May 11, 2010

Report of Earning Results (Consolidated) for the First Quarter of the Fiscal Year Ending December 31, 2010

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Code : 4704 — Location : Tokyo
URL http://www.trendmicro.co.jp/

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Expected date of the submission of quarterly security reports (“Shihanki Hokokusho”) : May 13, 2010

1. Financial Highlights for Three Months Ended March 31, 2010

(1) Consolidated Results of Operations

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three Months Ended March 31, 2010	23,728	3.5	6,042	(14.0)	6,207	(21.8)	3,529	(26.8)
Three Months Ended March 31, 2009	22,915	-	7,028	-	7,936	-	4,821	-

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Three Months Ended March 31, 2010	26.44	26.29
Three Months Ended March 31, 2009	36.10	-

(2) Consolidated Financial Position

	Total assets	Net Assets	Net Assets ratio	Net Assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2010	196,144	100,352	47.7	701.09
December 31, 2009	203,887	108,643	50.3	768.25

(Note) Net Assets after deduction of Share acquisition rights and Minority interest
: million yen as of March 31, 2010 (102,523 million yen as of December 31, 2009)

2. Dividend of Surplus

	Cash dividends per share				
As of	The first quarter end	The second quarter end	The third quarter end	Annual end	Total
	Yen	Yen	Yen	Yen	Yen
December 31, 2009	-	0.00	-	91.00	91.00
December 31, 2010	-				
Projection for FY 2010		0.00	-	-	-

(Note) Revision of the projection for the first quarter of FY 2010 : No

(Note) The dividend projection for the coming quarter ends is not yet determined.

3. Forecasts of Consolidated Financial Results for FY 2010

(January 1, 2010 through December 31, 2010)

We do not issue a projection figures on a yearly basis.
For the forecast of the 2nd quarter end and FY 2010, please refer to page 3.

4. Others

(1) Change in the basis of Consolidation and Application of equity method : No

(2) Application of simplified accounting procedures and accounting procedures specific to the preparation of quarterly consolidated financial statements : Yes

Please refer "Application of simplified accounting procedures and accounting procedures specific to the preparation of quarterly consolidated financial statements", page 5 & 6.

(3) Changes in accounting principles and procedures as well as presentation methods related to the preparation of quarterly consolidated financial statements

① Change under the revision of Accounting Standards : No

② Others : Yes

Please refer "Changes in accounting principles and procedures as well as presentation methods related to the preparation of quarterly consolidated financial statements", page 6.

(4) Number of shares issued (common shares)

① Number of shares issued (including treasury stocks):

140,293,004 shares as of March 31, 2010

140,293,004 shares as of December 31, 2009

② Number of treasury stocks :

6,770,534 shares as of March 31, 2010

6,841,534 shares as of December 31, 2009

③ Average number of shares outstanding :

133,476,470shares three months ended March 31, 2010

133,569,830shares three months ended March 31, 2009

Forecasts of consolidated financial results for 2nd quarter FY 2010

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2nd quarter (April 1, 2010 through June 30, 2010)	24,000	(1.0)	6,300	(12.9)	6,500	(13.6)	3,900	(3.2)	29.21

※ Notice on forward-looking statements and other specific items

1. Since the business environment surrounding Trend Micro Group tends to fluctuate in the short run, it is difficult to make a highly reliable projection figures on a yearly basis. We, therefore, have decided to announce the earnings on a quarterly basis in the fiscal year ending in December 2010 as well as earnings projection of the succeeding quarter.

When we find through our calculation conducted from time to time that the net sales will fluctuate from the most recent quarterly projection by more than 10%, or operating income, ordinary income or net income fluctuates by more than 30%, we will announce the revision to the earnings projection.

・Qualitative Information and Financial Statements

1. Qualitative Information on the Consolidated Business Results

(Unit: million yen)

	Net Sales		
	1Q FY Dec. 2010	1Q FY Dec. 2009	Rate of Change
Japan	9,782	9,784	0%
North America Reg.	5,999	5,953	1%
Europe Reg.	5,005	4,748	5%
Asia and Pacific Reg.	2,254	1,842	22%
Latin America Reg.	685	585	17%

During the First Quarter fiscal year 2010, from January 1 to March 31, the world economy continued to show a signs of upward momentum throughout this term. The U.S, European and emerging countries economies strengthened, But full-scale recovery is still a long road away as the world struggles with high unemployment rates, Greek financial problems, and meteorological influences pressuring the Euro.
Despite the improvement of key macro-economic indicators, the Japanese economy is still in a state of weak autonomous fiscal recovery due to the high unemployment rate and soaring cost of resources.
The IT industry has also been affected by the economic downturn with companies all over the world cutting their IT budgets.
Under such an environment, our group's business conditions are as follows:

