TREND MICRO

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Trend Micro

FY2008. 3Q Results

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COO / CFO , Representative Director

November 4, 2008

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.

FY2008. 3Q Financial Highlight

Consolidated Results

(in million Yen) (unaudited)

Three months ended Sep 30,	3Q2007		3Q2008		YoY growth
Net sales	25,201		25,968		3%
Cost of sales	4,276		4,188		- 2%
Operating expenses	11,987		14,197		18%
Operating income *(Margin)*	8,937	*(35%)*	7,582	*(29%)*	- 15%
Ordinary income	11,198		9,157		- 18%
Net income	6,864		5,861		- 15%

(In accordance with Japan GAAP)

Amount of contracts concluded

Bookings	24,999	23,667	- 5%

(If currency exchange rates used for each previous Q were applied to each Q3's deferred revenue balance amount)

Bookings	26,636	26,583	- 0%

(Non-GAAP)

If currency exchange rates used for 3Q2007 were used for 3Q2008

Net sales	25,201	26,710	6%

** The JPY amount for 3Q2008 shown above has been calculated by applying to each foreign currency net sales amount for 3Q2008 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 3Q2007 into a JPY net sales amount for Japan GAAP reporting purposes.*

(Non-GAAP)

USD based Results (Non-GAAP)

(unaudited)
(in thousand USD)

Three months ended Sep 30,	3Q2007	3Q2008	YoY change
Net sales	214,374	241,384	13%
Cost of sales	36,377	38,935	7%
Operating expenses	101,970	131,967	29%
Operating income	76,026	70,482	-7%
Ordinary income	95,260	85,119	-11%
Net Income	58,391	54,488	- 7%

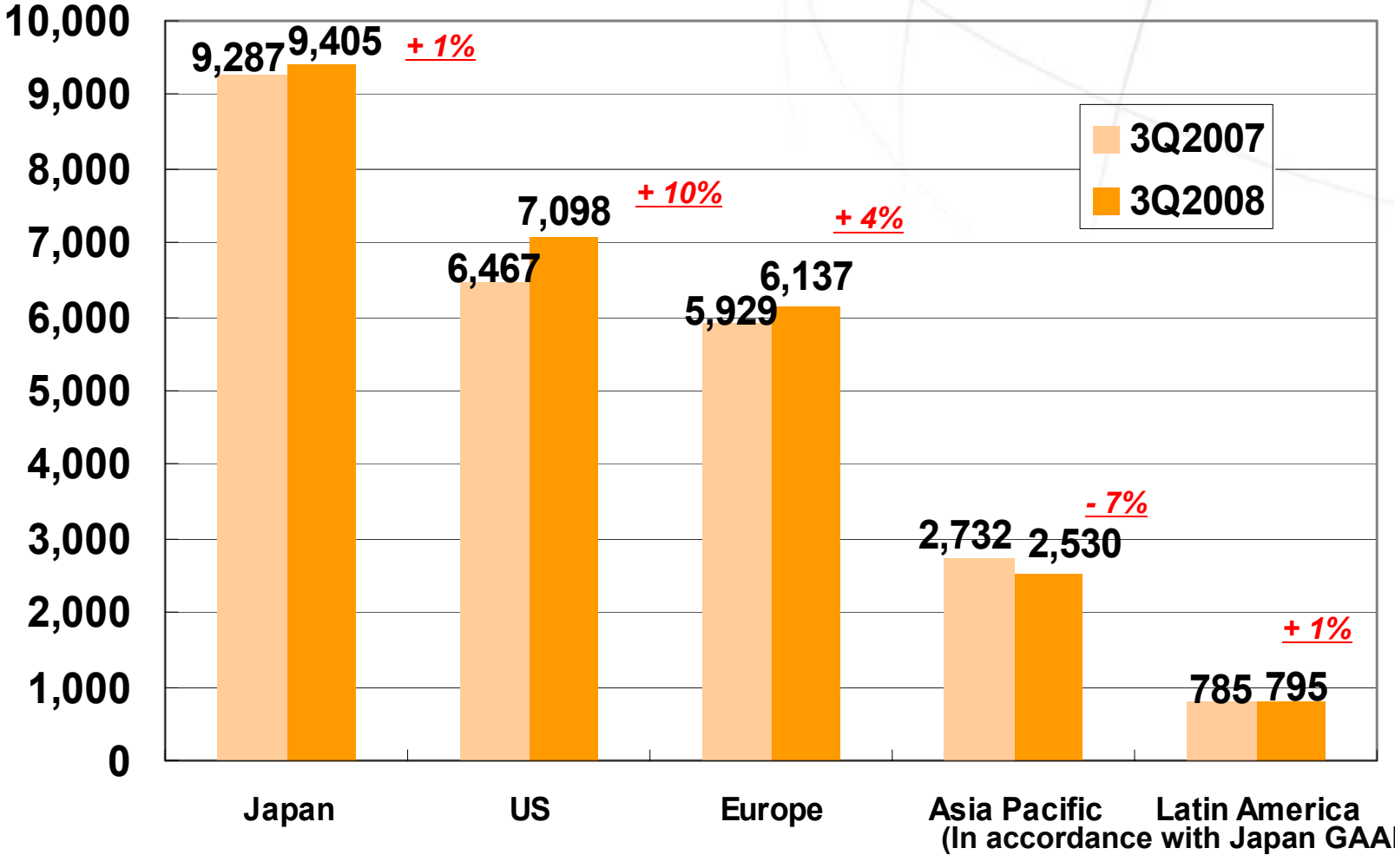
(Non-GAAP)

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=117.56 JPY for 3Q2007 and 1 USD =107.58 JPY for 3Q2008, 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 Japan GAAP)

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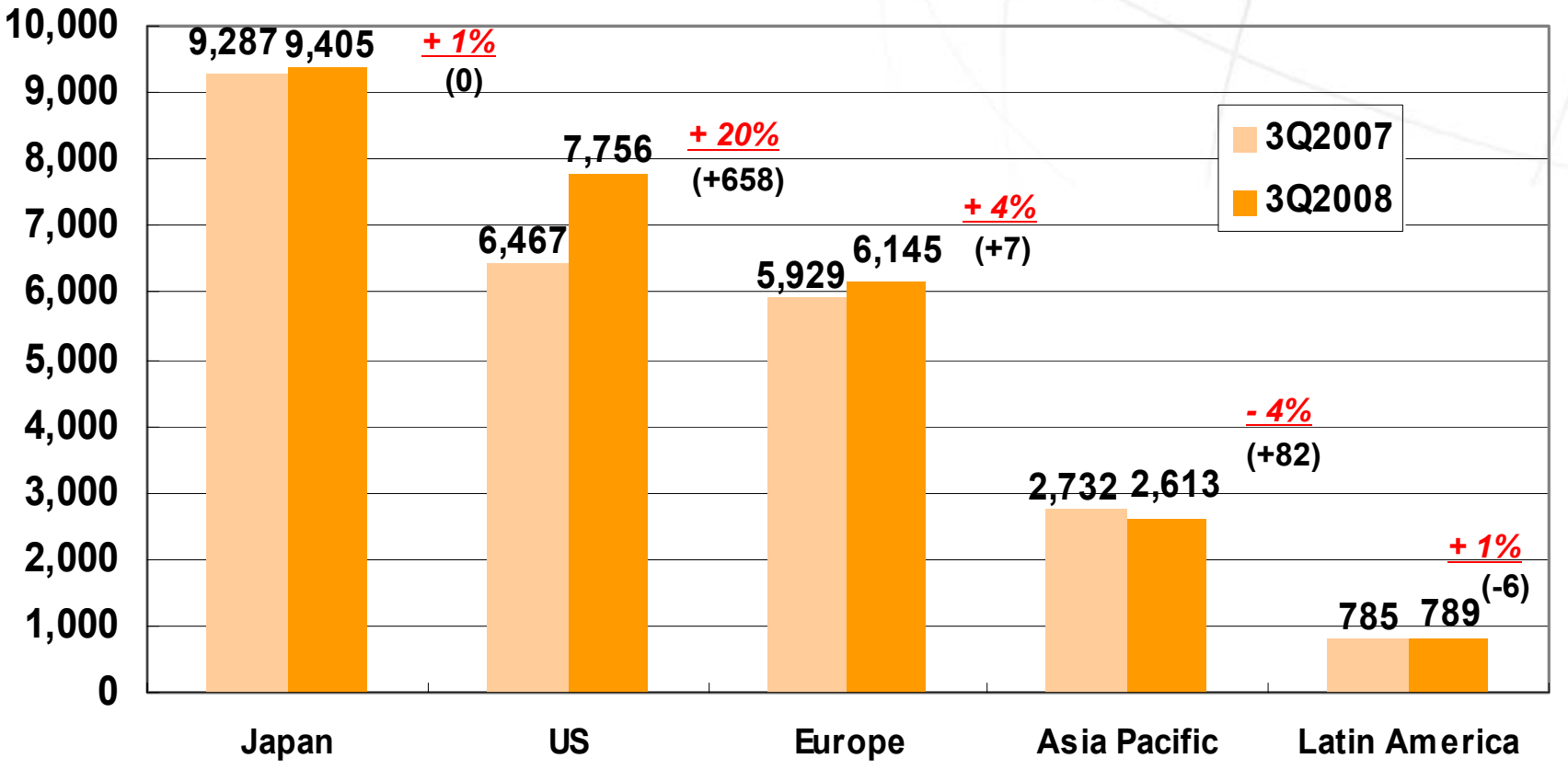
Net Sales Growth by Region

