



Trend Micro

FY2003. 4Q / Annual Results

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CFO, Representative Director
February 4, 2004



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.

For more details regarding risk factors relating to our future performance, please refer to our filings with the U.S. Securities and Exchange Commission.

FY2003 4Q Financial Highlight

Fiscal Year ended December 2003

Consolidated Results

<i>Three months ended Dec 31,</i>	<i>(unaudited) (in million Yen)</i>		
	4Q2002	4Q2003	YoY growth
Net sales	11,760	13,390	14%
Cost of sales	638	858	35%
Gross profit	11,122	12,531	13%
Operating expenses	6,688	7,281	9%
Operating income	4,434	5,251	18%
<u>Operating income margin</u>	<u>38%</u>	<u>39%</u>	
Income before taxes	3,499	5,317	52%
Net Income	2,281	3,607	58%

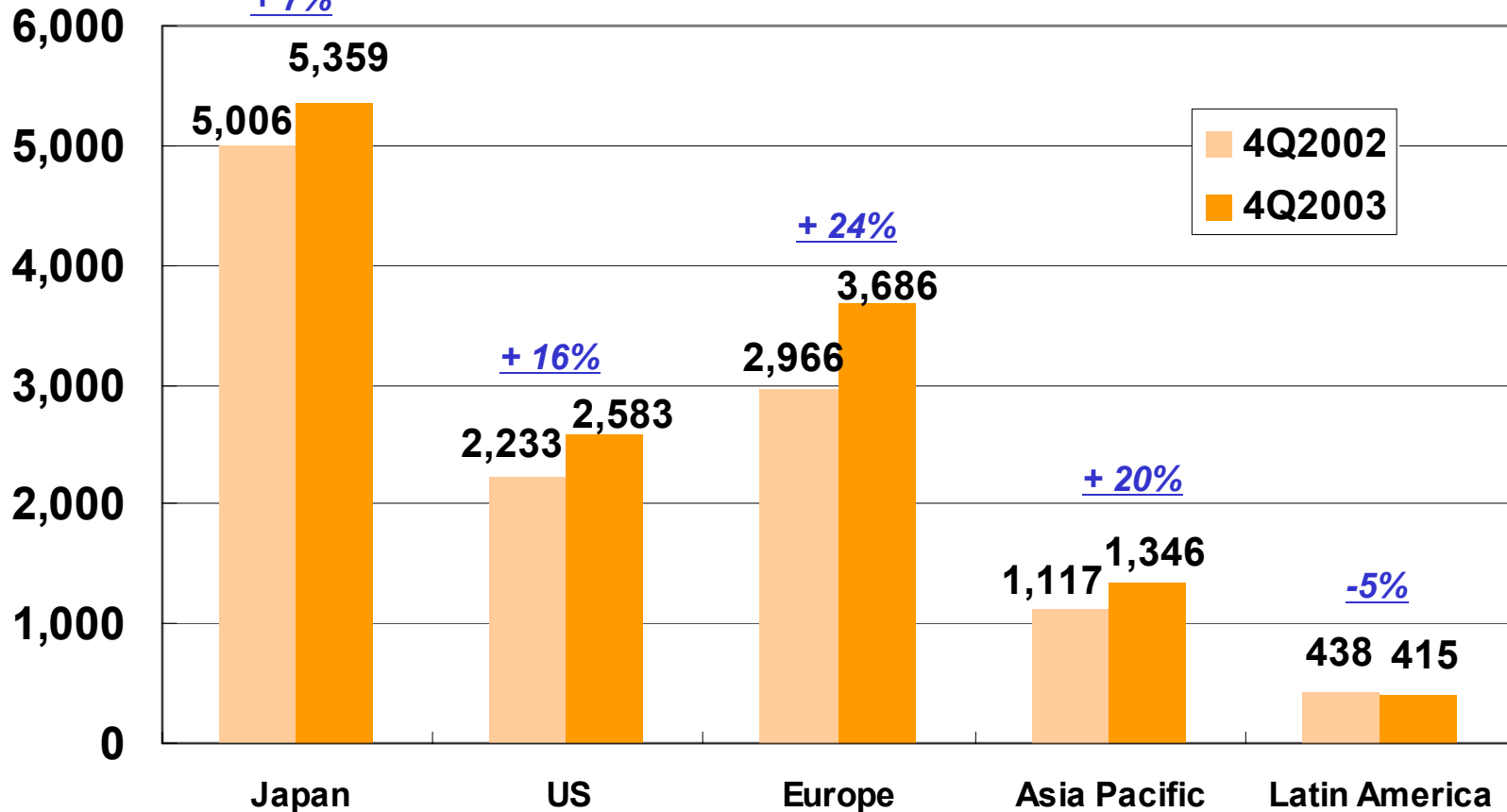
If same currency exchange rate is applied.

Net sales	11,760	13,620	16%
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Net Sales Growth by Region

(unaudited)

(in million Yen)



(In accordance with US GAAP)

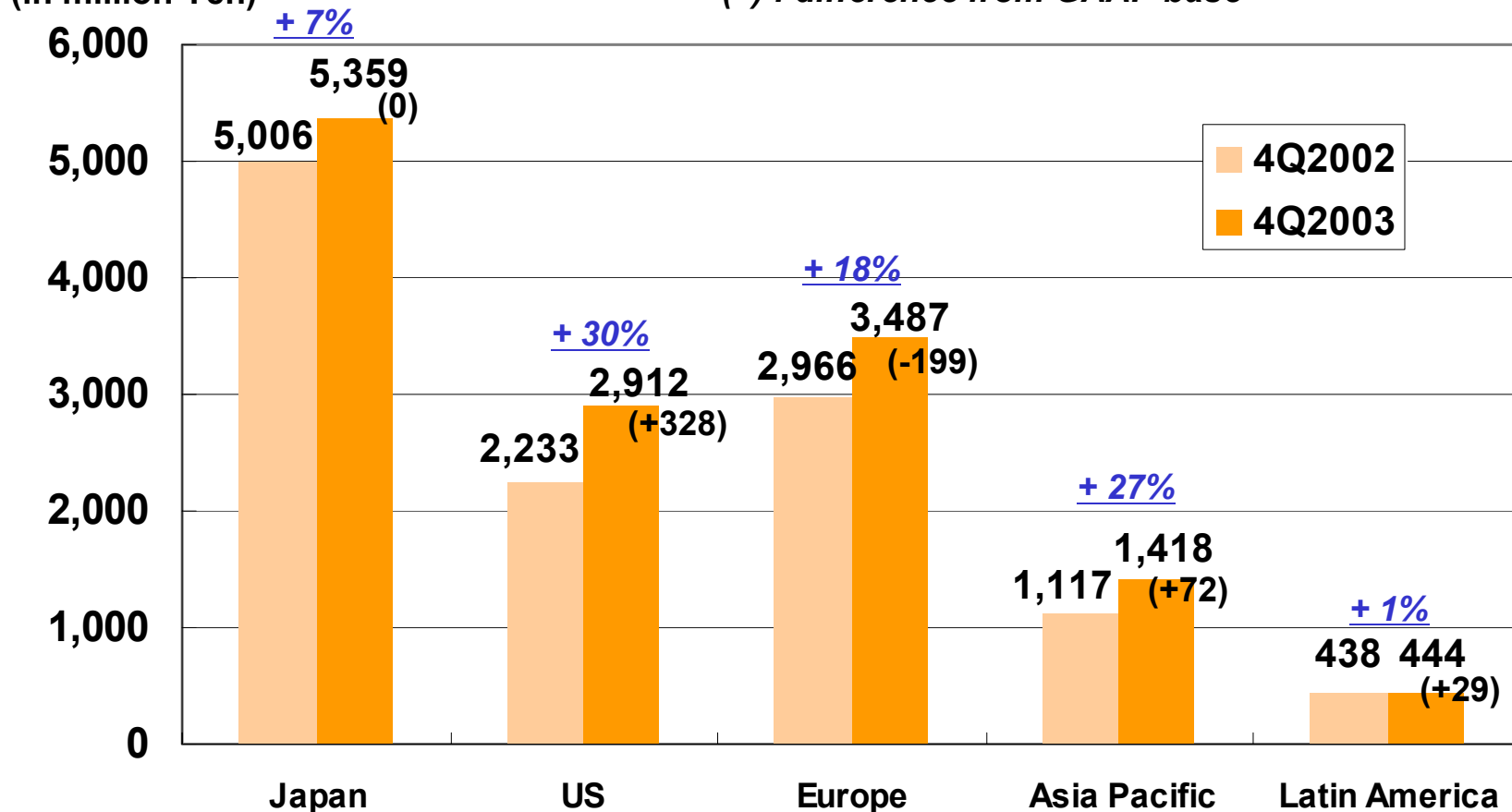
Net Sales Growth by Region

If same currency exchange rate is applied.

