

(Translation)

Business Report

(From January 1, 2025 to December 31, 2025)

1. Business Review of Trend Micro Group

(1) Qualitative Information on the Consolidated Business Results

During this term of fiscal year 2025, from January 1 to December 31, the world economy has continued progressing with concerns the uncertainty arising from the U.S. trade policies, etc., over the impact of monetary policies in various countries on the economy, and as well as geopolitical risks while and so on exists. In addition, uncertainty is also increasing due to the emergence of new geopolitical risks and fluctuations in financial and capital markets, among other factors, making the outlook for the global economy increasingly opaque.

In the worldwide Information Technology industry, cloud computing and AI continue to be permeating every aspect of our lives. According to a third-party report, worldwide spending on AI is forecast to total \$2.52 trillion in 2026, representing a 44% year-over-year increase. In addition, as AI drives corporate IT spending including software. As the result, worldwide IT spending in 2026 is forecast to reach 6.08 trillion dollars, up 9.8 percent year on year, and is expected to surpass 6 trillion dollars for the first time.

In the cybersecurity industry, as the speed and scale of attacks continue to increase further amid advances in AI, geopolitical risks, fragmentation of globalism, and growing supply chain complexity, etc. In such a situation, Cyberattacks targeting government agencies and others, damages such as the leakage of companies' confidential information, the outflow of cryptoassets, and other targeted attacks aimed at specific companies and organizations, as well as cyberattacks such as ransomware, have continued to be prominent. In addition, new security risks associated with the proliferation of AI have begun to become apparent, and the situation has become one in which a high level of security awareness is being demanded even more of both companies and individuals.

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

With regards to sales in Japan region, the enterprise business achieved positive growth. AI-Powered Next-Gen SOC security showed significant growth against the backdrop of Vision One demands. Network security solutions with good growth also in contributed to this region's enterprise business sales. Even though PC security remained weak, the consumer business continued to grow due to sustained sales in mobile phone shops. As the result, net sales for this period in Japan region amounted to 87,840 million yen (2.4% increase from the same period in the previous year) increase to.

For Americas region, the enterprise business sales sustained essentially flat year-on-year in local currency terms. There were both a tendency to restrain new security investments due to increasing uncertainty surrounding U.S. tariff policy and a generally sluggish trend throughout the year due to the impact of initiatives by the U.S. Department of Government Efficiency (DOGE) and temporary shutdowns of government agencies. Meanwhile, the consumer business had a negative impact due to transition to a new e-commerce payment company. In addition, there was a substantial impact of strong yen, as the result, net sales in this region were 55,187 million yen (6.2% decrease from the same period in the previous year) decrease to.

In Europe region sales, though Cloud security solutions and Endpoint security did not perform well, AI-Powered Next-Gen SOC security was growing besides the demands of Vision One. In addition, there was a weak yen impact, the net sales in this region were 61,439 million yen (4.9% increase from the same period in the previous year) increase to.

In the Asia Pacific region, especially AI-Powered Next-Gen SOC security significantly contributed to this region's enterprise business sales, driven by the demands for Vision One. In addition, Email security solutions was also growing besides. On the other hand, the consumer business experienced negative growth due to the impact of transitioning to a new e-commerce payment company, etc. Locally, Middle East, Taiwan, and Singapore area led this region's sales. In spite of a significantly affected by the impact of the stronger yen, as the result, net sales for this period in Asia Pacific region

amounted to 71,516 million yen (2.9% increase from the same period in the previous year) increase to.

As a result, the consolidated net sales for this period (this term of fiscal year 2025, from January 1 to December 31,) marked 275,984 million yen (1.2% increase from the same period in previous year) increase to.

For the costs, overall expenses were controlled entirely due to mainly a people cost and outsourcing expenses significantly decreased in, etc. Thus, cost of sales and operating expenses for this period totaled 218,207 million yen (2.8% decrease from the same period in previous year) decrease in. As the result, consolidated operating income for this period was 57,777 million yen (20.1% increase from the same period in previous year) increase to.

In terms of the original forecast of financial results for the fiscal year ending December 31, 2025, announced on February 18, 2025, both region sales results, the Asia Pacific and the Americas, came in significantly below our forecast. Meanwhile, operating profit was able to offset a substantial portion of the revenue shortfall, limiting the downside to a slight variance. This caused by the costs decreases as mainly both people cost and outsourcing expenses significantly decrease in our expected.

And the consolidated ordinary income for this period was 53,980 million yen (2.2% increase from the same period in previous year) increase to, despite a deterioration in non-operating income, including a significant foreign exchange loss this year compared with a substantial foreign exchange gain in the prior year. For this period, the net income attributable to owners of the parent for this period was 34,523 million yen (0.5% increase from the same period in previous year) increasing only slightly, as the significant decrease in Income taxes current was largely offset by the disappearance of gain on change in equity and the recognition of Retirement benefit expenses, etc.

Operating income based on Pre-GAAP (revenue before adjusting deferred revenue, etc.) serves as an important management indicator for our company. It for this period was 80,799 million yen, an increase of 3,163 million yen (4.1% increase from the same period in the previous year). This increase was primarily attributable to overall cost controls specifically, restraint in cost of sales and operating expenses despite a slight decline in Pre-GAAP sales reflecting weak performance in the Americas region in the enterprise business and the impact of the transition to a new e-commerce business partner in the consumer business, etc.

(2) Capital Expenditure

The total amount of capital expenditure for the current period was 1,158 million yen, which was invested mainly in the development of new technologies and acquisition of instruments necessary to rationalize the basic operation systems including servers, PCs and peripheral devices.

(3) Financing

There are no special instances.

(4) Issues to Deal With

-Recognition of Issues-

In the cybersecurity industry in which our group operates, competition is intensifying further due not only to rivalry among existing vendors but also by a sharp increase in M&A activity and new market entries from other industries. Such industry consolidation and new entries make it more difficult to forecast changes in market structure and constitute a source of uncertainty regarding future developments.

In addition, technological innovation, including advances in AI, is accelerating. Attackers continue to develop sophisticated and increasingly deceptive fraud schemes that exploit generative AI and deepfakes, in addition to new methods that target newly emerging vulnerabilities. As a result, the attack surface is becoming more diverse and expanding, and attacks are becoming more complex, faster, and broader in scope. Environmental factors such as global conflicts, geopolitical risks, fragmentation, and increasingly complex supply chains also contribute to the expansion of cyber threats.

Under these circumstances, attacks targeting internet users, both corporate and individual, continue to increase. To address these issues, our group is advancing the initiatives described below.

-Expansion of Consumer Solutions-

As risks faced by individual customers continue to increase, the company is expanding its coverage beyond cyber threats to include physical threats such as scam calls and online fraud, thereby meeting customer needs for protection against threats across their entire digital lives.

-Deployment of the AI-Powered Enterprise Cybersecurity Platform: Trend Vision One™-

For enterprise customers, cybersecurity measures must be implemented promptly across all networks and the vast amount of data within them, encompassing not only prevention but also incident response and recovery in the event of disruptions, as well as countermeasures against unknown threats.

To meet these broad, day-to-day security coverage needs, our group provides a wide range of security products and services centered on Trend Vision One™ (“Vision One”), an integrated security platform for corporate customers that uses AI to predict and prevent threats.

Vision One, by integrating our group’s security products deployed across multiple domains as a platform, enables faster visibility into a wide range of cyberattacks, correlatively analyzes in real time the threats and traces of intrusion detected/collected, and provides appropriate response actions.

In addition, Cyber Risk Exposure Management (“CREM”), a core function of Vision One, provides detailed visualization of an organization’s overall attack surface, continuously monitors it, evaluates identified risks, and prioritizes response actions. This improves the efficiency of security operations and enables swift action against new threats and vulnerabilities. Through automation of these mitigation measures, Vision One proactively reduces cyber risks and transforms security from reactive defense to proactive and preventive measures, while also serving as a solution to establish a framework to limit damage and support early recovery in the event of an incident. Furthermore, by incorporating AI technologies that support operators who may lack sufficient specialized security expertise, Vision One enables both advanced security measures and reduced operational burden.

-Value Creation for Shareholders-

Through these initiatives, the group will respond flexibly and strategically to the rapidly changing cyber threat landscape and continue to provide reliable security for both individual and enterprise customers. Providing safety and peace of mind is both our group’s social mission and the foundation for sustainable profit growth. Our group will continue to capture market opportunities and achieve business expansion and enhanced corporate value.

(5) Business Results and Changes in Financial Conditions

Fiscal Year	The 34 th Term ended December 2022	The 35 th Term ended December 2023	The 36 th Term ended December 2024	The 37 th Term ended December 2025
Net Sales (millions of yen)	223,795	248,691	272,638	275,984
Ordinary Income (millions of yen)	34,162	36,181	52,840	53,980
Net Income Attributable to Owners of Parent (millions of yen)	29,843	10,731	34,358	34,523
Net Income per Share (in yen)	213.59	78.45	259.05	262.42
Total Assets (millions of yen)	470,799	492,628	400,316	422,238
Net Assets (millions of yen)	228,679	214,423	119,446	131,126

(6) Status of Important Subsidiaries

Company Name	Capital	Shareholding Ratio	Primary Business
Trend Micro Incorporated (Taiwan)	212,500,000 New Taiwan dollars	100%	Provision of development and other services
Trend Micro Incorporated (U.S.A.)	477,250.67 U.S. dollars	100%	Development and sale of security- related products
Trend Micro Australia Pty. Ltd. (Australia)	150,000 Australian dollars	100%	Development and sale of security- related products
Trend Micro (EMEA) Limited (Ireland)	21,372,061.63 euros	100%	Sale of security- related products

(Notes) 1. The consolidated financial statements cover all subsidiaries and affiliated companies, which consist of 41 consolidated subsidiaries including the aforementioned 4 important subsidiaries and 2 equity method affiliates.

2. There are no subsidiaries that fall under specific wholly owned subsidiaries.

(7) Primary Business of the Group

Development and sale of security-related software for computers and the Internet

(8) Primary Offices of the Group

Head Office: Shinjuku-ku, Tokyo
Branch Offices: Osaka Office (Yodogawa-ku, Osaka)
Fukuoka Office (Hakata-ku, Fukuoka)
Nagoya Office (Naka-ku, Nagoya)
Overseas Subsidiaries: Trend Micro Incorporated (Taiwan)
Trend Micro Incorporated (U.S.A.)
Trend Micro Australia Pty. Ltd. (Australia)
Trend Micro (EMEA) Limited (Ireland)

(9) Employees

Name of Divisions	Number of Employees
Sales Division	1,811
Marketing Division	489
Product Support Division	1,406
Research and Development Division	2,228
Administration Division	783
Total	6,717

(10) Policy for determining dividends from surplus, etc.

