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TREND MICRO™

Trend Micro

FY2006. 4Q / Annual Results

Mahendra Neg
COO / CFO , Representative Directo

February 21, 200

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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FY2006 4Q Financial Highlight

Consolidated Results

Three months ended Dec 31,	4Q2005		4Q2006		YoY growth
	(in million Yen)				(unaudite
Net sales	20,565		23,386		14%
Cost of sales	3,312		4,503		36%
Operating expenses	9,314		12,178		31%
Operating income *(Margin)*	7,939	*(39%)*	6,705	*(29%)*	- 16%
Income before taxes	8,553		7,881		- 8%
Net Income	5,795		5,030		- 13%

(In accordance with US GAA

Amount of contracts concluded

Bookings	24,517	30,117	23%

(Non-GAA

- *If stock option expenses (1,235M) is not included*
- *If we use an "average deferral ratio" for 4Q2005 and reply it to 4Q2006, for expediency's sake*

Net sales	20,565	25,263	23%
Operating income	7,939	9,817	24%
Net Income	5,795	7,684	33%

(Non-GAA

If currency exchange rates used for 4Q2005 were used for 4Q2006

Net sales	20,565	22,776	11%

** The JPY amount for 4Q2006 shown above has been calculated by applying to each foreign currency net sales amount for 4Q2006 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 4Q2005 into a JPY net sales amount for U.S. GAAP reporting purposes.*

(Non-GAAP)

Relation between "Bookings" and "Net revenue"

(unaudite

(in million Ye

Three months ended Dec 31,	4Q2005	4Q2006	YoY growth
Bookings	24,517	30,117	+ 23%
Net Revenue	20,565	23,386	+14%
(Net Revenue / Bookings)	*84%*	*78%*	
In case of using last year's ratio		25,263	

The change of revenue recognition

ue to applying to SOP 97-2 (Software Revenue Recognition) strictly, changing items are mainly the following.

apan)

- *Renew sales of "Virus Buster" for Consumer (*This item had been already changed since 2QFY2006)*
  (Start of deferred revenue recognition at "Cash-in" → at "Effective date of renew contract (3 months delay at a maximum))

*New sales of "Virus Buster" for Consumer (*This item had been already changed since launch "Virus Buster 2007" in 3QFY2006)*
(Revenue recognition at " Shipment" as around 65% of total amount → Deferred revenue recognition as 100% of total amount; "one-twelfths a month")

- *New sales of "Virus Buster" for Consumer*
  (Start of deferred revenue recognition at " Shipment" → at "2 months after Arrival")

- *Renew sales of "Virus Buster" for Consumer (*This item had been already changed since 2QFY2006)*
  (Start of deferred revenue recognition at "Cash-in" → at "Effective date of renew contract (3 months delay at a maximum))

- *New sales for Enterprise (*No recognition change of "perpetual licenses of software products")*
  (Start of deferred revenue recognition at "Shipment" → at "(In case of maximum delay) 3 months after Arrival")

- *Renew sales for Enterprise*
  (Start of deferred revenue recognition at "Shipment" → at "Effective date of renew contract (3 months delay at a maximum))

JS)

- *New sales of "Virus Buster (PC-Cillin)" for Consumer (*This item had been already changed since launch "Virus Buster 2007" in 3QFY2006)*
  (Revenue recognition at " Shipment" as around 50% of total amount → Deferred revenue recognition as 100% of total amount; "one-twelfths a month")

Europe)

*New sales of "Virus Buster (PC-Cillin)" for Consumer (*This item had been already changed since launch "Virus Buster 2007" in 3QFY2006)*
(Revenue recognition at " Shipment" as around 70% of total amount → Deferred revenue recognition as 100% of total amount; "one-twelfths a month")

New sales of "Virus Buster (PC-Cillin)" for Consumer
(Start of deferred revenue recognition at "Shipment" → at "3 months after Arrival")

Timing of deferred revenue recognition

Contract (Model)

Cash-in

100%

A 50

B 50

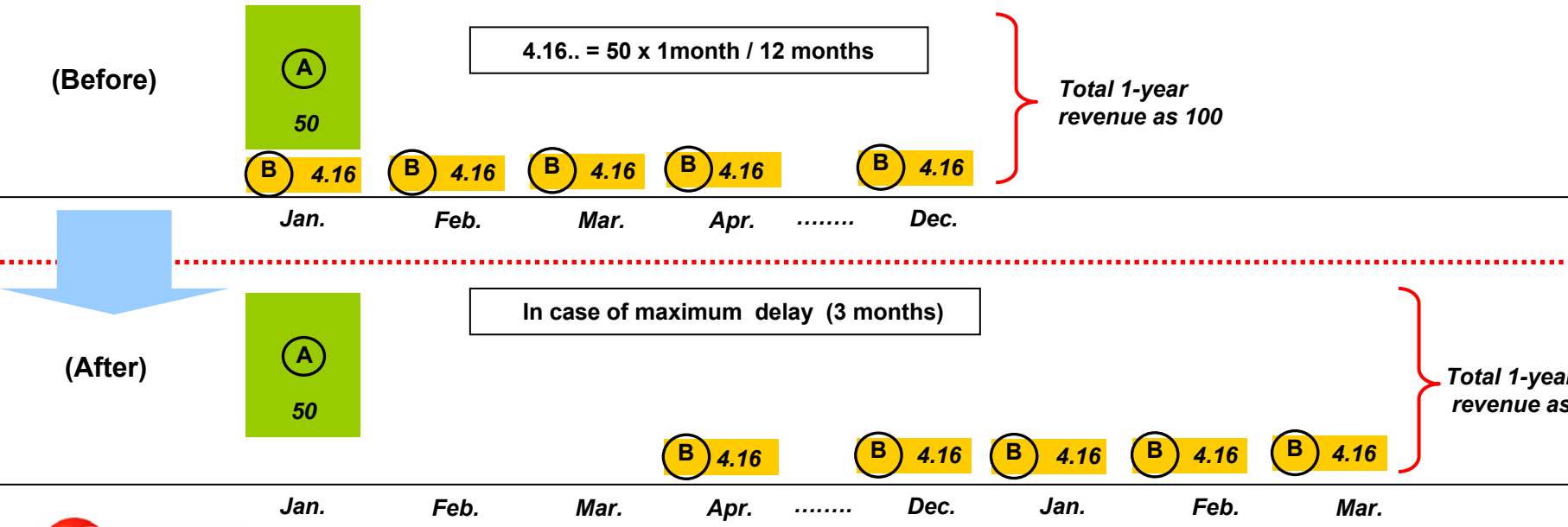
** Actual deferred rate depends on each countries and business substances.*

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



Impact of cash flows due to revenue recognition change

Comparison of cash flows before and after revenue recognition change

in FY2006

(unaudite

Account	Before change	After change	YoY growth
Cash flows from operating activities	37,388M	37,388M	81%
Cash flows from investing activities	- 11,104M	- 11,104M	- 13%
Cash flows from financing activities	- 12,373M	- 12,373M	414%
Effect of exchange rate changes on cash and cash equivalents	2,673M	2,673M	122%
Net increase(decrease) in cash and cash equivalents	16,584M	16,584M	147%
Cash and cash equivalents at beginning of period	59,613M	59,613M	
Cash and cash equivalents at end of period	76,197M	76,197M	28%

Cash flow does not change even with changing revenue recognition timing.

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USD based Results (Non-GAAP)

(unaudited)
(in thousand USD)

Three months ended Dec 31,	*4Q2005*	*4Q2006*	*YoY change*
Net sales	175,129	198,524	13%
Cost of sales	28,207	38,223	36%
Operating expenses	79,316	103,380	30%
Operating income	67,606	56,921	- 16%
Income before taxes	72,833	66,901	- 8%
Net Income	49,346	42,697	- 13%

(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=117.43 JPY for 4Q2005 and 1 USD =117.80 JPY for 4Q2006, respectively, which are the respective weighted average exchange rates used to convert USD net sales to JPY for these quarters.

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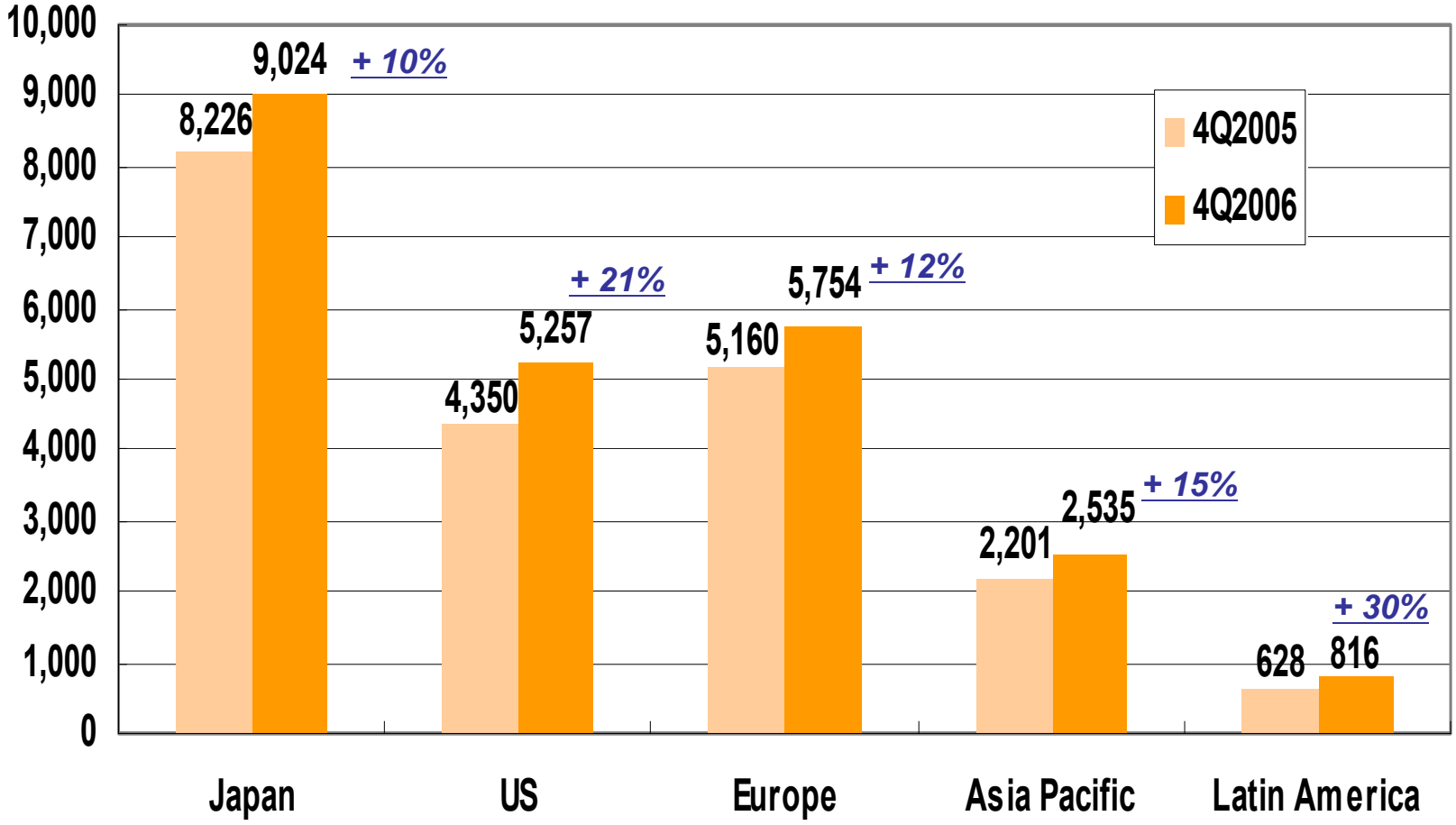
Net Sales Growth by Region

