



Securing Your Journey  
to the Cloud



## ***Trend Micro FY2011.3Q Results***

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***Mahendra Negi COO/CFO, Representative Director***

***November 9, 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.

# **FY2011. 3Q Financial Highlight**

**(Third quarter ended September 30, 2011)**

# Consolidated Results

Three months ended Sep 30,	(in million Yen) (unaudited)		
	3Q2010	3Q2011	YoY growth
Net sales	23,950	24,015	+ 0%
Cost of sales	4,446	4,620	+ 4%
Operating expenses	13,660	12,513	- 8%
Operating income (Margin)	5,843 (24%)	6,881 (29%)	+ 18%
Ordinary income	5,859	8,705	+ 49%
Net income	2,781	5,540	+ 99%

(In accordance with Japan GAAP)

## Amount of contracts concluded

Bookings	25,113	20,843	- 17%
			( In case of excluding a foreign exchange impact )

- 3%

(Non-GAAP)

## If currency exchange rates used for 3Q2010 were used for 3Q2011

Net sales	23,950	24,530	+ 2%
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\* The JPY amount for 3Q2011 shown above has been calculated by applying to each foreign currency net sales amount for 3Q2011 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 3Q2010 into a JPY net sales amount for Japan GAAP reporting purposes.

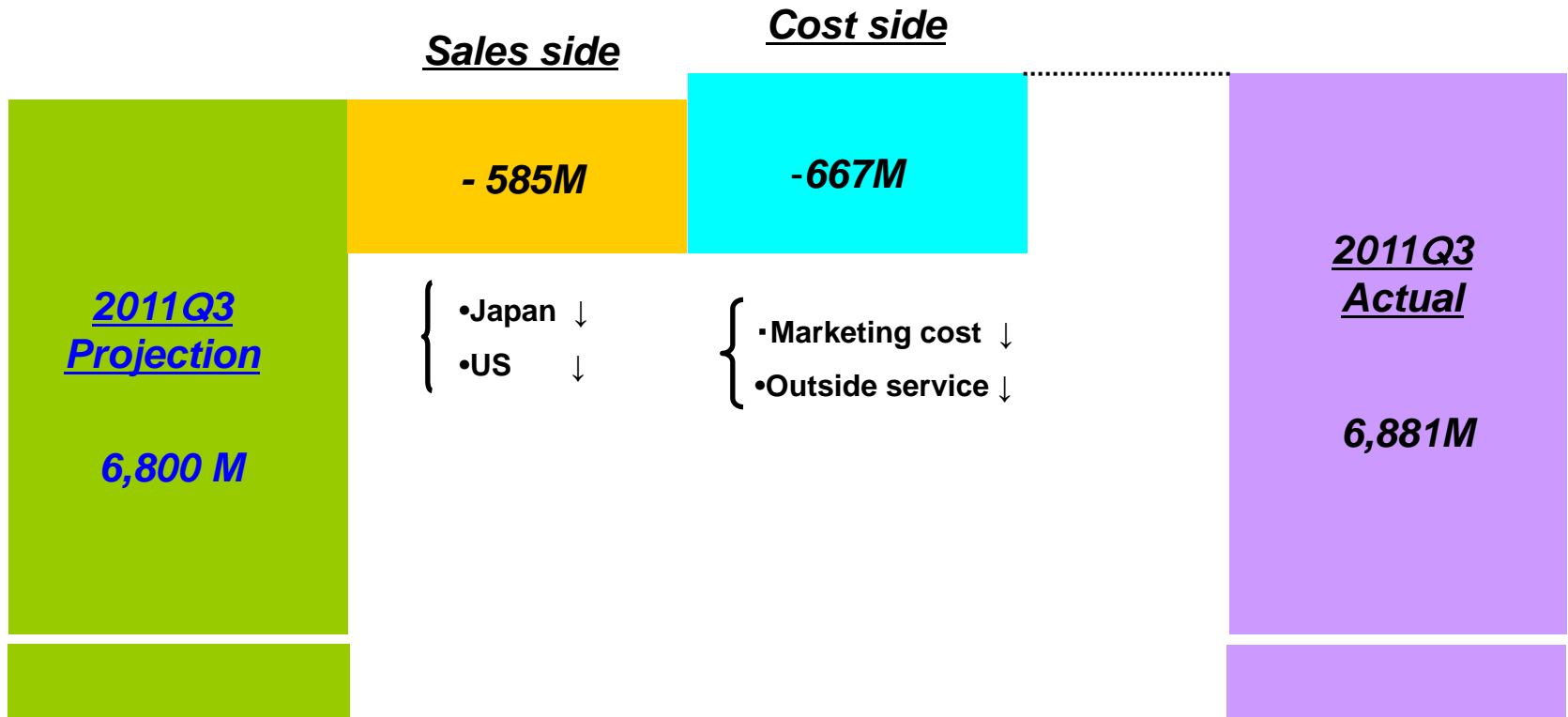
# USD based Results (Non-GAAP)

<i>Three months ended Sep 30,</i>	<i>3Q2010</i>	<i>3Q2011</i>	<i>(unaudited) (in thousand USD) YoY change</i>
<b>Net sales</b>	<b>279,208</b>	<b>308,599</b>	<b>11%</b>
<b>Cost of sales</b>	<b>51,832</b>	<b>59,378</b>	<b>15%</b>
<b>Operating expenses</b>	<b>159,250</b>	<b>160,794</b>	<b>1%</b>
<b>Operating income</b>	<b>68,125</b>	<b>88,431</b>	<b>30%</b>
<b>Ordinary income</b>	<b>68,310</b>	<b>111,861</b>	<b>64%</b>
<b>Net Income</b>	<b>32,424</b>	<b>71,190</b>	<b>120%</b>

**(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=85.78 JPY for 3Q2010 and 1 USD =77.82 JPY for 3Q2011, respectively, which are the respective weighted average exchange rates used to convert USD net sales to JPY for these quarters.*

# Vs. Projection analysis (Operating income)

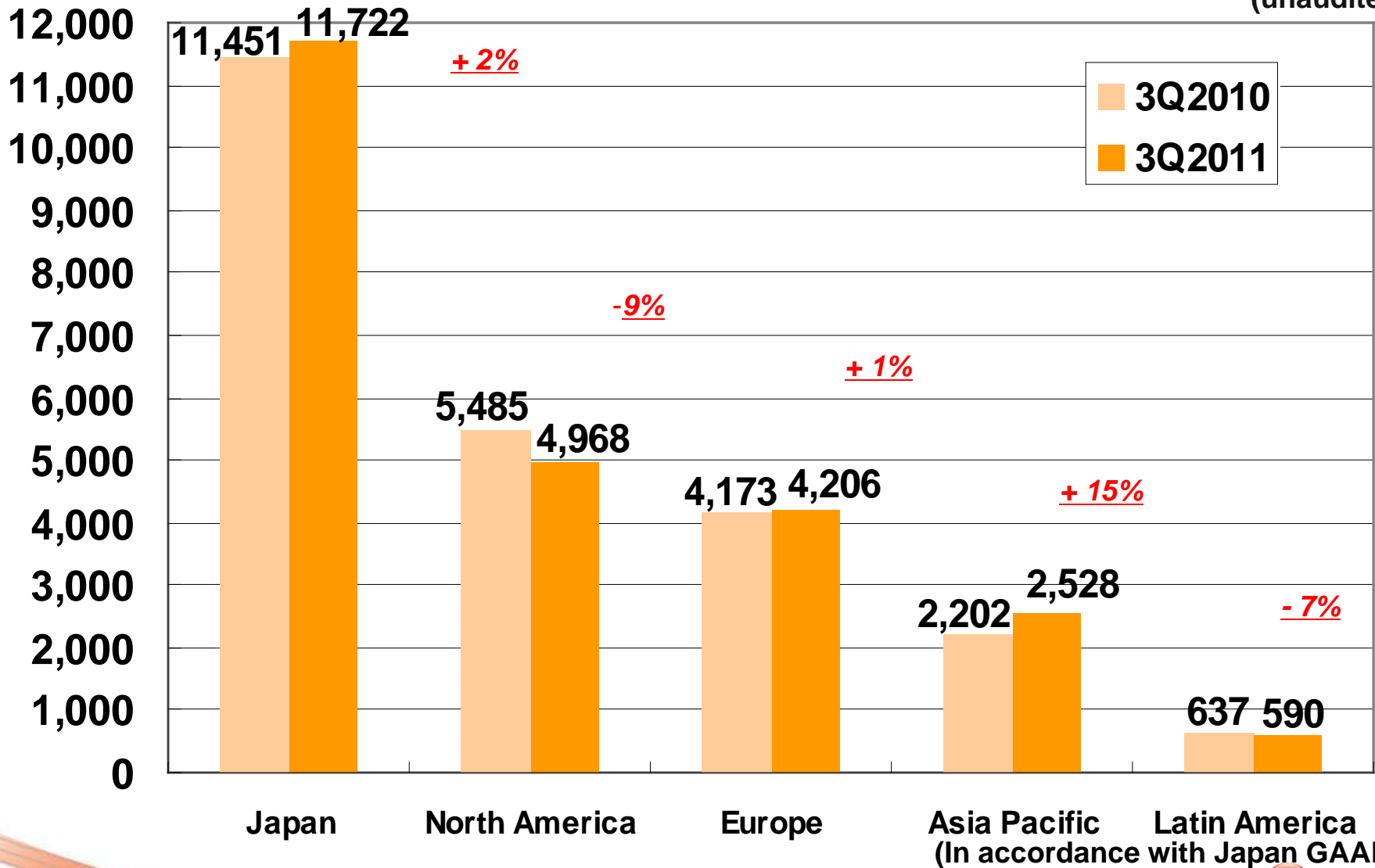


(Non-GAAP)

