



***Trend Micro***  
***FY2005. 2Q / Semi Annual Results***

***Mahendra Negi,***  
***CFO, Representative Director***  
***August 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.**

# ***FY2005 2Q Financial Highlight***

# Consolidated Results

<i>Three months ended Jun 30,</i>	(unaudited) (in million Yen)		
	<b>2Q2004</b>	<b>2Q2005</b>	<b>YoY growth</b>
<b>Net sales</b>	<b>14,843</b>	<b>17,189</b>	<b>16%</b>
<b>Cost of sales</b>	<b>991</b>	<b>610</b>	<b>- 38%</b>
<b>Gross profit</b>	<b>13,852</b>	<b>16,579</b>	<b>20%</b>
<b>Operating expenses</b>	<b>7,590</b>	<b>11,109</b>	<b>46%</b>
<b>Operating income</b>	<b>6,262</b>	<b>5,470</b>	<b>- 13%</b>
<b><u>Operating income margin</u></b>	<b><u>42%</u></b>	<b><u>32%</u></b>	
<b>Income before taxes</b>	<b>6,215</b>	<b>5,765</b>	<b>- 7%</b>
<b>Net Income</b>	<b>3,828</b>	<b>3,934</b>	<b>3%</b>

(In accordance with US GAAP)

*If currency exchange rates used for 2Q2004 were used for 2Q2005:*

**YoY change**

**Net sales**

**14,843**

**17,065\***

**15%**

*\* The JPY amount for 2Q2005 shown above has been calculated by applying to each foreign currency net sales amount for 2Q2005 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 2Q2004 into a JPY net sales amount for U.S. GAAP reporting purposes.*

(Non-GAAP)

# USD based Results\*

<i>Three months ended June 30,</i>	<i>2Q2004</i>	<i>2Q2005</i>	<i>(unaudited) (in thousand USD) YoY change</i>
<b>Net sales</b>	<b>135,206</b>	<b>159,572</b>	<b>18%</b>
<b>Cost of sales</b>	<b>9,024</b>	<b>5,665</b>	<b>- 37%</b>
<b>Gross profit</b>	<b>126,182</b>	<b>153,907</b>	<b>22%</b>
<b>Operating expenses</b>	<b>69,141</b>	<b>103,129</b>	<b>49%</b>
<b>Operating income</b>	<b>57,041</b>	<b>50,778</b>	<b>- 11%</b>
<b>Income before taxes</b>	<b>56,612</b>	<b>53,521</b>	<b>- 5%</b>
<b>Net Income</b>	<b>34,874</b>	<b>36,517</b>	<b>5%</b>

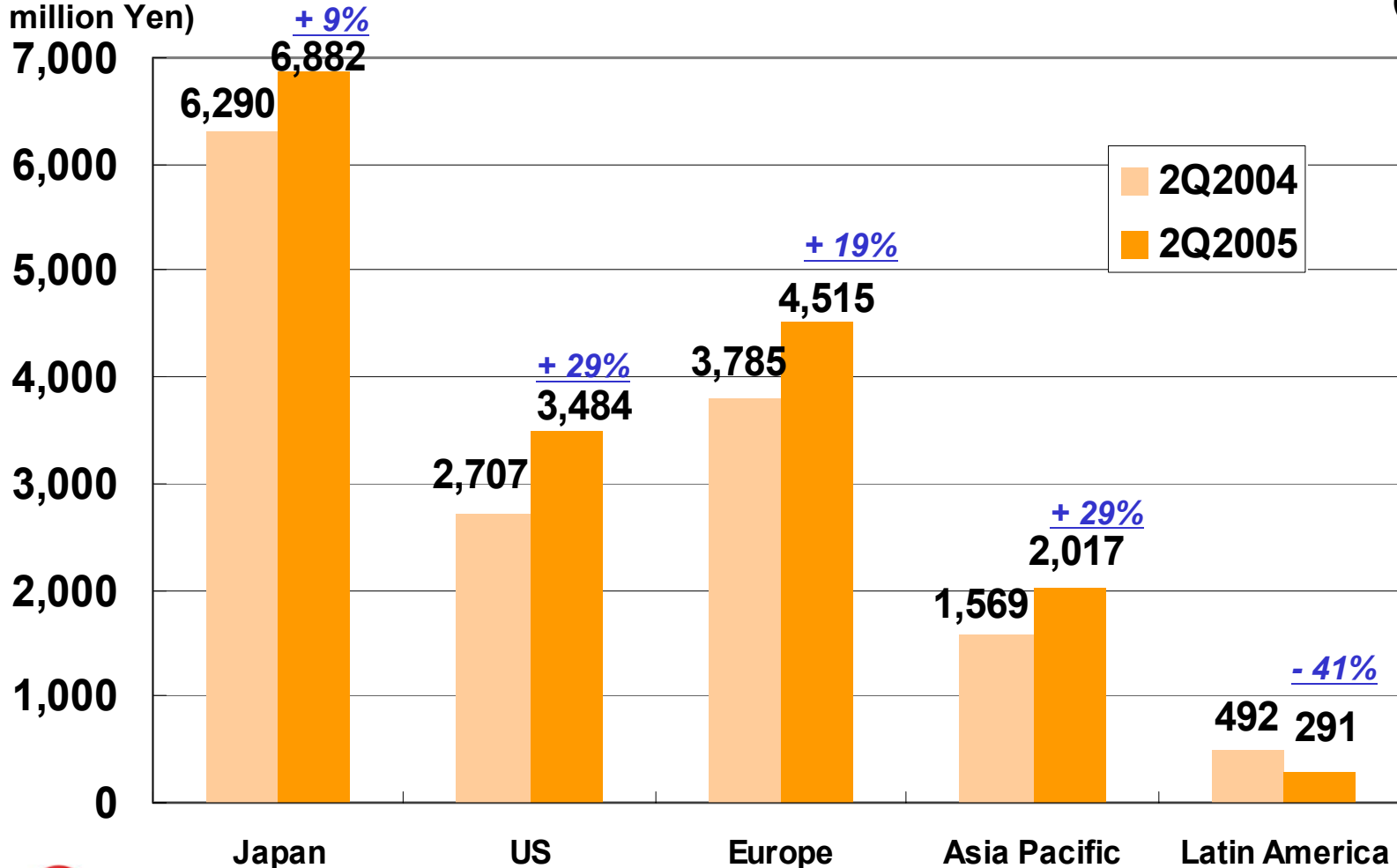
**(Non-GAAP)**

*\* 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=109.78 JPY for 2Q2004 and 1 USD =107.72 JPY for 2Q2005, 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)

