

February 18, 2016

Report of Earning Results (Consolidated)
for Fiscal Year
Ending December 31, 2015

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

Representative: Title Representative Director
Name Eva Chen
Contact: Title Representative Director
Name Mahendra Negi
TEL +81-3-5334-4899

Expected date of the annual shareholders meeting : March 25, 2016

Expected date of the delivery of dividends : March 28, 2016

Expected date of the submission of annual security reports ("Yuka Shoken Hokokusho")
: March 30, 2016

1. Financial Highlights for FY2015 (January 1, 2015 through December 31, 2015)

(1) Consolidated Results of Operations

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2015	124,317	7.9	30,976	(8.0)	34,071	(5.3)	21,435	(3.9)
FY 2014	115,205	6.4	33,652	14.3	35,992	10.9	22,303	13.8

(Note) Comprehensive Income : 15,920 million yen minus 44.0% as of December 31, 2015
28,415 million yen minus 0.8% as of December 31, 2014

	Net income per share (basic)	Net income per share (diluted)	Return on shareholders' equity	Return on assets	Operating profit on sales
	Yen	Yen	%	%	%
FY 2015	157.71	156.35	13.9	11.9	24.9
FY 2014	165.68	164.49	15.3	13.3	29.2

(Note) Equity in earnings of affiliated companies : 61 million yen gain as of December 31, 2015
59 million yen loss as of December 31, 2014

(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, 2015	290,520	159,693	54.4	1,154.06
December 31, 2014	279,938	153,094	53.8	1,117.17

(Note) Net Assets after deduction of Share acquisition rights and Minority interest :
158,008 million yen as of December 31, 2015
150,523 million yen as of December 31, 2014

(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
	Million yen	Million yen	Million yen	Million yen
FY 2015	30,490	(4,926)	(9,321)	70,678
FY 2014	31,942	(32,922)	(16,887)	58,662

2. Dividend of Surplus

As of	Cash dividends per share					Aggregate amount of dividend 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			
	Yen	Yen	Yen	Yen	Yen	million yen	%	%
December 31, 2014	-	0.00	-	116.00	116.00	15,629	70.0	10.8
December 31, 2015	-	0.00	-	110.00	110.00	15,060	69.7	9.7
Projection for FY 2016	-	0.00	-	-	-	-	-	-

(Note) Dividend for FY2016 Annual end is not yet projected.

3. Forecasts of consolidated financial results for FY 2016

(January 1, 2016 through December 31, 2016)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net income per share (basic)
	Million Yen		Million Yen		Million Yen		Million Yen		Yen
Annual	138,800	11.6%	27,300	(11.9%)	28,900	(15.2%)	18,700	(12.8%)	136.58

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 in accounting Estimates : No
- ④ Restatements : No

(3) Number of shares issued (common shares)

① Number of shares issued (including treasury stocks):

140,293,004 shares as of December 31, 2015

140,293,004 shares as of December 31, 2014

② Number of treasury stocks :

3,378,224 shares as of December 31, 2015

5,557,124 shares as of December 31, 2014

③ Average number of shares outstanding :

135,915,661 shares as of December 31, 2015

134,615,969 shares as of December 31, 2014

Results of the non-consolidated operations

1. Financial Highlights for FY2015 (January 1, 2015 through December 31, 2015)

(1) Results of operations

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2015	53,405	1.2	16,808	(11.7)	18,416	(6.6)	9,981	(9.2)
FY 2014	52,783	0.3	19,033	(7.6)	19,719	(12.5)	10,996	(22.9)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
FY 2015	73.44	72.80
FY 2014	81.69	81.10

(2) Financial Position

	Total assets	Net Assets	Net Assets ratio	Net Assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2015	162,934	87,228	52.5	624.82
December 31, 2014	161,538	88,434	53.2	637.36

(Note) Net Assets after deduction of Share acquisition rights

: 85,546 million yen (85,874 million yen as of December 31, 2014)

* 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 Law. However, the audit procedures for annual consolidated accounts have not finished at the point of the disclosure 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. However, various factors could cause actual results to differ materially. Please refer to (3) Qualitative Information on the Consolidated Earnings Forecast on page 3 of the attachment for conditions serving as assumptions for results forecasts.

Appendix contents:

1. Qualitative Information and Financial Statements-----	2
(1) Qualitative Information on the Consolidated Business Results -----	2
(2) Qualitative Information on the Consolidated Earnings Forecast-----	3
(3) Financial condition analysis-----	4
(4) Basic policy of profit sharing-----	5
(5) Risk factors-----	5
2. Condition of Corporate group-----	12
(1) Development and sales of anti-virus products-----	12
(2) Other related services-----	13
3. Management policy-----	13
(1) Basic policy of management-----	13
(2) Target management index-----	14
(3) Mid-to long-term business strategy-----	14
(4) Issues to deal with-----	14
4. Basic policy on the selection of accounting standards-----	15
5. Consolidated financial statements-----	16
(1) Consolidated Balance Sheets -----	16
(2) Consolidated Statements of Income -----	18
Consolidated Statements of Comprehensive Income -----	19
(3) Consolidated Statements of Changes in Net Assets-----	20
(4) Consolidated Statements of Cash Flows -----	22
(5) Footnote on going concern -----	23
(6) Significant Accounting Policies and Practices for Preparing Consolidated Financial statements-----	23
(7) Change of the accounting policy-----	25
(8) Accounting Standard Not Yet Applied-----	25
(9) Additional Information-----	26
(10) Notes for Consolidated Financial statements-----	27
6. Non-consolidated financial statements-----	42
(1) Non-consolidated Balance Sheets -----	42
(2) Non-consolidated Statements of Income -----	44
(3) Non-consolidated Statements of Changes in Net Assets-----	45
(4) Notes for Non-Consolidated Financial Statement-----	47
7. Others-----	48
(1) Change in Directors and Corporate Auditors-----	48

1. 【Qualitative Information and Financial Statements】

(1) Qualitative Information on the Consolidated Business Results

(Unit: million yen)

	Net Sales	Operating income	Ordinary Income	Net income before tax	Net Income
Y2015	124,317	30,976	34,071	34,037	21,435
Y2014	115,205	33,652	35,992	36,024	22,303
Rate of Change (%)	7.9%	-8.0%	-5.3%	-5.5%	-3.9%

(Unit: million yen)

	Net Sales		
	FY 2015	FY 2014	Rate of Change (%)
Japan	52,599	50,736	3.7%
North America Reg.	29,325	24,948	17.5%
Europe Reg.	24,143	22,778	6.0%
Asia and Pacific Reg.	14,920	13,760	8.4%
Latin America Reg.	3,327	2,982	11.6%
Total	124,317	115,205	7.9%

During this term of fiscal year 2015, from January 1 to December 31, US economy which leads the world economy has been showing moderate recovery since the beginning of this year continuously. Europe economy has been also generally well. The world economy mainly developed countries have continued strong upturn over a year. On the other hand, mainly China economy which shows remarkable slowdown behind a turmoil roiling stock markets and emerging countries have been showing economic growth slowdown. In addition, there are the demands of the fall in crude prices, a growing geopolitical risks, and the US Fed rate rise impacts. The world economy has been going through variety of risk impacts to the second half of this year.

Under the government's various economic policies, Japan economy has been on a moderate recovery trend with a corporate profits improving and a variety of healthy economic index. On the other hand, there are still concerns such as world economy downward mainly due to China economic impact, Japan economy has still remain uncertainty. In the worldwide Information Technology Industry, the worldwide PC shipments are continuously decreasing and registering the highest decline growth rate from the same period in previous year. This record is mainly due to the world economy impact with currency weakness in countries, etc. On the other hand, cloud computing including server virtualization and related services have been still leading to IT investments all over the world continuously. The domestic PC shipments underrun from the same period in previous year due to several causes including recoil reduction in the Windows XP replacement demand and new OS launch's minimal impact. These possibly caused negative growth in this year domestic PC shipment. Meanwhile, domestic cooperate IT investments could be expected to show positive yearly growth based on moderate recovery trend in Japan economy.

In the computer security industry, while "Advanced Persistent Threat (APT)" threats that pertain to computer intrusions by threat actors that aggressively pursue and compromise chosen targets has plagued the entire world continuously, cyber terrorism targeting specific companies or state institution, etc. which related to some cases of identity theft in both business client information and personal private information have been also happened one after another and remained high-visibility incidents at home and abroad. In addition, ransomware became a hot topic in this year. This type of malware prevents or limits users from accessing their system to force its victims to pay the ransom through certain online payment methods in order to grant access to their systems, or to get their data back. From now on, there are concerns about various attacks to both devices and environments of Internet of

Things (IoT), as the framework to create new value through communication with one another by various gadgets and devices on the networked connections, geopolitical terror attacks by hacktivists who use malicious techniques for political or social reasons. In Japan, there is a national level concern about personal information security due to launch the “My Number” system since 2016. Those concerns will be expected to increase the security demands for our future certainly.

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

With regards to sales in Japan region, despite the recoil reduction from strong PC sales due to the Windows XP replacement demand in the same period in the previous year, consumer business has showed the growth with its following rebates reduction. As for enterprise business sales, cloud related business has maintained its growth continuously. In addition, APT related business starts to show its contribution to enterprise business sales. As a result, net sales for this period in Japan region amounted to 52,599 million yen (3.7% increase from the same period in the previous year.)

For North America region, consumer business sales have not still performed well with decrease in number of the users. On the other hand, enterprise business, which maintained its sales growth and shows the continuous growth of cloud related business, gives contribution for this region sales even in local currencies. In addition, with large benefit by the weak Japanese yen, sales for this period in North America region was 29,325 million yen (17.5% increase from the same period in previous year) which is also the region to have achieved the highest net sales growth among the 5 sales regions with double-digit growth rate.

In EMEA region sales, especially APT related business shows significant growth. It leads to whole enterprise business in this region with cloud related business. In spite of largely affected by the strong yen, sales for this period in this region was 24,143 million yen (6.0% increase from the same period in previous year).

