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(Securities Code 4704)

March 5, 2012

Dear Shareholders

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

**NOTICE OF CONVOCATION THE 23rd ORDINARY GENERAL MEETING OF
SHAREHOLDERS**

Dear Sirs and Madams

Our 23rd 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 26, 2012, (Monday) or vote after perusing the “Voting by Electronic Means” (ex. on the Internet) described hereafter (pp.57).

- 1. Date and time:** 10:00 a.m. on March 27, 2012 (Tuesday)
- 2. Place:** Momoyama Room, B1, Hyatt Regency Tokyo 7-2,
Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo, Japan

3. Purpose:

Matters to be reported

1. Contents of the Business Report for the 23rd year (January 1, 2011, to December 31, 2011), 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 23rd year (January 1, 2011, to December 31, 2011).

Matters for Resolution

Agenda 1: Appropriation of retained earnings

Agenda 2: Revision of remuneration, etc. of directors

Agenda 3: Issuance of the Stock Acquisition Rights as stock-based remuneration

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.

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

(Attachment)

(Translation)

Business Report

(From January 1, 2011, to December 31, 2011)

1. Business Review

(1) Process and Results of Business Operations of the Group

During this term of fiscal year 2011, from January 1 to December 31, just when the world economy had made a brisk recovery from the stagnation caused by the global financial crisis, it confronted the disaster of Japan and the entire world, and the deterioration of the European financial crisis. The world economy seemed to be back to a global recession mood. Starting from Greek debt crisis, the European financial crisis was getting into more disarray. The European financial crisis became the destabilizing factor on the global recession and world financial market. The US economy was also substantially slowing down the economic recovery since beginning of the 2011. Though the various economic indexes showed a little improvement at the end of the year, it was still down in part due to the downgrade in the housing market and high levels of unemployment. In addition, there is increasing concern that the economic momentum of emerging countries was slowing down due to domestic demand with the tightened credit and weak external demand. The overall state of the world economy is still uncertain and in flux.

Japans economy continued to be affected by natural disasters over the year with a considering large amount of anxiety over the soaring budget deficit, employment improvement, deflationary recession, the electric power shortage, and the yen at historically high levels. Under the many negative affects of macro economy, Japans economy seems to be still a long way from recovery.

In the worldwide Information Technology Industry, despite the business demands in emerging countries, worldwide PC shipments were in a decline caused by worldwide recession and short supply of parts. It was recorded as the worst year of the decade for PC shipments in the US. On the other hand, new IT technology and services were attracting a great deal of attention as the driving forces of political and economical action tools. Moreover, those new IT services worked well in aid for reconstruction after the Great East Japan Earthquake. In 2011, IT spending increased more than originally expected mainly due to increasing demand for mobile devices such as smartphones, cloud computing, and SNS.

In the computer security industry, hacking / cracking tools held most of worldwide incidents in the reports. According to the virus infection damage incident report, Japan reported 7,750 infections during 2011. Virus infections has been decreasing every year and showed a substantial decrease from 2010 at 16,908 and reducing for four years in a row. Though incidents reports has been decreasing every year because of 2 major trends, more “monetary gain or data stealing” and “more targeted,” threats itself increases the intensity of the crimes over the world. The article of the enterprise hacking attack incidents were widely reported in 2011. That popular attack technique is called Advanced Persistent Threat (APT). With APTs, businesses face a constantly evolving threat landscape. APTs are sophisticated, multi-faceted attacks targeting a particular organization. This type of attack technique is becoming more sophisticated. At the same time, in the consumer market, there are variable devices and services like smartphones and SNS which make it easy to access and exchange vital information including monetary information. Thus, security is not only for the devices themselves, but also the cloud computing services and data being used in the devices.

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

Although it was affected by the weak recovery of IT spending, Japan achieved sustainable growth for four consecutive quarters. Both the enterprise business and the consumer sales have shown positive growth. Especially consumer sales showed a double-digit increase due to increase users. Sales for this period in Japan was 46,070 million yen (8.8% increase from the same period in previous year).

North American sales revenues slightly decreased along with its local currency compared to the same period last year, but a strong yen also affected this region's overall sales. As the result, sales for this period in North America showed a double-digit decrease at 20,452 million yen (10.0% decrease from the same period in previous year.) However the cloud business in this region has demonstrated an upward trend with high future sales contribution potential.

EMEA generated 17,147 million yen (6.1% decrease from the same period in previous year) in total sales. Though sales revenues along with its local currency slightly decreased compared to the same period last year as like North America region, the influence of weak euro substantially negative affected this region's sales in Japanese yen. In this region, the enterprise business unit has been still dominated sales revenue. The future challenge is to expand the consumer business unit, which is still in its early stages of development.

The Asia and Pacific region achieved sustainable growth for four consecutive quarters as like Japan. Taiwan, which is one of the majorities in this region sales, experienced double-digit growth, and Australia drastically took a lead in sales. As the result, this region demonstrated the largest growth among the 5 sales regions. The net sales for this period in APAC came to 10,329 million yen (9.2% increase from the same period in previous year).

In Latin America, both Brazil and Mexico has not performed well in even its local currency compared to the same period last year. In this region, net sales were 2,391 million yen (8.8% decreases from the same period in previous year).

As a result, the consolidated net sales for entire year 2011 came to 96,392 million yen (1.1% increase from the same period in previous year) as a slight increase.

Cost of sales and operating expenses totaled 70,028 million yen (2.2% decrease from the same period in previous year) due to an increase in salary and a decrease in marketing costs, etc. As a result, consolidated operating income for this period was 26,364 million yen (11.0% increase from the same period in previous year).

Due to a Gain on sales of marketable securities and a large decrease in Foreign exchange loss, the consolidated ordinary income for this period was 28,690 million yen (20.4% increase from the same period in previous year).

The consolidated net income for this period was 17,341 million yen (36.3% increase from the same period in previous year) without Devaluation loss on marketable securities which was in the same period in previous year.

(2) Capital Expenditure

The total amount of capital expenditure for the Consolidated Financial term under review was 2,588 million yen, which was invested mainly in development of new technologies and acquisition of instruments necessary to rationalize the basic operation systems including servers, PCs and peripheral devices.

(3) Financing

There are no special instructions.

(4) Acquisition and Disposals of Shares, Other Equities, and Stock Subscription Rights in Other Companies.

Stock Acquisition on February 1 st , 2011	
Acquirer	Trend Micro Incorporated (US)

Acquired Company	Mobile Armor Inc.		
Classified Stocks	Common Stock		1,246,216 shares
	Preferred Stock Series A		17,723,968 shares
	Preferred Stock Series B		2,215,496 shares
Ownership percentage	100%		
Purchase Price	USD 29,318 thousands		

(5) Issues to Deal With

In the computer security industry which our group belongs to, there have been two competitors with gaining a respectable degree of market share in the U.S. In addition to our direct competitors, Microsoft Corporation, a major operating system software vendor, has entered into the security market. Moreover, recently variable consolidations have indeed continued including M&A or acquisition from other industry and new entries, etc. We anticipate that such a consolidation, new entries, and their presence in the computer security market will make the competition in the market more intense.

In response to such intense competition, we are enhancing our wide range of technologies to better combat the latest web threats, which evolve from day to day, through the acquisition of InterMute Inc. in 2005 for antispymware technologies; Kelkea Inc. in 2005 for IP filtering and reputation services; Provilla, Inc. in 2007 for data leak prevention (DLP); Identum in 2008 for email encryption technology; Third Brigade Inc. in 2009 for Host Intrusion Prevention System (HIPS); Humyo in 2010 for online storage and data synchronization services ; and Mobile Armor in 2011 for data encryption and mobile device management technology.

Through a series of acquisitions and organically grown technology, Trend Micro has created Trend Micro Smart Protection Network. Since 2009, Trend Micro Smart Protection Network is at the core of Trend Micro products and services and is designed to protect customers from web threats through a next generation cloud-client content security infrastructure.

Trend Micro Smart Protection Network correlates web, email and file threat data using reputation technologies and is continuously updating in-the-cloud threat databases to detect, analyze and protect customers from the latest threats. By introducing fast, real-time security status “look-up” capabilities in-the-cloud, Trend Micro reduces dependence upon conventional pattern file downloads on the endpoint, as well as the cost and overhead associated with corporate-wide pattern deployments.

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

(6) Business Results and Changes in Financial Conditions

Item \ Fiscal Year	The 20 th Term ended December 2008	The 21 st Term ended December 2009	The 22 nd Term ended December 2010	The 23 rd Term ended December 2011
Net Sales (millions of yen)	101,707	96,346	95,391	96,392
Ordinary Income (millions of yen)	33,640	31,714	23,835	28,690
Net Income	19,247	17,638	12,720	17,341

(millions of yen)				
Net Income per share (in yen)	143.88	132.16	95.27	131.23
Total Assets (millions of yen)	178,766	203,887	206,099	201,765
Net Assets (millions of yen)	98,846	108,643	106,569	107,362

(7) Status of Important Subsidiaries

Company Name	Capital	Shareholding Ratio	Primary Business
Trend Micro Incorporated (Taiwan)	212,500,000 Taiwan dollars	100%	Development and sale of security-related products
Trend Micro Incorporated (U.S.A.)	477,250.67 U.S. dollars	100%	Development and sale of security-related products
Trend Micro Australia Pty. Ltd. (Australia)	150,000 Australia dollars	100%	Development and sale of security-related products
Trend Micro (EMEA) Limited (Ireland)	400,000 euros	100%	Provision of business support for subsidiaries and development and sale of security-related products

(Notes) The consolidated accounts cover all subsidiaries and affiliated companies, which consist of 32 consolidated subsidiaries including the aforementioned four important subsidiaries and three equity method affiliates.

(8) Primary Business of the Group

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

(9) 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)

(10) Employees

Name of Divisions	Number of Employees
Sales Division	994
Marketing Division	356
Product Support Division	1,322
Research and Development Division	1,492
Administration Division	778
Total	4,942

2. Status of Shares

- (1) Total Numbers of Shares authorized to be issued by the Company:
250,000,000 shares
- (2) Total Number of Outstanding Shares:
131,554,269 shares (excluding treasury stock of 8,738,735 shares)
- (3) Number of Shareholders: 7,538
- (4) The Top 10 Shareholders:

Name of Shareholders	Number of Shareholding	Shareholding Ratio(%)
Trueway Company Limited	18,418,000	14.00
The Master Trust Bank of Japan, Ltd.(Trust Account)	10,182,000	7.73
Japan Trustee Services Bank, Ltd. (Trust Account)	7,731,900	5.87
Gainway Enterprise Co., Ltd.	5,684,000	4.32
Nomura Singapore Limited Customer Segregated A/C FJ 1309	5,544,500	4.21
Chang, Ming-Jang	5,208,000	3.95
MLPFS Custody Account	4,827,579	3.66
The Chase Manhattan Bank , N.A. London Secs Lending Omnibus Account	3,290,458	2.50
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	2,764,800	2.10
JP Morgan Securities Japan Co., Ltd.	2,631,751	2.00

(Notes)

1. Numbers of shareholdings shown in the Business Report are stated with reference to those in the shareholder register.
2. The Shareholding Ratio is calculated excluding treasury stock (8,738,735 shares).

