

Edgar Filing: TREND MICRO INC - Form 6-K

TREND MICRO INC  
Form 6-K  
October 22, 2001

FORM 6-K

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

Commission File Number:333-10486

For the Month of October 2001

Trend Micro Incorporated  
(Translation of registrant's name into English)

Odakyu Southern Tower, 10th Floor, 2-1, Yoyogi 2-chome,  
Sibuya-ku, Tokyo 151-8583, Japan  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F   
-----

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No   
-----

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-\_\_\_\_\_

Information furnished on this form:

Table of Contents

1. Press release dated October 22, 2001 relating to the U.S. GAAP consolidated interim financial information (unaudited) of the registrant and its consolidated subsidiaries for the six months ended June 30, 2001, which information the registrant plans to file with the Tokyo Stock Exchange on October 23, 2001. (\*)
2. The U.S. GAAP consolidated interim financial information (unaudited) of the registrant and its consolidated subsidiaries for the six months ended June 30, 2001.

## Edgar Filing: TREND MICRO INC - Form 6-K

(\*) The U.S. GAAP consolidated interim financial information (unaudited) contained in the press release is the same as 2. (except that the press release does not contain full notes thereto) and is thus omitted from 1.

### SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Trend Micro Incorporated

Date: October 22, 2001

By: /s/ Toshihiro Watanabe

-----  
Toshihiro Watanabe  
Representative Director and  
Senior Executive Vice  
President

Attachment 1

Trend Micro announced its U.S. GAAP financial information for the first half of 2001

Tokyo, Japan - October 22, 2001 - Trend Micro Incorporated (Nasdaq: TMIC, Tokyo Stock Exchange: 4704), a leading provider of enterprise antivirus and content security software, today announced its unaudited U.S. GAAP financial information for the first half of 2001.

Financial Highlights for the first half of FY 2001 (January 1, 2001 through June 30, 2001)

(1) Consolidated Results of Operations (Unaudited except FY 00 (annual))

|                         | Sales           | Growth rate | Operating<br>income | Growth rate | N<br>b |
|-------------------------|-----------------|-------------|---------------------|-------------|--------|
|                         | Millions of yen | %           | Millions of yen     | %           | M      |
| The first half of FY 01 | 12,939          | 38.7        | 1,007               | (62.4)      |        |
| The first half of FY 00 | 9,331           | 62.7        | 2,678               | 56.7        |        |
| FY 00 (annual)          | 20,070          |             | 5,527               |             |        |

|  | Net<br>Income | Growth<br>rate | Net income<br>per share |
|--|---------------|----------------|-------------------------|
|  |               |                |                         |

## Edgar Filing: TREND MICRO INC - Form 6-K

|   | Millions of yen | %      | Yen   |
|---|-----------------|--------|-------|
| The first half of FY 01                     | 554             | (74.8) | 4.22  |
| The first half of FY 00                     | 2,194           | 162.7  | 16.88 |
| <hr style="border-top: 1px dashed black;"/> |                 |        |       |
| FY 00 (annual)                              | 3,675           |        | 28.18 |
| <hr style="border-top: 1px dashed black;"/> |                 |        |       |

(Note)

1. Equity in loss of affiliated companies:      - 105 million yen (- 24 million yen in the first half of FY 2001, 24 million yen in FY 2000)
2. The average number of issued and outstanding shares (consolidated):      131,339,944 shares (130,011,158 shares for the first half of FY 2001, 130,388,962 shares for FY 2000)
3. Changes in accounting principles:      Not applicable
4. The percentage of sales, operating income, net income before tax and net income are in comparison with the corresponding half of the prior fiscal year.

(2) Consolidated Financial Position (Unaudited except December 31, 2000)

|   | Total assets    | Shareholders' equity | Shareholders' equity ratio |
|---|-----------------|----------------------|----------------------------|
|   | Millions of yen | Millions of yen      | %                          |
| As of June 30, 2001                         | 52,993          | 26,891               | 50.7                       |
| June 30, 2000                               | 38,519          | 20,999               | 54.5                       |
| <hr style="border-top: 1px dashed black;"/> |                 |                      |                            |
| December 31, 2000                           | 44,574          | 24,344               | 54.6                       |
| <hr style="border-top: 1px dashed black;"/> |                 |                      |                            |

(Note)

- Number of issued and outstanding shares (consolidated):      131,681,887 shares as of June 30, 2001, the end of the first half of FY 2001 (130,345,338 shares as of the end of the first half of FY 2000, 130,388,962 shares as of the end of the FY 2000)

(3) Consolidated Cash Flow Position (Unaudited except December 31, 2000)

|   | Operating Cash Flow | Investing Cash Flow | Financing Cash Flow |
|---|---------------------|---------------------|---------------------|
| <hr style="border-top: 1px dashed black;"/> |                     |                     |                     |

Edgar Filing: TREND MICRO INC - Form 6-K

| As of             | Millions of yen | Millions of yen | Millions of yen |
|-------------------|-----------------|-----------------|-----------------|
| June 30, 2001     | 4,191           | (1,364)         | 6,963           |
| June 30, 2000     | 1,594           | (1,772)         | 5,430           |
| December 31, 2000 | 6,086           | (4,141)         | 6,496           |

(4) Basis of consolidation and application of equity method:

The number of consolidated subsidiaries ..... 18  
 The number of unconsolidated subsidiaries..... -  
 The number of affiliated companies ..... 4

(5) Change in the basis of consolidation and application of equity method:

The number of additional consolidated subsidiaries ..... 2  
 The number of excluded consolidated subsidiaries ..... -  
 The number of additional consolidated affiliated companies .... 1  
 The number of excluded consolidated affiliated companies ..... -

Previously, on August 3, 2001, Trend Micro announced its Japanese GAAP financial information for the same period. Significant differences between Japanese GAAP and U.S. GAAP applicable to Trend Micro are summarized below.

