



Securing Your Journey  
to the Cloud

# *Trend Micro FY2013.1Q Results*

*Mahendra Negi COO/CFO, Representative Director*

*May 9, 2013*

# ***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.**

# FY2013. 1Q Financial Highlight

(First quarter ended March 31, 2013)

# Consolidated Results

(unaudited)  
(in million Yen)

Three months ended Mar 31,	1Q2012	(Forecast)	1Q2013	YoY growth	+/- Forecast
Net sales	22,630	(24,700)	25,783	+ 14%	(+ 1,083)
Cost of sales	4,058		5,048	+ 24%	
Operating expenses	13,003		13,396	+ 3%	
Operating income (Margin)	5,568 ( 25%)	(5,600)	7,338 ( 28%)	+ 32%	(+ 1,738)
Ordinary income	5,804	(5,900)	7,646	+ 32%	(+ 1,746)
Net income	3,283	(3,400)	4,820	+ 47%	(+ 1,420)

(In accordance with Japan GAAP)

## “For reference” Revenue before adjusting deferred revenue

Pre-GAAP	24,730		26,774	+ 8%	
					( In case of excluding a foreign exchange impact )
				+ 1%	

(Non-GAAP)

## If currency exchange rates used for 1Q2012 were used for 1Q2013

Net sales	22,630		23,807	+ 5%	
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\* The JPY amount for 1Q2013 shown above has been calculated by applying to each foreign currency net sales amount for 1Q2013 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 1Q2012 into a JPY net sales amount for Japan GAAP reporting purposes.

(Non-GAAP)

# USD based Results (Non-GAAP)

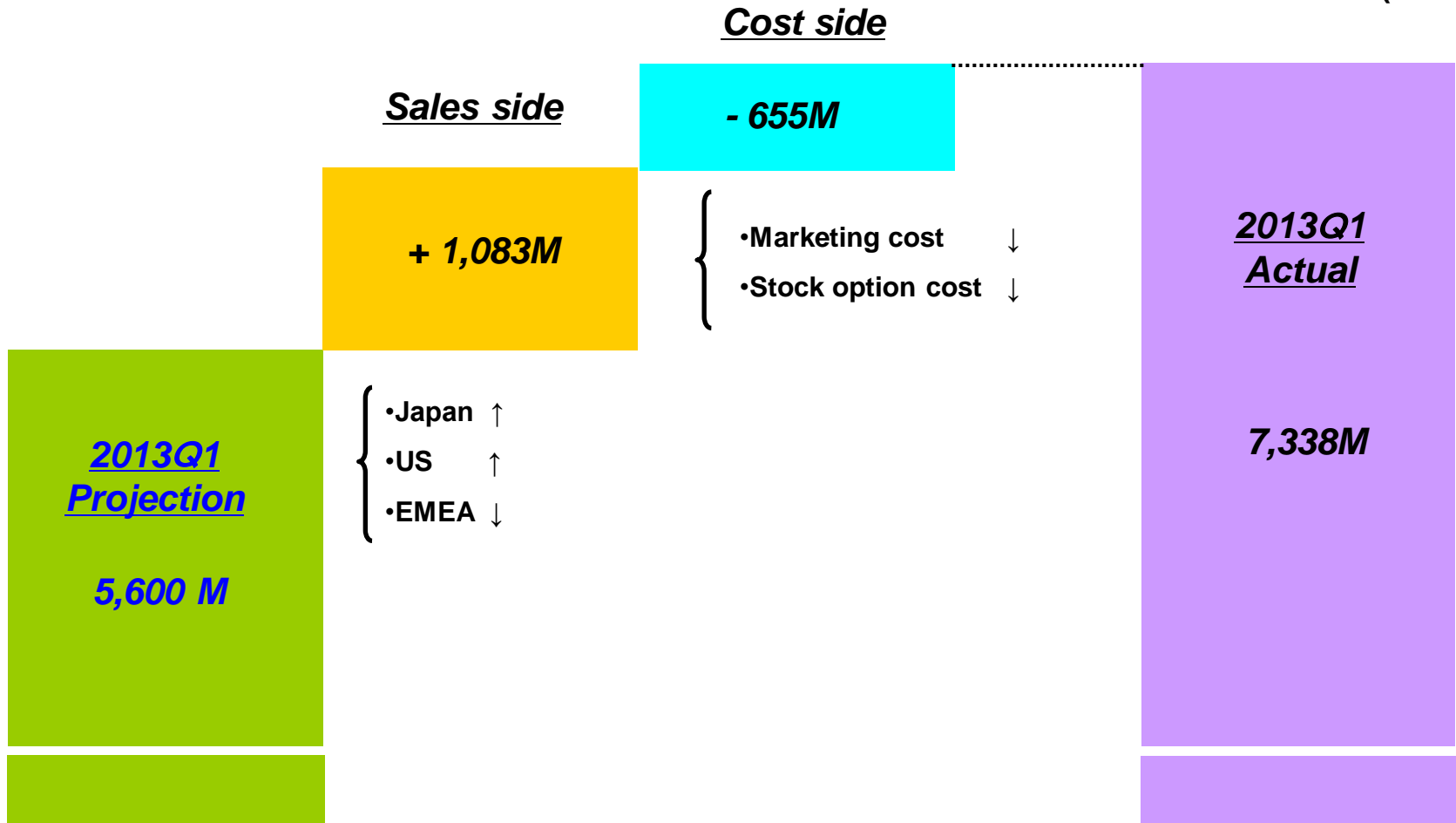
<i>Three months ended Mar 31,</i>	<i>1Q2012</i>	<i>1Q2013</i>	<i>(unaudited) (in thousand USD) YoY change</i>
<b>Net sales</b>	<b>284,915</b>	<b>278,829</b>	<b>- 2%</b>
<b>Cost of sales</b>	<b>51,091</b>	<b>54,594</b>	<b>+ 7%</b>
<b>Operating expenses</b>	<b>163,713</b>	<b>144,872</b>	<b>- 12%</b>
<b>Operating income</b>	<b>70,110</b>	<b>79,362</b>	<b>+ 13%</b>
<b>Ordinary income</b>	<b>73,077</b>	<b>82,694</b>	<b>+ 13%</b>
<b>Net Income</b>	<b>41,337</b>	<b>52,130</b>	<b>+ 26%</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=79.43 JPY for 1Q2012 and 1 USD =92.47 JPY for 1Q2013, 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)

(unaudited)

