

TREND MICRO INC  
Form 6-K  
August 02, 2004  
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# U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM 6-K

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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 August 2004

## Trend Micro Incorporated

(Translation of registrant's name into English)

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Shinjuku MAYNDS Tower, 1-1, Yoyogi 2-chome,

Shibuya-ku, Tokyo 151-0053, Japan

(Address of principal executive offices)

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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  Yes 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 July 26, 2004, relating to the revision of the forecast for the second quarter consolidated results of fiscal year ending December 31, 2004
2. Press release dated July 29, 2004, relating to the announcement of the second quarter consolidated results
3. Earnings report for the first half of the fiscal year ending December 31, 2004



**Table of Contents****Trend Micro Announces Revision of Forecast of Consolidated Financial Results for the Second Quarter of Fiscal Year Ending December 31, 2004**

Tokyo, Japan July 26, 2004 - Trend Micro (TSE: 4704; Nasdaq: TMIC), a leader in network antivirus and Internet content security software and services, today announced that the forecast of financial results for the second quarter of the fiscal year ending December 31, 2004, is revised as set forth below.

## 1. Revision of forecast of financial results for the second quarter of FY2004

(April 1, 2004 to June 30, 2004)

(in millions of yen)

	<u>Net Sales</u>	<u>Operating Income</u>	<u>Net Income</u>
Forecast previously published (A)	13,500	4,500	2,650
Revision made (B)	14,843	6,262	3,828
Amount of increase (B-A)	1,343	1,762	1,178
Ratio of increase or decrease	+ 9.9%	+ 39.2%	+ 44.5%

## 2. Reason for Revision

The company has decided to revise its forecasts because operating income and net income are expected to deviate by more than 30% from the previous forecast.

About details of results, the company will disclose on the day of its financial results announcement, July 29, 2004.

**Notice Regarding Forward Looking Statements**

Certain statements that we make in this release are forward-looking statements. These forward-looking statements are based upon management's current assumptions and beliefs in light of the information currently available to it, but involve known and unknown risks and uncertainties.

Many important factors could cause our actual results to differ materially from those expressed in our forward-looking statements. These factors include:

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Difficulties in addressing new virus and other computer security problems;

Timing of new product introductions and lack of market acceptance for our new products;

The level of continuing demand for, and timing of sales of, our existing products;

Rapid technological change within the anti-virus software industry;

Changes in customer needs for anti-virus software;

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Existing products and new product introductions by our competitors and the pricing of those products;

Declining prices for our products and services;

The effect of future acquisitions on our financial condition and results of operations;

The effect of adverse economic trends on our principal markets;

The effect of foreign exchange fluctuations on our results of operations;

An increase in the incidence of product returns;

The potential lack of attractive investment targets; and

Difficulties in successfully executing our investment strategy.

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.

**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 [www.trendmicro.com](http://www.trendmicro.com).

**For additional information**

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**Trend Micro Reports Record Second Quarter Results**

*Revenue up 30% and Net income up 144% year over year*

**Tokyo, Japan July 29, 2004** Trend Micro, Inc. (TSE: 4704, NASDAQ: TMIC), a leader in network antivirus and Internet content security software and services, today announced record earnings for the second quarter 2004.

Trend Micro posted consolidated net sales of 14.8 billion Yen (or US \$136 million, based on an exchange rate as of June 30, 2004; 109JPY = 1USD), operating income of 6.3 billion Yen (or US \$57 million) and net income of 3.8 billion Yen (or US \$35 million) for the second quarter 2004. These figures reflect gains of 30% in net sales, 119% in operating income and 144% in net income compared with the same period a year ago.

Net sales from enterprise products grew 26% year over year and comprised 77% of Q2 revenues; net sales from consumer products grew 48% year over year and made up 23% of Q2 sales.

If Q2 results are converted from Japanese yen to US dollars\*, Q2 2004 consolidated net sales grew 41%, net sales of enterprise products grew 36%, and net sales of consumer products grew 60% year over year.

In the first half of 2004, we continued to see good growth from our existing products while simultaneously reaching another milestone in our long history of innovation that we expect will fuel our growth in the future, commented Steve Chang, CEO and founder of Trend Micro. Within a short time, we introduced our network-level virus scanning appliance, Trend Micro Network VirusWall, and unveiled a unique technology and service collaboration with Cisco. Both of these initiatives will better position us to deliver effective solutions to customers worldwide, and to minimize the business disruption caused by network worms, viruses and other such threats.

Based on information currently available to the company, consolidated net sales for the third quarter ending September 30, 2004 is expected to be 15 billion Yen (or US \$138 million, based on an exchange rate as of June 30, 2004; 109JPY = 1USD). Operating income and net income are expected to be 5.5 billion Yen (or US \$50 million) and 3.3 billion Yen (or US \$30 million), respectively.

