

TREND MICRO INC
Form 6-K
April 23, 2003
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U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 333-10486

For the Month of April 2003

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.

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Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

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

Yes No

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

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Information furnished on this form:

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1. Press release dated April 21, 2003 relating to the results of the share buyback program for the period from April 1, 2003 to April 18, 2003
 2. Press release dated April 21, 2003 relating to first quarter consolidated results
 3. Purchase Report on Treasury Shares for the period from March 1, 2003 to March 26, 2003 filed on April 10, 2003 with the Ministry of Finance
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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: April 23, 2003

By:

/s/ MAHENDRA NEGI

Mahendra Negi

Representative Director, Chief Financial Officer and

Executive Vice President

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Trend Micro Announces Results of Share Buyback

Tokyo, Japan April 21, 2003 Trend Micro (TSE: 4704; Nasdaq: TMIC), a leader in network antivirus and Internet content security software and services, today announced the results of share buyback pursuant to Article 210 of the Japanese Commercial Code. The share buyback program was approved pursuant to a resolution of a meeting of its Board of Directors held on March 26, 2003.

1. Repurchase period: April 1, 2003 through April 18, 2003
2. Number of shares repurchased: 0(zero)
3. Aggregate cost of shares repurchased: 0(zero)

(Note)

At the meeting of the Board of Directors held on March 26, 2003, the following was resolved:

1. Repurchase period: April 1, 2003 to April 18, 2003
2. Number of shares to be repurchased: Maximum of 500,000 shares
3. Aggregate cost: Maximum of 750,000,000 yen
4. Repurchase method: Transactions through the Tokyo Stock Exchange

About Trend Micro

Trend Micro, Inc. is a leader in network antivirus and Internet content security software and services. The Tokyo-based corporation has business units worldwide. Trend Micro products are sold through corporate and value-added resellers. For additional information and evaluation copies of all Trend Micro products, visit our website at <http://www.trendmicro.com>

For additional Information

Mr. Mahendra Negi

Chief Financial Officer / IR Officer

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Trend Micro Announces First Quarter Consolidated Results

Q1 sales increase 12% year over year reaching new record highs

Tokyo, Japan April 21, 2003 Trend Micro Inc (TSE: 4704; Nasdaq: TMIC), a leader in network antivirus and Internet content security software and services, reported results in US GAAP for the first quarter, ended March 31, 2003. Trend Micro posted consolidated net sales of 10.9 billion yen, (or US\$ 91.0 million¹) and operating income of 3.0 billion yen (or US\$ 24.7 million). The figures reflect gains of 12% in sales and -2% in operating income compared with the same period a year ago.

All major product lines grew compared to the same quarter in 2002. Enterprise products represented 82% of net sales in Q1, with Internet gateway and messaging groupware product revenue growing 15% year over year. Consumer product revenue grew 32% as compared with the same period a year ago.

We are pleased to demonstrate growth over 2002, despite the global economic climate, said Steve Chang, Chairman and CEO of Trend Micro. And we intend to emerge out of these challenging times in a continued leadership position by continuing to invest and focus on delivering the building blocks of our Enterprise Protection Strategy (EPS). We are gaining recognition for this unique approach. We believe our rapid progress in delivering EPS to the market with our partners has given us a substantial lead in offering real product capabilities that are usable today, versus others in the industry who are trying to achieve the same result through integrating acquisitions.

Consolidated net sales for the second quarter ending June 30th are expected to be 11.5 billion yen (or US\$ 95.8 million). Operating income is expected to be 2.9 billion yen (or US\$ 24.2 million).

The company also reported results for FY2002 in accordance with US GAAP of 43.0 billion yen (or US\$ 358.2 million) in net sales, 13.9 billion yen (or US\$ 115.6 million) in operating income, and 7.7 billion yen (or US\$ 64.3 million) in net income.

First Quarter Highlights:

- Trend Micro Enterprise Protection Strategy was awarded PC Magazine's Editors' Choice for corporate antivirus software. Trend Micro was selected for the award due to its unique strength in outbreak containment, custom policies, remote administration, desktop-to-gateway solutions, and extensive support infrastructure. Trend Micro Enterprise Protection Strategy was selected for the award over products from Symantec and Network Associates.
- In March 2003, META group named Trend Micro among the leaders in the antivirus space based on the company's gateway position, strong centralized management, and focus on the outbreak lifecycle.
- Trend Micro introduced its Spam Prevention Service for enterprise customers, a service designed to block non-productive and malicious spam at the Internet gateway that utilizes heuristic technology. The new service was designed to interoperate seamlessly with Trend

Micro's other antivirus and content security products.

