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TREND MICRO

Trend Micro
FY2010.4Q / Annual Results

Mahendra Negi COO/CFO, Representative Director

February 17,2011

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.

FY2010. 4Q Financial Highlight

（Fourth quarter ended December 31, 2010）

Consolidated Results

(in million Yen) (unaudited)

Three months ended Dec 31,	*4Q2009*		*4Q2010*		*YoY growth*
Net sales	24,339		24,218		- 0%
Cost of sales	4,263		4,222		- 1%
Operating expenses	12,595		13,697		+ 9%
Operating income *(Margin)*	7,479	*(31%)*	6,298	*(26%)*	- 16%
Ordinary income	7,640		6,023		- 21%
Net income	3,568		3,172		- 11%

(In accordance with Japan GAAP)

Amount of contracts concluded

Bookings	27,068	25,550	- 6%
		(In case of excluding a foreign exchange impact)	
			+ 5%

(Non-GAAP)

If currency exchange rates used for 4Q2009 were used for 4Q2010

Net sales	24,339	25,579	+ 5%

** The JPY amount for 4Q2010 shown above has been calculated by applying to each foreign currency net sales amount for 4Q2010 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 4Q2009 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 Dec 31,	4Q2009	4Q2010	YoY change
Net sales	271,277	292,923	8%
Cost of sales	47,524	51,066	7%
Operating expenses	140,384	165,672	18%
Operating income	83,368	76,185	- 9%
Ordinary income	85,156	72,856	- 14%
Net Income	39,778	38,369	- 4%

(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=89.72 JPY for 4Q2009 and 1 USD =82.68 JPY for 4Q2010, respectively, which are the respective weighted average exchange rates used to convert USD net sales to JPY for these quarters.

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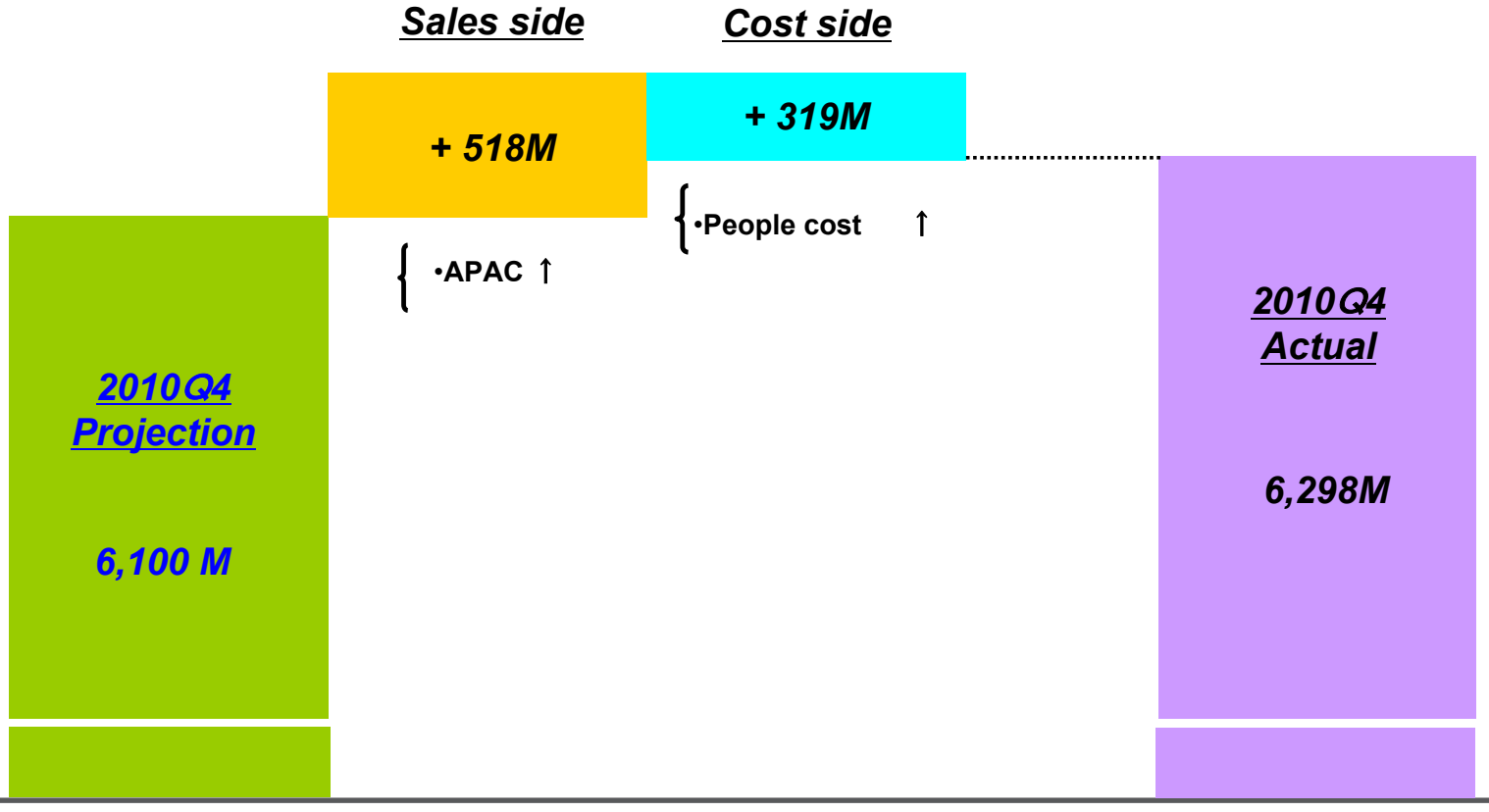
Vs. Projection analysis（Operating income）

(unaudited)

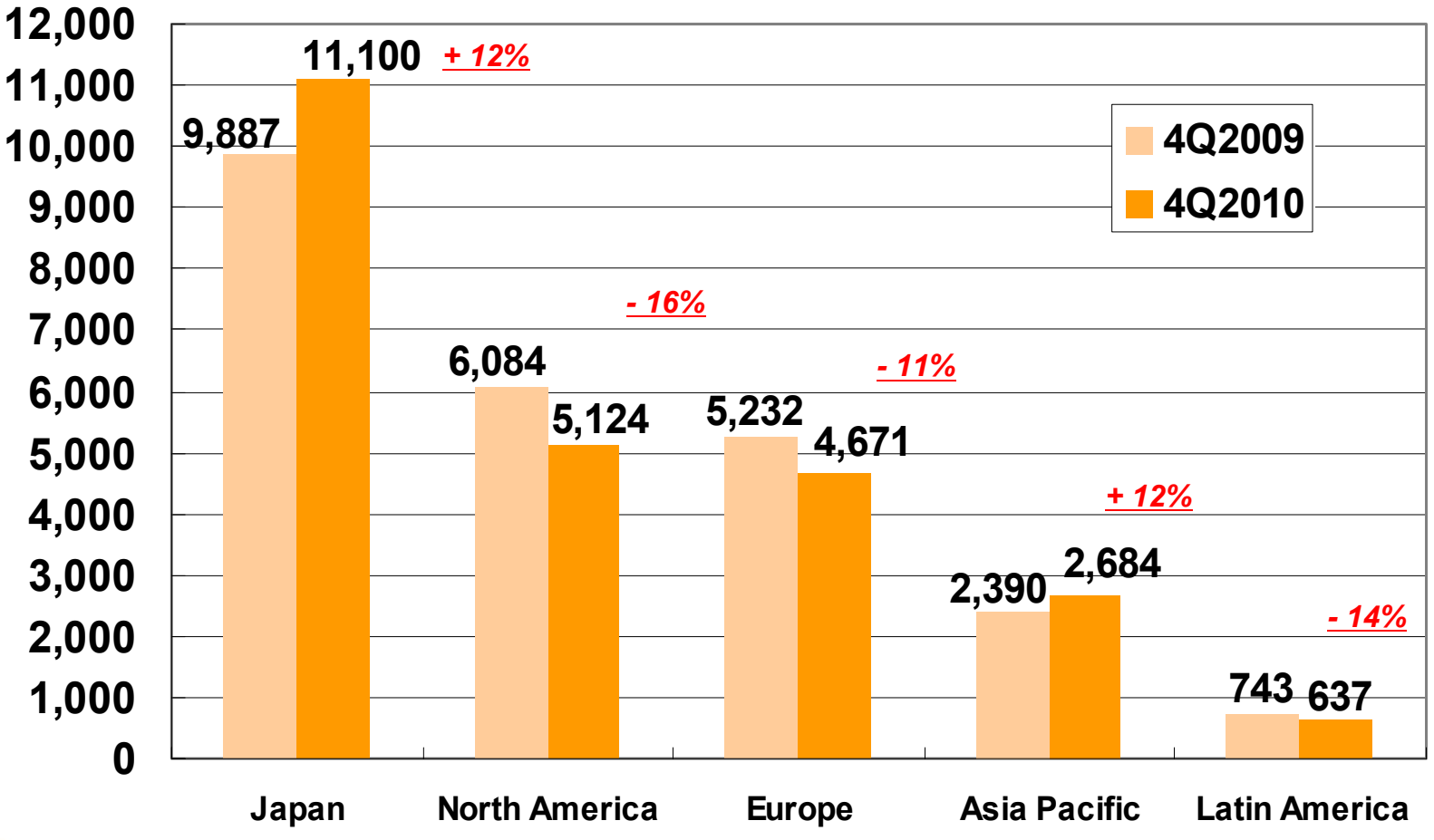


(Non-GAAP)

Net Sales Growth by Region

(in million Yen)

(unaudited)



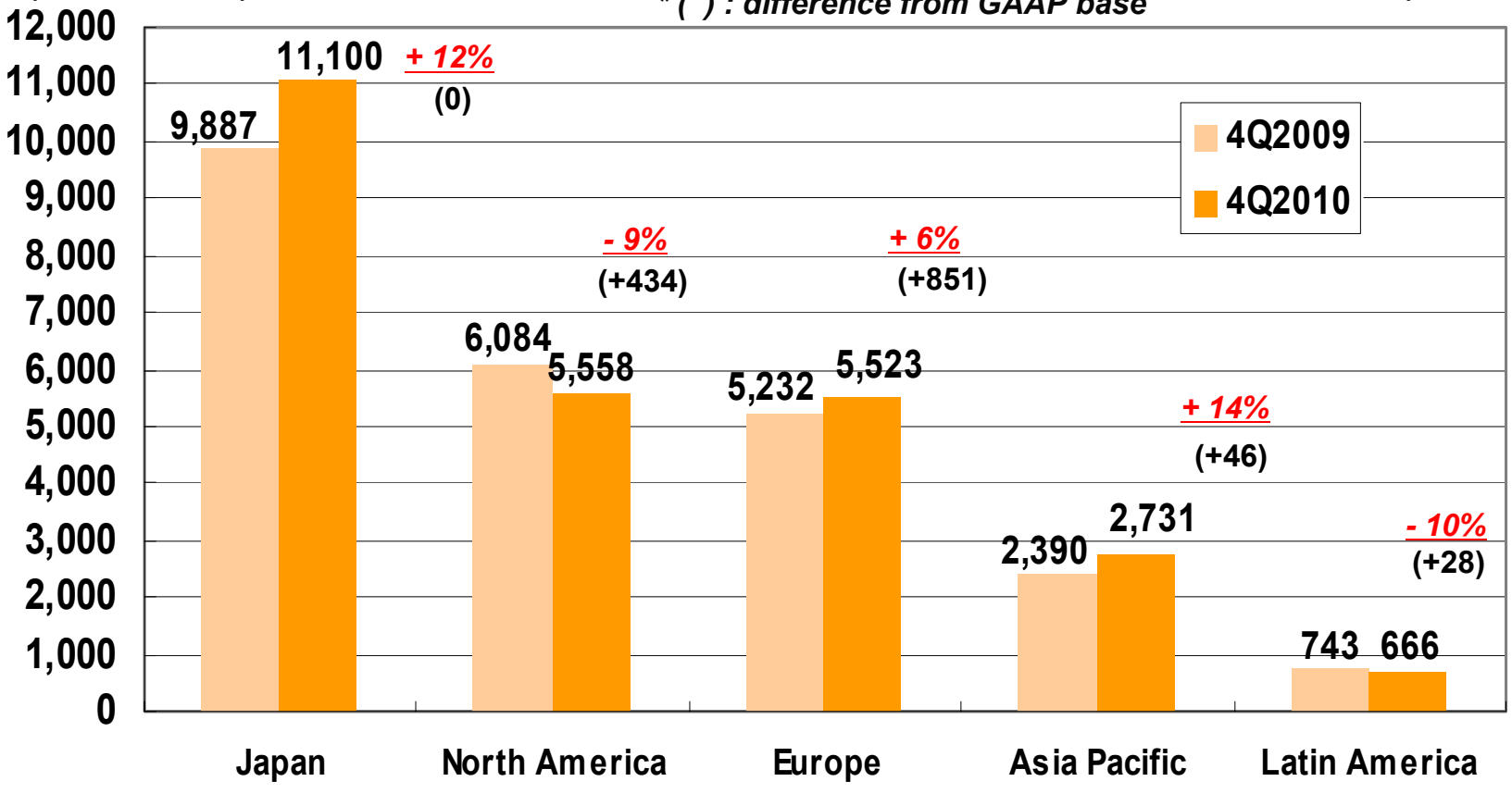
(In accordance with Japan GAAP)

Net Sales Growth by Region

If currency exchange rates used for 4Q2009 were used for 4Q2010:

(in million Yen) (unaudited)

