



Trend Micro

FY2005. 4Q / Annual Results

Mahendra Negi,
COO/CFO, Representative Director
February 9, 2006

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.



FY2005 4Q Financial Highlight

Consolidated Results

(unaudited)
(in million Yen)

<i>Three months ended Dec 31,</i>	4Q2004	4Q2005	YoY growth
Net sales	17,735	20,565	16%
Cost of sales	2,943	3,312	13%
Operating expenses	6,912	9,314	35%
Operating income	7,880	7,939	1%
<u>Operating income margin</u>	<u>44%</u>	<u>39%</u>	
Income before taxes	7,632	8,553	12%
Net Income	4,738	5,795	22%

(In accordance with US GAAP)

If currency exchange rates used for 4Q2004 were used for 4Q2005:

			YoY change
Net sales	17,735	19,716	11%

* The JPY amount for 4Q2005 shown above has been calculated by applying to each foreign currency net sales amount for 4Q2005 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 4Q2004 into a JPY net sales amount for U.S. GAAP reporting purposes.

USD based Results (Non-GAAP)

<i>Three months ended Dec 31,</i>	<i>4Q2004</i>	<i>4Q2005</i>	<i>(unaudited) (in thousand USD) YoY change</i>
Net sales	167,902	175,129	4%
Cost of sales	27,862	28,207	1%
Operating expenses	65,437	79,316	21%
Operating income	74,603	67,606	- 9%
Income before taxes	72,248	72,833	1%
Net Income	44,858	49,346	10%

(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=105.63 JPY for 4Q2004 and 1 USD =117.43 JPY for 4Q2005, respectively, which are the respective weighted average exchange rates used to convert USD net sales to JPY for these quarters.

Change in Classification for Maintenance cost and Customer support cost

Following US SEC guidelines, we now classify "Maintenance" and "Customer Support" costs as Cost of sales instead of operating expenses. No impact to Operating income.

Comparison of Cost of sales at case to before / after change for each quarter in FY 2005

(unaudited)
(in million Yen)

		Q1	Q2	Q3	Q4	FY 2005 Total
Before	Cost of sales	581	610	640	768	2,599
	Gross profit	16,720	16,579	17,335	19,798	70,431
	Gross profit margin	97.	96.	96.	96%	96%
After	Amortization of capitalized software, and Material	581	610	640	768	2,599
	Maintenance	373	322	412	564	1,671
	Customer Support	1,456	1,735	1,687	1,981	6,858
	Cost of sales	2,409	2,667	2,739	3,312	11,128
	Gross profit (for reference.)	14,891	14,522	15,236	17,253	61,902
	Gross profit margin (for reference.)	86.	85.	85.	84.	85.

Comparison of Consolidated results before / after change

Comparison of Consolidated results before / after change for each quarter in FY 2005

(unaudited)

(in million Yen)

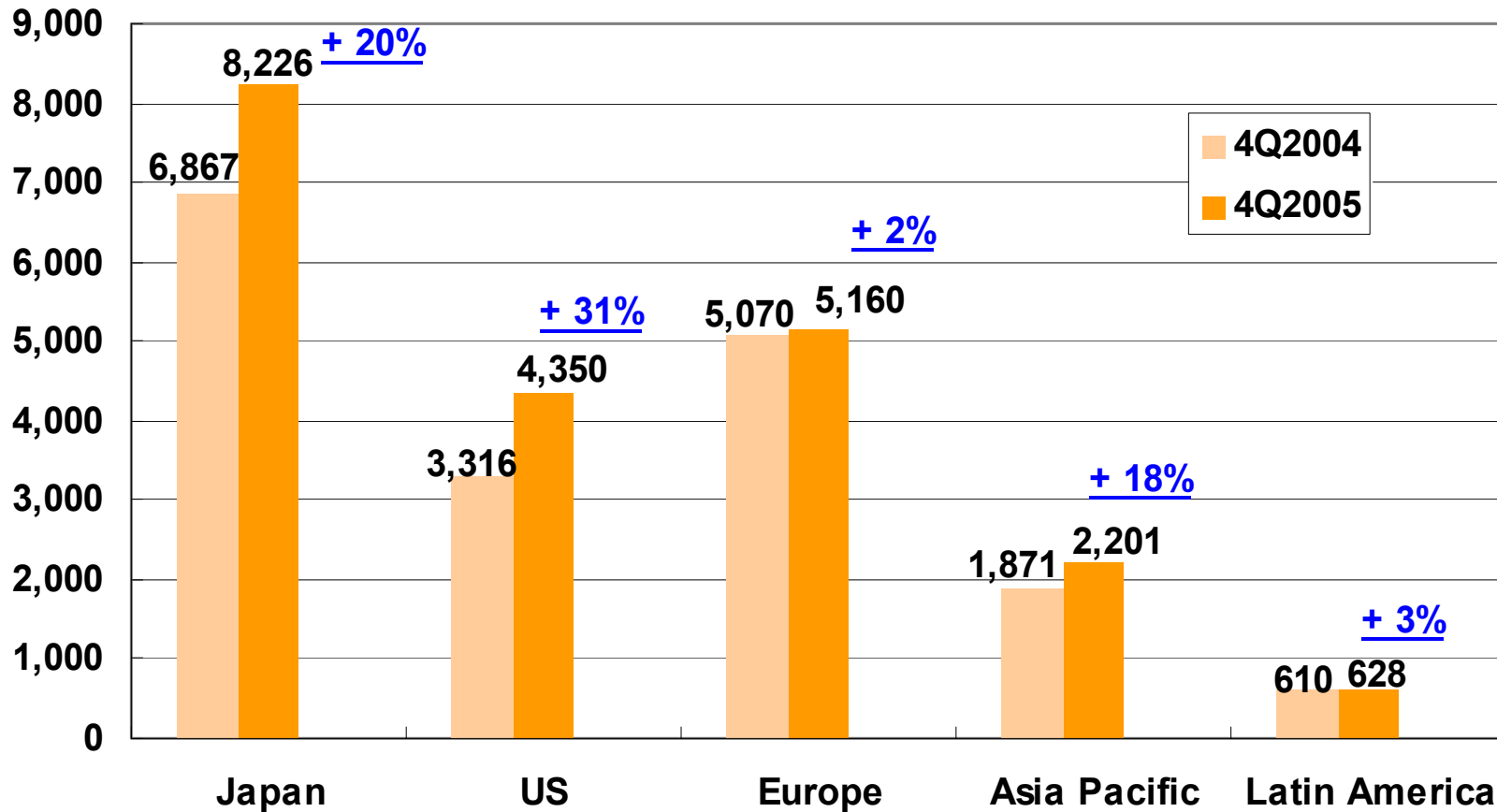
		Q1	Q2	Q3	Q4	FY 2005 Total
Before	Net sales	17,301	17,189	17,975	20,565	73,030
	Cost of sales	581	610	640	768	2,599
	Operating expenses	9,419	11,109	10,473	11,859	42,860
	Operating income	7,301	5,470	6,862	7,939	27,572
After	Net sales	17,301	17,189	17,975	20,565	73,030
	Cost of sales	2,409	2,667	2,739	3,312	11,128
	Operating expenses	7,590	9,052	8,374	9,314	34,330
	Operating income	7,301	5,470	6,862	7,939	27,572

(Non-GAAP)

Net Sales Growth by Region

(unaudited)

(in million Yen)

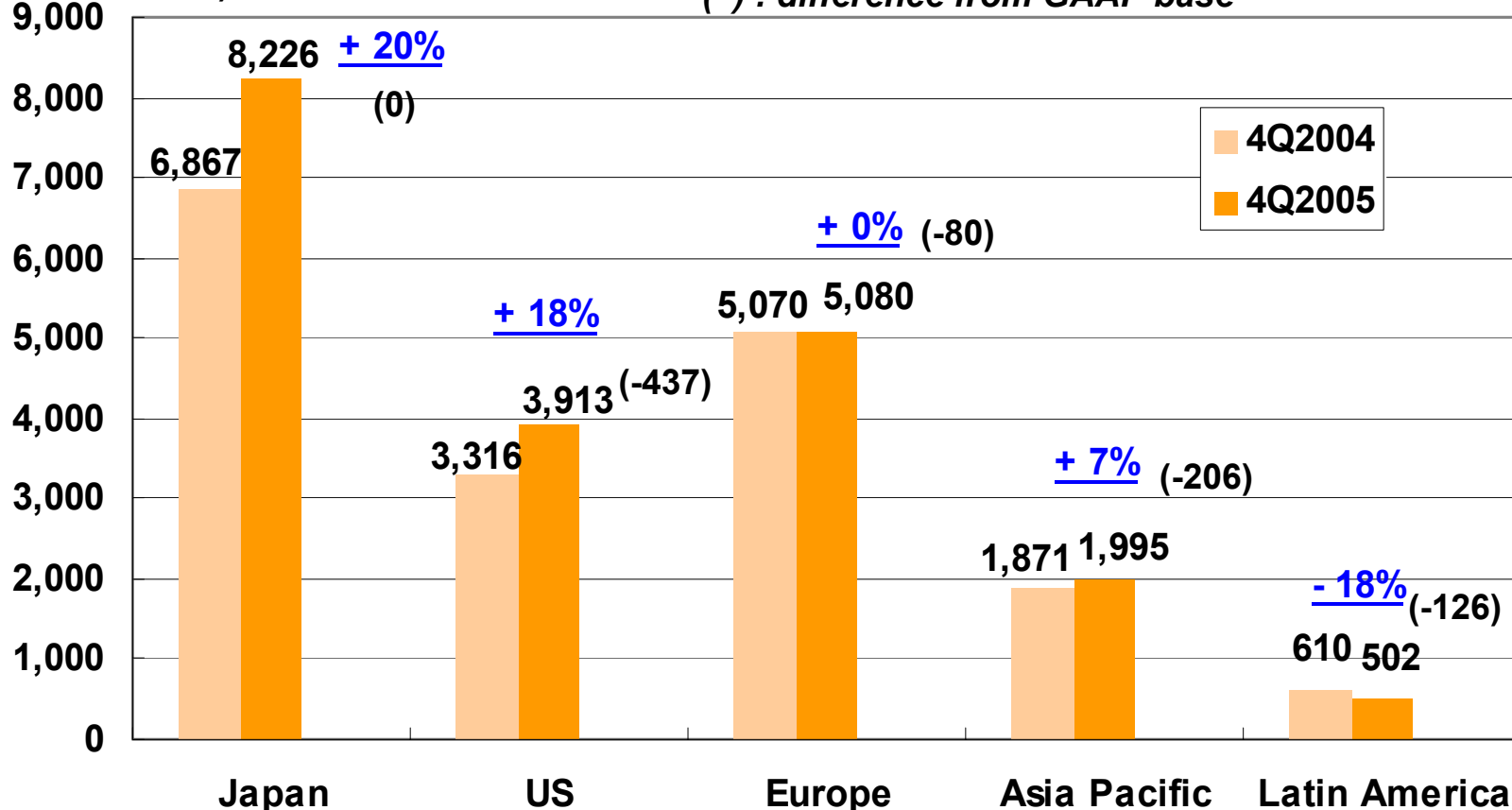


Net Sales Growth by Region

If currency exchange rates used for 4Q2004 were used for 4Q2005: (unaudited)

(in million Yen)

* () : difference from GAAP base



* Each JPY amount for 4Q2005 shown above has been calculated by applying to the relevant foreign currency net sales amount for 4Q2005 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 4Q2004 into a JPY net sales amount for U.S. GAAP reporting purposes. Net sales in Europe were all reported in Euro. Net sales in Asia Pacific and Latin America were reported in more than one foreign currency.