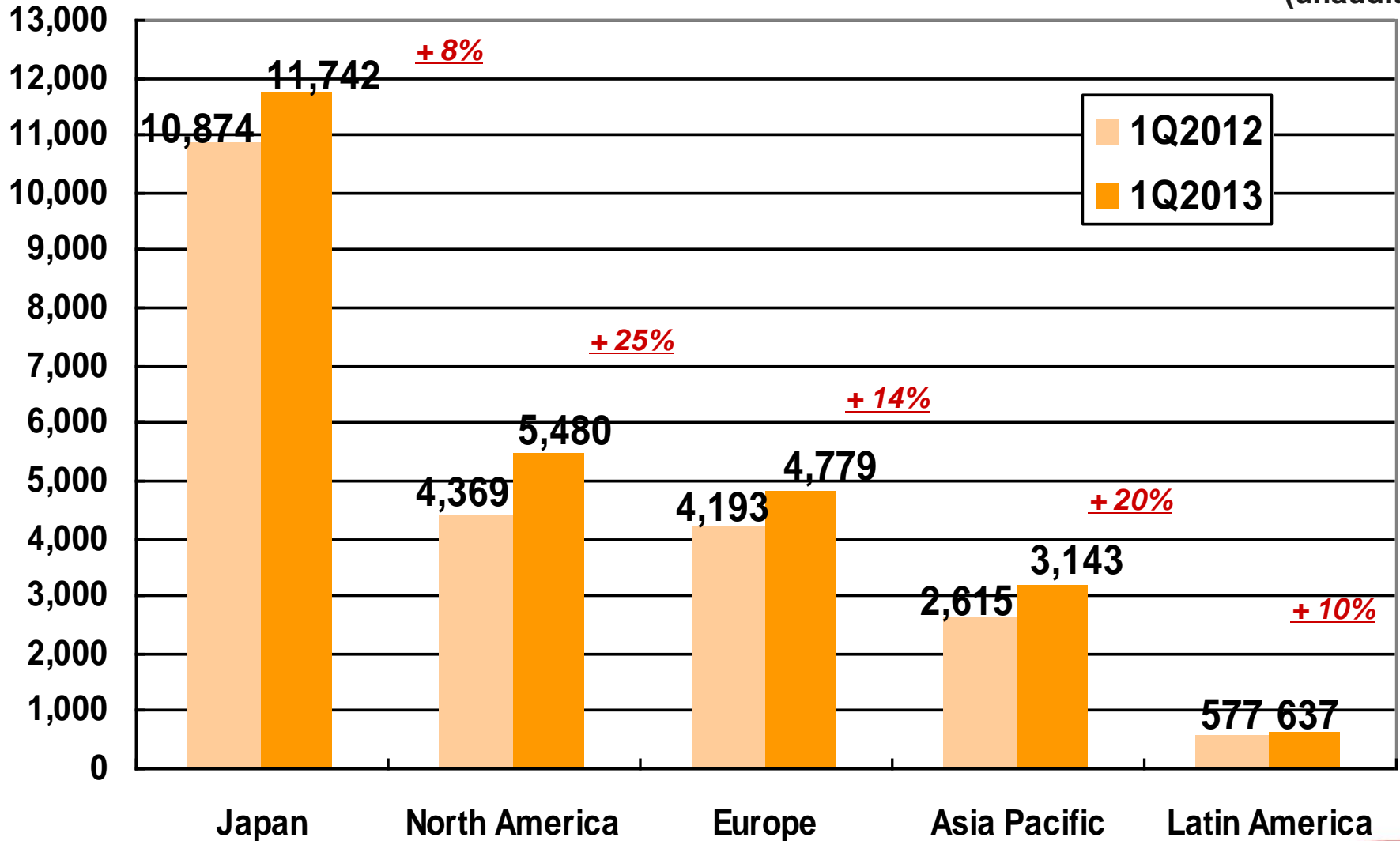


(Non-GAAP)

# Net Sales Growth by Region

(in million Yen)

(unaudited)



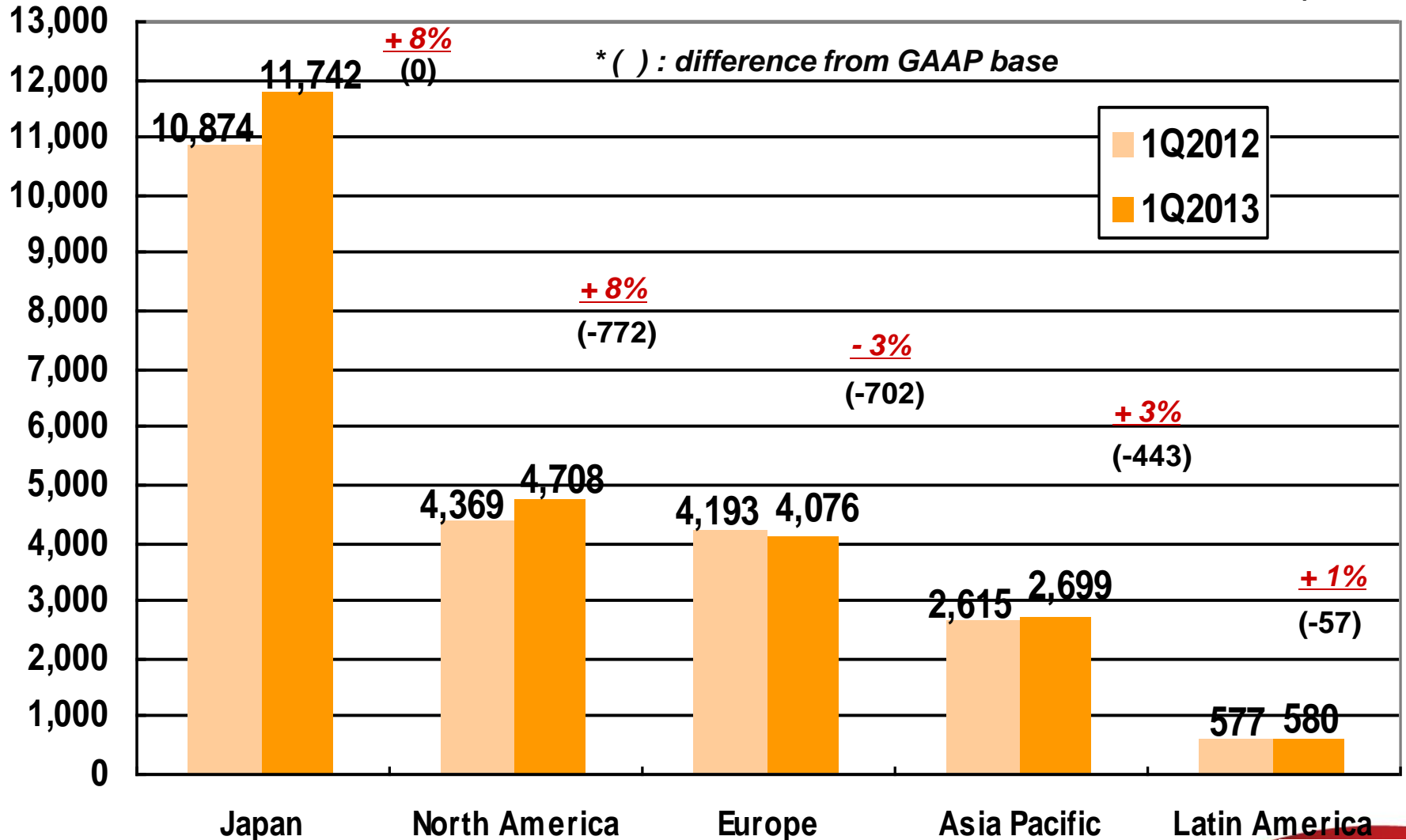
(In accordance with Japan GAAP)

# Net Sales Growth by Region

*If currency exchange rates used for 1Q2012 were used for 1Q2013:*

(in million Yen)

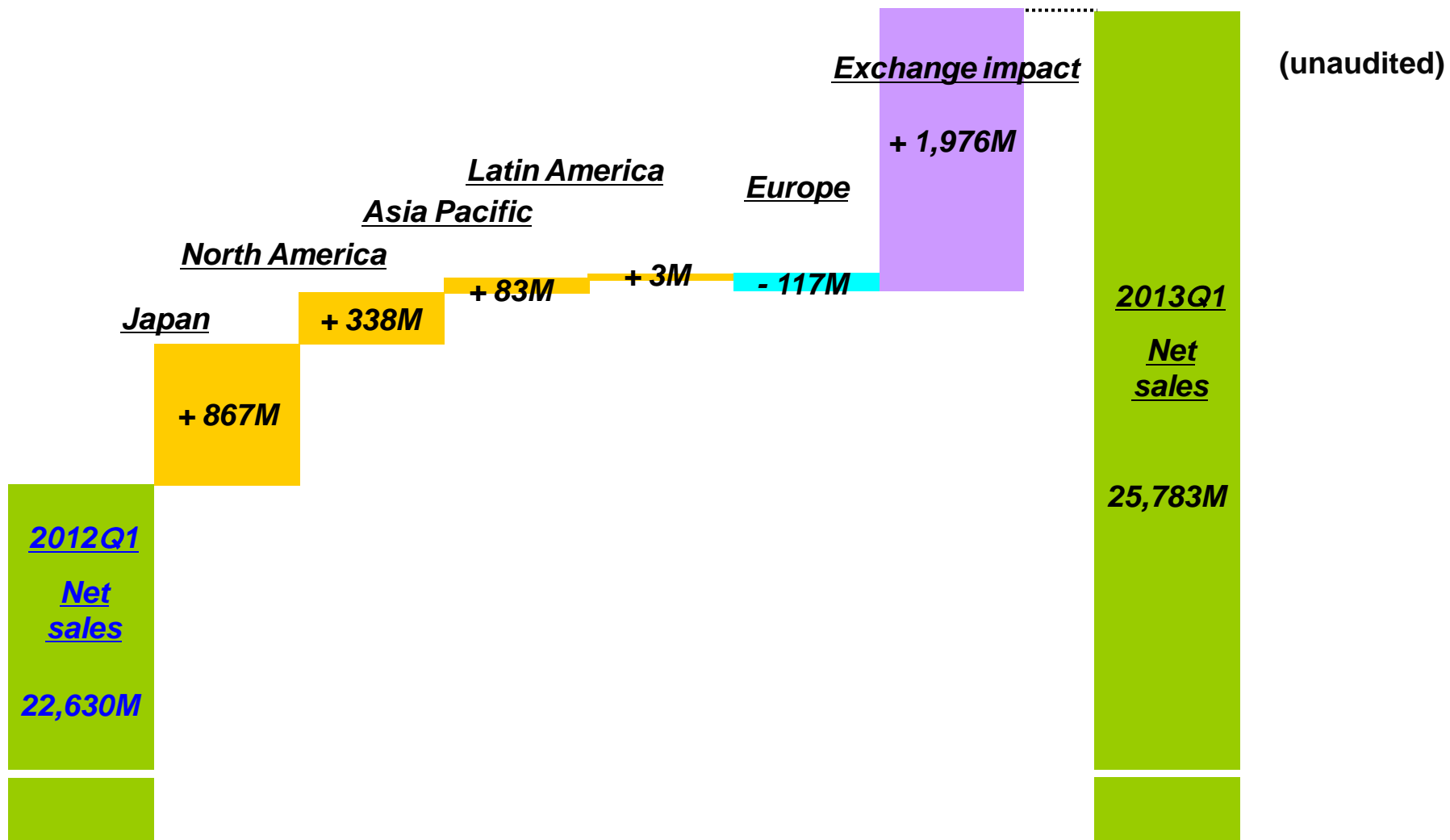
(unaudited)



\* Each JPY amount for 1Q2013 shown above has been calculated by applying to the relevant foreign currency net sales amount for 1Q2013 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 1Q2012 into a JPY net sales amount for Japan GAAP reporting purposes.

