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(Securities Code 4704)

March 5, 2021

Dear Shareholders

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

NOTICE OF CONVOCATION OF
THE 32nd ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Sirs and Madams

Our 32nd Ordinary General Meeting of Shareholders will be held as listed below.

The Japanese government has declared a state of emergency, and in order to prevent the spread of the new coronavirus (COVID-19) infection, the government and prefectural governors have requested that special measures be taken at events where an unspecified number of people gather.

In response to this situation, as a result of careful consideration, the General Meeting of Shareholders will be held after appropriate measures to prevent infection have been taken. From the perspective of preventing the spread of COVID-19 infections, we ask that shareholders consider exercising voting rights in writing or the Internet, and to refrain from coming to the meeting as much as possible.

We ask you to review the following Reference Material for the General Meeting of Shareholders, and to vote by electronic means (using the Internet or other means) or to fill out the Voting Form enclosed herein with your decision. Please also kindly return the said Form to us by no later than 5:30 p.m. on March 24, 2021, (Wednesday) or vote after perusing the “Voting by Electronic Means” (ex. on the Internet) described hereafter (p.4).

- 1. Date and time:** 10:00 a.m. on March 25, 2021 (Thursday)
- 2. Place:** Shinjuku MYNDS Tower 12 Floor, Trend Micro Incorporated
1-1, Yoyogi 2-chome, Shibuya-ku, Tokyo, Japan

3. Purpose:

Matters to be reported

1. Contents of the Business Report for the 32nd year (January 1, 2020, to December 31, 2020), 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 32nd year (January 1, 2020, to December 31, 2020)

Matters for Resolution

- Agenda 1 :** Appropriation of retained earnings
- Agenda 2 :** Partial Amendments to the Articles of Incorporation
- Agenda 3 :** Election of Six Directors
- Agenda 4 :** Election of Four Corporate Auditors
- Agenda 5 :** Determination of remuneration, etc. of directors (Stock acquisition rights as stock options)

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.

[The countermeasures against the New Coronavirus (COVID-19) infection]

- We ask you to refrain from attending the meeting as much as possible and to exercise your voting rights by mail or via the Internet. In addition, we will not hold the Management Status Briefing Session the General Meeting of Shareholders. If an outbreak of any infectious disease or any other unexpected event, such as spread of the infectious disease of the COVID-19, etc. occurs, unavoidable circumstances may cause a change to the progress of other proceedings, and it is consented to do so in advance.
- We will measure the body temperature of visitors upon entering the venue, and those with a fever of 37.5 degrees or higher will not be admitted. Even if your body temperature is below 37.5 degrees, you may not be admitted if you have a cough or other symptoms.
- We ask you to wear a mask. Only one mask per person will be given to shareholders who are not wearing a mask. If you do not wear a mask, you will not be allowed to enter.
- Alcohol disinfectants will be available in the venue. Please cooperate with you.
- The above actions may be updated depending on circumstances such as the prevalence of the COVID-19 infection and government announcements up to the date of the General Meeting of Shareholders. We ask you to confirm the latest information via our website (<https://www.go-tm.jp/invite>).

[Guidance for Live Distribution and Acceptance of preliminary questions]

- Live distribution will be provided so that shareholders can watch the general meeting of shareholders. You can also send questions in advance. For details, please refer to the attached sheet enclosed in the letter of convocation notice sent on March 5, 2021.
- We will pay full attention to the privacy of the visiting shareholders, and image only the vicinity of the director's seat by taking pictures from the rear of the venue. However, due to the circumstances of the venue, there is a possibility that some of the shareholders in attendance may be visible in the video. We appreciate your understanding in advance.
- Shareholders who are viewing the live distribution will not be able to "attend" the general meeting of shareholders, and therefore will not be able to exercise their voting rights, ask questions, or submit motions during the meeting.

[Information on Internet Disclosure and Modification]

- Of the documents that should be provided in this Notice of Convocation in accordance with the applicable laws and regulations and Article 15 of the Articles of Incorporation, the "System and Policies of the Company", "Notes to the Consolidated Financial Statements" and "Notes to the Financial Statements" have been disclosed on the website of the Company (<https://www.go-tm.jp/invite>) and therefore excluded from this Notice of Convocation. These "Notes to the Consolidated Financial Statements" and "Notes to the Financial Statements" are included in the consolidated financial statements and unconsolidated financial statements that are subject to the audit performed by the Accounting Auditors and the Corporate Auditors in preparing their audit reports.
- In the event that the Reference Material and the Business Report, the unconsolidated financial statement and the consolidated financial statements are amended, the amendments will be announced to shareholders on the Company's website (<https://www.go-tm.jp/invite>).

If you attend the General Meeting of Shareholders



Date and time

10:00 a.m. on March 25, 2021 (Thursday)
(Reception is scheduled to start at 9:00am)

We ask you to kindly submit the enclosed Voting Form to the reception of the Meeting. In an effort to conserve resources, on the day of the General Meeting of Shareholders, please bring with you this copy of Notice of Convocation The 32nd Ordinary General Meeting of Shareholders.

If you will not attend the General Meeting of Shareholders



If you vote by mail

Deadline for the
Exercise of
Voting Rights

The mail must reach us by 5:30 p.m. on
March 24, 2021 (Wednesday)

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



If you vote by the Internet or by other means

For more details, please refer to the next page.

Deadline for the
Exercise of
Voting Rights

5:30 p.m. on March 24, 2021 (Wednesday)

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

Website for exercising voting rights: <https://evote.tr.mufg.jp/>



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

Voting by Electronic Means (ex. On the Internet)

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

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

1. Voting website

- (i) You can only vote on the Internet by accessing the voting website (<https://evote.tr.mufg.jp/>) from a PC, Smartphone or mobile phone. (The website is unavailable from 2 a.m. to 5 a.m. every day.)
- (ii) Voting from PC or Smartphone site may not be available depending on your Internet environment, such as use of a firewall for Internet access, installation of anti-virus software, use of a proxy server or not to specify TLS encrypted transmission.
- (iii) To ensure security, you may not use products that do not support TLS encrypted transmission or mobile phone information transmission.
- (iv) We will accept votes submitted on the Internet until 5:30p.m. on March 24, 2021 but we would appreciate your promptness in voting. Please contact the help desk if you have any questions.

2. How to vote on the Internet

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

3. Handling of Voting Multiple Times

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

4. Expenses incurred by accessing the voting website

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

5. Proxy Electronic Voting Platform

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

For enquiries concerning the System:
Contact the help desk of Mitsubishi UFJ Trust and Banking Corporation, Corporate
Agency Division
• Toll-free telephone number: 0120-173-027 (9 a.m. to 9 p.m.)

(Translation)

REFERENCE MATERIAL FOR THE GENERAL MEETING OF SHAREHOLDERS

Agenda and Reference Information

Agenda 1 : Appropriation of retained earnings

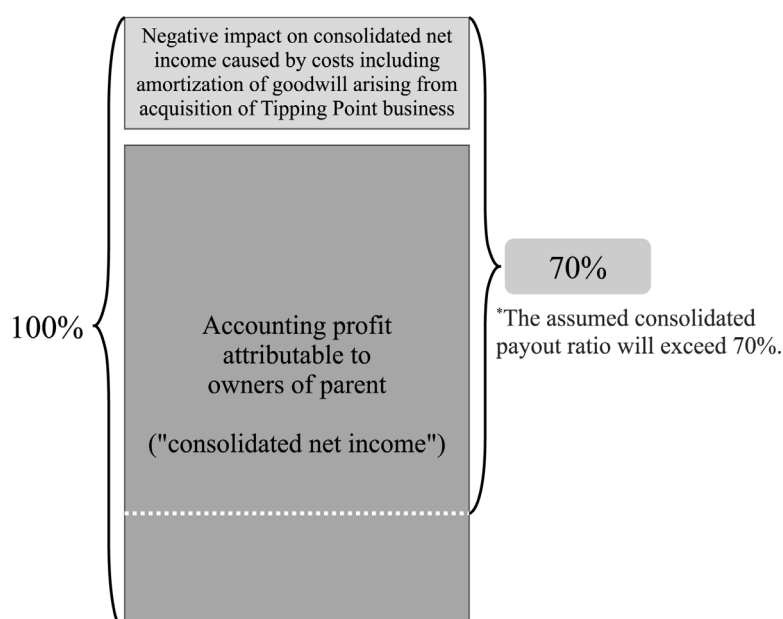
While making efforts to strengthen our financial position and secure retained earnings in order to adjust ourselves to a volatile business environment and maintain our competitiveness, we would continue to pay dividends on a consolidated net income basis.

As for the basic dividend policy, we would like to pay year-end dividends at a target consolidated payout ratio of 70% based on the amount of the accounting net income attributable to owners of parent (hereinafter “consolidated net income” for Agenda 1). However, costs including the amortization of goodwill and other items arisen from the acquisition of the TippingPoint business during the 28th consolidated accounting period, which is not accompanied by cash outflow, caused a decrease in “consolidated net income”. In view of this effect on dividends paid, we would like to aim at the payout ratio of 70% on the basis of “consolidated net income” after adding back the effect of the above amortization costs (after taking into consideration the deductible amount of amortization of goodwill and other items for tax purposes).

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

Matters concerning year-end dividends

- (1) Type of dividend assets: cash
- (2) Matters concerning allocation of dividends to shareholders and the total amount of dividends:
153 yen per common share of the Company
Total amount: 21,291,181,497 yen
- (3) Effective date for dividend of surplus:
March 26, 2021



Agenda 2 : Partial Amendments to the Articles of Incorporation

1. Reasons for the Amendments

- (1) The term of office of Directors as stipulated in Article 20 of the current Articles of Incorporation shall be changed from two (2) years to one (1) year in order to clarify the management responsibility of Directors and to respond flexibly and promptly to changes in the business environment.
- (2) In order to enable flexible distribution of surplus, etc., Article 37 (Organization for Deciding Dividends of Retained Earnings, etc.) shall be newly established as proposed to amend the Articles of Incorporation so that the distribution of surplus, etc., may be made also by resolution of the Board of Directors in accordance with the provisions of Article 459, Paragraph 1 of the Companies Act. At the same time, the Company will delete Article 7 (Acquisition of Treasury Stock) of the current Articles of Incorporation, which duplicates a part of Article 37, and make other necessary changes.

2. Contents of the Amendments

Details of the proposed amendments are shown on the next page. The proposed amendments to the Articles of Incorporation shall become effective at the conclusion of this General Meeting of Shareholders.

