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(Securities Code 4704)

March 6, 2017

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 CONVOCATION OF  
THE 28<sup>th</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Sirs and Madams

Our 28<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 27, 2017, (Monday) or vote after perusing the “Voting by Electronic Means” (ex. on the Internet) described hereafter (p.4).**

- 1. Date and time:** 10:00 a.m. on March 28, 2017 (Tuesday)
- 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 28th year (January 1, 2016, to December 31, 2016), 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 28th year (January 1, 2016, to December 31, 2016)

## **Matters for Resolution**

**Agenda 1 :** Appropriation of retained earnings

**Agenda 2 :** Election of Seven Directors

**Agenda 3 :** Election of Four Corporate Auditors

### **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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- 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.
  - 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.
  - Of the documents that should be provided in this Notice of Convocation in accordance with the applicable laws and regulations and Article 15 of the Articles of Incorporation, the “Notes to the Consolidated Financial Statements” and “Notes to the Financial Statements” have been disclosed on the website of the Company (<http://www.trendmicro.co.jp/>) and therefore excluded from this Notice of Convocation.  
These “Notes to the Consolidated Financial Statements” and “Notes to the Financial Statements” are included in the consolidated financial statements and unconsolidated financial statements that are subject to the audit performed by the Accounting Auditors and the Corporate Auditors in preparing their audit reports.
  - 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/>).

## If you attend the General Meeting of Shareholders



Date and time

**10:00 a.m. on March 28, 2017 (Tuesday)**

(Reception is scheduled to start at 9:00am)

We ask you to kindly submit the enclosed Voting Form to the reception of the Meeting.

In an effort to conserve resources, on the day of the General Meeting of Shareholders, please bring with you this copy of Notice of Convocation The 28th Ordinary General Meeting of Shareholders.

## If you will not attend the General Meeting of Shareholders



If you vote by mail

Deadline for the  
Exercise of  
Voting Rights

**The mail must reach us by 5:30 p.m. on  
March 27, 2017 (Monday)**

Please fill out the Voting Form enclosed herein with your decision and return the said Form to us no later than the above-mentioned deadline.



If you vote by the Internet or by other means

For more details, please refer to the next page.

Deadline for the  
Exercise of  
Voting Rights

**5:30 p.m. on March 27, 2017 (Monday)**

Please vote on the Internet by accessing the voting website no later than the above-mentioned deadline.



Website for exercising voting rights: <http://www.evote.jp/>



In the event of any diverse exercise of voting rights, please notify the Company in writing regarding the matter and the reason thereof not later than three days before the Meeting.

## 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 27, 2017, 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.)

(Translation)

REFERENCE MATERIAL FOR THE GENERAL MEETING OF SHAREHOLDERS

**Agenda and Reference Information**

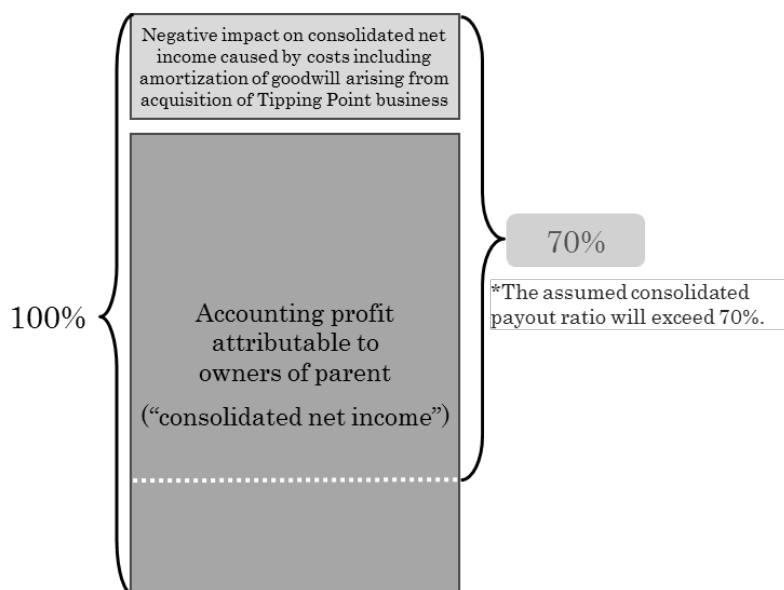
**Agenda 1 : Appropriation of retained earnings**

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 income 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 net income attributable to owners of parent (hereinafter “consolidated net income” for Agenda 1). However, costs including the amortization of goodwill and other items arisen from the acquisition of the TippingPoint business during the current period, which is not accompanied by cash outflow, caused a decrease in “consolidated net income”. In view of this effect on dividends paid, as our dividend policy for the dividends subsequent to the year-end dividend for the current period, we would like to aim at the payout ratio of 70% on the basis of “consolidated net income” after adding back the effect of the above amortization costs (after taking into consideration the deductible amount of amortization of goodwill and other items for tax purposes).

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:  
141 yen per common share of the Company    Total amount: 19,337,040,330 yen
- (3) Effective date for dividend of surplus:  
March 29, 2017



**Agenda 2 : Election of Seven Directors**

Terms of office of all six Directors will expire at the close of this General Meeting of Shareholders. Therefore, we propose the election of seven Directors including one additional member to strengthen the management system.

The candidates for Directors are as follows.

(List of candidates for Directors)

Candidate number	Name			Present Job Titles and Responsibilities at the Company
1	Reappointed	Chang Ming-Jang		Chairman and Representative Director
2	Reappointed	Eva Chen		President and Representative Director / CEO of Trend Micro Group
3	Reappointed	Mahendra Negi		Executive Vice President and Representative Director / CFO of Trend Micro Group
4	Reappointed	Wael Mohamed		Executive Vice President and Director / COO of Trend Micro Group
5	Reappointed	Akihiko Omikawa		Executive Vice President and Director / General Manager Japan, Global Consumer Business / General Manager, IoT Business Promotion
6	Reappointed	Ikujiro Nonaka	Outside Director	Director
			Independent Director	
7	New	Tetsuo Koga	Outside Director	-
			Independent Director	

Candidate number 1	Chang Ming-Jang	(Date of Birth November 5, 1954) 62 Years Old	Reappointed
Number of Holding Shares 5,367,000 shares	<u>Career Summary and Job Titles and Responsibilities at the Company</u>		
	December 1988	President of Trend Micro Incorporated (U.S.A.)	
	December 1995	Representative Director	
Attendance at the Meetings of the Board of Directors	March 1997	President and Representative Director	
	January 2005	Chairman and Representative Director (present post)	
77.78% (7 / 9)	<u>Significant Concurrent Positions at Other Companies</u>		
	N/A		
	<u>Reason for nominating the candidate for Director</u>		
	Mr. Chang Ming-Jang has been the CEO of the Trend Micro Group for many years since its founding. He is currently involved in the management of the Group as the Chairman and is thoroughly familiar with the overall business and management of the Group. For these reasons, the Company renominates him as a candidate for Director.		

