Trend Micro Reports Second Quarter Results

Technology and service acquisitions and significant growth in networking products highlight quarter

TOKYO, Japan, August 03, 2005 -- Trend Micro, Inc. (TSE: 4704, NASDAQ: TMIC), a leader in network antivirus and Internet content security software and services, today announced earnings results for the second quarter 2005.

Trend Micro posted consolidated net sales of 17.19 billion Yen (or US $159.57 million, 107.72 JPY = 1USD), operating income of 5.47 billion Yen (or US $50.78 million) and net income of 3.93 billion Yen (or US $36.52 million) for the second quarter 2005. These figures reflect gains of nearly 16% in net sales compared with the same period in the previous year. Operating income was down 13% from the same quarter in the previous year, largely due to additional support costs incurred in Japan in April.

The company continued to enjoy steady growth around the world. Both the United States and the Asia-Pacific regions experienced a 29 percent year-over-year increase in revenue, and sales in the Europe, Middle East and Africa (EMEA) increased 19 percent over the same period. Much of the company's growth was buoyed by strong sales in networking security products. For example, in the second quarter, revenue for network products including Trend Micro Network VirusWall grew 232 percent year-over-year worldwide, with especially strong growth in the United States, EMEA and Japan compared to the previous year. Gateway Suite products also saw strong revenue growth compared to the same quarter in the previous year, highlighted by a 35 percent increase in Europe and a 63 percent increase in the Asia-Pacific region.

While growth remained steady, Trend Micro strengthened its position in the marketplace by announcing two major acquisitions that enhance the company's ability to protect customers from some of the most pressing threats. On May 10, 2005, the company announced its acquisition of InterMute, a leading developer of anti-spyware products. Shortly after the announcement, the company introduced Trend Micro Anti-Spyware 3.0 and Trend Micro Anti-Spyware for Small and Medium Businesses 3.0. On June 14, 2005, Trend Micro announced its acquisition of Kelkea Inc., a leading authority on IP filtering and reputation services. The acquisition enables Trend Micro to accelerate its development of network-level solutions against spam and other related threats.

"The second quarter of this year has included some challenges and some significant triumphs for Trend Micro, but we continue to focus on service quality improvement, and continued growth and expansion," said Eva Chen, CEO of Trend Micro. "The steady traction of our network-level solutions, partnerships and alliances, and new technology and service acquisitions are indicative of our strength and success as we further enhance our abilities to protect customers from even more complex threats."

Based on information currently available to the company, consolidated net sales for the third quarter ending September 30, 2005 is expected to be 17.2 billion Yen (or US $153.6 million, based on an exchange rate of 112JPY = 1USD). Operating income and net income are expected to be 6.2 billion Yen (or US $55.4 million) and 3.75 billion Yen (or US $33.5 million), respectively.

Second Quarter Business Highlights

New Acquisitions

Trend Micro acquired InterMute, Inc., a leading developer of anti-spyware products, and quickly announced three new standalone products for the detection and removal of spyware and grayware for businesses and consumers. Trend Micro Anti-spyware products feature CWShredder™, regarded as one of the most effective solutions for eliminating the CoolWebSearch Web browsing hijacker and its many variants – some of which avoid detection and removal through ever-changing methods.

Trend Micro acquired Kelkea Inc., a leading authority on IP filtering and reputation services, and is offering Trend Micro Network Reputation Services to anti-spam customers. Trend Micro plans to further develop technologies to combat phishing attacks, zombies, and botnets; the company will also enhance current anti-spam solutions through the extensive knowledge base of more than 1.5 billion IP addresses.

Anti-Spyware Solutions

Trend Micro introduced several new solutions for combating the growing spyware problem, including a multi-layered solutions strategy for coordinated security at the enterprise gateway, server, and client levels . The company also introduced standalone anti-spyware offerings designed for businesses and consumers.

During the quarter, Trend Micro was the first company in the security industry to achieve Checkmark Spyware certification for spyware detection performance. Two products -- Trend Micro OfficeScan™ and Trend Micro PC-cillin™ Internet Security Suite – received the certification.

Products and Innovation

The following products were introduced in the second quarter 2005:

Trend Micro InterScan™ Web Security Suite 2.5 – gateway security solution designed to block spyware, grayware, phishing attacks, viruses, and other malware entering corporate networks via the Internet gateway.

Trend Micro OfficeScan v7.0 – an advanced, integrated client and server security solution that combines comprehensive threat protection with services and policy enforcement compatibility to help ensure enterprise uptime and productivity.

Trend Micro Anti-Spyware 3.0 and Trend Micro Anti-Spyware for Small and Medium Businesses 3.0 – standalone options for detection and removal of evasive spyware and grayware.

Trend Micro Mobile Security 2.0 – extends multiplatform protection to defend Microsoft Windows Mobile 5.0 operating system from viruses, worms, and other malicious threats.

Global Business Highlights

In May 2005, a U.S. International Trade Commission judge issued a final determination in Trend Micro's favor involving the unfair import proceeding Trend Micro brought against Fortinet. As a result, the judge has recommended that the ITC issue an order prohibiting Fortinet from importing FortiGate products into the United States.

New customers and new business in the Asia-Pacific region included: Guangzhou University of Traditional Chinese Medicine in China and Chung-Hwa Telecom in Taiwan.

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.

- 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 antivirus software industry
- Changes in customer needs for antivirus software
- Existing products and new product introductions by our competitors and the pricing of those products
- Declining prices for 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 U.S. Securities and Exchange Commission.

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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