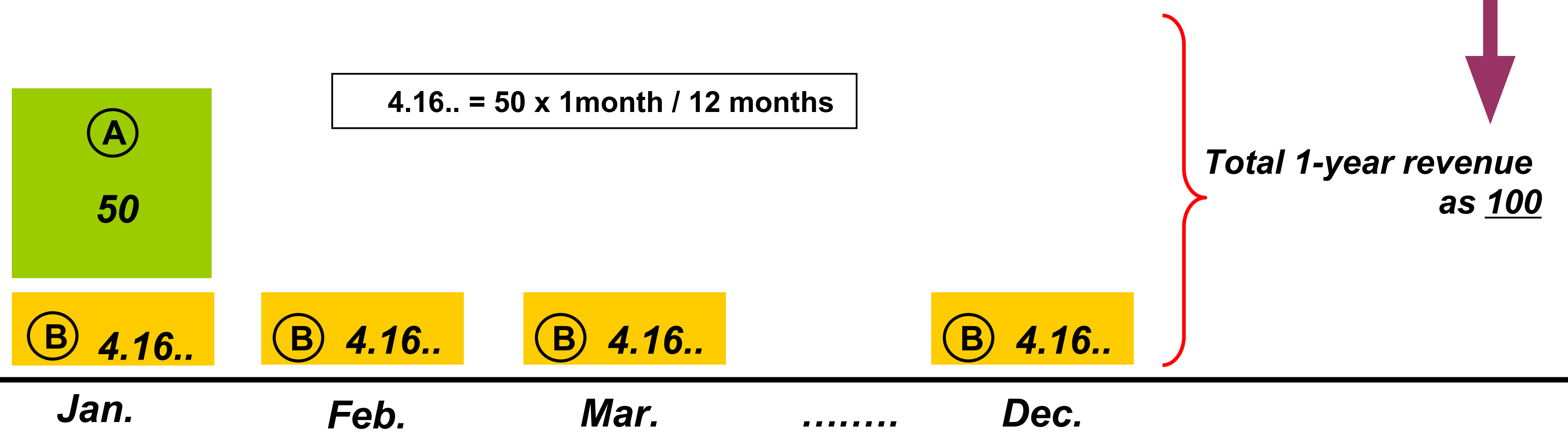
Total 1-year revenue as 100

Accounting method of Deferred revenue recognition (2)

Model 1: In case of "New contract & Cash-in" as 100 in Jan. (Subject to deferred rate as 30%)



Model 2: In case of "New contract & Cash-in" as 100 in Jan. (Subject to deferred rate as 50%)



Impact of cash flows due to Deferred revenue recognition change

Comparison of cash flows before and after Deferred revenue recognition change in 1H FY2006

(unaudited)

Account	Before change	After change	YoY growth
Cash flows from operating activities	19,978M	19,978M	107%
Cash flows from investing activities	- 3,094M	- 3,094M	- 4%
Cash flows from financing activities	- 5,998M	- 5,998M	65%
Effect of exchange rate changes on cash and cash equivalents	620M	620M	569%
Net increase(decrease) in cash and cash equivalents	11,506M	11,506M	298%
Cash and cash equivalents at beginning of period	59,613M	59,613M	13%
Cash and cash equivalents at end of period	71,118M	71,118M	27%

Cash flow does not change even with changing Deferred revenue recognition rate.

USD based Results (Non-GAAP)

(unaudited)
(in thousand USD)

Three months ended Jun 30,	*2Q2005*	*2Q2006*	*YoY change*
Net sales	**159,572**	**174,980**	**10%**
Cost of sales	**24,756**	**33,343**	**35%**
Operating expenses	**84,037**	**94,827**	**13%**
Operating income	**50,778**	**46,810**	**- 8%**
Income before taxes	**53,521**	**48,230**	**- 10%**
Net Income	**36,517**	**26,522**	**- 27%**

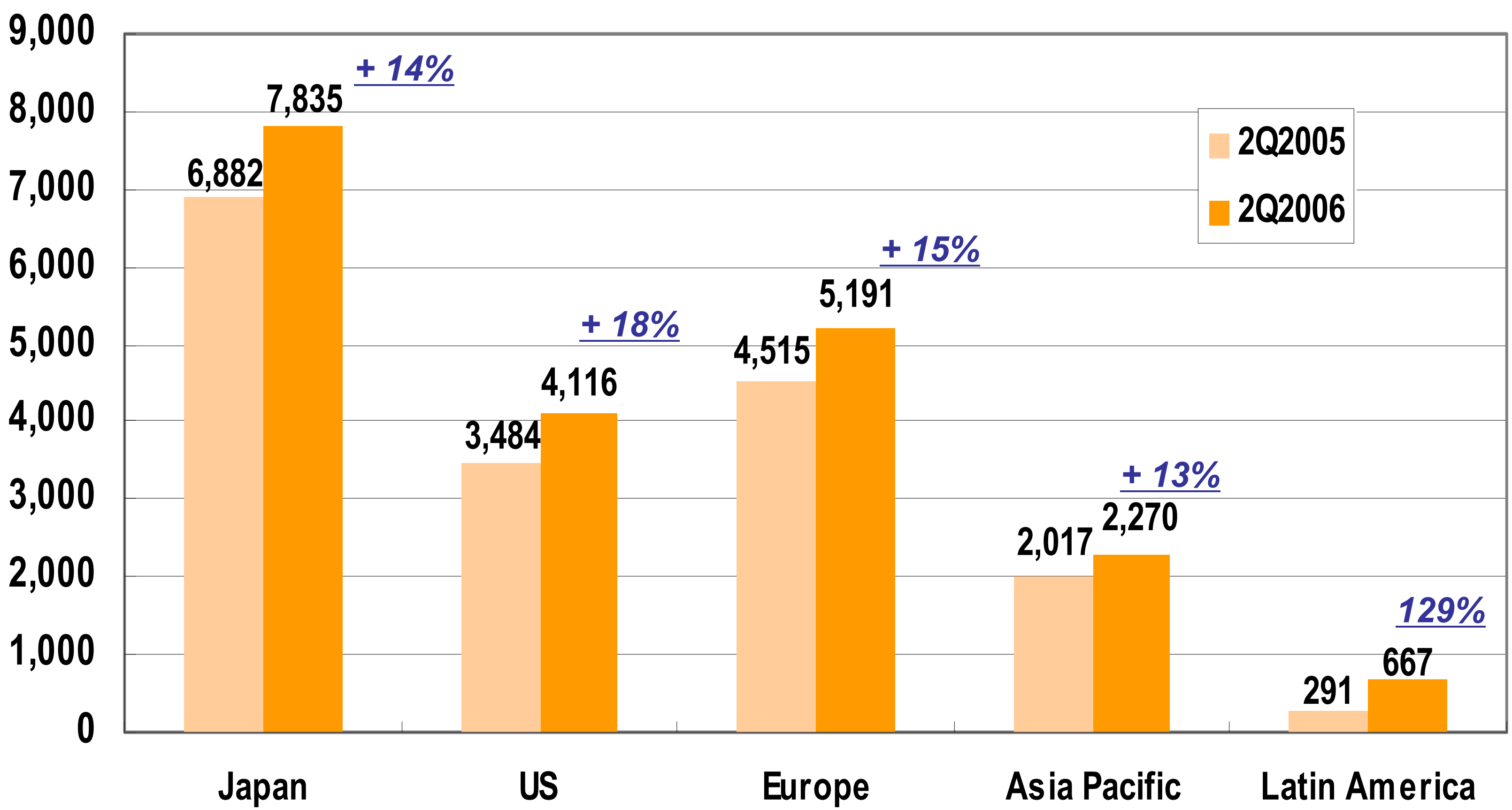
(Non-GAAP)

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=107.72 JPY for 2Q2005 and 1 USD =114.75 JPY for 2Q2006, respectively, which are the respective weighted average exchange rates used to convert USD net sales to JPY for these quarters.

