



Trend Micro

FY2004. 4Q / Annual Results

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CFO, Representative Director
February 3, 2005



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.

FY2004 4Q Financial Highlight

Fiscal Year ended December 2004

Consolidated Results

<i>Three months ended Dec 31,</i>	(unaudited) (in million Yen)		
	4Q2003	4Q2004	YoY growth
Net sales	13,390	17,735	32%
Cost of sales	858	659	- 23%
Gross profit	12,531	17,076	36%
Operating expenses	7,281	9,196	26%
Operating income	5,251	7,880	50%
<u>Operating income margin</u>	<u>39%</u>	<u>44%</u>	
Income before taxes	5,317	7,632	44%
Net Income	3,607	4,738	31%

(In accordance with US GAAP)

If currency exchange rates used for 4Q2003 were used for 4Q2004:

YoY change

Net sales	13,390	17,553	31%
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** The JPY amount for 4Q2004 shown above has been calculated by applying to each foreign currency net sales amount for 4Q2004 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 4Q2003 into a JPY net sales amount for U.S. GAAP reporting purposes.*

(Non-GAAP)

USD based Results (Non-GAAP)

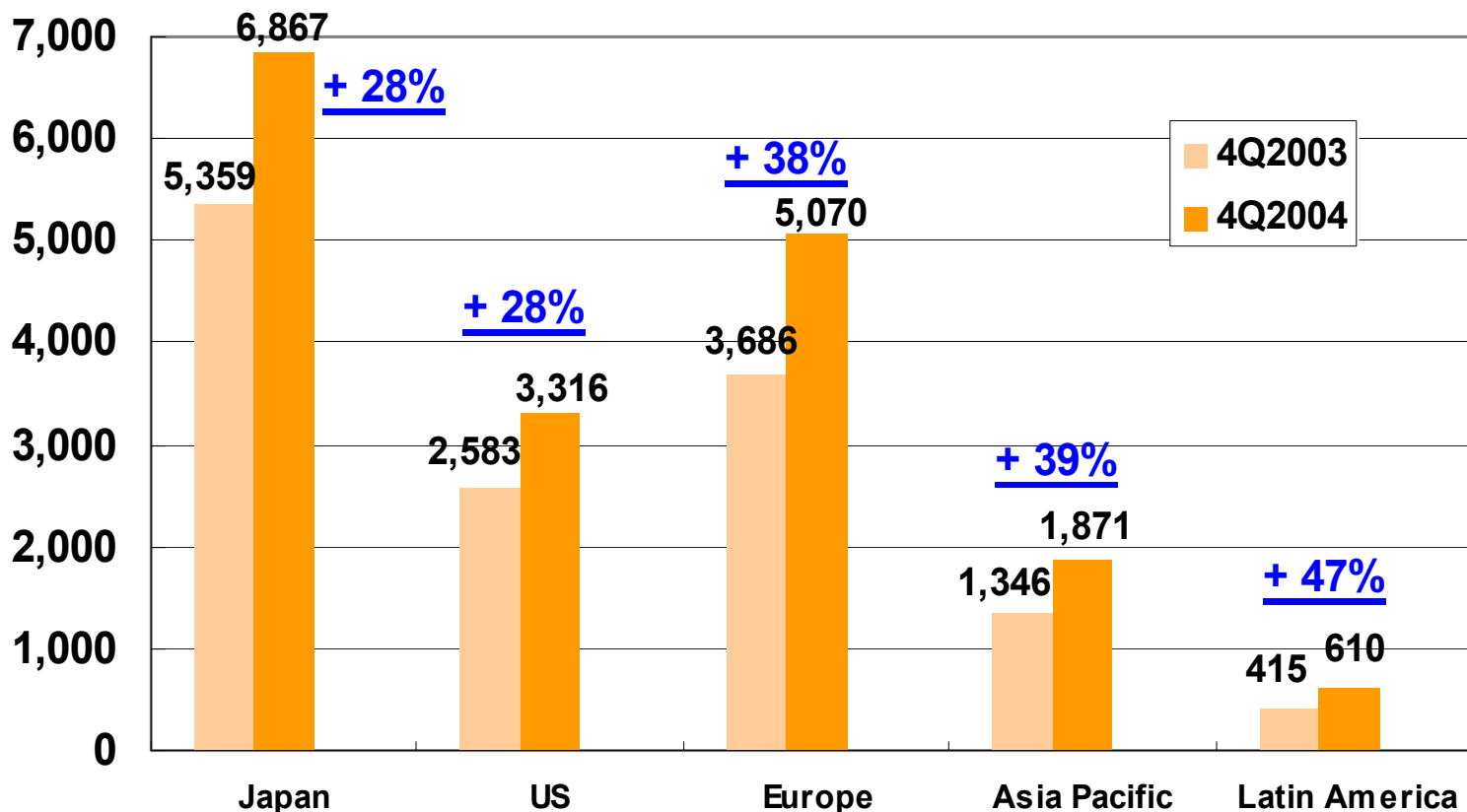
<i>Three months ended Dec 31,</i>	<i>4Q2003</i>	<i>4Q2004</i>	<i>(unaudited) (in thousand USD) YoY change</i>
Net sales	123,089	167,902	36%
Cost of sales	7,892	6,241	- 21%
Gross profit	115,197	161,661	40%
Operating expenses	66,929	87,058	30%
Operating income	48,268	74,603	55%
Income before taxes	48,883	72,248	48%
Net Income	33,162	44,858	35% (Non-GAAP)

For each of the quarters shown in the table above, JPY U.S. GAAP amounts have been converted to USD amounts using the exchange rates of USD=108.78 JPY for 4Q2003 and 1 USD =105.63 JPY for 4Q2004, 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

(unaudited)

(in million Yen)



(In accordance with US GAAP)

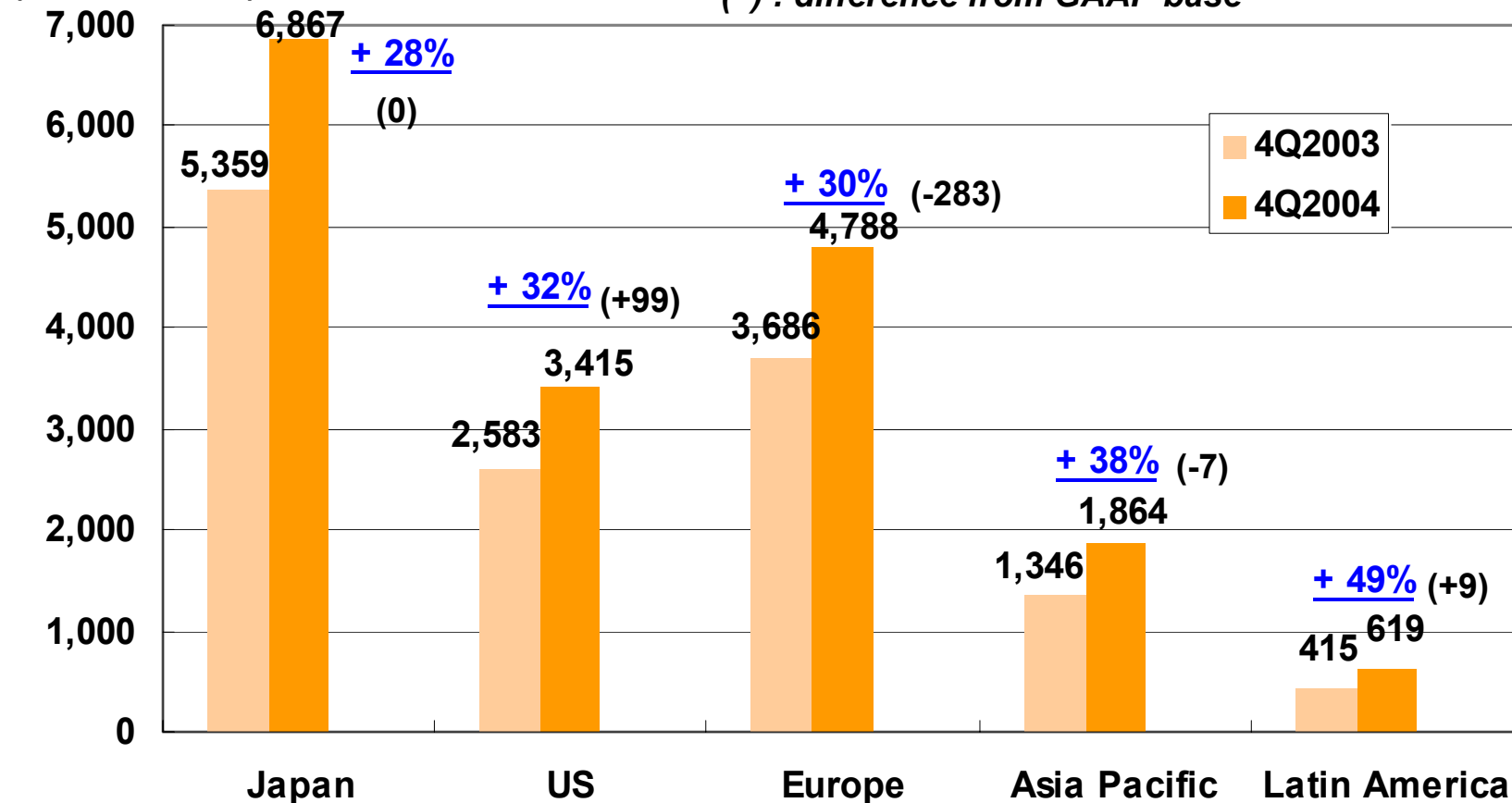
Net Sales Growth by Region

If same currency exchange rate is applied.

