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Trend Micro
FY2010.3Q Results

Mahendra Negi COO/CFO, Representative Director

November 11, 2010

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.

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FY2010. 3Q Financial Highlight

（Third quarter ended September 30, 2010）

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Consolidated Results

(in million Yen) (unaudited)

Three months ended Sep 30,	3Q2009		3Q2010		YoY growth
Net sales	24,848		23,950		- 4%
Cost of sales	3,618		4,446		+ 23%
Operating expenses	12,829		13,660		+ 6%
Operating income *(Margin)*	8,399	*(34%)*	5,843	*(24%)*	- 30%
Ordinary income	8,615		5,859		- 32%
Net income	5,219		2,781		- 47%

(In accordance with Japan GAAP)

Amount of contracts concluded

Bookings	23,928	25,113	+ 5%
		(In case of excluding a foreign exchange impact)	+ 4%

(Non-GAAP)

If currency exchange rates used for 3Q2009 were used for 3Q2010

Net sales	24,848	25,429	+ 2%

** The JPY amount for 3Q2010 shown above has been calculated by applying to each foreign currency net sales amount for 3Q2010 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 3Q2009 into a JPY net sales amount for Japan GAAP reporting purposes.*

(Non-GAAP)

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USD based Results (Non-GAAP)

(unaudited)
(in thousand USD)

Three months ended Sep 30,	3Q2009	3Q2010	YoY change
Net sales	265,530	279,208	5%
Cost of sales	38,668	51,832	34%
Operating expenses	137,100	159,250	16%
Operating income	89,762	68,125	-24%
Ordinary income	92,066	68,310	-26%
Net Income	55,778	32,424	-42%

(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=93.58 JPY for 3Q2009 and 1 USD =85.78 JPY for 3Q2010, respectively, which are the respective weighted average exchange rates used to convert USD net sales to JPY for these quarters.

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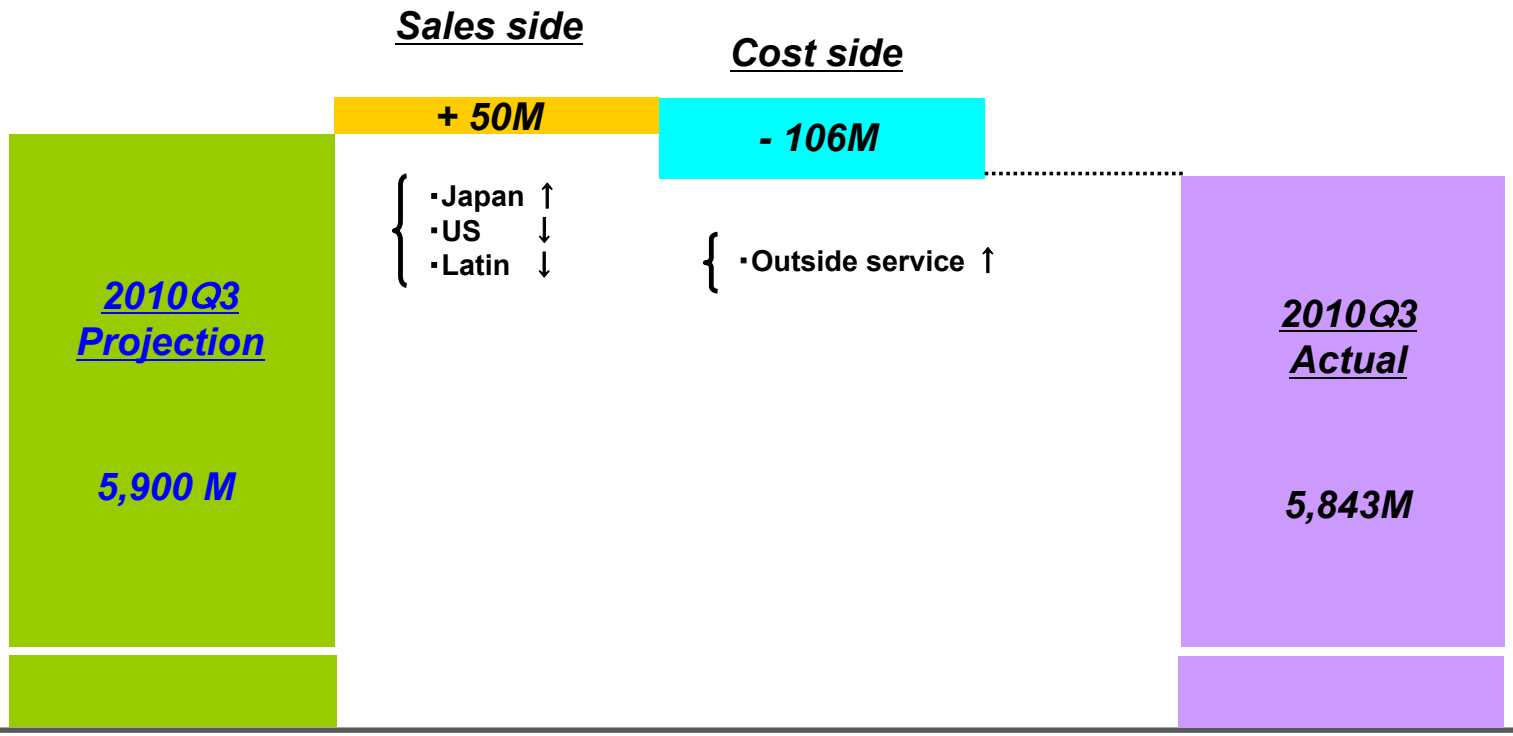
Vs. Projection analysis（Operating income）

(unaudited)



(Non-GAAP)

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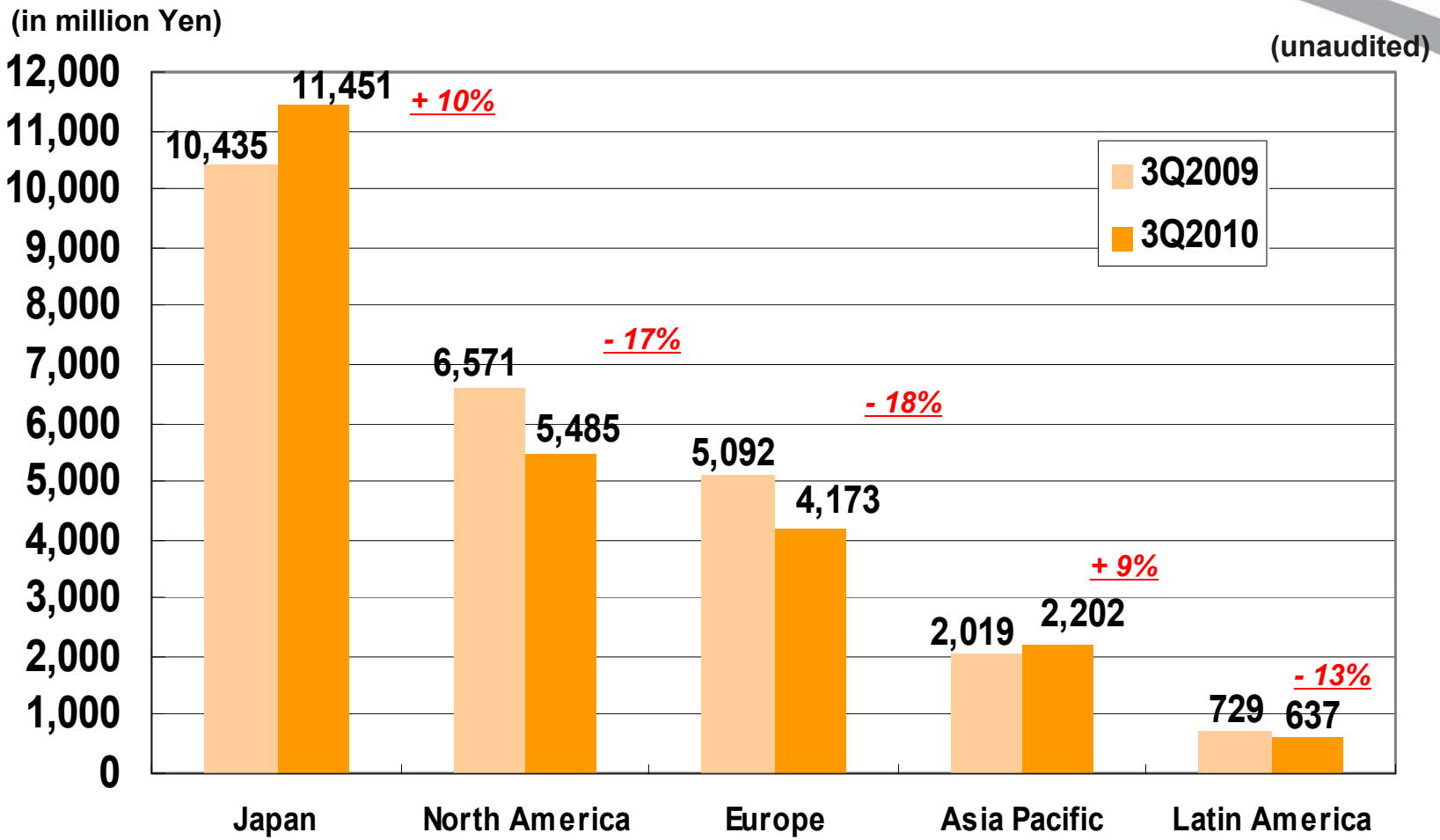
Net Sales Growth by Region



