

Trend Micro FY2015.1Q Results



Mahendra Negi CFO, Representative Director

May 12, 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.

FY2015. 1Q Financial Highlight

(First quarter ended March 31, 2015)

Q1 Consolidated Results

(in million Yen)

Three months ended Mar 31,	1Q2014	1Q2015	YoY growth
Net sales	27,517	29,893	+ 9%
Cost of sales	4,622	5,250	+ 14%
Operating expenses	13,958	16,972	+ 22%
Operating income <i>(Margin)</i>	8,937 (32%)	7,670 (26%)	- 14%
Ordinary income	9,686	8,494	- 12%
Net income	6,038	5,505	- 9%

“For reference” Revenue before adjusting deferred revenue

Pre-GAAP	29,567	31,624	+ 7%
		<i>(excluding foreign exchange impact)</i>	+ 4%

(Non-GAAP)

If currency exchange rates used for 1Q2014 were used for 1Q2015

Net sales	27,517	29,039	+ 6%
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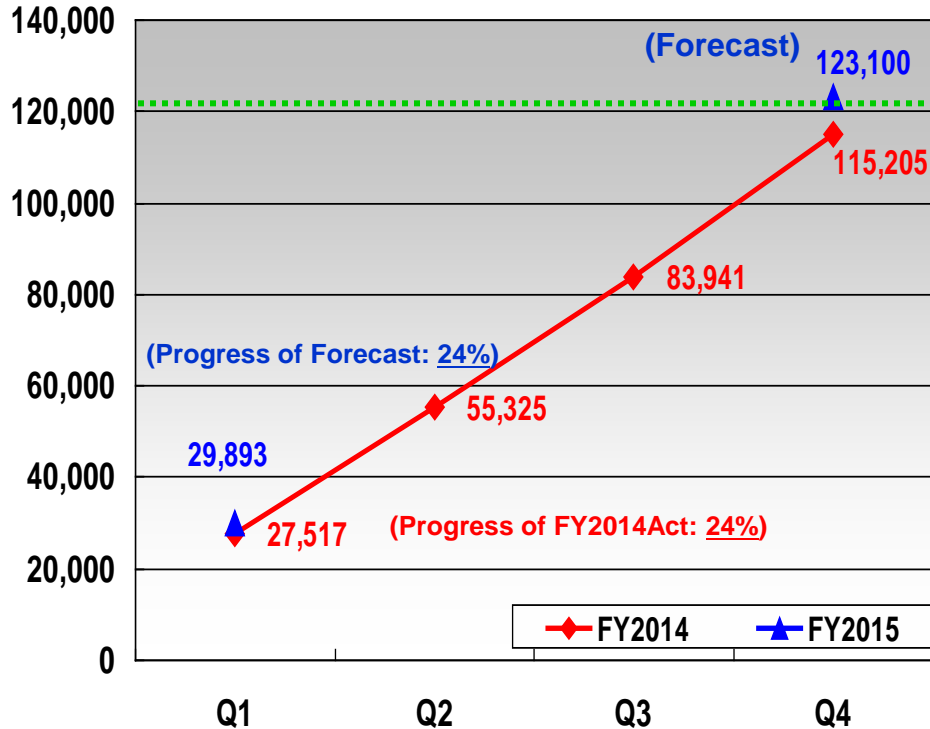
** The JPY amount for 1Q2015 shown above has been calculated by applying to each foreign currency net sales amount for 1Q2015 the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for 1Q2014 into a JPY net sales amount for Japan GAAP reporting purposes.*

(Non-GAAP)

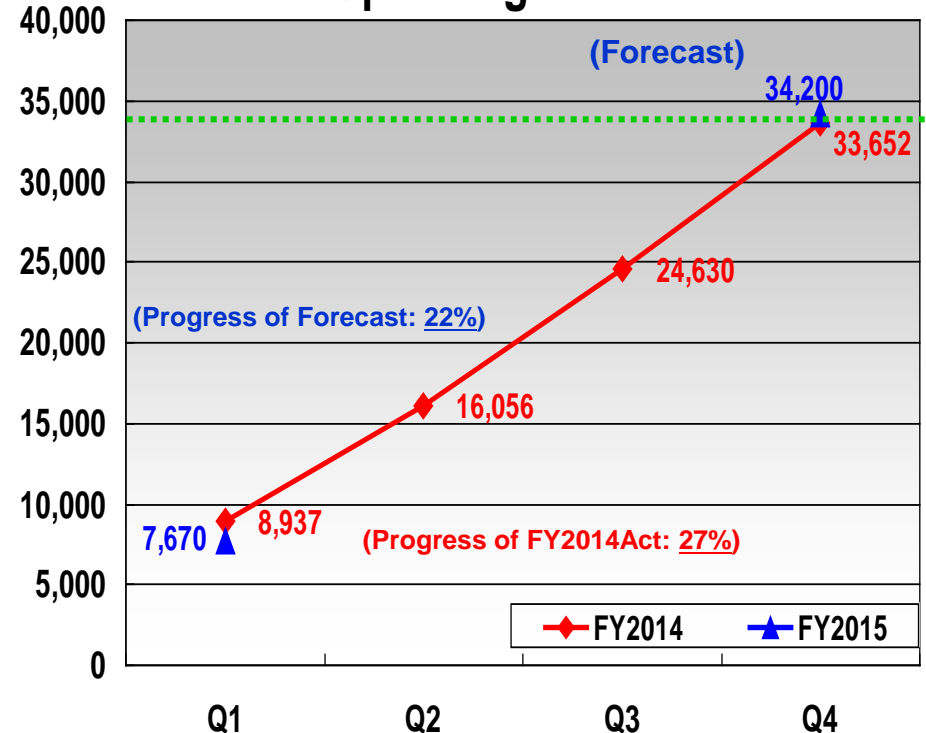
Progress (3 months)

(in million Yen)

Revenue



Operating Income



Q1 USD based Results (Non-GAAP)

(unaudited)

<i>Three months ended Mar 31,</i>	<i>1Q2014</i>	<i>1Q2015</i>	<i>(in thousand USD) YoY change</i>
Net sales	267,755	250,849	- 6%
Cost of sales	44,975	44,062	- 2%
Operating expenses	135,818	142,423	+ 5%
Operating income	86,961	64,363	- 26%
Ordinary income	94,250	71,284	- 24%
Net Income	58,753	46,199	- 21%

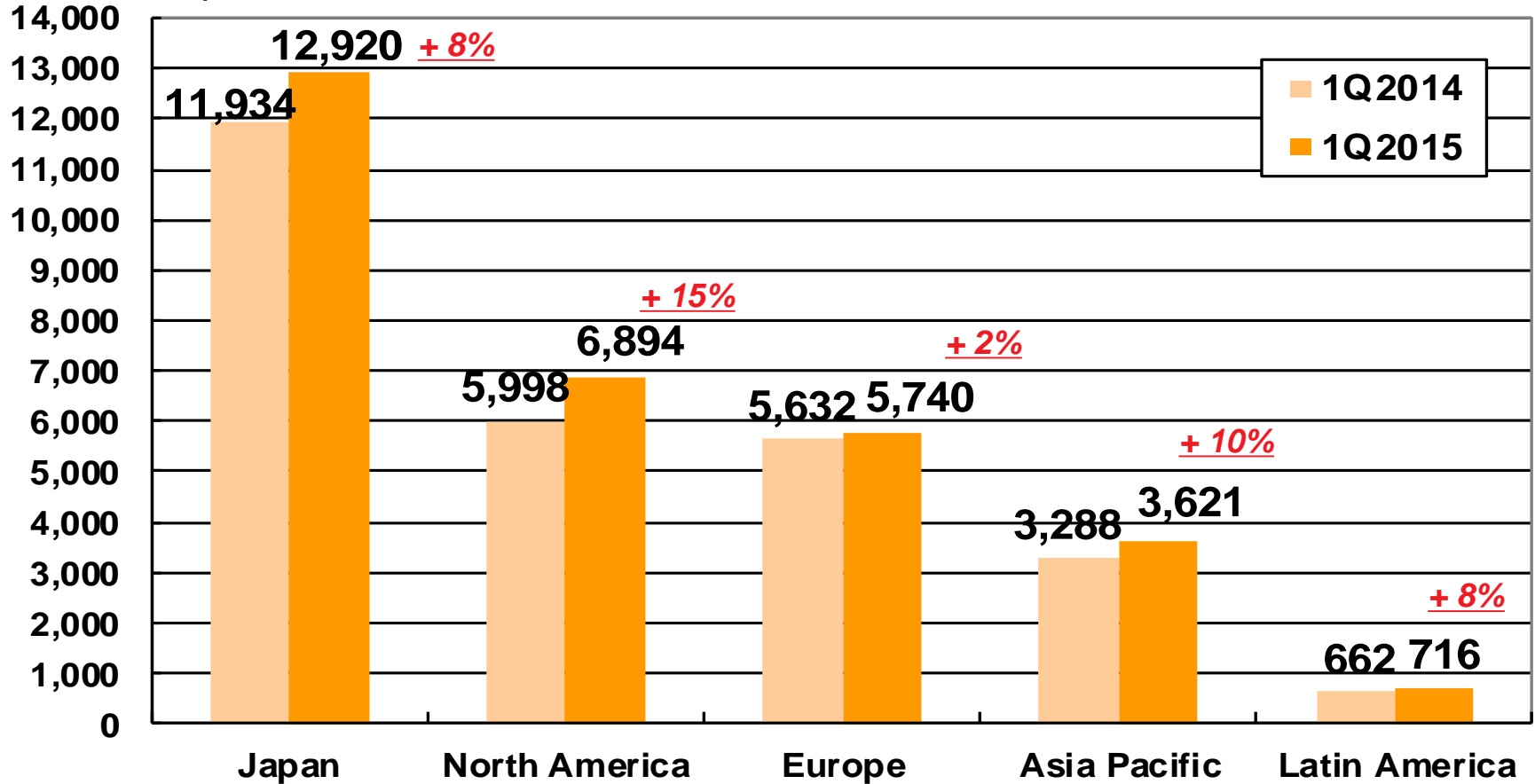
(Non-GAAP)