3. Matters Concerning Stock Acquisition Rights etc of the Company

(1) Status of Stock Acquisition Rights held by Directors at the End of the Current Term

(i) Number of stock acquisition rights

From Twenty-first to Twenty-third: 708

From Twenty-fourth to Twenty-eighth-A: 5,029

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

Common stock

From Twenty-first to Twenty-third: 354,000 shares

(500 shares per stock acquisition right)

From Twenty-fourth to Twenty-eighth-A: 502,900 shares

(100 shares per stock acquisition right)

(iii) Issue price of stock acquisition rights:

Without consideration

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

	Series (Exercise Price)	Exercise Period	Number of stock acquisition rights	Number of holders
Director (Excluding an Outside Director)	Twenty-first (3,500 yen)	June 30, 2013	253	3
	Twenty-second (2,580 yen)	November 18, 2013	185	3
	Twenty-third (3,080 yen)	July 1, 2014	270	3
	Twenty-fourth (3,170 yen)	November 24, 2014	742	3
	Twenty-fifth (2,346 yen)	June 30, 2015	790	3
	Twenty-sixth (2,582 yen)	November 25, 2015	1,000	2
	Twenty-seventh-A (2,557yen)	July 14, 2016	1,497	3
	Twenty-eighth-A (2,406yen)	December 14, 2016	1,000	3

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

(v) Essential Conditions for Exercise of Stock Acquisition Rights

(a) A holder of stock acquisition rights may exercise his/her stock acquisition rights only if the holder continues to be in a position as a director, auditor, employee, secondee or adviser of the Company or a subsidiary of the Company (hereinafter in this item referred to as the "previous position") until the time when the holder wants to exercise his/her stock acquisition rights. If a holder of stock acquisition rights loses the previous position, the holder may exercise his/her stock acquisition rights within 45 days from the date on which the holder loses his/her previous position. When a holder of stock acquisition rights loses his/her previous position due to physical disability or other similar cause, the holder may exercise his/her stock acquisition rights within six months from the date on which the holder loses his/her previous position. If the provisions of this paragraph conflict with any compulsory provisions applicable in the country of residence of the holder, this

paragraph shall not apply to the extent that such conflict arises.

- (b) When a holder of stock acquisition rights dies, his/her heir may exercise the relevant stock acquisition rights within six months from the date on which the holder died only if the heir completes the procedures for the inheritance of stock acquisition rights as stipulated by the Company. If the provisions of this paragraph conflict with any compulsory provisions applicable in the country of residence of the holder, this paragraph shall not apply to the extent that such conflict arises.
- (c) If stock acquisition rights are pledged or any security interest on the stock 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 to Employees of the Company, Directors and employees of subsidiaries of the Company

[Twenty-seventh-B Stock Option (Stock Acquisition Rights)]

- (i) Number of stock acquisition rights issued: 21,769
- (ii) Number and Type of subject shares:
Common Stock: 2,176,900 shares
(100 shares per stock acquisition right)
- (iii) Issue price of stock acquisition rights:
Without consideration
- (iv) Exercise price of stock acquisition rights:
2,557 yen per share
- (v) Exercise Period
From July 16, 2011, to July 14, 2016
- (vi) Total stock acquisition rights held by holders other than Directors of the Company

	Number of stock acquisition rights	Number of holders
Employees of the Company (Excluding Directors of the Company)	2,089	298
Directors and employees of subsidiaries of the Company (Excluding Directors and employees of the Company)	19,680	2,050

- (vii) 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.

[Twenty-eighth-B Stock Option (Stock Acquisition Rights)]

- (i) Number of stock acquisition rights issued: 20,701
- (ii) Number and Type of subject shares:
Common Stock: 2,070,100 shares
(100 shares per stock acquisition right)
- (iii) Issue price of stock acquisition rights:
Without consideration
- (iv) Exercise price of stock acquisition rights:
2,406 yen per share
- (v) Exercise Period
From December 16, 2011 to December 14, 2016
- (vi) Total of stock acquisition rights held by holders other than Directors of the Company

	Number of stock acquisition rights	Number of holders
Employees of the Company (Excluding Directors of the Company)	1,865	248
Directors and employees of subsidiaries of the Company (Excluding Directors and employees of the Company)	18,836	2,084

(vii) 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.

- (3) Other Important Matters concerning Stock Acquisition Rights
 Status of Stock Acquisition Rights held by holders Employees of the Company, Directors and employees of subsidiaries of the Company at the end of the current term
- (i) Number of stock acquisition rights
 From Nineteenth to Twenty-third: 13,296
 From Twenty-fourth to Twenty-eighth-B: 95,487
- (ii) Type and Number of Shares subject to Stock Acquisition Rights
 Common stock
 From Nineteenth to Twenty-third: 6,648,000 shares
 (500 shares per stock acquisition right)
 From Twenty-fourth to Twenty-eighth-B: 9,548,700shares
 (100 shares per stock acquisition right)
- (iii) Issue price of stock acquisition rights:
 Without consideration
- (iv) Total stock acquisition rights held by holders Employees of the Company, Directors and employees of subsidiaries of the Company per each issuance

	Series (Exercise Price)	Exercise Period	Number of stock acquisition rights
Employees of the Company, Directors and employees of the subsidiaries of the Company	Nineteenth (4,780 yen)	September 13, 2012	525
	Twentieth (4,240 yen)	November 25, 2012	348
	Twenty-first (3,500 yen)	June 30, 2013	3,866
	Twenty-second (2,580 yen)	November 18, 2013	4,109
	Twenty-third (3,080 yen)	July 1, 2014	4,448
	Twenty-fourth (3,170 yen)	November 24, 2014	11,673
	Twenty-fifth (2,346 yen)	June 30, 2015	18,949
	Twenty-sixth (2,582 yen)	November 25, 2015	22,395
	Twenty-seventh-B (2,557yen)	July 14, 2016	21,769
	Twenty-eighth-B (2,406yen)	December 14, 2016	20,701

- (v) Essential Conditions for Exercise of Stock Acquisition Rights
- (a) A holder of stock acquisition rights may exercise his/her stock acquisition rights only if the holder continues to be in a position as a director, auditor, employee, secondee or adviser of the Company or a subsidiary of the Company (hereinafter in this item referred to as the “previous position”) until the time when the holder wants to exercise his/her stock acquisition rights. If a holder of stock acquisition rights loses the previous position, the holder may exercise his/her stock acquisition rights within 45 days from the date on which the holder loses his/her previous position. When a holder of stock acquisition rights loses his/her previous position due to physical disability or other similar cause, the holder may exercise his/her stock acquisition rights within six months from the date on which the holder loses his/her previous position. If the provisions of this paragraph conflict with any compulsory provisions applicable in the country of residence of the holder, this paragraph shall not apply to the extent that such conflict arises.

- (b) When a holder of stock acquisition rights dies, his/her heir may exercise the relevant stock acquisition rights within six months from the date on which the holder died only if the heir completes the procedures for the inheritance of stock acquisition rights as stipulated by the Company. If the provisions of this paragraph conflict with any compulsory provisions applicable in the country of residence of the holder, this paragraph shall not apply to the extent that such conflict arises.
- (c) If stock acquisition rights are pledged or any security interest on the stock acquisition is established, the holder of the relevant stock acquisition rights may not exercise the same.

4. Matters Concerning Directors and Corporate Auditors in the Company

(1) Directors and Corporate Auditors

(As of December 31, 2011)

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

- (Notes) 1. At the 22nd Ordinary General Meeting of Shareholders held on March 25, 2011, Mr. Ikujiro Nonaka was newly elected and assumed the position of Director.
2. Mr. Hirotaka Takeuchi, Director has retired at the close of the 23rd Ordinary General Meeting of Shareholders held on March 25, 2011.
3. Mr. Fumio Hasegawa, Corporate Auditor, resigned his post as a Full-time Corporate Auditor on June 26, 2011.
4. Mr. Motohide Tanikawa, Corporate Auditor was elected the Full-time Corporate Auditor as a result of an action by board of auditor and assumed the position on June 27, 2011.
5. Mr. Fumio Hasegawa, Corporate Auditor was elected the Full-time Corporate Auditor as a result of an action by board of auditor and assumed the position on January 1, 2012.
6. Mr. Motohide Tanikawa, Corporate Auditor, resigned his post on January 31, 2012.
7. Mr. Ikujiro Nonaka, Director, is an outside director under Article 2, item 15 of the Companies Act.

8. All four Corporate Auditors are outside auditors under Article 2, item 16 of the Companies Act.
9. Mr. Motohide Tanikawa and Mr. Fumio Hasegawa, Corporate Auditors, both have 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.
10. The Company has designated all Outside Directors and Outside Corporate Auditors as independent directors/corporate auditors upon whom the Tokyo Stock Exchange imposes the obligation of designation, and who are unlikely to cause conflicts of interest with general shareholders, and it has filed such designation with the said Exchange.

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

Category	Number of persons	Amount of remuneration	Remarks
Director	6	404(Yen in millions)	Our two outside directors received 7 million yen.
Corporate Auditor	4	22(Yen in millions)	All four Corporate Auditors are outside auditors.

(Notes) 1. The above includes remuneration during the term of office for one Director (an outside director) who retired at the conclusion of the 22nd Ordinary General Meeting of Shareholders held on March 25, 2011.

2. Remunerations paid to Directors include the amount of 173million yen of stock options granted to Directors. (This does not apply to outside directors.)