In order to cope with the rapidly changing business environment and maintain competitiveness against competitors, we would like to pay dividends based on net income on a consolidated basis, while making efforts to strengthen our financial structure and secure internal reserves. Our basic dividend policy is to pay a year-end dividend with a target payout ratio of 70%, based on net income attributable to shareholders of the parent company for accounting purposes and taking into account the impact of mergers and acquisitions as necessary. Based on this dividend policy, the year-end dividend for the current fiscal year will be as stated in Agenda 1, Appropriation of retained earnings.

2. Status of Shares of the Company**(1) Total Number of Shares Authorized to be Issued by the Company:**

250,000,000 shares

(2) Total Number of Outstanding Shares:

130,680,236 shares (excluding treasury stock of 10,221,368 shares)

(3) Number of Shareholders:

16,030

(4) Top 10 Shareholders:

Name of Shareholders	Number of Shareholding	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	33,624,000	25.72
Custody Bank of Japan, Ltd. (Trust Account)	14,580,200	11.15
Chang, Ming-Jang	5,367,000	4.10
BNYM AS AGT/CLTS 10 PERCENT	3,620,618	2.77
THE NOMURA TRUST AND BANKING CO., LTD. AS THE TRUSTEE OF REPURCHASE AGREEMENT MOTHER FUND	2,643,700	2.02
BNYMSANV RE BNYMSANVDUB RE LEGAL (AND) GENERAL UCITS ETF PLC	2,303,832	1.76
SMBC Nikko Securities Inc.	2,081,555	1.59
Japan Securities Finance Co., Ltd.	2,071,700	1.58
HSBC HONG KONG—TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	2,019,640	1.54
STATE STREET BANK AND TRUST COMPANY 505001	1,951,568	1.49

(Note) The Shareholding Ratio is calculated excluding treasury stock (10,221,368 shares).

3. Matters Concerning Stock Acquisition Rights etc. of the Company

(1) Status of Stock Acquisition Rights held by Directors at the End of the Current Term

	Fortieth Series	Forty-first Series	Forty-second Series
Date of resolution of the issue	December 2, 2021	December 1, 2022	December 6, 2023
Category	Director (Note)	Director (Note)	Director (Note)
Number of holders	3	3	3
Number of stock acquisition rights	600	825	900
Number of shares subject to stock acquisition rights	60,000	82,500	90,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration	Without consideration
Exercise price per share at the exercise of rights	5,938 yen	5,838 yen	7,344 yen
Exercise period	December 17, 2026	December 16, 2027	December 21, 2028
Conditions for exercise of stock acquisition rights	(Note)	(Note)	(Note)

	Forty-fourth Series	Forty-fifth Series
Date of resolution of the issue	December 5, 2024	December 4, 2025
Category	Director (Note)	Director (Note)
Number of holders	3	3
Number of stock acquisition rights	900	600
Number of shares subject to stock acquisition rights	90,000	60,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration
Exercise price per share at the exercise of rights	8,383 yen	6,921 yen
Exercise period	March 1, 2029	December 19, 2030
Conditions for exercise of stock acquisition rights	(Note)	(Note)

(Note) Outside Directors and Corporate Auditors of the Company do not hold stock acquisition rights at the end of the current term.

(Note)

Essential Conditions for Exercise of Stock Acquisition Rights

- (a) A holder of stock acquisition rights may exercise his/her stock acquisition rights only if the holder continues to be in a position as a director, auditor, employee, secondee or adviser of the Company or a subsidiary of the Company (hereinafter in this item referred to as the “previous position”) until the time when the holder wants to exercise his/her stock acquisition rights. If a holder of stock acquisition rights loses the previous position, the holder may exercise his/her stock acquisition rights within 45 days from the date on which the holder loses his/her previous position. When a holder of stock acquisition rights loses his/her previous position due to physical disability or other similar cause, the holder may exercise his/her stock acquisition rights within six months from the date on which the holder loses his/her previous position. In addition, unless the holder is a director or corporate auditor of the Company, the Company may, at its sole discretion, determine how long the holder may exercise his/her stock acquisition rights from the date on which the holder loses his/her previous position. If the provisions of this paragraph conflict with any compulsory provisions applicable in the country of residence of the holder, this paragraph shall not apply to the extent that such conflict arises.
- (b) When a holder of stock acquisition rights dies, his/her heir may exercise the relevant stock acquisition rights within six months from the date on which the holder died only if the heir completes the procedures for the inheritance of stock acquisition rights as stipulated by the Company. If the provisions of this paragraph conflict with any compulsory provisions applicable in the country of residence of the holder, this paragraph shall not apply to the extent that such conflict arises.
- (c) If stock acquisition rights are pledged or any security interest on the stock acquisition rights is established, the holder of the relevant stock acquisition rights may not exercise the same.

(2) Status of Stock Acquisition Rights Granted in the Current Term for employees of the Company, directors and employees of subsidiaries of the Company

	Forty-fifth Series
Date of resolution of the issue	December 4, 2025
Number of employees of the Company (excluding Directors of the Company)	1
Directors and employees of subsidiaries of the Company holding stock acquisition rights (excluding Directors of the Company)	14
Number of stock acquisition rights	3,100
Number of shares subject to stock acquisition rights	310,000
Type of shares subject to stock acquisition rights	Common Stock
Issue price per stock acquisition right	Without consideration
Exercise price per share at the exercise of rights	6,921 yen
Exercise period	From December 20, 2025 to December 19, 2030
Conditions for exercise of stock acquisition rights	(Note)

(Note) Please refer to (Note) under “(1) Status of Stock Acquisition Rights held by Directors at the End of the Current Term” in the previous pages.

(3) Other Important Matters concerning Stock Acquisition Rights

Status of Stock Acquisition Rights held by Employees of the Company, and Directors and employees of subsidiaries of the Company at the end of the current term

	Fortieth Series	Forty-first Series	Forty-second Series
Date of resolution of the issue	December 2, 2021	December 1, 2022	December 6, 2023
Category	Employees of the Company, Directors and employees of subsidiaries of the Company	Directors and employees of subsidiaries of the Company	Directors and employees of subsidiaries of the Company
Number of stock acquisition rights	11,481	1,572	1,700
Number of shares subject to stock acquisition rights	1,148,100	157,200	170,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration	Without consideration
Exercise price per share at the exercise of rights	5,938 yen	5,838 yen	7,344 yen
Exercise period	December 17, 2026	December 16, 2027	December 21, 2028
Conditions for exercise of stock acquisition rights	(Note)	(Note)	(Note)

	Forty-third Series	Forty-fourth Series	Forty-fifth Series
Date of resolution of the issue	February 15, 2024	December 5, 2024	December 4, 2025
Category	Employees of the Company, Directors and employees of subsidiaries of the Company	Directors and employees of subsidiaries of the Company	Employees of the Company, Directors and employees of subsidiaries of the Company
Number of stock acquisition rights	15,010	3,640	3,100
Number of shares subject to stock acquisition rights	1,501,000	364,000	310,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration	Without consideration
Exercise price per share at the exercise of rights	7,714 yen	8,383 yen	6,921 yen
Exercise period	December 20, 2029	December 20, 2029	December 19, 2030
Conditions for exercise of stock acquisition rights	(Note)	(Note)	(Note)

(Notes) Please refer to (Note) under “(1) Status of Stock Acquisition Rights held by Directors at the End of the Current Term” in the previous pages.

4. Matters Concerning Directors and Corporate Auditors of the Company

(1) Directors and Corporate Auditors

(As of December 31, 2025)

Name	Title and Responsibilities at the Company and the Group	Significant Concurrent Positions
Chang Ming-Jang	Chairman and Representative Director	
Eva Chen	President and Representative Director / CEO of Trend Micro Group	
Mahendra Negi	Executive Vice President and Representative Director / CFO of Trend Micro Group / Member of the Nomination and Remuneration Advisory Committee	
Akihiko Omikawa	Executive Vice President and Director	
Koichiro Tokuoka	Director / Chairman of the Nomination and Remuneration Advisory Committee	Professor Emeritus, Tama Graduate University of Business Chairman of Life Shift Inc.
Fukuzo Inoue	Director / Member of the Nomination and Remuneration Advisory Committee	Chief Executive Advisor to CEO of NTT EAST, Inc. Outside Director of Asahi Net, Inc.
Takashi Hirata	Full-time Corporate Auditor	
Kenichiro Jomen	Corporate Auditor	Representative Partner of Taiko Audit Corporation
Miwako Funamoto	Corporate Auditor	Partner, Toranomom Daiichi Law Office Outside Corporate Auditor of Carseven Digifield Co., Ltd Outside Director of AZ-COM MARUWA Holdings Inc. Outside Corporate Auditor of DAI-ICHI CUTTER KOGYO K.K.
Taeko Izumi	Corporate Auditor	External Director (Audit and Supervisory Committee Member) of Passlogy Co., Ltd. Outside Corporate Auditor of MIKUNI CORPORATION

- (Notes)
- Our officers consist of ten (10) members, six (6) Directors and four (4) Corporate Auditors, of which, three (3) are females and seven (7) are males as of December 31, 2025. The female officers are the President and Representative Director and the Corporate Auditors.
 - At the 36th Ordinary General Meeting of Shareholders held on March 27, 2025, Mr. Fukuzo Inoue was newly elected and assumed the position of Director and Mr. Takashi Hirata and Ms. Taeko Izumi were newly elected and assumed the position of Corporate Auditor.
 - Mr. Tetsuo Koga, director, and Mr. Masaru Senpo and Mr. Fumio Hasegawa, corporate auditors, have retired at the close of the 36th Ordinary General Meeting of Shareholders held on March 27, 2025.
 - Mr. Koichiro Tokuoka, Director and Mr. Fukuzo Inoue, Director, are Outside Directors under Article 2, item 15 of the Companies Act.
 - Mr. Kenichiro Jomen, Ms. Miwako Funamoto and Ms. Taeko Izumi, Corporate Auditors are Outside Auditors under Article 2, item 16 of the Companies Act.
 - Mr. Kenichiro Jomen and Ms. Taeko Izumi, Corporate Auditors, are qualified and experienced certified public accountants. They have appropriate knowledge regarding finance and accounting matters. Ms. Miwako Funamoto, Corporate Auditor, has considerable knowledge of corporate and legal affairs as a result of her qualifications as a lawyer and her extensive experience in corporate legal affairs.

