

Trend Micro FY2013.4Q / Annual Results



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

February 18, 2014



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. 4Q Financial Highlight

(Fourth quarter ended December 31, 2013)

Q4 Consolidated Results

(in million Yen)

<i>Three months ended Dec 31,</i>	4Q2012	4Q2013	YoY growth
Net sales	24,313	28,428	+ 17%
Cost of sales	4,574	4,642	+ 1%
Operating expenses	13,943	16,122	+ 16%
Operating income	5,795	7,663	+ 32%
<i>(Margin)</i>	<i>(24%)</i>	<i>(27%)</i>	
Ordinary income	5,579	8,713	+ 56%
Net income	2,680	4,656	+ 74%

“For reference” Revenue before adjusting deferred revenue

Pre-GAAP	26,112	30,348	+ 16%
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(In case of excluding a foreign exchange impact)

+ 2%

(Non-GAAP)

If currency exchange rates used for 4Q2012 were used for 4Q2013

Net sales	24,313	25,403	+ 4%
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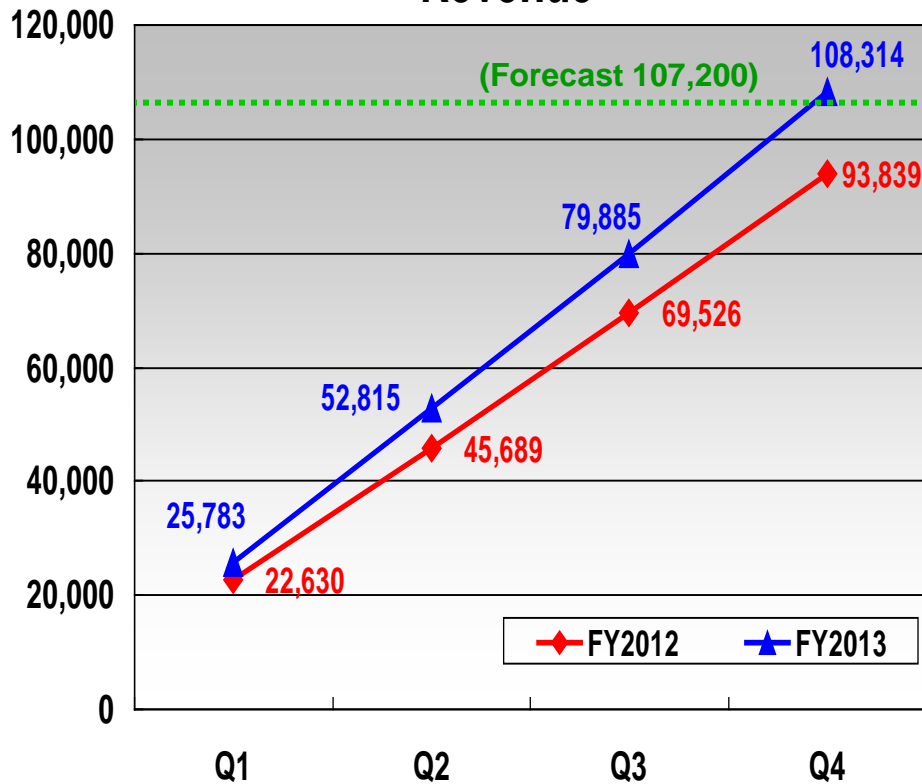
** The JPY amount for 4Q2013 shown above has been calculated by applying to each foreign currency net sales amount for 4Q2013 the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for 4Q2012 into a JPY net sales amount for Japan GAAP reporting purposes.*

END
(Non-GAAP)

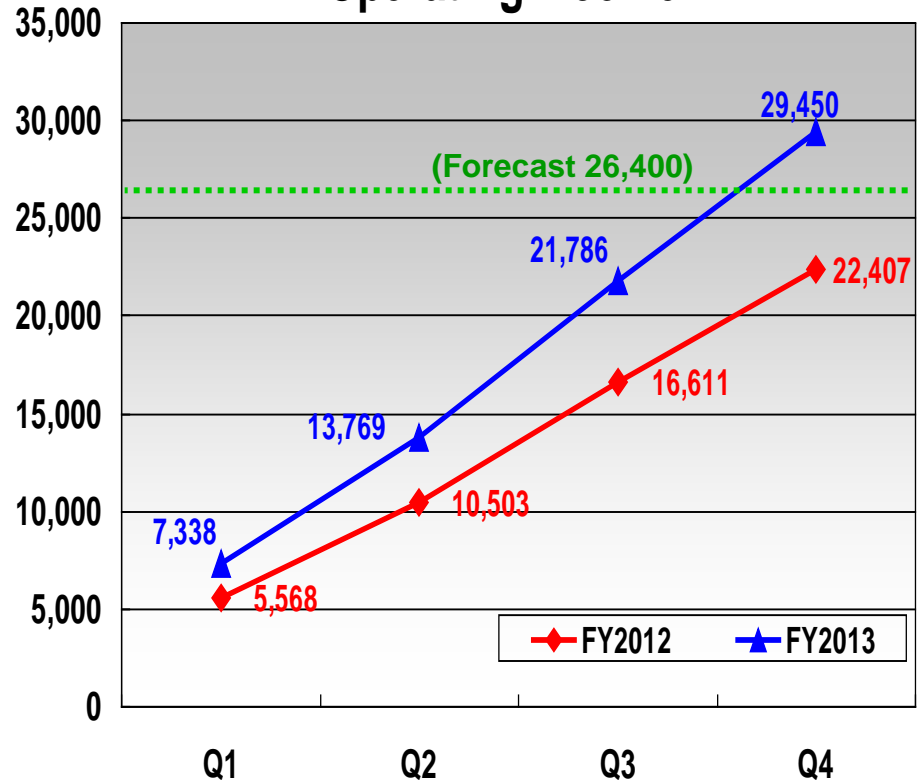
Progress (12months)

(in million Yen)

Revenue



Operating Income



Q4 USD based Results (Non-GAAP)

<i>Three months ended Dec 31,</i>	<i>4Q2012</i>	<i>4Q2013</i>	<i>(unaudited) (in thousand USD) YoY change</i>
Net sales	298,944	282,562	- 5%
Cost of sales	56,249	46,142	- 18%
Operating expenses	171,438	160,246	- 7%
Operating income	71,257	76,174	+ 7%
Ordinary income	68,606	86,604	+ 26%
Net Income	32,963	46,284	+ 40%

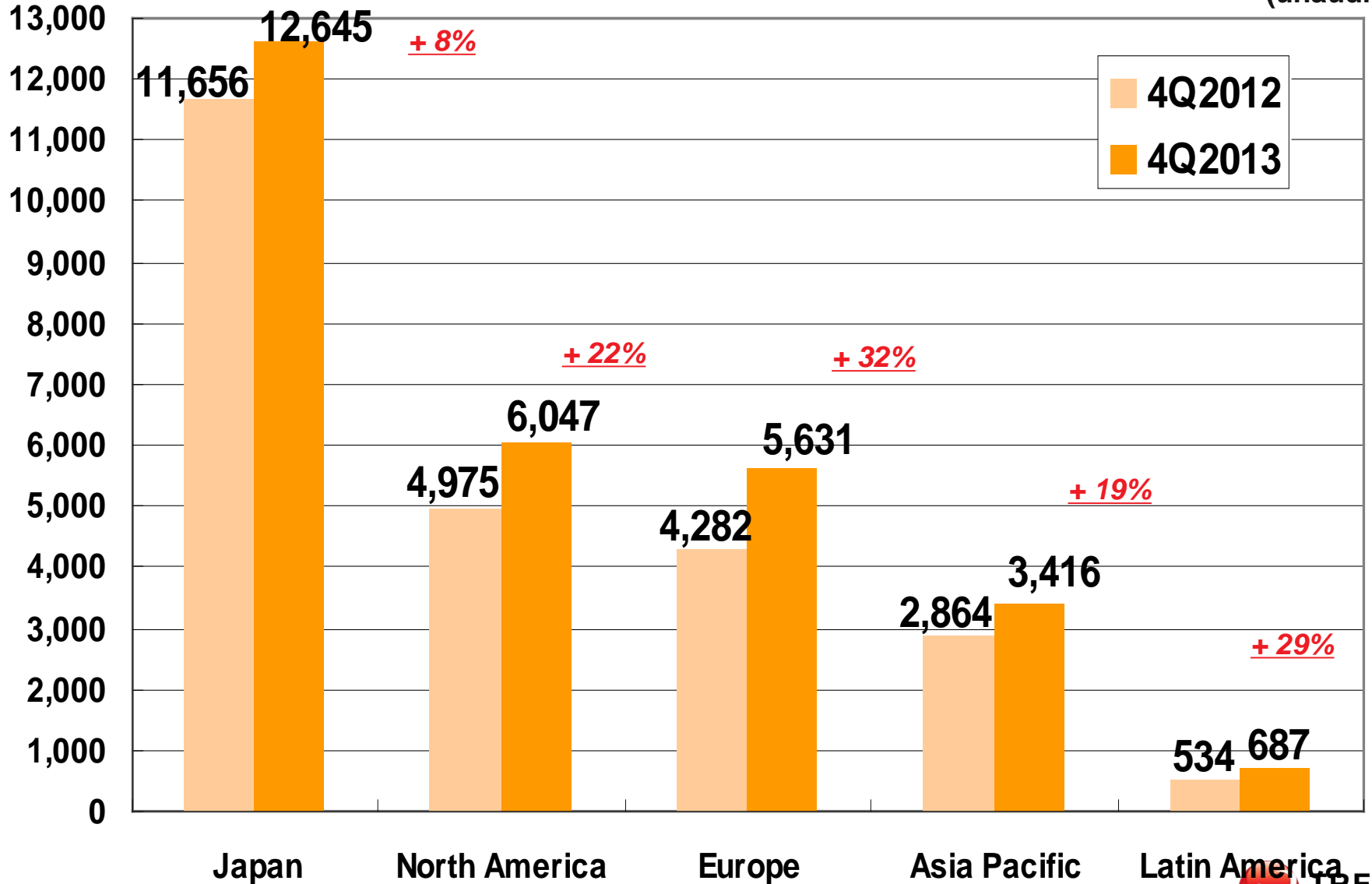
(Non-GAAP)

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=81.33 JPY for 4Q2012 and 1 USD =100.61 JPY for 4Q2013, 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

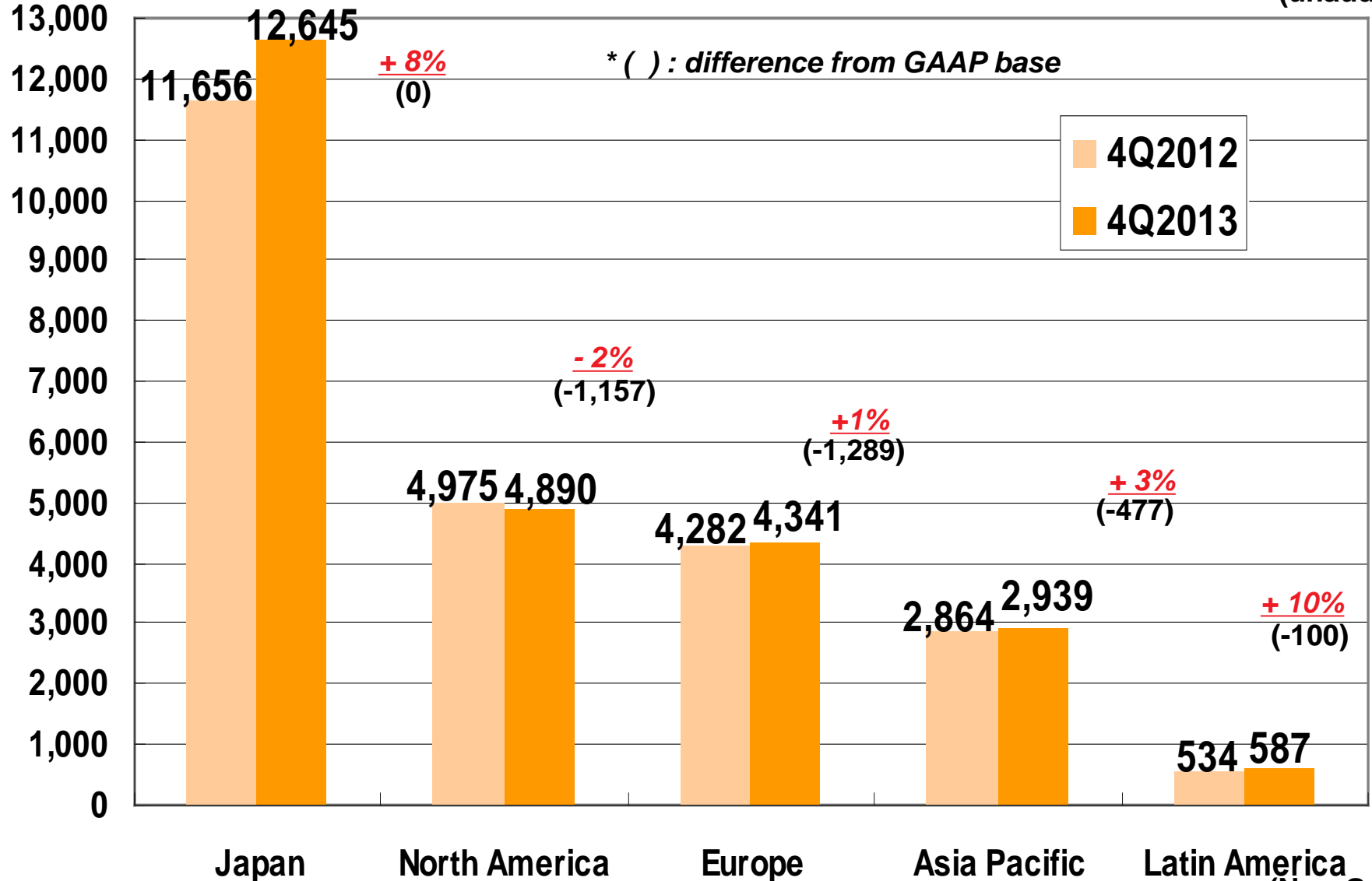
(in million Yen)

