



Securing Your Journey  
to the Cloud

# *Trend Micro FY2012.3Q Results*

*Mahendra Negi COO/CFO, Representative Director*

*November 8, 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. 3Q Financial Highlight

(Third quarter ended September 30, 2012)

# Consolidated Results

<i>Three months ended Sep 30,</i>	(unaudited)		
	(in million Yen)		
	3Q2011	3Q2012	YoY growth
Net sales	24,015	23,836	- 1%
Cost of sales	4,620	4,390	- 5%
Operating expenses	12,513	13,337	+ 7%
Operating income ( <i>Margin</i> )	6,881 (29%)	6,108 (26%)	- 11%
Ordinary income	8,705	6,233	- 28%
Net income	5,540	4,196	- 24%

(In accordance with Japan GAAP)

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

Pre-GAAP	23,529	23,304	- 1%
	<i>( In case of excluding a foreign exchange impact )</i>		

**+ 0%**

(Non-GAAP)

## *If currency exchange rates used for 3Q2011 were used for 3Q2012*

Net sales	24,015	24,333	+ 1%
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*\* The JPY amount for 3Q2012 shown above has been calculated by applying to each foreign currency net sales amount for 3Q2012 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 3Q2011 into a JPY net sales amount for Japan GAAP reporting purposes.*

(Non-GAAP) **TREND MICRO**

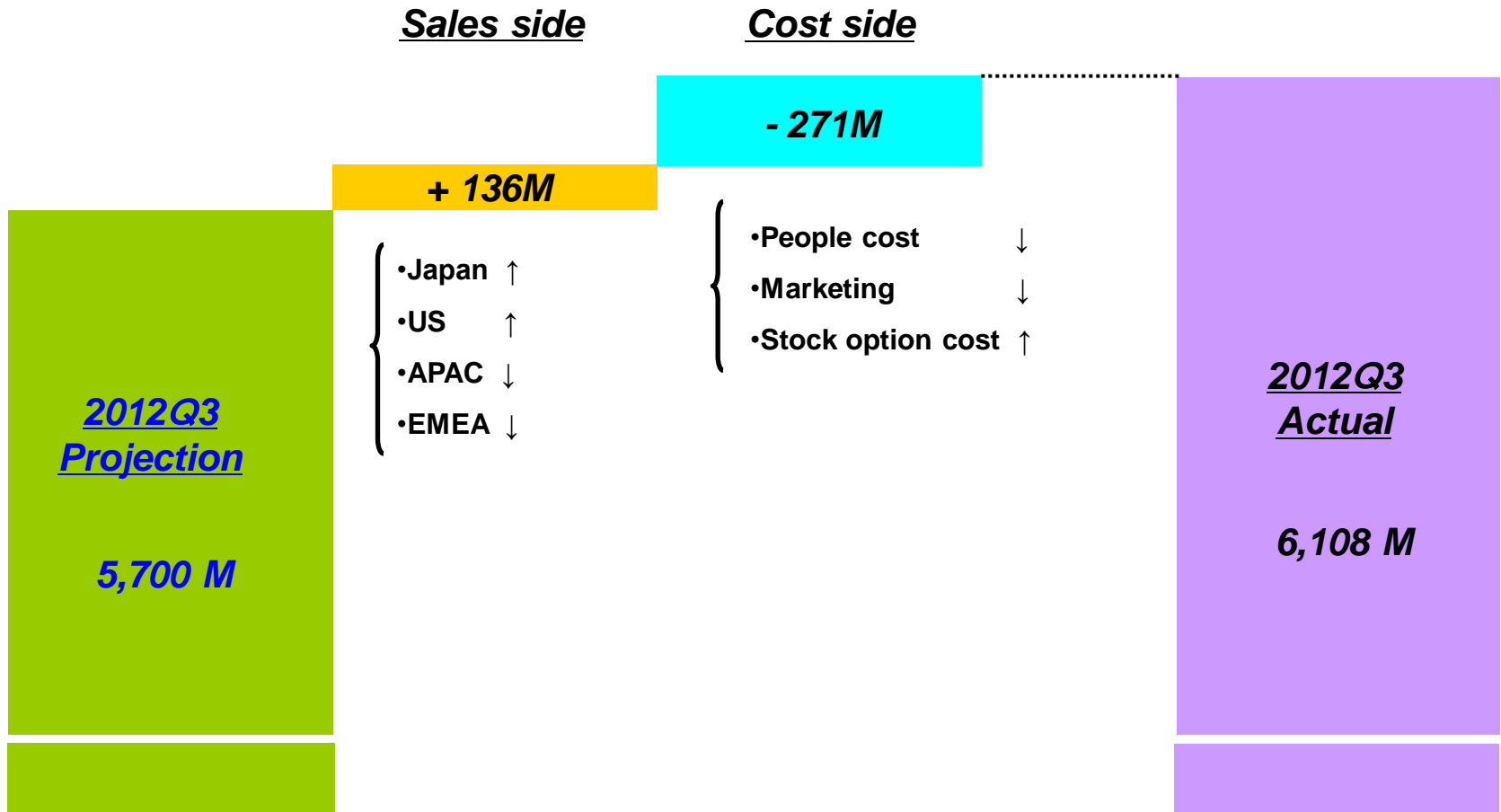
# USD based Results (Non-GAAP)

<i>Three months ended Sep 30,</i>	<i>3Q2011</i>	<i>3Q2012</i>	<i>(unaudited) (in thousand USD) YoY change</i>
<b>Net sales</b>	<b>308,599</b>	<b>303,188</b>	<b>- 2%</b>
<b>Cost of sales</b>	<b>59,373</b>	<b>55,846</b>	<b>- 6%</b>
<b>Operating expenses</b>	<b>160,794</b>	<b>169,643</b>	<b>+ 6%</b>
<b>Operating income</b>	<b>88,431</b>	<b>77,698</b>	<b>- 12%</b>
<b>Ordinary income</b>	<b>111,861</b>	<b>79,284</b>	<b>- 29%</b>
<b>Net Income</b>	<b>71,190</b>	<b>53,381</b>	<b>- 25%</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=77.82 JPY for 3Q2011 and 1 USD =78.62 JPY for 3Q2012, 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)

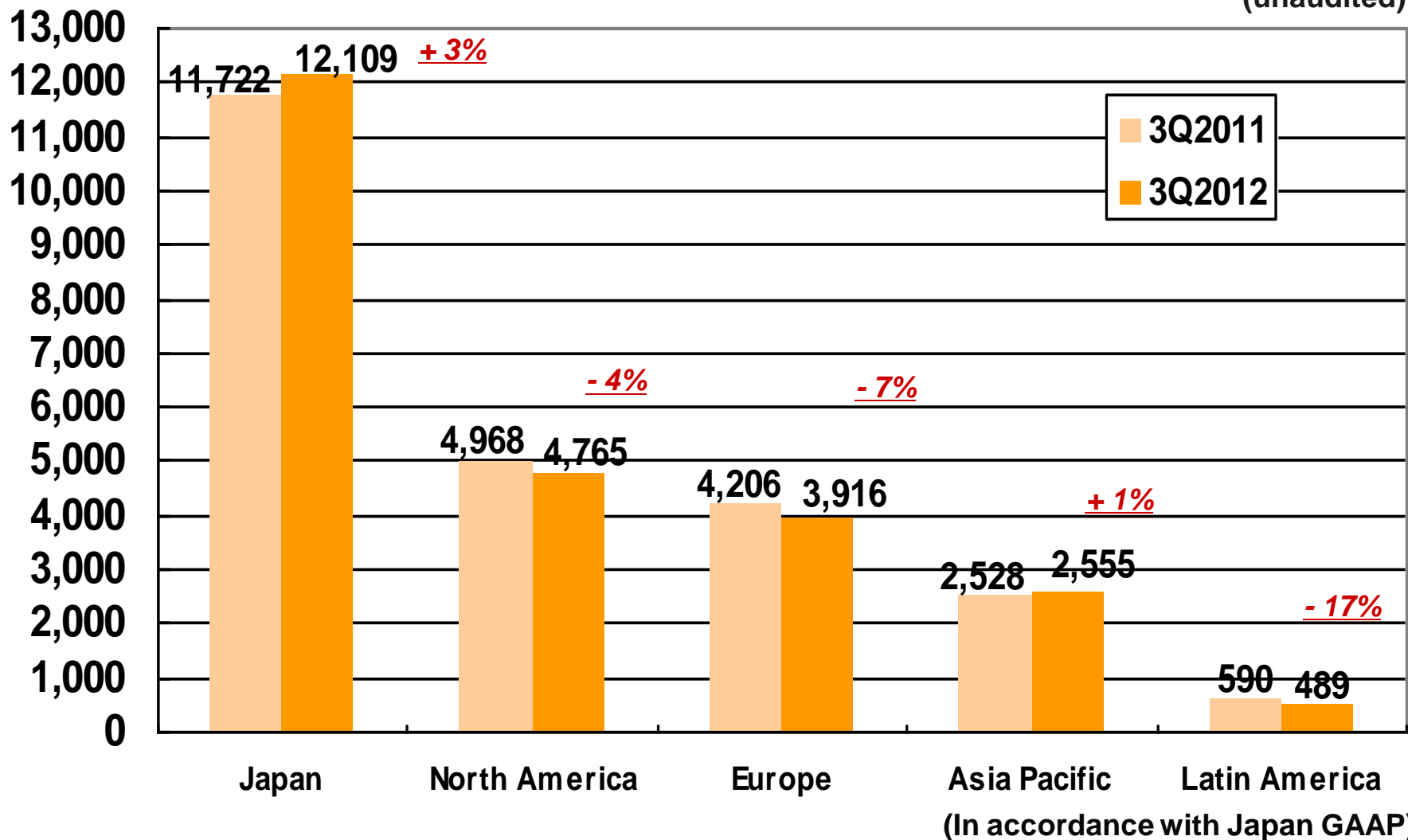


(Non-GAAP)

