

Trend Micro FY2013.2Q Results



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August 8, 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. 2Q Financial Highlight

(Second quarter ended June 30, 2013)

Q2 Consolidated Results

(in million Yen)

<i>Three months ended Jun 30,</i>	2Q2012	2Q2013	YoY growth
Net sales	23,058	27,032	+ 17%
Cost of sales	4,488	4,796	+ 7%
Operating expenses	13,636	15,804	+ 16%
Operating income	4,934	6,430	+ 30%
<i>(Margin)</i>	<i>(21%)</i>	<i>(24%)</i>	
Ordinary income	5,043	8,031	+ 59%
Net income	3,285	4,754	+ 45%

(In accordance with Japan GAAP)

“For reference” Revenue before adjusting deferred revenue

Pre-GAAP	24,430	27,144	+ 11%
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(In case of excluding a foreign exchange impact)

- 0%

(Non-GAAP)

If currency exchange rates used for 2Q2012 were used for 2Q2013

Net sales	23,058	24,145	+ 5%
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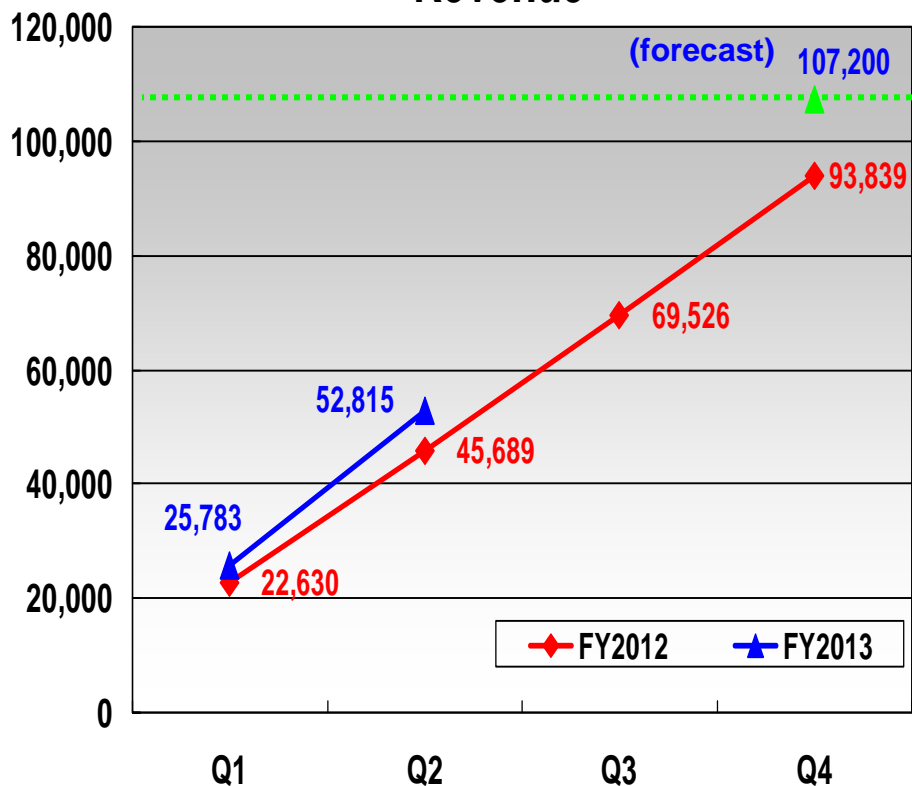
** The JPY amount for 2Q2013 shown above has been calculated by applying to each foreign currency net sales amount for 2Q2013 the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for 2Q2012 into a JPY net sales amount for Japan GAAP reporting purposes.*

END
(Non-GAAP)

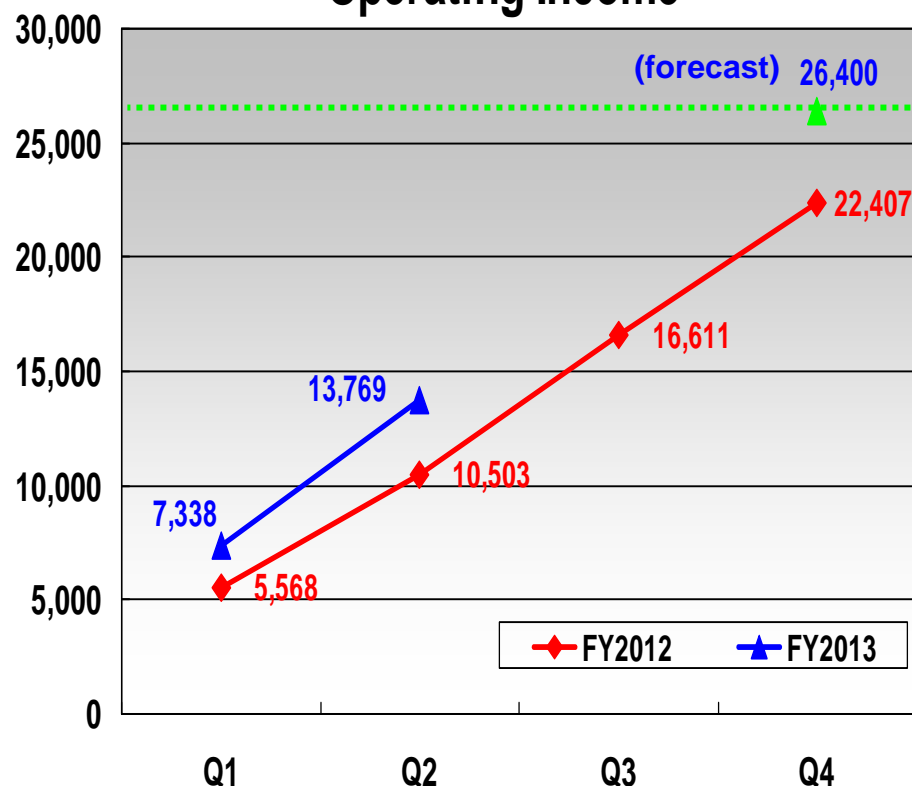
Progress (6months)

(in million Yen)

Revenue



Operating Income



Q2 USD based Results (Non-GAAP)

<i>Three months ended Jun 30,</i>	<i>2Q2012</i>	<i>2Q2013</i>	<i>(unaudited) (in thousand USD) YoY change</i>
Net sales	287,871	273,747	- 5%
Cost of sales	56,030	48,577	- 13%
Operating expenses	170,240	160,047	- 6%
Operating income	61,600	65,123	+ 6%
Ordinary income	62,966	81,333	+ 29%
Net Income	41,020	48,147	+ 17%

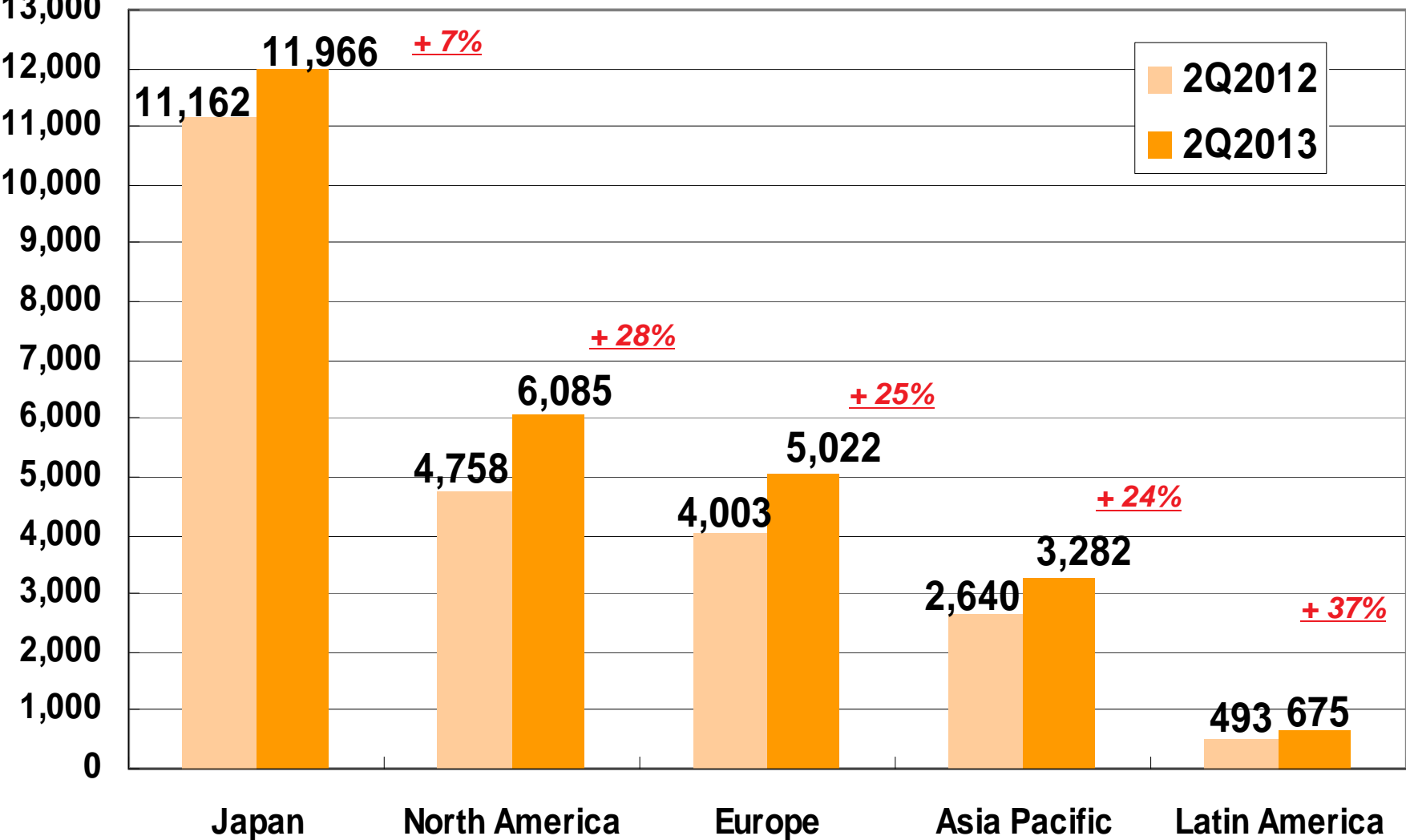
(Non-GAAP)

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=80.10 JPY for 2Q2012 and 1 USD =98.75 JPY for 2Q2013, respectively, which are the respective weighted average exchange rates used to convert USD net sales to JPY for these quarters.