(In accordance with Japan GAAP)

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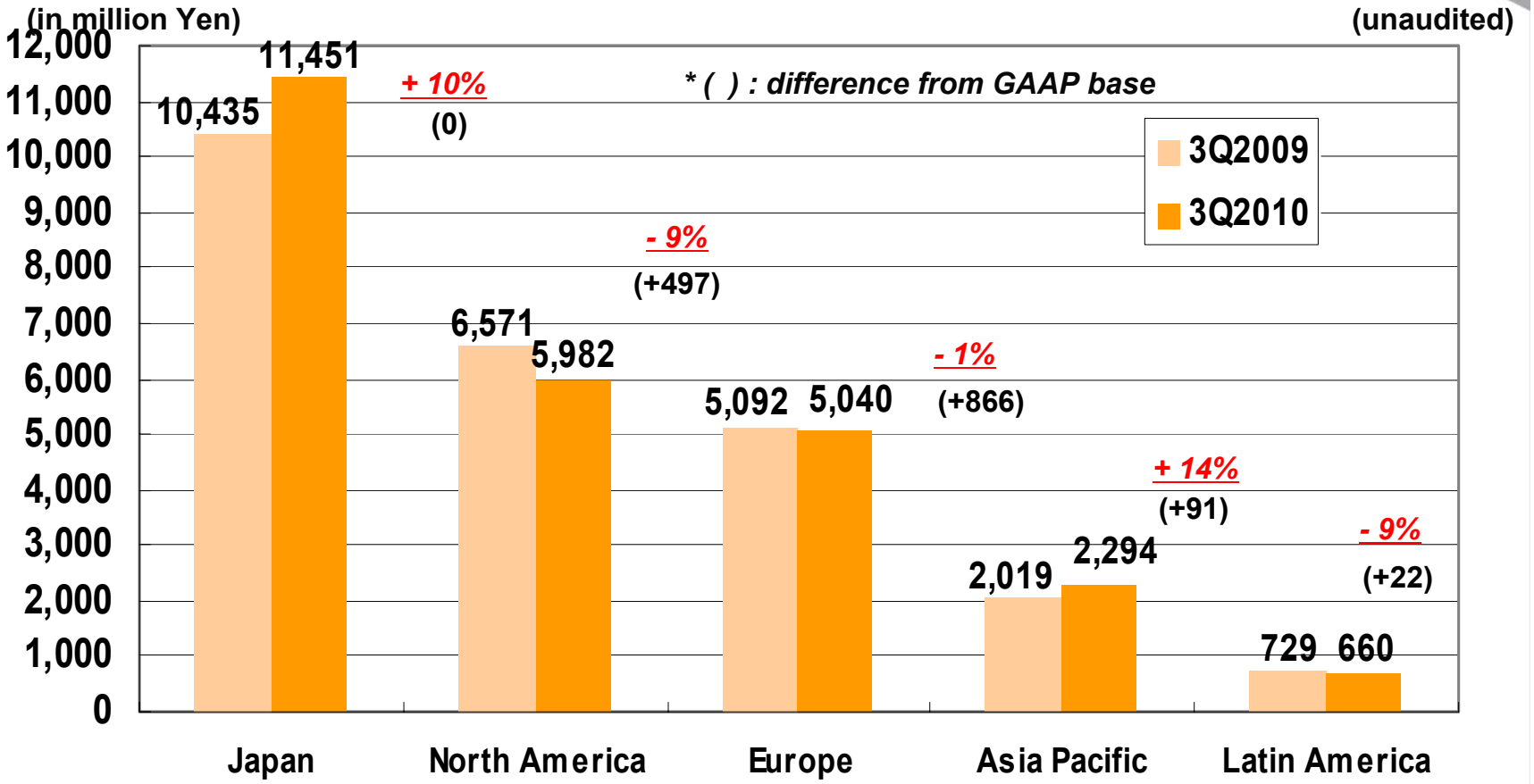
Net Sales Growth by Region

If currency exchange rates used for 3Q2009 were used for 3Q2010:



(Non-GAAP)

** Each JPY amount for 3Q2010 shown above has been calculated by applying to the relevant foreign currency net sales amount for 3Q2010 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 3Q2009 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.*

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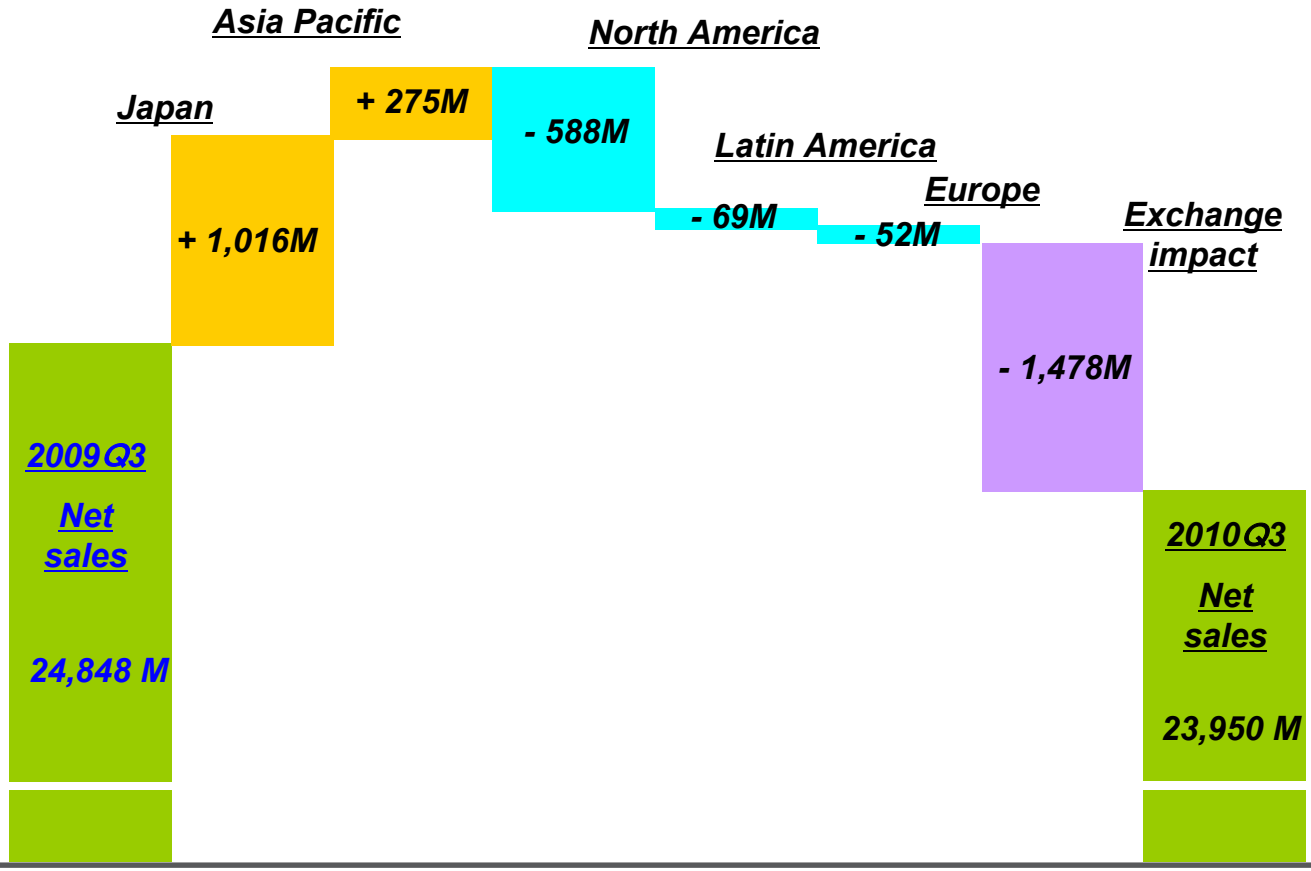
Decomposition of Revenue（vs Last year）

