

TREND MICRO INC
Form 6-K
February 07, 2003
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FORM 6-K

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934**

Commission File Number: 333-10486

For the Month of February 2003

Trend Micro Incorporated

(Translation of registrant's name into English)

Odakyu Southern Tower, 10th Floor, 2-1, Yoyogi 2-chome,

Sibuya-ku, Tokyo 151-8583, Japan

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

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Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

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Information furnished on this form:

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1. Press release dated February 4, 2003 relating to the Japanese GAAP earnings result of the registrant and its consolidated subsidiaries for the fourth quarter and fiscal year ended December 31, 2002
 2. Digest of Consolidated Earnings Results for the Fiscal Year Ended December 31, 2002 (English translation)
 3. Digest of Non-consolidated Earnings Results for the Fiscal Year Ended December 31, 2002 (English translation)
 4. Press release dated February 4, 2003 relating to the allocation of stock options to the directors and employees of the registrant and its affiliates
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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TREND MICRO INCORPORATED

Date: February 7, 2003

By:

/s/ MAHENDRA NEGI

Mahendra Negi

Representative Director, Chief Financial Officer and

Executive Vice President

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Trend Micro Announces Fourth Quarter and Annual Results

Company Reports Record Annual Profits and Continued Growth in Enterprise Segment

Tokyo, Japan February 4th, 2003 Trend Micro Inc (TSE: 4704; Nasdaq: TMIC), a leader in network antivirus and Internet content security software and services, today reported results in Japanese GAAP for the fourth quarter and fiscal year ending December 31, 2002.

Trend Micro posted consolidated net sales of 11.76 billion yen, (or US \$100 million) and operating income of 4.43 billion yen (or US \$38million) for the fourth quarter of 2002. These figures reflect gains of 9% in net sales and 13% in operating income compared with the same period a year ago, and growth of 10% in net sales and 44% in operating income compared to the previous quarter.

Net sales for 2002 reached a record high of 42.98 billion yen (or US \$364 million) in 2002, up 37% from 2001. Operating income was 13.88 billion yen (or US \$118 million), up 46% from 2001. Net income was 7.89 billion yen (or US \$67 million), up 226% from 2001. All major product lines grew during 2002, with enterprise products representing 81% of revenues.

We are very pleased that we have had yet another year of robust growth and that we continue to grow market share in the enterprise segment worldwide, said Steve Chang, Chairman and CEO, Trend Micro. This year we delivered our Enterprise Protection Strategy, a NIMDA-prevention architecture, along with many new services and products to support this and we demonstrated the appropriateness of the best-of-breed approach by forming key alliances with other security market leaders. Perhaps most satisfying is that we were able to achieve record profit growth while at the same time investing heavily in channels, products and programs that will enable our growth in coming years.

Consolidated net sales for the first quarter ending March 2003 are expected to be 11.0 billion yen (or US\$ 93 million). Operating income is expected to be 3.1 billion yen (or US\$ 26 million). Net income is expected to be 1.8 billion Yen (or US\$ 15 million).

Trend Micro also resolved to change its dividend policy and will begin paying dividends beginning in fiscal year 2003. Shareholders of record at the end of December 2003 have the right to receive dividends. The company plans to set 20 percent of consolidated net income as a base for the dividends. The company will decide the dividends per share in consideration of its stock repurchase plan and the retained earnings available for dividends within the limits set by the Japanese Commercial Code.

Fourth Quarter Highlights

In Japan, the company showed continued strength, with growth coming from government, education, and service provider sectors. Growth in the region was fueled by the ISP market, where revenue rose 640% year over year. During the quarter, the company also delivered the newest version of VirusBuster, the company's consumer antivirus product, with the inclusion of a personal firewall & support for wireless devices. Nikkei Business Publications, Inc. gave the Best PC Software Award VirusBuster for the third consecutive year.

