

February 14, 2013

Report of Earning Results (Consolidated)
for Fiscal Year
Ending December 31, 2012

Company : Trend Micro Incorporated Tokyo Stock Exchange 1st Section
Code : 4704 Location : Tokyo
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Expected date of the annual shareholders meeting: March 26, 2013

Expected date of the delivery of dividends: Mar 27, 2013

Expected date of the submission of annual security reports ("Yuka Shoken Hokokusho")
: March 28, 2013

1. Financial Highlights for FY 2012 (January 1, 2012 through December 31, 2012)

(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 2012	93,839	(2.6)	22,407	(15.0)	22,661	(21.0)	13,447	(22.5)
FY 2011	96,392	1.1	26,364	11.0	28,690	20.4	17,341	36.3

(Note) Comprehensive Income

: 19,986 million yen (19.1%) (16,778 million yen (134.7%) as of December 31, 2011)

	Net income per share (basic)	Net income per share (diluted)	Return on shareholders' equity	Return on assets	Operating profit on sales
	Yen	Yen	%	%	%
FY 2012	102.21	-	12.8	10.8	23.9
FY 2011	131.23	-	17.5	14.1	27.4

(Note) Equity in earnings of affiliated companies

: 3 million yen (22 million yen as of December 31, 2011)

(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, 2012	219,007	113,492	49.9	830.57
December 31, 2011	201,765	107,362	49.9	764.64

(Note) Equity capital

: 109,270 million yen (100,591 million yen as of December 31, 2011)

(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 2012	31,529	(45,645)	(11,128)	50,446
FY 2011	26,130	(2,616)	(13,567)	71,167

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, 2011	Yen -	Yen 0.00	Yen -	Yen 86.00	Yen 86.00	Millions of yen 11,313	% 65.5	% 11.5
December 31, 2012	-	0.00	-	67.00	67.00	8,814	65.6	11.1
Projection for FY 2013	-	0.00	-	-	-		-	

(Note) Dividend for 2013 Annual end is not yet projected.

3. Forecasts of Consolidated Financial Results for FY 2013

(January 1, 2013 through December 31, 2013)

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

For the forecast of the first quarter end of FY 2013, please refer to page 4.

4. Others

(1) Movement of significant subsidiary : No

(2) Changes in accounting principles, accounting estimate and restatement

- ① Changes under the revision of Accounting Standards : Yes
- ② Changes in accounting principles other than ① : No
- ③ Changes Accounting estimates : No
- ④ Restatement : No

(Note) Please take a look at 4. **【CONSOLIDATED FINANCIAL STATEMENTS】** (7) (Change in Significant Accounting Policies and Practices for Preparing Consolidated Financial Statements) for the details.

(3) Number of shares issued (common shares)

① Number of shares issued (including treasury stocks):

140,293,004 shares as of December 31, 2012

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

② Number of treasury stocks :

8,732,135 shares as of December 31, 2012

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

② Average number of share issued :

131,557,952 shares as of December 31, 2012

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

Results of the non-consolidated operations

1. Financial Highlights for the FY 2012 (January 1, 2012 through December 31, 2012)

(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 2012	50,739	(7.8)	18,737	(22.6)	18,690	(26.8)	12,031	(22.9)
FY 2011	55,021	0.1	24,197	(0.6)	25,532	6.3	15,602	20.3

	Net income per share (basic)		Net income per share (diluted)	
	Yen		Yen	
FY 2012	91.45		-	
FY 2011	118.07		-	

(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, 2012	146,401	78,559	50.8	565.11
December 31, 2011	137,377	77,979	51.9	541.67

(Note) Equity capital : 74,346 million yen (71,259 million yen as of December 31, 2011)

* 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 2.

Forecasts of consolidated financial results for 1st quarter of FY 2013

	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, 2013 through March 31, 2013)	24,700	9.1	5,600	0.6	5,900	1.6	3,400	3.5	25.84

※ Notice on forward-looking statements and other specific items

We have decided to announce the earnings on a quarterly basis instead of disclosing it on a yearly basis.

Please take a look at 1.(1) (Qualitative Information on the consolidated Business Results) for the details.

Attached materials

Index

1. Qualitative Information on the consolidated Business Results.....	2
(1) Operating results analysis	2
(2) Financial condition analysis	4
(3) Basic policy of profit sharing	5
(4) Risk factors	5
2. Condition of corporate group	13
3. Management policy.....	15
(1) Basic policy of management	15
(2) Target management index.....	15
(3) Mid-to long-term business strategy	15
(4) Issues to deal with.....	16
4. Consolidated financial statements.....	17
(1) Consolidated balance sheets.....	17
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive income.....	19
(3) Consolidated Statements of Changes in Net Assets	21
(4) Consolidated Statements of Cash Flows.....	22
(5) Footnote on going concern.....	25
(6) Significant Accounting Policies and Practices for Preparing Consolidated Financial Statements.....	25
(7) Change in Significant Accounting Policies and Practices for Preparing Consolidated Financial Statements.....	31
(8) Notes for Consolidated Financial Statements.....	32
5. Non-consolidated Financial Statements.....	48
(1) Non-consolidated Balance Sheets.....	48
(2) Non-consolidated Statements of Income.....	50
(3) Non-consolidated Statements of Changes in Net Assets	51
(4) Footnote on going concern.....	54
6. Others	55
(1) Changes in Directors and Corporate Auditors.....	55
(2) Others	55

• 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
FY2012	93,839	22,407	22,661	24,404	13,447
FY2011	96,392	26,364	28,690	28,623	17,341
Rate of Change (%)	△2.6%	△15.0%	△21.0%	△14.7%	△22.5%

(Unit: million yen)

	Net Sales		
	FY2012	FY2011	Rate of Change (%)
Japan	45,803	46,070	△0.6%
North America Reg.	18,869	20,452	△7.7%
Europe Reg.	16,396	17,147	△4.4%
Asia and Pacific Reg.	10,676	10,329	3.4%
Latin America Reg.	2,093	2,391	△12.5%

During this term of fiscal year 2012, from January 1 to December 31, despite expectation of a mild recovery, the world economy continued to be with fragility. The world economy remains in an unstable situation mainly due to the persistent European financial crisis. Although the US economy has seen a mild upturn, it remains economically uncertain due to financial problems, and so on. In addition, economic growth in emerging countries has been slowing down. The world economy still continues to go through unstable situation.

On the other hand, although Japan economy is still in a severe situation with concerns of world economic situation, particularly in Europe, and the potential impact of the yen's rise, but it's bottoming out to show slow economic recovery to prevent further deterioration of strong yen and export. With a change of regime as a start, Japan economy was expected recovery but its future outlook still remains uncertain.

In the worldwide Information Technology Industry, cloud computing has been still standing out from IT industry market. Worldwide PC shipment shows significant year-over-year decline for the first time in 11 years. It has been triggered by the decline in enterprise IT spending based on sluggish economic conditions and increased competition from smartphones and multi-functional mobile devices such as tablets, etc. Those are becoming more popular than PCs, in the enterprise and consumer market. On the other hand, cloud computing including server virtualization and IT services and mobile device markets expanded both foreign and domestic demands IT service markets in 2012. Those facts are expected to lead to IT spending next future.

