

May 13, 2014

Report of Earning Results (Consolidated)
for the First Quarter of the Fiscal Year
Ending December 31, 2014

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Expected date of the submission of quarterly security reports ("Shihanki Hokokusho")
: May 14, 2014

1. Financial Highlights for Three Months Ended March 31, 2014

(1) Consolidated Results of Operations

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three Months Ended March 31, 2014	27,517	6.7	8,937	21.8	9,686	26.7	6,038	25.3
Three Months Ended March 31, 2013	25,783	13.9	7,338	31.8	7,646	31.7	4,820	46.8

(Note) Comprehensive Income: 4,764 million yen (Δ 43.4%) as of March 31, 2014
(8,411 million yen (27.5%) as of March 31, 2013)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Three Months Ended March 31, 2014	44.76	44.46
Three Months Ended March 31, 2013	36.60	36.57

(2) Consolidated Financial Position

	Total assets	Net Assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2014	248,826	130,717	51.6
December 31, 2013	261,493	142,539	53.6

(Note) Net Assets after deduction of Share acquisition rights and Minority interest
:128,317 million yen as of March 31, 2014 (140,202 million yen as of December 31, 2013)

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, 2013	-	0.00	-	125.00	125.00
December 31, 2014	-				
Projection for FY 2014		0.00	-	-	-

(Note) Revision of the projection of dividend for the First quarter of FY 2014 : No

(Note) The dividend projection for FY2014 annual end has not been determined yet.

3. Forecasts of consolidated financial results for FY 2014

(January 1, 2014 through December 31, 2014)

(Note) For the forecast of FY 2014, 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 : No
 ② Changes in Accounting principles other than ① : No
 ③ Changes in Accounting Estimates : No
 ④ Restatements : No

(4) Number of shares issued (common shares)

- ① Number of shares issued (including treasury stocks):

140,293,004 shares as of March 31, 2014

140,293,004 shares as of December 31, 2013

- ② Number of treasury stocks :

5,348,424 shares as of March 31, 2014

5,430,724 shares as of December 31, 2013

- ③ Average number of shares outstanding :

134,889,879 shares three months ended March 31, 2014

131,704,268 shares three months ended March 31, 2013

* 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. 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. 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 2014

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions yen	%	Millions yen	%	Millions yen	%	Millions yen	%	Yen
FY2014 (January 1, 2014 through December 31, 2014)	112,000	3.4	30,100	2.2	32,000	(1.4)	19,100	(2.5)	141.63

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1 Qualitative Information and Financial Statements

(1) Qualitative Information on the Consolidated Business Results

(Unit: million yen)

	Net Sales		
	1Q FY Dec. 2014	1Q FY Dec. 2013	Rate of Change (%)
Japan	11,934	11,742	1.6%
North America Reg.	5,998	5,480	9.5%
Europe Reg.	5,632	4,779	17.9%
Asia and Pacific Reg.	3,288	3,143	4.6%
Latin America Reg.	662	637	3.9%
Total	27,517	25,783	6.7%

During this term of fiscal year 2014, from January 1 to March 31, the world economy still remains uncertain where European economy faces geopolitical risk and a part of emerging countries have been slowing down in economic growth. On the other hand, US economy shows strong recovery after severe weather impact at the beginning of this year. It is expected to lead the world economy with its underlying strength in business sentiment, consumer spending, and employment conditions.

Though Japanese economy remains shy due to the global economic uncertainty and a trade deficit, it has been recovering at a moderate pace. Under the government's aggressive economic policies and massive monetary easing by the Bank of Japan, it shows sign of overcoming deflation. The Japanese economy has been continuously recovering with the pay rise at mainly large firms, brisk private consumption, and short-lived rally due to a last-minute rise in demand before a consumption tax increase.

For the Information Technology Industry, worldwide PC shipments are still continuing to decrease. The worldwide demand for the use of cloud computing including server virtualization and following IT services, and mobile devices demands including tablets have been increasing strongly. On the other hand, domestic PC shipments have exceeded the same period in the previous year substantially due to the replacement demand following the termination of Windows XP support and the last-minute rise in demand before a consumption tax increase.

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

With regards to sales in Japan region, enterprise business achieved sales increase with the growth of cloud related business. As for consumer business, it has also showed growth due to the replacement demand following the termination of Windows XP support and the benefit from strong PC sales with the last-minute demand before the consumption tax goes up. However, in consumer business, although the products shipping achieved a significant increase, following rebates have also increased. In addition, most support service consideration was deferred to following quarters. As a result, consumer business sales have shown slight reduction from the same period in the previous year. Net sales for this period in Japan region amounted to 11,934 million yen (1.6% increase from the same period in the previous year.)

For North America region, enterprise business shows the continued growth of cloud related business and sustainable growth in both local currency and Japanese yen terms. On the other hand, consumer business has not performed well in a local currency term with a decrease in number of users. As a result, sales for this period in this region was 5,998 million yen (9.5% increase from the same period in previous year).