Candidate number 2	Eva Chen	(Date of Birth February 23, 1959) 58 Years Old	Reappointed
Number of Holding Shares 1,589,000 shares	<u>Career Summary and Job Titles and Responsibilities at the Company</u>		
	May 1989	Joined Trend Micro Incorporated (Taiwan)	
	December 1995	Corporate Auditor	
Attendance at the Meetings of the Board of Directors 100% (9 / 9)	August 1997	Director, generally responsible for Technology Development Division	
	March 2002	Director Group CTO	
	January 2005	President and Representative Director Group CEO (present post)	
	<u>Significant Concurrent Positions at Other Companies</u>		
	N/A		
	<u>Reason for nominating the candidate for Director</u>		
	Ms. Eva Chen founded the Trend Micro Group together with Chang Ming-Jang, and has headed the Research & Development Division for many years. In addition, as the Group CEO since 2005, she is thoroughly familiar with the overall business and management of the Group. For these reasons, the Company renominates her as a candidate for Director.		



Candidate number 3	Mahendra Negi	(Date of Birth March 9, 1960) 57 Years Old	Reappointed
Number of Holding Shares 140,500 shares	<u>Career Summary and Job Titles and Responsibilities at the Company</u>		
	September 1995	Joined Merrill Lynch Japan Securities Co., Ltd.	
	June 2000	Representative Director of ipTrend Incorporated	
Attendance at the Meetings of the Board of Directors 100% (9 / 9)	February 2001	Administrative Manager	
	March 2001	Director, in charge of Financial Accounting Division	
	March 2002	Representative Director Group CFO	
	January 2006	Representative Director Group COO and CFO	
	March 2012	Executive Vice President and Representative Director / COO & CFO of Trend Micro Group	
	March 2014	Executive Vice President and Representative Director / CFO of Trend Micro Group (present post)	
	<u>Significant Concurrent Positions at Other Companies</u>		
	N/A		
	<u>Reasons for nominating the candidate for Director</u>		
	Mr. Mahendra Negi has working experience in banks and securities companies, etc. After joining the Company, his position as Group CFO since 2002 makes him thoroughly familiar with the overall business and management of the Trend Micro Group. For these reasons, the Company renominates him as a candidate for Director.		

Candidate number 4	Wael Mohamed	(Date of Birth September 17, 1967) 49 Years Old	Reappointed
Number of Holding Shares 0 shares	<u>Career Summary and Job Titles and Responsibilities at the Company</u>		
	October 2001	Vice President, Global Services Solutions of Entrust (currently Entrust DataCard)	
Attendance at the Meetings of the Board of Directors 100% (9 / 9)	January 2002	Officer, Vice President of Global Sales of ZixCorp	
	May 2004	Co-founder, President and CEO Officer and Board member of Third Brigade Inc.	
	May 2009	Joined Trend Micro Incorporated Vice President of Server Security (as a result of acquisition)	
	November 2009	Senior Vice President of Alliances and Corporate Development	
	March 2014	Executive Vice President / COO of Trend Micro Group	
	March 2015	Executive Vice President and Director / COO of Trend Micro Group (present post)	
	<u>Significant Concurrent Positions at Other Companies</u>		
	N/A		
	<u>Reasons for nominating the candidate for Director</u>		
	Mr. Wael Mohamed has experience in the position of CEO at the company he founded by himself. As the Group COO, he has abundant experience in the business field. For these reasons, the Company renominates him as a candidate for Director.		

Candidate number 5	Akihiko Omikawa	(Date of Birth February 24, 1959) 58 Years Old	Reappointed
Number of Holding Shares 4,000 shares	<u>Career Summary and Job Titles and Responsibilities at the Company</u>		
	April 1982	Joined Japan Digital Equipment Corporation (currently Hewlett-Packard Japan, Ltd.)	
	December 1992	Joined Microsoft Corporation (currently Microsoft Japan Co., Ltd.)	
Attendance at the Meetings of the Board of Directors 100% (9 / 9)	May 2000	Executive Officer, Business Internet Director	
	February 2003	Joined Trend Micro Incorporated General Manager, Japan Region and Sales & Marketing	
	May 2003	Senior Vice President General Manager, Japan Region	
	April 2007	Executive Vice President General Manager, Japan Region and Global Service Business Unit	
	March 2008	Director, General Manager for Japan Region, Global Service Business, Global Consumer & Small Business	
	February 2010	Director, General Manager Japan, LAR, APAC Region, Global Marketing	
	March 2012	Executive Vice President and Director, General Manager Japan, LAR, APAC Region, Global Marketing	
	January 2013	Executive Vice President and Director, General Manager Japan, APAC Region, Global Consumer Business	
	January 2014	Executive Vice President and Director, General Manager Japan, Global Consumer Business	
	January 2016	Executive Vice President and Director / General Manager Japan, Global Consumer Business / General Manager, IoT Business Promotion (present post)	
	<u>Significant Concurrent Positions at Other Companies</u>		
	N/A		
	<u>Reasons for nominating the candidate for Director</u>		
	Mr. Akihiko Omikawa is highly experienced in sales divisions at IT related companies. After joining the Company, he has been demonstrating his ability as Director responsible for sales in Japan and other regions to the full extent. For these reasons, the Company renominates him as a candidate for Director.		

Candidate number 6	Ikujiro Nonaka	(Date of Birth May 10, 1935) 81 Years Old	Reappointed	Outside Director
				Independent Director
Number of Holding Shares 0 shares	<u>Career Summary and Job Titles and Responsibilities at the Company</u>			
	April 1958	Joined Fuji Electric Corporation		
	April 1977	Professor, Department of Business Administration, Nanzan University		
Attendance at the Meetings of the Board of Directors 100% (9 / 9)	January 1979	Professor, National Defense Academy of Japan		
	April 1982	Professor, Institute of Business Research, Hitotsubashi University		
	April 1997	Dean, the Graduate School of Knowledge Science, Japan Advanced Institute of Science and Technology		
	May 1997	Xerox Distinguished Faculty Scholar, IMIO, University of California, Berkeley (present post)		
	April 2000	Professor, Hitotsubachi University Graduate School of International Corporate Strategy		
	April 2006	Professor Emeritus, Hitotsubashi University Graduate School of International Corporate Strategy (present post)		
	January 2007	First Distinguished Drucker Scholar in Residence at the Drucher School and Institute, Claremont Graduate University		
	June 2007	Outside Director of MITSUI&CO., LTD (present post)		
	July 2009	Chairman, Economic Research Center of FUJITSU RESEARCH INSTITUTE		
	March 2011	Outside Director of the Company (present post)		
	<u>Significant Concurrent Positions at Other Companies</u>			
	Professor Emeritus, Hitotsubashi University Graduate School of International Corporate Strategy			
	Outside Director of MITSUI&CO., LTD			
	<u>Reasons for nominating the candidate for Outside Director</u>			
	Mr. Ikujiro Nonaka has not previously been involved with company management directly in any form other than Outside Director. However, he is at the forefront of knowledge management research and therefore has profound expertise in corporate management. Through his deep insights based on his expertise and working experience as an Outside Director of other companies, he offers appropriate advice and propositions through discussions at meetings of the Board of Directors. As such, we believe that he will properly perform his duties including decisions of			

important matters and supervision of operational execution related to managerial matters as an Outside Director of the Company.

