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(Securities Code 4704)

March 3, 2016

Dear Shareholders

Shinjuku MAYNDS Tower  
1-1, Yoyogi 2-chome, Shibuya-ku, Tokyo, Japan  
**TREND MICRO INCORPORATED**  
President and Representative Director: Eva Chen

## **NOTICE OF CONVOCAATION THE 27<sup>th</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Sirs and Madams

Our 27<sup>th</sup> Ordinary General Meeting of Shareholders will be held as listed below. We hereby notify you of this and request your attendance at the Meeting.

**If you are unable to attend this Meeting, you may vote in writing or by electronic means (using the Internet or other means) and we would be grateful if you could kindly review the following Reference Material for the General Meeting of Shareholders and fill out the Voting Form enclosed herein with your decision. Please also kindly return the said Form to us by no later than 5:30 p.m. on March 24, 2015, (Thursday) or vote after perusing the “Voting by Electronic Means” (ex. on the Internet) described hereafter (p.50).**

- 1. Date and time:** 10:00 a.m. on March 25, 2016 (Friday)
- 2. Place:** Yamato, 3<sup>rd</sup> Floor, Hilton Tokyo 6-2,  
Nishi-Shinjuku 6-chome, Shinjuku-ku, Tokyo, Japan

**3. Purpose:**

**Matters to be reported**

1. Contents of the Business Report for the 27th year (January 1, 2015, to December 31, 2015), contents of the consolidated financial statements and the audit reports by Accounting Auditors and the Corporate Auditors of the consolidated financial statements.
2. Contents of the unconsolidated financial statement for the 27th year (January 1, 2015, to December 31, 2015).

**Matters for Resolution**

**Agenda :** Appropriation of retained earnings

#### **4. Decision concerning Convocation of General Meeting of Shareholders:**

The exercise of voting rights by proxy is limited to the case where another shareholder holding voting rights is delegated as a proxy. Please note that submission of a document evidencing such proxy is required in this case.

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- Upon your attendance at the meeting, we ask you to kindly submit the enclosed Voting Form to the reception of the Meeting.
  - After the close of this General Meeting of Shareholders, a session for reporting recent management is scheduled to be held for approximately one hour at the same place. We ask you to kindly attend this session.
  - In the event that the Reference Material and the Business Report, the unconsolidated financial statement and the consolidated financial statements are amended, the amendments will be announced to shareholders on the Company's website (<http://www.trendmicro.co.jp/>).
  - Please be advised that due to unforeseen circumstances, including natural disasters and electric blackouts caused by electricity circumstances, changes may be made to the proceeding of this Meeting, or the session for reporting recent management may be cancelled.

(Attachment)

(Translation)

## **Business Report**

(From January 1, 2015, to December 31, 2015)

### **1. Business Review**

#### **(1) Qualitative Information and Financial Statements**

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

Under the government's various economic policies, Japan economy has been on a moderate recovery trend with a corporate profits improving and a variety of healthy economic index. On the other hand, there are still concerns such as world economy downward mainly due to China economic impact, Japan economy has still remain uncertainty.

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

In the computer security industry, while "Advanced Persistent Threat (APT)" threats that pertain to computer intrusions by threat actors that aggressively pursue and compromise chosen targets has plagued the entire world continuously, cyber terrorism targeting specific companies or state institution, etc. which related to some cases of identity theft in both business client information and personal private information have been also happened one after another and remained high-visibility incidents at home and abroad. In addition, ransomware became a hot topic in this year. This type of malware prevents or limits users from accessing their system to force its victims to pay the ransom through certain online payment methods in order to grant access to their systems, or to get their data back. From now on, there are concerns about various attacks to both devices and environments of Internet of Things (IoT), as the framework to create new value through communication with one another by various gadgets and devices on the networked connections, geopolitical terror attacks by hacktivists who use malicious techniques for political or social reasons. In Japan, there is a national level concerning about personal information security due to launch the "My Number" system since 2016. Those concerns will be expected to increase the security demands for our future certainly.

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

With regards to sales in Japan region, despite the recoil reduction from strong PC sales due to the Windows XP replacement demand in the same period in the previous year, consumer business has showed the growth with its following rebates reduction. As for enterprise business sales, cloud related business has maintained its growth continuously. In addition, APT related business starts to show its contribution to enterprise business sales. As a result, net sales for this period in Japan region amounted to 52,599 million yen (3.7% increase from the same period in the previous year.) For North America region, consumer business sales have not still performed well with decrease in number of the users. On the other hand, enterprise business, which maintained its sales growth and shows the continuous growth of cloud related business, gives contribution for this region sales even in local currencies. In addition, with large benefit by the weak Japanese yen, sales for this period in North America region was 29,325 million yen (17.5% increase from the same period in previous year) which is also the region to have achieved the highest net sales growth among the 5 sales regions with double-digit growth rate.

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

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

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

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

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

## **(2) Capital Expenditure**

The total amount of capital expenditure for the Consolidated Financial term was 3,530 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 instances.

### **(4) Issues to Deal With**

In the cyber security industry which our group belongs to, there have been not only existed security vendors as our direct competitors, but also new vendors joining by recent M&A or acquisition from other industries and new entries, etc. They have been encouraging market competitions both domestic and overseas. Such a consolidation and new entries are now too fluid to foresee the future direction of this business and their presence in the computer security market will make the competition in the market more intense.

In response to such intense competition, we are enhancing our wide range of technologies to better combat the latest web threats, which evolve from day to day, through a number of acquisitions. With those a series of acquisitions and organically grown technology, Trend Micro has taken the lead over other competitors in creating cloud based security solution. Since 2009, Trend Micro Smart Protection Network (SPN) is at the core of Trend Micro products and services.

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

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

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

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

We will continue to concentrate management resources on developing original, high-performance solutions that address customer pain points faster than the competitors. At the same time, we will continue to pursue long-term growth with a stable financial foundation, strengthen our commitment to users, as well as develop marketing campaigns that target customer needs and customer buying behavior.