(in million Yen)

(unaudited)



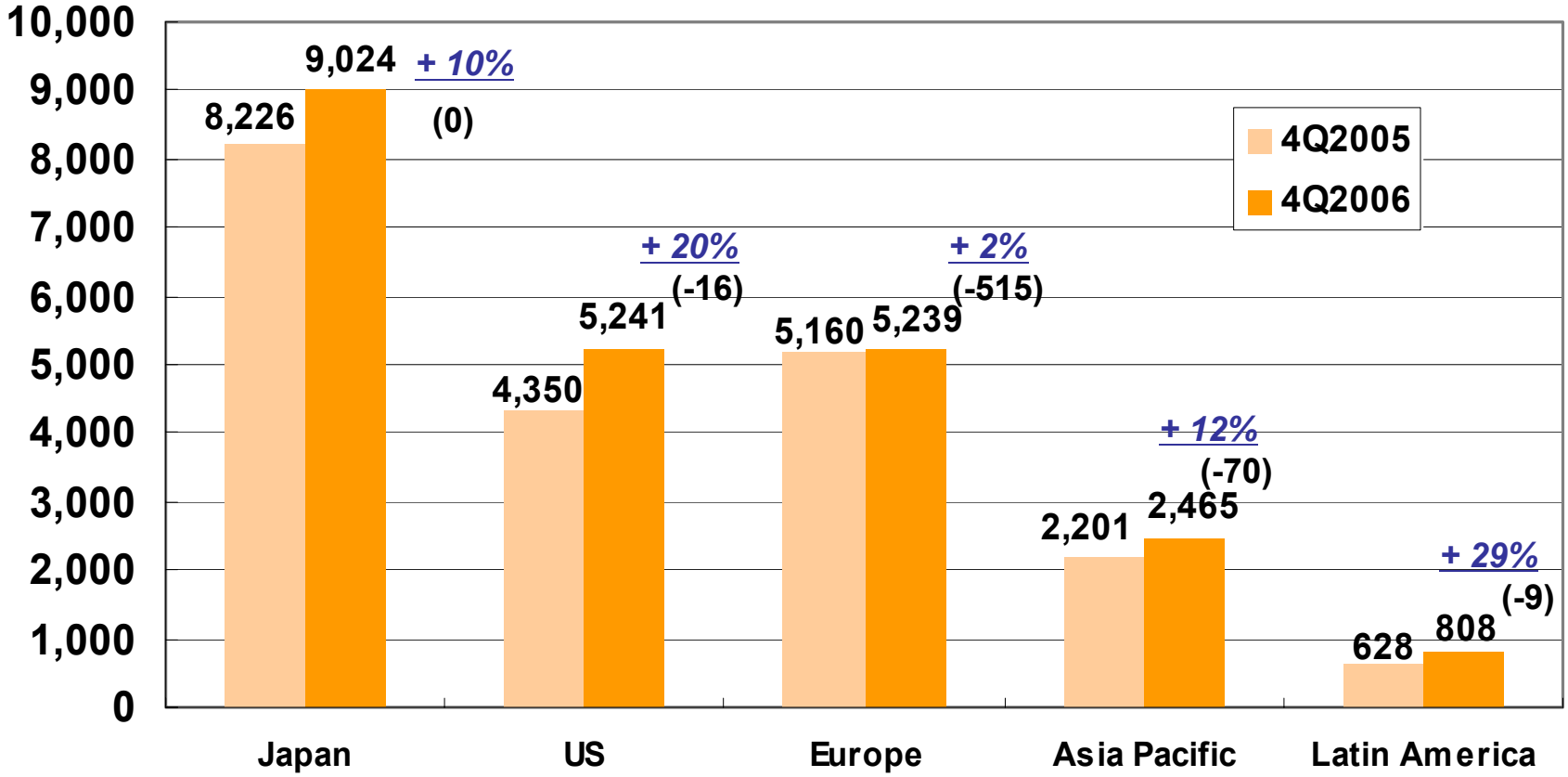
(In accordance with US GAAP)

Net Sales Growth by Region

If currency exchange rates used for 4Q2005 were used for 4Q2006:

(unaudite

(in million Yen)



** Each JPY amount for 4Q2006 shown above has been calculated by applying to the relevant foreign currency net sales amount for 4Q2006 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 4Q2005 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.*

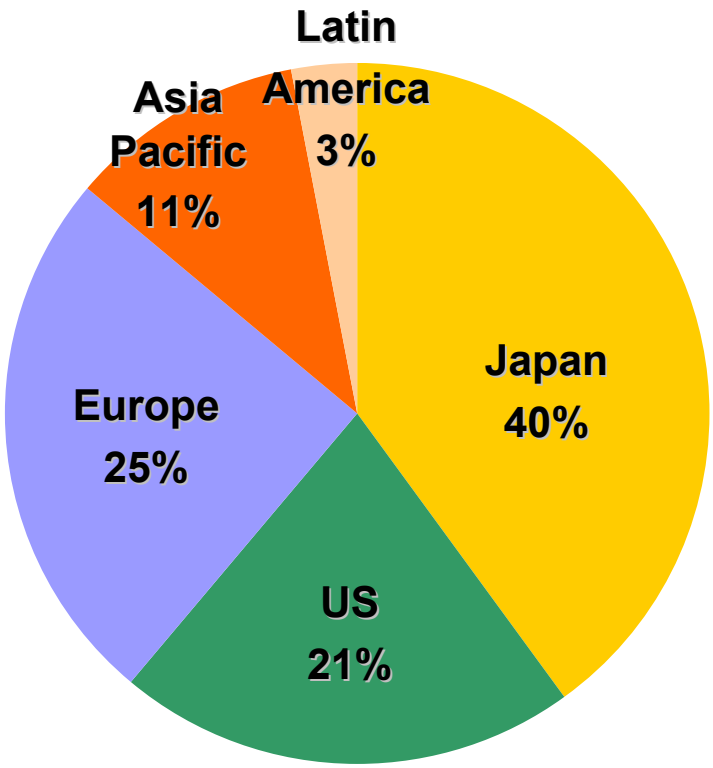
(Non-GAAP)

% share by region

(unaudited)

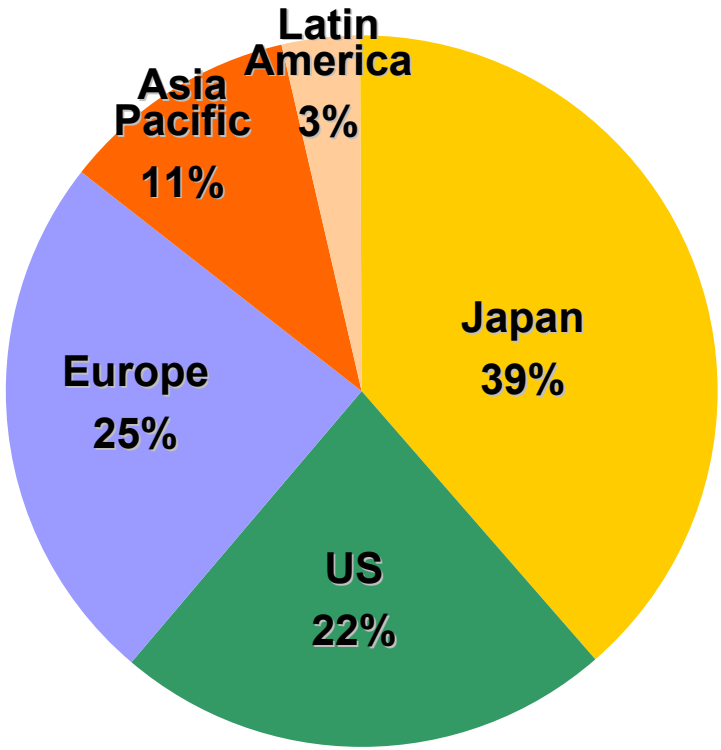
4Q2005

20,565 million Yen



4Q2006

23,386 million Yen



(In accordance with US GAAP)

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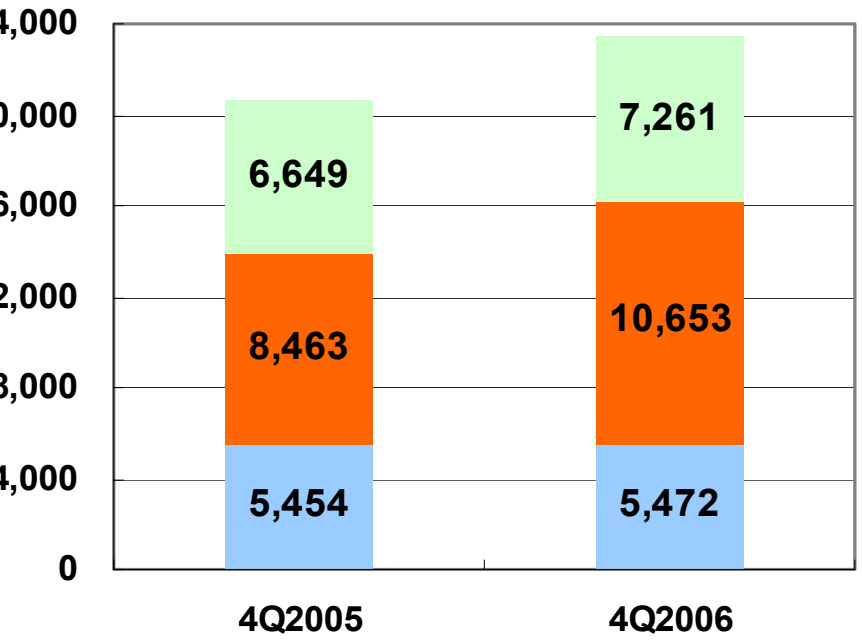
Sales by Segment