¹ \$1 US = 120 Japanese Yen

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- In March, UBS Warburg ranked Trend Micro third in overall global channel satisfaction, making the company the highest ranked antivirus vendor in the study. The report also stated that customers of the channel partners surveyed preferred best-of-breed security solutions versus all-in-one, integrated security solutions.
- Major customer additions worldwide during the quarter include Seiko Epson and Cable and Wireless. Customers from the government, healthcare, and banking sectors worldwide were most significant among new customers this quarter.

Notice Regarding Forward Looking Statements

Statements included in this release contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, statements regarding our expectations about future dividend payments. Many important factors could cause our actual results to differ materially from those expressed in our forward-looking statements. These factors include:

- Customer acceptance of our new products and services
- The impact of competing products and services
- Difficulties in adapting our products and services to the Internet
- Difficulties in addressing new virus and other computer security problems
- The potential lack of attractive investment targets and difficulties in successfully executing our investment strategy
- Declining prices for our products and services

We assume no obligation to update any forward-looking statements. For more details regarding risk factors relating to our future performance, please refer to our filings with the SEC, including our annual report on Form 20-F which was filed on July 1, 2002.

About Trend Micro

Trend Micro, Inc. is a leader in network antivirus and Internet content security software and services. The Tokyo-based corporation has business units worldwide. Trend Micro products are sold through corporate and value-added resellers. For additional information and evaluation copies of all Trend Micro products, visit our website at <http://www.trendmicro.com>

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1. The following tables show key financial information for the three months ended March 31, 2003 as announced by Trend Micro in Japan.

*Figures are in accordance with US GAAP and not audited.

The amounts shown in U.S. dollars are for convenience only, exchanged at the rate of: 1US\$=120 JPY

(1) Consolidated Results of Operations

| | FY2003 | | FY2002 | | Growth Rate |
|---|--|----------------------|---|----------------------|-------------|
| | Current first quarter From January 1, 2003 To March 31, 2003 | | Previous first quarter From January 1, 2002 To March 31, 2002 | | |
| | Millions of yen | Thousands of US\$ | Millions of yen | Thousands of US\$ | |
| Net sales | 10,918 | 90,987 | 9,752 | 81,271 | 12.0 |
| Cost of sales | 804 | 6,706 | 596 | 4,969 | 35.0 |
| Gross profit | 10,114 | 84,281 | 9,156 | 76,302 | 10.5 |
| Operating expenses | 7,153 | 59,608 | 6,128 | 51,069 | 16.7 |
| Operating income | 2,961 | 24,673 | 3,028 | 25,233 | -2.2 |
| Other income (expense) | 105 | 879 | 41 | 345 | 154.8 |
| Income before income taxes and equity in gain of affiliated companies | 3,066 | 25,552 | 3,069 | 25,578 | -0.1 |
| Income taxes | 1,327 | 11,058 | 1,364 | 11,372 | -2.8 |
| Equity in gain of affiliated companies | 1 | 5 | 0 | 1 | 475.7 |
| Net income | 1,740 | 14,499 | 1,705 | 14,207 | 2.1 |

(2) Geographic segment information

Net sales to third parties

| | FY2003 | FY2002 |
|--|--|---|
| | Current first quarter From January 1, 2003 To March 31, 2003 | Previous first quarter From January 1, 2002 To March 31, 2002 |

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| | Millions of yen | Thousands of US\$ | Millions of yen | Thousands of US\$ |
|---------------|--------------------|----------------------|--------------------|----------------------|
| Japan | 4,825 | 40,209 | 3,968 | 33,064 |
| North America | 2,174 | 18,120 | 2,413 | 20,108 |
| Europe | 2,615 | 21,792 | 2,194 | 18,287 |
| Asia Pacific | 1,011 | 8,426 | 892 | 7,439 |
| Latin America | 293 | 2,440 | 285 | 2,373 |
| Total | 10,918 | 90,987 | 9,752 | 81,271 |