(unaudited)



(Non-GAAP)

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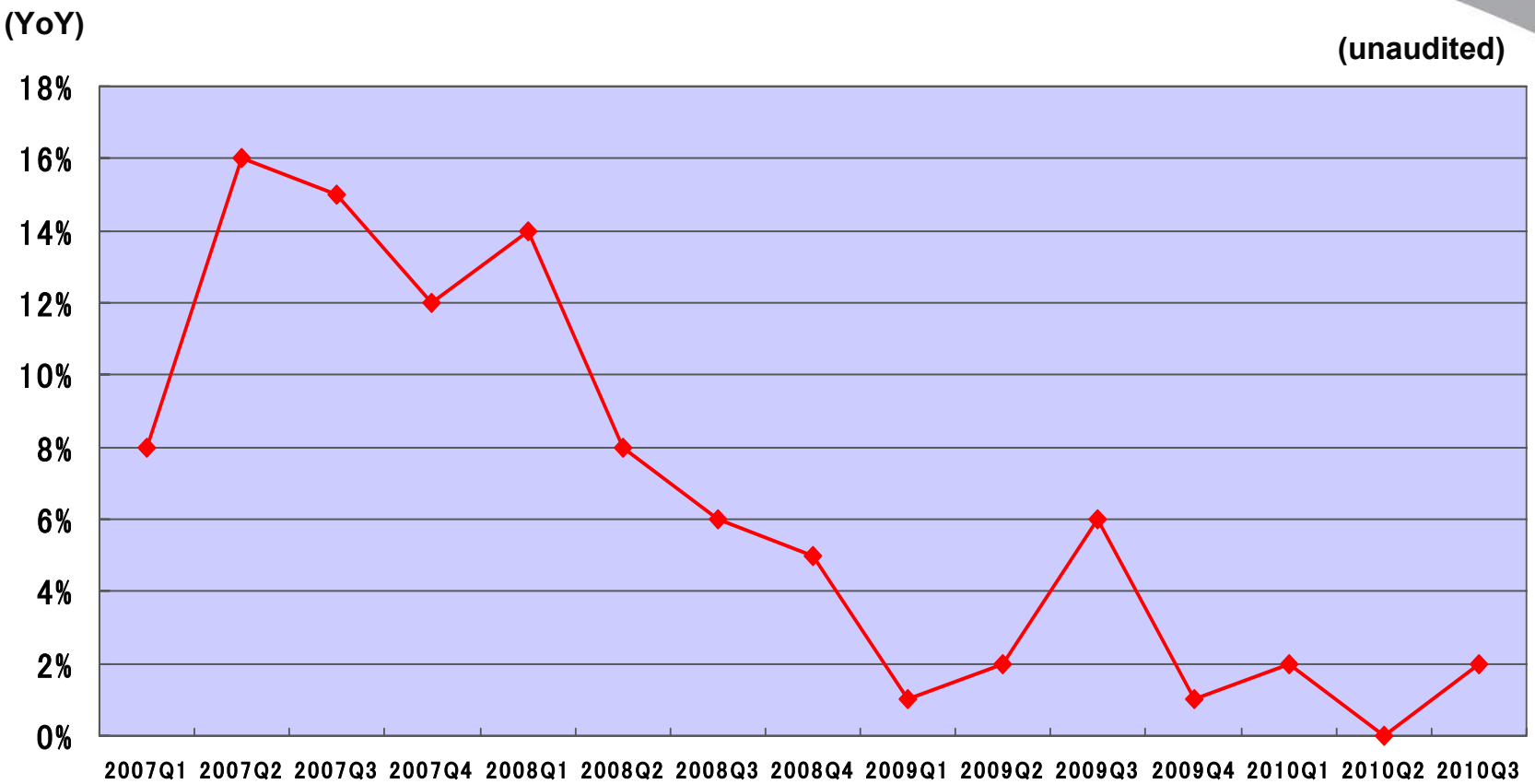
Constant currency Revenue growth



- *Each growth rate shown above is based on applying to each quarter for same period last year's currency*

(Non-GAAP)

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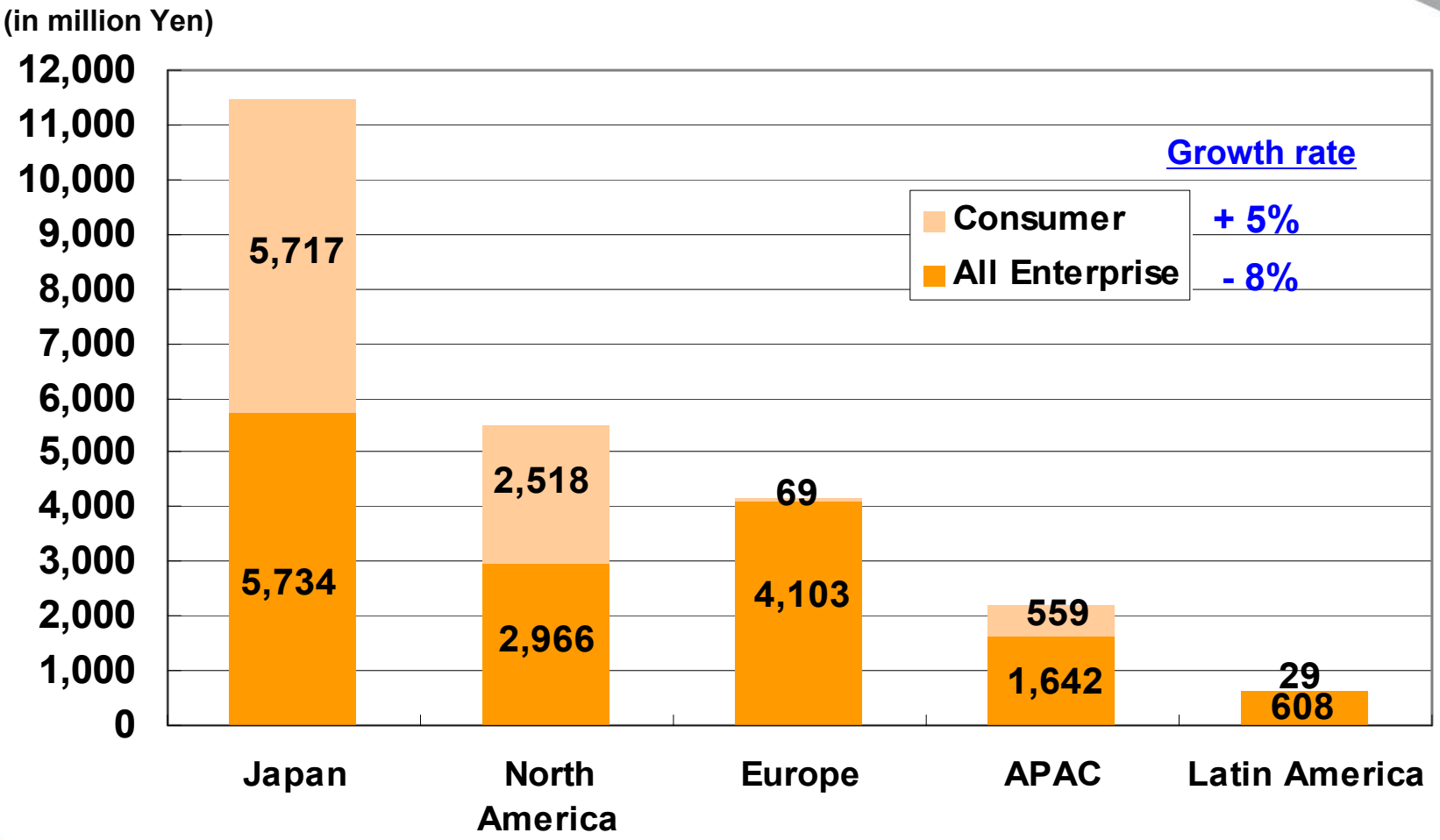
Sales by Segment



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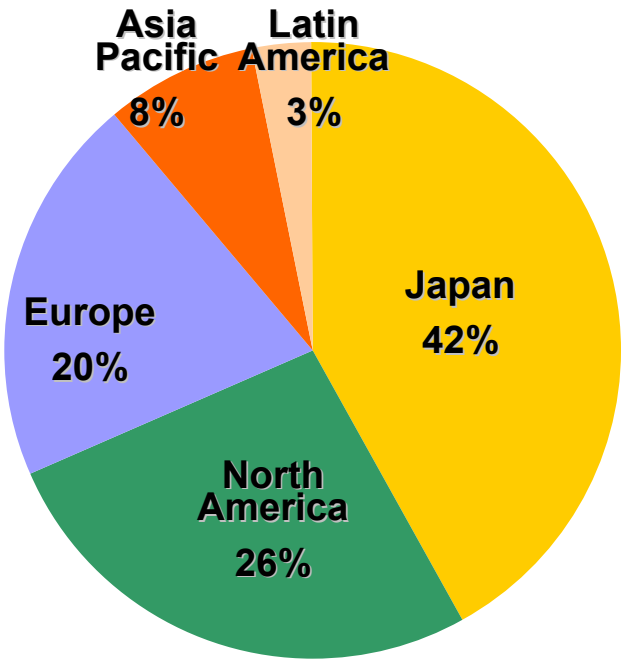
% share by region