**(5) Business Results and Changes in Financial Conditions**

<b>Fiscal Year</b> <b>Item</b>	<b>The 24<sup>th</sup> Term</b> <b>ended December</b> <b>2012</b>	<b>The 25<sup>th</sup> Term</b> <b>ended December</b> <b>2013</b>	<b>The 26<sup>th</sup> Term</b> <b>ended December</b> <b>2014</b>	<b>The 27<sup>th</sup> Term</b> <b>ended December</b> <b>2015</b>
Net Sales (millions of yen)	93,839	108,314	115,205	124,317
Ordinary Income (millions of yen)	22,661	32,456	35,992	34,071
Net Income (millions of yen)	13,447	19,595	22,303	21,435
Net Income per share (in yen)	102.21	147.53	165.68	157.71
Total Assets (millions of yen)	219,007	261,493	279,938	290,520
Net Assets (millions of yen)	113,492	142,539	153,094	159,693

**(6) Status of Important Subsidiaries**

<b>Company Name</b>	<b>Capital</b>	<b>Shareholding Ratio</b>	<b>Primary Business</b>
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) 1. The consolidated financial statements cover all subsidiaries and affiliated companies except 5 non-consolidated subsidiaries, which consist of 31 consolidated subsidiaries including the aforementioned 4 important subsidiaries and 3 equity method affiliates.
2. There are no subsidiaries corresponding to specific wholly owned subsidiaries.

**(7) Primary Business of the Group**

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

(8) **Primary Offices of the Group**

Head Office: 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	1,290
Marketing Division	354
Product Support Division	1,011
Research and Development Division	1,728
Administration Division	807
Total	5,190

## 2. Status of Shares of the Company

- (1) Total Numbers of Shares authorized to be issued by the Company:  
250,000,000 shares
- (2) Total Number of Outstanding Shares:  
136,914,780 shares (excluding treasury stock of 3,378,224 shares)
- (3) Number of Shareholders: 6,006
- (4) The Top 10 Shareholders:

Name of Shareholders	Number of Shareholding	Shareholding Ratio(%)
Trueway Company Limited	16,302,500	11.90
The Master Trust Bank of Japan, Ltd.(Trust Account)	14,852,400	10.84
Japan Trustee Services Bank, Ltd. (Trust Account)	10,579,300	7.72
Chang, Ming-Jang	5,367,000	3.91
JP Morgan Chase Bank 380055	4,963,773	3.62
Bank Julius Baer & Co. Ltd., Singapore Clients	4,044,426	2.95
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account )	3,020,400	2.20
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,781,100	2.03
Trust & Custody Services Bank, Ltd. (Investment Trust Acceptance Security Account)	2,235,218	1.63
The Bank of New York Mellon as Depositary Bank for Depositary Receipt Holders	1,811,394	1.32

(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 (3,378,224 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-seventh A to Thirty-second: 7,352

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

Common stock

From Twenty-seventh A to Thirty-second: 735,200 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-seventh-A (2,557yen)	July 14, 2016	350	1
	Twenty-eighth-A (2,406yen)	December 14, 2016	550	3
	Twenty-ninth (3,300 yen)	December 31, 2017	850	3
	Thirtieth (3,660 yen)	December 27, 2018	1,052	3
	Thirty-first (3,220 yen)	May 27, 2019	3,600	4
	Thirty-second (3,640 yen)	December 1, 2019	950	4

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

(2) Status of Stock Acquisition Rights Granted in the Current Term

There is no Stock Acquisition Rights Granted for Employees of the Company, Directors and employees of subsidiaries of the Company in the Current Term.

(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-seventh B to Thirty-second : 34,796

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

Common stock

From Twenty-seventh B to Thirty-second : 3,479,600 shares

(100 shares per stock acquisition right)

(iii) Issue price of stock acquisition rights:

Without consideration

(iv) Total stock acquisition rights held by 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 subsidiaries of the Company	Twenty-seventh-B (2,557yen)	July 14, 2016	4,270
	Twenty-eighth-B (2,406yen)	December 14, 2016	6,146
	Twenty-ninth (3,300 yen)	December 31, 2017	1,813
	Thirtieth (3,660 yen)	December 27, 2018	2,377
	Thirty-first (3,220 yen)	May 27, 2019	17,700
	Thirty-second (3,640 yen)	December 1, 2019	2,490

(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, 2015)

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 / CFO of Trend Micro Group	
Wael Mohamed	Executive Vice President and Director / COO of Trend Micro Group	
Akihiko Omikawa	Executive Vice President and Director / General Manager Japan, Global Consumer Business	
Ikujiro Nonaka	Director	Professor Emeritus, Hitotsubashi University Graduate School of International Corporate Strategy
Masaru Sempo	Full-time Corporate Auditor	
Fumio Hasegawa	Corporate Auditor	
Yasuo Kameoka	Corporate Auditor	Managing Partner and Representative Partner, Taiko Auditing Firm
Koji Fujita	Corporate Auditor	Vice Chairman and Attorney at Law, Okuno & Partners foreign law joint enterprise

- (Notes) 1. In the 26th Ordinary General Meeting of Shareholders held on March 26, 2015, Mr. Wael Mohamed was newly selected and assumed the office of Director.
2. Mr. Wael Mohamed, Director, was elected and assumed Executive Vice President (*Fukushacho*) on March 26, 2015.
3. Our officers consist of ten (10) members, six (6) Directors and four (4) Corporate Auditors, of these, one (1) is female and nine (9) are males as of December 31, 2015. The female officer is our President and Representative Director.
4. Mr. Ikujiro Nonaka, Director, is an Outside Director under Article 2, item 15 of the Companies Act.
5. All 4 Corporate Auditors are Outside Auditors under Article 2, item 16 of the Companies Act.
6. Mr. Masaru Sempo, Corporate Auditor, has many years of experience in accounting and management matters. 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.

7. 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) 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.

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

Category	Number of persons	Amount of remuneration	Remarks
Director	6	349(Yen in millions)	One Outside Director received 8 million yen.
Corporate Auditor	4	23(Yen in millions)	All 4 Corporate Auditors are Outside Corporate Auditors.

(Notes) Remuneration of Directors includes a total of 94 million yen stock options and a total of 97 million yen Cash Phantom Unit Award reflecting our business performance and stock prices based on our Cash Incentive Plan both given as remuneration to Directors (excluding outside Directors).

(4) 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 9 of 10 meetings of the Board of Directors (90%). He made comments as needed based on his expert knowledge on management theory.
Masaru Sempo (Full-time Corporate Auditor)	Attended all 10 meetings of the Board of Directors and all 14 meetings of the Board of Corporate Auditors (100%). 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 accounting and management matters over the years.
Fumio Hasegawa (Corporate Auditor)	Attended all 10 meetings of the Board of Directors and all 14 meetings of the Board of Corporate Auditors (100%). 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 10 meetings of the Board of Directors and all 14 meetings of the Board of Corporate Auditors (100%). 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 all 10 meetings of the Board of Directors and all 14 meetings of the Board of Corporate Auditors (100%). 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.

