

TREND MICRO INC  
Form 6-K  
February 20, 2007  
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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 February 2007

## Trend Micro Incorporated

(Translation of registrant's name into English)

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

Shibuya-ku, Tokyo 151-0053, 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.

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 February 19, 2007, relating to the restatement of consolidated / non-consolidated financial statements for the first half of the fiscal year ending December 31, 2006.

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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: February 20, 2007

By: /s/ MAHENDRA NEGI

Mahendra Negi

*Representative Director, Chief Operating Officer,*

*Chief Financial Officer and Executive Vice President*

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### **Restatement of Consolidated / Non-consolidated Financial Statements for the first half of the fiscal year ending December 31, 2006**

Tokyo, Japan February 19th, 2007 - Trend Micro (TSE: 4704; Nasdaq: TMIC), a leader in network antivirus and Internet content security software and services, today is restating its Consolidated / Non-consolidated Financial Statements for the first half of the fiscal year ending December 31, 2006, which were previously announced on August 10, 2006.

#### **1. Reasons for Restatement**

The Company is restating its Consolidated / Non-consolidated Financial Statements for the first half of the fiscal year ended December 31, 2006 due to the following reasons:

- (1) Revenue for post-contract customer support services should be deferred based on their fair values and recognized ratably over the service period. However, certain inconsistencies between the revenue recognition period and the actual service period were found. In addition, certain fair value amounts were erroneously calculated. Thus, the Company revises its net sales to correct those errors.
- (2) The fair value of the legal obligation associated with the retirement of long-lived assets should be recognized as a liability as prescribed in SFAS No. 143. However, the Company had not recorded certain of such obligations that were considered immaterial. Therefore, the Company provides an appropriate amount for all of its asset retirement obligations.
- (3) In our North America operation, a subsidiary immediately expensed certain fixed assets with an acquisition cost of less than USD3,000 or a useful life of less than 2 years. The Company capitalizes such fixed assets and records appropriate depreciation expense.
- (4) In our North America operation, a subsidiary corrected its tax calculation with regard to the transfer of intellectual property which took place in 2005.

The Company quantified these misstatements by applying SEC Staff Accounting Bulletin No.108, which was released in September 2006, and has concluded that these errors are material misstatements that warrant a restatement of its consolidated/non-consolidated financial results.

As a result of these adjustments, deferred tax asset (current) and deferred revenue (current) on the consolidated balance sheet as of June 30, 2006 increased by (Yen) 1,249,722 thousand and (Yen) 3,297,852 thousand, respectively. With regard to the consolidated income statements for the six-month period ended June 30, 2006, net sales and operating expenses increased by (Yen) 552,088 thousand and (Yen) 10,163 thousand respectively. As a result, each of operating income and net income before taxes increased by (Yen) 541,925 thousand.

Deferred tax asset (current) and deferred revenue (current) on the non-consolidated balance sheet as of June 30, 2006 increased by (Yen) 1,078,231 thousand and (Yen) 2,649,868 thousand, respectively. The increases in net sales by (Yen) 83,315 thousand and extraordinary loss by (Yen) 3,015,805 thousands in the non-consolidated income statement resulted in an increase in each of operating income and ordinary income by (Yen) 83,315 thousand and a decrease in income before taxes by (Yen) 2,932,489 thousand.

#### **2. Restatement**

Refer to the attachment.

**Table of Contents****Restatement of Consolidated / Non-consolidated Financial Statements for the first half of the fiscal year ending December 31, 2006**

Amendments (Revised figures are underlined.)

1. Financial Highlights for the first half of FY2006 (January 1, 2006 through June 30, 2006)

(All figures except for per share information are rounded to the nearest millions of yen.)