# Net Sales Growth by Region

(in million Yen)

(unaudited)



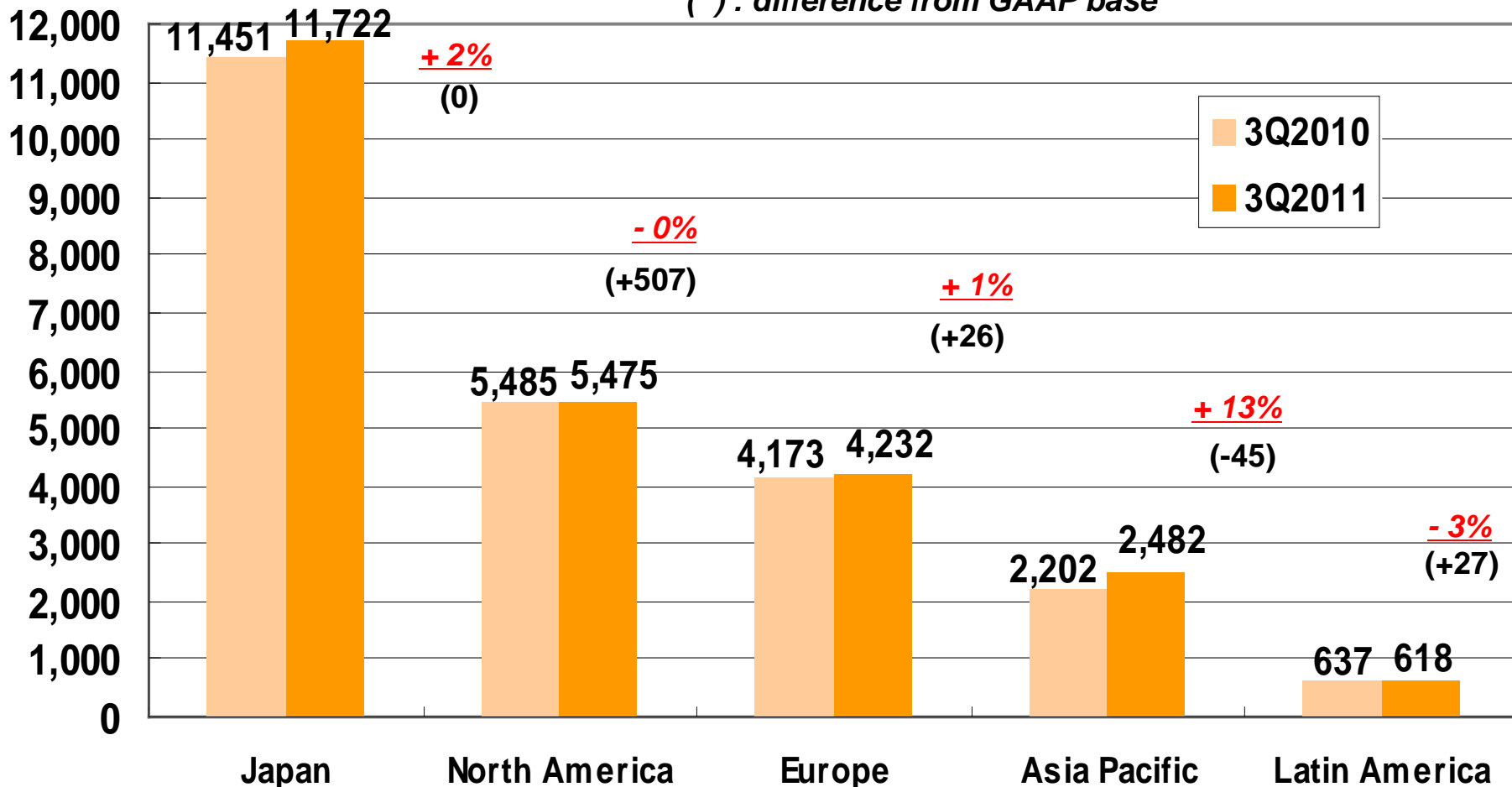
# Net Sales Growth by Region

If currency exchange rates used for 3Q2010 were used for 3Q2011:

(in million Yen)

\* ( ) : difference from GAAP base

(unaudited)

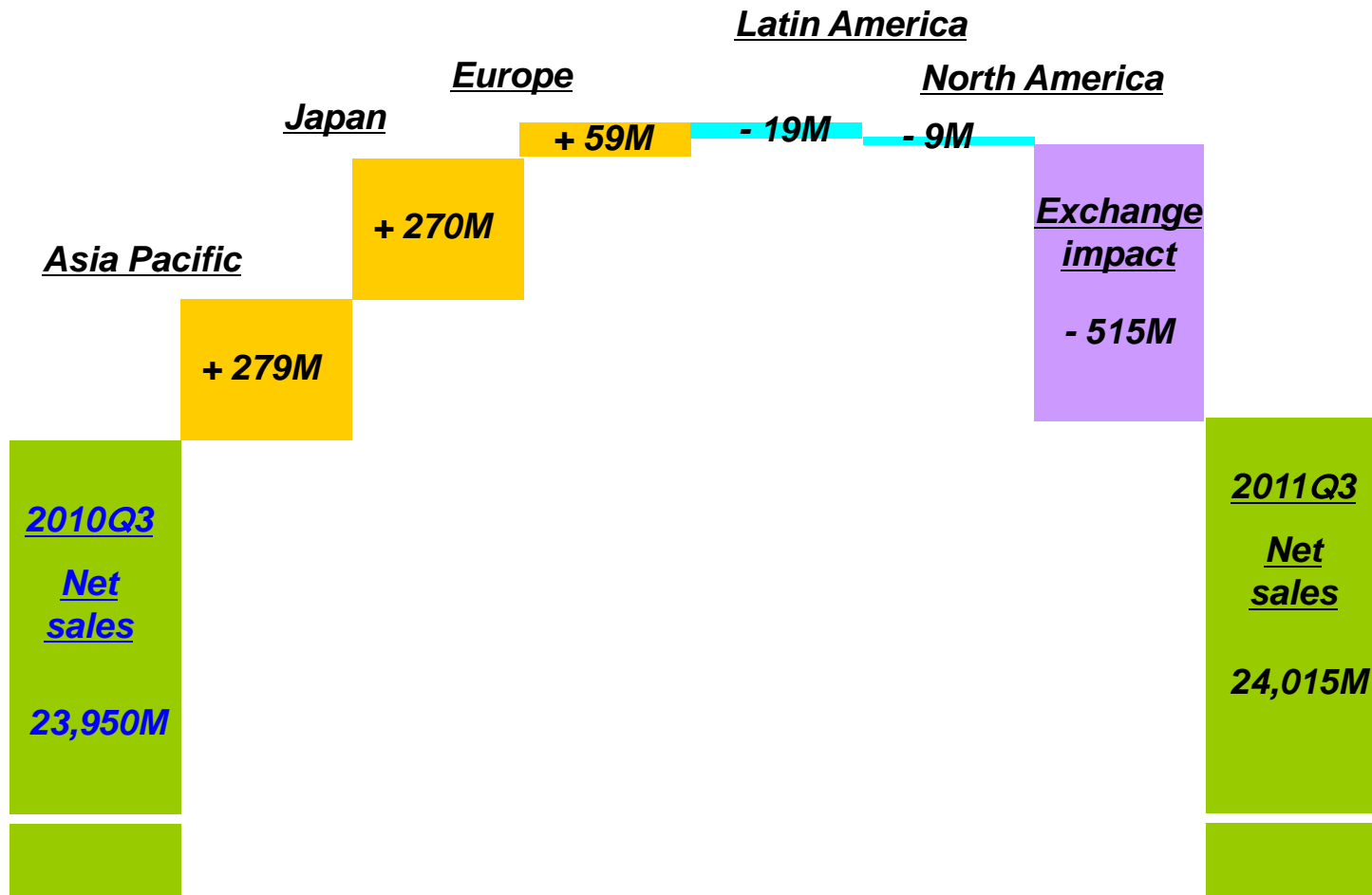


\* Each JPY amount for 3Q2011 shown above has been calculated by applying to the relevant foreign currency net sales amount for 3Q2011 the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for 3Q2010 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.

