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Trend Micro FY2011.4Q / Annual Results

Mahendra Negi COO/CFO, Representative Director

February 16, 2012

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.

FY2011. 4Q Financial Highlight

(Fourth quarter ended December 31, 2011)

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Consolidated Results

Three months ended Dec 31,	(in million Yen) (unaudited)		
	4Q2010	4Q2011	YoY growth
Net sales	24,218	24,064	- 1%
Cost of sales	4,222	4,519	+ 7%
Operating expenses	13,697	13,237	- 3%
Operating income (Margin)	6,298 (26%)	6,306 (26%)	+ 0%
Ordinary income	6,023	6,850	+ 14%
Net income	3,172	3,871	+ 22%

(In accordance with Japan GAAP)

“For reference” Revenue before adjusting deferred revenue

Pre-GAAP	26,193	26,246	+ 0%
<i>(In case of excluding a foreign exchange impact)</i>			

+ 4%

(Non-GAAP)

If currency exchange rates used for 4Q2010 were used for 4Q2011

Net sales	24,218	24,921	+ 3%
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* The JPY amount for 4Q2011 shown above has been calculated by applying to each foreign currency net sales amount for 4Q2011 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 4Q2010 into a JPY net sales amount for Japan GAAP reporting purposes.

USD based Results (Non-GAAP)

<i>Three months ended Dec 31,</i>	<i>4Q2010</i>	<i>4Q2011</i>	<i>(unaudited) (in thousand USD) YoY change</i>
Net sales	292,923	311,106	6%
Cost of sales	51,066	58,425	14%
Operating expenses	165,672	171,143	3%
Operating income	76,185	81,536	7%
Ordinary income	72,856	88,569	22%
Net Income	38,369	50,048	30%

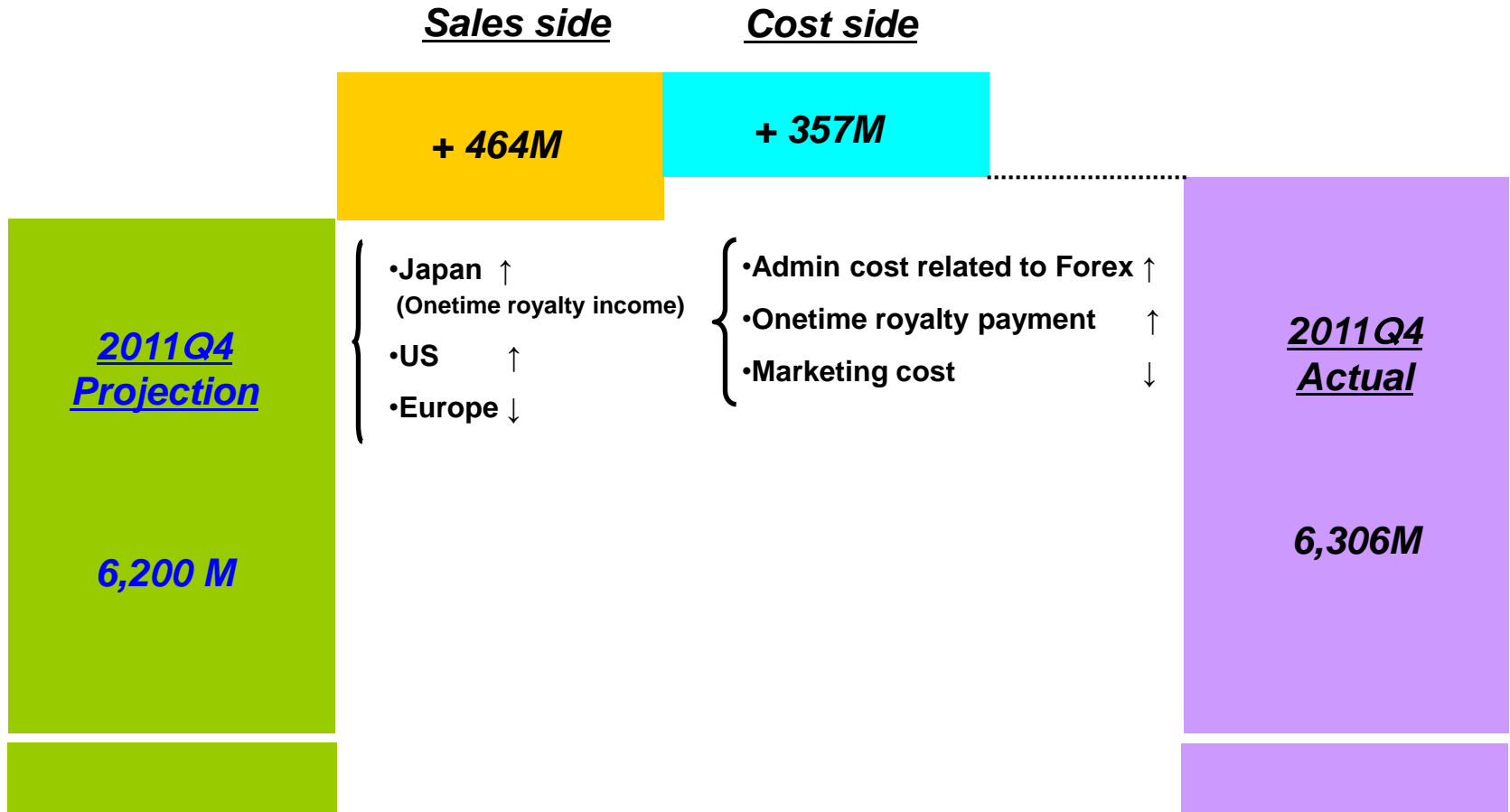
(Non-GAAP)

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=82.68 JPY for 4Q2010 and 1 USD =77.35 JPY for 4Q2011, 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)



(Non-GAAP)

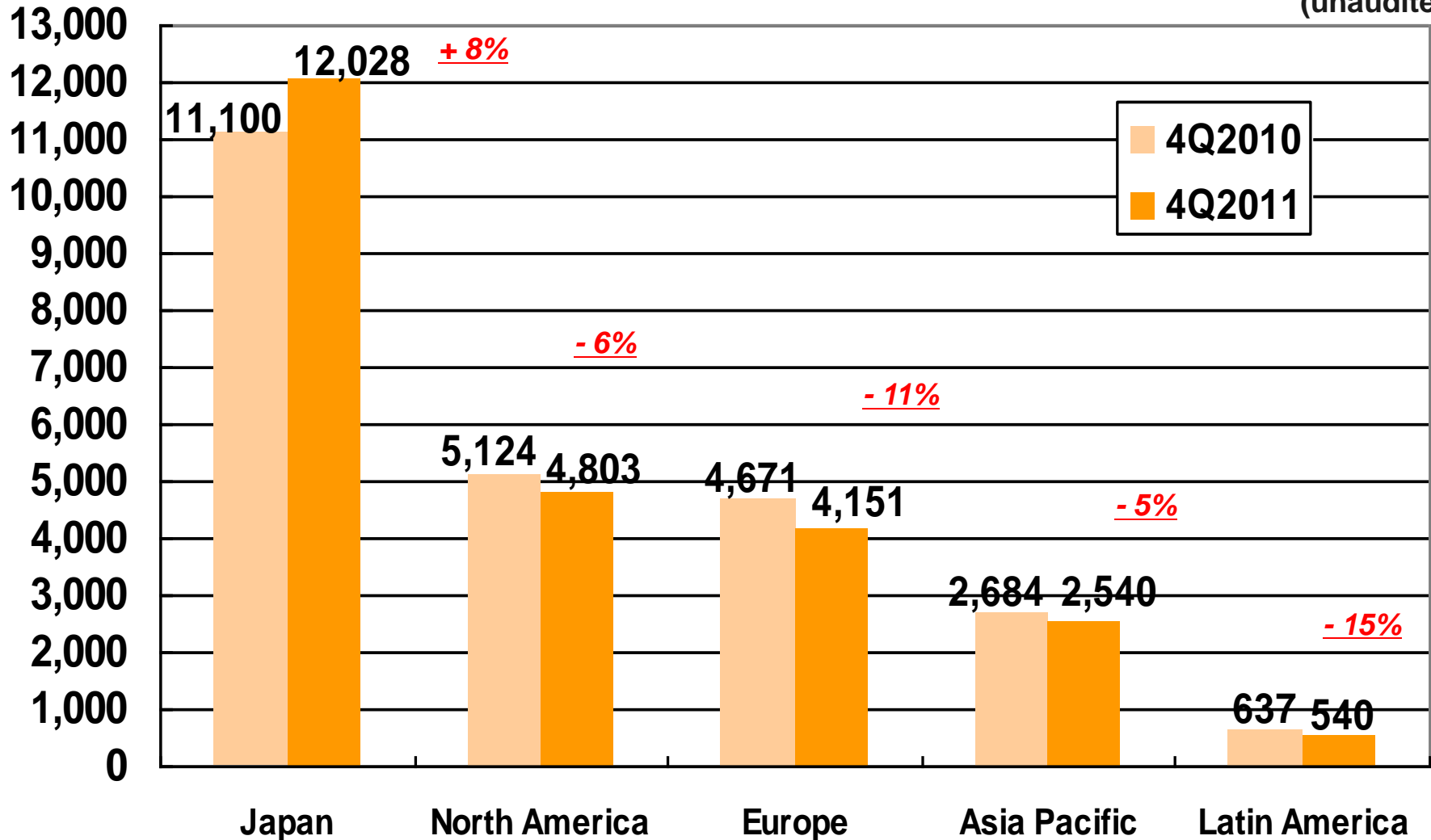
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Net Sales Growth by Region

(in million Yen)

(unaudited)



(In accordance with Japan GAAP)

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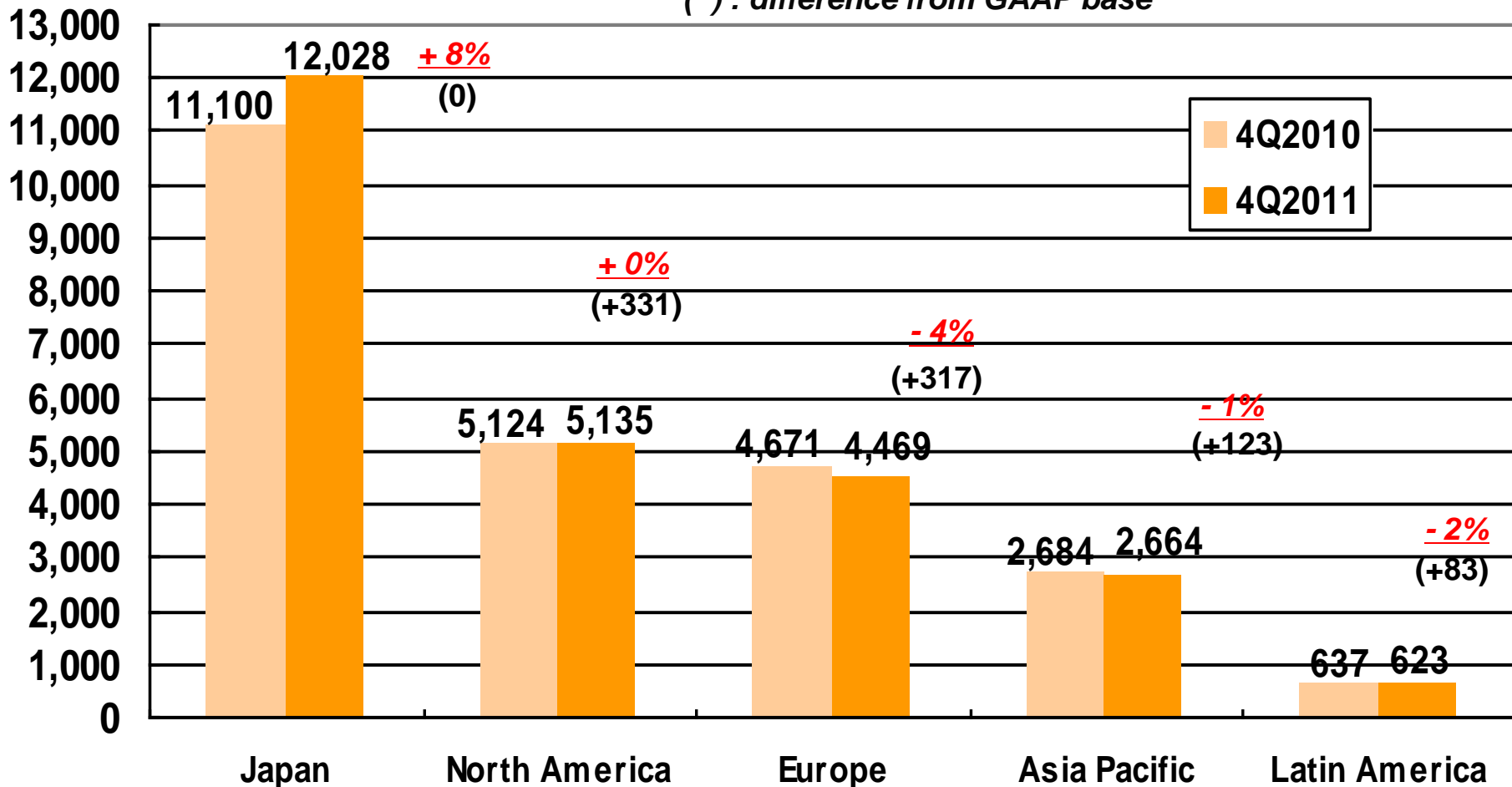
Net Sales Growth by Region

If currency exchange rates used for 4Q2010 were used for 4Q2011:

(in million Yen)

* () : difference from GAAP base

(unaudited)



* Each JPY amount for 4Q2011 shown above has been calculated by applying to the relevant foreign currency net sales amount for 4Q2011 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 4Q2010 into a JPY net sales amount for Japan GAAP reporting purposes.