**<As Originally Reported>**

## (1) Consolidated Results of Operations

	Operating		Operating		Net income	
	Net sales Millions of yen	Growth rate %	income Millions of yen	Growth rate %	before tax Millions of yen	Growth rate %
The first half of FY 2006	<u>40,673</u>	<u>17.9</u>	<u>13,717</u>	<u>7.4</u>	<u>14,229</u>	<u>6.9</u>
The first half of FY 2005	34,490	21.2	12,771	12.2	13,316	15.5
FY 2005 (annual)	73,030		27,572		29,108	

	Net		Net income		Net income	
	income Millions of yen	Growth rate %	per share (basic) Yen	per share (diluted) Yen		
The first half of FY 2006	<u>7,997</u>	<u>(5.8)</u>	<u>59.54</u>		<u>59.26</u>	
The first half of FY 2005	8,490	21.8	63.67		62.71	
FY 2005 (annual)	18,670		139.85		137.83	

(Note) 1. Equity in earnings of affiliated companies:

11 million yen (32 million yen in the first half of FY 2005, 67 million yen in FY 2005)

2. The Company made no changes in accounting principle that had a material effect on the financial position, results of operations, and cash flows during the current period.

3. Weighted average number of common shares outstanding:

134,323,039 shares (133,341,012 shares in the first half of FY 2005, 133,498,438 shares in FY 2005)

4. The percentages for net sales, operating income, net income before tax and net income represent a change from the corresponding financial figures for the first half of prior fiscal year.

## (2) Consolidated Financial Position

As of	Shareholders equity		Shareholders equity	
	Total assets Millions of yen	Shareholders equity Millions of yen	ratio %	per share Yen

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June 30, 2006	<u>145,657</u>	<u>86,465</u>	<u>59.4</u>	<u>642.18</u>
June 30, 2005	111,546	68,549	61.5	513.45
December 31, 2005	132,935	81,863	61.6	610.51

(Note) Number of common shares outstanding : 134,642,555 shares

(133,505,467 shares as of June 30, 2005, 134,090,494 shares as of December 31, 2005)

(3) Consolidated Cash Flows

As of	Cash flows from operating activities Millions of yen	Cash flows from investing activities Millions of yen	Cash flows from financing activities Millions of yen	Ending balance of cash and cash equivalents Millions of yen
June 30, 2006	<u>19,978</u>	<u>(3,094)</u>	(5,998)	71,118
June 30, 2005	9,649	(3,218)	(3,635)	55,798
December 31, 2005	20,646	(12,738)	(2,406)	59,613

**Table of Contents****<As Amended>**

## (1) Consolidated Results of Operations

	Operating		Operating		Net income	
	Net sales Millions of yen	Growth rate %	income Millions of yen	Growth rate %	before tax Millions of yen	Growth rate %
The first half of FY 2006	<u>41,226</u>	<u>19.5</u>	<u>14,259</u>	<u>11.7</u>	<u>14,771</u>	<u>10.9</u>
The first half of FY 2005	34,490	21.2	12,771	12.2	13,316	15.5
FY 2005 (annual)	73,030		27,572		29,108	

	Net		Net income		Net income	
	income Millions of yen	Growth rate %	per share (basic) Yen	per share (diluted) Yen		
The first half of FY 2006	<u>8,385</u>	<u>(1.2)</u>	<u>62.42</u>		<u>62.14</u>	
The first half of FY 2005	8,490	21.8	63.67		62.71	
FY 2005 (annual)	18,670		139.85		137.83	

(Note) 1. Equity in earnings of affiliated companies:

11 million yen (32 million yen in the first half of FY 2005, 67 million yen in FY 2005)

2. The Company made no changes in accounting principle that had a material effect on the financial position, results of operations, and cash flows during the current period.

3. Weighted average number of common shares outstanding:

134,323,039 shares (133,341,012 shares in the first half of FY 2005, 133,498,438 shares in FY 2005)

4. The percentages for net sales, operating income, net income before tax and net income represent a change from the corresponding financial figures for the first half of prior fiscal year.

