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TREND MICRO INC
Form 6-K
March 29, 2002

FORM 6-K

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

Commission File Number:333-10486

For the Month of March 2002

Trend Micro Incorporated
(Translation of registrant's name into English)

Odakyu Southern Tower, 10th Floor, 2-1, Yoyogi 2-chome,
Shibuya-ku, Tokyo 151-8583, Japan
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

Information furnished on this form:

Table of Contents

1. Notice of convocation of the 13th annual meeting of shareholders (English translation)
2. Press release regarding notice of the issuance of bonds with subscription warrants pursuant to the "incentive plan" (English translation)

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Trend Micro Incorporated

Date: March 29, 2002

By: /s/ Mahendra Negi

Mahendra Negi
Representative Director and
Chief Financial Officer

Trend Micro Incorporated
Odakyu Southern Tower, 10th Floor
2-2-1, Yoyogi,
Shibuya-ku, Tokyo

March 4, 2002

The 13th Annual Meeting of Shareholders

Dear Shareholders:

You are cordially invited to attend our annual shareholder's meeting of the 13th fiscal period as shown below.

If you are unable to attend the meeting, you can participate by submitting the enclosed voting paper, after filling it out upon your review, by the specified date.

1. Time & Date: 10 a.m. Tuesday, March 26, 2002
2. Location: Century Room in Century Hyatt Tokyo, B1F
7-2, Nishi-shinjuku 2-chome, Shinjuku-ku, Tokyo
(Please note that the location has been changed from last year)
3. Agenda

.. Matters to be reported: Balance Sheet as of Dec. 31, 2001, and Business Report and Income Statement for the period of Jan. 1, 2001 through Dec. 31, 2001

.. Matters to be resolved

Item 1: Proposed Appropriation of Retained Earnings
for the 13th fiscal period

Item 2: Acquisition of treasury stock

This is detailed in the attached "Reference Information" (page)

Item 3: Modification of the Articles of Incorporation of the Company

This is detailed in the attached "Reference Information" (page)

Item 4: Election of one director

Item 5: Election of four statutory auditors

We look forward to seeing you at the meeting or receiving your completed voting paper.

Yours sincerely,

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Steve Ming-Jang Chang
President

P.S. If you are able to attend the meeting, please submit the voting paper to the staff members at the reception.

Attached Document

BUSINESS REPORT FOR FISCAL YEAR 2001

=====

(Jan. 1, 2001 to Dec. 31, 2001)

1. Business Review of Fiscal 2001

(1) Overview of 2001 Results

During 2001, IT demand has been sluggish in Japan, the U.S. and Europe, for example, there has been a reduction of corporate investment in IT. The influence of such investment reduction has begun to reach the network security area, which has previously been considered a high priority IT investment. Thus, the circumstances surrounding the Group have been increasingly harsh. The survey of October 2001 conducted by Information Security, a U.S. company, reported the result that approximately one-third of the companies subject to the survey have frozen their network security-related investments for 2001 because of the deterioration of economic conditions, and this is most prevalent in North America.

However, many companies have not changed their basic policies to continuously expand investment in the promotion of networking, the review of core business systems, and others. Therefore, although short-term fluctuations are shown, there is no change in the prospect that our industry will steadily grow in the long and medium terms. In addition, recently there are new types of viruses which automatically attack the existing weakness in a computer through the Internet. This causes damage, which is typified by viruses such as "Code Red," programmed to attack the White House, or "Nimda," having a number of attacking methods: Such new viruses are characterized as having higher infection ability compared to conventional viruses. Therefore, users are demanding network security vendors for more effective products and services more than ever before.

The report of the Information-technology Promotion Agency, Japan (IPA), shows that the damage caused by viruses has also been increasing in Japan, including the fact that the number of reports of found viruses in 2001 is more than double the number reported the previous year, which is the worst result to date. Due to the drastic increase in the number of broadband users and others, the recognition of the need for network security has substantially improved.

