

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

(Securities Code 4704)

March 6, 2023

(Start date of electronic provision measures : February 28, 2023)

Dear Shareholders

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

NOTICE OF CONVOCATION OF
THE 34th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Sirs and Madams

Our 34th Ordinary General Meeting of Shareholders will be held as listed below.

The Company has adopted the electronic provisioning method for the convocation of this General Meeting of Shareholders and has provided the electronic provisioning matters on the following website on the Internet.

The Company's website

https://www.trendmicro.com/en_us/about/investor-relations/financial-releases.html

Tokyo Stock Exchange Website (TSE Listed Company Information Service)

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>

Note: From the top page of TSE Listed Company Search, you can search by entering [Trend Micro] or [4704] in the "Quick search", and then click the [Basic information] button, the "Documents for public inspection/PR information" tab, and click the [Click here for access] button for the [Notice of General Shareholders Meeting/Information Materials for a General Shareholders Meeting].

We ask you to review the Reference Material for the General Meeting of Shareholders listed in the matters provided electronically, and to vote by electronic means (using the Internet or other means) or to fill out the Voting Form enclosed herein with your decision. Please also kindly return the said Form to us by no later than 5:30 p.m. on March 27, 2023, (Monday) or vote after perusing the "Voting by Electronic Means" (ex. on the Internet) described hereafter (p.4).

1. Date and time: 10:00 a.m. on March 28, 2023 (Tuesday)

2. Place: Shinjuku MAYNDS Tower 12 Floor, Trend Micro Incorporated
1-1, Yoyogi 2-chome, Shibuya-ku, Tokyo, Japan

3. Purpose:

Matters to be reported

1. Contents of the Business Report for the 34th year (January 1, 2022, to December 31, 2022), contents of the consolidated financial statements and the audit reports by Accounting Auditors and the Corporate Auditors of the consolidated financial statements
2. Contents of the unconsolidated financial statement for the 34th year (January 1, 2022, to December 31, 2022)

Matters for Resolution

Agenda 1 : Appropriation of retained earnings

Agenda 2 : Election of Six Directors

Agenda 3 : Partial Amendments to the Articles of Incorporation (Change of "Location of Head Office")

4. Decision concerning Convocation of General Meeting of Shareholders:

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

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

- We ask you to exercise your voting rights by mail or via the Internet. From the viewpoint of preventing the spread of Covid-19, we ask that you please make a careful decision regarding your attendance at the meeting, taking into consideration your own physical condition and the status of infection as of the date of the General Meeting of Shareholders.
- If an outbreak of any infectious disease or any other unexpected event, such as spread of the infectious disease of the Covid-19, etc. occurs, unavoidable circumstances may cause a change to the progress of other proceedings, and it is consented to do so in advance.
- We will measure the body temperature of visitors upon entering the venue, and those with a fever of 37.5 degrees or higher will not be admitted. Even if your body temperature is below 37.5 degrees, you may not be admitted if you have a cough or other symptoms.
- Alcohol disinfectants will be available in the venue. Please cooperate with you.
- The above actions may be updated depending on circumstances such as the prevalence of the Covid-19 infection and government announcements up to the date of the General Meeting of Shareholders. We ask you to confirm the latest information via our website (<https://www.go-tm.jp/invite>).

[Guidance for Live Distribution and Acceptance of preliminary questions]

- Live distribution will be provided so that shareholders can watch the general meeting of shareholders. You can also send questions in advance. For details, please refer to the attached sheet enclosed in the letter of convocation notice sent on March 6, 2023.
- We will pay full attention to the privacy of the visiting shareholders, and image only the vicinity of the director's seat. However, due to the circumstances of the venue, there is a possibility that some of the shareholders in attendance may be visible in the video. We appreciate your understanding in advance.
- Shareholders who are viewing the live distribution will not be able to "attend" the general meeting of shareholders, and therefore will not be able to exercise their voting rights, ask questions, or submit motions during the meeting.

[Contents of the documents sent to shareholders]

- The documents sent to shareholders who have requested the delivery of the documents do not include the "System and Policies of the Company", "Notes to Consolidated Financial Statements" and "Notes to Financial Statements" in accordance with laws and regulations and Article 14 of the Articles of Incorporation of the Company. Therefore, the documents provided in this Notice of Convocation are a part of the subject documents that were audited by the Corporate Auditors and the Independent Auditor in preparing the Audit Report.

[Information on Modification]

- In the event of any modifications to the electronic provisioning measures, the amendments will be announced to shareholders on the Company's website (<https://www.go-tm.jp/invite>) and Tokyo Stock Exchange Website.

If you attend the General Meeting of Shareholders



Date and time

10:00 a.m. on March 28, 2023 (Tuesday)
(Reception is scheduled to start at 9:00am)

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

If you will not attend the General Meeting of Shareholders



If you vote by the Internet or by other means

Deadline for the Exercise
of Voting Rights

5:30 p.m. on March 27, 2023 (Monday)

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

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



If you vote by mail

Deadline for the Exercise
of Voting Rights

The mail must reach us by 5:30 p.m.
on March 27, 2023 (Monday)

Please fill out the Voting Form enclosed herein with your decision and return the said Form to us no later than the above-mentioned deadline. If there is no indication of approval or disapproval of a proposal on the voting form, it will be treated as an indication of approval.



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

Voting by Electronic Means (ex. On the Internet)

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

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

1. Voting website

- (i) You can only vote on the Internet by accessing the voting website (<https://evote.tr.mufg.jp/>) from a PC or Smartphone. (The website is unavailable from 2 a.m. to 5 a.m. every day.)
- (ii) This site may not be available depending on your Internet environment, such as use of a firewall for Internet access, installation of anti-virus software, not to specify TLS encrypted transmission or use of a proxy server.
- (iii) We will accept votes submitted on the Internet until 5:30 p.m. on March 27, 2023, but we would appreciate your promptness in voting. Please contact the help desk if you have any questions.

2. How to vote on the Internet

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

*QR code is the registered trademarks of DENSO WAVE INCORPORATED.

3. Handling of Voting Multiple Times

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

4. Expenses incurred by accessing the voting website

Please note that you will bear expenses such as Internet access fees and telephone charges incurred by accessing the voting website.

5. Proxy Electronic Voting Platform

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

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

REFERENCE MATERIAL FOR THE GENERAL MEETING OF SHAREHOLDERS

Agenda and Reference Information

Agenda 1 : Appropriation of retained earnings

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

As for the basic dividend policy, we would like to pay year-end dividends at a target consolidated payout ratio of 70% based on the amount of the accounting net income attributable to owners of parent.

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

Matters concerning year-end dividends

- (1) Type of dividend assets: cash
- (2) Matters concerning allocation of dividends to shareholders and the total amount of dividends:
 - 151 yen per common share of the Company
 - Total amount: 21,012,296,884 yen
- (3) Effective date for dividend of surplus:
 - March 29, 2023

Agenda 2 : Election of Six Directors

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

The candidates for Directors are as follows.

(List of candidates for Directors)

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

Candidate number 1	Chang Ming-Jang	(Date of Birth November 5, 1954) 68 Years Old	Reappointed Male
---------------------------	-----------------	---	---------------------

Number of Holding Shares
5,367,000 shares

Career Summary and Job Titles and Responsibilities at the Company

December 1988 President of Trend Micro Incorporated (U.S.A.)

December 1995 Representative Director

Attendance at the Meetings
of the Board of Directors
100% (9/9)

March 1997 President and Representative Director

January 2005 Chairman and Representative Director (present post)

Significant Concurrent Positions at Other Companies

N/A

Reason for nominating the candidate for Director

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

Candidate number 2	Eva Chen	(Date of Birth February 23, 1959) 64 Years Old	Reappointed Female
---------------------------	----------	--	-----------------------

Number of Holding Shares
1,499,000 shares (*)

Career Summary and Job Titles and Responsibilities at the Company

May 1989 Joined Trend Micro Incorporated (Taiwan)

December 1995 Corporate Auditor

Attendance at the Meetings
of the Board of Directors

100% (9/9)

August 1997 Director, generally responsible for Technology Development Division

March 2002 Director Group CTO

January 2005 President and Representative Director
Group CEO (present post)

Significant Concurrent Positions at Other Companies

N/A

Reason for nominating the candidate for Director

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

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

Candidate number 3	Mahendra Negi	(Date of Birth March 9, 1960) 63 Years Old	Reappointed Male
---------------------------	---------------	--	---------------------

Number of Holding Shares
162,000 shares

Career Summary and Job Titles and Responsibilities at the Company

September 1995	Joined Merrill Lynch Japan Securities Co., Ltd.
June 2000	Representative Director of ipTrend Incorporated
February 2001	Administrative Manager
March 2001	Director, in charge of Financial Accounting Division
March 2002	Representative Director Group CFO
January 2006	Representative Director Group COO and CFO
March 2012	Executive Vice President and Representative Director / COO & CFO of Trend Micro Group
March 2014	Executive Vice President and Representative Director / CFO of Trend Micro Group (present post)

Attendance at the Meetings
of the Board of Directors
100% (9/9)

Significant Concurrent Positions at Other Companies

N/A

Reasons for nominating the candidate for Director

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

Candidate number 4	Akihiko Omikawa	(Date of Birth February 24, 1959) 64 Years Old	Reappointed Male
---------------------------	-----------------	--	---------------------

Number of Holding Shares
4,000 shares

Career Summary and Job Titles and Responsibilities at the Company

April 1982	Joined Japan Digital Equipment Corporation (currently Hewlett-Packard Japan, Ltd.)
December 1992	Joined Microsoft Corporation (currently Microsoft Japan Co., Ltd.)
May 2000	Executive Officer, Business Internet Director
February 2003	Joined Trend Micro Incorporated General Manager, Japan Region and Sales & Marketing
May 2003	Senior Vice President General Manager, Japan Region
April 2007	Executive Vice President General Manager, Japan Region and Global Service Business Unit
March 2008	Director, General Manager for Japan Region, Global Service Business, Global Consumer & Small Business
February 2010	Director, General Manager Japan, LAR, APAC Region, Global Marketing
March 2012	Executive Vice President and Director, General Manager Japan, LAR, APAC Region, Global Marketing
January 2013	Executive Vice President and Director, General Manager Japan, APAC Region, Global Consumer Business
January 2014	Executive Vice President and Director, General Manager Japan, Global Consumer Business
January 2016	Executive Vice President and Director / General Manager Japan, Global Consumer Business / General Manager, IoT Business Promotion (present post)
January 2020	Executive Vice President and Director / General Manager Japan, Global Consumer Business / General Manager, Global IoT Business
January 2023	Executive Vice President and Director / General Manager Japan, Global IoT Business (present post)

Significant Concurrent Positions at Other Companies

N/A

Reasons for nominating the candidate for Director

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

Candidate number 5	Tetsuo Koga	(Date of Birth March 2, 1948)	Reappointed	Outside Director
		75 Years Old	Male	Independent Director

Number of Holding Shares
0 shares

Career Summary and Job Titles and Responsibilities at the Company

April 1971 Joined Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation)

June 2005 Senior Executive Vice President, Representative Director of Nippon Telegraph and Telephone East Corporation

Attendance at the Meetings
of the Board of Directors
100% (9/9)

June 2009 Left Nippon Telegraph and Telephone East Corporation

June 2009 President & Representative Director of NTT Learning Systems Corporation

June 2013 Left NTT Learning Systems Corporation

November 2013 Outside Director of HITO-Communications, Inc.

June 2015 External Director (Audit and Supervisory Committee Member) of Asahi Net, Inc. (present post)

March 2017 Outside Director of the Company (present post)

March 2019 Outside Director of HITO-Communications Holdings, Inc. (present post)

Significant Concurrent Positions at Other Companies

Outside Director of Asahi Net, Inc.

Outside Director of HITO-Communications Holdings, Inc.

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

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

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

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

Candidate number 6	Koichiro Tokuoka	(Date of Birth June 19, 1957)	New	Outside Director
		65 Years Old	Male	Independent Director

Number of Holding Shares 0 shares	Career Summary and Job Titles and Responsibilities at the Company	
	April 1980	Joined Nissan Motor Co.Ltd.

September 1999 Joined FleishimanHillard Japan K.K.

April 2006 Professor, Tama Graduate University of Business (present post)

June 2017 Chairman and Representative Director / CEO of Life Shift Inc. (present post)

Significant Concurrent Positions at Other Companies

Professor, Tama Graduate University of Business

Chairman and Representative Director / CEO of Life Shift Inc.