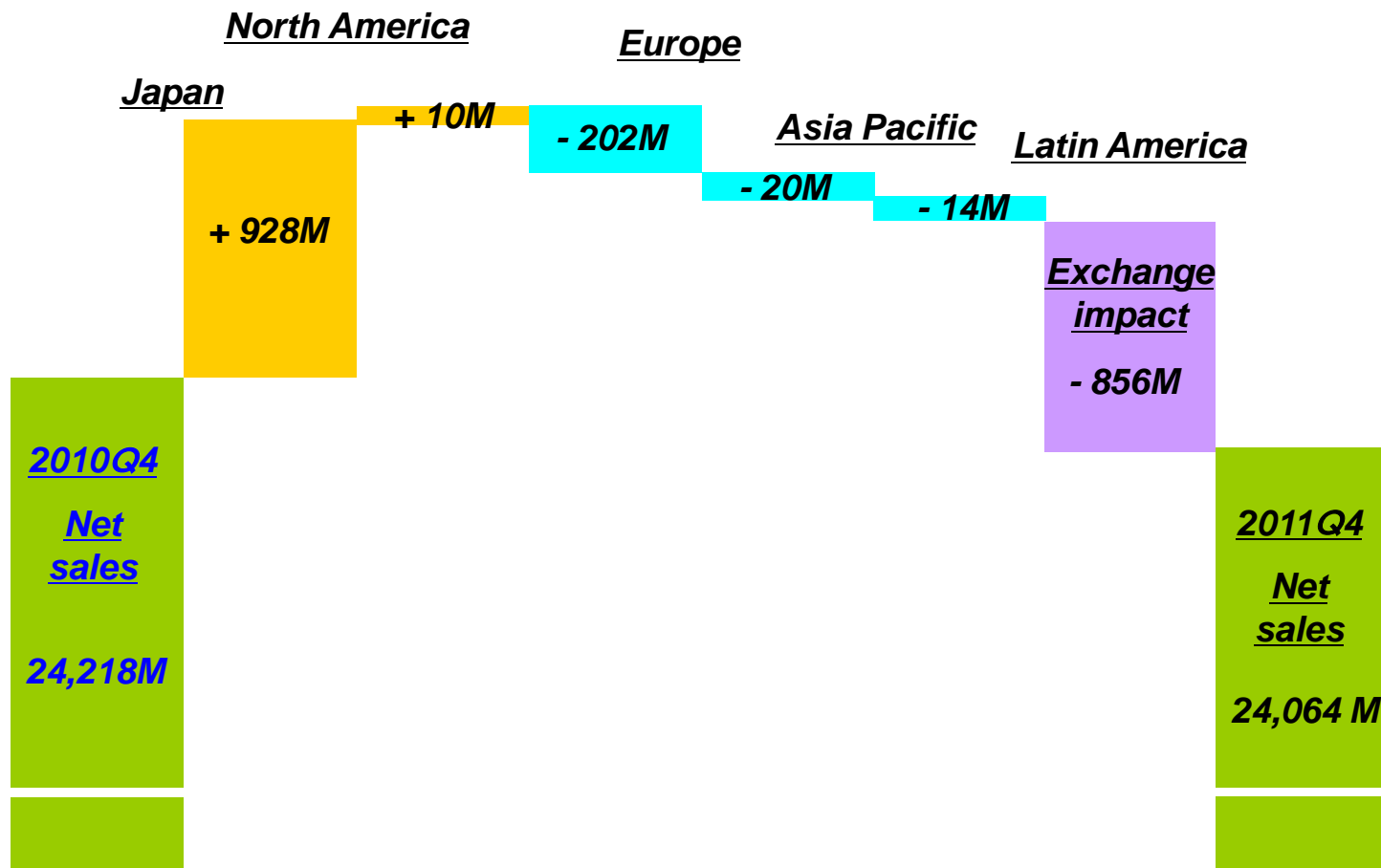
(Non-GAAP)

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Decomposition of Revenue (vs. last year)

(unaudited)



(Non-GAAP)

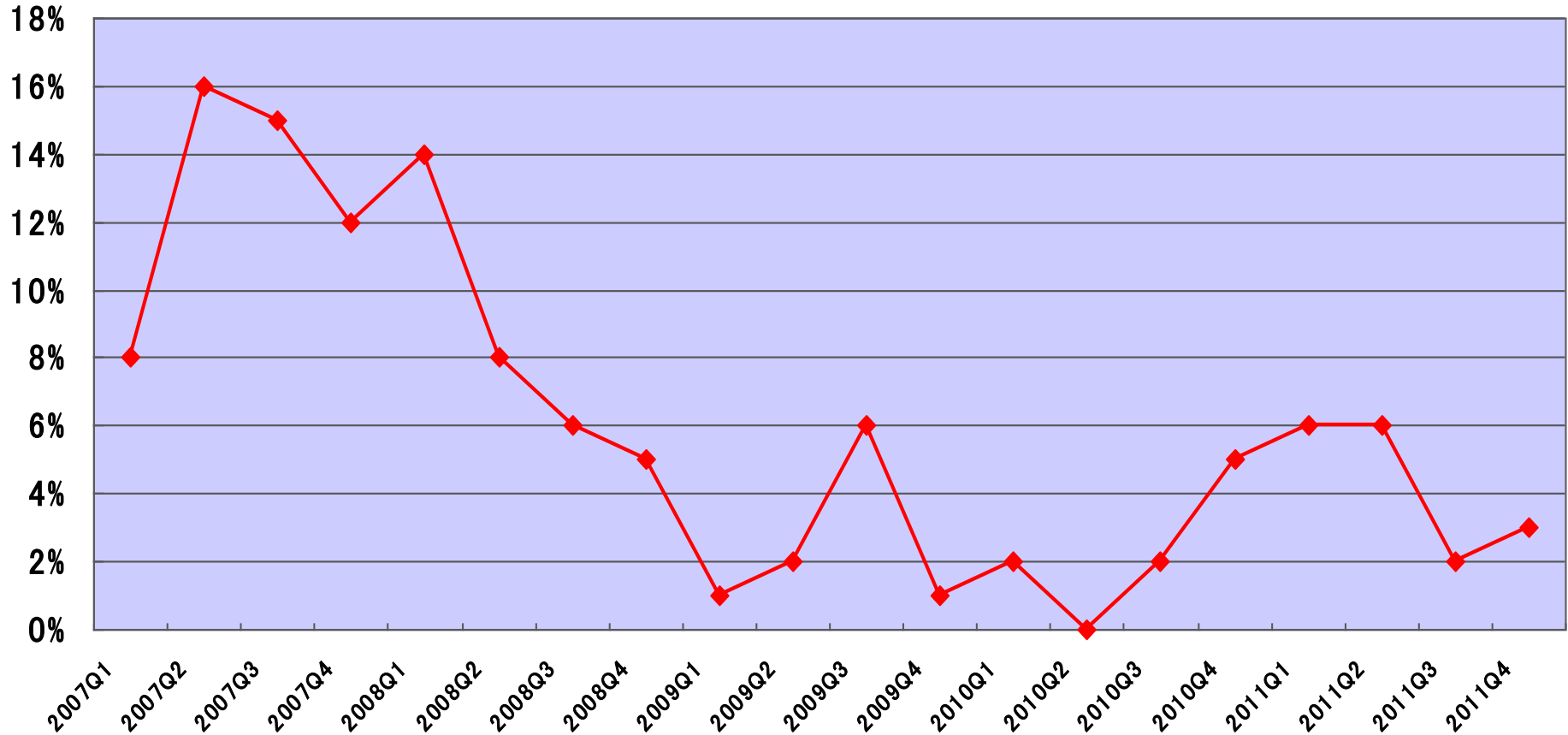
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Constant currency Revenue growth

(YoY)

(unaudited)



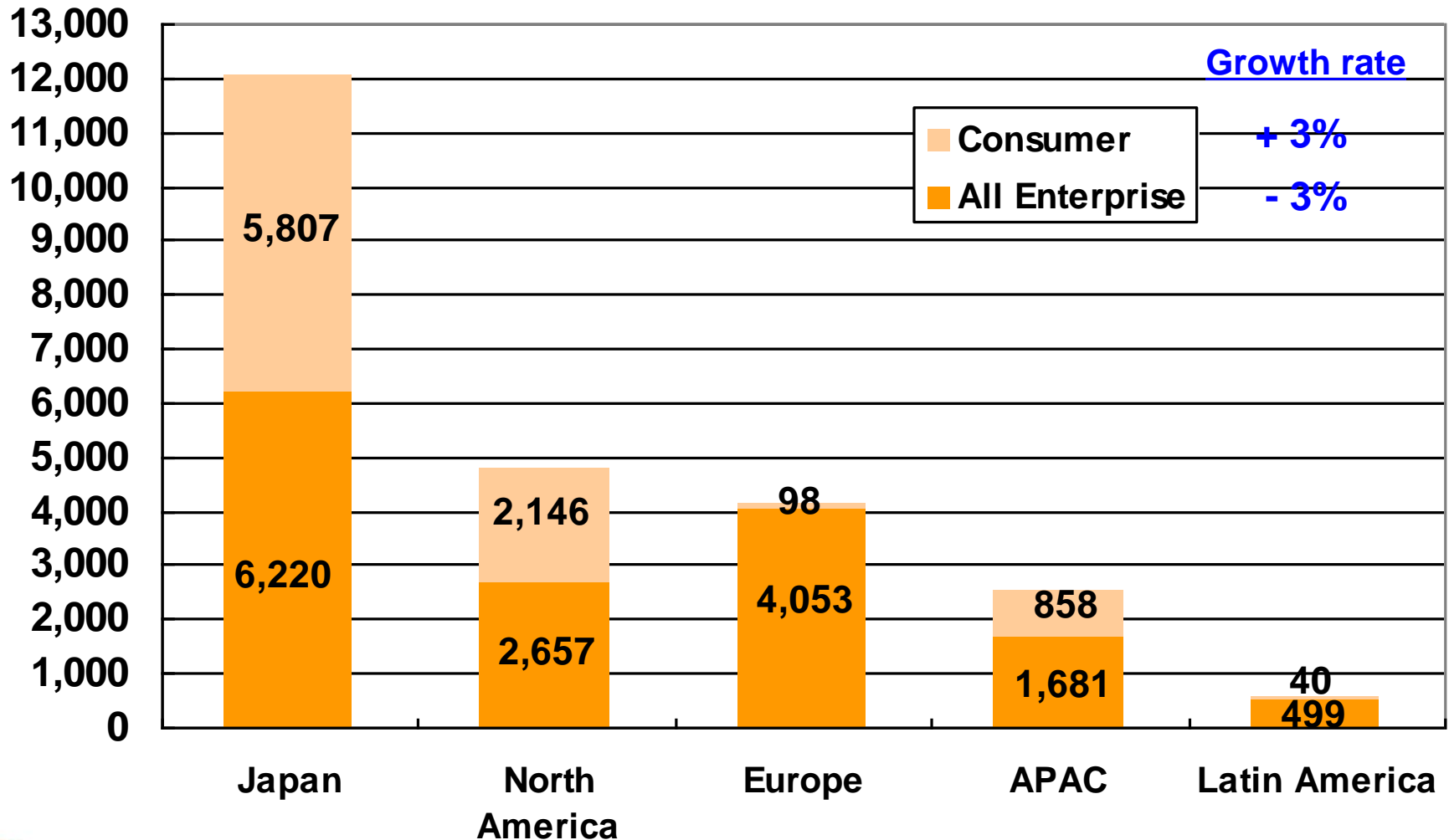
• Each growth rate shown above is based on applying to each quarter the same currency rate as the previous year for the same period

(Non-GAAP)



Sales by Segment

(in million Yen)



(Non-GAAP)

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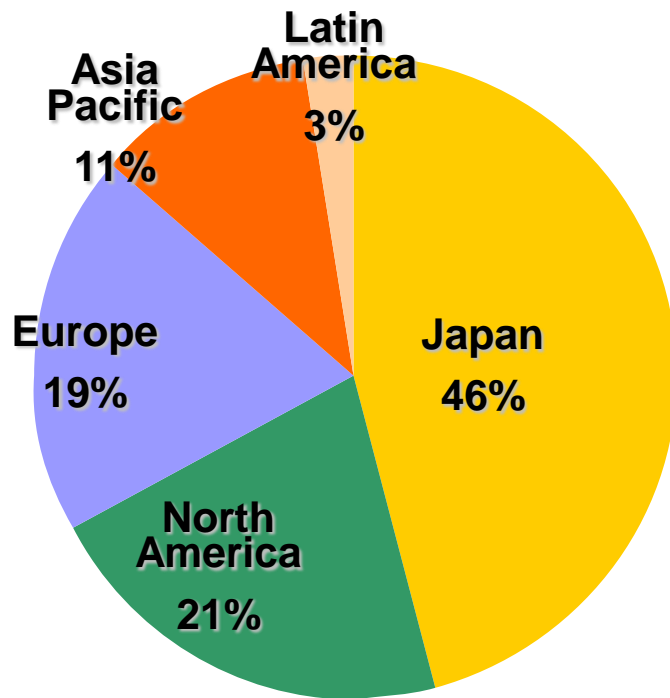