Goodwill write-off (2,000 million yen), which is recognized as other expenses under Japanese GAAP, is recognized as operating expenses under U.S. GAAP. From the fiscal year ending December 31, 2001, Trend Micro and Trend Micro Incorporated (Taiwan) have adopted the deferred revenue accounting for their Post-contract Customer Support service for its Japanese GAAP financial reporting purposes. The cumulative effect of adopting the deferred revenue accounting of 3,009 million yen is recorded as other expenses under Japanese GAAP. For its U.S. GAAP reporting purposes, Trend Micro and Trend Micro Incorporated (Taiwan) have historically adopted the deferred revenue accounting for their Post-contract Customer Support service on a consistent basis.

[For the U.S. GAAP consolidated interim financial information (unaudited) of Trend Micro and its consolidated subsidiaries for the six months ended June 30, 2001, see the second attachment to this report on Form 6-K.]

About Trend Micro, Inc.

Trend Micro, Inc. is a leader in network antivirus and Internet content security software and services. The Tokyo-based corporation has its North American headquarters in Cupertino, CA, and business units worldwide. Trend Micro products are sold directly, through corporate, value-added resellers and managed service providers. Trend Micro's U.S. GAAP financial statements for the six months ended June 30, 2001, including the notes thereto, are available on its website at [http://www.antivirus.com/corporate/investor\\_relations/financial\\_information.htm](http://www.antivirus.com/corporate/investor_relations/financial_information.htm). For additional information and evaluation copies of all Trend Micro products, visit <http://www.antivirus.com>.

For additional information:

Mr. Mahendra Negi  
 Chief Financial Officer/IR Officer  
 Phone: +81-3-5334-4899  
 Fax: +81-3-5334-4874

Edgar Filing: TREND MICRO INC - Form 6-K

ir@trendmicro.co.jp

Attachment 2

TREND MICRO INCORPORATED  
-----  
AND CONSOLIDATED SUBSIDIARIES  
-----

INDEX TO CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
-----

|   | Page<br>----- |
|---|---------------|
| Consolidated balance sheets at June 30, 2000 and 2001 (and audited consolidated balance sheet at December 31, 2000) | 2             |
| Consolidated statements of income for the six months ended June 30, 2000 and 2001                                   | 4             |
| Consolidated statements of cash flows for the six months ended June 30, 2000 and 2001                               | 5             |
| Notes to consolidated financial information   | 6             |

TREND MICRO INCORPORATED  
-----  
AND CONSOLIDATED SUBSIDIARIES  
-----  
CONSOLIDATED BALANCE SHEETS  
-----

(Except December 31, 2000, all balances unaudited)

ASSETS  
-----

|   | Thousands of yen          |                               |     |
|---|---------------------------|-------------------------------|-----|
|   | June 30,<br>-----<br>2000 | December 31,<br>-----<br>2000 |     |
| Current assets:   |                           |                               |     |
| Cash and cash equivalents   | (Yen) 20,901,860          | (Yen) 24,435,503              | (Ye |
| Time deposits   | -                         | -                             |     |
| Marketable securities   | 3,262,862                 | 1,893,475                     |     |
| Notes and accounts receivable, trade - less allowance for doubtful accounts and sales return of |                           |                               |     |

Edgar Filing: TREND MICRO INC - Form 6-K

|  |                  |                  |
|--|------------------|------------------|
| (Yen) 419,776, (Yen) 646,566 and (Yen) 608,682 (\$4,869) | 6,812,271        | 8,133,700        |
| Inventories  | 101,778          | 318,188          |
| Deferred income taxes                                    | 940,866          | 2,687,913        |
| Prepaid expenses and other current assets                | 1,749,301        | 607,142          |
|  | -----            | -----            |
|  | 33,768,938       | 38,075,921       |
|  | -----            | -----            |
| Investments and other assets:                            |                  |                  |
| Securities investments                                   | 980,801          | 1,335,849        |
| Investment in and advances to affiliated<br>Companies    | 246,628          | 182,473          |
| Goodwill and other intangible assets                     | 1,586,609        | 2,740,827        |
| Deferred income taxes                                    | 398,019          | 446,004          |
| Other  | 539,415          | 570,742          |
|  | -----            | -----            |
|  | 3,751,472        | 5,275,895        |
|  | -----            | -----            |
| Property and equipment:                                  |                  |                  |
| Office furniture and equipment                           | 1,308,853        | 1,536,444        |
| Other properties   | 357,362          | 443,102          |
|  | -----            | -----            |
|  | 1,666,215        | 1,979,546        |
| Less: Accumulated depreciation                           | (667,128)        | (756,898)        |
|  | -----            | -----            |
|  | 999,087          | 1,222,648        |
|  | -----            | -----            |
|  | (Yen) 38,519,497 | (Yen) 44,574,464 |
|  | =====            | =====            |

The accompanying notes are an integral part of the financial information.

