

Trend Micro FY2015.2Q Results



Mahendra Negi CFO, Representative Director

August 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. 2Q Financial Highlight

(Second quarter ended June 30, 2015)

Q2 Consolidated Results

(in million Yen)

<i>Three months ended Jun 30,</i>	2Q2014	2Q2015	YoY growth
Net sales	27,807	30,774	+ 11%
Cost of sales	4,682	5,205	+ 11%
Operating expenses	16,005	17,745	+ 11%
Operating income (Margin)	7,119 (26%)	7,824 (25%)	+ 10%
Ordinary income	7,748	8,076	+ 4%
Net income	4,726	4,939	+ 5%
<i>“For reference” Revenue before adjusting deferred revenue</i>			
Pre-GAAP	28,295	31,848	+ 13%
		<i>(excluding foreign exchange impact)</i>	+ 9%
			(Non-GAAP)
<i>If currency exchange rates used for 2Q2014 were used for 2Q2015</i>			
Net sales	27,807	29,697	+ 7%

* The JPY amount for 2Q2015 shown above has been calculated by applying to each foreign currency net sales amount for 2Q2015 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 2Q2014 into a JPY net sales amount for Japan GAAP reporting purposes.

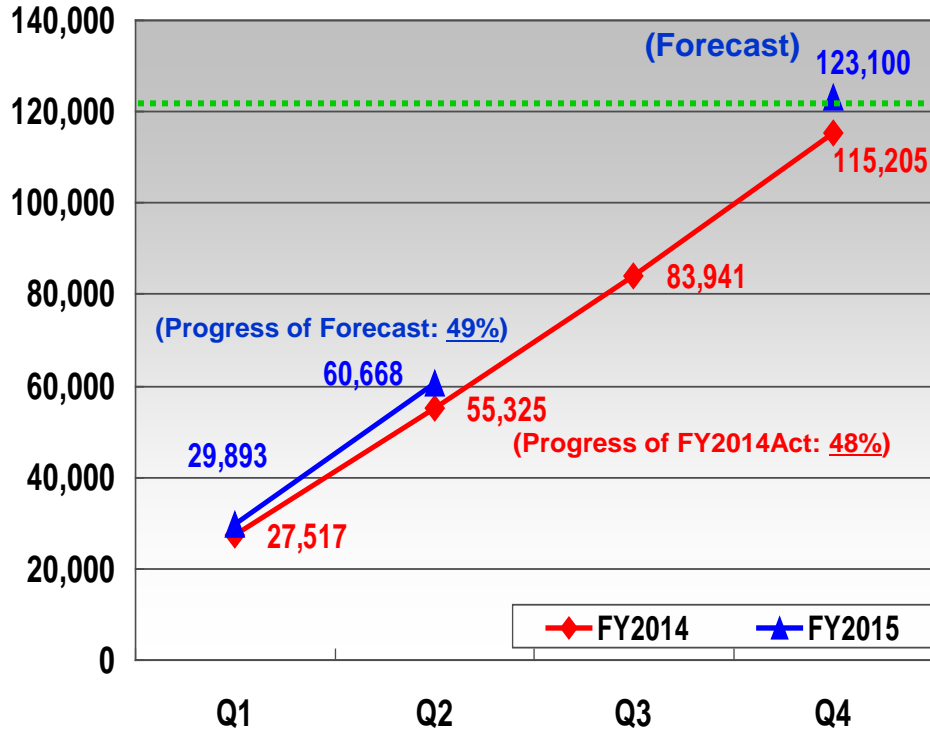
(Non-GAAP)

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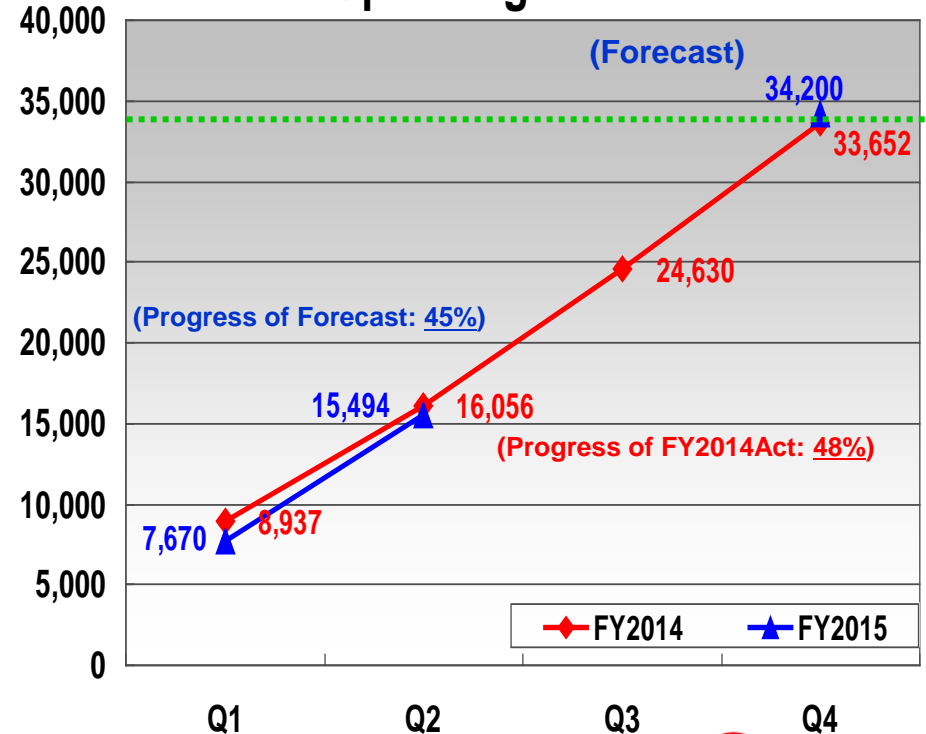
Progress (6 months)

(in million Yen)

Revenue



Operating Income



Q2 USD based Results (Non-GAAP)

(unaudited)

<i>Three months ended Jun 30,</i>	<i>2Q2014</i>	<i>2Q2015</i>	<i>(in thousand USD) YoY change</i>
Net sales	272,199	253,290	- 7%
Cost of sales	45,838	42,841	- 7%
Operating expenses	156,675	146,050	- 7%
Operating income	69,686	64,397	- 8%
Ordinary income	75,850	66,473	- 12%
Net Income	46,263	40,652	- 12%

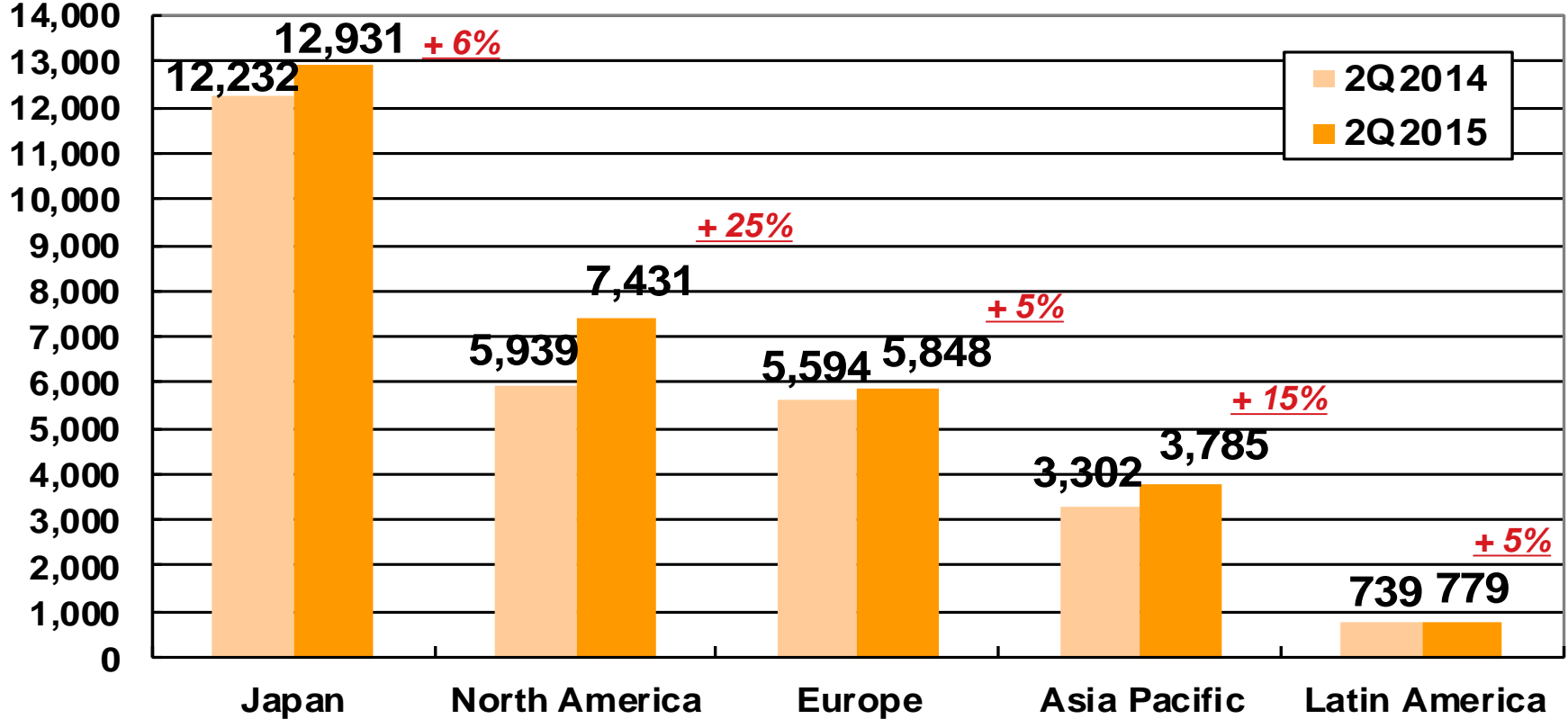
(Non-GAAP)

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=102.16 JPY for 2Q2014 and 1 USD =121.50 JPY for 2Q2015, 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)

