(Attachment)

(Translation)

Business Report

(From January 1, 2012, to December 31, 2012)

1.Business Review

(1) Qualitative Information on the Consolidated Business Results

During this term of fiscal year 2012, from January 1 to December 31, despite expectation of a mild recovery, the world economy continued to be with fragility. The world economy remains in an unstable situation mainly due to the persistent European financial crisis. Although the US economy has seen a mild upturn, it remains economically uncertain due to financial problems, and so on. In addition, economic growth in emerging countries has been slowing down. The world economy still continues to go through unstable situation.
On the other hand, although Japan economy is still in a severe situation with concerns of world economic situation, particularly in Europe, and the potential impact of the yen's rise, but it's bottoming out to show slow economic recovery to prevent further deterioration of strong yen and export. With a change of regime as a start, Japan economy was expected recovery but its future outlook still remains uncertain.
In the worldwide Information Technology Industry, cloud computing has been still standing out from IT industry market. Worldwide PC shipment shows significant year-over-year decline for the first time in 11 years. It has been triggered by the decline in enterprise IT spending based on sluggish economic conditions and increased competition from smartphones and multi-functional mobile devices such as tablets, etc. Those are becoming more popular than PCs, in the enterprise and consumer market. On the other hand, cloud computing including server virtualization and IT services and mobile device markets expanded both foreign and domestic demands IT service markets in 2012. Those facts are expected to lead to IT spending next future.
In the computer security industry, Advanced Persistent Threat (APT), sophisticated, multi-faceted attacks targeting a particular organization, has fly entire world continuously. APTs have been still big issue for enterprise security. Also, the threats which will target specific country or region with local language demonstrate an upward trend worldwide. In Japan, a malware program created several crimes foretold with a remote control by third parties other than the authorized PC users. This incident gained nationwide attention due to mistaken arrest. On the other hand, smartphones and multi-functional mobile devices such as tablets, etc. increase users exponentially, and following variable apps also enjoy further growth and diversification. Because of these factors in 2012, malware and fake apps targeting Google's Android OS were going around the world. Such a threat trend has a potential to expand targeted attacks for entire smartphones and multi-functional mobile devices in the days ahead regardless of business or individual. Thus, in enterprise, security for mobile devices and continuous monitoring office network has become more a critical issue to aware indication of attacks acutely.
Under such environment, our group business conditions are as follows:

In some signs of recovery enterprise IT spending, though APTs solution business for enterprise continued to achieve sustainable growth, entire Japan enterprise sales have been close to same level as FY2011 due to without temporary loyalty revenue in previous year. Consumer sales in Japan have been also close to same level as previous year due to change in the contract details related to ISP business. As the result, the net sales for this period in Japan showed a slight decrease in 45,803 million yen (0.6% decrease from the same period in previous year.)
In North America, although the cloud business in this region has shown a growth, traditional business has been weak performed. Moreover, consumer business has been not performed well throughout the whole year due to the rebate for new customer acquisition in early this year. As

the result, sales for this period in North America came to 18,869 million yen (7.7% decreases from the same period in previous year).
Although the net sales of EMEA, both enterprise and consumer sales in local currency have shown positive growth, a weak Euro could adversely affect this region sales. As the result, sales for this period in EMEA came to 16,396 million yen (4.4% decrease from the same period in previous year). In this region, the enterprise business unit has been still dominated sales revenue. The future challenge is to expand the consumer business unit, which is still in its early stages of development.
In the Asia and Pacific region, Australia, which had been leading this region sales with mainly consumer business, shows decline in growth. However, China has continued to be good condition again this year. As the result, this region demonstrated the most growth among the 5 sales regions in Japanese yen. The net sales for this period in APAC showed increase in 10,676 million yen (3.4% increase from the same period in previous year).
In Latin America, though Brazil has maintained close to same level as previous year in local currency, Mexico have not performed well. In addition, a super strong yen could adversely affect this region sales. As the result, sales for this period in Latin America showed a double-digit decrease at 2,093 million yen (12.5% decrease from the same period in previous year.)
As a result, the consolidated net sales for entire year 2012 came to 93,839 million yen (2.6% decrease from the same period in previous year) as a decrease.

Cost of sales and operating expenses totaled 71,432 million yen (2.0% increase from the same period in previous year) mainly due to an increase in people cost and stock option related expenses, etc. As a result, consolidated operating income for this period was 22,407 million yen (15.0% decrease from the same period in previous year).
Due to a increase in Foreign exchange loss, the consolidated ordinary income for this period was 22,661 million yen (21.0% decrease from the same period in previous year), and the consolidated net income for this period was 13,447 million yen (22.5% decrease from the same period in previous year) no gain on redemption of marketable securities in previous year and impairment loss, etc.

(2) Capital Expenditure

The total amount of capital expenditure for the Consolidated Financial term under review was 1,192 million yen, which was invested mainly in 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 instructions.