(unaudited)

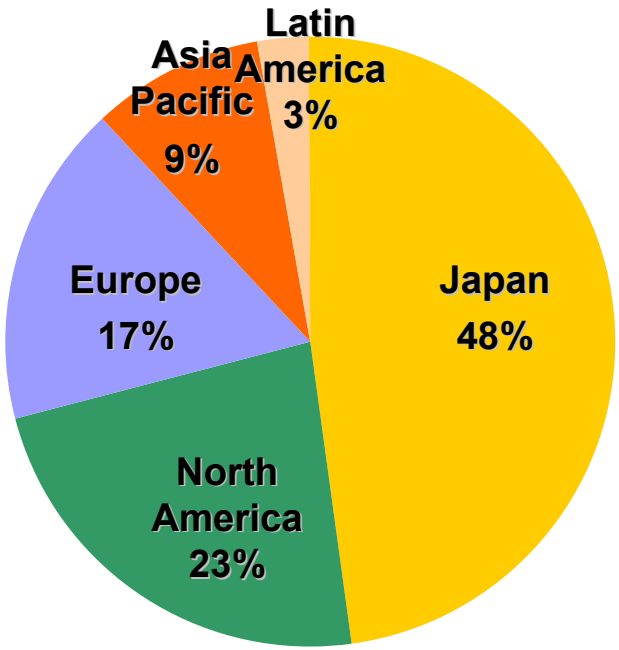
3Q2009

24,848 million Yen



3Q2010

23,950 million Yen



(In accordance with Japan GAAP)

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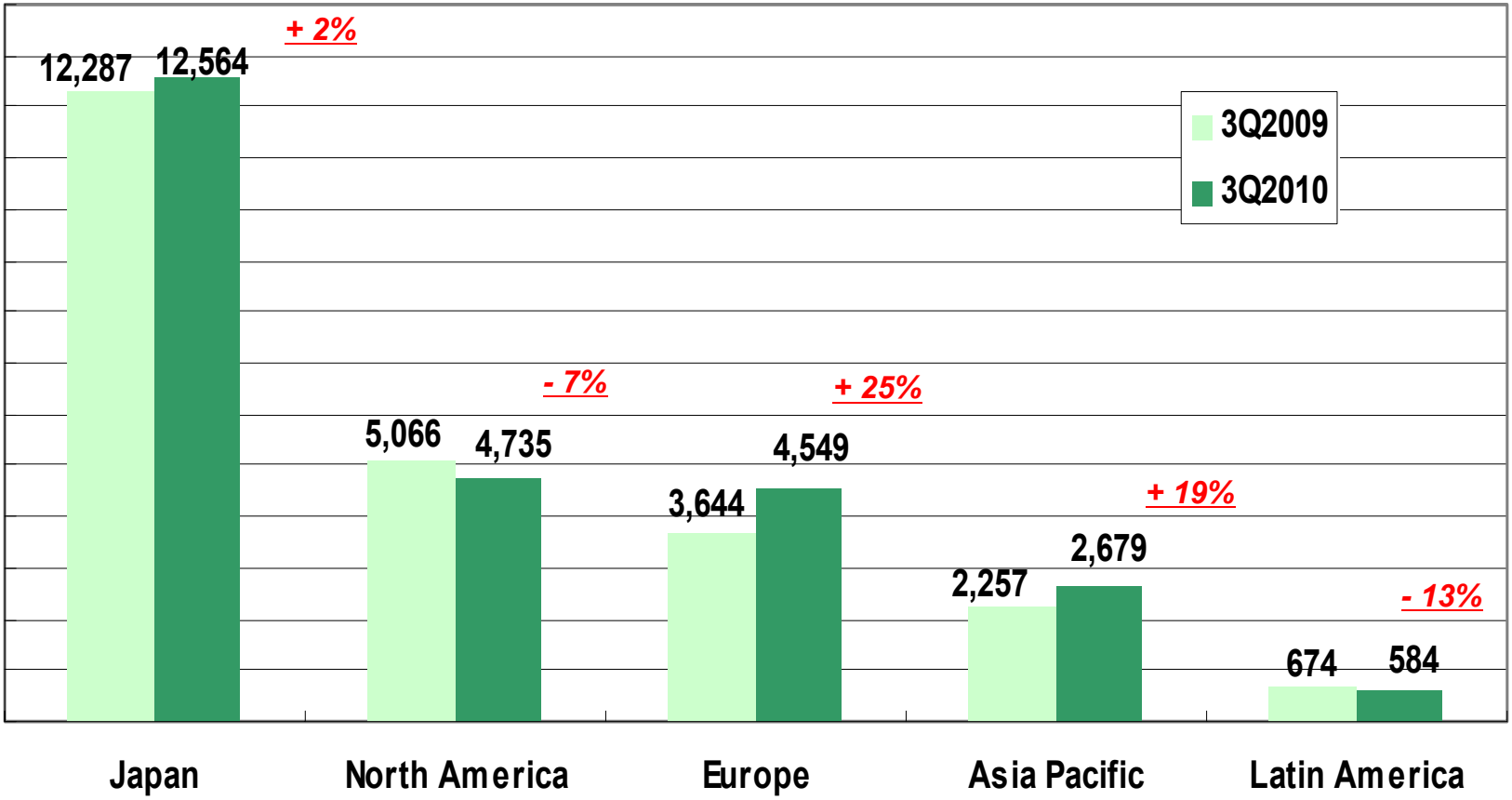
Bookings (Amount of contracts concluded)

(in million Yen)

(unaudited)



(Non-GAAP)

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

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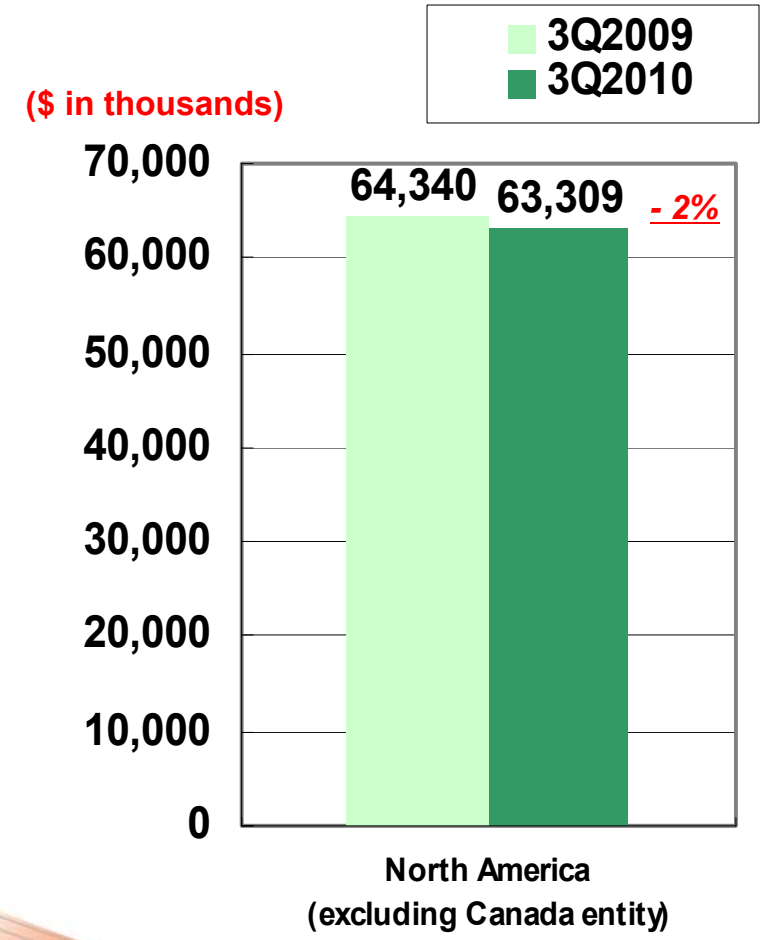
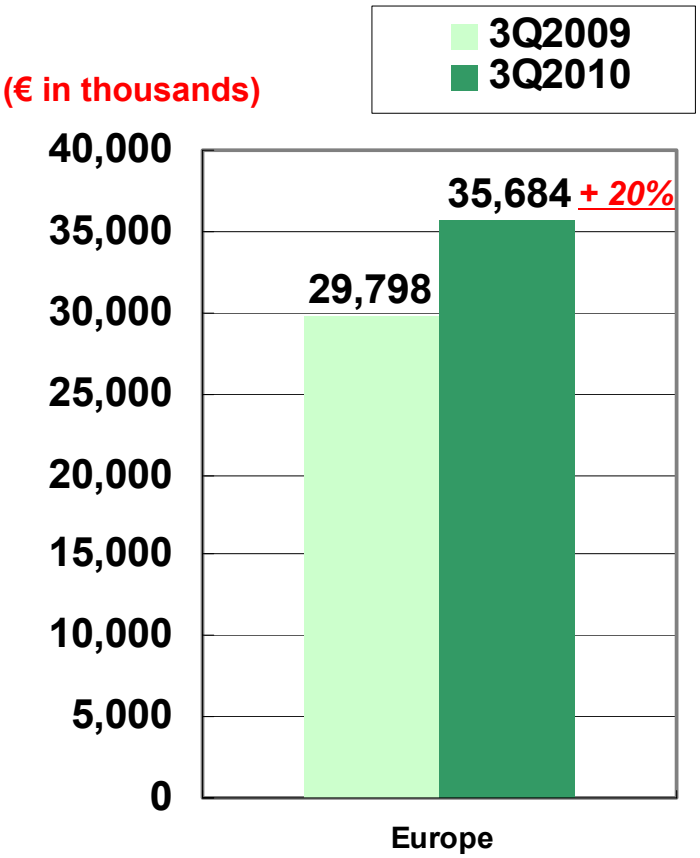
Local currency based Bookings (US, Europe)