% share by region

(unaudited)

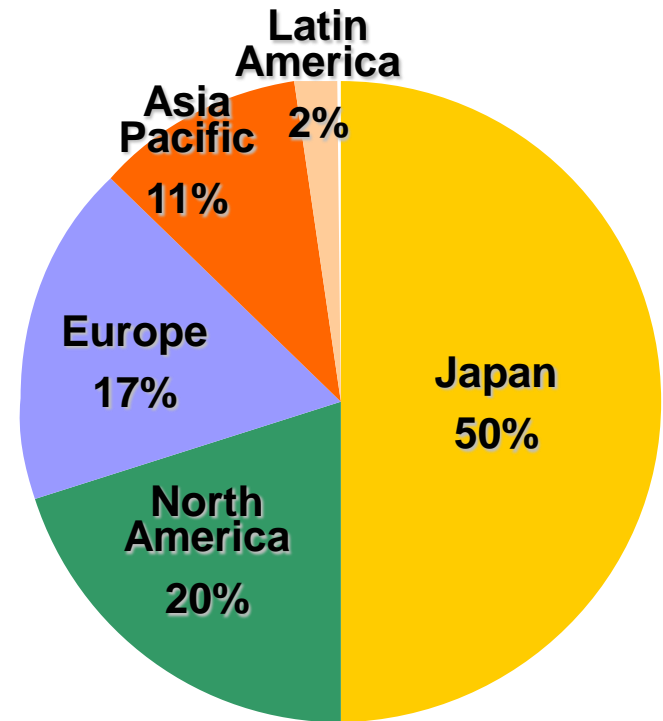
4Q2010

24,218 million Yen



4Q2011

24,064 million Yen



(In accordance with Japan GAAP)

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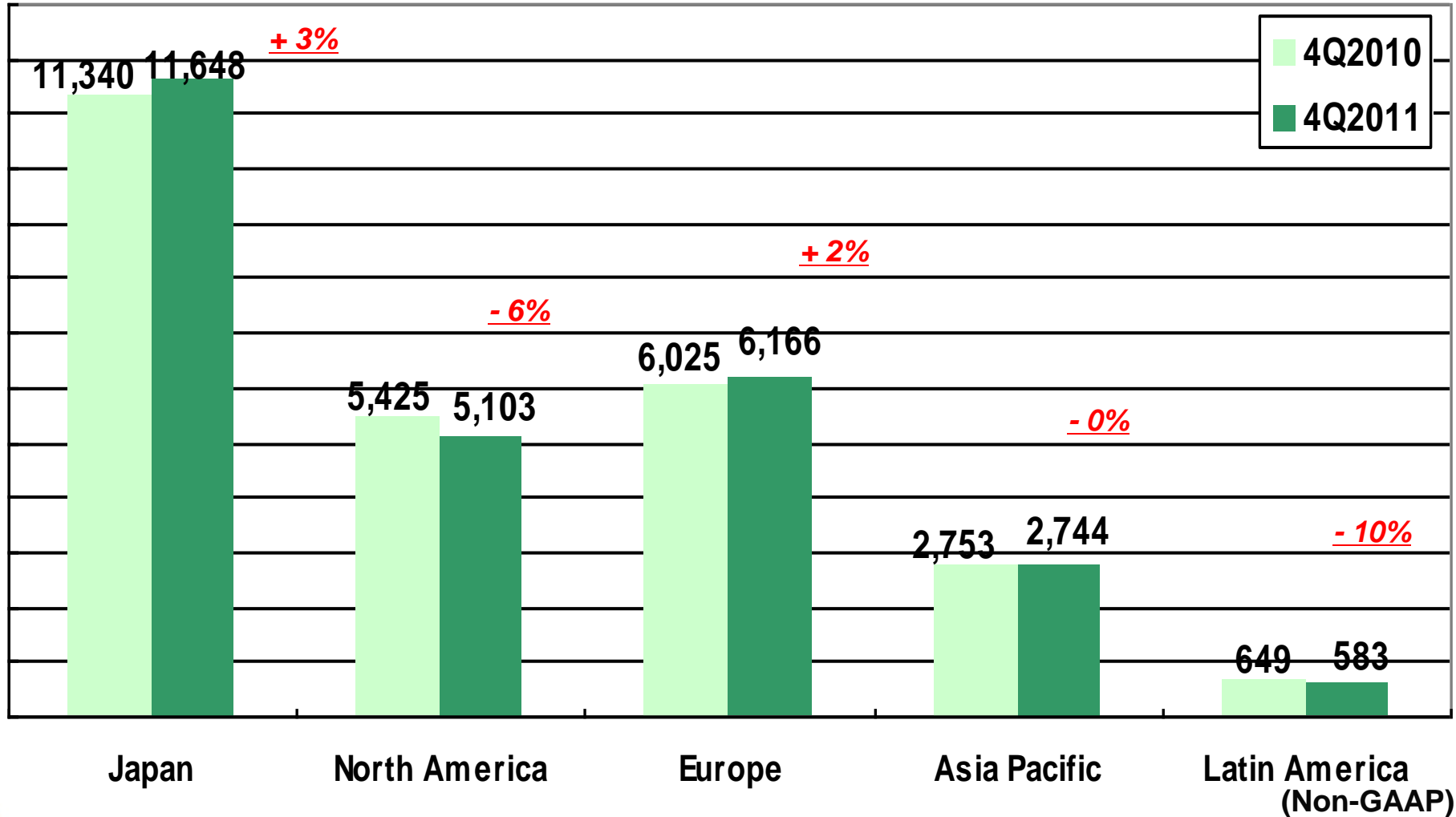


“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(in million Yen)

(unaudited)



“Notice”

Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance. As these numbers are just for internal use, they may be subject to some changes hereafter.

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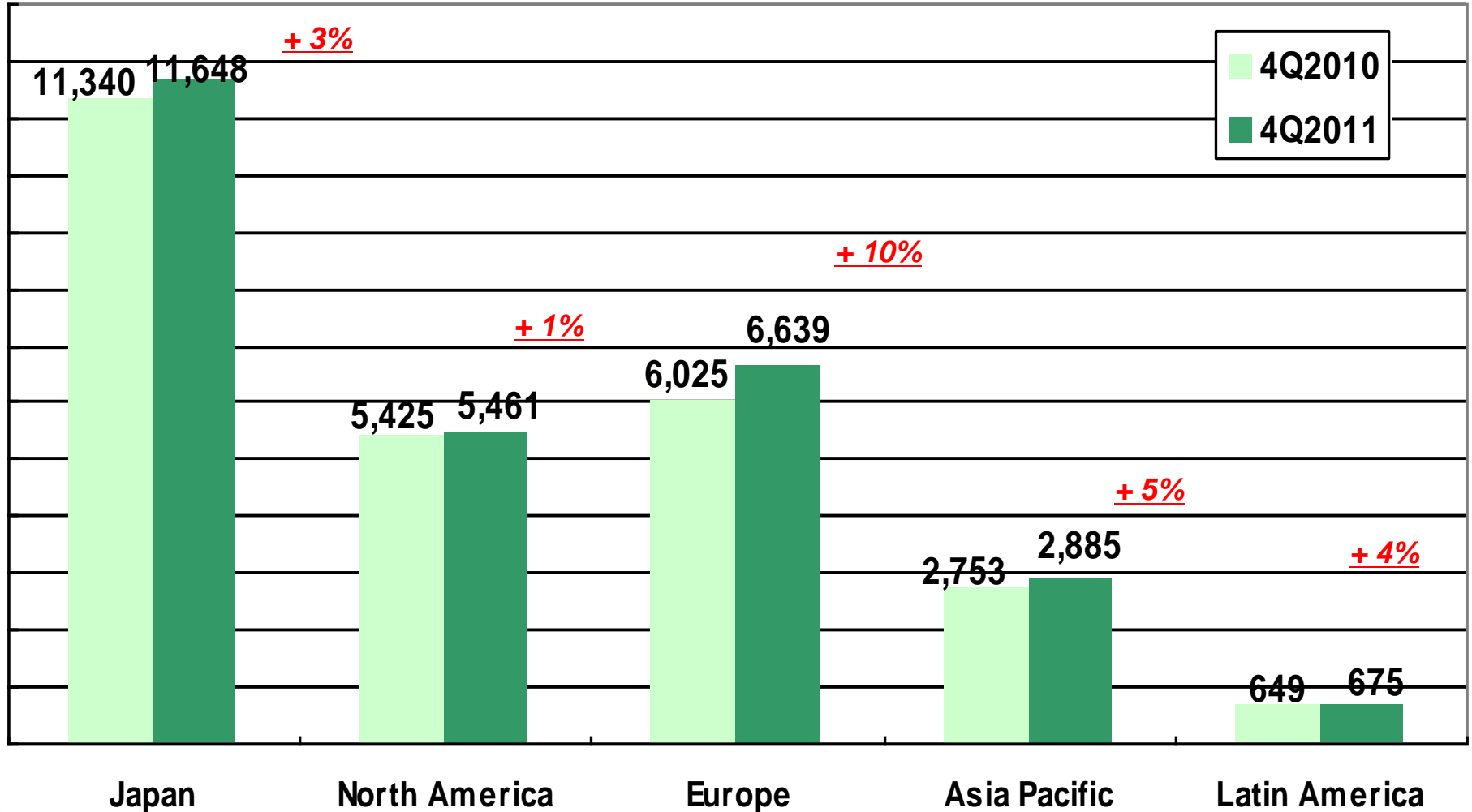
**TREND
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“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

If currency exchange rates used for 4Q2010 were used for 4Q2011: (unaudited)

(in million Yen)



“Notice”

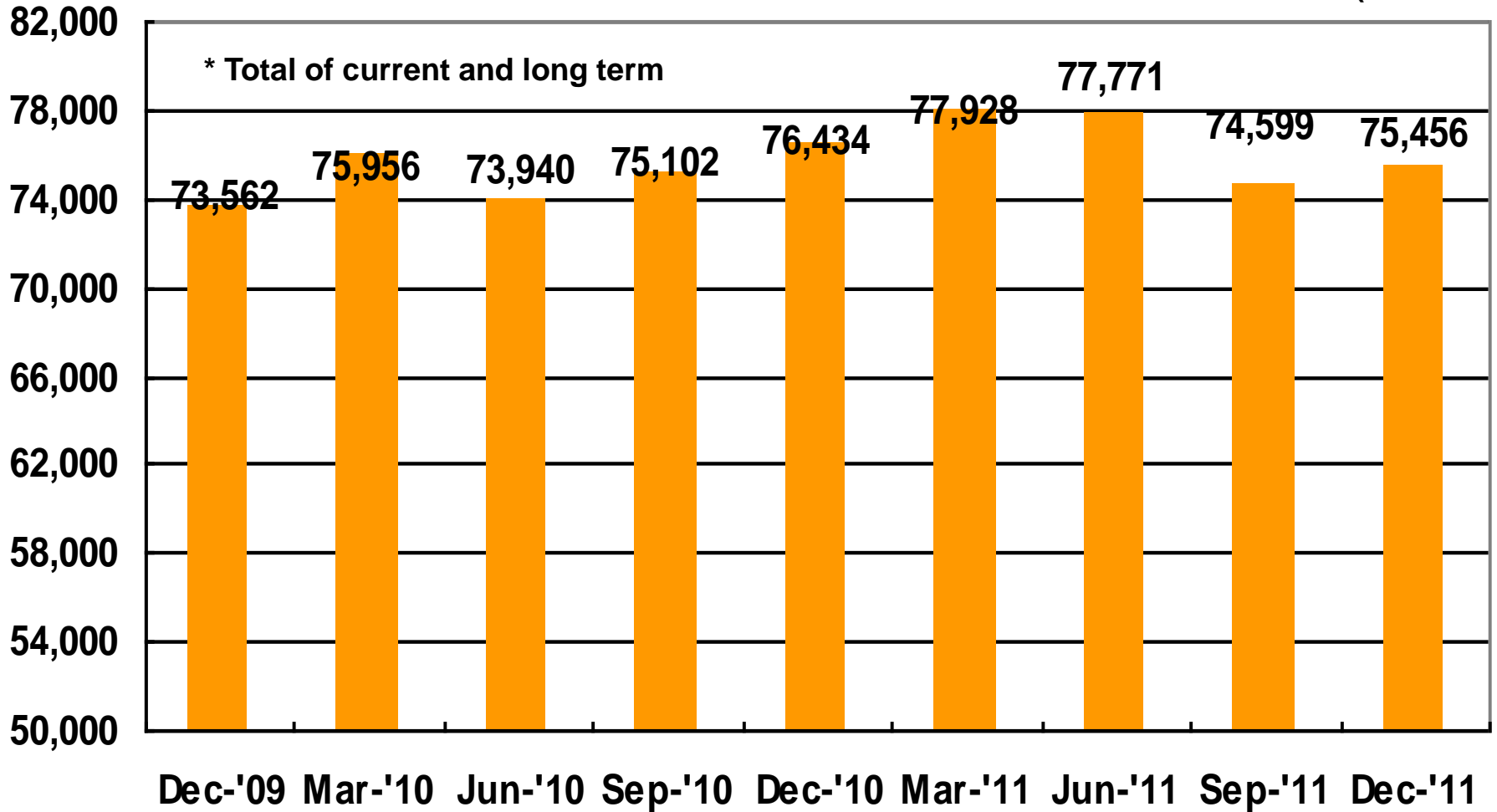
Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance. As these numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