If currency exchange rates used for 3Q2007 were used for 3Q2008:

(in million Yen)

** ( ) : difference from GAAP base*

(unaudited)



(Non-GAAP)

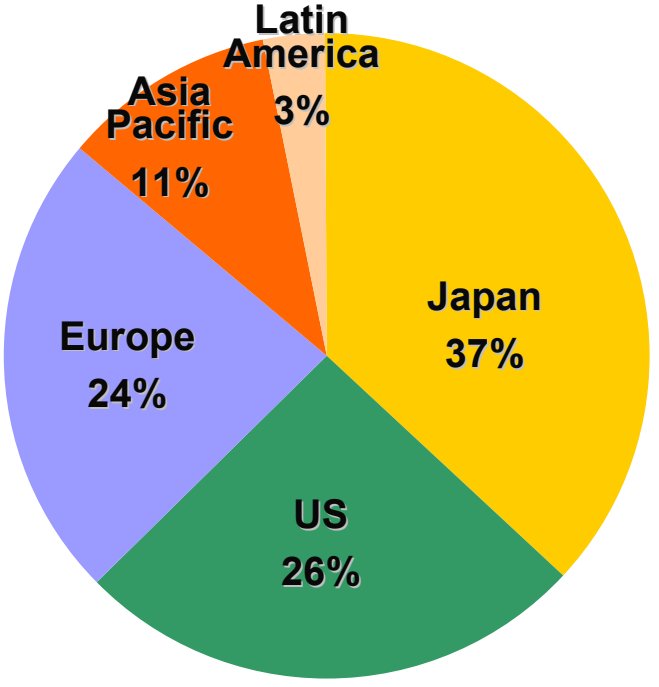
** Each JPY amount for 3Q2008 shown above has been calculated by applying to the relevant foreign currency net sales amount for 3Q2008 the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for 3Q2007 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.*

% share by region

(unaudited)

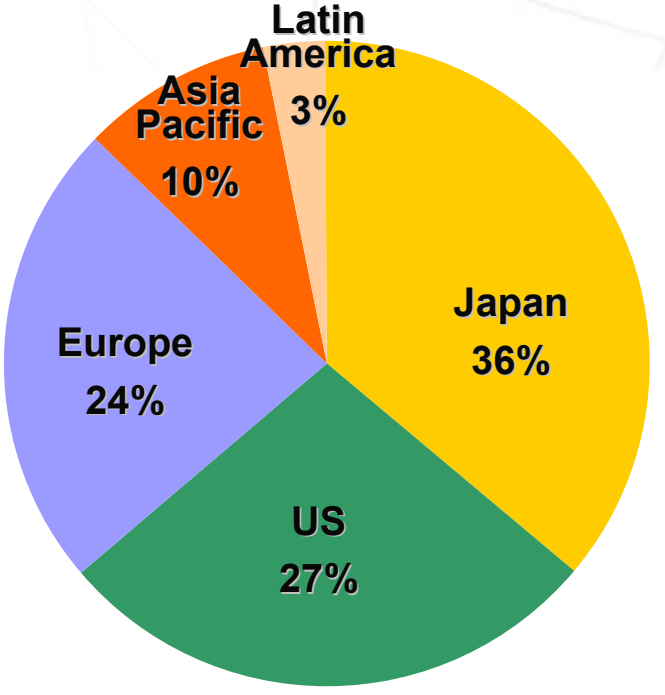
3Q2007

25,201 million Yen



3Q2008

25,968 million Yen

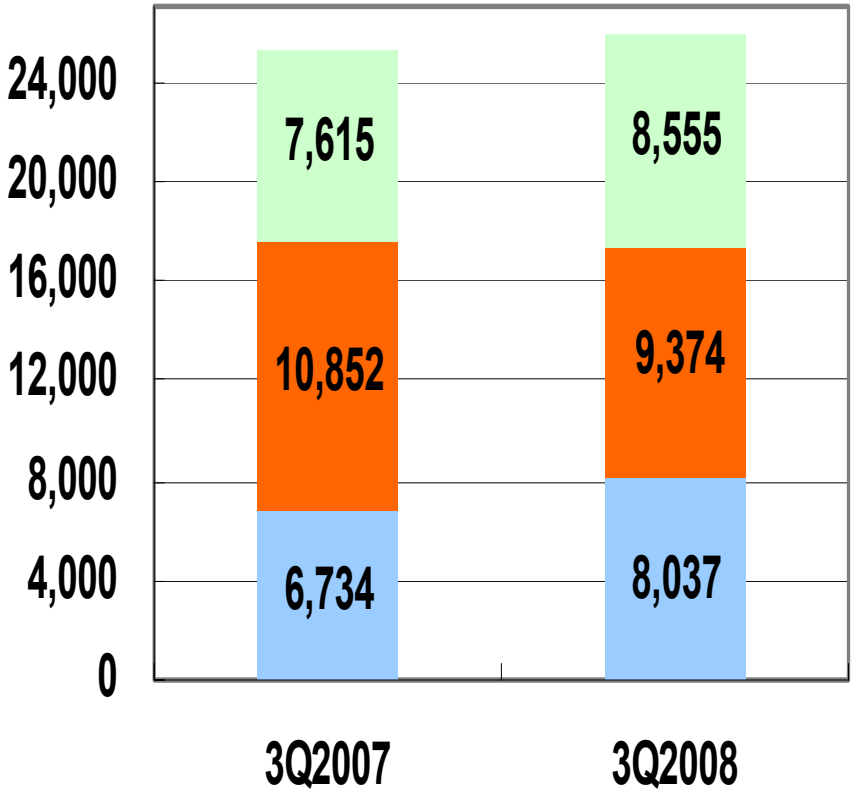


(In accordance with Japan GAAP)

Sales by Segment

(unaudited)

(in million Yen)