Net Sales Growth by Region

(in million Yen)

(unaudited)

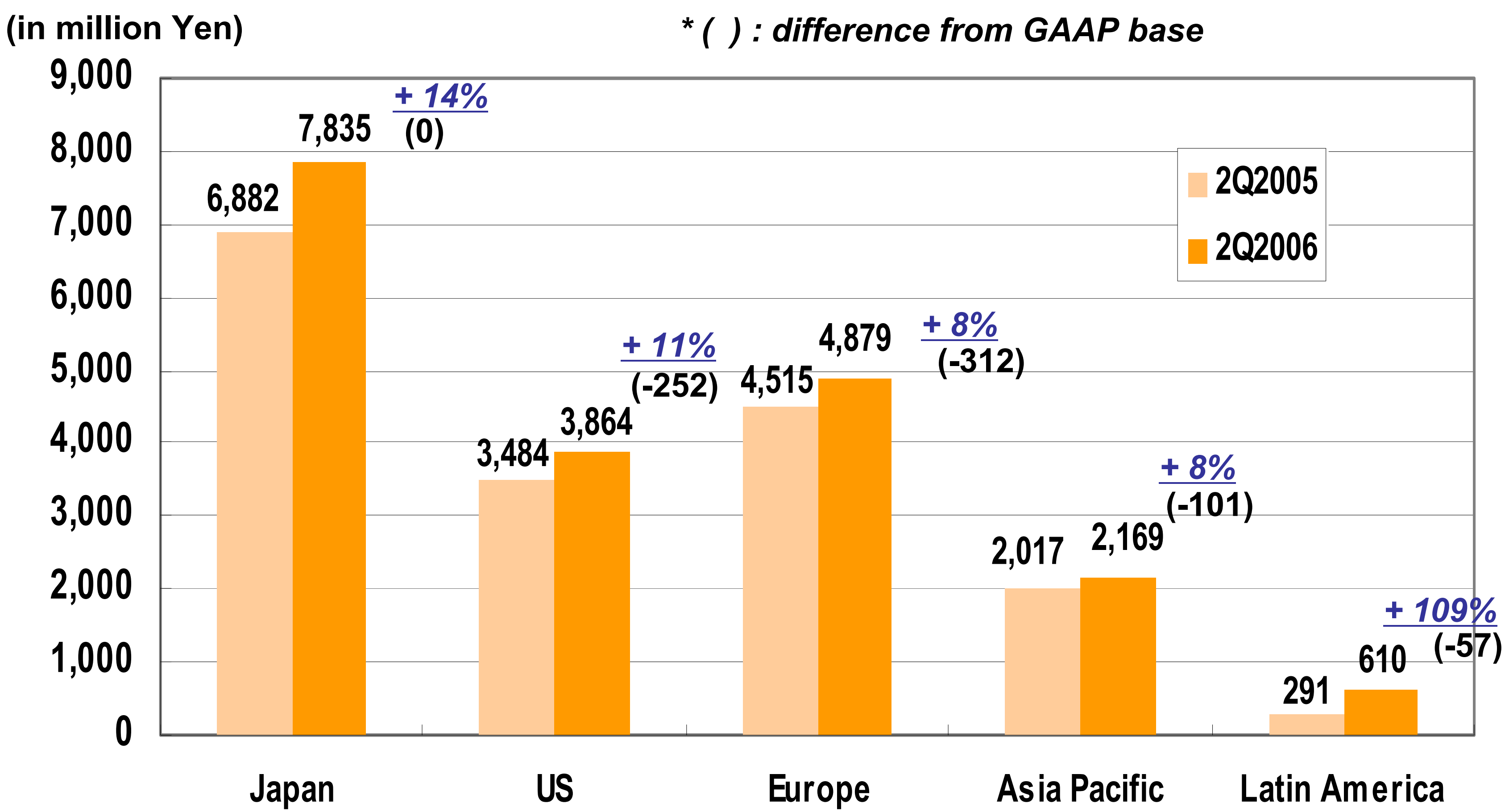


(In accordance with US GAAP)

Net Sales Growth by Region

If currency exchange rates used for 2Q2005 were used for 2Q2006:

(unaudited)



** Each JPY amount for 2Q2006 shown above has been calculated by applying to the relevant foreign currency net sales amount for 2Q2006 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 2Q2005 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.*

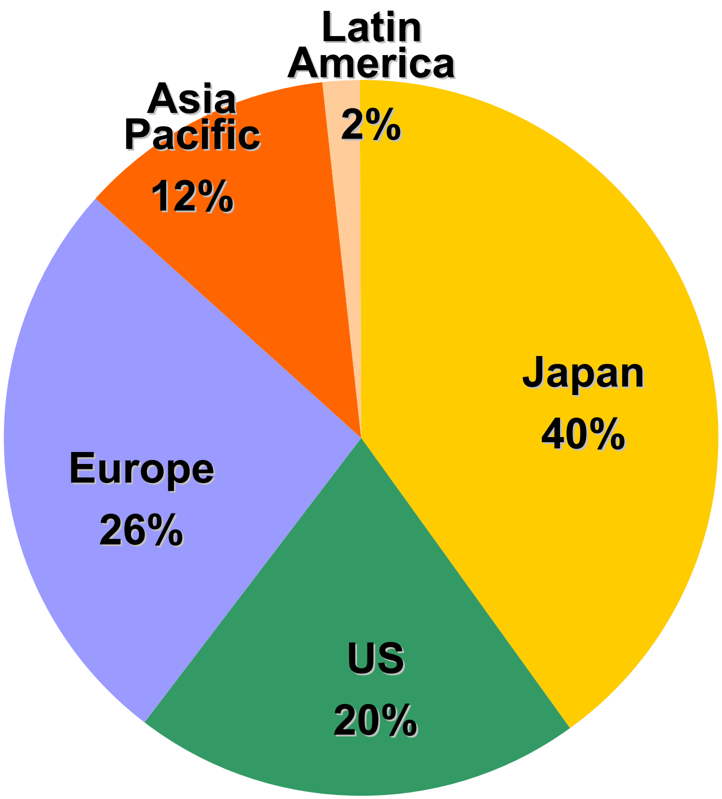
(Non-GAAP)

% share by region

(unaudited)