Current Articles of Incorporation	Proposed Amendments
<p>Article <u>7</u>. <u>Acquisition of Treasury Stock</u> <u>The Company may, by resolution of the Board of Directors, acquire its own shares through market transactions, etc.</u></p> <p>Article <u>8</u> - <u>19</u> (abbreviate)</p> <p>Article <u>20</u>. <u>Term of Office of Directors</u> (a) The term of office of directors shall expire at the conclusion of the ordinary general meeting of shareholders with respect to the last fiscal year ending within <u>two (2)</u> years after their election. (b) <u>The term of office of any director elected to fill a vacancy due to early retirement shall be the same as the remainder of the term of office of the retired director.</u> (c) <u>The term of office of any director elected due to increase in number of directors shall be the same as the remainder of the term of office of the other directors in office.</u></p> <p>Article <u>21</u> - <u>37</u> (abbreviate)</p> <p>(New)</p> <p>Article 38. Record Date for Dividend of Retained Earnings The record date for year-end dividends of the Company shall be December 31 of each year.</p> <p>(New)</p> <p>Article <u>39</u>. <u>Interim Dividends</u> <u>The Company may, upon resolution of the Board of Directors, make interim dividends as of June 30 of each year as a record date.</u></p> <p>Article <u>40</u>. (abbreviate)</p>	<p>(Deleted.)</p> <p>Article <u>7</u> - <u>18</u> (remain the same)</p> <p>Article <u>19</u>. <u>Term of Office of Directors</u> The term of office of directors shall expire at the conclusion of the ordinary general meeting of shareholders with respect to the last fiscal year ending within <u>one (1)</u> year after their election. (b) and (c) Deleted.)</p> <p>Article <u>20</u> - <u>36</u> (remain the same)</p> <p><u>Article 37. Organization for Deciding Dividends of Retained Earnings, etc.</u> <u>The Company may determine the matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act, including the dividends of retained earnings, by a resolution of the Board of Directors, unless otherwise provided for in laws and regulations.</u></p> <p>Article 38. Record Date for Dividend of Retained Earnings (a) The record date for year-end dividends of the Company shall be December 31 of each year. (b) <u>The record date for interim dividends of the Company shall be June 30 of each year.</u> (c) <u>In addition to the preceding two paragraphs, the Company may set a record date for the payment of dividends from retained earnings and make dividends on the date.</u></p> <p>(Deleted)</p> <p>Article <u>39</u>. (remain the same)</p>

Agenda 3 : Election of Six Directors

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

The candidates for Directors are as follows.

(List of candidates for Directors)

Candidate number	Name			Present Job Titles and Responsibilities at the Company
1	Reappointed	Chang Ming-Jang	Male	Chairman and Representative Director
2	Reappointed	Eva Chen	Female	President and Representative Director / CEO of Trend Micro Group
3	Reappointed	Mahendra Negi	Male	Executive Vice President and Representative Director / CFO of Trend Micro Group / Chairman of the Nomination and Remuneration Advisory Committee
4	Reappointed	Akihiko Omikawa	Male	Executive Vice President and Director / General Manager, Japan, Global Consumer Business, Global IoT Business
5	Reappointed	Ikujiro Nonaka	Outside Director	Director / Member of the Nomination and Compensation Advisory Committee
			Independent Director	
			Male	
6	Reappointed	Tetsuo Koga	Outside Director	Director / Member of the Nomination and Compensation Advisory Committee
			Independent Director	
			Male	

Candidate number 1	Chang Ming-Jang	(Date of Birth November 5, 1954) 66 Years Old	Reappointed <hr/> Male
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Number of Holding Shares 5,367,000 shares	Career Summary and Job Titles and Responsibilities at the Company	
	December 1988	President of Trend Micro Incorporated (U.S.A.)
Attendance at the Meetings of the Board of Directors 100% (8 / 8)	December 1995	Representative Director
	March 1997	President and Representative Director
	January 2005	Chairman and Representative Director (present post)
	Significant Concurrent Positions at Other Companies	
	N/A	
	Reason for nominating the candidate for Director	

Mr. Chang Ming-Jang has been the CEO of the Trend Micro Group for many years since its founding. He is currently involved in the management of the Group as the Chairman and is thoroughly familiar with the overall business and management of the Group. For these reasons, the Company renominates him as a candidate for Director.

Candidate number 2	Eva Chen	(Date of Birth February 23, 1959) 62 Years Old	Reappointed Female
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Number of Holding Shares 1,559,000 shares (*)	Career Summary and Job Titles and Responsibilities at the Company	
	May 1989	Joined Trend Micro Incorporated (Taiwan)
	December 1995	Corporate Auditor
Attendance at the Meetings of the Board of Directors 100% (8 / 8)	August 1997	Director, generally responsible for Technology Development Division
	March 2002	Director Group CTO
	January 2005	President and Representative Director Group CEO (present post)
	Significant Concurrent Positions at Other Companies	

N/A

Reason for nominating the candidate for Director

Ms. Eva Chen founded the Trend Micro Group together with Chang Ming-Jang, and has headed the Research & Development Division for many years. In addition, as the Group CEO since 2005, she is thoroughly familiar with the overall business and management of the Group. For these reasons, the Company renominates her as a candidate for Director.

(*) The number of holding shares owned by Ms. Eva Chen indicates the number of shares (number of real owned shares) held under the name of BPSA FOR BPCAL PLEDGED BY 891412 CYF

Candidate number 3	Mahendra Negi	(Date of Birth March 9, 1960) 61 Years Old	Reappointed <hr/> Male
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Number of Holding Shares 147,000 shares	<u>Career Summary and Job Titles and Responsibilities at the Company</u>	
	September 1995	Joined Merrill Lynch Japan Securities Co., Ltd.
	June 2000	Representative Director of ipTrend Incorporated
Attendance at the Meetings of the Board of Directors 100% (8 / 8)	February 2001	Administrative Manager
	March 2001	Director, in charge of Financial Accounting Division
	March 2002	Representative Director Group CFO
	January 2006	Representative Director Group COO and CFO
	March 2012	Executive Vice President and Representative Director / COO & CFO of Trend Micro Group
	March 2014	Executive Vice President and Representative Director / CFO of Trend Micro Group (present post)
	<u>Significant Concurrent Positions at Other Companies</u>	
	N/A	
	<u>Reasons for nominating the candidate for Director</u>	

Mr. Mahendra Negi has working experience in banks and securities companies, etc. After joining the Company, his position as Group CFO since 2002 makes him thoroughly familiar with the overall business and management of the Trend Micro Group. For these reasons, the Company renominates him as a candidate for Director.

Candidate number 4	Akihiko Omikawa	(Date of Birth February 24, 1959) 62 Years Old	Reappointed <hr/> Male
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Number of Holding Shares 4,000 shares	Career Summary and Job Titles and Responsibilities at the Company	
	April 1982	Joined Japan Digital Equipment Corporation (currently Hewlett-Packard Japan, Ltd.)
	December 1992	Joined Microsoft Corporation (currently Microsoft Japan Co., Ltd.)

Attendance at the Meetings of the Board of Directors 100% (8 / 8)	May 2000	Executive Officer, Business Internet Director
	February 2003	Joined Trend Micro Incorporated General Manager, Japan Region and Sales & Marketing
	May 2003	Senior Vice President General Manager, Japan Region
	April 2007	Executive Vice President General Manager, Japan Region and Global Service Business Unit
	March 2008	Director, General Manager for Japan Region, Global Service Business, Global Consumer & Small Business
	February 2010	Director, General Manager Japan, LAR, APAC Region, Global Marketing
	March 2012	Executive Vice President and Director, General Manager Japan, LAR, APAC Region, Global Marketing
	January 2013	Executive Vice President and Director, General Manager Japan, APAC Region, Global Consumer Business
	January 2014	Executive Vice President and Director, General Manager Japan, Global Consumer Business
	January 2016	Executive Vice President and Director / General Manager Japan, Global Consumer Business / General Manager, IoT Business Promotion
	January 2020	Executive Vice President and Director / General Manager Japan, Global Consumer Business, Global IoT Business (present post)

Significant Concurrent Positions at Other Companies

N/A

Reasons for nominating the candidate for Director

Mr. Akihiko Omikawa is highly experienced in sales divisions at IT related companies. After joining the Company, he has been demonstrating his ability as Director responsible for sales in Japan and other regions to the full extent. For these reasons, the Company renominates him as a candidate for Director.

Candidate number 5	Ikujiro Nonaka	(Date of Birth May 10, 1935) 85 Years Old	Reappointed Male	Outside Director Independent Director
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Number of Holding Shares 0 shares	Career Summary and Job Titles and Responsibilities at the Company	
Attendance at the Meetings of the Board of Directors 100% (8 / 8)	April 1958	Joined Fuji Electric Corporation
	April 1977	Professor, Department of Business Administration, Nanzan University
	January 1979	Professor, National Defense Academy of Japan
	April 1982	Professor, Institute of Business Research, Hitotsubashi University
	April 1997	Dean, the Graduate School of Knowledge Science, Japan Advanced Institute of Science and Technology
	May 1997	Xerox Distinguished Faculty Scholar, IMIO, University of California, Berkeley
	April 2000	Professor, Hitotsubashi University Graduate School of International Corporate Strategy
	June 2005	Outside Director of Eisai Co., Ltd.
	April 2006	Professor Emeritus, Hitotsubashi University Graduate School of International Corporate Strategy (present post)
	January 2007	First Distinguished Drucker Scholar in Residence at the Drucker School and Institute, Claremont Graduate University
	June 2007	Outside Director of MITSUI&CO., LTD
	July 2009	Chairman, Economic Research Center of FUJITSU RESEARCH INSTITUTE
	March 2011	Outside Director of the Company (present post)

Significant Concurrent Positions at Other Companies

Professor Emeritus, Hitotsubashi University Graduate School of International Corporate Strategy

Reasons for nominating the candidate for Outside Director and expected role, etc.

Mr. Ikujiro Nonaka has not previously been involved with company management directly in any form other than Outside Director. However, he is at the forefront of knowledge management research and therefore has profound expertise in corporate management. Through his deep insights based on his expertise and working experience as an Outside Director of other companies, he offers appropriate advice and propositions through discussions at meetings of the Board of Directors. As such, we believe that he will properly perform his duties including decisions of important matters and supervision of operational execution related to managerial matters as an Outside Director of the Company.

After the election, we expect him to appropriately perform his duties as an outside director of the Company, including decision-making on important management matters and supervision of business execution. We also plan to continue to appoint him as a member of the Nomination and Remuneration Advisory Committee after his election.

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

Candidate number 6	Tetsuo Koga	(Date of Birth March 2, 1948) 73 Years Old	Reappointed	Outside Director
			Male	Independent Director

Number of Holding Shares 0 shares	Career Summary and Job Titles and Responsibilities at the Company	
	April 1971	Joined Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation)
Attendance at the Meetings of the Board of Directors 100% (8 / 8)	June 2005	Senior Executive Vice President, Representative Director of Nippon Telegraph and Telephone East Corporation
	June 2009	Left Nippon Telegraph and Telephone East Corporation
	June 2009	President & Representative Director of NTT Learning Systems Corporation
	June 2013	Left NTT Learning Systems Corporation
	November 2013	Outside Director of HITO-Communications Holdings, Inc.(present post)
	June 2015	Outside Director of Asahi Net, Inc.(present post)
	March 2017	Outside Director of the Company (present post)

Significant Concurrent Positions at Other Companies

Outside Director of HITO-Communications Holdings, Inc.

Outside Director of Asahi Net, Inc.

Reasons for nominating the candidate for Outside Director and expected role, etc.

Mr. Tetsuo Koga has served as the Senior Executive Vice President, Representative Director of Nippon Telegraph and Telephone East Corporation, and is currently working as an outside director for several listed companies. He has abundant experience in the business field. For these reasons, the Company renominates him as a candidate for Outside Director.

After the election, we expect him to make use of his expert knowledge as a person with management experience to make comments at meetings of the Board of Directors, etc. regarding the formulation of management plans, etc., mainly from a managerial perspective, and to supervise the progress of management plans, etc. We also plan to continue to appoint him as a member of the Nomination and Remuneration Advisory Committee after his election.

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

(Notes)

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

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

With respect to the liability provided for in Article 423, paragraph 1 of the Companies Act, he shall have liability to the extent of the greater of 16 million yen or the minimum liability amount provided for in Article 427, paragraph 1 of the Companies Act if he performs his duties in good faith without gross negligence. In the case that their election is approved, such agreement remains effective.
5. Directors and officers (D&O) liability insurance with the Candidate for Director as the Insured

We have entered into a Directors and officers (D&O) liability insurance with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act of Japan to cover legal damages and litigation expenses in the event that a claim for damages is made against the insured during the insurance period due to an act committed by the insured in his/her capacity as such. However, the above insurance policy does not cover damages arising from the insured's unlawful gain or benefit, criminal acts, fraudulent acts, or acts committed with the knowledge that they violate laws, regulations, or control laws. The premiums for all insured persons are fully paid by the Company. In the event that each candidate is appointed as a director, he will become an insured under the relevant insurance policy and the policy will be renewed on March 31, 2021. Please refer to page 37 of the Business Report for an outline of the contract.