In the computer security industry, Advanced Persistent Threat (APT), sophisticated, multi-faceted attacks targeting a particular organization, has fly entire world continuously. APTs have been still big issue for enterprise security. Also, the threats which will target specific country or region with local language demonstrate an upward trend worldwide. In Japan, a malware program created several crimes foretold with a remote control by third parties other than the authorized PC users. This incident gained nationwide attention due to mistaken arrest. On the other hand, smartphones and multi-functional mobile devices such as tablets, etc. increase users exponentially, and following variable apps also enjoy further growth and diversification. Because of these factors in 2012, malware and fake apps targeting Google's Android OS were going around the world. Such a threat trend has a potential to expand targeted attacks for entire

smartphones and multi-functional mobile devices in the days ahead regardless of business or individual. Thus, in enterprise, security for mobile devices and continuous monitoring office network has become more a critical issue to aware indication of attacks acutely. Under such an environment, our group business conditions are as follows:

In some signs of recovery enterprise IT spending, though APTs solution business for enterprise continued to achieve sustainable growth, entire Japan enterprise sales have been close to same level as FY2011 due to without temporary loyalty revenue in previous year. Consumer sales in Japan have been also close to same level as previous year due to change in the contract details related to ISP business. As the result, the net sales for this period in Japan showed a slight increase in 45,803 million yen (0.6% decrease from the same period in previous year.)

In North America, although the cloud business in this region has shown a growth, traditional business has been weak performed. Moreover, consumer business has been not performed well throughout the whole year due to the rebate for new customer acquisition in early this year. As the result, sales for this period in North America came to 18,869 million yen (7.7% decreases from the same period in previous year).

Although the net sales of EMEA, both enterprise and consumer sales in local currency have shown positive growth, a weak Euro could adversely affect this region sales. As the result, sales for this period in EMEA came to 16,396 million yen (4.4% decrease from the same period in previous year). 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.

In the Asia and Pacific region, Australia, which had been leading this region sales with mainly consumer business, shows decline in growth. However, China has continued to be good condition again this year. As the result, this region demonstrated the most growth among the 5 sales regions in Japanese yen. The net sales for this period in APAC showed increase in 10,676 million yen (3.4% increase from the same period in previous year).

In Latin America, though Brazil has maintained close to same level as previous year in local currency, Mexico have not performed well. In addition, a super strong yen could adversely affect this region sales. As the result, sales for this period in Latin America showed a double-digit decrease at 2,093 million yen (12.5% decrease from the same period in previous year.)

As a result, the consolidated net sales for entire year 2012 came to 93,839 million yen (2.6% decrease from the same period in previous year) as a decrease.

Cost of sales and operating expenses totaled 71,432 million yen (2.0% increase from the same period in previous year) mainly due to an increase in people cost and stock option related expenses, etc. As a result, consolidated operating income for this period was 22,407 million yen (15.0% decrease from the same period in previous year).

Due to a increase in Foreign exchange loss, the consolidated ordinary income for this period was 22,661 million yen (21.0% decrease from the same period in previous year), and the consolidated net income for this period was 13,447 million yen (22.5% decrease from the same period in previous year) no gain on redemption of marketable securities in previous year and impairment loss, etc.

(2). Projection for the First Quarter of the fiscal year 2013 (from January 1, 2013 to March 31, 2013)

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 FY2013 (January 1, 2013 - March 31, 2013)

Consolidated net sales	24,700 million yen
Consolidated operating income	5,600 million yen

Consolidated ordinary income	5,900 million yen
Consolidated net income	3,400 million yen

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

1 US \$	90 yen
1 Euro	120 yen

2. FINANCIAL CONDITION ANALYSIS

CONDITION OF ASSETS, LIABILITIES, AND NET ASSETS

Cash and bank deposits at the end of this period amounted to 54,732 million yen, a decrease of 17,151 million yen from FY 2011 annual closing. In addition, though marketable securities and investment securities, etc. increased substantially. As the result, total assets at the end of this period were 219,007 million yen, 17,242 million yen increase from FY 2011 annual closing. Total liabilities at the end of this period were 105,515 million yen, 11,112 million yen increase from FY 2011 annual closing. This increase is mainly due to substantial increase of Accrued income and other taxes and deferred revenue.

As a result, total net assets at the end of this period were 113,492 million yen, an increase of 6,129 million yen from FY 2011 annual closing. This increase is mainly due to decrease in stock acquisition rights by stock options buy back. In addition, there are substantial decreases of minus in both Accumulated Other Comprehensive Income Valuation difference on available-for-Sales Securities and Treasury stock and Foreign currency translation adjustments.

CONDITION OF CASH FLOW

(Unit: million yen)

	FY 2012	FY 2011	Increase (Decrease)
Cash Flows from Operating Activities	31,529	26,130	5,399
Cash Flows from Investing Activity	(45,645)	(2,616)	(43,028)
Cash Flows from Financing Activity	(11,128)	(13,567)	2,439
Effect of Exchange Rate Changes on Cash and Cash Equivalents	4,522	(2,914)	7,436
Net increase (Decrease) in Cash and Cash Equivalents	(20,721)	7,031	(27,753)
Cash and Cash Equivalents at beginning of period	71,167	64,136	7,031
Cash and Cash Equivalents at end of period	50,446	71,167	(20,721)

[Overview of Cash Flow]

Cash flows from operating activity for this period were cash inflow of 31,529 million yen increased by 5,399 million yen compared with the previous period. This increase of inflow was mainly due to the decrease of payment of income tax.

Cash flows from investing activity were cash outflow of 45,645 million yen, increased by 43,028 million yen compared with the previous period. This increase of outflow was mainly due to large investments in marketable securities and security investment.

Cash flows from financing activity were cash outflow of 11,128 million yen decreased by 2,439 million yen compared with the previous period. This decrease of outflow was mainly due to cash payment for market purchase of treasury stock in the previous fiscal year.

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 50,446 million yen, decreased by 20,721 million yen compared with the previous period.

[Trends of Cash Flow Indexes]

(Japan GAAP)

	FY2008	FY2009	FY2010	FY2011	FY2012
Shareholder' s equity Ratio (%)	53.2	50.3	47.4	49.9	49.9
Capital Adequacy Ratio on Market Value Basis	230.9	231.1	173.7	150.0	155.8
Debt Redemption Period (years)	-	-	-	-	-
Interest Coverage Ratio	9,236.6	12,367.2	8,424.1	13,846.0	7,300.7

(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 from operating activities" 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 on dividend, we plan to pay a year-end dividend on the basis of a inaccordance with dividend ratio of 65%.

Accordingly a year-end dividend on the basis of a dividend ratio of 65.6% of net income of 13,447 million yen in FY2012, we have planned to pay total dividends of 8,814 million yen, which is 67 yen per share in this term.

We also plan to pay dividend in next term based on our above mentioned basic policy on dividend.

4. RISK FACTORS

The occurrence of any of the following risks could affect the Trend Micro group's business, financial condition, and operating 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 of facing significant changes in the competitive environment, if major vendors of operating system software and other software such as firewall, e-mail software or computer hardware, decide to enhance or bundle their 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, which 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.