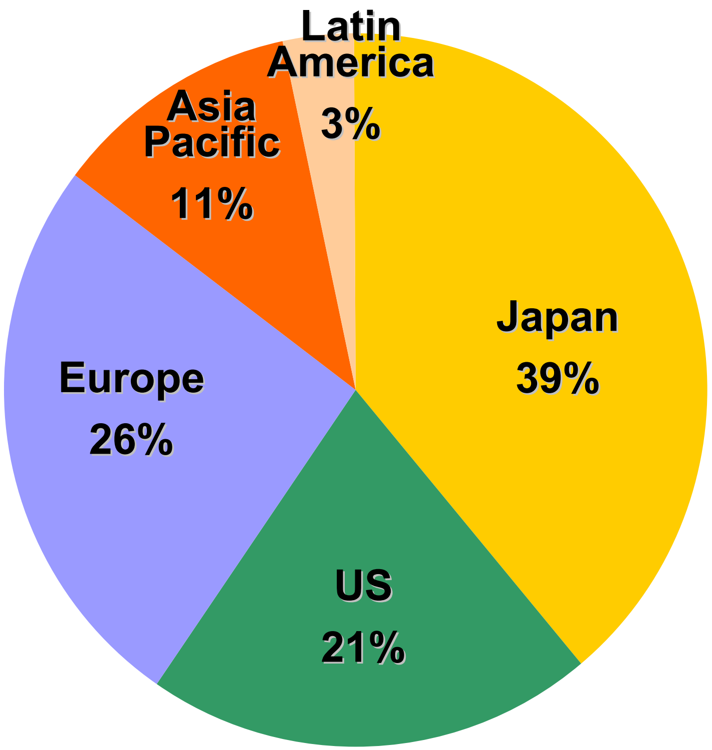
2Q2005

17,189 million Yen



2Q2006

20,079 million Yen



(In accordance with US GAAP)

Q2 Highlights

- ***Strong growth in US***
  (If no impact of new deferral policy, US growth would be about 30%)
- ***Deferred revenues continue to grow***
- ***Cisco alliance starts to deliver results***

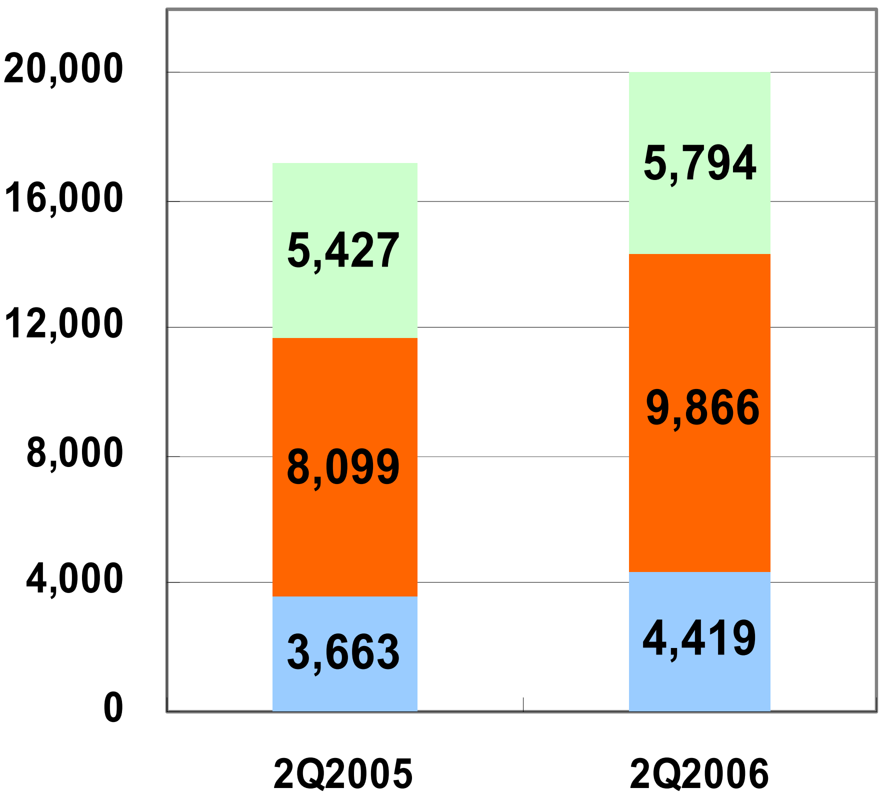
Q2 Lowlights

- ***Costs still grew faster than revenues***
- ***EMEA and APAC growth still below expectations***

Sales by Segment

(unaudited)

(in million Yen)



	2Q2005	2Q2006
Large Enterprise	32%	29%
Small & Medium	47%	49%
Consumer	21%	22%
Total	100%	100%

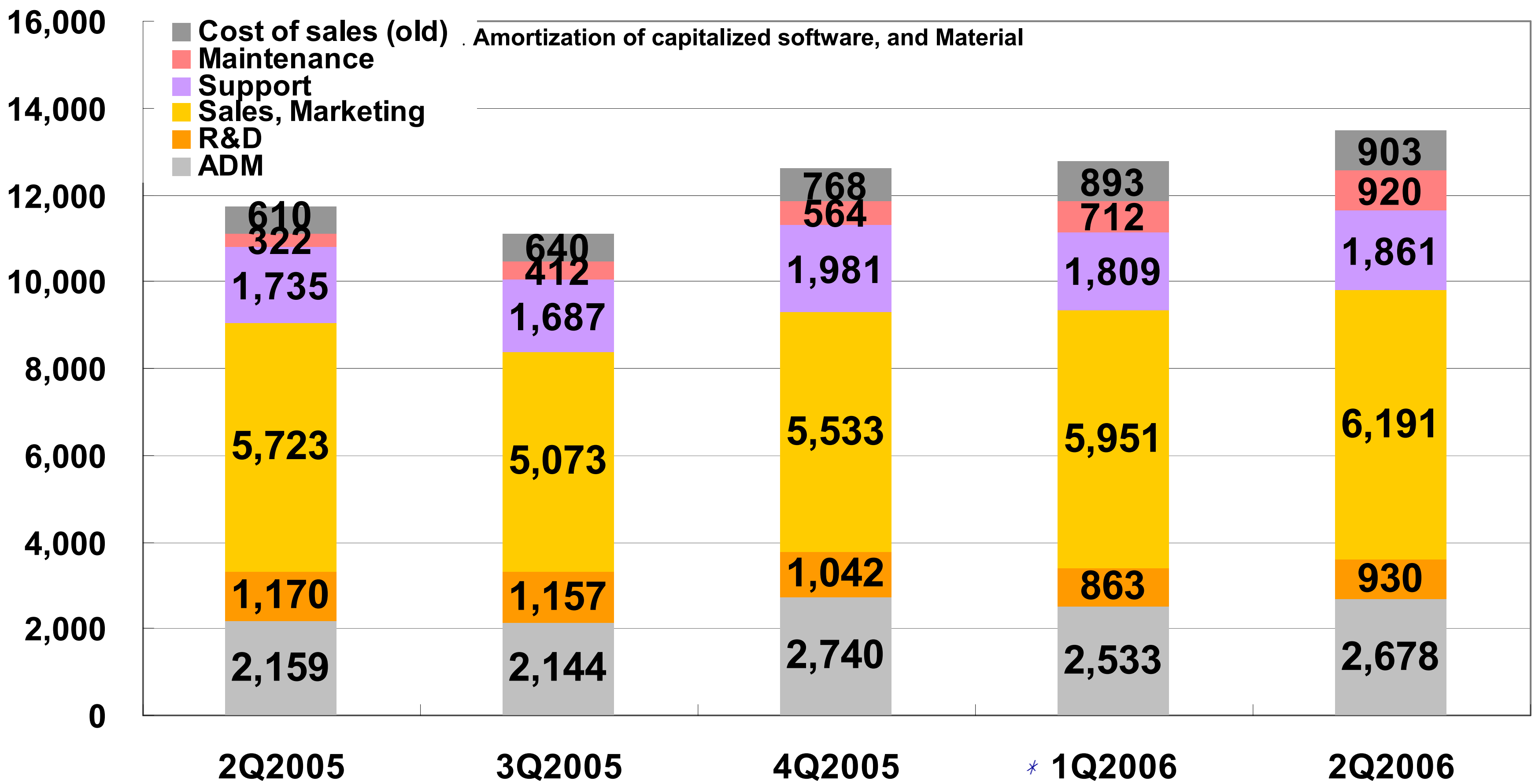
** 2Q2005 shown above is just for reference purposes to compare with this year.*

