

Trend Micro FY2014.4Q Results



Mahendra Negi CFO, Representative Director

February 18, 2015

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.

FY2014. 4Q Financial Highlight

(Fourth quarter ended December 31, 2014)

Q4 Consolidated Results

(in million Yen)

<i>Three months ended Dec 31,</i>	4Q2013	4Q2014	YoY growth
Net sales	28,428	31,264	+ 10%
Cost of sales	4,642	5,853	+ 26%
Operating expenses	16,122	16,390	+ 2%
Operating income (Margin)	7,663 (27%)	9,021 (29%)	+ 18%
Ordinary income	8,713	9,487	+ 9%
Net income	4,656	5,812	+ 25%
<i>“For reference” Revenue before adjusting deferred revenue</i>			
Pre-GAAP	30,348	32,656	+ 8%
		<i>(excluding foreign exchange impact)</i>	+ 2%
			(Non-GAAP)
<i>If currency exchange rates used for 4Q2013 were used for 4Q2014</i>			
Net sales	28,428	29,831	+ 5%

** The JPY amount for 4Q2014 shown above has been calculated by applying to each foreign currency net sales amount for 4Q2014 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 4Q2013 into a JPY net sales amount for Japan GAAP reporting purposes.*

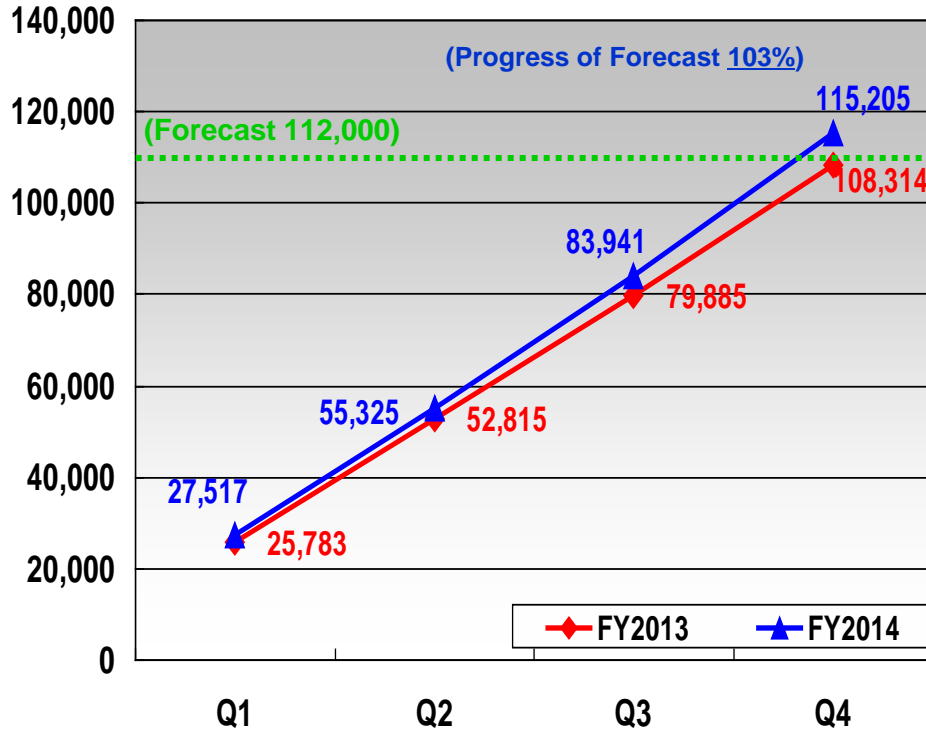
(Non-GAAP)

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30

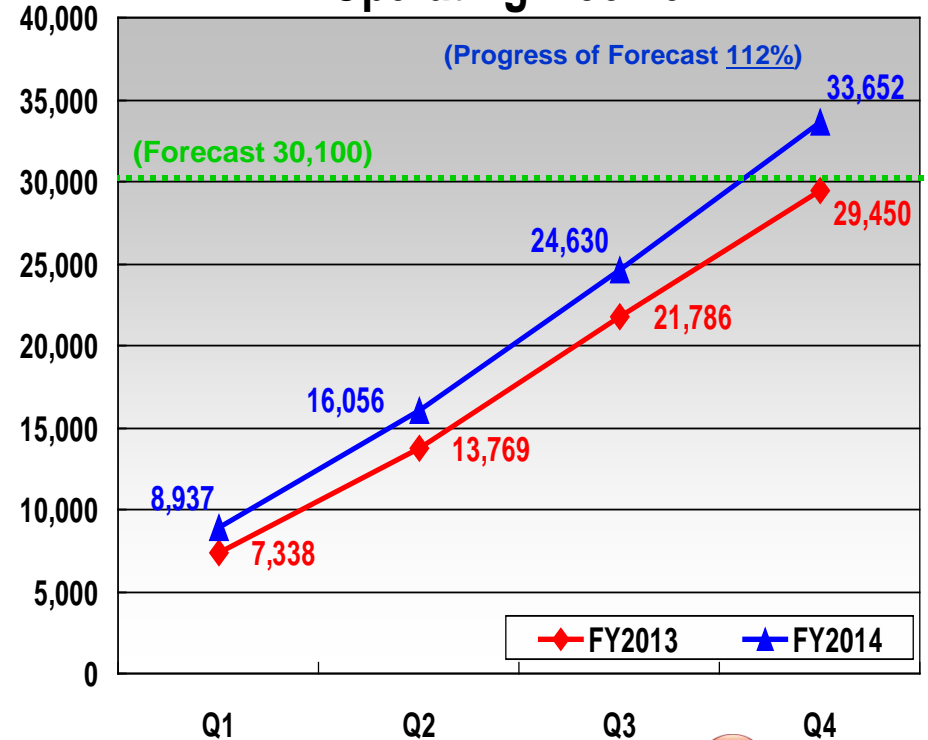
Progress (12 months)

(in million Yen)

Revenue



Operating Income



Q4 USD based Results (Non-GAAP)

(unaudited)

<i>Three months ended Dec 31,</i>	<i>4Q2013</i>	<i>4Q2014</i>	<i>(in thousand USD) YoY change</i>
Net sales	282,562	272,339	- 4%
Cost of sales	46,142	50,984	+ 10%
Operating expenses	160,246	142,770	- 11%
Operating income	76,174	78,584	+ 3%
Ordinary income	86,604	82,645	- 5%
Net Income	46,284	50,630	+ 9%

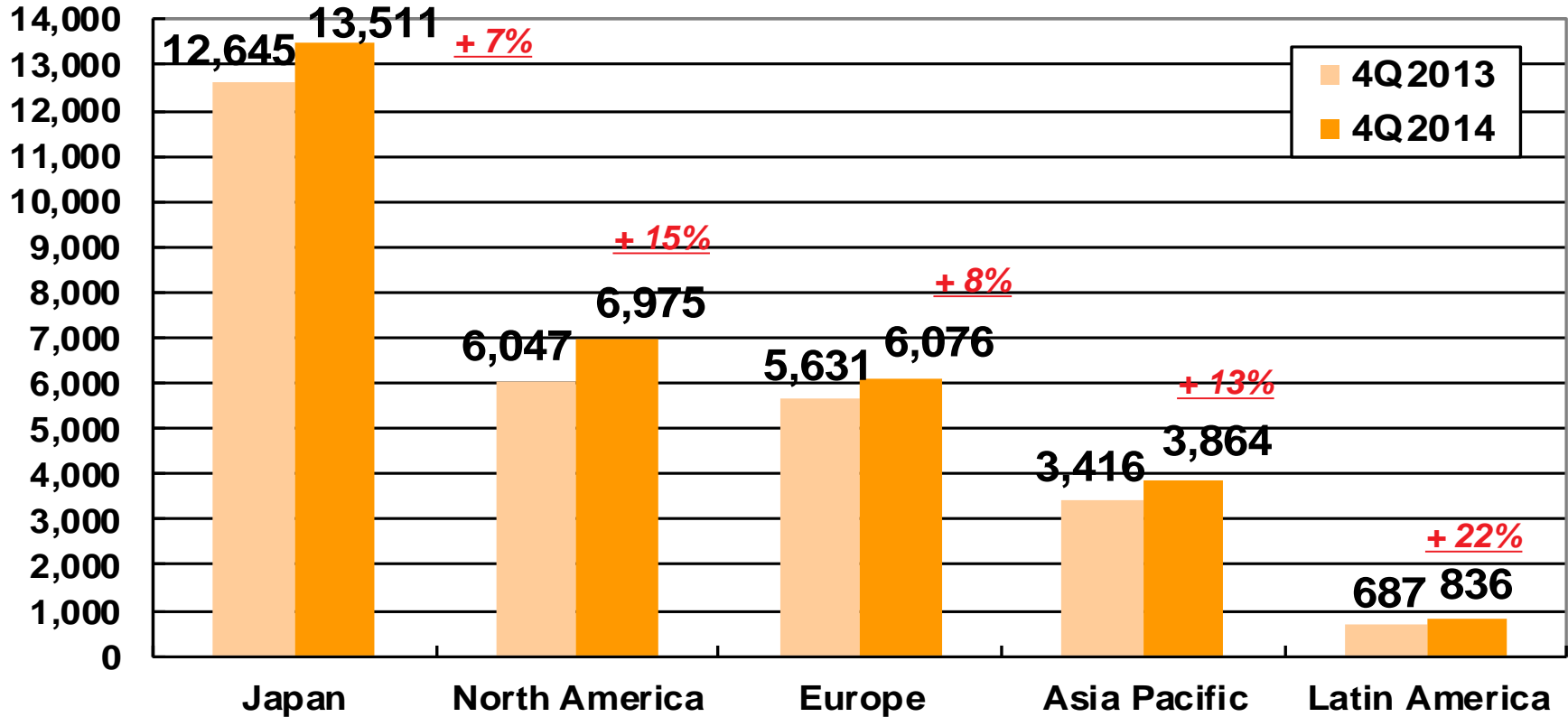
(Non-GAAP)

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=100.61 JPY for 4Q2013 and 1 USD =114.80 JPY for 4Q2014, 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)

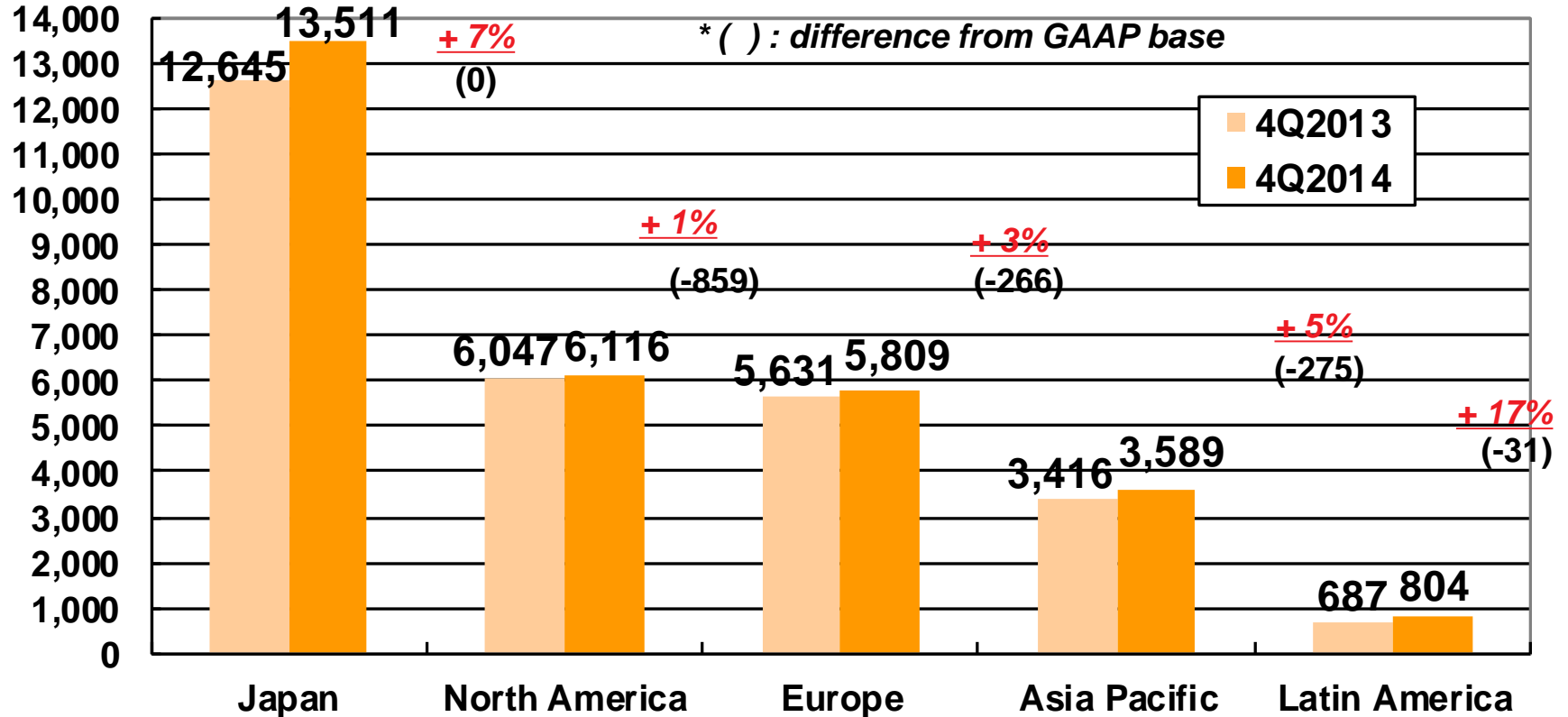


Net Sales Growth by Region

(in million Yen)