(3) Matters concerning Outside Directors and Outside Auditors

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

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

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

Name	Attendance and Comments at the Meetings of the Board of Directors and the Meetings of the Board of Corporate Auditors
Ikujiro Nonaka (Director)	Attended 5 of 6 meetings of the Board of Directors held since he took office as a Director. He made comments as needed based on his expert knowledge on management theory.
Motohide Tanikawa (Full-time Corporate Auditor)	Attended 5 of 8 meetings of the Board of Directors and 12 of 15 meetings of the Board of Corporate Auditors. He raised questions or expressed opinions when necessary in order to ensure the adequacy and appropriateness in making decisions at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his experiences in finance and accounting matters over the years.
Fumio Hasegawa (Corporate Auditor)	Attended all 8 meetings of the Board of Directors and all 15 meetings of the Board of Corporate Auditors. He raised questions or expressed opinions when necessary in order to ensure the adequacy and appropriateness in making decisions at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his experience in finance and accounting matters over the years.
Yasuo Kameoka (Corporate Auditor)	Attended all 8 meetings of the Board of Directors and all 15 meetings of the Board of Corporate Auditors. He raised questions or expressed opinions when necessary in order to ensure the adequacy and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors mainly based on his expert knowledge as a certified public accountant.
Koji Fujita (Corporate Auditor)	Attended all 8 meetings of the Board of Directors and all 15 meetings of the Board of Corporate Auditors. He raised questions or expressed opinions when necessary in order to ensure the adequacy and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors mainly based on his expert knowledge as an attorney.

(iii) Summary of Limited Liability Agreement

As long as Directors and Corporate Auditors perform their duties in good faith and without gross negligence with respect to the liabilities set out in Article 423, paragraph 1 of the Companies Act, the outside Director, the Full-time Corporate Auditor and the part-time Corporate Auditors shall, in accordance with the limited liability agreement executed between the Company and outside Director and between the Company and all Corporate Auditors, be liable for up to 16 million yen, 20 million yen and 4.8 million yen respectively or the minimum liability amount prescribed by law, whichever of these amounts is the higher.

5. Status of Accounting Auditor

(1) Name of the Accounting Auditor of the Company
KPMG AZSA LLC

(2)	Remuneration, etc. Paid to Accounting Auditor	(Millions of yen)
(i)	Amount of fees and charges paid to accounting auditors for the term under review	93
(ii)	Total amount of cash and other financial benefits payable by the Company and its subsidiaries	93

- (Notes) 1. As the audit fees under the Companies Act and those under the Financial Instruments and Exchange Act are not separated for the purpose of the audit contract executed between the Company and the accounting auditors and are impractical to separate, the amount specified in (i) above is indicated as the total amount of audit fees payable under both laws.
2. Three of the important subsidiaries of the Company are audited by certified public accountants or audit corporations other than the Accounting Auditor of the Company (including qualified persons equivalent thereto in foreign countries) .

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

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

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

6. Systems and Policies of the Company

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

- (1) A system to retain and manage information regarding execution of operations by the directors
 - i) Information on the execution of operations by the directors must be retained appropriately, managed, and be in a highly searchable state, depending on the recording media, based on the Confidential Matter Control Regulations, the Confidential Matter Control Guidelines and other internal regulations, and it must be kept in a state that permits the directors and the Corporate Auditors to access it at any time. The storage period should be that required by law if such legal requirements exist, and if not, for the period required by the Regulations on the Handling of Documents.
 - ii) The protection and storage of information in the information system shall comply with the Information System Control Regulations.
- (2) A system concerning regulations regarding risk and loss management
 - i) The Company recognizes risk regarding our products and services, and risk regarding the Company's infrastructure, as risks related to the execution of the operations of our company. The Company will establish a system to identify and manage such risks, as well as a system to place persons in charge of managing such risks.
 - ii) The Company will establish the Compliance Security Committee, chaired by the Representative Director, as an organization to manage and control compliance and the risk control system.
 - iii) Leaks, theft, loss, damage, and illegal alteration of information would bring enormous loss of trust and damage to our company. Therefore, the Company shall manage such risks based on the Information System Control Regulations, the Confidential Information Control Regulations, the Risk Management Guideline, the Personal Information Protection Regulations, and other regulations.
 - iv) In the event that an incident occurs, an emergency operations team (SWAT team) shall be established, with the Director for the Japan Region as the risk manager, to take swift action, and it shall establish a system to prevent and minimize the spread of damage, including to clients.
- (3) A system to ensure efficient execution of operations by directors
 - i) As the basis for a system to ensure efficient execution of operations by the directors, a board of directors' meeting shall be held at least once every three months, and at any other appropriate time when considered necessary. As for important matters relating to management policies and management strategies of the Company, their execution shall be determined by reference to the results of discussions at the Executive Meetings held every quarter, as well as in the periodical budget review process.
 - ii) As for the execution of operations based on decisions of the board of directors, the person in charge, their responsibilities, and the details of execution procedures shall be established by the Administrative Authority Regulations and the Regulations Regarding Executives.

- (4) A system to ensure that execution of operations by directors and employees meet relevant regulations and the Articles of Incorporation
- i) As a basis for the compliance system, a Code of Conduct, Regulations Regarding Executives, Regulations on Insider Trading, and Personal Information Protection Regulations shall be established.

A Compliance Security Committee has been established, headed by the Representative Director, and it shall maintain and improve the Internal Control System. Each division shall also establish guidelines and training as necessary.

- ii) An Internal Control Manager, responsible for the maintenance and promotion of the Internal Control System, shall be appointed, and members in charge of the Internal Control System practices headed by the Internal Control Manager shall be appointed from time to time.
 - iii) In the event that any director finds a serious breach of law or a significant lapse in compliance in the Company, he or she shall immediately report it to the Corporate Auditors, and shall also report it to the board of directors without delay.
 - iv) Based on the Whistle-blowing Report Procedures, which are regulations establishing internal notification and reporting systems regarding breaches of law and other compliance matters, the Human Resources Division and Internal Audit Department shall be responsible for the operation of said systems. The existence or the non-existence of relevant facts and their contents shall be gathered and reported to the CEO, CFO, and Corporate Auditors every quarter by the Internal Auditor. However, when it is deemed urgent, it shall be reported to them immediately.
 - v) In the event that any corporate auditor determines that there is a problem with the legal compliance system and the execution of the Whistle-blowing Report Procedures of the Company, he or she shall state such opinion, and the establishment of remedial plans may be required.
- (5) A system to ensure appropriate operations of the corporate group consisting of the Company and its subsidiaries
- i) To ensure proper operation of the group companies, the Code of Conduct and Whistle-blowing Report Procedures shall apply to all group companies in the same way as applied to the Company. In addition, the Company shall request the corporate group to establish an organization to identify and manage risks related to the execution of operations.
As for management control, Affiliated Companies Control Regulations, Finance Control and Signature Authorization Regulations shall be established, thus enabling management control of subsidiaries authorized by and reporting to our company. Management shall also monitor the discussions of the Executive meetings held every quarter and the periodical budget review process as necessary. .
In the event that any director finds a breach of law or any other important compliance issues with group companies, he or she shall immediately report it to the Corporate Auditors and the Board of Directors.
 - ii) To ensure the reliability of financial reporting by the Company and group companies, the establishment and operation of internal controls relating to financial reporting shall be promoted.

- iii) In the event that any of the subsidiaries determines that the management control and management guidance of the Company breaches any law or constitutes problems in compliance, it shall report it to the Internal Auditor.
Immediately upon receiving such a report, the Internal Auditor shall report to the Corporate Auditors and the directors, and he or she may state his or her opinion. Upon receiving such a report, the Corporate Auditor shall state an opinion to the directors, and the establishment of remedial plans may be required.
 - iv) The Internal Auditor shall from time to time visit subsidiaries and monitor their operations.
- (6) A System concerning employees who assist the Corporate Auditors when required and their independence from the directors
- i) In the event that a corporate auditor requires the company to appoint employees (hereafter referred to as “Auditing Staff”) to assist with his or her duties, the Company shall consult with the Corporate Auditor and provide Auditing Staff from among the employees of the Company.
In the case where an Auditing Staff is established, personnel transfer, personal evaluation and other matters with respect to the Auditing Staff shall be determined with the wishes of the Corporate Auditor in mind, thus ensuring independence from the directors.
 - ii) In the event that a corporate auditor so requires, he or she may request employees to conduct specific audit tasks, with notice given to the superiors of such employees. In this case, employees who receive such a request shall report to the Corporate Auditors, irrespective of the chain of command of regular employment.
- (7) A system for directors and employees to report to corporate auditors, other systems for reporting to corporate auditors, and a system for ensuring effective auditing by corporate auditors
- i) The directors shall report the following to the Corporate Auditors:
 - ① Matters resolved at the Executive Meetings;
 - ② Matters that might cause significant damage to the Company;
 - ③ Important matters regarding management;
 - ④ Important matters regarding audit, and the establishment and operation of internal control and risk control;
 - ⑤ Serious breach of law or the Articles of Incorporation;
 - ⑥ Matters regarding changes or introduction of accounting policies; and
 - ⑦ Other important compliance matters.

Furthermore, in the event that an employee finds important matters regarding ②, ⑤ and ⑦ above, he or she may report to the Corporate Auditors directly.
 - ii) By maintaining proper implementation of the Code of Conduct and the Whistle-blowing Report Procedure, the Company shall ensure a proper reporting system for breaches of law and other issues, in compliance with the Corporate Auditors.

- iii) The full-time corporate auditors shall attend the board of directors' meetings and important meetings such as the meetings of the Compliance Security Committee and the Executive Meetings in order to grasp the important decision-making processes and the execution of operations. They may also review approval documents and important documents regarding the execution of operations, require the directors and employees to provide explanations if necessary, and state their opinions.
- iv) The Representative Director shall establish a forum to exchange opinions with corporate auditors periodically, thus promoting communication.
- v) In the event that a corporate auditor determines that it is necessary in order to carry out his or her duties, he or she may ask for the opinions of professionals such as attorneys and certified public accountants, and their expenses shall be borne by the Company.

