Aug 9, 2012

Report of Earning Results (Consolidated) for the Second Quarter of the Fiscal Year Ending December 31, 2012

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1. Financial Highlights for Six Months Ended June 30, 2012

(1) Consolidated Results of Operations

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six Months Ended June 30, 2012	45,689	(5.4)	10,503	(20.3)	10,848	(17.4)	6,569	(17.2)
Six Months Ended June 30, 2011	48,313	2.3	13,176	13.5	13,134	9.9	7,930	17.2

(Note) Comprehensive Income: 6,623 million yen (-29.3%)as of June 30, 2012
9,367 million yen (-%) as of June 31, 2011

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Six Months Ended June 30, 2012	49.93	-
Six Months Ended June 30, 2011	59.74	-

(2) Consolidated Financial Position

	Total assets	Net Assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2012	200,802	103,939	47.8
December 31, 2011	201,765	107,362	49.9

(Note) Net Assets after deduction of Share acquisition rights and Minority interest
: 95,902 million yen as of June 30, 2012, 100,591 million yen as of December 31, 2011

2. Dividend of Surplus

	Cash dividends per share				
As of	The first quarter end	The second quarter end	The third quarter end	Annual end	Total
	Yen	Yen	Yen	Yen	Yen
December 31, 2011	-	0.00	-	86.00	86.00
December 31, 2012	-	0.00			
Projection for FY 2012			-	-	-

(Note) Revision of the projection of dividend for the Second quarter of FY 2012 : No
(Note) The dividend projection for FY2012 annual end is not yet determined.

3. Forecasts of consolidated financial results for 3rd quarter FY 2012

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
3rd quarter (July 1, 2012 through September 30, 2012)	23,700	(1.3)	5,700	(17.2)	6,000	(31.1)	4,000	(27.8)	30.40

※ Notice on forward-looking statements and other specific items

1. Since the business environment surrounding Trend Micro Group tends to fluctuate in the short run, it is difficult to make a highly reliable projection figures on a yearly basis. We, therefore, have decided to announce the earnings on a quarterly basis in the fiscal year ending in December 2012 as well as earnings projection of the succeeding quarter.

When we find through our calculation conducted from time to time that the net sales will fluctuate from the most recent quarterly projection by more than 10%, or operating income, ordinary income or net income fluctuates by more than 30%, we will announce the revision to the earnings projection.

(Note) Revision of the forecast of results for the 2nd quarter of FY2012 : No

(Note) The Dividend Projection for FY2012 annual end is not yet determined.

4. Annotation

(1) Movement of significant subsidiary : No

(2) Application of simplified or specified accounting procedures : Yes

(3) Changes in accounting principles, procedures and the way of disclosure

① Change under the revision of Accounting Standards : Yes

② Others : No

(4) Number of shares issued (common shares)

① Number of shares issued (including treasury stocks):

140,293,004 shares as of June 30, 2012

140,293,004 shares as of December 31, 2011

② Number of treasury stocks :

8,734,235 shares as of June 30, 2012

8,738,735 shares as of December 31, 2011

③ Average number of shares outstanding :

131,556,735 shares three months ended June 30, 2012

132,738,752 shares three months ended June 30, 2011

＊ Statement relating to the status of the quarterly review procedures

This quarterly report is not subject to the quarterly review procedures, which are based on the Financial Instruments and Exchange Law. However, the review procedures for quarterly consolidated accounts finish at the point of the announcement of the quarterly financial results.

＊ Explanation for the proper use of projection and other notes

Any forward-looking statement in this report including results forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. However, various factors could cause actual results to differ materially. Please refer to (3) Qualitative Information concerning Projected Consolidated Results on page 3 of the Attachment for conditions serving as assumptions for results forecasts.

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1 Qualitative Information and Financial Statements

(1) Qualitative Information on the Consolidated Business Results

(Unit: million yen)

	Net Sales		
	The first half of FY 2012	The first half of FY 2011	Rate of Change
Japan	22,037	22,319	(1.3%)
North America Reg.	9,128	10,681	(14.5%)
Europe Reg.	8,197	8,790	(6.7%)
Asia and Pacific Reg.	5,256	5,261	(0.1%)
Latin America Reg.	1,070	1,260	(15.1%)

During this term of fiscal year 2012, from January 1 to June 30, while Japan economy shows a gradual recovery. However, there are concerns such as world economic slowdown around Europe and the potential impact of the yen's rise, Japan economy is still in a severe situation.
The world economy remains in an unstable situation mainly due to the smoldering European financial crisis. In addition, US economy is in the mild upturn in the overall economy but shows lower-than-expected employment statistics. Moreover, emerging countries economic growth has been slowing down. The world economy has still continued to go through unstable situation.
In the worldwide Information Technology Industry, despite the worrying macroeconomic situation, US research company has been revised up 2012 IT spending outlook as they expect more investments for enterprise public cloud in future.
Under such environment, our group business conditions are as follows:

Although its enterprise business continued to achieve sustainable growth, consumer sales in Japan have decreased due to change in the contract details related to ISP business. As the result, sales for this period in Japan was 22,037million yen (1.3% decrease from the same period in previous year.)
In North America, both enterprise and consumer business have not performed well in their local currency. Especially the rebate for expansion of the sales channel in consumer business around the beginning of this period was costly. As the result, net sales in this region showed a double-digit decrease in 9,128 million yen (14.5% decreases from the same period in previous year).
EMEA sales, including both the enterprise and the consumer, have shown positive growth in local currency. However it couldn't achieve the growth in Japanese yen because of weak Euro. As the result, sales for this period in EMEA was 8,197 million yen (6.7% decrease from the same period in previous year).
In the Asia and Pacific region, though the consumer business was going well, the enterprise business has not performed well. China has a strong showing. In contrast, the deceleration in Australian growth, which has been a driving force of the region sales, is a major concern. As the result, the net sales for this period in APAC came to 5,256 million yen (0.1% decrease from the same period in previous year).
In Latin America, both the enterprise and the consumer business have not performed well. In addition, a super strong yen could adversely affect this region sales. As the result, net sales in this region were 1,070 million yen (15.1% decreases from the same period in previous year).

As a result, the consolidated net sales for the first half of fiscal year end of 2012 came to 45,689 million yen (5.4% decrease from the same period in previous year).
Cost of sales and operating expenses totaled 35,186 million yen (0.1% increase from the same

period in previous year). While the people cost increased, the marketing expense, etc. decreased. As a result, consolidated operating income for this period was 10,503 million yen (20.3% decrease from the same period in previous year).
The consolidated ordinary income for this period was 10,848 million yen (17.4% decrease from the same period in previous year), and the consolidated net income for this period was 6,569 million yen (17.2% decrease from the same period in previous year) without gain on redemption of marketable securities which was in the same period of previous year.

(2) Qualitative Information on the Consolidated Financial Positions
Cash and bank deposits at the end of this period amounted to 69,701 million yen, a decrease of 2,182 million yen from FY 2011 annual closing.
In addition, though both marketable securities and investment securities increased, Accounts Receivable, etc. decreased. As the result, total assets at the end of this period were 200,802 million yen, 963 million yen decrease from FY 2011 annual closing.
Total liabilities at the end of this period were 96,863 million yen, 2,460 million yen increase from FY 2011 annual closing. This increase is mainly due to substantial increase of deferred revenue.
As a result, total net assets at the end of this period were 103,939 million yen, a decrease of 3,423 million yen. This decrease is mainly due to the dividends payments, etc.

(3) Qualitative Information on the Consolidated Earnings Forecast
Since the business environment surrounding Trend Micro Group tends to fluctuate in the short run, it is difficult to make a highly reliable projection figures on a yearly basis. We, therefore, have decided to announce the earnings on a quarterly basis in the fiscal year ending in December 2012 as well as earnings projection of the succeeding quarter.
When we find through our calculation conducted from time to time that the net sales will fluctuate from the most recent quarterly projection by more than 10%, or operating income, ordinary income or net income fluctuates by more than 30%, we will announce the revision to the earnings projection.

Business forecast for the Third Quarter of FY2012 (July 1, 2012 - September 30, 2012)

Consolidated net sales	23,700 million yen
Consolidated operating income	5,700 million yen
Consolidated ordinary income	6,000 million yen
Consolidated net income	4,000 million yen

In development of the business forecasts the main assumed exchange rates are as follows.

1 US $	78 yen
1 Euro	96 yen

2. Others

(1) Movement of significant subsidiaries

N/A

(2) Application of simplified or special accounting procedures

(Calculation of income tax expenses)

We multiply net income before tax for this period (6 months) by effective tax rate, which is rationally calculated based on projected annual profit and its taxes with considering deferred tax accounting. In addition, deferred tax expense is included in income taxes.

(3) Changes in accounting principles, procedures, the way of disclosure

(Application of Accounting Standard for Earnings per Share and others)

From this first quarter of the current fiscal year, the Company has adopted "Accounting Standard for Earnings per Share" (Accounting Standards Board of Japan (ASBJ) Standard No. 2, June 30, 2010), and "Guidance on Accounting Standard for Earnings per Share" (ASBJ Guidance No. 4, June 30, 2010.

