February 18, 2010

Report of Earning Results (Consolidated) for Fiscal Year Ending December 31, 2009

Company : Trend Micro Incorporated — Tokyo Stock Exchange 1st Section
Code : 4704 — Location : Tokyo
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Expected date of the annual shareholders meeting: March 26, 2010

Expected date of the delivery of dividends: Mar 29, 2010

Expected date of the submission of annual security reports ("Yuka Shoken Hokokusho") : March 30, 2010

1. Financial Highlights for FY 2009 (January 1, 2009 though December 31, 2009)

(1) Consolidated Results of Operations

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2009	96,346	(5.3)	30,137	(5.2)	31,714	(5.7)	17,638	(8.4)
FY 2008	101,707	1.9	31,803	(5.0)	33,640	(11.7)	19,247	(18.3)

	Net income per share (basic)	Net income per share (diluted)	Return on shareholders' equity	Return on assets	Operating profit on sales
	Yen	Yen	%	%	%
FY 2009	132.16	131.77	17.9	16.6	31.3
FY 2008	143.88	143.05	18.8	17.7	31.3

(2) Consolidated Financial Position

	Total assets	Net Assets	Net Assets ratio	Net Assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2009	203,887	108,643	50.3	768.25
December 31, 2008	178,766	98,846	53.2	711.96

(Note) Net Assets after deduction of Share acquisition rights and Minority interest : 102,523 million yen (95,096 million yen as of December 31, 2008)

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2009	34,053	(25,126)	(13,319)	58,023
FY 2008	31,475	10,561	(20,669)	60,535

2. Dividend of Surplus

	Cash dividends per share					Aggregate amount of dividends (annual)	Dividends payout ratio (Consolidated)	Dividends on shareholders' equity (Consolidated)
As of	The first quarter end	The second quarter end	The third quarter end	Annual end	Total	Total	Total	Total
December 31, 2008	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
	-	0.00	-	97.00	97.00	12,956	67.4	12.4
December 31, 2009	-	0.00	-	91.00	91.00	12,144	68.9	12.3
Projection for FY 2010	-	0.00	-	TBD	TBD	TBD	TBD	TBD

(Note) Dividend for 2010 Annual end is not yet projected.

3. Forecasts of Consolidated Financial Results for FY 2010

(January 1, 2010 through December 31, 2010)

We do not issue a projection figures on a yearly basis.

For the forecast of the first quarter end and FY 2010, please refer to page 4.

4. Others

(1) Change in the basis of Consolidation and Application of equity method : No

(2) Changes in accounting principles and procedures as well as presentation methods related to the preparation of consolidated financial statements

① Change under the revision of Accounting Standards : Yes

② Others : No

Please refer "Change in Significant Accounting Policies and Practices for Preparing Consolidated Financial Statements", page 32.

(3) Number of shares issued (common shares)

① Number of shares issued (including treasury stocks):

140,293,004 shares as of December 31, 2009

140,293,004 shares as of December 31, 2008

② Number of treasury stocks :

6,841,534 shares as of December 31, 2009

6,722,803 shares as of December 31, 2008

As regards to the basis of calculation for net income per share, please refer "Reconciliation of the difference between basic and diluted net income per share ("EPS")", page 44.

Results of the non-consolidated operations

1. Financial Highlights for the FY 2009 (January 1, 2009 through December 31, 2009)

(1) Results of operations

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2009	63,380	1.7	26,285	10.3	30,418	36.0	18,612	58.4
FY 2008	62,315	0.9	23,825	(13.2)	22,364	(25.6)	11,747	(33.2)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
FY 2009	139.45	139.05
FY 2008	87.82	87.31

(2) Financial Position

	Total assets	Net Assets	Net Assets ratio	Net Assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2009	133,852	74,576	51.2	513.04
December 31, 2008	109,659	65,378	56.2	461.43

(Note) Equity capital : 68,466 million yen (61,633 million yen as of December 31, 2008)

Forecasts of consolidated financial results for 1st quarter and FY 2010

	Net sales		Operating income		Ordinary income		Net income		Net income per share
1st quarter (January 1, 2010 through March 31, 2010)	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	23,400	2.1	5,700	(18.9)	6,100	(23.1)	3,600	(25.3)	26.98

※ Notice on forward-looking statements and other specific items

1. Since the business environment surrounding Trend Micro Group tends to fluctuate in the short run, it is difficult to make a highly reliable projection figures on a yearly basis. We, therefore, have decided to announce the earnings on a quarterly basis in the fiscal year ending in December 2010 as well as earnings projection of the succeeding quarter.

When we find through our calculation conducted from time to time that the net sales will fluctuate from the most recent quarterly projection by more than 10%, or operating income, ordinary income or net income fluctuates by more than 30%, we will announce the revision to the earnings projection.

・Qualitative Information and Financial Statements

1. Qualitative Information on the Consolidated Business Results

1. OPERATING RESULTS ANALYSIS

(1). REVIEW OF CURRENT PERIOD

(Unit: million yen)

	Net Sales	Operating Income	Ordinary Income	Net income before tax	Net income
FY2009	96,346	30,137	31,714	31,365	17,638
FY2008	101,707	31,803	33,640	30,878	19,247
Rete of Change (%)	(5%)	(5%)	(6%)	2%	(8%)

(Unit: million yen)

	Net Sales		
	FY2009	FY2008	Rete of Change (%)
Japan	39,740	39,102	2%
North America Reg.	25,339	26,191	(3%)
Europe Reg.	20,174	23,891	(16%)
Asia and Pacific Reg.	8,377	9,596	(13%)
Latin America Reg.	2,716	2,925	(7%)

Despite economic trends in some major countries seemed to be still recovering from the overall global recession caused by Lehman Shock partly, the world economy during this term from January 1 to December 31, 2009, showed signs that it was finally emerging from a disastrous economic standpoint. Positive signs include the fact that U.S. banks repaid public funds and enterprises were returning to profitability; at the Federal Open Market Committee, the FRB (Federal Reserve Board) stated that “the deterioration in the labor market is abating”; and emerging countries such as China and India achieved economic progress.

Not everything was so affirmative though. The U.S. budget deficit is still at an all-time high. Also G7 expressed concern about the excess volatility and disorderly movements in exchange rates in October, then it linked to Dubai crisis which was caused a global rapid weak US dollar in November. In addition, there have still no signs of improvement in the unemployment rate and personal consumption. Because of this, it is still too early to confirm that the real economy has improved.

The Japanese economy showed signs of recovery. Although Japan’s GDP growth was in the negative numbers even before Lehman’s fall, it moved into the positive numbers during April-June period and through the end of this year. However, consumer price index for Japan in December 2009 fell for the tenth consecutive month. The Japanese government formally declared that the nation is in a period of deflation. Though it appeared that the recession had bottomed out, it may be only temporary. The Japanese economy faced a long road to a strong and autonomous fiscal recovery during 2009.

The network security industry is also changing as cyber criminals move away from mass attacks to much targeted ones with a specific purpose for monetary gain and data-stealing. At the same time, their target has shifted from the general public to specific targets. As a result, virus infections have decreased. According to the virus infection damage incident report, Japan reported 45,310 infections during this annual term of 2009, a 20.3 percent decrease from 2008, which had 56,880 reports. On the whole, Web threats, which stem from the Internet and can be deployed unknowingly by the user just by opening a Web page, has become a staple for network attack techniques. It hits and change much sites into trigger damaged sites. Those damages have been reported many infections related to defaced sites as typified by Gumblar which has gotten a lot of media coverage in Japan, too. Also as we have been alerted, social engineering techniques used by cyber criminals are also becoming more sophisticated. Malicious codes which determinably aim to information stealing have always been tops the list. As the results of trend in 2009, good technology isn’t enough because even the most secure systems can be

vulnerable. Users must also practice safe habits such as being on the alert for security information, setting safe passwords, understanding their security infrastructure, administering security patches when they are available, and making sure they have the most up-to-date security products available.
Under such an environment, our group business conditions are as follows:

Although it was drastically affected by the weak world economy, Japan was the only country that achieved an increase in sustainable growth. The Enterprise business unit hangs on flat sales from the same period last year and the consumer business unit's sales performed well, which was caused by an increased market share. Sales for this period in Japan was 39,740 million yen.
In North America, even though sales achieved year-by-year healthy growth in local currency, it slightly declined due to the decline of the dollar against the yen. Despite a weak US dollar, the consumer business unit still showed substantial double-digit growth. As the result, sales for this period in North America was 25,339 million yen.
For the EMEA region, sales showed a slight decline, year-by-year in local currency. However, the region had a double-digit decline caused by a significantly weak Euro. In this region, the enterprise business unit dominated sales revenue. The consumer business unit is still in its early stages of development so only little sales numbers are currently available. Unlike Japan or North America, EMEA is unable to cover enterprise sales decline with consumer sales. Under such a situation, sales for this period in EMEA was 20,174 million yen.
In the Asia and Pacific region, though Australia which assumes a leading most of sales shows substantial growth in local currency based, whole region sales including other countries negatively affected this region's sales growth much. Net sales for this period in APAC came to 8,377 million yen.
In Latin America, sales in both Brazil and Mexico achieved double-digit growth in local currency. However, due to a substantially stronger yen, this region net sales was 2,716 million yen.
As a result, the consolidated net sales for entire year 2009 came to 96,346 million yen.
Though cost of sales and operating expenses totaled 66,209 million yen due to a decrease in salary and outside services, etc including the benefits of a strong yen, it could not make up for the decline of net sales. As a result, consolidated operating income for this period decreased to 30,137 million yen.
The consolidated ordinary income for this period was 31,714 million yen and the consolidated net income for this period was 17,638 million yen.

(2). Projection for the First Quarter of the fiscal year 2010 (from January 1, 2010 to March 31, 2010)
Since the business environment surrounding Trend Micro Group tends to fluctuate in the short run, it is difficult to make a highly reliable projection figures on a yearly basis. We, therefore, have decided to announce the earnings on a quarterly basis in the fiscal year ending in December 2010 as well as earnings projection of the succeeding quarter.
When we find through our calculation conducted from time to time that the net sales will fluctuate from the most recent quarterly projection by more than 10%, or operating income, ordinary income or net income fluctuates by more than 30%, we will announce the revision to the earnings projection.

Business forecast for the First Quarter of FY2010 (January 1, 2010 - March 31, 2010)

Consolidated net sales	23,400 million yen
Consolidated operating income	5,700 million yen
Consolidated ordinary income	6,100 million yen
Consolidated net income	3,600 million yen

In development of the business forecasts the main assumed exchange rates are as follows.

1 US $	90 yen
1 Euro	125 yen

2. FINANCIAL CONDITION ANALYSIS

CONDITION OF ASSETS, LIABILITIES, AND NET ASSETS

Cash and bank deposits at the end of this period amounted to 74,271 million yen, an increase of 13,409 million yen year on year. Total assets at the end of this period were 203,887 million yen, 25,121 million yen increase year on year. This increase in total assets is mainly due to proceeds Cash and bank deposits.
On the other hand, total liabilities at the end of this period were 95,244 million yen, 15,324 million yen increase year over year. This increase in total liabilities is mainly due to increase proceeds from deferred revenue.
As a result, total net assets at the end of this period were 108,643 million yen, an increase of 9,796 million yen from the previous period. In spite of payment of dividends, this increase in total net assets is mainly due to increase retained earnings.

CONDITION OF CASH FLOW

(Unit: million yen)

	FY 2009	FY 2008	Increase (Decrease)
Cash Flows from Operating Activities	34,053	31,475	2,578
Cash Flows from Investing Activity	(25,126)	10,561	(35,687)
Cash Flows from Financing Activity	(13,319)	(20,669)	7,350
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,881	(13,198)	15,079
Net increase (Decrease) in Cash and Cash Equivalents	(2,511)	8,167	(10,679)
Cash and Cash Equivalents at beginning of period	60,535	52,367	8,167
Cash and Cash Equivalents at end of period	58,023	60,535	(2,511)

[Overview of Cash Flow]

For the cash flows from operating activity for this period, cash inflows increased by 2,578 million yen compared with the previous period and the balance was ended with a cash inflow of 34,053 million yen. This increase in cash inflows is mainly due to a substantial increase in net income before tax for this period and a substantial decrease in payment for income taxes.
For the cash flows from investing activity, cash inflows decreased by 35,687 million yen compared with the previous period and the balance was ended with a cash outflow of 25,126 million yen. This outflow is mainly due to a substantial increase in time deposits and a substantial decrease in proceeds from sales or redemptions of marketable securities and security investments.
For the cash flows from financing activity, cash outflows decreased by 7,350 million yen compared with the previous period and the balance was ended with a cash outflow of 13,319 million yen. This decrease in cash outflows is mainly due to a substantial decrease in payment for purchase of treasury stock and dividends paid.
Taking these increases and decreases and the effect of exchange rate changes on cash and cash equivalents into account, the cash and cash equivalents at the end of this period was 58,023 million yen and was decreased by 2,511 million yen compared with the previous period.

