

August 12, 2014

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

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Expected date of the submission of quarterly security reports ("Shihanki Hokokusho")
: Aug 13, 2014

1. Financial Highlights for Six Months Ended June 30, 2014

(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, 2014	55,325	4.8	16,056	16.6	17,435	11.2	10,764	12.4
Six Months Ended June 30, 2013	52,815	15.6	13,769	31.1	15,678	44.5	9,575	45.8

(Note) Comprehensive Income: 8,535 million yen minus 40.0% as of June 30, 2014
14,222 million yen 114.7% as of June 30, 2013

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Six Months Ended June 30, 2014	79.78	79.25
Six Months Ended June 30, 2013	72.67	72.57

(2) Consolidated Financial Position

As of	Total assets	Net Assets	Equity ratio
	Million yen	Million yen	%
June 30, 2014	251,997	131,729	51.2
December 31, 2013	261,493	142,539	53.6

(Note) Net Assets after deduction of Share acquisition rights and Minority interest
:129,140 million yen as of June 30, 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
December 31, 2013	Yen -	Yen 0.00	Yen -	Yen 125.00	Yen 125.00
December 31, 2014	-	0.00			
Projection for FY 2014			-	-	-

(Note) Revision of the projection of dividend for the Second 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

	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

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 June 30, 2014
 140,293,004 shares as of December 31, 2013
- ② Number of treasury stocks :
 6,230,424 shares as of June 30, 2014
 5,430,724 shares as of December 31, 2013
- ③ Average number of shares outstanding :
 134,928,611 shares six months ended June 30, 2014
 131,760,767 shares six months ended June 30, 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. 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.

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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 FY2014	The First Half of FY2013	Rate of Change
Japan	24,166	23,709	1.9%
North America Reg.	11,938	11,566	3.2%
Europe Reg.	11,227	9,801	14.5%
Asia and Pacific Reg.	6,591	6,425	2.6%
Latin America Reg.	1,401	1,313	6.7%
Total	55,325	52,815	4.8%

During this term of fiscal year 2014, from January 1 to June 30, the world economy still remains uncertain while a part of emerging countries have been slowing down in economic growth and European economy has been attended by geopolitical risk. On the other hand, US economy maintains mild recovery after severe weather impact at the beginning of this year. It is expected to lead the world economy with its recovery in business sentiment, consumer spending, and employment conditions.

Though it remains shy due to the global economic uncertainty and a trade deficit, the Japanese economy has been on a moderate recovery trend. Under the government's aggressive economic policies and massive monetary easing by the Bank of Japan, Japan economy has been overcoming deflation as a matter of concern. The Japanese economy has been continuously recovering with the business sentiment and employment conditions, and get over both the short-lived rally and its right after falling down of a last-minute rise in demand before consumption tax increase.

For the Information Technology Industry, the worldwide demand for the cloud computing utilization including server virtualization continuously stimulates the demand for IT services and mobile devices including tablets. Although the worldwide PC shipments are continuously replaced with budget tablets demands, its downward trend decreased only slightly due to enterprise's PC replacement demand. On the other hand, domestic PC shipment was supported by the Windows XP replacement demand. It shows brisk sales on especially smaller companies.

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

With regards to sales in Japan region, enterprise business maintained sales increase with the growth of cloud related business. As for consumer business, it has also showed growth with the special benefit from strong PC sales due to a rush demand before consumption tax increase and the Windows XP replacement demand, etc., its recent business condition is favorable. As a result, net sales for this period in Japan region amounted to 24,166 million yen (1.9% increase from the same period in the previous year.)

For North America region, enterprise business shows the continuous growth of cloud related business and sustainable growth in both local currency and Japanese yen terms. On the other hand, consumer business sales have decreased significantly due to the sales channel centralization aiming for higher profit margin and a decrease in number of users, etc. Although low performance of consumer business dragged down the entire North America region sales, weak yen benefited for sales figure in Japanese yen. As a result, sales for this period in this region was 11,938 million yen (3.2% increase from the same period in previous year).

Although EMEA region sales has been concerned about weaknesses in future demands both of enterprise and consumer business growth have increased in local currency. Coupled with weak yen, both businesses showed double digit growth. As the result, sales for this period in EMEA was 11,227 million yen (14.5% increase from the same period in previous year).