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In the US, Trend Micro continued to grow its enterprise customer base, winning new contracts with an additional 9 companies in the Fortune 500, from industries including commercial banking, energy, and securities. A majority of the contracts were comprised of Trend Micro's Internet gateway and mail server products. Consumer sales in the US grew 43% from 2001 based on strong growth in online sales. Trend Micro named Lane Bess as Senior Vice President of Sales for North America during the quarter. Trend Micro products also won several accolades including a 5-Star rating for OfficeScan Corporate Edition from SC Magazine and Best of Show Finalist for ScanMail for Microsoft Exchange at MEC 2002.

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In Europe, Trend Micro continued to strengthen its enterprise customer base, signing over 30 new contracts of over 10,000 users each. The biggest wins were seen in the government and financial sectors. Trend Micro was also honored during the quarter with several awards in the region. GateLock X200 won three accolades: Editor's Choice from PC Professional in Germany, Product of the Year from PC World Norge in Norway, and membership in the Best of 2002 selection by SC Magazine. PC World Norge also awarded Trend Micro's corporate desktop solution, OfficeScan, Best in Test in a comparative review, while readers of the Spanish Publication PC Actual named Trend Micro's InterScan Messaging Security Suite winner of the Security Category.

In the Asia-Pacific and Latin American regions, Trend Micro also showed significant growth, most notably in the service provider sector. The company gained access to over 700,000 users in these regions through new ISP relationships signed in the quarter. In Latin America, the company was awarded 2 government contracts of over 20,000 users each. In China, PC World named Trend Micro's ScanMailfor Microsoft Exchange Product of the Year.

Trend Micro continued to build upon its best-of-breed alliances during the quarter. In November, Nokia and Trend Micro joined forces to develop a rapidly deployable, auto-updating security appliance, Nokia Message Protector SC6600, which blocks viruses and other email borne exploits at the network perimeter.

The company also won noteworthy service accolades, including the Inaugural Service Excellence Award from Accenture and Commonwealth Magazine in Taiwan. In December, Trend Micro's US Premium Support organization earned the prestigious Support Center Practices (SCP) Certification, which recognized the company for its enterprise support excellence. Trend Micro is the first software vendor to receive such recognition.

About Trend Micro

Trend Micro, Inc. is a leader in network antivirus and Internet content security software and services. The Tokyo-based corporation has business units worldwide. Trend Micro products are sold through corporate and value-added resellers. For additional information and evaluation copies of all Trend Micro products, visit our website at <http://www.trendmicro.com>.

Supplementary Information

The following tables show key financial information for the fiscal year ended December 31, 2002 as announced by Trend Micro in Japan.

(\$1US = 118 Japanese Yen)

1. Consolidated Results of Operations

	From Jan 1 to Dec 31,				
	2002		2001		
	Millions of yen, except share data	Millions of US\$ except share data	Millions of yen	Millions of US\$	Change
Net sales	42,979	364	31,326	265	37%
Operating Income	13,876	118	9,481	80	46%

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Ordinary Income	13,449	114	9,549	81	41%
Net income	7,892	67	2,421	21	226%
Net income per share (basic)	59.74 yen	\$0.51	18.40 yen	\$0.16	
Net income per share (diluted)	59.57 yen	\$0.50	18.23 yen	\$0.15	

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2. Consolidated Financial Position

	As of Dec 31,			
	2002		2001	
	Millions of yen, except share data	Millions of US\$, except share data	Millions of yen, except share data	Millions of US\$, except share data
Total assets	74,165	629	65,317	554
Shareholders' equity	37,084	314	30,901	262
Shareholders' equity ratio	50%		47%	
Shareholders' equity per share	281.62 yen	\$2.39	234.02 yen	\$1.98

3. Consolidated Cash Flows

	From Jan 1 to Dec 31,			
	2002		2001	
	Millions of yen	Millions of US\$	Millions of yen	Millions of US\$
Cash flows from operating activities	15,217	129	12,563	106
Cash flows from investing activities	-3,172	-27	-2,918	-25
Cash flows from financing activities	-4,482	-38	5,460	46
Ending balance of cash and cash equivalent	47,829	405	40,782	346

