

## **Trend Micro Reports Results for 2006**

*Revenues up 17 percent annually, driven by strong sales in the small and mid-sized business market and overall US growth*

**Tokyo, Japan – February 21, 2007** – Trend Micro Incorporated (TSE: 4704, NASDAQ: TMIC), a leader in network antivirus and Internet content security software and services, today announced earnings results for the fourth quarter and consolidated revenue for fiscal year 2006 ended December 31, 2006.

For the fourth quarter, Trend Micro posted a record 23.386 billion Yen (\$198.524 million, 117.80JPY=1USD) in net sales, representing 14 percent growth in Yen year-over-year and 11 percent growth over the third quarter in Yen. Operating income for the quarter was 6.705 billion Yen (\$56.921 million) and net income was 5.030 billion Yen (\$42.697 million).

For 2006, Trend Micro posted record consolidated net sales of 85.614 billion Yen (or U.S. \$726.771 million), representing an annual growth rate of 17 percent. The company also reported operating income of 27.076 billion Yen (or U.S. \$229.845 million) and net income of 17.236 billion Yen (or US \$146.317 million). Revenues from products and services sold to enterprise, mid-sized, and small business customers worldwide comprised 76 percent of 2006 revenues; revenue from consumer products comprised the remaining 24 percent.

Trend Micro continued to experience double digit growth worldwide, most notably in North America where sales grew 25 percent annually while Europe saw a growth of 15 percent year on year. In the Japan and Asia-Pacific regions, annual sales increased 13 and 16 percent, respectively.

“2006 was a healthy year for our company, annual growth remained in double digits and our steadfast focus on delivering new products and services designed specifically to meet the needs of our different-sized customers helped fuel development,” said Eva Chen, CEO of Trend Micro. “In the past year, we delivered a number of new security solutions which prevent malicious content and attacks. During 2007, we will continue this momentum by focusing on protection against web-based threats that can result in data leakage and information theft. This approach is helping us to build a strong foundation to position us for the next stage of growth and our continued leadership.”

Based on information currently available to the company, consolidated net sales for the first quarter ending March 31, 2007, is expected to be 23.000 billion Yen (or U.S. \$194.915 million, based on an exchange rate of 118JPY = 1USD). Operating income and net income are expected to be 5.500 billion Yen (or U.S. \$46.610 million) and 2.850 billion Yen (or U.S. \$24.153 million), respectively.

Growth rate figures are calculated from Japanese Yen results. Some discrepancy may therefore be noted in US Dollar comparisons owing to fluctuations in currency conversion rates.

## **2006 Business Highlights**

### **Awards and Recognition**

#### *Corporate*

- \* Trend Micro was listed on the Dow Jones Sustainability Index for the third consecutive year.
- \* Trend Micro placed second in the Ziff Davis *CIO Insight* 2006 Vendor Value Study, ahead of all other security vendors. The study conducted among top IT managers and CIO's ranked 40 of the most important information technology vendors by value, reliability and loyalty. Additionally, Trend Micro was the top-scoring Mid-Market vendor.
- \* Dave Rand, CTO for Trend Micro Internet Content Security, addressed the Messaging Anti-Abuse Working Group General Meeting in June 2006, where he presented validation that botnets are now the primary source of spam.
- \* In August, Trend Micro was recognized as number 9 on the Cape Horn Strategies "2006 Software Industry Sustained Success Honor Roll" having achieved 9 consecutive years of profitable growth.
- \* In November 2006, Trend Micro received the Taiwan International Achievement award at the Fourth Taiwan Business Awards.
- \* Independent research firm, Forrester Research acknowledged Trend Micro as a Leader in Enterprise Anti-Spyware in their report "The Forrester Wave: Enterprise Antispyware, Q1 2006".
- \* In August 2006, U.S. based solution-provider readers of CMP Technology's VARBusiness magazine recognized Trend Micro in the Annual Report Card (ARC) award program, for the outstanding satisfaction levels it provides. Trend Micro received the Product Innovation award, for the third consecutive year, and the Loyalty award in the Security Management Software category from the biweekly magazine that provides strategic insight to technology integrators

#### *Products*

- In March 2006, Trend Micro was named as CRN Channel Champion in both Client Security Software and Network Security Software Categories by the US edition of CRN Magazine.
- Trend Micro Internet Security and Trend Micro AntiVirus plus AntiSpyware were awarded the Certified for Windows Vista Logo.
- TechTarget's SearchComputingMagazine.com named Trend Micro Mobile Security among its "Products of the Year" in January 2006.