7. The Company has designated all Outside Directors and all Outside Corporate Auditors as independent director/corporate auditors upon whom the Tokyo Stock Exchange imposes the obligation of designation, and who are unlikely to cause conflicts of interest with general shareholders, and it has filed such designation with the said Exchange.

(2) Summary of Limited Liability Agreement

As long as Outside Directors and Corporate Auditors perform their duties in good faith and without gross negligence with respect to the liabilities set forth in Article 423, paragraph 1 of the Companies Act, Outside Directors, full-time Corporate Auditors and part-time Corporate Auditors shall, in accordance with the limited liability agreement executed between the Company and them, be liable for up to 16 million yen, 10 million yen and 4.8 million yen, respectively, or the minimum liability amount prescribed by laws and regulations, whichever of these amounts is the higher.

(3) Outline of the Directors and Officers (D&O) Liability Insurance Contract

We have entered into a Directors and officers (D&O) liability insurance with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act of Japan to cover legal damages and litigation expenses in the event that a claim for damages is made against the insured during the insurance period due to an act committed by the insured in his/her capacity as such. However, the above insurance policy does not cover damages arising from the insured's unlawful gain or benefit, criminal acts, fraudulent acts, or acts committed with the knowledge that they violate laws, regulations, or control laws.

The insured parties of the insurance policy are directors and corporate auditors of our Company and our subsidiaries and managerial employees of our Company and our subsidiaries, and we bear the entire premium for all the insured parties.

(4) Remuneration, etc. Paid to Directors and Corporate Auditors

Category	Number of Persons (Note1)	Amount of Remuneration (Millions of yen)	Amount of Remuneration by type (Millions of yen)			
			Basic Remuneration (Note2)	Performance (including stock price) linked Remuneration		
				Stock Options (Note3)	Cash Phantom Unit Award(CPU Award) Time Base (TBS) (Note4)	Company Performance Bonus (CPB) (Note4)
Internal Directors	4	506	242	132	119	12
Outside Directors	3	20	20	-	-	-
Internal Corporate Auditor	1	9	9	-	-	-
Outside Corporate Auditors	5	27	27	-	-	-

- (Notes)
1. The number of outside directors is two (2) and the number of outside corporate auditors is three (3) as of the end of the fiscal year.
 2. Includes some payments from Singapore subsidiary.
 3. The amount of remuneration shown for stock options is the estimated fair value per stock acquisition right issued for the purpose of granting stock options, based on the Black-Scholes pricing model, and recorded as an accounting expense during the fiscal year under review. It does not represent the property gain per share that will be obtained when the stock acquisition rights are actually exercised.
 4. Please refer to the following pages for details on CPU awards (TBS) and CPB.

(5) Policy on Remuneration for Directors

The policy for determining compensation for the Company's directors is consulted by the Nomination and Remuneration Advisory Committee, and the Board of Directors makes decisions based on the deliberations of the committee. Details are as follows.

1. Basic Policy and Procedures for Directors' Remuneration

The remuneration for the BoD directors is designed to promote the company's medium- to long-term growth and maximize shareholder value. In particular, for executive BoD directors (responsible for business execution; Representative Director and President, Representative Director and Vice President, and Director and Vice President), the majority of their remuneration is not fixed but variable, linked to stock prices or business performance, to clarify their responsibility for increasing shareholder value and improving business performance.

Similarly, the senior global group executives (Executives), who are considered potential successors to the company's BoD directors and perform equivalent duties, also have a compensation structure where the majority is variable, linked to stock prices or performance. This is based on the idea that they manage the company as a team and share in both the benefits and responsibilities of the results, similar to the executive directors.

In determining compensation amounts for the BoD directors, we emphasize a fair and transparent process. The amount of remuneration, etc., is determined by the Board of Directors after consultation with the Nomination and Remuneration Advisory Committee, within the amount and content of remuneration, etc., approved by the General Meeting of Shareholders, taking into consideration business performance and the market rates of remuneration in the overseas and Japanese markets, as well as the salaries of employees.

The remuneration of corporate auditors is limited to basic remuneration (fixed) within the scope of remuneration, etc., approved by the General Meeting of Shareholders, and the granting of individual remuneration is left to the discretion of the corporate auditors.

2. Component and ratio of directors' remuneration

The BoD directors' remuneration is granted in accordance with the details approved at the General Meeting of Shareholders, and is structured as shown in the table.

For executive BoD directors (responsible for business execution), the remuneration consists of (i) basic remuneration, (ii) stock options, and (iii) cash phantom unit awards (CPU awards). The principle is that the combined total of (ii) and (iii) should constitute the majority of the total remuneration (i), (ii), and (iii) in monetary terms at the time of grant.

In addition to the above, (iv) Company Performance Bonus ("CPB"), which is a short-term incentive compensation based on the company's performance, has been added to increase the transparency of the performance-linked elements that were considered as part of the basic remuneration for internal BoD directors (executive directors and chairman). This will clarify that internal directors are responsible for the improvement and direction of the company's overall performance. In consideration of the duties of outside directors, who are responsible for supervisory functions, only (i) base salary will be granted.

3. Remuneration linked to stock price or business performance

The Company grants (ii) stock options, (iii) CPU awards, and (iv) CPB to internal directors as compensation linked to stock price or performance (only CPB is granted to the Chairman of the Board of Directors). The reasons for granting these awards (reasons for selecting the indices) are as follows.

(ii) Stock options

This is a normal type of stock option. By linking our stock price to the profits received as remuneration, we aim to further increase the motivation and morale of executive directors to improve business performance, strengthen business development with an emphasis on the interests of shareholders, and enhance shareholder value.

(iii) CPU Awards

CPU awards are grants of rights to receive cash payments in an amount calculated based on the average market value of our stock over a certain period of time. In addition to the incentive for executive directors to increase the share price through improved business performance, the downside risk of a decline in the share price is also shared with shareholders. These aimed to increase transparency in sharing results with shareholders.

(iv) CPB

This is a cash bonus based on short-term (6 months) company performance.

The year-over-year growth rates (pre-GAAP margin, annual recurring revenue for subscription products and perpetual license renewal) have been selected as performance indicators. The objective was to increase transparency in sharing results with shareholders, while at the same time making it clear that internal BoD directors are responsible for company-wide performance improvement and direction. We are now aware that growth in operating income on a pre-GAAP basis (sales before deferred revenue) is an important management indicator, and we disclose our operating income on a pre-GAAP basis to our shareholders and investors in our earnings announcements. Our costs are designed to achieve this pre-GAAP growth. We believe it is appropriate to select the pre-GAAP margin, which is the amount of pre-GAAP operating income minus the specified costs, as our performance target because it includes some costs such as depreciation of intangible assets related to acquisitions that are not directly linked to operating activities. We also believe that the selection of annual recurring revenue for subscription products and perpetual license renewal is appropriate and consistent with our strategy.

The targets and results for CPB indicators for the fiscal year under review were as follows.

Indicators	Targets	First Half		Goal Achievement	Second Half		Goal Achievement
		Previous Year (FY2024)	Current business year (FY2025)		Previous Year (FY2024)	Current business year (FY2025)	
Pre-GAAP margin (Millions of yen)	Increase from the same period of the previous year: 0.5 billion yen or more	28,577 (Note)	21,893	Not achieved	61,928 (Note)	61,773	Not achieved
Annual recurring revenue for subscription products and perpetual license renewal (Millions of U.S. dollars)	Growth rate over the same period of the previous year: 6% or more	1,628 (Note)	1,644	Not achieved	1,672 (Note)	1,676	Not achieved

Note: The previous fiscal year's actual results have been adjusted, as they were converted using the current fiscal year's exchange rate.

4. Policy and Method for determining remuneration, etc. for individual directors

The amount of individual remuneration for executive BoD directors (responsible for business execution) is determined within the scope of the amount and details of remuneration approved at the General Meeting of Shareholders, by consulting the Nomination and Remuneration Advisory Committee, taking into account the business roles of individual directors, business performance, remuneration rates in overseas and Japanese markets (including region, skills, experience, and marketability), and the salary of employees, with the content deliberated by the Nomination and Remuneration Advisory Committee then decided by the Board of Directors.

The amount of individual remuneration for the Chairman of the Board and outside directors is determined by consulting the Nomination and Remuneration Advisory Committee, with the content deliberated by the committee and then decided by the Board of Directors. However, if it becomes necessary to grant additional fixed compensation within a reasonable range for individual outside directors due to the occurrence of additional duties that differ from their usual responsibilities, the determination of the amount and timing of such additional compensation for each individual will be delegated to the respective directors of our company who are members of the Nomination and Remuneration Advisory Committee.

5. Timing of remuneration to executives

The timing of granting remuneration, etc. to directors and corporate auditors is as follows.

- (i) Basic remuneration: The amount determined by the Board of Directors is granted in equal installments over 12 months.
- (ii) Stock options and (iii) CPU awards: To be granted in accordance with the terms and conditions separately stipulated in the contract between the director and the Company based on the details determined by the Board of Directors.
- (iv) CPB: If the target is achieved after the half-yearly settlement of accounts, the first half will be granted in August and the second half will be granted in February of the following year.

6. Matters concerning the resolution of the General Meeting of Shareholders

At the 26th Ordinary General Meeting of Shareholders held on March 26, 2015, it was resolved that the total amount of remuneration for our directors shall be granted within the range of 1 billion yen per year in total of fixed, variable and other remuneration. Additionally, it was resolved that the amount for Outside Directors shall be within 40 million yen per year on the portion for outside directors was resolved at the 36th Annual General Meeting of Shareholders held on March 27, 2025. At the time the 26th resolution was adopted, the directors subject to its provisions numbered six at the 26th Annual General Meeting of Shareholders (including one outside director) and six at the 36th Annual General Meeting of Shareholders (including two outside directors). The total number of directors remains unchanged to date at six (including two outside directors). The latest information on stock options was resolved at the 35th Ordinary General Meeting of Shareholders held on March 28, 2024, and the latest information on CPU awards was resolved at the 29th Ordinary General Meeting of Shareholders held on March 27, 2018. At the time the resolutions were made, there were four directors (excluding outside directors) subject to the stock option plan and five directors (excluding outside directors) subject to the CPU Award plan.