Notice Regarding Forward Looking Statements

Statements included in this release contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, statements regarding our expectations about future dividend payments. Many important factors could cause our actual results to differ materially from those expressed in our forward-looking statements. These factors include:

Customer acceptance of our new products and services

The impact of competing products and services

Difficulties in adapting our products and services to the Internet

Difficulties in addressing new virus and other computer security problems

The potential lack of attractive investment targets and difficulties in successfully executing our investment strategy

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Declining prices for our products and services

We assume no obligation to update any forward-looking statements. For more details regarding risk factors relating to our future performance, please refer to our filings with the SEC, including our annual report on Form 20-F which was filed on July 1,2002.

For Additional Information

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February 4, 2003

Digest of Consolidated Earnings Results
for the Fiscal Year Ended December 31, 2002

Company:	Trend Micro Incorporated	Tokyo Stock Exchange 1 st section
Code:	4704	Location: Tokyo
Contact person:	Position: Regional controller, Japan Financial Planning and Control	
	Name: Ryo Masaki	(Phone: 81-3-5334-3600)
Date of the board of directors meeting:	February 4, 2003	

The US accounting standard is not adopted for preparing the consolidated financial statements for the fiscal year ended December 31, 2002.

1. Financial Highlights for FY 2002 (January 1, 2002 through December 31, 2002)

(1) Consolidated Results of Operations

(All figures are rounded down to millions of yen.)

	Sales		Operating income		Ordinary income	
	Millions of yen	(Compared to the previous year) %	Millions of yen	(Compared to the previous year) %	Millions of yen	(Compared to the previous year) %
FY2002	42,979	(37.2)	13,876	(46.4)	13,449	(40.8)
FY2001	31,326	(43.5)	9,481	(27.4)	9,549	(30.4)

	Net income		Net income per share (basic)		Net income per share (diluted)		Return on shareholders equity		Ordinary income/total assets ratio		Ordinary income ratio	
	Millions of yen	(Compared to the previous year) %	Yen	Yen	Yen	Yen	%	%	%	%		
FY2002	7,892	(226.0)	59.74	59.57	23.2	19.3	31.3					
FY2001	2,421	(-48.7)	18.40	18.23	8.5	17.5	30.5					

(Note) 1) Loss on investment in affiliated companies: 11 millions of yen (FY 2002)

2) Number of weighted average shares outstanding: 129 millions of yen (FY 2001)
132,111,467 shares (FY2002)

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- 131,594,913 shares (FY2001)
- 3) Change in accounting principle: None
- 4) The percentage of sales, operating income, ordinary income and net income are in comparison to the prior fiscal year.

(2) Consolidated Financial Position

	Total assets	Shareholders equity	Shareholders equity ratio	Shareholders equity per share
	Millions of yen	Millions of yen	%	Yen
FY 2002	74,165	37,084	50.0	281.62
FY 2001	65,317	30,901	47.3	234.02

(Note) Number of shares issued at the end of fiscal year : 131,682,975 shares (FY 2002)

132,043,182 shares (FY 2001)

(3) Consolidated Cash Flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalent
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2002	15,217	-3,172	-4,482	47,829
FY 2001	12,563	-2,918	5,460	40,782

(4) Basis of consolidation and investments in affiliated companies:

The number of consolidated subsidiaries	15
The number of unconsolidated subsidiaries accounted by the equity method	0
The number of affiliated companies accounted by the equity method	4

(5) Change in reporting entities:

The number of additional consolidated subsidiaries	0
The number of excluded consolidated subsidiaries	3

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The number of additional consolidated affiliated companies	0
The number of excluded consolidated affiliated companies	0

2. Projected consolidated earnings (Note 1, 2)

(1) Projected earnings for the next quarter (January 1, 2003 through March 31, 2003)

	<u>Sales</u>	<u>Operating income</u>	<u>Net income</u>
	Millions of yen	Millions of yen	Millions of yen
1 st Qtr	11,000	3,100	1,800

(Note 1) Since the business environment surrounding Trend Micro Group tends to fluctuate in the short run, it is difficult to make the highly reliable projection figures on a yearly basis. We, therefore, decided to announce the earnings on a quarterly basis in the fiscal year ending in March 2003 as well as earnings projection of the succeeding quarter. If we find through our calculation conducted from time to time that the sales fluctuate from the most recent quarterly projection by more than 10%, or operating income or net income fluctuates by more than 30%, we will announce the revision of the earnings projection.