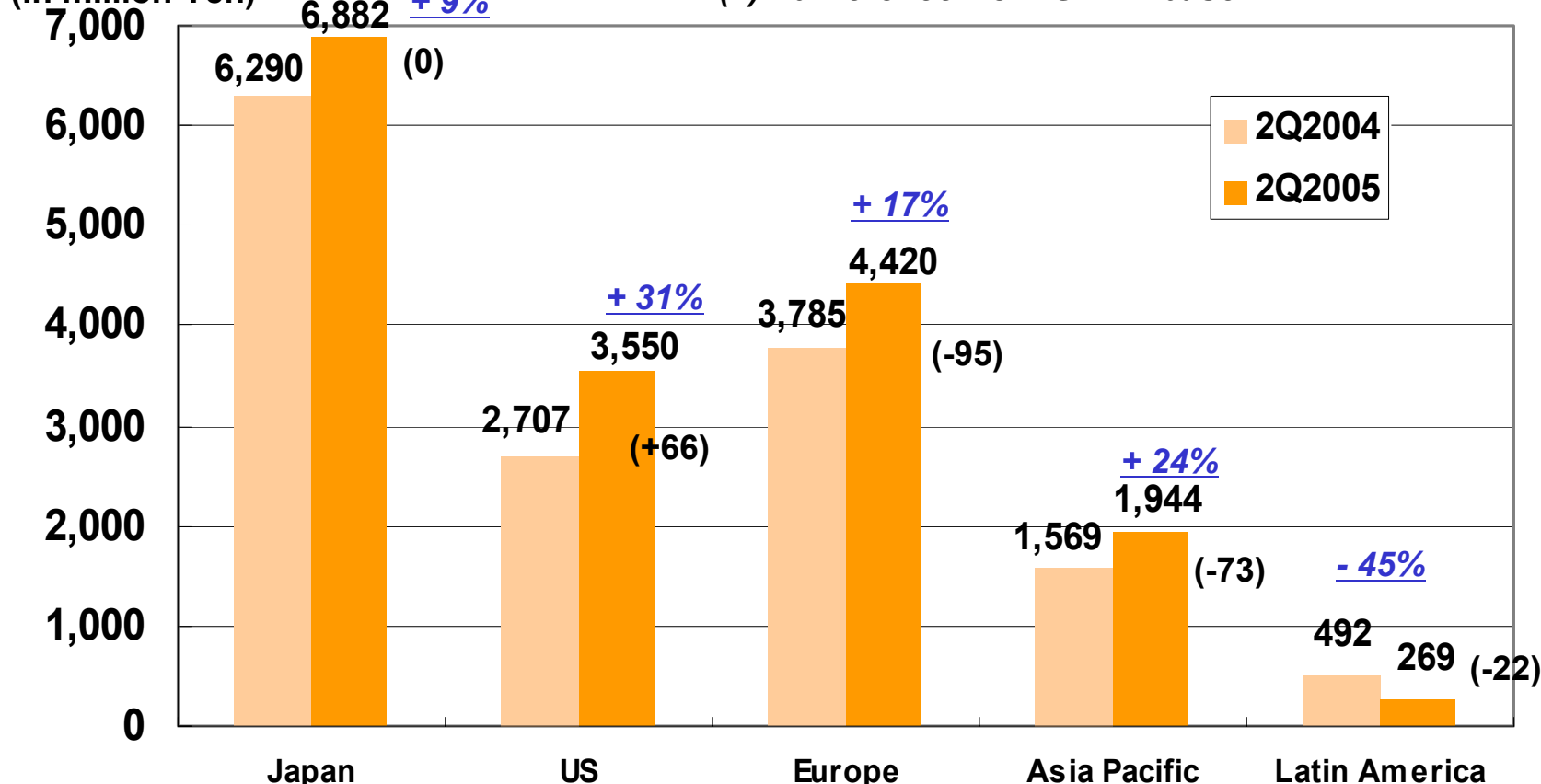
# Net Sales Growth by Region

If currency exchange rates used for 2Q2004 were used for 2Q2005:

(unaudited)

(in million Yen)

\* ( ) : difference from GAAP base



\* Each JPY amount for 2Q2005 shown above has been calculated by applying to the relevant foreign currency net sales amount for 2Q2005 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 2Q2004 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.

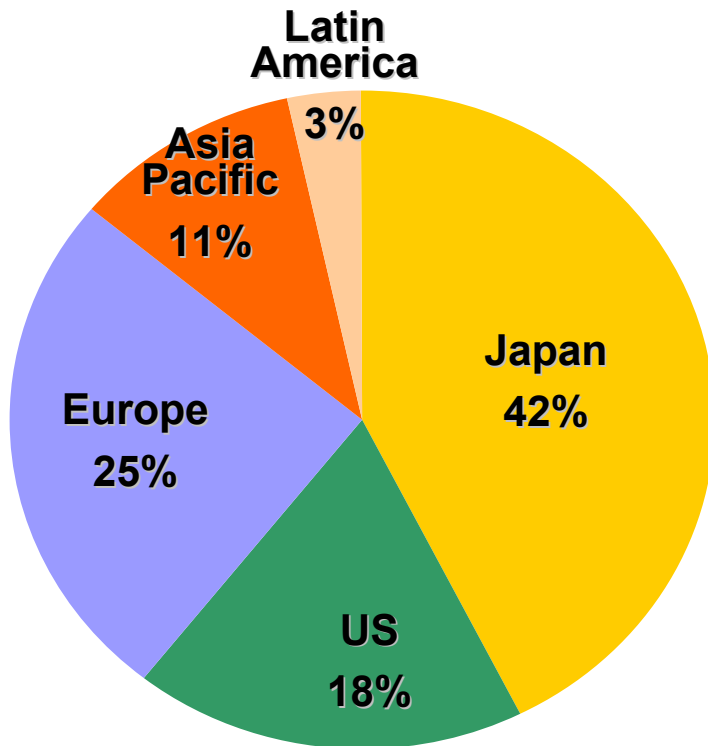
(Non-GAAP)

# % share by region

(unaudited)

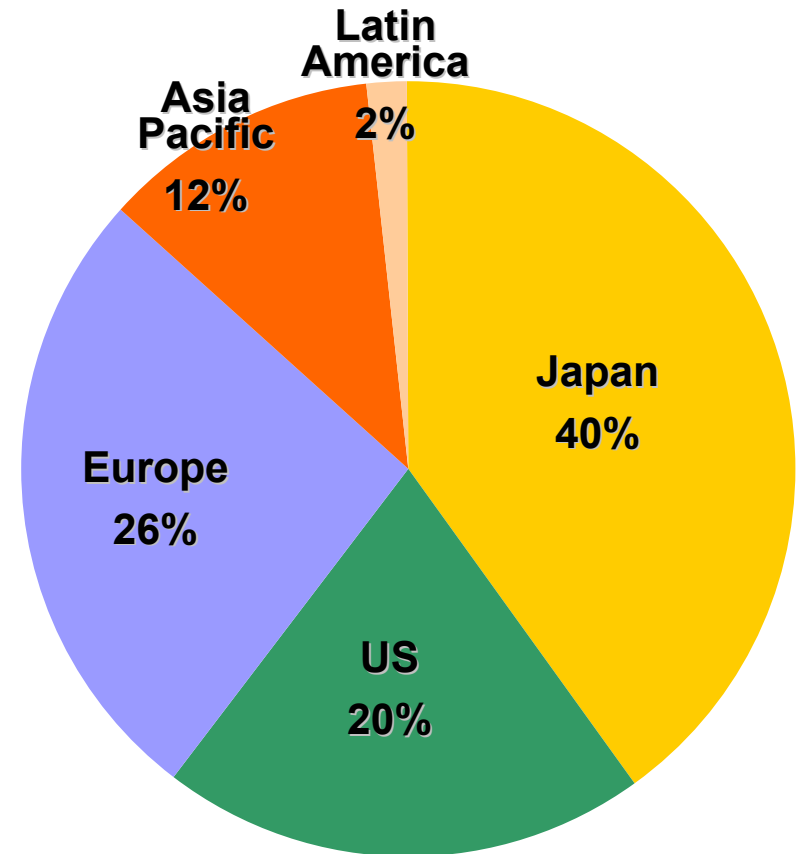
**2Q2004.**

**14,843 million Yen**



**2Q2005.**

**17,189 million Yen**



(In accordance with US GAAP)

# ***Q2 Highlights***

- ***Strong growth in US continues***
- ***Network products continue to grow  
(QonQ 55% up)***
- ***Completion of Intermute (in May) and Kelkea  
(in Jun) acquisitions***