For the Japan region, consumer sales had negative growth but the enterprise business was able to cover the region's sales loss. As the result, the amount of sales for this period in Japan continued to be flat at 9,782 million yen compared to the same period last year.
In North America, the consumer sales revenue made up for weak enterprise sales, which experienced negative growth. Sales for this period in North America were 5,999 million yen, a positive growth despite the negative affect by the Japanese yen.
For the EMEA region, sales revenues increased along with local currency compared to the same period last year. In addition, appreciation of the Euro against the yen affected this region. As the result, EMEA generated 5,005 million yen in total sales.
In the Asia and Pacific region, Australia made a strong contribution to APAC sales, and there was significant impact by weak yen. As the result, the net sales for this period in APAC came to 2,254 million yen.
The Latin America region was equally affected by a weak yen. This region sales growth rate experienced double digit growth compared to the same period last year. In this region, net sales were 685 million yen.
As a result, regarding First Quarter fiscal year 2010, the consolidated net sales for this period came to 23,728 million yen.
On the other hand, cost of sales and operating expenses totaled 17,685 million yen due to a significant increase in marketing costs dominated by advertisement fees such as TV commercials. The consolidated operating income for this period was 6,042 million yen. Due to non-operating income significantly decreased, consolidated ordinary income for this period was 6,207 million yen, and consolidated net income for this period was 3,529 million yen.

2. Qualitative Information on the Consolidated Financial Positions

Cash and bank deposits at the end of this period amounted to 70,372 million yen, a decrease of 3,899 million yen year on year.

Moreover, total assets at the end of this period were 196,144 million yen, 7,742 million yen decrease year on year. The decrease in total assets is affected mainly by a substantial decrease of sales of marketable securities and security investments from the end of this period.

On the other hand, total liabilities at the end of this period were 95,792 million yen 547million yen year-over-year slightly increase.

As a result, total net assets at the end of this period were 100,352 million yen, a decrease of 8,290 million yen with payment of dividends from the previous period.

3. Qualitative Information on the Consolidated Results Forecast

Since the business environment surrounding Trend Micro Group tends to fluctuate in the short run, it is difficult to make a highly reliable projection figures on a yearly basis. We, therefore, have decided to announce the earnings on a quarterly basis in the fiscal year ending in December 2010 as well as earnings projection of the succeeding quarter.

When we find through our calculation conducted from time to time that the net sales will fluctuate from the most recent quarterly projection by more than 10%, or operating income, ordinary income or net income fluctuates by more than 30%, we will announce the revision to the earnings projection.

Business forecast for the Second Quarter of FY2010 (April 1, 2010 - June 30, 2010)

Consolidated net sales	24,000 million yen
Consolidated operating income	6,300 million yen
Consolidated ordinary income	6,500 million yen
Consolidated net income	3,900 million yen

In development of the business forecasts the main assumed exchange rates are as follows.

1 US $	90 yen
1 Euro	120 yen

4. Others

(1) Change in the basis of Consolidation and Application of equity method

N/A

(2) Application of simplified accounting procedures and accounting procedures specific to the preparation of quarterly consolidated financial statements

(a) Simplified accounting procedures

1 Calculation of estimated allowance for doubtful accounts

Due to no significant change in the percentage based on actual bad debt loss against total monetary asset since December 31, 2009, we estimated the allowance for bad debt for 3rd quarter end on the same basis with FY 2009 closing.

2 Judgment of realizability of deferred tax assets

Due to no significant change in business environment or status of recognized temporary differences during this 1st quarter, we judged it based on the forecast of financial result and tax planning for FY 2009.

(b) Accounting procedures specific to the preparation of quarterly consolidated financial statements

1 Calculation of income tax expenses

We multiply net income before tax for this 1st quarter by effective tax rate, which is rationally calculated based on projected annual profit and its taxes with considering deferred tax accounting. In addition, deferred tax expense is included in income taxes.

(3) Changes in accounting principles and procedures as well as presentation methods related to the preparation of quarterly consolidated financial statements

Change in principle of stock compensation expense

We treated a part of stock compensation expense as "Cost of sales" until FY2009, however, from FY2010, we treat all stock compensation expense as "Selling, general & administrative expense". This expense is not directly related to cost accounting calculation based on cost sharing contract started from FY2010. The effect of this chanege is immaterial.