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

Mr. Koichiro Tokuoka is currently a professor at Tama Graduate University of Business and is the chairman of Life Shift Inc., which he founded. He has a highly professional perspective on human resource development and experience in corporate management, and we have determined that he is well qualified to provide advice and recommendations as appropriate in the deliberations of the Board of Directors. For these reasons, the Company nominates him as a candidate for Outside Director.

After his appointment, we expect him to appropriately perform his duties as an outside director of the Company, including making decisions on important management matters and supervising the execution of business operations. In addition, we will appoint a member of the Nomination and Remuneration Advisory Committee.

(Notes)

1. There are no special interests between the Company and each candidate for Director.
 2. Mr. Tetsuo Koga and Mr. Koichiro Tokuoka are candidates for outside directors under Article 2, paragraph 3, item 7 of the Ordinance for Enforcement of the Companies Act.
 3. The Company has designated Mr. Tetsuo Koga and Mr. Koichiro Tokuoka as independent director upon whom the Tokyo Stock Exchange imposes the obligation of designation, and who is unlikely to cause conflicts of interest with general shareholders, and it has filed such designation with the said Exchange.
 4. Independence of candidates as Outside Director and limited liability agreements with Outside Director
 - (1) Independence of candidates as Outside Director
 - i) Mr. Tetsuo Koga and Mr. Koichiro Tokuoka have not previously been executing persons or Directors of the Company or a subsidiary of the Company.
 - ii) Mr. Tetsuo Koga and Mr. Koichiro Tokuoka have not been executing persons or Directors of specified related entities of the Company at the present moment and for the last five years.
 - iii) Mr. Tetsuo Koga and Mr. Koichiro Tokuoka will not receive, nor have they received for the last two years, a large amount of money or other properties from the Company or the specified related entities of the Company.
 - iv) Mr. Tetsuo Koga and Mr. Koichiro Tokuoka are not the spouses of, nor are they within three degrees related to, the executing persons or Directors of the Company or the specified related entities of the Company.
 - v) Although Mr. Tetsuo Koga has been working with Nippon Telegraph and Telephone East Corporation, one of the Company's business partners, it has been over 13 years since his resignation from the post, and he is no longer involved in the management of the said company. The revenue from transactions regarding products and services between the Company and Nippon Telegraph and Telephone East Corporation accounts for around 1% of the consolidated net sales for the current period of the Company.
 - (2) Limited liability agreements with candidates for Outside Director

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

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

We have entered into a Directors and officers (D&O) liability insurance with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act of Japan to cover legal damages and litigation expenses in the event that a claim for damages is made against the insured during the insurance period due to an act committed by the insured in his/her capacity as such. However, the above insurance policy does not cover damages arising from the insured's unlawful gain or benefit, criminal acts, fraudulent acts, or acts committed with the knowledge that they violate laws, regulations, or control laws. The premiums for all insured persons are fully paid by the Company. In the event that each candidate is appointed as a director, he will become an insured under the relevant insurance policy and the policy will be renewed on March 31, 2023. The outline of the contract is as stated in the "Matters Concerning Directors and Corporate Auditors of the Company" of the Business Report.

Skills Matrix Table

The following list shows up to two areas of particular expectation for each of the candidates for Directors and, for your reference, for the current Corporate Auditors. Please note that this list does not represent all the experience that each candidate has. Please also refer to "Reasons for nominating the candidates" in the Career Summary section of each candidate.

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

Agenda 3 : Partial Amendments to the Articles of Incorporation (Change of "Location of Head Office")

1. Reasons for the Amendments

In order to strengthen office functions and improve operational efficiency, the Company will relocate its head office and change the location of its head office from Shibuya-ku, Tokyo to Shinjuku-ku, Tokyo, as stipulated in Article 3 of the current Articles of Incorporation. This change will be effective by the end of December 2023.

The change will take effect on the date of the head office relocation to be decided at a meeting of the Board of Directors to be held by the end of December 2023, and a Supplementary Provision will be established to clarify this.

2. Contents of the Amendments

Details of the proposed amendments are shown as followings.

(Underlining denotes amendment.)

Current Articles of Incorporation	Proposed Amendments
<p>CHAPTER I GENERAL PROVISIONS</p> <p>Article 1-2 (abbreviated)</p> <p>Article 3. Location of Head Office The head office of the Company shall be located in <u>Shibuya-ku</u>, Tokyo.</p> <p>Article 4-39 (abbreviated)</p> <p>(New)</p>	<p>CHAPTER I GENERAL PROVISIONS</p> <p>Article 1-2 (remain the same)</p> <p>Article 3. Location of Head Office The head office of the Company shall be located in <u>Shinjuku-ku</u>, Tokyo.</p> <p>Article 4-39 (remain the same)</p> <p>(Supplementary Provision) <u>The change in Article 3 (Location of Head Office) of the Articles of Incorporation shall take effect on the date of the relocation of the head office to be decided at a meeting of the Board of Directors to be held by the end of December 2023, and this Article shall be deleted after the relocation of the head office takes effect.</u></p>

end of the reference materials

(Translation)

Business Report

(From January 1, 2022 to December 31, 2022)

1. Business Review of Trend Micro Group

(1) Qualitative Information on the Consolidated Business Results

During this term of fiscal year 2022, from January 1 to December 31, the world economy expects to pick up moderately due to the gradual easing of Covid-19 from the severe situation. On the other hand, there are risks mainly associated with the global policy rate tightening, exchange rate fluctuations, worldwide inflation, and steep rise in fuel import prices due to prolonging the Russian-Ukrainian crisis, etc. The worldwide economic outlook has been a concern.

The worldwide Information Technology industry has grown due to accelerated demands of remote working, education, DX (digital transformation) under the global affected by the Covid-19 pandemic. Referring to the report by 3rd party forecasts worldwide IT spending to grow 2.4% to \$4.9 trillion in 2023. Although there are concerns about global inflation and companies are cautious about spending, enterprise software is expected to have growth of 9.3% mainly due to an increase in cloud usage and SaaS migration on the background of accommodating increasingly complex hybrid work for employees, then.

In the cyber security industry, continuously multitude of cyber attacks that target specific national institutions, etc., leaking damage of sensitive business information, and targeted attacks including crypto assets drain in specific companies, organizations have been still coming across occasionally. In addition, the global epidemic of Covid-19 infection was used by phishing scams, the malware files which abuse remote meeting systems have infested. Especially in ransomware, threats in targeted attacks that implemented the 'double extortion' technique by revealing stolen and sensitive information stood out. In Japan, there was a stoppage incident attracted people's attention by ransomware attacking supply chain vulnerabilities of the large enterprise for its stoppage all factory operations. Against this background, the conventional security measure, with defense of each single terminal and device, and the network segmented into smaller zones, has been changing to no longer desired. The demand is expanding for the solutions including visibility and deep analytics on the premise of intrusion risks. Going through the trend of such threat changes, it has been required showing more rigorous approach to information management to regardless business or individual into new daily life.

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

With regards to sales in Japan region, consumer business has led this region sales with going well continuously under the sustained good sales in mobile channel shop, etc. In Enterprise business, cloud security made a big contribution, and endpoint security, etc. also show growth, and the enterprise business overall performance was solid. As a result, net sales for this period in Japan region amounted to 82,087 million yen (7.1% increase from the same period in the previous year) increase to.

For Americas region, which integrates the former North American region and Latin American region, despite intensifying endpoint security market competition, SaaS related business has been still kept well and also cloud security besides on demands for Trend Micro Vision One ("Vision One" which is a security operation at the center of the Trend Micro cybersecurity platform) performed well in enterprise business sales. In addition, there was a weak yen impact, net sales in this region were 52,953 million yen (24.3% increases from the same period in previous year) increase in double-digit growth rate.

In Europe region sales, associated with good demands of Vision One which showed growth, mainly cloud security, network security and others were largely growing in entire enterprise business. As a results, net sales in this region were 41,460 million yen (19.0% increase from the same period in the previous year) in a double-digit growth rate.

In the Asia Pacific region, the entire region sales performed well. Especially in enterprise business sales, network security showed substantial growth and cloud security also performed well and Vision One strongly led in large part. Locally, Australia, Middle East, and Taiwan area led this region sales. In addition of the depreciation of yen impact, as a result, net sales for this period in Asia Pacific region amounted to 47,293 million yen (30.2% increase from the same period in the previous year) in the highest double-digit growth rate in all regions.

As a result, the consolidated net sales for this period (this term of fiscal year 2022, from January 1 to December 31,) marked 223,795 million yen (17.6% increase from the same period in previous year) with increasing in all regions.

For the costs, it was caused by significant increase in people costs with huge impact of weak yen, increase in outsource fee due to good sales of consumer business at mobile channel shop, and others. Thus, cost of sales and operating expenses for this period totaled 192,454 million yen (31.2% increase from the same period in previous year) substantially increase. As the results, consolidated operating income for this period was 31,340 million yen (28.2% decrease from the same period in previous year) decrease to.

The original forecast of financial results for the fiscal year ending December 31, 2022, announced on February 17, 2022, the entire group sales were higher than expected due to the significant depreciation of the yen against our forecast of exchange rates for the Annual of FY2022.

Regarding operating income forecast, total costs including mainly people costs exceeded our forecasts caused by yen depreciation impact against our forecast exchange rates. The impact of this costs increase exceeded the increase in the entire group sales. In addition, cloud costs were essentially higher than our forecast. As the results, operating income fell far short of the initial forecast.

And the consolidated ordinary income for this period was 34,162 million yen (23.2% decrease from the same period in previous year) decrease to. The net income attributable to owners of the parent for this period was 29,843 million yen (22.2% decrease from the same period in previous year) decreased due to gain on sales of shares of subsidiaries and associates, gain on change in equity, and loss on valuation of investment securities, etc.

Operating income based on Pre-GAAP (revenue before adjusting deferred revenue, etc.) serves as the important management indicators for our company. It for this period was 51,635 million yen, a decrease of 6,155 million yen (10.7% decrease from the same period in previous year.) This decrease was due to cost of sales and operating expenses growth, including cost of public cloud service usage volume increase for the strengthening of our SaaS business, people costs due to staff up, and additionally impact of yen depreciation. As the results, the cost of sales and operating expenses growth were in excess of Pre-GAAP growth.

We change in accounting policies according to the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) etc., which was applied from the beginning of the current fiscal year. As a result, compared with the previous method, net sales decreased 2,014 million yen and selling, general and administrative expenses increased 1,646 million yen, respectively, and operating income, ordinary income, and income before income taxes and minority interests decreased 3,661 million yen, respectively for this period (this term of fiscal year 2022, from January 1 to December 31.)

(2) Capital Expenditure

The total amount of capital expenditure for the current period was 1,402 million yen, which was invested mainly in the development of new technologies and acquisition of instruments necessary to rationalize the basic operation systems including servers, PCs and peripheral devices.

(3) Financing

There are no special instances.

(4) Issues to Deal With

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

Furthermore, the use of the cloud computing, which excels in efficiency and speed, has been expanding more and more. Because the digital transformation (DX), which improves the quality of business and life with IT technology, is the current trend, and additionally the environment that remote work has been rapidly generalized after the Covid-19 pandemic. The enterprise customers have been struggling to increase the recent security workload day by day. The traditional security measurement by monitoring PC and servers was enough for them before. Today, they are required more complicated and wide range of security for multi layered IoT appliances and devices, cloud computing, VPN, etc. additionally.

In terms of various software and services line up, regardless of whether it is for the enterprise customers or the individual users, there is a shift from "purchasing" to "on-demand via cloud" by SaaS (software as a service) model. Its penetration of SaaS model solutions is increasing in the security service market.

In response to this changing environment, our group provides a wide range of security products and services centered on "Trend Micro One™" for enterprise organizations that require extensive security measures on a daily basis. "Trend Micro One™" is the unified cybersecurity platform to cooperate with multilayered SaaS solutions by XDR (extended detection and response) as the advanced feature, achieving automatic correlation analysis in collected data across multiple security layers –endpoint, server, email, cloud workload, network, and IoT. This cybersecurity platform allows businesses to consolidate visibility, analysis, and controls across security layers and workflows. It delivers across the attack protection cycle – responding to threats and mitigating cyber risks. It's not for only new customers who purchase and start to use our products, solutions, and services line up, but also even existing enterprise users who have already used can experience the outcome is greater security effectiveness, operational efficiency, and business performance with SaaS shifting.

Mainly "Trend Micro One™," we will offer higher value-added security solutions besides users' demands and aim to achieve sustainable long-term growth with maintaining a stable financial foundation.