(unaudited)

(in million Yen)

* () : difference from GAAP base

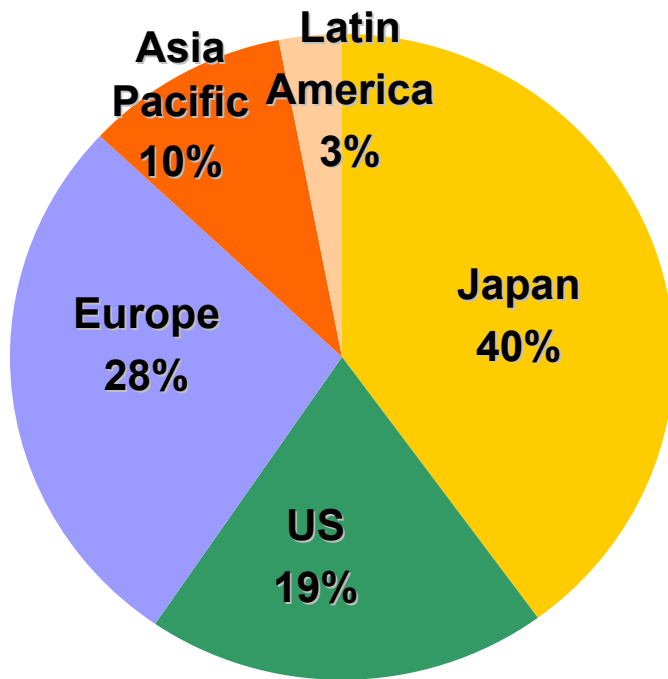


% share by region

(unaudited)

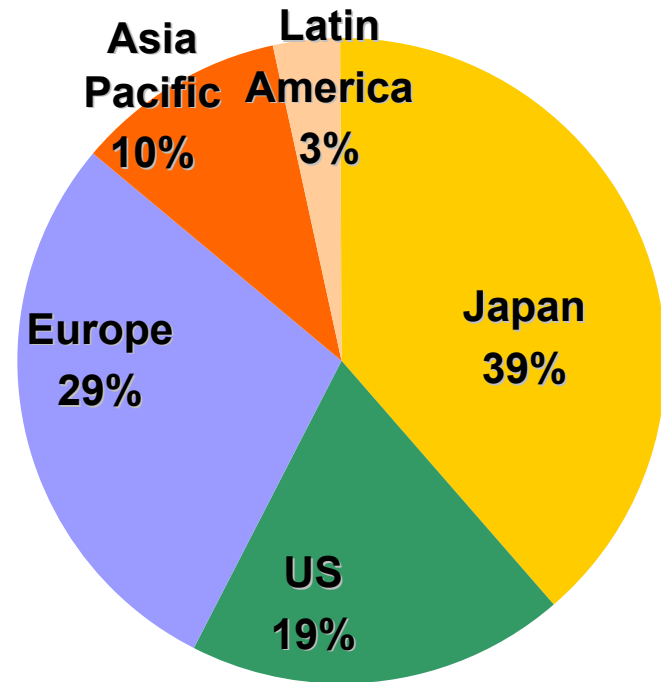
4Q2003

13,390 million Yen



4Q2004

17,735 million Yen



Cost of sales analysis

<i>Fiscal year ended Dec 31</i>	<i>FY2002</i>	<i>FY2003</i>	<i>FY2004</i>
			(unaudited) (in million Yen)
<u>Software development costs:</u>			
<i>Balance at beginning of year</i>	820	936	506
<i>Additions, at cost</i>	+ 1,026	+ 789	+ 645
<i>Amortization for the year (included in "Cost of sales")</i>	- 910	- 1,219	- 712
<i>Balance at end of year</i>	936	506	438

Q4 Highlights

- ***Exiting the year 2004 with the strongest quarter ever – Record revenues and highest ever operating margins***
- ***All round growth in all regions, strong growth in US and EMEA continues, we believe we are taking market share in the enterprise business***
- ***25% sequential growth in Network Security business, one of the fastest growing new products introduced by Trend (annual run rate of 1.5 Bn Yen plus)***

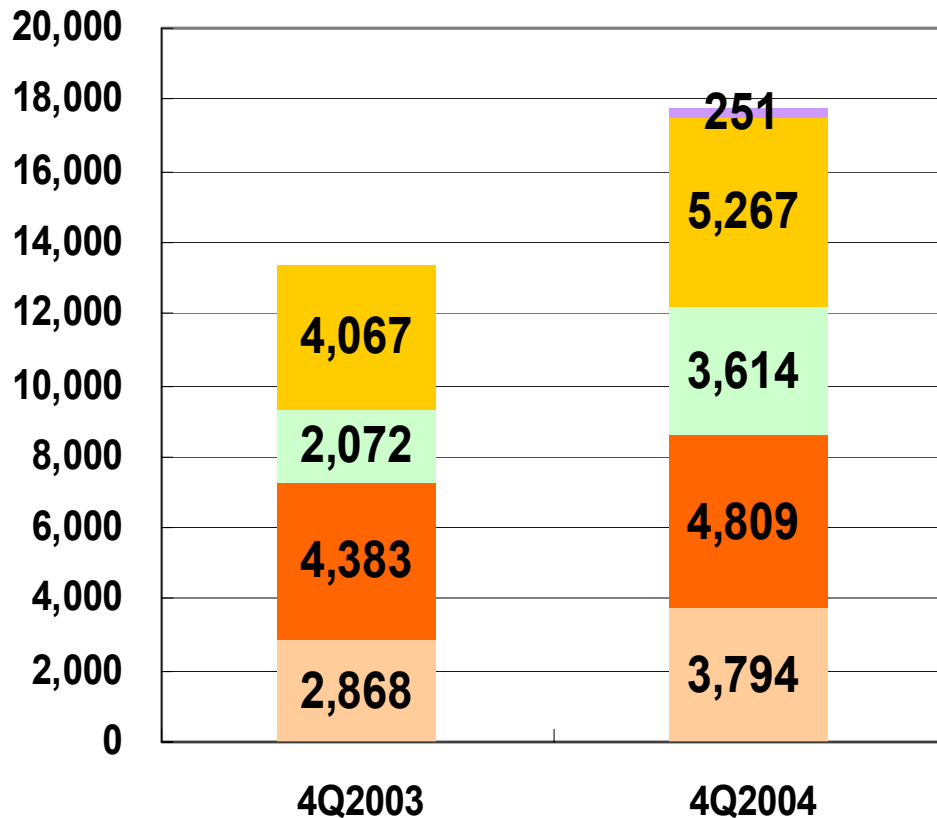
Q4 Lowlights

- ***New product revenues could have been better***
- ***Headcount increasing at the same rate as revenues (need to improve productivity)***

Sales by Product

(in million Yen)

(unaudited)



	<u>4Q2003</u>	<u>4Q2004</u>
Network	-	2%
Internet Server	30%	30%
Gateway Suite *	15%	20%
Client/Server Solution, others	33%	27%
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.