(In accordance with US GAAP)

Cost of sales & Operating expenses
(excluding stock option expenses effects)

(in million Yen)

(unaudited)



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

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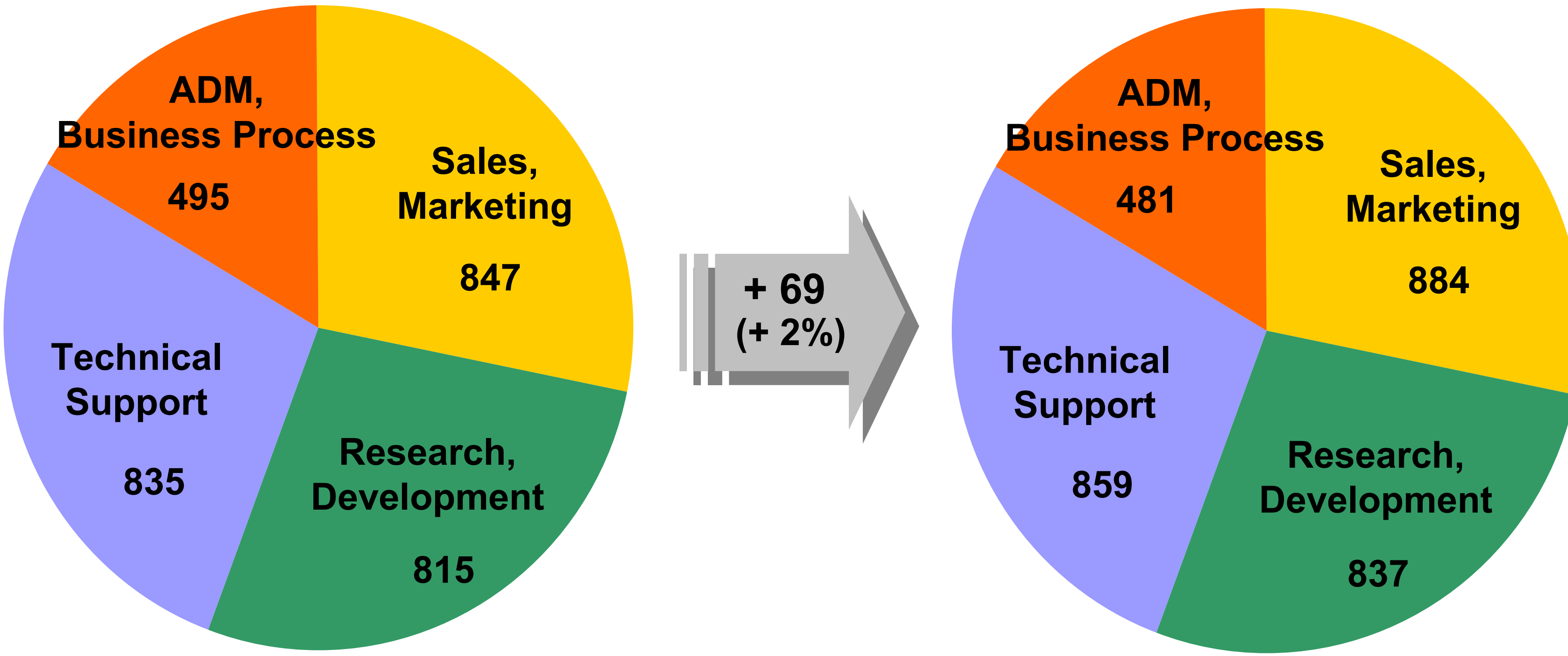
Headcount

... - 2006

2,992

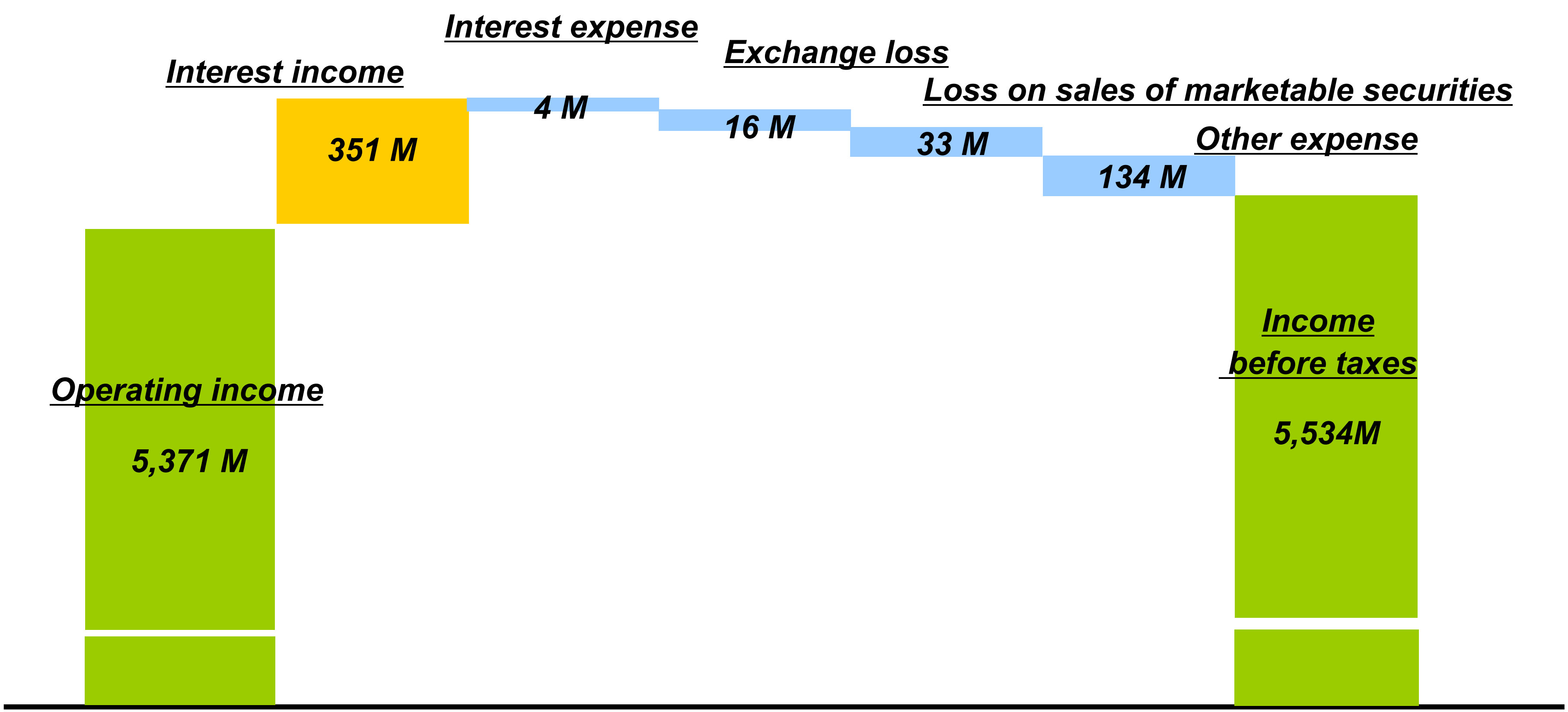
Jun - 2006

3,061



Non-operating Items

(unaudited)