## 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              | 85 |
| (ii) | Total amount of cash and other financial benefits payable by the Company and its subsidiaries | 85 |
- (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. 3 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) Reasons for Agreement to the Amount of Remuneration, etc. to be Paid to Accounting Auditor
- The Board of Corporate Auditors has decided to agree on the amount of remuneration, etc. to be paid to the Accounting Auditor, after conducting necessary assessment with regard to the content of its audit plans the execution status of the accounting audits, and the calculation basis of the remuneration amount.
- (4) Policies Regarding Decisions on the Dismissal or Non-reappointment of Accounting Auditor
- In the event that the Accounting Auditor is deemed to fall under any of the items prescribed in Article 340, Paragraph 1 of the Companies Act, the Board of Corporate Auditors shall, pursuant to the unanimous consent of Corporate Auditors, dismiss the Accounting Auditor.
- In addition to the above, in the event that it is deemed difficult for the Accounting Auditor to appropriately carry out its duties, or in consideration of the execution status of its duties, etc., the Board of Corporate Auditors shall, in accordance with Article 344, Paragraph 1 and 3 of the Companies Act, propose the dismissal or non-reappointment of the Accounting Auditor as an agenda item at a general meeting of shareholders for resolution.

## 6. Systems and Policies of the Company

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

The Company, at the meeting of the Board of Directors held on June 17, 2015, reviewed these basic policies mainly due to the reasons of clarification on matters concerning the internal system of the Group and matters concerning the development of systems, etc. that support the auditing. Details of the policies after review are shown as follows.

- (1) System for the storage and control of information on the execution of our Directors' duties
  - i) Any information on the execution of our Directors' duties shall be stored and controlled in proper, assured and highly retrievable conditions depending on storing medium in accordance with the Confidential Information Control Rules, the Detailed Regulations on Confidential Information Management and Operation, and other internal regulations. It shall be ensured that our Directors and Corporative Auditors access such information at any time. A storage period shall be the period set forth in the Document-Handling Rule.
  - ii) The protection and storage of information under the information system shall be as set forth in the Information Security Policy (Global Policy).
- (2) Our regulations and other system for the control of the risk of loss
  - i) The Company shall be aware of the risks that come with our products and services, and with the Company's infrastructure arising in the course of the execution of our business. The Company shall, therefore, establish a system to properly grasp and control such risks by appointing a person in charge for the proper administration of each occurrence of the risks.
  - ii) The Company shall establish a risk-management department and a compliance security committee with one of our Representative Directors as a chairperson to supervise the compliance and risk control system.
  - iii) Any divulcation, theft, loss, corruption, interpolation and the like of information would cause the Company to suffer enormous damage and a loss of credibility. Therefore, the Company shall control such risks in accordance with the provisions of the Information Security Policy (Global Policy), the Confidential Information Control Regulations, the Risk Management Guideline, the Personal Information Protection Manual and the like.
  - iv) In the event an unforeseen contingency occurs, the Company shall establish a crisis team (or a SWAT team) with our Director in charge of the Japan Region as a risk manager to move quickly on the situation, and shall establish a system to prevent and minimize additional damage, including damage to our clients.
- (3) System to ensure the efficient execution of our Directors' duties
  - i) As a basis for a system to ensure the efficient execution of our Directors' duties, a meeting of the Board of Directors shall be held at least once every three months, and in a timely manner from time to time if necessary. Any important matters relating to the Company's management policies and strategies shall be determined making reference to the results of an Executive Meeting and a periodical Budget Review Process.
  - ii) In order to execute the Company's operations based on the resolutions of our Board of Directors, each person in charge of respective operations, his or her responsibilities, and the details of execution procedures shall be named and set forth in an administrative authority rule, a rule on our executives and the like.



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

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

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

- ii) The Company shall establish a compliance security committee with a Representative Director as a chairperson to maintain and improve the internal control system.
- iii) Each of our group companies shall appoint an internal control manager responsible for facilitating the internal control system, and, from time to time, other persons for practical activities under the internal control manager.
- iv) Any Director of the Company or director of our group companies who has discovered a material illegal act or a compliance-related important fact in any of our group companies shall immediately advise any of the Corporate Auditors thereof, and shall also report it at a meeting of the Board of Directors without delay.
- v) In accordance with the Whistle-blowing Report Procedures, which regulate an internal notification and reporting system regarding any illegal acts and other compliance-related matters, the Human Resources Division and the Internal Audit Department shall take the initiative as responsible departments. The Internal Auditor shall summarize the fact(s) so reported by sorting out the existence or non-existence and details thereof to report the results to the CEO, CFO and Corporate Auditors every quarter. Provided, however, that he or she shall report every urgent matter to them every time when it occurs.
- vi) Any of our Corporate Auditors may offer an opinion and request the Company to establish remediation measures in cases where he or she considers that there is a problem with the compliance system and/or the operation of the Whistle-blowing Report Procedures of any of our group companies.

- (5) System to ensure the proper operations of the corporate group consisting of the Company and its subsidiaries

- i) In order to ensure the proper operations of our group companies, the Company shall apply the Code of Conduct and the Whistle-blowing Report Procedures to all group companies including the Company, and shall require each of the group companies to grasp any risks related to the execution of the operations, and to establish and periodically confirm a system to control such risks depending on the scale and nature of the respective operations, in accordance with an affiliate companies administration rule.

In order to carry out the management control, the Company shall establish a rule on our executives, the affiliate companies administration rule, a Finance Control and Approval and Signature Authority to control the management of the subsidiaries through a system in which they shall request our decisions on certain matters or make reports to us, and

through monitoring the management of the subsidiaries at every executive meeting, or in the course of a periodical Budget Review Process.

Any Director of the Company or director of our subsidiaries who has discovered any illegal act, compliance-related material matter, or other fact of concern in terms of our risk management, regarding our group companies, he or she shall immediately report it to our Corporate Auditors and Board of Directors.

- ii) In order to ensure reliability for the financial reports of the Company and our group companies, the internal control system shall be extended to cover the financial reports.
- iii) Any director of our subsidiaries who considers the management control and guidance of the Company to be illegal or have a problem in terms of compliance shall advise our Board of Directors and Corporate Auditors of that effect.

Upon receiving such report, our Corporate Auditors may offer an opinion to the Board of Directors, and require the Board of Directors to establish remedial measures.