# Net Sales Growth by Region

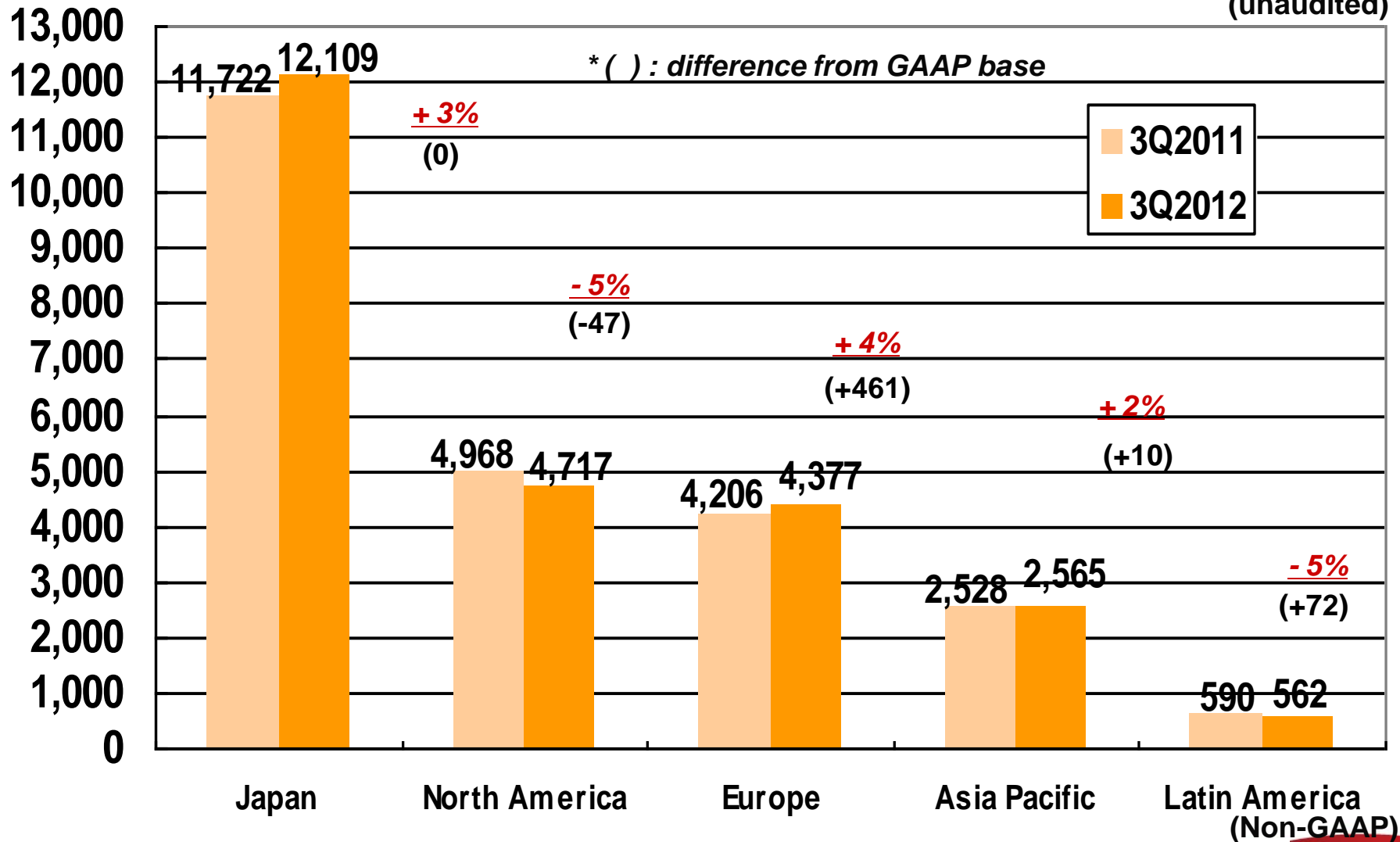
(in million Yen)

(unaudited)



# Net Sales Growth by Region

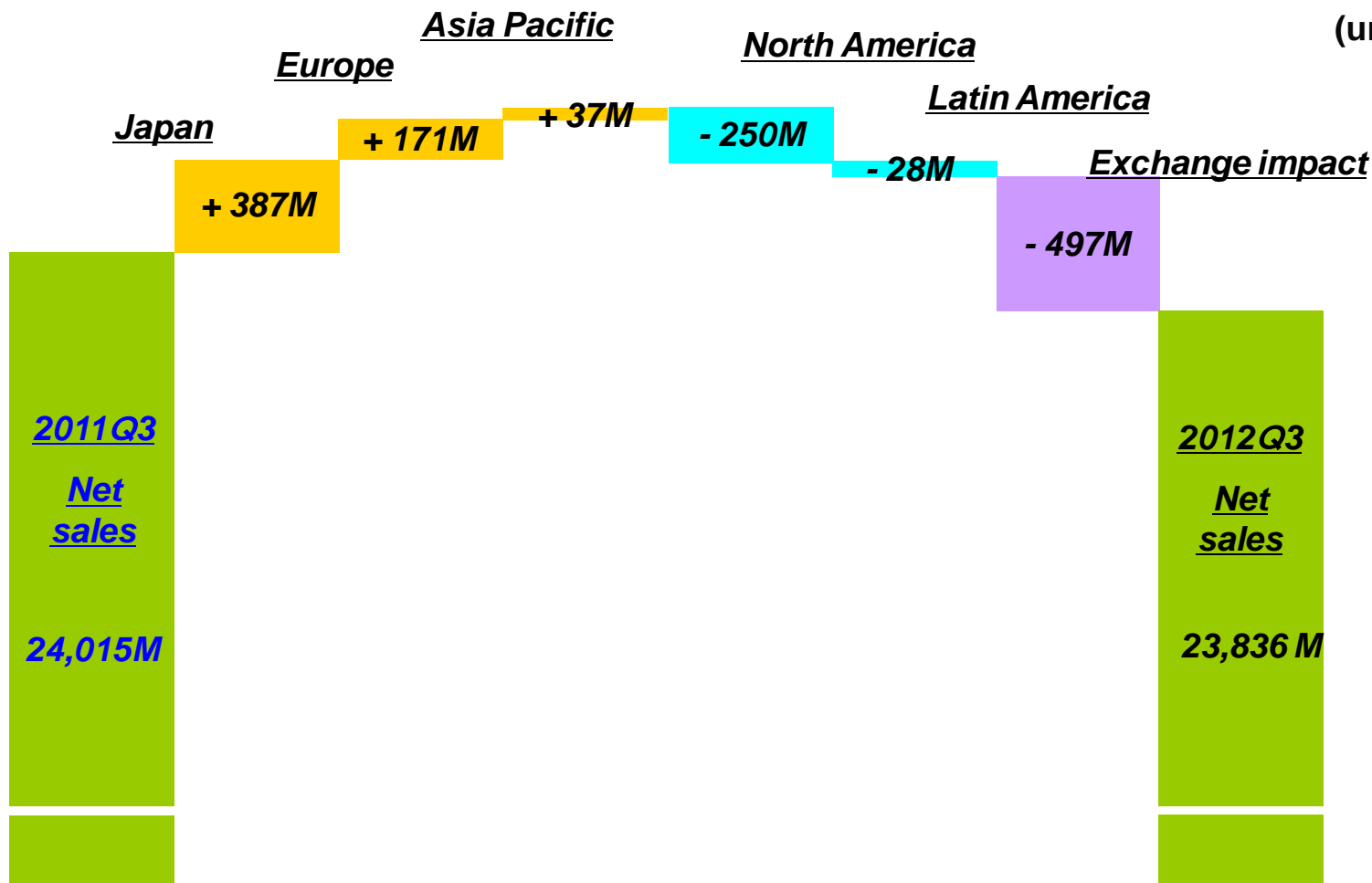
(in million Yen) *If currency exchange rates used for 3Q2011 were used for 3Q2012:* (unaudited)



\* Each JPY amount for 3Q2012 shown above has been calculated by applying to the relevant foreign currency net sales amount for 3Q2012 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 3Q2011 into a JPY net sales amount for Japan GAAP reporting purposes.

