



# ***Trend Micro***

## ***FY2005. 1Q Results***

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***April 21, 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 Mar 31,</i>	(unaudited) (in million Yen)		
	<b>1Q2004</b>	<b>1Q2005</b>	<b>YoY growth</b>
<b>Net sales</b>	<b>13,621</b>	<b>17,301</b>	<b>27%</b>
<b>Cost of sales</b>	<b>912</b>	<b>581</b>	<b>- 36%</b>
<b>Gross profit</b>	<b>12,709</b>	<b>16,720</b>	<b>32%</b>
<b>Operating expenses</b>	<b>7,569</b>	<b>9,419</b>	<b>24%</b>
<b>Operating income</b>	<b>5,140</b>	<b>7,301</b>	<b>42%</b>
<b><u>Operating income margin</u></b>	<b><u>38%</u></b>	<b><u>42%</u></b>	
<b>Income before taxes</b>	<b>5,312</b>	<b>7,550</b>	<b>42%</b>
<b>Net Income</b>	<b>3,141</b>	<b>4,557</b>	<b>45%</b>

(In accordance with US GAAP)

*If currency exchange rates used for 1Q2004 were used for 1Q2005*

**YoY change**

<b>Net sales</b>	<b>13,621</b>	<b>17,279</b>	<b>27%</b>
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*\* The JPY amount for 1Q2005 shown above has been calculated by applying to each foreign currency net sales amount for 1Q2005 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 1Q2004 into a JPY net sales amount for U.S. GAAP reporting purposes.*

(Non-GAAP)

# USD based Results (Non-GAAP)

<i>Three months ended Mar 31,</i>	<i>1Q2004</i>	<i>1Q2005</i>	<i>(unaudited) (in thousand USD) YoY change</i>
<b>Net sales</b>	<b>126,804</b>	<b>165,414</b>	<b>30%</b>
<b>Cost of sales</b>	<b>8,489</b>	<b>5,555</b>	<b>- 35%</b>
<b>Gross profit</b>	<b>118,315</b>	<b>159,859</b>	<b>35%</b>
<b>Operating expenses</b>	<b>70,462</b>	<b>90,050</b>	<b>28%</b>
<b>Operating income</b>	<b>47,853</b>	<b>69,809</b>	<b>46%</b>
<b>Income before taxes</b>	<b>49,449</b>	<b>72,191</b>	<b>46%</b>
<b>Net Income</b>	<b>29,236</b>	<b>43,566</b>	<b>49%</b>

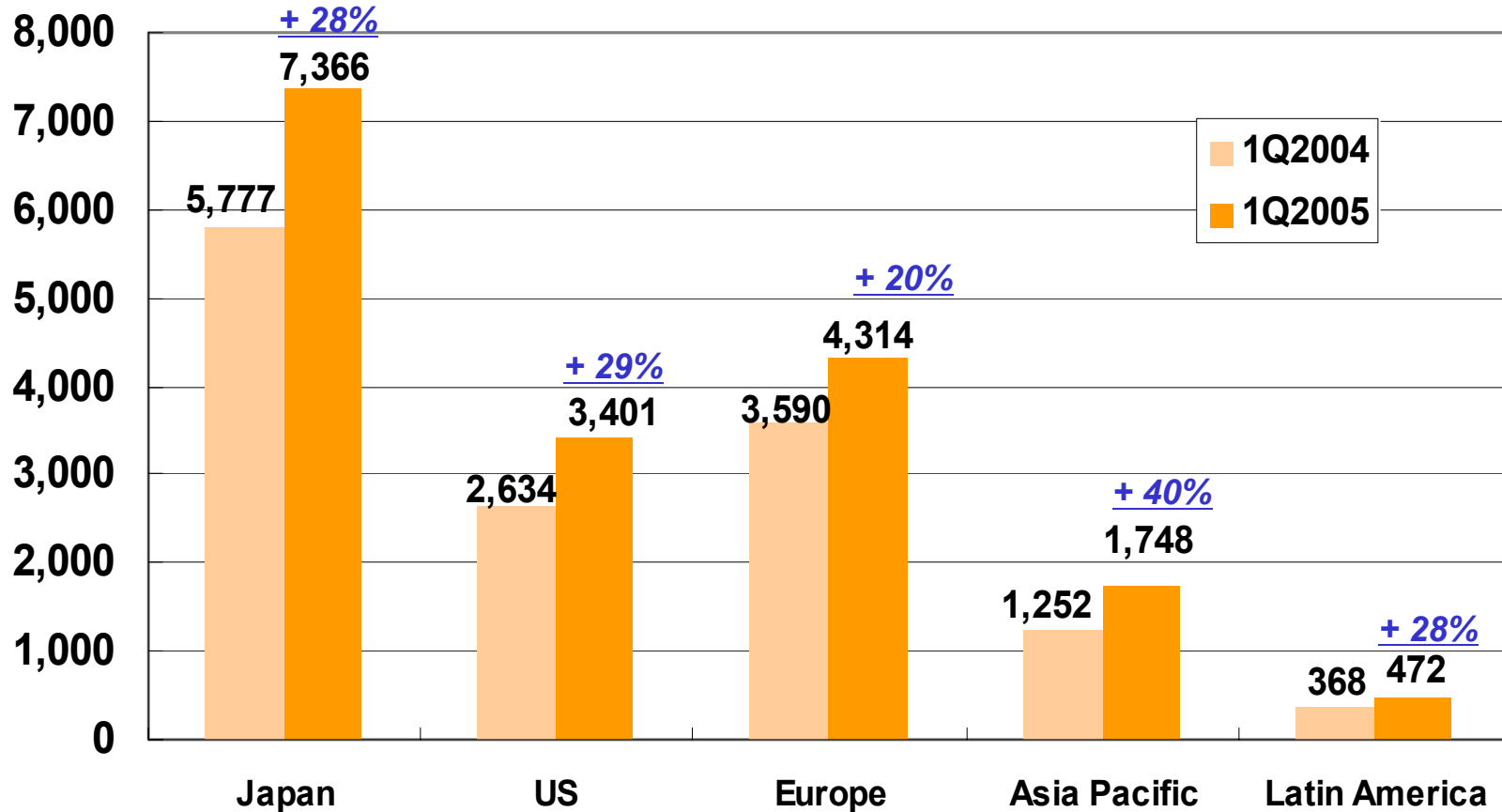
**(Non-GAAP)**

***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=107.42 JPY for 1Q2004 and 1 USD =104.59 JPY for 1Q2005, 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)