(Non-GAAP)

# Decomposition of Revenue (vs. last year)

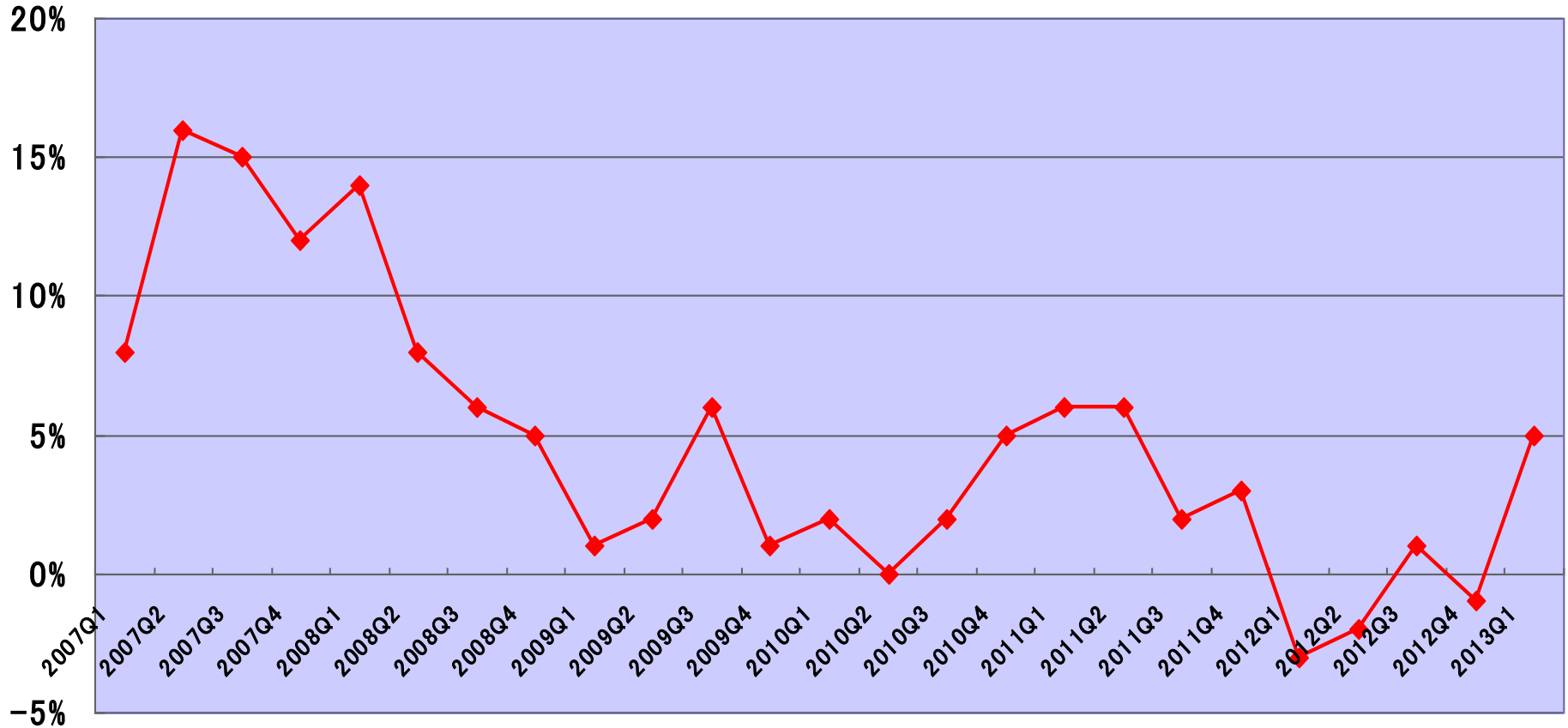


(Non-GAAP)

# Constant currency Revenue growth

(unaudited)

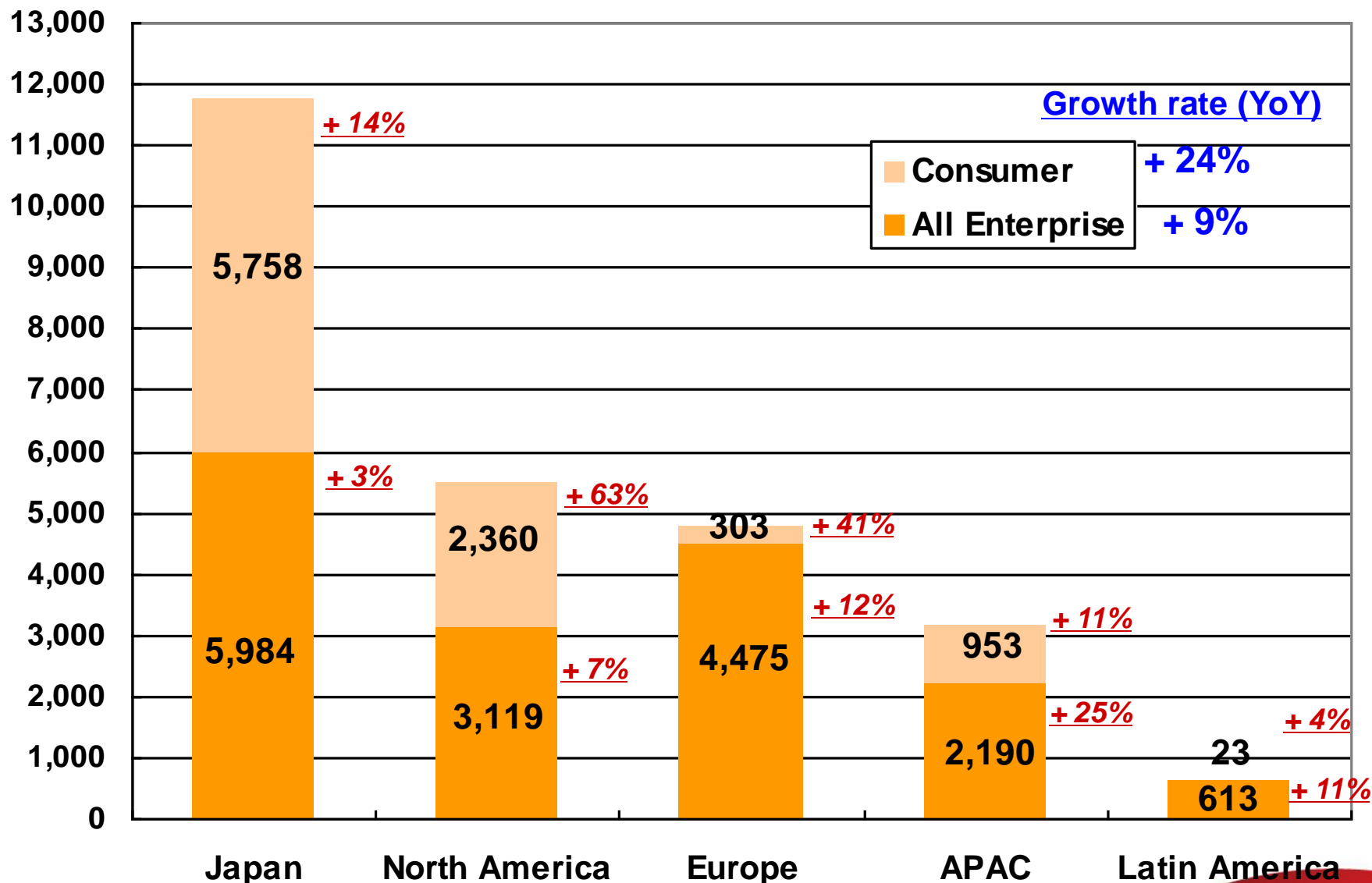
(YoY)



• 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)



