

(Translation)

(Securities Code 4704)

March 3, 2009

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 THE 20<sup>TH</sup> ORDINARY GENERAL MEETING OF  
SHAREHOLDERS**

Dear Sirs and Madams

Our 20<sup>th</sup> Ordinary General Meeting of Shareholders will be held as follows. We hereby notify you of this and request your attendance at the Meeting.

If you are unable to attend this meeting, you may vote in writing or by electronic means (using the Internet or other means) and we would be grateful if you could kindly review the following Reference Material and fill out the Voting Form enclosed herein with your decision. Please also kindly return the said Form to us no later than 5:30 p.m. on March 24, 2009 (Tuesday) or vote after perusing the "Voting by Electronic Means (ex. on the Internet)" described hereafter (pp. 51).

1. Date: 10:00 a.m. on March 25, 2009 (Wednesday)
2. Place: Momoyama-no-ma, B1 floor, Hyatt Regency Tokyo  
7-2, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo, Japan

3. Purpose:

Report Matters

1. Contents of the Business Report for the 20<sup>th</sup> year (January 1, 2008 to December 31, 2008), contents of the consolidated financial documents and results of the audit of the consolidated financial documents by accounting auditors and the Corporate Auditors.
2. Contents of the financial documents for the 20<sup>th</sup> year (January 1, 2008 to December 31, 2008).

Resolution Matters

- Agenda 1: Appropriation of retained earnings
- Agenda 2: Amendment of the part of the Articles of Incorporation
- Agenda 3: Election of five Directors
- Agenda 4: Election of four Auditors

Agenda 5: Payment of the retirement benefits due to the termination of the retirement benefits scheme for Corporate Auditors

4. Decision concerning Convocation of General Meeting of Shareholders:

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

- Upon your attendance to the meeting, we ask you to kindly submit the enclosed Voting Form to the reception of the Meeting.
- After the close of this General Meeting of Shareholders, a session for reporting recent management is scheduled to be held for approximately one hour at the same place. We ask you to kindly attend such session.
- In the event that the Reference Material and the Business Report, the financial documents and the consolidated financial documents are amended, the amendments will be announced to shareholders on the Company's website (<http://www.trendmicro.co.jp/>).

(Attachment)

(Translation)

## Business Report

(From January 1, 2008 to December 31, 2008)

### 1. Business Review

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

The Japanese economy during this term from January 1 to December 31, 2008, continued to face the growing subprime mortgage financial crisis in the United States, soaring oil prices and cost of raw materials in the first half, and the deteriorating economic conditions as much as finally financial crisis hit to even the real economy in the second half fiscal year 2008. According to the Short-term Economic Survey of Enterprise in Japan (Tankan) announcement in December, the business condition index on almost all parts of the report were aggravated at low level. Such a fall was the second sharpest ever in the closely-watched index since the first oil crisis in Japan in 1975. At the same time, The Monthly Economic Report in December recognized that the Japanese economy is worsening. In this international financial crisis, triggered by U.S. turmoil in the financial market, the world economy is starting to show signs of a global recession. At the same time, the Japanese economy experienced volatility in its exchange rate. The continuation of severe employment and income situations drastically reduced consumer confidence and personal consumption. The Japanese economy entered into recession since the IT bubble burst 6 years ago. Now we are faced with an unprecedented financial crisis.

As in world economy, since the beginning of this year, an uncertain global economic outlook continues to grow as a world threat. The U.S. mortgage crisis has developed into a major financial issue, which led to a huge reorganization of worldwide financial industry. The situation worsened after the bankruptcy of Lehman Brothers Holdings, which had a record debt in U.S. history, and was the prologue to the bank bailout. This unprecedented international financial crisis, triggered by U.S. turmoil in the financial market, ricocheted to Europe and all over the world. First of all, central banks around the world cut interest rates in unison. It started off a chain reaction of a global downturn in stocks and exchange volatility. Also, such turbulence threatens the real economy, especially in import and export. Finally, the economic crisis is hurting even the emerging countries.

The network security industry is also changing as cyber criminals move from mass attacks to much targeted ones with a specific purpose for monetary gain and data-stealing. At the same time, their target has shifted from the general public to specific targets. As a result, virus infections have decreased. According to the virus infection damage incident report, Japan reported 56,880 infections during this annual term of 2008, a 10.7 percent decrease from 2007, which had 63,726 reports. Web threats, which stem from the Internet and can be deployed unbeknownst to the user by just opening a web page, continues to be a global problem. These threats have been growing in diversification and sophistication; it is predicted that social engineering will become a more prevalent method of infecting users who unknowingly visit a compromised Web site. Malicious attackers take various ways in tricking Internet users to download malicious programs that can steal personal information. They attack to especially low security conscious users for the purpose to monetary value-added information and the money from online banking. As Web Threats expand and become more financially-motivated during an economic downturn and recession, antivirus companies are posed with a great challenge. Under such an environment, our group's business conditions are as follows:

For the world at large, the number of reported infections has recently decreased. Yet, there was a move away from Web attacks that target a large, general audience toward more specific attacks that target a smaller audience. Under these circumstances within the Japan region, both businesses of enterprise and consumer achieved positive growth. ISP-based service businesses experienced an especially healthy growth. Sales for this period in Japan was 39,102 million yen (a 7 percent increase from the same period in previous year), showing the highest growth of all regions.

The U.S. economy, the trigger a global recession, is experiencing economic uncertainty with the turmoil in the financial markets due to the mortgage crisis, sinking housing industry, and also soaring crude oil and natural resource prices. While several major companies were going under, real economy worsened business confidence day by day. Amid such a backdrop of recession in the North American region, renewal business in the consumer market made a strong contribution to U.S. sales. Despite a sharp yen appreciation against the dollar from the same period in previous year, the amount of sales for this period in North America was 26,191 million yen (a 5 percent increase from the same period in previous year,) maintaining profit from past period.

As in the North American region, the European economy worsened due to the turmoil in the financial markets, and the fluctuation of price index caused by soaring oil and raw materials price. Under these circumstances, though sales in this European region for France, Italy, and the Middle East performed the strongest with local currency based, Benelux countries were weak in this period. Moreover, a sharp yen appreciation against Euro affected to this region sales since last autumn. As a result, the sales for this period in the European region came to 23,891 million yen (a 2 percent decrease from the previous period) as slightly decline.

In Asia and Pacific regions, business continued at a steady and brisk pace until mid-year, due mainly to the economic influence of China and India with the economic decoupling theory. However, even this region started to show signs of economic slowdown after mid-year. Also, a part of the region is still politically unstable. Despite a strong 2008, Australia is also showing signs of economic slowdown. Also other countries in this region have slightly negative growth and local currency remain at low levels. The net sales for this period in the region came to 9,596 million yen (a 10 percent decrease from the previous period) due to a sharp yen appreciation, which attributed to the region's double-digit decline in sales.

As like other regions, the Latin America region may eventually be affected by the U.S. economic slowdown and the fluctuation of price index caused by raw materials price. Because of a strong yen, though Brazil had positive growth, Mexico grew at a negative rate. In this region, net sales came to 2,925 million yen (a 8 percent decrease from the previous period).

As a result, the consolidated net sales for entire year 2008 came to 101,707 million yen (a 2 percent increase from the previous period).

Operating expenses totaled 69,903 million yen (this is a 5 percent increase from the previous period) due to the increase in stock-option expense, which has no cash payment, at about 2,200 million yen during the fiscal year 2008, an increase in new employee recruitment, and non-operation expenses involved. The consolidated operating income for this period was 31,803 million yen (a 5 percent decrease from the previous period), the consolidated ordinary income for this period was 33,640 million yen (a 12 percent decrease from the previous period), and the consolidated net income for this period was 19,247 million yen (a 18 percent decrease from the previous period) due to Devaluation loss on investment in securities at about 2,800 million yen.

**(2) Capital Expenditure**

The total amount of capital expenditure for the term under review was 2,782 million yen which was invested mainly in development of new technologies and acquisition of instruments necessary to rationalize the basic operation systems including servers, PCs and peripheral devices.

**(3) Financing**

The Company procured 1,055 million yen by the exercise of stock options (stock acquisition rights).

**(4) Issues to Deal With**

In the antivirus industry, there have been two competitors gaining a respectable degree of market share in the U.S. In addition to our direct competitors, Microsoft Corporation, a major operating system software vendor, has entered into the security market. We anticipate that their presence in the security market will make the competition in the market more intense.

Microsoft Corporation has launched “Microsoft® Windows Vista™,” a new OS which is said to have an enhanced security function, across the globe in January 2007. Microsoft Corporation announced last year they would discontinue selling “Windows Live™ OneCare™,” a subscription-based security service for consumers launched in May 2006 in the U.S. Instead, Microsoft is planning at the end of the year to offer the software for free. At the same time, Microsoft began offering a service called “Microsoft® Forefront™ Client Security” for corporate users in July 2007.

In response to such intense competition, we are enhancing our wide range of technologies to better combat the latest Web threats through the acquisition of InterMute Inc. in 2005 for antispymware technologies; Kelkea Inc. in 2007 for IP filtering and reputation services; Provilla, Inc. in 2007 for data leak prevention (DLP); and Identum in 2008 for email encryption technology.

