TREND MICRO INC
Form 6-K
August 08, 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 August 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 X   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 X

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. Trend Micro Report of Half-Year Results (Consolidated) For Fiscal Year Ending December 31, 2001.

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: August 7, 2001

By: /s/ Chang Ming-Jang

Chang Ming-Jang
Representative Director;
President, Chief Executive Officer and Chairman of the Board

August 3, 2001

Report of First Half Results (Consolidated)
For Fiscal Year Ending December 31, 2001

Company:	Trend Micro Incorporated		Tokyo Stock Exchange 1st Section
Code:	4704		Location : Tokyo
Address:	Odakyu Southern Tower, 10F 2-2-1		Yoyogi Shibuya-ku Tokyo, 151-8583
Contact:	Title	Director, Chief Financial Officer	
	Name	Mahendra Negi	(Phone: 81-3-5334-3600)

Date of the board of directors meeting authorizing the first-half results: August 3, 2001

US accounting standard is not adopted for preparing the consolidated financial statements for the first half of current fiscal year.

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

(1) Consolidated Results of Operations

(All figures except for per share information are rounded down to millions of yen.)

	Sales	Growth rate	Operating income	Growth rate	
	Millions of yen	%	Millions of yen	%	M
The first half of FY 01	12,939	34.8	2,898	(3.9)	

The first half of FY 00	9,600	70.5	3,016	66.3
FY 00 (annual)	21,834		7,443	

	Net Income	Growth rate	Net income per share
	Millions of yen	%	yen
The first half of FY01	(1,376)	-	(10.48)
The first half of FY00	2,474	160.7	38.06
FY 00 (annual)	4,722		72.44

(Note)

1. Equity in loss of affiliated companies: - 104 million yen (- 23 million yen in the first yen in FY 2000)
2. The average number of stock: (consolidated) 131,339,944 stocks (65,005,579 stocks in the fir stocks in FY 2000)
3. Change in accounting principle: Yes
4. The percentage of sales, operating income, ordinary income and net income are comparisons t year.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equit ratio
As of	Millions of yen	Millions of yen	
June 30, 2001	53,413	26,914	50.4
June 30, 2000	37,675	21,439	56.9
December 31, 2000	43,802	26,236	59.9

(Note)

Number of the stocks issued (consolidated): 131,681,887 stocks in the first half of current fiscal year

(65,172,669 stocks in the first half of FY 2000, 65,560,421 stocks in the FY 2000)

(3) Consolidated Cash Flow Position

	Operating Cash Flow	Investing Cash Flow	Financing Cash Flo

As of	Millions of yen	Millions of yen	Millions of yen
June 30, 2001	4,650	(1,363)	6,503
June 30, 2000	-	-	-
December 31, 2000	7,776	(4,141)	4,804

(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 ..... -

2 Earning projections for the current fiscal year (January 1, 2001 through December 31, 2001)

	Sales	Ordinary income
	Millions of yen	Millions of yen
For the year ending December 31, 2001	29,000	8,200

(Note)

1. Projected consolidated net income per share for the current fiscal year : 13.69 yen

Supplementary information on the results (January 1, 2001 through June 30, 2001)

The Company's sales revenues are mainly derived from licensing of its products, upgrading of its products and patterns files and post-contract support including customer support. Until the end of FY 2000, the Company and Trend Micro Incorporated (Taiwan) had recognized sales revenues from customer support (which was included in post-contract support) at the beginning of the relevant support period. Effective from FY 2001, the method of the revenue recognition has been changed and sales revenues from customer support are deferred through Deferred revenue under Current liabilities and Non-current liabilities over the relevant support period.

For convenience of comparison, the results for the year ending June 30, 2001, are presented in two ways. Results based on the accounting policies applied from the first half of consolidated fiscal year, assumed results based on the accounting policies applied until the previous consolidated fiscal year and its differential are stated in the table below.

(Millions of yen except for per share inform

	Result of the first half of consolidated FY 2001	Assumed result of the first half of consolidated FY 2001 (based on Accounting policies applied until previous fiscal year)
Sales	12,939	13,432
Ordinary income	3,004	3,496
Net income (loss)	(1,376)	679
Net income (loss) per share (Yen)	(10.48)	5.17

[Information on net income per share and shareholders' equity per share]

For periodic comparison of net income per share and shareholders' equity per share, restated per share information reflecting the effect of stock split on March 31, 2001 is as follows:

	Net income (loss) per share (Yen)	Shareholders' equity per share (Yen)
The first half of FY 01	(10.48)	204.39
The first half of FY 00	19.03	164.47
FY 00 (annual)	36.22	200.10

Attachment to the Report

1. Condition of corporate group

(1) Overview of corporate group

Trend Micro Group consists of Trend Micro Inc., its 18 subsidiaries which develop and sell anti-virus products and offer other related services (ipTrend Incorporated offers Internet infrastructure-related products/services) and 4 affiliated companies. NTT Data Security Corporation, which offers total net-work security service, Soft Trend Capital Corporation, which manages capital funds to be invested into Internet-related ventures in Japan, JCN Co.,Ltd, which develops and offers the security system against unlawful access, and NetSTAR Inc. which develops and offers the products of URL filtering are affiliates accounted by equity method. The business related to anti-virus is described below:

The products related to anti-virus:
PC client products
LAN server products
Internet server products
Other products

Trend Micro Inc. develops and sells the products. Some parts of the research and development activities are entrusted to Trend Micro Incorporated (Taiwan), Trend

Micro Inc. (U.S.A.) and Trend Micro Deutschland GmbH (Germany) and Trend Micro (UK) Limited (UK). Trend Micro Incorporated (Taiwan) operates manufacturing and sales of the products too, part of which are purchased by Trend Micro Inc (Japan), Trend Micro Inc. (U.S.A.), Trend Korea Inc. (Korea), Trend Micro Deutschland GmbH (Germany), Trend Micro South Europe Srl (Italy), Trend Micro Australia Pty. Ltd. (Australia), Trend Micro do Brasil Ltda. (Brazil), Trend Micro France (France), Trend Micro Hong Kong Limited (Hong Kong), Trend Micro Incorporated Sdn. Bhd. (Malaysia), Trend Micro (UK) Limited (UK), Trend Micro Latinoamerica S.A.de C.V (Mexico), ipTrend Incorporated (Tokyo Chuo-ku) and ipTrend Incorporated (Taiwan).

In addition, Trend Micro Inc. owns software copyrights and receives from its overseas subsidiaries royalties based on the respective sales of products to such subsidiaries.

[FLOW CHART]

2. Management Policy and Business Results

Trend Micro Group's Basic Management Policy

Since its founding, Trend Micro has provided "peace of mind" to all users of computer networks and the Internet by offering anti-virus and Internet content security solutions. Upholding the slogan "Your Internet VirusWall," we have become a reliable partner to both corporate users and individual customers, working to block computer viruses, SPAM (unwanted e-mail) and malicious codes (harmful programs created in such programs as JAVA and Active X), as well as to protect users from offensive URLs. We continue to contribute to the development of the networked society in Japan and globally by offering network security solutions and devices. We believe that our ongoing efforts to protect users' computer systems and expand our global client base will lead to an increase in shareholders' value.

Basic Policy on the Distribution of Profits

Although Trend Micro has steadily increased its profits in the past few years, we believe that the Internet security market has only begun its full-fledged expansion and that our market share has not stabilized in relation to our U.S. competitors. Our larger rivals may well concentrate their management resources to further enlarge their market share. Since our business areas are more concentrated on anti-virus solutions than other competitors with diversified Internet security solutions, we also face the possibility of larger profit fluctuations in the short term.

In this business environment the most critical management challenges are to strengthen our financial structure and management foundation and aggressively develop new business operations in order to maintain our competitiveness in the market. Our priority, therefore, is to accumulate reserves, which means withholding dividends for the time being. These reserves will be continuously invested in research and development, an area that needs to be further strengthened.

Medium and Long-Term Management Strategy

Corporate IT investment has plateaued with the slowdown in the U.S. and European economies. Chilled by this decrease in IT investment, the business climate surrounding Trend Micro is not bright. However, we expect network security solutions, including anti-virus measures, to continue gaining in importance, as more and more corporate users become dependent on using networks, and their systems' problems consequently subject them to huge losses, both in financial terms and opportunity costs. Thus the network security market is expected to grow steadily in the medium-to-long term. To take advantage of this opportunity, we are focusing on maintaining our competitive edge against major U.S. rival companies and expanding our global market share. Utilizing our global resources and networks spanning the United States, Europe and Taiwan, we will continue to strengthen our sales channels, improve brand awareness and corporate image and accelerate the development of products that meet customer needs.

The IT industry is evolving rapidly in conjunction with its constantly changing technology. The next generation of Internet-related technologies, including broadband, mobile communications and open platforms such as Linux, will likely bring about dramatic changes in the network environment. We must seize the opportunities afforded by this high-paced technological evolution, in advance of our major U.S. competitors, while strengthening our management structure and further increasing our operational efficiency.