(unaudited)

(in million Yen)

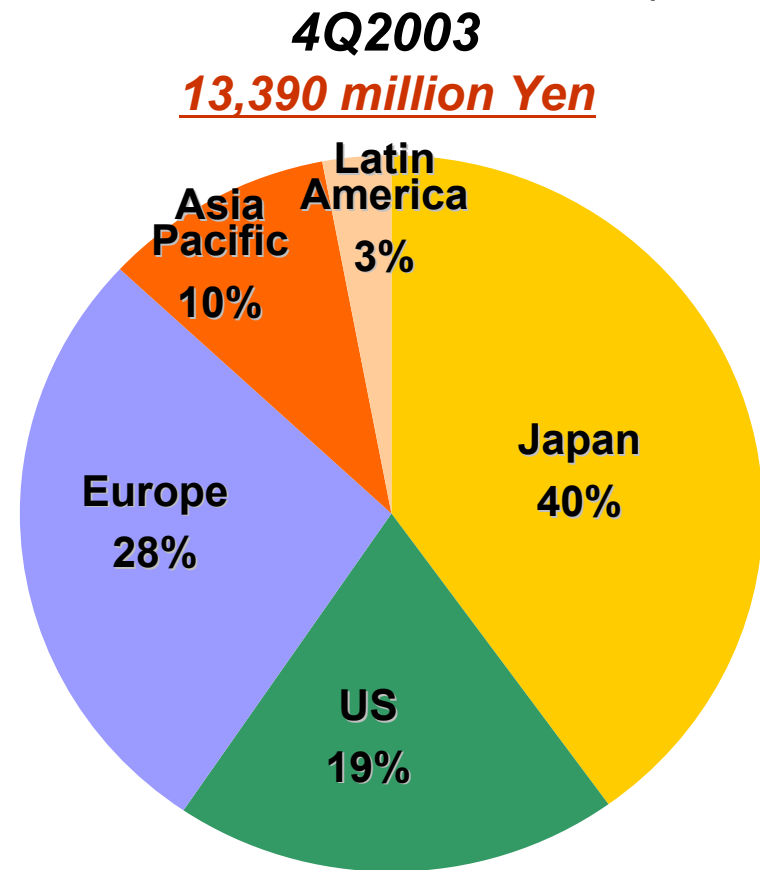
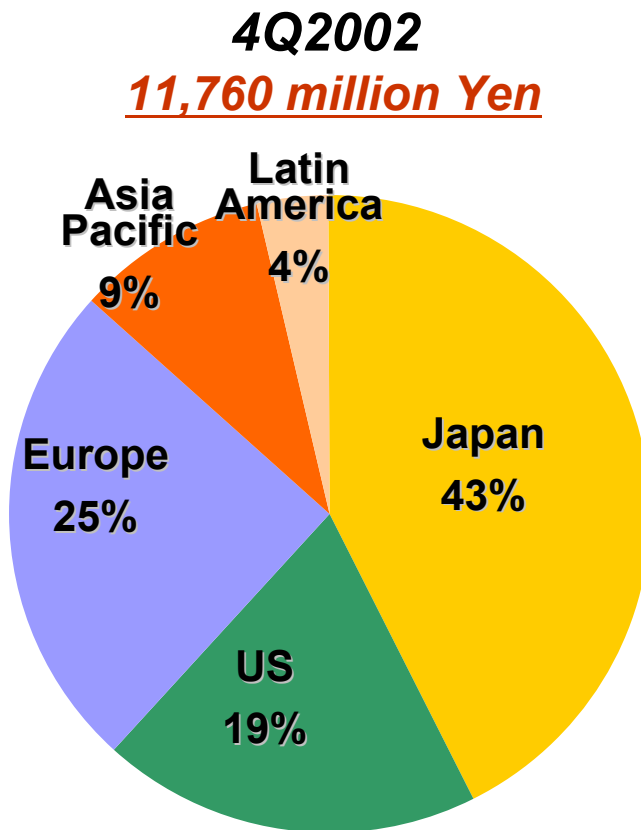
* () : difference from GAAP base



(In accordance with US GAAP)

% share by region

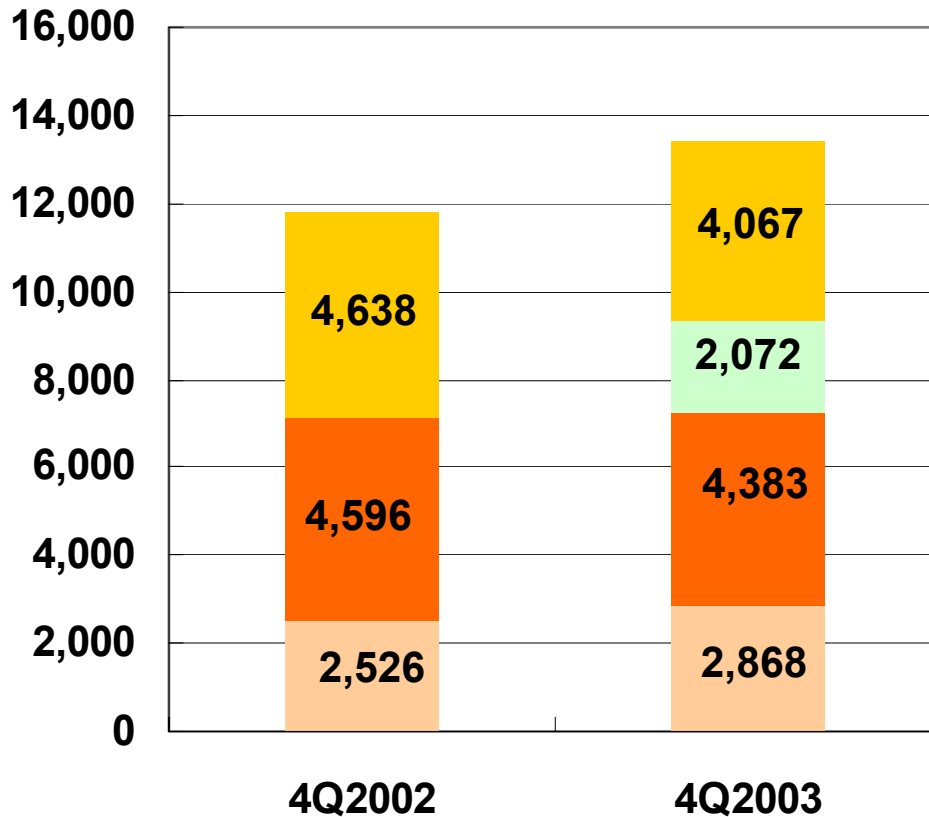
(unaudited)



Sales by Product

(unedited)

(in million Yen)



	<u>4Q2002</u>	<u>4Q2003</u>
■ Internet Server	39%	30%
■ Gateway Suite *	0%	15%
■ Client/Server Solution, others	39%	33%
■ Consumer PC	21%	21%
Total	100%	100%