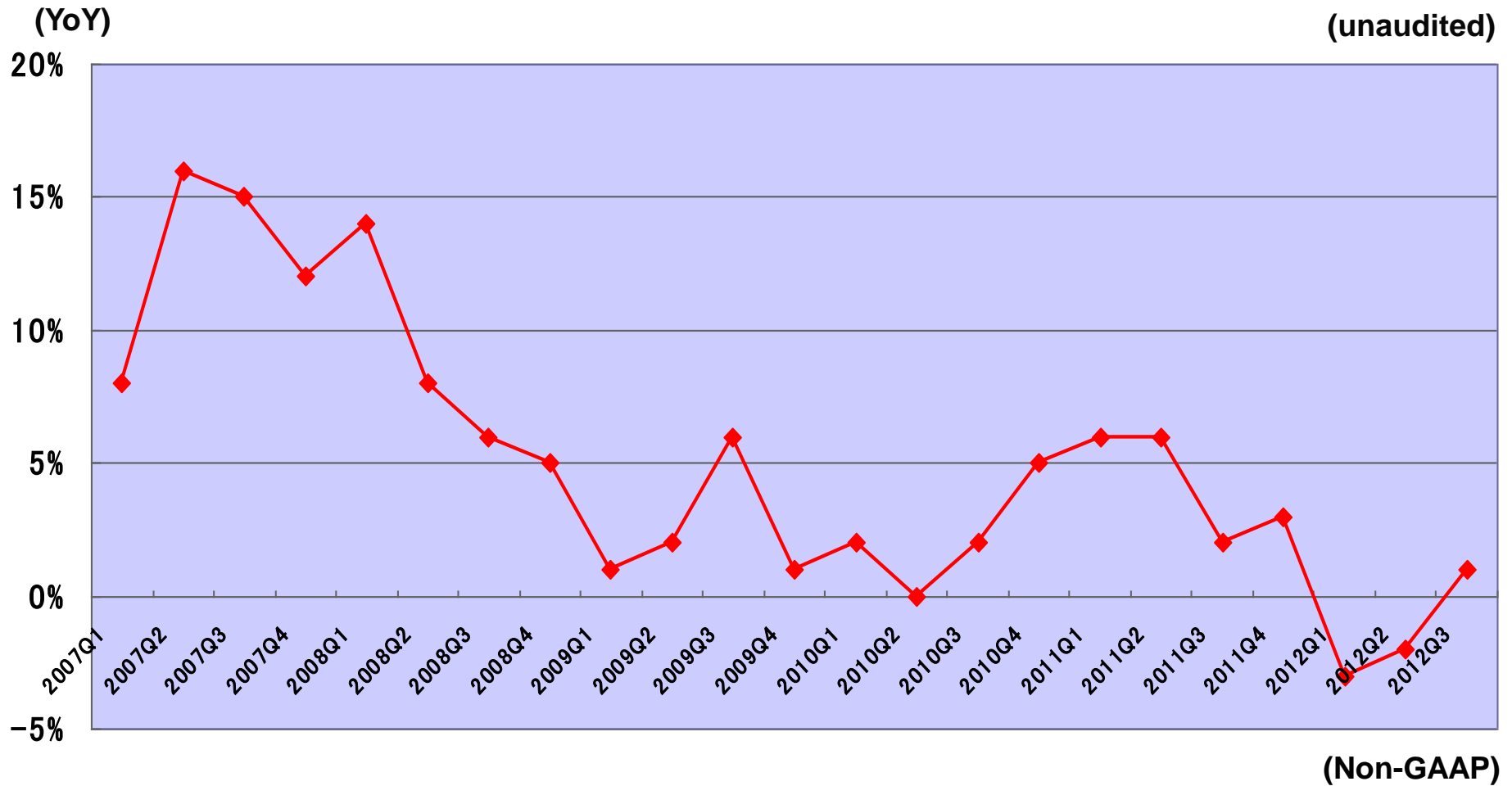
# Decomposition of Revenue (vs. last year)

(unaudited)



(Non-GAAP)

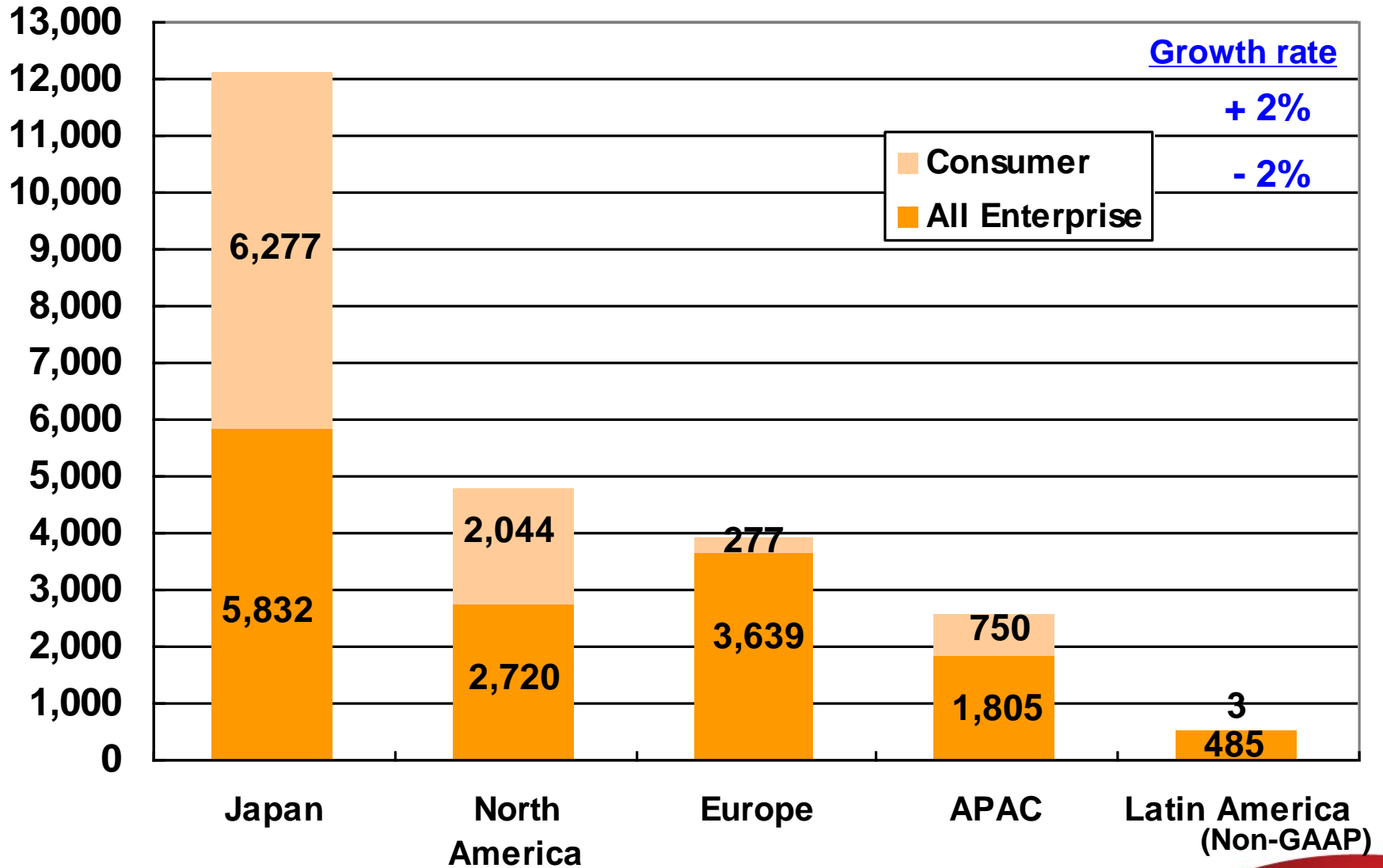
# Constant currency Revenue growth



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

# Sales by Segment

(in million Yen)

