



Securing Your Journey  
to the Cloud

# *Trend Micro FY2012.1Q Results*

*Mahendra Negi COO/CFO, Representative Director*

*May 10, 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.**

# FY2012. 1Q Financial Highlight

(First quarter ended March 31, 2012)

# Consolidated Results

Three months ended Mar 31,	(in million Yen) (unaudited)		
	1Q2011	1Q2012	YoY growth
Net sales	23,980	22,630	- 6%
Cost of sales	4,412	4,058	- 8%
Operating expenses	13,046	13,003	- 0%
Operating income (Margin)	6,520 (27%)	5,568 (25%)	- 15%
Ordinary income	6,260	5,804	- 7%
Net income	3,995	3,283	- 18%

(In accordance with Japan GAAP)

## *“For reference” Revenue before adjusting deferred revenue*

Pre-GAAP	24,402	24,730	+ 1%
			( In case of excluding a foreign exchange impact )

+ 3%

(Non-GAAP)

## *If currency exchange rates used for 1Q2011 were used for 1Q2012*

Net sales	23,980	23,232	- 3%
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\* The JPY amount for 1Q2012 shown above has been calculated by applying to each foreign currency net sales amount for 1Q2012 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 1Q2011 into a JPY net sales amount for Japan GAAP reporting purposes.

(Non-GAAP) **TREND MICRO**

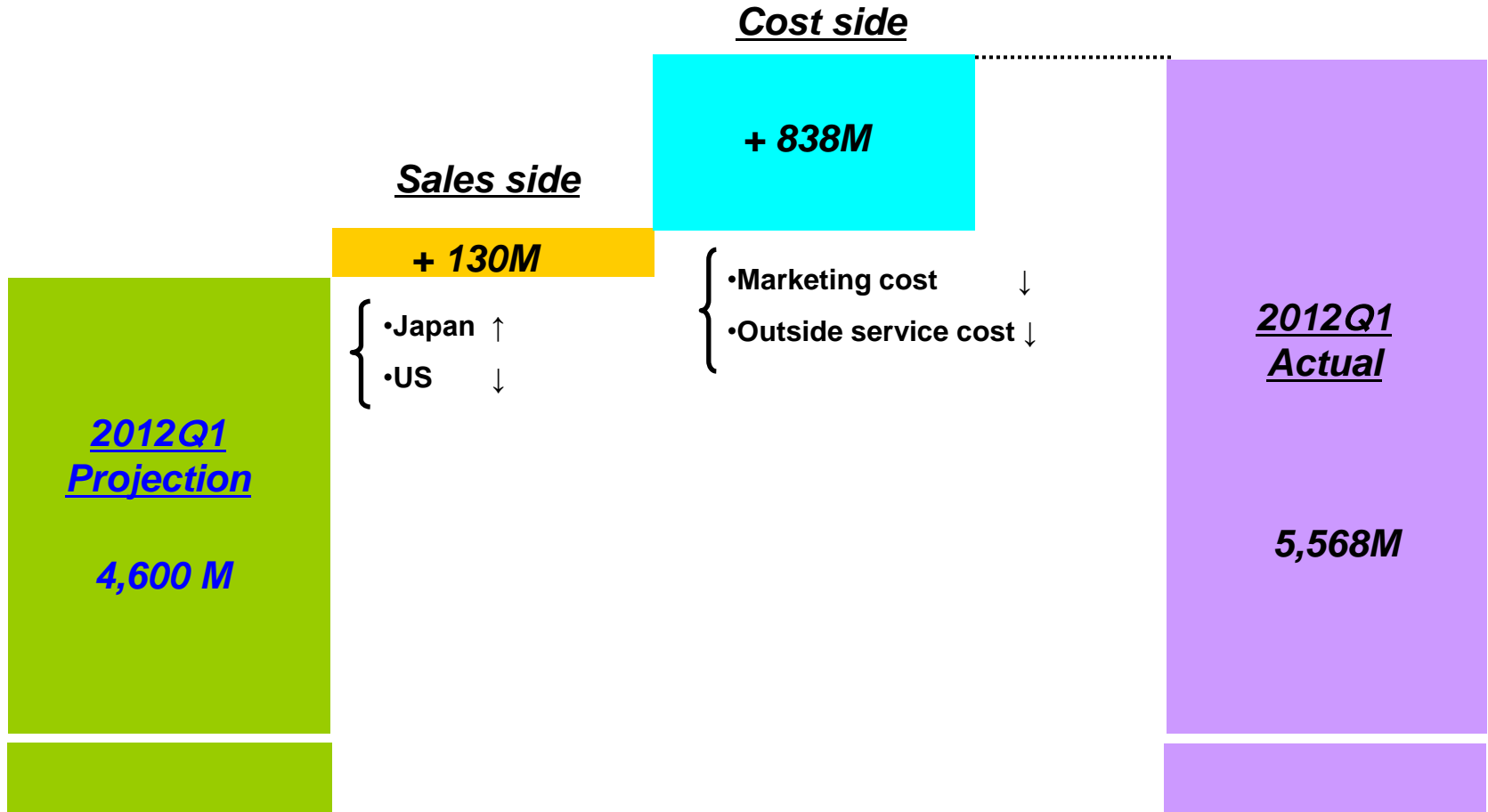
# USD based Results (Non-GAAP)

<i>Three months ended Mar 31,</i>	<i>1Q2011</i>	<i>1Q2012</i>	<i>(unaudited) (in thousand USD) YoY change</i>
<b>Net sales</b>	<b>291,338</b>	<b>284,915</b>	<b>- 2%</b>
<b>Cost of sales</b>	<b>53,610</b>	<b>51,091</b>	<b>- 5%</b>
<b>Operating expenses</b>	<b>158,508</b>	<b>163,713</b>	<b>3%</b>
<b>Operating income</b>	<b>79,219</b>	<b>70,110</b>	<b>- 11%</b>
<b>Ordinary income</b>	<b>76,058</b>	<b>73,077</b>	<b>- 4%</b>
<b>Net Income</b>	<b>48,544</b>	<b>41,337</b>	<b>- 15%</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=82.31 JPY for 1Q2011 and 1 USD =79.43 JPY for 1Q2012, 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)***

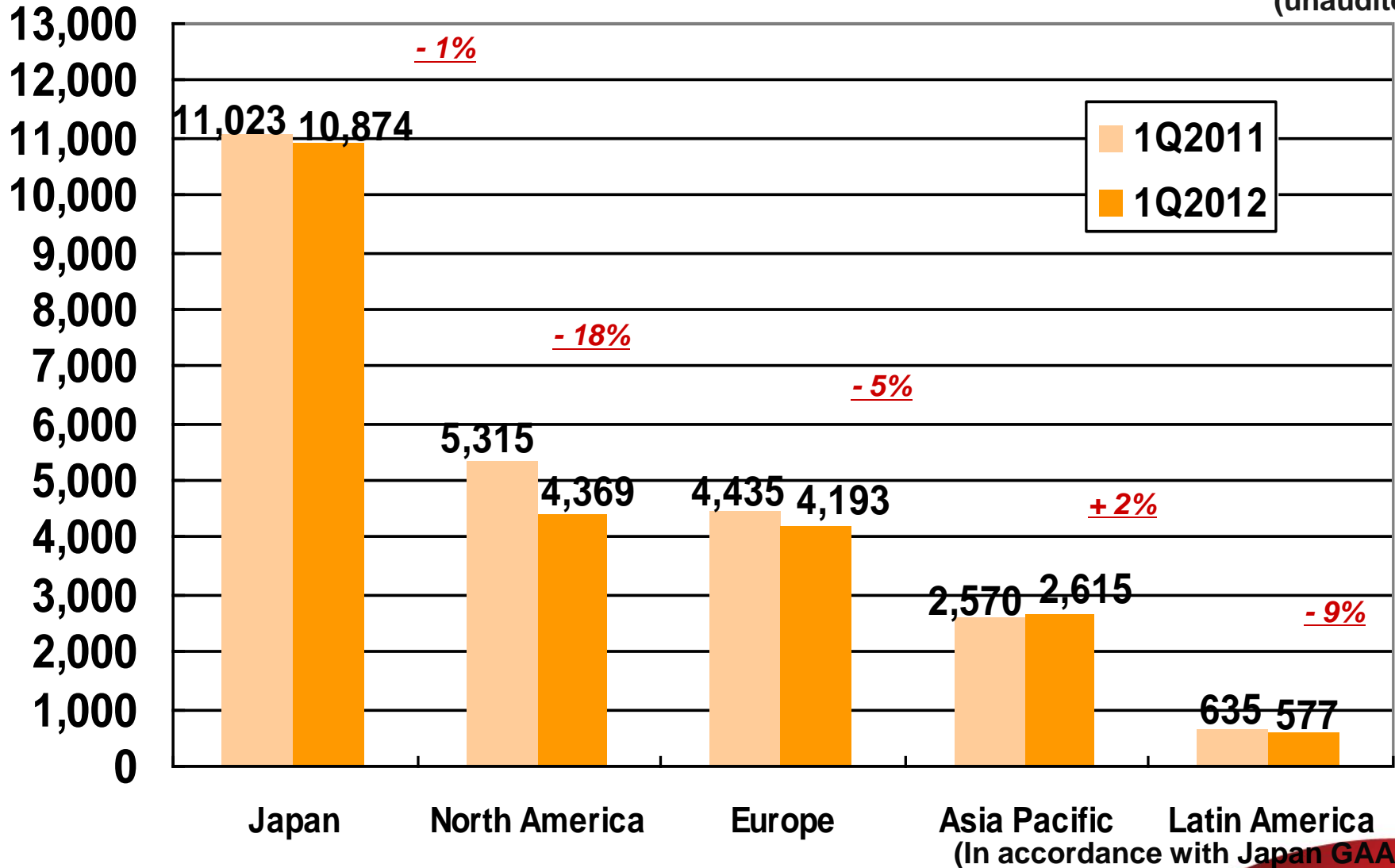


(Non-GAAP)