AS WE GENERATE SUBSTANTIALLY ALL OF OUR SALES FROM A SINGLE SCOPE OF BUSINESS, WE ARE VULNERABLE TO DECREASED DEMAND FOR SUCH PRODUCTS AND SERVICES.

Our main businesses focuses 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 in 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 changes 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 CHANGES REGULARLY OCCUR IN THE COMPUTER SECURITY MARKET.

The computer security market is characterized by:

- rapid technological change;
- 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 systems, network systems 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 quantities 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 WITH STRATEGIC ALLIANCES.

We are mainly focusing our business in 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 development, 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 due to various causes before generating revenue.

MARKET SHARE OF MAJOR SOFTWARE AND HARDWARE VENDORS MAY PROVIDE COMPUTER SECURITY FUNCTIONS FOR FREE 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 bundled with 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 results of operations.

THE POSSIBILITY OF DECREASED 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.

AS 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 arising 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 attack our networks, steal secrets, and deface 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 created by hackers gaining access to our proprietary information. In addition, we could suffer substantial disruptions in our business and damage 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 actions, we could suffer substantial disruptions in our business and damage 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 results of 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 protection 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 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 environment, recruiting 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 in the emerging countries. Due to this region's rising inflation and costs of living, salaries will also have to increase. Any increase in costs caused by the above could cause 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 high turnover and recruitment which does not 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 actions, 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, our group's business, operations and financial condition could suffer as a result of the above.

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 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 marketable securities for fund management. Those values will be affected by the ups and downs of exchange rate denominated in foreign currencies 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 efficient 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 fluctuates widely, this could have a material adverse effect on our financial condition and results of operations proportionate devaluation loss on investment in securities.

INFRINGEMENT OF OUR INTELLECTUAL PROPERTY COULD HURT OUR BUSINESS.

Our success depends on 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 compensate the employee may be incurred.

PRODUCT AND SERVICE LIABILITY CLAIMS ASSERTED AGAINST OUR GROUP IN THE FUTURE COULD HURT OUR BUSINESS.

Our group's products and services 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 or if the actual functions of our group's products and services differ from the stated, the customers may return those products and also demanded refunds for services and 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 property 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 filed by our service and product users for damages and recovery of pain and suffering damages could have a material adverse effect on our business.

THE POSSIBILITY OF PRODUCT RECALL.

Although we have a proper test and inspection performed before our virus protection files and products are shipped, our virus protection files could distribute a defective files and 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 property 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.

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

All our business would be under various laws 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. If officers and employees who are in our group violates the constitution or other laws or regulations, our group's business could suffer substantial disruptions in our business and to our reputation which could result in a loss of customers and other important business relationships until recovery of confidence.

In such cases, 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 33.6% of outstanding shares of Trend Micro Incorporated as of December 31, 2012. 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 28, 2012 was (Yen) 2,593. 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.

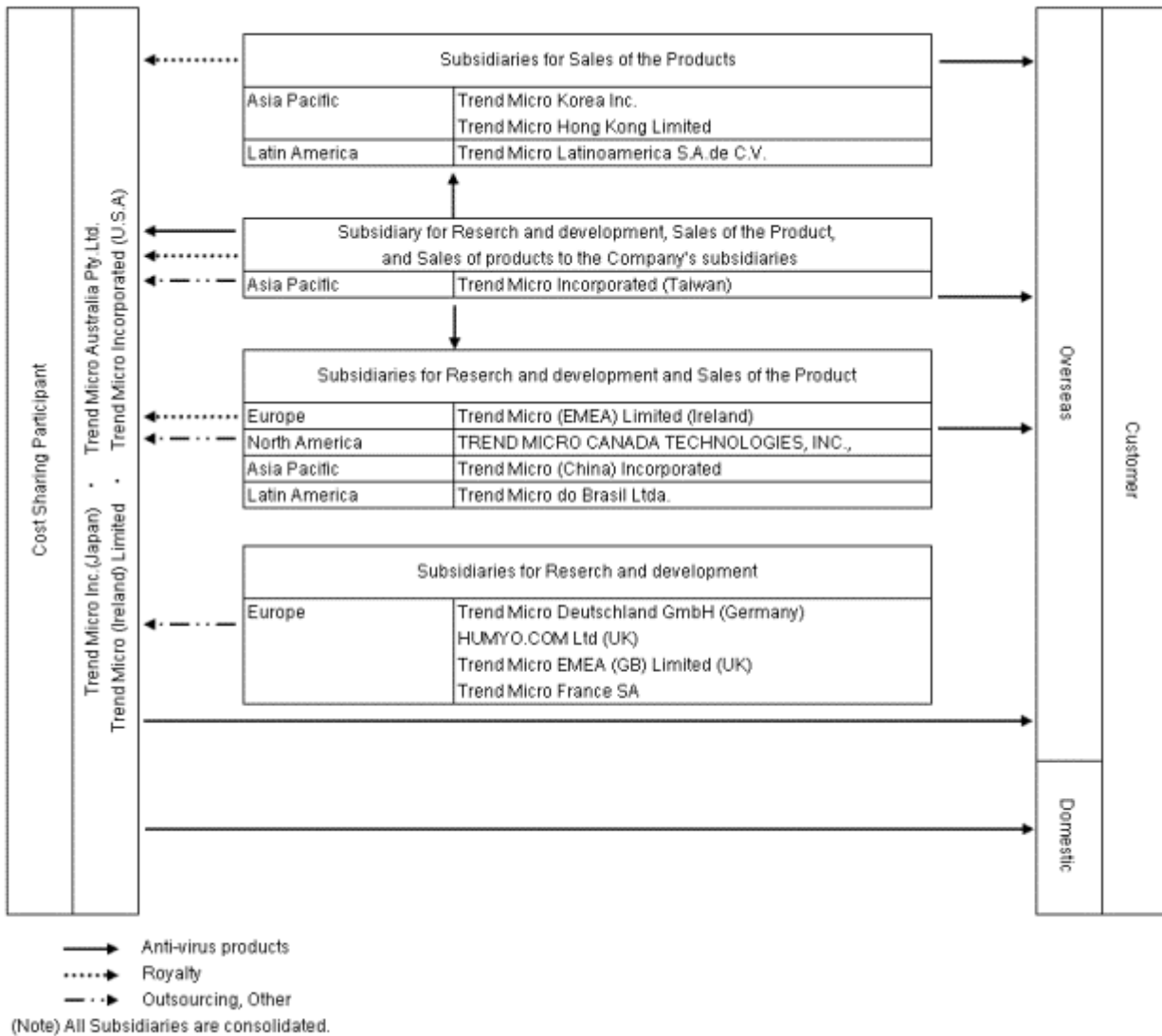
(1) Development and sales of anti-virus products

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 Trend Micro EMEA (GB) Limited (UK)
	Asia Pacific	Trend Micro Incorporated (Taiwan) Trend Micro India Private Limited 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 been a global infrastructure, as lifelines of the information society regardless of individual, business or national border for a long time.

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 those new IT technologies and services including variable devices and services like smartphones, multi-functional mobile devices such as tablets, etc., and SNS. Now more than ever, security is the breath of life to enterprises and individuals .