Deferred Revenue

| | FY2003 | | FY2002 | |
|---------------|----------------------|----------------------|----------------------|----------------------|
| | As of March 31, 2003 | | As of March 31, 2002 | |
| | Millions of yen | Thousands of US\$ | Millions of yen | Thousands of US\$ |
| Japan | 7,814 | 65,114 | 5,850 | 48,750 |
| North America | 4,008 | 33,400 | 2,647 | 22,060 |
| Europe | 4,005 | 33,373 | 1,811 | 15,092 |
| Asia Pacific | 1,011 | 8,427 | 615 | 5,124 |
| Latin America | 310 | 2,585 | 300 | 2,498 |
| Total | 17,148 | 142,899 | 11,223 | 93,524 |

- (Note) 1. Classification of countries and regions is based on geographical proximity.
2. Classification of countries and regions into each geographic segment.

| | |
|---------------|---|
| North America | : U.S.A. |
| Europe | : Italy, Germany, France, UK |
| Asia Pacific | : Taiwan, Korea, Australia, Hong Kong, Malaysia, New Zealand, China |
| Latin America | : Brazil, Mexico |

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(3) Basis of consolidation
The number of consolidated subsidiaries 16 (16 in overseas)

The number of unconsolidated subsidiaries

(4) Increase (Decrease) of major assets and liabilities

| | As of March 31, 2003 | | Increase (Decrease) | | As of December 31, 2002 | |
|--|----------------------|----------------------|------------------------|----------------------|-------------------------|----------------------|
| | Millions of yen | Thousands of US\$ | Millions of yen | Thousands of US\$ | Millions of yen | Thousands of US\$ |
| (Assets) | | | | | | |
| Cash and cash equivalents | 49,805 | 415,041 | 1,975 | 16,459 | 47,830 | 398,582 |
| Notes and accounts receivable, trade | | | | | | |
| less allowance for doubtful accounts and sales returns | 9,618 | 80,147 | -1,707 | -14,228 | 11,325 | 94,375 |
| Marketable securities and securities investments | 3,814 | 31,785 | 376 | 3,133 | 3,438 | 28,652 |
| (Liabilities) | | | | | | |
| Deferred revenue | | | | | | |
| (Total of current and long term) | 17,148 | 142,899 | 1,475 | 12,293 | 15,673 | 13,606 |
| Long term debt (Total of current and long term) | 11,500 | 95,833 | | | 11,500 | 95,833 |
| (Shareholders' equity) | | | | | | |
| Treasury stock | -2,823 | -23,528 | -501 | -4,176 | -2,322 | -19,352 |

(Note) In order for the warrants to be granted or transferred to the directors and certain employees of the Company and the directors and certain employees of an affiliated company, the Company issued unsecured bonds with detachable warrants. Under pre-revised section 341-8-4 of the Japanese Commercial Code, the redemption and retirement of these bonds are restricted when the total amount of the bonds is less than the total amount of the issue price of the stocks from unexecuted warrants. To reduce interest costs, the Company repurchased some of the issued bonds after warrants were detached. Based on the above reason, the Company intends to hold the treasury bonds until they can be retired legally which is substantially the same as redemption. Thus, bonds and treasury bonds (10,000 millions of yen as of March 31, 2003 and 10,000 millions of yen as of December 31, 2002 respectively) are disclosed in net amount in the balance sheet.

(5) Projected earnings for the next quarter (April 1, 2003 through June 30, 2003)

| | Net sales | | Operating income | | Net income | |
|---------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| | Millions of yen | Thousands of US\$ | Millions of yen | Thousands of US\$ | Millions of yen | Thousands of US\$ |
| 2nd Qtr | 11,500 | 95,833 | 2,900 | 24,167 | 1,650 | 13,750 |

(Note) Since the business environment surrounding Trend Micro Group tends to fluctuate in the short run, it is difficult to make the highly reliable projection figures on a yearly basis. We, therefore, decided to announce the earnings on a quarterly basis in the fiscal year ending in December 2003 as well as earnings projection of the succeeding quarter.

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

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2. The following tables and statements show financial highlights for the fiscal year ended December 31, 2002 as announced by Trend Micro in Japan.

*Figures are in accordance with US GAAP and not audited.