- iv) The Internal Auditor shall from time to time visit any of our subsidiaries to perform monitoring of all the angles of situations of the subsidiary's operations.
- v) Our Corporate Auditors shall visit any of our subsidiaries if necessary to investigate the business and financial conditions of the subsidiary.

- (6) Matters regarding an employee(s) that any of our Corporate Auditors requires the Company to appoint to assist the Corporate Auditor's duties, and matters regarding the independence of such employee(s) from our Directors, and matters regarding the ensuring of the effectiveness of instructions to such employee(s)

- i) In the event that any of our Corporate Auditors requires the Company to appoint an employee(s) (hereafter referred to as "Auditor's Staff") to assist his or her duties, the Company shall arrange proper personnel after consulting with the Corporate Auditor to determine the required number, qualification and the like.
- ii) The Company shall determine the personnel change, evaluation and others of the Auditor's Staff assigned, respecting the Corporate Auditor's opinion, and shall secure independence from our Directors.
- iii) If necessary, any of our Corporate Auditors may instruct any of our employees to do an audit of a specific matter after notifying his or her immediate manager. In this case, the employee who has received the instructions shall make a report on such business to the Corporate Auditor, regardless of the ordinary reporting line.
- iv) The Directors and employees of the Company and the directors and employees of our subsidiaries shall cooperate in the effort to improve the audit environment in which the Auditor's Staff can conduct his or her business smoothly.

- (7) System for the Directors and employees of the Company and the directors and employees of our subsidiaries, or for the persons who have received reports from them to give their reports to any of the Corporate Auditors, and a system to ensure that the persons who have

given their reports are not unfavourably treated on grounds that they have given such reports.

- i) Our Directors shall give a report of the following to our Corporate Auditors:
  - (a) Such matters as resolved at an Executive Meeting;
  - (b) Such matters as may cause substantial damage to the Company;
  - (c) Such important matters as may have an effect on our management;
  - (d) Such important matters as may have an effect on our internal control auditing, organization and practice and our risk management;
  - (e) Acts in material violation of laws and regulations or the Articles of Incorporation;
  - (f) Such matters as a change in, or the introduction of a type of, our accounting policies; and
  - (g) Other important matters from compliance.

In the event any employee of the Company and our subsidiaries finds any of the material facts referred to in sub-items (b), (d), (e) and (g) above, he or she may directly advise any of our Corporate Auditors of such fact.

- ii) The Company shall secure a proper reporting system to timely advise any of our Corporate Auditors of illegal acts and other compliance matters by properly applying the Code of Conduct and the Whistle-blowing Report Procedures to the Company and all our group companies.
- iii) The Company shall provide in the Whistle-blowing Report Procedures that the Company shall handle all reports so received carefully and shall make every effort to keep the identities of those who have given such reports confidential. In addition, the Company shall specify therein that they shall not be unfavourably treated.

- (8) Such matters as the procedures for advance payment for, or reimbursement of the cost arising from the execution of our Corporate Auditors' duties, and such matters as the policies to cope with other cost and obligations arising from such execution of their duties

- i) In cases where any of our Corporate Auditors considers necessary to execute his or her duties, he or she may seek the opinions of outside specialists such as lawyers, certified public accountants and the like. He or she may demand to the Company advance payment or reimbursement of the cost necessary for the execution of the Corporate Auditor's duties.

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

- i) Any of our Representative Directors shall provide opportunities to exchange opinions with our Corporate Auditors periodically for better communication, and also provide opportunities for our Corporate Auditors to hear opinions from our employees on their work if necessary to promote our Corporate Auditors' better understanding of the content of our business activities.

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

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

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

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

(1) Consolidated Balance Sheet

(As of December 31, 2015)

(Yen in millions)

Account	Amount
<Assets>	
<b>Current assets</b>	<b>201,488</b>
Cash and bank deposits	73,838
Notes and accounts receivable, trade	30,258
Marketable securities	71,914
Inventories	810
Deferred tax assets	15,635
Others	9,319
Allowance for bad debt	-289
<b>Non-current assets</b>	<b>89,032</b>
<b>Property and equipment</b>	<b>5,788</b>
Office furniture and equipment	4,516
Others	1,271
<b>Intangibles</b>	<b>8,209</b>
Software	7,259
Goodwill	238
Others	711
<b>Investments and other non-current assets</b>	<b>75,033</b>
Investment securities	61,010
Investments in subsidiaries and affiliates	1,794
Deferred tax assets	10,731
Others	1,496
<b>Total assets</b>	<b>290,520</b>

(Yen in millions)

Account	Amount
<Liabilities>	
<b>Current liabilities</b>	<b>94,539</b>
Notes and accounts payable, trade	560
Accounts payable, other	5,494
Accrued expenses	4,625
Accrued income and other taxes	5,142
Allowance for bonuses	1,476
Allowance for sales return	702
Short-term deferred revenue	69,132
Others	7,405
<b>Non-current liabilities</b>	<b>36,287</b>
Long-term deferred revenue	30,113
Net defined benefit liability	4,280
Others	1,893
<b>Total liabilities</b>	<b>130,826</b>
<Net assets>	
<b>Shareholders' equity</b>	<b>155,348</b>
Common stock	18,386
Additional paid-in capital	22,431
Retained earnings	124,857
Treasury stock	-10,326
<b>Accumulated other comprehensive income</b>	<b>2,659</b>
Unrealized gain on available for sale securities	234
Foreign currency translation adjustment	3,001
Remeasurements of defined benefit plans	-576
<b>Stock acquisition right</b>	<b>1,681</b>
<b>Minority interest</b>	<b>3</b>
<b>Total net assets</b>	<b>159,693</b>
<b>Total liabilities and net assets</b>	<b>290,520</b>

## (2) Consolidated Profit and Loss Statement

(From January 1, 2015 to December 31, 2015)

(Yen in millions)