If currency exchange rates used for 4Q2013 were used for 4Q2014:

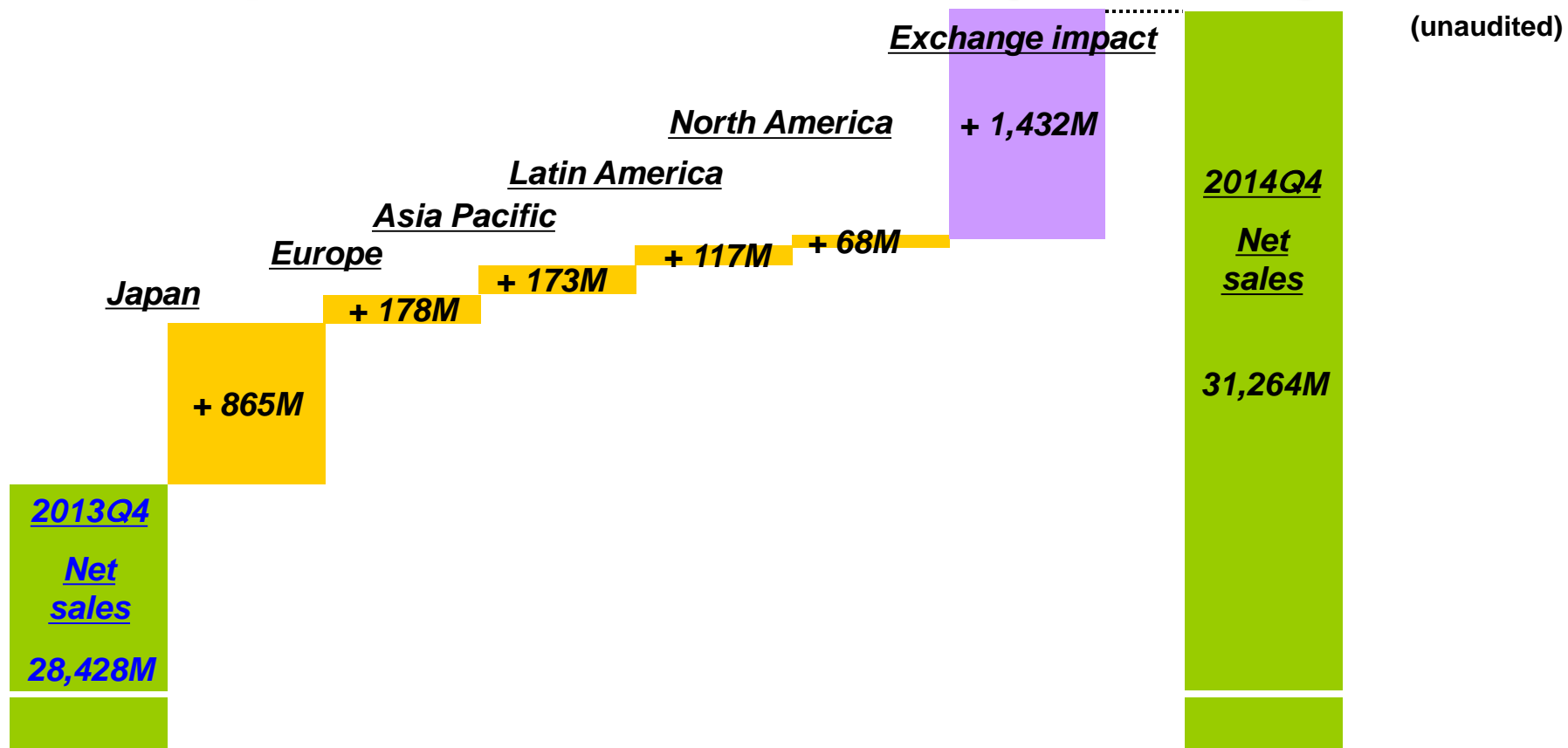
(unaudited)



* Each JPY amount for 4Q2014 shown above has been calculated by applying to the relevant foreign currency net sales amount for 4Q2014 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 4Q2013 into a JPY net sales amount for Japan GAAP reporting purposes.

(Non-GAAP)

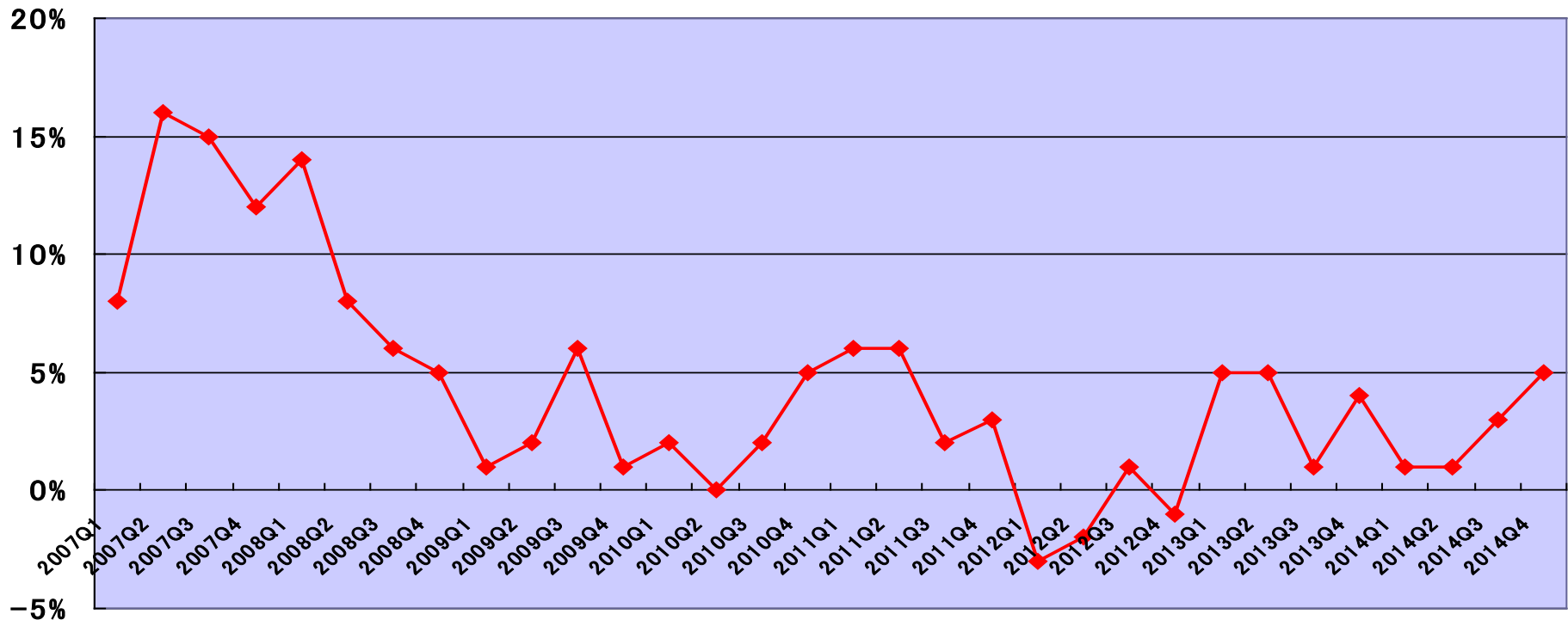
Decomposition of Revenue (vs. last year)



Constant currency Revenue growth

(YoY)

(unaudited)



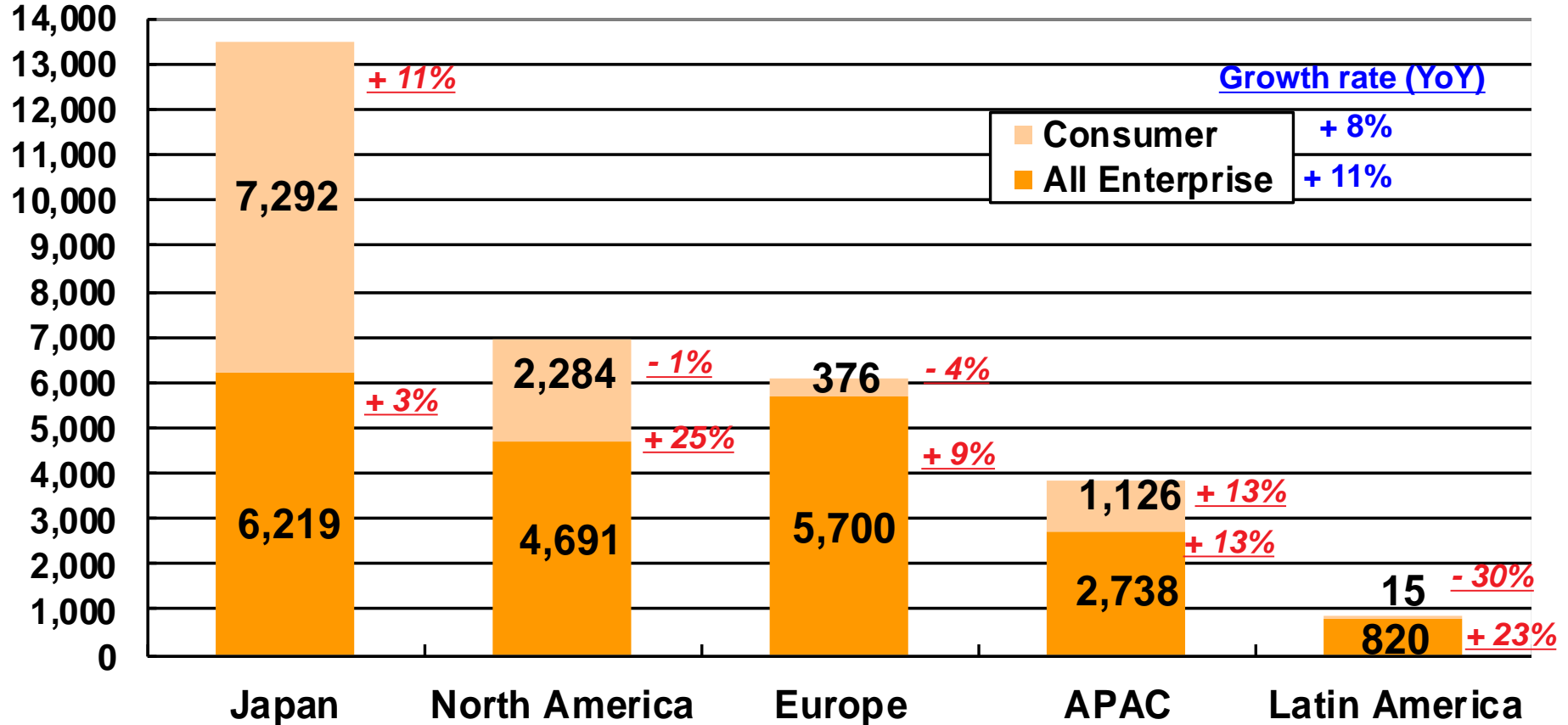
(Non-GAAP)

• 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)