The remuneration for corporate auditors is based on the details approved at the 33rd Ordinary General Meeting of Shareholders held on March 29, 2022. The annual amount of basic remuneration (fixed) is 60 million yen or less, and individual remunerations are left to the discretion of the corporate auditors. At the time the resolution was passed, there were four (4) Corporate Auditors (all of whom are Outside Corporate Auditors) subject to this provision.

7. Activities of the Committee in the Process of Determining the Amount of Remuneration of Directors

We have established the Nomination and Remuneration Advisory Committee as an advisory organization under the Board of Directors for the purpose of strengthening the independence, objectivity and accountability of the functions of the Board of Directors in relation to the election and dismissal of directors, nomination of candidates for directors, and remuneration, etc. of directors.

The Nomination and Compensation Advisory Committee consists of at least three members, the majority of whom should be independent outside directors. The corporate auditors have also been invited to participate voluntarily as observers. Koichiro Tokuoka (Outside Director) has chaired the Committee. The attendance rates of each committee member are as follows:

Chairperson Koichiro Tokuoka (Outside Director) and member Mahendra Negi (Representative Director & Executive Vice President) attended all 6 meetings (100%).

Tetsuo Koga (Outside Director) attended 0 out of the 2 meetings held during his tenure as Director (0%).

Fukuzao Inoue (Outside Director) attended all 4 meetings held after his appointment as Director (100%).

(Status of Activities of the Nomination and Compensation Advisory Committee)

The main items discussed and reported during the current fiscal year are as follows

Category	Agenda Item	Summary of Main Discussions and Reports
Remuneration	Individual Director Compensation	Review and decision regarding changes to individual directors' remuneration
Remuneration	Compensation Survey (Domestic and Overseas)	Review of the company's compensation position through peer comparisons in Japan and abroad
Nomination	Succession Planning	Review of progress in succession planning, including election of executive members who may be candidates for internal director positions and their development status
Other	Information Sharing	Sharing of the latest trends and various information related to compensation and nomination, as well as other relevant matters

8. Reason the Board of Directors Determined that the Individual Directors' Remuneration for the Fiscal Year is in line with the Remuneration Policy

For the fiscal year in question, the individual remuneration amounts for each director were determined within the scope of the amounts and contents approved at the General Meeting of Shareholders, taking into comprehensive consideration the director's role and performance, remuneration levels in overseas and domestic markets, as well as the balance with employee salaries. The proposed amounts were referred to the Nomination and Remuneration Advisory Committee, deliberated therein, and subsequently finalized by the Board of Directors. Based on this process, the Board has determined that the remuneration amounts calculated and decided are consistent with the Company's remuneration policy as set forth in item 4 and are appropriate.

Table of types of officers' remuneration

	Type	Grant	Officers to be granted	Variable factors	Incentive	Limit
i	Basic remuneration	Cash	Directors and Auditors	-	Basic remuneration	-
ii	Stock Option	Stock acquisition right (Note2)	Executive Directors	Stock price	-Performance linked (long-term), -Stock price incentive	280,000 shares /Year
iii	Cash Phantom Unit Awards (CPU Awards) Time Base (TBS) (Note1)	Cash	Executive Directors	Stock price	-Performance linked (long-term), -Stock price incentive	75,000 shares equivalent /Year
iv	Company Performance Bonus (CPB)	Cash	Executive Directors and Chairman	-Pre-GAAP margin, -Annual recurring revenue for subscription products and perpetual license renewal	Performance-based (short-term)	-

Directors:
Within 1 billion yen / Year
(Of which, up to 40 million yen per year for outside directors)

Auditors:
Up to 60 million yen / Year

- (Notes)
1. Grants the right to receive cash calculated based on the average market value of the Company's common stock over a certain period of time. Time-based type that can be exercised periodically after grant.
 2. An option fair value valuation (Black-Scholes model) is used for remuneration conversion

(6) Matters concerning Outside Directors and Outside Corporate Auditors

- (i) Relationships between the Company and other companies where Outside Directors or Outside Corporate Auditors hold a concurrent position

The Company does not have any special relationships with any of the companies where Outside Directors and Outside Corporate Auditors hold a concurrent position.

- (ii) Principal activities of Outside Directors and Outside Corporate Auditors during the current term

Name (Position)	Attendance at and comments made at meetings of the Board of Directors and Board of Corporate Auditors /Summary of duties, etc. performed in relation to the role expected to be fulfilled by outside directors
Koichiro Tokuoka (Director)	Attended all 9 meetings of the Board of Directors (100%). He makes appropriate management decisions and supervises management by providing useful advice and recommendations from his highly specialized perspective on corporate management. In addition, as a member of the Nomination and Remuneration Advisory Committee, he attended all 6 meetings (100%) and contributed to the formulation of the succession plan from his expert perspective on organizations.
Fukuzo Inoue (Director)	Attended all 7 meetings of the Board of Directors (100%) following his appointment as Director. He makes appropriate management decisions and supervises management by providing useful advice and recommendations based on his extensive experience and knowledge in the business world. As a member of the Nomination and Remuneration Advisory Committee, he attended all 4 meetings (100%) and discussed issues based on his experience in corporate management, and appropriately supervised the nomination and remuneration process.
Kenichiro Jomen (Corporate Auditor)	Attended all 9 meetings of the Board of Directors (100%) and all 14 meetings of the Board of Corporate Auditors (100%). He raised questions or expressed opinions when necessary in order to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors mainly based on his expert knowledge as a certified public accountant.
Miwako Funamoto (Corporate Auditor)	Attended all 9 meetings of the Board of Directors (100%) and 14 meetings of the Board of Corporate Auditors (100%). She raised questions or expressed opinions when necessary in order to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors mainly based on her expert knowledge as an attorney.
Taeko Izumi (Corporate Auditor)	Attended all 7 meetings of the Board of Directors (100%) and all 11 meetings of the Board of Corporate Auditors (100%) following her appointment as Auditor. She raised questions or expressed opinions when necessary in order to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors mainly based on his expert knowledge as a certified public accountant.

5. Status of Accounting Auditor

(1) Name of Accounting Auditor of the Company

KPMG AZSA LLC

(2) Remuneration, etc. Paid to Accounting Auditor

	(Millions of yen)
(i) Amount of fees and charges paid to accounting auditors for the term under review	100
(ii) Total amount of cash and other financial benefits payable by the Company and its subsidiaries	141

- (Notes) 1. As the audit fees under the Companies Act and those under the Financial Instruments and Exchange Act are not separated for the purpose of the audit contract executed between the Company and the accounting auditors and are impractical to separate, the amount specified in (i) above is indicated as the total amount of audit fees payable under both laws.
2. Three of the important subsidiaries of the Company are audited by certified public accountants or audit corporations other than the Accounting Auditor of the Company (including qualified persons equivalent thereto in foreign countries).

(3) Non-audit services

The Company has delegated the auditing services of ISMAP Information Security to the independent auditor.

(4) Reasons for Agreement to the Amount of Remuneration, etc. to be Paid to Accounting Auditor

The Board of Corporate Auditors has decided to agree on the amount of remuneration, etc. to be paid to the Accounting Auditor, after conducting necessary assessment with regard to the content of its audit plans the execution status of the accounting audits, and the calculation basis of the remuneration amount.

(5) Policies Regarding Decisions on the Dismissal or Non-reappointment of Accounting Auditor

In the event that the Accounting Auditor is deemed to fall under any of the items prescribed in Article 340, paragraph 1 of the Companies Act, the Board of Corporate Auditors shall, pursuant to the unanimous consent of Corporate Auditors, dismiss the Accounting Auditor.

In addition to the above, in the event that it is deemed difficult for the Accounting Auditor to appropriately carry out its duties, or in consideration of the execution status of its duties, etc., the Board of Corporate Auditors shall, in accordance with Article 344, paragraphs 1 and 3 of the Companies Act, propose the dismissal or non-reappointment of the Accounting Auditor as an agenda item at a general meeting of shareholders for resolution.

(Note) The amounts stated in this Business Report are rounded downward to the nearest stated unit.

(1) Consolidated Balance Sheet

(As of December 31, 2025)

(Millions of yen)

Account	Amount	Account	Amount
<Assets>		<Liabilities>	
Current assets	332,690	Current liabilities	278,479
Cash and bank deposits	220,092	Accounts payable and Notes payable, trade	2,973
Notes and accounts receivable and contract assets	76,279	Accounts payable, other	9,077
Marketable securities	10,938	Accrued expenses	11,485
Inventories	10,048	Accrued income and other taxes	5,310
Others	15,485	Allowance for bonuses	3,292
Allowance for bad debt	(153)	Deferred revenue (Current and Non-current)	236,085
Non-current assets	89,547	Others	10,255
Property and equipment	4,797	Non-current liabilities	12,632
Buildings and structures, net	2,526	Net defined benefit liability	6,482
Office furniture and equipment	2,270	Others	6,150
Others	0	Total liabilities	291,111
Intangibles	28,031	<Net assets>	
Software	17,380	Shareholders' equity	77,770
Goodwill	1,552	Common stock	19,926
Others	9,098	Capital surplus	28,802
Investments and other non-current assets	56,718	Retained earnings	100,906
Investment securities	4,727	Treasury stock, at cost	(71,864)
Investments in subsidiaries and affiliates	27	Accumulated other comprehensive income	49,749
Deferred tax assets	47,670	Net unrealized gain (loss) on debt and equity securities	533
Others	4,293	Foreign currency translation adjustments	48,908
		Remeasurements of defined benefit plans	306
		Stock acquisition rights	3,108
		Non-controlling interest	498
		Total net assets	131,126
Total assets	422,238	Total liabilities and net assets	422,238

(2) Consolidated Profit and Loss Statement

(From January 1, 2025 to December 31, 2025)

(Millions of yen)

