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 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:

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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 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)	N per sh
	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	%

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)

(3) Consolidated Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities
As of	Millions of yen	Millions of yen	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	Ordinary income
	Millions of yen	Millions of yen
For the year ending December 31, 2002	42,000	13,000

(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 y
3rd Qtr	9,800 to 10,300	2,250 to 2,550	1,250 to 1,4

(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 o development activities are entrusted to Trend Micro Incorpora Micro Inc. (U.S.A.), Trend Micro Deutschland GmbH (Germany), (Shanghai) Inc. (China). Trend Micro Incorporated (Taiwan) al manufacturing and sales of the products, part of which are pu Micro Inc (Japan), Trend Micro Inc. (U.S.A.), Trend Korea Inc Deutschland GmbH (Germany), Trend Micro Italy S.r.l., Trend M Ltd. (Australia), Trend Micro do Brasil Ltda. (Brazil), Trend Micro Hong Kong Limited, Trend Micro (UK) Limited, Trend Micr C.V (Mexico), Trend Micro (Shanghai) Inc. (China). In addition, Trend Micro Inc (Japan) owns software copyrights its overseas subsidiaries royalties based on the respective s such subsidiaries.

Customer

Oversea | Do

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

Subsidiary	Subsidiary	
Trend Micro Inc. (U.S.A)	Trend Micro Incorporated (Taiwan)	Tr

Trend Micro (Japan)
Computer Anti-Virus Software related products

----------------	Products
....	Royalty
=================	Outsourcing, Other

(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 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 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

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 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 servies, 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

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 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.

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	Percenta
		%		
(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	

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 curent 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

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)				

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

		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)

(3)Consolidated semi-annual statement of retained earnings

(Thousands of yen)

Period / Account	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)

Period / Account	For the first half of the previous fiscal year (From January 1, 2001 to June 30, 2001) Amounts	Condensed consolidated sta retained earnings for the pr (From January 1, 2001 to December 31, 2001 Amounts
I Beginning balance of consolidated retained earnings	9,557,084	9
II Net income or (losses)	(1,376,587)	2
III Ending balance of consolidated retained earnings	8,180,496	11

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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

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

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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

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

1. Basis of consolidation	All subsidiaries are consolidated. The subsidiaries are the following 15 companies 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) Trend Micro Incorporated Sdn.Bhd.(Malaysia) and Incorporated (Taiwan) are on the process of the
2. Basis of applying equity method	Equity method is applied to investment in affiliated companies. The affiliated companies are the following 4 co 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.
3. Fiscal year of consolidated subsidiaries	All financial statements included in a set of co cial statements are prepared as of the same date
4. Accounting policies and practices (1)Valuation of significant assets	(1) Securities Available-for-sale: Available-for-sale with fair market value: The securities are stated at the market value m the value at the end of the period (valuated di recognized in equity directly, not to reflect t cost of selling is determined by the weighted a Available-for-sale without a market value: The securities are stated at the weighted avera (2) The transaction of derivatives

The market value method

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(3) Inventories

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

Work in process
Work in process is stated at the cost being d
accumulated production and development cost f
projects

---

(2) Depreciation and amortization method for fixed assets

(1) Property and equipment

Parent company -
Depreciation is computed by declining-balance
Useful life and salvage value of the fixed as
determined using the standard which is regula
corporate tax law.
Building (excluding facilities and leasehold
acquired after April 1, 1998 are depreciated
line method.

Foreign consolidated subsidiaries -
Depreciation is computed by a straight-line m

(2) Intangibles

Parent company
(Software for sale)
Straight-line method over the estimated usefu
(mainely, for 12 month

(Software for internal use)
Straight-line method over the estimated usefu
(5 years).

(Other intangibles)
Straight-line method
Amortization years are determined using the s
which is regulated by corporate tax law.

Foreign consolidated subsidiaries
Straight-line method over the estimated econo
useful lives.