His term of office as Outside Director of the Company will be six years at the close of this General Meeting of Shareholders.

Candidate number 7	Tetsuo Koga	(Date of Birth March 2, 1948) 69 Years Old	New	Outside Director
				Independent Director
Number of Holding Shares 0 shares	<u>Career Summary and Job Titles and Responsibilities at the Company</u>			
	April 1971	Joined Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation)		
	June 2005	Senior Executive Vice President, Representative Director of Nippon Telegraph and Telephone East Corporation		
Attendance at the Meetings of the Board of Directors -% (- / -)	June 2009	Left Nippon Telegraph and Telephone East Corporation		
	June 2009	Senior Executive President, Representative Director of NTT Learning Systems Corporation		
	June 2013	Left NTT Learning Systems Corporation		
	November 2013	Outside Director of HITO-Communications, Inc.		
	June 2015	Outside Director of Asahi Net, Inc.		
	<u>Significant Concurrent Positions at Other Companies</u>			
	Outside Director of HITO-Communications, Inc.			
	Outside Director of Asahi Net, Inc.			
	<u>Reasons for nominating the candidate for Outside Director</u>			
	Mr. Tetsuo Koga has served as the Senior Executive Vice President, Representative Director of Nippon Telegraph and Telephone East Corporation, and is currently working as an outside director for several listed companies. He has abundant experience in the business field. For these reasons, the Company nominates him as a new candidate for Outside Director.			

(Notes)

1. There are no special interests between the Company and each candidate for Director.
2. Mr. Ikujiro Nonaka and Mr. Tetsuo Koga are candidates for outside directors under Article 2, paragraph 3, item 7 of the Ordinance for Enforcement of the Companies Act.
3. The Company has designated Mr. Ikujiro Nonaka as an independent director upon whom the Tokyo Stock Exchange imposes the obligation of designation, and who is unlikely to cause conflicts of interest with general shareholders, and it has filed such designation with the said Exchange. In addition, in the case that the election of Mr. Tetsuo Koga is approved, the Company will designate him as an independent director and will file such designation with the said Exchange.
4. Independence of candidates as Outside Director and limited liability agreements with Outside Director
  - (1) Independence of candidates as Outside Director
    - i) Mr. Ikujiro Nonaka and Mr. Tetsuo Koga have not previously been executing persons or Directors of the Company or a subsidiary of the Company.
    - ii) Mr. Ikujiro Nonaka and Mr. Tetsuo Koga have not been executing persons or Directors of specified related entities of the Company at the present moment and for the last five years.
    - iii) Mr. Ikujiro Nonaka and Mr. Tetsuo Koga will not receive, nor have they received for the last two years, a large amount of money or other properties from the Company or the specified related entities of the Company.
    - iv) Mr. Ikujiro Nonaka and Mr. Tetsuo Koga are not the spouses of, nor are they within three degrees related to, the executing persons or Directors of the Company or the specified related entities of the Company.
    - v) Although Mr. Tetsuo Koga has been working with Nippon Telegraph and Telephone East Corporation, one of the Company's business partners, it has been over seven years since his resignation from the post, and he is no longer involved in the management of the said company. The revenue from transactions regarding products and services between the Company and Nippon Telegraph and Telephone East Corporation accounts for around 1% of the consolidated net sales for the current period of the Company.
  - (2) Limited liability agreements with candidates for Outside Director

Mr. Ikujiro Nonaka has entered into an agreement with the Company which limits his liability against the Company to a certain extent pursuant to the Articles of Incorporation. The outline of the agreement is as follows.

With respect to the liability provided for in Article 423, paragraph 1 of the Companies Act, he shall have liability to the extent of the greater of 16 million yen or the minimum liability amount provided for in Article 427, paragraph 1 of the Companies Act if he performs his duties in good faith without gross negligence. In the case that his election is approved, such agreement remains effective. In the case that the election of Mr. Tetsuo Koga is approved, the Company will enter into an agreement with him which limits his liability against the Company to a certain extent pursuant to the Articles of Incorporation. The outline of the agreement will be the same as the limited liability agreement which the above Outside Director has entered into with the Company.

**Agenda 3 : Election of Four Corporate Auditors**

Terms of office of all four Corporate Auditors will expire at the conclusion of this General Meeting of Shareholders. Therefore, we would kindly ask the election of four Corporate Auditors.

This proposal has been approved by the Board of Corporate Auditors.

The candidates for Corporate Auditors are as follows.

(List of candidates for Corporate Auditors)

Candidate number	Name			Present Job Titles at the Company
1	Reappointed	Masaru Sempo	Outside Corporate Auditor	Full-time Corporate Auditor
			Independent Corporate Auditor	
2	Reappointed	Fumio Hasegawa	Outside Corporate Auditor	Corporate Auditor
			Independent Corporate Auditor	
3	Reappointed	Yasuo Kameoka	Outside Corporate Auditor	Corporate Auditor
			Independent Corporate Auditor	
4	Reappointed	Koji Fujita	Outside Corporate Auditor	Corporate Auditor
			Independent Corporate Auditor	

Candidate number 1	Masaru Sempo	(Date of Birth December 10, 1952) 64 Years Old	Reappointed	Outside Corporate Auditor
				Independent Corporate Auditor

Number of Holding Shares	Career Summary and Job Titles at the Company		
0 shares	April 1977	Joined Shell Sekiyu K.K.	
	April 2003	Director, Seconded to Nakagawa Sekiyu K.K.	
Attendance at the Meetings of the Board of Directors	April 2006	Senior Assistant to General Manager, Dealer Management Consultation Dept. of Showa Shell Sekiyu K.K.	
100% (9 / 9)	April 2008	Administration Manager of Operation Manager, Seconded to SC Energy Co., Ltd.	
Attendance at the Meetings of the Board of Corporate Auditors	April 2011	Senior Assistant to General Manager, Planning Sec. Kinki Branch Office, Showa Shell Sekiyu K.K.	
	March 2013	Corporate Auditor of the Company	
100% (14 / 14)	July 2014	Full-time Corporate Auditor of the Company (present post)	

#### Significant Concurrent Positions at Other Companies

N/A

#### Reason for nominating the candidate for Outside Corporate Auditor

Mr. Masaru Sempo has experiences of involving in management as a director of management departments. Based on such experiences and knowledge that he gained at accounting, management and other departments over the years, he has been raising questions and expressing opinions to ensure the validity and appropriateness of the decisions made at the meetings of the Board of Directors and the Board of Corporate Auditors. For these reasons, the Company renominates him as a candidate for Outside Corporate Auditor. His term of office as Outside Corporate Auditor of the Company will be four years at the close of this General Meeting of Shareholders.