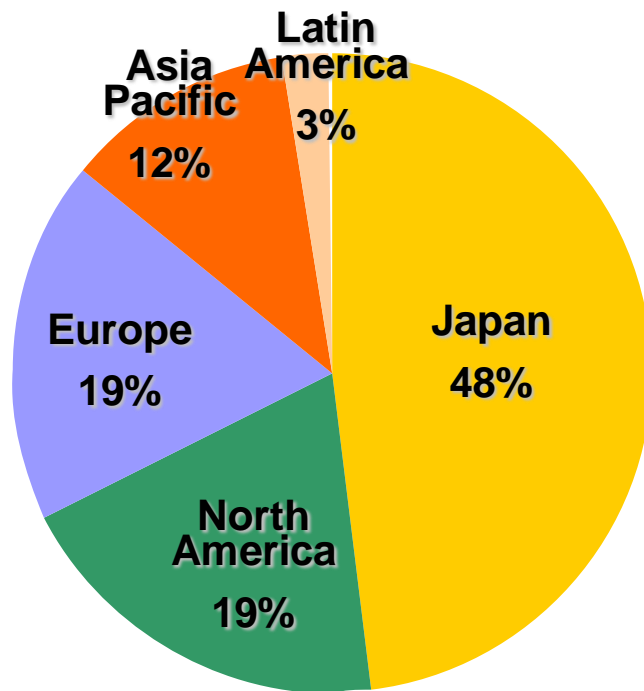
**“Notice”** As Sales by Segment numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

# % share by region

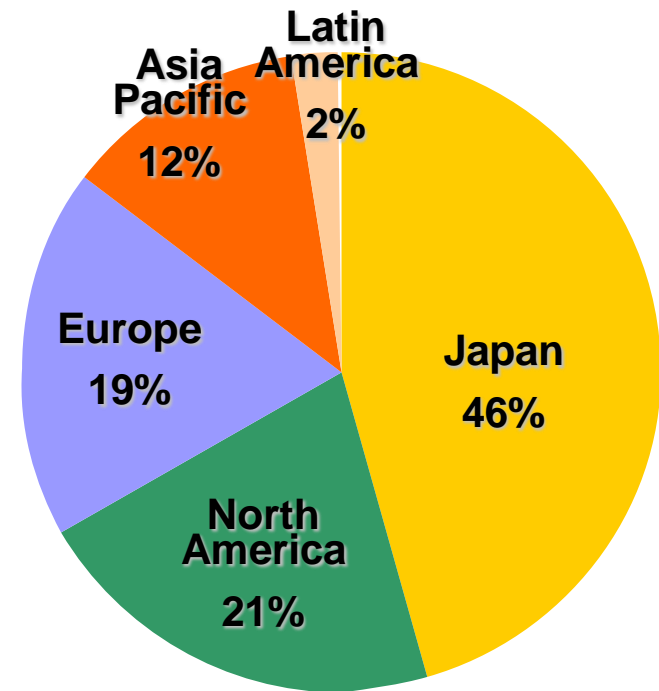
**1Q2012**

**22,630 million Yen**



**1Q2013**

**25,783 million Yen**



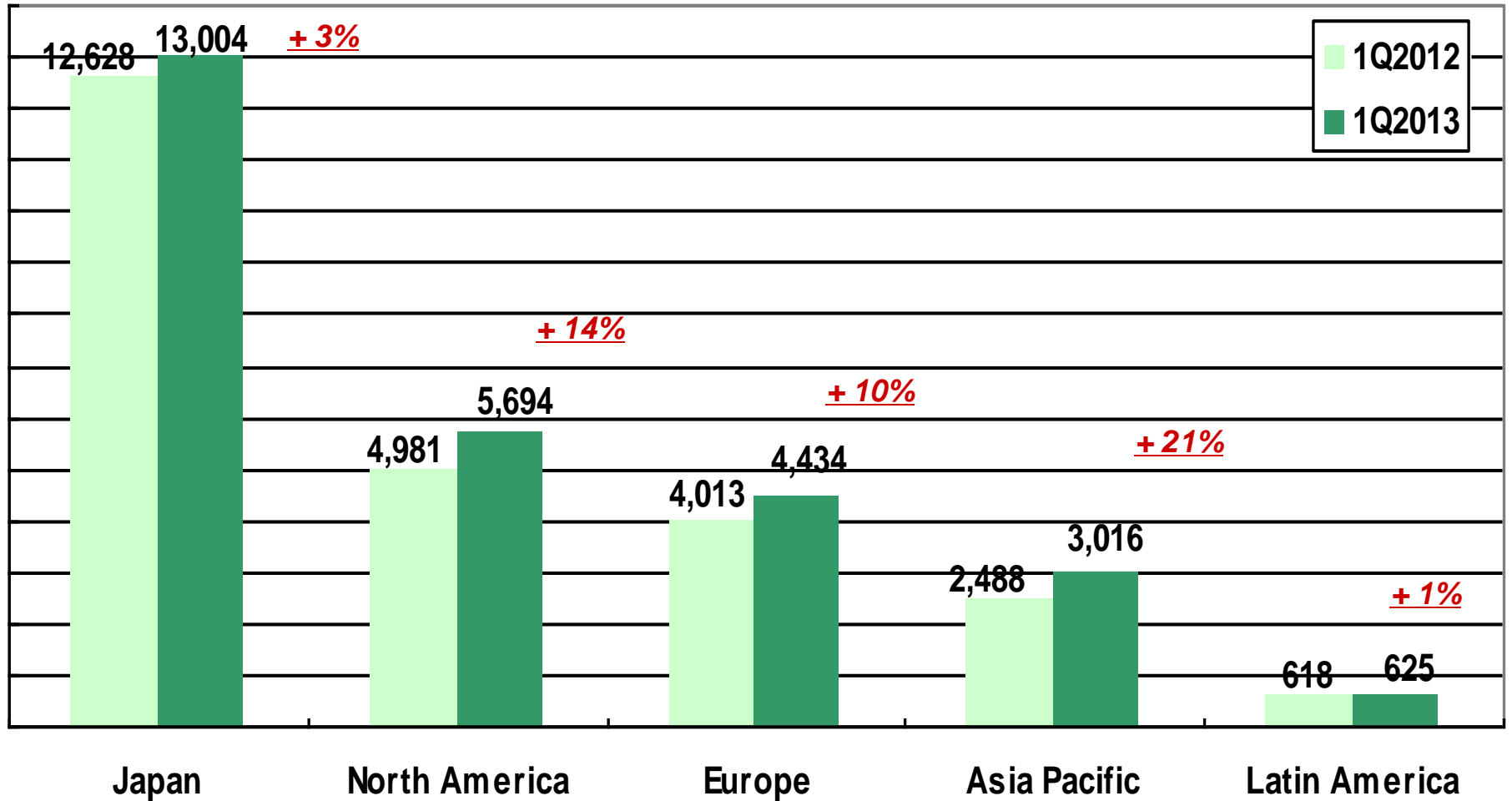
(In accordance with Japan GAAP)

# “For reference”

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

(in million Yen)

(unaudited)



(Non-GAAP)

### “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.

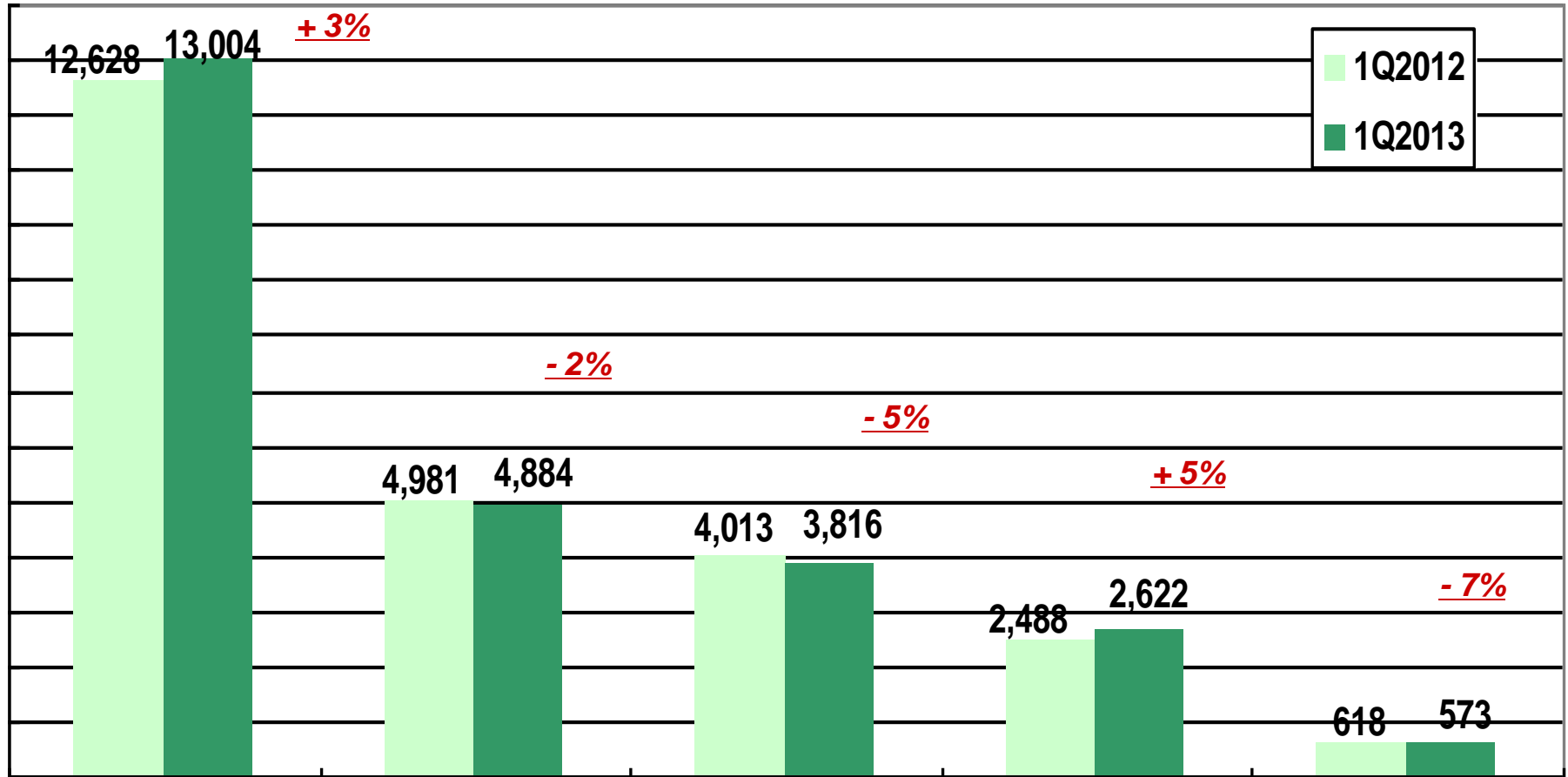
# “For reference”