(3) Long-term prepaid expense

		Amortization is computed by a straight-line m Amortization years are determined using the s which is regulated by corporate tax law.
(3)	Accounting for significant deferred assets	Issuing costs of stocks and bonds are charged incurred.
(4)	Accounting policies for significant provisions	(1) Allowance for bad debt As contingency against losses from default of receivable, the allowance for doubtful accoun The amount is determined using a percentage b actual doubtful account loss against total of amount, which takes into consideration the po recovering specific liabilities.

(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 accouting 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

	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

(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 grand 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

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 (A
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]	

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.	------------------	*4 Tr In or or tr direc of th direc of th compa bonds Under Comme redem these total than price unexe To re compa the i detac the C the t retir the r

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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

Bonds	8,800,000	16,500,000	Bonds	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 (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		Fo
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	Ad
Salaries and bonuses	3,118,262	Salaries and bonuses	2,539,854	Sa
Out-side service fee	528,104	Out-side service fee	789,749	Ou
Depreciation expense	310,716	Depreciation expense	198,818	De
Research and Development costs	914,720	Research and Development costs	1,246,142	Re
Software maintenance fee	924,705	Amortization of consolidated goodwill	252,763	co Am
		Software maintenance fee	325,115	So
2. Major components of non-operating income		2. Major components of non-operating income		
Interest income	185,155	Interest income	202,266	In
Equity in gain of affiliated companies	2,586	Foreign exchange gain	307,532	Fo
3. Major components of non-operating expense		3. Major components of non-operating expense		
Interest expense	157,560	Interest expense	135,172	In
Foreign exchange loss	98,695	Bond issue costs	34,180	Bo
		Equity in loss of affiliated companies	104,849	Eq
		Loss on disposal of products	49,328	
				Lo
				Lo in
4. Major components of		4. Major components of		

unusual losses		unusual losses		
Loss on disposal of fixed assets	2,492	Amortization of Consolidated Goodwill (the component of Unusual Losses)	2,000,795	Lo Am C (t
Loss on repurchased treasury bond	8,800	Loss on prior year adjustment (due to change in revenue recognition)	3,009,009	Lo a c
		Retirement benefit expense	119,077	r Re
				Lo

(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	46,055,383	Cash and deposits	34,618,745
Time deposit matured over 3 months (excluded from cash and deposit)	(64,795)	Time deposit matured over 3 months (excluded from cash and deposit)	(65,511)
Cash and cash equivalents	45,990,587	Cash and cash equivalents	34,553,234

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 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 Financcial Statements.

2. Geographic segment information

	For the first-half of the current fiscal year				(From Januar To June 30	
	Japan	North America	Europe	Asia Pacific	Others	
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

For the previous fiscal year (From January
To December 3

	Japan	North America	Taiwan	Europe	Others	To
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)
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
Asia Pacific : Taiwan, Korea, Australia, Hong Kong, Malaysia, New Zealand, China
Others : Brazil, Mexico

3. 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.

4. 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.

5. 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.

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. Taiwan had been disclosed separately. However, the sales volume in 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 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
(2) Intersegment sales	3,053,423	881,345	8,105	1,106,732	-	5
Total	7,540,960	4,899,160	2,804,705	2,323,103	421,031	17
Operating expenses	2,815,535	4,596,694	2,851,499	2,454,772	300,300	13
Operating income (loss)	4,725,425	302,466	(46,794)	(131,669)	120,730	4

	For the first-half of the previous fiscal year				(From January To December 3	
	Japan	North America	Europe	Asia Pacific	Others	T
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
(2) Intersegment sales	6,914,741	2,530,239	21,285	2,367,299	-	11
Total	19,029,713	11,107,439	6,881,478	5,171,117	970,137	43
Operating expenses	5,730,025	10,037,183	6,349,022	5,454,439	658,171	28
Operating income (loss)	13,299,688	1,070,256	532,455	(283,321)	311,966	14

(3) Overseas sales

(Thous

	For the first-half of the current fiscal year				(From Janua To June
	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%	

	For the first-half of the previous fiscal year				(From Janua To June
	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%	

	For the previous fiscal year				(From Janua To Decembe
	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

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				(From Janua 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 Janua To Decembe
	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 previous fiscal year