Account	Amount	
<b>Net sales</b>		<b>124,317</b>
<b>Cost of sales</b>		<b>21,272</b>
<b>Gross profit</b>		<b>103,045</b>
<b>Selling, general and administrative expense</b>		<b>72,069</b>
<b>Operating income</b>		<b>30,976</b>
<b>Non-operating income</b>		
Interest income	1,506	
Gain on sales of marketable securities	1,725	
Equity in earnings of affiliates	61	
Foreign exchange gains	22	
Others	242	3,559
<b>Non-operating expenses</b>		
Interest expenses	5	
Loss on sales of marketable securities	22	
Loss on disposal of fixed assets	240	
Impairment loss on marketable securities	121	
Others	73	463
<b>Ordinary income</b>		<b>34,071</b>
<b>Extraordinary gain:</b>		
Gain on reversal of stock option	34	
Gain on transfer of business	475	510
<b>Extraordinary loss:</b>		
Loss on change in equity	544	544
<b>Net income before taxes</b>		<b>34,037</b>
Income taxes current	12,262	
Income taxes deferred	338	12,601
<b>Net Income before minority interest</b>		<b>21,435</b>
Minority interest in income of consolidated subsidiaries		0
<b>Net income</b>		<b>21,435</b>

### (3) Consolidated Statements of Changes in Net Assets

(From January 1, 2015 to December 31, 2015)

(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	21,993	118,955	-16,986	142,349
Cumulative effects of change in accounting policies			95		95
Restated balance	18,386	21,993	119,050	-16,986	142,444
Movement for this period					
Dividends of surplus			-15,629		-15,629
Net income			21,435		21,435
Sales of treasury stock		437		6,660	7,097
Movement for this period excluding shareholders' equity					
Total movement	-	437	5,806	6,660	12,904
Balance at the end of current period	18,386	22,431	124,857	-10,326	155,348

	Accumulated other comprehensive income				Stock acquisition right
	Unrealized gain on available for sales securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	2,242	6,681	-749	8,174	2,559
Cumulative effects of change in accounting policies					
Restated balance	2,242	6,681	-749	8,174	2,559
Movement for this period					
Dividends of surplus					
Net income					
Sales of treasury stock					
Movement for this period excluding shareholders' equity	-2,008	-3,679	173	-5,514	-878
Total movement	-2,008	-3,679	173	-5,514	-878
Balance at the end of current period	234	3,001	-576	2,659	1,681



	Minority interest	Total net assets
Balance at the beginning of current period	11	153,094
Cumulative effects of change in accounting policies		95
Restated balance	11	153,189
Movement for this period		
Dividends of surplus		-15,629
Net income		21,435
Sales of treasury stock		7,097
Movement for this period excluding shareholders' equity	-7	-6,400
Total movement	-7	6,504
Balance at the end of current period	3	159,693

## 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 one (31)
- (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) Names of Unconsolidated Subsidiaries.

Broadweb Corporation (Brunei)

Itech Technology Limited (Brunei)

Broadweb Corporation (Seychelles)

Broadweb Corporation (China)

Itech Technology Limited (China)

The reason for scope out of consolidation

These five subsidiaries' total assets, net sales, net income and retained earnings are not material for the consolidated financial statements.

#### 2. Matters Concerning Application of Equity Method

- (1) Number of the Affiliate Companies to which the equity method has been applied: 3
- (2) Names of the affiliate companies to which the equity method has been applied:  
General Mobile Corporation (Cayman Islands)  
Anome Incorporated (Independent State of Samoa)  
AsiaInfo Security Limited (British Virgin Islands)
- (3) The affiliate company and unconsolidated subsidiaries to which the equity method has not been applied.

Broadweb Corporation (Brunei)

Itech Technology Limited (Brunei)

Broadweb Corporation (Seychelles)

Broadweb Corporation (China)

Itech Technology Limited (China)

The reason for scope out of equity method

These five subsidiaries' total net income and retained earnings are not material for the consolidated financial statements.

### 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

##### (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.

#### (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.

#### (4) Accounting methods for retirement benefit obligation

- Imputation method for retirement benefit estimates

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

- Treatment for actuarial differences and expenses related to prior service cost

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

Prior service cost is amortized on a straight-line basis over a period equaling the average remaining service period of employees (1-23 years) expected to receive pension benefits as of the fiscal year-end.

Difference for change of accounting policy is amortized on a straight-line basis over a variable period (1-23 years).

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

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

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

#### (6) 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.

#### (7) Consumption tax

Consumption tax is stated at the amount net of the related consumption tax.

#### (8) Amortization of Goodwill

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

#### (9) 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

### (CHANGE OF ACCOUNTING POLICY)

(Adoption of accounting standard for retirement benefits)

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

Consequently, the method for calculating the projected benefit obligation and service cost has been revised, the method for attributing expected benefits to each period has been changed from the straight-line method to the benefit formula basis and the method for determining the discount rate has been changed from the method based on an average remaining service period to the method using a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

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

The effect to the consolidated statement of income is minor.

#### (ACCOUNTING STANDARDS NOT YET APPLIED)

##### 1. Accounting standard for business combination

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

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

The Company expects to apply these revised accounting standards and guidance from the beginning of the fiscal year ending December 31, 2016. However, the transitional provisions for accounting treatments will be applied from business combinations performed on or after the beginning of the fiscal year ending December 31, 2016.

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

##### 2. Implementation Guidance on Recoverability of Deferred Tax Assets

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

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

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

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

#### (ADDITIONAL INFORMATION)

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

##### 1. The reason for transaction

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

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

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

##### 2. The counterparty

Hewlett-Packard Company

##### 3. Estimated date of completion of Transaction

2016 Q1, subject to completion of regulatory review requirements.

##### 4. Legal form of business combination

Business acquisition

##### 5. Assumed Assets and Liabilities

These are not determined currently.

##### 6. Acquisition Cost

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

(NOTES TO THE CONSOLIDATED BALANCE SHEET)

Accumulated depreciation of property and equipment: 18,754 million yen

(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	5,557,124 shares	-	2,178,900 shares	3,378,224 shares

(The reason of the movement)

The reason of decrease is as follows

Disposition of treasury stock upon the exercise of stock acquisition right  
2,178,900 shares

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

The resolution	The annual shareholders meeting held on 26 March, 2015
The type of equity shares	Ordinary shares
The total amount of dividends paid	15,629 million yen
The amount of dividend paid per share	116.00 yen
The record date	31 December, 2014
The effective date	27 March, 2015

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 25 March, 2016
The type of the equity shares	Ordinary shares
The source of dividend payment	Retained earnings
The total amount of dividends paid	15,060 million yen
The amount of dividend paid per share	110.00 yen
The record date	31 December, 2015
The effective date	28 March, 2016

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

Ordinary shares 1,501,400 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, 2015, (fiscal year end) are as follows.