Candidate number 2	Fumio Hasegawa	(Date of Birth February 15, 1940) 77 Years Old	Reappointed	Outside Corporate Auditor
				Independent Corporate Auditor
Number of Holding Shares 500 shares	<u>Career Summary and Job Titles at the Company</u>			
	May 1994	Manager of Management Accounting Division and Deputy General Manager of Accounting Department of Showa Shell Sekiyu K.K.		
	December 1996	Senior Managing Director of Tokyo Shellpack K.K.		
Attendance at the Meetings of the Board of Directors 100% (9 / 9)	March 2000	Full-time Corporate Auditor of the Company		
	June 2011	Corporate Auditor of the Company		
	January 2012	Full-time Corporate Auditor of the Company		
	July 2014	Corporate Auditor of the Company (present post)		
Attendance at the Meetings of the Board of Corporate Auditors 100% (14 / 14)	<u>Significant Concurrent Positions at Other Companies</u>			
	N/A			
	<u>Reason for nominating the candidate for Outside Corporate Auditor</u>			
	Mr. Fumio Hasegawa has been raising questions and expressing opinions to ensure the validity and appropriateness of the decisions made at the meetings of the Board of Directors and the Board of Corporate Auditors based on the experiences and knowledge that he gained at the accounting department over the years. For these reasons, the Company renominates him as a candidate for Outside Corporate Auditor. His term of office as Outside Corporate Auditor of the Company will be 17 years at the close of this General Meeting of Shareholders.			

Candidate number 3	Yasuo Kameoka	(Date of Birth November 12, 1955) 61 Years Old	Reappointed	Outside Corporate Auditor
				Independent Corporate Auditor
Number of Holding Shares 0 shares	Career Summary and Job Titles at the Company			
	April 1982	Registered as Certified Public Accountant		
	April 1999	Established Taiko Audit Corporation and Senior Partner thereof		
Attendance at the Meetings of the Board of Directors 100% (9 / 9)	March 2001	Corporate Auditor of the Company (present post)		
	July 2004	Chief Director and Senior Partner of Taiko Audit Corporation (present post)		
	Significant Concurrent Positions at Other Companies			
	Chief Director and Senior Partner of Taiko Audit Corporation			
Attendance at the Meetings of the Board of Corporate Auditors 100% (14 / 14)	Reason for nominating the candidate for Outside Corporate Auditor			
	Mr. Yasuo Kameoka does not have any experience of directly involving in management other than being Outside Corporate Auditor, but he raised questions or expressed opinions to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his knowledge and experiences as certified public accountant. As such, we believe that he will properly perform his duties as an Outside Corporate Auditor. His term of office as Outside Corporate Auditor of the Company will be 16 years at the close of this General Meeting of Shareholders.			

Candidate number 4	Koji Fujita	(Date of Birth June 9, 1962) 54 Years Old	Reappointed	Outside Corporate Auditor
				Independent Corporate Auditor
Number of Holding Shares 0 shares	<u>Career Summary and Job Titles at the Company</u>			
	April 1989	Registered as Attorney at Law with Tokyo Bar Association and Joined Okuno Law Firm (currently Okuno & Partners foreign law joint enterprise)		
	March 2002	Corporate Auditor of the Company (present post)		
Attendance at the Meetings of the Board of Directors 100% (9 / 9)	February 2014	Vice Chairman of Okuno & Partners foreign law joint enterprise (present post)		
	May 2015	External Director of Dexerials Corporation (present post)		
	June 2015	External Director of NICHIREKI CO., LTD. (present post)		
Attendance at the Meetings of the Board of Corporate Auditors 100% (14 / 14)	<u>Significant Concurrent Positions at Other Companies</u>			
	Vice Chairman of Okuno & Partners foreign law joint enterprise			
	External Director of Dexerials Corporation			
	External Director of NICHIREKI CO., LTD.			
	<u>Reason for nominating the candidate for Outside Corporate Auditor</u>			
	Mr. Koji Fujita does not have any experience of directly involving in management other than being Outside Director or Outside Corporate Auditor, but he raised questions or expressed opinions to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his knowledge and experiences as attorney. As such, we believe that he will properly perform his duties as an Outside Corporate Auditor. His term of office as Outside Corporate Auditor of the Company will be 15 years at the close of this General Meeting of Shareholders.			

(Notes)

1. There are no special interests between the Company and each candidate.
2. All candidates are for Outside Corporate Auditors under Article 2, paragraph 3, item 8 of the Ordinance for Enforcement of the Companies Act.
3. The Company has designated Mr. Masaru Sempo, Mr. Fumio Hasegawa, Mr. Yasuo Kameoka and Mr. Koji Fujita as an independent corporate auditor 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.
4. Independence as Outside Corporate Auditors and limited liability agreements with Outside Corporate Auditors
  - (1) Independence of candidates as Outside Corporate Auditor
    - i) All candidates for Outside Corporate Auditor have not previously been executing persons or Directors of the Company or a subsidiary of the Company.
    - ii) All candidates for Outside Corporate Auditor have not been executing persons or Directors of specified related entities of the Company at the present moment and for the last five years.
    - iii) None of the candidates for Outside Corporate Auditor will receive, nor have they received for the last two years, a large amount of money or other properties from the Company or the specified related entities of the Company.
    - iv) None of the candidates for Outside Corporate Auditor are the spouse of, nor are they within three degrees related to, the executing persons or Directors of the Company or its specified related entities.
  - (2) Limited liability agreements with candidates for Outside Corporate Auditor

Mr. Masaru Sempo, Mr. Fumio Hasegawa, Mr. Yasuo Kameoka and Mr. Koji Fujita have entered into an agreement with the Company which limits their liability against the Company to a certain extent pursuant to the Articles of Incorporation. The outline of the agreement is as follows.

With respect to the liability provided for in Article 423, paragraph 1 of the Companies Act, an Outside Corporate Auditor shall have liability to the extent of the greater of 10 million yen for full-time Outside Corporate Auditors and 4.8 million yen for part-time Outside Corporate Auditors or the minimum liability amount provided for in Article 427, paragraph 1 of the Companies Act if he performs his duties in good faith without gross negligence. In the case that their election is approved, such agreement remains effective.

## Business Report

(From January 1, 2016, to December 31, 2016)

### 1. Business Review of Trend Micro Group

#### (1) Qualitative Information on the Consolidated Business Results

During this term of fiscal year 2016, from January 1 to December 31, the US economy seemed revived toward the end of the year by interest rate increase which is one of the trigger for the recovery of world economy. In spite of continuing a mild upswing, Europe economy has been concerning about central political events including prospects for Brexit. In emerging countries, mainly China economy has been concerned with growth slowdown again. The world economy has been going through over not only business hopes but also variety of risk impacts to the second half of this year.