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

(1) Consolidated Balance Sheet

(As of December 31, 2011)

(Yen in millions)

Account	Amount
<Assets>	
Current assets	151,222
Cash and bank deposits	71,883
Notes and accounts receivable, trade	21,011
Marketable securities	37,734
Inventories	425
Deferred tax assets	15,175
Others	5,041
Allowance for bad debt	-50
Non-current assets	50,543
Property and equipment	5,157
Office furniture and equipment	3,844
Others	1,312
Intangibles	9,520
Software	6,348
Goodwill	1,826
Others	1,344
Investments and other non-current assets	35,865
Investment securities	23,237
Investments in subsidiaries and affiliates	242
Deferred tax assets	11,381
Others	1,004
Total assets	201,765

(Yen in millions)

Account	Amount
<Liabilities>	
Current liabilities	71,402
Accounts payable and Notes payable, trade	886
Accounts payable, other	4,579
Accrued expenses	4,635
Accrued income and other taxes	2,238
Allowance for bonuses	1,044
Allowance for sales return	791
Deferred revenue	54,741
Others	2,485
Long-term liabilities	23,000
Deferred revenue	20,714
Allowance for retirement benefits	1,974
Others	311
Total liabilities	94,403
<Net assets>	
Shareholders' equity	113,355
Common stock	18,386
Additional paid-in capital	21,111
Retained earnings	100,318
Treasury stock, at cost	-26,460
Accumulated other comprehensive income	-12,764
Net unrealized gain(loss) on debt and equity securities	-1,776
Foreign currency translation adjustment	-10,987
Stock acquisition right	6,719
Minority interest	51
Total net assets	107,362
Total liabilities and net assets	201,765

(2) Consolidated Profit and Loss Statement

(From January 1, 2011 to December 31, 2011)

(Yen in millions)

Account	Amount	
Net Sales		96,392
Cost of sales		17,895
Gross profit		78,497
Selling, general and administrative expense		52,132
Operating income		26,364
Non-operating income		
Interest income	1,594	
Gain on sales of marketable securities	829	
Equity in earnings of affiliated companies	22	
Others	151	2,598
Non-operating expenses		
Interest expenses	1	
Foreign exchange loss	51	
Others	219	272
Ordinary income		28,690
Extraordinary gain:		
Gain on reversal of stock option	4,727	
Gain on reversal of allowance for bad debt	130	
Gain on redemption of marketable securities	810	5,668
Extraordinary losses:		
Loss on disposal of fixed assets	110	
Loss on sales of marketable securities	5,625	5,736
Net income before taxes		28,623
Income taxes current	9,661	
Income taxes deferred	1,614	11,276
Net Income before minority interest		17,346
Minority interest in income of consolidated subsidiaries		5
Net income		17,341

(3) Consolidated Statements of Changes in Net Assets

(From January 1, 2011 to December 31, 2011)

(Yen in millions)

	Shareholders' equity				
	Common stock	Additional paid in Capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	18,386	21,111	92,324	-21,834	109,988
Movement for this period					
Dividend of surplus			-9,347		-9,347
Net income			17,341		17,341
Sales of treasury stock		0		55	55
Purchase of treasury stock				-4,682	-4,682
Movement for this period excluding shareholders' equity					
Total movement	-	0	7,993	-4,626	3,367
Balance at the end of current period	18,386	21,111	100,318	-26,460	113,355

	Accumulated other comprehensive income		Stock acquisition right	Minority interest	Total net assets
	Net unrealized gain (loss) on debt and equity securities	Foreign currency translation adjustment			
Balance at the end of previous period	-3,814	-8,385	8,734	46	106,569
Movement for this period					
Dividend of surplus					-9,347
Net income					17,341
Sales of treasury stock					55
Purchase of treasury stock					-4,682
Movement for this period excluding shareholders' equity	2,038	-2,602	-2,014	4	-2,574
Total movement	2,038	-2,602	-2,014	4	792
Balance at the end of current period	-1,776	-10,987	6,719	51	107,362

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 two (32)
- (2) Names of Major Subsidiaries

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

- (3) The Company has no unconsolidated subsidiaries.

2. Matters Concerning Application of Equity Method

- (1) Number of the Affiliate Companies to which the equity method has been applied: Three
- (2) Names of the affiliate companies to which the equity method has been applied:
Soft Trend Capital Corporation, Net STAR, Inc. and Cloud Trend Corporation
- (3) There is no other affiliate company to which the equity method has not been applied.

3. Matters Concerning the Accounting Standards

- (1) Accounting for evaluation of material assets
 - (i) Securities

Available-for-sale with market value:

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

Available-for-sale without market value:

Cost basis by moving average method

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

- (ii) Inventories:

Cost basis by moving average method

Unprofitable inventories are devaluated

(2) Depreciation or Amortization method for fixed assets

Property and equipment (excluding lease assets)

Mainly, depreciation is computed using the declining-balance method in the parent company and is computed by the straight-line method in consolidated subsidiaries. Useful life of the main property and equipment is as follows:

Office furniture and equipment: mainly 2 – 10 years

Intangibles

<Software for sale>

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

<Software for internal use>

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

<Other intangibles>

Straight-line method over the estimated useful life

Lease assets

Lease assets arising from non-ownership-transfer finance leases

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

(3) Accounting policies for allowances

Allowance for bad debt

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

Allowance for bonuses

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

Allowance for sales return

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

Allowance for retirement benefits

In order to provide a reserve against future employees' retirement benefits, allowance for retirement benefits is provided based on retirement benefit liabilities and pension assets projected at the end of the period.

Actuarial difference is expensed in the following accounting period on a pro rata basis for certain years not exceeding the average remaining services years (1 to 23years) of employees at the time of occurrence of such difference.

- (4) Policy for translation of major foreign currency assets and liabilities into Yen
- Foreign currency denominated receivables and payables are translated into Japanese yen at period-end rates of exchange and the resulting foreign currency translation adjustments are taken into account in regards to profits and losses.
- Assets and liabilities of foreign subsidiaries are translated into Japanese yen at period-end spot exchange rates and all income and expense accounts are translated at the average exchange rate. The resulting translation adjustments are included in foreign currency translation adjustment and minority interest.
- (5) Revenue Recognition Policy
- Sales recognition policy for PCS
- The product license agreement contracted with the end-user contains provisions concerning PCS (customer support and upgrading of products and their pattern files). The Company applies the following revenue recognition method for the share of PCS revenue.
- PCS revenue is recognized separately from total revenue and is deferred as deferred revenues under current and non-current liabilities based on the contracted period. Deferred revenue is finally recognized as revenue evenly over the contracted period.
- (6) Consumption tax
- Accounting subject to consumption tax is stated at the amount net of the related consumption tax.
- (7) Amortization of Goodwill
- Goodwill is amortized evenly over the appropriate period, not exceeding 20 years.
- (8) All the amounts shown in yen in this document have been expressed in the unit of one million (1,000,000) yen, with any amount less than such unit being disregarded.

4. Changes in Important Points in the Preparation of the Consolidated Financial Statement

Adoption of “Accounting Standard for Asset Retirement Obligations”

From this Consolidated Fiscal Term, the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18, March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.21 March 31, 2008) were adopted. There is no effect of this adoption.

5. Changes of Presentation

- (1) Presentation of Accumulated other comprehensive income (Consolidated Balance Sheet, Consolidated Statement of Changes in Shareholders’ Equity)
- According to the amendments of Corporate Accounting Ordinance, “Valuation and translation adjustment” under the Consolidated Balance Sheet and Consolidated Statement of Changes in Shareholders’ Equity Etc. is presented as “Accumulated other comprehensive income” from fiscal 2011.
- (2) Presentation of Income before minority interests (Consolidated Profit and Loss Statement)
- As the Corporate Law and the Article, the ordinance which partially revises the Corporate Calculation Regulations, etc, (Ordinance of the Ministry of Justice No. 7 of March 27, 2009). was implemented based on “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on December 26, 2008), the account of “Income before minority interests” is used from fiscal 2011.

(NOTES TO THE CONSOLIDATED BALANCE SHEET)

Accumulated depreciation of property and equipment: 9,751 million yen

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

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

Common stock 140,293,004 shares

The Class and number of treasury stock

Class	B/F	Increase	Decrease	C/F
Common Stock	6,750,535 shares	2,006,100 shares	17,900 shares	8,738,735 shares

(The reason of the movement)

The reason of increase is as follows

Market purchase of treasury stock 2,006,100 shares

The reason of decrease is as follows

Disposition of treasury stock upon the exercise of stock acquisition right 17,900 shares

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

The resolution

The annual shareholders meeting held on 25 March, 2011

The type of equity shares

Ordinary shares

The total amount of dividends paid

9,347 million yen

The amount of dividend paid per share

70.00 yen

The record date

31 December 2010

The effective date

28 March 2011

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 27 March, 2012

The type of the equity shares

Ordinary shares

The source of dividend payment

Retained earnings

The total amount of dividends paid

11,313 million yen

The amount of dividend paid per share

86.00 yen

The record date

31 December 2011

The effective date

28 March 2012

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

12,556,900 shares

(NOTES TO FINANCIAL INSTRUMENTS)

1. Matters concerning financial instruments

(1) Policies for financial instruments

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

(2) Details of financial instruments and associated risks

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

(3) Risk management structure for financial instruments

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

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

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

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

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

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

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

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

2. Matters concerning fair values of financial instruments

Consolidated balance sheet amounts, fair values and the differences therein as of December 31, 2011, (fiscal year end) are as follows.

(Yen in millions)

	Consolidated balance sheet amounts	Fair values	Differences
(1) Cash and bank deposits	71,883	71,883	—
(2) Notes and accounts receivable, trade	21,011	21,011	—
(3) Marketable securities and investment securities	55,772	55,772	—
Total assets	148,667	148,667	—
(1) Accounts payable and Notes payable, trade	886	886	—
(2) Accounts payable, other	4,579	4,579	—
(3) Accrued expenses	4,635	4,635	—
(4) Accrued income and other taxes	2,238	2,238	—
Total liabilities	12,340	12,340	—

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

Assets

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

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

(3) Marketable securities and investment securities

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

Liabilities

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

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

2. As it is believed to be extremely difficult to determine the fair values of unlisted equity securities and bonds (with a consolidated balance sheet amount of 5,199 million yen), which have no market prices and for which estimation of future cash flows is impossible, these items are not included in “(3) Marketable securities and investment securities.”