Summary of Consolidated Financial Results for the First Half of FY2001

The six-month period under review saw a slowdown in demand within the IT industry, primarily the result of declining corporate IT spending in Japan, Europe and the United States. The corporate spending cuts also put the damper on demand for network security solutions, which have been positioned as a high priority in IT investment. Although the business environment has been harsh and we expect some ups and downs in the short term, we believe the network security market will enjoy steady growth over the medium and long term, as corporations continue to increase IT investment in advanced networks and the renewal of core business systems.

The demand for sophisticated, specialized security solutions has risen as corporations combat the disturbing spread of computer viruses and unauthorized access tools programmed by hackers. Last year malicious viruses, including MTX, HYBRIS and MAGISTR, reportedly infected many systems, while such harmful programs as Worm and Trojan Horse were also deployed to wreak damage. At the same time, we have begun seeing more cases in which hackers have gained access to systems by using computerviruses. As the line begins to blur between antidotes to viruses and protection against unauthorized access, demand is growing for more comprehensive security measures.

During the first half of FY2001, Trend Micro significantly increased contracts for its Virus Buster Corporate Edition (Office Scan), winning not only large companies but also medium and small companies. Sales of InterScan, our anti-virus software for Internet servers, rose steadily, in response to the more frequent virus infections spread via e-mail.

As a highly specialized anti-virus solutions provider, we have pioneered post-contract support services, called "Premium Support," introducing them before our major competitors in the industry. This service is in response to the trend among large corporate users to select a vendor based not only on the performance of its anti-virus software but also on the quality of support the vendor offers during the license period to swiftly alert customers to new viruses. In our outsourced Internet service operations, we were able to team up with additional ISPs (internet service providers) to expand our client base for anti-virus solutions, despite the inhospitable business environment for ISPs and the entire telecommunications industry.

We made a crucial strategic move in reorganizing our security appliance server operations, which had been handled by our subsidiary ipTrend Incorporated. This unit faced fundamental problems in building a solid client base of small- and medium-sized companies for its Linux- and Unix-based security appliance servers, as these smaller companies have been hit the hardest by Japan's economic slump. IpTrend's Linux and Unix hardware-related technology has played an important role in the development of our next-generation anti-virus product for consumers, Gatelock, and continues to be a crucial part of our group. However, the company's ipStax security appliance server business for small- and medium-sized companies urgently needed a restructuring review. We decided to dissolve ipTrend and integrate its operations into Trend Micro, while strategically reorganizing its operations and utilizing its technology in our anti-virus products. This integration and reorganization resulted in our writing off the entire goodwill of 2,000 million yen as a one-time amortization charge during the first half of FY2001. This goodwill had been recognized as a portion of the purchase price when we acquired ipTrend (formery Nippon Unisoft).

Starting with the first quarter of FY2001, Trend Micro (Japan) and Trend Micro Incorporated (Taiwan) changed their accounting method for revenues from post-contract support services. Sales revenues for these services had been booked at the beginning of the support period; the new method defers the recognition of sales revenues from support services and recognizes as revenue over the support period. This new accounting treatment will reflect these transactions more accurately, and has been applied to all our financial filings with the Securities and Exchange Commission (SEC), including our Form 20-F filing, which was submitted on June 29, 2001. The conversion to deferred revenue recognition resulted in an extraordinary loss of 3,009 million yen for our half-year results.

During the first half of FY2001, Trend Micro posted consolidated sales of 12,939 million yen, an increase of 34.8 percent over the same period last year. Consolidated ordinary income increased 1.1 percent to 3,004 million yen, while net loss resulted 1,376 million yen.
Sales in all geographical areas grew steadily during the first half of FY2001. Sales in Japan posted an increase of 66.1 percent to 7,540 million yen, while operating income from these sales rose to 4,725 million yen, up 92.7 percent from the comparable period in FY2000. U.S. sales increased 37.3 percent to 4,899 million yen, with operating income totaling 302 million yen, a 76.9 percent decrease. In Europe, sales increased 49.6 percent to 2,804 million yen, and operating loss resulted 46 million yen. Taiwan sales increased 61.2 percent to 1,963 million yen, with operating losses of 28 million yen. Other areas posted combined sales of 789 million yen, a 48.1 percent increase, and operating income of 17 million yen, down 85.6 percent.

Prospects for FY2001

We expect the economies of Japan, Europe and the United States to continue their sluggish performance in 2001, further restraining corporate spending on IT. While the near-term business environment is expected to be bleak, we believe corporate investment in network security solutions will continue to expand over the medium and long term. The earnings estimates for FY2001 that follow are based on a steady upward demand for network security despite the harsh economic environment.

Consolidated sales: 29,000 million yen(+ 32.8 %)
Consolidated ordinary income: 8,200 million yen(+ 12.0 %)
Consolidated net income: 1,800 million (- 61.9 %)
Earnings projections are calculated based on estimated major currency exchange rates of $1 = 115 yen and 1 EUR = 105 yen.

3 Consolidated Semi-annual Financial Statements

(1) Consolidated semi-annual balance sheets

Account / Period		At the end of the first half of the current fiscal year (As of June 30, 2001)		At the end of the first half of the current fiscal year (As of June 30, 2000)	
		Amount	Percentage	Amount	Percenta
			%		%
I (Assets) Current assets					
1. Cash and bank deposits		34,618,745		20,901,829	
2. Notes and accounts receivable,trade		7,667,480		7,232,046	
3. Marketable securities	*2	-		2,324,285	
4. Inventories		206,945		101,777	
5. Deferred tax assets		2,798,031		811,973	
6. Others		994,108		1,761,403	
7. Allowance for doubtful accounts		(205,200)		(108,744)	
Total curent assets		46,080,110	86.3	33,024,571	87
II Non current assets					
1. Property and equipment	*1				
(1) Building	*3	372,291		218,464	
(2) Furniture and equipment		1,132,468		745,714	
(3) Others		13,890		34,908	
Total property and equipment		1,518,650	2.8	999,086	2
2. Intangibles					
(1) Software	*3	415,635		148,762	
(2) Software in progress		493,220		26,420	
(3)Consolidated goodwill		-		1,345,528	
(4) Others		70,671		111,868	
Total intangibles		979,528	1.8	1,632,579	4
3. Investments and other non-current assets					
(1) Investments in securities	*2	2,943,721		266,622	
(2) Investments in capital funds		928,119		960,806	
(3) Deferred tax assets		167,531		298,756	
(4) Others		810,338		493,445	
(5) Allowance for bad debt		(14,617)		-	
Total investments and other non-current assets		4,835,092	9.1	2,019,631	5
Total non-current assets		7,333,271	13.7	4,651,296	12
Total assets		53,413,382	100.0	37,675,868	100

Account	Period	At the end of the first half of the current fiscal year (As of June 30, 2001) Amount	Percentage	At the end of the first half o the current fiscal year (As of June 30, 2000) Amount	Percenta
			%		
(Liabilities)					
I Current liabilities					
1. Notes and accounts payable, trade		708,687		620,254	
2. Current portion of long-term debt	*3	57,200		-	
3. Accrued corporate taxes and others		476,052		880,766	
4. Deferred revenue		6,311,197		1,590,076	
5. Allowance for sales return		403,481		311,031	
6. Others		2,148,569		1,612,864	
Total current liabilities		10,105,186	18.9	5,014,993	1
II Long-term liabilities					
1. Bond payable	*3	15,400,000		10,700,000	
2. Long-term borrowing		71,300		-	
3. Deferred revenue		655,291		135,153	
4. Accrued severance indemnities		-		78,564	
5. Allowance for retirement benefits		266,651		-	
6. Others		-		165,760	
Total long-term liabilities		16,393,242	30.7	11,079,477	2
Total liabilities		26,498,429	49.6	16,094,471	4

	(Minority interests)				
	Minority interests	-	-	141,450	
	(Shareholders' equity)				
I	Common stock	6,799,373	12.7	5,618,852	1
II	Advance received for newly issued stock	-	-	1,340	0
III	Additional paid-in capital	11,401,742	21.3	9,159,832	2
IV	Consolidated retained earnings	8,180,496	15.3	7,308,909	1
V	Valuation difference on other securities	293,456	0.6	-	
V	Cumulative translation adjustment	244,405	0.5	(626,566)	(
		26,919,476	50.4	21,462,367	5
VI	Treasury stock	(4,523)	(0.0)	(22,421)	(
	Total shareholders' equity	26,914,952	50.4	21,439,946	5
	Total liabilities, minority interests and shareholders' equity	53,413,382	100.0	37,675,868	10

(2)Consolidated semi-annual income statements

Period / Account	For the first half of the current fiscal year (From January 1, 2001 to June 30, 2001)		For the first half of the previous fiscal year (From January 1, 2000 to June 30, 2000)	
	Amount	Percentage	Amount	Percentage
		%		%