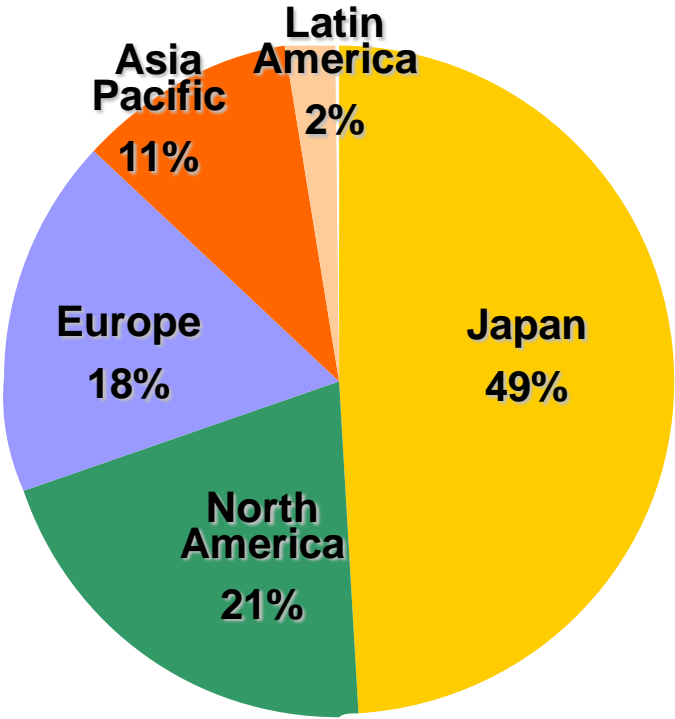


# % share by region

(unaudited)

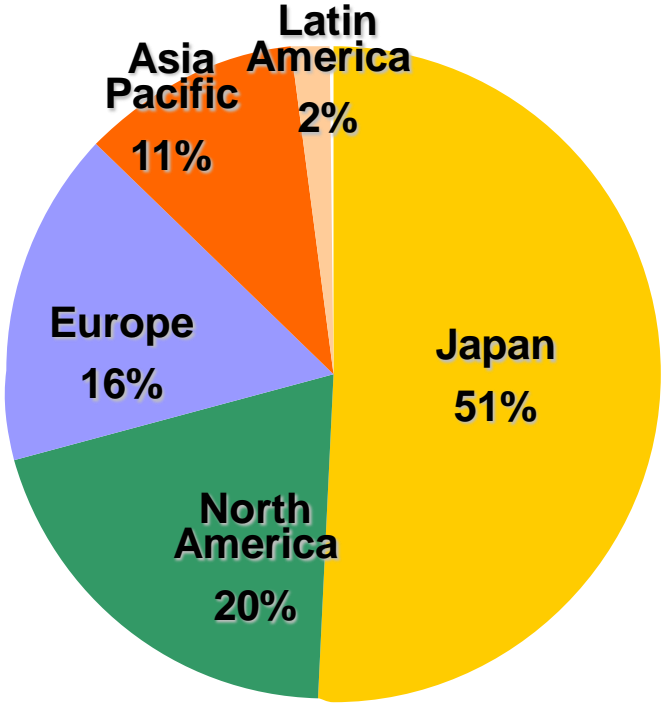
**3Q2011**

**24,015 million Yen**



**3Q2012**

**23,836 million Yen**



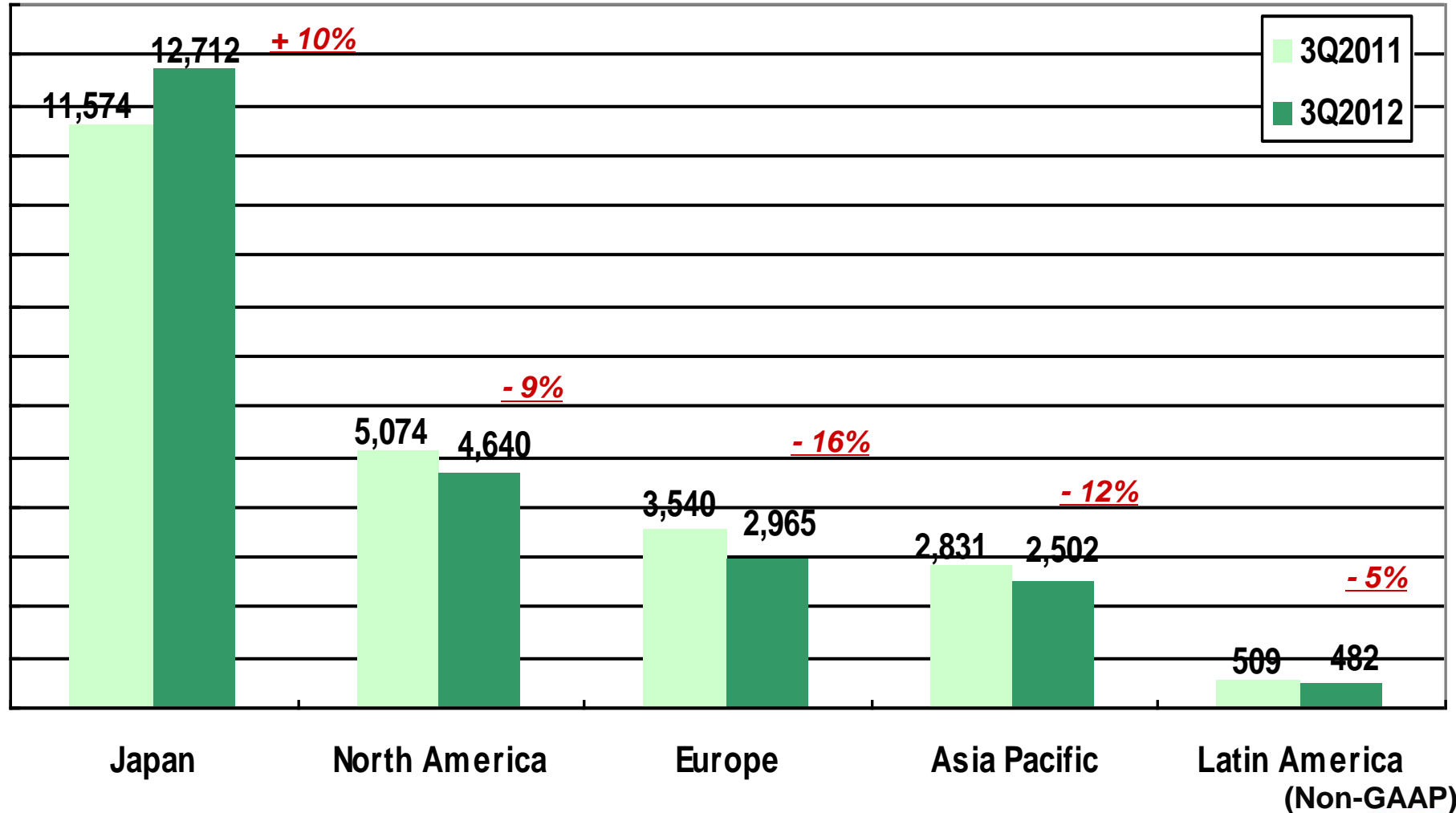
(In accordance with Japan GAAP)

**“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.**

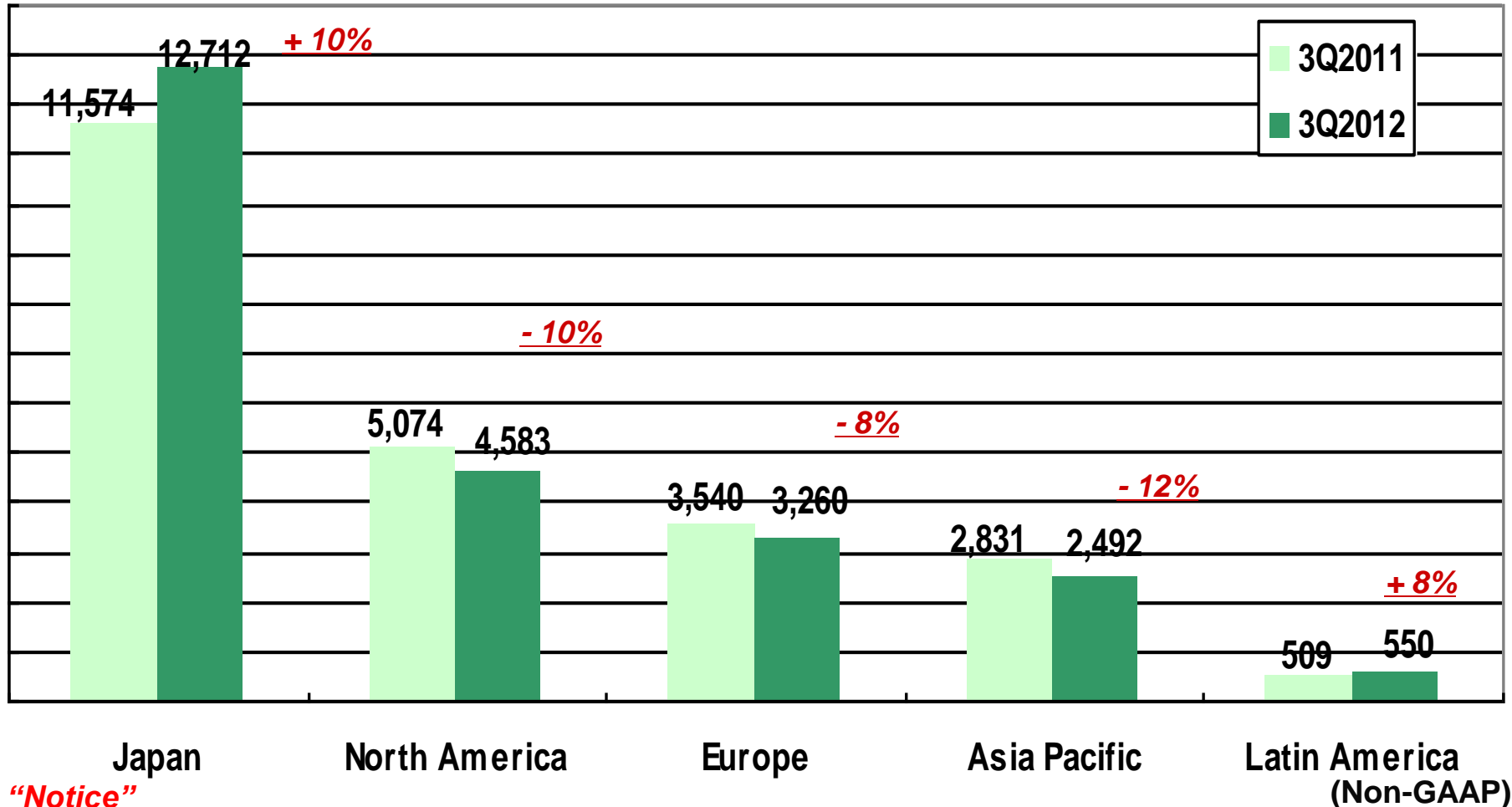
# “For reference”