(NOTES ON PER SHARE INFORMATION)

- | | |
|---|------------|
| 1. The net assets per share: | 764.64 yen |
| 2. The net income for the term per share: | 131.23 yen |

(NOTES ON MATERIAL SUBSEQUENT EVENTS)

N/A

(OTHER NOTES)

N/A

Balance Sheet

(As of December 31, 2011)

(Yen in millions)

Account	Amount	Account	Amount
<Assets>		<Liabilities>	
Current assets	97,918	Current liabilities	42,634
Cash and bank deposits	32,772	Accounts payable, trade	116
Accounts receivable, trade	11,238	Account payables, other	10,167
Marketable securities	36,305	Accrued expenses	263
Finished goods	23	Accrued corporate tax and others	2,067
Raw materials	11	Accrued consumption taxes	177
Supplies	59	Deposits received	45
Prepaid expenses	84	Allowance for bonuses	28
Deferred tax assets	13,767	Allowance for sales return	511
Other receivables	3,387	Deferred revenue	29,205
Others	268	Others	51
Allowance for bad debt	-1	Non-current liabilities	16,764
Non-current assets	39,459	Deferred revenue	15,186
Tangible fixed assets	955	Long-term accounts payable	2
Buildings	850	Allowance for retirement benefits	1,574
Office furniture and equipment	1,375	Total liabilities	59,398
Accumulated depreciation	-1,270	<Net assets>	
Intangibles fixed assets	4,389	Shareholders' equity	73,034
Software	2,981	Common stock	18,386
Software in progress	710	Capital surplus	21,111
Others	698	Additional paid-in capital	21,108
Investments and other non-current assets	34,113	Other Capital surplus	3
Investments in securities	23,224	Retained earnings	59,997
Investments in subsidiaries and affiliates	2,219	Legal reserve	20
Investments in capital of affiliates	7	Accumulated profit	59,976
		Retained earnings carried forward	59,976

Security deposits	497	Treasury stock	-26,460
Memberships	4	Valuation and translation adjustment	-1,775
Deferred tax assets	8,159	Unrealized gain on available for sale securities	-1,775
		Stock acquisition rights	6,719
		Total net assets	77,979
Total assets	137,377	Total liabilities and net assets	137,377

Profit and Loss Statement

(From January 1, 2011 to December 31, 2011)

(Yen in millions)

Account	Amount	
Sales Revenue		
Sales	45,601	
Royalty	9,419	55,021
Cost of sales		9,528
Gross profit		45,492
Selling, general and administrative expense		21,294
Operating income		24,197
Non-operating income		
Interest income	6	
Interest on marketable securities	450	
Dividend income	647	
Gain on sales of marketable securities	824	
Global system income	41	
Others	61	2,031
Non-operating expense		
Foreign exchange loss	416	
Global system expense	144	
Others	136	696
Ordinary income		25,532
Extraordinary gain:		
Gain on reversal of allowance for investment loss	53	
Gain on reversal of stock option	4,612	
Gain on reversal of allowance for bad debt	130	
Gain on redemption of marketable securities	810	5,606
Extraordinary loss:		
Loss on disposal of fixed assets	107	
Loss on sales of marketable securities	5,625	5,732
Net income before taxes		25,406

Income tax current	8,125	
Income tax deferred	1,678	9,803
Net income		15,602

Statements of Changes in Net Assets

(From January 1, 2011 to December 31, 2011)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus		Accumulated earnings	
		Additional paid-in capital	Other Capital surplus	Legal reserve	Accumulated profit
					Retained earnings carried forward
Balance at the end of previous period	18,386	21,108	3	20	53,722
Movement for this period					
Dividend of surplus					-9,347
Net income					15,602
Sales of treasury stock			0		
Purchase of treasury stock					
Movement for this period excluding shareholders' equity					
Total movement	-	-	0	-	6,254
Balance at the end of current period	18,386	21,108	3	20	59,976

	Shareholders' equity		Revaluation surplus	Stock acquisition right	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on available for sale securities		
Balance at the end of previous period	-21,834	71,406	-3,813	8,734	76,328
Movement for this period					
Dividend of surplus		-9,347			-9,347
Net income		15,602			15,602
Sales of treasury stock	55	55			55
Purchase of treasury stock	-4,682	-4,682			-4,682
Movement for this period excluding shareholders' equity			2,037	-2,014	22
Total movement	-4,626	1,628	2,037	-2,014	1,650
Balance at the end of current period	-26,460	73,034	-1,775	6,719	77,979

Notes to Unconsolidated Financial Statements

(SIGNIFICANT ACCOUNTING POLICIES)

1. Accounting for evaluation of assets

(1) Securities

Investments in subsidiaries and affiliates.

Cost basis by moving average method

Other securities

Available-for-sale with market value:

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

Available-for-sale without a market value:

Cost basis by moving average method

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

(2) Inventories

Product · Raw materials · Stores Cost basis by moving average method

Unprofitable inventories are devaluated

2. Depreciation and amortization method for fixed assets

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

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

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

Buildings:	3 – 28 years
Office furniture and equipment:	mainly 2 – 10 years

Intangibles

<Software for sale>

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

<Software for internal use>

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

<Other intangibles>

Straight-line method over the estimated useful life

Lease assets

Lease assets arising from non-ownership-transfer finance leases

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

3. Accounting policies for allowances

Allowance for bad debt	In order to provide reserves against future losses from default of notes and accounts receivable, a bad debt provision is provided. The amount is determined using a percentage based on the actual doubtful account loss against the total of debts. As for high-risk receivables, the expected unrecoverable amount is considered individually.
Allowance for loss on investments in subsidiaries and affiliates	<p>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.</p> <p>Allowance for loss on investments in subsidiaries and affiliates is not provided during this fiscal year.</p>
Allowance for bonuses	Bonuses for employees are provided at an estimate of the amount.
Allowance for sales returns	In order to provide reserves against future losses from sales return subsequent to the fiscal year end, allowance for sales returns is provided based on past experience with the sales return rate.
Allowance for retirement benefits:	<p>In order to provide reserves against future losses arising from the retirement of employees, allowance for retirement benefits recognized to have been incurred at the end of the period is provided based on retirement benefit liabilities projected at the end of the period.</p> <p>Actuarial difference is recognized in the following fiscal year.</p>

4. Revenue Recognition Policy

Sales recognition policy for PCS

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

5. Consumption tax

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

6. 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.

(Changes in accounting policy)

Adoption of “Accounting Standard for Asset Retirement Obligations”

From this fiscal year, the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18, March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.21 March 31, 2008) were adopted. The effect of this adoption was not material.

(NOTES TO THE BALANCE SHEETS)

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

	(Yen in millions)
Short-term monetary assets	5,677
Short-term monetary liabilities	5,814

(NOTES TO THE INCOME STATEMENT)

The Amounts of Transactions with Subsidiaries and Affiliates

The Amounts of Operational Transactions	
	(Yen in millions)
Sales	8,965
Outside service fee	147

The Amounts of Non-operational Transactions	
	(Yen in millions)
Dividend income	647
Global system income	41
Global system expenses	144

(NOTES TO THE STATEMENT OF CHANGES IN NET ASSETS)

The Class and number of treasury stock:

Class	B/F	Increase	Decrease	C/F
Common Stock	6,750,535 shares	2,006,100 shares	17,900 shares	8,738,735 shares

(The reason of the movement)

The reason of increase is as follows

Market purchase of treasury stock 2,006,100 shares

The reason of decrease is as follows

Disposition of treasury stock upon the exercise of stock acquisition right 17,900 shares

(NOTES TO THE TAX EFFECT ACCOUNTING)

1. Major items causing deferred tax assets:

(Yen in millions)

Nondeductible deferred revenue	17,653
Nondeductible amortization of intangibles fixed assets	983
Nondeductible accrued liability	768
Nondeductible allowance for retirement benefits	567
Nondeductible stock acquisition right cost	354
Valuated difference on available-for-sale	1,160
Others	628
Deferred tax assets sub total	22,116
Valuation allowance	-189
Total deferred tax assets	21,927

2. Major factors behind the difference between the statutory tax rate and the actually applied tax rate after tax effect accounting, and their individual impact on such difference:

Statutory tax rate	40.7%
(Adjustment factors)	
Stock acquisition right cost	2.9%
Gain on reversal of stock option	-6.2%
Reversal of deferred tax assets owing to the reduction in the corporation tax rate	2.2%
Others	-1.0%
Actually applied tax rate after tax effect accounting	38.6%

3. Adjustment of deferred tax assets and deferred tax liabilities owing to the reduction in statutory tax rate

Following the promulgation of December 2, 2011 of “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake”

(Act No. 117 of 2011), effective from the fiscal year beginning on and after April 1 2012, the corporate tax rate will be changed.

In accordance with this reform, the effective statutory tax rates, which are used to measure deferred tax assets and deferred tax liabilities, by the year of realizing temporary differences, will be as follows.

From Jan 1, 2012 to Dec 31, 2012	40.69%
From Jan 1, 2013 to Dec 31, 2015	38.01%
On and after Jan 1, 2016	35.64%

The changes in effective statutory tax rates led to a 584 million yen decrease in deferred tax assets (after deducting deferred tax liabilities). Income taxes (income taxes-deferred) booked in this financial period increased by 550 million yen.

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

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

(NOTES ON TRANSACTIONS WITH THE RELATED PARTIES)

Subsidiaries and affiliates

N/A

(NOTES ON PER SHARE INFORMATION)

1. The net assets per share:	541.67 yen
2. The net income for the term per share:	118.07 yen

(NOTES ON MATERIAL SUBSEQUENT EVENTS)

N/A

(OTHER NOTES)

N/A

Certified copy of the audit report made by the Audit Corporation (Consolidated)

INDEPENDENT AUDITOR'S AUDIT REPORT

February 14, 2012

To The Board of Directors of
Trend Micro Incorporated

KPMG AZSA LLC

Designated, Limited Liability Partner
and Certified Public Accountant

Hiroyuki Sakai

Designated, Limited Liability Partner
and Certified Public Accountant

Keiji Ikeda

In accordance with Article 444, paragraph 4 of the Companies Act, we, the Audit Corporation, have audited the consolidated financial statements of Trend Micro Incorporated for the consolidated fiscal term commencing on January 1, 2011 and ending on December 31, 2011, specifically the consolidated balance sheet, the consolidated profit and loss statement, the consolidated statements of changes in net assets and the notes to the consolidated financial statements. The responsibility for the preparation of these consolidated financial statements is retained by the Manager and our responsibility is to render our opinion on these documents as an independent party.

Our examination was made in accordance with the accounting standards generally accepted as fair and appropriate in Japan. The criteria for our examination require us to obtain reasonable assurance as to whether or not there is a material false indication in these consolidated financial statements. The examination is made on the basis of testing audits and includes collectively examining the indications made in these consolidated financial statements, including evaluation of the accounting policy and the applicable manners therefore adopted by the Manager and the estimates made by the Manager. We, the Audit Corporation, consider that we have obtained a reasonable basis for the expression of our opinion as a result of our examination.

As a result of our examination of the above mentioned consolidated financial statements, we found that they present fairly the financial position and the results of operation of the Group consisting of Trend Micro Incorporated and its consolidated subsidiaries for the consolidated fiscal term in all significant aspects in accordance with the accounting standards generally accepted as fair and appropriate in Japan.

There are no special relationships as stipulated in the Certified Public Accountants Law between the Company and our firm or the engagement partners.