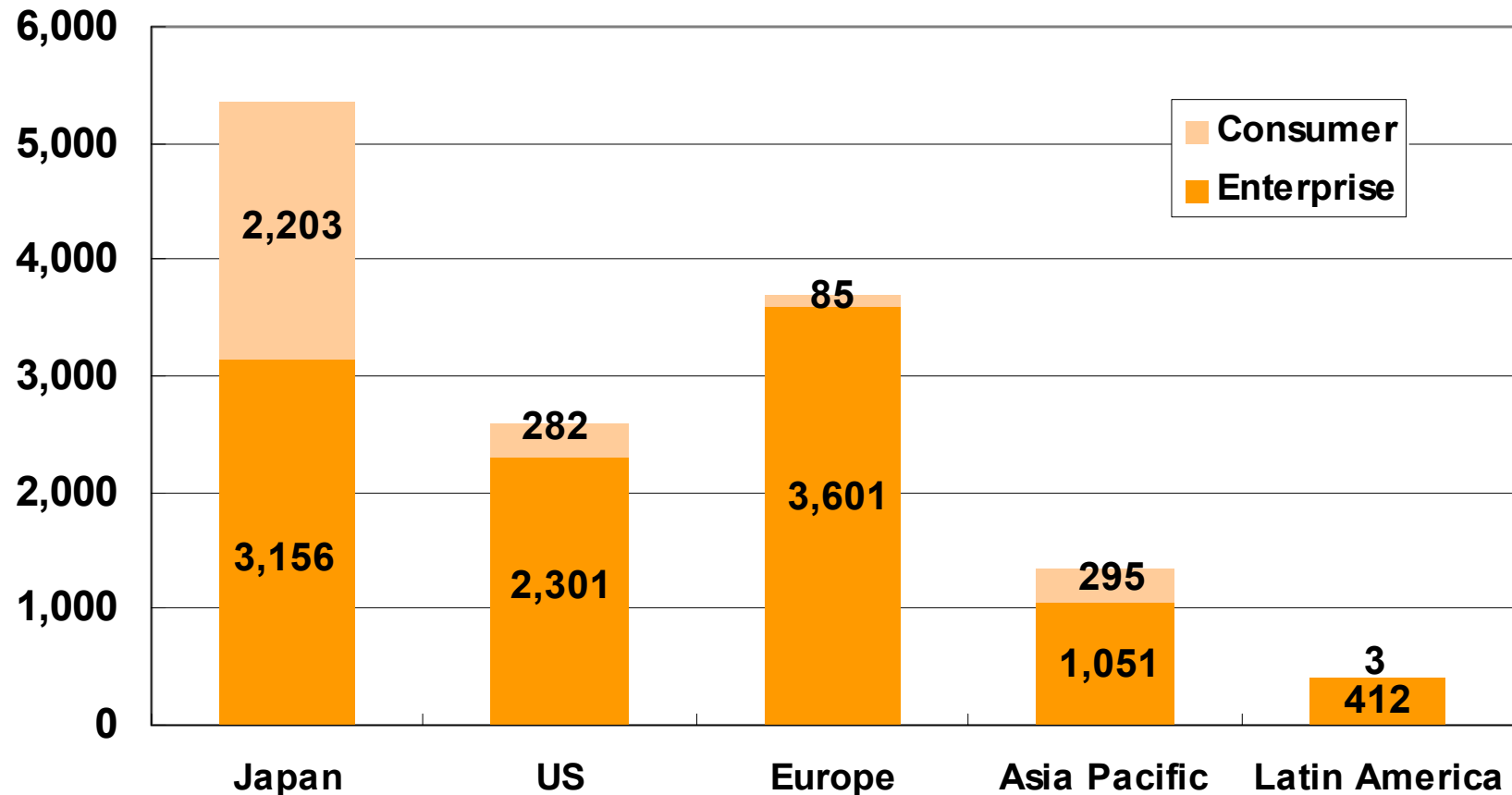
* Composed of "Internet Server" products and "Client/Server Solution" products
e.g. Neat Suite, Client/Server/Messaging Suite, etc.

Sales by Customer

(in million Yen)

4Q2003

(unedited)

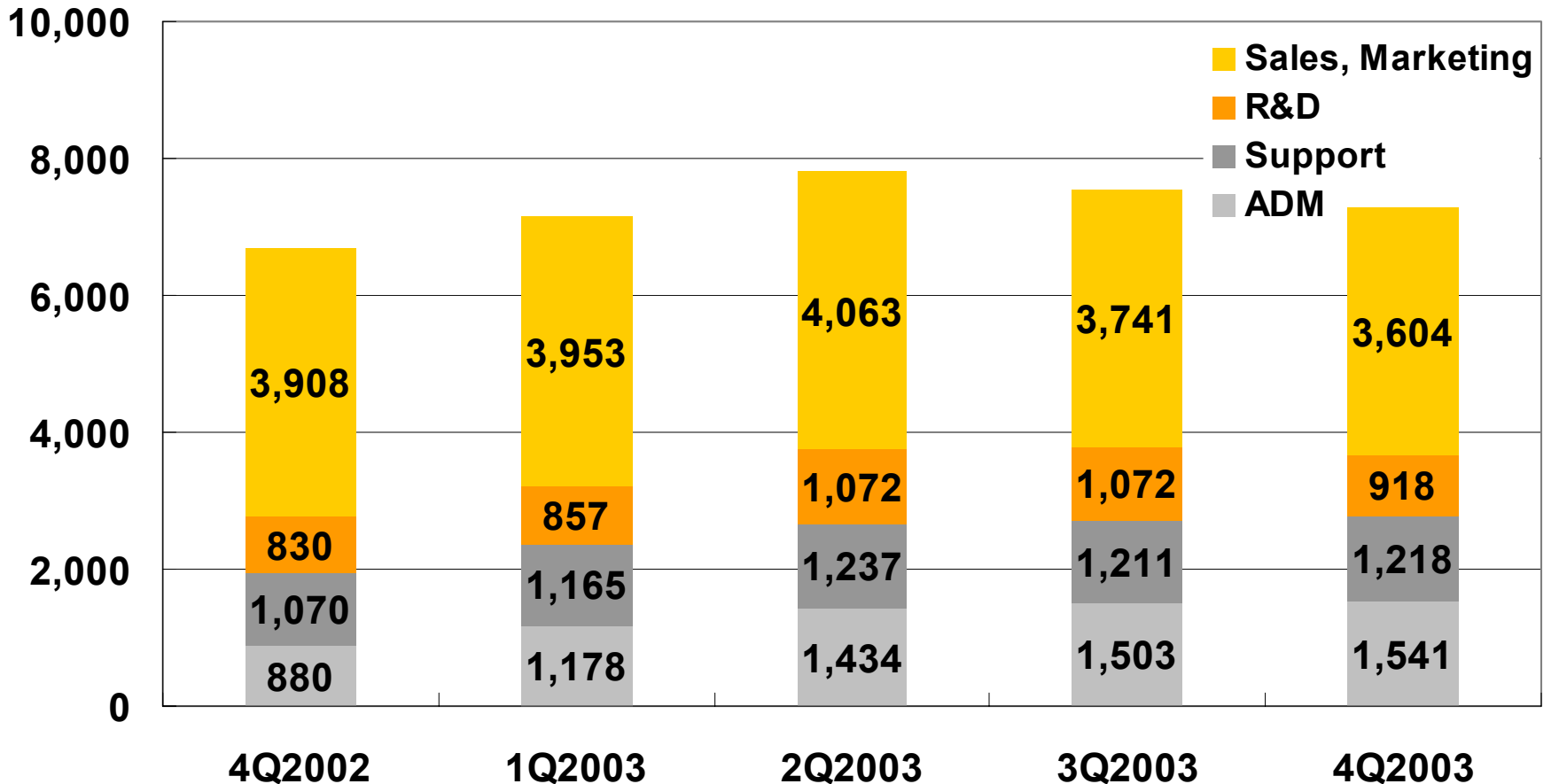


(In accordance with US GAAP)

Operating expenses

(unaudited)

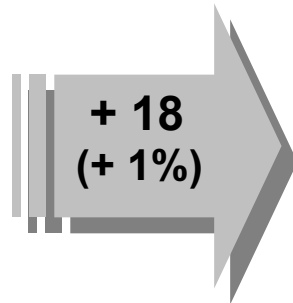
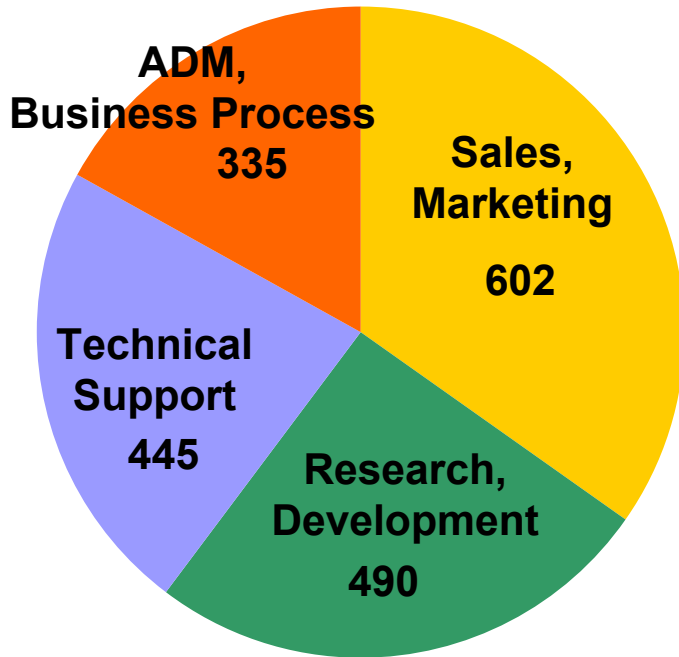
(in million Yen)