Agenda 4 : Election of Four Corporate Auditors

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

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

The candidates for Corporate Auditors are as follows.

(List of candidates for Corporate Auditors)

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

Candidate number 1	Masaru Sempo	(Date of Birth December 10, 1952) 68 Years Old	Reappointed	Outside Corporate Auditor
			Male	Independent Corporate Auditor

Number of Holding Shares 0 shares	Career Summary and Job Titles at the Company	
	April 1977	Joined Shell Sekiyu K.K.(currently Idemitsu Kosan Co.,Ltd)
	April 2003	Director, Seconded to Nakagawa Sekiyu K.K.
Attendance at the Meetings of the Board of Directors	April 2006	Senior Assistant to General Manager, Dealer Management Consultation Dept. of Showa Shell Sekiyu K.K.(currently Idemitsu Kosan Co.,Ltd)
100% (8 / 8)	April 2008	Administration Manager of Operation Manager, Seconded to SC Energy Co., Ltd. (currently Diashoseki Co., Ltd)
Attendance at the Meetings of the Board of Corporate Auditors	April 2011	Senior Assistant to General Manager, Planning Sec. Kinki Branch Office, Showa Shell Sekiyu K.K.(currently Idemitsu Kosan Co.,Ltd)
100% (13 / 13)	March 2013	Corporate Auditor of the Company
	July 2014	Full-time Corporate Auditor of the Company (present post)

Significant Concurrent Positions at Other Companies

N/A

Reason for nominating the candidate for Outside Corporate Auditor

Mr. Masaru Sempo has experiences of involving in management as a director of management departments. Based on such experiences and knowledge that he gained at accounting, management and other departments over the years, he has been raising questions and expressing opinions to ensure the validity and appropriateness of the decisions made at the meetings of the Board of Directors and the Board of Corporate Auditors. For these reasons, the Company renominates him as a candidate for Outside Corporate Auditor. His term of office as Outside Corporate Auditor of the Company will be 8 years at the close of this General Meeting of Shareholders.

Candidate number 2	Fumio Hasegawa	(Date of Birth February 15, 1940) 81 Years Old	Reappointed	Outside Corporate Auditor
			Male	Independent Corporate Auditor

Number of Holding Shares 500 shares	Career Summary and Job Titles at the Company	
	May 1994	Manager of Management Accounting Division and Deputy General Manager of Accounting Department of Showa Shell Sekiyu K.K.(currently Idemitsu Kosan Co.,Ltd)
	December 1996	Senior Managing Director of Tokyo Shellpack K.K.

Attendance at the Meetings of the Board of Directors 100% (8 / 8)	March 2000	Full-time Corporate Auditor of the Company
	June 2011	Corporate Auditor of the Company
	January 2012	Full-time Corporate Auditor of the Company
	July 2014	Corporate Auditor of the Company (present post)

Attendance at the Meetings of the Board of Corporate Auditors 100% (13 / 13)	Significant Concurrent Positions at Other Companies	
	N/A	

Reason for nominating the candidate for Outside Corporate Auditor

Mr. Fumio Hasegawa has been experience of involving in management as senior management department. Based on such experiences and knowledge that he gained at accounting, management and other departments over the years, has been raising questions and expressing opinions to ensure the validity and appropriateness of the decisions made at the meetings of the Board of Directors and the Board of Corporate Auditors based on the experiences and knowledge that he gained at the accounting department over the years. For these reasons, the Company renominates him as a candidate for Outside Corporate Auditor. His term of office as Outside Corporate Auditor of the Company will be 21 years at the close of this General Meeting of Shareholders.

Candidate number 3	Yasuo Kameoka	(Date of Birth November 12, 1955) 65 Years Old	Reappointed Male	Outside Corporate Auditor Independent Corporate Auditor
Number of Holding Shares 0 shares	Career Summary and Job Titles at the Company			
	April 1982	Registered as Certified Public Accountant		
	April 1999	Established Taiko Audit Corporation and Senior Partner thereof		
Attendance at the Meetings of the Board of Directors 100% (8 / 8)	March 2001	Corporate Auditor of the Company (present post)		
	July 2004	Chief Director and Senior Partner of Taiko Audit Corporation (present post)		
	Significant Concurrent Positions at Other Companies			
	Chief Director and Senior Partner of Taiko Audit Corporation			
Attendance at the Meetings of the Board of Corporate Auditors 100% (13 / 13)	Reason for nominating the candidate for Outside Corporate Auditor			
	Mr. Yasuo Kameoka does not have any experience of directly involving in management other than being Outside Corporate Auditor, but he raised questions or expressed opinions to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his knowledge and experiences as certified public accountant. As such, we believe that he will properly perform his duties as an Outside Corporate Auditor. His term of office as Outside Corporate Auditor of the Company will be 20 years at the close of this General Meeting of Shareholders.			

Candidate number 4	Koji Fujita	(Date of Birth June 9, 1962) 58 Years Old	Reappointed Male	Outside Corporate Auditor Independent Corporate Auditor
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Number of Holding Shares 0 shares	Career Summary and Job Titles at the Company	
	April 1989	Registered as Attorney at Law with Tokyo Bar Association and Joined Okuno Law Firm (currently Okuno & Partners foreign law joint enterprise)
	March 2002	Corporate Auditor of the Company (present post)

Attendance at the Meetings of the Board of Directors 87.5% (7 / 8)	June 2017	External Director of IRISO ELECTRONICS CO., LTD.(present post)
	June 2020	Corporate Auditor of Iida Group Holdings Co., Ltd.(present post)

Attendance at the Meetings of the Board of Corporate Auditors 92.3% (13 / 13)	Significant Concurrent Positions at Other Companies	
	Attorney at Law, Okuno & Partners foreign law joint enterprise	
	External Director of IRISO ELECTRONICS CO., LTD.	
	Corporate Auditor of Iida Group Holdings Co., Ltd.	

Reason for nominating the candidate for Outside Corporate Auditor

Mr. Koji Fujita does not have any experience of directly involving in management other than being Outside Director or Outside Corporate Auditor, but he raised questions or expressed opinions to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his knowledge and experiences as attorney. As such, we believe that he will properly perform his duties as an Outside Corporate Auditor. His term of office as Outside Corporate Auditor of the Company will be 19 years at the close of this General Meeting of Shareholders.

(Notes)

1. There are no special interests between the Company and each candidate.
2. All candidates are for Outside Corporate Auditors under Article 2, paragraph 3, item 8 of the Ordinance for Enforcement of the Companies Act.
3. The Company has designated Mr. Masaru Sempo, Mr. Fumio Hasegawa, Mr. Yasuo Kameoka and Mr. Koji Fujita as an independent corporate auditor upon whom the Tokyo Stock Exchange imposes the obligation of designation, and who are unlikely to cause conflicts of interest with general shareholders, and it has filed such designation with the said Exchange.
4. Independence as Outside Corporate Auditors and limited liability agreements with Outside Corporate Auditors

(1) Independence of candidates as Outside Corporate Auditor

- i) All candidates for Outside Corporate Auditor have not previously been executing persons or Directors of the Company or a subsidiary of the Company.
- ii) All candidates for Outside Corporate Auditor have not been executing persons or Directors of specified related entities of the Company at the present moment and for the last five years.
- iii) None of the candidates for Outside Corporate Auditor will receive, nor have they received for the last two years, a large amount of money or other properties from the Company or the specified related entities of the Company.
- iv) None of the candidates for Outside Corporate Auditor are the spouse of, nor are they within three degrees related to, the executing persons or Directors of the Company or its specified related entities.

(2) Limited liability agreements with candidates for Outside Corporate Auditor

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

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

5. Directors and officers (D&O) liability insurance with the Candidate for Corporate Auditor as the Insured

We have entered into a Directors and officers (D&O) liability insurance with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act of Japan to cover legal damages and litigation expenses in the event that a claim for damages is made against the insured during the insurance period due to an act committed by the insured in his/her capacity as such. However, the above insurance policy does not cover damages arising from the insured's unlawful gain or benefit, criminal acts, fraudulent acts, or acts committed with the knowledge that they violate laws, regulations, or control laws. The premiums for all insured persons are fully paid by the Company. In the event that each candidate is appointed as a corporate auditor, he will become an insured under the relevant insurance policy and the policy will be renewed on March 31, 2021. Please refer to page 37 of the Business Report for an outline of the contract.

(For reference)

The following list does not represent all the experience that each person has. For your reference, two areas of particular expectation are listed for each candidate for Director, and one area of particular expectation is listed for each candidate for Corporate Auditor. Please also refer to the "Reason for nominating the candidate" listed in the Brief Personal History, etc. of each candidate.

	No.	Name	Areas of special interest and expertise expected of the candidate						
			Business Management	Technology and R&D	Sales and Marketing	Financial Accounting	Law	Academic experts (specialized fields)	Human Resource Development
Directors	1	Chang Ming-Jang	○	○					
	2	Eva Chen	○	○					
	3	Mahendra Negi				○			○
	4	Akihiko Omikawa	○		○				
	5	Ikujiro Nonaka						○	○
	6	Tetsuo Koga	○		○				
Corporate Auditors	1	Masaru Sempo				○			
	2	Fumio Hasegawa				○			
	3	Yasuo Kameoka				○			
	4	Koji Fujita					○		

Agenda 5 : Determination of remuneration, etc. of directors (Stock acquisition rights as stock options)

1. Reason for the proposal

At the 29th Ordinary General Meeting of Shareholders held on March 27, 2018, it was resolved that the amount of remuneration, etc. for directors of the Company, including remuneration, etc. for stock options and retention plans, shall not exceed one billion yen per year (of which remuneration, etc. for outside directors shall not exceed 20 million yen per year).

Today, there is no change in the content of remuneration, etc. for Directors. However, due to the enactment of the Act for Partial Revision of the Companies Act (Act No. 70 and No. 71 of First year of Reiwa) on March 1, 2021, it became necessary to obtain a resolution of the General Meeting of Shareholders regarding the fact and outline of the acquisition of stock acquisition rights as stock options by a stock company subject to the occurrence of certain events, thus we are once again asking for your approval. The additional section is **"3. Outline of stock acquisition rights (8) Matters concerning acquisition of stock acquisition rights"**.

Please refer to page 38 of the Business Report for the Company's policy on determining the remuneration, etc. of Directors.

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

We issue stock acquisition rights as ordinary (market value) type stock options to our directors for the purpose of linking our company's stock price to the profits received by the directors, thereby further increasing the motivation and morale of the directors to improve the performance of our group, strengthening business development that focuses on the interests of our shareholders, and increasing shareholder value.

We intend to maintain the number of stock acquisition rights issued at an appropriate level, taking into consideration the balance with our profit level and dividend payout ratio.

We believe that the amount and details of remuneration, etc. for the ordinary (market value) type stock options are appropriate, as they were determined in consideration of the following factors.

-The fair value of stock acquisition rights as stock options to be granted to directors excluding outside directors (the fair value per stock acquisition right calculated by the Black-Scholes model multiplied by the total number of stock acquisition rights to be allotted),

-Effect of the stock options as an incentive to improve the performance of the Trend Micro Group,

-The effect of the stock options on the Company's financial condition.