Deferred Revenue

(in million Yen)

(unaudited)



(In accordance with Japan GAAP)

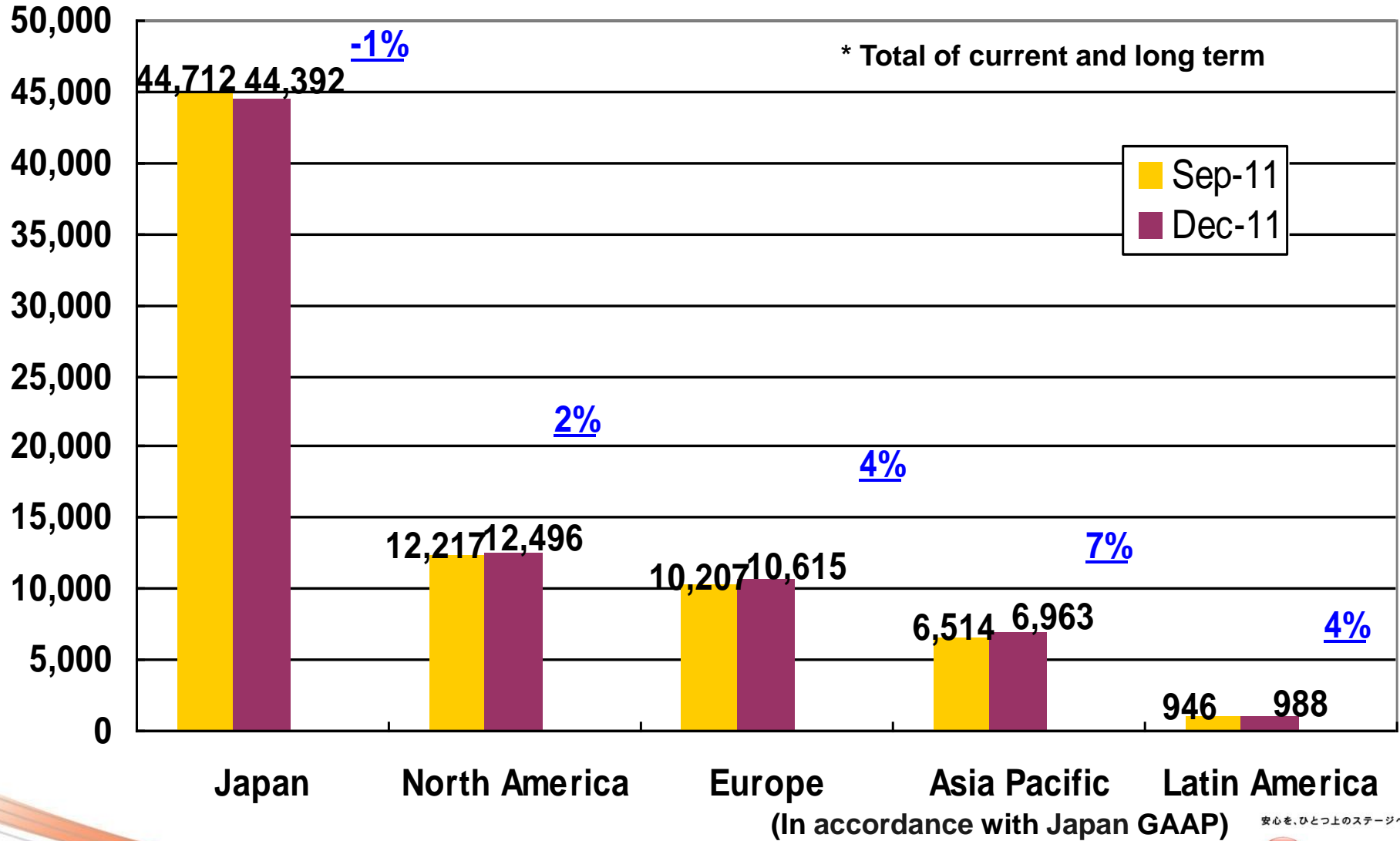
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Deferred Revenue by Region

(in million Yen)

(unaudited)



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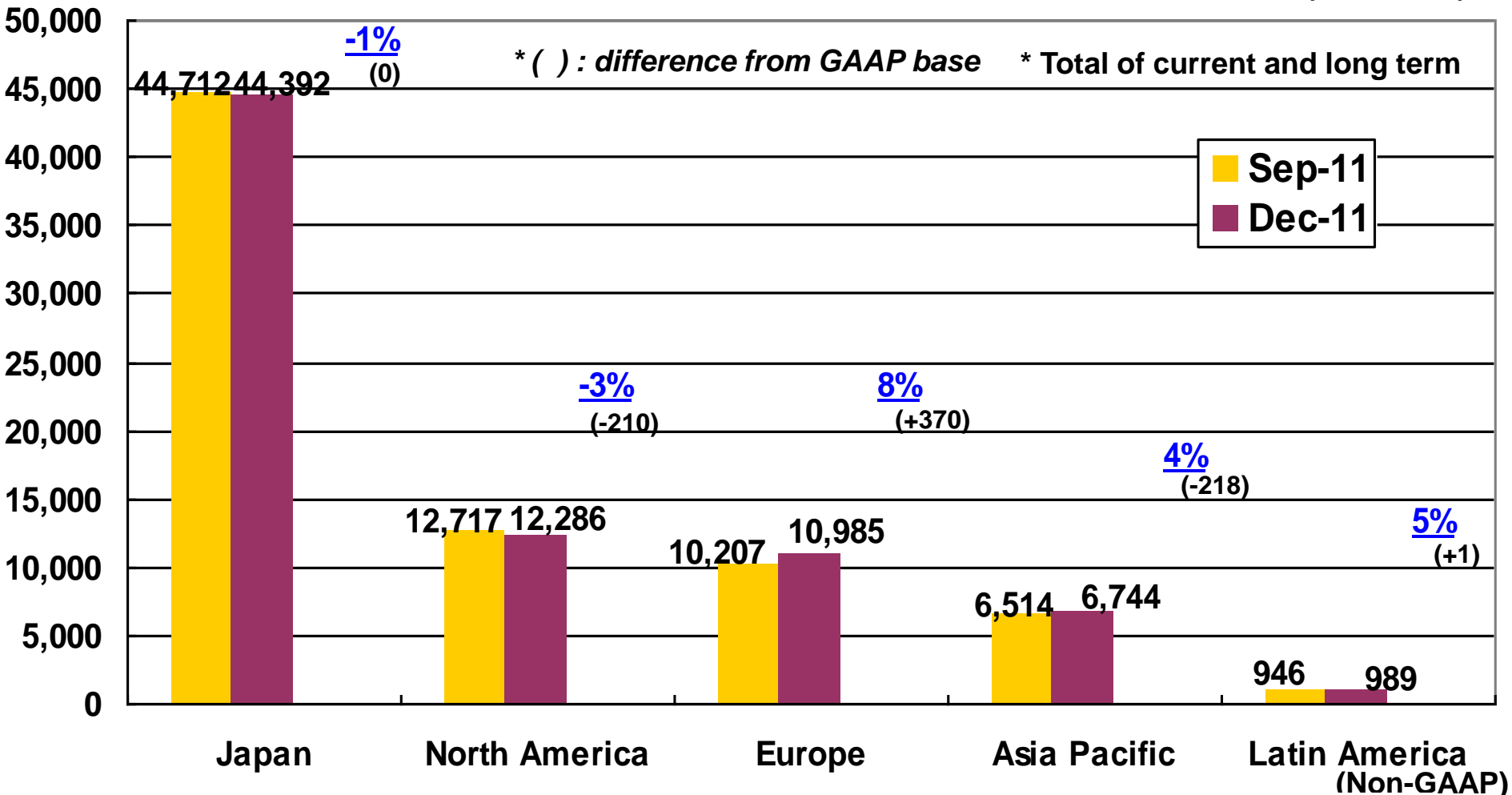


Deferred Revenue by Region

If currency exchange rates used as of the end of 3Q2011 were used as of the end of 4Q2011:

(in million Yen)

(unaudited)



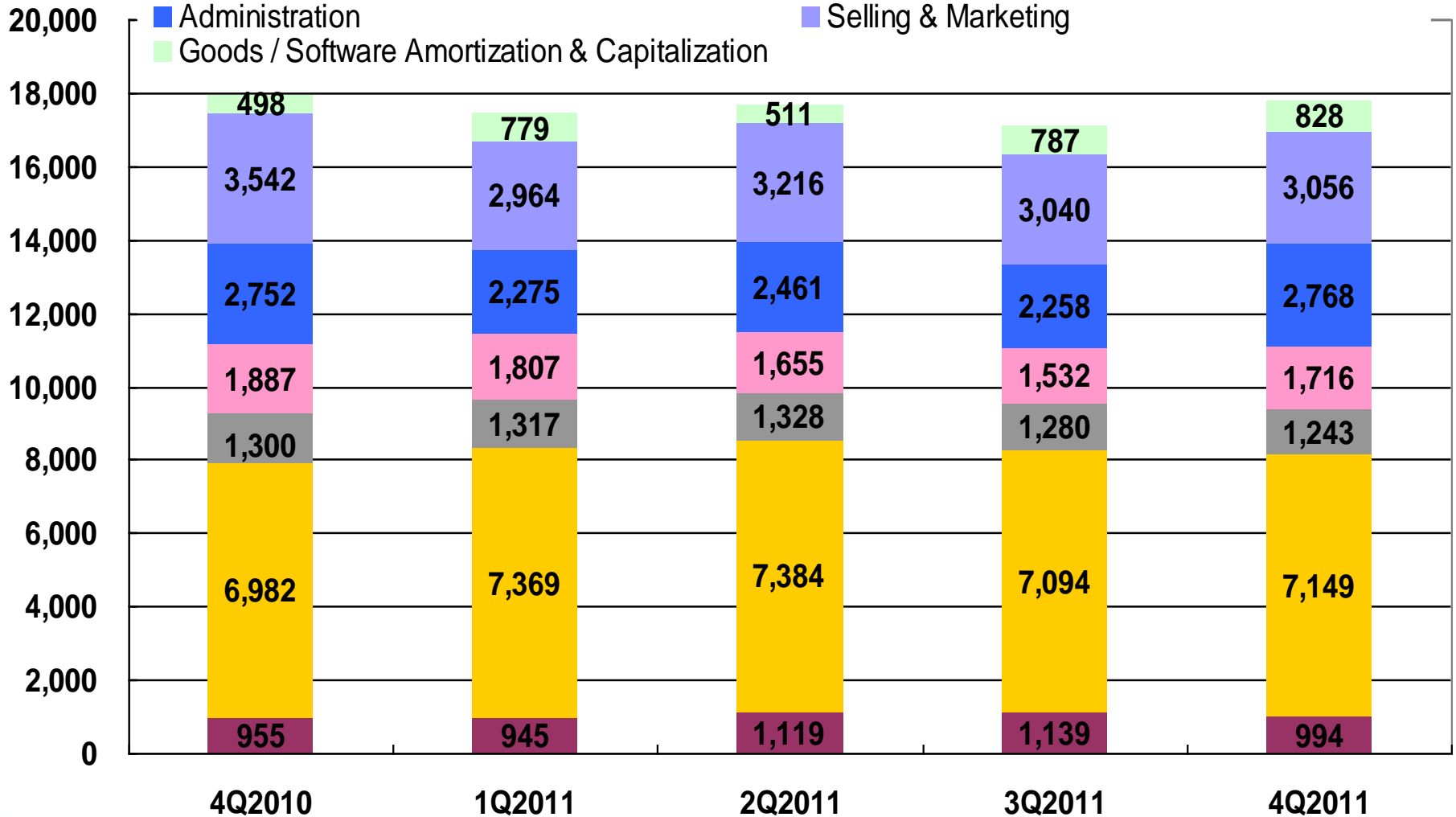
* Each JPY amount as of the end of 4Q2011 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 4Q2011 the exchange rate between such foreign currency and JPY that was used to convert the deferred revenue amount denominated in such foreign currency as of the end of 3Q2011 into a JPY deferred revenue amount for Japan GAAP reporting purposes.