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

If currency exchange rates used for 3Q2011 were used for 3Q2012:

(in million Yen)

(unaudited)



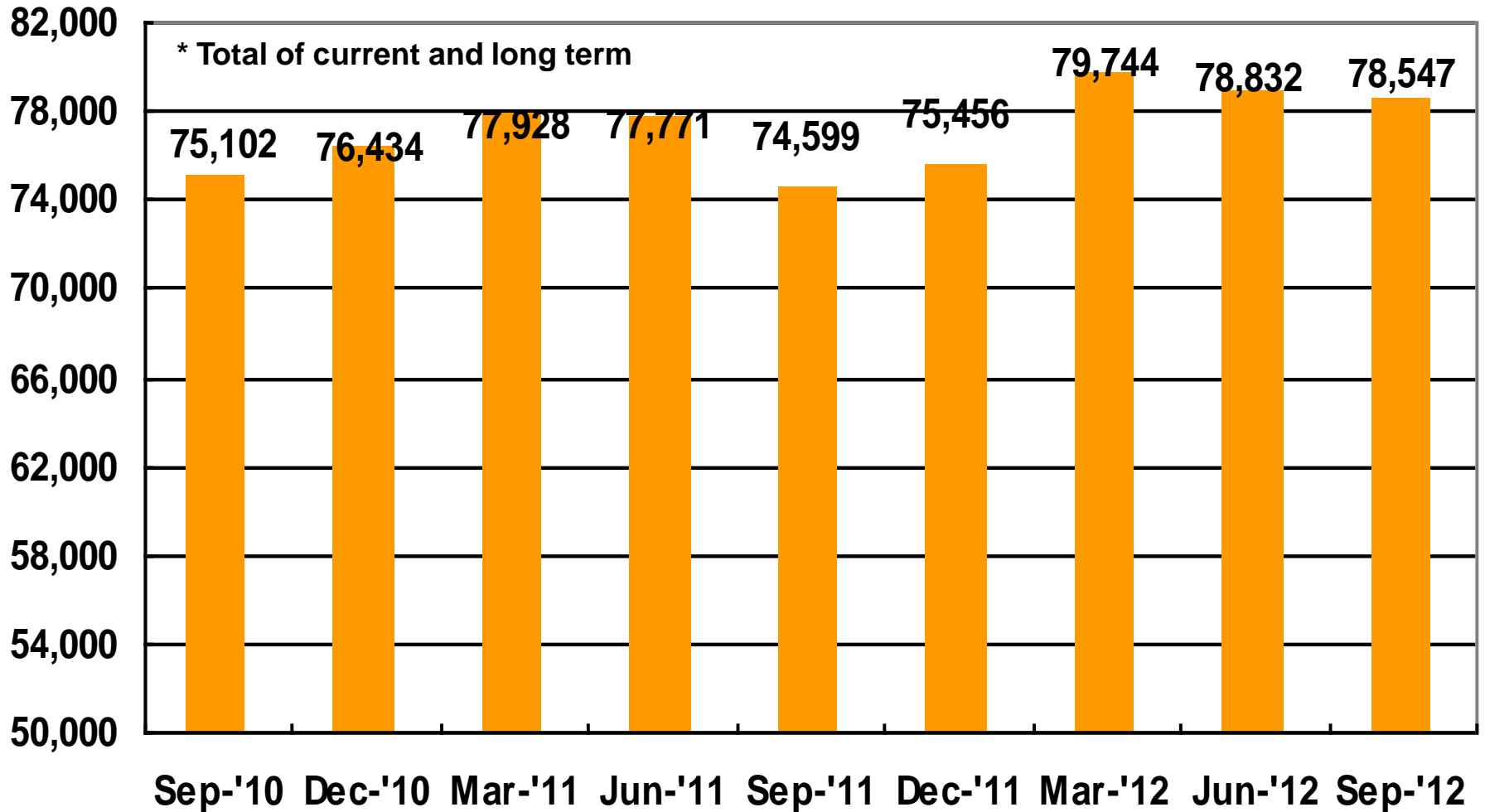
### “Notice”

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.

# Deferred Revenue

(in million Yen)

(unaudited)

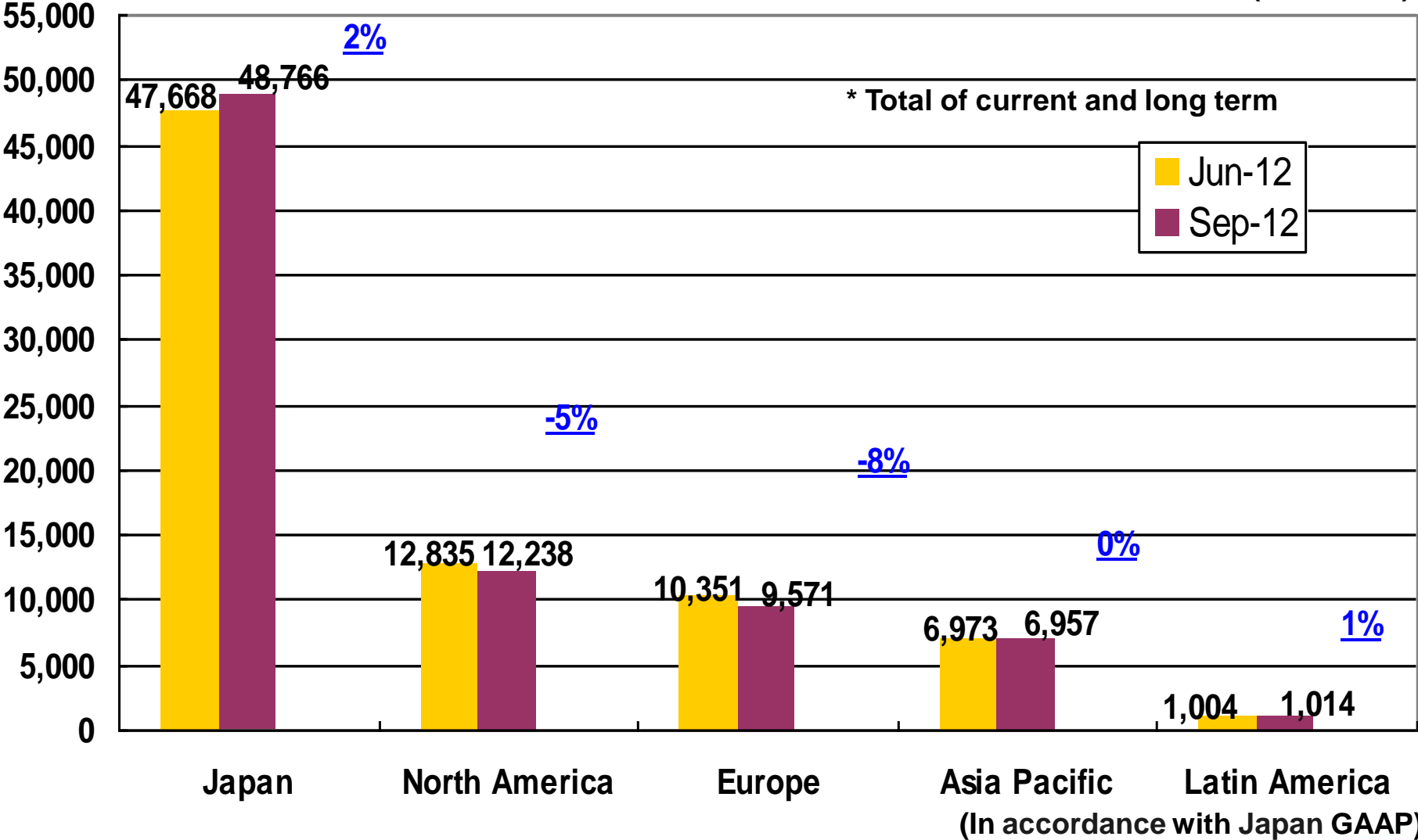


(In accordance with Japan GAAP)