Available-for-sale	As of June 30, 2002 Acquisition cost	Recorded amount on Consolidated BS	Difference	(As of June 30, 2001) 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 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 Contract amount	Over 1 year	Fair market value	Appraisal gain (loss)	At the end of the fir previous fisca As of June 30, Contract amount	Over 1 year	Fai mark valu
Out-side market transaction	Interest cap							
	Buy	100,000	100,000	14	(3,185)	100,000	100,000	1
	(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	(10,
Total		300,000	300,000	(8,722)	(11,922)	300,000	300,000	(10,5

(Thousands of yen)

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

			------ 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

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	

Total	862,247	541,525	

(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)	(F T
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.

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 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	-

FY 01 (annual)	-	0

(3) Financial Position

As of	Total assets	Shareholders' equity	Shareholders' equity ratio	Share
	Millions of yen	Millions of yen		
June 30, 2002	54,196	23,985	44.3	
June 30, 2001	41,809	18,803	45.0	
December 31, 2001	49,142	21,139	43.0	

(Note)

1. Number of shares issued at the end of period: 132,492,510 shares as of June 30, 2002
   131,681,887 shares as of June 30, 2001
   132,052,284 shares as of December 31, 2001

2. Number of treasury stocks at the end of period: 72,654 shares as of June 30,2002
   916 shares as of June 30, 2001
   9,102 shares as of December 31, 2001

1. Non-consolidated Semi-annual Financial Statements
   (1) Non-consolidated semi-annual balance sheets

Period / Account		At the end of the first half of the current fiscal year (As of June 30, 2002)		At the end of the half of the previou year (As of June 30,
		Amount	Percentage %	Amount	Perce %
(Assets)					
I Current assets					
1. Cash and bank deposits		35,002,683		23,950,538	
2. Accounts receivable, trade		6,862,634		4,726,066	
3. Treasury stock	2	-		4,523	
4. Inventories		198,631		32,792	
5. Intercompany loan receivables		91,924		1,349,980	
6. Other accounts receivable		785,462		873,047	
7. Deferred tax assets		2,915,766		1,764,611	

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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Period / Account		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 (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	

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 the previous fiscal y From January 1, 20 To June 30, 2001	
Account		Amount	Percentage	Amount	Percenta
			%		
I Sales		12,696,685	100.0	7,066,538	100.
II Cost of sales	5	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	1,5	7,394,357	58.2	4,046,471	57.
Operating income		4,263,366	33.6	2,699,764	38.
IV Non-operating income	2	120,029	0.9	298,684	4.

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		4,021,320	31.7	(3,597,145)	(50.
	Corporate, inhabitant and enterprise tax		2,127,399	16.8	3,756	0.
	Income tax deferred		(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 affilates and in subsidiarie
Moving average cost method

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

The securities are stated at the market
based on the value at the end of the pe
differences are recognized in equity di
reflect to net earnings and cost of sel
determined by the weighted average meth

Availalble-for-sale without a market valu

The securities are stated at the weight

(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 b
by accumulated production and developme
individual projects.

2. Depreciation and amortization method for fixed assets	(1) Property and equipment Declining-balance method Useful life and salvage value of the fi determined using the standard which is corporate tax law. Building (excluding facilities and leas improvement) acquired after April 1, 19 depreciated by a straight-line method. (2) Intangibles (Software for mass sale) Straight-line method over the estimated us (Software for internal use) Straight-line method over the estimated us (Other intangibles) Straight-line method Depreciation years are determined using th which is regulated by corporate tax law. (3) Long-term prepaid expense Amortization is computed by a straight-line Amortization years are determined using the which is regulated by corporate tax law.
3. Accounting for deferred assets	Issuing costs of stocks and bonds are charg incurred.

