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TREND MICRO INC
Form 6-K
August 07, 2002

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 2002

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

Odakyu Southern Tower, 10th Floor, 2-1, Yoyogi 2-chome,
Shibuya-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
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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
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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. Report of July 30, 2002 announcing consolidated and non-consolidated results for the six months ended June 30, 2002.

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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 6, 2002

By: /s/ Mahendra Negi

Mahendra Negi
Representative Director;
Chief Financial Officer
and Executive Vice
President

Attachment 1

July 30, 2002

Report of First-Half Results (Consolidated)
For Fiscal Year Ending December 31, 2002

Company: Trend Micro Incorporated Tokyo Stock Exchange 1/st/ Section
Code: 4704 Location : Tokyo

(URL <http://www.trendmicro.co.jp/>)

Contact: Title Controller, Finance & Accounting Department
Name Ryo Masaki (Phone: 81-3-5334-3600)

Date of the board of directors meeting
authorizing the first-half results: July 30, 2002

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

Notice Regarding Forward Looking Statements

The statements included in this report contain "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding our expectations about our earnings for the third quarter ending September 30, 2002 and for the 2002 fiscal year. Many important factors could cause our actual results to differ materially from those expressed in our forward-looking statements. These factors include:

- . Customer acceptance of our new products and services
- . The impact of competing products and services
- . Difficulties in adapting our products and services to the Internet
- . Difficulties in addressing new virus and other computer security problems
- . The potential lack of attractive investment targets and difficulties in successfully executing our investment strategy
- . Declining prices for our products and services

We assume no obligation to update any forward-looking statements. For more

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details regarding risk factors relating to our future performance, please refer to our filings with the SEC including our annual report on Form 20-F which was filed on July 1, 2002.

1. Financial Highlights for the first half of FY 2002 January 1, 2002 through June 30, 2002

(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	Ordinary income
	Millions of yen	%	Millions of yen	%	Millions
The first half of FY 2002	20,507	58.5	6,356	119.3	6,27
The first half of FY 2001	12,939	34.8	2,898	(3.9)	3,00
FY 2001 (annual)	31,326		9,481		9,54

	Net income	Growth rate	Net income per share (basic)	Net income per share
	Millions of yen	%	yen	
The first half of FY 2002	3,517	-	26.62	
The first half of FY 2001	(1,376)	-	(10.48)	
FY 2001 (annual)	2,421		18.40	

(Note)

1. Gain/Loss on investment in affiliated companies: 2 million yen (-104 million yen in the first half of FY 2001, -129 million yen in FY 2001)
2. The average number of stock: 132,153,432 stocks (131,339,944 stocks in the first half of FY 2001, 131,594,913 stocks in FY 2001)
3. Change in accounting principle: None
4. The percentage of sales, operating income, ordinary income and net income are comparison to the first half of prior fiscal year.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio
As of	Millions of yen	Millions of yen	%

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June 30, 2002	69,667	34,729	49.8
June 30, 2001	53,413	26,914	50.4
December 31, 2001	65,317	30,901	47.3

(Note)

Number of the stocks issued : 132,419,856 stocks in the first half of current fiscal year (131,681,887 stocks in the first half of FY 2001, 132,043,182 stocks in the FY 2001)

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(3) Consolidated Cash Flow Position

As of	Cash flows from operating activities Millions of yen	Cash flows from investing activities Millions of yen	Cash flows from financing activities Millions of yen
June 30, 2002	6,787	(1,415)	544
June 30, 2001	4,650	(1,363)	6,503
December 31, 2001	12,563	(2,918)	5,460

(4) Basis of consolidation and investments in affiliated companies:

The number of consolidated subsidiaries	15
The number of unconsolidated subsidiaries accounted by equity method	0
The number of affiliated companies	4

(5) Change in reporting entities:

The number of additional consolidated subsidiaries	0
The number of excluded consolidated subsidiaries	3
The number of additional consolidated affiliated companies	0
The number of excluded consolidated affiliated companies	0

Projected consolidated earnings

(1) Earning projections for the current fiscal year January 1, 2002 through December 31, 2002

	Sales Millions of yen	Ordinary income Millions of yen
For the year ending December 31, 2002	42,000	13,000

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(Note) Projected consolidated net income per share for the current fiscal year : 55.28 yen

(2) Projected earnings for the next quarter (July 1, 2002 through September 30, 2002)

	Sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
3rd Qtr	9,800 to 10,300	2,250 to 2,550	1,250 to 1,400

(Note) Surrounding environment of Trend Micro Group may change significantly in a very short period of time. Therefore, the Company has decided to disclose projected earnings range in a quarterly basis, but the actual earnings may deviate from the projection.

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Attachment to the Report

1. Condition of corporate group

Overview of corporate group

Trend Micro Group consists of Trend Micro Inc., and its 15 subsidiaries which develop and sell anti-virus products and offer other related services and four affiliated companies are: NTT Data Security Corporation which offers total network securities, Soft Trend Capital Corporation which manages capital funds to be invested into Internet-related ventures, 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.

The business related to anti-virus are 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 development activities are entrusted to Trend Micro Incorporated (U.S.A.), Trend Micro Deutschland GmbH (Germany), Trend Micro (Shanghai) Inc. (China). Trend Micro Incorporated (Taiwan) also handles the manufacturing and sales of the products, part of which are purchased from Trend Micro Inc (Japan), Trend Micro Inc. (U.S.A.), Trend Korea Inc (U.S.A.), Trend Micro Deutschland GmbH (Germany), Trend Micro Italy S.r.l., Trend Micro Australia Pty Ltd. (Australia), Trend Micro do Brasil Ltda. (Brazil), Trend Micro Hong Kong Limited, Trend Micro (UK) Limited, Trend Micro C.V (Mexico), Trend Micro (Shanghai) Inc. (China).

In addition, Trend Micro Inc (Japan) owns software copyrights and its overseas subsidiaries royalties based on the respective sales of such subsidiaries.

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Customer		
	Overseas	Domestic
Subsidiaries		
	Trend Korea Inc.	
	Trend Micro Italy S.r.l.	
	Trend Micro Australia Pty.Ltd.	
	Trend Micro do Brasil Ltda. (Brazil)	
	Trend Micro France	
	Trend Micro Hong Kong Limited	
	Trend Micro Latinoamerica S.A.de C.V (Mexico)	
Trend Micro (Japan)		
Computer Anti-Virus Software related products		
Products		
Royalty		
Outsourcing, Other		
Subsidiary		
Trend Micro Inc. (U.S.A)	Trend Micro Incorporated (Taiwan)	Trend Micro (Japan)

(Note) All subsidiaries are consolidated.

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. We currently have the strong impression that needs of the market to be met by Trend Micro has been changing into larger one in accordance with development of the Internet followed by rapid growth of the market scale of business. Such dramatic change tells us that we have to change

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our current corporate scheme to sell products through a single sales organization to new global corporate scheme to provide value-added services through the Internet and in addition, that even among the corporations to provide value-added services through the Internet while competing to a greater extent in the market, we should aim at provision of high value-added products and services which show high difficulty level for competitors to develop them to enter the market. In order to contribute to development of information society not only in Japan, but in the world, we would like to forge a safe and pleasant network environment by offering solutions to protect company networks and home PCs from invasion of directly-damaging computer viruses or Malicious Code (harmful programs created by the languages such as JAVA or Active X) as well as harmful content such as SPAM mail (unwanted e-mail) or Bad URLs (websites providing the information that offends public order and morals).

We wish to enhance our enterprise value through these network security operations, and, as the result, to contribute to all the shareholders in Trend Micro.

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 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 and Internet content security related 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. Regarding our accumulated reserves, we would like to ask all shareholders to accept our decision to appropriate them for investment in research and development division to be further strengthened in the future by Trend Micro and for activities to improve brand awareness and corporate image.

Basic Policy on the Trading Lots for Shares

We understand that it is our critical task to ensure the liquidity of the shares in Trend Micro. We do not believe, however, that all the shareholders in Trend Micro will benefit from the reduction of minimum trading lots for shares, because the current liquidity of the shares is being maintained apparently at a reasonable level and the reduction of minimum trading lots requires considerable expense.