In the Asia Pacific region sales, mainly Australia, shows good condition in both local currency and Japanese yen terms, has been leading in this region's sales with enterprise business including mainly cloud related business. As a result, net sales for this period in Asia Pacific region amounted to 14,920 million yen (8.4% increase from the same period in the previous year).

In Latin America region, both Brazil and Mexico have showed strong sales growth in local currencies in spite of the strong yen impact. The enterprise business leads this region's sales mainly due to both cloud related businesses and APT related businesses. As the result, net sales in this region registered double digit growth of 3,327 million yen (11.6% increase from the same period in previous year).

As a result, the consolidated net sales for entire year of fiscal year 2015 amounted to 124,317 million yen (7.9% increase from the same period in previous year), showing revenue growth in all region.

Cost of sales and operating expenses was largely affected by the weak Japanese yen overall. Especially people costs which are the most affected by weak yen and virtual share bonus plan were increased. As a result, cost of sales and operating expenses of 93,341 million yen (14.5% increase from the same period in previous year) and consolidated operating income for this period was 30,976 million yen (8.0% decrease from the same period in the previous year). In spite of a increase in gain on sale of marketable securities, etc. from the same period in previous year, consolidated ordinary income for this period was 34,071 million yen (5.3% decrease from the same period in the previous year) and the consolidated net income for this period was 21,435 million yen (3.9% decrease from the same period in previous year).

(2) Qualitative Information on the Consolidated Earnings Forecast

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. However, forecasts of net sales for FY 2016 was assumed that Japan increases around a low single-digit percentage, North America region including TippingPoint business increases by around 40% respectively, and Europe region increases around 5% from the same period in previous year. In consideration of such a condition, we have decided to announce the earnings on an annually basis in the fiscal year ending in December 2016 as followings.

Business forecast for the Annual of FY2016 (January 1, 2016 - December 31, 2016)

Consolidated net sales	138,800 million yen
Consolidated operating income	27,300 million yen
Consolidated ordinary income	28,900 million yen
Consolidated net income	18,700 million yen

In development of the business forecasts the main assumed exchange rates for the Annual of FY2016 (January 1, 2016 - December 31, 2016) as follows.

1 US \$	119 yen
1 Euro	130 yen

(3) FINANCIAL CONDITION ANALYSIS

CONDITION OF ASSETS, LIABILITIES, AND NET ASSETS

Cash and bank deposits at the end of this period amounted to 73,838 million yen, an increase of 10,729 million yen from FY 2014 annual closing. Total assets at the end of this period were 290,520 million yen, an increase of 10,581 million yen from FY 2014 annual closing. In spite of decrease in marketable securities and investment securities, this increase is mainly due to increase in cash and bank deposits and notes and accounts receivable, trade, etc.

Total liabilities at the end of this period were 130,826 million yen, an increase of 3,982 million yen from FY 2014 annual closing, mainly due to increase in account payable, other.

As a result, total net assets at the end of this period were 159,693 million yen, an increase of 6,599 million yen. Although foreign currency translation adjustments decrease, treasury stock decreased caused by exercises of stock options and retained earnings increase, etc.

CONDITION OF CASH FLOW

(Unit: million yen)

	FY 2015	FY 2014	Increase (Decrease)
Cash Flows from Operating Activities	30,490	31,942	(1,451)
Cash Flows from Investing Activities	(4,926)	(32,922)	27,995
Cash Flows from Financing Activities	(9,321)	(16,887)	7,566
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(4,226)	2,581	(6,807)
Net Increase (Decrease) in Cash and Cash Equivalents	12,015	(15,286)	27,302
Cash and Cash Equivalents at beginning of period	58,662	73,949	(15,286)
Cash and Cash Equivalents at end of period	70,678	58,662	12,015

[Overview of Cash Flow]

Cash flows from operating activity for this period were cash inflow of 30,490 million yen decreased by 1,451 million yen compared with the previous period. This decrease of inflow was mainly due to the increase balance of notes and accounts receivable.

Cash flows from investing activity were cash outflow of 4,926 million yen, decreased by 27,995 million yen compared with the previous period. This was mainly due to the decrease of payments for the purchases of marketable securities and securities investments.

Cash flows from financing activity were cash outflow of 9,321 million yen decreased by 7,566 million yen compared with the previous period. This decrease of outflow was mainly due to the increase of proceeds from sales of treasury stock.

Taking these cash flows and the effect of exchange rate change on cash and cash equivalents into account, cash and cash equivalents at the end of this period was 70,678 million yen, increased by 12,015 million yen compared with the previous period.

[Trends of Cash Flow Indexes]

(Japan GAAP)

	FY2011	FY2012	FY2013	FY2014	FY2015
Shareholder's equity Ratio (%)	49.9	49.9	53.6	53.8	54.4
Capital Adequacy Ratio on Market Value Basis (%)	150.0	155.8	189.8	160.8	232.3
Debt Redemption Period (years)	-	-	-	-	-
Interest Coverage Ratio	13,846.0	7,300.7	4,845.8	1,872.1	5,624.3

(Note)

Shareholder's Equity Ratio : (Total shareholder's Equity)/(Total Assets)

Capital Adequacy Ratio on Market Value : (Total Market Value of Shares)/(Total Assets) Basis

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.

(4) 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 the dividend ratio of 70%.

Accordingly a year-end dividend on the basis of a dividend ratio of 70.3% of net income of 21,435 million yen in FY2015, we have planned to pay total dividends of 15,060 million yen, which is 110 yen per share in this term.

We have a plan to pay dividend in next term based on our following mentioned policy on dividend.

As per to our announcement on October 21, 2015, "Notice Subsidiary's Execution of Asset Purchase Agreement for Purchase of the TippingPoint Business of Hewlett-Packard Company," we expect that this acquisition's amortization of goodwill will start from FY2016. To avoid the dividend payout being affected by this non cash charge, we plan to pay the year-end dividend on the basis of a dividend ratio of 70% calculated after excluding the effect of this acquisition related after-tax impact of the amortization of goodwill.

(Reported net income + After-tax impact of amortization of goodwill related to purchase of the TippingPoint Business) x 70%

(5) 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.

1. 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.

Currently, major software and hardware vendors have acquired several security vendors. If antivirus and other computer security functions were to be included in those competitors' products and services, this could have a material adverse effect on our business, financial condition and results of operations.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. THE POSSIBILITY OF DECREASED SALES AND MARKET SHARE IN OUR CORE JAPANESE MARKET IF OUR COMPETITORS ACHIEVE SUCCESS IN JAPAN.

Our major competitors are active in the Japanese antivirus software market and have allocated significant resources to achieve success in the Japanese computer security market. Additionally, there have been not only existed security vendors as our direct competitors, but also new vendors joining by recent M&A or acquisition from other industries and new entries, etc. Such a 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.

8. 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.

9. 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.

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

Our group has made contracts with subcontractors and employees with the purpose of preservation of confidentiality. In the case of loss or theft of technical or private information for taking out and unfair use by our group insiders despite taking legislative actions, etc., we could significantly discredit us. Additionally, there is also a possibility to be brought an action for a large amount of damages. In such a case, we could suffer substantial disruptions in our business and also incur costs to fix technical problems etc. and any of these factors could materially hurt our business, financial condition and results of operations.

11. 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.

In addition, should we fail to properly test these products, solutions, or protection files and distribution a defective file, vulnerabilities, etc., these could cause damage to customers. In such a case, it would adversely impact our operating results and financial condition.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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 external environment including economic conditions in our major markets, etc.

20. 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 Asian currencies. 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.

21. 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.

22. 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. Also, we made and entered Non-Disclosure Agreement is into by and between employees and subcontractors 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.

23. THE POSSIBILITY OF FILE A SUIT BY PRODUCT AND SERVICE LIABILITY CLAIMS AND PRODUCT RECALL.

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 including vulnerabilities, these files could cause damage to the personal computers, network environment, and various devices 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. Otherwise, we could order a recall of products at the discretion of company.

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 or products recall cases 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.

24. 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.

25. OUR BUSINESS FACES THE RISK OF INTERRUPTION FROM POWER SHORTAGES, EARTHQUAKES AND OTHER DISASTERS, OUTBREAK OF BIOLOGICAL VIRUSES, GEOPOLITICAL RISK, AND OTHER HAZARDS.

Trend Micro group 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. 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.

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

Shares of the common stock of Trend Micro Incorporated, Trend Micro group's parent company, are traded on the Tokyo Stock Exchange. Recently, the Japanese securities markets have experienced significant price and volume fluctuations. The market prices of securities of high-tech companies, and internet companies in particular, have been especially volatile. Since trading in shares of Trend Micro Incorporated commenced on the Tokyo Stock Exchange on August 17, 2000, stock price of Trend Micro Incorporated has fluctuated between a low of (Yen) 1,440

and a high of (Yen) 9,005. The closing price on the Tokyo Stock Exchange for our stock on December 30, 2015 was (Yen) 4,930. The market price of our shares is likely to fluctuate in the future.

27. 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. One of the affiliated company is General Mobile Corporation which is a service provider for mobile device platform.

