



# ***Trend Micro***

## ***FY2005. 3Q Results***

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***CFO, Representative Director***  
***October 27, 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.**

# Consolidated Results

<i>Three months ended Sep 30,</i>	(unaudited) (in million Yen)		
	<b>3Q2004</b>	<b>3Q2005</b>	<b>YoY growth</b>
<b>Net sales</b>	<b>15,850</b>	<b>17,975</b>	<b>13%</b>
<b>Cost of sales</b>	<b>675</b>	<b>640</b>	<b>- 5%</b>
<b>Gross profit</b>	<b>15,175</b>	<b>17,335</b>	<b>14%</b>
<b>Operating expenses</b>	<b>8,380</b>	<b>10,473</b>	<b>25%</b>
<b>Operating income</b>	<b>6,795</b>	<b>6,862</b>	<b>1%</b>
<b><u>Operating income margin</u></b>	<b><u>43%</u></b>	<b><u>38%</u></b>	
<b>Income before taxes</b>	<b>7,167</b>	<b>7,240</b>	<b>1%</b>
<b>Net Income</b>	<b>4,167</b>	<b>4,385</b>	<b>5%</b>

(In accordance with US GAAP)

*If currency exchange rates used for 3Q2004 were used for 3Q2005:*

			<b>YoY change</b>
<b>Net sales</b>	<b>15,850</b>	<b>17,698</b>	<b>12%</b>

*\* The JPY amount for 3Q2005 shown above has been calculated by applying to each foreign currency net sales amount for 3Q2005 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 3Q2004 into a JPY net sales amount for U.S. GAAP reporting purposes.*

(Non-GAAP)

# USD based Results (Non-GAAP)

<i>Three months ended Sep 30,</i>	<i>3Q2004</i>	<i>3Q2005</i>	<i>(unaudited) (in thousand USD) YoY change</i>
<b>Net sales</b>	<b>144,101</b>	<b>161,586</b>	<b>12%</b>
<b>Cost of sales</b>	<b>6,135</b>	<b>5,752</b>	<b>- 6%</b>
<b>Gross profit</b>	<b>137,966</b>	<b>155,834</b>	<b>13%</b>
<b>Operating expenses</b>	<b>76,187</b>	<b>94,151</b>	<b>24%</b>
<b>Operating income</b>	<b>61,779</b>	<b>61,683</b>	<b>0%</b>
<b>Income before taxes</b>	<b>65,158</b>	<b>65,083</b>	<b>0%</b>
<b>Net Income</b>	<b>37,890</b>	<b>39,421</b>	<b>4%</b>

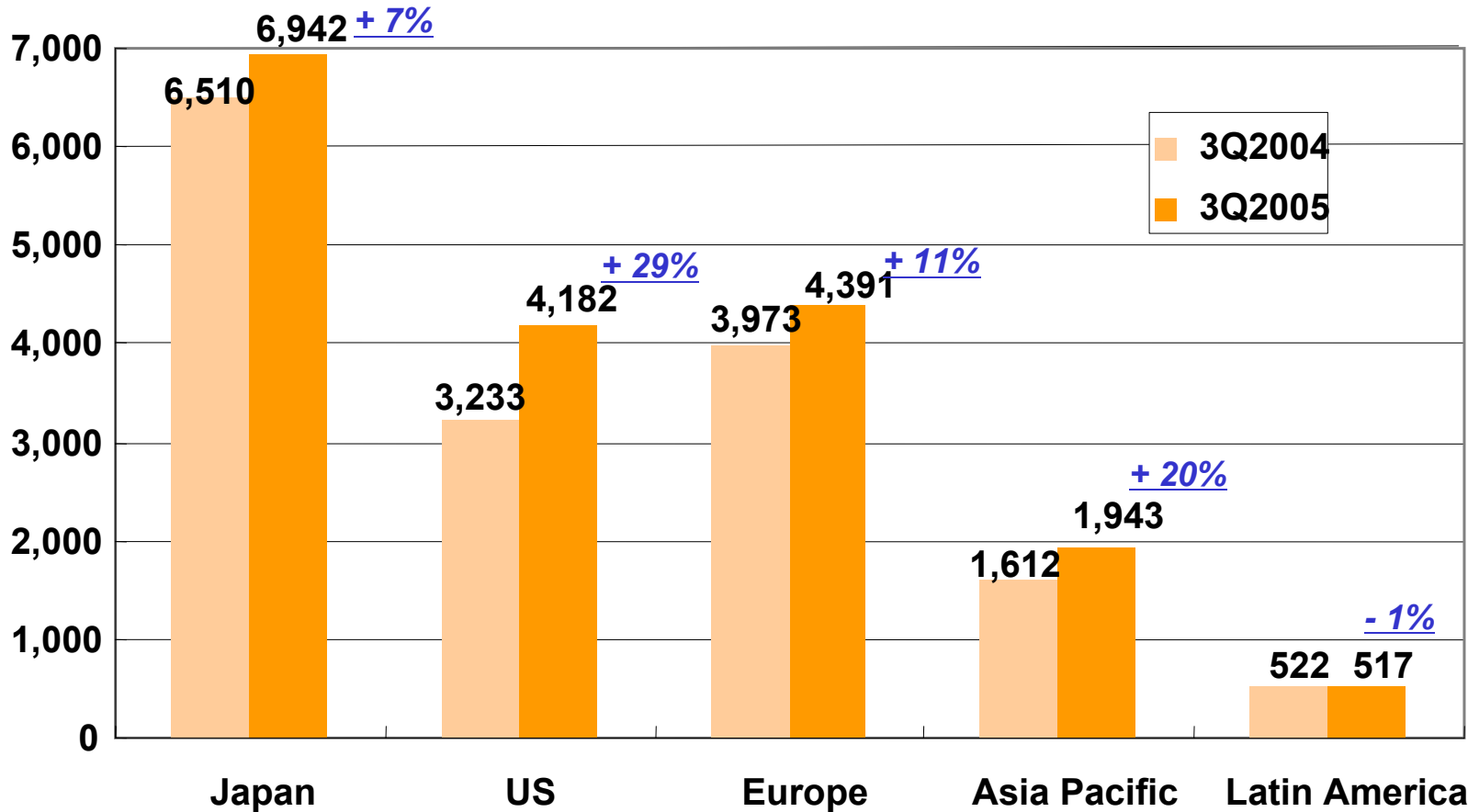
**(Non-GAAP)**

***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=109.99 JPY for 3Q2004 and 1 USD =111.24 JPY for 3Q2005, 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)