In the Asia Pacific region sales has been leading by China and Australia which was in good recent business condition for both enterprise and consumer, in this region's sales continuously in also local

currency. As a result, net sales for this period in Asia Pacific region amounted to 6,591 million yen (2.6% 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. Especially enterprise business sales growth in Brazil has been leading this region's sales. As the result, net sales in this region were 1,401 million yen (6.7% increase from the same period in previous year).

As a result, the consolidated net sales for the first half of fiscal year 2014 came to 55,325 million yen (4.8% increase from the same period in previous year), showing revenue growth in all region.

Cost of sales and operating expenses stayed within the same level of the same period in previous year, total of 39,268 million yen (0.6% increase from the same period in previous year.) Although people costs increased, mainly stock option related expenses and outsourcing costs etc. have decreased. As a result, consolidated operating income for this period was 16,056 million yen (16.6% increase from the same period in previous year).

The consolidated ordinary income for this period was 17,435 million yen (11.2% increase from the same period in previous year) and the consolidated net income for this period was 10,764 million yen (12.4% 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 49,785 million yen, a decrease of 29,847 million yen from FY2013 annual closing. Although marketable securities and investment securities increased substantially, total assets at the end of this period were 251,997 million yen, 9,496 million yen decrease from FY2013 annual closing mainly due to decrease significantly in cash and bank deposits, etc.

Total liabilities at the end of this period were 120,268 million yen, 1,314 million yen increase from FY2013 annual closing due to the increase in deferred revenue, etc.

As a result, total net assets at the end of this period were 131,729 million yen, a decrease of 10,810 million yen. This decrease is due to the dividends payment and Treasury stock increase, 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 (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) Additinal information

(Influence of changing income tax rate)

Partial Amendment of the Income Tax Act, etc. is announced on March 31, 2014 and special income tax for reconstruction wasn't to be imposed from consolidated fiscal year started since April 1, 2014. The income tax has increased 506 million yen by this change.

3. 【CONSOLIDATED FINANCIAL STATEMENTS】

(1) 【Consolidated Balance Sheets】

(Million yen)

Account	December 31, 2013	June 30, 2014
(Assets)		
Current assets		
Cash and bank deposits	79,632	49,785
Notes and Accounts receivable, trade	24,546	22,102
Marketable securities	60,958	65,019
Inventories	408	454
Deferred tax assets	15,462	15,905
Others	3,821	4,366
Allowance for bad debt	(217)	(199)
Total current assets	184,612	157,436
Non-current assets		
Property and equipment		
(1) Office furniture & equipment	3,271	3,146
(2) Others	1,312	1,129
Total Property and equipment	4,583	4,275
Intangibles		
(1) Software	6,975	7,220
(2) Goodwill	1,119	872
(3) Others	1,065	921
Total intangibles	9,160	9,014
Investments and other non-current assets		
(1) Investment securities	51,095	69,034
(2) Investments in subsidiaries and affiliates	38	39
(3) Deferred tax assets	10,576	10,818
(4) Others	1,425	1,377
Total investments and other non-current assets	63,135	81,270
Total non-current assets	76,880	94,561
Total assets	261,493	251,997

(Million yen)

Account	December 31, 2013	June 30, 2014
(Liabilities)		
Current liabilities		
Accounts payable and Notes payable, trade	486	654
Accounts payable, other	3,789	4,257
Accrued expenses	5,015	4,460
Accrued income and other taxes	5,279	5,369
Allowance for bonuses	1,433	1,623
Allowance for sales returns	656	924
Deferred revenue	65,429	66,323
Others	4,976	3,654
Total current liabilities	87,066	87,268
Non-current liabilities		
Deferred revenue	27,429	28,072
Allowance for retirement benefits	2,896	3,086
Others	1,561	1,840
Total non-current liabilities	31,887	32,999
Total liabilities	118,954	120,268
(Net assets)		
Shareholders' equity		
Common stock	18,386	18,386
Additional paid-in capital	21,796	21,850
Retained earnings	113,509	107,363
Treasury stock, at cost	(16,303)	(19,044)
Total Shareholders' equity	137,389	128,555
Accumulated Other Comprehensive Income		
Net unrealized gain (loss) on debt and equity securities	1,768	945
Foreign currency translation adjustments	1,045	(360)
Total accumulated other comprehensive income	2,813	585
Stock acquisition rights	2,326	2,579
Minority interest	9	8
Total net assets	142,539	131,729
Total liabilities and net assets	261,493	251,997

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

(Million yen)