The amounts shown in U.S. dollars are for convenience only, exchanged at the rate of: 1US\$=120 JPY

(1) Consolidated Results of Operations

| | Compared to | | | Compared to | | | Compared to | | |
|--------|-----------------|------------------|--------------|------------------|------------------|--------------|---|------------------|--------------|
| | Net sales | | the previous | Operating income | | the previous | Income before income | | the previous |
| | Millions of yen | Millions of US\$ | year | Millions of yen | Millions of US\$ | year | taxes, and equity in gain of affiliated companies | year | |
| | | | % | | | % | Millions of yen | Millions of US\$ | % |
| FY2002 | 42,980 | 358.16 | 37.2 | 13,866 | 115.55 | 84.5 | 13,098 | 109.15 | 68.9 |
| FY2001 | 31,326 | 261.05 | 56.1 | 7,516 | 62.63 | 36.0 | 7,757 | 64.64 | 12.5 |

| | Net Income | | Compared to | | Net income | | Return on | | Ordinary | |
|--------|-----------------|------------------|--------------|-----------|----------------------|-------|--------------|--------------|----------|------|
| | | | the previous | per share | Net income per share | | shareholders | income/total | | |
| | Millions of yen | Millions of US\$ | year | (basic) | (diluted) | | equity | assets ratio | | |
| | | | % | Yen | US\$ | Yen | US\$ | % | % | % |
| FY2002 | 7,714 | 64.28 | 75.9 | 58.39 | 0.49 | 58.22 | 0.49 | 22.7 | 18.9 | 30.5 |
| FY2001 | 4,386 | 36.55 | 19.4 | 33.33 | 0.28 | 33.02 | 0.28 | 15.9 | 14.2 | 24.8 |

(Note) 1) Gain(Loss) on investment in affiliated companies: 11 millions of yen (FY2002)

- 130 millions of yen (FY2001)

2) Number of weighted average shares outstanding: 132,111,467 shares (FY2002)

131,594,913 shares (FY2001)

3) The company made no accounting changes in accounting principle, which had material effects on the financial position and results of operations, during the period.

4) The percentage of sales, operating income, net income before tax and net income are in comparison to the previous year.

(2) Consolidated Financial Position

| Total assets | Shareholders equity | Shareholders equity ratio | Shareholders equity |
|--------------|---------------------|---------------------------|---------------------|
|--------------|---------------------|---------------------------|---------------------|

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| | Millions of yen | Millions of US\$ | Millions of yen | Millions of US\$ | % | per share | |
|---------|--------------------|---------------------|--------------------|---------------------|------|-----------|---------------------|
| | | | | | | Yen | Millions of US\$ |
| FY 2002 | 73,838 | 615.32 | 37,144 | 309.54 | 50.3 | 282.07 | 2.35 |
| FY 2001 | 64,729 | 539.41 | 30,766 | 256.38 | 47.5 | 233.00 | 1.94 |

(Note) Number of shares issued at the end of fiscal year : 131,682,975 shares (FY2002)

132,043,182 shares (FY2001)

(3) Consolidated Cash Flows

| | Cash flows from operating activities | | Cash flows from investing activities | | Cash flows from financing activities | | Ending balance of cash and cash equivalent | |
|---------|---|---------------------|---|---------------------|---|---------------------|---|---------------------|
| | Millions of yen | Millions of US\$ | Millions of yen | Millions of US\$ | Millions of yen | Millions of US\$ | Millions of yen | Millions of US\$ |
| FY 2002 | 14,743 | 122.86 | -3,173 | -26.44 | -4,007 | -33.40 | 47,830 | 398.58 |
| FY 2001 | 12,240 | 102.00 | -2,918 | -24.32 | 5,784 | 48.20 | 40,783 | 339.86 |