5. 【CONSOLIDATED FINANCIAL STATEMENTS】

(1) 【Consolidated Balance Sheets】

(Millions of yen)

Account	December 31, 2009	March 31, 2010
(Assets)		
Current assets		
Cash and bank deposits	74,271	70,372
Notes and Accounts receivable, trade	23,114	22,505
Marketable securities	53,228	49,413
Inventories	409	356
Deferred tax assets	14,774	14,870
Others	4,178	3,404
Allowance for bad debt	(131)	(151)
Total current assets	169,846	160,771
Non-current assets		
Property and equipment		
(1) Office furniture & equipment	3,622	3,941
(2) Others	1,056	1,058
Total Property and equipment	4,678	5,000
Intangibles		
(1) Software	4,503	4,604
(2) Goodwill	1,179	1,072
(3) Others	478	822
Total intangibles	6,161	6,499
Investments and other non-current assets		
(1) Investment Securities	11,883	11,220
(2) Investments in subsidiaries and affiliates	283	281
(3) Deferred tax assets	10,061	10,708
(4) Others	972	1,662
Total investments and other non-current assets	23,200	23,873
Total non-current assets	34,040	35,373
Total assets	203,887	196,144

(Millions of yen)

Account	December 31, 2009	March 31, 2010
(Liabilities)		
Current liabilities		
Accounts payable and Notes payable, trade	764	1,037
Accounts payable, other	3,749	4,176
Accrued expenses	4,032	5,165
Accrued income and other taxes	7,955	3,177
Allowance for bonuses	672	905
Allowance for sales returns	876	1,160
Deferred revenue	54,362	56,203
Others	1,851	2,343
Total current liabilities	74,263	74,169
Long-term liabilities		
Deferred revenue	19,200	19,753
Allowance for retirement benefits	1,433	1,504
Others	347	365
Total long-term liabilities	20,981	21,623
Total liabilities	95,244	95,792
(Net assets)		
Shareholders' equity		
Common stock	18,386	18,386
Additional paid-in capital	21,108	21,108
Retained earnings	91,748	83,138
Treasury stock, at cost	(22,128)	(21,899)
	109,115	100,734
Valuation and translation adjustments		
Net unrealized gain (loss) on debt and equity securities	(1,818)	(2,395)
Foreign currency translation adjustments	(4,773)	(4,727)
	(6,591)	(7,123)
Share acquisition rights	6,110	6,734
Minority interest	9	7
Total net assets	108,643	100,352
Total liabilities and net assets	203,887	196,144

(2) 【Consolidated Statements of Income】

【Three months ended March 31, 2010 】

(Millions of yen)

	Three months ended March 31, 2009	Three months ended March 31, 2010
Net Sales	22,915	23,728
Cost of sales	3,597	4,032
Gross profit	19,318	19,695
Operating expenses	12,289	13,653
Operating income	7,028	6,042
Non-operating incomes		
Interest income and dividend received	443	260
Equity in earnings of affiliated companies	8	-
Foreign exchange income	814	-
Other income	33	29
Total non-operating income	1,300	290
Non-operating expenses		
Interest expenses	1	0
Loss on sales of marketable securities	328	-
Foreign exchange loss	-	109
Equity in loss of affiliated companies	-	2
Other expenses	62	11
Total non-operating expenses	392	124
Ordinary income	7,936	6,207
Extraordinary income		
Refundment of placement fee	-	226
Total extraordinary income	-	226
Extraordinary loss		
Impairment Loss on Marketable Securities	-	202
Total extraordinary loss	-	202
Net income before taxes	7,936	6,231
Income taxes	3,112	2,702
Minority interest in income of consolidated subsidiaries	1	0
Net income	4,821	3,529

(3) 【Consolidated Statements of Cash Flows】

(Millions of yen)

Account	Three months ended March 31, 2009	Three months ended March 31, 2010
Cash flows from operating activities:		
Net income before taxes	7,936	6,231
Depreciation and amortization	1,357	1,343
Stock compensations	542	667
Amortization of Goodwill	242	115
Increase (decrease) in Allowance for bad debts	(44)	20
Increase (decrease) in Allowance for sales returns	261	284
Increase in Allowance for retirement benefits	201	58
Interest income	(443)	(260)
Interest expenses	1	0
Equity in earnings of affiliated companies	(8)	2
(Gain) loss on sales of marketable securities	328	-
Refundment of placement fee	-	(226)
Impairment loss on marketable securities	-	202
(Increase) decrease in notes and accounts receivable	395	411
(Increase) decrease in inventories	35	58
Increase (decrease) in notes and accounts payable	(90)	255
Increase (decrease) in deferred revenue	2,812	2,568
Others	54	821
Subtotal	13,582	12,557
Receipt of refundment of placement fee	-	226
Proceeds from interest and dividend received	435	256
Payment for interest expenses	(1)	0
Payment for income tax	(3,903)	(6,822)
Net cash provided by operating activities	10,113	6,217
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	(19,997)	(964)
Payments for purchases of marketable securities and security investments	(6,065)	(9,092)
Proceeds from sales or redemptions of marketable securities andsecurity investments	15,895	15,682
Payments for purchases of property and equipment	(502)	(917)
Payments for purchases of other intangibles	(560)	(1,233)
Net cash used in investing activities	(11,229)	3,473
Cash flows from financing activities:		
Payment for purchase of treasury stock	(2)	-
Receipt from disposal of treasury stock	-	190
Dividends paid	(11,995)	(11,382)
Net cash used in financing activities	(11,998)	(11,192)
Effect of exchange rate changes on cash and cash equivalents	2,158	560
Net increase (decrease) in cash and cash equivalents	(10,955)	(940)
Cash and cash equivalents at beginning of period	60,535	58,023
Cash and cash equivalents at end of period	49,579	57,082