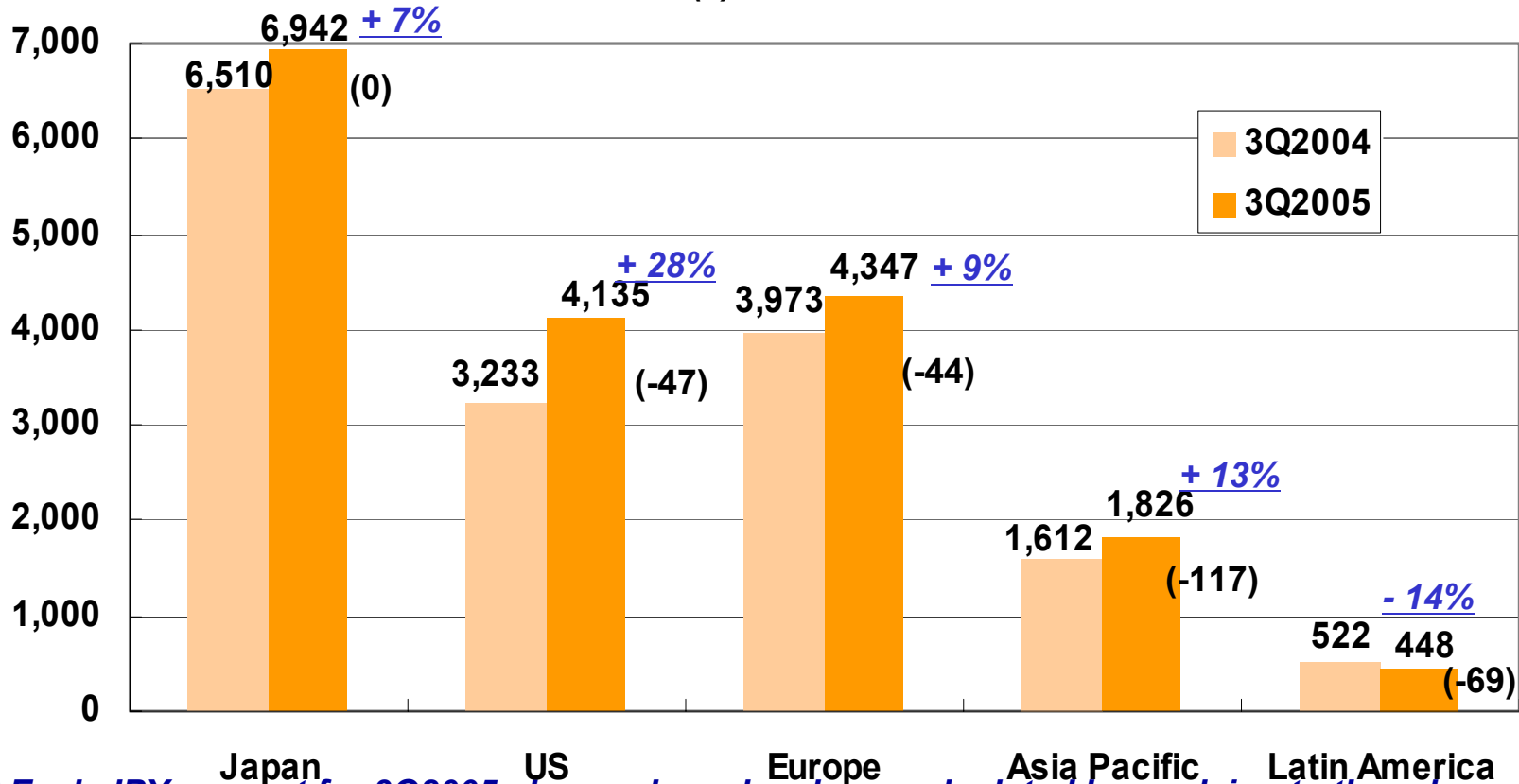
(In accordance with US GAAP)

# Net Sales Growth by Region

If currency exchange rates used for 3Q2004 were used for 3Q2005: (unaudited)

(in million Yen)

\* ( ) : difference from GAAP base



\* Each JPY amount for 3Q2005 shown above has been calculated by applying to the relevant foreign currency net sales amount for 3Q2005 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 3Q2004 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.

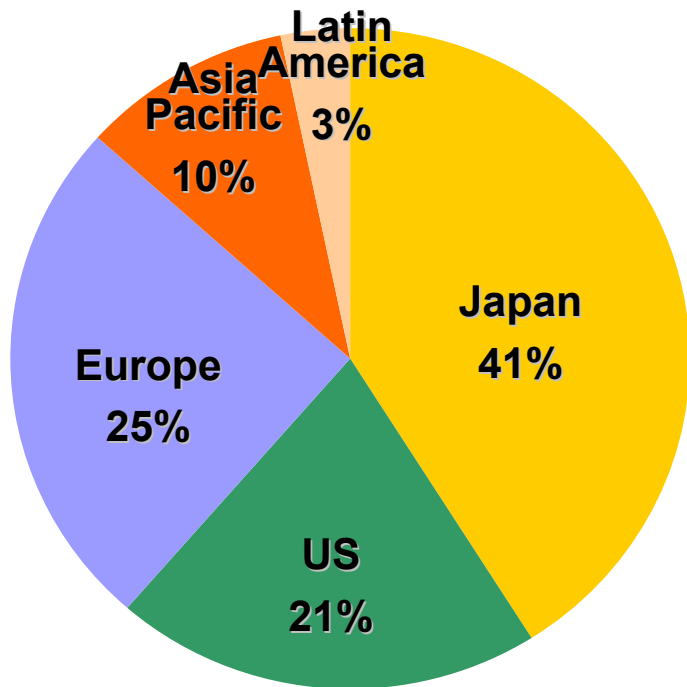
(Non-GAAP)

# % share by region

(unaudited)