[Trends of Cash Flow Indexes]

(Japan GAAP)

	FY2006	FY2007	FY2008	FY2009
Shareholder's equity Ratio (%)	54.4	54.3	53.2	50.3
Capital Adequacy Ratio on Market Value Basis (%)	279.4	268.7	230.9	231.1
Debt Redemption Period (years)	-	-	-	-
Interest Coverage Ratio	1,907.7	2,334.8	9,236.6	12,367.2

(U.S .GAAP)

	FY2005	FY2006
Shareholder's equity Ratio (%)	59.2	61.6
Capital Adequacy Ratio on Market Value Basis (%)	690.0	449.9
Debt Redemption Period (years)	-	-
Interest Coverage Ratio	218.2	5,566.4

(Note)
Shareholder's Equity Ratio : (Total shareholder's Equity)/(Total Assets)
Capital Adequacy Ratio on Market Value Basis : (Total Market Value of Shares)/(Total Assets)
Debt Redemption Period : (Interest-bearing Debt)/(Operating Cash Flow)
Interest Coverage Ratio : (Operating Cash Flow)/(Interest Payment)

*All indexes are calculated from the financial statement amounts on a consolidated basis.
*"Total Market Value of Shares" is calculated as follows; "closing share price at the term end" multiplies by "number of shares issued at the term end "(net of treasury shares).
*"Operating Cash Flow" is "Net cash flows provided by operating activity" in the consolidated statement of cash flows.
"Interest-bearing Debt" is all debts with interest payments among the debts reported in the consolidated balance sheet.
"Interest Payment" is the amount of payment for interest expense in the consolidated statement of cash flows.
*With the enforcement of the revision of "Rules on the terms, forms and making method of a consolidated financial statement" in March 2002, the consolidated financial statements have been prepared based on U.S. GAAP from the year ended December31, 2003 to the year ended December31, 2005.

3. BASIC POLICY OF PROFIT SHARING

We intend to continue to return profits to shareholders based on the net profit on a consolidated basis while striving to enhance financial strength and secure internal reserve in order to deal with significantly changing business environment and maintain competitive edge against competitors. As our basic policy about dividend, we plan to pay a year-end dividend on the basis of the dividend ratio of 60% excluding the effect of stock option compensation expenses. We will add stock option expenses back to accounting net income for pay-out calculations.
According to a year-end dividend on the basis of a dividend ratio of 69% of net income amounts in FY 2009 as 17,638 million yen, we have planned to pay total dividends 12,144 million yen, as pay 91 yen per share in this term.
We also plan to pay dividend in next term based on above our basic policy about dividend.

4. RISK FACTORS

The occurrence of any of the following risks could affect our business, financial condition or results of operations. In such case, the trading price of our shares could decline and you could lose all or part of your investment. Other risks and uncertainties not now known to us or that we think are immaterial may also impair our business.

MAJOR SOFTWARE AND HARDWARE VENDORS MAY INCORPORATE ANTIVIRUS PROTECTION IN THEIR PRODUCT OFFERINGS, WHICH COULD RENDER OUR PRODUCTS OBSOLETE OR UNMARKETABLE.

Major vendors of operating system software and other software such as firewall or e-mail software or computer hardware may decide to enhance or bundle their products with their other products to include antivirus functions. These companies may offer anti¬virus protection as a standard feature in their products, at minimal or no additional cost to customers. This could render our products obsolete or unmarketable, particularly if antivirus products offered by these vendors were comparable or superior to our products. In addition, even if these vendors' antivirus products offered fewer functions than our products, or were less effective in detecting and cleaning virus-infected files, customers could still choose them over our products due to lower cost or for any other reasons.
Microsoft Corp., a major operating system vendor, has acquired several security vendors such as

GeCAD Software Srl., an antivirus software vendor in Romania. Microsoft Corp. started the service for enterprise business named "Microsoft® Forefront™ Client Security" since 2007. Moreover, they launched "Microsoft® Security Essentials" to offer the free software that guards against viruses, spyware, and other malicious software for including "Microsoft® Windows® 7" in October, 2009. If antivirus functions were to be included in its operating system products by Microsoft Corp., this could have a material adverse effect on our business, financial condition and results of operations.

DETERIORATION IN OUR RELATIONSHIP WITH SOFTBANK BB CORP. COULD RESULT IN A DECREASE IN SALES OF OUR PRODUCTS.

We depend on our relationship with SOFTBANK BB (formerly SOFTBANK COMMERCE CORP.), which has played an instrumental role in the development of our business in Japan. SOFTBANK BB also has close relationships with many resellers and systems integrators through which we sell our antivirus software to corporate end users in Japan. An adverse change in our relationship with SOFTBANK BB would result in decreased sales to SOFTBANK BB and could disrupt our relationship with many resellers of our products. This could make it difficult for us to market our products in Japan. Sales to SOFTBANK BB totaled approximately (Yen) 10.6 billion, or 10.7%, of our net sales in fiscal 2007, approximately (Yen) 10.7 billion, or 10.6%, of our net sales in fiscal 2008, and approximately (Yen) 10.4 billion, or 10.9%, of our net sales in fiscal 2009. Because of our dependence on SOFTBANK BB, the price of shares could fall as a result of adverse events affecting SOFTBANK BB, even if the events do not relate directly to us.

BECAUSE WE GENERATE SUBSTANTIALLY ALL OF OUR SALES FROM A SINGLE PRODUCT LINE, WE ARE VULNERABLE TO DECREASED DEMAND FOR SUCH PRODUCTS.

Because our main businesses focus is our net sales from licensing and selling antivirus software products. Although we have begun to offer more comprehensive network and internet security and management software and services, we expect antivirus products to continue to account for the largest portion of our net sales for the foreseeable future. If the demand for, or the prices of, antivirus products drop as a result of competition, technological change or other factors such as lower growth or a contraction in the worldwide antivirus software market, this could have a material adverse effect on our business, financial condition and results of operations.

OUR PRODUCTS MAY BECOME OBSOLETE BECAUSE RAPID TECHNOLOGICAL CHANGE REGULARLY OCCURS IN THE ANTIVIRUS SOFTWARE MARKET.

The antivirus software market is characterized by:

- rapid technological change;
- the proliferation of new and changing computer viruses;
- frequent product introductions and updates; and
- changing customer needs.

These characteristics of our market create significant risks and uncertainties for our business success. For example, our competitors might introduce antivirus products that are technologically superior to our products. Additionally, new software operating system, network system or antivirus software industry standards could emerge. Emerging trends in these systems and standards currently include applications distributed over the Internet and the use of a web browser to access client-server systems. Our existing products might be incompatible with some or all of such standards. Our business, financial condition and results of operations could materially suffer unless we are able to respond quickly and effectively to these developments.

OUR HARDWARE-BASED PRODUCTS FACE MANUFACTURING AND INVENTORY RISKS.

We rely on a small number of third parties to manufacture some of our hardware-based products, such as the "Trend Micro™ Network VirusWall™ Enforcer", "Trend Micro™ Leak Proof™", "Trend Micro Threat Discovery Appliance", and "InterScan WebManager™ Lite." We expect our reliance on third-party manufacturers to become more important as the number of our hardware-based products increases. Reliance on third-party manufacturers involves a number of risks, including a lack of control over the manufacturing process and the potential absence or unavailability of adequate capacity. If any of our third-party manufacturers cannot or will not manufacture our products in required volumes in compliance with environmental and other regulations in the markets we serve, on a cost-effective basis, in a timely manner, or at all, we will have to secure additional manufacturing capacity. The unexpected loss of any of our manufacturers could disrupt our business. Furthermore, our hardware-based products contain critical components supplied by a single or a limited number of third parties. Any significant shortage of components or the failure of the third-party supplier to maintain or enhance these products could lead to cancellation of customer orders or delays in the placement of orders and adversely

affect our financial condition and results of operation.

WE MAY NOT GENERATE EXPECTED RESULTS IN STRATEGIC ALLIANCES

We are mainly focusing our business on the field of antivirus software. Therefore, we actively pursue strategic alliances with other companies that allow us to provide customers with integrated or other new products and services derived from the alliances. To launch and provide such products and services, we may invest substantial cash and other resources in product developments, marketing promotions and support and maintenance activities. But we may not earn revenue successfully from alliances despite our efforts, and such alliance may be terminated or dissolved by various causes before generating revenue.

WE MAY NOT BE ABLE TO INCREASE OUR MARKET SHARE IN THE U.S. AND EUROPEAN MARKETS BECAUSE OUR COMPETITORS ARE MORE ESTABLISHED THAN WE ARE IN THESE MARKETS.

We believe that our share of the antivirus software market in the U.S. and Europe is significantly smaller relative to the market shares of our principal competitors, despite the growth of our sales in these markets. Because our competitors are already well-established in these key markets and have greater financial and other resources and brand recognition, we may not be able to compete effectively for market share. If this happens, we may not be able to increase sales or our market share in these markets, which could materially hurt the prospects for growth in our business.

Some of our major competitors have the following advantages over us in the U.S. and European markets:

- greater name recognition;
- more diversified product lines;
- larger customer bases; and
- significantly greater financial, technical, marketing and other resources.

As a result, as compared to us, our competitors may be able to:

- better withstand downturns in the antivirus software market and in the computer software market in general;
- adapt more quickly to new or emerging technologies or changes in customer requirements; or
- more effectively and profitably market, sell and support their products.

THE POSIBILITY OF DECRESE SALES AND MARKET SHARE IN OUR CORE JAPANESE MARKET IF OUR COMPETITORS ACHIEVE SUCCESS IN JAPAN.

Our major competitors, McAfee, Inc. and Symantec Corporation, are active in the Japanese antivirus software market and have allocated significant resources to achieve success in the Japanese antivirus software market. Additionally, competition in our core Japanese market could intensify in the future if other competitors emerge. As a result of our competitors' efforts, we may not be able to maintain our current leading market position in Japan in the future. Also, in order to respond effectively to increased competition, we may be required to devote more of our product development, marketing and other resources to the Japanese market, which could limit our ability to grow in other markets. A material loss of sales and market share in Japan as a result of our competitors' success could have a material adverse effect on our business, financial condition and results of operations.

BECAUSE WE MAY ACQUIRE COMPANIES TO GROW OUR BUSINESS, FUTURE ACQUISITIONS MAY REDUCE OUR EARNINGS AND RESULT IN INCREASED COSTS IN OUR BUSINESS OPERATIONS.

In a rapidly changing industry, we occasionally review acquisition opportunities. Accordingly, we may seek to expand our business through acquisitions. Unlike some of our major competitors, we have limited experience in acquiring existing businesses. Future acquisitions could result in numerous risks and uncertainties, including:

- our inability to retain customers, suppliers and other important business relationships of an acquired business;
- difficulties in integrating an acquired company into Trend Micro, including the acquired company's operations, personnel, products and information systems;
- diversion of our management's attention from other business concerns; and
- adverse effects on our results of operations from acquisition-related charges, impairment of goodwill and purchased technology and possible recognition of impairment charge.

If we make such an acquisition using our stock, our current shareholders' ownership interests will be diluted. Any of these factors could materially hurt our business, financial condition and results of operations.

For example, in 2000, we acquired ipTrend to start a new business selling a Linux based remotely managed server appliance solution to small and medium sized companies. However, ipTrend

performed poorly and was liquidated in December 2001. Due to the liquidation of ipTrend, (Yen) 2.3 billion was booked as goodwill write-off in 2001.

IF HACKERS GAIN UNAUTHORIZED ACCESS TO OUR SYSTEMS, WE COULD SUFFER DISRUPTIONS IN OUR BUSINESS AND LONG-TERM DAMAGE TO OUR REPUTATION.

We may be more susceptible to problems caused by hackers than other software companies. As an antivirus software company that delivers virus protection products over the Internet, hackers specifically target us in order to cause us to transmit computer viruses or interrupt the delivery of our antivirus software monitoring and security services over the internet which could result in further interruptions. We could suffer substantial disruptions in our business and material damage to our reputation which could in turn result in a significant loss of our customers and other important business relationships. We could also incur costs for public relations efforts following attacks by hackers. Hacker activities could also force us to incur substantial costs to fix technical problems or result in hackers gaining access to our proprietary information.

