安心を、ひとつ上のステージへ。

TREND MICRO

Trend Micro

FY2006. 3Q Results

Mahendra Negi
COO / CFO , Representative Director

October 31, 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 Sep 30,	*3Q2005*		*3Q2006*		*YoY growth*
Net sales	**17,975**		**21,002**		**17%**
Cost of sales	**2,739**		**3,886**		**42%**
Operating expenses	**8,374**		**11,005**		**31%**
Operating income *(Margin)*	**6,862**	*(38%)*	**6,111**	*(29%)*	**- 11%**
Income before taxes	**7,240**		**6,904**		**- 5%**
Net Income	**4,385**		**3,822**		**- 13%**

(In accordance with US GAAP)

Amount of contracts concluded

Bookings	**19,527**	**23,742**	**22%**

(Non-GAAP)

If stock option expenses (1,260M) is not included

Operating income	**6,862**	**7,371**	**7%**
Net Income	**4,385**	**4,923**	**12%**

(Non-GAAP)

If currency exchange rates used for 3Q2005 were used for 3Q2006

Net sales	**17,975**	**20,222**	**13%**

** The JPY amount for 3Q2006 shown above has been calculated by applying to each foreign currency net sales amount for 3Q2006 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 3Q2005 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 Sep 30,	*3Q2005*	*3Q2006*	*YoY change*
Net sales	161,586	180,539	12%
Cost of sales	24,625	33,404	36%
Operating expenses	75,278	94,601	26%
Operating income	61,683	52,534	- 15%
Income before taxes	65,083	59,352	- 9%
Net Income	39,421	32,851	- 17%

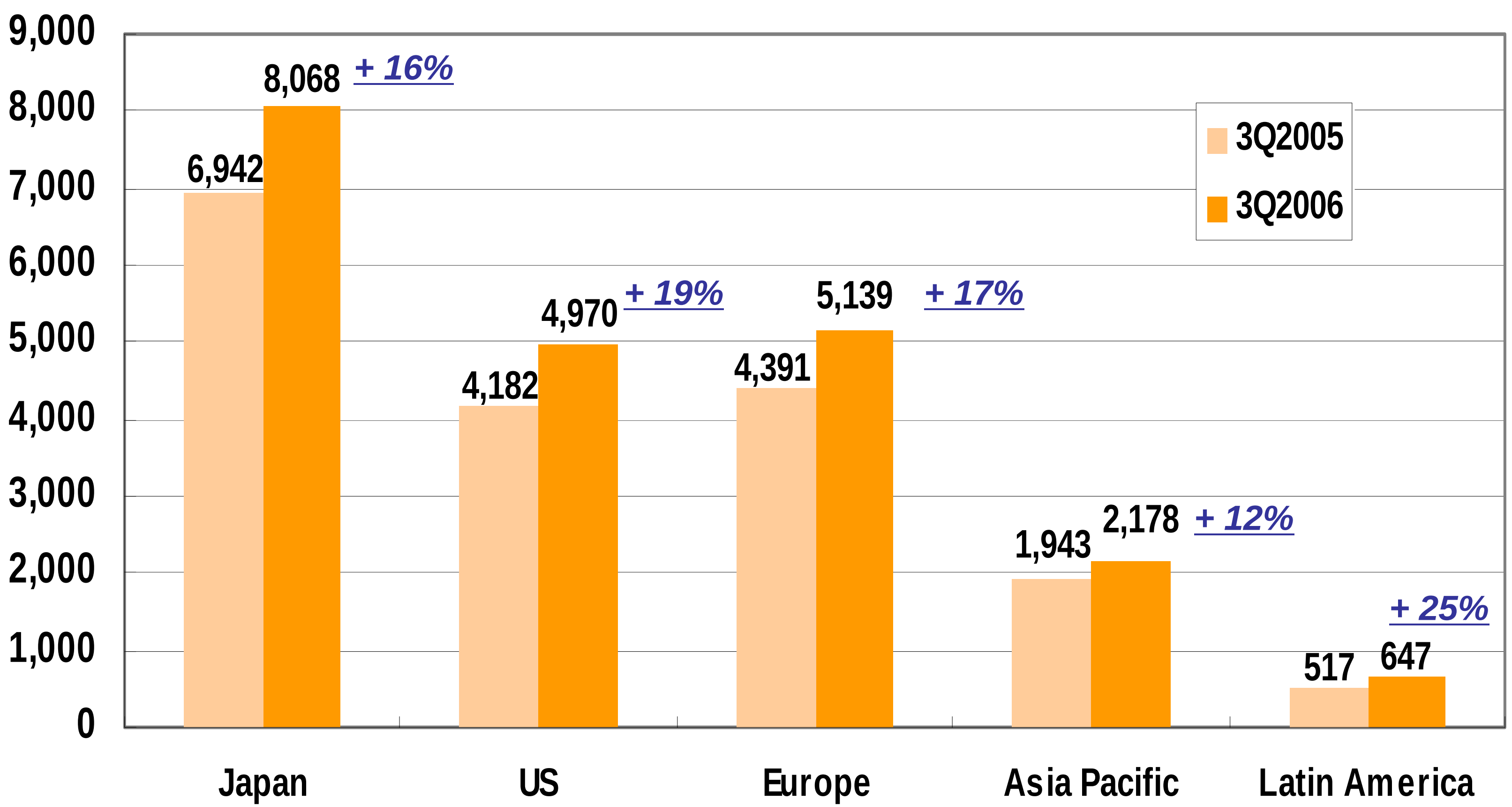
(Non-GAAP)

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=111.24 JPY for 3Q2005 and 1 USD =116.33 JPY for 3Q2006, 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)