# Net Sales Growth by Region

(in million Yen)

(unaudited)



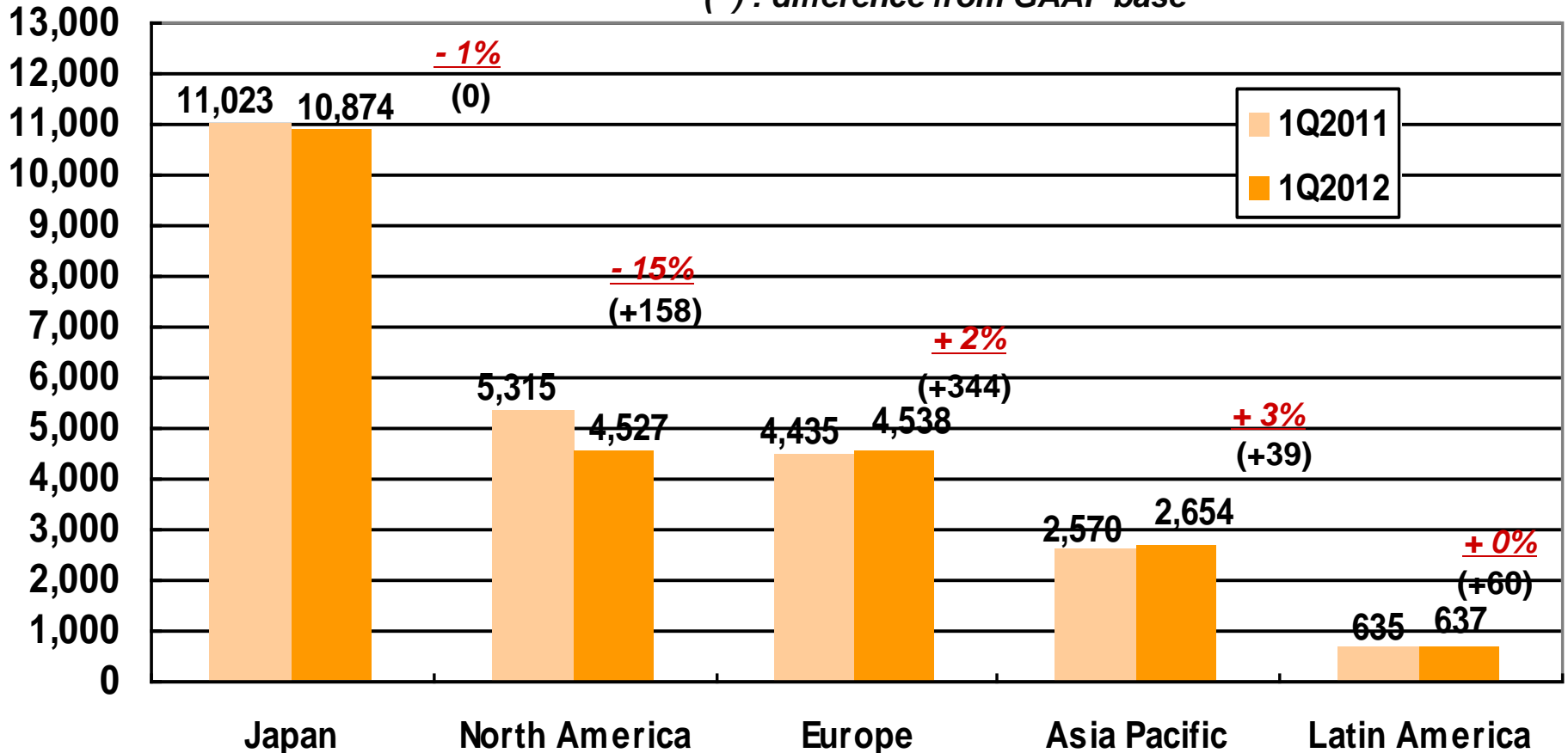
# Net Sales Growth by Region

If currency exchange rates used for 1Q2011 were used for 1Q2012:

(in million Yen)

\* ( ) : difference from GAAP base

(unaudited)

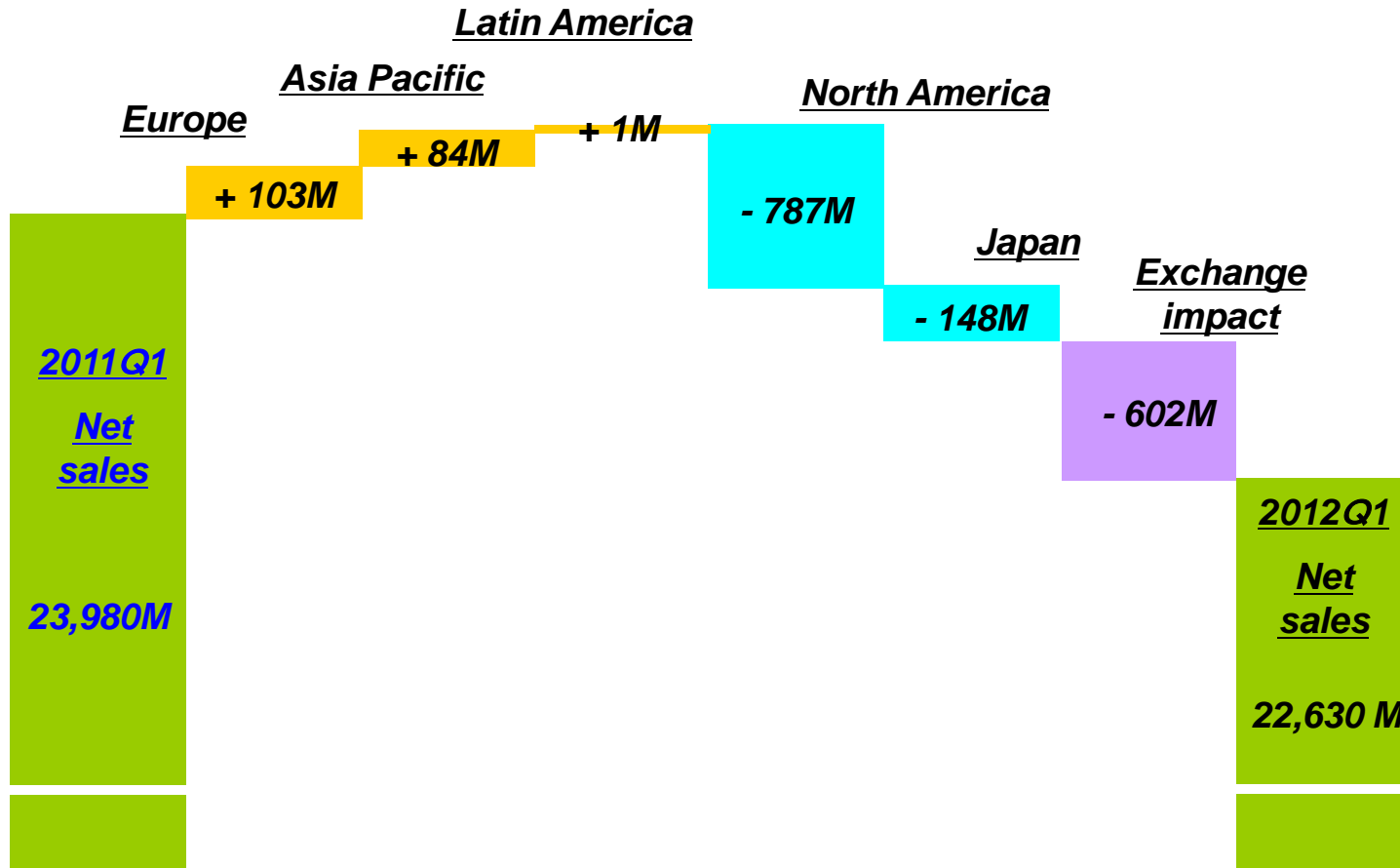


\* Each JPY amount for 1Q2012 shown above has been calculated by applying to the relevant foreign currency net sales amount for 1Q2012 the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for 1Q2011 into a JPY net sales amount for Japan GAAP reporting purposes.