Trend Micro's vision is to protect the global IT infrastructure including growing cloud computing. 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 7.6 percent from 2011 to 2016 (based on IDC, USA in December 2012). 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, not only the personal computers, but also smartphones and multi-functional mobile devices such as tablets, etc., and other varied network devices have been launched. With this stream, 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 data mining and exchange to any information including big data. 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 diversifying 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 not only traditional PC but also any new 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 antispysware 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 taken the lead over other competitors in creating cloud based security solution. 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, 2011	December 31, 2012
(Assets)		
Current assets		
Cash and bank deposits	71,883	54,732
Notes and Accounts receivable, trade	21,011	20,999
Marketable securities	37,734	64,110
Inventories	*1 425	*1 370
Deferred tax assets	15,175	14,775
Others	5,041	4,375
Allowance for bad debt	(50)	(104)
Total current assets	151,222	159,259
Non-current assets		
Property and equipment		
(1) Office furniture & equipment, net	*2 3,844	*2 3,364
(2) Others, net	*2 1,312	*2 1,073
Total Property and equipment	5,157	4,437
Intangibles		
(1) Software	6,348	5,740
(2) Goodwill	1,826	960
(3) Others	1,344	1,169
Total intangibles	9,520	7,870
Investments and other non-current assets		
(1) Investment Securities	23,237	35,292
(2) Investments in subsidiaries and affiliates	242	190
(3) Deferred tax assets	11,381	10,739
(4) Others	1,004	1,217
Total investments and other non-current assets	35,865	47,440
Total non-current assets	50,543	59,748
Total assets	201,765	219,007

(Millions of yen)

Account	December 31, 2011	December 31, 2012
(Liabilities)		
Current liabilities		
Accounts payable and Notes payable, trade	886	727
Accounts payable, other	4,579	3,758
Accrued expenses	4,635	4,844
Accrued income and other taxes	2,238	5,678
Allowance for bonuses	1,044	840
Allowance for sales returns	791	602
Deferred revenue	54,741	59,286
Others	2,485	2,306
Total current liabilities	71,402	78,044
Long-term liabilities		
Deferred revenue	20,714	24,464
Allowance for retirement benefits	1,974	2,371
Others	311	634
Total long-term liabilities	23,000	27,471
Total liabilities	94,403	105,515
(Net assets)		
Shareholders' equity		
Common stock	18,386	18,386
Additional paid-in capital	21,111	21,111
Retained earnings	100,318	102,451
Treasury stock, at cost	(26,460)	(26,440)
Total share holder' s equity	113,355	115,509
Accumulated other comprehensive income		
Net unrealized gain (loss) on debt and equity securities	(1,776)	572
Foreign currency translation adjustments	(10,987)	(6,810)
Total of accumulated other comprehensive income	(12,764)	(6,238)
Stock acquisition rights	6,719	4,213
Minority interest	51	7
Total net assets	107,362	113,492
Total liabilities and net assets	201,765	219,007

(2) 【Consolidated Statements of Income

Consolidated Statements of Comprehensive Income】

Consolidated Statements of Income

(Millions of yen)

	For the year ended December 31, 2011		For the year ended December 31, 2012	
Net Sales	96,392		93,839	
Cost of sales	17,895		17,511	
Gross profit	78,497		76,327	
Operating expenses	*1, *2	52,132	*1, *2	53,920
Operating income	26,364		22,407	
Non-operating income				
Interest income and dividend received	1,594		1,273	
Gain on sales of marketable securities	829		254	
Equity in earnings of affiliated companies	22		3	
Other income	151		155	
Total non-operating income	2,598		1,686	
Non-operating expenses				
Interest expenses	1		4	
Loss on sales of marketable securities	-		101	
Impairment loss on marketable securities	-		77	
Foreign exchange loss	51		856	
Other expenses	219		393	
Total non-operating expenses	272		1,432	
Ordinary income	28,690		22,661	
Extraordinary gain				
Gain on redemption of marketable securities	810		-	
Gain on reversal of stock option	4,727		4,224	
Gain on reversal of allowance for bad debt	130		-	
Total extraordinary gain	5,668		4,224	
Extraordinary loss				
Impairment loss	-		*3	780
Loss on disposal of fixed assets	*4	110		-
Loss on sales of marketable securities		5,625		1,700
Total extraordinary loss		5,736		2,481
Net income before taxes		28,623		24,404
Income taxes				
Income taxes current	9,661		11,780	
Income taxes -deferred	1,614		(822)	
Total income taxes	11,276		10,957	
Net Income before minority interest	17,346		13,446	
Minority interest in income of consolidated subsidiaries	5		(0)	
Net income	17,341		13,447	

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the year ended December 31, 2011		For the year ended December 31, 2012
Net Income before minority interests	17,346		13,446
Other comprehensive income			
Valuation difference on available-for-sales securities	2,037		2,349
Foreign currency translation adjustment	(2,605)		4,190
Share of other comprehensive income of associates accounted for using equity method	0		△0
Total other comprehensive income	(567)	*1	6,539
Comprehensive income	16,778		19,986
Comprehensive income attributable to owners of the parent	16,777		19,972
Comprehensive income attributable to minority interests	1		13

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

(Millions of yen)

	For the year ended December 31, 2011	For the year ended December 31, 2012
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	21,111	21,111
Movement for the period		
Sales of treasury stock	0	0
Total movement	0	0
Balance at the end of current period	21,111	21,111
Retained earnings		
Balance at the end of previous period	92,324	100,318
Movement for the period		
Dividend of surplus	(9,347)	(11,313)
Net income	17,341	13,447
Total movement	7,993	2,133
Balance at the end of current period	100,318	102,451
Treasury stock		
Balance at the end of previous period	(21,834)	(26,460)
Movement for the period		
Sales of treasury stock	55	19
Purchase of treasury stock	(4,682)	—
Total movement	(4,626)	19
Balance at the end of current period	(26,460)	(26,440)
Total shareholders' equity		
Balance at the end of previous period	109,988	113,355
Movement for the period		
Dividend of surplus	(9,347)	(11,313)
Net income	17,341	13,447
Sales of treasury stock	55	19
Purchase of treasury stock	(4,682)	—
Total movement	3,367	2,153
Balance at the end of current period	113,355	115,509

(Millions of yen)

	For the year ended December 2011	For the year ended December 2012
Accumulated other comprehensive income		
Unrealized gain/(loss) on available-for-sales securities		
Balance at the end of previous period	(3,814)	(1,776)
Movement for the period		
Movement for the period excluding shareholders' equity	2,038	2,349
Total movement	2,038	2,349
Balance at the end of current period	(1,776)	572
Foreign currency translation adjustments		
Balance at the end of previous period	(8,385)	(10,987)
Movement for the period		
Movement for the period excluding shareholders' equity	(2,602)	4,177
Total movement	(2,602)	4,177
Balance at the end of current period	(10,987)	(6,810)
Total accumulated other comprehensive income		
Balance at the end of previous period	(12,200)	(12,764)
Movement for the period		
Movement for the period excluding shareholders' equity	(564)	6,526
Total movement	(564)	6,526
Balance at the end of current period	(12,764)	(6,238)
Stock acquisition rights		
Balance at the end of previous period	8,734	6,719
Movement for the period		
Movement for the period excluding shareholders' equity	(2,014)	(2,506)
Total movement	(2,014)	(2,506)
Balance at the end of current period	6,719	4,213
Minority interest		
Balance at the end of previous period	46	51
Movement for the period		
Movement for the period excluding shareholders' equity	4	(43)
Total movement	4	(43)
Balance at the end of current period	51	7
Total net assets		
Balance at the end of previous period	106,569	107,362
Movement for the period		
Dividend of surplus	(9,347)	(11,313)
Net income	17,341	13,447
Sales of treasury stock	55	19
Purchase of treasury stock	(4,682)	-
Movement for the period excluding shareholders' equity	(2,574)	3,976
Total movement	792	6,129
Balance at the end of current period	107,362	113,492