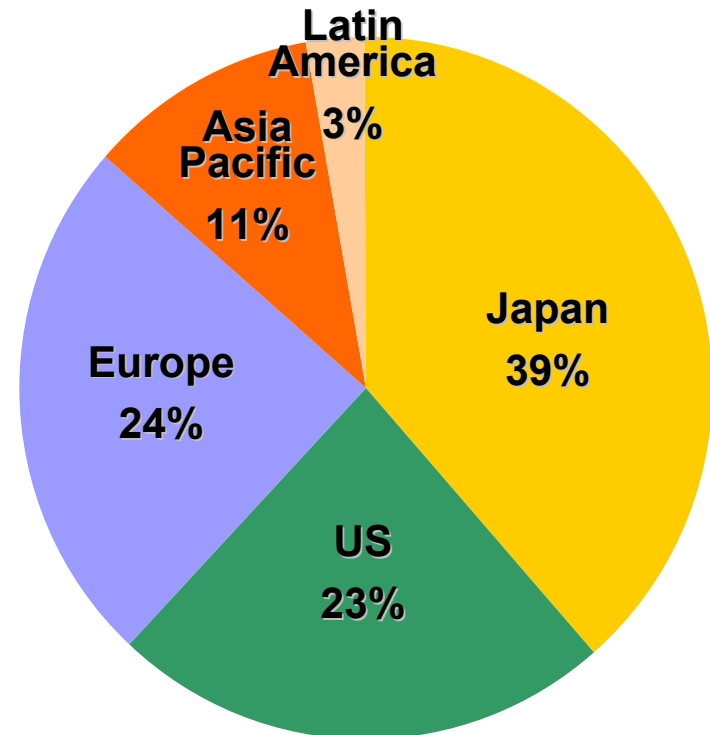
**3Q2004**

**15,850 million Yen**



**3Q2005**

**17,975 million Yen**



(In accordance with US GAAP)

# Q3 Highlights

- ***Full recovery from Virus Pattern File incident***
- ***Strength in US continues***
- ***Launch of new anti-spam and spyware services (Intermute / Kelkea)***

# Q3 Lowlights

- ***Weakness in Europe continues (especially in large Enterprise market)***
- ***Some large Network Virus Wall deals did not close in Q3***
- ***Costs continue to rise faster than revenues***

# Cisco CICS – Services from Trend (1)

The screenshot displays the Cisco Incident Control Center (CICC) console in Microsoft Internet Explorer. The browser address bar shows the URL: `https://tw-samlai-nb1:4343/CICC/console/html/cgi/cgiChkMasterPwd.exe`. The page title is "Cisco Incident Control Center".

The main navigation bar includes "Outbreak Management", "Devices", "Logs", "Updates", and "Global Settings". The current view is "Outbreak Management Task > WORM\_ZAFID Task".

Key elements highlighted with red circles:

- The "TREND MICRO SECURE" logo in the top right corner.
- The "WORM\_ZAFID Task" title and its associated icons.

Task Details:

- Initiated date/time:** 2005/3/9 23:56:59
- OPACL end date/time:** 2005/3/11 23:56:59
- OPACL mode:** Blocking
- Internet threat name:** WORM\_ZAFID

Summary Cards:

- Watch List (Risk Index: 0):** Active Hosts on the Watch List: Infected hosts: 0 hosts
- Accumulated Logged Incidents / Events:**
  - IPS Virus incidents: 0 log entries
  - OPACL matching incidents: 0 log entries
  - Task tracking events: 1 log entries

OPACL Status:

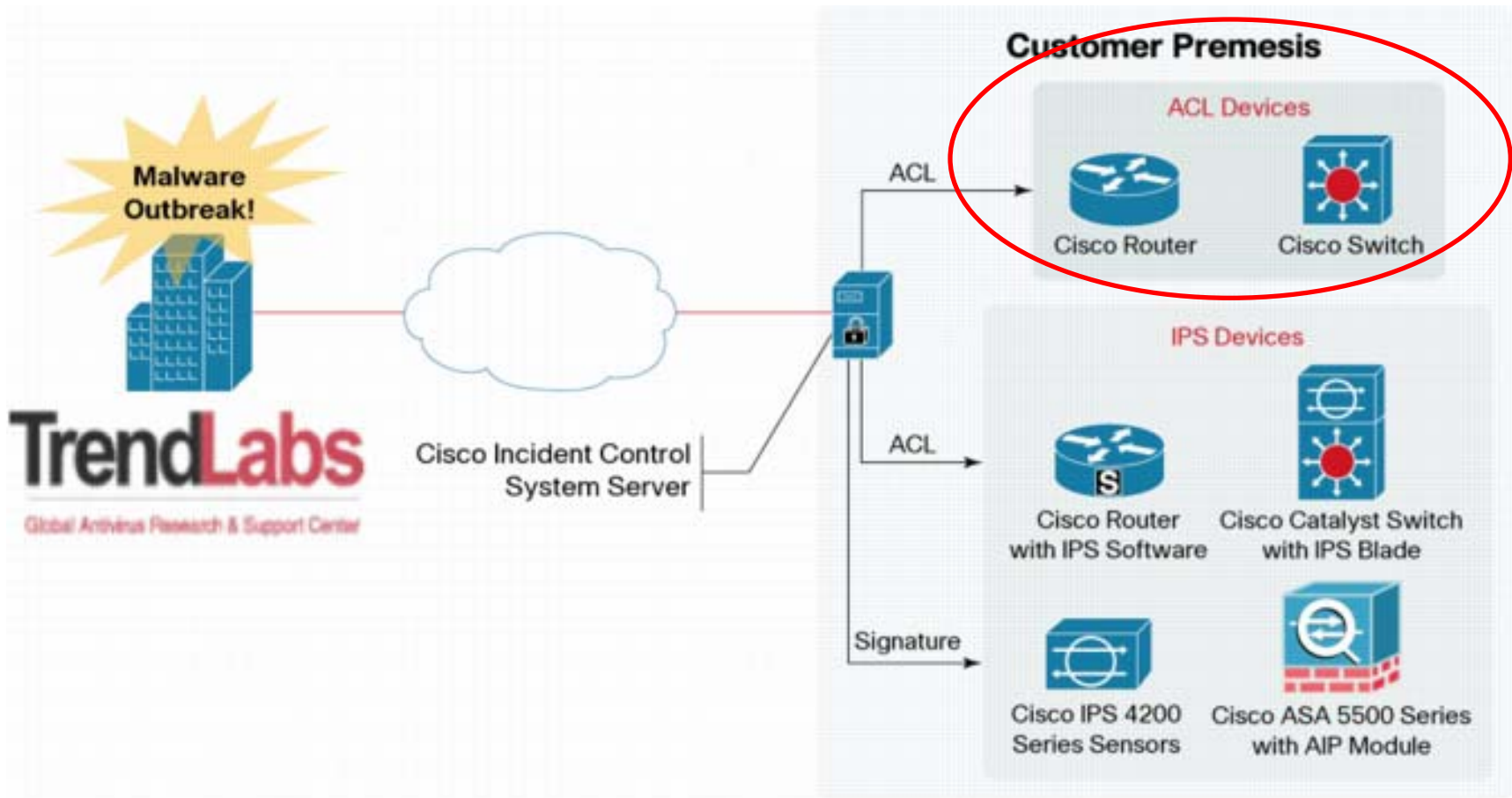
- Active Devices: 0 Total Devices: 3
- Inactive Devices: 3

Component Status:

Component	Deployed Version	Required Version	Deployed	Not Deployed	Total
OPSig	—	297	<u>0</u>	<u>0</u>	<u>0</u>

Buttons: "Check for available updates", "Update Network Devices", "Download updated components", "Deploy components to devices", "Stop Outbreak Management Policy".