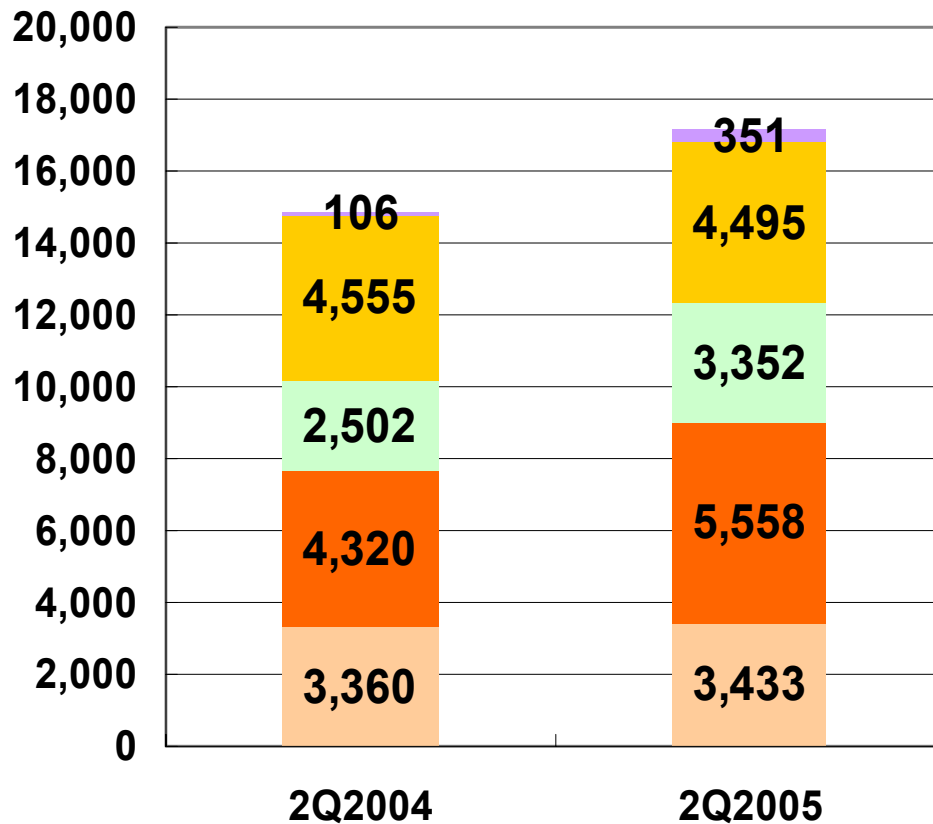
# Q2 Lowlights

- ***Pattern File 594 Incident had a big negative impact on VB business in Japan***
- ***Spending related to this Incident higher than initial estimate***
- ***Overall slow-down in EMEA market***

# Sales by Product

(in million Yen)

(unaudited)



	<u>2Q2004</u>	<u>2Q2005</u>
Network	1%	2%
Internet Server	30%	26%
Gateway Suite*	17%	20%
Client/Server Solution, others	29%	32%
Consumer PC	23%	20%
<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.

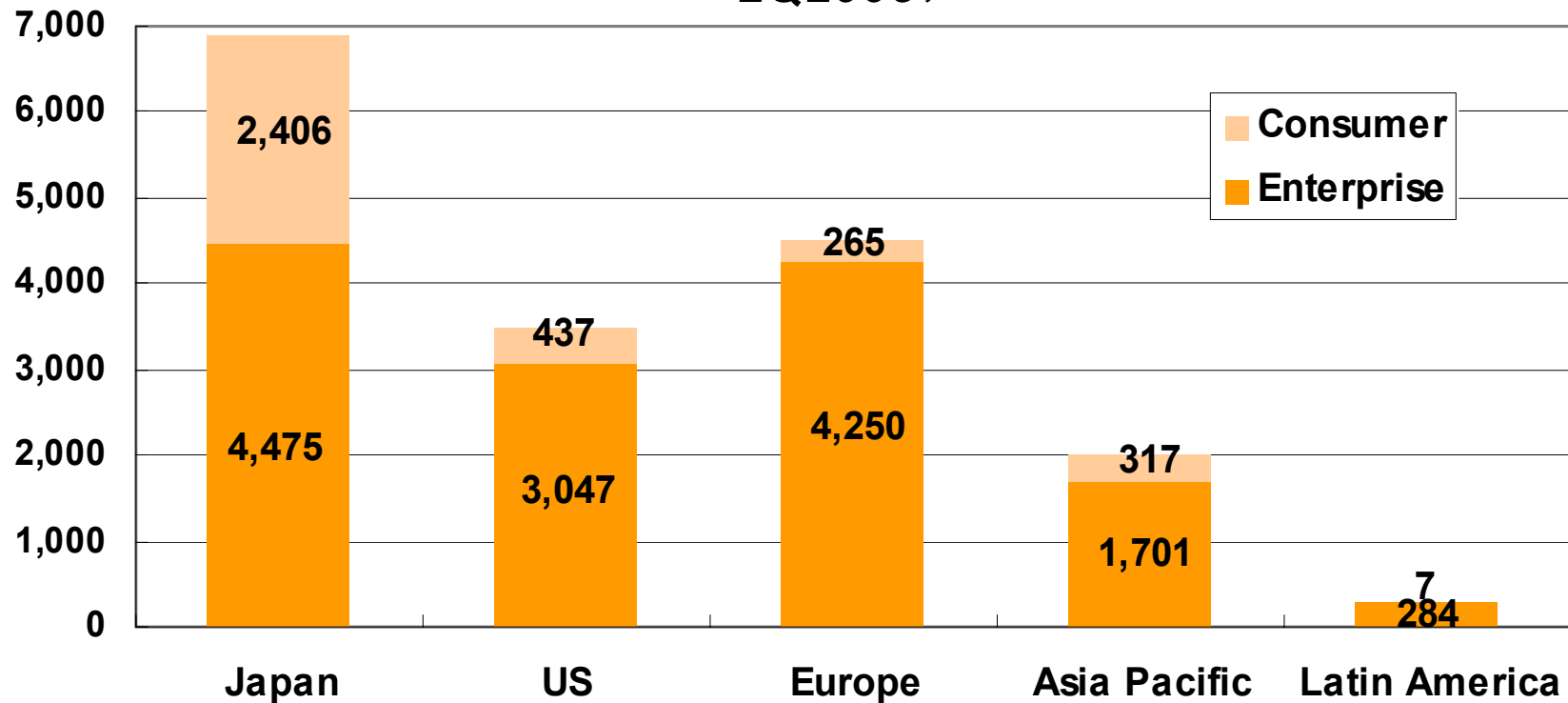
(In accordance with US GAAP)

# Sales by Customer

(in million Yen)

(unaudited)

2Q2005.