(4) 【Consolidated Statements of Cash Flows】

(Millions of yen)

Account	For the year ended December 31, 2011	For the year ended December 31, 2012
Cash flows from operating activities:		
Net income before taxes	28,623	24,404
Depreciation and amortization	6,481	6,821
Impairment loss	—	780
Stock compensation expense	2,723	2,066
Gain on reversal of stock option	(4,727)	(4,224)
Amortization of Goodwill	857	675
Increase (decrease) in Allowance for bad debts	(218)	47
Increase (decrease) in Allowance for sales returns	178	(212)
Increase in Allowance for retirement benefits	291	327
Interest income	(1,594)	(1,273)
Interest expenses	1	4
(Gain) loss on sales of marketable securities	4,795	1,547
Equity in earnings of affiliated companies	(22)	(3)
(Gain) loss on sales and disposal of fixed asset	110	—
(Gain)/Loss on redemption of marketable securities	(810)	—
Valuation loss on marketable securities	—	77
Virtual share bonus plan	—	1,270
(Increase) decrease in notes and accounts receivable	761	1,208
(Increase) decrease in inventories	109	97
Increase (decrease) in notes and accounts payable	212	(239)
Increase (decrease) in accounts payable, other & accrued expenses	(1,329)	(293)
Increase (decrease) in deferred revenue	928	4,615
Others	345	908
Subtotal	37,717	38,605
Proceeds from interest and dividend received	2,095	1,182
Payments for interest expenses	(1)	(4)
Payments for income taxes	(13,681)	(8,253)
Net cash provided by operating activities	26,130	31,529
Cash flows from investing activities:		
Net (Payments for)/Proceeds from time deposits	8,396	(2,864)
Payments for purchases of marketable securities and security investments	(44,472)	(96,026)
Proceeds from sales or redemptions of marketable securities and security investments	42,928	58,445
Payments for purchases of property and equipment	(2,588)	(1,192)
Payments for purchases of other intangibles	(4,395)	(3,903)
Acquisition costs for new subsidiary's share	(2,411)	—
Acquisition costs for new subsidiary's interest	(73)	—
Others	—	(103)
Net cash used in investing activities	(2,616)	(45,645)
Cash flows from financing activities:		
Payments for purchase of treasury stock	(4,682)	—
Proceeds from sales of treasury stock	45	15
Dividends paid	(8,929)	(10,800)
Payments for stock option buy back	—	(343)

Net cash used in financing activities	(13,567)	(11,128)
Effect of exchange rate changes on cash and cash equivalents	(2,914)	4,522
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	7,031	(20,721)
Cash and cash equivalents at the beginning of period	64,136	71,167
Cash and cash equivalents at the end of period	*1 71,167	*1 50,446
	<hr/>	<hr/>

(5) 【Footnote on going concern】

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

N/A

Fiscal year ended December 31, 2012 (From January 1, 2012 to December 31, 2012)

N/A

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

	For the previous fiscal year (From January 1, 2011 To December 31, 2011)	For the current fiscal year (From January 1, 2012 To December 31, 2012)
1 Basis of consolidation	(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.	(1) Consolidated subsidiaries All of our 33 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)
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, 2011 To December 31, 2011)	For the current fiscal year (From January 1, 2012 To December 31, 2012)
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 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 - 20 years</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, 2011 To December 31, 2011)	For the current fiscal year (From January 1, 2012 To December 31, 2012)
(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, 2011 To December 31, 2011)	For the current fiscal year (From January 1, 2012 To December 31, 2012)
(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)

(Application of Accounting Standard for Earnings per Share and others)

From this first quarter of the current fiscal year, the Company has adopted “Accounting Standard for Earnings per Share” (Accounting Standards Board of Japan (ASBJ) Standard No. 2, June 30, 2010), and “Guidance on Accounting Standard for Earnings per Share” (ASBJ Guidance No. 4, June 30, 2010).

For the calculation of diluted net income per share, the method of determining the fair value of stock options that vest after a certain period of employment has been changed. Under the new method, the portion of the fair value of stock options that corresponds to future services to be provided to the Company is included in the amount that is assumed to be received by the Company from the exercise of the stock options.

(Accounting Standards Not Yet Applied)

(Employee Benefits)

- ASBJ Statement No.26, May 17, 2012 and ASBJ Guidance No.25, May 17, 2012)

(1) Summary

The main revisions relating to recognition and measurement are as below:

Abolition of the option of deferred recognition for actuarial differences and prior service costs (Those should be recognized immediately as Other comprehensive Income in the Balance Sheet with consideration of tax effect).

Change in the method of calculation of retirement benefit expenses.

(2) Effective Date

Trendmicro will apply it from the end of FY2014.

However the calculation for Retirement benefit obligations and service costs will be applied from the beginning of FY2015.

(3) Impact of Application of Relevant Accounting Standards etc

The impact on financial statements is being evaluated at the time of preparation of these consolidated financial statements.

(Additional information)

(Application of Accounting Standard for Accounting Changes and Error Corrections)

From the current fiscal year, the Company has been applying the “Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No.24, December 4, 2009)” and the “Guidance on Accounting Changes and Error Corrections (ASBJ Guidance No.24, December 4, 2009)” to accounting changes and error corrections made to prior period financial statements after January 1, 2011.

(8) 【Notes for Consolidated Financial Statements】

(Consolidated Balance Sheets)

(Millions of Yen)

At the end of the previous fiscal year (As of December 31, 2011)		At the end of the current fiscal year (As of December 31, 2012)	
*1	Inventory	*1	Inventory
	Finished Goods 345		Finished Goods 326
	Materials 20		Materials 12
	Goods 59		Goods 30
*2	Accumulated depreciation of property and equipment	*2	Accumulated depreciation of property and equipment
	9,751		12,466

(Consolidated Statements of Income)

(Millions of Yen)