Certified copy of the audit report made by the Audit Corporation

INDEPENDENT AUDITOR'S AUDIT REPORT

February 14, 2012

To The Board of Directors of
Trend Micro Incorporated

KPMG AZSA LLC

Designated, Limited Liability Partner
and Certified Public Accountant

Hiroyuki Sakai

Designated, Limited Liability Partner
and Certified Public Accountant

Keiji Ikeda

In accordance with Article 436, paragraph 2, item 1 of the Companies Act, we, the Audit Corporation, have audited the unconsolidated financial statement of Trend Micro Incorporated for the 23rd fiscal term commencing on January 1, 2011, and ending on December 31, 2011, specifically the balance sheet, the profit and loss statement, the statements of changes in net assets, the notes to the unconsolidated financial statements and the supplementary schedules. The responsibility for the preparation of this unconsolidated financial statement and the supplementary schedules is retained by the Manager and our responsibility is to render our opinion on these documents as an independent party.

Our examination was made in accordance with the accounting standards generally accepted as fair and appropriate in Japan. The criteria for our examination require us to obtain reasonable assurance as to whether or not there is a material false indication in these unconsolidated financial statements. The examination is made on the basis of testing audits and includes collectively examining the indications made in the unconsolidated financial statement and the supplementary schedules, including evaluation of the accounting policy and the applicable manners therefore adopted by the Manager and the estimates made by the Manager. We, the Audit Corporation, consider that we have obtained a reasonable basis for the expression of our opinion as a result of our examination.

As a result of our examination of the above mentioned unconsolidated financial statement and the supplementary schedules, we found that they present fairly the financial position and the results of operation for the 23rd fiscal term in all significant aspects in accordance with the accounting standards generally accepted as fair and appropriate in Japan.

There are no special relationships as stipulated in the Certified Public Accountants Law between the Company and our firm or the engagement partners.

AUDIT REPORT

In order to audit the business activities of the Directors undertaken during the 23rd fiscal year from January 1, 2011, to December 31, 2011, 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

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.

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. 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. Furthermore, each Corporate Auditor has 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. Also, we regularly 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* 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. As to subsidiaries, in addition to communicating with the Directors in charge, we have received reports from subsidiaries on their businesses. Based on the above-mentioned method, we have examined the Business Report and its supplementary schedules for the said fiscal year.

Furthermore, 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 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 in accordance with the “Quality Management Standards concerning the Audit” (October 28, 2005, Business Accounting Council) and requested explanations when necessary. Based on the above method, we have examined the unconsolidated financial statement (balance sheet, profit and loss statement, statements of changes in net assets and notes to the unconsolidated financial statements) and their supplementary schedules, and the consolidated financial statements (consolidated balance sheet, consolidated profit and loss statement, consolidated statements of changes in net assets and notes to the consolidated financial statements) for the fiscal year under review.

2. Results of Audit

(1) Audit Result of the Business Report, etc.

(i) We found that the business report and its supplementary schedules fairly reflect the Company's business situation in conformity with and pursuant to the applicable laws and the Articles of Incorporation of the Company.

(ii) No misconduct concerning the performance of Directors' duties or material facts that are in breach of applicable laws and the Articles of Incorporation of the Company have been detected.

(iii) The content of the resolution of the Board of Directors concerning the internal control system is fair and proper. There is nothing noteworthy with respect to details of the Business Report and the performance by the Directors of their duties concerning the internal control system.

(2) Audit Result of the Unconsolidated Financial Statement and Supplementary Schedules
We found that the method and result of the audit by KPMG AZSA LLC, which was appointed as the Company's Accounting Auditor, was executed in an appropriate manner.

(3) Audit Result of the Consolidated Financial statements
We found that the method and result of the audit by KPMG AZSA LLC, which was appointed as the Company's Accounting Auditor, was executed in an appropriate manner.

February 15, 2012

Trend Micro Incorporated
Board of Corporate Auditors

Full-time Corporate Auditor
Fumio Hasegawa

Corporate Auditor
Yasuo Kameoka

Corporate Auditor
Koji Fujita

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

(Translation)

REFERENCE MATERIAL FOR THE GENERAL MEETING OF SHAREHOLDERS

Agenda and Reference Information

Agenda 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 profit basis. As for the basic dividend policy, we would like to pay year-end dividends at a target consolidated payout ratio of 65% based on the amount of the accounting consolidated net profit.

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

Matters concerning year-end dividends

- (1) Type of dividend assets: cash
- (2) Matters concerning allocation of dividends to shareholders and the total amount of dividends:
86 yen per common share of the Company Total amount: 11,313,667,134 yen
- (3) Effective date for dividend of surplus:
March 28, 2012

Agenda 2: Revision of remuneration, etc. of directors

It was resolved at the 18th ordinary general meeting of shareholders held on March 27, 2007 that the amount of the annual remuneration, etc. of the directors of the Company including remuneration, etc. in the form of stock options would be 800 million yen or less (of which the outside director receives 10 million yen or less per year), and the rules have been applicable up to the present. However, this time, in order to newly employ or continuously retain valuable managers, the Company determined to partially revise the structure of remuneration, etc. of the directors of the Company, following the remuneration structures adopted broadly in global companies in the Internet security industry and software industry, to which the Company belongs. Accordingly, the Company determined to partially change the details of the stock acquisition rights to be granted as stock options and newly introduce a retention plan (for the summary of the plan, see II.2. below) similar to that introduced by those companies.

Therefore, we would like to ask the shareholders to approve the following: (i) the amount of annual remuneration, etc. of the directors including remuneration, etc. in the form of stock options will be 800 million yen or less (of which the outside director receives 10 million yen or less per year), as before, and the details of stock acquisition rights to be granted to the directors (excluding the outside director) as stock options within the limits of the above remuneration amount will be subject to the terms and conditions described in I.2. below, and (ii) in addition to the foregoing, the Company will introduce a retention plan that enables it to grant monetary remuneration to the directors (excluding the outside director) within the limits of the above remuneration amount under the terms and conditions described in II.2. below if a certain condition is satisfied such as that any change of control (see Note 1 of II.2.(1)(i) below) occurs. We would like to ask the shareholders to entrust to the board of directors of the Company, to the extent as set out below, the determination of the details of remuneration, etc. to be granted and the terms and conditions therefore.

Please note that the amount of remuneration, etc. of the directors (excluding the outside director) and the details thereof have been determined taking into consideration the recent payment records, fair appraisal value of the stock acquisition rights granted to the directors other than the outside director as stock options (as calculated by multiplying the fair appraisal unit value of the stock acquisition right per share calculated using Black-Scholes model by the total number of stock acquisition rights to be allotted), the effect of

such stock options as an incentive to improve performance of the Trend Micro Group, the effect of a retention plan on retention of valuable managers, the results of the research of examples of other companies in the same industries that have already introduced retention plans, and the potential impact of such remuneration, etc. on the financial conditions of the Company.

Please also note that the remuneration, etc. of the directors does not include, as before, employees' salaries payable to the directors who also serve as employees.

There are currently five directors (including one outside director).

I. Stock acquisition rights

1. Reason for the issuance of stock acquisition rights (the “Options”) to the directors (other than the outside director) as their remuneration, etc.

The Company issues to the directors the already-introduced Options, which are conventional stock options, and/or the newly-introduced Options, which are stock options as stock-based remuneration, for the purposes of linking the Company's stock price to the directors' interest and thereby further strengthening their motivation and moral to improve performance of the Trend Micro Group which we believe would lead to the development of business focusing on shareholders' interests and the enhancement of shareholder value, as well as for sharing with shareholders not only a stock appreciation incentive linked to improved results but also the risk of stock price volatility.

We will maintain the number of the Options to be issued within an appropriate range in consideration of the balance between such number and the profitability of the Company as well as the payout ratio.

2. Summary of the terms and conditions of the Options

Options which are conventional stock options

- (1) Class of shares to be issued upon exercise of the Options

Ordinary shares of the Company

- (2) Number of shares to be issued upon exercise of the Options

The maximum aggregate number of shares to be issued upon exercise of the Options during the period of one year from the date of the ordinary general meeting of shareholders of each fiscal year shall be 255,000 ordinary shares of the Company. The maximum number of the shares to be issued upon exercise of the Options includes the number of the shares to be issued upon exercise of the “Options which are stock options as stock-based remuneration” described below.

In the event of stock split or consolidation, the number of shares to be issued upon exercise of the Options (the “Option Shares”) shall be adjusted using the following formula; *provided*, however, that such adjustment shall be made only in respect of the number of the Option Shares which are not exercised at that time and any fractions less than one (1) share resulting from such adjustment shall be disregarded.

$$\begin{array}{rcccl} \text{Number of} & & \text{Number of} & & \\ \text{shares after} & = & \text{shares before} & \times & \text{Split/Consolidation} \\ \text{adjustment} & & \text{adjustment} & & \text{ratio} \end{array}$$

In addition to the above, if it becomes necessary to adjust the number of the Option Shares after the date of allotment of the Options, the Company may also make necessary adjustment of the number of the Option Shares to the reasonable extent.

- (3) Aggregate number of the Options to be issued

The maximum aggregate number of the Options to be issued shall be 2,550. The maximum number of the Options includes the aggregate number of the “Options which are stock options as stock-based remuneration” described below. (The number of the Option Shares shall be 100 shares per one (1) Option;

provided, however, that if the adjustment in clause (2) above has been made, it shall also be adjusted accordingly.)

- (4) Amount of assets to be contributed upon exercise of each Option or calculation method thereof

The amount of assets to be contributed upon exercise of each Option shall be the amount of each share delivered upon exercise of the Options (the “**Exercise Price**”) multiplied by the number of the Option Shares. The Exercise Price shall be the closing price of the ordinary shares of the Company established through regular transactions reported by the Tokyo Stock Exchange on the date when the Options will be allotted or the immediately preceding date of such date if there is no trading on such date.