We propose that the amount of remuneration, etc. of Directors shall not include the salary for employees of Directors who concurrently serve as employees as in the past. The current number of Directors is six (including two Outside Directors). When Agenda Item No. 3 is approved as proposed, the number of Directors will be six (including two Outside Directors).

3. Summary of the terms and conditions 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 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 280,000 ordinary shares of the Company.

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.

$$\frac{\text{Number of shares after adjustment}}{\text{Number of shares before adjustment}} = \text{Number of shares before adjustment} \times \frac{\text{Split/Consolidation ratio}}{\text{ratio}}$$

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 2,800. (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.

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

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, 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.

$$\frac{\text{Exercise Price after adjustment}}{\text{Exercise Price before adjustment}} = \frac{\text{Exercise Price before adjustment} \times \left(\frac{\text{Number of shares issued and outstanding} + \frac{\text{Number of shares newly issued} \times \text{Subscription price per share}}{\text{Share price before new issue}}}{\text{Number of shares issued and outstanding} + \text{Number of increased shares due to issuance of new shares}} \right)}{\text{Exercise Price before adjustment}}$$

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. In the "Agreement on Grant of Stock Acquisition Rights" to be concluded between us and the grantees, we will, in principle, provide for a waiting period of one year before the commencement of exercise of stock acquisition rights, and for some of the grantees, we plan to lift the restriction on the waiting period only in the event of a change of control (Note 1). The same treatment will be applied to the previously issued stock acquisition rights.

Note 1: A change in control means the first occurrence of any of the following events in our company.

(a) A person who owns shares of our company directly or indirectly acquires (or acquires within 12 months

- prior to the most recent acquisition date) shares of our company's common stock representing more than 30% of the total number of voting rights of our company's outstanding common stock entitled to vote generally on the election of directors.
- (b) As a result of an absorption-type merger or incorporation-type merger to which we are a party, the holders of our voting common stock issued immediately prior to such merger will not be able to maintain, directly or indirectly, common stock representing more than 50% of the total number of voting rights of the outstanding common stock generally entitled to vote on the election of directors of our company or the surviving company immediately after such merger.
- (c) The sale or disposition of all or substantially all of our assets, or the consummation of any transaction having the same effect (other than a sale or disposition to one or more of our subsidiaries).
- (d) As a result of a change in the composition of the Board of Directors of the Company within a period of twelve (12) consecutive months, the number of current directors falls below a majority of the total number of directors.
- (6) Conditions for the exercise of stock acquisition rights
- (i) If a person having the Options (the "Optionee") loses its position as a director, corporate auditor, employee, or advisor of our Company or our 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 our Company recognizes that the Optionee made a high standard of contributions to our 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 our 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 our Company recognizes that the deceased Optionee made a high standard of contributions to our 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 "Stock 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) Matters concerning the acquisition of stock acquisition rights <New additional items>**
- (i) If the merger agreement in which we become an extinguished company is approved, or if the proposal for the approval of the share exchange agreement or the proposal for the share transfer in which we become a wholly owned subsidiary is approved at the general meeting of shareholders (if the approval of the general meeting of shareholders is not required, the resolution of the board of directors is made), we may acquire the new share subscription rights free of charge on a date to be determined separately by the board of directors.
- (ii) We may acquire all or part of the stock acquisition rights free of charge on a date to be determined separately by the Board of Directors. Share Options to be acquired shall be Share Options that cannot be exercised in accordance with the provisions of (6) (i) and (ii) above.
- (9) The board of directors determining the terms of offering of the Options shall provide any other details of issue of the Options.

Reference:

The dilution rate associated with the exercise of stock acquisition rights ("Options")

As described in the Business Report on the amount of Options issued as follows as of December 31, 2020.

Total Number of Outstanding Shares as of December 31, 2020 : 140,629,204 shares

Round	Exercise Price	Expiration Date	Number of shares to be issued upon exercise of the Options	Ratio to total Number of Outstanding shares
33rd	4,690 yen	January 11, 2021	26,000 shares	0.02%
34th	3,545 yen	September 29, 2021	484,700 shares	0.34%
35th	6,430 yen	December 22, 2021	345,000 shares	0.25%
36th	6,280 yen	December 18, 2023	315,000 shares	0.22%
37th	5,790 yen	December 18, 2024	315,000 shares	0.22%
38th	6,100 yen	July 3, 2025	1,406,500 shares	1.00%
39th	5,750 yen	December 18, 2025	315,000 shares	0.22%
Total			3,207,200 shares	3.10%

(Translation)

(Attachment)

Business Report

(From January 1, 2020 to December 31, 2020)

1. Business Review of Trend Micro Group

(1) Qualitative Information on the Consolidated Business Results

During this term of fiscal year 2020, from January 1 to December 31, the world economy has been going through the entire year under the limited economic activities by COVID-19 pandemic. In addition, the new variants occur and there are possibility in surge that of cases again. Under such a situation, deep recession and taking longer for worldwide economic recover have been concerned continuously.

Japanese economy has also been going through in a severe situation with the world economic risks mentioned above due to the novel coronavirus, even if it is showing movements of picking up recently.

Under the global affected by the COVID-19 pandemic, the worldwide Information Technology industry has also shrink as much as the worldwide IT spending would be estimated to be downward into \$3.6 trillion by the end of 2020 with decreases in 5.4% reduction than original provision, according to the report by 3rd party. On the other hand, enterprise software is expected to have the strongest rebound in 2021 as of 7.2% annually growth. Due to the acceleration of digitalization demands by pandemic-driven, a remote workforce and online communication systems deployment will continue to increase dramatically from both in Japan and overseas in IT industry market. For a while now, corporates seems to prioritize spending cost for cloud computing to sustain business and its related services to lower upfront costs.

In the cyber security industry, continuously multitude of cyber terrorism that targets specific national institutions, etc., a spate of identity theft in business client information, and targeted attacks including crypto-assets drain in specific companies, organizations have been still coming across occasionally. In addition, the ransomware which recognized as new threat in targeted attacks, against IoT environment associated with industrial control system operations in smart factory, phishing scams using the global epidemic of COVID-19 infection and the malware files which abuse remote meeting system have infested. Due to worldwide COVID-19 pandemic, it has been required showing more rigorous approach to information management to regardless business or individual into new daily life.

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

With regards to sales in Japan region, both enterprise and consumer business were going well. Especially consumer business has sustained its good sales in mobile channel shop, and growth on the back of an increase in remote work. In Enterprise business, strategic products line mainly cloud related business, and network security related business for large enterprise, showed large growth. As a result, net sales for this period in Japan region amounted to 71,945 million yen (8.1% increase from the same period in the previous year) increase to.

For North America region, in enterprise business, the amount of large-deal per contracts in network security related business for large enterprise has become smaller than the previous year's. This slump was drag on total enterprise business in this region. As the result, sales for this period in North America region was 35,307 million yen (5.5% decrease from the same period in previous year) decreased to.

In Europe region sales, strategic products line performed well with the growth of both cloud related business and network security business in enterprise business. As the result, net sales in this region were 30,843 million yen (6.2% increases from the same period in previous year) increased to.

In the Asia Pacific region, mainly cloud related business, strategic products line showed growth, and additionally traditional products sales have performed well. Australia area, Middle East area, and additionally Taiwan have led this region sales. As a result, in spite of strong yen impact, net sales for this period in Asia Pacific region amounted to 31,037 million yen (14.5% increase from the same period in the previous year) with showing the highest double-digit growth rate in all region.

In the Latin America region sales, cloud related business showed substantial growth, and additionally traditional products sales were also going well. Despite double-digit growth rate in local currency, there was a big strong yen impact. As the result, net sales in this region were 4,927 million yen (4.1% decreases from the same period in previous year) decreased to.

As a result, the consolidated net sales for this period (this term of fiscal year 2020, from January 1 to September 30,) marked 174,061 million yen (5.4% increase from the same period in previous year.)

In spite of decrease in business trip under the COVID-19 pandemic, cost of sales and operating expenses were mainly increase in getting volume public cloud service usage belonging to our SaaS business, people costs due to staff up, etc. As the result, cost of sales and operating expenses for this period totaled 134,596 million yen (5.6% increase from the same period in previous year.), and consolidated operating income for this period was 39,464 million yen (4.7% increase from the same period in previous year.)

The forecast of financial results for the fiscal year ending December 31, 2020 announced on February 18, 2020, it was not considered about COVID-19 impacts at all. Against it, despite unexpected restriction on economic activities as like the government's requests of the decrease in outings, sales in all regions were generally going as expected. Additionally, the entire group sales was also on our expected levels. Consumer business sales covered to enterprise business sales with a part of minus impact.

On the other hand, Though there was unexpected cost increase in one time collective correction, which Software in the R & D department have been overstated for past years, it could be covered with cost reduction in mainly due to decrease in business trip and canceling events under the COVID-19 pandemic and total cost decreased in expectation against the forecast. As the results, operating income has been over than the forecast.

And the consolidated ordinary income for this period was 39,854 million yen (1.8% increase from the same period in previous year) increase to, in spite of increase in foreign exchange loss. The net income attributable to owners of the parent for this period was 26,904 million yen (3.7% decrease from the same period in previous year.) due to for decrease in minus of adjustment amount in income taxes, etc.

Operating income based on Pre-GAAP (revenue before adjusting deferred revenue, etc.) serves as the important annual management indicators for our company. It for this period was 45,853 million yen, a decrease of 2,475 million yen (5.1% decrease from the same period in previous year.) This decrease was due to cost of public cloud service usage volume increase for future strengthening of our SaaS business, people costs increase mainly due to prior speculative staff up, and additionally one time collective correction for over estimation in capitalized software cost. As the results, the cost of sales and operating expenses growth were in excess of Pre-GAAP growth.

(2) Capital Expenditure

The total amount of capital expenditure for the current period was 1,559 million yen, which was invested mainly in the development of new technologies and acquisition of instruments necessary to rationalize the basic operation systems including servers, PCs and peripheral devices.

(3) Financing

There are no special instances.

(4) Issues to Deal With

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

been constantly being required to make appropriate provision for the safety of both ginormous and significant data and infrastructure, the implementation of AI technology to security, and managed security services to set and operate various right products in the right place, etc. with perceiving alteration in both environment and user behavior.

Furthermore, the use of the cloud computing, which excels in efficiency and speed, has been expanding more and more. Because the digital transformation (DX), which improve the quality of business and life with IT technology, is the current trend, and additionally the environment that remote work has been rapidly generalized due to the COVID-19 pandemic. According to such an environment. software and services line up have been shifting software as a service (SaaS) model with changing “purchase” to “on-demand.” Security service market is also transforming to respond coming more demands of SaaS model solution. Without exception, Trend Micro group has also made definite to extend our SaaS business and solution line up, we are working on it now.

This transformation does not mean simple replacement for existing products and solutions. Because our group has been deploying across a wide range of security products and services, we can achieve to corporate various SaaS model solution, feeds wide and deep various activity data from multiple layers to a data lake, effective correlation and deep analysis by thread intelligence, applying sophisticated analytics and threat intelligence, and possible to quickly identifying critical threats and supplies the full context needed for an attack-centric view of an entire chain of events across security layers. That is our concept “X Detection & Response (Trend Micro XDR)” to resolve ever-changing issues with.

Mainly Trend Micro XDR, we will offer higher value-added security solutions and aim to achieve sustainable long-term growth with maintaining a stable financial foundation.