Through a series of acquisitions above organically-bonded, Trend Micro plans to provide services and products through a next generation cloud-client content security infrastructure called the "Trend Micro Smart Protection Network", designed to protect customers from Web threats, from March 2009. Trend Micro Smart Protection Network correlates Web, email and file threat data using reputation technologies and continuously updated in-the-cloud threat databases to detect, analyse and protect customers from the latest threats. By introducing fast, real-time security status “look-up” capabilities in-the-cloud, Trend Micro reduces dependence upon conventional pattern file downloads on the endpoint, as well as the cost and overhead associated with corporate-wide pattern deployments. Trend Micro will advance as an innovative company without sticking to former ways and conventional measure

We, an expert in the antivirus area, have formed several alliances with some of the most respected names in the IT industry including Linksys, a subsidiary of Cisco Systems, Inc., and a worldwide leader in networking for the internet. Linksys has been either bundling or integrating Trend Micro security solutions into select Linksys routers since May 2008. We believe this kind of alliance is important for our product and sales strategies. It will make our products more competitive in the marketplace and it will supplement the sales channel for both vendors involved.

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

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

Consolidated financial documents of the Company had been prepared based on the US accounting standards. Due to delisting of the Company's ADRs (American Depository Receipts) from the US NASDAQ market as of May 31, 2007 and the abolition of registration by SEC (Securities and Exchange Commission) thereafter, consolidated financial documents for the 18<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> terms were prepared based on Japanese standards.

**1. U.S. Standard**

(millions of yen)

Item \ Fiscal Year	The 17 <sup>th</sup> Term ended December 2005
Net Sales	73,030
Net Income before taxes	29,108
Net Income	18,670
Net Income per share (in Yen)	139.85
Total Assets	132,935
Net Assets	81,863

**2. Japanese Standard**

(millions of yen)

Item \ Fiscal Year	The 18 <sup>th</sup> Term ended December 2006	The 19 <sup>th</sup> Term ended December 2007	The 20 <sup>th</sup> Term ended December 2008
Net Sales	85,613	99,805	101,707
Ordinary Income	31,902	38,096	33,640
Net Income	19,327	23,561	19,247
Net Income per share (in Yen)	144.26	176.95	143.88
Total Assets	165,948	201,052	178,766
Net Assets	90,635	110,730	98,846

**(6) Status of Important Subsidiaries**

Company Name	Capital	Shareholding Ratio	Primary Business
Trend Micro Incorporated (Taiwan)	212,500,000 Taiwan dollars	100%	Development and sale of security-related products
Trend Micro Inc. (U.S.A.)	477,250.67 US dollars	100%	Development and sale of security-related products
Trend Micro Deutschland GmbH (Germany)	25,600 Euro	100%	Development and sale of security-related products
Trend Micro Australia Pty.Ltd. (Australia)	150,000 Australia dollars	100%	Sale of security-related products
Trend Micro France SA (France)	45,000 Euro	98%	Sale of security-related products
Trend Micro (UK) Limited (U.K.)	180,921 Euro	100%	Sale of security-related products
Trend Micro (EMEA) Limited (Ireland)	400,000 Euro	100%	Provision of business support for subsidiaries and sale of security-related products

- (Notes)
1. Trend Micro France SA(France) is indirectly owned through Trend Micro Incorporated (Taiwan)
  2. The consolidated accounts cover all subsidiaries and affiliated companies, which consist of 22 consolidated subsidiaries including the aforementioned seven important subsidiaries and two equity method affiliates.

**(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 (Chuo-Ku, Osaka)  
Fukuoka Office (Hakata-Ku, Fukuoka)  
Nagoya Office (Naka-Ku, Nagoya)

Overseas Subsidiaries: Trend Micro Incorporated (Taiwan)  
Trend Micro Inc. (U.S.A.)  
Trend Micro Deutschland GmbH (Germany)  
Trend Micro Australia Pty.Ltd. (Australia)  
Trend Micro France SA (France)  
Trend Micro (UK) Limited (U.K.)  
Trend Micro (EMEA) Limited (Ireland)

**(9) Employees**

Name of Divisions	Number of Employees
Sales Division	813
Marketing Division	274
Product Support Division	1,309
Research and Development Division	1,108
Administration Division	616
Total	4,120

## 2. Condition of Shares

- (1) Total Numbers of Shares authorized to be issued by the Company:  
250,000,000 shares
- (2) Total Number of Outstanding Shares:  
133,570,201 shares (Excluding treasury stock of 6,722,803 shares)  
(Note) The Company issued new shares upon exercise of stock acquisition rights during the term under review and the total number of outstanding shares increased by 402,000 shares.
- (3) Number of Shareholders: 5,328
- (4) Major Shareholders

Name of Shareholders	Number of Shareholding
Trueway Company Limited	20,186,500
Gainway Enterprise Co., Ltd.	10,108,000
Japan Trustee Services Bank, Ltd. (Trust Account)	9,144,000
The Master Trust Bank of Japan, Ltd.(Trust Account)	8,728,000
Nomura Singapore Limited Account Nominee FJ 1309 (A/CFJ-1309)	5,757,500
Chang, Ming-Jang	5,405,000
MLPFS Custody Account No. 2	4,948,007
Morgan White Flyers Equity Derivatives	4,735,325
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	4,491,000
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	4,001,500

### (5) Other Important Matters concerning Stocks

In order to implement a flexible capital policy in response to changes in the management environment, the Company purchased 1,999,000 shares of treasury stock for 6,994,720,000 yen in total through market transactions from February 20, 2008 to March 19, 2008 (on a trade date basis) in accordance with the resolution passes at the Board of Meeting of the Company held on February 19, 2008 pursuant to Article 165, Item 2 of the Companies Act and Article 8 of the Articles of Incorporation.

## 3. Matters Concerning Stock Acquisition Rights etc of the Company

- (1) Condition of Stock Acquisition Rights held by Directors at the End of the Current Term
  - (i) Number of stock acquisition rights: 2,359
  - (ii) Class and Number of Shares subject to Stock Acquisition Rights:  
Common stock: 1,179,500 shares  
(500 shares per a stock acquisition right)

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

	Stock options (Exercise Price)	Exercise Period	Number of stock acquisition rights	Number of holder
Director (Except for Outside Director)	Thirteenth (4,310 yen)	April 27, 2009	360	3
	Fourteenth (5,090 yen)	October 27, 2009	300	3
	Fifteenth (3,840 yen)	July 21, 2010	470	3
	Sixteenth (3,950 yen)	December 13, 2010	235	4
	Seventeenth (3,995 yen)	July 9, 2011	33	1
	Eighteenth (3,610 yen)	November 7, 2011	45	1
	Nineteenth (4,780 yen)	September 13, 2012	373	3
	Twentieth (4,240 yen)	November 25, 2012	70	2
	Twenty-first (3,500 yen)	June 30, 2013	253	3
	Twenty-second (2,580 yen)	November 18, 2013	220	3

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

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

[Twenty-first Stock Option (Stock Acquisition Rights)]

- (i) Number of stock acquisition rights to be issued: 5,049
- (ii) Class and number of subject shares:
  - Common Stock: 2,524,500 shares
  - (500 shares per a stock acquisition right)
- (iii) Issue price of stock acquisition right:
  - Without consideration
- (iv) Exercise price of stock acquisition right:
  - 3,500 yen per a share
- (v) Exercise Period
  - From July 1, 2009 to June 30, 2013

(vi) Total of stock acquisition rights by type of holder other than Directors of the Company

	Number of stock acquisition rights	Number of holders
Employee of the Company (Except for Directors of the Company)	534	236
Directors and employees of subsidiaries of the Company (Excluding Directors and employees of the Company)	4,262	1,451

[Twenty-second Stock Option (Stock Acquisition Rights)]

(i) Number of stock acquisition rights to be issued: 5,102

(ii) Class and number of subject shares:  
Common Stock: 2,551,000 shares  
(500 shares per a stock acquisition right)

(iii) Issue price of stock acquisition right:  
Without consideration

(iv) Exercise price of stock acquisition right:  
2,580 yen per a share

(v) Exercise Period  
From November 19, 2009 to November 18, 2013

(vi) Total of stock acquisition rights by type of holder other than Directors of the Company

	Number of stock acquisition rights	Number of holders
Employee of the Company (Except for Directors of the Company)	546	158
Directors and employees of subsidiaries of the Company (Excluding Directors and employees of the Company)	4,336	1,059

(3) Other Important Matters concerning Stock Acquisition Rights  
Condition of Stock Acquisition Rights Held by Those Other Than Directors at the End of the Current Term

(i) Number of stock acquisition rights  
35,802

(ii) Class and Number of Shares subject to Stock Acquisition Rights  
Common Stock: 17,901,000 shares  
(500 shares per a stock acquisition right)

## (iii) Total of stock acquisition rights held by those other than Directors per each issuance

	Stock options (Exercise Price)	Exercise Period	Number of stock acquisition rights
Employees of the Company, Directors and employees of the subsidiaries of the Company	Thirteenth (4,310 yen)	April 27, 2009	3,827
	Fourteenth (5,090 yen)	October 27, 2009	3,237
	Fifteenth (3,840 yen)	July 21, 2010	4,231
	Sixteenth (3,950 yen)	December 13, 2010	3,811
	Seventeenth (3,995 yen)	July 9, 2011	2,380
	Eighteenth (3,610 yen)	November 7, 2011	2,741
	Nineteenth (4,780 yen)	September 13, 2012	3,767
	Twentieth (4,240 yen)	November 25, 2012	2,130
	Twenty-first (3,500 yen)	June 30, 2013	4,796
	Twenty-second (2,580 yen)	November 18, 2013	4,882