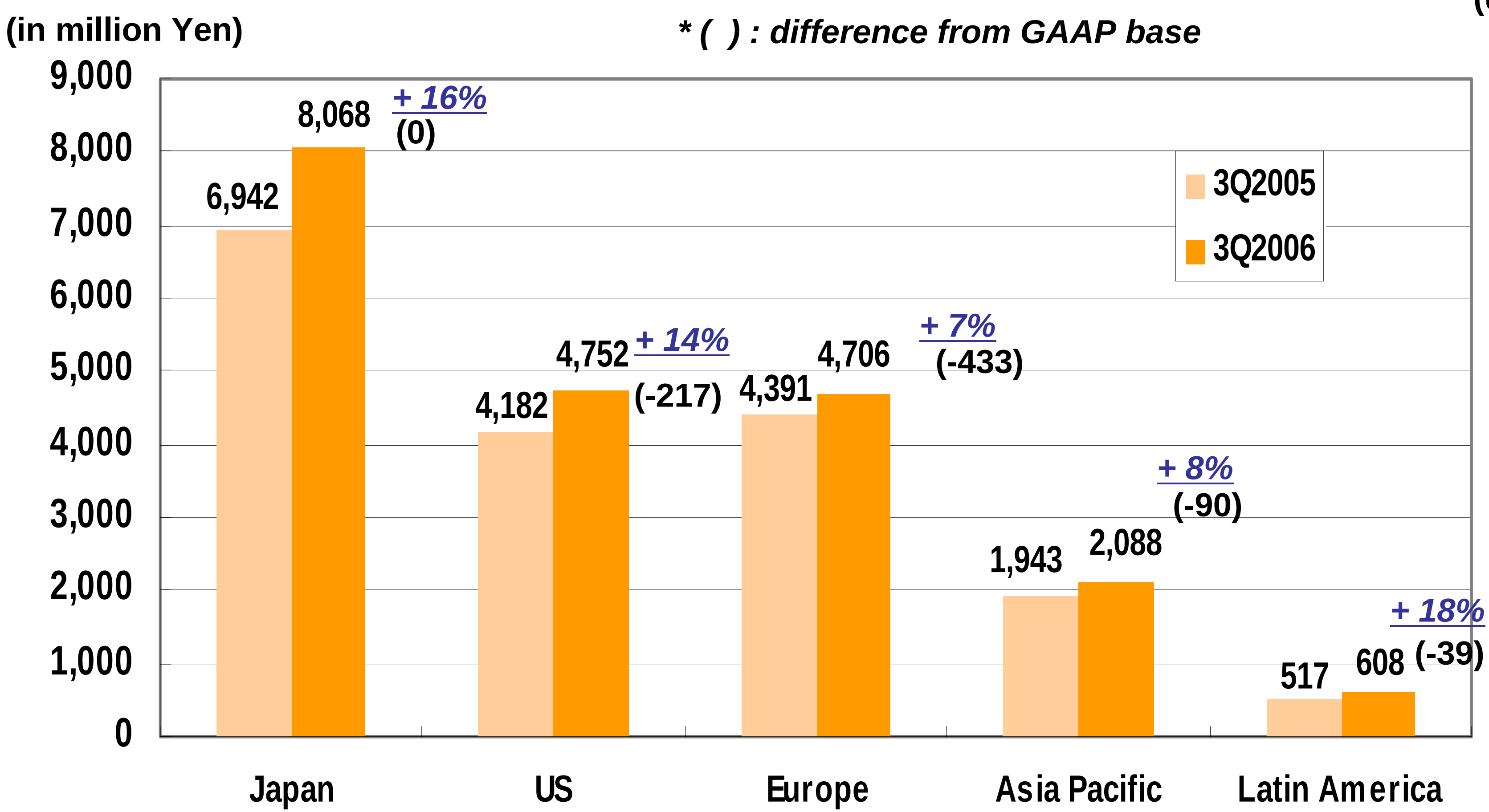


(In accordance with US GAAP)

Net Sales Growth by Region

If currency exchange rates used for 3Q2005 were used for 3Q2006:

(unaudited)



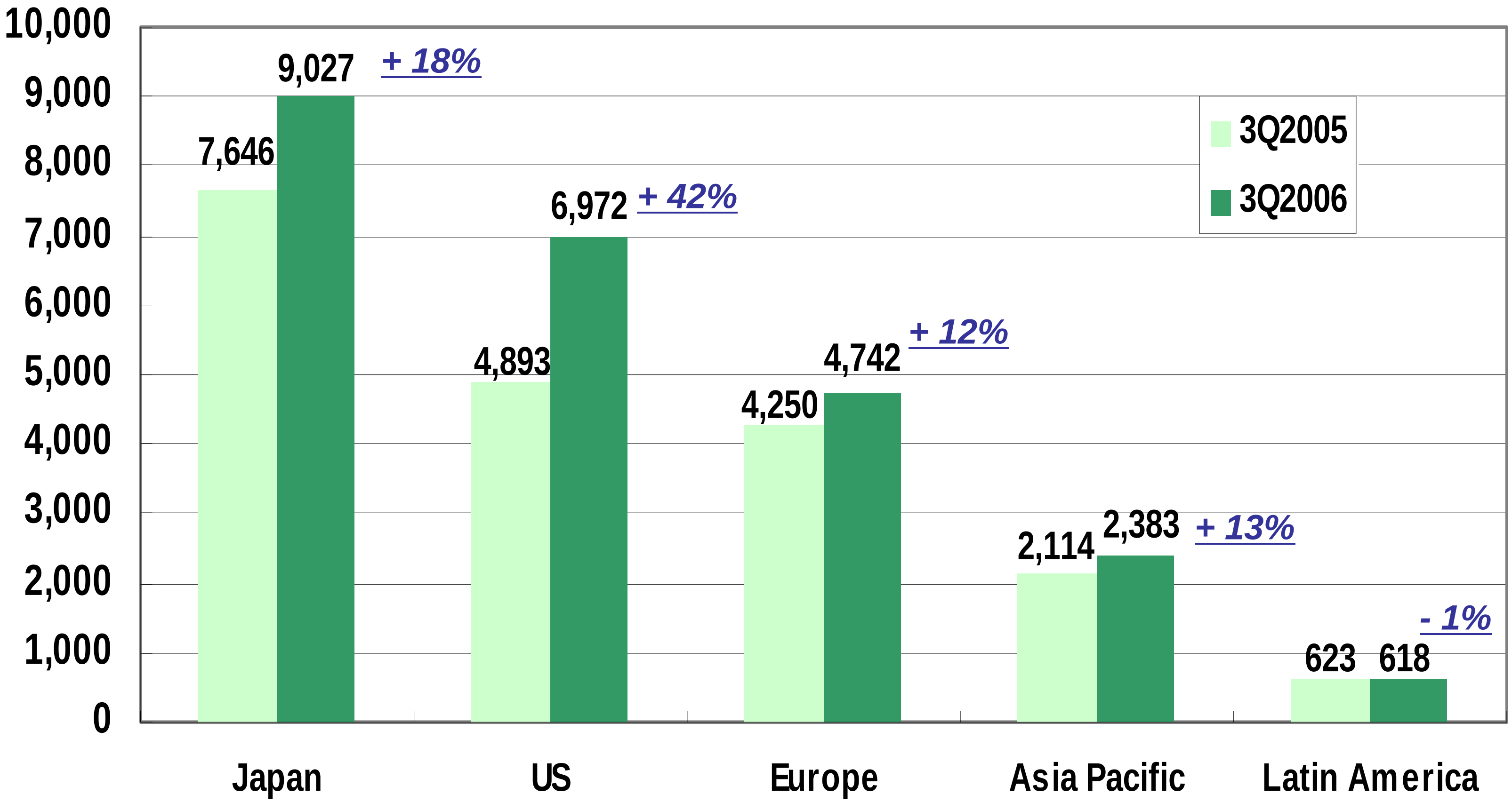
** Each JPY amount for 3Q2006 shown above has been calculated by applying to the relevant foreign currency net sales amount for 3Q2006 the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for 3Q2005 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)

Bookings (Amount of contracts concluded)

(in million Yen)

(unaudited)