Cost

(in million Yen)

(unaudited)

- Stock options / Acquisition related costs
- Office overhead
- Administration
- Goods / Software Amortization & Capitalization
- Salary & Benefit
- Outside service
- Selling & Marketing



(Non-GAAP)

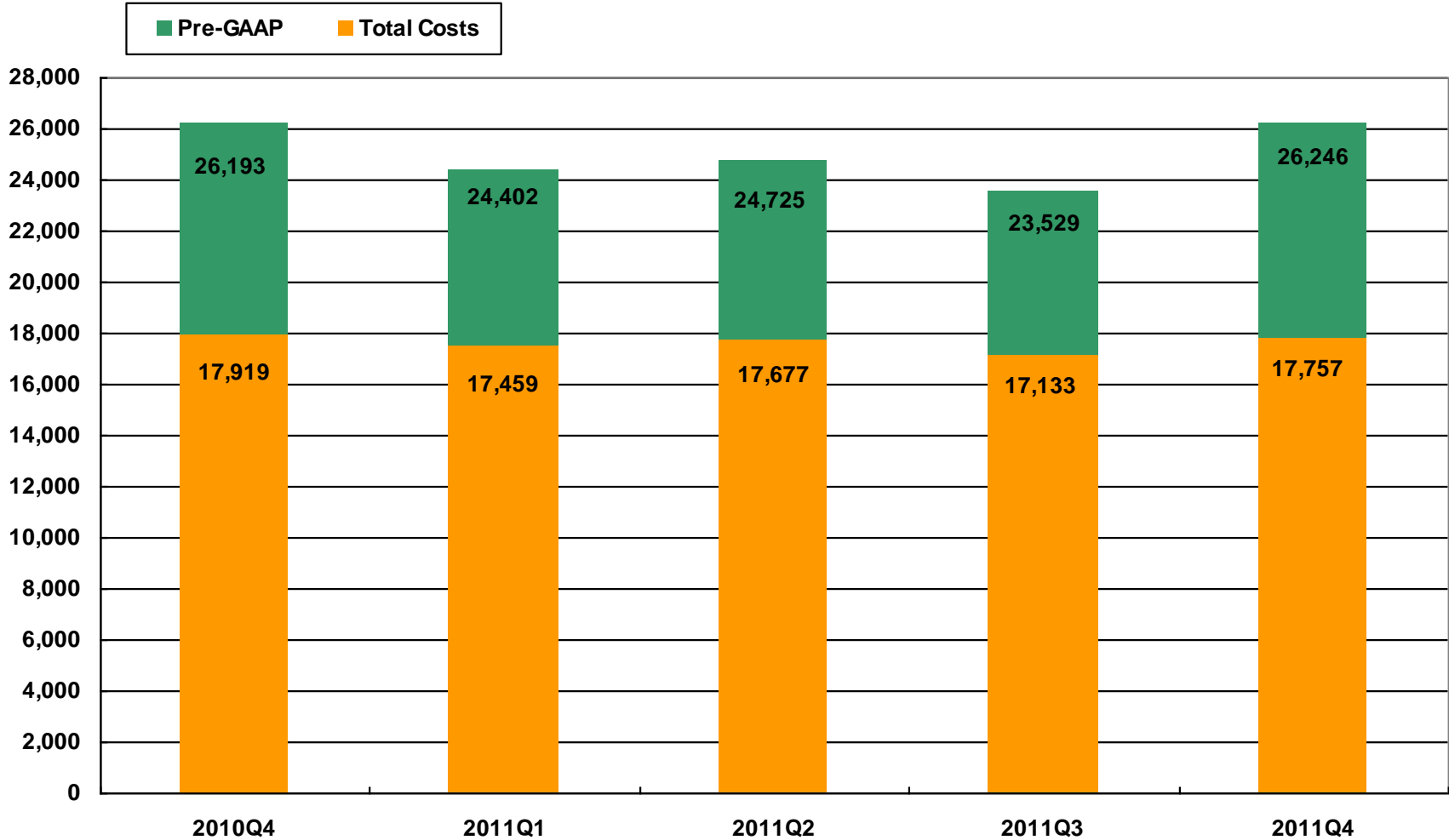
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Pre-GAAP vs Total costs

(in million Yen)

(unaudited)



* "Total costs" means COGS + SGA.

(Non-GAAP)
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Cash flows

(unaudited)
(in million Yen)

項目	4Q2010	4Q2011	YoY growth
Cash flows from operating activities	8,367	10,113	+ 21%
Cash flows from investing activities	- 3,725	1,678	—
Cash flows from financing activities	9	16	+ 79%
Effect of exchange rate changes on cash and cash equivalents	- 267	- 32	—
Net increase (decrease) in cash and cash equivalents	4,384	11,776	+ 169%
Cash and cash equivalents at beginning of this quarter period	59,751	59,390	- 1%
Cash and cash equivalents at end of this quarter period	64,136	71,167	+ 11%

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Q4 Highlights

- ***Continued growth in Strategic products***
- ***European growth recovers***

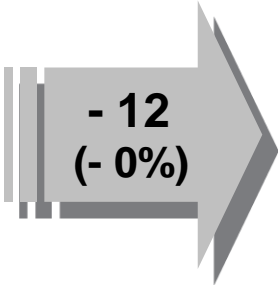
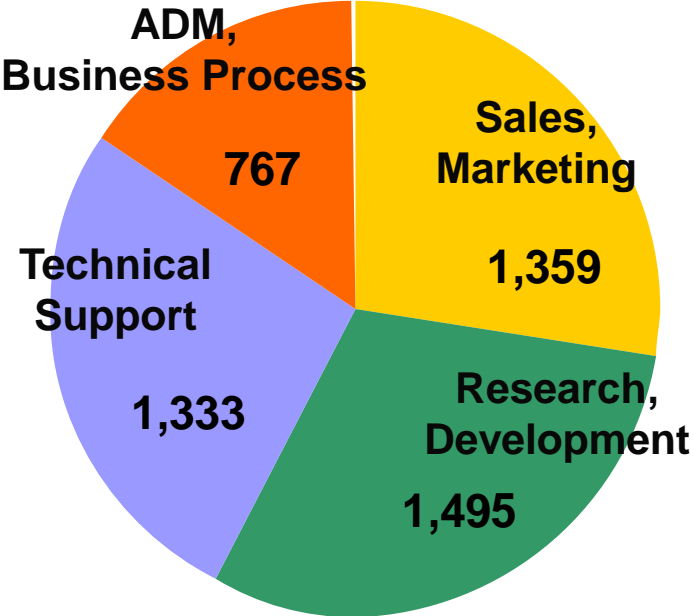
Q4 Lowlights

- ***Weakness in consumer and small business***
- ***Law suit against a particular type of consumer auto renewal in US may affect renewal rate in 2012***
- ***Economic uncertainty keeping sales cycle long***

Headcount

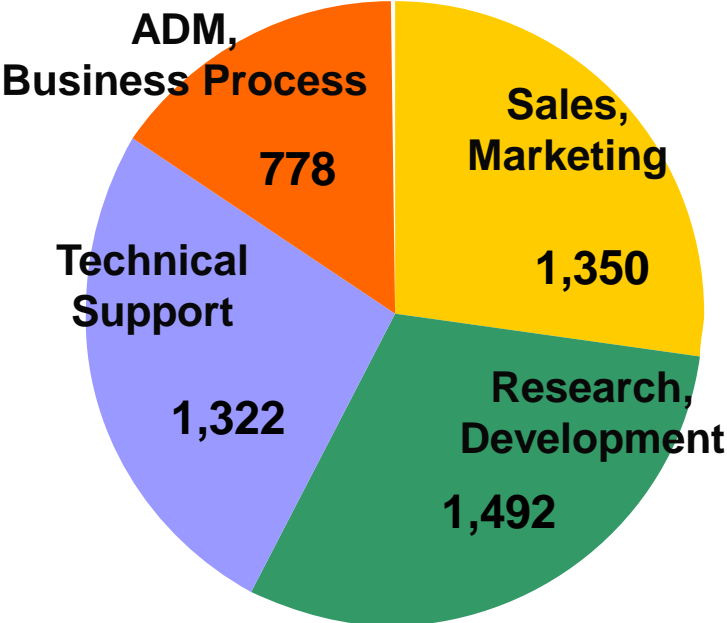
Sep - 2011

4,954



Dec - 2011

4,942

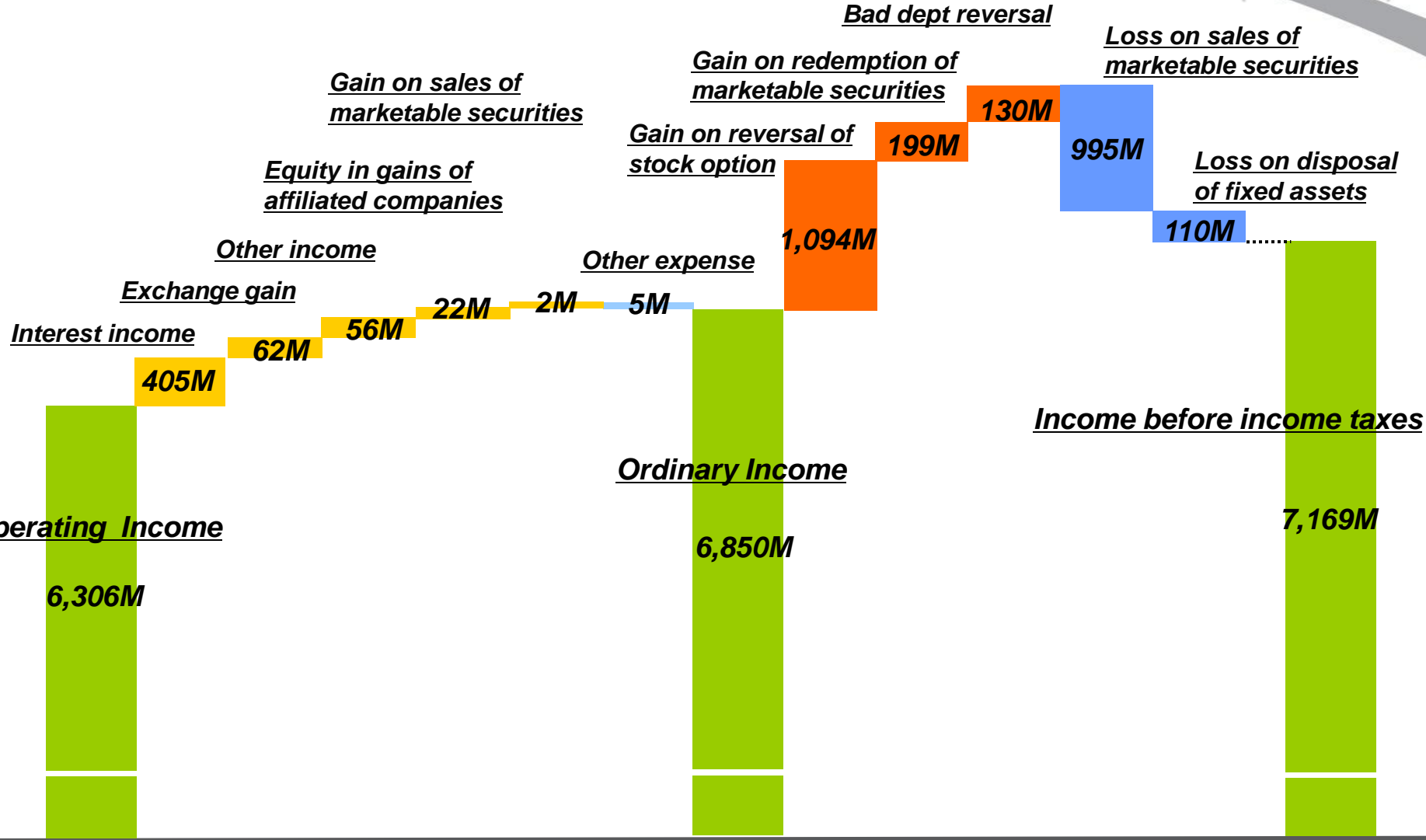


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Non-operating & Extra-ordinary Items

(unaudited)



(In accordance with Japan GAAP)

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Balance Sheet

(unaudited)

(in million Yen)

	Sep-2011	change	Dec-2011
<u>Assets</u>			
<i>Cash & cash equivalents</i>	68,516	+ 3,367	71,883
<i>Account receivable</i> <i>(less allowance for doubtful accounts)</i>	19,914	+ 1,047	20,961
<i>Marketable securities & Securities investments</i>	55,077	+ 5,895	60,972
<u>Liabilities</u>			
<i>Deferred revenue</i> <i>(total of current and long-term)</i>	74,599	+ 857	75,456
<u>Shareholders' Equity</u>			
<i>Common Stock & Additional paid in capital</i>	39,498	0	39,498
<i>Treasury Stock</i>	- 26,483	+ 23	- 26,460

(In accordance with Japan GAAP)

FY2011 Annual Financial Highlight

(Full year ended December 31, 2011)

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Consolidated Results (Annual)

<i>Fiscal year ended Dec 31,</i>	<i>FY2010</i>	<i>FY2011</i>	<i>(in million Yen) (unaudited) YoY growth</i>
Net sales	95,391	96,392	1%
Cost of sales	16,726	17,895	7%
Operating expenses	54,912	52,132	- 5%
Operating income <i>(Margin)</i>	23,752 <i>(25%)</i>	26,364 <i>(27%)</i>	11%
Ordinary income	23,835	28,690	20%
Net income	12,720	17,341	36%
Earnings per share (Yen)	95.27	131.23	38%
Dividend per share (Yen)	70.00	86.00	23%

(In accordance with Japan GAAP)

“For reference” Revenue before adjusting deferred revenue

Pre-GAAP	101,723	98,904	- 3%
			0% <small>(Non-GAAP)</small>
<i>(In case of excluding a foreign exchange impact)</i>			