Account	Amount	
Net sales		275,984
Cost of sales		63,717
Gross profit		212,267
Selling, general and administrative expense		154,490
Operating income		57,777
Non-operating income		
Outsourcing service income	8	
Interest income	3,527	
Gain on sale of marketable securities	11	
Others	82	3,630
Non-operating expenses		
Foreign exchange losses	6,224	
Equity in loss of affiliated companies	1,046	
Loss on disposal of fixed assets	15	
Others	140	7,427
Ordinary income		53,980
Extraordinary loss:		
Retirement benefit expenses	1,488	
Valuation loss on investment securities	160	1,649
Net income before taxes		52,331
Income taxes current	17,686	
Income taxes deferred	543	18,230
Net income before non-controlling interest		34,100
Non-controlling interest in loss of consolidated subsidiaries		(423)
Net income attributable to owners of the parent		34,523

(3) Consolidated Statements of Changes in Net Assets

(From January 1, 2025 to December 31, 2025)

(Millions of yen)

	Shareholders' equity				
	Common stock	Additional paid in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	19,926	27,857	90,541	(66,781)	71,543
Movement for this period					
Dividends of surplus			(24,158)		(24,158)
Net income			34,523		34,523
Sales of treasury stock		(213)		4,917	4,703
Purchase of treasury stock				(10,000)	(10,000)
Change in scope of consolidation		1,158			1,158
Movement for this period excluding shareholders' equity					
Total movement	—	945	10,365	(5,083)	6,227
Balance at the end of current period	19,926	28,802	100,906	(71,864)	77,770

	Accumulated other comprehensive income				Stock acquisition right
	Unrealized gain on available for sales securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	336	44,826	259	45,422	2,480
Movement for this period					
Dividends of surplus					
Net income					
Sales of treasury stock					
Purchase of treasury stock					
Change in scope of consolidation					
Movement for this period excluding shareholders' equity	197	4,082	47	4,327	627
Total movement	197	4,082	47	4,327	627
Balance at the end of current period	533	48,908	306	49,749	3,108

	Minority interest	Total net assets
Balance at the beginning of current period	—	119,446
Movement for this period		
Dividends of surplus		(24,158)
Net income		34,523
Sales of treasury stock		4,703
Purchase of treasury stock		(10,000)
Change in scope of consolidation		1,158
Movement for this period excluding shareholders' equity	498	5,453
Total movement	498	11,680
Balance at the end of current period	498	131,126

Balance Sheet

(As of December 31, 2025)

(Millions of yen)

Account	Amount	Account	Amount
<Assets>		<Liabilities>	
Current assets	165,023	Current liabilities	130,324
Cash and bank deposits	100,471	Accounts payable, trade	1,012
Notes and Accounts receivable, trade	18,514	Accounts payable, other	17,396
Product	534	Accrued expenses	2
Raw material	158	Accrued income and other taxes	3,826
Supplies	66	Accrued consumption taxes	106
Prepaid expense	2,037	Deposit	150
Account receivable others	15,800	Deferred revenue	64,902
Short-term loans receivable to affiliates	27,225	Short-term loans payable to affiliates	42,323
Others	215	Others	604
Non-current assets	65,326	Non-current liabilities	5,105
Property and equipment	1,043	Allowance for retirement benefits	4,818
Buildings	990	Others	286
Office furniture and equipment	1,332	Total liabilities	135,429
Accumulated depreciation	(1,279)	<Net assets>	
Intangibles	6,060	Shareholders' equity	91,847
Software	5,967	Common stock	19,926
Software in progress	44	Capital surplus	25,796
Others	49	Additional paid-in capital	22,648
Investments and other non-current assets	58,222	Other Capital surplus	3,148
Investments securities	50	Retained earnings	117,990
Investments in subsidiaries and affiliates	28,955	Legal reserve	20
Deposit for landlord	496	Accumulated profit	117,969
Deferred tax assets	27,054	Retained earnings carried forward	117,969
Others	1,666	Treasury stock	(71,864)
		Stock acquisition right	3,073
		Total net assets	94,921
Total assets	230,350	Total liabilities and net assets	230,350

Profit and Loss Statement

(From January 1, 2025 to December 31, 2025)

(Millions of yen)

Account	Amount	
Sales Revenue		
Sales	87,630	
Royalty	31	87,662
Cost of sales		24,885
Gross profit		62,777
Operating expenses		39,962
Operating income		22,814
Non-operating income		
Interest income	1,329	
Dividends from subsidiaries and affiliates	20,525	
Others	418	22,274
Non-operating expense		
Interest expense	759	
Loss on disposal of fixed assets	1	
Foreign exchange loss	53	
Others	10	824
Ordinary income		44,263
Net income before taxes		44,263
Income taxes current	7,330	
Income taxes deferred	78	7,408
Net income		36,854

Statements of Changes in Net Assets

(From January 1, 2025 to December 31, 2025)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus		Retained earnings	
		Additional paid-in capital	Other capital surplus	Legal reserve	Accumulated profit
					Retained earnings carried forward
Balance at the beginning of current period	19,926	22,648	3,361	20	105,273
Movement for the period					
Dividends of surplus					(24,158)
Net income					36,854
Sales of treasury stock			(213)		
Purchase of treasury stock					
Movement for the period excluding shareholders' equity					
Total movement	—	—	(213)	—	12,696
Balance at the end of current period	19,926	22,648	3,148	20	117,969

	Shareholders' equity		Valuation and translation adjustment	Stock acquisition right	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain(loss) on available-for-sales securities		
Balance at the beginning of current period	(66,781)	84,448	0	2,480	86,929
Movement for the period					
Dividends of surplus		(24,158)			(24,158)
Net income		36,854			36,854
Sales of treasury stock	4,917	4,703			4,703
Purchase of treasury stock	(10,000)	(10,000)			(10,000)
Movement for the period excluding shareholders' equity			(0)	592	592
Total movement	(5,083)	7,399	(0)	592	7,991
Balance at the end of current period	(71,864)	91,847	—	3,073	94,921

6. Systems and Policies of the Company

Basic Policies of the Systems to Ensure the Appropriateness of Operations of the Company's Directors and the Outline of said System's Operation Status

(1) System for the storage and control of information on the execution of our Directors' duties

- i) Any information on the execution of our Directors' duties shall be stored and controlled in proper, assured and highly retrievable conditions depending on storing medium in accordance with the Confidential Information Control Rules, the Detailed Regulations on Confidential Information Management and Operation, and other internal regulations. It shall be ensured that our Directors and Corporative Auditors access such information at any time. A storage period shall be the period set forth in the Document-Handling Rule.
- ii) The protection and storage of information under the information system shall be as set forth in the Information Security Policy (Global Policy).

(2) Our regulations and other system for the control of the risk of loss

- i) The Company shall be aware of the risks that come with our products and services, and with the Company's infrastructure arising in the course of the execution of our business. The Company shall, therefore, establish a system to properly grasp and control such risks by appointing a person in charge for the proper administration of each occurrence of the risks.
- ii) The Company shall establish a Compliance, Security, and Sustainability Committee, as an organization overseeing the Company's risks and challenges related to compliance, security, and sustainability, with one of our Representative Directors as a chairperson to supervise the compliance and risk control system.
- iii) The Company shall establish a Global Chief Information Security Officer (hereinafter referred to as "CISO") to oversee the information security governance of the Company and all Group companies.
- iv) Any divulcation, theft, loss, corruption, interpolation and the like of information would cause the Company to suffer enormous damage and a loss of credibility. Therefore, the Company shall control such risks in accordance with the provisions of the Information Security Policy (Global Policy), the Confidential Information Control Regulations, the Risk Management Guideline, the Personal Information Protection Manual and the like.
- v) In the event an unforeseen contingency occurs, the Company shall establish a crisis team (or a SWAT team) with our Director in charge of the Japan Region as a risk manager to move quickly on the situation, and shall establish a system to prevent and minimize additional damage, including damage to our clients.

(3) System to ensure the efficient execution of our Directors' duties

- i) As a basis for a system to ensure the efficient execution of our Directors' duties, a meeting of the Board of Directors shall be held at least once every three months, and in a timely manner from time to time if necessary. Any important matters relating to the Company's management policies and strategies shall be determined making reference to the results of an Executive Meeting and a periodical Budget Review Process.
- ii) In order to execute the Company's operations based on the resolutions of our Board of Directors, each person in charge of respective operations, his or her responsibilities, and the details of execution procedures shall be named and set forth in an administrative authority rule, a rule on our executives and the like.

(4) System to ensure that the execution of the duties of the Directors and employees of the Company and the director and employees of our subsidiaries comply with relevant laws and regulations and the Articles of Incorporation

- i) As the basis of the compliance system of each of our group companies, a Code of Conduct, Regulations on Insider Trading and the like shall be established. In order to confirm the implementation of the Code of Conduct, an acknowledgement research shall be carried out to all the directors and employees of our group companies every year.

In addition to the above, if necessary, each department shall establish a guideline and the like, and give training for the said purpose.

