



**Trend Micro Announces the Transfer of Business, Dissolution and Liquidation of its Consolidated Subsidiary, as well as a Change in the Method of the Sales Revenue Recognition and Revised Projections**

**TOKYO, Japan, August 3, 2001** -- Trend Micro Incorporated (Nasdaq: TMIC, TSE: 4704) today announced that the Board of Directors of the Company, at its meeting held on August 3, 2001, resolved to transfer the entire business of its consolidated subsidiary, ipTrend Incorporated ("ipTrend"), to the Company and an unaffiliated third party, IPSQUARE Inc. ("IPSQUARE"), resulting in the dissolution and liquidation of IP Trend. Additionally, Trend Micro's Board of Directors resolved to change the method of sales revenue recognition. As a result of these resolutions, as well as in light of the recent business environment, the Company has revised its projections for the fiscal year ending December 31, 2001 (FY 2001).

**1. Transfer of Business, Dissolution and Liquidation of ipTrend**

(a) Outline of ipTrend

Name:	ipTrend Incorporated
Address:	13-9, Nihonbashi-ningyocho 2-chome, Chuo-ku, Tokyo
Representative:	Mahendra Negi
Capital:	¥218 million
Issued shares:	240,000 shares
Shareholding:	100% owned by Trend Micro Incorporated
Description of business:	Manufacturing and marketing of software relating to Internet platform technologies and providing related services

Business results for the last three fiscal periods:

	Fiscal year ended October 31, 1999	Fiscal year ended October 31, 2000	Two months ended December 31, 2000
	(millions of yen)		
<b>Sales</b>	1,484	1,301	227
<b>Ordinary income</b>	89	(110)	(20)
<b>Net income</b>	39	(113)	(22)
<b>Total assets</b>	1,011	782	921
<b>Net assets</b>	345	283	257

(b) Business, assets and liabilities to be transferred

IPSQUARE will acquire from ipTrend real-time OS business, the related equipment, furniture and fixture, and the related work in process and advances.

The Company will take over from ipTrend the remaining businesses (other than the real-time OS business) and the total assets and liabilities. Especially, the Company will assume all the obligations that ipTrend owes to third parties.

(c) Transfer price

The transfer price will be a fair market value as of the date of the transfer of business.

(d) Proposed schedule

Date of execution of the agreement for the transfer of business:	August 3, 2001
Date of the transfer of business:	The transfer of business is expected to be completed on or before August 31, 2001.
Date of dissolution:	Scheduled for September 3, 2001
Date of completion of liquidation:	Liquidation process is expected to be completed in the middle of December 2001.

(e) Reason for the transfer of business, dissolution, and liquidation

Taking into account that ipTrend's primary market, which is the market of appliance servers designed for small- to medium-sized companies, is not expanding as expected, the Company has decided to restructure ipTrend's business and conduct the transfer of ipTrend's business, dissolve, and liquidate ipTrend for the purpose of improving the overall efficiency of the Trend Micro group.

## 2. Change in the Method of the Revenue Recognition

The Board of Directors of the Company, at its meeting held on February 15, 2001, resolved to change the method of the revenue recognition as to sales in Japan and Taiwan. Effective from FY 2001, sales revenues from customer support have been ratably deferred over the relevant support period. The Board of Directors, at its meeting held on August 3, 2001, further resolved to review the percentage of sales revenues which are deferred and set up separate percentages by product in order to disclose the transactions more properly. This review will result in an increase in the deferral portion of sales revenues with respect to certain products and an increase in deferred revenues. For FY 2001, the Company will record unusual losses of ¥1,539 million on a consolidated basis and ¥1,530 million on a non-consolidated basis.

### 3. Revised Projections for FY 2001

(a) Revised projections on a consolidated basis for FY 2001 (from January 1, 2001 through December 31, 2001)

	Sales	Ordinary income	Net income
(millions of yen, except percentages)			
<b>Before revision</b>	30,000	10,000	4,800
<b>After revision</b>	29,000	8,200	1,800
<b>Increase/decrease</b>	(1,000)	(1,800)	(3,000)
<b>Percentage of change</b>	(3.3%)	(18.0%)	(62.5%)
<b>Results for FY 2000</b>	21,834	7,322	4,722

#### Reason for revision

- Investments in information technologies have not been able to increase in United States, Europe, and Japan and companies have also begun to refrain from investing in network security. The Company weighs the influence of these trends on consolidated sales of the group's products and has made downward revisions on its projections.
- Consolidated goodwill arising from the Company's acquisition of ipTrend is being amortized over five years on a straight-line basis. However, the Company has decided to write off all the remaining goodwill in the amount of ¥2,000 million and state it as an unusual loss on the income statement for the six months ended June 30, 2001. The Company expects that the impact of the proposed transfer of ipTrend's business on its consolidated business results will be negligible.
- As a result of the change in the method of the sales revenue recognition, unusual losses have increased by ¥1,539 million.

(b) Revised projections on a non-consolidated basis for FY 2001 (from January 1, 2001 through December 31, 2001)

	Sales	Ordinary income	Net income
(millions of yen, except percentages)			
<b>Before revision</b>	15,000	3,600	1,300
<b>After revision</b>	14,000	3,000	(2,000)

<b>Increase/decrease</b>	(1,000)	(600)	(3,300)
<b>Percentage of change</b>	(6.7%)	(16.7%)	(154.0%)
<b>Results for FY 2000</b>	9,426	2,533	2,038

### **Reason for revision**

- Investments in information technologies have not been able to increase in United States, Europe, and Japan and companies have also begun to refrain from investing in network security. The Company weighs the influence of these trends on sales of the Company's products in Japan and royalty revenues from its overseas subsidiaries and has made downward revisions on its projections.
- The Company expects to write off its loans to ipTrend in connection with the proposed transfer of business, dissolution and liquidation of ipTrend, which was insolvent as of June 30, 2001. In this connection, the Company has decided to provide allowance for doubtful accounts in the amount of ¥370 million, write down ¥2,800 million representing the aggregate shares of ipTrend owned by the Company, and state them as unusual losses on the income statement for the six months ended June 30, 2001. The Company expects that the impact of the proposed takeover of certain portion of ipTrend business on its non-consolidated business results will be negligible.
- As a result of the change in the method of the sales revenue recognition, unusual losses have increased by ¥1,530 million.

### **About Trend Micro**

Trend Micro Incorporated (TSE: 4704), a global cloud security leader, creates a world safe for exchanging digital information with its Internet content security and threat management solutions for businesses and consumers. A pioneer in server security with over 20 years' experience, we deliver top-ranked client, server and cloud-based security that fits our customers' and partners' needs, stops new threats faster, and protects data in physical, virtualized and cloud environments. Powered by the [Trend Micro™ Smart Protection Network™](#) cloud security infrastructure, our industry-leading cloud-computing security technology, products and services stop threats where they emerge, on the Internet, and are supported by 1,000+ threat intelligence experts around the globe.

Additional information about Trend Micro Incorporated and the products and services are available at [Trend Micro.com](#) This Trend Micro news release and other announcements are available at <http://trendmicro.mediaroom.com/> and as part of an RSS feed at [www.trendmicro.com/rss](http://www.trendmicro.com/rss) Or follow our news on Twitter at [@TrendMicro](#).

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