(unaudited)



Net Sales Growth by Region

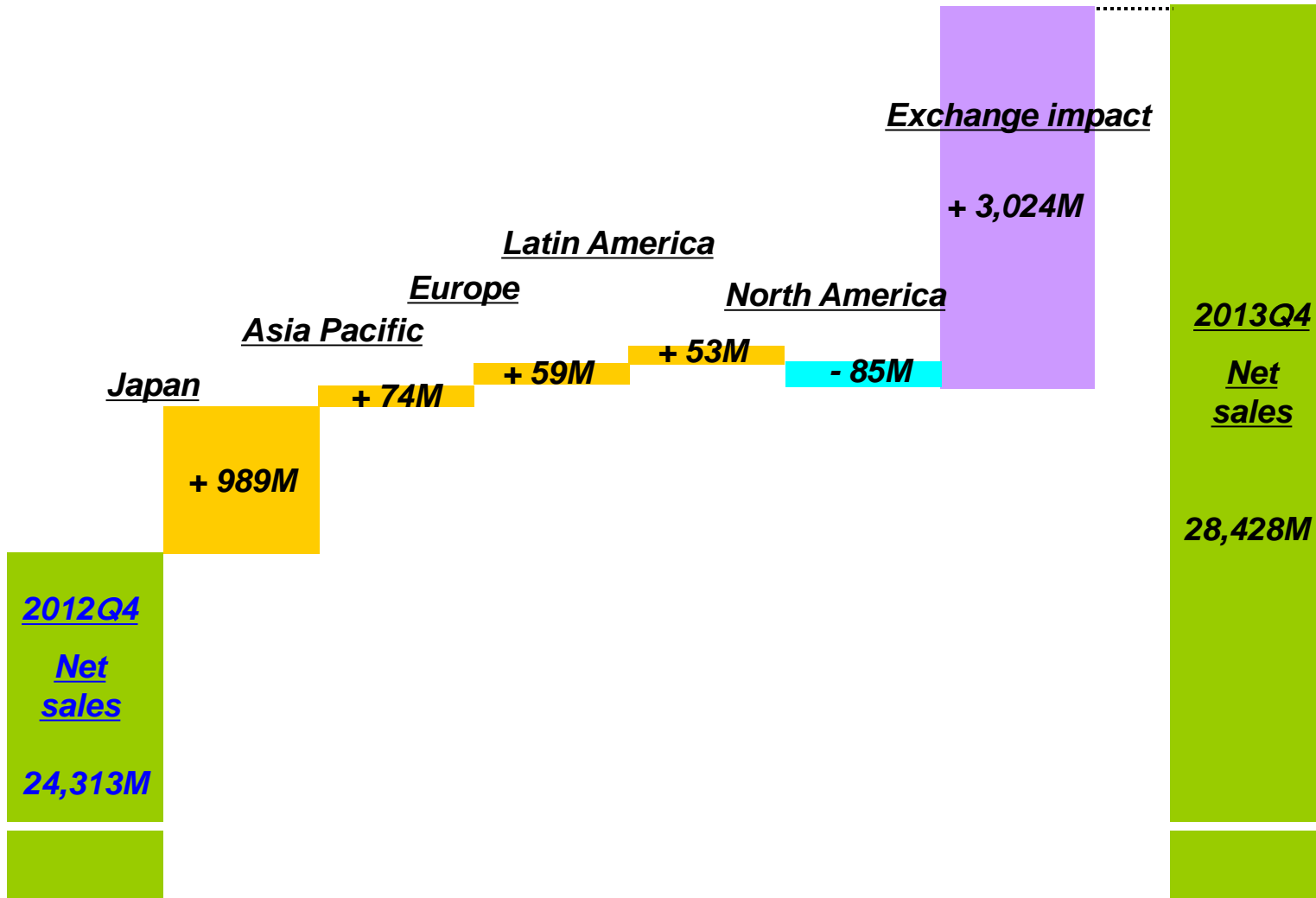
(in million Yen) *If currency exchange rates used for 4Q2012 were used for 4Q2013:* (unaudited)



* Each JPY amount for 4Q2013 shown above has been calculated by applying to the relevant foreign currency net sales amount for 4Q2013 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 4Q2012 into a JPY net sales amount for Japan GAAP reporting purposes.

Decomposition of Revenue (vs. last year)

(unaudited)



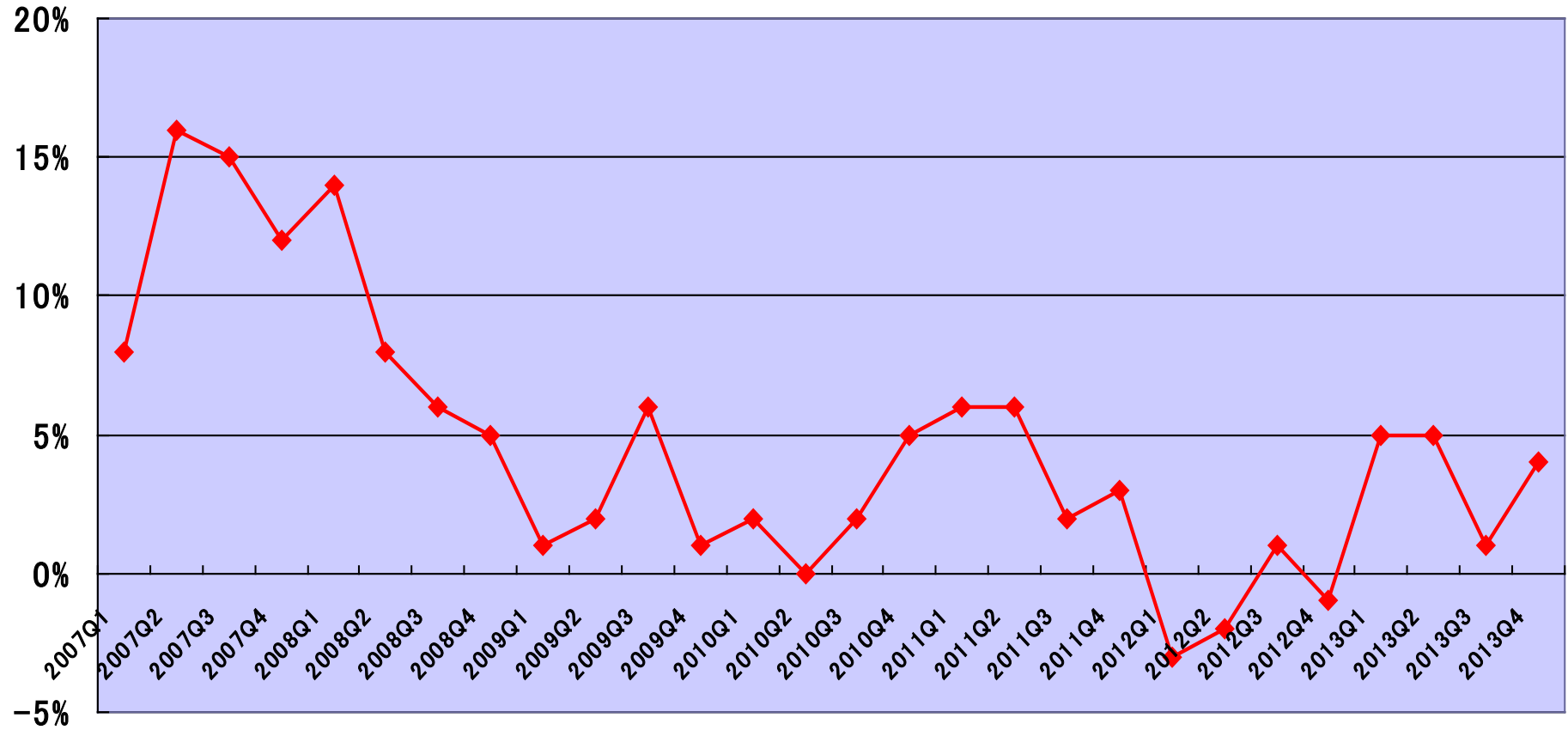
(Non-GAAP)



Constant currency Revenue growth

(YoY)

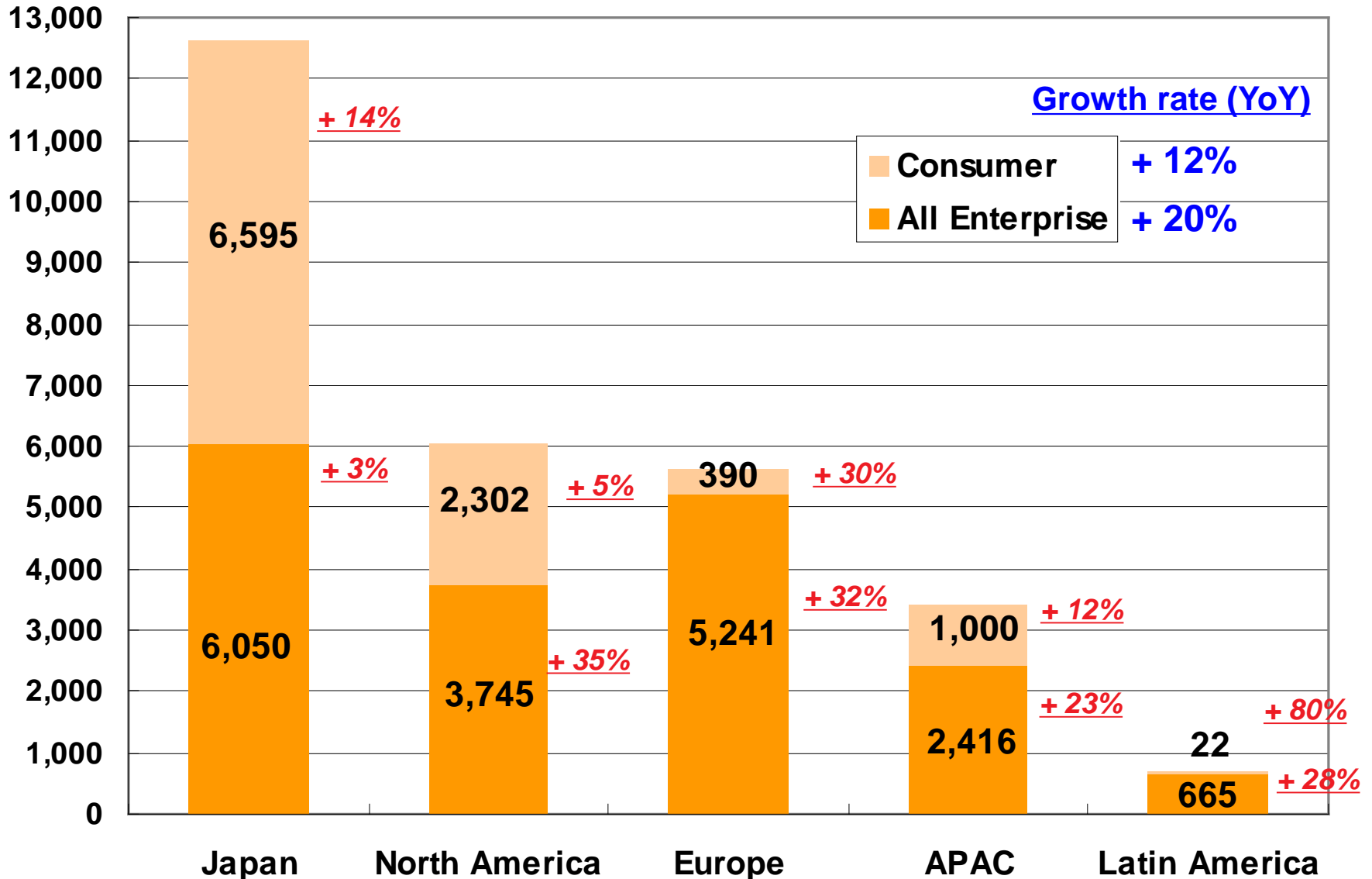
(unaudited)



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

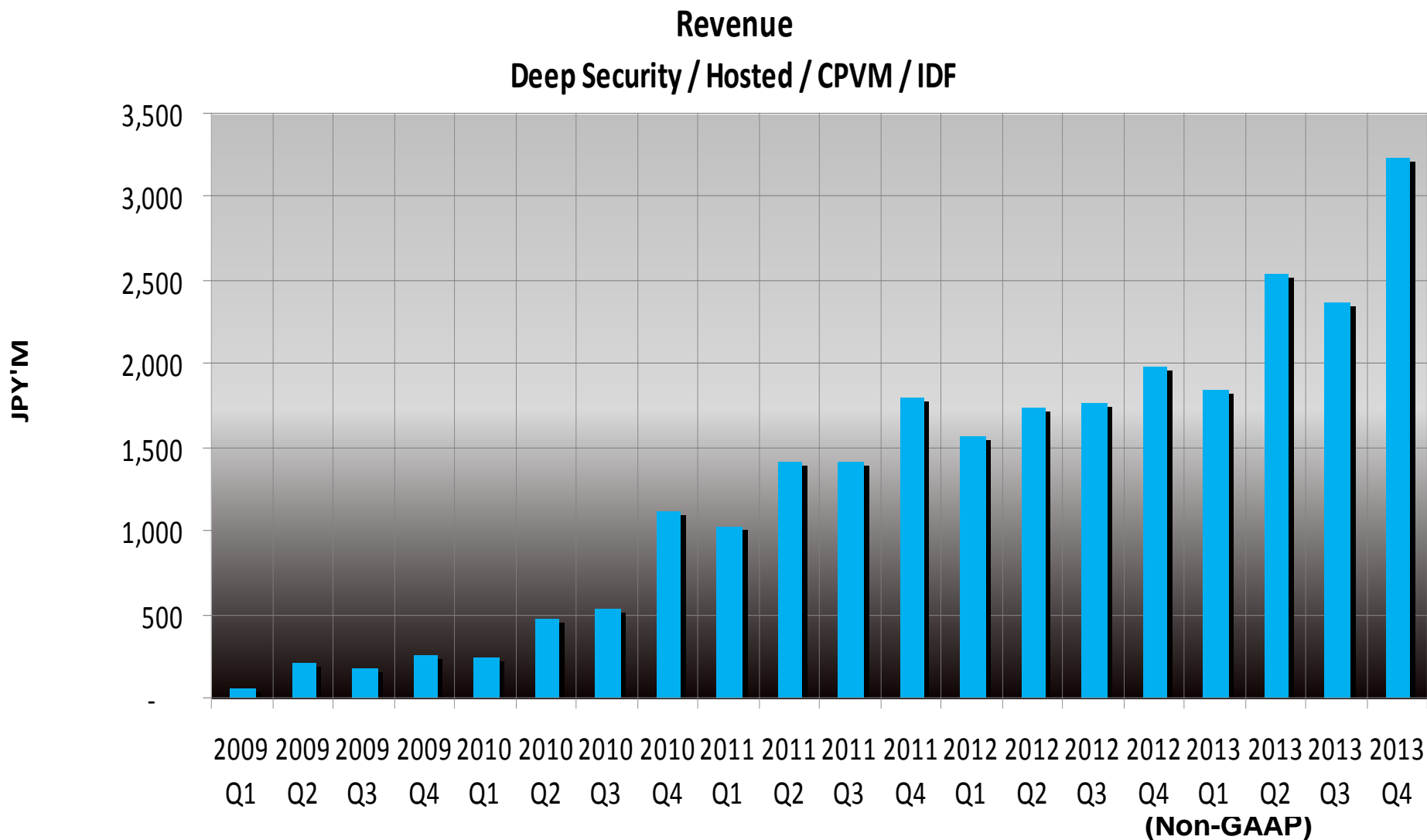
Sales by Segment

(in million Yen)