WE FACE NEW RISKS RELATED TO OUR ANTI-SPAM, WEB FILTERING, AND ANTI-SPYWARE SOFTWARE PRODUCTS.

Our security solution including anti-spam, web filtering, and anti-spyware products may falsely identify emails, URLs, or programs as unwanted "spam," "malicious web sites" or "potentially unwanted programs," or alternatively fail to properly identify unwanted emails, URLs, or programs, particularly as "spam" emails or malicious web sites or spyware are often designed to circumvent anti-spam or web filtering or spyware products. Parties whose emails, URLs, or programs are blocked by our products may seek redress against us for labeling them as "spammers," "malicious web sites," or spyware, or for interfering with their business. In addition, false identification of emails, URLs, or programs as unwanted "spam," "malicious web sites" or "potentially unwanted programs" may reduce the adoption of these products.

WE MUST EFFECTIVELY MANAGE OUR GROWTH.

Our business has grown rapidly. This growth has placed, and any future growth would continue to place, a significant strain on our limited personnel, management and other resources. Our ability to manage any future growth in our business will require us to:

- attract, train, retain, motivate and manage new employees successfully;
- effectively integrate new employees into our operations; and
- continue to improve our operational, financial, management and information systems and controls.

If we continue to grow, our management systems currently in place may be inadequate or we may not be able to effectively manage our growth. In particular, we may be unable to:

- provide effective customer service;
- develop and deliver products in a timely manner;
- implement effective financial reporting and control systems; and
- exploit new market opportunities and effectively respond to competitive pressures.

WE SELL OUR PRODUCTS THROUGH INTERMEDIARIES WHO MAY NOT VIGOROUSLY MARKET OUR PRODUCTS, OR MAY RETURN OUR PRODUCTS.

We market substantially all of our products to end users through intermediaries, including distributors, resellers and value-added resellers. Our distributors sell other products that are complementary to, or compete with, our products. While we encourage our distributors to focus on our products, these distributors may give greater priority to products of other suppliers, including competitors'. They may also return the products to us under certain circumstances.

OUR CUSTOMERS MAY CANCEL OR DELAY THEIR PURCHASES OF OUR PRODUCTS, WHICH COULD ADVERSELY AFFECT OUR BUSINESS.

Our products may be considered to be capital purchases by certain enterprise customers. Capital purchases are often uncertain and, therefore, are canceled or delayed if the customer experiences a downturn in its business prospects or as a result of unfavorable economic conditions. Any cancellation or delay could adversely affect our results of operations.

WEAK FINANCIAL CONDITIONS OF SOME OF OUR DISTRIBUTORS MAY ADVERSELY AFFECT OUR OPERATING RESULTS.

Some of our distributors are experiencing financial difficulties worldwide, which may adversely impact our collection of accounts receivable. We regularly review the collectability and

creditworthiness of our distributors to determine an appropriate allowance for doubtful receivables. Our uncollectible accounts could exceed our current or future allowance for doubtful receivables, which would be adversely significant impact our operating results.

OUR RESULTS OF OPERATIONS MAY SUFFER IF WE ARE REQUIRED TO PAY SIGNIFICANT AMOUNTS OF PENALTY PAYMENTS PURSUANT TO THE TERMS OF OUR SERVICE LEVEL AGREEMENTS.

We guarantee a certain quality of product support to our customers through our service level agreements. Pursuant to the terms of these agreements, under some circumstances, we are required to make penalty payments to our customers. For example, if we fail to provide our customers a virus pattern file within two hours of our receipt of a virus from the customer, the terms of the agreement require us to make a penalty payment to the dissatisfied customer which may amount up to 20% of the initial sale price. We have established reserves based on our assumptions and estimates. However, our assumptions and estimates may be wrong and our actual total penalty payments could materially exceed our reserves and adversely affect our results of operations and financial condition.

WE RELY HEAVILY ON OUR MANAGEMENT AND TECHNICAL PERSONNEL, WHO MAY NOT REMAIN WITH US IN THE FUTURE.

We rely, and will continue to rely, on a number of key technical and management employees, including our Chief Executive Officer, Eva Yi-Fen Chen. While we require our employees to sign employment agreements, our employees are generally not otherwise subject to non competition covenants. If any of our key employees leave, our business, results of operations and financial condition could suffer.

FLUCTUATIONS IN OUR QUARTERLY FINANCIAL RESULTS COULD CAUSE THE MARKET PRICE FOR OUR SHARES TO BE VOLATILE.

We believe that our quarterly financial results may fluctuate in ways that do not reflect the long-term trend of our future financial performance. It is likely that in some future quarterly periods, our operating results may be below the expectations of public market analysts and investors. In this event, the price of our shares could fall.

Factors which could cause our quarterly financial results to fluctuate include:

•timing of sales of our products and services due to customers' budgetary constraints, seasonal buying patterns and our promotional activities;

•new product introductions by our competitors;

•significant marketing campaigns, research and development efforts, employee hiring, and other capital expenditures by us to drive the growth of our business;

•changes in customer needs for antivirus software; and

•changes in economic conditions in our major markets.

WEAKNESS IN THE WORLD ECONOMY MAY HURT OUR BUSINESS PERFORMANCE.

We expand our business operations worldwide. Though we still remain significantly dependent on the Japanese market now, our sales in the US and Europe has increased in recent years. Net sales in those three segments total accounted for approximately 63 percent in fiscal 2007, approximately 62 percent in fiscal 2008 and approximately 58 percent of our net sales in fiscal 2009. Because of our dependence on the global market, any deterioration in the condition of the world economy could negatively significant impact our net sales.

FOREIGN EXCHANGE FLUCTUATIONS COULD LOWER OUR RESULTS OF OPERATIONS BECAUSE WE EARN REVENUES DENOMINATED IN SEVERAL DIFFERENT CURRENCIES.

Our reporting currency is the Japanese yen and the functional currency of each of our subsidiaries is the currency of the country in which the subsidiary is domiciled. However, a significant portion of our revenues and operating expenses is denominated in currencies other than the Japanese yen, primarily the US dollar, euro and the New Taiwan dollar. As a result, appreciation or depreciation in the value of other currencies as compared to the Japanese yen could result in material transaction or translation gains or losses which could reduce our operating results. These negative effects from currency fluctuations could become more significant if we are successful in increasing our sales in markets outside of Japan.

Also, we have a portion of foreign currency- marketable securities for fund management. Those values will be affected by the ups and downs of exchange rate, and significant currency fluctuations could hurt our corporate earnings significantly.

We do not currently engage in currency hedging activities.

FINANCIAL MARKET FLUCTUATIONS COULD LOWER OUR RESULTS OF OPERATIONS.

We have marketable securities and security investments for the efficient operation of fund management. Those values of the capital holdings will be affected by fluctuations in the financial market and exchange rates. In the future, if financial market fluctuated widely, this could have a material adverse effect on our financial condition and results of operations significantly including proportionate devaluation loss on investment in securities.

INFRINGEMENT OF OUR INTELLECTUAL PROPERTY COULD HURT OUR BUSINESS.

Our success depends upon the development of proprietary software technology. We rely on a combination of contractual rights and patent, copyright, trademark and trade secret laws to establish and protect proprietary rights in our software. If we are unable to establish and protect these rights, our competitors may be able to use our intellectual property to compete against us. This could limit our growth and hurt our business. It is possible that no additional patents will be issued to us or any of our subsidiaries. In addition, our issued patents may not prevent other companies from competing with us. On the other hand, there is the possibility of the suspension of our products and services sales, compensation, and royalty payment of licensee because of our patent infringement upon another company. Additionally, there is also a possibility that a case brought against a service invention and suit filed by employee. In the case of losing such a lawsuit, payment to compete the employee may be incurred.

PRODUCT LIABILITY CLAIMS ASSERTED AGAINST US IN THE FUTURE COULD HURT OUR BUSINESS.

Our products are designed to protect customers' network systems and personal computers from damage caused by computer viruses. As a result, if a customer suffers damage from viruses, the customer could sue us on product liability or related grounds, claim damages for data loss or make other claims. Additionally, as viruses are constantly evolving, purchasers of our software products must regularly update the software they have purchased from us with virus protection files that we make available for download from our website. Should we fail to properly test these virus protection files and distribute a defective file, these files could cause damage to the personal computers of our customers who have downloaded a defective file. In addition, our hardware products as a defective appliance could cause damage to human lives, health, and the personal properties of our customers who have used a defective appliance. As a result, if a customer suffers damage from our products, the customer could sue us on product liability or related grounds, claim damages for data loss or make other claims. Our license agreements typically contain provisions, such as disclaimers of warranty and limitations of liability, which seek to limit our exposure to certain types of product liability claims. However, in some jurisdictions these provisions may not be enforceable on statutory, public policy or other grounds. In the case of losing such a law suit, there is a possibility that the case brought against it, and suit filed by our services and products user with brought an action for damages and recovery of pain and suffering damages, could have a material adverse effect on our business.

THE POSSIBILITY OF PRODUCT RECALL.

Tough we should have a properly test and inspection that is performed before our virus protection files and products are shipped, our virus protection files and distribute a defective files could cause damage to the personal computers of our customers who have downloaded a defective file. In addition, our hardware products as a defective appliance could cause damage to human lives, health, and the personal properties of our customers who have used a defective appliance. As a result, we could order a recall of products at the discretion of company. In such a case, this could have a material adverse effect on our financial condition and results of operations significantly including proportionate devaluation loss on investment in securities.

OUR BUSINESS FACES THE RISK OF EFFECT FROM VIOLATION OR AMMENDMENT OF THE LAW AND THE LEGAL ACT.

All our business would be under various laws, legal acts, and regulations in each country and each region. If we would fail to comply with those laws and regulations, it would provide more severe administrative guidance and penal regulations. In such a case, there is the possibility to have a material adverse effect on our operating results. Also, in the case of the laws and regulations legal amendments, there are the possibilities to be tightening regulations and restrictions on our products and services and carry a cost in terms of relevant issues. In such a case, our business may have a material adverse effect on our operating results.

OUR BUSINESS FACES THE RISK OF INTERRUPTION FROM POWER SHORTAGES, EARTHQUAKES, OUTBREAK OF

BIOLOGICAL VIRUSES, GEOPOLITICAL RISK, AND OTHER HAZARDS.

We face a number of potential business interruption risks that are beyond our control. The State of California experienced intermittent power shortages in 2000, sharp increases in the cost of energy and even interruptions of service to some business customers. If power shortages continue to be a problem, our business may be materially adversely affected. Or, in the outbreak of severe acute virus, influenza, or SARS, there is the possibility that we should stop all our business operations. Additionally, we may experience natural and biological disasters as like above that could interrupt our business.

Tokyo, where our corporate headquarter is located, is near a major earthquake fault. The impact of a major earthquake on our facilities, infrastructure and overall operations is not known. There is no guarantee that an earthquake would not seriously disturb our entire business operations. We are largely uninsured for losses and business disruptions caused by an earthquake and other natural disasters.

In addition, many of the key countries and regions in which we operate have sustained negative economic impact from events such as the continued fear of future terrorist attacks, the outbreak of severe virus / acute respiratory syndrome, etc., and geopolitical risks prolonged continuation of these adverse factors may hurt our results of operations and financial condition.

BECAUSE OF THE INFLUENCE OF OUR PRINCIPAL SHAREHOLDERS, OUR OTHER SHAREHOLDERS MAY BE UNABLE TO INFLUENCE OUR BUSINESS.

Our principal shareholders, including major shareholders who beneficially own more than 5% of the issued shares of our common stock and directors, beneficially owned approximately 38.6% of our outstanding shares as of December 31, 2009. These shareholders, if they act together, would be able to significantly influence all matters requiring approval by our shareholders, including the election of directors and the approval of mergers or other business combination transactions. Our principal shareholders may have strategic or other interests that conflict with the interests of our other shareholders. As a result, the concentration in our shareholdings may have the effect of delaying or preventing a change in control of Trend Micro, which could result in the loss of a significant financial gain to our shareholders.

OUR STOCK PRICE IS VOLATILE, AND INVESTORS BUYING THE SHARES MAY NOT BE ABLE TO RESELL THEM AT OR ABOVE THEIR PURCHASE PRICE.