We promise that we continue to review the minimum trading lots from the viewpoint of shareholders' benefits as well as the liquidity of the shares.

Medium and Long-Term Management Strategy

Impacted by deterioration of corporate sentiment in the U.S. and Europe and the lingering economic slump in Japan, corporate investment in information systems has shown signs of a slowdown. We know that the situation, represented by such reduction in cooperate investment into information systems, will not allow us to have any optimistic outlook for the business environment surrounding us.

On the other hand, many corporations are now increasingly reliant on computer networks represented by mail systems; the monetary damages for the

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opportunity losses caused by system down of company networks have come to far larger than several years ago. It is expected that network security including anti-virus solutions will take a more important role in the future, and that the market scale of the network security business will steadily expand in the long and medium terms. In response to such expansion of the market, we would like to promote recruiting and securing of the necessary human resources, strengthening of the management bases and increasing of business efficiency in a more positive way at Trend Micro and its overseas subsidiaries.

The technological innovations in our industry are constant and fast: as for the next generation Internet, for example, some people have raised the possibility that further development of open platforms such as broadband, mobile telecommunications and Linux may bring sweeping changes to the present network environment. In order to take and maintain competitive advantage against the major U.S. competitors, we need to respond to the external environment changes initiated by the technological

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innovations on a timely basis.

Outbreak of new types of viruses, such as "NIMDA" of the last year, gave greater impact on anti-virus solutions. These viruses, which have compound infection approaches, not only rapidly enlarge the scale of the damages with their high infectious capacity, but repeat the infection, if even one single PC of a network remains infected. To respond to such new types of the viruses, we have to provide the better anti-virus solutions than the conventional ones, which were just to detect and clean viruses upon receipt of a virus patter file.

In order to protect corporate information assets from mixed-threat virus, we have set up "TM EPS (Trend Micro Enterprise Protection Strategy)", our new anti-virus strategy which enables us to reduce infection damages and anti-virus costs and provide businesses with a flexible architecture of services, products and centralized management.

Our products compliant with "TM EPS" newly feature a function to provide preventive measures against virus infection prior to receipt of the virus pattern file as well as a function to rummage out viruses throughout PCs and servers of the network once again and prevent reinfection by cleaning any remaining viruses promptly. These functions allow corporate users to respond to attacks of new viruses in shorter time than before as well as to cut time and cost requiring for recovery from the infection damages by rummaging and cleaning the viruses all at once in the network. Moreover, for enabling the network administrator to manage and operate these functions in an effective and easy manner, we will expand functions of the products that integrate and manage the Trend Micro products deployed in the network.

While network environments and information assets of corporations have become more significant than before, threats of viruses are rapidly changing. In such an environment, we would like to develop new ant-virus strategies and solutions always ahead of our competitors and offer products and services to meet users' needs, aiming to maintain our current competitive advantage in the market for corporate customers and to increase the market share further.

Summary of Consolidated Financial Results for the first half of FY2002

The six-months 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

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priority in IT investment.

We have no intention, however, to change our outlook showing that our industry will undergo steady transition in the long and medium terms in spite of short-term fluctuation, because there still exists an underlying tendency that many companies continue to expand investments into overhaul of mission-critical operation systems. Further, since many of recent harmful viruses are strong and have multiple infection routes, users are requesting vendors of network security products to provide more effective products and services than ever. The number of virus damage reports has increased constantly: while we received 25,644 reports of domestic virus damages over the past year, we have already received 28,938 reports over the first half of this year.

During the first half of FY2002, Trend Micro domestic operations significantly increased contracts for its Virus Buster Corporate Edition (Office Scan) and "ServerProtect," 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. In the retail market, the sales of "Virus Buster 2002" have been continuously favorable in the current fiscal year in succession to the previous year. Further, the numbers of customers are also rapidly increasing in the VirusWall E-Mail Service (formerly the Internet Outsourcing Service (IOS)) to offer anti-virus solutions in collaboration with ISP (Internet Service Provider).

In the phase of deployment of our business operations in North America and Europe, anti-virus products, such as "InterScan" series and "ScanMail" series, used in higher layers of hierarchy of the network mainly contributed to the steady growth in sales of the products for relatively large-sized corporate users. 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.

During the first half of FY2002, Trend Micro posted consolidated sales of (Yen) 20,507 million, an increase of 58.5 percent over the last year. Consolidated ordinary income increased 108.8 percent to (Yen) 6,271 million, while net income resulted (Yen) 3,517 million.

Sales in Japan posted an increase of 68.4 percent to (Yen) 12,696 million, while operating income from these sales rose to (Yen) 9,802 million, up 107.4 percent from the comparable period in FY2001. U.S. sales

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increased 48.4 percent to (Yen) 7,271 million, with operating income totaling (Yen) 903 million, a 198.7 percent increase. In Europe, sales increased 67.8 percent to (Yen) 4,707 million, and operating loss resulted (Yen) 60 million. Asia Pacific sales increased 51.8 percent to (Yen) 3,525 million, and operating income resulted (Yen) 210 million. Other areas posted combined sales of (Yen) 603 million, a 43.2 percent increase, and operating income of (Yen) 42 million, down 65.0 percent.

Earning Projections for FY2002

We expect that we will have to face the severe economic environment continuously in FY 2002, because of the prospected continuing economic stagnation in Japan, U.S. and Europe, which is to restrain corporate investments

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into information systems.

In Japan, as a response to the severe economic environment, we aim to increase our share in the market for large companies by releasing the products compliant with "TM EPS" as well as to maintain or improve our growing rate in the market for medium and small companies, and retails by offering wider ranges of products and services.

In North America and Europe, we also aim to increase our share in the market for large companies by releasing the products compliant with "TM EPS". Moreover, we will conduct marketing activities to enhance our brand recognition, in order to expand our customer base not only on large companies, but also on medium and small companies, as well as to enter into the retail market.

Accordingly, we project our consolidated earnings in FY 2002 and in the 3rd Quarter as follows:

Projection for FY 2002 (From Jan. 1 to Dec. 31, 2002)

Consolidate Sales:	Yen 42,000 Million, up 34.1% from the same term la
Consolidated Ordinary Income:	Yen 13,000 Million, up 36.1 % from the same term l
Consolidated Net Income:	Yen 7,300 Million, up 201.5 % from the same term l

Projection for the 3/rd/ Quarter (Jul. 1 to Sep. 30, 2002)

Consolidate Sales:	Yen 9,800 Million to Yen 10,300 Million
Consolidated Ordinary Income:	Yen 2,250 Million to Yen 2,550 Million
Consolidated Net Income:	Yen 1,250 Million to Yen 1,450 Million

Earnings projections are calculated based on estimated major currency exchange rates of \$1 = (Yen) 115 and 1 EUR = (Yen)110.