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=102.77 JPY for 1Q2014 and 1 USD =119.17 JPY for 1Q2015, 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)

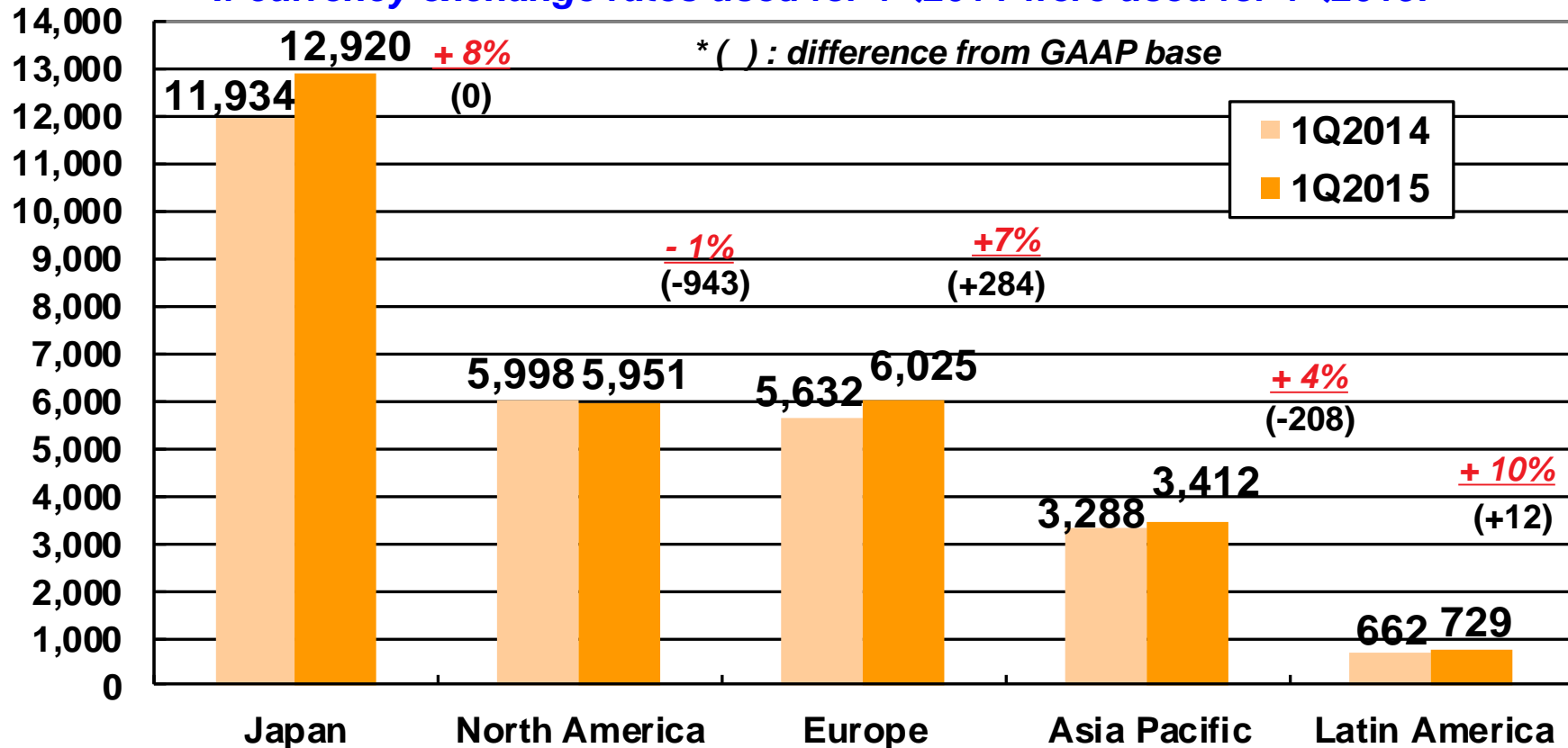


Net Sales Growth by Region

(in million Yen)

If currency exchange rates used for 1Q2014 were used for 1Q2015:

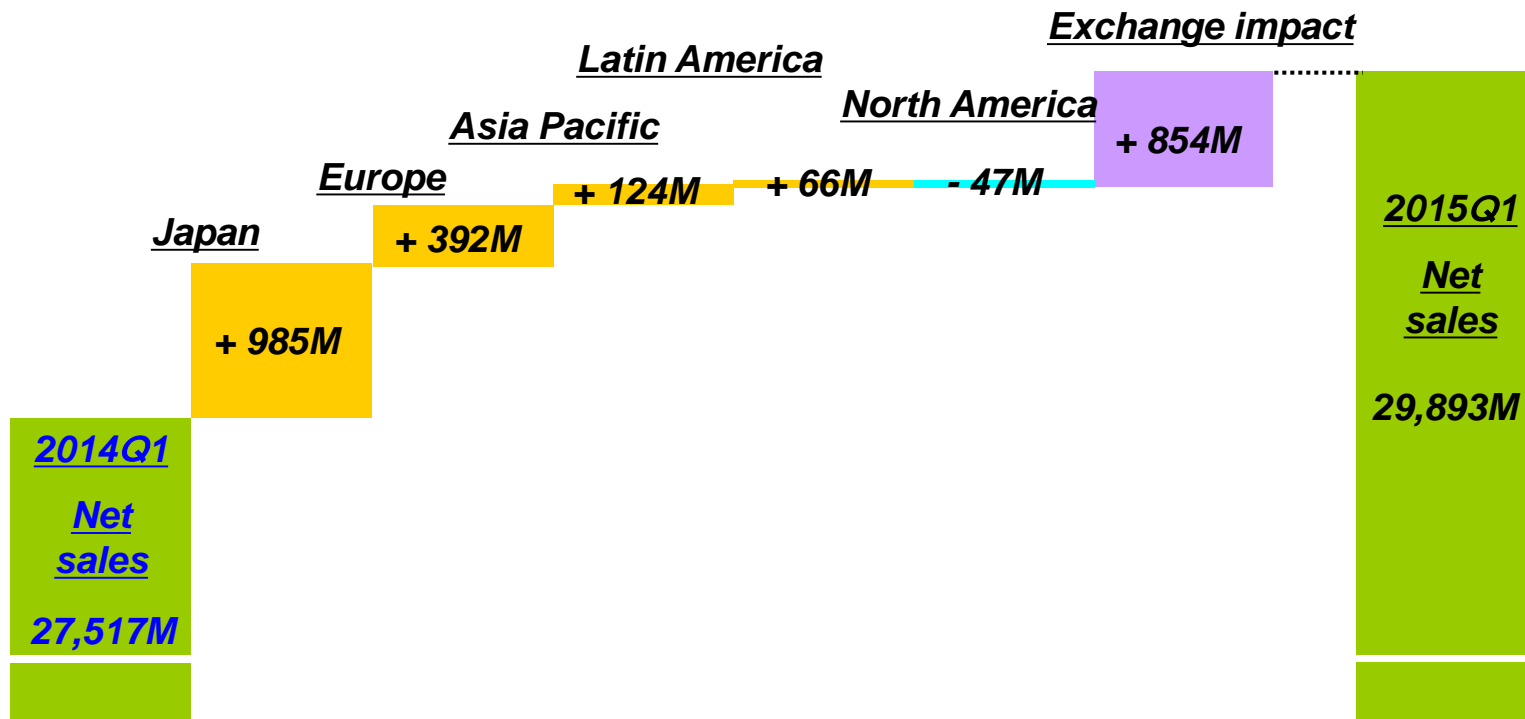
(unaudited)