Net Sales Growth by Region

(in million Yen)

(unaudited)



(In accordance with Japan GAAP)

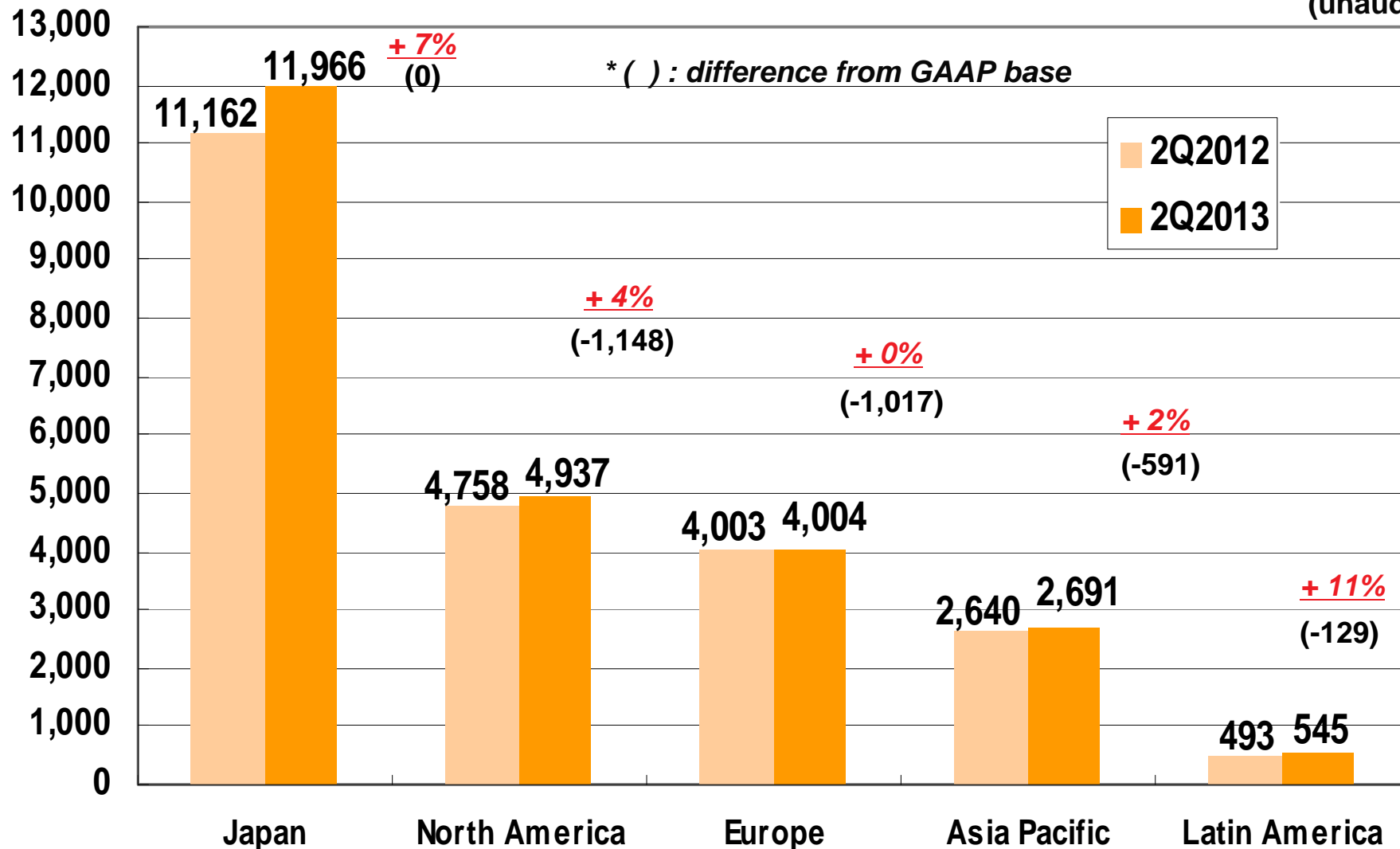


Net Sales Growth by Region

If currency exchange rates used for 2Q2012 were used for 2Q2013:

(unaudited)

(in million Yen)



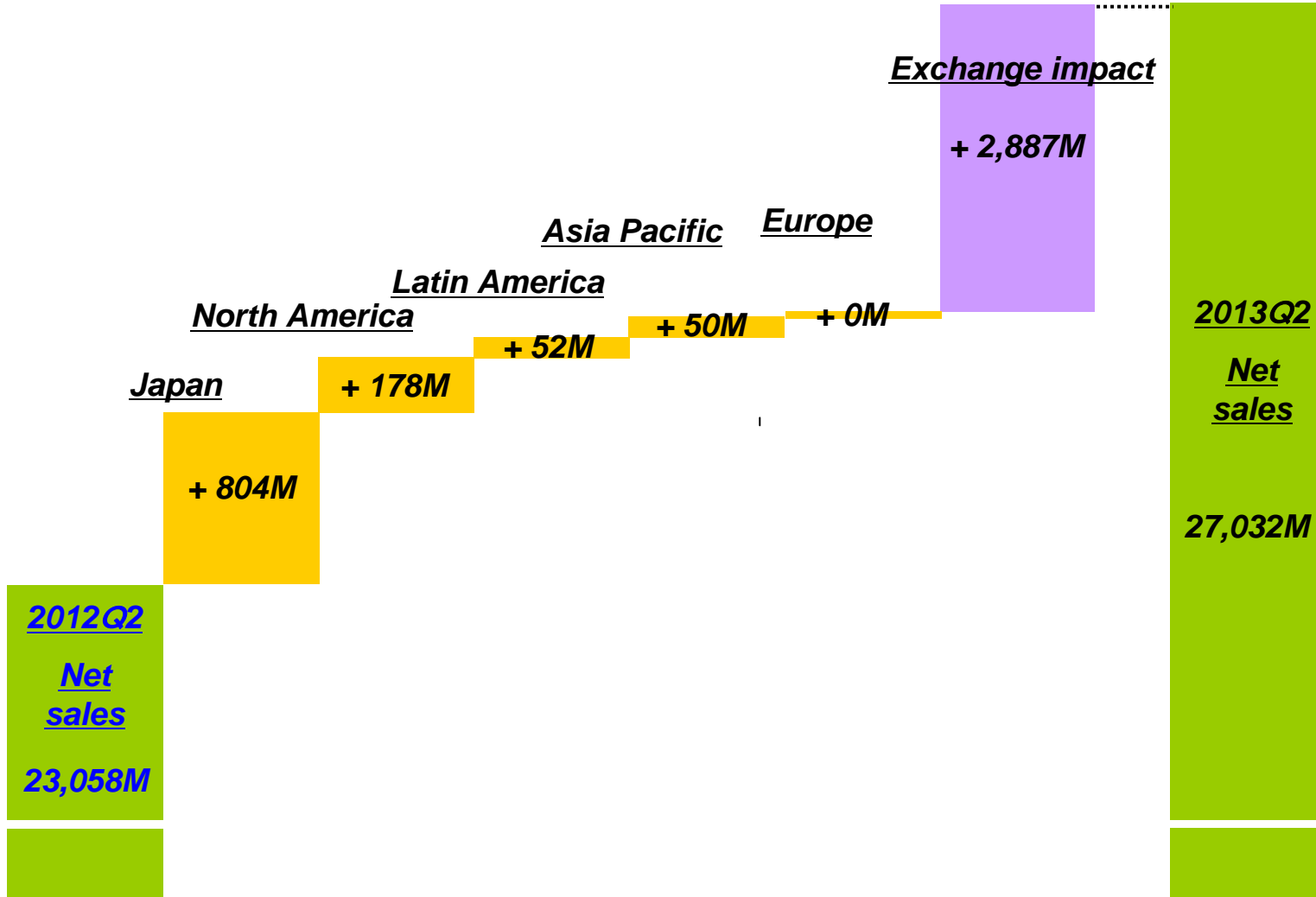
* Each JPY amount for 2Q2013 shown above has been calculated by applying to the relevant foreign currency net sales amount for 2Q2013 the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for 2Q2012 into a JPY net sales amount for Japan GAAP reporting purposes.

(Non-GAAP)



Decomposition of Revenue (vs. last year)

(unaudited)



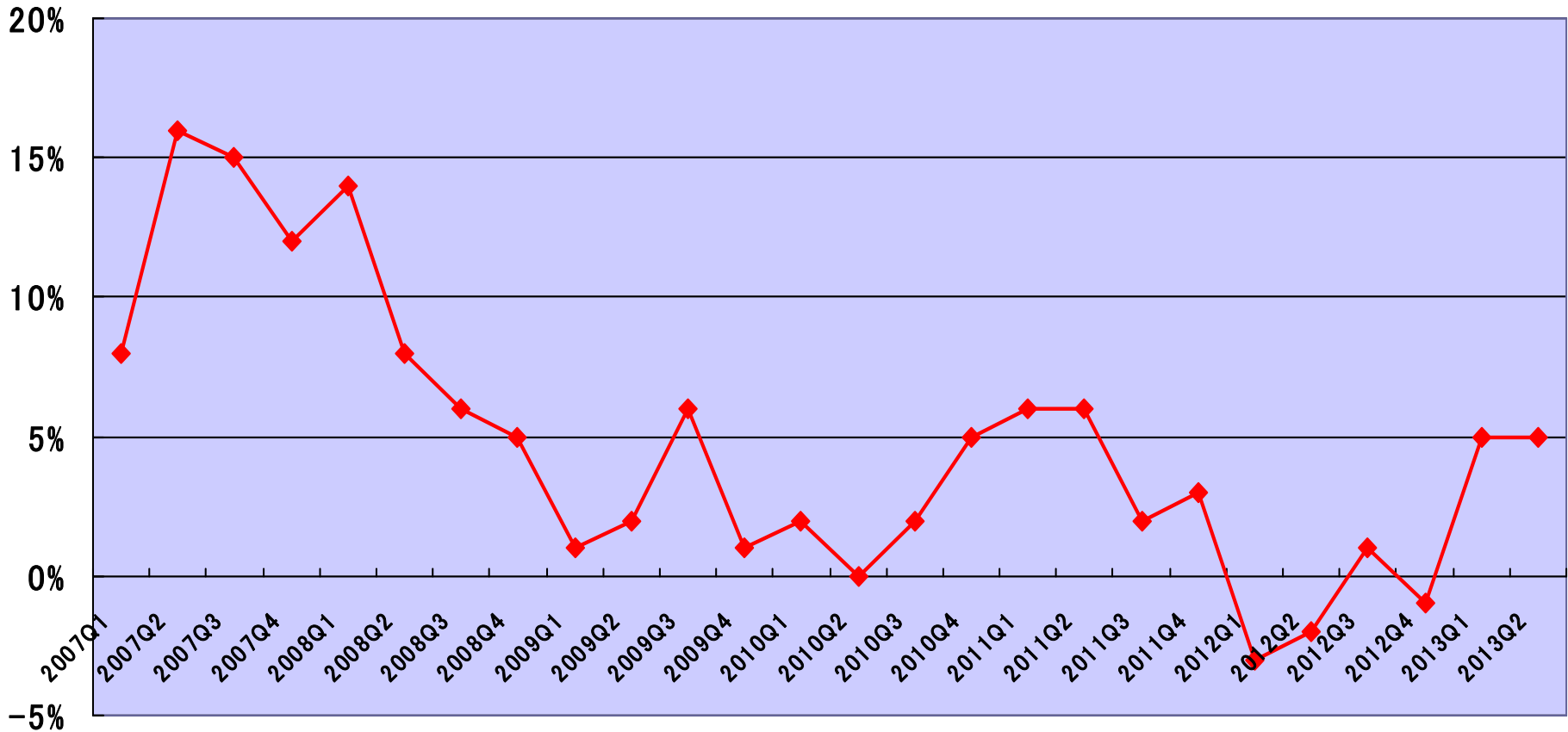
(Non-GAAP)