(Yen in millions)

	Consolidated balance sheet amounts	Fair values	Differences
(1) Cash and bank deposits	73,838	73,838	—
(2) Notes and accounts receivable, trade	30,258	30,258	—
(3) Marketable securities and investment securities	132,925	132,925	—
Total assets	237,022	237,022	—
(1) Notes and accounts payable, trade	560	560	—
(2) Accounts payable, other	5,494	5,494	—
(3) Accrued expenses	4,625	4,625	—
(4) Accrued income and other taxes	5,142	5,142	—
Total liabilities	15,823	15,823	—

(Notes 1) 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 2) Non-listed stocks (1,794 million yen recorded on consolidated balance sheet) are not included in “(3) Marketable securities and investment securities” since the identification of its market values is deemed to be extremely difficult.

#### (NOTES ON PER SHARE INFORMATION)

- |   |             |
|---|-------------|
| 1. The net assets per share:              | 1,154.06yen |
| 2. The net income for the term per share: | 157.71yen   |

#### (NOTES ON MATERIAL SUBSEQUENT EVENTS)

N/A

#### (OTHER NOTES)

N/A

# Balance Sheet

(As of December 31, 2015)

(Yen in millions)

Account	Amount	Account	Amount
<b>&lt;Assets&gt;</b>		<b>&lt;Liabilities&gt;</b>	
<b>Current assets</b>	<b>121,614</b>	<b>Current liabilities</b>	<b>53,113</b>
Cash and bank deposits	31,799	Accounts payable, trade	182
Accounts receivable, trade	10,371	Account payables, other	11,923
Marketable securities	61,640	Accrued expenses	12
Finished goods	161	Accrued income and other taxes	4,200
Raw materials	22	Accrued consumption taxes	1,007
Supplies	33	Deposits received	293
Prepaid expenses	137	Allowance for bonuses	74
Deferred tax assets	12,483	Allowance for sales return	480
Other receivables	4,630	Short-term deferred revenue	34,167
Others	333	Others	769
<b>Non-current assets</b>	<b>41,320</b>	<b>Non-current liabilities</b>	<b>22,593</b>
<b>Tangible fixed assets</b>	<b>664</b>	Long-term deferred revenue	19,755
Buildings	870	Long-term accounts payable	2
Office furniture and equipment	1,387	Allowance for retirement benefits	2,735
Accumulated depreciation	-1,594	Others	99
<b>Intangibles fixed assets</b>	<b>3,885</b>	<b>Total liabilities</b>	<b>75,706</b>
Software	2,355	<b>&lt;Net assets&gt;</b>	
Software in progress	1,154	<b>Shareholders' equity</b>	<b>85,238</b>
Goodwill	105	<b>Common stock</b>	<b>18,386</b>
Others	269	<b>Capital surplus</b>	<b>22,431</b>
<b>Investments and other non-current assets</b>	<b>36,770</b>	Additional paid-in capital	21,108
Investments in securities	24,960	Other Capital surplus	1,322
Investments in subsidiaries and affiliates	3,250	<b>Retained earnings</b>	<b>54,746</b>
Security deposits	498	Legal reserve	20
Memberships	4	Accumulated profit	54,725

Deferred tax assets	8,132	Retained earnings carried forward	54,725
Allowance for loss on investments in subsidiaries and affiliates	-75	<b>Treasury stock</b>	<b>-10,326</b>
		<b>Valuation and translation adjustment</b>	<b>308</b>
		Unrealized gain on available for sale securities	308
		<b>Stock acquisition right</b>	<b>1,681</b>
		<b>Total net assets</b>	<b>87,228</b>
<b>Total assets</b>	<b>162,934</b>	<b>Total liabilities and net assets</b>	<b>162,934</b>

## Profit and Loss Statement

(From January 1, 2015 to December 31, 2015)

(Yen in millions)

Account	Amount	
<b>Sales Revenue</b>		
Sales	52,591	
Royalty	814	53,405
<b>Cost of sales</b>		11,455
<b>Gross profit</b>		41,950
<b>Selling, general and administrative expense</b>		25,142
<b>Operating income</b>		16,808
<b>Non-operating income</b>		
Interest income	31	
Interest on marketable securities	432	
Gain on sales of marketable securities	1,722	
Others	92	2,277
<b>Non-operating expense</b>		
Loss on sales of marketable securities	22	
Foreign exchange loss	486	
Loss on disposal of fixed assets	132	
Others	28	669
<b>Ordinary income</b>		18,416
<b>Extraordinary gain:</b>		
Gain on reversal of stock option	28	28
<b>Net income before taxes</b>		18,445
Income tax current	7,725	
Income tax deferred	738	8,464
<b>Net income</b>		9,981

## Statements of Changes in Net Assets

(From January 1, 2015 to December 31, 2015)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus		Retained earnings	
		Additional paid-in capital	Other Capital surplus	Legal reserve	Accumulated profit
					Retained earnings carried forward
Balance at the beginning of current period	18,386	21,108	884	20	60,278
Cumulative effects of change in accounting policies					95
Restated balance	18,386	21,108	884	20	60,373
Movement for this period					
Dividends of surplus					-15,629
Net income					9,981
Sales of treasury stock			437		
Movement for this period excluding shareholders' equity					
Total movement	-	-	437	-	-5,647
Balance at the end of current period	18,386	21,108	1,322	20	54,725

	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	-16,986	83,692	2,181	2,559	88,434
Cumulative effects of change in accounting policies		95			95
Restated balance	-16,986	83,788	2,181	2,559	88,529
Movement for this period					
Dividends of surplus		-15,629			-15,629
Net income		9,981			9,981
Sales of treasury stock	6,660	7,097			7,097
Movement for this period excluding shareholders' equity			-1,873	-878	-2,751
Total movement	6,660	1,450	-1,873	-878	-1,301
Balance at the end of current period	-10,326	85,238	308	1,681	87,228

## Notes to Financial Statements

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

#### 1. Accounting for evaluation of assets

##### (1) Securities

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

(ii) Other securities

Available-for-sale with market value:

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

Available-for-sale without a market value:

Cost basis by moving average method

##### (2) Inventories

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

Unprofitable inventories are devaluated

#### 2. Depreciation and amortization method for fixed assets

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

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

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

### 3. Accounting policies for allowances

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 bonuses	Bonuses for employees are provided at an estimate of the amount.
Allowance for sales return	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	<p>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.</p> <p>The way of recognizing allowance for retirement benefits and its cost is as follows,</p> <p>(1) Imputation method for retirement benefit estimates.</p> <p>In computing its retirement benefit obligation, the expected retirement benefits are attributed to the periods by standard pension benefit formula basis.</p> <p>(2) Treatment method for actuarial differences and expenses related to prior service cost.</p> <p>Actuarial differences are amortized on a straight-line basis in a following fiscal year that is shorter than the average remaining service period of employees expected to receive pension benefits as of the fiscal year-end.</p> <p>Prior service cost is amortized on a straight-line basis in a following fiscal year that is shorter than the average remaining service period of employees expected to receive pension benefits as of the fiscal year-end</p>

### 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

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.