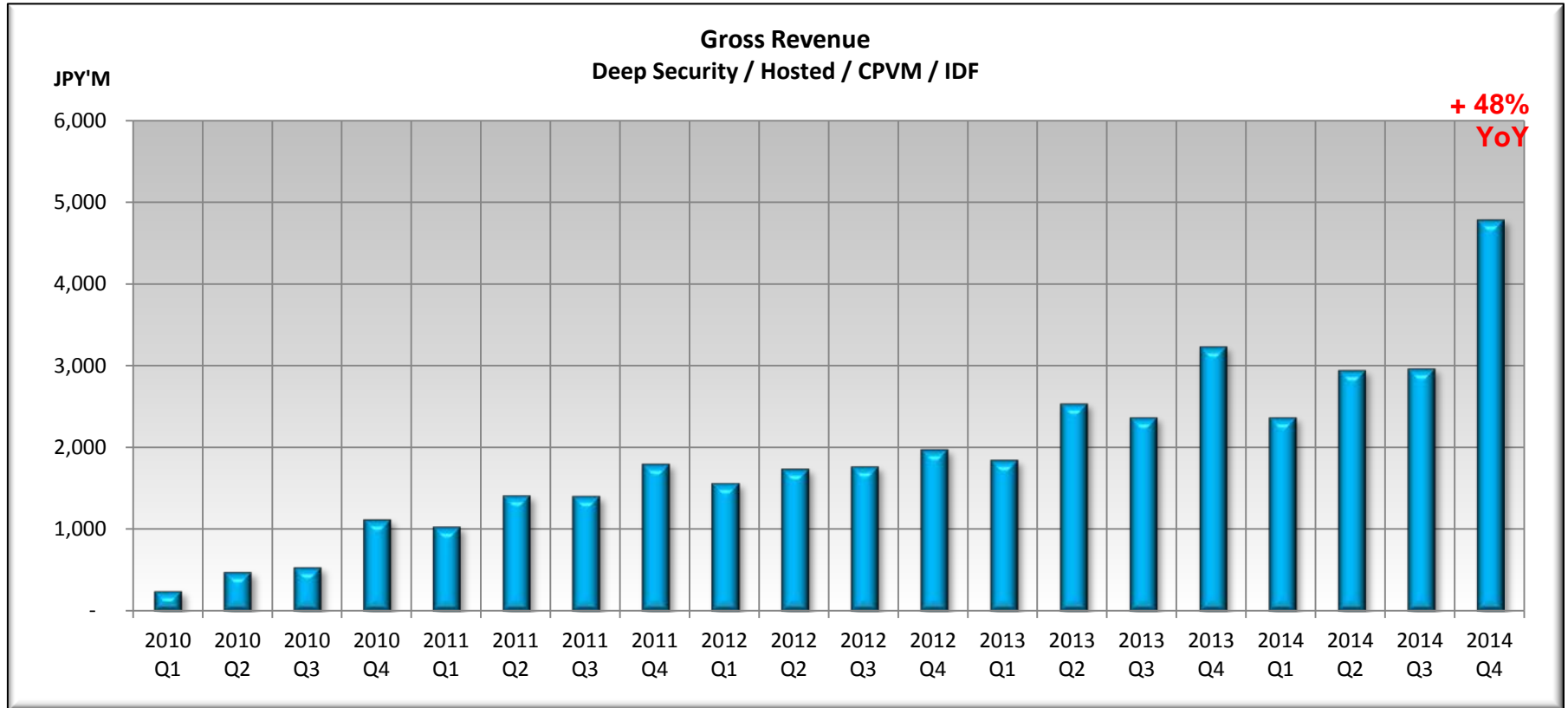
(unaudited)



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

(Non-GAAP)

“Cloud related” Gross sales

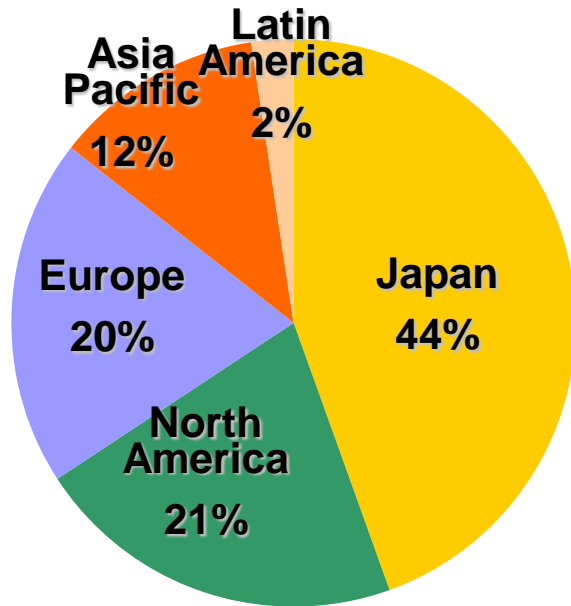


“Notice” As above numbers are just for internal use, they may be subject to some changes hereafter.

% share by region

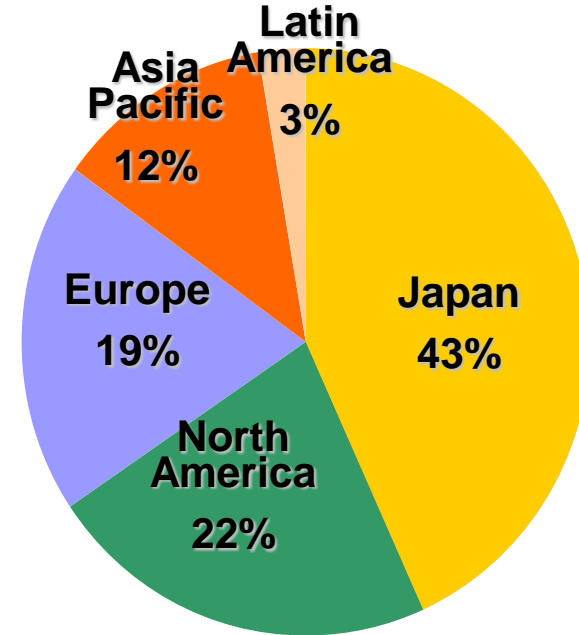
4Q2013

28,428 million Yen



4Q2014

31,264 million Yen

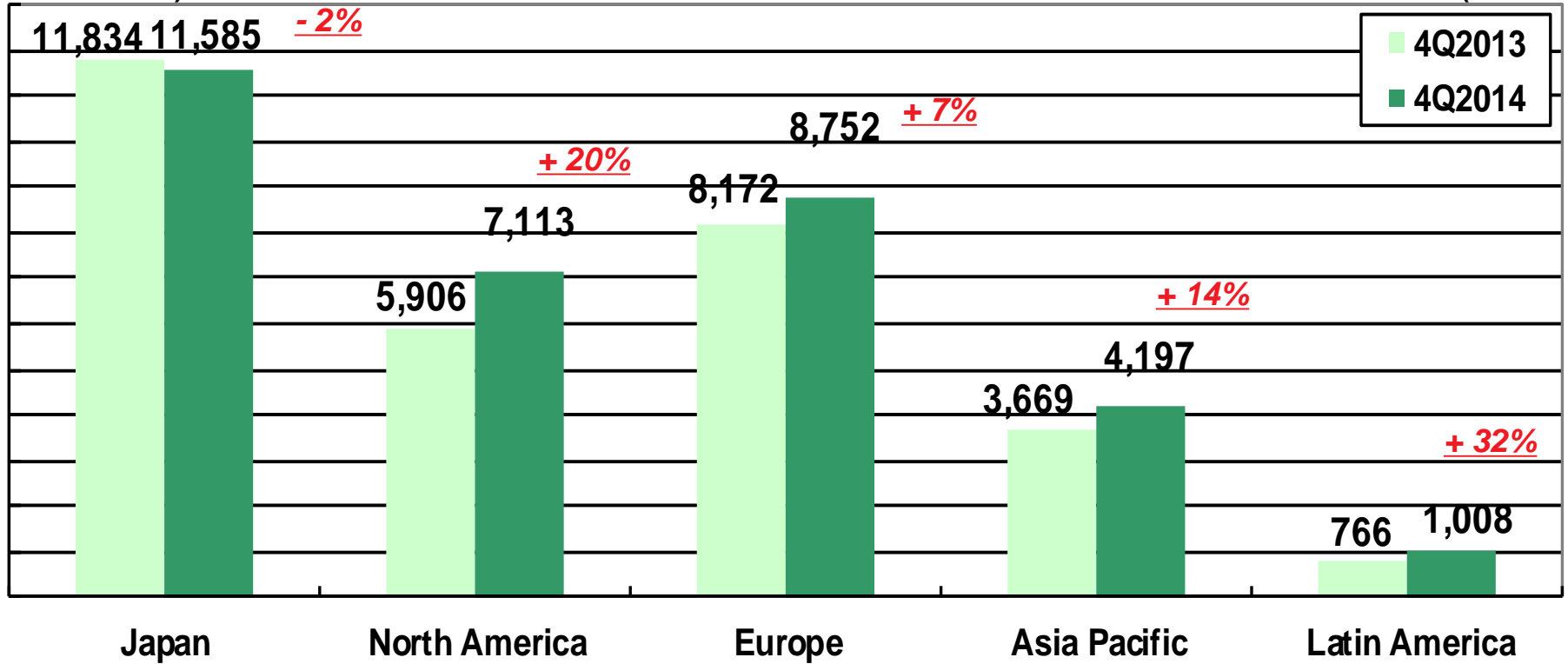


“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(in million Yen)

(unaudited)



“Notice”

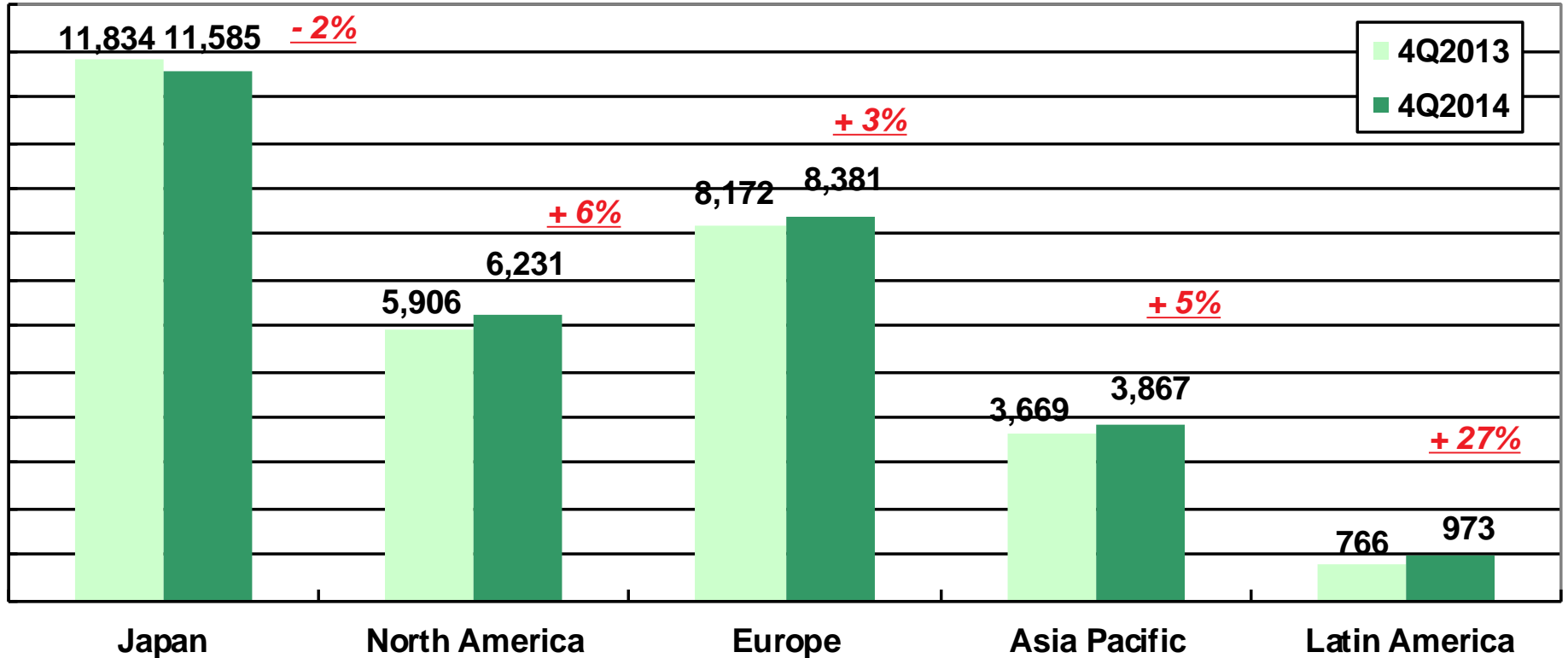
Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance.
As these numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(in million Yen) **If currency exchange rates used for 4Q2013 were used for 4Q2014:** (unaudited)