Constant currency Revenue growth

(YoY)

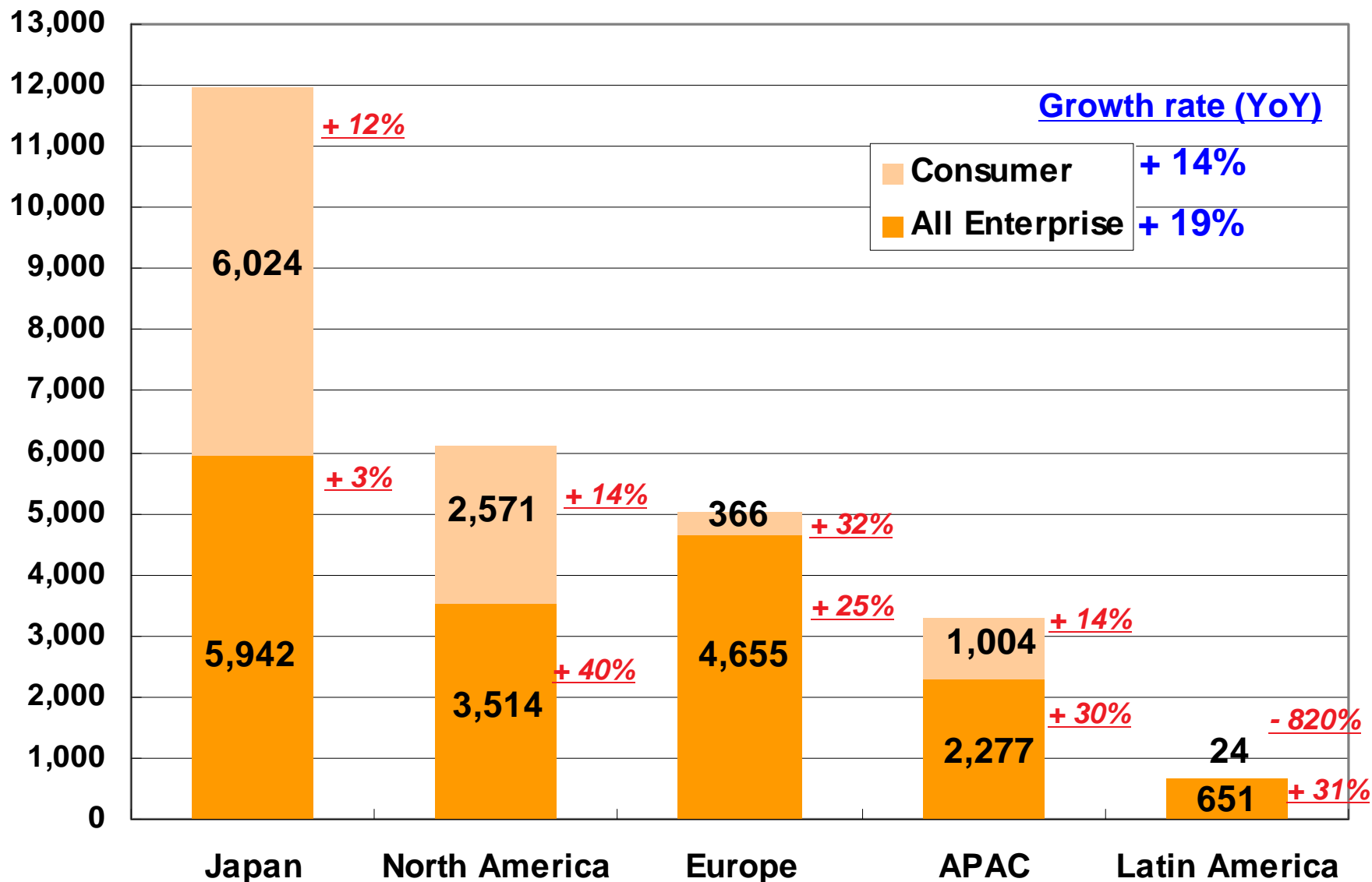
(unaudited)



• 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)



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

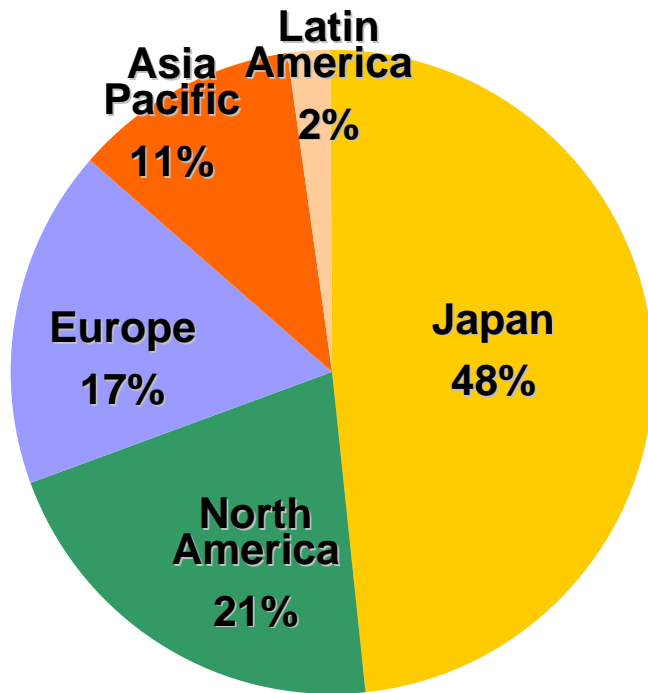
(Non-GAAP)



% share by region

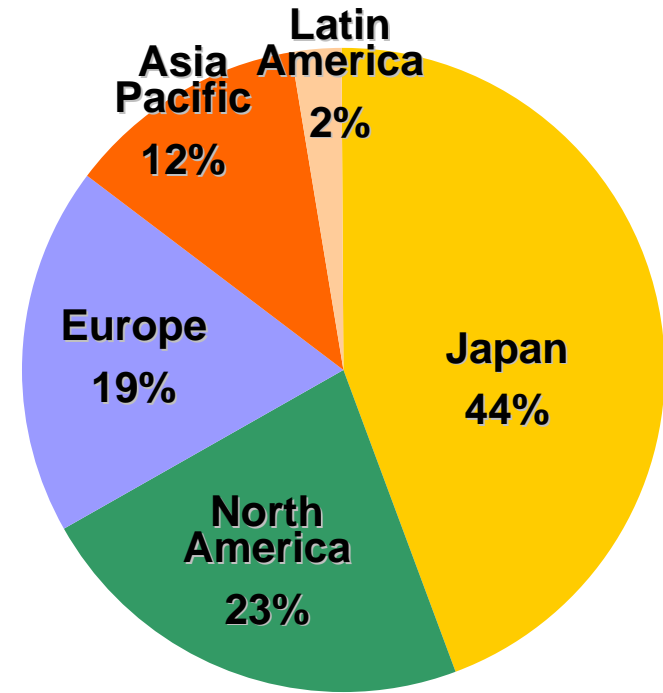
2Q2012

23,058 million Yen



2Q2013

27,032 million Yen



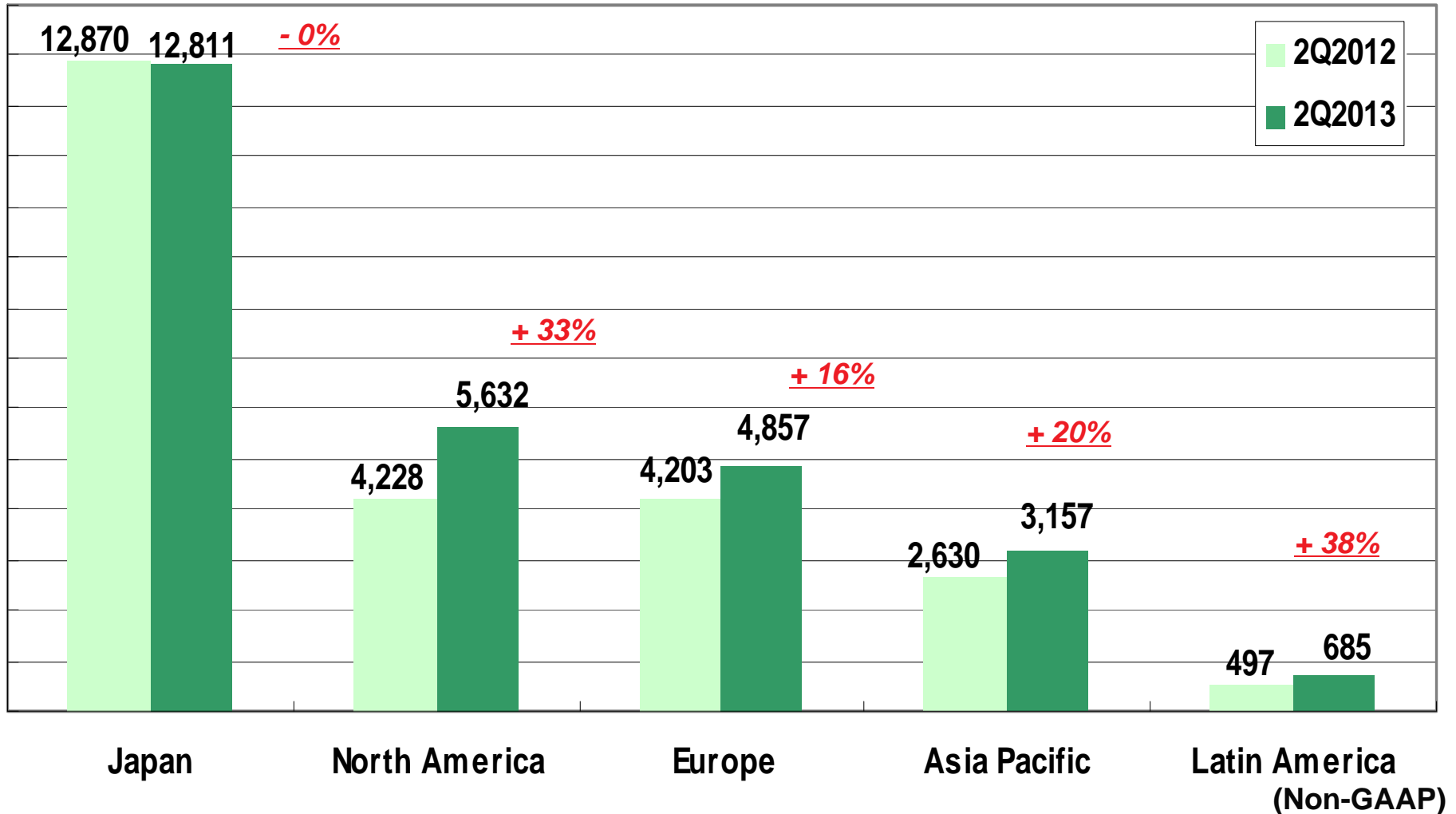
(In accordance with Japan GAAP)