* Each JPY amount for 1Q2015 shown above has been calculated by applying to the relevant foreign currency net sales amount for 1Q2015 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 1Q2014 into a JPY net sales amount for Japan GAAP reporting purposes. (Non-GAAP)

Decomposition of Revenue (vs. last year)

(unaudited)



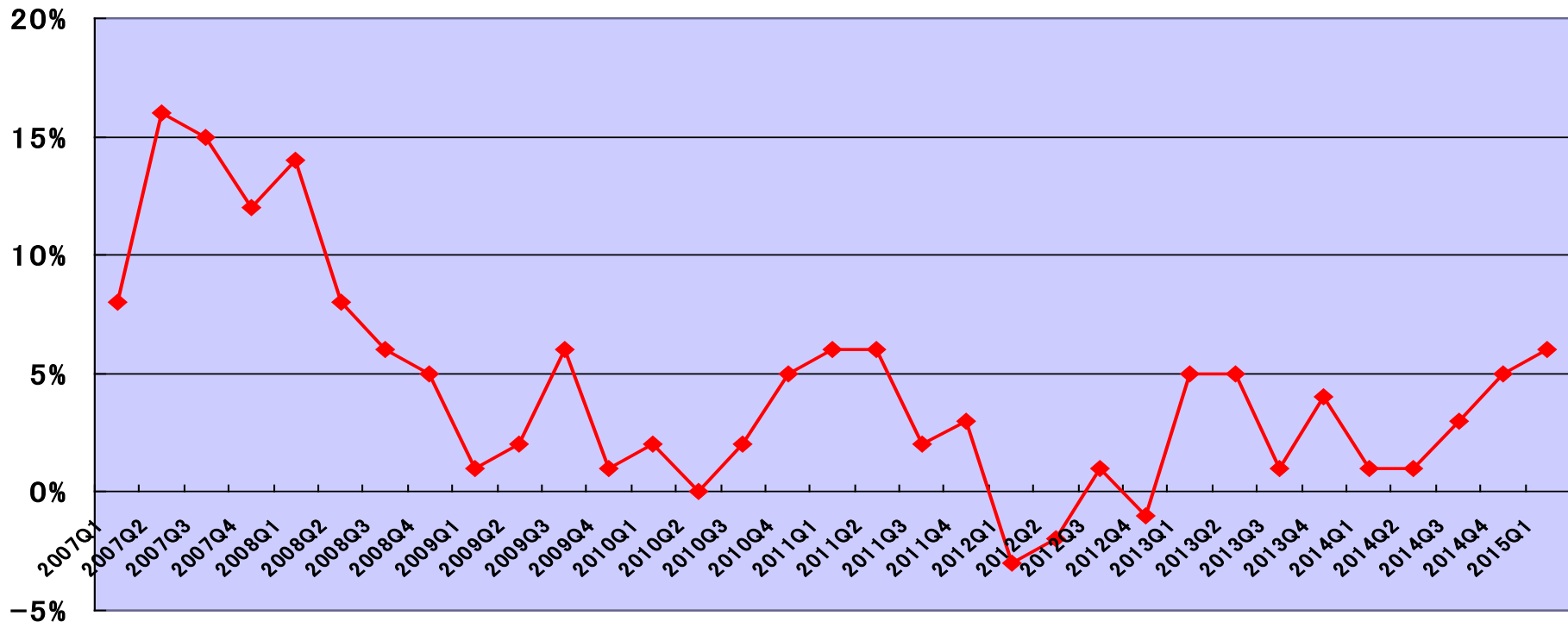
(Non-GAAP)



Constant currency Revenue growth

(YoY)

(unaudited)



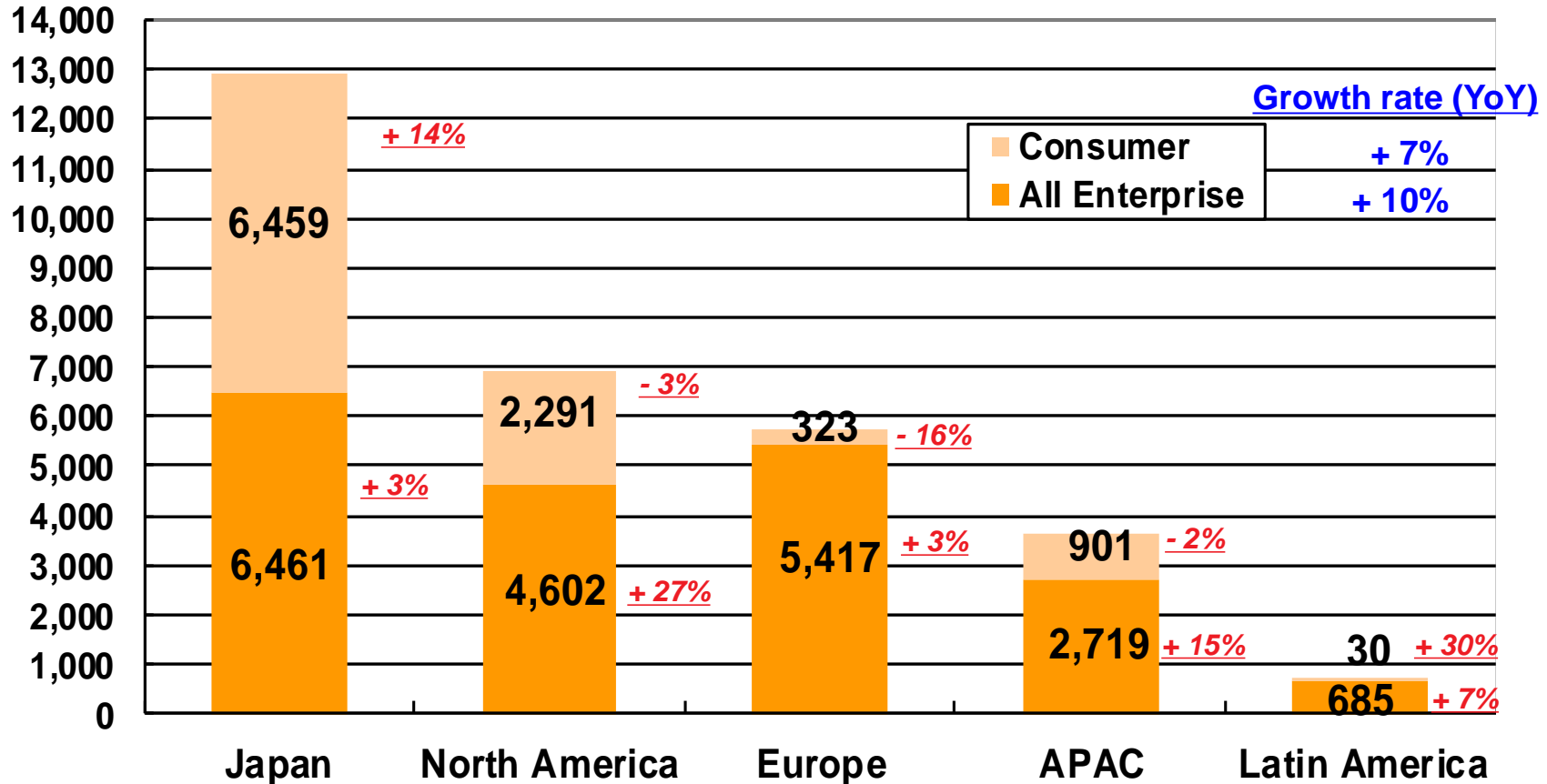
(Non-GAAP)

• 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)