- In early January, TechData's TechSelect Channel Community awarded Trend Micro's SMB Solutions "Best Solution."
- During the fourth quarter, the Network VirusWall Enforcer underwent extensive comparative testing in the Infoworld magazine labs and came away with the top score. The reviewer noted that the "step-by-step policy configuration was simple to create thanks to the wizardlike interface."

## **Products and Innovation**

New products Trend Micro introduced during 2006, included the following:

### **\* Consumer:**

Trend Micro Internet Security, incorporates Trend Micro's well-known PC-cillin™ engine and anti-malware protection along with a host of new features addressing rootkits, spyware, phishing, spam, hackers, viruses, WiFi attacks, smartphone threats and the growing number of identity-theft threats. In addition, the Trend Micro Internet Security subscription includes TrendSecure™, Trend Micro's new online security services.

### **\* Small and Mid-sized Businesses.**

InterScan Gateway Security Appliance is designed for mid-sized organizations looking for an easy to install, easy to maintain content security solution. While protecting corporate and personal data, the appliance supports employee productivity and it includes an anti-bot functionality to help prevent internal PC's from becoming zombies.

Trend Micro™ Email Security Services were developed specifically with the small and medium businesses (SMB) in mind. This service protects their network and infrastructure by stopping threats before they reach the customer's gateway.

### **\* Enterprise:**

InterScan Web Security Appliance is a new gateway-based hardware solution with unique capabilities designed to provide enterprise organizations with comprehensive front-line protection against malware and content security threats including spyware.

Network VirusWall™ Enforcer, is a second-generation enterprise-class Network Access Control (NAC) appliance that ensures that all devices — managed or unmanaged, local or remote — comply with security policies before they're granted access to corporate networks.

InterScan™ Messaging Security Appliance is a comprehensive solution for enterprises to address email-based threats including spam, phishing, bots, spyware, and viruses, as well as content compliance.

## **Patents**

In 2006, Trend Micro was awarded the following patents:

- U.S. Patent No. 7,099,853, entitled "Configurable Hierarchical Content Filtering System" covers a content filtering scanning method that distributes the scanning of incoming data against a knowledge base to more than one computer. This technology advantageously allows a complete pattern file to be segmented, with different computers scanning incoming data using different segments of the pattern file.
- U.S. Patent No. 7,062,553, entitled "Virus Epidemic Damage Control System and Method for Network Environment" covers a method of early virus detection by analyzing whether identical sections of files have been modified over a certain time interval. According to a specific example of the patented technology, a network system finds all files having been modified within a predetermined time interval and analyzes the modifications. If the modified sections of the modified files are identical or similar, the network is alerted of a possible virus outbreak, allowing early containment and quarantine.

## **Business Highlights**

\* New customers in the fourth quarter included: Nova Information Systems in the United States and Eastern Norway Regional Health Authority, Statoil ASA and ISC Central (Dutch Police Force) in EMEA

## **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. Many important factors could cause our actual results to differ materially from those expressed in our forward-looking statements. These factors include:

- \* 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, Inc.**

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](http://www.trendmicro.com).

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Supplementary Information

**(1) CONSOLIDATED BALANCE SHEETS**

(Thousands of yen)