(Non-GAAP)

# Decomposition of Revenue (vs. last year)

(unaudited)

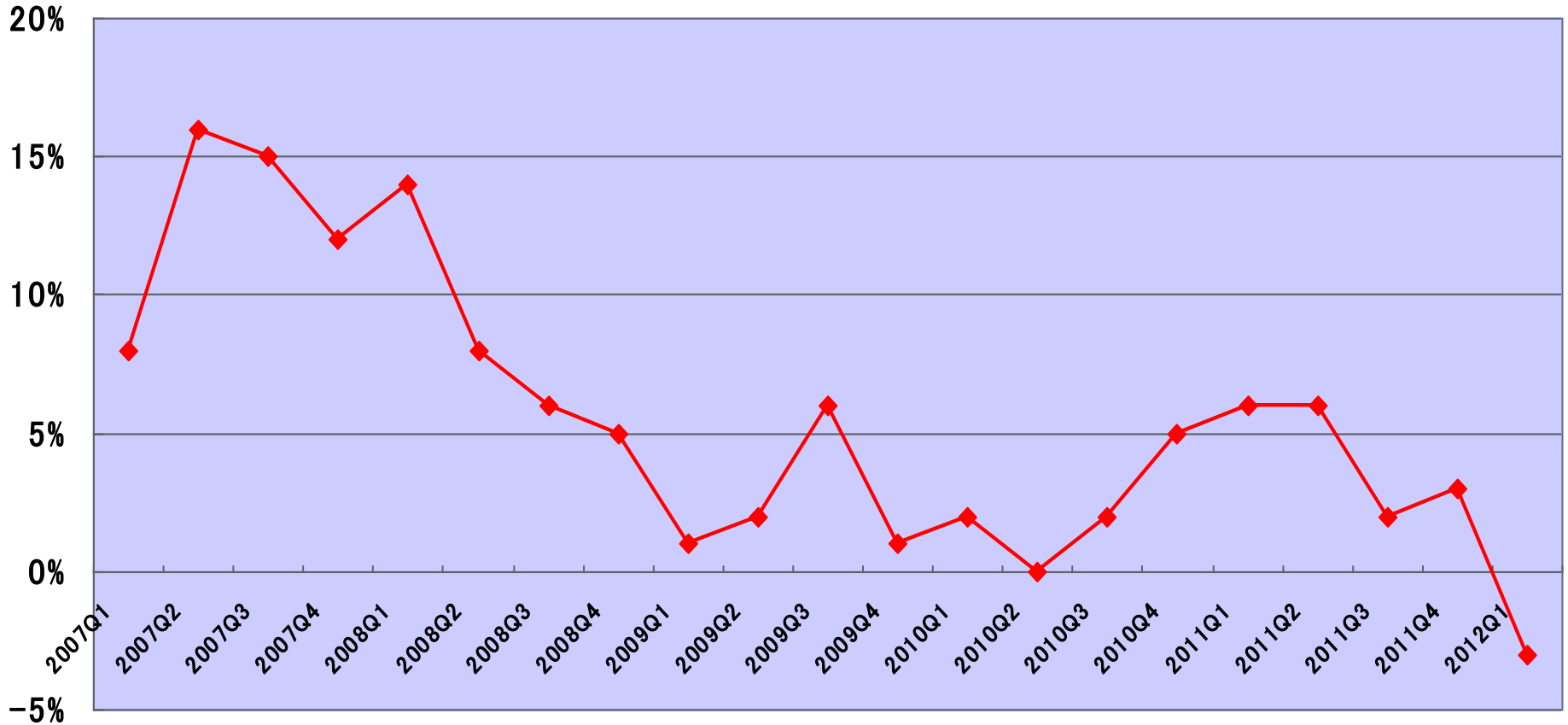


(Non-GAAP)

# Constant currency Revenue growth

(YoY)

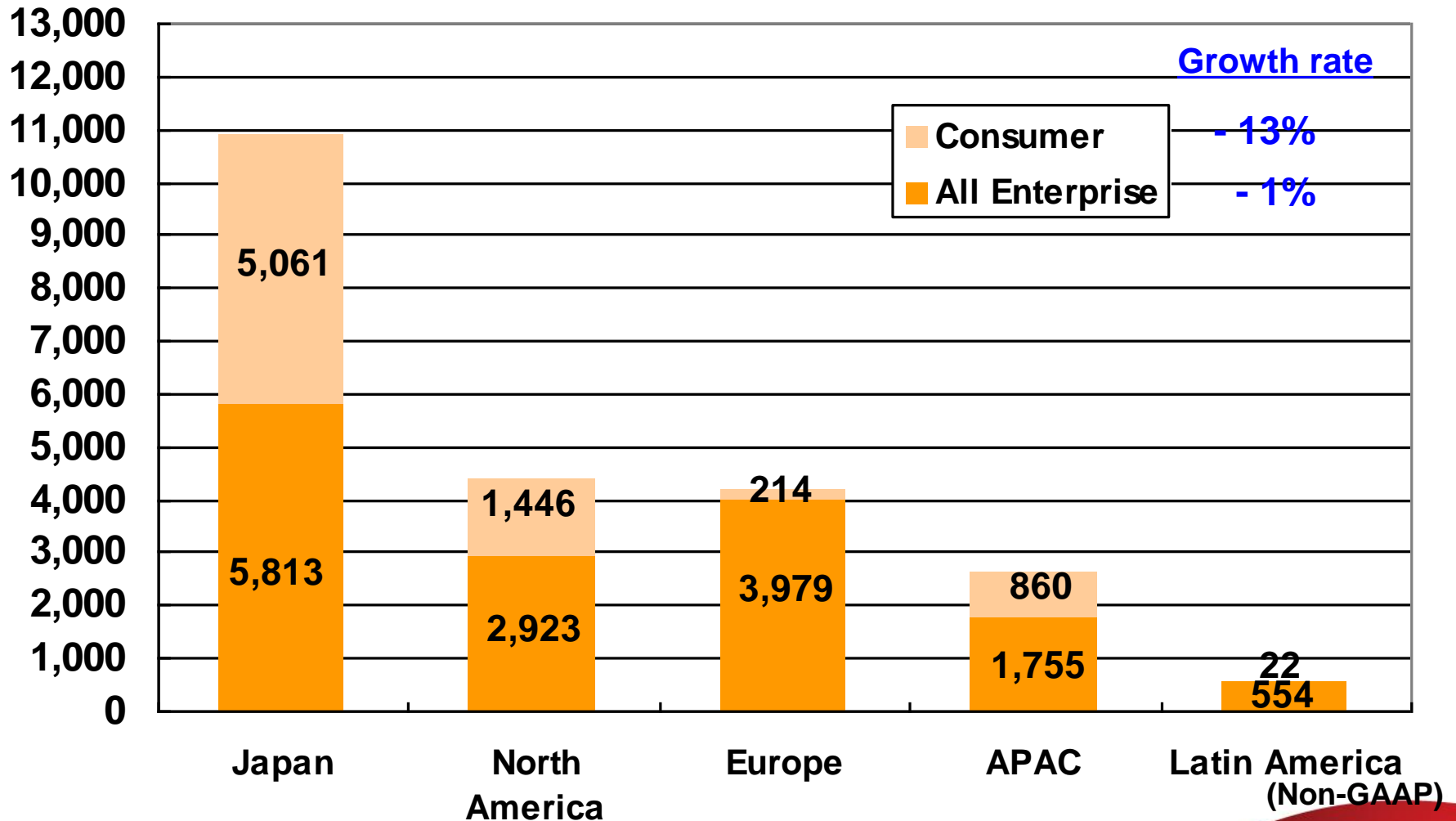
(unaudited)



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

# Sales by Segment

(in million Yen)



(Non-GAAP)

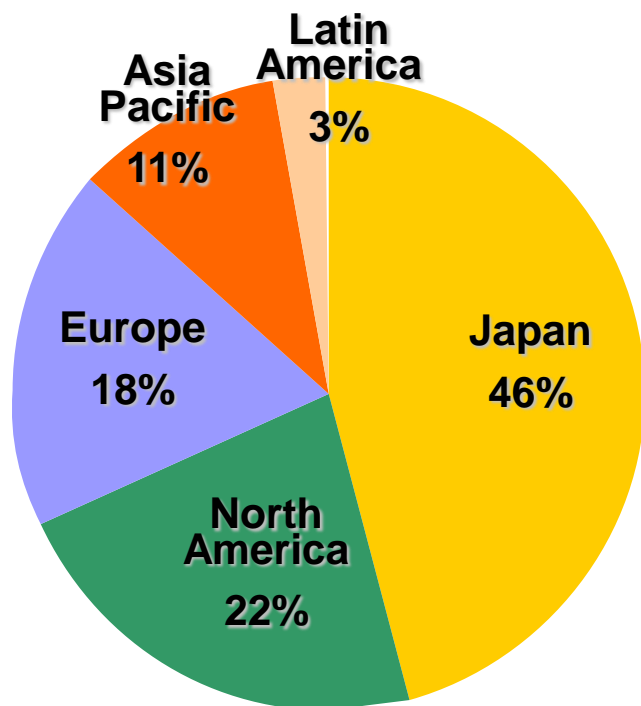


# % share by region

(unaudited)