*( ) : difference from GAAP base

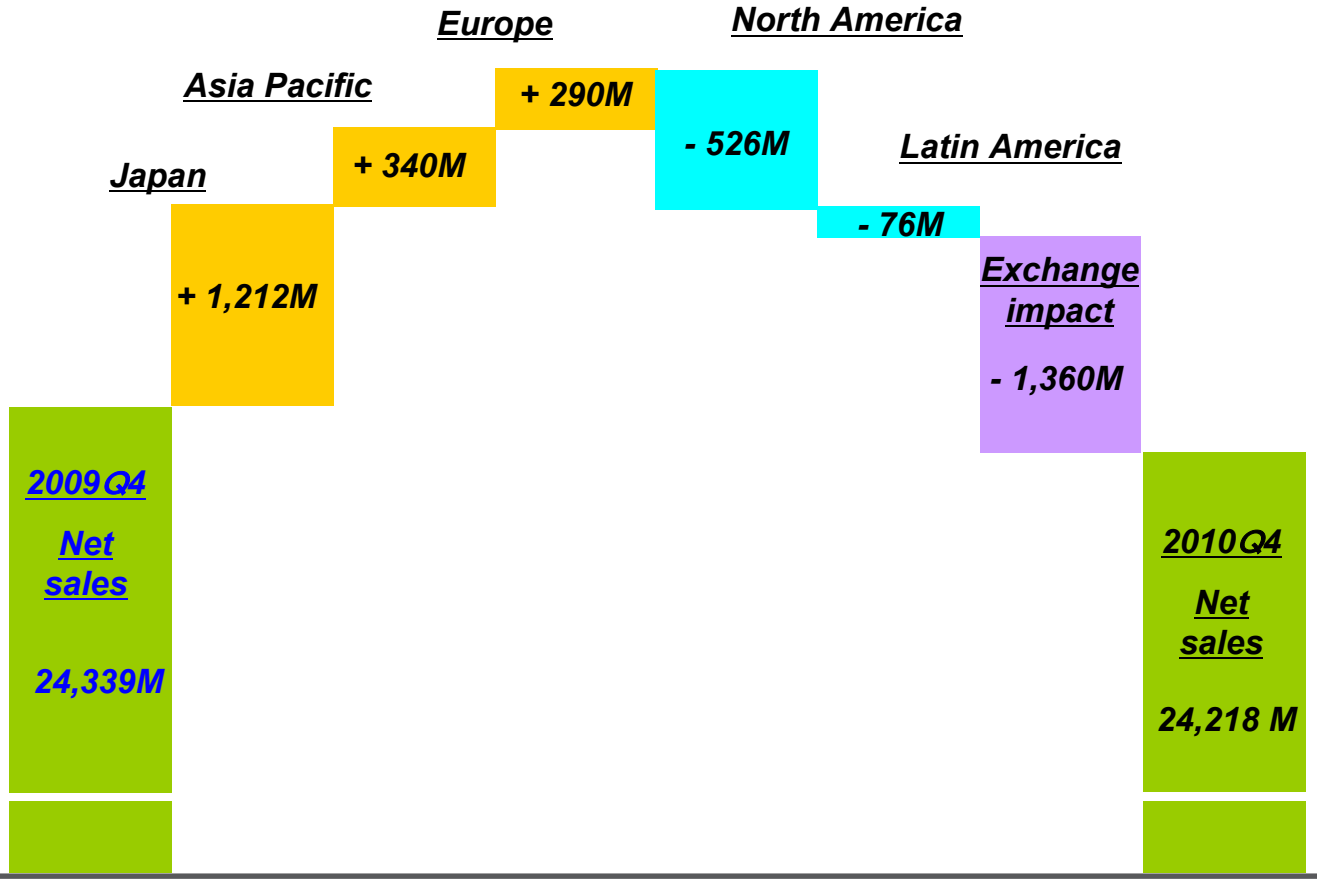


(Non-GAAP)

* Each JPY amount for 4Q2010 shown above has been calculated by applying to the relevant foreign currency net sales amount for 4Q2010 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 4Q2009 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.

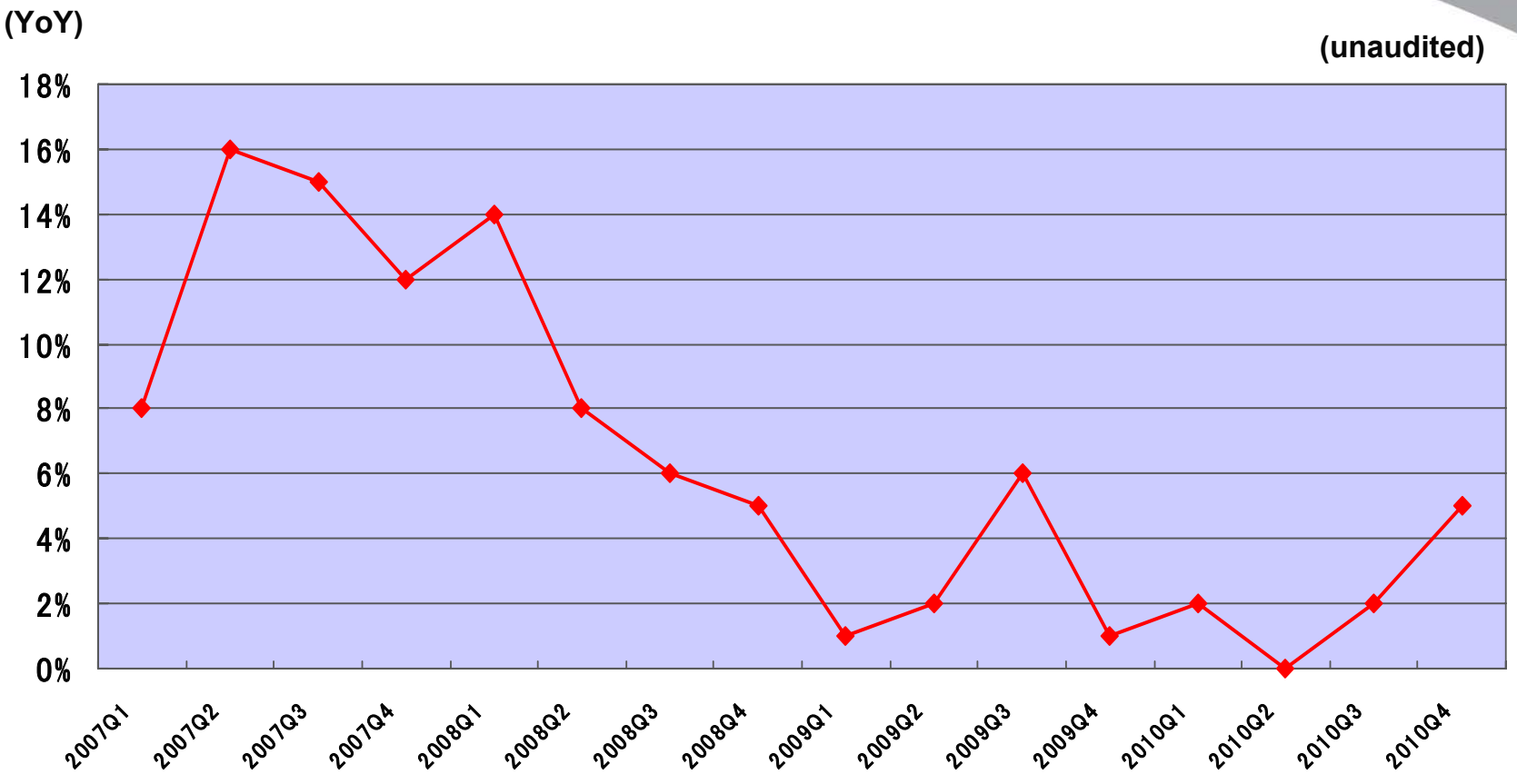
Decomposition of Revenue（vs. last year）

(unaudited)



(Non-GAAP)

Constant currency Revenue growth

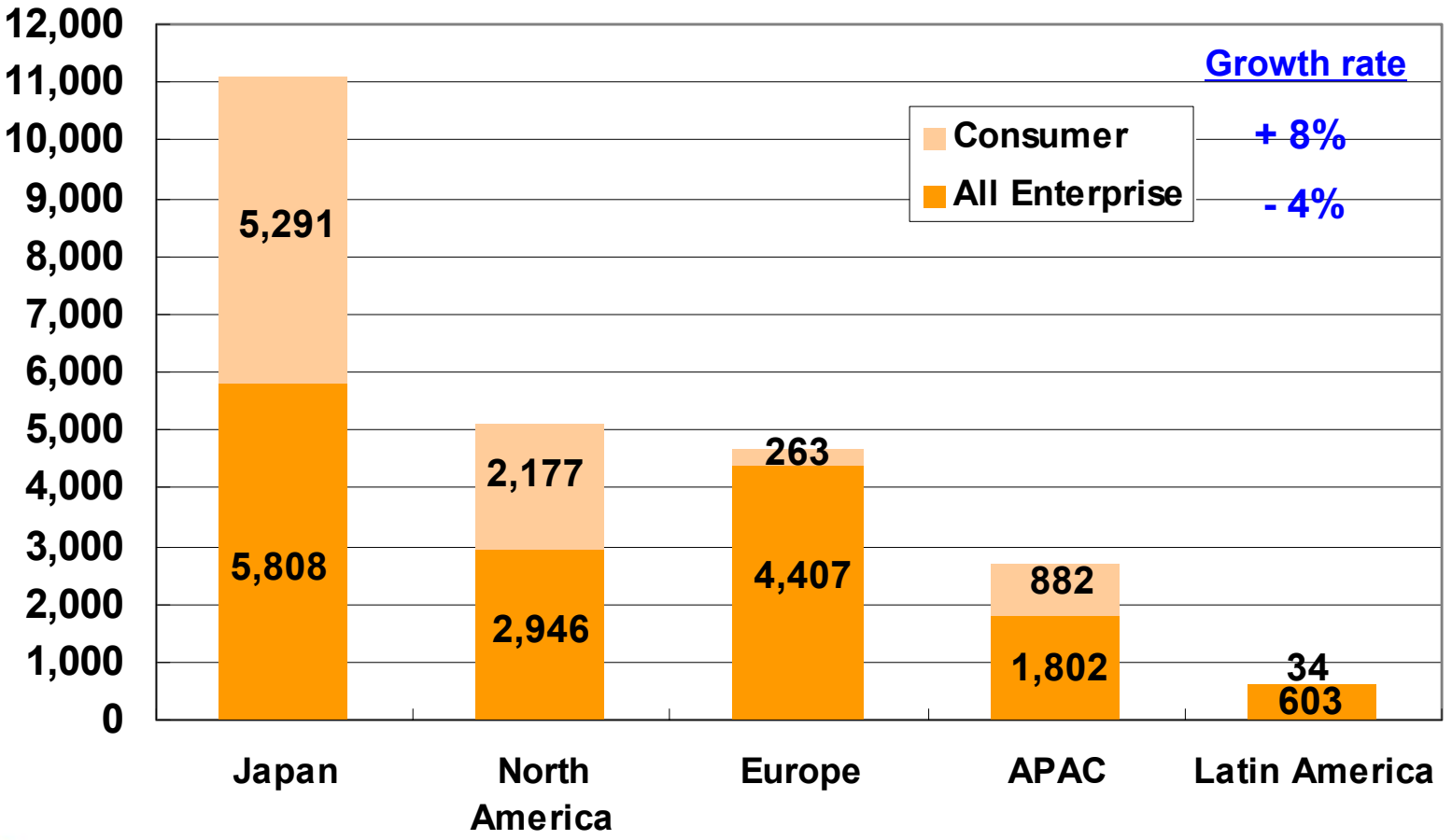


- *Each growth rate shown above is based on applying to each quarter the same currency rate as the previous year for the same period*

(Non-GAAP)

Sales by Segment

(in million Yen)



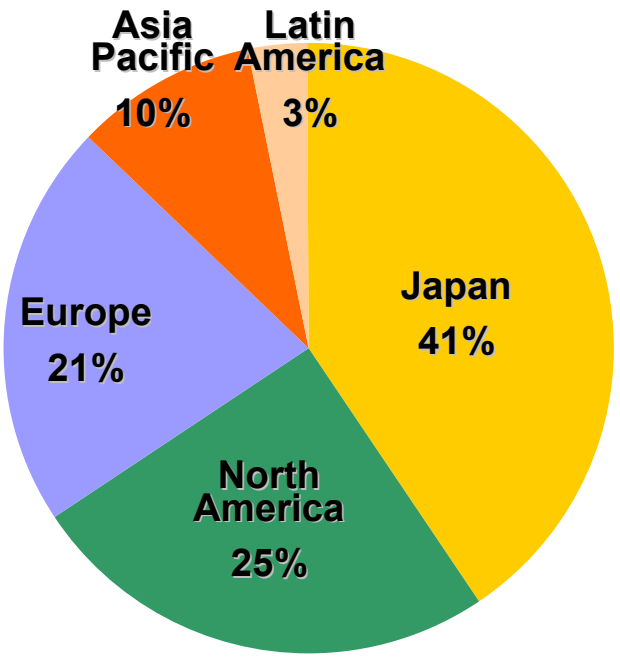
(Non-GAAP)

% share by region

(unaudited)