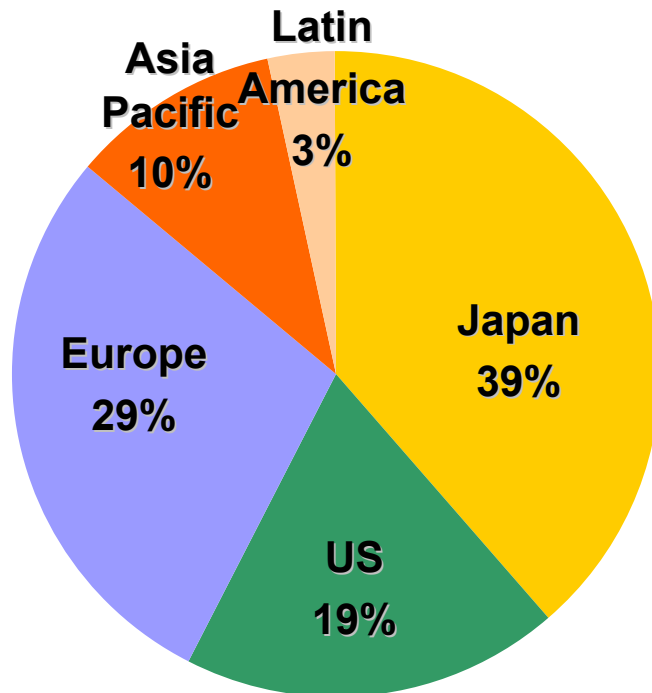


% share by region

(unaudited)

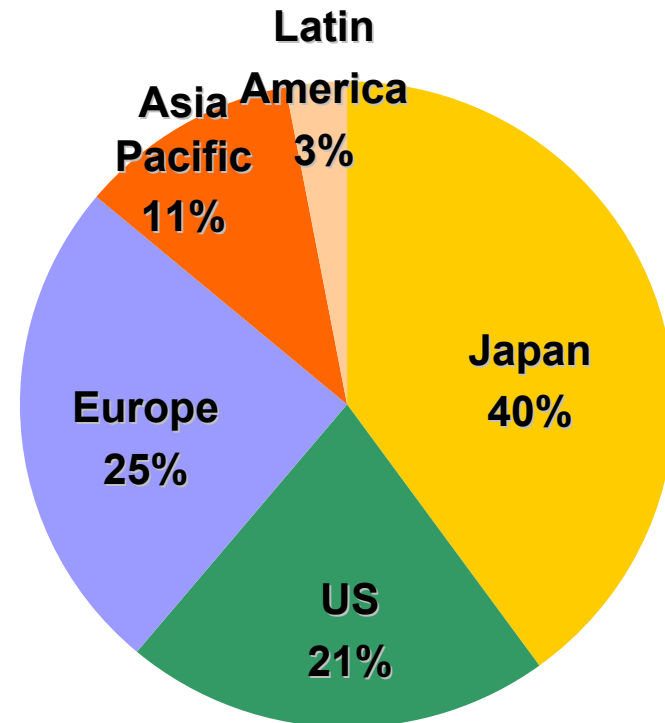
4Q2004

17,735 million Yen



4Q2005

20,565 million Yen



(In accordance with US GAAP)

Q4 Highlights

- ***Highest ever revenues and profits***
- ***Deferred revenues up 13% QoQ and 27% YoY***
- ***Network product revenues up 56% QoQ and 26% YoY***

Q4 Lowlights

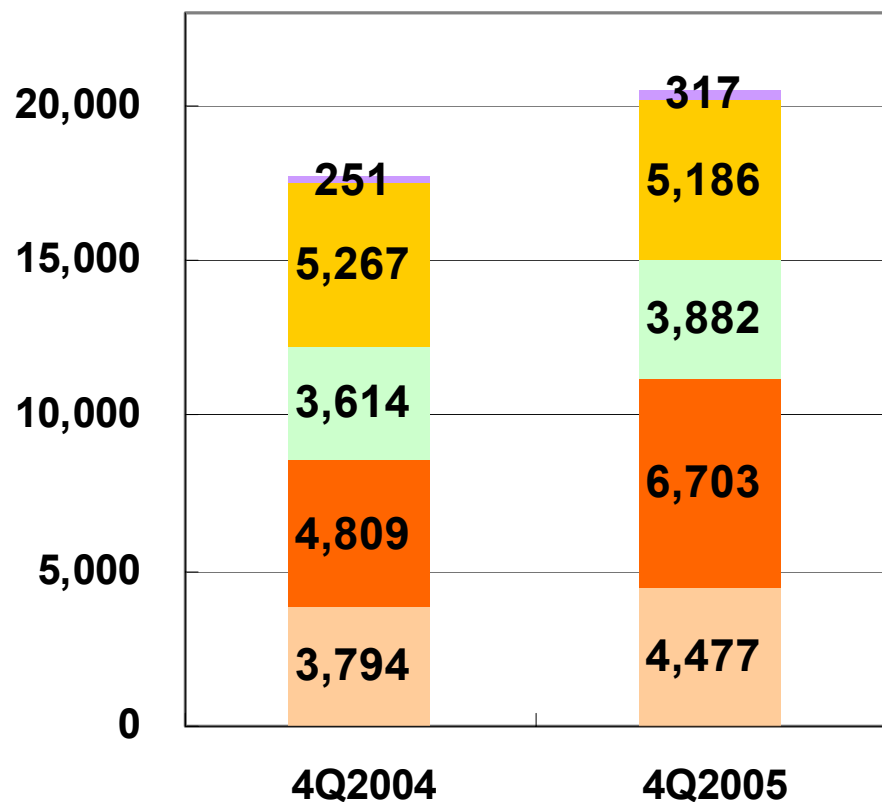
- ***EMEA and APAC growth still not satisfactory***
- ***Cost growth still faster than revenues***

Sales by Product



(in million Yen)

(unaudited)



	<u>4Q2004</u>	<u>4Q2005</u>
Network	2%	2%
Internet Server	30%	25%
Gateway Suite *	20%	19%
Client/Server Solution, others	27%	32%
Consumer PC	21%	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)

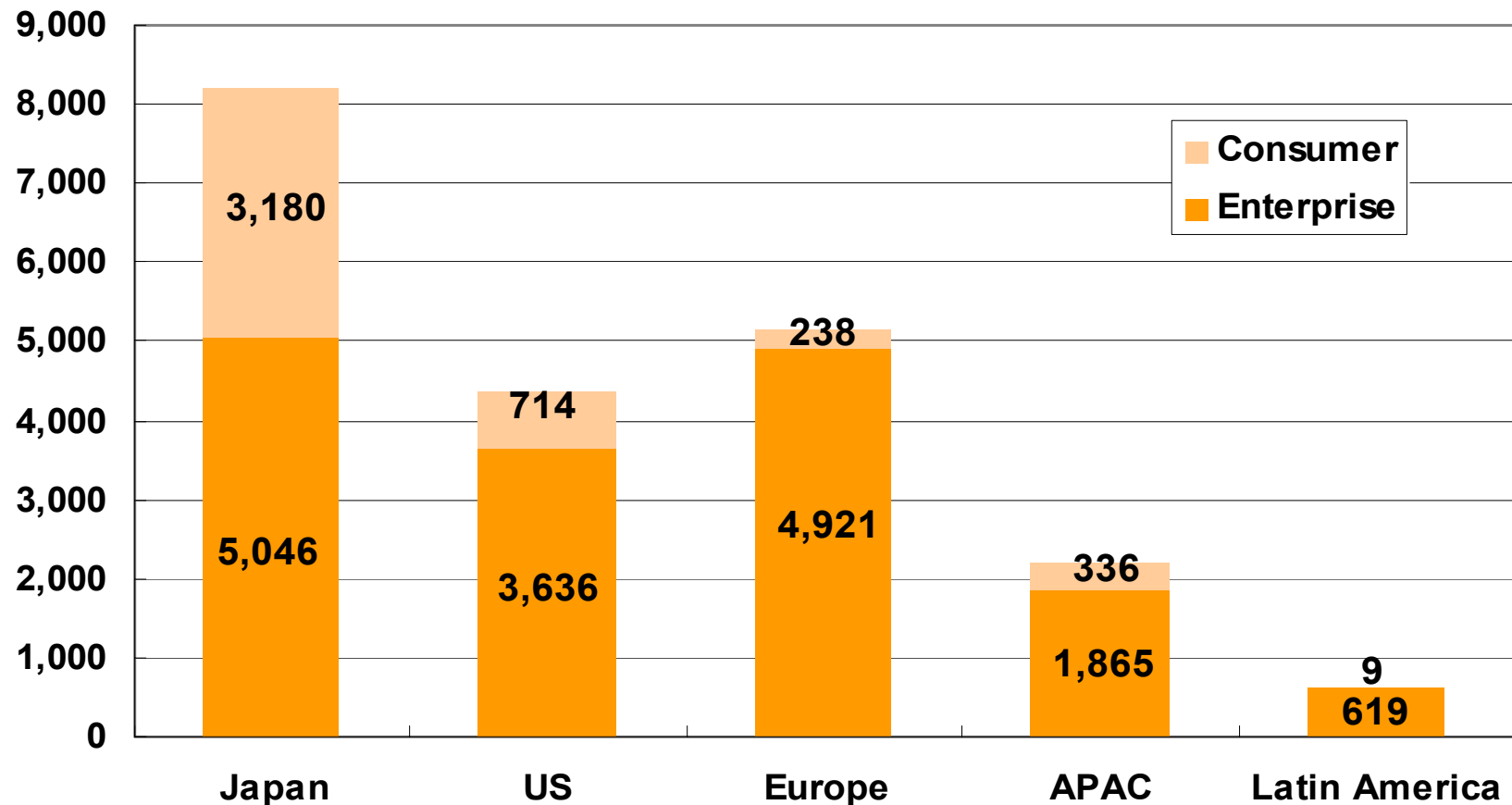
Sales by Customer



(in million Yen)