“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(in million Yen)

(unaudited)



“Notice”

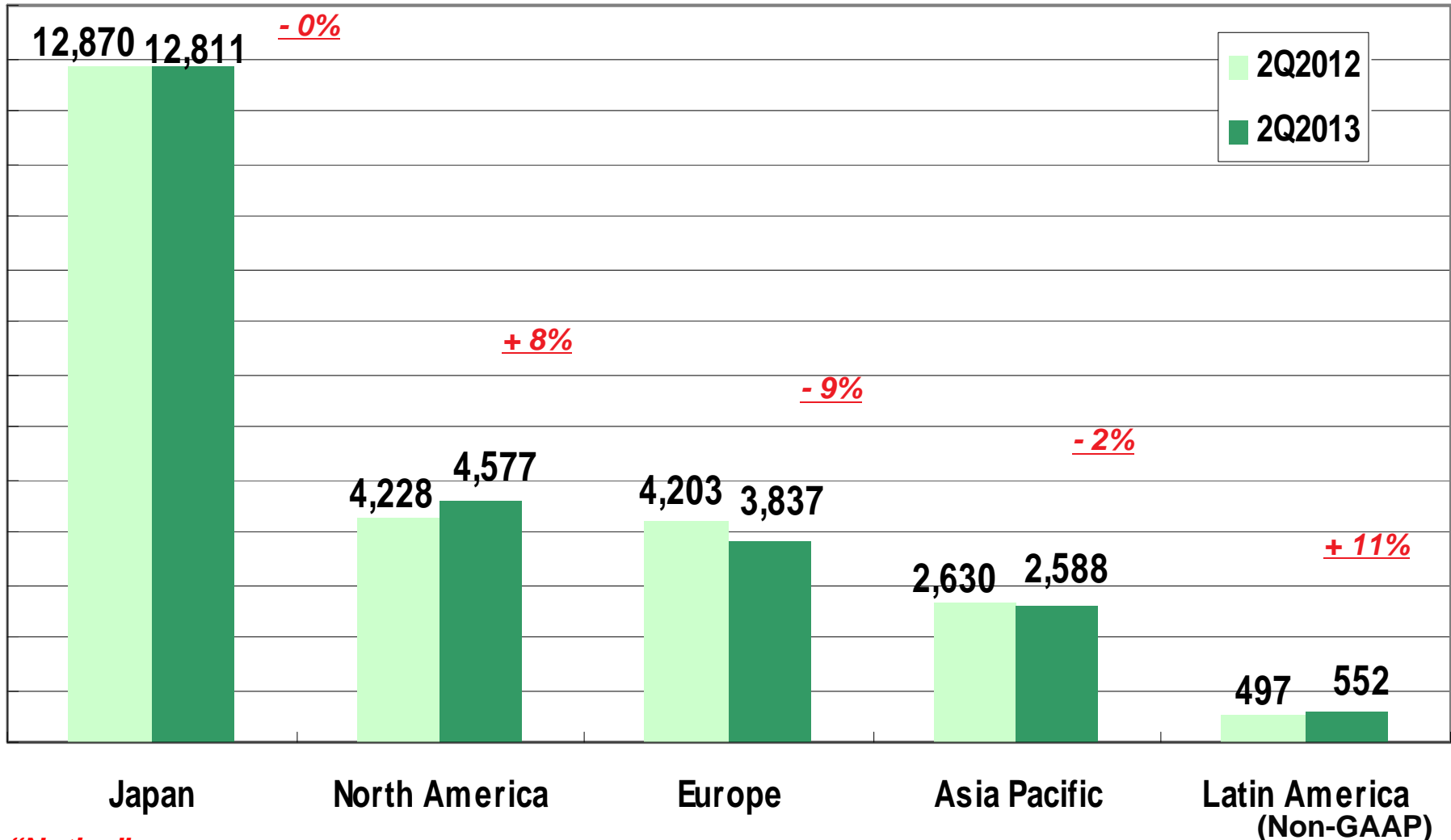
Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance. As these numbers are just for internal use, they may be subject to some changes hereafter.

“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

If currency exchange rates used for 2Q2012 were used for 2Q2013: (unaudited)

(in million Yen)

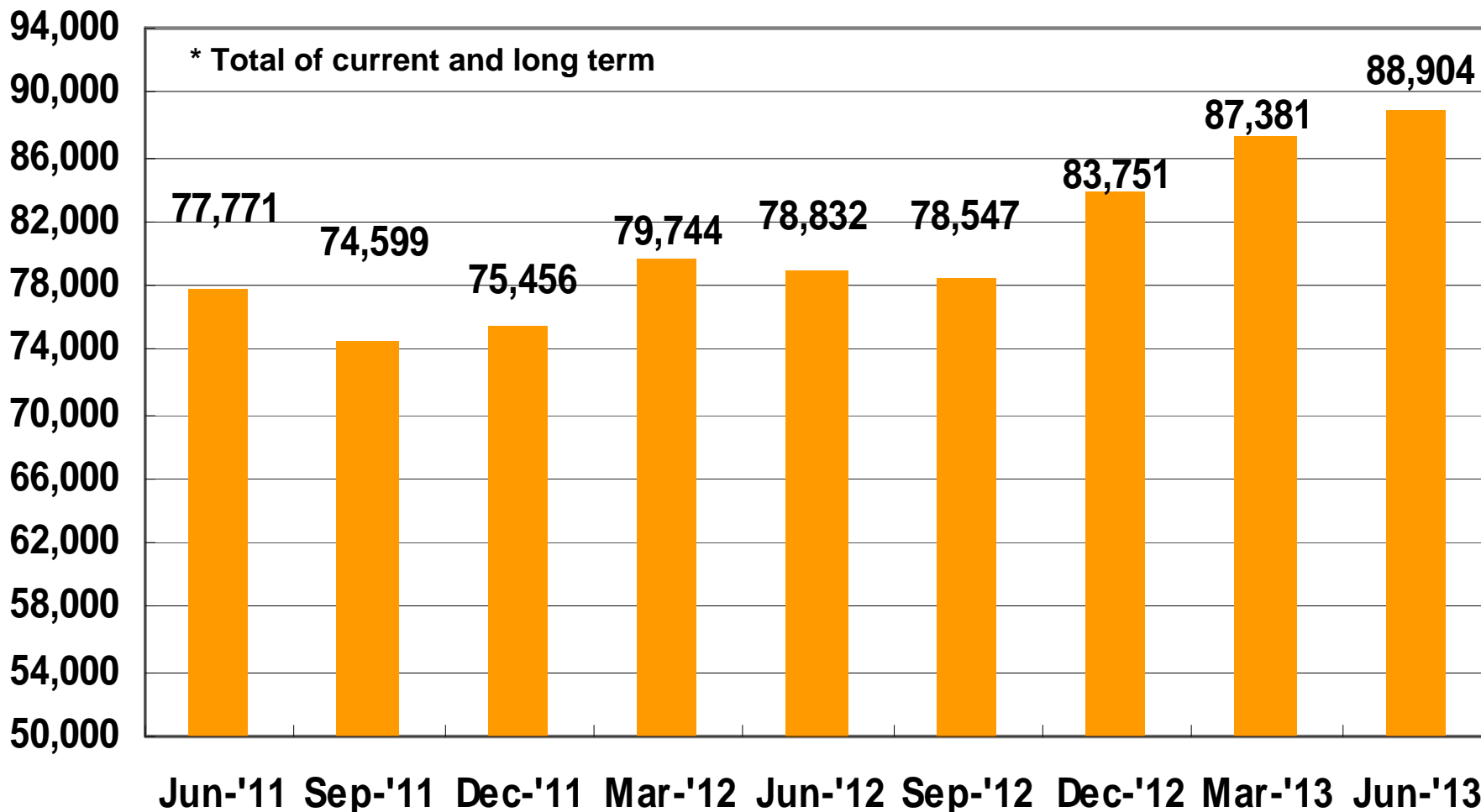


“Notice”

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.

Deferred Revenue

(in million Yen)