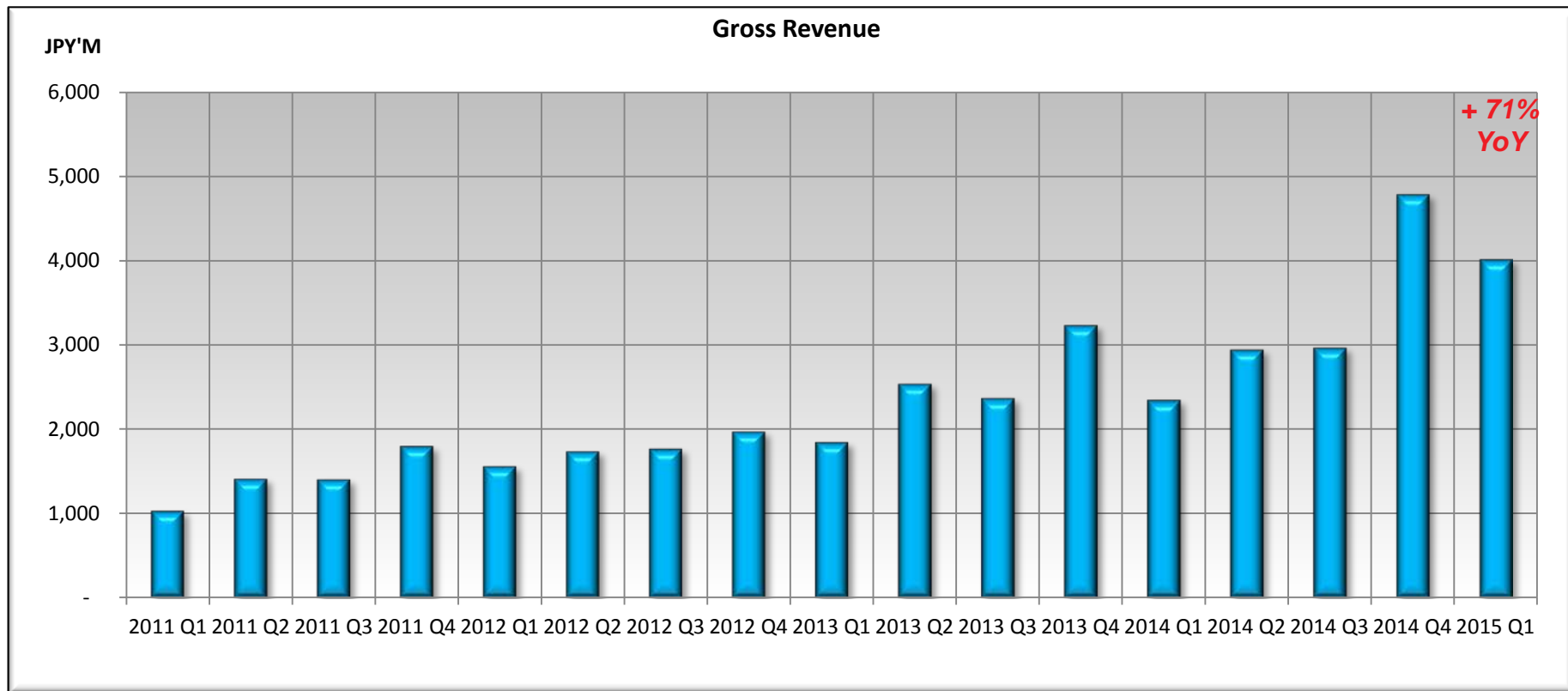
(unaudited)



"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



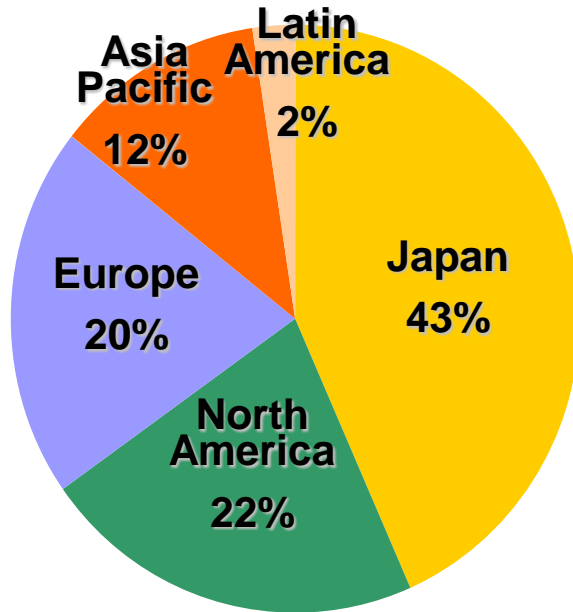
“Notice” As above numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

% share by region

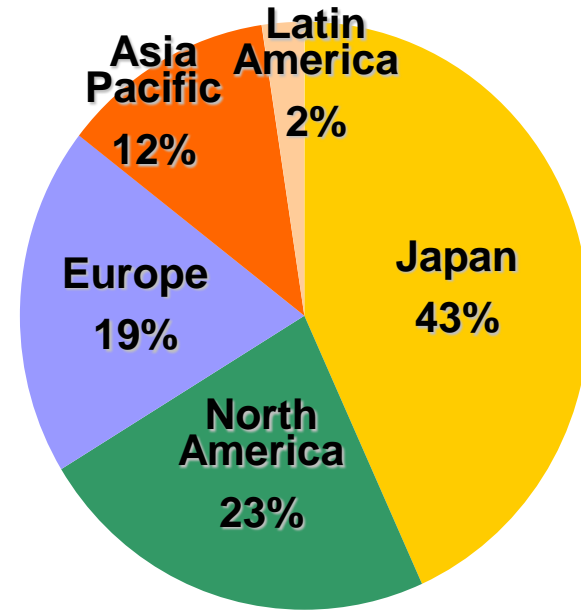
1Q2014

27,517 million Yen



1Q2015

29,893 million Yen

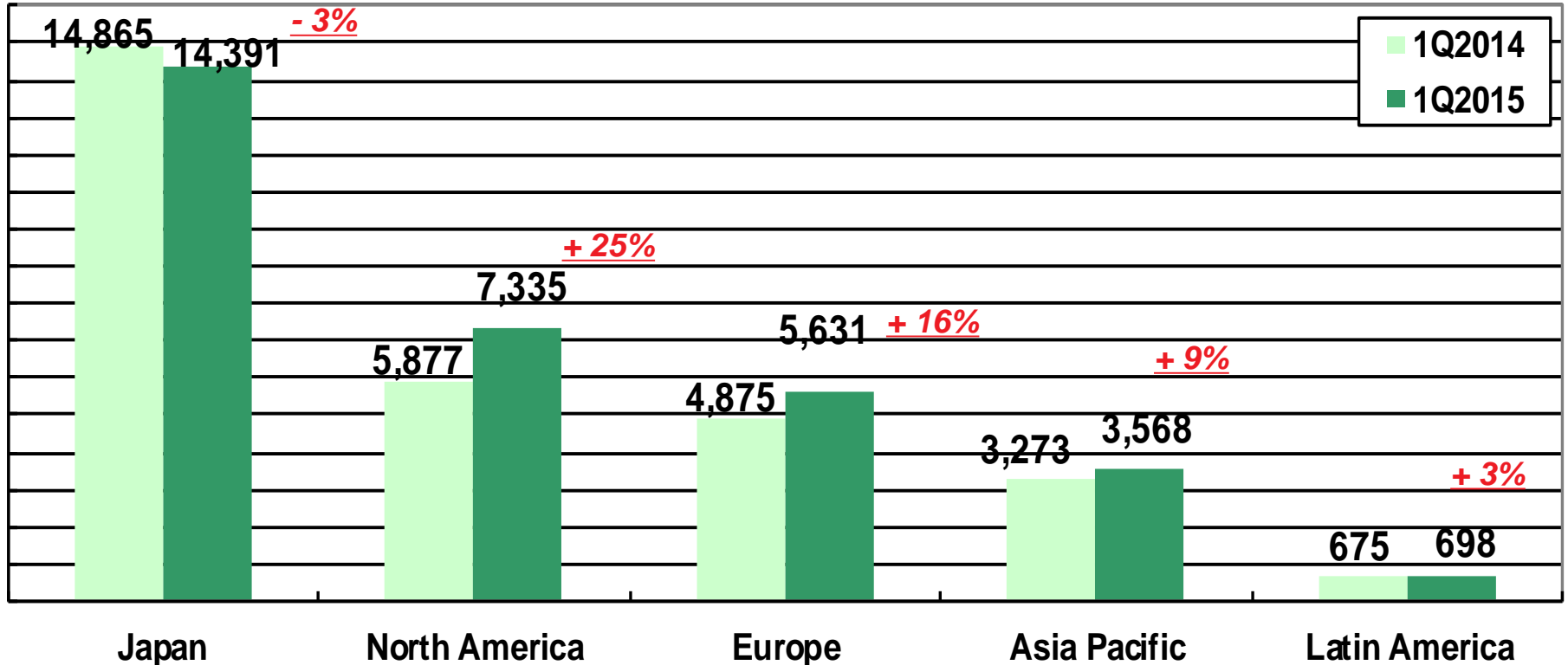


“For reference”

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)