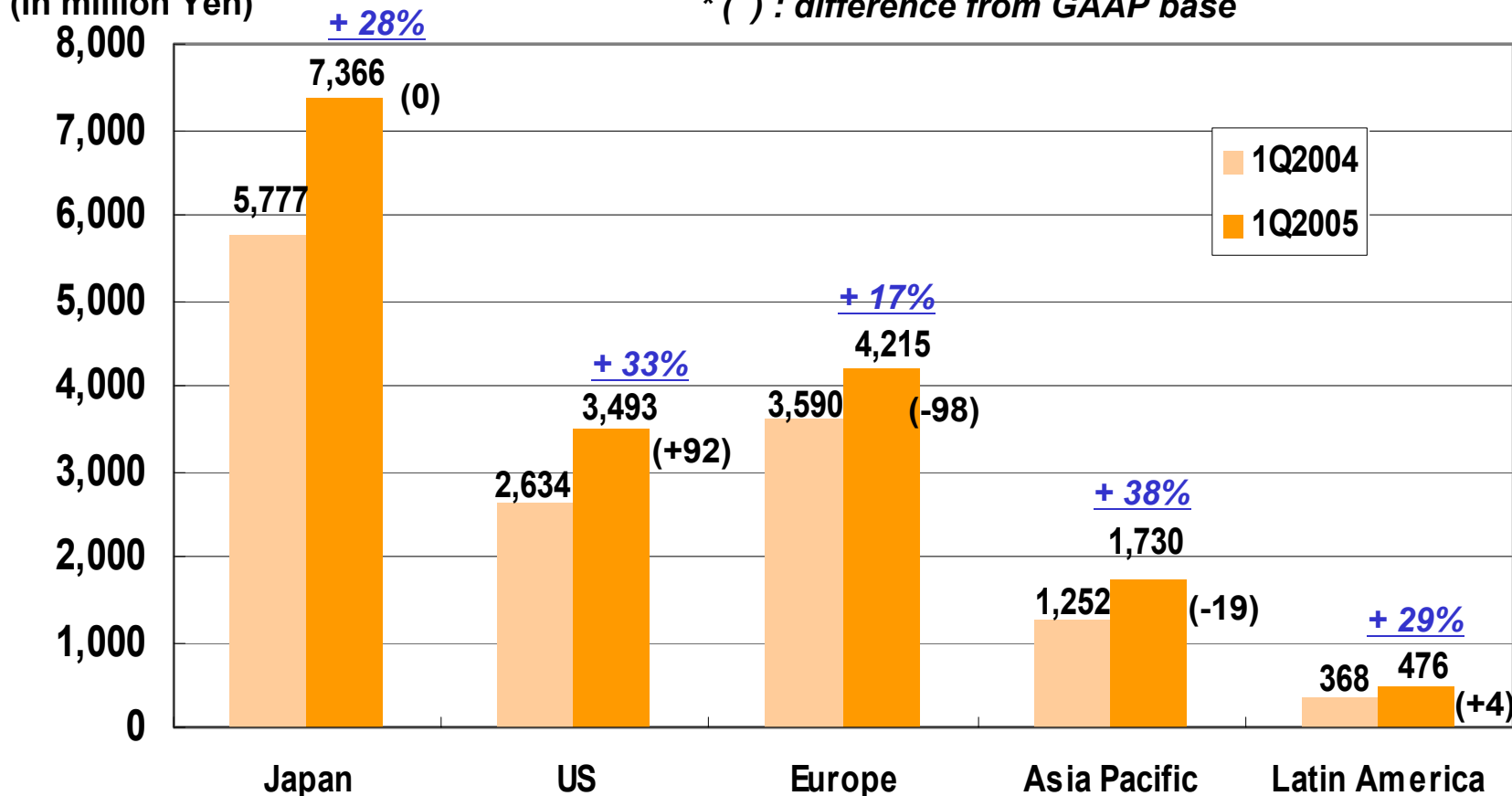
(In accordance with US GAAP)

# Net Sales Growth by Region

If currency exchange rates used for 1Q2004 were used for 1Q2005: (unaudited)

(in million Yen)

\* ( ) : difference from GAAP base



\* Each JPY amount for 1Q2005 shown above has been calculated by applying to the relevant foreign currency net sales amount for 1Q2005 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 1Q2004 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)

# **Q1 Highlights**

- ***Healthy growth in US continues***
- ***Japan enterprise business better than expected***
- ***Consumer business continues to be strong***