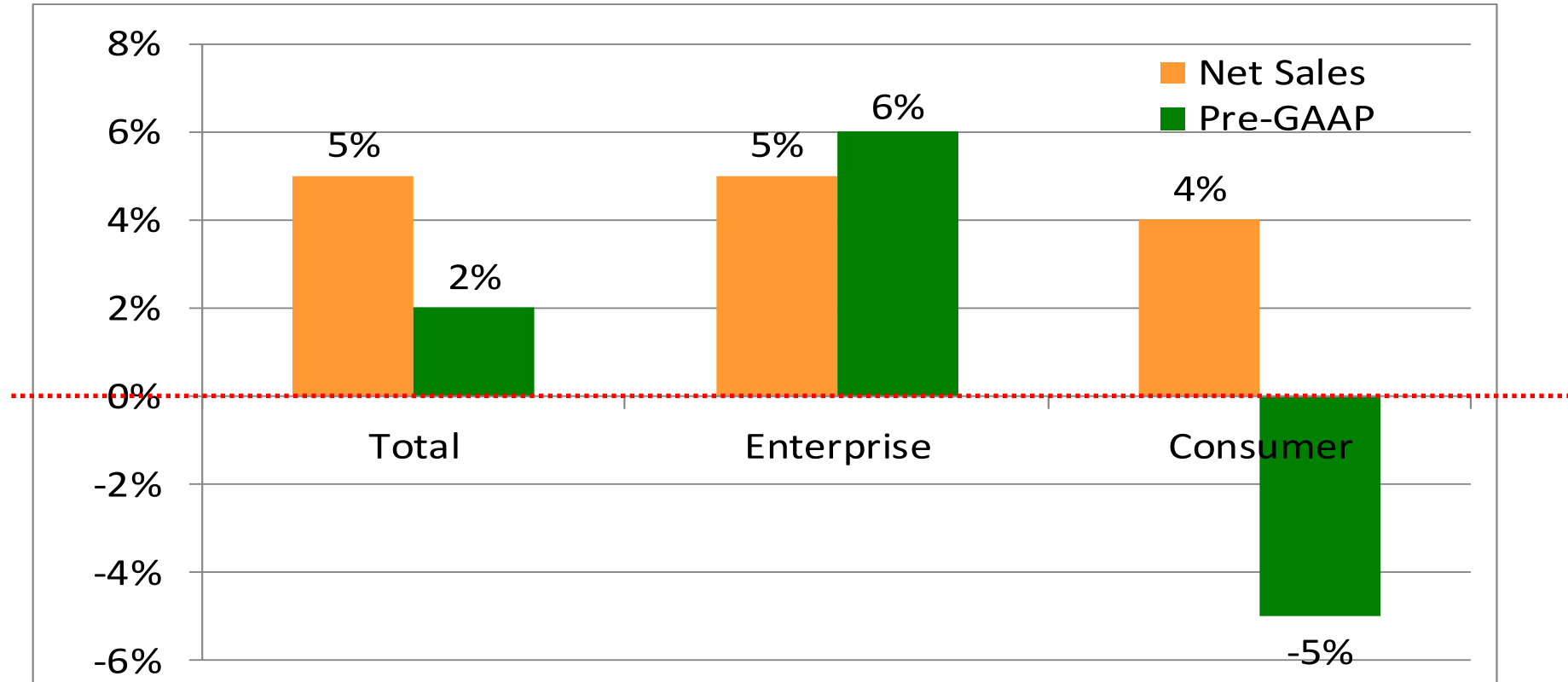


“Notice”

**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)

Net sales & Pre-GAAP growth trend (on a constant currency basis)

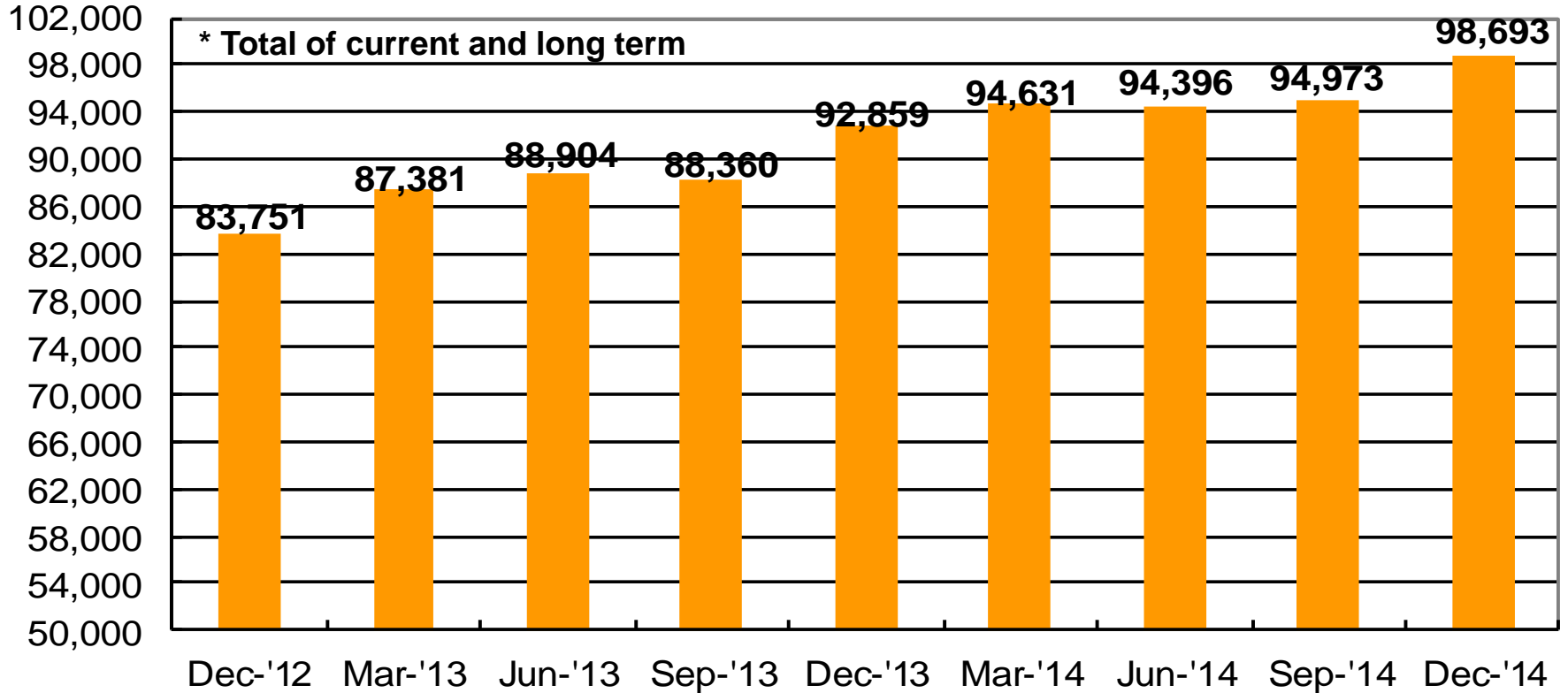


• Each growth rate shown above is based on applying to each quarter the same currency rate as the previous year for the same period

Deferred Revenue

(in million Yen)

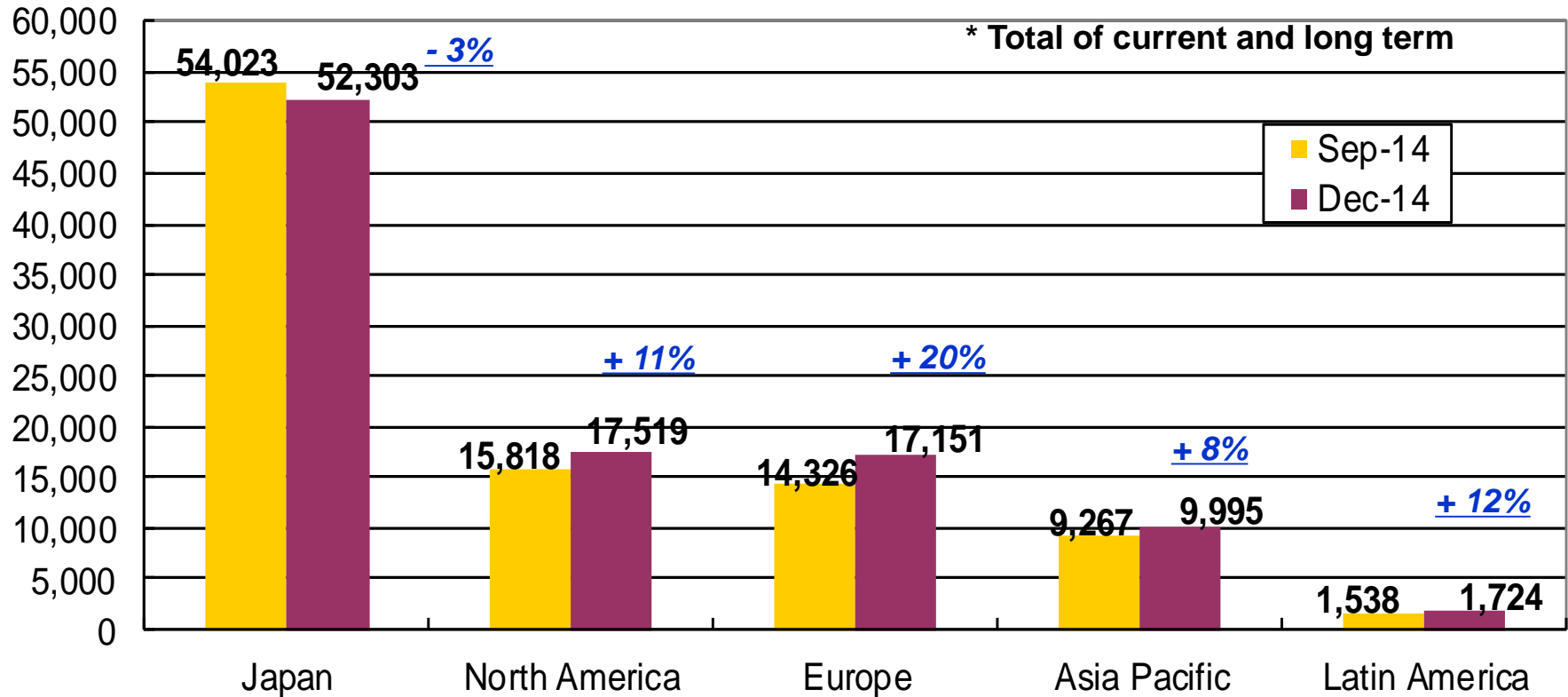
(unaudited)