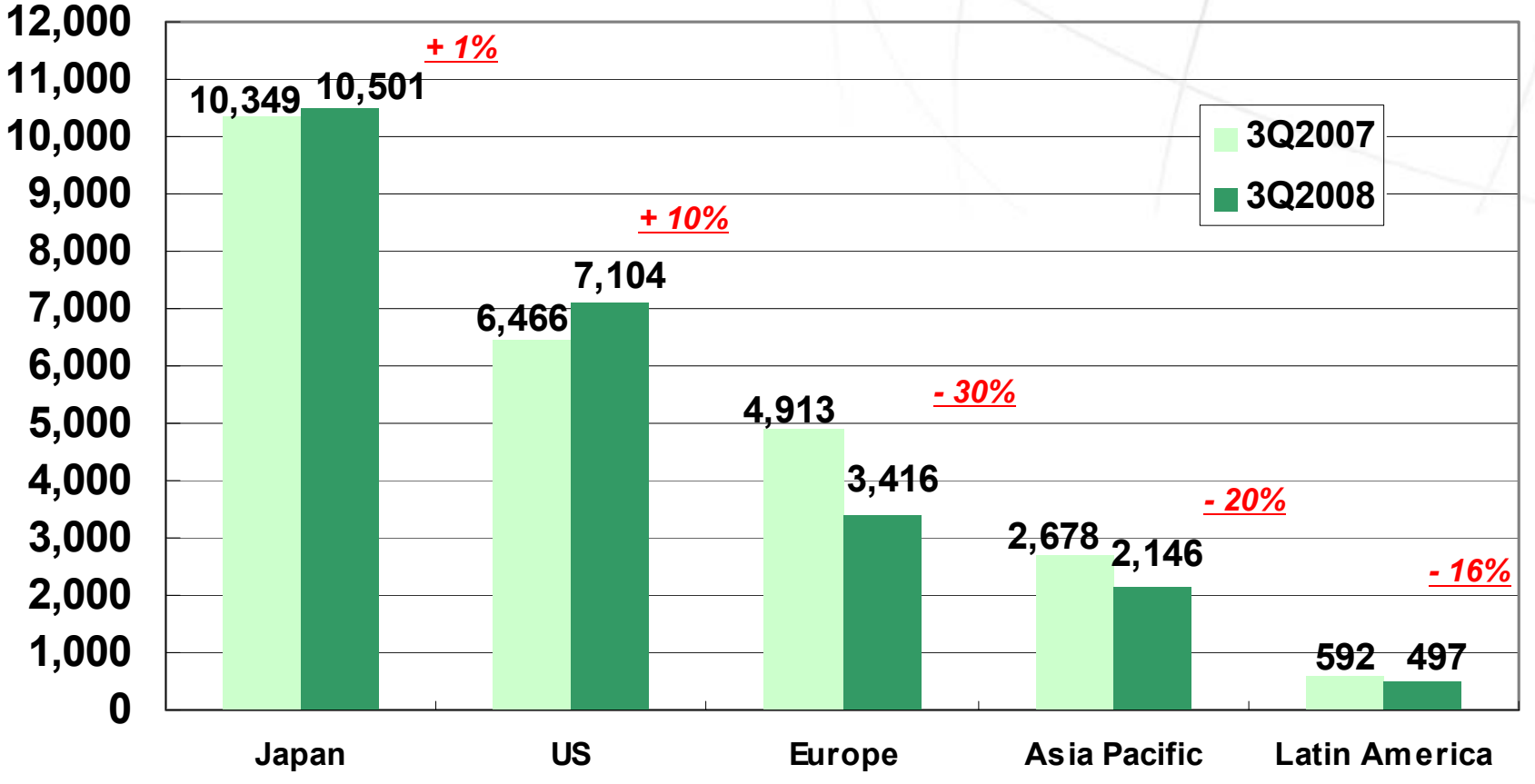
	YoY growth
All Corporate	- 3%
Consumer	+ 19%

Large Enterprise	+ 12%
Small & Medium	- 14%
Consumer	+ 19%

(Non-GAAP)

Bookings (Amount of contracts concluded)

(in million Yen)



(Non-GAAP)

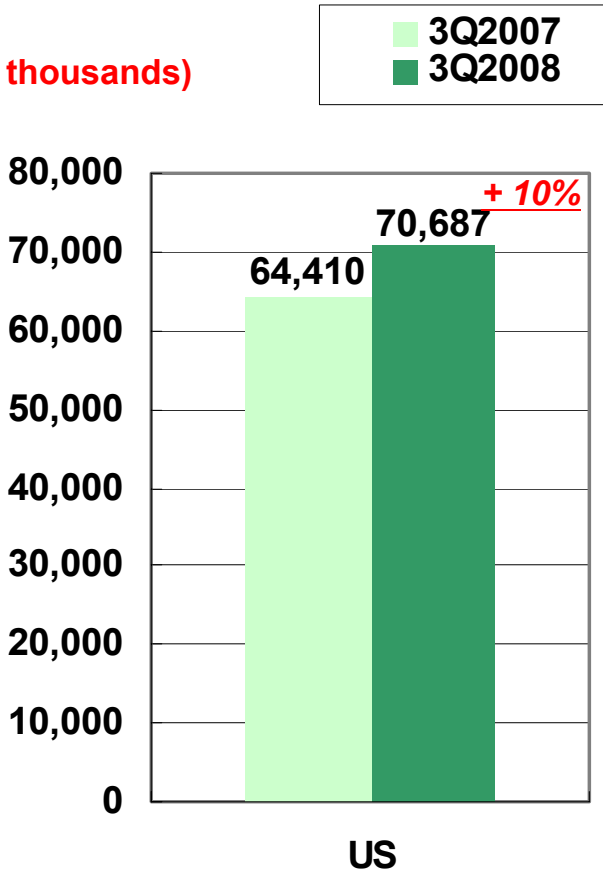
* "Bookings" means amount of contracts concluded.

Local currency based Bookings (US, Europe)

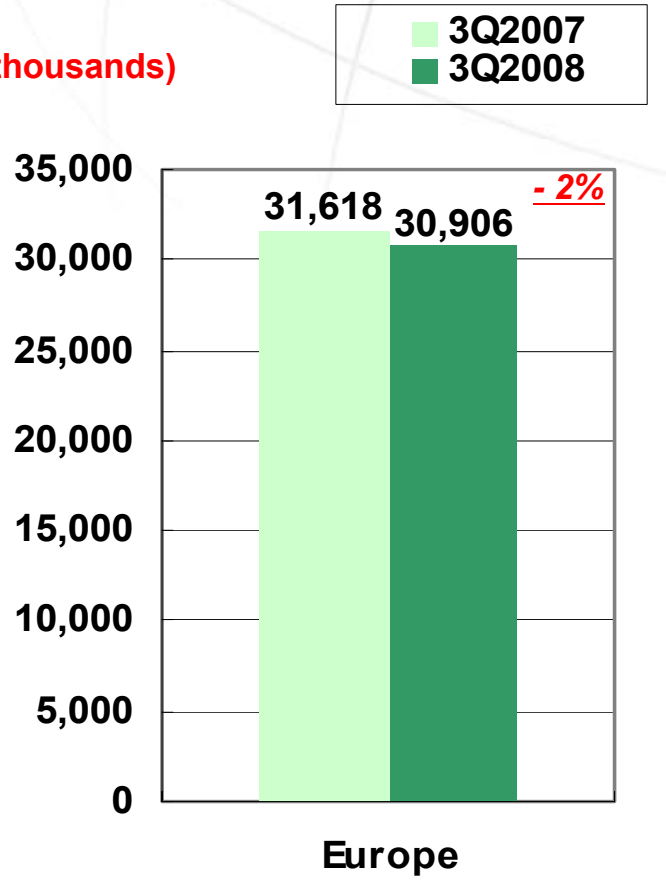
US Bookings in $ and EMEA Bookings in €

(unaudited)

($ in thousands)



(€ in thousands)



* "Bookings" means amount of contracts concluded.