2

TREND MICRO INCORPORATED  
-----  
AND CONSOLIDATED SUBSIDIARIES  
-----  
CONSOLIDATED BALANCE SHEETS  
-----

(Except December 31, 2000, all balances unaudited)

LIABILITIES AND SHAREHOLDERS' EQUITY  
-----

|                                   | Thousands of ye |              |
|-----------------------------------|-----------------|--------------|
|                                   | June 30,        | December 31, |
|                                   | 2000            | 2000         |
|                                   | -----           | -----        |
| Current liabilities:              |                 |              |
| Current portion of long-term debt | -               | (Yen) 57,200 |

Edgar Filing: TREND MICRO INC - Form 6-K

|   |                    |                  |
|---|--------------------|------------------|
| Notes payable, trade                              | (Yen) 148,182      | 132,499          |
| Accounts payable, trade                           | 472,072            | 796,782          |
| Accounts payable, other                           | 591,154            | 517,247          |
| Withholding income taxes                          | 145,999            | 120,994          |
| Accrued expenses                                  | 476,950            | 615,850          |
| Accrued income and other taxes                    | 946,855            | 2,014,589        |
| Deferred revenue                                  | 2,898,887          | 5,043,425        |
| Other   | 349,417            | 415,372          |
|   | -----              | -----            |
|   | 6,029,516          | 9,713,958        |
|   | -----              | -----            |
| Long-term liabilities:                            |                    |                  |
| Long-term debt                                    | 10,865,760         | 9,799,900        |
| Deferred revenue                                  | 330,544            | 548,225          |
| Accrued pension and severance costs               | 143,590            | 168,032          |
|   | -----              | -----            |
|   | 11,339,894         | 10,516,157       |
|   | -----              | -----            |
| Minority interest in consolidated subsidiary      | 151,468            | -                |
| Shareholders' equity:                             |                    |                  |
| Common stock, (Yen)50 par value -                 |                    |                  |
| Authorized - 250,000,000 shares                   |                    |                  |
| Issued and outstanding                            |                    |                  |
| - June 30, 2000                                   | 130,345,338 shares | 5,620,192        |
| - December 31, 2000                               | 131,120,842 shares |                  |
| - June 30, 2001                                   | 131,681,887 shares | 6,183,266        |
| Additional paid-in capital                        | 10,101,923         | 11,631,591       |
| Legal reserve                                     | 149,991            | 149,991          |
| Deferred compensation related to stock options    | (50,764)           | -                |
| Retained earnings                                 | 5,276,722          | 6,745,769        |
| Accumulated other comprehensive income            |                    |                  |
| Net unrealized gain on debt and equity securities | 503,255            | (168,277)        |
| Cumulative translation adjustments                | (580,279)          | (169,616)        |
|   | -----              | -----            |
|   | (77,024)           | (337,893)        |
|   | -----              | -----            |
| Treasury stock, at cost                           | (22,421)           | (28,375)         |
|   | -----              | -----            |
|   | 20,998,619         | 24,344,349       |
|   | -----              | -----            |
| Commitments and contingent liabilities            | -                  | -                |
|   | -----              | -----            |
|   | (Yen) 38,519,497   | (Yen) 44,574,464 |
|   | =====              | =====            |

The accompanying notes are an integral part of the financial information.

Edgar Filing: TREND MICRO INC - Form 6-K

(Unaudited)

|  | Thousands of ye  |     |
|--|------------------|-----|
|  | For the six mont |     |
|  | ended June 30,   |     |
|  | 2000             |     |
|  | (Yen) 9,330,979  | (Ye |
| Net sales  |                  |     |
| Cost of sales  | 603,879          |     |
| Gross profit   | 8,727,100        |     |
| Operating expenses:  |                  |     |
| Selling  | 1,068,155        |     |
| Research and development   | 850,858          |     |
| General and administrative   | 4,034,058        |     |
| Goodwill amortization  | 95,797           |     |
| Goodwill write-off   | -                |     |
|  | 6,048,868        |     |
| Operating income   | 2,678,232        |     |
| Other income (expenses):   |                  |     |
| Interest income  | 76,561           |     |
| Interest expense   | (85,521)         |     |
| Gain on sales of marketable securities   | 65,377           |     |
| Foreign exchange gain, net   | 31,191           |     |
| Other income (expense), net  | 974,227          |     |
|  | 1,061,835        |     |
| Income before income taxes, minority interest and equity in loss of affiliated companies | 3,740,067        |     |
| Income taxes (benefit):  |                  |     |
| Current  | 1,790,174        |     |
| Deferred   | (340,689)        |     |
|  | 1,449,485        |     |
| Income before minority interest and equity in loss of affiliated companies               | 2,290,582        |     |
| Minority interest in income of a consolidated subsidiary                                 | 72,645           |     |
| Income from consolidated companies   | 2,217,937        |     |
| Equity in losses of affiliated companies   | 23,517           |     |



Edgar Filing: TREND MICRO INC - Form 6-K

|                    |                 |
|--------------------|-----------------|
| Net income         | (Yen) 2,194,420 |
|                    | -----           |
|                    | Yen             |
|                    | -----           |
| Per share data:    |                 |
| Net income - basic | (Yen) 16.88     |
| - diluted          | 16.40           |
| Cash dividends     | -               |

The accompanying notes are an integral part of the financial information.

4

TREND MICRO INCORPORATED  
 -----  
 AND CONSOLIDATED SUBSIDIARIES  
 -----  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 -----

(Unaudited)

|   | Thousands of yen                     |       |
|---|--------------------------------------|-------|
|   | -----                                |       |
|   | For the six months<br>ended June 30, |       |
|   | -----                                |       |
|   | 2000                                 | ----- |
|   | -----                                |       |
| Cash flows from operating activities:   |                                      |       |
| Net income  | (Yen) 2,194,420                      | (Yen) |
| Adjustments to reconcile net income to net cash<br>provided by operating activities - |                                      |       |
| Amortization of deferred compensation related to stock<br>Options                     | 46,114                               |       |
| Depreciation and amortization   | 466,243                              |       |
| Pension and severance costs, less payments  | 30,833                               |       |
| Loss on disposal of fixed assets  | 2,739                                |       |
| Deferred income taxes   | (340,688)                            |       |
| Gain on sales of marketable securities  | (65,377)                             |       |
| Minority interest in income of a consolidated subsidiary                              | 72,645                               |       |
| Changes in assets and liabilities:  |                                      |       |
| Increase in deferred revenue  | 800,107                              |       |
| Decrease (increase) in notes and accounts receivable,<br>trade, net of allowances     | (915,342)                            |       |
| Decrease (increase) in inventories  | (26,987)                             |       |
| (Decrease) in notes and accounts payable, trade                                       | (187,070)                            |       |
| (Decrease) increase in accrued corporate taxes and other                              | 76,529                               |       |
| Increase in other current assets  | (726,786)                            |       |
| Increase (decrease) in other current liabilities                                      | (6,101)                              |       |
| Other   | 172,974                              |       |
|   | -----                                | ----- |