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

(unaudited)





(Non-GAAP)

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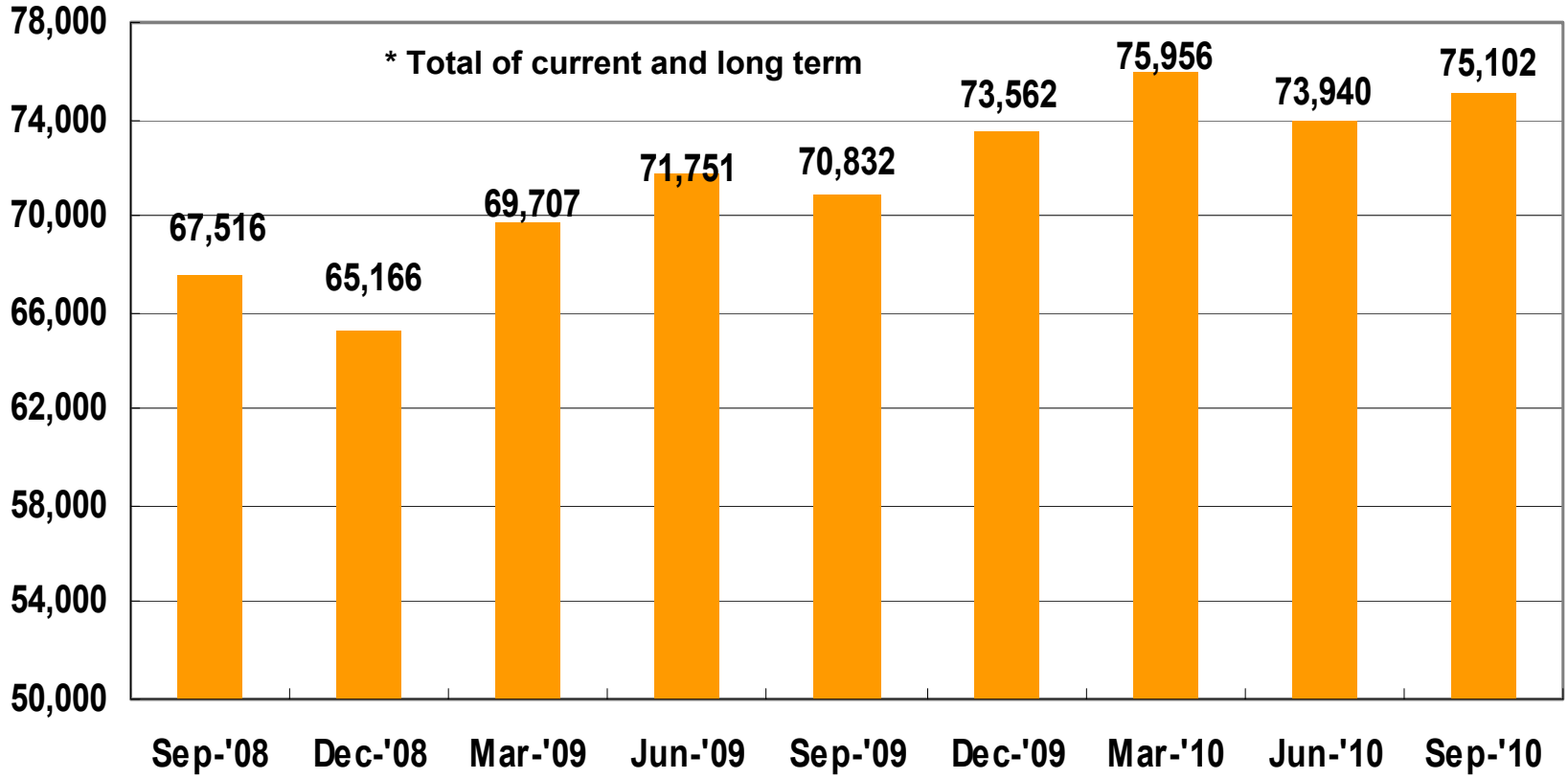
Deferred Revenue

(in million Yen)

(unaudited)



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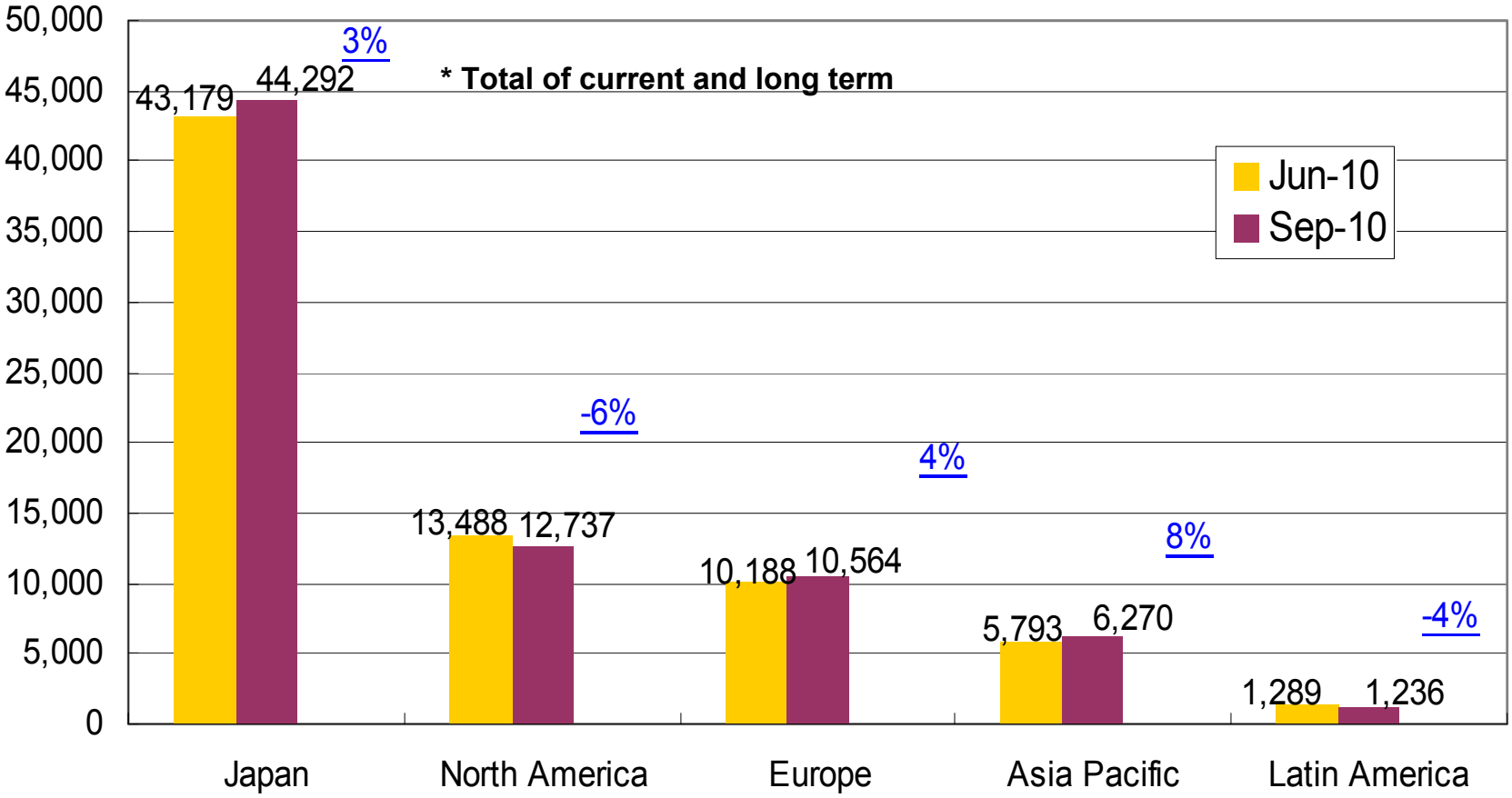
Deferred Revenue by Region