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 US economic condition. Japan economy has continuously remained still remained uncertainty.

In the worldwide Information Technology Industry, cloud computing including server virtualization and related services have been still standing out from IT industry market. On the other hand, the worldwide PC shipments remain underrun from the same period in previous year for the fifth consecutive year. This slowdown showed vary depends on region, and there are expected sign of some recovery effects from updating systems in commercial markets and slowing down sales of smart phones and tablet markets in consumer. In domestic market, there is an increase in enterprises which have a plan to raise IT investment including cloud computing which is believed to grow up more and more in future, Internet of Things (IoT) and Artificial Intelligence (AI) as a new items.

In the computer security industry, while Advanced Persistent Threat (APT) attack 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 has been also a hot topic continuously. From now on, there are concerns about various attacks to both devices and environments of IoT, and social and political cyber terror attacks. In Japan, there is a national level concern about personal information security due to launch the "My Number" system. The security demands are expected to increase by these concerns.

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

With regards to sales in Japan region, APT related business and cloud-based unified threat solution appliance for SMB showed strong growth and its growth has leaded enterprise business sales growth with cloud related business. Consumer business has still kept its record increases in revenues. As a result, net sales for this period in Japan region amounted to 56,179 million yen (6.8% increase from the same period in the previous year.)

For North America region, consumer business sales have been continued its downward trend due to decrease in number of the users. On the other hand, TippingPoint business has been contributive in enterprise business sales increasingly. Thus, in spite of the strong yen, sales for this period in

North America region was 34,853 million yen (18.8% increase from the same period in previous year.)

In Europe region, both cloud related business and APT related businesses showed growth in local currency. Following them, traditional security sales have also been greatly expanded to lead the enterprise business sales. As the result, in spite of strong yen impact, net sales for this period in this region was 21,490 million yen (1.6% increase from the same period in previous year.)

In the Asia Pacific region, despite APT related businesses and cloud related business have been leading the enterprise business, business transfers occurred in China last November and strong yen impact affected. As a result, net sales for this period in Asia Pacific region amounted to 15,891 million yen (11.3% decrease from the same period in the previous year).

In the Latin America region, mainly APT related business showed large growth and led to enterprise business sales with traditional security sales. As the results, in spite of the strong yen impact, net sales in this region were 3,522 million yen (5.9% increase from the same period in previous year.)

As a result, the consolidated net sales for entire year of fiscal year 2016 amounted to 131,936 million yen (6.1% increase from the same period in previous year), showing revenue growth in all region.

Cost of sales and operating expenses totaled 97,576 million yen (4.5% increase from the same period in previous year.) Although mainly stock option related expense substantially decreased, both the acquisition's amortization related to TippingPoint, purchase has been completed in 2016, and people costs increased. As a result, consolidated operating income for this period was 34,360 million yen (10.9% increase from the same period in previous year). The consolidated ordinary income for this period was lower than consolidated operating income for this period in growth rate mainly due to decrease in gain on sales of marketable securities, etc. As a result, it was 35,138 million yen (3.1% increase from the same period in previous year) and net income attributable to owners of the parent for this period was 24,651 million yen (15.0% increase from the same period in previous year). This higher growth rate than ordinary income is mainly due to adoption tax credits.

## **(2) Capital Expenditure**

The total amount of capital expenditure for the current period was 2,986 million yen, which was invested mainly in the development of new technologies and acquisition of instruments necessary to rationalize the basic operation systems including servers, PCs and peripheral devices.

## **(3) Financing**

There are no special instances.

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

Today, computers and the Internet are used by every person and in all types of scene and location in every country across the world. It has been a part of our society and daily life for long time. Application programs and purpose of use have become diversified by the use of not only the personal computers, but also smartphones and multi-functional mobile devices such as tablets, on top of that, recent IoT and AI technology which has brought the creation of smart home appliances and smart cars. As a result, there is no longer a single solution that can protect against all the different type of threat environments. Also, in the network environment, cloud computing, which has started actual use, creates innovation in digital information traffic with easy, speedy, and

reasonable for data mining and exchange to any information including big data. Whether enterprise uses or consumer users, the speed of IT evolution explodes volume of exchange information. At the same time, the more increase in tremendous various devices have connected to internet, the more increase in information required extreme caution in handling. The necessity of information security in exchange for obtain benefits has become more important in the future. Our group has acquired TippingPoint business including next-generation NGIPS and related network security solutions from HP in 2016. Through all security solutions based on Trend Micro Smart Protection Network (SPN) which is at the core of our group products and services, we will deploy various efforts to prevent sequence of complicated cyber-attacks mainly APT, secure on the up-and-up cloud computing and IoT environment with endpoint security solutions based on both traditional and AI technology, and TippingPoint business with level of network security technology. For accelerating digitalized business and society, and for protecting user's life, our group will strengthen further information security solution in the true digitalization framework to continue to advance business relationships with our partners across boundaries between enterprise and consumer.

For achieving our vision: A world safe for exchanging digital information, as threat defense experts, our group will advance as an innovative company with forefront of security technological development and provide ongoing optimum solutions to protect the living environment of customers. At the same time, we will continue to pursue long-term growth with a stable financial foundation.

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

Item \ Fiscal Year	The 25 <sup>th</sup> Term ended December 2013	The 26 <sup>th</sup> Term ended December 2014	The 27 <sup>th</sup> Term ended December 2015	The 28 <sup>th</sup> Term ended December 2016
Net Sales (millions of yen)	108,314	115,205	124,317	131,936
Ordinary Income (millions of yen)	32,456	35,992	34,071	35,138
Net Income Attributable to Owners of Parent (millions of yen)	19,595	22,303	21,435	24,651
Net Income per Share (in yen)	147.53	165.68	157.71	179.63
Total Assets (millions of yen)	261,493	279,938	290,520	308,537
Net Assets (millions of yen)	142,539	153,094	159,693	166,471

**(6) Status of Important Subsidiaries**

Company Name	Capital	Shareholding Ratio	Primary Business
Trend Micro Incorporated (Taiwan)	212,500,000 New Taiwan dollars	100%	Development and sale of security-related products
Trend Micro Incorporated (U.S.A.)	477,250.67 U.S. dollars	100%	Development and sale of security-related products
Trend Micro Australia Pty. Ltd. (Australia)	150,000 Australian 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 five non-consolidated subsidiaries, which consist of 32 consolidated subsidiaries including the aforementioned four important subsidiaries and three equity method affiliates.
2. There are no subsidiaries that fall under specific wholly owned subsidiaries.

