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TREND MICRO INC
Form 6-K
August 08, 2001

FORM 6-K

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

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

Commission File Number: 333-10486

For the Month of August 2001

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

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

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

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

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

Yes No X
 ----- -----

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

Information furnished on this form:

Table of Contents

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

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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 7, 2001

By: /s/ Chang Ming-Jang

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

August 3, 2001

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

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

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

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

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

(1) Consolidated Results of Operations

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

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

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

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

(Note)

- Equity in loss of affiliated companies: - 104 million yen (- 23 million yen in the first half of FY 2000)
- The average number of stock: 131,339,944 stocks (65,005,579 stocks in the first half of FY 2000)
- Change in accounting principle: Yes
- The percentage of sales, operating income, ordinary income and net income are comparisons to the same period of the previous year.

(2) Consolidated Financial Position

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

(Note)

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

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

(3) Consolidated Cash Flow Position

Operating Cash Flow	Investing Cash Flow	Financing Cash Flow
---------------------	---------------------	---------------------

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

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

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

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

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

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

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

(Note)

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

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

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

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

(Millions of yen except for per share information)

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

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

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

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

Attachment to the Report

1. Condition of corporate group

(1) Overview of corporate group

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

The products related to anti-virus:

- PC client products
- LAN server products
- Internet server products
- Other products

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

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

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

[FLOW CHART]

2. Management Policy and Business Results

Trend Micro Group's Basic Management Policy

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

Basic Policy on the Distribution of Profits

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

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

Medium and Long-Term Management Strategy

Corporate IT investment has plateaued with the slowdown in the U.S. and European economies. Chilled by this decrease in IT investment, the business climate surrounding Trend Micro is not bright. However, we expect network security solutions, including anti-virus measures, to continue gaining in

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importance, as more and more corporate users become dependent on using networks, and their systems' problems consequently subject them to huge losses, both in financial terms and opportunity costs. Thus the network security market is expected to grow steadily in the medium-to-long term. To take advantage of this opportunity, we are focusing on maintaining our competitive edge against major U.S. rival companies and expanding our global market share. Utilizing our global resources and networks spanning the United States, Europe and Taiwan, we will continue to strengthen our sales channels, improve brand awareness and corporate image and accelerate the development of products that meet customer needs.

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

Summary of Consolidated Financial Results for the First Half of FY2001

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

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

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

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

We made a crucial strategic move in reorganizing our security appliance server operations, which had been handled by our subsidiary ipTrend Incorporated. This unit faced fundamental problems in building a solid client base of small- and

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

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

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

Prospects for FY2001

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

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

3 Consolidated Semi-annual Financial Statements

(1) Consolidated semi-annual balance sheets

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

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

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

(3) Consolidated semi-annual statement of retained earnings

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

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

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

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

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

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5.	Payments for bonds maturing	
6.	Proceeds from marketable securities issuing	
7.		
8.	Proceeds (Payments) for treasury stocks, net	
9.	Others	
Financing Cash Flow		6

IV	Translation difference with Cash	

V	Increase (Decrease) in Cash and Cash Equivalents	10

VI	Beginning balance of Cash and Cash Equivalents	24

VII	Ending balance of Cash and Cash Equivalents (as of June 30, 2001)	34
		=====

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

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

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

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

2. Basis of applying equity method

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

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

3. Fiscal year of consolidated subsidiaries

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

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

(1) Securities:
Other securities:

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

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

Other securities without a market value:

The securities are stated at the weighted

(Additional information)

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

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

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

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

(2) The transaction of derivatives

The market value method

(Additional information)

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

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

13

(3) Inventories

Finished goods.Raw materials.Supplies

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

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

Work in process

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Work in process is stated at the cost being production and development cost for individual

(2) Depreciation and amortization method for fixed assets

(1) Property and equipment

Parent company and domestic consolidated subsidiaries -
Depreciation is computed by declining-balance method

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

(2) Intangibles

Parent company and domestic consolidated subsidiaries -
[Software for sale]
Straight-line method over the estimated useful lives. (mainly, for 12 months)

[Software for internal use]
Straight-line method over the estimated useful lives (5 years).

