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(Securities Code 4704)

March 4, 2019

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 CONVOCAION OF
THE 30th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Sirs and Madams

Our 30th 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 25, 2019, (Monday) or vote after perusing the “Voting by Electronic Means” (ex. on the Internet) described hereafter (p.4-5).

- 1. Date and time:** 10:00 a.m. on March 26, 2019 (Tuesday)
- 2. Place:** Fujii, 3rd 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 30th year (January 1, 2018, to December 31, 2018), 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 30th year (January 1, 2018, to December 31, 2018)

Matters for Resolution

- Agenda 1 :** Appropriation of retained earnings
Agenda 2 : Election of Seven Directors

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 (<https://www.go-tm.jp/invite>) 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 (<https://www.go-tm.jp/invite>).

If you attend the General Meeting of Shareholders



Date and time

10:00 a.m. on March 26, 2019 (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 30th 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 25, 2019 (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 25, 2019 (Monday)

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



Website for exercising voting rights: <https://evote.tr.mufg.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 (<https://evote.tr.mufg.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 25, 2019, 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) The voting method from PC / mobile phone
 - Please follow the instructions on the voting website (<https://evote.tr.mufg.jp/>) to enter “for” or “against” using the login ID and temporary password stated in the voting form.
 - 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.
 - We will inform you of your new login ID and temporary password for each General Meeting of Shareholders.
 - (ii) The voting method from Smartphone
 - By reading "QR code for login" stated in the voting form with the Smartphone, it is possible to connect automatically to the voting website and exercise your voting rights. (No need to enter "Login ID" and "Temporary Password".)
 - From the security point of view, you can login with QR code only once. After the second time, even if you read the QR code, you will need to enter "Login ID" and "Temporary Password".
 - There are times when you unable to login with QR code depends on a smartphone model. In case you unable to login with QR code, please exercise your voting rights from PC or mobile phone method described in 2(1) above.
- *QR code is the registered trademarks of DENSO WAVE INCORPORATED.

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

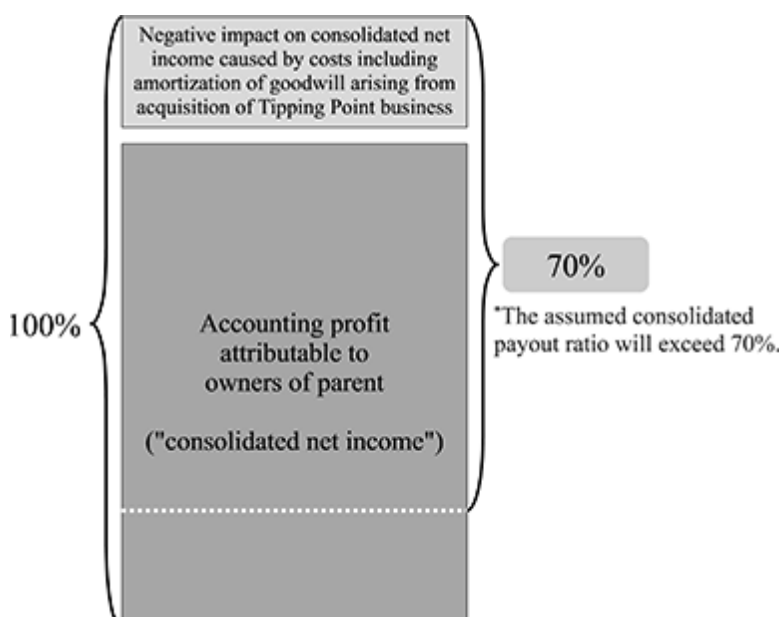
While making efforts to strengthen our financial position and secure retained earnings in order to adjust ourselves to a volatile business environment and maintain our competitiveness, we would continue to pay dividends on a consolidated net income basis.

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 28th consolidated accounting period, which is not accompanied by cash outflow, caused a decrease in “consolidated net income”. In view of this effect on dividends paid, 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:
163 yen per common share of the Company
Total amount: 22,759,727,490 yen
- (3) Effective date for dividend of surplus:
March 27, 2019



Agenda 2 : Election of Seven Directors

Terms of office of all seven Directors will expire at the close of this General Meeting of Shareholders. Therefore, we propose the election of seven Directors.

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	Female	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	Akihiko Omikawa		Executive Vice President and Director / General Manager Japan, Global Consumer Business / General Manager, IoT Business Promotion
5	Reappointed	Wael Mohamed		Director
6	Reappointed	Ikujiro Nonaka	Outside Director	Director
			Independent Director	
7	Reappointed	Tetsuo Koga	Outside Director	Director
			Independent Director	

Candidate number 1	Chang Ming-Jang	(Date of Birth November 5, 1954) 64 Years Old	Reappointed
Number of Holding Shares 5,367,000 shares	Career Summary and Job Titles and Responsibilities at the Company		
	December 1988	President of	Trend Micro Incorporated (U.S.A.)
	December 1995	Representative	Director
Attendance at the Meetings of the Board of Directors 100% (7 / 7)	March 1997	President	and Representative Director
	January 2005	Chairman	and Representative Director (present post)
	Significant Concurrent Positions at Other Companies		
	N/A		
	Reason for nominating the candidate for Director		
	<p>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.</p>		

Candidate number 2	Eva Chen	(Date of Birth February 23, 1959) 60 Years Old	Reappointed Female
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Number of Holding Shares 1,559,000 shares (*)	Career Summary and Job Titles and Responsibilities at the Company		
	May 1989	Joined	Trend Micro Incorporated (Taiwan)
	December 1995	Corporate Auditor	
Attendance at the Meetings of the Board of Directors 100% (7 / 7)	August 1997	Director,	generally responsible for Technology Development Division
	March 2002	Director	Group CTO
	January 2005	President and Representative Director Group CEO (present post)	
	Significant Concurrent Positions at Other Companies		
	N/A		
	Reason for nominating the candidate for Director		

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.

(*) The number of holding shares owned by Ms. Eva Chen indicates the number of shares (number of real owned shares) held under the name of Bank Julius Bear and Company Limited Singapore Clients.