In the Company's domestic business, as anti-virus products are gradually spreading from large companies to small and medium sized businesses, the number of customers subscribing to "Virus Buster Corporate Edition" and "ServerProtect" are steadily increasing. In addition, accompanied by the increase in the cases of virus damage via e-mail, the sales of the "InterScan" series, anti-virus software based on Internet servers, grew solidly. The sales of package products in the retail market exceeded the company's estimate due to the timely release of the new product "Virus Buster 2002" when malicious viruses were rampant during the second half of the year. Regarding the VirusWall E-Mail Service (formally-known as Internet Outsourcing Service) which provides anti-virus measures as a service through alliances with ISPs (Information Service Providers), also, services provided by large ISPs such as @Nifty or OCN became

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well under way and the number of customers are rapidly increasing for the same reason as above.

As for the business developments in North America and Europe, the sales of products for relatively large customers, mostly anti-virus products for high-level networks, such as "InterScan" series or "ScanMail" series, showed a steady growth.

Large corporate customers are concerned with not only the performance of the anti-virus software itself, but also the quality of the support provided by a vender during the software license term. Therefore, they select a vender in the viewpoint of how promptly it can provide a response to a threat of a new virus infection. We have taken advantage of being specialized in the anti-virus business and have already started to provide our customers with "Premium Support Service." This service guarantees support quality ahead of other U.S. competitors. In line with the increasing demand for anti-virus measures for network storage, "ServerProtect for EMC Celerra" and "ServerProtect for Network Appliance," have been added as new products of the "ServerProtect" series.

As a result, the sales for the 2001 fiscal year totaled JPY 18,454 million (up 95.8% compared to 2000), the ordinary income totaled JPY 7,589 million (up 199.5% compared to 2000) and the net income totaled 393 million (down 80.7% compared to 2000).

(2) Facility Investment

The total facility investment for the 2001 fiscal year was JPY 545 million, which was mainly made in equipment necessary for the development of new technologies and the streamlining of the core business.

(3) Fund Raising

The Company issued the 6th round of unsecured bonds (with detachable stock-purchase warrants) of JPY 5,000 million, specifying the due date of payment as March 19, 2001, the 7th round of unsecured bonds (with detachable stock-purchase warrants) of JPY 1,500 million, specifying the due date of payment as June 4, 2001 and the 8th round of unsecured bonds (with detachable stock-purchase warrants) of JPY 6,000 million, specifying the due date of payment as November 19, 2001.

(4) Future projections

Caused mainly by worsened business confidence in North America and Europe, corporate investments in IT have begun to show a sluggish growth. The Company's business environment is not very optimistic, influenced by these reductions in IT investments. However, today as many companies are depending more on networks, including mail systems, the scope of opportunity loss in the case of an internal system being down is becoming an overwhelmingly large amount of money compared to several years ago. Therefore, network security measures, including anti-virus measures, will be more important in the future. In this market environment in which steady expansion can be projected in the long and medium terms, the Company recognizes its business challenge to maintain its competitive advantage over major U.S. competitors. Setting as its goals the enhancement of distribution channels, the improvement of company recognition (brand power), and product development based on the customer's needs, the Company, as a corporate group including the U.S corporation, the Europe corporations, the Taiwanese corporation, etc., will endeavor to expand its share in domestic and overseas markets in the future.

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(5) The business results and the state of assets for the past few fiscal years

(Millions of yen except *, which is in single yen units)

| Fiscal year | 10th (ended Dec. 1998) | 11th (ended Dec. 1999) | 12th (ended Dec. 2000) | 13th Dec |
|-----------------------|---------------------------|---------------------------|---------------------------|-------------|
| Sales | 5,843 | 7,220 | 9,426 | |
| Ordinary Income | 2,422 | 2,160 | 2,533 | |
| Net income | 1,391 | 1,125 | 2,038 | |
| Net income per share* | 73.28 | 17.70 | 31.26 | |
| Total assets | 15,745 | 24,436 | 33,493 | |
| Net assets | 14,131 | 15,719 | 19,655 | |