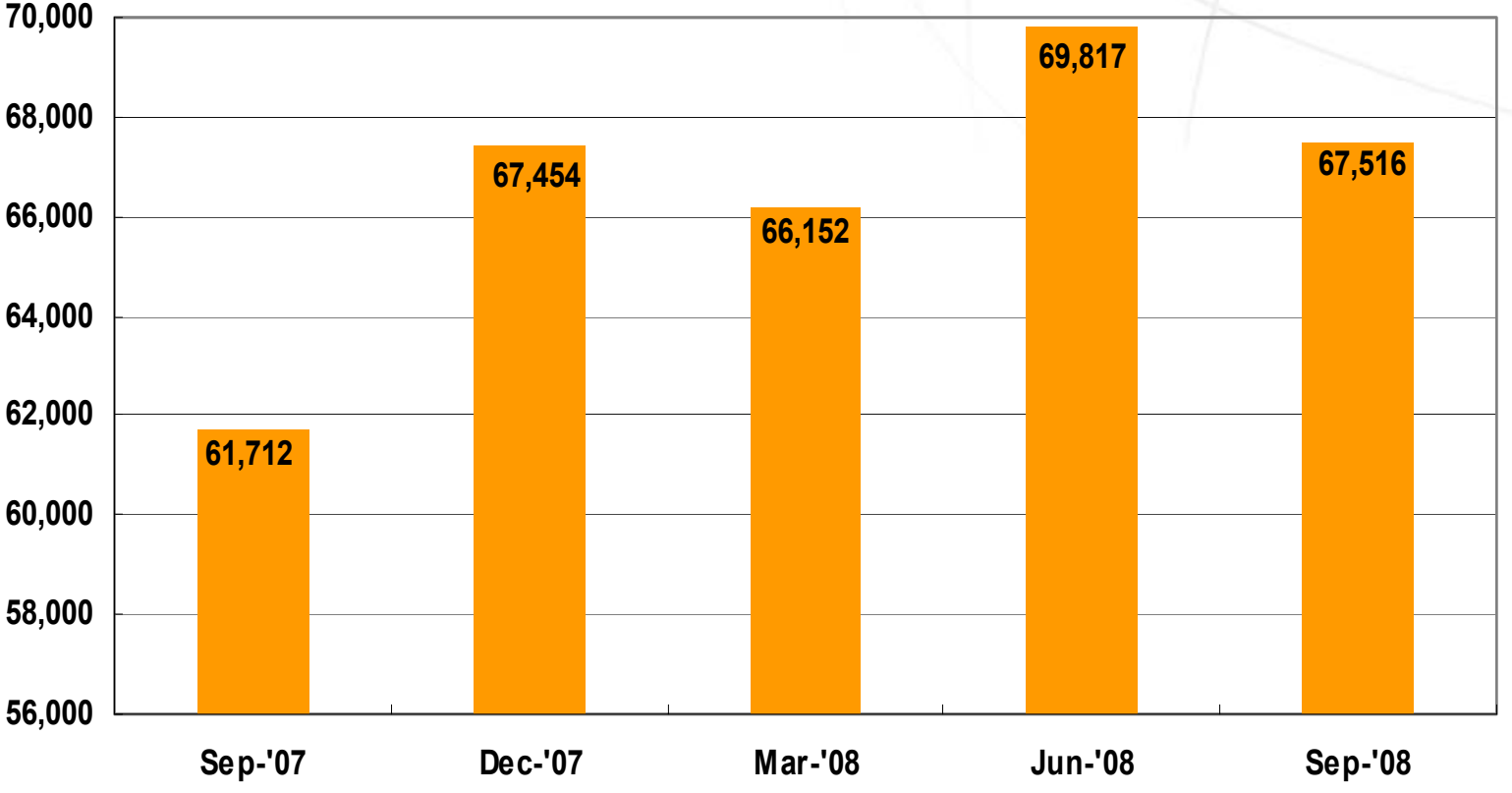
(Non-GAAP)

Deferred Revenue

(in million Yen)

(unaudited)

* Total of current and long term



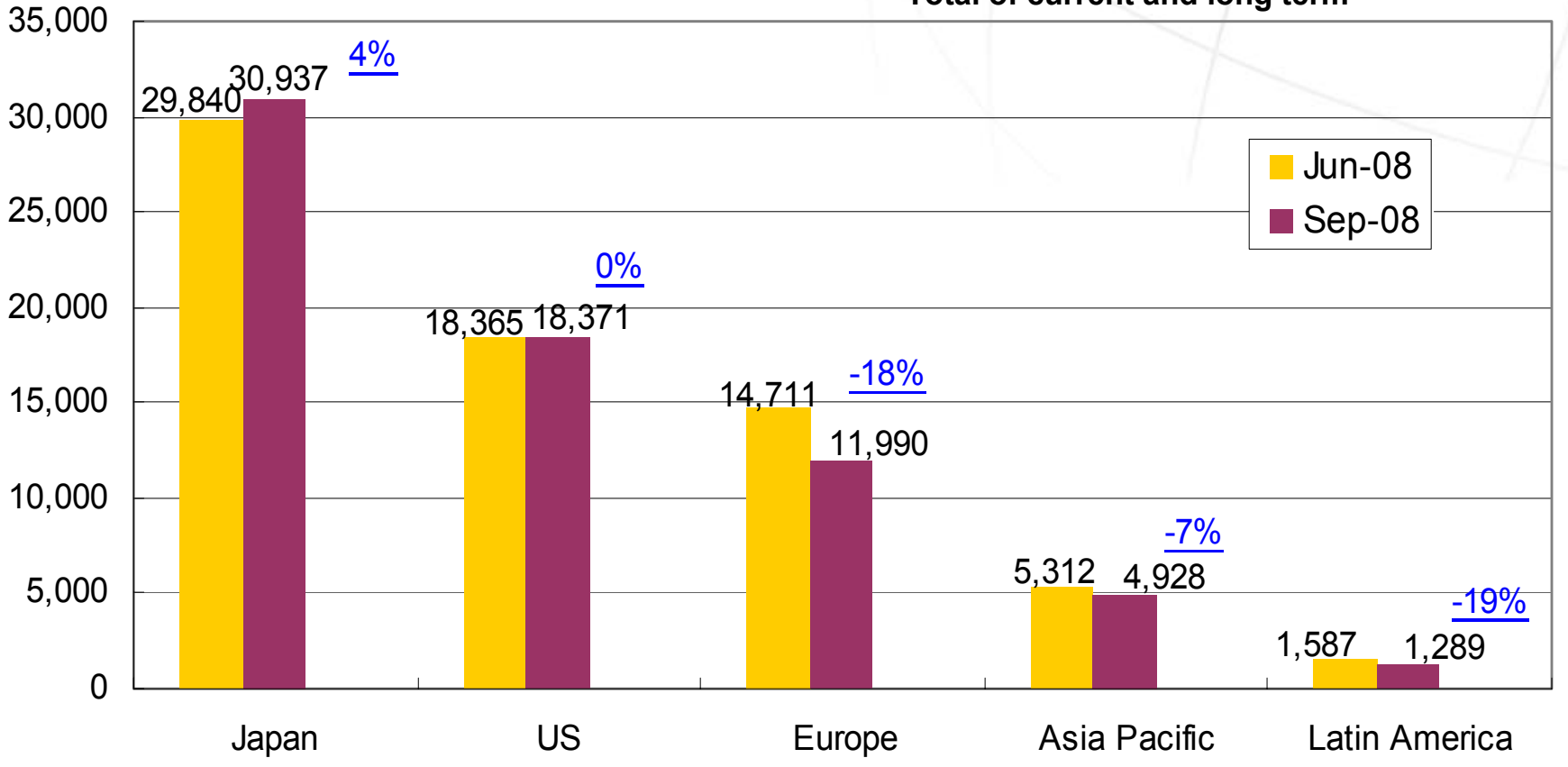
(In accordance with Japan GAAP)

Deferred Revenue by Region

(in million Yen)