Candidate number 3	Mahendra Negi	(Date of Birth March 9, 1960) 59 Years Old	Reappointed
Number of Holding Shares 161,500 shares	Career Summary and Job Titles and Responsibilities at the Company		
	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% (7 / 7)	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)	
	Significant Concurrent Positions at Other Companies		
	N/A		
	Reasons for nominating the candidate for Director		
	<p>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.</p>		

Candidate number 4	Akihiko Omikawa	(Date of Birth February 24, 1959) 60 Years Old	Reappointed
Number of Holding Shares 4,000 shares	<div>Career Summary and Job Titles and Responsibilities at the Company</div> <div><div>April 1982</div><div>Joined Japan Digital Equipment Corporation (currently Hewlett-Packard Japan, Ltd.)</div></div> <div><div>December 1992</div><div>Joined Microsoft Corporation (currently Microsoft Japan Co., Ltd.)</div></div> <div><div>May 2000</div><div>Executive Officer, Business Internet Director</div></div> <div><div>February 2003</div><div>Joined Trend Micro Incorporated General Manager, Japan Region and Sales & Marketing</div></div> <div><div>May 2003</div><div>Senior Vice President General Manager, Japan Region</div></div> <div><div>April 2007</div><div>Executive Vice President General Manager, Japan Region and Global Service Business Unit</div></div> <div><div>March 2008</div><div>Director, General Manager for Japan Region, Global Service Business, Global Consumer & Small Business</div></div> <div><div>February 2010</div><div>Director, General Manager Japan, LAR, APAC Region, Global Marketing</div></div> <div><div>March 2012</div><div>Executive Vice President and Director, General Manager Japan, LAR, APAC Region, Global Marketing</div></div> <div><div>January 2013</div><div>Executive Vice President and Director, General Manager Japan, APAC Region, Global Consumer Business</div></div> <div><div>January 2014</div><div>Executive Vice President and Director, General Manager Japan, Global Consumer Business</div></div> <div><div>January 2016</div><div>Executive Vice President and Director / General Manager Japan, Global Consumer Business / General Manager, IoT Business Promotion (present post)</div></div> <div><div>Significant Concurrent Positions at Other Companies</div><div>N/A</div></div> <div><div>Reasons for nominating the candidate for Director</div><div>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.</div></div>		

Candidate number 5	Wael Mohamed	(Date of Birth September 17, 1967) 51 Years Old	Reappointed
Number of Holding Shares 0 shares	Career Summary and Job Titles and Responsibilities at the Company		
	October 2001	Vice President, Global Services Solutions of Entrust (currently Entrust DataCard)	
	January 2002	Officer, Vice President of Global Sales of ZixCorp	
Attendance at the Meetings of the Board of Directors	May 2004	Co-founder, President and CEO Officer and Board member of Third Brigade Inc.	
85.71% (6 / 7)	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	
	January 2018	Executive Vice President and Director / Business Development, Strategic Planning, Venture Capital Business of Trend Micro Group	
	January 2019	Director of the Company (present post)	
	Significant Concurrent Positions at Other Companies		
	N/A		
	Reasons for nominating the candidate for Director		
	Mr. Wael Mohamed has abundant experience in the business field such as in the position of CEO at the company he founded by himself and the experience of the Group COO of the company. For these reasons, the Company renominates him as a candidate for Director.		

Candidate number 6	Ikujiro Nonaka	(Date of Birth May 10, 1935) 83 Years Old	Reappointed	Outside Director
				Independent Director

Number of Holding Shares 0 shares	Career Summary and Job Titles and Responsibilities at the Company	
Attendance at the Meetings of the Board of Directors 100% (7 / 7)	April 1958	Joined Fuji Electric Corporation
	April 1977	Professor, Department of Business Administration, Nanzan University
	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
	April 2000	Professor, Hitotsubashi 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 Drucker School and Institute, Claremont Graduate University
	June 2007	Outside Director of MITSUI&CO., LTD
	July 2009	Chairman, Economic Research Center of FUJITSU RESEARCH INSTITUTE
	March 2011	Outside Director of the Company (present post)
Significant Concurrent Positions at Other Companies		
Professor Emeritus, Hitotsubashi University Graduate School of International Corporate Strategy		
Reasons for nominating the candidate for Outside Director		
<p>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.</p> <p>His term of office as Outside Director of the Company will be eight years at the close of this General Meeting of Shareholders.</p>		

Candidate number 7	Tetsuo Koga	(Date of Birth March 2, 1948) 71 Years Old	Reappointed	Outside Director
				Independent Director

Number of Holding Shares 0 shares	Career Summary and Job Titles and Responsibilities at the Company	
	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 100% (7 / 7)	June 2009	Left Nippon Telegraph and Telephone East Corporation
	June 2009	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.
	March 2017	Outside Director of the Company (present post)
	Significant Concurrent Positions at Other Companies	
	Outside	Director of HITO-Communications, Inc.
	Outside	Director of Asahi Net, Inc.
	Reasons for nominating the candidate for Outside Director	

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 renominates him as a candidate for Outside Director.

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

(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 and Mr. Tetsuo Koga as 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.
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 nine 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 1.9% of the consolidated net sales for the current period of the Company.
 - (2) Limited liability agreements with candidates for Outside Director

Mr. Ikujiro Nonaka and Mr. Tetsuo Koga have 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 their election is approved, such agreement remains effective.

end of the reference materials

(Translation)

(Attachment)

Business Report

(From January 1, 2018 to December 31, 2018)

1. Business Review of Trend Micro Group

(1) Qualitative Information on the Consolidated Business Results

During this term of fiscal year 2018, from January 1 to December 31, even though the world economy stayed mostly firm, it has been going through with various risks toward the end of the year; rising trade frictions between mainly U.S.-China, the impact of occurring Brexit uncertainty and U.S. government shutdown, etc.

Though Japan economy has been on a moderate recovery trend continuously with improved mainly corporate profits and a variety of healthy economic indices, it is still going through over concerns risks mentioned above world economic including trade friction, the uncertainty of foreign economic situation, financial and capital markets fluctuations, geopolitical risks, etc.

In the worldwide Information Technology industry, corporates' interests in new fields including IoT (Internet of Things) and AI (Artificial Intelligence), etc. have been leading IT spending. In addition, new 5G networks will start to appear soon. It seems to be expected increase more demand for cloud computing including server virtualization and related services from both home and abroad in IT industry market. According to another report, worldwide IT spending will be estimated to reach into \$3.8 trillion by the end of 2019.

