

Aug 8, 2013

Report of Earning Results (Consolidated)  
for the Second Quarter of the Fiscal Year  
Ending December 31, 2013

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Expected date of the submission of quarterly security reports ( "Shihanki Hokokusho" )  
: Aug 13, 2013

## 1. Financial Highlights for Six Months Ended June 30, 2013

### (1) Consolidated Results of Operations

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six Months Ended June 30, 2013	52,815	15.6	13,769	31.1	15,678	44.5	9,575	45.8
Six Months Ended June 30, 2012	45,689	(5.4)	10,503	(20.3)	10,848	(17.4)	6,569	(17.2)

(Note) Comprehensive Income: 14,222 million yen (114.7%) as of June 30, 2013  
(6,623 million yen ( -29.3%) as of June 30, 2012)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Six Months Ended June 30, 2013	72.67	72.57
Six Months Ended June 30, 2012	49.93	-

### (2) Consolidated Financial Position

	Total assets	Net Assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2013	235,971	122,310	50.4
December 31, 2012	219,007	113,492	49.9

(Note) Net Assets after deduction of Share acquisition rights and Minority interest  
: 119,003 million yen as of June 30, 2013 (109,270 million yen as of December 31, 2012)

## 2. Dividend of Surplus

As of	Cash dividends per share				
	The first quarter end	The second quarter end	The third quarter end	Annual end	Total
	Yen	Yen	Yen	Yen	Yen
December 31, 2012	-	0.00	-	67.00	67.00
December 31, 2013	-	0.00			
Projection for FY 2013			-	-	-

(Note) Revision of the projection of dividend for the Second quarter of FY 2013 : No

(Note) The dividend projection for FY2013 annual end has not been determined yet.

## 3. Forecasts of consolidated financial results for FY 2013

(January 1, 2013 through December 31, 2013)

(Note) For the forecast of FY 2013, please refer to next page.

## 4. Others

- (1) Change in the basis of Consolidation and Application of equity method : No  
 (2) Application of simplified or specified accounting procedures : Yes  
 (3) Changes in accounting principles, procedures and the way of disclosure

- ① Changes under the revision of Accounting Standards : Yes  
 ② Changes in Accounting principles other than ① : No  
 ③ Changes in Accounting Estimates : Yes  
 ④ Restatements : No

(Note) Please refer to "Appendix contents 2. Others (3) Changes in accounting principles, procedures and the way of disclosure".

### (4) Number of shares issued (common shares)

- ① Number of shares issued (including treasury stocks):  
 140,293,004 shares as of June 30, 2013  
 140,293,004 shares as of December 31, 2012  
 ② Number of treasury stocks :  
 7,471,424 shares as of June 30, 2013  
 8,732,135 shares as of December 31, 2012  
 ③ Average number of shares outstanding :  
 131,760,767 shares six months ended June 30, 2013  
 131,556,735 shares six months ended June 30, 2012

### \* 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 have not finished 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 on the Consolidated Earnings Forecast on page 3 of the attachment for conditions serving as assumptions for results forecasts.

Forecasts of consolidated financial results for FY 2013

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2013 (January 1, 2013 through December 31, 2013)	107,200	14.2	26,400	17.8	28,100	24.0	17,100	27.2	130.22

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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 FY2013	The First Half of FY2012	Rate of Change
Japan	23,709	22,037	7.6%
North America Reg.	11,566	9,128	26.7%
Europe Reg.	9,801	8,197	19.6%
Asia Pacific Reg.	6,425	5,256	22.3%
Latin America Reg.	1,313	1,070	22.7%

During the current term of fiscal year 2013, from January 1 to June 30, although the US economy continues to show modest economic expansion, the degree of improvement in business sentiment in Europe varies from country to country, and coupled with slowing growth in emerging countries, there is a high degree of uncertainty over the outlook of the global economy.

Although overcoming deflation continues to be a matter of concern, and Japan's economy remains partially weak, it has started to show sign of recovery due to the government's aggressive economic policies and significant monetary easing by the Bank of Japan. Besides improvements in corporate profits, especially among large firms, employment conditions and exports, etc. have also improved. Japan's economy is expected to continue to show signs of recovery.