Deferred Revenue by Region

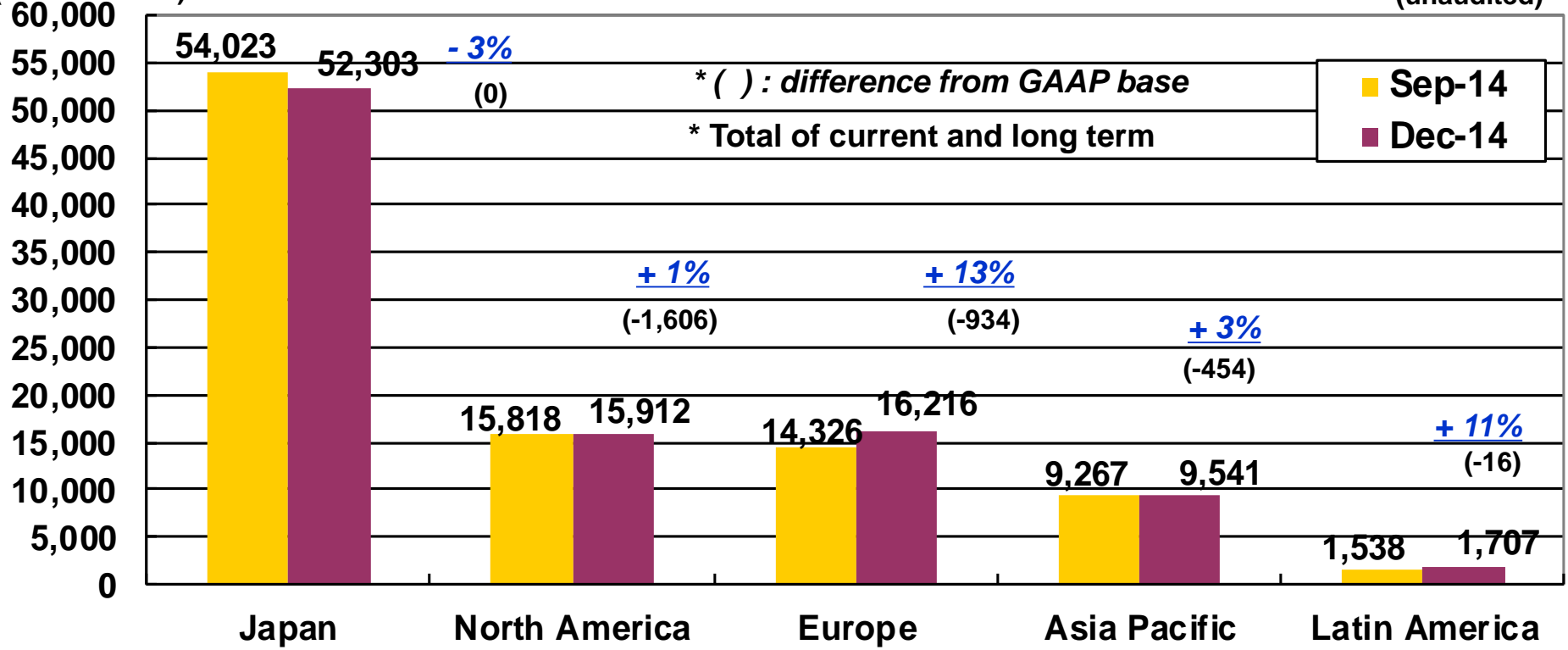
(in million Yen)

(unaudited)



Deferred Revenue by Region

If currency exchange rates used as of the end of 3Q2014 were used as of the end of 4Q2014: (in million Yen) (unaudited)

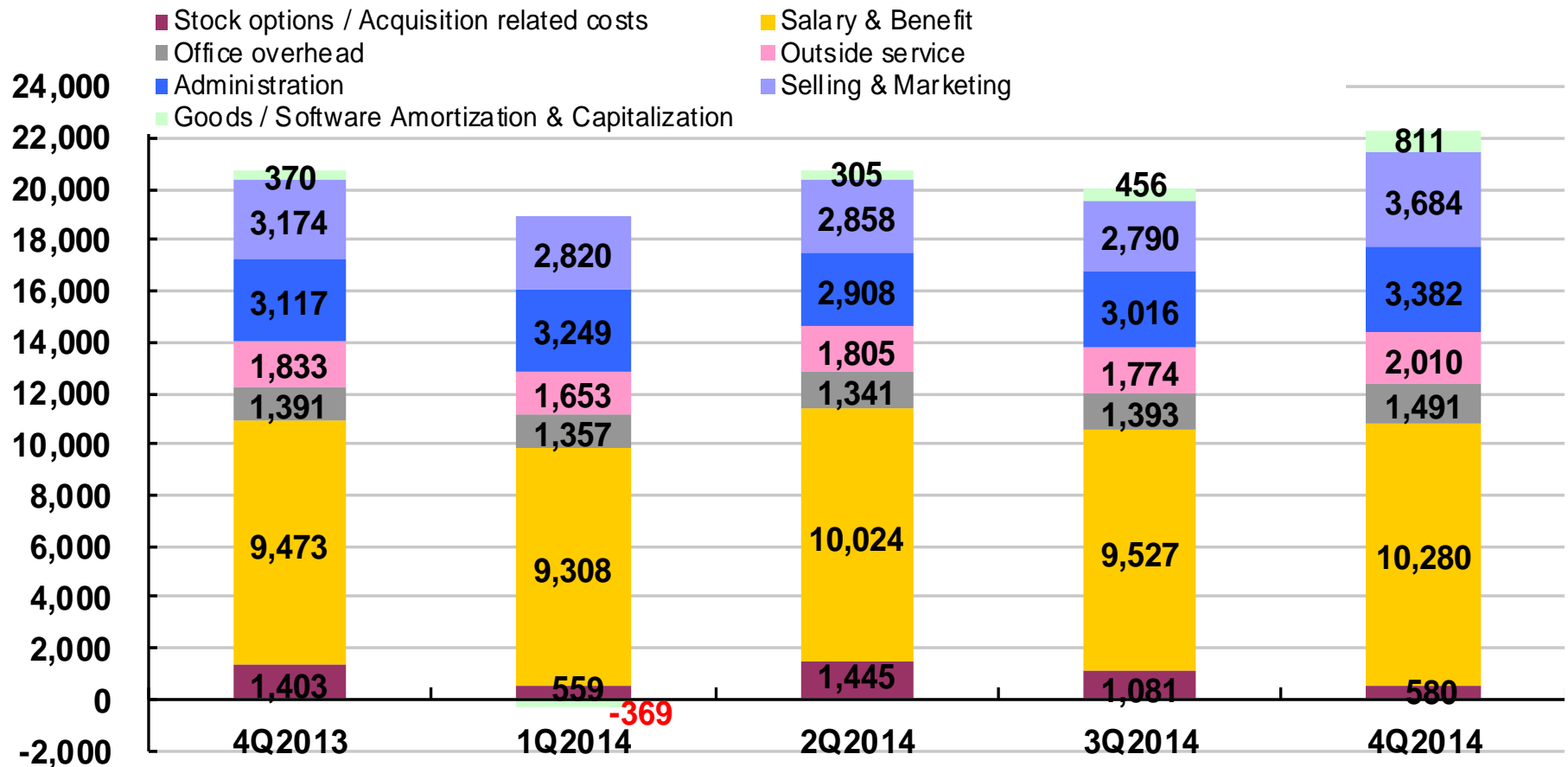


• Each JPY amount as of the end of 4Q2014 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 4Q2014 the exchange rate between such foreign currency and JPY that was used to convert the deferred revenue amount denominated in such foreign currency as of the end of 3Q2014 into a JPY deferred revenue amount for Japan GAAP reporting purposes. (Non-GAAP)

Cost

(unaudited)

(i)

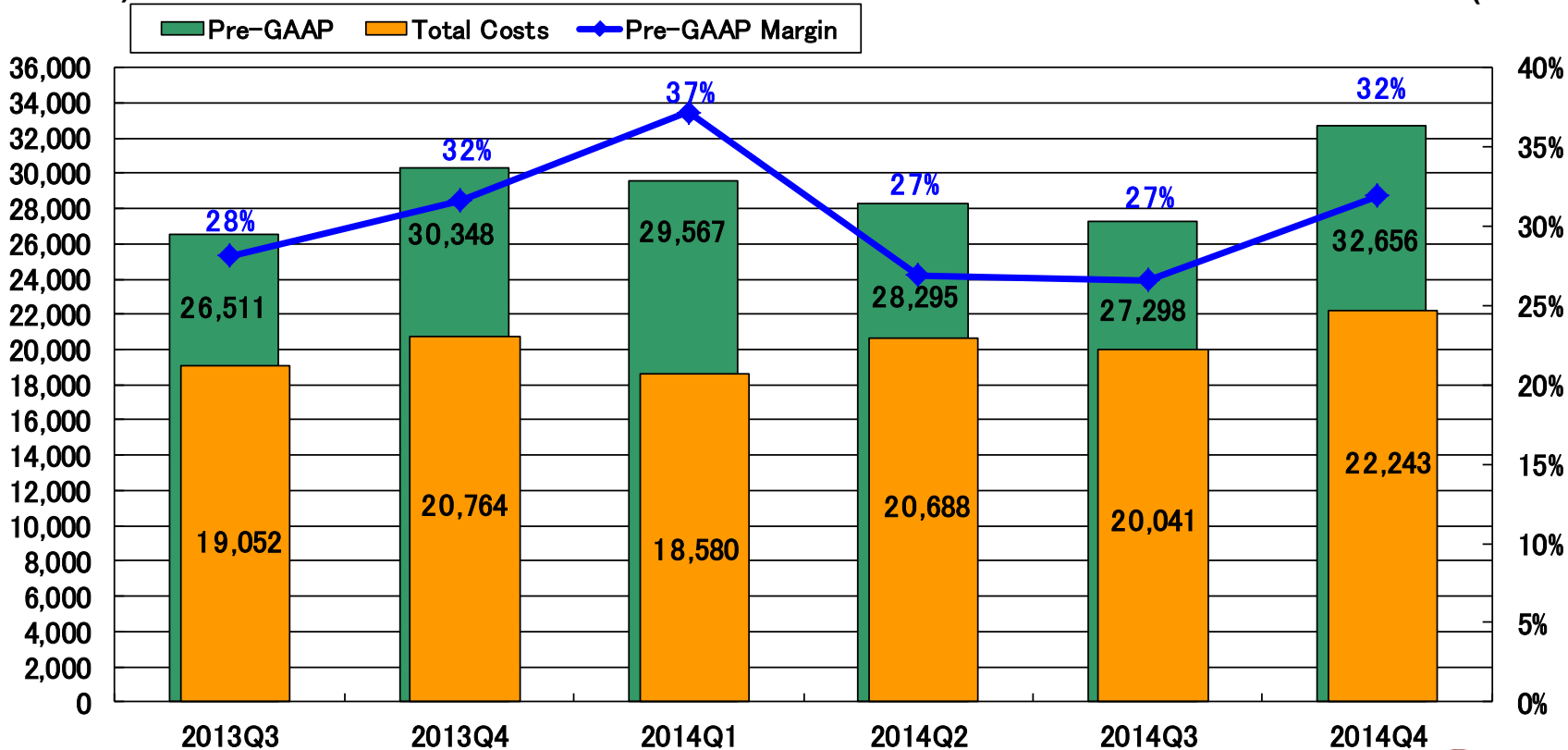


(Non-GAAP) ^u

Pre-GAAP v s Total Costs

(in million Yen)

(unaudited)



* "Total costs" means COGS + SGA.

(Non-GAAP)



Cash flows

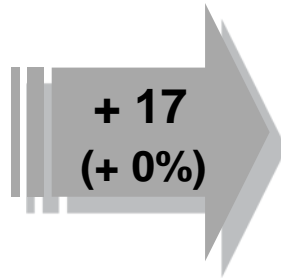
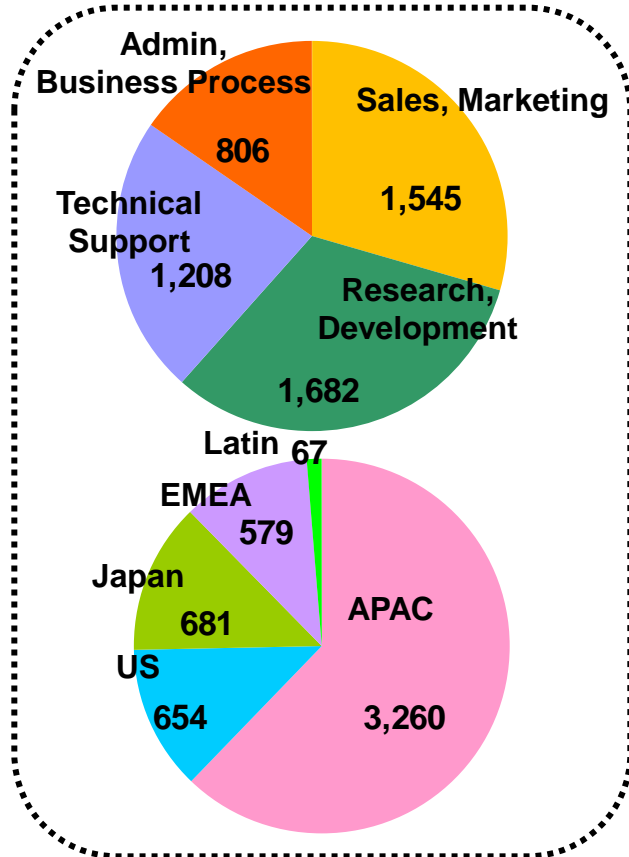
(unaudited)
(in million Yen)