4. Matters Related to Directors and Corporate Auditors in the Company

(1) Directors and Corporate Auditors

Name	Title in the Company and the Group	Title in External Companies etc.
Chang Ming-Jang	Chairman and Representative Director	
Eva Chen	President and Representative Director/ CEO of Trend Micro Group	
Mahendra Negi	Representative Director/ COO & CFO of Trend Micro Group	
Akihiko Omikawa	Director Executive Vice President, General Manager Japan Region, Global Consumer Business Unit, Global Service Business Unit	
Hiroataka Takeuchi	Director	Dean, Graduate School of International Corporate Strategy, Hitotsubashi University
Fumio Hasegawa	Full-time Corporate Auditor	
Sadatoshi Nakayama	Corporate Auditor	Public Accountant Sadatoshi Nakayama Accounting Office
Yasuo Kameoka	Corporate Auditor	Managing Partner and Representative Partner, Taiko Auditing Firm
Koji Fujita	Corporate Auditor	Attorney at Law, Okuno & Partners

(Notes) 1. In the 19th Ordinary General Meeting of Shareholders held on March 26, 2008, Mr. Akihiko Omikawa was newly selected and assumed the office of Director.

2. Mr. Hiroataka Takeuchi, Director, is an outside director under Article 2, item 15 of the Companies Act.

3. All four Corporate Auditors are outside auditors under Article 2, item 16 of the Companies Act.

4. Mr. Fumio Hasegawa, Corporate Auditor, has experiences in finance and accounting matters over the years. Mr. Sadatoshi Nakayama and Mr. Yasuo Kameoka, both Corporate Auditors, have qualification and experiences as certified public accountants. Mr. Koji Fujita, Corporate Auditor, has qualification as attorney and experiences in corporate rehabilitation and corporate legal affairs. All of them have appropriate knowledge as to finance and accounting matters.

5. The candidate Hiroataka Takeuchi is the Dean, Graduate School of International Corporate Strategy, Hitotsubashi University and, as the head of the school, has entered into a “memorandum on scholarship for foreign students” with the Company aiming at the Company donating 1.75 million yen each year for supporting foreign student. The term of the memorandum is for three years from September 1, 2006 through August 31, 2009.

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

Category	Number of directors	Amount of remuneration	Remarks
Director	5	221,607 (Yen in thousands)	Our one outside director received 5 million yen.
Corporate Auditor	4	19,890 (Yen in thousands)	All four Corporate Auditors are outside auditors.

- (Notes) 1. Remunerations paid to Directors include the amount of 69,568,000 yen of stock options granted to Directors. (This does not apply to outside directors.)
2. Remunerations paid to Corporate Auditors include the amount of 1,530,000 yen of allowance for retirement benefits for Corporate Auditors for the term under review.
3. Excluding the above remunerations, the estimated amount of remunerations to be received during the term under review is as follows.
- Total amount of the payment to Corporate Auditors of retirement benefits in accordance with the resolution to be proposed at the 20<sup>th</sup> annual shareholders meeting to be held on March 25, 2009.
- Four Corporate Auditors: 10,775,000 yen in total  
(1,530,000 yen is the allowance for retirement benefits for Corporate Auditors for the term under review. ) The date on which the payments will be made and the amount of individual payments are to be decided by the Corporate Auditors' consultation.

## (3) Matters concerning Outside Director and Outside Auditors

- (i) Concurrent Post of Other Companies (in the case of executing person of other companies) and Relationship between the Company and Such Other Companies  
Not applicable

## (ii) Concurrent Post as Outside Director of Other Companies

Mr. Hirotaka Takeuchi, Director, concurrently acts as an outside director of ORIX Corporation and Integral Corporation. Mr. Koji Fujita, Corporate Auditor, concurrently acts as an outside auditor of TOUEI HOUSING Corporation and an outside director of Yamato Co., Ltd.

The Company does not have any special relation with any of the above companies.

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

Name	Attendance and Comments at the Meetings of the Board of Directors and the Meetings of the Board of Corporate Auditors
Hirotaka Takeuchi (Director)	Hirotaka Takeuchi attended eight out of nine meetings of the Board of Directors. He made comments as needed based on his expert knowledge on marketing, competition strategy, international business and knowledge management.
Fumio Hasegawa (Full-time Corporate Auditor)	Fumio Hasegawa attended all 9 meetings of the Board of Directors and all 14 meetings of the Board of Corporate Auditors. As necessary, he raised questions or expressed opinions in order to ensure the adequacy

	and appropriateness in making decisions at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his experiences in finance and accounting matters over the years as a Full-time Corporate Auditor.
Sadatoshi Nakayama (Corporate Auditor)	Sadatoshi Nakayama attended seven out of nine meetings of the Board of Directors and all 14 meetings of the Board of Corporate Auditors. As necessary, he raised questions or expressed opinions in order to ensure the adequacy and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his expert knowledge as a certified public accountant.
Yasuo Kameoka (Corporate Auditor)	Yasuo Kameoka attended eight out of nine meetings of the Board of Directors and 12 out of 14 meetings of the Board of Corporate Auditors. As necessary, he raised questions or expressed opinions in order to ensure the adequacy and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his expert knowledge as a certified public accountant.
Koji Fujita (Corporate Auditor)	Koji Fujita attended seven out of nine meetings of the Board of Directors and all 14 meetings of the Board of Corporate Auditors. As necessary, he raised questions or expressed opinions in order to ensure the adequacy and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors mainly based on his expert knowledge as an attorney.

(iv) Summary of Limited Liability Agreement

As long as Directors and Corporate Auditors perform their duties in good faith and without gross negligence with respect to the liabilities set out in Article 423, paragraph 1 of the Companies Act, the outside Director, the Full-time Corporate Auditor and the part-time Corporate Auditors shall, in accordance with the limited liability agreement executed between the Company and Mr. Hirotaka Takeuchi and between the Company and all four Corporate Auditors, be liable for up to 10 million yen, 20 million yen and 4.8 million yen respectively or the minimum liability amount as stipulated in Article 427, paragraph 1 of the Companies Act, whichever of these amounts is the higher.

## 5. Condition of Accounting Auditor

(1)	Name of accounting auditor of the Company	
	KPMG AZSA & Co.	
(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	70
(ii)	Total amount of cash and other financial benefits payable by the Company and its subsidiaries	82

- (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. The amount specified in (ii) above includes compensation for advisory services concerning internal controls relating to financial reporting, which are services outside the services stipulated under Article 2, Item 1 of the Certified Public Accountant Law (Non-audit services).
  3. Six important subsidiaries of the Company are receiving audits by certified public accountants or audit corporations other than the accounting auditor of the Company (including qualified persons equivalent thereto in foreign countries) .

- (3) The policy of decision on the dismissal or discontinuance of reelection an accounting auditor

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

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

## 6. Systems and Policies of the Company

### Basic policy of the Company's systems to secure appropriateness of performances of offices of the Company's Directors

- (1) A system for the storage and the control of information regarding execution of operations by the directors
- i) Information on the execution of operations by the directors must be stored and controlled in a proper and highly searchable state, depending on the recording media based on the Confidential Matter Control Regulations, the Confidential Matter Control Guidelines and other internal regulations, and it must be kept in a state that permits the directors and the corporate auditors access at any time. The storage period should be that

required by law if such legal requirements exist, and if not, for the period each division determines.

- ii) The protection and storage of information in the information system shall comply with the Information System Control Regulations.
- (2) A system concerning regulations regarding the control of risk of loss
- i) The Company recognizes risk regarding our products and services, and risk regarding the Company's infrastructure as risks related to execution of the operations of our company. The Company will establish a system to identify and control such risks, as well as a system to identify persons in charge of controlling such risks.
  - ii) The Company will establish the Compliance Security Committee chaired by the Representative Director as an organization to manage and control compliance, and a risk control system.
  - iii) Leaks, theft, loss, damage, and illegal alteration of information would bring enormous damage and loss of trust to our company. Therefore, the Company shall control such risks based on the Information System Control Regulations, the Confidential Information Control Regulations, the Personal Information Protection Regulations, and other regulations.
  - iv) In the event that an incident occurs, an emergency operation team (SWAT team) shall be established, with the Director for the Japan Region as the risk manager, to take swift action, and it shall establish a system to prevent and minimize the spread of damage, including to clients.
- (3) A system to ensure efficient execution of operations by directors
- i) As the basis for a system to ensure efficient execution of operations by the directors, a board of directors' meeting shall be held at least once every three months, and at any appropriate time considered necessary. As for important matters relating to management policies and management strategies of the Company, their execution shall be determined by reference to the results of discussions at the Executive Meetings held every quarter, as well as in the semi-annual budget review process.
  - ii) As for the execution of operations based on decisions of the board of directors, the person in charge, their responsibilities and the details of execution procedures shall be established by the Administrative Authority Regulations and the Regulations Regarding Executives.
- (4) A system to ensure that execution of operations by directors and employees meet relevant regulations and the Articles of Incorporation
- i) As a basis for the compliance system, the Code of Conduct, the Regulations Regarding Executives, the Regulations on Insider Trading and the Personal Information Protection Regulations shall be established.  
The Compliance Security Committee is established, headed by the Representative Director, and it shall establish, maintain, and improve the Internal Control System. Each division shall also establish guidelines and training as necessary.