## (2) Consolidated Financial Position

As of	Shareholders equity		Shareholders equity	
	Total assets Millions of yen	Shareholders equity Millions of yen	ratio %	per share Yen
June 30, 2006	<u>147,325</u>	<u>84,601</u>	<u>57.4</u>	<u>628.34</u>
June 30, 2005	111,546	68,549	61.5	513.45
December 31, 2005	132,935	81,863	61.6	610.51

(Note) Number of common shares outstanding : 134,642,555 shares

(133,505,467 shares as of June 30, 2005, 134,090,494 shares as of December 31, 2005)



## (3) Consolidated Cash Flows

<b>As of</b>	<b>Cash flows from operating activities Millions of yen</b>	<b>Cash flows from investing activities Millions of yen</b>	<b>Cash flows from financing activities Millions of yen</b>	<b>Ending balance of cash and cash equivalents Millions of yen</b>
June 30, 2006	<u>20,052</u>	<u>(3,168)</u>	(5,998)	71,118
June 30, 2005	9,649	(3,218)	(3,635)	55,798
December 31, 2005	20,646	(12,738)	(2,406)	59,613

**Table of Contents****2. Management Policy and Business Performance****OPERATING RESULTS AND FINANCIAL CONDITION****I. OPERATING RESULTS****<As Originally Reported>****(1). REVIEW OF CURRENT PERIOD**

	(Unit: million yen)			
	Net income			
	Net Sales	Operating income	before tax	Net income
<b>The first half of FY2006</b>	<b>40,673</b>	<b>13,717</b>	<b>14,229</b>	<b>7,997</b>
The first half of FY2005	34,490	12,771	13,316	8,490
Rate of Change	18%	7%	7%	Δ6%

	(Unit: million yen)		
	The first half of	Net Sales The first half of	Rate of Change
	FY2006	FY2005	(%)
Japan	<b>16,073</b>	14,248	13%
North America	<b>8,836</b>	6,885	28%
Europe	<b>10,021</b>	8,829	14%
Asia and Pacific Reg.	<b>4,436</b>	3,766	18%
Latin America	<b>1,308</b>	763	71%

**[Overview of Current Business Performance]**

## SNIP

Under such environment, our group's business conditions are as follows:

First of all, in Japan, the virus which abuses Winny and Share, Japanese indigenous peer-to-peer (P2P) file-sharing program with being controversial since 2003, has flourished from the beginning of this year. Such a virus has been creating many sensational headline related to the theft of proprietary information. In addition, the demand for the security products continues to increase to the SMB market since the full enforcement of the personal information protection law from April 2005. Moreover, our flagship personal product Virus Buster, called PC-Cillin outside of Japan, has still seen healthy growth with the demand of personal users based on their strong awareness to protect against the theft of individual property helping to boost Japan revenue. In those results, the amount of sales for this period in Japan was 16,073 million yen (13% increase from the same period in previous year).

In the North American region, under the situation that the Fed stopping soon based on both 2 points; increasing inflationary pressure caused by high oil price and US economy recession caused by growing rates and slowing housing market, the consumer market in which we had implemented reinforcement measures of sales channels since last year showed a substantial increase. Also, the security demands for especially the small companies in SMB business market increased. The sales for this period in the area came to 8,836 million yen (28% increase from the previous period).

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In the European region, the European Central Bank (ECB) has been reviewed its ultra-low interest policy that had kept with the stagnant economy in the background with raising its interest rate in March 2006 as the second times since the end of 2005 for the first time in recent 5 years and fixed. European's business economy is on a gradual recovery based on enterprise-driven with the improved employment picture and brisk exports. According to Institute for Economic Research, Munich (IFO), German business sentiment rose in June to its highest level in over 15 years. It is considered that great opportunities such as the 2006 World Cup and incentives to spend before value-added tax expires at the beginning of 2007 are increasing. Under these circumstances, sales for the large enterprise market in France and Italy has increased. The sales for this period in the area came to 10,021 million yen (14% increase from the previous period).