	4Q2013	4Q2014	YoY growth
Cash flows from operating activities	10,741	8,358	- 22%
Cash flows from investing activities	- 7,538	- 2,192	—
Cash flows from financing activities	1,468	1,024	- 30%
Effect of exchange rate changes on cash and cash equivalents	4,260	2,530	- 41%
Net increase (decrease) in cash and cash equivalents	8,931	9,720	+ 9%
Cash and cash equivalents at beginning of this quarter period	64,848	48,942	- 25%
Increase in cash due to merger of consolidated subsidiary	169	—	—
Cash and cash equivalents at end of this quarter period	73,949	58,662	- 21%

Headcount

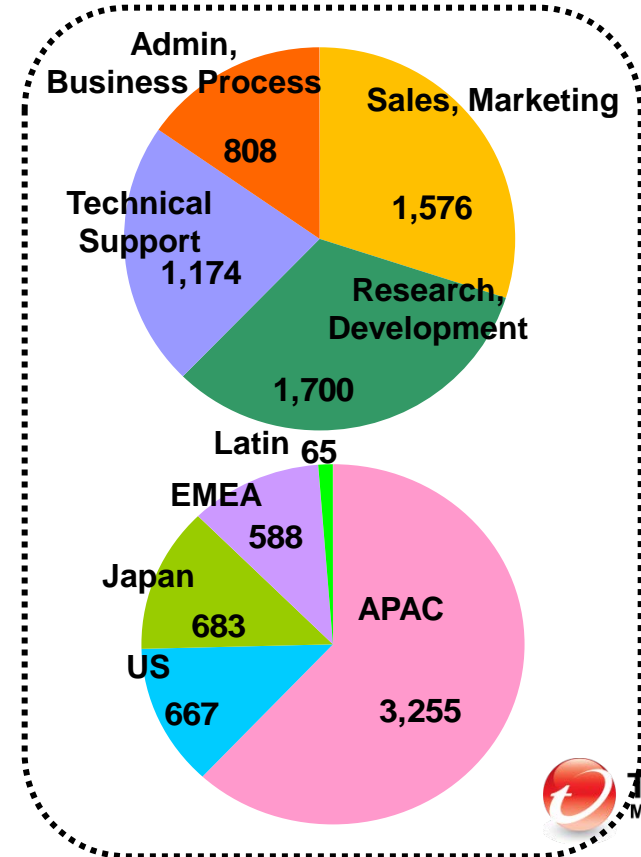
Sep - 2014

5,241



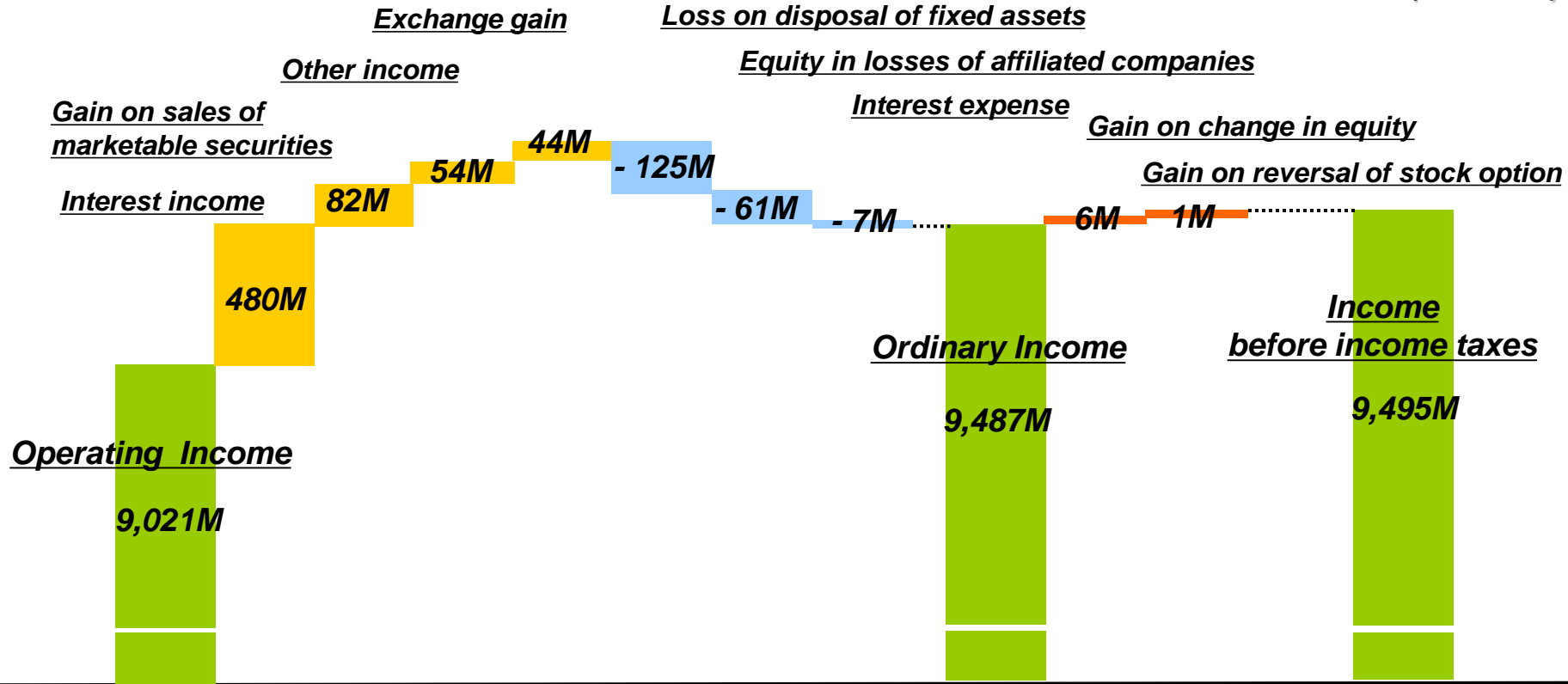
Dec - 2014

5,258



Non-operating & Extra-ordinary Items

(unaudited)



(Non-GAAP)



Balance Sheet

(unaudited)
(in million Yen)

	Sep-2014	change	Dec-2014
<u>Assets</u>			
<i>Cash & cash equivalents</i>	54,086	+ 9,023	63,109
<i>Account receivable</i> <i>(less allowance for doubtful accounts)</i>	22,046	+ 4,025	26,071
<i>Marketable securities & Securities investments</i>	138,574	+ 3,569	142,143
<u>Liabilities</u>			
<i>Deferred revenue</i> <i>(total of current and long-term)</i>	94,973	+ 3,720	98,693
<u>Shareholders' Equity</u>			
<i>Common Stock & Additional paid in capital</i>	40,270	+ 110	40,380
<i>Treasury Stock</i>	- 18,192	+ 1,206	- 16,986

Q4 Highlights

- ***Strongest ever quarter for strategic products drives enterprise sales***
- ***Highest ever operating profits
(quarterly as well as annually)***

Q4 Lowlights

- ***Consumer business declines across the board***
- ***Strategic products sales in Japan below expectations***

FY2014 12 months Financial Highlight

(January ~ December, 2014)

Consolidated Results (12 months)

(in million Yen)

12 months ended Dec 31,	2013(Q1-Q4)	2014(Q1-Q4)	YoY growth	(Progress vs. current year's annual forecast)
Net sales	108,314	115,205	+ 6%	(103%)
Cost of sales	19,378	20,430	+ 5%	
Operating expenses	59,485	61,122	+ 3%	
Operating income (Margin)	29,450 (27%)	33,652 (29%)	+ 14%	(112%)
Ordinary income	32,456	35,992	+ 11%	(112%)
Net income	19,595	22,303	+ 14%	(117%)
Earnings per share (Yen)	147.53	165.68	+ 12%	
Dividend per share (Yen)	125.00	116.00	- 7%	

*including 30 Yen
as special dividends

“For reference” Revenue before adjusting deferred revenue

Pre-GAAP

110,778

117,818

+ 6%

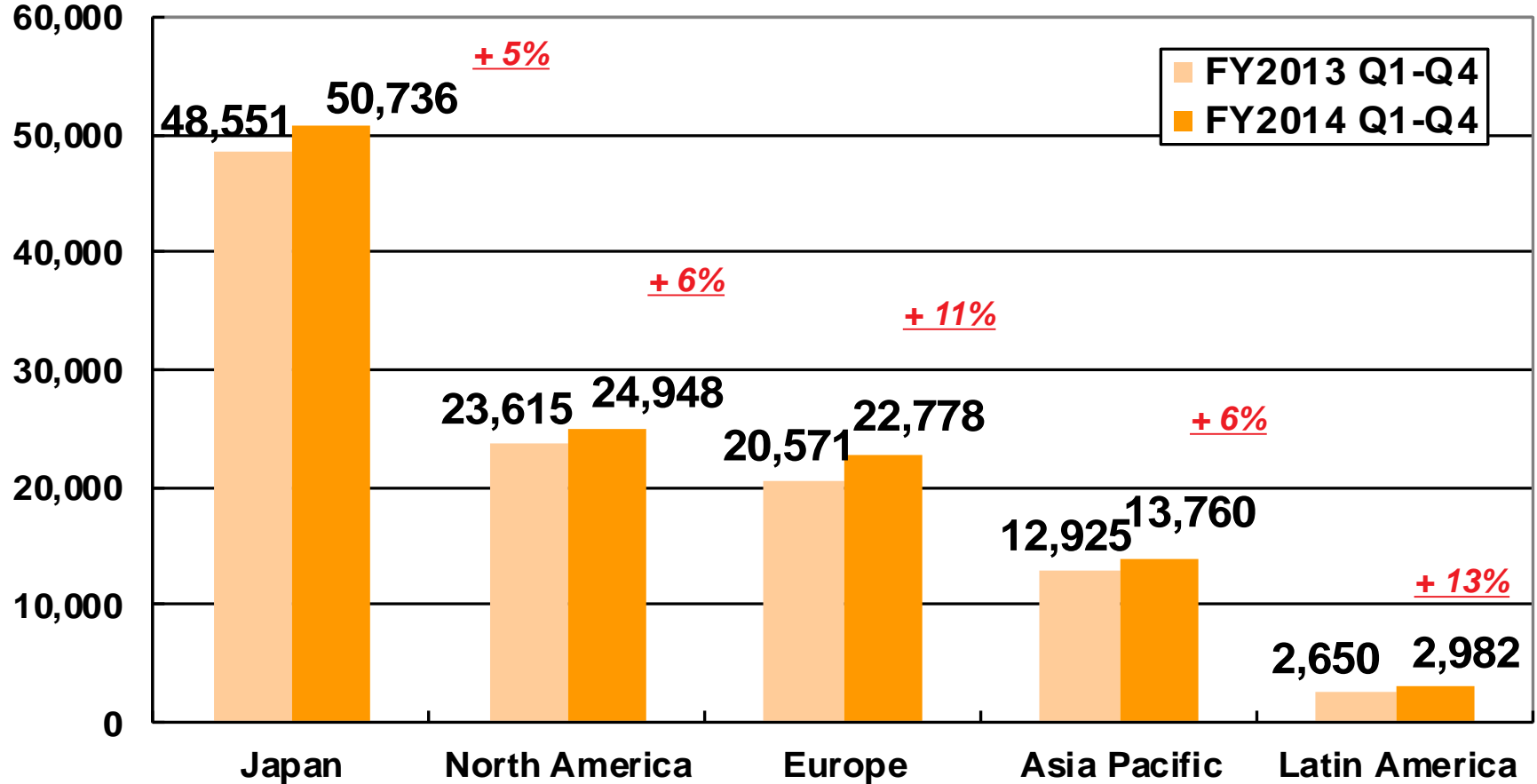
(Non-GAAP)

TREND
MICRO™

Net Sales Growth by Region

(in million Yen)

(unaudited)