In the cyber security industry, the General Data Protection Regulation (GDPR) became enforceable beginning 25 May 2018. On the other hand, multitude of cyber terrorism that targets specific companies, organizations, and even state institution, etc., a spate of identity theft in both business client information and personal private information, and cryptocurrency drain have been still coming across occasionally. In addition, the data scandal that personally identifiable information of the SNS users suffered unauthorized use by third party revealed. This recent high-visibility incident required showing more rigorous approach to information management to the collection-side. In future, increasing in more sophisticated attacking, the industry will be required to adopt a techniques to minimize the risk of various threats as like ransomware, targeted to cryptocurrencies, IoT devices and environment, social or political cyber attacking, etc.

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

With regards to sales in Japan region, consumer business has increase slightly due to sustain roughly the same level in the number of users as the same period in the previous year. In Enterprise business, not only traditional security business including Unified Threat Management (UTM) products sales performed well, but also cloud related business shows growth. As a result, net sales for this period in Japan region amounted to 63,086 million yen (6.7% increase from the same period in the previous year.)

For North America region, consumer business sales have recovered to positive growth in local currency this period compare to the same period in the previous year. On the other hand, enterprise business has booked only domestic TippingPoint business sales, which used to be booked including any other regions' sales, since this fiscal year. Though this fact has brought about negative impact on this region sales, enterprise business sales has showed steady performance due to mainly cloud related business. As the result, sales for this period in North America region was 41,547 million yen (1.1% decrease from the same period in previous year.)

In Europe region sales, both cloud related business and network security related business including TippingPoint business contribution showed growth. In addition, there was a weak yen impact. As the result, net sales in this region were 28,390 million yen (17.8% increases from the same period in previous year) with a double-digit growth rate.

In the Asia Pacific region, not only mainly Australia, but also Middle East area and Southeast Asia where showed substantial growth have lead this region sales. Especially cloud related business and network security related business

including TippingPoint business effects have been going well to this region sales. As a result, net sales for this period in Asia Pacific region amounted to 22,980 million yen (20.2% increase from the same period in the previous year) with a double-digit growth rate.

In the Latin America region sales, though cloud related business has been leading entire this region sales. In spite of surplus growth in local currency, there was a strong yen impact. As the result, net sales in this region were 4,404 million yen (1.1% decreases from the same period in previous year.)

As a result, the consolidated net sales for entire year of fiscal year 2018 amounted to 160,410 million yen (7.8% increase from the same period in previous year.)

Cost of sales and operating expenses totaled 124,573 million yen (10.9% increase from the same period in previous year.) In spite of a decrease in stock option related expenses especially allowance for stock-based remuneration with stock price movement, this increase is mainly due to increase in people costs based on both staff up and people development, getting volume public cloud service usage, and hardware purchase caused by network security related business sales growth, etc. As a result, consolidated operating income for this period was 35,836 million yen (1.7% decrease from the same period in previous year).

The consolidated ordinary income for this period was 37,190 million yen (0.4% increase from the same period in previous year.) This increase caused by decrease in foreign exchange loss. The net income attributable to owners of the parent for this period was 28,314 million yen (10.2% increase from the same period in previous year.) due to no effects the release of valuation allowances on deferred tax assets based on US tax rate change in the prior year.

(2) Capital Expenditure

The total amount of capital expenditure for the current period was 3,560 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

In the cyber security industry which our group belongs to, there have been not only existed security vendors as our direct competitors, but also new vendors joining by recent M&A or acquisition from other industries and new entries, etc. They have been encouraging market competitions both domestic and overseas. Such a consolidation and new entries are now too fluid to foresee the future direction of this business and their presence in the computer security market will make the competition in the market more intense. In addition, under the facing an age of IoT, the cyber security industry has been constantly being required to make appropriate provision for the safety of both ginormous and significant data and infrastructure, the implementation of AI technology to security, etc. with perceiving alteration in both environment and user behavior.

In response to such intense competition and changes in the market, our group is enhancing our wide range of technologies to better combat the latest web threats, which evolve from day to day, through a number of acquisitions. With those a series of acquisitions and organically grown technology, our group has taken the lead over other competitors in creating cloud based security solution. Our core technology, SPN provides a wide variety of products and services which achieve cloud computing security with correlation analysis for various threats.

For achieving our vision: A world safe for exchanging digital information, as threat defense experts, our group will advance our multilayered “XGen™ security” approach, a blend of cross-generational proven threat defense techniques including advanced technology as AI, web and mail reputation, behavior monitoring, machine learning, etc. Based on threat intelligence we have been accumulated, we can achieve to offer higher value-added security solutions with “XGen™ security” that have been ongoing progressed to resolve ever-changing issues to blend each well-placed security techniques. 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

Fiscal Year	The 27 th Term ended December 2015	The 28 th Term ended December 2016	The 29 th Term ended December 2017	The 30 th Term ended December 2018
Item				
Net Sales (millions of yen)	124,317	131,936	148,811	160,410
Ordinary Income (millions of yen)	34,071	35,138	37,035	37,190
Net Income Attributable to Owners of Parent (millions of yen)	21,435	24,651	25,691	28,314
Net Income per Share (in yen)	157.71	179.63	187.01	204.38
Total Assets (millions of yen)	290,520	308,537	331,157	346,243
Net Assets (millions of yen)	159,693	166,471	177,077	187,083

(6) Status of Important Subsidiaries

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

- (Notes) 1. The consolidated financial statements cover all subsidiaries and affiliated companies except two non-consolidated subsidiaries, which consist of 37 consolidated subsidiaries including the aforementioned four important subsidiaries and two 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	1,735
Marketing Division	391
Product Support Division	1,383
Research and Development Division	2,091
Administration Division	962
Total	6,562

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:
139,630,230 shares (excluding treasury stock of 738,274 shares)
- (3) Number of Shareholders: 8,164
- (4) Top 10 Shareholders:

Name of Shareholders	Number of Shareholding	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	27,172,200	19.46
Japan Trustee Services Bank, Ltd. (Trust Account)	13,767,000	9.85
Trueway Company Limited	12,186,500	8.72
Chang, Ming-Jang	5,367,000	3.84
SMBC Nikko Securities Inc.	4,382,800	3.13
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,857,200	2.76
GIC PRIVATE LIMITED-C	2,698,200	1.93
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,245,500	1.60
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,050,700	1.46
STATE STREET BANK WEST CLIENT - TREATY 505234	1,887,134	1.35

(Notes)

1. The number of shares owned by Trueway Company Limited listed in the top ten shareholders above is the number of real owned shares which added 4,000,000 shares under the name of NOMURA SINGAPORE LIMITED CUSTOMER SEGREGATED A/C FJ-1309 to 8,186,500 shares stated with reference to the register of shareholders.
2. The Shareholding Ratio is calculated excluding treasury stock (738,274shares).