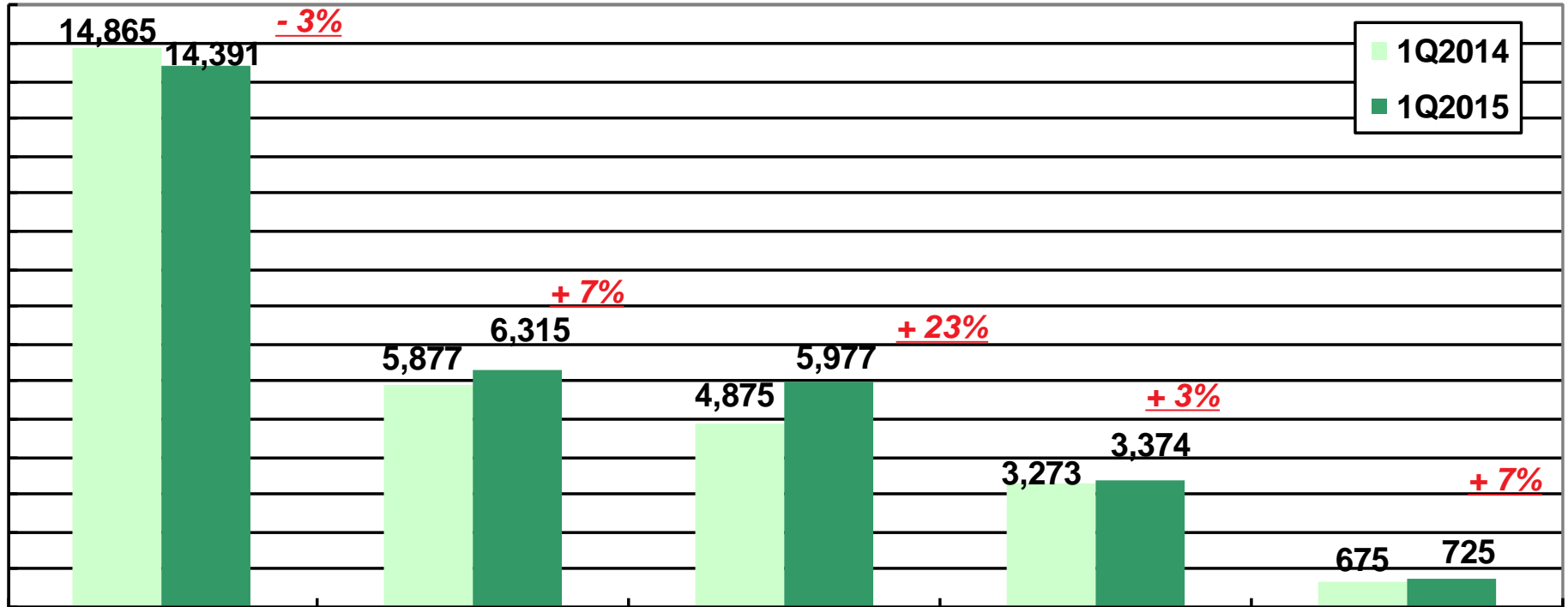
“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(in million Yen)

If currency exchange rates used for 1Q2014 were used for 1Q2015:

(unaudited)



Japan

North America

Europe

Asia Pacific

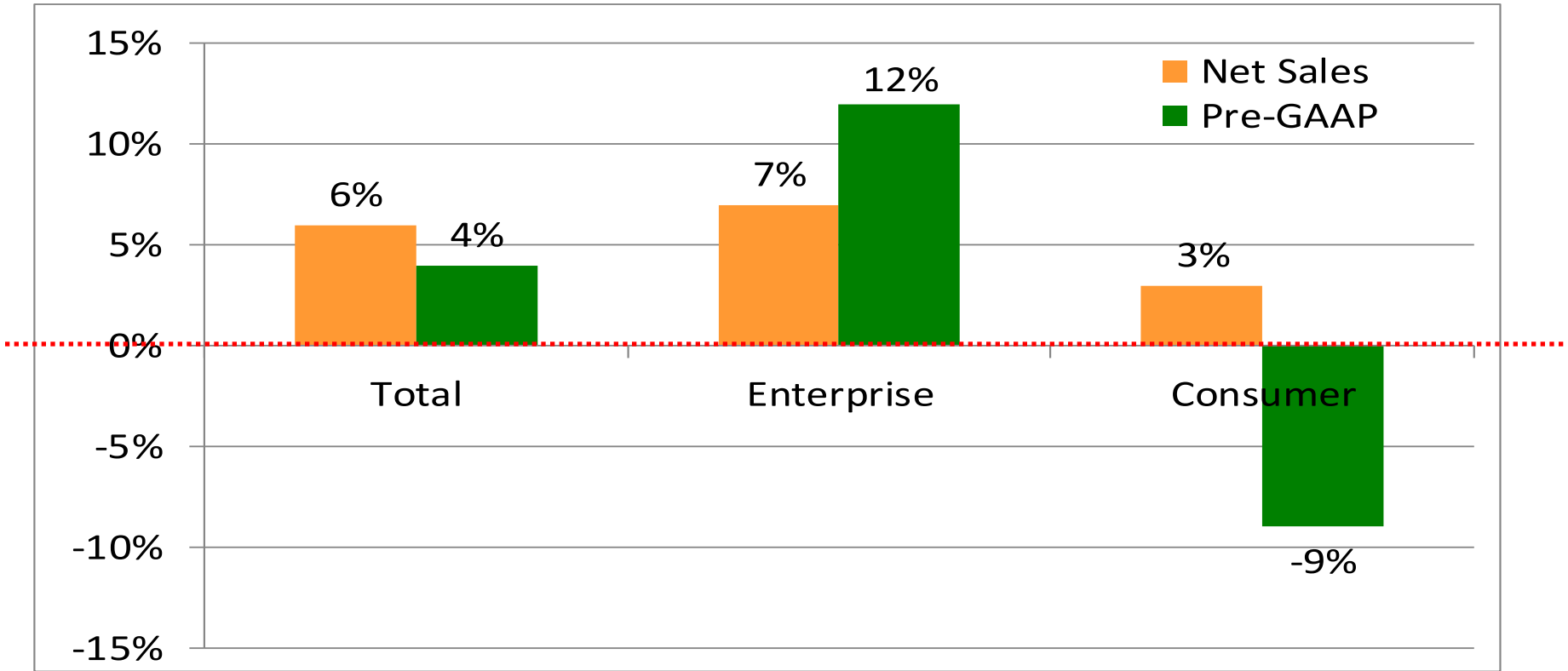
Latin America

“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)

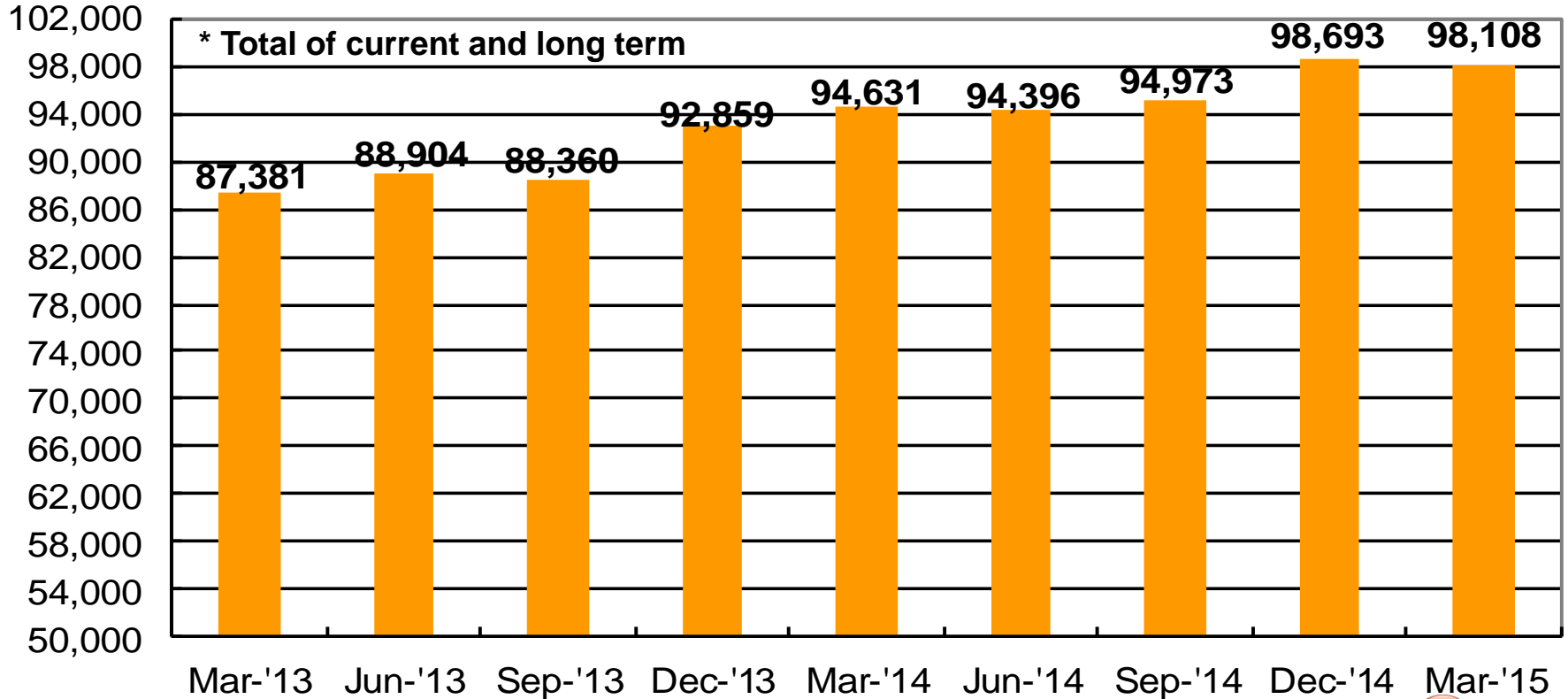


• Each growth rate shown above is based on applying to each quarter the same currency rate as the previous year for the same period