(5) Business Results and Changes in Financial Conditions

Fiscal Year	The 31 st Term ended December 2019	The 32 nd Term ended December 2020	The 33 rd Term ended December 2021	The 34 th Term ended December 2022
Net Sales (millions of yen)	165,195	174,061	190,359	223,795
Ordinary Income (millions of yen)	39,139	39,854	44,501	34,162
Net Income Attributable to Owners of Parent (millions of yen)	27,946	26,904	38,367	29,843
Net Income per Share (in yen)	200.94	193.39	275.20	213.59
Total Assets (millions of yen)	359,710	376,701	420,457	470,799
Net Assets (millions of yen)	187,425	189,360	221,434	228,679

(6) Status of Important Subsidiaries

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

(Notes) 1. The consolidated financial statements cover all subsidiaries and affiliated companies, which consist of 38 consolidated subsidiaries including the aforementioned 4 important subsidiaries and 2 equity method affiliates.

2. There are no subsidiaries that fall under specific wholly owned subsidiaries.

(7) Primary Business of the Group

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

(8) Primary Offices of the Group

Head Office: Shibuya-ku, Tokyo
Branch Offices: Osaka Office (Yodogawa-ku, Osaka)
Fukuoka Office (Hakata-ku, Fukuoka)
Nagoya Office (Naka-ku, Nagoya)
Overseas Subsidiaries: Trend Micro Incorporated (Taiwan)
Trend Micro Incorporated (U.S.A.)
Trend Micro Australia Pty. Ltd. (Australia)
Trend Micro (EMEA) Limited (Ireland)

(9) Employees

Name of Divisions	Number of Employees
Sales Division	2,090
Marketing Division	460
Product Support Division	1,929
Research and Development Division	2,421
Administration Division	769
Total	7,669

(10) Policy for determining dividends from surplus, etc.

In order to cope with the rapidly changing business environment and maintain competitiveness against competitors, we would like to pay dividends based on net income on a consolidated basis, while making efforts to strengthen our financial structure and secure internal reserves. Our basic dividend policy is to pay a year-end dividend with a target payout ratio of 70%, based on net income attributable to shareholders of the parent company for accounting purposes and taking into account the impact of mergers and acquisitions as necessary. Based on this dividend policy, the year-end dividend for the current fiscal year will be as stated in Agenda 1, Appropriation of retained earnings. With regard to the acquisition of treasury stock, it is our policy to carry out flexible capital policies in response to changes in the business environment.

2. Status of Shares of the Company

(1) Total Number of Shares Authorized to be Issued by the Company:

250,000,000 shares

(2) Total Number of Outstanding Shares:

139,154,284 shares (excluding treasury stock of 1,649,820 shares)

(3) Number of Shareholders:

7,604

(4) Top 10 Shareholders:

Name of Shareholders	Number of Shareholding	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	36,854,800	26.48
Custody Bank of Japan, Ltd. (Trust Account)	16,881,700	12.13
VALUEACT CAPITAL MASTER FUND L.P.	8,384,600	6.02
Chang, Ming-Jang	5,367,000	3.85
BNYM AS AGT/CLTS 10 PERCENT	3,841,421	2.76
JAPAN SECURITIES FINANCE CO., LTD.	3,178,200	2.28
State Street Bank West Client - Treaty 505234	2,905,134	2.08
SMBC Nikko Securities Inc.	2,794,000	2.00
JP Morgan Securities Japan Co., Ltd.	2,258,547	1.62
GOLDMAN,SACHS & CO.REG	2,178,326	1.56

(Note) The Shareholding Ratio is calculated excluding treasury stock (1,649,820 shares).

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

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

	Thirty-sixth Series	Thirty-seventh Series	Thirty-eighth Series
Date of resolution of the issue	December 3, 2018	December 3, 2019	June 18, 2020
Category	Director (Note)	Director (Note)	Director (Note)
Number of holders	3	3	3
Number of stock acquisition rights	600	750	1,500
Number of shares subject to stock acquisition rights	60,000	75,000	150,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration	Without consideration
Exercise price per share at the exercise of rights	6,280 yen	5,790 yen	6,100 yen
Exercise period	December 18, 2023	December 18, 2024	July 3, 2025
Conditions for exercise of stock acquisition rights	(Note 1)	(Note 2)	(Note 2)

	Thirty-ninth Series	Fortieth Series	Forty-first Series
Date of resolution of the issue	December 1, 2020	December 2, 2021	December 1, 2022
Category	Director (Note)	Director (Note)	Director (Note)
Number of holders	3	3	3
Number of stock acquisition rights	825	900	900
Number of shares subject to stock acquisition rights	82,500	90,000	90,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration	Without consideration
Exercise price per share at the exercise of rights	5,750 yen	6,620 yen	6,520 yen
Exercise period	December 18, 2025	December 17, 2026	December 16, 2027
Conditions for exercise of stock acquisition rights	(Note 2)	(Note 2)	(Note 2)

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

(Note 1)

Essential Conditions for Exercise of Stock Acquisition Rights

- (a) A holder of stock acquisition rights may exercise his/her stock acquisition rights only if the holder continues to be in a position as a director, auditor, employee, seconded or adviser of the Company or a subsidiary of the Company (hereinafter in this item referred to as the “previous position”) until the time when the holder wants to exercise his/her stock acquisition rights. If a holder of stock acquisition rights loses the previous position, the holder may exercise his/her stock acquisition rights within 45 days from the date on which the holder loses his/her previous position. When a holder of stock acquisition rights loses his/her previous position due to physical disability or other similar cause, the holder may exercise his/her stock acquisition rights within six months from the date on which the holder loses his/her previous position. If the provisions of this paragraph conflict with any compulsory provisions applicable in the country of residence of the holder, this paragraph shall not apply to the extent that such conflict arises.
- (b) When a holder of stock acquisition rights dies, his/her heir may exercise the relevant stock acquisition rights within six months from the date on which the holder died only if the heir completes the procedures for the inheritance of stock acquisition rights as stipulated by the Company. If the provisions of this paragraph conflict with any compulsory provisions applicable in the country of residence of the holder, this paragraph shall not apply to the extent that such conflict arises.
- (c) If stock acquisition rights are pledged or any security interest on the stock acquisition rights is established, the holder of the relevant stock acquisition rights may not exercise the same.

(Note 2)

Essential Conditions for Exercise of Stock Acquisition Rights

- (a) A holder of stock acquisition rights may exercise his/her stock acquisition rights only if the holder continues to be in a position as a director, auditor, employee, seconded or adviser of the Company or a subsidiary of the Company (hereinafter in this item referred to as the “previous position”) until the time when the holder wants to exercise his/her stock acquisition rights. If a holder of stock acquisition rights loses the previous position, the holder may exercise his/her stock acquisition rights within 45 days from the date on which the holder loses his/her previous position. When a holder of stock acquisition rights loses his/her previous position due to physical disability or other similar cause, the holder may exercise his/her stock acquisition rights within six months from the date on which the holder loses his/her previous position. In addition, unless the holder is a director or corporate auditor of the Company, the Company may, at its sole discretion, determine how long the holder may exercise his/her stock acquisition rights from the date on which the holder loses his/her previous position. If the provisions of this paragraph conflict with any compulsory provisions applicable in the country of residence of the holder, this paragraph shall not apply to the extent that such conflict arises.
- (b) When a holder of stock acquisition rights dies, his/her heir may exercise the relevant stock acquisition rights within six months from the date on which the holder died only if the heir completes the procedures for the inheritance of stock acquisition rights as stipulated by the Company. If the provisions of this paragraph conflict with any compulsory provisions applicable in the country of residence of the holder, this paragraph shall not apply to the extent that such conflict arises.
- (c) If stock acquisition rights are pledged or any security interest on the stock acquisition rights is established, the holder of the relevant stock acquisition rights may not exercise the same.

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

	Forty-first Series
Date of resolution of the issue	December 1, 2022
Number of Directors and employees of subsidiaries of the Company holding stock acquisition rights (excluding Directors and employees of the Company)	9
Number of stock acquisition rights	2,100
Number of shares subject to stock acquisition rights	210,000
Type of shares subject to stock acquisition rights	Common Stock
Issue price per stock acquisition right	Without consideration
Exercise price per share at the exercise of rights	6,520 yen
Exercise period	From December 17, 2022 to December 16, 2027
Conditions for exercise of stock acquisition rights	(Note)

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

(3) Other Important Matters concerning Stock Acquisition Rights

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

	Thirty-sixth Series	Thirty-seventh Series	Thirty-eighth Series
Date of resolution of the issue	December 3, 2018	December 3, 2019	June 18, 2020
Category	Directors and employees of subsidiaries of the Company	Directors and employees of subsidiaries of the Company	Employees of the Company, Directors and employees of subsidiaries of the Company
Number of stock acquisition rights	1,348	1,684	12,565
Number of shares subject to stock acquisition rights	134,800	168,400	1,256,500
Type of shares subject to stock acquisition rights	Common Stock	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration	Without consideration
Exercise price per share at the exercise of rights	6,280 yen	5,790 yen	6,100 yen
Exercise period	December 18, 2023	December 18, 2024	July 3, 2025
Conditions for exercise of stock acquisition rights	(Note 1)	(Note 2)	(Note 2)

	Thirty-ninth Series	Fortieth Series	Forty-first Series
Date of resolution of the issue	December 1, 2020	December 2, 2021	December 1, 2022
Category	Directors and employees of subsidiaries of the Company	Employees of the Company, Directors and employees of subsidiaries of the Company	Directors and employees of subsidiaries of the Company
Number of stock acquisition rights	1,986	17,240	2,100
Number of shares subject to stock acquisition rights	198,600	1,724,000	210,000
Type of shares subject to stock acquisition rights	Common Stock	Common Stock	Common Stock
Issue price per stock acquisition right	Without consideration	Without consideration	Without consideration
Exercise price per share at the exercise of rights	5,750 yen	6,620 yen	6,520 yen
Exercise period	December 18, 2025	December 17, 2026	December 16, 2027
Conditions for exercise of stock acquisition rights	(Note 2)	(Note 2)	(Note 2)

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

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

4. Matters Concerning Directors and Corporate Auditors of the Company

(1) Directors and Corporate Auditors

(As of December 31, 2022)

Name	Title and Responsibilities at the Company and the Group	Significant Concurrent Positions
Chang Ming-Jang	Chairman and Representative Director	
Eva Chen	President and Representative Director / CEO of Trend Micro Group	
Mahendra Negi	Executive Vice President and Representative Director / CFO of Trend Micro Group	
Akihiko Omikawa	Executive Vice President and Director / General Manager Japan, Global Consumer Business, Global IoT Business	
Ikujiro Nonaka	Director	Professor Emeritus, Hitotsubashi University Graduate School of International Corporate Strategy
Tetsuo Koga	Director	Outside Director of HITO-Communications Holdings Inc. External Director (Audit and Supervisory Committee Member) of Asahi Net, Inc.
Masaru Senpo	Full-time Corporate Auditor	
Fumio Hasegawa	Corporate Auditor	
Yasuo Kameoka	Corporate Auditor	Chairman of Taiko Audit Corporation
Koji Fujita	Corporate Auditor	Partner, Okuno & Partners External Director (Audit and Supervisory Committee Member) of Iriso Electronics Co., Ltd. Auditor of Iida Group Holdings Co., Ltd.

- (Notes)
- Our officers consist of ten (10) members, six (6) Directors and four (4) Corporate Auditors, of which, one (1) is female and nine (9) are males as of December 31, 2022. The female officer is the President and Representative Director.
 - Mr. Ikujiro Nonaka, Director, and Mr. Tetsuo Koga, Director, are an Outside Directors under Article 2, item 15 of the Companies Act.
 - All four Corporate Auditors are Outside Auditors under Article 2, item 16 of the Companies Act.
 - Mr. Masaru Senpo, Corporate Auditor, has many years of experience in accounting and management matters. Mr. Fumio Hasegawa, Corporate Auditor, has many years of experience in finance and accounting matters. Mr. Yasuo Kameoka, Corporate Auditor, is a qualified and experienced certified public accountant. Mr. Koji Fujita, Corporate Auditor, is an attorney with experience in corporate rehabilitation and corporate legal affairs. All have appropriate knowledge regarding finance and accounting matters.
 - The Company has designated all Outside Directors and all Outside Corporate Auditors as independent director/corporate auditors upon whom the Tokyo Stock Exchange imposes the obligation of designation, and who are unlikely to cause conflicts of interest with general shareholders, and it has filed such designation with the said Exchange.