(5) Business Results and Changes in Financial Conditions

Fiscal Year	The 29 th Term ended December 2017	The 30 th Term ended December 2018	The 31 st Term ended December 2019	The 32 nd Term ended December 2020
Item				
Net Sales (millions of yen)	148,811	160,410	165,195	174,061
Ordinary Income (millions of yen)	37,035	37,190	39,139	39,854
Net Income Attributable to Owners of Parent (millions of yen)	25,691	28,314	27,946	26,904
Net Income per Share (in yen)	187.01	204.38	200.94	193.39
Total Assets (Note) (millions of yen)	331,157	346,161	359,710	376,701
Net Assets (millions of yen)	177,077	187,083	187,425	189,360

(Note) The company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the fiscal year ended December 31, 2019. Accordingly, the amount of total assets for the fiscal year ended December 31, 2018, has been retrospectively adjusted using figures that reflect the application of the aforementioned standard, etc.

(6) Status of Important Subsidiaries

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

- (Notes) 1. The consolidated financial statements cover all subsidiaries and affiliated companies except two non-consolidated subsidiaries, which consist of 40 consolidated subsidiaries including the aforementioned four important subsidiaries and one equity method affiliate.
2. There are no subsidiaries that fall under specific wholly owned subsidiaries.

(7) Primary Business of the Group

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

(8) Primary Offices of the Group

Head Office: Shibuya-ku, Tokyo

Branch Offices: Osaka Office (Yodogawa-ku, Osaka)
Fukuoka Office (Hakata-ku, Fukuoka)
Nagoya Office (Naka-ku, Nagoya)

Overseas Subsidiaries: Trend Micro Incorporated (Taiwan)
Trend Micro Incorporated (U.S.A.)
Trend Micro Australia Pty. Ltd. (Australia)
Trend Micro (EMEA) Limited (Ireland)

(9) Employees

Name of Divisions	Number of Employees
Sales Division	1,842
Marketing Division	389
Product Support Division	1,553
Research and Development Division	2,319
Administration Division	872
Total	6,975

2. Status of Shares of the Company**(1) Total Number of Shares Authorized to be Issued by the Company:**

250,000,000 shares

(2) Total Number of Outstanding Shares:

139,158,049 shares (excluding treasury stock of 1,471,155 shares)

(3) Number of Shareholders: 10,650**(4) Top 10 Shareholders:**

Name of Shareholders	Number of Shareholding	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,560,400	21.96
Custody Bank of Japan, Ltd. (Trust Account)	14,537,400	10.44
Credit Suisse AG	6,380,900	4.58
Chang, Ming-Jang	5,367,000	3.85
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	2,965,900	2.13
BNYM AS AGT/CLTS 10 PERCENT	2,505,799	1.80
GIC PRIVATE LIMITED-C	2,378,300	1.70
SSBTC CLIENT OMNIBUS ACCOUNT	2,355,042	1.69
Custody Bank of Japan, Ltd. (Trust Account 9)	2,192,000	1.57
SMBC Nikko Securities Inc.	2,140,500	1.53

(Note) The Shareholding Ratio is calculated excluding treasury stock (1,471,155 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

	Thirty-fourth Series	Thirty-fifth Series	Thirty-sixth Series
Date of resolution of the issue	September 14, 2016	December 7, 2017	December 3, 2018
Category	Director (Note)	Director (Note)	Director (Note)
Number of holders	2	3	3
Number of stock acquisition rights	524	900	900
Number of shares subject to stock acquisition rights	52,400	90,000	90,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration	Without consideration
Exercise price per share at the exercise of rights	3,545 yen	6,430 yen	6,280 yen
Exercise period	September 29, 2021	December 22, 2022	December 18, 2023
Conditions for exercise of stock acquisition rights	(Note 2)	(Note 2)	(Note 2)

	Thirty-seventh Series	Thirty-eighth Series	Thirty-ninth Series
Date of resolution of the issue	December 3, 2019	June 18, 2020	December 1, 2020
Category	Director (Note)	Director (Note)	Director (Note)
Number of holders	3	3	3
Number of stock acquisition rights	900	1,500	900
Number of shares subject to stock acquisition rights	90,000	150,000	90,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration	Without consideration
Exercise price per share at the exercise of rights	5,790 yen	6,100 yen	5,750 yen
Exercise period	December 18, 2024	July 3, 2025	December 18, 2025
Conditions for exercise of stock acquisition rights	(Note 3)	(Note 3)	(Note 3)

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

(Note 2)

Essential Conditions for Exercise of Stock Acquisition Rights

- (a) A holder of stock acquisition rights may exercise his/her stock acquisition rights only if the holder continues to be in a position as a director, auditor, employee, seconded 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.

(Note 3)

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

(2) Status of Stock Acquisition Rights Granted in the Current Term for employee of the Company, Directors and employees of subsidiaries of the Company

	Thirty-eighth Series	Thirty-ninth Series
Date of resolution of the issue	June 18, 2020	December 1, 2020
Number of employees of the Company holding stock acquisition rights	9	-
Number of Directors and employees of subsidiaries of the Company holding stock acquisition rights (excluding Directors and employees of the Company)	51	10
Number of stock acquisition rights	12,565	2,250
Number of shares subject to stock acquisition rights	12,565,000	225,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration
Exercise price per share at the exercise of rights	6,100 yen	5,750 yen
Exercise period	From July 4, 2020 to July 3, 2025	From December 19, 2020 to December 18, 2025
Conditions for exercise of stock acquisition rights	(Note)	(Note)

(Note) Please refer to (Note 3) under “(1) Status of Stock Acquisition Rights held by Directors at the End of the Current Term” in the previous pages.

(3) Other Important Matters concerning Stock Acquisition Rights

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

	Thirty-third Series	Thirty-fourth Series	Thirty-fifth Series	Thirty-sixth Series
Date of resolution of the issue	December 22, 2015	September 14, 2016	December 7, 2017	December 3, 2018
Category	Directors and employees of subsidiaries of the Company	Employees of the Company, Directors and employees of subsidiaries of the Company	Directors and employees of subsidiaries of the Company	Directors and employees of subsidiaries of the Company
Number of stock acquisition rights	260	4,323	2,550	2,250
Number of shares subject to stock acquisition rights	26,000	432,300	255,000	225,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration	Without consideration	Without consideration
Exercise price per share at the exercise of rights	4,690 yen	3,545 yen	6,430 yen	6,280 yen
Exercise period	January 11, 2021	September 29, 2021	December 22, 2022	December 18, 2023
Conditions for exercise of stock acquisition rights	(Note 1)	(Note 1)	(Note 1)	(Note 1)

	Thirty-seventh Series	Thirty-eighth Series	Thirty-ninth Series
Date of resolution of the issue	December 3, 2019	June 18, 2020	December 1, 2020
Category	Directors and employees of subsidiaries of the Company	Employees of the Company, Directors and employees of subsidiaries of the Company	Directors and employees of subsidiaries of the Company
Number of stock acquisition rights	2,250	12,565	2,250
Number of shares subject to stock acquisition rights	225,000	1,256,500	225,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration	Without consideration
Exercise price per share at the exercise of rights	5,790 yen	6,100 yen	5,750 yen
Exercise period	December 18, 2024	July 3, 2025	December 18, 2025
Conditions for exercise of stock acquisition rights	(Note 2)	(Note 2)	(Note 2)

- (Notes)
1. Please refer to (Note 2) under “(1) Status of Stock Acquisition Rights held by Directors at the End of the Current Term” in the previous pages.
 2. Please refer to (Note 3) under “(1) Status of Stock Acquisition Rights held by Directors at the End of the Current Term” in the previous pages.

4. Matters Concerning Directors and Corporate Auditors of the Company

(1) Directors and Corporate Auditors

(As of December 31, 2020)

Name	Title and Responsibilities at the Company and the Group	Significant Concurrent Positions
Chang Ming-Jang	Chairman and Representative Director	
Eva Chen	President and Representative Director / CEO of Trend Micro Group	
Mahendra Negi	Executive Vice President and Representative Director / CFO of Trend Micro Group	
Akihiko Omikawa	Executive Vice President and Director / General Manager Japan, Global Consumer Business, Global IoT Business	
Ikujiro Nonaka	Director	Professor Emeritus, Hitotsubashi University Graduate School of International Corporate Strategy
Tetsuo Koga	Director	Outside Director of HITO-Communications Holdings Inc. / Outside Director of Asahi Net, Inc.
Masaru Sempo	Full-time Corporate Auditor	
Fumio Hasegawa	Corporate Auditor	
Yasuo Kameoka	Corporate Auditor	Chief Director and Senior Partner of Taiko Audit Corporation
Koji Fujita	Corporate Auditor	Attorney at Law, Okuno & Partners foreign law joint enterprise / External Director of IRISO ELECTRONICS CO.,LTD. / Corporate Auditor of Iida Group Holdings Co., Ltd.

- (Notes)
- Our officers consist of ten (10) members, six (6) Directors and four (4) Corporate Auditors, of which, one (1) is female and ten (10) are males as of December 31, 2020. The female officer is the President and Representative Director.
 - Mr. Ikujiro Nonaka, Director, and Mr. Tetsuo Koga, Director, are an Outside Directors under Article 2, item 15 of the Companies Act.
 - All four Corporate Auditors are Outside Auditors under Article 2, item 16 of the Companies Act.
 - Mr. Masaru Sempo, Corporate Auditor, has many years of experience in accounting and management matters. Mr. Fumio Hasegawa, Corporate Auditor, has many years of experience in finance and accounting matters. Mr. Yasuo Kameoka, Corporate Auditor, is a qualified and experienced certified public accountant. Mr. Koji Fujita, Corporate Auditor, is an attorney with experience in corporate rehabilitation and corporate legal affairs. All have appropriate knowledge regarding finance and accounting matters.
 - The Company has designated all Outside Directors and all Outside Corporate Auditors as independent director/corporate auditors upon whom the Tokyo Stock Exchange imposes the obligation of designation, and who are unlikely to cause conflicts of interest with general shareholders, and it has filed such designation with the said Exchange.
 - Mr. Wael Mohamed, Director, has resigned as of March 31, 2021.

(2) Summary of Limited Liability Agreement

As long as Outside Directors and Outside Corporate Auditors perform their duties in good faith and without gross negligence with respect to the liabilities set forth in Article 423, paragraph 1 of the Companies Act, Outside Directors, full-time Outside Corporate Auditors and part-time Outside Corporate Auditors shall, in accordance with the limited liability agreement executed between the Company and them, be liable for up to 16 million yen, 10 million yen and 4.8 million yen, respectively, or the minimum liability amount prescribed by laws and regulations, whichever of these amounts is the higher.

(3) Outline of the Directors and Officers (D&O) Liability Insurance Contract

We have entered into a Directors and officers (D&O) liability insurance with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act of Japan to cover legal damages and litigation expenses in the event that a claim for damages is made against the insured during the insurance period due to an act committed by the insured in his/her capacity as such. However, the above insurance policy does not cover damages arising from the insured's unlawful gain or benefit, criminal acts, fraudulent acts, or acts committed with the knowledge that they violate laws, regulations, or control laws. The insured parties of the insurance policy are directors and corporate auditors of our Company and our subsidiaries and managerial employees of our Company and our subsidiaries, and we bear the entire premium for all the insured parties.

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

Category	Number of Persons	Amount of Remuneration	Remarks
Directors	7	434 (millions of yen) (Note)	Two (2) Outside Directors received 16 million yen.
Corporate Auditors	4	24 (millions of yen)	All four (4) Corporate Auditors are Outside Corporate Auditors.

- (Note)
1. Remuneration of Directors (except Outside Directors) include 107 million yen for stock options, 19million yen for PBS of CPU Awards and 102million yen for TBS of CPU Awards. For more details on director remuneration, including CPU awards, please see the next page.
 2. The above number includes one director who resigned on March 31, 2020.