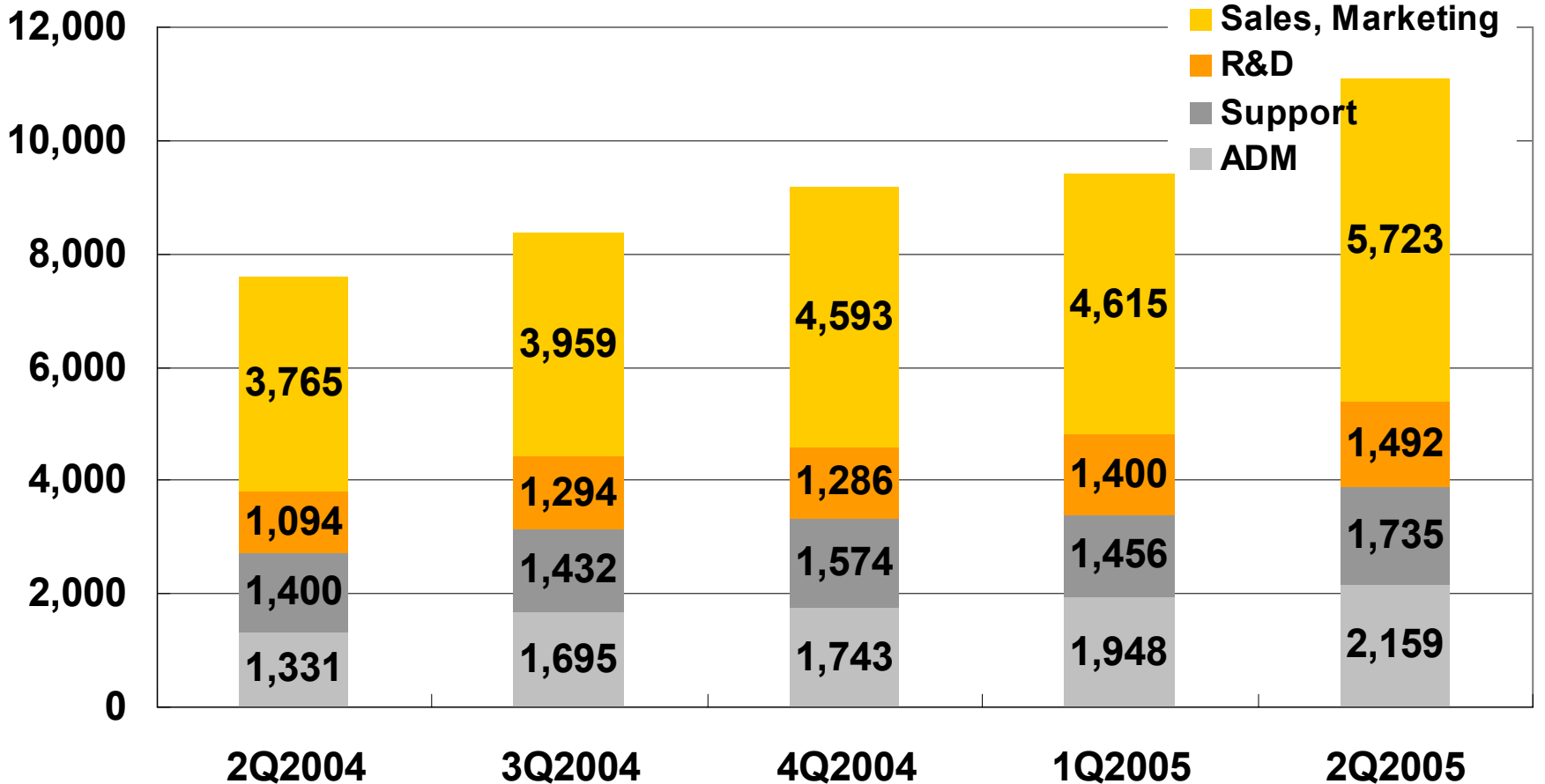


(In accordance with US GAAP)

# Operating expenses

(unaudited)

(in million Yen)



(In accordance with US GAAP)



# *Effect of the Incident*

(unaudited)

(in million Yen)

## **.Revenue side.**

<b>The effect of deferred revenue for Q2 with free support</b>	<b>- 258</b>
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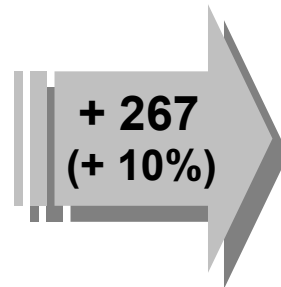
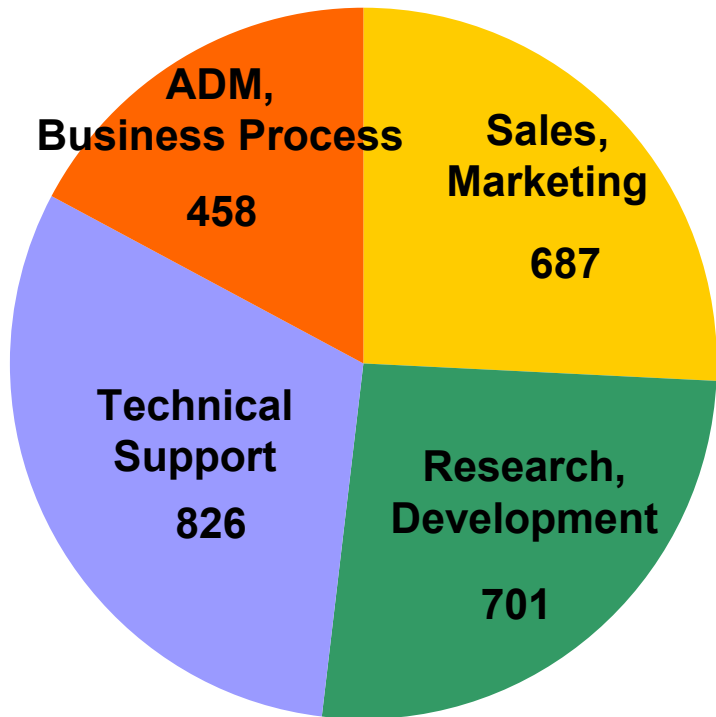
## **.Cost side.**

<b>Expenses related to corresponding (restoration, advertising and etc.)</b>	<b>- 903</b>
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# Headcount