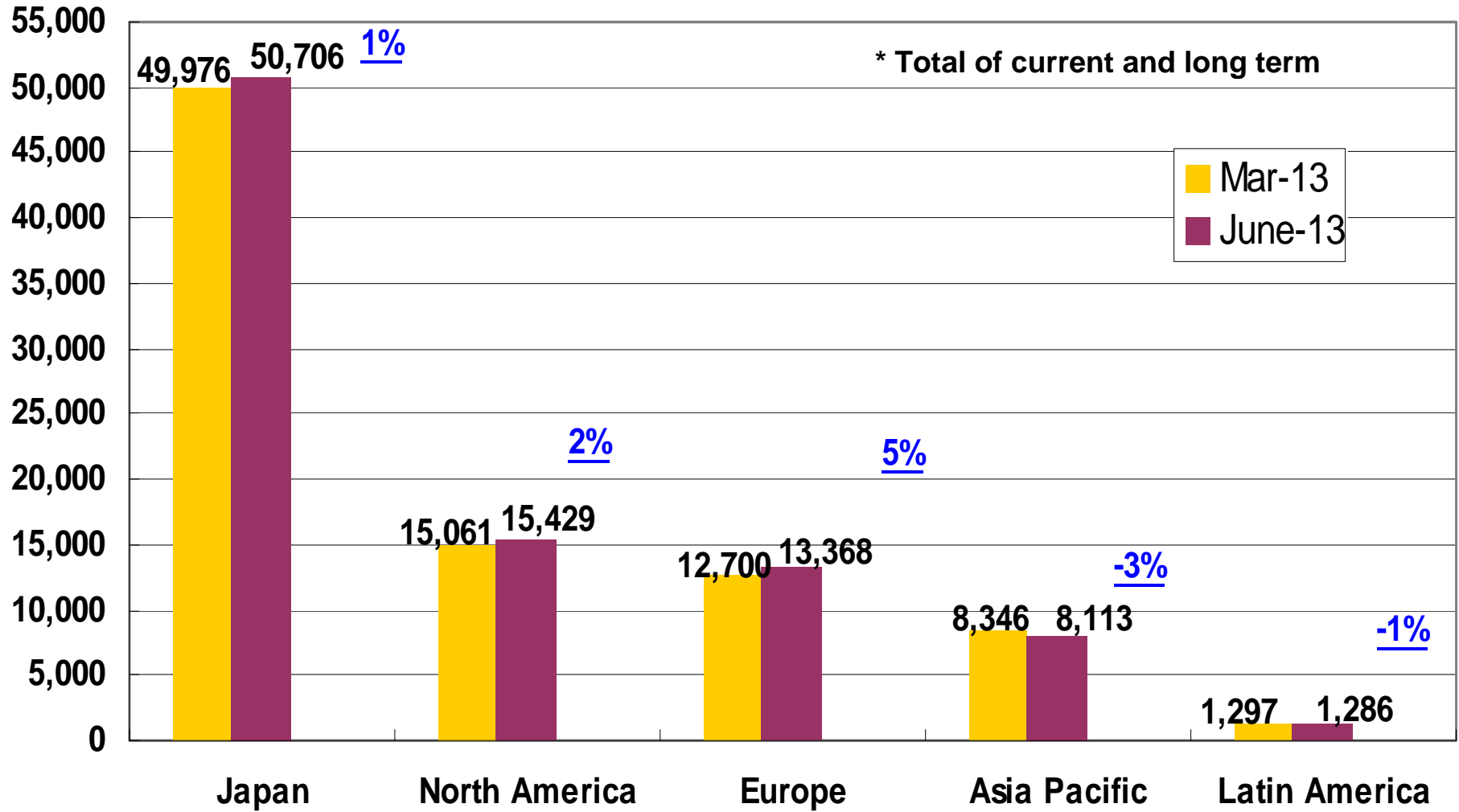


(In accordance with Japan GAAP)

Deferred Revenue by Region

(in million Yen)

(unaudited)



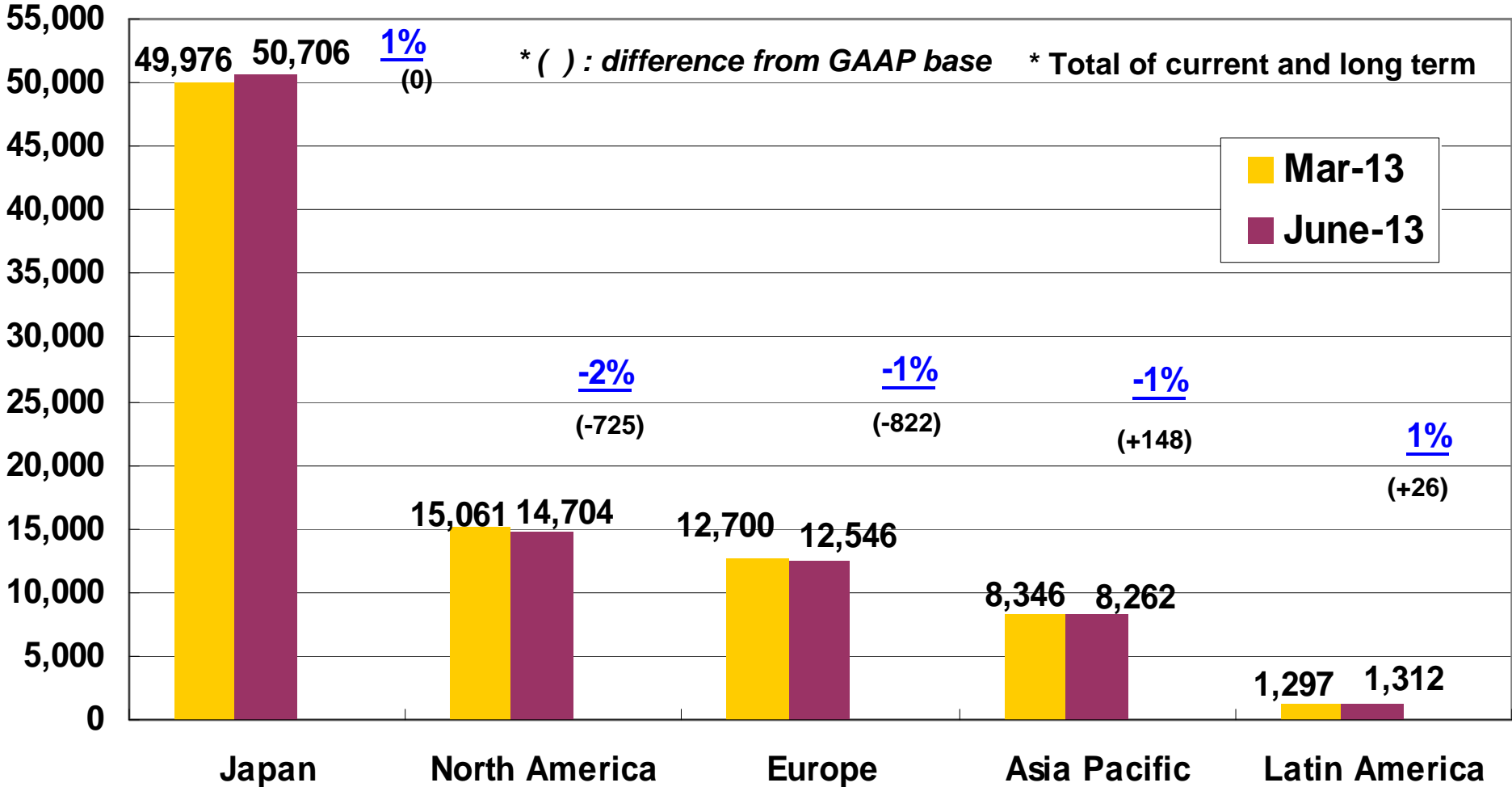
(In accordance with Japan GAAP)

Deferred Revenue by Region

If currency exchange rates used as of the end of 1Q2013 were used as of the end of 2Q2013:

(in million Yen)

(unaudited)



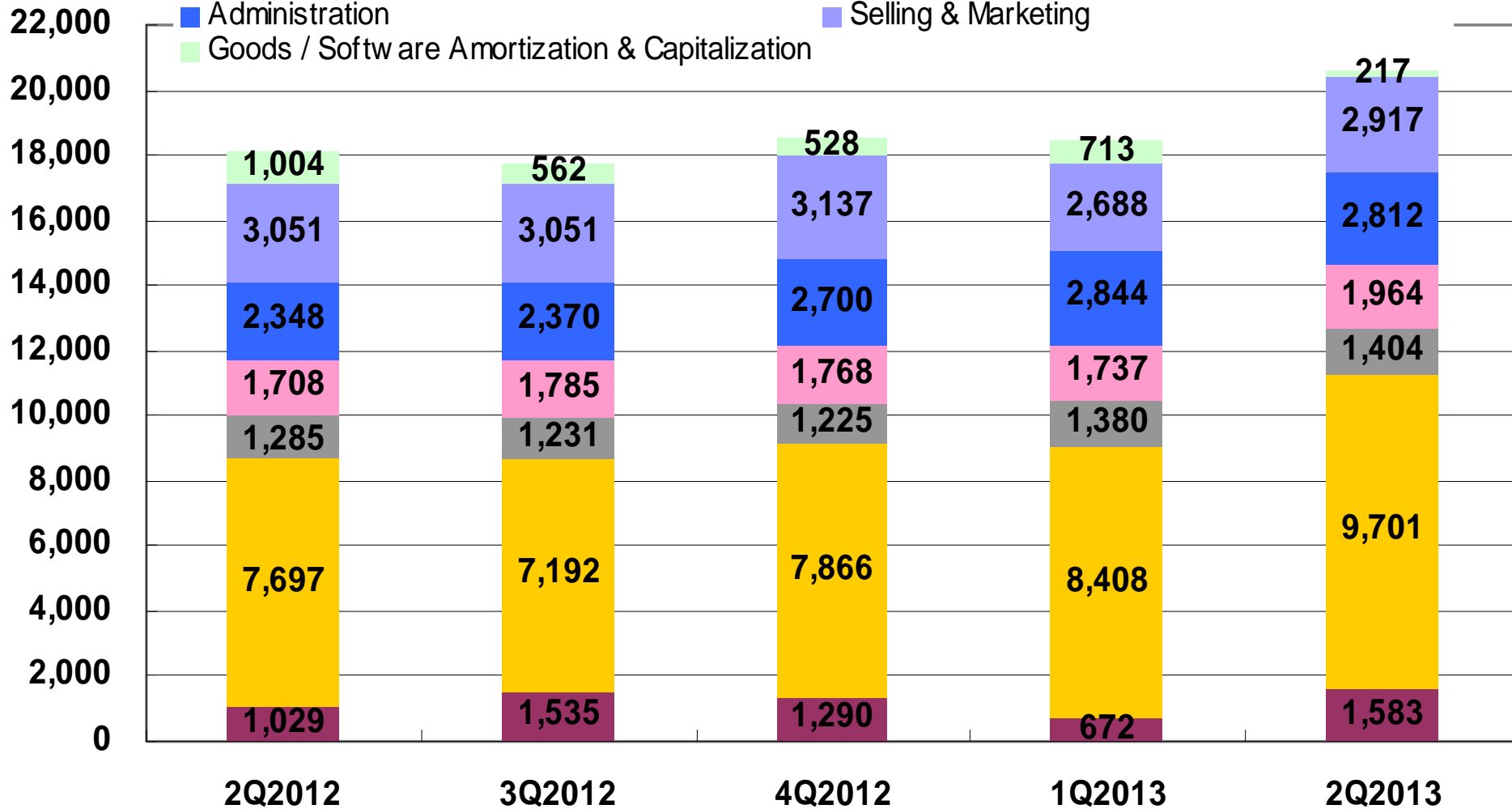
(Non-GAAP)

* Each JPY amount as of the end of 2Q2013 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 2Q2013 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 1Q2013 into a JPY deferred revenue amount for Japan GAAP reporting purposes.