Shares of our common stock are traded on the Tokyo Stock Exchange. Recently, the Japanese securities markets have experienced significant price and volume fluctuations. The market prices of securities of high-tech companies, and internet companies in particular, have been especially volatile. Since trading in our shares commenced on the Tokyo Stock Exchange on August 17, 2000, our stock price has fluctuated between a low of (Yen) 1,440 and a high of (Yen) 9,005. The closing price on the Tokyo Stock Exchange for our stock on December 30, 2009 was (Yen) 3,530. The market price of our shares is likely to fluctuate in the future.

BECAUSE OF DAILY PRICE RANGE LIMITATIONS UNDER JAPANESE STOCK EXCHANGE RULES, YOU MAY NOT BE ABLE TO SELL YOUR SHARES OF OUR COMMON STOCK AT A PARTICULAR PRICE ON ANY PARTICULAR TRADING DAY, OR AT ALL.

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchange set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

2. Condition of corporate group

Trend Micro Group consists of Trend Micro Inc. (Japan), and its subsidiaries which develop and sell anti-virus products and offer other related services. Affiliated companies are Soft Trend Capital Corporation which manages capital funds to be invested into Internet-related ventures and NetSTAR Inc. which develops and offers URL filtering products.

(1) Development and sales of anti-virus products

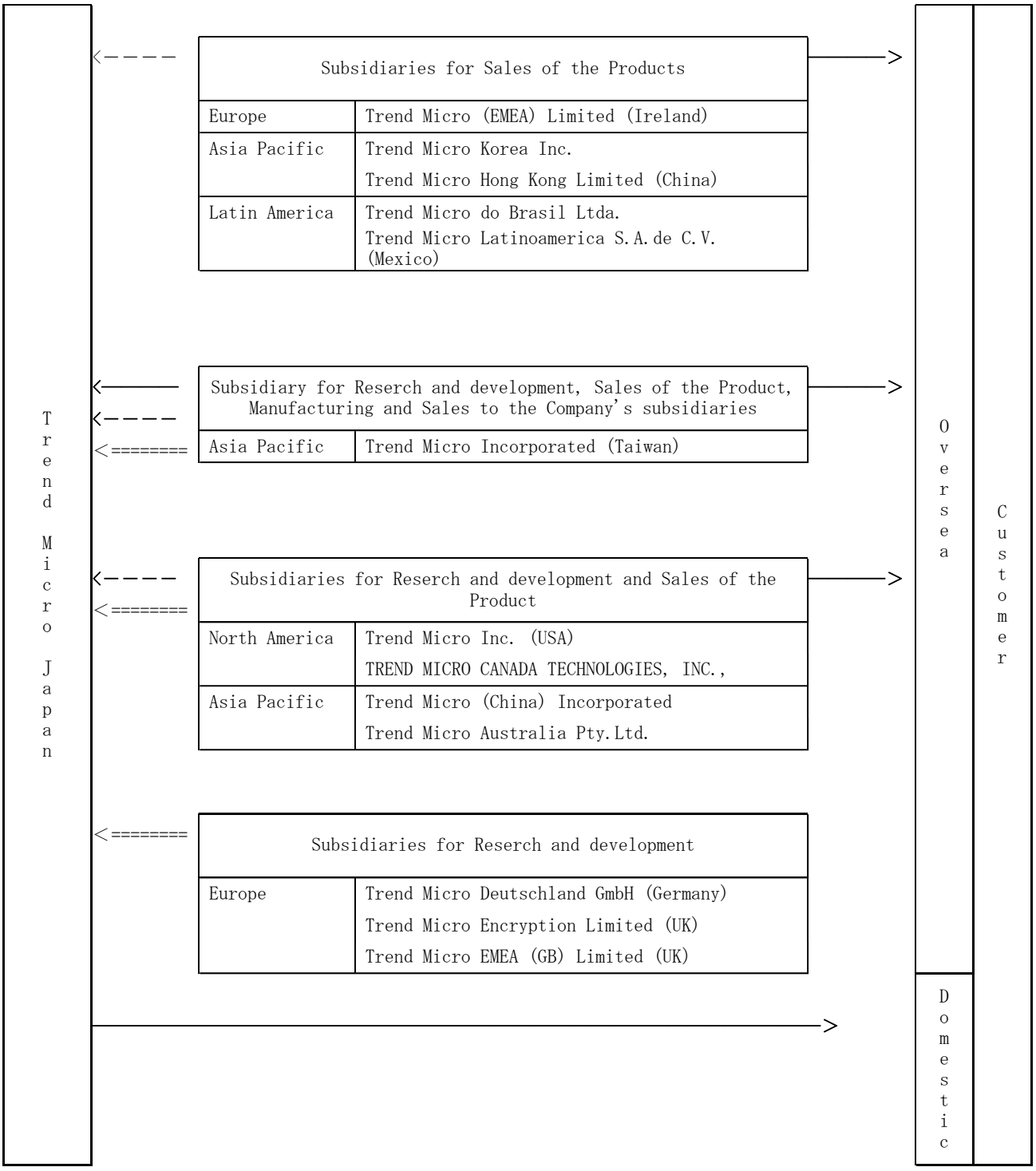
Products related to anti-virus:

PC client products, LAN server products, Internet server products, All Suite products and Other products

The business functions in Trend Micro Group are described below.

Function	Operating Segment	Main companies
Research and development	Japan	Trend Micro Inc.(Japan)
	North America	Trend Micro Inc.(U.S.A.) Trend Micro Canada Technologies, Inc.
	Europe	Trend Micro Deutschland GmbH (Germany) Trend Micro Encryption Limited(UK) Trend Micro EMEA (GB) Limited(UK)
	Asia Pacific	Trend Micro Incorporated(Taiwan) Trend Micro(China)Incorporated Trend Micro Australia Pty. Ltd.
Manufacturing of the Products	Asia Pacific	Trend Micro Incorporated(Taiwan)
Sales of the Products	Japan	Trend Micro Inc.(Japan)
	North America	Trend Micro Inc.(U.S.A.) Trend Micro Canada Technologies, Inc.
	Europe	Trend Micro(EMEA)Limited(Ireland)
	Asia Pacific	Trend Micro Incorporated(Taiwan) Trend Micro Korea Inc. Trend Micro Australia Pty. Ltd. Trend Micro Hong Kong Limited(China) Trend Micro(China)Incorporated
	Latin America	Trend Micro do Brasil Ltda. Trend Micro Latinoamerica S.A. de C.V.(Mexico)
Back office	Europe	Trend Micro(EMEA)Limited(Ireland) Trend Micro EMEA(GB)Limited(UK)
	Latin America	Servicentro TMLA, S.A. de C.V.(Mexico)

In addition, Trend Micro Inc. (Japan) owns software copyrights and receives from its overseas subsidiaries royalties based on the respective sales of products to such subsidiaries.



————> Anti-virus products

– – – –> Royalty

=======> Outsourcing, Other

(Note) All Subsidiaries are consolidated.

(2)Other related service

Other related services are offered by Soft Trend Capital, which manages capital funds to be invested into Internet-related ventures and NetStar Inc., which develops and offers URL filtering products.

The Company omits "Condition of subsidiaries", because there has no significant change from latest Annual security report (issued on March 30, 2009).

3. MANAGEMENT POLICY

(1). BASIC POLICY OF MANAGEMENT

Computer networks, mainly those linked to the internet, have become a global infrastructure, as lifelines of the information society regardless of individual, business or national border. In the information society which is flooded with vast amounts of information, the computer network systems are used as communication methods comparable to telephones and faxes, and as a means to improve and rationalize business process for companies in recent years, and the systems play a role in improving productivity and efficiency. Today many companies and individuals are being connected via the internet and it has produced various working styles, such as small offices and home offices, which enable employees to work in remote locations and in business forms that establish data management operations and customer support operations, etc. in areas where the cost of labour is relatively low beyond the confines of country, industry, business form. The diffusion of networks on a global scale has already become the foundation for the global economy with the elimination of the geological restrictions of business activities.
In typical homes, there are many devices with internet functions, and the fusion of home appliance and IT is emerging as a result of the breadth of technologies deployed through Information Communications Technology devices, mobile phones, video game consoles. In-home networks have become increasingly popular, often with several internet devices in each household.
Today’s computer network systems have much impact on the global economy and the whole society to bring about changes in business forms and individual lifestyles around the world. When we think about the changes of our life from the viewpoint of information, the benefit of worldwide networking cannot be overestimated. Non standardized manufacturing as the obstacle to digital information exchange have gradually disappeared, and as a consequence, improvements in compatibility and convenience are achieved. Additionally, networked and computerized information data has enhanced its own value and enabled its distribution easily.
On the other hand, with the disappearance of diversity, the possibility to use vulnerabilities for attacking the whole network system by computer viruses is acknowledged as a problem. And Web Threats caused by such a problem have been rising steadily. With the standardization of the global infrastructure network, the convenience enabled by internet and the risks associated with it are two sides of the same coin. Crimes carried out through the manipulation of computer networks, such as phishing, theft of proprietary information, virus incidents and site defacing, could have significant impact on our daily life and economic activities. Today, the threats on the network such as computer viruses, spyware, spam and site defacing are not of the nature that can be predicted beforehand and treated with all possible measures. It seems there is now a requirement for enterprises and individuals to deploy security measures against Web Threats which make the very act of browsing the Internet risky. Cyber crimes which are increasing, causing theft of proprietary information, and monetary damages.
Trend Micro sees a great responsibility in protecting the global infrastructure. As a company, we will provide globally-relevant products and services that cover multiple areas of network security such as vulnerability prevention, risk management, outbreak prevention, timely update of solution for virus/ spyware / spam/ site defacing, etc. as well as Web Threats, assessment and restoration. We are not only protecting enterprises and individual users from the threats over the networks without interrupting economic activities and usability, but we would also like to contribute to the further development of the information society by improving the safety of the whole network system.

(2). TARGET MANAGEMENT INDEX

According to a research institute, the worldwide security products and services market (the security industry) that we belong to, is estimated to expand at an annual growth rate of around 9 percent from 2008 to 2013 (December 2009, IDC, USA). Making the growth rate of our consolidated net sales to exceed the industry average without fail is an important index that tells us whether or not we can grow to become a leading company that can contribute to customers both in the Japanese and the global market. In view of the fact that we have a relatively small amount of investments in physical fixed assets such as manufacturing equipment, have no significant time-lag between accounting profit and loss and cash flows as a characteristics of software companies, and have uncertainty about the long-term forecast of the whole industry which, including our company, has a relatively short history, we set target as operating income margin rate of 35 - 40percent at this time.

(3). MID- TO LONG-TERM BUSINESS STRATEGY

Today, computers and the Internet are used by every person and in all types of location in every

country across the world. Computers and the Internet have already become a firmly rooted part of our life and society.
In terms of recent Web Threats, the specific targeted attacks on major companies or people in the world are increasing. Unlike past trends, the amount of virus infection damages has been increasing in contradiction to the number of damage incident reports. Under such circumstances, the security business is becoming increasingly important to the world.
In the network environment, the development of not only personal computers, but also network devices, means application programs and the intended use for variable users have become diversified. As a result, there is no longer a single solution that can protect against all the different threat environments. Moreover the competition in the security market has changed, becoming more intensive with new entries.
And we recognize that these changes are business opportunities.
As Web Threats increase continuously, non-conventional security solutions will be required. Trend Micro will provide our future core technology named “Trend Micro Smart Protection Network™” around the world. “Trend Micro Smart Protection Network™” checks files, emails and URLs against Trend Micro’s continuously updated and correlated threat databases in the cloud ensuring automatic protection against the latest Web Threats. “Trend Micro Smart Protection Network™” reduces reliance on conventional pattern file downloads and eliminates the delays commonly associated with desktop updates. Businesses benefit from increased network bandwidth, reduced processing power, and associated cost savings.
“Trend Micro Enterprise Security” is a tightly integrated offering of content security products, services, and solutions for enterprises concerned about staying ahead of the latest threats. Together, “Trend Micro Smart Protection Network™” and “Trend Micro Enterprise Security” reduce management complexity, delivering lower business risks and costs than traditional offerings.
At the same time, Trend Micro will shift “Protection From the Cloud” to “Protection for the Cloud,” contribute to further value. We will provide security products and services for virtualization and cloud environment, and network devices which become diversified.
Moreover, our customers also benefit from TrendLabs, a global network of research, service and support center that is committed to constant threat surveillance and attack prevention.
In addition, we have the resources of the regional TrendLabs, which allows us to respond to new threats in real time, in native language, thereby establishing threat leadership in each region.
Additionally, we will continue to advance business relationships with our partners, adding value and providing more diverse, customizable and scalable solutions for our customers. With such a co-operation with partners, research focused on local threats by Regional TrendLabs, and our consolidated multilayered defence strategy, we respond to current Web Threats, providing protection through customizable and scalable solutions.