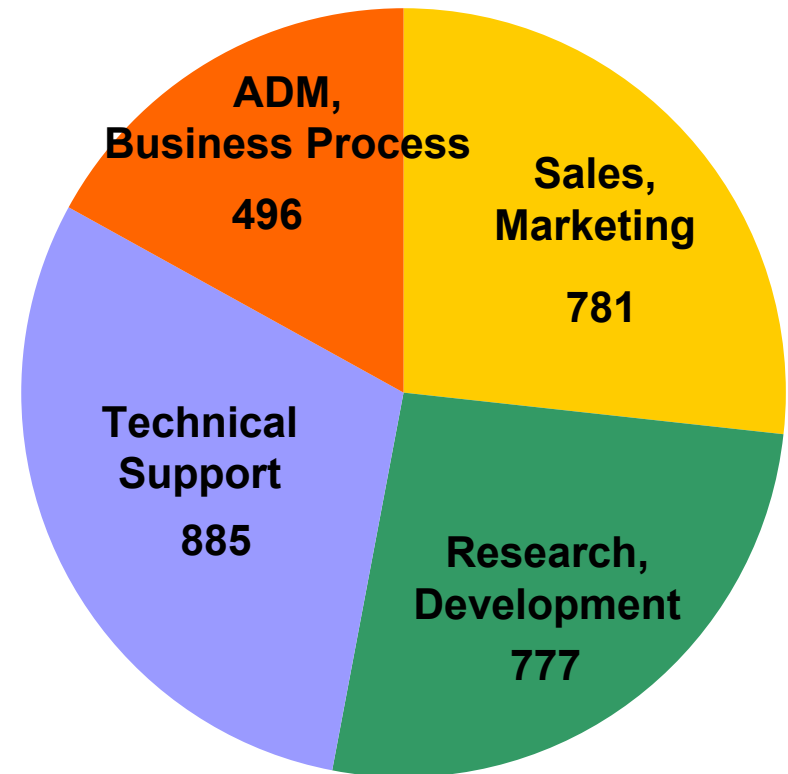
**Mar - 2005**

**2,672**



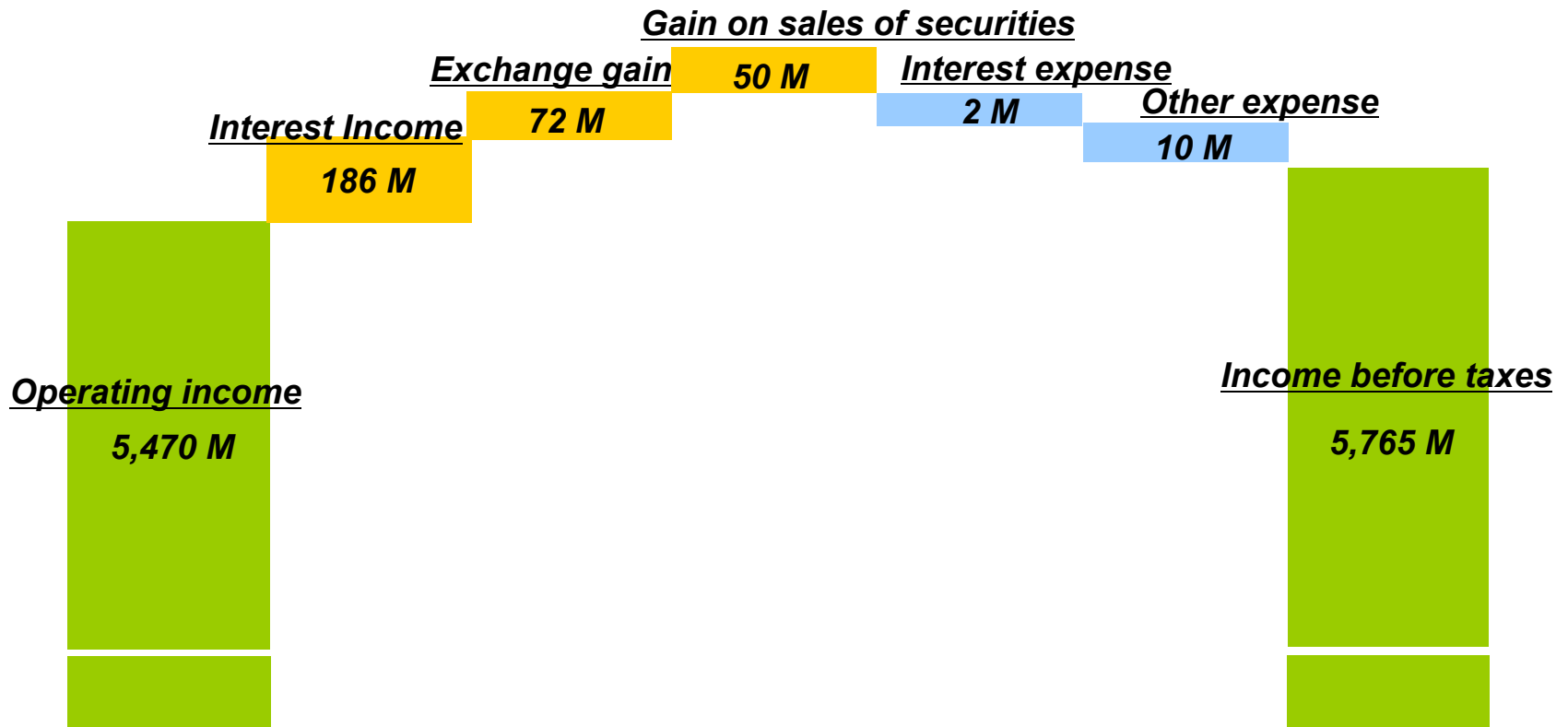
**Jun - 2005**

**2,939**



# Non-operating Items

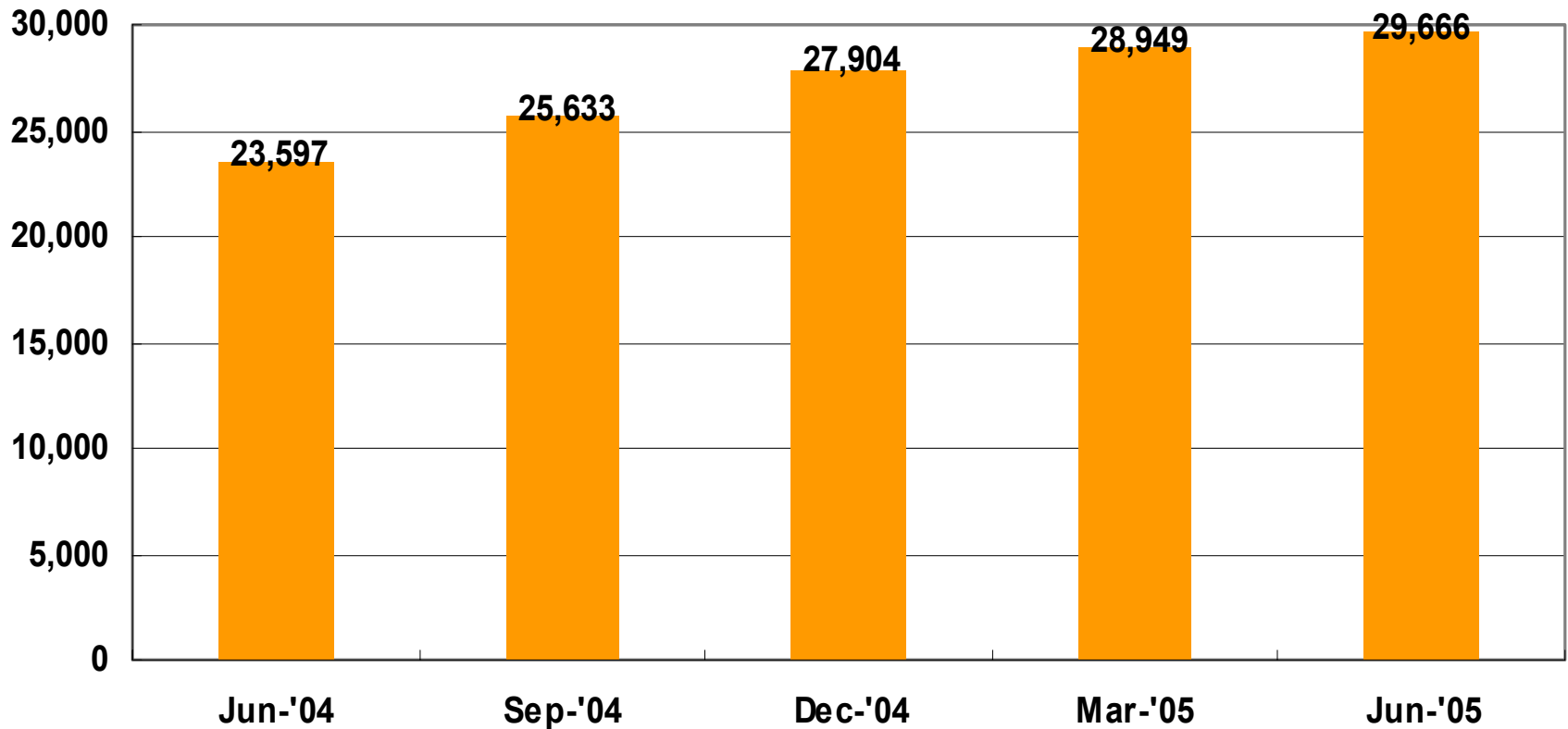
(unaudited)



# Deferred Revenue

(in million Yen)

(unaudited)