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

If currency exchange rates used for 1Q2012 were used for 1Q2013:

(unaudited)

(in million Yen)



Japan

North America

Europe

Asia Pacific

Latin America

(Non-GAAP)

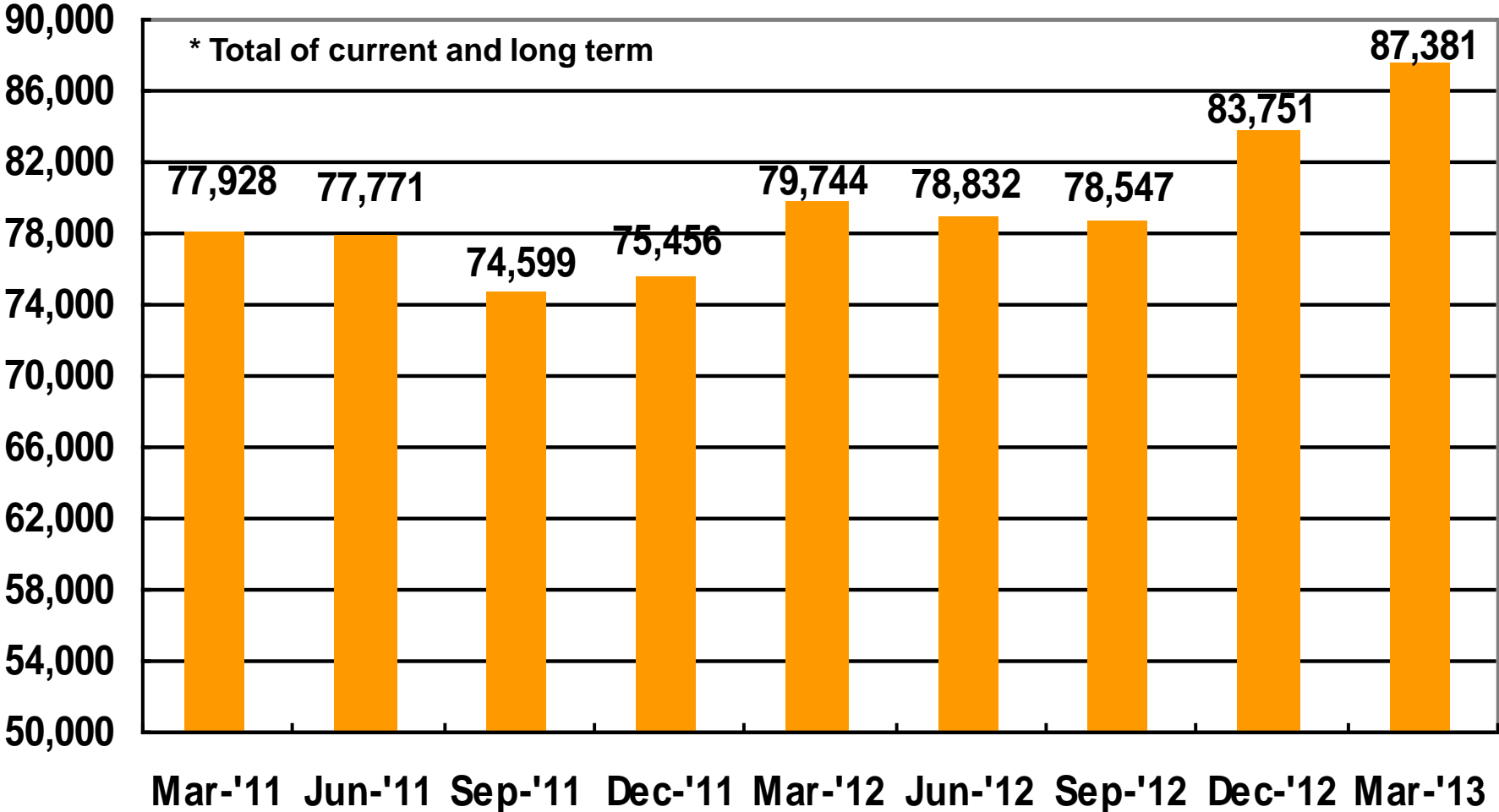
### “Notice”

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)

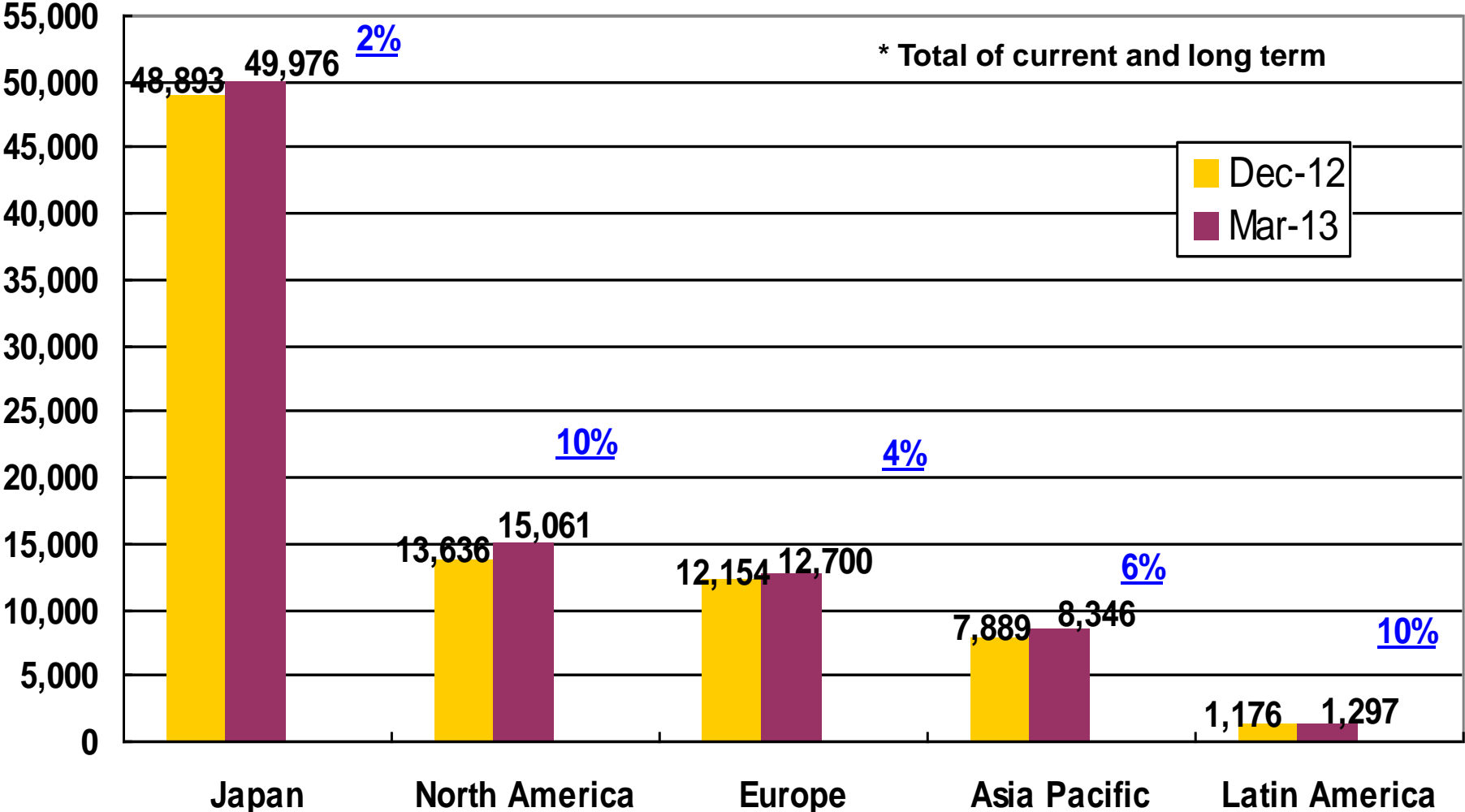


(In accordance with Japan GAAP)