(unaudited)

(in million Yen)



	4Q2005	4Q2006
Large Enterprise	32%	31%
Small & Medium	41%	46%
Consumer	27%	23%
Total	100%	100%

** 4Q2005 shown above is just for reference purposes to compare with this year.*

(In accordance with US GAAP)

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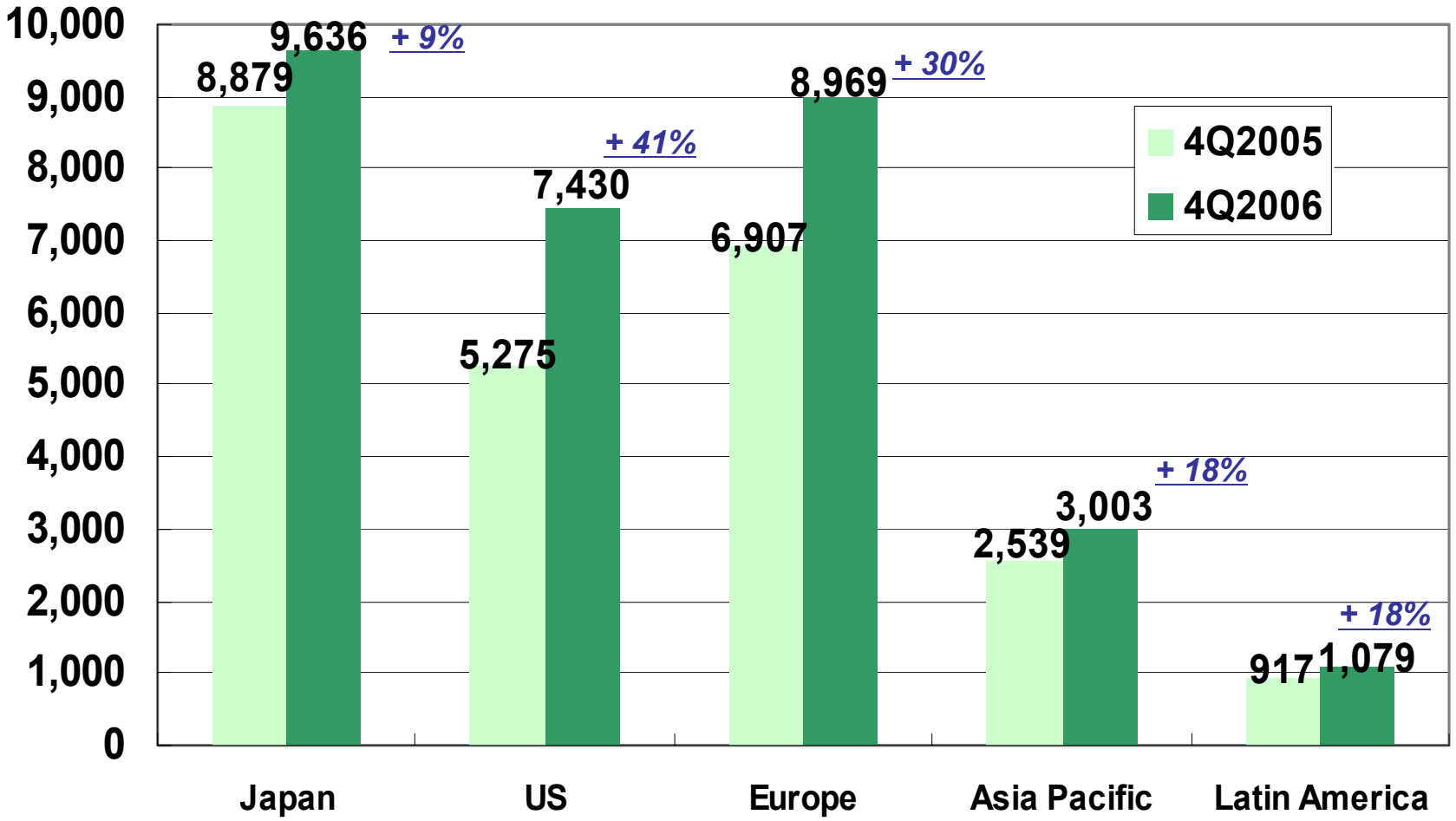
Bookings (Amount of contracts concluded)

(in million Yen)

(unaudited)



* "Bookings" means amount of contracts concluded.

(Non-GAAP)

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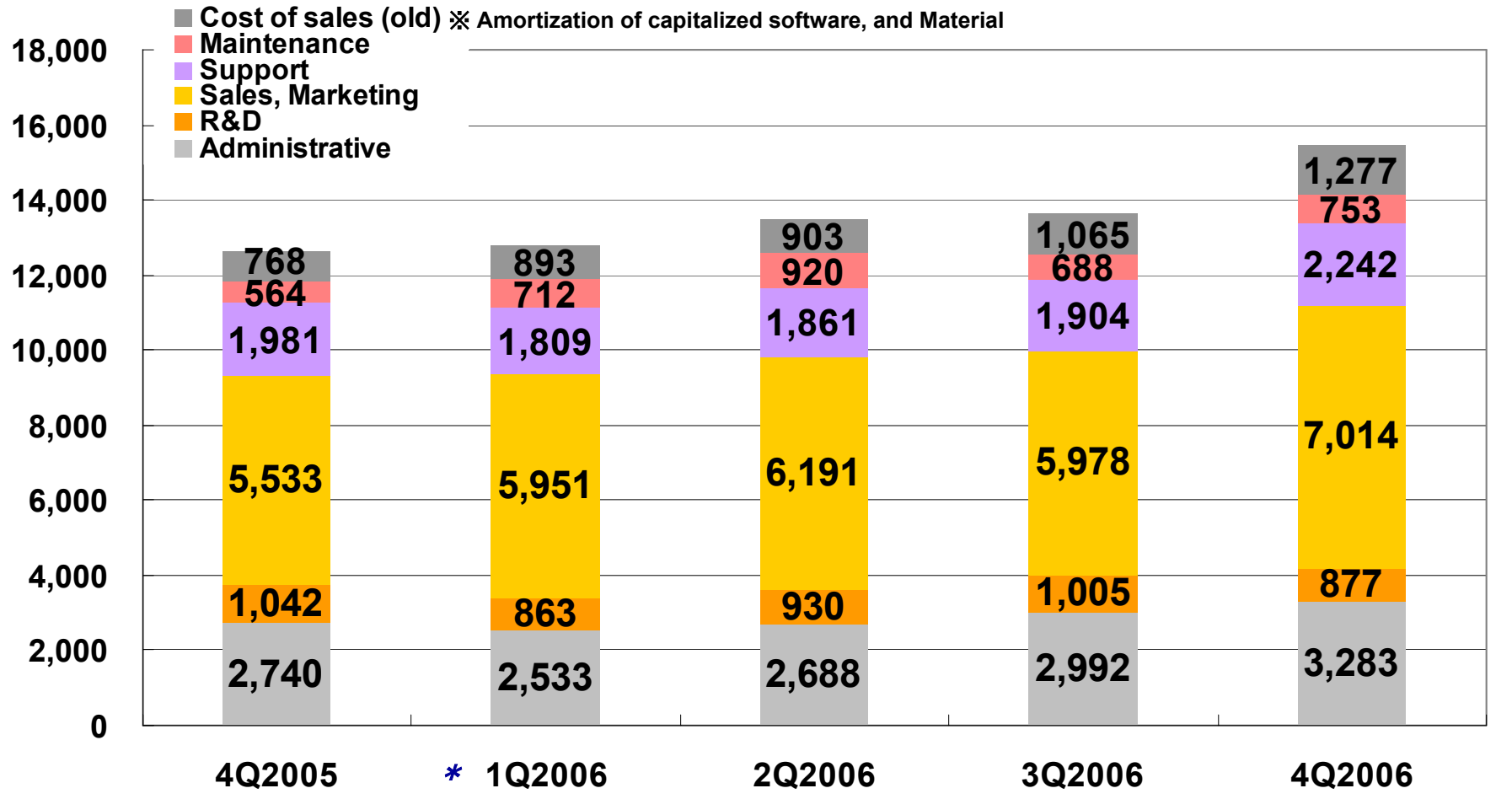
Cost of sales & Operating expenses
(excluding stock option expenses effects)

n million Yen) (unaudited)