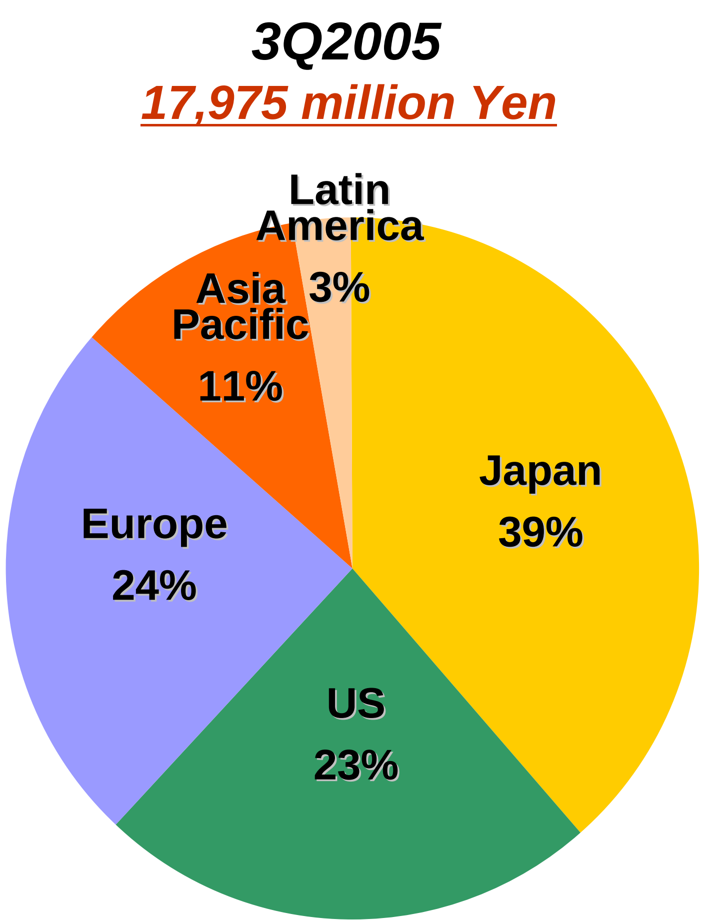


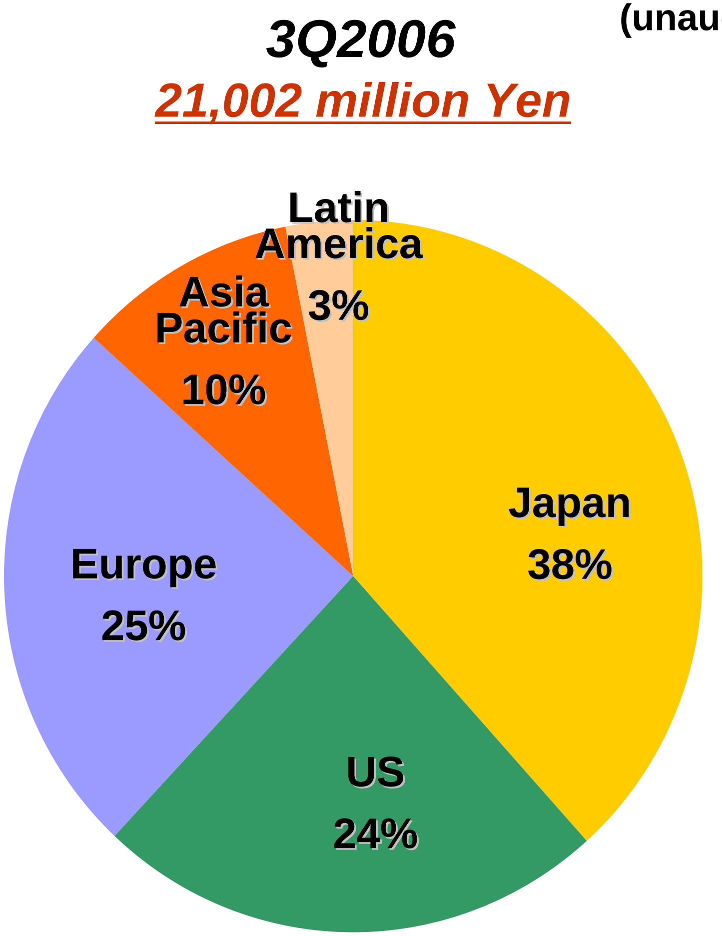
(Non-GAAP)

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

% share by region

(unaudited)





(In accordance with US GAAP)

Revenue recognition of Virus Buster 2007

- ***Due to the price increase of renewal contracts, total amounts of new contracts of Virus Buster 2007 should be recognized "Deferred Revenue "(deferral rate 100%)***
- ***Recognize the quite same amounts into monthly revenue among 12 months***
- ***Total 1-year revenue is same***
- ***Total impact in Japan might be around 300M Yen***

(Since Virus Buster 2007) In case of "New contract & Cash-in" as 100 in Jan. (deferral rate as 100%)

8.3 = 100 x 1month / 12 months

Jan.	Feb.	Mar.	……..	Dec.
B 8.3	B 8.3	B 8.3		B 8.3

Total 1-year revenue as 100

TREND MICRO

Q3 Highlights

- ***Continue to take market share in North America***
- ***Japan business growth better than expected***
- ***Strong launch of IGSA appliance***

Q3 Lowlights

- ***EMEA and APAC performance continues to disappoint***
- ***SOX compliance requiring more resources than planned.***

New threats - Botnets

- Botnets: The #1 emerging Internet threat
- Estimated 7% of all computers on the internet are zombies (75-100 million machines)
  - Responsible for over 90% of all spam
  - Generate click fraud in excess of $1 billion annually
  - Phishing to commit identity theft
    - Identity theft losses $52.6 billion annually in 2004 in US alone
    - 12%, or $6.3 billion, occurred as a result of online activity
  - DDOS attacks for extortion or retribution of 8-22Gbps
  - Malware distribution such as key loggers
  - Data mining – customer data, corp espionage,
  - Propagation of the species - over 200k zombies/mo growth

What is Botnets?

Botnet — programs that operate as an agent for a user or another program

- Infection route -

Oblivious infection from security hole or network sharing.