For the calculation of diluted net income per share, the method of determining the fair value of stock options that vest after a certain period of employment has been changed. Under the new method, the portion of the fair value of stock options that corresponds to future services to be provided to the Company is included in the amount that is assumed to be received by the Company from the exercise of the stock options.

(4) Additional information

(Accounting Changes and Error Corrections)

From the current fiscal year, the Company has been applying the "Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No.24, December 4, 2009)" and the "Guidance on Accounting Changes and Error Corrections (ASBJ Guidance No.24, December 4, 2009)" to accounting changes and error corrections made to prior period financial statements after January 1, 2011.

3. 【CONSOLIDATED FINANCIAL STATEMENTS】

(1) 【Consolidated Balance Sheets】

(Millions of yen)

Account	December 31, 2011	June 30, 2012
(Assets)		
Current assets		
Cash and bank deposits	71,883	69,701
Notes and Accounts receivable, trade	21,011	19,249
Marketable securities	37,734	42,260
Inventories	425	242
Deferred tax assets	15,175	15,451
Others	5,041	3,807
Allowance for bad debt	(50)	(49)
Total current assets	151,222	150,664
Non-current assets		
Property and equipment		
(1) Office furniture & equipment	3,844	3,443
(2) Others	1,312	1,135
Total Property and equipment	5,157	4,578
Intangibles		
(1) Software	6,348	5,689
(2) Goodwill	1,826	1,573
(3) Others	1,344	1,230
Total intangibles	9,520	8,494
Investments and other non-current assets		
(1) Investment Securities	23,237	24,404
(2) Investments in subsidiaries and affiliates	242	246
(3) Deferred tax assets	11,381	11,367
(4) Others	1,004	1,046
Total investments and other non-current assets	35,865	37,065
Total non-current assets	50,543	50,138
Total assets	201,765	200,802

(Millions of yen)

Account	December 31, 2011	June 30, 2012
(Liabilities)		
Current liabilities		
Accounts payable and Notes payable, trade	886	708
Accounts payable, other	4,579	3,847
Accrued expenses	4,635	4,004
Accrued income and other taxes	2,238	3,579
Allowance for bonuses	1,044	991
Allowance for sales returns	791	902
Deferred revenue	54,741	56,589
Others	2,485	1,489
Total current liabilities	71,402	72,113
Long-term liabilities		
Deferred revenue	20,714	22,243
Allowance for retirement benefits	1,974	2,164
Others	311	341
Total long-term liabilities	23,000	24,749
Total liabilities	94,403	96,863
(Net assets)		
Shareholders' equity		
Common stock	18,386	18,386
Additional paid-in capital	21,111	21,111
Retained earnings	100,318	95,574
Treasury stock, at cost	(26,460)	(26,447)
Total Shareholders' equity	113,355	108,625
Accumulated Other Comprehensive Income		
Net unrealized gain (loss) on debt and equity securities	(1,776)	(1,928)
Foreign currency translation adjustments	(10,987)	(10,794)
Total of Accumulated Other Comprehensive Income	(12,764)	(12,723)
Share acquisition rights	6,719	8,030
Minority interest	51	6
Total net assets	107,362	103,939
Total liabilities and net assets	201,765	200,802

(2) 【Consolidated Statements of Income

Consolidated Statements of Comprehensive Income】

Consolidated Statements of Income

(Millions of yen)

	Six months ended June 30, 2011	Six months ended June 30, 2012
Net Sales	48,313	45,689
Cost of sales	8,755	8,546
Gross profit	39,557	37,143
Operating expenses	26,381	26,640
Operating income	13,176	10,503
Non-operating incomes		
Interest income and dividend received	764	655
Gain on sales of marketable securities	827	254
Equity in gains of affiliated companies	-	2
Other income	85	62
Total non-operating income	1,677	975
Non-operating expenses		
Interest expenses	1	0
Loss on sales of marketable securities	1,451	78
Loss from security revaluation	-	51
Foreign exchange loss	79	305
Equity in loss of affiliated companies	9	-
Other expenses	175	193
Total non-operating expenses	1,719	629
Ordinary income	13,134	10,848
Extraordinary income		
Gain from redemption of marketable securities	610	-
Total extraordinary income	610	-
Net income before taxes	13,745	10,848
Income taxes	5,814	4,279
Net Income before minority interest	7,931	6,568
Minority interest in income of consolidated subsidiaries	1	(0)
Net income	7,930	6,569

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2011	Six months ended June 30, 2012
Income before minority interests	7,931	6,568
Other comprehensive income		
Valuation difference on available-for-sales securities	986	(152)
Foreign currency translation adjustment	449	206
Share of other comprehensive income of associates accounted for using equity method	0	(0)
Total other comprehensive income	1,435	54
Comprehensive income	9,367	6,623
Comprehensive income attributable to owners of the parent	9,362	6,610
Comprehensive income attributable to minority interests	4	12