(Non-GAAP)

# Decomposition of Revenue (vs. last year)

(unaudited)

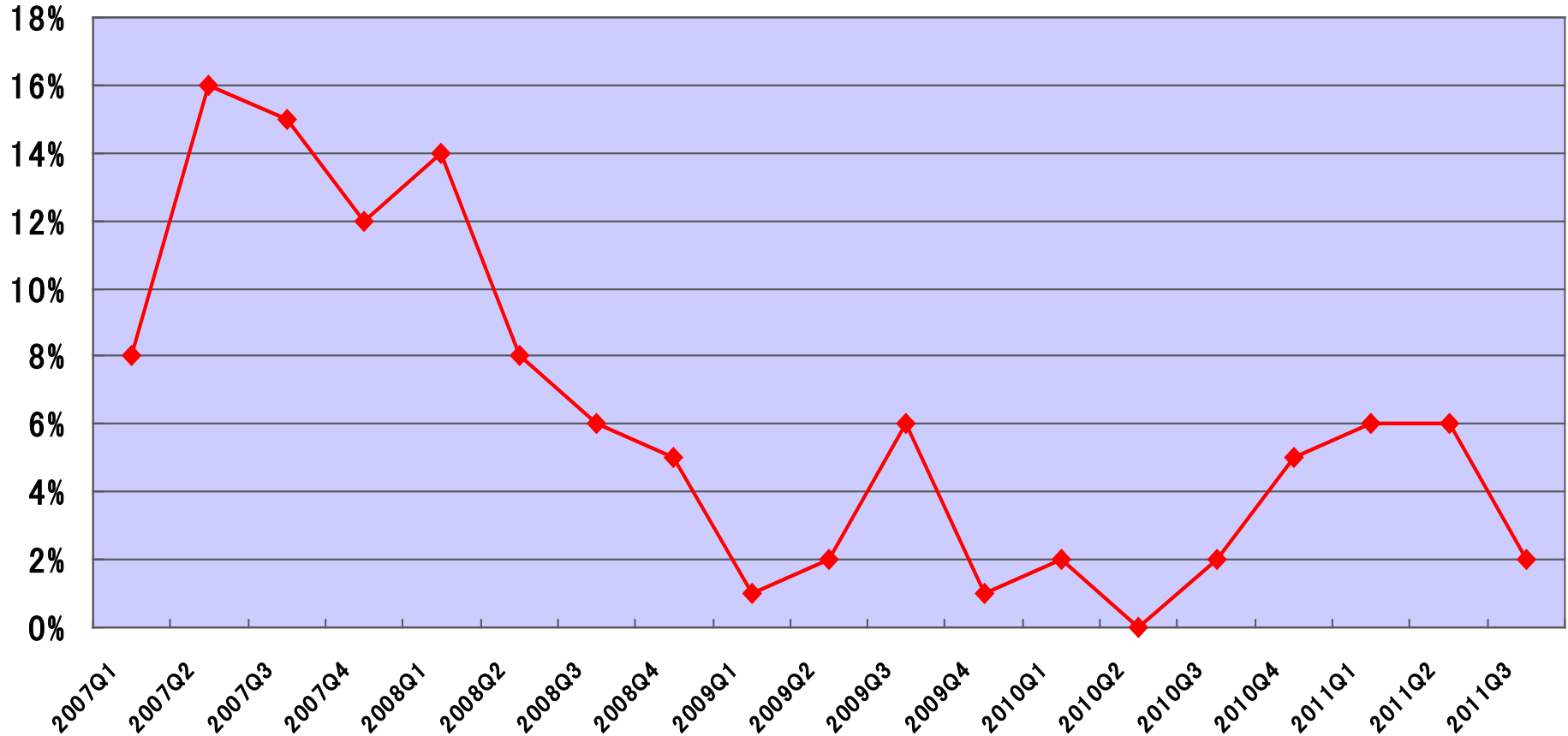


(Non-GAAP)

# Constant currency Revenue growth

(unaudited)

(YoY)

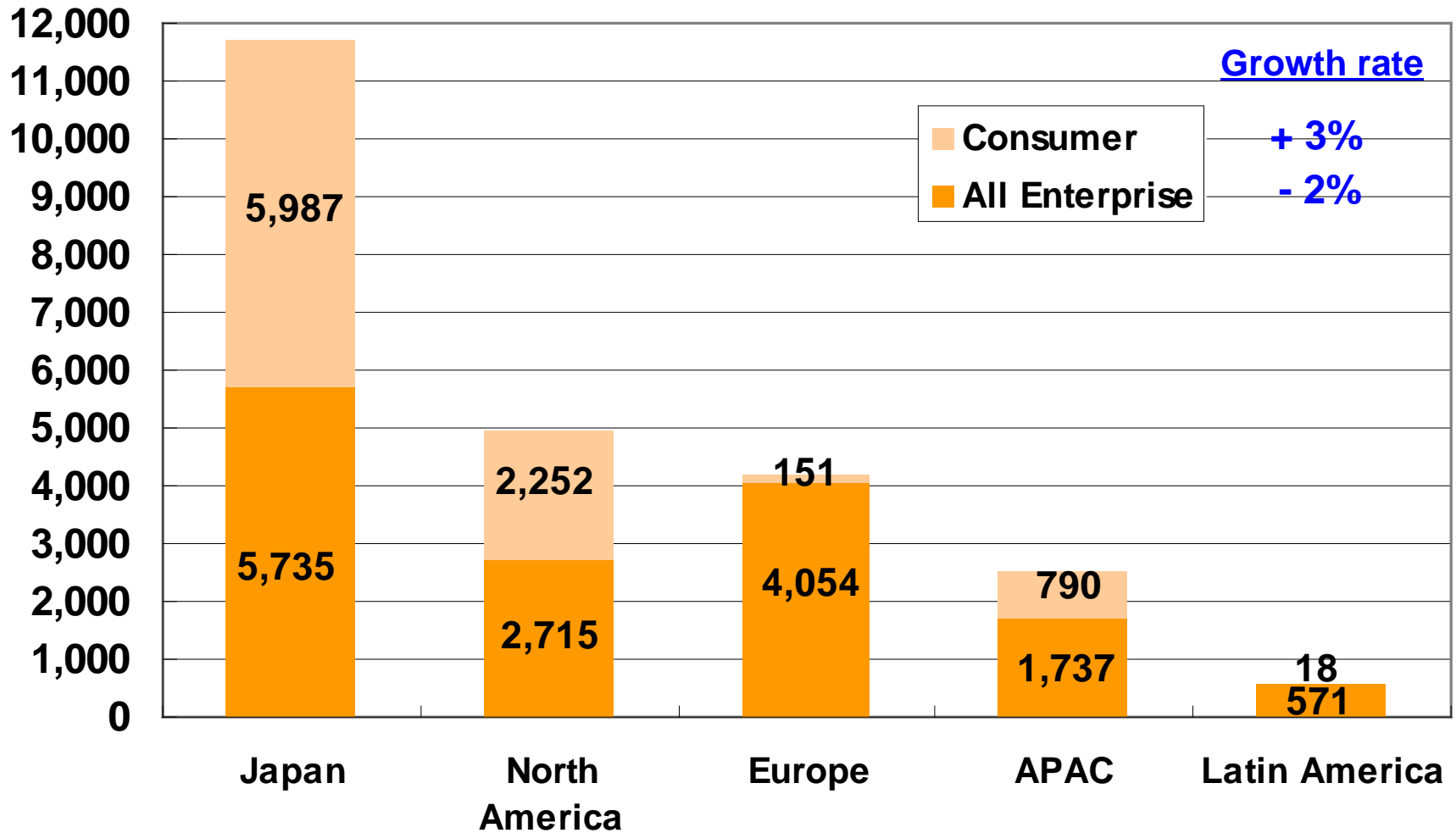


• Each growth rate shown above is based on applying to each quarter the same currency rate as the previous year for the same period

# Sales by Segment

(in million Yen)

(unaudited)