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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, 2002)	At the end of the first half of the previous fiscal year (As of June 30, 2001)
		Amount	Percentage
			Amount
			Percentage
			%
(Assets)			
Current assets			
1. Cash and bank deposits		46,055,383	34,618,745
2. Notes and accounts receivable, trade		10,740,940	7,667,480

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3. Inventories		371,790		206,945	
4. Deferred tax assets		3,313,136		2,798,031	
5. Others		1,218,176		994,108	
6. Allowance for bad debt		(528,839)		(205,200)	
		-----		-----	
Total current assets		61,170,587	87.8	46,080,110	86
Non current assets					
1. Property and equipment	*1				
(1) Building		642,960		372,291	
(2) Furniture and fixture		1,281,594		1,132,468	
(3) Others		22,728		13,890	
		-----		-----	
Total property and equipment		1,947,282	2.8	1,518,650	2
2. Intangibles					
(1) Software	*3	892,167		415,635	
(2) Software in progress		3,799		493,220	
(3) Others		37,729		70,671	
		-----		-----	
Total intangibles		933,695	1.3	979,528	1
3. Investments and other non-current assets					
(1) Investments in securities	*2	2,854,930		2,943,721	
(2) Investments in capital funds		707,389		928,119	
(3) Deferred tax assets		1,113,576		167,531	
(4) Others		954,918		810,338	
(5) Allowance for bad debt		(14,617)		(14,617)	
		-----		-----	
Total investments and other non-current assets		5,616,197	8.1	4,835,092	9
Total non-current assets		8,497,175	12.2	7,333,271	13
		-----		-----	
Total assets		69,667,763	100.0	53,413,382	100
		=====		=====	

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Account	Period	At the end of the first half of the current fiscal year (As of June 30, 2002)		At the end of the first half of the previous fiscal year (As of June 30, 2001)	
		Amount	Percentage	Amount	Percentage
			%		%
(Liabilities)					

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I	Current liabilities				
1.	Notes and accounts payable, trade	1,307,013		708,687	
2.	Current portion of long-term debt *4	8,000,000		-	
3.	Current portion of long-term borrowing *3	-		57,200	
4.	Accrued corporate taxes and others	1,879,067		476,052	
5.	Deferred revenue	11,159,665		6,311,197	
6.	Allowance for sales return	860,240		403,481	
7.	Others	3,875,857		2,148,569	
		-----		-----	
	Total current liabilities	27,081,845	38.9	10,105,186	18.9
II	Long-term liabilities				
1.	Long-term debt *4	6,500,000		15,400,000	
2.	Long-term borrowing *3	-		71,300	
3.	Deferred revenue	857,571		655,291	
4.	Allowance for retirement benefits	335,956		266,651	
5.	Others	163,180		-	
		-----		-----	
	Total long-term liabilities	7,856,708	11.3	16,393,242	30.7
		-----		-----	
	Total liabilities	34,938,554	50.2	26,498,429	49.6
	(Minority interests)				
	Minority interests	-	-	-	-
	(Shareholders' equity)				
I	Common stock	7,240,079	10.4	6,799,373	12.7
II	Additional paid-in capital	-	-	11,401,742	21.3
III	Capital surplus	12,135,120	17.4	-	-
IV	Consolidated retained earnings	-	-	8,180,496	15.3
V	Accumulated earnings	15,496,223	22.2	-	-
VI	Valuation difference on other securities	(90,051)	(0.1)	293,456	0.6
VII	Cumulative translation adjustment	197,292	0.3	244,405	0.5
		-----		-----	

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		34,978,664	50.2	26,919,476	50.4
	Treasury stock	(249,454)	(0.4)	(4,523)	(0.0)
VIII	Total shareholders' equity	34,729,209	49.8	26,914,952	50.4
	Total liabilities, minority interests and shareholders' equity	69,667,763	100.0	53,413,382	100.0

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(2) Consolidated semi-annual income statements

Period		For the first half of the current fiscal year (From January 1, 2002 to June 30, 2002)		For the first half of the previous fiscal year (From January 1, 2001 to June 30, 2001)	
Account		Amount	Percentage	Amount	Percentage
I	Sales	20,507,019	100.0	12,939,355	100.0
II	Cost of sales	1,195,693	5.8	732,229	5.7
	Gross profit	19,311,325	94.2	12,207,125	94.3
III	Selling, general and administrative expenses *1	12,954,810	63.2	9,308,645	71.9
	Operating income	6,356,514	31.0	2,898,479	22.4
IV	Non-operating income *2	229,891	1.1	529,037	4.1
V	Non-operating expenses *3	314,528	1.5	423,369	3.3
	Ordinary income	6,271,878	30.6	3,004,147	23.2
VI	Unusual losses *4	11,292	0.1	5,128,883	39.6
	Income or (losses) before taxes	6,260,585	30.5	(2,124,735)	(16.4)
	Corporate, inhabitant and enterprise tax	3,010,051	14.6	474,050	3.7
	Income tax-deferred	(267,278)	(1.3)	(1,222,199)	(9.5)
	Net income or (losses)	3,517,812	17.2	(1,376,587)	(10.6)

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(3) Consolidated semi-annual statement of retained earnings

(Thousands of yen)		
Account	Period	For the first half of the current fiscal year (From January 1, 2002 to June 30, 2002)
		Amount
Capital surplus		
I	Beginning balance of capital surplus	11,236,702
II	Increase in capital surplus	
	Newly issued stock by capital increase	406,110
	Others	492,306
III	Ending balance of capital surplus	12,135,120
Accumulated earnings		
I	Beginning balance of accumulated earnings	11,978,410
II	Increase in accumulated earnings	
	Net income	3,517,812
III	Ending balance of accumulated earnings	15,496,223

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(Thousands of yen)			
Account	Period	For the first half of the previous fiscal year (From January 1, 2001 to June 30, 2001)	Condensed consolidated sta retained earnings for the pr (From January 1, 2001 to December 31, 2001)
		Amounts	Amounts
I	Beginning balance of consolidated retained earnings	9,557,084	9,557,084
II	Net income or (losses)	(1,376,587)	(1,376,587)
III	Ending balance of consolidated retained earnings	8,180,496	8,180,496

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(4) Consolidated semi-annual cash flow statements

Account	Period	From January 1, (2002) To June 30, 2002	From Janu (2001 To June 30
I Cash flows from operating activities			
1. Income (losses) before tax		6,260,585	(2,12
2. Depreciation		950,428	47
3. Amortization for consolidation goodwill		-	2,25
4. Investment (gain) loss due to equity method accounting		(2,586)	10
5. Increase in allowance for bad debt		337,490	6
6. Decrease in accrued pension and severance costs		-	(8
7. Increase in allowance for retirement benefits		25,322	26
8. Increase (Decrease) in allowance for sales returns		216,617	(10
9. Interest income and dividends earned		(185,155)	(20
10. Interest cost		157,560	13
11. Bond-issuing cost		-	3
12. Loss on evaluation of investment in capital funds		-	
13. Loss on disposal inventories		-	
14. Loss on repurchased treasury bond		8,800	
15. Decrease (Increase) in accounts receivables		1,263,362	1,36
16. (Increase) Decrease in inventories		(141,097)	11
17. Increase (Decrease) in account payables		585	(26
18. Increase in deferred revenue		2,059,265	4,22
19. Increase in other current assets		(468,924)	(14
20. (Decrease) Increase in other current liabilities		(237,866)	
21. Others		146,974	8
Sub-total		10,391,362	6,19
22. Receipts of interest		182,666	19

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23. Payments for interest	(161,754)	(12)
24. Payments for corporate taxes	(3,624,846)	(1,61)
Net cash flow from operating activities	6,787,428	4,65
II Cash flows from investing activities		
1. Payments for time-deposit	-	(6)
2. Proceeds from repayment of time-deposit	5,971	
3. Payment for acquired tangible and intangible fixed assets	(892,234)	(1,22)
4. Payments for investment in securities	(681,974)	(2,68)
5. Proceeds from sale of investment in securities	152,316	2,61
Net cash flow from provided (used) by investing activities	(1,415,921)	(1,36)
11		
III Cash flows from financing activities		
1. Payments for long-term borrowings	-	
2. Proceeds from bond with detachable warrants	4,000,000	
3. Payments for bond-issuing cost	-	
4. Payments for bonds maturing	-	
5. Payments for repurchasing treasury stock	(4,008,800)	
6. Proceeds from marketable securities issuing	812,512	
7. (Payments) proceeds for treasury stocks, net	(227,391)	
8. Others	(31,660)	
Net cash flow provided (used) by financing activities	544,660	
IV Translation difference with cash and cash equivalent	(708,229)	
V Increase (Decrease) in cash and cash equivalents	5,207,937	
VI Beginning balance of cash and cash equivalents	40,782,649	
VII Ending balance of cash and cash equivalents	45,990,587	