Notes:

1. The net income per share is calculated based on the average number of shares during each fiscal year. The Company had a three for one stock split as of Nov. 19, 1999 during the 11th fiscal period, as well as a two for one stock split as of May 18, 2001 during the 13th fiscal period. It is assumed that the stock split was performed at the beginning of each fiscal year.
2. During the 10th fiscal year, the Company reduced the par value of its shares from 50,000 yen to 500 yen as of Jan. 1, 1998. The Company also split and 500 yen par value shares into ten shares of 50 yen par value as of May 7, 1998. In addition the Company issued 2,500,000 new shares in a public offering as of Aug. 18, 1998, and issued 335,600 shares due to the exercise of the stock-purchase warrants during the period of Sept. 1 through Dec. 31, 1998.
3. An increase in the total assets and net assets for the 10th fiscal year was primarily due to the public offering of new shares.
4. An increase in total assets for the 11th fiscal year was primarily due to the issuance of the 4th round of unsecured bonds (with detachable stock-purchase warrants).
5. During the 11th fiscal year, the net assets increased by 672 million yen due to the issue of new shares associated with the exercise of the stock-purchase warrants.
6. The increase in the net assets for this 12th fiscal year was primarily due to the issuance of the 5th round of unsecured bonds (with detachable stock-purchase warrants).
7. During the 12th fiscal year, the net assets increased by 1,750 million yen due to the issue of new shares associated with the exercise of the stock-purchase warrants.
8. An increase in total assets for the 13th fiscal year was primarily due to the issuance of the 6th and the 7th rounds of unsecured bonds (with

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detachable stock-purchase warrants).

9. During the 13th fiscal year, the net assets increased by 1,091 million yen due to the issue of new shares associated with the exercise of the stock-purchase warrants.
10. From the 13th fiscal year, the net income per share is calculated after deducting the treasury stocks from the total number of issued stocks, due to the amendment of the rules for account statement in the Commercial Code, which provides a deduction of treasury stocks from capital.

2. Company Profile (as of Dec. 31, 2001)

(1) Main Business

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

(2) Offices

Main office: Shibuya-ku, Tokyo
Sales office: Osaka office (Chuo-ku, Osaka)
Fukuoka office (Hakata-ku, Fukuoka)
Nagoya office (Naka-ku, Nagoya)

Note: The Nagoya office has been moved to Naka-ku from Nakamura-ku in Nagoya as of March 1, 2001.

(3) Details on the Company's Shares

- [1] Total number of shares to be issued by the Company: 250,000,000 shares
[2] Total number of outstanding shares: 132,052,284 shares

Notes:

1. Based on the resolution made at the meeting of the Board of Directors held on February 15, 2001, regarding those shares owned by the shareholders listed on the final shareholder register and beneficiary shareholder register as of March 31, 2001, the stock split was performed by splitting one share into two shares as of May 18, 2001. In accordance with this, the total number of outstanding shares increased by 65,679,227 shares.

2. The new shares issued by the Company during this fiscal year by exercising the stock-purchase warrants are as follows:

1st round unsecured bonds (with detachable stock-purchase warrants):
373,800 shares

2nd round unsecured bonds (with detachable stock-purchase warrants):
159,300 shares

3rd round unsecured bonds (with detachable stock-purchase warrants):
73,800 shares

4th round unsecured bonds (with detachable stock-purchase warrants):
205,736 shares

5th round unsecured bonds (with detachable stock-purchase warrants):
- shares

6th round unsecured bonds (with detachable stock-purchase warrants):