(2) Summary of Limited Liability Agreement

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

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

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

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

Category	Number of Persons	Amount of Remuneration (Millions of yen)	Amount of Remuneration by type (Millions of yen)			
			Basic Remuneration	Performance (including stock price) linked Remuneration		
				Stock Options (Note1)	Cash Phantom Unit Award(CPUAward) Time Base (TBS) (Note2)	Company Performance Bonus (CPB) (Note2)
Internal Directors	4	440	191	130	111	7
Outside Directors	2	16	16	-	-	-
Outside Corporate Auditors	4	33	33	-	-	-

- (Notes)
1. The amount of remuneration shown for stock options is the estimated fair value per stock acquisition right issued for the purpose of granting stock options, based on the Black-Scholes pricing model, and recorded as an accounting expense during the fiscal year under review. It does not represent the property gain per share that will be obtained when the stock acquisition rights are actually exercised.
 2. Please refer to the following pages for details on CPU awards (TBS) and CPB. The amount of CPU awards includes a portion of the accounting expense incurred for performance-based CPU award rights that have been granted in the past and are exercisable.

(5) Policy on Remuneration for Directors

The policy for determining compensation for the Company's directors is consulted by the Nomination and Remuneration Advisory Committee, and the Board of Directors makes decisions based on the deliberations of the committee. Details are as follows.

1. Policy and Procedures for Directors' Remuneration

The remuneration for Directors is designed in accordance with the business role of each Director in order to motivate them to contribute to the improvement of the Company's performance over the medium and long term. In particular, for executive directors, the majority of their remuneration is not fixed but variable, linked to stock prices or business performance, to clarify their responsibility for increasing shareholder value and improving business performance. The amount of remuneration is determined by the Nomination and Remuneration Advisory Committee within the scope of the amount and details of remuneration approved by the General Meeting of Shareholders, taking into consideration the business performance, remuneration rates in the overseas and Japanese markets, and the average salary of employees. The remuneration of corporate auditors is limited to basic remuneration (fixed) within the scope of remuneration, etc., approved by the General Meeting of Shareholders, and the granting of individual remuneration is left to the discretion of the corporate auditors.

2. Component and ratio of directors' remuneration

Directors' remuneration is granted in accordance with the details approved at the General Meeting of Shareholders, and is structured as shown in the table. For executive directors (Representative Director and President, Representative Director and Vice President, and Executive Vice President), (i) basic remuneration, (ii) stock options, and (iii) CPU awards are designed in accordance with the business roles of individual directors, with the principle of a 1:1:1 ratio in monetary terms at the time of grant. In addition to the above, (iv) Company Performance Bonus ("CPB"), which is a short-term incentive salary based on the company's performance, has been added for the purpose of increasing the transparency of the performance-linked elements that had been taken into account as a breakdown of the basic remuneration for internal directors (executive directors and chairman). This will make it clear that internal directors are responsible for the improvement and direction of the company's performance. In consideration of the duties of the Chairman of the Board of Directors and outside directors, who are responsible for supervisory functions, the Chairman of the Board of Directors will be granted (i) base salary and (iv) CPB, while outside directors will be granted only (i) base salary.

3. Remuneration linked to stock price or business performance

The Company grants (ii) stock options, (iii) CPU awards, and (iv) CPB to internal directors as compensation linked to stock price or performance (only CPB is granted to the Chairman of the Board of Directors). (Only CPB is granted to the Chairman of the Board of Directors.) The reasons for granting these awards (reasons for selecting the indices) are as follows.

(ii) Stock options

This is a normal type of stock option. By linking our stock price to the profits received as remuneration, we aim to further increase the motivation and morale of executive directors to improve business performance, strengthen business development with an emphasis on the interests of shareholders, and enhance shareholder value.

(iii) CPU Awards

CPU awards are grants of rights to receive cash payments in an amount calculated based on the average market value of our stock over a certain period of time. In addition to the incentive for executive directors to increase the share price through improved business performance, the downside risk of a decline in the share price is also shared with shareholders. These aimed to increase transparency in sharing results with shareholders.

(iv) CPB

This is a cash bonus based on short-term (6 months) company performance. The year-over-year growth rates (pre-GAAP margin and annual recurring revenue for subscription products) have been selected as performance indicators. The objective was to increase transparency in sharing results with shareholders, while at the same time making it clear that internal directors are responsible for company-wide performance improvement and direction. We are now aware that growth in operating income on a pre-GAAP basis (sales before deferred revenue) is an important management indicator, and we disclose our operating income on a pre-GAAP basis to our shareholders and investors in our earnings announcements. Our costs are designed to achieve this pre-GAAP growth. We believe it is appropriate to select the pre-GAAP margin, which is the amount of pre-GAAP operating income minus the specified costs, as our performance target because it includes some costs such as depreciation of intangible assets related to acquisitions that are not directly linked to operating activities. We also believe that the selection of annual recurring revenue for subscription products is appropriate and consistent with our strategy.

The targets and results for CPB indicators for the fiscal year under review were as follows.

Indicators	Targets	First Half		Goal Achievement	Second Half		Goal Achievement
		Previous Year (FY2021)	Current business year (FY2022)		Previous Year (FY2021)	Current business year (FY2022)	
Pre-GAAP margin (Millions of yen)	Increase from the same period of the previous year: 0.5 billion yen or more	26,013	24,174	Unachieved	36,881	32,003	Unachieved
Annual Recurring Revenue for subscription products (Millions of U.S. dollars)	Growth rate over the same period of the previous year: 11% or more	981*	1,121	Achieved	1,054*	1,193	Achieved

*The figures for FY2021 have been corrected due to a calculation error in the method used to count subscriptions for some products. Similarly, the corrected figures for FY2020 were 872 for the first half of FY2020 and 925 for the second half. There is no change in the achievement of this target for FY2021.

4. Policy and Method for determining remuneration, etc. for individual directors

The amount of individual remuneration for directors is determined at BoD meeting within the scope of the amount and details of remuneration, etc. approved at the General Meeting of Shareholders, by consulting the Nomination and Remuneration Advisory Committee in consideration of business performance, remuneration rates in the overseas and Japanese markets, and the average salary of employees. Specifically, the amount of compensation has been granted to each executive director is equivalent to 1.5 million US dollars (from FY2023, 150 million yen in FY2022) at the time of granting, and the amount of compensation has been granted to the senior global executives are similar to that of the relevant executive directors. The reason for this is the idea that the senior executives are candidates to succeed the Company's directors and perform the same duties as the directors and manage the Company as a team, and that they all share in both the enjoyment of the results and the responsibility for the outcome of the Company's operations. The amount of individual remuneration for the Chairman of the Board of Directors and outside directors is discussed with the Nomination and Remuneration Advisory Committee, and the Board of Directors decides on the details discussed by the committee. The Board of Directors has determined that the content of remuneration, etc. for each individual director is appropriate in light of the fact that the Nomination and Remuneration Advisory Committee conducted a multifaceted review of the original proposal, including consistency with the decision-making policy, and in light of the Group's operating structure.

5. Timing of remuneration to executives

The timing of granting remuneration, etc. to directors and corporate auditors is as follows.

- (i) Basic remuneration: The amount determined by the Board of Directors is granted in equal installments over 12 months.
- (ii) Stock options and (iii) CPU awards: To be granted in accordance with the terms and conditions separately stipulated in the contract between the director and the Company based on the details determined by the Board of Directors.
- (iv) CPB: If the target is achieved after the half-yearly settlement of accounts, the first half will be granted in August and the second half will be granted in February of the following year.

6. Matters concerning the resolution of the General Meeting of Shareholders

At the 29th Ordinary General Meeting of Shareholders held on March 26, 2015, it was resolved that the total amount of remuneration for our directors shall be granted within the range of 1 billion yen per year (of which the amount for Outside Directors shall be within 20 million yen per year) in total of fixed, variable and other remuneration. At the time the resolution was passed, there were six directors (including one outside director) subject to this provision, and there is no change to the total number of six directors (including two outside directors). The latest information on stock options was resolved at the 32nd Ordinary General Meeting of Shareholders held on March 25, 2021, and the latest information on CPU awards was resolved at the 29th Ordinary General Meeting of Shareholders held on March 27, 2018. At the time the resolutions were made, there were four directors (excluding outside directors) subject to the stock option plan and five directors (excluding outside directors) subject to the CPU Award plan.

The remuneration for corporate auditors is based on the details approved at the 33rd Ordinary General Meeting of Shareholders held on March 29, 2022. The annual amount of basic remuneration (fixed) is 60 million yen or less, and individual grants are left to the discretion of the corporate auditors. At the time the resolution was passed, there were four (4) Corporate Auditors (all of whom are Outside Corporate Auditors) subject to this provision.

7. Activities of the Committee in the Process of Determining the Amount of Remuneration of Directors

We have established the Nomination and Remuneration Advisory Committee as an advisory organization under the Board of Directors for the purpose of strengthening the independence, objectivity and accountability of the functions of the Board of Directors in relation to the election and dismissal of directors, nomination of candidates for directors, and remuneration, etc. of directors. The Nomination and Compensation Advisory Committee consists of at least three members, the majority of whom should be independent outside directors. From the current fiscal year, outside corporate auditors have also been invited to participate voluntarily as observers.

(Status of Activities of the Nomination and Compensation Advisory Committee)

	The major deliberations and reports	Attendance member
1st Meeting	Meeting Activity Plan	Committee Chairman : Mahendra Negi (Representative Director and Executive Vice President) Committee member : Ikujiro Nonaka (Outside Director) Committee member : Tetsuo Koga (Outside Director)
2nd Meeting	Meeting Confirmation of voting rights exercised at the General Meeting of Shareholders, confirmation of issues related to the term of office of independent outside directors, consultation on succession plans for senior management and directors, report on compensation for directors from the previous year, and confirmation of overseas compensation trends	(same as above)
3rd Meeting	Selection of new director candidates, review of director skill sets, review of succession plans for senior management and the next generation	(same as above)
4th Meeting	Advise on revision of director compensation policy, advise on director compensation proposal for the next fiscal year, review compensation trends in Japan	(same as above)

Table of types of officers' remuneration

	Type	Grant	Officers to be granted	Variable factors	Incentive	Limit
i	Basic remuneration	Cash	Directors and Auditors	-	Basic remuneration	-
ii	Stock Option	Stock acquisition right (Note2)	Executive Directors	Stock price	-Performance linked (long-term), -Stock price incentive	280,000 shares /year
iii	Cash Phantom Unit Awards (CPU Awards) Time Base (TBS) (Note1)	Cash	Executive Directors	Stock price	-Performance linked (long-term), -Stock price incentive	75,000 shares equivalent /year
iv	Company Performance Bonus (CPB)	Cash	Executive Directors and Chairman	-Pre-GAAP margin, -Annual recurring revenue for subscription products	Performance-based (short-term)	-

Directors:
Within 1 billion yen / year
(Of which, up to 20 million yen per year for outside directors)

Auditors:
Up to 60 million yen / year

- (Notes)
1. Grants the right to receive cash calculated based on the average market value of the Company's common stock over a certain period of time. Time-based type that can be exercised periodically after grant.
 2. A fair valuation (Black-Scholes model) is used for remuneration conversion

(6) Matters concerning Outside Directors and Outside Corporate Auditors

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

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

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

Name (Position)	Attendance at and comments made at meetings of the Board of Directors and Board of Corporate Auditors /Summary of duties, etc. performed in relation to the role expected to be fulfilled by outside directors
Ikujiro Nonaka (Director)	Attended all 9 meetings of the Board of Directors (100%). He makes appropriate management decisions and supervises management by providing useful advice and recommendations from his highly specialized perspective on corporate management. In addition, as a member of the Nomination and Remuneration Advisory Committee, he attended all 4 meetings (100%) and contributed to the formulation of the succession plan from his expert perspective on organizations.
Tetsuo Koga (Director)	Attended all 9 meetings of the Board of Directors (100%). He makes appropriate management decisions and supervises management by providing useful advice and recommendations based on his extensive experience and knowledge in the business world. As a member of the Nomination and Remuneration Advisory Committee, he attended all 4 meetings (100%) and discussed issues based on his experience in corporate management, and appropriately supervised the nomination and remuneration process.
Masaru Senpo (Full-time Corporate Auditor)	Attended all 9 meetings of the Board of Directors (100%) and all 13 meetings of the Board of Corporate Auditors (100%). He raised questions or expressed opinions when necessary in order to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his experience in accounting and management matters over the years.
Fumio Hasegawa (Corporate Auditor)	Attended all 9 meetings of the Board of Directors (100%) and all 13 meetings of the Board of Corporate Auditors (100%). He raised questions or expressed opinions when necessary in order to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors based on his experience in finance and accounting matters over the years.
Yasuo Kameoka (Corporate Auditor)	Attended all 9 meetings of the Board of Directors (100%) and all 13 meetings of the Board of Corporate Auditors (100%). He raised questions or expressed opinions when necessary in order to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors mainly based on his expert knowledge as a certified public accountant.
Koji Fujita (Corporate Auditor)	Attended all 9 meetings of the Board of Directors (100%) and all 13 meetings of the Board of Corporate Auditors (100%). He raised questions or expressed opinions when necessary in order to ensure the validity and appropriateness of decisions made at the meetings of the Board of Directors and at the meetings of the Board of Corporate Auditors mainly based on his expert knowledge as an attorney.