(in million Yen)

(unaudited)



(In accordance with Japan GAAP)

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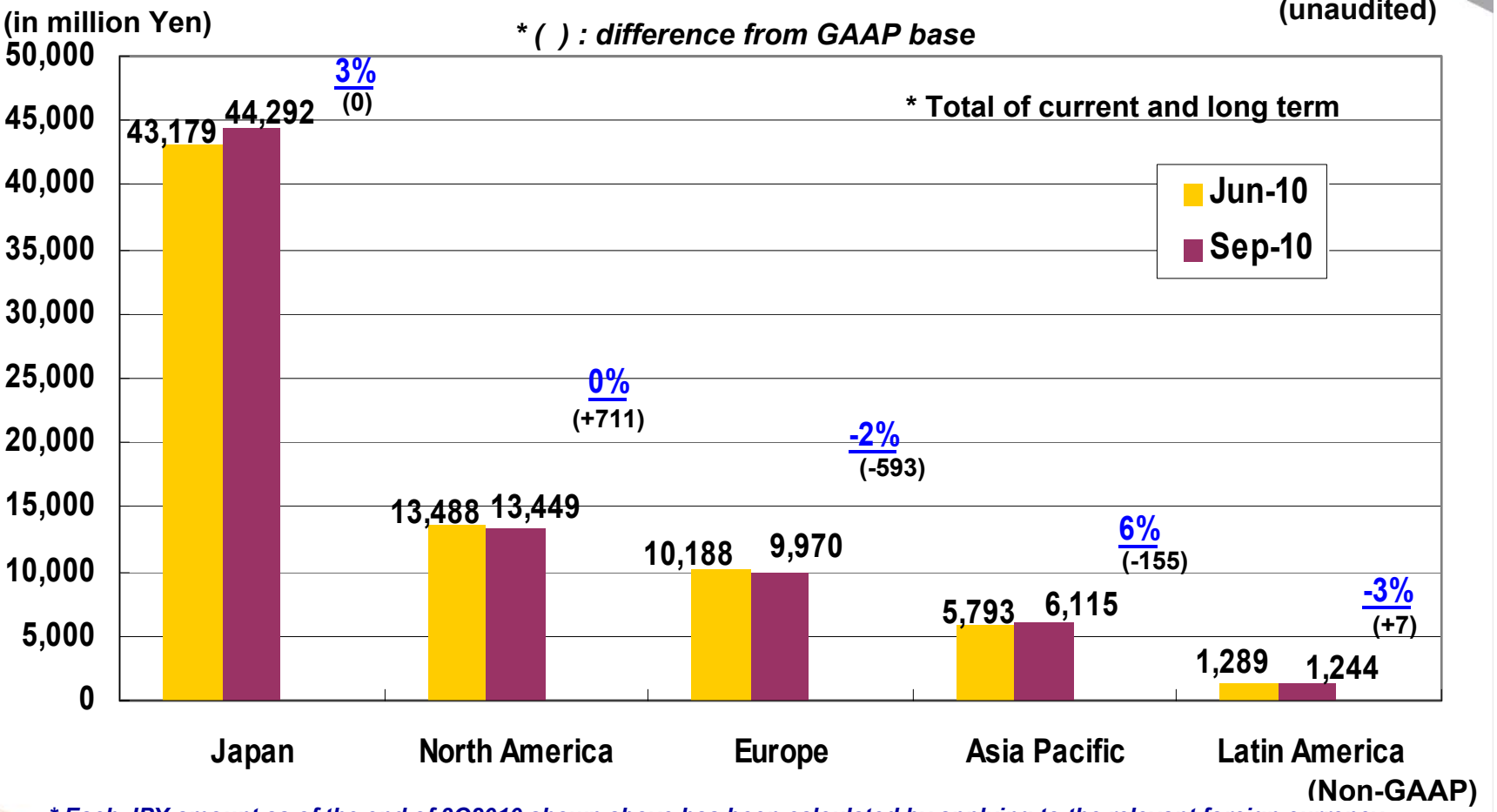
Deferred Revenue by Region

If currency exchange rates used as of the end of 2Q2010 were used as of the end of 3Q2010:

(unaudited)



(Non-GAAP)

** Each JPY amount as of the end of 3Q2010 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 2Q2010 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 2Q2010 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.*

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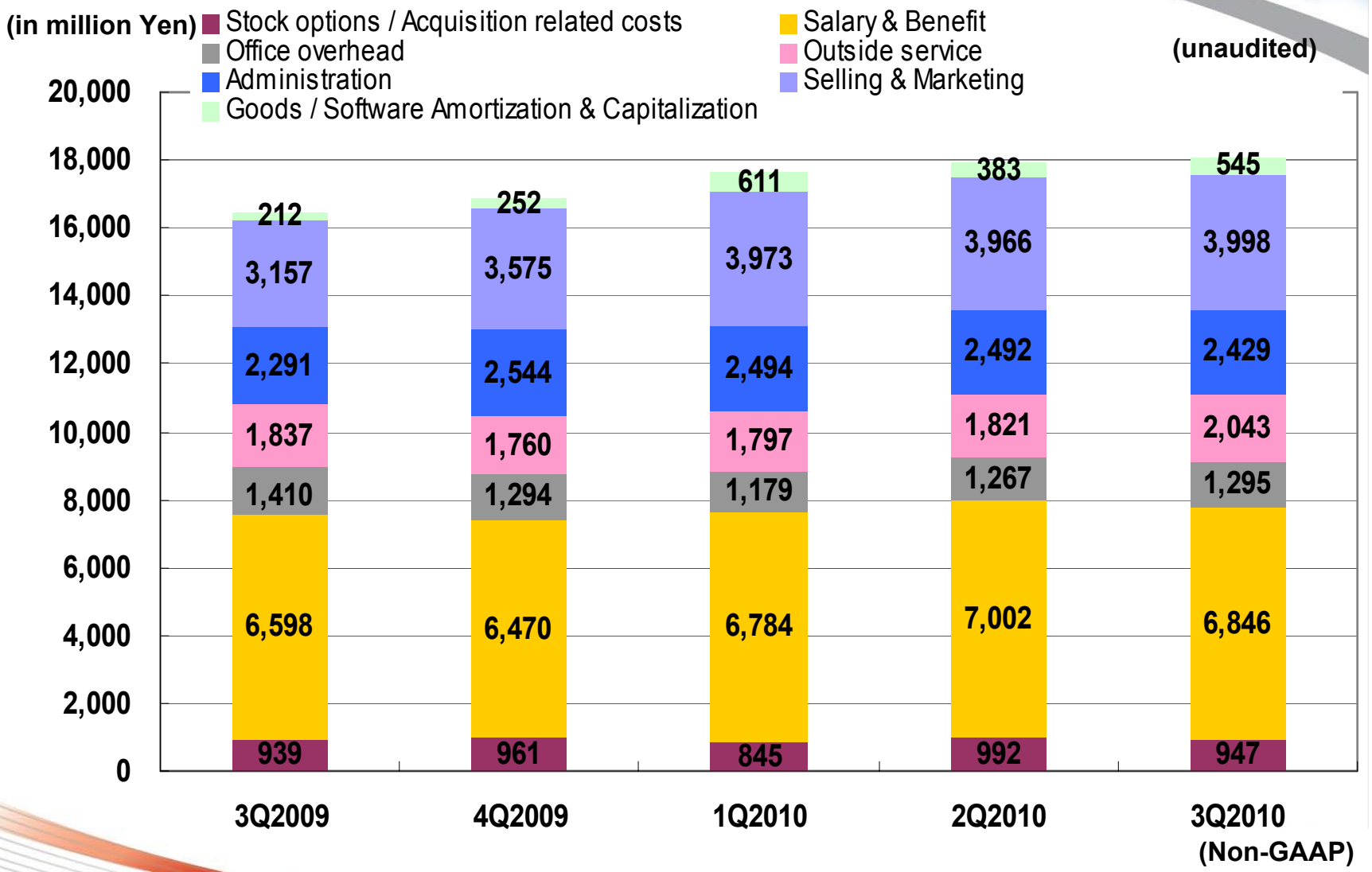
Cost