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- shares

7th round unsecured bonds (with detachable stock-purchase warrants):
- shares

8th round unsecured bonds (with detachable stock-purchase warrants):
- shares

[3] Total number of shareholders: 14,529 persons

[4] Major shareholders

| Shareholder's name | Contribution to the Company by shareholders | | Contribution to shareholders by the Company | |
|--|--|--------------------------------|---|---------------------------|
| | No. of shares | Shareholders' Equity (%) | No. of shares | Sharehol Equity (%) |
| Trueway Company Limited | 24,850,000 | 18.81 | - | |
| MLPFS Custody Account No. 2 | 12,628,500 | 9.56 | - | |
| Gainway Enterprises Limited | 12,511,000 | 9.47 | - | |
| Ming-Jang Chang | 5,208,000 | 3.94 | - | |
| Japan Trustee Services and Banking Corporation Trust Account | 4,986,500 | 3.77 | - | |
| The Mitsubishi Trust and Banking Corporation Trust Account | 4,572,000 | 3.46 | - | |
| State Street Bank and Trust Company | 3,285,800 | 2.48 | - | |
| The Toyo Trust and Banking Co., Ltd. Trust Account A | 3,179,000 | 2.40 | - | |
| The Dai-ichi Mutual Life Insurance Company Special Account | 1,770,500 | 1.34 | - | |
| Trust & Custody Services Bank, Ltd. Pension Trust Account | 1,455,000 | 1.10 | - | |

[5] Issuance of compensatory warrants to officers

Based on the resolution at the meeting of the Board of Directors held on Mar. 17, 1998, and the special resolution at the annual meeting of shareholders held on March 28, 1998, the Company issued the 2nd round of unsecured bonds (with detachable stock-purchase warrants) as of Apr. 15,

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1998. Based on the resolution at the meeting of the Board of Directors held on May 28, 1998, and the special resolution at the extraordinary meeting of shareholders held on May 29, 1998, the Company issued the 3rd round of unsecured bonds (with detachable stock-purchase warrants) as of June 17, 1998. Based on the resolutions at the meetings of the Board of Directors held on June 30, 1999 and July 7, 1999, the Company issued the 4th round of unsecured bonds (with detachable stock-purchase warrants) as of July 29, 1999. Based on the resolutions at the meetings of the Board of Directors held on June 1, 2000 and June 8, 2000, the Company issued the 5th round of unsecured bonds (with detachable stock-purchase warrants) as of June 26, 2000. Based on the resolutions at the meetings of the Board of Directors held on Feb. 15, 2001 and Feb. 23, 2001, the Company issued the 6th round of unsecured bonds (with detachable stock-purchase warrants) as of Mar. 19, 2001.

Based on the resolutions at the meetings of the Board of Directors held on May 8, 2001 and May 16, 2001, the Company issued the 7th round of unsecured bonds (with detachable stock-purchase warrants) as of June 4, 2001. Based on the resolutions at the meetings of the Board of Directors held on Oct. 25, 2001 and Nov. 1, 2001, the Company issued the 8th round of unsecured bonds (with detachable stock-purchase warrants) as of Nov. 19, 2001.

These were "compensatory warrants" defined under the provisions concerning "the allocation of new shares to third parties prior to registration and the transfer of shares to persons specially interested (Clause 10, Article 2)" provided by the Japan Securities Dealers Association. The detachable stock-purchase warrants are outlined below. For the 2nd, 3rd and 4th rounds of unsecured bonds (with detachable stock-purchase warrants), the "exercise price" was adjusted from the stock split (splitting one share into three shares) which took place as of Oct. 1, 1999. Furthermore, for the 2nd, 3rd, 4th, 5th and 6th rounds of unsecured bonds (with detachable stock-purchase warrants), the "exercise price" was adjusted from the stock split (splitting one share into two shares) which took place as of April 1, 2001.

Regarding the 1st Round of Unsecured Bonds (with detachable stock-purchase warrants) issued as of Oct. 17, 1997, the exercise period for the warrant expired on Oct. 12, 2001.

