

February 16, 2012

Report of Earning Results (Consolidated)
for Fiscal Year
Ending December 31, 2011

Company : Trend Micro Incorporated Tokyo Stock Exchange 1st Section
Code : 4704 Location : Tokyo
URL <http://www.trendmicro.co.jp/>

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Expected date of the annual shareholders meeting: March 27, 2012

Expected date of the delivery of dividends: Mar 28, 2012

Expected date of the submission of annual security reports ("Yuka Shoken Hokokusho")
: March 29, 2012

1. Financial Highlights for FY 2011 (January 1, 2011 through December 31, 2011)

(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 2011	96,392	1.1	26,364	11.0	28,690	20.4	17,341	36.3
FY 2010	95,391	(1.0)	23,752	(21.2)	23,835	(24.8)	12,720	(27.9)

(Note) Comprehensive Income

: 16,778 million yen (134.7%) (7,148 million yen (-%) as of December 31, 2010)

	Net income per share (basic)	Net income per share (diluted)	Return on shareholders' equity	Return on assets	Operating profit on sales
	Yen	Yen	%	%	%
FY 2011	131.23	131.14	17.5	14.1	27.4
FY 2010	95.27	94.76	12.7	11.6	24.9

(Note) Equity in earnings of affiliated companies

: 22 million yen (15 million yen as of December 31, 2010)

(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, 2011	201,765	107,362	49.4	764.64
December 31, 2010	206,099	106,569	47.4	732.26

(Note) Equity capital

: 100,591 million yen (97,788 million yen as of December 31, 2010)

(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 2011	26,130	(2,616)	(13,567)	71,167
FY 2010	25,021	(4,651)	(11,414)	64,136

2. Dividend of Surplus

As of	Cash dividends per share					Aggregate amount of dividends (annual)	Dividends payout ratio (Consolidated)	Dividends on shareholders' equity (Consolidated)
	The first quarter end	The second quarter end	The third quarter end	Annual end	Total	Total	Total	Total
December 31, 2010	Yen -	Yen 0.00	Yen -	Yen 70.00	Yen 70.00	Millions of yen 9,347	% 73.5	% 9.3
December 31, 2011	-	0.00	-	86.00	86.00	11,313	65.5	11.5
Projection for FY 2012	-	0.00	-	-	-		-	

(Note) Dividend for 2012 Annual end is not yet projected.

3. Forecasts of Consolidated Financial Results for FY 2012

(January 1, 2012 through December 31, 2012)

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

For the forecast of the first quarter end of FY 2012, please refer to page 4.

4. Others

(1) Movement of significant subsidiaries during this year : 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 : Yes

(3) Number of shares issued (common shares)

① Number of shares issued (including treasury stocks):

140,293,004 shares as of December 31, 2011

140,293,004 shares as of December 31, 2010

② Number of treasury stocks :

8,738,735 shares as of December 31, 2011

6,750,535 shares as of December 31, 2010

② Average number of share issued :

132,143,319 shares as of December 31, 2011

133,520,927 shares as of December 31, 2010

Results of the non-consolidated operations

1. Financial Highlights for the FY 2011 (January 1, 2011 through December 31, 2011)

(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 2011	55,021	0.1	24,197	(0.6)	25,532	6.3	15,602	20.3
FY 2010	54,962	(13.3)	24,349	(7.4)	24,018	(21.0)	12,971	(30.3)

	Net income	Net income
	per share (basic)	per share (diluted)
	Yen	Yen
FY 2011	118.07	117.99
FY 2010	97.15	96.63

(2) Financial Position

As of	Total assets	Net Assets	Net Assets ratio	Net Assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2011	137,377	77,979	51.9	541.67
December 31, 2010	139,842	76,328	48.3	506.16

(Note) Equity capital : 71,259 million yen (67,593 million yen as of December 31, 2010)

* Statement relating to the status of the annual audit procedures

This report is not subject to the annual audit procedures, which are based on the Financial Instruments and Exchange Act. In addition, the audit procedures for annual consolidated accounts did not finish at the point of the announcement of the annual financial results.

* Explanation for the proper use of projection and other notes

Any forward-looking statement in this report including results forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. Therefore, please take into consideration that various factors could cause different results from our original projection. Regarding to the forecast of financial results, please refer to "Qualitative Information on consolidated Results" on page 5.

Forecasts of consolidated financial results for 1st quarter of FY 2012

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
1st quarter (January 1, 2012 through March 31, 2012)	22,500	(6.2)	4,600	(2.4)	4,900	(21.7)	2,700	(32.4)	20.52

※ 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 2012 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.

Attached materials

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• 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
FY2011	96,392	26,364	28,690	28,623	17,341
FY2010	95,391	23,752	23,835	22,846	12,720
Rate of Change (%)	1.1%	11.0%	20.4%	25.3%	36.3%

(Unit: million yen)

	Net Sales		
	FY2011	FY2010	Rate of Change (%)
Japan	46,070	42,325	8.8%
North America Reg.	20,452	22,726	(10.0%)
Europe Reg.	17,147	18,258	(6.1%)
Asia and Pacific Reg.	10,329	9,457	9.2%
Latin America Reg.	2,391	2,623	(8.8%)

During this term of fiscal year 2011, from January 1 to December 31, just when the world economy had made a brisk recovery from the stagnation caused by the global financial crisis, it confronted the disaster of Japan and the entire world, and the deterioration of the European financial crisis. The world economy seemed to be back to a global recession mood.

Starting from Greek debt crisis, the European financial crisis was getting into more disarray. The European financial crisis became the destabilizing factor on the global recession and world financial market. The US economy was also substantially slowing down the economic recovery since beginning of the 2011. Though the various economic indexes showed a little improvement at the end of the year, it was still down in part due to the downgrade in the housing market and high levels of unemployment. In addition, there is increasing concern that the economic momentum of emerging countries was slowing down due to domestic demand with the tightened credit and weak external demand. The overall state of the world economy is still uncertain and in flux.

Japans economy continued to be affected by natural disasters over the year with a considering large amount of anxiety over the soaring budget deficit, employment improvement, deflationary recession, the electric power shortage, and the yen at historically high levels. Under the many negative affects of macro economy, Japans economy seems to be still a long way from recovery.

In the worldwide Information Technology Industry, despite the business demands in emerging countries, worldwide PC shipments were in a decline caused by worldwide recession and short supply of parts. It was recorded as the worst year of the decade for PC shipments in the US. On the other hand, new IT technology and services were attracting a great deal of attention as the driving forces of political and economical action tools. Moreover, those new IT services worked well in aid for reconstruction after the Great East Japan Earthquake. In 2011, IT spending increased more than originally expected mainly due to increasing demand for mobile devices such as smartphones, cloud computing, and SNS.

In the computer security industry, hacking / cracking tools held most of worldwide incidents in the reports. According to the virus infection damage incident report, Japan reported 7,750 infections during 2011. Virus infections has been decreasing every year and showed a substantial decrease from 2010 at 16,908 and reducing for four years in a row. Though incidents reports has been decreasing every year because of 2 major trends, more “monetary gain or data stealing”

and “more targeted,” threats itself increases the intensity of the crimes over the world. The article of the enterprise hacking attack incidents were widely reported in 2011. That popular attack technique is called Advanced Persistent Threat (APT). With APTs, businesses face a constantly evolving threat landscape. APTs are sophisticated, multi-faceted attacks targeting a particular organization. This type of attack technique is becoming more sophisticated. At the same time, in the consumer market, there are variable devices and services like smartphones and SNS which make it easy to access and exchange vital information including monetary information. Thus, security is not only for the devices themselves, but also the cloud computing services and data being used in the devices.

Under such an environment, our group business conditions are as follows:

Although it was affected by the weak recovery of IT spending, Japan achieved sustainable growth for four consecutive quarters. Both the enterprise business and the consumer sales have shown positive growth. Especially consumer sales showed a double-digit increase due to increase users. Sales for this period in Japan was 46,070 million yen (8.8% increase from the same period in previous year).

North American sales revenues slightly decreased along with its local currency compared to the same period last year, but a strong yen also affected this region's overall sales. As the result, sales for this period in North America showed a double-digit decrease at 20,452 million yen (10.0% decrease from the same period in previous year.) However the cloud business in this region has demonstrated an upward trend with high future sales contribution potential.

EMEA generated 17,147 million yen (6.1% decrease from the same period in previous year) in total sales. Though sales revenues along with its local currency slightly decreased compared to the same period last year as like North America region, the influence of weak euro substantially negative affected this region's sales in Japanese yen. In this region, the enterprise business unit has been still dominated sales revenue. The future challenge is to expand the consumer business unit, which is still in its early stages of development.

The Asia and Pacific region achieved sustainable growth for four consecutive quarters as like Japan. Taiwan, which is one of the majorities in this region sales, experienced double-digit growth, and Australia drastically took a lead in sales. As the result, this region demonstrated the largest growth among the 5 sales regions. The net sales for this period in APAC came to 10,329 million yen (9.2% increase from the same period in previous year).

In Latin America, both Brazil and Mexico has not performed well in even its local currency compared to the same period last year. In this region, net sales were 2,391 million yen (8.8% decreases from the same period in previous year).

As a result, the consolidated net sales for entire year 2011 came to 96,392 million yen (1.1% increase from the same period in previous year) as a slight increase.

Cost of sales and operating expenses totaled 70,028 million yen (2.2% decrease from the same period in previous year) due to an increase in salary and a decrease in marketing costs, etc. As a result, consolidated operating income for this period was 26,364 million yen (11.0% increase from the same period in previous year).

Due to a Gain on sales of marketable securities and a large decrease in Foreign exchange loss, the consolidated ordinary income for this period was 28,690 million yen (20.4% increase from the same period in previous year).