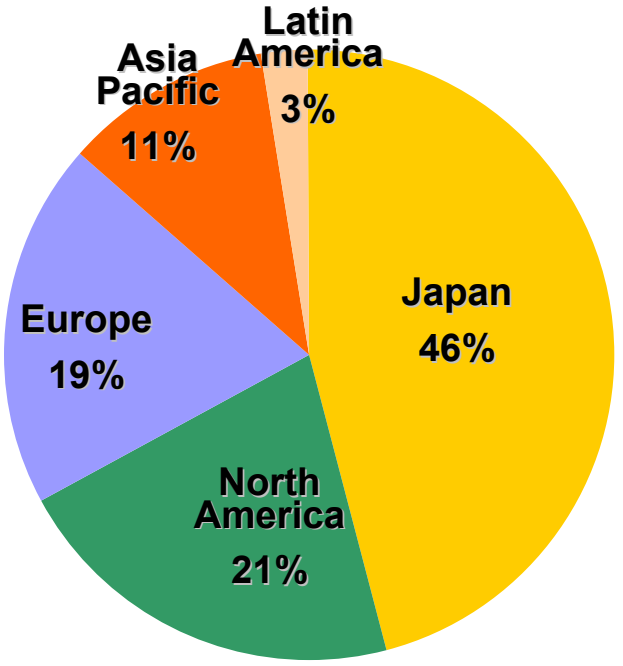
4Q2009

24,339 million Yen



4Q2010

24,218 million Yen

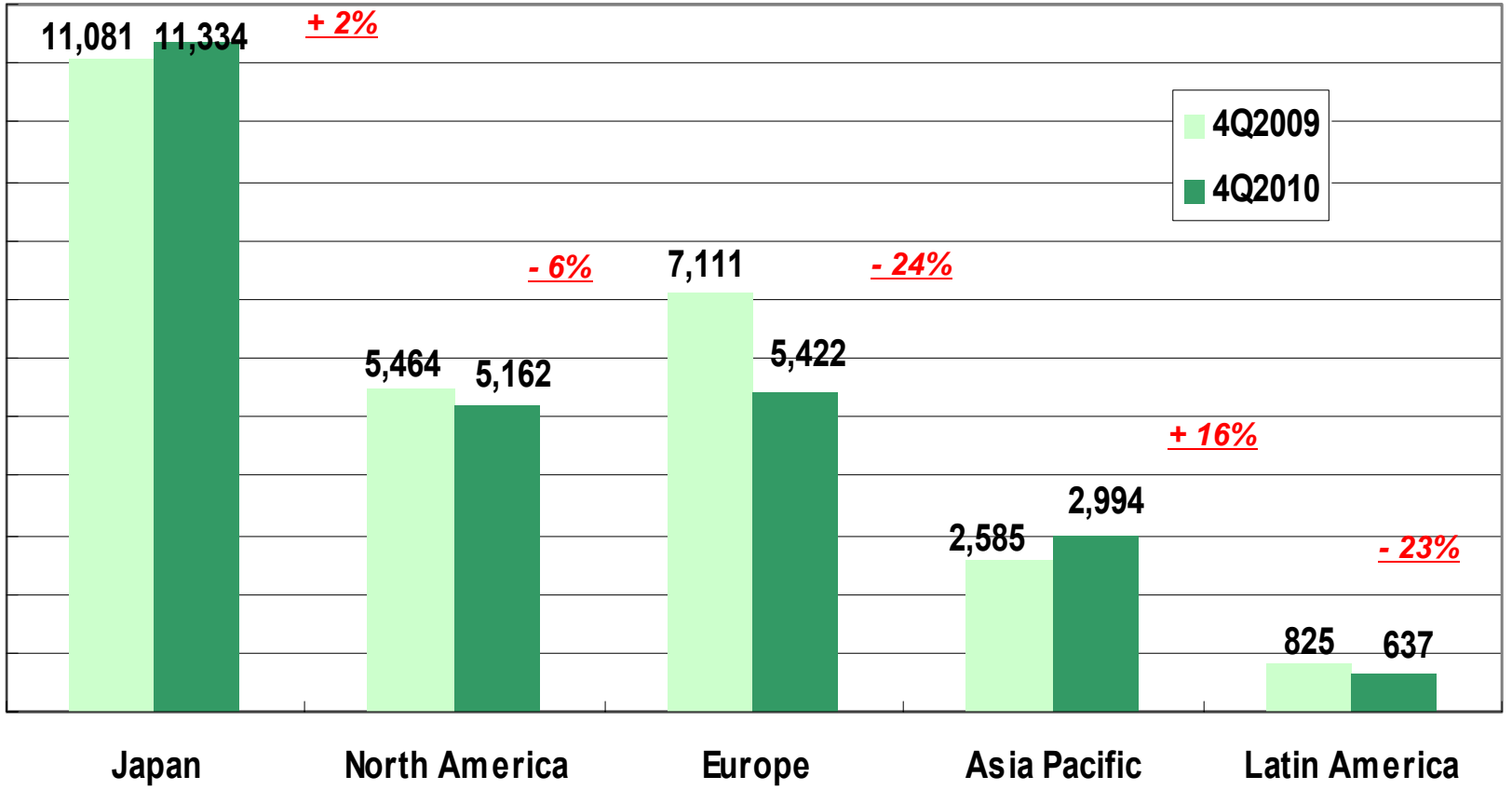


(In accordance with Japan GAAP)

Bookings (Amount of contracts concluded)

(in million Yen)

(unaudited)



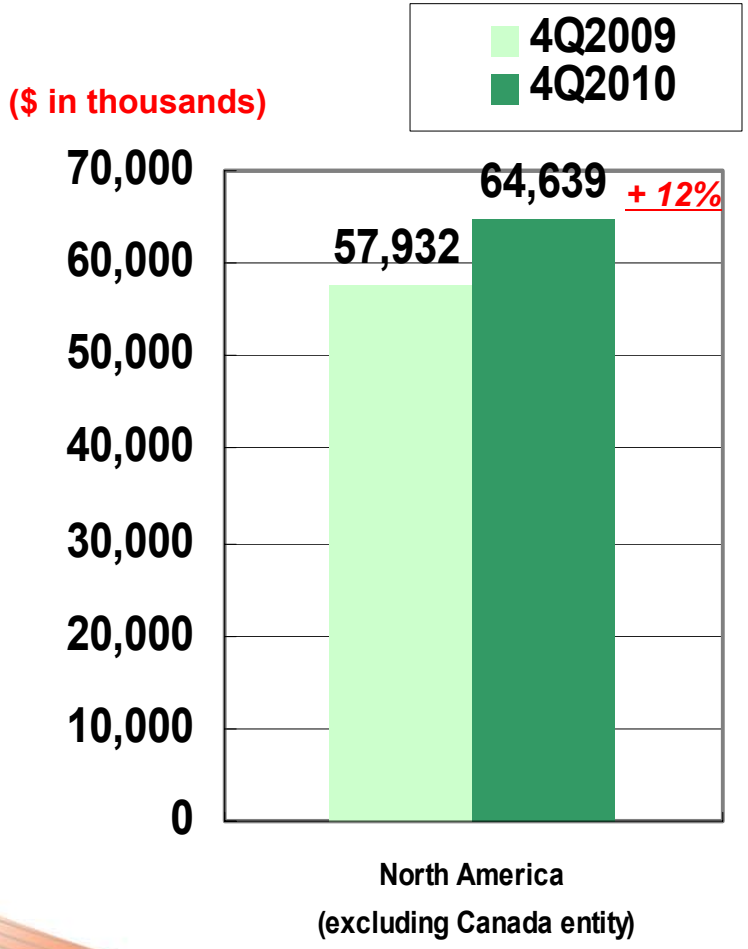
(Non-GAAP)

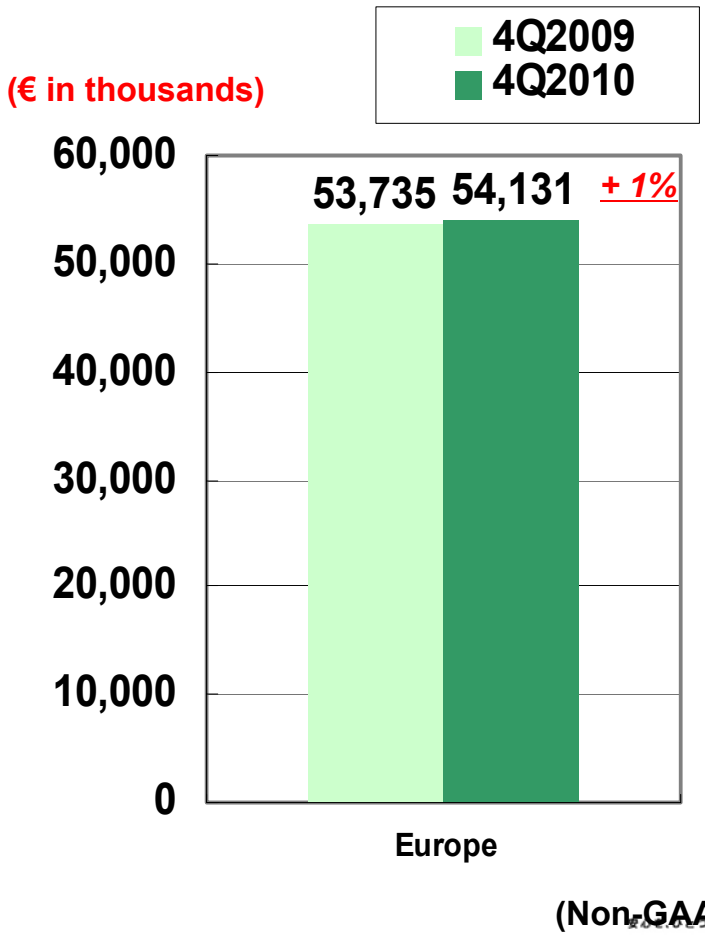
* Bookings = Net sales + Deferred revenue balance as of this Q – Deferred revenue balance as of previous Q

Local currency based Bookings (US, Europe)

North America (*excluding Canada entity) Bookings in $ and EMEA Bookings in €

(unaudited)



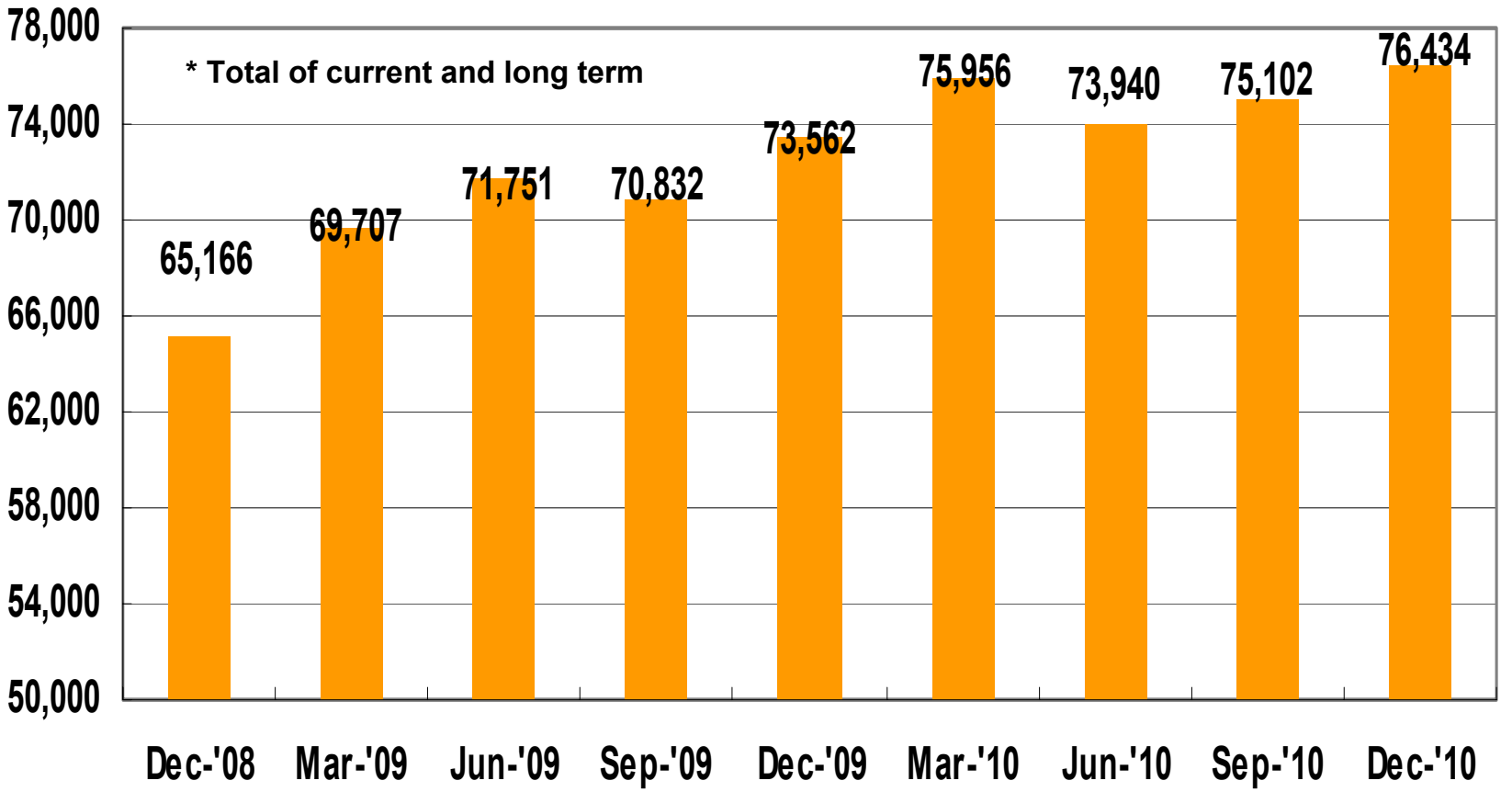


(Non-GAAP)

Deferred Revenue

(in million Yen)

(unaudited)



(In accordance with Japan GAAP)