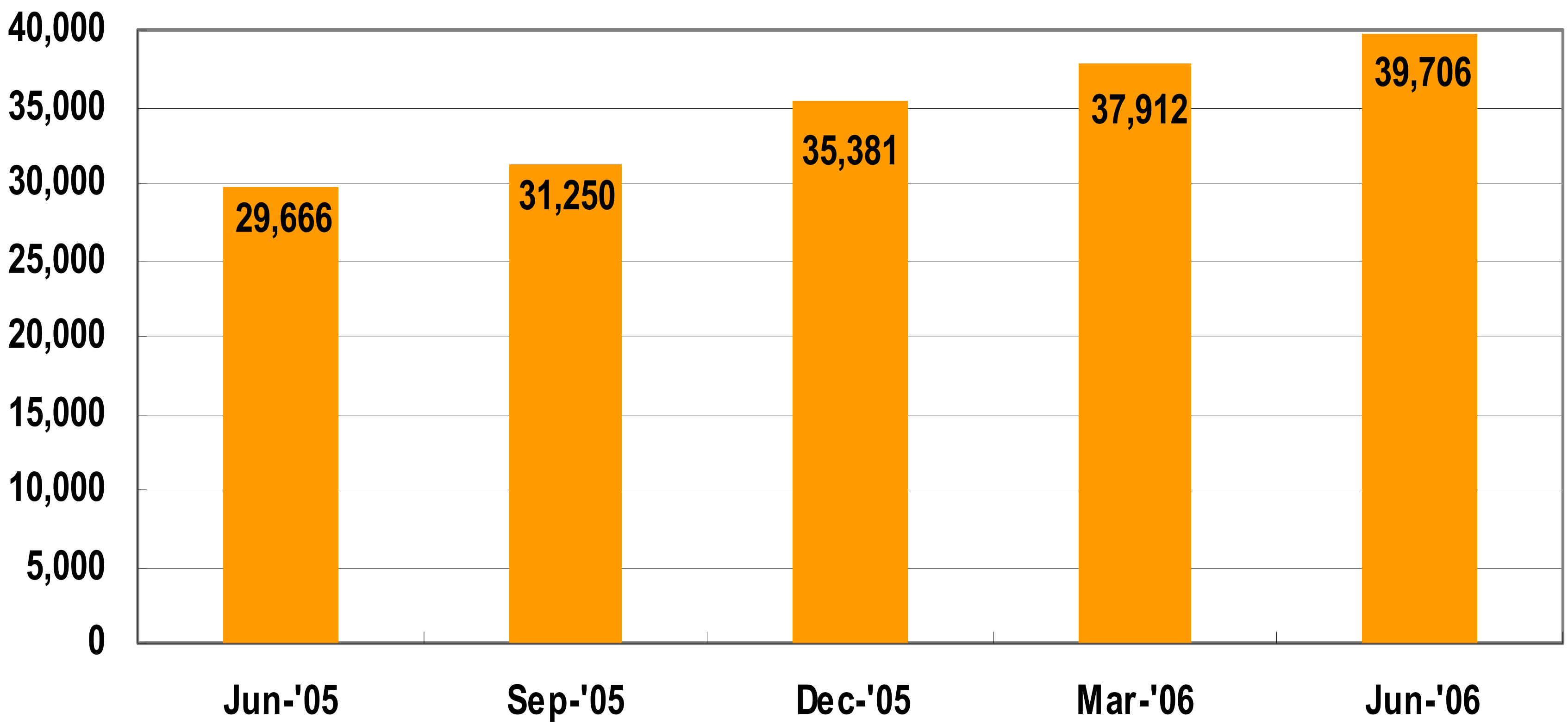


(In accordance with US GAAP)

Deferred Revenue

(unaudited)

(in million Yen)