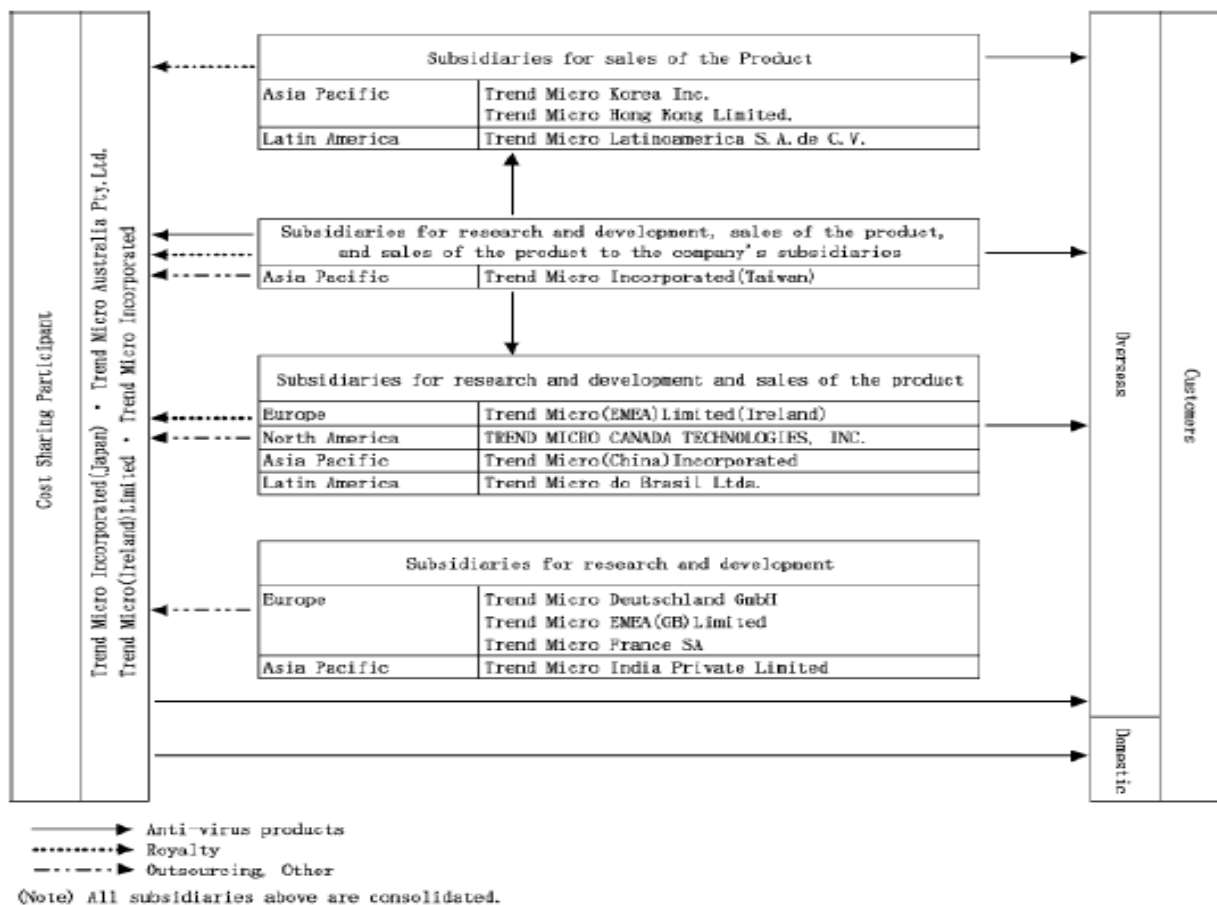
(1) Development and sales of anti-virus products

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 General Mobile Corporation which provides total solutions for mobile device platform and mobile internet services.

3. **【Management Policy】**

(1) BASIC POLICY OF MANAGEMENT

Our Vision: A world safe for exchanging digital information.

Our Mission: Defend against threats that would impact user’s digital life or 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, minimizing damages in an emergency, 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 global Cyber Security market size that we belong to, is estimated to grow at a compound annual growth rate (CAGR) of 9.8 percent from 2015 to 2020 (June 2015). 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

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

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.

For accelerating digitalized business and society, and for protecting user's life, Trend Micro group will strengthen further information security solution in the true digitalization framework to continue to advance business relationships with our partners across boundaries between enterprise and consumer, our group will keep working just as hard as ever to provide best solutions for not only variable ports of each threat attack, but also diversified environments including physical environments, cloud environments, and virtual environments. Moreover, we have a plan to offer comprehensive and great certainty solutions in any breach detection. For enhancing this strategy, our group signed a definitive agreement with HP to acquire TippingPoint business including next-generation intrusion prevention systems (NGIPS) and related network security solutions in 2015. In addition, for achieving our vision: A world safe for exchanging digital information. As threat defense experts, our group will advance as an innovative company with forefront of security technological development and provide ongoing optimum solutions to protect the living environment of customers.

(4). ISSUES TO DEAL WITH

In the cyber security industry which our group belongs to, there have been not only existed security vendors as our direct competitors, but also new vendors joining by recent M&A or acquisition from other industries and new entries, etc. They have been encouraging market competitions both domestic

and overseas. Such a consolidation and new entries are now too fluid to foresee the future direction of this business 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 a number of acquisitions. With those 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 (SPN) is at the core of Trend Micro products and services.

In addition, we announced that a definitive agreement with HP to acquire TippingPoint business including next-generation intrusion prevention systems (NGIPS) and related network security solutions in 2015. To combine SPN with their knowledge and technologies, we can offer higher value-added security services and solutions to the market.

The past information society has been developed by digitalizing any mechanism including business process and social structure human kind had created in the long history. Now, the Internet of Things (IoT), as the framework to create new value through communication with one another by various gadgets and devices on the networked connections, and digital technology such as mobile, cloud computing, social media, and big data are predicated on future IT innovation.

Under this prediction, variable business models and new social structure will be developed from every field as manufacturing, retail distribution industry, money and banking, service business, agriculture, healthcare, and social-infrastructure, etc. in near future.

As the true digitalization progresses in the business field and the society, information security risks also increase at an accelerated pace. As the property value of big data which enterprise has to continue growing, the cybercrimes aim to it is increasing. It will be concerned the possibility of emergence unprecedented cyber attacks by IoT, mobile, or cloud technology.

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. 【Basic policy on the selection of accounting standards】

To secure comparability between companies and between fiscal years, Trend Micro group prepares its consolidated financial statements in accordance with the Japanese accounting standards. We will appropriately consider application of IFRS (International Financial Report Standards) taking into consideration of condition in Japan and overseas.

5. 【CONSOLIDATED FINANCIAL STATEMENTS】

(1) 【Consolidated Balance Sheets】

(Million yen)

Account	December 31, 2014	December 31, 2015
(Assets)		
Current assets		
Cash and bank deposits	63,109	73,838
Notes and Accounts receivable, trade	26,342	30,250
Marketable securities	74,328	71,914
Inventories	*1 523	810
Deferred tax assets	14,947	15,635
Others	4,819	9,319
Allowance for bad debt	(270)	(289)
Total current assets	183,799	201,488
Non-current assets		
Property and equipment		
(1) Office furniture & equipment	*2 3,752	4,516
(2) Others	*2 1,197	1,271
Total property and equipment	4,949	5,788
Intangibles		
(1) Software	7,783	7,259
(2) Goodwill	740	238
(3) Others	903	711
Total intangibles	9,427	8,209
Investments and other non-current assets		
(1) Investment securities	67,815	61,010
(2) Investments in subsidiaries and affiliates	1,231	1,794
(3) Deferred tax assets	11,031	10,731
(4) Others	1,684	1,496
Total investments and other non-current assets	81,762	75,033
Total non-current assets	96,139	89,032
Total assets	279,938	290,520

(Million yen)

Account	December 31, 2014	December 31, 2015
(Liabilities)		
Current liabilities		
Accounts payable and Notes payable, trade	672	560
Accounts payable, other	4,085	5,494
Accrued expenses	5,576	4,625
Accrued income and other taxes	4,635	5,142
Allowance for bonuses	929	1,476
Allowance for sales returns	653	702
Deferred revenue	70,162	69,132
Others	6,066	7,405
Total current liabilities	92,782	94,539
Non-current liabilities		
Deferred revenue	28,531	30,113
Net defined benefit liability	4,225	4,280
Others	1,305	1,893
Total non-current liabilities	34,061	36,287
Total liabilities	126,844	130,826
(Net assets)		
Shareholders' equity		
Common stock	18,386	18,386
Capital surplus	21,993	22,431
Retained earnings	118,955	124,857
Treasury stock, at cost	(16,986)	(10,326)
Total shareholders' equity	142,349	155,348
Accumulated other comprehensive income		
Net unrealized gain (loss) on debt and equity securities	2,242	234
Foreign currency translation adjustments	6,681	3,001
Remeasurements of defined benefit plans	(749)	(576)
Total accumulated other comprehensive income	8,174	2,659
Stock acquisition rights	2,559	1,681
Minority interest	11	3
Total net assets	153,094	159,693
Total liabilities and net assets	279,938	290,520

(2) 【Consolidated Statements of Income
Consolidated Statements of Comprehensive Income】

Consolidated Statements of Income

(Million yen)

	For the year ended December 31, 2014	For the year ended December 31, 2015
Net Sales	115,205	124,317
Cost of sales	20,430	21,272
Gross profit	94,775	103,045
Operating expenses	*1*2 61,122	72,069
Operating income	33,652	30,976
Non-operating income		
Interest income	1,764	1,506
Gain on sales of marketable securities	881	1,725
Equity in gain of affiliated companies	-	61
Foreign exchange gain	-	22
Other income	98	242
Total non-operating income	2,744	3,559
Non-operating expenses		
Interest expenses	17	5
Loss from sales of marketable securities	-	22
Foreign exchange loss	3	-
Equity in loss of affiliated companies	59	-
Impairment loss on marketable securities	-	121
Loss on disposal of fixed assets	260	240
Other expenses	63	73
Total non-operating expenses	403	463
Ordinary income	35,992	34,071
Extraordinary gain		
Gain on reversal of stock options	25	34
Gain on business transfer	-	475
Gain on change in equity	6	-
Total extraordinary gain	32	510
Extraordinary loss		
Loss on change in equity	-	544
Total extraordinary loss	-	544
Net income before taxes	36,024	34,037
Income taxes current	13,136	12,262
Income taxes deferred	584	338
Total income taxes	13,721	12,601
Net income before minority interest	22,303	21,435
Minority interest in income (loss) of consolidated subsidiaries	(0)	0
Net income	22,303	21,435

Consolidated Statements of Comprehensive Income

(Million yen)