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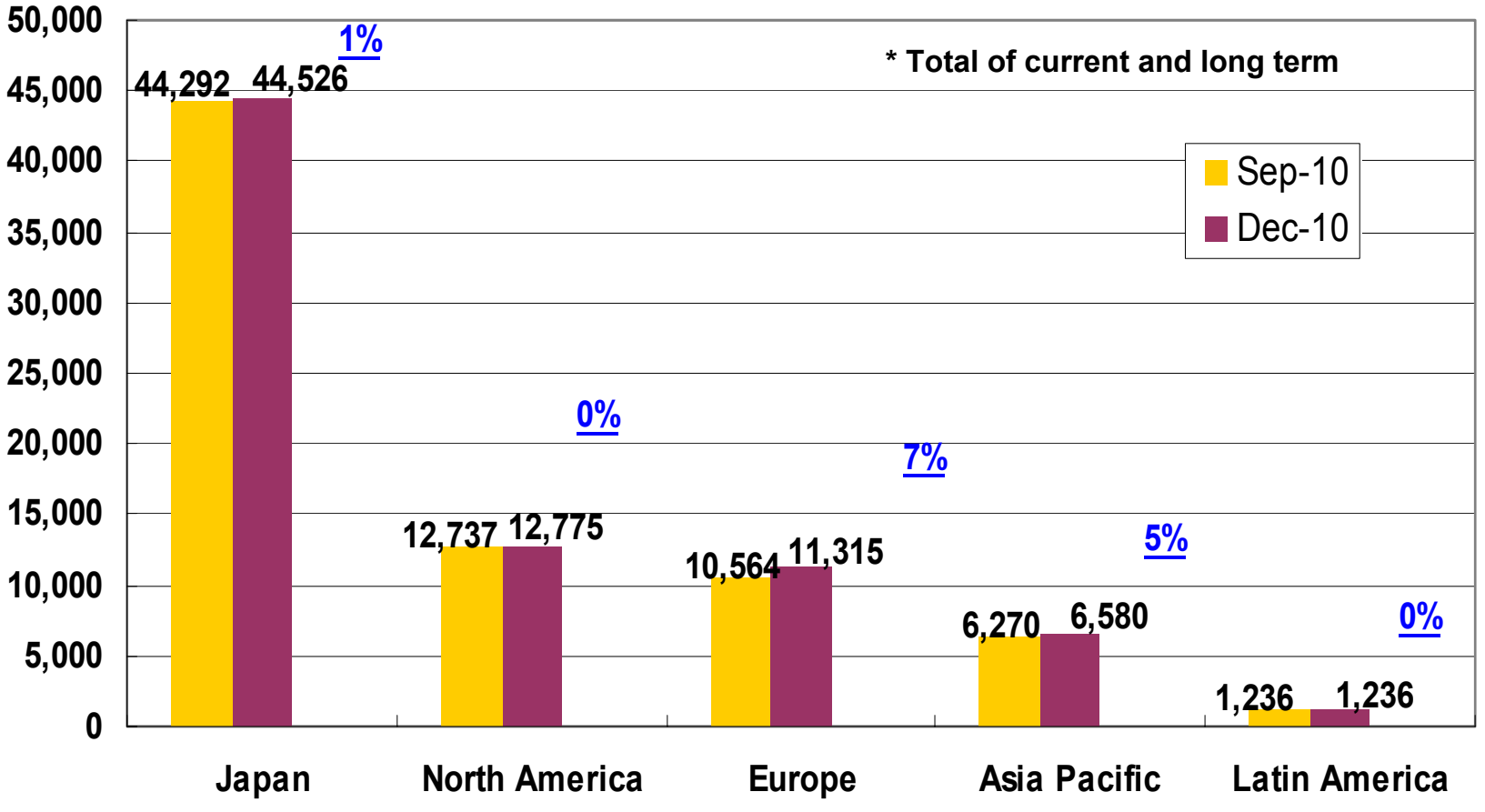
Deferred Revenue by Region

(in million Yen)

(unaudited)

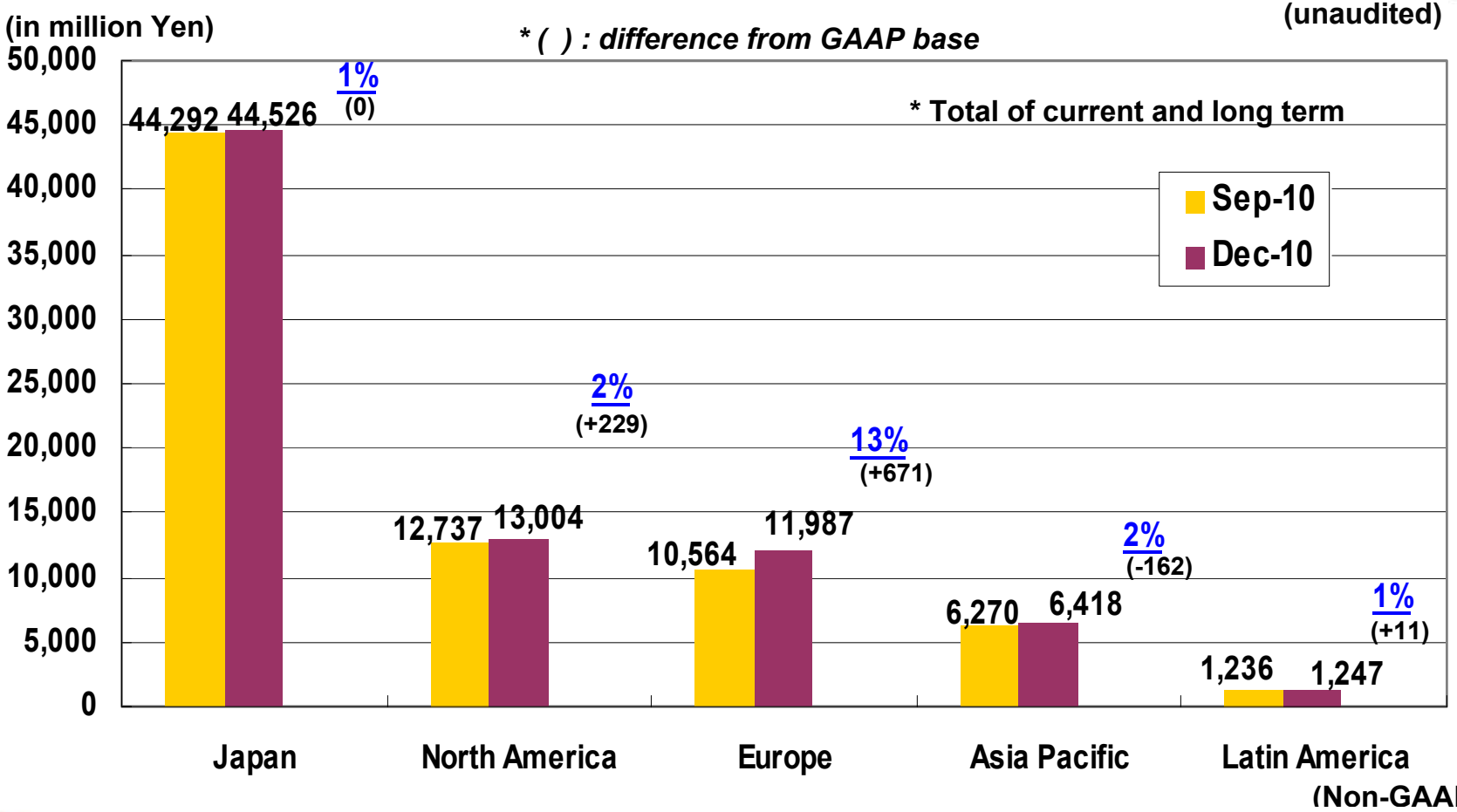


(In accordance with Japan GAAP)

Deferred Revenue by Region

If currency exchange rates used as of the end of 3Q2010 were used as of the end of 4Q2010:

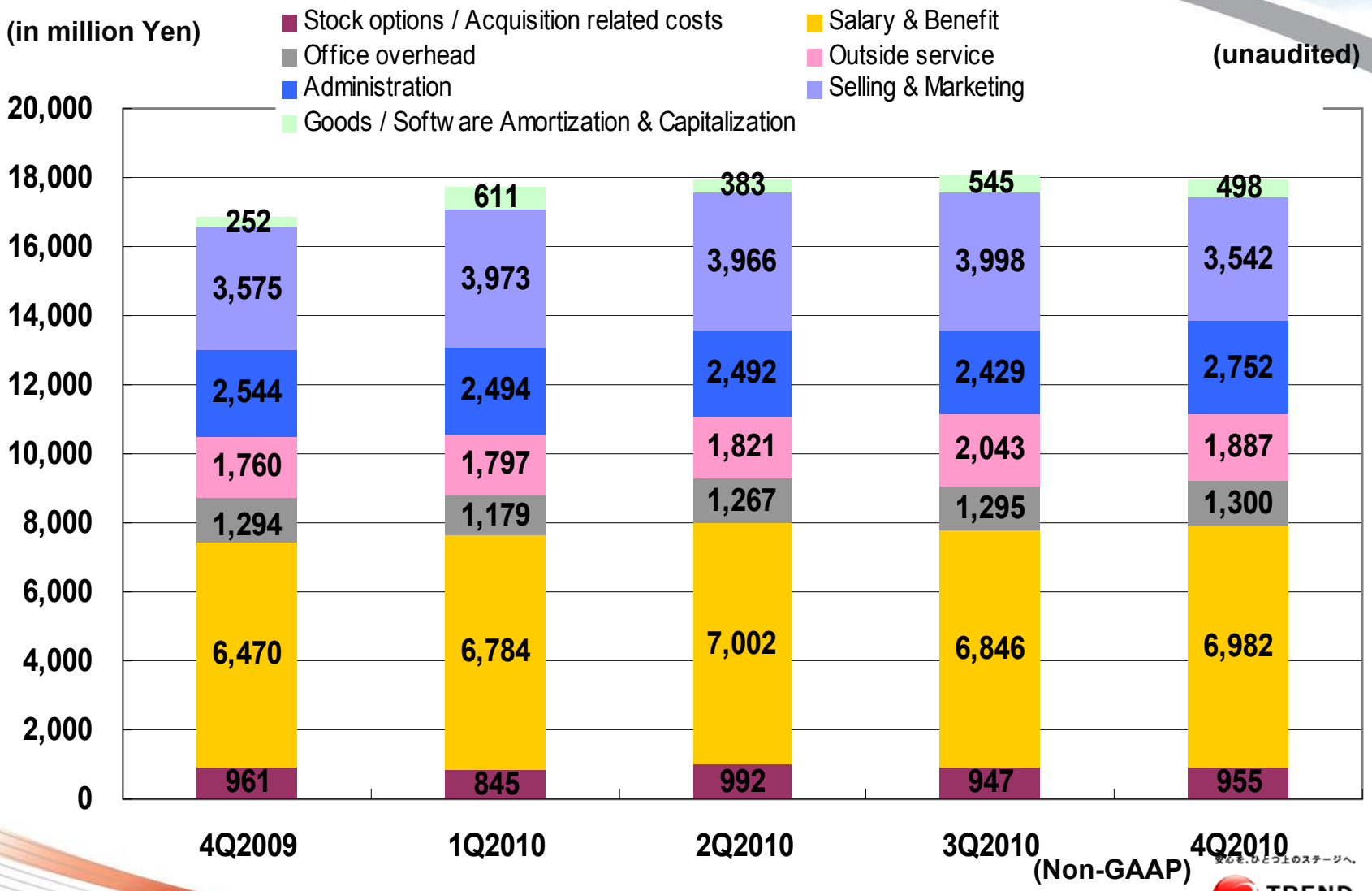
(unaudited)



(Non-GAAP)

** Each JPY amount as of the end of 4Q2010 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 4Q2010 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 3Q2010 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.*

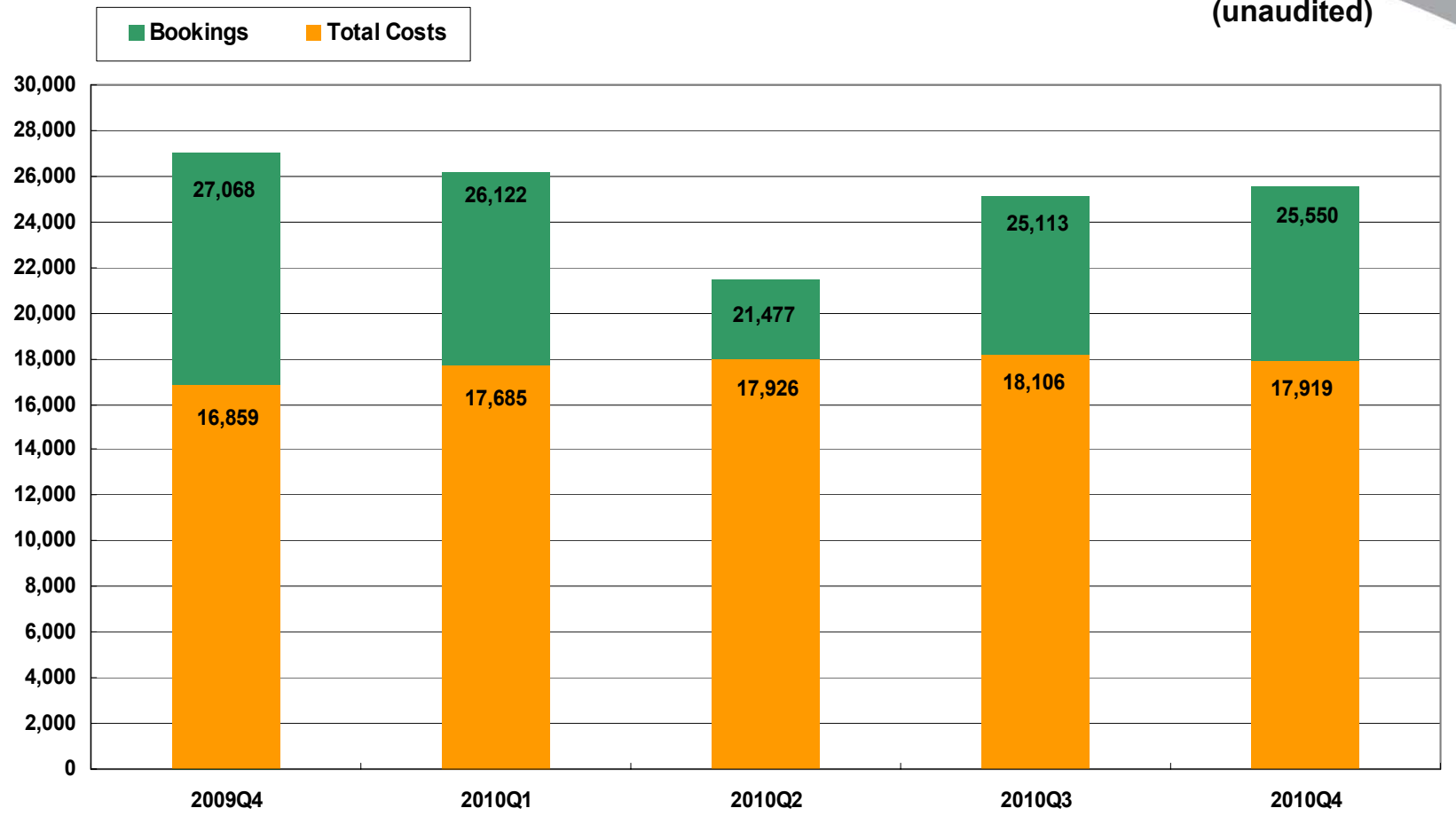
Cost



Bookings vs Total costs

(in million Yen)