## Edgar Filing: TREND MICRO INC - Form 6-K

|  |                  |       |
|--|------------------|-------|
| Net cash provided by operating activities                      | 1,594,253        |       |
| <hr style="border-top: 1px dashed black;"/>                    |                  |       |
| Cash flows from investing activities:                          |                  |       |
| Payments for purchases of fixed assets                         | (412,227)        |       |
| Proceeds from sales of marketable securities                   | 150,814          |       |
| Payments for purchases of marketable securities                | (2,736)          |       |
| Acquisitions of businesses, net of cash acquired               | (1,308,248)      |       |
| Increase in investments in affiliated companies                | (200,000)        |       |
| Payments for time deposits                                     | -                |       |
| <hr style="border-top: 1px dashed black;"/>                    |                  |       |
| Net cash used in investing activities                          | (1,772,397)      |       |
| <hr style="border-top: 1px dashed black;"/>                    |                  |       |
| Cash flows from financing activities:                          |                  |       |
| Issuance of common stock pursuant to exercise of stock options | 359,273          |       |
| Tax benefit from exercise of non-qualified stock options       | 621,555          |       |
| Proceeds from long-term debt                                   | 5,000,000        |       |
| Repayment of long-term debt                                    | (325,056)        |       |
| Decrease in short-term borrowings                              | (198,000)        |       |
| Other  | (27,555)         |       |
| <hr style="border-top: 1px dashed black;"/>                    |                  |       |
| Net cash provided by financing activities                      | 5,430,217        |       |
| <hr style="border-top: 1px dashed black;"/>                    |                  |       |
| Effect of exchange rate changes on cash and cash equivalents   | 906              |       |
| <hr style="border-top: 1px dashed black;"/>                    |                  |       |
| Net increase in cash and cash equivalents                      | 5,252,979        |       |
| Cash and cash equivalents at beginning of period               | 15,648,881       |       |
| <hr style="border-top: 1px dashed black;"/>                    |                  |       |
| Cash and cash equivalents at end of period                     | (Yen) 20,901,860 | (Yen) |
| <hr style="border-top: 3px double black;"/>                    |                  |       |

The accompanying notes are an integral part of the financial information.

5

TREND MICRO INCORPORATED  
-----  
AND CONSOLIDATED SUBSIDIARIES  
-----

NOTES TO CONSOLIDATED FINANCIAL INFORMATION  
-----

(Unaudited)

1. Basis of presentation

The consolidated financial information of Trend Micro Incorporated and its subsidiaries (collectively "the Company") are unaudited. The financial information has been prepared in accordance with U.S. GAAP. The unaudited financial information furnished include all adjustments that are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. Operating results for the six months ended June 30, 2001 are not necessarily indicative of the results for the year ended December 31, 2001.

2. Recent pronouncements

From the fiscal year beginning January 1, 2001, The Company adopted FAS

## Edgar Filing: TREND MICRO INC - Form 6-K

No. 133 "Accounting for Derivative Instruments and Hedging Activities" as amended by FAS No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB statement No. 133". FAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments. Specifically, FAS No. 133 requires an entity to recognize all derivatives as either assets or liabilities in the balance sheet and to measure those instruments at fair value. Additionally, the fair value adjustments will affect either stockholders' equity or net income depending on whether the derivative instrument qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity. The adoption of FAS No. 133 did not have an effect on the Company's financial position and results of operations.

In July 2001, the Financial Accounting Standards Board issued FAS No. 141 "Business Combinations" and FAS No. 142 "Goodwill and Other Intangible Assets." FAS No. 141 supersedes Accounting Principles Board Opinion ("APB") No. 16 "Business Combination" and FAS No. 38 "Accounting for Preacquisition Contingencies of Purchases Enterprises." Under FAS No. 141, all business combinations are required to be accounted for under a single method, the purchase method. This new statement prohibits the use of the pooling-of-interest method, which was previously permitted under APB No. 16, for business combinations initiated after June 30, 2001. FAS No. 141 also established criteria for the separate recognition of intangible assets acquired in a business combination. FAS No. 142 supersedes APB No. 17 "Intangible Assets." This new statement requires that goodwill no longer be amortized to earnings, but instead be subject to periodic testing for impairment. FAS No. 142 is effective for fiscal years beginning after December 15, 2001, with earlier application permitted only in specified circumstances. The Company believes that the adoption of FAS No. 141 and FAS No. 142 will not have a material effect on the financial statements of the Company.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 143 "Accounting for Asset Retirement Obligations" ("FAS 143"). FAS No. 143 requires the recognition of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the carrying amount of the related long-lived asset is correspondingly increased. Over time, the liability is accreted to its present value and the related capitalized charge is depreciated over the useful life of the asset. FAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company is evaluating the effect of the new standard on its financial position and results of operations.

### 3. U.S. dollar amounts

U.S. dollar amounts presented in the financial information are included solely for the convenience of the reader. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into, U.S. dollars. As the amounts shown in U.S. dollars are for convenience only, the approximate current rate at June 29, 2001 ((Yen)125.00 = U.S. \$1) has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial information.

### 4. Stock split

On February 15 2001, the Board of Directors of the Company decided and declared a stock split in the ratio of two-for-one for which the record date was May 18, 2001. All prior share and per share amounts in the financial information and accompanying notes have been restated to reflect this stock split.