For the previous fiscal year (From January 1, 2011 To December 31, 2011)	For the current fiscal year (From January 1, 2012 To December 31, 2012)												
<p>*1 Major components of Operating expenses are as follows</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Sales promotion</td> <td style="text-align: right;">7,520</td> </tr> <tr> <td style="padding-left: 20px;">Salaries</td> <td style="text-align: right;">22,659</td> </tr> <tr> <td style="padding-left: 20px;">Bonuses</td> <td style="text-align: right;">657</td> </tr> </table>	Sales promotion	7,520	Salaries	22,659	Bonuses	657	<p>*1 Major components of Operating expenses are as follows</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Sales promotion</td> <td style="text-align: right;">7,433</td> </tr> <tr> <td style="padding-left: 20px;">Salaries</td> <td style="text-align: right;">24,603</td> </tr> <tr> <td style="padding-left: 20px;">Bonuses</td> <td style="text-align: right;">603</td> </tr> </table>	Sales promotion	7,433	Salaries	24,603	Bonuses	603
Sales promotion	7,520												
Salaries	22,659												
Bonuses	657												
Sales promotion	7,433												
Salaries	24,603												
Bonuses	603												
<p>*2 Research and development expense were 3,470 millions of yen and included in Operating expenses.</p>	<p>*2 Research and development expense were 3,787 millions of yen and included in Operating expenses.</p>												
—————	<p>*3 Due to increased competition etc in the business, the intangible assets related to online storage will not observed to be recovered over an estimated period of cash flows. That's why the impairment loss shows 780 million yen as the extraordinary loss after the impairment. The recoverable amount is measured by value in use, are evaluated as "zero" which value in use based on those future cash flows is negative.</p> <p>The contents are below:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">JAPAN</td> <td style="text-align: right;">157 million</td> </tr> <tr> <td style="padding-left: 20px;">NABU</td> <td style="text-align: right;">98 million</td> </tr> <tr> <td style="padding-left: 20px;">EMEA</td> <td style="text-align: right;">509 million</td> </tr> <tr> <td style="padding-left: 20px;">APAC</td> <td style="text-align: right;">15 million</td> </tr> </table>	JAPAN	157 million	NABU	98 million	EMEA	509 million	APAC	15 million				
JAPAN	157 million												
NABU	98 million												
EMEA	509 million												
APAC	15 million												
<p>*4 The details of loss on disposal of fixed assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Buildings</td> <td style="text-align: right;">102</td> </tr> <tr> <td style="padding-left: 20px;">Office furniture & equipment, etc.</td> <td style="text-align: right;">8</td> </tr> </table>	Buildings	102	Office furniture & equipment, etc.	8	—————								
Buildings	102												
Office furniture & equipment, etc.	8												

(Consolidated Statements of Comprehensive Income)

For the current fiscal year (from January 1, 2012 to December 31, 2012)

※1 Reclassification and deferred tax amount of total other comprehensive income

Valuation difference on available-for sales securities	(Millions of Yen)
Amount incurred in current year	2,094
Reclassification	1,767
Before deferred tax	<u>3,861</u>
Deferred tax	(1,512)
Other comprehensive income	<u>2,349</u>
Foreign currency translation adjustment	
Amount incurred in current year	<u>4,190</u>
Share of other comprehensive income of associates accounted for using equity method	
Amount incurred in current year	<u>(0)</u>
Total other comprehensive income	<u>6,539</u>

(Consolidated Stockholders' Equity Statements)

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

1. Number of common stock issued

Class of stock	As of Jan 1, 2011	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 Jan 1, 2011	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 share is due to the market purchasing of treasury stock.
The decrease by 17,900 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 Jan 1, 2011	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

For the current fiscal year (from January 1, 2012 to December 31, 2012)

1. Number of common stock issued

Class of stock	As of Jan 1, 2012	Increase	Decrease	As of Dec 31, 2012
Common stock	140,293,004	—	—	140,293,004

2. Number of Treasury stocks

Class of treasury stock	As of Jan 1, 2012	Increase	Decrease	As of Dec 31, 2012
Common stock	8,738,735	—	6,600	8,732,135

The decrease by 6,600 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 Jan 1, 2012	Increase	Decrease	As of Dec 31, 2012	
Stock Option	—	—	—	—	—	4,213

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

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

Resolution	Class of stock	Dividends resource	Total dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
Shareholders' meeting on Mar 26, 2013	Common stock	Retained earnings	8,814	67.00	Dec 31, 2012	Mar 27, 2013

(Consolidated Statements of Cash Flows)

(Millions of yen)

For the previous fiscal year (From January 1, 2011 To December 31, 2011)	For the current fiscal year (From January 1, 2012 To December 31, 2012)
*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 71,883	Cash and bank deposits 54,732
Time deposits with original maturities of longer than three months (1,661)	Time deposits with original maturities of longer than three months (4,927)
Short term investments which is in Marketable securities account 946	Short term investments which is in Marketable securities account 641
Cash and cash equivalent 71,167	Cash and cash equivalent 50,446

(Marketable securities and security investments)

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

(Note) "Gain on sales of investments in securities" includes Gain on redemption of marketable securities.

As of December 31, 2012

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	9,173	9,174	0
	(2) Corporate bonds	22,471	23,362	891
	(3) Others	8,704	8,774	69
	Others	1,794	1,967	172
	Total	42,145	43,278	1,133
Marketable securities with purchase cost over fair value	Bonds			
	(1) Government bonds	12,598	12,579	(18)
	(2) Corporate bonds	9,860	9,792	(68)
	(3) Others	9,187	9,074	(113)
	Others	24,692	24,677	(14)

	Total	56,339	56,124	(215)
Grand Total		98,484	99,402	918

(Notes) The amount of Purchase Cost is after the Impairment Loss. The amount of Impairment Loss for FY2012 is 77 million yen.

2 Sales of available-for-sales investments (From January 1, 2012 to December 31, 2012)

(Millions of yen)

Classification	Sales amount	Gain on sales of investments in securities	Loss on sales of investments in securities
Shares	-	-	-
Bonds	36,568	-	22
Others	27,405	254	1,779
Total	63,973	254	1,801

(Employee retirement benefit plans)

(Millions of yen)