Cost

(unaudited)

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



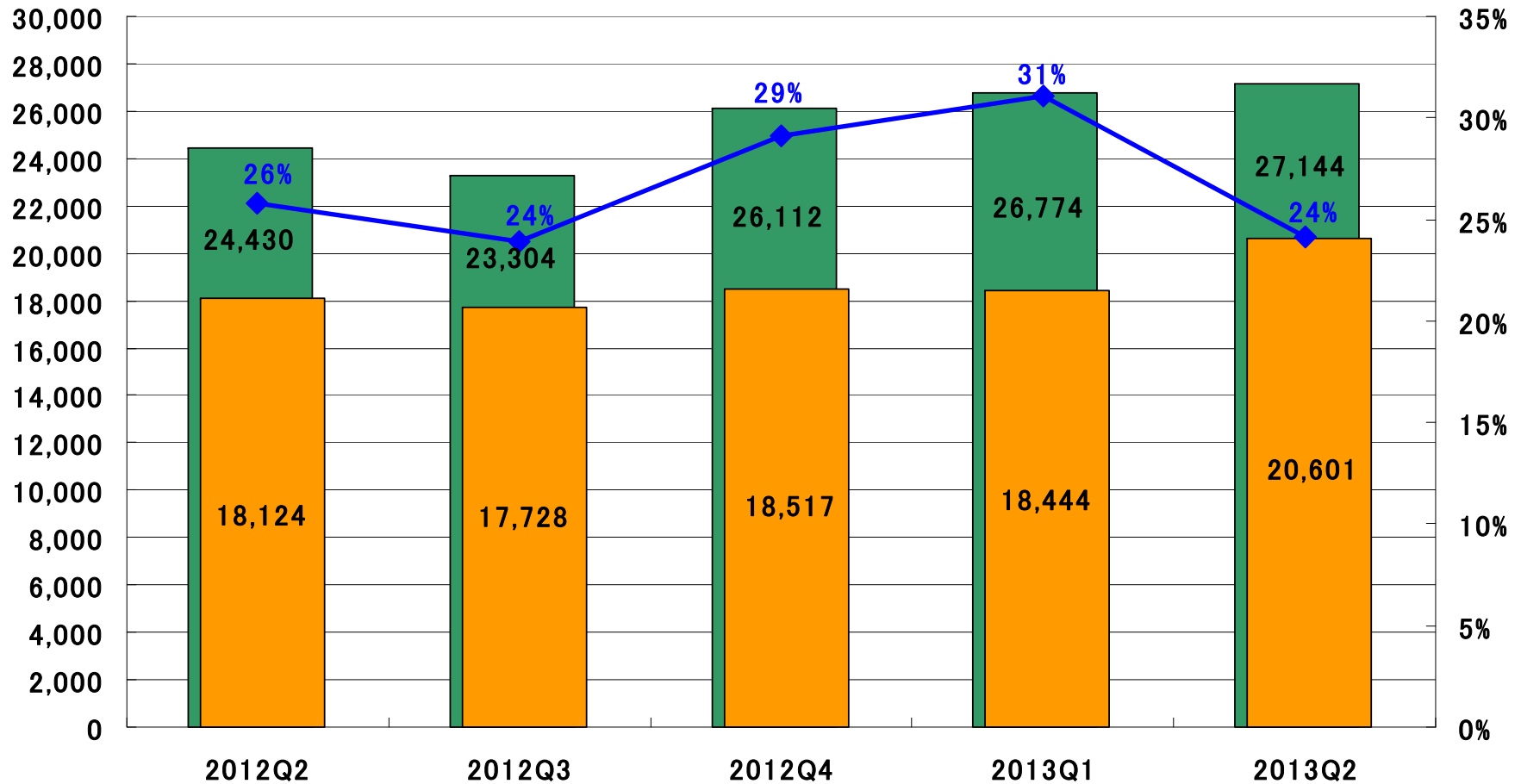
(Non-GAAP)



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	2Q2012	2Q2013	YoY growth
Cash flows from operating activities	10,167	10,929	+ 7%
Cash flows from investing activities	- 5,058	- 12,314	—
Cash flows from financing activities	- 274	3,628	—
Effect of exchange rate changes on cash and cash equivalents	- 3,199	1,527	—
Net increase (decrease) in cash and cash equivalents	1,635	3,771	+ 131%
Cash and cash equivalents at beginning of this quarter period	65,425	57,337	- 12%
Cash and cash equivalents at end of this quarter period	67,061	61,109	- 9%

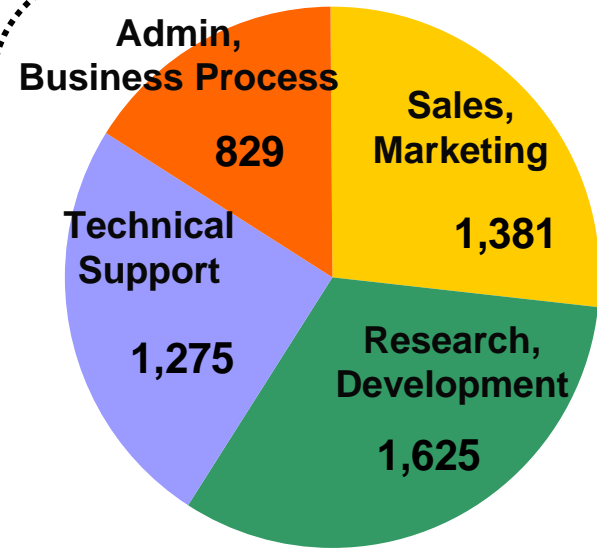
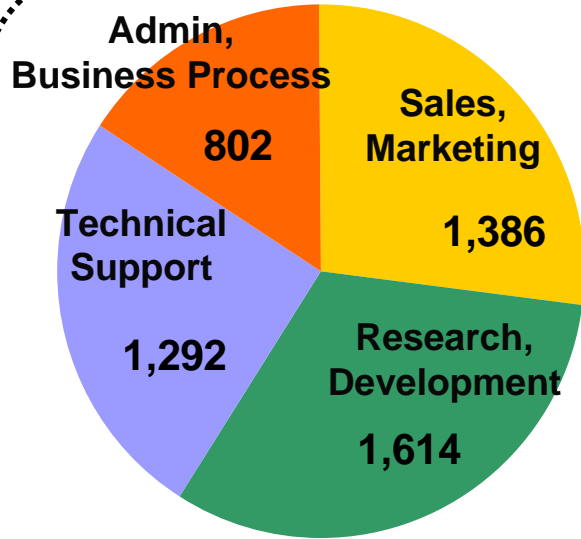
Headcount

Mar - 2013

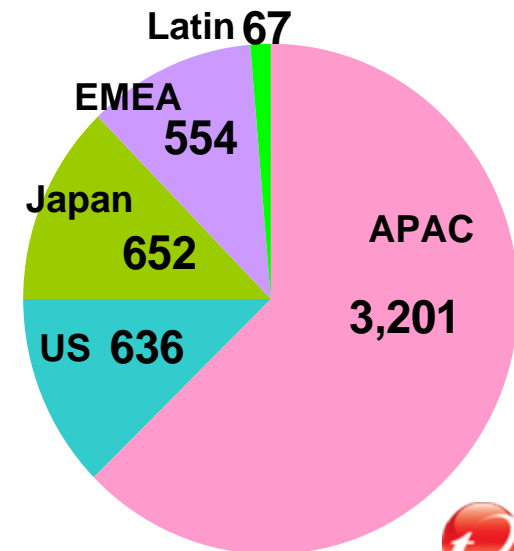
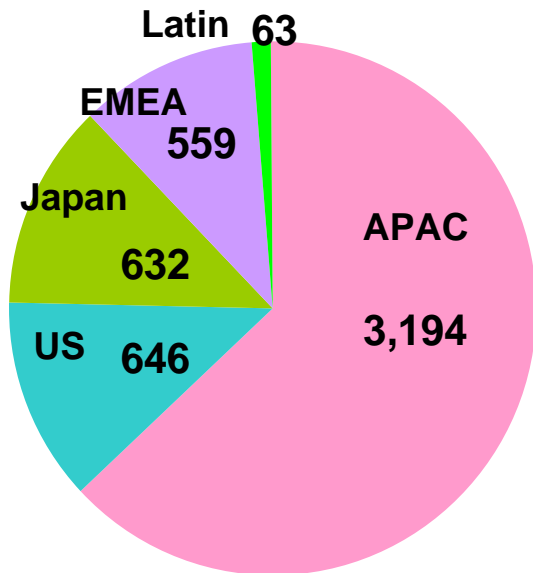
5,094

Jun - 2013

5,110



+ 16
(+ 0%)



Non-operating & Extra-ordinary Items

(unaudited)

Gain on sales of affiliated company's securities

Gain on reversal of stock option

403M

22M

Other expense

25M

-34M

Other income

124M

Exchange gain

393M

Interest income

1,093M

Gain on sales of marketable securities

6,430M

Operating Income

8,031M

Ordinary Income

8,457M

Income before income taxes

(Non-GAAP)



Balance Sheet

(unaudited)

(in million Yen)

	<i>Mar-2013</i>	<i>change</i>	<i>Jun-2013</i>
<u>Assets</u>			
<i>Cash & cash equivalents</i>	63,421	+ 2,372	65,793
<i>Account receivable</i> <i>(less allowance for doubtful accounts)</i>	21,974	- 864	21,110
<i>Marketable securities &</i> <i>Securities investments</i>	89,600	+ 15,363	104,963
<u>Liabilities</u>			
<i>Deferred revenue</i> <i>(total of current and long-term)</i>	87,381	+ 1,523	88,904
<u>Shareholders' Equity</u>			
<i>Common Stock &</i> <i>Additional paid in capital</i>	39,556	+ 256	39,812
<i>Treasury Stock</i>	- 26,962	+ 4,533	- 22,429

(In accordance with Japan GAAP)

Q2 Highlights

- ***N America Enterprise business shows signs of improvement***
- ***The number of Deep Security transactions grows***

Q2 Lowlights

- ***European business weaker than expected***
- ***US Consumer business continues to decline (due to reduction in rebate payments)***
- ***Pricing pressure on traditional products continues***

FY2013 6months Financial Highlight

(January ~ June, 2013)

Consolidated Results (6 months)

Six months ended Jun 30,					(in million Yen)
	2012(Q1-Q2)	(Progress vs. last year's annual result)	2013(Q1-Q2)	YoY growth	(Progress vs. current year's annual forecast)
Net sales	45,689	(49%)	52,815	+ 16%	(49%)
Cost of sales	8,546		9,845	+ 15%	
Operating expenses	26,640		29,201	+ 10%	
Operating income (Margin)	10,503 (23%)	(47%)	13,769 (26%)	+ 31%	(52%)
Ordinary income	10,848	(48%)	15,678	+ 45%	(56%)
Net income	6,569	(49%)	9,575	+ 46%	(56%)

(In accordance with Japan GAAP)

“For reference” Revenue before adjusting deferred revenue

Pre-GAAP	49,160	53,919	+ 10%
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(In case of excluding a foreign exchange impact)

+ 0%

(Non-GAAP)

If currency exchange rates used for 2012(Q1-Q2) were used for 2013(Q1-Q2)