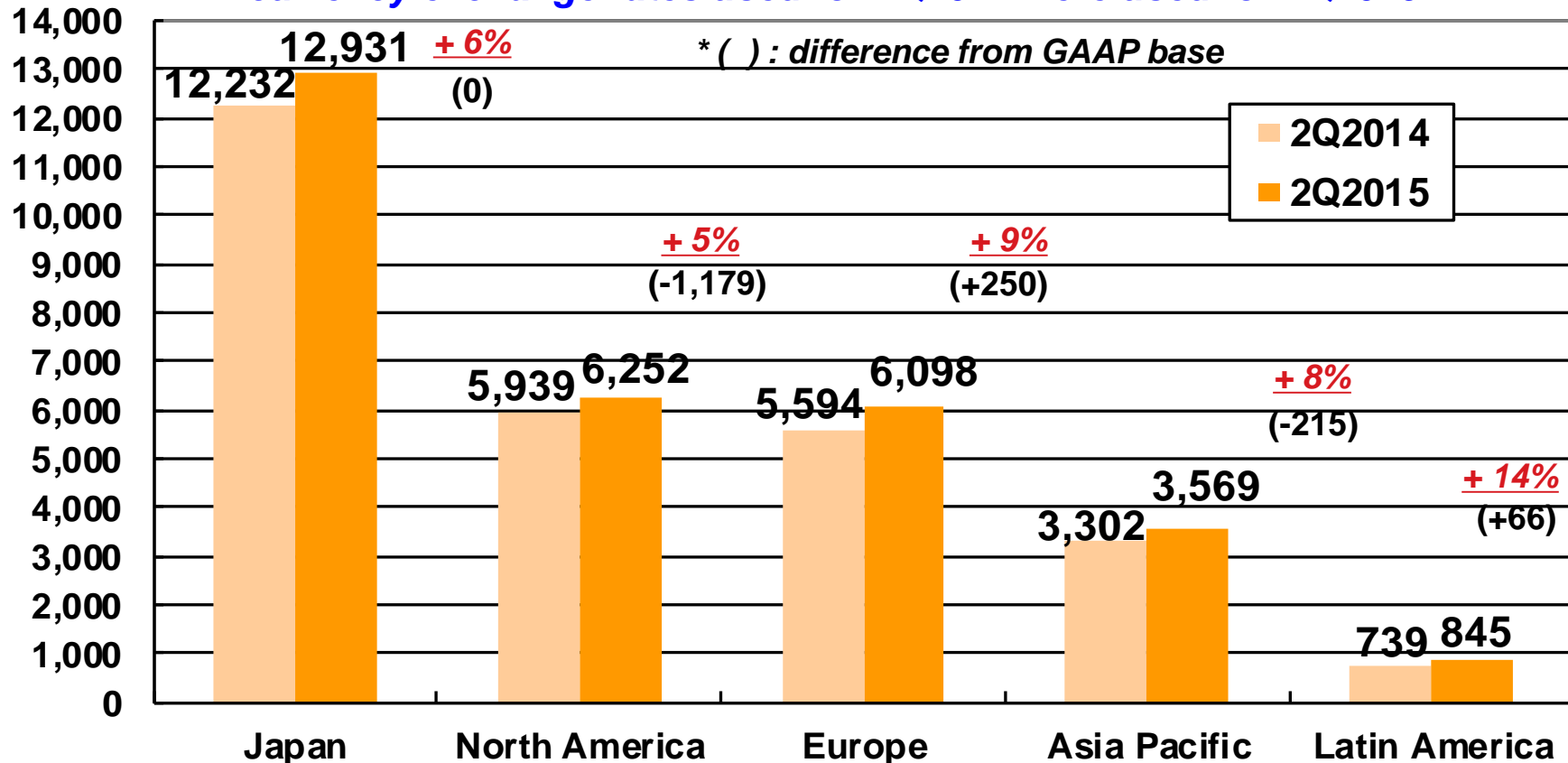


Net Sales Growth by Region

(in million Yen)

If currency exchange rates used for 2Q2014 were used for 2Q2015:

(unaudited)

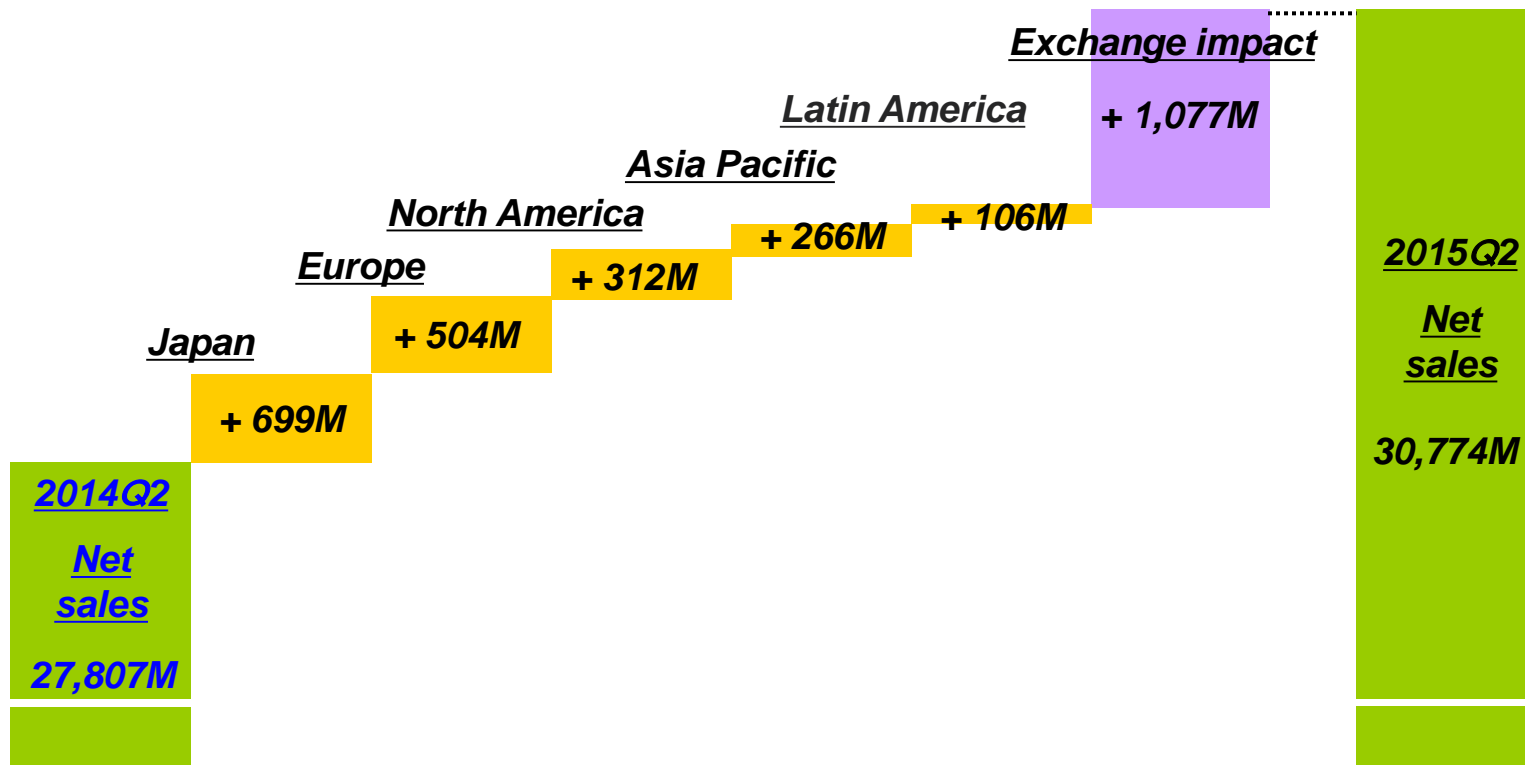


* Each JPY amount for 2Q2015 shown above has been calculated by applying to the relevant foreign currency net sales amount for 2Q2015 the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for 2Q2014 into a JPY net sales amount for Japan GAAP reporting purposes.

(Non-GAAP)

Decomposition of Revenue (vs. last year)

(unaudited)



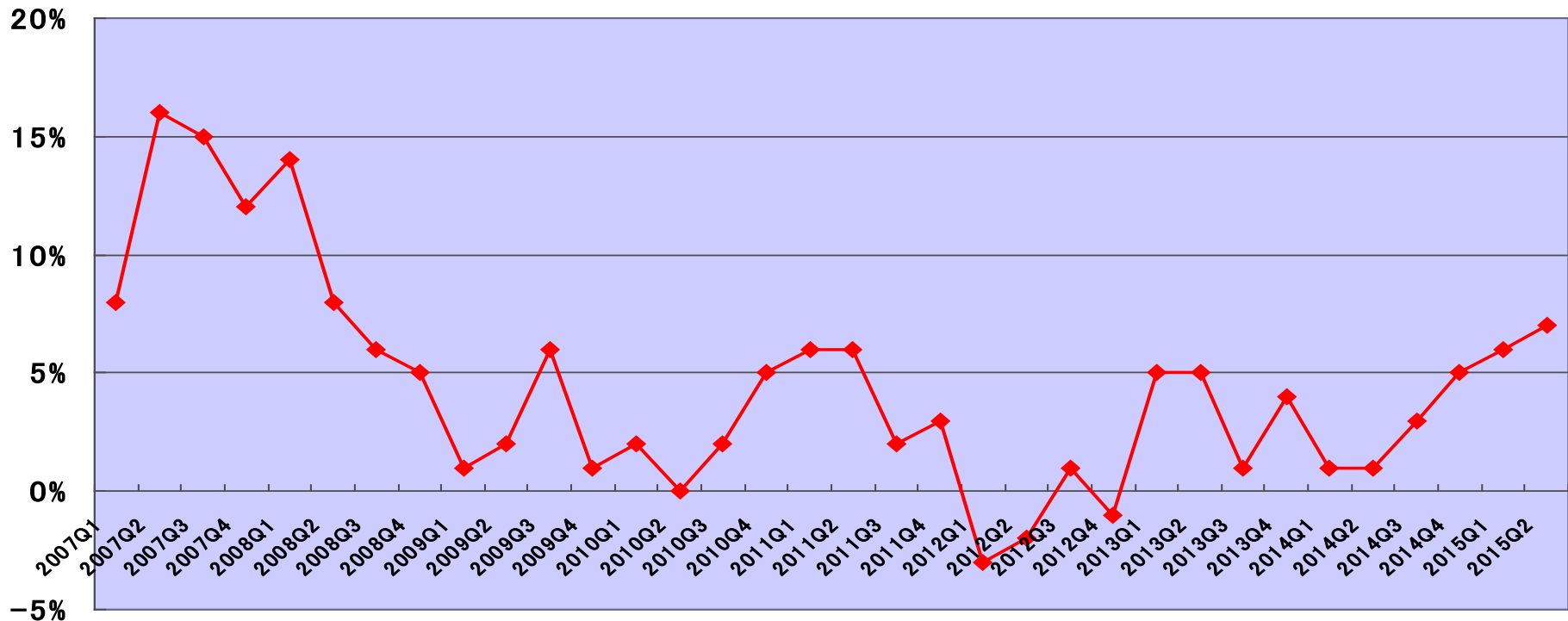
(Non-GAAP)



Constant currency Revenue growth

(YoY)

(unaudited)