[Other intangibles]
Straight-line method

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

(3) Long-term prepaid expense
Amortization is computed by a straight-line method

(3) Accounting for significant deferred assets

Issuing costs of stocks and bonds are charged to expense

14

(4) Accounting policies for significant provisions

(1) Allowance for doubtful accounts

As contingency against losses from doubtful receivable, the allowance for doubtful amount is determined using a percentage of doubtful account loss against total of doubtful receivables. It also takes into consideration the possibility of uncollectible receivables and other liabilities.

(Additional information)
For the financial instruments, from the consolidated fiscal year, pursuant to "Statement of Financial Accounting Standards Board, Standard for Financial Instruments" (Deliberation Council, January 22, 1999), the accounting of Allowance for doubtful accounts is determined at a percentage based on own loss against total of debts instead of

percentage). The adoption had no significant effect on the consolidated financial statements.
 (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 returns.

(3) Allowance for retirement benefits

In order to reserve future losses from retirement benefits, allowance for retirement benefits is provided based on retirement benefit liabilities and pension expense for the period under reviewing. The difference between the accounting principle (119,077 thousand yen) and expense under Unusual losses.

(Additional information)
 From the current consolidated financial statements, the revised "Accounting Standards for Retirement Benefits" ("Argument of establishment for Accounting Standards for Retirement Benefits Obligation") Business Accounting Council, June 16, 1998), allowance for retirement benefits resulted in increase of retirement benefits expense of 119,077 thousand yen, in decrease of Ordinary income of 119,077 thousand yen and in increase of losses before tax of 119,077 thousand yen. Amount of Accrued severance expense is not recognized until previous fiscal year-end. This information is disclosed in Allowance for retirement benefits.

The effect on segment information is not significant (Additional information).

(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 liabilities held by overseas subsidiaries are translated into yen at the spot rate effective at the end of the period. Receivables of overseas subsidiaries are translated into yen at the spot rate effective at the end of the period. Exchange differential is included in "translation adjustment" under Shareholders' equity.

(Additional information)
 From the first half of current consolidated financial statements, the revised accounting standards for foreign currency translation of Accounting Standards for Foreign Currency Translation, Business Accounting Deliberation Council on October 1, 1998, had no significant effects on profits and losses.

(6) Accounting for leased assets

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

(7) Other important matters for

(1) Consumption tax

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preparing consolidated
semi-annual financial statements

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

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

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

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

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

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

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

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

The effect on segment information is descri

5. Definition of cash and cash equivalent

Cash in hands, cash on demand and short-ter

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in the consolidated cash flow statement
for the first half of current fiscal year

Statement for first half of fiscal year) wh
than 90 days after acquisition and highly l

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

18

Consolidated semi-annual income statements

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

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

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(Consolidated cash flow statement)

For the first half of the current fiscal year

For the previous fiscal year

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(From January 1, 2001) (From January 1,)
 To June 30, 2001 To December 31,

1. The ending balance of cash and cash equivalents and accounts in the consolidated balance sheet		1. The ending balance of cash and accounts in the consolidated	
Cash and deposits	34,618,745	Cash and deposits	
Time deposit matured over 3 months (excluded from Cash and deposit)	(65,511)	Marketable securities	
<hr/>		<hr/>	
Cash and Cash equivalents	34,553,234	Cash and Cash equivalents	

2. The breakdown of assets and liabilities of consolidated subsidiaries which were acquired through acquisition of its stock through acquisition cost and some other adjustments during acquisition process are as follows:
 Nihon Unisoft Incorporated (Tokyo Corporation)
 (As of December 31, 2001)

Current assets	24,553,234
Non-current assets	1,000,000
Consolidated	25,553,234
reconciliation accounts	(1,000,000)
Current liabilities	(1,000,000)
Non-current liabilities	(1,000,000)
Minority interest	(1,000,000)
Acquisition cost for Nihon Unisoft Incorporated	24,553,234
Cash and cash equivalents of Nihon Unisoft Incorporated	(1,000,000)
Net: Actual payment for acquisition	23,553,234

(*) Present corporate name is ipTre

4. Segment Information

1. Industry segment information

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

2. Geographic segment information

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	For the first-half of the current fiscal year					(From January To June 30,
	Japan	North America	Taiwan	Europe	Others		
I Sales and operating profit/loss							
Sales							
(1) Sales to third parties	4,487,537	4,017,815	883,543	2,796,599	753,858	12	
(2) Intersegment sales	3,053,423	881,345	1,080,149	8,105	35,295	5	
Total	7,540,960	4,899,160	1,963,693	2,804,705	789,153	17	
Operating expenses	2,815,535	4,596,694	1,991,885	2,851,499	771,900	13	
Operating income (loss)	4,725,425	302,466	(28,192)	(46,794)	17,253	4	