- ii) The Company shall establish a Compliance, Security, and Sustainability Committee, with a Representative Director as a chairperson to maintain and improve the internal control system.
 - iii) Each of our group companies shall appoint an internal control manager responsible for facilitating the internal control system, and from time to time, other persons for practical activities under the internal control manager.
 - iv) Any Director of the Company or director of our group companies who has discovered a material illegal act or a compliance-related important fact in any of our group companies shall immediately advise any of the Corporate Auditors thereof, and shall also report it at a meeting of the Board of Directors without delay.
 - v) In accordance with the Whistle-blowing Report Procedures, which regulate an internal notification and reporting system regarding any illegal acts and other compliance-related matters, the Human Resources Division and the Internal Audit Department shall take the initiative as responsible departments. The Internal Auditor shall summarize the fact(s) so reported by sorting out the existence or non-existence and details thereof to report the results to the CEO, CFO and Corporate Auditors every quarter. Provided, however, that he or she shall report every urgent matter to them every time when it occurs.
 - vi) Any of our Corporate Auditors may offer an opinion and request the Company to establish remediation measures in cases where he or she considers that there is a problem with the compliance system and/or the operation of the Whistle-blowing Report Procedures of any of our group companies.
- (5) System to ensure the proper operations of the corporate group consisting of the Company and its subsidiaries**
- i) In order to ensure the proper operations of our group companies, the Company shall apply the Code of Conduct and the Whistle-blowing Report Procedures to all group companies including the Company, and shall require each of the group companies to grasp any risks related to the execution of the operations, and to establish and periodically confirm a system to control such risks depending on the scale and nature of the respective operations, in accordance with an affiliate companies administration rule.
 In order to carry out the management control, the Company shall establish a rule on our executives, the affiliate companies administration rule, a Finance Control and Approval and Signature Authority to control the management of the subsidiaries through a system in which they shall request our decisions on certain matters or make reports to us, and through monitoring the management of the subsidiaries at every executive meeting, or in the course of a periodical Budget Review Process.
 Any Director of the Company or director of our subsidiaries who has discovered any illegal act, compliance-related material matter, or other fact of concern in terms of our risk management, including information security, regarding our group companies, he or she shall immediately report it to our Corporate Auditors and Board of Directors.
 - ii) In order to ensure reliability for the financial reports of the Company and our group companies, the internal control system shall be extended to cover the financial reports.
 - iii) Any director of our subsidiaries who considers the management control and guidance of the Company to be illegal or have a problem in terms of compliance shall advise our Board of Directors and Corporate Auditors of that effect. Upon receiving such report, our Corporate Auditors may offer an opinion to the Board of Directors, and require the Board of Directors to establish remedial measures.
 - iv) The Internal Auditor shall from time to time visit any of our subsidiaries to perform monitoring of all the angles of situations of the subsidiary's operations.
 - v) Our Corporate Auditors shall visit any of our subsidiaries if necessary to investigate the business and financial conditions of the subsidiary.

- (6) Matters regarding an employee(s) that any of our Corporate Auditors requires the Company to appoint to assist the Corporate Auditor's duties, and matters regarding the independence of such employee(s) from our Directors, and matters regarding the ensuring of the effectiveness of instructions to such employee(s)**
- i) In the event that any of our Corporate Auditors requires the Company to appoint an employee(s) (hereafter referred to as "Auditor's Staff") to assist his or her duties, the Company shall arrange proper personnel after consulting with the Corporate Auditor to determine the required number, qualification and the like.
 - ii) The Company shall determine the personnel change, evaluation and others of the Auditor's Staff assigned, respecting the Corporate Auditor's opinion, and shall secure independence from our Directors.
 - iii) If necessary, any of our Corporate Auditors may instruct any of our employees to do an audit of a specific matter after notifying his or her immediate manager. In this case, the employee who has received the instructions shall make a report on such business to the Corporate Auditor, regardless of the ordinary reporting line.
 - iv) The Directors and employees of the Company and the directors and employees of our subsidiaries shall cooperate in the effort to improve the audit environment in which the Auditor's Staff can conduct his or her business smoothly.
- (7) System for the Directors and employees of the Company and the directors and employees of our subsidiaries, or for the persons who have received reports from them to give their reports to any of the Corporate Auditors, and a system to ensure that the persons who have given their reports are not unfavorably treated on grounds that they have given such reports.**
- i) Our Directors shall give a report of the following to our Corporate Auditors:
 - (a) Such matters as resolved at an Executive Meeting;
 - (b) Such matters as may cause substantial damage to the Company;
 - (c) Such important matters as may have an effect on our management;
 - (d) Such important matters as may have an effect on our internal control auditing, organization and practice and our risk management, including information security;
 - (e) Acts in material violation of laws and regulations or the Articles of Incorporation;
 - (f) Such matters as a change in, or the introduction of a type of, our accounting policies; and
 - (g) Other important matters from compliance.In the event any employee of the Company and our subsidiaries find any of the material facts referred to in sub-items (b), (d), (e) and (g) above, he or she may directly advise any of our Corporate Auditors of such fact.
 - ii) The Company shall secure a proper reporting system to timely advise any of our Corporate Auditors of illegal acts and other compliance matters by properly applying the Code of Conduct and the Whistle-blowing Report Procedures to the Company and all our group companies.
 - iii) The Company shall provide in the Whistle-blowing Report Procedures that the Company shall handle all reports so received carefully and shall make every effort to keep the identities of those who have given such reports confidential. In addition, the Company shall specify therein that they shall not be unfavorably treated.
- (8) Such matters as the procedures for advance payment for, or reimbursement of the cost arising from the execution of our Corporate Auditors' duties, and such matters as the policies to cope with other cost and obligations arising from such execution of their duties**
- i) In cases where any of our Corporate Auditors considers necessary to execute his or her duties, he or she may seek the opinions of outside specialists such as lawyers, certified public accountants and the like. He or she may demand to the Company advance payment or reimbursement of the cost necessary for the execution of the Corporate Auditor's duties.

(9) Other systems to ensure our Corporate Auditors' effective audit

- i) Any of our Representative Directors shall provide opportunities to exchange opinions with our Corporate Auditors periodically for better communication, and also provide opportunities for our Corporate Auditors to hear opinions from our employees on their work if necessary to promote our Corporate Auditors' better understanding of the content of our business activities.
- ii) The Internal Audit Department that has charge of internal audit shall consult, engage in exchanges of views, share information, and maintain close contact with our Corporate Auditors
- iii) Our Directors shall ensure opportunities for our Corporate Auditors to attend not only a meeting of the Board of Directors, but also other important meetings such as the Compliance, Security, and Sustainability Committee, Executive Meetings and the like in order to grasp our important processes for making various decisions as well as the actual state of the execution of our operations.
- iv) Our Corporate Auditors may have access to approval documents (*Representative Director's Approval Form*) and other important documents regarding the execution of business, and may request explanations thereof from our Directors and employees if necessary. The Corporate Auditors may also make their own opinions thereon.
- v) The Company shall make an effort to invite lawyers, certified public accountants, patent attorneys and any other outside specialists in appointing an outside auditor(s).

While having developed systems mentioned above, the Company carries out the following based on the basic policies

- (a) The Company established the Code of Conduct as the basis of our Group's compliance system and implements annual Acknowledgement for all directors and employees of our group companies.
- (b) As the secretariat responsible for overseeing risks and issues related to compliance, security, and sustainability, we convene the Compliance, Security, and Sustainability Committee on a semiannual basis. In addition, to maintain and enhance compliance awareness, the Company establishes an annual schedule of internal training for directors and employees and implements it accordingly.
- (c) Corporate Auditors, the internal auditing department, the internal control department and the Accounting Auditor periodically discuss and exchange opinions on matters relating to the operation status of the internal control system and auditing results of the whole Group including the Company and its subsidiaries. The Company endeavors to enhance the operation status of the internal control system through close cooperation among the involved parties.
- (d) In addition to attending important meetings such as the meeting of the Board of Directors and reviewing important documents including approval documents (*Representative Director's Approval Form*), etc., Corporate Auditors deepen their understanding concerning the Company's business in order to ensure the efficiency of auditing through quarterly review meetings with Representative Director, Internal Auditor and Corporate Auditors, periodical exchange of opinions among Representative Director and Corporate Auditors or reports from Directors and employees, and gathering of opinions from employees regarding the business for which they are in charge of.

Notes to the Consolidated Financial Statements

(NOTES ON IMPORTANT POINTS IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS)

1. Matters Concerning the Scope of Consolidation

(1) Number of Consolidated Subsidiaries: Forty-one (41)

(2) Names of Major Subsidiaries

Company Name	
Trend Micro Incorporated	(Taiwan)
Trend Micro Incorporated	(U.S.A.)
Trend Micro Australia Pty. Ltd.	(Australia)
Trend Micro (EMEA) Limited	(Ireland)

TREND MICRO LTD (UAE) and Magna AI Inc. (Japan) were newly established.

CTOne Inc. (Taiwan), which had been consolidated subsidiaries, were excluded from the scope of consolidation due to the liquidation.

(3) No unconsolidated Subsidiaries.

2. Matters Concerning Application of Equity Method

(1) Number of the Affiliate Companies to which the equity method has been applied: 2

(2) Names of the affiliate companies to which the equity method has been applied:

General Mobile Corporation (British Cayman Islands)

TXOne Networks Inc. (British Cayman Islands)

(3) No affiliate company and unconsolidated subsidiary to which the equity method has not been applied.

3. Matters Concerning the Accounting Standards

(1) Accounting for evaluation of material assets

(i) Securities

Other than non-marketable securities:

Market value method

(Unrealized gains and losses, net of taxes, reported in a separate component of equity. Cost of selling is determined by the moving average method.)

Non-marketable securities, etc.:

Cost basis by moving average method

(ii) 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.

(2) Depreciation or Amortization method for fixed assets

Property and equipment (excluding lease assets)

Mainly, depreciation is computed using the declining-balance method (except for the facilities attached to buildings and structure acquired on and after April 1, 2016, which is depreciated by straight-line method) in the parent company and is computed by the straight-line method in consolidated subsidiaries. Useful life of the main property and equipment is as follows:

Buildings and structures: mainly 3-24 years

Office furniture and equipment: mainly 2-20 years

Intangibles (excluding lease assets)

<Software for sale>

Straight-line method over the estimated useful life (12 months).

<Software for internal use>

Straight-line method over the estimated useful life (mainly 5 years).

<Other intangibles>

Straight-line method over the estimated useful life

Lease assets

Lease assets arising from non-ownership-transfer finance leases

The Company has applied the straight-line method, which assumes that useful life is equal to the lease period and that estimated residual value is zero.

(3) Accounting policies for allowances

Allowance for bad debt

In order to provide a reserve against future losses from default of notes and accounts receivable, bad debt provision is provided. The amount is determined using the percentage based on actual doubtful account loss against the total of debts. As for high-risk receivables, expected unrecoverable amount is considered individually.

Allowance for bonuses

Bonuses for employees are provided at an estimate of the amount.

(4) Accounting methods for retirement benefit obligation

▸ Attribution method for retirement benefit estimates

In computing its retirement benefit obligation, the expected retirement benefits are attributed to the periods by standard pension benefit formula basis.

▸ Treatment for actuarial differences

Actuarial differences are amortized on a straight-line basis from the following fiscal year over a period equaling the average remaining service period of employees (1-23 years) expected to receive pension benefits as of the consolidated fiscal year-end.

(5) Policy for translation of major foreign currency assets and liabilities into Yen

Foreign currency denominated receivables and payables are translated into Japanese yen at period-end rates of exchange and the resulting foreign currency translation adjustments are taken into account in regards to profits and losses.