The consolidated net income for this period was 17,341 million yen (36.3% increase from the same period in previous year) without Devaluation loss on marketable securities which was in the same period in previous year.

(2). Projection for the First Quarter of the fiscal year 2012 (from January 1, 2012 to March 31, 2012)

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 2012 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 FY2012 (January 1, 2012 - March 31, 2012)

Consolidated net sales	22,500 million yen
Consolidated operating income	4,600 million yen
Consolidated ordinary income	4,900 million yen
Consolidated net income	2,700 million yen

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

1 US \$	76 yen
1 Euro	100 yen

2. FINANCIAL CONDITION ANALYSIS

CONDITION OF ASSETS, LIABILITIES, AND NET ASSETS

Cash and bank deposits at the end of this period amounted to 71,883 million yen, a decrease of 2,077 million yen from FY 2010 annual closing. Total assets at the end of this period were 201,765 million yen, 4,334 million yen decrease from FY 2010 annual closing. This decrease in total assets is mainly due to decrease Marketable securities and Deferred tax assets, and increase Investment securities.

Total liabilities at the end of this period were 94,403 million yen, 5,127 million yen decrease from FY 2010 annual closing. This decrease in total liabilities is mainly due to decrease Accrued income and other taxes.

As a result, total net assets at the end of this period is 107,362 million yen, a increase of 792 million yen with an substantial increase Retained earnings and an increase of minus in Treasury stock and Foreign currency translation adjustments from FY 2010 annual closing.

CONDITION OF CASH FLOW

(Unit: million yen)

	FY 2011	FY 2010	Increase (Decrease)
Cash Flows from Operating Activities	26,130	25,021	1,108
Cash Flows from Investing Activity	(2,616)	(4,651)	2,034
Cash Flows from Financing Activity	(13,567)	(11,414)	(2,152)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2,914)	(2,842)	(72)
Net increase (Decrease) in Cash and Cash Equivalents	7,031	6,112	918
Cash and Cash Equivalents at beginning of period	64,136	58,023	6,112
Cash and Cash Equivalents at end of period	71,167	64,136	7,031

[Overview of Cash Flow]

Cash flows from operating activity for this period were cash inflow of 26,130, increased by 1,108 million yen compared with the previous period. This increase of inflow was mainly due to the increase of net income before tax for this period and the increase of the collection of notes and accounts receivable.

Cash flows from investing activity were cash outflow of 2,616 million yen, decreased by 2,034 million yen compared with the previous period. This decrease of outflow was mainly due to the larger transfer from time deposits whose maturities were more than three months to cash and cash equivalents at maturity and was responsible for the decrease of the payment of acquisition of fixed assets.

Cash flows from financing activity were cash outflow of 13,567 increased by 2,152 million yen compared with the previous period. This increase of outflow was mainly due to the increase of the payment for market purchase of treasury stock.

Taking these cash flows and the effect of exchange rate change on cash and cash equivalents into account, cash and cash equivalents at the end of this period was 71,167 million yen, increased by 7,031 million yen compared with the previous period.

[Trends of Cash Flow Indexes]

(Japan GAAP)

	FY2007	FY2008	FY2009	FY2010	FY2011
Shareholder' s equity Ratio (%)	54.3	53.2	50.3	47.4	49.9
Capital Adequacy Ratio on Market Value Basis	268.7	230.9	231.1	173.7	150.0
Debt Redemption Period (years)	-	-	-	-	-
Interest Coverage Ratio	2,334.8	9,236.6	12,367.2	8,424.1	13,846.0

(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.

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 65%.

According to a year-end dividend on the basis of a dividend ratio of 65.2% of net income amounts in FY 2011 as 17,341 million yen, we have planned to pay total dividends 11,313 million yen, as pay 86 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 the Trend Micro group's business, financial condition, and operation results. If this should happen, the trading price of shares of Trend Micro Incorporated, Trend Micro group's parent company, could decline and its investors/shareholders could lose all or part of their investment. Other risks and uncertainties unknown to us, the Trend Micro group, or that we, the Trend Micro Group, 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 AND SERVICES OBSOLETE OR UNMARKETABLE.

There is a possibility to face a significant change the competitive environment, if major vendors of operating system software and other software such as firewall or e-mail software or computer hardware etc. may decide to enhance or bundle their products with their other products to include antivirus and other computer security functions. These companies may offer antivirus protection as a standard feature in their products, at minimal or no additional cost to customers. This could render our wide range of products and services obsolete or unmarketable, particularly if antivirus products offered by these vendors were comparable or superior to our wide range of products and services. In addition, even if these vendors' antivirus products offered fewer functions than our wide range of products and services, or were less effective in detecting and cleaning virus-infected files, customers could still choose them over our wide range of products and services due to lower cost or for any other reasons.

Microsoft Corp., a major operating system vendor, has acquired several security vendors. If antivirus and other computer security 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 WIDE RANGE OF PRODUCTS AND SERVICES.

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 wide range of products and services 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 wide range of products and services. This could make it difficult for us to market our wide range of products and services in Japan. Sales to SOFTBANK BB totaled approximately (Yen) 10.4 billion, or 10.9%, of our net sales in fiscal 2009, approximately (Yen) 12.3 billion, or 13.0%, of our net sales in fiscal 2010, and approximately (Yen) 12.5 billion, or 13.0%, of our net sales in fiscal 2011. 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 SCOPE OF BUSINESS, WE ARE VULNERABLE TO DECREASED DEMAND FOR SUCH PRODUCTS AND SERVICES.

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

OUR WIDE RANGE OF PRODUCTS AND SERVICES MAY BECOME OBSOLETE BECAUSE RAPID TECHNOLOGICAL CHANGE REGULARLY OCCURS IN THE COMPUTER SECURITY MARKET.

The computer security market is characterized by:

- rapid technological change;
- the proliferation of new and changing computer viruses, malware programs, and threats over the internet;
- frequent product and services 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 computer security products and services that are technologically superior to our wide range of products and services. Additionally, new software operating system, network system or new antivirus measurements or technologies 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 and services 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. 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 computer security business based on 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 market share in the U.S. and Europe markets 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, computer security market, and other 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.

MAJOR SOFTWARE AND HARDWARE VENDORS MAY PROVIDE COMPUTER SECURITY FUNCTIONS FOR FREE MARKET SHARE COULD GROW.

The computer security industry which our group belongs to, has grown increasingly competitive. Our existing competitors and other major vendors in the software and hardware industry etc. may start to offer antivirus and other computer security functions for free or at very low prices. Those antivirus and other computer security functions could be added into a single product, or bundle their existing products. These companies may offer antivirus protection as a standard feature in their products, at minimal or no additional cost to customers. This could render our wide range of products and services to become obsolete or unmarketable, particularly if antivirus products offered by these vendors were comparable or superior to our wide range of products and services. In addition, even if these vendors' antivirus products offered fewer functions or were less effective in detecting and cleaning virus-infected files than our products and services, customers could still choose these vendors due to the lower cost.

In such a situation, our group's business competitiveness could be inevitably weak, and it also has an adverse effect on our business, financial condition, and on operations.

THE POSSIBILITY OF DECREASE 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 computer security 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.

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

Our reputation may be more susceptible to problems than other software companies caused by hackers / crackers trying to break into or attacking our networks, trying to steal secrets, and defacing our site. As a computer security company that delivers virus protection and other security products and services over the Internet, hackers / crackers specifically target us in order to cause us to transmit computer viruses and malware programs, loss or theft of technical information including the source codes etc., or vital information of customers or employees, and our groups' website defacement over the internet. If these incidents occur, our group's business could suffer. We could also incur costs to fix technical problems or fix problems from hackers gaining access to our proprietary information. In addition, we could suffer substantial disruptions in our business and to our reputation which could result in a significant loss of customers and other important business relationships until recovery of confidence.

WE FACE INFORMATION SECURITY RISKS RELATED TO INSIDERS / OFFICIALS IN OUR GROUP.

Our group has made contracts with most of subcontractors and employees with the purpose of preservation of confidentiality. In the case of loss or theft of technical or private information despite taking legislative action, we could suffer substantial disruptions in our business and our reputation. This could result in a significant loss of our customers and other important business relationships. We could also incur costs to fix technical problems etc. and any of these factors could materially hurt our business, financial condition and operations.

WE FACE NEW RISKS RELATED TO OUR ANTI-VIRUS AND OTHER SECURITY PRODUCTS AND SERVICES.

A broad range of our security products may falsely identify emails, URLs, or programs as unwanted spam, malicious web sites, and potentially dangerous programs. Our group's security

products and services may also fail to properly identify and prevent unwanted emails, URLs, programs, malicious websites, or spyware that are often designed to circumvent anti-virus, anti-spam, web filtering, or spyware products. Parties whose emails, URLs, or programs are blocked by these our security products and services may seek redress against us for labeling them as “spammers,” “malicious websites,” 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. Also, there is a possibility of our online file storage service abuse including illegal sharing and using inappropriate files etc. This could significantly discredit us, and negatively affect our operational results if we are required to pay significant amounts of penalty payments pursuant to copyright or the author’s fee etc. In such a case, it would adversely impact our operating results and financial condition. In addition, should we fail to properly test these products, solutions, or protections files and distribute a defective file, these could cause damage to customers. In such a case, it would adversely impact our operating results and financial condition.

WE MUST EFFECTIVELY MANAGE OUR BUSINESS GROWTH.

Our business field has been expanding. This expansion has placed, and any future business expansion or growth would continue to place, a significant strain on our limited personnel, management and other resources. Our ability to manage any future expansion or 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 expand or grow, our group’s management systems 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 AND SERVICES THROUGH INTERMEDIARIES WHO MAY NOT VIGOROUSLY MARKET OUR PRODUCTS AND SERVICES, OR MAY RETURN OUR PRODUCTS AND SERVICES.