(In accordance with US GAAP)

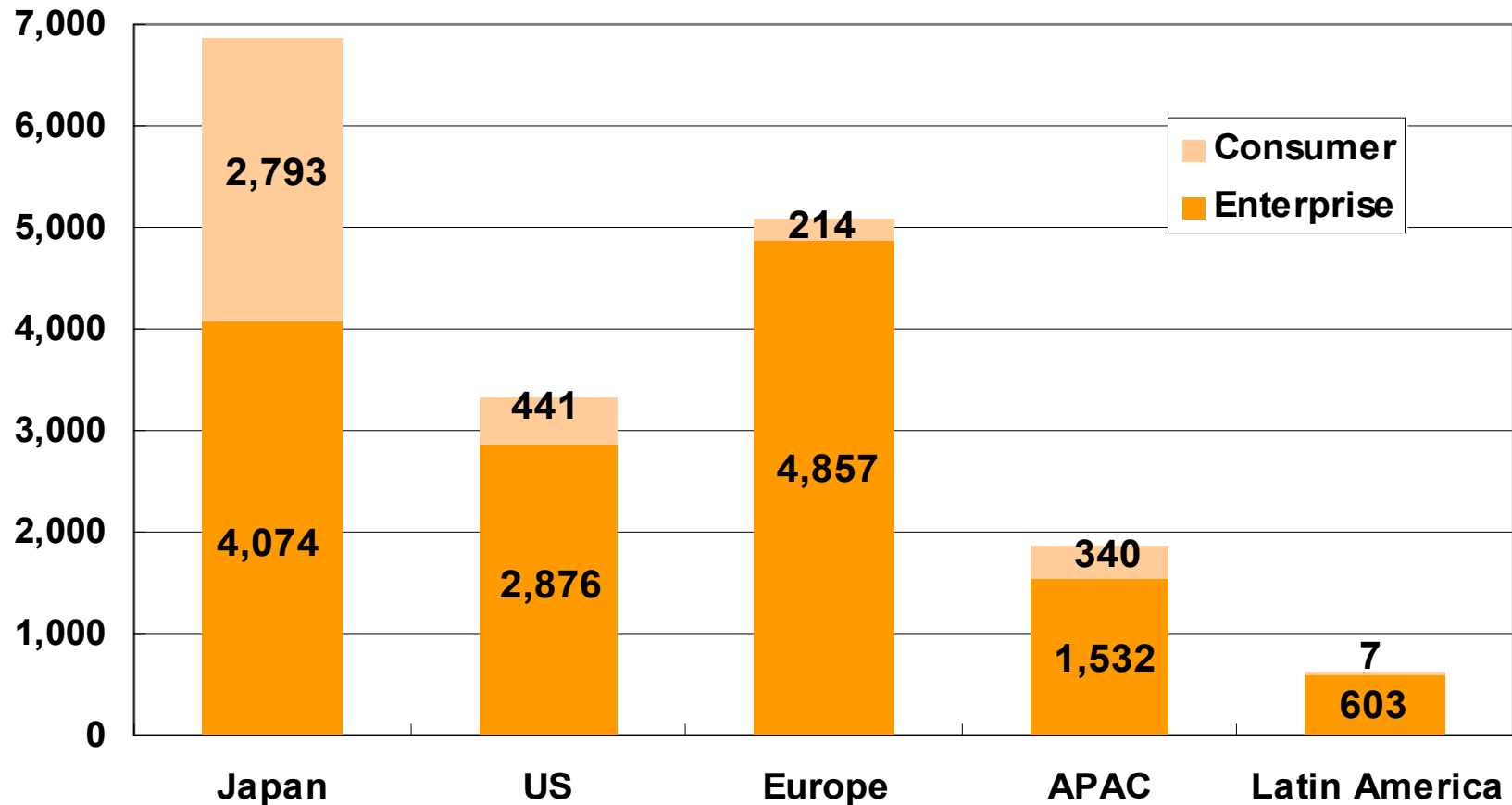


Sales by Customer

(in million Yen)

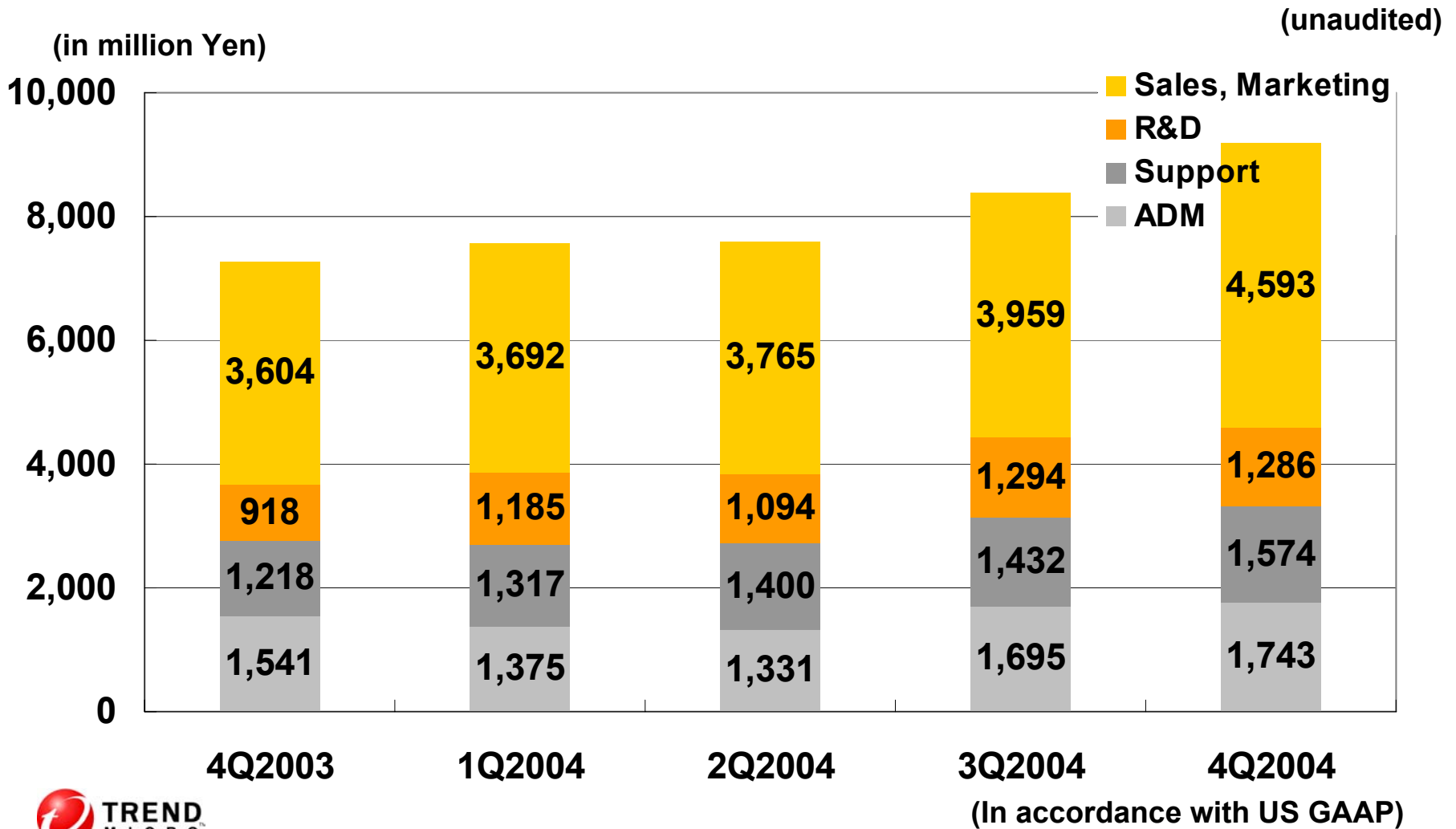
4Q2004

(unedited)



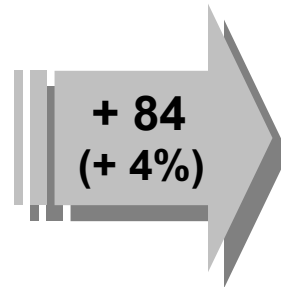
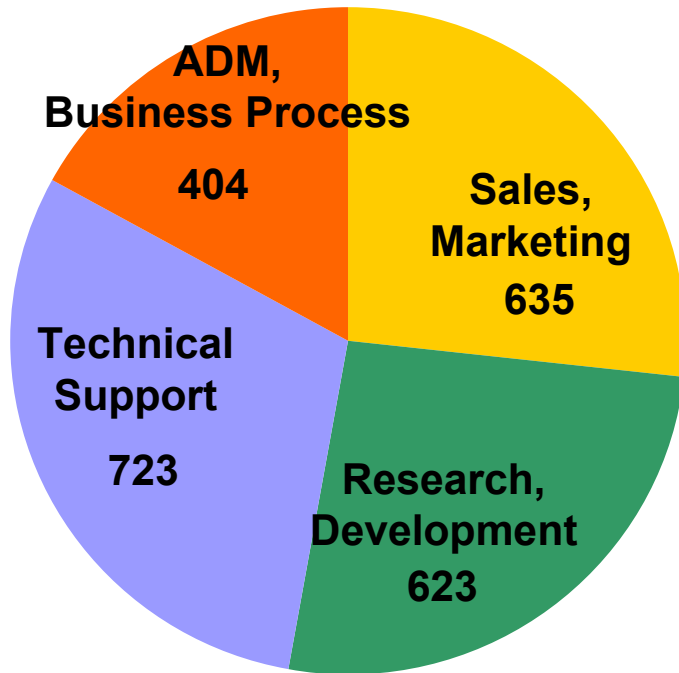
(In accordance with US GAAP)