(unaudited)

* Total of current and long term



(In accordance with Japan GAAP)

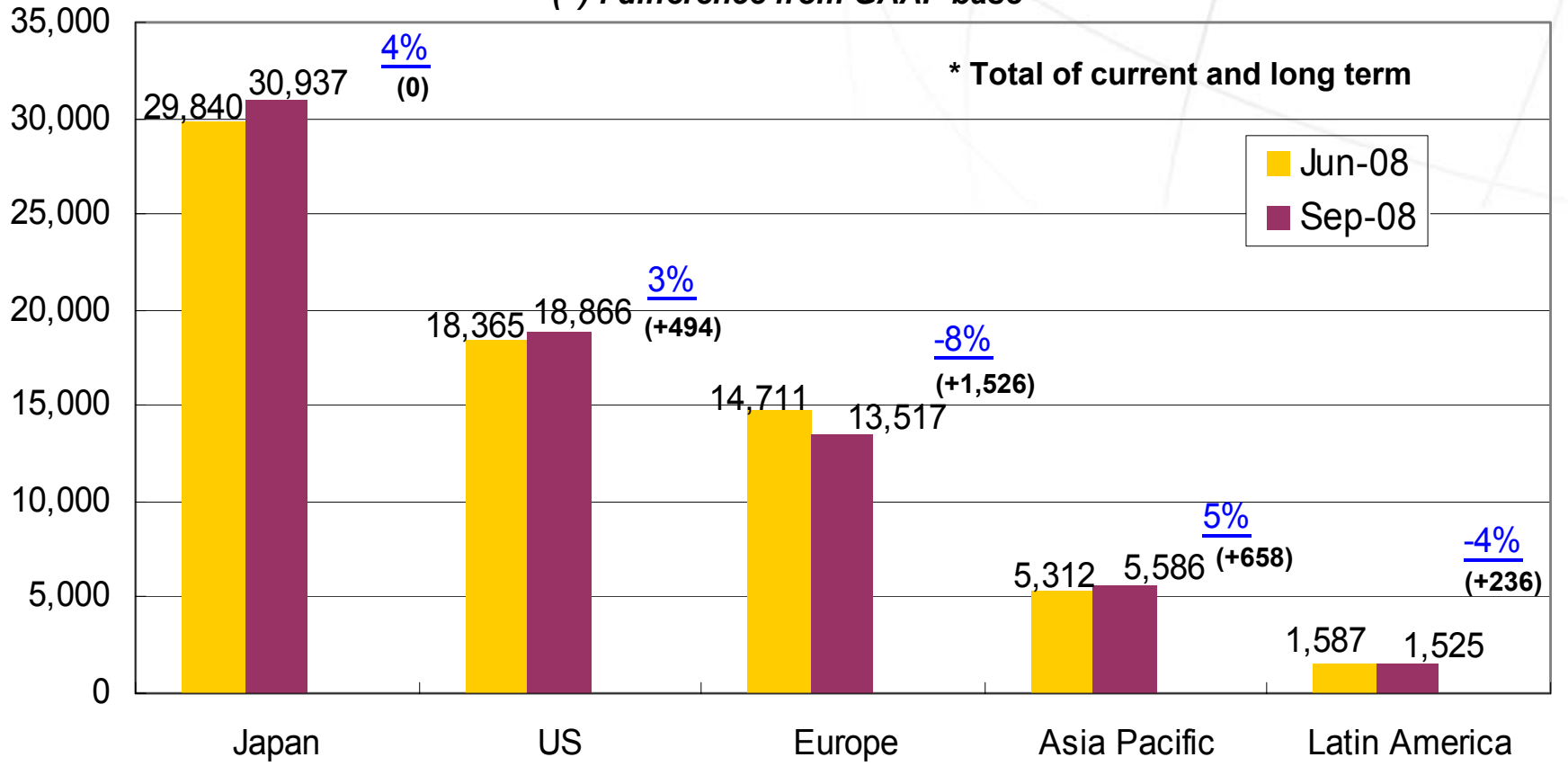
Deferred Revenue by Region

If currency exchange rates used as of the end of 2Q2008 were used as of the end of 3Q2008:

(unaudited)

(in million Yen)

** ( ) : difference from GAAP base*



(Non-GAAP)

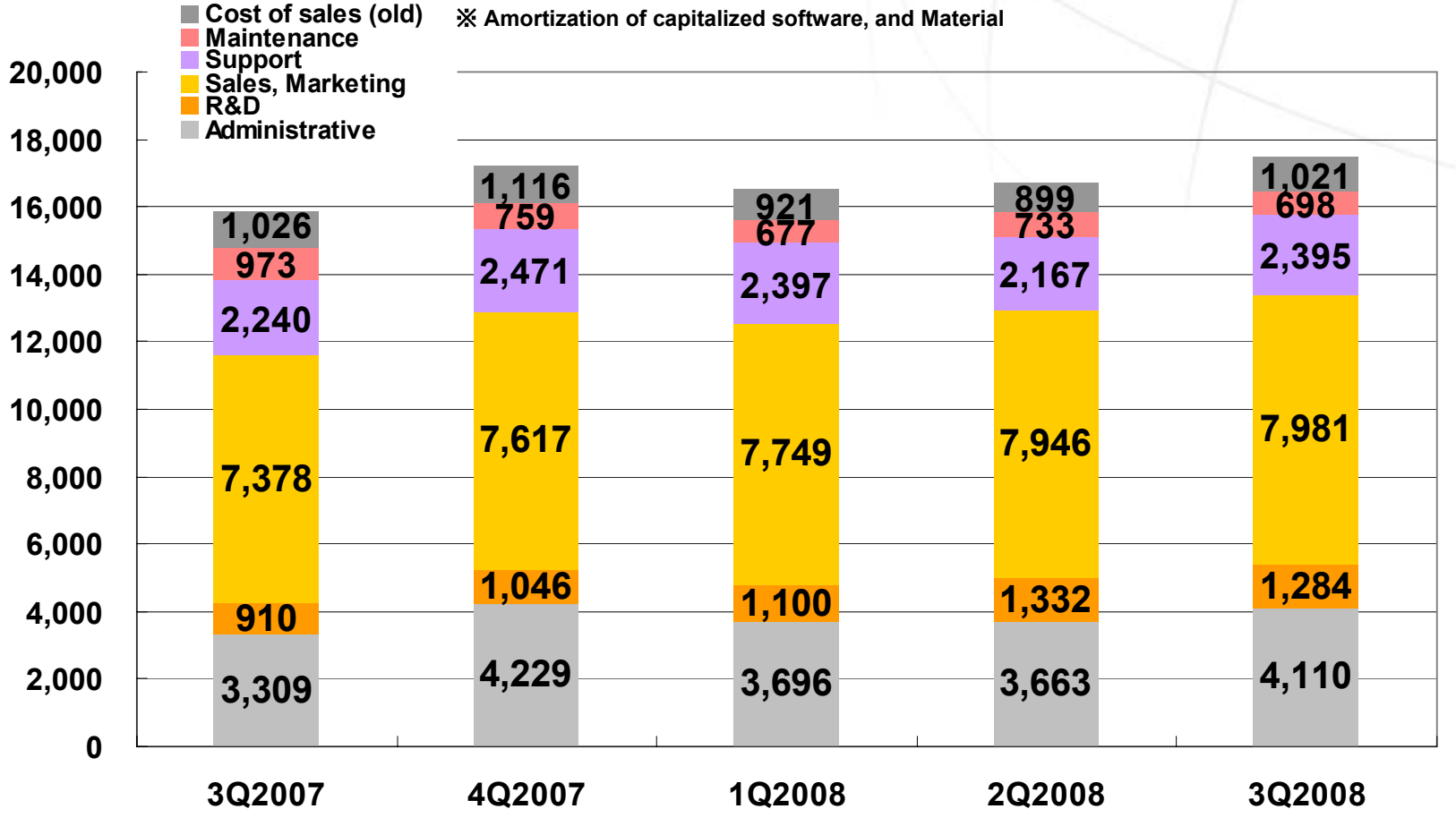
** Each JPY amount as of the end of 3Q2008 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 3Q2008 the exchange rate between such foreign currency and JPY that was used to convert the deferred revenue amount denominated in such foreign currency as of the end of 2Q2008 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.*