In the event of stock split or consolidation occurring after the date of allotment of the Options, the Exercise Price shall be adjusted using the following formula and any fractions less than one (1) yen resulting from such adjustment shall be rounded up.

$$\begin{array}{r} \text{Exercise Price} \\ \text{after} \\ \text{adjustment} \end{array} = \begin{array}{r} \text{Exercise Price} \\ \text{before} \\ \text{adjustment} \end{array} \times \frac{1}{\text{Split/Consolidation ratio}}$$

In the event of issuance of new shares or disposition of treasury stock at a price less than the market price (excluding when as a result of the exercise of the Options (including those attached to the bonds with stock acquisition rights), and conversion of securities to be converted or convertible into ordinary shares of the Company), the Exercise Price shall be adjusted using the following formula and any fractions less than one (1) yen resulting from such adjustment shall be rounded up.

$$\begin{array}{r} \text{Exercise} \\ \text{Price} \\ \text{after} \\ \text{adjustment} \end{array} = \begin{array}{r} \text{Exercise} \\ \text{Price} \\ \text{before} \\ \text{adjustment} \end{array} \times \frac{\begin{array}{r} \text{Number of} \\ \text{shares} \\ \text{issued and} \\ \text{outstanding} \end{array} + \frac{\begin{array}{r} \text{Number of} \\ \text{shares} \\ \text{newly} \\ \text{issued} \end{array} \times \begin{array}{r} \text{Subscripti} \\ \text{on price} \\ \text{per share} \end{array}}{\begin{array}{r} \text{Share price before new issue} \\ \text{Number of} \\ \text{increased shares} \\ \text{due to issuance of} \\ \text{new shares} \end{array}}$$

In the formula above, “Number of shares issued and outstanding” shall mean the number of the outstanding shares of the Company less the number of treasury stock held by the Company and in the event of the disposition of treasury stock, “Number of shares newly issued” shall be read as “Number of treasury stock disposed” and “Share price before new issue” shall be read as “Share price before disposition”.

In addition to the above, in the event of merger, split-off, etc of the Company occurring after the date of allotment of the Options, the Company may also adjust the Exercise Price to a reasonable extent in the similar manner upon resolution of the board of directors.

- (5) Exercise period of the Options
Within five (5) years from the day immediately following the date of allotment of the Options
- (6) Conditions on the exercise of the Options
- (i) If a person having the Options (the “**Optionee**”) loses its position as a director, corporate auditor, employee of, staff seconded to or advisor of the

Company or its subsidiary (hereinafter in this clause referred to as the “**Prior Position**”), such Optionee may exercise the Options only during a period of forty-five (45) days from the day on which such Optionee loses its Prior Position. In addition, if the Optionee loses its Prior Position for the reason of incapacity due to physical disability, etc., such Optionee may exercise the Options only during a period of two (2) years from the day on which such Optionee loses its Prior Position if the board of directors of the Company recognizes that the Optionee made a high standard of contributions to the Company, or otherwise only during a period of six (6) months from the day on which such Optionee loses its Prior Position.

- (ii) If the Optionee dies after the exercise period of the Options set forth in clause (5) above expires, the heir(s) of the Optionee may, upon making necessary arrangement for the inheritance of the Options specified by the Company within six (6) months of the Optionee’s death, exercise the succeeded Options only during a period of two (2) years from the day on which such Optionee dies if the board of directors of the Company recognizes that the deceased Optionee made a high standard of contributions to the Company, or otherwise only during a period of six (6) month from the day on which such Optionee dies.
 - (iii) Any other condition shall be provided for in the “Share Acquisition Right Grant Agreement”.
- (7) Restriction on the acquisition of the Options by way of transfer
Acquisition of the Options by way of transfer requires approval of the board of directors.
 - (8) The board of directors determining the terms of offering of the Options shall provide any other details of issue of the Options.

Options which are stock options as stock-based remuneration

- (1) Class of shares to be issued upon exercise of the Options
Ordinary shares of the Company
- (2) Number of shares to be issued upon exercise of the Options
The maximum aggregate number of shares to be issued upon exercise of the Options during the period of one year from the date of the ordinary general meeting of shareholders of each fiscal year shall be 255,000 ordinary shares of the Company. The maximum number of the shares to be issued upon exercise of the Options includes the number of the shares to be issued upon exercise of the “Options which are conventional stock options” described above.
In the event of stock split or consolidation, the number of shares to be issued upon exercise of the Options (the “**Option Shares**”) shall be adjusted using the following formula; *provided*, however, that such adjustment shall be made only in respect of the number of the Option Shares which are not exercised at that time and any fractions less than one (1) share resulting from such adjustment shall be disregarded.

$$\begin{array}{l} \text{Number of} \\ \text{shares after} \\ \text{adjustment} \end{array} = \begin{array}{l} \text{Number of} \\ \text{shares before} \\ \text{adjustment} \end{array} \times \text{Split/Consolidation ratio}$$

In addition to the above, if it becomes necessary to adjust the number of the Option Shares after the date of allotment of the Options, the Company may also make necessary adjustment of the number of the Option Shares to the reasonable extent.

- (3) Aggregate number of the Options to be issued
The maximum aggregate number of the Options to be issued shall be 2,550. The maximum number of the Options includes the aggregate number of the “Options which are conventional stock options” described above. (The number of the Option Shares shall be 100 shares per one (1) Option; *provided*, however,

that if the adjustment in clause (2) above has been made, it shall also be adjusted accordingly.)

- (4) Amount of assets to be contributed upon exercise of each Option or calculation method thereof
The amount of assets to be contributed upon exercise of each Option shall be the amount of each share delivered upon exercise of the Options, which is one (1) yen, multiplied by the number of the Option Shares.
- (5) Exercise period of the Options
Within five (5) years from the day immediately following the date of allotment of the Options
- (6) Conditions on the exercise of the Options
 - (i) If a person having the Options (the “**Optionee**”) loses its position as a director, corporate auditor, employee of, staff seconded to or advisor of the Company or its subsidiary (hereinafter in this clause referred to as the “**Prior Position**”), such Optionee may exercise the Options only during a period of forty-five (45) days from the day on which such Optionee loses its Prior Position. In addition, if the Optionee loses its Prior Position for the reason of incapacity due to physical disability, etc., such Optionee may exercise the Options only during a period of two (2) years from the day on which such Optionee loses its Prior Position if the board of directors of the Company recognizes that the Optionee made a high standard of contributions to the Company, or otherwise only during a period of six (6) months from the day on which such Optionee loses its Prior Position.
 - (ii) If the Optionee dies after the exercise period of the Options set forth in clause (5) above expires, the heir(s) of the Optionee may, upon making necessary arrangement for the inheritance of the Options specified by the Company within six (6) months of the Optionee’s death, exercise the succeeded Options only during a period of two (2) years from the day on which such Optionee dies if the board of directors of the Company recognizes that the deceased Optionee made a high standard of contributions to the Company, or otherwise only during a period of six (6) month from the day on which such Optionee dies.
 - (iii) Any other condition shall be provided for in the “Share Acquisition Right Grant Agreement”.
- (7) Restriction on the acquisition of the Options by way of transfer
Acquisition of the Options by way of transfer requires approval of the board of directors.
- (8) The board of directors determining the terms of offering of the Options shall provide any other details of issue of the Options.

II. Retention plan

1. Reason to introduce a retention plan to the directors (other than the outside director)
In the Internet security industry and software industry, to which the Company belongs, a high degree of professionalism is required of directors who execute business due to the nature of the business, and the competition to retain valuable managers is steadily increasing on a global basis. Under these circumstances, in order to avoid the situation in which there is an exodus of the management team from the Company at a time in the future when there are concerns of an unexpected corporate buyout, etc., which in turn would damage corporate value, as well as in order to ensure our competitiveness in the international manager market for newly securing valuable managers, the Company intends to newly introduce a retention plan similar to that introduced by global companies in the Internet security industry and software industry, to which the Company belongs.

2. Summary of the retention plan

- (1) Details of payment

- (i) Retention remuneration

If a change of control (Note 1) occurs in the Company and the Director incurs severance, etc. (Note 3) during the covered period (Note 2), the Company shall pay in a lump sum 18 month's worth of retention remuneration (Note 4) less any amounts required to be withheld or deducted under applicable law.

Note 1: "Change of control" means, with respect the Company, the first to occur of any of the following. Other details are as provided for in the "Change of Control Retention Agreement".

- (a) any person holding shares or stock (as applicable) of the Company acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition by such person), directly or indirectly, the ordinary shares or stock (as applicable) of the Company representing more than 30% of the combined voting power of the Company's then-outstanding ordinary shares or stock (as applicable) entitled to vote generally in the election of directors;
- (b) the Company is a party to a merger or consolidation which results in the holders of the voting ordinary shares or stock (as applicable) of the Company outstanding immediately prior thereto failing to, directly or indirectly, retain immediately after such merger or consolidation the ordinary shares or stock (as applicable) equivalent to the voting power of more than 50% of the total combined voting power of the ordinary shares or stock (as applicable) entitled to vote generally in the election of directors of the Company or the surviving entity;
- (c) the sale or disposition of all or substantially all of the Company's assets or consummation of any transaction having similar effect (other than a sale or disposition to one or more subsidiaries of the Company); or
- (d) a change in the composition of the board of directors of the Company within any consecutive twelve-month period as a result of which fewer than a majority of the directors are incumbent directors (Note 5).

Note 2: "Covered period" means the period commencing on the date three months prior to the effective date of a change of control and ending 18 months after the effective date of that change of control.

Note 3: "Severance" means (i) the involuntary termination of the Director's engagement with the Company, other than for death, etc. or (ii) a material diminution, etc. in the base compensation without express written consent of the Director and a termination of the Director's engagement with the Company by the Director for

reason that the material diminution has not been remedied during a certain period. Other details are as provided for in the “Change of Control Retention Agreement”.

Note 4: “Retention remuneration” means the remuneration established based on monthly compensation, etc of the Director on a severance date (Note 6) of the Director and the Director’s minimum target bonus (which refers to, with respect to performance bonus or any equivalent bonus, an amount to be paid if the Director has achieved minimum target to consummate payment) for the year of severance. Other details are as provided for in the “Change of Control Retention Agreement”.

Note 5: “Incumbent director” means a director who either (i) is a member of the board of directors of the Company as of the effective date of “Change of Control Retention Agreement” entered into by the Director, or (ii) is elected, or nominated for election, to the board of directors of the Company with the affirmative votes of at least a majority of the incumbent directors at the time of such election or nomination. Other details are as provided for in the “Change of Control Retention Agreement”.

Note 6: “Severance date” means the date on which the Director incurs the severance, etc. during a covered period. Notwithstanding the foregoing, where the Director is entitled under law, contract or otherwise, to any period of notice of termination of engagement, a severance date means the date on which engagement terminates.

(ii) Health care costs

If a change of control occurs in the Company and the Director incurs severance, etc during the covered period, the Company shall pay in a lump sum 12 months’ worth of health care costs (Note 1).

Note 1: “Health care costs” mean costs to provide the Director with private medical insurance equivalent to the medical insurance the Director had been provided with by the Company at the time of the end of the engagement with the Company, or costs in lieu thereof. Other details are as provided for in the “Change of Control Retention Agreement”.