(unaudited)



(Non-GAAP)

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

Cash flows

(unaudited)

(in million Yen)

項目	4Q2009	4Q2010	YoY growth
Cash flows from operating activities	6,687	8,367	+ 25%
Cash flows from investing activities	- 14,785	- 3,725	—
Cash flows from financing activities	167	9	- 94%
Effect of exchange rate changes on cash and cash equivalents	744	- 267	—
Net increase (decrease) in cash and cash equivalents	- 7,185	4,384	—
Cash and cash equivalents at beginning of this quarter period	65,209	59,751	- 8%
Cash and cash equivalents at end of this quarter period	58,023	64,136	+ 11%

Q4 Highlights

- *US bookings grow double digits, mainly from strategic products*

- *Global pipeline for virtualization / cloud security growing*

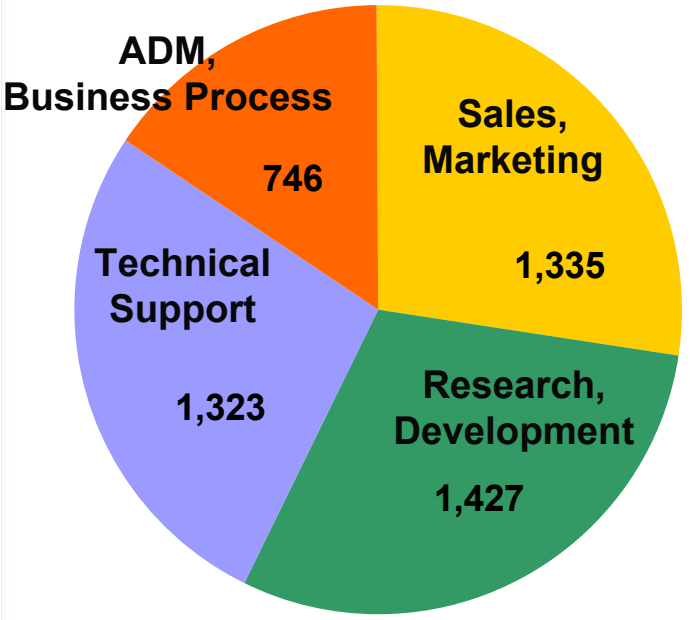
Q4 Lowlights

- *Pricing situation remains tough*
- *Sales cycles remain long, especially for new technology*
- *OEM deals yet to provide expected returns*

Headcount

Sep - 2010

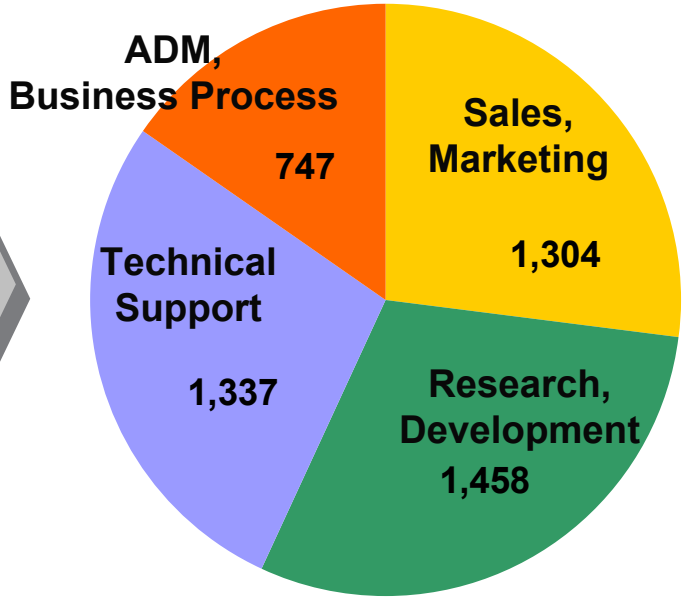
4,831



+ 15
(+ 0%)

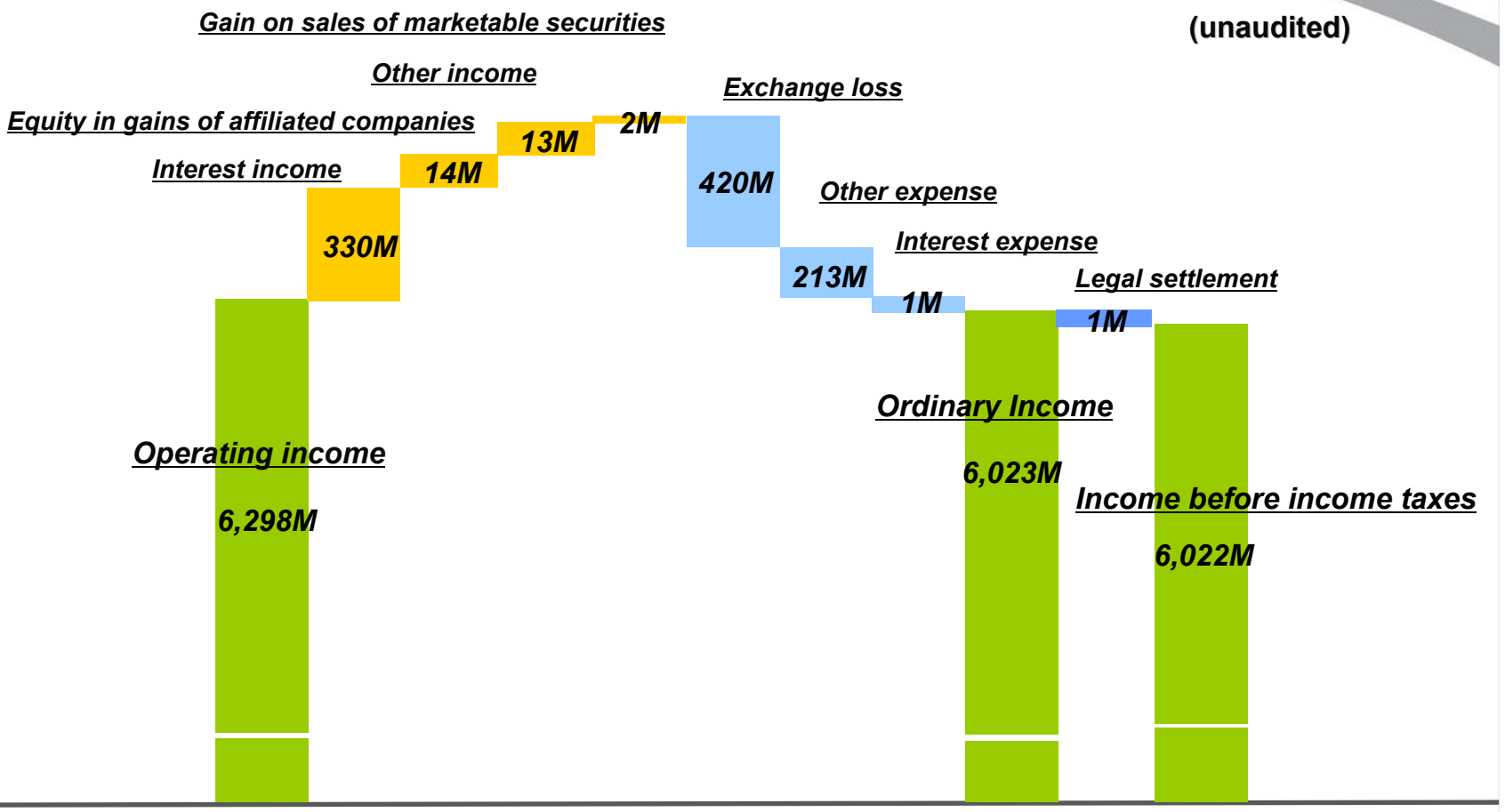
Dec - 2010

4,846



Non-operating & Extra-ordinary Items

(unaudited)



(In accordance with Japan GAAP)

Balance Sheet

(unaudited)

(in million Yen)

	Sep-2010	change	Dec-2010
Assets			
Cash & cash equivalents	71,793	+ 2,167	73,960
Account receivable (less allowance for doubtful accounts)	21,179	+ 854	22,033
Marketable securities & Securities investments	57,938	+ 2,145	60,083
Liabilities			
Deferred revenue (total of current and long-term)	75,102	+ 1,332	76,434
Shareholders' Equity			
Common Stock & Additional paid in capital	39,495	+ 3	39,498
Treasury Stock	- 21,849	+ 15	- 21,834

(In accordance with Japan GAAP)

Snapshot of our CDO investments（Update）

 # Exposure as a % of our "Marketable securities & Securities investments" : 2%

 # Exposure as a % of our "Cash + Marketable securities & Securities investments" : 1%

(in million Yen)

Name	Vendor	Beginning principal	Market value as of 2010 Dec. 31	Write-down	Unrealized P/L	Loss ratio	Current Rating	Collateral	Maturity date
SONATA	Calyon	1,000	942	- 610	+ 553	- 6%	B-	Corporate Credit	2011/3/30
Total		1,000	942	- 610	+ 553	- 6%			

Net unrealized loss on debt and equity securities (Euro MMF)

*(*Update)*

 # We have shown the loss of Euro MMF (due to Forex movement) in "Net unrealized loss on debt and equity securities" on our balance sheet

 # In case we sell these MMF and buy other securities for improving yield, we may have to post valuation loss as in the table below (however if EUR becomes stronger against JPY, this loss may decline)

(in million Yen)

	Acquisition Cost	Buying Average Rate	Market value as of Dec. 31, 2010	Rate as of Dec 31, 2010	Unrealized loss	Prospect of Tax effect	"Net unrealized loss on debt and equity securities" on B/S
Holding Euro MMF	22,338	€=161.99	14,867	€= 107.81	- 7,471	+ 3,040	- 4,431

Impact on Ordinary income

Impact on Net income

FY2010 Annual Financial Highlight

（Full year ended December 31, 2010）

Consolidated Results (Annual)

(in million Yen) (unaudited)

Fiscal year ended Dec 31,	FY2009		FY2010		YoY growth
Net sales	96,346		95,391		- 1%
Cost of sales	14,990		16,726		12%
Operating expenses	51,218		54,912		7%
Operating income *(Margin)*	30,137	*(31%)*	23,752	*(25%)*	- 21%
Ordinary income	31,714		23,835		- 25%
Net income	17,638		12,720		- 28%
Earnings per share (Yen)	132.16		95.27		- 28%
Dividend per share (Yen)	91.00		70.00		- 23%

(In accordance with Japan GAAP)

Amount of contracts concluded

Bookings	104,742	98,263	- 6%

(Non-GAAP)

If currency exchange rates used for FY2009 were used for FY2010

Net sales	96,346	98,773	+ 3%

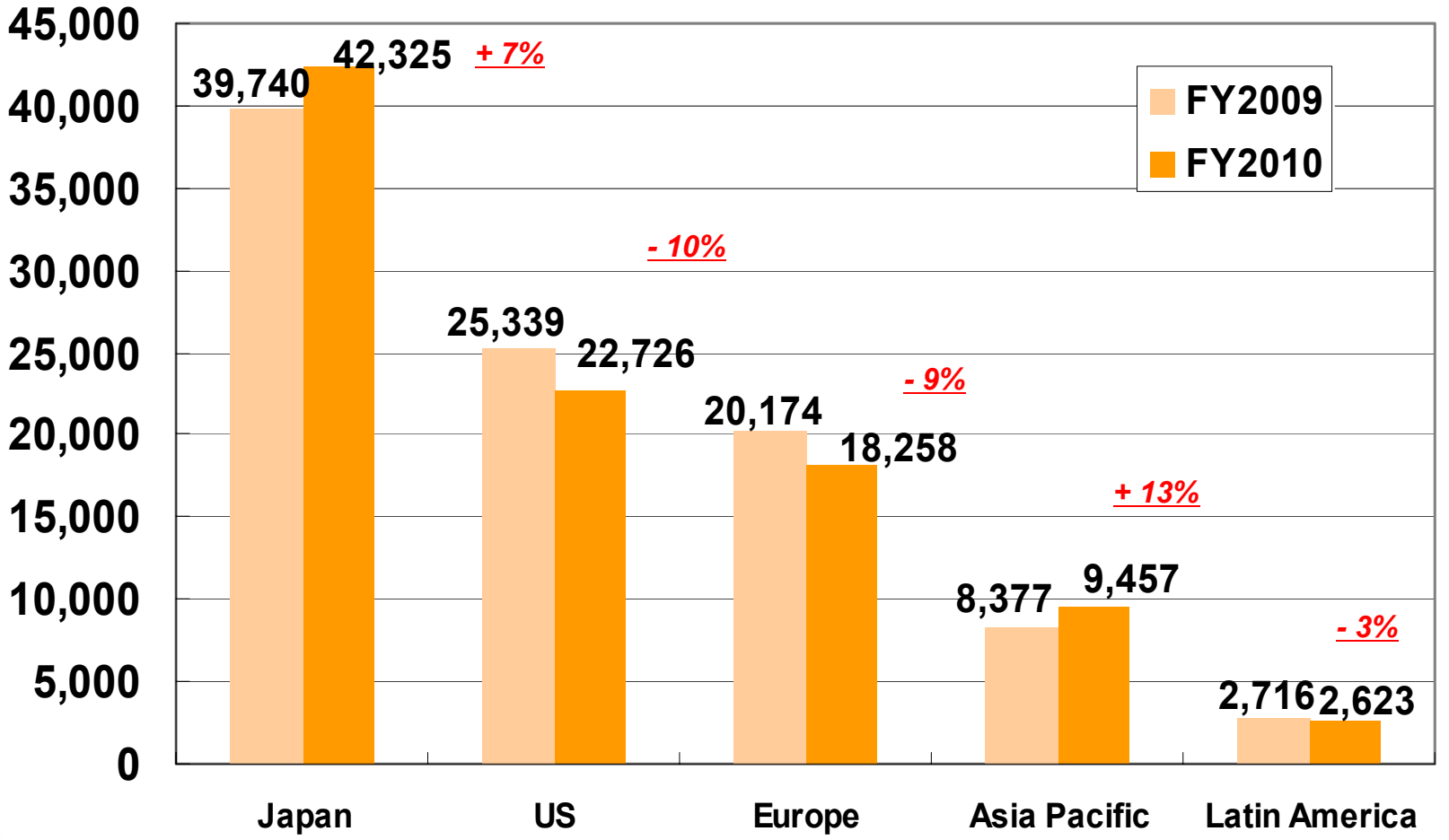
** The JPY amount for FY2010 shown above has been calculated by applying to each foreign currency net sales amount for FY2010 the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for FY2009 into a JPY net sales amount for Japan GAAP reporting purposes.*