We market substantially all of our products and services 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 and services. While we encourage our distributors to focus on our wide range of products and services, these distributors may give greater priority to products of other suppliers, including competitors’. They may also return the products to us under certain circumstances.

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

Our wide range of products and services 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.

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. According to the circumstances, if we fail to comply with this agreement, there is a possibility that we are required to pay penalty payments to our customers 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.

THE MOBILITY OF HUMAN RESOURCES AND FLUCTUATIONS IN THE LABOR MARKET COULD ADVERSELY AFFECT OUR BUSINESS.

The computer security industry which our group belongs to, has grown increasingly competitive. In this competitive atmosphere, recruit top-class human resources has been the most important challenges to support innovative technology for all the companies.

Today, the majority of Trend Micro staff is based in Asia, as well as the emerging countries. Due to this region's rising inflation and cost of living, salaries have had to also increase. If any of cost increase caused by those above, our group's business, results of operations and financial condition could suffer. Also the talent war with competitors could adversely affect to our group's labor cost. Moreover, unexpected large turnover and the case that recruitment doesn't work out as planned, may hurt our group's business performance.

If any of cost increase caused by those above, our group's business, results of operations and financial condition could suffer.

THE LOSS OF HUMAN RESOURCES INCLUDING MAJOR TECHNICAL SPECIALIST PERSONNEL COULD ADVERSELY AFFECT OUR BUSINESS.

The computer security industry which our group belongs to, has grown increasingly competitive. In this competitive atmosphere, there is a possibility of human resources flow including major technical specialist personnel. Our group has made contracts with all employees for the purpose of preservation of confidentiality and obligation not to compete. Despite taking such legislative action, we could suffer substantial disruptions in our business to our reputation due to outflow of technical and strategic vital information, and other companies developing similar technology with ours. In addition to, our group's business, operations and financial condition could suffer caused by those above reasons.

FLUCTUATIONS IN OUR QUARTERLY FINANCIAL RESULTS COULD CAUSE THE MARKET PRICE OF TREND MICRO INCORPORATED, TREND MICRO GROUP'S PARENT COMPANY, FOR ITS 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 share price of Trend Micro Incorporated, Trend Micro group's parent company, 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 and other computer securities; and
- changes in economic conditions in our major markets.

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 OUR GROUP IN THE FUTURE COULD HURT OUR BUSINESS.

Our group's products are designed to protect customers' network systems and personal computers from damage caused by computer viruses, web threats and data stealing malware. As a result, if a customer suffers damage from any of these threats, the customer could sue us on product liability or related grounds, claim damages for data loss or make other claims. Also, if our online file storage service users suffer loss of data and information etc., caused by system troubles etc., the customer could sue our group on product liability or related grounds, claim damages for data loss or make other claims. Additionally, as threats are constantly evolving, purchasers of our software products must regularly update the software they have purchased from us with signature protection files that we make available for download from our website. Should we fail to properly test these 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 AND OTHER DISASTERS, 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. The impact of nature disasters as a future major earthquake on our facilities, infrastructure and overall operations is not known. There is no guarantee that nature disasters 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 the outbreak of severe virus / acute respiratory syndrome, etc., terrorist attacks and other geopolitical risks prolonged continuation of these adverse factors may hurt our results of operations and financial condition.

BECAUSE OF THE INFLUENCE OF THE PRINCIPAL SHAREHOLDERS OF TREND MICRO INCORPORATED, TREND MICRO GROUP' S PARENT COMPANY, ITS OTHER SHAREHOLDERS MAY BE UNABLE TO INFLUENCE OUR BUSINESS.

The principal shareholders of Trend Micro Incorporated, Trend Micro group' s parent company, including major shareholders who beneficially own more than 5% of the issued shares of common stock and directors of Trend Micro Incorporated, beneficially owned approximately 39.4% of outstanding shares of Trend Micro Incorporated as of December 31, 2011. 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. In addition, Trend Micro Incorporated' s principal shareholders may have strategic or other interests that conflict with the interests of its other shareholders. As a result, the concentration in shareholdings of Trend Micro Incorporated may have the effect of delaying or preventing a change in control of Trend Micro group, which could result in the loss of a significant financial gain to shareholders of Trend Micro Incorporated.

THE STOCK PRICE OF TREND MICRO INCORPORATED, TREND MICRO GROUP' S PARENT COMPANY, IS VOLATILE, AND INVESTORS BUYING THE SHARES MAY NOT BE ABLE TO RESELL THEM AT OR ABOVE THEIR PURCHASE PRICE.

Shares of the common stock of Trend Micro Incorporated, Trend Micro group' s parent company, 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 shares of Trend Micro Incorporated commenced on the Tokyo Stock Exchange on August 17, 2000, stock price of Trend Micro Incorporated 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, 2011 was (Yen) 2,301. 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 THE COMMON STOCK OF TREND MICRO INCORPORATED, TREND MICRO GROUP'S PARENT COMPANY, 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.

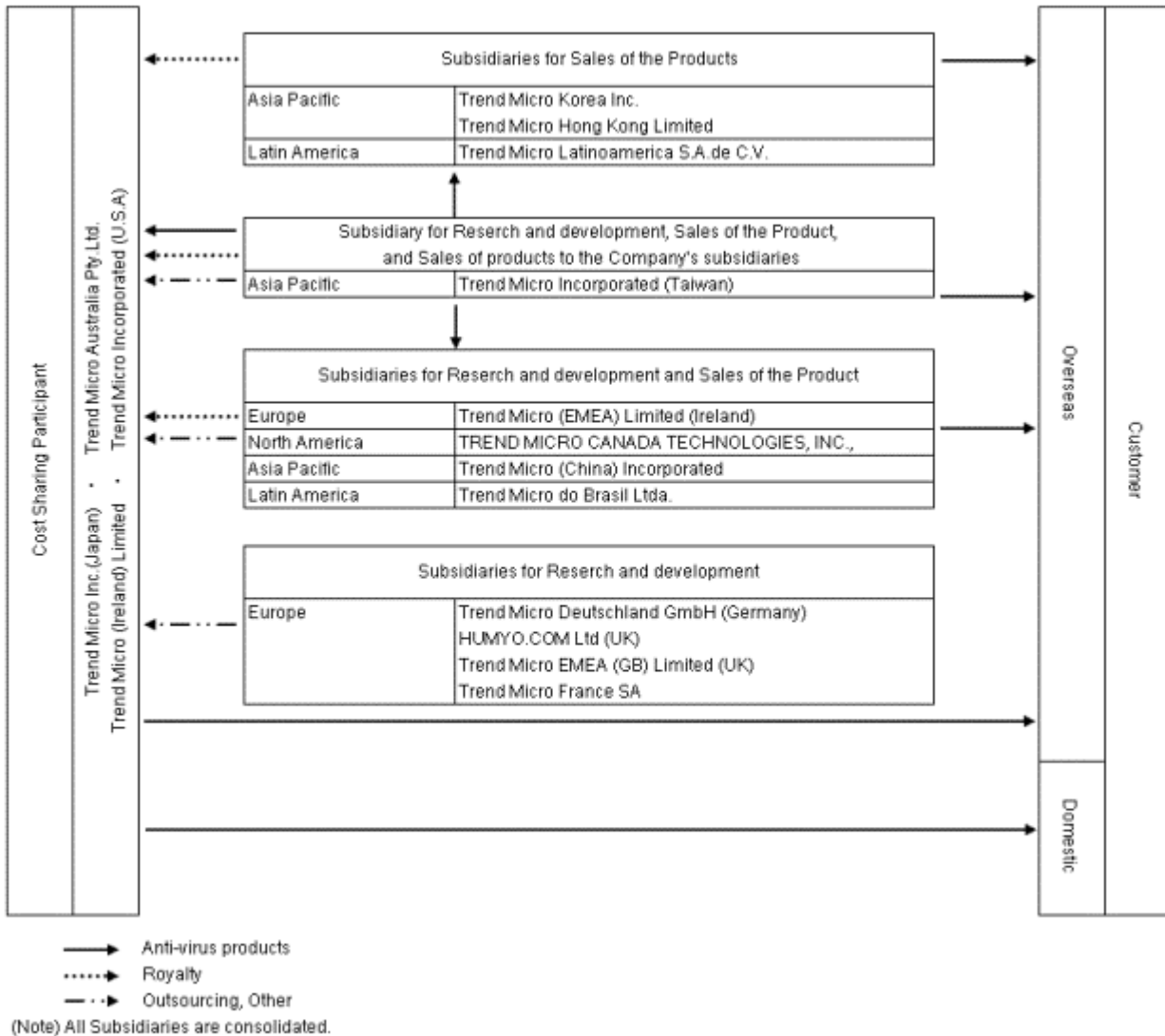
(1) Development and sales of anti-virus products

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 Incorporated(U. S. A) Trend Micro Canada Technologies, Inc.
	Europe	Trend Micro Deutschland GmbH (Germany) Trend Micro (EMEA)Limited(Ireland) Trend Micro France SA HUMYO.COM Ltd(UK) Trend Micro EMEA (GB) Limited(UK)
	Asia Pacific	Trend Micro Incorporated(Taiwan) Trend Micro(China)Incorporated Trend Micro Australia Pty. Ltd.
	Latin America	Trend Micro do Brasil Ltda.
Sales of the products	Japan	Trend Micro Inc. (Japan)
	North America	Trend Micro Incorporated(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 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)
	Latin America	Servicentro TMLA, S.A. de C.V. (Mexico)



(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, 2011).

3. MANAGEMENT POLICY

(1). BASIC POLICY OF MANAGEMENT

Our Vision: A world safe for exchanging digital information.

Our Mission: Innovate to provide the best content security that fits into the IT infrastructure.