| Account  | December 31,<br>2005 |              | December 31,<br>2006 |              |
|--|----------------------|--------------|----------------------|--------------|
|  | Amount               | %            | Amount               | %            |
| <Assets>   |                      |              |                      |              |
| Current assets:                                    |                      |              |                      |              |
| Cash and cash equivalents                          | 59,612,577           |              | 76,196,954           |              |
| Time deposits                                      | 1,435,293            |              | 514,293              |              |
| Marketable securities                              | 22,395,365           |              | 25,958,661           |              |
| Notes and accounts receivable, trade               |                      |              |                      |              |
| –less allowance for doubtful accounts              |                      |              |                      |              |
| (Yen) 282,257 in FY2005 and                        |                      |              |                      |              |
| (Yen) 514,223 in FY2006, respectively              |                      |              |                      |              |
| –less sales returns                                |                      |              |                      |              |
| (Yen) 422,453 in FY2005 and                        |                      |              |                      |              |
| (Yen) 208,275 in FY2006, respectively              | 19,198,870           |              | 19,923,830           |              |
| Inventories  | 359,897              |              | 685,952              |              |
| Deferred income taxes                              | 6,727,229            |              | 9,438,457            |              |
| Prepaid expenses and other current assets          | 1,925,791            |              | 3,708,789            |              |
| Total current assets                               | <u>111,655,022</u>   | <u>84.0</u>  | <u>136,426,936</u>   | <u>81.6</u>  |
| Investments and other assets:                      |                      |              |                      |              |
| Securities investments                             | 11,159,428           |              | 15,681,524           |              |
| Investment in and advances to affiliated companies | 321,569              |              | 254,308              |              |
| Software development costs                         | 1,174,691            |              | 1,167,079            |              |
| Other intangibles                                  | 1,390,434            |              | 2,088,618            |              |
| Goodwill   | 2,130,179            |              | 2,982,963            |              |
| Deferred income taxes                              | 2,033,488            |              | 4,370,672            |              |
| Other  | 671,800              |              | 792,871              |              |
| Total investments and other assets                 | <u>18,881,589</u>    | <u>14.2</u>  | <u>27,338,035</u>    | <u>16.3</u>  |
| Property and equipment:                            |                      |              |                      |              |
| Office furniture and equipment                     | 4,468,891            |              | 6,542,245            |              |
| Other properties                                   | 1,539,195            |              | 2,249,875            |              |
|  | <u>6,008,086</u>     |              | <u>8,792,120</u>     |              |
| Less: Accumulated depreciation                     | <u>(3,609,473)</u>   |              | <u>(5,292,452)</u>   |              |
| Total property and equipment                       | <u>2,398,613</u>     | <u>1.8</u>   | <u>3,499,668</u>     | <u>2.1</u>   |
| Total assets                                       | <u>132,935,224</u>   | <u>100.0</u> | <u>167,264,639</u>   | <u>100.0</u> |

(Thousands of yen)

| Account   | December 31,<br>2005 |              | December 31,<br>2006 |              |
|---|----------------------|--------------|----------------------|--------------|
|   | Amount               | %            | Amount               | %            |
| <Liabilities, minority interest and shareholders' equity>     |                      |              |                      |              |
| Current liabilities:  |                      |              |                      |              |
| Notes payable, trade  | 118,572              |              | 143,637              |              |
| Accounts payable, trade                                       | 794,450              |              | 1,428,202            |              |
| Accounts payable, other                                       | 3,208,625            |              | 3,753,566            |              |
| Withholding income taxes                                      | 1,082,302            |              | 1,465,451            |              |
| Accrued expenses  | 3,138,674            |              | 4,023,464            |              |
| Accrued income and other taxes                                | 5,476,791            |              | 10,100,431           |              |
| Deferred revenue  | 31,506,315           |              | 45,093,703           |              |
| Other   | 895,088              |              | 961,342              |              |
| Total current liabilities                                     | <u>46,220,817</u>    | <u>34.8</u>  | <u>66,969,796</u>    | <u>40.1</u>  |
| Long-term liabilities:  |                      |              |                      |              |
| Deferred revenue  | 3,874,936            |              | 7,681,730            |              |
| Accrued pension and severance costs                           | 889,774              |              | 1,149,219            |              |
| Other   | 82,056               |              | 261,214              |              |
| Total long-term liabilities                                   | <u>4,846,766</u>     | <u>3.6</u>   | <u>9,092,163</u>     | <u>5.4</u>   |
| Minority interest   | <u>4,531</u>         | <u>0.0</u>   | <u>6,632</u>         | <u>0.0</u>   |
| Shareholders' equity:   |                      |              |                      |              |
| Common stock  |                      |              |                      |              |
| Authorized  |                      |              |                      |              |
| -December 31,2005 250,000,000 shares (no par value)           |                      |              |                      |              |
| -December 31,2006 250,000,000 shares (no par value)           |                      |              |                      |              |
| Issued  |                      |              |                      |              |
| -December 31,2005 136,603,725 shares                          | 12,484,849           |              |                      |              |
| -December 31,2006 137,344,504 shares                          |                      |              | 13,479,076           |              |
| Additional paid-in capital                                    | 18,572,063           |              | 24,755,879           |              |
| Retained earnings   | 55,971,955           |              | 63,386,138           |              |
| Accumulated other comprehensive income                        |                      |              |                      |              |
| Net unrealized gain (loss) on debt and equity securities      | 657,885              |              | 1,012,828            |              |
| Cumulative translation adjustments                            | 1,459,600            |              | 2,910,707            |              |
| Unrecognized pension liabilities                              | —                    |              | (181,855)            |              |
|   | <u>2,117,485</u>     |              | <u>3,741,680</u>     |              |
| Treasury stock, at cost                                       |                      |              |                      |              |
| -December 31,2005 2,513,231 shares                            | (7,283,242)          |              |                      |              |
| -December 31,2006 4,509,612 shares                            |                      |              | (14,166,725)         |              |
| Total shareholders' equity                                    | <u>81,863,110</u>    | <u>61.6</u>  | <u>91,196,048</u>    | <u>54.5</u>  |
| Total liabilities, minority interest and shareholders' equity | <u>132,935,224</u>   | <u>100.0</u> | <u>167,264,639</u>   | <u>100.0</u> |