(4). ISSUES TO DEAL WITH

In the antivirus industry, there have been two competitors gaining a respectable degree of market share in the U.S. In addition to our direct competitors, Microsoft Corporation, a major operating system software vendor, has entered into the security market. We anticipate that their presence in the security market will make the competition in the market more intense.
Although Microsoft Corporation has already discontinued selling it, they had launched “Windows Live™ OneCare™,” a subscription-based security service for consumers in 2006. Instead, Microsoft launched “Microsoft® Security Essentials” to offer the free software that guards against viruses, spyware, and other malicious software for including “Microsoft® Windows® 7” in October, 2009. On the other hand, Microsoft has been offering a service called “Microsoft® Forefront™ Client Security” for corporate users since 2007.
In response to such intense competition, we are enhancing our wide range of technologies to better combat the latest Web threats through the acquisition of InterMute Inc. in 2005 for antispyware technologies; Kelkea Inc. in 2005 for IP filtering and reputation services; Provilla, Inc. in 2007 for data leak prevention (DLP); Identum in 2008 for email encryption technology; and Third Brigade Inc. in 2009 for Host Intrusion Prevention System (HIPS).
Through a series of acquisitions above organically-bonded, Trend Micro plans to provide services and products through a next generation cloud-client content security infrastructure called the ″Trend Micro Smart Protection Network™ ″, designed to protect customers from Web threats, from March 2009. Trend Micro Smart Protection Network™ correlates Web, email and file threat data using reputation technologies and continuously updated in-the-cloud threat databases to detect, analyse and protect customers from the latest threats. By introducing fast, real-time security status “look-up” capabilities in-the-cloud, Trend Micro reduces dependence upon conventional pattern file downloads on the endpoint, as well as the cost and overhead associated with corporate-wide pattern deployments. Moreover, Trend Micro will shift “Protection From the Cloud” to “ Protection for the Cloud,” contribute to further value. we will provide security

products and services for virtualization and cloud environment, and network devices which become diversified. Trend Micro will advance as an innovative company without sticking to former ways and conventional measure.
We will continue to concentrate management resources on developing original, high-performance solutions that address customer pain points faster than the competitors. At the same time, we continue to pursue long-term growth with a stable financial foundation, strengthen our commitment to customers, as well as develop marketing campaigns that target customer needs and customer buying behaviour.

4. 【CONSOLIDATED FINANCIAL STATEMENTS】

(1) 【Consolidated Balance Sheets】

(Millions of yen)

Account		December 31, 2008		December 31, 2009
(Assets)				
Current assets				
Cash and bank deposits		60,861		74,271
Notes and Accounts receivable, trade		22,064		23,114
Marketable securities		45,923		53,228
Inventories		402	*1	409
Deferred tax assets		13,390		14,774
Others		2,946		4,178
Allowance for bad debt		(335)		(131)
Total current assets		145,253		169,846
Non-current assets				
Property and equipment				
(1) Office furniture & equipment	*2	3,566	*2	3,622
(2) Others	*2	969	*2	1,056
Total Property and equipment		4,535		4,678
Intangibles				
(1) Software		2,903		4,503
(2) Goodwill		2,096		1,179
(3) Others		466		478
Total intangibles		5,467		6,161
Investments and other non-current assets				
(1) Investment Securities		13,491		11,883
(2) Investments in subsidiaries and affiliates		284		283
(3) Deferred tax assets		8,870		10,061
(4) Others		862		972
Total investments and other non-current assets		23,509		23,200
Total non-current assets		33,513		34,040
Total assets		178,766		203,887

(Millions of yen)

Account	December 31, 2008	December 31, 2009
(Liabilities)		
Current liabilities		
Accounts payable and Notes payable, trade	656	764
Accounts payable, other	2,806	3,749
Accrued expenses	3,479	4,032
Accrued income and other taxes	3,901	7,955
Allowance for bonuses	994	672
Allowance for sales returns	743	876
Deferred revenue	50,278	54,362
Others	948	1,851
Total current liabilities	63,808	74,263
Long-term liabilities		
Deferred revenue	14,887	19,200
Allowance for retirement benefits	1,211	1,433
Others	12	347
Total long-term liabilities	16,111	20,981
Total liabilities	79,920	95,244
(Net assets)		
Shareholders' equity		
Common stock	18,386	18,386
Additional paid-in capital	21,108	21,108
Retained earnings	87,288	91,748
Treasury stock, at cost	(21,798)	(22,128)
	104,984	109,115
Valuation and translation adjustments		
Net unrealized gain (loss) on debt and equity securities	(3,286)	(1,818)
Foreign currency translation adjustments	(6,601)	(4,773)
	(9,888)	(6,591)
Share acquisition rights	3,745	6,110
Minority interest	4	9
Total net assets	98,846	108,643
Total liabilities and net assets	178,766	203,887

(2) 【Consolidated Statements of Income】

(Millions of yen)

	For the year ended December 31, 2008	For the year ended December 31, 2009
Net Sales	101,707	96,346
Cost of sales	15,748	14,990
Gross profit	85,958	81,356
Operating expenses	*1, *2 54,155	*1, *2 51,218
Operating income	31,803	30,137
Non-operating incomes		
Interest income and dividend received	2,924	1,474
Gain on sales of marketable securities	93	3
Equity in earnings of affiliated companies	63	10
Foreign exchange gain	-	531
Other income	322	124
Total non-operating income	3,403	2,144
Non-operating expenses		
Interest expenses	3	2
Loss on sales of marketable securities	730	341
Foreign exchange loss	656	-
VAT adjustment	-	194
Other expenses	176	29
Total non-operating expenses	1,566	568
Ordinary income	33,640	31,714
Extraordinary gain		
Legal settlement	358	-
Reversal of Stock acquisition rights	20	-
Total extraordinary gain	378	-
Extraordinary loss		
Loss on disposal of fixed assets	-	*3 294
Devaluation loss on investment in securities	2,892	54
Legal settlement	248	-
Total extraordinary loss	3,141	348
Net income before taxes	30,878	31,365
Income taxes		
Income taxes current	14,808	15,400
Income taxes past fiscal years	-	1,640
Income taxes -deferred	(3,182)	(3,316)
Total income taxes	11,626	13,724
Minority interest in income of consolidated subsidiaries	4	2
Net income	19,247	17,638

(3) 【Consolidated Statements of Changes in Net Assets】

(Millions of yen)

	For the year ended December 31, 2008	For the year ended December 31, 2009
Shareholders' equity		
Common stock		
Balance at the end of previous period	17,838	18,386
Movement for the period		
Issuance of new stock	527	—
Transfer from stock warrant	20	—
Total movement	547	—
Balance at the end of current period	18,386	18,386
Capital surplus		
Balance at the end of previous period	20,561	21,108
Movement for the period		
Issuance of new stock	527	—
Transfer from stock warrant	20	—
Total movement	547	—
Balance at the end of current period	21,108	21,108
Retained earnings		
Balance at the end of previous period	83,116	87,288
Decrease by application of ASBJ PITF No. 18	—	(217)
Movement for the period		
Dividend of surplus	(14,992)	(12,956)
Net income	19,247	17,638
Sales of treasury stock	(83)	(3)
Total movement	4,171	4,678
Balance at the end of current period	87,288	91,748
Treasury stock		
Balance at the end of previous period	(15,140)	(21,798)
Movement for the period		
Sales of treasury stock	341	211
Purchase of treasury stock	(6,999)	(541)
Total movement	(6,658)	(330)
Balance at the end of current period	(21,798)	(22,128)
Total shareholders' equity		
Balance at the end of previous period	106,375	104,984
Decrease by application of ASBJ PITF No. 18	—	(217)
Movement for the period		
Issuance of new stock	1,055	—
Transfer from stock warrant	40	—
Dividend of surplus	(14,992)	(12,956)
Net income	19,247	17,638
Sales of treasury stock	258	208
Purchase of treasury stock	(6,999)	(541)
Total movement	(1,390)	4,348
Balance at the end of current period	104,984	109,115

(Millions of yen)

	Fisical Year 2008 (Year ended December 31, 2008)	Fisical Year 2009 (Year ended December 31, 2009)
Valuation and translation adjustment		
Unrealized gain/(loss) on available for sale securities		
Balance at the end of previous period	(39)	(3,286)
Movement for the period		
Movement for the period excluding shareholders' equity	(3,247)	1,468
Total movement	(3,247)	1,468
Balance at the end of current period	(3,286)	(1,818)
Foreign currency translation adjustments		
Balance at the end of previous period	2,827	(6,601)
Movement for the period		
Movement for the period excluding shareholders' equity	(9,429)	1,827
Total movement	(9,249)	1,827
Balance at the end of current period	(6,601)	(4,773)
Total Valuation and translation adjustment		
Balance at the end of previous period	2,788	(9,888)
Movement for the period		
Movement for the period excluding shareholders' equity	(12,676)	3,296
Total movement	(12,676)	3,296
Balance at the end of current period	(9,888)	(6,591)
Stock acquisition rights		
Balance at the end of previous period	1,550	3,745
Movement for the period		
Movement for the period excluding shareholders' equity	2,194	2,365
Total movement	2,194	2,365
Balance at the end of current period	3,745	6,110
Minority interest		
Balance at the end of previous period	16	4
Movement for the period		
Movement for the period excluding shareholders' equity	(11)	4
Total movement	(11)	4
Balance at the end of current period	4	9
Total net assets		
Balance at the end of previous period	110,730	98,846
Decrease by application of ASBJ PITF No. 18	—	(217)
Movement for the period		
Issuance of new stock	1,055	—
Transfer from stock warrant	40	—
Dividend of surplus	(14,992)	(12,956)
Net income	19,247	17,638
Sales of treasury stock	258	208
Purchase of treasury stock	(6,999)	(541)
Movement for the period excluding shareholders' equity	(10,493)	5,666
Total movement	(11,884)	10,014
Balance at the end of current period	98,846	108,643

(4) 【Consolidated Statements of Cash Flows】

(Millions of yen)

Account	For the year ended December 31, 2008	For the year ended December 31, 2009
Cash flows from operating activities:		
Net income before taxes	30,878	31,365
Depreciation and amortization	4,729	5,133
Stock compensations	2,258	2,404
Amortization of Goodwill	1,032	948
Increase (decrease) in Allowance for bad debts	(240)	(240)
Increase (decrease) in Allowance for sales returns	154	131
Increase in Allowance for retirement benefits	26	191
Interest income	(2,924)	(1,474)
Interest expenses	3	2
(Gain) loss on sales of marketable securities	637	338
Equity in earnings of affiliated companies	(63)	(10)
(Gain) loss on sales and disposal of fixed assets	-	294
Devaluation loss on investment in securities	2,892	54
Legal settlement (gain)	(358)	—
Legal settlement loss	248	—
(Increase) decrease in notes and accounts receivable	1,546	(620)
(Increase) decrease in inventories	17	6
Increase (decrease) in notes and accounts payable	43	79
Increase (decrease) in deferred revenue	6,768	6,998
Others	867	1,911
Subtotal	48,517	47,513
Proceeds from interest and dividend received	2,871	1,562
Payment for income taxes	(19,890)	(15,019)
Proceeds from legal settlement	228	—
Payment for legal settlement	(248)	—
Payment for interest expenses	(3)	(2)
Net cash provided by operating activities	31,475	34,053
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	1,395	(15,233)
Payments for purchases of marketable securities and security investments	(39,569)	(40,256)
Proceeds from sales or redemptions of marketable securities and security investments	54,582	37,032
Payments for purchases of property and equipment	(2,782)	(2,284)
Payments for purchases of other intangibles	(2,427)	(4,258)
Acquisition cost for new consolidated subsidiary	(657)	(125)
Others	20	—
Net cash used in investing activities	10,561	(25,126)
Cash flows from financing activities:		
Issuance of common stock pursuant to exercise of stock purchase warrants and stock acquisition rights	1,055	—
Payment for purchase of treasury stock	(6,999)	(541)
Proceeds from sales of treasury stock	258	168
Dividends paid	(14,983)	(12,946)
Net cash used in financing activities	(20,669)	(13,319)
Effect of exchange rate changes on cash and cash equivalents	(13,198)	1,881