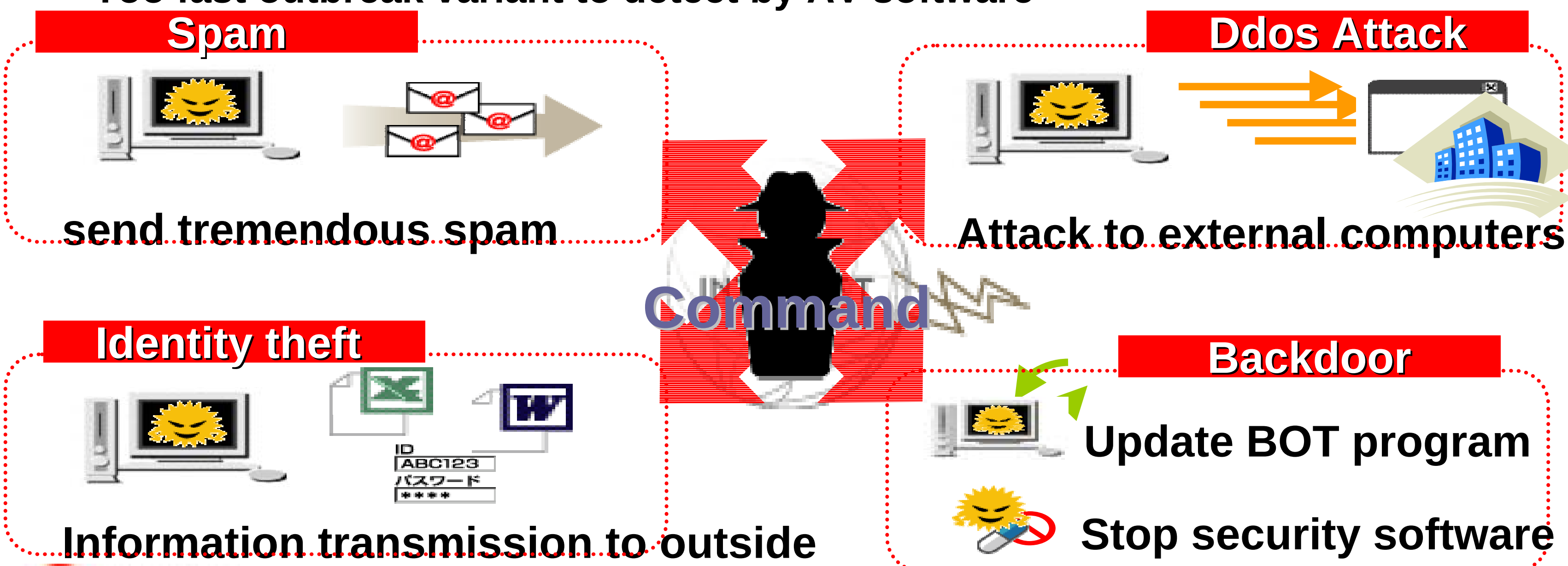
- Descriptions -

Infected computers are getting controlable via internet by outsiders

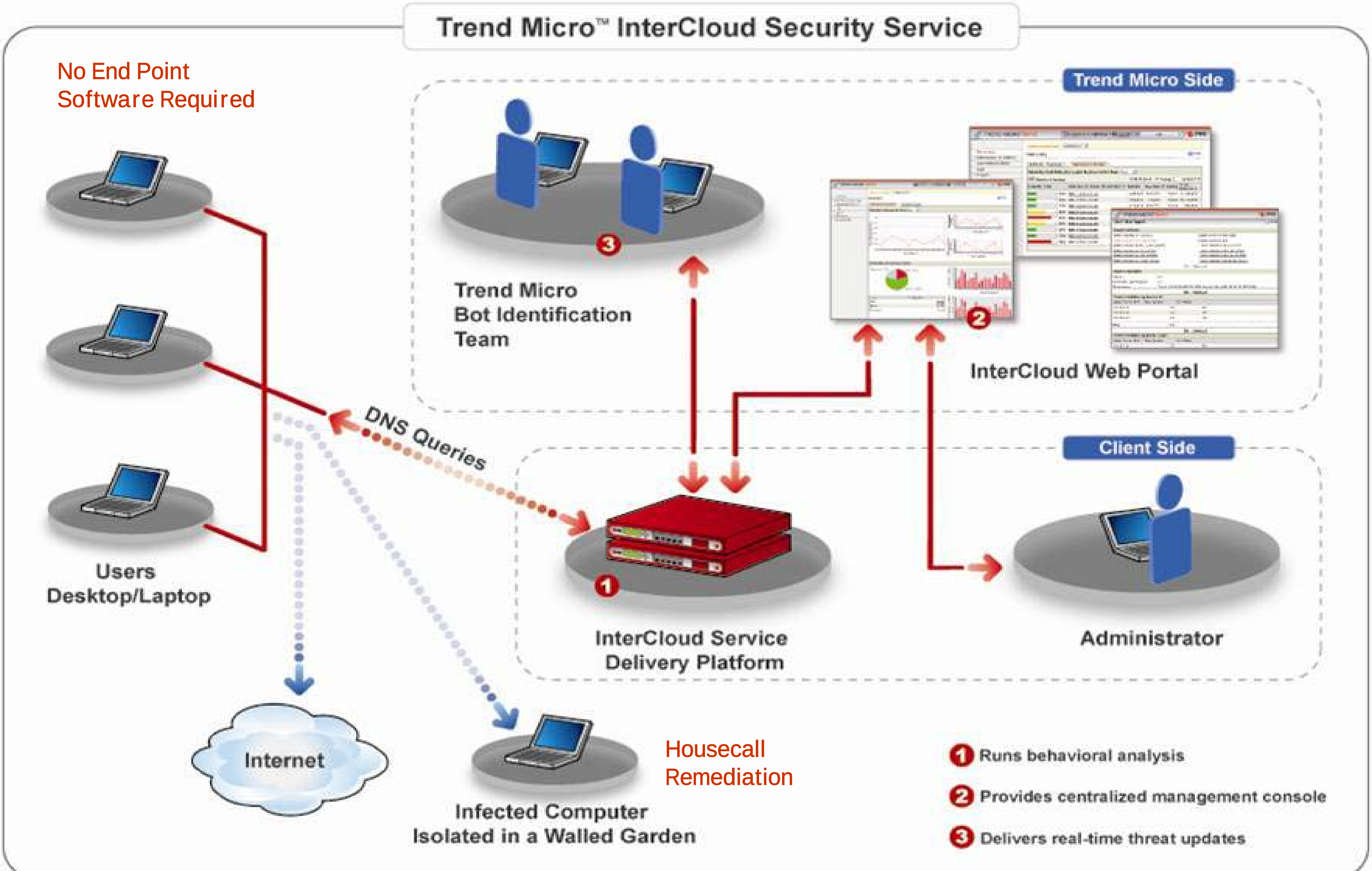
Hard to aware its infection for few symptoms

Constructed botnets with infected computers

Too fast outbreak variant to detect by AV software



InterCloud Security Service (ICSS)
An Agent-less Solution to botnets



Cisco relationship – Q3/Q4

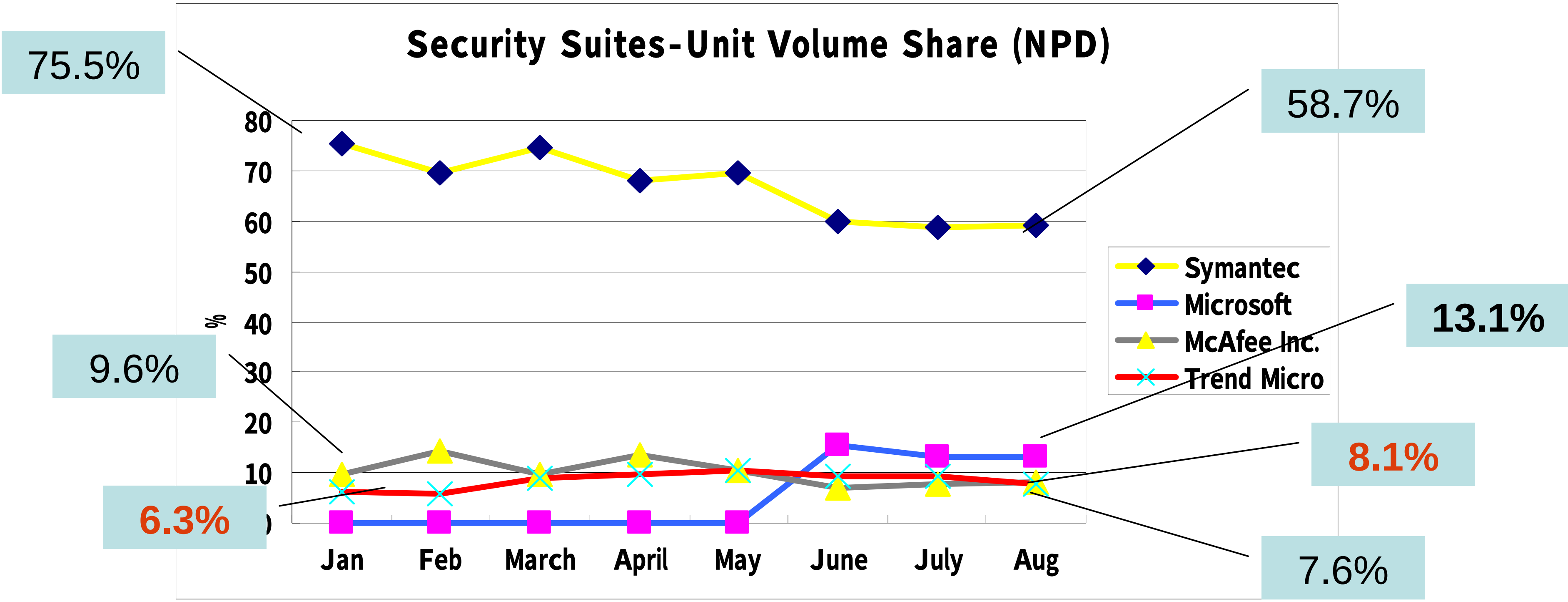
Q3 highlights

- Cisco Channel Recruitment
  - Two Pan-European Distributors signed
  - Three new Cisco VARs signed in North America
  - Potential funnel pipeline for up selling Trend products already in excess of $1M
- Revenue starting to trickle in – run-rate of over 1000 units/quarter of the CSC blade

Q4 plan

- Upsell process to be deployed (for Cisco CSC blade)
- Marketing activities (10 city US roadshow, Cisco SMB broadcast featuring Trend)