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

The number of consolidated subsidiaries 15

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

The number of excluded consolidated subsidiaries 3

The number of additional consolidated affiliated companies

The number of excluded consolidated affiliated companies

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TREND MICRO INCORPORATED
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

| | Thousands of yen December 31, | | Thousands of U.S. dollars |
|---|----------------------------------|-------------------|---------------------------------|
| | 2001 | 2002 | 2002 |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | (Yen)40,782,650 | (Yen)47,829,821 | \$ 398,582 |
| Time deposits | 70,768 | 65,722 | 547 |
| Marketable securities | 1,847,113 | 2,747,471 | 22,896 |
| Notes and accounts receivable, trade less allowance for doubtful accounts and sales returns of (Yen) 850,376 and (Yen) 962,037 (\$8,017) in 2001 and 2002, respectively | 11,430,383 | 11,325,041 | 94,375 |
| Inventories | 238,881 | 363,848 | 3,032 |
| Deferred income taxes | 3,218,595 | 4,044,672 | 33,706 |
| Prepaid expenses and other current assets | 786,997 | 798,243 | 6,652 |
| Total current assets | 58,375,387 | 67,174,818 | 559,790 |
| Investments and other assets: | | | |
| Securities investments | 1,304,489 | 690,732 | 5,756 |
| Investment in and advances to affiliate companies | 84,929 | 96,117 | 801 |
| Software development costs | 820,069 | 936,058 | 7,800 |
| Other intangibles | 290,393 | 361,028 | 3,009 |
| Deferred income taxes | 972,201 | 1,548,313 | 12,903 |
| Other | 868,377 | 1,086,254 | 9,052 |
| | 4,340,458 | 4,718,502 | 39,321 |
| Property and equipment: | | | |
| Office furniture and equipment | 2,317,359 | 2,619,820 | 21,832 |
| Other properties | 1,003,901 | 1,101,268 | 9,177 |
| | 3,321,260 | 3,721,088 | 31,009 |
| Less: Accumulated depreciation | (1,308,386) | (1,776,409) | (14,803) |
| | 2,012,874 | 1,944,679 | 16,206 |
| | (Yen) 64,728,719 | (Yen)73,837,999 | \$ 615,317 |

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**TREND MICRO INCORPORATED
AND CONSOLIDATED SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS

| | Thousands of yen December 31, | | Thousands of U.S. dollars |
|--|----------------------------------|-------------------|---------------------------------|
| | 2001 | 2002 | 2002 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | |
| Current liabilities: | | | |
| Current portion of long-term debt | (Yen) 3,000,000 | (Yen) 5,000,000 | \$ 41,667 |
| Notes payable, trade | 175,510 | 85,035 | 709 |
| Accounts payable, trade | 1,206,486 | 1,014,215 | 8,452 |
| Accounts payable, other | 1,806,527 | 1,201,675 | 10,014 |
| Withholding income taxes | 264,608 | 183,663 | 1,531 |
| Accrued expenses | 1,529,358 | 1,807,241 | 15,060 |
| Accrued income and other taxes | 3,359,572 | 4,089,169 | 34,076 |
| Deferred revenue | 9,342,597 | 13,484,252 | 112,369 |
| Other | 304,525 | 573,068 | 4,775 |
| Total current liabilities | 20,989,183 | 27,438,318 | 228,653 |
| Long term liabilities: | | | |
| Long term debt | 11,500,000 | 6,500,000 | 54,167 |
| Deferred revenue | 916,873 | 2,188,460 | 18,237 |
| Accrued pension and severance costs | 277,488 | 356,044 | 2,967 |
| Other | 279,149 | 210,947 | 1,758 |
| | 12,973,510 | 9,255,451 | 77,129 |
| Shareholders equity: | | | |
| Common stock | | | |
| Authorized | | | |
| 2001 250,000,000 shares (no par value) | | | |
| 2002 250,000,000 shares (no par value) | | | |
| Issued | | | |
| 2001 132,052,284 shares | 6,833,678 | | |
| 2002 132,503,417 shares | | 7,257,060 | 60,476 |
| Additional paid-in capital | 12,144,908 | 13,021,554 | 108,513 |
| Legal reserve | 149,991 | 182,084 | 1,517 |
| Retained earnings | 11,127,585 | 18,804,617 | 156,705 |
| Accumulated other comprehensive income | | | |
| Net unrealized gain (loss) on debt and equity securities | (310,480) | (83,877) | (699) |
| Cumulative translation adjustments | 848,873 | 285,079 | 2,375 |
| | 538,393 | 201,202 | 1,676 |

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| | | | |
|--|-----------------|-----------------|------------|
| Treasury stock, at cost (2001 9,102 shares; 2002 820,442 shares) | (28,529) | (2,322,287) | (19,352) |
| | 30,766,026 | 37,144,230 | 309,535 |
| Commitments and contingent liabilities | | | |
| Total liabilities and shareholders equity | (Yen)64,728,719 | (Yen)73,837,999 | \$ 615,317 |