In EMEA region sales, both the enterprise and the consumer business growth have increased in local currency. Coupled with significantly-affected by weak yen, it shows double digit growth. As the result, sales for this period in EMEA was 5,632 million yen (17.9% increase from the same period in previous year).

In the Asia Pacific region, mainly Australia and China, which continues to be in good condition in both local currency and Japanese yen terms, have been leading in this region's sales continuously. As a result, net sales for this period in Asia Pacific region amounted to 3,288 million yen (4.6% increase from the same period in the previous year).

For Latin America region, both Brazil and Mexico have showed strong sales growth even in local currencies.

However only this region was influenced of strong Japanese yen, net sales in this region were 662 million yen (3.9% increases from the same period in previous year).

As a result, the consolidated net sales for the First Quarter fiscal year end of 2014 came to 27,517 million yen (6.7% increase from the same period in previous year).

Cost of sales and operating expenses stayed within the same level of the same period in previous year, total of 18,580 million yen (0.7% increase from the same period in previous year.) As a result, consolidated operating income for this period was 8,937 million yen (21.8% increase from the same period in previous year).

The consolidated ordinary income for this period was 9,686 million yen (26.7% increase from the same period in previous year) due to increase of Gain on sale of marketable securities etc., and the consolidated net income for this period was 6,038 million yen (25.3% increase from the same period in previous year).

(2) Qualitative Information on the Consolidated Financial Positions

Cash and bank deposits at the end of this period amounted to 57,153 million yen, a decrease of 22,478 million yen from FY2013 annual closing. Although investment securities increased, total assets at the end of this period were 248,826 million yen, 12,667 million yen decrease from FY2013 annual closing mainly due to decrease in cash and bank deposits, and marketable securities etc.

Total liabilities at the end of this period were 118,108 million yen, 845 million yen decrease from FY2013 annual closing due to decrease in Accrued income and other taxes etc.

As a result, total net assets at the end of this period were 130,717 million yen, a decrease of 11,821 million yen. This decrease is due to decrease in the dividends paid etc.

(3) Qualitative Information on the Consolidated Earnings Forecast

As of now, we do not revise our consolidated results forecast for the full fiscal year ending December 31, 2014 (released on February 18, 2014).

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. However, forecasts of net sales for FY 2014 assumed that Japan and Europe increase by around 5% respectively, and US keeps the same level from the same period in previous year. In consideration of such a condition, we have decided to announce the earnings on an annually basis in the fiscal year ending in December 2014 as the following:

Annual Business forecast for FY2014 (January 1, 2014 - December 31, 2014)

Consolidated net sales	112,000 million yen
Consolidated operating income	30,100 million yen
Consolidated ordinary income	32,000 million yen
Consolidated net income	19,100 million yen

In development of the business forecasts, the main assumed exchange rates for the Annual of FY2014 (January 1, 2014 - December 31, 2014) are as follows:

1 US \$	100 yen
1 Euro	138 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 (3 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. 【CONSOLIDATED FINANCIAL STATEMENTS】

(1) 【Consolidated Balance Sheets】

(Million yen)

Account	December 31, 2013	March 31, 2014
(Assets)		
Current assets		
Cash and bank deposits	79,632	57,153
Notes and Accounts receivable, trade	24,546	24,244
Marketable securities	60,958	43,078
Inventories	408	432
Deferred tax assets	15,462	15,695
Others	3,821	4,109
Allowance for bad debt	(217)	(203)
Total current assets	184,612	144,510
Non-current assets		
Property and equipment		
(1) Office furniture & equipment	3,271	3,140
(2) Others	1,312	1,222
Total Property and equipment	4,583	4,362
Intangibles		
(1) Software	6,975	7,371
(2) Goodwill	1,119	992
(3) Others	1,065	987
Total intangibles	9,160	9,351
Investments and other non-current assets		
(1) Investment securities	51,095	78,830
(2) Investments in subsidiaries and affiliates	38	39
(3) Deferred tax assets	10,576	10,373
(4) Others	1,425	1,358
Total investments and other non-current assets	63,135	90,601
Total non-current assets	76,880	104,315
Total assets	261,493	248,826

(Million yen)

Account	December 31, 2013	March 31, 2014
(Liabilities)		
Current liabilities		
Accounts payable and Notes payable, trade	486	685
Accounts payable, other	3,789	4,415
Accrued expenses	5,015	4,536
Accrued income and other taxes	5,279	2,922
Allowance for bonuses	1,433	1,137
Allowance for sales returns	656	778
Deferred revenue	65,429	66,326
Others	4,976	4,361
Total current liabilities	87,066	85,163
Non-current liabilities		
Deferred revenue	27,429	28,305
Allowance for retirement benefits	2,896	2,983
Others	1,561	1,656
Total non-current liabilities	31,887	32,944
Total liabilities	118,954	118,108
(Net assets)		
Shareholders' equity		
Common stock	18,386	18,386
Additional paid-in capital	21,796	21,810
Retained earnings	113,509	102,636
Treasury stock, at cost	(16,303)	(16,056)
Total Shareholders' equity	137,389	126,777
Accumulated Other Comprehensive Income		
Net unrealized gain (loss) on debt and equity securities	1,768	1,304
Foreign currency translation adjustments	1,045	235
Total accumulated other comprehensive income	2,813	1,540
Stock acquisition rights	2,326	2,390
Minority interest	9	9
Total net assets	142,539	130,717
Total liabilities and net assets	261,493	248,826