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\* These numbers were calculated based on the following exchange rates: 1 USD=118.50 JPY for Q2 2003 and 1 USD =109.78 JPY for Q2 2004, which are the weighted average exchange rates used to convert USD net sales to JPY for those respective quarters.



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### **Second Quarter Business Highlights**

Trend Micro and Cisco Systems announced a joint collaboration to deliver comprehensive network worm and virus outbreak-prevention services to help protect networked business. Under this agreement, Cisco will initially integrate Trend Micro's network worm and virus signatures with the Cisco Intrusion Detection System (IDS) deployed in Cisco branded routers, switches, and network security appliances. Cisco has also licensed additional Trend Micro technology to extend its threat prevention capabilities in subsequent phases. Trend Micro also announced its continuing support of the Cisco Network Admission Control program with the release of Trend Micro OfficeScan Corporate Edition v6.5.

In the second quarter of 2004, Trend Micro announced several new enterprise offerings, including: Trend Micro OfficeScan Corporate Edition v6.5, enabled to support the Cisco Network Admission Control program; Trend Micro InterScan Web Security Suite v2.0, enhanced with anti-spam, anti-phishing, anti-spyware, and URL filtering capabilities for more comprehensive Web-based security; Trend Micro ScanMail for Lotus Domino v2.6 for the OS/390 and zOS platforms; and Trend Micro InterScan eManager v5.22 for InterScan Messaging Security Suite 5.15/5.55 for Windows, Linux and Solaris.

New customers gained during the quarter came from the technology, service, and energy sectors including: ARAMARK Canada Ltd, part of ARAMARK Corporation, which provides award-winning food and facilities management services; Dell (UK), part of one of the world's leading computer systems companies; New South Wales Police, Australia's police organization; and Petr leoos de Venezuela, S.A., a Latin American company.

During the second quarter, Trend Micro won awards and recognition for several products offerings for both its enterprise customers and individual consumers. Trend Micro Network VirusWall 1200 outbreak-prevention appliance earned a Recommended title from *CRN* magazine for providing a unique and thorough solution for protecting networks from attack. Trend Micro NeatSuite won the Well-Connected Award from *Network Computing* magazine for 2004. Trend Micro PC-Cillin Internet Security 2004 won the World Class 2004 title from *PC World* magazine for being the best antivirus software solution. Trend Micro ServerProtect achieved a VB100% certification from Virus Bulletin for in-the-wild threat detection.

### **Notice Regarding Forward Looking Statements**

Certain statements that we make in this release are forward-looking statements. These forward-looking statements are based upon management's current assumptions and beliefs in light of the information currently available to it, but involve known and unknown risks and uncertainties.

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Many important factors could cause our actual results to differ materially from those expressed in our forward-looking statements. These factors include:

Difficulties in addressing new virus and other computer security problems

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The level of continuing demand for, and timing of sales of, our existing products

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For more details regarding risk factors relating to our future performance, please refer to our filings with the U.S. Securities and Exchange Commission.

**About Trend Micro**

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### For additional Information

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**Table of Contents****Supplementary Information****1. CONSOLIDATED BALANCE SHEETS**

(Thousands of yen)

Account	June 30, 2003		June 30, 2004		December 31, 2003	
	Amount	%	Amount	%	Amount	%
<Assets>						
Current assets:						
Cash and cash equivalents	42,654,956		40,462,189		46,718,940	
Time deposits	65,895		460,391		440,323	
Marketable securities	9,198,296		20,079,321		10,253,029	
Notes and accounts receivable, trade less allowance for doubtful accounts and sales returns of (Yen)908,956 in the first half of FY2003, (Yen)842,681 in the first half of FY2004 and (Yen)1,023,734 in FY2003, respectively	9,077,624		12,323,100		11,681,457	
Inventories	143,475		189,226		77,950	
Deferred income taxes	4,383,944		5,962,030		4,896,909	
Prepaid expenses and other current assets	1,097,087		1,108,786		1,397,821	
<b>Total current assets</b>	<b>66,621,277</b>	<b>91.1</b>	<b>80,585,043</b>	<b>93.4</b>	<b>75,466,429</b>	<b>92.9</b>
Investments and other assets:						
Securities investments	597,564		581,375		624,778	
Investment in and advances to affiliated Companies	103,872		138,183		119,591	
Software development costs	708,208		530,841		505,616	
Other intangibles	398,598		307,188		311,756	
Deferred income taxes	1,681,569		1,767,857		1,804,238	
Other	1,130,687		652,561		734,533	
<b>Total investments and other assets</b>	<b>4,620,498</b>	<b>6.3</b>	<b>3,978,005</b>	<b>4.6</b>	<b>4,100,512</b>	<b>5.0</b>
Property and equipment:						
Office furniture and equipment	2,922,056		2,943,219		2,823,506	
Other properties	1,010,080		1,162,394		1,038,524	
	3,932,136		4,105,613		3,862,030	
Less: Accumulated depreciation	(2,016,352)		(2,389,676)		(2,157,884)	
<b>Total property and equipment</b>	<b>1,915,784</b>	<b>2.6</b>	<b>1,715,937</b>	<b>2.0</b>	<b>1,704,146</b>	<b>2.1</b>
<b>Total assets</b>	<b>73,157,559</b>	<b>100.0</b>	<b>86,278,985</b>	<b>100.0</b>	<b>81,271,087</b>	<b>100.0</b>