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

“Cloud related” Gross sales

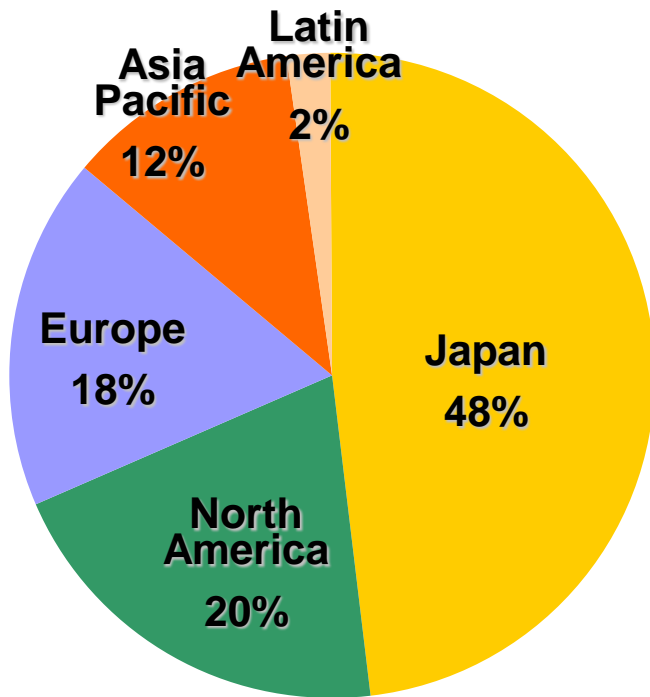


“Notice” As above numbers are just for internal use, they may be subject to some changes hereafter.

% share by region

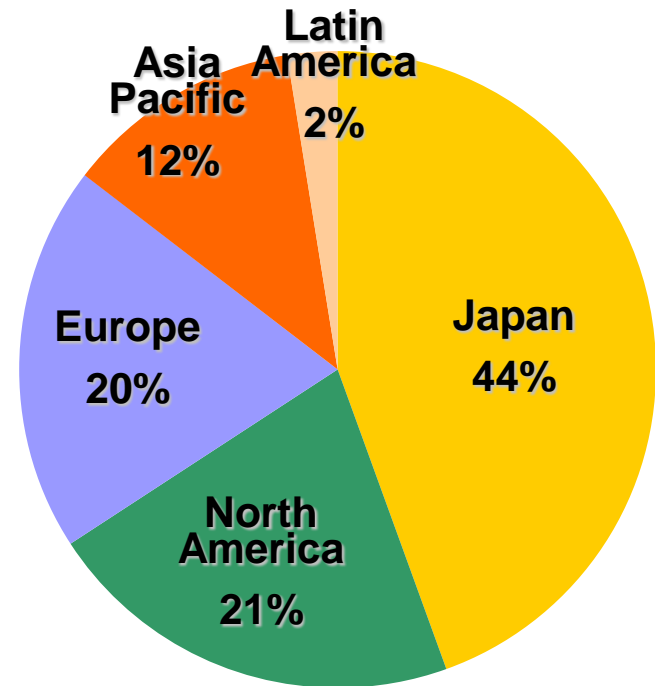
4Q2012

24,313 million Yen



4Q2013

28,428 million Yen

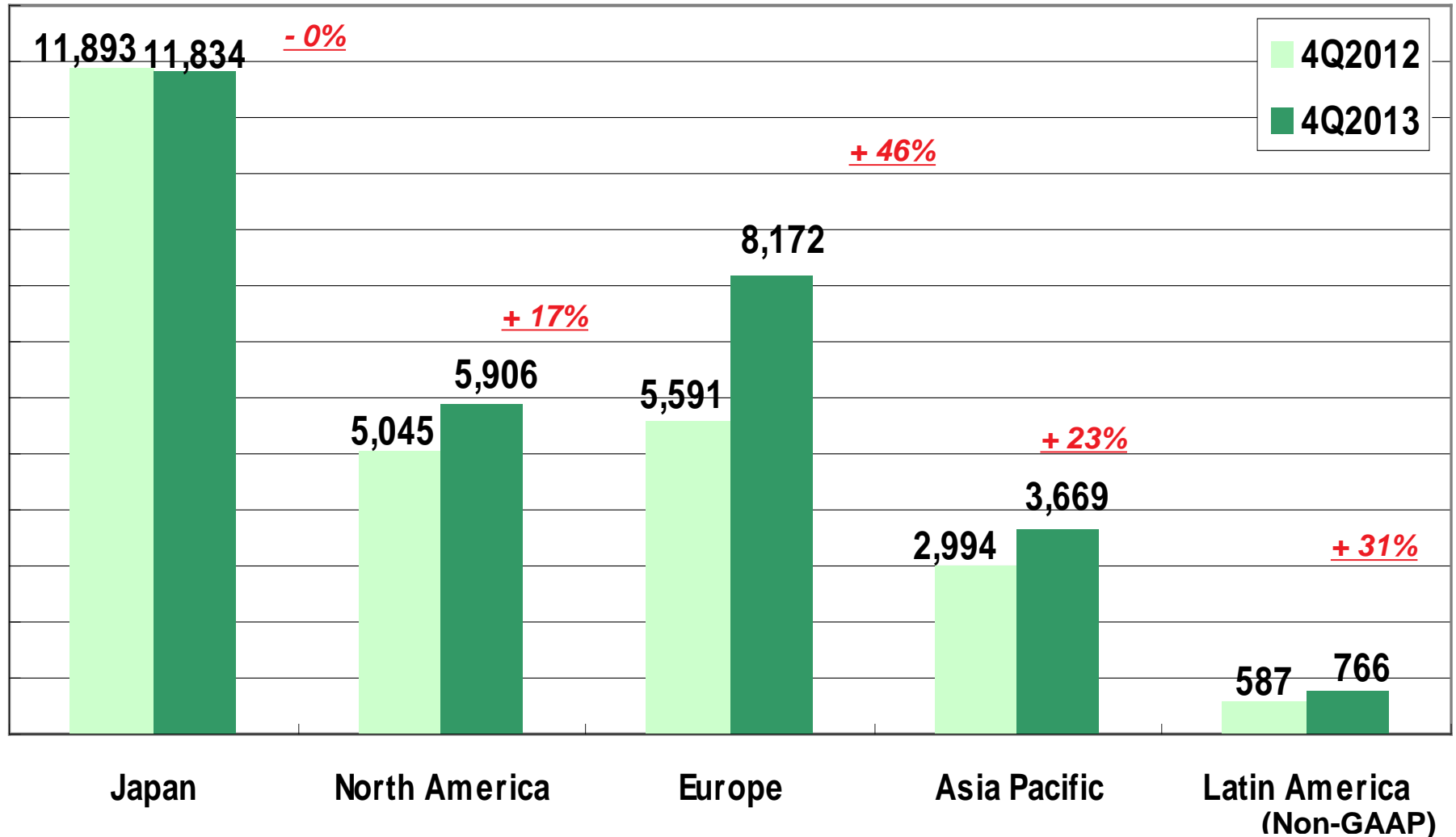


“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(in million Yen)

(unaudited)



“Notice”

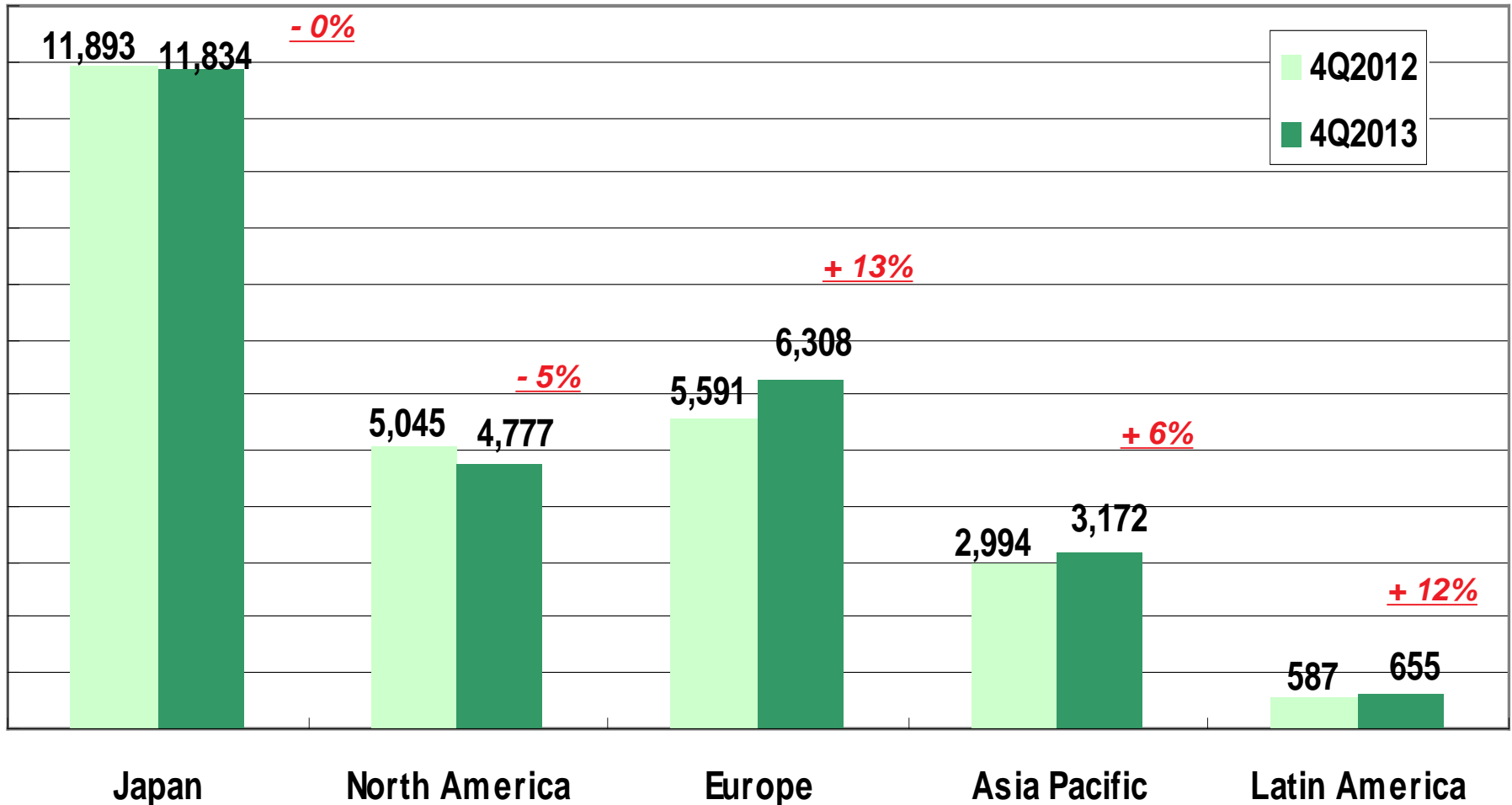
Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance. As these numbers are just for internal use, they may be subject to some changes hereafter.