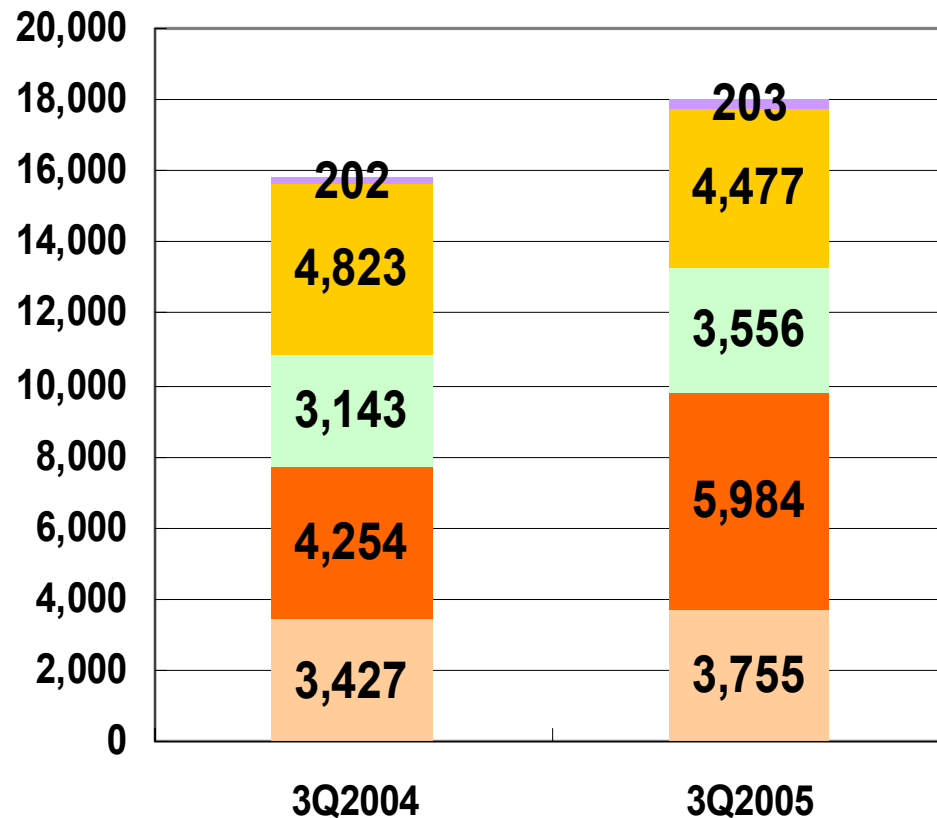
# Cisco CICS – Services from Trend (2)



# Sales by Product

(unaudited)

(in million Yen)



	<u>3Q2004</u>	<u>3Q2005</u>
Network	1%	1%
Internet Server	30%	25%
Gateway Suite*	20%	20%
Client/Server Solution, others	27%	33%
Consumer PC	22%	21%
<b>Total</b>	<b>100%</b>	<b>100%</b>

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

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

(In accordance with US GAAP)

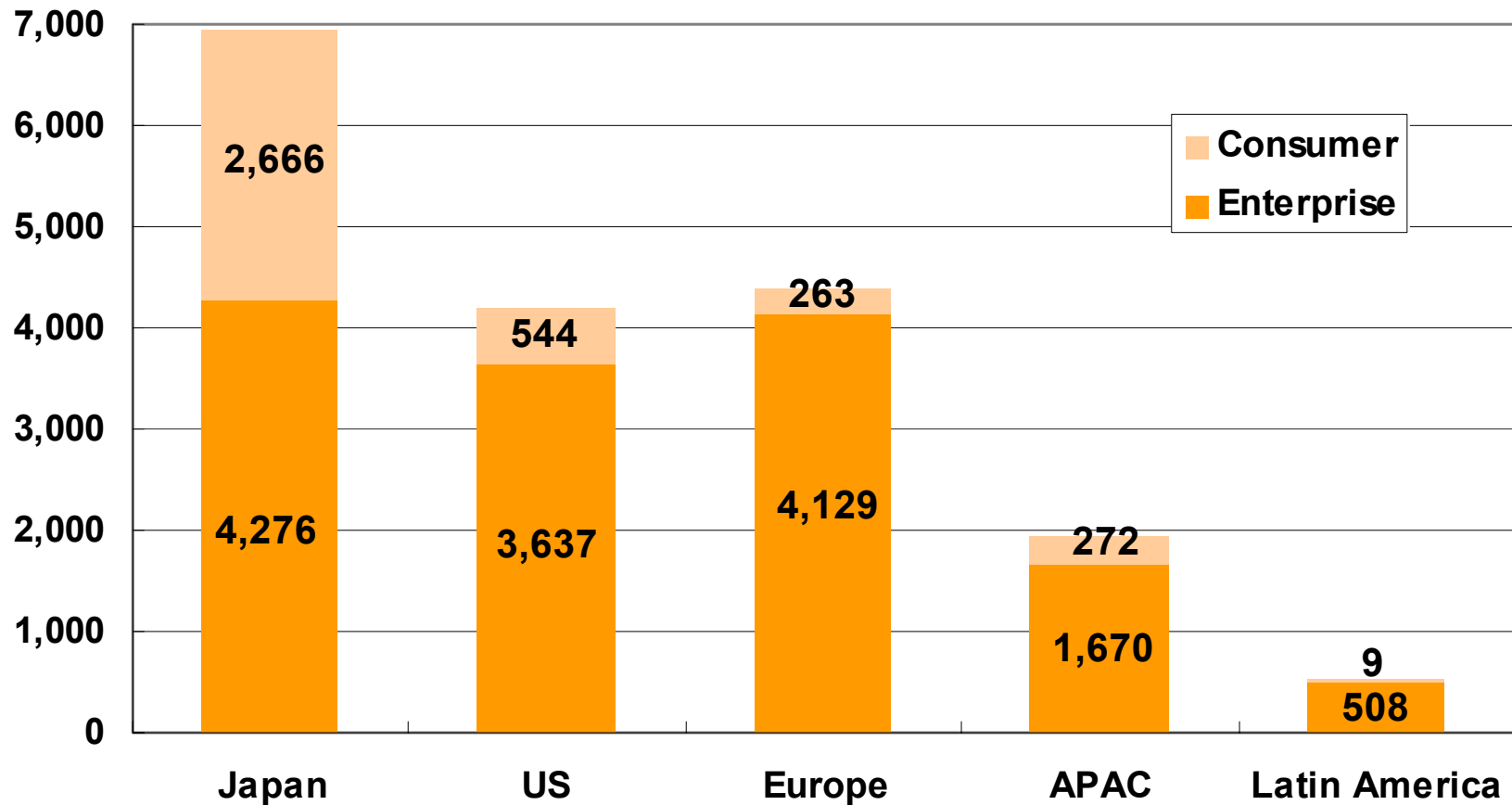


# Sales by Customer

(in million Yen)