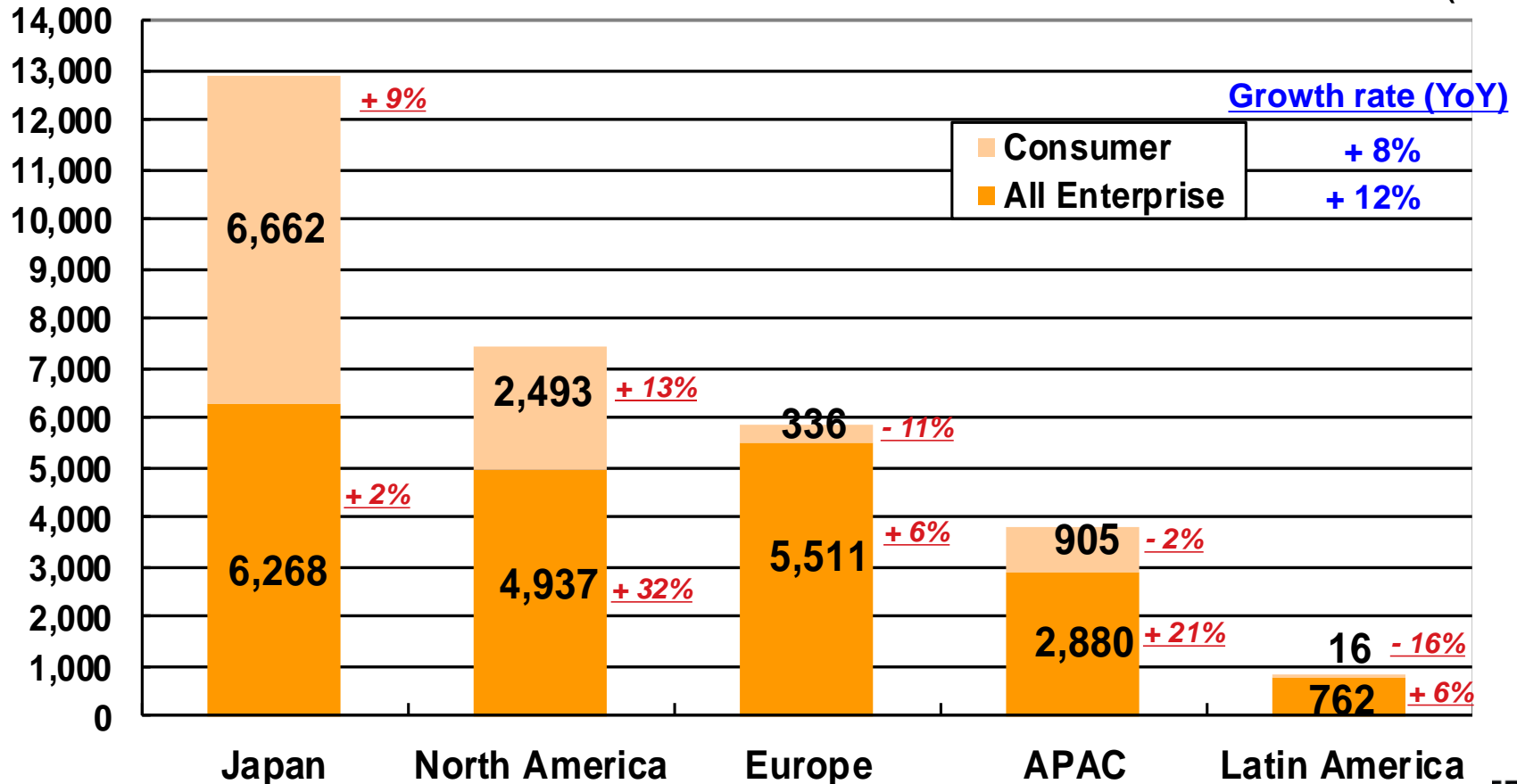
(Non-GAAP)

• 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)

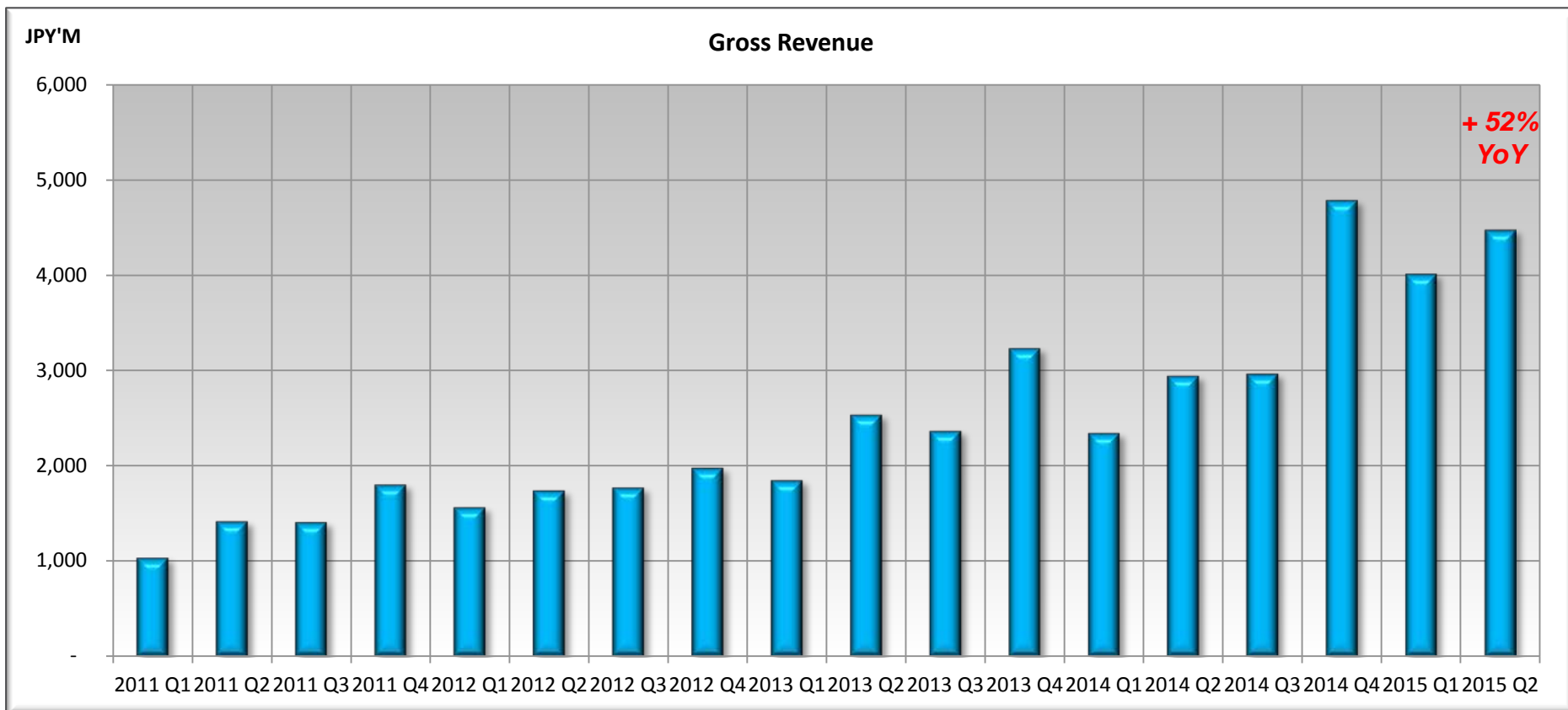
(unaudited)



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

TRFND^{RO}
(Non-GAAP)

“Cloud related” Gross sales



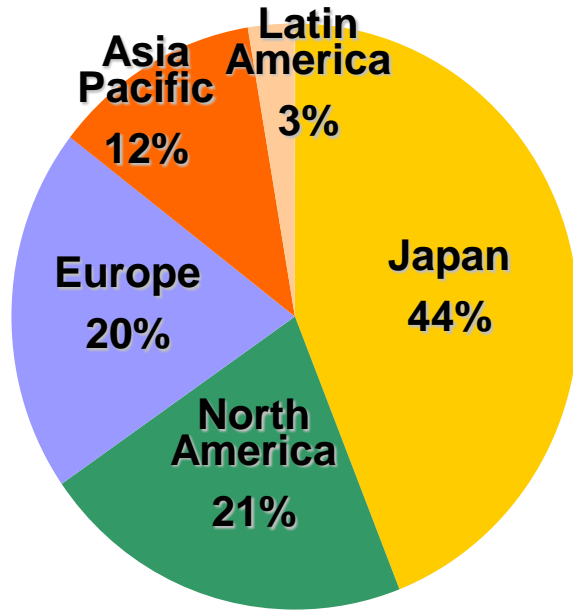
“Notice” As above numbers are just for internal use, they may be subject to some changes hereafter.

(Non-GAAP)

% share by region

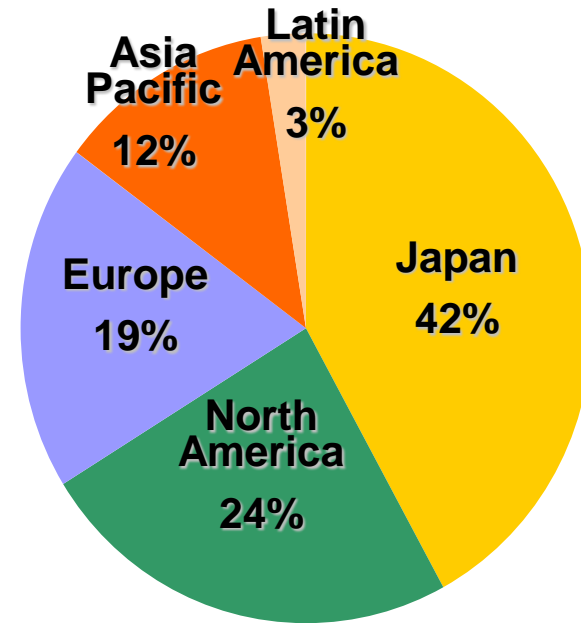
2Q2014

27,807 million Yen



2Q2015

30,774 million Yen

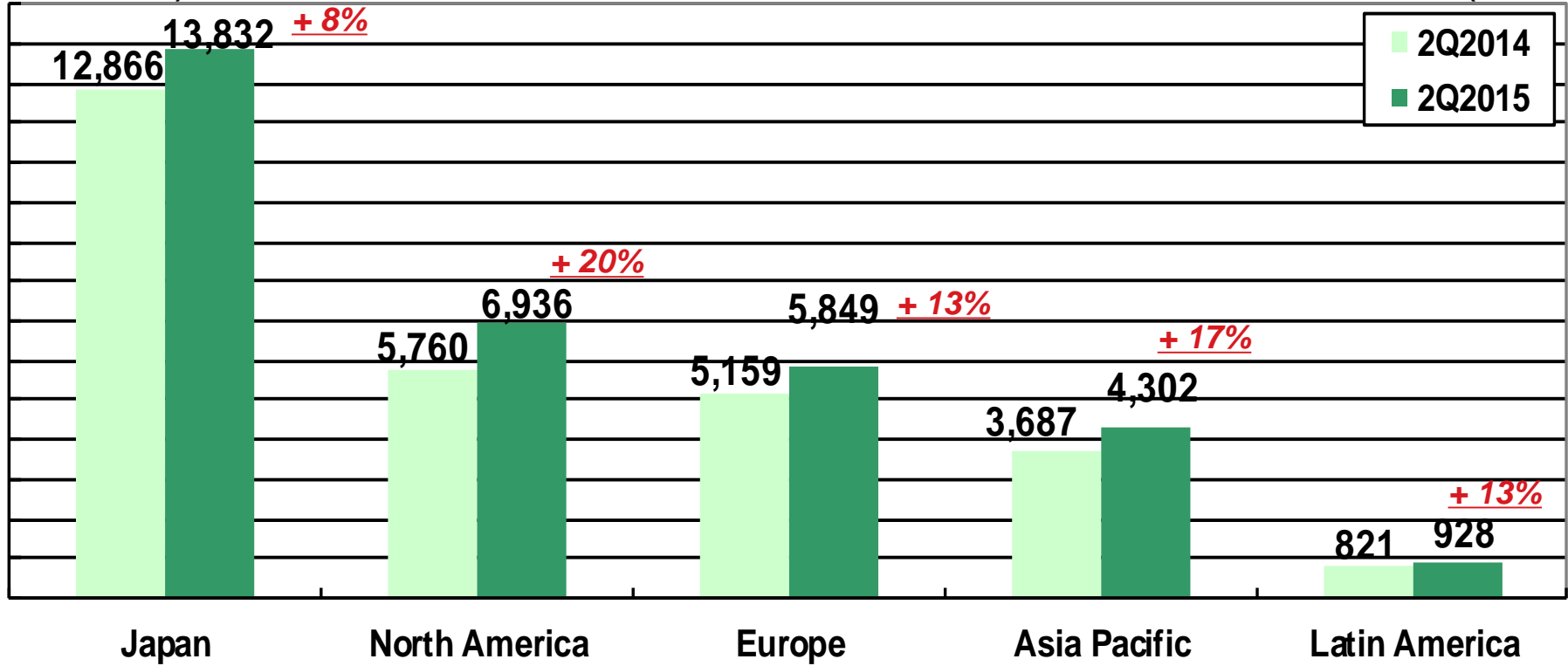


“For reference”