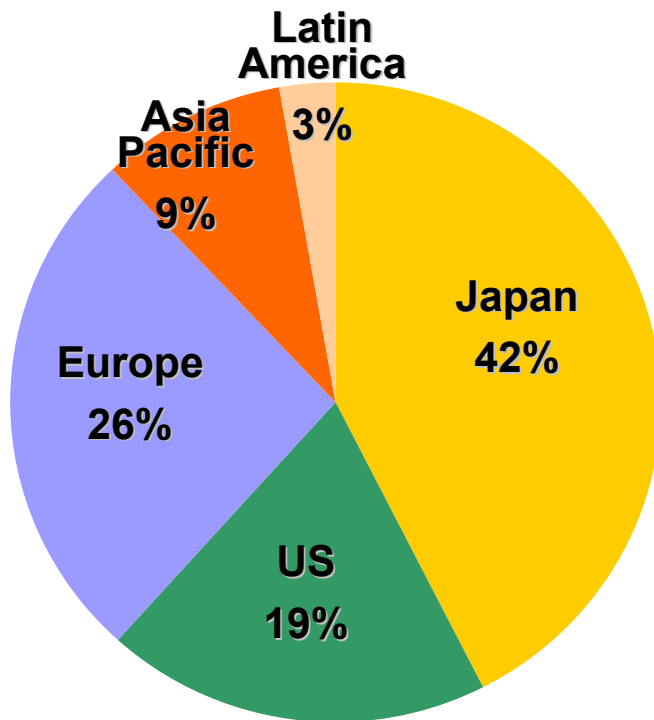
# Q1 Lowlights

- ***EMEA growth weaker than expected***
- ***Network product growth slow***
- ***Per person productivity did not improve***

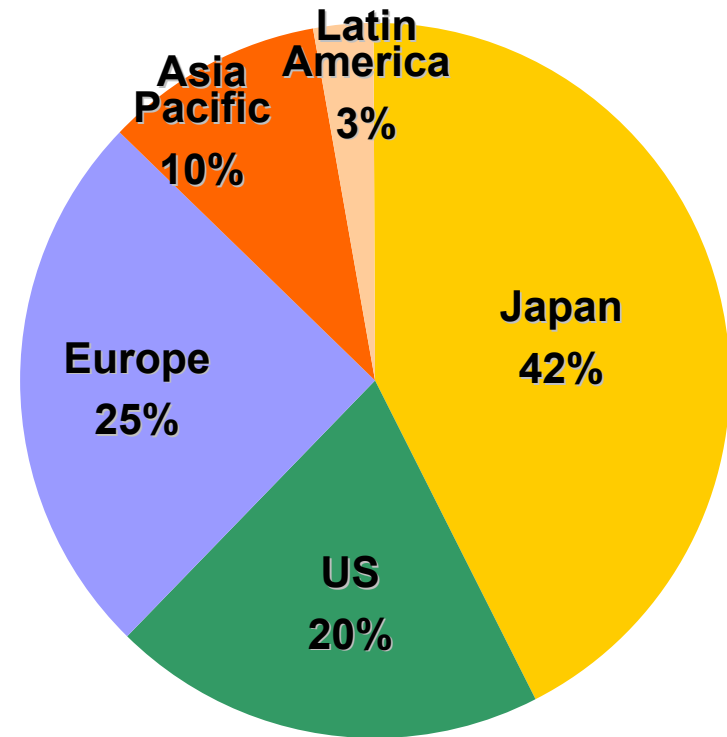
# % share by region

(unaudited)

**1Q2004**  
**13,621 million Yen**



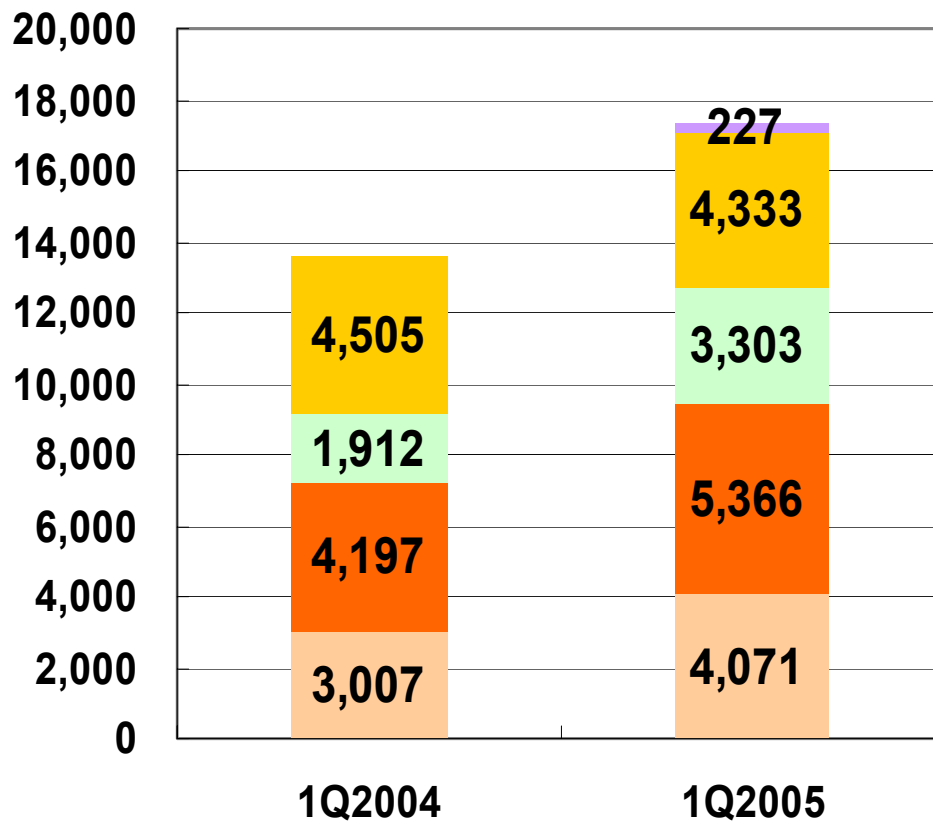
**1Q2005**  
**17,300 million Yen**



# Sales by Product

(unaudited)

(in million Yen)



	<u>1Q2004</u>	<u>1Q2005</u>
Network	-	1%
Internet Server	33%	25%
Gateway Suite*	14%	19%
Client/Server Solution, others	31%	31%
Consumer PC	22%	24%
<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.