If currency exchange rates used for FY2010 were used for FY2011

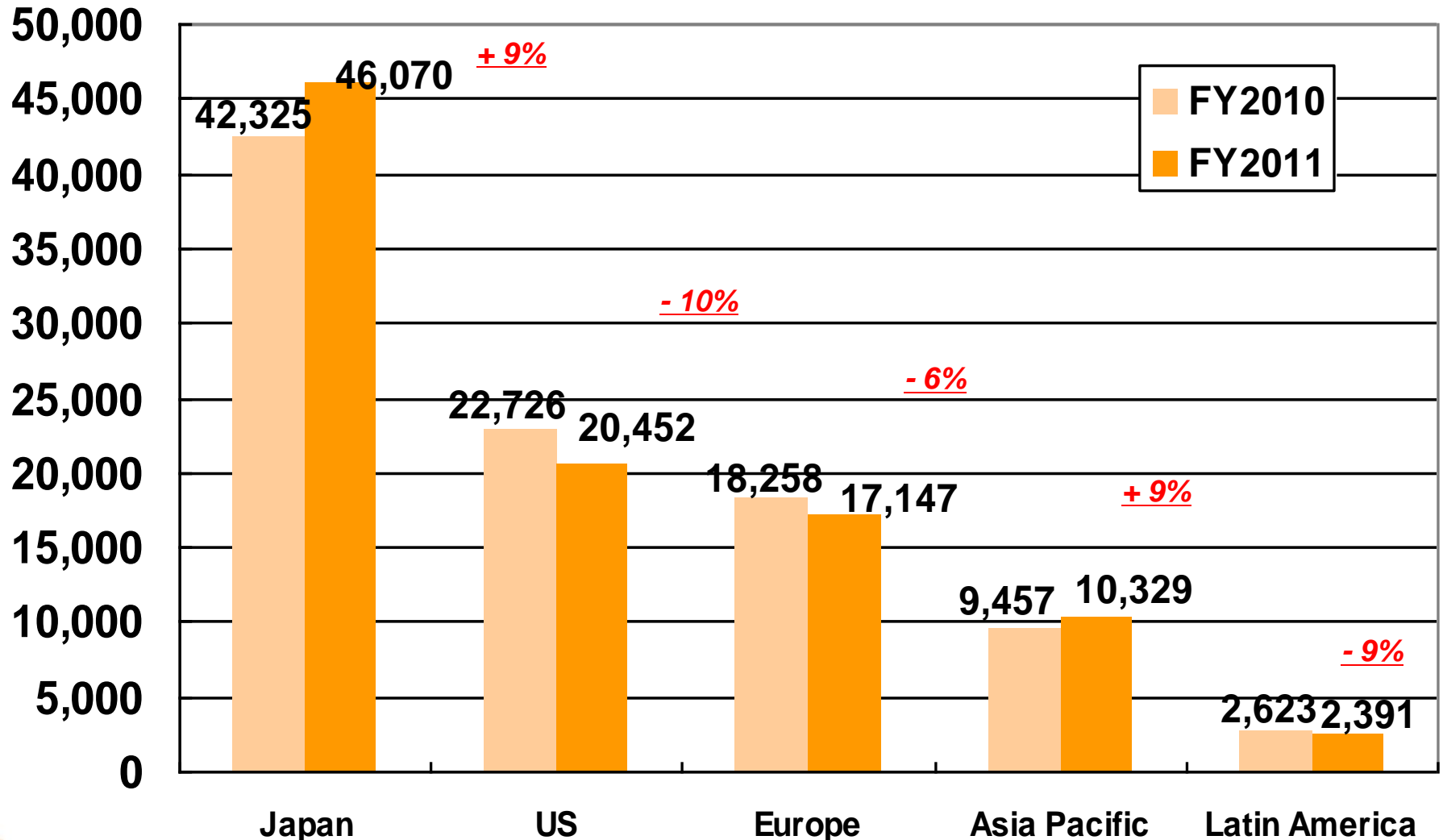
Net sales	95,391	99,511	+ 4%
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** The JPY amount for FY2011 shown above has been calculated by applying to each foreign currency net sales amount for FY2011 the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for FY2010 into a JPY net sales amount for Japan GAAP reporting purposes.*

Net Sales Growth by Region

(in million Yen)

(unaudited)



(In accordance with Japan GAAP)

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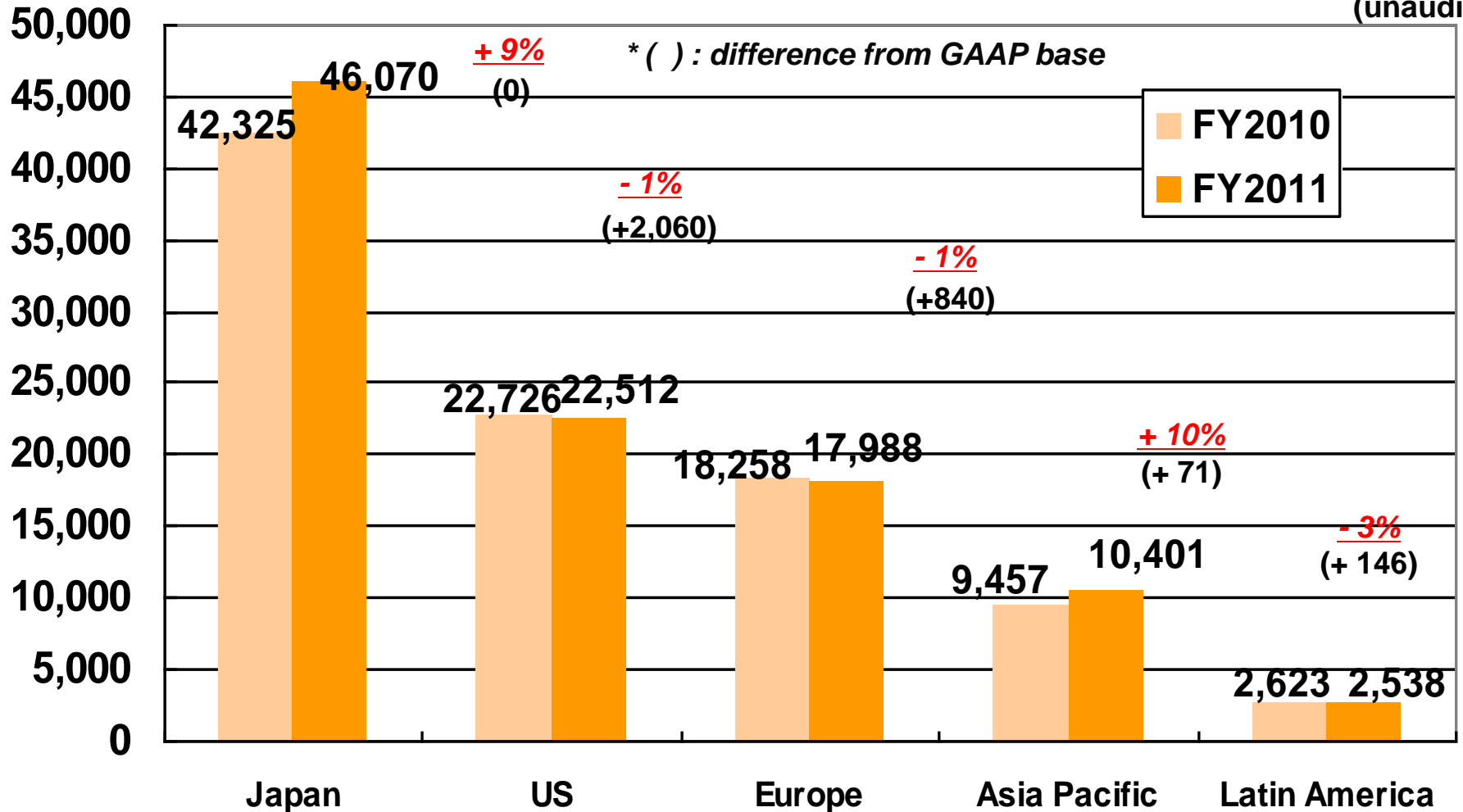


Net Sales Growth by Region

If currency exchange rates used for FY2010 were used for FY2011:

(in million Yen)

(unaudited)



* Each JPY amount for FY2011 shown above has been calculated by applying to the relevant foreign currency net sales amount for FY2011 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 FY2010 into a JPY net sales amount for Japan GAAP reporting purposes.

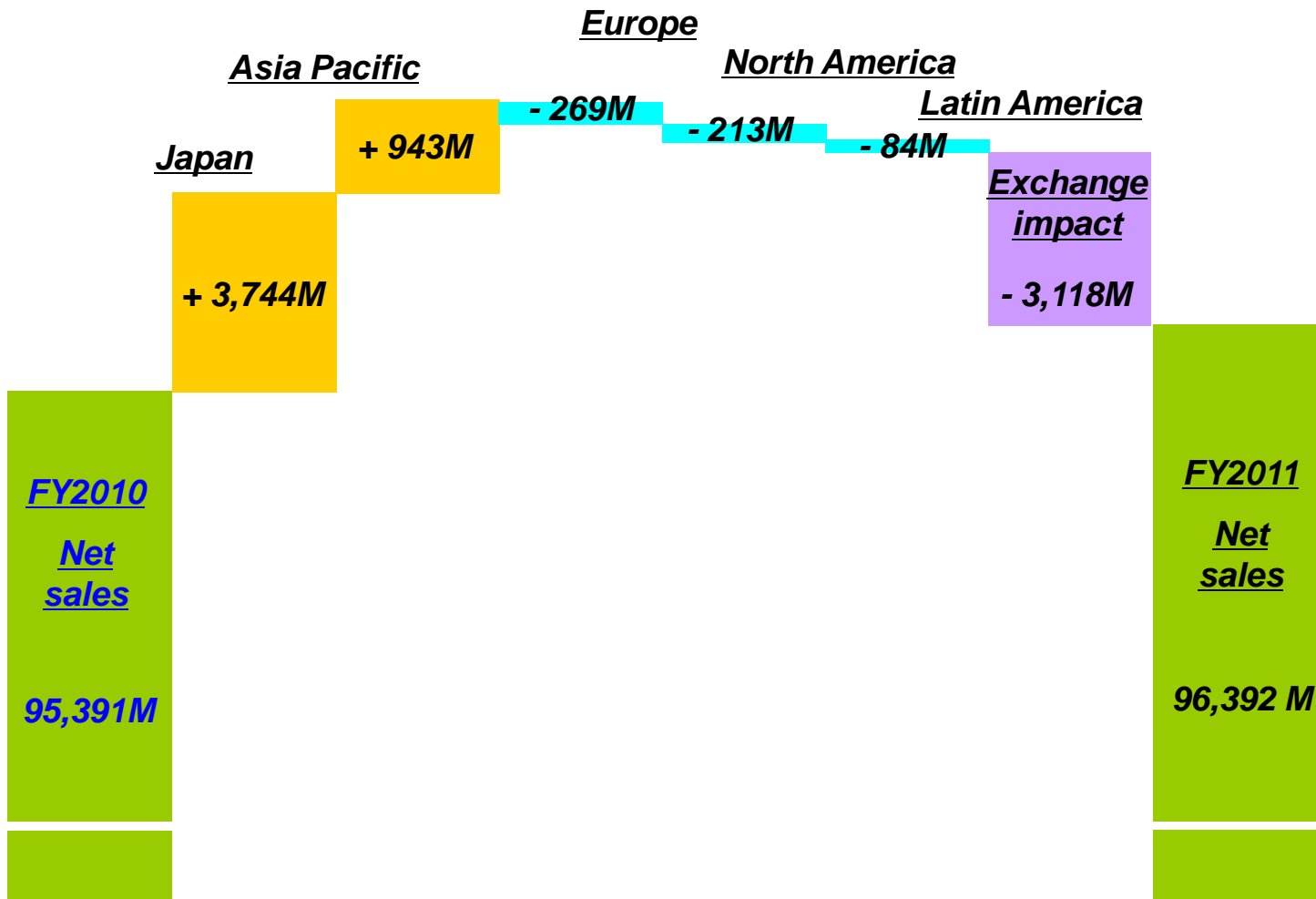
(Non-GAAP)

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Decomposition of Revenue (vs. last year)

(unaudited)



(Non-GAAP)