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. Today, most threats on the network such as computer viruses, spyware, spam, site defacing, and information theft cannot be predicted and completely prevented. In an increase of cyber crimes which cause theft of proprietary information, monetary damages, and malicious destructions no matter enterprise or consumer, both users could be targeted and attacked. With Advanced Persistent Threat (APT), which is popular attack technique, enterprise are targeted as a particular organization by multi-faceted attacks. At the same time, consumer users could be also targeted through new IT technologies including variable devices and services like smartphones and SNS. Security is not only for the devices themselves, but also the cloud computing services and data being used in the devices. The computer security is already the requirement for enterprises and individuals to deploy security measures against APTs.

Trend Micro's vision is to protect the global infrastructure. As a company, we will provide globally-relevant products and services that cover multiple areas of computer security including assessment and restoration to against sequence of cyber attacks, mainly APTs. Trend Micro is not only protecting enterprises and individual users from the threats over the networks without interrupting economic activities and usability, but it is also contributing 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, etc., the worldwide security products that we belong to, is estimated to expand at an annual growth rate of around 9 percent from 2010 to 2015 (based on IDC, USA in December 2011). 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 around 30 percent at this time.

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

“Securing Your Journey to the Cloud”

Today, computers and the Internet are used by every person and in all types of location in every country across the world. It has been a part of our society and daily life for long time. In addition to the personal computers, also varied network devices have been launched. At the same time, application programs and purposes of use have become diversified. As a result, there is no longer a single solution that can protect against all the different type of threat environments. Also, in the network environment, cloud computing, which has started actual use, creates innovation in digital information traffic with easy, speedy, and reasonable for accessing to any information and computing power. Under such a situation, the competition in the computer security market has changed, becoming more intensive with new entries.

And our group recognizes that these changes are business opportunities.

In the computer security industry, it is necessary to set a non-conventional approach to security for sequence of cyber attacks, mainly Advanced Persistent Threat (APT) which are sophisticated, multi faceted attacks targeting a particular organization.

Recently, the rising use of cloud computing technology has been spurred by companies or

organizations, etc. from the perspective of business continuity planning and personal using mobile devices. Thus, more has to be done to create new security for this cloud computing age. Trend Micro group has been providing security solutions that belong to Trend Micro Smart Protection Network. These include Cloud Computing Security Architecture and Deep Security for protection of mixed environments of physical, virtual and cloud servers to protect data in cloud environments. We will provide security products and services for virtualization and cloud environments, and Internet devices which become diversified.

We will continue to advance business relationships with our partners. By our customizable and scalable solutions together with partner's solutions, Trend Micro will advance as an innovative company without sticking to former ways and conventional measure.

(4). ISSUES TO DEAL WITH

In the computer security industry which our group belongs to, there have been two competitors with 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. Moreover, recently variable consolidations have indeed continued including M&A or acquisition from other industry and new entries, etc. We anticipate that such a consolidation, new entries, and their presence in the computer security market will make the competition in the market more intense.

In response to such intense competition, we are enhancing our wide range of technologies to better combat the latest web threats, which evolve from day to day, through the acquisition of InterMute Inc. in 2005 for antispymware 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; Third Brigade Inc. in 2009 for Host Intrusion Prevention System (HIPS); Humyo in 2010 for online storage and data synchronization services ; and Mobile Armor in 2011 for data encryption and mobile device management technology.

Through a series of acquisitions and organically grown technology, Trend Micro has created Trend Micro Smart Protection Network. Since 2009, Trend Micro Smart Protection Network is at the core of Trend Micro products and services and is designed to protect customers from web threats through a next generation cloud-client content security infrastructure.

Trend Micro Smart Protection Network correlates web, email and file threat data using reputation technologies and is continuously updating in-the-cloud threat databases to detect, analyze 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.

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 will continue to pursue long-term growth with a stable financial foundation, strengthen our commitment to users, as well as develop marketing campaigns that target customer needs and customer buying behavior.

4. 【CONSOLIDATED FINANCIAL STATEMENTS】

(1) 【Consolidated Balance Sheets】

(Millions of yen)

Account	December 31, 2010	December 31, 2011
(Assets)		
Current assets		
Cash and bank deposits	73,960	71,883
Notes and Accounts receivable, trade	22,306	21,011
Marketable securities	42,795	37,734
Inventories	*1 550	*1 425
Deferred tax assets	18,831	15,175
Others	4,077	5,041
Allowance for bad debt	(272)	(50)
Total current assets	162,249	151,222
Non-current assets		
Property and equipment		
(1) Office furniture & equipment	*2 4,551	*2 3,844
(2) Others	*2 1,296	*2 1,312
Total Property and equipment	5,848	5,157
Intangibles		
(1) Software	5,926	6,348
(2) Goodwill	1,520	1,826
(3) Others	665	1,344
Total intangibles	8,113	9,520
Investments and other non-current assets		
(1) Investment Securities	17,287	23,237
(2) Investments in subsidiaries and affiliates	348	242
(3) Deferred tax assets	10,539	11,381
(4) Others	1,711	1,004
Total investments and other non-current assets	29,888	35,865
Total non-current assets	43,850	50,543
Total assets	206,099	201,765

(Millions of yen)

Account	December 31, 2010	December 31, 2011
(Liabilities)		
Current liabilities		
Accounts payable and Notes payable, trade	724	886
Accounts payable, other	4,939	4,579
Accrued expenses	5,810	4,635
Accrued income and other taxes	6,124	2,238
Allowance for bonuses	638	1,044
Allowance for sales returns	621	791
Deferred revenue	55,328	54,741
Others	2,189	2,485
Total current liabilities	76,376	71,402
Long-term liabilities		
Deferred revenue	21,106	20,714
Allowance for retirement benefits	1,717	1,974
Others	328	311
Total long-term liabilities	23,153	23,000
Total liabilities	99,530	94,403
(Net assets)		
Shareholders' equity		
Common stock	18,386	18,386
Additional paid-in capital	21,111	21,111
Retained earnings	92,324	100,318
Treasury stock, at cost	(21,834)	(26,460)
	109,988	113,355
Accumulated other comprehensive income		
Net unrealized gain (loss) on debt and equity securities	(3,814)	(1,776)
Foreign currency translation adjustments	(8,385)	(10,987)
	(12,200)	(12,764)
Stock acquisition rights	8,734	6,719
Minority interest	46	51
Total net assets	106,569	107,362
Total liabilities and net assets	206,099	201,765

(2) 【Consolidated Statements of Income

Consolidated Statements of Comprehensive Income】

Consolidated Statements of Income

(Millions of yen)

	For the year ended December 31, 2010		For the year ended December 31, 2011	
Net Sales	95,391		96,392	
Cost of sales	16,726		17,895	
Gross profit	78,664		78,497	
Operating expenses	*1, *2	54,912	*1, *2	52,132
Operating income	23,752		26,364	
Non-operating incomes				
Interest income and dividend received	1,338		1,594	
Gain on sales of marketable securities	3		829	
Equity in earnings of affiliated companies	15		22	
Other income	86		151	
Total non-operating income	1,443		2,598	
Non-operating expenses				
Interest expenses	2		1	
Foreign exchange loss	1,068		51	
Other expenses	288		219	
Total non-operating expenses	1,360		272	
Ordinary income	23,835		28,690	
Extraordinary gain				
Refundment of placement fee	226		-	
Gain on reversal of stock option	-		4,727	
Gain on reversal of allowance for bad debt	-		130	
Gain on redemption of marketable securities	-		810	
Total extraordinary gain	226		5,668	
Extraordinary loss				
Loss on disposal of fixed assets	-		*3	110
Impairment loss on marketable securities	662		-	
Loss on sales of marketable securities	-		5,625	
Legal settlement	553		-	
Total extraordinary loss	1,215		5,736	
Net income before taxes	22,846		28,623	
Income taxes				
Income taxes current	13,483		9,661	
Income taxes -deferred	(3,395)		1,614	
Total income taxes	10,088		11,276	
Net Income before minority interest	-		17,346	
Minority interest in income of consolidated subsidiaries	37		5	
Net income	12,720		17,341	

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the year ended December 31, 2010		For the year ended December 31, 2011
Income before minority interests	-		17,346
Other comprehensive income			
Valuation difference on available-for-sales securities	-		2,037
Foreign currency translation adjustment	-		(2,605)
Share of other comprehensive income of associates accounted for using equity method	-		0
Total other comprehensive income	-	*2	(567)
Comprehensive income	-	*1	16,778
Comprehensive income attributable to owners of the parent	-		16,777
Comprehensive income attributable to minority interests	-		1

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

(Millions of yen)

	For the year ended December 31, 2010	For the year ended December 31, 2011
Shareholders' equity		
Common stock		
Balance at the end of previous period	18,386	18,386
Movement for the period		
Total movement	—	—
Balance at the end of current period	18,386	18,386
Capital surplus		
Balance at the end of previous period	21,108	21,111
Movement for the period		
Sales of treasury stock	3	0
Total movement	3	0
Balance at the end of current period	21,111	21,111
Retained earnings		
Balance at the end of previous period	91,748	92,324
Movement for the period		
Dividend of surplus	(12,144)	(9,347)
Net income	12,720	17,341
Total movement	576	7,993
Balance at the end of current period	92,324	100,318
Treasury stock		
Balance at the end of previous period	(22,128)	(21,834)
Movement for the period		
Sales of treasury stock	294	55
Purchase of treasury stock	(0)	(4,682)
Total movement	294	(4,626)
Balance at the end of current period	(21,834)	(26,460)
Total shareholders' equity		
Balance at the end of previous period	109,115	109,988
Movement for the period		
Dividend of surplus	(12,144)	(9,347)
Net income	12,720	17,341
Sales of treasury stock	297	55
Purchase of treasury stock	(0)	(4,682)
Total movement	873	3,367
Balance at the end of current period	109,988	113,355