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

1. Basis of consolidation	<p>All subsidiaries are consolidated. The subsidiaries are the following 15 companies</p> <p>Trend Micro Incorporated (Taiwan) Trend Micro Inc. (USA) Trend Korea Inc.(Korea) Trend Micro Italy S.r.l. (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. (Mexico) Trend Micro (NZ) Limited (Newzealand) ipTrend Incorporated (Taiwan) Trend Micro (Shanghai) Inc. (China)</p> <p>Trend Micro Incorporated Sdn.Bhd.(Malaysia) and Incorporated (Taiwan) are on the process of the</p>
2. Basis of applying equity method	<p>Equity method is applied to investment in affiliated companies. The affiliated companies are the following 4 companies NTT Data Security Corporation (Japan) Soft Trend Capital Corporation (Japan) JCN Co., Ltd. (Japan) NetSTAR.Inc. (Japan) There is no unconsolidated subsidiary and affiliate, which equity method is not applied.</p>
3. Fiscal year of consolidated subsidiaries	<p>All financial statements included in a set of consolidated financial statements are prepared as of the same date</p>
4. Accounting policies and practices (1)Valuation of significant assets	<p>(1) Securities Available-for-sale:</p> <p>Available-for-sale with fair market value: The securities are stated at the market value at the end of the period (valuated at the end of the period) and the value at the end of the period (valuated at the end of the period) is recognized in equity directly, not to reflect the cost of selling is determined by the weighted average</p> <p>Available-for-sale without a market value: The securities are stated at the weighted average</p> <p>(2) The transaction of derivatives</p>

The market value method

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(3) Inventories

Finished goods Raw materials Supplies

Finished goods, raw materials and supplies are stated at the weighted average cost.

In Trend Micro Incorporated (Taiwan) and Trend Micro (U.S.A), such inventories are stated at the cost determined by the first-in-first-out method.

Work in process

Work in process is stated at the cost being direct materials accumulated production and development cost for projects

(2) Depreciation and amortization method for fixed assets

(1) Property and equipment

Parent company -

Depreciation is computed by declining-balance method. Useful life and salvage value of the fixed assets are determined using the standard which is regulated by corporate tax law.

Building (excluding facilities and leasehold improvements) acquired after April 1, 1998 are depreciated using the straight-line method.

Foreign consolidated subsidiaries -

Depreciation is computed by a straight-line method

(2) Intangibles

Parent company

(Software for sale)

Straight-line method over the estimated useful life (mainly, for 12 months)

(Software for internal use)

Straight-line method over the estimated useful life (5 years).

(Other intangibles)

Straight-line method

Amortization years are determined using the standard which is regulated by corporate tax law.

Foreign consolidated subsidiaries

Straight-line method over the estimated economic useful lives.

(3) Long-term prepaid expense

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Amortization is computed by a straight-line method. Amortization years are determined using the statute of limitations which is regulated by corporate tax law.

(3) Accounting for significant deferred assets

Issuing costs of stocks and bonds are charged to expense as incurred.

(4) Accounting policies for significant provisions

(1) Allowance for bad debt

As contingency against losses from default of accounts receivable, the allowance for doubtful accounts is provided. The amount is determined using a percentage based on actual doubtful account loss against total of accounts receivable amount, which takes into consideration the possibility of recovering specific liabilities.

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(2) Allowance for sales return

In order to reserve future losses from sales return subsequent to the fiscal year-end, allowance for sales return is provided based on the past experience in the sales return.

(3) Allowance for retirement benefits

In order to reserve future losses from retirement of employees, allowance for retirement benefits are provided based on retirement benefit liabilities and pension assets at the end of the period under reviewing.

Regarding actuarial gain and loss, they are all expensed in the following accounting period in parent company.

In consolidated subsidiaries, they are amortized by a straight-line method over the average employee job life and expensed in the accounting period of incurrence and thereafter.

Unrecognized prior service cost is booked in consolidated subsidiaries. It is amortized by a straight-line method over the average employee job life and expensed in the accounting period

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of incurrence and thereafter.

(5) Translation of major foreign-currency assets and liabilities into Yen.

Foreign-currency financial receivables and liabilities are translated into yen at the spot rate effective at the end of the period. Exchange differential is treated as a profit/loss.

Foreign-currency assets and liabilities held by overseas subsidiaries are translated into yen at the spot rate effective at the end of the period. Revenue and expenses of overseas subsidiaries are translated into yen at the average rate during the period. Exchange differential is included in "Cumulative translation adjustment" under Shareholders' equity.

(6) Accounting for leased assets

Finance leases without transfer of ownership of the leased assets are accounted for in the same manner as applied to operating leases.

(7) Consumption tax

Transactions subject to consumption tax are stated at the amount net of the related consumption tax.

(8) Accounting treatment for stock warrants and stock options granted to directors and certain employees under the Company's incentive plan

The parent company and its subsidiaries have adopted incentive plans pursuant to which warrants to purchase parent company shares were granted to directors and certain employees. Under these plans, the parent company issued bonds with detachable warrants and immediately repurchased all of the warrants for distribution to grantees.

In addition, our U.S. subsidiary adopted an incentive plan in which parent company shares, that were transferred to a special purpose company by certain large shareholders, and from the previous fiscal year, based on the unrevised Japanese Commercial Code, the compensation plan of stock option (subscription right method) for directors and certain employees of the company and subsidiaries that is provided as specific related entrepreneur on the Industrial Revitalization Special Measures Law, were granted to certain directors and employees

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(these three plans are hereinafter referred to as the "stock option plan").

The total compensation cost under the stock option plan is measured by differences between the quoted market price of the parent company shares at the measurement date (the first date on which both the number of shares an individual employee is entitled to receive and the exercise price are known (normally the grant date)) and the exercise price and is recognized as expense over the exercisable period.

The warrant portion of the bonds with detachable warrants issued under the stock option plan is recorded as "warrant account" in current liability upon issuance of the bonds and eliminated upon repurchasing the warrants.

The accounting policy on compensation cost is the same as that of our U.S. subsidiary. For the purpose of unification of accounting policies to disclose financial position and results of operation as a group more accurately, financial statements before consolidation of parent company and its subsidiaries (other than the U.S. subsidiary) have been adjusted through consolidation.

The adjustment of the parent company's financial statements, which was made on the process of consolidation, resulted in an increase in operating income, ordinary income and income before taxes of 113,206 thousand yen each, and an increase in net income after tax of 65,603 thousand yen. In addition, the balance of consolidated retained earnings at the end of first half of current consolidated fiscal year is increased by 647,912 thousand yen.

(9) Revenue recognition method for

Basically, the product license

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Post Contract Customer Support Service (PCS)

agreement contracted with the end-user states the article for PCS (customer support and upgrading of products and its pattern files).

Parent company and its subsidiaries adopt the following revenue recognition method for the portion of PCS. Portion of PCS revenue is recognized separately from total revenue and it is deferred as deferred revenues under current liabilities and non-current liabilities based on contracted period. Deferred revenue is finally recognized for the contracted period evenly.

5. Definition of cash and cash equivalent in the consolidated cash flow statement for the first half of current fisical year

Cash and cash equivalents in the consolidated statement of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

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Notes

(Consolidated semi-annual balance sheets)

At the end of the first half of the current fiscal year (As of June 30, 2002)	At the end of the first half of the previous fiscal year (As of June 30, 2001)	At
1 Accumulated depreciation of property and equipment 1,504,072	1 Accumulated depreciation of property and equipment 999,549	1 Acc p
2 Major assets owned toward affiliates Investments in securities 87,515	2 Major assets owned toward affiliates Investments in securities 109,623	2 Ma Inv
-----	3 Pledged assets and liabilities applied to its assets are as follows: [Pledged assets]	

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Software	21,410
[Liability applied to the above]	
Current portion of	
Long-term debt	57,200
Long-term	
Borrowing	71,300
-----	-----
Total	128,500

*4 Treasury bonds

In order for the warrants to be granted or transferred to the directors and certain employees of the Company and the directors and certain employees of the affiliated company, parent company issued unsecured bonds with detachable warrants. Undersection 341-8-4 of Japanese Commercial Code, the redemption and retirement of these bonds are restricted when total amount of bonds is less than the total amount of issue price of the stocks from unexecuted warrants. To reduce interest costs, parent company repurchased a part of the issued bonds after warrants were detached. For this reason, the company intends to hold the treasury bonds until they can be retired legally and it is same as the redemption substantially.