“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

If currency exchange rates used for 4Q2012 were used for 4Q2013: (unaudited)

(in million Yen)



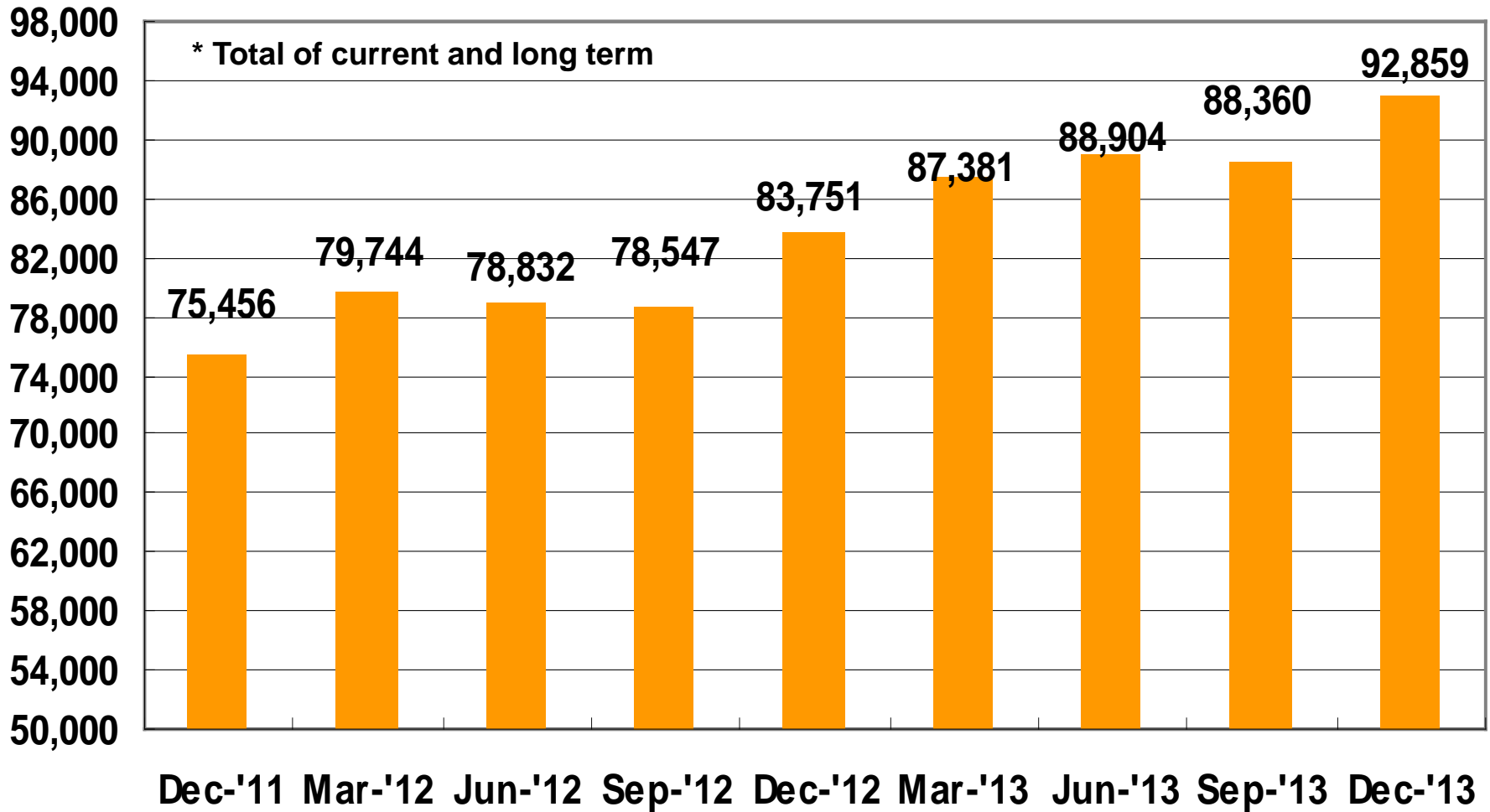
(Non-GAAP)

“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

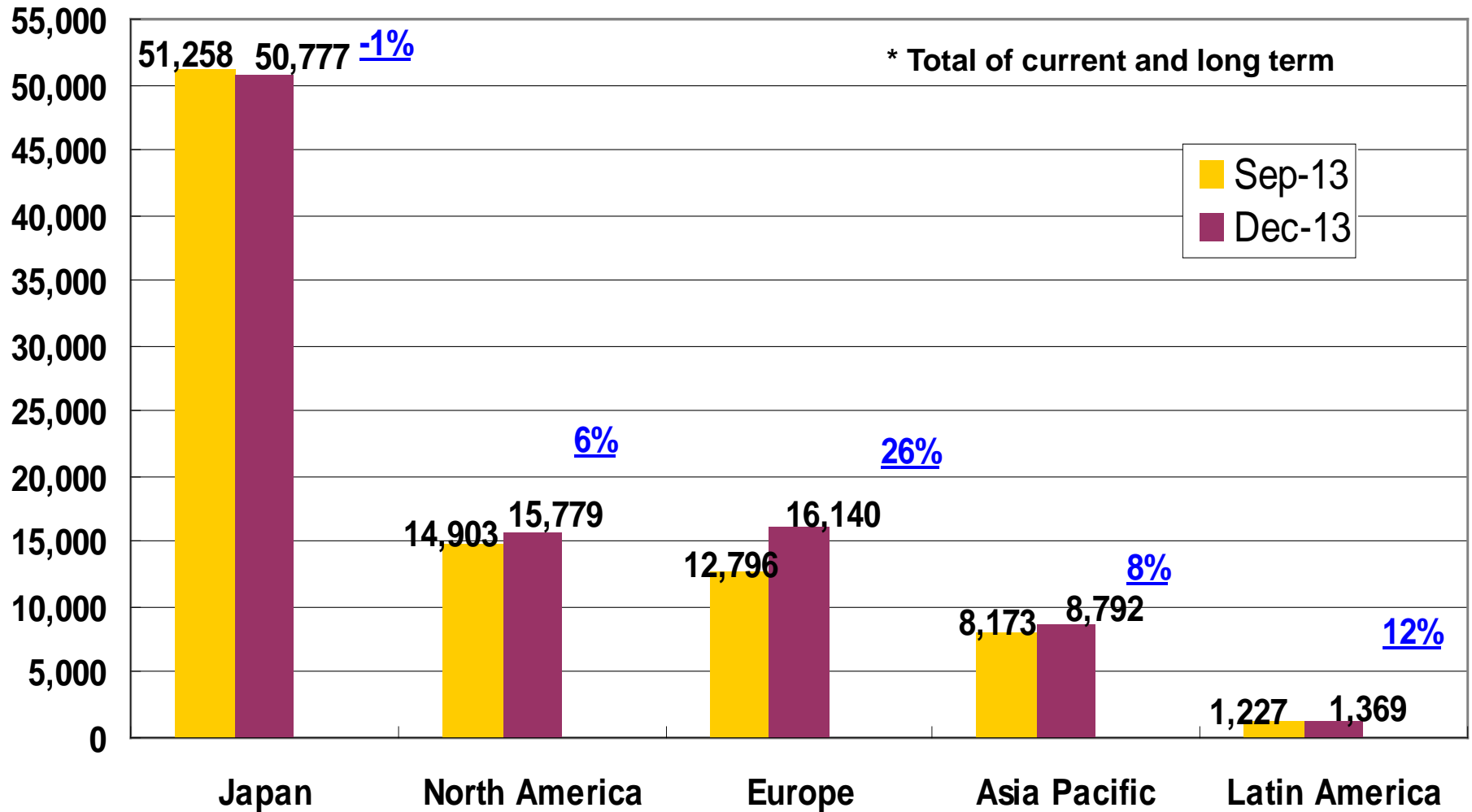
(in million Yen)



Deferred Revenue by Region

(in million Yen)

(unaudited)

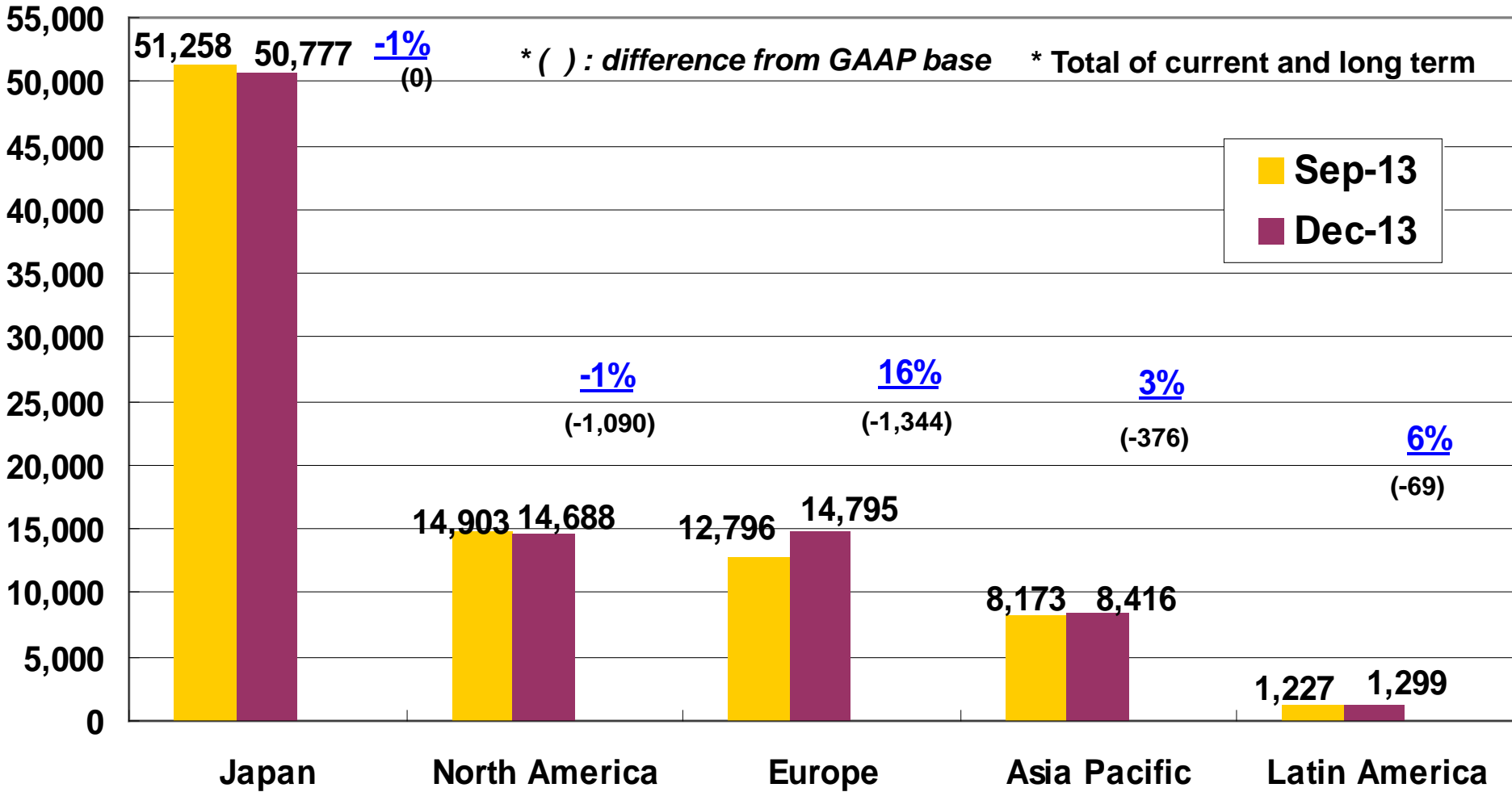


Deferred Revenue by Region

If currency exchange rates used as of the end of 3Q2013 were used as of the end of 4Q2013:

(in million Yen)

(unaudited)



(Non-GAAP)

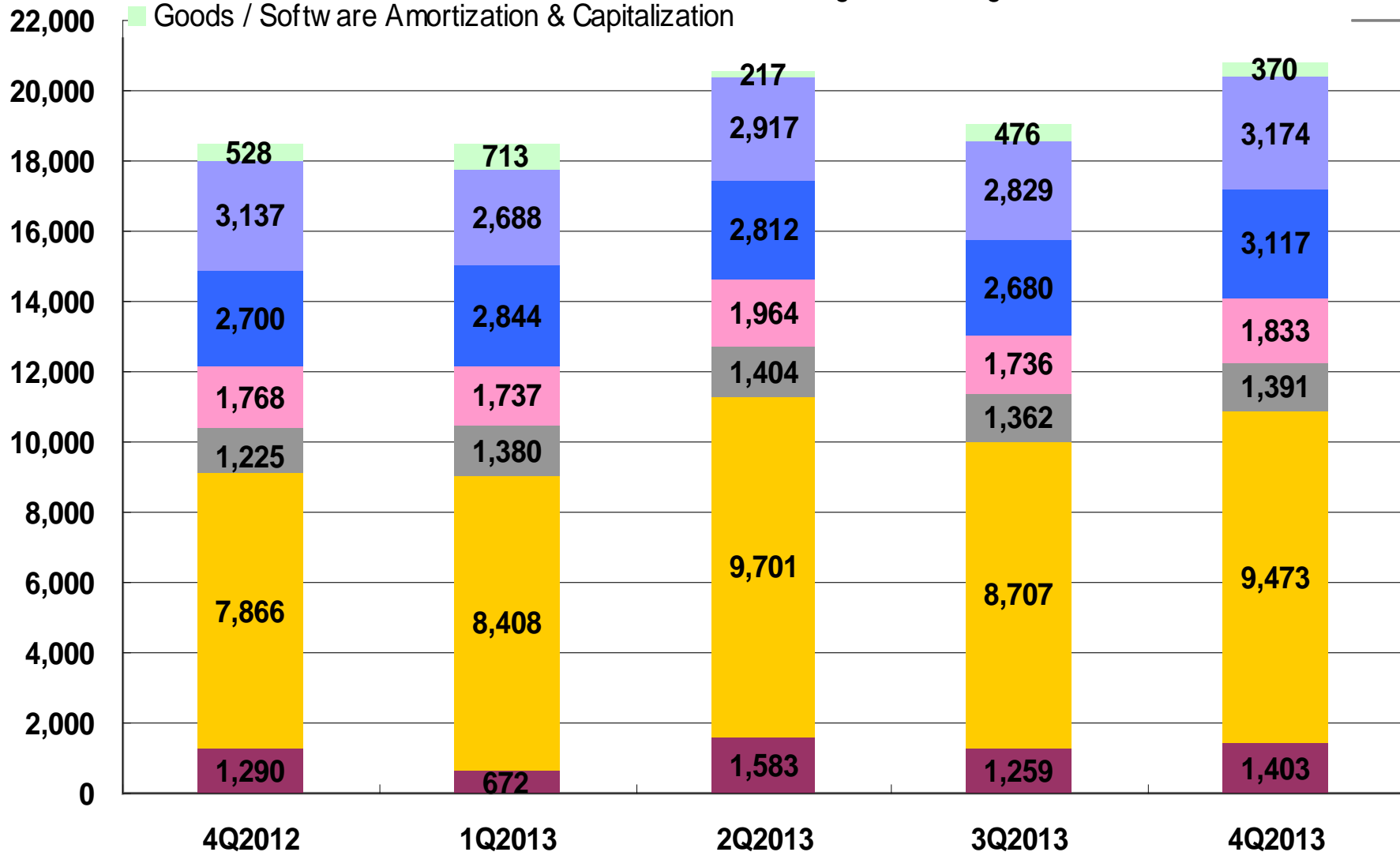
* Each JPY amount as of the end of 4Q2013 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 4Q2013 the exchange rate between such foreign currency and JPY that was used to convert the deferred revenue amount denominated in such foreign currency as of the end of 3Q2013 into a JPY deferred revenue amount for Japan GAAP reporting purposes.