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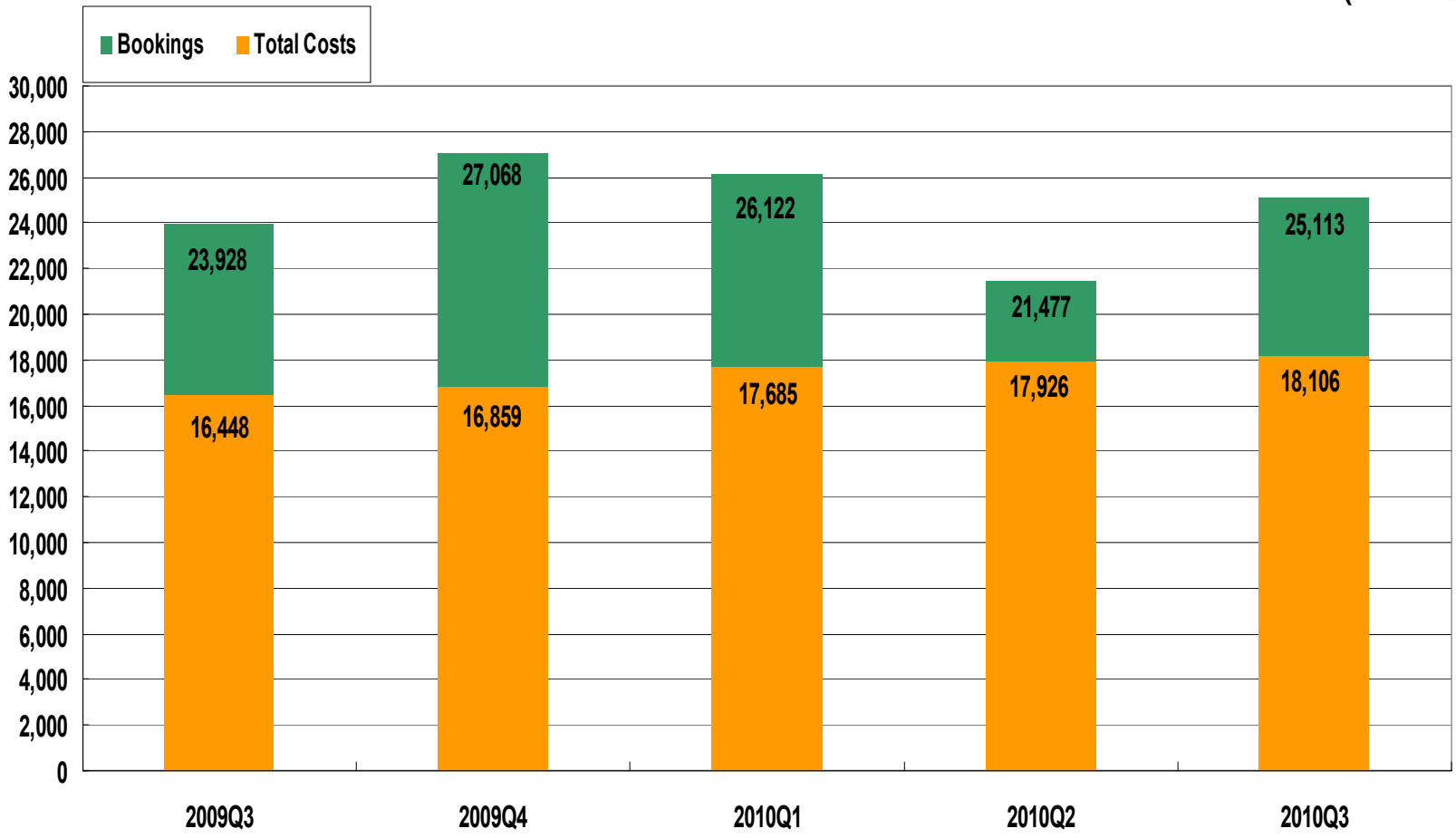
Bookings vs Total costs

(in million Yen)

(unaudited)



(Non-GAAP)

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

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Cash flows

(unaudited)

(in million Yen)

項目	3Q2009	3Q2010	YoY growth
Cash flows from operating activities	5,270	22	- 100%
Cash flows from investing activities	- 820	393	—
Cash flows from financing activities	- 5	- 3	—
Effect of exchange rate changes on cash and cash equivalents	- 1,550	- 623	—
Net increase (decrease) in cash and cash equivalents	2,894	- 210	—
Cash and cash equivalents at beginning of this quarter period	62,314	59,962	- 4%
Cash and cash equivalents at end of this quarter period	65,209	59,751	- 8%

Due to along with a decrease of Net income before taxes,
large amounts of interim tax payment in Japan applied according to last year's results

	2009Q3	2010Q3
Net income before tax	8,583M Yen	4,926M Yen
Payment for income tax	- 5,371M Yen	- 5,916M Yen

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Q3 Highlights

- *Good quarter for European ENT business*
- *New technology pipeline (especially Deep Security) building up*

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Q3 Lowlights

- *Overall pricing pressure continues, especially in consumer business*
- *Legal settlement on license agreement dispute related to distribution of technology*
- *CDO recovery held up due to complication in Lehman bankruptcy settlement*

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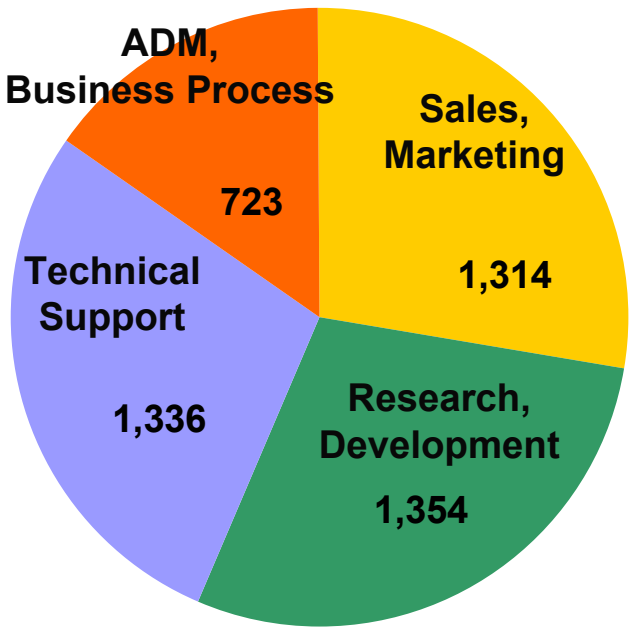
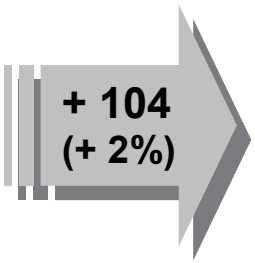
Headcount