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)

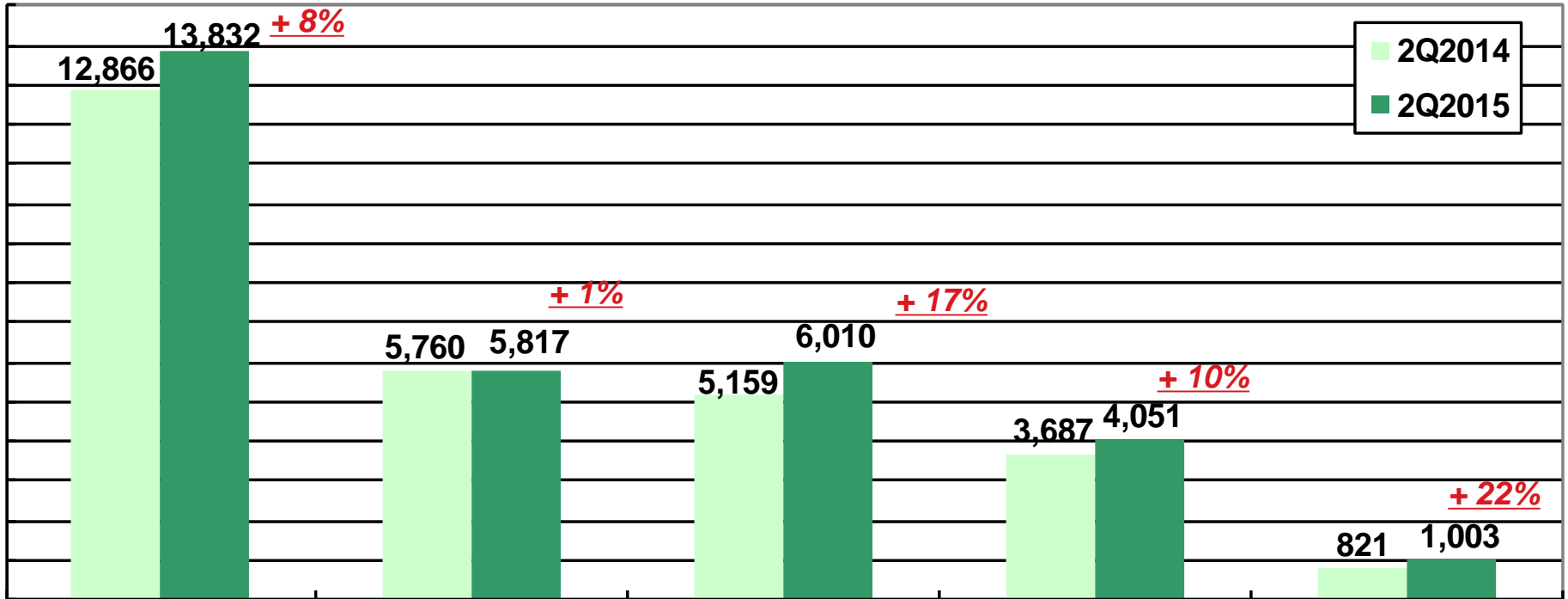
“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(in million Yen)

If currency exchange rates used for 2Q2014 were used for 2Q2015:

(unaudited)

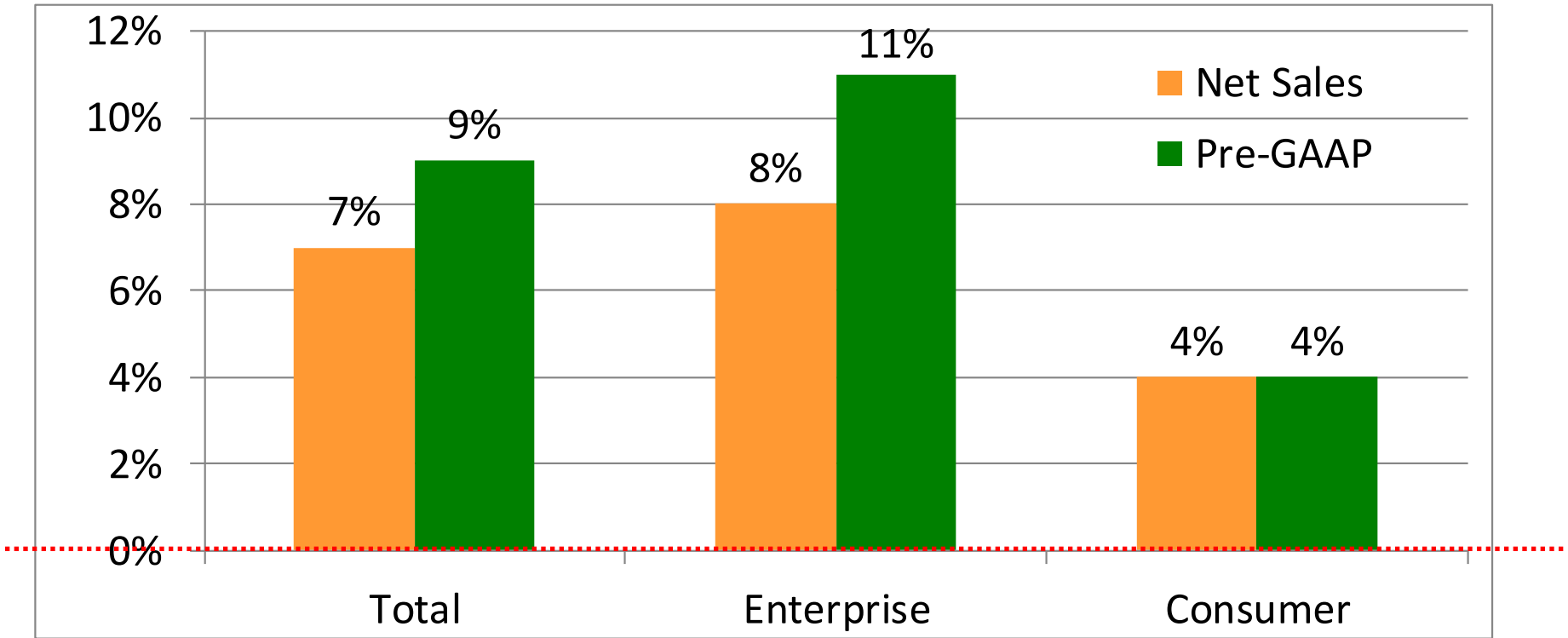


“Notice”

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)

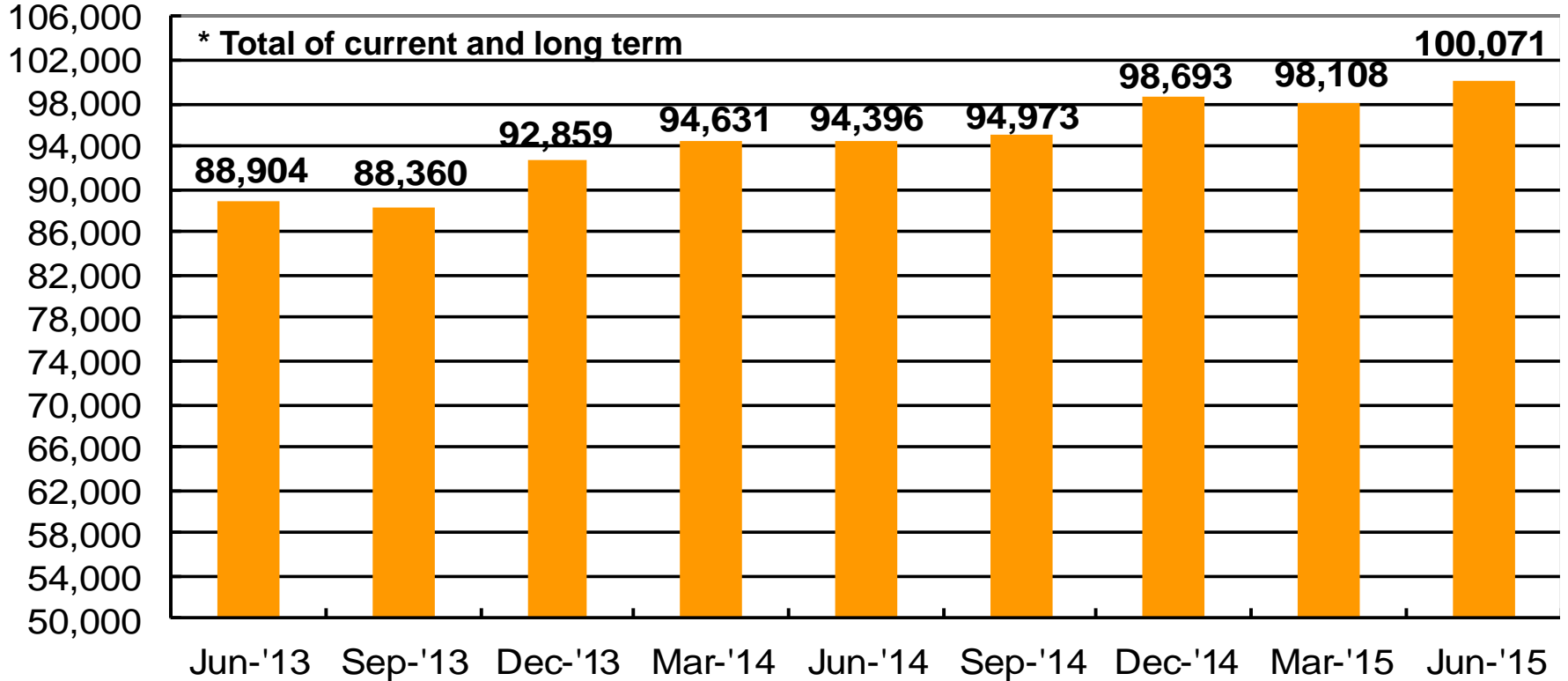


• Each growth rate shown above is based on applying to each quarter the same currency rate as the previous year for the same period