(Millions of yen)

	For the year ended December 2010	For the year ended December 2011
Accumulated other comprehensive income		
Unrealized gain/(loss) on available for sale securities		
Balance at the end of previous period	(1,818)	(3,814)
Movement for the period		
Movement for the period excluding shareholders' equity	(1,996)	2,038
Total movement	(1,996)	2,038
Balance at the end of current period	(3,814)	(1,776)
Foreign currency translation adjustments		
Balance at the end of previous period	(4,773)	(8,385)
Movement for the period		
Movement for the period excluding shareholders' equity	(3,612)	(2,602)
Total movement	(3,612)	(2,602)
Balance at the end of current period	(8,385)	(10,987)
Total accumulated other comprehensive income		
Balance at the end of previous period	(6,591)	(12,200)
Movement for the period		
Movement for the period excluding shareholders' equity	(5,608)	(564)
Total movement	(5,608)	(564)
Balance at the end of current period	(12,200)	(12,764)
Stock acquisition rights		
Balance at the end of previous period	6,110	8,734
Movement for the period		
Movement for the period excluding shareholders' equity	2,624	(2,014)
Total movement	2,624	(2,014)
Balance at the end of current period	8,734	6,719
Minority interest		
Balance at the end of previous period	9	46
Movement for the period		
Movement for the period excluding shareholders' equity	37	4
Total movement	37	4
Balance at the end of current period	46	51
Total net assets		
Balance at the end of previous period	108,643	106,569
Movement for the period		
Dividend of surplus	(12,144)	(9,347)
Net income	12,720	17,341
Sales of treasury stock	297	55
Purchase of treasury stock	(0)	(4,682)
Movement for the period excluding shareholders' equity	(2,946)	(2,574)
Total movement	(2,073)	792
Balance at the end of current period	106,569	107,362

(4) 【Consolidated Statements of Cash Flows】

(Millions of yen)

Account	For the year ended December 31, 2010	For the year ended December 31, 2011
Cash flows from operating activities:		
Net income before taxes	22,846	28,623
Depreciation and amortization	6,015	6,481
Stock option expense	2,680	2,723
Gain on reversal of stock option	—	(4,727)
Amortization of Goodwill	568	857
Increase (decrease) in Allowance for bad debts	153	(218)
Increase (decrease) in Allowance for sales returns	(234)	178
Increase in Allowance for retirement benefits	289	291
Interest income	(1,338)	(1,594)
Interest expenses	2	1
(Gain) loss on sales of marketable securities	(3)	4,795
Equity in earnings of affiliated companies	(15)	(22)
(Gain) loss on sales and disposal of fixed asset	—	110
Refundment of placement fee	(226)	—
Gain on redemption of marketable securities	—	(810)
Impairment loss on marketable security & investment in securities	662	—
Legal settlement loss	553	—
(Increase) decrease in notes and accounts receivable	(620)	761
(Increase) decrease in inventories	(162)	109
Increase (decrease) in notes and accounts payable	6	212
Increase (decrease) in accounts payable, other & accrued expenses	—	(1,329)
Increase (decrease) in deferred revenue	6,545	928
Others	342	345
Subtotal	38,065	37,717
Proceeds from refundment of placement fee	226	—
Payment for legal settlement	(553)	—
Proceeds from interest and dividend received	1,383	2,095
Payment for interest expenses	(2)	(1)
Payment for income taxes	(14,099)	(13,681)
Net cash provided by operating activities	25,021	26,130
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	3,252	8,396
Payments for purchases of marketable securities and security investments	(43,192)	(44,472)
Proceeds from sales or redemptions of marketable securities and security investments	45,263	42,928
Payments for purchases of property and equipment	(3,936)	(2,588)
Payments for purchases of other intangibles	(4,783)	(4,395)
Acquisition cost for new subsidiary's share	(1,256)	(2,411)
Acquisition cost for new subsidiary's interest	—	(73)
Net cash used in investing activities	(4,651)	(2,616)
Cash flows from financing activities:		
Payment for purchase of treasury stock	(0)	(4,682)
Proceeds from sales of treasury stock	241	45

Dividends paid	(11,655)	(8,929)
Net cash used in financing activities	(11,414)	(13,567)
Effect of exchange rate changes on cash and cash equivalents	(2,842)	(2,914)
Net increase (decrease) in cash and cash equivalents	6,112	7,031
Cash and cash equivalents at the beginning of period	58,023	64,136
Cash and cash equivalents at the end of period	*1 64,136	*1 71,167

(5) **【Footnote on going concern】**

Fiscal year ended December 31, 2010 (From January 1, 2010 to December 31, 2010)
N/A

Fiscal year ended December 31, 2011 (From January 1, 2011 to December 31, 2011)
N/A

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

	For the previous fiscal year (From January 1, 2010 To December 31, 2010)	For the current fiscal year (From January 1, 2011 To December 31, 2011)
1 Basis of consolidation	(1) Consolidated subsidiaries All of our 28 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.	(1) Consolidated subsidiaries All of our 32 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) *Cloud Trend Corporation	Equity method accounting is applied to investments in the following affiliated companies. *Soft Trend Capital Corporation (Japan) *Net STAR, Inc. (Japan) *Cloud Trend Corporation
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, 2010 To December 31, 2010)	For the current fiscal year (From January 1, 2011 To December 31, 2011)
4 Accounting Policies (1) Accounting for evaluation of assets	<p>A. Marketable securities and investment securities</p> <p>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.)</p> <p>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.</p> <p>B. Inventories Lower of cost or market by moving average method The carrying value on the balance sheet of the inventory with lower profit margin is written down</p>	<p>A. Marketable securities and investment securities</p> <p>Available-for-sale with market value: Same as left</p> <p>Available-for-sale without market value: Same as left</p> <p>B. Inventories Same as left</p>
(2) Depreciation and amortization	<p>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</p> <p>B. Intangibles a. Software for sale Straight -line method over the estimated useful lives (12 months) b. Software for internal use</p>	<p>A. Property and equipment Same as left (other than Leased assets)</p> <p>B. Intangibles a. Software for sale Same as left b. Software for internal use</p>

	Straight-line method over the estimated useful lives (mainly 5 years)	Same as left
	c. Other intangibles Straight-line method over the estimated useful lives	c. Other intangibles Same as left

	For the previous fiscal year (From January 1, 2010 To December 31, 2010)	For the current fiscal year (From January 1, 2011 To December 31, 2011)
(3) Accounting policies for allowances	<p>C. Leased assets</p> <p>Finance lease without transfer of ownership of the leased assets</p> <p>Straight-line method in which the useful life is assumed to be the lease period and the residual value is zero.</p> <p>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.</p> <p>A. Allowance for doubtful accounts</p> <p>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.</p> <p>B. Allowance for bonuses</p> <p>Bonuses for employees are provided at an estimate of the amount.</p> <p>C. Allowance for sales returns</p> <p>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.</p>	<p>C. Leased assets</p> <p>Same as left</p> <p>A. Allowance for doubtful accounts</p> <p>Same as left</p> <p>B. Allowance for bonuses</p> <p>Same as left</p> <p>C. Allowance for sales returns</p> <p>Same as left</p>

	For the previous fiscal year (From January 1, 2010 To December 31, 2010)	For the current fiscal year (From January 1, 2011 To December 31, 2011)
(4) Translation of foreign currencies	<p>D. Allowance for retirement benefits</p> <p>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 less than average future service years of employees of the year (1-24 years).</p> <p>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.</p> <p>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.</p>	<p>D. Allowance for retirement benefits</p> <p>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 less than average future service years of employees of the year (1-23 years).</p> <p>Same as left</p>

	For the previous fiscal year (From January 1, 2010 To December 31, 2010)	For the current fiscal year (From January 1, 2011 To December 31, 2011)
(5) Other important matters for preparing financial statements	<p>A. Consumption tax Transactions subject to consumption tax is stated at the amount net of the related consumption tax.</p> <p>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.</p>	<p>A. Consumption tax Same as left</p> <p>B. Revenue recognition method for Post Contract Customer Support Service Same as left</p>
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】**

(Change of the accounting policy)

For the previous fiscal year (From January 1, 2010 To December 31, 2010)	For the current fiscal year (From January 1, 2011 To December 31, 2011)
<p>(Change in accounting principles of stock compensation expense) We treated a part of stock compensation expense as "Cost of sales" until FY2009, however, from FY2010, we treat all stock compensation expense as "Selling, general & administrative expense". This expense is not directly related to cost accounting calculation based on cost sharing contract started from FY2010. The effect of this change is immaterial.</p>	
<p>(Accounting standard for retirement benefits) The Company has applied "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (ASBJ Guidance No.19 2008 July 31st). It has no impact to operating income, ordinary income & net income before income tax.</p>	
	<p>(Accounting standard for Asset retirement obligation) From this fiscal year 2011, the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008) were adopted. There is no effect of this adoption.</p>

(Change of the way of disclosure)

For the previous fiscal year (From January 1, 2010 To December 31, 2010)	For the current fiscal year (From January 1, 2011 To December 31, 2011)
—————	<p>(Consolidated Income Statements) Following the adoption of the "Cabinet Office Ordinance for Partial Revision of the Regulation for terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No.5, March 24, 2009) based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, December 26, 2008), "Income before minority interests" is included in the consolidated statements of income.</p>
—————	<p>(Consolidated Statements of Cash Flow) Due to the significance of account payable, other and accrued expense ended December 31, 2011, "Increase (decrease) in account payable, other and accrued expense" is added in "Cash flow from operating activities" in Consolidated Statement of Cash Flows. The amount of 2,386 Million yen as "Increase (decrease) in account payable, other and accrued expense" for the previous financial year is included in "Others" in cash flow from operating activities.</p>

(Additional information)

For the previous fiscal year (From January 1, 2010 To December 31, 2010)	For the current fiscal year (From January 1, 2011 To December 31, 2011)
	From the current fiscal year, the company has been applying "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, June30, 2010). The amounts of "accumulated other comprehensive income" and "total accumulated other comprehensive income" of the previous fiscal year states in the amounts of "valuation and translation adjustments" and "total valuation and translation adjustments".