3Q2005

(unaudited)

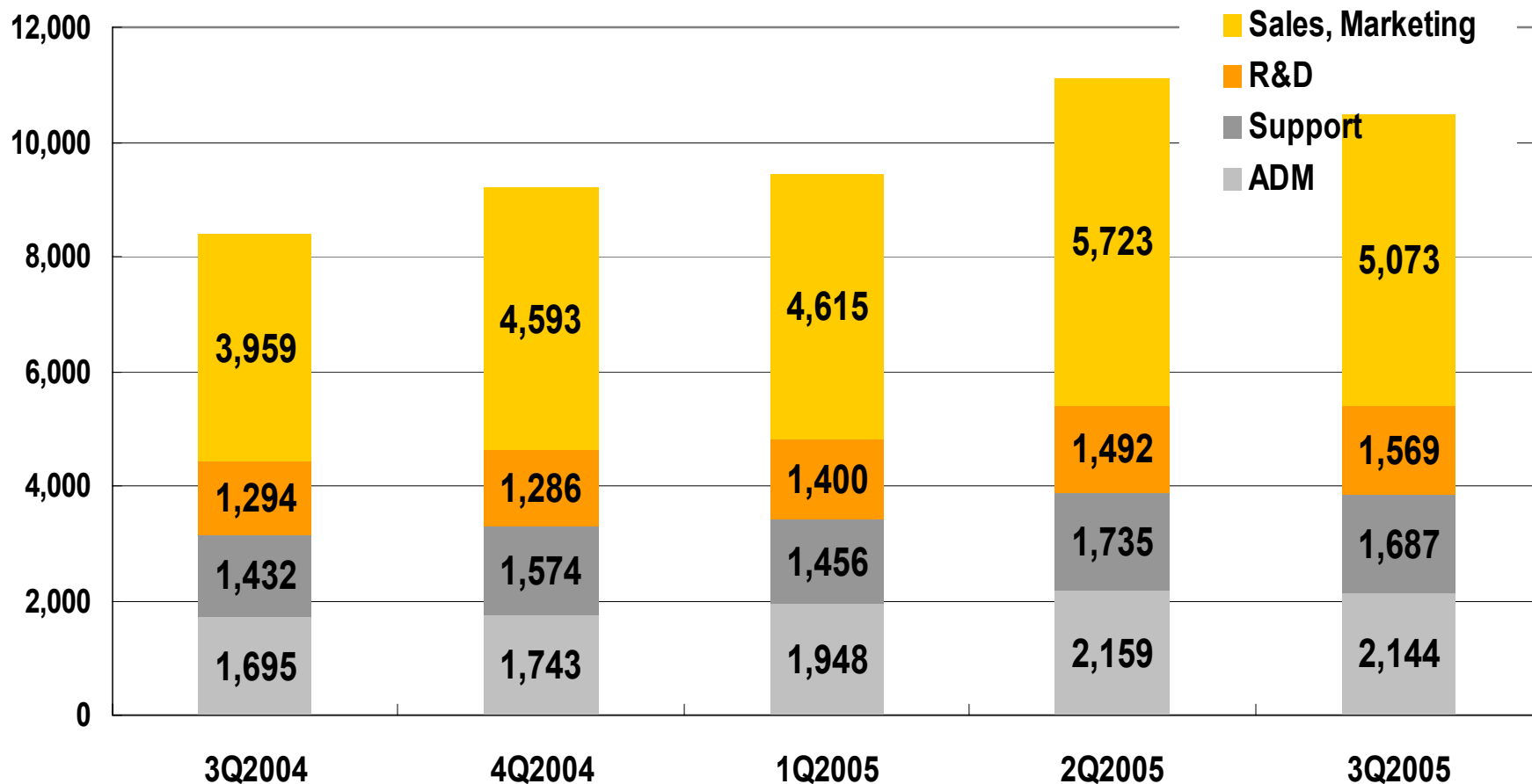


(In accordance with US GAAP)

# Operating expenses

(unaudited)

(in million Yen)

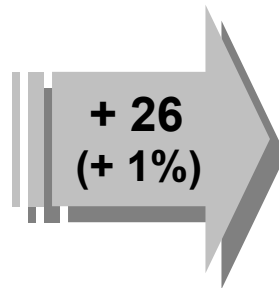
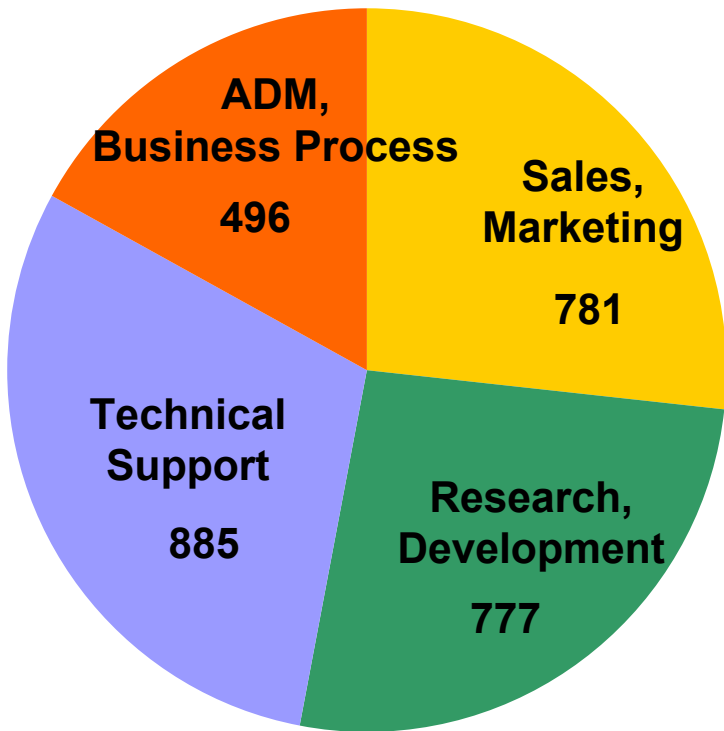