4. Accounting policies for provisions	(1) Allowance for bad debt As contingency against losses from default account receivable, the allowance for doubt is provided. The amount is determined using percentage based on own actual doubtful acc against total of debts and an amount, which consideration the possibility of recovering liabilities. (2) Allowance for sales return In order to reserve future losses from sale subsequent to the fiscal year end, allowanc return is provided based on the past experi sales return. (3) Allowance for retirement benefits In order to reserve future losses arising f

	retirement of employees, allowance for reti benefits is provided based on retirement be liabilities at the end of the period under Actuarial gain and loss are all expensed in following accounting period.
5. Translation of major foreign-currency assets and liabilities into Yen.	Foreign-currency financial receivables and are translated into yen at the spot rate ef the end of the period. Exchange differentia as a profit/loss.
6. Revenue recognition policy	Revenue recognition method for Post Contrac Support Service Basically, the product license agreement co with the end-user states the article for PC support and upgrading of products and its p files). The company adopts the following revenue re method for the portion of PCS. Portion of P is recognized separately from total revenue deferred as deferred revenues under current and non-current liabilities based on contra Deferred revenue is finally recognized for contracted period evenly.
7. Accounting for leased assets	Finance leases without transfer of ownershi leased assets are accounted for in the same 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

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 Exercise of stock warrants detached from bonds -Number of shares issued 440,226 shares -Issue price per share JPY - -Increase in common stock JPY 406,401	4 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	4 Description the number of Exercise of sto from bonds -Number of sha 8 -Issue price p J -Increase in c J Stock split -Number of sha 6 -Issue price p J -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 th
granted or tran
directors and c
of the Company
certain employe
company, the Co
bonds with deta
section 341-8-4
Code, the redem
these bonds are
amount of bonds
amount of issue
from unexecuted
To reduce inter
repurchased a p
after warrants
repurchase is s
substantially.

Thus, bonds and
disclosed in ne
sheet as follow
The difference
price and book
bonds at the ti
booked as loss
treasury bonds
section.

	Current
Bonds	3
Treasury bonds	
	3

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(Non-consolidated semi-annual income 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)		For th (F T
1 Major components of selling, general and administrative expenses		1 Major components of selling, general and administrative expenses		1 Major co general
Sales promotions	160,171	Sales promotions	135,102	Sales prom
Advertising	1,568,298	Advertising	73,041	Advertisin
Salaries and bonuses	1,122,862	Salaries and bonuses	830,865	Salaries a
Pension and severance costs	37,485	Pension and severance costs	28,351	Pension an costs
Depreciation expense	65,285	Depreciation expense	30,575	Depreciati
Service charge	464,387	Service charge	489,562	Service ch
Research and development costs	903,936	Research and development costs	1,038,519	Research a developme
Software maintenance fee	924,705	Software maintenance fee	302,088	Software m
Intercompany charge	876,662	Intercompany charge	135,820	Intercompa
		Amortization of software copyright	69,105	Allowance
				Amortizati software
2 Major components of non-operating income		2 Major components of non-operating income		2 Major co non-oper
Interest on securities	37,138	Interest on securities	36,218	Interest o
Interest income	36,775	Interest income	22,010	Interest i
Gain from reversing of allowance for bad debt	32,269	Foreign exchange gain	227,396	Foreign ex
				Gain on sa secur
3 Major components of non-operating expense		3 Major components of non-operating expense		3 Major co non-oper
Bond interests	149,013	Bond interests	131,755	Bonds inte
Bond issue cost	11,736	Bond issue cost	34,180	Bond issue
Warrants fees	19,924	Warrants fees	34,012	Loss on sa
Loss on sales of marketable securities	13,553			Evaluation
Foreign exchange loss	80,368			investment
4 Major component of unusual loss		4 Major component of unusual loss		4 Major co unusual
Loss on disposal of fixed assets	2,492	Loss on prior year adjustment (due to change in revenue recognition)	2,800,962	Loss on pr (due to ch
Valuation difference on investments in subsidiaries and affiliates	71,993	Allowance for intercompany loans receivable	370,000	Loss on li
Loss on repurchased treasury bond	8,800	Valuation difference on investments in subsidiaries and affiliates	3,098,897	Loss on re in sub
		Retirement benefit expense	106,581	Retirement
				Loss on di

Loss on re

5 Depreciation and amortization expense		5 Depreciation and amortization expense		5 Deprecia expense
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 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