#### (CHANGE OF ACCOUNTING POLICY)

##### Adoption of accounting standard for retirement benefits

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

Consequently, the method for calculating the projected benefit obligation and service cost has been revised, the method for attributing expected benefits to each period has been changed from the straight-line method to the benefit formula basis and the method for determining the discount rate has been changed from the method based on an average remaining service period to the method using a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

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

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



(NOTES TO THE BALANCE SHEET)

The Monetary Claims Against and Obligations Owed to Subsidiaries and Affiliates:  
(Yen in millions)

Short-term monetary assets	4,791
Short-term monetary liabilities	8,099

(NOTES TO THE PROFIT AND LOSS)

The Amounts of Transactions with Subsidiaries and Affiliates

The Amounts of Operational Transactions		(Yen in millions)
Sales		806
Outside service fee		237

(NOTES TO THE STATEMENTS OF CHANGES IN NET ASSETS)

Number of treasury stock at the end of the current term

Common Stock 3,378,224 shares

(NOTES TO THE TAX EFFECT ACCOUNTING)

1. Major items causing deferred tax assets:

Deferred tax assets

	(Yen in millions)
Nondeductible deferred revenue	17,668
Nondeductible amortization of intangibles fixed assets	734
Nondeductible accrued liability	585
Nondeductible allowance for retirement benefits	883
Others	1,045
Deferred tax assets sub total	20,917
Valuation allowance	-149
Total deferred tax assets	20,768

Deferred tax liabilities

	(Yen in millions)
Unrealized gain on available for sale securities	-152
Total deferred tax liabilities	-152
Net amount of deferred tax asset	20,615

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

Statutory tax rate	35.6 %
(Adjustments)	
Nondeductible expense such as entertainment expense	1.3 %
Reduction of deferred tax assets due to tax rate change	9.9 %
Tax credit	-1.4 %
Others	0.5 %
Effective tax rate after adjustment for tax effect accounting	<u>45.9 %</u>

3. Amendment of the amount of deferred tax assets and liabilities owing to the change of corporate tax rate

"The law (the 2015 law ninth) to revise a part of the income tax law" and "The law to revise a part of the local tax act" (the 2015 law second) are promulgated on March 31, 2015. With this revision, the statutory tax rate of calculation deferred tax assets and liabilities applied to anticipated temporary difference which will be realized on the financial period starts from January 1, 2016, changed from 35.64% to 33.06% and liabilities applied to anticipated temporary difference which will be realized on the financial period starts from January 1, 2017, changed to 32.26%.

As the change of this tax rate, the company causes its deferred tax assets to decrease by 1,816 million yen, income taxes to increase by 1,828 million yen in this period.

#### (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

The note is omitted due to the immateriality of the transactions.

#### (NOTES ON PER SHARE INFORMATION)

- |   |            |
|---|------------|
| 1. The net assets per share:              | 624.82 yen |
| 2. The net income for the term per share: | 73.44 yen  |

#### (NOTES ON MATERIAL SUBSEQUENT EVENTS)

N/A

#### (OTHER NOTES)

N/A

## **Independent Auditor's Report**

February 16, 2016

The Board of Directors  
Trend Micro Incorporated

KPMG AZSA LLC

Kensuke Sodekawa (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Keiji Ikeda (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated profit and loss statement, the consolidated statement of changes in net assets and the related notes of Trend Micro Incorporated as at December 31, 2015 and for the year from January 1, 2015 to December 31, 2015 in accordance with Article 444-4 of the Companies Act.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis

for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Trend Micro Incorporated and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

### **Emphasis-of-Matter**

Without qualifying our audit opinion, we draw attention to the Additional information to the footnotes.

The Company's subsidiary in the USA, Trend Micro Incorporated America, entered into a letter of intent ("LOC") with Hewlett-Packard (HP) on October 20, 2015, that the Company is to acquire HP's certain security businesses.

### **Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

### **Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

## **Independent Auditor's Report**

February 16, 2016

The Board of Directors  
Trend Micro Incorporated

KPMG AZSA LLC

Kensuke Sodekawa (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Keiji Ikeda (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the profit and loss statement, the statement of changes in net assets and the related notes, and the supplementary schedules of Trend Micro Incorporated as at December 31, 2015 and for the year from January 1, 2015 to December 31, 2015 in accordance with Article 436-2-1 of the Companies Act.

### **Management's Responsibility for the Financial Statements and Others**

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Trend Micro Incorporated for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

### **Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

### **Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

## Certified copy of the audit report by the Board of Corporate Auditors

### AUDIT REPORT

In order to audit the business activities of the Directors undertaken during the 27th fiscal year from January 1, 2015, to December 31, 2015 we, the Board of Corporate Auditors, prepared this Audit Report based on the Audit Report prepared by each Corporate Auditor and hereby report as follows:

1. Method of Audit by Corporate Auditors and the Board of Corporate Auditors and Details
  - (1) In addition to specifying the auditing guidelines and assigned business, etc. and receiving reports on the audit and its results from each Corporate Auditor, we have received reports from the Directors and the accounting auditor on their performance of duties and requested explanations when necessary.
  - (2) In accordance with the auditing guidelines and assigned business, etc. specified by the Board of Corporate Auditors, each Corporate Auditor has communicated with the Directors, the internal control division and other employees and made efforts to collect information and improve the auditing environment, then we have audited in the following way.
    - (i) Each Corporate Auditor has attended meetings of the Board of Directors and other important meetings and has been informed by the Directors and other employees in respect of the status of performance of their duties and requested explanations when necessary. we also have examined important documents in respect of the authorization of corporate actions, etc., and inspected the operations and the assets at the Head Office and other principal business offices. As to subsidiaries, in addition to communicating and exchange of information with the Directors in charge, we have received reports from subsidiaries on their businesses and visited a subsidiary when necessary to examine its businesses and assets.
    - (ii) We received reports from the Directors and other employees, requested explanation from them whenever necessary, and expressed our opinions on the resolution of the Board of Directors concerning the establishment of a system to ensure that performance by the Directors of their duties described in Business Report complies with applicable laws and regulations and the Articles of Incorporation or other systems necessary to ensure validity of operations of *Kabushiki Kaisha* and group of enterprises consisting of said *Kabushiki Kaisha* and its Subsidiaries as provided for in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act and the status of the system (internal control system) established based on such resolution.
    - (iii) In addition to monitoring and verifying that the Accounting Auditor maintains its independence and conducts the audit properly, we have received reports from the Accounting Auditor on the performance of its duties and requested explanations when necessary. We also have received notice from the Accounting Auditor concerning that the “system to ensure that duties are properly performed” (matters stipulated in each item of Article 131 of the Corporate Accounting Ordinance) is established “Quality Management System” in accordance with the applicable laws and regulations that have been defined in order to properly carry out the Audit duties in Japan, and any standards announced by Business Accounting Council and requested explanations when necessary.

