

TREND MICRO INC
Form 6-K
June 29, 2006
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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 June 2006

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.

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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 June 29, 2006, relating to Restatement of Consolidated/non-consolidated Financial Statements for the first half of the fiscal year ending December 31, 2005.

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Restatement of Consolidated / Non-consolidated Financial Statements for the first half of the fiscal year ending December 31, 2005

Tokyo, Japan June 29, 2006 - 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, 2005, which were previously announced on August 3, 2005.

1. Reasons for Restatement

After the discussion with SEC on U.S. GAAP, some costs, which were historically disclosed as part of the operating expenses are included in cost of sales.

This change does not affect net sales, operating income, net income before tax and net income.

2. Restatement

Refer to the following.

Table of Contents**Restatement of Consolidated / Non-consolidated Financial Statements for the first half of the fiscal year ending December 31, 2005**

Amendments (Revised figures are underlined.)

CONSOLIDATED STATEMENTS OF INCOME**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

<Original>

(Thousands of yen)

Account	For the six months ended		For the six months ended		For the year ended	
	June 30, 2004		June 30, 2005		December 31, 2004	
	Amount	%	Amount	%	Amount	%
Net sales	28,464,157	100.0	34,489,740	100.0	62,049,254	100.0
Cost of sales	<u>1,926,769</u>		<u>1,191,244</u>		<u>3,236,499</u>	
Gross profit	26,537,388	93.2	33,298,496	96.5	58,812,755	94.8
Operating expenses:						
Selling	7,457,213		10,338,819		16,009,409	
<u>Research and development and maintenance</u>	<u>2,278,974</u>		<u>2,891,775</u>		<u>4,858,259</u>	
<u>Customer support</u>	<u>2,717,490</u>		<u>3,190,146</u>		<u>5,723,426</u>	
General and administrative	2,705,635		4,106,616		6,143,985	
Total operating expenses	15,159,312	53.2	20,527,356	59.5	32,735,079	52.8
Operating income	11,378,076	40.0	12,771,140	37.0	26,077,676	42.0
<Amended>						

(Thousands of yen)

Account	For the six months ended		For the six months ended		For the year ended	
	June 30, 2004		June 30, 2005		December 31, 2004	
	Amount	%	Amount	%	Amount	%
Net sales	28,464,157	100.0	34,489,740	100.0	62,049,254	100.0
Cost of sales						
<u>Amortization of capitalized software, and Materials</u>	<u>1,926,769</u>		<u>1,191,244</u>		<u>3,236,499</u>	
<u>Maintenance</u>	<u>1,051,260</u>		<u>694,846</u>		<u>2,260,934</u>	
<u>Customer support</u>	<u>2,717,490</u>		<u>3,190,146</u>		<u>5,723,426</u>	
	<u>5,695,519</u>	<u>20.0</u>	<u>5,076,236</u>	<u>14.7</u>	<u>11,220,859</u>	<u>18.1</u>

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Operating expenses:						
Selling	7,457,213		10,338,819		16,009,409	
<u>Research and development</u>	<u>1,227,714</u>		<u>2,196,929</u>		<u>2,597,325</u>	
General and administrative	2,705,635		4,106,616		6,143,985	
Total operating expenses	<u>11,390,562</u>	<u>40.0</u>	<u>16,642,364</u>	<u>48.3</u>	<u>24,750,719</u>	<u>39.9</u>
Operating income	11,378,076	40.0	12,771,140	37.0	26,077,676	42.0

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Summary of significant accounting policies

Restatements

<Amended>

Maintenance costs, which were historically disclosed as part of the Research and development and maintenance line item within operating expenses in the semi-annual consolidated statements of income, are included in cost of sales and figures for the six months ended June 30, 2004 and 2005 have been restated to reflect such amendment. In addition, customer support expenses, which were disclosed as a part of operating expenses, are also included in cost of sales and figures for the six months ended June 30, 2004 and 2005 have been restated to reflect such amendment.