(8) 【Notes for Consolidated Financial Statements】

(Consolidated Balance Sheets)

(Millions of Yen)

At the end of the previous fiscal year (As of December 31, 2010)		At the end of the current fiscal year (As of December 31, 2011)	
*1	Inventory	*1	Inventory
	Finished Goods		Finished Goods
	Materials		Materials
	Goods		Goods
	478		345
	31		20
	41		59
*2	Accumulated depreciation of property and equipment	*2	Accumulated depreciation of property and equipment
	8,393		9,751

(Consolidated Statements of Income)

(Millions of Yen)

For the previous fiscal year (From January 1, 2010 To December 31, 2010)	For the current fiscal year (From January 1, 2011 To December 31, 2011)
*1 Major components of selling, general and administrative expenses are as follows	*1 Major components of selling, general and administrative expenses are as follows
Sales promotion 10,234	Sales promotion 7,520
Salaries 22,564	Salaries 22,659
Bonuses 485	Bonuses 657
Research and development 3,547	
*2 Research and development expense were 3,547 millions of yen and included in Operating expenses.	*2 Research and development expense were 3,470 millions of yen and included in Operating expenses.
	*3 The details of loss on disposal of fixed assets
	Buildings 102
	Office furniture & equipment, etc. 8

(Consolidated Statements of Comprehensive Income)

For the current fiscal year (from January 1, 2011 to December 31, 2011)

※1 Comprehensive income for the previous fiscal year
(from January 1, 2010 to December 31, 2010)

(Millions of Yen)

Comprehensive income attribute to owners of the parent	7,111
Comprehensive income attribute to minority interest	37
<u>Total</u>	<u>7,148</u>

※2 Other comprehensive income for the previous year
(from January 1, 2010 to December 31, 2010)

(Millions of Yen)

Valuation difference on available-for-sales securities	△1,997
Foreign currency translation adjustment	△3,612
Share of other comprehensive income of associates accounted for using equity method	0
<u>Total</u>	<u>△5,608</u>

(Consolidated Stockholders' Equity Statements)

For the previous fiscal year (from January 1, 2010 to December 31, 2010)

1. Number of common stock issued

Class of stock	As of Dec 31, 2009	Increase	Decrease	As of Dec 31, 2010
Common stock	140,293,004	—	—	140,293,004

2. Number of Treasury stocks

Class of treasury stock	As of Dec 31, 2009	Increase	Decrease	As of Dec 31, 2010
Common stock	6,841,534	1	91,000	6,750,535

The increase by 1 share is due to purchasing of share less than one unit.

The decrease by 91,000 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, 2009	Increase	Decrease	As of Dec 31, 2010	
Stock Option	—	—	—	—	—	8,734

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, 2010	Common stock	12,144	91.00	Dec 31, 2009	Mar 29, 2010

(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, 2011	Common stock	Retained earnings	9,347	70.00	Dec 31, 2010	Mar 28, 2011

For the current fiscal year (from January 1, 2011 to December 31, 2011)

1. Number of common stock issued

Class of stock	As of Dec 31, 2010	Increase	Decrease	As of Dec 31, 2011
Common stock	140,293,004	—	—	140,293,004

2. Number of Treasury stocks

Class of treasury stock	As of Dec 31, 2010	Increase	Decrease	As of Dec 31, 2011
Common stock	6,750,535	2,006,100	17,900	8,738,735

The increase by 2,006,100 shares is due to the market purchase of treasury stock
The decrease by 17,900 shares is due to the 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, 2010	Increase	Decrease	As of Dec 31, 2011	
Stock Option	—	—	—	—	—	6,719

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, 2011	Common stock	9,347	70.00	Dec 31, 2010	Mar 28, 2011

(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 27, 2012	Common stock	Retained earnings	11,313	86.00	Dec 31, 2011	Mar 28, 2012

(Consolidated Statements of Cash Flows)

(Millions of yen)

For the previous fiscal year (From January 1, 2010 To December 31, 2010)	For the current fiscal year (From January 1, 2011 To December 31, 2011)
*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 73,960	Cash and bank deposits 71,883
Time deposits with original maturities of longer than three months (10,318)	Time deposits with original maturities of longer than three months (1,661)
Short term investments which is in Marketable securities account 493	Short term investments which is in Marketable securities account 946
Cash and cash equivalent 64,136	Cash and cash equivalent 71,167

(Marketable securities and security investments)

As of December 31, 2010

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	9,854	9,856	2
	(2) Corporate bonds	7,419	7,423	4
	(3) Others	389	942	553
	Others	1,502	2,080	578
	Total	19,164	20,304	1,139
Marketable securities with purchase cost over fair value	Bonds			
	(1) Government bonds	7,667	7,663	(3)
	(2) Corporate bonds	8,417	8,361	(56)
	(3) Others	6,620	6,592	(27)
	Others	22,406	14,925	(7,481)
	Total	45,111	37,542	(7,568)
Grand Total		64,276	57,846	(6,429)

2 Sales of available-for-sales investments (From January 1, 2010 to December 31, 2010)

(Millions of yen)

Classification	Sales amount	Gain on sales of investments in securities	Loss on sales of investments in securities
Shares	0	-	-
Bonds	35,257	-	-
Others	10,006	3	-
Total	45,263	3	-

As of December 31, 2011

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	6,926	6,928	1
	(2) Corporate bonds	6,078	6,101	22
	(3) Others	-	-	-
	Others	1,961	1,992	30
	Total	14,966	15,021	55
Marketable securities with purchase cost over fair value	Bonds			
	(1) Government bonds	6,521	6,520	(0)
	(2) Corporate bonds	21,983	20,869	(1,113)
	(3) Others	10,781	10,568	(213)
	Others	4,456	2,791	(1,664)
	Total	43,743	40,751	(2,991)
Grand Total		58,709	55,772	(2,936)

2 Sales of available-for-sales investments (From January 1, 2011 to December 31, 2011)

(Millions of yen)

Classification	Sales amount	Gain on sales of investments in securities	Loss on sales of investments in securities
Shares	-	-	-
Bonds	31,506	1,635	-
Others	14,541	5	5,625
Total	46,048	1,640	5,625

(Employee retirement benefit plans)

(Millions of yen)

At the end of previous fiscal year (As of Dec 31, 2010)	At the end of current fiscal year (As of Dec 31, 2011)																												
<p>1. Pension and severance plans</p> <p>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.</p> <p>The consolidated subsidiaries adopt defined benefit plan or defined contribution plan and certain subsidiary has a 401(k) retirement plan.</p> <p>The overview of multi-employer pension fund is as follows.</p> <p>(1) Funded status of Kanto IT Software pension plan (as of Mar 31, 2010)</p> <table> <tr> <td>Pension asset</td> <td>161,054</td> </tr> <tr> <td><u>Benefit obligation</u></td> <td><u>159,998</u></td> </tr> <tr> <td>Variance</td> <td>1,055</td> </tr> </table> <p>(2) The ratio of the Company's contribution for Kanto IT Software pension fund (as of Mar 31, 2010)</p> <p>1.26%</p> <p>(3) Supplemental information</p> <p>The reasons for the variance of (1) are as follows.</p> <table> <tr> <td>Other reserve</td> <td>23,339</td> </tr> <tr> <td>Shortage of reserve</td> <td>(8,356)</td> </tr> <tr> <td><u>Asset valuation adjustment</u></td> <td><u>(13,927)</u></td> </tr> <tr> <td>Variance</td> <td>1,055</td> </tr> </table> <p>The unfunded prior service cost is amortized evenly over 20 years.</p>	Pension asset	161,054	<u>Benefit obligation</u>	<u>159,998</u>	Variance	1,055	Other reserve	23,339	Shortage of reserve	(8,356)	<u>Asset valuation adjustment</u>	<u>(13,927)</u>	Variance	1,055	<p>1. Pension and severance plans</p> <p>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.</p> <p>The consolidated subsidiaries adopt defined benefit plan or defined contribution plan and certain subsidiary has a 401(k) retirement plan.</p> <p>The overview of multi-employer pension fund is as follows.</p> <p>(1) Funded status of Kanto IT Software pension plan (as of Mar 31, 2011)</p> <table> <tr> <td>Pension asset</td> <td>171,944</td> </tr> <tr> <td><u>Benefit obligation</u></td> <td><u>172,108</u></td> </tr> <tr> <td>Variance</td> <td>(163)</td> </tr> </table> <p>(2) The ratio of the Company's contribution for Kanto IT Software pension fund (as of Mar 31, 2011)</p> <p>1.07%</p> <p>(3) Supplemental information</p> <p>The reasons for the variance of (1) are as follows.</p> <table> <tr> <td>Other reserve</td> <td>14,983</td> </tr> <tr> <td>Shortage of reserve</td> <td>(11,653)</td> </tr> <tr> <td><u>Asset valuation adjustment</u></td> <td><u>(3,493)</u></td> </tr> <tr> <td>Variance</td> <td>(163)</td> </tr> </table> <p>The unfunded prior service cost is amortized evenly over 20 years.</p>	Pension asset	171,944	<u>Benefit obligation</u>	<u>172,108</u>	Variance	(163)	Other reserve	14,983	Shortage of reserve	(11,653)	<u>Asset valuation adjustment</u>	<u>(3,493)</u>	Variance	(163)
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<u>Defined contribution plan</u>	606	<u>Defined contribution plan</u>	526
Net periodic pension cost		Net periodic pension cost	
(1+2+3+4+5+6)	1,091	(1+2+3+4+5+6)	1,034
<p>(Note) Pension expenses of the consolidated subsidiaries adopting compendium method are booked as service cost.</p>		<p>(Note) Pension expenses of the consolidated subsidiaries adopting compendium method are booked as service cost.</p>	
<p>4. Assumption used for calculating the pension benefit obligation</p>		<p>4. Assumption used for calculating the pension benefit obligation</p>	
<p>1. Projected cost allocation method</p>		<p>1. Projected cost allocation method</p>	
	Straight line basis		Straight line basis
2. Discount rate	1.00 - 10.40%	2. Discount rate	1.00 - 10.40%
3. Rate of return on asset	1.75 - 6.00%	3. Rate of return on asset	2.00 - 6.00%
4. Amortization of actuarial gain and loss	1 - 24 years	4. Amortization of actuarial gain and loss	1 - 23 years

(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, 2010 to December 31, 2010), the ratio of the main businesses account more than 90% of total sales amount and operating income. Then, the Company omits “Business category segment information” .