(4) Issues to Deal With

In the computer security industry which our group belongs to, there have been two competitors with gaining a respectable degree of market share in the U.S. In addition to our direct competitors, Microsoft Corporation, a major operating system software vendor, has entered into the security market. Moreover, recently variable consolidations have indeed continued including M&A or acquisition from other industry and new entries, etc. We anticipate that such a consolidation, new entries, and their presence in the computer security market will make the competition in the market more intense.
In response to such intense competition, we are enhancing our wide range of technologies to better combat the latest web threats, which evolve from day to day, through the acquisition of InterMute Inc. in 2005 for antispyware technologies; Kelkea Inc. in 2005 for IP filtering and reputation services; Provilla, Inc. in 2007 for data leak prevention (DLP); Identum in 2008 for email encryption technology; Third Brigade Inc. in 2009 for Host Intrusion Prevention System (HIPS); Humyo in 2010 for online storage and data synchronization

services ; and Mobile Armor in 2011 for data encryption and mobile device management technology.
Through a series of acquisitions and organically grown technology, Trend Micro has taken the lead over other competitors in creating cloud based security solution. Since 2009, Trend Micro Smart Protection Network is at the core of Trend Micro products and services and is designed to protect customers from web threats through a next generation cloud-client content security infrastructure. Trend Micro Smart Protection Network correlates web, email and file threat data using reputation technologies and is continuously updating in-the-cloud threat databases to detect, analyze and protect customers from the latest threats. By introducing fast, real-time security status “look-up” capabilities in-the-cloud, Trend Micro reduces dependence upon conventional pattern file downloads on the endpoint, as well as the cost and overhead associated with corporate-wide pattern deployments.
We will continue to concentrate management resources on developing original, high-performance solutions that address customer pain points faster than the competitors. At the same time, we will continue to pursue long-term growth with a stable financial foundation, strengthen our commitment to users, as well as develop marketing campaigns that target customer needs and customer buying behavior.

(5) Business Results and Changes in Financial Conditions

Fiscal Year / Item	The 21st Term ended December 2009	The 22nd Term ended December 2010	The 23rd Term ended December 2011	The 24th Term ended December 2012
Net Sales (millions of yen)	96,346	95,391	96,392	93.839
Ordinary Income (millions of yen)	31,714	23,835	28,690	22,661
Net Income (millions of yen)	17,638	12,720	17,341	13,447
Net Income per share (in yen)	132.16	95.27	131.23	102.21
Total Assets (millions of yen)	203,887	206,099	201,765	219,007
Net Assets (millions of yen)	108,643	106,569	107,362	113,492

(6) Status of Important Subsidiaries

Company Name	Capital	Shareholding Ratio	Primary Business
Trend Micro Incorporated (Taiwan)	212,500,000 New Taiwan dollars	100%	Development and sale of security-related products
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 Australia dollars	100%	Development and sale of security-related products
Trend Micro (EMEA) Limited (Ireland)	21,372,061.63 euros	100%	Provision of business support for subsidiaries and development and sale of security-related products

(Notes) The consolidated accounts cover all subsidiaries and affiliated companies, which consist of 33 consolidated subsidiaries including the aforementioned four important subsidiaries and two equity method affiliates.

(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:	Shibuya-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	1,006
Marketing Division	346
Product Support Division	1,345
Research and Development Division	1,622
Administration Division	818
Total	5,137

2. Status of Shares

(1) Total Numbers of Shares authorized to be issued by the Company:
250,000,000 shares

(2) Total Number of Outstanding Shares:
131,560,869 shares (excluding treasury stock of 8,732,135 shares)

(3) Number of Shareholders: 6,702

(4) The Top 10 Shareholders:

Name of Shareholders	Number of Shareholding	Shareholding Ratio(%)
Trueway Company Limited	18,418,000	13.99
The Master Trust Bank of Japan, Ltd.(Trust Account)	9,652,700	7.33
Japan Trustee Services Bank, Ltd. (Trust Account)	6,587,100	5.00
Gainway Enterprise Co., Ltd.	5,684,000	4.32
Nomura Singapore Limited Customer Segregated A/C FJ 1309	5,544,500	4.21
Chang, Ming-Jang	5,208,000	3.95
MLPFS Custody Account	4,593,708	3.49
National Mutual Insurance Federation of Agricultural Cooperatives	3,530,400	2.68
The Chase Manhattan Bank , N.A. London Secs Lending Omnibus Account	3,460,173	2.63
State Street Bank And Trust Company 505225	2,573,306	1.95

(Notes)

1. Numbers of shareholdings shown in the Business Report are stated with reference to those in the shareholder register.
2. The Shareholding Ratio is calculated excluding treasury stock (8,732,135 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

(i) Number of stock acquisition rights

From Twenty-second: 185

From Twenty-fourth to Twenty-eighth-A: 4,637

(ii) Number and Type of Shares subject to Stock Acquisition Rights

Common stock

From Twenty-second: 92,500 shares

(500 shares per stock acquisition right)

From Twenty-fourth to Twenty-eighth-A: 463,700 shares

(100 shares per stock acquisition right)

(iii) Issue price of stock acquisition rights:

Without consideration

(iv) Total stock acquisition rights held by Directors per each issuance

	Series (Exercise Price)	Exercise Period	Number of stock acquisition rights	Number of holders
Director (Excluding an Outside Director)	Twenty-second (2,580 yen)	November 18, 2013	185	3
	Twenty-fourth (3,170 yen)	November 24, 2014	350	1
	Twenty-fifth (2,346 yen)	June 30, 2015	790	3
	Twenty-sixth (2,582 yen)	November 25, 2015	1,000	2
	Twenty-seventh-A (2,557yen)	July 14, 2016	1,497	3
	Twenty-eighth-A (2,406yen)	December 14, 2016	1,000	3

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

(v) 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. 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 acquistion 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 to Employees of the Company, Directors and employees of subsidiaries of the Company

N/A

(3) Other Important Matters concerning Stock Acquisition Rights

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

(i) Number of stock acquisition rights

From Twenty-first to Twenty-third: 4,494

From Twenty-fourth to Twenty-eighth-B: 79,438

(ii) Type and Number of Shares subject to Stock Acquisition Rights

Common stock

From Twenty-first to Twenty-third: 2,247,000 shares

(500 shares per stock acquisition right)

From Twenty-fourth to Twenty-eighth-B: 7,943,800 shares

(100 shares per stock acquisition right)