Deferred Revenue

(in million Yen)

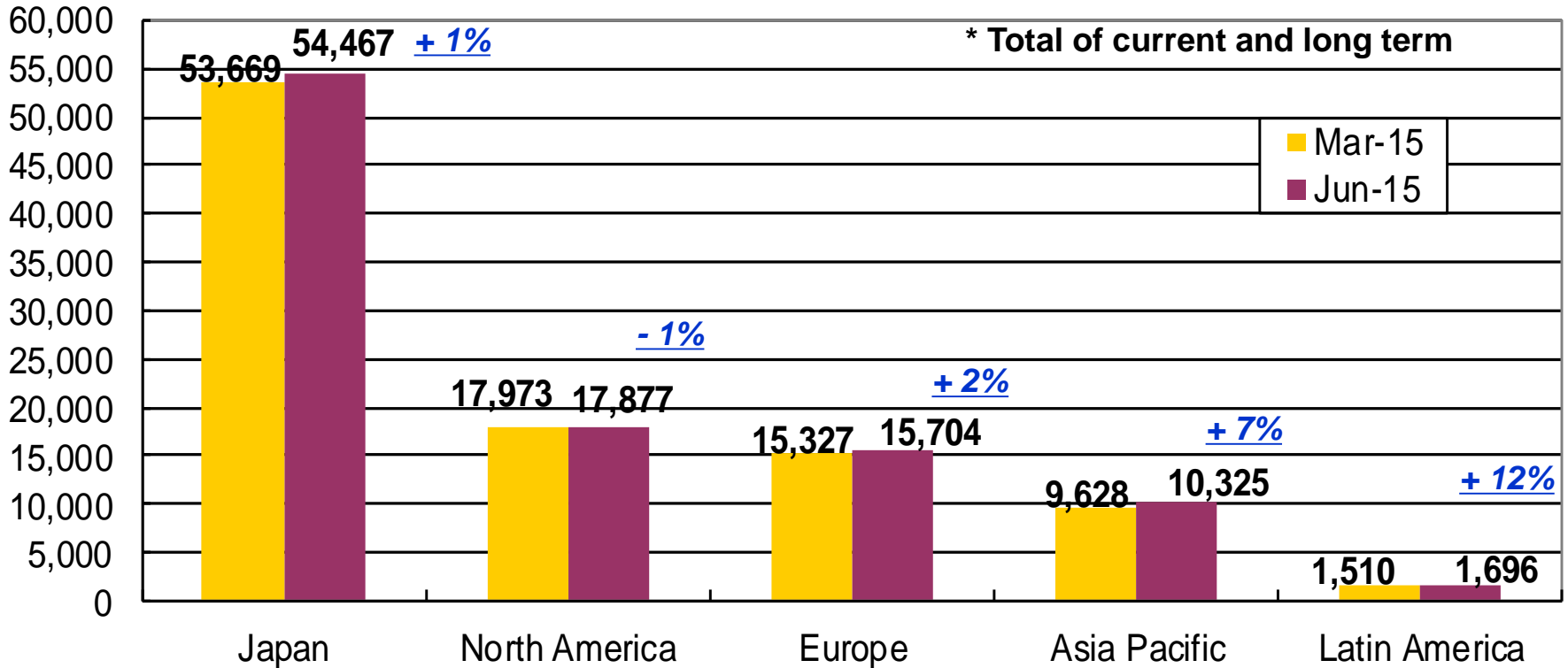
(unaudited)



Deferred Revenue by Region

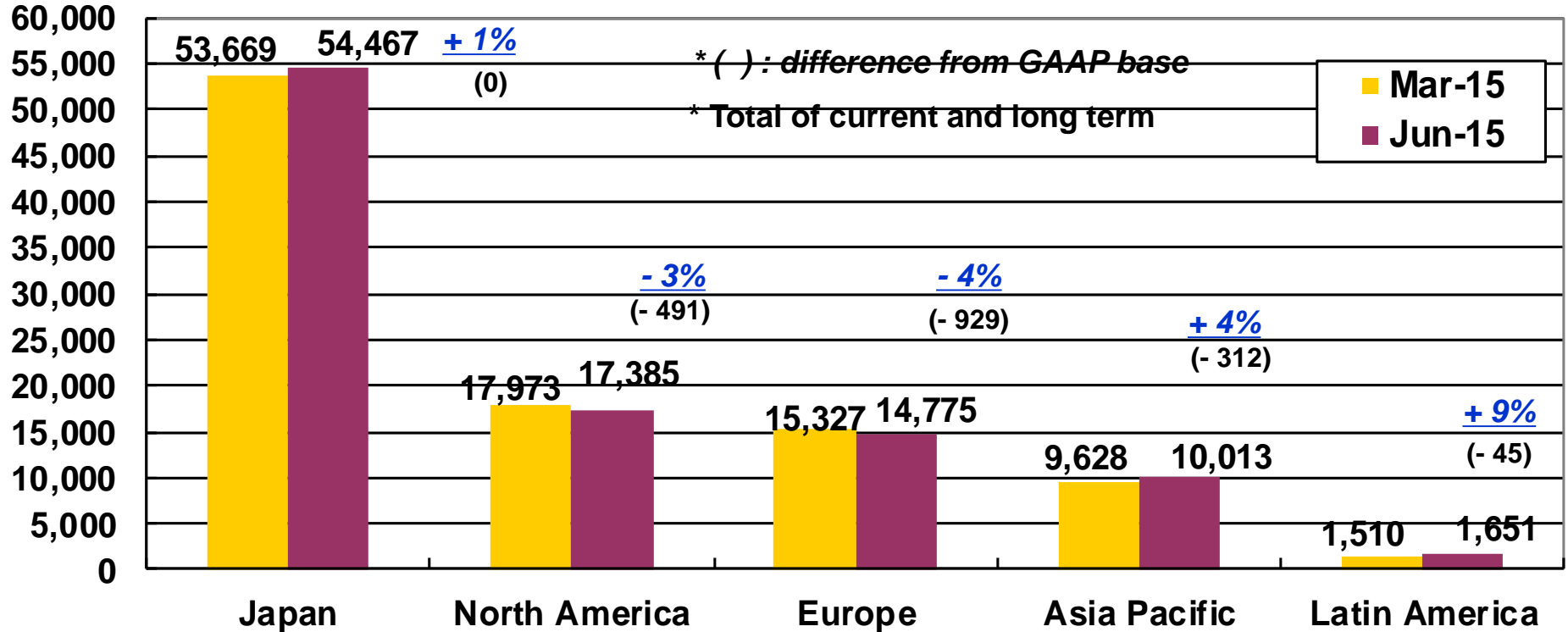
(in million Yen)

(unaudited)



Deferred Revenue by Region

If currency exchange rates used as of the end of 1Q2015 were used as of the end of 2Q2015:
 (in million Yen) (unaudited)



* () : difference from GAAP base

* Total of current and long term

■ Mar-15
 ■ Jun-15

• Each JPY amount as of the end of 2Q2015 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 2Q2015 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 1Q2015 into a JPY deferred revenue amount for Japan GAAP reporting purposes.

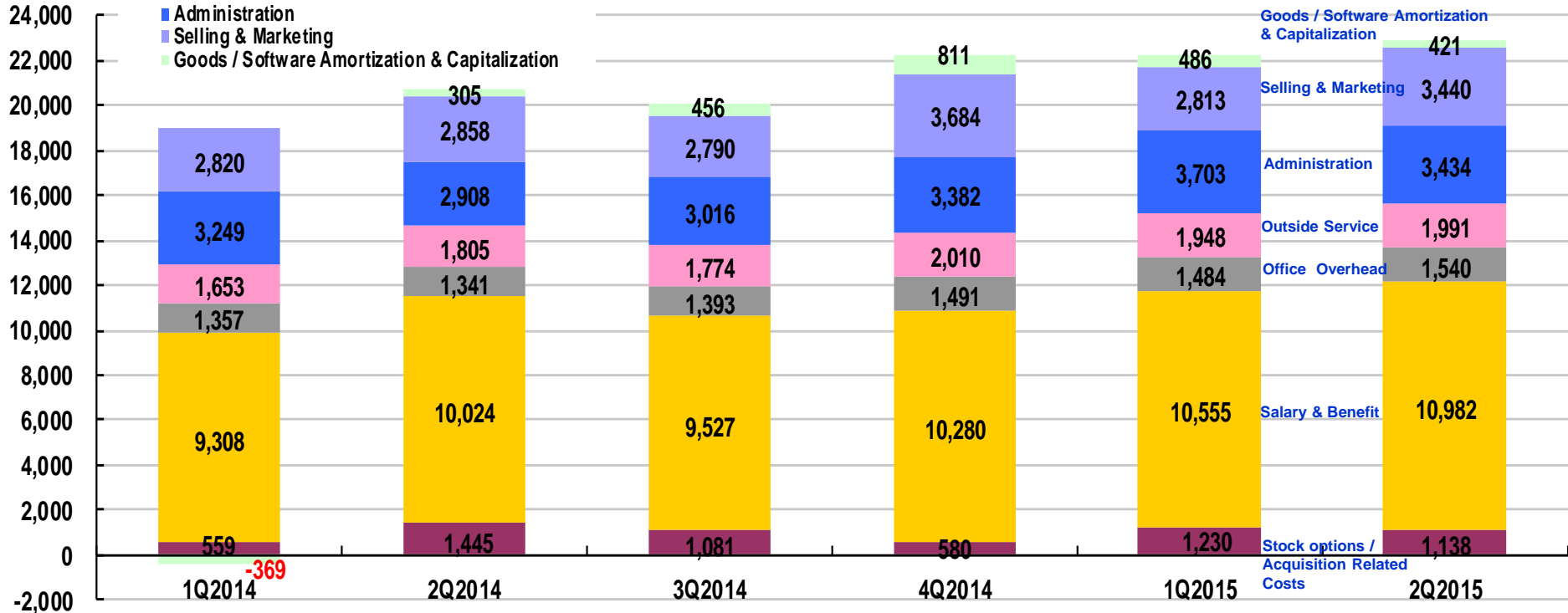
(Non-GAAP)

Cost

(unaudited)

(in million Yen)

- Stock Options / Acquisition Related Costs
- Salary & Benefit
- Office Overhead
- Outside Service
- Administration
- Selling & Marketing
- Goods / Software Amortization & Capitalization