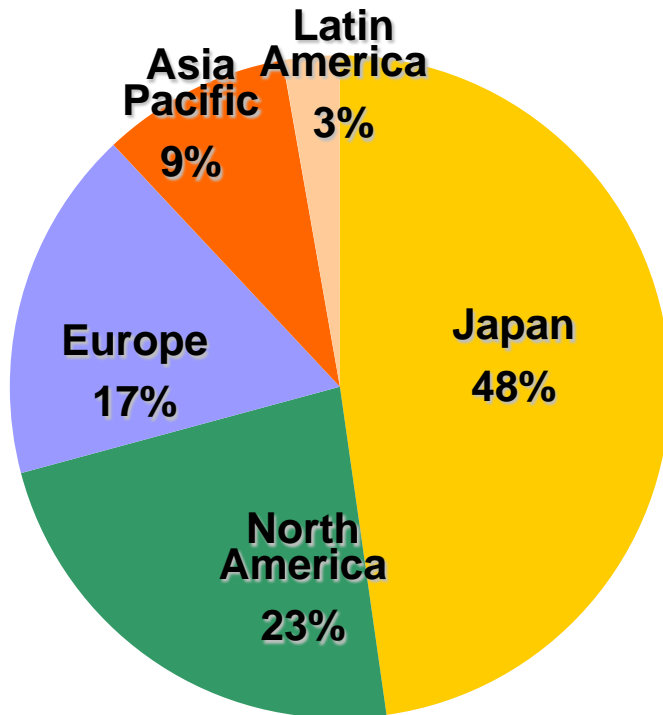
(Non-GAAP)



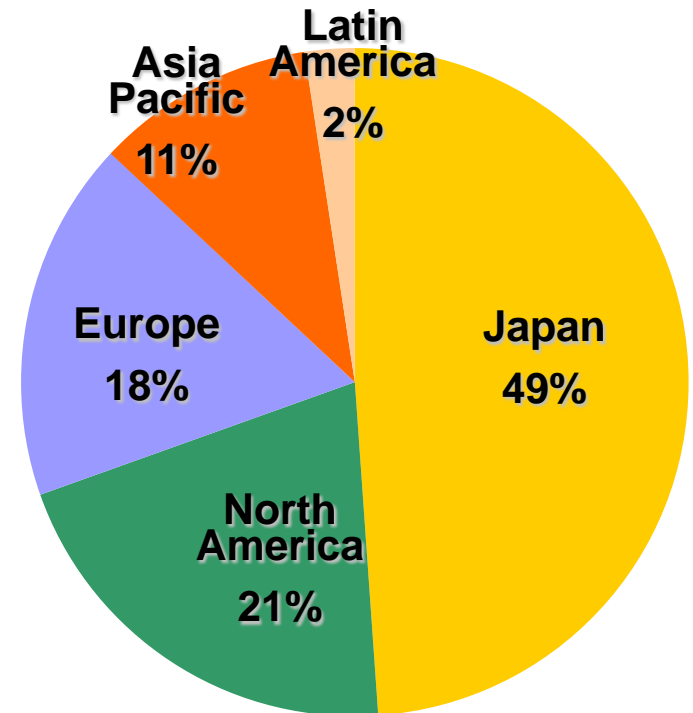
# % share by region

(unaudited)

**3Q2010**  
**23,950 million Yen**



**3Q2011**  
**24,015 million Yen**

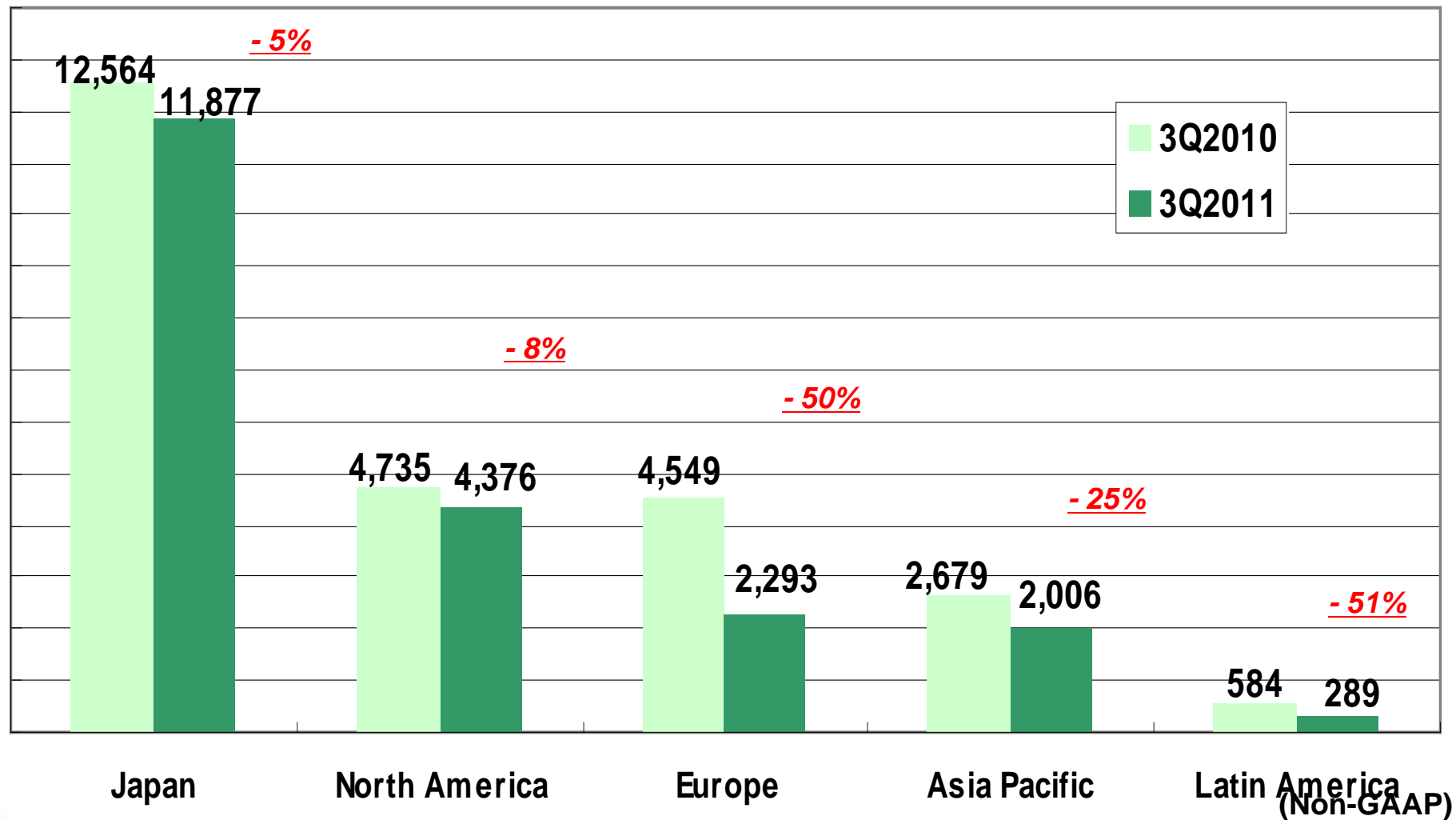


(In accordance with Japan GAAP)

# Bookings (Amount of contracts concluded)

(in million Yen)

(unaudited)



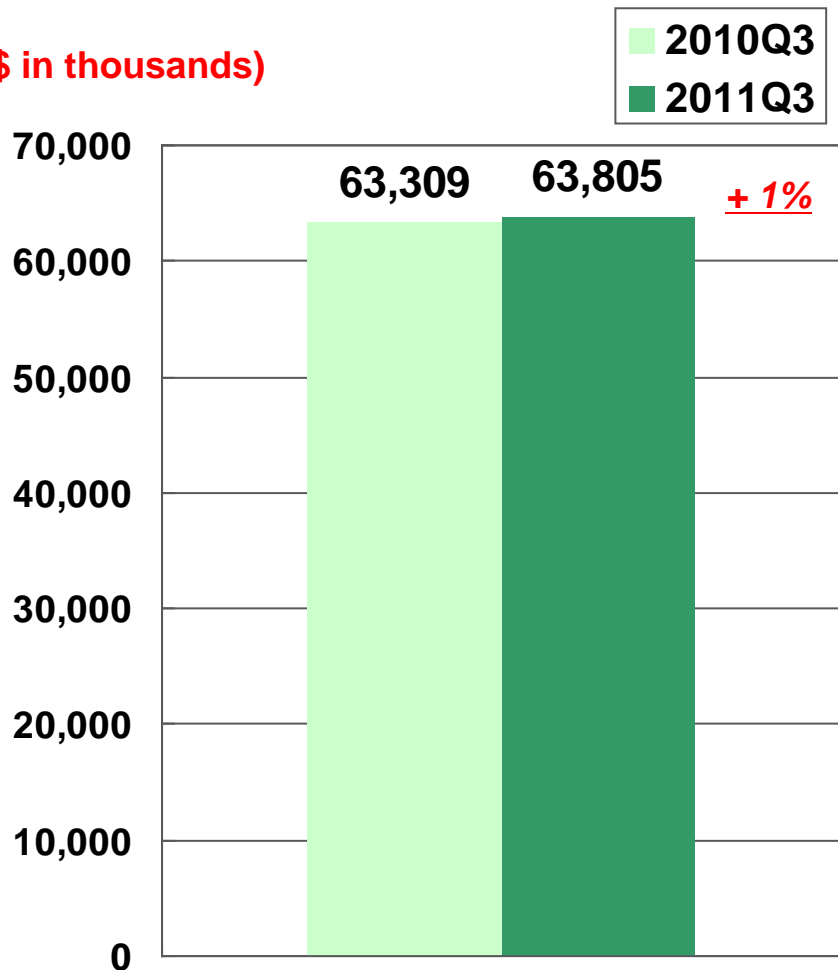
\* Bookings = Net sales + Deferred revenue balance as of this Q – Deferred revenue balance as of previous Q