(iii) Issue price of stock acquisition rights:

Without consideration

(ⅳ) Total stock acquisition rights held by holders Employees of the Company, Directors and employees of subsidiaries of the Company per each issuance

	Series (Exercise Price)	Exercise Period	Number of stock acquisition rights
Employees of the Company, Directors and employees of the subsidiaries of the Company	Twenty-first (3,500 yen)	June 30, 2013	417
	Twenty-second (2,580 yen)	November 18, 2013	3,554
	Twenty-third (3,080 yen)	July 1, 2014	523
	Twenty-fourth (3,170 yen)	November 24, 2014	1,254
	Twenty-fifth (2,346 yen)	June 30, 2015	16,204
	Twenty-sixth (2,582 yen)	November 25, 2015	20,585
	Twenty-seventh-B (2,557yen)	July 14, 2016	20,925
	Twenty-eighth-B (2,406yen)	December 14, 2016	20,470

（ⅴ） 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. 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 is established, the holder of the relevant stock acquisition rights may not exercise the same.

4. Matters Concerning Directors and Corporate Auditors in the Company

(1) Directors and Corporate Auditors

(As of December 31, 2012)

Name	Title in the Company and the Group	Significant Job Titles at Other Organizations
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/ COO & CFO of Trend Micro Group	
Akihiko Omikawa	Executive Vice President and Director, General Manager Japan, LAR, APAC Region, Global Marketing	
Ikujiro Nonaka	Director	Professor Emeritus, Hitotsubashi University Graduate School of International Corporate Strategy
Fumio Hasegawa	Full-time Corporate Auditor	
Yasuo Kameoka	Corporate Auditor	Managing Partner and Representative Partner, Taiko Auditing Firm
Koji Fujita	Corporate Auditor	Attorney at Law, Okuno & Partners

(Notes) 1. Mr. Fumio Hasegawa, Corporate Auditor was elected the Full-time Corporate Auditor as a result of an action by Board of Corporate Auditors and assumed the position on January 1, 2012.

2. Mr. Motohide Tanikawa, Corporate Auditor, resigned his post on January 31, 2012.
3. Mr. Mahendra Negi, Representative Director, and Mr. Akihiko Omikawa, Director, were appointed Executive Vice President respectively, effective March 1, 2012.
4. Mr. Akihiko Omikawa, Director, was appointed General Manager responsible for Japan Region, Global Consumer Business, Sales Promotion in the Asia Regions, effective January 1, 2013.
5. Mr. Ikujiro Nonaka, Director, is an Outside Director under Article 2, item 15 of the Companies Act.
6. All three Corporate Auditors are Outside Auditors under Article 2, item 16 of the Companies Act.
7. Mr. Fumio Hasegawa, Corporate Auditor, has many years of experience in

finance and accounting matters. Mr. Yasuo Kameoka, Corporate Auditor, is a qualified and experienced certified public accountant. Mr. Koji Fujita, Corporate Auditor, is an attorney with experience in corporate rehabilitation and corporate legal affairs. All have appropriate knowledge regarding finance and accounting matters.

8. The Company has designated all Outside Director and 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) Remuneration, etc. Paid to Directors and Corporate Auditors

Category	Number of persons	Amount of remuneration	Remarks
Director	5	351(Yen in millions)	One Outside Director received 8 million yen.
Corporate Auditor	4	19(Yen in millions)	All four Corporate Auditors are Outside Corporate Auditors.

(Notes)

Remunerations paid to Directors include the amount of 183 million yen of stock options granted to Directors. (This does not apply to Outside Director.)

(3) Matters concerning Outside Director and Outside Auditors

(i) Relationships between the Company and another Company where a Director holds a Significant Position

The Company does not have any special relationships with any of the companies where Outside Director and Outside Corporate Auditors hold a significant position described in "(1) Directors and Corporate Auditors".

(ii) Principal Activities of the Outside Director and Outside Corporate Auditors during the Term under Review

Name	Attendance and Comments at the Meetings of the Board of Directors and the Meetings of the Board of Corporate Auditors
Ikujiro Nonaka (Director)	Attended 10 of 12 meetings of the Board of Directors. He made comments as needed based on his expert knowledge on management theory.
Fumio Hasegawa (Full-time Corporate Auditor)	Attended all 12 meetings of the Board of Directors and all 14 meetings of the Board of Corporate Auditors. He raised questions or expressed opinions when necessary in order to ensure the adequacy and appropriateness in making decisions at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his experience in finance and accounting matters over the years.
Yasuo Kameoka (Corporate Auditor)	Attended all 12 meetings of the Board of Directors and all 14 meetings of the Board of Corporate Auditors. He raised questions or expressed opinions when necessary in order to ensure the adequacy 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.
Koji Fujita (Corporate Auditor)	Attended 10 of 12 meetings of the Board of Directors and all 14 meetings of the Board of Corporate Auditors. He raised questions or expressed opinions when necessary in order to ensure the adequacy 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 an attorney.

(iii) Summary of Limited Liability Agreement

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

5. Status of Accounting Auditor

(1) Name of the 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	91
(ii)	Total amount of cash and other financial benefits payable by the Company and its subsidiaries	91

(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) The policy regarding decisions on the dismissal or discontinuance of re-election of an accounting auditor

If the Accounting Auditor is deemed to fall under any of the items prescribed in Article 340, paragraph 1 of the Companies Act, the Accounting Auditor will be dismissed by the Board of Corporate Auditors pursuant to the unanimous consent of the Corporate Auditors.