2 Geographical segment information

For the previous fiscal year (from January 1, 2010 to December 31, 2010)

(Millions of Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Corporate or Elimination	Consolidation
I Sales								
(1) Net sales to external customers	42,325	22,726	18,258	9,457	2,623	95,391	-	95,391
(2) Intercompany sales	12,637	1,849	1,085	9,974	6	25,553	(25,553)	-
Total sales	54,962	24,576	19,343	19,431	2,630	120,944	(25,553)	95,391
Operating Expense	30,207	26,225	19,754	19,291	1,839	97,317	(25,679)	71,638
Operating income (loss)	24,755	(1,648)	(411)	140	790	23,626	125	23,752
II Assets	81,476	31,636	23,521	19,395	6,373	162,403	43,696	206,099

(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 Changes in allocation of Cost of Sales and Selling, General & Administrative expenses

Due to the commencement of COST SHARING AGREEMENT among group companies starting from January 2010, the representative companies in four regions (participants) share the parent company's intangible creating and related costs. Then the Cost of Sales and Selling, General & Administrative expenses sitting in Corporate or Elimination has been allocated among the 4 regions. Due to the difficulties of computation for the current period's Corporate or Elimination based on previous years, the impact about this change was omitted.

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

	For the previous fiscal year (From January 1, 2009 To December 31, 2009)	For the last fiscal year (From January 1, 2010 To December 31, 2010)	Content
The unapportionable amount of assets that is included in “Corporate or Elimination”	68,473	59,887	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 previous fiscal year (from January 1, 2010 to December 31, 2010)

(Millions of Yen)

	North America	Europe	Asia Pacific	Latin America	Total
1 Sales to overseas	23,022	18,036	9,460	2,636	53,155
2 Consolidated total sales	—	—	—	—	95,391
3 Sales % to Overseas to Consolidated total sales	24.1	18.9	9.9	2.8	55.7

(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

(Segment Information)

(Additional Information)

Effective from the fiscal year ended December 31, 2011, the company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 27, 2009) and the "Guidance on the Accounting Standards for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, March 21, 2008)

1 Outline of reporting segment

The segment of trendmicro group shall be part of its organizational units whose financial information is individually available, and shall be subject to regular review by its decision-making-body for the purpose of deciding the allocation of its managerial resources and evaluating its business performances.

The company is mainly engaged in developing and selling anti-virus software product and providing anti-virus related services. The company is taking care of Japan area and its affiliates in North America, Europe, Asia Pacific or Latin America are in charge of their own area respectively. Therefore, our segments are made of 5 segments which are Japan, North America, Europe, Asia Pacific and Latin America based on the business of developing, selling anti-virus products and related services.

2 Method of calculating amounts of net sales, income/loss, assets, liabilities and other items by segments

Accounting procedures reported by segment are almost the same as those which are described

in 【Significant Accounting Policies and Practices for Preparing Consolidated Financial Statements】

3 Information of the amount of sales, profit/loss, assets, liabilities and other items by reporting segments

For the previous fiscal year (from January 1, 2010 to December 31, 2010)

(Millions of yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total
Sales						
(1) Net sales to external customers	42,325	22,726	18,258	9,457	2,623	95,391
(2) Intercompany sales	12,637	1,849	1,085	9,974	6	25,553
Total sales	54,962	24,576	19,343	19,431	2,630	120,944
Operating income/loss by segment	24,755	△1,648	△411	140	790	23,626
Assets by segment	81,476	31,636	23,521	19,395	6,373	162,403
Other items						
Depreciation and amortization	3,088	1,407	447	1,062	10	6,015
Increase in tangible and intangible fixed assets	3,343	3,041	505	1,662	2	8,555

For the current fiscal year (from January 1, 2011 to December 31, 2011)

(Millions of yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total
Sales						
(1) Net sales to external customers	46,070	20,452	17,147	10,329	2,391	96,392
(2) Intercompany sales	8,950	1,383	1,377	10,747	10	22,470
Total sales	55,021	21,836	18,525	21,077	2,402	118,863
Operating income/loss by segment	24,061	601	75	984	701	26,424
Assets by segment	137,738	31,103	22,049	20,001	6,275	217,167
Other items						
Depreciation and amortization	2,927	2,109	463	1,073	11	6,586
Increase in tangible and intangible fixed assets	3,474	2,734	601	853	11	7,675

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

4 Differences between total amount of reporting segments and the amounts reported in the financial statements, and the main elements (the items regarding variances adjustments)

(Millions of yen)

Sales	Previous fiscal year	Current fiscal year
Total amount of reporting segments	120,944	118,863
Elimination in intersegments sales	△25,553	△22,470
Sales reported in financial statements	95,391	96,392

(Millions of yen)

Profit	Previous fiscal year	Current fiscal year
Total amount of reporting segments	23,626	26,424
Elimination in intersegments transactions	125	△59
Operating income in financial statements	23,752	26,364

(Millions of yen)

Assets	Previous fiscal year	Current fiscal year
Total amount of reporting segments	162,403	217,167
Elimination in intersegments transactions	43,696	△15,402
Total assets in financial statements	206,099	201,765

(Millions of yen)

Other items	Total amount of reporting segment		Others		Total amount in financial statements	
	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year
Depreciation and Amortization	6,015	6,586	—	△105	6,015	6,481

(Relative information)

For the current fiscal year (from January 1, 2011 to December 31, 2011)

1. Information by production and service

The amount of sales in the single category of production and service to external customers exceeds 90% of sales which was recognized in consolidated statement of income, then, reporting is omitted.

2. Information by geographical area

(1) Sales

(Millions of yen)

Japan	North America	Europe	Asia Pacific	Latin America	Total
45,601	21,309	16,747	10,335	2,398	96,392

(Note) Sales is categorized by area or country based on the location of customers.

(2) Tangible fixed asset

(Millions of yen)

Japan	North America	Europe	Asia Pacific	Latin America	Total
955	2,011	675	1,498	16	5,157

3. Information by major customers

(Millions of yen)

Customer name	Sales	Segment
SOFTBANK BB corporation	12,587	Japan
SOFTBANK TELECOM corp.	11,990	Japan

(Information of impairment loss on fixes asset by segment)

For the current fiscal year (from January 1, 2011 to December 31, 2011)

N/A

(Information of amortization expense of goodwill and unamortized balance of goodwill by segment)

For the current fiscal year (from January 1, 2011 to December 31, 2011)

(Millions of yen)

	Segment						Other	HQ or Elimination	Total
	Japan	North America	Europe	Asia Pacific	Latin America	total			
Amortization Expense of GW	—	452	405	—	—	857	—	—	857
Unamortized balance of GW	—	1,145	681	—	—	1,826	—	—	1,826

(Information of negative goodwill by segment)

For the current fiscal year (from January 1, 2011 to December 31, 2011)

N/A

(Information of EPS)

(Yen)

	For the previous fiscal year (From January 1, 2010 To December 31, 2010)	For the current fiscal year (From January 1, 2011 To December 31, 2011)
Shareholders' equity per share	732.26	764.64
Basic EPS	95.27	131.23
Diluted EPS	94.76	131.14

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, 2010 To December 31, 2010)	For the current fiscal year (From January 1, 2011 To December 31, 2011)
<Basic EPS>		
Net income (Millions of Yen)	12,720	17,341
-not to attributable to common stock holders	-	-
-to common stock holders	12,720	17,341
Weighted-average number of common shares (Shares)	133,520,927	132,143,319
<Diluted EPS>		
Adjustment to net income (Millions of Yen)	-	-
Increased common stock (Shares)	713,022	90,743
*Breakdown of increased common stock - Stock acquisition rights (Shares)	(713,022)	(90,743)
Details of shares not included in the computation of diluted EPS since it did not have dilutive effect	1,206,500 for Stock option round17 1,393,000 for Stock option round18 2,070,000 for Stock option round19 1,100,000 for Stock option round20 2,524,500 for Stock option round21 2,508,500 for Stock option round23 1,241,500 for Stock option round24	262,500 for Stock option round19 174,000 for Stock option round20 2,059,500 for Stock option round21 2,147,000 for Stock option round22 2,359,000 for Stock option round23 1,241,500 for Stock option round24 2,339,500 for Stock option round26 2,326,600 for Stock option round27

The Company omits the notes for "Lease transaction", "Related party transaction", "Deferred tax accounting", "Financial instrument", "Derivative", "Stock Option", "Business combination" and "Investment and Rental Property", because for the current fiscal year, the Company considers there is not a strong need to release them.