(In accordance with US GAAP)

# Headcount

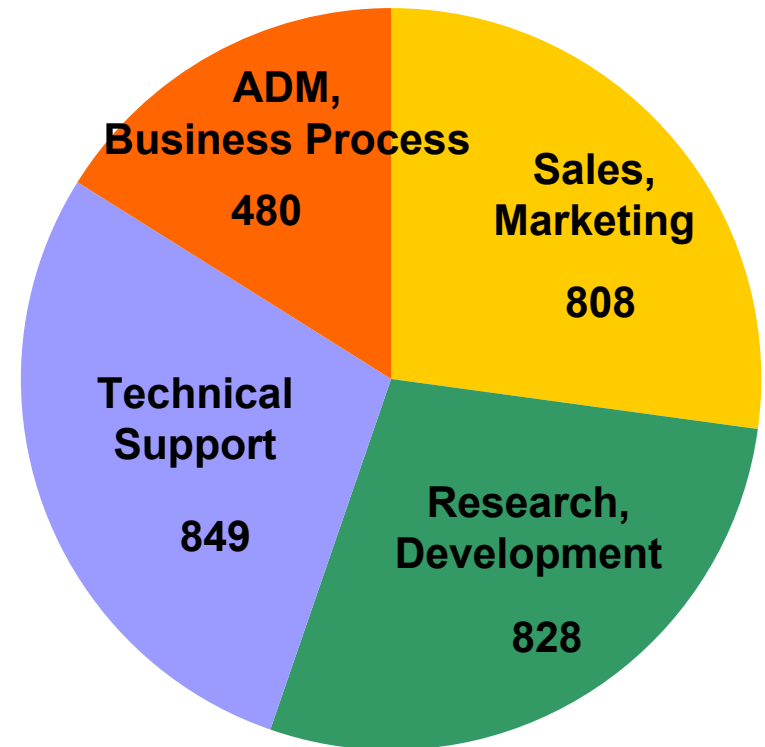
**Jun - 2005**

**2,939**



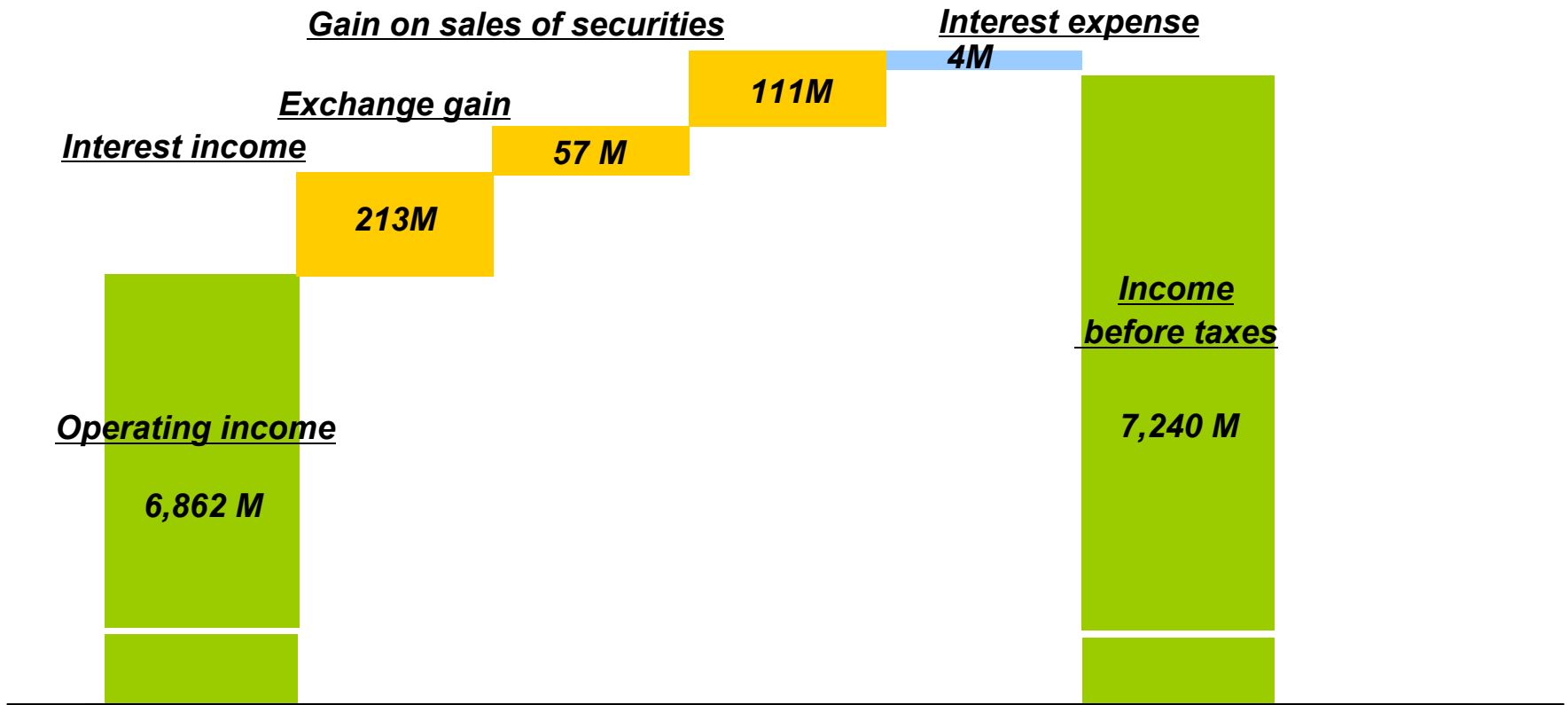
**Sep - 2005**

**2,965**



# Non-operating Items