In addition to the above, if it is deemed difficult for the Accounting Auditor to carry out their proper execution of duties, in consideration of the length of their continuous years of service and of other factors, the Board of Directors will submit a proposal for dismissal or discontinuance of re-election of the Accounting Auditor on the Agenda of the Shareholders Meeting upon agreement or request of the Board of Corporate Auditors.

6. Systems and Policies of the Company

Basic policies of the Company's systems to ensure the appropriateness of actions of the Company's Directors

(1) A system to retain and manage information regarding execution of operations by the directors

i) Information on the execution of operations by the directors must be retained appropriately, managed, and be in a highly searchable state, depending on the recording media, based on the Confidential Matter Control Regulations, the Confidential Matter Control Guidelines and other internal regulations, and it must be kept in a state that permits the directors and the Corporate Auditors to access it at any time. The storage period should be that required by law if such legal requirements exist, and if not, for the period required by the Regulations on the Handling of Documents.

ii) The protection and storage of information in the information system shall comply with the Information System Control Regulations.

(2) A system concerning regulations regarding risk and loss management

i) The Company recognizes risk regarding our products and services, and risk regarding the Company's infrastructure, as risks related to the execution of the operations of our company. The Company will establish a system to identify and manage such risks, as well as a system to place persons in charge of managing such risks.

ii) The Company will establish the Compliance Security Committee, chaired by the Representative Director, as an organization to manage and control compliance and the risk control system.

iii) Leaks, theft, loss, damage, and illegal alteration of information would bring enormous loss of trust and damage to our company. Therefore, the Company shall manage such risks based on the Information System Control Regulations, the Confidential Information Control Regulations, the Risk Management Guideline, the Personal Information Protection Regulations, and other regulations.

iv) In the event that an incident occurs, an emergency operations team (SWAT team) shall be established, with the Director for the Japan Region as the risk manager, to take swift action, and it shall establish a system to prevent and minimize the spread of damage, including to clients.

(3) A system to ensure efficient execution of operations by directors

i) As the basis for a system to ensure efficient execution of operations by the directors, a board of directors' meeting shall be held at least once every three months, and at any other appropriate time when considered necessary. As for important matters relating to management policies and management strategies of the Company, their execution shall be determined by reference to the results of discussions at the Executive Meetings held every quarter, as well as in the periodical budget review process.

ii) As for the execution of operations based on decisions of the board of directors, the person in charge, their responsibilities, and the details of execution procedures shall be established by the Administrative Authority Regulations and the Regulations Regarding Executives.

(4) A system to ensure that execution of operations by directors and employees meet relevant regulations and the Articles of Incorporation

i) As a basis for the compliance system, a Code of Conduct, Regulations Regarding Executives, Regulations on Insider Trading, and Personal Information Protection Regulations shall be established.
A Compliance Security Committee has been established, headed by the Representative Director, and it shall maintain and improve the Internal Control System.
Each division shall also establish guidelines and training as necessary.

ii) An Internal Control Manager, responsible for the maintenance and promotion of the Internal Control System, shall be appointed, and members in charge of the Internal Control System practices headed by the Internal Control Manager shall be appointed from time to time.

iii) In the event that any directors finds a serious breach of law or a significant lapse in compliance in the Company, he or she shall immediately report it to the Corporate Auditors, and shall also report it to the board of directors without delay.

iv) Based on the Whistle-blowing Report Procedures, which are regulations establishing internal notification and reporting systems regarding breaches of law and other compliance matters, the Human Resources Division and Internal Audit Department shall be responsible for the operation of said systems. The existence or the non-existence of relevant facts and their contents shall be gathered and reported to the CEO, CFO, and Corporate Auditors every quarter by the Internal Auditor. However, when it is deemed urgent, it shall be reported to them immediately.

v) In the event that any Corporate Auditors determine that there is a problem with the legal compliance system and the execution of the Whistle-blowing Report Procedures of the Company, he or she shall state such opinion, and the establishment of remedial plans may be required.

(5) A system to ensure appropriate operations of the corporate group consisting of the Company and its subsidiaries

i) To ensure proper operation of the group companies, the Code of Conduct and Whistle-blowing Report Procedures shall apply to all group companies in the same way as applied to the Company. In addition, the Company shall request the corporate group to establish an organization to identify and manage risks related to the execution of operations.
As for management control, Affiliated Companies Control Regulations, Finance Control and Signature Authorization Regulations shall be established, thus enabling management control of subsidiaries authorized by and reporting to our company.
Management shall also monitor the discussions of the Executive meetings held every quarter and the periodical budget review process as necessary.
In the event that any directors find a breach of law or any other important compliance issues with group companies, he or she shall immediately report it to the Corporate Auditors and the Board of Directors.

ii) To ensure the reliability of financial reporting by the Company and group companies, the establishment and operation of internal controls relating to financial reporting shall be promoted.

iii) In the event that any of the subsidiaries determines that the management control and management guidance of the Company breaches any law or constitutes problems in compliance, it shall report it to the Internal Auditor.
Immediately upon receiving such a report, the Internal Auditor shall report to the Corporate Auditors and the directors, and he or she may state his or her opinion.
Upon receiving such a report, the Corporate Auditor shall state an opinion to the directors, and the establishment of remedial plans may be required.

iv) The Internal Auditor shall from time to time visit subsidiaries and monitor their operations.

(6) A System concerning employees who assist the Corporate Auditors when required and their independence from the directors

i) In the event that Corporate Auditors require the company to appoint employees (hereafter referred to as "Auditing Staff") to assist with his or her duties, the Company shall consult with the Corporate Auditors and provide Auditing Staff from among the employees of the Company.
In the case where an Auditing Staff is established, personnel transfer, personal evaluation and other matters with respect to the Auditing Staff shall be determined with the wishes of the Corporate Auditors in mind, thus ensuring independence from the directors.

ii) In the event that Corporate Auditors require, he or she may request employees to conduct specific audit tasks, with notice given to the superiors of such employees. In this case, employees who receive such a request shall report to the Corporate Auditors, irrespective of the chain of command of regular employment.