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

	Thirty-first Series	Thirty-second Series	Thirty-third Series
Date of resolution of the issue	May 13, 2014	November 14, 2014	December 22, 2015
Category	Director (Note)	Director (Note)	Director (Note)
Number of holders	4	4	4
Number of stock acquisition rights	1,000	410	1,078
Number of shares subject to stock acquisition rights	100,000	41,000	107,800
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	3,220 yen	3,640 yen	4,690 yen
Exercise period	May 27, 2019	December 1, 2019	January 11, 2021
Conditions for exercise of stock acquisition rights	(Note 2)	(Note 2)	(Note 2)

	Thirty-fourth Series	Thirty-fifth Series	Thirty-sixth Series
Date of resolution of the issue	September 14, 2016	December 7, 2017	December 3, 2018
Category	Director (Note)	Director (Note)	Director (Note)
Number of holders	3	4	3
Number of stock acquisition rights	987	1,200	900
Number of shares subject to stock acquisition rights	98,700	120,000	90,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration	Without consideration
Exercise price per share at the exercise of rights	3,545 yen	6,430 yen	6,280 yen
Exercise period	September 29, 2021	December 22, 2022	December 18, 2023
Conditions for exercise of stock acquisition rights	(Note 2)	(Note 2)	(Note 2)

(Note) Outside Directors 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 Directors and employees of subsidiaries of the Company

	Thirty-sixth Series
Date of resolution of the issue	December 3, 2018
Number of Directors and employees of subsidiaries of the Company holding stock acquisition rights (excluding Directors and employees of the Company)	10
Number of stock acquisition rights	2,250
Number of shares subject to stock acquisition rights	225,000
Type of shares subject to stock acquisition rights	Common Stock
Issue price per stock acquisition right	Without consideration
Exercise price per share at the exercise of rights	6,280 yen
Exercise period	From December 19, 2018 to December 18, 2023
Conditions for exercise of stock acquisition rights	(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

	Thirty-first Series	Thirty-second Series	Thirty-third Series
Date of resolution of the issue	May 13, 2014	November 14, 2014	December 22, 2015
Category	Employees of the Company, Directors and employees of subsidiaries of the Company	Directors and employees of subsidiaries of the Company	Directors and employees of subsidiaries of the Company
Number of stock acquisition rights	3,310	1,336	1,406
Number of shares subject to stock acquisition rights	331,000	133,600	140,600
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	3,220 yen	3,640 yen	4,690 yen
Exercise period	May 27, 2019	December 1, 2019	January 11, 2021
Conditions for exercise of stock acquisition rights	(Note)	(Note)	(Note)

	Thirty-fourth Series	Thirty-fifth Series	Thirty-sixth Series
Date of resolution of the issue	September 14, 2016	December 7, 2017	December 3, 2018
Category	Employees of the Company, Directors and employees of subsidiaries of the Company	Directors and employees of subsidiaries of the Company	Directors and employees of subsidiaries of the Company
Number of stock acquisition rights	9,958	2,250	2,250
Number of shares subject to stock acquisition rights	995,800	225,000	225,000
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	3,545 yen	6,430 yen	6,280 yen
Exercise period	September 29, 2021	December 22, 2022	December 18, 2023
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, 2018)

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 / Business Development, Strategic Planning, Venture Capital Business 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
Tetsuo Koga	Director	Outside Director of HITO-Communications, Inc. / Outside Director of Asahi Net, Inc
Masaru Sempo	Full-time Corporate Auditor	
Fumio Hasegawa	Corporate Auditor	
Yasuo Kameoka	Corporate Auditor	Chief Director and Senior Partner of Taiko Audit Corporation
Koji Fujita	Corporate Auditor	Attorney at Law, Okuno & Partners foreign law joint enterprise / External Director of Dexerials Corporation / External Director of NICHIREKI CO.,LTD./ External Director of IRISO ELECTRONICS CO.,LTD.

- (Notes)
- Our officers consist of eleven (11) members, seven (7) Directors and four (4) Corporate Auditors, of which, one (1) is female and ten (10) are males as of December 31, 2018. The female officer is the President and Representative Director.
 - Mr. Ikujiro Nonaka, Director, and Mr. Tetsuo Koga, Director, are an Outside Directors under Article 2, item 15 of the Companies Act.
 - All four Corporate Auditors are Outside Auditors under Article 2, item 16 of the Companies Act.
 - 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 all Outside Corporate Auditors as independent director/corporate auditors upon whom the Tokyo Stock Exchange imposes the obligation of designation, and who are unlikely to cause conflicts of interest with general shareholders, and it has filed such designation with the said Exchange.

(2) Summary of Limited Liability Agreement

As long as Outside Directors and 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
Directors	7	591 (millions of yen)	Two (2) Outside Directors received 16 million yen.
Corporate Auditors	4	24 (millions of yen)	All four (4) Corporate Auditors are Outside Corporate Auditors.