(2) Conditions of payment

(i) In order to receive payment of the retention remuneration, etc. under the retention plan, the Director is required, within 45 days following the severance date, to execute a release as well as an equity release in which the Director waives all equity related claims in the form provided by the Company in its discretion. Other details are as provided for in the “Change of Control Retention Agreement”.

(ii) In order to receive payment of the retention remuneration, etc. under the retention plan, the Director is required to consent not to engage, directly or indirectly, in any business in competition with the main business of the Company or the Trend Micro Group during the restricted period (Note 1) or within the geographic area (Note 2).

Note 1: The “restricted period” means a period commencing on the severance date and ending on the date that is eighteen (18) months following the severance date.

Note 2: The “geographic area” means the region over which the Director had responsibility while performing services for the Company, and in any region where the Company has customers as of the severance date.

(iii) Other conditions are as provided for in the “Change of Control Retention Agreement”.

(3) Other details regarding the retention plan are as provided for in the “Change of Control Retention Agreement”.

Agenda 3: Issuance of the Stock Acquisition Rights as stock-based remuneration

The Company issues to the directors and employees of the company and its subsidiaries the stock options as stock-based remuneration, for the purposes of linking the Company's stock price to their interest and thereby further strengthening their motivation and moral to improve performance of the Trend Micro Group which we believe would lead to the development of business focusing on shareholders' interests and the enhancement of shareholder value, as well as for sharing with shareholders not only a stock appreciation incentive linked to improved results but also the risk of stock price volatility.

Therefore, we would like to ask for the approval of the shareholders to entrust to the board of directors the determination of the terms and conditions of the stock acquisition rights to be issued as stock options to the directors and employees of the Company and its subsidiaries pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act. Details are outlined below.

We will maintain the number of the Options to be issued within an appropriate range in consideration of the balance between such number and the profitability of the Company as well as the payout ratio.

Additionally, the number of stock acquisition rights to be issued to the directors of the Company shall be determined within the limits of the amount and contents of remuneration, etc. of directors, by taking into account various factors including the individual's contribution to the Company and future expectations.

1. Reason for Necessity of Issuing the Stock Acquisition Rights (the "Options") on Preferential Terms and Conditions:

The Company issues the stock options as stock-based remuneration to the Directors and Employees of the Company and Directors and Employees of its Subsidiaries, for the purposes of linking the Company's stock price to their interest and thereby further strengthening their motivation and moral to improve performance of the Trend Micro Group which we believe would lead to the development of business focusing on shareholders' interests and the enhancement of shareholder value, as well as for sharing with shareholders not only a stock appreciation incentive linked to improved results but also the risk of stock price volatility.

2. The maximum number of the Options to be issued:

The maximum number of the Options to be issued under the conditions described in 4. below shall be 22,000 units.

The maximum number of shares to be issued upon exercise of the Options shall be 2,200,000 ordinary shares of the Company, and if the Number of Shares Granted subject to Options is adjusted as provided for in 4. (2) below, the maximum number of shares to be issued shall be the number obtained by multiplying the above mentioned maximum number of the Options by the adjusted number of shares in connection with the Options.

3. The amount or the calculation method of payment for the Options:

Payment of money is not necessary.

4. Details of the Options:

(1) Class of shares to be issued upon exercise of the Options
Ordinary shares of the Company

(2) Number of shares to be issued upon exercise of the Options

The number of the Option Shares shall be 100 shares per one (1) Option.

In the event of stock split or consolidation, the number of shares to be issued upon exercise of the Options (the "Option Shares") shall be adjusted using the following formula; *provided*, however, that such adjustment shall be made only in respect of the number of the Option Shares which are not exercised at that time and any fractions less than one (1) share resulting from such adjustment shall be disregarded.

$$\begin{array}{rcccl} \text{Number of} & & \text{Number of} & & \text{Split/Consolidation} \\ \text{shares after} & = & \text{shares before} & \times & \text{ratio} \\ \text{adjustment} & & \text{adjustment} & & \end{array}$$

In addition to the above, if it becomes necessary to adjust the number of the Option Shares after the date of allotment of the Options, the Company may also make necessary adjustment of the number of the Option Shares to the reasonable extent.

- (3) Amount of assets to be contributed upon exercise of each Option or calculation method thereof

The amount of assets to be contributed upon exercise of each Option shall be the amount of each share delivered upon exercise of the Options, which is one (1) yen, multiplied by the number of the Option Shares.

- (4) Exercise period of the Options

Five (5) years from the day immediately following the date of allotment of the Options

- (5) Conditions on the exercise of the Options

- (i) If a person having the Options (the “**Optionee**”) loses its position as a director, corporate auditor, employee of, staff seconded to or advisor of the Company or its subsidiary (hereinafter in this clause referred to as the “**Prior Position**”), such Optionee may exercise the Options only during a period of forty-five (45) days from the day on which such Optionee loses its Prior Position. In addition, if the Optionee loses its Prior Position for the reason of incapacity due to physical disability, etc., such Optionee may exercise the Options only during a period of two (2) years from the day on which such Optionee loses its Prior Position if the board of directors of the Company recognizes that the Optionee made a high standard of contributions to the Company, or otherwise only during a period of six (6) months from the day on which such Optionee loses its Prior Position.

In addition, upon the occurrence of the event specified by the Company’s board as the one that, in light of the purpose of granting the stock acquisition rights, would make it inappropriate for a holder of the rights to exercise them, e.g. where the holder commits a material breach of laws and regulations or the Company’s articles of Incorporation or internal rules (such events including, but not limited to, the holder being convicted of a criminal offence, the holder being liable for damages against the Company under Article 423 of the Companies Act, the holder being dismissed due to poor work performance or behaviour that caused disturbance to business, the holder resigning from the company under instruction by the employer and the holder being dismissed under a disciplinary action), such holder shall not be entitled to exercise the stock acquisition rights. 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 arise.

- (ii) If the Optionee dies after the exercise period of the Options set forth in clause (5) above expires, the heir(s) of the Optionee may, upon making necessary arrangement for the inheritance of the Options specified by the Company within six (6) months of the Optionee’s death, exercise the succeeded Options only during a period of two (2) years from the day on which such Optionee dies if the board of directors of the Company recognizes that the deceased Optionee made a high standard of contributions to the Company, or otherwise only during a period of six (6) month from the day on which such Optionee dies. 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.
- (iii) The Options may not be exercised if any pledge or other security interest is established or created thereon.

- (6) The amount of capital and additional paid-in capital increased upon issuance of shares by exercise of the Options:

The amount of the increase of capital shall be 50% of the maximum increase amount of capital, etc. as calculated according to the Company Accounting Regulations, Article 17, Paragraph 1, with any fraction of less than one (1) yen being rounded up. The remaining amount shall be accounted for as additional paid-in capital.

- (7) Restriction on the acquisition of the Options by way of transfer
Acquisition of the Options by way of transfer requires approval of the board of directors.
- (8) Matters regarding acquisition of the Options:
- (a) In the event of the approval of the contract of merger or amalgamation for the Company to become an extinct company, or the approval by the general meeting of shareholders of the agenda (if the approval of the general meeting of shareholders is not required, then with the approval of the Board of Directors) with respect to the approval of the contract of stock exchange or the share transfer for the Company to become a wholly-owned subsidiary, then the Company may acquire the Options without any consideration on the date as the Board of Directors may from time to time decides.
- (b) The Company may acquire all or a part of the Options without any consideration on the date as the Board of Directors may from time to time decide. The Options to be withdrawn shall be the Options which cease to be exercised in accordance with clause (5) above.
- (9) Treatment of the Option upon Restructuring:
Upon merger (only if the Company is merged), divestiture (*kyushu bunkatsu*), corporate split (*shinsetsu bunkatsu*), share exchange or share transfer (collectively, the “**Restructuring**”) by the Company, the Company shall issue the Option of *kabushiki kaisha* described in Article 236, paragraph 1, item 8, (a) through (e) of the Company Law (the “**Restructuring Company**”) to holders of the Options outstanding as of the effective date of the Restructuring (the “**Outstanding SAR**”) under the following conditions. In such a case, the Outstanding SAR shall be extinguished and the Restructuring Company shall issue new the Options; provided, however, that the issue of the Options of the Restructuring Company under the following conditions shall be provided for in merger agreement, divestiture agreement, corporate split agreement, share exchange agreement or share transfer plan.
- (a) Number of the Options of the Restructuring Company to be issued
The number equal to the number of the Options held by the holders of the Outstanding SAR.
- (b) Class of shares of the Restructuring Company to be issued upon exercise of the Options
Ordinary shares of the Restructuring Company.
- (c) Number of shares of the Restructuring Company to be issued upon exercise of the Options
To be determined pursuant to (2) above in consideration of conditions of the Restructuring.
- (d) Amount of assets to be contributed upon exercise of each Option
The amount of assets to be contributed upon exercise of each Option to be issued shall be the product of the payable amount after the restructuring which is calculated by adjusting the Exercise Price specified in (3) above and the number of shares of the Restructuring Company delivered upon exercise of the Options determined pursuant to (c) above in consideration of the conditions of the Restructuring.
- (e) Exercise period of the Options
The period from the later of the commencement date of exercise period of the Options specified in (4) above and the effective date of the Restructuring to the expiration date of exercise period of the Options specified in (4) above.
- (f) Conditions on the exercise of the Options
To be determined pursuant to (5) above
- (g) Matters regarding the amount of capital and additional paid-in capital increased upon issuance of shares by exercise of the Options
To be determined pursuant to (6) above.
- (h) Matter regarding acquisition of the Options
To be determined pursuant to (8) above.
- (i) Restriction on the acquisition of the Options by way of transfer
Acquisition of the Options by way of transfer requires approval by a resolution of the Board of Directors (if the Restructuring Company is not a company with the board of directors, Directors) of the Restructuring Company.
- (10) Treatment of the issuance of the Options certificates:
The Options certificates will not be issued.

Voting by Electronic Means (ex. On the Internet)

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

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

1. Voting website

- (i) You can only vote on the Internet by accessing the voting website (<http://www.evotep.jp/>) from a PC 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 site may not be available depending on your Internet environment, such as use of a firewall for Internet access, installation of anti-virus software or use of a proxy server.
- (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 encrypted transmission (SSL transmission) or mobile phone information transmission.
- (iv) We will accept votes submitted on the Internet until 5:30p.m. on March 26, 2012, but we would appreciate your promptness in voting. Please contact the help desk if you have any questions.

2. How to vote on the Internet

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

3. Handling of Voting Multiple Times

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