Jun - 2010

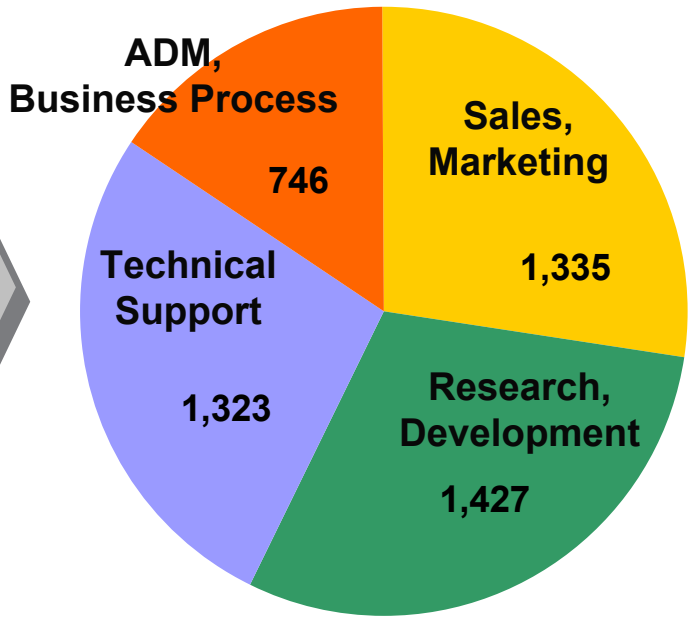
4,727





Sep - 2010

4,831



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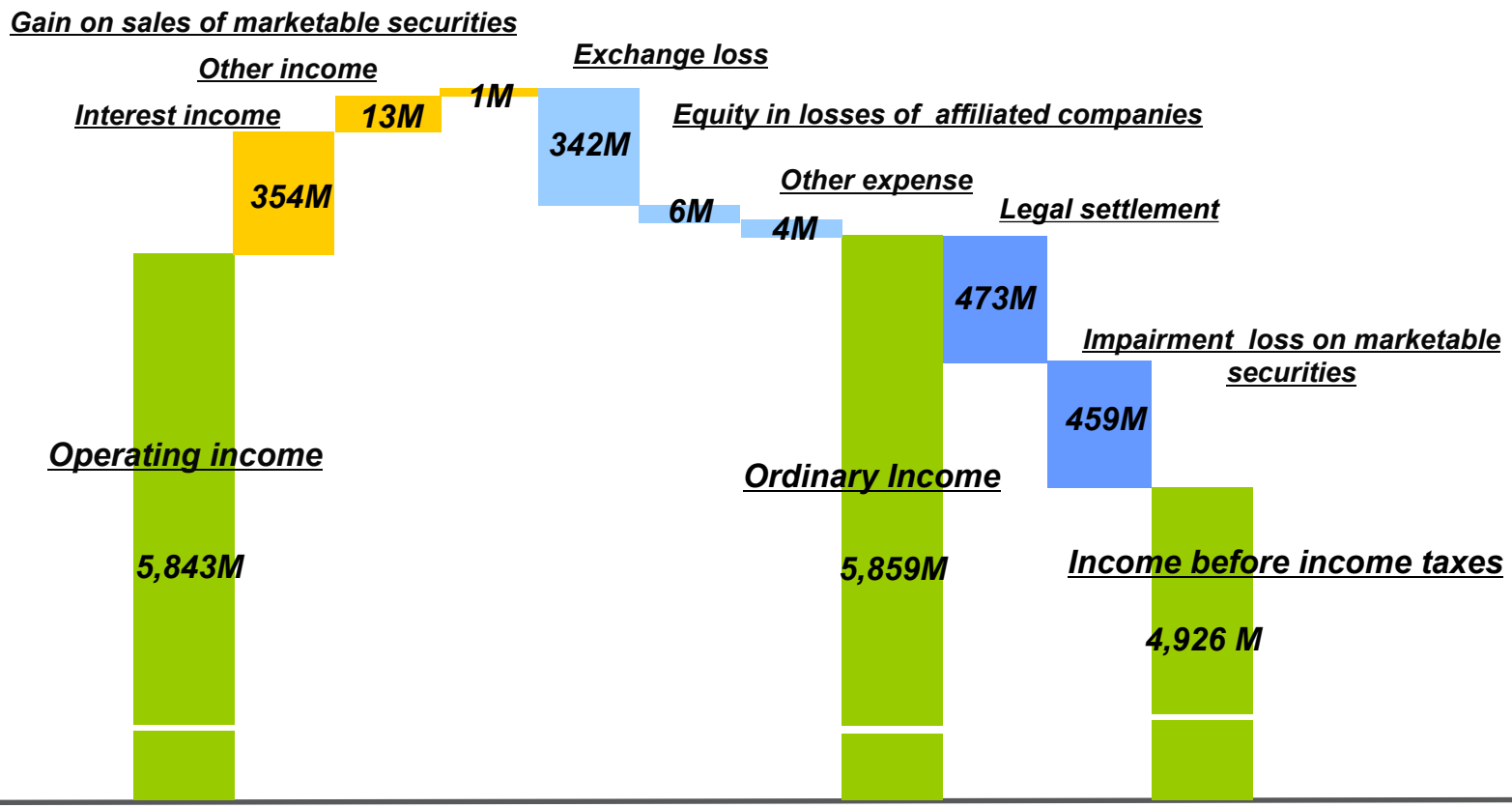
Non-operating & Extra-ordinary Items

(unaudited)



(In accordance with Japan GAAP)

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Balance Sheet

(unaudited)

(in million Yen)

	Jun-2010	change	Sep-2010
Assets			
Cash & cash equivalents	73,997	- 2,204	71,793
Account receivable (less allowance for doubtful accounts)	19,642	+ 1,537	21,179
Marketable securities & Securities investments	59,702	- 1,764	57,938
Liabilities			
Deferred revenue (total of current and long-term)	73,940	+ 1,162	75,102
Shareholders' Equity			
Common Stock & Additional paid in capital	39,495	+ 0	39,495
Treasury Stock	- 21,850	+ 1	- 21,849

(In accordance with Japan GAAP)

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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 Sep. 30	Write-down	Unrealized P/L	Loss ratio	Current Rating	Collateral	Maturity date
BERYL FINANCE	Lehman Bro.	1,000	0	- 1,000		- 100%		Corporate Credit	Redemption
SONATA	Calyon	1,000	917	- 610	+ 528	- 8%	B-	Corporate Credit	2011/3/30
Total		2,000	917	- 1,610	+ 528	- 54%			

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

 # 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 Sep. 30, 2010	Rate as of Sep 30, 2010	Unrealized loss	Prospect of Tax effect	"Net unrealized loss on debt and equity securities" on B/S
Holding Euro MMF	22,338	€=162.12	15,737	€= 114.21	- 6,601	+ 2,686	-3,915

Impact on Ordinary income

Impact on Net income

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Q4 forecast assumptions

- Japan increases by around 10%, US and Europe decrease by mid-teen percentage respectively (mainly due to negative Forex impact)

- Stock option expenses will be 0.6Bn yen

- Estimated exchange rate:

  1USD = 80 yen (last year: 90 yen)

  1EUR = 112 yen (last year: 133 yen)

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Projection for 4Q2010

(unaudited)

(in million Yen)

	For 4Q2010 Oct - Dec, 2010	Expected YoY growth
Net Sales	23,700	- 3%
Operating Income	6,100	- 18%
Ordinary Income	5,800	- 24%
Net Income	3,500	- 2%

(In accordance with Japan GAAP)

• Including both stock option expenses and acquisition related costs（about 0.9 Bn Yen）

In case of excluding a foreign exchange impact

Net Sales	+ 5%

(Non-GAAP)

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Thank you!

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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	
Cost of sales	3,597	3,511	3,618	4,263	4,032	4,025	4,446	
Operating expenses	12,289	13,503	12,829	12,595	13,653	13,900	13,660	
Operating income	7,028	7,229	8,399	7,479	6,042	5,567	5,843	
Ordinary income	7,936	7,522	8,615	7,640	6,207	5,744	5,859	
Net income	4,821	4,028	5,219	3,568	3,529	3,237	2,781	
(Costs)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Goods / Software Amortization & Capitalization	731	391	212	252	611	383	545	
Selling & Marketing	2,411	3,201	3,157	3,575	3,973	3,966	3,998	
Administration	2,264	2,331	2,291	2,544	2,494	2,492	2,429	
Outside service	1,896	2,075	1,837	1,760	1,797	1,821	2,043	
Office overhead	1,259	1,221	1,410	1,294	1,179	1,267	1,295	
Salary & Benefit	6,538	6,983	6,598	6,470	6,784	7,002	6,846	
Stock option cost	542	548	649	663	667	673	662	
Acquisition related costs	242	261	290	298	177	318	284	
Total	15,886	17,014	16,448	16,859	17,685	17,926	18,106	
The number of employees	4,239	4,304	4,349	4,434	4,575	4,727	4,831	
Applied rate to yen (US$)	93.79	97.22	93.58	89.72	90.73	91.94	85.78	
Applied rate to yen (Euro)	121.97	132.67	133.66	132.54	125.66	116.78	110.67	

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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	
US	5,953	6,729	6,571	6,084	5,999	6,118	5,485	
Europe	4,748	5,100	5,092	5,232	5,005	4,408	4,173	
Asia Pacific	1,842	2,124	2,019	2,390	2,254	2,314	2,202	
Latin America	585	658	729	743	685	662	637	
Total	22,915	24,244	24,848	24,339	23,728	23,493	23,950	
(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	
Consumer	7,817	8,119	8,438	8,041	8,047	8,325	8,895	
Total	22,915	24,244	24,848	24,339	23,728	23,493	23,950	
(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	
US	7,358	6,352	5,066	5,464	5,850	4,916	4,735	
Europe	4,584	5,471	3,644	7,111	3,787	2,817	4,549	
Asia Pacific	2,153	2,792	2,257	2,585	2,520	2,106	2,679	
Latin America	730	753	674	825	886	461	584	
Total	27,456	26,288	23,928	27,068	26,122	21,477	25,113	

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

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