	Six months ended June 30, 2013	Six months ended June 30, 2014
Net Sales	52,815	55,325
Cost of sales	9,845	9,304
Gross profit	42,970	46,020
Operating expenses	29,201	29,964
Operating income	13,769	16,056
Non-operating income		
Interest income	735	843
Gain on sale of marketable securities	1,184	785
Equity in gains of affiliated companies	-	0
Foreign exchange gain	1	-
Other income	60	54
Total non-operating income	1,981	1,685
Non-operating expenses		
Interest expenses	4	9
Foreign exchange loss	-	82
Equity in loss of affiliated companies	1	-
Loss on disposal of fixed assets	-	134
Other expenses	67	80
Total non-operating expenses	72	306
Ordinary income	15,678	17,435
Extraordinary gain		
Gain on reversal of stock options	68	14
Gain on sale of affiliated company securities	403	-
Total extraordinary gain	471	14
Net income before taxes	16,149	17,449
Income taxes	6,574	6,685
Net Income before minority interest	9,575	10,763
Minority interest in income (loss) of consolidated subsidiaries	0	(0)
Net income	9,575	10,764

Consolidated Statements of Comprehensive Income

(Million yen)

	Six months ended June 30, 2013	Six months ended June 30, 2014
Income before minority interests	9,575	10,763
Other comprehensive income		
Valuation difference on available-for-sale securities	496	(822)
Foreign currency translation adjustment	4,150	(1,405)
Total other comprehensive income	4,647	(2,228)
Comprehensive income	14,222	8,535
Comprehensive income attributable to owners of the parent	14,221	8,536
Comprehensive income attributable to minority interests	1	(0)

(3) 【Consolidated Statements of Cash Flows】

(Million yen)

Account	Six months ended June 30, 2013	Six months ended June 30, 2014
Cash flows from operating activities:		
Net income before taxes	16,149	17,449
Depreciation and amortization	3,596	3,445
Stock compensations	411	411
Gain on reversal of stock option	(68)	(14)
Amortization of goodwill	165	218
Increase (decrease) in allowance for bad debts	41	(13)
Increase (decrease) in allowance for sales returns	184	274
Increase in allowance for retirement benefits	246	233
Interest income	(735)	(843)
Interest expenses	4	9
Equity in earnings of affiliated companies	1	(0)
Loss on disposal of fixed assets	-	134
(Gain) loss on sale of marketable securities	(1,184)	(785)
(Gain) loss on sale of affiliated company securities	(403)	-
(Increase) decrease in notes and accounts receivable	1,088	1,992
(Increase) decrease in inventories	112	(54)
Increase (decrease) in notes and accounts payable	(79)	188
Increase (decrease) in accounts payable, other & accrued expenses	(292)	62
Increase (decrease) in deferred revenue	1,219	2,722
Virtual share bonus plan	807	(626)
Others	371	(1,224)
Subtotal	21,637	23,578
Proceeds from interest and dividend received	797	579
Payment for interest expenses	(4)	(9)
Payment for income tax	(7,231)	(6,976)
Net cash provided by operating activities	15,199	17,171
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	633	848
Payments for purchases of marketable securities and securities investments	(52,214)	(90,418)
Proceeds from sale or redemptions of marketable securities and securities investments	50,164	67,127
Payments for purchases of property and equipment	(877)	(912)
Payments for purchases of other intangibles	(2,225)	(2,952)
Proceeds from sale of affiliated company securities	559	-
Net cash used in/provided by investing activities	(3,960)	(26,307)
Cash flows from financing activities:		
Payment for purchase of treasury stock	(1,848)	(3,344)
Receipt from disposal of treasury stock	4,915	512
Dividends paid	(8,408)	(15,764)
Net cash used in financing activities	(5,341)	(18,596)
Effect of exchange rate changes on cash and cash equivalents	4,766	(1,174)
Net increase (decrease) in cash and cash equivalents	10,663	(28,907)
Cash and cash equivalents at beginning of period	50,446	73,949
Cash and cash equivalents at end of period	61,109	45,042

(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 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 minus 280M 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 June 30, 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	24,166	11,938	11,227	6,591	1,401	55,325	—	55,325
(2) Intercompany sales	1,003	1,233	526	8,739	7	11,510	(11,510)	—
Total	25,170	13,171	11,753	15,330	1,408	66,835	(11,510)	55,325
Segment income	9,163	2,987	2,137	1,270	347	15,906	149	16,056

(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 149M is that of intercompany elimination

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