I	Sales		12,939,355	100.0	9,600,341	100.0
II	Cost of sales		732,229	5.7	603,879	6.3
	Gross profit		12,207,125	94.3	8,996,462	93.7
III	Selling, general and administrative expenses	*1	9,308,645	71.9	5,979,797	62.3
	Operating income		2,898,479	22.4	3,016,664	31.4
IV	Non-operating income	*2	529,037	4.1	185,318	2.0
V	Non-operating expenses	*3	423,369	3.3	229,762	2.4
	Ordinary income		3,004,147	23.2	2,972,220	31.0
VI	Unusual gains	*4	-	-	1,033,129	10.7
VII	Unusual losses	*5	5,128,883	39.6	3,429	0.0
	Income or (losses) before taxes		(2,124,735)	(16.4)	4,001,920	41.7
	Corporate,inhabitant and enterprise tax		474,050	3.7	1,686,077	17.6
	Income tax-deferred		(1,222,199)	(9.5)	(221,428)	(2.3)
	Minority interests in subsidiaries		-	-	62,627	0.6
	Net income or (losses)		(1,376,587)	(10.6)	2,474,644	25.8

(3) Consolidated semi-annual statement of retained earnings

Period / Account	For the first half of the current fiscal year (From January 1, 2001 to June 30, 2001)	For the first half of the previous fiscal year (From January 1, 2000 to June 30, 2000)	C
	Amounts	Amounts	
I Beginning balance of consolidated retained earnings	9,557,084	4,834,265	
II Increase in consolidated retained earnings	-	-	
III Decrease in consolidated retained earnings			
1. Dividends	-	-	

IV Net income or (losses)	(1,376,587)	2,474,644
V Ending balance of consolidated retained earnings	8,180,496	7,308,909

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(4) Consolidated semi-annual cash flow statements
Consolidate Cash Flow Statements

Account	Period (From Janua 2001 To June 30,
I Operating Cash Flow	
1 . Earnings (losses) before tax	(2,
2. Depreciation	
3. Amortization for Consolidation goodwill	2
4. Investment loss due to equity method accounting	
5. Increase (Decrease) in allowance for bad debt	
6. Decrease in accrued severance indemnities	
7. Increase in allowance for retirement benefits	
8. (Decrease) Increase in allowance for sales returns	(
9. Interest Income	(
10. Interest Cost	
11. Bond-issuing expense	
12. Gain on sales of marketable securities	
13. Evaluation loss on marketable securities	

14.	Unusual gain from settlement of lawsuit	
15.	Decrease (Increase) in accounts receivables	1
16.	Decrease (Increase) in inventories	
17.	(Decrease) Increase in account payables	(
18.	Increase in deferred revenue	4
19.	(Increase) Decrease in others current assets	(
20.	Others	
	Sub-total	6
21.	Receipts of interest	
22.	Payments for interest	(
23.	Receipts of lawsuit settlement	
24.	Payments for corporate taxes	(1,
	Operating Cash Flow	4
II Investing Cash Flow		
1.	Payments for time-deposit	
2.	Proceeds from sales of marketable securities	
3.	Proceeds from matured bond	
4.	Payments for acquired tangible and intangible fixed assets	(1,
5.	Payments for investment in securities	(2,
6.	Proceeds from sale of investment in securities	2
7.	Payments for investment in subsidiaries affected to consolidation	
8.	Payments for additional acquisition of consolidated subsidiary's stock	
9.	Others	
	Investing Cash Flow	(1,
III Financing Cash Flow		
1.	Payments for short-term borrowings	
2.	Payments for long-term borrowings	
3.	Proceeds from bond with detachable warrants	6
4.	Payments for bond-issuing expense	

5.	Payments for bonds maturing	(
6.	Proceeds from marketable securities issuing	
7.		
8.	Proceeds (Payments) for treasury stocks, net	
9.	Others	
	Financing Cash Flow	6
IV	Translation difference with Cash	
V	Increase (Decrease) in Cash and Cash Equivalents	10
VI	Beginning balance of Cash and Cash Equivalents	24
VII	Ending balance of Cash and Cash Equivalents (as of June 30, 2001)	34

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Significant accounting policies and practices for preparing consolidated semi-annual financial statements.

1. Basis of consolidation	(1) For the first half of the current fiscal y All subsidiaries are consolidated. The subsidiaries are the following 18 comp Trend Micro Incorporated (Taiwan) Trend Micro Inc. (USA) Trend Korea Inc.(Korea) Trend Micro South Europe Srl (Italy) Trend Micro Deutschland GmbH(Germany) Trend Micro Australia Pty. Ltd.(Australia) Trend Micro do Brasil Ltda. (Brazil) Trend Micro France (France) Trend Micro Hong Kong Limited (Hong Kong) Trend Micro Incorporated Sdn.Bhd.(Malaysia Trend Micro (UK) Limited (United Kingdom) Trend Micro Latinoamerica S.A. de C.V. (Me Wells Antivirus Research Laboratory,Inc.(U Trend Micro (NZ) Limited (New Zealand) ipTrend Incorporated (Tokyo, Shibuya-ku) ipTrend Incorporated (Tokyo-,Chuo-ku) ipTrend Incorporated (Taiwan) Trend Micro (Shanghai) Inc. (China) Trend Micro Incorporated Sdn.Bhd.(Malaysia Shibuya-ku) are on the process of the liqu Antivirus Research Laboratory,Inc.(U.S.A.)

(2) For the first half of the previous fiscal

All subsidiaries are consolidated.
The subsidiaries are the following 15 comp

Trend Micro Incorporated (Taiwan)
Trend Micro Inc. (USA)
Trend Korea Inc.(Korea)
Trend Micro South Europe Srl (Italy)
Trend Micro Deutschland GmbH(Germany)
Trend Micro Australia Pty. Ltd.(Australia)
Trend Micro do Brasil Ltda. (Brazil)
Trend Micro France (France)
Trend Micro Hong Kong Limited (Hong Kong)
Trend Micro Incorporated Sdn.Bhd. (Malaysi
Trend Micro (UK) Limited (United Kingdom)
Trend Micro Latinoamerica S.A. de C.V. (Me
Wells Antivirus Research Laboratory,Inc.(U
IpTrend Incorporated
Nihon Unisoft Incorporated (Japan)

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2. Basis of applying equity method

(1) For the first half of the current fiscal
applied to investment in affiliated compa
The affiliated companies are the followin
NTT Data Security Corporation (Japan)
Soft Trend Capital Corporation (Japan)
JCN Co., Ltd. (Japan)
NetSTAR.Inc. (Japan)
There is no unconsolidated subsidiary and
method is not applied.

(2) For the first half of the previous fiscal
applied to investment in affiliated compa
The affiliated companies are the followin
NTT Data Security Corporation (Japan)
Soft Trend Capital Corporation (Japan)
JCN Co., Ltd. (Japan)
There is no unconsolidated subsidiary and
method is not applied.

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3. Fiscal year of consolidated subsidiaries

All financial statements included in a se
statements are prepared as of the same da

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4. Accounting policies and practices
(1) Valuation of significant assets

(1) Securities:
Other securities:

Other securities with fair market value:
The securities are stated at the market va
the end of the period (valuated difference

directly, not to reflect to net earnings a
the weighted average method.

Other securities without a market value:
The securities are stated at the weighted

(Additional information)
Effective January 1, 2001, the company bega
financial instruments" ((Argument of establ
for Financial Instruments") Business Accoun
22, 1999)) for the financial instruments. C
accounting principle are resulted in increa
thousand yen and in decrease of losses befo

In addition, the other securities, which we
securities" until previouse fiscal year, ar
securities" effective January 1, 2001. The
in increase of other securities in "Investm
thousand yen and "Deferred tax liabilities"
recognised. As a result, 274,119 thousand y
securities" is recognised under Shareholder
293,456 thousand yen disclosed on the conso
the translation of security in foreign curr

Finally, the company evaluated Other securi
the beginning of fiscal year. The company c
securities included in Current assets to In

This change in classification resulted in d
under Current assets by 1,872,475 thousand
in securities by 1,872,475 thousand yen.