# Deferred Revenue by Region

(in million Yen)

(unaudited)



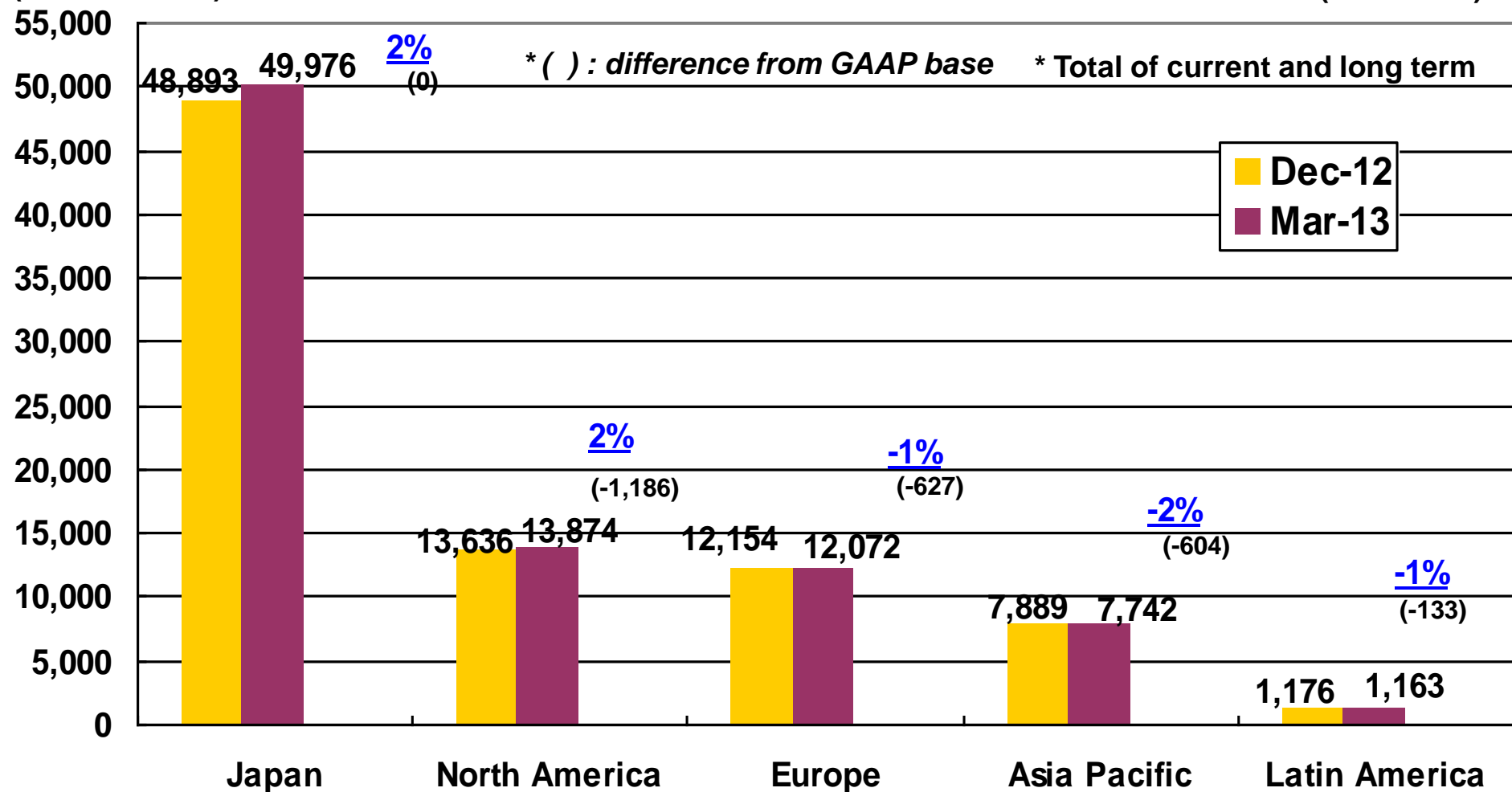
(In accordance with Japan GAAP)

# Deferred Revenue by Region

*If currency exchange rates used as of the end of 4Q2012 were used as of the end of 1Q2013:*

(in million Yen)

(unaudited)



(Non-GAAP)

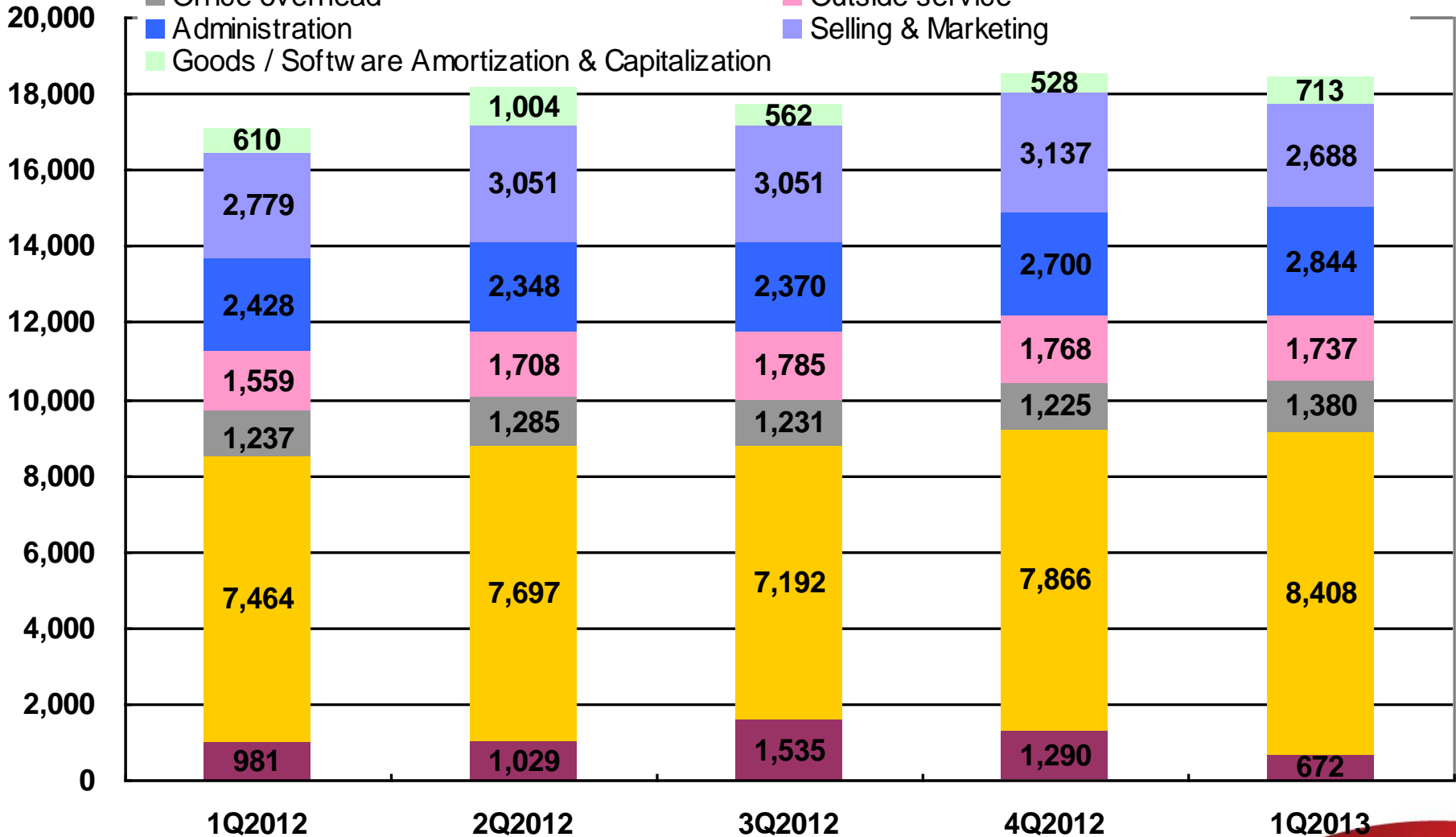
\* Each JPY amount as of the end of 1Q2013 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 1Q2013 the exchange rate between such foreign currency and JPY that was used to convert the deferred revenue amount denominated in such foreign currency as of the end of 4Q2012 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