# Local currency based Bookings (US, Europe)

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

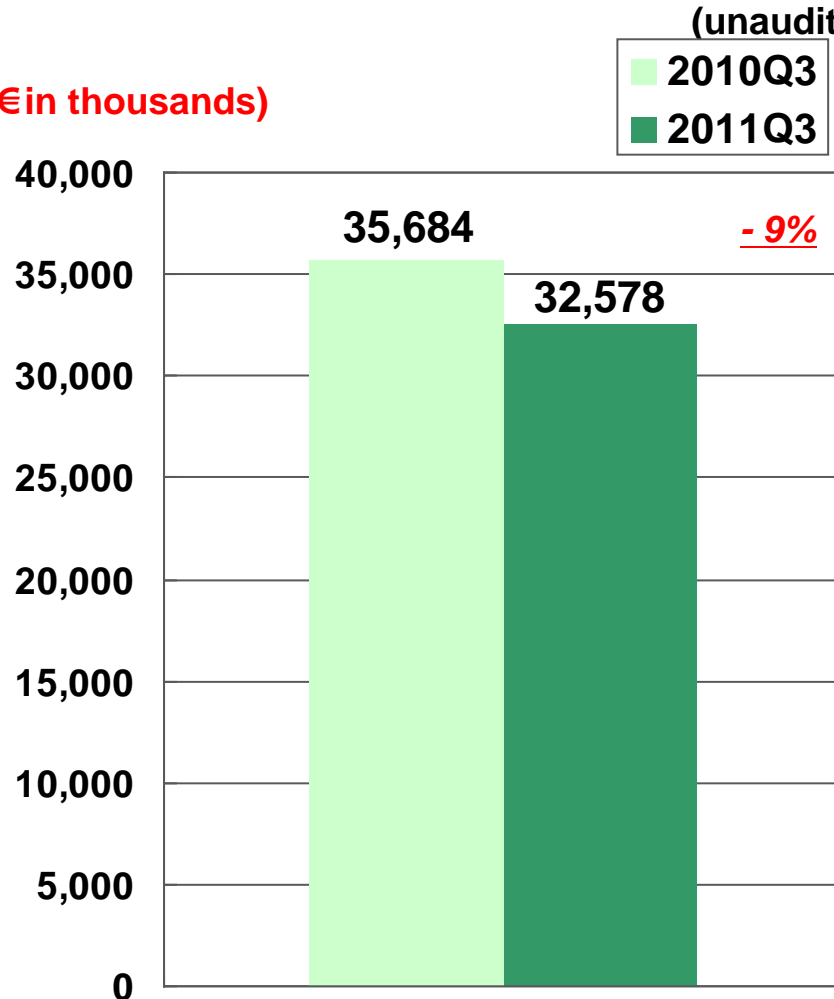
(unaudited)

(\$ in thousands)



North America  
(excluding Canada entity)

(€ in thousands)



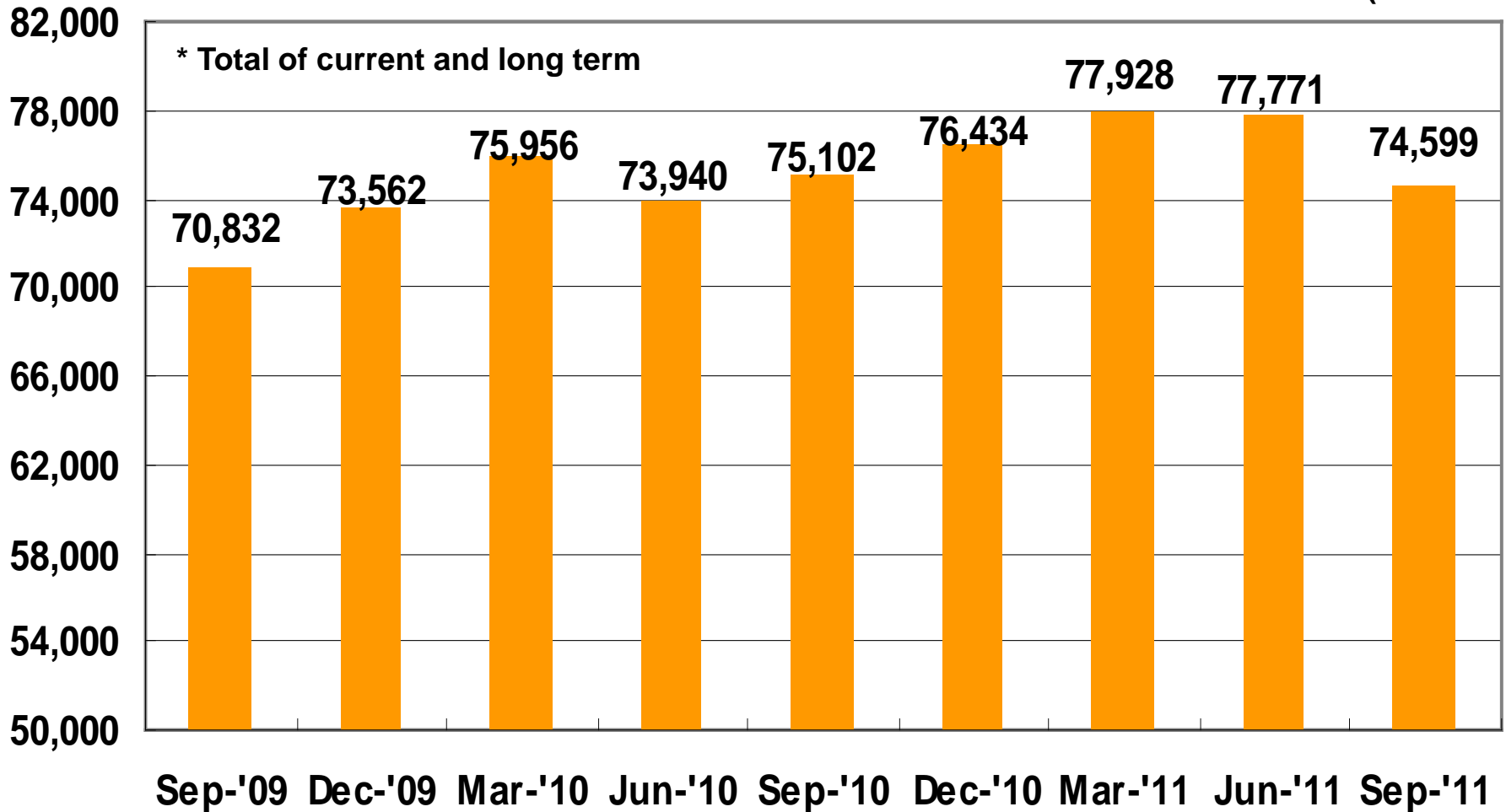
Europe

(Non-GAAP)

# Deferred Revenue

(in million Yen)

(unaudited)