5. Status of Accounting Auditor

(1) Name of Accounting Auditor of the Company

KPMG AZSA LLC

(2) Remuneration, etc. Paid to Accounting Auditor

(Millions of yen)

(i)	Amount of fees and charges paid to accounting auditors for the term under review	91
(ii)	Total amount of cash and other financial benefits payable by the Company and its subsidiaries	91

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

(3) Non-audit services

N/A

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

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

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

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

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

~~~~~  
(Note) The amounts shown in this business report have been rounded down to the indicated units.

(1) Consolidated Balance Sheet

(As of December 31, 2022)

(Millions of yen)

| Account                                           | Amount         | Account                                          | Amount         |
|---------------------------------------------------|----------------|--------------------------------------------------|----------------|
| <Assets>                                          |                | <Liabilities>                                    |                |
| <b>Current assets</b>                             | <b>319,934</b> | <b>Current liabilities</b>                       | <b>232,297</b> |
| Cash and bank deposits                            | 191,542        | Notes and accounts payable, trade                | 2,164          |
| Notes and accounts receivable and contract assets | 63,614         | Accounts payable, other                          | 4,986          |
| Marketable securities                             | 51,307         | Accrued expenses                                 | 14,819         |
| Inventories                                       | 4,255          | Accrued income and other taxes                   | 5,055          |
| Others                                            | 9,532          | Allowance for bonuses                            | 3,675          |
| Allowance for bad debt                            | (317)          | Deferred revenue                                 | 192,914        |
| <b>Non-current assets</b>                         | <b>150,865</b> | Others                                           | 8,683          |
| <b>Property and equipment</b>                     | <b>7,089</b>   | <b>Non-current liabilities</b>                   | <b>9,822</b>   |
| Buildings and structures, net                     | 4,384          | Net defined benefit liability                    | 7,408          |
| Office furniture and equipment                    | 2,685          | Others                                           | 2,414          |
| Others                                            | 19             | <b>Total liabilities</b>                         | <b>242,120</b> |
| <b>Intangibles</b>                                | <b>24,292</b>  | <Net assets>                                     |                |
| Software                                          | 12,767         | <b>Shareholders' equity</b>                      | <b>203,738</b> |
| Goodwill                                          | 1,094          | Common stock                                     | 19,585         |
| Others                                            | 10,431         | Additional paid-in capital                       | 27,810         |
| <b>Investments and other non-current assets</b>   | <b>119,483</b> | Retained earnings                                | 166,635        |
| Investment securities                             | 70,297         | Treasury stock                                   | (10,291)       |
| Investments in subsidiaries and affiliates        | 4,145          | <b>Accumulated other comprehensive income</b>    | <b>23,037</b>  |
| Deferred tax assets                               | 42,111         | Unrealized gain on available for sale securities | (1,477)        |
| Others                                            | 2,928          | Foreign currency translation adjustment          | 24,392         |
|                                                   |                | Remeasurements of defined benefit plans          | 122            |
|                                                   |                | <b>Stock acquisition right</b>                   | <b>1,884</b>   |
|                                                   |                | <b>Non-controlling interest</b>                  | <b>18</b>      |
|                                                   |                | <b>Total net assets</b>                          | <b>228,679</b> |
| <b>Total assets</b>                               | <b>470,799</b> | <b>Total liabilities and net assets</b>          | <b>470,799</b> |

## (2) Consolidated Profit and Loss Statement

(From January 1, 2022 to December 31, 2022)

(Millions of yen)

| Account                                                       | Amount  |                |
|---------------------------------------------------------------|---------|----------------|
| <b>Net sales</b>                                              |         | <b>223,795</b> |
| <b>Cost of sales</b>                                          |         | <b>54,300</b>  |
| <b>Gross profit</b>                                           |         | <b>169,494</b> |
| <b>Selling, general and administrative expense</b>            |         | <b>138,154</b> |
| <b>Operating income</b>                                       |         | <b>31,340</b>  |
| <b>Non-operating income</b>                                   |         |                |
| Outsourcing service income                                    | 176     |                |
| Interest income                                               | 2,142   |                |
| Foreign exchange gain                                         | 857     |                |
| Others                                                        | 302     | 3,478          |
| <b>Non-operating expenses</b>                                 |         |                |
| Litigation settlement                                         | 66      |                |
| Interest expenses                                             | 43      |                |
| Equity in loss of affiliated companies                        | 456     |                |
| Loss on sales of marketable securities                        | 19      |                |
| Loss on disposal of fixed assets                              | 13      |                |
| Others                                                        | 58      | 656            |
| <b>Ordinary income</b>                                        |         | <b>34,162</b>  |
| <b>Extraordinary gain:</b>                                    |         |                |
| Gain on sales of shares of subsidiaries and associates        | 7,275   |                |
| Gain on change in equity                                      | 4,371   | 11,646         |
| <b>Extraordinary loss:</b>                                    |         |                |
| Loss on valuation of investment securities                    | 3,911   | 3,911          |
| <b>Net income before taxes</b>                                |         | <b>41,897</b>  |
| Income taxes current                                          | 15,620  |                |
| Income taxes deferred                                         | (2,676) | 12,944         |
| <b>Net income before non-controlling interest</b>             |         | <b>28,953</b>  |
| Non-controlling interest in loss of consolidated subsidiaries |         | 890            |
| <b>Net income attributable to owners of the parent</b>        |         | <b>29,843</b>  |

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

(From January 1, 2022 to December 31, 2022)

(Millions of yen)

|                                                                                           | Shareholders' equity |                            |                   |                |                            |
|-------------------------------------------------------------------------------------------|----------------------|----------------------------|-------------------|----------------|----------------------------|
|                                                                                           | Common stock         | Additional paid in capital | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of current period                                                | 19,358               | 26,771                     | 175,505           | (5,656)        | 215,979                    |
| Cumulative effects of changes in accounting policies                                      |                      |                            | (10,427)          |                | (10,427)                   |
| Restated balance                                                                          | 19,358               | 26,771                     | 165,077           | (5,656)        | 205,551                    |
| Movement for this period                                                                  |                      |                            |                   |                |                            |
| Issuance of new stocks                                                                    | 226                  | 226                        |                   |                | 453                        |
| Dividends of surplus                                                                      |                      |                            | (27,236)          |                | (27,236)                   |
| Net income                                                                                |                      |                            | 29,843            |                | 29,843                     |
| Sales of treasury stock                                                                   |                      | 830                        |                   | 2,400          | 3,231                      |
| Purchase of treasury stock                                                                |                      |                            |                   | (7,035)        | (7,035)                    |
| Change in scope of consolidation                                                          |                      |                            | (1,049)           |                | (1,049)                    |
| Change in ownership interest of parent due to transactions with non-controlling interests |                      | (19)                       |                   |                | (19)                       |
| Movement for this period excluding shareholders' equity                                   |                      |                            |                   |                |                            |
| Total movement                                                                            | 226                  | 1,038                      | 1,557             | (4,635)        | (1,812)                    |
| Balance at the end of current period                                                      | 19,585               | 27,810                     | 166,635           | (10,291)       | 203,738                    |

|                                                                                           | Accumulated other comprehensive income            |                                         |                                         |                                              | Stock acquisition right |
|-------------------------------------------------------------------------------------------|---------------------------------------------------|-----------------------------------------|-----------------------------------------|----------------------------------------------|-------------------------|
|                                                                                           | Unrealized gain on available for sales securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                         |
| Balance at the beginning of current period                                                | (299)                                             | 4,229                                   | (824)                                   | 3,105                                        | 1,560                   |
| Cumulative effects of changes in accounting policies                                      |                                                   |                                         |                                         |                                              |                         |
| Restated balance                                                                          | (299)                                             | 4,229                                   | (824)                                   | 3,105                                        | 1,560                   |
| Movement for this period                                                                  |                                                   |                                         |                                         |                                              |                         |
| Issuance of new stocks                                                                    |                                                   |                                         |                                         |                                              |                         |
| Dividends of surplus                                                                      |                                                   |                                         |                                         |                                              |                         |
| Net income                                                                                |                                                   |                                         |                                         |                                              |                         |
| Sales of treasury stock                                                                   |                                                   |                                         |                                         |                                              |                         |
| Purchase of treasury stock                                                                |                                                   |                                         |                                         |                                              |                         |
| Change in scope of consolidation                                                          |                                                   |                                         |                                         |                                              |                         |
| Change in ownership interest of parent due to transactions with non-controlling interests |                                                   |                                         |                                         |                                              |                         |
| Movement for this period excluding shareholders' equity                                   | (1,177)                                           | 20,162                                  | 947                                     | 19,932                                       | 324                     |
| Total movement                                                                            | (1,177)                                           | 20,162                                  | 947                                     | 19,932                                       | 324                     |
| Balance at the end of current period                                                      | (1,477)                                           | 24,392                                  | 122                                     | 23,037                                       | 1,884                   |

(Millions of yen)

|                                                                                           | Minority interest | Total net assets |
|-------------------------------------------------------------------------------------------|-------------------|------------------|
| Balance at the beginning of current period                                                | 789               | 221,434          |
| Cumulative effects of changes in accounting policies                                      |                   | (10,427)         |
| Restated balance                                                                          | 789               | 211,006          |
| Movement for this period                                                                  |                   |                  |
| Issuance of new stocks                                                                    |                   | 453              |
| Dividends of surplus                                                                      |                   | (27,236)         |
| Net income                                                                                |                   | 29,843           |
| Sales of treasury stock                                                                   |                   | 3,231            |
| Purchase of treasury stock                                                                |                   | (7,035)          |
| Change in scope of consolidation                                                          |                   | (1,049)          |
| Change in ownership interest of parent due to transactions with non-controlling interests |                   | (19)             |
| Movement for this period excluding shareholders' equity                                   | (771)             | 19,485           |
| Total movement                                                                            | (771)             | 17,672           |
| Balance at the end of current period                                                      | 18                | 228,679          |

## Balance Sheet

(As of December 31, 2022)

(Millions of yen)

| Account                                         | Amount         | Account                                                  | Amount          |
|-------------------------------------------------|----------------|----------------------------------------------------------|-----------------|
| <b>&lt;Assets&gt;</b>                           |                | <b>&lt;Liabilities&gt;</b>                               |                 |
| <b>Current assets</b>                           | <b>109,266</b> | <b>Current liabilities</b>                               | <b>83,854</b>   |
| Cash and bank deposits                          | 74,473         | Accounts payable, trade                                  | 1,343           |
| Notes and Accounts receivable, trade            | 15,522         | Accounts payable, other                                  | 16,057          |