MS Onecare in the US market

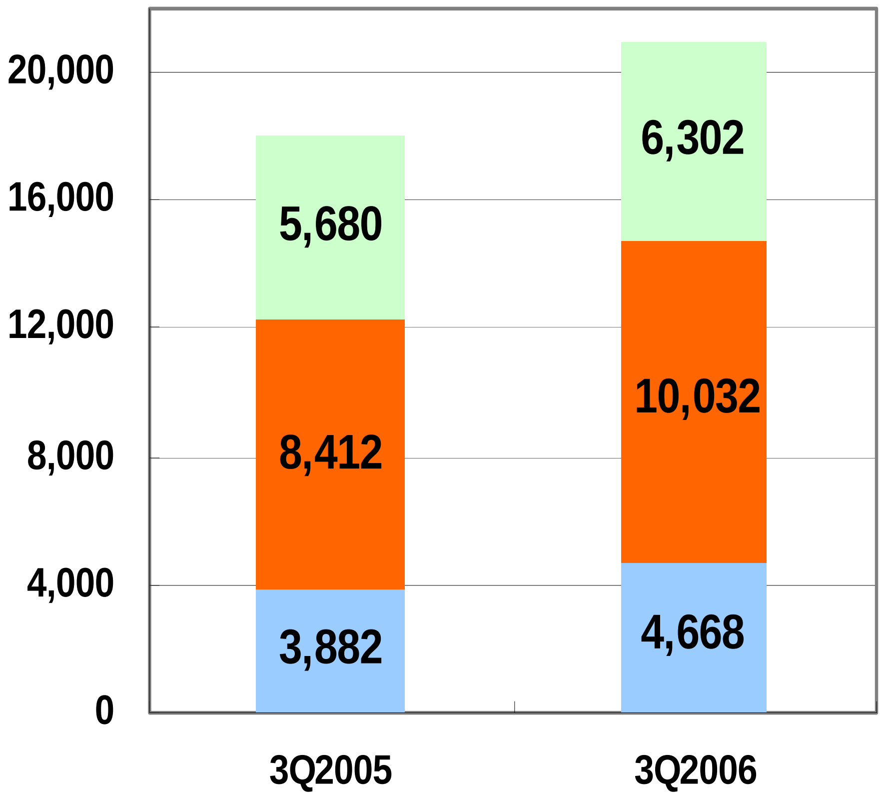


- Microsoft got 13.1% of share
- Trend Market share has remained almost the same since Onecare launch
- *MS's challenge (3 license & lower price) might reduce retail value*

Sales by Segment

(unaudited)

(in million Yen)



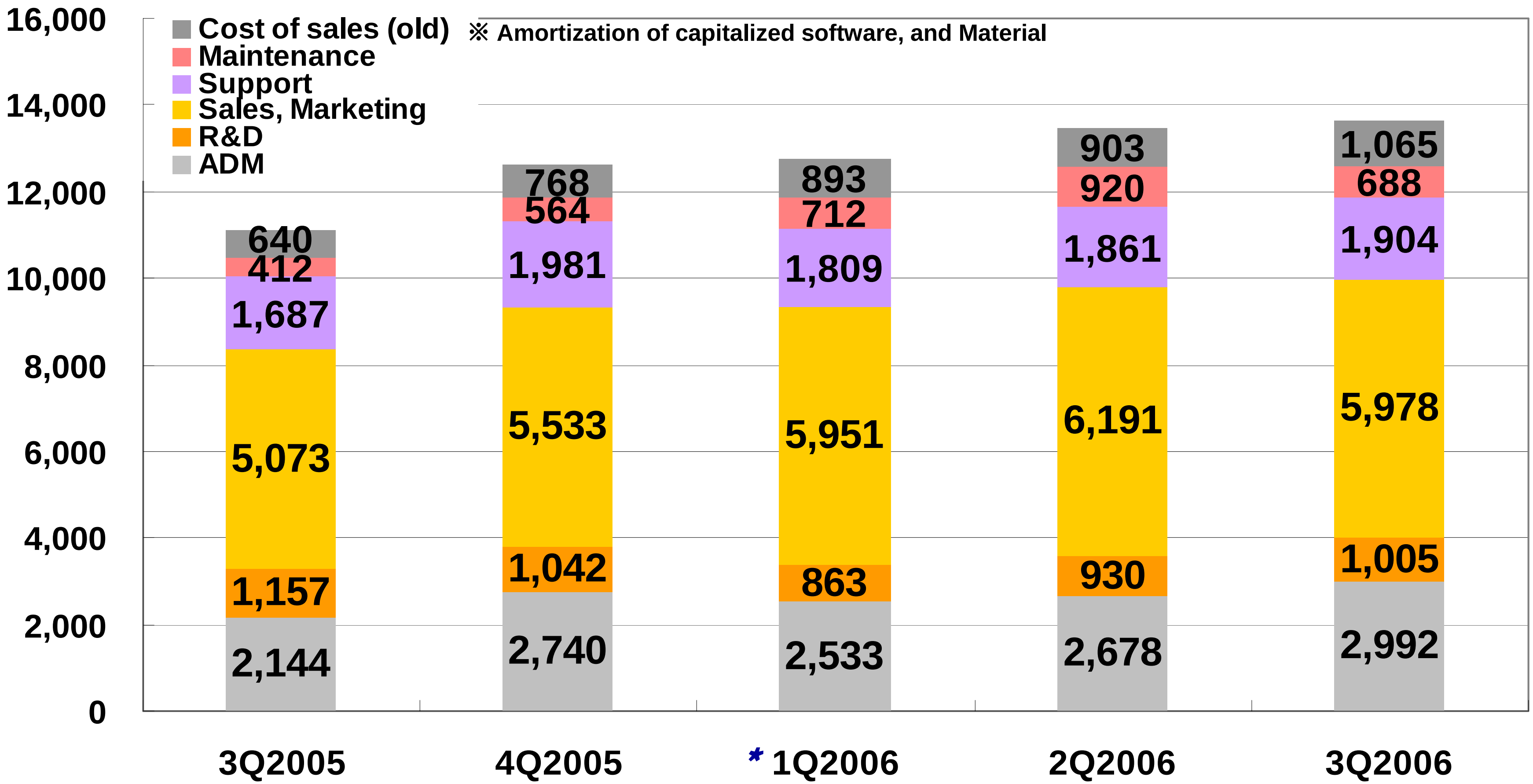
	3Q2005	3Q2006
Large Enterprise	32%	30%
Small & Medium	47%	48%
Consumer	21%	22%
Total	100%	100%