- (Note) Remuneration of Directors (except Outside Directors) include a total of 151 million yen in stock options and a total of 209 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 Outside Directors or Outside Corporate Auditors hold a concurrent position

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

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

Name	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 7 meetings of the Board of Directors (100%). He made comments as needed based on his expert knowledge on management theory.
Tetsuo Koga (Director)	Attended all 7 meetings of the Board of Directors (100%) held since he took office as a Director. He made comments as needed based on his expert knowledge of real industry.
Masaru Sempo (Full-time Corporate Auditor)	Attended all 7 meetings of the Board of Directors (100%) and all 13 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 7 meetings of the Board of Directors (100%) and all 13 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 7 meetings of the Board of Directors (100%) and all 13 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 6 of 7 meetings of the Board of Directors (85.71%) and all 13 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	87
(ii) Total amount of cash and other financial benefits payable by the Company and its subsidiaries	87

(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 divulcation, theft, loss, corruption, interpolation and the like of information would cause the Company to suffer enormous damage and a loss of credibility. Therefore, the Company shall control such risks in accordance with the provisions of the Information Security Policy (Global Policy), the Confidential Information Control Regulations, the Risk Management Guideline, the Personal Information Protection Manual and the like.
 - iv) In the event an unforeseen contingency occurs, the Company shall establish a crisis team (or a SWAT team) with our Director in charge of the Japan Region as a risk manager to move quickly on the situation, and shall establish a system to prevent and minimize additional damage, including damage to our clients.
- (3) System to ensure the efficient execution of our Directors' duties
 - i) As a basis for a system to ensure the efficient execution of our Directors' duties, a meeting of the Board of Directors shall be held at least once every three months, and in a timely manner from time to time if necessary. Any important matters relating to the Company's management policies and strategies shall be determined making reference to the results of an Executive Meeting and a periodical Budget Review Process.
 - ii) In order to execute the Company's operations based on the resolutions of our Board of Directors, each person in charge of respective operations, his or her responsibilities, and the details of execution procedures shall be named and set forth in an administrative authority rule, a rule on our executives and the like.
- (4) System to ensure that the execution of the duties of the Directors and employees of the Company and the director and employees of our subsidiaries comply with relevant laws and regulations and the Articles of Incorporation
 - i) As the basis of the compliance system of each of our group companies, a Code of Conduct, Regulations on Insider Trading and the like shall be established. In order to confirm the implementation of the Code of Conduct, an acknowledgement research shall be carried out to all the directors and employees of our group companies every year.

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

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

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

- (9) Other systems to ensure our Corporate Auditors' effective audit
- i) Any of our Representative Directors shall provide opportunities to exchange opinions with our Corporate Auditors periodically for better communication, and also provide opportunities for our Corporate Auditors to hear opinions from our employees on their work if necessary to promote our Corporate Auditors' better understanding of the content of our business activities.
 - ii) The Internal Audit Department that has charge of internal audit shall consult, engage in exchanges of views, share information, and maintain close contact with our 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, 2018)

(Yen in millions)

Account	Amount
<Assets>	
Current assets	241,915
Cash and bank deposits	116,496
Notes and accounts receivable, trade	39,248
Marketable securities	61,289
Inventories	3,675
Deferred tax assets	16,142
Others	5,328
Allowance for bad debt	(265)
Non-current assets	104,328
Property and equipment	8,769
Buildings and structures, net	4,271
Office furniture and equipment	4,125
Others	372
Intangibles	35,112
Software	11,250
Goodwill	10,051
Others	13,810
Investments and other non-current assets	60,445
Investment securities	41,532
Investments in subsidiaries and affiliates	3,203
Deferred tax assets	14,099
Others	1,610
Total assets	346,243

(Yen in millions)

Account	Amount
<Liabilities>	
Current liabilities	111,594
Notes and accounts payable, trade	1,622
Accounts payable, other	4,980
Accrued expenses	5,698
Accrued income and other taxes	4,491
Allowance for bonuses	1,748
Allowance for sales return	737
Short-term deferred revenue	85,041
Others	7,274
Non-current liabilities	47,565
Long-term deferred revenue	40,049
Net defined benefit liability	5,867
Others	1,649
Total liabilities	159,160
<Net assets>	
Shareholders' equity	189,608
Common stock	18,533
Additional paid-in capital	24,895
Retained earnings	148,601
Treasury stock	(2,421)
Accumulated other comprehensive income	(3,623)
Unrealized gain on available for sale securities	(251)
Foreign currency translation adjustment	(2,727)
Remeasurements of defined benefit plans	(644)
Stock acquisition right	1,022
Non-controlling interest	76
Total net assets	187,083
Total liabilities and net assets	346,243

(2) Consolidated Profit and Loss Statement

(From January 1, 2018 to December 31, 2018)

(Yen in millions)

Account	Amount	
Net sales		160,410
Cost of sales		32,728
Gross profit		127,681
Selling, general and administrative expense		91,844
Operating income		35,836
Non-operating income		
Gain on valuation of derivatives	43	
Interest income	1,526	
Gain on sales of marketable securities	3	
Equity in gain of affiliated companies	224	
Others	205	2,003
Non-operating expenses		
Interest expenses	2	
Loss on sales of marketable securities	173	
Loss on disposal of fixed assets	337	
Foreign exchange loss	46	
Others	90	649
Ordinary income		37,190
Net income before taxes		37,190
Income taxes current	11,370	
Income taxes deferred	(2,480)	8,890
Net income before non-controlling interest		28,299
Non-controlling interest in income of consolidated subsidiaries		(14)
Net income attributable to owners of the parent		28,314

(3) Consolidated Statements of Changes in Net Assets

(From January 1, 2018 to December 31, 2018)

(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	23,162	140,794	(8,717)	173,626
Movement for this period					
Issuance of new stocks	147	147			294
Dividends of surplus			(20,507)		(20,507)
Net income			28,314		28,314
Sales of treasury stock		1,427		6,295	7,723
Change in ownership interest of parent due to transactions with non-controlling interests		157			157
Movement for this period excluding shareholders' equity					
Total movement	147	1,732	7,806	6,295	15,981
Balance at the end of current period	18,533	24,895	148,601	(2,421)	189,608

	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	38	2,263	(519)	1,782	1,662
Movement for this period					
Issuance of new stocks					
Dividends of surplus					
Net income					
Sales of treasury stock					
Change in ownership interest of parent due to transactions with non-controlling interests					
Movement for this period excluding shareholders' equity	(289)	(4,991)	(125)	(5,406)	(639)
Total movement	(289)	(4,991)	(125)	(5,406)	(639)
Balance at the end of current period	(251)	(2,727)	(644)	(3,623)	1,022