At the end of previous fiscal year (As of Dec 31, 2011)	At the end of current fiscal year (As of Dec 31, 2012)																																																																																																
<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 style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Pension asset</td> <td style="text-align: right;">171,944</td> </tr> <tr> <td><u>Benefit obligation</u></td> <td style="text-align: right;"><u>172,108</u></td> </tr> <tr> <td>Variance</td> <td style="text-align: right;">(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 style="text-align: right;">1.07%</p> <p>(3) Supplemental information</p> <p>The reasons for the variance of (1) are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Other reserve</td> <td style="text-align: right;">14,983</td> </tr> <tr> <td>Shortage of reserve</td> <td style="text-align: right;">(11,653)</td> </tr> <tr> <td><u>Asset valuation adjustment</u></td> <td style="text-align: right;"><u>(3,493)</u></td> </tr> <tr> <td>Variance</td> <td style="text-align: right;">(163)</td> </tr> </table> <p>The unfunded prior service cost is amortized evenly over 20 years.</p> <p>2. Allowance for retirement benefits</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1. Benefit obligation</td> <td style="text-align: right;">(2,605)</td> </tr> <tr> <td><u>2. Plan assets</u></td> <td style="text-align: right;"><u>158</u></td> </tr> <tr> <td>3. Unfunded status (1 + 2)</td> <td style="text-align: right;">(2,447)</td> </tr> <tr> <td><u>4. Unrecognized net actuarial loss</u></td> <td style="text-align: right;"><u>472</u></td> </tr> <tr> <td>5. Allowance for retirement benefits (3 + 4)</td> <td style="text-align: right;">(1,974)</td> </tr> </table> <p>(Note) In calculation of allowance for retirement benefits, certain subsidiaries adopt compendium method.</p> <p>3. Pension expense</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1. Service cost</td> <td style="text-align: right;">252</td> </tr> <tr> <td>2. Interest cost</td> <td style="text-align: right;">29</td> </tr> <tr> <td>3. Expected return of plan assets</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td><u>4. Recognition of actuarial gain / loss</u></td> <td style="text-align: right;"><u>60</u></td> </tr> <tr> <td><u>Sub-total (1+2+3+4)</u></td> <td style="text-align: right;"><u>340</u></td> </tr> <tr> <td>5. Contribution to Kanto IT Software pension plan</td> <td style="text-align: right;">167</td> </tr> <tr> <td>6. Pension expense for <u>Defined contribution plan</u></td> <td style="text-align: right;"><u>526</u></td> </tr> <tr> <td>Net periodic pension cost (1+2+3+4+5+6)</td> <td style="text-align: right;">1,034</td> </tr> </table> <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> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1. 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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 style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Pension asset</td> <td style="text-align: right;">186,189</td> </tr> <tr> <td><u>Benefit obligation</u></td> <td style="text-align: right;"><u>186,648</u></td> </tr> <tr> <td>Variance</td> <td style="text-align: right;">(458)</td> </tr> </table> <p>(2) The ratio of the Company' s contribution for Kanto IT Software pension fund (as of Mar 31, 2012)</p> <p style="text-align: right;">1.13%</p> <p>(3) Supplemental information</p> <p>The reasons for the variance of (1) are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Other reserve</td> <td style="text-align: right;">3,329</td> </tr> <tr> <td>Shortage of reserve</td> <td style="text-align: right;">(13,412)</td> </tr> <tr> <td><u>Asset valuation adjustment</u></td> <td style="text-align: right;"><u>9,623</u></td> </tr> <tr> <td>Variance</td> <td style="text-align: right;">(458)</td> </tr> </table> <p>The unfunded prior service cost is amortized evenly over 20 years.</p> <p>2. 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(Segment Information)

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, 2011 to December 31, 2011)

(Millions of Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Consolidation Adjustment	Consolidation
I Sales								
(1) Net sales to external customers	46,070	20,452	17,147	10,329	2,391	96,392	-	96,392
(2) Intercompany sales	8,950	1,383	1,377	10,747	10	22,470	(22,470)	-
Total sales	55,021	21,836	18,525	21,077	2,402	118,863	(22,470)	96,392
Operating income by segment	24,061	601	75	984	701	26,424	(59)	26,364
Asset by segment	137,738	31,103	22,049	20,001	6,275	217,167	(15,402)	201,765
Other items								
Depreciation and amortization	2,927	2,109	463	1,073	11	6,586	(105)	6,481
Increase in tangible and intangible fixed assets	3,474	2,734	601	853	11	7,675	-	-

(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,

(Relative information)

For the previous 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

For the current fiscal year (from January 1, 2012 to December 31, 2012)

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
45,803	19,445	16,053	10,684	1,852	93,839

(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

788	1,491	572	1,551	33	4,437
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3. Information by major customers

(Millions of yen)

Customer name	Sales	Segment
SOFTBANK TELECOM corp.	18,268	Japan
SOFTBANK BB corporation	11,395	Japan

(Information of impairment loss on fixes asset by segment)

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

N/A

For the current fiscal year (from January 1, 2012 to December 31, 2012)

Impairment loss from On-line Storage related intangible assets are recognized as future cash flow is not collectable over the estimated period.

(Millions of yen)

	Segment						Corporate or Elimination	Total
	Japan	North America	Europe	Asia Pacific	Latin America	total		
Impairment loss	157	98	509	15	—	780	—	780

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

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

(Millions of yen)

	Segment						Corporate 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

For the current fiscal year (from January 1, 2012 to December 31, 2012)

(Millions of yen)

	Segment						Corporate or Elimination	Total
	Japan	North America	Europe	Asia Pacific	Latin America	total		
Amortization Expense of GW	16	444	213	1	—	675	—	675
Unamortized balance of GW	103	829	17	9	—	960	—	960

(Information of negative goodwill by segment)

N/A

(Information of EPS)

(Yen)

	For the previous fiscal year (From January 1, 2011 To December 31, 2011)	For the current fiscal year (From January 1, 2012 To December 31, 2012)
Book value per share	764.64	830.57
Net income per share	131.23	102.21

(Note)

1. Diluted net income per share is not stated as our issuable shares does not have dilutive effect.
2. Basis of calculation for net income per share and diluted net income per share are as follows.

	For the previous fiscal year (From January 1, 2011 To December 31, 2011)	For the current fiscal year (From January 1, 2012 To December 31, 2012)
<Basic EPS>		
Net income (Millions of Yen)	17,341	13,447
-not attributable to common stock holders	-	-
-to common stock holders	17,341	13,447
Weighted-average number of common shares (Shares)	132,143,319	131,557,952
Details of shares not included in the computation of diluted EPS since it did not have dilutive effect	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 1,973,900 for Stock option round25 2,339,500 for Stock option round26 2,326,600 for stock option round27 2,170,100 for stock option round28	21,000 for Stock option round21 1,557,500 for Stock option round22 44,500 for Stock option round23 53,700 for Stock option round24 1,449,200 for Stock option round25 1,830,500 for Stock option round26 1,920,000 for Stock option round27 1,841,500 for Stock option round28

(Note)

1. As stated in **【Change in Significant Accounting Policies and Practice for Preparing Consolidated Financial Statements】**, new accounting policy is retroactively applied. If this new accounting policy is not applied retroactively, diluted net income per share of the previous fiscal year is 131.14.

3. Basis of calculation for book value per share is as follows.

(Millions of yen)

	For the previous fiscal year (From January 1, 2011 To December 31, 2011)	For the current fiscal year (From January 1, 2012 To December 31, 2012)
Total net assets	107,362	113,492
Amount deducted from total net assets		
(Stock acquisition rights)	(6,719)	(4,213)
(Minority interest)	(51)	(7)

Total net assets attributable to common stock	100,591	109,270
Number of common shares (Shares)	131,554,269	131,560,869

(Significant Subsequent Events)

N/A

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.