### 5. Net income per share

Net income per share amounts were computed based on Statements of Financial Accounting Standards No. 128. For the six months ended June 30, 2000 and 2001,

## Edgar Filing: TREND MICRO INC - Form 6-K

weighted average shares used for computation of basic net income per share were 130,011 thousand shares and 131,340 thousand shares, respectively, and the weighted average shares used for diluted net income per share were 133,810 thousand shares and 133,676 thousand shares, respectively. The weighted average shares outstanding for diluted net income per share calculation were increased to include additional shares from the assumed exercise of stock warrants and options which had dilutive effect.

### 6. Comprehensive income

Changes in shareholders' interest that do not result directly from transactions with shareholders are as follows:

6

|   | Thousands of yen                  |                 |
|---|-----------------------------------|-----------------|
|   | For the six months ended June 30, |                 |
|   | 2000                              | 2001            |
| Net income  | (Yen) 2,194,420                   | (Yen) 553,861   |
| Other comprehensive income, net of tax:                           |                                   |                 |
| Unrealized gain on debt and equity securities:                    |                                   |                 |
| Unrealized holding gains arising during period                    | 561,635                           | 495,407         |
| Less reclassification adjustment for gains included in net income | (65,377)                          | -               |
|   | 496,258                           | 495,407         |
| Foreign currency translation adjustments                          | 52,709                            | 410,317         |
| Other comprehensive income, before tax                            | 548,967                           | 905,724         |
| Income tax expense related to items of other comprehensive income | (208,925)                         | (208,410)       |
| Other comprehensive income, net of tax                            | 340,042                           | 697,314         |
| Comprehensive income  | (Yen) 2,534,462                   | (Yen) 1,251,175 |

### 7. Supplemental cash flow information

Cash payments for income taxes were (Yen)883,384 thousand and (Yen)1,618,952 thousand (\$12,952 thousand) for the six months ended June 30, 2000 and 2001, respectively. In these respective periods, interest payments were (Yen)85,725 thousand and (Yen)122,593 thousand (\$981 thousand).

### 8. Marketable securities

Cash equivalents and marketable securities (current and non-current) include money market funds, mutual funds and debt and equity securities for

Edgar Filing: TREND MICRO INC - Form 6-K

which the aggregate fair value, gross unrealized gains and losses and cost pertaining to "available-for-sale" investments as of June 30 and December 31, 2000 and June 30, 2001 were as follows:

| Thousands of yen    |                        |                      |                     |                        |
|---------------------|------------------------|----------------------|---------------------|------------------------|
| June 30, 2000       |                        |                      |                     |                        |
| Gross unrealized    |                        |                      |                     |                        |
| Cost                | Gains                  | Losses               | Fair value          |                        |
| Available for sale: |                        |                      |                     |                        |
| Money market funds  | (Yen) 31               | (Yen) -              | (Yen) -             | (Yen) 31               |
| Mutual funds        | 960,806                | -                    | -                   | 960,806                |
| Equity securities   | 573,747                | 927,912              | 30,082              | 1,471,667              |
| Debt securities     | 1,800,000              | 11,280               | -                   | 1,811,280              |
| <b>Total</b>        | <b>(Yen) 3,334,584</b> | <b>(Yen) 939,192</b> | <b>(Yen) 30,082</b> | <b>(Yen) 4,243,310</b> |

| Thousands of yen    |                        |                     |                      |                        |
|---------------------|------------------------|---------------------|----------------------|------------------------|
| December 31, 2000   |                        |                     |                      |                        |
| Gross unrealized    |                        |                     |                      |                        |
| Cost                | Gains                  | Losses              | Fair value           |                        |
| Available for sale: |                        |                     |                      |                        |
| Money market funds  | (Yen) 31               | (Yen) -             | (Yen) -              | (Yen) 31               |
| Mutual funds        | 970,802                | -                   | 32,747               | 938,055                |
| Equity securities   | 825,344                | -                   | 245,124              | 580,220                |
| Debt securities     | 1,700,000              | 11,050              | -                    | 1,711,050              |
| <b>Total</b>        | <b>(Yen) 3,496,177</b> | <b>(Yen) 11,050</b> | <b>(Yen) 277,871</b> | <b>(Yen) 3,228,306</b> |

7

| Thousands of yen    |         |         |            |           |
|---------------------|---------|---------|------------|-----------|
| June 30, 2001       |         |         |            |           |
| Gross unrealized    |         |         |            |           |
| Cost                | Gains   | Losses  | Fair value |           |
| Available for sale: |         |         |            |           |
| Money market funds  | (Yen) - | (Yen) - | (Yen) -    | (Yen) -   |
| Mutual funds        | 970,802 | -       | 32,901     | 937,901   |
| Equity securities   | 862,830 | 192,976 | -          | 1,055,806 |

Edgar Filing: TREND MICRO INC - Form 6-K

|                 |                 |               |              |                 |
|-----------------|-----------------|---------------|--------------|-----------------|
| Debt securities | 1,700,000       | 68,510        | -            | 1,768,510       |
|                 | -----           | -----         | -----        | -----           |
| Total           | (Yen) 3,533,632 | (Yen) 261,486 | (Yen) 32,901 | (Yen) 3,762,217 |
|                 | =====           | =====         | =====        | =====           |

Thousands of U.S. dollars

|                     |                  |          |        |            |
|---------------------|------------------|----------|--------|------------|
|                     | -----            |          |        |            |
|                     | June 30, 2001    |          |        |            |
|                     | -----            |          |        |            |
|                     | Gross unrealized |          |        |            |
|                     | -----            |          |        |            |
|                     | Cost             | Gains    | Losses | Fair value |
|                     | -----            | -----    | -----  | -----      |
| Available for sale: |                  |          |        |            |
| Money market funds  | \$ -             | -        | -      | \$ -       |
| Mutual funds        | 7,766            | -        | 263    | 7,503      |
| Equity securities   | 6,903            | 1,544    | -      | 8,447      |
| Debt securities     | 13,600           | 548      | -      | 14,148     |
|                     | -----            | -----    | -----  | -----      |
| Total               | \$ 28,269        | \$ 2,092 | \$ 263 | \$ 30,098  |
|                     | =====            | =====    | =====  | =====      |

Fair value of money market funds approximates cost due to the short-term maturities of these investments.