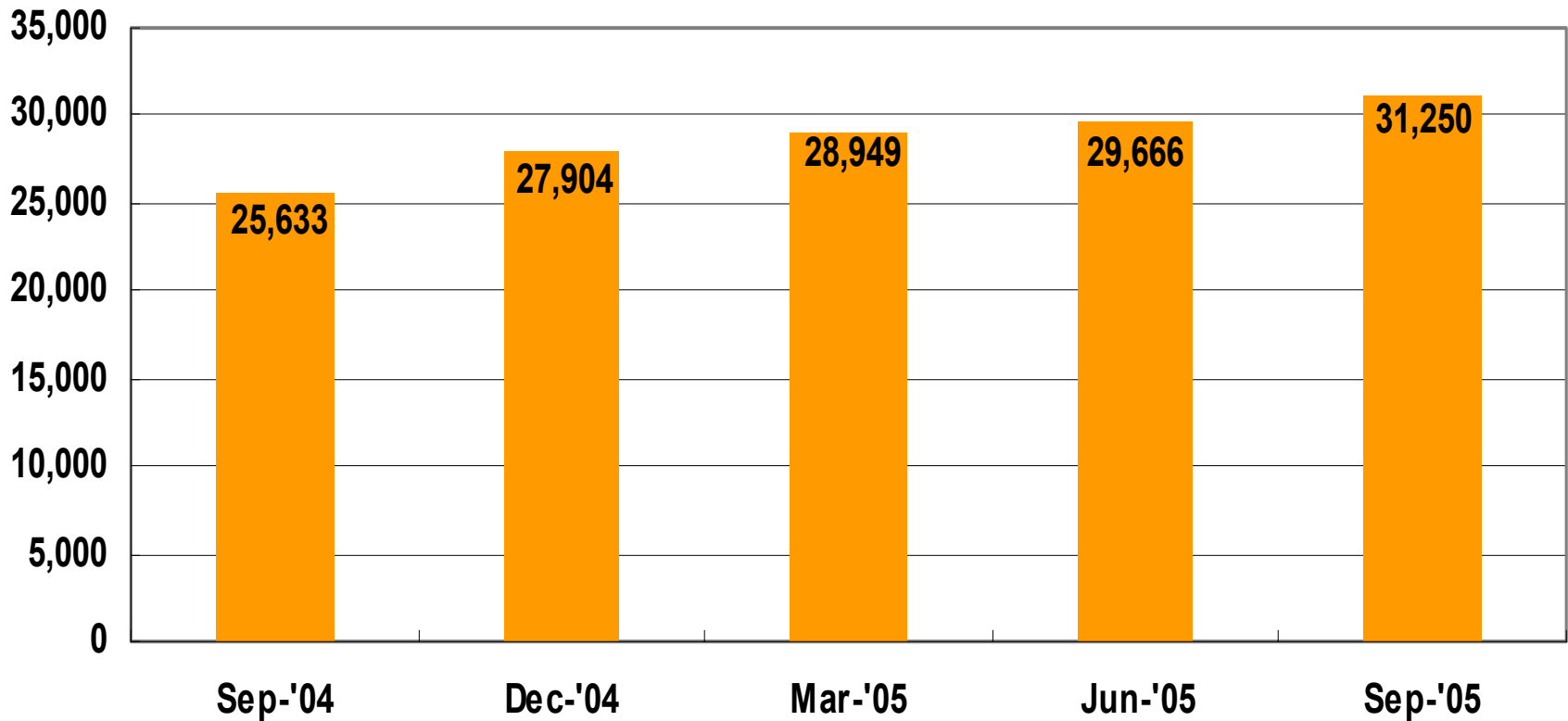
(unaudited)



# Deferred Revenue

(in million Yen)

(unaudited)

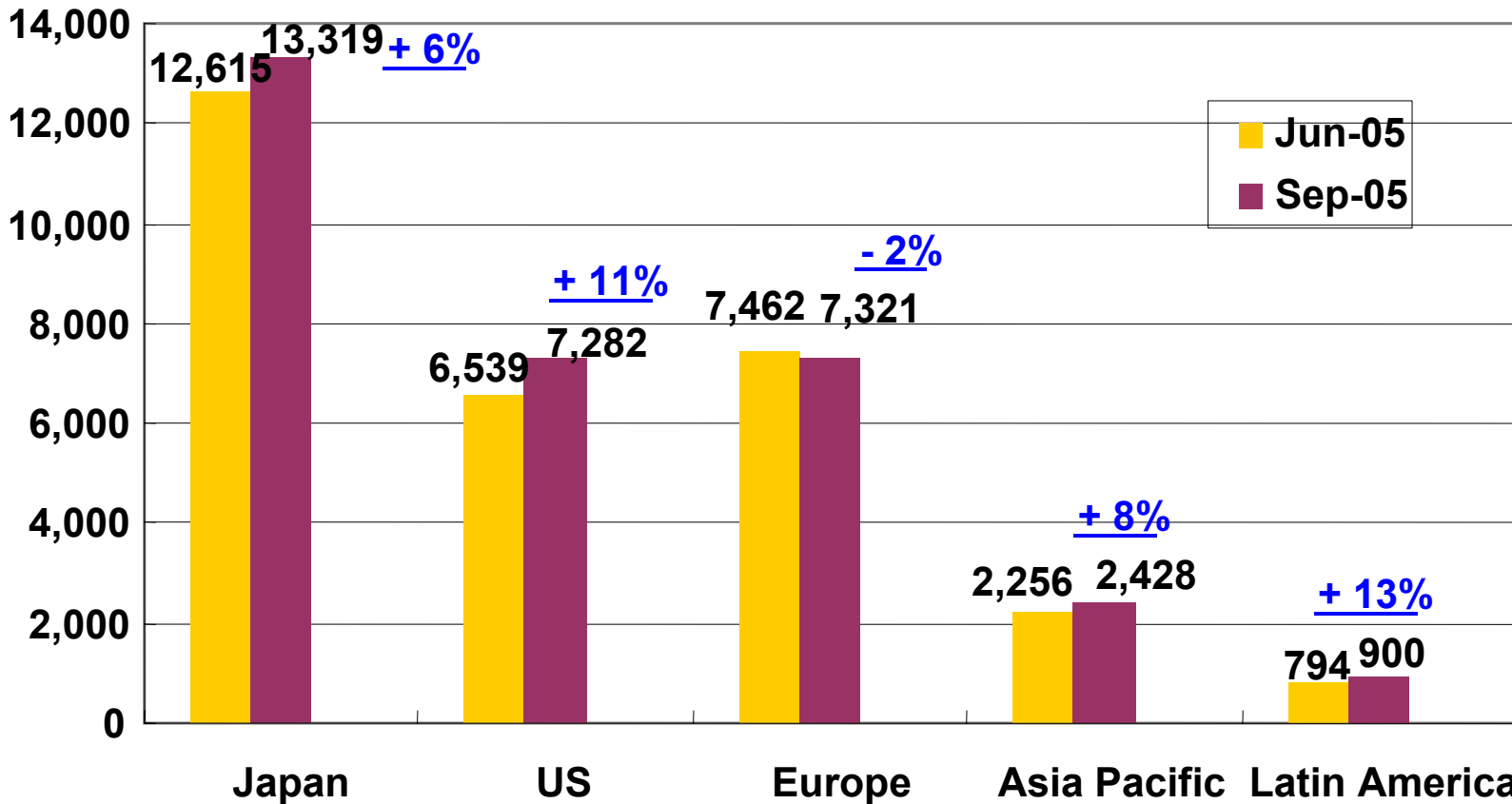


\* Total of current and long term  
(In accordance with US GAAP)