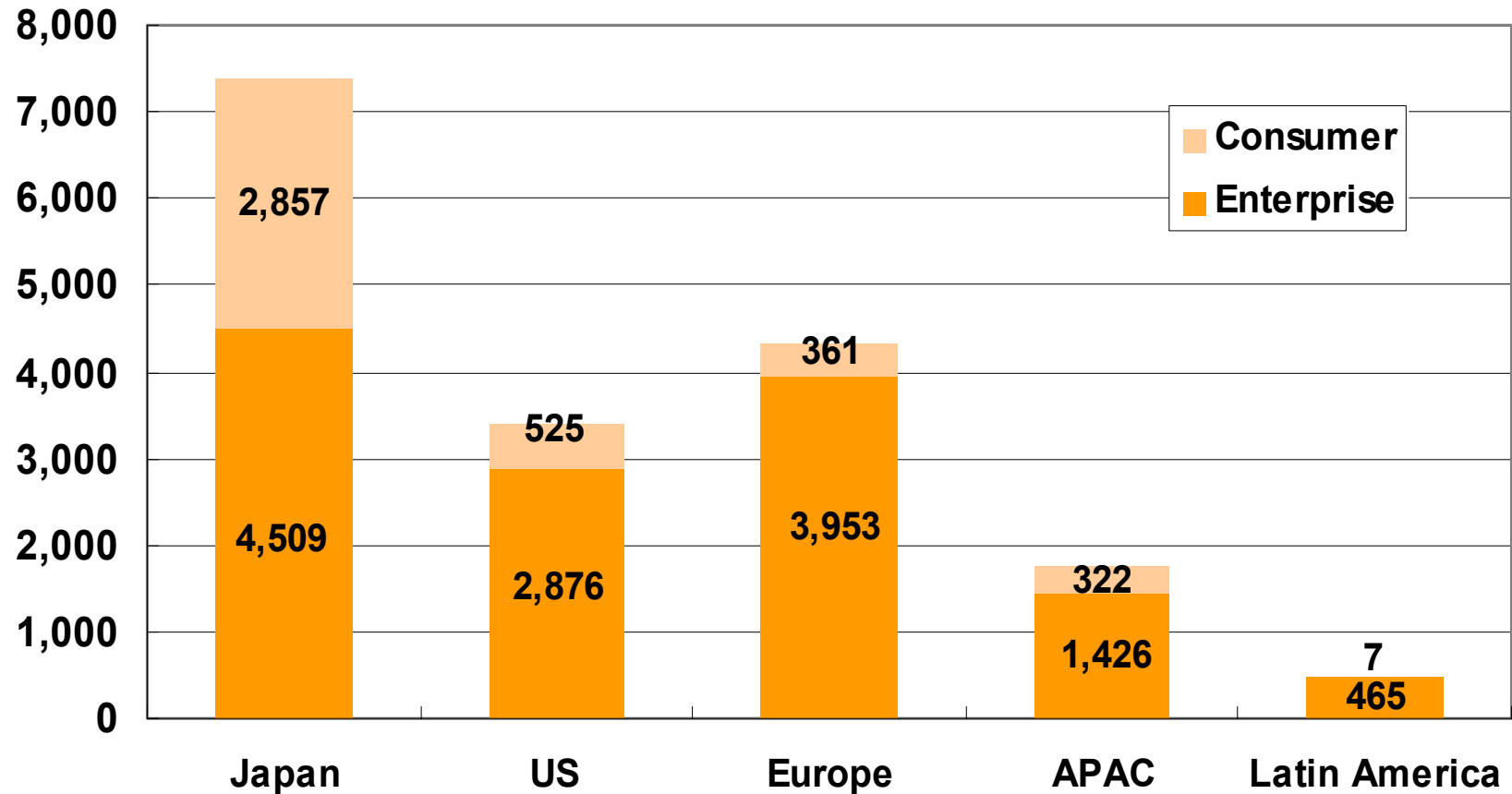
(In accordance with US GAAP)

# Sales by Customer

(in million Yen)

(unaudited)