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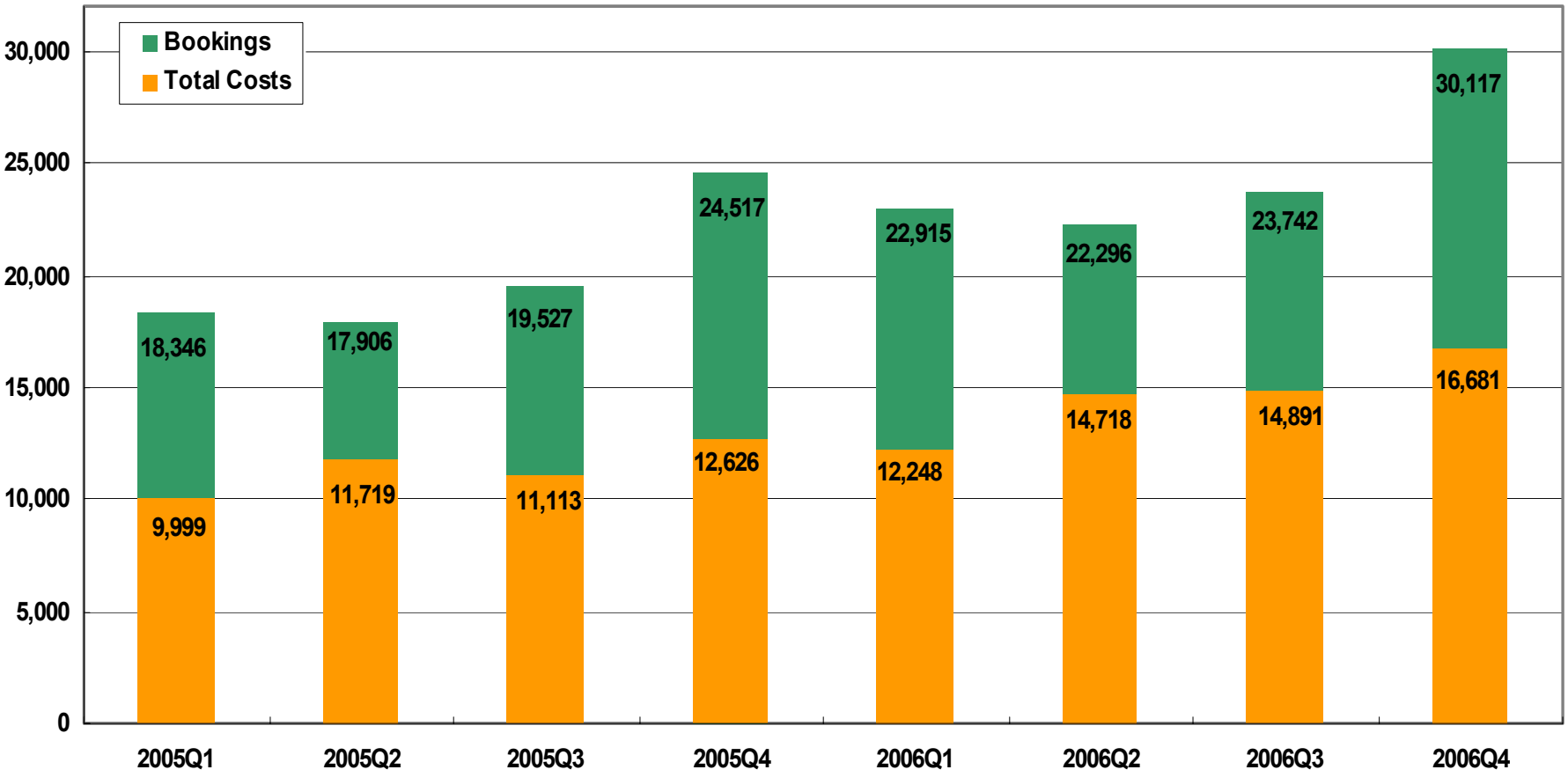
** Excluding one time payment (receipt) 1,766 million Yen for 1Q2006*

(Non-GAA

Bookings vs Total costs

n million Yen) (unaudited)



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

Beginning quarter of "Stock option expense recognition

(Non-GAA

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Q4 Highlights

- *Strong growth in US and EMEA*
- *Growth across all segments and regions*
- *Good contribution from new products like appliances and services*

Q4 Lowlights

- ***Increasing people cost as talent becomes expensive***

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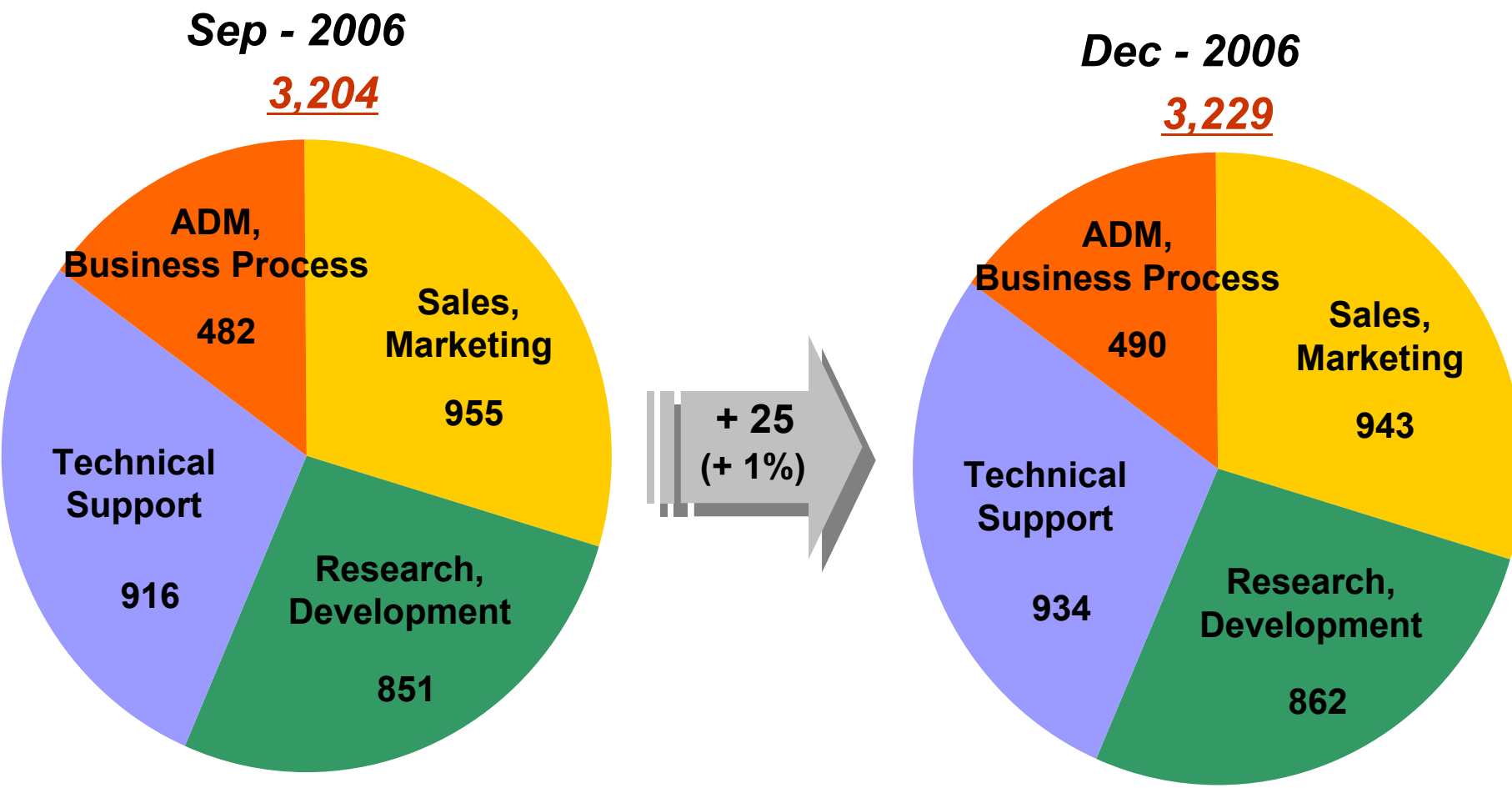
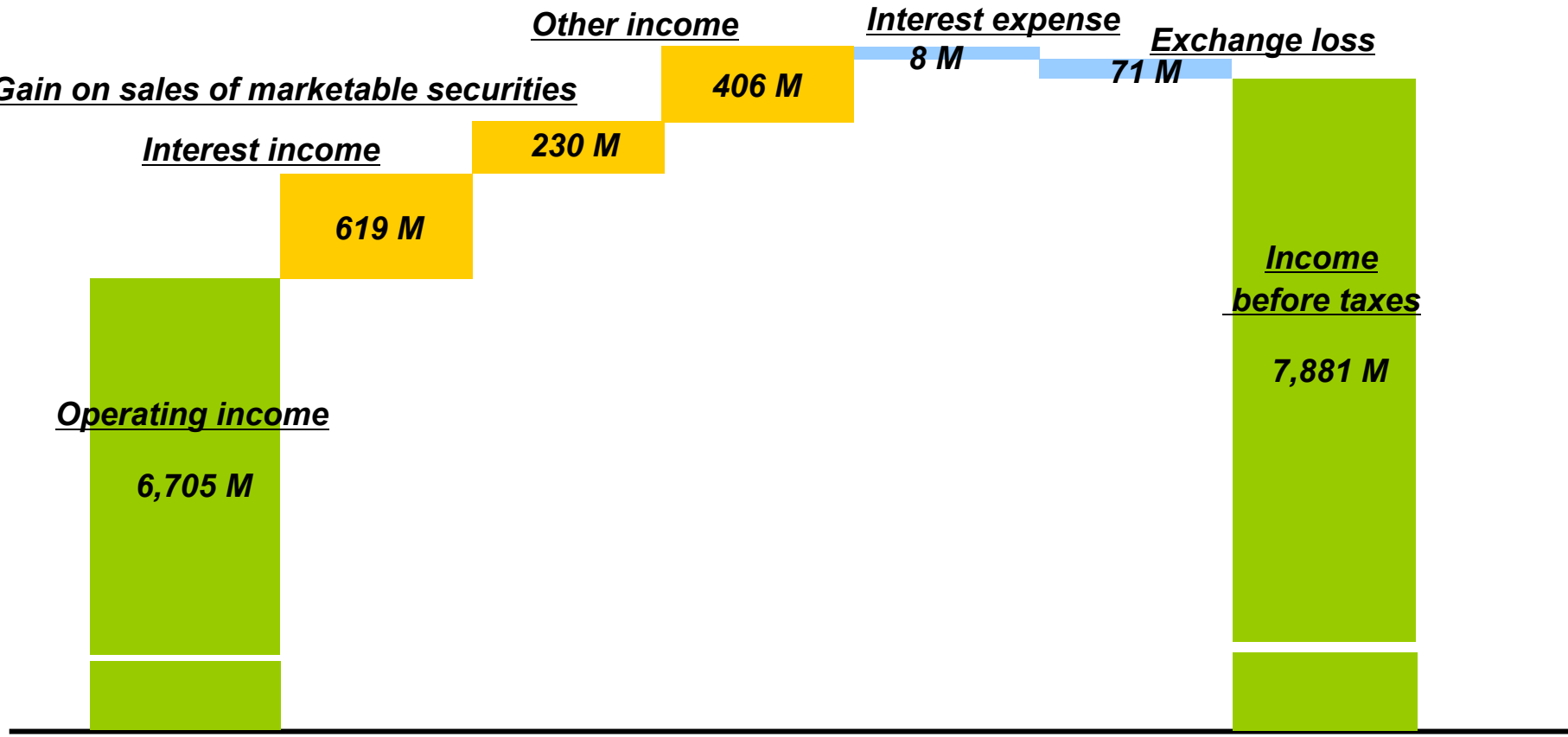
Headcount



Non-operating Items

(unaudite



(In accordance with US GAAP)

Balance Sheet

(unaudite

(in million Ye

	Sep-2006	change	Dec-2006
Assets			
Cash & cash equivalents	66,850	+ 9,347	76,197
Account receivable (less allowance for doubtful accounts and sales returns)	15,779	+ 4,145	19,924
Marketable securities & Securities investments	39,210	+ 2,944	42,154
Liabilities			
Deferred revenue (total of current and long-term)	46,045	+ 6,731	52,775
Shareholders' Equity			
Common Stock & Additional paid in capital	36,662	+ 1,573	38,235
Treasury Stock	- 14,227	+ 60	- 14,167