4Q2005

(unaudited)

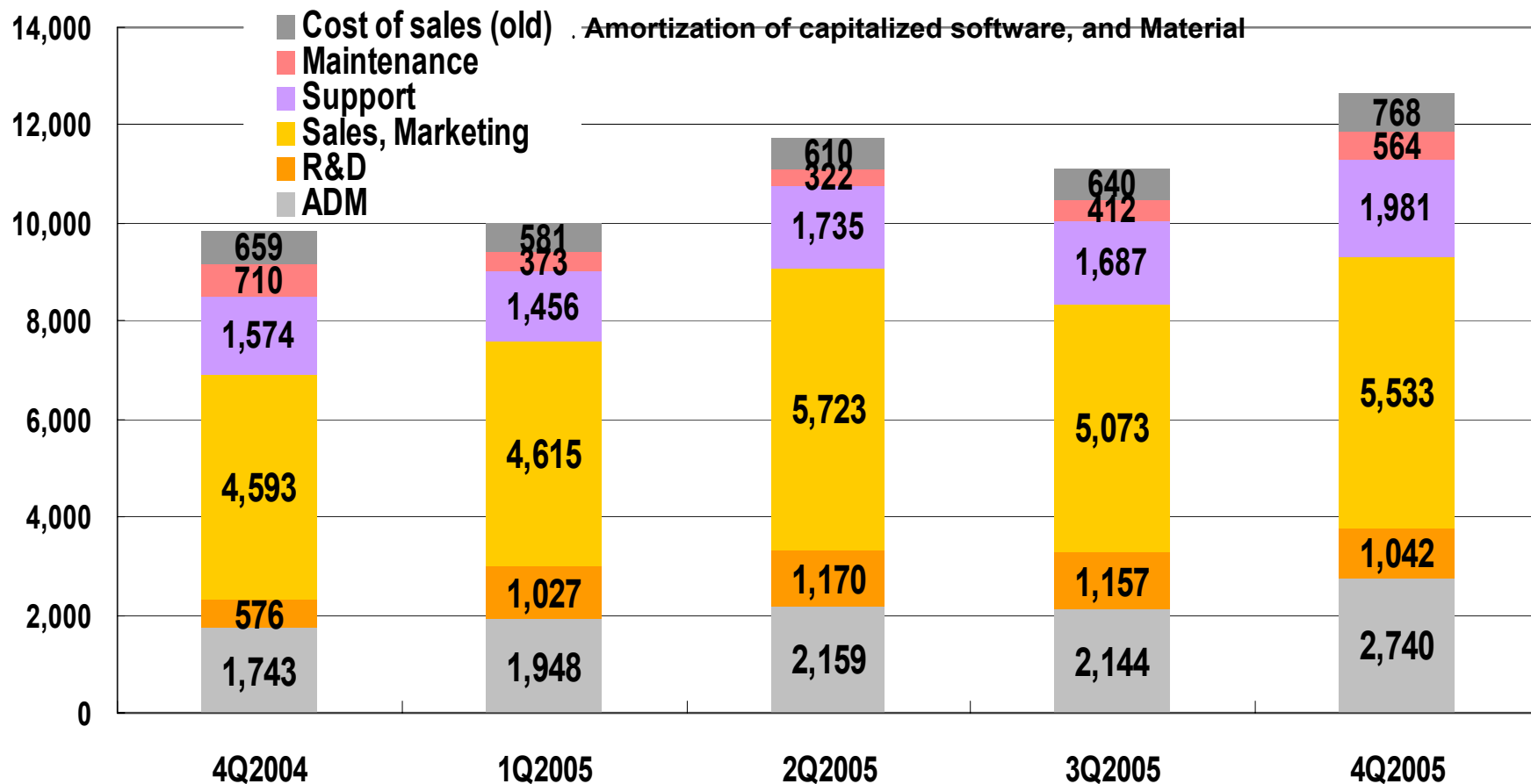


(In accordance with US GAAP)

Cost of sales & Operating expenses

(unaudited)

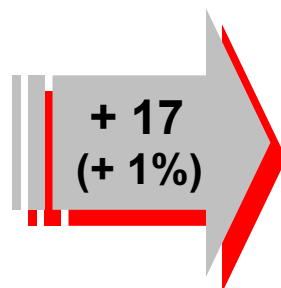
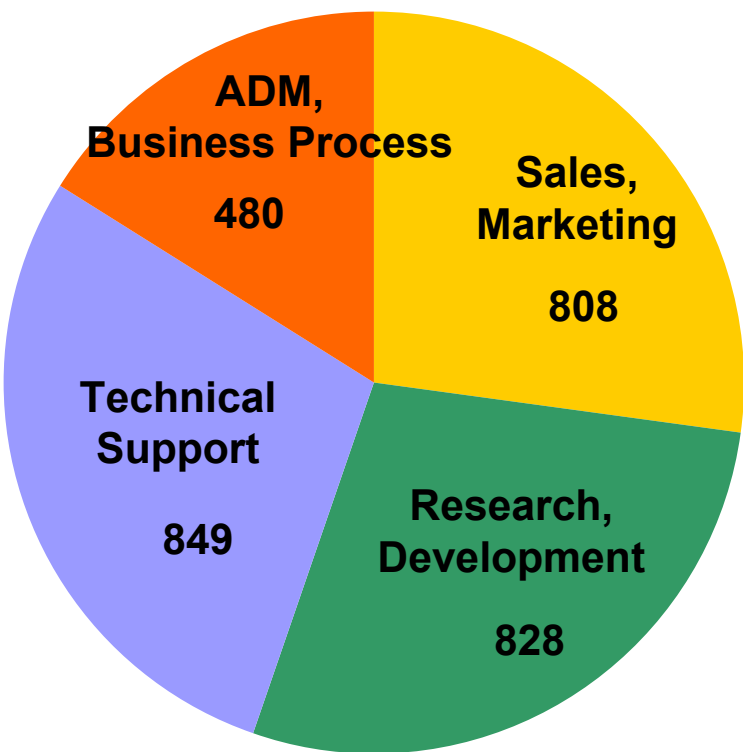
(in million Yen)