(4) Footnote on going concern

N/A

(5) Segment Information

1 Business category segment information

The main businesses of the Company are develop and sell anti-virus products and offer other related services.

For three months ended March 31, 2010 & 2009, the ratio of sales and operating income for the main businesses above is more than 90% of total amounts of them. Then, the Company omits "Business category segment information".

2 Geographical segment information

Three months ended March 31, 2009

(Millions of Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Corporate or Elimination	Consolidation
Sales								
(1) Net sales to external customers	9,784	5,953	4,748	1,842	585	22,915	-	22,915
(2) Intercompany sales	4,478	1,967	100	1,932	-	8,479	(8,479)	-
Total sales	14,262	7,920	4,849	3,775	585	31,394	(8,479)	22,915
Operating income (loss)	9,701	688	55	(169)	172	10,448	(3,420)	7,028

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Major countries other than Japan:

North America	U.S.A.
Europe	Ireland, Germany, Italy, France, UK
Asia pacific	Taiwan, Korea, Australia, China, Philippine, Singapore, Malaysia, Thailand, India
Latin America	Brazil, Mexico

Three months ended March 31, 2010

(Millions of Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Corporate or Elimination	Consolidation
Sales								
(1) Net sales to external customers	9,782	5,999	5,005	2,254	685	23,728	-	23,728
(2) Intercompany sales	3,836	330	62	2,284	-	6,514	(6,514)	-
Total sales	13,619	6,329	5,067	4,539	685	30,242	(6,514)	23,728
Operating income (loss)	6,631	(863)	69	(89)	217	5,965	76	6,042

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Major countries other than Japan:

North America	U.S.A., Canada
Europe	Ireland, Germany, Italy, France, UK
Asia pacific	Taiwan, Korea, Australia, China, Philippine, Singapore, Malaysia, Thailand, India
Latin America	Brazil, Mexico

3 Changes in allocation of Cost of Sales and Selling, General & Administrative expenses

Due to the commencement of COST SHARING AGREEMENT among group companies starting from January 2010, the representative companies in four regions (participants) share the parent company's intangible creating and related costs. Then the Cost of Sales and Selling, General & Administrative expenses sitting in Corporate or Elimination has been allocated among the 5 regions. Due to the difficulties of computation for the current period's Corporate or Elimination based on previous years, the impact about this change was omitted.

3 Sales to overseas

Three months ended March 31, 2009

(Millions of Yen)

	North America	Europe	Asia Pacific	Latin America	Total
1 Sales to overseas	5,955	4,744	1,845	588	13,133
2 Consolidated total sales	-	-	-	-	22,915
3 Sales % to Overseas to Consolidated total sales	26.0	20.7	8.0	2.6	57.3

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Sales to overseas are sales amount to foreign countries or areas other than Japan.

3 Major countries other than Japan:

North America	U.S.A.
Europe	Ireland, Germany, Italy, France, UK
Asia pacific	Taiwan, Korea, Australia, China, Philippine, Singapore, Malaysia, Thailand, India
Latin America	Brazil, Mexico

Three months ended March 31, 2010

(Millions of Yen)

	North America	Europe	Asia Pacific	Latin America	Total
1 Sales to overseas	6,013	5,081	2,195	688	13,979
2 Consolidated total sales	-	-	-	-	23,728
3 Sales % to Overseas to Consolidated total sales	25.3	21.4	9.3	2.9	58.9

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Sales to overseas are sales amount to foreign countries or areas other than Japan.

3 Major countries other than Japan:

North America	U.S.A., Canada
Europe	Ireland, Germany, Italy, France, UK
Asia pacific	Taiwan, Korea, Australia, China, Philippine, Singapore, Malaysia, Thailand, India
Latin America	Brazil, Mexico

(6) Footnote to significant fluctuation of shareholder’s equity

N/A