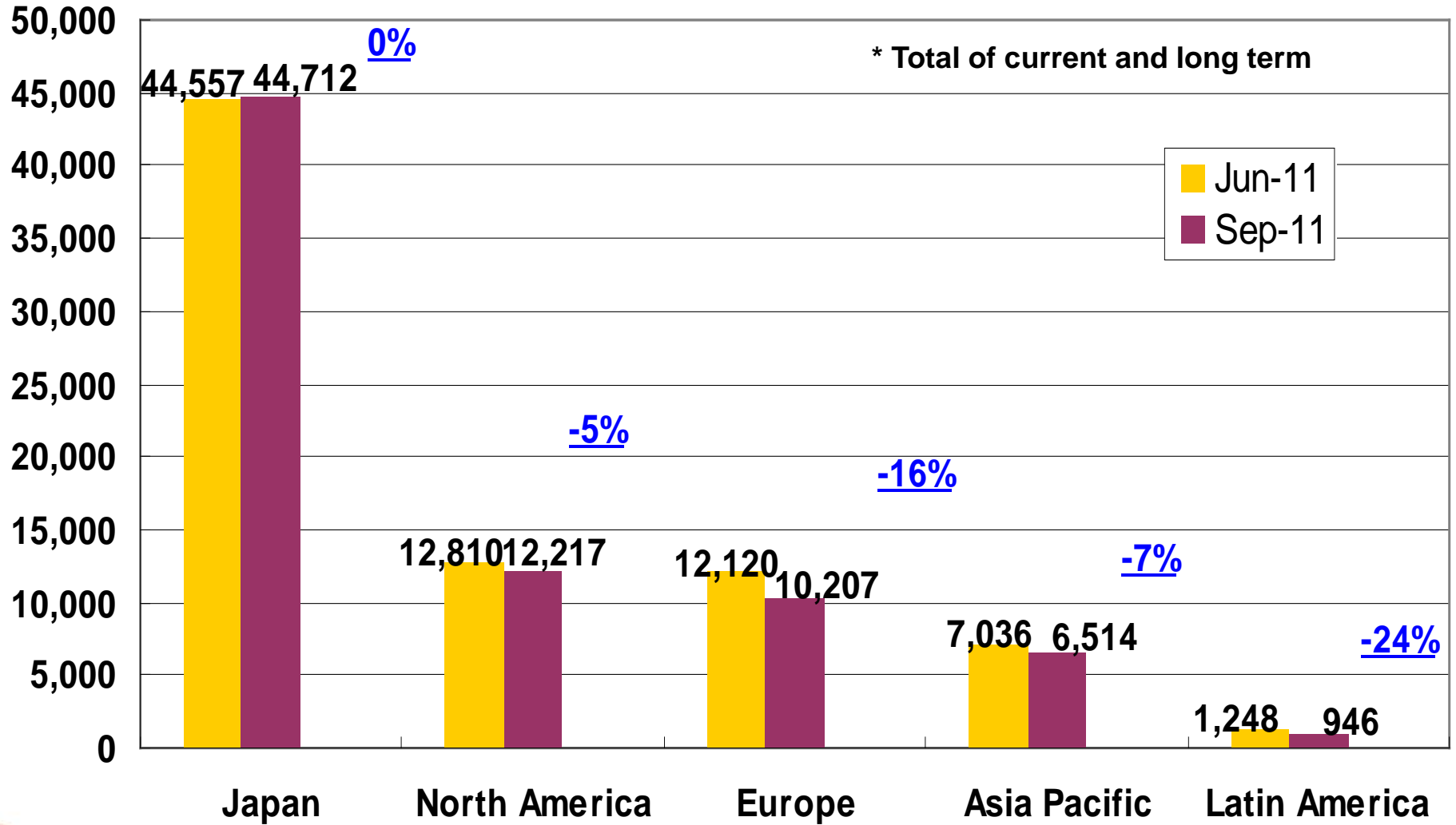


(In accordance with Japan GAAP)

# Deferred Revenue by Region

(in million Yen)

(unaudited)



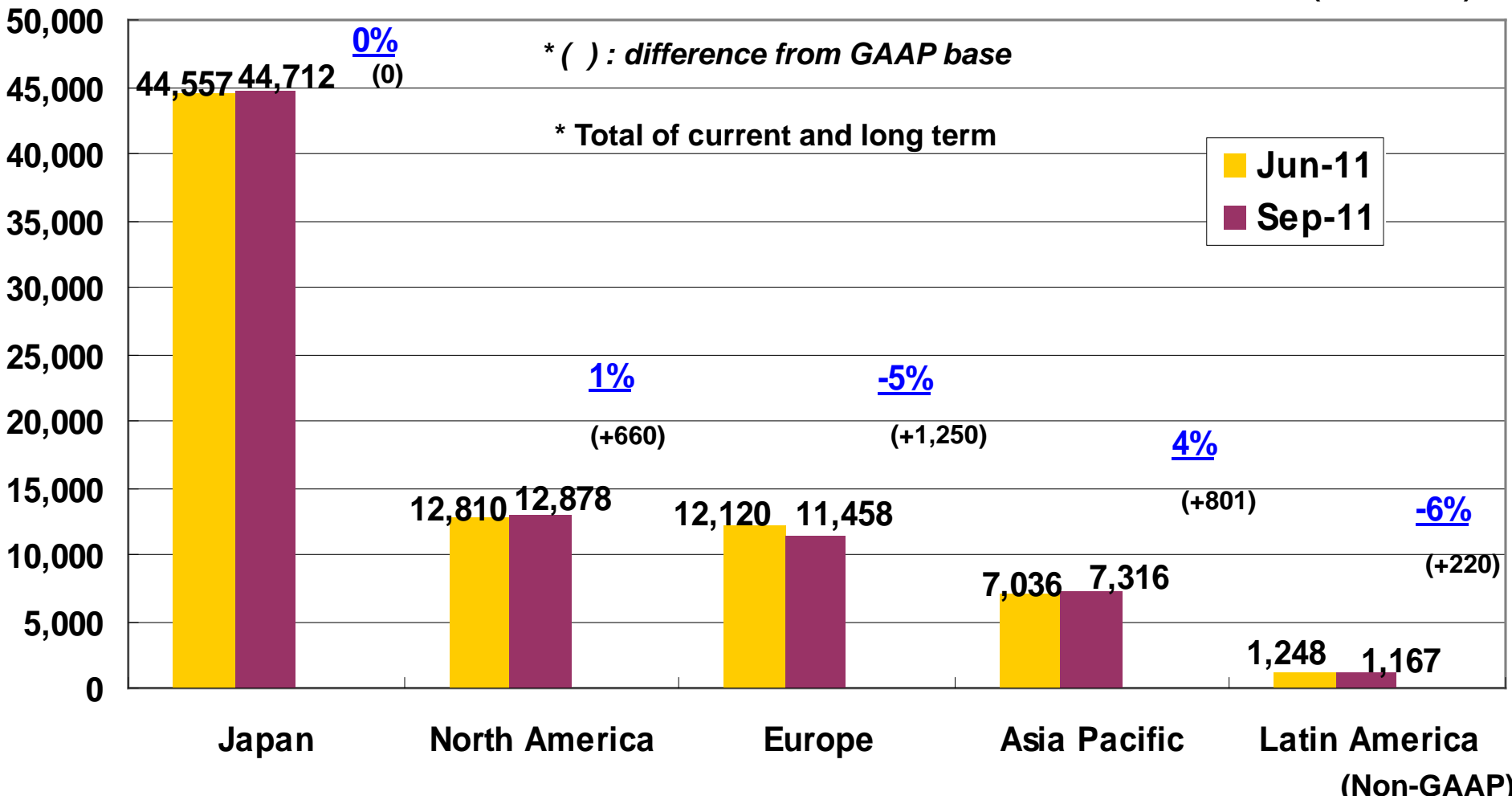
(In accordance with Japan GAAP)

# Deferred Revenue by Region

If currency exchange rates used as of the end of 2Q2011 were used as of the end of 3Q2011:

(in million Yen)

(unaudited)