Headcount

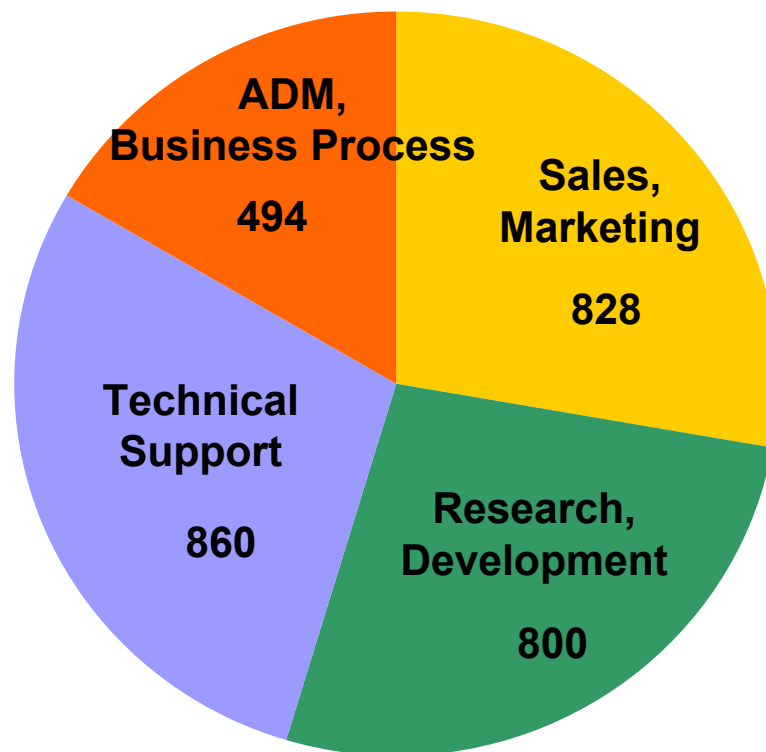
Sep - 2005

2,965



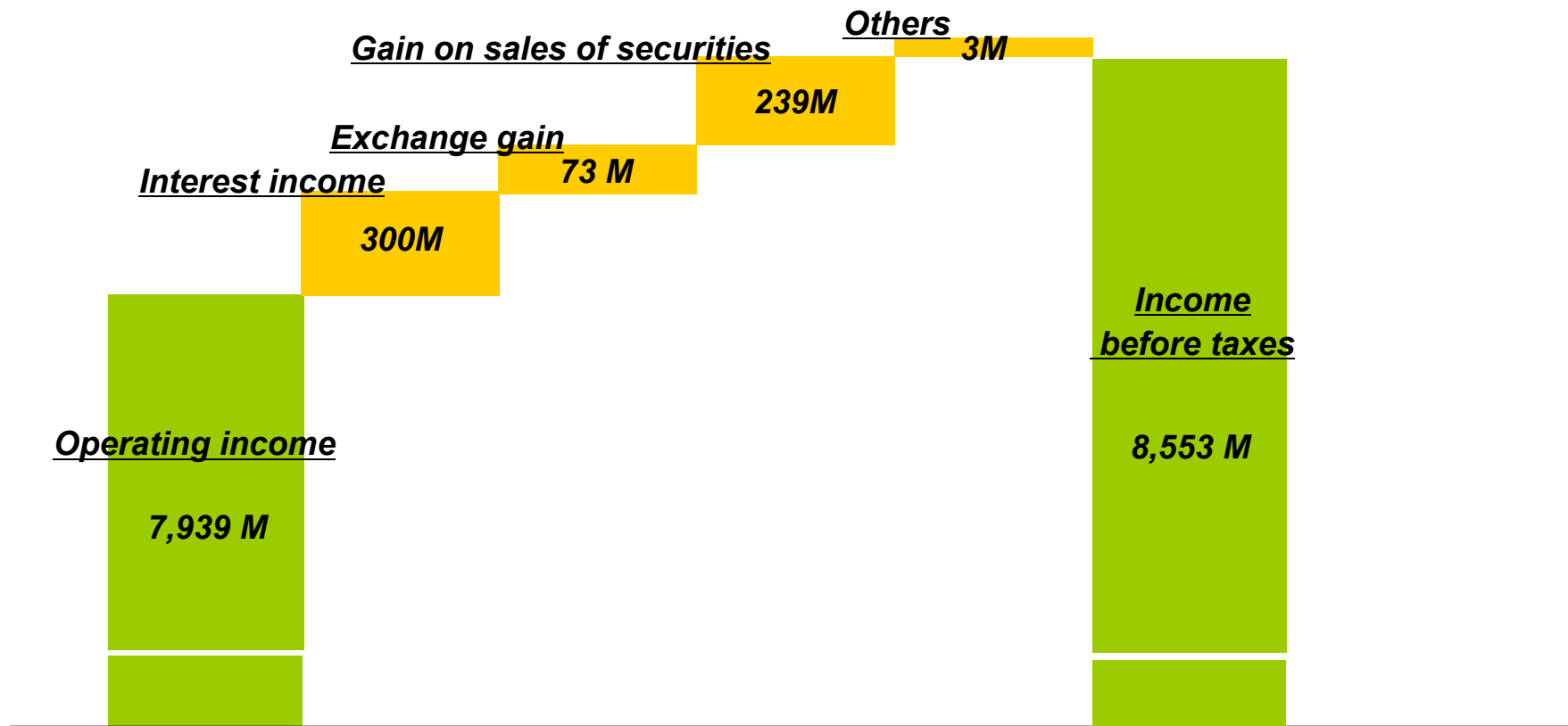
Dec - 2005

2,982



Non-operating Items

(unaudited)

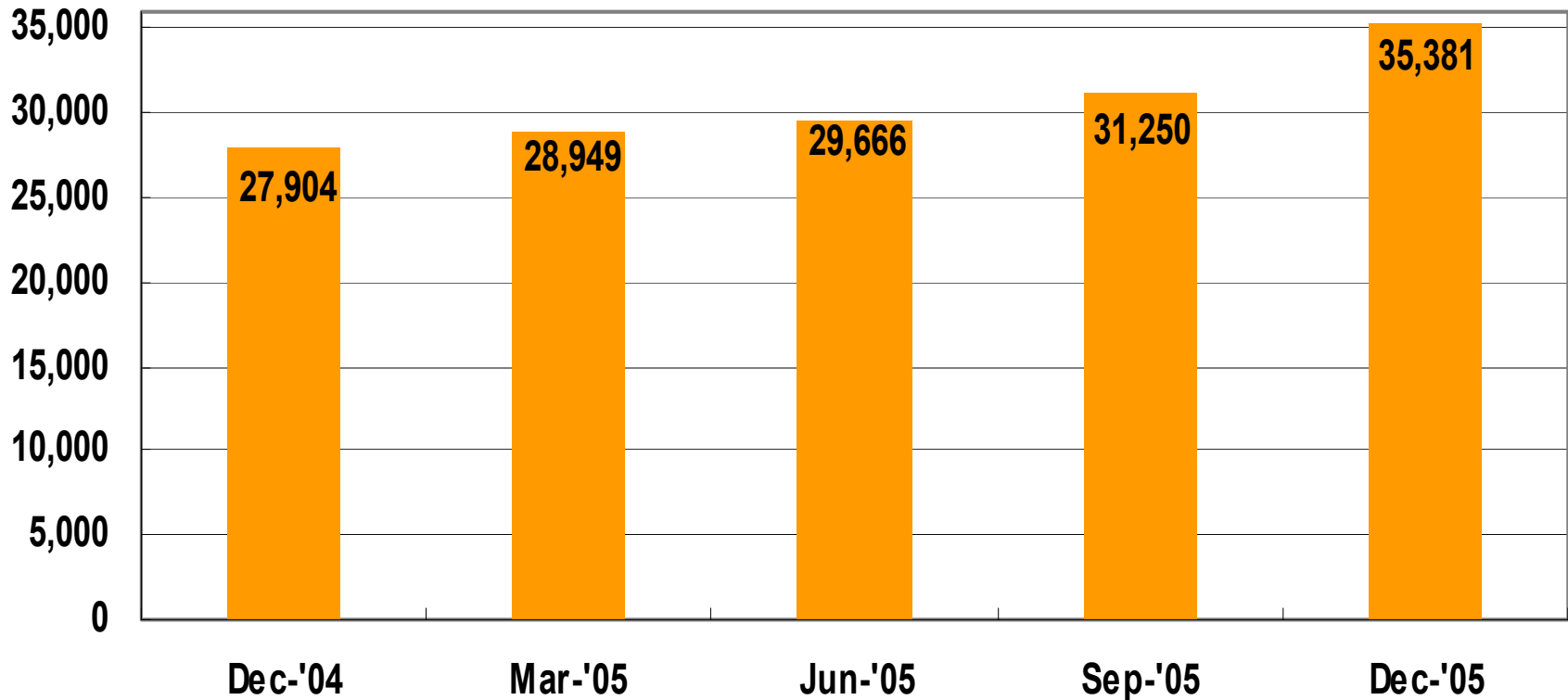


(In accordance with US GAAP)

Deferred Revenue

(unaudited)

(in million Yen)

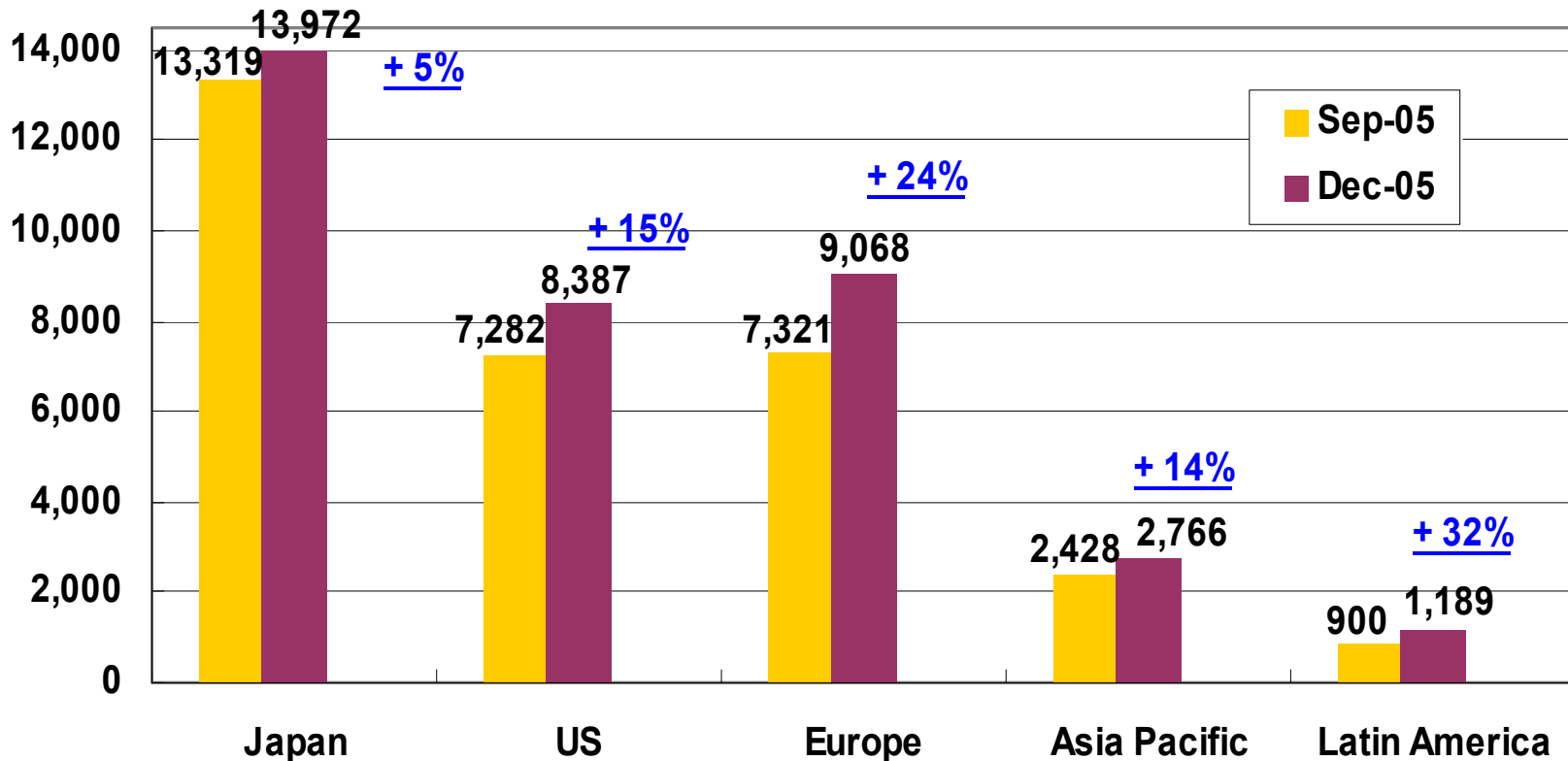


* Total of current and long term
(In accordance with US GAAP) 18

Deferred Revenue by Region

(unaudited)

(in million Yen)