(In accordance with US GAAP)

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FY2006 Annual Financial Highligh

Fiscal Year ended December 2006

Consolidated Results

(in million Yen) (unaudite

Fiscal year ended Dec 31,	FY2005		FY2006		YoY growth
Net sales	73,030		85,614		17%
Cost of sales	11,128		15,894		43%
Operating expenses	34,330		42,644		24%
Operating income *(Margin)*	27,572	*(38%)*	27,076	*(32%)*	- 2%
Income before taxes	29,108		29,556		2%
Net Income	18,670		17,236		- 8%

(In accordance with US GAA

Amount of contracts concluded

Bookings	80,296	99,070	23%

(Non-GAA

- *If stock option expenses (4,971M), one time payment income (1,766M) are not included*
- *If we use an "average deferral ratio" for FY2005 and reply it to FY2006*

Net sales	73,030	90,105	23%
Operating income	27,572	34,773	26%
Net Income	18,670	25,022	34%

(Non-GAA

If currency exchange rates used for 2005 were used for 2006

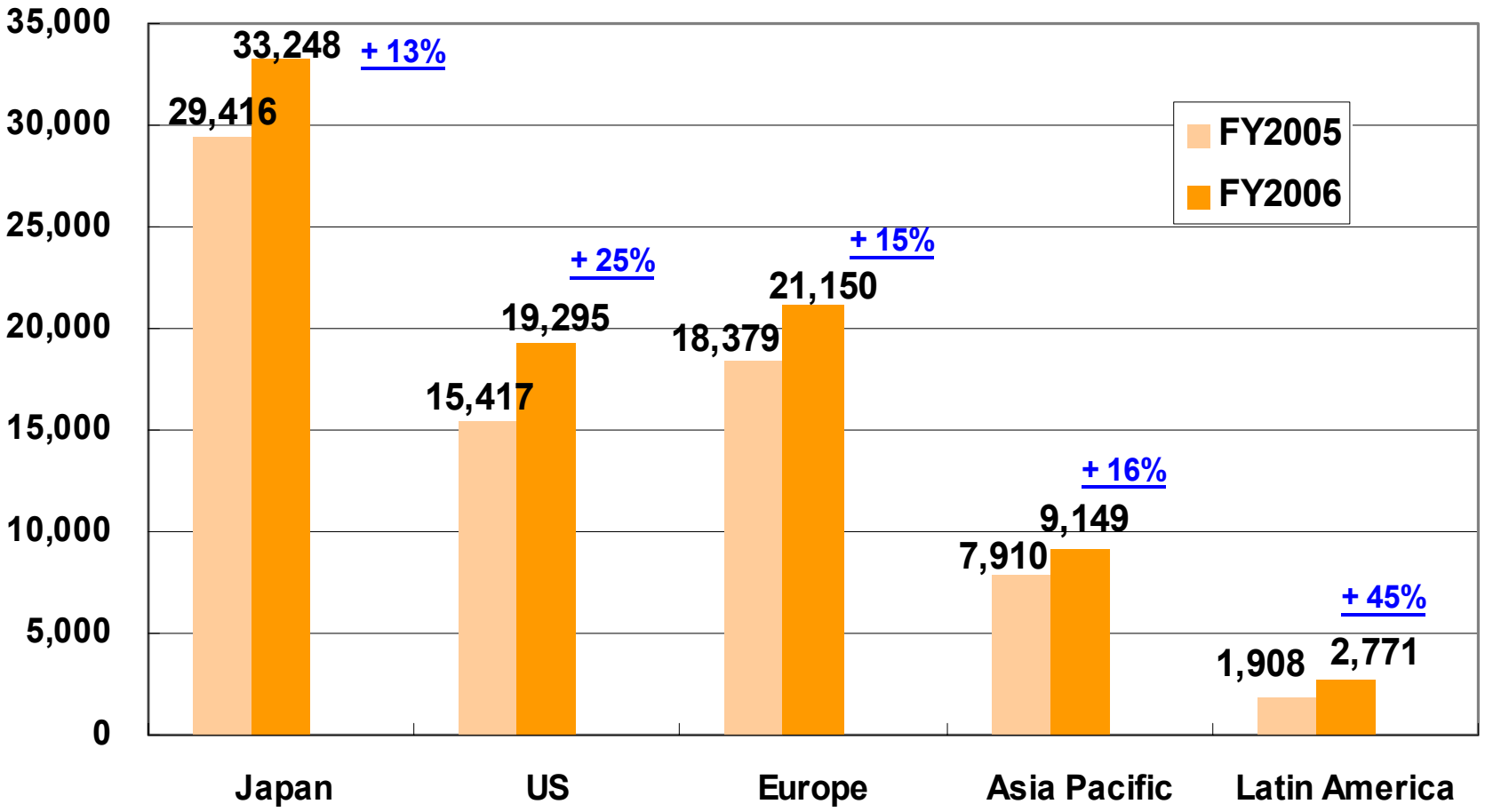
Net sales	73,030	82,568	13%

** The JPY amount for 2006 shown above has been calculated by applying to each foreign currency net sales amount for 2006 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 2005 into a JPY net sales amount for U.S. GAAP reporting purposes.*

(Non-GAAP)

Net Sales Growth by Region

n million Yen) (unaudited)



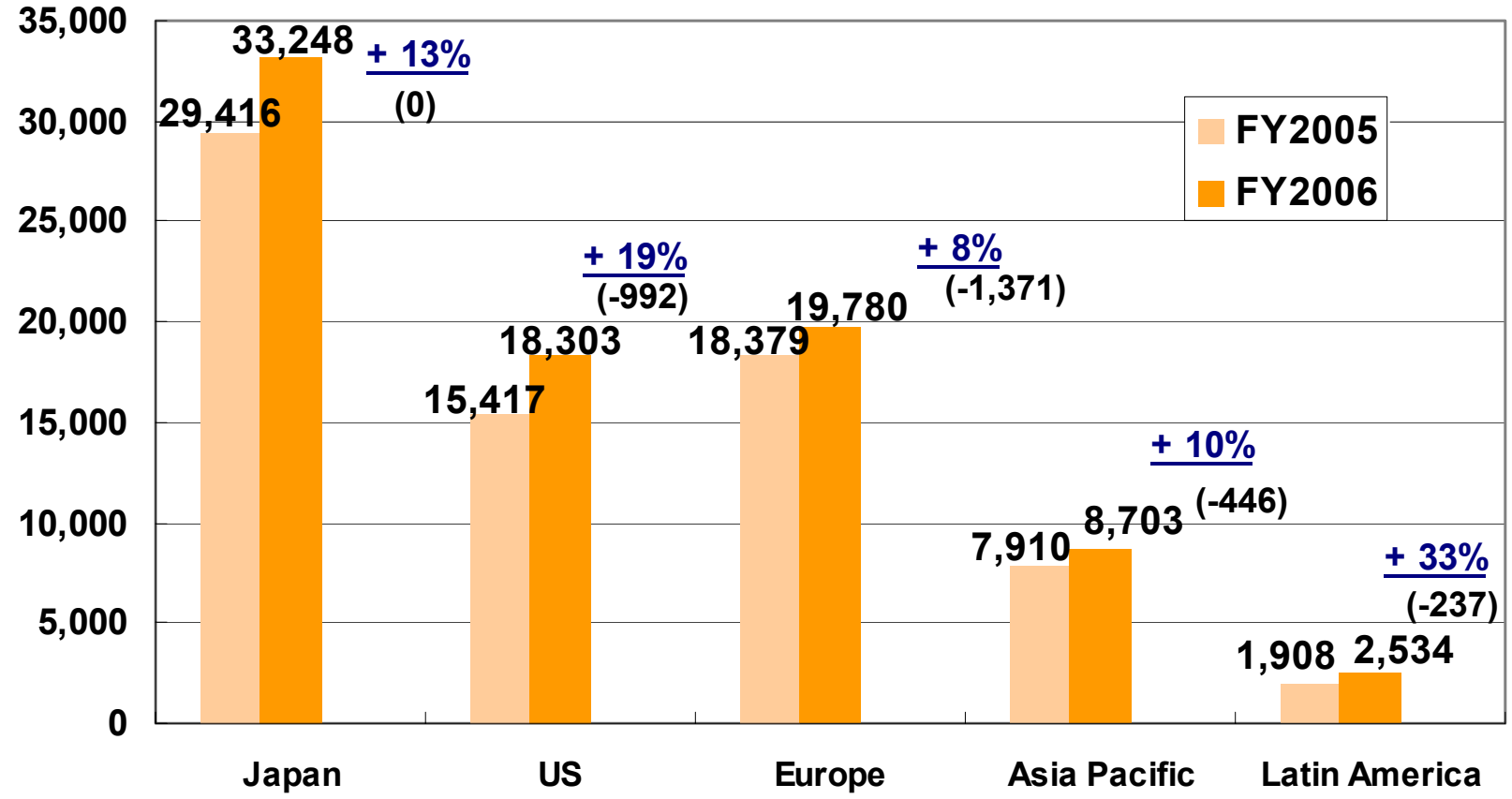
(In accordance with US GAAP)

Net Sales Growth by Region

If currency exchange rate used for FY2005 were used for FY2006: (unaudited)

n million Yen)