Deferred Revenue

(in million Yen)

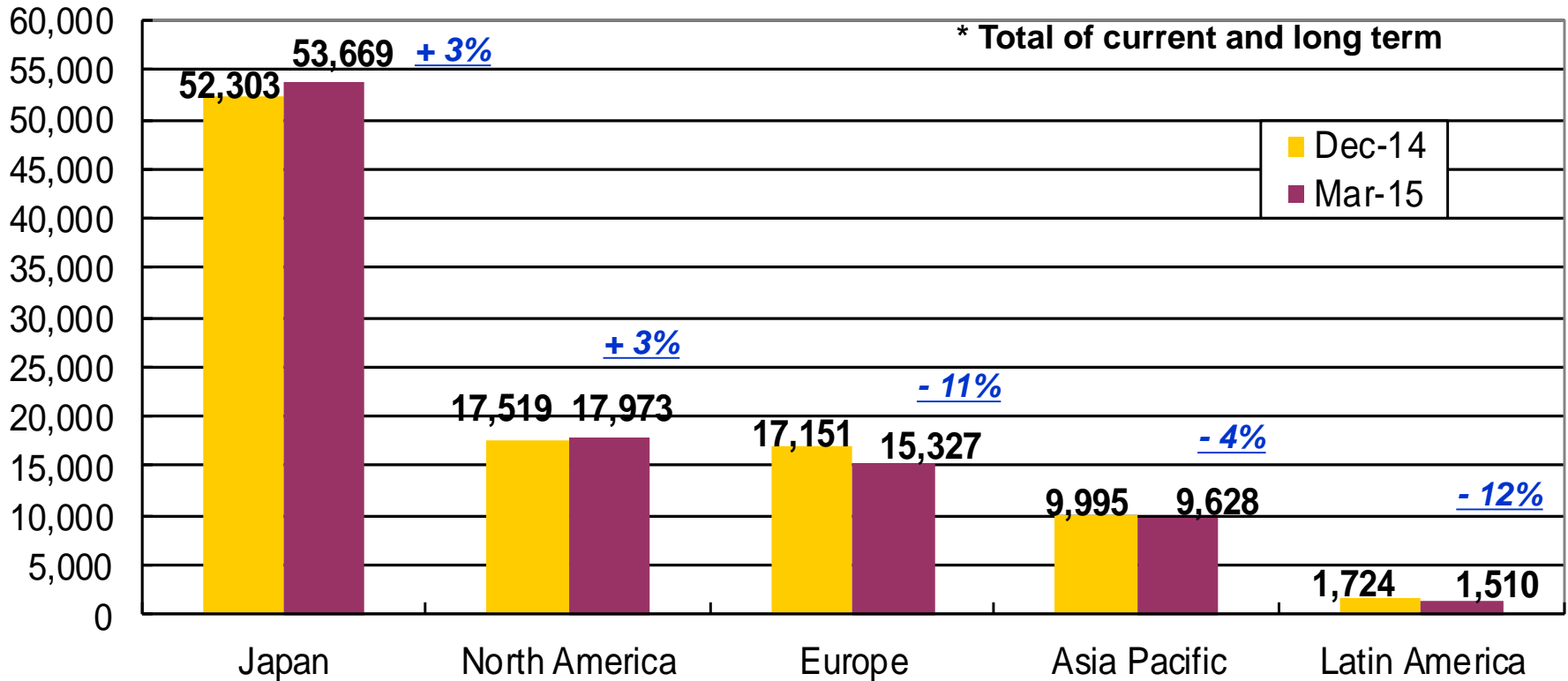
(unaudited)



Deferred Revenue by Region

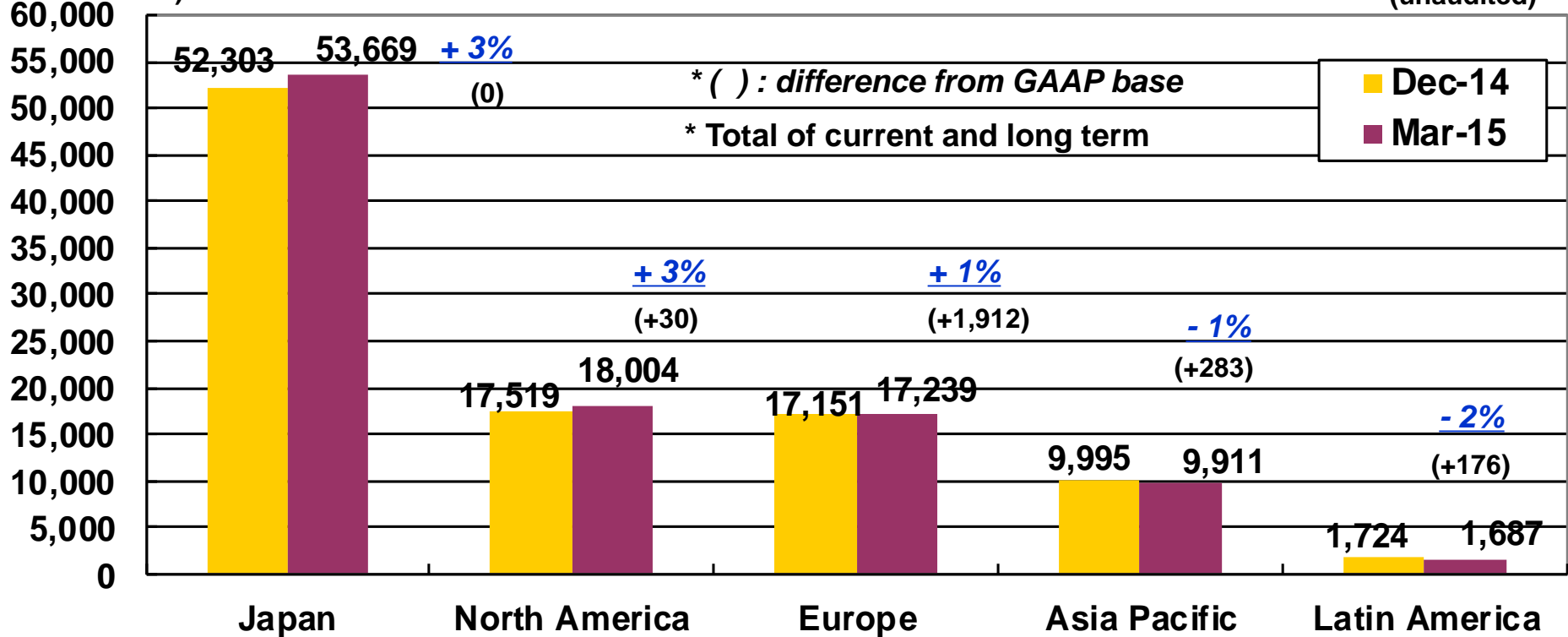
(in million Yen)

(unaudited)



Deferred Revenue by Region

If currency exchange rates used as of the end of 4Q2014 were used as of the end of 1Q2015: (in million Yen) (unaudited)