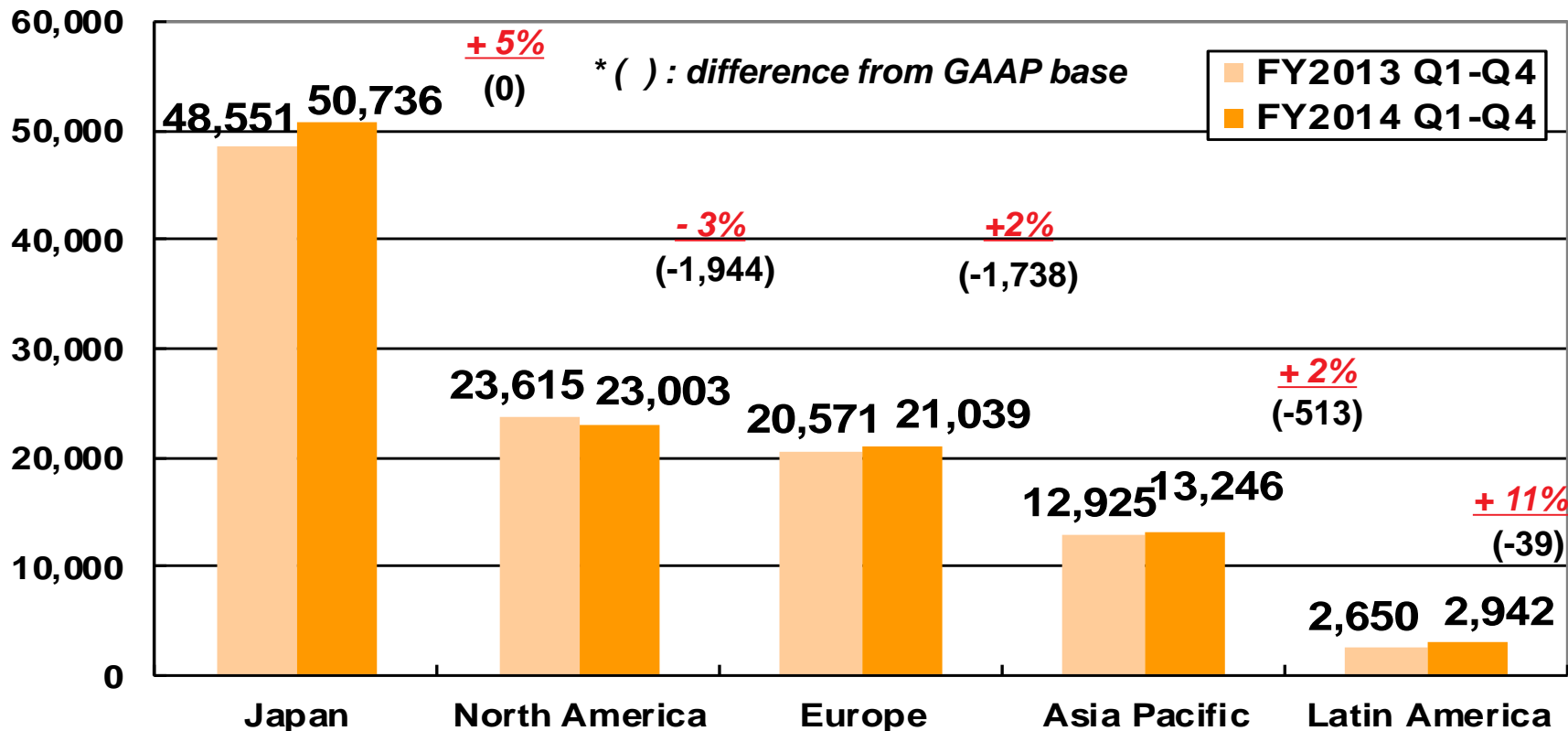


Net Sales Growth by Region

(in million Yen)

If currency exchange rates used for 2013(Q1-Q4) were used for 2014(Q1-Q4):

(unaudited)



* Each JPY amount for 2014(Q1-Q4) shown above has been calculated by applying to the relevant foreign currency net sales amount for 2014(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 2013(Q1-Q4) into a JPY net sales amount for Japan GAAP reporting purposes.

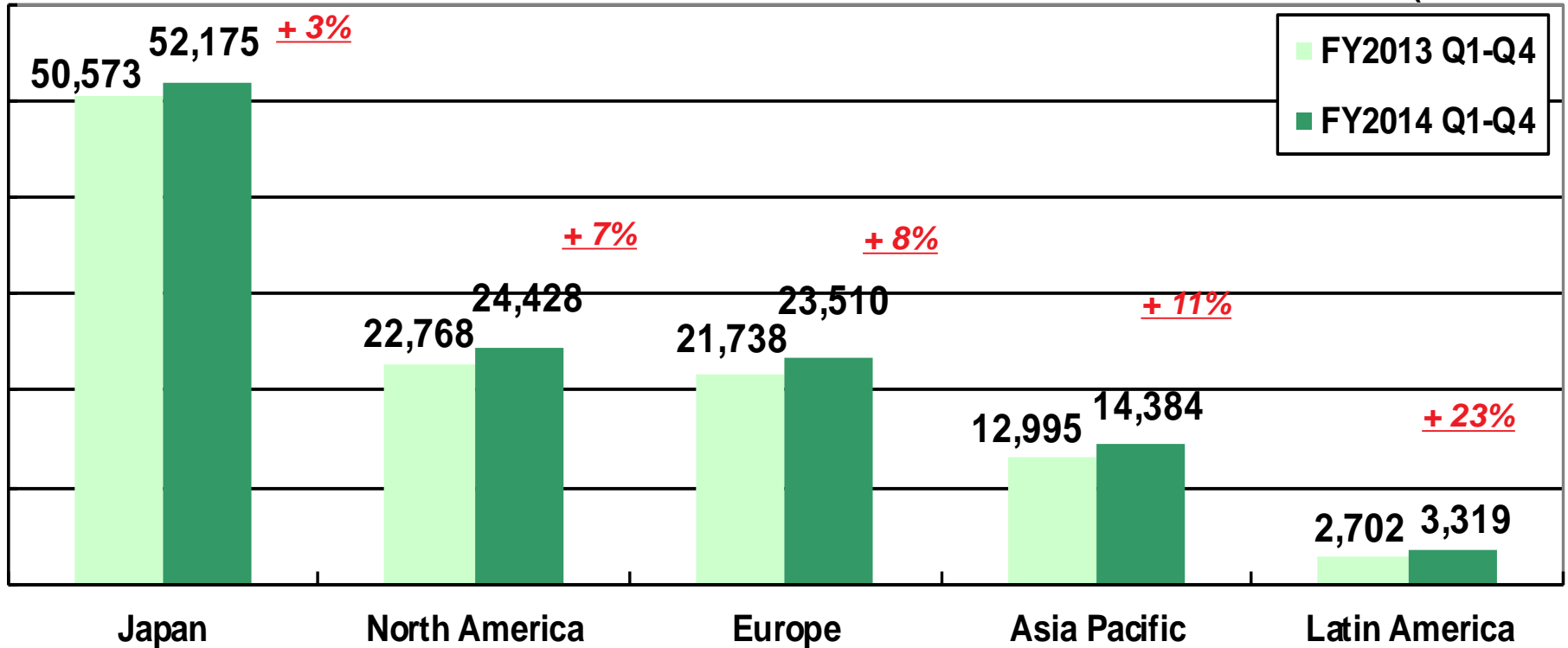
(Non-GAAP) 31

“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.

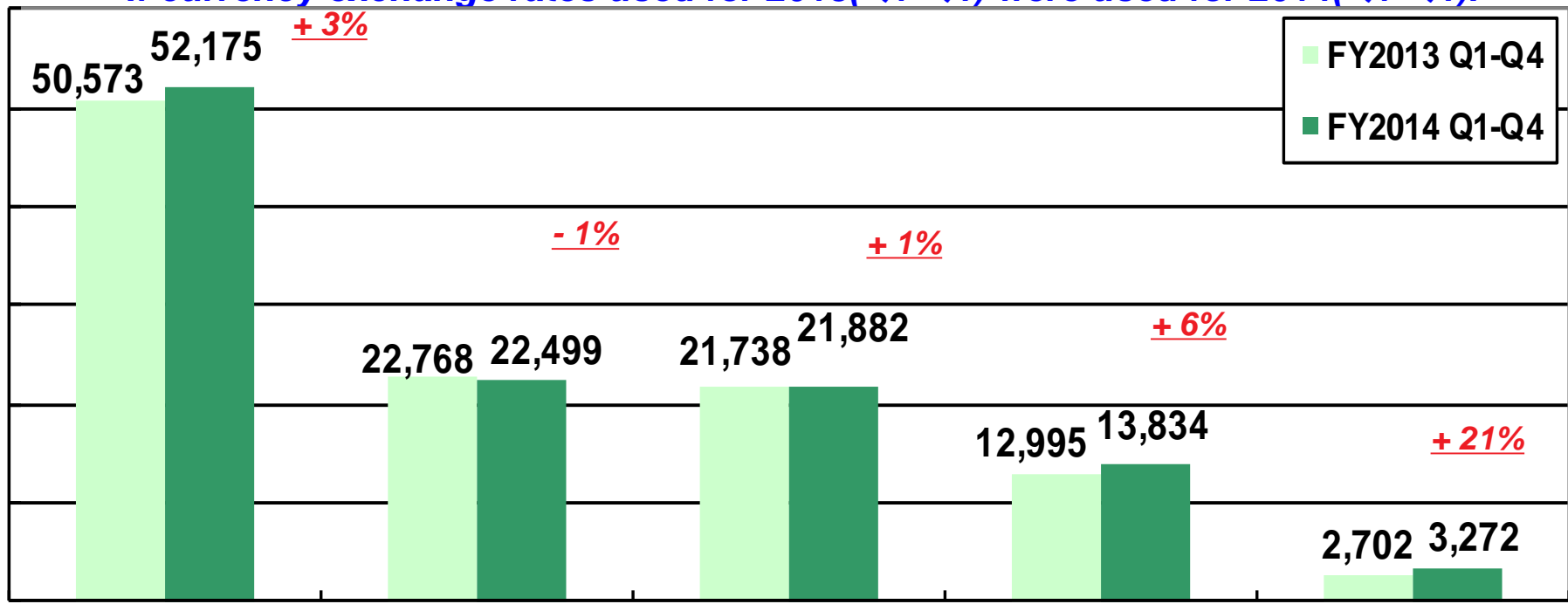
(Non-GAAP)

ICRO

“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

If currency exchange rates used for 2013(Q1-Q4) were used for 2014(Q1-Q4):



“Notice”

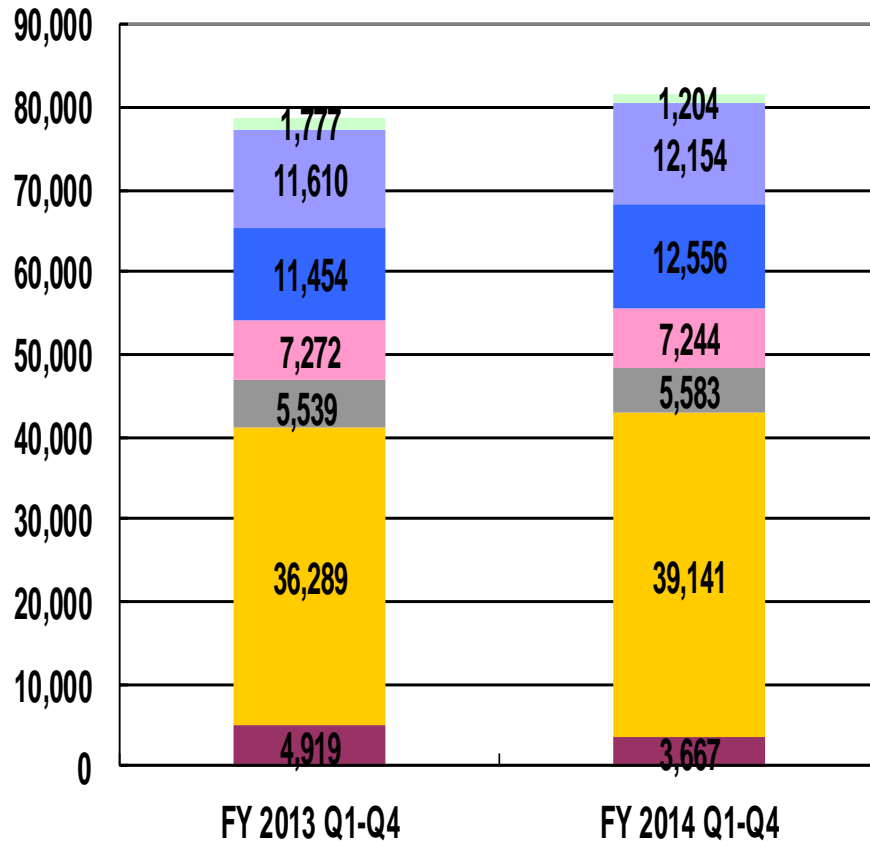
Pre-GAAP means Revenue before adjusting deferred revenue and sales return allowance. As these numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)
MICRO

FY2014 Cost (12 months)

(unaudited)

(in million Yen)