* Total of current and long term

(In accordance with US GAAP) 19

Deferred Revenue by Region

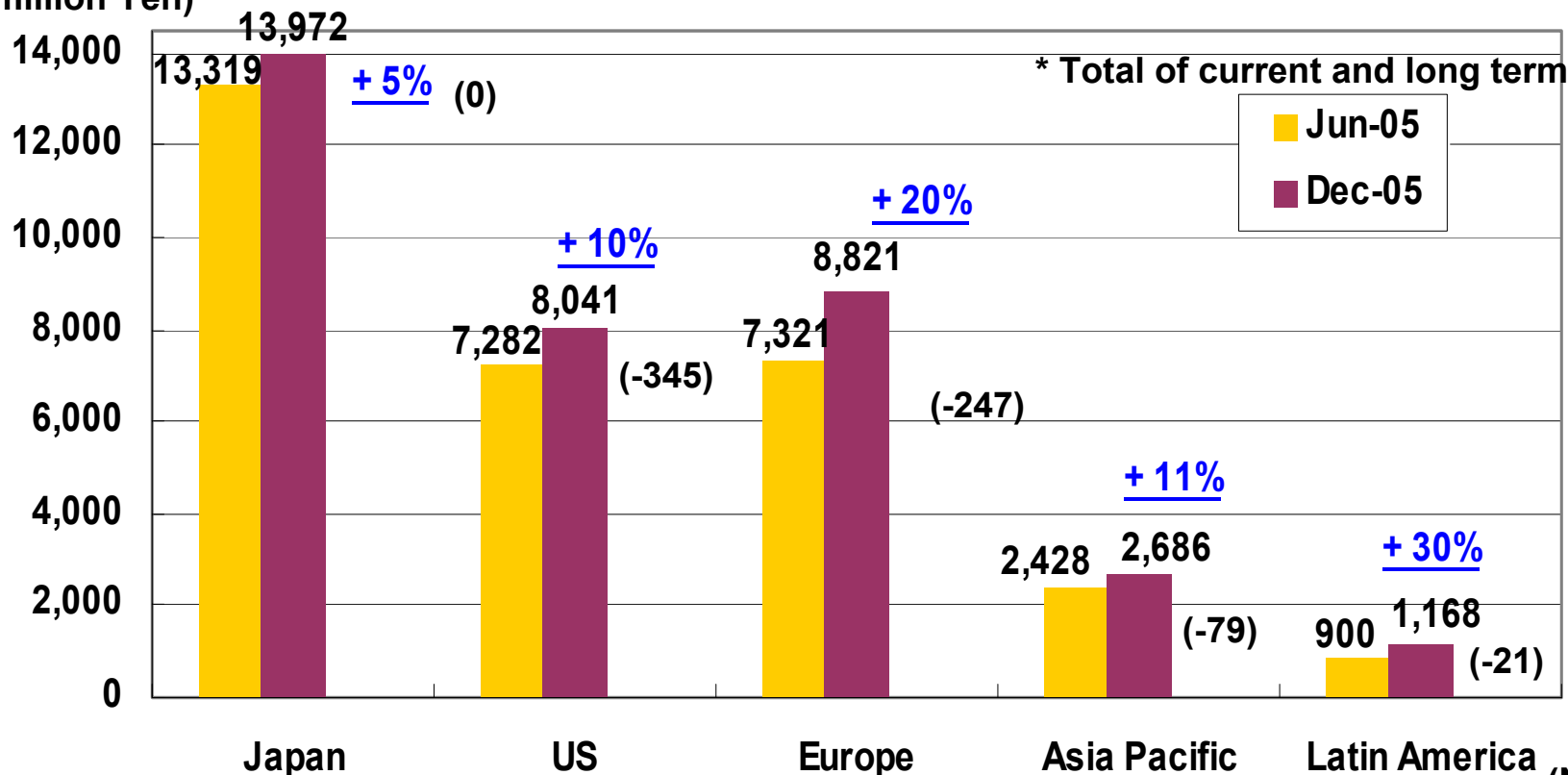


If currency exchange rates used as of the end of 3Q2005 were used as of the end of 4Q2005:

* () : difference from GAAP base

(unaudited)

(in million Yen)



* Each JPY amount as of the end of 4Q2005 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 4Q2005 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 3Q2005 into a JPY deferred revenue amount for U.S. GAAP reporting purposes. Deferred revenue of Europe were all reported in Euro. Deferred revenues of Asia Pacific and Latin America were reported in more than one foreign currency.



Balance Sheet

(unaudited)
(in million Yen)

	Sep-2005	change	Dec-2005
<u>Assets</u>			
Cash & cash equivalents	54,161	+ 5,452	59,613
Account receivable <i>(less allowance for doubtful accounts and sales returns)</i>	14,484	+ 4,715	19,199
Marketable securities & Securities investments	30,322	+ 3,233	33,555
<u>Liabilities</u>			
Deferred revenue <i>(total of current and long-term)</i>	31,250	+ 4,131	35,381
<u>Shareholders' Equity</u>			
Common Stock & Additional paid in capital	30,153	+ 904	31,057
Treasury Stock	- 7,313	+ 30	- 7,283

(In accordance with US GAAP)



FY2005 Annual Financial Highlight

Fiscal Year ended December 2005

Consolidated Results

<i>Fiscal year ended Dec 31</i>	<i>FY2004</i>	<i>FY2005</i>	(unaudited) (in million Yen) <i>YoY growth</i>
Net sales	62,049	73,030	18%
Cost of sales	11,221	11,128	-1%
Operating expenses	24,751	34,330	39%
Operating income	26,078	27,572	6%
<u>Operating income margin</u>	<u>42%</u>	<u>38%</u>	
Income before taxes	26,325	29,108	11%
Net Income	15,875	18,670	18%

(In accordance with US GAAP)

If currency exchange rates used for 2004 were used for 2005:

			<i>YoY change</i>
Net sales	62,049	71,758	16%

** The JPY amount for 2005 shown above has been calculated by applying to each foreign currency net sales amount for 2005 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 2004 into a JPY net sales amount for U.S. GAAP reporting purposes.*

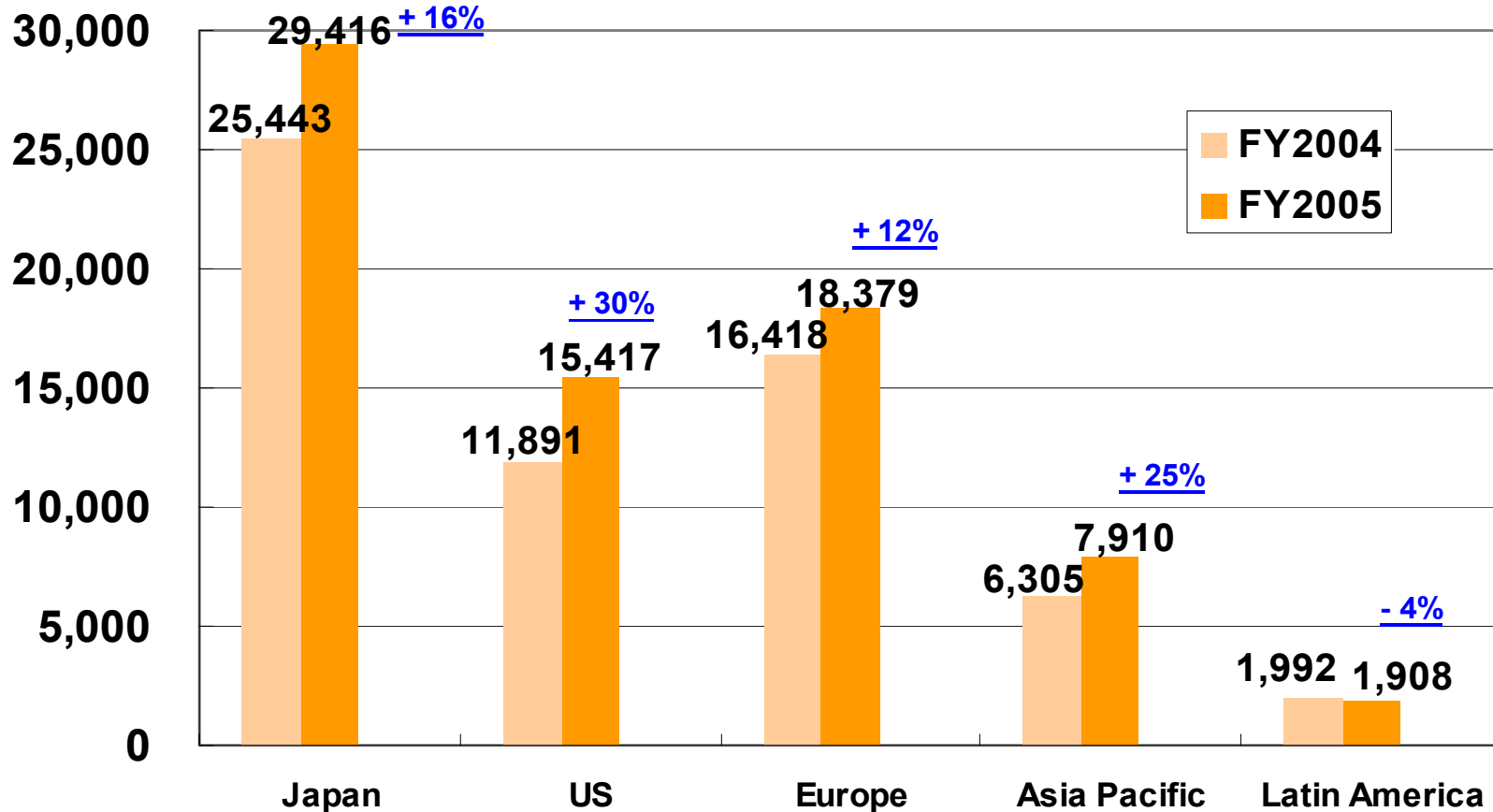
(Non-GAAP)



Net Sales Growth by Region

(unaudited)

(in million Yen)