(Non-GAAP)

Net Sales Growth by Region

(in million Yen)

(unaudited)



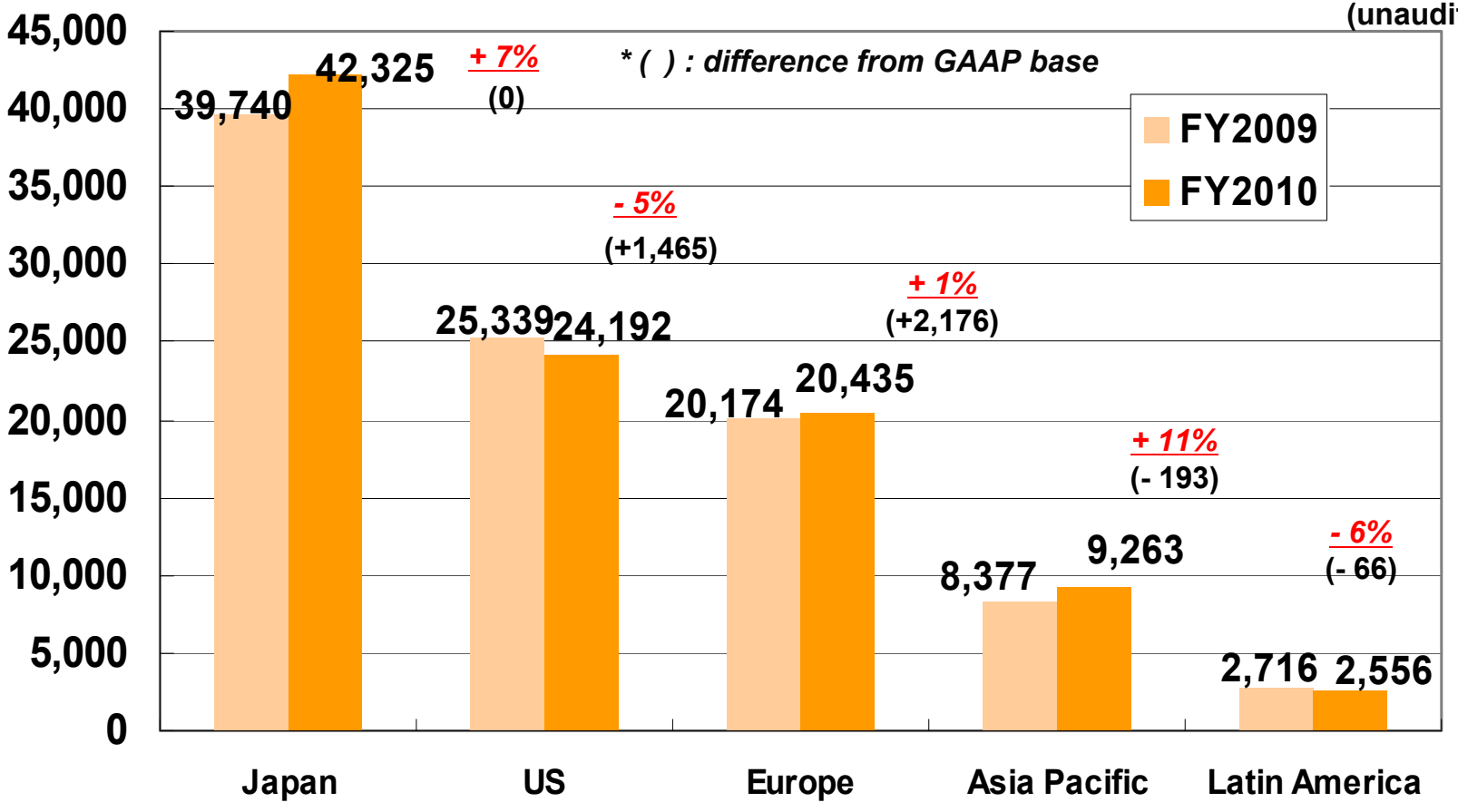
(In accordance with Japan GAAP)

Net Sales Growth by Region

If currency exchange rates used for FY2009 were used for FY2010:

(in million Yen)

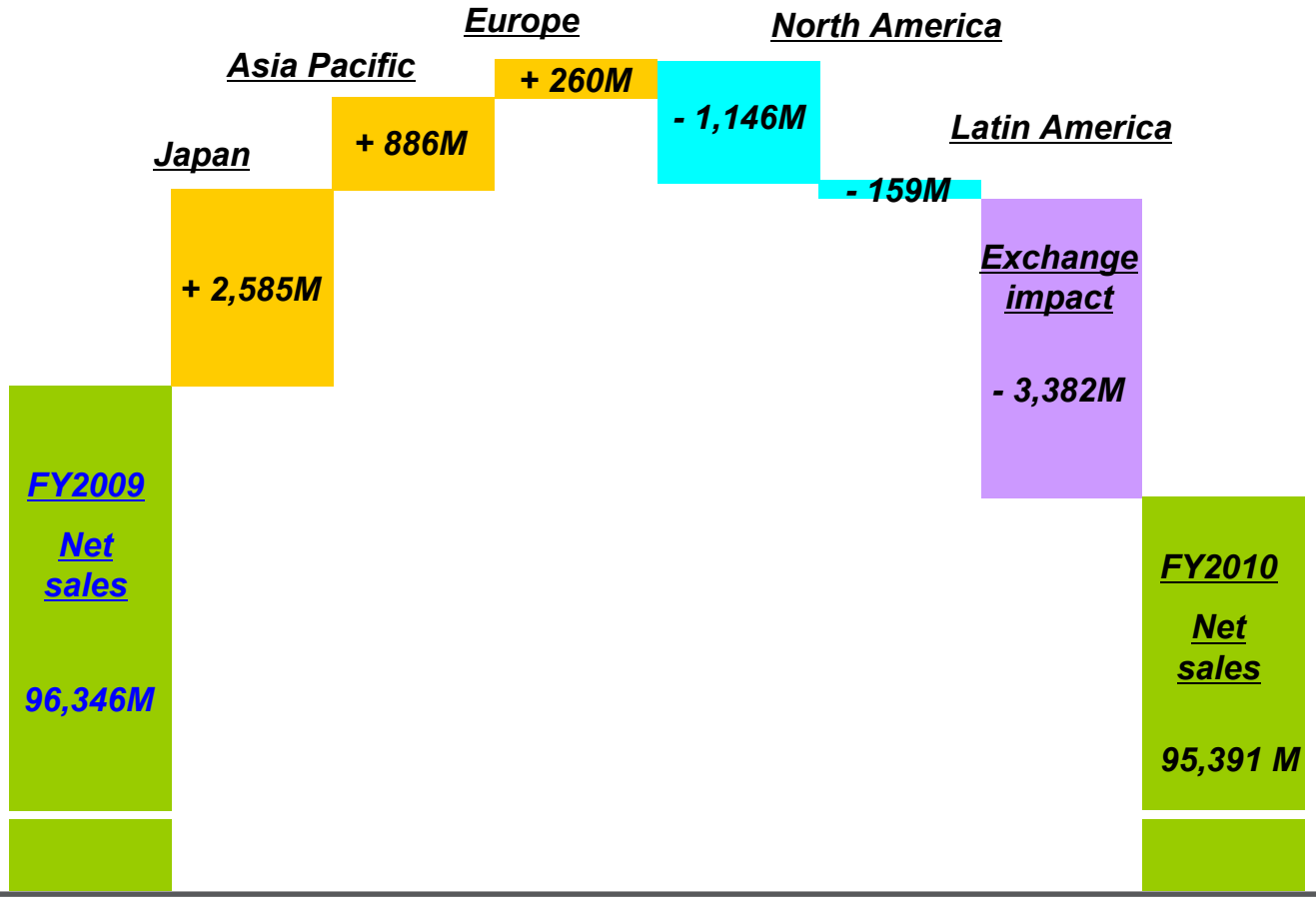
(unaudited)



(Non-GAAP)

** Each JPY amount for FY2010 shown above has been calculated by applying to the relevant foreign currency net sales amount for FY2010 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 FY2009 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.*

Decomposition of Revenue（vs. last year）



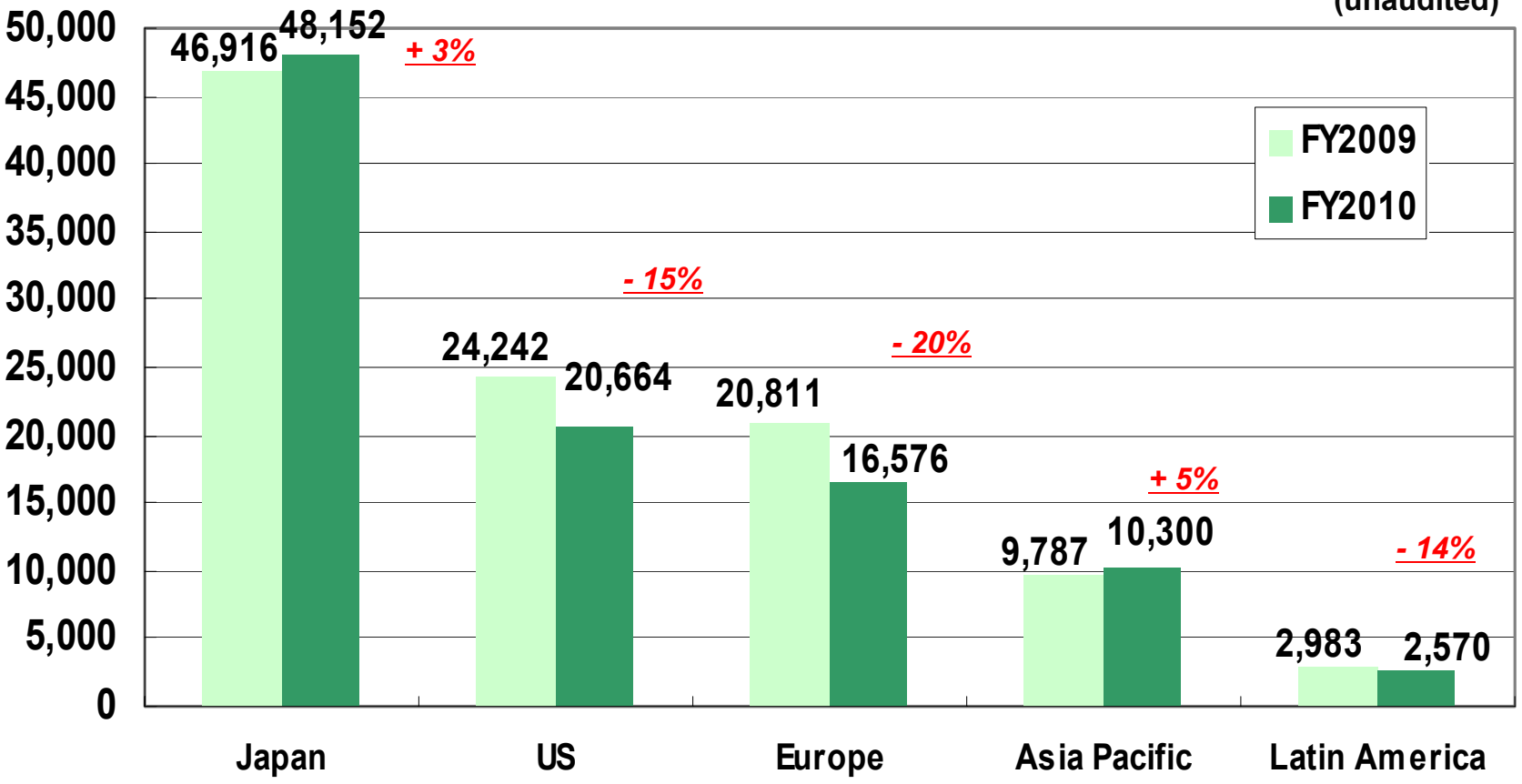
(unaudited)

(Non-GAAP)

Bookings (Amount of contracts concluded)

(in million Yen)

(unaudited)