	Minority interest	Total net assets
Balance at the beginning of current period	6	177,077
Movement for this period		
Issuance of new stocks		294
Dividends of surplus		(20,507)
Net income		28,314
Sales of treasury stock		7,723
Change in ownership interest of parent due to transactions with non- controlling interests		157
Movement for this period excluding shareholders' equity	70	(5,975)
Total movement	70	10,006
Balance at the end of current period	76	187,083

Balance Sheet

(As of December 31, 2018)

(Yen in millions)

Account	Amount	Account	Amount
<Assets>		<Liabilities>	
Current assets	103,653	Current liabilities	54,798
Cash and bank deposits	39,613	Accounts payable, trade	263
Notes and Accounts receivable, trade	10,999	Accounts payable, other	10,717
Marketable securities	34,303	Accrued expenses	4
Product	196	Accrued income and other taxes	3,304
Raw material	401	Accrued consumption taxes	824
Supplies	104	Deposit	187
Prepaid expense	143	Allowance for sales return	459
Deferred tax assets	12,841	Short-term deferred revenue	38,056
Short-term loans receivable from subsidiaries and affiliates	1,663		
Account receivable others	3,120	Others	980
Others	265		

Account	Amount	Account	Amount
Non-current assets	63,026	Non-current liabilities	26,556
Property and equipment	636	Long-term deferred revenue	22,415
Buildings	1,035	Long-term account payable	2
Office furniture and equipment	1,319	Allowance for retirement benefits	3,997
Accumulated depreciation	(1,718)	Others	140
Intangibles	5,909	Total liabilities	81,354
Software	3,201	<Net assets>	
Software in progress	1,193	Shareholders' equity	84,429
Goodwill	59	Common stock	18,533
Others	1,455	Capital surplus	24,737
Investments and other non-current assets	56,479	Additional paid-in capital	21,255
Investment securities	20,784	Other Capital surplus	3,481
Investments in subsidiaries and affiliates	25,798	Retained earnings	43,580
Deposit for landlord	553	Legal reserve	20
Memberships	4	Accumulated profit	43,559
Deferred tax assets	9,413	Retained earnings carried forward	43,559
Allowance for investment loss	(75)	Treasury stock	(2,421)
		Valuation and translation adjustment	(126)
		Net unrealized gain (loss) on debt and equity securities	(126)
		Stock acquisition right	1,022
		Total net assets	85,325
Total assets	166,680	Total liabilities and net assets	166,680

Profit and Loss Statement

(From January 1, 2018 to December 31, 2018)

(Yen in millions)

Account	Amount	
Sales Revenue		
Sales	63,087	
Royalty	71	63,158
Cost of sales		15,845
Gross profit		47,313
Operating expenses		29,903
Operating income		17,409
Non-operating income		
Interest on loans receivable from subsidiaries and affiliates	96	
Interest income	1	
Interest on marketable securities	207	
Dividends from subsidiaries and affiliates	5,978	
Gain on sales of marketable securities	3	
Gain on valuation of derivatives	43	
Others	60	6,390
Non-operating expense		
Foreign exchange loss	472	
Loss on sales of marketable securities	173	
Loss on disposal of fixed assets	137	
Others	27	811
Ordinary income		22,989
Net income before taxes		22,989
Income taxes current	6,006	
Income taxes deferred	(1,040)	4,965
Net income		18,023

Statements of Changes in Net Assets

(From January 1, 2018 to December 31, 2018)

(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	2,053	20	46,043
Movement for the period					
Issuance of new stocks	147	147			
Dividends of surplus					(20,507)
Net income					18,023
Sales of treasury stock			1,427		
Movement for the period excluding shareholders' equity					
Total movement	147	147	1,427	—	(2,483)
Balance at the end of current period	18,533	21,255	3,481	20	43,559

	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	(8,717)	78,895	(17)	1,662	80,541
Movement for the period					
Issuance of new stocks		294			294
Dividends of surplus		(20,507)			(20,507)
Net income		18,023			18,023
Sales of treasury stock	6,295	7,723			7,723
Movement for the period excluding shareholders' equity			(109)	(639)	(749)
Total movement	6,295	5,534	(109)	(639)	4,784
Balance at the end of current period	(2,421)	84,429	(126)	1,022	85,325

Certified copy of the auditor's report by the Accounting Auditor

Independent Auditor's Report

February 12, 2019

The Board of Directors
Trend Micro Incorporated

KPMG AZSA LLC

Takashi Kondo (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tetsushi Umetani(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, 2018 and for the year from January 1, 2018 to December 31, 2018 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 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 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.

Certified copy of the auditor's report by the Accounting Auditor

Independent Auditor's Report

February 12, 2019

The Board of Directors
Trend Micro Incorporated

KPMG AZSA LLC

Takashi Kondo (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tetsushi Umetani (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, 2018 and for the year from January 1, 2018 to December 31, 2018 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 30th fiscal year from January 1, 2018, to December 31, 2018, 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 13, 2019

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.)

This document has been translated from the Japanese original for reference purpose only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

**Disclosure through the Internet relating to
“NOTICE OF CONVOCATION THE 30th ORDINARY
GENERAL MEETING OF SHAREHOLDERS”**

“Notes to the Consolidated Financial Statements”

“Notes to Financial Statements”

(From January 1, 2018 to December 31, 2018)

TREND MICRO INCORPORATED

The items above are provided to our shareholders by posting our website (<https://www.go-tm.jp/invite>) in accordance with laws and regulations, and the Articles of Incorporation of Trend Micro Incorporated.

Notes to the Consolidated Financial Statements

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

1. Matters Concerning the Scope of Consolidation

(1) Number of Consolidated Subsidiaries: Thirty five (37)

(2) Names of Major Subsidiaries

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

Cysiv LLC and Cysiv Security Canada Inc were newly established and have been included in the scope of consolidation.

(3) Names of Unconsolidated Subsidiaries.

Broadweb Corporation (Brunei)

Broadweb Corporation (Seychelles)

The reason for scope out of consolidation

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

2. Matters Concerning Application of Equity Method

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

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

General Mobile Corporation (Cayman Islands)

AsiaInfo Security Limited (British Virgin Islands)

(3) The affiliate company and unconsolidated subsidiaries to which the equity method has not been applied.