(Note 2) We plan to prepare the consolidated financial statement in accordance with US GAAP from FY2003 and thus the above projection for the 1st Quarter is presented based on US GAAP.

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FY2002 (as of December 2002) Attachment to the Report

I. Condition of corporate group

Overview of corporate group

Trend Micro Group consists of Trend Micro Inc., and its 15 subsidiaries which develop and sell anti-virus products and offer other related services and three affiliated companies are: Soft Trend Capital Corporation which manages capital funds to be invested into Internet-related ventures, Japan JCN Co., Ltd which develops and offers the security system against unlawful access and NetSTAR Inc. which develops and offers the products of URL filtering.

The business related to anti-virus are described below.

The products related to anti-virus:

PC client products
LAN server products
Internet server products
Other products

Trend Micro Inc develops and sells the products. Some parts of the research and development activities are entrusted to Trend Micro Incorporated (Taiwan), Trend Micro Inc.(U.S.A.), Trend Micro Deutschland GmbH (Germany), and Trend Micro (Shanghai) Inc. (China). Trend Micro Incorporated (Taiwan) also operates manufacturing and sales of the products, part of which are purchased by Trend Micro Inc (Japan), Trend Micro Inc.(U.S.A.), Trend Micro Korea Inc., Trend Micro Deutschland GmbH(Germany), Trend Micro Italy S.r.l., Trend Micro Australia Pty. Ltd.(Australia), Trend Micro do Brasil Ltda.(Brazil), Trend Micro France, Trend Micro Hong Kong Limited, Trend Micro(UK)Limited, Trend Micro Latinoamerica S.A.de C.V (Mexico), Trend Micro (Shanghai) Inc. (China).

In addition, Trend Micro Inc (Japan) owns software copyrights and receives from its overseas subsidiaries royalties based on the respective sales of products to such subsidiaries.

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2. Management policies and results of operations

Trend Micro Group's Basic Management Policy

Setting out a vision A world safe for exchanging digital information , Trend Micro Group has focused on providing the secure and safe networked society to all users of computer networks and the Internet by offering solutions to protect corporate networks or home PCs from computer viruses or other malicious content.

While computer networks and the Internet are increasingly widespread in business activities and daily life, computer viruses are becoming smarter and more malicious to break into networks or computers, and damages by them are also continuously increasing. Moreover, as another problems, harmful content such as SPAM mail (nuisance e-mail) or Bad URLs (websites providing the information that offends public order and morals) are deteriorating functionality and user-friendliness of network systems.

We currently have the strong impression that needs of corporate or private network users toward security vendors have been changing into larger one. Such dramatic change tells us that Trend Micro Group itself has to change its current corporate scheme to develop and sell products through a single organization, to offer comprehensive security solutions by adding high value services.

Thorough those business operations, Trend Micro Group wishes to contribute to development of Japan's and global information societies.

Basic Policy on the Distribution of Profits

One of the most critical challenges for us has been to accumulate reserves and strengthen our financial structure, as we need to respond to rapidly changing business environments and maintain our competitiveness in the market. We have, therefore, withheld dividends except the one to commemorate public offering in the fiscal year ending in December 1998.