** ( ) – difference from GAAP base*



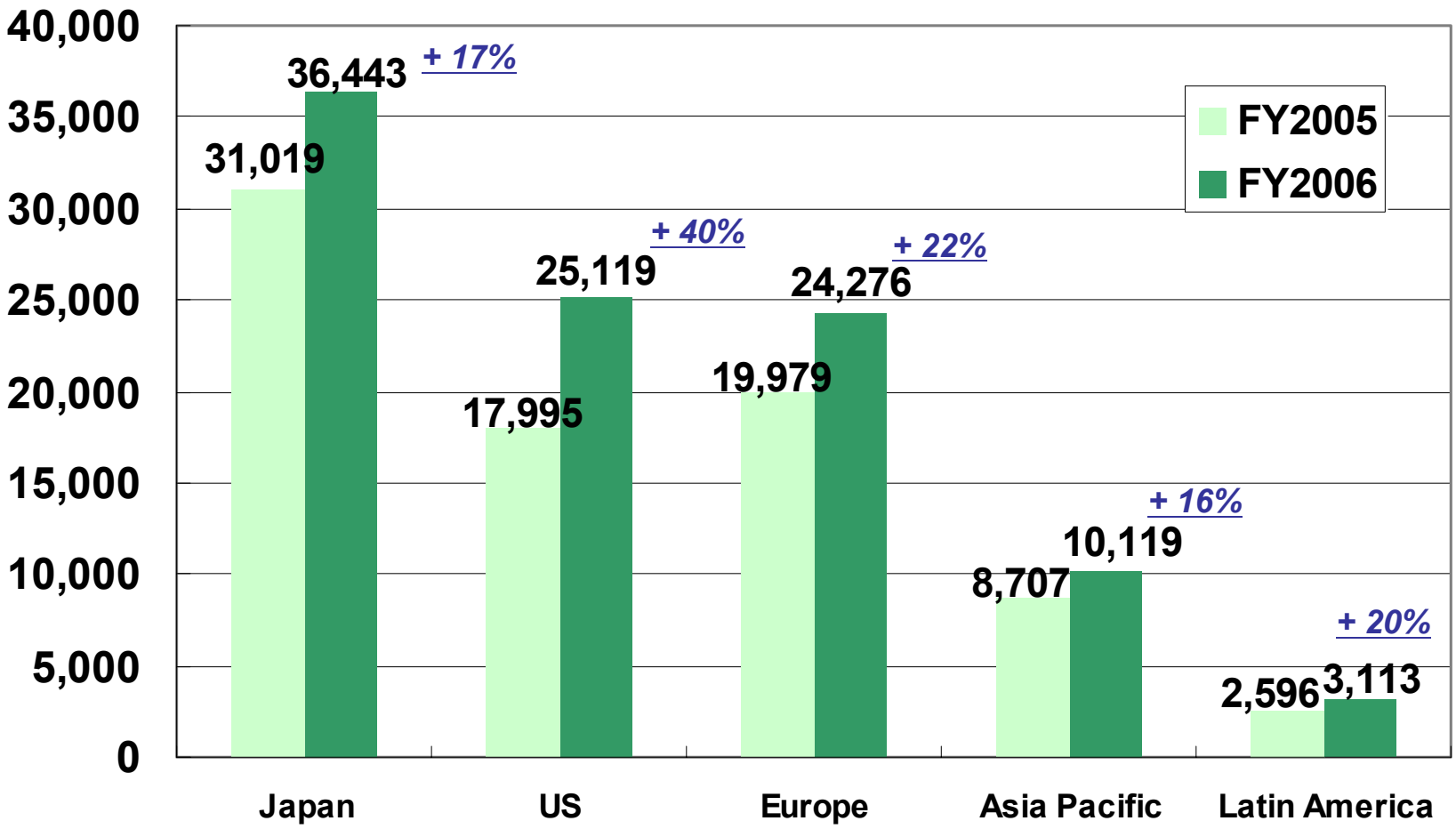
(Non-GAAP

** Each JPY amount for FY2006 shown above has been calculated by applying to the relevant foreign currency net sales amount for FY2006 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 FY2005 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.*

Bookings (Amount of contracts concluded)

(in million Yen)

(unaudited)



* "Bookings" means amount of contracts concluded.

(Non-GAAP)

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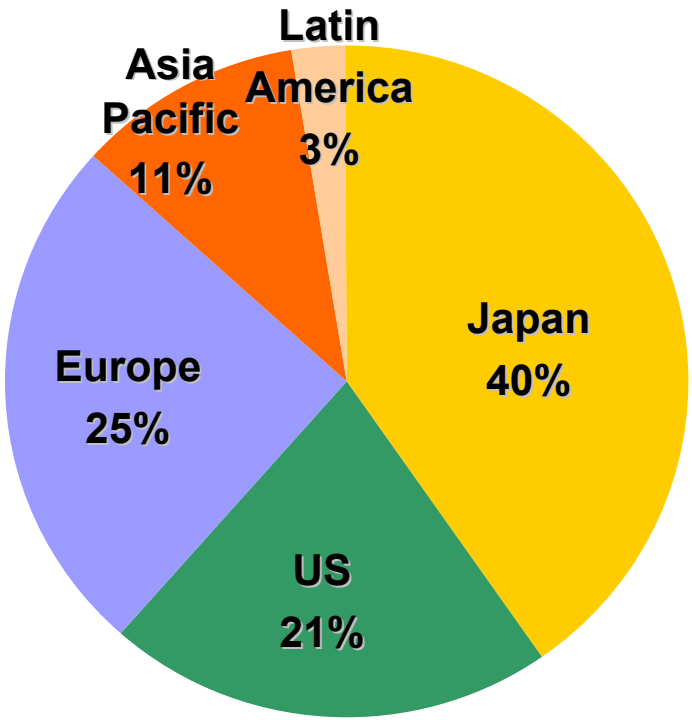
% share by region

(unaudited)

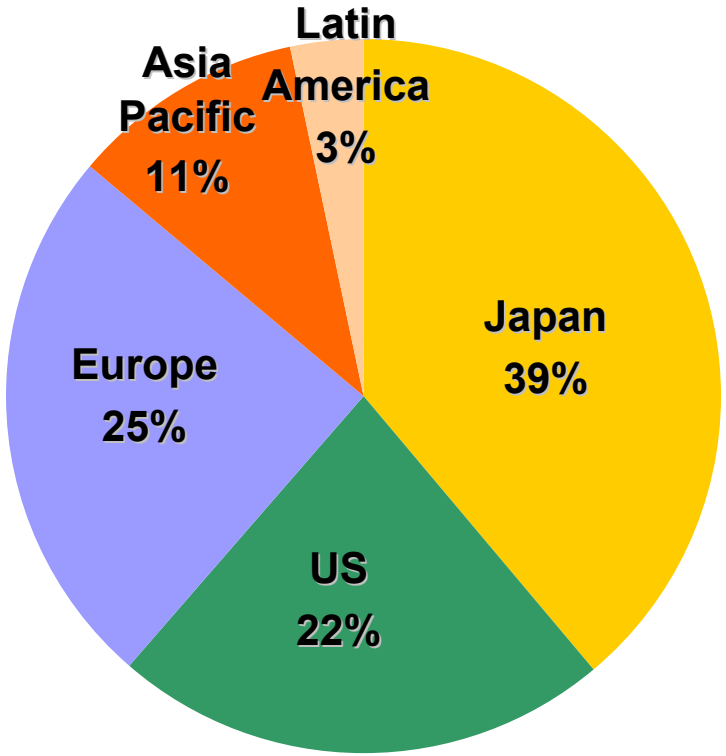
FY2005

73,030 million Yen



FY2006

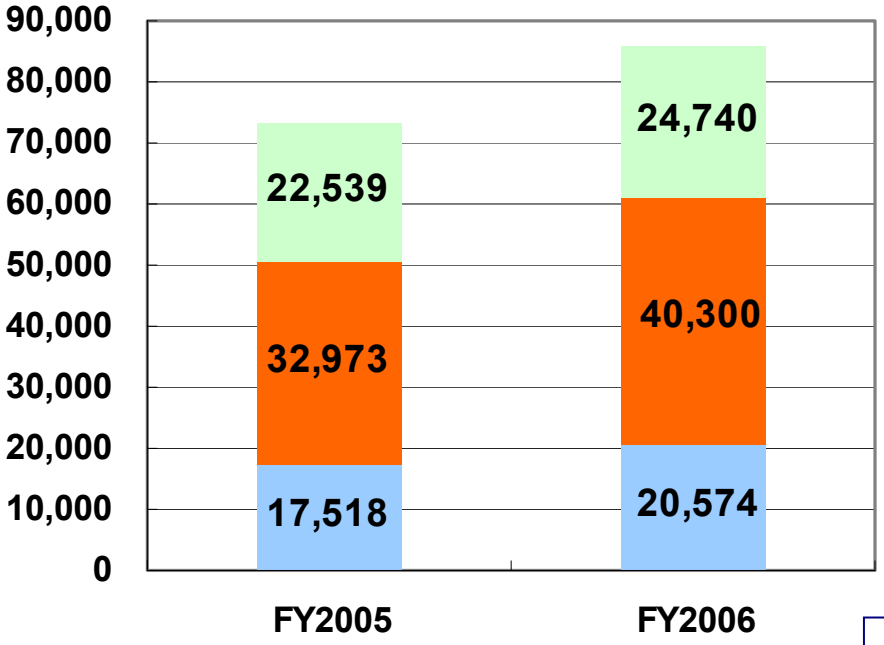
85,614 million Yen



(In accordance with US GAAP)

Sales by Segment

(in million Yen)



(unaudited)

	FY2005	FY2006
Large Enterprise	31%	29%
Small & Medium	45%	47%
Consumer	24%	24%
Total	100%	100%

** FY2005 shown above is just for reference purposes to compare with this year.*

(In accordance with US GAAP)

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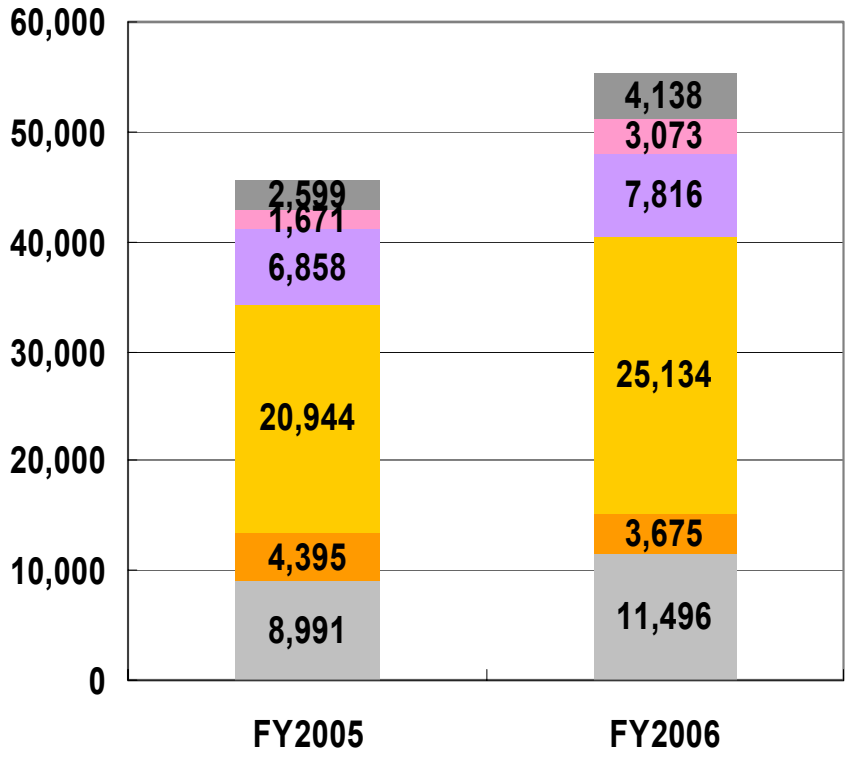
Cost of sales & Operating expenses
(excluding stock option expenses effects)