Broadweb Corporation (Brunei)

Broadweb Corporation (Seychelles)

The reason for scope out of equity method

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

3. Matters Concerning the Accounting Standards

(1) Accounting for evaluation of material assets

(i) Securities

Available-for-sale with market value:

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

Available-for-sale without market value:

Cost basis by moving average method

(ii) Inventories:

Cost basis by moving average method

Unprofitable inventories are devaluated

(iii) Derivatives

Market value method

(2) Depreciation or Amortization method for fixed assets

Property and equipment (excluding lease assets)

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

Office furniture and equipment: mainly 2 – 20 years

Intangibles (excluding lease assets)

<Software for sale>

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

<Software for internal use>

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

<Other intangibles>

Straight-line method over the estimated useful life

Lease assets

Lease assets arising from non-ownership-transfer finance leases

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

(3) Accounting policies for allowances

Allowance for bad debt

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

Allowance for bonuses

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

Allowance for sales return

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

(4) Accounting methods for retirement benefit obligation

- Attribution method for retirement benefit estimates

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

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

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

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

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

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

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

(6) Revenue Recognition Policy

Sales recognition policy for PCS

Post Contract Customer Support Service (PCS) is a software product license agreement that includes end-user support, such as upgrading products and virus pattern files and providing customer service. The Company applies the following revenue recognition method for the share of PCS revenue.

PCS revenue is recognized separately from total revenue and is deferred as deferred revenues under current and non-current liabilities based on the contracted period. Deferred revenue is finally recognized as revenue evenly over the contracted period.

(7) Consumption tax

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

(8) Amortization of Goodwill

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

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

(Accounting Standard Not Yet Applied)

(“Accounting Standard for Revenue Recognition” etc.)

-“Accounting Standard for Revenue Recognition”(ASBJ Statement No.29, March 30, 2018 (hereinafter, “Statement No.29”))

-“Implementation Guidance on Accounting Standard for Revenue Recognition”(ASBJ Guidance No.30, March 30, 2018 (hereinafter, “Statement No.29”))

(1) Overview

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) collaborated on a project to develop a single, comprehensive revenue recognition model and jointly issued new revenue recognition standards “Revenue from Contracts with Customers” (IFRS 15 published by IASB, Topic 606 published by FASB) in May 2014. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018 and Topic 606 is effective for annual reporting periods beginning after December 15, 2017.

Considering the above circumstances, the Accounting Standard Board of Japan (ASBJ) also developed a new revenue recognition standards and issued Statement No. 29 together with Guidance No. 30.

ASBJ’s basic policy in developing the new revenue recognition standards is to first incorporate the core principle of IFRS 15 in the light of improving the international comparability of financial statements and then add additional alternative treatments to the extent that international comparability would not be significantly impaired where any business practices operated in Japan need to be considered.

(2) Scheduled date of applying the new guidance

Effective from the beginning of the fiscal year ending December 31, 2022.

(3) The effects by the application of the new guidance, etc.

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

(Change in presentation)

(Consolidated balance Sheet)

“Buildings and structures, net”, which was included in “Others” under “Property and equipment” in the previous fiscal year, is presented separately in the current fiscal year because of its materiality. To reflect this change in presentation, the amount of 3,944 million yen presented in “Others under Property and equipment” in the previous fiscal year is reclassified into 3,264 million yen presented in “Buildings and structures, net” and 680 million yen presented in “Others under Property and equipment”

(NOTES TO THE CONSOLIDATED BALANCE SHEET)

Accumulated depreciation of property and equipment: 19,823 million yen

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

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

Common stock 140,368,504 shares

The class and number of treasury stock

Class	As of Jan 1, 2018	Increase	Decrease	As of Dec 31, 2018
Common Stock	2,657,574 shares	— shares	1,919,300 shares	738,274 shares

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

The resolution	The annual shareholders meeting held on 27 March, 2018
The type of equity shares	Ordinary shares
The total amount of dividends paid	20,507 million yen
The amount of dividend paid per share	149.00 yen
The record date	31 December, 2017
The effective date	28 March, 2018

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

The resolution	The annual shareholders meeting to be held on 26 March, 2019
The type of the equity shares	Ordinary shares
The source of dividend payment	Retained earnings
The total amount of dividends paid	22,759 million yen
The amount of dividend paid per share	163.00 yen
The record date	31 December, 2018
The effective date	27 March, 2019

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

Ordinary shares 467,500 shares

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

(NOTES TO FINANCIAL INSTRUMENTS)

1. Matters concerning financial instruments

(1) Policies for financial instruments

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

(2) Details of financial instruments and associated risks

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

(3) Risk management structure for financial instruments

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

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

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

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

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

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

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

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

2. Matters concerning fair values of financial instruments

Consolidated balance sheet amounts, fair values and the differences therein as of December 31, 2018 (fiscal year end) are as follows. Investments in non-marketable securities are not included in this table.

(Yen in millions)

	Consolidated balance sheet amounts	Fair values	Differences
(1) Cash and bank deposits	116,496	116,496	—
(2) Notes and accounts receivable, trade	39,248	39,248	—
(3) Marketable securities and investment securities	99,919	99,919	—
Total assets	255,664	255,664	—
(1) Notes and accounts payable, trade	1,622	1,622	—
(2) Accounts payable, other	4,980	4,980	—
(3) Accrued expenses	5,698	5,698	—
(4) Accrued income and other taxes	4,491	4,491	—
Total liabilities	16,792	16,792	—

(*1) Asset/liability from the derivatives transaction is disclosed in net amount.
Liability is shown in parentheses.

(Notes 1) Matters concerning the methods for calculating fair value of financial instruments and the transactions of marketable securities

Assets

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

These assets are recorded at book values as their fair values are approximately equal to book values due to their short-term maturities.

(3) Marketable securities and investment securities

Fair values of shares are based on the market prices quoted on stock exchanges, while the price of bonds are based on the market prices quoted on stock exchanges or obtained from the relevant financial institutions.

Liabilities

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

These liabilities are recorded at book values as their fair values are approximately equal to book values due to their short-term maturities.

(Notes 2) Non-listed stocks (6,105 million yen recorded on consolidated balance sheet) are not included in “(3) Marketable securities and investment securities” since the identification of its market values is deemed to be extremely difficult.