Cost

(unaudited)

(in million Yen)

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

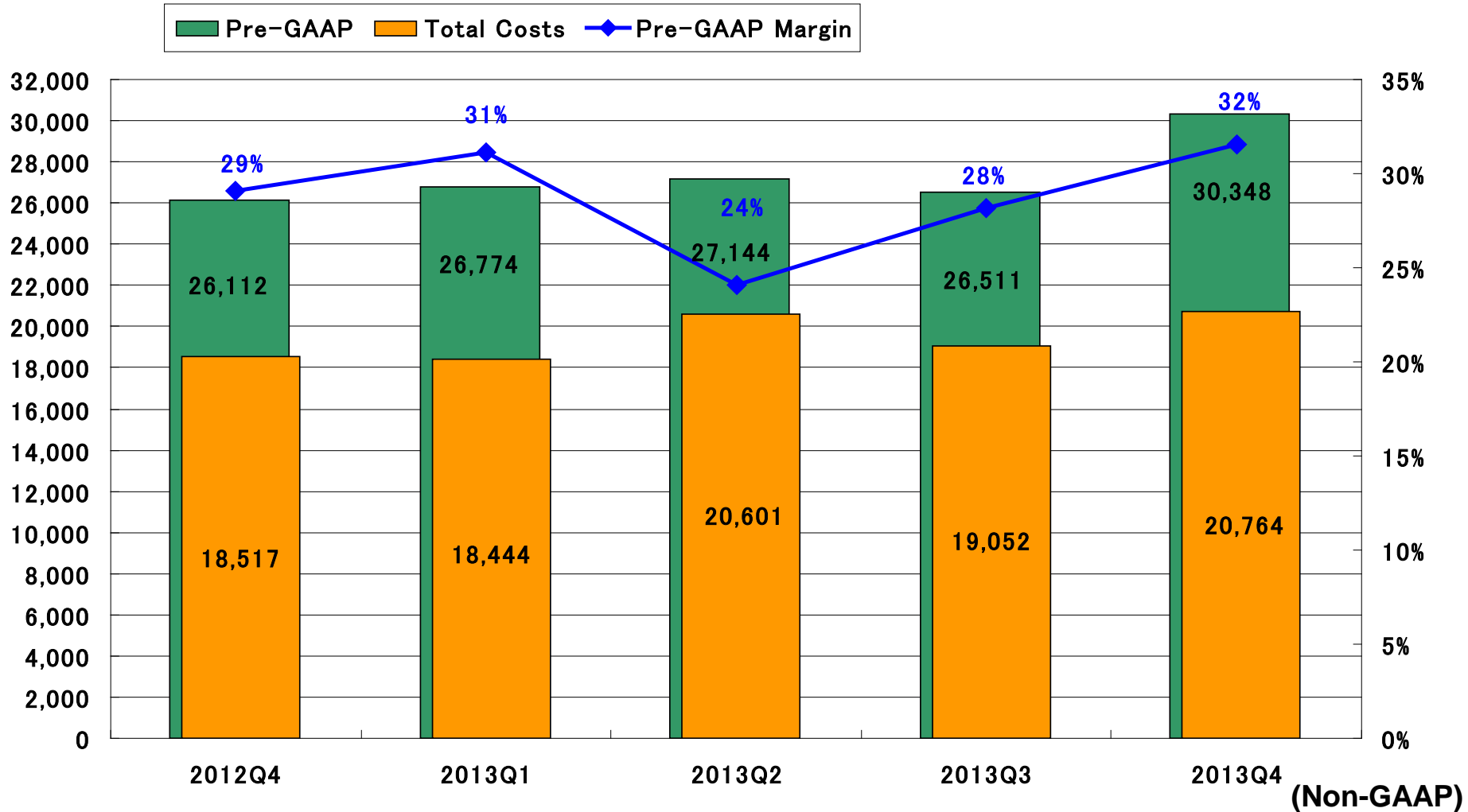


(Non-GAAP)

Pre-GAAP v s Total Costs

(unaudited)

(in million Yen)



* "Total costs" means COGS + SGA.

Cash flows

(unaudited)

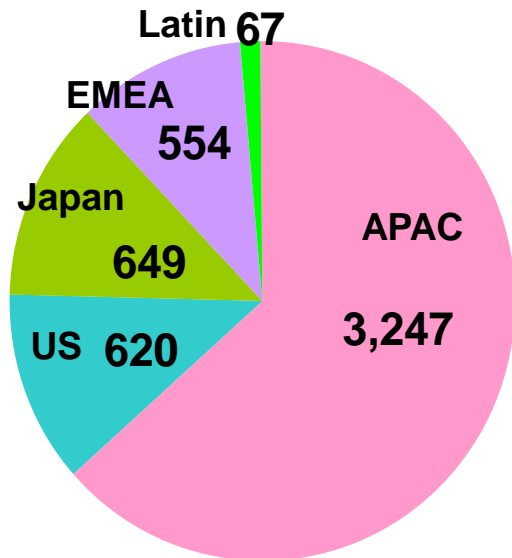
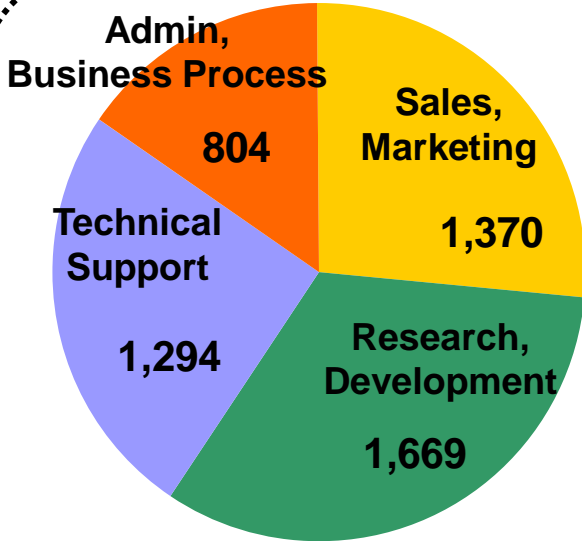
(in million Yen)

	4Q2012	4Q2013	YoY growth
Cash flows from operating activities	9,398	10,741	+ 14%
Cash flows from investing activities	- 19,060	- 7,538	—
Cash flows from financing activities	- 176	1,468	—
Effect of exchange rate changes on cash and cash equivalents	4,678	4,260	- 9%
Net increase (decrease) in cash and cash equivalents	- 5,160	8,931	—
Cash and cash equivalents at beginning of this quarter period	55,606	64,848	+ 17%
Increase in cash due to merger of consolidated subsidiary	—	169	—
Cash and cash equivalents at end of this quarter period	50,446	73,949	+ 47%

Headcount

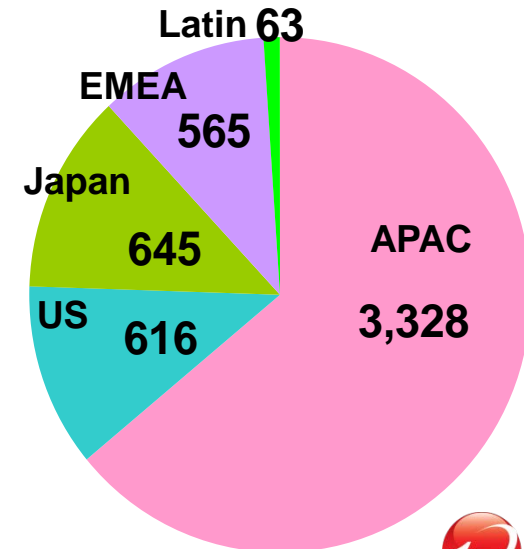
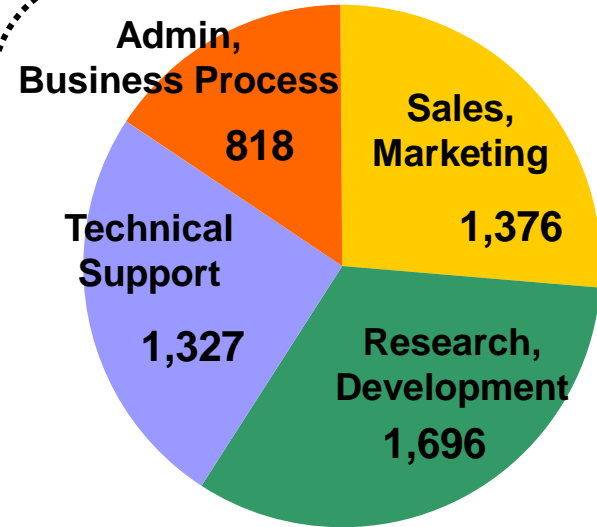
Sep - 2013

5,137



Dec - 2013

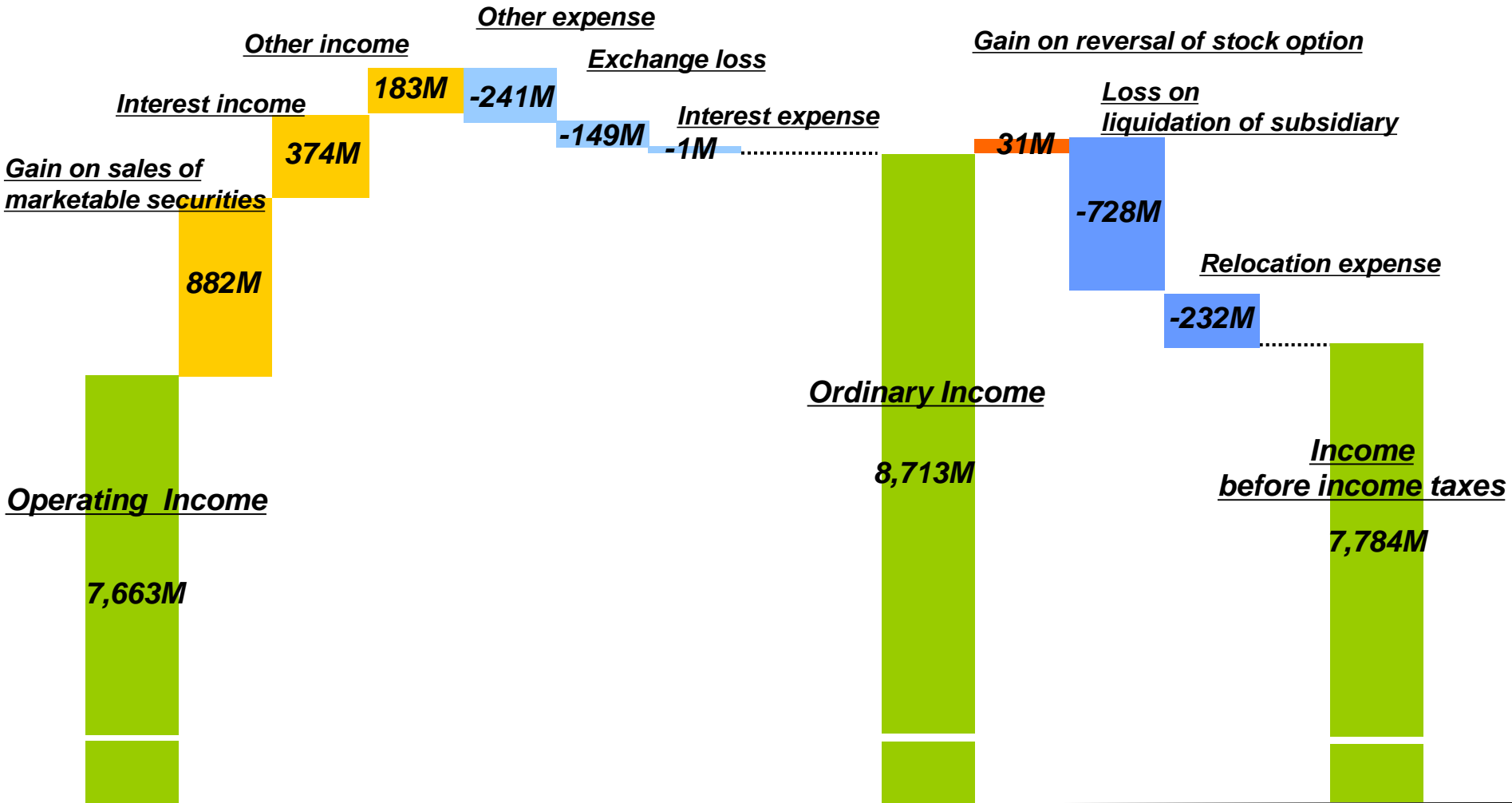
5,217



+ 80
(+ 2%)

Non-operating & Extra-ordinary Items

(unaudited)



(Non-GAAP)



Balance Sheet

(unaudited)

(in million Yen)

	Sep-2013	change	Dec-2013
<u>Assets</u>			
Cash & cash equivalents	70,003	+ 9,629	79,632
Account receivable <i>(less allowance for doubtful accounts)</i>	20,790	+ 3,539	24,329
Marketable securities & Securities investments	107,664	+ 4,389	112,053
<u>Liabilities</u>			
Deferred revenue <i>(total of current and long-term)</i>	88,360	+ 4,499	92,859
<u>Shareholders' Equity</u>			
Common Stock & Additional paid in capital	40,066	+ 117	40,183
Treasury Stock	- 18,049	+ 1,746	- 16,303

Q4Highlights

- ***Strong quarter for Cloud related products***
- ***Improvement in operating margins***

Q4 Lowlights

- ***Weak performance of consumer business in North America***
- ***Some major Enterprise deals slipped in North America***
- ***Continued pricing pressure on traditional security products***

FY2013 12months (Annual) Financial Highlight

**Full year ended December 31, 2013
(January ~ December, 2013)**

Annual Consolidated Results (12 months)

12 months ended Dec 31,	2012(Q1-Q4)	2013(Q1-Q4)	YoY growth	(in million Yen) (Progress vs. current year's annual forecast)
Net sales	93,839	108,314	+ 15%	(101%)
Cost of sales	17,511	19,378	+ 11%	
Operating expenses	53,920	59,485	+ 10%	
Operating income (Margin)	22,407 (24%)	29,450 (27%)	+ 31%	(112%)
Ordinary income	22,661	32,456	+ 43%	(116%)
Net income	13,447	19,595	+ 46%	(115%)
Earnings per share (Yen)	102.21	147.53	+ 44%	
Dividend per share (Yen)	67.00	125.00	+ 87%	

*including special dividends

“For reference” Revenue before adjusting deferred revenue

Pre-GAAP	98,577	110,778	+ 12%
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(In case of excluding a foreign exchange impact) + 1%

(Non-GAAP)

If currency exchange rates used for 2012(Q1-Q4) were used for 2013(Q1-Q4)

Net sales	93,839	97,330	+ 4%
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* The JPY amount for FY2013 shown above has been calculated by applying to each foreign currency net sales amount for FY2013 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 FY2012 into a JPY net sales amount for Japan GAAP reporting purposes.