Headcount

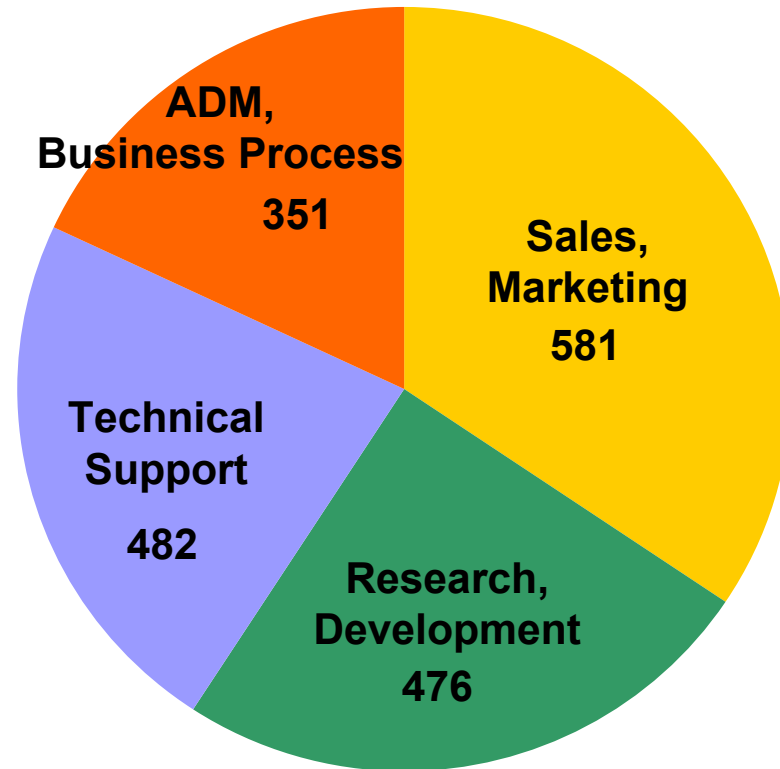
Sep - 2003

1,872



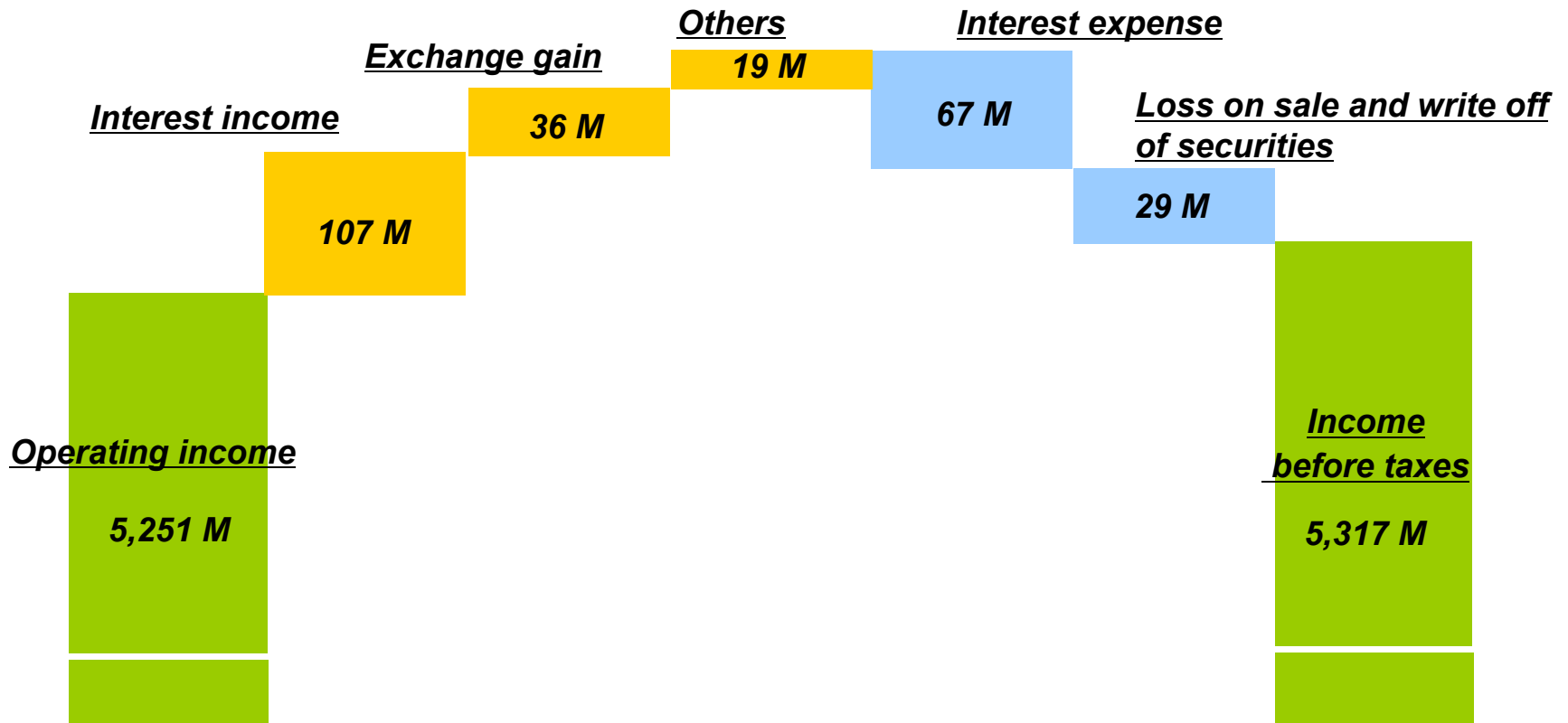
Dec - 2003

1,890



Non-operating Items

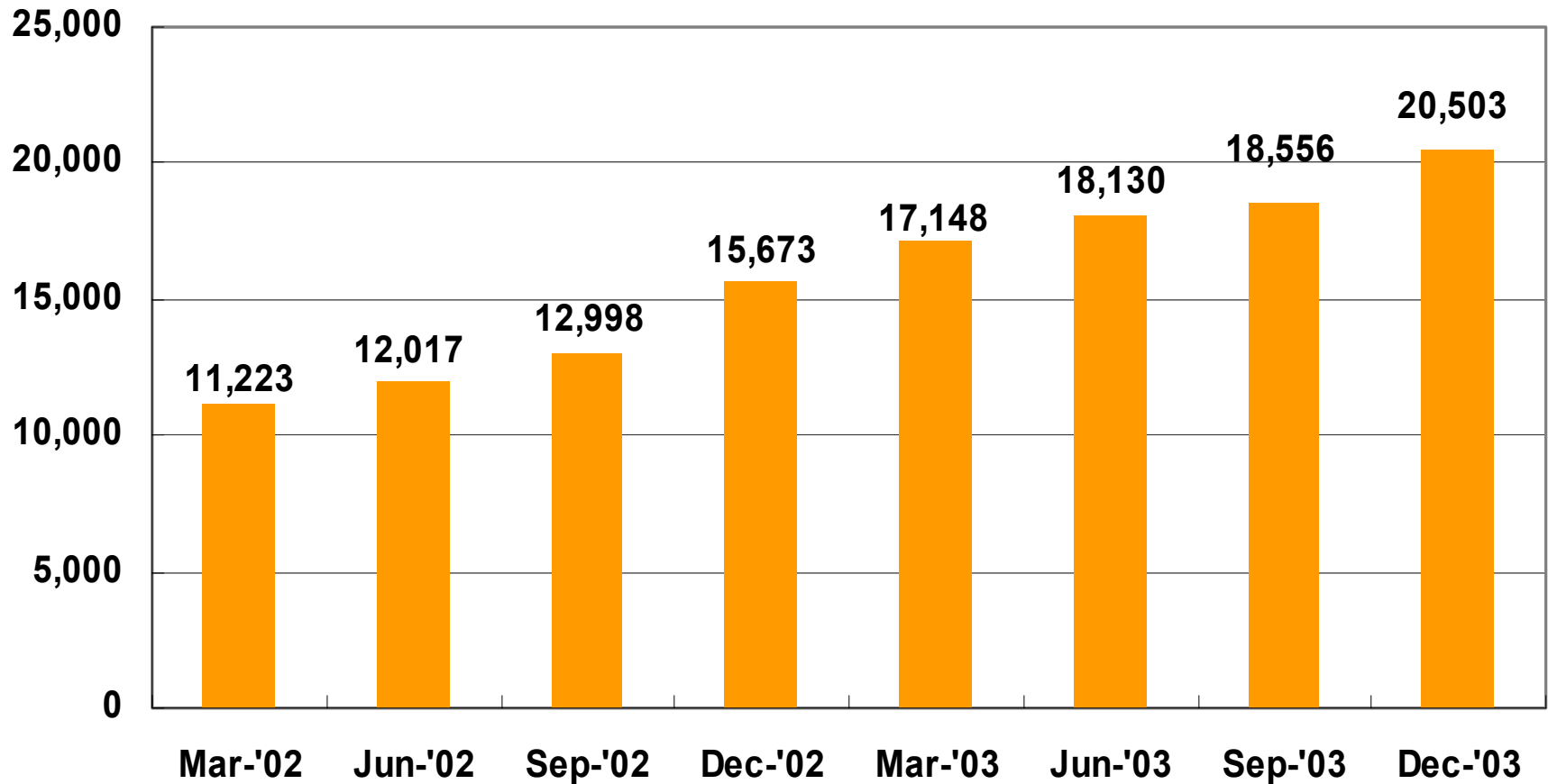
(unaudited)