Operating expenses

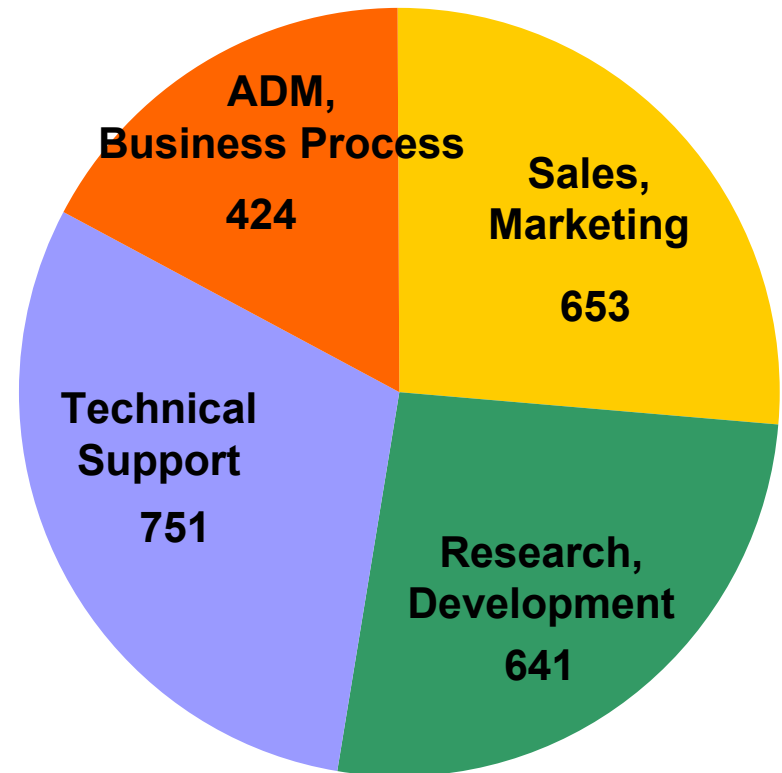


Headcount

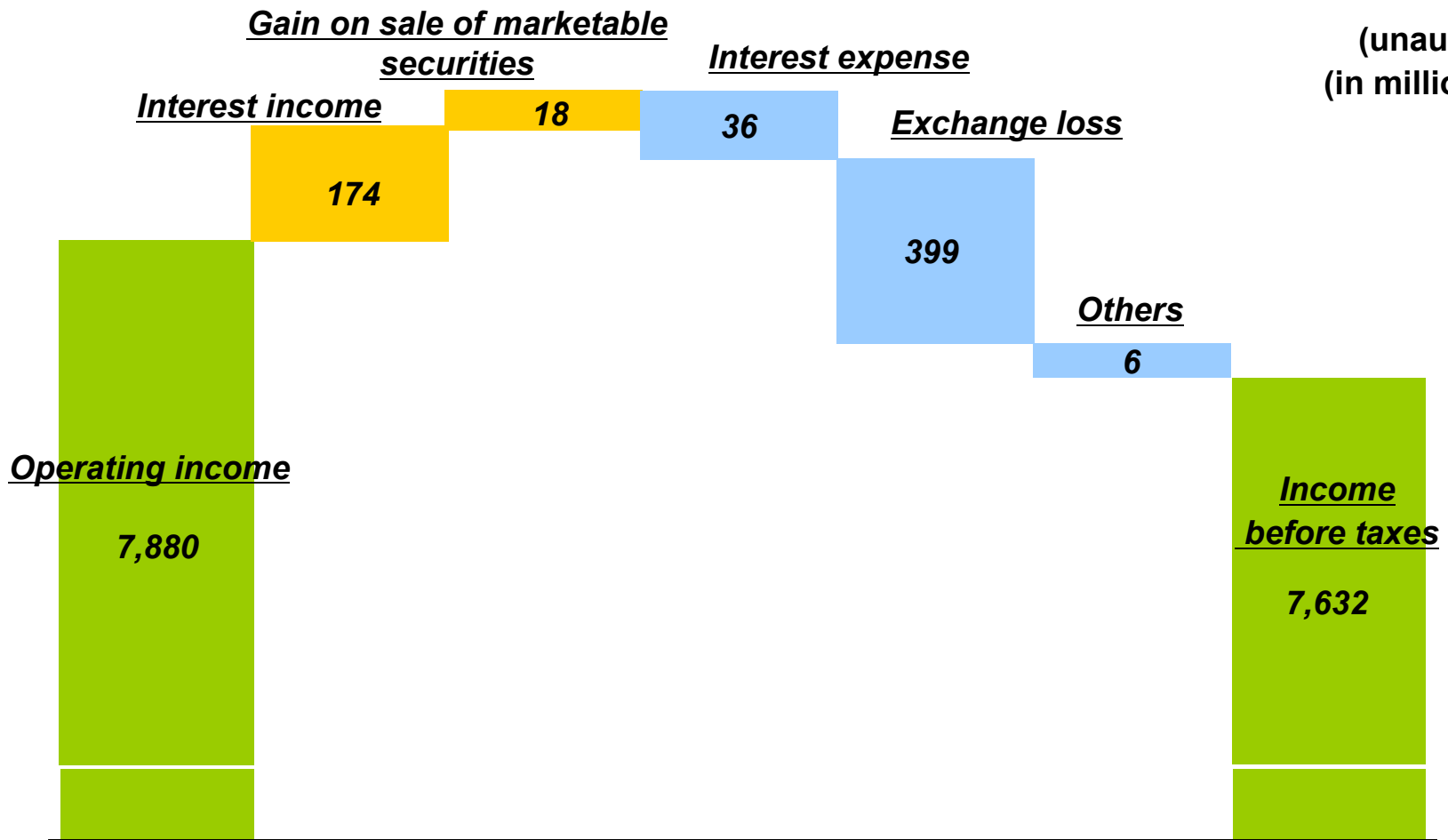
Sep - 2004
2,385



Dec - 2004
2,469



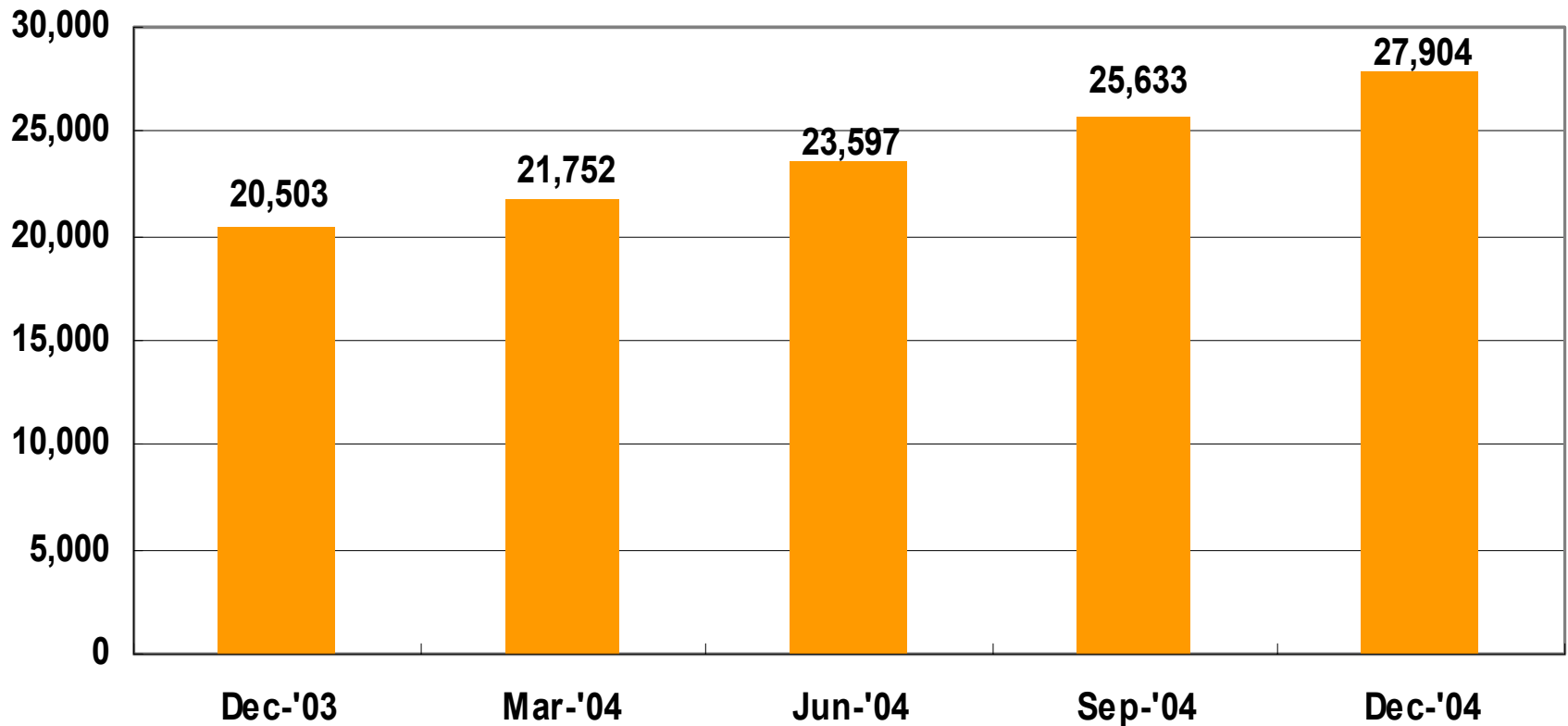
Non-operating Items



Deferred Revenue

(in million Yen)