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

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

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

Head Office: 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	1,444
Marketing Division	315
Product Support Division	1,090
Research and Development Division	1,927
Administration Division	851
Total	5,627

**2. Status of Shares of the Company**

- (1) Total Number of Shares Authorized to be Issued by the Company:  
250,000,000 shares
- (2) Total Number of Outstanding Shares:  
137,142,130 shares (excluding treasury stock of 3,150,874 shares)
- (3) Number of Shareholders: 6,239
- (4) Top 10 Shareholders:

Name of Shareholders	Number of Shareholding	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,468,400	14.19
Japan Trustee Services Bank, Ltd. (Trust Account)	12,294,700	8.96
Trueway Company Limited	12,186,500	8.88
Chang, Ming-Jang	5,367,000	3.91
JP Morgan Chase Bank 380055	4,854,838	3.54
Bank Julius Baer & Co. Ltd., Singapore Clients	4,076,838	2.97
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,720,600	2.71
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,661,400	2.66
Trust & Custody Services Bank, Ltd. (Investment Trust Acceptance Security Account)	2,697,581	1.96
Goldman Sachs Japan Co. Ltd.	2,450,000	1.78

(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 (3,150,874 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

	Twenty-ninth Series	Thirtieth Series	Thirty-first Series
Date of resolution of the issue	June 24, 2013	December 12, 2013	May 13, 2014
Category	Director (Note)	Director (Note)	Director (Note)
Number of holders	3	3	4
Number of stock acquisition rights	850	965	3,600
Number of shares subject to stock acquisition rights	85,000	96,500	360,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration	Without consideration
Exercise price per share at the exercise of rights	3,300 yen	3,660 yen	3,220 yen
Exercise period	December 31, 2017	December 27, 2018	May 27, 2019
Conditions for exercise of stock acquisition rights	(Note 2)	(Note 2)	(Note 2)

	Thirty-second Series	Thirty-third Series	Thirty-fourth Series
Date of resolution of the issue	November 14, 2014	December 22, 2015	September 14, 2016
Category	Director (Note)	Director (Note)	Director (Note)
Number of holders	4	4	3
Number of stock acquisition rights	895	1,690	1,200
Number of shares subject to stock acquisition rights	89,500	169,000	120,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration	Without consideration
Exercise price per share at the exercise of rights	3,640 yen	4,690 yen	3,545 yen
Exercise period	December 1, 2019	January 11, 2021	September 29, 2021
Conditions for exercise of stock acquisition rights	(Note 2)	(Note 2)	(Note 2)

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

(Note 2)

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 for employees of the Company, and Directors and employees of subsidiaries of the Company

	Thirty-third Series	Thirty-fourth Series
Date of resolution of the issue	December 22, 2015	September 14, 2016
Number of employees of the Company holding stock acquisition rights	-	8 (1,100 stock acquisition rights)
Number of Directors and employees of subsidiaries of the Company holding stock acquisition rights (excluding Directors and employees of the Company)	9 (1,810 stock acquisition rights)	53 (9,140 stock acquisition rights)
Number of stock acquisition rights	1,810	10,240
Number of shares subject to stock acquisition rights	181,000	1,024,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration
Exercise price per share at the exercise of rights	4,690 yen	3,545 yen
Exercise period	From January 13, 2016 to January 11, 2021	From September 30, 2016 to September 29, 2021
Conditions for exercise of stock acquisition rights	(Note)	(Note)

(Note) Please refer to (Note 2) under “(1) Status of Stock Acquisition Rights held by Directors at the End of the Current Term” in the previous pages.

(3) Other Important Matters concerning Stock Acquisition Rights

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

	Twenty-ninth Series	Thirtieth Series	Thirty-first Series
Date of resolution of the issue	June 24, 2013	December 12, 2013	May 13, 2014
Category	Directors and employees of subsidiaries of the Company	Directors and employees of subsidiaries of the Company	Employees of the Company, Directors and employees of subsidiaries of the Company
Number of stock acquisition rights	1,628	2,277	17,700
Number of shares subject to stock acquisition rights	162,800	227,700	1,770,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration	Without consideration
Exercise price per share at the exercise of rights	3,300 yen	3,660 yen	3,220 yen
Exercise period	December 31, 2017	December 27, 2018	May 27, 2019
Conditions for exercise of stock acquisition rights	(Note)	(Note)	(Note)

	Thirty-second Series	Thirty-third Series	Thirty-fourth Series
Date of resolution of the issue	November 14, 2014	December 22, 2015	September 14, 2016
Category	Directors and employees of subsidiaries of the Company	Directors and employees of subsidiaries of the Company	Employees of the Company, Directors and employees of subsidiaries of the Company
Number of stock acquisition rights	2,480	1,810	10,240
Number of shares subject to stock acquisition rights	248,000	181,000	1,024,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration	Without consideration

Exercise price per share at the exercise of rights	3,640 yen	4,690 yen	3,545 yen
Exercise period	December 1, 2019	January 11, 2021	September 29, 2021
Conditions for exercise of stock acquisition rights	(Note)	(Note)	(Note)

(Note) Please refer to (Note 2) under “(1) Status of Stock Acquisition Rights held by Directors at the End of the Current Term” in the previous pages.

#### 4. Matters Concerning Directors and Corporate Auditors of the Company

##### (1) Directors and Corporate Auditors

(As of December 31, 2016)

Name	Title and Responsibilities at the Company and the Group	Significant Concurrent Positions
Chang Ming-Jang	Chairman and Representative Director	
Eva Chen	President and Representative Director / CEO of Trend Micro Group	
Mahendra Negi	Executive Vice President and Representative Director / CFO of Trend Micro Group	
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 / General Manager, IoT Business Promotion	
Ikujiro Nonaka	Director	Professor Emeritus, Hitotsubashi University Graduate School of International Corporate Strategy / Outside Director of MITSUI&CO., LTD
Masaru Sempo	Full-time Corporate Auditor	Chief Director and Senior Partner of Taiko Audit Corporation
Fumio Hasegawa	Corporate Auditor	
Yasuo Kameoka	Corporate Auditor	
Koji Fujita	Corporate Auditor	

(Notes) 1. Our officers consist of ten members, six Directors and four Corporate Auditors, of which, one is female and nine are males as of December 31, 2016. The female officer is the President and Representative Director.

2. Mr. Ikujiro Nonaka, Director, is an Outside Director under Article 2, item 15 of the Companies Act.
3. All four Corporate Auditors are Outside Auditors under Article 2, item 16 of the Companies Act.
4. 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.
5. The Company has designated all Outside Directors 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 Directors and Outside Corporate Auditors perform their duties in good faith and without gross negligence with respect to the liabilities set forth in Article 423, paragraph 1 of the Companies Act, Outside Directors, full-time Outside Corporate Auditors and part-time Outside Corporate Auditors shall, in accordance with the limited liability agreement executed between the Company and them, be liable for up to 16 million yen, 10 million yen and 4.8 million yen, respectively, or the minimum liability amount prescribed by laws and regulations, whichever of these amounts is the higher.