For the Information Technology Industry, worldwide PC shipments fall short of previous year's results and declined for 5 consecutive quarters, registering the largest decline in record. Although enterprise demands are expected to increase in US, demands in Europe and China are expected to decrease. While domestic PC shipments also fell short of previous year's results, growth in worldwide demand for the use of cloud computing, including server virtualization and other related IT services expected to lead future IT spending as business sentiments improve.

Under such an environment, our group business performance is as follows:

For Japan, both enterprise and consumer sales have achieved revenue growth. In particular, revenue from consumer business has increased due to the introduction of security services for new devices such as smart phones, etc. As the result, sales for the current period in Japan was 23,709 million yen (7.6% increase from the same period in the previous year.)

Similarly, for the North America region, both enterprise and consumer sales have achieved revenue growth. In particular, revenue from enterprise business has increased in both local currency and Japanese yen terms in the second quarter (from April to June). In addition, due to weakening of the Japanese yen, net sales in this region showed a double digit increase to 11,566 million yen (26.7% increases from the same period in the previous year), which is also the region to have achieved the highest net sales growth among the 5 sales regions.

Sales in Europe region, including both enterprise and consumer, registered double digit growth as a result of the weakening of the Japanese yen. However, the enterprise business which accounts for the majority of Europe's sales revenue, did not perform well in local currency terms due to deterioration of economic conditions in Europe. The future challenge in this region is to expand the consumer business unit, which is still in its early stage of development. As a result, sales for this period in Europe region was 9,801 million yen (19.6% increase from the same period in the previous year).

The Asia Pacific region has also shown double digit growth in both enterprise and consumer sales, which can be primarily attributed to the depreciation of the Japanese yen. Australia, which has been exhibiting decelerating growth, has showed sign of recovery, and has been leading in this region's sales with China, which continues to be in good condition. As a result, net sales for this period in

Asia Pacific region amounted to 6,425 million yen (22.3% increase from the same period in the previous year).

For Latin America region, while Brazil has been performing well, Mexico has not performed well. However, due to influence of the weak Japanese yen, net sales in this region were 1,313 million yen (22.7% increase from the same period in the previous year).

As a result, consolidated net sales for the first half of fiscal year 2013 amounted to 52,815 million yen (15.6% increase from the same period in the previous year).

Cost of sales and operating expenses was largely affected by the weak Japanese yen. Although marketing expenses etc. decreased, personnel related expenses have increased, giving rise to cost of sales and operating expenses of 39,046 million yen (11.0% increase from the same period in the previous year) and consolidated operating income for this period was 13,769 million yen (31.1% increase from the same period in the previous year).

Due to increase in gain on sales of marketable securities, etc. consolidated ordinary income for this period was 15,678 million yen (44.5% increase from the same period in the previous year), and consolidated net income for this period was 9,575 million yen (45.8% increase from the same period in the previous year) due to the increase in gain on sales of subsidiaries' and affiliates' stocks.

## (2) Qualitative Information on the Consolidated Financial Positions

Cash and bank deposits at the end of this period amounted to 65,793 million yen, an increase of 11,060 million yen from FY 2012 annual closing. Total assets at the end of this period were 235,971 million yen, an increase of 16,964 million yen from FY 2012 annual closing due to substantially increases in cash and bank deposits and investment securities, etc.

Total liabilities at the end of this period were 113,661 million yen, an increase of 8,145 million yen from FY 2012 annual closing, mainly due to increase in Accounts payable, other and deferred revenue, etc.

As a result, total net assets at the end of this period were 122,310 million yen, an increase of 8,818 million yen. This increase is mainly due to substantially reduce debit balances in both treasury stock and foreign currency translation adjustments, etc.

## (3) Qualitative Information on the Consolidated Earnings Forecast

Consequently, as of now, we will not revise our consolidated results forecast for the full fiscal year ending December 31, 2013 (released on May 9, 2013).