Deferred Revenue

(in million Yen)

(unaudited)



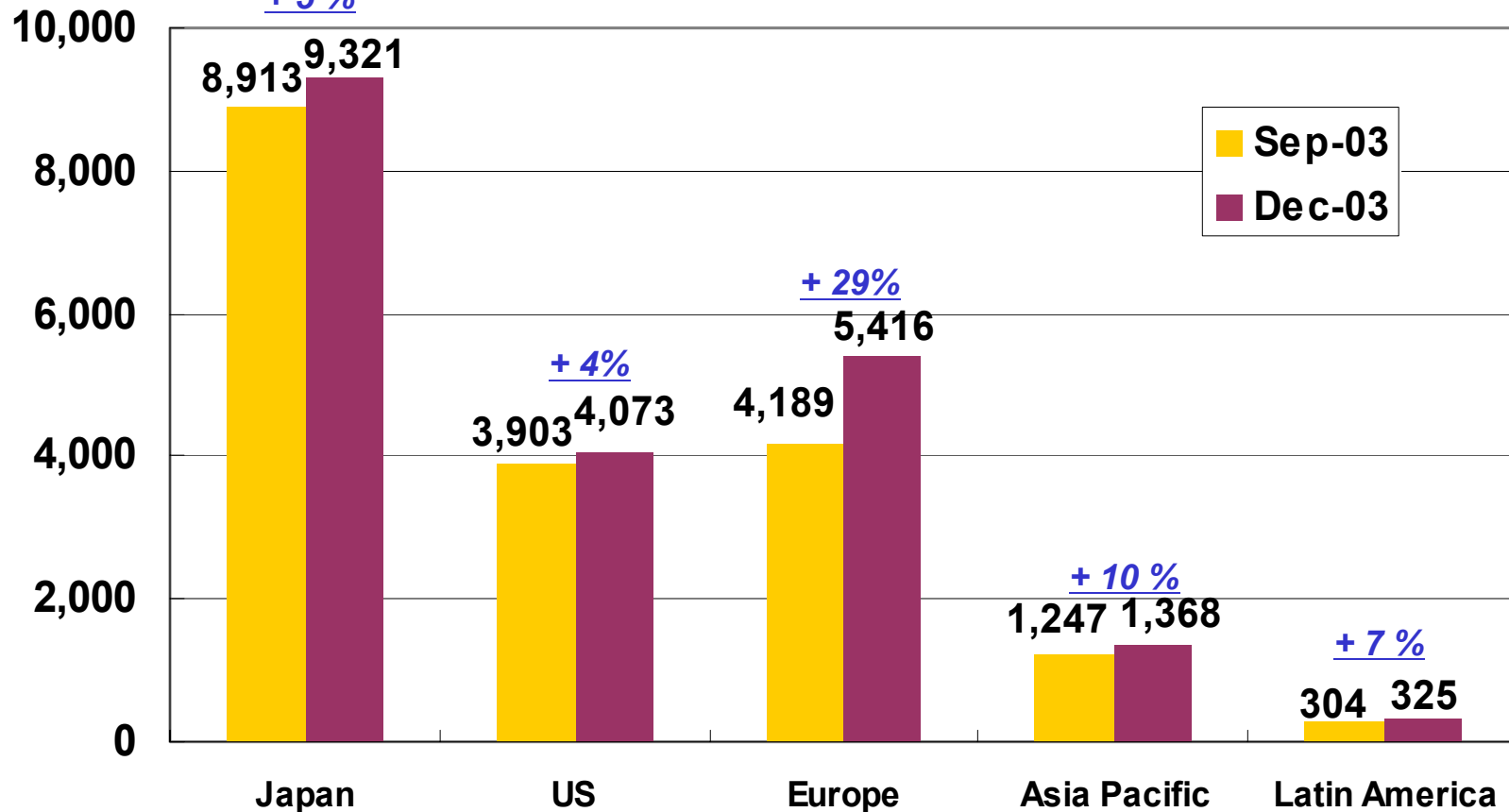
* Total of current and long term

(In accordance with US GAAP)

Deferred Revenue by Region

(unaudited)

(in million Yen)



* Total of current and long term
(In accordance with US GAAP)

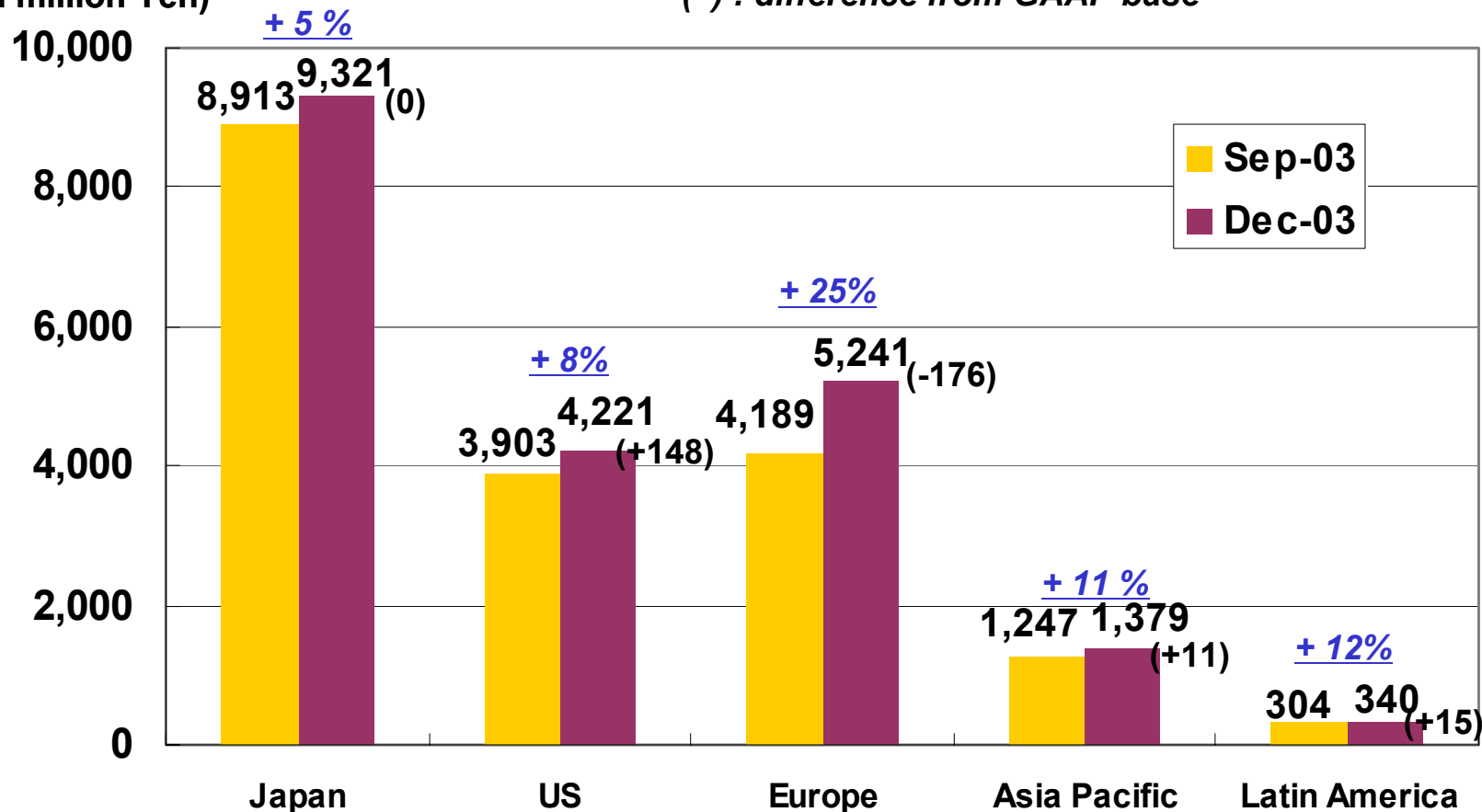
Deferred Revenue by Region

If same currency exchange rate is applied.