(3) 【Consolidated Statements of Cash Flows】

(Millions of Yen)

Account	Six months ended June 30, 2011	Six months ended June 30, 2012
Cash flows from operating activities:		
Net income before taxes	13,745	10,848
Depreciation and amortization	3,031	3,236
Stock compensations	1,361	1,313
Amortization of Goodwill	459	356
Increase (decrease) in Allowance for bad debts	(24)	0
Increase (decrease) in Allowance for sales returns	410	113
Increase in Allowance for retirement benefits	136	179
Interest income	(764)	(655)
Interest expenses	1	0
Equity in earnings of affiliated companies	9	(2)
(Gain) loss on redemption of marketable securities	(610)	-
(Gain) loss on sales of marketable securities	624	(175)
(Gain) loss on valuations of marketable securities	-	51
(Increase) decrease in notes and accounts receivable	2,626	1,828
(Increase) decrease in inventories	118	194
Increase (decrease) in notes and accounts payable	64	(182)
Increase (decrease) in accounts payable, other & accrued expenses	(1,114)	(459)
Increase (decrease) in deferred revenue	439	3,299
Others	(1,107)	694
Subtotal	19,406	20,640
Proceeds from interest and dividend received	908	695
Payment for interest expenses	(1)	(0)
Payment for income tax	(6,956)	(3,602)
Net cash provided by operating activities	13,356	17,732
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	7	(1,766)
Payments for purchases of marketable securities and security investments	(18,427)	(35,649)
Proceeds from sales or redemptions of marketable securities and security investments	23,599	28,569
Payments for purchases of property and equipment	(1,749)	(604)
Payments for purchases of other intangibles	(2,420)	(1,285)
Purchase of investments in subsidiaries resulting in changes in scope of consolidation	(2,411)	-
Others	-	(103)
Net cash used in investing activities	(1,401)	(10,840)
Cash flows from financing activities:		
Payment for purchase of treasury stock	(4,682)	-
Receipt from disposal of treasury stock	21	10
Dividends paid	(8,924)	(10,794)
Net cash used in financing activities	(13,584)	(10,783)
Effect of exchange rate changes on cash and cash equivalents	492	(214)
Net increase (decrease) in cash and cash equivalents	(1,136)	(4,106)
Cash and cash equivalents at beginning of period	64,136	71,167

Cash and cash equivalents at end of period	62,999	67,061

(4) Footnote on going concern

N/A

(5) Segment Information

【Segment information】

Information of the amount of sales, profit/loss by reporting segments

For the previous fiscal year (from January 1, 2011 to June 30, 2011)

(Millions of Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Adj (*)3	Amt in Con P&L (*)4
Sales								
(1) Net sales to external customers	22,319	10,681	8,790	5,261	1,260	48,313	—	48,313
(2) Intercompany sales	4,492	702	690	5,308	6	11,200	(11,200)	—
total	26,812	11,383	9,480	10,570	1,266	59,514	(11,200)	48,313
Segment income	12,055	(7)	69	650	430	13,197	(21)	13,176

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Major countries other than Japan:

North America	U.S.A., Canada
Europe	Ireland, Germany, Italy, France, UK
Asia pacific	Taiwan, Korea, Australia, China, Philippine, Singapore, Malaysia, Thailand, India
Latin America	Brazil, Mexico

3 The amount of "Adj" in segment income (-21M) is that of intercompany elimination.

4 Total amount of segment income is adjusted to operating income in consolidated statement of income.

For the current fiscal year (from January 1, 2012 to June 30, 2012)

(Millions of Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Adj (*)3	Amt in Con P&L (*)4
Sales								
(1) Net sales to external customers	22,037	9,128	8,197	5,256	1,070	45,689	—	45,689
(2) Intercompany sales	2,398	782	373	5,771	5	9,330	(9,330)	—
total	24,435	9,910	8,570	11,027	1,075	55,019	(9,330)	45,689
Segment income	8,506	644	371	610	274	10,407	95	10,503

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Major countries other than Japan:

North America	U.S.A., Canada
Europe	Ireland, Germany, Italy, France, UK
Asia pacific	Taiwan, Korea, Australia, China, Philippine, Singapore, Malaysia, Thailand, India
Latin America	Brazil, Mexico

3 The amount of "Adj" in segment income (95M) is that of intercompany elimination.

4 Total amount of segment income is adjusted to operating income in consolidated statement of income.

(6) Notes on significant changes in stockholders' equity

N/A

(7) Major subsequent events

N/A