# Deferred Revenue by Region

(unaudited)

(in million Yen)



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

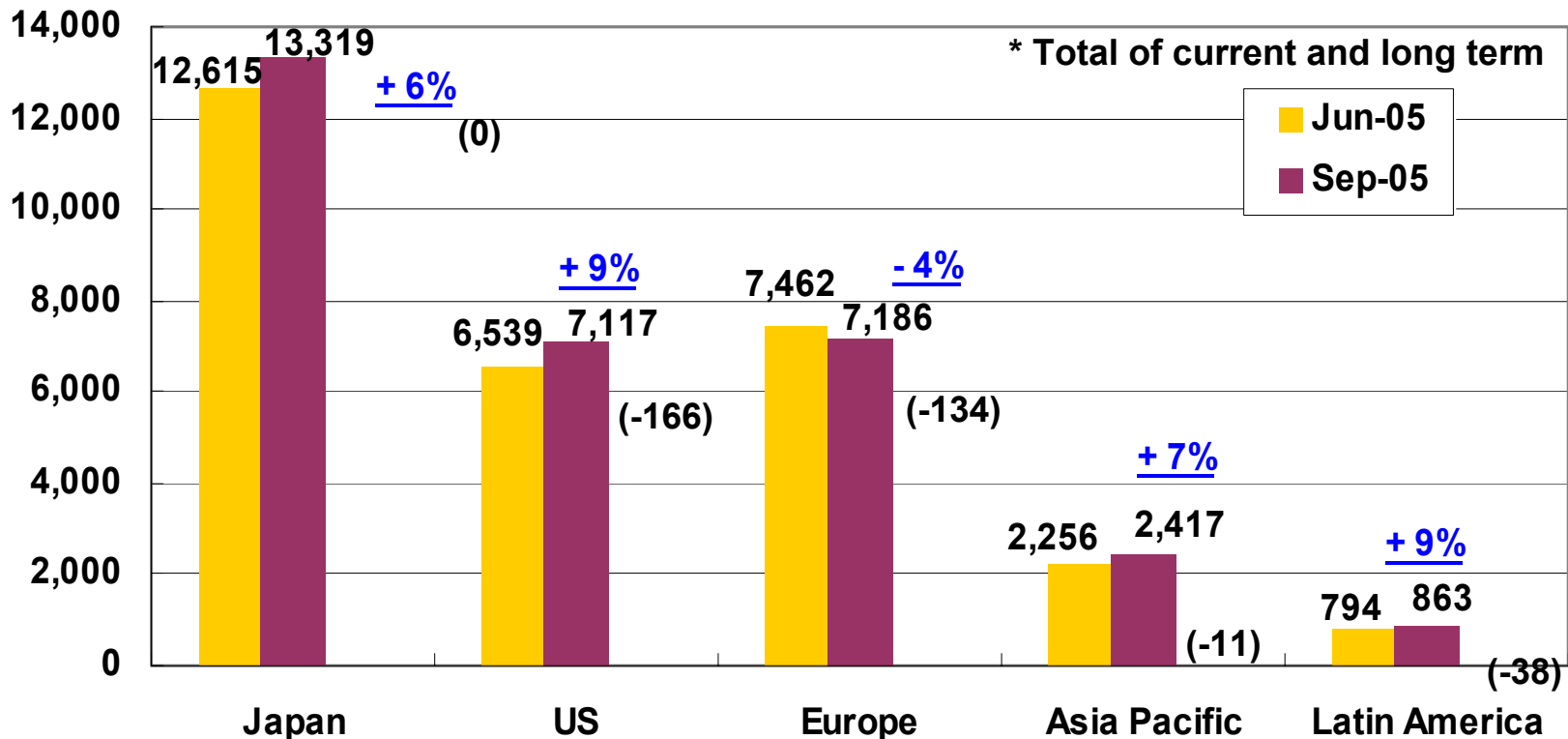
# Deferred Revenue by Region

If currency exchange rates used as of the end of 2Q2005 were used as of the end of 3Q2005:

(in million Yen)

\* ( ) : difference from GAAP base

(unaudited)



(Non-GAAP)

\* Each JPY amount as of the end of 3Q2005 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 3Q2005 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 2Q2005 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)

	<i>Jun-2005</i>	<i>change</i>	<i>Sep-2005</i>
<b><u>Assets</u></b>			
<i>Cash &amp; cash equivalents</i>	55,798	- 1,637	54,161
<i>Account receivable</i> <i>(less allowance for doubtful accounts</i> <i>and sales returns)</i>	13,742	+ 742	14,484
<i>Marketable securities &amp;</i> <i>Securities investments</i>	24,236	+ 6,086	30,322
<b><u>Liabilities</u></b>			
<i>Deferred revenue</i> <i>(total of current and long-term)</i>	29,666	+ 1,584	31,250
<b><u>Shareholders' Equity</u></b>			
<i>Common Stock &amp;</i> <i>Additional paid in capital</i>	29,839	+ 314	30,153
<i>Treasury Stock</i>	- 7,347	+ 34	- 7,313



(In accordance with US GAAP)

# *The personnel change*

*This change becomes effective January 1, 2006.*

Name	Current	New
Mahendra Negi	Representative Director CFO	Representative Director COO & CFO

# Q4 forecast assumptions

- ***Expect continued weakness in EMEA market***
- ***... costs will be 11.8 Bn yen, including CRM implementation cost, etc.***
- ***Estimated exchange rate: 1USD = 113yen  
1EUR = 136yen***

# Projection for 4Q2005

(in million Yen)

	<u>For 4Q2005</u> <u>Oct - Dec, 2005</u>	<u>Expected</u> <u>YoY growth</u>
<b>Net Sales</b>	<b>20,000</b>	<b><u>13%</u></b>
<b>Operating Income</b>	<b>7,500</b>	<b><u>-5%</u></b>
<b>Net Income</b>	<b>4,550</b>	<b><u>-4%</u></b>

***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
total	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
total	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
total	6,942	4,181	4,392	1,942	517