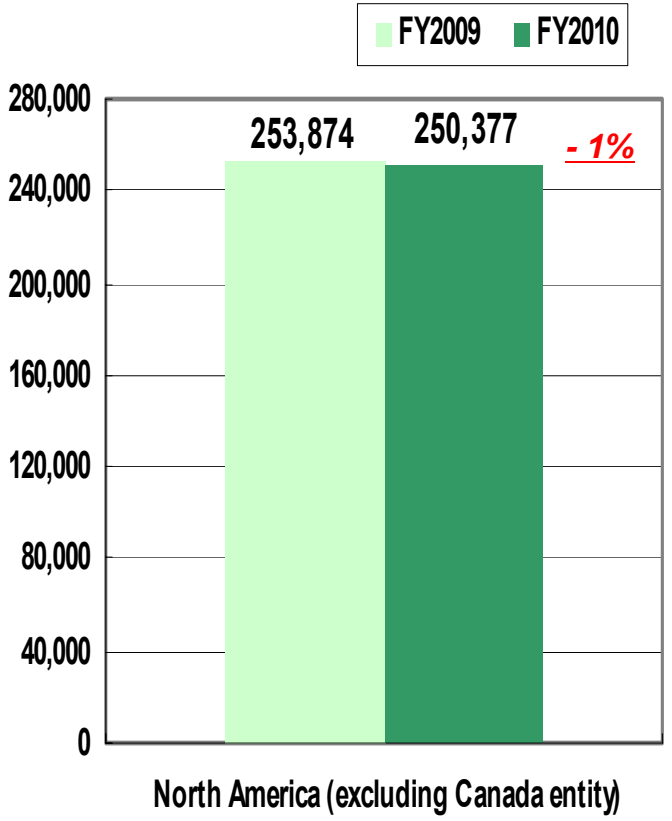
* *"Bookings" means amount of contracts concluded.*

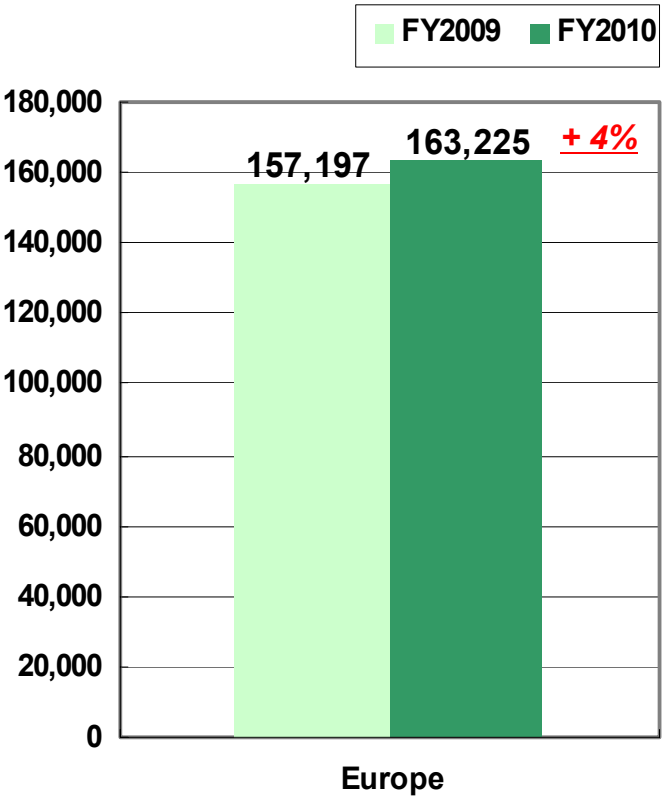
(Non-GAAP)

Local currency based Bookings (US, Europe)

North America (*excluding Canada entity) Bookings in $ and EMEA Bookings in €

(unaudited)



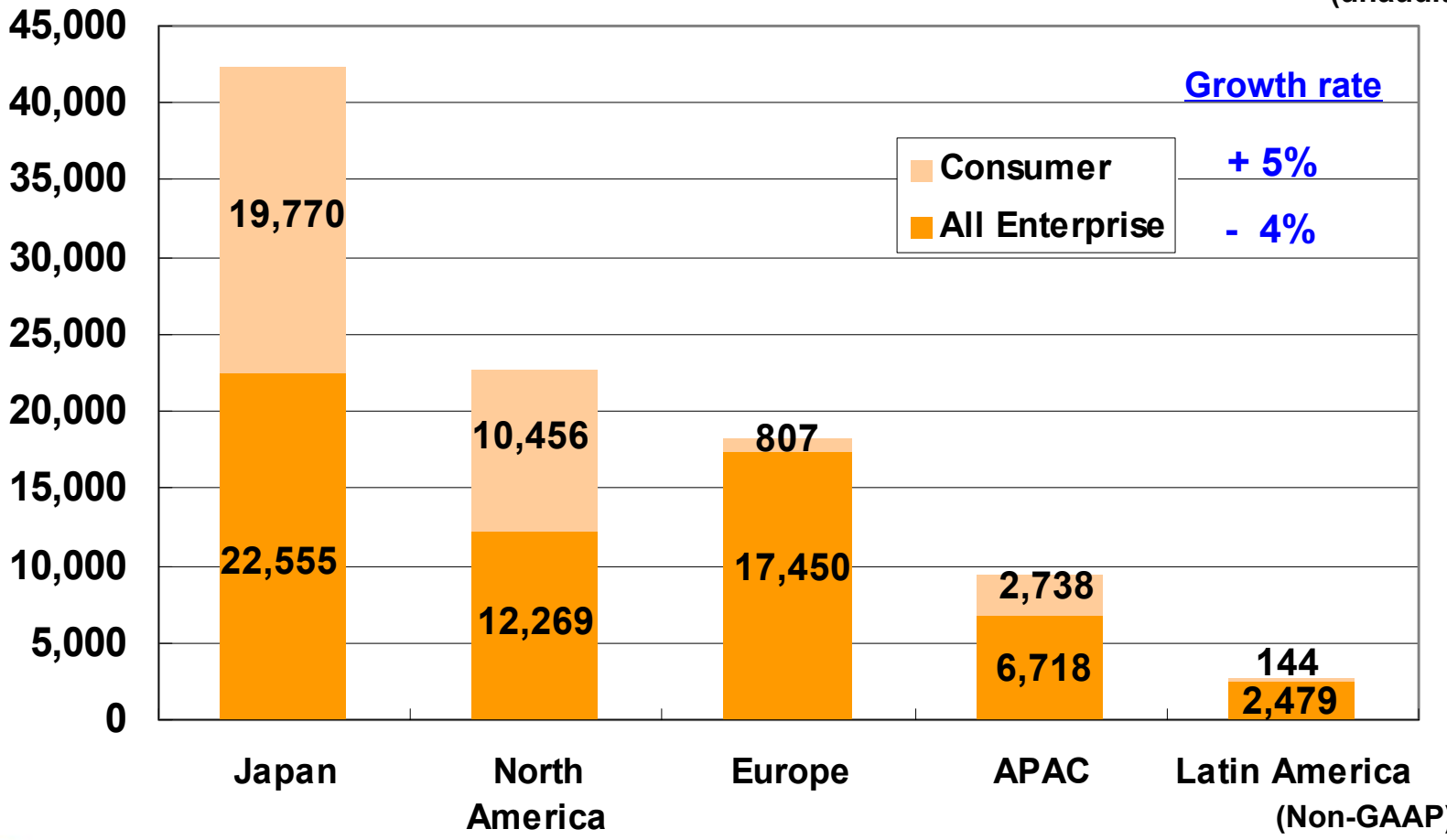


(Non-GAAP)

FY2010 Annual Sales by segment

(in million Yen)

(unaudited)



(Non-GAAP)

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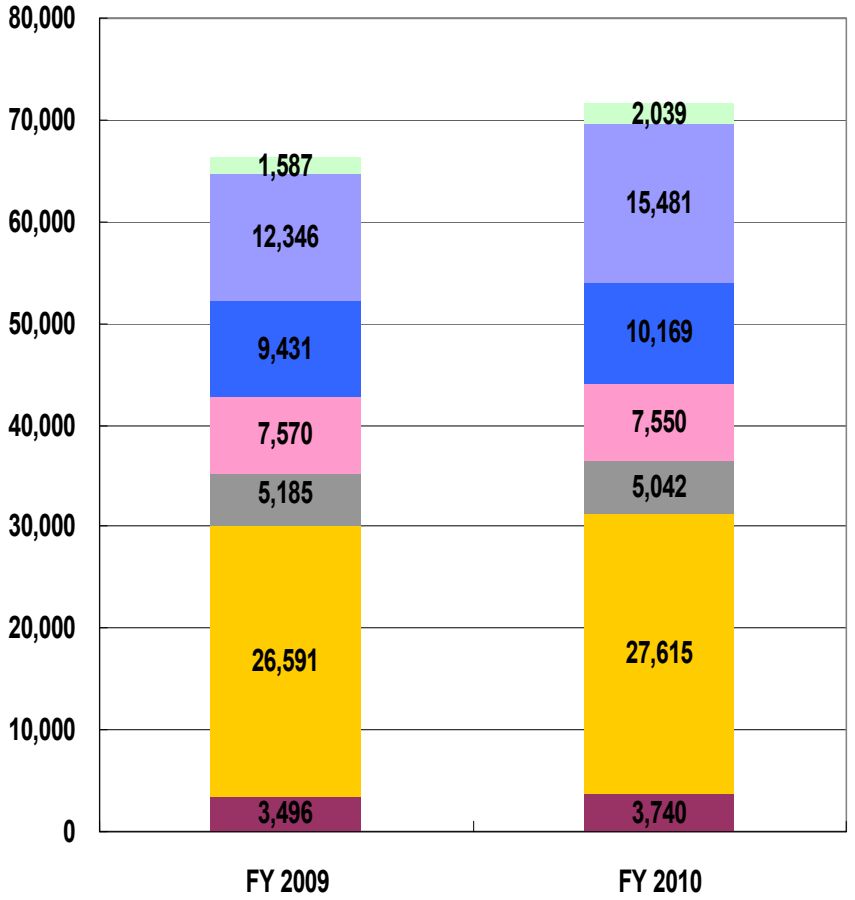
FY2010 Annual Cost

(unaudited)

(in million Yen)



	YoY Growth
Goods / Software & Capitalization	+ 28%
Selling & Marketing	+ 25%
Administration	+ 8%
Outside service	- 0%
Office overhead	- 3%
Salary & Benefit	+ 4%
Stock option & Acqusition related costs	+ 7%
Total	**+ 8%**
Headcount	**+ 9%**

(Non-GAAP)

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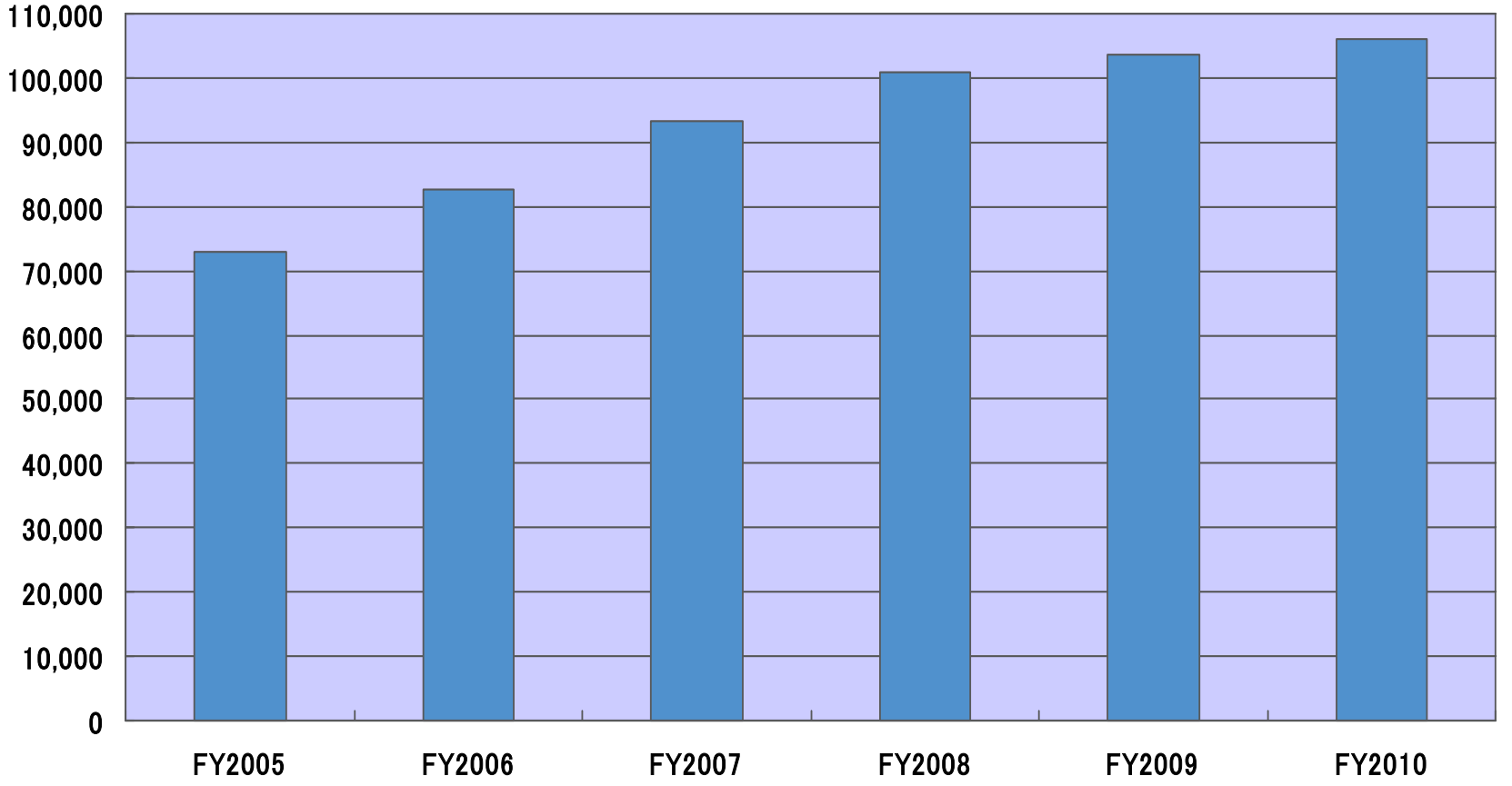
Constant currency Revenue transition (based on FY2005)