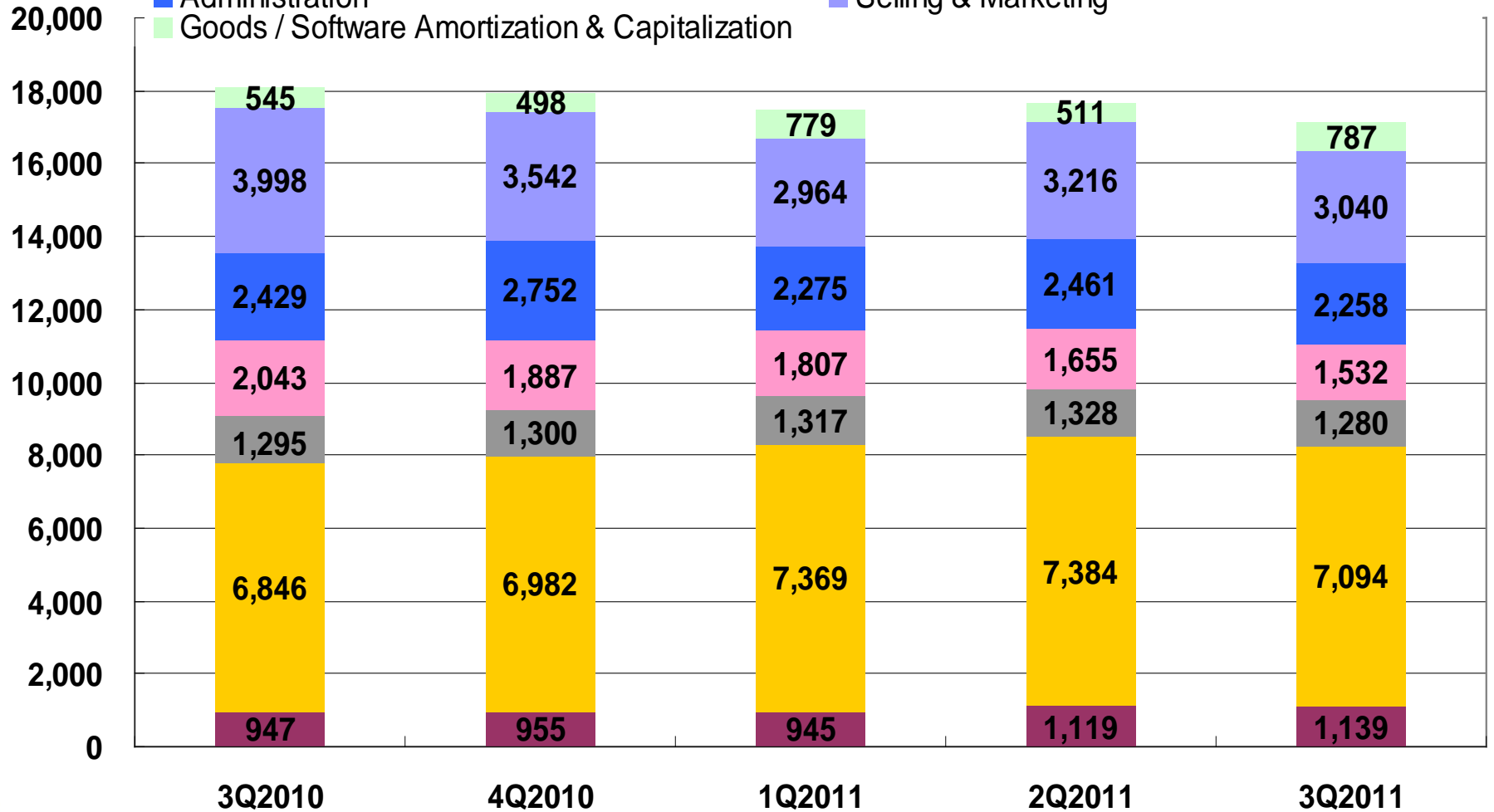
\* Each JPY amount as of the end of 3Q2011 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 3Q2011 the exchange rate between such foreign currency and JPY that was used to convert the deferred revenue amount denominated in such foreign currency as of the end of 2Q2011 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

(in million Yen)

(unaudited)

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



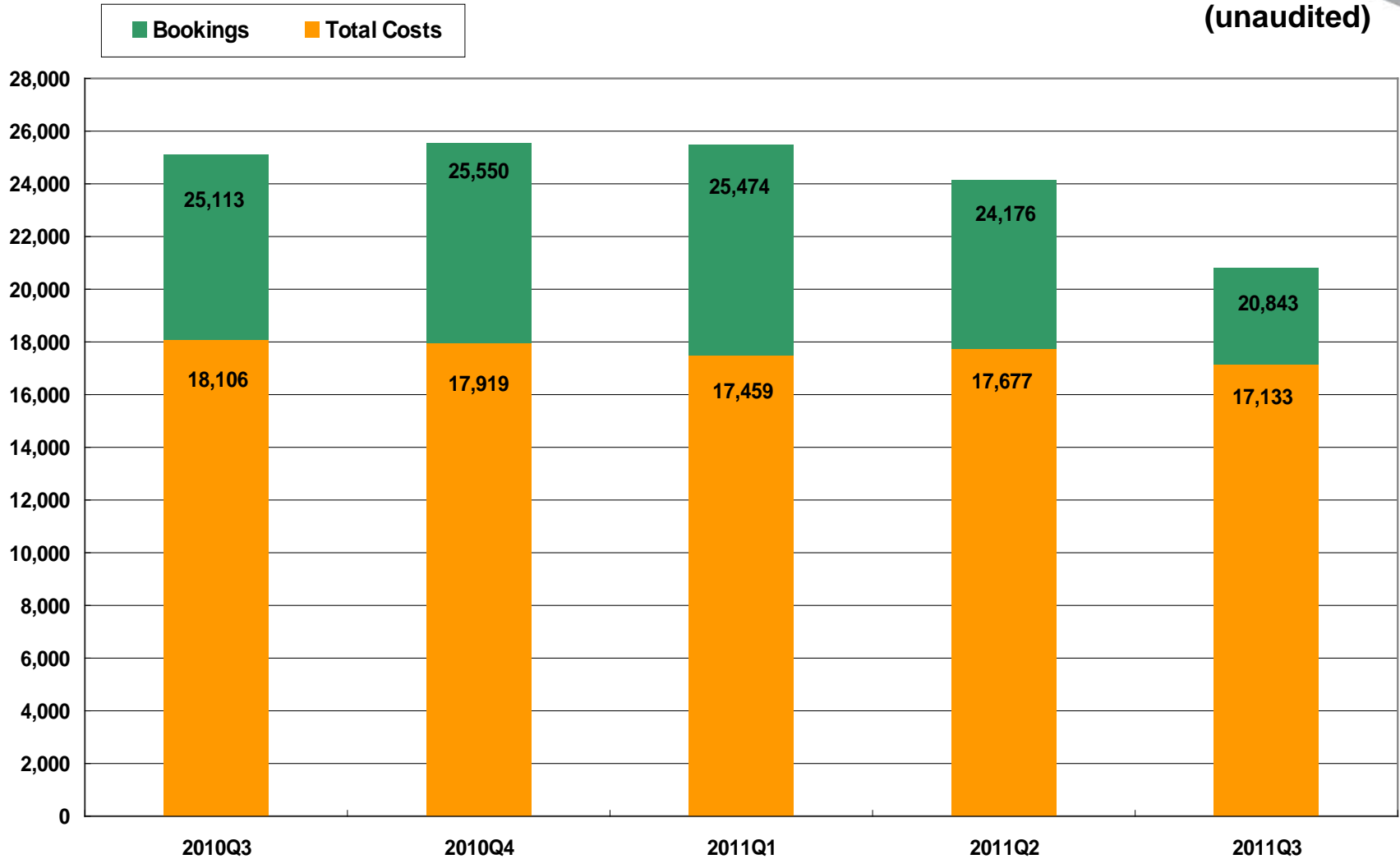
(Non-GAAP)



# Bookings vs Total costs

(in million Yen)

(unaudited)



\* "Total costs" means COGS + SGA.

(Non-GAAP)

# Cash flows

(unaudited)  
(in million Yen)

項目	3Q2010	3Q2011	YoY growth
Cash flows from operating activities	22	2,660	+ 11498%
Cash flows from investing activities	393	- 2,894	—
Cash flows from financing activities	- 3	0	—
Effect of exchange rate changes on cash and cash equivalents	- 623	- 3,375	—
Net increase (decrease) in cash and cash equivalents	- 210	- 3,609	—
Cash and cash equivalents at beginning of this quarter period	59,962	62,999	+ 5%
Cash and cash equivalents at end of this quarter period	59,751	59,390	- 1%

# **Q3 Highlights**

- ***Continued strong growth of strategic products***
- ***Recovery in operating margins***

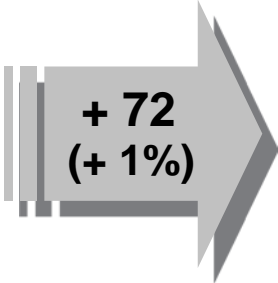
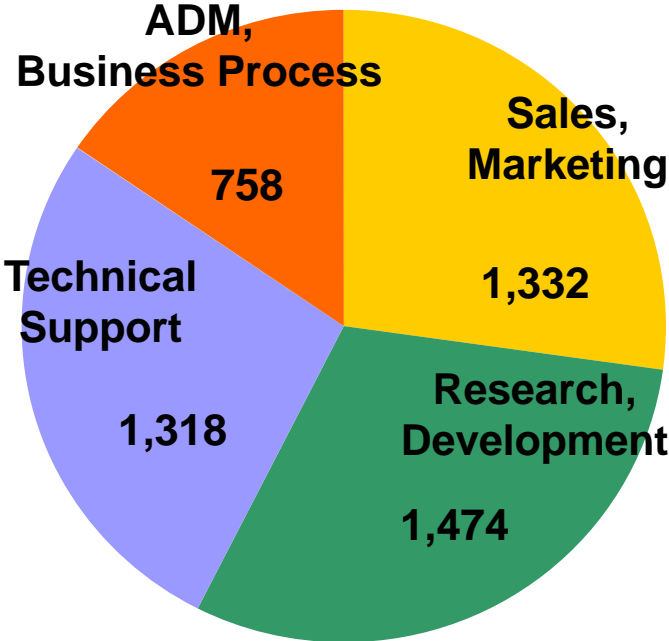
# Q3 Lowlights

- ***Slippage of some large ENT deals in EMEA***
- ***Weakness in consumer and small company business***
- ***Overall macro Economic situation is worsening***