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Thus, bonds and treasury bonds are disclosed in net amount in the balance sheet as follows. The difference between the repurchased price and book value of the treasury bonds at the time of transaction are booked as loss on repurchase of treasury bonds in the unusual loss section.

Thus, bonds a
are disclosed
balance sheet
difference be
price and boo
treasury bond
transaction a
repurchase of
unusual loss

(Thousands of yen)

Current liability Non-current liability

(

Curren

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Bonds	-----	-----	Bonds	-----
	8,800,000	16,500,000		3,
Treasury bonds	(800,000)	(10,000,000)	Treasury bonds	(
	-----	-----		-----
	8,000,000	6,500,000		3,
	=====	=====		=====

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(Consolidated semi-annual income statements)

For the first half of the current fiscal year	For the first half of the previous fiscal year
(From January 1, 2002)	(From January 1, 2001)
To June 30, 2002	To June 30, 2001

1. Major components of selling, general and administrative expenses

1. Major components of selling, general and administrative expenses

Advertising and sales promotions	2,511,275	Advertising and sales promotions	1,141,450
Salaries and bonuses	3,118,262	Salaries and bonuses	2,539,854
Out-side service fee	528,104	Out-side service fee	789,749
Depreciation expense	310,716	Depreciation expense	198,818
Research and Development costs	914,720	Research and Development costs	1,246,142
Software maintenance fee	924,705	Amortization of consolidated goodwill	252,763
		Software maintenance fee	325,115

2. Major components of non-operating income

2. Major components of non-operating income

Interest income	185,155	Interest income	202,266
Equity in gain of affiliated companies	2,586	Foreign exchange gain	307,532

3. Major components of non-operating expense

3. Major components of non-operating expense

Interest expense	157,560	Interest expense	135,172
Foreign exchange loss	98,695	Bond issue costs	34,180
		Equity in loss of affiliated companies	104,849
		Loss on disposal of products	49,328

4. Major components of

4. Major components of

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	unusual losses		unusual losses
Loss on disposal of		Amortization of	
fixed assets	2,492	Consolidated Goodwill	
Loss on repurchased		(the component of	
treasury bond	8,800	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 semi-annual cash flow statement)

For the first half of the current fiscal year (From January 1, 2002) To June 30, 2002	For the first half of the previous fiscal year (From January 1, 2001) To June 30, 2001
1. The ending balance of cash and cash equivalents and accounts in the consolidated balance sheet	1. The ending balance of cash and cash equivalents and accounts in the consolidated balance sheet
Cash and deposits	Cash and deposits
46,055,383	34,618,745
Time deposit matured over 3 months (excluded from cash and deposit)	Time deposit matured over 3 months (excluded from cash and deposit)
(64,795)	(65,511)
Cash and cash equivalents	Cash and cash equivalents
45,990,587	34,553,234

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4. Segment Information

1. Industry segment information

The company and its subsidiaries had operated principally in two industry segments: "Security software business" and "Internet infrastructure-related products/service business". However, ip Trend Incorporated (Tokyo Shibuya-ku) and ip Trend Incorporated (Tokyo Chuo-ku) which have operated "Internet-related product/service business" was liquidated in the previous fiscal year and ip Trend Incorporated (Taiwan) has been processed to liquidate. Thus, from the current fiscal year, the

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company and its subsidiaries are specialized in "Security software business". Also, industry segment information was not disclosed in the first-half of the previous fiscal year since more than 90% of sales and operating income in all segments were 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	Europe	Asia Pacific	Others	To

Sales and operating profit/loss						
Sales						
(1) Sales to third parties	8,570,556	4,667,439	4,681,702	1,984,283	603,037	20
(2) Intersegment sales	4,126,129	2,603,594	25,884	1,541,443	-	8

Total	12,696,685	7,271,033	4,707,586	3,525,727	603,037	28

Operating expenses	2,893,874	6,367,553	4,767,830	3,315,177	560,804	17

Operating income (loss)	9,802,810	903,480	(60,244)	210,549	42,232	10

	For the first-half of the previous fiscal year				(From January To June 30,	
	Japan	North America	Taiwan	Europe	Others	To

Sales and operating profit (loss)						
Sales						
(1) Sales to third parties	4,487,537	4,017,815	883,543	2,796,599	753,858	12,9
(2) Intersegment sales	3,053,423	881,345	1,080,149	8,105	35,295	5,0

Total	7,540,960	4,899,160	1,963,693	2,804,705	789,153	17,9

Operating expenses	2,815,535	4,596,694	1,991,885	2,851,499	771,900	13,0

Operating income (loss)	4,725,425	302,466	(28,192)	(46,794)	17,253	4,9

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	For the previous fiscal year					(From January	To December 31
	Japan	North America	Taiwan	Europe	Others		
Sales and operating profit (loss)							
Sales							
(1) Sales to third parties	12,114,971	8,577,200	1,896,325	6,860,192	1,877,630		31,3
(2) Intersegment sales	6,914,741	2,530,239	2,288,584	21,285	101,687		11,8
Total	19,029,713	11,107,439	4,184,909	6,881,478	1,979,317		43,1
Operating expenses	5,730,025	10,037,183	4,328,060	6,349,022	1,807,521		28,2
Operating income (loss)	13,299,688	1,070,256	(143,150)	532,455	171,795		14,9

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(Notes)

- Classification of countries and regions is based on geographical proximity.
- Classification of countries and regions into each geographic segment.
 - North America : U.S.A.
 - Europe : Italy, Germany, France, UK
 - Asia Pacific : Taiwan, Korea, Australia, Hong Kong, Malaysia, New Zealand, China
 - Others : Brazil, Mexico
- Unallocable operating expenses for the current semi-annual period in the operating expense (JPY 5,531 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.
- Unallocable operating expenses for the previous 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.
- Unallocable operating expenses for the previous annual period in the operating expense (JPY 6,310 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.
- Unallocable operating expenses are included in "Elimination or Corporate" due to the difficulty in recognizing their contribution to each segments' profit and loss.
- Taiwan had been disclosed separately. However, the sales volume in Taiwan

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have been decreasing and it is expected to decline more. In addition, strictly considering geographical proximity, it is rational to disclose Taiwan together with Korea, Australia, Hong Kong, Malaysia, New Zealand and China. Therefore, from the first half of the current fiscal year, they are disclosed as "Asia Pacific". Segment information for the first half of the previous fiscal year and previous fiscal year in the current way of classification and allocation are as follows.

	For the first-half of the previous fiscal year					(From January To June 30,
	Japan	North America	Europe	Asia Pacific	Others	
Sales and operating profit/loss						
Sales						
(1) Sales to third parties	4,487,537	4,017,815	2,796,599	1,216,370	421,031	12,531,100
(2) Intersegment sales	3,053,423	881,345	8,105	1,106,732	-	5,049,605
Total	7,540,960	4,899,160	2,804,705	2,323,103	421,031	17,580,705
Operating expenses	2,815,535	4,596,694	2,851,499	2,454,772	300,300	13,018,800
Operating income (loss)	4,725,425	302,466	(46,794)	(131,669)	120,730	4,561,905

	For the first-half of the previous fiscal year					(From January To December 31,
	Japan	North America	Europe	Asia Pacific	Others	
Sales and operating profit/loss						
Sales						
(1) Sales to third parties	12,114,971	8,577,200	6,860,192	2,803,818	970,137	31,326,318
(2) Intersegment sales	6,914,741	2,530,239	21,285	2,367,299	-	11,833,564
Total	19,029,713	11,107,439	6,881,478	5,171,117	970,137	43,160,882
Operating expenses	5,730,025	10,037,183	6,349,022	5,454,439	658,171	28,228,840
Operating income (loss)	13,299,688	1,070,256	532,455	(283,321)	311,966	14,932,042