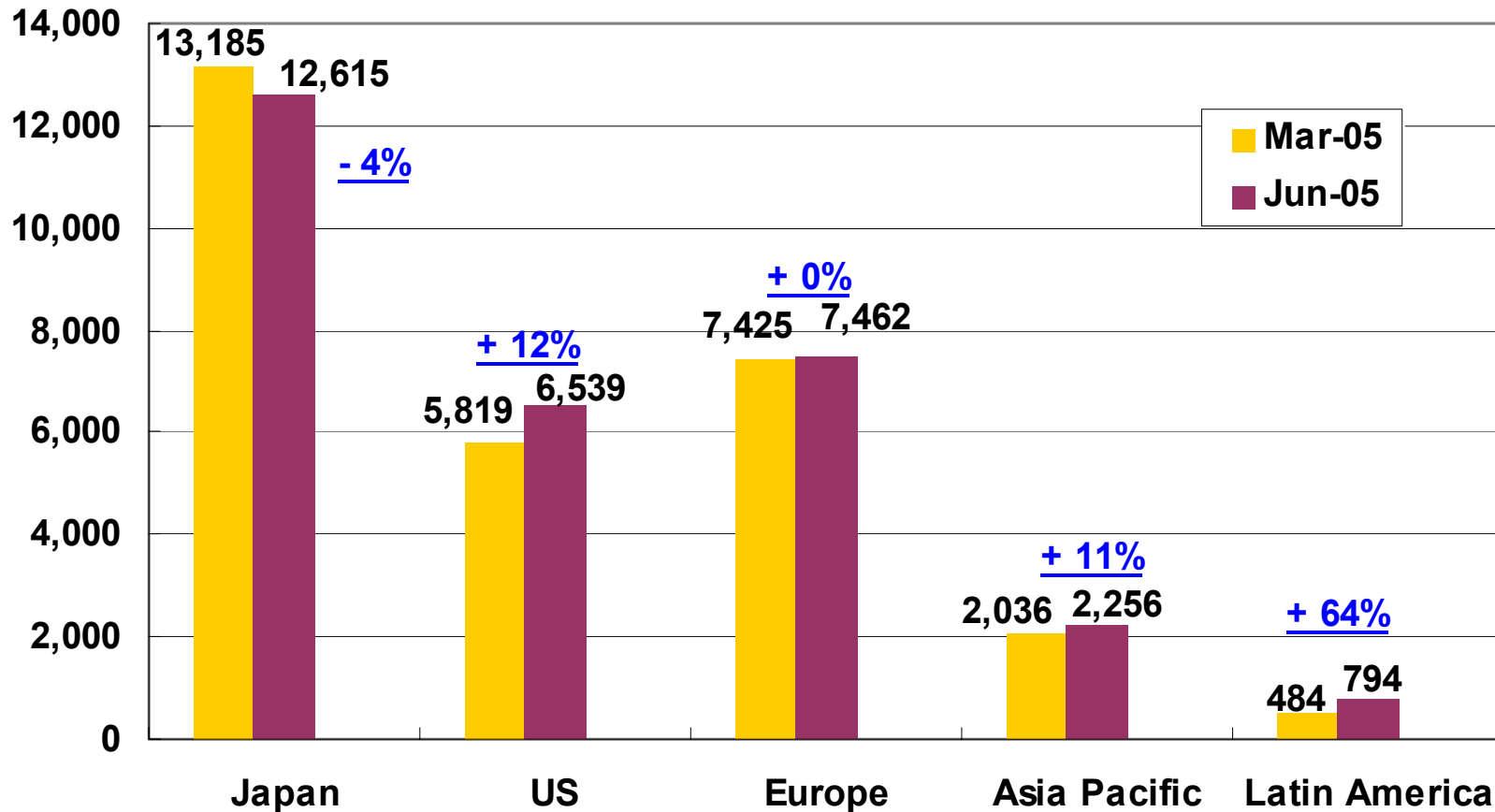


\* Total of current and long term  
(In accordance with US GAAP)

# Deferred Revenue by Region

(unaudited)

(in million Yen)



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

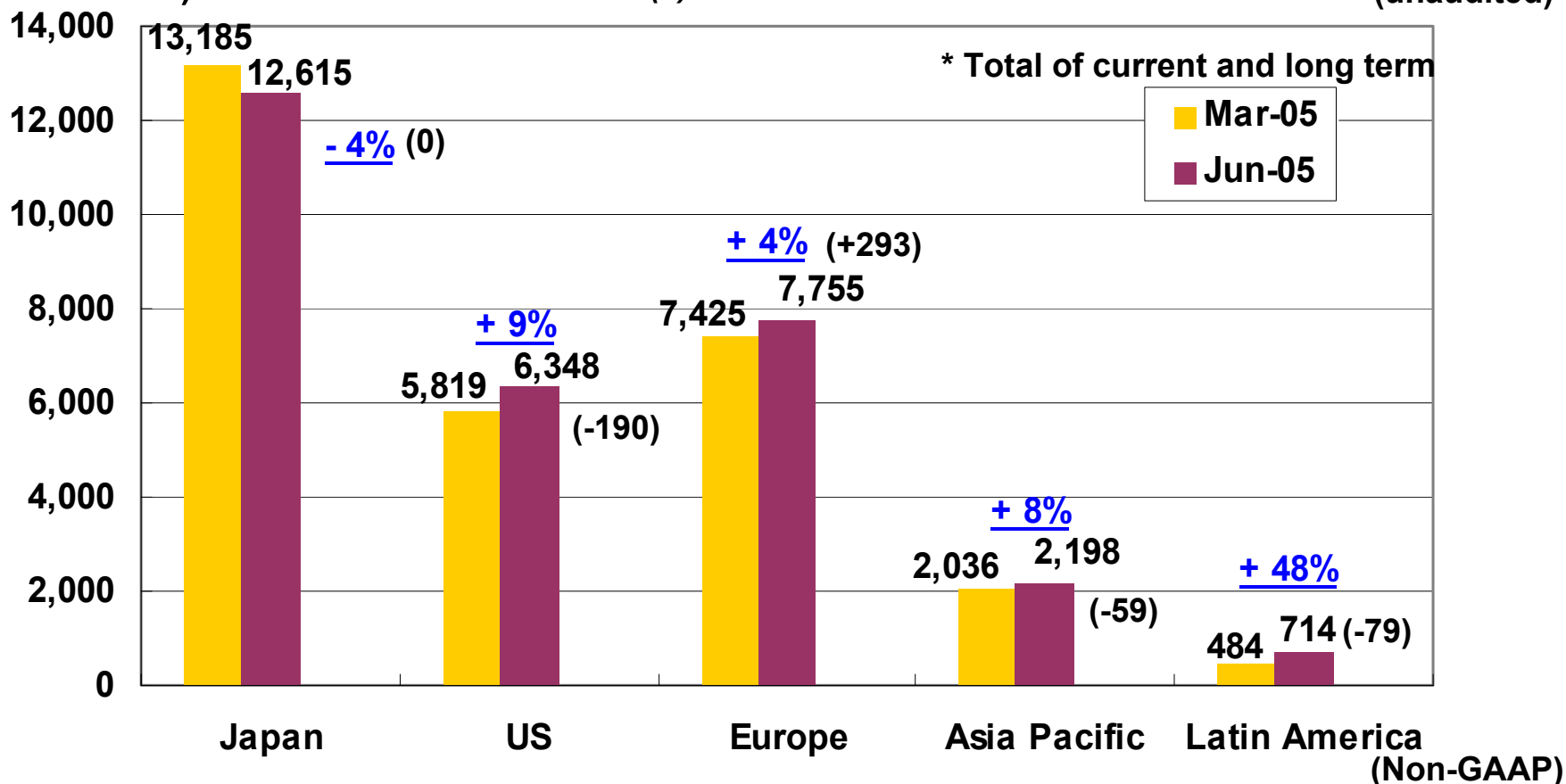
# Deferred Revenue by Region

If currency exchange rates used as of the end of 1Q2005 were used as of the end of 2Q2005:

(in million Yen)

\* ( ) : difference from GAAP base

(unaudited)