# Headcount

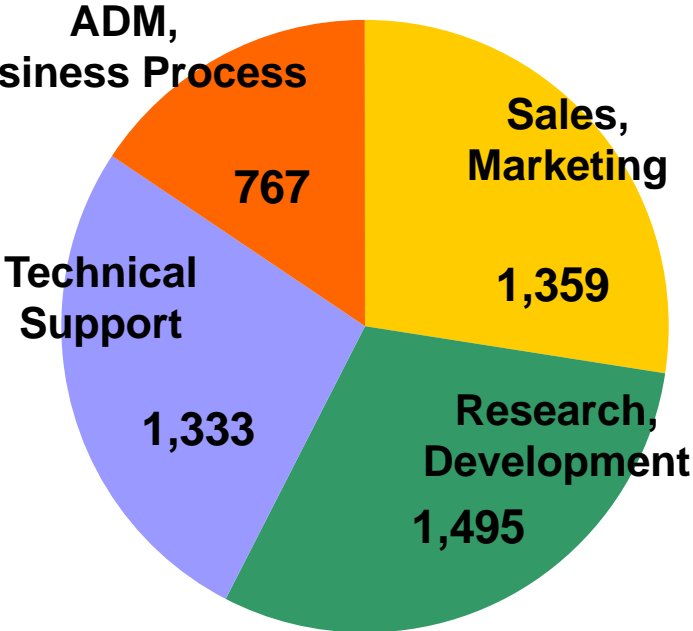
**Jun - 2011**

**4,882**



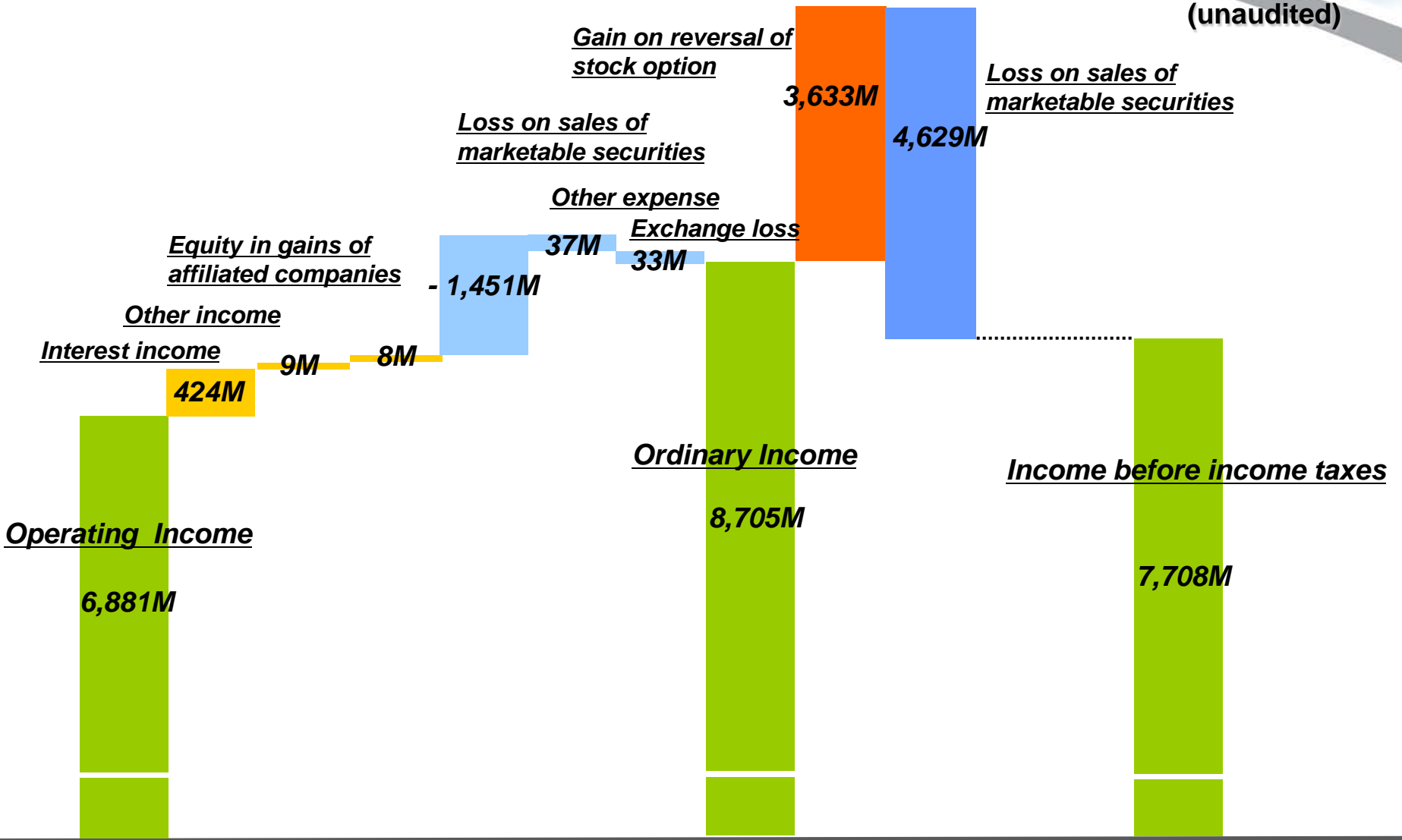
**Sep - 2011**

**4,954**



# Non-operating & Extra-ordinary Items

(unaudited)



(In accordance with Japan GAAP)

# Balance Sheet

(unaudited)  
(in million Yen)

	<i>Jun-2011</i>	<i>change</i>	<i>Sep-2011</i>
<b><u>Assets</u></b>			
<i>Cash &amp; cash equivalents</i>	73,772	- 5,256	68,516
<i>Account receivable (less allowance for doubtful accounts)</i>	19,876	+ 38	19,914
<i>Marketable securities &amp; Securities investments</i>	55,880	- 803	55,077
<b><u>Liabilities</u></b>			
<i>Deferred revenue (total of current and long-term)</i>	77,771	- 3,172	74,599
<b><u>Shareholders' Equity</u></b>			
<i>Common Stock &amp; Additional paid in capital</i>	39,498	0	39,498
<i>Treasury Stock</i>	- 26,489	+ 6	- 26,483

(In accordance with Japan GAAP)

## **Q4 forecast assumptions**

- ***Japan increases by lower single digit, Europe decreases by lower single digit and US down by around 10%***
- ***Stock option expenses will be 0.6Bn yen***
- ***Estimated exchange rate:***
  - 1USD = 75 yen ( last year: 83 yen)***
  - 1EUR = 108 yen ( last year: 112 yen)***

# Projection for 4Q2011

(unaudited)

	<u>For 4Q2011</u> <u>Oct - Dec, 2011</u>	<u>Expected</u> <u>YoY growth</u>	(in million Yen)
Net Sales	23,600	<u>- 3%</u>	
Operating Income	6,200	<u>- 2%</u>	
Ordinary Income	6,500	<u>+ 8%</u>	
Net Income	3,400	<u>+ 7%</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	<u>+ 1%</u>
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(Non-GAAP)





**THANK YOU!**

# Appendix

(unaudited)

## Quarterly Chart (1)

(in million Yen)

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

# Appendix

## Quarterly Chart (2)

(unaudited)

(in million Yen)

	FY2010				FY2010			
(Sales by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	9,782	9,990	11,451	11,100	11,023	11,296	11,722	
US	5,999	6,118	5,485	5,124	5,315	5,365	4,968	
Europe	5,005	4,408	4,173	4,671	4,435	4,354	4,206	
Asia Pacific	2,254	2,314	2,202	2,684	2,570	2,691	2,528	
Latin America	685	662	637	637	635	624	590	
<b>Total</b>	<b>23,728</b>	<b>23,493</b>	<b>23,950</b>	<b>24,218</b>	<b>23,980</b>	<b>24,333</b>	<b>24,015</b>	
(Sales by segment)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All Enterprise	15,680	15,168	15,055	15,569	15,251	14,938	14,814	
Consumer	8,047	8,325	8,895	8,649	8,728	9,394	9,200	
<b>Total</b>	<b>23,728</b>	<b>23,493</b>	<b>23,950</b>	<b>24,218</b>	<b>23,980</b>	<b>24,333</b>	<b>24,015</b>	
(Bookings by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	13,078	11,175	12,564	11,334	11,204	11,145	11,877	
US	5,850	4,916	4,735	5,162	5,877	4,838	4,376	
Europe	3,787	2,817	4,549	5,422	5,040	4,554	2,293	
Asia Pacific	2,520	2,106	2,679	2,994	2,683	3,033	2,006	
Latin America	886	461	584	637	668	604	289	
<b>Total</b>	<b>26,122</b>	<b>21,477</b>	<b>25,113</b>	<b>25,550</b>	<b>25,474</b>	<b>24,176</b>	<b>20,843</b>	

\* "Bookings" means amount of contracts concluded.