(2) The transaction of derivatives

The market value method

(Additional information)
For the financial instruments, "Accounting
((Argument of establishment for Accounting
Instruments") Business Accounting Deliberat
applied from the first half of current cons

This change has resulted in increase of "Or
yen and "Income or losses before tax"

13

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(3) Inventories

Finished goods.Raw materials.Supplies
Finished goods, raw materials and supplies
the weighted average cost.
In Trend Micro Incorporated (Taiwan) and T
(U.S.A), such inventories are stated at th
determined by the first-in-first-out metho

Work in process

	Work in process is stated at the cost bein production and development cost for indivi
(2) Depreciation and amortization method for fixed assets	(1) Property and equipment Parent company and domestic consolidated su Depreciation is computed by declining-bala Foreign consolidated subsidiaries - Depreciation is computed by a straight-lin (2) Intangibles Parent company and domestic consolidated su [Software for sale] Straight-line method over the estimated useful lives. (mainly, for 12 mo [Software for internal use] Straight-line method over the estimated useful lives (5 years). [Other intangibles] Straight-line method *Foreign consolidated subsidiaries Straight-line method over the estimated e useful lives. (3) Long-term prepaid expense Amortization is computed by a straight-l
(3) Accounting for significant deferred assets	Issuing costs of stocks and bonds are charged t

(4) Accounting policies for significant provisions	(1) Allowance for doubtful accounts As contingency against losses from d receivable, the allowance for doubtful amount is determined using a percent doubtful account loss against total of d takes into consideration the possibili liabilities. (Additional information) For the financial instruments, from th consolidated fiscal year, pursuant to financial instruments" (Arugument of es Standard for Financial Instruments Deliberation Council, January 22,1999) accounting of Allowance for doubtful determined at a percentage based on own loss against total of debts instead o

percentage). The adoption had no signifi

(2) Allowance for sales return

In order to reserve future losses from sa subsequent to the fiscal year-end, allowa is provided based on the past experience return.

(3) Allowance for retirement benefits

In order to reserve future losses from allowance for retirement benefits retirement benefit liabilities and pen the period under reviewing. The differ accounting principle (119,077 thousand expense under Unusual losses.

(Additional information)
From the current consolidated fisc "Accounting Standards for Retirement (("Argument of establishment for A Retirement Benefits Obligation") Business Council, June 16, 1998), allowance is resulted in increase of retirement bene thousand yen, in decrease of Ordinary i yen and in increase of losses before t yen. Amount of Accrued severance i recognised until previouse fisical disclosed in Allowance for retirement ben

The effect on segment information is information).

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(5) Translation of major foreign-currency assets and liabilities into Yen.	Foreign-currency financial receivables and liab into yen at the spot rate effective at the end differential is treated as a profit/loss. Forei liabilities held by overseas subsidiaries are t spot rate effective at the end of the period. R overseas subsidiaries are translated into yen a the period. Exchange differential is included i translation adjustment" under Shareholders' equ (Additional information) From the first half of current consolidated fis revised accounting standards for foreign curren of Accounting Standards for Foreign Currency Tr Business Accounting Deliberation Council on Oct significant effects on profits and losses.
(6) Accounting for leased assets	Finance leases without transfer of ownership of are accounted for in the same manner as applied leases.
(7) Other important matters for	(1) Consumption tax

preparing consolidated semi-annual financial statements

Transactions subject to consumption tax are net of the related consumption tax.

(2) Accounting treatment for stock warrants and directors and certain employees under the C

The total compensation cost under the stock by taking into account the difference betwe price of the parent company shares at the m first date on which both the number of shar employee is entitled to receive and the exe normally the grant date of warrants or stoc exercise price of the warrant or option and over the exercisable period.

---

(3) Change in revenue recognition method for Po Service (PCS)

Basically, The product license agreement, w subsidiaries contract with the end-user, st support and upgrading of products and its p

Until previous consolidated fiscal year, wh and Trend Micro Incorporated (Taiwan) appli agreement including a portion of PCS revenu license is delivered to user. Effective cur revenue recognition method for portion of P of PCS revenue is recognized separately fro as Deferred revenues under Current liabilit based on contracted period. Deferred revenu contracted period evenly.

As per the tendency of the parent company a (Taiwan) that the ratio of site license pro is getting larger than as before compare wi private user), the ratio of a portion of PC result of the above, the companies adopt ne PCS, in order to recognize proper periodic the other hand, there is no change for the USA and Europe, the policy has been applied for those subsidiaries.

According to the above change, PCS revenue should be deferred by the parent company an beginning of the current fiscal year applie stated as Losses on prior year adjustment u half of current consolidated period. Effect decrease of Sales, Operating income and Ord yen and in increase of losses before taxes

The effect on segment information is descri

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5. Definition of cash and cash equivalent — Cash in hands, cash on demand and short-ter

in the consolidated cash flow statement for the first half of current fiscal year	Statement for first half of fiscal year) wh than 90 days after acquisition and highly l

Notes

(Consolidated semi-annual balance sheets)

At the end of the first half of the current fiscal year (As of June 30, 2001)	At the end of the first half of the previous fiscal year (As of June 30, 2000)	At the (As o
* 1 Accumulated depreciation of property and equipment 999,549	? 1 Accumulated depreciation of property and equipment 667,127	* 1 Acc pr
* 2 Major intercompany assets Investments in securities 109,623	---------	* 2 Maj In
* 3 Additional information [Pledged assets] Software 21,410 [Liability applied to the above] Current portion of Long-term debt 57,200 Long-term Borrowing 71,300 Total 128,500	---------	* 3 Add [Pledged asse Software Buildings Total [Liability ap Current porti Long-term de Long-term Borrowing Total

Consolidated semi-annual income statements

For the first half of the current fiscal year (From January 1, 2001 To June 30, 2001)	For the first half of the previous fiscal year (From January 1, 2000 To June 30, 2000)	For th (Fr To

* 1.Major components of selling,		* 1.Major components of selling,		* 1.Major
general and administrative		general and administrative		general
expenses are as follows.		expenses are as follows.		expenses
Advertising and sales		Advertising and sales		Advertising
promotions	1,141,450	promotions	1,068,154	promotions
Salaries and bonuses	2,539,854	Salaries and bonuses	1,710,926	Salaries and
Depreciation expense	198,818	Depreciation expense	107,132	Service char
Research and		Research and		Depreciation
Development costs	1,246,142	Development costs	850,857	Research and
Amortization of		Amortization of		developmen
consolidated goodwill	252,763	consolidated goodwill	95,796	Amortization
Software maintenance fee	325,115			consolida
Out-side service fee	789,749			Software mai
* 2.Major components of		* 2.Major components of		* 2.Major
non-operating income		non-operating income		non-
Interest income	202,266	Interest income	76,560	Interest inc
Foreign exchange gain	307,532	Foreign exchange gain	30,218	Foreign exch
		Gain on sales of		Gain on sale
		marketable securities	65,376	marketabl
* 3.Major components of		* 3.Major components of		* 3.Major
non-operating expense		non-operating expense		non-
Interest expense	135,172	Interest expense	85,520	Interest exp
Bond issue costs	34,180	Bond issue costs	44,295	Loss on eval
Equity in loss of		Loss on sales of		Marketabl
affiliated companies	104,849	treasury stocks	22,270	Equity in lo
Loss on disposal of		Loss on sales of		affiliate
products	49,328	marketable securities	30,081	
		Equity in loss of		
		affiliated companies	23,516	
		* 4.Major components of		* 4.Major
		unusual gains		unus
---------		Gain from		Gain from
		lawsuit settlement	1,030,785	lawsui
* 5.Major components of		* 5.Major components of		* 5.Major
unusual losses		unusual losses		u
Amortization of		Loss on disposal of		Loss on sale
Consolidated goodwill		fixed assets	2,739	fixed a
(the component of				
Unusual losses)	2,000,795			
Loss on prior year				
Adjustment (due to				
change in revenue				
recognition)	3,009,009			
Retirement benefit				
expense	119,077			

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(Consolidated cash flow statement)

For the first half of the current fiscal year	For the previous fi

(From January 1, 2001 To June 30, 2001)		(From January 1, To December 31,	
1. The ending balance of cash and cash equivalents and accounts in the consolidated balance sheet		1. The ending balance of cash and and accounts in the consolidate	
Cash and deposits	34,618,745	Cash and deposits	24
Time deposit matured over 3 months (excluded from Cash and deposit)	(65,511)	Marketable securities	
Cash and Cash equivalents	34,553,234	Cash and Cash equivalents	24
---------		2. The breakdown of assets and l consolidated subsidiaries whi through acquisition of its st assets and liabilities at the acquisition cost and some oth acquisition process are as fo	
		Nihon Unisoft Incorporated (Tokyo C	(As
		Current assets	
		Non-current assets	
		Consolidated reconciliation accounts	
		Current liabilities	
		Non-current liabilities	
		Minority interest	
		Acquisition cost for Nihon Unisoft Incorporated	
		Cash and cash equivalents of Nihon Unisoft Incorporated	
		Net: Actual payment for acquisition	
		(*) Present corporate name is ipTre	

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4. Segment Information

1. Industry segment information
   The company and its subsidiaries operate principally in two industry segments: "Security software business" and "Internet infrastructure-related products/service business". However, industry segment information is not currently disclosed since more than 90% of sales and operating income in all segments are from the "security software business" in accordance with Ordinance on Consolidated Financial Statements.