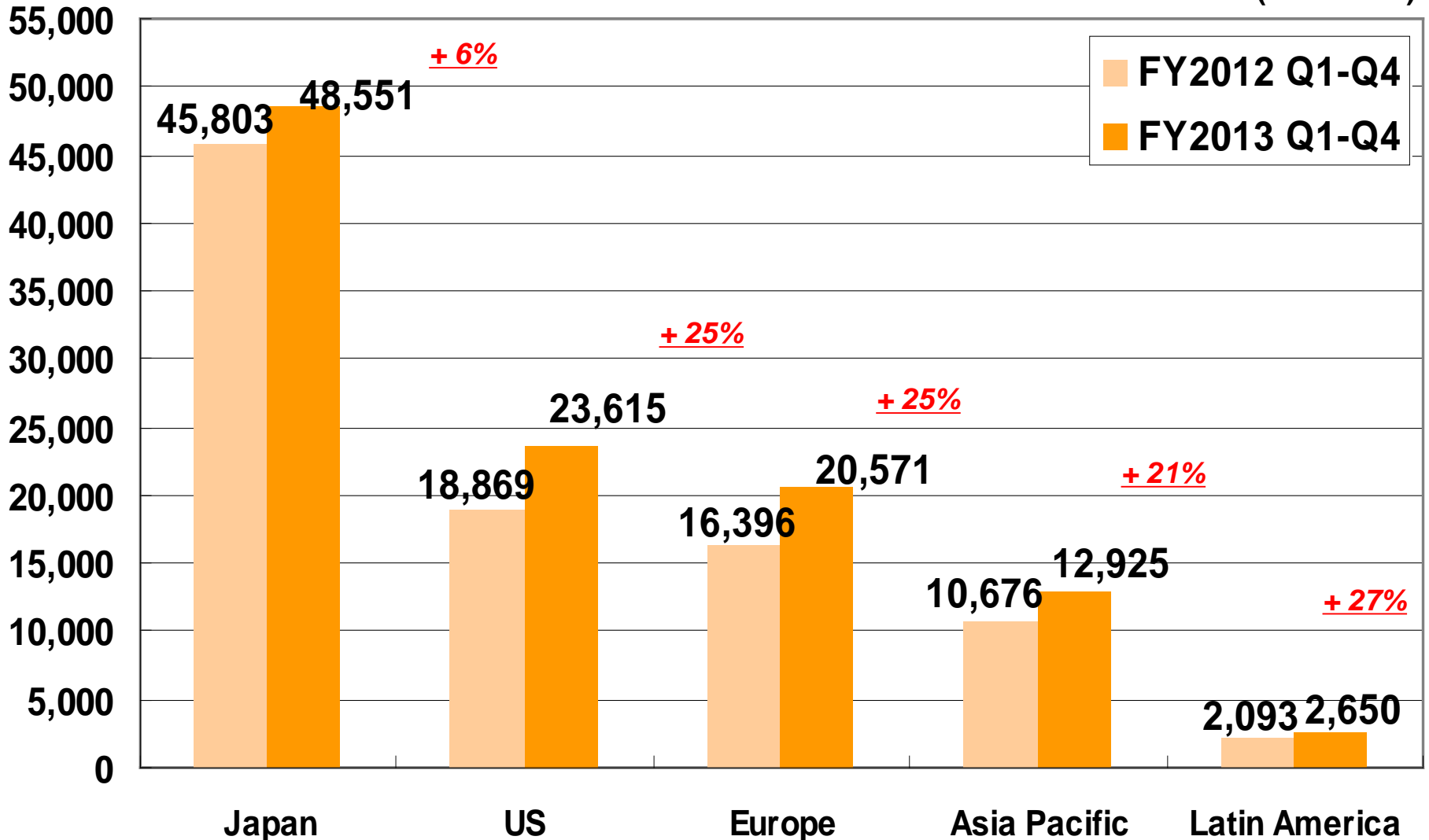
END
C R O

(Non-GAAP)

Net Sales Growth by Region

(in million Yen)

(unaudited)

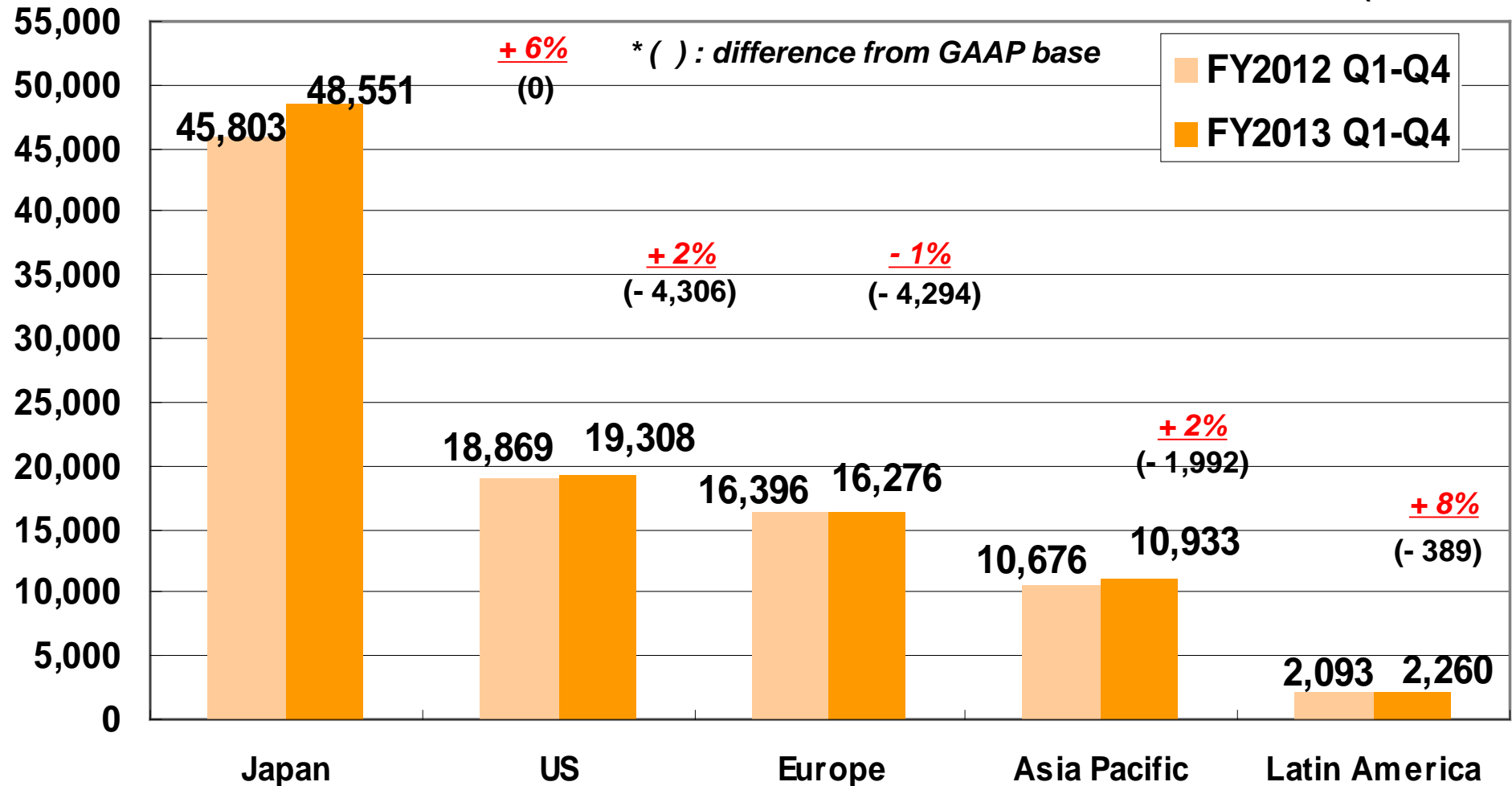


Net Sales Growth by Region

If currency exchange rates used for 2012 (Q1-Q4) were used for 2013 (Q1-Q4):

(in million Yen)

(unaudited)



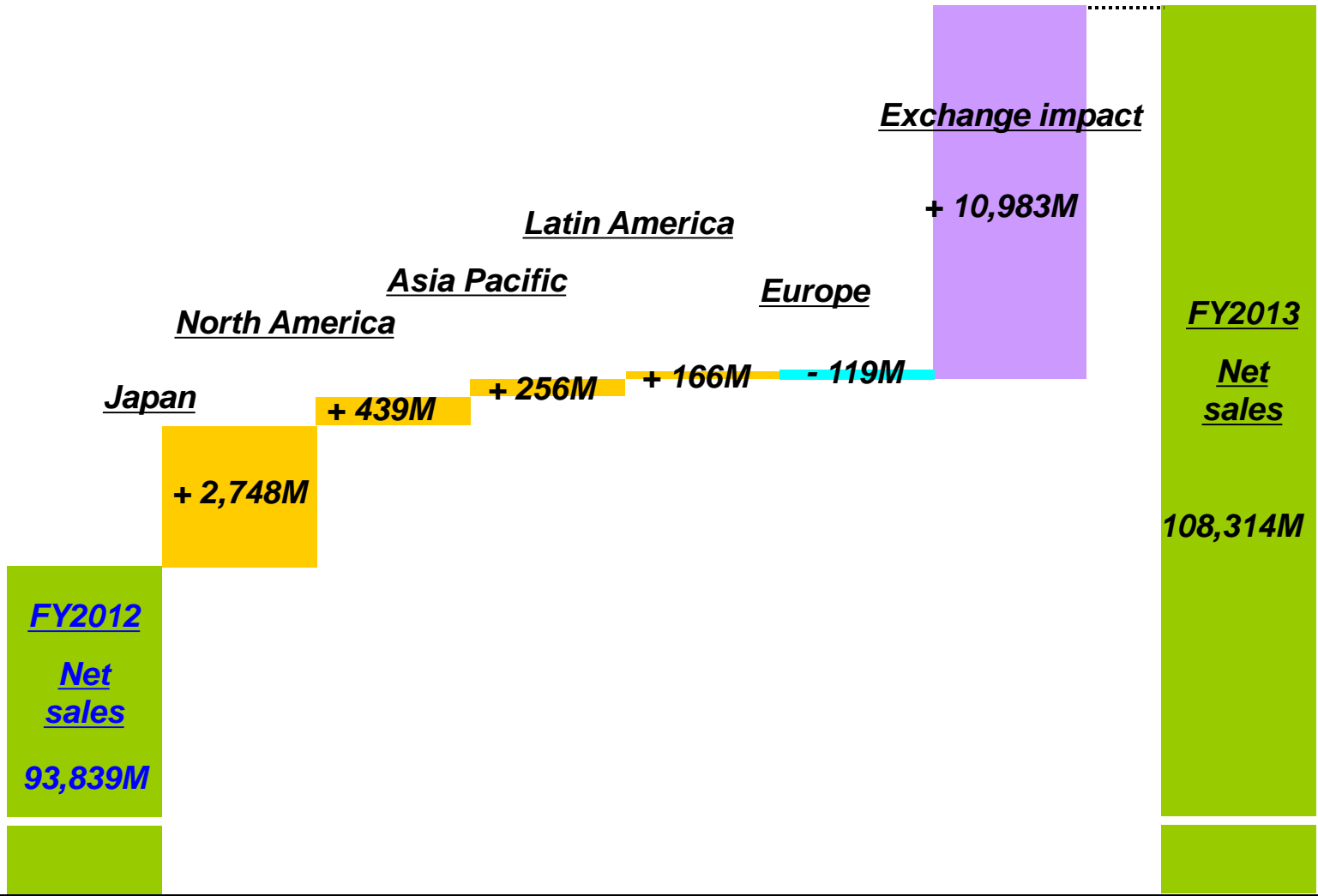
(Non-GAAP)

* Each JPY amount for 2013(Q1-Q4) shown above has been calculated by applying to the relevant foreign currency net sales amount for 2013(Q1-Q4) 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-Q4) into a JPY net sales amount for Japan GAAP reporting purposes.