Net increase (decrease) in cash and cash equivalents	8,167		(2,511)
Cash and cash equivalents at the beginning of period	52,367		60,535
Cash and cash equivalents at the end of period	*1 60,535	*1	58,023

(5) Footnote on going concern

Fiscal year ended December 31, 2008 (From January 1, 2008 to December 31, 2008)
N/A

Fiscal year ended December 31, 2009 (From January 1, 2009 to December 31, 2009)
N/A

(6)【Significant Accounting Policies and Practices for Preparing Consolidated Financial Statements】

	For the previous fiscal year (From January 1, 2008 To December 31, 2008)	For the current fiscal year (From January 1, 2009 To December 31, 2009)
1 Basis of consolidation	(1) Consolidated subsidiaries All of our 22 subsidiaries are consolidated. Names of major subsidiaries: Trend Micro Inc. Trend Micro (EMEA) Limited Trend Micro France SA (2) The Company has no unconsolidated subsidiaries.	(1) Consolidated subsidiaries All of our 23 subsidiaries are consolidated. Names of major subsidiaries: Trend Micro Inc. Trend Micro Incorporated Trend Micro Australia Pty. Ltd. Trend Micro (EMEA) Limited (2) The Company has no unconsolidated subsidiaries.
2 Affiliated companies	Equity method accounting is applied to investments in the following affiliated companies. *Soft Trend Capital Corporation (Japan) *Net STAR, Inc. (Japan)	Same as left
3 Fiscal year of consolidated subsidiaries	All financial statements included in a set of consolidated financial statements are prepared as of the same date.	Same as left

	For the previous fiscal year (From January 1, 2008 To December 31, 2008)	For the current fiscal year (From January 1, 2009 To December 31, 2009)
4 Accounting Policies (1) Accounting for evaluation of assets	A. Marketable securities and investment securities Available-for-sale with market value: The securities are stated at the market value method based on the value at the end of the period (Unrealized gains and losses, net of taxes, reported in a separate component of equity. Cost of selling is determined by the moving average method.) Available-for-sale without market value: Cost basis by moving average method The securities for investment fund and such funds, which are recognized as marketable securities on Financial Instruments and Exchange Law 2-2, are recognized the net ownership amount with the latest available financial statements that is defined on the fund contracts. B. Inventories Lower of cost or market by moving average method	A. Marketable securities and investment securities Available-for-sale with market value: Same as left Available-for-sale without market value: Same as left B. Inventories Same as left
(2) Depreciation and amortization	A. Property and equipment Mainly, depreciation is computed by declining-balance method in parent company and is computed by a straight-line method in consolidated subsidiaries. Useful lives of the main property and equipment are as follows : Office furniture and equipment : 2 - 10 years B. Intangibles a. Software for sale Straight -line method over the estimated useful lives (12 months) b. Software for internal use Straight-line method over the estimated useful lives (mainly 5 years) c. Other intangibles Straight-line method over the estimated useful lives	A. Property and equipment Same as left (other than Leased assets) B. Intangibles a. Software for sale Same as left b. Software for internal use Same as left c. Other intangibles Same as left

	For the previous fiscal year (From January 1, 2008 To December 31, 2008)	For the current fiscal year (From January 1, 2009 To December 31, 2009)
		C. Leased assets Finance lease without transfer of ownership of the leased assets Straight-line method in which the useful life is assumed to be the lease period and the residual value is zero. Finance lease without transfer of ownership of the leased assets started before December 31, 2008 are accounted or in the same manner as applied for operating lease.
(3) Accounting policies for allowances	A. Allowance for doubtful accounts In order to reserve future losses from default of notes and account receivable, allowance for bad debt is provided. The amount is determined using the percentage based on actual doubtful account loss against total of debts. As for high-risk receivables, expected unrecoverable amount is considered individually. B. Allowance for bonuses Bonuses for employees are provided at an estimate of the amount. C. Allowance for sales returns In order to reserve future losses from sales return subsequent to the fiscal year end, allowance for sales return is provided based on the past experience in the sales return.	A. Allowance for doubtful accounts Same as left B. Allowance for bonuses Same as left C. Allowance for sales returns Same as left

	For the previous fiscal year (From January 1, 2008 To December 31, 2008)	For the current fiscal year (From January 1, 2009 To December 31, 2009)
	D. Allowance for retirement benefits In order to reserve future losses arising from retirement of employees, allowance for retirement benefits is provided based on retirement benefit liabilities projected and pension asset projected at the end of the period. Actuarial gains and losses are expensed in a certain periods in less than average future service years of employees of the year (1-25 years). Amortization of prior service cost is expensed in a certain period in less than average future service years of employees (24 years).	D. Allowance for retirement benefits In order to reserve future losses arising from retirement of employees, allowance for retirement benefits is provided based on retirement benefit liabilities projected and pension asset projected at the end of the period. Actuarial gains and losses are expensed in a certain periods in less than average future service years of employees of the year (1-25 years).
(4) Translation of foreign currencies	Foreign currency denominated receivables and payables are translated into Japanese yen at period-end rates of exchange and the resulting translation gains or losses are taken into current income. All asset and liability accounts of foreign subsidiaries are translated into Japanese yen at period-end rates of exchange and all income and expense accounts are translated at average exchange rate. The resulting foreign currency translation adjustments are included in accumulated other comprehensive income (loss) and minority interest.	Same as left
(5) Accounting policy for leased assets	Finance lease without transfer of ownership of the leased assets are accounted for in the same manner as applied for operating lease.	――――――――――

	For the previous fiscal year (From January 1, 2008 To December 31, 2008)	For the current fiscal year (From January 1, 2009 To December 31, 2009)
(6) Other important matters for preparing financial statements	A. Consumption tax Transactions subject to consumption tax is stated at the amount net of the related consumption tax. B. Revenue recognition method for Post Contract Customer Support Service Basically, the product license agreement contracted with the end-user states the article for PCS (customer support and upgrading of products and its pattern files). The company applies the following revenue recognition method for the portion of PCS. Portion of PCS revenue is recognized separately from total revenue and is deferred as deferred revenues under current and non-current liabilities based on the contracted period. Deferred revenue is finally recognized as revenue evenly over the contracted period.	A. Consumption tax Same as left B. Revenue recognition method for Post Contract Customer Support Service Same as left
5 Valuation of assets and liabilities of consolidated subsidiaries	Assets and liabilities of the consolidated subsidiaries are measured at fair value.	Same as left
6 Amortization of Goodwill	Goodwill is amortized evenly over the appropriate period in less than 20 years.	Same as left
7 Definition of cash and cash equivalent in the consolidated statements of cash flows	Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and representing a minor risk of fluctuations in value.	Same as left

(7)【Change in Significant Accounting Policies and Practices for Preparing Consolidated Financial Statements】

For the previous fiscal year (From January 1, 2008 To December 31, 2008)	For the current fiscal year (From January 1, 2009 To December 31, 2009)
――――――――――――――――――――	(Application of practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements) Effective from the fiscal year ending December 31, 2009, the 'Practical Solution on Unification Financial Statements' (ASBJ PITF No. 18) has been aplied. The impact on income statement is minor.
――――――――――――――――――――	(Accounting Standard for Lease Transactions) As "Accounting Standard for Lease Transactions" (ASBJ Statement No.13, March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16) are effective from the fiscal year beginning on or after April 1, 2008, the Company has applied the new accounting standard and guidance for the year ended December 31, 2009. There is no material effect in income statement. Although the Company accounted for finance leases that do not involve transfer of ownership to lessee as operating leases, by this application, the Company accounts for them as normal trade transactions, including the transactions that started before the end of fiscal 2008.

(8)【Notes for Consolidated Financial Statements】

(Consolidated Balance Sheets)

(Millions of Yen)

At the end of the previous fiscal year (As of December 31, 2008)	At the end of the current fiscal year (As of December 31, 2009)
―――――――――――――――	*1 Inventory Finished Goods 350 Materials 22 Goods 37
*2 Accumulated depreciation of property and equipment 6,556	*2 Accumulated depreciation of property and equipment 8,945

(Consolidated Income Statement)

(Millions of Yen)

For the previous fiscal year (From January 1, 2008 To December 31, 2008)	For the current fiscal year (From January 1, 2009 To December 31, 2009)
*1 Major components of selling, general and administrative expenses are as follows Advertising 2,104 Sales promotions 7,279 Salaries 19,105 Bonuses 813 Outside service fee 5,758 Depreciation expense 2,879 Tel communication & delivery 2,639 Traveling costs 1,881 Research and development costs 6,167	*1 Major components of selling, general and administrative expenses are as follows Advertising 7,738 Salaries 19,724 Bonuses 520 Research and development costs 5,605
*2 Reserch and development costs were 6,167 millions of yen and included in Operating expenses.	*2 Reserch and development costs were 5,605 millions of yen and included in Operating expenses.
――――――――――――――――	*3 The details of loss on disposal of property, equipment and software Software 114 Ofiice furniture & equipment, etc. 179

(Stockholders' Equity Statements)

For the year ended December 31, 2008

1. Number of common stock issued

Class of stock	As of Dec 31, 2007	Increase	Decrease	As of Dec 31, 2008
Common stock	139,891,004	402,000	—	140,293,004

The increase by 402,000 shares is due to exercise of stock acquisition rights.

2. Number of Treasury stocks

Class of treasury stock	As of Dec 31, 2007	Increase	Decrease	As of Dec 31, 2008
Common stock	4,827,922	2,000,381	105,500	6,722,803

The increase by 2,000,381 shares is due to 1,381 shares for purchasing of shares less than one unit and 1,999,000 shares for purchasing from stock market.

The decrease by 105,500 shares is due to disposition of treasury stock upon the exercise of stock acquisition right.

3. Stock acquisition rights

Detail	Class of shares subject to stock acquisition right	Number of shares subject to the exercise of stock acquisition rights				Amount outstanding (Millions of yen)
		As of Dec 31,2007	Increase	Decrease	As of Dec 31, 2008	
Stock Option	—	—	—	—	—	3,745

4. Dividend of surplus

(1) Dividends payment

Resolution	Class of stock	Total dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
Shareholders' meeting on Mar 26, 2008	Common stock	14,992	111.00	Dec 31, 2007	Mar 27, 2008

(2) Dividends that will be effective in the next fiscal year but the record date is in the current fiscal year

Resolution	Class of stock	Dividends resource	Total dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
Shareholders' meeting on Mar 25, 2009	Common stock	Retained earnings	12,956	97.00	Dec 31, 2008	Mar 26, 2009

For the year ended December 31, 2009

1. Number of common stock issued

Class of stock	As of Dec 31, 2008	Increase	Decrease	As of Dec 31, 2009
Common stock	140,293,004	—	—	140,293,004

2. Number of Treasury stocks

Class of treasury stock	As of Dec 31, 2008	Increase	Decrease	As of Dec 31, 2009
Common stock	6,722,803	184,231	65,500	6,841,534

The increase by 184,231 shares is due to 1,231 shares for purchasing of shares less than one unit and 183,000 shares for purchasing from stock market.

The decrease by 65,500 shares is due to disposition of treasury stock upon the exercise of stock acquisition right.

3. Stock acquisition rights

Detail	Class of shares subject to stock acquisition right	Number of shares subject to the exercise of stock acquisition rights				Amount outstanding (Millions of yen)
		As of Dec 31,2008	Increase	Decrease	As of Dec 31, 2009	
Stock Option	—	—	—	—	—	6,110

4. Dividend of surplus

(1) Dividends payment

Resolution	Class of stock	Total dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
Shareholders' meeting on Mar 25, 2009	Common stock	12,956	97.00	Dec 31, 2008	Mar 26, 2009

(2) Dividends that will be effective in the next fiscal year but the record date is in the current fiscal year

Resolution	Class of stock	Dividends resource	Total dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
Shareholders' meeting on Mar 26, 2010	Common stock	Retained earnings	12,144	91.00	Dec 31, 2009	Mar 29, 2010

(Consolidated Statements of Cash Flows)

(Millions of yen)

For the previous fiscal year (From January 1, 2008 To December 31, 2008)	For the current fiscal year (From January 1, 2009 To December 31, 2009)
*1 Reference of cash and cash equivalents on balance sheet is as follows.	*1 Reference of cash and cash equivalents on balance sheet is as follows.
Cash and bank deposits 60,861	Cash and bank deposits 74,271
Time deposits with original maturities of longer than three months (326)	Time deposits with original maturities of longer than three months (16,248)
Cash and cash equivalent 60,535	Cash and cash equivalent 58,023

(Segment Information)

1 Business category segment information

The main businesses of the Company are develop and sell anti-virus products and offer other related services.