- ii) As a project team responsible for the establishment and promotion of the Internal Control System, a compliance task force independent of execution divisions shall be established, and an Internal Control Manager shall be appointed as its project manager.
  - iii) In the event that any director finds a serious breach of law or a significant lapse in compliance in the Company, he or she shall immediately report it to the corporate auditors, and shall also report it to the board of directors without delay.
  - iv) Based on the Complaint Procedures, which are regulations establishing internal notification and reporting systems regarding breaches of law and other compliance matters, the human resources division of each region shall be responsible for their operation. The existence or the non-existence of relevant facts and their contents shall be reported to the corporate auditors and the Internal Control Manager every quarter. However, when it is deemed urgent, it shall be reported to them immediately.
  - v) In the event that any corporate auditor determines that there is a problem with the legal compliance system and the execution of the Complaints Procedures of the Company, he or she shall present such opinion, and may require establishment of remedial plans.
- (5) A system to ensure appropriate operations of the corporate group consisting of the Company and its subsidiaries
- i) To ensure proper operation of the group companies, the Code of Conduct and the Complaint Procedures shall apply to all group companies in the same way as the Company.  
As for management control, the Affiliated Companies Control Regulations, the Finance Control and the Signature Authorization Regulations shall be established, thus enabling management control of subsidiaries with authorization by, and reporting to, our company, and also by monitoring through the semi-annual budget review process as necessary.  
In the event that any director finds a breach of law or any other important compliance issues with group companies, he or she shall immediately report it to the corporate auditors and the board of directors.
  - ii) To ensure the reliability of financial reporting by the Company and the group companies, the establishment and operation of internal controls relating to financial reporting shall be promoted.
  - iii) In the event that any of the subsidiaries determines that management control and management guidance of the Company breaches any law or constitutes problems in compliance, it shall report it to Internal Control Manager.  
Immediately upon receiving such report, the Internal Control Manager shall report to the corporate auditors and the directors, and he or she may state his or her opinion. A corporate auditor shall present an opinion to the directors, and may require them to establish remedial plans.
  - iv) The Internal Control Manager shall from time to time visit and monitor subsidiaries.
- (6) In the event that a corporate auditor requires the company to appoint employees to assist duties of the corporate auditor, matters regarding such employees and their independence from the directors
- i) In the event that a corporate auditor requires the company to appoint employees (hereafter referred to as “Auditing Staff”) to assist with his or her duties, the Company

shall consult with the corporate auditor and provide Auditing Staff from among the employees of the Company.

In case Auditing Staffs are established, personnel transfer, personal evaluation and other matters respecting the Auditing Staffs shall be determined with the opinions of the corporate auditor in mind, thus ensuring independence from the directors.

- ii) In the event that a corporate auditor so requires, he or she may request employees to conduct specific audit tasks with notice given to the superiors of such employees. In this case, employees who receive such a request shall report to the corporate auditors, notwithstanding the chain of command of regular employment.
- (7) A system for directors and employees to report to corporate auditors, other systems for reporting to corporate auditors, and a system for ensuring of effective auditing by corporate auditors
- i) The directors shall report the following to the corporate auditors:
    - ① Matters resolved at the Executive Meetings;
    - ② Matters that might cause significant damage to the Company;
    - ③ Important matters regarding management;
    - ④ Important matters regarding audit, establishment and operation of internal control and risk control;
    - ⑤ Serious breach of law or the Articles of Incorporation;
    - ⑥ Matters regarding changes or introduction of accounting policies; and
    - ⑦ Other important compliance matters.

Furthermore, in the event that an employee the Company finds important matters regarding ②, ⑤ and ⑦ above, he or she may report to the corporate auditors directly.
  - ii) By maintaining proper implementation of the Code of Conduct and the Complaint Procedures, the Company shall secure a proper reporting system for a breach of law or other issues in compliance with the corporate auditors.
  - iii) The full-time corporate auditors shall attend the board of directors' meeting, and important meetings such as the meetings of the Compliance Security Committee and the Executive Meetings to grasp the important decision-making processes and the execution of operation. They may also review approval documents and important documents regarding operation execution and require the directors and employees to provide explanations if necessary, and state their opinions.
  - iv) The Representative Director shall establish a forum to exchange opinions with corporate auditors periodically, thus promoting communication.
  - v) In the event that a corporate auditor determines that it is necessary to carry out his or her duties, he or she may ask for the opinions of professionals such as attorneys and certified public accountants, and their expenses shall be borne by the Company.
- (Note) The amounts stated in this Business Report are rounded downward to the nearest stated unit.

# (1) Consolidated Balance Sheet

(As of December 31, 2008)

(Yen in millions)

Account	Amount
<Assets>	
<b>Current assets</b>	<b>145,253</b>
Cash and bank deposits	60,861
Notes and accounts receivable, trade	22,064
Marketable securities	45,923
Inventories	402
Deferred tax assets	13,390
Others	2,946
Allowance for bad debt	-335
<b>Non-current assets</b>	<b>33,513</b>
<b>Property and equipment</b>	<b>4,535</b>
Office furniture and equipment	3,566
Others	969
<b>Intangibles</b>	<b>5,467</b>
Software	2,903
Goodwill	2,096
Others	466
<b>Investments and other non-current assets</b>	<b>23,509</b>
Investment securities	13,491
Investments in subsidiaries and affiliates	284
Deferred tax assets	8,870
Others	862
<b>Total assets</b>	<b>178,766</b>

(Yen in millions)

Account	Amount
<Liabilities>	
<b>Current liabilities</b>	<b>63,808</b>
Account payable and Notes payable, trade	656
Accounts payable, other	2,806
Accrued expenses	3,479
Accrued income and other taxes	3,901
Allowance for bonuses	994
Allowance for sales return	743
Deferred revenue	50,278
Others	948
<b>Long-term liabilities</b>	<b>16,111</b>
Deferred revenue	14,887
Allowance for retirement benefits:	1,211
Others	12
<b>Total liabilities</b>	<b>79,920</b>
<Net assets>	
<b>Shareholders' equity</b>	<b>104,984</b>
Common stock	18,386
Additional paid-in capital	21,108
Retained earnings	87,288
Treasury stock, at cost	-21,798
<b>Valuation and translation adjustment</b>	<b>-9,888</b>
Net unrealized gain(loss) on debt and equity securities	-3,286
Foreign currency translation adjustment	-6,601
<b>Stock acquisition right</b>	<b>3,745</b>
<b>Minority interest</b>	<b>4</b>
<b>Total net assets</b>	<b>98,846</b>
<b>Total liabilities and net assets</b>	<b>178,766</b>

## (2) Consolidated Profit and Loss Statement

(From January 1, 2008 to December 31, 2008)

(Yen in millions)

Account	Amount	
<b>Net Sales</b>		<b>101,707</b>
<b>Cost of sales</b>		<b>15,748</b>
<b>Gross profit</b>		<b>85,958</b>
<b>Operating expenses</b>		<b>54,155</b>
<b>Operating income</b>		<b>31,803</b>
<b>Non-operating income</b>		
Interest income and dividend received	2,924	
Gain on sales of marketable securities	93	
Equity in earnings of affiliated companies	63	
Others	322	3,403
<b>Non-operating expenses</b>		
Interest expenses	3	
Loss on sales of marketable securities	730	
Foreign exchange loss	656	
Others	176	1,566
<b>Ordinary income</b>		<b>33,640</b>
<b>Extraordinary gain:</b>		
Legal settlement	358	
Reversal of stock acquisition right	20	378
<b>Extraordinary losses:</b>		
Devaluation loss on investment securities	2,892	
Litigation costs	248	3,141
<b>Net income before taxes</b>		<b>30,878</b>
Income taxes current	14,808	
Income taxes deferred	-3,182	11,626
<b>Minority interest in income of consolidated subsidiaries</b>		<b>4</b>
<b>Net income</b>		<b>19,247</b>

### (3) Consolidated Statement of Changes in Shareholders' Equity Etc.

(From January 1, 2008 to December 31, 2008)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2007	17,838	20,561	83,116	-15,140	106,375
Movement for this period					
Issuance of new shares	527	527			1,055
Transfer from stock acquisition right	20	20			40
Dividend of surplus			-14,992		-14,992
Net income			19,247		19,247
Sales of treasury stock			-83	341	258
Purchase of treasury stock				-6,999	-6,999
Movement for this period excluding shareholders' equity					
Total movement	547	547	4,171	-6,658	-1,390
Balance as of December 31, 2008	18,386	21,108	87,288	-21,798	104,984

	Valuation and translation adjustment		Stock acquisition right	Minority interest	Total net assets
	Net unrealized gain(loss) on debt and equity securities	Foreign currency translation adjustment			
Balance as of December 31, 2007	-39	2,827	1,550	16	110,730
Movement for this period					
Issuance of new stock					1,055
Transfer from stock acquisition right					40
Dividend of surplus					-14,992
Net income					19,247
Sales of treasury stock					258
Purchase of treasury stock					-6,999
Movement for this period excluding shareholders' equity	-3,247	-9,429	2,194	-11	-10,493
Total movement	-3,247	-9,429	2,194	-11	-11,884
Balance as of December 31, 2008	-3,286	-6,601	3,745	4	98,846

# Notes to the Consolidated Financial Statements

(Notes to Important Basis of the Preparation of the Consolidated Financial Statements)

## 1. The Matters Concerning the Scope of Consolidation

(1) Consolidated Subsidiaries: Twenty two (22)

(2) The Names of Major Subsidiaries

Company Name	
Trend Micro Incorporated	(Taiwan)
Trend Micro Inc.	(U.S.A)
Trend Micro Deutschland GmbH	(Germany)
Trend Micro Australia Pty. Ltd.	(Australia)
Trend Micro France SA	(France)
Trend Micro (UK) Limited	(U.K.)
Trend Micro (EMEA) Limited	(Ireland)

(3) The Company has no unconsolidated subsidiaries.