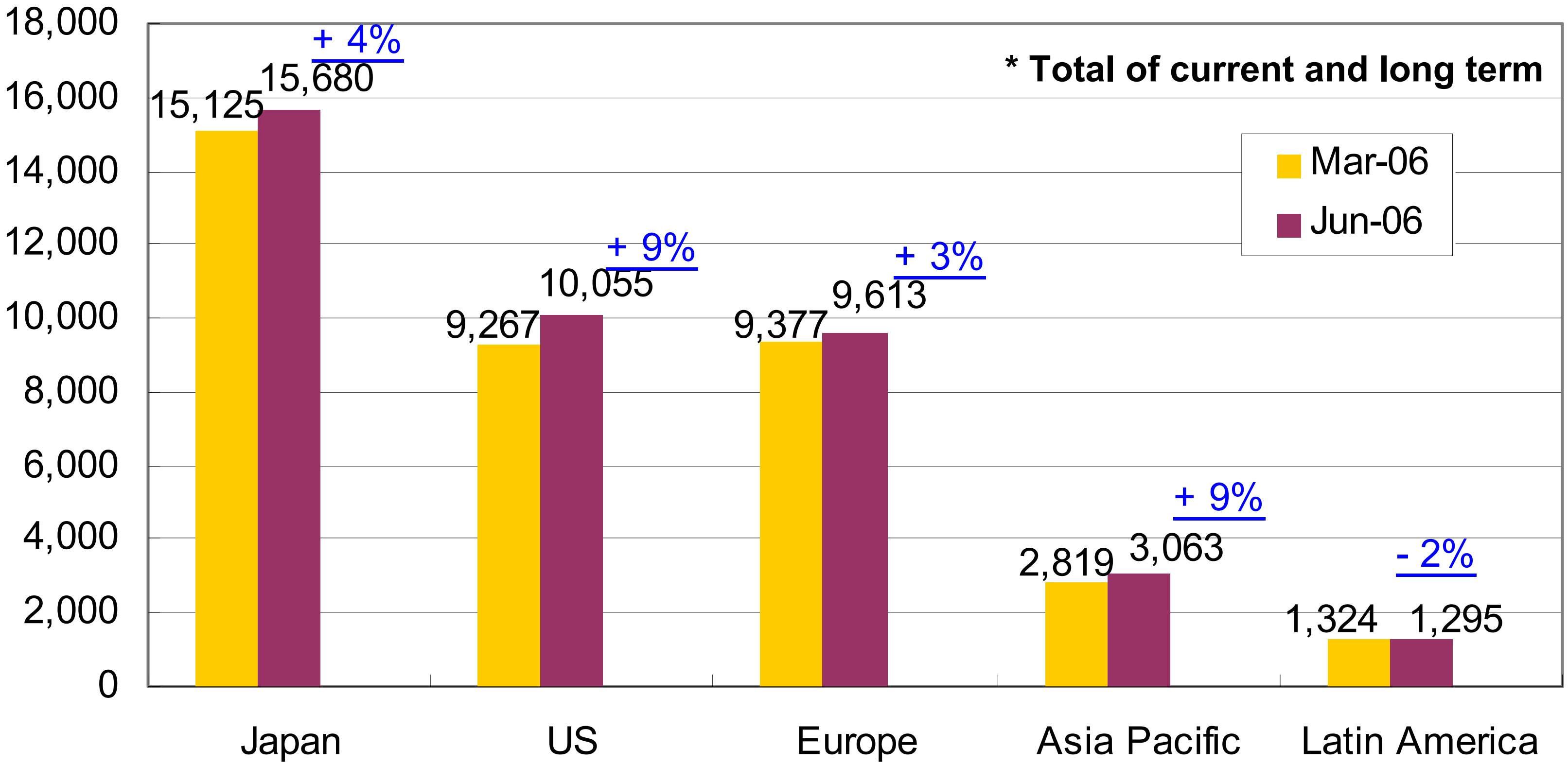
* Total of current and long term

(In accordance with US GAAP)

Deferred Revenue by Region

(unaudited)

(in million Yen)

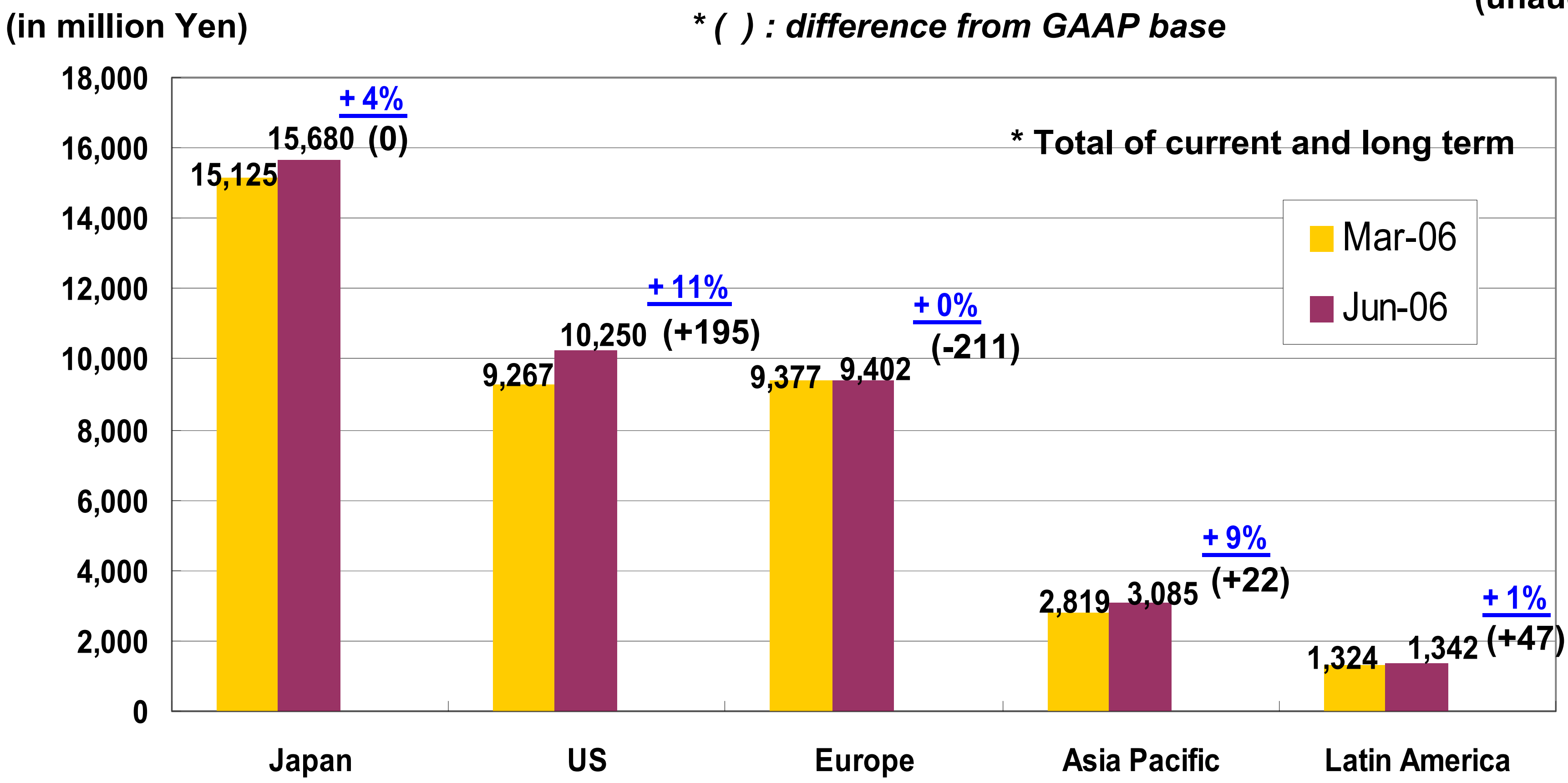


(In accordance with US GAAP)

Deferred Revenue by Region

If currency exchange rates used as of the end of 1Q2006 were used as of the end of 2Q2006:

(unaudited)



(Non-GAAP)

*** Each JPY amount as of the end of 2Q2006 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 2Q2006 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 1Q2006 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)

	Mar-2006	change	Jun-2006
Assets			
Cash & cash equivalents	62,240	+ 8,878	71,118
Account receivable *(less allowance for doubtful accounts and sales returns)*	17,641	- 1,814	15,827
Marketable securities & Securities investments	35,714	- 678	35,036
Liabilities			
Deferred revenue *(total of current and long-term)*	37,912	+ 1,794	39,706
Shareholders' Equity			
Common Stock & Additional paid in capital	33,164	+ 2,059	35,223
Treasury Stock	- 7,372	- 69	- 7,441

(In accordance with US GAAP)

TREND MICRO

Consolidated Results

(unaudited)
(in million Yen)

Six months ended Jun 30,	*1H2005*		*1H2006*		*YoY growth*
Net sales	**34,490**		**40,673**		**18%**
Cost of sales	**5,076**		**7,505**		**48%**
Operating expenses	**16,642**		**19,451**		**17%**
Operating income ***(Margin)***	**12,771**	***(37%)***	**13,717**	***(34%)***	**7%**
Income before taxes	**13,316**		**14,229**		**7%**
Net Income	**8,490**		**7,997**		**-6%**

(In accordance with US GAAP)

If stock option expenses 2,477M , one time payment income (1,766M) and deferred revenue recognition change impact (972M) are not included

			YoY change
Operating income	**12,771**	**15,400**	**21%**
Net Income	**8,490**	**9,722**	**15%**

(Non-GAAP)