(unaudited)

(in million Yen)



	FY 2005	FY 2006
Cost of sales (old) *	6%	7%
Maintenance	4%	6%
Support	15%	14%
Sales, Marketing	46%	45%
R&D	10%	7%
Administrative	20%	21%
Total	100%	100%
Headcount	2,982	3,229

* Amortization of capitalized software, and Material

** Excluding one time payment (receipt) 1,766 million Yen for FY2006*

(Non-GAAP)

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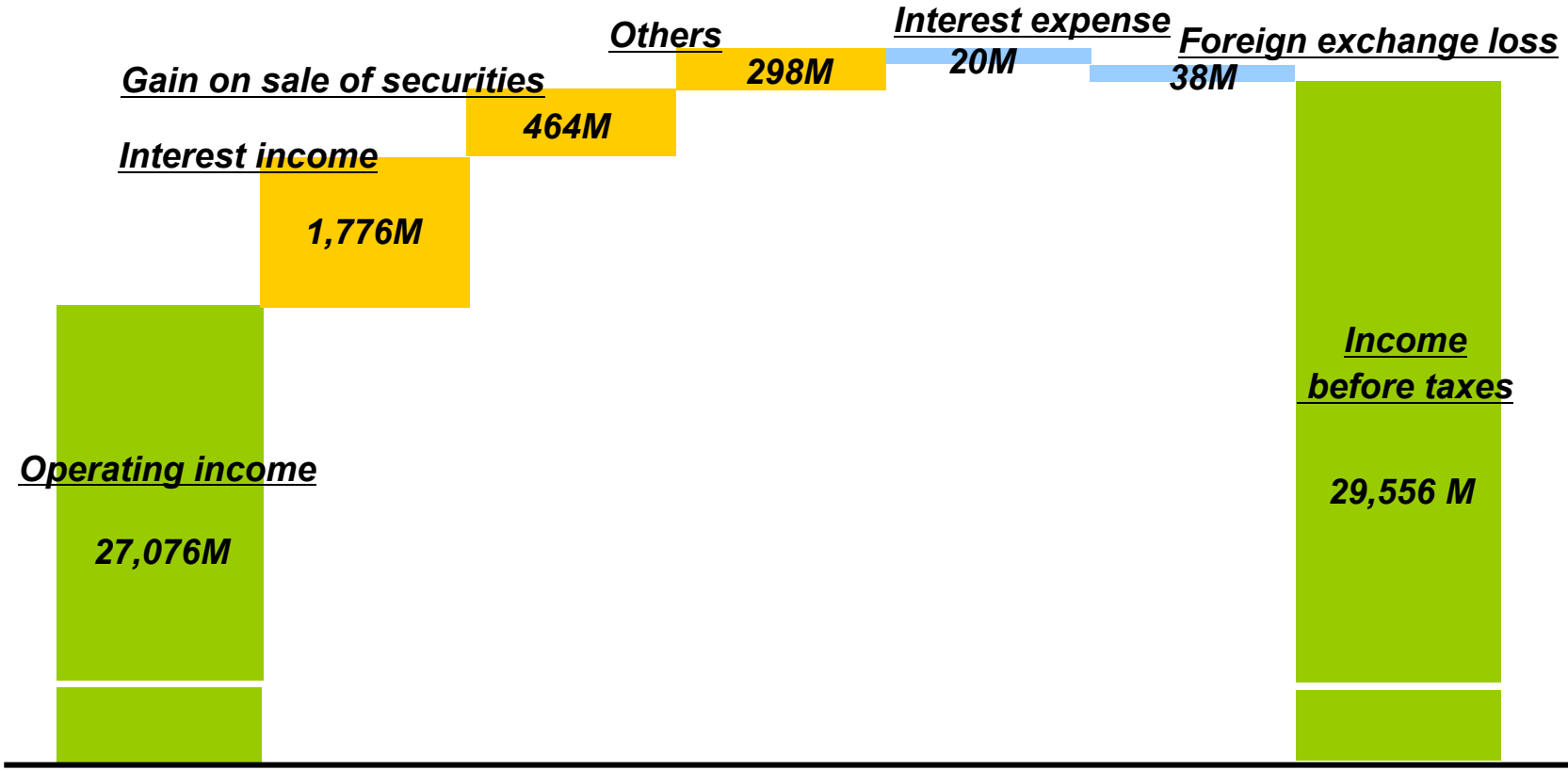
Non-operating Items

(unaudited)

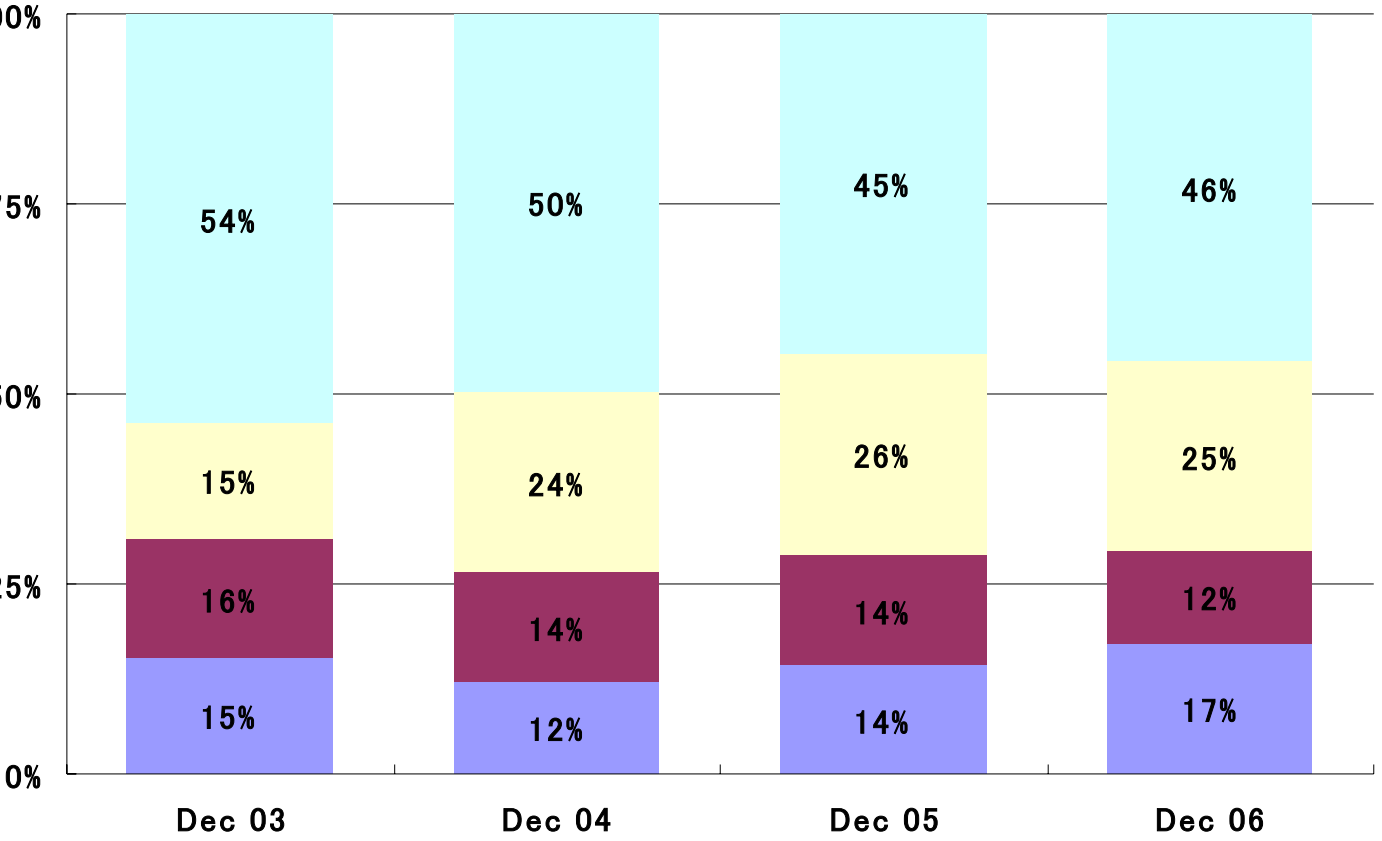


(In accordance with US GAAP)

Asset

(unaudited)