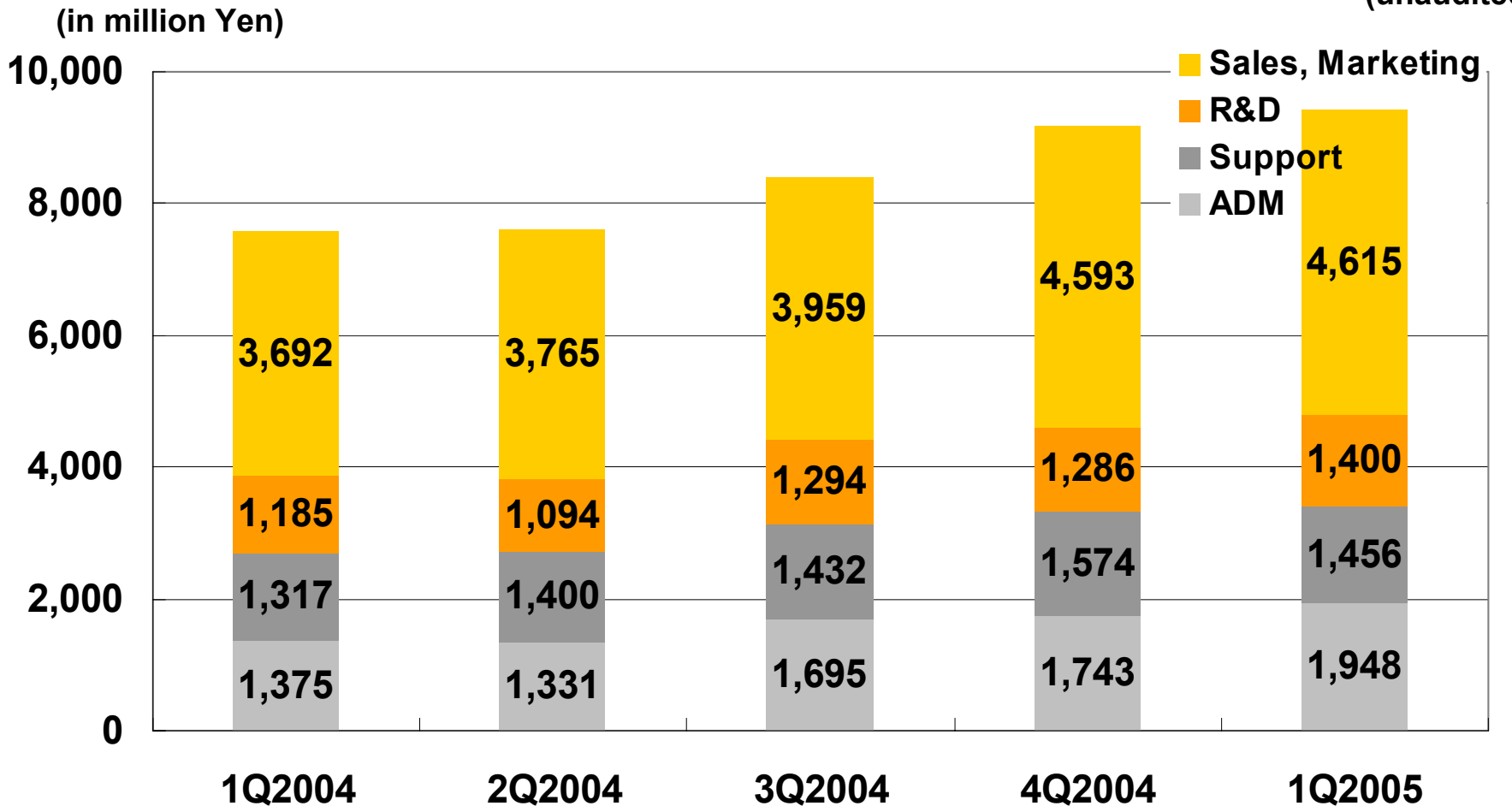
1Q2005



(In accordance with US GAAP)

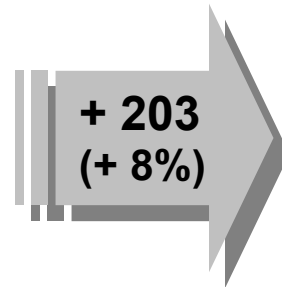
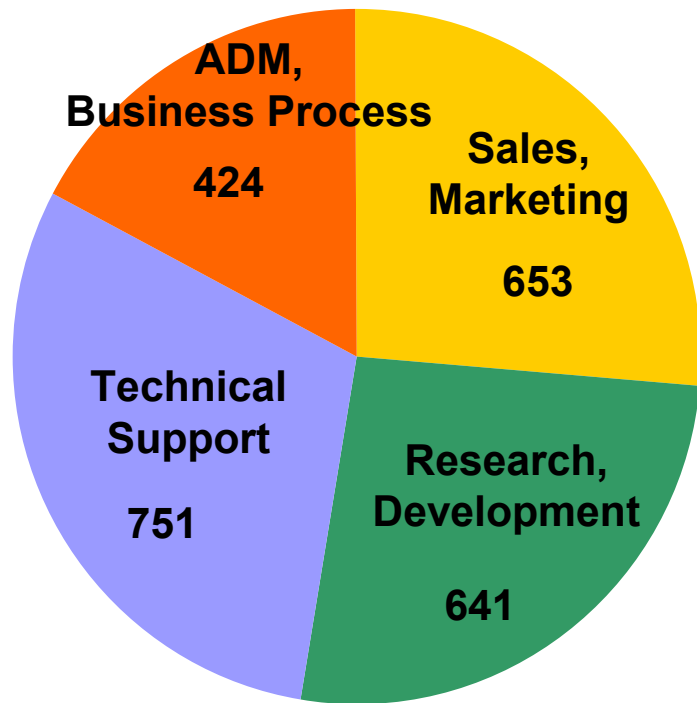
# Operating expenses

(unaudited)