	For the year ended December 31, 2014	For the year ended December 31, 2015
Income before minority interests	22,303	21,435
Other comprehensive income		
Valuation difference on available-for-sale securities	477	(2,008)
Foreign currency translation adjustment	5,533	(3,884)
Remeasurements of defined benefit plans	-	173
Share of other comprehensive income of associates accounted for using equity method	101	204
Total other comprehensive income	*1 6,112	(5,514)
Comprehensive income	28,415	15,920
Comprehensive income attributable to owners of the parent	28,414	15,921
Comprehensive income attributable to minority interests	1	(0)

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

(Million yen)

	For the year ended December 31, 2014	For the year ended December 31, 2015
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	21,796	21,993
Movement for the period		
Sales of treasury stock	196	437
Total movement	196	437
Balance at the end of current period	21,993	22,431
Retained earnings		
Balance at the end of previous period	113,509	118,955
Cumulative effects of change in accounting policies	-	95
Beginning balance after change in accounting policies	113,509	119,050
Movement for the period		
Dividend of surplus	(16,857)	(15,629)
Net income	22,303	21,435
Total movement	5,445	5,806
Balance at the end of current period	118,955	124,857
Treasury stock, at cost		
Balance at the end of previous period	(16,303)	(16,986)
Movement for the period		
Sales of treasury stock	2,661	6,660
Purchase of treasury stock	(3,344)	-
Total movement	(682)	6,660
Balance at the end of current period	(16,986)	(10,326)
Total shareholders' equity		
Balance at the end of previous period	137,389	142,349
Cumulative effects of change in accounting policies	-	95
Beginning balance after change in accounting policies	137,389	142,444
Movement for the period		
Dividend of surplus	(16,857)	(15,629)
Net income	22,303	21,435
Sales of treasury stock	2,858	7,097
Purchase of treasury stock	(3,344)	-
Total movement	4,959	12,904
Balance at the end of current period	142,349	155,348

(Millions of yen)

	For the year ended December 31, 2014	For the year ended December 31, 2015
Accumulated other comprehensive income		
Net Unrealized gain(loss) on debt and equity securities		
Balance at the end of previous period	1,768	2,242
Movement for the period		
Movement for the period excluding shareholders' equity	474	(2,008)
Total movement	474	(2,008)
Balance at the end of current period	2,242	234
Foreign currency translation adjustments		
Balance at the end of previous period	1,045	6,681
Movement for the period		
Movement for the period excluding shareholders' equity	5,636	(3,679)
Total movement	5,636	(3,679)
Balance at the end of current period	6,681	3,001
Remeasurements of defined benefit plans		
Balance at the end of previous period	-	(749)
Movement for the period		
Movement for the period excluding shareholders' equity	(749)	173
Total movement	(749)	173
Balance at the end of current period	(749)	(576)
Total accumulated other comprehensive income		
Balance at the end of previous period	2,813	8,174
Movement for the period		
Movement for the period excluding shareholders' equity	5,361	(5,514)
Total movement	5,361	(5,514)
Balance at the end of current period	8,174	2,659
Stock acquisition rights		
Balance at the end of previous period	2,326	2,559
Movement for the period		
Movement for the period excluding shareholders' equity	233	(878)
Total movement	233	(878)
Balance at the end of current period	2,559	1,681
Minority interest		
Balance at the end of previous period	9	11
Movement for the period		
Movement for the period excluding shareholders' equity	1	(7)
Total movement	1	(7)
Balance at the end of current period	11	3
Total net assets		
Balance at the end of previous period	142,539	153,094
Cumulative effects of change in accounting policies	-	95
Beginning balance after change in accounting policies	142,539	153,189
Movement for the period		
Dividend of surplus	(16,857)	(15,629)
Net income	22,303	21,435
Sales of treasury stock	2,858	7,097
Purchase of treasury stock	(3,344)	-
Movement for the period excluding shareholders' equity	5,595	(6,400)
Total movement	10,555	6,504
Balance at the end of current period	153,094	159,693

(4) 【Consolidated Statements of Cash Flows】

(Million yen)

Account	For the year ended December 31, 2014	For the year ended December 31, 2015
Cash flows from operating activities:		
Net income before taxes	36,024	34,037
Depreciation and amortization	7,166	7,756
Stock compensations	889	724
Gain on reversal of stock options	(25)	(34)
Amortization of goodwill	449	498
Increase (decrease) in allowance for bad debts	24	27
Increase (decrease) in allowance for sales returns	(20)	50
Increase (decrease) in net defined benefit liability	1,217	116
Interest income	(1,764)	(1,506)
Interest expenses	17	5
Equity in (earnings)/loss of affiliated companies	59	(61)
(Gain) loss on sale of marketable securities	(881)	(1,703)
Loss on disposal of fixed assets	260	240
(Gain) loss on change in equity	(6)	544
Impairment loss on marketable securities	-	121
Gain on business transfer	-	(475)
(Increase) decrease in notes and accounts receivable	(1,031)	(5,080)
(Increase) decrease in inventories	(83)	(309)
Increase (decrease) in notes and accounts payable	127	(68)
Increase (decrease) in accounts payable, other & accrued expenses	422	848
Increase (decrease) in deferred revenue	2,828	3,514
Virtual share bonus plan	(279)	1,934
Others	(880)	30
Subtotal	44,516	41,210
Proceeds from interest and dividend received	1,456	2,306
Payment for interest expenses	(17)	(5)
Payment for income tax	(14,013)	(13,021)
Net cash provided by operating activities	31,942	30,490
Cash flows from investing activities:		
(Payments for)/Proceeds from time deposits	1,488	1,139
Payments for purchases of marketable securities and securities investments	(152,847)	(117,533)
Proceeds from sale or redemptions of marketable securities and securities investments	127,239	123,206
Payments for purchases of property and equipment	(2,038)	(3,530)
Payments for purchases of other intangibles	(5,732)	(4,857)
Payments for purchase of affiliated company securities	(1,031)	(1,100)
Proceeds from business transfer	-	748
Advance payment for business acquisition	-	(3,046)
Others	-	46
Net cash used in/provided by investing activities	(32,922)	(4,926)
Cash flows from financing activities:		
Payment for purchase of treasury stock	(3,344)	-
Proceeds from sale of treasury stock	2,227	5,530
Dividends paid	(15,770)	(14,839)
Others	-	(11)
Net cash used in financing activities	(16,887)	(9,321)
Effect of exchange rate changes on cash and cash equivalents	2,581	(4,226)
Net increase (decrease) in cash and cash equivalents	(15,286)	12,015
Cash and cash equivalents at beginning of period	73,949	58,662
Cash and cash equivalents at end of period	58,662	70,678

(5) 【Footnote on going concern】

N/A

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

1 Basis of consolidation	<p>(1) Consolidated subsidiaries All of our 31 subsidiaries are consolidated. Names of major subsidiaries: Trend Micro Inc. Trend Micro Incorporated Trend Micro Australia Pty. Ltd. Trend Micro (EMEA) Limited</p> <p>(2) Unconsolidated subsidiaries Broadweb Corporation (Brunei) Itech Technology Limited (Brunei) Broadweb Corporation (Republic of Seychelles) Broadweb Corporation (China) Itech Technology Limited (China)</p>
2 Affiliated companies	<p>Equity method accounting is applied to investments in the following affiliated companies.</p> <ul style="list-style-type: none">*General Mobile Corporation (British Cayman islands)*Anome Incorporated (Samoa)*AsiaInfo Security Limited (China)
3 Fiscal year of consolidated subsidiaries	<p>All financial statements included in a set of consolidated financial statements are prepared as of the same date.</p>
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>(2) Depreciation and amortization</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 Straight -line method over the estimated useful lives (12 months)</p> <p>b. Software for internal use Straight-line method over the estimated useful lives (mainly 5 years)</p> <p>c. Other intangibles Straight-line method over the estimated useful lives</p> <p>C. Leased assets Finance lease without transfer of ownership of the leased assets Straight-line method in which the useful life is assumed to be the lease period and the residual value is zero.</p>
<p>(3) Accounting policies for allowances</p>	<p>A. Allowance for doubtful accounts In order to reserve future losses from default of notes and account receivable, allowance for bad debt is provided. The amount is determined using the percentage based on actual doubtful account loss against total of debts. As for high-risk receivables, expected unrecoverable amount is considered individually.</p> <p>B. Allowance for bonuses Bonuses for employees are provided at an estimate of the amount.</p> <p>C. Allowance for sales returns In order to reserve future losses from sales return subsequent to the fiscal year end, allowance for sales return is provided based on the past experience in the sales return.</p>
<p>(4) Accounting methods for retirement benefit obligation</p>	<p>In calculating the retirement benefit obligation, the expected retirement benefits are attributed to the periods by standard pension benefit formula basis. Actuarial gains and losses and past service costs are expensed in a certain period less than average future service years of employees of the year (1-23 years).</p>
<p>(5) Translation of foreign currencies</p>	<p>Foreign currency denominated receivables and payables are translated into Japanese yen at period-end rates of exchange and the resulting translation gains or losses are taken into current income. All asset and liability accounts of foreign subsidiaries are translated into Japanese yen at period-end rates of exchange and all income and expense accounts are translated at average exchange rate. The resulting foreign currency translation adjustments are included in accumulated other comprehensive income (loss) and minority interest.</p>
<p>(6) Other important matters for preparing financial statements</p>	<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</p> <p>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).</p> <p>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.</p> <p>Deferred revenue is finally recognized as revenue evenly over the contracted period.</p>
5 Valuation of assets and liabilities of consolidated subsidiaries	Assets and liabilities of the consolidated subsidiaries are measured at fair value.
6 Amortization of Goodwill	Goodwill is amortized evenly over the appropriate period in less than 20 years.
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.

(7) **【Change of the Accounting Policy】**

(Changes in accounting standard for retirement benefits)

The Company had adopted the paragraph 35 and paragraph 67 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25) from this fiscal year.

Under the revised accounting standard, the Company has changed the method of calculating retirement benefit obligations and service costs, with the method of determination of the discount rate revised to a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and the method of attributing benefits to accounting periods changed from the straight-line method to the standard pension benefit formula basis.