(unaudited)

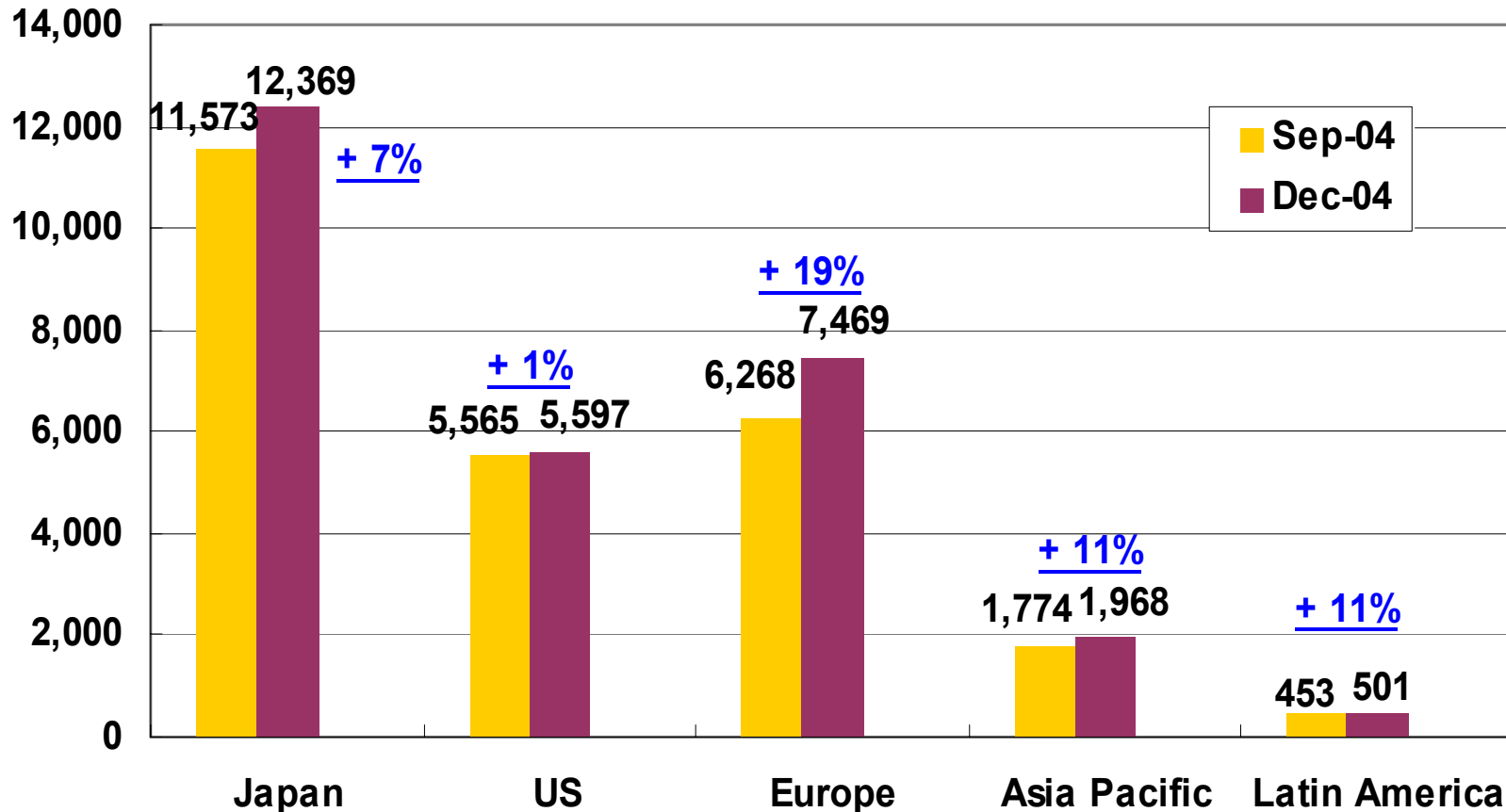


* Total of current and long term
(In accordance with US GAAP)

Deferred Revenue by Region

(unaudited)

(in million Yen)



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

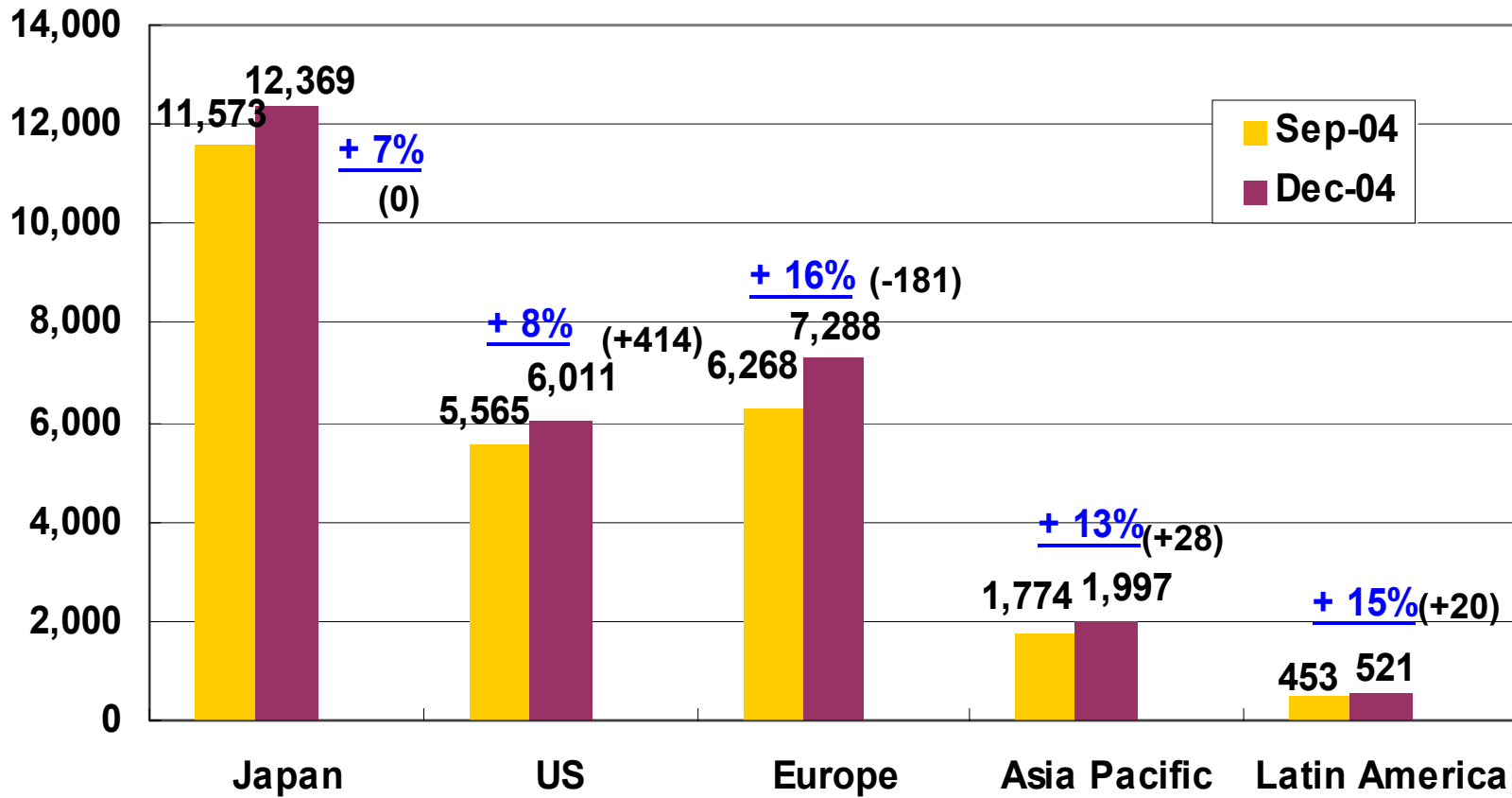
Deferred Revenue by Region

If same currency exchange rate is applied.