(unaudited)

(in million Yen)

* () : difference from GAAP base



* Total of current and long term
(In accordance with US GAAP)

Balance Sheet

(unaudited)
(in million Yen)

	Sep-2003	change	Dec-2003
<u>Assets</u>			
Cash & cash equivalents	41,761	+ 4,958	46,719
Account receivable <i>(less allowance for doubtful accounts and sales returns)</i>	10,201	+ 1,480	11,681
Marketable securities & Securities investments	9,934	+ 944	10,878
<u>Liabilities</u>			
Deferred revenue	18,556	+ 1,947	20,503
Bond <i>(total of current and long-term)</i>	6,500	0	6,500
<u>Shareholders' Equity</u>			
Treasury Stock	-4,372	- 45	- 4,417



FY2003 Annual Financial Highlight

Fiscal Year ended December 2003

Consolidated Results

<i>Fiscal year ended Dec 31</i>	<i>FY2002</i>	<i>FY2003</i>	(unaudited) (in million Yen) <i>YoY growth</i>
Net sales	42,980	48,088	12%
Cost of sales	2,354	3,168	35%
Gross profit	40,626	44,920	11%
Operating expenses	26,760	29,766	11%
Operating income	13,866	15,153	9%
<u>Operating income margin</u>	<u>32%</u>	<u>32%</u>	
Income before taxes	13,098	15,329	17%
Net Income	7,714	9,250	20%

If same currency exchange rate is applied.

Net sales	42,980	48,091	12%
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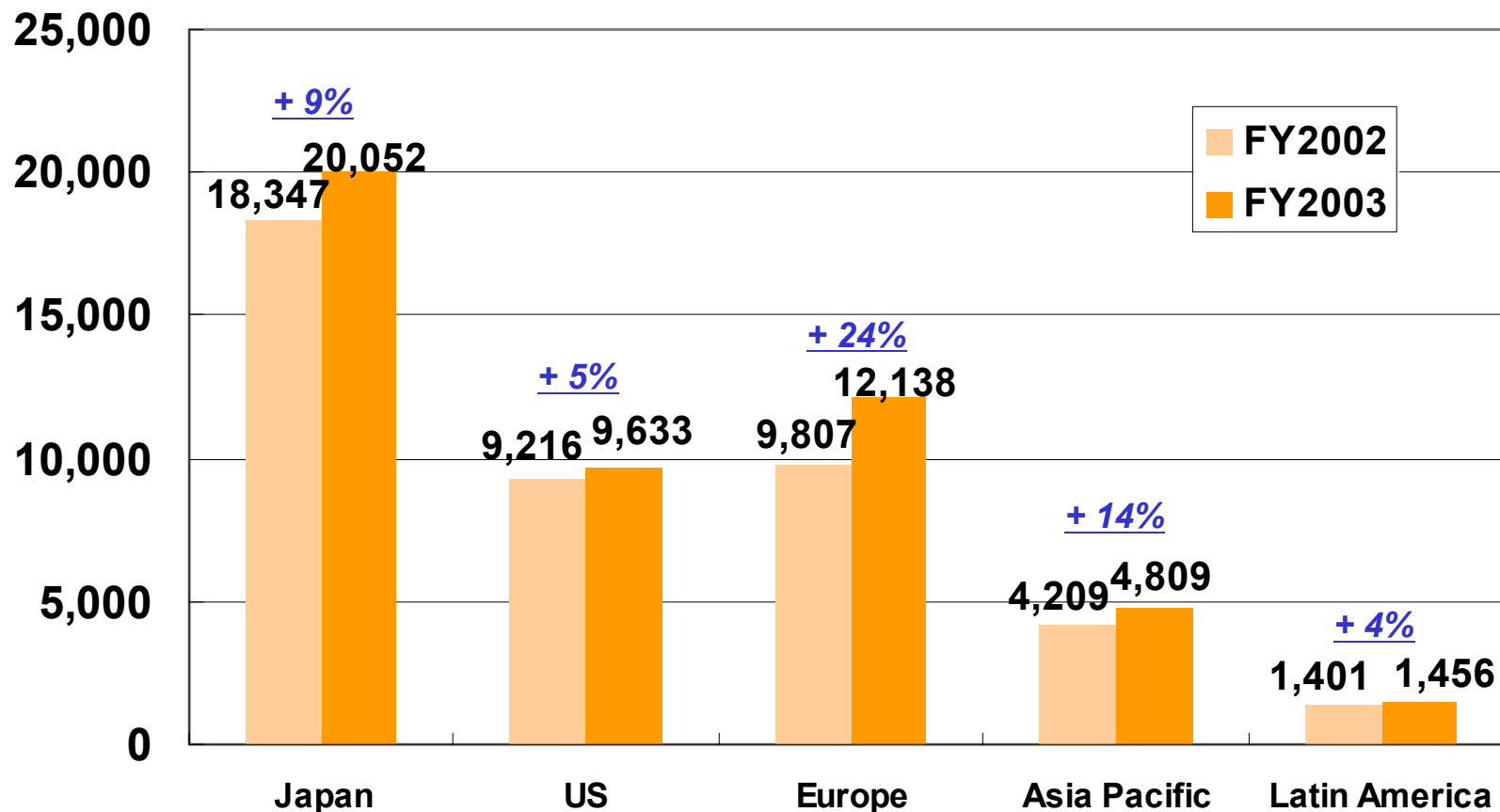


(In accordance with US GAAP)

Net Sales Growth by Region

(unaudited)

(in million Yen)



(In accordance with US GAAP)