In Asia and Pacific regions, although inflationary pressure has concerned as the issue, the economic recovery tone in the background of brisk export stands out. In East Asia, especially mainland China has showed a better-than-expected GDP in this first half of the year. According to such a situation, we have a growth of sales for large enterprise and SMB business market, and also Australia and mainland China have been showing steady performance of sales. The net sales for this period in the regions came to 4,436 million yen (18% increase from the previous period).

At Latin America region, large enterprise business market boosted net sales and its growth rate is the highest in all region for this period. In this region net sales came to 1,308 million yen (71% increase from the previous period).

As a result, the consolidated net sales for this period came to 40,673 million yen (18% increase from the previous period). Meanwhile, operating expenses came to 26,956 million yen (24% increase from the previous period) due to the increases in the expense to deal with stock option expense since 2006 and expanding employee hiring. In spite of 1,766 million of a one time payment (receipt) related to intellectual property usage, the consolidated operating income for this period was 13,717 million yen (7% increase from the same period in previous year) and the consolidated net income for this period was 7,997 million yen (6% decrease from the same period in previous year).

**<As Amended>****(1). REVIEW OF CURRENT PERIOD**

	(Unit: million yen)			
	Operating			
	Net Sales	income	Net income before tax	Net income
<b>The first half of FY2006</b>	<b>41,226</b>	<b>14,259</b>	<b>14,771</b>	<b>8,385</b>
The first half of FY2005	34,490	12,771	13,316	8,490
Rate of Change	<u>20%</u>	<u>12%</u>	<u>11%</u>	<u>Δ1%</u>

	(Unit: million yen)		
	The first half of	Net Sales The first half of	
	FY2006	FY2005	Rate of Change (%)
Japan	<u>16,156</u>	14,248	13%
North America	<u>9,068</u>	6,885	<u>32%</u>
Europe	<u>10,258</u>	8,829	<u>16%</u>
Asia and Pacific Reg.	<u>4,436</u>	3,766	18%
Latin America	<u>1,308</u>	763	71%

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## Table of Contents

### [Overview of Current Business Performance]

#### SNIP

Under such environment, our group's business conditions are as follows:

First of all, in Japan, the virus which abuses Winny and Share, Japanese indigenous peer-to-peer (P2P) file-sharing program with being controversial since 2003, has flourished from the beginning of this year. Such a virus has been creating many sensational headline related to the theft of proprietary information. In addition, the demand for the security products continues to increase to the SMB market since the full enforcement of the personal information protection law from April 2005. Moreover, our flagship personal product Virus Buster, called PC-Cillin outside of Japan, has still seen healthy growth with the demand of personal users based on their strong awareness to protect against the theft of individual property helping to boost Japan revenue. In those results, the amount of sales for this period in Japan was 16,156 million yen (13% increase from the same period in previous year).

In the North American region, under the situation that the Fed stopping soon based on both 2 points; increasing inflationary pressure caused by high oil price and US economy recession caused by growing rates and slowing housing market, the consumer market in which we had implemented reinforcement measures of sales channels since last year showed a substantial increase. Also, the security demands for especially the small companies in SMB business market increased. The sales for this period in the area came to 9,068 million yen (32% increase from the previous period).

In the European region, the European Central Bank (ECB) has been reviewed its ultra-low interest policy that had kept with the stagnant economy in the background with raising its interest rate in March 2006 as the second times since the end of 2005 for the first time in recent 5 years and fixed. European's business economy is on a gradual recovery based on enterprise-driven with the improved employment picture and brisk exports. According to Institute for Economic Research, Munich (IFO), German business sentiment rose in June to its highest level in over 15 years. It is considered that great opportunities such as the 2006 World Cup and incentives to spend before value-added tax's expires at the beginning of 2007 are increasing. Under these circumstances, sales for the large enterprise market in France and Italy has increased. The sales for this period in the area came to 10,258 million yen (16% increase from the previous period).