As a result, the beginning balance of the retirement benefit obligation were decreased by JPY 147 million and the beginning balance of retained earnings were increased by JPY 95 million.

The effect to the consolidated statement of income is minor.

(8) **【Accounting Standard Not Yet Applied】**

(Accounting Standards for Business Combination)

On September 13, 2013, ASBJ issued "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7), "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No.2), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10), and "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4).

Under these revised accounting standards, the accounting treatment for changes in a parent's ownership interest in a subsidiary when that the parent retains control over the subsidiary in the additional acquisition of shares in a subsidiary and acquisition related costs were revised. In addition, the presentation method of net income was amended as well as the amendment of "minority interests" to "non-controlling interests," and transitional provisions for accounting treatments were defined.

The Company expects to apply these revised accounting standards and guidance from the beginning of the

fiscal year ending December 31, 2016. However, the transitional provisions for accounting treatments will be applied from business combinations performed on or after the beginning of the fiscal year ending December 31, 2016.

The effect of adoption of these revised accounting standards is now under assessment.

(Implementation Guidance on Recoverability of Deferred Tax Assets)

On December 28, 2015, ASBJ issued the Guidance No.26, Implementation Guidance on Recoverability of Deferred Tax Assets.

The implementation guidance basically continues to apply the framework used in the JICPA No.66 where recoverability of deferred tax assets is assessed based on entities' categories, but certain accounting treatments were changed. The changes include certain criteria for the entities' categories used for recoverability of deferred tax assets and recoverability of deferred tax assets for unscheduled deductible temporary differences when certain criteria are met.

The Company expects to apply the implementation guidance from the beginning of the fiscal year ending December 2017.

The effect of adoption of this implementation guidance is now under assessment.

(9) 【Additional Information】

Trend Micro has reached an agreement with Hewlett-Packard Company (hereinafter "HP") to acquire the TippingPoint business of HP.

1. The reason for transaction

Trend Micro group signed a definitive agreement with HP to acquire TippingPoint business including Next-Generation Intrusion Prevention System (NGIPS) and related network security solutions. This acquisition positions Trend Micro as the go-to enterprise security provider of dynamic threat defense solutions spanning endpoints, network, data center and the cloud.

In addition to proven network security, this agreement includes the threat insight and expertise of TippingPoint's Digital Vaccine LABS (DVLABS), that provides real-time threat intelligence with innovative security filters to analyze vulnerabilities and exploits. Another benefit is the Initiative for Zero Day Attack, which has responsibly disclosed more zero-day vulnerabilities than all competitors combined through the diligence and expertise of an extensive community of researchers.

Trend Micro group will provide value-added high quality security service and solutions through these unique expertise and abilities which will work in concert with the expensive resources of the Trend Micro Smart Protection Network and threat research teams to help ensure market leading detection rates.

2. The counterparty

Hewlett-Packard Company

3. Estimated date of completion of Transaction

2016 Q1, subject to completion of regulatory review requirements.

4. Legal form of business combination

Business acquisition

5. Assumed Assets and Liabilities

These are not determined currently.

6. Acquisition Cost

Approximately 300 million USD (approximately 36 billion yen / 1 USD=120 JPY)

(10) 【Notes for Consolidated Financial Statements】

(Consolidated Balance Sheets)

(Millions of Yen)

At the end of the previous fiscal year (As of December 31, 2014)		At the end of the current fiscal year (As of December 31, 2015)	
*1	Inventory		
	Finished Goods	418	746
	Materials	40	30
	Goods	63	33
*2	Accumulated depreciation of property and equipment	18,117	18,754

(Consolidated Statements of Income)

(Millions of Yen)

For the previous fiscal year (From January 1, 2014 To December 31, 2014)		For the current fiscal year (From January 1, 2015 To December 31, 2015)	
*1	Major components of Operating expenses are as follows	*1	Major components of Operating expenses are as follows
	Sales promotion	8,155	8,394
	Salaries	29,300	35,343
	Bonus	693	1,138
*2	Research and development expense were 2,925 millions of yen and included in Operating expenses.	*2	Research and development expense were 3,774 millions of yen and included in Operating expenses.

(Consolidated Statements of Comprehensive Income)

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

For the previous fiscal year (from January 1, 2014 to December 31, 2014)

Valuation difference on available-for sales securities (Millions of Yen)	
Amount incurred in current year	1,479
Reclassification	(869)
Before deferred tax	<u>609</u>
Deferred tax	(132)
Valuation difference on securities	<u>477</u>
Foreign currency translation adjustment	
Amount incurred in current year	5,533
Reclassification	-
Before deferred tax	<u>5,533</u>
Deferred tax	-
Foreign currency translation adjustment	<u>5,533</u>
Share of other comprehensive income of associates accounted for using equity method	
Amount incurred in current year	101
Total other comprehensive income	<u>6,112</u>

For the current fiscal year (from January 1, 2015 to December 31, 2015)

Valuation difference on available-for sales securities (Millions of Yen)

Amount incurred in current year	(1,468)
Reclassification	(1,643)
Before deferred tax	<u>(3,111)</u>
Deferred tax	1,103
Valuation difference on securities	<u>(2,008)</u>
Foreign currency translation adjustment	
Amount incurred in current year	(3,863)
Reclassification	(20)
Before deferred tax	<u>(3,884)</u>
Deferred tax	-
Foreign currency translation adjustment	<u>(3,884)</u>
Remeasurement of defined benefit plans	
Amount incurred in current year	65
Reclassification	172
Before deferred tax	<u>237</u>
Deferred tax	(64)
Remeasurement of defined benefit plans	<u>173</u>
Share of other comprehensive income of associates accounted for using equity method	
Amount incurred in current year	204
Total other comprehensive income	<u>(5,514)</u>

(Consolidated Stockholders' Equity Statements)

For the previous fiscal year (from January 1, 2014 to December 31, 2014)

1. Number of common stock issued

Class of stock	As of Jan 1, 2014	Increase	Decrease	As of Dec 31, 2014
Common stock	140,293,004	—	—	140,293,004

2. Number of Treasury stocks

Class of treasury stock	As of Jan 1, 2014	Increase	Decrease	As of Dec 31, 2014
Common stock	5,430,724	1,000,000	873,600	5,557,124

The increase by 1,000,000 shares is due to the market purchasing of treasury stock.

The decrease by 873,600 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, 2014	Increase	Decrease	As of Dec 31, 2014	
Stock Option	—	—	—	—	—	2,559

4. Dividend of surplus

(1) Dividends payment

Resolution	Class of stock	Total dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
Shareholders' meeting on Mar 26, 2014	Common stock	16,857	125.00	Dec 31, 2013	Mar 27, 2014

(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, 2015	Common stock	Retained earnings	15,629	116.00	Dec 31, 2014	Mar 27, 2015

For the current fiscal year (from January 1, 2015 to December 31, 2015)

1. Number of common stock issued

Class of stock	As of Jan 1, 2015	Increase	Decrease	As of Dec 31, 2015
Common stock	140,293,004	—	—	140,293,004

2. Number of Treasury stocks

Class of treasury stock	As of Jan 1, 2015	Increase	Decrease	As of Dec 31, 2015
Common stock	5,557,124	—	2,178,900	3,378,224

The decrease by 2,178,900 shares is due to the disposition of treasury stock upon the exercise of stock acquisition right.

3. Stock acquisition rights

Detail	Class of shares subject to stock acquisition right	Number of shares subject to the exercise of stock acquisition rights				Amount outstanding (Millions of yen)
		As of Jan 1, 2015	Increase	Decrease	As of Dec 31, 2015	
Stock Option	—	—	—	—	—	1,681

4. Dividend of surplus

(1) Dividends payment

Resolution	Class of stock	Total dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
Shareholders' meeting on Mar 26, 2015	Common stock	15,629	116.00	Dec 31, 2014	Mar 27, 2015

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

Resolution	Class of stock	Dividends resource	Total dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
Shareholders' meeting on Mar 25, 2016	Common stock	Retained earnings	15,060	110.00	Dec 31, 2015	Mar 28, 2016

(Consolidated Statements of Cash Flows)

(Millions of yen)

For the previous fiscal year (From January 1, 2014 To December 31, 2014)	For the current fiscal year (From January 1, 2015 To December 31, 2015)
*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 63,109	Cash and bank deposits 73,838
Time deposits with original maturities of longer than three month (4,446)	Time deposits with original maturities of longer than three month (3,160)
Short term investments which is in Marketable securities account —	Short term investments which is in Marketable securities account —
Cash and cash equivalent 58,662	Cash and cash equivalent 70,678

(Marketable securities and security investments)

As of December 31, 2014

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	15,519	15,722	203
	(2)Corporate bonds	36,143	39,163	3,020
	(3)Others	24,279	24,490	210
	Others	939	1,115	175
	Total	76,882	80,491	3,609
Marketable securities with purchase cost over fair value	Bonds			
	(1)Government bonds	-	-	-
	(2)Corporate bonds	22,091	21,976	(115)
	(3)Others	14,000	13,958	(41)
	Others	25,716	25,716	-
	Total	61,808	61,651	(156)
Grand Total		138,690	142,143	3,453

2 Sales of available-for-sales investments (From January 1, 2014 to December 31, 2014)

(Millions of yen)

Classification	Sales amount	Gain on sales of investments in securities	Loss on sales of investments in securities
Shares	-	-	-
Bonds	37,302	764	-
Others	89,937	116	-
Total	127,239	881	-

As of December 31, 2015

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	Shares	-	-	-
	Bonds			
	(1) Government bonds	17,057	17,260	202
	(2) Corporate bonds	14,804	15,218	414
	(3) Others	22,249	22,372	122
Others	14,710	14,799	88	
	Total	68,821	69,650	828
Marketable securities with purchase cost over fair value	Shares	182	182	-
	Bonds			
	(1) Government bonds	-	-	-
	(2) Corporate bonds	30,333	29,990	(343)
	(3) Others	18,210	18,066	(144)
Others	15,035	15,034	(0)	
	Total	63,761	63,274	(487)
Grand Total		132,583	132,925	341