## (2) CONSOLIDATED STATEMENTS OF INCOME

(Thousands of yen)

| Account  | For the year ended<br>December 31, 2005 |             | For the year ended<br>December 31, 2006 |             | Increase<br>(Decrease) |
|--|---|-------------|---|-------------|------------------------|
|  | Amount                                  | %           | Amount                                  | %           | %                      |
| Net sales  | 73,029,901                              | 100.0       | 85,613,662                              | 100.0       | 17.2                   |
| Cost of sales:   |   |             |   |             |                        |
| Amortization of capitalized software, and Material                             | 2,598,603                               |             | 4,138,033                               |             |                        |
| Maintenance  | 1,671,320                               |             | 3,259,764                               |             |                        |
| Customer Support   | 6,857,901                               |             | 8,496,171                               |             |                        |
| Total Cost of sales  | <u>11,127,824</u>                       | <u>15.2</u> | <u>15,893,968</u>                       | <u>18.6</u> | 42.8                   |
| Operating Expense:   |   |             |   |             |                        |
| Selling  | 20,944,484                              |             | 27,216,279                              |             |                        |
| Research and development   | 4,395,207                               |             | 4,719,313                               |             |                        |
| General and administrative   | 8,990,611                               |             | 10,708,306                              |             |                        |
| Total operating expenses   | <u>34,330,302</u>                       | <u>47.0</u> | <u>42,643,898</u>                       | <u>49.8</u> | 24.2                   |
| Operating income   | <u>27,571,775</u>                       | <u>37.8</u> | <u>27,075,796</u>                       | <u>31.6</u> | (1.8)                  |
| Other incomes (expenses):  |   |             |   |             |                        |
| Interest income and dividend received  | 836,910                                 |             | 1,775,896                               |             |                        |
| Interest expense   | (3,709)                                 |             | (19,638)                                |             |                        |
| Gain (loss) on sales of marketable securities                                  | 370,326                                 |             | 464,055                                 |             |                        |
| Foreign exchange gain (loss), net  | 327,257                                 |             | (37,955)                                |             |                        |
| Other income (expense), net  | 5,741                                   |             | 297,686                                 |             |                        |
| Total other income (expense)   | <u>1,536,525</u>                        | <u>2.1</u>  | <u>2,480,044</u>                        | <u>2.9</u>  | 61.4                   |
| Net income before tax  | <u>29,108,300</u>                       | <u>39.9</u> | <u>29,555,840</u>                       | <u>34.5</u> | 1.5                    |
| Income taxes:  |   |             |   |             |                        |
| Current  | 11,863,127                              |             | 16,012,347                              |             |                        |
| Deferred   | (1,358,568)                             |             | (3,644,302)                             |             |                        |
|  | <u>10,504,559</u>                       | <u>14.4</u> | <u>12,368,045</u>                       | <u>14.4</u> | 17.7                   |
| Income before minority interest and equity in earnings of affiliated companies | 18,603,741                              | 25.5        | 17,187,795                              | 20.1        | (7.6)                  |
| Minority interest in income of consolidated subsidiaries                       | (338)                                   | 0.0         | (812)                                   | 0.0         | 140.2                  |
| Equity in earnings (losses) of affiliated companies                            | <u>66,551</u>                           | <u>0.1</u>  | <u>49,207</u>                           | <u>0.0</u>  | (26.1)                 |
| Net income   | <u>18,669,954</u>                       | <u>25.6</u> | <u>17,236,190</u>                       | <u>20.1</u> | (7.7)                  |
| Per share data:  |   |             |   |             |                        |
| Net income   | <u>Yen</u>                              |             | <u>Yen</u>                              |             |                        |
| -Basic   | 139.85                                  |             | 128.65                                  |             |                        |
| -Diluted   | 137.83                                  |             | 128.11                                  |             |                        |