At June 30, 2000 and 2001, debt securities consisted of bonds issued by a related party (SOFTBANK). The cost and fair value of "available-for sale" debt securities by contractual maturity at June 30 and December 31, 2000 and June 30, 2001 are as follows:

|                     |                    |                 |                    |                 |                 |
|---------------------|--------------------|-----------------|--------------------|-----------------|-----------------|
|                     | -----              |                 |                    |                 |                 |
|                     | Thousands of yen   |                 |                    |                 |                 |
|                     | -----              |                 |                    |                 |                 |
|                     | June 30, 2000      |                 | December 31, 2000  |                 |                 |
|                     | -----              |                 |                    |                 |                 |
|                     | Available-for sale |                 | Available-for sale |                 |                 |
|                     | -----              |                 |                    |                 |                 |
|                     | Cost               | Fair value      | Cost               | Fair value      |                 |
|                     | -----              | -----           | -----              | -----           | -----           |
| Due within one year | (Yen) 100,000      | (Yen) 100,230   | (Yen) -            | (Yen) -         | (Yen) -         |
| Due after one year  | 1,700,000          | 1,711,050       | 1,700,000          | 1,711,050       | 1,711,050       |
|                     | -----              | -----           | -----              | -----           | -----           |
|                     | (Yen) 1,800,000    | (Yen) 1,811,280 | (Yen) 1,700,000    | (Yen) 1,711,050 | (Yen) 1,711,050 |
|                     | =====              | =====           | =====              | =====           | =====           |

Thousands of U.S. dollars

|                     |                    |            |
|---------------------|--------------------|------------|
|                     | -----              |            |
|                     | June 30, 2001      |            |
|                     | -----              |            |
|                     | Available-for-sale |            |
|                     | -----              |            |
|                     | Cost               | Fair value |
|                     | -----              | -----      |
| Due within one year | \$ -               | \$ -       |
| Due after one year  | 13,600             | 14,148     |

Edgar Filing: TREND MICRO INC - Form 6-K

|           |           |
|-----------|-----------|
| -----     | -----     |
| \$ 13,600 | \$ 14,148 |
| =====     | =====     |

Proceeds from sales of "available-for-sale" securities for the six months ended June 30, 2000 and 2001 were (Yen)151,621 and (Yen)2,611,426 thousand (\$20,891 thousand).

Equity securities of (Yen)160,000 thousand which had previously been recorded as "Securities investments" under investments and other assets was reclassified to "Marketable securities" under current assets at June 30, 2001.

8

9. Transactions with related parties

Account balances and transactions with SOFTBANK and its affiliated companies are as follows:

|   | Thousands of yen |                      |                  |
|---|------------------|----------------------|------------------|
|   | June 30,<br>2000 | December 31,<br>2000 | June 30,<br>2001 |
|   | -----            | -----                | -----            |
| Accounts receivable, trade                    | (Yen) 737,693    | (Yen)1,072,768       | (Yen)1,335,247   |
| Securities investments                        | 1,811,280        | 1,700,000            | 1,768,510        |
| Accounts payable, other                       | 44,604           | 16,435               | 2,802            |
| Sales for the six months ended                | 1,241,653        | 3,507,641            | 2,580,812        |
| Purchase and expense for the six months ended | 95,280           | 69,104               | 56,483           |
| Interest income on security investments       | 26,605           | 53,113               | 25,290           |

The Company believes that each of these transactions has been negotiated on an arm's length basis and done at fair value based on market pricing.

10. Short-term borrowings and long-term debt

At June 30, 2001, the Company had unused lines of credit amounting to (Yen)800,000 thousand relating to bank overdraft and other short-term loan agreements. Under these overdraft agreements, the Company is authorized to obtain short-term financing at prevailing interest rates for periods not in excess of one year.

Long-term debt comprises the following:

|  | Thousands of yen |                      |                  |
|--|------------------|----------------------|------------------|
|  | June 30,<br>2000 | December 31,<br>2000 | June 30,<br>2001 |
|  | -----            | -----                | -----            |

Edgar Filing: TREND MICRO INC - Form 6-K

|  |       |                  |                 |       |                  |
|--|-------|------------------|-----------------|-------|------------------|
| Unsecured bank loan of a consolidated subsidiary due 2001 with a weighted average interest rate of 2.175% per annum..... | (Yen) | -                | (Yen) 57,200    | (Yen) | 28,600           |
| Unsecured bank loan of a consolidated subsidiary due 2003 with a weighted average interest rate of 2.25% per annum.....  |       | 165,760          | -               |       | -                |
| Unsecured bank loan of a consolidated subsidiary due 2003 with a weighted average interest rate of 2.175% per annum..... |       | -                | 99,900          |       | 99,900           |
| Unsecured 2.5% bonds, due 2002 with detachable warrants.....   |       | 5,700,000        | 4,700,000       |       | 3,900,000        |
| Unsecured 2.1% bonds, due 2003 with detachable warrants.....   |       | 5,000,000        | 5,000,000       |       | 5,000,000        |
| Unsecured 1.75% bonds, due 2004 with detachable warrants.....  |       | -                | -               |       | 5,000,000        |
| Unsecured 1.5% bonds, due 2004 with detachable warrants  |       | -                | -               |       | 1,500,000        |
|  |       | -----            | -----           |       | -----            |
|  |       | 10,865,760       | 9,857,100       |       | 15,528,500       |
| Less - portion due within one year   |       | -                | 57,200          |       | 57,200           |
|  |       | -----            | -----           |       | -----            |
|  |       | (Yen) 10,865,760 | (Yen) 9,799,900 |       | (Yen) 15,471,300 |
|  |       | =====            | =====           |       | =====            |