Cost of sales & Operating expenses

(excluding both stock option expenses and amortization of goodwill effects)

(in million Yen)

(unaudited)

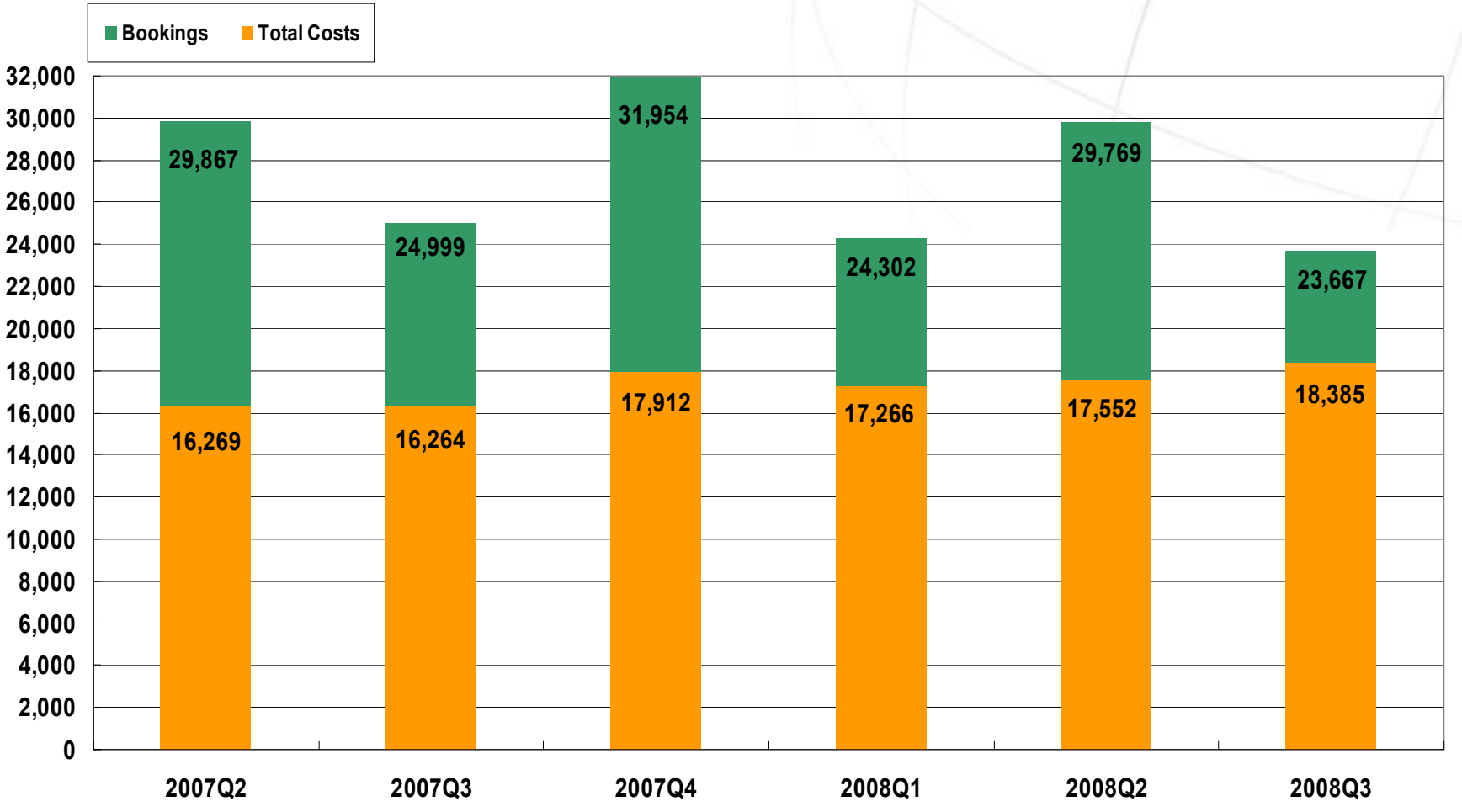


(Non-GAAP)

Bookings vs Total costs

(in million Yen)

(unaudited)



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

(Non-GAAP)

Q3 Highlights

- ***Double digit growth in North America continues***

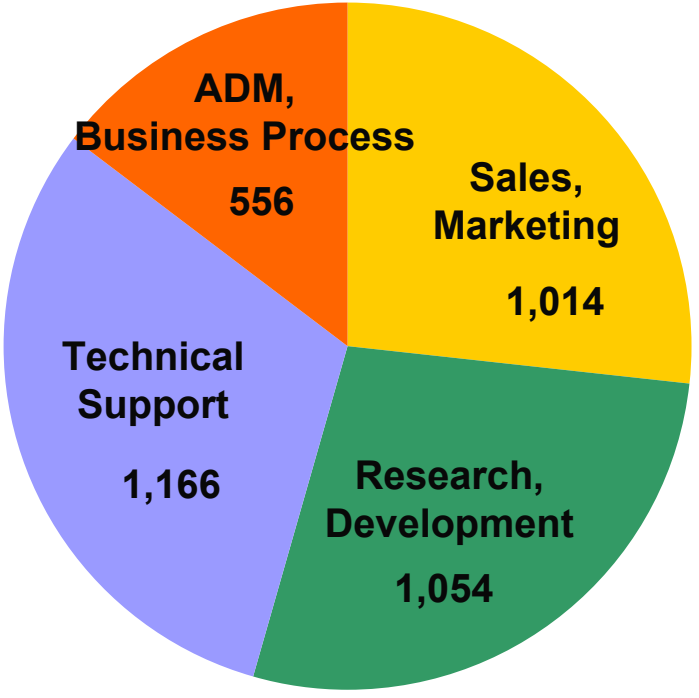
Q3 Lowlights

- *Weaker than expected growth in Japan (consumer)*
- *Weaker than expected performance of Large Enterprise segment*

Headcount

Jun - 2008

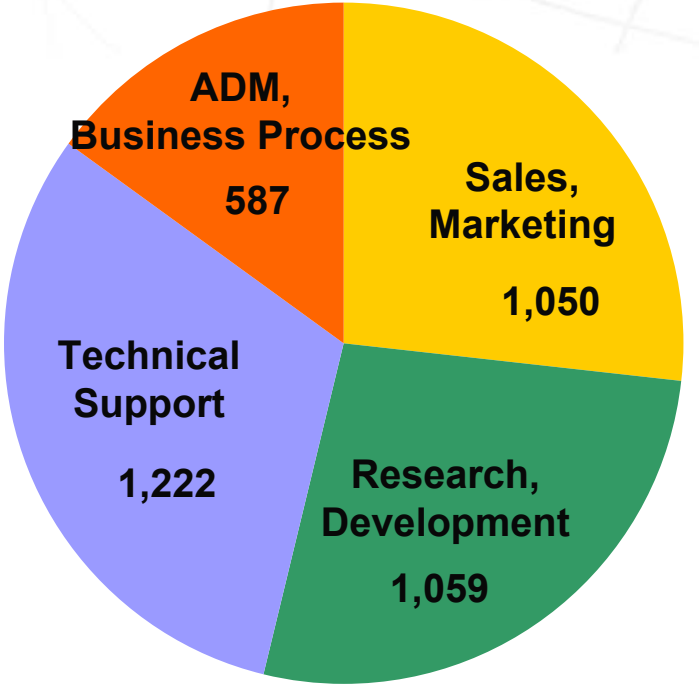
3,790



+ 128
(+ 3%)