Pro forma stock-based compensation expense has been revised to reflect the corrections in the amortization period, expected life assumptions and volatilities used to determine stock-based compensation expense. This correction impacts the pro forma net income and pro forma net income per share previously disclosed in the footnotes to the consolidated financial statements for the six months ended June 30, 2004 and 2005. As a result, the pro forma net income for the six months ended June 30, 2004 decreased by (Yen) 515,201 thousand and for the six months ended June 30, 2005 increased by (Yen) 104,189 thousand, compared to the amounts previously presented. The pro forma basic net income per share for the six months ended June 30, 2004 decreased by (Yen) 3.88 and for the six months ended June 30, 2005 increased by (Yen) 0.78, compared to the amounts previously presented. The pro forma diluted net income per share for the six months ended June 30, 2004 decreased by (Yen) 3.80 and for the six months ended June 30, 2005 increased by (Yen) 0.76, compared to the amounts previously presented.

Table of Contents**Stock-based compensation**

The Company accounts for its stock-based incentive awards in accordance with the intrinsic value method as per APB No. 25, *Accounting for Stock Issued to Employees* and related interpretations. The Company complies with the disclosure provisions of FAS No. 123, *Accounting for Stock-Based Compensation*, as amended by FAS No. 148.

In October 1995, SFAS 123 established a fair value based method of accounting for employee stock based compensation. If compensation cost for the stock options with warrants, and the stock options with Stock acquisition rights been determined based on the fair value at the grant dates, as prescribed by SFAS 123, the Company's pro forma net income and net income per share would have been as follows:

<Original>

	Thousands of Yen, except per share data		
	For the six months ended	For the six months ended	For the year ended December 31, 2004
	June 30, 2004	June 30, 2005	
Net income:			
As reported	6,969,007	8,490,156	15,874,836
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	<u>(1,058,726)</u>	<u>(1,758,066)</u>	<u>(2,640,021)</u>
Pro forma net income	<u>5,910,281</u>	<u>6,732,090</u>	<u>13,234,815</u>
Net income per share:			
As reported			
Basic	(Yen) 52.41	(Yen) 63.67	(Yen) 120.64
Diluted	51.47	62.71	118.59
Pro forma net income			
Basic	(Yen) <u>44.45</u>	(Yen) <u>50.49</u>	(Yen) <u>100.58</u>
Diluted	<u>43.65</u>	<u>49.73</u>	<u>98.87</u>

The fair values of the stock options with Stock acquisition rights were estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants during the first six months ended June 30, 2004 and the year ended December 31, 2004; expected life of 5.00 years, volatility of 59.570% and dividend yield of 0.39% for first half of 2004; expected life of 5.0 years, volatility of 51.710-59.570% and dividend yield of 0.39-0.43% for 2004; and risk-free interest rates of 0.674% for options granted during the first half of 2004, and risk-free interest rates of ranging from 0.634% to 0.674% for options granted during the year ended December 31, 2004. The fair value per share of options granted above during first half of 2004 and fiscal 2004 were (Yen) 2,235 and (Yen) 2,190 to 2,235, respectively. There was no additional issuance of Stock acquisition rights as stock options during the first six months ended June 30, 2005.

Table of Contents**<Amended>**

	Thousands of Yen, except per share data					
	For the six		For the six		For the year	
	months ended		months ended		ended	
	June 30, 2004	June 30, 2005	June 30, 2005	June 30, 2005	December 31, 2004	December 31, 2004
Net income:						
As reported		6,969,007		8,490,156		15,874,836
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects		<u>(1,573,927)</u>		<u>(1,653,877)</u>		<u>(3,319,609)</u>
Pro forma net income		<u>5,395,080</u>		<u>6,836,279</u>		<u>12,555,227</u>
Net income per share:						
As reported						
Basic	(Yen)	52.41	(Yen)	63.67	(Yen)	120.64
Diluted		51.47		62.71		118.59
Pro forma net income						
Basic	(Yen)	<u>40.57</u>	(Yen)	<u>51.27</u>	(Yen)	<u>95.41</u>
Diluted		<u>39.85</u>		<u>50.49</u>		<u>93.79</u>