END
C R O™

Decomposition of Annual Revenue (vs. last year)

(unaudited)

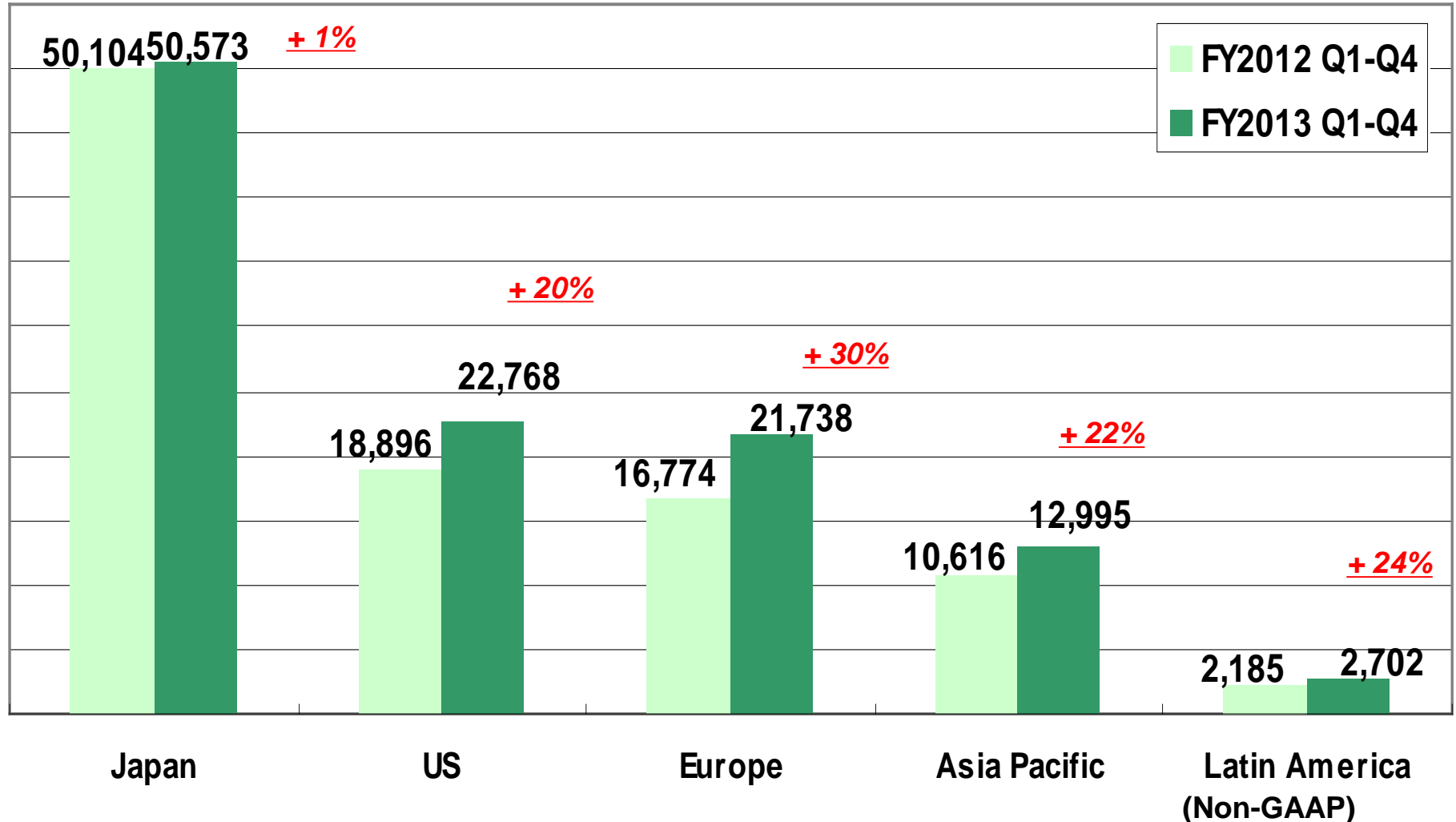


“For reference”

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.

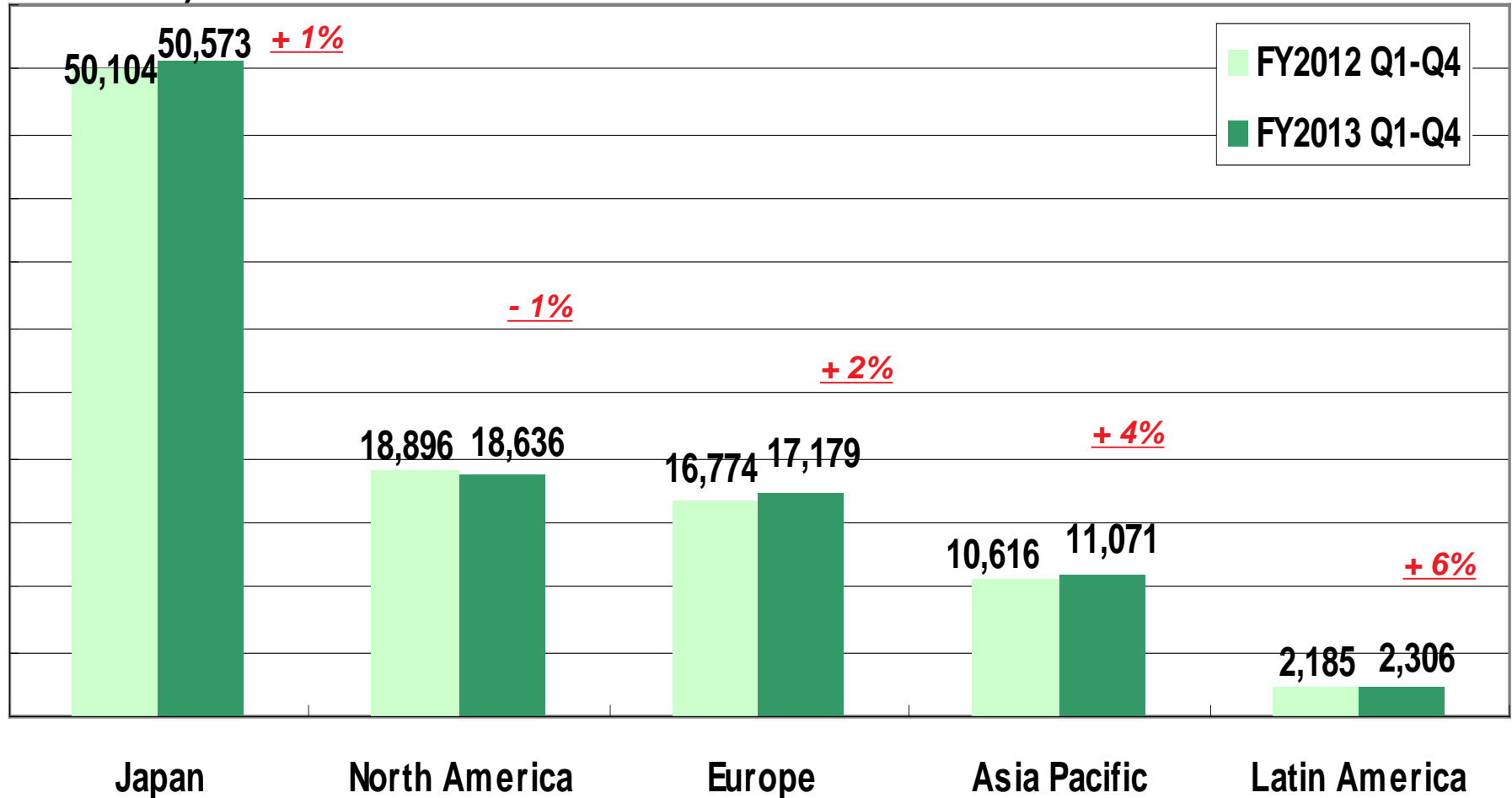
“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

If currency exchange rates used for 2012(Q1-Q4) were used for 2013(Q1-Q4):

(in million Yen)

(unaudited)



“Notice”

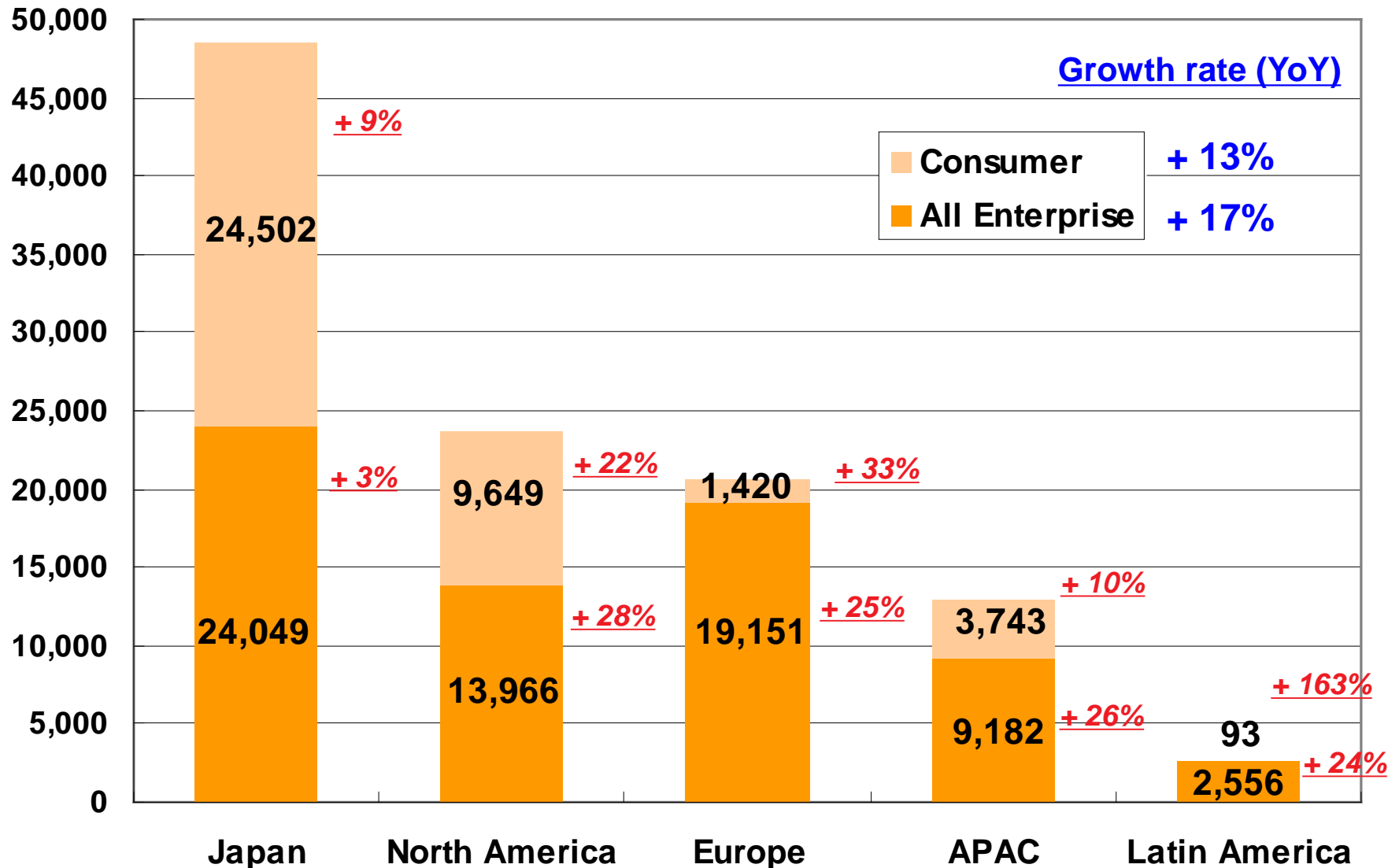
Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance. As these numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

Sales by Segment (Annual)

(単位:百万円)

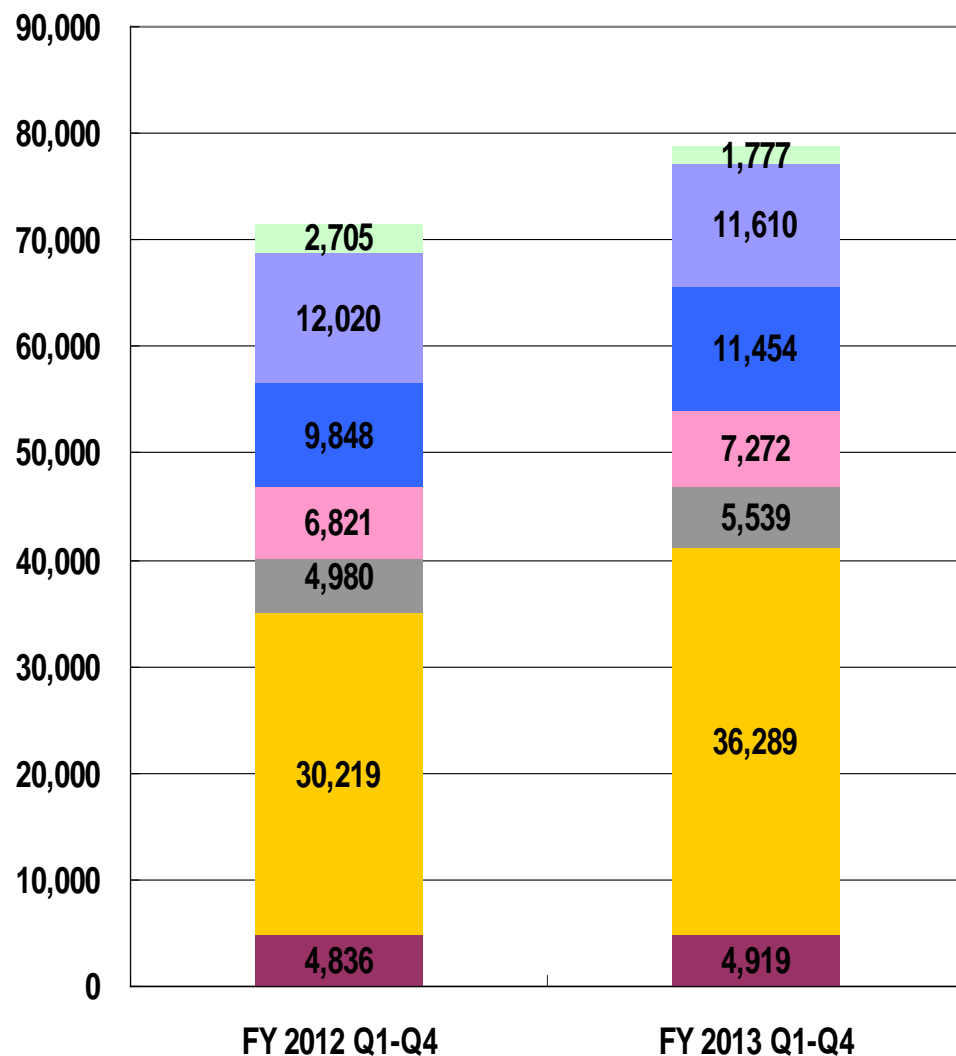
(未監査)



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

FY2013 Cost (12 months)

(in million Yen)



	YoY Growth	(unaudited)
Goods / Software & Capitalization	- 34%	
Selling & Marketing	- 3%	
Administration	+ 16%	
Outside service	+ 7%	
Office overhead	+ 11%	
Salary & Benefit	+ 20%	
Stock option & Acquisition related costs	+ 2%	
Total	+ 10%	
Headcount	+ 2%	