# Deferred Revenue by Region

(in million Yen)

(unaudited)

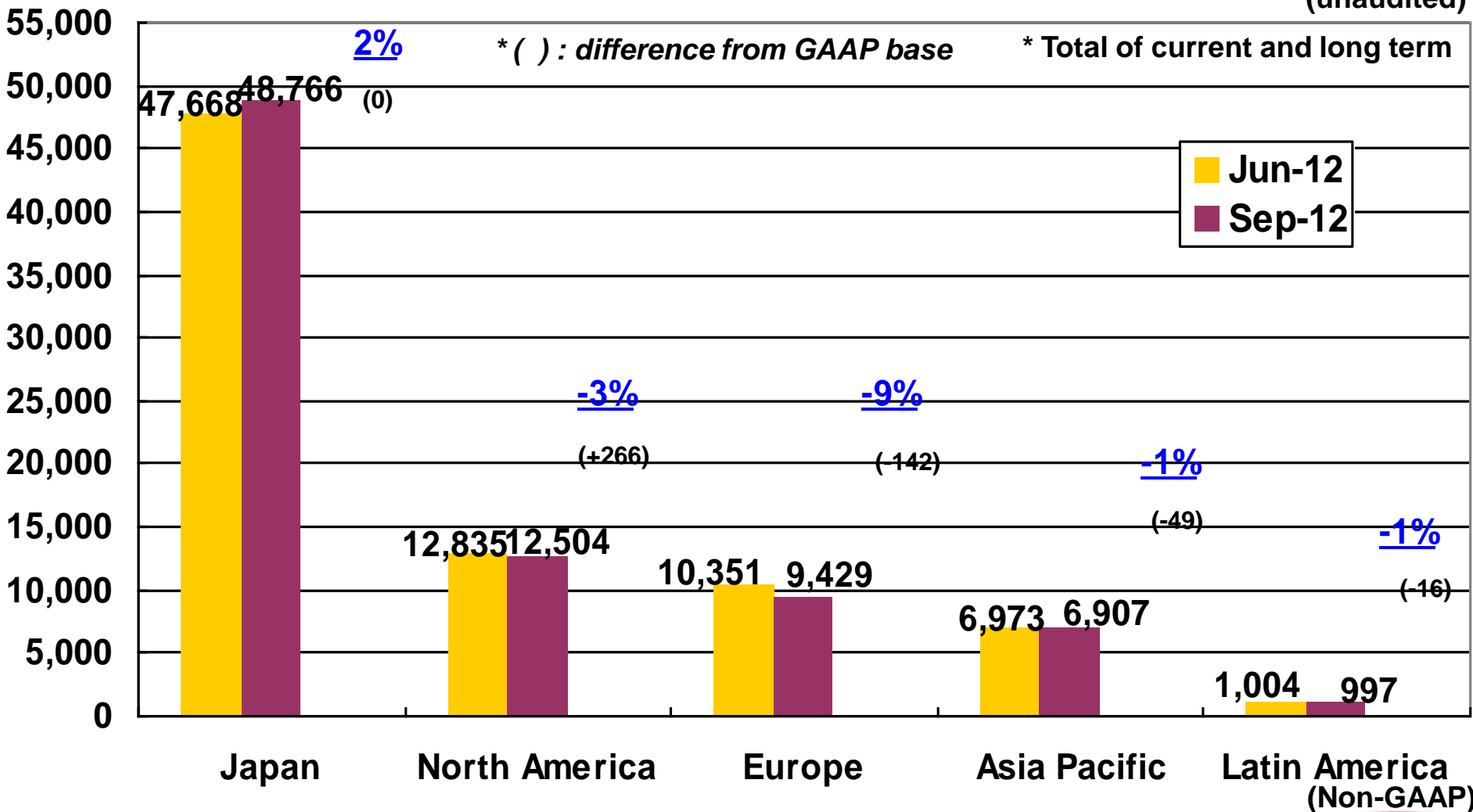


# Deferred Revenue by Region

If currency exchange rates used as of the end of 2Q2012 were used as of the end of 3Q2012:

(in million Yen)

(unaudited)

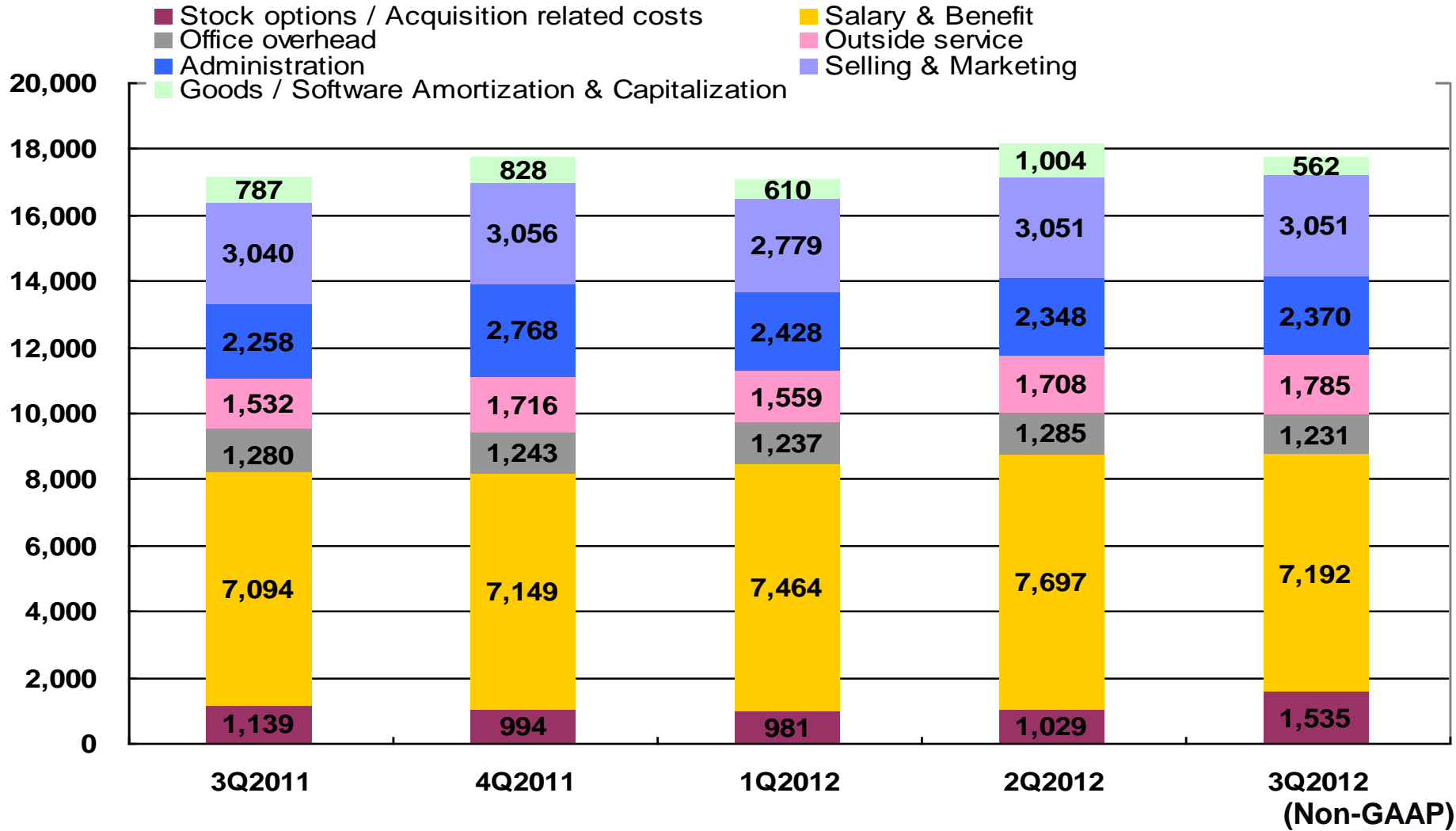


\* Each JPY amount as of the end of 3Q2012 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 3Q2012 the exchange rate between such foreign currency and JPY that was used to convert the deferred revenue amount denominated in such foreign currency as of the end of 2Q2012 into a JPY deferred revenue amount for Japan GAAP reporting purposes.