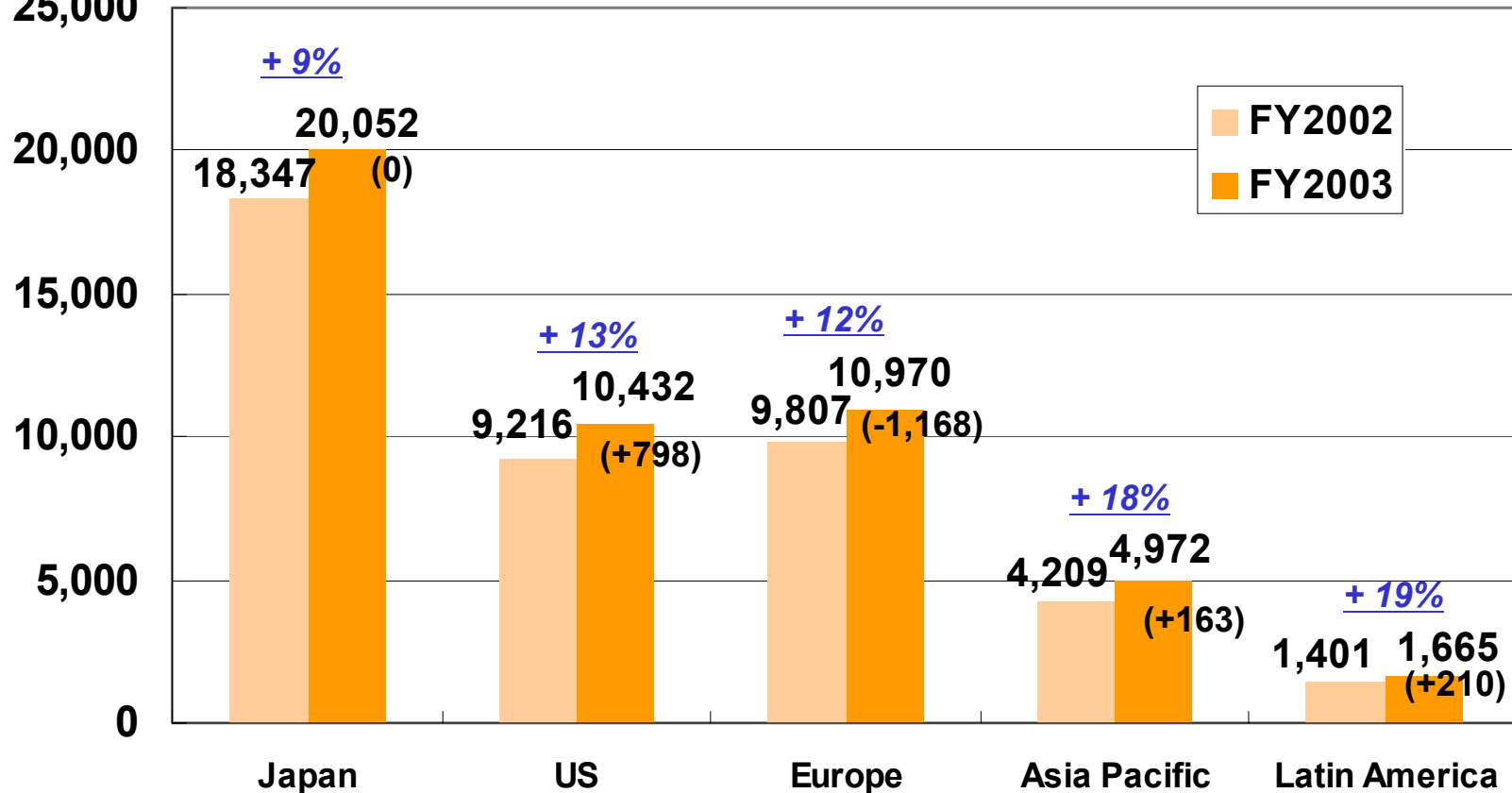
Growth by region

If same currency exchange rate is applied.

(unaudited)

* () – difference from GAAP base

(in million Yen)
25,000

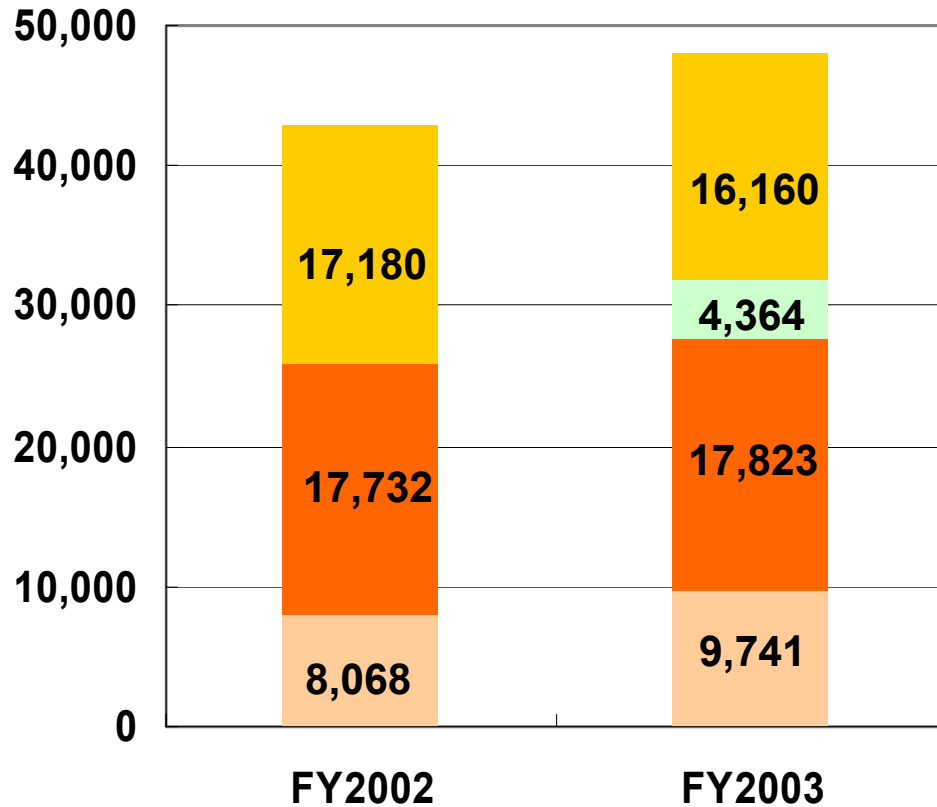


(In accordance with US GAAP)

Sales by Product

(unedited)

(in million Yen)



	<u>FY2002</u>	<u>FY2003</u>
■ Internet Server	40%	34%
■ Gateway Suite *	0%	9%
■ Client/Server Solution, others	41%	37%
■ Consumer PC	19%	20%
Total	100%	100%

* Composed of "Internet Server" products and "Client/Server Solution" products

e.g. Neat Suite, Client/Server/Messaging Suite, etc.

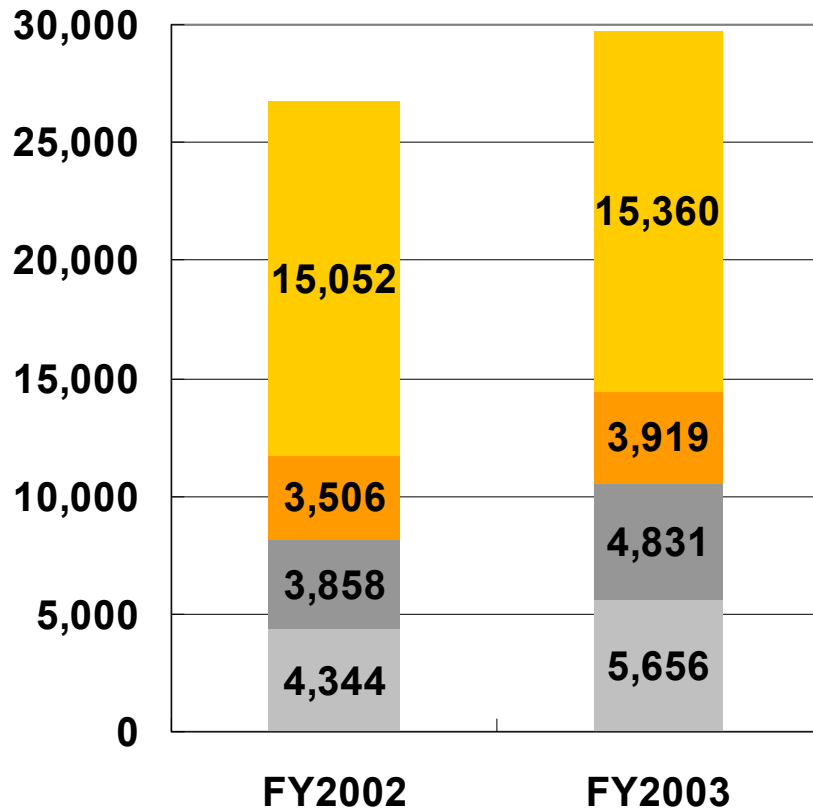


(In accordance with US GAAP)

Operating expenses

(in million Yen)