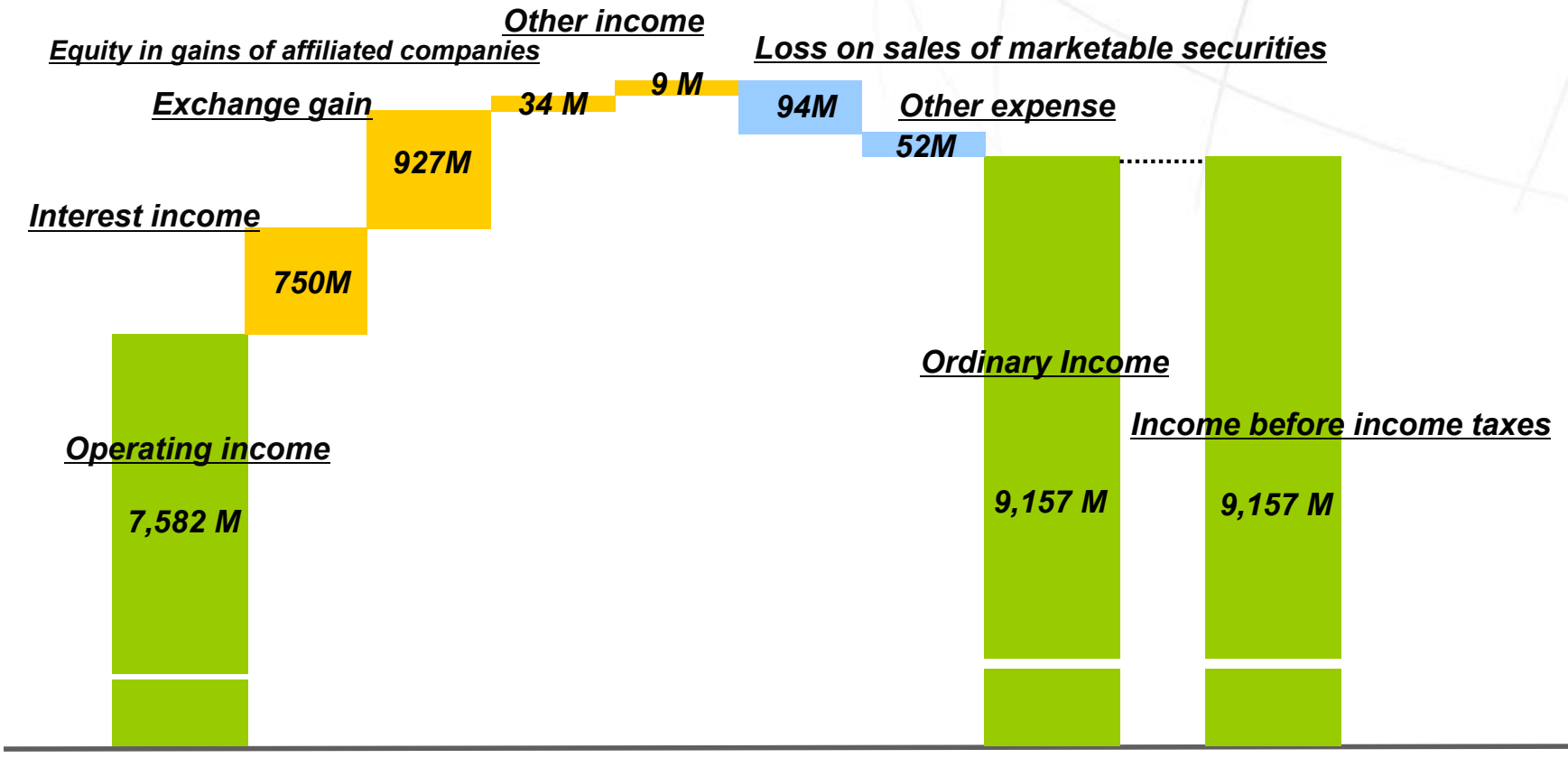
Sep - 2008

3,918



Non-operating & Extra-ordinary Items

(unaudited)



(In accordance with Japan GAAP)

Balance Sheet

(unaudited)

(in million Yen)

	Jun-2008	change	Sep-2008
Assets			
Cash & cash equivalents	67,299	- 1,673	65,626
Account receivable (less allowance for doubtful accounts)	21,056	- 739	20,317
Marketable securities & Securities investments	62,501	- 1,988	60,513
Liabilities			
Deferred revenue (total of current and long-term)	69,817	- 2,301	67,516
Shareholders' Equity			
Common Stock & Additional paid in capital	38,976	+ 284	39,260
Treasury Stock	- 21,874	+ 48	- 21,826

(In accordance with Japan GAAP)

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" : 2%

(in million Yen)

Name	Vendor	Principal	Market value as of 2008 Sep. 30	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	328	- 797	+ 126	- 67%	A3 (negative)	Corporate Credit	2010/9/30
SONATA	Calyon	1,000	712		- 287	- 29%	BBB	Corporate Credit	2011/3/30
Momentum Limited CMO1	Shinko	1,000	197	- 625	- 177	- 80%	CCC+	Corporate Credit	2011/9/30
Total		4,000	1,698	-1,963	- 339	- 58%			

Solid Balance Sheet

- ***Liabilities with interest: 0 (No leverage)***
- ***"Cash & cash equivalents" + "Marketable securities & Securities investments" balance as of Sep. 30: 126.1 Billion yen***
- ***Shareholder's equity ratio (beneficial) as of Sep. 30: 83.8%***

  ****based on excluding Deferred revenue (that should be booked into Revenue in the future) from Liability items.***
- ***Payout ratio: 60%*** ****60% x (Net income + Stock option expenses)***

Q4 forecast assumptions

- *Japan increases, while US decreases by single digit and Europe decreases by double digit due to forex headwind*

- *Stock option expenses will be 0.6Bn yen*

- *One time payment (receipt) related to intellectual property usage about 0.3Bn yen for extraordinary income*

- *Estimated exchange rate:*

  1USD = 90 yen (last year: 113 yen)

  1EUR = 115 yen (last year: 163 yen)

Projection for 4Q2008

(unaudited)

(in million Yen)

	For 4Q2008 Oct - Dec, 2008	Expected YoY growth
Net Sales	24,400	- 7%
Operating Income	7,400	- 11%
Ordinary Income	7,500	- 15%
Net Income	4,800	- 8%

(In accordance with Japan GAAP)

- Including both stock option expenses and amortization of goodwill（about 847M Yen）