## 2. The Matters Concerning Application of Equity Method

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

(2) The Names of the affiliate companies to which equity method has been applied:  
Soft Trend Capital Corporation and Net STAR, Inc.

(3) There is no other affiliate company to which the equity method has not been applied.

## 3. The Matters Concerning the Accounting Standards

(1) Accounting for evaluation of assets

① Securities

Available-for-sale with market value:

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

Available-for-sale without market value:

Cost basis by moving average method

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

② Inventories:

Cost basis by moving average method

Unprofitable inventories are devaluated

(2) Depreciation or Amortization method for fixed assets

Property and equipment

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

Office furniture and equipment: mainly 2 – 10 years

Intangibles

<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

(3) Accounting policies for allowances

Allowance for bad debt

In order to reserve future losses from default of notes and account receivable, bad debt provision is provided. The amount is determined using the percentage based on actual doubtful account loss against 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 reserve future losses from sales return subsequent to the fiscal year end, allowance for sales return is provided based on the past experience in the sales return.

Allowance for retirement benefits

In order to reserve future losses arising from retirement of employees, allowance for retirement benefits is provided based on retirement benefit liabilities and pension assets projected at the end of the period.

Actuarial gains and losses are expensed in the following accounting period on a pro rata basis for certain years not exceeding the average remaining services years (1 to 25 years) of employees at the time of occurrence of such difference.

Prior service cost is expensed on a pro rata basis for certain years not exceeding the average remaining services years (24 years) of employees at the time of occurrence of such difference.

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

Foreign currency denominated receivables and payables are translated into Japanese yen at period-end rates of exchange and the resulting translation gains or losses are taken into current income.

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

(5) Accounting policy for leased assets

Finance lease without transfer of ownership of the leased assets are accounted for in the same manner as applied for operating leases.

(6) Revenue Recognition Policy

Basically, the product license agreement contracted with the end-user contains provisions concerning PCS (customer support and upgrading of products and its pattern files). The Company applies the following revenue recognition method for the portion of PCS.

Portion of 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

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

(8) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of the consolidated subsidiaries are measured at fair value.

(9) Amortization of Goodwill

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

(10) 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.

(SUPPLEMENTARY INFORMATION)

Depreciable limit for newly acquired assets

The Company adopted the revision of corporate tax law with respect to the depreciable limit for newly acquired assets. The Company records assets acquired prior to March 31, 2007 by depreciating the difference between the equivalent of 5% of an asset's acquisition value and a memorandum value on a uniform basis for five years and including this as depreciation from the consolidated fiscal year that follows the consolidated fiscal year in which the depreciation amount reaches 5% of the acquisition value of the asset. The effect of this change is not material.

(NOTES TO THE CONSOLIDATED BALANCE SHEET)

Accumulated depreciation of property and equipment: 6,556 million yen

(NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY)

1. The Number of Equity Shares Outstanding as of the End of the Consolidated Fiscal Term:  
Common stock 140,293,004 shares
2. The Matters Concerning Dividends Paid out of the Surplus during the Consolidated Fiscal Term

Resolution	The annual shareholders meeting held on 26 March, 2008
The type of the equity shares	The ordinary shares
The total amount of dividend paid	14,992 million yen
The amount of dividend paid per share	111.00 yen
The record date	31 December 2007
The effective date	27 March 2008
3. The Dividend of Which the Record Date falls in the Consolidated Fiscal Term under Review but Which Becomes Payable in the Next Consolidated Fiscal Term	
The Resolution	The annual shareholders meeting held on 25 March, 2009
The type of the equity shares	The ordinary shares
The source of dividend payment	The income surplus
The total amount of dividend paid	12,956 million yen
The amount of dividend paid per share	97.00 yen
The record date	31 December 2008
The effective date	26 March 2009
4. The Type and the Number of Shares Subject to Issuance upon Exercise of Stock Acquisition Right (Excluding Those of Which the Exercise Period Has not Commenced) as of the End of the Consolidated Fiscal Term	
The ordinary shares	14,005,000 shares

(NOTES ON PER SHARE INFORMATION)

1. The net assets per share:	711.96 yen
2. The net income for the term per share:	143.88 yen

(NOTES ON MATERIAL SUBSEQUENT EVENTS)

N/A

(OTHER NOTES)

N/A

# Balance Sheet

(As of December 31, 2008)

(Yen in millions)

Account	Amount	Account	Amount
<b>&lt;Assets&gt;</b>		<b>&lt;Liabilities&gt;</b>	
<b>Current assets</b>	<b>84,190</b>	<b>Current liabilities</b>	<b>33,952</b>
Cash and bank deposits	19,388	Accounts payable, trade	115
Accounts receivable, trade	11,494	Accounts payable, other	7,828
Marketable securities	40,301	Accrued expenses	198
Product	120	Accrued income and other taxes	2,558
Raw materials	9	Accrued consumption taxes	323
Stores	18	Advances received	10
Prepaid expenses	98	Deposits received	63
Other receivables	433	Allowance for bonuses	120
Deferred tax assets	12,238	Allowance for sales return	516
Others	118	Deferred revenue	22,145
Allowance for bad debt	-32	Others	71
<b>Non-current assets</b>	<b>25,468</b>	<b>No-current liabilities</b>	<b>10,328</b>
Tangible fixed assets	488	Deferred revenue	9,378
Buildings	519	Allowance for retirement benefits:	939
Office furniture and equipment	916	Allowance for retirement benefits for directors and corporate auditors	10
Accumulated depreciation	-947	<b>Total liabilities</b>	<b>44,280</b>
Intangibles	2,707	<b>&lt;Net assets&gt;</b>	
Software	1,544	<b>Shareholders' equity</b>	<b>64,960</b>
Software in progress	842	<b>Common stock</b>	<b>18,386</b>
Others	320	<b>Capital surplus</b>	<b>21,108</b>
Investments and other non-current assets	22,272	Additional paid-in capital	21,108
Investment securities	12,892	<b>Retained earnings</b>	<b>47,263</b>
Investments in subsidiaries and affiliates	2,175	Legal reserve	20
Investments in capital of affiliates	7	Accumulated profit	47,243
Security deposits	594	Retained earnings carried forward	47,243

Memberships	4	<b>Treasury stock</b>	<b>-21,798</b>
Deferred tax assets	6,641	<b>Valuation and translation adjustment</b>	<b>-3,326</b>
Allowance for loss on investments in subsidiaries and affiliates	-42	Net unrealized gain(loss) on debt and equity securities	-3,326
		<b>Stock acquisition right</b>	<b>3,745</b>
		<b>Total net assets</b>	<b>65,378</b>
<b>Total assets</b>	<b>109,659</b>	<b>Total liabilities and net assets</b>	<b>109,659</b>

## Profit and Loss Statement

(From January 1, 2008 to December 31, 2008)

(Yen in millions)

Account	Amount	
<b>Total Sales</b>		
Sales	38,876	
Royalty	23,438	62,315
<b>Cost of sales</b>		<b>10,084</b>
<b>Gross profit</b>		<b>52,230</b>
<b>Selling, general and administrative expense</b>		<b>28,405</b>
<b>Operating income</b>		<b>23,825</b>
<b>Non-operating income</b>		
Interest income	65	
Interest on marketable securities	551	
Dividend	45	
Gain on sales of securities	93	
Global system income	65	
Investment fund income	198	
Others	19	1,039
<b>Non-operating expenses</b>		
Loss on sales of securities	730	
Exchange loss	1,411	
Global system expenses	203	
Others	153	2,499
<b>Ordinary income</b>		<b>22,364</b>
<b>Extraordinary gain:</b>		
Reversal of allowance for investment loss	289	
Legal settlement	358	
Reversal of stock acquisition right	20	668
<b>Extraordinary losses:</b>		
Provision for investment loss	32	
Devaluation loss on investment securities	2,892	
Litigation costs	248	3,173
<b>Net income before taxes</b>		<b>19,859</b>
Income taxes current		10,689
Income taxes deferred		-2,577
<b>Net income</b>		<b>11,747</b>

## Statement of Changes in Shareholders Equity, Etc.

(From January 1, 2008 to December 31, 2008)

(Yen in millions)

	Shareholders' equity			
	Common stock	Capital surplus	Accumulated earnings	
		Additional paid-in capital	Legal reserve	Accumulated profit
			Retained earnings carried forward	
Balance as of December 31, 2007	17,838	20,561	20	50,571
Movement for this period				
Issuance of new shares	527	527		
Transfer from stock acquisition right	20	20		
Dividend of surplus				-14,992
Net income				11,747
Sales of treasury stock				-83
Purchase of treasury stock				
Movement for this period excluding shareholders' equity				
Total movement	547	547	-	-3,328
Balance as of December 31, 2008	18,386	21,108	20	47,243

	Shareholders' equity		Revaluation surplus	Stock acquisition right
	Treasury stock	Total shareholders' equity	Net unrealized gain(loss) on debt and equity securities	
Balance as of December 31, 2007	-15,140	73,850	-127	1,550
Movement for this period				
Issuance of new shares		1,055		
Transfer from stock acquisition right		40		
Dividend of surplus		-14,992		
Net income		11,747		
Sales of treasury stock	341	258		
Purchase of treasury stock	-6,999	-6,999		
Movement for this period excluding shareholders' equity			-3,198	2,194
Total movement	-6,658	-8,890	-3,198	2,194
Balance as of December 31, 2008	-21,798	64,960	-3,326	3,745

## Notes to unconsolidated financial statements

### (SIGNIFICANT ACCOUNTING POLICIES)

#### 1. Accounting for evaluation of assets

##### (1) Securities

Investments in subsidiaries and affiliates.