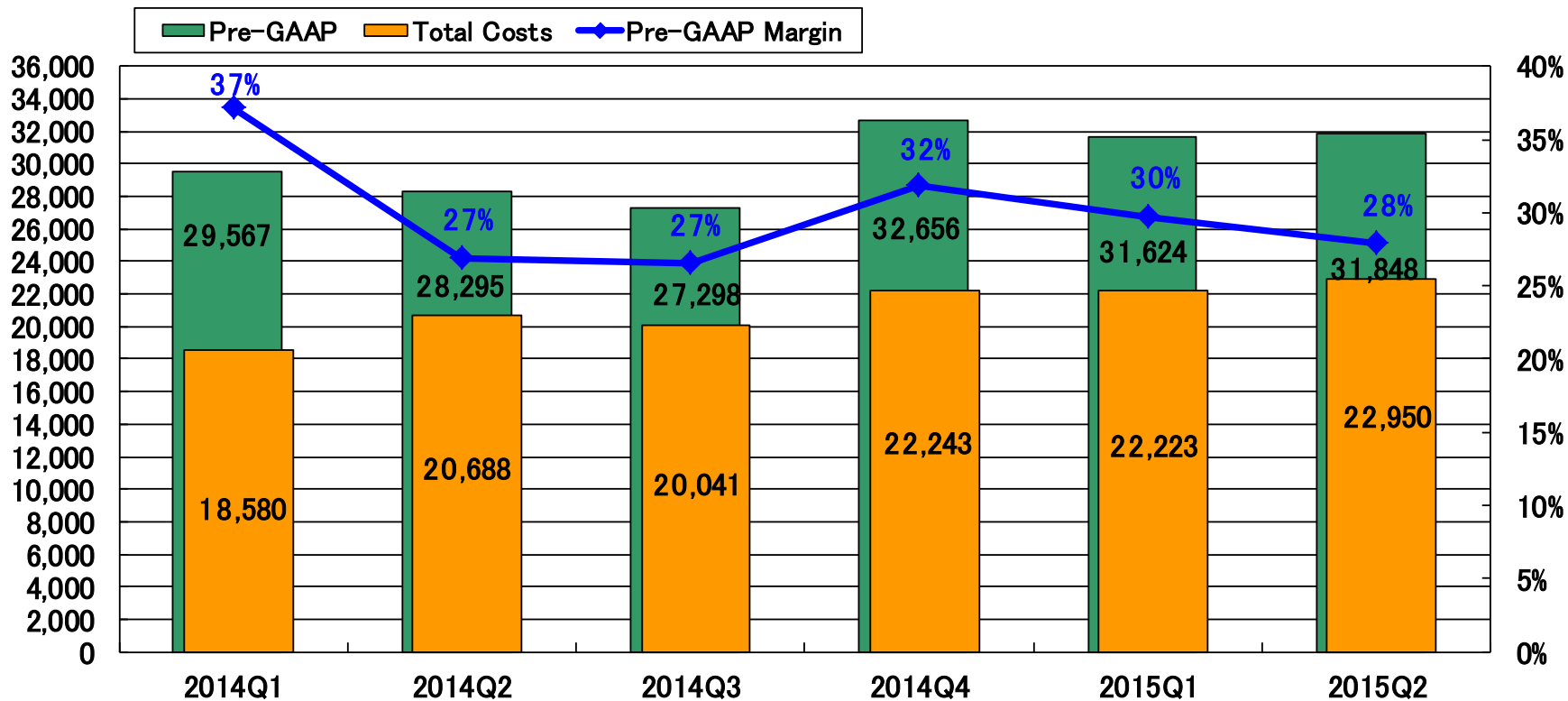


(Non-GAAP)

Pre-GAAP v s Total Costs

(in million Yen)

(unaudited)



* "Total costs" means COGS + SGA.

(Non-GAAP)



Cash flows

(unaudited)
(in million Yen)

	2Q2014	2Q2015	YoY growth
Cash flows from operating activities	10,759	10,653	- 1%
Cash flows from investing activities	- 14,003	- 17,130	—
Cash flows from financing activities	- 3,259	1,052	—
Effect of exchange rate changes on cash and cash equivalents	- 274	962	—
Net increase (decrease) in cash and cash equivalents	- 6,777	- 4,462	—
Cash and cash equivalents at beginning of this quarter period	51,819	47,247	- 9%
Increase in cash due to merger of consolidated subsidiary	—	—	—
Cash and cash equivalents at end of this quarter period	45,042	42,784	- 5%

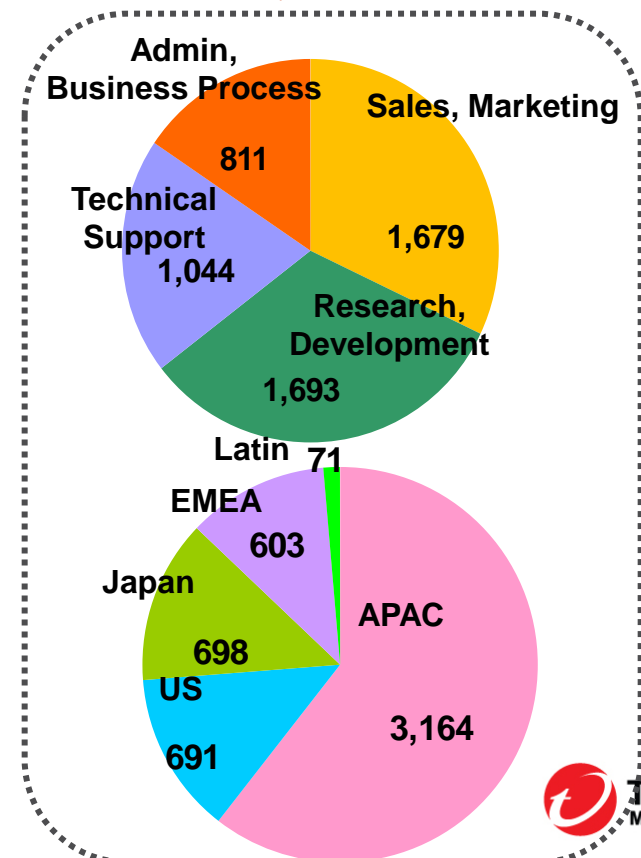
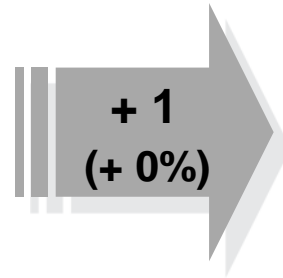
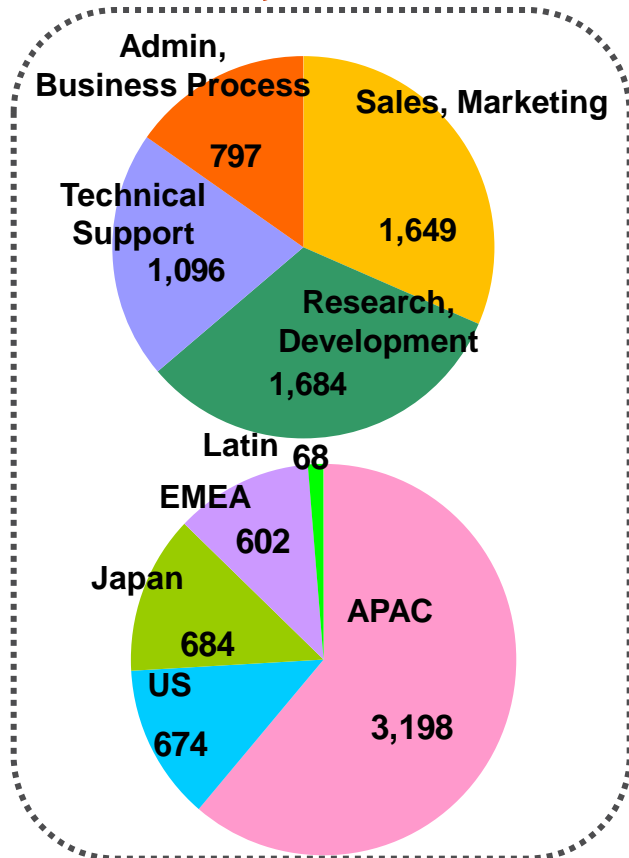
Headcount

Mar - 2015

5,226

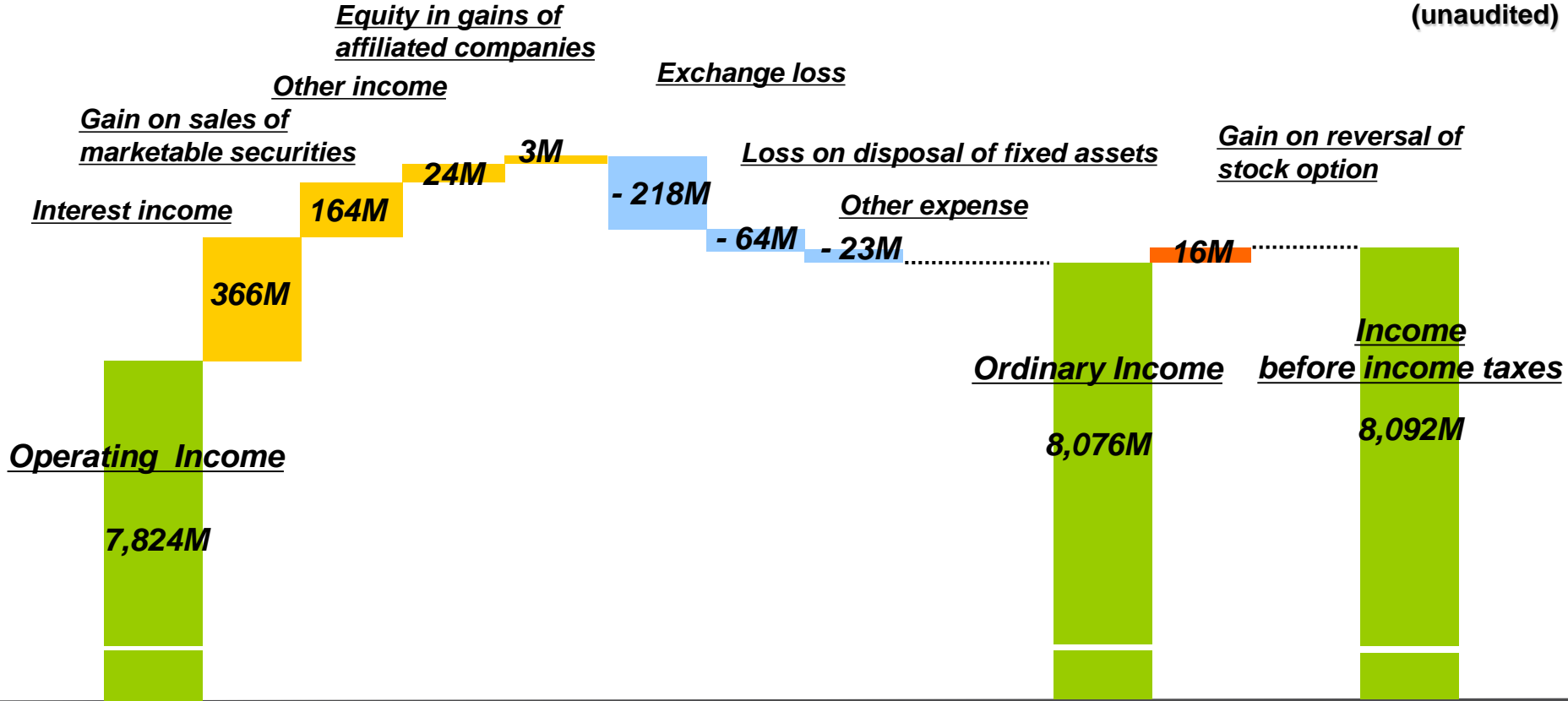
Jun - 2015

5,227



Non-operating & Extra-ordinary Items

(unaudited)