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TREND MICRO INCORPORATED
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

| | Years ended December 31, | | | Year ended December 31, |
|---|--------------------------|-------------------|-------------------|------------------------------|
| | 2000 | 2001 | 2002 | 2002 |
| | Thousands of yen | | | Thousands of U.S. dollars |
| Net sales | (Yen) 20,070,366 | (Yen) 31,326,321 | (Yen) 42,979,637 | \$ 358,164 |
| Cost of sales | 1,474,689 | 1,898,971 | 2,353,862 | 19,616 |
| Gross profit | 18,595,677 | 29,427,350 | 40,625,775 | 338,548 |
| Operating expenses: | | | | |
| Selling | 5,445,167 | 7,177,519 | 12,246,338 | 102,053 |
| Research and development | 2,043,480 | 2,755,200 | 3,505,565 | 29,213 |
| General and administrative | 5,303,661 | 9,725,458 | 11,007,754 | 91,731 |
| Goodwill amortization | 276,286 | | | |
| Goodwill write-off | | 2,253,559 | | |
| | 13,068,594 | 21,911,736 | 26,759,657 | 222,997 |
| Operating income | 5,527,083 | 7,515,614 | 13,866,118 | 115,551 |
| Other income (expenses): | | | | |
| Interest income | 241,133 | 393,254 | 410,245 | 3,419 |
| Interest expense | (220,960) | (296,625) | (277,328) | (2,311) |
| Gain (Loss) on sales of marketable securities | 119,650 | 19,975 | (259,293) | (2,161) |
| Impairment of securities investments | | | (804,661) | (6,706) |
| Foreign exchange gain, net | 283,305 | 585,671 | 52,424 | 437 |
| Other income (expense), net | 941,500 | (461,312) | 110,778 | 923 |
| | 1,364,628 | 240,963 | (767,835) | (6,399) |
| Income before income taxes, minority interest and equity in gain(loss) of affiliated companies | 6,891,711 | 7,756,577 | 13,098,283 | 109,152 |
| Income taxes: | | | | |
| Current | 4,701,426 | 4,214,459 | 6,938,456 | 57,820 |
| Deferred | (1,578,889) | (973,338) | (1,542,750) | (12,856) |
| | 3,122,537 | 3,241,121 | 5,395,706 | 44,964 |

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| | | | | |
|--|-----------------|-----------------|-----------------|---------------------|
| Income before minority interest and equity in gain(loss) of affiliated companies | 3,769,174 | 4,515,456 | 7,702,577 | 64,188 |
| Minority interest in income of a consolidated subsidiary | 6,845 | | | |
| Income from consolidated companies | 3,762,329 | 4,515,456 | 7,702,577 | 64,188 |
| Equity in gain (loss) of affiliated companies | (87,672) | (129,544) | 11,189 | 93 |
| Net income | (Yen) 3,674,657 | (Yen) 4,385,912 | (Yen) 7,713,766 | \$ 64,281 |
| | Yen | Yen | Yen | U.S. dollars |
| Per share data: | | | | |
| Net income basic | (Yen) 28.18 | (Yen) 33.33 | (Yen) 58.39 | \$ 0.49 |
| diluted | 27.53 | 33.02 | 58.22 | 0.49 |
| Cash dividends | | | | |