| Marketable securities                           | 11,713         | Accrued expenses                                         | 3               |
| Product                                         | 598            | Accrued income and other taxes                           | 1,038           |
| Raw material                                    | 288            | Accrued consumption taxes                                | 1,153           |
| Supplies                                        | 120            | Deposit                                                  | 275             |
| Prepaid expense                                 | 185            | Allowance for bonuses                                    | 94              |
| Account receivable others                       | 6,104          | Deferred revenue                                         | 62,867          |
| Others                                          | 259            | Others                                                   | 1,021           |
| <b>Non-current assets</b>                       | <b>77,550</b>  | <b>Non-current liabilities</b>                           | <b>6,093</b>    |
| <b>Property and equipment</b>                   | <b>833</b>     | Long-term accounts payable-others                        | 2               |
| Buildings                                       | 1,385          | Allowance for retirement benefits                        | 6,008           |
| Office furniture and equipment                  | 1,640          | Others                                                   | 82              |
| Accumulated depreciation                        | (2,193)        | <b>Total liabilities</b>                                 | <b>89,947</b>   |
| <b>Intangibles</b>                              | <b>8,019</b>   | <b>&lt;Net assets&gt;</b>                                |                 |
| Software                                        | 7,316          | <b>Shareholders' equity</b>                              | <b>95,017</b>   |
| Software in progress                            | 471            | <b>Common stock</b>                                      | <b>19,585</b>   |
| Others                                          | 231            | <b>Capital surplus</b>                                   | <b>25,962</b>   |
|                                                 |                | Additional paid-in capital                               | 22,307          |
| <b>Investments and other non-current assets</b> | <b>68,697</b>  | Other Capital surplus                                    | 3,655           |
| Investment securities                           | 17,784         | <b>Retained earnings</b>                                 | <b>59,760</b>   |
| Investments in subsidiaries and affiliates      | 24,734         | Legal reserve                                            | 20              |
| Deposit for landlord                            | 914            | Accumulated profit                                       | 59,739          |
| Deferred tax assets                             | 25,264         | Retained earnings carried forward                        | 59,739          |
|                                                 |                | <b>Treasury stock</b>                                    | <b>(10,291)</b> |
|                                                 |                | <b>Valuation and translation adjustment</b>              | <b>(34)</b>     |
|                                                 |                | Net unrealized gain (loss) on debt and equity securities | (34)            |
|                                                 |                | <b>Stock acquisition right</b>                           | <b>1,886</b>    |
|                                                 |                | <b>Total net assets</b>                                  | <b>96,868</b>   |
| <b>Total assets</b>                             | <b>186,816</b> | <b>Total liabilities and net assets</b>                  | <b>186,816</b>  |

## Profit and Loss Statement

(From January 1, 2022 to December 31, 2022)

(Millions of yen)

| Account                                    | Amount |               |
|--------------------------------------------|--------|---------------|
| <b>Sales Revenue</b>                       |        |               |
| Sales                                      | 82,096 |               |
| Royalty                                    | 35     | <b>82,132</b> |
| <b>Cost of sales</b>                       |        | <b>26,810</b> |
| <b>Gross profit</b>                        |        | <b>55,321</b> |
| <b>Operating expenses</b>                  |        | <b>42,947</b> |
| <b>Operating income</b>                    |        | <b>12,374</b> |
| <b>Non-operating income</b>                |        |               |
| Interest income                            | 0      |               |
| Interest on marketable securities          | 208    |               |
| Dividends from subsidiaries and affiliates | 34,583 |               |
| Others                                     | 34     | 34,827        |
| <b>Non-operating expense</b>               |        |               |
| Foreign exchange loss                      | 918    |               |
| Loss on disposal of fixed assets           | 2      |               |
| Others                                     | 8      | 929           |
| <b>Ordinary income</b>                     |        | <b>46,272</b> |
| <b>Net income before taxes</b>             |        | <b>46,272</b> |
| Income taxes current                       | 5,132  |               |
| Income taxes deferred                      | (669)  | 4,462         |
| <b>Net income</b>                          |        | <b>41,809</b> |

## Statements of Changes in Net Assets

(From January 1, 2022 to December 31, 2022)

(Millions of yen)

|                                                        | Shareholders' equity |                            |                       |                   |                                   |
|--------------------------------------------------------|----------------------|----------------------------|-----------------------|-------------------|-----------------------------------|
|                                                        | Common stock         | Capital surplus            |                       | Retained earnings |                                   |
|                                                        |                      | Additional paid-in capital | Other capital surplus | Legal reserve     | Accumulated profit                |
|                                                        |                      |                            |                       |                   | Retained earnings carried forward |
| Balance at the beginning of current period             | 19,358               | 22,080                     | 2,824                 | 20                | 43,585                            |
| Cumulative effects of changes in accounting policies   |                      |                            |                       |                   | 1,581                             |
| Restated balance                                       | 19,358               | 22,080                     | 2,824                 | 20                | 45,166                            |
| Movement for the period                                |                      |                            |                       |                   |                                   |
| Issuance of new stocks                                 | 226                  | 226                        |                       |                   |                                   |
| Dividends of surplus                                   |                      |                            |                       |                   | (27,236)                          |
| Net income                                             |                      |                            |                       |                   | 41,809                            |
| Sales of treasury stock                                |                      |                            | 830                   |                   |                                   |
| Purchase of treasury stock                             |                      |                            |                       |                   |                                   |
| Movement for the period excluding shareholders' equity |                      |                            |                       |                   |                                   |
| Total movement                                         | 226                  | 226                        | 830                   | -                 | 14,573                            |
| Balance at the end of current period                   | 19,585               | 22,307                     | 3,655                 | 20                | 59,739                            |

|                                                        | Shareholders' equity |                            | Valuation and translation adjustment                    | Stock acquisition right | Total net assets |
|--------------------------------------------------------|----------------------|----------------------------|---------------------------------------------------------|-------------------------|------------------|
|                                                        | Treasury stock       | Total shareholders' equity | Unrealized gain(loss) on available-for-sales securities |                         |                  |
| Balance at the beginning of current period             | (5,656)              | 82,213                     | (123)                                                   | 1,519                   | 83,609           |
| Cumulative effects of changes in accounting policies   |                      | 1,581                      |                                                         |                         | 1,581            |
| Restated balance                                       | (5,656)              | 83,794                     | (123)                                                   | 1,519                   | 85,190           |
| Movement for the period                                |                      |                            |                                                         |                         |                  |
| Issuance of new stocks                                 |                      | 453                        |                                                         |                         | 453              |
| Dividends of surplus                                   |                      | (27,236)                   |                                                         |                         | (27,236)         |
| Net income                                             |                      | 41,809                     |                                                         |                         | 41,809           |
| Sales of treasury stock                                | 2,400                | 3,231                      |                                                         |                         | 3,231            |
| Purchase of treasury stock                             | (7,035)              | (7,035)                    |                                                         |                         | (7,035)          |
| Movement for the period excluding shareholders' equity |                      |                            | 88                                                      | 367                     | 455              |
| Total movement                                         | (4,635)              | 11,222                     | 88                                                      | 367                     | 11,678           |
| Balance at the end of current period                   | (10,291)             | 95,017                     | (34)                                                    | 1,886                   | 96,868           |



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

**Independent Auditor's Report**

February 14, 2023

To the Board of Directors of Trend Micro Incorporated:

KPMG AZSA LLC  
Tokyo Office, Japan

Tetsushi Umetani  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Yoshiaki Hasegawa  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

**Opinion**

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated profit and loss statement, the consolidated statement of changes in net assets and the related notes of Trend Micro Incorporated (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), as at December 31, 2022 and for the year from January 1, 2022 to December 31, 2022 in accordance with Article 444-4 of the Companies Act.

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

**Basis for Opinion**

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

**Other Information**

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

**Notes to the Reader of Independent Auditor's Report:**

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

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

**Independent Auditor's Report**

February 14, 2023

To the Board of Directors of Trend Micro Incorporated:

KPMG AZSA LLC  
Tokyo Office, Japan

Tetsushi Umetani  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Yoshiaki Hasegawa  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

**Opinion**

We have audited the financial statements, which comprise the balance sheet, the profit and loss statement, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules (“the financial statements and the accompanying supplementary schedules”) of Trend Micro Incorporated (“the Company”) as at December 31, 2022 and for the year from January 1, 2022 to December 31, 2022 in accordance with Article 436-2-1 of the Companies Act.

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

**Basis for Opinion**

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

**Other Information**

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Financial Statements and the Accompanying Supplementary Schedules**

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules**

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

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

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

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

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

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

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

**Notes to the Reader of Independent Auditor's Report:**

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

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

### AUDIT REPORT

In order to audit the business activities of the Directors undertaken during the 34th fiscal year from January 1, 2022, to December 31, 2022, we, the Board of Corporate Auditors, prepared this Audit Report based on the Audit Report prepared by each Corporate Auditor and hereby report as follows:

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

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

2. Results of Audit

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

- (i) We found that the business report and its supplementary schedules fairly reflect the Company's business situation in conformity with and pursuant to the applicable laws and the Articles of Incorporation of the Company.
- (ii) No misconduct concerning the performance of Directors' duties or material facts that are in breach of applicable laws and the Articles of Incorporation of the Company have been detected.
- (iii) The content of the resolution of the Board of Directors concerning the internal control system is fair and proper. There is nothing noteworthy with respect to details of the Business Report and the performance by the Directors of their duties concerning the internal control system.

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

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

(3) Audit Result of the Consolidated Financial Statements

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

February 15, 2023

Trend Micro Incorporated  
Board of Corporate Auditors

Full-time Corporate Auditor  
Masaru Senpo (Seal)

Corporate Auditor  
Fumio Hasegawa (Seal)

Corporate Auditor  
Yasuo Kameoka (Seal)

Corporate Auditor  
Koji Fujita (Seal)

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



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

Start date of electronic provision measures: February 28, 2023

**Other matters for electronic provision  
(matters omitting delivery documents) to  
NOTICE OF CONVOCATION THE 34th ORDINARY  
GENERAL MEETING OF SHAREHOLDERS”**

“Systems and Policies of the Company”

“Notes to the Consolidated Financial Statements”

“Notes to Financial Statements”

(From January 1, 2022 to December 31, 2022)

**TREND MICRO INCORPORATED**

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

## **6. Systems and Policies of the Company**

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

- (1) System for the storage and control of information on the execution of our Directors' duties**
  - i) Any information on the execution of our Directors' duties shall be stored and controlled in proper, assured and highly retrievable conditions depending on storing medium in accordance with the Confidential Information Control Rules, the Detailed Regulations on Confidential Information Management and Operation, and other internal regulations. It shall be ensured that our Directors and Corporate Auditors access such information at any time. A storage period shall be the period set forth in the Document-Handling Rule.
  - ii) The protection and storage of information under the information system shall be as set forth in the Information Security Policy (Global Policy).
  
- (2) Our regulations and other system for the control of the risk of loss**
  - i) The Company shall be aware of the risks that come with our products and services, and with the Company's infrastructure arising in the course of the execution of our business. The Company shall, therefore, establish a system to properly grasp and control such risks by appointing a person in charge for the proper administration of each occurrence of the risks.
  - ii) The Company shall establish a risk-management department and a compliance security committee with one of our Representative Directors as a chairperson to supervise the compliance and risk control system.
  - iii) The Company shall establish a Global Chief Information Security Officer (hereinafter referred to as "CISO") to oversee the information security governance of the Company and all Group companies.
  - iv) Any divulgation, theft, loss, corruption, interpolation and the like of information would cause the Company to suffer enormous damage and a loss of credibility. Therefore, the Company shall control such risks in accordance with the provisions of the Information Security Policy (Global Policy), the Confidential Information Control Regulations, the Risk Management Guideline, the Personal Information Protection Manual and the like.