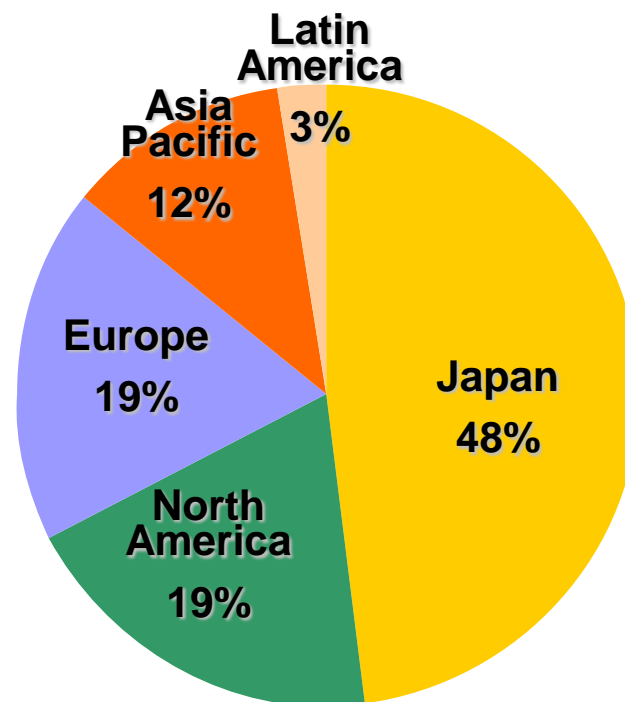
**1Q2011**

**23,980 million Yen**



**1Q2012**

**22,630 million Yen**



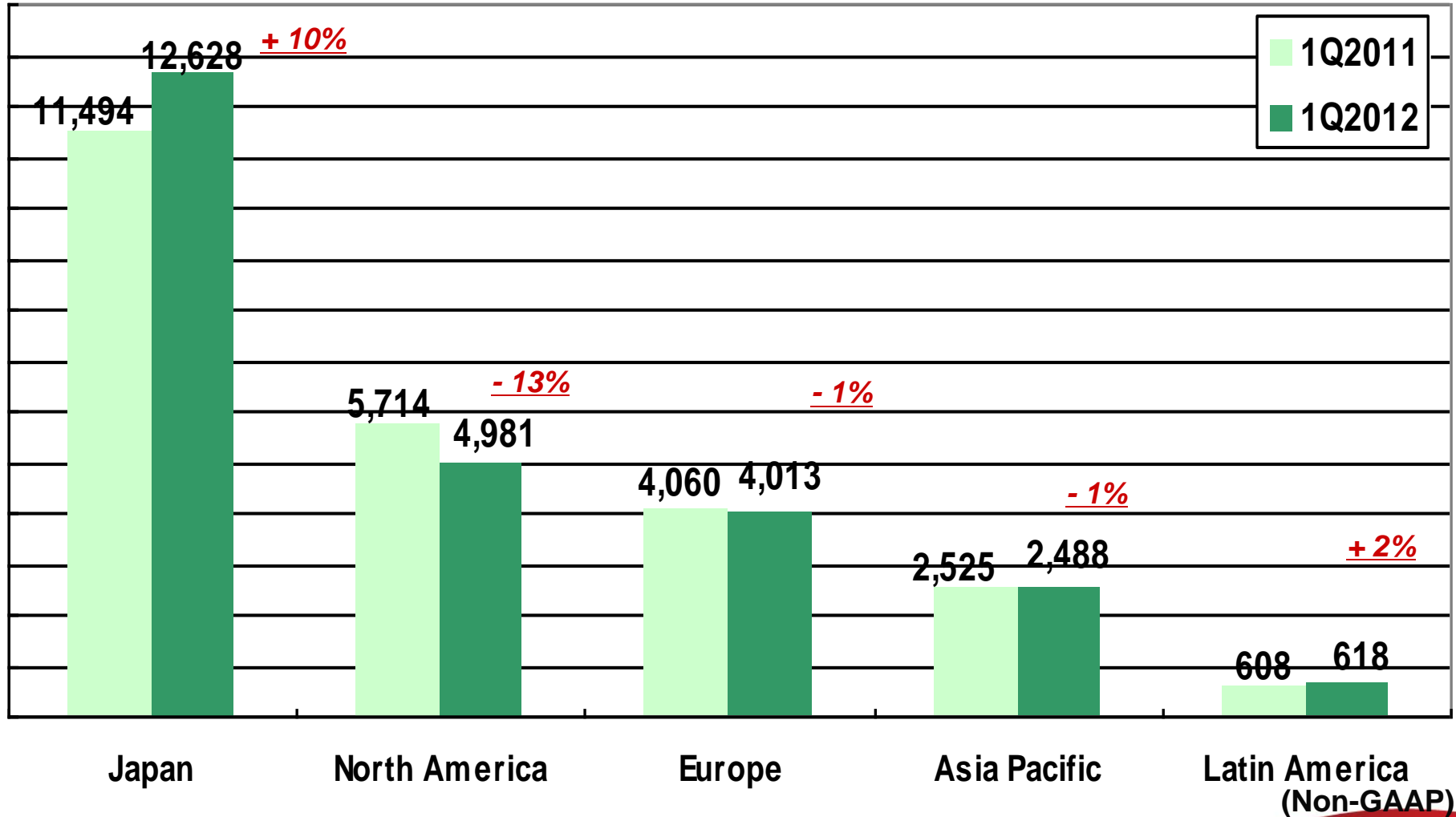
(In accordance with Japan GAAP)

**“For reference”**

# Pre-GAAP (Revenue before adjusting Deferred revenue)

(in million Yen)

(unaudited)



**“Notice”**

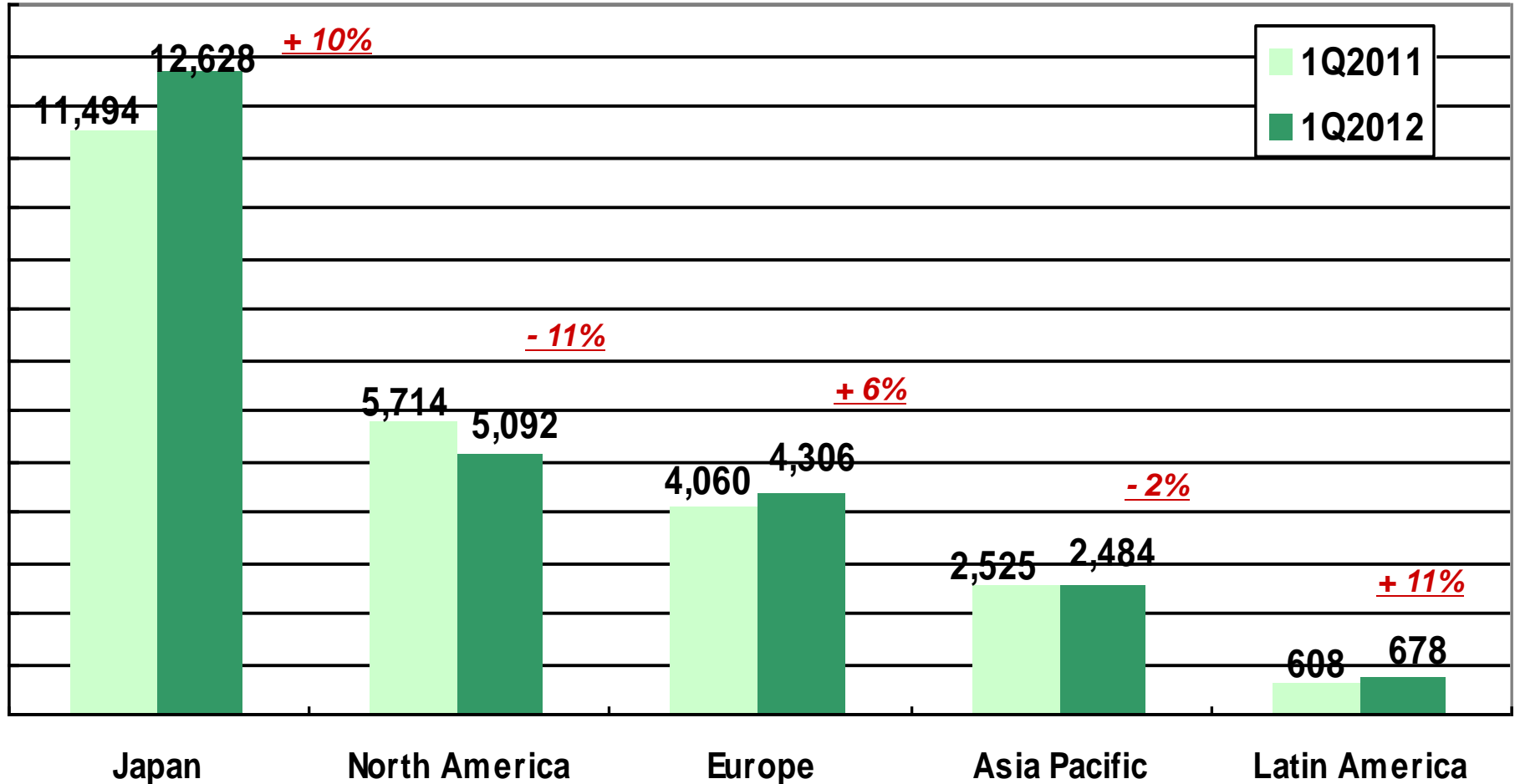
**Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance. As these numbers are just for internal use, they may be subject to some changes hereafter.**