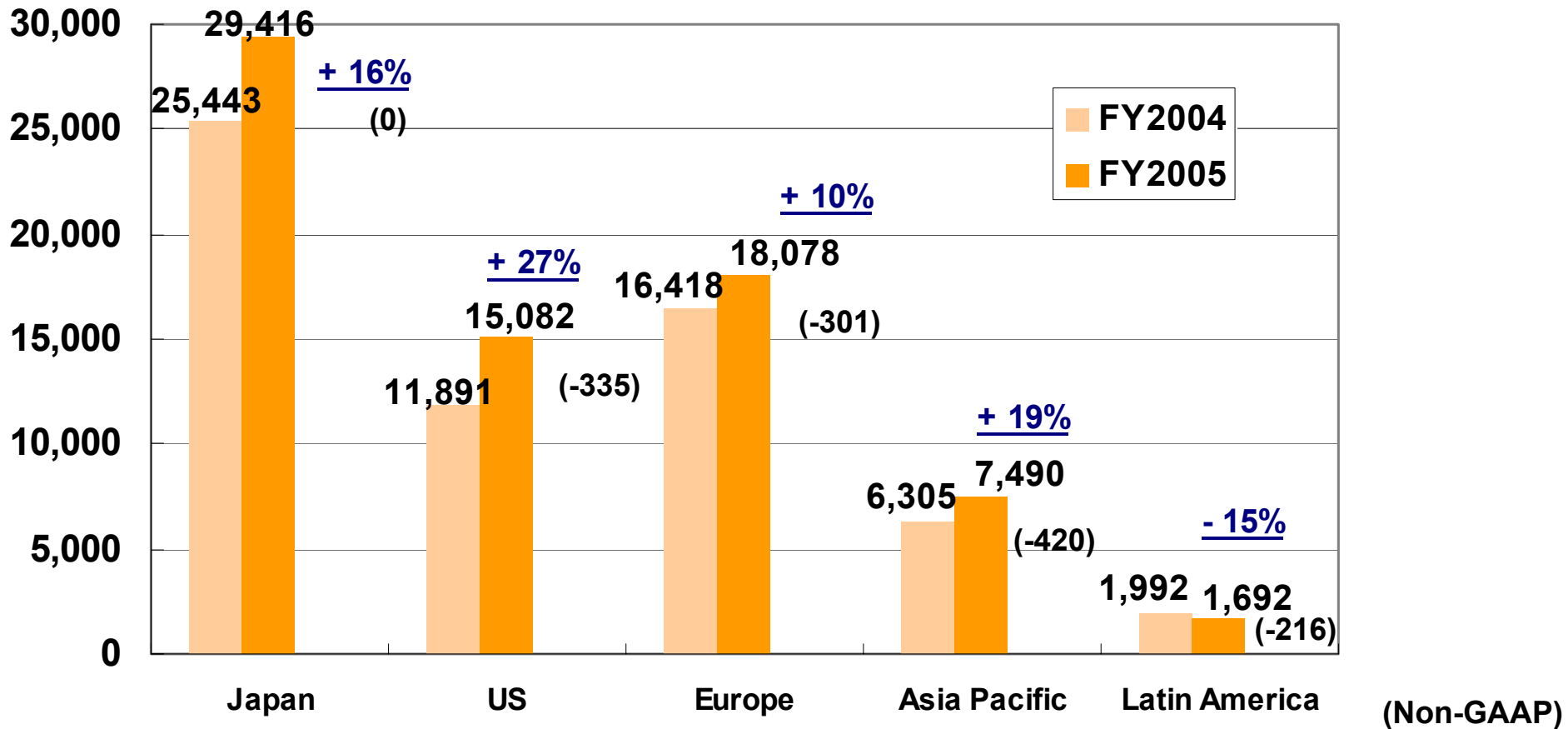


Growth by region

If currency exchange rate used for FY2004 were used for FY2005: (unaudited)

* () – difference from GAAP base

(in million Yen)

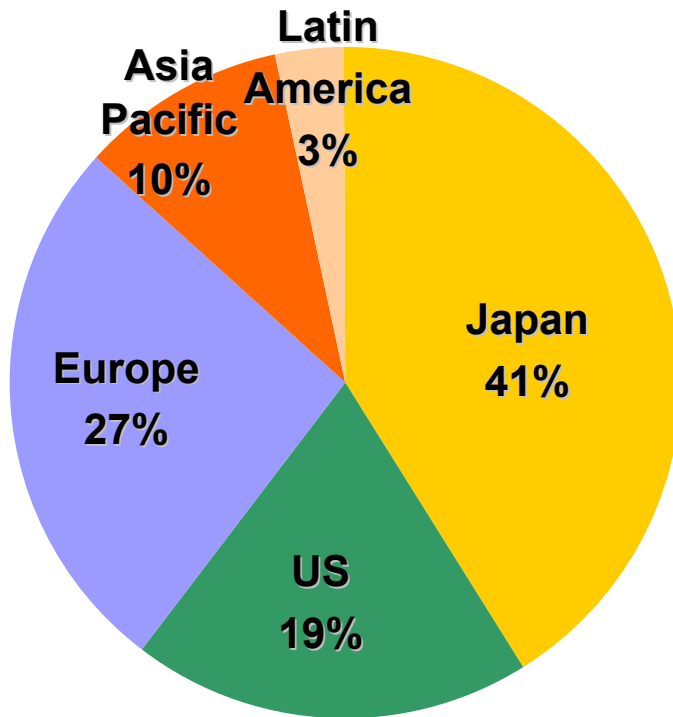


* Each JPY amount for FY2005 shown above has been calculated by applying to the relevant foreign currency net sales amount for FY2005 the weighted average exchange rate between such foreign currency and JPY that was used to convert the net sales amount denominated in such foreign currency for FY2004 into a JPY net sales amount for U.S. GAAP reporting purposes. Net sales in Europe were all reported in Euro. Net sales in Asia Pacific and Latin America were reported in more than one foreign currency.

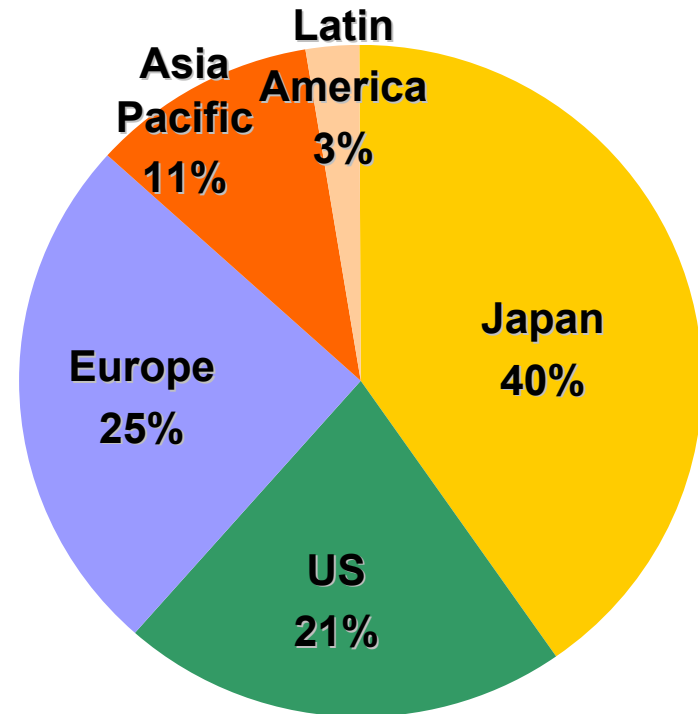
% share by region

(unaudited)

FY2004
62,049 million Yen



FY2005
73,030 million Yen

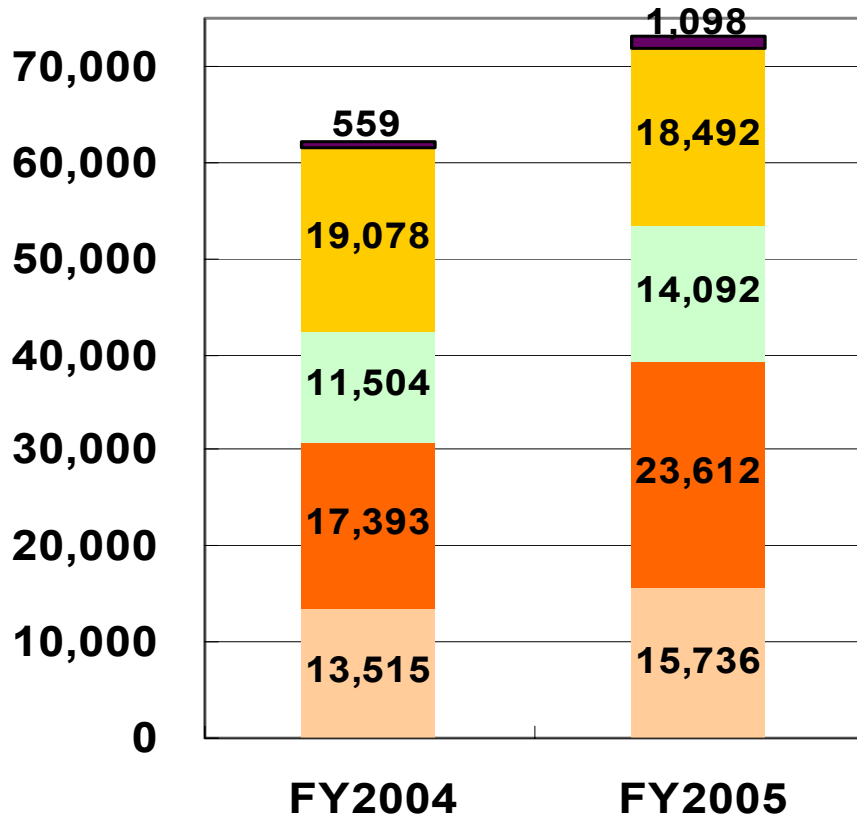


(In accordance with US GAAP)

Sales by Product

(unaudited)

(in million Yen)



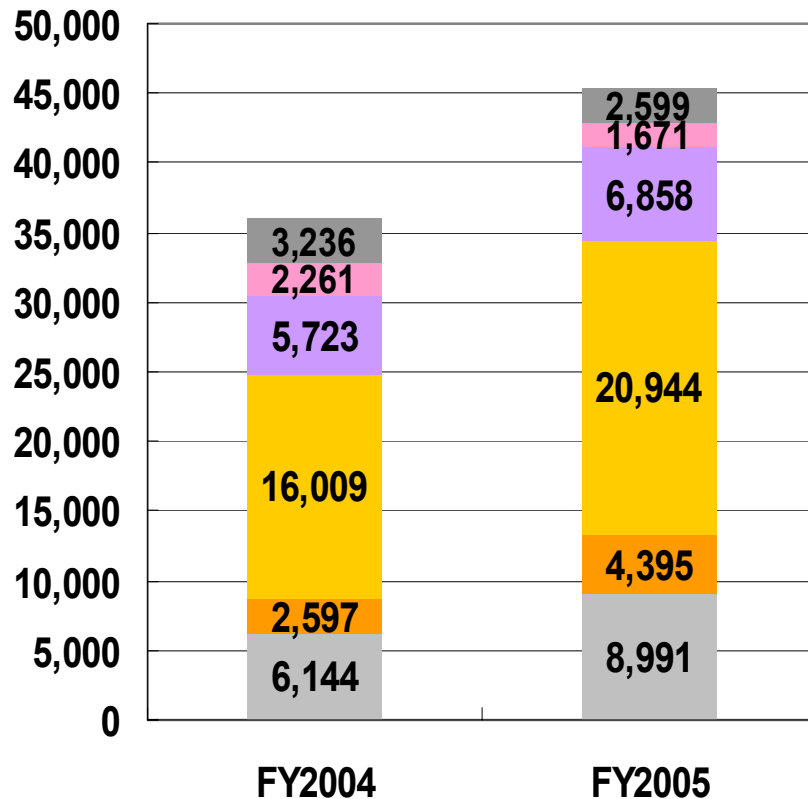
	<u>FY2004</u>	<u>FY2005</u>
■ Network	1%	2%
■ Internet Server	31%	25%
■ Gateway Suite *	18%	19%
■ Client/Server Solution, others	28%	32%
■ Consumer PC	22%	22%
Total	100%	100%