Net sales	45,689	47,959	+ 5%
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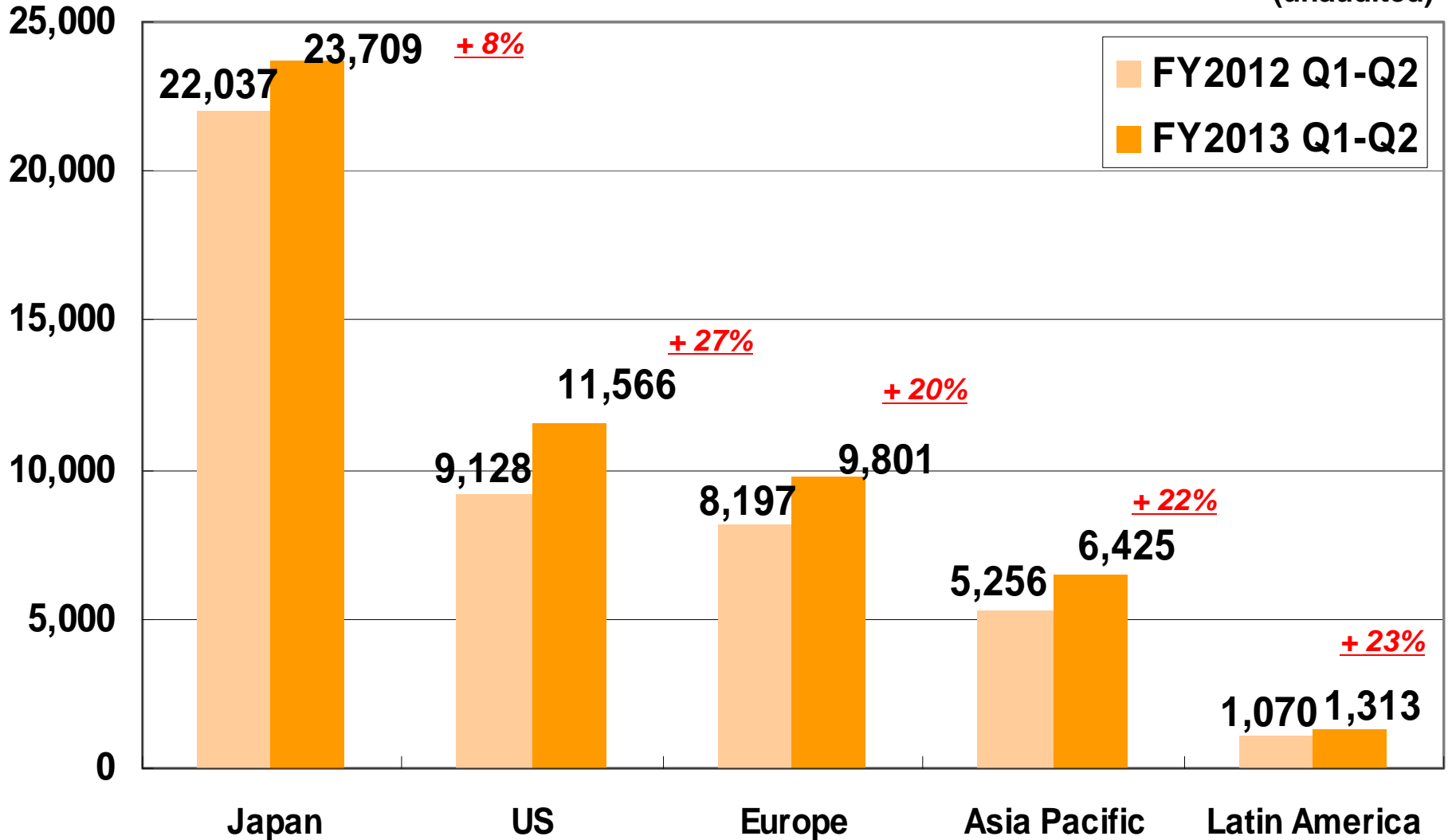
* The JPY amount for 2013(Q1-Q2) shown above has been calculated by applying to each foreign currency net sales amount for 2013(Q1-Q2) the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for 2012(Q1-Q2) into a JPY net sales amount for Japan GAAP reporting purposes.

END
(Non-GAAP)

Net Sales Growth by Region

(in million Yen)

(unaudited)



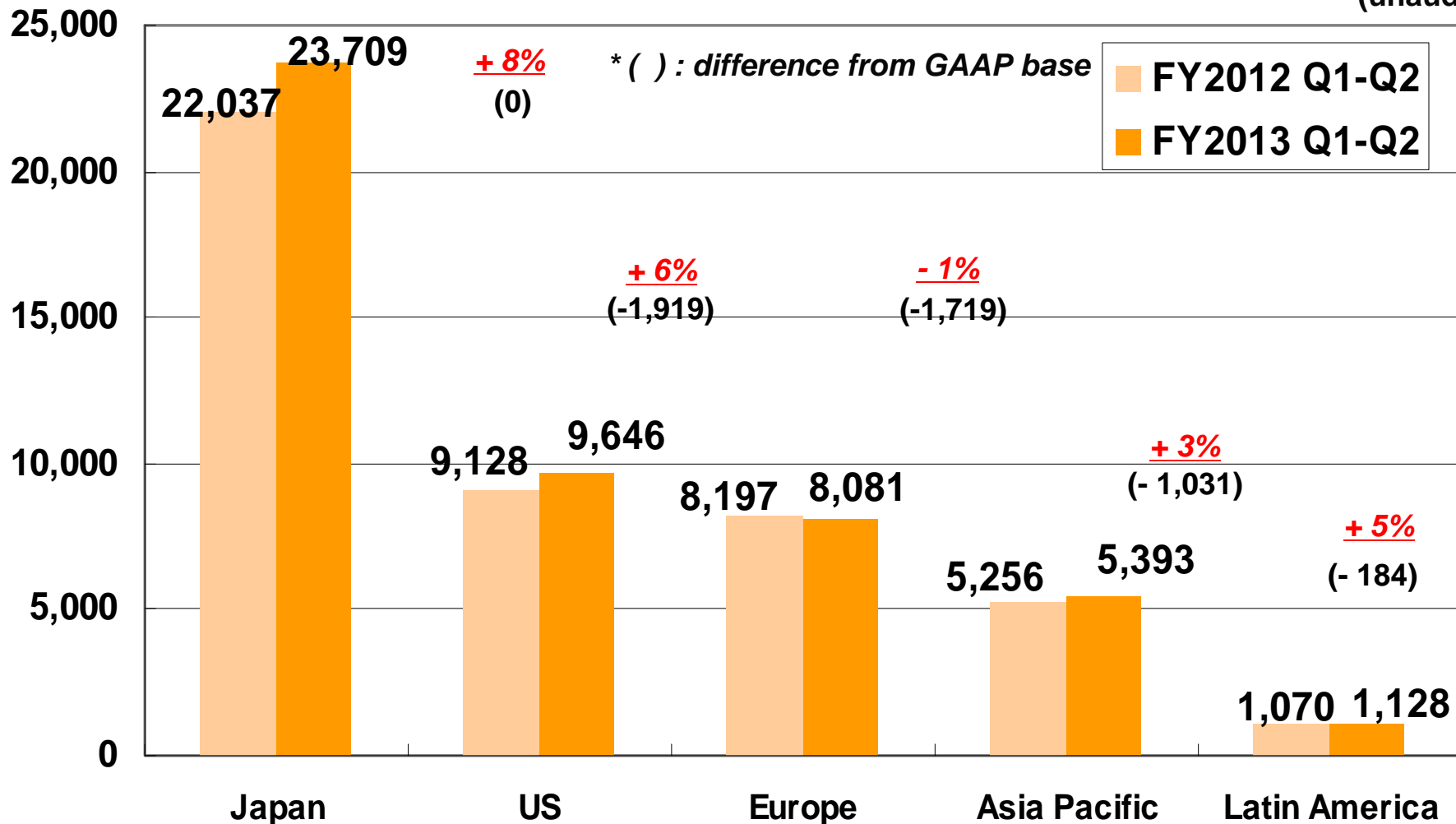
(In accordance with Japan GAAP)

Net Sales Growth by Region

If currency exchange rates used for 2012 (Q1-Q2) were used for 2013 (Q1-Q2):

(in million Yen)

(unaudited)



(Non-GAAP)

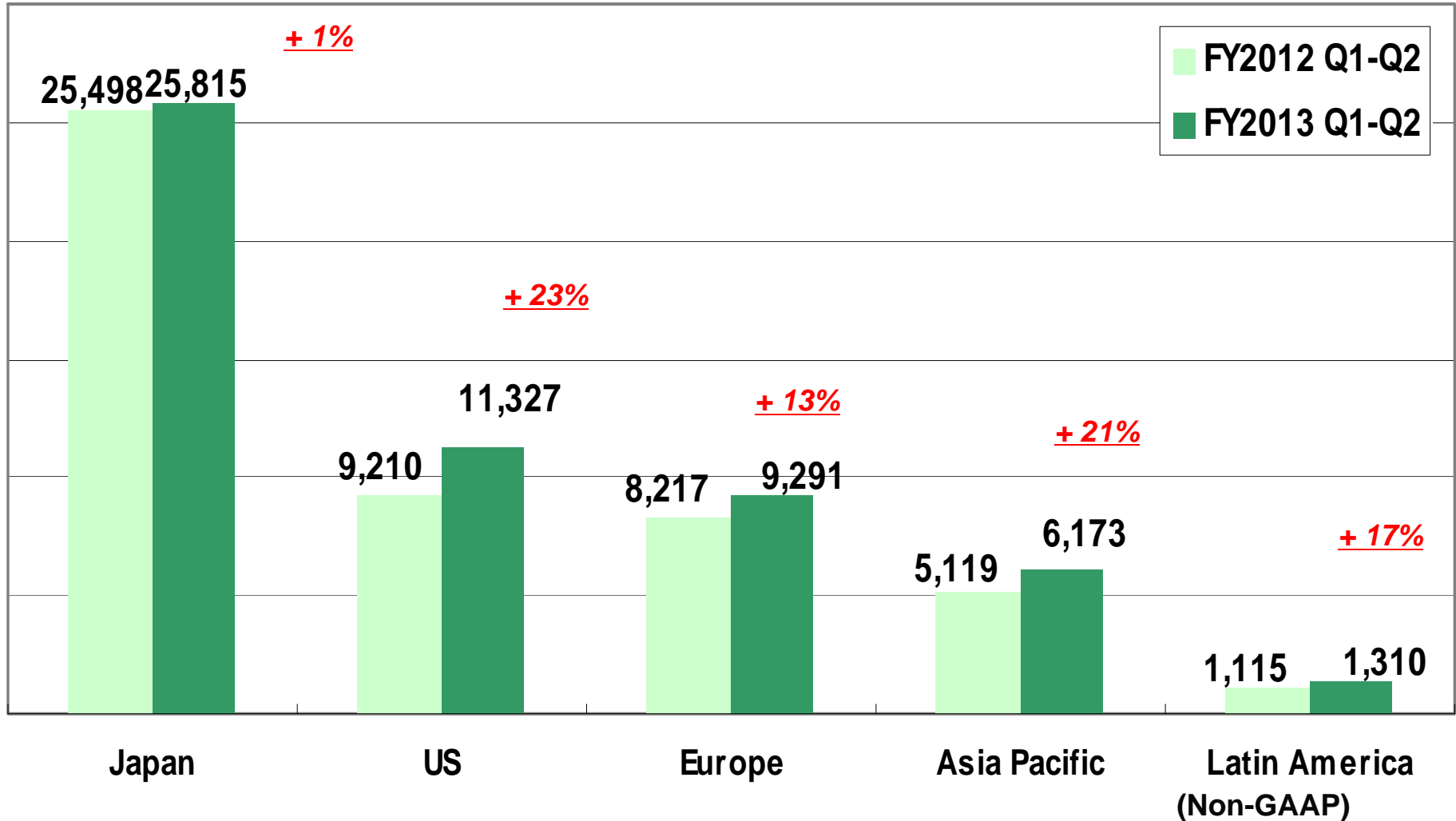
* Each JPY amount for 2013(Q1-Q2) shown above has been calculated by applying to the relevant foreign currency net sales amount for 2013(Q1-Q2) the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for 2012(Q1-Q2) into a JPY net sales amount for Japan GAAP reporting purposes.