**(3) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Thousands of yen)

| Account   | For the year<br>ended<br>December 31,<br>2005 | For the year<br>ended<br>December 31,<br>2006 |
|---|---|---|
| Net income  | 18,669,954                                    | 17,236,190                                    |
| Other comprehensive income (loss), before tax:  |   |   |
| Unrealized gains (losses) on debt and equity securities:                              |   |   |
| Unrealized holding gains (loss) arising during period                                 | 1,375,136                                     | 959,373                                       |
| Less reclassification adjustment for (gains) losses included in net income            | (704,199)                                     | (381,360)                                     |
|   | 670,937                                       | 578,013                                       |
| Foreign currency translation adjustments  | 2,066,063                                     | 1,451,107                                     |
| Unrecognized pension liabilities;   |   |   |
| Pension liability adjustment to initially apply SFAS No.158                           | -   | (164,786)                                     |
| Total   | 2,737,000                                     | 1,864,334                                     |
| Tax effect of other comprehensive income (loss):                                      |   |   |
| Income tax expense related to unrealized gains (losses) on debt and equity securities | (297,400)                                     | (223,070)                                     |
| Income tax expense related to unrecognized pension liabilities                        | -   | (17,069)                                      |
|   | (297,400)                                     | (240,139)                                     |
| Other comprehensive income (loss), net of tax   | 2,439,600                                     | 1,624,195                                     |
| Comprehensive income  | 21,109,554                                    | 18,860,385                                    |

#### **(4) CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

(Thousands of yen)

| Account  | For the year ended<br>December 31,2005 | For the year ended<br>December 31,2006 |
|--|--|--|
| <Common stock>   |  |  |
| Balance at beginning of period   | 11,426,977                             | 12,484,849                             |
| Exercise of stock purchase warrants and<br>stock acquisition rights                            | 1,057,872                              | 994,227                                |
| Balance at end of period   | 12,484,849                             | 13,479,076                             |
| <Additional paid-in capital>   |  |  |
| Balance at beginning of period   | 17,359,335                             | 18,572,063                             |
| Tax benefit from exercise of non-qualified<br>stock warrants                                   | 155,323                                | 140,089                                |
| Tax recognition derived from elimination of<br>reversed warrant related with stock option plan | -                                      | (59,091)                               |
| Stock option compensation expense  | -                                      | 5,108,924                              |
| Exercise of stock purchase warrants and<br>stock acquisition rights                            | 1,057,405                              | 993,894                                |
| Balance at end of period   | 18,572,063                             | 24,755,879                             |
| <Retained earnings>  |  |  |
| Balance at beginning of period (Previously announced)  | 42,165,026                             | 55,971,955                             |
| Cumulative-effect of the adjustment by applying<br>SAB No.108                                  | -                                      | (2,251,639)                            |
| Balance at beginning of period (After adjusted)  | 42,165,026                             | 53,720,316                             |
| Net income   | 18,669,954                             | 17,236,190                             |
| Stock issue costs, net of tax  | (3,519)                                | (3,761)                                |
| Cash dividends   | (4,794,028)                            | (7,509,068)                            |
| Loss on sales of treasury stock, net of tax  | (65,478)                               | (57,539)                               |
| Balance at end of period   | 55,971,955                             | 63,386,138                             |
| <Net realized gain (loss) on debt and<br>equity securities>                                    |  |  |
| Balance at beginning of period   | 284,348                                | 657,885                                |
| Net change during the period   | 373,537                                | 354,943                                |
| Balance at end of period   | 657,885                                | 1,012,828                              |
| <Cumulative translation adjustments>   |  |  |
| Balance at beginning of period   | (606,463)                              | 1,459,600                              |
| Aggregate translation adjustments for the period   | 2,066,063                              | 1,451,107                              |
| Balance at end of period   | 1,459,600                              | 2,910,707                              |
| <Unrecognized pension cost>  |  |  |
| Balance at beginning of period   | -                                      | -                                      |
| Accumulated adjustments by applying SFAS No.158  | -                                      | (181,855)                              |
| Balance at end of period   | -                                      | (181,855)                              |
| <Treasury stock, at cost>  |  |  |
| Balance at beginning of period   | (7,454,463)                            | (7,283,242)                            |
| Purchase of treasury stock   | (142,062)                              | (7,117,842)                            |
| Sales of treasury stock  | 313,283                                | 234,359                                |
| Balance at end of period   | (7,283,242)                            | (14,166,725)                           |
| Total shareholders' equity   | 81,863,110                             | 91,196,048                             |