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

Category	Number of Persons	Amount of Remuneration	Remarks
Director	6	379 (millions of yen)	One Outside Director received 8 million yen.
Corporate Auditor	4	23 (millions of yen)	All four Corporate Auditors are Outside Corporate Auditors.

(Note) Remuneration of Directors (except Outside Directors) include a total of 139 million yen in stock options and a total of 68 million yen based on the Cash Incentive Plan which reflects business performance and stock prices of the Company to the Cash Phantom Unit Award granted.

(4) Matters concerning Outside Directors and Outside Corporate Auditors

(i) Relationships between the Company and other companies where an Outside Director or Outside Corporate Auditor holds a concurrent position

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

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

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 all nine meetings of the Board of Directors (100%). He made comments as needed based on his expert knowledge on management theories.
Masaru Sempo (Full-time Corporate Auditor)	Attended all nine meetings of the Board of Directors (100%) and all fourteen meetings of the Board of Corporate Auditors (100%). He raised questions or expressed opinions when necessary in order to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his experience in accounting and management matters over the years.
Fumio Hasegawa (Corporate Auditor)	Attended all nine meetings of the Board of Directors (100%) and all fourteen meetings of the Board of Corporate Auditors (100%). He raised questions or expressed opinions when necessary in order to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his experience in finance and accounting matters over the years.
Yasuo Kameoka (Corporate Auditor)	Attended all nine meetings of the Board of Directors (100%) and all fourteen meetings of the Board of Corporate Auditors (100%). He raised questions or expressed opinions when necessary in order to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors mainly based on his expert knowledge as a certified public accountant.
Koji Fujita (Corporate Auditor)	Attended all nine meetings of the Board of Directors (100%) and all fourteen meetings of the Board of Corporate Auditors (100%). He raised questions or expressed opinions when necessary in order to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors mainly based on his expert knowledge as an attorney.



## 5. Status of Accounting Auditor

- (1) Name of Accounting Auditor of the Company  
KPMG AZSA LLC
- (2) Remuneration, etc. Paid to Accounting Auditor (Millions of yen)
- |      |   |    |
|------|---|----|
| (i)  | Amount of fees and charges paid to accounting auditors for the term under review              | 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. Three of the important subsidiaries of the Company are audited by certified public accountants or audit corporations other than the Accounting Auditor of the Company (including qualified persons equivalent thereto in foreign countries).

- (3) 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, paragraphs 1 and 3 of the Companies Act, propose the dismissal or non-reappointment of the Accounting Auditor as an agenda item at a general meeting of shareholders for resolution.

## 6. Systems and Policies of the Company

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

- (1) System for the storage and control of information on the execution of our Directors' duties
  - i) Any information on the execution of our Directors' duties shall be stored and controlled in proper, assured and highly retrievable conditions depending on storing medium in accordance with the Confidential Information Control Rules, the Detailed Regulations on Confidential Information Management and Operation, and other internal regulations. It shall be ensured that our Directors and Corporate 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 divulgence, 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 Corporate Auditors
- iii) Our Directors shall ensure opportunities for our Corporate Auditors to attend not only a meeting of the Board of Directors, but also other important meetings such as the Compliance Security Committee, Executive Meetings and the like in order to grasp our important processes for making various decisions as well as the actual state of the execution of our operations.
- iv) Our Corporate Auditors may have access to approval documents (*Ringisho*) and other important documents regarding the execution of business, and may request explanations thereof from our Directors and employees if necessary. The Corporate Auditors may also make their own opinions thereon.
- v) The Company shall make an effort to invite lawyers, certified public accountants, patent attorneys and any other outside specialists in appointing an outside auditor(s).

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

- (a) The Company established the Code of Conduct as the basis of our Group's compliance system and implements annual Acknowledgement for all directors and employees of our group companies.
  - (b) As 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.
- (Note) The amounts stated in this Business Report are rounded downward to the nearest stated unit.

(1) Consolidated Balance Sheet

(As of December 31, 2016)

(Yen in millions)

Account	Amount
<Assets>	
<b>Current assets</b>	<b>195,031</b>
Cash and bank deposits	84,509
Notes and accounts receivable, trade	35,845
Marketable securities	50,154
Inventories	1,711
Deferred tax assets	15,359
Others	7,744
Allowance for bad debt	-293
<b>Non-current assets</b>	<b>113,506</b>
<b>Property and equipment</b>	<b>6,551</b>
Office furniture and equipment	4,076
Others	2,475
<b>Intangibles</b>	<b>42,537</b>
Software	9,161
Goodwill	18,356
Others	15,019
<b>Investments and other non-current assets</b>	<b>64,416</b>
Investment securities	48,589
Investments in subsidiaries and affiliates	2,136
Deferred tax assets	12,161
Others	1,529
<b>Total assets</b>	<b>308,537</b>

(Yen in millions)

Account	Amount
<Liabilities>	
<b>Current liabilities</b>	<b>101,694</b>
Notes and accounts payable, trade	893
Accounts payable, other	5,301
Accrued expenses	5,368
Accrued income and other taxes	3,649
Allowance for bonuses	3,557
Allowance for sales return	742
Short-term deferred revenue	76,326
Others	5,853
<b>Non-current liabilities</b>	<b>40,371</b>
Long-term deferred revenue	34,071
Net defined benefit liability	4,657
Others	1,642
<b>Total liabilities</b>	<b>142,065</b>
<Net assets>	
<b>Shareholders' equity</b>	<b>165,081</b>
Common stock	18,386
Additional paid-in capital	22,581
Retained earnings	134,448
Treasury stock	-10,335
<b>Accumulated other comprehensive income</b>	<b>-219</b>
Unrealized gain on available for sale securities	-211
Foreign currency translation adjustment	688
Remeasurements of defined benefit plans	-696
<b>Stock acquisition right</b>	<b>1,605</b>
<b>Non-controlling interest</b>	<b>4</b>
<b>Total net assets</b>	<b>166,471</b>
<b>Total liabilities and net assets</b>	<b>308,537</b>



## (2) Consolidated Profit and Loss Statement

(From January 1, 2016 to December 31, 2016)

(Yen in millions)

Account	Amount	
<b>Net sales</b>		<b>131,936</b>
<b>Cost of sales</b>		<b>23,040</b>
<b>Gross profit</b>		<b>108,895</b>
<b>Selling, general and administrative expense</b>		<b>74,535</b>
<b>Operating income</b>		<b>34,360</b>
<b>Non-operating income</b>		
Interest income	1,252	
Gain on sales of marketable securities	167	
Equity in gain of affiliated companies	390	
Others	186	1,996
<b>Non-operating expenses</b>		
Interest expenses	6	
Loss on sales of marketable securities	270	
Loss on disposal of fixed assets	400	
Impairment loss on marketable securities	140	
Foreign exchange loss	183	
Others	216	1,218
<b>Ordinary income</b>		<b>35,138</b>
<b>Extraordinary gain:</b>		
Gain on reversal of stock option	26	
Gain on sale of affiliated company securities	554	580
<b>Net income before taxes</b>		<b>35,719</b>
Income taxes current	12,146	
Income taxes deferred	-1,080	11,066
<b>Net income before non-controlling interest</b>		<b>24,652</b>
Non-controlling interest in income of consolidated subsidiaries		0
<b>Net income attributable to owners of the parent</b>		<b>24,651</b>