(7) A system for directors and employees to report to corporate auditors, other systems for reporting to corporate auditors, and a system for ensuring effective auditing by corporate auditors

i) The directors shall report the following to the Corporate Auditors:

① Matters resolved at the Executive Meetings;

② Matters that might cause significant damage to the Company;

③ Important matters regarding management;

④ Important matters regarding audit, and the establishment and operation of internal control and risk control;

⑤ Serious breach of law or the Articles of Incorporation;

⑥ Matters regarding changes or introduction of accounting policies; and

⑦ Other important compliance matters.

Furthermore, in the event that an employee finds important matters regarding ②, ⑤ and ⑦ above, he or she may report to the Corporate Auditors directly.

ii) By maintaining proper implementation of the Code of Conduct and the Whistle-blowing Report Procedure, the Company shall ensure a proper reporting system for breaches of law and other issues, in compliance with the Corporate Auditors.

iii) The full-time Corporate Auditor shall attend the board of directors' meetings and important meetings such as the meetings of the Compliance Security Committee and the Executive Meetings in order to grasp the important decision-making processes and the execution of operations. They may also review approval documents and important documents regarding the execution of operations, require the directors and employees to provide explanations if necessary, and state their opinions.

iv) The Representative Directors shall establish a forum to exchange opinions with Corporate Auditors periodically, thus promoting communication.

v) In the event that Corporate Auditors determine that it is necessary in order to carry out his or her duties, he or she may ask for the opinions of professionals such as attorneys and certified public accountants, and their expenses shall be borne by the Company.

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

(1) Consolidated Balance Sheet

(As of December 31, 2012) (Yen in millions)

Account	Amount
<Assets>	
Current assets	**159,259**
Cash and bank deposits	54,732
Notes and accounts receivable, trade	20,999
Marketable securities	64,110
Inventories	370
Deferred tax assets	14,775
Others	4,375
Allowance for bad debt	-104
Non-current assets	**59,748**
Property and equipment	**4,437**
Office furniture and equipment	3,364
Others	1,073
Intangibles	**7,870**
Software	5,740
Goodwill	960
Others	1,169
Investments and other non-current assets	**47,440**
Investment securities	35,292
Investments in subsidiaries and affiliates	190
Deferred tax assets	10,739
Others	1,217
Total assets	**219,007**

(Yen in millions)

Account	Amount
<Liabilities>	
Current liabilities	**78,044**
Accounts payable and Notes payable, trade	727
Accounts payable, other	3,758
Accrued expenses	4,844
Accrued income and other taxes	5,678
Allowance for bonuses	840
Allowance for sales return	602
Deferred revenue	59,286
Others	2,306
Long-term liabilities	**27,471**
Deferred revenue	24,464
Allowance for retirement benefits	2,371
Others	634
Total liabilities	**105,515**
<Net assets>	
Shareholders' equity	**115,509**
Common stock	18,386
Additional paid-in capital	21,111
Retained earnings	102,451
Treasury stock, at cost	-26,440
Accumulated other comprehensive income	**-6,238**
Net unrealized gain(loss) on debt and equity securities	572
Foreign currency translation adjustment	-6,810
Stock acquisition right	**4,213**
Minority interest	**7**
Total net assets	**113,492**
Total liabilities and net assets	**219,007**

(2) Consolidated Profit and Loss Statement

(From January 1, 2012 to December 31, 2012) (Yen in millions)

Account	Amount	
Net Sales		**93,839**
Cost of sales		**17,511**
Gross profit		**76,327**
Selling, general and administrative expense		**53,920**
Operating income		**22,407**
Non-operating income		
Interest income	1,273	
Gain on sales of marketable securities	254	
Equity in earnings of affiliated companies	3	
Others	155	1,686
Non-operating expenses		
Interest expenses	4	
Loss on sales of marketable securities	101	
Impairment loss on marketable securities	77	
Foreign exchange loss	856	
Others	393	1,432
Ordinary income		**22,661**
Extraordinary gain:		
Gain on reversal of stock option	4,224	4,224
Extraordinary losses:		
Impairment loss	780	
Loss on sales of marketable securities	1,700	2,481
Net income before taxes		**24,404**
Income taxes current	11,780	
Income taxes deferred	-822	10,957
Net Income before minority interest		13,446
Minority interest in income of consolidated subsidiaries		-0
Net income		**13,447**

(3) Consolidated Statements of Changes in Net Assets

(From January 1, 2012 to December 31, 2012) (Yen in millions)

	Shareholders' equity				
	Common stock	Additional paid in Capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	18,386	21,111	100,318	-26,460	113,355
Movement for this period					
Dividend of surplus			-11,313		-11,313
Net income			13,447		13,447
Sales of treasury stock		0		19	19
Movement for this period excluding shareholders' equity					
Total movement	-	0	2,133	19	2,153
Balance at the end of current period	18,386	21,111	102,451	-26,440	115,509

	Accumulated other comprehensive income		Stock acquisition right	Minority interest	Total net assets
	Net unrealized gain (loss) on debt and equity securities	Foreign currency translation adjustment			
Balance at the beginning of current period	-1,776	-10,987	6,719	51	107,362
Movement for this period					
Dividend of surplus					-11,313
Net income					13,447
Sales of treasury stock					19
Movement for this period excluding shareholders' equity	2,349	4,177	-2,506	-43	3,976
Total movement	2,349	4,177	-2,506	-43	6,129
Balance at the end of current period	572	-6,810	4,213	7	113,492

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: Thirty three (33)

(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)

(3) The Company has no unconsolidated subsidiaries.