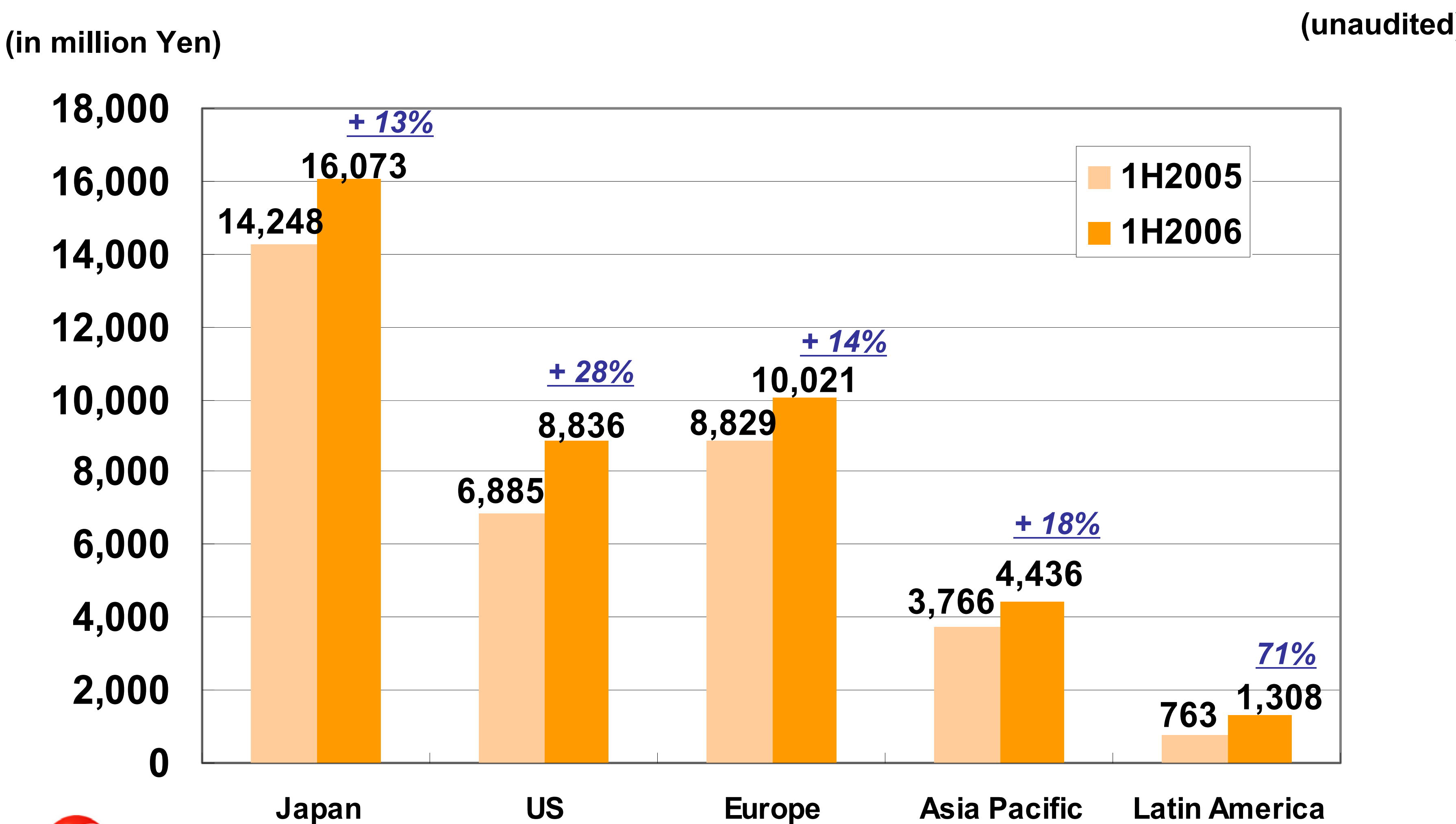
If currency exchange rates used for 1H2005 were used for 1H2006

			YoY change
Net sales	**34,490**	**39,008**	**13%**

** The JPY amount for 1H2006 shown above has been calculated by applying to each foreign currency net sales amount for 1H2006 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 1H2005 into a JPY net sales amount for U.S GAAP reporting purposes.*

(Non-GAAP)

Net Sales Growth by Region

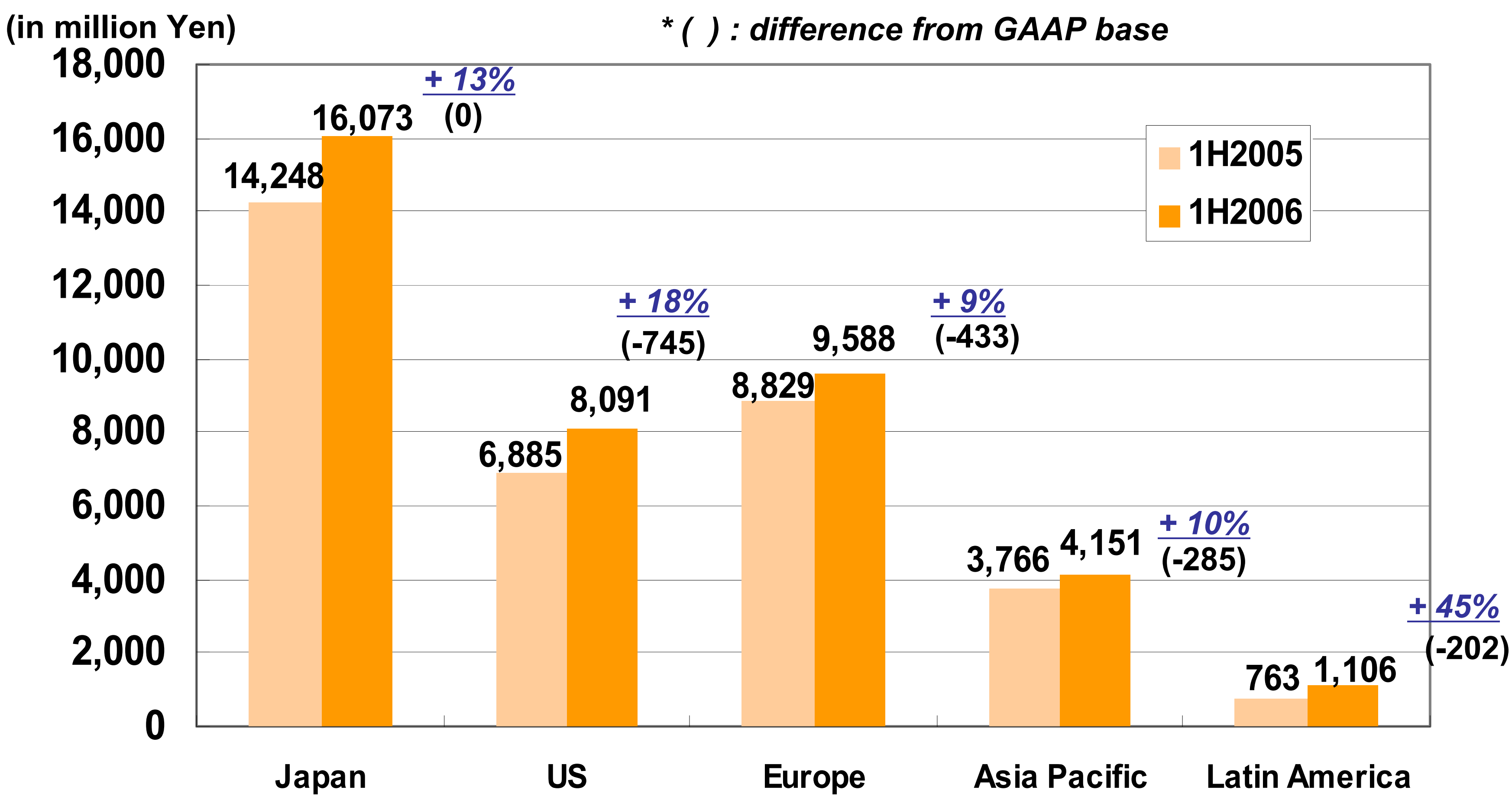


(In accordance with US GAAP)

