



Trend Micro Announces U.S. GAAP Financial Information for the First Half of 2001

TOKYO, Japan, October 22, 2001 -- Trend Micro Inc. (Nasdaq: TMIC, TSE: 4704), a worldwide leader in network antivirus and Internet content security solutions, today announced its unaudited U.S. GAAP financial information for the first half of 2001. Financial Highlights for the first half of FY 2001 January 1, 2001 through June 30, 2001.

1. Consolidated Results of Operations (Unaudited except FY 00 (annual))

	Sales	Growth rate	Operating income	Growth rate	Net income before tax	Growth rate
	Millions of yen	%	Millions of yen	%	Millions of yen	%
The first half of FY 01	12,939	38.7	1,007	(62.4)	1,224	(67.3)
The first half of FY 00	9,331	62.7	2,678	56.7	3,740	111.5
FY 00 (annual)	20,070		5,527		6,892	

	Net Income	Growth rate	Net income per share	Net income per share (diluted)
	Millions of yen	%	Yen	Yen
The first half of FY01	554	(74.8)	4.22	4.14
The first half of FY00	2,194	162.7	16.88	16.40
FY 00 (annual)	3,675		28.18	27.53

2. Consolidated Financial Position (Unaudited except December 31, 2000)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
As of:	Millions of yen	Millions of yen		Yen
June 30, 2001	52,993	26,891	50.7	204.21
June 30, 2000	38,519	20,999	54.5	161.10
December 31, 2000	44,574	24,344	54.6	185.66

3. Consolidated Cash Flow Position (Unaudited except December 31, 2000)

	Operating Cash Flow	Investing Cash Flow	Financing Cash Flow	Ending balance of Cash and Cash equivalents
As of:	Millions of yen	Millions of yen	Millions of yen	Millions of yen
June 30, 2001	4,191	(1,364)	6,963	34,553
June 30, 2000	1,594	(1,772)	5,430	20,902
December 31, 2000	6,086	(4,141)	6,496	24,436

4. Basis of consolidation and application of equity method:

The number of consolidated subsidiaries:	18
The number of unconsolidated subsidiaries:	0
The number of affiliated companies:	4

5. Change in the basis of consolidation and application of equity method:

The number of additional consolidated subsidiaries:	2
The number of excluded consolidated subsidiaries:	0
The number of additional consolidated affiliated companies:	1
The number of excluded consolidated affiliated companies:	0

Previously, on August 3, 2001, Trend Micro announced its Japanese GAAP financial information for the same period. Significant differences between Japanese GAAP and U.S. GAAP applicable to Trend Micro are summarized below. Goodwill write-off (2,000 million yen), which is recognized as other expenses under Japanese GAAP, is recognized as operating expenses under U.S. GAAP. From the fiscal year ending December 31, 2001, Trend Micro and Trend Micro Incorporated (Taiwan) have adopted the deferred revenue accounting for their Post-contract Customer Support service for its Japanese GAAP financial reporting purposes. The cumulative effect of adopting the deferred revenue accounting of 3,009 million yen is recorded as other expenses under Japanese GAAP. For its U.S. GAAP reporting purposes, Trend Micro and Trend Micro Incorporated (Taiwan) have historically adopted the deferred revenue accounting for their Post-contract Customer Support service on a consistent basis.

TREND MICRO INCORPORATED
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Except December 31, 2000, all balances unaudited)

	Thousands of yen			Thousands of U.S. dollars
	June 30, 2000	December 31, 2000	June 30, 2001	June 30, 2001
Current assets:				
Cash and cash equivalents	¥20,901,860	¥24,435,503	¥34,553,234	\$276,426
Time deposits	-	-	65,511	524
Marketable securities	3,262,862	1,893,475	2,505,717	20,046
Notes and accounts receivable, trade - less allowance for doubtful accounts and sales return of \419,776, \646,566 and \608,682 (\$4,869)	6,812,271	8,133,700	7,058,799	56,471
Inventories	101,778	318,188	206,946	1,656
Investments and other assets:				
Securities investments	980,801	1,335,849	1,256,501	10,052
Investment in and advances to affiliated Companies	246,628	182,473	109,623	877
Goodwill and other intangible assets	1,586,609	2,740,827	979,528	7,836
Deferred income taxes	398,019	446,004	150,447	1,204
Other	539,415	570,742	795,721	6,366
	3,751,472	5,275,895	3,291,820	26,335
Property and equipment:				
Office furniture and equipment	1,308,853	1,536,444	1,921,112	15,369
Other properties	357,362	443,102	597,089	4,776
	1,666,215	1,979,546	2,518,201	20,145
Less: Accumulated depreciation	(667,128)	(756,898)	(999,550)	(7,996)
	999,087	1,222,648	1,518,651	12,149
	¥38,519,497	¥44,574,464	¥52,992,817	\$423,943