[2nd Round of Unsecured Bonds (with detachable stock-purchase warrants)]

| | |
|---|---|
| . Total amount of bonds: | 412,965,000 yen |
| . Stock type: | Common stock |
| . Exercise price: | 142.50 yen |
| . Total amount represented by warrants: | 412,965,000 yen |
| . Exercise period: | From April 27, 1998 to Apr. 5, 2002 |
| . Purchaser: | The directors and certain employees of the Company and the officers and certain employees of the Company's subsidiaries |

[3rd Round of Unsecured Bonds (with detachable stock-purchase warrants)]

| | |
|---|---|
| . Total amount of bonds: | 196,650,000 yen |
| . Stock type: | Common stock |
| . Exercise price: | 142.50 yen |
| . Total amount represented by warrants: | 196,650,000 yen |
| . Exercise period: | From June 25, 1998 to June 7, 2002 |
| . Purchaser: | The directors and certain employees of the Company and the officers and certain employees of the Company's subsidiaries |

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[4th Round of Unsecured Bonds (with detachable stock-purchase warrants)]

- . Total amount of bonds: 6,000,000,000 yen
- . Stock type: Common stock
- . Exercise price: 3,200 yen
- . Total amount represented by warrants: 6,000,000,000 yen
- . Exercise period: From August 20, 1999 to July 22, 2002
- . Purchaser: The directors and certain employees of the Company and the officers and certain employees of the Company's subsidiaries

[5th Round of Unsecured Bonds (with detachable stock-purchase warrants)]

- . Total amount of bonds: 5,000,000,000 yen
- . Stock type: Common stock
- . Exercise price: 7,850 yen
- . Total amount represented by warrants: 5,000,000,000 yen
- . Exercise period: From July 21, 2000 to June 19, 2003
- . Purchaser: The directors and certain employees of the Company and the officers and certain employees of the Company's subsidiaries

[6th Round of Unsecured Bonds (with detachable stock-purchase warrants)]

- . Total amount of bonds: 5,000,000,000 yen
- . Stock type: Common stock
- . Exercise price: 5,675 yen

- . Total amount represented by warrants: 5,000,000,000 yen
- . Exercise period: From April 12, 2001 to March 12, 2004
- . Purchaser: The directors and certain employees of the Company and the officers and certain employees of the Company's subsidiaries

[7th Round of Unsecured Bonds (with detachable stock-purchase warrants)]

- . Total amount of bonds: 1,500,000,000 yen
- . Stock type: Common stock
- . Exercise price: 5,760 yen
- . Total amount represented by warrants: 1,500,000,000 yen
- . Exercise period: From May 17, 2002 to May 28, 2004
- . Purchaser: The directors and certain employees of the Company and the officers and certain employees of the Company's subsidiaries

[8th Round of Unsecured Bonds (with detachable stock-purchase warrants)]

- . Total amount of bonds: 6,000,000,000 yen
- . Stock type: Common stock
- . Exercise price: 2,590 yen
- . Total amount represented by warrants: 6,000,000,000 yen
- . Exercise period: From November 2, 2002 to November 12, 2004
- . Purchaser: The directors and certain employees of the Company and the officers and certain employees of the Company's subsidiaries

As of Dec. 31, 2001, the number of obtainable shares relating to non-exercised stock-purchase warrants and the balance of such warrants are shown below:

Obtainable

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| | shares (shares) | Balance (yen) |
|---------------------------|-----------------|---------------|
| 2nd Compensatory Warrants | 500,400 | 71,307,000 |
| 3rd Compensatory Warrants | 505,800 | 72,076,500 |
| 4th Compensatory Warrants | 1,169,062 | 3,741,000,000 |
| 5th Compensatory Warrants | 636,942 | 5,000,000,000 |
| 6th Compensatory Warrants | 873,127 | 4,955,000,000 |
| 7th Compensatory Warrants | 256,076 | 1,475,000,000 |
| 8th Compensatory Warrants | 2,316,602 | 6,000,000,000 |

[6] Stock options by warrants pursuant to Paragraph 2, Article 280-19 of the Commercial Code

| | |
|---|---|
| . Stock type: | Common stock |
| . Exercise price: | 5,760 yen |
| . Total amount represented by warrants: | 4,109,760,000 yen |
| | |
| . Exercise period: | From April 1, 2002 to March 31, 2009 |
| . Purchaser: | The directors and certain employees of the Company and the officers and certain employees of the Company's subsidiaries |