** 3Q2005 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)

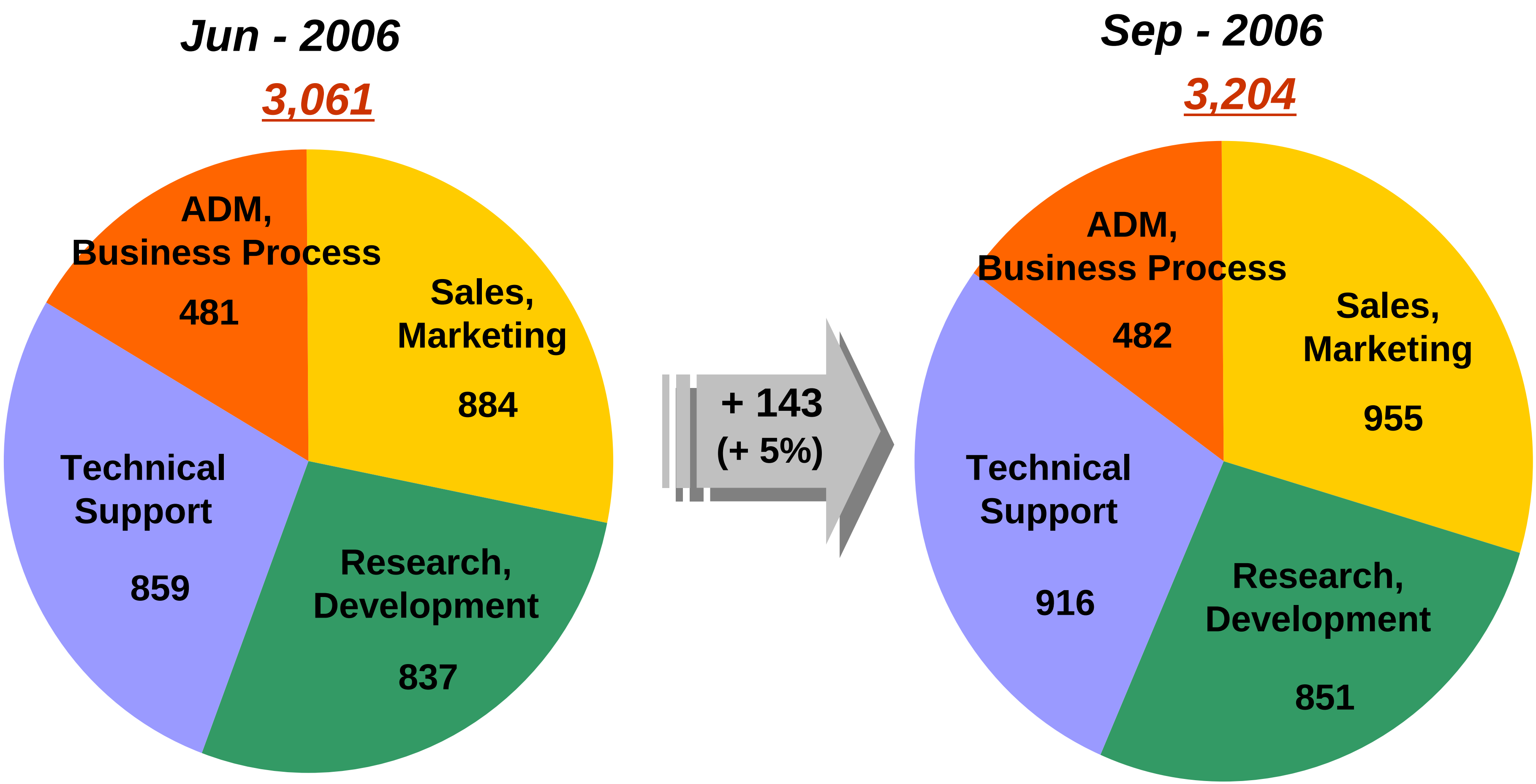
(in million Yen) (unaudited)



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

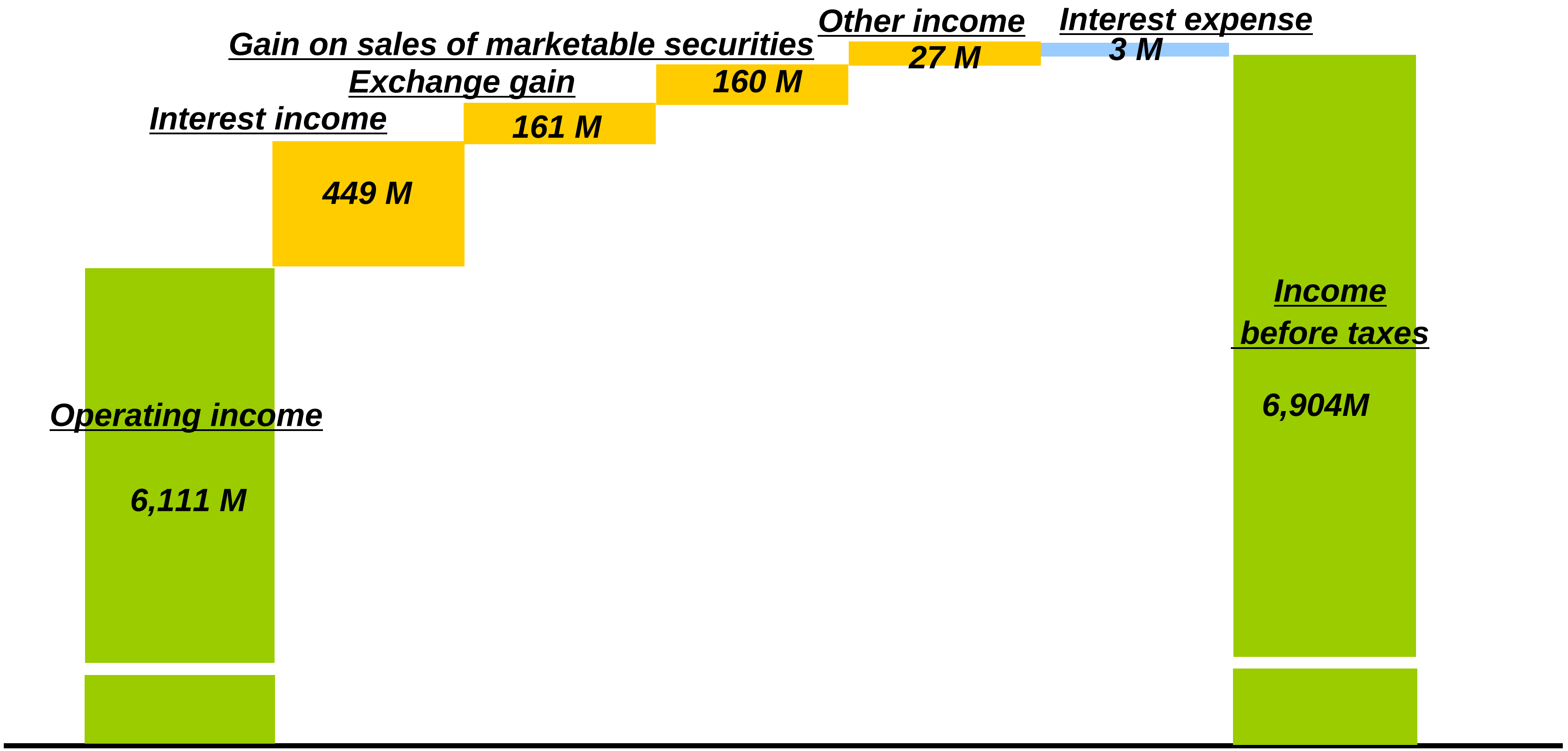
TREND MICRO

Headcount


Jun - 2006
3,061
ADM,
Business Process
481
Sales,
Marketing
884
Technical
Support
859
Research,
Development
837
+ 143
(+ 5%)
Sep - 2006
3,204
ADM,
Business Process
482
Sales,
Marketing
955
Technical
Support
916
Research,
Development
851

Non-operating Items

(unaudited)