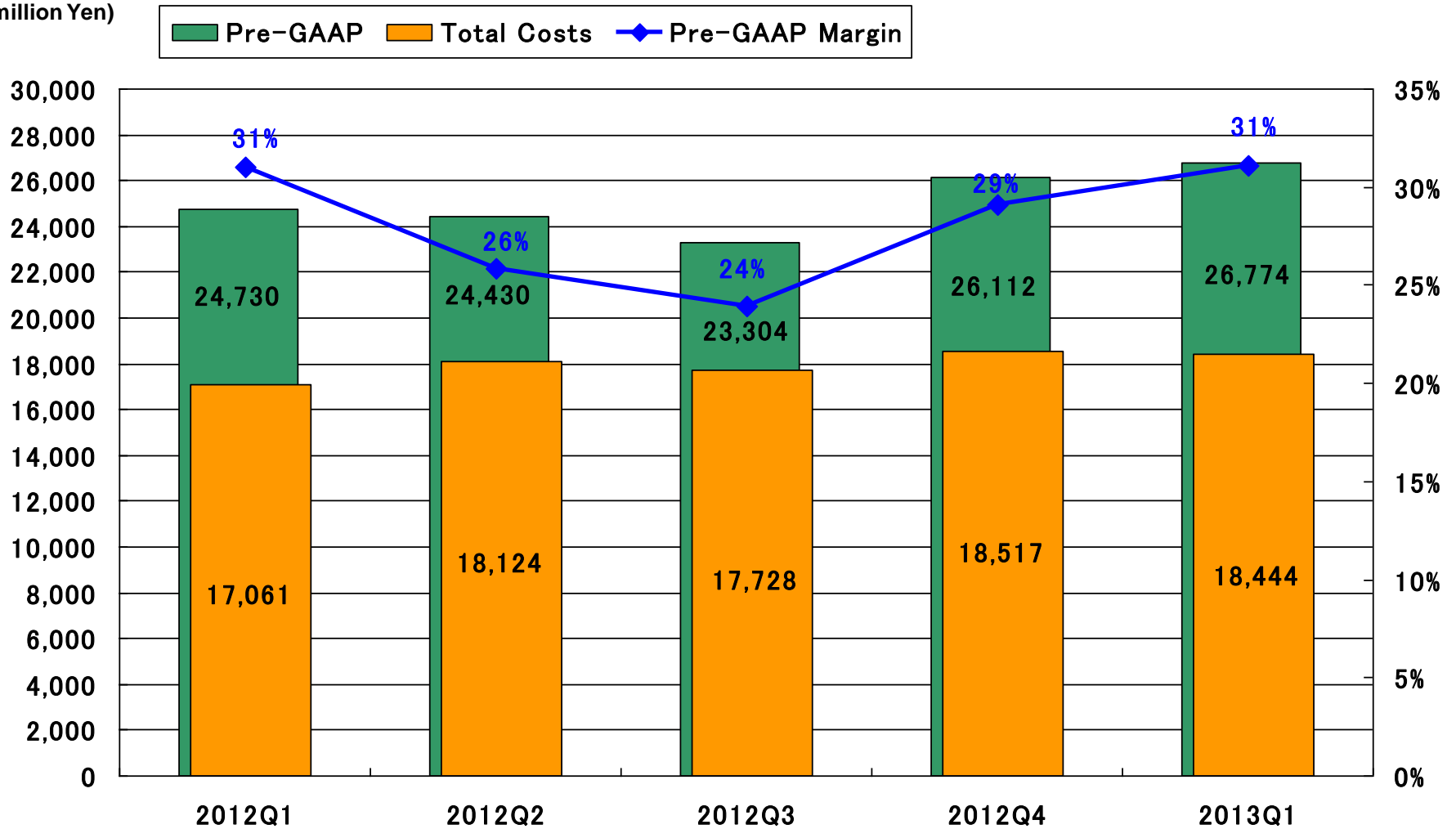


(Non-GAAP)

# Pre-GAAP v s Total Costs

(unaudited)

(in million Yen)



(Non-GAAP)

\* "Total costs" means COGS + SGA.

# Cash flows

(unaudited)

(in million Yen)

項目	1Q2012	1Q2013	YoY growth
Cash flows from operating activities	7,564	4,269	- 44%
Cash flows from investing activities	- 5,782	8,353	—
Cash flows from financing activities	- 10,508	- 8,969	—
Effect of exchange rate changes on cash and cash equivalents	2,984	3,238	+ 9%
Net increase (decrease) in cash and cash equivalents	- 5,741	6,891	—
Cash and cash equivalents at beginning of this quarter period	71,167	50,446	- 29%
Cash and cash equivalents at end of this quarter period	65,425	57,337	- 12%

# ***Q1 Highlights***

- ***Improvement in profitability by controlling costs***
- ***Improvement in strategic product deal volume***

# ***Q1 Lowlights***

- ***EMEA macro issues affecting sales cycles***
- ***Consumer business in North America remains weak***
- ***Pricing pressure on traditional products continues***

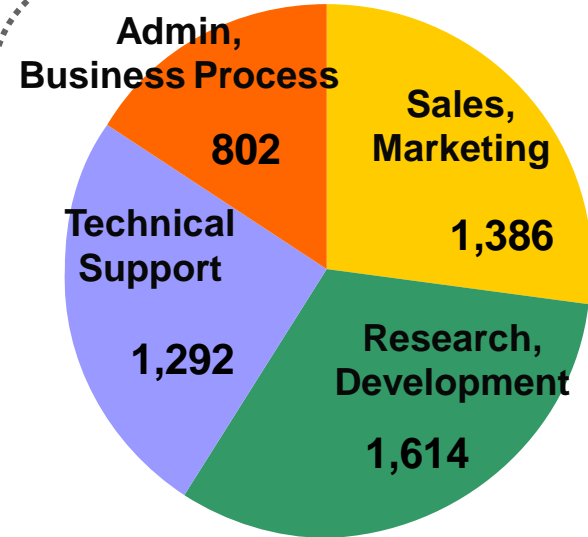
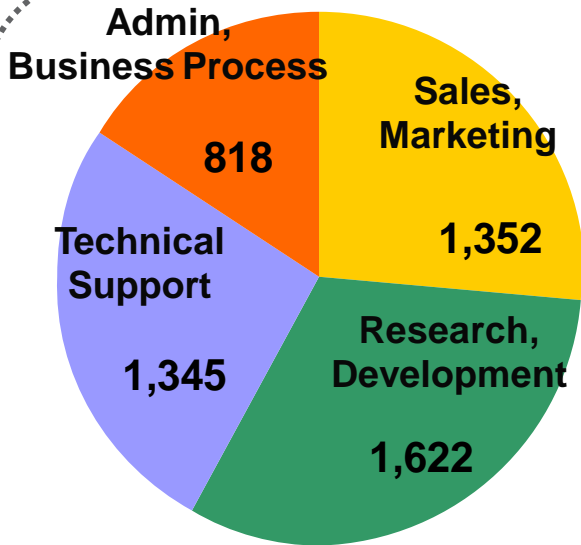
# Headcount

Dec - 2012

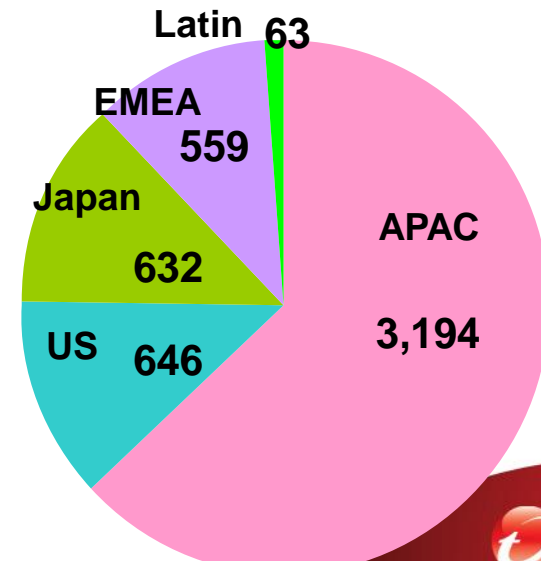
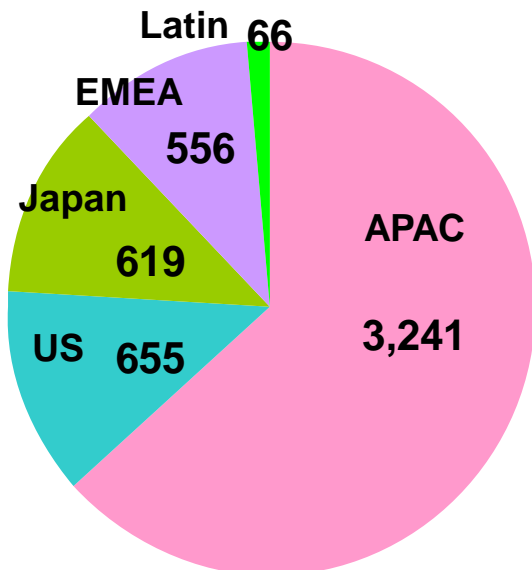
**5,137**