2. Geographic segment information

For the first-half of the current fiscal year (From January
To June 30

	Japan	North America	Taiwan	Europe	Others	
I Sales and operating profit/loss Sales						
(1) Sales to third parties	4,487,537	4,017,815	883,543	2,796,599	753,858	12
(2) Intersegment sales	3,053,423	881,345	1,080,149	8,105	35,295	5
Total	7,540,960	4,899,160	1,963,693	2,804,705	789,153	17
Operating expenses	2,815,535	4,596,694	1,991,885	2,851,499	771,900	13
Operating income (loss)	4,725,425	302,466	(28,192)	(46,794)	17,253	4

For the first-half of the previous fiscal year (From January
To June 30,

	Japan	North America	Taiwan	Europe	Others	To
I Sales and operating profit (loss) Sales						
(1) Sales to third parties	3,655,611	2,778,166	832,227	1,870,516	463,819	9,6
(2) Intersegment sales	885,727	789,235	386,007	4,397	68,903	2,1
Total	4,541,339	3,567,402	1,218,235	1,874,913	532,722	11,7
Operating expenses	2,089,276	2,259,756	867,277	1,122,346	413,281	6,7
Operating income (loss)	2,452,062	1,307,645	350,957	752,567	119,441	4,9

	For the previous fiscal year			(	From January To December	
	Japan	North America	Taiwan	Europe	Others	To
I. Sales and operating profit (loss) Sales						
(1) Sales to third parties	8,447,154	6,258,300	1,869,024	4,126,420	1,133,898	21,8
(2) Intersegment sales	2,031,350	1,602,229	957,303	135,633	144,804	4,8
Total	10,478,504	7,860,529	2,826,327	4,262,053	1,278,702	26,7
Operating expenses	4,207,010	5,264,325	1,987,241	2,739,898	912,699	15,1
Operating income (loss)	6,271,493	2,596,204	839,086	1,522,155	366,003	11,5

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(Notes)

1. Classification of countries and regions is based on geographical proximity.

2. Classification of countries and regions into each geographic segment.

North America	:	U.S.A.
Europe	:	Italy,Germany,France,UK
Others	:	Korea,Australia,Brazil,Hong Kong,Malaysia, Mexico,New Zealand.

3. Unallocable operating expenses for the current semi-annual period in the operating expense (JPY 2,565 millions) is included in "Eliminations or Corporate". Major components are expenses for the administrative department in parent company and research and development costs for our products.

4. Unallocable operating expenses for the previous semi-annual period in the operating expense (JPY 2,080 millions) is included in "Eliminations or Corporate". Major components are expenses for the administrative department in parent company and research and development costs for our products.

5. Unallocable operating expenses for the previous annual period in the operating expense (JPY 4,429 millions) is included in "Eliminations or Corporate". Major components are expenses for the administrative department in parent company and research and development costs for our products.

6. Unallocable operating expenses are included in "Elimination or Corporate" due to the difficulty in recognizing their contribution to each segments profit and loss.

7. As described in Significant accounting policies and practices for preparing consolidated financial statements, Deferred revenue is recognized by Trend Micro Incorporated (Japan) and Trend Micro Incorporated (Taiwan). It resulted in decrease of Sales to third parties and Operating income by JPY545,816 thousand in Japan and in increase of Sales to third parties and Operating income by JPY53,155 thousand in Taiwan.

8. As described in Significant accounting policies and practices for preparing consolidated financial statements, Allowance for retirement benefit is reserved by Trend Micro Incorporated (Japan) and Trend Micro Incorporated (Taiwan). It resulted in increase of Operating expense and decrease of Operating income by JPY11,529 thousand in Japan and in increase of Operating expense and decrease of Operating income by JPY6,808 thousand in Taiwan.

(3) Overseas sales

	For the first-half of the current fiscal year		(From January 1, 20 To June 30, 2001	
	North America	Taiwan	Europe	Othe
I.Overseas sales	4,017,815	663,751	2,796,599	9
II.Consolidated sales				
III.Ratio of overseas sales against consolidated sales	31.1%	5.1%	21.6%	

	For the first-half of the previous fiscal year		(From January 1, 20 To June 30, 2000	
	North America	Taiwan	Europe	Othe
I. Overseas sales	2,778,166	654,515	1,870,516	
II.Consolidated sales				
III.Ratio of overseas sales against consolidated sales	28.9 %	6.8 %	19.5 %	

	For the previous fiscal year		(From January 1, 20 To December 31, 20	
	North America	Taiwan	Europe	Othe
I. Overseas sales	6,258,300	1,503,037	4,126,420	1,
II.Consolidated sales				
III.Ratio of overseas sales against consolidated sales	28.7 %	6.9 %	18.9 %	

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(Note) 1. Overseas sales are sales to countries/regions other than Japan by Trend Micro Inc. and its consolidated subsidiaries.

2. Classification of countries/region is based on geographical proximity.

3. Classification

North America	:	USA
Europe	:	Italy, Germany, France, UK
Others	:	Korea, Australia, Brazil, Hong Kong, Malaysia, Mexico and New Zealand

5. Lease transactions None

6. Fair Market Value of Marketable Securities

* Regarding "Marketable securities with market value" classified at the first half of previous fiscal year and Investments in subsidiaries and affiliates" for the first half of current fiscal year, they are described in the notes of the Non-consolidated financial statements for the first half of current year.

(1) Other securities with fair market value

(Tho

Classification	For the first-half of the current fisca	
Other securities	Acquisition cost	Recorded amount on Consolidated B/S
1. Equity securities	332,475	737,206
2. Debt securities		
Government bond/Municipal bond	-	-
Corporate bond	1,700,000	1,768,510
Others	-	-
3. Others	9,995	9,781
Total	2,042,471	2,515,498

(2) Major securities market value non-applicable

(Thousands of yen)

Classification	As of June 30, 2001
Other securities	Recorded amount on consolidated B/S

1.	Unlisted securities (excluding OTC transaction securities)	428,223
2.	Others	-
Total		428,223

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Market value of the marketable securities

Current/Non-current	FY 2000 (As of December 31,2000)		
	Recorded amount on B/S	Fair market value	Ap
Securities classified as current assets			
Equity securities	172,475	172,475	
Debt securities	1,700,000	1,711,050	
Others	-	-	
Sub-total	1,872,475	1,883,525	
Securities classified as non-current assets			
Equity securities	-	-	
Debt securities	-	-	
Others	-	-	
Sub-total	-	-	
Total	1,872,475	1,883,525	

(Note) 1.Calculation method of fair (market) value.

For the fist-half of current fiscal year	
I.	Securities traded in the overseas over-the-counter market Based on price quotations in NASDAQ.
II.	Debt securities whose fair value are determinable Based on the standard indication price announced by Japan Securities Association.

2.The amount of securities included in the balance sheets but excluded from the above table.

(Thousands of yen

	FY 2000

	(As of December 31, 2000)
Securities classified as current assets:	
Mutual fund that is not affected by market volatility including medium-term JGB fund and MMF	
[MMF included in above]	
Securities classified as non-current assets:	
Non-listed equity securities excluding equity securities traded in the over-the-counter market	
[Investments in subsidiaries and affiliates included above]	[including the investment in affili thousand yen)

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7. Contract or Notional amount, FMV and Valuation gain (loss) of Derivatives

Basic policies for derivative transactions

A corporate policy of Trend Micro Group does not engage in derivative transactions. However, the interest cap trading and the interest rate swap had been made by ipTrend Incorporated (Tokyo, Chuo-ku), during fiscal year 2000, before the company's acquisition. These transactions had been made to avoid risks for interest rate fluctuation. The borrowing applied to the hedge was paid completely, when ipTrend Incorporated became a consolidated subsidiary. Although, these transactions are not in completion as of June 30, 2001, the company expects them to be settled with high degree of certainly. Trend Micro Group has no intention of changing. The contractor for the interest cap trading and the interest rate swap is the financial institution, which is trustworthy institution. No expectation is required for future losses because of any defaults.

Fair market value of the derivative transaction

Contract or notional amount, fair market value and appraisal gain (loss)

Transaction type	FY 2001 (As of June 30, 2001)			
	Contract or notional amount	Over 1 year	Fair market value	Appra
Other than market transactions				
Interest rate cap				
Buy	100,000	100,000	111	
[Option premium]	[3,200]	[3,200]		
Interest rate swap				
Receive / floating and Pay / fixed	200,000	200,000	(10,680)	
Total	300,000	300,000	(10,569)	

Note: The amount of option premium is stated in [ ] and the fair market value of it and Appraisal gain (loss) are stated on the above.

Contract or notional amount, fair market value and appraisal gain (loss) (T

Transaction type	FY 2000 (As of December 31, 2000)			
	Contract or notional amount	Over 1 year	Fair market value	Appra
Other than market transactions				
Interest rate cap				
Buy	100,000	100,000	731	
[Option premium]	[3,200]	[2,275]		
Interest rate swap				
Receive / floating and Pay/fixed	200,000	200,000	(7,482)	
Total	300,000	300,000	(6,751)	

Note: Calculation method of fair (market) value
Fair market value is determined based on the price, which is provided by the contractor of the financial institute.