\* Each JPY amount as of the end of 2Q2005 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 2Q2005 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 1Q2005 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>Mar-2005</i>	<i>change</i>	<i>Jun-2005</i>
<b><u>Assets</u></b>			
<i>Cash &amp; cash equivalents</i>	50,282	+ 5,516	55,798
<i>Account receivable</i> <i>(less allowance for doubtful accounts</i> <i>and sales returns)</i>	14,898	- 1,156	13,742
<i>Marketable securities &amp;</i> <i>Securities investments</i>	27,491	- 3,255	24,236
<b><u>Liabilities</u></b>			
<i>Deferred revenue</i> <i>(total of current and long-term)</i>	28,949	+ 717	29,666
<b><u>Shareholders' Equity</u></b>			
<i>Common Stock &amp;</i> <i>Additional paid in capital</i>	29,340	+ 499	29,839
<i>Treasury Stock</i>	- 7,412	+ 65	- 7,347



(In accordance with US GAAP)

# ***FY2005 Semi-Annual Financial Highlight***

# Consolidated Results

<i>Six months ended Jun 30,</i>	<i>(unaudited) (in million Yen)</i>		
	<i>1H2004</i>	<i>1H2005</i>	<i>YoY growth</i>
Net sales	28,464	34,490	21%
Cost of sales	1,927	1,191	- 38%
Gross profit	26,537	33,298	25%
Operating expenses	15,159	20,527	35%
Operating income	11,378	12,771	12%
<i><u>Operating income margin</u></i>	<i><u>40%</u></i>	<i><u>37%</u></i>	
Income before taxes	11,527	13,316	16%
Net Income	6,969	8,490	22%

(In accordance with US GAAP)

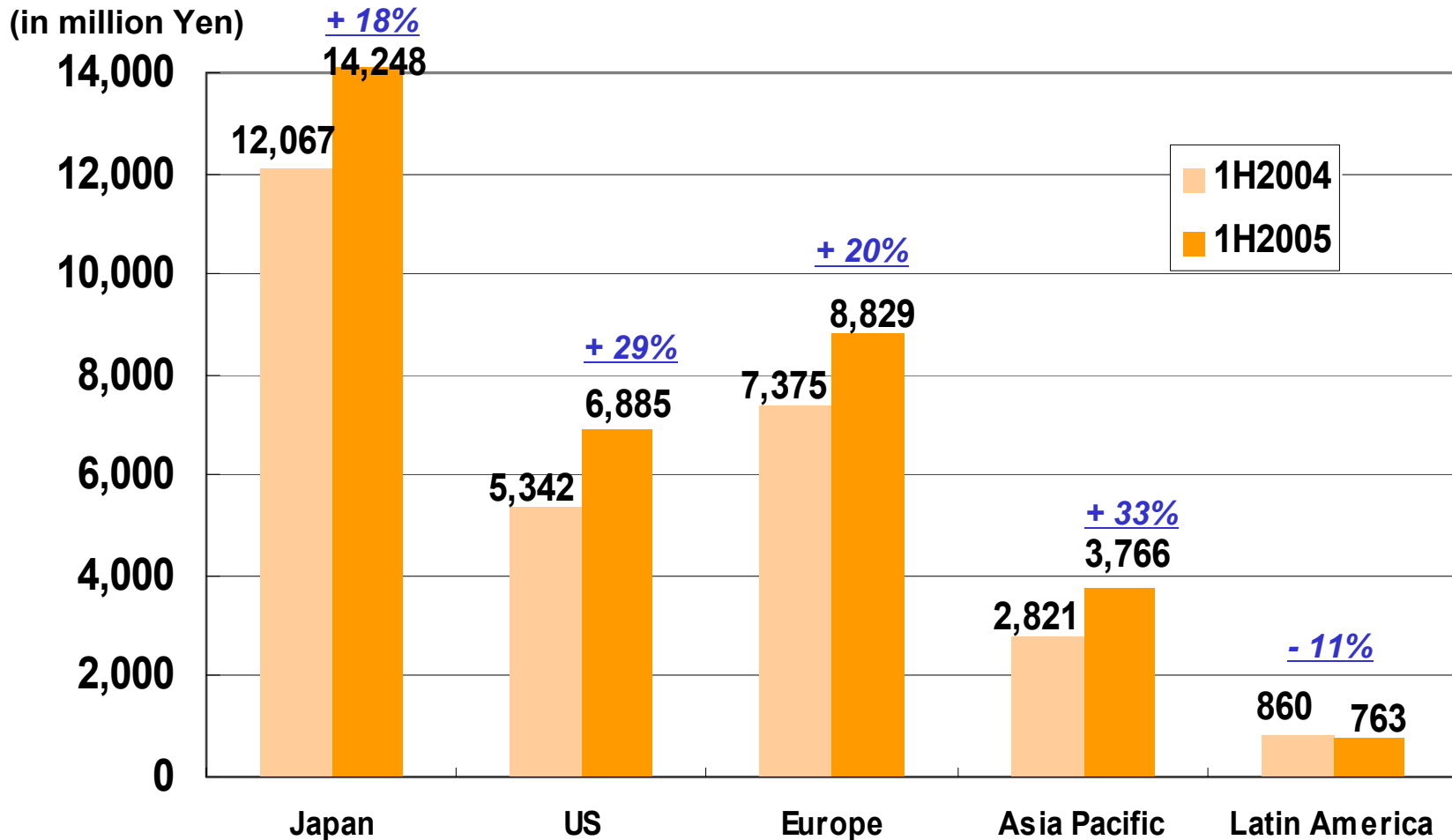
*If currency exchange rates used for 1H2004 were used for 1H2005:*

<b>Net sales</b>	<b>28,464</b>	<b>34,344*</b>	<b>21%</b>
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*\* The JPY amount for 1H2005 shown above has been calculated by applying to each foreign currency net sales amount for 1H2005 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 1H2004 into a JPY net sales amount for U.S. GAAP reporting purposes.*

# Net Sales Growth by Region

(unaudited)



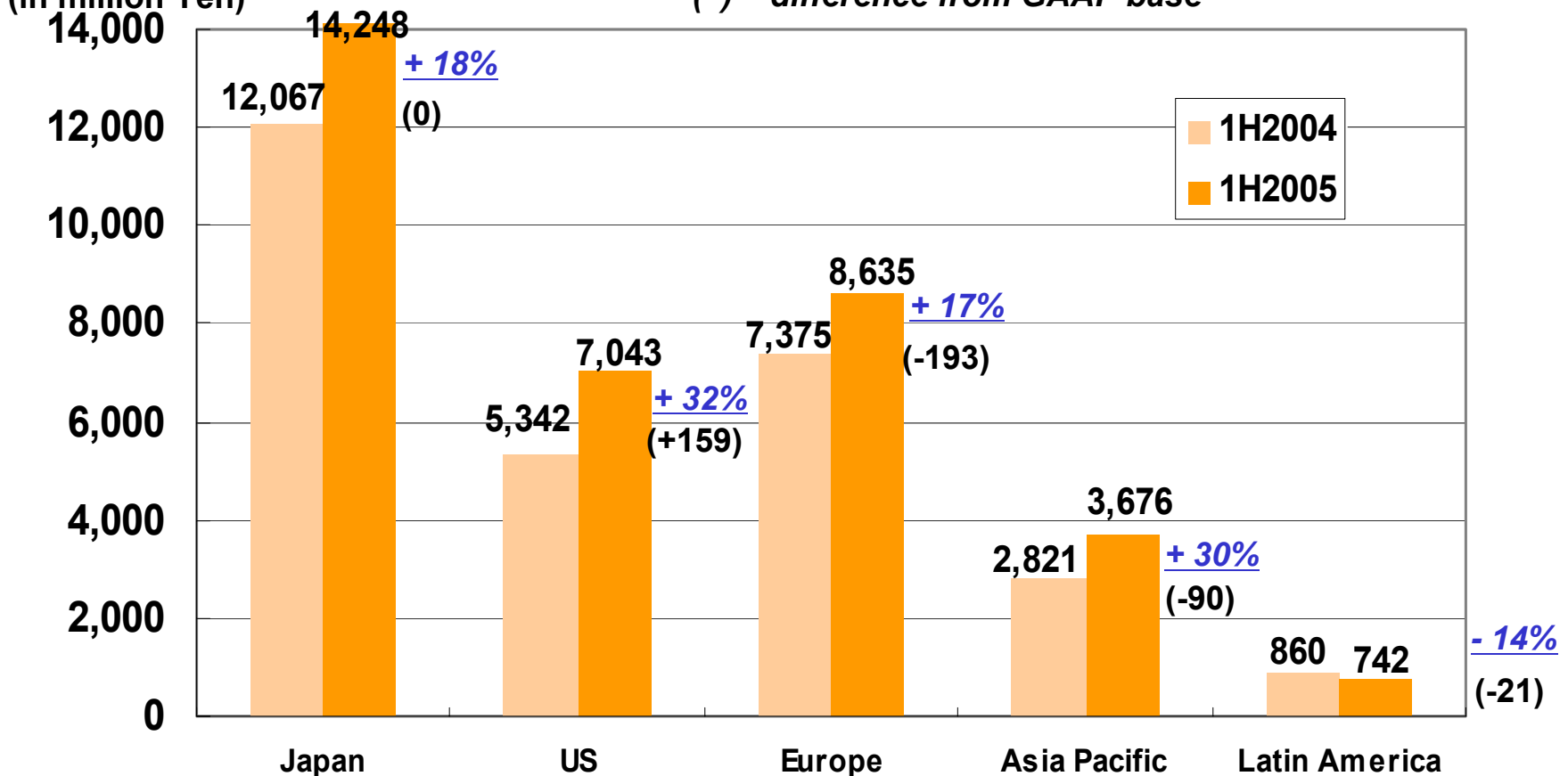
(In accordance with US GAAP)