(Non-GAAP)



Balance Sheet

(unaudited)
(in million Yen)

	<i>Mar-2015</i>	<i>change</i>	<i>Jun-2015</i>
<u>Assets</u>			
<i>Cash & cash equivalents</i>	51,609	- 4,386	47,223
<i>Account receivable</i> <i>(less allowance for doubtful accounts)</i>	26,647	- 2,311	24,336
<i>Marketable securities & Securities investments</i>	138,226	+ 18,312	156,538
<u>Liabilities</u>			
<i>Deferred revenue</i> <i>(total of current and long-term)</i>	98,108	+ 1,963	100,071
<u>Shareholders' Equity</u>			
<i>Common Stock & Additional paid in capital</i>	40,571	+ 90	40,661
<i>Treasury Stock</i>	- 13,783	+ 1,536	- 12,247

Q2 Highlights

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

Q2 Lowlights

- ***Outlook for consumer PC related business uncertain***
- ***Pricing pressure on traditional products continues***

FY2015 6 months Financial Highlight

(January ~ June, 2015)

Consolidated Results (6 months)

(in million Yen)

6 months ended Jun 30,	2014(Q1-Q2)	(Progress vs. last year's annual result)	2015(Q1-Q2)	YoY growth	(Progress vs. current year's annual forecast)
Net sales	55,325	(48%)	60,668	+ 10%	(49%)
Cost of sales	9,304		10,456	+ 12%	
Operating expenses	29,964		34,717	+ 16%	
Operating income (Margin)	16,056 (29%)	(48%)	15,494 (26%)	- 3%	(45%)
Ordinary income	17,435	(48%)	16,571	- 5%	(45%)
Net income	10,764	(48%)	10,444	- 3%	(46%)

“For reference” Revenue before adjusting deferred revenue

Pre-GAAP	57,863		63,473	+ 10%	
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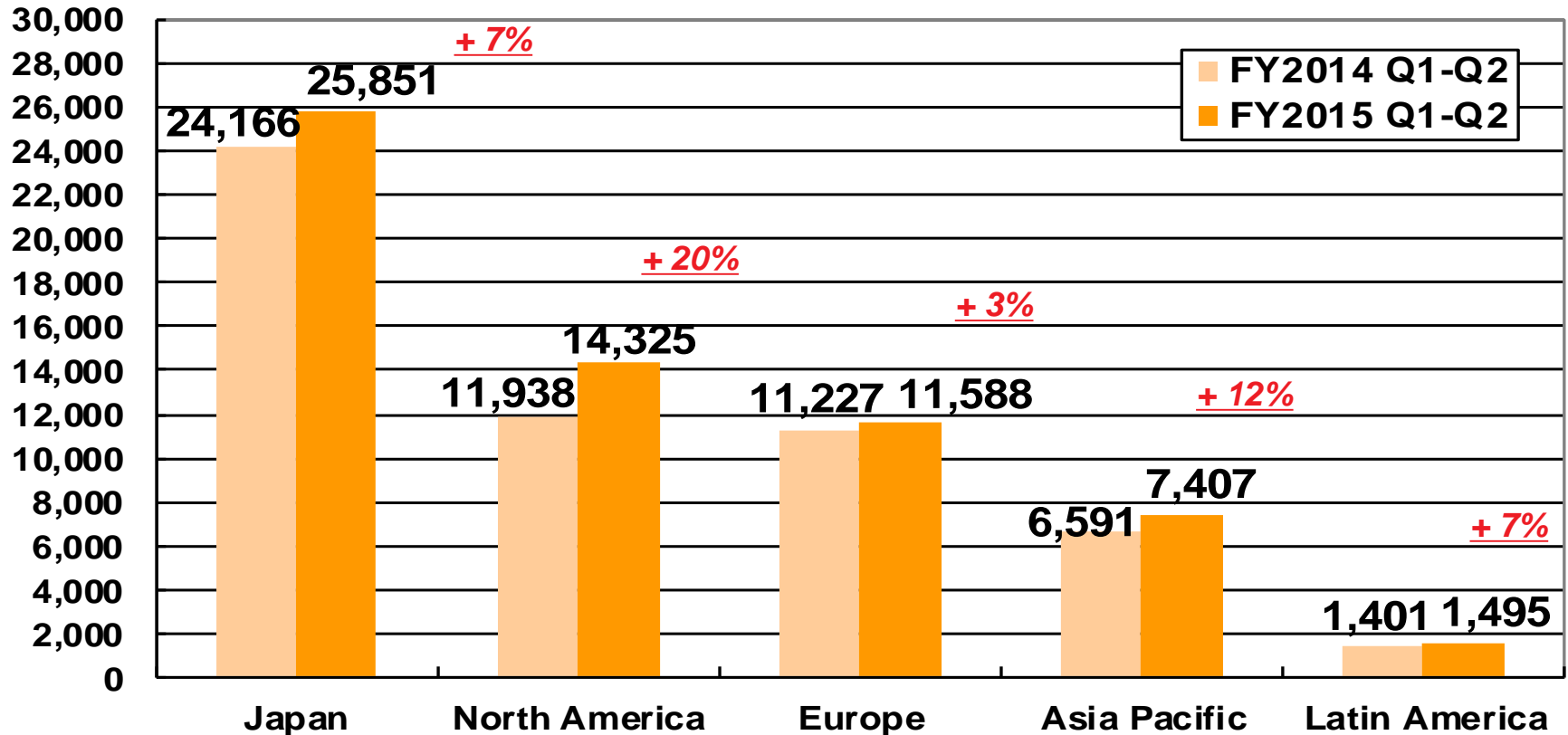
(Non-GAAP)



Net Sales Growth by Region

(in million Yen)

(unaudited)

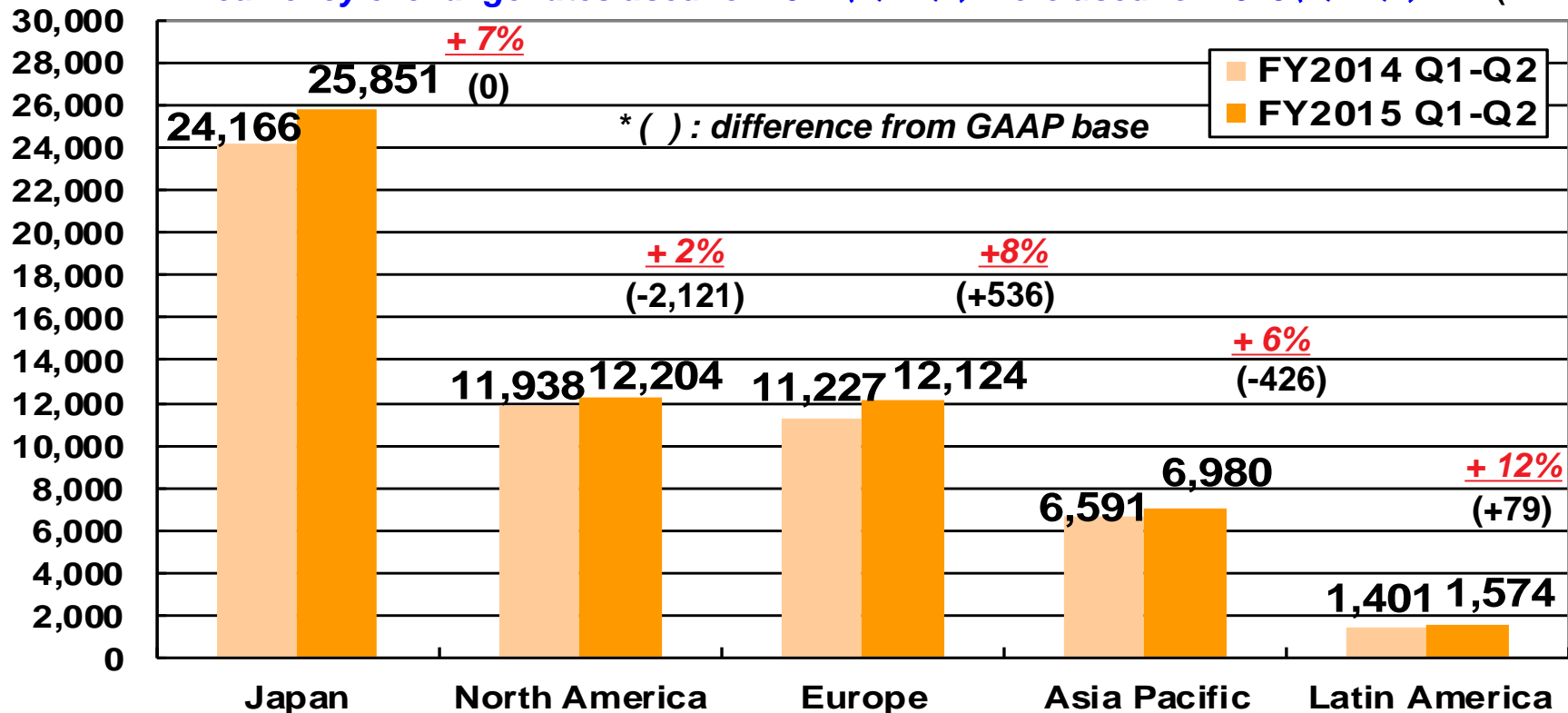


Net Sales Growth by Region

(in million Yen)

If currency exchange rates used for 2014 (Q1-Q2) were used for 2015 (Q1-Q2):

(unaudited)



* Each JPY amount for 2015(Q1-Q2) shown above has been calculated by applying to the relevant foreign currency net sales amount for 2015(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 2014(Q1-Q2) into a JPY net sales amount for Japan GAAP reporting purposes.