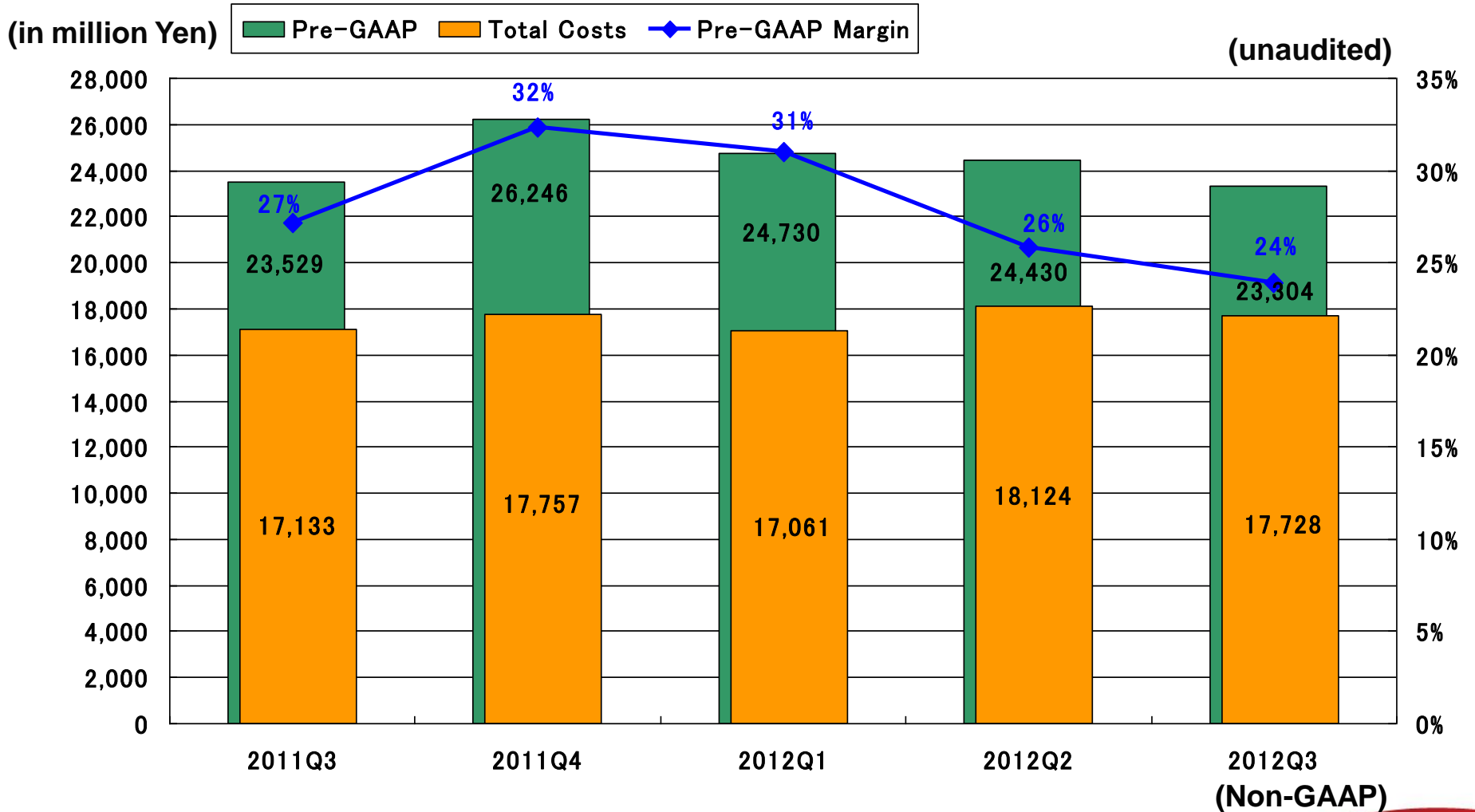
# Cost

(in million Yen)

(unaudited)



# Pre-GAAP v s Total Costs



\* "Total costs" means COGS + SGA.

# Cash flows

(unaudited)  
(in million Yen)

項目	3Q2011	3Q2012	YoY growth
Cash flows from operating activities	2,660	4,398	+ 65%
Cash flows from investing activities	- 2,894	- 15,744	—
Cash flows from financing activities	0	- 168	—
Effect of exchange rate changes on cash and cash equivalents	- 3,375	58	—
Net increase (decrease) in cash and cash equivalents	- 3,609	- 11,455	—
Cash and cash equivalents at beginning of this quarter period	62,999	67,061	+ 6%
Cash and cash equivalents at end of this quarter period	59,390	55,606	- 6%

# **Q3 Highlights**

- ***Growth in Japan despite tough market conditions***
- ***On a constant currency basis, improvement in growth rate over last quarter***

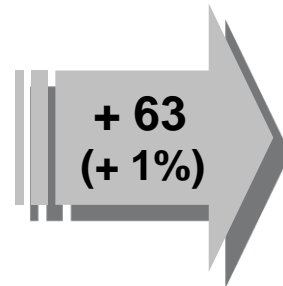
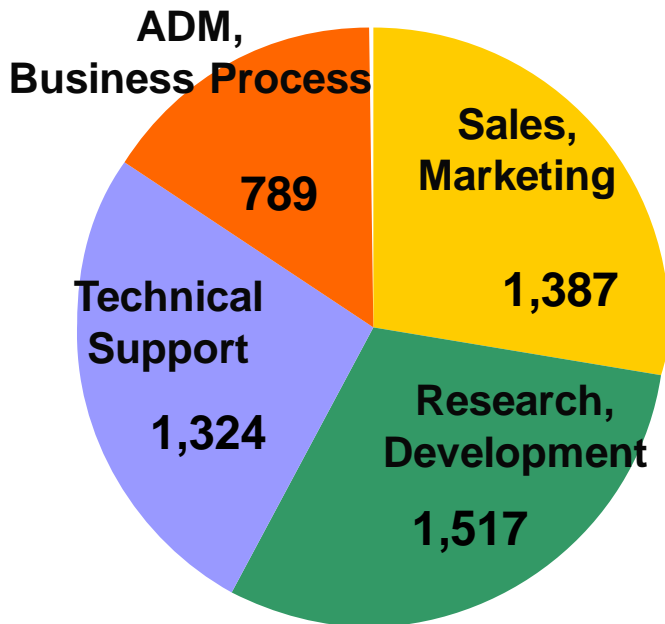
# **Q3 Lowlights**

- ***Growth in EMEA and US remains weak***
- ***SMB business remains weak***
- ***Pricing pressure continues***