Through rise of revenue and profit margins attained over recent fiscal years, our reserves, however, have been accumulated sufficiently enough to allow us to combine strengthening of our financial structure with payment of dividends. Considering the above situation, we have reached a conclusion that we would start to pay dividends from the fiscal year ending December 2003. We plan to set 20 percent of our consolidated net income as a base of the dividends and decide the dividends per share in consideration of acquisition plan of own shares and the profit available for dividend stipulated in the Japanese Commercial Code.

Basic Policy on the Trading lots for Shares

We understand that it is our critical task to ensure the liquidity of the shares in Trend Micro. We do not believe, however, that all the shareholders in Trend Micro will benefit from the reduction of minimum lots for shares, because the current liquidity of the shares is being maintained apparently at a fair level and the reduction of minimum lots for shares requires considerable expense.

We promise that we continue to review the minimum trading l from the viewpoint of shareholders' benefits as well as the liquidity of the shares.

Issues to Handle

Impacted by deterioration of corporate sentiment in the U.S. and Europe as well as the lingering economic slump in Japan, corporate investment in information systems has shown signs of a slowdown. We know that the situation, represented by such reduction in cooperate investment into information systems, will not allow us to have any optimistic outlook for the business environment surrounding us.

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On the other hand, many corporations are now increasingly reliant on computer networks represented by mail systems; the monetary damages for the opportunity losses caused by system down of company networks have come to far larger than several years ago. It is expected that network security including anti-virus solutions will take a more important role in the future, and that the market scale of the network security business will steadily expand in the long and medium terms. In response to such expansion of the market, we would like to promote recruiting and securing of the necessary human resources, expansion of the management bases, strengthening of corporate brand power and expansion of sales channels in a more positive way at Trend Micro and its overseas subsidiaries.

The technological innovations in our industry are constant and fast: as for the next generation Internet, for example, some people have raised the possibility that further development of open platforms such as broadband, mobile telecommunications and Linux may bring sweeping changes to the present network environment. In order to take and maintain competitive advantage against the major U.S. competitors, we need to respond to the external environment changes initiated by the technological innovations on a timely basis.

Outbreak of new types of viruses, such as NIMDA of 2 years ago, gave greater impact on anti-virus solutions. These viruses, which have compound infection approaches, not only rapidly enlarge the scale of the damages with their high infectious capacity, but repeat the infection, if even one single PC of a network remains infected. To respond to such new types of the viruses, we have to provide the better anti-virus solutions than the conventional ones, which were just to detect and destroy viruses upon receipt of a virus patten file

In order to protect corporate information assets from threats of the compound-infection-type viruses, we have set up TM EPS (Trend Micro Enterprise Protection Strategy), our one and only new anti-virus strategy in which we center-control all the anti-virus solutions ranging from prevention of virus infection to destruction of viruses, for the purpose of minimizing infection damages and anti-virus costs.

Our products compliant with TM EPS newly feature a function to provide preventive measures against virus infection

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prior to receipt of the virus pattern file as well as a function to rummage out viruses throughout PCs and servers of the network once again and prevent reinfection by destroying any remaining viruses promptly. These functions allow corporate users to respond to attacks of new viruses in shorter time than before as well as to cut time and cost requiring for recovery from the infection damages by rummaging and destroying the viruses all at once in the network. Moreover, for enabling the network administrator to manage and operate these functions in an effective and easy manner, we will expand functions of the products that integrate and manage the Trend Micro products deployed in the network.

While network environments and information assets of corporations have become more significant than before, threats of viruses are rapidly changing. In such an environment, we would like to develop new anti-virus strategies and solutions always ahead of our competitors and offer products and services to meet users' needs, aiming to maintain our current competitive advantage in the market for corporate customers and to increase the market share further.

Summary of Consolidated Financial Results for the Fiscal Year 2002

The fiscal year under review saw a slowdown in demand within the IT industry, primarily the result of declining corporate IT spending in Japan, Europe and the United States. The corporate spending cuts also put the damper on demand for network security solutions, which have been positioned as a high priority in IT investment.