Since the business environment surrounding Trend Micro Group tends to fluctuate in the short run, it is difficult to make highly reliable projection figures on a yearly basis. However, our forecasts of net sales for FY 2013 assume that Japan increases by around 5%, US and Europe increase by around 20% respectively from the same period in the previous year. Taking into consideration of such a condition, we have decided to announce earnings on an annually basis in the fiscal year ending in December 2013 as followings:

Business forecast for the Annual of FY2013 (January 1, 2013 - December 31, 2013)

Consolidated net sales	107,200 million yen
Consolidated operating income	26,400 million yen
Consolidated ordinary income	28,100 million yen
Consolidated net income	17,100 million yen

In development of the business forecasts, the main assumed exchange rates for the Annual of FY2013 (January 1, 2013 - December 31, 2013) are as follows:

1 US \$	97 yen
1 Euro	127 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 taking into consideration deferred tax accounting. In addition, deferred tax expense is included in income taxes.

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

(Changes in depreciation method)

From the first quarter of the current fiscal year, due to the amendment in tax law, the Company has adopted new depreciation method for tangible fixed assets acquired from January 1, 2013 and thereafter.

The effect of this change is immaterial.

### 3. 【CONSOLIDATED FINANCIAL STATEMENTS】

#### (1) 【Consolidated Balance Sheets】

(Million yen)

Account	December 31, 2012	June 30, 2013
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and bank deposits	54,732	65,793
Notes and Accounts receivable, trade	20,999	21,267
Marketable securities	64,110	62,716
Inventories	370	292
Deferred tax assets	14,775	14,579
Others	4,375	5,182
Allowance for bad debt	(104)	(157)
Total current assets	159,259	169,674
<b>Non-current assets</b>		
<b>Property and equipment</b>		
(1) Office furniture & equipment	3,364	3,246
(2) Others	1,073	1,074
Total Property and equipment	4,437	4,320
<b>Intangibles</b>		
(1) Software	5,740	6,064
(2) Goodwill	960	907
(3) Others	1,169	1,110
Total intangibles	7,870	8,082
<b>Investments and other non-current assets</b>		
(1) Investment securities	35,292	42,246
(2) Investments in subsidiaries and affiliates	190	33
(3) Deferred tax assets	10,739	10,412
(4) Others	1,217	1,202
Total investments and other non-current assets	47,440	53,894
Total non-current assets	59,748	66,297
Total assets	219,007	235,971

(Million yen)

Account	December 31, 2012	June 30, 2013
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable and Notes payable, trade	727	727
Accounts payable, other	3,758	6,366
Accrued expenses	4,844	4,315
Accrued income and other taxes	5,678	4,568
Allowance for bonuses	840	1,153
Allowance for sales returns	602	815
Deferred revenue	59,286	63,413
Others	2,306	2,847
Total current liabilities	78,044	84,207
<b>Non-current liabilities</b>		
Deferred revenue	24,464	25,491
Allowance for retirement benefits	2,371	2,686
Others	634	1,275
Total non-current liabilities	27,471	29,453
Total liabilities	105,515	113,661
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Common stock	18,386	18,386
Additional paid-in capital	21,111	21,426
Retained earnings	102,451	103,212
Treasury stock, at cost	(26,440)	(22,429)
Total Shareholders' equity	115,509	120,595
<b>Accumulated Other Comprehensive Income</b>		
Net unrealized gain (loss) on debt and equity securities	572	1,069
Foreign currency translation adjustments	(6,810)	(2,661)
Total accumulated other comprehensive income	(6,238)	(1,591)
Stock acquisition rights	4,213	3,298
Minority interest	7	8
Total net assets	113,492	122,310
Total liabilities and net assets	219,007	235,971

(2) 【Consolidated Statements of Income  
Consolidated Statements of Comprehensive Income】  
Consolidated Statements of Income

(Million yen)

	Six months ended June 30, 2012	Six months ended June 30, 2013
Net Sales	45,689	52,815
Cost of sales	8,546	9,845
Gross profit	37,143	42,970
Operating expenses	26,640	29,201
Operating income	10,503	13,769
Non-operating income		
Interest income	655	735
Gain on sale of marketable securities	254	1,184
Equity in gains of affiliated companies	2	-
Foreign exchange gain	-	1
Other income	62	60
Total non-operating income	975	1,981
Non-operating expenses		
Interest expenses	0	4
Loss on sale of marketable securities	78	-
Impairment loss on marketable securities	51	-
Foreign exchange loss	305	-
Equity in loss of affiliated companies	-	1
Other expenses	193	67
Total non-operating expenses	629	72
Ordinary income	10,848	15,678
Extraordinary gain		
Gain on reversal of stock options	-	68
Gain on sale of affiliated company securities	-	403
Total extraordinary gain	-	471
Net income before taxes	10,848	16,149
Income taxes	4,279	6,574
Net Income before minority interest	6,568	9,575
Minority interest in income (loss) of consolidated subsidiaries	(0)	0
Net income	6,569	9,575