(5) The remuneration policy for Directors

1. Basic Policy on Remuneration for Directors

Based on the details approved at the 29th Ordinary General Meeting of Shareholders held on March 27, 2018, the remuneration for Directors of the Company is granted within the range of 1 billion yen per year (of which the remuneration for Outside Directors is within 20 million yen per year), with the composition shown in the table on the following page.

After consulting with the Nomination and Remuneration Advisory Committee, which is mainly composed of outside directors, the ratio of remuneration to directors is designed in accordance with the business roles of individual directors, with a principle of 1:1:1 in terms of the amount at the time of granting of (1) basic remuneration, (2) stock options and (3) CPU Awards as shown in the table on the following page.

This is intended to motivate Directors to contribute to the improvement of the Company's business performance over the medium to long term by linking the majority of their remuneration to the stock price or business performance rather than to a fixed amount.

The Chairman of the Board of Directors and Outside Directors, who are responsible for supervisory functions, are paid only (1) basic remuneration in consideration of their duties.

The reasons for granting (2) stock options and (3) CPU Awards to internal directors as remuneration linked to stock price or performance (reasons for selecting indices) are as follows.

(Stock options)

By linking the Company's stock price to the profits received as remuneration, the Company aims to further increase motivation and morale to improve business performance, strengthen business development with an emphasis on the interests of shareholders, and enhance shareholder value.

(CPU Awards)

The purpose of this award is to share with shareholders not only the incentive to increase the share price by improving business performance but also the downside risk when the share price declines, and to increase the transparency of sharing the results with shareholders by selecting the pre-GAAP margin (Note) as a performance-linked element. The reasons for setting pre-GAAP margin as a performance target are as follows.

We are conscious that the growth of operating income on a pre-GAAP basis (sales before deferred revenue) is an important management indicator.

We disclose our operating income on a pre-GAAP basis to our shareholders and investors in our earnings announcements.

Our costs are designed for this pre-GAAP growth, and include some costs that are not directly linked to operating activities, such as depreciation of intangible assets related to acquisitions.

Therefore, we believe that the pre-GAAP margin, which is pre-GAAP operating income minus these costs, is currently appropriate as a performance target.

2. Policy on Determination of Individual Remuneration, etc.

The amount of individual remuneration for Directors is determined by consulting the Nomination and Remuneration Advisory Committee within the scope of the amount and details of remuneration, etc. approved by the General Meeting of Shareholders, taking into consideration the business performance and remuneration market rates in the overseas and Japanese markets, as well as the average salary of employees, and the details deliberated by the said committee are determined by the Board of Directors.

Specifically, each of the executive directors (President and Representative Director Eva Chen, Executive Vice President and Representative Director Mahendra Negi, and Vice President Akihiko Omikawa) is granted an amount equivalent to 150 million yen at the time of granting, and the top global executives are also granted an amount similar to that of the relevant directors. The reason for this is that we all work together as a team to manage the company, and we all share in the enjoyment of the results and the responsibility for those results. The amount of individual remuneration for the Chairman of the Board of Directors and outside directors is determined by the Board of Directors.

3. Schedule for granting remuneration, etc. to Directors

With regard to the timing and conditions for granting remuneration, etc. to directors, (1) basic remuneration is granted in equal installments over 12 months in an amount determined by the Board of Directors, and (2) stock options and (3) CPU Awards are granted based on the content determined by the Board of Directors, with the terms and conditions separately stipulated in a contract between the director and the Company.

Remuneration structure for internal directors (Approved at the 29th Annual General Meeting of Shareholders held on March 27, 2018)

	Type		Grant	Variable factors	Incentive	Limit
1	Basic remuneration		Cash	-	Basic remuneration	-
2	Stock Option		Stock acquisition right * A fair valuation (Black-Scholes model) is used for remuneration conversion	Stock price	Performance linked (long-term), stock price incentive	280,000 shares /year
3(1)	Cash Phantom Unit Awards (CPU Awards) * Grants the right to receive cash calculated based on the average market value of the Company's common stock over a certain period of time	Performance-based CPU Awards (PBS) *Performance-based type that can be exercised on condition that the performance target(*1)	Cash	Stock price Pre-GAAP margin	Performance linked (short term)	75,000 shares equivalent /year
3(2)		Time Base CPU Awards (TBS) * Time-based type that can be exercised periodically after grant	Cash	Stock price	Performance linked (long-term), stock price fluctuation risk	
					Total	Within 1 billion yen /year

(*1) Performance target: Pre-GAAP margin increases by more than 500 million yen from the same period of the previous fiscal year. Pre-GAAP margin means operating profit after deducting prescribed operating expenses, product development expenses, selling and general administrative expenses, depreciation expenses, acquisition and integration expenses, intangible asset depreciation expenses, and other expenses.

(6) Matters concerning Outside Directors and Outside Corporate Auditors

- (i) Relationships between the Company and other companies where Outside Directors or Outside Corporate Auditors hold a concurrent position

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

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

Name	Attendance and Comments at the Meetings of the Board of Directors and the Meetings of the Board of Corporate Auditors
Ikujiro Nonaka (Director)	Attended all 8 meetings of the Board of Directors (100%). He made comments as needed based on his expert knowledge on management theory.
Tetsuo Koga (Director)	Attended all 8 meetings of the Board of Directors (100%) held since he took office as a Director. He made comments as needed based on his expert knowledge of real industry.
Masaru Sempo (Full-time Corporate Auditor)	Attended all 8 meetings of the Board of Directors (100%) and all 13 meetings of the Board of Corporate Auditors (100%). He raised questions or expressed opinions when necessary in order to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his experience in accounting and management matters over the years.
Fumio Hasegawa (Corporate Auditor)	Attended all 8 meetings of the Board of Directors (100%) and all 13 meetings of the Board of Corporate Auditors (100%). He raised questions or expressed opinions when necessary in order to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his experience in finance and accounting matters over the years.
Yasuo Kameoka (Corporate Auditor)	Attended all 8 meetings of the Board of Directors (100%) and all 13 meetings of the Board of Corporate Auditors (100%). He raised questions or expressed opinions when necessary in order to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors mainly based on his expert knowledge as a certified public accountant.
Koji Fujita (Corporate Auditor)	Attended 7 of 8 meetings of the Board of Directors (87.5%) and 12 of 13 meetings of the Board of Corporate Auditors (92.3%). He raised questions or expressed opinions when necessary in order to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors mainly based on his expert knowledge as an attorney.

5. Status of Accounting Auditor

(1) Name of Accounting Auditor of the Company

KPMG AZSA LLC

(2) Remuneration, etc. Paid to Accounting Auditor

	(Millions of yen)
(i) Amount of fees and charges paid to accounting auditors for the term under review	88
(ii) Total amount of cash and other financial benefits payable by the Company and its subsidiaries	98

- (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) Non-audit services

We have entrusted the accounting auditor with advice and guidance regarding the examination of accounting policies in accordance with the application of the "Accounting Standard for Revenue Recognition".

(4) Reasons for Agreement to the Amount of Remuneration, etc. to be Paid to Accounting Auditor

The Board of Corporate Auditors has decided to agree on the amount of remuneration, etc. to be paid to the Accounting Auditor, after conducting necessary assessment with regard to the content of its audit plans the execution status of the accounting audits, and the calculation basis of the remuneration amount.

(5) Policies Regarding Decisions on the Dismissal or Non-reappointment of Accounting Auditor

In the event that the Accounting Auditor is deemed to fall under any of the items prescribed in Article 340, paragraph 1 of the Companies Act, the Board of Corporate Auditors shall, pursuant to the unanimous consent of Corporate Auditors, dismiss the Accounting Auditor.

In addition to the above, in the event that it is deemed difficult for the Accounting Auditor to appropriately carry out its duties, or in consideration of the execution status of its duties, etc., the Board of Corporate Auditors shall, in accordance with Article 344, paragraphs 1 and 3 of the Companies Act, propose the dismissal or non-reappointment of the Accounting Auditor as an agenda item at a general meeting of shareholders for resolution.

(1) Consolidated Balance Sheet

(As of December 31, 2020)

(Yen in millions)

Account	Amount	Account	Amount
<Assets>		<Liabilities>	
Current assets	268,648	Current liabilities	131,468
Cash and bank deposits	155,740	Notes and accounts payable, trade	917
Notes and accounts receivable, trade	47,280	Accounts payable, other	4,964
Marketable securities	56,527	Accrued expenses	8,594
Inventories	3,404	Accrued income and other taxes	6,094
Others	5,955	Allowance for bonuses	3,311
Allowance for bad debt	(260)	Allowance for sales return	355
Non-current assets	108,052	Short-term deferred revenue	92,958
Property and equipment	7,971	Others	14,273
Buildings and structures, net	4,566	Non-current liabilities	55,871
Office furniture and equipment	3,393	Long-term deferred revenue	46,072
Others	11	Net defined benefit liability	7,273
Intangibles	25,906	Others	2,525
Software	8,741	Total liabilities	187,340
Goodwill	4,778	<Net assets>	
Others	12,386	Shareholders' equity	195,722
Investments and other non-current assets	74,174	Common stock	19,104
Investment securities	35,922	Additional paid-in capital	25,974
Investments in subsidiaries and affiliates	295	Retained earnings	158,429
Deferred tax assets	36,228	Treasury stock	(7,785)
Others	1,728	Accumulated other comprehensive income	(8,411)
		Unrealized gain on available for sale securities	(146)
		Foreign currency translation adjustment	(7,412)
		Remeasurements of defined benefit plans	(852)
		Stock acquisition right	1,220
		Non-controlling interest	829
		Total net assets	189,360
Total assets	376,701	Total liabilities and net assets	376,701

(2) Consolidated Profit and Loss Statement

(From January 1, 2020 to December 31, 2020)

(Yen in millions)

Account	Amount	
Net sales		174,061
Cost of sales		38,166
Gross profit		135,894
Selling, general and administrative expense		96,430
Operating income		39,464
Non-operating income		
Outsourcing service income	203	
Interest income	724	
Gain on sales of marketable securities	1,171	
Subsidy income	409	
Others	128	2,638
Non-operating expenses		
Foreign exchange loss	1,897	
Equity in loss of affiliated companies	104	
Loss on disposal of fixed assets	196	
Others	49	2,248
Ordinary income		39,854
Net income before taxes		39,854
Income taxes current	15,356	
Income taxes deferred	(1,877)	13,478
Net income before non-controlling interest		26,376
Non-controlling interest in income of consolidated subsidiaries		(528)
Net income attributable to owners of the parent		26,904

(3) Consolidated Statements of Changes in Net Assets

(From January 1, 2020 to December 31, 2020)

(Yen in millions)

	Shareholders' equity				
	Common stock	Additional paid in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	18,822	24,715	153,788	(6,119)	191,205
Movement for this period					
Issuance of new stocks	282	282			564
Dividends of surplus			(22,263)		(22,263)
Net income			26,904		26,904
Sales of treasury stock		(364)		3,333	2,969
Purchase of treasury stock				(4,999)	(4,999)
Change in ownership interest of parent due to transactions with non-controlling interests		1,341			1,341
Movement for this period excluding shareholders' equity					
Total movement	282	1,259	4,641	(1,665)	4,516
Balance at the end of current period	19,104	25,974	158,429	(7,785)	195,722

	Accumulated other comprehensive income				Stock acquisition right
	Unrealized gain on available for sales securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	1	(4,560)	(476)	(5,035)	1,102
Movement for this period					
Issuance of new stocks					
Dividends of surplus					
Net income					
Sales of treasury stock					
Purchase of treasury stock					
Change in ownership interest of parent due to transactions with non-controlling interests					
Movement for this period excluding shareholders' equity	(148)	(2,851)	(376)	(3,376)	118
Total movement	(148)	(2,851)	(376)	(3,376)	118
Balance at the end of current period	(146)	(7,412)	(852)	(8,411)	1,220