(NOTES ON PER SHARE INFORMATION)

- | | | |
|----|--|--------------|
| 1. | The net assets per share: | 1,331.98 yen |
| 2. | The net income for the term per share: | 204.38 yen |

(NOTES ON MATERIAL SUBSEQUENT EVENTS)

N/A

(OTHER NOTES)

N/A

Notes to Financial Statements

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

1. Accounting for evaluation of assets

(1) Securities

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

(ii) Other securities

Available-for-sale with market value:

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

Available-for-sale without a market value:

Cost basis by moving average method

(2) Inventories

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

Unprofitable inventories are devaluated

(3) Derivatives

Market value method

2. Depreciation and amortization method for fixed assets

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

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

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

Buildings: 3 – 24 years

Office furniture and equipment: 3 – 20 years

Intangible fixed assets (excluding leased assets)

<Software for sale>

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

<Software for internal use>

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

<Other intangibles >

Straight-line method over the estimated useful lives

Leased assets

Finance lease without transfer of ownership of the leased assets

Straight-line method in which the useful life is assumed to be the lease period and the residual value is zero.

3. Accounting policies for allowances

Allowance for loss on investments in subsidiaries and affiliates	In order to provide reserves against future loss from investments in subsidiaries, estimated loss from investments in subsidiaries is provided based on an examination of the relevant subsidiary's financial condition and expected recoverability.
Allowance for sales returns	In order to reserve future losses from sales return subsequent to the fiscal year end, allowance for sales return is provided based on the past experience in the sales return.
Allowance for retirement benefits	<p>In order to provide for the employees retirement benefits, the Company accrues liability for severance payments and pensions at the amount calculated based on the projected benefit obligations and plan assets as of the fiscal year end.</p> <p>The accounting method of recognizing allowance for retirement benefits and its cost is as follows.</p> <p>(1) Attribution method for retirement benefit estimates</p> <p>In calculating the retirement benefits, the expected retirement benefits are attributed to the periods by standard pension benefit formula basis.</p> <p>(2) Accounting method of actuarial differences and the expense related to prior service cost</p> <p>Actuarial differences are amortized on a straight-line basis in a following fiscal year within the average remaining service period, which is one year, for the employees at the time of recognition.</p> <p>Accounting method of unrecognized actuarial differences on employee retirement benefits is different from that of the consolidated financial statements.</p> <p>Prior service cost is amortized on a straight-line basis over a period equaling the average remaining service period of employee, which is one year.</p>

4. Revenue Recognition Policy

Sales recognition policy for PCS

Post Contract Customer Support Service (PCS) is a software product license agreement that includes end-user support, such as upgrading products and virus pattern files and providing customer service. The company applies the following revenue recognition method for the share of PCS revenue.

PCS revenue is recognized separately from total revenue and is deferred as deferred revenues under current and non-current liabilities based on the contracted period. Deferred revenue is finally recognized as revenue evenly over the contracted period.

5. Consumption tax

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

6. Amortization of Goodwill

Goodwill is amortized evenly over the appropriate period in less than 20 years.

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

(NOTES TO THE BALANCE SHEET)

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

	(Yen in millions)
Short-term monetary assets	4,669
Short-term monetary liabilities	6,251

(NOTES TO THE PROFIT AND LOSS)

The Amounts of Transactions with Subsidiaries and Affiliates

The Amounts of Operational Transactions

	(Yen in millions)
Sales	75
Outside service fee	17,586
Cost sharing charges	5,340
Purchases	1,399

The Amounts of Non- Operational Transactions

Interest on loans receivable from subsidiaries and affiliates	96
Dividends from subsidiaries and affiliates	5,978

(NOTES TO THE STATEMENTS OF CHANGES IN NET ASSETS)

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

Common Stock	738,274 shares
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(NOTES TO THE TAX EFFECT ACCOUNTING)

1. Major items causing deferred tax assets:

Deferred tax assets

	(Yen in millions)
Nondeductible deferred revenue	18,513
Nondeductible amortization of intangibles fixed assets	1,136
Nondeductible accrued enterprise tax	201
Nondeductible accrued liability	544
Nondeductible allowance for retirement benefits	1,224
Unrealized gain(loss) on available for sale securities	66
Others	722
Deferred tax assets sub total	22,408
Valuation allowance	(142)
Total deferred tax assets	22,266

Deferred tax liabilities

	(Yen in millions)
Unrealized gain(loss) on available for sale securities	(10)
Total deferred tax liabilities	(10)
Net amount of deferred tax asset	22,255

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

Statutory tax rate	30.9%
(Adjustments)	
Nondeductible expense such as entertainment expense	1.1%
Nontaxable income such as dividends income	(7.6)%
Tax credit	(3.5)%
Others	0.7%
Effective tax rate after adjustment for tax effect accounting	21.6%

(NOTES ON RELATED PARTY TRANSACTIONS)

Subsidiaries and Affiliated companies

Company name	Ownership ratio of voting rights	Detail of the relationship	Detail of transactions	Item and Trading amount (Yen in millions)	Account name	Balance at end of period (Yen in millions)
Trend Micro Incorporated (US)	100% (Indirect)	Cost sharing agreement	Collection of funds (*1)	4,832	Short-term loans receivable	1,663
			Interest received (*1)	248	Accrued interests	53
			Payments of Cost sharing charges (*2)	7,459	Accounts payable, other	1,629
Trend Micro (Ireland) Limited	100% (Indirect)	Cost sharing agreement	Receipts of Cost sharing charges (*2)	8,271	Accounts receivable, other	1,925
Trend Micro Incorporated (Taiwan)	100% (Direct)	Outsourcing agreements of research and technology development and other support services	Payments of Outsourcing charges (*2)	9,990	Accounts payable, other	1,597

(*1) The principle refund and the interest payment are due on March 3, 2017, March 3, 2018 and March 3, 2019. Interest rates in loans of funds are reasonably determined in consideration of the market interest rate.

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

(NOTES ON PER SHARE INFORMATION)

- | | | |
|----|--|------------|
| 1. | The net assets per share: | 603.76 yen |
| 2. | The net income for the term per share: | 130.10 yen |

(NOTES ON MATERIAL SUBSEQUENT EVENTS)

N/A

(OTHER NOTES)

N/A