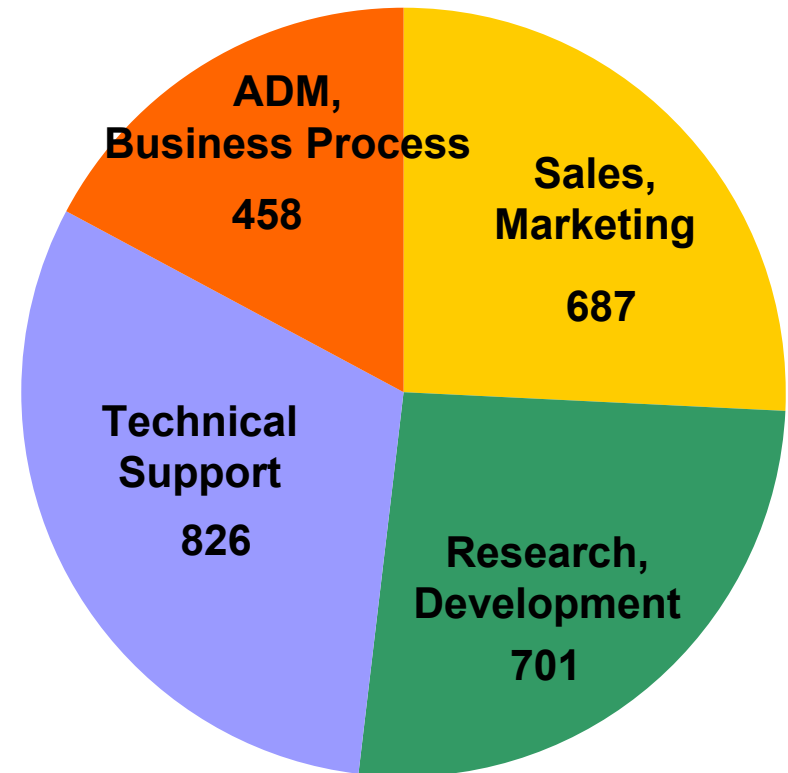


# Headcount

**Dec - 2004**  
**2,469**

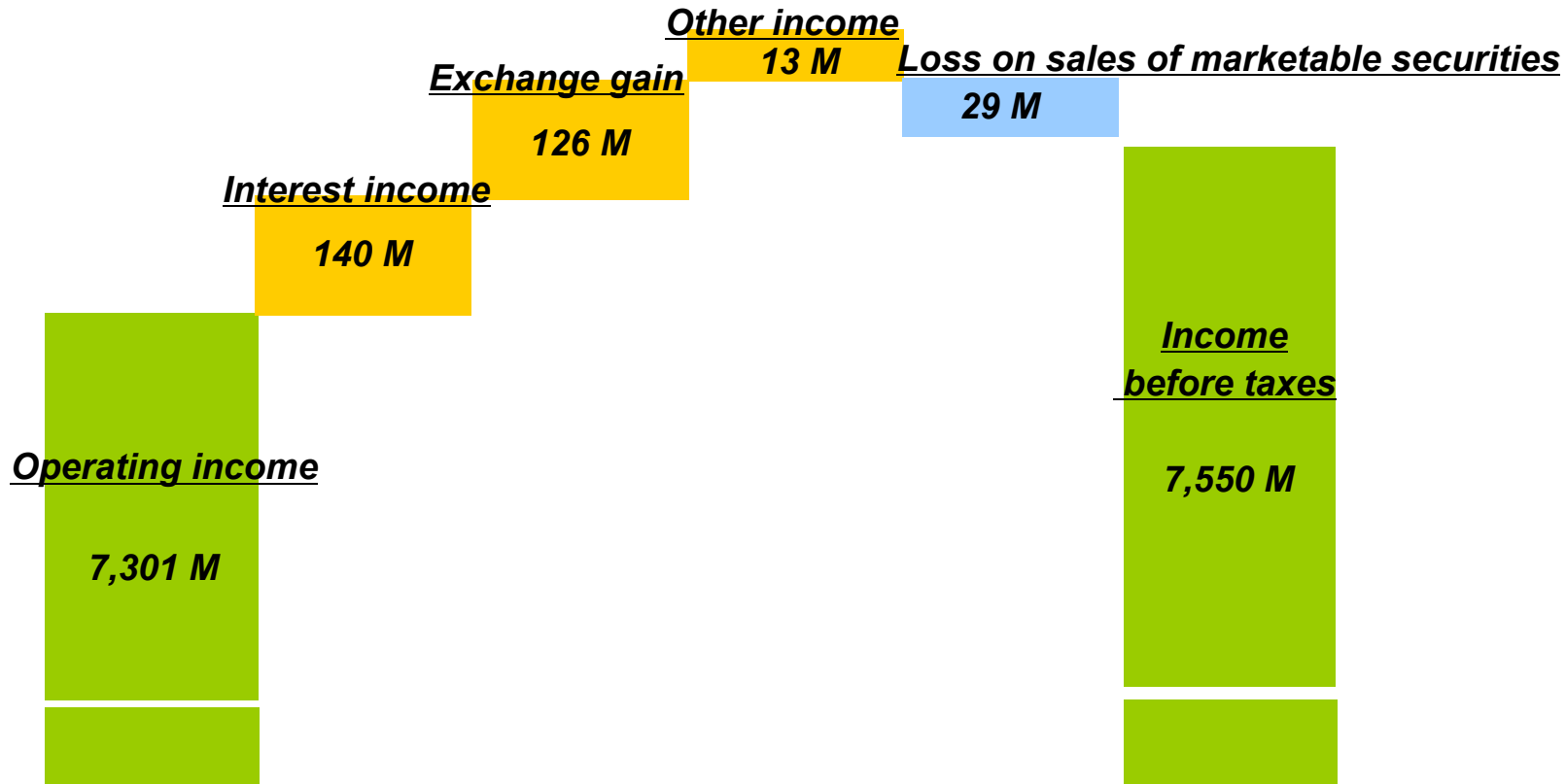


**Mar - 2005**  
**2,672**



# Non-operating Items

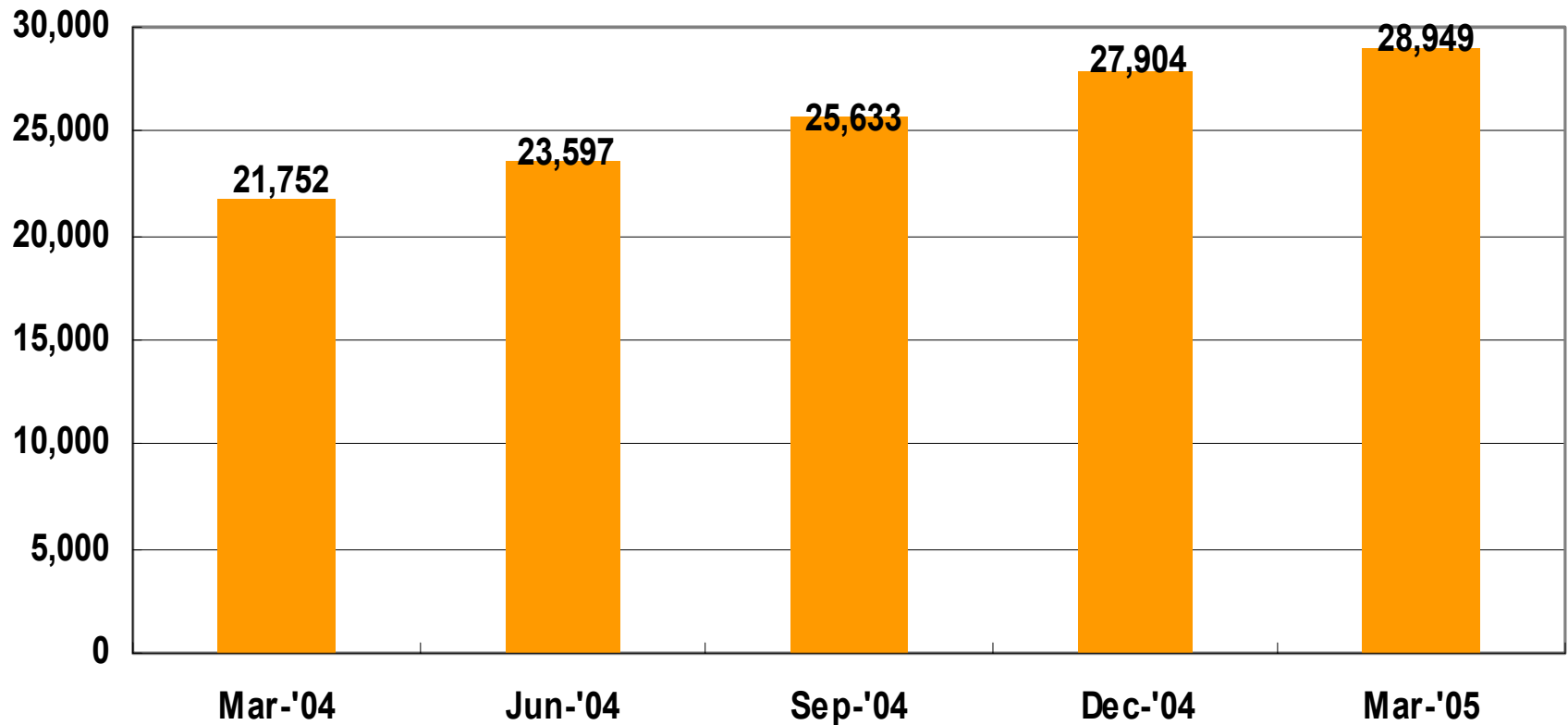
(unaudited)