2 Sales of available-for-sales investments (From January 1, 2015 to December 31, 2015)

(Millions of yen)

Classification	Sales amount	Gain on sales of investments in securities	Loss on sales of investments in securities
Shares	-	-	-
Bonds	53,401	1,646	22
Others	69,805	79	-
Total	123,206	1,725	22

(Employee retirement benefit plans)

(Millions of yen)

(Millions of yen)

At the end of current fiscal year (As of Dec 31, 2014)	At the end of current fiscal year (As of Dec 31, 2015)																																																																																																								
<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 funded defined benefit plan or defined contribution plan and certain subsidiary has a 401(k) retirement plan.</p> <p>The retirement benefit assets and the retirement benefit liabilities of certain subsidiaries are calculated by compendium method.</p> <p>2. Defined benefit plan</p> <p>(1) Reconciliations of beginning and ending balance of the defined benefit obligations are as follows (excluding the plan adopting the compendium method);</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Beginning balance</td> <td style="text-align: right;">3,719</td> </tr> <tr> <td>Current service cost</td> <td style="text-align: right;">352</td> </tr> <tr> <td>Interest cost</td> <td style="text-align: right;">61</td> </tr> <tr> <td>Actuarial gains and losses</td> <td style="text-align: right;">251</td> </tr> <tr> <td>Benefits paid</td> <td style="text-align: right;">(54)</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">161</td> </tr> <tr> <td style="border-top: 1px solid black;">Ending balance</td> <td style="text-align: right; border-top: 1px solid black;">4,493</td> </tr> </table> <p>(2) Reconciliations of beginning and ending balance of the plan assets are as follows (excluding the plan adopting the compendium method);</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Beginning balance</td> <td style="text-align: right;">243</td> </tr> <tr> <td>Expected return on plan assets</td> <td style="text-align: right;">4</td> </tr> <tr> <td>Actuarial gains and losses</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Contributions from the employer</td> <td style="text-align: right;">43</td> </tr> <tr> <td>Benefits paid</td> <td style="text-align: right;">(4)</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">24</td> </tr> <tr> <td style="border-top: 1px solid black;">Ending balance</td> <td style="text-align: right; border-top: 1px solid black;">311</td> </tr> </table> <p>(3) Reconciliations of beginning and ending balance of the retirement benefit liabilities adopting the compendium method are as follows;</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Beginning balance</td> <td style="text-align: right;">30</td> </tr> <tr> <td>Pension expense</td> <td style="text-align: right;">12</td> </tr> <tr> <td>Benefits paid</td> <td style="text-align: right;">(3)</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">3</td> </tr> <tr> <td style="border-top: 1px solid black;">Ending balance</td> <td style="text-align: right; border-top: 1px solid black;">43</td> </tr> </table> <p>(4) Ending balance of the defined benefit obligations / assets and the retirement benefits liabilities recognized in the consolidated balance sheets (including the plan adopting the compendium method)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Funded defined benefit obligations</td> <td style="text-align: right;">1,846</td> </tr> <tr> <td>Plan assets</td> <td style="text-align: right;">(311)</td> </tr> <tr> <td style="border-top: 1px solid black;">Unfunded defined benefit obligations</td> <td style="text-align: right; border-top: 1px solid black;">1,535</td> </tr> <tr> <td style="border-top: 1px solid black;">Balance in the consolidated FS</td> <td style="text-align: right; border-top: 1px solid black;">4,225</td> </tr> <tr> <td style="border-top: 1px solid black;">Retirement benefit liabilities</td> <td style="text-align: right; border-top: 1px solid black;">4,225</td> </tr> <tr> <td style="border-top: 1px solid black;">Balance in the consolidated FS</td> <td style="text-align: right; border-top: 1px solid black;">4,225</td> </tr> </table>	Beginning balance	3,719	Current service cost	352	Interest cost	61	Actuarial gains and losses	251	Benefits paid	(54)	Others	161	Ending balance	4,493	Beginning balance	243	Expected return on plan assets	4	Actuarial gains and losses	0	Contributions from the employer	43	Benefits paid	(4)	Others	24	Ending balance	311	Beginning balance	30	Pension expense	12	Benefits paid	(3)	Others	3	Ending balance	43	Funded defined benefit obligations	1,846	Plan assets	(311)	Unfunded defined benefit obligations	1,535	Balance in the consolidated FS	4,225	Retirement benefit liabilities	4,225	Balance in the consolidated FS	4,225	<p>1. Pension and severance plans</p> <p style="text-align: center;">Same as left</p> <p>2. Defined benefit plan</p> <p>(1) Reconciliations of beginning and ending balance of the defined benefit obligations are as follows (excluding the plan adopting the compendium method);</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Beginning balance</td> <td style="text-align: right;">4,493</td> </tr> <tr> <td>Cumulative effects of change in accounting policies</td> <td style="text-align: right;">(147)</td> </tr> <tr> <td>Beginning balance after change in accounting policies</td> <td style="text-align: right;">4,345</td> </tr> <tr> <td>Current service cost</td> <td style="text-align: right;">419</td> </tr> <tr> <td>Interest cost</td> <td style="text-align: right;">70</td> </tr> <tr> <td>Actuarial gains and losses</td> <td style="text-align: right;">(38)</td> </tr> <tr> <td>Benefits paid</td> <td style="text-align: right;">(184)</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">(66)</td> </tr> <tr> <td style="border-top: 1px solid black;">Ending balance</td> <td style="text-align: right; border-top: 1px solid black;">4,546</td> </tr> </table> <p>(2) Reconciliations of beginning and ending balance of the plan assets are as follows (excluding the plan adopting the compendium method);</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Beginning balance</td> <td style="text-align: right;">311</td> </tr> <tr> <td>Expected return on plan assets</td> <td style="text-align: right;">6</td> </tr> <tr> <td>Actuarial gains and losses</td> <td style="text-align: right;">1</td> </tr> <tr> <td>Contributions from the employer</td> <td style="text-align: right;">68</td> </tr> <tr> <td>Benefits paid</td> <td style="text-align: right;">(64)</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">(10)</td> </tr> <tr> <td style="border-top: 1px solid black;">Ending balance</td> <td style="text-align: right; border-top: 1px solid black;">312</td> </tr> </table> <p>(3) Reconciliations of beginning and ending balance of the retirement benefit liabilities adopting the compendium method are as follows;</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Beginning balance</td> <td style="text-align: right;">43</td> </tr> <tr> <td>Pension expense</td> <td style="text-align: right;">13</td> </tr> <tr> <td>Benefits paid</td> <td style="text-align: right;">(4)</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">(4)</td> </tr> <tr> <td style="border-top: 1px solid black;">Ending balance</td> <td style="text-align: right; border-top: 1px solid black;">46</td> </tr> </table> <p>(4) Ending balance of the defined benefit obligations / assets and the retirement benefits liabilities recognized in the consolidated balance sheets (including the plan adopting the compendium method)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Funded defined benefit obligations</td> <td style="text-align: right;">1,806</td> </tr> <tr> <td>Plan assets</td> <td style="text-align: right;">(312)</td> </tr> <tr> <td style="border-top: 1px solid black;">Unfunded defined benefit obligations</td> <td style="text-align: right; border-top: 1px solid black;">1,494</td> </tr> <tr> <td style="border-top: 1px solid black;">Balance in the consolidated FS</td> <td style="text-align: right; border-top: 1px solid black;">4,280</td> </tr> <tr> <td style="border-top: 1px solid black;">Retirement benefit liabilities</td> <td style="text-align: right; border-top: 1px solid black;">4,280</td> </tr> <tr> <td style="border-top: 1px solid black;">Balance in the consolidated FS</td> <td style="text-align: right; border-top: 1px solid black;">4,280</td> </tr> </table>	Beginning balance	4,493	Cumulative effects of change in accounting policies	(147)	Beginning balance after change in accounting policies	4,345	Current service cost	419	Interest cost	70	Actuarial gains and losses	(38)	Benefits paid	(184)	Others	(66)	Ending balance	4,546	Beginning balance	311	Expected return on plan assets	6	Actuarial gains and losses	1	Contributions from the employer	68	Benefits paid	(64)	Others	(10)	Ending balance	312	Beginning balance	43	Pension expense	13	Benefits paid	(4)	Others	(4)	Ending balance	46	Funded defined benefit obligations	1,806	Plan assets	(312)	Unfunded defined benefit obligations	1,494	Balance in the consolidated FS	4,280	Retirement benefit liabilities	4,280	Balance in the consolidated FS	4,280
Beginning balance	3,719																																																																																																								
Current service cost	352																																																																																																								
Interest cost	61																																																																																																								
Actuarial gains and losses	251																																																																																																								
Benefits paid	(54)																																																																																																								
Others	161																																																																																																								
Ending balance	4,493																																																																																																								
Beginning balance	243																																																																																																								
Expected return on plan assets	4																																																																																																								
Actuarial gains and losses	0																																																																																																								
Contributions from the employer	43																																																																																																								
Benefits paid	(4)																																																																																																								
Others	24																																																																																																								
Ending balance	311																																																																																																								
Beginning balance	30																																																																																																								
Pension expense	12																																																																																																								
Benefits paid	(3)																																																																																																								
Others	3																																																																																																								
Ending balance	43																																																																																																								
Funded defined benefit obligations	1,846																																																																																																								
Plan assets	(311)																																																																																																								
Unfunded defined benefit obligations	1,535																																																																																																								
Balance in the consolidated FS	4,225																																																																																																								
Retirement benefit liabilities	4,225																																																																																																								
Balance in the consolidated FS	4,225																																																																																																								
Beginning balance	4,493																																																																																																								
Cumulative effects of change in accounting policies	(147)																																																																																																								
Beginning balance after change in accounting policies	4,345																																																																																																								
Current service cost	419																																																																																																								
Interest cost	70																																																																																																								
Actuarial gains and losses	(38)																																																																																																								
Benefits paid	(184)																																																																																																								
Others	(66)																																																																																																								
Ending balance	4,546																																																																																																								
Beginning balance	311																																																																																																								
Expected return on plan assets	6																																																																																																								
Actuarial gains and losses	1																																																																																																								
Contributions from the employer	68																																																																																																								
Benefits paid	(64)																																																																																																								
Others	(10)																																																																																																								
Ending balance	312																																																																																																								
Beginning balance	43																																																																																																								
Pension expense	13																																																																																																								
Benefits paid	(4)																																																																																																								
Others	(4)																																																																																																								
Ending balance	46																																																																																																								
Funded defined benefit obligations	1,806																																																																																																								
Plan assets	(312)																																																																																																								
Unfunded defined benefit obligations	1,494																																																																																																								
Balance in the consolidated FS	4,280																																																																																																								
Retirement benefit liabilities	4,280																																																																																																								
Balance in the consolidated FS	4,280																																																																																																								