As of Dec. 31, 2001, the number of obtainable shares relating to non-exercised stock-purchase warrants and the balance of such warrants are shown below:

| Obtainable shares (shares) | Balance (yen) |
|----------------------------|---------------|
| 713,500 | 4,109,760,000 |

[7] Acquisition, disposal and holding of treasury stocks

1. Acquired stocks:
 Acquisition by purchasing the shares less than one unit (tangen)
 Common stock: 57,471 shares
 Total amount of purchase price: 398,856,000 yen
2. Disposed stocks:
 Common stock: 51,000 shares
 Total amount of disposal price: 398,702,000 yen
3. Stocks held at the settlement of accounts:
 Common stock: 9,102 shares

At the 10th annual meeting of shareholders held on March 11, 1999, the Articles of Incorporation of the Company were modified so that the Company would be able to actively acquire treasury stocks and cancel them by means of earnings and capital reserve. As of the end of this fiscal year, however, no treasury stocks have been cancelled by means of the earnings and capital reserve.

(4) Employee Statistics

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| | Number of employees | Up/Down from previous year | Average age | Average service years |
|----------------|---------------------|----------------------------|-------------|-----------------------|
| Male workers | 234 | 76 up | 31.9 | 2.2 |
| Female workers | 85 | 10 up | 31.1 | 2.4 |
| Total/Average | 319 | 86 up | 31.7 | 2.2 |

Notes:

1. In addition to the above information, the average number of temporary employees per month for the past year was 68 persons.
2. The increase in the number of employees for this fiscal year was due to new hiring for business expansion purposes.

(5) Subsidiaries

[1] Table of the substantial subsidiaries

| Company Name | Capital | Equity | Main Business |
|---|---------------------------|--------|--|
| Trend Micro Incorporated (Taiwan) | 212,500,000 Taiwan \$ | 99% | Development and marketing of security-related software |
| Trend Micro Inc. (U.S.A.) | 477,250.67 US \$ | 100% | Development and marketing of security-related software |
| Trend Korea Inc. (Korea) | 750,000,000 won | 99% | Marketing of security-related software |
| Trend Micro Italy Srl (Italy) | 20,000,000 lira | 100% | Marketing of security-related software |
| Trend Micro Deutschland GmbH (Germany) | 25,600 Euro | 100% | Marketing of security-related software |
| Trend Micro Australia Pty. Ltd. (Australia) | 150,000 Australia \$ | 100% | Marketing of security-related software |
| Trend Micro do Brazil Ltda. (Brazil) *2 | 220,054 real | 99% | Marketing of security-related software |
| Trend Micro France (France) *1 | 295,181 France franc | 99% | Marketing of security-related software |
| Trend Micro Hong Kong Limited (China) *1 | 2 HK \$ | 99% | Marketing of security-related software |
| Trend Micro Latinoamerica S.A de C.V. (Mexico) *2 | 50,000 Mexican Peso | 100% | Marketing of security-related software |
| Trend Micro Incorporated Sdn. Bhd. (Malaysia) *1 | 436,500 Malaysia \$ | 99% | Marketing of security-related software |
| Trend Micro (UK) Limited (UK) | 110,000 | 100% | Marketing of security-related software |

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pound

| | | | |
|---|-------------------------|------|--|
| ipTrend Incorporated (Taiwan) | 50,000,000 Taiwan \$ | 100% | Marketing of security-related software |
| Trend Micro (Shanghai) Inc. (China) *2 | 23,163,990 yuan | 100% | Development and marketing of security-related software |

Notes:

1. Indirect ownership through Trend Micro Incorporated (Taiwan)
2. Indirect ownership through Trend Micro Inc. (U.S.A.)

[2] Consolidation status

1. The status of Trend Micro Australia Pty. Ltd. (Australia), which was an indirect ownership through Trend Micro Incorporated (Taiwan), has been changed to a direct ownership during the current fiscal year.
2. A subsidiary, ip TREND Inc. (Chuo-ku, Tokyo) went into liquidation after transferring most of its business to the Company. Wells Antivirus Research Laboratory, Inc. (U.S.A.) which is indirectly owned through subsidiaries ip TREND Inc. (Shibuya-ku, Tokyo) and Trend Micro Inc. (U.S.A), also went into liquidation in the current fiscal year.
3. Trend Micro Incorporated Sdn. Bhd. (Malaysia) and ipTrend Incorporated (Taiwan) are under liquidation.
4. The number of consolidated subsidiaries (including the above 14 substantial subsidiaries) is 18, and the number of affiliated companies (equity-method) is 4. The consolidated sales for this fiscal year totaled JPY 31,326 million and the consolidated net income for this fiscal year totaled JPY 2,421 million. From this fiscal year, Netstar Inc. has joined the Company as an equity-method affiliated company.

(6) Directors and Statutory Auditors

| Title | Name | Role or responsibility |
|--|-----------------------|---|
| Representative Director, President | Steve Ming-Jang Chang | |
| Representative Director, Vice President | Toshihiro Watanabe | |
| Director | Eva Yi-Fen Chiang | Technology Development |
| Director | Mahendra Negi | Financial and Accountant |
| Director | Mike Conner | North American business |
| Director | Edward Tian | CEO of China Netcom Corporation |
| Statutory Auditor (standing) | Fumio Hasegawa | |
| Statutory Auditor | Mitsuo Sano | Statutory Auditor (standing), SOFTBANK Corp. |
| Statutory Auditor | Sadatoshi Nakayama | Certified Public Accountant |

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Intangibles
 Software
 Software in process
 Others
Other assets
 Investments in securities
 Investments in subsidiaries and affiliates and capital funds
 Investments in capital funds
 Intercompany Long-term loans
 Claims in bankruptcy
 Deposits
 Deferred tax assets
 Others
 Allowance for doubtful receivables

Total Assets

BALANCE SHEET (continued)

(as of Dec. 31, 2001)

LIABILITIES AND SHAREHOLDERS' EQUITY

(Unit: Thousand yen)

Current Liabilities
 Accounts payable
 Bonds (to be redeemed within 1 year)
 Other payables
 Accrued corporate income taxes and other
 Accrued consumption taxes and other
 Allowances for sales return
 Warrants
 Short-term deferred revenue
 Other current liabilities

Fixed Liabilities
 Bonds
 Long-term deferred revenue
 retirement allowance reserves

Total Liabilities

Common Stock
Legal Reserve
 Capital surplus
 Legal reserve
Retained Earnings
 Unappropriated retained earnings for the year
 [Retained earnings for this fiscal year]
Estimate Difference
 Difference from the estimates of
 other securities
Treasury Stocks
 Treasury stocks

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Total shareholders' equity

Total Liabilities and Shareholders' equity

INCOME STATEMENT

(Jan. 1, 2001 through Dec. 31, 2001)

(Unit: Thousand yen)

| | |
|---|------------|
| Ordinary Profits and Losses | |
| Operating Profits and Losses | |
| Operating Revenues | |
| Sales | 18,454,367 |
| Operating Expenses | |
| Cost of sales | 1,171,372 |
| Selling, general, and administrative expenses | 9,703,516 |
| Operating Income | |
| Non-operating Profits and Losses | |
| Non-operating Income | |
| Interest income | 51,690 |
| Dividends received | 42,463 |
| Investment income | 62,325 |
| Gain on sales of marketable securities | 19,974 |
| Exchange gain | 481,001 |
| Others | 12,240 |
| Non-operating Expenses | |
| Interest on bonds | 290,755 |
| Bond issue expenses | 108,438 |
| Loss on sales of treasury stocks | 13,401 |
| Valuation loss on capital investments | 220,730 |
| Others | 26,247 |
| Ordinary Income | |
| Extraordinary Profits and Losses | |
| Extraordinary losses | |
| Loss on prior year adjustment due to the change in sales recording standards | 2,800,962 |
| Retirement allowance expenses | 106,581 |
| Valuation loss on security investments | 177,673 |
| Loss on subsidiary liquidation | 3,460,700 |
| Valuation loss on subsidiaries' stock | 26,010 |
| Loss on disposal of fixed assets | 24,034 |
| Loss on repurchase of treasury bonds | 12,000 |
| Income Before Taxes | |
| Corporate, inhabitant and enterprise tax | |
| Corporate tax, etc. adjustment | |
| Net Income | |
| Balance as of Dec. 31, 2000 | |