Cost basis by moving average method

Available-for-sale

Available-for-sale with market value:

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

Available-for-sale without a market value:

Cost basis by moving average method

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

##### (2) Inventories

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 ..... Declining-balance method

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

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

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

Intangibles

<Software for sale>

Straight-line method over the estimated useful 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



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.

(SUPPLEMENTARY INFORMATION)

Depreciable limit for newly acquired assets

The Company adopted the revision of corporate tax law with respect to the depreciable limit for acquired assets. The Company records assets acquired prior to March 31, 2007 by depreciating the difference between the equivalent of 5% of the asset's acquisition value and a memorandum value on a uniform basis for five years and including this as depreciation from the fiscal year that follows the fiscal year in which the depreciation amount reaches 5% of the acquisition value of the asset. This change has no material effect on the Company's balance sheet and income statement.

(NOTES TO THE BALANCE SHEETS)

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

	(Yen in millions)
Short-term monetary claims	3,404
Short-term monetary obligations	5,248

(NOTES TO THE INCOME STATEMENT)

The Amounts of Transactions with Subsidiaries and Affiliates

The Amounts of Operational Transactions

	(Yen in millions)
Sales	23,228
Outside service fee	20,666

The Amount of Non-operational Transactions

	(Yen in millions)
Interest income	45
Global system income	65
Global system expenses	203

(NOTES TO THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.)

The number of treasury shares as of the end of the term:

The ordinary shares	6,722,803 shares
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(NOTES TO THE TAX EFFECT ACCOUNTING)

Major items causing deferred tax assets:

	(Yen in millions)
Nondeductible deferred revenue	12,827
Nondeductible accrued enterprise taxes	275
Nondeductible amortization of intangibles	873
Nondeductible contingent liability	485
Nondeductible allowance for retirement benefit	382
Devaluation loss on investment securities	1,450
Nondeductible allowance for sales return	210
Valuated difference on available-for-sale	2,282
Others	281
<hr/>	
Deferred tax assets sub total	19,069
Valuation allowance	-189
<hr/>	
Total deferred tax assets	18,880

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

Business equipment other than that included under the fixed assets recognized in the balance sheet, such as copying machines, is used by the Company under finance lease agreements without transfer of ownership.

## (NOTES ON THE TRANSACTIONS WITH THE RELATED PARTIES)

## Subsidiaries and affiliates

(Yen in millions)

Names of the companies, etc.	Ratio of ownership of voting rights, etc.	Relationship with the party	Content of transactions	Transaction amounts	Account	Balance at the end of the term
Trend Micro Incorporated (Taiwan)	Directly wholly owned	Entrustment of sale, research and development of the Company's products and concurrent assumption of office of directors	For the payments of the commissions for business services:	6,565	Accounts payable, other	1,506
Trend Micro Inc. (U.S.A)	Directly wholly owned	Entrustment of sale, research and development of the Company's products	For the receipt of the license fees:	8,381	Accounts receivable	672
			For the payments of the commissions for business services:	11,258	Accounts payable, other	2,946
Trend Micro (EMEA) Limited (Ireland)	Directly wholly owned	Sale of the Company's products	For the receipt of the license fees:	4,004	Accounts receivable	443

## Terms and Conditions of the Transactions and the Policies for the Determination of such Terms and Conditions

## ① For the receipt of the license fees:

The Company uses the income comparison method, one of the methods of calculation of the transaction price under the transfer price taxation system.

## ② For the payments of the commissions for business services:

The Company uses the cost-plus method, one of the methods of calculation of the transaction price under the transfer price taxation system.

(NOTES ON PER SHARE INFORMATION)

- |   |            |
|---|------------|
| 1. The net assets per share:              | 461.43 yen |
| 2. The net income for the term per share: | 87.82 yen  |

(NOTES ON MATERIAL SUBSEQUENT EVENTS)

N/A

(OTHER NOTES)

N/A

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

**AUDIT REPORT**

February 13, 2009

The Board of Directors of  
Trend Micro Incorporated

KPMG AZSA & Co.

Designated, Engagement Partner  
and Certified Public Accountant

Hiroyuki Sakai

Designated, Engagement Partner  
and Certified Public Accountant

Yutaka Yuguchi

In accordance with Article 444, paragraph 4 of the Company Law, we, the Audit Corporation, have audited the consolidated financial documents of Trend Micro Incorporated for the consolidated fiscal term commencing on January 1, 2008 and ending on December 31, 2008, specifically the consolidated balance sheet, the consolidated profit and loss statement, the consolidated statement of changes in shareholder's equity and the consolidated notes. The responsibility for the preparation of these consolidated financial documents is retained by the manager and our responsibility is to render our opinion on these documents as an independent party.

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

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

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

Certified copy of the audit report made by the Audit Corporation

**AUDIT REPORT**

February 13, 2009

The Board of Directors of  
Trend Micro Incorporated

KPMG AZSA & Co.

Designated, Engagement Partner  
and Certified Public Accountant

Hiroyuki Sakai

Designated, Engagement Partner  
and Certified Public Accountant

Yutaka Yuguchi

In accordance with Article 436, paragraph 2, item 1 of the Company Law, we, the Audit Corporation, have audited the financial documents of Trend Micro Incorporated for the 19<sup>th</sup> fiscal term commencing on January 1, 2008 and ending on December 31, 2008, specifically the balance sheet, the profit and loss statement, the statement of changes in shareholder's equity, the individual notes and the supplemental statements. The responsibility for the preparation of these financial documents and the supplemental detailed statements is retained by the manager and our responsibility is to render our opinion on these documents as an independent party.

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

As a result of our examination of the above mentioned financial documents and supplemental detailed statements, we found that they present fairly the financial position and the results of operation for the 19<sup>th</sup> fiscal term in all significant aspects in accordance with the accounting standards generally accepted as fair and appropriate in Japan.

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

## **AUDIT REPORT**

In order to audit the business activities of the Directors undertaken during the 20<sup>th</sup> fiscal year from January 1, 2008 to December 31, 2008, we, the Board of Corporate Auditors, prepared this Audit Report based on deliberation of the audit report prepared by each Corporate Auditor and hereby report as follows:

1. Method of Audit by Corporate Auditors and the Board of Corporate Auditors and Details

In addition to specifying the auditing guidelines and assigned business, etc. and receiving reports on audit and its results from each Corporate Auditor, we have received reports from the Directors and the accounting auditor on their performance of duties and requested explanations when necessary.

In accordance with the auditing guidelines and assigned business, etc. specified by the Board of Corporate Auditors, each Corporate Auditor has communicated with the Directors, the internal control division and other employees and made efforts to collect information and improve the auditing environment. Each Corporate Auditor has attended meetings of the Board of Directors and other important meetings and has been informed by the Directors and other employees in respect of the status of performance of their duties and requested explanations when necessary. Furthermore, each Corporate Auditor has examined important documents in respect of the authorization of corporate actions, etc., and inspected the operations and the assets at the head office and other principal business offices. Also, we have monitored and verified the content of a resolution of the Board of Directors concerning the establishment of a system to ensure that performance by the Directors of their duties complies with applicable laws and regulations and the Articles of Incorporation or other systems necessary to ensure validity of operations of *Kabushiki Kaisha* as provided for in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Company Law and the status of the system (internal control system) established based on such resolution. As to subsidiaries, in addition to communicating with the Directors in charge, we have received reports from subsidiaries on their businesses and visited subsidiaries when necessary to examine its businesses and assets. Based on the above-mentioned method, we have examined the Business Report and its supporting schedules for the said fiscal year.

Furthermore, in addition to monitoring and verifying that the accounting auditor maintains its independence and conducts the audit properly, we have received reports from the accounting auditor on the performance of its duties and requested explanations when necessary. We have received from the accounting auditor a notice that the “system to ensure that duties are properly performed” (matters stipulated in each item of Article 159 of the Corporate Accounting Ordinance) is established in accordance with the “Quality Management Standards concerning the Audit” and requested explanations when necessary. Based on the above method, we have examined the financial documents (balance sheet, profit and loss statement, statement of changes in shareholders' equity and individual notes) and their supporting schedules, and the consolidated financial documents (consolidated balance sheet, consolidated profit and loss statement, consolidated statement of changes in shareholders' equity and consolidated notes) for the fiscal year under review.