	For the first-half of the previous fiscal year					(From January To June 30,
	Japan	North America	Taiwan	Europe	Others		To
I Sales and operating profit (loss)							
Sales							
(1) Sales to third parties	3,655,611	2,778,166	832,227	1,870,516	463,819	9,6	
(2) Intersegment sales	885,727	789,235	386,007	4,397	68,903	2,1	
Total	4,541,339	3,567,402	1,218,235	1,874,913	532,722	11,7	
Operating expenses	2,089,276	2,259,756	867,277	1,122,346	413,281	6,7	
Operating income (loss)	2,452,062	1,307,645	350,957	752,567	119,441	4,9	

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

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(Notes)

- 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
Others	:	Korea, Australia, Brazil, Hong Kong, Malaysia, Mexico, New Zealand.
- Unallocable operating expenses for the current semi-annual period in the operating expense (JPY 2,565 millions) is included in "Eliminations or Corporate". Major components are expenses for the administrative department in parent company and research and development costs for our products.
- Unallocable operating expenses for the previous semi-annual period in the operating expense (JPY 2,080 millions) is included in "Eliminations or Corporate". Major components are expenses for the administrative department in parent company and research and development costs for our products.
- Unallocable operating expenses for the previous annual period in the operating expense (JPY 4,429 millions) is included in "Eliminations or Corporate". Major components are expenses for the administrative department in parent company and research and development costs for our products.

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6. Unallocable operating expenses are included in "Elimination or Corporate" due to the difficulty in recognizing their contribution to each segments profit and loss.
7. As described in Significant accounting policies and practices for preparing consolidated financial statements, Deferred revenue is recognized by Trend Micro Incorporated (Japan) and Trend Micro Incorporated (Taiwan). It resulted in decrease of Sales to third parties and Operating income by JPY545,816 thousand in Japan and in increase of Sales to third parties and Operating income by JPY53,155 thousand in Taiwan.
8. As described in Significant accounting policies and practices for preparing consolidated financial statements, Allowance for retirement benefit is reserved by Trend Micro Incorporated (Japan) and Trend Micro Incorporated (Taiwan). It resulted in increase of Operating expense and decrease of Operating income by JPY11,529 thousand in Japan and in increase of Operating expense and decrease of Operating income by JPY6,808 thousand in Taiwan.

(3) Overseas sales

	For the first-half of the current fiscal year		(From January 1, 20 To June 30, 2001	
	North America	Taiwan	Europe	Othe
I.Overseas sales	4,017,815	663,751	2,796,599	9
II.Consolidated sales				
III.Ratio of overseas sales against consolidated sales	31.1%	5.1%	21.6%	
	For the first-half of the previous fiscal year		(From January 1, 20 To June 30, 2000	
	North America	Taiwan	Europe	Othe
I. Overseas sales	2,778,166	654,515	1,870,516	
II.Consolidated sales				
III.Ratio of overseas sales against consolidated sales	28.9 %	6.8 %	19.5 %	
	For the previous fiscal year		(From January 1, 20 To December 31, 20	
	North America	Taiwan	Europe	Othe
I. Overseas sales	6,258,300	1,503,037	4,126,420	1,
II.Consolidated sales				
III.Ratio of overseas sales against consolidated sales	28.7 %	6.9 %	18.9 %	

- (Note)
1. Overseas sales are sales to countries/regions other than Japan by Trend Micro Inc. and its consolidated subsidiaries.
 2. Classification of countries/region is based on geographical proximity.
 3. Classification

North America	:	USA
Europe	:	Italy, Germany, France, UK
Others	:	Korea, Australia, Brazil, Hong Kong, Malaysia, Mexico and New Zealand
 5. Lease transactions None
-

6. Fair Market Value of Marketable Securities

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

- (1) Other securities with fair market value

(Thousands of yen)

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

- (2) Major securities market value non-applicable

(Thousands of yen)

As of June 30, 2001

Classification	Recorded amount on consolidated B/S
Other securities	

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

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Market value of the marketable securities

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

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

For the fist-half of current fiscal year

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

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

(Thousands of yen)

FY 2000

(As of December 31, 2000)

Securities classified as current assets:

Mutual fund that is not affected by
market volatility including medium-term JGB
fund and MMF
[MMF included in above]

Securities classified as non-current assets:

Non-listed equity securities excluding equity
securities traded in the over-the-counter market
[Investments in subsidiaries and affiliates
included above]

[including the investment in affiliates
thousand yen)

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

Basic policies for derivative transactions

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

Fair market value of the derivative transaction

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

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

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

Contract or notional amount, fair market value and appraisal gain (loss)				(1)
Transaction type	FY 2000 (As of December 31, 2000)			
	Contract or notional amount Over 1 year	Fair market value	Appra	

Other than market transactions				
Interest rate cap				
Buy	100,000	100,000		731
[Option premium]	[3,200]	[2,275]		
Interest rate swap				
Receive / floating and Pay/fixed	200,000	200,000		(7,482)

Total	300,000	300,000		(6,751)

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

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(Significant subsequent events)

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

- 1 Corporate profile of ipTrend Inc. (Chuo-ku, Tokyo)
Address: 2-13-9 Ningyo-cho, Nihonbashi, Chuo-ku, Tokyo, Japan
Representative: Mahendra Negi
Business description: Providing Internet platform-related products and services
Capital: 218 million yen
Acquisition value of the shares: 2.8 billion yen
- 2 Business, properties, and liabilities to be transferred
 - 2.1 IPSQUARE Inc.
Real-time OS Project and equipment, works in progress, and sales deposits involved in the project
 - 2.2 Trend Micro, Inc.
All business and properties other than those mentioned above and the same amount of liabilities (Trend Micro will take over all the liabilities from third persons.)
- 3 Transfer price
Transfer price will be calculated by the fair market value on the day of

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- transfer.
- 4 Business transferring schedules
 Business transfer contracted on August 3, 2001
 Business transfer to be implemented by August 31, 2001
- 5 Dissolution date: September 3, 2001
- 6 Completion date for liquidation: December 2001
- 7 Reasons for dissolution and liquidation:
 To restructure the operations of ipTrend and improve efficiency of the group because the market of appliance servers for small and medium-sized businesses has not expanded fast enough.
- 8 Influence on Trend Micro in terms of consolidated business results
- 8.1 The consolidated adjustment account incurred by acquisition of ipTrend's stock has been added up to intangible fixed assets and extinguished evenly for five years. With the decision of dissolution and liquidation, the unamortized balance of two billion yen will be extinguished across the board, and added up as an extraordinary loss during Trend Micro's interim consolidated fiscal period.
- 8.2 It is expected that the influence on consolidated business results of Trend Micro by partial transfer of business of ipTrend (Chuo-ku) to IPSQUARE should be minor.

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August 3, 2001

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

Company: Trend Micro Incorporated Tokyo Stock Exchange 1st Section
 Code: 4704 Location : Tokyo
 Address: Odakyu Southern Tower, 10F 2-2-1 Yoyogi Shibuya-ku Tokyo, 151-8583 Japan

Contact: Title Director, Chief Financial Officer
 Name Mahendra Negi (Phone: 81-3-5334-3600)

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

Adoption of semi-annual dividend system: Yes

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

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

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

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

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FY 00 (annual) 9,426 2,734

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

(Note)

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

(2) Dividends

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

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FY 00 (annual) - 0

(3) Financial Position

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

(Note)

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

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65,172,669 shares as of June 30, 2000

65,560,421 shares as of December 31,

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

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

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

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

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

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

	(Millions of yen except for per share information)		
	Result of the first half of FY 2001	Assumed result of the first half of FY 2001 (based on Accounting policies applied until previous fiscal year)	Increase (decrease)
Sales	7,066	7,612	546
Ordinary income	2,779	3,325	546
Net income (loss)	(2,166)	(226)	1,940
Net income (loss) per share	(16.49)	(1.73)	14.76

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

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

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	Net income (loss) per share (Yen)	Shareholders' equity per share (Yen)	Weighted average nu of shares outstand
The first half of FY 01	(16.49)	142.80	131,339,944
	29		
The first half of FY 00	7.56	132.79	130,011,158
FY 00 (annual)	15.63	149.90	130,388,962

1. Non-consolidated Semi-annual Financial Statements

(1) Non-consolidated semi-annual balance sheets

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

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

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

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

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(2) Non-consolidated semi-annual income statements

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

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

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

1. Accounting for evaluation of securities

(1) Securities

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

(2) Other securities

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

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

(Additional information)