## (5) CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands of yen)

| Account  | For the year<br>ended<br>December 31,<br>2005 | For the year<br>ended<br>December 31,<br>2006 |
|--|---|---|
| Cash flows from operating activities:  |   |   |
| Net income   | 18,669,954                                    | 17,236,190                                    |
| Adjustments to reconcile net income to net cash provided<br>by operating activities                      |   |   |
| Depreciation and amortization  | 1,878,050                                     | 3,466,388                                     |
| Pension and severance costs, less payments   | 207,109                                       | 248,564                                       |
| Deferred income taxes  | (1,358,568)                                   | (3,644,302)                                   |
| (Gain) loss on sales of marketable securities  | (370,326)                                     | (464,055)                                     |
| Equity in earnings of affiliated companies   | (66,551)                                      | (49,207)                                      |
| (Gain) loss on sale and disposal of fixed assets   | 11,585  | 3,466   |
| Stock option compensation expense  | -   | 4,971,477                                     |
| Dividends received from affiliated company   | -   | 28,000  |
| Minority interest  | 338   | 812   |
| Changes in assets and liabilities:   |   |   |
| Increase (decrease) in deferred revenue  | 6,209,680                                     | 12,960,443                                    |
| (Increase) decrease in accounts receivable, net of allowances  | (3,567,924)                                   | (84,956)                                      |
| (Increase) decrease in inventories   | (124,971)                                     | (303,254)                                     |
| Increase (decrease) in notes and accounts payable, trade   | (526,321)                                     | 587,337                                       |
| Increase (decrease) in accrued income and other taxes  | (1,826,959)                                   | 4,644,548                                     |
| (Increase) decrease in other current assets  | (34,426)                                      | (667,417)                                     |
| Increase (decrease) in accounts payable, other   | 381,414                                       | 143,162                                       |
| Increase (decrease) in other current liabilities   | 1,336,703                                     | (61,823)                                      |
| (Increase) decrease in other assets  | (207,984)                                     | (931,569)                                     |
| Other  | 34,809  | (695,385)                                     |
| Net cash provided by operating activities  | 20,645,612                                    | 37,388,419                                    |
| Cash flows from investing activities:  |   |   |
| Payments for purchases of property and equipment   | (1,153,193)                                   | (1,942,091)                                   |
| Software development cost  | (1,446,248)                                   | (1,456,755)                                   |
| Payments for purchases of other intangibles  | (216,107)                                     | (1,395,220)                                   |
| Proceeds from sales of marketable securities   | 22,079,575                                    | 20,648,519                                    |
| (Payment for)/Proceeds from marketable securities<br>maturing within three months or less (net)          | (189,708)                                     | 1,292,234                                     |
| Payments for purchases of marketable securities and<br>security investments                              | (28,043,534)                                  | (28,355,269)                                  |
| Payments for business acquisition  | (2,716,702)                                   | (816,655)                                     |
| (Payments for)/Proceeds from time deposits   | (1,052,017)                                   | 921,000                                       |
| Net cash used in investing activities  | (12,737,934)                                  | (11,104,237)                                  |
| Cash flows from financing activities:  |   |   |
| Issuance of common stock pursuant to exercise of stock purchase<br>warrants and stock acquisition rights | 2,111,758                                     | 1,984,360                                     |
| Proceeds from sales of treasury stock  | 247,805                                       | 176,820                                       |
| Payment for purchase of treasury stock   | (142,062)                                     | (7,117,842)                                   |
| Tax benefit from exercise of non-qualified stock warrants  | 155,322                                       | 140,089                                       |
| Tax recognition derived from elimination of reversed warrant related<br>with stock option plan           | -   | (59,091)                                      |
| Capital contribution from minority interest  | 4,193   | -   |
| Dividends paid   | (4,782,764)                                   | (7,497,089)                                   |
| Net cash used in financing activities  | (2,405,748)                                   | (12,372,753)                                  |
| Effect of exchange rate changes on cash and cash equivalents   | 1,202,290                                     | 2,672,948                                     |
| Net increase (decrease) in cash and cash equivalents   | 6,704,220                                     | 16,584,377                                    |
| Cash and cash equivalents at beginning of period   | 52,908,357                                    | 59,612,577                                    |
| Cash and cash equivalents at end of period   | 59,612,577                                    | 76,196,954                                    |

|   |            |           |
|---|------------|-----------|
| Supplementary information of cash flow: |            |           |
| Payment for interest expense            | 3,709      | 19,638    |
| Payment for income taxes                | 13,109,985 | 9,516,032 |