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(3) Overseas sales

	(Thous			
	(From Janua			
	To June			
	For the first-half of the current fiscal year			
	North America	Europe	Asia Pacific	Others
I Overseas sales	4,667,439	4,681,702	1,984,283	603,037
II Consolidated sales				
III Ratio of overseas sales against consolidated sales	22.8%	22.8%	9.7%	2.9%

	(From Janua			
	To June			
	For the first-half of the previous fiscal year			
	North America	Taiwan	Europe	Others
I Overseas sales	4,017,815	663,751	2,796,599	982,714
II Consolidated sales				
III Ratio of overseas sales against consolidated sales	31.1%	5.1%	21.6%	7.6%

	(From Janua			
	To Decembe			
	For the previous fiscal year			
	North America	Taiwan	Europe	Others
I Overseas sales	8,577,200	1,905,389	6,860,192	1,877,630
II Consolidated sales				
III Ratio of overseas sales against consolidated sales	27.4%	6.1%	21.9%	6.0%

- (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 |
| Asia Pacific | : | Taiwan, Korea, Australia, Hong Kong, Malaysia, New Zealand, China |
| Others | : | Brazil, Mexico |
4. Taiwan had been disclosed separately. However, the sales volume in

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Taiwan have been decreasing and it is expected to decline more. In addition, strictly considering geographical proximity, it is rational to disclose Taiwan together with Korea, Australia, Hong Kong, Malaysia, New Zealand and China. Therefore, from the current semi-annual period, they are disclosed as "Asia Pacific". Segment information for the previous semi-annual period and previous fiscal year in the current way of classification and allocation are as follows.

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	For the first-half of the previous fiscal year				(Thousand (From January To June
	North America	Europe	Asia Pacific	Others	
I Overseas sales	4,017,815	2,796,599	1,225,435	421,031	
II Consolidated sales					
III Ratio of overseas sales against consolidated sales	31.1%	21.6%	9.5%	3.3%	

	For the previous fiscal year				(From January To December
	North America	Europe	Asia Pacific	Others	
I Overseas sales	8,577,200	6,860,192	2,812,882	970,137	
II Consolidated sales					
III Ratio of overseas sales against consolidated sales	27.4%	21.9%	9.0%	3.1%	

5. Lease transactions None

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6. Fair Market Value of Marketable Securities

(1) Available-for-sale with fair market value

Classification	At the end of the first half of the current fiscal year	At the end of the first half of the previous fiscal year
----------------	--	---

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As of June 30, 2002

(As of June 30, 2001)

Available-for-sale	Acquisition cost	Recorded amount on Consolidated BS	Difference	Acquisition cost	Recorded amount on Consolidated BS	Difference
1. Equity securities	140,905	82,103	(58,802)	332,475	737,206	404,730
2. Debt securities						
Government bond/ Municipal bond	277,503	251,069	(26,433)			
Corporate bond	1,970,171	1,886,941	(83,229)	1,700,000	1,768,510	68,510
Others						
3. Others				9,995	9,781	(214)
Total	2,388,580	2,220,114	(168,465)	2,042,471	2,515,498	473,027

(2) Major securities market value non-applicable

Classification	At the end of the first half of the current fiscal year (As of June 30, 2002)	At the end of the first half the previous fiscal year (As of June 30, 2001)
Available-for-sale	Recorded amount on consolidated B/S	Recorded amount on consolidated B/S
1. Unlisted securities (excluding OTC transaction securities)	634,815	428,2
2. Others		
Total	634,815	428,2

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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, liquidated in the previous fiscal year), before the company acquisition. (Due to business

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transfer to Trend Micro in the previous fiscal year, Trend Micro Inc. has been transferred the interest cap trading and the interest rate swap.) Trend Micro Group has no intention of changing, so there will no newly derivative transactions in future. 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.

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. In addition, these transactions have a risk related to rate changing, but there is no significant effect for the company business.

The contract amount of "Fair market value of the derivative transaction" doesn't show the amount of risks on the derivative market.

Fair market value of the derivative transaction

Contract or notional amount, fair market value and appraisal gain (loss)								
Classification	Type	At the end of the first half of the current fiscal year As of June 30, 2002			At the end of the first half of the previous fiscal year As of June 30, 2001			
		Contract amount	Fair market value	Appraisal gain (loss)	Contract amount	Fair market value	Appraisal gain (loss)	Fair market value
		Over 1 year	Over 1 year	Over 1 year	Over 1 year	Over 1 year	Over 1 year	Over 1 year
Out-side market transaction	Interest cap							
	Buy	100,000	100,000	14 (3,185)	100,000	100,000	14 (3,185)	100,000
	(Option Premium)	(3,200)	(3,200)		(3,200)	(3,200)		
	Interest rate swap							
	Receive/floating and pay/fixed	200,000	200,000	(8,737) (8,737)	200,000	200,000	(8,737) (8,737)	(10,000) (10,000)
	Total	300,000	300,000	(8,722) (11,922)	300,000	300,000	(8,722) (11,922)	(10,000) (10,000)

(Thousands of yen)

Classification	Type	At the end of the previous fiscal year As of December 31, 2001	
		Contract amount	Fair market value

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		----- Over 1 year	market value	Appraisal gain (loss)
Out-side market transaction	Interest cap			
	Buy	100,000	100,000	63 (3,136)
	(Option Premium	(3,200)	(3,200)	
	Interest rate swap			
	Receive/floating and pay/fixed	200,000	200,000	(9,773) (9,773)
	Total	300,000	300,000	(9,710) (12,910)

- (Note) 1. The amount of option premium is stated in () and the fair market value of it and appraisal gain (loss) are stated on the above.
 2. Fair market value is determined based on the price, which is provided by the contractor of the financial institute.

8. Significant subsequent events

N/A

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9. Manufacturing and sales result

(1) Manufacturing result

(Thousands of yen)

Products	Period	(From January 1, 2002 To June 30, 2002)	(From January 1, 2001 To June 30, 2001)	(F T
PC Client		25,286	4,116	
LAN Server		-	15,735	
Internet Server		375,008	154,956	
Other Products		461,952	10,290	
Internet based products/ service		-	356,427	

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Total	862,247	541,525
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(Note) 1. Amount is based on manufacturing expense.
 2. Consumption tax is not included in the amount above.

(2) Sales result

(Thousands of yen)

Products	Period	(From January 1, 2002 To June 30, 2002)	(From January 1, 2001 To June 30, 2001)
PC Client		7,231,689	4,320,161
LAN Server		2,633,354	1,237,716
Internet Server		6,942,460	4,513,593
Other Products		528,772	209,099
Internet based products/ service		-	505,043
	Sub-total	17,336,276	10,785,615
Other service		3,170,742	2,153,739
	Total	20,507,019	12,939,355

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

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July 30, 2002
 Report of First-Half Results (Non-consolidated)
 For Fiscal Year Ending December 31, 2002

Company: Trend Micro Incorporated Tokyo Stock Exchange 1/st/ Section
 Code: 4704 Location: Tokyo

(URL <http://www.trendmicro.co.jp/>)

Contact: Title Controller, Financial & Accounting Department
 Name Ryo Masaki (Phone: 81-3-5334-3600)

Date of the board of directors meeting
 authorizing the first-half results: July 30, 2002

The company can distribute semi-annual cash dividends based on the Article of corporation. Starting date of semi-annual dividend payment: No semi-annual

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dividends were authorized for this semi-annual period.