(unaudited)

(in million Yen)

* () : difference from GAAP base



Balance Sheet

(unaudited)
(in million Yen)

	Sep-2004	change	Dec-2004
<u>Assets</u>			
Cash & cash equivalents	46,870	+ 6,038	52,908
Account receivable <i>(less allowance for doubtful accounts and sales returns)</i>	12,800	+ 2,445	15,245
Marketable securities & Securities investments	22,138	+ 2,982	25,120
<u>Liabilities</u>			
Deferred revenue <i>(total of current and long-term)</i>	25,633	+ 2,271	27,904
<u>Shareholders' Equity</u>			
Common Stock & Additional paid in capital	26,081	+ 2,705	28,786
Treasury Stock	- 7,235	- 219	- 7,454



(In accordance with US GAAP)



FY2004 Annual Financial Highlight
Fiscal Year ended December 2004

Consolidated Results

<i>Fiscal year ended Dec 31</i>	<i>FY2003</i>	<i>FY2004</i>	(unaudited) (in million Yen) <i>YoY growth</i>
Net sales	48,088	62,049	29%
Cost of sales	3,168	3,236	2%
Gross profit	44,920	58,813	31%
Operating expenses	29,766	32,735	10%
Operating income	15,153	26,078	72%
<u>Operating income margin</u>	<u>32%</u>	<u>42%</u>	
Income before taxes	15,329	26,325	72%
Net Income	9,250	15,875	72%
<i>If currency exchange rates used for 2003 were used for 2004:</i>		(In accordance with US GAAP)	
Net sales	48,088	62,701	YoY change 30%

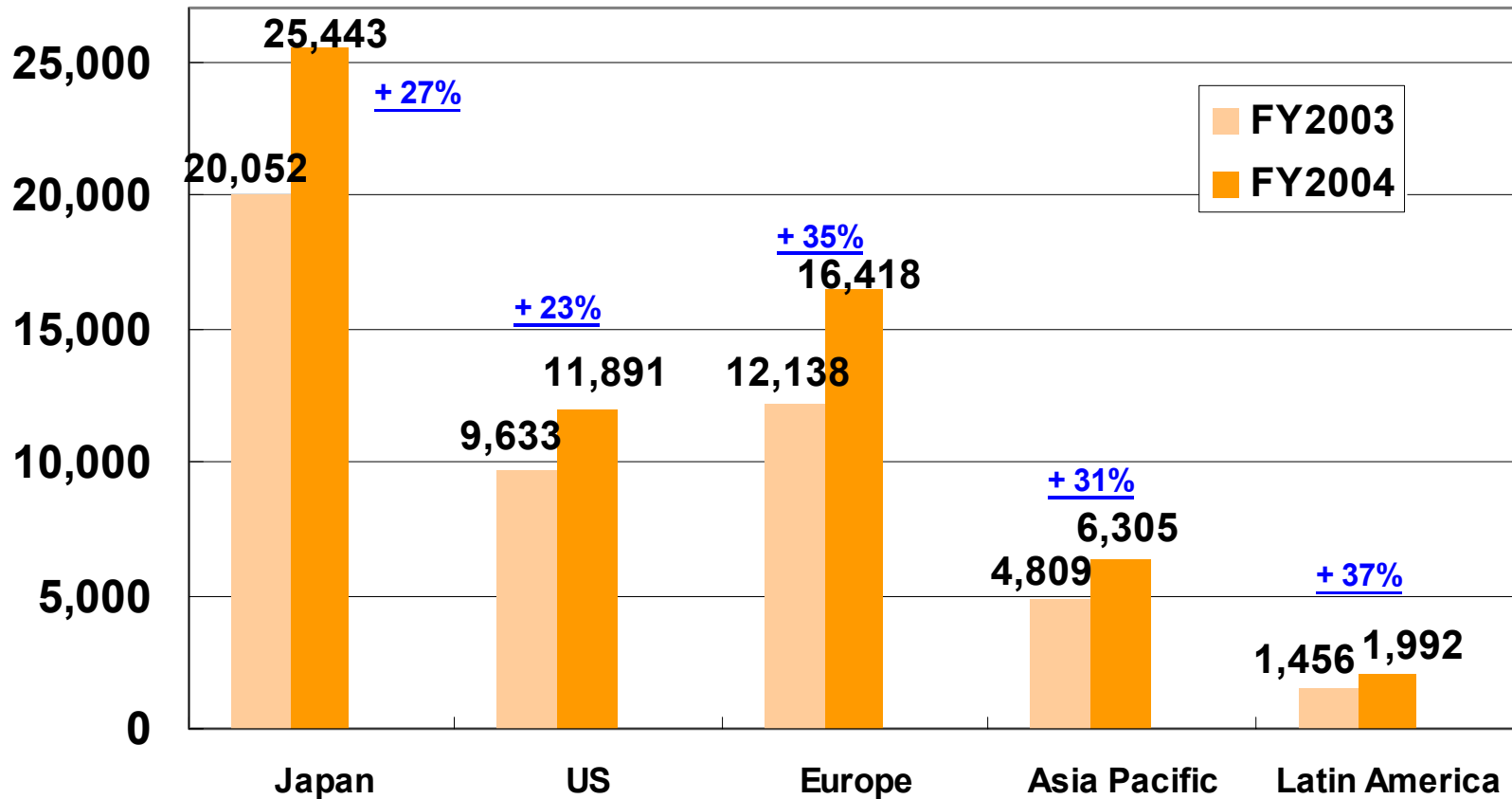
* The JPY amount for 2004 shown above has been calculated by applying to each foreign currency net sales amount for 2004 the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for 2003 into a JPY net sales amount for U.S. GAAP reporting purposes.

(Non-GAAP)

Net Sales Growth by Region

(unaudited)

(in million Yen)



(In accordance with US GAAP)