Assets and liabilities of foreign subsidiaries are translated into Japanese yen at period-end spot exchange rates and all income and expense accounts are translated at the average exchange rate. The resulting translation adjustments are included in foreign currency translation adjustment and minority interest.

(6) Basis for Revenue Recognition

The major obligations of the Company and its consolidated subsidiaries with respect to the revenue arising from their contracts with customers are as follows, along with the normal times during which such obligations are fulfilled.

Revenue from software licenses is primarily due to the provision of security-related software licenses, we are obligated to provide software licenses under license contracts with our customers.

Revenue from support services is primarily due to the provision of support services for security-related products, we are obligated to provide such services under the support service contract with the customer.

Revenue from hardware offerings is primarily from the sale of security-related hardware products, we are obligated to provide hardware products under the hardware sales contract.

The essence of goods or services provided by us to customers is to provide them with protection from the latest computer viruses. The provision of software licenses to customers, the upgrading of software included in support services, and the provision of hardware products are indivisible single performance obligation because they cannot provide customers with protection from the latest computer viruses on their own and are highly interdependent and related.

Protection of customers against computer viruses is required to be fulfilled for a certain period of time because the protection of customers is provided according to the period of the contract after the start of use of the software license by the customers. Consideration is allocated equally for the period from the start of use to the contract period, and the amount corresponding to the current consolidated fiscal year is recorded as revenue.

The consideration for these obligations does not include material financial elements in the contract.

(7) Amortization of Goodwill

Goodwill is amortized evenly over the appropriate period, not exceeding 20 years.

(8) All the amounts shown in yen in this document have been expressed in the unit of one million (1,000,000) yen, with any amount less than such unit being disregarded.

(ADDITIONAL INFORMATION)

(Matters concerning consolidated subsidiaries)

We invest in Trend Forward Capital I, L.P. (hereinafter TFI), which operates a venture capital business in the United States as a limited partnership. Business execution powers of TFI were held by Wael Mohamed who was our board until March 2020, while we are only limited partners and have no authority or intention to participate in the management of TFI.

However, we have contributed more than half of the total amount invested in TFI and have not been able to prove that Wael is not a close member in accordance with “the Practical Handling of the Application of Control and Influence Standards to Investment Partnerships” (Practical Handling Report No. 20). Therefore, we have included TFI in our consolidation scope in accordance with “the Practical Handling Report No.20” and” the Accounting Standards for Consolidated Financial Statements “(ASBJ Statement No. 22).

(NOTES ON ACCOUNTING ESTIMATES)

1. Valuation of unlisted stocks

(1) Amounts recorded in the consolidated financial statements at the end of the current fiscal year.

Investment securities (unlisted stocks) 3,739 million yen

(2) Information on significant accounting estimates for identified items

In valuing investment securities, the Company makes judgments based on the issuer's financial condition and earnings prospects, or the existence of damage to excess earning capacity. Changes in circumstances related to individual investments due to changes in the market or unpredictable changes in economic and business assumptions may have a significant impact on the valuation of investment securities in the consolidated financial statements for the following fiscal year.

2. Recoverability of deferred tax assets

(1) Amounts recorded in the consolidated financial statements at the end of the current fiscal year

Deferred tax assets 47,670 million yen

(2) Information on significant accounting estimates for identified items

In accounting for deferred tax assets, deferred tax assets are recognized for schedulable future deductible temporary differences. Estimates of deferred tax assets are based on the schedule for the reversal of future deductible temporary differences, etc., and the tax system and tax rates in effect at the date of the balance sheet, and any changes in the conditions and assumptions underlying these estimates may have a significant impact on the amount of deferred tax assets recognized in the consolidated financial statements for the next and subsequent fiscal years. If there is a change in the conditions or assumptions underlying these estimates, it may have a significant impact on the amount of deferred tax assets recognized in the consolidated financial statements for the next and subsequent fiscal years.

(NOTES TO THE CONSOLIDATED BALANCE SHEET)

1. Notes and Accounts receivable, trade and contract assets :

Accounts receivable	76,279 million yen
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2. Inventory

Finished Goods	9,815 million yen
Materials	167 million yen
Goods	66 million yen

3. Accumulated depreciation of property and equipment: 26,042 million yen

(NOTES TO THE CONSOLIDATED STATEMENTS OF INCOME)

1. Retirement benefit expenses :

Due to workforce reductions, Americas recorded retirement benefit expenses as extraordinary losses.

(NOTES TO THE CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS)

1. The Type and Number of Equity Shares Outstanding as of the End of the Consolidated Fiscal Term:

Common stock 140,901,604 shares

The class and number of treasury stock

Class	As of Jan 1, 2025	Increase	Decrease	As of Dec 31, 2025
Common Stock	9,604,812 shares	1,322,556 shares	706,000 shares	10,221,368 shares

2. Matters Concerning Dividends Paid out of the Surplus during the Consolidated Fiscal Term

The resolution	The annual shareholders meeting held on 27 March, 2025
The type of equity shares	Ordinary shares
The total amount of dividends paid	24,158 million yen
The amount of dividend paid per share	184.00 yen
The record date	31 December, 2024
The effective date	28 March, 2025

3. The Dividend Whose Record Date falls in the Consolidated Fiscal Term and Whose Effective Date falls in the Next Consolidated Fiscal Term

The resolution	The annual shareholders meeting to be held on 26 March, 2026
The type of the equity shares	Ordinary shares
The source of dividend payment	Retained earnings
The total amount of dividends paid	24,175 million yen
The amount of dividend paid per share	185.00 yen
The record date	31 December, 2025
The effective date	27 March, 2026

4. The Type and the Number of Shares to be Issued or Transferred upon Exercise of Stock Acquisition Rights (Excluding Those of Which the Exercise Period Has not Commenced) as of the End of the Consolidated Fiscal Term

Ordinary shares 1,122,400 shares

Based on the employees' termination, the Company adjust the economic value of stock option for computation.

(NOTES TO FINANCIAL INSTRUMENTS)

1. Matters concerning financial instruments

(1) Policies for financial instruments

The Company primarily makes it a policy to use its own money to finance the working capital and equipment funds, in which any surplus funds are invested in financial instruments with higher degrees of safety.

(2) Details of financial instruments and associated risks

Notes and accounts receivable, trade, are exposed to the credit risks associated with extending credit to customers. Foreign currency denominated trade receivables and payables are exposed to foreign currency exchange fluctuation risks. Marketable securities and investment securities are debt securities issued by financial institutions with superior creditworthiness, exposed to market price fluctuation risks as well as foreign currency exchange fluctuation risks. Payables such as accounts payable, trade, accounts payable, other, accrued expenses and accrued income and other taxes are mostly due within one year.

(3) Risk management structure for financial instruments

(i) Credit risk management (risks associated with the default etc., of business counter-parties)

Regarding the trade receivables, the Company and each of its subsidiaries are regularly monitoring the financial position of major business counter-parties, such as clients, by checking the due date and balance for each business transaction, to ensure earliest possible identification and mitigation of the potential bad debt associated with the deterioration of their financial position.

(ii) Market risk management (including risks associated with foreign currency exchange and interest rate fluctuation)

To manage risks involving fluctuations in the market price of marketable securities and investment securities, the Company is regularly monitoring their market prices as well as the financial positions of their issuers (clients and other business connections).

(iii) Liquidity risk management on fund raising (risk of the Company being unable to repay within the due date)

To manage and mitigate liquidity risks, a cash management plan is prepared and updated by the Administration Division when appropriate, while reasonable liquidity on hand is maintained at all time.

(4) Supplementary explanation concerning fair values, etc. of financial instruments

Fair values of financial instruments comprise values based on market prices, and reasonably calculated values if there is no market price. Such calculated values involve certain variable factors and thus may vary depending on the different assumptions.

2. Matters concerning fair values of financial instruments

Consolidated balance sheet amounts, fair values and the differences therein as of December 31, 2025 (fiscal year end) are as follows. Investments in non-marketable securities are not included in this table.

(Millions of yen)

	Consolidated balance sheet amounts	Fair values	Differences
(1) Marketable securities and investment securities			
Available for sale securities	11,926	11,926	—
Total assets	11,926	11,926	—

(Notes 1) "Cash and bank deposits," "Notes and Accounts receivable, trade and contract assets," "Accounts payable and Notes payable, trade" "Accounts payable, other," "Accrued expenses," "Accrued income and other taxes," are omitted as these are cash, and their current prices are nearly equal to book values due to be all settled in a short period of time.

(Notes 2) Non-listed stocks (3,766 million yen recorded on consolidated balance sheet) are not included in "(1) Marketable securities and investment securities".

3. Matters concerning the breakdown, etc. of the fair value of financial instruments by levels

The fair value of financial instruments are classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

(i) Level 1 fair value

Fair value is calculated based on quoted market prices for assets or liabilities for which such fair value is formed in an active market among the inputs for calculating observable fair value.

(ii) Level 2 fair value

Fair value is calculated using inputs other than Level 1 inputs for the calculation of observable fair value.

(iii) Level 3 fair value

Fair value is calculated using inputs for calculating unobservable fair value.

When multiple inputs that have a significant impact on the fair value calculation are used, the fair value is classified into the level with the lowest priority in the fair value calculation among the levels to which those inputs belong.

(Millions of yen)

	Fair values			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available for sale securities	938	10,988	—	11,926
Total assets	938	10,988	—	11,926

(Notes) Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value

Listed stocks are based on the price on the stock exchange, and corporate bonds are based on the price on the stock exchange or the price presented by the financial institutions, etc. with which the Company has transactions. Since listed stocks are traded in active markets, their fair value is classified as Level 1 fair value. Bonds held by the Company are classified as Level 2 fair value because they are traded infrequently in the market and are not considered quoted prices in an active market.

(NOTES ON REVENUE RECOGNITION)

- Information of the revenue from contracts with customers by reporting segments
Information of the amount of sales by reporting segments

(Millions of yen)

	Japan	Americas	Europe	Asia Pacific	Total
Sales					
Net sales to external customers	87,840	55,187	61,439	71,516	275,984
Total sales	87,840	55,187	61,439	71,516	275,984

(Notes)

- The classification of the geographical segment is based on geographic proximity.
 - Major countries other than Japan:
 - Americas U.S.A., Brazil,
 - Europe Ireland, Germany, Italy, France, UK
 - Asia pacific Taiwan, Australia, Singapore, UAE,
 - Information that provides a basis for understanding revenue arising from contracts with customers
The basis for understanding revenues is described in "Notes on Important Points in the Preparation of the Consolidated Financial Statements 3. Matters Concerning the Accounting Standards (6) Basis for Revenue Recognition".
- Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year or later Current fiscal year.
 - Outstanding contract liabilities, etc.