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(Significant subsequent events)

Members of the Trend Micro, Inc. board meeting on August 3, 2001 decided to transfer the business of the consolidated subsidiary ipTrend Inc (Chuo-ku, Tokyo) (100% Trend Micro controlling share) to Trend Micro and to IPSQUARE Inc (no human or capital relation to Trend Micro); the board also decided to commence dissolution and liquidation procedures of ipTrend (Chuo-ku). As for ipTrend (Taiwan), a 99.9%-owned subsidiary of ipTrend (Chuo-ku) and a consolidated subsidiary of Trend Micro, all the business will be transferred to Trend Micro (Taiwan) (99.9% Trend Micro controlling share) and will be liquidated.

1 Corporate profile of ipTrend Inc. (Chuo-ku, Tokyo)
Address: 2-13-9 Ningyo-cho, Nihonbashi, Chuo-ku, Tokyo, Japan
Representative: Mahendra Negi
Business description: Providing Internet platform-related products and services
Capital: 218 million yen
Acquisition value of the shares: 2.8 billion yen

2 Business, properties, and liabilities to be transferred
2.1 IPSQUARE Inc.
Real-time OS Project and equipment, works in progress, and sales deposits involved in the project
2.2 Trend Micro, Inc.
All business and properties other than those mentioned above and the same amount of liabilities (Trend Micro will take over all the liabilities from third persons.)

3 Transfer price
Transfer price will be calculated by the fair market value on the day of

transfer.

4 Business transferring schedules
Business transfer contracted on August 3, 2001
Business transfer to be implemented by August 31, 2001

5 Dissolution date: September 3, 2001

6 Completion date for liquidation: December 2001

7 Reasons for dissolution and liquidation:
To restructure the operations of ipTrend and improve efficiency of the group because the market of appliance servers for small and medium-sized businesses has not expanded fast enough.

8 Influence on Trend Micro in terms of consolidated business results

8.1 The consolidated adjustment account incurred by acquisition of ipTrend's stock has been added up to intangible fixed assets and extinguished evenly for five years. With the decision of dissolution and liquidation, the unamortized balance of two billion yen will be extinguished across the board, and added up as an extraordinary loss during Trend Micro's interim consolidated fiscal period.

8.2 It is expected that the influence on consolidated business results of Trend Micro by partial transfer of business of ipTrend (Chuo-ku) to IPSQUARE should be minor.

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August 3, 2001

Report of First-Half Results (Non-consolidated)
For Fiscal Year Ending December 31, 2001

Company:	Trend Micro Incorporated		Tokyo Stock Exchange 1st Section
Code:	4704		Location : Tokyo
Address:	Odakyu Southern Tower, 10F 2-2-1 Yoyogi Shibuya-ku Tokyo, 151-8583 Japan		
Contact:	Title	Director, Chief Financial Officer	
	Name	Mahendra Negi	(Phone: 81-3-5334-3600)

Date of the board of directors meeting authorizing the first-half results: August 3, 2001

Adoption of semi-annual dividend system: Yes

Starting date of semi-annual dividend payment: No semi-annual dividends were authorized for semi-annual period.

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

(1) Results of operations
(All figures except for per share information are rounded down to millions of yen.)

	Sales	Growth rate	Operating income	Growth rate
	Millions of yen	%	Millions of yen	%
The first half of FY 01	7,066	78.9	2,699	454.2
The first half of FY 00	3,950	30.4	487	(60.0)

FY 00 (annual)	9,426	2,734

	Net income	Growth rate	Net income per share
	Millions of yen	%	Yen
The first half of FY 01	(2,166)	-	(16.49)
The first half of FY 00	982	45.0	15.12
FY 00 (annual)	2,038		31.26

(Note)
1. Weighted average number of shares outstanding: 131,339,944 shares (for the first half of FY 01)
   65,005,579 shares (for the first half of FY 00)
   65,194,481 shares (for FY 00)
2. Change in accounting policies: Yes
3. The percentage of sales, operating income, ordinary income and net income are comparisons to the first half of prior fiscal year.

(2) Dividends

	Semi-annual dividends per share (Yen)	Annual dividends per Share (Yen)
The first half of FY 01	0	-
The first half of FY 00	0	-

FY 00 (annual)	-	0

(3) Financial Position

As of	Total assets	Shareholders' equity	Shareholders' equity ratio
	Millions of yen	Millions of yen	
June 30, 2001	41,809	18,803	45.0
June 30, 2000	31,226	17,310	55.4
December 31, 2000	33,493	19,655	58.7

(Note)
1. Shares issued and outstanding at the end of period: 131,681,887 shares as of June 30,2001

65,172,669 shares as of June 30, 2000
65,560,421 shares as of December 31,

2 Earning projections for the current fiscal year (January 1, 2001 through December 31, 2001)

	Sales	Ordinary income
	Millions of yen	Millions of yen
For the year ending December 31, 2001	14,000	3,000

(Note) 1. Projected consolidated net income per share for the current fiscal year : JPY (15.21)

Supplementary information on the results (January 1, 2001 through June30, 2001)

The Company's sales revenues are mainly derived from licensing of its products, upgrading of its products and patterns files and post-contract support including customer support. Until the end of FY 2000, the Company had recognized sales revenues from customer support (which was included in post-contract support) at the beginning of the relevant support period. Effective from FY 2001, the method of the revenue recognition has been changed and sales revenues from customer support are deferred through Deferred revenue under Current liabilities and Non-current liabilities over the relevant support period.

For convenience of comparison, the result for the year ending June 30, 2001, are presented in two ways. Result based on the accounting policies applied from the first half of fiscal year, assumed result based on the accounting policies applied until the previous fiscal year and its differential are stated in the below.

(Millions of yen except for per share inform

	Result of the first half of FY 2001	Assumed result of the first half of FY 2001 (based on Accounting policies applied until previous fiscal year)	Increas
Sales	7,066	7,612	
Ordinary income	2,779	3,325	
Net income (loss)	(2,166)	(226)	
Net income (loss) per share	(16.49)	(1.73)	

[Information on net income per share and shareholders' equity per share]

For periodic comparison of net income per share and shareholders' equity per share, restated per share information reflecting the effect of stock split on March 31,2001 is as follows:

	Net income (loss) per share (Yen)	Shareholders' equity per share (Yen)	Weighted average nu of shares outstand
The first half of FY 01	(16.49)	142.80	131,339,944

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The first half of FY 00	7.56	132.79	130,011,158
FY 00(annual)	15.63	149.90	130,388,962

1. Non-consolidated Semi-annual Financial Statements

(1) Non-consolidated semi-annual balance sheets

(Th

Period / Account		At the end of the first half of the current fiscal year (As of June 30, 2001)		At the end of the first half of the previous fiscal year (As of June 30, 2000)	
		Amount	Percentage	Amount	Percentag
			%		
(Assets)					
I Current assets					
1. Cash and bank deposits	*2	23,950,538		17,512,240	
2. Notes receivable, trade		-		1,058	
3. Accounts receivable, trade	*2	4,726,066		3,213,461	
4. Marketable securities	*2*7	-		2,242,848	
5. Treasury stock	*3	4,523		22,421	
6. Inventories		32,792		33,781	
7 Intercompany loan receivables	*2	1,349,980		387,982	
8. Other accounts receivable		873,047		1,573,185	
9. Deferred tax assets		1,764,611		159,194	
10. Other current assets		228,682		155,037	
11. Allowance for doubtful accounts		(473,275)		(98,739)	
Total current assets		32,456,969	77.6	25,202,472	80.
II Non-current assets					
1. Property and equipment	*1	266,152	0.6	238,882	0.
2. Intangibles					
(1) Software copyright		46,070		184,280	

(2) Software		148,955		173,151	
(3) Software in progress		493,220		30,631	
(4) Others		52,361		72,120	
Total intangibles		740,608	1.8	460,183	1.
3. Investments and other non-current assets					
(1) Investments in securities	*2*7	2,824,316		-	
(2) Investments in subsidiaries and affiliates	*2	3,894,043		3,873,840	
(3) Deferred tax assets		39,176		79,274	
(4) Others	*2	1,603,680		1,386,620	
(5) Allowance for bad debts		(15,477)		(14,960)	
Total investments and other non-current assets		8,345,739	20.0	5,324,775	17.
Total non-current assets		9,352,500	22.4	6,023,842	19.
Total assets		41,809,470	100.0	31,226,314	100.