TREND MICRO INCORPORATED
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Except December 31, 2000, all balances unaudited)

LIABILITIES AND SHAREHOLDERS' EQUITY

	Thousands of yen			Thousands of U.S. dollars
	June 30, 2000	December 31, 2000	June 30, 2001	June 30, 2001
Current liabilities:				
Current portion of long-term debt	-	¥ 57,200	¥ 57,200	\$458
Notes payable, trade	¥148,182	132,499	81,140	649
Accounts payable, trade	472,072	796,782	627,547	5,020
Accounts payable, other	591,154	517,247	637,700	5,102
Withholding income taxes	145,999	120,994	172,648	1,381
Accrued expenses	476,950	615,850	981,643	7,853
Accrued income and other taxes	946,855	2,014,589	606,682	4,853
Deferred revenue	2,898,887	5,043,425	6,311,197	50,490
Other	349,417	415,372	273,278	2,187
	6,029,516	9,713,958	9,749,035	77,993
Long-term liabilities:				
Long-term debt	10,865,760	9,799,900	15,471,300	123,770
Deferred revenue	330,544	548,225	655,291	5,242
Accrued pension and severance costs	143,590	168,032	226,315	1,811
	11,339,894	10,516,157	16,352,906	130,823
Minority interest in consolidated subsidiary	151,468	-	-	-
Shareholders' equity:				
Common stock, ¥50 par value -				
Authorized – 250,000,000 shares				
Issued and outstanding				
- June 30, 2000 130,345,338 shares	5,620,192			
- December 31, 2000 131,120,842 shares		6,183,266		
- June 30, 2001 131,681,887 shares			6,799,374	54,395
Additional paid-in capital	10,101,923	11,631,591	12,313,160	98,505
Legal reserve	149,991	149,991	149,991	1,200
Deferred compensation related to stock options	(50,764)	-	-	-
Retained earnings	5,276,722	6,745,769	7,279,920	58,239
Accumulated other comprehensive income				
Net unrealized gain on debt and equity securities	503,255	(168,277)	118,721	950
Cumulative translation adjustments	(580,279)	(169,616)	240,701	1,926
	(77,024)	(337,893)	359,422	2,876
Treasury stock, at cost	(22,421)	(28,375)	(10,991)	(88)
Less: Accumulated depreciation	(667,128)	(756,898)	(999,550)	(7,996)
	20,998,619	24,344,349	26,890,876	215,127
Commitments and contingent liabilities	-	-	-	-
	¥38,519,497	¥44,574,464	¥52,992,817	\$423,943

TREND MICRO INCORPORATED
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(unaudited)