Asset composition



(In accordance with US GAA

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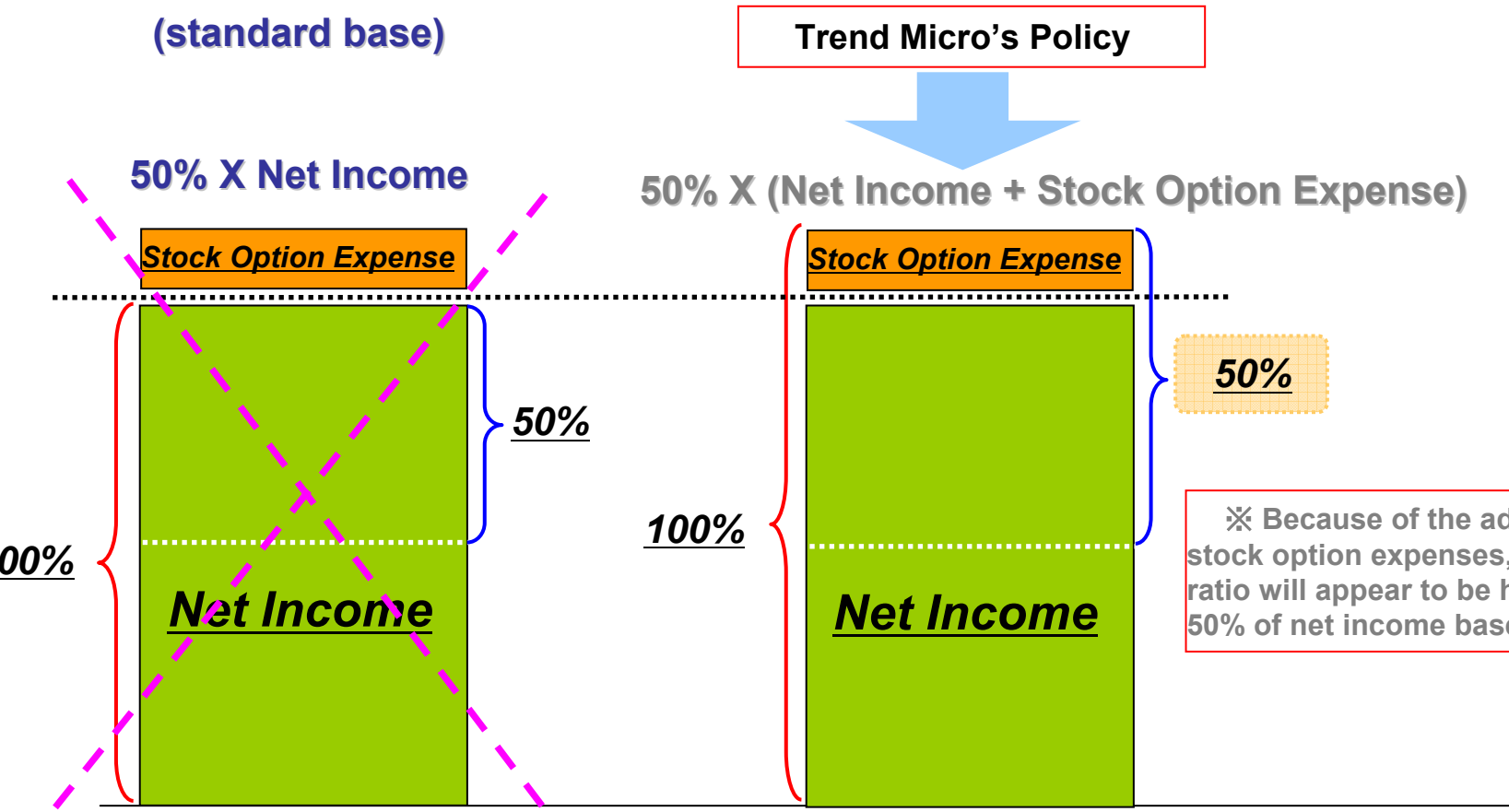
Trend Micro's Cash Dividends policy

We are increasing the dividend payout ratio for 2006 dividends to 50%.

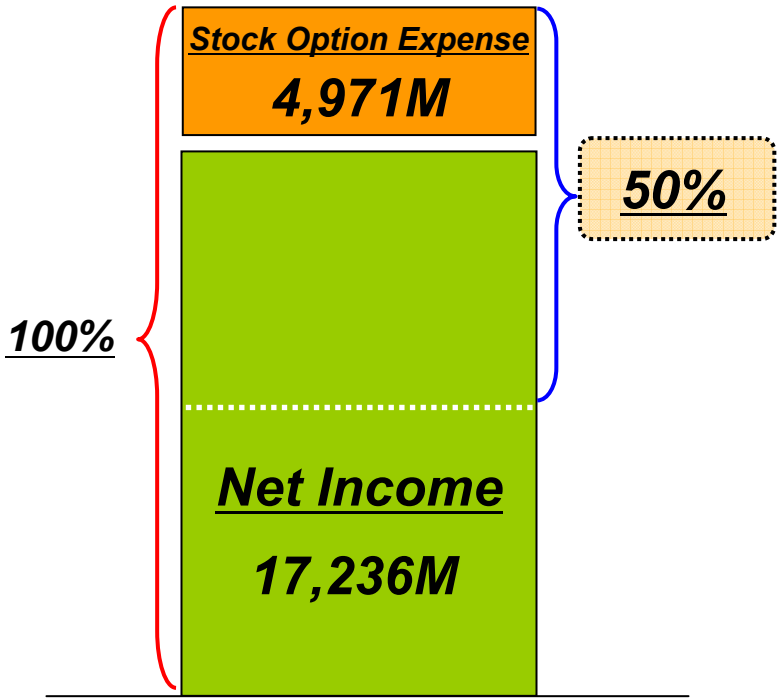
To maintain a "real" pay-out ratio of 50% excluding the impact of non-cash stock option expenses, we will be adding these expenses back to accounting Net Income for pay-out calculations.



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

Cash Dividends for FY2006

(unaudited)



Dividends for FY2006

Total : 11,158 Million Yen

50% X (17,236M + 4,971M)

Per share : 84 Yen

(+ 50% YoY)

FY2005: 56 Yen per share

** Subject to the approval at the Ordinary General Meeting of Shareholders scheduled in late March, 2007*

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Return for Shareholders in FY2006

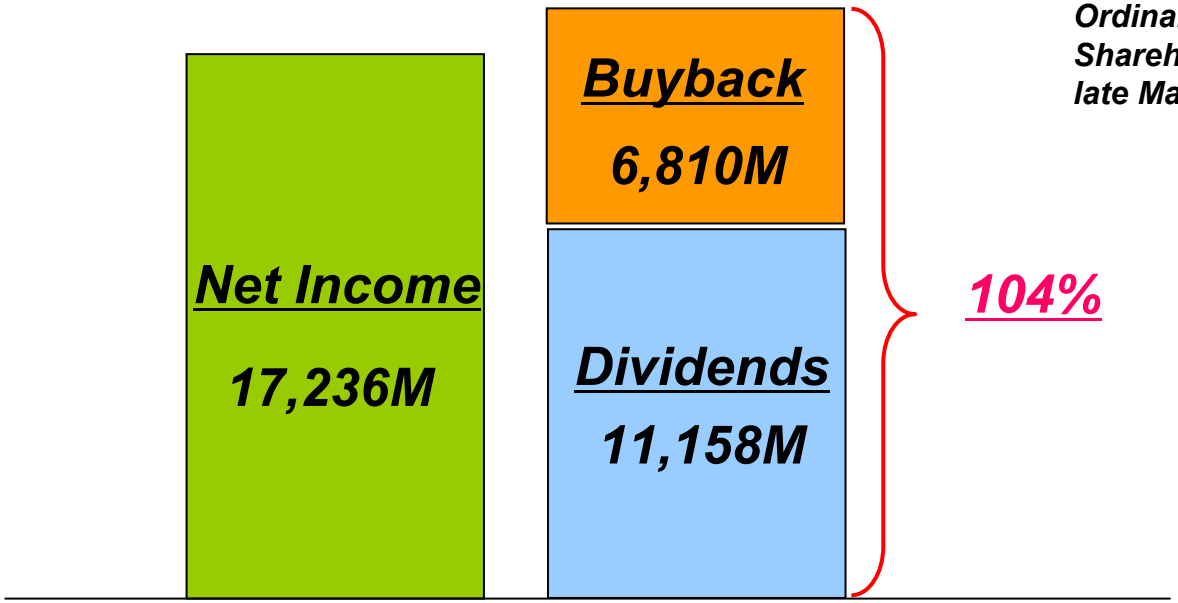
(unaudite

1. Dividends* : 11,158 Million Yen
2. Buyback (done) : 6,810 Million Yen

Total : 17,968 Million Yen

（104% as Return based on Net Income in 2006）

* *Subject to the approval at th Ordinary General Meeting of Shareholders scheduled in late March, 2007*



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Q1 forecast assumptions

- *US bookings and revenues to grow at above average rate, EMEA and Japan at company average*
- *People related costs to increase around 1Bn yen sequentially*
- *Stock option expenses will be 1.1Bn yen*
- *Estimated exchange rate: 1USD = 118yen*
  1EUR = 156yen

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Projection for 1Q2007

(unaudited)

	For 1Q2007 Jan - Mar, 2007	Expected YoY growth
		(in million Yen)
Net Sales	23,000	12%
Operating Income	5,500	- 34%
Net Income	2,850	- 42%

• Including stock option expense（about 1,084M Yen）

(In accordance with US GAA

Amount of contracts concluded

Bookings	26,000	13%	(Non-GAAP)

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Thank you!

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Appendix

Quarterly Chart (1)

(in million Yen)

(unaudite

	FY2005				FY2006			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	17,301	17,189	17,975	20,565	20,594	20,631	21,002	23,386
Cost of sales	2,410	2,667	2,739	3,312	3,679	3,826	3,886	4,503
Operating expenses	7,590	9,052	8,374	9,314	8,569	10,892	11,005	12,178
Operating income	7,301	5,470	6,862	7,939	8,346	5,913	6,111	6,705
Net income	4,557	3,934	4,385	5,795	4,954	3,431	3,822	5,030
(COGS and SG&A)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Amortization of capitalized software, and Material	581	610	640	768	893	903	1,065	1,277
Maintenance	373	322	412	564	712	920	688	753
Support	1,456	1,735	1,687	1,981	1,809	1,861	1,904	2,242
Sells, Marketing	4,615	5,723	5,073	5,533	5,951	6,191	5,978	7,014
R&D	1,027	1,170	1,157	1,042	863	930	1,005	877
Admin, etc.	1,948	2,159	2,144	2,740	2,533	2,688	2,992	3,283
Stock Option expenses					1,253	1,224	1,260	1,235
One time payment income					-1,766			
Total	9,999	11,719	11,113	12,626	12,248	14,718	14,891	16,681

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Appendix

Quarterly Chart (2)

(in million Yen)
(unaudite

	FY2005				FY2006			
(Sales by region)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Japan	7,366	6,882	6,942	8,226	8,237	7,918	8,068	9,024
US	3,401	3,484	4,182	4,350	4,720	4,349	4,970	5,257
Europe	4,314	4,515	4,391	5,160	4,830	5,427	5,139	5,754
Asia Pacific	1,748	2,017	1,943	2,201	2,166	2,270	2,178	2,535
Latin America	472	291	517	628	641	667	647	816
Total	17,301	17,189	17,975	20,565	20,594	20,631	21,002	23,386
(Sales by segment)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Enterprise	4,783	5,427	5,680	6,649	5,347	5,830	6,302	7,261
Small & Medium	7,999	8,099	8,412	8,463	9,677	9,938	10,032	10,653
Consumer	4,519	3,663	3,882	5,454	5,570	4,863	4,668	5,472
Total	17,301	17,189	17,975	20,565	20,594	20,631	21,002	23,386
(Bookings by region)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Japan	8,182	6,312	7,646	8,879	9,391	8,390	9,027	9,636
US	3,623	4,203	4,893	5,275	5,389	5,327	6,972	7,430
Europe	4,270	4,552	4,250	6,907	5,139	5,426	4,742	8,969
Asia Pacific	1,815	2,238	2,114	2,539	2,219	2,514	2,383	3,003
Latin America	455	601	623	917	777	638	618	1,079
Total	18,346	17,906	19,527	24,517	22,915	22,296	23,742	30,117

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

TREND MICRO