(Significant Subsequent Events)

For the previous fiscal year (from January 1, 2010 to December 31, 2010)

Regarding stock acquisition of Mobile Armor Inc.

Trend Micro Incorporated (U.S.A) has agreed with shareholders of Mobile Armor Inc. to purchase all issued shares and completed to acquire them on February 1st 2011 in US time.

1. Purpose

In order to provide comprehensive data protection with taking technologies of Mobile Armor to our products

2. The name of shareholder company

Dolphin Equity Partners, L. P. (representative of acquisition agreement) & 12 other shareholders.

3. The name of acquired company, business contents & company size

(1) The name of acquired company : Mobile Armor Inc.

(2) Business contents : Data encryption for portable digital devices

(3) Company size :

For fiscal year ended December 31, 2009 & as of December 31, 2009

Sales : 3,051 thousand US dollar

Total Assets : 1,877 thousand US dollar

4. Date of stock purchased

February 1st 2011

5. The number of purchased shares, prices & ownership ratio after acquisition

(1) The number of purchased shares

Common Stock 1,246,216

Preferred stock Series A 17,723,968

Preferred stock Series B 2,215,496

(2) Acquisition price : 29,318 thousand US dollar

(3) Ownership ratio after acquisition : 100%

6. Fund-raising

Trend Micro Incorporated (U.S.A) has allocated fund-in-hand for this acquisition.

For the current fiscal year (from January 1, 2011 to December 31, 2011)

N/A

5. 【Non-consolidated Financial Statements】

(1) 【Non-consolidated Balance Sheets】

(Millions of yen)

Account	As of December 31, 2010	As of December 31, 2011
(Assets)		
Current assets		
Cash and bank deposits	33,390	32,772
Accounts receivable, trade	11,955	11,238
Marketable securities	40,972	36,305
Finished goods	106	23
Raw material	23	11
Supplies	41	59
Prepaid expense	77	84
Deferred tax assets	16,508	13,767
Other receivables	2,952	3,387
Others	99	268
Allowance for bad debt	(130)	(1)
Total current assets	105,999	97,918
Non-current assets		
Tangible fixed assets		
Buildings	679	850
Accumulated depreciation	(381)	(317)
Buildings, net	298	533
Office furniture and equipment	1,181	1,375
Accumulated depreciation	(847)	(952)
Office furniture and equipment, net	334	422
Construction in progress	33	—
Total Tangible fixed assets	666	955
Intangible fixed assets		
Software	3,298	2,981
Software in progress	877	710
Others	299	698
Total intangible fixed assets	4,475	4,389
Investments and other non-current assets		
Investments in securities	17,212	23,224
Investments in subsidiaries and affiliates	2,175	2,219
Investments in capital of affiliates	7	7
Security deposits	802	497
Membership	4	4
Deferred tax assets	8,552	8,159
Allowance for loss on investments in subsidiaries and affiliates	(53)	—
Total investments and other non-current assets	28,702	34,113
Total non-current assets	33,843	39,459
Total assets	139,842	137,377

(Millions of yen)

Account	As of December 31, 2010	As of December 31, 2011
(Liabilities)		
Current liabilities		
Accounts payable, trade	124	116
Accounts payable, other	10,637	10,167
Accrued expenses	187	263
Accrued corporate tax and others	5,934	2,067
Accrued consumption taxes	265	177
Deposits received	50	45
Allowance for bonuses	—	28
Allowance for sales return	391	511
Deferred revenue	28,942	29,205
Others	55	51
Total current liabilities	46,589	42,634
Non-current liabilities		
Deferred revenue	15,583	15,186
Long-term accounts payable	9	2
Allowance for retirement benefits	1,331	1,574
Total non-current liabilities	16,924	16,764
Total liabilities	63,514	59,398
(Net assets)		
Shareholders' equity		
Common stock	18,386	18,386
Capital surplus		
Additional paid-in capital	21,108	21,108
Other capital surplus	3	3
Total capital surplus	21,111	21,111
Accumulated earnings		
Legal reserve	20	20
Accumulated profit		
Retained earnings carried forward	53,722	59,976
Total retained earnings	53,742	59,997
Treasury stock	(21,834)	(26,460)
Total shareholders' equity	71,406	73,034
Valuation and translation adjustment		
Unrealized gain on available for sale securities	(3,813)	(1,775)
Total valuation and translation adjustment	(3,813)	(1,775)
Stock acquisition rights	8,734	6,719
Total net assets	76,328	77,979
Total liabilities and net assets	139,842	137,377

(2) 【Non-consolidated Statements of Income】

(Millions of yen)

Account	For the year ended December 31, 2010	For the year ended December 31, 2011
Sales Revenue		
Sales	42,235	45,601
Royalty	12,727	9,419
Net sales revenue	54,962	55,021
Cost of sales	9,566	9,528
Gross profit	45,396	45,492
Selling, general and administrative expense	21,046	21,294
Operating income	24,349	24,197
Non-operating income		
Interest income	8	6
Interest on marketable securities	367	450
Dividend	8	647
Gain on sales of marketable securities	—	824
Global system income	56	41
Others	30	61
Total Non-operating income	472	2,031
Non-operating expense		
Exchange loss	491	416
Global system expense	195	144
Others	115	136
Total Non-operating expenses	803	696
Ordinary income	24,018	25,532
Extraordinary gain		
Reversal of allowance for investment loss	—	53
Refundment of placement fee	226	—
Gain on reversal of stock option	—	4,612
Gain on reversal of allowance for bad debt	—	130
Gain on redemption of marketable securities	—	810
Total Extraordinary gain	226	5,606
Extraordinary loss		
Loss on disposal of fixed assets	—	107
Provision of investment loss	31	—
Devaluation loss on marketable securities	662	—
Loss on sales of marketable securities	—	5,625
Legal settlement	553	—
Total Extraordinary loss	1,246	5,732
Net income before tax	22,998	25,406
Income tax current	12,101	8,125
Income tax -deferred	(2,074)	1,678
Total Income taxes	10,027	9,803
Net income	12,971	15,602

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

(Millions of yen)

	For the year ended December 31, 2010	For the year ended December 31, 2011
Shareholders' equity		
Common stock		
Balance at the end of previous period	18,386	18,386
Movement for this period		
Issuance of new stock	—	—
Total movement	—	—
Balance at the end of current period	18,386	18,386
Capital surplus		
Additional paid-in capital		
Balance at the end of previous period	21,108	21,108
Movement for this period		
Issuance of new stock	—	—
Total movement	—	—
Balance at the end of current period	21,108	21,108
Other capital surplus		
Balance at the end of previous period	—	3
Movement for this period		
Sales of treasury stock	3	0
Total movement	3	0
Balance at the end of current period	3	3
Total capital surplus		
Balance at the end of previous period	21,108	21,111
Movement for this period		
Issuance of new stock	—	—
Sales of treasury stock	3	0
Total movement	3	0
Balance at the end of current period	21,111	21,111
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	52,895	53,722
Movement for this period		
Dividend of surplus	(12,144)	(9,347)
Net income	12,971	15,602
Sales of treasury stock	—	—
Total movement	827	6,254
Balance at the end of current period	53,722	59,976

(Millions of yen)

	For the year ended December 31, 2010	For the year ended December 31, 2011
Total accumulated profit		
Balance at the end of previous period	52,915	53,742
Movement for this period		
Dividend of surplus	(12,144)	(9,347)
Net income	12,971	15,602
Sales of treasury stock	—	—
Total movement	827	6,254
Balance at the end of current period	53,742	59,997
Treasury stock		
Balance at the end of previous period	(22,128)	(21,834)
Movement for this period		
Sales of treasury stock	294	55
Purchase of treasury stock	(0)	(4,682)
Total movement	294	(4,626)
Balance at the end of current period	(21,834)	(26,460)
Total shareholders' equity		
Balance at the end of previous period	70,282	71,406
Movement for this period		
Issuance of new stock	—	—
Dividend of surplus	(12,144)	(9,347)
Net income	12,971	15,602
Sales of treasury stock	297	55
Purchase of treasury stock	(0)	(4,682)
Total movement	1,124	1,628
Balance at the end of current period	71,406	73,034
Revaluation Surplus		
Unrealized gain/(loss) on available for sale securities		
Balance at the end of previous period	(1,815)	(3,813)
Movement for this period		
Movement for this period excluding shareholders' equity	(1,997)	2,037
Total movement	(1,997)	2,037
Balance at the end of current period	(3,813)	(1,775)
Total Revaluation Surplus		
Balance at the end of previous period	(1,815)	(3,813)
Movement for this period		
Movement for this period excluding shareholders' equity	(1,997)	2,037
Total movement	(1,997)	2,037
Balance at the end of current period	(3,813)	(1,775)
Stock acquisition rights		
Balance at the end of previous period	6,110	8,734
Movement for this period		
Movement for this period excluding shareholders' equity	2,624	(2,014)
Total movement	2,624	(2,014)
Balance at the end of current period	8,734	6,719
Total net assets		
Balance at the end of previous period	74,576	76,328
Movement for this period		
Issuance of new stock	—	—
Dividend of surplus	(12,144)	(9,347)
Net income	12,971	15,602

Sales of treasury stock	297	55
Purchase of treasury stock	(0)	(4,682)
Movement for this period excluding shareholders' equity	626	22
Total movement	<u>1,751</u>	<u>1,650</u>
Balance at the end of current period	<u>76,328</u>	<u>77,979</u>

(4) **【Footnote on going concern】**

Fiscal year ended December 31, 2010 (From January 1, 2010 to December 31, 2010)
N/A

Fiscal year ended December 31, 2011 (From January 1, 2011 to December 31, 2011)
N/A

6. Others

(1) Changes in Directors and Corporate Auditors

(i) Representative Director

N/A

(ii) Corporate Auditors

N/A

(2) Others

N/A