## 2. Results of Audit

- (1) Audit Result of the Business Report, etc.
  - (i) We found that the business report and its supporting schedules fairly reflects 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 not 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 the performance by the Directors of their duties concerning the internal control system.
- (2) Audit Result of the Financial Documents and their Supporting Schedules  
We found proper the method and result of the audit by KPMG AZSA & Co. who had been appointed as the Company's accounting auditor.
- (3) Audit Result of the Consolidated Financial Documents  
We found proper the method and result of the audit by KPMG AZSA & Co. who had been appointed as the Company's accounting auditor.

February 17, 2009

Trend Micro Incorporated  
Board of Corporate Auditors

Full-time Corporate Auditor  
Fumio Hasegawa

Corporate Auditor  
Sadatoshi Nakayama

Corporate Auditor  
Yasuo Kameoka

Corporate Auditor  
Koji Fujita

(Note: All four Corporate Auditors are outside auditors as defined under Article 2, item 16 and Article 335, paragraph 3 of the Company Law.)

(Translation)

## REFERENCE MATERIAL

### **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 volatile business environment and maintain our competitiveness, we would continue to pay dividends on a consolidated net profit basis. As for the basic dividend policy for the future, we would like to pay year-end dividends at a target consolidated payout ratio of 60% based on the amount of the accounting consolidated net profit added with fees for stock options.

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

Matters concerning year-end dividends

- (1) Type of assets to be distributed Cash
- (2) Matters concerning allocation of dividends to shareholders  
97 yen per common share of the Company      Aggregate amount 12,956,309,497 yen
- (3) Effective date for dividend of retained earnings  
March 26, 2009

#### **Agenda 2:** Amendment of the part of the Articles of Incorporation

##### 1. Reason for Amendment

- (1) Upon enforcement of the Act for Partial Amendments to Act concerning Transfer of Corporate Debt Securities, etc. and Others for Streamlining Settlement of Transactions in Stocks, etc. (Act No. 88 of 2004, the "Settlement Streamlining Act"), the Company will amend the current Articles of Incorporation as follows.
  - ① Pursuant to Article 6 of the supplementary provisions of the Settlement Streamlining Act, the Company is deemed to have resolved the amendment of the Articles of Incorporation by abolishing the provisions for the issuance of share certificates as of the enforcement date of the share dematerialisation (5 January 2009), we will delete Article 7 (Issuance of Share Certificates) as well as delete and amend the language regarding share certificates.
  - ② Upon abolishment of the Act concerning Central Securities Depository and Book-Entry Transfer of Stock Certificates and Other Securities, we will delete and amend the language regarding beneficial shareholders and register of beneficial shareholders in the provisions of the Articles of Incorporation of the Company.
  - ③ Since the register of loss of share certificates is required to be prepared and kept by the day on which one year lapses reckoning from the day following the enforcement date of the Settlement Streamlining Act, we will establish a required supplementary provision.
  - ④ We will add, delete and amend any other required provisions and language.
- (2) For agile management of the Board of Directors, the convener of the meetings of the Board of Directors and Chairman as provided for in Article 23 of the Articles of Incorporation will be changed from the Chairman and Director to the Chairman and Director and any Director nominated by the Chairman and Director.

## 2. Description of Amendment

The description of amendment is set forth below.

(The amended parts are noted by underline.)

Current Articles of Incorporation	Proposed Amendment
<p><u>Article 7 (Issuance of Share Certificates)</u>  <u>The Company shall issue share certificates with respect to its shares.</u></p>	(delete)
<p>Article <u>8</u> (abbreviate)</p>	Article <u>7</u> (abbreviate)
<p>Article 9 (Number of Shares Constituting a Full Unit <u>and Non-issuance of Share Certificates Representing less than a Full Unit</u>)            (a) The number of shares constituting a full unit of the Company shall be five hundred (500).  <u>(b) Notwithstanding the provision of Article 7, the Company shall not issue any share certificates with respect to shares representing less than a full unit unless otherwise provided for in the Share Handling Regulations.</u></p>	<p>Article <u>8</u> (Number of Shares Constituting a Full Unit)             (remain the same)             (delete)</p>
<p>Article <u>10</u> (Rights Relating to Shares of Less than a Full Unit)            The shareholders of the Company (<u>including beneficial shareholders, hereinafter the same</u>) shall be entitled to exercise their rights other than those set forth below with respect to the shares of less than a full unit held by them:            (1) (abbreviate)            (2) (abbreviate)            (3) (abbreviate)</p>	<p>Article <u>9</u> (Rights Relating to Shares of Less than a Full Unit)            The shareholders of the Company shall be entitled to exercise their rights other than those set forth below with respect to the shares of less than a full unit held by them:             (remain the same)            (remain the same)            (remain the same)</p>
<p>Article <u>11</u> (Transfer Agent (<i>Kabunushi Meibo Kanrinin</i>))            (a) (abbreviate)            (b) (abbreviate)  <u>(c) The Company shall not prepare and keep the register of shareholders (including register of beneficial shareholders, hereinafter the same), the register of stock acquisition rights and the register of loss of share certificates of the Company nor handle other matters concerning the register of shareholders, the register of stock acquisition rights and the register of loss of share certificates. The Company shall delegate such matters to the transfer agent (<i>Kabunushi Meibo Kanrinin</i>).</u></p>	<p>Article <u>10</u> (Transfer Agent (<i>Kabunushi Meibo Kanrinin</i>))            (remain the same)            (remain the same)            (delete)</p>
<p>From Article <u>12</u> to Article <u>22</u> (abbreviate)</p>	<p>From Article <u>11</u> to Article <u>21</u> (remain the same)</p>

Current Articles of Incorporation	Proposed Amendment
<p>Article 23(Convене of Meeting of the Board of Directors and Chairman)</p> <p>(a) Unless otherwise provided by laws and ordinances, the Chairman and Director shall convene the meetings of the Board of Directors and act as chairman.</p> <p>(b) When the Chairman and Director is unable to so act, another Director shall convene the same and act as chairman in accordance with an order predetermined by resolution of the Board of Directors.</p>	<p>Article 22(Convене of Meeting of the Board of Directors and Chairman)</p> <p>(a) Unless otherwise provided by laws and ordinances, the Chairman and Director <u>or any Director nominated by the Chairman and Director</u> shall convene the meetings of the Board of Directors and act as chairman.</p> <p>(b) <u>When the Chairman and Director and the Director nominated in the preceding paragraph</u> is unable to so act, another Director shall convene the same and act as chairman in accordance with an order predetermined by resolution of the Board of Directors.</p>
<p>From Article <u>24</u> to Article <u>41</u> (abbreviate)</p>	<p>From Article <u>23</u> to Article <u>40</u> (remain the same)</p>
<p>(New)</p>	<p><u>(Supplementary provision)</u></p> <p><u>Article 1 The Company shall not prepare and keep the register of loss of share certificates of the Company nor handle other matters concerning the register of loss of share certificates. The Company shall delegate such matters to the transfer agent (Kabunushi Meibo Kanrinin)</u></p> <p><u>Article 2 The matters cocerning the register of loss of share certificates shall be governed by the Share Handling Regulations established by resolution of the Board of Directors in addition to applicable laws and ordinances of these Articles of Incorporation.</u></p> <p><u>Article 3 The Supplementary provisions from Article 1 to Article 3 shall be deleted automatically on January 6, 2010.</u></p>

**Agenda 3: Election of 5 Directors**

At the close of this General Meeting of Shareholders, the term of office of all five Directors will expire. Therefore, we propose the election of five Directors.

The candidates for Directors are set forth below.

Candidate No.	Name (Date of Birth)	Career, Position and Responsibility in the Company, Representation of Other Companies		Number of Company Shares Held
1	Chang Ming- Jang (November 5, 1954)	December 1995	Representative Director	5, 405, 000
		March 1997	President and Representative Director	
		November 1999	President and Representative Director, in charge of new businesses	
		March 2000	President and Representative Director	
		January 2005	Chairman and Representative Director (present post)	
2	Eva Chen (February 23, 1959)	December 1995	Corporate Auditor	1, 804, 450
		August 1997	Director, generally responsible for Technology Development Division	
		March 2002	Director Group CTO	
		January 2005	President and Representative Director Group CEO (present post)	
3	Mahendra Negi (March 9, 1960)	September 1995	Joined Merrill Lynch Japan Securities Co., Ltd.	35, 500
		June 2000	Representative Director of ipTrend Incorporated	
		February 2001	Administrative Manager (present post)	
		March 2001	Director, in charge of Financial Accounting Division	
		March 2002	Representative Director Group CFO	
		January 2006	Representative Director Group COO and CFO (present post)	

Candidate No.	Name (Date of Birth)	Career, Position and Responsibility in the Company, Representation of Other Companies		Number of Company Shares Held
4	Akihiko Omikawa (February 24, 1959)	April 1982	Joined Japan Digital Equipment Corporation (now Hewlett-Packard Japan, Ltd.)	2000
		December 1992	Joined Microsoft Corporation as sales manager	
		April 2001	Executive Officer, Enterprise Sales Director	
		February 2003	Joined Trend Micro Incorporated General Manager, Japan Region and Sales & Marketing	
		May 2003	Senior Vice President General Manager, Japan Region	
		December 2007	Executive Vice President General Manager, Japan Region and Global Service Business, Global Consumer Business,	
		March 2008	Director, in charge of Global Service Business, Global Consumer Business, Japan Region (present post)	
5	Hirotaka Takeuchi (October 16, 1946)	April 1987	Professor of Faculty of Commerce and Management, Hitotsubashi University	0
		April 1998	Dean, Graduate School of International Corporate Strategy, Hitotsubashi University (present post)	
		June 2000	Auditor of Orix Corporation	
		June 2004	Director of Orix Corporation (present post)	
		March 2005	Director (present post)	