In Asia and Pacific regions, although inflationary pressure has concerned as the issue, the economic recovery tone in the background of brisk export stands out. In East Asia, especially mainland China has showed a better-than-expected GDP in this first half of the year. According to such a situation, we have a growth of sales for large enterprise and SMB business market, and also Australia and mainland China have been showing steady performance of sales. The net sales for this period in the regions came to 4,436 million yen (18% increase from the previous period).

At Latin America region, large enterprise business market boosted net sales and its growth rate is the highest in all region for this period. In this region net sales came to 1,308 million yen (71% increase from the previous period).

As a result, the consolidated net sales for this period came to 41,226 million yen (20% increase from the previous period). Meanwhile, operating expenses came to 26,967 million yen (24% increase from the previous period) due to the increases in the expense to deal with stock option expense since 2006 and expanding employee hiring. In spite of 1,766 million of a one time payment (receipt) related to intellectual property usage, the consolidated operating income for this period was 14,259 million yen (12% increase from the same period in previous year) and the consolidated net income for this period was 8,385 million yen (1% decrease from the same period in previous year).

**Table of Contents****II. FINANCIAL CONDITION****<As Originally Reported>****CASH FLOWS**

	(Unit: million yen)		
	The first half of	The first half of	Increase
	FY 2006	FY2005	(Decrease)
Cash Flows from Operating Activities	<b><u>19,978</u></b>	9,649	<b><u>10,329</u></b>
Cash Flows from Investing Activity	<b><u>(3,094)</u></b>	(3,218)	<b><u>124</u></b>
Cash Flows from Financing Activity	<b><u>(5,998)</u></b>	(3,635)	<b><u>(2,363)</u></b>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	<b>620</b>	93	527
Net increase (Decrease) in Cash and Cash Equivalents	<b><u>11,506</u></b>	2,889	<b>8,617</b>
Cash and Cash Equivalents at end of period	<b><u>71,118</u></b>	55,798	15,320

**[Overview of Cash Flows]**

For the cash flows from operating activity for this period, cash inflows increased by 10,329 million yen compared with the previous period and the balance was ended with a surplus of 19,978 million yen. This increase in cash inflows is mainly due to a substantial increase in deferred revenue and a substantial increase in accrued income and other taxes in spite of a slight decrease in net income.

For the cash flows from investing activity, cash outflows decreased by 124 million yen compared with the previous period and the balance was ended with a deficit of 3,094 million yen. This decrease in cash outflows is mainly due to an increase in proceeds from sales of marketable securities.

For the cash flows from financing activity, cash outflows increased by 2,363 million yen compared with the previous period and the balance was ended with a deficit of 5,998 million yen. This increase in cash outflows is mainly due to a substantial increase in dividends paid.

Taking these increases and decreases and the effect of exchange rate changes on cash and cash equivalents into account, the cash and cash equivalents at the end of this period was 71,118 million yen and was increased by 15,320 million yen compared with the previous period.

**Table of Contents****[Trends of Cash Flow Indexes]**

	FY2003	FY2004	FY2005	(US GAAP) The first half of FY2006
Shareholder's equity Ratio (%)	54.1	59.2	61.6	<b>59.4</b>
Capital Adequacy Ratio on Market Value Basis (%)	462.2	690.0	449.9	<b>356.8</b>
Debt Redemption Period (years)	0.4			
Interest Coverage Ratio	103.3	218.2	5,566.4	<b>2,498.8</b>

	FY2001	FY2002
Shareholder's equity Ratio (%)	47.3	50.0
Capital Adequacy Ratio on Market Value Basis (%)	626.7	360.4
Debt Redemption Period (years)	1.2	0.8
Interest Coverage Ratio	44.2	49.4

**<As Amended>****CASH FLOWS**

	(Unit: million yen)		
	The first half of FY 2006	The first half of FY2005	Increase (Decrease)
Cash Flows from Operating Activities			