We have no intention, however, to change our outlook showing that our industry will undergo steady transition in the long and medium terms in spite of short-term fluctuation, because there still exists an underlying tendency that many companies continue to expand investments into overhaul of mission-critical operation systems. Further, since many harmful viruses that have been magnifying the damages from two years ago are strong and have multiple infection routes, users are requesting vendors of network security products to provide more effective products and services than ever.

The number of virus damage reports has increased constantly: we received 25,644 reports of domestic virus damages in 2001 and 52,172 reports in 2002.

During the fiscal year 2002, as more frequent virus infection has spread via e-mail and websites in Japan, Trend Micro domestic operation saw significant sales increase of its InterScanVirusWall, an anti-virus product used on Internet gateways, as well as good sales growth of its ServerProtect for file servers and Virus Buster Corporate Edition for networked PCs. In the retail market, the Virus Buster series, which experienced drastic sales increase at the end of the previous fiscal period, set steady sales in this fiscal period as well. Further, in collaboration with ISPs, we greatly expanded the sales of the VirusWall E-Mail Service to offer anti-virus solutions.

In North America, growth of the sales was rather modest, because large-sized corporations, which make up the greatest portion of Trend Micro's customers in U.S., constrained investments to security. We have, however, implemented some measures to expand the sales in the next fiscal year and so on, such as strengthening of our brand power through marketing campaigns and expansion of sales channels aiming to shift to the indirect sales structure.

In Europe, anti-virus products, such as InterScan series and ScanMail series, used in higher layers of hierarchy of the network mainly contributed to the steady growth in sales of the products for relatively large-sized corporate users, and the sales of the products such as ServerProtect or OfficeScan (Virus Buster Corporate Edition) also increased with expansion of our middle-sized corporate customer segment.

In other areas such as Australia, China, Brazil and Mexico, regardless of rather low shares in total sales of Trend Micro Group, the sales itself are expanding steadily.

During the fiscal year 2002, Trend Micro posted consolidated sales of ¥42,979 million, an increase of 37.2 percent over the last year. Consolidated ordinary income increased 40.8 percent to ¥13,449 million, while net income rose 226.0 percent to ¥7,892 million.

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Sales in Japan posted an increase of 46.1 percent to ¥27,797 million, while operating income from these sales rose to ¥21,640 million, up 62.7 percent from the previous fiscal year. U.S. sales increased 32.9 percent to ¥14,758 million, with operating income totaling ¥1,152 million, a 7.7 percent increase. In Europe, sales increased 42.5 percent to ¥9,806 million, and operating income resulted in ¥653 million, a 22.7 percent increase. Asia and Oceania sales increased 41.9 percent to ¥7,339 million, and operating income resulted in ¥440 million. Other areas posted combined sales of ¥1,401 million, a 44.5 percent increase, and operating income of ¥263 million, down 15.7 percent.*1

(Note)*1 From the point of view with the term comparison, retroactive change for the segment classification is reflected to the data for the previous fiscal year.

Earnings Projection

Since the business environment surrounding Trend Micro Group tends to fluctuate in the short run, it is difficult to make the highly reliable projection figures on a yearly basis. We, therefore, decided to announce the earnings on a quarterly basis in the fiscal year ending in March 2003 as well as earnings projection of the succeeding quarter.

If we find through our calculation conducted from time to time that the sales fluctuate from the most recent quarterly projection by more than 10%, or operating income or net income fluctuates by more than 30%, we will announce the revision of the earnings projection.

(Note) We plan to prepare the consolidated financial statement in accordance with US GAAP from FY2003 and thus the following projection for the 1st Quarter is presented based on US GAAP.