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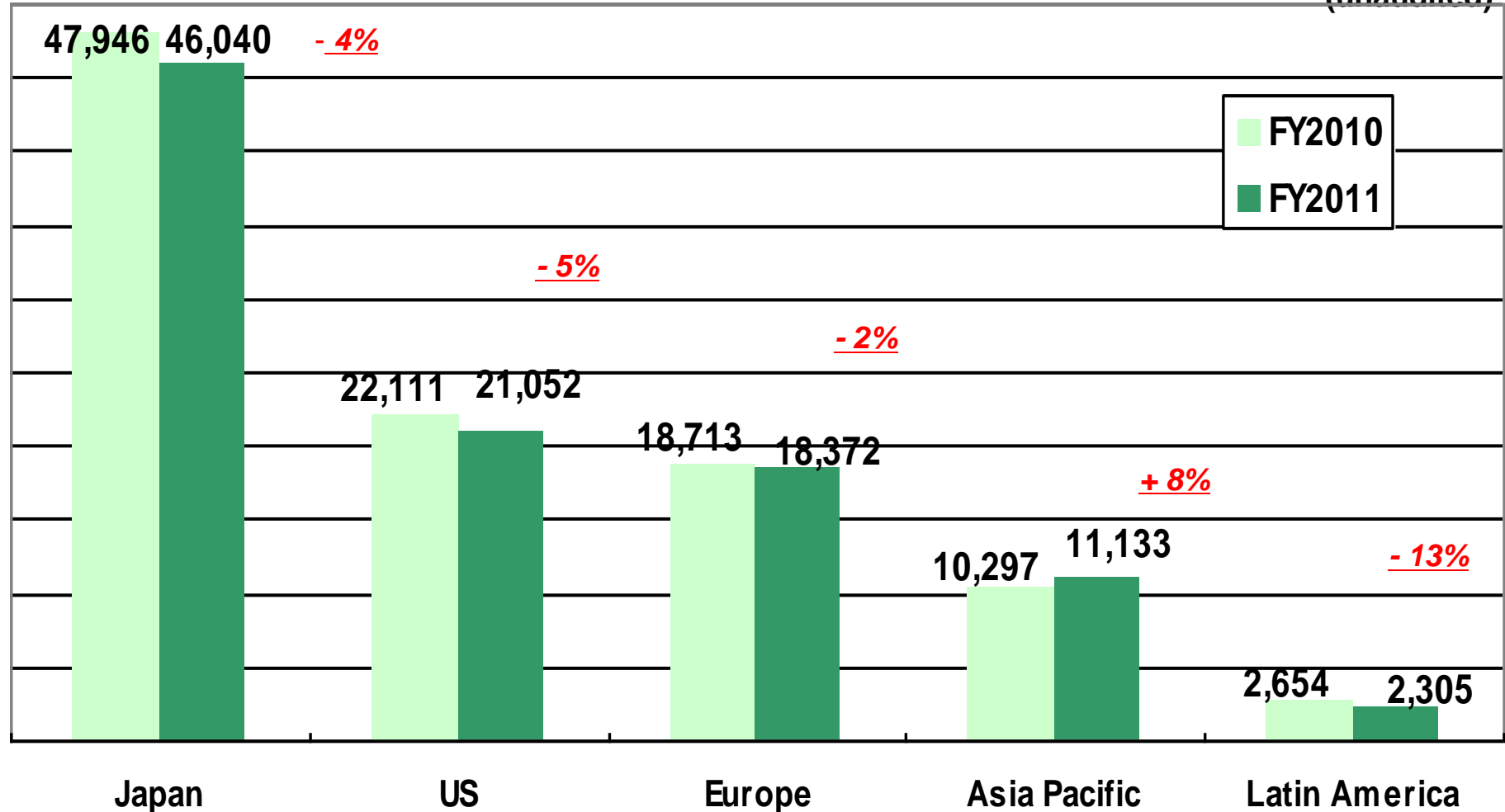


“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(in million Yen)

(unaudited)



(Non-GAAP)

“Notice”

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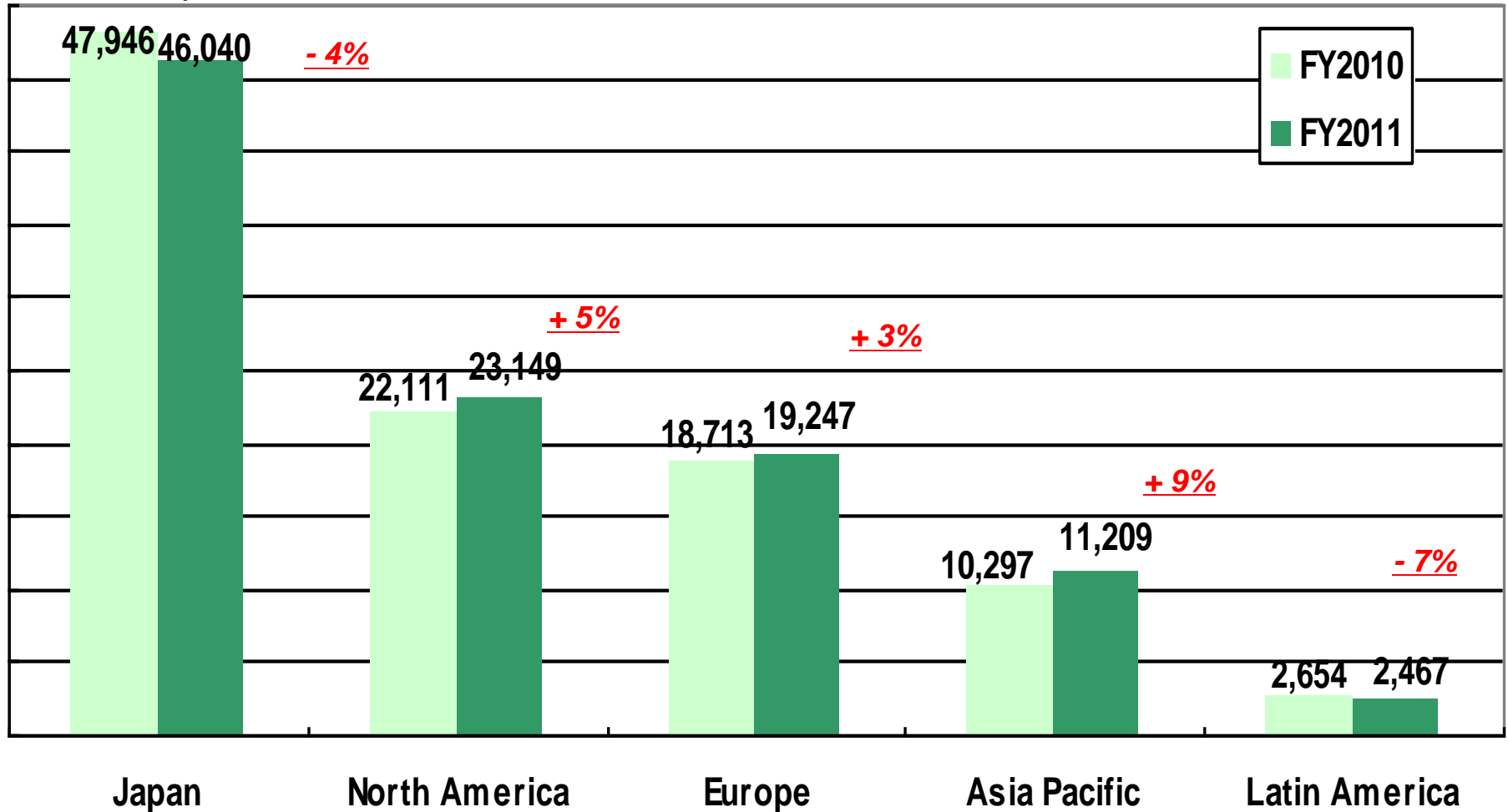
“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

If currency exchange rates used for FY2010 were used for FY2011:

(unaudited)

(in million Yen)



“Notice”

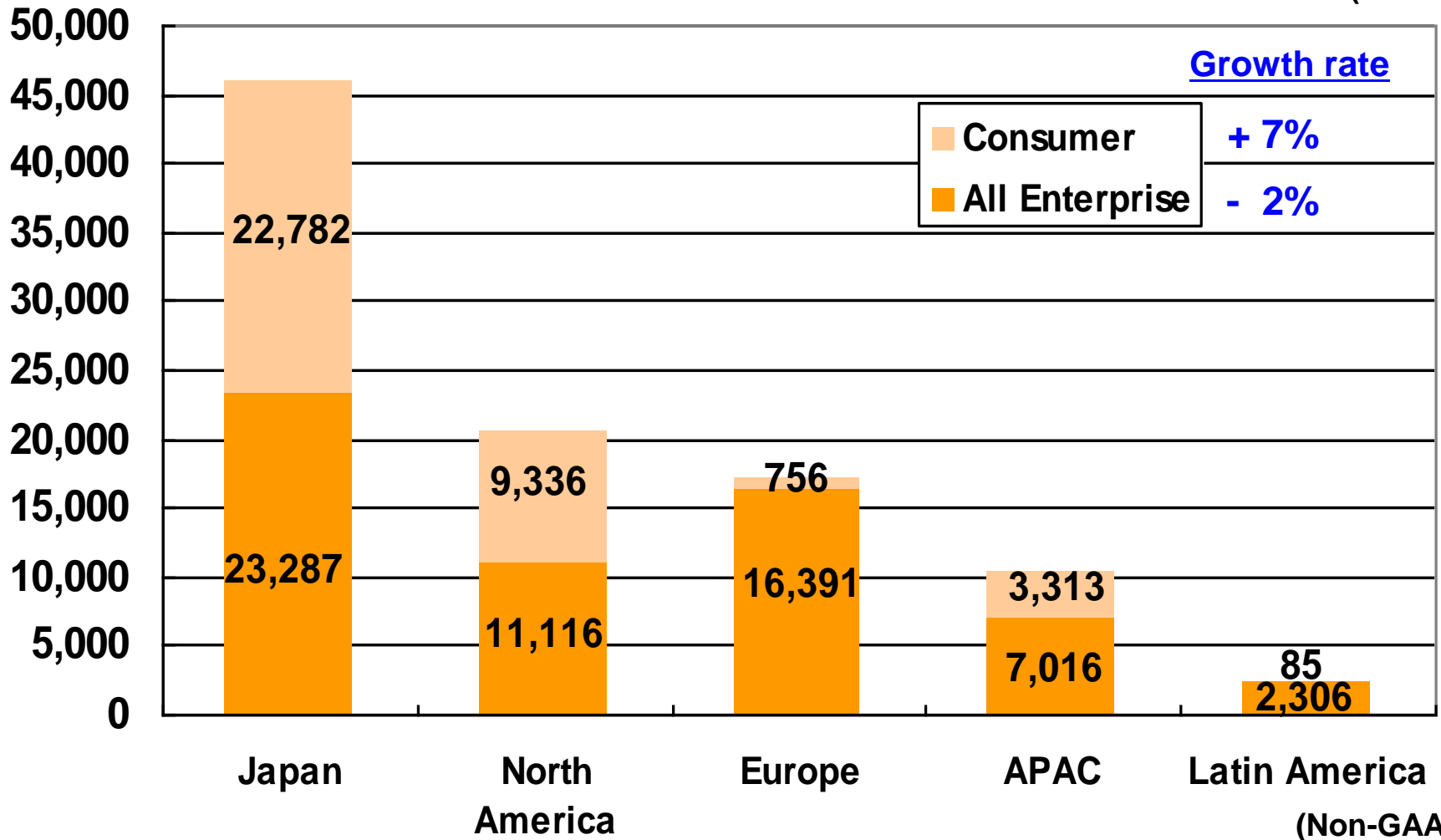
Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance. As these numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

FY2011 Annual Sales by segment

(in million Yen)

(unaudited)



(Non-GAAP)

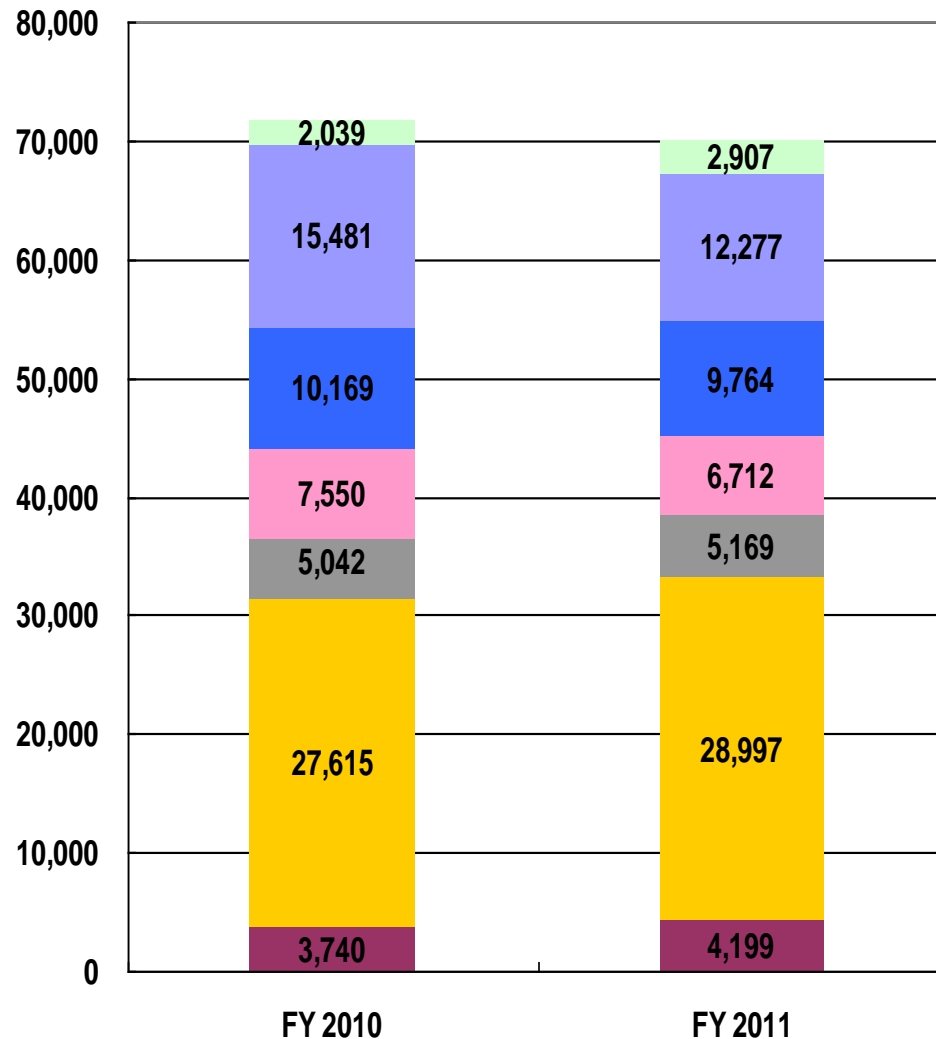
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FY2011 Annual Cost