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TREND MICRO INCORPORATED
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years ended December 31, | | | Year ended December 31, |
|--|--------------------------|----------------|-----------------|------------------------------|
| | 2000 | 2001 | 2002 | 2002 |
| | Thousands of yen | | | Thousands of U.S. dollars |
| Cash flows from operating activities: | | | | |
| Net income | (Yen)3,674,657 | (Yen)4,385,912 | (Yen) 7,713,766 | \$ 64,281 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | | |
| Amortization of deferred compensation related to stock warrants | 101,528 | | | |
| Depreciation and amortization | 1,014,281 | 3,604,342 | 1,910,246 | 15,919 |
| Pension and severance costs, less payments | 40,361 | 103,576 | 82,007 | 683 |
| Deferred income taxes | (1,578,889) | (973,338) | (1,542,750) | (12,856) |
| Gain (loss) on sales of marketable securities | (119,650) | (19,975) | 259,293 | 2,161 |
| Impairment of securities investments | | | 804,661 | 6,706 |
| Equity in loss (gain) of affiliated companies | 87,672 | 129,544 | (11,189) | (93) |
| Changes in assets and liabilities: | | | | |
| Increase in deferred revenue | 2,975,760 | 4,141,118 | 5,608,143 | 46,735 |
| Increase in accounts receivable, net of allowances | (1,849,641) | (2,660,035) | (118,016) | (983) |
| (Increase) decrease in inventories | (234,841) | 87,290 | (137,030) | (1,142) |
| Increase (decrease) in notes and accounts payable, trade | 51,234 | 360,097 | (201,989) | (1,683) |
| Increase in accrued income and other taxes | 1,141,049 | 1,336,964 | 730,629 | 6,089 |
| Decrease (increase) in other current assets | 425,223 | (132,105) | 141,170 | 1,176 |
| (Decrease) increase in accounts payable, other | (133,267) | 832,287 | (171,645) | (1,430) |
| Increase in other current liabilities | 62,997 | 1,192,476 | 96,567 | 804 |
| Decrease (increase) in other assets | 268,804 | (526,330) | (361,945) | (3,017) |
| Other | 158,555 | 378,408 | (58,822) | (491) |
| Net cash provided by operating activities | 6,085,833 | 12,240,231 | 14,743,096 | 122,859 |
| Cash flows from investing activities: | | | | |
| Payments for purchases of property and equipment | (782,883) | (1,501,036) | (811,632) | (6,763) |
| Software development cost | (488,577) | (969,360) | (1,025,516) | (8,546) |
| Payments for purchases of other intangibles | (94,081) | (259,199) | (306,573) | (2,555) |
| Proceeds from sales of marketable securities | 239,486 | 2,811,975 | 292,607 | 2,438 |
| Proceeds from maturities of marketable securities | 100,000 | | | |
| Payments for purchases of marketable securities and security investments | (407,012) | (2,897,926) | (1,326,512) | (11,054) |
| Acquisition, net of cash acquired | (2,508,248) | | | |
| Investments in affiliated companies | (200,000) | (32,000) | | |
| Payments for / Proceeds from time deposits | | (70,768) | 5,046 | 42 |

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| | | | | |
|---------------------------------------|----------------|----------------|----------------|-------------|
| Net cash used in investing activities | (Yen)4,141,315 | (Yen)2,918,314 | (Yen)3,172,580 | \$ (26,438) |
|---------------------------------------|----------------|----------------|----------------|-------------|

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TREND MICRO INCORPORATED
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years ended December 31, | | | Year ended December 31, |
|---|--------------------------|-------------------------|-------------------------|------------------------------|
| | 2000 | 2001 | 2002 | 2002 |
| | Thousands of yen | | | Thousands of U.S. dollars |
| Cash flows from financing activities: | | | | |
| Issuance of common stock pursuant to exercise of stock warrants | 1,527,019 | 955,414 | 842,110 | 7,018 |
| Tax benefit from exercise of non-qualified stock warrants | 1,702,289 | 211,985 | 459,743 | 3,831 |
| Proceeds from issuance of bonds | 5,000,000 | 12,500,000 | 4,000,000 | 33,333 |
| Purchase of treasury bonds | | (6,812,000) | (4,008,800) | (33,407) |
| Redemption of bonds | (1,300,000) | (900,000) | (3,000,000) | (25,000) |
| Decrease in short-term borrowings | (226,000) | | | |
| Decrease in long-term borrowings | (127,685) | (157,100) | | |
| Purchase of / proceeds from sales of treasury stock, net | (78,617) | (13,556) | (2,293,758) | (19,114) |
| Other | (1,426) | (943) | (6,744) | (56) |
| Net cash provided / used by financing activities | 6,495,580 | 5,783,800 | (4,007,449) | (33,395) |
| Effect of exchange rate changes on cash and cash equivalents | 346,524 | 1,241,430 | (515,896) | (4,299) |
| Net increase in cash and cash equivalents | 8,786,622 | 16,347,147 | 7,047,171 | 58,727 |
| Cash and cash equivalents at beginning of year | 15,648,881 | 24,435,503 | 40,782,650 | 339,855 |
| Cash and cash equivalents at end of year | (Yen) 24,435,503 | (Yen) 40,782,650 | (Yen) 47,829,821 | \$ 398,582 |

(Note:)

- (1) Income statement of fiscal year 2000 and the related numbers are retroactively restated by the effect of stock split on March 31, 2001(1:2 stock split).
- (2) US dollar amounts in the financial statements are calculated by the approximate exchange rate as of December 31, 2002 (JPY120.00=U.S.\$1) and are for reference only.