5. 【Non-consolidated Financial Statements】

(1) 【Non-consolidated Balance Sheets】

(Millions of yen)

Account	As of December 31, 2011	As of December 31, 2012
(Assets)		
Current assets		
Cash and bank deposits	32,772	6,909
Accounts receivable, trade	11,238	10,596
Marketable securities	36,305	62,021
Finished goods	23	27
Raw material	11	5
Supplies	59	30
Prepaid expense	84	88
Deferred tax assets	13,767	13,039
Other receivables	3,387	2,637
Others	268	393
Allowance for bad debt	(1)	(1)
Total current assets	97,918	95,748
Non-current assets		
Tangible fixed assets		
Buildings	850	840
Accumulated depreciation	(317)	(402)
Buildings, net	533	437
Office furniture and equipment	1,375	1,392
Accumulated depreciation	(952)	(1,042)
Office furniture and equipment, net	422	350
Total Tangible fixed assets	955	788
Intangible fixed assets		
Software	2,981	2,679
Software in progress	710	518
Goodwill	—	103
Others	698	567
Total intangible fixed assets	4,389	3,869
Investments and other non-current assets		
Investments in securities	23,224	34,965
Investments in subsidiaries and affiliates	2,219	2,231
Investments in capital of affiliates	7	—
Security deposits	497	497
Membership	4	4
Deferred tax assets	8,159	8,365
Allowance for loss on investments in subsidiaries and affiliates	—	(70)
Total investments and other non-current assets	34,113	45,994
Total non-current assets	39,459	50,652
Total assets	137,377	146,401

(Millions of yen)

Account	As of December 31, 2011	As of December 31, 2012
(Liabilities)		
Current liabilities		
Accounts payable, trade	116	137
Accounts payable, other	10,167	9,924
Accrued expenses	263	364
Accrued corporate tax and others	2,067	5,545
Accrued consumption taxes	177	449
Deposits received	45	35
Allowance for bonuses	28	—
Allowance for sales return	511	312
Deferred revenue	29,205	31,116
Others	51	305
Total current liabilities	42,634	48,191
Non-current liabilities		
Deferred revenue	15,186	17,777
Long-term accounts payable	2	2
Allowance for retirement benefits	1,574	1,842
Others	—	26
Total non-current liabilities	16,764	19,650
Total liabilities	59,398	67,841
(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
Retained earnings		
Legal reserve	20	20
Accumulated profit		
Retained earnings carried forward	59,976	60,694
Total retained earnings	59,997	60,715
Treasury stock	(26,460)	(26,440)
Total shareholders' equity	73,034	73,772
Valuation and translation adjustment		
Unrealized gain on available-for-sales securities	(1,775)	573
Total valuation and translation adjustment	(1,775)	573
Stock acquisition rights	6,719	4,213
Total net assets	77,979	78,559
Total liabilities and net assets	137,377	146,401

(2) 【Non-consolidated Statements of Income】

(Millions of yen)

Account	For the year ended December 31, 2011	For the year ended December 31, 2012
Sales Revenue		
Sales	45,601	45,803
Royalty	9,419	4,936
Net sales revenue	55,021	50,739
Cost of sales	9,528	9,575
Gross profit	45,492	41,164
Selling, general and administrative expense	21,294	22,426
Operating income	24,197	18,737
Non-operating income		
Interest income	6	10
Interest on marketable securities	450	512
Dividend	647	0
Gain on sales of marketable securities	824	254
Global system income	41	5
Others	61	107
Total Non-operating income	2,031	890
Non-operating expense		
	—	101
Exchange loss	416	504
Global system expense	144	30
Others	136	302
Total Non-operating expenses	696	938
Ordinary income	25,532	18,690
Extraordinary gain		
Reversal of allowance for investment loss	53	—
Gain on reversal of stock option	4,612	3,781
Gain on reversal of allowance for bad debt	130	—
Gain on redemption of marketable securities	810	—
Total Extraordinary gain	5,606	3,781
Extraordinary loss		
Loss on disposal of fixed assets	107	—
Impairment loss	—	157
Loss on sales of marketable securities	5,625	1,700
Total Extraordinary loss	5,732	1,858
Net income before tax	25,406	20,613
Income tax current	8,125	9,573
Income tax -deferred	1,678	(991)
Total Income taxes	9,803	8,581
Net income	15,602	12,031

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

(Millions of yen)

	For the year ended December 31, 2011	For the year ended December 31, 2012
Shareholders' equity		
Common stock		
Balance at the end of previous period	18,386	18,386
Movement for this period		
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		
Total movement	—	—
Balance at the end of current period	21,108	21,108
Other capital surplus		
Balance at the end of previous period	3	3
Movement for this period		
Sales of treasury stock	0	(0)
Total movement	0	(0)
Balance at the end of current period	3	3
Total capital surplus		
Balance at the end of previous period	21,111	21,111
Movement for this period		
Sales of treasury stock	0	(0)
Total movement	0	(0)
Balance at the end of current period	21,111	21,111
Retained earnings		
Legal reserve		
Balance at the end of previous period	20	20
Movement for this period		
Total movement	—	—
Balance at the end of current period	20	20
Accumulated profit		
Retained earnings carried forward		
Balance at the end of previous period	53,722	59,976
Movement for this period		
Dividend of surplus	(9,347)	(11,313)
Net income	15,602	12,031
Total movement	6,254	717
Balance at the end of current period	59,976	60,694

(Millions of yen)

	For the year ended December 31, 2011	For the year ended December 31, 2012
Total retained earnings		
Balance at the end of previous period	53,742	59,997
Movement for this period		
Dividend of surplus	(9,347)	(11,313)
Net income	15,602	12,031
Total movement	6,254	717
Balance at the end of current period	59,997	60,715
Treasury stock		
Balance at the end of previous period	(21,834)	(26,460)
Movement for this period		
Sales of treasury stock	55	19
Purchase of treasury stock	(4,682)	—
Total movement	(4,626)	19
Balance at the end of current period	(26,460)	(26,440)
Total shareholders' equity		
Balance at the end of previous period	71,406	73,034
Movement for this period		
Dividend of surplus	(9,347)	(11,313)
Net income	15,602	12,031
Sales of treasury stock	55	19
Purchase of treasury stock	(4,682)	—
Total movement	1,628	737
Balance at the end of current period	73,034	73,772
Revaluation Surplus		
Unrealized gain/(loss) on available for sale securities		
Balance at the end of previous period	(3,813)	(1,775)
Movement for this period		
Net changes in items excluding shareholders' equity during the year	2,037	2,349
Total movement	2,037	2,349
Balance at the end of current period	(1,775)	573
Total Revaluation Surplus		
Balance at the end of previous period	(3,813)	(1,775)
Movement for this period		
Net changes in items excluding shareholders' equity during the year	2,037	2,349
Total movement	2,037	2,349
Balance at the end of current period	(1,775)	573
Stock acquisition rights		
Balance at the end of previous period	8,734	6,719
Movement for this period		
Net changes in items excluding shareholders' equity during the year	(2,014)	(2,506)
Total movement	(2,014)	(2,506)
Balance at the end of current period	6,719	4,213

Total net assets		
Balance at the end of previous period	76,328	77,979
Movement for this period		
Dividend of surplus	(9,347)	(11,313)
Net income	15,602	12,031
Sales of treasury stock	55	19
Purchase of treasury stock	(4,682)	—
Net changes in items excluding shareholders' equity during the year	22	(156)
Total movement	1,650	580
Balance at the end of current period	77,979	78,559

(4) **【Footnote on going concern】**

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

Fiscal year ended December 31, 2012 (From January 1, 2012 to December 31, 2012)
N/A

6. Others

(1) Changes in Directors and Corporate Auditors

(a) Representative Director

N/A

(b) Corporate Auditors (Scheduled appointment date March 26, 2013)

Candidate for New Corporate Auditor

Masaru Sempo

(Planning section Kinki Branch Office, Showa Shell Sekiyu K.K. (present))

(Note) Masaru Sempo is a candidate to become an outside corporate auditor under Article 2, paragraph 3, item 8 of the Ordinance for Enforcement of the Companies Act.