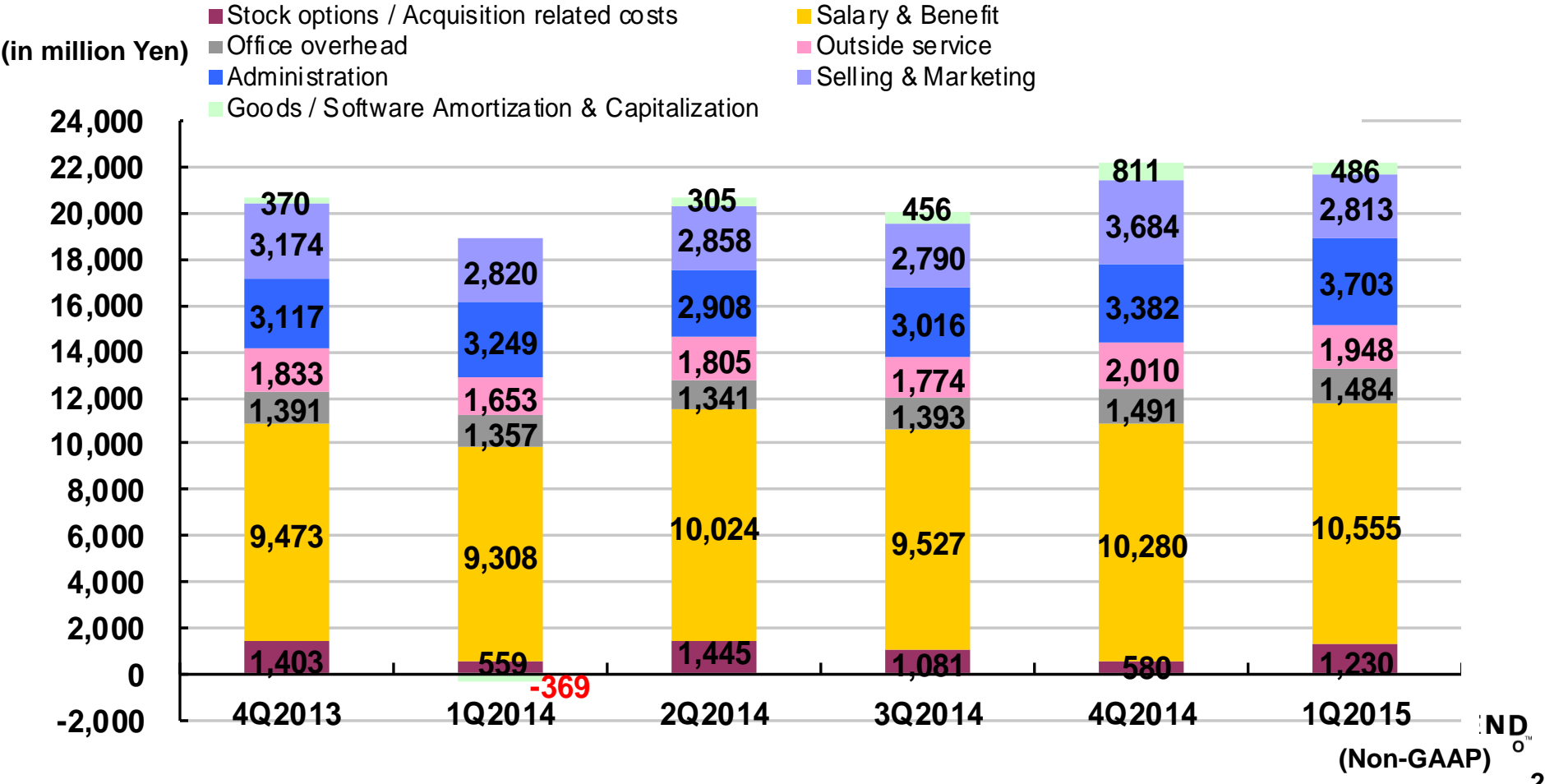


Each JPY amount as of the end of 1Q2015 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 1Q2015 the exchange rate between such foreign currency and JPY that was used to convert the deferred revenue amount denominated in such foreign currency as of the end of 4Q2014 into a JPY deferred revenue amount for Japan GAAP reporting purposes.

(Non-GAAP)

Cost

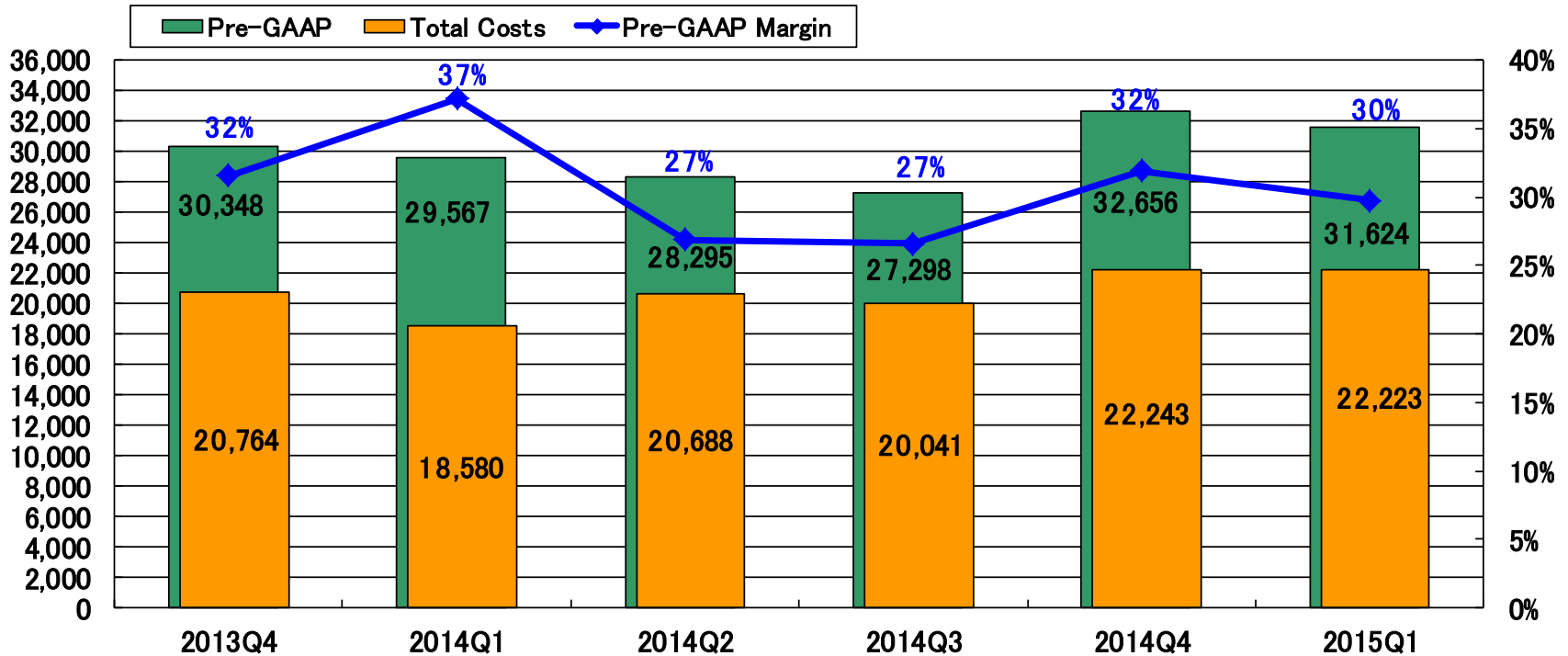
(unaudited)



Pre-GAAP v s Total Costs

(in million Yen)

(unaudited)



* "Total costs" means COGS + SGA.

(Non-GAAP)



Cash flows

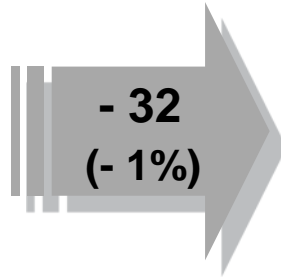
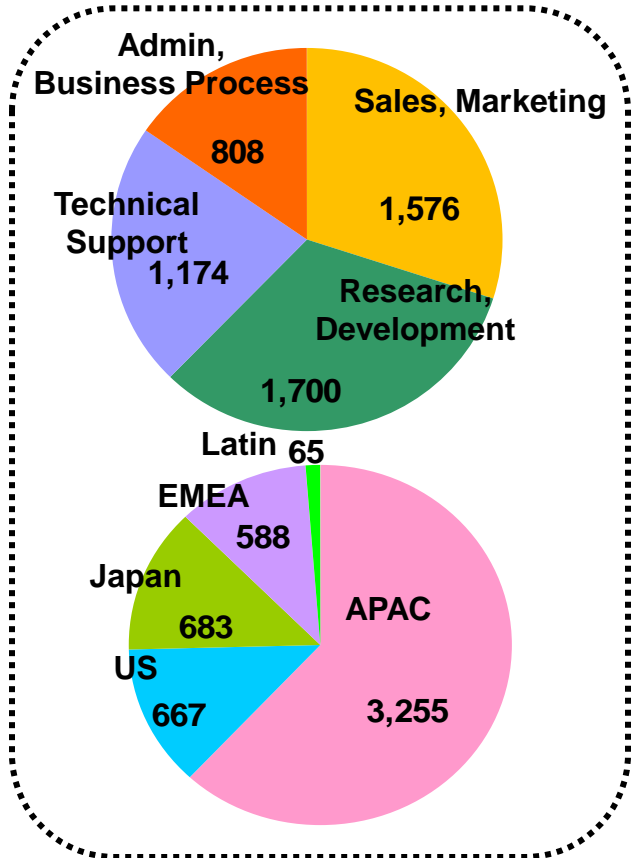
(unaudited)
(in million Yen)

	1Q2014	1Q2015	YoY growth
Cash flows from operating activities	6,411	5,399	- 16%
Cash flows from investing activities	- 12,304	- 2,388	—
Cash flows from financing activities	- 15,336	- 11,982	—
Effect of exchange rate changes on cash and cash equivalents	- 900	- 2,443	—
Net increase (decrease) in cash and cash equivalents	- 22,129	- 11,415	—
Cash and cash equivalents at beginning of this quarter period	73,949	58,662	- 21%
Increase in cash due to merger of consolidated subsidiary	—	—	—
Cash and cash equivalents at end of this quarter period	51,819	47,247	- 9%