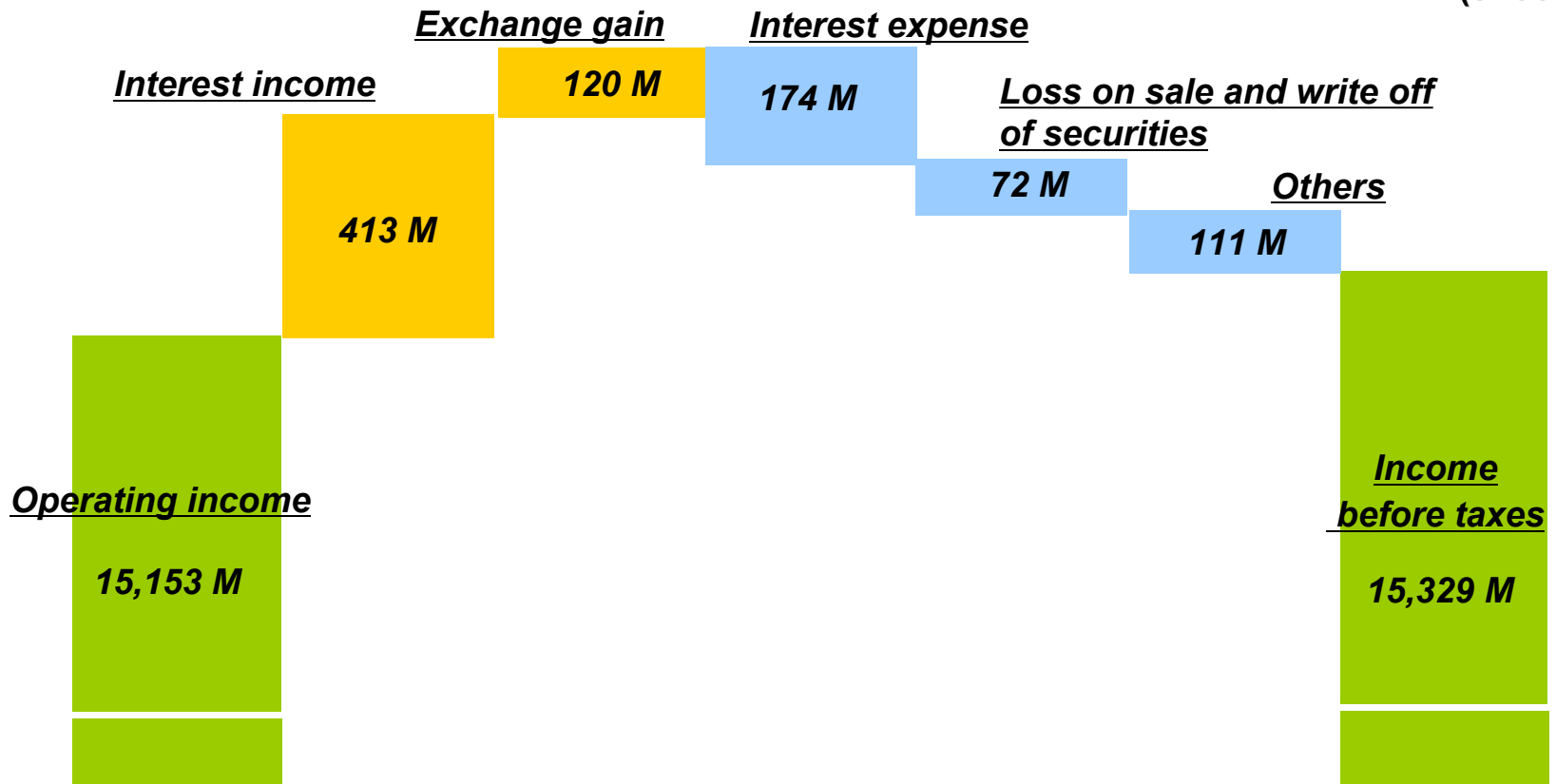
(unaudited)



	<u>FY2002</u>	<u>FY2003</u>
■ Sales, Marketing	56%	52%
■ R&D	13%	13%
■ Support	14%	16%
■ ADM	16%	19%
Total	100%	100%

Non-operating Items

(unaudited)



Impact of Stock Option Expense

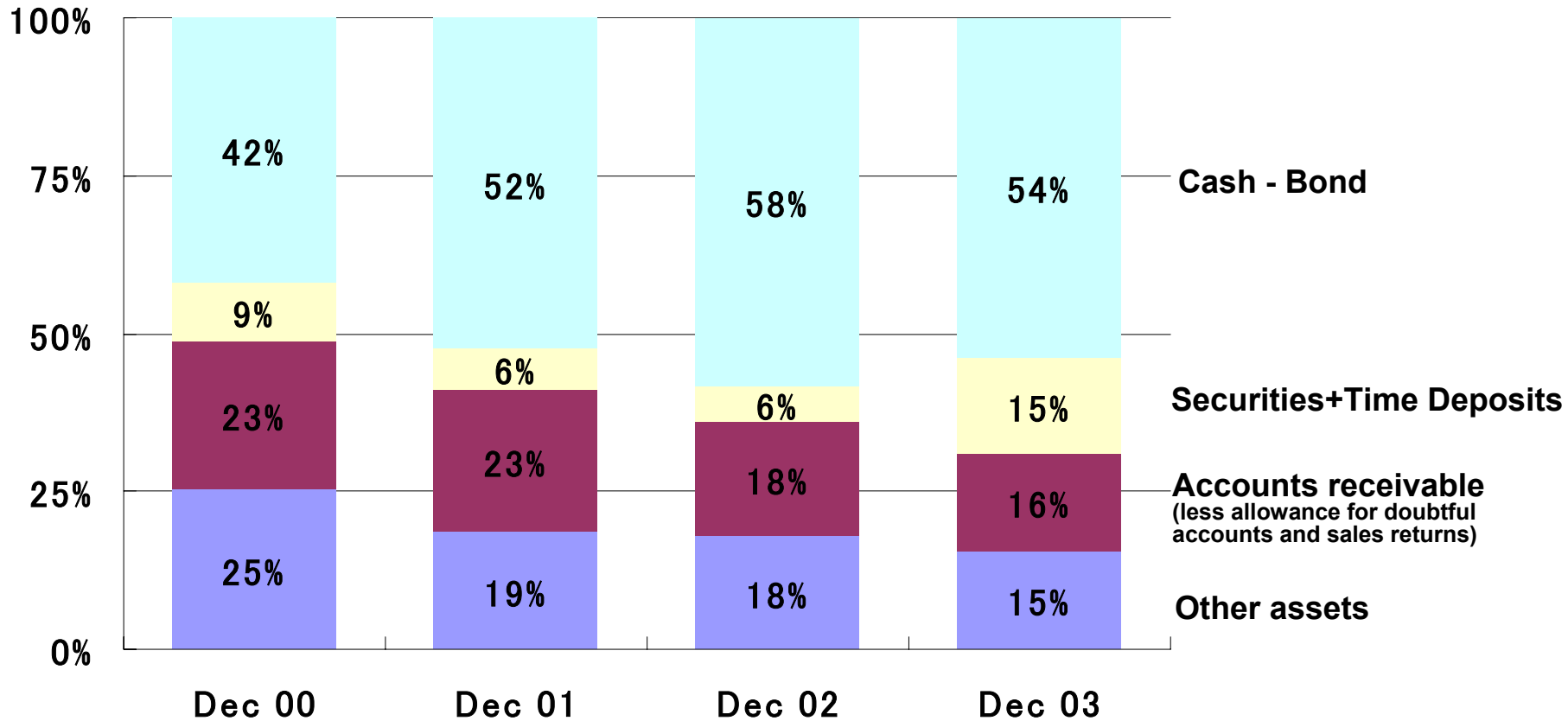
(unaudited)
(in million Yen)

<i>Fiscal year ended Dec-31,</i>	<i>FY2002</i>	<i>FY2003</i>
Operating income	13,866	15,153
<i>Pro forma stock option expense under SFAS 123</i>		
<i>Pro forma Option expense</i>	<i>872</i>	<i>1,351</i>
<i>Pro forma Operating income</i>	<i>12,994</i> <i><u>6% decline</u></i>	<i>13,802</i> <i><u>9% decline</u></i>

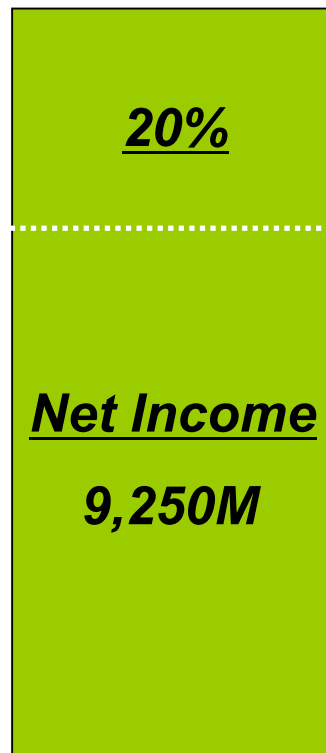
Cash is King

(unaudited)

Asset composition



Cash Dividends for FY2003



Dividends for FY2003

Total : 1,829 Million Yen

Per share : 14 Yen

** Subject to the approval at the Ordinary General Meeting of Shareholders scheduled in late March, 2004*

Projection for 1Q

(in million Yen)

For 1Q
Jan, 2004 - Mar, 2004

Net Sales

12,200

Expected YoY growth

12%

Operating Income

3,600

Net Income

2,100

- **Estimated exchange rate**
1USD = 106yen
1EUR = 132yen

Thank you!

Appendix

Sales by Customer

(unaudited)
(in million Yen)

1Q2003	Japan	US	Europe	Asia Pacific	Latin America
Enterprise	3,435	1,938	2,486	821	290
Consumer	1,390	236	129	190	3
total	4,825	2,174	2,615	1,011	293
2Q2003	Japan	US	Europe	Asia Pacific	Latin America
Enterprise	3,072	2,128	2,680	861	378
Consumer	1,633	159	179	298	3
total	4,705	2,287	2,859	1,159	381
3Q2003	Japan	US	Europe	Asia Pacific	Latin America
Enterprise	3,411	2,242	2,737	989	357
Consumer	1,752	346	241	304	9
total	5,163	2,588	2,978	1,293	366