Net Sales Growth by Region

If currency exchange rates used for 1H2005 were used for 1H2006:

(unaudited)



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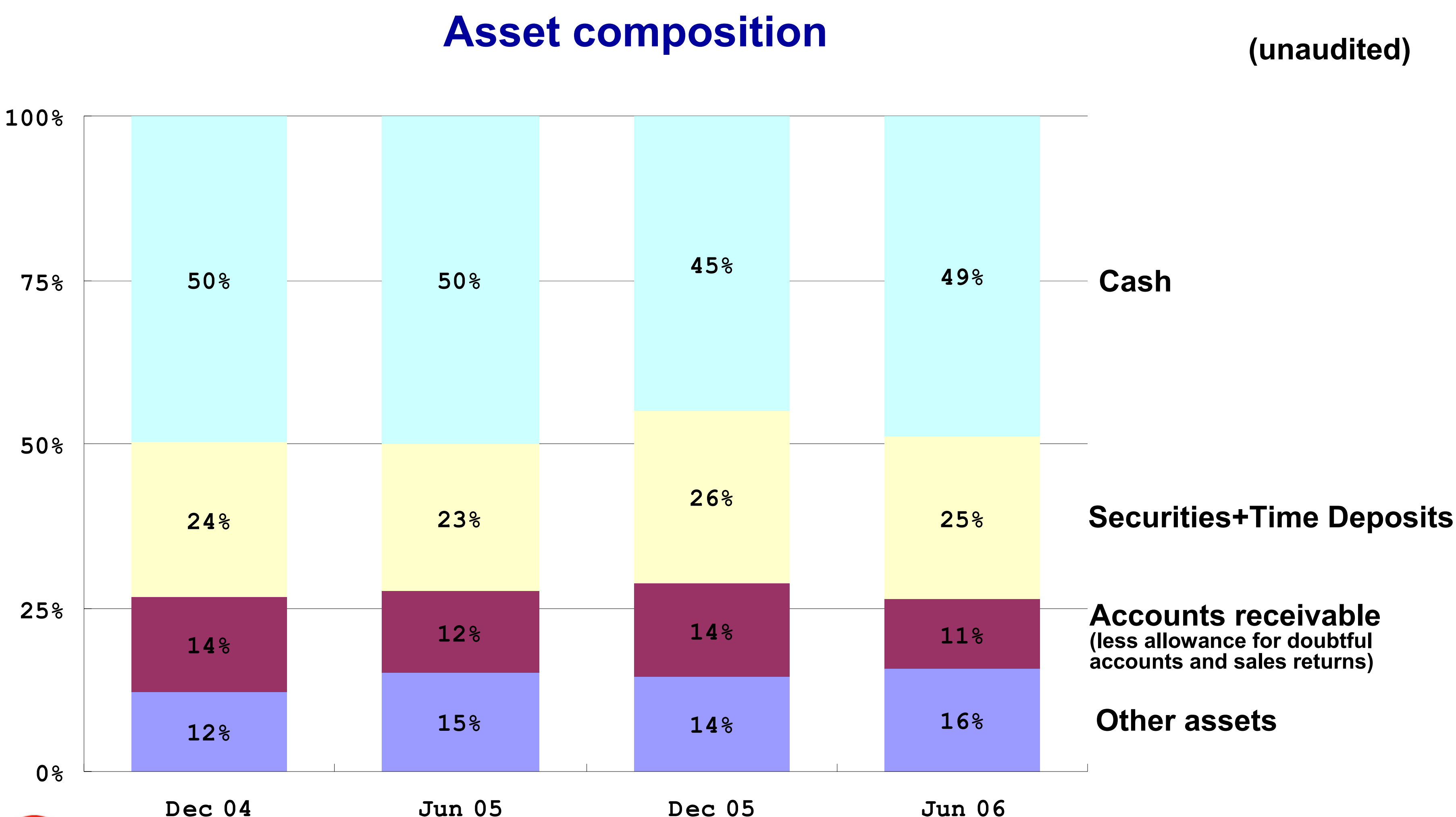
(Non-GAAP)

Asset



(In accordance with US GAAP)

Q3 forecast assumptions

- ***US growth higher than company average growth rate, Japan in line, EMEA somewhat lower***
- ***Higher level of expenses will continue due to investment in services infrastructure (on-line delivery and channel training etc.)***
- ***Stock option expenses will be about 1.24Bn yen***
- ***Estimated exchange rate: 1USD = 115yen***
  1EUR = 147yen

Projection for 3Q2006

(unaudited)
(in million Yen)

	For 3Q2006 Jul - Sep, 2006	Expected YoY growth
Net Sales	20,500	14%
Operating Income	6,000	- 13%
Net Income	3,300	- 25%

•Including stock option expense about 1,244M Yen.

(In accordance with US GAAP)

If stock option expenses are not included

Net Sales	20,500	14%
Operating Income	7,200	5%
Net Income	4,450	1%

(Non-GAAP)

Thank you!

Appendix

Quarterly Chart

(in million Yen)
(unaudited)

	FY2005				FY2006	
	1Q	2Q	3Q	4Q	1Q	2Q
□ □□sales	17,301	17,189	17,975	20,565	20,594	20,079
Cost of sales	2,410	2,667	2,739	3,312	3,679	3,826
Operating expenses	7,590	9,052	8,374	9,314	8,569	10,881
Operating income	7,301	5,470	6,862	7,939	8,346	5,371
Net income	4,557	3,934	4,385	5,795	4,954	3,043

□Sales by region□	1Q	2Q	3Q	4Q	1Q	2Q
Japan	7,366	6,882	6,942	8,226	8,237	7,835
US	3,401	3,484	4,182	4,350	4,720	4,116
Europe	4,314	4,515	4,391	5,160	4,830	5,191
Asia Pacific	1,748	2,017	1,943	2,201	2,166	2,270
Latin America	472	291	517	628	641	667
Total	17,301	17,189	17,975	20,565	20,594	20,079

□Sales by segment□	1Q	2Q	3Q	4Q	1Q	2Q
Enterprise	4,783	5,427	5,680	6,649	5,347	5,794
Small & Medium	7,999	8,099	8,412	8,463	9,677	9,866
Consumer	4,519	3,663	3,882	5,454	5,570	4,419
Total	17,301	17,189	17,975	20,565	20,594	20,079

□COGS and SG&A□	1Q	2Q	3Q	4Q	1Q	2Q
Amortization of capitalized software, and Material	581	610	640	768	893	903
Maintenance	373	322	412	564	712	920
Support	1,456	1,735	1,687	1,981	1,809	1,861
Sells, Marketing	4,615	5,723	5,073	5,533	5,951	6,191
R&D	1,027	1,170	1,157	1,042	863	930
Admin, etc.	1,948	2,159	2,144	2,740	2,533	2,678
Stock Option expenses					1,253	1,224
One time payment income					-1,766	
Total	9,999	11,719	11,113	12,626	12,248	14,707