The company adopts Unit Stock method. (One unit: 500 shares)

1. Financial Highlights for the first half of FY 2002 (January 1, 2002 through June 30, 2002)

(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 2002	12,696	79.7	4,263	57.9
The first half of FY 2001	7,066	78.9	2,699	454.2
FY 2001 (annual)	18,454		7,579	

	Net income	Growth rate	Net income per share
	Millions of yen		Yen
The first half of FY 2002	2,251		17.03
The first half of FY 2001	(2,166)		(16.49)
FY 2001 (annual)	393		2.99

(Note)

1. Weighted average number of shares outstanding:

132,153,432 shares (for the first half of FY 2002)
131,339,944 shares (for the first half of FY 2001)
131,594,913 shares (for FY 2001)
2. Change in accounting policies: None
3. The percentage of sales, operating income, ordinary income and net income are comparison 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 02	0	-
The first half of FY 01	0	-

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8.	Others		107,580		228,682	
9.	Allowance for bad debt		(96,416)		(473,275)	
	Total current assets		45,868,267	84.6	32,456,969	7
II	Non-current assets					
1.	Property and equipment	1	661,318	1.2	266,152	
2.	Intangibles					
	(1) Software copyright		-		46,070	
	(2) Software		578,376		148,955	
	(3) Software in progress		3,799		493,220	
	(4) Others		34,131		52,361	
	Total intangibles		616,307	1.1	740,608	
3.	Investments and other non-current assets					
	(1) Investments in securities		2,767,414		2,824,316	
	(2) Investments in subsidiaries and affiliates		2,183,471		3,894,043	
	(3) Deferred tax assets		811,734		39,176	
	(4) Others		1,303,188		1,603,680	
	(5) Allowance for bad debts		(14,797)		(15,477)	
	Total investments and other non-current assets		7,051,013	13.1	8,345,739	2
	Total non-current assets		8,328,638	15.4	9,352,500	2
	Total assets		54,196,905	100.0	41,809,470	10

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Account	Period	At the end of the first half of the current fiscal year (As of June 30, 2002)		At the end of the first of the previous fiscal year (As of June 30, 2001)	
		Amount	Percentage	Amount	Percent
Liabilities					
Current liabilities					
1.	Accounts payable, trade	86,934		24,801	
2.	Current portion of long-term debt	5	8,000,000	-	
3.	Accounts payable, other		3,157,370	1,569,093	
4.	Accrued corporate taxes and other		1,591,000	3,756	
5.	Allowance for sales returns		704,191	179,739	
6.	Warrants		3,035,527	1,917,943	
7.	Deferred revenue		5,666,866	3,011,041	
8.	Others	3	682,953	367,416	

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Total current liabilities		22,924,844	42.3	7,073,791	16.
Long-term liabilities					
1. Long-term debt	5	6,500,000		15,400,000	
2. Deferred revenue		515,418		335,737	
3. Allowance for retirement benefits		271,594		196,423	
Total long-term liabilities		7,287,012	13.4	15,932,160	38.
Total liabilities		30,211,857	55.7	23,005,952	55.
Shareholders' equity					
Common stock	4	7,240,079	13.4	6,799,373	16.
Capital surplus					
1. Additional paid-in capital		9,080,043	16.8	8,517,103	20.
Accumulated earnings					
1. Legal reserve		20,833	0.0	20,833	0.
2. Unappropriated retained earnings at the end of the period		7,983,598	14.7	3,172,626	7.
Valuation difference on other securities		(90,051)	(0.2)	293,580	0.
Treasury stock	2	(249,454)	(0.4)	-	
Total shareholders' equity		23,985,048	44.3	18,803,517	45.
Total liabilities and shareholders' equity		54,196,905	100.0	41,809,470	100.

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(2) Non-consolidated semi-annual income statements

Period		For the first half of the current fiscal year From January 1, 2002 To June 30, 2002	For the first half of the previous fiscal year From January 1, 2001 To June 30, 2001		
Account		Amount	Percentage	Amount	Percentage
I	Sales	12,696,685	100.0	7,066,538	100.
II	Cost of sales	1,038,961	8.2	320,302	4.
	Gross profit	11,657,724	91.8	6,746,235	95.
III	Selling, general and administrative expenses	7,394,357	58.2	4,046,471	57.
	Operating income	4,263,366	33.6	2,699,764	38.
IV	Non-operating income	120,029	0.9	298,684	4.

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V	Non-operating expense	3	278,789	2.2	219,152	3.
			-----		-----	
	Ordinary income		4,104,606	32.3	2,779,296	39.
VI	Unusual losses	4	83,285	0.6	6,376,441	90.
			-----		-----	
	Income (loss) before taxes Corporate, inhabitant and enterprise tax		4,021,320	31.7	(3,597,145)	(50.
	Income tax deferred		2,127,399	16.8	3,756	0.
			(357,800)	(2.8)	1,434,778	20.
			-----		-----	
	Net income (loss)		2,251,721	17.7	(2,166,122)	(30.
	Retained earnings at the beginning of the year		5,731,876		5,338,749	
			-----		-----	
	Unappropriated retained Earnings at the end of the period		7,983,598		3,172,626	
			=====		=====	

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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

Investments in affiliates and in subsidiaries
Moving average cost method

Available-for-sale
Available-for-sale with fair market value

The securities are stated at the market value based on the value at the end of the period. Differences are recognized in equity differences reflect to net earnings and cost of sales determined by the weighted average method.

Available-for-sale without a market value

The securities are stated at the weighted average cost method.

(2) The transaction of derivatives

The market value method

(3) Inventories

Finished goods Raw materials Supplies
Moving average cost method

Work in process

Work in process is stated at the cost by accumulated production and development individual projects.

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-
2. Depreciation and amortization method for fixed assets
- (1) Property and equipment
Declining-balance method
Useful life and salvage value of the fixed assets determined using the standard which is prescribed by corporate tax law.

Building (excluding facilities and leasehold improvements) acquired after April 1, 1981, depreciated by a straight-line method.
- (2) Intangibles
(Software for mass sale)
Straight-line method over the estimated useful life.

(Software for internal use)
Straight-line method over the estimated useful life.

(Other intangibles)
Straight-line method
Depreciation years are determined using the standard which is regulated by corporate tax law.
- (3) Long-term prepaid expense
Amortization is computed by a straight-line method.
Amortization years are determined using the standard which is regulated by corporate tax law.

-
3. Accounting for deferred assets
- Issuing costs of stocks and bonds are charged to expense as incurred.
-

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4. Accounting policies for provisions
- (1) Allowance for bad debt

As contingency against losses from default on accounts receivable, the allowance for doubtful accounts is provided. The amount is determined using a percentage based on own actual doubtful accounts against total of debts and an amount, which is determined in consideration the possibility of recovering on doubtful accounts liabilities.
- (2) Allowance for sales return

In order to reserve future losses from sales returns subsequent to the fiscal year end, allowance for sales return is provided based on the past experience of sales return.
- (3) Allowance for retirement benefits

In order to reserve future losses arising from

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retirement of employees, allowance for retirement benefits is provided based on retirement benefits liabilities at the end of the period under

Actuarial gain and loss are all expensed in the following accounting period.

5. Translation of major foreign-currency assets and liabilities into Yen.

Foreign-currency financial receivables and liabilities are translated into yen at the spot rate effective at the end of the period. Exchange differential is recorded as a profit/loss.

6. Revenue recognition policy

Revenue recognition method for Post Contract Support Service

Basically, the product license agreement concluded with the end-user states the article for Post Contract support and upgrading of products and its products (files).

The company adopts the following revenue recognition method for the portion of PCS. Portion of PCS is recognized separately from total revenue and deferred as deferred revenues under current and non-current liabilities based on contracted period. Deferred revenue is finally recognized for the contracted period evenly.

7. Accounting for leased assets

Finance leases without transfer of ownership of leased assets are accounted for in the same manner as applied for operating leases.

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8. Other important matters for preparing semi-annual financial statements

(1) Consumption tax

Transactions subject to consumption tax are stated at the amount net of the related consumption tax.

(2) Accounting for stock warrants that was granted to some officers and employees.

The Company has adopted incentive plans where warrants to purchase parent company's shares are granted to directors and certain employees after parent company issues bonds with detachable warrants and immediately repurchases all of the warrants. Compensation costs are measured at

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repurchase costs of warrant securities at the point of grant because that is only one of the compensation scheme which grants warrants to directors and employees. Warrant portion of the bonds is recorded as "warrant account" upon issuance and then transferred to "additional paid-in capital" upon exercise.