Goods / Software & Capitalization

- 32%

Selling & Marketing

+ 5%

Administration

+ 10%

Outside service

- 0%

Office overhead

+ 1%

Salary & Benefit

+ 8%

Stock option & Acquisition related costs

- 25%

Total

+ 3%

Headcount

+ 1%

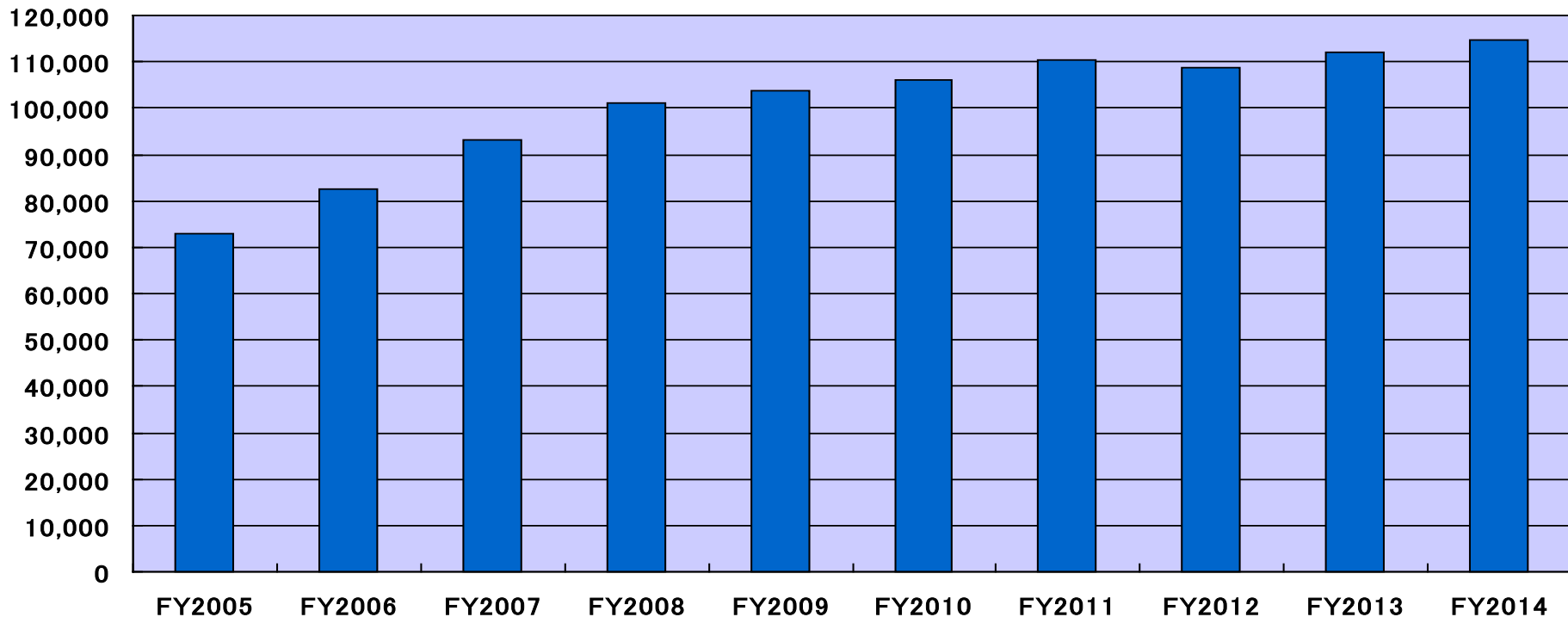


(Non-GAAP)

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

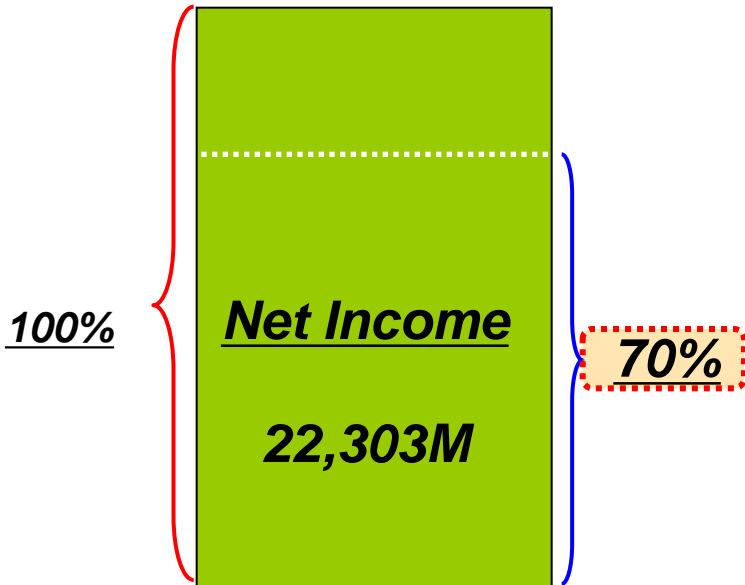
Cash Dividends for FY2014

Policy for Ordinary dividend payout ratio : 70%
(5% up from prior policy)

Dividends for FY2014
Total: 15,629 million Yen

Per share: 116 Yen
(Ordinary dividends: +22% YoY)

*FY2013:125 Yen per share
(Ordinary:95 Yen & Special:30 Yen)



* Subject to the approval at the Ordinary General Meeting of Shareholders scheduled in late March, 2015

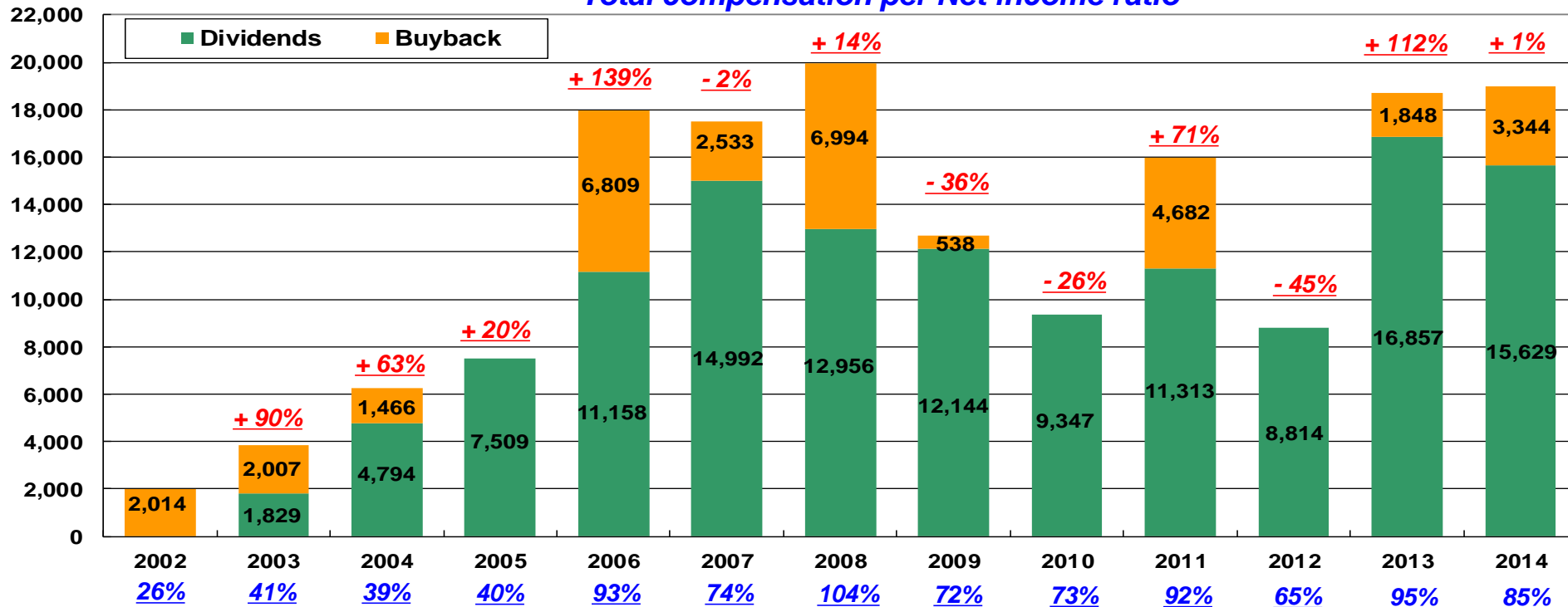
Compensation for Share holders

(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)

FY2015 annual forecast assumptions

- ***Japan increases by around 5% YoY, US also increases by around 10% YoY and Europe decreases by around 5% (due to stronger Yen) YoY, respectively***
- ***Non operating income will be around 2.4Bn yen and there will be no Extra-ordinary items***
- ***Estimated exchange rate:***
 - 1USD = 118 yen (last year: 106 yen)***
 - 1EUR = 134 yen (last year: 141 yen)***

Projection for FY2015 Annual

(unaudited)
(in million Yen)

	<u>For FY2015</u> <u>Jan - Dec, 2015</u>	<u>Expected</u> <u>YoY growth</u>
Net Sales	123,100	<u>+ 7%</u>
Operating Income	34,200	<u>+ 2%</u>
Ordinary Income	36,600	<u>+ 2%</u>
Net Income	22,600	<u>+ 1%</u>

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

Net Sales

+ 4%

(Non-GAAP)



Thank You

Appendix

(unaudited)

Quarterly Chart (1)

(in million Yen)

	FY2013				FY2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	25,783	27,032	27,069	28,428	27,517	27,807	28,615	31,264
Cost of sales	5,048	4,796	4,890	4,642	4,622	4,682	5,272	5,853
Operating expenses	13,396	15,804	14,161	16,122	13,958	16,005	14,768	16,390
Operating income	7,338	6,430	8,017	7,663	8,937	7,119	8,574	9,021
Ordinary income	7,646	8,031	8,064	8,713	9,686	7,748	9,069	9,487
Net income	4,820	4,754	5,363	4,656	6,038	4,726	5,726	5,812
(Costs)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Goods / Software Amortization & Capitalization	713	217	476	370	-369	305	456	811
Selling & Marketing	2,688	2,917	2,829	3,174	2,820	2,858	2,790	3,684
Administration	2,844	2,812	2,680	3,117	3,249	2,908	3,016	3,382
Outside service	1,737	1,964	1,736	1,833	1,653	1,805	1,774	2,010
Office overhead	1,380	1,404	1,362	1,391	1,357	1,341	1,393	1,491
Salary & Benefit	8,408	9,701	8,707	9,473	9,308	10,024	9,527	10,280
Stock option cost	429	1,330	1,008	1,131	287	1,116	853	337
Acquisition related costs	242	252	250	272	272	329	228	242
Total	18,444	20,601	19,052	20,764	18,580	20,688	20,041	22,243
The number of employees	5,094	5,110	5,137	5,217	5,201	5,219	5,241	5,258
Applied rate to yen (US\$)	92.47	98.75	98.96	100.61	102.77	102.16	104.00	114.80
Applied rate to yen (Euro)	121.89	128.91	131.09	136.97	140.87	140.02	137.78	143.26

Appendix

(unaudited)

Quarterly Chart (2)

(in million Yen)

(Sales by region)	FY2013				FY2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	11,742	11,966	12,196	12,645	11,934	12,232	13,058	13,511
US	5,480	6,085	6,001	6,047	5,998	5,939	6,034	6,975
Europe	4,779	5,022	5,138	5,631	5,632	5,594	5,474	6,076
Asia Pacific	3,143	3,282	3,083	3,416	3,288	3,302	3,303	3,864
Latin America	637	675	649	687	662	739	745	836
Total	25,783	27,032	27,069	28,428	27,517	27,807	28,615	31,264
(Sales by segment)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All Enterprise	16,383	17,040	17,362	18,118	18,132	18,185	18,432	20,169
Consumer	9,400	9,991	9,706	10,310	9,384	9,622	10,183	11,094
Total	25,783	27,032	27,069	28,428	27,517	27,807	28,615	31,264
(Pre-GAAP by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	13,004	12,811	12,923	11,834	14,865	12,866	12,857	11,585
US	5,694	5,632	5,535	5,906	5,877	5,760	5,678	7,113
Europe	4,434	4,857	4,274	8,172	4,875	5,159	4,723	8,752
Asia Pacific	3,016	3,157	3,152	3,669	3,273	3,687	3,225	4,197
Latin America	625	685	625	766	675	821	813	1,008
Total	26,774	27,144	26,511	30,348	29,567	28,295	27,298	32,656

“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.**