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Period / Account		At the end of the first half of the current fiscal year (As of June 30, 2001)		At the end of the first h of the previous fiscal ye (As of June 30, 2000)	
		Amount	Percentage	Amount	Percenta
			%		
(Liabilities)					
I Current liabilities					
1. Accounts payable, trade		24,801		33,993	
2. Accounts payable, other	*2	1,569,093		797,135	
3. Accrued corporate taxes and other		3,756		489,000	
4. Allowance for sales returns		179,739		128,940	
5. Stock warrants		1,917,943		1,508,667	
6. Deferred revenue		3,011,041		-	
7. Other current liabilities	*4	367,416		215,165	
Total current liabilities		7,073,791	16.9	3,172,902	10.
II Long-term liabilities					
1. Bond payable		15,400,000		10,700,000	
2. Deferred revenue		335,737		-	
3. Accrued severance indemnities		-		43,155	
4. Allowance for retirement benefits		196,423		-	

Total long-term liabilities		15,932,160	38.1	10,743,155	34.
Total liabilities		23,005,952	55.0	13,916,057	44.
(Shareholders' equity)					
I Common stock	*5	6,799,373	16.3	5,618,852	18.
II Advance received for newly issued stock	*6	-	-	1,340	0.
III Additional paid-in capital		8,517,103	20.4	7,385,576	23
IV Legal reserve		20,833	0.0	20,833	0
V Retained earnings					
1. Unappropriated retained earnings at the end of the period		3,172,626		4,283,653	
Total retained earnings		3,172,626	7.6	4,283,653	13.
VI Valuation difference on other securities		293,580	0.7	-	
Total shareholders' equity		18,803,517	45.0	17,310,256	55.
Total liabilities and shareholders' equity		41,809,470	100.0	31,226,314	100.

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(2)Non-consolidated semi-annual income statements

Account / Period		For the first half of the current fiscal year (From January 1, 2001) To June 30, 2001		For the first half of the previous fiscal year (From January 1, 2000 To June 30, 2000	
		Amount	Percentage	Amount	Percenta
			%		
I Sales		7,066,538	100.0	3,950,190	100.
II Cost of sales	*6	320,302	4.5	332,167	8.
Allowance for sales returns		-	-	36,737	0.
Gross profit		6,746,235	95.5	3,581,286	90.
III Selling,general and administrative expenses	*1*6	4,046,471	57.3	3,093,378	78.
Operating income		2,699,764	38.2	487,907	12.
IV Non-operating income	*2	298,684	4.2	139,369	3.
V Non-operating expense	*3	219,152	3.1	156,415	4.
Ordinary income		2,779,296	39.3	470,861	11.
VI Unusual gains	*4	-	-	1,030,785	26.
VII Unusual losses	*5	6,376,441	90.2	2,195	0.
Income (loss) before taxes		(3,597,145)	(50.9)	1,499,451	38.
Corporate, inhabitant and					

enterprise tax	3,756	0.1	607,845	15.
Income tax deferred	1,434,778	20.3	91,316	2.
Net income (loss)	(2,166,122)	(30.7)	982,923	24.
Retained earnings at the beginning of the year	5,338,749		3,153,577	
Cumulative effects of adopting deferred tax accounting	-		147,152	
Unappropriated retained Earnings at the end of the period	3,172,626		4,283,653	

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Significant accounting policies and practices for preparing non-consolidated semi-annual financial statements.

1. Accounting for evaluation of securities

(1) Securities

(1) Investments in affiliates and in subsidiar
Moving average cost method

(2) Other securities
Other securities with fair market value:
The securities are stated at the marke
at the end of the period (valuated dif
directly, not to reflect to net earnin
determined by the weighted average met

Other securities without a market value:
The securities are stated at the weighted

(Additional information)
For the financial instruments, "Accounting
(("Argument of establishment for Accounting
Instruments") Business Accounting Deliberat
applied from the first half of current fisc
the valuation basis and the method for secu
resulted in increase of ordinary income by
of losses before taxes by 77,269 thousand y

In addition, the other securities, which ar
securities" til previous fiscal year, are c
securities" uneffective from the first half
review. The classification resulted in incr
"Investment in securities" by 473,240 thous
liabilities" of 198,997 thousand yen was re
yen of "Valuated difference on other securi
Shareholders equity (The difference from 29
balance sheet) is caused by the translation

The classification also resulted in decreas
Current assets by 1,872,475 thousand yen an
securities by 1,872,475 thousand yen.

	(2) Inventories Finished goods . Raw materials . Supplies Moving average cost method
2. Depreciation and amortization method for fixed assets	(1) Property and equipment Declining-balance method (2) Intangibles [Software for mass sale] Straight-line method over the estimated use (12 months).

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	[Software for internal use] Straight-line method over the estimated use [Other intangibles] Straight-line method (3) Long-term prepaid expense Amortization is computed by a straight
3. Accounting for deferred assets	Issuing costs of stocks and bonds are charge
4. Accounting policies for provisions	(1) Allowance for doubtful accounts As contingency against losses from defaul the allowance for doubtful accounts is pr using a percentage based on own actual do of debts and an amount, which takes into recovering specific liabilities. (Additional information) For the financial instruments, from the c "Accounting Standards for financial instr establishment for Accounting Standard for Accounting Deliberation Council, January of Allowance for doubtful accounts is cha is recognized at a percentage based on th statutory prescribed percentage). The ado (2) Allowance for sales return In order to reserve future losses from sa year end, allowance for sales return is p experience in the sales return. (3) Allowance for retirement benefits In order to reserve future losses arising allowance for retirement benefits is prov liabilities at the end of the period unde changing accounting standard 106,581 thou expense under Unusual losses.

	(Additional information) From the current fiscal year, pursuant to Retirement Benefits Obligation" (("Argume Standard for Retirement Benefits Obligati Deliberation Council, June 16, 1998), all resulted in an increase of retirement ben yen, a decrease of Ordinary income by 11, losses before taxes by 118,111 thousand y indemnities, which was recognised until p and disclosed in Allowance for retirement

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5. Translation of major foreign-currency assets and liabilities into Yen.	Foreign-currency financial receivables an translated into yen at the spot rate effe period. Exchange differential is treated (Additional information) From the first half of current fiscal yea accounting standards for foreign currency Accounting Standards for Foreign Currency Business Accounting Deliberation Council had no significant effects on profits and
6. Accounting for leased assets	Finance leases without transfer of owners accounted for in the same manner as appli

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7. Other important matters for preparing semi-annual financial statements	(1)	Consumption tax Transactions subject to consumption tax a related consumption tax.
	(2)	Accounting for stock warrants that was gr employees. The Company has adopted incentive plans w company's shares are granted to directors company issues bonds with detachable warr all of the warrants. Compensation costs a warrant securities at the point of grant compensation scheme which grants warrants Warrant portion of the bonds is recorded and then transferred to "additional paid-
	(3)	Change of policy and method of revenue re Customer Support Service (PCS)

Basically, The product license agreement,
the end-user, states the article for PCS
products and its pattern files).

Till previous fiscal year, whole revenue
product license agreement including a por
recognized when the license is delivered
current fiscal year, the revenue recognit
changed as follows. Portion of PCS revenu
whole revenue and it is deferred as Defer
liabilities and Non-current liabilities b
revenue is finally recognized for the con

As per the tendency of the company that t
revenue (to corporation user) is getting
package products revenue (to private user
revenue is increased. As the result of th
revenue recognition policy on PCS, in ord
profits and losses accurately.

According to the above change, PCS revenu
should be deferred by the company as of t
year applied to the prior year's revenues
adjustment under Unusual losses at the fi
resulted in a decrease of Operating incom
thousand yen and in increase of losses be
yen.

Changes in presentation

Allowance for sales return indicated independently until the previous fiscal year is deducted fro
from the first half of current fiscal year. Allowance for sales return cause sales revenue to inc
yen in this period.