The fair values of the stock options with Stock acquisition rights were estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants during the first six months ended June 30, 2004 and the year ended December 31, 2004; expected life of 3.04 years, volatility of 59.20 % and dividend yield of 0.32 % for first half of 2004; expected life of 3.04-3.08 years, volatility of 52.41-59.20 % and dividend yield of 0.28-0.32% for 2004; and risk-free interest rates of 0.32 % for options granted during the first half of 2004, and risk-free interest rates of ranging from 0.27 % to 0.32 % for options granted during the year ended December 31, 2004. The fair value per share of options granted above during first half of 2004 and fiscal 2004 were (Yen) 1,682 and (Yen) 1,682 to 1,788, respectively. There was no additional issuance of Stock acquisition rights as stock options during the first six months ended June 30, 2005.

Research and development and maintenance costs, and software development costs**<Original>**

Research and development and maintenance costs in operating expenses are comprised of research and development costs and maintenance costs.

Research and development costs incurred up to the point where all substantial testing for the original English version product is complete, are charged to income. Such research and development costs charged to income were (Yen) 1,227,714 thousand and (Yen) 2,196,929 thousand (\$19,792 thousands) for the six months ended June 30, 2004 and 2005, respectively.

Maintenance costs are fees, which relate to product version updates to enable product to cope with newly prevailing computer viruses and bug fixing. The maintenance costs were (Yen) 1,051,260 thousand and (Yen) 694,846 thousand (\$6,260 thousand) for the six months ended June 30, 2004 and 2005, respectively.

<Amended>

Research and development costs incurred up to the point where all substantial testing for the original English version product is complete, are charged to income as operating expense. Such research and development costs charged to income were (Yen) 1,227,714 thousand and (Yen) 2,196,929 thousand (\$19,792 thousands) for the six months ended June 30, 2004 and 2005, respectively.

Maintenance costs are fees, which relate to product version updates to enable product to cope with newly prevailing computer viruses and bug fixing, are recorded as cost of sales. The maintenance costs were (Yen) 1,051,260 thousand and (Yen) 694,846 thousand (\$6,260 thousand) for the six months ended June 30, 2004 and 2005, respectively.

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(Following footnote below is newly added after Status of manufacturing and actual sales)

Customer support costs

<Amended>

Customer support costs are primarily payroll, related expenses and outsourced customer service fees, which relate to activities such as maintenance of customer s database, education promotions to customers, investigation for appropriate customer support methodologies, responses to customer s questions and sales promotions to customers via telephone. Customer support costs in cost of sales were (Yen) 2,717,490 thousand and (Yen) 3,190,146 thousand (\$28,740 thousand) for the six months ended June 30, 2004 and 2005, respectively.

Table of Contents**Non-consolidated semi-annual income statements****<Original>**

(Thousands of yen)

Account	Period	For the first half of the previous fiscal year		For the first half of the current fiscal year		Condensed income statement for the previous fiscal year	
		(From January 1, 2004		(From January 1, 2005		(From January 1, 2004	
		To June 30, 2004) Amount	Percentage %	To June 30, 2005) Amount	Percentage %	To December 31, 2004) Amount	Percentage %
Net Sales		18,409,928	100.0	22,421,912	100.0	39,771,157	100.0
Cost of sales	*6	<u>1,009,709</u>	<u>5.5</u>	<u>632,448</u>	<u>2.8</u>	<u>1,937,717</u>	<u>4.9</u>
Gross profit		<u>17,400,219</u>	<u>94.5</u>	<u>21,789,464</u>	<u>97.2</u>	<u>37,833,439</u>	<u>95.1</u>
Selling, general and administrative expenses	*1,6	<u>8,427,204</u>	<u>45.8</u>	<u>11,430,241</u>	<u>51.0</u>	<u>18,506,382</u>	<u>46.5</u>
Operating income		8,973,014	48.7	10,359,222	46.2	19,327,056	48.6