For the previous fiscal year (from January 1, 2008 to December 31, 2008) and the current fiscal year (from January 1, 2009 to December 31, 2009), the ratio of the main businesses account more than 90% of total sales amount and operationg income. Then, the Company omits "Business category segment information".

2 Geographical segment information

For the year ended December 31, 2008

(Millions of Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Corporate or Elimination	Consolidation
Ⅰ Sales								
(1) Net sales to external customers	39,102	26,191	23,891	9,596	2,925	101,707	—	101,707
(2) Intercompany sales	23,212	11,099	1,087	9,460	—	44,859	(44,859)	—
Total sales	62,315	37,291	24,978	19,057	2,925	146,567	(44,859)	101,707
Operating Expense	18,737	33,863	24,962	20,160	2,176	99,901	(29,997)	69,903
Operating income (loss)	43,577	3,427	15	(1,103)	748	46,666	(14,862)	31,803
Ⅱ Assets	54,341	36,690	25,754	14,626	4,068	135,483	43,282	178,766

For the year ended December 31, 2009

(Millions of Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Corporate or Elimination	Consolidation
Ⅰ Sales								
(1) Net sales to external customers	39,740	25,339	20,174	8,377	2,716	96,346	—	96,346
(2) Intercompany sales	23,640	10,352	670	8,729	—	43,393	(43,393)	—
Total sales	63,380	35,692	20,844	17,106	2,716	139,739	(43,393)	96,346
Operating Expense	19,111	36,247	19,532	17,589	1,828	94,309	(28,099)	66,209
Operating income (loss)	44,269	(555)	1,312	(483)	887	45,430	(15,293)	30,137
Ⅱ Assets	66,240	40,468	25,381	17,775	5,738	155,603	48,284	203,887

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Major countries other than Japan:

North America	U.S.A., Canada
Europe	Ireland, Germany, Italy, France, UK
Asia pacific	Taiwan, Korea, Australia, China, Philippine, Singapore, Malaysia, Thailand, India
Latin America	Brazil, Mexico

3 The unapportionable amount of operating expenses that is included in “Corporate or Elimination”.

	For the previous fiscal year (From January 1, 2008 To December 31, 2008)	For the current fiscal year (From January 1, 2009 To December 31, 2009)	Content
The unapportionable amount of operating expenses that is included in “Corporate or Elimination”	15,850	15,468	Corporate segment is composed of research and development, marketing and administrative departments that operate and bring benefits to the Company worldwide.

4 The unapportionable amount of assets that is included in “Corporate or Elimination”.

	For the previous fiscal year (From January 1, 2008 To December 31, 2008)	For the current fiscal year (From January 1, 2009 To December 31, 2009)	Content
The unapportionable amount of assets that is included in “Corporate or Elimination”	55,473	68,473	Corporate assets are composed of software for sale, software that is utilized in the Company worldwide, marketable securities and investments securities.

3 Sales to overseas

For the year ended December 31, 2008

(Millions of Yen)

	North America	Europe	Asia Pacific	Latin America	Total
1 Sales to overseas	26,355	23,914	9,614	2,940	62,824
2 Consolidated total sales	—	—	—	—	101,707
3 Sales % to Overseas to Consolidated total sales	25.9	23.5	9.5	2.9	61.8

For the year ended December 31, 2009

(Millions of Yen)

	North America	Europe	Asia Pacific	Latin America	Total
1 Sales to overseas	25,589	20,098	8,398	2,750	56,837
2 Consolidated total sales	—	—	—	—	96,346
3 Sales % to Overseas to Consolidated total sales	26.6	20.9	8.7	2.8	59.0

(Note)

1 The classification of the geographical segment is based on geographic proximity.

2 Sales to overseas are sales amount to foreign countries or areas other than Japan.

3 Major countries other than Japan:

North America	U.S.A., Canada
Europe	Ireland, Germany, Italy, France, UK
Asia pacific	Taiwan, Korea, Australia, China, Philippine, Singapore, Malaysia, Thailand, India
Latin America	Brazil, Mexico

(Marketable securities and security investments)

As of December 31, 2008

1 Available-for-sale investments with fair market value

(Millions of yen)

	Securities	Purchase Cost	Fair value on consolidated balance sheet	Difference
Marketable securities with fair value over purchase cost	Bonds			
	(1)Government bonds	24,008	24,196	187
	(2)Corporate bonds	2,000	2,003	2
	(3)Others	202	232	29
	Others	-	-	-
	Total	26,212	26,432	220
Marketable securities with purchase cost over fair value	Bonds			
	(1)Government bonds	1,488	1,290	(198)
	(2)Corporate bonds	4,997	4,995	(1)
	(3)Others	1,443	1,275	(168)
	Others	30,349	24,961	(5,387)
	Total	38,278	32,523	(5,755)
Grand Total		64,490	58,955	(5,535)

2 Sales of available-for-sales investments (From January 1, 2008 to December 31, 2008)

(Millions of yen)

Sales amount	Gain on sales of investments in securities	Loss on sales of investments in securities
54,582	93	730

3 Major securities without fair market value and their stated value on consolidated balance sheet

Available-for-sale (Millions of yen)

Unlisted security and bond	460

4 The contractual maturities of available-for-sales securities

(Millions of yen)

	Due less than one year	Due after one to five years
Bonds		
(1)Government bonds	14,193	11,107
(2)Corporate bonds	7,005	-
(3)Others	-	3,758
Others	-	-
Total	21,199	14,865

As of December 31, 2009

1 Available-for-sale investments with fair market value

(Millions of yen)

	Securities	Purchase Cost	Fair value on consolidated balance sheet	Difference
Marketable securities with fair value over purchase cost	Bonds			
	(1)Government bonds	12,500	12,546	45
	(2)Corporate bonds	91	91	0
	(3)Others	592	1,258	666
	Others	1,502	2,080	578
	Total	14,686	15,976	1,290
Marketable securities with purchase cost over fair value	Bonds			
	(1)Government bonds	5,703	5,636	(67)
	(2)Corporate bonds	7,302	7,289	(12)
	(3)Others	6,000	5,960	(39)
	Others	33,890	29,658	(4,231)
	Total	52,896	48,544	(4,351)
Grand Total		67,582	64,521	(3,061)

2 Sales of available-for-sales investments (From January 1, 2009 to December 31, 2009)

(Millions of yen)

Sales amount	Gain on sales of investments in securities	Loss on sales of investments in securities
37,032	3	341

3 Major securities without fair market value and their stated value on consolidated balance sheet

Available-for-sale (Millions of yen)

Unlisted security and bond	591

4 The contractual maturities of available-for-sales securities

(Millions of yen)

	Due less than one year	Due after one to five years
Bonds		
(1)Government bonds	10,526	7,500
(2)Corporate bonds	7,383	-
(3)Others	6758	2,000
Others	28	175
Total	24,696	9,675

(Employee retirement benefit plans)

(Millions of yen)

At the end of previous fiscal year (As of Dec 31, 2008)	At the end of current fiscal year (As of Dec 31, 2009)
1. Pension and severance plans The parent company has an unfunded retirement plan ("Plan") as a defined benefit plan and has been a member of Kanto IT Software welfare pension fund. Kanto IT Software pension fund is categorized as multi-employer pension fund. The consolidated subsidiaries adopt defined benefit plan or defined contribution plan and certain subsidiary has a 401(k) retirement plan. The overview of multi-employer pension fund is as follows. (1) Funded status of Kanto IT Software pension plan (as of Mar 31, 2008) Pension asset 145,958 Benefit obligation 140,968 Variance 4,989 (2) The ratio of the Company's contribution for Kanto IT Software pension fund (as of Mar 31, 2008) 0.74% (3) Supplemental information The reasons for the variance of (1) are as follows. Other reserve 12,896 Retained earnings 5,860 Asset valuation adjustment (13,766) Variance 4,989 The unfunded prior service cost is amortized evenly over 20 years.	1. Pension and severance plans The parent company has an unfunded retirement plan ("Plan") as a defined benefit plan and has been a member of Kanto IT Software welfare pension fund. Kanto IT Software pension fund is categorized as multi-employer pension fund. The consolidated subsidiaries adopt defined benefit plan or defined contribution plan and certain subsidiary has a 401(k) retirement plan. The overview of multi-employer pension fund is as follows. (1) Funded status of Kanto IT Software pension plan (as of Mar 31, 2009) Pension asset 127,937 Benefit obligation 155,636 Variance (27,699) (2) The ratio of the Company's contribution for Kanto IT Software pension fund (as of Mar 31, 2009) 0.96% (3) Supplemental information The reasons for the variance of (1) are as follows. Other reserve 19,539 Shortage of reserve (27,896) Asset valuation adjustment (19,342) Variance (27,699) The unfunded prior service cost is amortized evenly over 20 years.
2. Allowance for retirement benefits 1. Benefit obligation (1,352) 2. Plan assets 150 3. Unfunded status (1 + 2) (1,201) 4. Unrecognized prior service cost 19 5. Unrecognized net actuarial loss (30) 6. Allowance for retirement benefits (3 + 4 + 5) (1,211) (Note) In calculation of allowance for retirement benefits, certain subsidiaries adopt compendium method.	2. Allowance for retirement benefits 1. Benefit obligation (1,700) 2. Plan assets 159 3. Unfunded status (1 + 2) (1,540) 4. Unrecognized net actuarial loss 106 5. Allowance for retirement benefits (3 + 4) (1,433) (Note) In calculation of allowance for retirement benefits, certain subsidiaries adopt compendium method.
3. Pension expense (From January 1, 2008 to December 31, 2008) 1. Service cost 175 2. Interest cost 25 3. Expected return of plan assets (3) 4. Amortization of prior service cost 1 5. Recognition of actuarial gain / loss 61 Sub-total (1+2+3+4+5) 260 6. Contribution to Kanto IT Software pension plan 155 7. Pension expense for Defined contribution plan 495 Net periodic pension cost (1+2+3+4+5+6+7) 911 (Note) Pension expenses of the consolidated subsidiaries adopting compendium method are booked as service cost.	3. Pension expense (From January 1, 2009 to December 31, 2009) 1. Service cost 196 2. Interest cost 27 3. Expected return of plan assets (3) 4. Recognition of actuarial gain / loss (42) Sub-total (1+2+3+4) 176 5. Contribution to Kanto IT Software pension plan 184 6. Pension expense for Defined contribution plan 553 Net periodic pension cost (1+2+3+4+5+6) 914 (Note) Pension expenses of the consolidated subsidiaries adopting compendium method are booked as service cost.
4. Assumption used for calculating the pension benefit obligation 1. Projected cost allocation method: Straight line basis 2. Discount rate: 1.5 - 2.50% 3. Rate of return on asset: 2.50% 4. Amortization of actuarial gain and loss: 1 - 25 years 5. Amortization of prior service cost: 24 years (Additional note) Effective from the fiscal year ending December 31, 2008, the Company adopted the partial revision of "Accounting Standard for Retirement Benefits" (ASBJ Statement No.14 which was issued on May 15, 2007).	4. Assumption used for calculating the pension benefit obligation 1. Projected cost allocation method: Straight line basis 2. Discount rate: 1.0 - 8.50% 3. Rate of return on asset: 2.25% 4. Amortization of actuarial gain and loss: 1 - 25 years

(Reconciliation of the difference between basic and diluted net income per share (“EPS”))

(Yen)

	For the previous fiscal year (From January 1, 2008 To December 31, 2008)	For the currentfiscal year (From January 1, 2009 To December 31, 2009)
Shareholders’ equity per share	711.96	768.25
Basic EPS	143.88	132.16
Diluted EPS	143.05	131.77

Basis of calculation for net income per share and diluted net income per share were as follows.