For Additional Information

Mr. Mahendra Negi

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Chief Financial Officer / IR Officer

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**PURCHASE REPORT
ON TREASURY SHARES**

(Pursuant to Section 1, Article 24-6 of the Securities and Exchange Law of Japan)

**Reporting Period: From March 1, 2003
To March 26, 2003**

TREND MICRO INCORPORATED

(941272)

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Purchase Report on Treasury Shares

(Pursuant to Section 1, Article 24-6 of the Securities and Exchange Law of Japan)

Reporting Period: From March 1, 2003
To March 26, 2003

To: Director General of Kanto Local Finance Bureau

Filed on April 10, 2003

| | |
|-----------------------------------|---|
| Corporate Name | Trend Micro Incorporated |
| Title and Name of Representative | President and Representative Director: Chang Ming-Jang |
| Location of the Registered Office | Odakyu Southern Tower 10F, 2-1, Yoyogi 2-chome, Shibuya-ku, Tokyo, Japan |
| | Phone: 03-5334-3600 |
| Liaison Contact | Treasurer and Accountant Manager: Ryo Masaki |
| Place to Contact | Odakyu Southern Tower 10F, 2-1, Yoyogi 2-chome, Shibuya-ku, Tokyo, Japan |
| | Phone: 03-5334-3600 |
| Liaison Contact | Treasurer and Accountant Manager: Ryo Masaki |

Place at which copies of the Annual Securities Report is Offered for Public Inspection

| <u>Name</u> | <u>Location</u> |
|----------------------|--|
| Tokyo Stock Exchange | 2-1, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan |

Table of ContentsClass of Shares: Ordinary Shares

1. Description of Purchase

(1) Description of Purchase according to the Resolution by the General Meeting of Shareholders

(As of March 26, 2003)

| <u>Segment</u> | | <u>Number of Shares</u> | <u>Total Amount</u> | <u>Remarks</u> |
|--|----------|-------------------------|---------------------|----------------|
| Description of the Resolution on the General Meeting of Shareholders (Resolution on March 26, 2002) | | 5,000,000 shares | JPY 5,700,000,000 | Note |
| Number of Treasury Shares purchased for the Reporting Period | March 3 | 20,500 shares | JPY 38,980,000 | |
| | March 4 | 35,000 shares | JPY 68,450,000 | |
| (Date of Purchase) | March 5 | 40,000 shares | JPY 77,130,000 | |
| | March 6 | 50,000 shares | JPY 94,880,000 | |
| | March 7 | 50,000 shares | JPY 90,850,000 | |
| | March 10 | 30,000 shares | JPY 52,000,000 | |
| | March 11 | 35,000 shares | JPY 60,149,500 | |
| | March 13 | 10,000 shares | JPY 17,700,000 | |
| | Total | 270,500 shares | JPY 500,139,500 | |
| Total Number of Treasury Shares purchased by the End of the Reporting Month | | 1,000,000 shares | JPY 2,513,824,500 | |
| Progress of Purchase of Treasury Shares | | 20.0% | 44.1% | |

Note: It is 3.78% of the ratio of (i) the total number of shares resolved pursuant to Section 1 of Article 210 of the Commercial Code of Japan at the general meeting of shareholders to (ii) the total number of shares issued and outstanding as at the date when such general meeting was closed.

(2) Description of Purchase from the Subsidiaries

Not applicable

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(3) Description of Purchase for Cancellation by using Revaluation Excess

Not applicable

2. Description of Disposition

Not applicable

3. Description of Holding

(As of March 31, 2003)

| Segment | Number of Shares | Remarks |
|---|--------------------|---------|
| Total Number of Shares issued and outstanding | 132,503,417 shares | |
| Number of Treasury Shares held | 1,091,445 shares | |
| Number of Treasury Shares held for Cancellation by using Revaluation Excess | 0 shares | |