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(Thousands of yen)

Account	June 30, 2003		June 30, 2004		December 31, 2003	
	Amount	%	Amount	%	Amount	%
<Liabilities and shareholders' equity>						
Current liabilities:						
Current portion of long-term debt	6,500,000				6,500,000	
Notes payable, trade	94,611		63,044		96,204	
Accounts payable, trade	986,193		1,824,187		899,508	
Accounts payable, other	1,286,402		1,987,842		1,326,244	
Withholding income taxes	437,663		572,839		490,315	
Accrued expenses	1,941,800		2,185,496		1,984,175	
Accrued income and other taxes	3,232,548		4,638,402		4,280,797	
Deferred revenue	15,067,937		20,409,178		17,486,298	
Other	220,188		796,297		557,050	
<b>Total current liabilities</b>	<b>29,767,342</b>	<b>40.7</b>	<b>32,477,285</b>	<b>37.6</b>	<b>33,620,591</b>	<b>41.4</b>
Long-term liabilities:						
Deferred revenue	3,061,910		3,187,325		3,017,105	
Accrued pension and severance costs	437,021		588,430		487,409	
Other	255,113		160,329		194,185	
<b>Total long-term liabilities</b>	<b>3,754,044</b>	<b>5.1</b>	<b>3,936,084</b>	<b>4.6</b>	<b>3,698,699</b>	<b>4.5</b>
Shareholders' equity:						
Common stock						
Authorized						
-June 30, 2003 250,000,000 shares						
-June 30, 2004 250,000,000 shares						
-December 31, 2003 250,000,000 shares (no par value)						
Issued						
-June 30, 2003 132,503,417 shares	7,257,060					
-June 30, 2004 133,997,891 shares			9,144,983			
-December 31, 2003 132,620,100 shares					7,396,194	
Additional paid-in capital	12,936,584		14,756,997		13,165,881	
Retained earnings	22,294,463		33,355,669		28,236,466	
Accumulated other comprehensive income						
Net unrealized gain (loss) on debt and equity securities	66,163		(91,832)		70,965	
Cumulative translation adjustments	531,776		(565,491)		(500,946)	
	<b>597,939</b>		<b>(657,323)</b>		<b>(429,981)</b>	
Treasury stock, at cost						
-June 30, 2003 1,456,770 shares	(3,449,873)					
-June 30, 2004 2,504,854 shares			(6,734,710)			
-December 31, 2003 1,958,647 shares					(4,416,763)	

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Total shareholders' equity	39,636,173	54.2	49,865,616	57.8	43,951,797	54.1
Total liabilities and shareholders' equity	73,157,559	100.0	86,278,985	100.0	81,271,087	100.0

**Table of Contents****2. CONSOLIDATED STATEMENTS OF INCOME**

(Thousands of yen)

Account	For the six months ended June 30, 2003		For the six months ended June 30, 2004		For the year ended December 31, 2003	
	Amount	%	Amount	%	Amount	%
	Net sales	22,309,642		28,464,157		48,088,347
Cost of sales	1,528,771		1,902,555		3,168,467	
Gross profit	20,780,871	100.0	26,561,602	100.0	44,919,880	100.0
Operating expenses:						
Selling	8,015,856		7,457,213		15,360,532	
Research and development and maintenance	1,929,219		2,278,974		3,919,024	
Customer support	2,402,122		2,717,490		4,830,660	
General and administrative	2,611,807		2,705,635		5,656,168	
Total operating expenses	14,959,004	72.0	15,159,312	57.1	29,766,384	66.3
Operating income	5,821,867	28.0	11,402,290	42.9	15,153,496	33.7
Other incomes (expenses):						
Interest income	206,035		160,957		412,635	
Interest expense	(114,829)		(44,644)		(173,830)	
Gain (loss) on sales of marketable securities			82,857		(65,259)	
Impairment loss of securities investments	(7,360)				(7,360)	
Foreign exchange gain (loss), net	134,469		(29,075)		120,650	
Loss of disposal of inventory			(24,214)			
Other income (expense), net	(162,948)		(21,451)		(111,345)	
Total other income (expense)	55,367	0.3	124,430	0.5	175,491	0.4
Net income before taxes	5,877,234	28.3	11,526,720	43.4	15,328,987	34.1
Income taxes:						
Current	3,145,367		5,498,022		7,437,576	
Deferred	(568,140)		(922,416)		(1,334,998)	
	2,577,227	12.4	4,575,606	17.2	6,102,578	13.6
Income before equity earnings (losses) of affiliated companies	3,300,007	15.9	6,951,114	26.2	9,226,409	20.5
Equity in earnings (losses) of affiliated companies	7,755	0.0	17,893	0.0	23,623	0.1