# Headcount

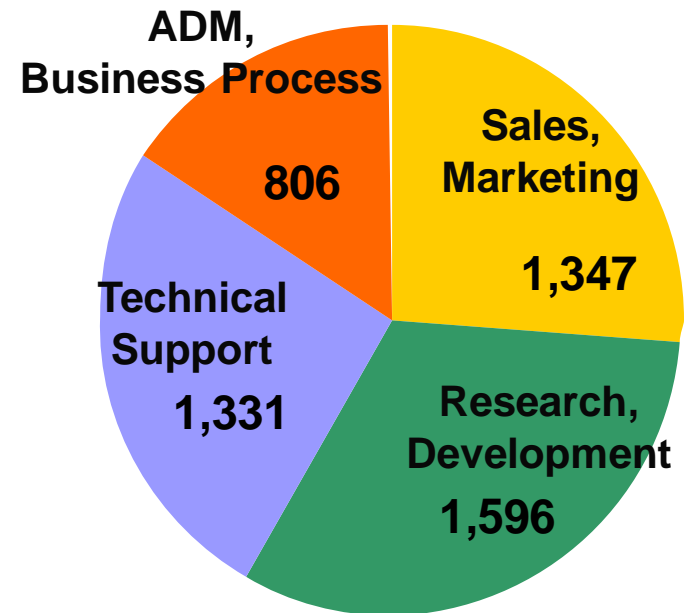
**Jun - 2012**

**5,017**



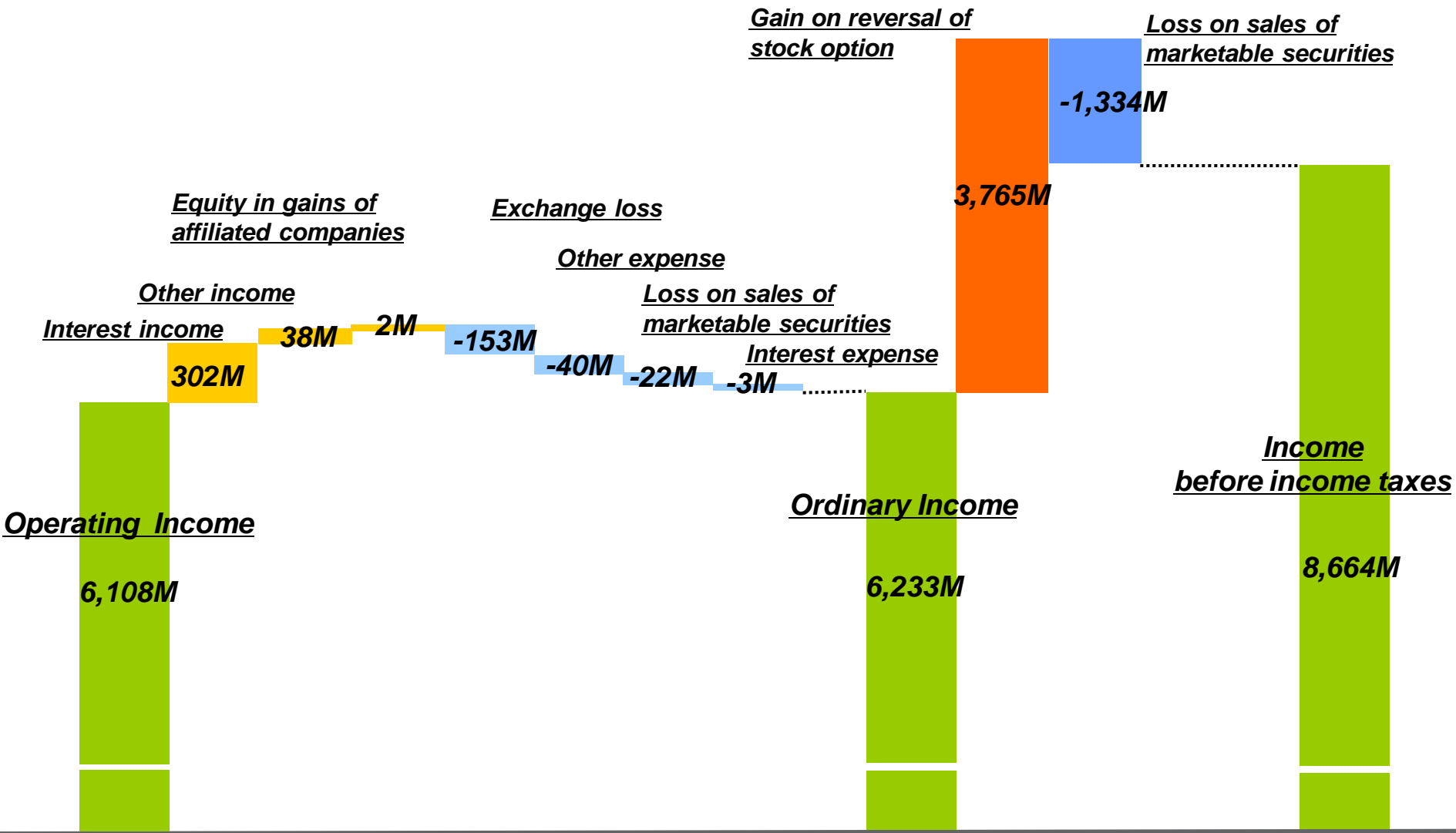
**Sep - 2012**

**5,080**



# Non-operating & Extra-ordinary Items

(unaudited)



# Balance Sheet

(unaudited)  
(in million Yen)

	<i>Jun-2012</i>	<i>change</i>	<i>Sep-2012</i>
<b><u>Assets</u></b>			
<i>Cash &amp; cash equivalents</i>	69,701	- 11,040	58,661
<i>Account receivable</i> <i>(less allowance for doubtful accounts)</i>	19,199	+ 5	19,204
<i>Marketable securities &amp;</i> <i>Securities investments</i>	66,665	+ 13,473	80,138
<b><u>Liabilities</u></b>			
<i>Deferred revenue</i> <i>(total of current and long-term)</i>	78,832	- 285	78,547
<b><u>Shareholders' Equity</u></b>			
<i>Common Stock &amp;</i> <i>Additional paid in capital</i>	39,498	0	39,498
<i>Treasury Stock</i>	- 26,447	+ 2	- 26,445

(In accordance with Japan GAAP)

# ***Q4 forecast assumptions***

- ***Japan decreases by low-single digit, US and Europe are flat YoY respectively***
- ***Stock option expenses will be 1.2Bn yen***
- ***Estimated exchange rate:***
  - 1USD = 79 yen ( last year: 77 yen)***
  - 1EUR = 103 yen ( last year: 104 yen)***

# ***Q4 Extraordinary income forecast assumptions***

<b><i>Reversal of Stock option (due to expiration)</i></b>	<b><i>+ 100 million Yen</i></b>
<b><i>Impairment loss on Goodwill &amp; Software asset</i></b>	<b><i>- 800 million Yen</i></b>
<b><i>Prospect of loss on sales of Euro MMF in Q4 (the unsold rest of planned sales in Q3 )</i></b>	<b><i>- 300 million Yen</i></b>
<b><i>Extraordinary income</i></b>	<b><i>- 1,000 million Yen</i></b>

# Projection for 4Q2012

(unaudited)  
(in million Yen)

	<u>For 4Q2012</u> <u>Oct - Dec, 2012</u>	<u>Expected</u> <u>YoY growth</u>
<b>Net Sales</b>	<b>24,100</b>	<b><u>0%</u></b>
<b>Operating Income</b>	<b>5,400</b>	<b><u>- 14%</u></b>
<b>Ordinary Income</b>	<b>5,700</b>	<b><u>- 17%</u></b>
<b>Net Income</b>	<b>2,300</b>	<b><u>- 41%</u></b>

(In accordance with Japan GAAP)

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

**Net Sales**

**0%**

(Non-GAAP)

***Thank you!***

# Appendix

## Quarterly Chart (1)

(unaudited)  
(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	23,058	23,836	
<b>Cost of sales</b>	4,412	4,343	4,620	4,519	4,058	4,488	4,390	
<b>Operating expenses</b>	13,046	13,334	12,513	13,237	13,003	13,636	13,337	
<b>Operating income</b>	6,520	6,655	6,881	6,306	5,568	4,934	6,108	
<b>Ordinary income</b>	6,260	6,874	8,705	6,850	5,804	5,043	6,233	
<b>Net income</b>	3,995	3,934	5,540	3,871	3,283	3,285	4,196	
<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	1,004	562	
<b>Selling &amp; Marketing</b>	2,964	3,216	3,040	3,056	2,779	3,051	3,051	
<b>Administration</b>	2,275	2,461	2,258	2,768	2,428	2,348	2,370	
<b>Outside service</b>	1,807	1,655	1,532	1,716	1,559	1,708	1,785	
<b>Office overhead</b>	1,317	1,328	1,280	1,243	1,237	1,285	1,231	
<b>Salary &amp; Benefit</b>	7,369	7,384	7,094	7,149	7,464	7,697	7,192	
<b>Stock option cost</b>	664	696	711	650	625	688	1,191	
<b>Acquisition related costs</b>	280	423	427	344	356	340	344	
<b>Total</b>	17,459	17,677	17,133	17,757	17,061	18,124	17,728	
<b>The number of employees</b>	4,848	4,882	4,954	4,942	4,913	5,017	5,080	
<b>Applied rate to yen (US\$)</b>	82.31	81.72	77.82	77.35	79.43	80.10	78.62	
<b>Applied rate to yen (Euro)</b>	112.51	117.36	109.99	104.13	103.96	102.79	98.40	

# 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	11,162	12,109	
US	5,315	5,365	4,968	4,803	4,369	4,758	4,765	
Europe	4,435	4,354	4,206	4,151	4,193	4,003	3,916	
Asia Pacific	2,570	2,691	2,528	2,540	2,615	2,640	2,555	
Latin America	635	624	590	540	577	493	489	
<b>Total</b>	<b>23,980</b>	<b>24,333</b>	<b>24,015</b>	<b>24,064</b>	<b>22,630</b>	<b>23,058</b>	<b>23,836</b>	
(Sales by segment)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All Enterprise	15,251	14,938	14,814	15,113	15,025	14,280	14,483	
Consumer	8,728	9,394	9,200	8,951	7,605	8,777	9,353	
<b>Total</b>	<b>23,980</b>	<b>24,333</b>	<b>24,015</b>	<b>24,064</b>	<b>22,630</b>	<b>23,058</b>	<b>23,836</b>	
(Pre-GAAP by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	11,494	11,323	11,574	11,648	12,628	12,870	12,712	
US	5,714	5,160	5,074	5,103	4,981	4,228	4,640	
Europe	4,060	4,605	3,540	6,166	4,013	4,203	2,965	
Asia Pacific	2,525	3,031	2,831	2,744	2,488	2,630	2,502	
Latin America	608	604	509	583	618	497	482	
<b>Total</b>	<b>24,402</b>	<b>24,725</b>	<b>23,529</b>	<b>26,246</b>	<b>24,730</b>	<b>24,430</b>	<b>23,304</b>	

### **“Notice”**

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