2. Matters Concerning Application of Equity Method

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

(2) Names of the affiliate companies to which the equity method has been applied:
Soft Trend Capital Corporation and Net STAR,Inc.

(3) There is no other affiliate company to which the equity method has not been applied.

3. Matters Concerning the Accounting Standards

(1) Accounting for evaluation of material assets

(ⅰ) 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 market value:

Cost basis by moving average method

Investments in investment limited partnerships and equivalent partnerships (ones considered as securities as stipulated under Article 2, paragraph 2 of the Financial Instruments and Exchange Act) are calculated on a net equity partnership basis based on the latest closing statements available depending on the financial reporting date stipulated in the partnership agreement.

(ⅱ) Inventories:

Cost basis by moving average method

Unprofitable inventories are devaluated

(2) Depreciation or Amortization method for fixed assets

Property and equipment (excluding lease assets)

Mainly, depreciation is computed using the declining-balance 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:

Office furniture and equipment: mainly 2 – 20 years

Intangibles

<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. The conventional accounting treatment still applies to non-ownership-transfer finance leases that commenced before the starting date for applying the new revised accounting standard for lease transactions (ASBJ Statement No.13).

(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.

Allowance for sales return

In order to provide a reserve against future losses from sales return subsequent to the fiscal year end, allowance for sales return is provided based on past experience of the sales return rate.

Allowance for retirement benefits

In order to provide a reserve against future employees' retirement benefits, allowance for retirement benefits is provided based on retirement benefit liabilities and pension assets projected at the end of the period.
Actuarial difference is expensed in the following accounting period on a pro rata basis for certain years not exceeding the average remaining services years (1 to 23years) of employees at the time of occurrence of such difference.

(4) 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.

(5) Revenue Recognition Policy

Sales recognition policy for PCS
The product license agreement contracted with the end-user contains provisions concerning PCS (customer support and upgrading of products and their pattern files). The Company applies the following revenue recognition method for the share of PCS revenue.
PCS revenue is recognized separately from total revenue and is deferred as deferred revenues under current and non-current liabilities based on the contracted period. Deferred revenue is finally recognized as revenue evenly over the contracted period.

(6) Consumption tax

Accounting subject to consumption tax is stated at the amount net of the related consumption tax.

(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)

Application of Accounting Standard for Accounting Changes and Error Corrections

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

(ACCOUNTING POLICY)

Application of Accounting Standard for Earnings per Share and others

From this first quarter of the current fiscal year, the Company has adopted “Accounting Standard for Earnings per Share” (Accounting Standards Board of Japan (ASBJ) Standard No. 2, June 30, 2010), and “Guidance on Accounting Standard for Earnings per Share” (ASBJ Guidance No. 4, June 30, 2010). For the calculation of diluted net income per share, the method of determining the fair value of stock options that vest after a certain period of employment has been changed. Under the new method, the portion of the fair value of stock options that corresponds to future services to be provided to the Company is included in the amount that is assumed to be received by the Company from the exercise of the stock options.

(ACCOUNTING STANDARDS NOT YET APPLIED)

Employee Benefits

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

(1) Summary

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

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

(2) Effective Date

The Company will apply it from the end of FY2014. However the calculation for Retirement benefit obligations and service costs will be applied from the beginning of FY2015.

(3) Impact of Application of Relevant Accounting Standards etc

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

(NOTES TO THE CONSOLIDATED BALANCE SHEET)

Accumulated depreciation of property and equipment: 12,466 million yen

(NOTES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT)

Due to increased competition etc in the business, the intangible assets related to online storage will not observed to be recovered over an estimated period of cash flows. That's why the impairment loss shows 780 million yen as the extraordinary loss after the impairment. The recoverable amount is measured by value in use, are evaluated as "zero" which value in use based on those future cash flows is negative.

Impairment loss of Japan, North America, Europe and Asia Pacific are 157 million yen, 98 million yen, 509 million yen and 15 million yen respectively.

(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 140,293,004 shares

The Class and number of treasury stock

Class	B/F	Increase	Decrease	C/F
Common Stock	8,738,735 shares	-	6,600 shares	8,732,135 shares

(The reason of the movement)

The reason of decrease is as follows

Disposition of treasury stock upon the exercise of stock acquisition right 6,600 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, 2012
The type of equity shares	Ordinary shares
The total amount of dividends paid	11,313 million yen
The amount of dividend paid per share	86.00 yen
The record date	31 December 2011
The effective date	28 March 2012

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, 2013
The type of the equity shares	Ordinary shares
The source of dividend payment	Retained earnings
The total amount of dividends paid	8,814 million yen
The amount of dividend paid per share	67.00 yen
The record date	31 December 2012
The effective date	27 March 2013

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	8,717,900 shares

Because of the employees termination, we adjust the economic value of stock option for computation.

(NOTES TO FINANCIAL INSTRUMENTS)

1. Matters concerning financial instruments

(1) Policies for financial instruments

The Group 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, while derivative transactions are basically excluded.

(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, etc., even those of financial institutions with superior creditworthiness, and are 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 largely 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, 2012, (fiscal year end) are as follows.