# “For reference”

## Pre-GAAP (Revenue before adjusting Deferred revenue)

If currency exchange rates used for 1Q2011 were used for 1Q2012: (unaudited)

(in million Yen)



### “Notice”

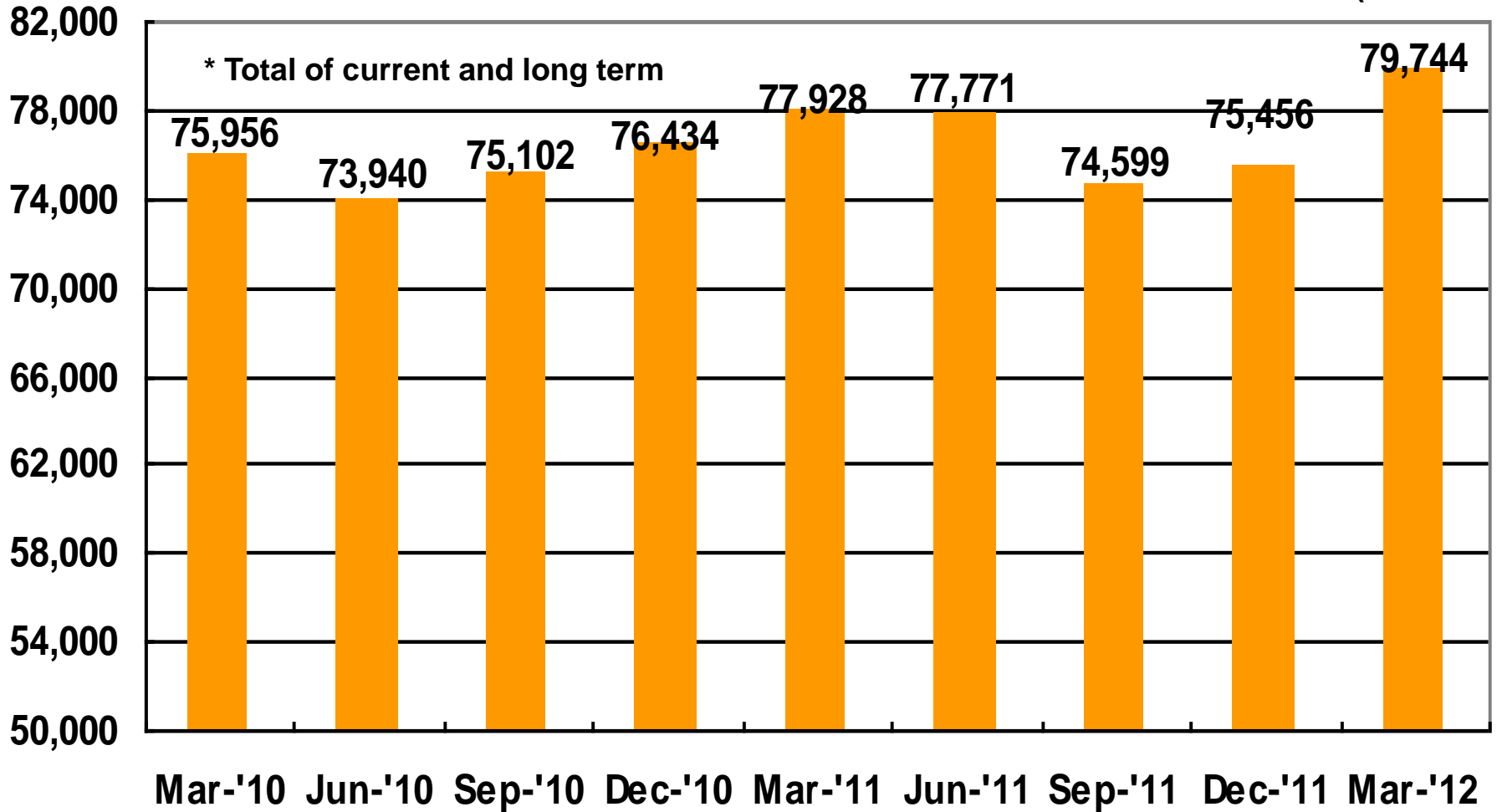
Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance. As these numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

# Deferred Revenue

(in million Yen)

(unaudited)

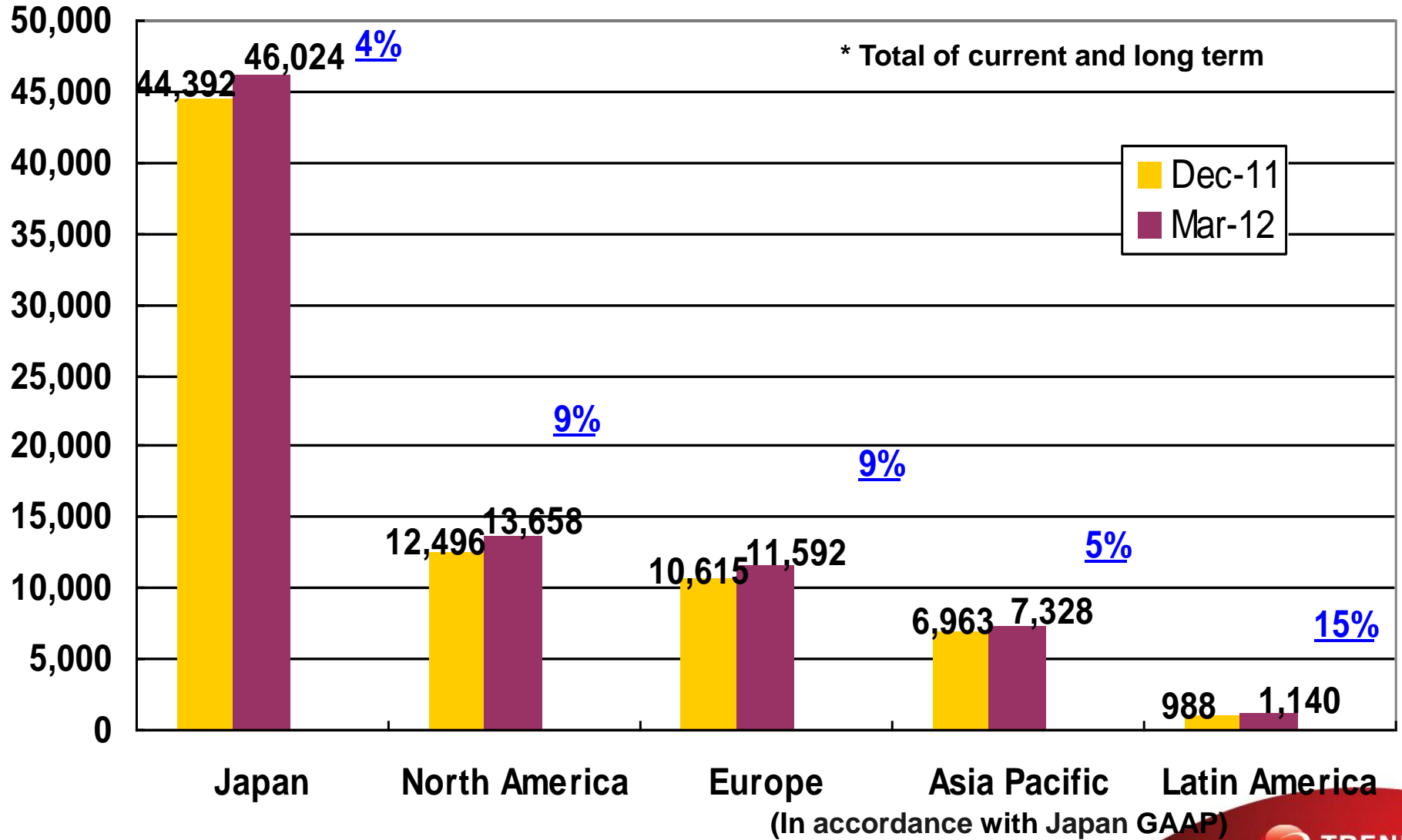


(In accordance with Japan GAAP)

# Deferred Revenue by Region

(in million Yen)

(unaudited)