Based on the above method, we have examined the business report and its supplementary schedules, the unconsolidated financial statements (balance sheet, profit and loss statement, statements of changes in net assets and notes to the unconsolidated financial statements) and

their supplementary schedules, and the consolidated financial statements (consolidated balance sheet, consolidated profit and loss statement, consolidated statements of changes in net assets and notes to the consolidated financial statements) for the fiscal year under review.

## 2. Results of Audit

- (1) Audit Result of the Business Report, etc.
  - (i) We found that the business report and its supplementary schedules fairly reflect the Company's business situation in conformity with and pursuant to the applicable laws and the Articles of Incorporation of the Company.
  - (ii) No misconduct concerning the performance of Directors' duties or material facts that are in breach of applicable laws and the Articles of Incorporation of the Company have been detected.
  - (iii) The content of the resolution of the Board of Directors concerning the internal control system is fair and proper. There is nothing noteworthy with respect to details of the Business Report and the performance by the Directors of their duties concerning the internal control system.
- (2) Audit Result of the Unconsolidated Financial Statements and its Supplementary Schedules  
We found that the method and result of the audit by KPMG AZSA LLC, which was appointed as the Company's Accounting Auditor, was executed in an appropriate manner.
- (3) Audit Result of the Consolidated Financial statements  
We found that the method and result of the audit by KPMG AZSA LLC, which was appointed as the Company's Accounting Auditor, was executed in an appropriate manner.

February 17, 2016

Trend Micro Incorporated  
Board of Corporate Auditors

Full-time Corporate Auditor  
Masaru Sempo (Seal)

Corporate Auditor  
Fumio Hasegawa (Seal)

Corporate Auditor  
Yasuo Kameoka (Seal)

Corporate Auditor  
Koji Fujita (Seal)

(Note: All Four Corporate Auditors are Outside Auditors as defined under Article 2, item 16 and Article 335, paragraph 3 of the Companies Act.)



(Translation)

REFERENCE MATERIAL FOR THE GENERAL MEETING OF SHAREHOLDERS

**Agenda and Reference Information**

**Agenda : Appropriation of retained earnings**

While making efforts to strengthen our financial position and secure retained earnings in order to adjust ourselves to a volatile business environment and maintain our competitiveness, we would continue to pay dividends on a consolidated net profit basis. As for the basic dividend policy, we would like to pay year-end dividends at a target consolidated payout ratio of 70% based on the amount of the accounting consolidated net profit.

Based on the above policy, we would like to pay year-end dividends as follows:

Matters concerning year-end dividends

- (1) Type of dividend assets: cash
- (2) Matters concerning allocation of dividends to shareholders and the total amount of dividends:  
110 yen per common share of the Company    Total amount: 15,060,625,800 yen
- (3) Effective date for dividend of surplus:  
March 28, 2016

## Voting by Electronic Means (ex. On the Internet)

If you vote by electronic means (such as on the Internet), please review the following matters.

If you attend the General Meeting of Shareholders, it is not necessary to vote by mail (on a voting form) or by electronic means (such as on the Internet).

### 1. Voting website

- (i) You can only vote on the Internet by accessing the voting website (<http://www.evotep.jp/>) from a PC, Smartphone or mobile phone (i-mode, EZweb and Yahoo! Keitai)\*. (The website is unavailable from 2 a.m. to 5 a.m. every day.)  
\*“i-mode,” “EZweb” and “Yahoo!” are the trademarks or the registered trademarks of NTT DOCOMO Inc., KDDI Corporation and Yahoo! Inc. U.S.A., respectively.
- (ii) Voting from PC or Smartphone site may not be available depending on your Internet environment, such as use of a firewall for Internet access, installation of anti-virus software, use of a proxy server or not to specify TLS encrypted transmission.
- (iii) Please use either the i-mode, EZweb or Yahoo! Keitai services when voting by mobile phone. To ensure security, you may not use products that do not support TLS encrypted transmission or mobile phone information transmission.
- (iv) We will accept votes submitted on the Internet until 5:30p.m. on March 24, 2016, but we would appreciate your promptness in voting. Please contact the help desk if you have any questions.

### 2. How to vote on the Internet

- (i) Please follow the instructions on the voting website (<http://www.evotep.jp/>) to enter “for” or “against” using the login ID and temporary password stated in the voting form.
- (ii) To prevent unauthorised access (impersonation) and tampering of votes by any third party, please note that you will be required to change the temporary password on the voting website.
- (iii) We will inform you of your new login ID and temporary password for each General Meeting of Shareholders.

### 3. Handling of Voting Multiple Times

- (i) If you vote both by mail and on the Internet, the vote on the Internet will be deemed to be valid.
- (ii) If you vote more than once on the Internet, the last vote will be deemed to be valid. If you vote from both PC or Smartphone site and mobile phone site, the last vote will be deemed to be valid.

### 4. Expenses incurred by accessing the voting website

Please note that you will bear expenses such as Internet access fees and telephone charges incurred by accessing the voting website. Please also note that you will bear expenses for the use of the mobile phone such as packet communication fees and other charges.

### 5. Proxy Electronic Voting Platform

Registered Shareholders including standing proxies, such as master trust banks, who have applied to the ICJ Proxy e-Voting Platform Service (the Platform Service) offered by a joint venture established by the TSE, are entitled to utilize the Platform service in addition to the electronic means for exercising voting rights of Shareholders at the Shareholders Meeting as specified in the preceding articles.

For enquiries concerning the System:

Contact the help desk of Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division

• Toll-free telephone number: 0120-173-027 (9 a.m. to 9 p.m.)