If currency exchange rates（dollar and euro）used for 4Q2007 were used for 4Q2008

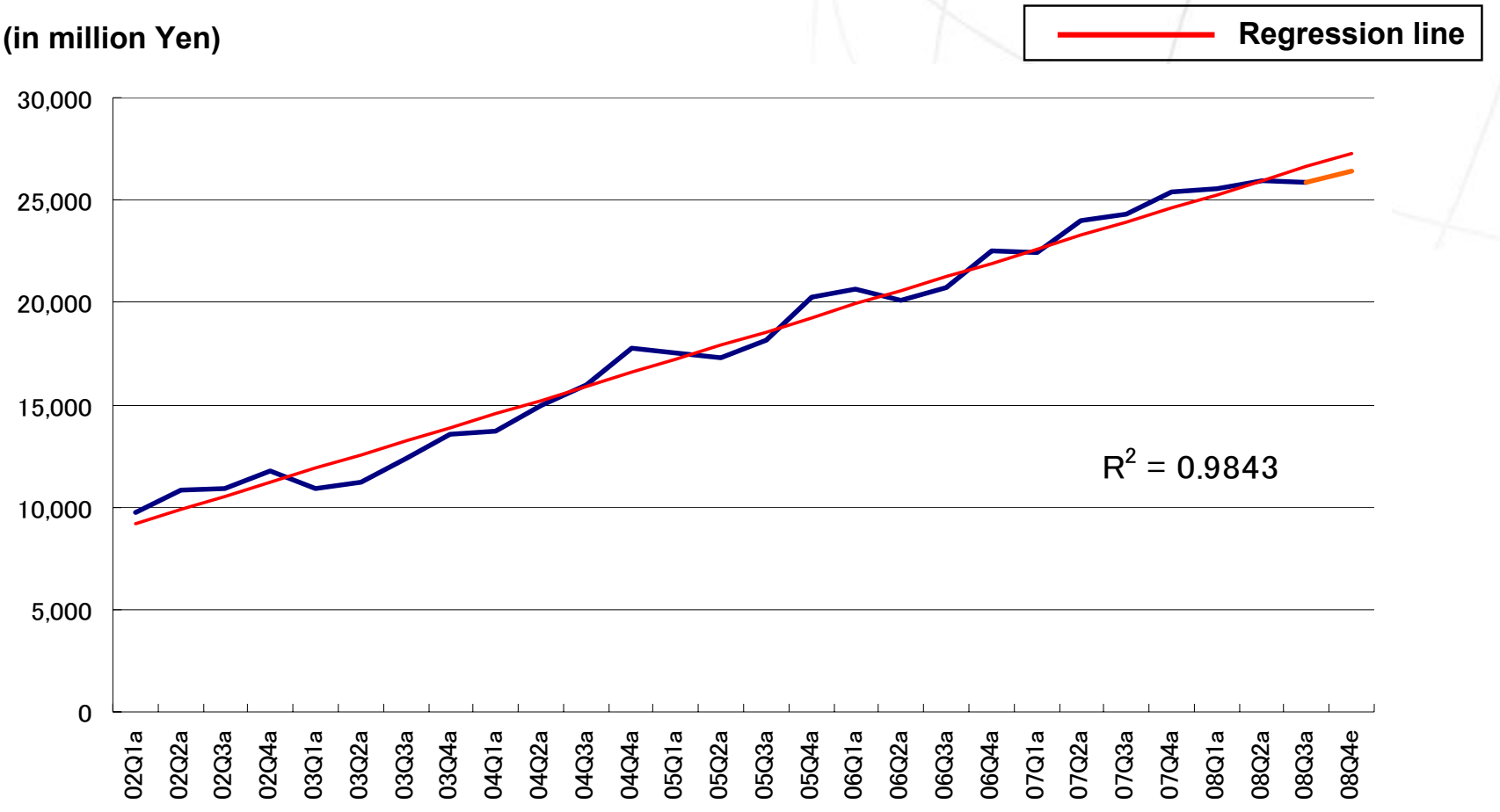
Net Sales	27,800	+ 6%

(Non-GAAP)

Regression chart of net sales

** If currency exchange rates used for 1Q2002 were used for each quater*

(in million Yen)



(Non-GAAP)

Appendix

Appendix

Quarterly Chart (1)

(unaudited)

(in million Yen)

	FY2007				FY2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	23,252	25,138	25,201	26,213	25,604	26,105	25,968	
Cost of sales	4,298	4,241	4,276	4,403	4,054	3,859	4,188	
Operating expenses	11,584	12,027	11,987	13,508	13,211	13,693	14,197	
Operating income	7,368	8,869	8,937	8,300	8,338	8,552	7,582	
Ordinary income	8,281	9,781	11,198	8,834	7,517	9,313	9,157	
Net income	5,065	6,404	6,864	5,227	4,594	3,936	5,861	
(COGS and SG&A)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Amortization of capitalized software, and Material	1,204	1,018	1,026	1,116	921	899	1,021	
Maintenance	772	871	973	759	677	733	698	
Support	2,268	2,297	2,240	2,471	2,397	2,167	2,395	
Sells, Marketing	6,927	7,362	7,378	7,617	7,749	7,946	7,981	
R&D	1,014	840	910	1,046	1,100	1,332	1,284	
Admin, etc.	3,226	3,403	3,309	4,229	3,696	3,663	4,110	
Stock Option expenses	320	323	277	472	513	513	631	
Amortization of goodwill	149	151	147	197	210	296	263	
Total	15,883	16,269	16,264	17,912	17,266	17,552	18,385	
Applied rate to yen (US$)	119.27	120.95	117.56	113.11	104.88	104.72	107.58	
Applied rate to yen (Euro)	155.04	162.63	161.67	163.76	157.63	163.68	161.46	

Appendix

Quarterly Chart (2)

(unaudited)

(in million Yen)

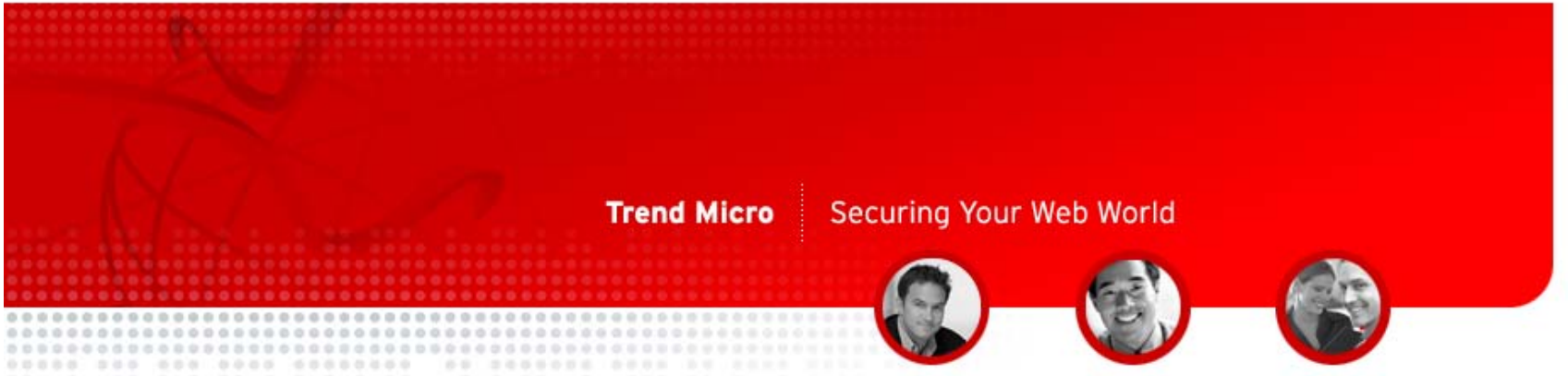
	FY2007				FY2008			
(Sales by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	8,538	9,241	9,287	9,463	9,823	9,885	9,405	
US	5,788	6,304	6,467	6,472	6,178	6,570	7,098	
Europe	5,825	6,013	5,929	6,582	6,185	6,551	6,137	
Asia Pacific	2,378	2,765	2,732	2,832	2,680	2,325	2,530	
Latin America	721	813	785	861	735	772	795	
Total	23,252	25,138	25,201	26,213	25,604	26,105	25,968	

(Sales by segment)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Enterprise	6,942	7,669	7,615	9,588	7,362	8,748	8,555	
Small & Medium	10,656	10,756	10,852	9,845	10,786	10,014	9,374	
Consumer	5,652	6,712	6,734	6,779	7,455	7,341	8,037	
Total	23,252	25,138	25,201	26,213	25,604	26,105	25,968	

(Bookings by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	11,259	10,871	10,349	10,654	11,696	11,066	10,501	
US	7,039	7,418	6,466	7,661	5,226	7,625	7,104	
Europe	6,056	6,983	4,913	9,699	4,608	6,920	3,416	
Asia Pacific	2,608	3,650	2,678	3,066	2,040	3,246	2,146	
Latin America	698	943	592	872	730	910	497	
Total	27,663	29,867	24,999	31,954	24,302	29,769	23,667	

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

Thank You



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