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

Cost of sales & Operating expenses

(unaudited)

(in million Yen)

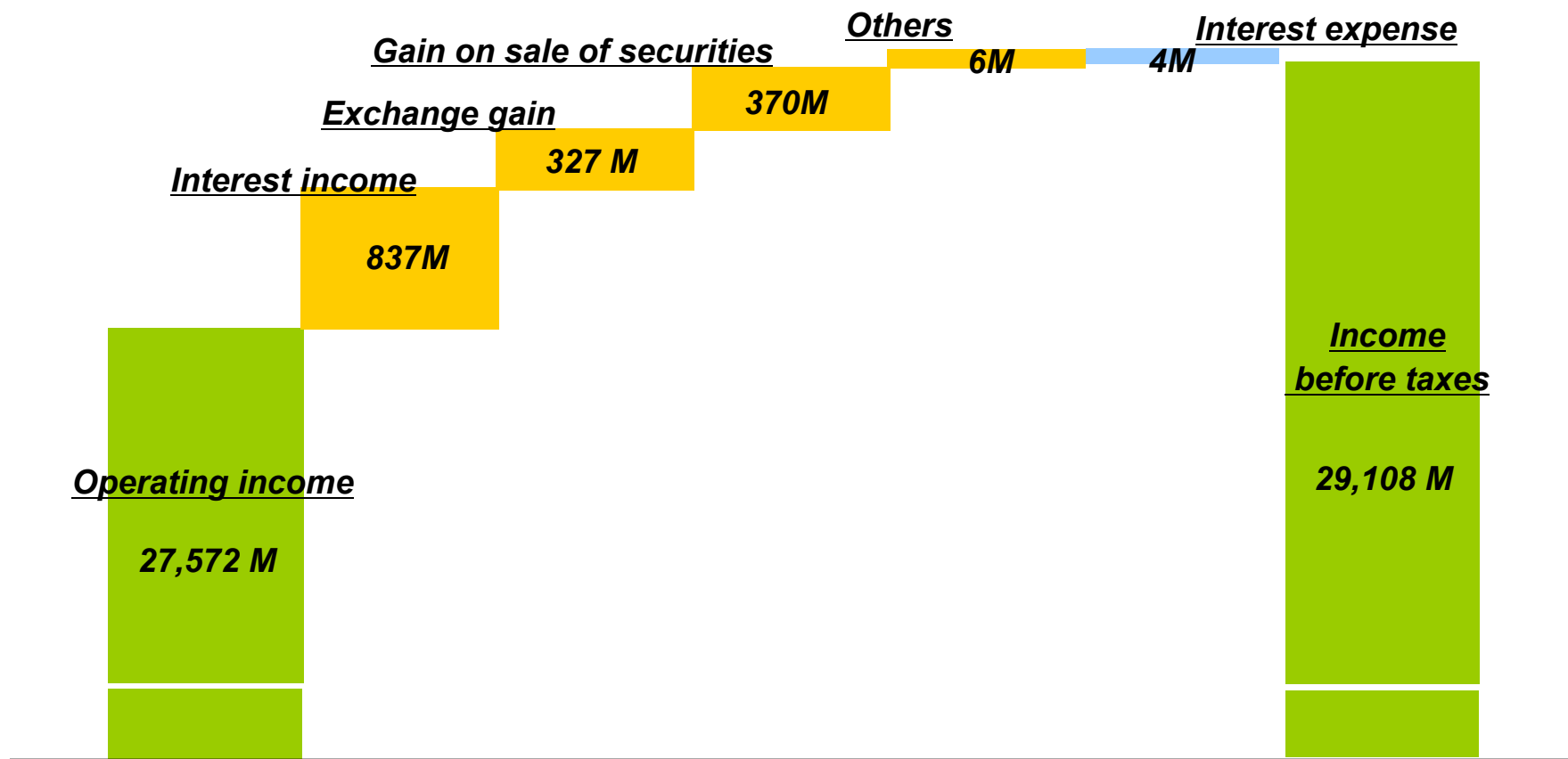


	<u>FY 2004</u>	<u>FY 2005</u>
■ Cost of sales (old) *	9%	6%
■ Maintenance	6%	4%
■ Support	16%	15%
■ Sales, Marketing	45%	46%
■ R&D	7%	10%
■ ADM	17%	20%
Total	100%	100%

* Amortization of capitalized software, and Material

Non-operating Items

(unaudited)

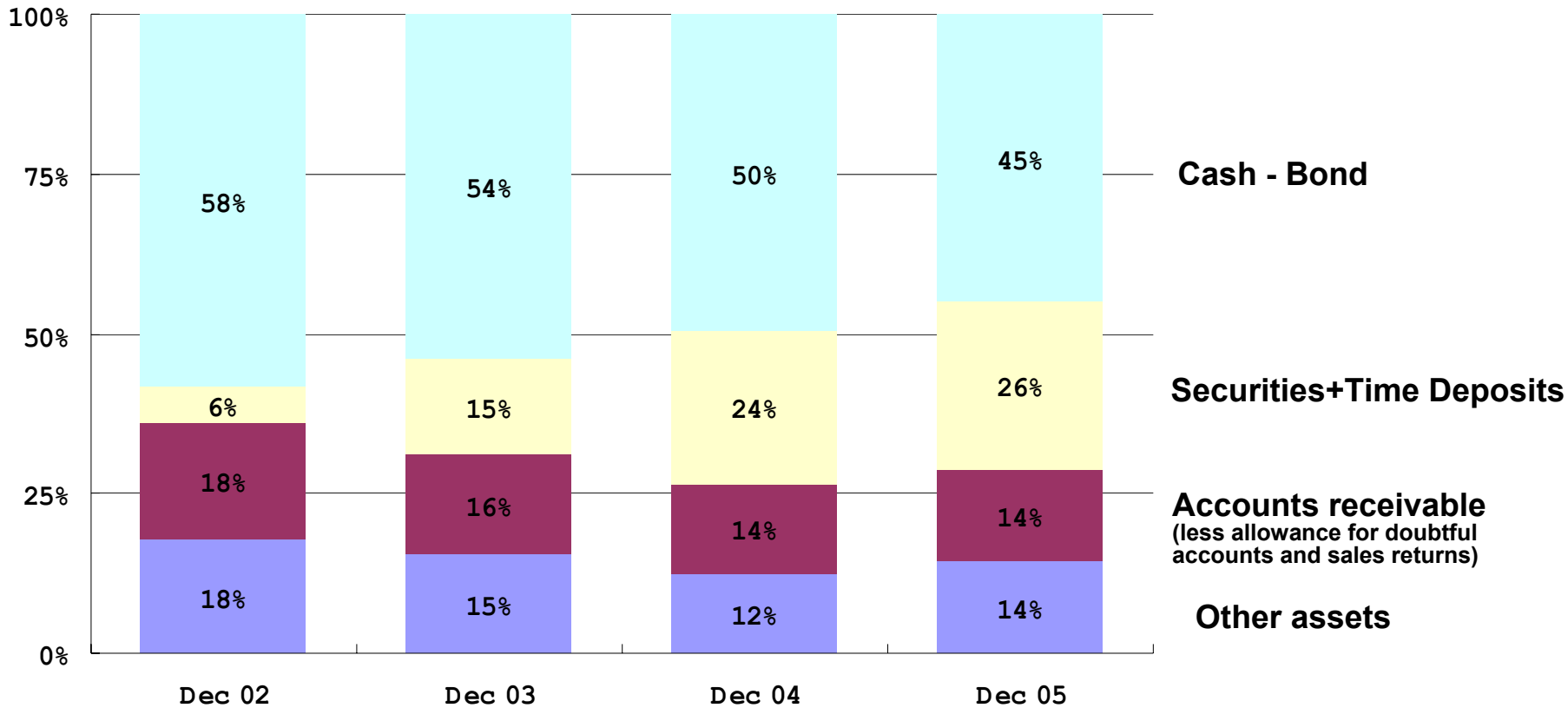


(In accordance with US GAAP)

Cash is King

(unaudited)

Asset composition



(In accordance with US GAAP)

Impact of Stock Option Expense

(unaudited)
(in million Yen)

<i>Fiscal year ended Dec-31,</i>	<i>FY2004</i>	<i>FY2005</i>
Operating income	26,078	27,572
Net income	15,875	18,670

Revaluation of Pro forma stock option expense under SFAS 123

<i>Pro forma Option expense</i>	<i>3,249</i>	<i>3,772</i>
<i>Pro forma Operating income</i>	<i>22,828</i> <i><u>12% decline</u></i>	<i>23,800</i> <i><u>14% decline</u></i>
<i>Pro forma net income</i>	<i>12,626</i> <i><u>20% decline</u></i>	<i>14,898</i> <i><u>20% decline</u></i>

(In accordance with US GAAP)

Impact of Stock Option Expense on Accounting(1)

Comparison of cash flows with and without stock option expensing in FY2005 (unaudited)

Account	Without option costs	With option costs
Cash flows from operating activities	20,646M	20,646M
Cash flows from investing activities	- 12,738M	- 12,738M
Cash flows from financing activities	- 2,406M	- 2,406M
Effect of exchange rate changes on cash and cash equivalents	1,202M	1,202M
Net increase(decrease) in cash and cash equivalents	6,704M	6,704M
Cash and cash equivalents at beginning of period	52,908M	52,908M
Cash and cash equivalents at end of period	59,613M	59,613M