(Yen in millions)

	Consolidated balance sheet amounts	Fair values	Differences
(1) Cash and bank deposits	54,732	54,732	—
(2) Notes and accounts receivable, trade	20,999	20,999	—
(3) Marketable securities and investment securities	99,402	99,402	—
Total assets	175,134	175,134	—
(1) Accounts payable and Notes payable, trade	727	727	—
(2) Accounts payable, other	3,758	3,758	—
(3) Accrued expenses	4,844	4,844	—
(4) Accrued income and other taxes	5,678	5,678	—
Total liabilities	15,007	15,007	—

(Notes) Matters concerning the methods for calculating fair value of financial instruments and the transactions of marketable securities

Assets

(1) Cash and bank deposits, (2) Notes and accounts receivable, trade

These assets are recorded at book values as their fair values approximate book values because of their short-term maturities.

(3) Marketable securities and investment securities

With regard to these assets, fair values of shares are based on the market prices quoted on stock exchanges, while those of bonds are based on the market prices quoted on stock exchanges or obtained from the relevant financial institutions.

Liabilities

(1) Accounts payable and Notes payable, trade, (2) Accounts payable, other, (3) Accrued expenses, (4) Accrued income and other taxes

These liabilities are recorded at book values as their fair values approximate book values because of their short-term maturities.

(NOTES ON PER SHARE INFORMATION)

1.	The net assets per share:	830.57yen
2.	The net income for the term per share:	102.21 yen

(NOTES ON MATERIAL SUBSEQUENT EVENTS)

N/A

(OTHER NOTES)

N/A

Balance Sheet

(As of December 31, 2012)

(Yen in millions)

Account	Amount	Account	Amount
<Assets>		<Liabilities>	
Current assets	**95,748**	**Current liabilities**	**48,191**
Cash and bank deposits	6,909	Accounts payable, trade	137
Accounts receivable, trade	10,596	Account payables, other	9,924
Marketable securities	62,021	Accrued expenses	364
Finished goods	27	Accrued corporate tax and others	5,545
Raw materials	5	Accrued consumption taxes	449
Supplies	30	Deposits received	35
Prepaid expenses	88	Allowance for sales return	312
Deferred tax assets	13,039	Deferred revenue	31,116
Other receivables	2,637	Others	305
Others	393	**Non-current liabilities**	**19,650**
Allowance for bad debt	-1	Deferred revenue	17,777
Non-current assets	**50,652**	Long-term accounts payable	2
Tangible fixed assets	**788**	Allowance for retirement benefits	1,842
Buildings	840	Others	26
Office furniture and equipment	1,392	**Total liabilities**	**67,841**
Accumulated depreciation	-1,445	<Net assets>	
Intangibles fixed assets	**3,869**	**Shareholders' equity**	**73,772**
Software	2,679	**Common stock**	**18,386**
Software in progress	518	**Capital surplus**	**21,111**
Goodwill	103	Additional paid-in capital	21,108
Others	567	Other Capital surplus	3
Investments and other non-current assets	**45,994**	**Retained earnings**	**60,715**
Investments in securities	34,965	Legal reserve	20
Investments in subsidiaries and affiliates	2,231	Accumulated profit	60,694
Security deposits	497	Retained earnings carried forward	60,694

Memberships	4	**Treasury stock**	**-26,440**
Deferred tax assets	8,365	**Valuation and translation adjustment**	**573**
Allowance for loss on investments in subsidiaries and affiliates	-70	Unrealized gain on available for sale securities	573
		Stock acquisition rights	**4,213**
		Total net assets	**78,559**
Total assets	**146,401**	**Total liabilities and net assets**	**146,401**

Profit and Loss Statement

(From January 1, 2012 to December 31, 2012)

(Yen in millions)

Account	Amount	
Sales Revenue		
Sales	45,803	
Royalty	4,936	**50,739**
Cost of sales		**9,575**
Gross profit		**41,164**
Selling, general and administrative expense		**22,426**
Operating income		**18,737**
Non-operating income		
Interest income	10	
Interest on marketable securities	512	
Dividend	0	
Gain on sales of marketable securities	254	
Global system income	5	
Others	107	890
Non-operating expense		
Loss on sales of marketable securities	101	
Foreign exchange loss	504	
Global system expense	30	
Others	302	938
Ordinary income		**18,690**
Extraordinary gain:		
Gain on reversal of stock option	3,781	3,781
Extraordinary loss:		
Impairment Loss	157	
Loss on sales of marketable securities	1,700	1,858
Net income before taxes		**20,613**
Income tax current	9,573	
Income tax deferred	-991	8,581
Net income		**12,031**

Statements of Changes in Net Assets

(From January 1, 2012 to December 31, 2012)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus		Accumulated earnings	
		Additional paid-in capital	Other Capital surplus	Legal reserve	Accumulated profit
					Retained earnings carried forward
Balance at the beginning of current period	18,386	21,108	3	20	59,976
Movement for this period					
Dividend of surplus					-11,313
Net income					12,031
Sales of treasury stock			-0		
Movement for this period excluding shareholders' equity					
Total movement	-	-	-0	-	717
Balance at the end of current period	18,386	21,108	3	20	60,694

	Shareholders' equity		Valuation and translation adjustment	Stock acquisition right	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on available for sale securities		
Balance at the beginning of current period	-26,460	73,034	-1,775	6,719	77,979
Movement for this period					
Dividend of surplus		-11,313			-11,313
Net income		12,031			12,031
Sales of treasury stock	19	19			19
Movement for this period excluding shareholders' equity			2,349	-2,506	-156
Total movement	19	737	2,349	-2,506	580
Balance at the end of current period	-26,440	73,772	573	4,213	78,559

Notes to Unconsolidated Financial Statements

(SIGNIFICANT ACCOUNTING POLICIES)

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

Investments in investment limited partnerships and equivalent partnerships (ones considered as securities as stipulated under Article 2, paragraph 2 of the Financial Instruments and Exchange Act) are calculated on a net equity partnership basis based on the latest closing statements available depending on the financial reporting date stipulated in the partnership agreement.