(in million Yen)

(unaudited)



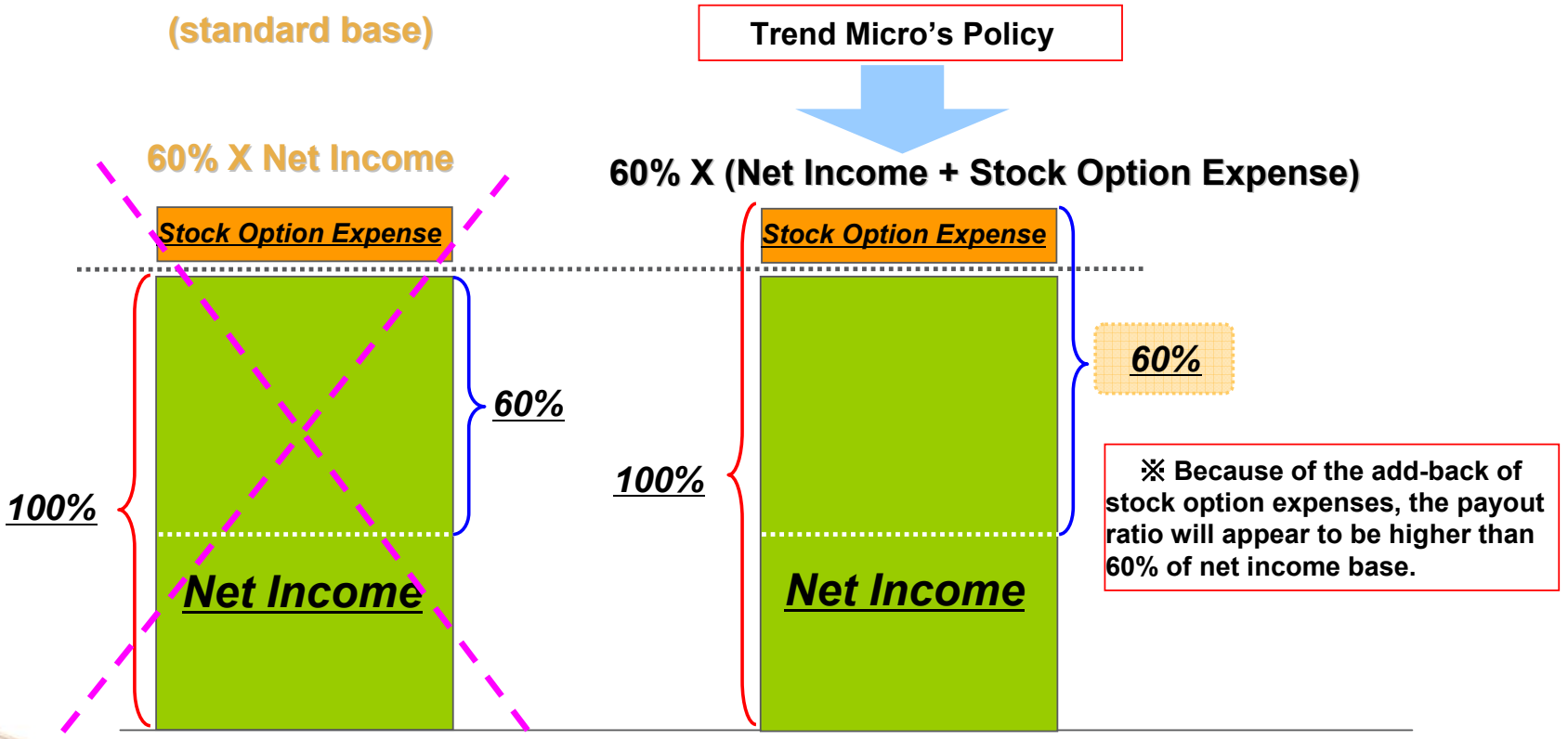
- *JPY net revenue amount for each fiscal year shown above is calculated using each foreign currency exchange rate applied in FY2005*

(Non-GAAP)

Trend Micro's Cash Dividend policy

Dividend payout ratio for FY2010 : 60%

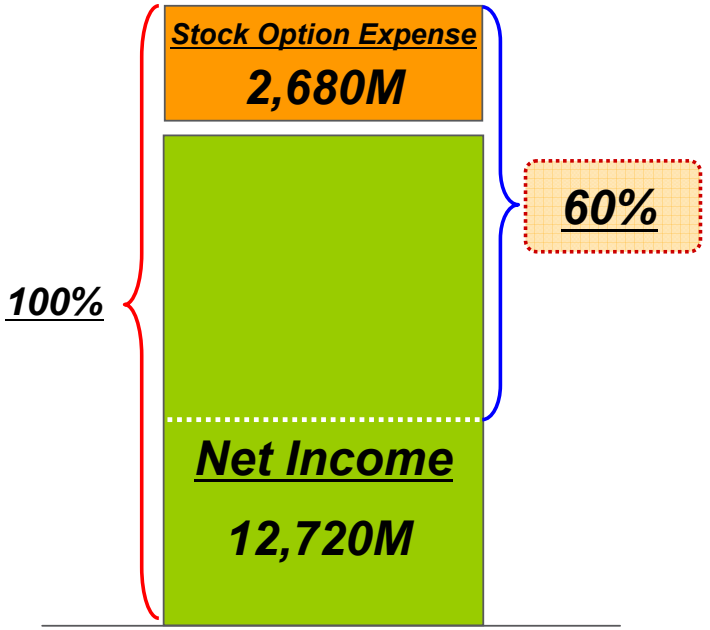
(Year-end dividends on the basis of a dividend ratio of 60% excluding the effect of stock option compensation expenses)



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

Cash Dividends for FY2010

(unaudited)



Dividends for FY2010

Total : 9,347 Million Yen

≒ 60% X (12,720M + 2,680M)

Per Share: 70 Yen

(- 23% YoY)

Payout ratio : 73%

FY2009: 91 Yen per share

** Subject to the approval at the Ordinary General Meeting of Shareholders scheduled in late March, 2011*

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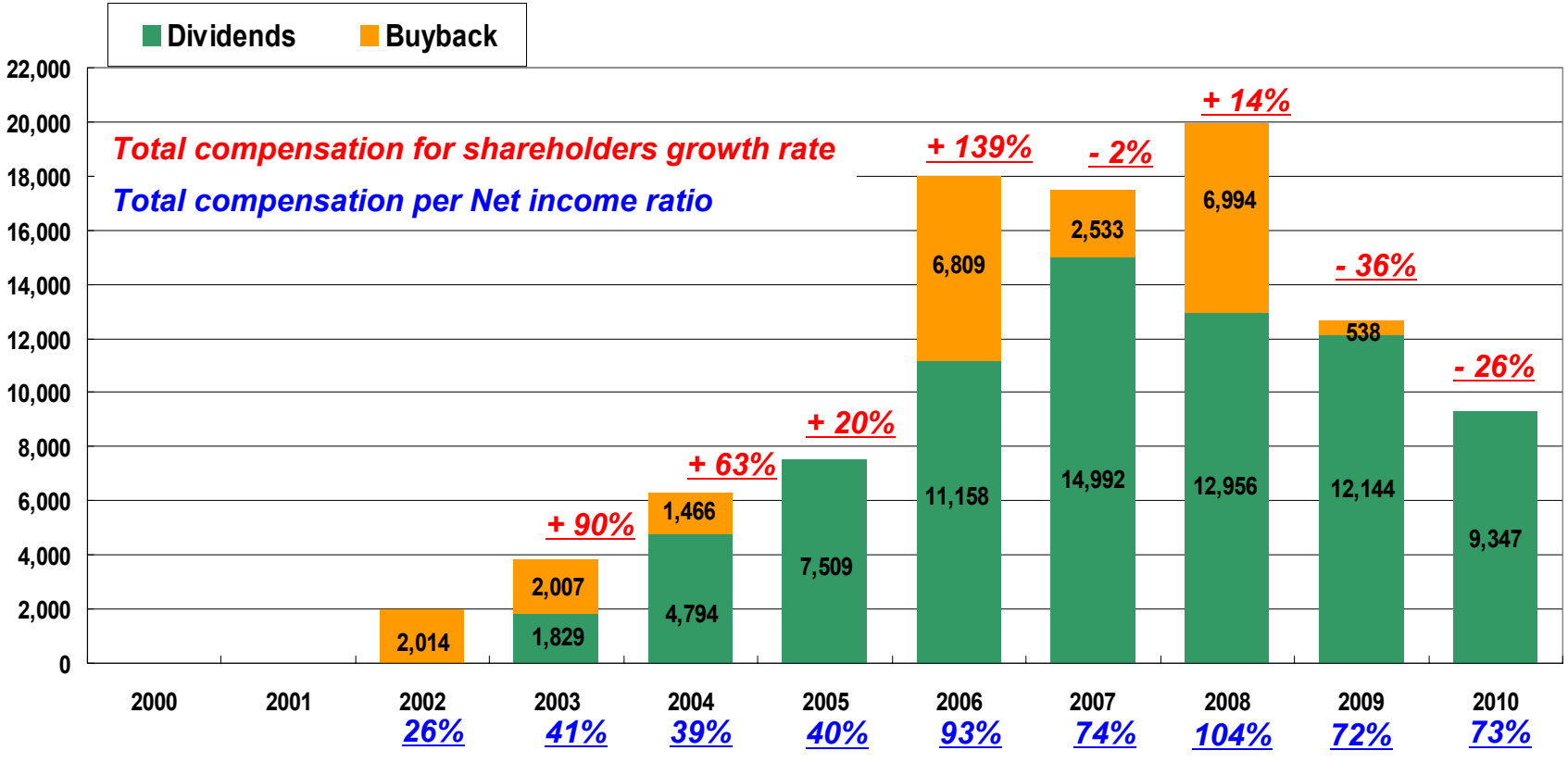
Compensation for Share holders

(in million Yen)

(unaudited)



(Between FY2000 and FY2005 in accordance with US GAAP)

Q1 forecast assumptions

- *Japan increases by around 10%, US and Europe decreases by around 10% respectively*

- *Stock option expenses will be 0.7Bn yen*

- *Estimated exchange rate:*

  1USD = 80 yen (last year: 91 yen)

  1EUR = 112 yen (last year: 126 yen)

Projection for 1Q2011

(unaudited)

	For 1Q2011 Jan - Mar, 2011	Expected YoY growth
		(in million Yen)
Net Sales	23,500	- 1%
Operating Income	5,900	- 2%
Ordinary Income	6,000	- 3%
Net Income	3,300	- 6%

(In accordance with Japan GAAP)

- Including both stock option expenses and amortization of goodwill（about 950M Yen）

In case of excluding a foreign exchange impact

Net Sales	+ 6%

(Non-GAAP)

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Thank you!

Appendix

(unaudited)

Quarterly Chart (1)

(in million Yen)

	FY2009				FY2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	22,915	24,244	24,848	24,339	23,728	23,493	23,950	24,218
Cost of sales	3,597	3,511	3,618	4,263	4,032	4,025	4,446	4,222
Operating expenses	12,289	13,503	12,829	12,595	13,653	13,900	13,660	13,697
Operating income	7,028	7,229	8,399	7,479	6,042	5,567	5,843	6,298
Ordinary income	7,936	7,522	8,615	7,640	6,207	5,744	5,859	6,023
Net income	4,821	4,028	5,219	3,568	3,529	3,237	2,781	3,172

(Costs)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Goods / Software Amortization & Capitalization	731	391	212	252	611	383	545	498
Selling & Marketing	2,411	3,201	3,157	3,575	3,973	3,966	3,998	3,542
Administration	2,264	2,331	2,291	2,544	2,494	2,492	2,429	2,752
Outside service	1,896	2,075	1,837	1,760	1,797	1,821	2,043	1,887
Office overhead	1,259	1,221	1,410	1,294	1,179	1,267	1,295	1,300
Salary & Benefit	6,538	6,983	6,598	6,470	6,784	7,002	6,846	6,982
Stock option cost	542	548	649	663	667	673	662	676
Acquisition related costs	242	261	290	298	177	318	284	279
Total	15,886	17,014	16,448	16,859	17,685	17,926	18,106	17,919

The number of employees	4,239	4,304	4,349	4,434	4,575	4,727	4,831	4,846

Applied rate to yen (US$)	93.79	97.22	93.58	89.72	90.73	91.94	85.78	82.68
Applied rate to yen (Euro)	121.97	132.67	133.66	132.54	125.66	116.78	110.67	112.09

Appendix

Quarterly Chart (2)

(unaudited)

(in million Yen)

	FY2009				FY2010			
(Sales by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	9,784	9,631	10,435	9,887	9,782	9,990	11,451	11,100
US	5,953	6,729	6,571	6,084	5,999	6,118	5,485	5,124
Europe	4,748	5,100	5,092	5,232	5,005	4,408	4,173	4,671
Asia Pacific	1,842	2,124	2,019	2,390	2,254	2,314	2,202	2,684
Latin America	585	658	729	743	685	662	637	637
Total	22,915	24,244	24,848	24,339	23,728	23,493	23,950	24,218
(Sales by segment)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All Enterprise	15,097	16,124	16,410	16,297	15,680	15,168	15,055	15,569
Consumer	7,817	8,119	8,438	8,041	8,047	8,325	8,895	8,649
Total	22,915	24,244	24,848	24,339	23,728	23,493	23,950	24,218
(Bookings by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	12,628	10,918	12,287	11,081	13,078	11,175	12,564	11,334
US	7,358	6,352	5,066	5,464	5,850	4,916	4,735	5,162
Europe	4,584	5,471	3,644	7,111	3,787	2,817	4,549	5,422
Asia Pacific	2,153	2,792	2,257	2,585	2,520	2,106	2,679	2,994
Latin America	730	753	674	825	886	461	584	637
Total	27,456	26,288	23,928	27,068	26,122	21,477	25,113	25,550

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