	For the previous fiscal year (From January 1, 2008 To December 31, 2008)	For the currentfiscal year (From January 1, 2009 To December 31, 2009)
<Basic EPS>		
Net income (Millions of Yen)	19,247	17,638
-not to attributable to common stock holders	-	-
-to common stock holders	19,247	17,638
Weighted-average number of common shares (Shares)	133,772,262	133,463,113
<Diluted EPS>		
Adjustment to net income (Millions of Yen)	-	-
Increased common stock (Shares)	775,805	392,131
*Breakdown of increased common stock - Stock acquisition rights (Shares)	(775,805)	(392,131)

	For the previous fiscal year (From January 1, 2008 To December 31, 2008)	For the currentfiscal year (From January 1, 2009 To December 31, 2009)
Details of shares not included in the computation of diluted EPS since it did not have dilutive effect	- Issuance of 2,093,500 shares on April 28, 2004 for stock acquisition rights were based on the resolution of shareholders' meeting on March 25, 2004 and regulated by previous commercial law 280-20 and 280-21. - Issuance of 1,768,500 shares on October 28, 2004 for stock acquisition rights were based on the resolution of shareholders' meeting on March 25, 2004 and regulated by previous commercial law 280-20 and 280-21. - Issuance of 2,350,500 shares on July 22, 2005 for stock acquisition rights were based on the resolution of shareholders' meeting on March 25, 2005 and regulated by previous commercial law 280-20 and 280-21. - Issuance of 2,023,000 shares on December 14, 2005 for stock acquisition rights were based on the resolution of shareholders' meeting on March 25, 2005 and regulated by previous commercial law 280-20 and 280-21. - Issuance of 1,206,500 shares on July 10, 2006 for stock acquisition rights were based on the resolution of shareholders' meeting on March 28, 2006 and regulated by previous commercial law 280-20 and 280-21. - Issuance of 2,070,000 shares on September 14, 2007 for stock acquisition rights were based on the board resolution on August 28, 2007 and regulated by the Company Law 238 and 240. - Issuance of 1,100,000 shares on November 26, 2007 for stock acquisition rights were based on the board resolution on November 8, 2007 and regulated by the Company Law 238 and 240.	- Issuance of 2,350,500 shares on July 22, 2005 for stock acquisition rights were based on the resolution of shareholders' meeting on March 25, 2005 and regulated by previous commercial law 280-20 and 280-21. - Issuance of 2,023,000 shares on December 14, 2005 for stock acquisition rights were based on the resolution of shareholders' meeting on March 25, 2005 and regulated by previous commercial law 280-20 and 280-21. - Issuance of 1,206,500 shares on July 10, 2006 for stock acquisition rights were based on the resolution of shareholders' meeting on March 28, 2006 and regulated by previous commercial law 280-20 and 280-21. - Issuance of 1,393,000 shares on November 8, 2006 for stock acquisition rights were based on the resolution of shareholders' meeting on March 28, 2006 and regulated by previous commercial law 280-20 and 280-21. - Issuance of 2,070,000 shares on September 14, 2007 for stock acquisition rights were based on the board resolution on August 28, 2007 and regulated by the Company Law 238 and 240. - Issuance of 1,100,000 shares on November 26, 2007 for stock acquisition rights were based on the board resolution on November 8, 2007 and regulated by the Company Law 238 and 240. - Issuance of 2,524,500 shares on July 1, 2008 for stock acquisition rights were based on the board resolution on June 13, 2008 and regulated by the Company Law 238 and 240. - Issuance of 2,508,500 shares on July 2, 2009 for stock acquisition rights were based on the board resolution on June 17, 2009 and regulated by the Company Law 238 and 240. - Issuance of 1,241,500 shares on November 25, 2009 for stock acquisition rights were based on the board resolution on November 10, 2009 and regulated by the Company Law 238 and 240.

The Company omits the notes for “Lease transaction”, “Related party transaction”, “Deferred tax accounting”, ”Derivatives”, ”Stock Option”, and “Business combination” because for the current fiscal year, the Company considers there is not a strong need to release them.

(Significant Subsequent Events)

Fiscal year ended December 31, 2008 (From January 1, 2008 to December 31, 2008)

N/A

Fiscal year ended December 31, 2009 (From January 1, 2009 to December 31, 2009)

N/A

5. 【Non-consolidated Financial Statements】

(1) 【Non-consolidated Balance Sheets】

(Millions of yen)

Account	As of December 31, 2008	As of December 31, 2009
(Assets)		
Current assets		
Cash and bank deposits	19,388	19,847
Accounts receivable, trade	11,494	18,982
Marketable securities	40,301	53,022
Product	120	105
Raw material	9	19
Stores	18	37
Prepaid expense	98	120
Deferred tax assets	12,238	13,707
Other receivables	433	86
Others	118	85
Allowance for bad debt	(32)	(30)
Total current assets	84,190	105,983
Non-current assets		
Tangible fixed assets		
Buildings	519	643
Accumulated depreciation	(289)	(340)
Buildings, net	229	302
Office furniture and equipment	916	1,054
Accumulated depreciation	(657)	(766)
Office furniture and equipment, net	258	287
Total Tangible fixed assets	488	590
Intangible fixed assets		
Software	1,544	3,865
Software in progress	842	776
Others	320	198
Total intangible fixed assets	2,707	4,839
Investments and other non-current assets		
Investments in securities	12,892	11,774
Investments in subsidiaries and affiliates	2,175	2,175
Investments in capital of affiliates	7	7
Security deposits	594	589
Membership	4	4
Deferred tax assets	6,641	7,908
Allowance for loss on investments in subsidiaries and affiliates	(42)	(21)
Total investments and other non-current assets	22,272	22,438
Total non-current assets	25,468	27,868
Total assets	109,659	133,852

(Millions of yen)

Account	As of December 31, 2008	As of December 31, 2009
(Liabilities)		
Current liabilities		
Accounts payable, trade	115	135
Account payables, other	7,828	10,041
Accrued expenses	198	201
Accrued corporate tax and others	2,558	7,936
Accrued consumption taxes	323	335
Advances received	10	—
Deposits received	63	183
Allowance for bonuses	120	—
Allowance for sales return	516	610
Deferred revenue	22,145	25,053
Others	71	57
Total current liabilities	33,952	44,555
Non-current liabilities		
Deferred revenue	9,378	13,646
Long-term accounts payable	—	10
Allowance for retirement benefits	939	1,062
Allowance for retirement benefits for directors and corporate auditors	10	—
Total non-current liabilities	10,328	14,719
Total liabilities	44,280	59,275
(Net assets)		
Shareholders' equity		
Common stock	18,386	18,386
Capital surplus		
Additional paid-in capital	21,108	21,108
Total capital surplas	21,108	21,108
Accumulated earnings		
Legal reserve	20	20
Accumulated profit		
Retained earnings carried forward	47,243	52,895
Total retained earnings	47,263	52,915
Treasury stock	(21,798)	(22,128)
Total shareholders' equity	64,960	70,282
Valuation and translation adjustment		
Unrealized gain on available for sale securities	(3,326)	(1,815)
Total valuation and translation adjustment	(3,326)	(1,815)
Stock acquisition rights	3,745	6,110
Total net assets	65,378	74,576
Total liabilities and net assets	109,659	133,852

(2) 【Non-consolidated Statements of Income】

(Millions of yen)

Account	Fisical Year 2008 (Year ended December 31, 2008)	Fisical Year 2009 (Year ended December 31, 2009)
Sales Revenue		
Sales	38,876	39,511
Royalty	23,438	23,868
Net sales revenue	62,315	63,380
Cost of sales	10,084	9,588
Gross profit	52,230	53,792
Selling, general and administrative expense	28,405	27,506
Operating income	23,825	26,285
Non-operating income		
Interest income	65	12
Interest on marketable securities	551	353
Dividend	45	3,946
Gain on sale of securities	93	—
Global system income	65	56
Investment fund income	198	—
Exchange profit	—	251
Others	19	58
Total Non-operating income	1,039	4,677
Non-operating expense		
Loss on sale of securities	730	340
Exchange loss	1,411	—
Global system expense	203	195
Others	153	9
Total Non-operating expenses	2,499	545
Ordinary income	22,364	30,418
Extraordinary gain		
Legal settlement	358	—
Reversal of allowance for investment loss	289	20
Reversal of share warrant	20	—
Total Extraordinary gain	668	20
Extraordinary loss		
Loss on disposal of fixed assets	—	122
Provision of investment loss	32	—
Devaluation loss on investment in securities	2,892	54
Legal settlement	248	—
Total Extraordinary losses	3,173	176
Net income before tax	19,859	30,262
Income tax current	10,689	13,782
Income taxes (previous year)	—	1,640
Income tax -deferred	(2,577)	(3,772)
Total Income taxes	8,112	11,650
Net income	11,747	18,612

(3)Non-consolidated Statements of Changes in Net Assets

(Millions of yen)

	Fisical Year 2008 (Year ended December 31, 2008)	Fisical Year 2009 (Year ended December 31, 2009)
Shareholders' equity		
Common stock		
Balance at the end of previous period	17,838	18,386
Movement for this period		
Issuance of new stock	527	—
Transfer from stock warrant	20	—
Total movement	547	—
Balance at the end of current period	18,386	18,386
Capital surplus		
Additional paid-in capital		
Balance at the end of previous period	20,561	21,108
Movement for this period		
Issuance of new stock	527	—
Transfer from stock warrant	20	—
Total movement	547	—
Balance at the end of current period	21,108	21,108
Total capital surplus		
Balance at the end of previous period	20,561	21,108
Movement for this period		
Issuance of new stock	527	—
Transfer from stock warrant	20	—
Total movement	547	—
Balance at the end of current period	21,108	21,108
Accumulated earnings		
Legal reserve		
Balance at the end of previous period	20	20
Movement for this period		
Dividend of surplus	—	—
Total movement	—	—
Balance at the end of current period	20	20
Accumulated profit		
Retained earnings carried forward		
Balance at the end of previous period	50,571	47,243
Movement for this period		
Dividend of surplus	(14,992)	(12,956)
Net income	11,747	18,612
Sales of treasury stock	(83)	(3)
Total movement	(3,328)	5,652
Balance at the end of current period	47,243	52,895
Total accumulated profit		
Balance at the end of previous period	50,591	47,263
Movement for this period		
Dividend of surplus	(14,992)	(12,956)
Net income	11,747	18,612
Sales of treasury stock	(83)	(3)
Total movement	(3,328)	5,652
Balance at the end of current period	47,263	52,915

(Millions of yen)

	Fisical Year 2008 (Year ended December 31, 2008)	Fisical Year 2009 (Year ended December 31, 2009)
Treasury stock		
Balance at the end of previous period	(15,140)	(21,798)
Movement for this period		
Sales of treasury stock	341	211
Purchase of treasury stock	(6,999)	(541)
Total movement	(6,658)	(330)
Balance at the end of current period	(21,798)	(22,128)
Total shareholders' equity		
Balance at the end of previous period	73,850	64,960
Movement for this period		
Issuance of new stock	1,055	—
Transfer from stock warrant	40	—
Dividend of surplus	(14,992)	(12,956)
Net income	11,747	18,612
Sales of treasury stock	258	208
Purchase of treasury stock	(6,999)	(541)
Total movement	(8,890)	5,321
Balance at the end of current period	64,960	70,282
Revaluation Surplus		
Unrealized gain on available for sale securities		
Balance at the end of previous period	(127)	(3,326)
Movement for this period		
Movement for this period excluding shareholders' equity	(3,198)	1,510
Total movement	(3,198)	1,510
Balance at the end of current period	(3,326)	(1,815)
Total Revaluation Surplus		
Balance at the end of previous period	(127)	(3,326)
Movement for this period		
Movement for this period excluding shareholders' equity	(3,198)	1,510
Total movement	(3,198)	1,510
Balance at the end of current period	(3,326)	(1,815)
Share warrant		
Balance at the end of previous period	1,550	3,745
Movement for this period		
Movement for this period excluding shareholders' equity	2,194	2,365
Total movement	2,194	2,365
Balance at the end of current period	3,745	6,110
Total net assets		
Balance at the end of previous period	75,273	65,378
Movement for this period		
Issuance of new stock	1,055	—
Transfer from stock warrant	40	—
Dividend of surplus	(14,992)	(12,956)
Net income	11,747	18,612
Sales of treasury stock	258	208
Purchase of treasury stock	(6,999)	(541)
Movement for this period excluding shareholders' equity	(1,004)	3,876
Total movement	(9,894)	9,198
Balance at the end of current period	65,378	74,576

(4)Footnote on going concern

Fiscal year ended December 31, 2008 (From January 1, 2008 to December 31, 2008)
N/A

Fiscal year ended December 31, 2009 (From January 1, 2009 to December 31, 2009)
N/A

6. Others

(1)Changes in Directors and Corporate Auditors

(ⅰ)Representative Director

N/A

(ⅱ)Corporate Auditors (Scheduled appointment date March 26,2010)

New Auditor Candidate

Part-time Corporate Auditor Motohide Tanigawa

In charge of Internal control matter, Showa Shell Solar K.K.(present)

(2)Others

N/A