	Minority interest	Total net assets
Balance at the beginning of current period	152	187,425
Movement for this period		
Issuance of new stocks		564
Dividends of surplus		(22,263)
Net income		26,904
Sales of treasury stock		2,969
Purchase of treasury stock		(4,999)
Change in ownership interest of parent due to transactions with non-controlling interests		1,341
Movement for this period excluding shareholders' equity	677	(2,580)
Total movement	677	1,935
Balance at the end of current period	829	189,360

Balance Sheet

(As of December 31, 2020)

(Yen in millions)

Account	Amount	Account	Amount
<Assets>		<Liabilities>	
Current assets	92,629	Current liabilities	66,611
Cash and bank deposits	47,800	Accounts payable, trade	551
Notes and Accounts receivable, trade	13,664	Accounts payable, other	11,898
Marketable securities	25,571	Accrued expenses	3
Product	241	Accrued income and other taxes	4,500
Raw material	207	Accrued consumption taxes	1,943
Supplies	113	Deposit	298
Prepaid expense	167	Allowance for bonuses	180
Account receivable others	4,589	Allowance for sales return	43
Others	273	Short-term deferred revenue	40,023
		Others	7,167
Non-current assets	85,281	Non-current liabilities	30,542
Property and equipment	512	Long-term deferred revenue	25,374
Buildings	1,050	Long-term account payable	2
Office furniture and equipment	1,458	Allowance for retirement benefits	5,090
Accumulated depreciation	(1,996)	Others	74
Intangibles	5,513	Total liabilities	97,154
Software	4,358	<Net assets>	
Software in progress	317	Shareholders' equity	79,701
Goodwill	4	Common stock	19,104
Others	833	Capital surplus	24,869
Investments and other non-current assets	79,254	Additional paid-in capital	21,826
Investment securities	27,155	Other Capital surplus	3,043
Investments in subsidiaries and affiliates	24,734	Retained earnings	43,512
Deposit for landlord	583	Legal reserve	20
Memberships	4	Accumulated profit	43,492
Deferred tax assets	26,777	Retained earnings carried forward	43,492
		Treasury stock	(7,785)
		Valuation and translation adjustment	(165)
		Net unrealized gain (loss) on debt and equity securities	(165)
		Stock acquisition right	1,220
		Total net assets	80,756
Total assets	177,911	Total liabilities and net assets	177,911

Profit and Loss Statement

(From January 1, 2020 to December 31, 2020)

(Yen in millions)

Account	Amount	
Sales Revenue		
Sales	71,938	
Royalty	6	71,945
Cost of sales		16,924
Gross profit		55,021
Operating expenses		31,458
Operating income		23,562
Non-operating income		
Interest income	1	
Interest on marketable securities	186	
Dividends from subsidiaries and affiliates	4,259	
Foreign exchange gain	400	
Others	46	4,893
Non-operating expense		
Loss on disposal of fixed assets	101	
Others	9	110
Ordinary income		28,345
Net income before taxes		28,345
Income taxes current	8,459	
Income taxes deferred	(1,044)	7,415
Net income		20,930

Statements of Changes in Net Assets

(From January 1, 2020 to December 31, 2020)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus		Retained earnings	
		Additional paid-in capital	Other capital surplus	Legal reserve	Accumulated profit
					Retained earnings carried forward
Balance at the beginning of current period	18,822	21,544	3,408	20	44,825
Movement for the period					
Issuance of new stocks	282	282			
Dividends of surplus					(22,263)
Net income					20,930
Sales of treasury stock			(364)		
Purchase of treasury stock					
Movement for the period excluding shareholders' equity					
Total movement	282	282	(364)	—	(1,333)
Balance at the end of current period	19,104	21,826	3,043	20	43,492

	Shareholders' equity		Valuation and translation adjustment	Stock acquisition right	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain(loss) on available-for-sales securities		
Balance at the beginning of current period	(6,119)	82,501	(33)	1,102	83,570
Movement for the period					
Issuance of new stocks		564			564
Dividends of surplus		(22,263)			(22,263)
Net income		20,930			20,930
Sales of treasury stock	3,333	2,969			2,969
Purchase of treasury stock	(4,999)	(4,999)			(4,999)
Movement for the period excluding shareholders' equity			(131)	118	(13)
Total movement	(1,665)	(2,800)	(131)	118	(2,813)
Balance at the end of current period	(7,785)	79,701	(165)	1,220	80,756

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

Independent Auditor's Report

February 15, 2021

To the Board of Directors of Trend Micro Incorporated:

KPMG AZSA LLC
Tokyo Office, Japan

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

Tetsushi Umetani(Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated profit and loss statement, the consolidated statement of changes in net assets and the related notes of Trend Micro Incorporated (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), as at December 31, 2020 and for the year from January 1, 2020 to December 31, 2020 in accordance with Article 444-4 of the Companies Act.

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

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

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

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

Independent Auditor's Report

February 15, 2021

To the Board of Directors of Trend Micro Incorporated:

KPMG AZSA LLC

Tokyo Office, Japan

Takashi Kondo (Seal)

Designated Limited Liability Partner

Engagement Partner

Certified Public Accountant

Tetsushi Umetani (Seal)

Designated Limited Liability Partner

Engagement Partner

Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the balance sheet, the profit and loss statement, the statement of changes in net assets and the related notes, and the supplementary schedules (“the financial statements and others”) of Trend Micro Incorporated (“the Company”) as at December 31, 2020 and for the year from January 1, 2020 to December 31, 2020 in accordance with Article 436-2-1 of the Companies Act.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and Others* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Financial Statements and Others

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

In preparing the financial statements and the supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and Others

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

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

AUDIT REPORT

In order to audit the business activities of the Directors undertaken during the 32st fiscal year from January 1, 2020, to December 31, 2020, we, the Board of Corporate Auditors, prepared this Audit Report based on the Audit Report prepared by each Corporate Auditor and hereby report as follows:

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

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

2. Results of Audit

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

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

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

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

(2) Audit Result of the Unconsolidated Financial Statements and its Supplementary Schedules

We found that the method and result of the audit by KPMG AZSA LLC, which was appointed as the Company's Accounting Auditor, was executed in an appropriate manner.

(3) Audit Result of the Consolidated Financial Statements

We found that the method and result of the audit by KPMG AZSA LLC, which was appointed as the Company's Accounting Auditor, was executed in an appropriate manner.

February 16, 2021

Trend Micro Incorporated
Board of Corporate Auditors

Full-time Corporate Auditor
Masaru Sempo (Seal)

Corporate Auditor
Fumio Hasegawa (Seal)

Corporate Auditor
Yasuo Kameoka (Seal)

Corporate Auditor
Koji Fujita (Seal)

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

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

**Disclosure through the Internet relating to
NOTICE OF CONVOCATION THE 31ST ORDINARY
GENERAL MEETING OF SHAREHOLDERS”**

“Systems and Policies of the Company”

“Notes to the Consolidated Financial Statements”

“Notes to Financial Statements”

(From January 1, 2020 to December 31, 2020)

TREND MICRO INCORPORATED

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

6. Systems and Policies of the Company

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

(1) System for the storage and control of information on the execution of our Directors' duties

- i) Any information on the execution of our Directors' duties shall be stored and controlled in proper, assured and highly retrievable conditions depending on storing medium in accordance with the Confidential Information Control Rules, the Detailed Regulations on Confidential Information Management and Operation, and other internal regulations. It shall be ensured that our Directors and Corporate Auditors access such information at any time. A storage period shall be the period set forth in the Document-Handling Rule.
- ii) The protection and storage of information under the information system shall be as set forth in the Information Security Policy (Global Policy).

(2) Our regulations and other system for the control of the risk of loss

- i) The Company shall be aware of the risks that come with our products and services, and with the Company's infrastructure arising in the course of the execution of our business. The Company shall, therefore, establish a system to properly grasp and control such risks by appointing a person in charge for the proper administration of each occurrence of the risks.
- ii) The Company shall establish a risk-management department and a compliance security committee with one of our Representative Directors as a chairperson to supervise the compliance and risk control system.
- iii) Any divulgence, theft, loss, corruption, interpolation and the like of information would cause the Company to suffer enormous damage and a loss of credibility. Therefore, the Company shall control such risks in accordance with the provisions of the Information Security Policy (Global Policy), the Confidential Information Control Regulations, the Risk Management Guideline, the Personal Information Protection Manual and the like.
- iv) In the event an unforeseen contingency occurs, the Company shall establish a crisis team (or a SWAT team) with our Director in charge of the Japan Region as a risk manager to move quickly on the situation, and shall establish a system to prevent and minimize additional damage, including damage to our clients.

(3) System to ensure the efficient execution of our Directors' duties

- i) As a basis for a system to ensure the efficient execution of our Directors' duties, a meeting of the Board of Directors shall be held at least once every three months, and in a timely manner from time to time if necessary. Any important matters relating to the Company's management policies and strategies shall be determined making reference to the results of an Executive Meeting and a periodical Budget Review Process.
- ii) In order to execute the Company's operations based on the resolutions of our Board of Directors, each person in charge of respective operations, his or her responsibilities, and the details of execution procedures shall be named and set forth in an administrative authority rule, a rule on our executives and the like.

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

- i) As the basis of the compliance system of each of our group companies, a Code of Conduct, Regulations on Insider Trading and the like shall be established. In order to confirm the implementation of the Code of Conduct, an acknowledgement research shall be carried out to all the directors and employees of our group companies every year.
In addition to the above, if necessary, each department shall establish a guideline and the like, and give training for the said purpose.

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

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

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

In order to carry out the management control, the Company shall establish a rule on our executives, the affiliate companies administration rule, a Finance Control and Approval and Signature Authority to control the management of the subsidiaries through a system in which they shall request our decisions on certain matters or make reports to us, and through monitoring the management of the subsidiaries at every executive meeting, or in the course of a periodical Budget Review Process.

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

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

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

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

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

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

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

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

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

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

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 nine (40)

(2) Names of Major Subsidiaries

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

Cysiv, Inc. (U.S.A.) were newly established and have been included in the scope of consolidation.

(3) Names of Unconsolidated Subsidiaries.

Cloud Conformity Inc. (Canada)

Secure Misr S.A.E. (Egypt)

The reason for scope out of consolidation

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

Cloud Conformity UK Ltd (United Kingdom), which had been an unconsolidated subsidiary, was excluded due to the liquidation.

2. Matters Concerning Application of Equity Method

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

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

General Mobile Corporation (Cayman Islands)

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

Cloud Conformity Inc. (Canada)

Secure Misr S.A.E. (Egypt)

The reason for scope out of equity method

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

3. Matters Concerning the Accounting Standards

(1) Accounting for evaluation of material assets

(i) Securities

Available-for-sale with market value:

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

Available-for-sale without market value:

Cost basis by moving average method

(ii) Inventories:

Cost basis by moving average method

Unprofitable inventories are devaluated

(2) Depreciation or Amortization method for fixed assets

Property and equipment (excluding lease assets)

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

Office furniture and equipment: mainly 2 – 20 years

Intangibles (excluding lease assets)

<Software for sale>

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

<Software for internal use>

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

<Other intangibles>

Straight-line method over the estimated useful life

Lease assets

Lease assets arising from non-ownership-transfer finance leases

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

(3) Accounting policies for allowances

Allowance for bad debt

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

Allowance for bonuses

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

Allowance for sales return

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

(4) Accounting methods for retirement benefit obligation

▸ Attribution method for retirement benefit estimates

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

▸ Treatment for actuarial differences

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

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

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

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

(6) Revenue Recognition Policy

Sales recognition policy for PCS

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

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

(7) Consumption tax

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

(8) Amortization of Goodwill

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

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

(Accounting Standard Not Yet Applied)

(“Accounting Standard for Revenue Recognition” etc.)