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Notes

(Non-consolidated semi-annual balance sheets)

At the end of the first half of the current fiscal year (As of June 30, 2001)	At the end of the first half of the previous fiscal year (As of June 30, 2000)	At the end (As
* 1 Accumulated depreciation of property and equipment JPY 231,119	* 1 Accumulated depreciation of property and equipment JPY 155,696	* 1 Ac propert
	* 2 Major assets and liabilities denominated in foreign currencies	* 2 Major ass denominated

	are as follows. Accounts in foreign currency in JPY Cash and bank deposits US$ 4,837 510,310 Accounts receivable, trade US$ 6,523 688,253 Marketable securities US$ 4,255 442,817 Intercompany loan receivables US$ 3,063 323,532 AU$ 140 8,869 GBP 106 16,998 Investments in subsidiaries and affiliates US$ 1,276 146,429 NT$ $353,999 1,434,300 GBP 110 20,611 Others (Investments and other assets) 501 51,925 Accounts payable, other US$ 3,511 370,355 GBP 11 1,859 DM 632 32,459	are as foll Accounts in Cash and ba US$ Accounts re trade US$ Marketable US$ Intercompany loan recei US GB Investments US Investments subsidiaries and affiliat NT GB Other (Inves and other as Accounts payable, ot NT DM GB
* 3 Number of treasury stocks 916 shares	* 3 Number of treasury stocks 1,374 shares	* 3 Nu
* 4 Presentation of consumption tax Net of consumption tax paid and consumption tax received are included in other current liabilities.	* 4 Presentation of consumption tax Net of consumption tax paid and consumption tax received are included in other current liabilities.	* 4 Pr Net of cons consumption in other cu
* 5 Description of increases in the number of shares issued Exercise of stock warrants detached from bonds -Number of shares issued 442,239 shares -Issue price per share JPY - -Increase in common stock JPY 445,635 Stock split -Number of shares issued 65,679,227 shares -Issue price per share JPY - -Increase in common stock JPY 170,900	* 5 Description of increases in the number of shares issued Exercise of stock warrants detached from bonds -Number of shares issued 329,769 shares -Issue price per share JPY - -Increase in common stock JPY 204,192	* 5 the numb Exercise of from bond -Number of -Issue pri -Increase

	* 6 Advance received for newly issued stocks are the paid-in capital proceeds from exercise of stock warrants. On July 3, 2000, 1,356 stocks were newly issued. JPY 670 thousands were appropriated to common stock and JPY 669 thousands were appropriated to additional paid-in capital.	* 6 issued s capital stock wa newly is JPY 214 to commo thousand addition
	* 7 Additional information JPY 417,600 thousands of stocks and JPY 1,800,000 thousands of bonds, which had been recorded as "Investments in securities" in non-current assets, were reclassified to "Marketable securities" in current assets in the first-half of current fiscal year.	

(Non-consolidated semi-annual income statement)

For the first half of the current fiscal year (From January 1, 2001 To June 30, 2001)		For the first half of the previous fiscal year (From January 1, 2000 To June 30, 2000)		For t (F T
* 1 Major components of selling, general and administrative expenses are as follows.		* 1 Major components of selling, general and administrative expenses are as follows.		* 1 gen
Advertising and sales promotions	208,144	Advertising and sales promotions	339,247	Advertising
Salaries and bonuses	830,865	Salaries and bonuses	698,684	Salaries an
Allowance for retirement benefit	28,351	Pension and severance costs	12,966	Pension and
Depreciation expense	30,575	Depreciation expense	25,623	Allowance f
Service charge	489,562	Service charge	276,447	
Research and development costs	1,038,519	Research and development costs	880,251	Depreciatio Service cha
Software maintenance fee	302,088	Amortization of software copyright	69,105	Research an costs
Amortization of software copyright	69,105			Software ma
* 2 Major components of non-operating income		* 2 Major components of non-operating income		* 2
Interest on securities	36,218	Interest on securities	27,331	Interest on

Interest income	22,010	Interest income	15,312	Interest in
Foreign exchange gain	227,396	Foreign exchange gain	24,044	Foreign exc
		Gain on sales of securities	65,376	Gain on sal
* 3 Major components of non-operating expense		* 3 Major components of non-operating expense		* 3
Bond interests	131,755	Bond interests	77,946	Loss from
Bond issue cost	34,180	Bond issue cost	44,295	securities
Warrants fees	34,012	Loss on sale of		Bonds inter
		treasury stock	22,270	Bond issue
				Loss from s
				treasury st
		* 4 Major component of unusual gain		* 4
		Gain from lawsuit		
		settlement	1,030,785	Gain from l
* 5 Major component of unusual loss		* 5 Major component of unusual loss		* 5
Loss on prior year adjustment		Loss on disposal of		Loss on di
(due to change in		fixed assets	2,195	fixed ass
revenue recognition)	2,800,962			
Allowance for intercompany				
loans receivable	370,000			
Valuation difference on investments in				
subsidiaries and affiliates	3,098,897			
Retirement benefit expense	106,581			
* 6 Depreciation and amortization expense		* 6 Depreciation and amortization expense		* 6
Property and equipment	38,354	Property and equipment	31,839	Property an
Intangible fixed assets	207,088	Intangible fixed assets	329,669	Intangible

2. Lease transactions

None

3. Market value of the marketable securities

* Regarding "Securities (excluding investments in subsidiaries and affiliates with fair market value)" and "Marketable securities with market value" for the first half of current fiscal year, they are described in the notes of the consolidated financial statements for the first half of current fiscal year.

(1) FY 2000 (As of June 30, 2000)

Current/Non-current	Recorded amount on B/S	Fair market value	Ap
Securities classified as current assets			

Equity securities	465,238	1,394,774
[Treasury stock included above]	[22,421]	[24,045]
Debt securities	1,800,000	1,811,280
Others	-	-
Sub-total	2,265,238	3,206,054
Securities classified as non-current assets		
Equity securities	-	-
Debt securities	-	-
Others	-	-
Sub-total	-	-
Total	2,265,238	3,206,054

(Note) 1. Calculation method of fair (market) value.

For the fist-half of the previous fiscal year
(1) Securities traded in the overseas over-the-counter market Based on price quotations in NASDAQ. (2) Securities traded in the domestic over-the-counter market Based on price quotations announced by Japan Securities Association. (3) Debt securities whose fair value are determinable Based on the standard indication price announced by Japan Securities Association.

2. The amount of securities included in the balance sheets but excluded from the above table.

(Thousands of y

	FY 2000 As of June 30, 2000
Securities classified as current assets:	
Mutual fund that is not affected by market volatility including medium-term JGB fund and MMF	
[MMF included above]	[
Securities classified as non-current assets:	
Non-listed equity securities excluding equity securities traded in the over-the-counter market	3,87

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[Investments in subsidiaries and affiliates included above]	[3,8

(2) FY 2001 (As of June 30, 2001)

Subsidiaries and affiliaties : No fair market value

(Significant subsequent events)

Members of the Trend Micro, Inc. board meeting on August 3, 2001 decided to transfer the business of the consolidated subsidiary ipTREND Inc (Chuo-ku, Tokyo) (100% Trend Micro controlling share) to Trend Micro and to IPSQUARE Inc (no human or capital relation to Trend Micro); the board also decided to commence dissolution and liquidation procedures of ipTREND (Chuo-ku). As for ipTREND (Taiwan), a 99.9%-owned subsidiary of ipTREND (Chuo-ku) and a consolidated subsidiary of Trend Micro, all the business will be transferred to Trend Micro (Taiwan) (99.9% Trend Micro controlling share) and will be liquidated.

1 Corporate profile of ipTREND Inc. (Chuo-ku, Tokyo)
  Address: 2-13-9 Ningyo-cho, Nihonbashi, Chuo-ku, Tokyo, Japan
  Representative: Mahendra Negi
  Business description: Providing Internet platform-related products and services
  Capital: 218 million yen
  Acquisition value of the shares: 2.8 billion yen
2 Business, properties, and liabilities to be transferred
  2.1 IPSQUARE Inc.
    Real-time OS Project and equipment, works in progress, and sales deposits involved in the project
  2.2 Trend Micro, Inc.
    All business and properties other than those mentioned above and the same amount of liabilities (Trend Micro will take over all the liabilities from third persons.)
3 Transfer price
  Transfer price will be calculated by the fair market value on the day of transfer.
4 Business transferring schedules
  Business transfer contracted on August 3, 2001
  Business transfer to be implemented by August 31, 2001
5 Dissolution date: September 3, 2001
6 Completion date for liquidation: December 2001
7 Reasons for dissolution and liquidation:
  To restructure the operations of ipTREND and improve efficiency of the group because the market of appliance servers for small and medium-sized businesses has not expanded fast enough.
8 Influence on Trend Micro in terms of business results
  8.1 With the business transfer, dissolution, and liquidation of ipTREND with excessive liabilities as of June 30, 2001, the loan from Trend Micro is expected to be abandoned. Accordingly, 370 million yen will be added up as an allowance for doubtful accounts, and the whole value of the stock of ipTREND (2.8 billion yen) will be written down, which will be added as an extraordinary loss in this interim fiscal period.
  8.2 It is expected that the influence on business results of Trend Micro by partial transfer of business of ipTREND should be minor.

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Supplementary information (Consolidated)

(1) Manufacturing result

(Thousands

Products / Period	(From January 1, 2001 To June 30, 2001)	(From Januar To December
P C Client	4,116	3
LAN Server	15,735	
Internet Server	154,956	14
Other Products	10,290	5
Internet based products/ service	356,427	68
Sub-total	541,525	93
Other service	0	1
Total	541,525	95

(Note)
1. Amount is based on manufacturing expense.
2. Consumption tax is not included in the amount above.

(2) Sales result

(T

Products / Period	(From January 1, 2001 To June 30, 2001)	(From J To Dece
P C Client	4,320,161	
LAN Server	1,237,716	
Internet Server	4,513,593	
Other Products	209,099	
Internet based products/ service	505,043	
Sub-total	10,785,615	
Other service	2,153,739	
Total	12,939,355	

(Note)
1. Quantity is omitted due to many types of products included in one product line.

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