9

11. Stock Warrants

Based on the Company's 1997, 1998 and 1999 incentive plans, the Company issued the following bonds with detachable warrants to SOFTBANK.

|  |   |                                    |              |
|--|---|------------------------------------|--------------|
| 1. Shareholders' meeting/board meeting approval..... | September 29, 1997                      | March 28, 1998                     | Ma           |
| 2. Date of bond issuance.....                        | October 17, 1997                        | April 15, 1998                     | Jun          |
| 3. Amount of each bond (Thousands of yen).....       | (Yen) 908,523                           | (Yen) 412,965                      | (Y           |
| 4. Date on which the bonds were fully redeemed.....  | October 17, 1997                        | April 15, 1998                     | Jun          |
| 5. Exercise price per each warrant....               | (Yen) 142.5                             | (Yen) 142.5                        |              |
| 6. Warrant exercise period.....                      | October 27, 1997 to<br>October 12, 2001 | April 27, 1998 to<br>April 5, 2002 | June 2<br>Ju |
| 7. Number of shares represented by warrants.....     | 6,375,600                               | 2,898,000                          |              |
| 8. Outstanding as of June 30, 2000....               | 1,190,400                               | 769,800                            |              |
| 9. Outstanding as of December 31, 2000.....          | 940,200                                 | 682,200                            |              |
| 10. Outstanding as of June 30, 2001....              | 834,600                                 | 549,600                            |              |

Based on the Company's 2000 and 2001 incentive plan, the Company issued following bonds with detachable warrants to public.



Edgar Filing: TREND MICRO INC - Form 6-K

|     |   |                                   |                                     |
|-----|---|-----------------------------------|-------------------------------------|
| 1.  | Shareholders' meeting/<br>board meeting approval..... | June 1, 2000                      | February 15, 2001                   |
| 2.  | Date of bond issuance.....                            | June 26, 2000                     | March 19, 2001                      |
| 3.  | Amount of each bond (Thousands of yen)...             | (Yen) 5,000,000                   | (Yen) 5,000,000                     |
| 4.  | Date on which the bonds were<br>fully redeemed.....   | -                                 | -                                   |
| 5.  | Exercise price per each warrant.....                  | (Yen) 7,850                       | (Yen) 5,675                         |
| 6.  | Warrant exercise period.....                          | July 21, 2000 to<br>June 19, 2003 | April 12, 2001 to<br>March 12, 2004 |
| 7.  | Number of shares represented<br>by warrants.....      | 636,942                           | 881,057                             |
| 8.  | Outstanding as of June 30, 2000.....                  | 636,942                           | -                                   |
| 9.  | Outstanding as of December 31,<br>2000.....           | 636,942                           | -                                   |
| 10. | Outstanding as of June 30, 2001.....                  | 636,942                           | 873,128                             |

Upon issuance of each bond, the Company bought all of the warrants and distributed them to the directors and certain employees of the Company and its subsidiaries as a part of their remuneration.

These transactions were accounted for both as an issuance of debt to SOFTBANK and the public, and as an issuance of warrants to the directors and certain employees of the Company and its subsidiaries. The issuance of the warrants to the directors and employees was accounted for under APB 25.

10

Warrant activity was as follows:

|                                       | Thousands of shares repr<br>warrants |
|---------------------------------------|--------------------------------------|
|                                       | -----                                |
| Outstanding at December 31, 1997..... | 6,376                                |
| Granted.....                          | 4,278                                |
| Exercised.....                        | (2,014)                              |
| Cancelled.....                        | -                                    |
| Redeemed.....                         | (749)                                |
|                                       | -----                                |
| Outstanding at December 31, 1998..... | 7,891                                |
| Granted.....                          | 1,875                                |
| Exercised.....                        | (4,672)                              |
| Cancelled.....                        | -                                    |
| Redeemed.....                         | -                                    |
|                                       | -----                                |
| Outstanding at December 31, 1999..... | 5,094                                |
| Granted.....                          | 637                                  |
| Exercised.....                        | (1,435)                              |
| Cancelled.....                        | -                                    |
| Redeemed.....                         | -                                    |
|                                       | -----                                |
| Outstanding at December 31, 2000      | 4,296                                |
| Granted.....                          | 1,141                                |

Edgar Filing: TREND MICRO INC - Form 6-K

|                |       |
|----------------|-------|
| Exercised..... | (561) |
| Cancelled..... | (12)  |
| Redeemed.....  | -     |

Outstanding at June 30, 2001 4,864

Balances were as follows:

|                                 | June 30 | Thousands of shares<br>December 31 | June 30 |
|---------------------------------|---------|------------------------------------|---------|
|                                 | 2000    | 2000                               | 2001    |
| Authorized and outstanding..... | 5,071   | 4,296                              | 4,86    |
| Exercisable.....                | 3,180   | 2,958                              | 3,27    |

For the above stock warrants granted on April 15, 1998 and June 15, 1998, management calculated deferred compensation expense of (Yen)878,798 thousand during fiscal 1998. Such deferred compensation will be amortized over the vesting period which is generally 24 months. Approximately (Yen)397,467 thousand, (Yen)379,803 thousand and (Yen)101,528 thousand was amortized during fiscal 1998, 1999 and 2000 respectively. The grants of October 17, 1997, July 29, 1999, June 26, 2000 March 19, 2001 and June 4, 2001 with respect to which the vesting period is generally 24 months, did not result in deferred compensation.