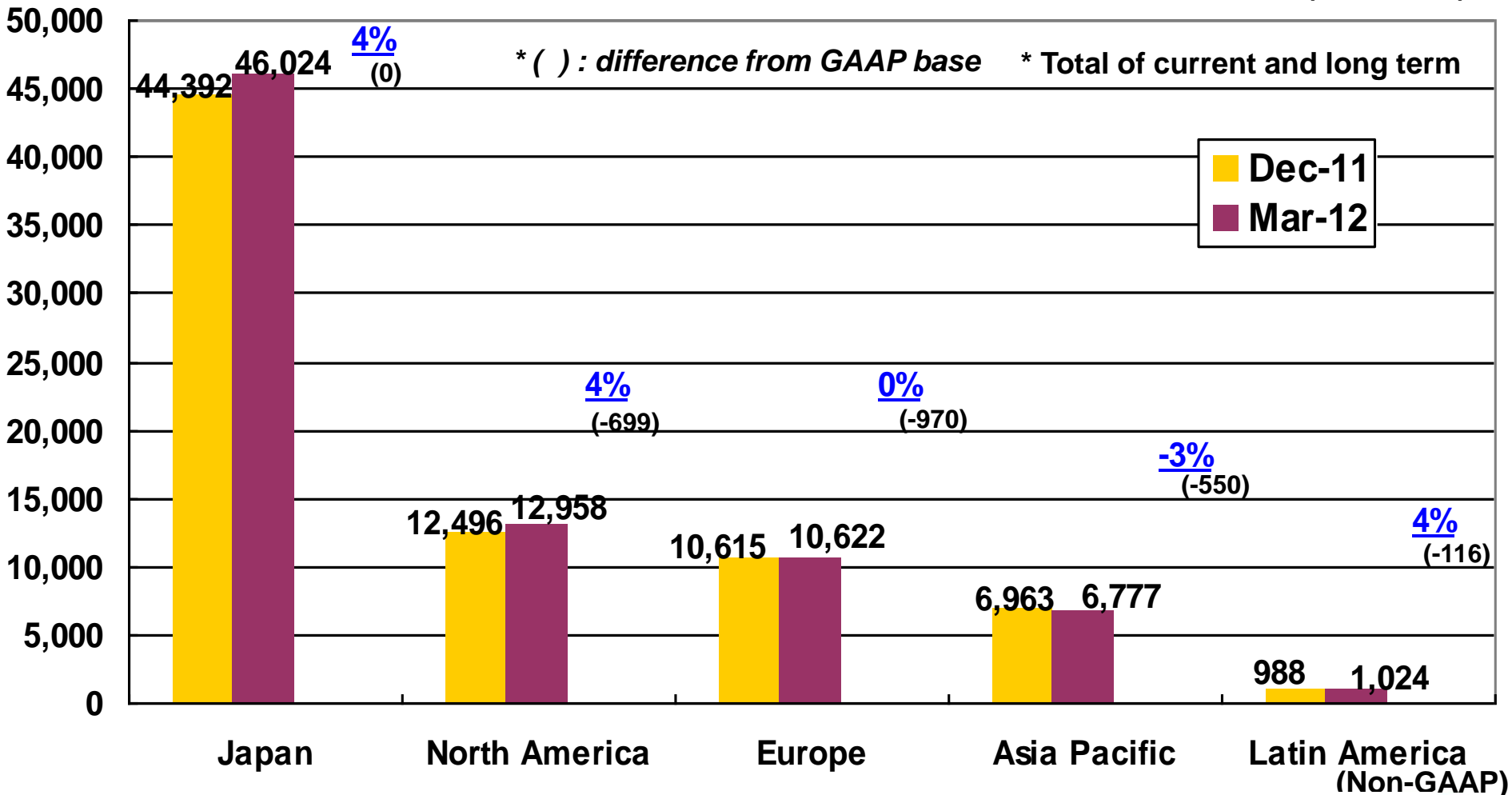


# Deferred Revenue by Region

If currency exchange rates used as of the end of 4Q2011 were used as of the end of 1Q2012:

(in million Yen)

(unaudited)

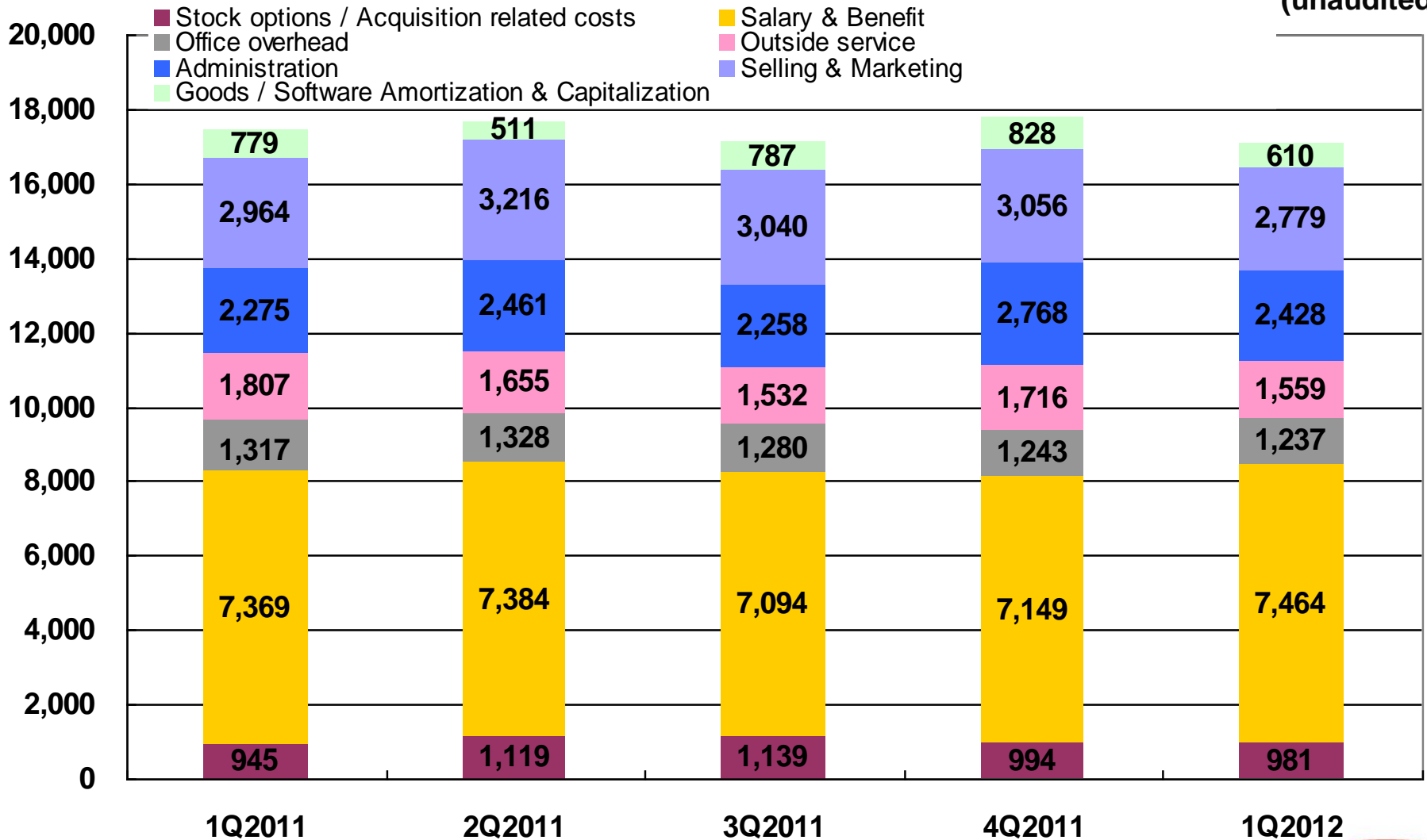


\* Each JPY amount as of the end of 1Q2012 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 1Q2012 the exchange rate between such foreign currency and JPY that was used to convert the deferred revenue amount denominated in such foreign currency as of the end of 4Q2011 into a JPY deferred revenue amount for Japan GAAP reporting purposes.

# Cost

(in million Yen)

(unaudited)



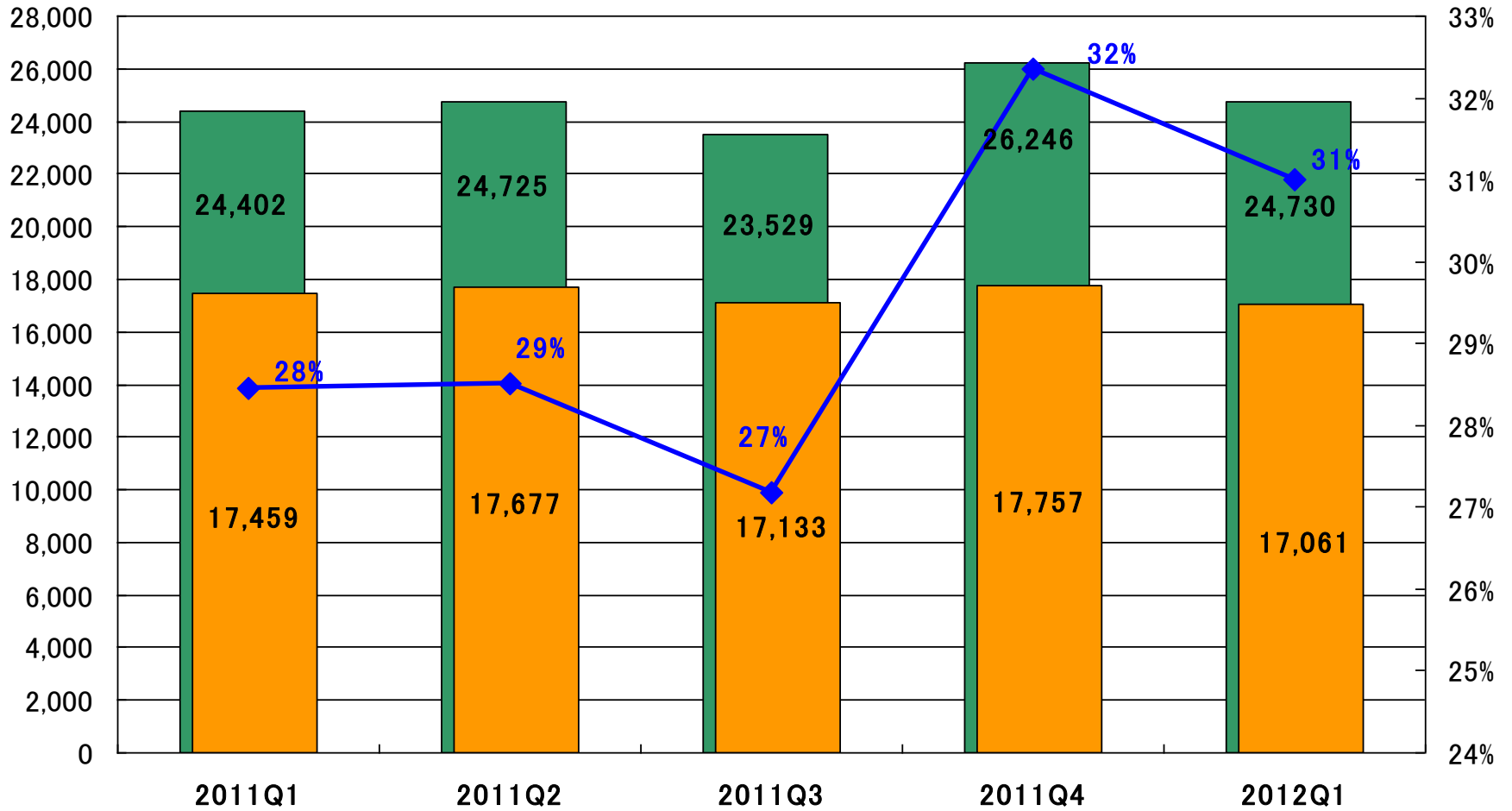
(Non-GAAP)