  - v) In the event an unforeseen contingency occurs, the Company shall establish a crisis team (or a SWAT team) with our Director in charge of the Japan Region as a risk manager to move quickly on the situation, and shall establish a system to prevent and minimize additional damage, including damage to our clients.
  
- (3) System to ensure the efficient execution of our Directors' duties**
  - i) As a basis for a system to ensure the efficient execution of our Directors' duties, a meeting of the Board of Directors shall be held at least once every three months, and in a timely manner from time to time if necessary. Any important matters relating to the Company's management policies and strategies shall be determined making reference to the results of an Executive Meeting and a periodical Budget Review Process.
  - ii) In order to execute the Company's operations based on the resolutions of our Board of Directors, each person in charge of respective operations, his or her responsibilities, and the details of execution procedures shall be named and set forth in an administrative authority rule, a rule on our executives and the like.
  
- (4) System to ensure that the execution of the duties of the Directors and employees of the Company and the director and employees of our subsidiaries comply with relevant laws and regulations and the Articles of Incorporation**
  - i) As the basis of the compliance system of each of our group companies, a Code of Conduct, Regulations on Insider Trading and the like shall be established. In order to confirm the implementation of the Code of Conduct, an acknowledgement research shall be carried out to all the directors and employees of our group companies every year.  
In addition to the above, if necessary, each department shall establish a guideline and the like, and give training for the said purpose.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Notes to the Consolidated Financial Statements

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

#### 1. Matters Concerning the Scope of Consolidation

(1) Number of Consolidated Subsidiaries: Thirty eight (38)

(2) Names of Major Subsidiaries

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

VicOne Inc. (Taiwan), CTOne Inc. (Taiwan) and Trend Micro MCA Inc. (US) were newly established and have been included in the scope of consolidation.

Cysiv LLC (US), which had been a consolidated subsidiary, was excluded from the scope of consolidation due to the liquidation.

Cysiv, Inc. (US), Cysiv Security Canada Inc (Canada) and TXOne Networks Inc. (Taiwan) which had been consolidated subsidiaries, were excluded from the scope of consolidation due to the transfer of all shares held.

(3) No unconsolidated Subsidiaries.

Secure Misr S.A.E. (Egypt), Cysiv Security UK Ltd (UK) and Cysiv Security Private Limited (India), which had been unconsolidated subsidiaries, were excluded due to the transfer of all shares held.

#### 2. Matters Concerning Application of Equity Method

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

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

General Mobile Corporation (British Cayman Islands)

TXOne Networks Inc.(British Cayman Islands)

TXOne Networks Inc. (British Cayman Islands), whose shares were newly acquired, has been included due to the subsequent third-party allocation of new shares.

(3) No affiliate company and unconsolidated subsidiary to which the equity method has not been applied.

### 3. Matters Concerning the Accounting Standards

#### (1) Accounting for evaluation of material assets

##### (i) Securities

Other than non-marketable securities:

Market value method

(Unrealized gains and losses, net of taxes, reported in a separate component of equity. Cost of selling is determined by the moving average method.)

Non-marketable securities, etc.:

Cost basis by moving average method

##### (ii) Inventories:

Lower of cost or market by moving average method

The carrying value on the balance sheet of the inventory with lower profit margin is written down.

#### (2) Depreciation or Amortization method for fixed assets

##### Property and equipment (excluding lease assets)

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

Buildings and structures: mainly 3 – 24 years

Office furniture and equipment: mainly 2 – 20 years

##### Intangibles (excluding lease assets)

<Software for sale>

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

<Software for internal use>

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

<Other intangibles>

Straight-line method over the estimated useful life

##### Lease assets

Lease assets arising from non-ownership-transfer finance leases

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

(3) Accounting policies for allowances

Allowance for bad debt

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

Allowance for bonuses

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

(4) Accounting methods for retirement benefit obligation

▸ Attribution method for retirement benefit estimates

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

▸ Treatment for actuarial differences

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

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

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

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

(6) Basis for Revenue Recognition

The major obligations of the Company and its consolidated subsidiaries with respect to the revenue arising from their contracts with customers are as follows, along with the normal times during which such obligations are fulfilled.

Revenue from software licenses is primarily due to the provision of security-related software licenses, we are obligated to provide software licenses under license contracts with our customers.

Revenue from support services is primarily due to the provision of support services for security-related products, we are obligated to provide such services under the support service contract with the customer.

Revenue from hardware offerings is primarily from the sale of security-related hardware products, we are obligated to provide hardware products under the hardware sales contract.

The essence of goods or services provided by us to customers is to provide them with protection from the latest computer viruses. The provision of software licenses to customers, the upgrading of software included in support services, and the provision of hardware products are indivisible single performance obligation because they cannot provide customers with protection from the latest computer viruses on their own and are highly interdependent and related.

Protection of customers against computer viruses is required to be fulfilled for a certain period of time because the protection of customers is provided according to the period of the contract after the start of use of the software license by the customers. Consideration is allocated equally for the period from the start of use to the



contract period, and the amount corresponding to the current consolidated fiscal year is recorded as revenue. The consideration for these obligations does not include material financial elements in the contract.

(7) Amortization of Goodwill

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

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

**(ADDITIONAL INFORMATION)**

(Matters concerning consolidated subsidiaries)

We invest in Trend Forward Capital I, L.P. (hereinafter TFI), which operates a venture capital business in the United States as a limited partnership. Business execution powers of TFI were held by Wael Mohamed who was our board until March 2020, while we are only limited partners and have no authority or intention to participate in the management of TFI.

However, we have contributed more than half of the total amount invested in TFI and have not been able to prove that Wael is not a close member in accordance with “the Practical Handling of the Application of Control and Influence Standards to Investment Partnerships” (Practical Handling Report No. 20). Therefore, we have included TFI in our consolidation scope in accordance with “the Practical Handling Report No.20” and” the Accounting Standards for Consolidated Financial Statements “(ASBJ Statement No. 22).

**(NOTES ON ACCOUNTING ESTIMATES)**

1. Valuation of unlisted stocks

(1) Amounts recorded in the consolidated financial statements at the end of the current fiscal year.

Investment securities (unlisted stocks) 3,187 million yen

Loss on valuation of investment securities 3,911million yen

(2) Information on significant accounting estimates for identified items

In valuing investment securities, the Company makes judgments based on the issuer's financial condition and earnings prospects, or the existence of damage to excess earning capacity. Changes in circumstances related to individual investments due to changes in the market or unpredictable changes in economic and business assumptions may have a significant impact on the valuation of investment securities in the consolidated financial statements for the following fiscal year.

2. Recoverability of deferred tax assets

(1) Amounts recorded in the consolidated financial statements at the end of the current fiscal year

Deferred tax assets 42,111 million yen

(2) Information on significant accounting estimates for identified items

In accounting for deferred tax assets, deferred tax assets are recognized for schedulable future deductible temporary differences. Estimates of deferred tax assets are based on the schedule for the reversal of future deductible temporary differences, etc., and the tax system and tax rates in effect at the date of the balance sheet, and any changes in the conditions and assumptions underlying these estimates may have a significant impact on the amount of deferred tax assets recognized in the consolidated financial statements for the next and subsequent fiscal years. If there is a change in the conditions or assumptions underlying these estimates, it may have a significant impact on the amount of deferred tax assets recognized in the consolidated financial statements for the next and subsequent fiscal years.

## **(NOTES ON CHANGE IN ACCOUNTING STANDARDS)**

(Application of Accounting Standard for Revenue Recognition, Etc.)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. (hereinafter referred to as the "Accounting Standard for Revenue Recognition") etc., was applied from the beginning of the first quarter of the current fiscal year, and revenue is recognized at the time control of the promised goods or services is transferred to the customer in the amount expected to be received in exchange for such goods or services.

As a result, the Company changed its method of recognizing revenue for certain transactions from recognizing revenue at the time of shipment to recognizing revenue over a period of time for performance obligations satisfied over time.

The Company followed the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the first quarter of the current fiscal year is included in retained earnings at the beginning of the first quarter of the current fiscal year. The cumulative effect of retrospectively applying the new accounting policies prior to the beginning of the first quarter of the current fiscal year was added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policies were applied to the beginning balance of the current fiscal year.

As a result, the cumulative effect amount reflected in net assets at the beginning of the first quarter of the current fiscal year decreased the beginning balance of retained earnings by 10,427 million yen.

Compared with the previous method, net sales decreased 2,014 million yen, selling, general and administrative expenses increased 1,646 million yen and operating income, ordinary income, and income before income taxes and minority interests decreased 3,661 million yen in the current fiscal year.

Due to the application of the Accounting Standard for Revenue Recognition, "Notes and Accounts receivable, trade," which was included in "Current assets" in the consolidated balance sheets for the previous fiscal year, are included in "Notes and Accounts receivable, trade and contract assets" from the first quarter of the current fiscal year. "Deferred revenue" which was included in "Current liabilities" and "Non-current liabilities" in the consolidated balance sheets for the previous fiscal year, are included in "Deferred revenue (Current and Non-current)" from the first quarter of the current fiscal year.

(Application of Accounting Standard for Fair Value Measurement, Etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year. Furthermore, in accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company will prospectively apply the new accounting policy provided in the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations.

**(NOTES TO THE CONSOLIDATED BALANCE SHEET)**

1. Notes and Accounts receivable, trade and contract assets :

|                     |                    |
|---------------------|--------------------|
| Accounts receivable | 63,614 million yen |
|---------------------|--------------------|

2. Inventory

|                |                   |
|----------------|-------------------|
| Finished Goods | 3,839 million yen |
|----------------|-------------------|

|           |                 |
|-----------|-----------------|
| Materials | 294 million yen |
|-----------|-----------------|

|       |                 |
|-------|-----------------|
| Goods | 120 million yen |
|-------|-----------------|

3. Accumulated depreciation of property and equipment: 30,756 million yen

**(NOTES TO THE CONSOLIDATED STATEMENTS OF INCOME)**

1. Gain on change in equity :

Gain on change in equity was recognized due to a decrease in the Company's ownership interest in TXOne Networks Inc. (British Cayman Islands), which had been a consolidated subsidiary of the Company, as a result of a third-party allocation of new shares.

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

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

Common stock 140,804,104 shares

The class and number of treasury stock

| Class        | As of Jan 1, 2022 | Increase         | Decrease       | As of Dec 31, 2022 |
|--------------|-------------------|------------------|----------------|--------------------|
| Common Stock | 1,068,790 shares  | 1,020,130 shares | 439,100 shares | 1,649,820 shares   |

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

|                                       |                                                        |
|---------------------------------------|--------------------------------------------------------|
| The resolution                        | The annual shareholders meeting held on 29 March, 2022 |
| The type of equity shares             | Ordinary shares                                        |
| The total amount of dividends paid    | 27,236 million yen                                     |
| The amount of dividend paid per share | 195.00 yen                                             |
| The record date                       | 31 December, 2021                                      |
| The effective date                    | 30 March, 2022                                         |

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

|                                       |                                                              |
|---------------------------------------|--------------------------------------------------------------|
| The resolution                        | The annual shareholders meeting to be held on 28 March, 2023 |
| The type of the equity shares         | Ordinary shares                                              |
| The source of dividend payment        | Retained earnings                                            |
| The total amount of dividends paid    | 21,012 million yen                                           |
| The amount of dividend paid per share | 151.00 yen                                                   |
| The record date                       | 31 December, 2022                                            |
| The effective date                    | 29 March, 2023                                               |

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

Ordinary shares 247,800 shares

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

## (NOTES TO FINANCIAL INSTRUMENTS)

### 1. Matters concerning financial instruments

#### (1) Policies for financial instruments

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

#### (2) Details of financial instruments and associated risks

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

#### (3) Risk management structure for financial instruments

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

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

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

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

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

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

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

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

2. Matters concerning fair values of financial instruments

Consolidated balance sheet amounts, fair values and the differences therein as of December 31, 2022 (fiscal year end) are as follows. Investments in non-marketable securities are not included in this table.

(Millions of yen)

|                                                     | Consolidated balance sheet amounts | Fair values | Differences |
|-----------------------------------------------------|------------------------------------|-------------|-------------|
| (1) Marketable securities and investment securities |                                    |             |             |
| Available for sale securities                       | 118,418                            | 118,418     | —           |
| Total assets                                        | 118,418                            | 118,418     | —           |

(Notes 1) "Cash and bank deposits," "Notes and Accounts receivable, trade and contract assets," "Accounts payable and Notes payable, trade" "Accounts payable, other," "Accrued expenses," "Accrued income and other taxes," are omitted as these are cash, and their current prices are nearly equal to book values due to be all settled in a short period of time.

(Notes 2) Non-listed stocks (7,332 million yen recorded on consolidated balance sheet) are not included in "(1) Marketable securities and investment securities".

3. Matters concerning the breakdown, etc. of the fair value of financial instruments by levels

The fair value of financial instruments are classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

(i) Level 1 fair value

Fair value is calculated based on quoted market prices for assets or liabilities for which such fair value is formed in an active market among the inputs for calculating observable fair value.

(ii) Level 2 fair value

Fair value is calculated using inputs other than Level 1 inputs for the calculation of observable fair value.

(iii) Level 3 fair value

Fair value is calculated using inputs for calculating unobservable fair value.

When multiple inputs that have a significant impact on the fair value calculation are used, the fair value is classified into the level with the lowest priority in the fair value calculation among the levels to which those inputs belong.

(Millions of yen)

|                                                 | Fair values |         |         |         |