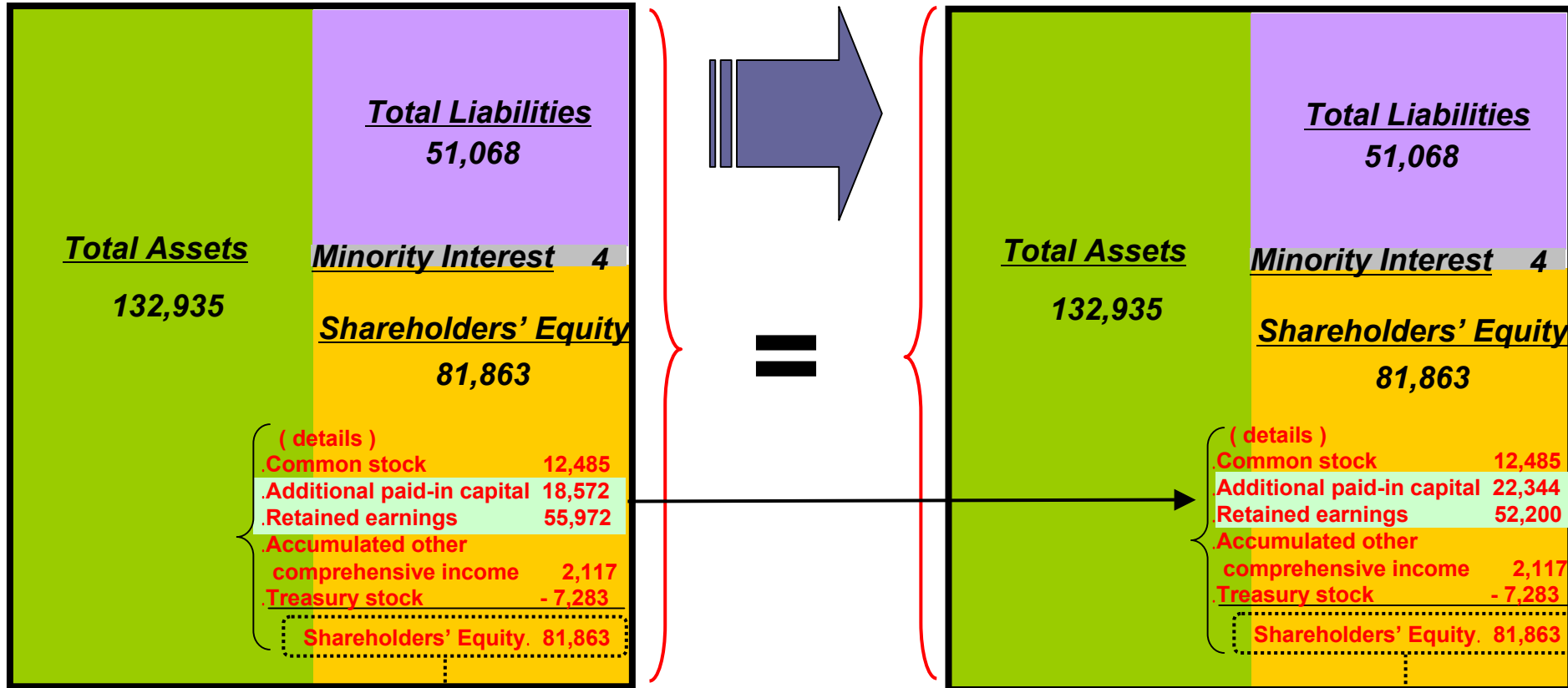
- Stock option cost is a non cash-out expense.
- Cash flow does not change even with expensing option costs
- Corporate Value arrived at by DCF model does not change

Impact of Stock Option Expense on Accounting (2)

Comparison of B/S with and without stock option expensing in FY2005 (unaudited)
(in million Yen)

Without option costs

With option costs



Option costs accounted for by an internal transfer between accounts comprising Shareholder's equity.
Total balance of B/S remains exactly same amount in both cases.



Approximate estimate for FY2006 Stock Option Expense



.Assumption :

(unaudited)

*The issue of FY2006 stock options has not been decided yet

*Based on the assumption that issuance in 2006 will be half of 2005 actual

- Stock options are issued twice in a year of 2006, April and October.
- Total issuance will be about 3,000,000 shares
- Estimating same fair value as in FY2005

Approximate estimation for FY2006 cost of stock options at the each quarter

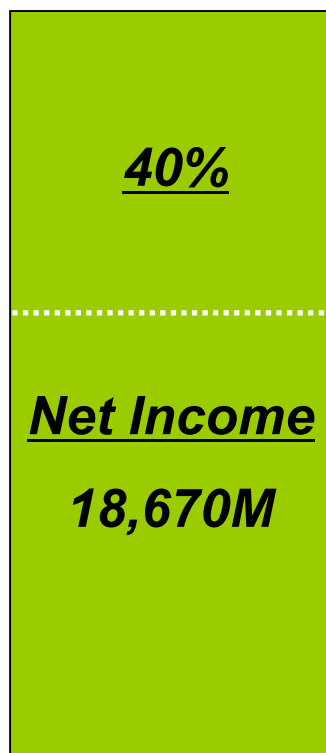
(million yen.

	Q1	Q2	Q3	Q4	FY2006 Total
Cost of Stock Option	1,189	1,318	1,213	1,209	4,930

(Non-GAAP)

Cash Dividends for FY2005

(unaudited)



Dividends for FY2005

Total : 7,509 Million Yen

Per share : 56 Yen

** Subject to the approval at the Ordinary General Meeting of Shareholders scheduled in late March, 2006*

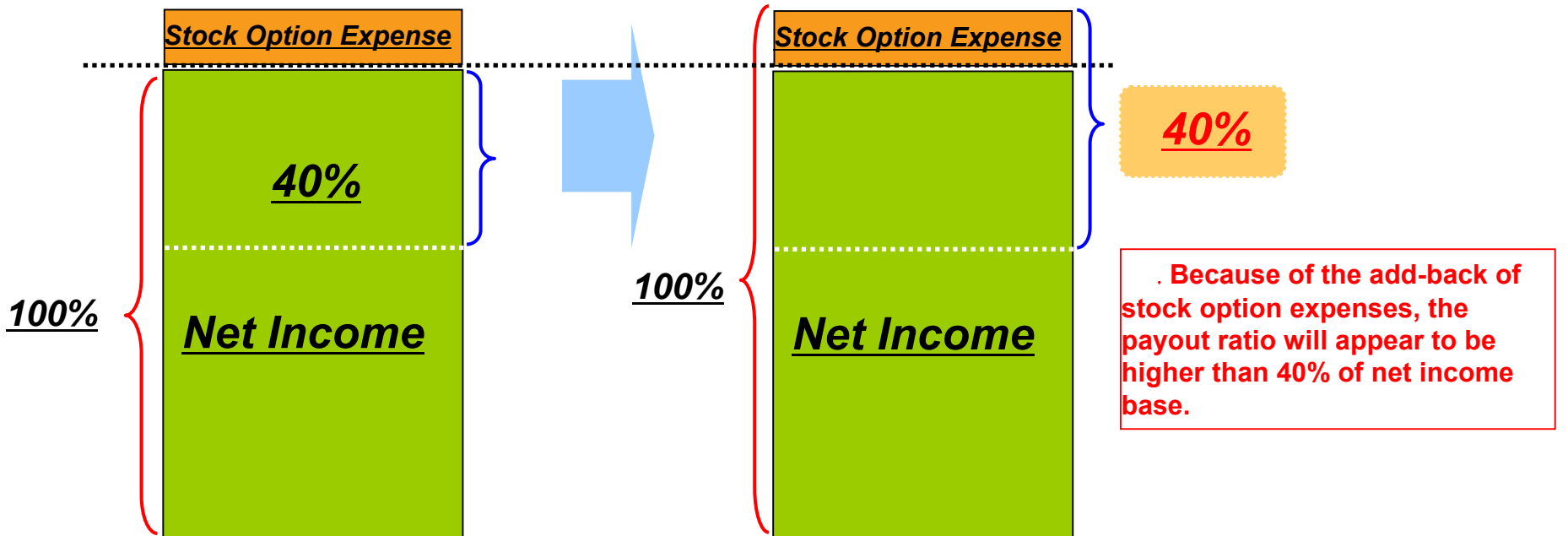
Cash Dividends in the Future

To maintain a “real” pay-out ratio of 40% excluding the impact of non-cash stock option expenses, we will be adding these expenses back to accounting Net Income for pay-out calculations.

Trend Micro's Policy

(standard base)
40% X Net Income

40% X (Net Income + Stock Option Expense)



* subject to shareholder approval in the ordinary general meeting of shareholders

1Q2006 forecast assumptions

- **Revenue growth-**
US, Japan above Total company average, EMEA below
- **COGS & Operating Expense will be 11.5 Bn yen**
***(excluding “Amortization of capitalized software, and Material” and stock option expense)**
- **One time payment (receipt) related to intellectual property usage about 1.7 Bn yen**
- **Stock option expense will be about 1.2 Bn yen**
- **Estimated exchange rate: 1USD = 118 yen**
1EUR = 139 yen

Projection for 1Q2006

(unaudited)

(in million Yen)

	<u>For 1Q2006</u> <u>Jan - Mar, 2006</u>	<u>Expected</u> <u>YoY growth</u>
Net Sales	19,500	<u>13%</u>
Operating Income	7,800	<u>7%</u>
Net Income	4,400	<u>-3%</u>

* Including stock option expense .1,189M Yen.

Thank you!

Appendix

Sales by Customer (1)

(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
to tal	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
to tal	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
to tal	6,509	3,233	3,973	1,612	522
4Q2004	Japan	US	Europe	Asia Pacific	Latin America
Enterprise	4,074	2,876	4,857	1,532	603
Consumer	2,793	441	214	340	7
to tal	6,867	3,317	5,071	1,872	610

Appendix

Sales by Customer (2)

(unaudited)
(in million Yen)

1Q2005	Japan	US	Europe	Asia Pacific	Latin America
Enterprise	4,509	2,876	3,953	1,426	465
Consumer	2,857	525	361	322	7
to tal	7,366	3,401	4,314	1,748	472
2Q2005	Japan	US	Europe	Asia Pacific	Latin America
Enterprise	4,475	3,047	4,250	1,701	284
Consumer	2,406	437	265	317	7
to tal	6,881	3,484	4,515	2,018	291
3Q2005	Japan	US	Europe	Asia Pacific	Latin America
Enterprise	4,276	3,637	4,129	1,670	508
Consumer	2,666	544	263	272	9
to tal	6,942	4,181	4,392	1,942	517
4Q2005	Japan	US	Europe	Asia Pacific	Latin America
Enterprise	5,046	3,636	4,921	1,865	619
Consumer	3,180	714	238	336	9
to tal	8,226	4,350	5,159	2,201	628