# Pre-GAAP v s Total Costs

(未監査)

(in million Yen)



(Non-GAAP)

\* "Total costs" means COGS + SGA.

# Cash flows

(unaudited)

(in million Yen)

項目	1Q2011	1Q2012	YoY growth
Cash flows from operating activities	4,514	7,564	+ 68%
Cash flows from investing activities	- 1,021	- 5,782	—
Cash flows from financing activities	- 12,033	- 10,508	—
Effect of exchange rate changes on cash and cash equivalents	877	2,984	+ 240%
Net increase (decrease) in cash and cash equivalents	- 7,662	- 5,741	—
Cash and cash equivalents at beginning of this quarter period	64,136	71,167	+ 11%
Cash and cash equivalents at end of this quarter period	56,473	65,425	+ 16%

# ***Q1 Highlights***

- ***Continued growth in Strategic products***
- ***European growth continues, Japan also showing good recovery post earthquake***

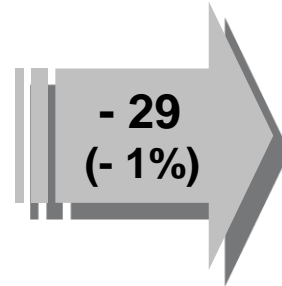
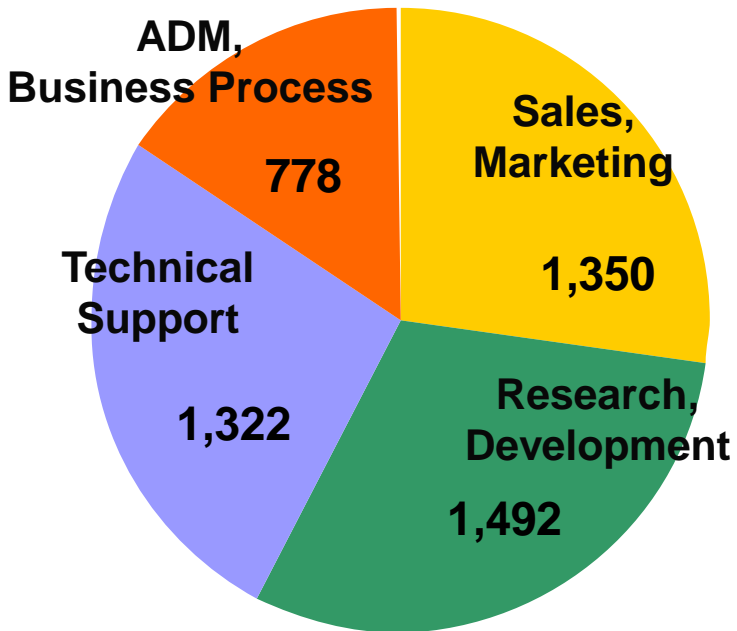
# Q1 Lowlights

- ***Poor performance of consumer business in N America, especially due to impact of auto renewal law suit.***
- ***Economic uncertainty keeping sales cycle long for strategic products***
- ***Traditional AV products remain under pricing pressure***

# Headcount

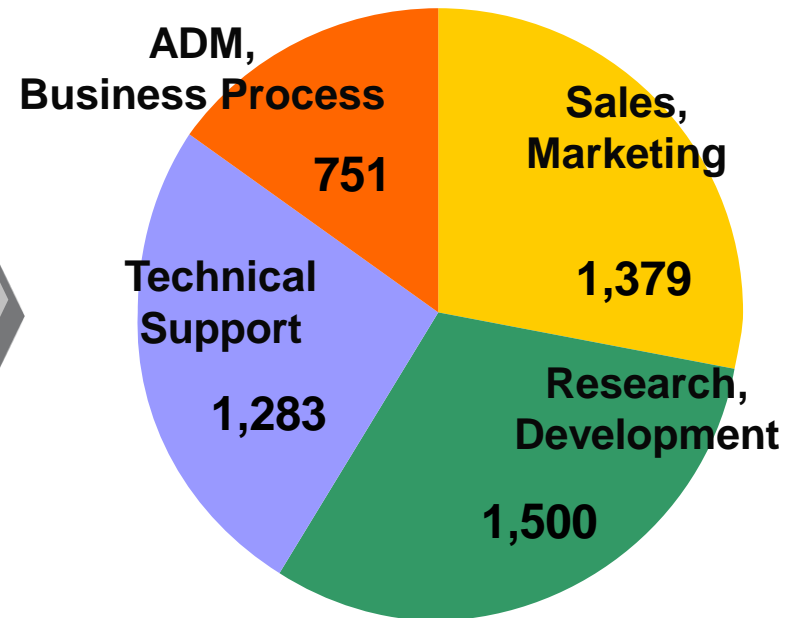
**Dec - 2011**

**4,942**



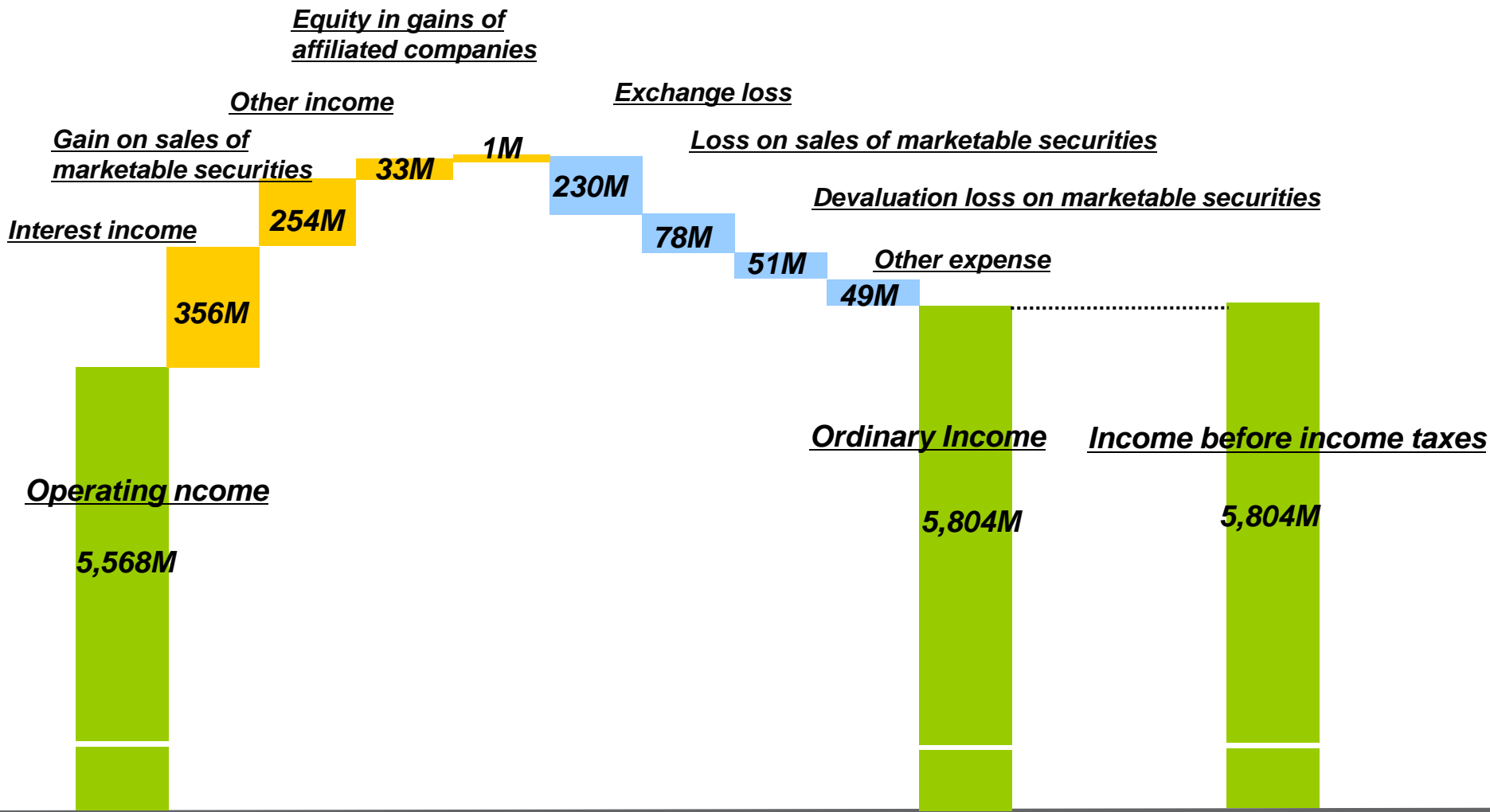
**Mar - 2012**

**4,913**



# Non-operating & Extra-ordinary Items

(unaudited)