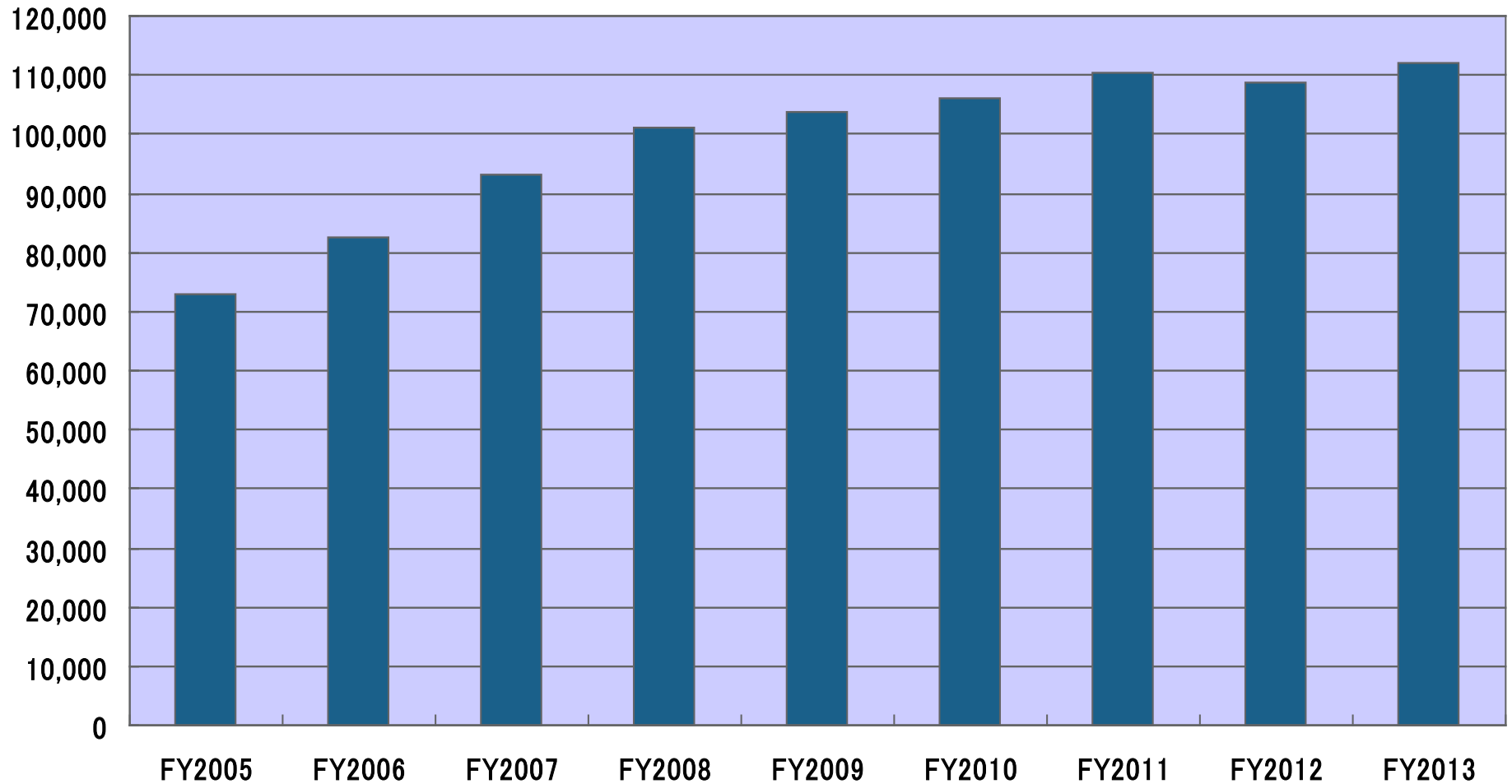
(Non-GAAP)



Constant currency Revenue transition (based on FY2005)

(in million Yen)

(unaudited)



(Non-GAAP)

•JPY net revenue amount for each fiscal year shown above is calculated using each foreign currency exchange rate applied in FY2005

Cash Dividends for FY2013

Policy for Ordinary dividend payout ratio : 65%

Dividends for FY2013

Total: 16,857 million Yen

(considering special dividends,
payout ratio 86%)

Per share: (ordinary) 95 Yen (+42% YoY)

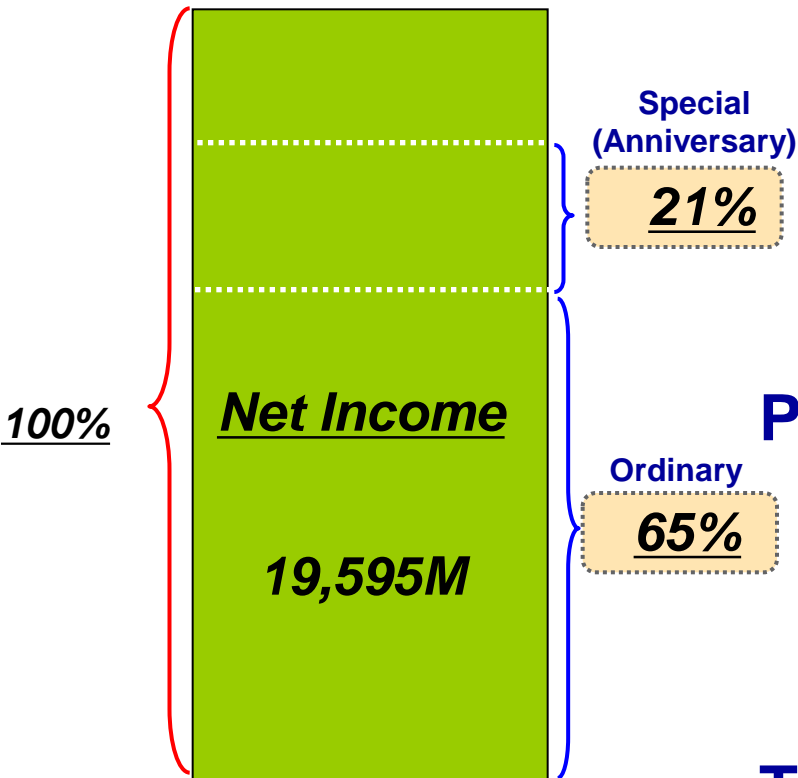
+

(Special) 30 Yen

***25th Anniversary of the Company's initiation**

Total Dividends per share: 125 Yen

***FY2012: 67 Yen per share**



*** Subject to the approval at the Ordinary General Meeting of Shareholders scheduled in late March, 2014**

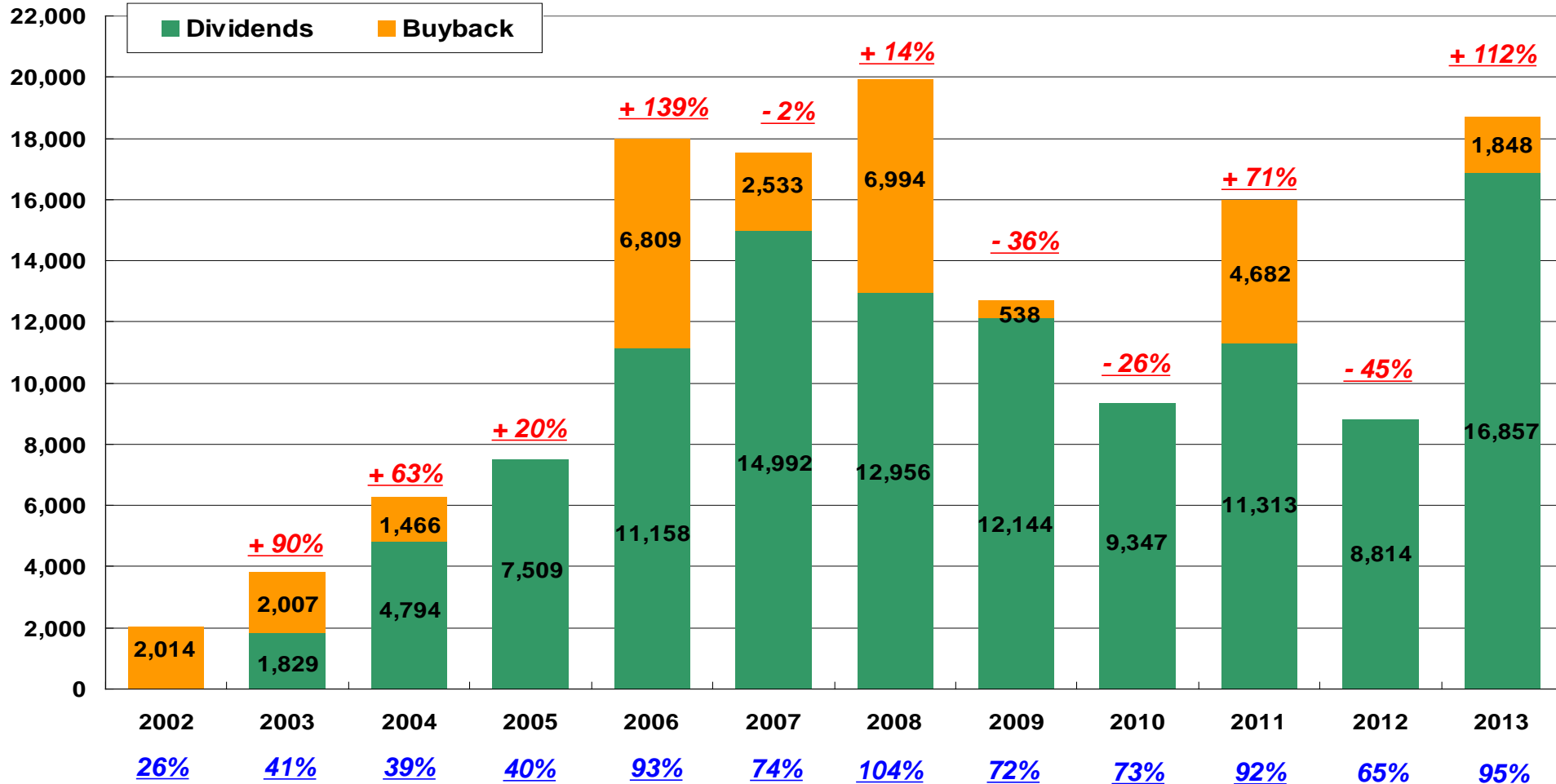
Compensation for Share holders

(in million Yen)

Total compensation for shareholders growth rate

(unaudited)

Total compensation per Net income ratio



(Between FY2002 and FY2005 in accordance with US GAAP)

FY2014 annual forecast assumptions

- ***Japan and Europe increase by around 5% YoY, US flat YoY respectively***
- ***Non operating income will be around 1.9Bn yen and there will be no Extra-ordinary items***
- ***Estimated exchange rate:***
 - 1USD = 100 yen (last year: 98 yen)***
 - 1EUR = 138 yen (last year: 130 yen)***

Projection for FY2014 Annual

(unaudited)

(in million Yen)

	<u>For FY2014</u> <u>Jan - Dec, 2014</u>	<u>Expected</u> <u>YoY growth</u>
Net Sales	112,000	<u>+ 3%</u>
Operating Income	30,100	<u>+ 2%</u>
Ordinary Income	32,000	<u>- 1%</u>
Net Income	19,100	<u>- 3%</u>

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

Net Sales

+ 2%

(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	27,069	28,428
Cost of sales	4,058	4,488	4,390	4,574	5,048	4,796	4,890	4,642
Operating expenses	13,003	13,636	13,337	13,943	13,396	15,804	14,161	16,122
Operating income	5,568	4,934	6,108	5,795	7,338	6,430	8,017	7,663
Ordinary income	5,804	5,043	6,233	5,579	7,646	8,031	8,064	8,713
Net income	3,283	3,285	4,196	2,680	4,820	4,754	5,363	4,656
(Costs)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Goods / Software Amortization & Capitalization	610	1,004	562	528	713	217	476	370
Selling & Marketing	2,779	3,051	3,051	3,137	2,688	2,917	2,829	3,174
Administration	2,428	2,348	2,370	2,700	2,844	2,812	2,680	3,117
Outside service	1,559	1,708	1,785	1,768	1,737	1,964	1,736	1,833
Office overhead	1,237	1,285	1,231	1,225	1,380	1,404	1,362	1,391
Salary & Benefit	7,464	7,697	7,192	7,866	8,408	9,701	8,707	9,473
Stock option cost	625	688	1,191	952	429	1,330	1,008	1,131
Acquisition related costs	356	340	344	337	242	252	250	272
Total	17,061	18,124	17,728	18,517	18,444	20,601	19,052	20,764
The number of employees	4,913	5,017	5,080	5,137	5,094	5,110	5,137	5,217
Applied rate to yen (US\$)	79.43	80.10	78.62	81.33	92.47	98.75	98.96	100.61
Applied rate to yen (Euro)	103.96	102.79	98.40	105.60	121.89	128.91	131.09	136.97

Appendix

Quarterly Chart (2)

(unaudited)

(in million Yen)

	FY2012				FY2013			
(Sales by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	10,874	11,162	12,109	11,656	11,742	11,966	12,196	12,645
US	4,369	4,758	4,765	4,975	5,480	6,085	6,001	6,047
Europe	4,193	4,003	3,916	4,282	4,779	5,022	5,138	5,631
Asia Pacific	2,615	2,640	2,555	2,864	3,143	3,282	3,083	3,416
Latin America	577	493	489	534	637	675	649	687
Total	22,630	23,058	23,836	24,313	25,783	27,032	27,069	28,428
(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	17,362	18,118
Consumer	7,605	8,777	9,353	9,177	9,400	9,991	9,706	10,310
Total	22,630	23,058	23,836	24,313	25,783	27,032	27,069	28,428
(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	12,923	11,834
US	4,981	4,228	4,640	5,045	5,694	5,632	5,535	5,906
Europe	4,013	4,203	2,965	5,591	4,434	4,857	4,274	8,172
Asia Pacific	2,488	2,630	2,502	2,994	3,016	3,157	3,152	3,669
Latin America	618	497	482	587	625	685	625	766
Total	24,730	24,430	23,304	26,112	26,774	27,144	26,511	30,348

“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.**