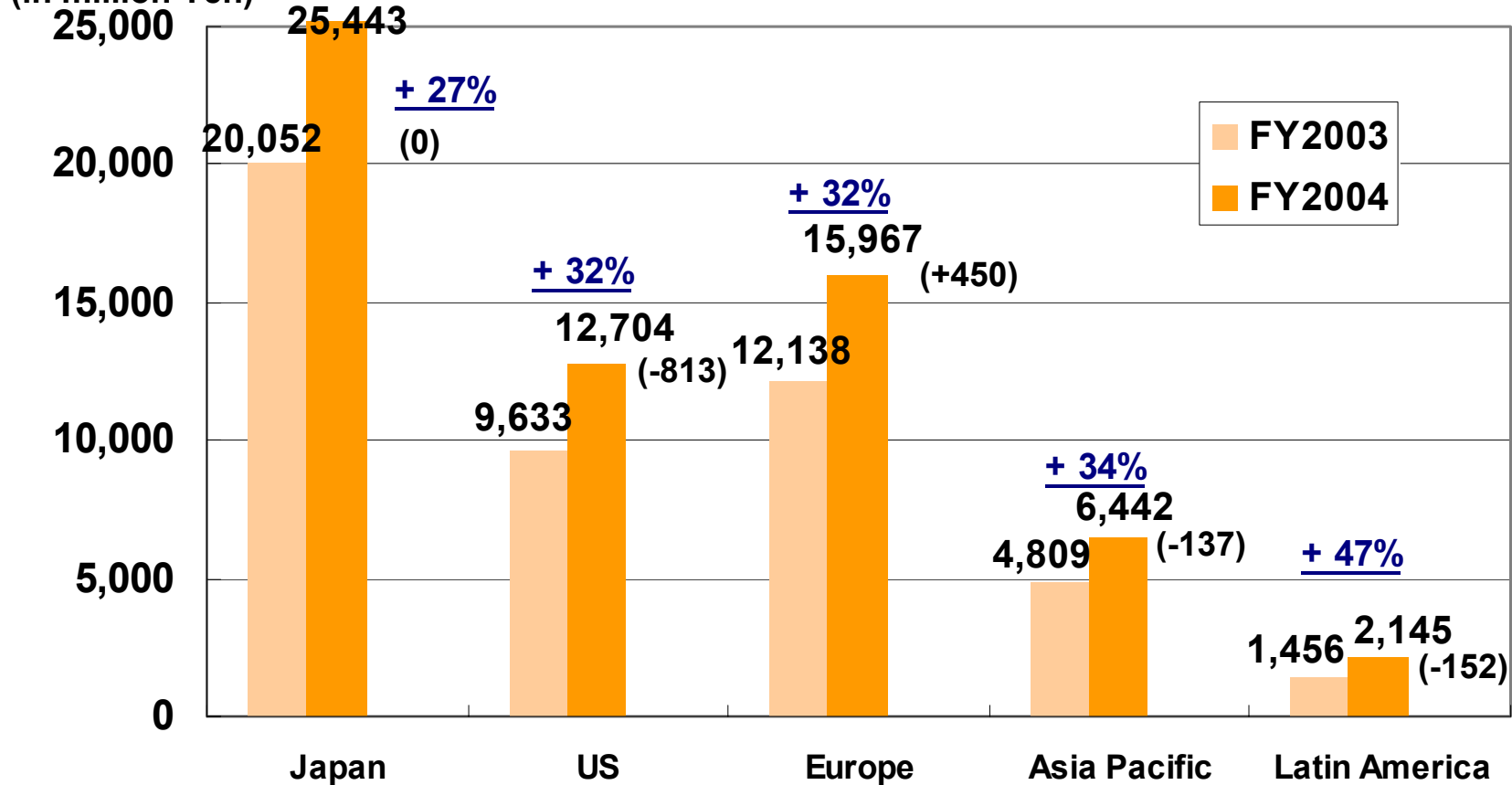
Growth by region

If same currency exchange rate is applied.

(unaudited)

* () – difference from GAAP base

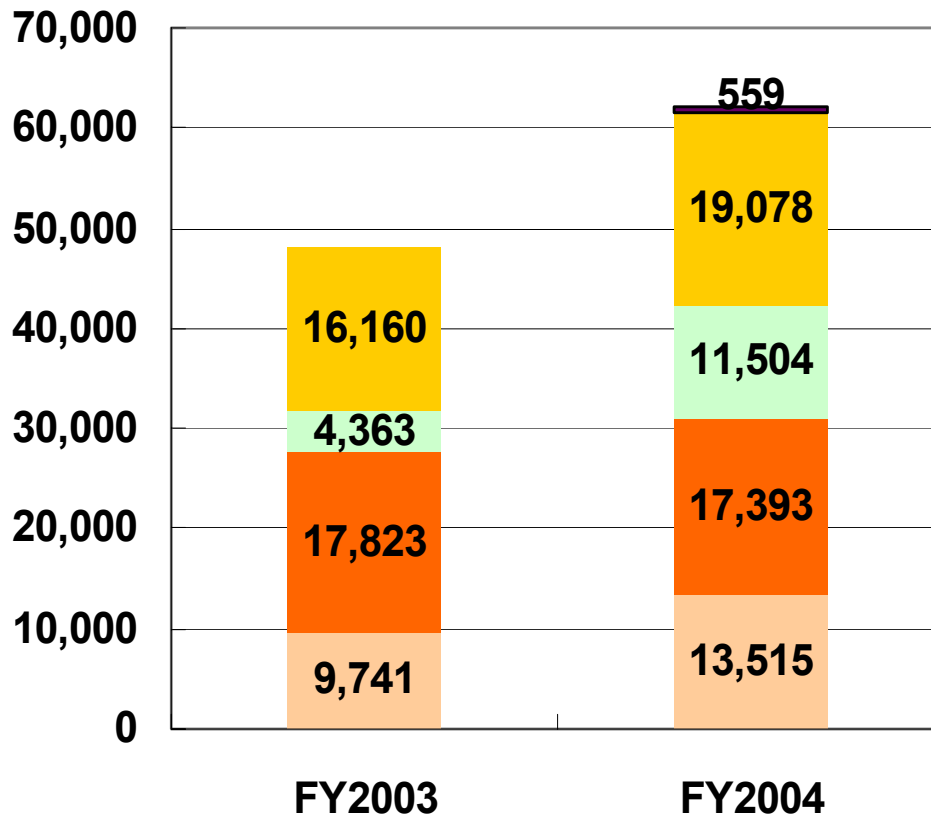
(in million Yen)



Sales by Product

(unedited)

(in million Yen)



	<u>FY2003</u>	<u>FY2004</u>
■ Network	-	1%
■ Internet Server	34%	31%
■ Gateway Suite *	9%	18%
■ Client/Server Solution, others	37%	28%
■ Consumer PC	20%	22%
Total	100%	100%

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

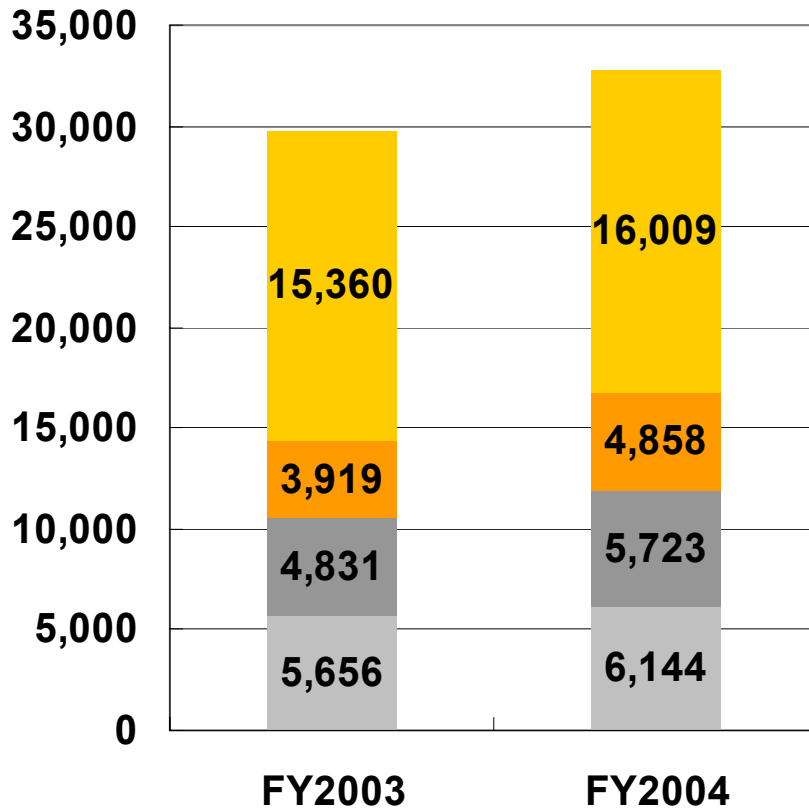


(In accordance with US GAAP)

Operating expenses

(in million Yen)

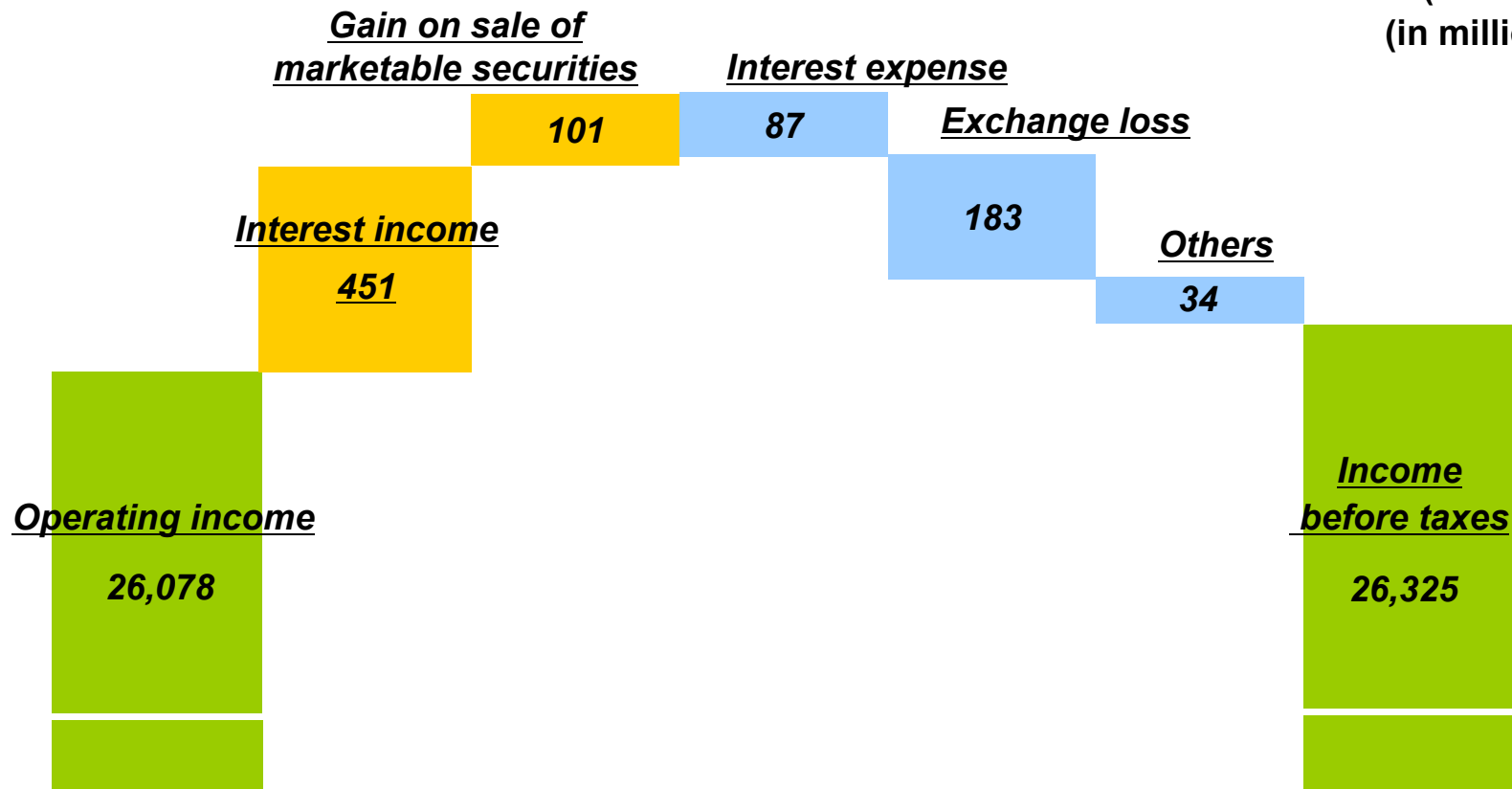
(unaudited)