Mar - 2013

**5,094**

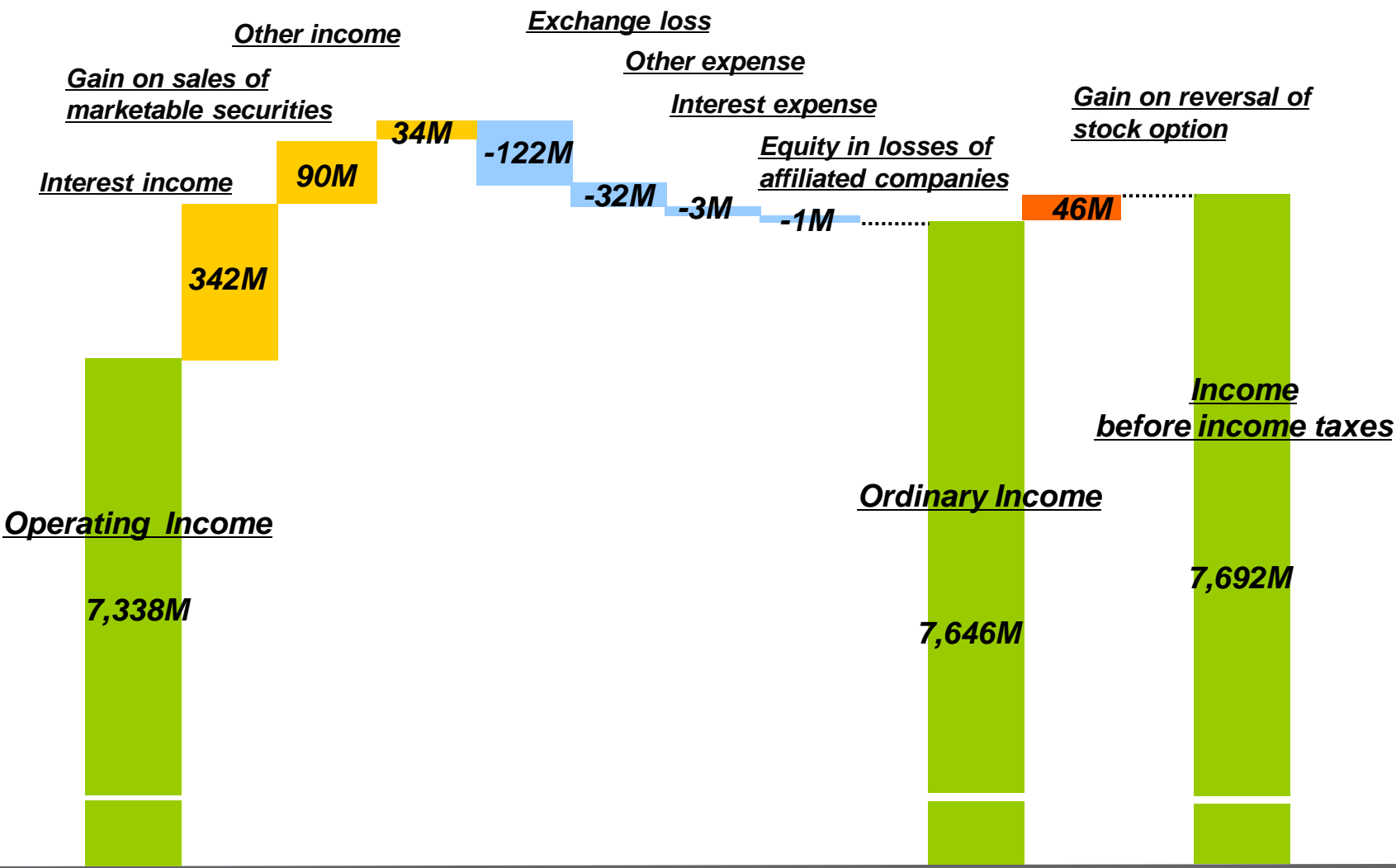


- 43  
(- 1%)



# Non-operating & Extra-ordinary Items

(unaudited)



(Non-GAAP)

# Balance Sheet

(unaudited)

(in million Yen)

	<i>Dec-2012</i>	<i>change</i>	<i>Mar-2013</i>
<b><u>Assets</u></b>			
<i>Cash &amp; cash equivalents</i>	54,732	+ 8,689	63,421
<i>Account receivable (less allowance for doubtful accounts)</i>	20,895	+ 1,079	21,974
<i>Marketable securities &amp; Securities investments</i>	99,402	- 9,802	89,600
<b><u>Liabilities</u></b>			
<i>Deferred revenue (total of current and long-term)</i>	83,751	+ 3,630	87,381
<b><u>Shareholders' Equity</u></b>			
<i>Common Stock &amp; Additional paid in capital</i>	39,498	+ 58	39,556
<i>Treasury Stock</i>	- 26,440	- 522	- 26,962

(In accordance with Japan GAAP)

# ***FY2013 annual forecast assumptions***

- ***Japan increases by around 5%, US and Europe increase by around 20% respectively***
- ***Non operating income will be 1.6Bn yen and there will be no Extra-ordinary items***
- ***Estimated exchange rate:***
  - 1USD = 97 yen ( last year: 80 yen)***
  - 1EUR = 127 yen ( last year: 103 yen)***

# Projection for FY2013 Annual

(unaudited)

	<u>For FY2013</u> <u>Jan - Dec, 2013</u>	<u>Expected</u> <u>YoY growth</u>	(in million Yen)
Net Sales	107,200	<u>+ 14%</u>	
Operating Income	26,400	<u>+ 18%</u>	
Ordinary Income	28,100	<u>+ 24%</u>	
Net Income	17,100	<u>+ 27%</u>	

(In accordance with Japan GAAP)

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

**Net Sales**

**+ 3%**

(Non-GAAP)

***Thank you!***

# Appendix

(unaudited)

## Quarterly Chart (1)

(in million Yen)

	FY2012				FY2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Net sales</b>	22,630	23,058	23,836	24,313	25,783			
<b>Cost of sales</b>	4,058	4,488	4,390	4,574	5,048			
<b>Operating expenses</b>	13,003	13,636	13,337	13,943	13,396			
<b>Operating income</b>	5,568	4,934	6,108	5,795	7,338			
<b>Ordinary income</b>	5,804	5,043	6,233	5,579	7,646			
<b>Net income</b>	3,283	3,285	4,196	2,680	4,820			
<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>	610	1,004	562	528	713			
<b>Selling &amp; Marketing</b>	2,779	3,051	3,051	3,137	2,688			
<b>Administration</b>	2,428	2,348	2,370	2,700	2,844			
<b>Outside service</b>	1,559	1,708	1,785	1,768	1,737			
<b>Office overhead</b>	1,237	1,285	1,231	1,225	1,380			
<b>Salary &amp; Benefit</b>	7,464	7,697	7,192	7,866	8,408			
<b>Stock option cost</b>	625	688	1,191	952	429			
<b>Acquisition related costs</b>	356	340	344	337	242			
<b>Total</b>	17,061	18,124	17,728	18,517	18,444			
<b>The number of employees</b>	4,913	5,017	5,080	5,137	5,094			
<b>Applied rate to yen (US\$)</b>	79.43	80.10	78.62	81.33	92.47			
<b>Applied rate to yen (Euro)</b>	103.96	102.79	98.40	105.60	121.89			

# Appendix

## Quarterly Chart (2)

(unaudited)

(in million Yen)

	FY2012				FY2012			
(Sales by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	10,874	11,162	12,109	11,656	11,742			
US	4,369	4,758	4,765	4,975	5,480			
Europe	4,193	4,003	3,916	4,282	4,779			
Asia Pacific	2,615	2,640	2,555	2,864	3,143			
Latin America	577	493	489	534	637			
<b>Total</b>	<b>22,630</b>	<b>23,058</b>	<b>23,836</b>	<b>24,313</b>	<b>25,783</b>			
(Sales by segment)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All Enterprise	15,025	14,280	14,483	15,135	16,383			
Consumer	7,605	8,777	9,353	9,177	9,400			
<b>Total</b>	<b>22,630</b>	<b>23,058</b>	<b>23,836</b>	<b>24,313</b>	<b>25,783</b>			
(Pre-GAAP by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	12,628	12,870	12,712	11,893	13,004			
US	4,981	4,228	4,640	5,045	5,694			
Europe	4,013	4,203	2,965	5,591	4,434			
Asia Pacific	2,488	2,630	2,502	2,994	3,016			
Latin America	618	497	482	587	625			
<b>Total</b>	<b>24,730</b>	<b>24,430</b>	<b>23,304</b>	<b>26,112</b>	<b>26,774</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.**