## Consolidated Statements of Comprehensive Income

(Million yen)

	Six months ended June 30, 2012	Six months ended June 30, 2013
Income before minority interests	6,568	9,575
Other comprehensive income		
Valuation difference on available-for-sale securities	(152)	496
Foreign currency translation adjustment	206	4,150
Share of other comprehensive income of associates accounted for using equity method	(0)	-
Total other comprehensive income	54	4,647
Comprehensive income	6,623	14,222
Comprehensive income attributable to owners of the parent	6,610	14,221
Comprehensive income attributable to minority interests	12	1

## (3) 【Consolidated Statements of Cash Flows】

(Million yen)

Account	Six months ended June 30, 2012	Six months ended June 30, 2013
Cash flows from operating activities:		
Net income before taxes	10,848	16,149
Depreciation and amortization	3,236	3,596
Stock compensations	1,313	411
Gain on reversal of stock option	-	(68)
Amortization of goodwill	356	165
Increase (decrease) in allowance for bad debts	0	41
Increase (decrease) in allowance for sales returns	113	184
Increase in allowance for retirement benefits	179	246
Interest income	(655)	(735)
Interest expenses	0	4
Equity in earnings of affiliated companies	(2)	1
(Gain) loss on sale of marketable securities	(175)	(1,184)
(Gain) loss on valuation of marketable securities	51	-
(Gain) loss on sale of affiliated company securities	-	(403)
(Increase) decrease in notes and accounts receivable	1,828	1,088
(Increase) decrease in inventories	194	112
Increase (decrease) in notes and accounts payable	(182)	(79)
Increase (decrease) in accounts payable, other & accrued expenses	(459)	(292)
Increase (decrease) in deferred revenue	3,299	1,219
Virtual share bonus plan	-	807
Others	694	371
Subtotal	20,640	21,637
Proceeds from interest and dividend received	695	797
Payment for interest expenses	(0)	(4)
Payment for income tax	(3,602)	(7,231)
Net cash provided by operating activities	17,732	15,199
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	(1,766)	633
Payments for purchases of marketable securities and securities investments	(35,649)	(52,214)
Proceeds from sale or redemptions of marketable securities and securities investments	28,569	50,164
Payments for purchases of property and equipment	(604)	(877)
Payments for purchases of other intangibles	(1,285)	(2,225)
Proceeds from sale of affiliated company securities	-	559
Others	(103)	-
Net cash used in/provided by investing activities	(10,840)	(3,960)
Cash flows from financing activities:		
Payment for purchase of treasury stock	-	(1,848)
Receipt from disposal of treasury stock	10	4,915
Dividends paid	(10,794)	(8,408)
Net cash used in financing activities	(10,783)	(5,341)
Effect of exchange rate changes on cash and cash equivalents	(214)	4,766
Net increase (decrease) in cash and cash equivalents	(4,106)	10,663
Cash and cash equivalents at beginning of period	71,167	50,446
Cash and cash equivalents at end of period	67,061	61,109

## (4) Footnote on going concern

N/A

## (5) Segment Information

## 【Segment information】

Information on sales, profit/loss by reporting segments

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

(Million 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, The Philippines, 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

For the current fiscal year (from January 1, 2013 to June 30, 2013)

(Million 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	23,709	11,566	9,801	6,425	1,313	52,815	—	52,815
(2) Intercompany sales	2,007	1,134	481	7,499	7	11,130	(11,130)	—
Total	25,716	12,700	10,283	13,924	1,320	63,946	(11,130)	52,815
Segment income	9,798	2,135	1,216	625	273	14,049	(280)	13,769

(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, The Philippines, Singapore, Malaysia, Thailand, India
Latin America	Brazil, Mexico

3 The amount of "Adj" in segment income (-280M) 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