(2) Inventories

Product・Raw materials・Supplies --------- Cost basis by moving average method

Unprofitable inventories are devaluated

2. Depreciation and amortization method for fixed assets

Tangible fixed assets (excluding lease assets) --------- Declining-balance method

Buildings (excluding facilities and leasehold improvement) acquired on or after April 1, 1998, are depreciated using the straight-line method.

Useful life of the main property and equipment is as follows:

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

Intangible fixed 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 intangible fixed assets>

Straight-line method over the estimated useful life

Lease assets

Lease assets arising from non-ownership-transfer finance leases

The Company has applied a straight-line method, which assumes that a useful life is equal to the lease period and that an estimated residual value is zero. The conventional accounting treatment still applies to non-ownership-transfer finance leases that commenced before the starting date for applying a new revised accounting standard for the lease transactions (ASBJ Statement No.13).

3. Accounting policies for allowances

Allowance for bad debt	In order to provide reserves against future losses from default of notes and accounts receivable, a bad debt provision is provided. The amount is determined using a percentage based on the actual doubtful account loss against the total of debts. As for high-risk receivables, the expected unrecoverable amount is considered individually.
Allowance for loss on investments in subsidiaries and affiliates	In order to provide reserves against future loss from investments in subsidiaries, estimated loss from investments in subsidiaries is provided based on an examination of the relevant subsidiary's financial condition and expected recoverability.
Allowance for sales returns	In order to provide reserves against future losses from sales return subsequent to the fiscal year end, allowance for sales returns is provided based on past experience with the sales return rate.
Allowance for retirement benefits:	In order to provide reserves against future losses arising from the retirement of employees, allowance for retirement benefits recognized to have been incurred at the end of the period is provided based on retirement benefit liabilities projected at the end of the period. Actuarial difference is recognized in the following fiscal year.

4. Revenue Recognition Policy

Sales recognition policy for PCS

The product license agreement contracted with the end-user contains provisions concerning PCS (customer support and upgrading of products and its pattern files). The Company applies the following revenue recognition method for the share of PCS. PCS revenue is recognized separately from total revenue and is deferred as deferred revenues under current and non-current liabilities based on the contracted period. Deferred revenue is finally recognized as revenue evenly over the contracted period.

5. Consumption tax

Accounting subject to consumption tax is stated at the net amount of the related consumption tax.

6. Amortization of Goodwill

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

7. 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)

Application of Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement NO.24 of December 4, 2009)

The Company applied the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24 of December 4, 2009) and Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24 of December 4, 2009) to accounting changes and corrections of past errors as of the beginning of this fiscal year.

(CHANGES IN ACCOUNTING POLICY)

Application of "Accounting Standard for Earnings Per Share and others"

The Company has started to apply "Accounting Standard for Earnings per Share" (ASBJ Statement No. 2, June 30, 2010) and "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, June 30, 2010) as of this fiscal year. The Company has changed its method of calculating diluted net income per share. Under the new method, for share option rights which vest after a specified period of service, the fair value amount of the share options for service expected to be provided in the future is included in the proceeds assumed to be received when options are exercised.

(NOTES TO THE BALANCE SHEET)

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

	(Yen in millions)
Short-term monetary assets	4,227
Short-term monetary liabilities	6,416

(NOTES TO THE INCOME STATEMENT)

1. The Amounts of Transactions with Subsidiaries and Affiliates

The Amounts of Operational Transactions

	(Yen in millions)
Sales	4,947
Outside service fee	160

The Amounts of Non-operational Transactions

	(Yen in millions)
Global system income	5
Global system expenses	30

2. Impairment loss

Due to increased competition etc in the business, the intangible assets related to online storage will not observed to be recovered over an estimated period of cash flows. That's why the impairment loss shows 157 million yen as the extraordinary loss after the impairment. The recoverable amount is measured by value in use, are evaluated as "zero" which value in use based on those future cash flows is negative.

(NOTES TO THE STATEMENT OF CHANGES IN NET ASSETS)

The Class and number of treasury stock:

Class	B/F	Increase	Decrease	C/F
Common Stock	8,738,735 shares	-	6,600 shares	8,732,135 shares

(The reason of the movement)

The reason of decrease is as follows

Disposition of treasury stock upon the exercise of stock acquisition right 6,600 shares

(NOTES TO THE TAX EFFECT ACCOUNTING)

Major items causing deferred tax assets:

Deferred tax assets

	(Yen in millions)
Nondeductible deferred revenue	18,580
Nondeductible amortization of intangibles fixed assets	843
Nondeductible accrued liability	758
Nondeductible allowance for retirement benefits	662
Others	1,078
Deferred tax assets sub total	21,923
Valuation allowance	-165
Total deferred tax assets	21,757

Deferred tax liabilities

	(Yen in millions)
Valuated difference on available-for-sale	351
Total deferred tax liabilities	351
Net amount of deferred tax asset	21,405

(NOTES ON FIXED ASSETS USED BY THE COMPANY UNDER LEASE AGREEMENTS)

In addition to non-current assets on the balance sheets, business equipment such as copying machines is used by the Company under finance lease agreements without transfer of ownership.

(NOTES ON TRANSACTIONS WITH THE RELATED PARTIES)

Subsidiaries and affiliates

N/A

(NOTES ON PER SHARE INFORMATION)

1. The net assets per share: 565.11 yen
2. The net income for the term per share: 91.45 yen

(NOTES ON MATERIAL SUBSEQUENT EVENTS)

N/A

(OTHER NOTES)

N/A