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Projection for the 1st Quarter (Jan. 1 to Mar. 31, 2003)

Consolidate Sales:	Yen 11,000 Million
Consolidated Operating Income:	Yen 3,100 Million
Consolidated Net Income:	Yen 1,800 Million

The above earnings projection was calculated based on the following estimated major currency exchange rates;

Exchange Rates: USD 1=JPY 118, Euro 1= JPY 128

(For your reference) Actual results of the 1st Quarter of FY2002 (Japan GAAP)

Consolidated Sales:	Yen 9,752 Million
Consolidated Operating Income:	Yen 3,030 Million
Consolidated Net Income:	Yen 1,702 Million

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(1) Condensed consolidated balance sheets

(Thousands of yen)

Account	Period	FY 2002		FY 2001		Net
		(As of December 31, 2002)		(As of December 31, 2001)		increase/ decrease
		Amount	Percentage	Amount	Percentage	Amount
			%		%	
(Assets)						
I	Current assets					
1.	Cash and bank deposits	47,895,542		40,853,417		
2.	Notes and accounts receivable, trade	12,287,077		12,280,759		
3.	Marketable securities	1,847,889				
4.	Inventories	363,848		238,881		
5.	Deferred tax assets	4,044,671		3,209,029		
6.	Others	798,244		786,996		
7.	Allowance for bad debt	(599,808)		(206,752)		
	Total current assets	66,637,465	89.8	57,162,330	87.5	9,475,135
II	Non-current assets					
1.	Property and equipment	*1				
(1)	Buildings	617,180		703,877		
(2)	Furniture and fixtures	1,302,093		1,290,269		
(3)	Others	25,405		18,727		
	Total property and equipment	1,944,678	2.6	2,012,873	3.1	(68,195)
2.	Intangibles					
(1)	Software	1,114,095		661,116		
(2)	Software in progress	156,595		400,202		
(3)	Others	26,395		49,141		
	Total intangibles	1,297,085	1.8	1,110,461	1.7	186,624
3.	Investments and other non-current assets					
(1)	Investments in Securities	*2		2,529,142		
		*3				
(2)	Investments in capital funds	536,380		707,389		
(3)	Deferred tax Assets	1,562,669		926,772		
(4)	Others	1,052,200		882,995		
(5)	Allowance for bad debt	(14,617)		(14,617)		
	Total investments and other non-current assets	4,286,682	5.8	5,031,681	7.7	(744,999)
	Total non-current assets	7,528,446	10.2	8,155,017	12.5	(626,570)

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Total assets	<u>74,165,912</u>	100.0	<u>65,317,347</u>	100.0	<u>8,848,564</u>
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(Thousands of yen)

Account	Period	FY 2002		FY 2001		Net	
		(As of December 31, 2002)		(As of December 31, 2001)		increase/ decrease	
		Amount	Percentage	Amount	Percentage	Amount	
			%			%	
(Liabilities)							
I	Current liabilities						
1.	Notes and accounts payable, trade	1,099,249		1,381,995			
2.	Current portion of						
	Long-term Debt	*3	5,000,000	3,000,000			
3.	Accrued corporate						
	tax and others		3,683,122	3,006,182			
4.	Deferred revenue	*4	13,484,251	9,342,597			
5.	Allowance for sales return		362,228	643,622			
6.	Others		4,171,694	4,185,534			
	Total current liabilities		27,800,546	37.5	21,559,933	33.0	6,240,613
II	Long-term liabilities						
1.	Long-term debt	*3	6,500,000	11,500,000			
2.	Deferred revenue	*4	2,188,459	916,873			
3.	Allowance for Retirement						
	Benefits		381,356	313,082			
4.	Others		210,947	126,399			
	Total long-term liabilities		9,280,763	12.5	12,856,355	19.7	(3,575,592)
	Total liabilities		37,081,309	50.0	34,416,288	52.7	2,665,021
(Minority Interests)							
Minority Interests							
(Shareholders' equity)							
I	Common stock		7,257,059	9.8	6,833,677	10.5	423,381
II	Additional paid-in capital				11,236,702	17.2	(11,236,702)
III	Capital surplus		12,119,814	16.3			12,119,814
IV	Consolidated retained earnings				11,978,410	18.3	(11,978,410)
V	Accumulated earnings		19,870,986	26.8			19,870,986
VI	Valuated difference on other securities		(83,877)	(0.1)	21,735	0.0	(105,613)
VII	Cumulative translation adjustment		242,906	0.3	852,595	1.3	(609,689)
			39,406,889	53.1	30,923,122	47.3	8,483,767
VIII	Treasury stock		(2,322,286)	(3.1)	(22,063)	(0.0)	(2,300,223)
	Total shareholders' equity		37,084,603	50.0	30,901,059	47.3	6,183,543