(Note)

1. The candidate Hirotaka Takeuchi is the Dean, Graduate School of International Corporate Strategy, Hitotsubashi University and, as the head of the school, has entered into a “memorandum on scholarship for foreign students” with the Company aiming at the Company donating 1.75 million yen each year for supporting foreign student. The term of the memorandum is for three years from September 1, 2006 through August 31, 2009.
2. There are no special interests between the Company and each candidate other than Mr. Hirotaka Takeuchi.
3. Mr. Hirotaka Takeuchi is a candidate for an outside director under Article 2, paragraph 3, item 7 of the Ordinance for Enforcement of the Companies Act.
4. Reasons for electing candidate for outside director, independence as outside director and limited liability agreements with outside director

(1) Reasons for electing candidate for outside director and his independence

① Hirotaka Takeuchi does not have any experience directly involved in management other than being outside director, but he is the Dean, Graduate School of International Corporate Strategy, Hitotsubashi University and made comments as needed based on his expert knowledge on marketing, competition strategy, international business and knowledge management. We believe that he will continue to properly perform his duties including the determination of material matters in management and the supervision of the execution of duties as outside director. His term of office as outside director of the Company will be four years at the close of this General Meeting of Shareholders.

② Hirotaka Takeuchi will not receive, nor has he 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.

③ Hirotaka Takeuchi is not the spouse of, nor is he within three degrees related to, the executing person of the Company or its specified related entities.

(2) Limited liability agreement with the candidate for outside director

Hirotaka Takeuchi, Director, has entered into an agreement with the Company which limits his liability against the Company to a certain extent pursuant to the Articles of Incorporation. The outline of the agreement is as follows.

With respect to the liability provided for in Article 423, paragraph 1 of the Companies Act, he shall have liability to the extent of the greater of 10 million yen or the minimum liability amount as provided for in Article 425, paragraph 1 of the Companies Act if he performs his duties in good faith without gross negligence. If he is elected for next term, he will enter into a similar Limited liability agreement with Company.

**Agenda 4:** Election of 4 Corporate Auditors

Terms of office of all 4 Corporate Auditors shall expire at the conclusion of this general meeting of shareholders.

Therefore, we would kindly ask the election of 4 new Corporate Auditors.

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

The candidates for Corporate Auditors are set forth below.

Candidate No.	Name (Date of Birth)	Career Summary and Representation of Other Companies	Number of Holding Shares
1	Fumio Hasegawa (February 15, 1940)	May 1994      Manager of Management Accounting Division and Deputy General Manager of Accounting Department of Showa Shell Sekiyu K.K.  December 1996      Senior Managing Director of Tokyo Shellpack K.K.  March 2000      Full-time Corporate Auditor of the Company (present post)	500
2	Sadatoshi Nakayama (December 20, 1951)	June 1984      Registered as Certified Public Accountant  July 1992      President of Sadatoshi Nakayama Certified Public Accountant's Office (present post)  March 2001      Corporate Auditor of the Company (present post)  April 2005      Teacher of Human Society, Otani joshi University (now Osaka Otani University)(present post)	0
3	Yasuo Kameoka (November 12, 1955)	April 1982      Registered as Certified Public Accountant  April 1999      Established Taiko Audit Corporation and Senior Partner thereof  March 2001      Corporate Auditor of the Company (present post)  July 2004      Chief Director and Senior Partner of Taiko Audit Corporation (present post)	0
4	Koji Fujita (June 9, 1962)	April 1989      Registered as Attorney at Law with Tokyo Bar Association and Joined Okuno Law Firm (present Okuno & Partners) (to date)  April 2000      Corporate Auditor of Touei Housing Corporation (present post)  March 2002      Corporate Auditor of the Company(present post)  June 2008      Director of YAMATO Co., Ltd.(present post)	0

(Note)

1. There are no special interests between the Company and each candidate

2. All candidate are for an outside director under Article 2, paragraph 16 of the Companies Act
3. Reasons for electing candidates for outside corporate auditors, independence as outside corporate auditor and limited liability agreements with outside corporate auditors
  - (1) Reasons for electing candidates for outside corporate auditors and their independence
    - ① Fumio Hasegawa raised questions or expressed opinions in order to ensure the adequacy and appropriateness in making decisions at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his experiences and knowledge of accounting matters over the years. We believe that he will continue to properly perform his duties as outside corporate auditor. His term of office as outside corporate auditor of the Company will be nine years at the close of this General Meeting of Shareholders.
    - ② Sadatoshi Nakayama does not have any experience directly involved in management other than being outside corporate auditor, but he raised questions or expressed opinions in order to ensure the adequacy and appropriateness in making decisions at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his knowledge and experiences as certified public accountant. We believe that he will continue to properly perform his duties as outside corporate auditor. His term of office as outside corporate auditor of the Company will be eight years at the close of this General Meeting of Shareholders.
    - ③ Yasuo Kameoka does not have any experience directly involved in management other than being outside corporate auditor, but he raised questions or expressed opinions in order to ensure the adequacy and appropriateness in making decisions at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his knowledge and experiences as certified public accountant. We believe that he will continue to properly perform his duties as outside corporate auditor. His term of office as outside corporate auditor of the Company will be eight years at the close of this General Meeting of Shareholders.
    - ④ Koji Fujita does not have any experience directly involved in management other than being outside director or outside corporate auditor, but he raised questions or expressed opinions in order to ensure the adequacy and appropriateness in making decisions at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his knowledge and experiences as attorney. We believe that he will continue to properly perform his duties as outside corporate auditor.
    - ⑤ No 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.
    - ⑥ No candidates for outside corporate auditor are the spouse of, nor are they within three degrees related to, the executing person of the Company or its specified related entities.
  - (2) Limited liability agreements with candidates for outside corporate auditor
 

All candidates for outside corporate auditor 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 20 million yen for Fumio Hasegawa and 4.8 million yen for other candidates or the minimum liability amount as provided for in Article 425, paragraph 1 of the Companies Act if he performs his duties in good faith without gross negligence. If they are elected for next term, they will enter into a similar Limited liability agreement with Company.

**Agenda 5:** Payment of the retirement benefits due to the termination of the retirement benefits scheme for Corporate Auditors

The Board of Directors has resolved to abolish the Company’s retirement benefit system for Corporate Auditors at the close of this General Meeting of Shareholders.

We would like to give retirement bonus to four Corporate Auditors, Fumio Hasegawa, Sadatoshi Nakayama, Yasuo Kameoka and Koji Fujita to reward their services to date. The amount of bonus will be up to 10,775,000 yen which is calculated based on the Company's internal rules and the specific amount and the time and method of payment will be left to the Corporate Auditors’ consultation.

Career summaries of auditors who will receive bonus are as follows:

Name	Career Summary	
Fumio Hasegawa	March 2000	Full-time Corporate Auditor of the Company (present position)
Sadatoshi Nakayama	March 2001	Corporate Auditor of the Company (present position)
Yasuo Kameoka	March 2001	Corporate Auditor of the Company (present position)
Kouji Fujita	March 2002	Corporate Auditor of the Company (present position)

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

If you vote by electronic means (ex. on the Internet), please review the following matters.  
If you attend the General Meeting of Shareholders, no voting by mail (voting form) or by electronic means(ex. on the Internet) is necessary.

### 1. Voting website

You may vote on the Internet only by accessing the voting website (<http://www.evotep.jp/>) from a PC or mobile phone (i-mode, EZweb and Yahoo! Keitai)\*. (The website is unavailable from 2 a.m. to 5 a.m. every day.)

\* i-mode, EZweb, and Yahoo! are the trademarks or registered trademarks of NTT DoCoMo, Inc., KDDI Corporation, and Yahoo! Inc., U.S.A., respectively.

Voting by PC may not be available depending on your Internet environment, such as using a firewall for Internet access, installing anti-virus software and using a proxy server.

Please use either the i-mode, EZweb or Yahoo! Keitai services when voting by mobile phone. To ensure security, you may not use products which do not support encrypted transmission (SSL transmission) and mobile phone information transmission.

We will accept votes submitted on the Internet up until 5:30p.m. on March 24, 2009, but we would appreciate your promptness in voting. Please contact the help desk below if you have any questions.

### 2. How to vote on the Internet

Please follow the instructions on the voting website (<http://www.evotep.jp/>) to enter for or against using the login ID and temporary password stated in the voting form.

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.

### 3. Handling of Concurrent Votes

If you vote both by mail and on the Internet, the vote on the Internet will be deemed to be valid.

If you vote more than once on the Internet, the last vote will be deemed to be valid. If you vote by both PC and mobile phone, 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 dial-up 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 TSE, are entitled to utilizing the Platform service in addition to the electronic means to exercising voting rights of Shareholders for the shareholder's meeting as specified in the preceding article 1-4.

Enquiries concerning the System  
Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division (Help Desk)

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