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

(From January 1, 2016 to December 31, 2016)

(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	22,431	124,857	-10,326	155,348
Movement for this period					
Dividends of surplus			-15,060		-15,060
Net income			24,651		24,651
Sales of treasury stock		150		2,958	3,108
Purchase of treasury stock				-2,967	-2,967
Movement for this period excluding shareholders' equity					
Total movement	-	150	9,591	-9	9,732
Balance at the end of current period	18,386	22,581	134,448	-10,335	165,081

	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	234	3,001	-576	2,659	1,681
Movement for this period					
Dividends of surplus					
Net income					
Sales of treasury stock					
Purchase of treasury stock					
Movement for this period excluding shareholders' equity	-445	-2,312	-120	-2,878	-76
Total movement	-445	-2,312	-120	-2,878	-76
Balance at the end of current period	-211	688	-696	-219	1,605

	Minority interest	Total net assets
Balance at the beginning of current period	3	159,693
Movement for this period		
Dividends of surplus		-15,060
Net income		24,651
Sales of treasury stock		3,108
Purchase of treasury stock		-2,967
Movement for this period excluding shareholders' equity	0	-2,954
Total movement	0	6,777
Balance at the end of current period	4	166,471

# Balance Sheet

(As of December 31, 2016)

(Yen in millions)

Account	Amount	Account	Amount
<b>&lt;Assets&gt;</b>		<b>&lt;Liabilities&gt;</b>	
<b>Current assets</b>	<b>107,051</b>	<b>Current liabilities</b>	<b>55,443</b>
Cash and bank deposits	26,910	Accounts payable, trade	233
Notes and Accounts receivable, trade	11,573	Accounts payable, other	14,263
Marketable securities	29,610	Accrued expenses	15
Product	298	Accrued income and other taxes	2,753
Raw material	302	Accrued consumption taxes	807
Supplies	86	Deposit	236
Prepaid expense	209	Allowance for bonuses	207
Deferred tax assets	12,123	Allowance for sales returns	539
Short-term loans receivable from subsidiaries and affiliates	17,578	Deferred revenue	35,379
Account receivable others	7,355	Others	1,006
Others	1,002	<b>Non-current liabilities</b>	<b>23,949</b>
<b>Non-current assets</b>	<b>56,095</b>	Deferred revenue	20,930
<b>Property and equipment</b>	<b>615</b>	Long-term account payable	2
Buildings	882	Allowance for retirement benefits	2,930
Office furniture & equipment	1,286	Others	85
Accumulated depreciation	-1,553	<b>Total liabilities</b>	<b>79,393</b>
<b>Intangibles</b>	<b>4,483</b>	<b>&lt;Net assets&gt;</b>	
Software	2,152	<b>Shareholders' equity</b>	<b>82,352</b>
Software in progress	1,857	<b>Common stock</b>	<b>18,386</b>
Goodwill	155	<b>Capital surplus</b>	<b>22,581</b>
Others	318	Additional paid-in capital	21,108
<b>Investments and other non-current assets</b>	<b>50,996</b>	Other Capital surplus	1,472
Investment securities	31,945	<b>Retained earnings</b>	<b>51,719</b>
Investments in subsidiaries and affiliates	3,250	Legal reserve	20

Long-term loans receivable from subsidiaries and affiliates	7,031	Accumulated profit	51,698
Deposit for landlord	524	Retained earnings carried forward	51,698
Memberships	4	<b>Treasury stock, at cost</b>	<b>-10,335</b>
Deferred tax assets	8,314	<b>Valuation and translation adjustment</b>	<b>-203</b>
Allowance for investment loss	-75	Net unrealized gain (loss) on debt and equity securities	-203
		<b>Stock acquisition right</b>	<b>1,605</b>
		<b>Total net assets</b>	<b>83,754</b>
<b>Total assets</b>	<b>163,147</b>	<b>Total liabilities and net assets</b>	<b>163,147</b>

## Profit and Loss Statement

(From January 1, 2016 to December 31, 2016)

(Yen in millions)

Account	Amount	
<b>Sales Revenue</b>		
Sales	56,217	
Royalty	22	56,239
<b>Cost of sales</b>		12,606
<b>Gross profit</b>		43,633
<b>Operating expenses</b>		25,846
<b>Operating income</b>		17,786
<b>Non-operating income</b>		
Interest on loans receivable from subsidiaries and affiliates	756	
Interest income	1	
Interest on marketable securities	218	
Foreign exchange gain	36	
Gain on sales of marketable securities	167	
Other income	182	1,363
<b>Non-operating expense</b>		
Loss on valuation of derivatives	93	
Loss on sales of marketable securities	270	
Loss on disposal of fixed assets	222	
Other expenses	32	619
<b>Ordinary income</b>		18,530
<b>Extraordinary gain:</b>		
Gain on business transfer	298	
Gain on reversal of stock options	21	319
<b>Net income before taxes</b>		18,849
Income taxes current	6,345	
Income taxes deferred	470	6,816
<b>Net income</b>		12,033

## Statements of Changes in Net Assets

(From January 1, 2016 to December 31, 2016)

(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	1,322	20	54,725
Movement for the period					
Dividends of surplus					-15,060
Net income					12,033
Sales of treasury stock			150		
Purchase of treasury stock					
Movement for the period excluding shareholders' equity					
Total movement	-	-	150	-	-3,027
Balance at the end of current period	18,386	21,108	1,472	20	51,698

	Shareholders' equity		Valuation and translation adjustment	Stock acquisition right	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain(loss) on available-for-sales securities		
Balance at the beginning of current period	-10,326	85,238	308	1,681	87,228
Movement for the period					
Dividends of surplus		-15,060			-15,060
Net income		12,033			12,033
Sales of treasury stock	2,958	3,108			3,108
Purchase of treasury stock	-2,967	-2,967			-2,967
Movement for the period excluding shareholders' equity			-511	-76	-588
Total movement	-9	-2,886	-511	-76	-3,474
Balance at the end of current period	-10,335	82,352	-203	1,605	83,754

## **Independent Auditor's Report**

February 14, 2017

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

Takashi Kondo (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, 2016 and for the year from January 1, 2016 to December 31, 2016 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.

### **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 14, 2017

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

Takashi Kondo (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, 2016 and for the year from January 1, 2016 to December 31, 2016 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 28th fiscal year from January 1, 2016, to December 31, 2016, 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 audit.

## 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 15, 2017

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.)