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Total liabilities, Minority interests and shareholders equity	74,165,912	100.0	65,317,347	100.0	8,848,564
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(2) Condensed consolidated income statements

(Thousands of yen)

Account	Period	FY 2002		FY 2001		Compared to the previous year
		(From January 1, 2002 To December 31, 2002)		(From January 1, 2001 To December 31, 2001)		
		Amount	Percentage	Amount	Percentage	
			%		%	
I Sales		42,979,636	100.0	31,326,320	100.0	137.2
II Cost of sales		2,353,861	5.5	1,898,970	6.1	124.0
		40,625,775	94.5	29,427,350	93.9	138.1
III Selling, general and administrative expenses	*1	26,749,374	62.2	19,946,331	63.6	134.1
		13,876,401	32.3	9,481,018	30.3	146.4
IV Non-operating income	*2	523,392	1.2	1,064,688	3.4	49.2
V Non-operating expenses	*3	950,418	2.2	996,517	3.2	95.4
		13,449,374	31.3	9,549,189	30.5	140.8
VI Unusual losses	*4	18,158	0.0	5,180,970	16.6	0.4
		13,431,215	31.3	4,368,218	13.9	307.5
Income before taxes		6,984,416	16.3	4,205,850	13.4	166.1
Corporate inhabitant and enterprise tax		(1,445,775)	(3.4)	(2,258,958)	(7.2)	64.0
Income tax deferred						
Net income		7,892,575	18.4	2,421,326	7.7	326.0

(3) Consolidated statement of retained earnings

(Thousands of yen)

Account	Period	FY 2002
		(From January 1, 2002 to December 31, 2002)
		Amount

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Capital surplus	
Beginning balance of capital surplus	11,236,702
Increase in capital surplus	
Newly issued stock by capital increase	423,090
Others	460,021
Ending balance of capital surplus	12,119,814
Accumulated earnings	
Beginning balance of accumulated earnings	11,978,410
Increase in accumulated earnings	
Net income	7,892,575
Ending balance of accumulated earnings	19,870,986

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<u>Account</u>	<u>Period</u>	<u>Amount</u>
		(Thousands of yen)
		FY 2001
		(From January 1, 2001
		to December 31, 2001)
I	Beginning balance of consolidated retained earnings	9,557,084
II	Net income	2,421,326
III	Ending balance of consolidated retained earnings	11,978,410

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(4) Condensed Consolidated Cash Flow Statement

(Thousands of yen)

<u>Account</u>	<u>Period</u>	<u>FY2002</u>	<u>FY2001</u>
		<u>From January 1, 2002</u>	<u>From January 1, 2001</u>
		<u>to December 31, 2002</u>	<u>to December 31, 2001</u>
I	Cash flows from operating activities		
1.	Income before taxes	13,431,215	4,368,218
2.	Depreciation	1,910,246	1,350,782
3.	Amortization for Consolidation goodwill		2,253,559
4.	Investment (gain) loss due to equity method accounting	(11,188)	129,543
5.	Increase in allowance for bad debt	393,853	62,591
6.	Decrease in accrued pension and severance costs		(85,896)
7.	Increase in allowance for retirement benefits	71,724	307,414
8.	(Decrease) Increase in allowance for sales returns	(281,394)	134,454
9.	Interest income	(409,888)	(393,254)
10.	Interest cost	277,327	296,625
11.	Bond-issuing expense		108,438
12.	Evaluation loss on investments in securities	379,878	
13.	Loss on evaluation of investments in capital funds	171,009	220,730
14.	Loss on disposal inventories	39,333	150,041