	Thousands of yen	Thousands of U.S. dollars	
	For the six months ended June 30,	For the six months ended June 30,	
	2000	2001	2001
Net sales	¥9,330,979	¥12,939,355	\$103,515
Cost of sales	603,879	732,229	5,858
Gross profit	8,727,100	12,207,126	97,657
Operating expenses:			
Selling	1,068,155	3,224,430	25,795
Research and development	850,858	1,481,962	11,856
General and administrative	4,034,058	4,240,357	33,923
Goodwill amortization	95,797	-	-
Goodwill write-off	-	2,253,559	18,028
	6,048,868	11,200,308	89,602
Operating income	2,678,232	1,006,818	8,055
Other income (expenses):			
Interest income	76,561	202,267	1,618
Interest expense	(85,521)	(135,172)	(1,081)
Gain on sales of marketable securities	65,377	-	-
Foreign exchange gain, net	31,191	256,830	2,055
Other income (expense), net	974,227	(107,200)	(859)
	1,061,835	216,725	1,733
Income before income taxes, minority interest and equity in loss of affiliated companies	3,740,067	1,223,543	9,788
Income taxes (benefit):			
Current	1,790,174	491,658	3,933
Deferred	(340,689)	73,174	585
	1,449,485	564,832	4,518
Income before minority interest and equity in loss of affiliated companies	2,290,582	658,711	5,270
Minority interest in income of a consolidated subsidiary	72,645	-	-
Income from consolidated companies	2,217,937	658,711	5,270
Equity in losses of affiliated companies	23,517	104,850	839
Net income	¥2,194,420	¥553,861	\$4,431
	\	\	U.S. dollars
Per share data:			
Net income - basic	¥16.88	¥4.22	\$0.03
- diluted	16.40	4.14	0.03
Cash dividends	-	-	-

TREND MICRO INCORPORATED
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Thousands of yen	Thousands of U.S. dollars	
	For the six months ended June 30,	For the six months ended June 30,	
	2000	2001	2001
Cash flows from operating activities:			
Net income	¥2,194,420	¥553,861	\$4,431
Adjustments to reconcile net income to net cash provided by operating activities -			
Amortization of deferred compensation related to stock options	46,114	-	-
Depreciation and amortization	466,243	2,728,584	21,829
Pension and severance costs, less payments	30,833	56,660	453
Loss on disposal of fixed assets	2,739	-	-
Deferred income taxes	(340,688)	73,174	585
Gain on sales of marketable securities	(65,377)	-	-
Minority interest in income of a consolidated subsidiary	72,645	-	-
Pension and severance costs, less payments	30,833	56,660	453
Changes in assets and liabilities:			
Increase in deferred revenue	800,107	1,197,419	9,579
(Increase) decrease in notes and accounts receivable, trade, net of allowances	(915,342)	1,323,967	10,592
Decrease (increase) in inventories	(26,987)	113,719	910
(Decrease) in notes and accounts payable, trade	(187,070)	(261,766)	(2,094)
(Decrease) increase in accrued corporate taxes and other	76,529	(1,413,131)	(11,305)
Increase in other current assets	(726,786)	(103,212)	(826)
Increase (decrease) in other current liabilities	(6,101)	40,311	322
Other	172,974	(118,669)	(949)
Net cash provided by operating activities	1,594,253	4,190,917	33,527
Cash flows from investing activities:			
Payments for purchases of fixed assets	(412,227)	(1,228,759)	(9,830)
Proceeds from sales of marketable securities	150,814	2,611,426	20,891
Payments for purchases of marketable securities	(2,736)	(2,648,926)	(21,191)
Acquisitions of businesses, net of cash acquired	(1,308,248)	-	-
Increase in investments in affiliated companies	(200,000)	(32,000)	(256)
Payments for time deposits	-	(65,511)	(524)
Net cash used in investing activities	(1,772,397)	(1,363,770)	(10,910)
Cash flows from financing activities:			
Issuance of common stock pursuant to exercise of stock options	359,273	870,797	6,966
Tax benefit from exercise of non-qualified stock options	621,555	411,301	3,290
Proceeds from long-term debt	5,000,000	6,500,000	52,000
Repayment of long-term debt	(325,056)	(828,600)	(6,629)
Decrease in short-term borrowings	(198,000)	-	-
Other	(27,555)	9,525	77
Net cash provided by financing activities	5,430,217	6,963,023	55,704
Effect of exchange rate changes on cash and cash equivalents	906	327,561	2,621
Net increase in cash and cash equivalents	5,252,979	10,117,731	80,942
Cash and cash equivalents at beginning of period	15,648,881	24,435,503	195,484
Cash and cash equivalents at end of period	¥20,901,860	¥34,553,234	\$276,426

Notes:

1. Balance sheet and 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 June 29, 2001 (\125.00=U.S.\$1) and are for reference only.

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 Or follow our news on Twitter at [@TrendMicro](#).

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