For the financial instruments, "Accounting for Financial Instruments" ("Argument of establishment for Accounting for Financial Instruments") Business Accounting Deliberate Decision applied from the first half of current fiscal year, the valuation basis and the method for securities resulted in increase of ordinary income by 77,269 thousand yen of losses before taxes by 77,269 thousand yen

In addition, the other securities, which are "Other securities" til previous fiscal year, are classified "Other securities" uneffective from the first half of current fiscal year review. The classification resulted in increase of "Investment in securities" by 473,240 thousand yen and "Liabilities" of 198,997 thousand yen was reclassified to "Valuated difference on other securities" Shareholders equity (The difference from 29,240 thousand yen balance sheet) is caused by the translation

The classification also resulted in decrease of "Current assets" by 1,872,475 thousand yen and "Other securities" by 1,872,475 thousand yen.

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(2) Inventories
 Finished goods . Raw materials . Supplies
 Moving average cost method

2. Depreciation and amortization method for fixed assets (1) Property and equipment
 Declining-balance method

(2) Intangibles
 [Software for mass sale]
 Straight-line method over the estimated useful life (12 months).

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[Software for internal use]
 Straight-line method over the estimated useful life

[Other intangibles]
 Straight-line method

(3) Long-term prepaid expense
 Amortization is computed by a straight-line method

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

4. Accounting policies for provisions (1) Allowance for doubtful accounts

As contingency against losses from default on the allowance for doubtful accounts is provided by using a percentage based on own actual do- of debts and an amount, which takes into recovering specific liabilities.

(Additional information)
 For the financial instruments, from the c- "Accounting Standards for financial instr- establishment for Accounting Standard for Accounting Deliberation Council, January of Allowance for doubtful accounts is cha- is recognized at a percentage based on th- statutory prescribed percentage). The ado-

(2) Allowance for sales return

In order to reserve future losses from sa- year end, allowance for sales return is p- experience in the sales return.

(3) Allowance for retirement benefits

In order to reserve future losses arising allowance for retirement benefits is prov- liabilities at the end of the period unde- changing accounting standard 106,581 thou- expense under Unusual losses.

(Additional information)

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

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

Foreign-currency financial receivables and translated into yen at the spot rate effective period. Exchange differential is treated

(Additional information)

From the first half of current fiscal year accounting standards for foreign currency Accounting Standards for Foreign Currency Business Accounting Deliberation Council had no significant effects on profits and

6. Accounting for leased assets

Finance leases without transfer of ownership accounted for in the same manner as appli

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

(1) Consumption tax

Transactions subject to consumption tax and related consumption tax.

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

The Company has adopted incentive plans where company's shares are granted to directors and company issues bonds with detachable warrants on all of the warrants. Compensation costs are recorded as warrant securities at the point of grant under a compensation scheme which grants warrants. Warrant portion of the bonds is recorded as an expense and then transferred to "additional paid-up capital"

(3) Change of policy and method of revenue recognition for Customer Support Service (PCS)

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

Till previous fiscal year, whole revenue product license agreement including a portion recognized when the license is delivered current fiscal year, the revenue recognition changed as follows. Portion of PCS revenue whole revenue and it is deferred as Deferred liabilities and Non-current liabilities but revenue is finally recognized for the current

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

According to the above change, PCS revenue should be deferred by the company as of the year applied to the prior year's revenues adjustment under Unusual losses at the first resulted in a decrease of Operating income thousand yen and in increase of losses by yen.

Changes in presentation

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

Notes

(Non-consolidated semi-annual balance sheets)

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

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	are as follows.		are as follows.
	Accounts in foreign currency in JPY		Accounts in
	Cash and bank		Cash and ba
	deposits US\$	4,837 510,310	US\$
	Accounts receivable,		Accounts re
	trade US\$	6,523 688,253	trade US\$
	Marketable securities		Marketable
	US\$	4,255 442,817	US\$
	Intercompany		Intercompany
	loan receivables		loan recei
	US\$	3,063 323,532	US
	AU\$	140 8,869	GB
	GBP	106 16,998	Investments
	Investments in		US
	subsidiaries		Investments
	and affiliates US\$	1,276 146,429	subsidiaries
	NT\$	\$353,999 1,434,300	and affiliat
	GBP	110 20,611	NT
	Others (Investments		GB
	and other assets)	501 51,925	Other (Inves
	Accounts		and other as
	payable, other		Accounts
	US\$	3,511 370,355	payable, ot
	GBP	11 1,859	NT
	DM	632 32,459	DM
			GB

* 3	Number of treasury stocks	* 3	Number of treasury stocks
	916 shares		1,374 shares

* 4	Presentation of	* 4	Presentation of
	consumption tax		consumption tax
	Net of consumption tax paid and		Net of consumption tax paid and
	consumption tax received are included in		consumption tax received are included in
	other current liabilities.		other current liabilities.