# Growth by region

If currency exchange rates used for 1H2004 were used for 1H2005: (unaudited)

(in million Yen)

\* ( ) – difference from GAAP base



\* Each JPY amount for 1H2005 shown above has been calculated by applying to the relevant foreign currency net sales amount for 1H2005 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 1H2004 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)

# Impact of Stock Option Expense

(unaudited)  
(in million Yen)

	1H2004	1H2005
<b>Operating income</b>	<b>11,378</b>	<b>12,771</b>
<b>Net income</b>	<b>6,969</b>	<b>8,490</b>

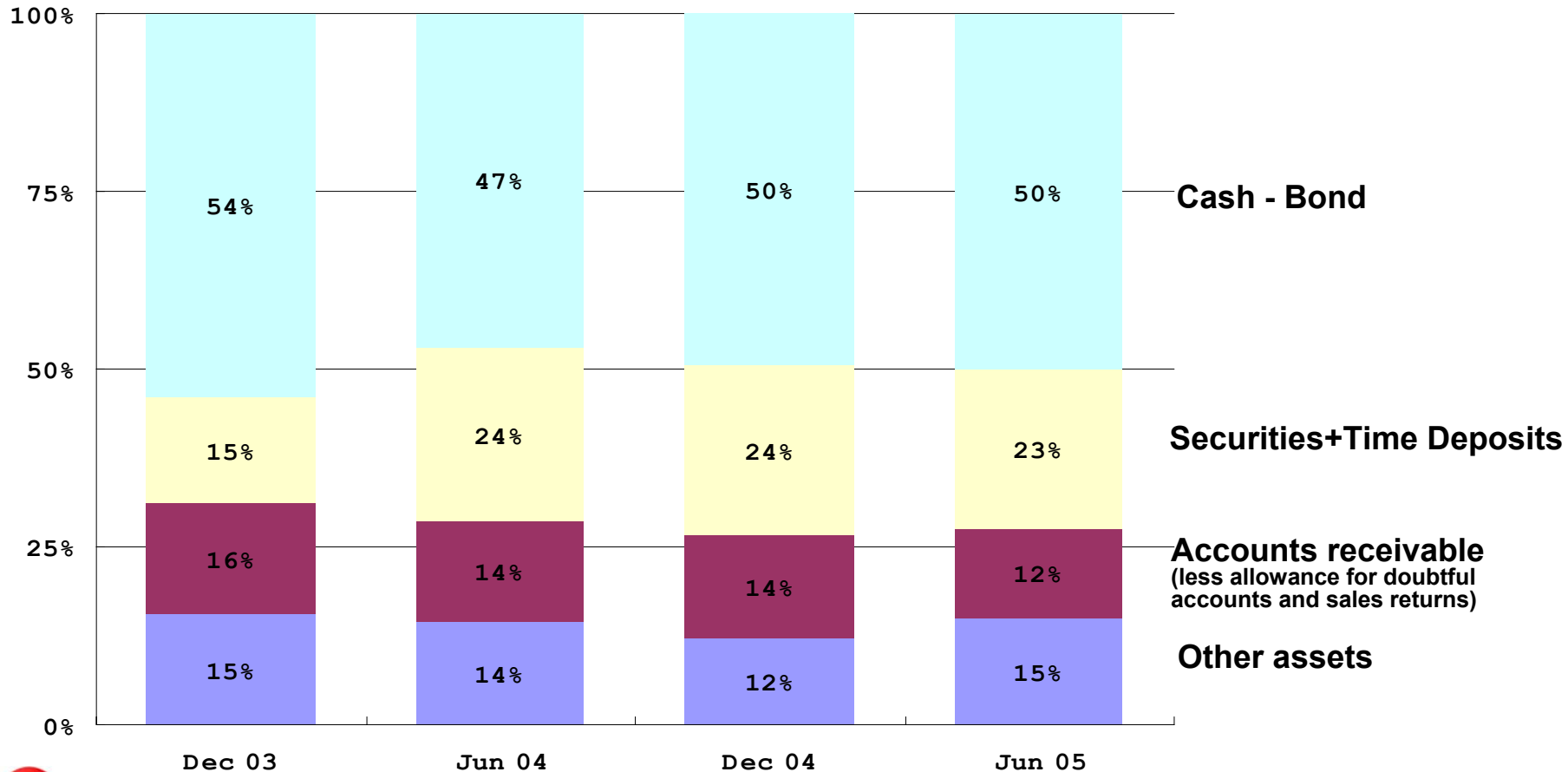
## *Pro forma stock option expense under SFAS 123*

<b><i>Pro forma Option expense</i></b>	<b><i>1,059</i></b>	<b><i>1,758</i></b>
<b><i>Pro forma Operating income</i></b>	<b><i>10,319</i></b>	<b><i>11,013</i></b>
	<b><i><u>9% decline</u></i></b>	<b><i><u>14% decline</u></i></b>
<b><i>Pro forma net income</i></b>	<b><i>5,910</i></b>	<b><i>6,732</i></b>
	<b><i><u>15% decline</u></i></b>	<b><i><u>21% decline</u></i></b>

# Cash is King

(unaudited)

## Asset composition



# Q3 forecast assumptions

- ***Impact of extension of VB licences in Q3 :***  
***- 0.3Bn yen***
- ***SGA will be 10.2 Bn yen, same level as Q2 after adjusting for one time support costs***
- ***Estimated exchange rate: 1USD = 112yen***  
***1EUR = 136yen***

# Projection for 3Q

(in million Yen)

	<u>For 3Q</u> <u>Jul - Sep, 2005</u>	<u>Expected</u> <u>YoY growth</u>
<b>Net Sales</b>	<b>17,200</b>	<b><u>+ 9%</u></b>
<b>Operating Income</b>	<b>6,200</b>	<b><u>- 9%</u></b>
<b>Net Income</b>	<b>3,750</b>	<b><u>- 10%</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