# Deferred Revenue

(in million Yen)

(unaudited)

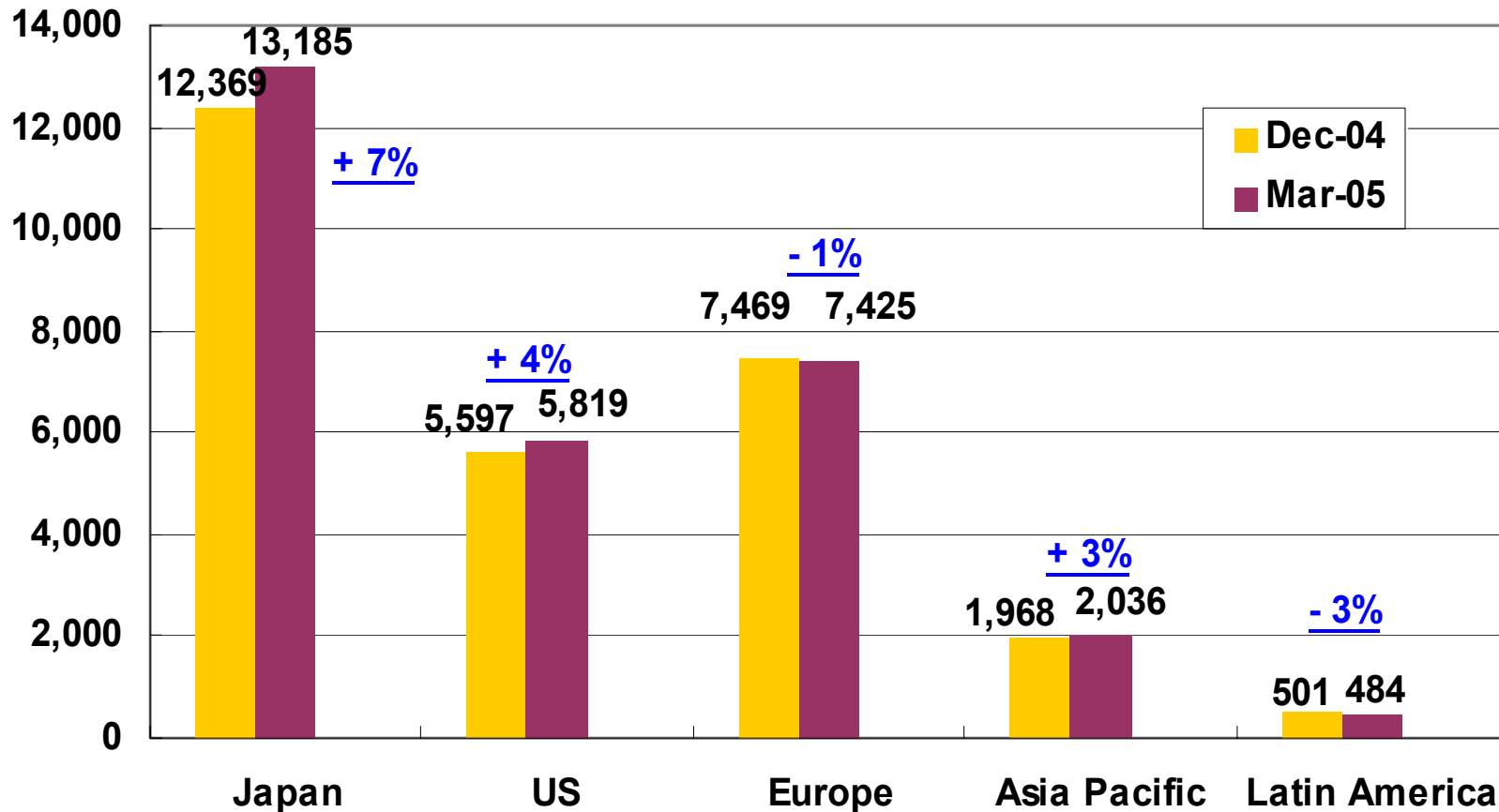


\* Total of current and long term  
(In accordance with US GAAP)

# Deferred Revenue by Region

(unaudited)

(in million Yen)