<Amended>

(Thousands of yen)

Account	Period	For the first half of the previous fiscal year		For the first half of the current fiscal year		Condensed income statement for the previous fiscal year	
		(From January 1, 2004		(From January 1, 2005		(From January 1, 2004	
		To June 30, 2004) Amount	Percentage %	To June 30, 2005) Amount	Percentage %	To December 31, 2004) Amount	Percentage %
Net Sales		18,409,928	100.0	22,421,912	100.0	39,771,157	100.0
Cost of sales	*6	<u>3,415,490</u>	<u>18.6</u>	<u>2,777,909</u>	<u>12.4</u>	<u>7,143,023</u>	<u>18.0</u>
Gross profit		<u>14,994,438</u>	<u>81.4</u>	<u>19,644,003</u>	<u>87.6</u>	<u>32,628,133</u>	<u>82.0</u>
Selling, general and administrative expenses	*1,6	<u>6,021,424</u>	<u>32.7</u>	<u>9,284,780</u>	<u>41.4</u>	<u>13,301,077</u>	<u>33.4</u>
Operating income		8,973,014	48.7	10,359,222	46.2	19,327,056	48.6

Table of Contents**Note to Non-consolidated semi-annual income statement****<Original>**

(Thousands of yen)

For the first half of the previous fiscal year (From January 1, 2004 To June 30, 2004)	For the first half of the current fiscal year (From January 1, 2005 To June 30, 2005)	For the previous fiscal year (From January 1, 2004 To December 31, 2004)
*1 Major components of selling, general and administrative expenses are as follows	*1 Major components of selling, general and administrative expenses are as follows	*1 Major components of selling, general and administrative expenses are as follows
Sales promotions and Advertising	Sales promotions and Advertising	Sales promotions and Advertising
1,594,464	2,870,044	3,625,288
Salaries and bonuses	Salaries and bonuses	Salaries and bonuses
1,321,643	1,400,219	2,791,862
Retirement benefit costs	Retirement benefit costs	Retirement benefit costs
90,934	70,085	182,812
Depreciation expense	Depreciation expense	Depreciation expense
56,981	53,732	121,073
Outside service fee	Outside service fee	Outside service fee
1,115,274	1,215,907	2,440,765
Research and development costs	Research and development costs	Research and development costs
1,229,277	1,997,928	2,600,209
Software maintenance fee	Software maintenance fee	Software maintenance fee
1,051,144	694,049	2,260,626
Intercompany charge	Intercompany charge	Intercompany charge
625,841	1,319,009	1,554,453

<Amended>

(Thousands of yen)

For the first half of the previous fiscal year (From January 1, 2004 To June 30, 2004)	For the first half of the current fiscal year (From January 1, 2005 To June 30, 2005)	For the previous fiscal year (From January 1, 2004 To December 31, 2004)
*1 Major components of selling, general and administrative expenses are as follows	*1 Major components of selling, general and administrative expenses are as follows	*1 Major components of selling, general and administrative expenses are as follows
Sales promotions and Advertising	Sales promotions and Advertising	Sales promotions and Advertising
1,586,871	2,869,619	3,616,126
Salaries and bonuses	Salaries and bonuses	Salaries and bonuses
1,056,742	1,172,729	2,237,924
Retirement benefit costs	Retirement benefit costs	Retirement benefit costs
72,048	54,909	144,831
Depreciation expense	Depreciation expense	Depreciation expense
47,281	44,497	100,542
Outside service fee	Outside service fee	Outside service fee
449,578	467,452	1,005,875
Research and development costs	Research and development costs	Research and development costs
1,229,277	1,997,928	2,600,209
Intercompany charge	Intercompany charge	Intercompany charge
625,841	1,319,009	1,554,453

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 and managed service providers. For additional information and evaluation copies of all Trend Micro products, visit our Web site, www.trendmicro.com.

For additional Information

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