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

(Million yen)

	Three months ended March 31, 2013	Three months ended March 31, 2014
Net Sales	25,783	27,517
Cost of sales	5,048	4,622
Gross profit	20,735	22,895
Operating expenses	13,396	13,958
Operating income	7,338	8,937
Non-operating income		
Interest income	342	380
Gain on sale of marketable securities	90	286
Equity in gains of affiliated companies	-	0
Foreign exchange gain	-	95
Other income	34	29
Total non-operating income	468	793
Non-operating expenses		
Interest expenses	3	0
Loss on sale of marketable securities	0	-
Foreign exchange loss	122	-
Equity in loss of affiliated companies	1	-
Other expenses	32	44
Total non-operating expenses	160	44
Ordinary income	7,646	9,686
Extraordinary gain		
Gain on reversal of stock options	46	5
Total extraordinary gain	46	5
Net income before taxes	7,692	9,691
Income taxes	2,872	3,654
Net Income before minority interest	4,820	6,037
Minority interest in income (loss) of consolidated subsidiaries	0	(0)
Net income	4,820	6,038

Consolidated Statements of Comprehensive Income

(Million yen)

	Three months ended March 31, 2013	Three months ended March 31, 2014
Income before minority interests	4,820	6,037
Other comprehensive income		
Valuation difference on available-for-sale securities	666	(463)
Foreign currency translation adjustment	2,924	(809)
Total other comprehensive income	3,591	(1,273)
Comprehensive income	8,411	4,764
Comprehensive income attributable to owners of the parent	8,410	4,765
Comprehensive income attributable to minority interests	0	(0)

(3) 【Consolidated Statements of Cash Flows】

(Million yen)

Account	Three months ended March 31, 2013	Three months ended March 31, 2014
Cash flows from operating activities:		
Net income before taxes	7,692	9,691
Depreciation and amortization	1,797	1,672
Stock compensations	116	128
Gain on reversal of stock option	(46)	(5)
Amortization of goodwill	80	104
Increase (decrease) in allowance for bad debts	(8)	(11)
Increase (decrease) in allowance for sales returns	76	125
Increase in allowance for retirement benefits	190	134
Interest income	(342)	(380)
Interest expenses	3	0
Equity in earnings of affiliated companies	1	(0)
(Gain) loss on sale of marketable securities	(90)	(286)
(Increase) decrease in notes and accounts receivable	(219)	26
(Increase) decrease in inventories	39	(29)
Increase (decrease) in notes and accounts payable	259	215
Increase (decrease) in accounts payable, other & accrued expenses	(561)	238
Increase (decrease) in deferred revenue	1,152	2,364
Virtual share bonus plan	25	(1,150)
Others	203	(516)
Subtotal	10,369	12,321
Proceeds from interest and dividend received	348	165
Payment for interest expenses	(3)	(0)
Payment for income tax	(6,445)	(6,075)
Net cash provided by operating activities	4,269	6,411
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	(854)	257
Payments for purchases of marketable securities and securities investments	(23,612)	(58,337)
Proceeds from sale or redemptions of marketable securities and securities investments	34,035	48,092
Payments for purchases of property and equipment	(347)	(420)
Payments for purchases of other intangibles	(868)	(1,896)
Net cash used in/provided by investing activities	8,353	(12,304)
Cash flows from financing activities:		
Payment for purchase of treasury stock	(1,848)	-
Receipt from disposal of treasury stock	1,101	202
Dividends paid	(8,222)	(15,539)
Net cash used in financing activities	(8,969)	(15,336)
Effect of exchange rate changes on cash and cash equivalents	3,238	(900)
Net increase (decrease) in cash and cash equivalents	6,891	(22,129)
Cash and cash equivalents at beginning of period	50,446	73,949
Cash and cash equivalents at end of period	57,337	51,819

(4) Footnotes on Consolidated Financial Statements

(Footnote on going concern)

N/A

(Notes on significant changes in stockholders' equity)

N/A

(Segment Information)

Information on sales, profit/loss by reporting segments

For the previous fiscal year (from January 1, 2013 to March 31, 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	11,742	5,480	4,779	3,143	637	25,783	—	25,783
(2) Intercompany sales	949	586	222	3,570	3	5,333	(5,333)	—
Total	12,692	6,067	5,001	6,714	641	31,116	(5,333)	25,783
Segment income	4,944	1,058	765	482	122	7,373	(34)	7,338

(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 (34M) 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, 2014 to March 31, 2014)

(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	11,934	5,998	5,632	3,288	662	27,517	—	27,517
(2) Intercompany sales	518	639	249	4,779	3	6,190	(6,190)	—
Total	12,452	6,638	5,882	8,068	665	33,708	(6,190)	27,517
Segment income	4,740	1,684	1,175	1,069	137	8,807	129	8,937

(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 129M is that of intercompany adjustment

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