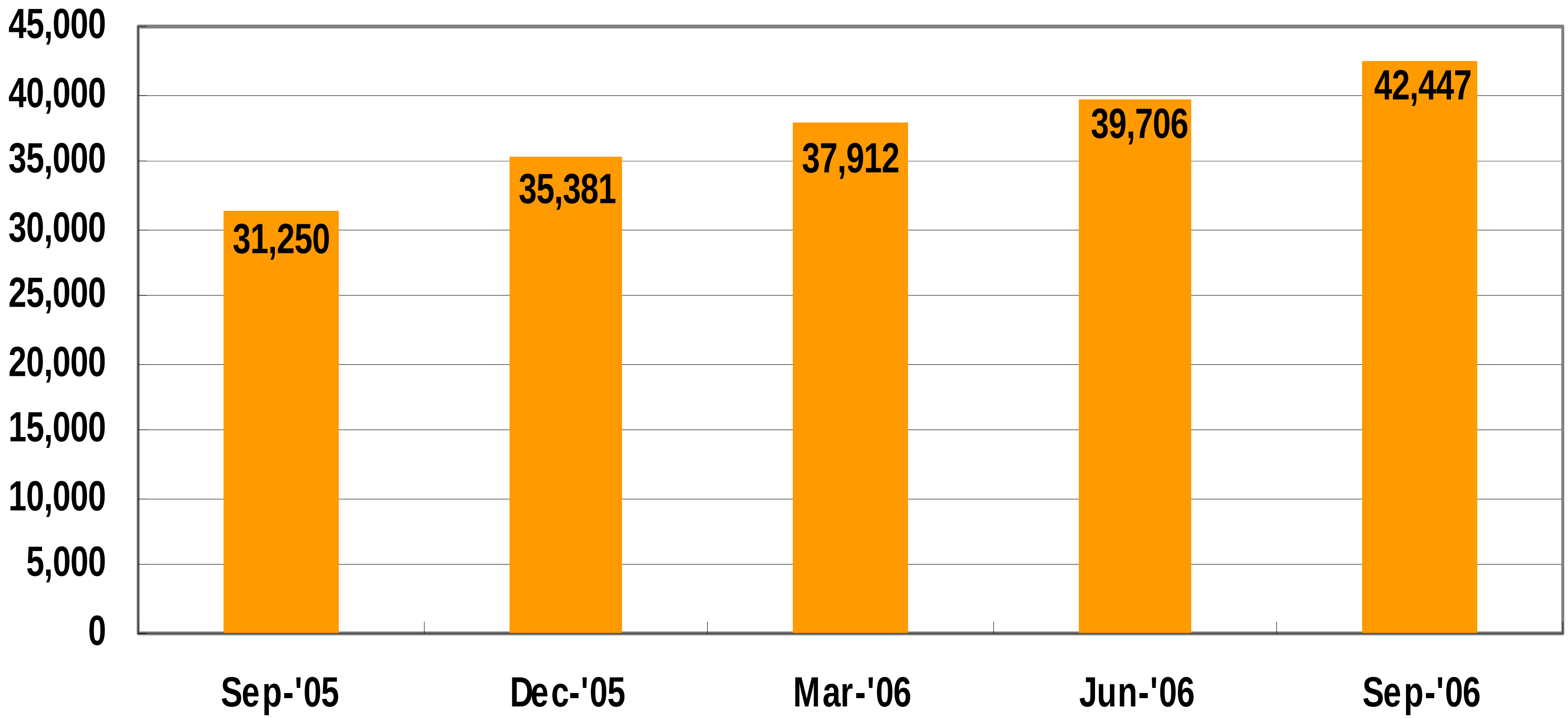


(In accordance with US GAAP)

Deferred Revenue

(unaudited)

(in million Yen)



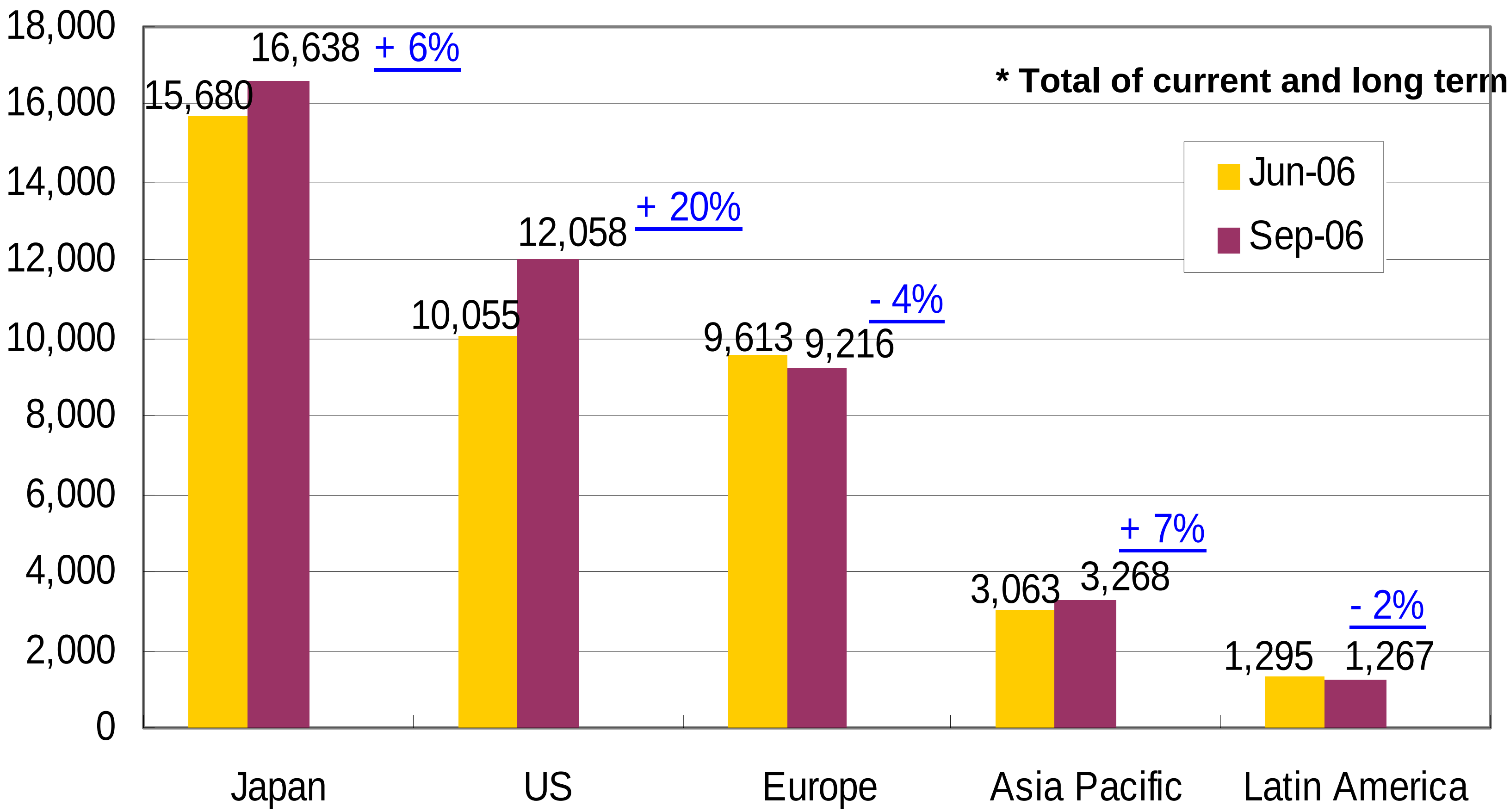
* Total of current and long term

(In accordance with US GAAP)

Deferred Revenue by Region

(unaudited)

(in million Yen)