-“Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020 (hereinafter, “Statement No.29”))

-“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30, March 31, 2020 (hereinafter, “Guidance No.30”))

(1) Overview

The International Accounting Standards Board (IASB) and the U.S.Financial Accounting Standards Board(FASB) collaborated on a project to develop a single, comprehensive revenue recognition model and jointly issued new revenue recognition standards “Revenue from Contracts with Customers” (IFRS 15 published by IASB, Topic606 published by FASB) in May 2014. IFRS15 is effective for annual reporting periods beginning on or after 1 January 2018 and Topic606 is effective for annual reporting periods beginning after December 15, 2017.

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

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

(2) Scheduled date of applying the new guidance

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

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

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

(“Accounting Standard for Fair Value Measurement” etc.)

-“Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019)

-“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31, July 4, 2019)

(1) Overview

The International Accounting Standards Board (IASB) and the U.S.Financial Accounting Standards Board (FASB) collaborated on a project to develop Fair value measurement and jointly issued new “Accounting Standard for Fair Value Measurementnew” (IFRS 13 published by IASB, Topic 820 published by FASB) in May 2011. IFRS13 is effective for annual reporting periods beginning on or after 1 January 2013 and Topic820 is effective for annual reporting periods beginning after December 15, 2011.

Considering the above circumstances, the Accounting Standard Board of Japan (ASBJ) also developed a new Fair value measurement standard and issued Statement No.30 together with Guidance No.31.

ASBJ's basic policy in developing the new Fair Value measurement standards is to first incorporate the core principle of IFRS 13 in the light of improving the international comparability of financial statements and then add additional alternative treatments to the extent that international comparability would not be significantly impaired where any business practices operated in Japan need to be considered.

(2) Scheduled date of applying the new guidance

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

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

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

("Accounting Standards for the Disclosure of Accounting Estimates")

- "Accounting Standards for the Disclosure of Accounting Estimates" (ASBJ statement No. 31, March 31, 2020)

(1) Overview

The purpose of this report is to disclose information that contributes to the understanding of users of financial statements regarding the accounting estimates which have a risk that the amounts recorded for the current fiscal year will have a material impact on the financial statements for the following fiscal year.

(2) Scheduled date of applying the new guidance

Effective from the ending of the fiscal year ending December 31, 2021.

("Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections")

- "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections"
(ASBJ statement No. 24, March 31, 2020)

(1) Overview

The purpose of this report is to outline the accounting principles and procedures adopted in the event that the related accounting standards are unclear.

(2) Scheduled date of applying the new guidance

Effective from the ending of the fiscal year ending December 31, 2021.

(Change in presentation)

(Consolidated Statements of Income)

"Outsourcing service income", which was included in "Other income" under "Non-operating income" in the previous fiscal year, is presented separately in the current fiscal year because of its materiality. "Outsourcing service income" of 177 million yen was presented in "Other income under Non-operating income" in the previous fiscal year.

(Additional Information)

(Transfer of AsiaInfo Security Limited's shares)

On October 8, 2019, Trend Micro has reached a share transfer agreement with Great Media Security Limited to transfer all shares of Asia Info Security Limited, which was an equity-method affiliate.

Though the shareholders' right is transferred, the settlement of consideration is done by three installment payment by October 2021. The consideration will be Approximately 585 million RMB (approximately 8.7 billion yen / 1

RMB=15 JPY).

AsiaInfo Security Limited's share is transferred to Great Media Security Limited. However, Trend Micro has the right to recover the share rights in case of default. Thus it is interpreted as such Trend Micro keeps the share investment as was before. The book value is transferred to investment securities, and the gain on sale will be recognized in October 2021, after all consideration is received.

(Matters concerning consolidated subsidiaries)

Trend Forward Capital I, L.P. (hereinafter TFI) is a consolidated subsidiary of Trend Micro consolidation group.

Wael Mohamed, who resigned the board of Trend Micro Incorporated last March, has the business execution authority of TFI. On the other hand, Trend Micro doesn't have any of it. However, Wael is considered to be a close person to Trend Micro even after his resign of the board in accordance with ASBJ Statement No. 22. Therefore, TFI is taken as a consolidation subsidiary.

Without TFI's interest in Cysiv, Inc., Trend Micro Incorporated and its subsidiaries' voting right to the company is 38%, and Cysiv, Inc. may not be a consolidation subsidiary. Because of TFI, voting right to Cysiv, Inc. exceeds 50% and make it as a consolidation subsidiary.

(Correction of errors)

Software in R&D and related deferred tax assets had been overstated for past years due to the computation error.

Errors for past years and current fiscal year are not significant in the impact on financial position and operating results.

Accordingly, the errors are corrected in current financial statements.

As a result, gross profit, operating income, and ordinary income decreased by 3,522 million yen and net income attributable to owners of parent decreased by 4,078 million yen for the current consolidated cumulative period.

There is no impact on cash flow statements for the errors.

(NOTES TO THE CONSOLIDATED BALANCE SHEET)

Accumulated depreciation of property and equipment: 21,882 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 140,629,204 shares

The class and number of treasury stock

Class	As of Jan 1, 2020	Increase	Decrease	As of Dec 31, 2020
Common Stock	1,365,655 shares	760,900 shares	655,400 shares	1,471,155 shares

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

The resolution	The annual shareholders meeting held on 26 March, 2020
The type of equity shares	Ordinary shares
The total amount of dividends paid	22,263 million yen
The amount of dividend paid per share	160.00 yen
The record date	31 December, 2019
The effective date	27 March, 2020

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

The resolution	The annual shareholders meeting to be held on 25 March, 2021
The type of the equity shares	Ordinary shares
The source of dividend payment	Retained earnings
The total amount of dividends paid	21,291 million yen
The amount of dividend paid per share	153.00 yen
The record date	31 December, 2020
The effective date	26 March, 2021

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 627,600 shares

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

(NOTES TO FINANCIAL INSTRUMENTS)

1. Matters concerning financial instruments

(1) Policies for financial instruments

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

(2) Details of financial instruments and associated risks

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

(3) Risk management structure for financial instruments

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

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

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

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

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

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

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

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

2. Matters concerning fair values of financial instruments

Consolidated balance sheet amounts, fair values and the differences therein as of December 31, 2020 (fiscal year end) are as follows. Investments in non-marketable securities are not included in this table.

(Yen in millions)

	Consolidated balance sheet amounts	Fair values	Differences
(1) Cash and bank deposits	155,740	155,740	—
(2) Notes and accounts receivable, trade	47,280	47,280	—
(3) Marketable securities and investment securities (*1)	86,400	86,400	—
Total assets	289,421	289,421	—
(1) Notes and accounts payable, trade	917	917	—
(2) Accounts payable, other	4,964	4,964	—
(3) Accrued expenses	8,594	8,594	—
(4) Accrued income and other taxes	6,094	6,094	—
Total liabilities	20,570	20,570	—

(*1) AsiaInfo Security Limited's shares 1,645 million yen was not included. Refer to Additional Information.

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

Assets

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

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

(3) Marketable securities and investment securities

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

Liabilities

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

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

(Notes 2) Non-listed stocks (4,698 million yen recorded on consolidated balance sheet) are not included in “(3) Marketable securities and investment securities” since the identification of its market values is deemed to be extremely difficult.

(NOTES ON PER SHARE INFORMATION)

- | | |
|---|--------------|
| 1. The net assets per share: | 1,346.03 yen |
| 2. The net income for the term per share: | 193.39 yen |

(NOTES ON MATERIAL SUBSEQUENT EVENTS)

N/A

(OTHER NOTES)

N/A

Notes to Financial Statements

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

1. Accounting for evaluation of assets

(1) Securities

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

(ii) Other securities

Available-for-sale with market value:

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

Available-for-sale without a market value:

Cost basis by moving average method

(2) Inventories

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

Unprofitable inventories are devaluated

2. Depreciation and amortization method for fixed assets

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

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

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

Buildings:	3 – 24 years
Office furniture and equipment:	3 – 20 years

Intangible fixed assets (excluding leased assets)

<Software for sale>

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

<Software for internal use>

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

<Other intangibles >

Straight-line method over the estimated useful lives

Leased assets

Finance lease without transfer of ownership of the leased assets

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

3. Accounting policies for allowances

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

4. Revenue Recognition Policy

Sales recognition policy for PCS

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

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

5. Consumption tax

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

6. Amortization of Goodwill

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

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

z(NOTES TO THE BALANCE SHEET)

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

	(Yen in millions)
Short-term monetary assets	4,580
Short-term monetary liabilities	8,255

(NOTES TO THE PROFIT AND LOSS)

The Amounts of Transactions with Subsidiaries and Affiliates

The Amounts of Operational Transactions

	(Yen in millions)
Sales	7
Outside service fee	18,054
Cost sharing charges	6,178
Purchases	941

The Amounts of Non- Operational Transactions

Dividends from subsidiaries and affiliates	4,259
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(NOTES TO THE STATEMENTS OF CHANGES IN NET ASSETS)

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

Common Stock	1,471,155 shares
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(NOTES TO THE TAX EFFECT ACCOUNTING)

1. Major items causing deferred tax assets:

Deferred tax assets

	(Yen in millions)
Nondeductible deferred revenue	20,024
Nondeductible amortization of intangibles fixed assets	1,349
Nondeductible accrued enterprise tax	296
Nondeductible accrued liability	523
Nondeductible allowance for retirement benefits	1,558
Unrealized gain(loss) on available for sale securities	72
Gain of sales of marketable securities for tax purposes	2,386
Others	706
<hr/>	
Deferred tax assets sub total	26,919
Valuation allowance	(142)
<hr/>	
Total deferred tax assets	26,777

Deferred tax liabilities

	(Yen in millions)
Unrealized gain(loss) on available for sale securities	-
<hr/>	
Total deferred tax liabilities	-
<hr/>	
Net amount of deferred tax asset	26,777

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

Statutory tax rate	30.6%
(Adjustments)	
Nondeductible expense such as entertainment expense	0.7%
Nontaxable income such as dividends income	(4.4)%
Tax credit	(0.9)%
Others	0.2%
<hr/>	
Effective tax rate after adjustment for tax effect accounting	26.2%

(NOTES ON RELATED PARTY TRANSACTIONS)

Subsidiaries and Affiliated companies

Company name	Ownership ratio of voting rights	Detail of the relationship	Detail of transactions	Item and Trading amount (Yen in millions)	Account name	Balance at end of period (Yen in millions)
Trend Micro Incorporated (U.S.A.)	100% (Indirect)	Cost sharing agreement	Payments of Cost sharing charges (*1)	10,204	Accounts payable, other	2,802
Trend Micro (Ireland) Limited	100% (Indirect)	Cost sharing agreement	Receipts of Cost sharing charges (*1)	10,901	Accounts receivable, other	3,140
Trend Micro Australia Pty.Ltd.	100% (Indirect)	Cost sharing agreement	Receipts of Cost sharing charges (*1)	5,481	Accounts receivable, other	1,378
Trend Micro Incorporated (Taiwan)	100% (Direct)	Outsourcing agreements of research and technology development and other support services	Payments of Outsourcing charges (*1)	10,070	Accounts payable, other	1,592

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

(NOTES ON PER SHARE INFORMATION)

1. The net assets per share: 571.55 yen
2. The net income for the term per share: 150.45 yen

(NOTES ON MATERIAL SUBSEQUENT EVENTS)

N/A

(OTHER NOTES)

N/A