Headcount

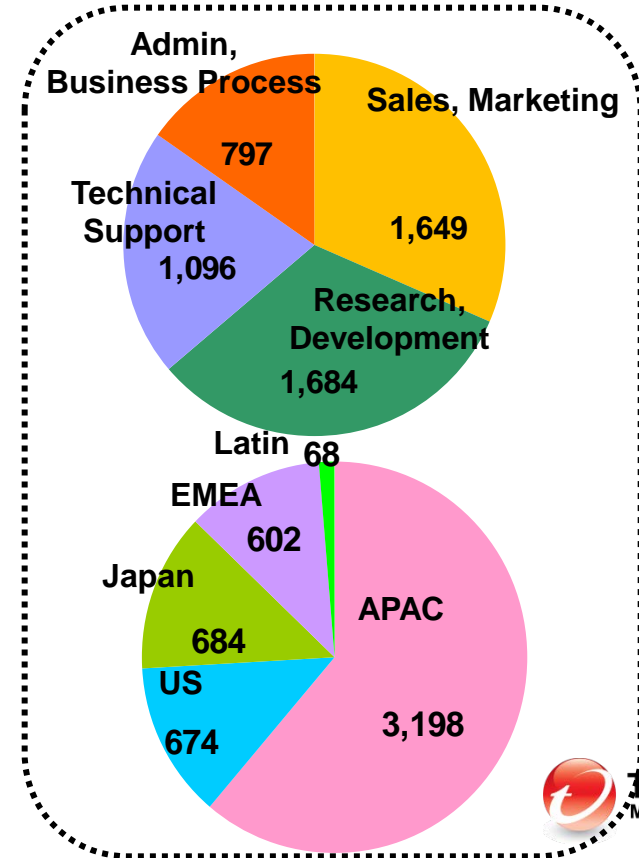
Dec - 2014

5,258



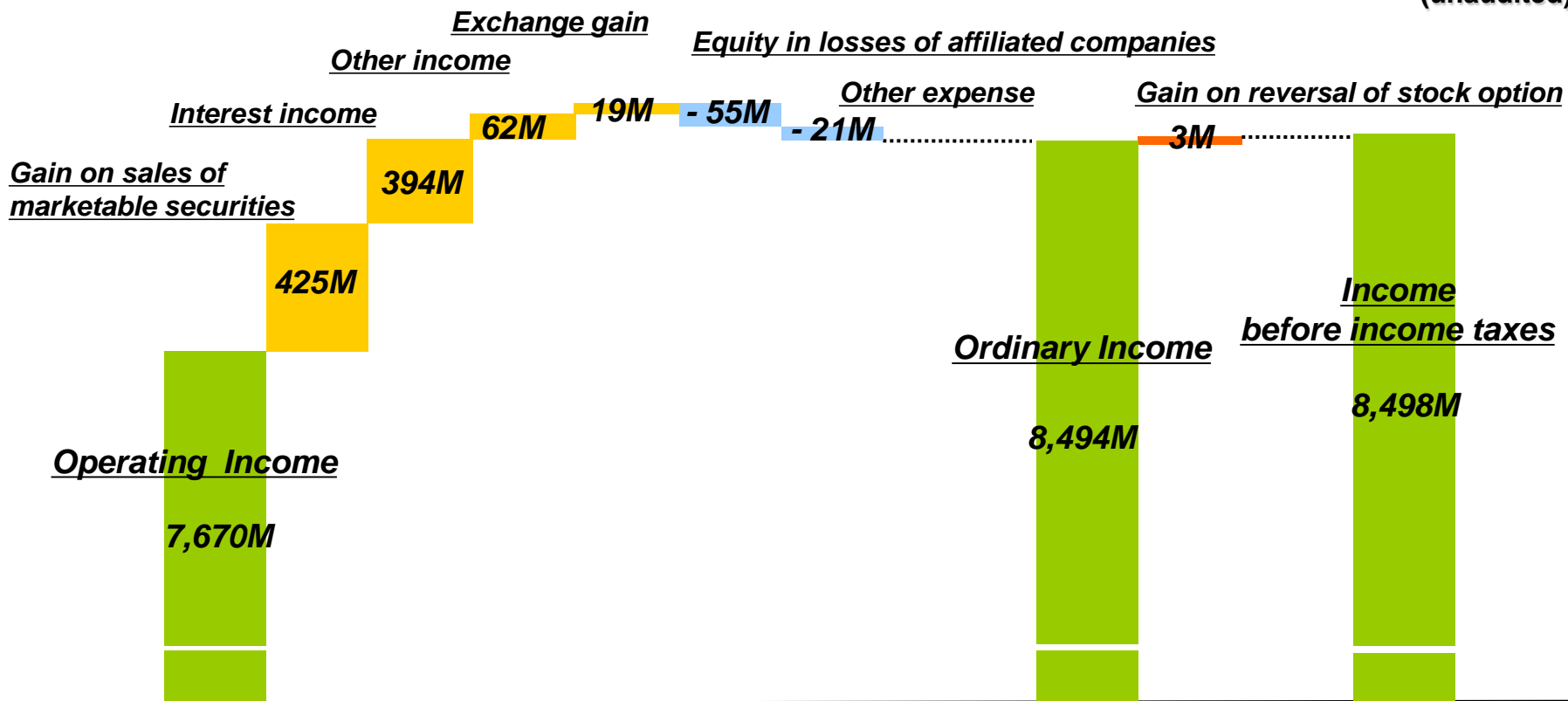
Mar - 2015

5,226



Non-operating & Extra-ordinary Items

(unaudited)



(Non-GAAP)



Balance Sheet

(unaudited)
(in million Yen)

	<i>Dec-2014</i>	<i>change</i>	<i>Mar-2015</i>
<u>Assets</u>			
<i>Cash & cash equivalents</i>	63,109	- 11,500	51,609
<i>Account receivable</i> <i>(less allowance for doubtful accounts)</i>	26,071	+ 576	26,647
<i>Marketable securities &</i> <i>Securities investments</i>	142,143	- 3,917	138,226
<u>Liabilities</u>			
<i>Deferred revenue</i> <i>(total of current and long-term)</i>	98,693	- 585	98,108
<u>Shareholders' Equity</u>			
<i>Common Stock &</i> <i>Additional paid in capital</i>	40,380	+ 191	40,571
<i>Treasury Stock</i>	- 16,986	+ 3,203	- 13,783

Q1 Highlights

- ***Strong growth of cloud security products continues***
- ***Enterprise Pre-GAAP growth double digit in constant currency***

Q1 Lowlights

- ***Decline in Consumer business continues***
- ***Higher share price affects OP margin negatively***

Projection for FY2015 Annual **(Unchanged)**

(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>

(Estimated annual exchange rate 1USD=118 yen, 1EUR=134 yen)

“Reference” actual exchange rate up to Q1: 1USD=119 yen, 1EUR=134 yen

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)

	FY2014				FY2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	27,517	27,807	28,615	31,264	29,893			
Cost of sales	4,622	4,682	5,272	5,853	5,250			
Operating expenses	13,958	16,005	14,768	16,390	16,972			
Operating income	8,937	7,119	8,574	9,021	7,670			
Ordinary income	9,686	7,748	9,069	9,487	8,494			
Net income	6,038	4,726	5,726	5,812	5,505			
(Costs)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Goods / Software Amortization & Capitalization	-369	305	456	811	486			
Selling & Marketing	2,820	2,858	2,790	3,684	2,813			
Administration	3,249	2,908	3,016	3,382	3,703			
Outside service	1,653	1,805	1,774	2,010	1,948			
Office overhead	1,357	1,341	1,393	1,491	1,484			
Salary & Benefit	9,308	10,024	9,527	10,280	10,555			
Stock option cost	287	1,116	853	337	993			
Acquisition related costs	272	329	228	242	236			
Total	18,580	20,688	20,041	22,243	22,223			
The number of employees	5,201	5,219	5,241	5,258	5,226			
Applied rate to yen (US\$)	102.77	102.16	104.00	114.80	119.17			
Applied rate to yen (Euro)	140.87	140.02	137.78	143.26	134.21			

Appendix

(unaudited)

Quarterly Chart (2)

(in million Yen)

(Sales by region)	FY2014				FY2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	11,934	12,232	13,058	13,511	12,920			
US	5,998	5,939	6,034	6,975	6,894			
Europe	5,632	5,594	5,474	6,076	5,740			
Asia Pacific	3,288	3,302	3,303	3,864	3,621			
Latin America	662	739	745	836	716			
Total	27,517	27,807	28,615	31,264	29,893			
(Sales by segment)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All Enterprise	18,132	18,185	18,432	20,169	19,887			
Consumer	9,384	9,622	10,183	11,094	10,006			
Total	27,517	27,807	28,615	31,264	29,893			
(Pre-GAAP by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	14,865	12,866	12,857	11,585	14,391			
US	5,877	5,760	5,678	7,113	7,335			
Europe	4,875	5,159	4,723	8,752	5,631			
Asia Pacific	3,273	3,687	3,225	4,197	3,568			
Latin America	675	821	813	1,008	698			
Total	29,567	28,295	27,298	32,656	31,624			

“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.**