Notes

(Non-consolidated semi-annual balance sheets)

At the end of the first half of the current fiscal year (As of June 30, 2002)	At the end of the first half of the previous fiscal year (As of June 30, 2001)	At the end of (As of
1 Accumulated depreciation of property and equipment JPY 372,147	1 Accumulated depreciation of property and equipment JPY 231,119	1 Accumulated property and e J
2 Number of treasury stocks 72,654 shares	2 Number of treasury stocks 916 shares	2 Number of tr 9
3 Presentation of consumption tax Net of consumption tax paid and consumption tax received are included in other current liabilities.	3 Presentation of consumption tax Net of consumption tax paid and consumption tax received are included in other current liabilities.	3 Presentation Net of consumpt consumption tax in other curren
4 Description of increases in the number of shares issued	4 Description of increases in the number of shares issued	4 Description the number of
Exercise of stock warrants detached from bonds	Exercise of stock warrants detached from bonds	Exercise of sto from bonds
-Number of shares issued 440,226 shares	-Number of shares issued 442,239 shares	-Number of sha 8
-Issue price per share JPY -	-Issue price per share JPY -	-Issue price p J
-Increase in common stock JPY 406,401	-Increase in common stock JPY 445,635	-Increase in c J
	Stock split	Stock split
	-Number of shares issued 65,679,227 shares	-Number of sha 6
	-Issue price per share JPY -	-Issue price p J
	-Increase in common stock JPY 170,900	-Increase in c J

*5 Treasury bonds

In order for the warrants to be granted or transferred to the directors and certain employees of the Company and the directors and certain employees of the affiliated company, the Company issued unsecured bonds with detachable warrants. Under section 341-8-4 of Japanese Commercial Code, the redemption and retirement of these bonds are restricted when total amount of bonds is less than the total amount of issue price of the stocks from unexecuted warrants. To reduce interest costs, the Company repurchased a part of the issued bonds after warrants were detached. This repurchase is same as the redemption substantially.

Thus, bonds and treasury bonds are disclosed in net amount in the balance sheet as follows. The difference between the repurchased price and book value of the treasury bonds at the time of transaction are booked as loss on repurchase of treasury bonds in the unusual loss section.

(Thousands of yen)

	Current liability	Non-current liability
Bonds	8,800,000	16,500,000
Treasury bonds	(800,000)	(10,000,000)
	8,000,000	6,500,000

*5 Treasury bonds

In order for the warrants to be granted or transferred to the directors and certain employees of the Company and the directors and certain employees of the affiliated company, the Company issued unsecured bonds with detachable warrants. Under section 341-8-4 of Japanese Commercial Code, the redemption and retirement of these bonds are restricted when total amount of bonds is less than the total amount of issue price of the stocks from unexecuted warrants. To reduce interest costs, the Company repurchased a part of the issued bonds after warrants were detached. This repurchase is same as the redemption substantially.

Thus, bonds and treasury bonds are disclosed in net amount in the balance sheet as follows. The difference between the repurchased price and book value of the treasury bonds at the time of transaction are booked as loss on repurchase of treasury bonds in the unusual loss section.

	Current liability
Bonds	3
Treasury bonds	3
	3

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For the first half of the current fiscal year (From January 1, 2002 To June 30, 2002)	For the first half of the previous fiscal year (From January 1, 2001 To June 30, 2001)	For the first half of the previous fiscal year (From January 1, 2001 To June 30, 2001)
1 Major components of selling, general and administrative expenses	1 Major components of selling, general and administrative expenses	1 Major components of selling, general and administrative expenses
Sales promotions 160,171	Sales promotions 135,102	Sales promotions 135,102
Advertising 1,568,298	Advertising 73,041	Advertising 73,041
Salaries and bonuses 1,122,862	Salaries and bonuses 830,865	Salaries and bonuses 830,865
Pension and severance costs 37,485	Pension and severance costs 28,351	Pension and severance costs 28,351
Depreciation expense 65,285	Depreciation expense 30,575	Depreciation expense 30,575
Service charge 464,387	Service charge 489,562	Service charge 489,562
Research and development costs 903,936	Research and development costs 1,038,519	Research and development costs 1,038,519
Software maintenance fee 924,705	Software maintenance fee 302,088	Software maintenance fee 302,088
Intercompany charge 876,662	Intercompany charge 135,820	Intercompany charge 135,820
	Amortization of software copyright 69,105	Amortization of software copyright 69,105
2 Major components of non-operating income	2 Major components of non-operating income	2 Major components of non-operating income
Interest on securities 37,138	Interest on securities 36,218	Interest on securities 36,218
Interest income 36,775	Interest income 22,010	Interest income 22,010
Gain from reversing of allowance for bad debt 32,269	Foreign exchange gain 227,396	Foreign exchange gain 227,396
3 Major components of non-operating expense	3 Major components of non-operating expense	3 Major components of non-operating expense
Bond interests 149,013	Bond interests 131,755	Bond interests 131,755
Bond issue cost 11,736	Bond issue cost 34,180	Bond issue cost 34,180
Warrants fees 19,924	Warrants fees 34,012	Warrants fees 34,012
Loss on sales of marketable securities 13,553		Evaluation of investment 13,553
Foreign exchange loss 80,368		Foreign exchange loss 80,368
4 Major component of unusual loss	4 Major component of unusual loss	4 Major component of unusual loss
Loss on disposal of fixed assets 2,492	Loss on prior year adjustment (due to change in revenue recognition) 2,800,962	Loss on prior year adjustment (due to change in revenue recognition) 2,800,962
Valuation difference on investments in subsidiaries and affiliates 71,993	Allowance for intercompany loans receivable 370,000	Loss on liquidation of subsidiaries 71,993
Loss on repurchased treasury bond 8,800	Valuation difference on investments in subsidiaries and affiliates 3,098,897	Loss on repurchased treasury bond 8,800
	Retirement benefit expense 106,581	Retirement benefit expense 106,581

5 Depreciation and amortization expense		5 Depreciation and amortization expense		5 Deprecia	
Property and equipment	86,473	Property and equipment	38,354	Property a	
Intangible fixed assets	526,079	Intangible fixed assets	207,088	Intangible	

(Significant subsequent events) N/A

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2. Lease transactions

None

3. Market value of the marketable securities

"Marketable securities (excluding investments in subsidiaries and affiliates with fair market value)" for the first half of current fiscal year, and market value of the marketable securities for the first half of previous fiscal year are indicated on the explanatory note on consolidated financial statements.

1. For the first half of current fiscal year (as of June 30, 2002)
 - None of investments in subsidiaries and affiliates have fair value
2. For the first half of previous fiscal year (as of June 30, 2001)
 - None of investments in subsidiaries and affiliates have fair value
3. For the previous fiscal year (as of December 31, 2001)
 - None of investments in subsidiaries and affiliates have fair value.

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Brief Information For The Interim Consolidated Financial Report

Pro Forma Compensation Cost For The Stock Options (Unaudited)

Our company and subsidiaries have adopted incentive plans for the directors and employees of our company and subsidiaries: an incentive plan pursuant to which warrants to purchase parent company shares were granted to directors and employees (Under this plan, our company issued bond with detachable warrants and immediately repurchased all of the warrants for distribution to grantees); and an incentive plan based on the stock option (subscription right method) in accordance with the Article 280 Section 19-2 of the former Commercial Code of Japan. In addition, our U.S. subsidiary has adopted a stock option incentive plan granting our company's shares invested in kind by major shareholders to a special purpose company.

Regarding to these incentive plans, we have estimated the compensation cost pursuant to SFAS No. 123 of U.S. Generally Accepted Accounting Principles

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for compensation costs on stock options. Each stock option value on the date of grant is calculated on Black-Scholes option pricing model with assumption described below. Then the value is prorated over the period of execution to recognize the cost. The resulting pro forma compensation cost (consolidated, before tax) for the stock option plans for the first half of FY2002 is 426 million yen.

	Volatility	Estimated Duration of The Option	Estimated Dividend	R
Incentive Plan for 1999	25.80 %	3 years	0	
Incentive Plan for 2000	17.03 %	3 years	0	
Incentive Plan for 2001	14.98 - 15.00 %	3 years	0	0.
Incentive Plan for 2002	18.00 %	4 years	0	

July 30, 2002
Trend Micro Incorporated