(5) Pension expense	
Service cost	352
Interest cost	61
Expected return on plan assets	(4)
Recognition of actuarial gain / loss	110
Pension expense for compedium method	12
Others	2
<u>Pension expense for defined benefit plan</u>	<u>534</u>
(6) Remeasurment of defined benefit plans before the effect of deferred income tax accounting	
Actuarial gain / loss	-
<u>Total</u>	<u>-</u>
(7) Amounts recognized in accumulated other comprehensive income /loss before the effect of deferred income tax accounting	
Unrecognized actuarial gain / loss	905
<u>Total</u>	<u>905</u>
(8) Plan assets	
① Major categories of plan assets and its ratio	
Bonds	1.84%
Cash and cash equivalents	98.16%
<u>Total</u>	<u>100%</u>
② The expected long-term rate of return on plan assets is determined considering the following factors:	
(1) Current and projected portfolio mix	
(2) Current and projected long-term return of the various asset categories in which the plan invests.	
(9) Assumption used for actuarial calculation	
Discount rate	1.0-4.8%
Rate of return on asset	2.0-6.0%
3. Defined contribution plan	
The total expense recognized was 1,426 million yen.	
4. Multi-employer pension fund	
The total expense for multi-employer pension fund was 271 million yen.	
(1) Funded status of Kanto IT Software pension plan (as of Mar 31, 2014)	
Pension asset	252,293
<u>Benefit obligation</u>	<u>227,330</u>
Variance	24,963
(2) The ratio of the Company's contribution for Kanto IT Software pension fund (as of Dec 31, 2014)	
	0.83%
(3) Supplemental information	
The reasons for the variance of (1) are as follows.	
Other reserve	19,332
Surplus	5,630
<u>Variance</u>	<u>24,963</u>
The ratio of (2) above does not agree to the actual contribution ratio.	

(5) Pension expense	
Service cost	419
Interest cost	70
Expected return on plan assets	(6)
Recognition of actuarial gain / loss	172
Pension expense for compedium method	13
Others	1
<u>Pension expense for defined benefit plan</u>	<u>671</u>
(6) Remeasurment of defined benefit plans before the effect of deferred income tax accounting	
Actuarial gain / loss	237
<u>Total</u>	<u>237</u>
(7) Amounts recognized in accumulated other comprehensive income /loss before the effect of deferred income tax accounting	
Unrecognized actuarial gain / loss	667
<u>Total</u>	<u>667</u>
(8) Plan assets	
① Major categories of plan assets and its ratio	
Bonds	2.03%
Cash and cash equivalents	97.97%
<u>Total</u>	<u>100%</u>
② The expected long-term rate of return on plan assets is determined considering the following factors:	
(1) Current and projected portfolio mix	
(2) Current and projected long-term return of the various asset categories in which the plan invests.	
(9) Assumption used for actuarial calculation	
Discount rate	0.9-4.8%
Rate of return on asset	2.0-4.8%
3. Defined contribution plan	
The total expense recognized was 843 million yen.	
4. Multi-employer pension fund	
The total expense for multi-employer pension fund was 128 million yen.	
(1) Funded status of Kanto IT Software pension plan (as of Mar 31, 2015)	
Pension asset	299,860
<u>Benefit obligation</u>	<u>268,707</u>
Variance	31,153
(2) The ratio of the Company's contribution for Kanto IT Software pension fund (as of Dec 31, 2015)	
	1.51%
(3) Supplemental information	
The reasons for the variance of (1) are as follows.	
Other reserve	24,963
Surplus	6,190
<u>Variance</u>	<u>31,153</u>
The ratio of (2) above does not agree to the actual contribution ratio.	

(Segment Information)

1 Outline of reporting segment

The segment of Trend Micro 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, 2014 to December 31, 2014)

(Millions of Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Consolidation Adjustment	Consolidation
Sales								
(1) Net sales to external customers	50,736	24,948	22,778	13,760	2,982	115,205	-	115,205
(2) Intercompany sales	2,046	2,614	1,021	18,237	16	23,937	(23,937)	-
Total sales	52,783	27,563	23,799	31,997	2,998	139,143	(23,937)	115,205
Operating income by segment	19,366	6,215	4,101	3,205	738	33,626	25	33,652
Asset by segment	161,848	53,520	36,642	36,692	7,936	296,640	(16,701)	279,938
Other items								
Depreciation and amortization	2,854	2,248	983	1,254	16	7,357	(190)	7,166
Increase in tangible and intangible fixed assets	3,199	2,584	1,131	1,064	24	8,005	-	8,005

(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, Philippines, Singapore, Malaysia, Thailand, India

Latin America Brazil, Mexico

3 Consolidation Adjustment at Operating income 25 million yen comes from the elimination between segments transactions.

4 Majority of Consolidation Adjustment at Asset (16,701) million yen comes from the elimination between segments transactions.

5 Consolidation adjustment at Depreciation and amortization (190) million yen comes from the elimination between segments transactions.

For the current fiscal year (from January 1, 2015 to December 31, 2015)

(Millions of Yen)

	Japan	North America	Europe	Asia Pacific	Latin America	Total	Consolidation Adjustment	Consolidation
Sales								
(1) Net sales to external customers	52,599	29,325	24,143	14,920	3,327	124,317	-	124,317
(2) Intercompany sales	806	3,085	987	19,861	18	24,759	(24,759)	-
Total sales	53,405	32,411	25,131	34,782	3,346	149,077	(24,759)	124,317
Operating income by segment	17,253	6,959	3,971	1,818	985	30,989	(13)	30,976
Asset by segment	163,359	58,072	43,448	33,857	7,839	306,578	(16,057)	290,520
Other items								
Depreciation and amortization	3,034	2,849	1,056	1,084	19	8,045	(288)	7,756
Increase in tangible and intangible fixed assets	3,126	3,293	1,159	884	94	8,558	-	8,558

(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, Philippines, Singapore, Malaysia, Thailand, India

Latin America Brazil, Mexico

3 Consolidation Adjustment at Operating income (13) million yen comes from the elimination between segments transactions.

4 Majority of Consolidation Adjustment at Asset (16,057) million yen comes from the elimination between segments transactions.

5 Consolidation adjustment at Depreciation and amortization (288) million yen comes from the elimination between segments transactions.

(Relative information)

For the previous fiscal year (from January 1, 2014 to December 31, 2014)

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
50,564	25,140	22,741	13,775	2,983	115,205

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

Sales in U.S.A is 25,012 million yen of the North America.

(2) Tangible fixed asset

(Millions of yen)

Japan	North America	Europe	Asia Pacific	Latin America	Total
581	2,215	591	1,518	41	4,949

(Note) Tangible fixed asset in U.S.A is 2,039 million yen of the North America and that of China is 590 million yen and that of Taiwan is 801 million yen of the Asia Pacific.

3. Information by major customers

(Millions of yen)

Customer name	Sales	Segment
SoftBank Telecom Corp.	19,444	Japan
Ingram Micro Inc.	11,594	North America, Europe, Asia Pacific

For the current fiscal year (from January 1, 2015 to December 31, 2015)

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
52,336	29,664	24,047	14,935	3,334	124,317

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

Sales in U.S.A is 29,508 million yen of the North America.

(2) Tangible fixed asset

(Millions of yen)

Japan	North America	Europe	Asia Pacific	Latin America	Total
664	2,951	640	1,442	89	5,788

(Note) Tangible fixed asset in U.S.A is 2,770 million yen of the North America and that of China is 518 million yen and that of Taiwan is 804 million yen of the Asia Pacific.

3. Information by major customers

(Millions of yen)

Customer name	Sales	Segment
SoftBank Corp.	18,783	Japan
Ingram Micro Inc.	13,627	North America, Europe, Latin, Asia Pacific

(Information of impairment loss on fixes asset by segment)

For the previous fiscal year (from January 1, 2014 to December 31, 2014)

N/A

For the current fiscal year (from January 1, 2015 to December 31, 2015)

N/A

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

For the previous fiscal year (from January 1, 2014 to December 31, 2014)

(Millions of yen)

	Segment						Corporate or Elimination	Total
	Japan	North America	Europe	Asia Pacific	Latin America	total		
Amortization Expense of GW	73	347	16	12	-	449	-	449
Unamortized balance of GW	178	476	41	44	-	740	-	740

For the current fiscal year (from January 1, 2015 to December 31, 2015)

(Millions of yen)

	Segment						Corporate or Elimination	Total
	Japan	North America	Europe	Asia Pacific	Latin America	total		
Amortization Expense of GW	73	396	15	12	-	498	-	498
Unamortized balance of GW	105	81	21	29	-	238	-	238

(Information of negative goodwill by segment)

N/A

(Information of EPS)

(Yen)

	For the previous fiscal year (From January 1, 2014 To December 31, 2014)	For the current fiscal year (From January 1, 2015 To December 31, 2015)
Book value per share	1,117.17	1,154.06
Net income per share	165.68	157.71
Diluted net income per share	164.49	156.35

(Note)

1. 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, 2014 To December 31, 2014)	For the current fiscal year (From January 1, 2015 To December 31, 2015)
<Basic EPS>		
Net income (Millions of Yen)	22,303	21,435
-not to attributable to common stock holders	-	-
-to common stock holders	22,303	21,435
Weighted-average number of common shares (Shares)	134,615,969	135,915,661
<Diluted EPS>		
Adjustments to net income (Millions of Yen)	-	-
Increased numbers of common shares (Shares)	974,840	1,186,502
(Stock acquisition rights (Shares))	(974,840)	(1,186,502)
Details of shares not included in the computation of diluted EPS since it did not have dilutive effect	315,000 for Stock option round29 340,000 for Stock option round30 2,130,000 for Stock option round31 344,000 for Stock option round32	-

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

(Millions of yen)

	For the previous fiscal year (From January 1, 2014 To December 31, 2014)	For the current fiscal year (From January 1, 2015 To December 31, 2015)
Total net assets	153,094	159,693
Amount deducted from total net assets	2,571	1,685
(Stock acquisition rights)	(2,559)	(1,681)
(Minority interest)	(11)	(3)
Total net assets attributable to common stock	150,523	158,008
Number of common shares (Shares)	134,735,880	136,914,780

(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.