In July 1999, the subsidiary in the United States introduced the U.S. program of the Company's incentive plan. Under the U.S. program, STG Incentive Company L.L.C., a Delaware limited company organized for the program by three principal shareholders of the Company, grants stock options to purchase shares of the Company's common stock, which vest one year from the date of grant and which are exercisable for the 3 years subsequent to the vesting date, to directors and certain employees of the subsidiary in the United States. The grants of options to the directors and employees were accounted for under APB 25. Option activity under the U.S. program for the year ended December 31, 2000 and for the period ended June 30, 2001 was as follows:

|                                       | Thousands of shares<br>represented by optio |
|---------------------------------------|---|
| Outstanding at December 31, 1999..... | 1,620.0                                     |
| Granted.....                          | -   |
| Exercised.....                        | (113.0)                                     |
| Cancelled.....                        | -   |
| Redeemed.....                         | -   |
| Outstanding at December 31, 2000..... | 1,507.0                                     |
| Granted.....                          | -   |
| Exercised.....                        | (45.5)                                      |

## Edgar Filing: TREND MICRO INC - Form 6-K

|                                   |         |
|-----------------------------------|---------|
| Cancelled.....                    | -       |
| Redeemed.....                     | -       |
| Outstanding at June 30, 2001..... | 1,461.5 |

The exercise price per share for the options granted was determined as equivalent to the fair market value of the Company's shares at the time of the grants. The weighted average exercise price per share for the option granted for the six months ended June 30, 2001 was (Yen)3,126. Consequently, the grants of the option did not result in deferred compensation.

In February 2001, the Company introduced the stock option plan qualified under Article 280-19 of the Commercial Code of Japan. This stock option plan grants subscription rights to the Company's shares of common stock, which are exercisable from April 1 2002 to March 31, 2009, to certain directors and employees of the Company and its subsidiaries qualifying for the special related business as defined in Paragraph 1 of Article 9 of the Corporate Rehabilitation Law of Japan. The exercise price per share for the options granted was determined as equivalent to the fair market value of the Company's shares at the time of the grants. The weighted average exercise price per share for the option granted for the six months ended June 30, 2001 was (Yen)5.760. Consequently, the grants of the option did not result in deferred compensation. Option activity qualified under the Commercial Code of Japan for the period ended June 30, 2001 was as follows:

|                                   | Thousands of shares<br>represented by options |
|-----------------------------------|---|
|                                   |   |
| Outstanding at December 31, 2000  | -   |
| Granted.....                      | 725   |
| Exercised.....                    | -   |
| Cancelled.....                    | (11)  |
| Redeemed.....                     | -   |
| Outstanding at June 30, 2001..... | 714   |

### 12. COMMITMENTS AND CONTINGENT LIABILITIES

The Company and its subsidiaries have no significant commitments outstanding, and no material pending litigation or claims threatened against them.

### 13. SEGMENT INFORMATION

The Company and its consolidated subsidiaries operate principally in two industry segments: "Security software business" and "Internet-related products/service business". However, industry segment information is not currently disclosed since more than 90% of sales, operating income and assets in all segments are from the "security software business". Net sales is attributed to countries based on the location of the Company or the relevant

consolidated subsidiary. Geographic information concerning the Company's net sales to external customers and long-lived assets for the six months ended June

Edgar Filing: TREND MICRO INC - Form 6-K

30, 2000 and 2001 is as follows:

|                                  | Thousands of yen           |                 |
|----------------------------------|----------------------------|-----------------|
|                                  | -----                      |                 |
|                                  | For the six months ended J |                 |
|                                  | 2000                       | 2001            |
|                                  | -----                      | -----           |
| Net sales to external customers: |                            |                 |
| Japan                            | (Yen) 3,388,855            | (Yen) 4,000,000 |
| U.S.A.                           | 2,778,167                  | 4,000,000       |
| Taiwan                           | 829,621                    |                 |
| Europe                           | 1,870,517                  | 2,000,000       |
| Other                            | 463,819                    |                 |
|                                  | -----                      | -----           |
| Total                            | 9,330,979                  | 12,000,000      |
|                                  | =====                      | =====           |
| Long-lived assets:               |                            |                 |
| Japan                            | (Yen) 939,497              | (Yen) 1,000,000 |
| U.S.A.                           | 351,647                    |                 |
| Taiwan                           | 371,104                    |                 |
| Europe                           | 83,803                     |                 |
| Other                            | 33,532                     |                 |
|                                  | -----                      | -----           |
| Total                            | (Yen) 1,779,583            | (Yen) 3,000,000 |
|                                  | =====                      | =====           |

Long-lived assets for a particular geographic segment are those assets used in the geographic segment.

14. Impairment of ipTrend Investment

In February 2000, the company acquired a controlling interest in ipTrend Incorporated ("ipTrend"). ipTrend effectively became a wholly owned subsidiary in November 2000, when the remaining minority interest was acquired. The total purchase price was (Yen)2,800,000 thousand and (Yen)2,527,636 thousand was allocated to goodwill. Recently, the company undertook a revaluation of its investment in ipTrend and related business strategy and determined that the investment was impaired. On August 3, 2001, the company approved the sale of the main business of ipTrend to IPSQUARE, an unrelated third party, and subsequently commenced liquidation of the subsidiary. Although a definitive agreement has not been agreed between the parties, the company does not expect a significant gain or loss on the sale of the business, apart from the goodwill write-off of (Yen)2,253,559 thousand (\$18,028 thousand). Goodwill amortization of (Yen)95,797 thousand and the write off of (Yen)2,253,559 thousand (\$18,028 thousand) are included in operating income for the six months ended June 30, 2000 and 2001, respectively.