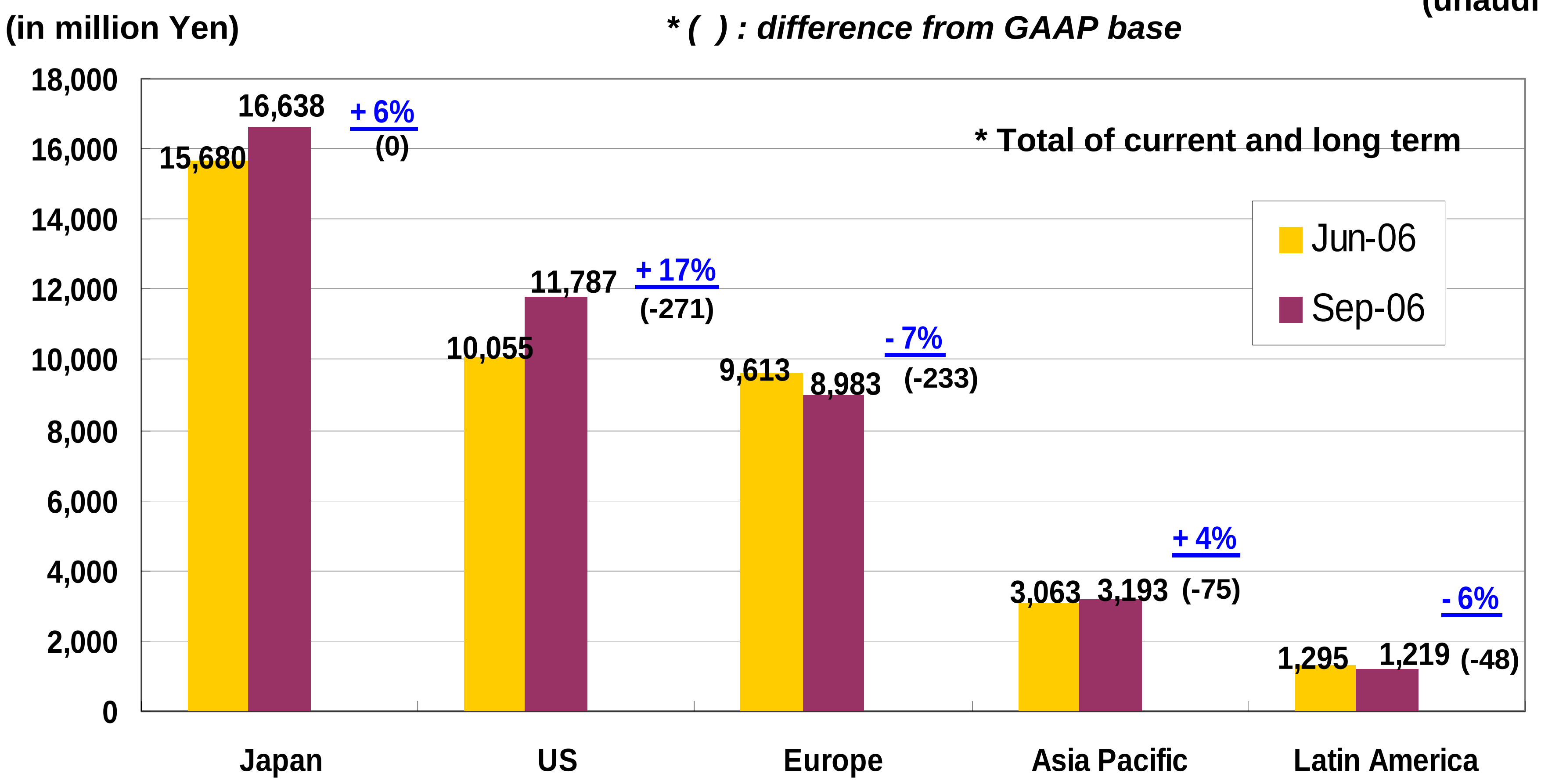


(In accordance with US GAAP)

Deferred Revenue by Region

If currency exchange rates used as of the end of 2Q2006 were used as of the end of 3Q2006:

(unaudited)



(Non-GAAP)

** Each JPY amount as of the end of 3Q2006 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 3Q2006 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 2Q2006 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)

	Jun-2006	change	Sep-2006
Assets			
Cash & cash equivalents	71,118	*- 4,268*	66,850
Account receivable *(less allowance for doubtful accounts and sales returns)*	15,827	*- 48*	15,779
Marketable securities & Securities investments	35,036	*+ 4,174*	39,210
Liabilities			
Deferred revenue *(total of current and long-term)*	39,706	*+ 2,741*	42,447
Shareholders' Equity			
Common Stock & Additional paid in capital	35,223	*+ 1,439*	36,662
Treasury Stock	- 7,441	*- 6,786*	- 14,227

(In accordance with US GAAP)

Q4 forecast assumptions

- *North America to lead growth, Japan at company average, EMEA single digit growth*
- *Booking growth rate may be lower than billing due to large deferrals booked in Q3*
- *Stock option expenses will be about 1.21Bn yen*
- *Estimated exchange rate: 1USD = 117yen*
  1EUR = 148yen

Projection for 4Q2006

(unaudited)

(in million Yen)

	For 4Q2006 Oct - Dec, 2006	Expected YoY growth
Net Sales	22,800	11%
Operating Income	7,100	- 11%
Net Income	3,800	- 34%

• Including stock option expense (about 1,215M Yen)

(In accordance with US GAAP)

If stock option expenses are not included

Net Sales	22,800	11%
Operating Income	8,300	5%
Net Income	4,950	- 15%

(Non-GAAP)

Amount of contracts concluded

Bookings	26,000	6%

(Non-GAAP)

TREND MICRO

Thank you!

Appendix

Quarterly Chart (1)

(in million Yen)

(unaudited)

	FY2005				FY2006		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net sales	17,301	17,189	17,975	20,565	20,594	20,079	21,002
Cost of sales	2,410	2,667	2,739	3,312	3,679	3,826	3,886
Operating expenses	7,590	9,052	8,374	9,314	8,569	10,881	11,005
Operating income	7,301	5,470	6,862	7,939	8,346	5,371	6,111
Net income	4,557	3,934	4,385	5,795	4,954	3,043	3,822
(COGS and SG&A)	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Amortization of capitalized software, and Material	581	610	640	768	893	903	1,065
Maintenance	373	322	412	564	712	920	688
Support	1,456	1,735	1,687	1,981	1,809	1,861	1,904
Sells, Marketing	4,615	5,723	5,073	5,533	5,951	6,191	5,978
R&D	1,027	1,170	1,157	1,042	863	930	1,005
Admin, etc.	1,948	2,159	2,144	2,740	2,533	2,678	2,992
Stock Option expenses					1,253	1,224	1,260
One time payment income					-1,766		
Total	9,999	11,719	11,113	12,626	12,248	14,707	14,891

Appendix

Quarterly Chart (2)

(in million Yen)
(unaudited)

	FY2005				FY2006		
(Sales by region)	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Japan	7,366	6,882	6,942	8,226	8,237	7,835	8,068
US	3,401	3,484	4,182	4,350	4,720	4,116	4,970
Europe	4,314	4,515	4,391	5,160	4,830	5,191	5,139
Asia Pacific	1,748	2,017	1,943	2,201	2,166	2,270	2,178
Latin America	472	291	517	628	641	667	647
Total	17,301	17,189	17,975	20,565	20,594	20,079	21,002
(Sales by segment)	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Enterprise	4,783	5,427	5,680	6,649	5,347	5,794	6,302
Small & Medium	7,999	8,099	8,412	8,463	9,677	9,866	10,032
Consumer	4,519	3,663	3,882	5,454	5,570	4,419	4,668
Total	17,301	17,189	17,975	20,565	20,594	20,079	21,002
(Bookings by region)	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Japan	8,182	6,312	7,646	8,879	9,391	8,390	9,027
US	3,623	4,203	4,893	5,275	5,389	5,327	6,972
Europe	4,270	4,552	4,250	6,907	5,139	5,426	4,742
Asia Pacific	1,815	2,238	2,114	2,539	2,219	2,514	2,383
Latin America	455	601	623	917	777	638	618
Total	18,346	17,906	19,527	24,517	22,915	22,296	23,742

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