|-------------------------------------------------|-------------|---------|---------|---------|
|                                                 | Level 1     | Level 2 | Level 3 | Total   |
| Marketable securities and investment securities |             |         |         |         |
| Available for sale securities                   | 107         | 118,310 | —       | 118,418 |
| Total assets                                    | 107         | 118,310 | —       | 118,418 |

(Notes) Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value

Listed stocks are based on the price on the stock exchange, and corporate bonds are based on the price on the stock exchange or the price presented by the financial institutions, etc. with which the Company has transactions. Since listed stocks are traded in active markets, their fair value is classified as Level 1 fair value. Bonds held by the Company are classified as Level 2 fair value because they are traded infrequently in the market and are not considered quoted prices in an active market.

## (NOTES ON REVENUE RECOGNITION)

### 1. Information of the revenue from contracts with customers by reporting segments

Information of the amount of sales by reporting segments

(Millions of yen)

|                                 | Japan  | Americas | Europe | Asia Pacific | Total   |
|---------------------------------|--------|----------|--------|--------------|---------|
| Sales                           |        |          |        |              |         |
| Net sales to external customers | 82,087 | 52,953   | 41,460 | 47,293       | 223,795 |
| Total sales                     | 82,087 | 52,953   | 41,460 | 47,293       | 223,795 |

(Notes)

1. The classification of the geographical segment is based on geographic proximity.

2. Major countries other than Japan:

Americas U.S.A., Canada, Brazil, Mexico

Europe Ireland, Germany, Italy, France, UK

Asia Pacific Taiwan, Korea, Australia, China, Philippines, Singapore, Malaysia, Thailand, India, UAE, Egypt

### 2. Information that provides a basis for understanding revenue arising from contracts with customers

The basis for understanding revenues is described in "Notes on Important Points in the Preparation of the Consolidated Financial Statements 3. Matters Concerning the Accounting Standards (6) Basis for Revenue Recognition".

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year or later Current fiscal year.

(1) Outstanding contract liabilities, etc.

(Millions of yen)

|                                                               | Current fiscal year |
|---------------------------------------------------------------|---------------------|
| Receivables from contracts with customers (beginning balance) | 53,499              |
| Receivables from contracts with customers (ending balance)    | 63,614              |
| Contract liabilities (beginning balance)                      | 166,105             |
| Contract liabilities (ending balance)                         | 192,914             |

Receivables from contracts with customers mainly consist of accounts receivable from customers for software licenses, support services and hardware transactions, and do not correspond to contract assets. Contract liabilities mainly relate to unearned revenues from customers for software licenses, support services and hardware transactions and correspond to performance obligations that will be satisfied in the next fiscal year or later. Contract liabilities are reversed upon recognition of revenue. It is included in "Deferred revenue" under "Current liabilities" in the consolidated balance sheet.

The amount of revenue recognized in the current period that was included in the contract liability balance at the beginning of the period was 108,198 million yen.

The amount of revenue recognized in the current period from performance obligations satisfied in prior periods was not material.

(2) Transaction price allocated to remaining performance obligations

The aggregate transaction price allocated to the remaining performance obligations and the period over which revenue is expected to be recognized are as follows.

(Millions of yen)

|                  | Current fiscal year |
|------------------|---------------------|
| Within 1 year    | 128,045             |
| More than 1 year | 64,869              |
| Total            | 192,914             |

**(NOTES ON PER SHARE INFORMATION)**

1. The net assets per share: 1,629.67 yen
2. The net income for the term per share: 213.59 yen

**(NOTES ON BUSINESS COMBINATIONS)**

In July 2022, our U.S. subsidiaries Trend Micro Incorporated (hereafter AMT) and Trend Forward Capital I, L.P. (hereafter TFI) completed the transfer of all shares of our subsidiary Cysiv, Inc. (hereafter Cysiv), a subsidiary of AMT and TFI, owned by AMT and TFI, to Forescout Technologies, Inc.

1. Outline of Business Divestiture

(1) Name of the company to be divested

Forescout Technologies, Inc.

(2) Description of business divested

Cysiv and its subsidiary (Americas)

(3) Main reason for business divestiture

We have invested in Cysiv and made it a subsidiary in order to understand managed security services (hereafter MSSP) until now. However, since we have generally made progress in understanding the structure of the MSSP business, we have decided to transfer all of our shares in Cysiv.

(4) Date of business divestiture

July 11, 2022 (date of receipt of consideration)

July 1, 2022 (deemed sale date)

(5) Other matters regarding the outline of the transaction including legal form

Share transfers for which the consideration received is cash or equity in an outside company



2. Summary of Accounting Procedures Implemented

(1) Amount of gain or loss on transfer

Gain on sale of shares of affiliated company 7,275 million yen

(2) The book value breakdown of transferred assets and liabilities

|                     |       |             |
|---------------------|-------|-------------|
| Current assets      | 4,160 | million yen |
| Fixed assets        | 1,441 | million yen |
| <hr/>               |       |             |
| Total assets        | 5,601 | million yen |
| <hr/>               |       |             |
| Current liabilities | 3,609 | million yen |
| Fixed liabilities   | 1,097 | million yen |
| <hr/>               |       |             |
| Total liabilities   | 4,707 | million yen |
| <hr/>               |       |             |

(3) Accounting treatment

AMT received the cash and booked a gain JPY 7,275 million for the share transfer. TFI exchanged the share with the parent company's share of Forescout Technologies Inc.

TFI as a venture capital holds investees' share and its purpose didn't change after the transaction. TFI didn't book profit for the transaction.

3. The recorded revenue and expenses of Cysiv in the consolidated statements of income

Cumulative period

|                |       |             |
|----------------|-------|-------------|
| Net sales      | 1,208 | million yen |
| Operating loss | 557   | million yen |

**(NOTES ON MATERIAL SUBSEQUENT EVENTS)**

N/A

**(OTHER NOTES)**

N/A

## Notes to Financial Statements

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

1. Accounting for evaluation of assets

(1) Securities

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

(ii) Other securities

Available-for-sale with market value:

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

Available-for-sale without a market value:

Cost basis by moving average method

(2) Inventories

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

Unprofitable inventories are devaluated

2. Depreciation and amortization method for fixed assets

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

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

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

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

Intangible fixed assets (excluding leased assets)

<Software for sale>

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

<Software for internal use>

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

<Other intangibles >

Straight-line method over the estimated useful lives

Leased assets

Finance lease without transfer of ownership of the leased assets

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

### 3. Accounting policies for allowances

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

### 4. Basis for Revenue Recognition

The major obligations of the Company with respect to the revenue arising from their contracts with customers are as follows, along with the normal times during which such obligations are fulfilled.

Revenue from software licenses is primarily due to the provision of security-related software licenses, we are obligated to provide software licenses under license contracts with our customers.

Revenue from support services is primarily due to the provision of support services for security-related products, we are obligated to provide such services under the support service contract with the customer.

Revenue from hardware offerings is primarily from the sale of security-related hardware products, we are obligated to provide hardware products under the hardware sales contract.

The essence of goods or services provided by us to customers is to provide them with protection from the latest computer viruses. The provision of software licenses to customers, the upgrading of software included in support services, and the provision of hardware products are indivisible single performance obligation because they cannot provide customers with protection from the latest computer viruses on their own and are highly interdependent and related.

Protection of customers against computer viruses is required to be fulfilled for a certain period of time because the protection of customers is provided according to the period of the contract after the start of use of the software license by the customers. Consideration is allocated equally for the period from the start of use to the contract period, and the amount corresponding to the current consolidated fiscal is recorded as revenue.

The consideration for these obligations does not include material financial elements in the contract.

### 5. Amortization of Goodwill

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

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

## **(NOTES ON ACCOUNTING ESTIMATES)**

Recoverability of deferred tax assets

(1) Amounts recorded in the financial statements for the current fiscal year

Deferred tax assets 25,264 million yen

(2) Information on significant accounting estimates for identified items

This information is omitted because it is stated in the notes to the consolidated financial statements.

## **(NOTES ON CHANGE IN ACCOUNTING STANDARDS)**

(Application of Accounting Standard for Revenue Recognition, Etc.)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. (hereinafter referred to as the "Accounting Standard for Revenue Recognition") etc., was applied from the beginning of the first quarter of the current fiscal year, and revenue is recognized at the time control of the promised goods or services is transferred to the customer in the amount expected to be received in exchange for such goods or services.

As a result, the Company changed its method of recognizing revenue for certain transactions from recognizing revenue at the time of shipment to recognizing revenue over a period of time for performance obligations satisfied over time.

The Company followed the transitional treatment stipulated in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the first quarter of the current fiscal year is included in retained earnings at the beginning of the first quarter of the current fiscal year. The cumulative effect of retrospectively applying the new accounting policies prior to the beginning of the first quarter of the current fiscal year was added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policies were applied to the beginning balance of the current fiscal year.

As a result, the cumulative effect amount reflected in net assets at the beginning of the first quarter of the current fiscal year increased the beginning balance of retained earnings by 1,581 million yen.

Compared with the previous method, net sales increased 1,347 million yen, selling, general and administrative expenses increased 1,646 million yen and operating income, ordinary income, and income before income taxes and minority interests decreased 299 million yen in the current fiscal year.

Due to the application of the Accounting Standard for Revenue Recognition, "Deferred revenue" which was included in "Current liabilities" and "Non-current liabilities" in the balance sheet for the previous fiscal year, are included in "Deferred revenue (Current)" from the first quarter of the current fiscal year.

(Application of Accounting Standard for Fair Value Measurement, Etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year. Furthermore, in accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company will prospectively apply the new accounting policy provided in the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations.

**(NOTES TO THE BALANCE SHEET)**

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

|                                 | (Millions of yen) |
|---------------------------------|-------------------|
| Short-term monetary assets      | 6,088             |
| Short-term monetary liabilities | 11,905            |

**(NOTES TO THE PROFIT AND LOSS)**

The Amounts of Transactions with Subsidiaries and Affiliates

The Amounts of Operational Transactions

|                      | (Millions of yen) |
|----------------------|-------------------|
| Sales                | 19                |
| Outside service fee  | 25,330            |
| Cost sharing charges | 16,874            |
| Purchases            | 1,948             |

The Amounts of Non- Operational Transactions

|                                            |        |
|--------------------------------------------|--------|
| Dividends from subsidiaries and affiliates | 34,583 |
|--------------------------------------------|--------|

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

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

|              |                  |
|--------------|------------------|
| Common Stock | 1,649,820 shares |
|--------------|------------------|

## (NOTES TO THE TAX EFFECT ACCOUNTING)

### 1. Major items causing deferred tax assets:

#### Deferred tax assets

|                                                        | (Millions of yen) |
|--------------------------------------------------------|-------------------|
| Nondeductible deferred revenue                         | 19,249            |
| Nondeductible amortization of intangibles fixed assets | 2,895             |
| Nondeductible accrued enterprise tax                   | 55                |
| Nondeductible accrued liability                        | 524               |
| Nondeductible allowance for retirement benefits        | 1,839             |
| Unrealized gain(loss) on available for sale securities | 81                |
| Others                                                 | 825               |
| <hr/>                                                  |                   |
| Deferred tax assets subtotal                           | 25,472            |
| Valuation allowance                                    | (142)             |
| <hr/>                                                  |                   |
| Total deferred tax assets                              | 25,330            |

#### Deferred tax liabilities

|                                                        | (Millions of yen) |
|--------------------------------------------------------|-------------------|
| Unrealized gain(loss) on available for sale securities | (66)              |
| <hr/>                                                  |                   |
| Deferred tax liabilities sub total                     | (66)              |
| <hr/>                                                  |                   |
| Net amount of deferred tax asset                       | 25,264            |

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

|                                                               |         |
|---------------------------------------------------------------|---------|
| Statutory tax rate                                            | 30.6%   |
| (Adjustments)                                                 |         |
| Nondeductible expense such as entertainment expense           | 0.5%    |
| Nontaxable income such as dividends income                    | (21.7)% |
| Tax credit                                                    | (0.3)%  |
| Others                                                        | 0.6%    |
| <hr/>                                                         |         |
| Effective tax rate after adjustment for tax effect accounting | 9.6%    |

**(NOTES ON RELATED PARTY TRANSACTIONS)**

## Subsidiaries and Affiliated companies

| Company name                      | Ownership ratio of voting rights | Detail of the relationship                                                               | Detail of transactions                | Item and Trading amount (Millions of yen) | Account name               | Balance at end of period (Millions of yen) |
|-----------------------------------|----------------------------------|------------------------------------------------------------------------------------------|---------------------------------------|-------------------------------------------|----------------------------|--------------------------------------------|
| Trend Micro Incorporated (U.S.A.) | 100% (Indirect)                  | Cost sharing agreement                                                                   | Payments of Cost sharing charges (*1) | 5,125                                     | Accounts payable, other    | 1,250                                      |
| Trend Micro (Ireland) Limited     | 100% (Indirect)                  | Cost sharing agreement                                                                   | Receipts of Cost sharing charges (*1) | 12,892                                    | Accounts receivable, other | 3,329                                      |
| Trend Micro Australia Pty.Ltd.    | 100% (Indirect)                  | Cost sharing agreement                                                                   | Receipts of Cost sharing charges (*1) | 9,108                                     | Accounts receivable, other | 2,628                                      |
| Trend Micro Incorporated (Taiwan) | 100% (Direct)                    | Outsourcing agreements of research and technology development and other support services | Payments of Outsourcing charges (*1)  | 14,467                                    | Accounts payable, other    | 2,400                                      |
|                                   |                                  | Outsourcing agreements of administration services                                        | Payments of Outsourcing charges (*1)  | 21,534                                    | Accounts payable, other    | 5,239                                      |

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

**(NOTES ON PER SHARE INFORMATION)**

1. The net assets per share: 682.57 yen
2. The net income for the term per share: 299.23 yen

**(NOTES ON MATERIAL SUBSEQUENT EVENTS)**

N/A

**(OTHER NOTES)**

N/A