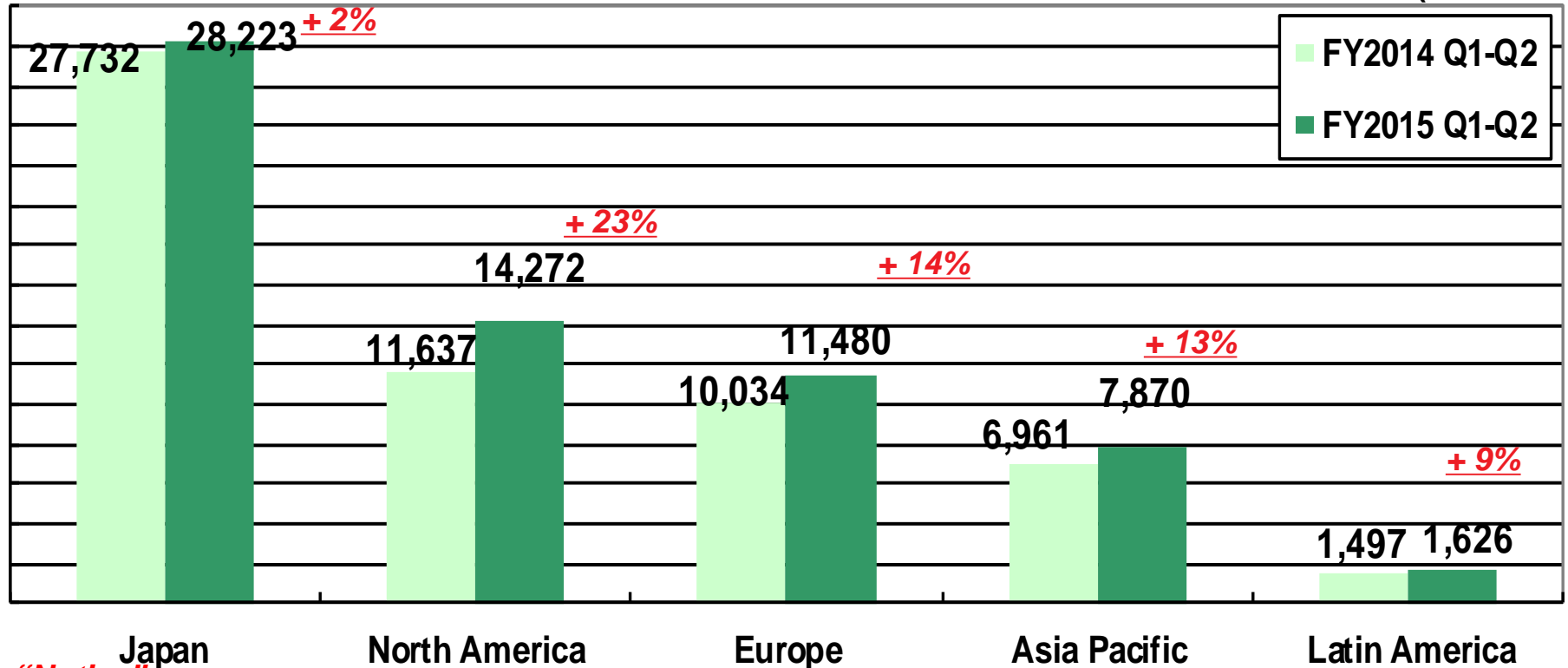
(Non-GAAP) 31

“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

(in million Yen)

(unaudited)



“Notice”

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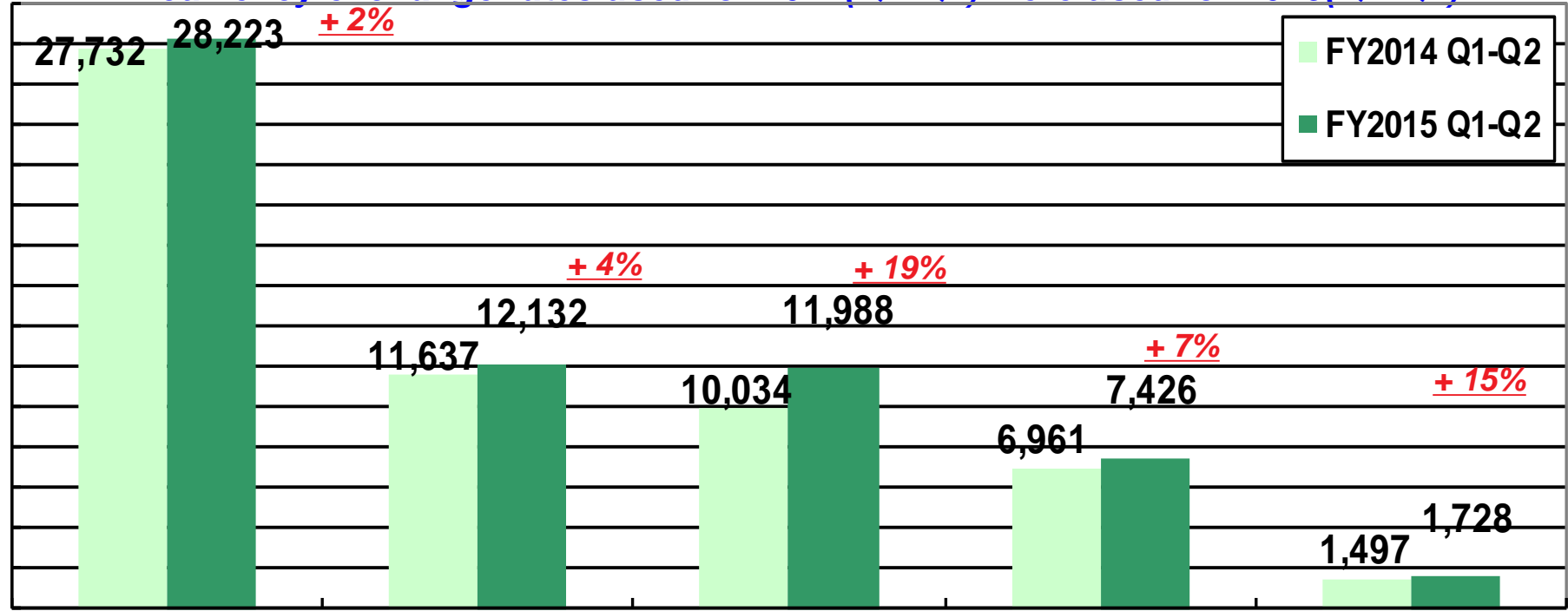
(Non-GAAP)

ICRO™

“For reference”

Pre-GAAP (Revenue before adjusting Deferred revenue)

If currency exchange rates used for 2014(Q1-Q2) were used for 2015(Q1-Q2):



“Notice”

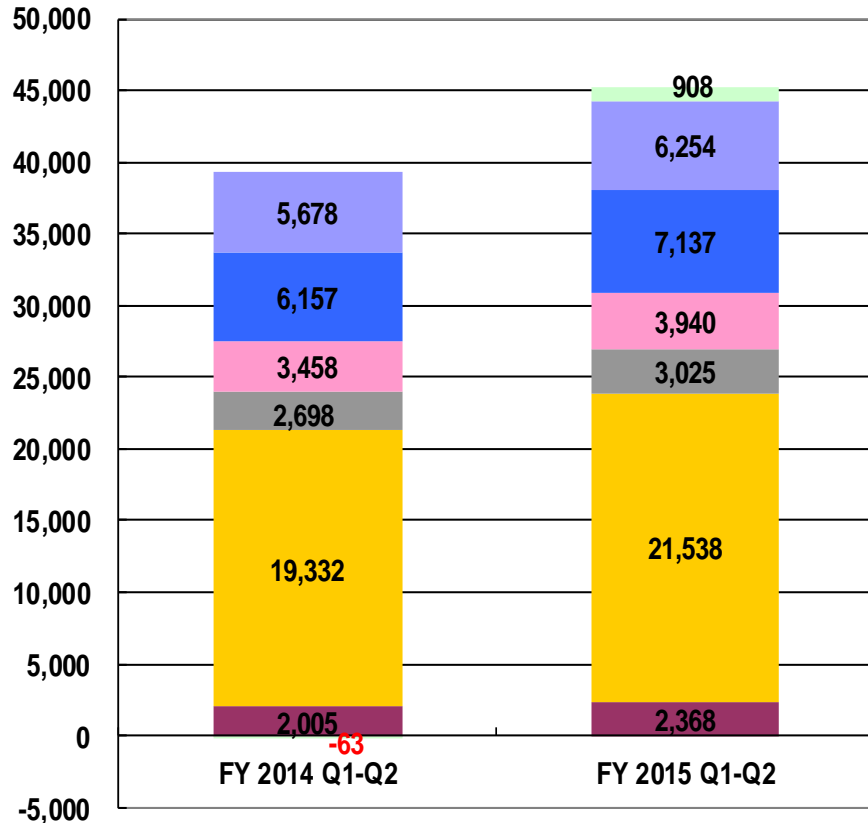
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(Non-GAAP)
MICRO™

FY2015 Cost (6 months)

(unaudited)

(in million Yen)



	<u>YoY Growth</u>
Goods / Software & Capitalization	—
Selling & Marketing	+ 10%
Administration	+ 16%
Outside service	+ 14%
Office overhead	+ 12%
Salary & Benefit	+ 11%
Stock option & Acquisition related costs	+ 18%
Total	+ 15%

Headcount

+ 0%

(Non-GAAP)



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 2015Q2: 1USD=120 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	30,774		
Cost of sales	4,622	4,682	5,272	5,853	5,250	5,205		
Operating expenses	13,958	16,005	14,768	16,390	16,972	17,745		
Operating income	8,937	7,119	8,574	9,021	7,670	7,824		
Ordinary income	9,686	7,748	9,069	9,487	8,494	8,076		
Net income	6,038	4,726	5,726	5,812	5,505	4,939		
(Costs)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Goods / Software Amortization & Capitalization	-369	305	456	811	486	421		
Selling & Marketing	2,820	2,858	2,790	3,684	2,813	3,440		
Administration	3,249	2,908	3,016	3,382	3,703	3,434		
Outside service	1,653	1,805	1,774	2,010	1,948	1,991		
Office overhead	1,357	1,341	1,393	1,491	1,484	1,540		
Salary & Benefit	9,308	10,024	9,527	10,280	10,555	10,982		
Stock option cost	287	1,116	853	337	993	898		
Acquisition related costs	272	329	228	242	236	240		
Total	18,580	20,688	20,041	22,243	22,223	22,950		
The number of employees	5,201	5,219	5,241	5,258	5,226	5,227		
Applied rate to yen (US\$)	102.77	102.16	104.00	114.80	119.17	121.50		
Applied rate to yen (Euro)	140.87	140.02	137.78	143.26	134.21	134.26		

Appendix

(unaudited)

Quarterly Chart (2)

(in million Yen)

	FY2014				FY2015			
(Sales by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	11,934	12,232	13,058	13,511	12,920	12,931		
US	5,998	5,939	6,034	6,975	6,894	7,431		
Europe	5,632	5,594	5,474	6,076	5,740	5,848		
Asia Pacific	3,288	3,302	3,303	3,864	3,621	3,785		
Latin America	662	739	745	836	716	779		
Total	27,517	27,807	28,615	31,264	29,893	30,774		
(Sales by segment)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
All Enterprise	18,132	18,185	18,432	20,169	19,887	20,360		
Consumer	9,384	9,622	10,183	11,094	10,006	10,414		
Total	27,517	27,807	28,615	31,264	29,893	30,774		
(Pre-GAAP by region)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Japan	14,865	12,866	12,857	11,585	14,391	13,832		
US	5,877	5,760	5,678	7,113	7,335	6,936		
Europe	4,875	5,159	4,723	8,752	5,631	5,849		
Asia Pacific	3,273	3,687	3,225	4,197	3,568	4,302		
Latin America	675	821	813	1,008	698	928		
Total	29,567	28,295	27,298	32,656	31,624	31,848		

“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.**