* 5	Description of increases in	* 5	Description of increases in
	the number of shares issued		the number of shares issued
	Exercise of stock warrants detached from		Exercise of stock warrants detached from
	bonds		from bonds
	-Number of shares issued		-Number of shares issued
	442,239 shares		329,769 shares
	-Issue price per share		-Issue price per share
	JPY -		JPY -
	-Increase in common stock		-Increase in common stock
	JPY 445,635		JPY 204,192
	Stock split		
	-Number of shares issued		
	65,679,227 shares		
	-Issue price per share		
	JPY -		
	-Increase in common stock		
	JPY 170,900		

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* 6 Advance received for newly issued stocks are the paid-in capital proceeds from exercise of stock warrants. On July 3, 2000, 1,356 stocks were newly issued. JPY 670 thousands were appropriated to common stock and JPY 669 thousands were appropriated to additional paid-in capital.

* 7 Additional information
 JPY 417,600 thousands of stocks and JPY 1,800,000 thousands of bonds, which had been recorded as "Investments in securities" in non-current assets, were reclassified to "Marketable securities" in current assets in the first-half of current fiscal year.

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(Non-consolidated semi-annual income statement)

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

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Interest income	22,010	Interest income	15,312	Interest in
Foreign exchange gain	227,396	Foreign exchange gain	24,044	Foreign exc
		Gain on sales of securities	65,376	Gain on sal

* 3 Major components of non-operating expense		* 3 Major components of non-operating expense		* 3
Bond interests	131,755	Bond interests	77,946	Loss from
Bond issue cost	34,180	Bond issue cost	44,295	securities
Warrants fees	34,012	Loss on sale of treasury stock	22,270	Bonds inter
				Bond issue
				Loss from s
				treasury st

		* 4 Major component of unusual gain		* 4
		Gain from lawsuit settlement	1,030,785	Gain from 1

* 5 Major component of unusual loss		* 5 Major component of unusual loss		* 5
Loss on prior year adjustment (due to change in revenue recognition)	2,800,962	Loss on disposal of fixed assets	2,195	Loss on di
Allowance for intercompany loans receivable	370,000			fixed ass
Valuation difference on investments in subsidiaries and affiliates	3,098,897			
Retirement benefit expense	106,581			

* 6 Depreciation and amortization expense		* 6 Depreciation and amortization expense		* 6
Property and equipment	38,354	Property and equipment	31,839	Property an
Intangible fixed assets	207,088	Intangible fixed assets	329,669	Intangible

2. Lease transactions

None

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3. Market value of the marketable securities

* Regarding "Securities (excluding investments in subsidiaries and affiliates with fair market value)" and "Marketable securities with market value" for the first half of current fiscal year, they are described in the notes of the consolidated financial statements for the first half of current fiscal year.
(1) FY 2000 (As of June 30, 2000)

Current/Non-current	Recorded amount on B/S	Fair market value	Ap
---------------------	------------------------	-------------------	----

Securities classified as current assets

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

Securities classified as non-current assets		
Equity securities	-	-
Debt securities	-	-
Others	-	-
Sub-total	-	-

Total	2,265,238	3,206,054

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

For the first-half of the previous fiscal year

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

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

(Thousands of y

FY 2000
As of June 30, 2000

Securities classified as current assets:

Mutual fund that is not affected by market volatility including medium-term JGB fund and MMF [MMF included above]

Securities classified as non-current assets:

Non-listed equity securities excluding equity securities traded in the over-the-counter market

3,87

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[Investments in subsidiaries and affiliates included above]

[3,8

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

Subsidiaries and affiliates : No fair market value

(Significant subsequent events)

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

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

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Supplementary information (Consolidated)

-
- (1) Manufacturing result

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(Thousands)

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

(Note)

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

(2) Sales result

(T

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

(Note)

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