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

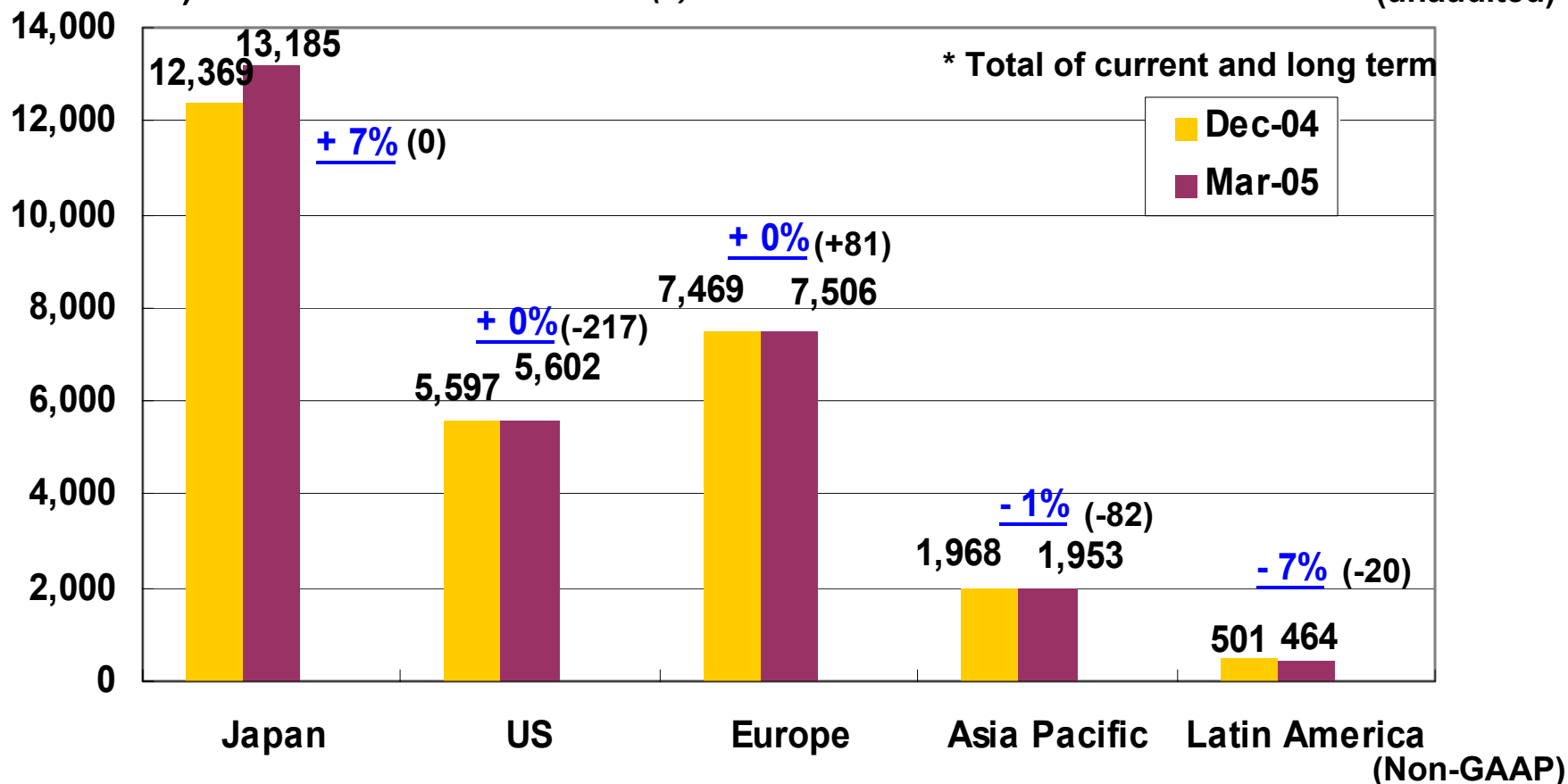
# Deferred Revenue by Region

If currency exchange rates used as of the end of 4Q2004 were used as of the end of 1Q2005:

(in million Yen)

\* ( ) : difference from GAAP base

(unaudited)



\* Each JPY amount as of the end of 1Q2005 shown above has been calculated by applying to the relevant foreign currency deferred revenue amount as of the end of 1Q2005 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 4Q2004 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>Dec-2004</i>	<i>change</i>	<i>Mar-2005</i>
<b><u>Assets</u></b>			
<i>Cash &amp; cash equivalents</i>	52,908	- 2,626	50,282
<i>Account receivable</i> <i>(less allowance for doubtful accounts</i> <i>and sales returns)</i>	15,245	- 347	14,898
<i>Marketable securities &amp;</i> <i>Securities investments</i>	25,120	+ 2,371	27,491
<b><u>Liabilities</u></b>			
<i>Deferred revenue</i> <i>(total of current and long-term)</i>	27,904	+ 1,045	28,949
<b><u>Shareholders' Equity</u></b>			
<i>Common Stock &amp;</i> <i>Additional paid in capital</i>	28,786	+ 554	29,340
<i>Treasury Stock</i>	- 7,454	42	- 7,412



(In accordance with US GAAP)

# **Q2 forecast assumptions**

- ***Recovery in EMEA growth rate***
- ***Japan consumer business growth slow down***
- ***SGA will increase to 9.7 Bn Yen due to increased marketing spending***
- ***Estimated exchange rate: 1USD = 107yen  
1EUR = 139yen***

# Projection for 2Q2005

(in million Yen)

	<u>For 2Q2005</u> <u>Apr - Jun, 2004</u>	<u>Expected</u> <u>YoY growth</u>
<b>Net Sales</b>	<b>17,500</b>	<b><u>18%</u></b>
<b>Operating Income</b>	<b>7,000</b>	<b><u>12%</u></b>
<b>Net Income</b>	<b>4,200</b>	<b><u>10%</u></b>

***Thank you!***