(In accordance with Japan GAAP)

# Balance Sheet

(unaudited)  
(in million Yen)

	<i>Dec-2011</i>	<i>change</i>	<i>Mar-2012</i>
<b><u>Assets</u></b>			
<i>Cash &amp; cash equivalents</i>	71,883	- 5,185	66,698
<i>Account receivable (less allowance for doubtful accounts)</i>	20,961	+ 330	21,291
<i>Marketable securities &amp; Securities investments</i>	60,972	+ 4,789	65,761
<b><u>Liabilities</u></b>			
<i>Deferred revenue (total of current and long-term)</i>	75,456	+ 4,288	79,744
<b><u>Shareholders' Equity</u></b>			
<i>Common Stock &amp; Additional paid in capital</i>	39,498	0	39,498
<i>Treasury Stock</i>	- 26,460	+ 12	- 26,448

(In accordance with Japan GAAP)

## ***Q2 forecast assumptions***

- ***Japan and Europe decreases by low single digit respectively, US decreases by around 10%***
- ***Stock option expenses will be 0.7Bn yen***
- ***Estimated exchange rate:***
  - 1USD = 80 yen ( last year: 82 yen)***
  - 1EUR = 105 yen ( last year: 117 yen)***

# Projection for 2Q2012

(unaudited)

(in million Yen)

	<u>For 2Q2012</u> <u>Mar - Jun, 2012</u>	<u>Expected</u> <u>YoY growth</u>
Net Sales	23,300	<u>- 4%</u>
Operating Income	5,700	<u>- 14%</u>
Ordinary Income	6,000	<u>- 13%</u>
Net Income	3,300	<u>- 16%</u>

(In accordance with Japan GAAP)

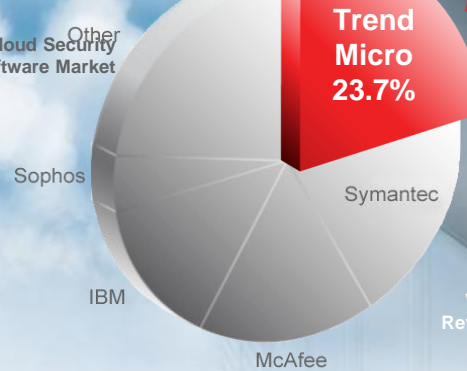
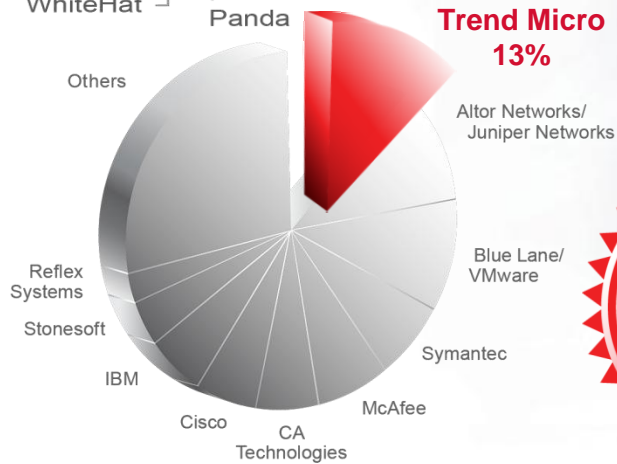
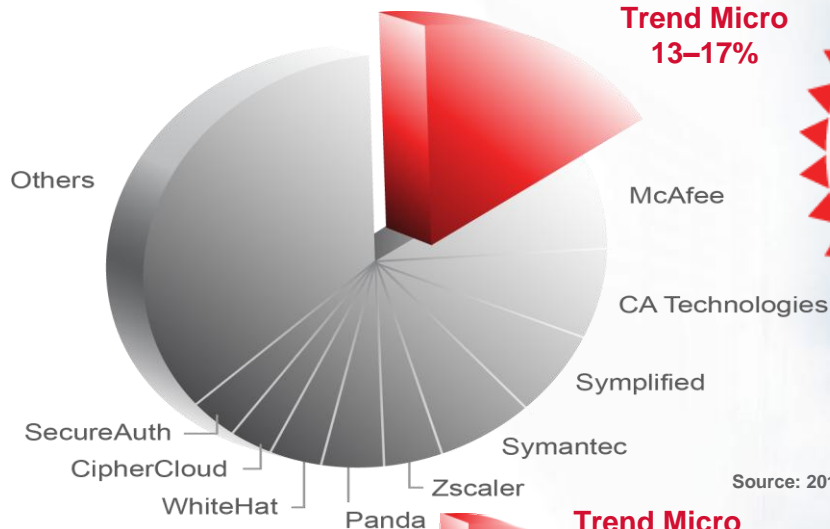
*In case of excluding a foreign exchange impact (a rule of thumb)*

**Net Sales**

**- 1%**

(Non-GAAP)

# Trend Micro #1: Securing Your Journey to the Cloud



Worldwide Endpoint Security Revenue Share by Vendor, 2010  
Source: IDC, 2011

Source: 2011 Technavio – Global Virtualization Security Management Solutions

***Thank you!***

# Appendix

(unaudited)

## Quarterly Chart (1)

(in million Yen)

	FY2011				FY2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Net sales</b>	23,980	24,333	24,015	24,064	22,630			
<b>Cost of sales</b>	4,412	4,343	4,620	4,519	4,058			
<b>Operating expenses</b>	13,046	13,334	12,513	13,237	13,003			
<b>Operating income</b>	6,520	6,655	6,881	6,306	5,568			
<b>Ordinary income</b>	6,260	6,874	8,705	6,850	5,804			
<b>Net income</b>	3,995	3,934	5,540	3,871	3,283			
<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>	779	511	787	828	610			
<b>Selling &amp; Marketing</b>	2,964	3,216	3,040	3,056	2,779			
<b>Administration</b>	2,275	2,461	2,258	2,768	2,428			
<b>Outside service</b>	1,807	1,655	1,532	1,716	1,559			
<b>Office overhead</b>	1,317	1,328	1,280	1,243	1,237			
<b>Salary &amp; Benefit</b>	7,369	7,384	7,094	7,149	7,464			
<b>Stock option cost</b>	664	696	711	650	625			
<b>Acquisition related costs</b>	280	423	427	344	356			
<b>Total</b>	17,459	17,677	17,133	17,757	17,061			
<b>The number of employees</b>	4,848	4,882	4,954	4,942	4,913			
<b>Applied rate to yen (US\$)</b>	82.31	81.72	77.82	77.35	79.43			
<b>Applied rate to yen (Euro)</b>	112.51	117.36	109.99	104.13	103.96			

# Appendix

## Quarterly Chart (2)

(unaudited)

(in million Yen)

	FY2011				FY2012			
(Sales by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	11,023	11,296	11,722	12,028	10,874			
US	5,315	5,365	4,968	4,803	4,369			
Europe	4,435	4,354	4,206	4,151	4,193			
Asia Pacific	2,570	2,691	2,528	2,540	2,615			
Latin America	635	624	590	540	577			
<b>Total</b>	<b>23,980</b>	<b>24,333</b>	<b>24,015</b>	<b>24,064</b>	<b>22,630</b>			
(Sales by segment)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All Enterprise	15,251	14,938	14,814	15,113	15,025			
Consumer	8,728	9,394	9,200	8,951	7,605			
<b>Total</b>	<b>23,980</b>	<b>24,333</b>	<b>24,015</b>	<b>24,064</b>	<b>22,630</b>			
(Pre-GAAP by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	11,494	11,323	11,574	11,648	12,628			
US	5,714	5,160	5,074	5,103	4,981			
Europe	4,060	4,605	3,540	6,166	4,013			
Asia Pacific	2,525	3,031	2,831	2,744	2,488			
Latin America	608	604	509	583	618			
<b>Total</b>	<b>24,402</b>	<b>24,725</b>	<b>23,529</b>	<b>26,246</b>	<b>24,730</b>			

**“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.**