(unaudited)

(in million Yen)



YoY Growth

Goods / Software & Capitalization	+ 43%
Selling & Marketing	- 21%
Administration	- 4%
Outside service	- 11%
Office overhead	+ 3%
Salary & Benefit	+ 5%
Stock option & Acquisition related costs	+ 12%

Total - 2%

Headcount + 2%

(Non-GAAP)

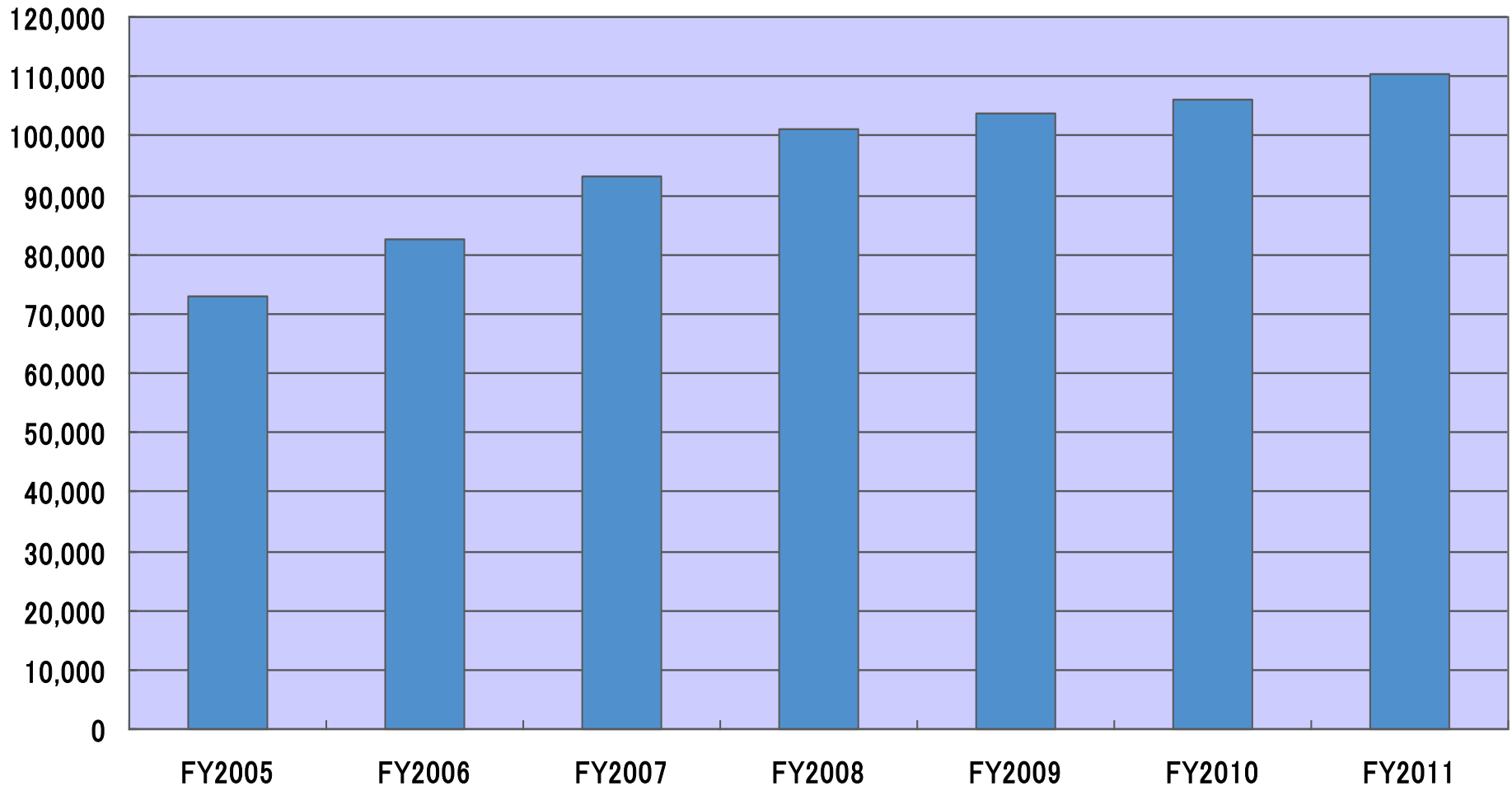
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Constant currency Revenue transition (based on FY2005)

(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

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(Non-GAAP)



Cash Dividends for FY2011

Policy for Dividend payout ratio : 65%

(unaudited)

Dividends for FY2011

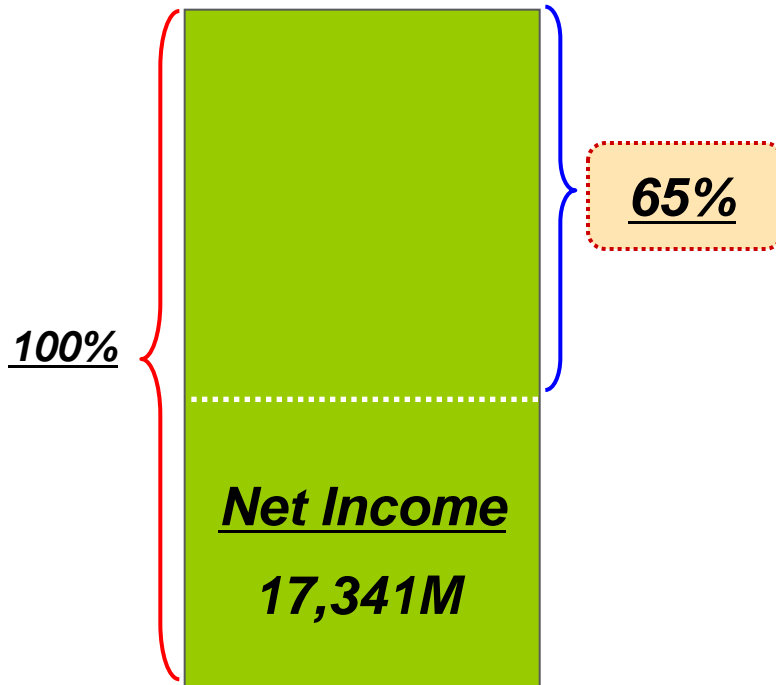
Total : 11,313 Million Yen

Per Share: 86 Yen

(+ 23% YoY)

FY2010: 70 Yen per share

*** Subject to the approval at the Ordinary General Meeting of Shareholders scheduled in late March, 2012**

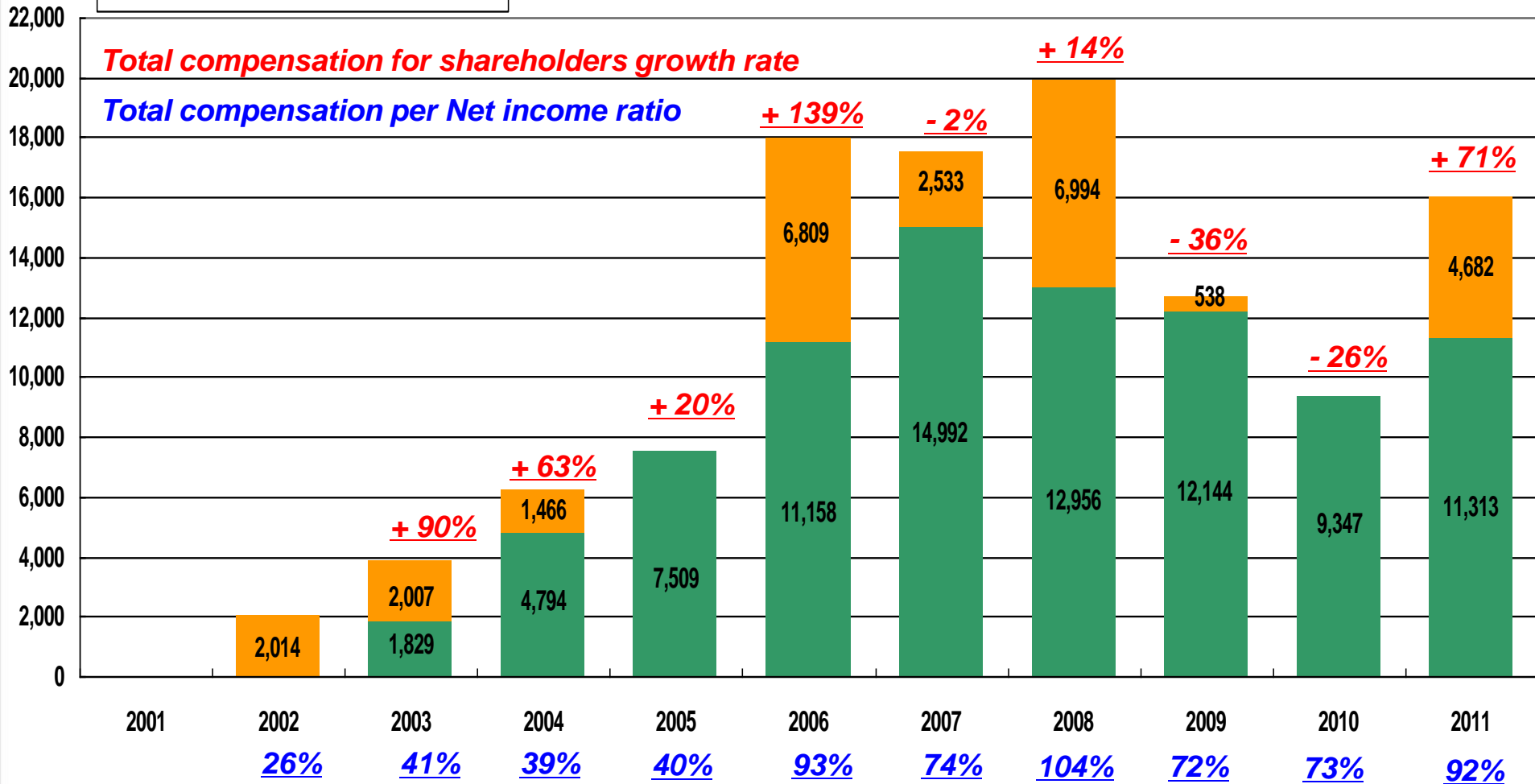


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Compensation for Share holders

(in million Yen)

(unaudited)



(Between FY2000 and FY2005 in accordance with US GAAP)

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Q1 forecast assumptions

- *Japan and Europe decrease by mid single digit respectively, US decreases by mid-teen*
- *Stock option expenses will be 0.7Bn yen*
- *Estimated exchange rate:*
 - 1USD = 76 yen (last year: 82 yen)*
 - 1EUR = 100 yen (last year: 113 yen)*

Projection for 1Q2012

(unaudited)

	<u>For 1Q2012</u> <u>Jan - Mar, 2012</u>	<u>Expected</u> <u>YoY growth</u>	(in million Yen)
Net Sales	22,500	<u>- 6%</u>	
Operating Income	4,600	<u>- 29%</u>	
Ordinary Income	4,900	<u>- 22%</u>	
Net Income	2,700	<u>- 32%</u>	

(In accordance with Japan GAAP)

• Including both stock option expenses and amortization of goodwill (about 0.9 Bn Yen)

In case of excluding a foreign exchange impact (a rule of thumb)

Net Sales - 1%

(Non-GAAP)
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Thank you!

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Appendix

(unaudited)

Quarterly Chart (1)

(in million Yen)

	FY2010				FY2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	23,728	23,493	23,950	24,218	23,980	24,333	24,015	24,064
Cost of sales	4,032	4,025	4,446	4,222	4,412	4,343	4,620	4,519
Operating expenses	13,653	13,900	13,660	13,697	13,046	13,334	12,513	13,237
Operating income	6,042	5,567	5,843	6,298	6,520	6,655	6,881	6,306
Ordinary income	6,207	5,744	5,859	6,023	6,260	6,874	8,705	6,850
Net income	3,529	3,237	2,781	3,172	3,995	3,934	5,540	3,871
(Costs)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Goods / Software Amortization & Capitalization	611	383	545	498	779	511	787	828
Selling & Marketing	3,973	3,966	3,998	3,542	2,964	3,216	3,040	3,056
Administration	2,494	2,492	2,429	2,752	2,275	2,461	2,258	2,768
Outside service	1,797	1,821	2,043	1,887	1,807	1,655	1,532	1,716
Office overhead	1,179	1,267	1,295	1,300	1,317	1,328	1,280	1,243
Salary & Benefit	6,784	7,002	6,846	6,982	7,369	7,384	7,094	7,149
Stock option cost	667	673	662	676	664	696	711	650
Acquisition related costs	177	318	284	279	280	423	427	344
Total	17,685	17,926	18,106	17,919	17,459	17,677	17,133	17,757
The number of employees	4,575	4,727	4,831	4,846	4,848	4,882	4,954	4,942
Applied rate to yen (US\$)	90.73	91.94	85.78	82.68	82.31	81.72	77.82	77.35
Applied rate to yen (Euro)	125.66	116.78	110.67	112.09	112.51	117.36	109.99	104.13