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Net income	3,307,762	15.9	6,969,007	26.2	9,250,032	20.6
	<u>Yen</u>		<u>Yen</u>		<u>Yen</u>	
Per share data:						
Net income						
-Basic	25.04		52.41		70.11	
-Diluted			51.47		69.95	



**Table of Contents****3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(Thousands of yen)

Account	For the six months ended June 30, 2003	For the six months ended June 30, 2004	For the year ended December 31, 2003
Net income	3,307,762	6,969,007	9,250,032
Other comprehensive income (loss), before tax:			
Unrealized gains (losses) on debt and equity securities:			
Unrealized holding gains (losses) arising during period	160,406	(198,675)	135,323
Less reclassification adjustment for gains or losses included in net income	101,133	(67,303)	132,701
	261,539	(265,978)	268,024
Foreign currency translation adjustments	246,697	(64,545)	(786,025)
Total	508,236	(330,523)	(518,001)
Income tax expense related to unrealized gains (losses) on debt and equity securities	(111,499)	103,181	(113,182)
Other comprehensive income (loss), net of tax	396,737	(227,342)	(631,183)
Comprehensive income	3,704,499	6,741,665	8,618,849

**Table of Contents****4. CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Thousands of yen)

<u>Account</u>	<u>For the six months ended June 30, 2003</u>	<u>For the six months ended June 30, 2004</u>	<u>For the year ended December 31, 2003</u>
Cash flows from operating activities:			
Net income	3,307,762	6,969,007	9,250,032
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	1,106,517	785,396	2,266,356
Pension and severance costs, less payments	80,842	99,262	140,661
Deferred income taxes	(568,140)	(922,416)	(1,334,998)
(Gain) loss on sales of marketable securities		(82,857)	65,259
Impairment of securities investments	7,360		7,360
Equity in gain of affiliated companies	(7,755)	(17,893)	(23,623)
Changes in assets and liabilities:			
Increase in deferred revenue	2,033,045	3,201,387	5,036,872
(Increase) decrease in accounts receivable, net of allowances	2,488,094	(719,133)	(446,201)
(Increase) decrease in inventories	219,748	(112,030)	278,751
Increase (decrease) in notes and accounts payable, Trade	(32,030)	896,839	(52,021)
Increase (decrease) in accrued income and other taxes	(856,478)	358,248	193,227
(Increase) decrease in other current assets	(67,865)	16,948	(67,898)
Increase (decrease) in accounts payable, other	(98,894)	279,029	(11,962)
Increase in other current liabilities	52,313	908,479	602,296
(Increase) decrease in other assets	(280,659)	390,684	(324,879)
Other	111,933	117,191	87,072
<b>Net cash provided by operating activities</b>	<b>7,495,793</b>	<b>12,168,141</b>	<b>15,666,304</b>
Cash flows from investing activities:			
Payments for purchases of property and equipment	(483,462)	(226,434)	(715,901)
Software development cost	(356,809)	(402,096)	(788,760)
Payments for purchases of other intangibles	(111,050)	(200,253)	(270,570)
Proceeds from sales of marketable securities	1,700,000	954,474	2,945,331
Payments for purchases of marketable securities and security investments	(7,862,856)	(11,062,351)	(10,248,908)
Payments for time deposits	(173)	(20,068)	(374,601)
<b>Net cash used in investing activities</b>	<b>(7,114,350)</b>	<b>(10,956,728)</b>	<b>(9,453,409)</b>
Cash flows from financing activities:			
Issuance of common stock pursuant to exercise of stock purchase warrants and stock acquisition rights		3,493,706	278,002
Redemption of bonds	(5,000,000)	(6,500,000)	(5,000,000)
Purchase of treasury stock	(1,127,586)	(2,357,697)	(2,094,476)
Tax benefit from exercise of non-qualified stock warrants	143,115	115,383	233,277
Tax recognition derived from elimination of reversed warrant related with stock option plan	(228,085)		