6. 【Non-consolidated financial statements】

(1) 【Non-consolidated Balance Sheets】

(Million yen)

Account	December 31, 2014	December 31, 2015
(Assets)		
Current assets		
Cash and bank deposits	11,241	31,799
Notes and Accounts receivable, trade	9,192	10,371
Marketable securities	73,100	61,640
Product	126	161
Raw material	31	22
Supplies	63	33
Prepaid expense	108	137
Deferred tax assets	12,143	12,483
Account receivable others	4,616	4,630
Others	458	333
Total current assets	111,084	121,614
Non-current assets		
Property and equipment		
(1) Office furniture & equipment	262	385
(2) Others	319	278
Total Property and equipment	581	664
Intangibles		
(1) Software	2,616	2,355
(2) Software in Progress	1,163	1,154
(3) Goodwill	178	105
(4) Others	354	269
Total intangibles	4,313	3,885
Investments and other non-current assets		
(1) Investment securities	34,724	24,960
(2) Investments in subsidiaries and affiliates	2,199	3,250
(3) Deposit for landlord	498	498
(4) Memberships	4	4
(5) Deferred tax assets	8,207	8,132
(6) Allowance for investment loss	(75)	(75)
Total investments and other non-current assets	45,558	36,770
Total non-current assets	50,453	41,320
Total assets	161,538	162,934

(Million yen)

Account	December 31, 2014	December 31, 2015
(Liabilities)		
Current liabilities		
Accounts payable, trade	199	182
Accounts payable, other	11,924	11,923
Accrued expenses	128	12
Accrued income and other taxes	3,509	4,200
Accrued consumption taxes	1,482	1,007
Deposit	130	293
Allowance for bonuses	—	74
Allowance for sales returns	363	480
Deferred revenue	33,481	34,167
Others	519	769
Total current liabilities	51,739	53,113
Non-current liabilities		
Deferred revenue	18,822	19,755
Long-term account payable	2	2
Allowance for retirement benefits	2,474	2,735
Others	65	99
Total non-current liabilities	21,364	22,593
Total liabilities	73,103	75,706
(Net assets)		
Shareholders' equity		
Common stock	18,386	18,386
Capital surplus		
Additional paid-in capital	21,108	21,108
Other capital surplus	884	1,322
Total	21,993	22,431
Retained earnings		
Legal reserve	20	20
Accumulated profit		
Retained earnings carried forward	60,278	54,725
Total	60,299	54,746
Treasury stock, at cost	(16,986)	(10,326)
Total Shareholders' equity	83,692	85,238
Valuation and translation adjustment		
Net unrealized gain (loss) on debt and equity securities	2,181	308
Total valuation and translation adjustment	2,181	308
Stock acquisition rights	2,559	1,681
Total net assets	88,434	87,228
Total liabilities and net assets	161,538	162,934

(2) 【Non-consolidated Statements of Income】

(Million yen)

	For the year ended December 31, 2014	For the year ended December 31, 2015
Sales revenue		
Sales	50,713	52,591
Royalty	2,070	814
Net sales revenue	<u>52,783</u>	<u>53,405</u>
Cost of sales	<u>11,133</u>	<u>11,455</u>
Gross profit	<u>41,650</u>	<u>41,950</u>
Operating expenses	<u>22,616</u>	<u>25,142</u>
Operating income	<u>19,033</u>	<u>16,808</u>
Non-operating income		
Interest income	51	31
Interest on marketable securities	657	432
Dividend	0	—
Gain on sales of marketable securities	881	1,722
Other income	37	92
Total non-operating income	<u>1,628</u>	<u>2,277</u>
Non-operating expenses		
Loss on sales of marketable securities	—	22
Foreign exchange loss	751	486
Loss on disposal of fixed assets	138	132
Other expenses	52	28
Total non-operating expenses	<u>942</u>	<u>669</u>
Ordinary income	<u>19,719</u>	<u>18,416</u>
Extraordinary gain		
Gain on reversal of stock options	20	28
Total extraordinary gain	<u>20</u>	<u>28</u>
Net income before taxes	<u>19,740</u>	<u>18,445</u>
Income taxes current	7,964	7,725
Income taxes deferred	779	738
Total income taxes	<u>8,744</u>	<u>8,464</u>
Net income	<u>10,996</u>	<u>9,981</u>

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

(Million yen)

	For the year ended December 31, 2014	For the year ended December 31, 2015
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		
Additional paid-in capital		
Balance at the end of previous period	21,108	21,108
Movement for the period		
Total movement	—	—
Balance at the end of current period	21,108	21,108
Other capital surplus		
Balance at the end of previous period	687	884
Movement for the period		
Sales of treasury stock	196	437
Total movement	196	437
Balance at the end of current period	884	1,322
Total capital surplus		
Balance at the end of previous period	21,796	21,993
Movement for the period		
Sales of treasury stock	196	437
Total movement	196	437
Balance at the end of current period	21,993	22,431
Retained earnings		
Legal reserve		
Balance at the end of previous period	20	20
Movement for the 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	66,139	60,278
Accumulated amount of changes in accounting policies	—	95
Balance at the end of previous period after accumulated amount of change in accounting policies	66,139	60,373
Movement for the period		
Dividend of surplus	(16,857)	(15,629)
Net income	10,966	9,981
Total movement	(5,861)	(5,647)
Balance at the end of current period	60,278	54,725

Total retained earnings		
Balance at the end of previous period	66,160	60,299
Accumulated amount of changes in accounting policies	—	95
Balance at the end of previous period after accumulated amount of change in accounting policies	66,160	60,394
Movement for the period		
Dividend of surplus	(16,857)	(15,629)
Net income	10,996	9,981
Total movement	<u>(5,861)</u>	<u>(5,647)</u>
Balance at the end of current period	<u>60,299</u>	<u>54,746</u>
Treasury stock		
Balance at the end of previous period	(16,303)	(16,986)
Movement for the period		
Sales of treasury stock	2,661	6,660
Purchase of treasury stock	(3,344)	—
Total movement	<u>(682)</u>	<u>6,660</u>
Balance at the end of current period	<u>(16,986)</u>	<u>(10,326)</u>
Total shareholders' equity		
Balance at the end of previous period	90,040	83,692
Accumulated amount of changes in accounting policies	—	95
Balance at the end of previous period after accumulated amount of change in accounting policies	90,040	83,788
Movement for the period		
Dividend of surplus	(16,857)	(15,629)
Net income	10,996	9,981
Sales of treasury stock	2,858	7,097
Purchase of treasury stock	(3,344)	—
Total movement	<u>(6,347)</u>	<u>1,450</u>
Balance at the end of current period	<u>83,692</u>	<u>85,238</u>

(Millions of yen)

	For the year ended December 2014	For the year ended December 2015
Revaluation Surplus		
Unrealized gain/(loss) on available-for-sales securities		
Balance at the end of previous period	1,764	2,181
Movement for the period		
Movement for the period excluding shareholders' equity	416	(1,873)
Total movement	416	(1,873)
Balance at the end of current period	2,181	308
Total Revaluation Surplus		
Balance at the end of previous period	1,764	2,181
Movement for the period		
Movement for the period excluding shareholders' equity	416	(1,873)
Total movement	416	(1,873)
Balance at the end of current period	2,181	308
Stock acquisition rights		
Balance at the end of previous period	2,326	2,559
Movement for the period		
Movement for the period excluding shareholders' equity	233	(878)
Total movement	233	(878)
Balance at the end of current period	2,559	1,681
Total net assets		
Balance at the end of previous period	94,131	88,434
Accumulated amount of changes in accounting policies	—	95
Balance at the end of previous period after accumulated amount of change in accounting policies	94,131	88,529
Movement for the period		
Dividend of surplus	(16,857)	(15,629)
Net income	10,996	9,981
Sales of treasury stock	2,858	7,097
Purchase of treasury stock	(3,344)	—
Movement for the period excluding shareholders' equity	650	(2,751)
Total movement	(5,697)	(1,301)
Balance at the end of current period	88,434	87,228

(4) 【Notes for Non-Consolidated Financial Statements】**【Footnote on going concern】**

N/A

【Change of the Accounting Policy】**(Change in accounting standard for retirement benefits)**

The Company had adopted "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25) from this fiscal year.

Under the revised accounting standard, the Company has changed the method of calculating retirement benefit obligations and service costs, with the method of determination of the discount rate revised to a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and the method of attributing benefits to accounting periods changed from the straight-line method to the standard pension benefit formula basis.

As a result, the beginning balance of the retirement benefit obligation were decreased by JPY 147 million and the beginning balance of retained earnings were increased by JPY 95 million.

The effect to the non-consolidated statement of income is minor.

7. **【Others】**

(1) Change in Directors and Corporate Auditors

N/A