“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(in million Yen)

(unaudited)



“Notice”

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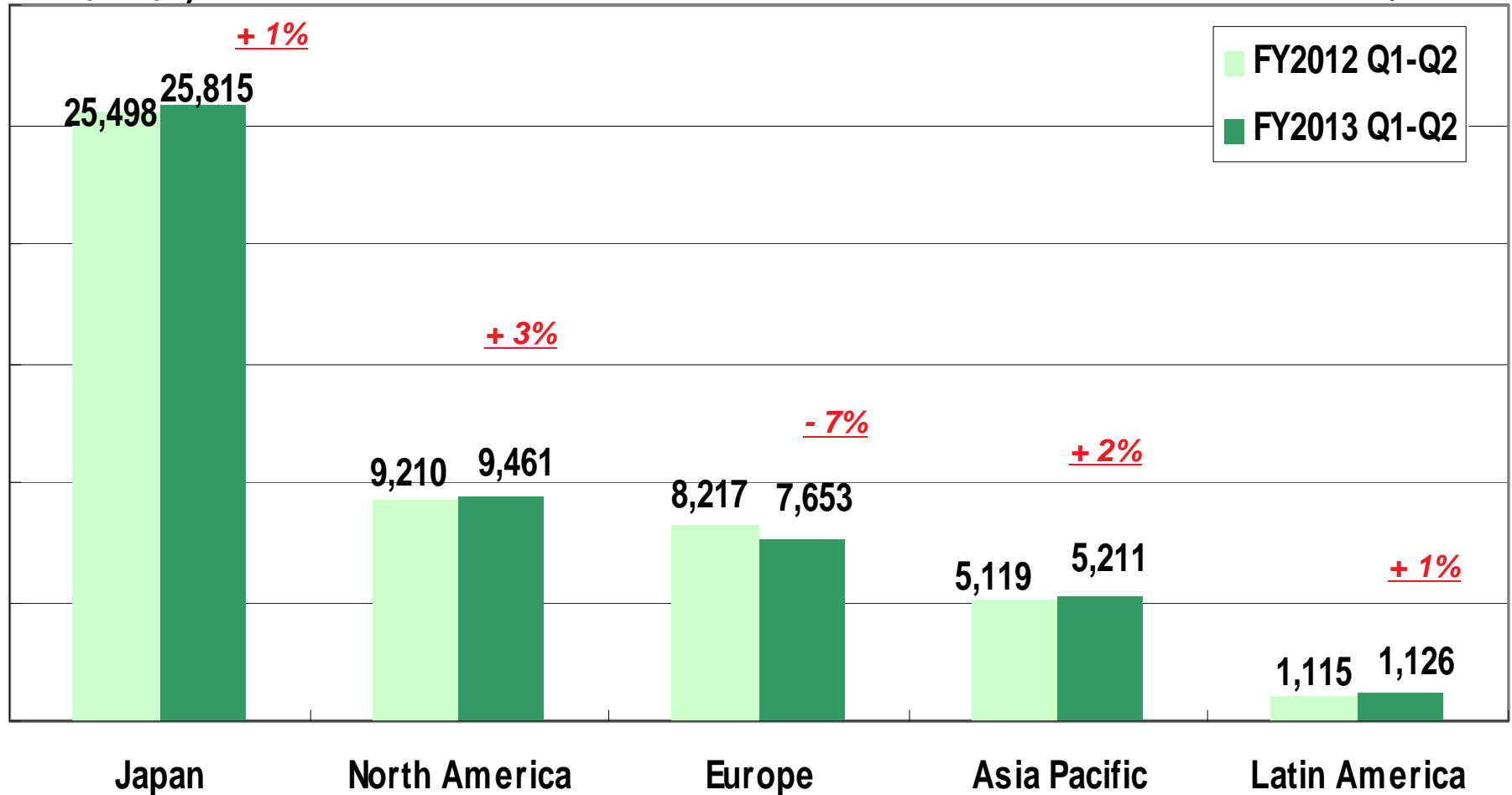
“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

If currency exchange rates used for 2012(Q1-Q2) were used for 2013(Q1-Q2):

(in million Yen)

(unaudited)



“Notice”

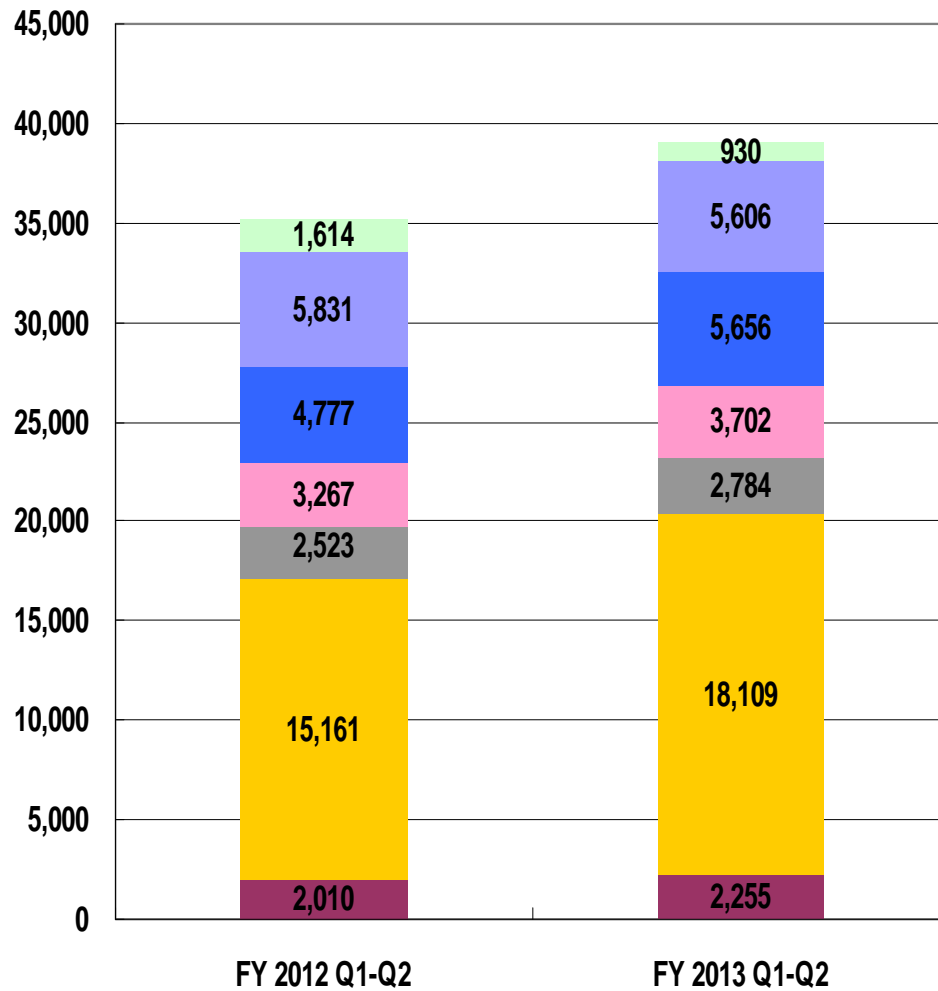
Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance. As these numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)



FY2013 Cost (6 months)

(in million Yen)



	<u>YoY Growth</u>
Goods / Software & Capitalization	- 42%
Selling & Marketing	- 4%
Administration	+ 18%
Outside service	+ 13%
Office overhead	+ 10%
Salary & Benefit	+ 19%
Stock option & Acquisition related costs	+ 12%

Total + 11%

Headcount + 2%

(unaudited)

(Non-GAAP)



Projection for FY2013 Annual **(Unchanged)**

(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
Net sales	22,630	23,058	23,836	24,313	25,783	27,032		
Cost of sales	4,058	4,488	4,390	4,574	5,048	4,796		
Operating expenses	13,003	13,636	13,337	13,943	13,396	15,804		
Operating income	5,568	4,934	6,108	5,795	7,338	6,430		
Ordinary income	5,804	5,043	6,233	5,579	7,646	8,031		
Net income	3,283	3,285	4,196	2,680	4,820	4,754		
(Costs)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Goods / Software Amortization & Capitalization	610	1,004	562	528	713	217		
Selling & Marketing	2,779	3,051	3,051	3,137	2,688	2,917		
Administration	2,428	2,348	2,370	2,700	2,844	2,812		
Outside service	1,559	1,708	1,785	1,768	1,737	1,964		
Office overhead	1,237	1,285	1,231	1,225	1,380	1,404		
Salary & Benefit	7,464	7,697	7,192	7,866	8,408	9,701		
Stock option cost	625	688	1,191	952	429	1,330		
Acquisition related costs	356	340	344	337	242	252		
Total	17,061	18,124	17,728	18,517	18,444	20,601		
The number of employees	4,913	5,017	5,080	5,137	5,094	5,110		
Applied rate to yen (US\$)	79.43	80.10	78.62	81.33	92.47	98.75		
Applied rate to yen (Euro)	103.96	102.79	98.40	105.60	121.89	128.91		

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	11,966		
US	4,369	4,758	4,765	4,975	5,480	6,085		
Europe	4,193	4,003	3,916	4,282	4,779	5,022		
Asia Pacific	2,615	2,640	2,555	2,864	3,143	3,282		
Latin America	577	493	489	534	637	675		
Total	22,630	23,058	23,836	24,313	25,783	27,032		
(Sales by segment)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All Enterprise	15,025	14,280	14,483	15,135	16,383	17,040		
Consumer	7,605	8,777	9,353	9,177	9,400	9,991		
Total	22,630	23,058	23,836	24,313	25,783	27,032		
(Pre-GAAP by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	12,628	12,870	12,712	11,893	13,004	12,811		
US	4,981	4,228	4,640	5,045	5,694	5,632		
Europe	4,013	4,203	2,965	5,591	4,434	4,857		
Asia Pacific	2,488	2,630	2,502	2,994	3,016	3,157		
Latin America	618	497	482	587	625	685		
Total	24,730	24,430	23,304	26,112	26,774	27,144		

“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.**