(Millions of yen)

	Current fiscal year
Receivables from contracts with customers (beginning balance)	74,795
Receivables from contracts with customers (ending balance)	76,279
Contract liabilities (beginning balance)	221,386
Contract liabilities (ending balance)	236,085

Receivables from contracts with customers mainly consist of accounts receivable from customers for software licenses, support services and hardware transactions, and do not correspond to contract assets. Contract liabilities mainly relate to unearned revenues from customers for software licenses, support services and hardware transactions and correspond to performance obligations that will be satisfied in the next fiscal year or later. Contract liabilities are reversed upon recognition of revenue. It is included in "Deferred revenue" under "Current liabilities" in the consolidated balance sheet.

The amount of revenue recognized in the current period that was included in the contract liability balance at the beginning of the period was 136,441 million yen.

The amount of revenue recognized in the current period from performance obligations satisfied in prior periods was not material.

(2) Transaction price allocated to remaining performance obligations

The aggregate transaction price allocated to the remaining performance obligations and the period over which revenue is expected to be recognized are as follows.

(Millions of yen)

	Current fiscal year
Within 1 year	136,454
More than 1 year	99,631
Total	236,085

(NOTES ON PER SHARE INFORMATION)

1. The net assets per share: 975.81 yen
2. The net income for the term per share: 262.42 yen

(NOTES ON MATERIAL SUBSEQUENT EVENTS)

N/A

(OTHER NOTES)

N/A

Notes to Financial Statements

(NOTES ON IMPORTANT POINTS IN THE PREPARATION OF THE FINANCIAL STATEMENTS)

1. Accounting for evaluation of assets

(1) Securities

(i) Investments in subsidiaries and affiliates ----- Cost basis by moving average method

(ii) Other securities

Available-for-sale with market value:

The securities are stated using the market value method based on the value at the end of the period. (Valuated differences are recognized in equity directly. Cost of selling is determined by the moving average method.)

Available-for-sale without a market value:

Cost basis by moving average method

(2) Inventories

Finished goods, Raw materials, Supplies ----- Cost basis by moving average method

Unprofitable inventories are devaluated

2. Depreciation and amortization method for fixed assets

Property and equipment (excluding leased assets) ----- Declining-balance method

(except for the facilities attached to buildings and structure acquired on and after April 1, 2016, which is depreciated by straight-line method)

Useful lives of the main property and equipment are as follows:

Buildings:	3 – 24 years
Office furniture and equipment:	3 – 20 years

Intangible fixed assets (excluding leased assets)

<Software for sale>

Straight-line method over the estimated useful lives (12 months).

<Software for internal use>

Straight-line method over the estimated useful lives (mainly 5 years).

<Other intangibles >

Straight-line method over the estimated useful lives

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.

3. Accounting policies for allowances

Allowance for bonus	Bonuses for employees are provided at an estimate of the amount.
Allowance for retirement benefits	<p>In order to provide for the employees retirement benefits, the Company accrues liability for severance payments and pensions at the amount calculated based on the projected benefit obligations and plan assets as of the fiscal year end.</p> <p>The accounting method of recognizing allowance for retirement benefits and its cost is as follows.</p> <p>(1) Attribution method for retirement benefit estimates</p> <p>In calculating the retirement benefits, the expected retirement benefits are attributed to the periods by standard pension benefit formula basis.</p> <p>(2) Accounting method of actuarial differences</p> <p>Actuarial differences are amortized on a straight-line basis in a following fiscal year within the average remaining service period, which is one year, for the employees at the time of recognition.</p> <p>Accounting method of unrecognized actuarial differences on employee retirement benefits is different from that of the consolidated financial statements.</p>

4. Basis for Revenue Recognition

The major obligations of the Company with respect to the revenue arising from their contracts with customers are as follows, along with the normal times during which such obligations are fulfilled.

Revenue from software licenses is primarily due to the provision of security-related software licenses, we are obligated to provide software licenses under license contracts with our customers.

Revenue from support services is primarily due to the provision of support services for security-related products, we are obligated to provide such services under the support service contract with the customer.

Revenue from hardware offerings is primarily from the sale of security-related hardware products, we are obligated to provide hardware products under the hardware sales contract.

The essence of goods or services provided by us to customers is to provide them with protection from the latest computer viruses. The provision of software licenses to customers, the upgrading of software included in support services, and the provision of hardware products are indivisible single performance obligation because they cannot provide customers with protection from the latest computer viruses on their own and are highly interdependent and related.

Protection of customers against computer viruses is required to be fulfilled for a certain period of time because the protection of customers is provided according to the period of the contract after the start of use of the software license by the customers. Consideration is allocated equally for the period from the start of use to the contract period, and the amount corresponding to the current consolidated fiscal is recorded as revenue.

The consideration for these obligations does not include material financial elements in the contract.

5. All the amounts shown in yen in this document have been expressed in the unit of one million (1,000,000) yen with any amount less than such unit being disregarded.

(NOTES ON ACCOUNTING ESTIMATES)

Recoverability of deferred tax assets

(1) Amounts recorded in the financial statements for the current fiscal year

Deferred tax assets 27,054 million yen

(2) Information on significant accounting estimates for identified items

This information is omitted because it is stated in the notes to the consolidated financial statements.

(NOTES TO THE BALANCE SHEET)

The Monetary Claims Against and Obligations Owed to Subsidiaries and Affiliates:

	(Millions of yen)
Short-term monetary assets	44,797
Short-term monetary liabilities	52,807

(NOTES TO THE PROFIT AND LOSS)

The Amounts of Transactions with Subsidiaries and Affiliates

The Amounts of Operational Transactions

	(Millions of yen)
Sales	53
Outside service fee	30,130
Cost sharing charges	31,578
Purchases	1,774

The Amounts of Non- Operational Transactions

Dividends from subsidiaries and affiliates	20,525
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(NOTES TO THE STATEMENTS OF CHANGES IN NET ASSETS)

The Number of Treasury Stock as of the End of the Fiscal Term

Common Stock	10,221,368 shares
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(NOTES TO THE TAX EFFECT ACCOUNTING)

1. Major items causing deferred tax assets:

Deferred tax assets

	(Millions of yen)
Nondeductible deferred revenue	20,572
Nondeductible amortization of intangibles fixed assets	3,280
Nondeductible accrued enterprise tax	231
Nondeductible accrued liability	642
Nondeductible allowance for retirement benefits	1,512
Others	815
<hr/>	
Deferred tax assets subtotal	27,054
Valuation allowance	-
<hr/>	
Total deferred tax assets	27,054

Deferred tax liabilities

	(Millions of yen)
Unrealized gain(loss) on available for sale securities	(0)
<hr/>	
Deferred tax liabilities sub total	(0)
<hr/>	
Net amount of deferred tax asset	27,054

2. Significant component of difference between statutory tax rate and effective tax rate after adjustment for tax effect accounting

Statutory tax rate	30.6%
(Adjustments)	
Nondeductible expense such as entertainment expense	0.5%
Nontaxable income such as dividends income	(13.5)%
Adjustment to increase year-end deferred tax assets resulting from a tax rate change	(0.8)%
Tax credit	(0.8)%
Income taxes for prior periods	(0.1)%
Others	0.8%
<hr/>	
Effective tax rate after adjustment for tax effect accounting	16.7%

(NOTES ON RELATED PARTY TRANSACTIONS)

Subsidiaries and Affiliated companies

Company name	Ownership ratio of voting rights	Detail of the relationship	Detail of transactions	Item and Trading amount (Millions of yen)	Account name	Balance at end of period (Millions of yen)
Trend Micro Incorporated (U.S.A.)	100% (Indirect)	Cost sharing agreement	Payments of Cost sharing charges (*1)	7,774	Accounts payable, other	3,116
		Loans payable	Repayment of loans (*2)	9,516	Short-term loans payable to affiliates	3,229
			Loans payable (*2)	12,721		
Trend Micro (Ireland) Limited	100% (Indirect)	Cost sharing agreement	Receipts of Cost sharing charges (*1)	23,352	Accounts receivable, other	6,594
Trend Micro Australia Pty. Ltd.	100% (Indirect)	Cost sharing agreement	Receipts of Cost sharing charges (*1)	16,000	Accounts receivable, other	4,653
Trend Micro Incorporated (Taiwan)	100% (Direct)	Outsourcing agreements of research and technology development and other support services	Payments of Outsourcing charges (*1)	17,125	Accounts payable, other	2,661
		Outsourcing agreements of administration services	Payments of Outsourcing charges (*1)	5,463	Accounts payable, other	1,365
Trend Micro Netherlands B.V.	100% (Direct)	Loans payable	Repayment of loans (*2)	6,091	Short-term loans payable to affiliates	862
			Loans payable (*2)	5,577		

Company name	Ownership ratio of voting rights	Detail of the relationship	Detail of transactions	Item and Trading amount (Millions of yen)	Account name	Balance at end of period (Millions of yen)
Trend Micro (EMEA) Limited	100% (Indirect)	Loans payable	Repayment of loans (*2)	9,714	Short-term loans payable to affiliates	36,929
			Loans payable (*2)	29,673		
Trend Micro America Inc.	100% (Direct)	Loans receivable and payable	Collection of loans (*2)	3,461	Short-term loans receivable to affiliates	27,225
			Repayment of loans (*2)	682	Short-term loans payable to affiliates	1,300
			Loans payable (*2)	932		
			Interest income (*2)	1,324	Accounts receivable, other	4,416
Dividends income	4,385					

(*1) The trading amounts on Cost sharing and outsourcing service agreements are reasonably determined in consideration of the fair transaction prices.

(*2) The condition of loans receivable and payable are determined based on market interest rates.

(NOTES ON PER SHARE INFORMATION)

1. The net assets per share: 702.85 yen
2. The net income for the term per share: 280.14 yen

(NOTES ON MATERIAL SUBSEQUENT EVENTS)

N/A

(OTHER NOTES)

N/A