	<u>FY2003</u>	<u>FY2004</u>
■ Sales, Marketing	52%	49%
■ R&D	13%	15%
■ Support	16%	17%
■ ADM	19%	19%
Total	100%	100%

Non-operating Items

(unaudited)
(in million Yen)



Impact of Stock Option Expense

(unaudited)
(in million Yen)

<i>Fiscal year ended Dec-31,</i>	<i>FY2003</i>	<i>FY2004</i>
Operating income	15,153	26,078
Net income	9,250	15,875

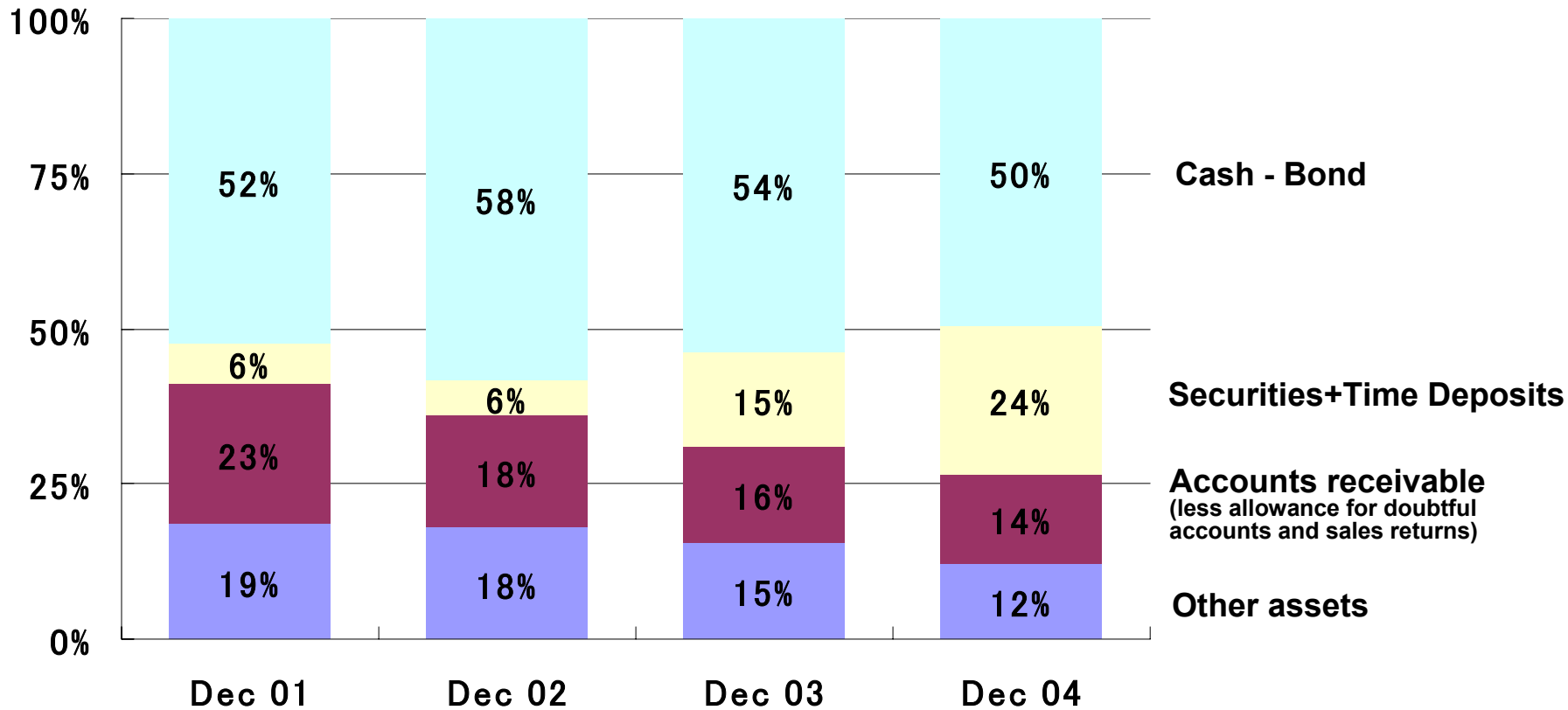
Pro forma stock option expense under SFAS 123

<i>Pro forma Option expense</i>	<i>1,351</i>	<i>2,640</i>
<i>Pro forma Operating income</i>	<i>13,802</i> <i><u>9% decline</u></i>	<i>23,438</i> <i><u>10% decline</u></i>
<i>Pro forma net income</i>	<i>7,899</i> <i><u>15% decline</u></i>	<i>13,235</i> <i><u>17% decline</u></i>

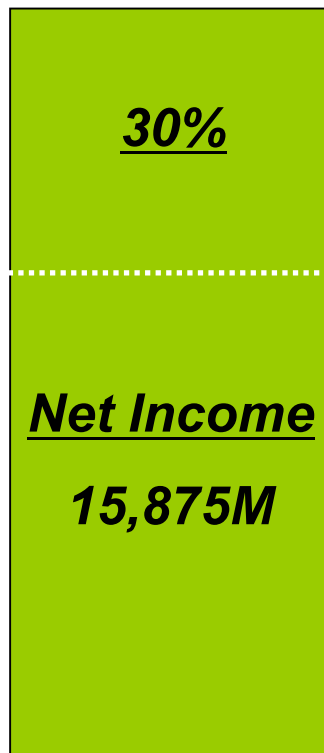
Cash is King

(unaudited)

Asset composition



Cash Dividends for FY2004



Dividends for FY2004

Total : 4,794 Million Yen

Per share : 36 Yen

** Subject to the approval at the Ordinary General Meeting of Shareholders scheduled in late March, 2005*

Q1 forecast assumptions

- *Japan will continue to grow at a slower rate than other regions*
- *Consumer revenue growth rate to slow down*
- *Due to increase in head count and marketing expenses, SGA cost base will increase to 9.2 Bn Yen*
- *Estimated exchange rate: 1USD = 103 yen
1EUR = 135 yen*

Projection for 1Q2005

(in million Yen)

	<u>For 1Q2004</u> <u>Jan - Mar, 2005</u>	<u>Expected</u> <u>YoY growth</u>
Net Sales	16,300	<u>20%</u>
Operating Income	6,200	<u>21%</u>
Net Income	3,800	<u>21%</u>

Thank you!

Appendix

Sales by Customer

(unaudited)
(in million Yen)

1Q2004	Japan	US	Europe	Asia Pacific	Latin America
Enterprise	3,616	2,290	3,378	966	365
Consumer	2,161	345	212	286	3
total	5,777	2,634	3,590	1,252	368
2Q2004	Japan	US	Europe	Asia Pacific	Latin America
Enterprise	3,718	2,443	3,583	1,250	489
Consumer	2,572	264	202	320	3
total	6,290	2,707	3,785	1,570	492
3Q2004	Japan	US	Europe	Asia Pacific	Latin America
Enterprise	3,966	2,864	3,761	1,315	517
Consumer	2,543	370	212	297	5
total	6,509	3,233	3,973	1,612	522