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Unappropriated Retained Earnings as of Dec. 31, 2001

Notes to Financial Statements

1. Significant Accounting Policies

(1) Standards and methods for the valuation of securities

.. Subsidiary Stocks: Calculated by the cost method, subject to the moving average method

.. Other Securities

Securities having

market prices: Calculated by the market price method based on market prices, etc. as of the last day of the fiscal year (Differences from estimates are accounted for by the comprehensive capital inclusion method, and sales costs are calculated by the moving average method.)

Securities having no market prices: Calculated by the cost method, subject to the moving average method

(Additional Information)

Starting from this fiscal year, the Company has adopted the accounting standards for financial products, as set forth in the "Opinion on the Establishment of Accounting standards for Financial Products," dated January 22, 1999, submitted by the Business Accounting Council. Consequently, compared to the calculation by the conventional method, net income has increased by 72,282,000 yen and income before taxes has increased by 72,282,000 yen. Furthermore, due to the change in the valuation method for securities, securities having market prices that are included in the "other securities," have decreased by 25,362,000 yen, and a deferred tax fund of 10,664,000 yen was recognized. Accordingly, a loss of 14,697,000 yen has been accounted for in the Shareholders' Equity section, under the item "difference from the estimates of other securities" (non-conformity with the 21,735,000 yen listed on the balance sheet is due to the conversion of securities in foreign currencies, etc.).

Moreover, the Company has verified the objective of holding the securities that were held as of the beginning of this fiscal term. Starting from this fiscal term, "other securities," which have been previously accounted for as securities in the Current Assets until the previous fiscal year, are now indicated as "investments in securities." Consequently, securities in the Current Assets have decreased by 1,872,475,000 yen, and "investment in securities" has increased by 1,872,475,000 yen.

(2) Standards and methods for the valuation of net credits (and liabilities)

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resulting from derivatives

Calculated by the market price
method

(3) Standards and methods for the valuation of inventories

.. Finished goods, works in progress
and supplies

Calculated by the cost method,
subject to the weighted average cost

(4) Method for the depreciation and amortization of fixed assets

.. Tangible fixed assets

Calculated by the fixed rate method

.. Intangible fixed assets

Software for
market sale:

Calculated by the fixed amount
method, based on an expected
effective period (12 months)

Software for
internal use:

Calculated by the fixed amount
method, based on an expected
internal use period (5 years)

Others intangible
fixed assets:

Calculated by the fixed amount
method

.. Long-term prepaid expenses

Calculated by the fixed amount
method

(5) Accounting method for deferred assets

Expenses for issuing new stocks or
bonds are fully recorded as expenses
when incurred.

(6) Accounting policies for allowances and reserves

.. Allowances for
doubtful receivables:

In order to prepare for the future
losses from bad debts, allowances
for general receivables are provided
according to the historical ratio of
bad debts. As for specific
receivables, such as doubtful

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receivables, the collectibility of the respective receivables are determined, and the amounts that are expected as not collectible are provided.

Starting from this fiscal year, the Company has adopted the accounting standards for financial products, as set forth in the "Opinion on the establishment of accounting standards for financial products," dated January 22, 1999, submitted by the Business Accounting Council. Consequently, the standards for providing allowances for bad debts have been changed. (Regarding general receivables, such standards have been changed from legal provision rate to historical ratio of bad debts). However, this has little effect on the Company's profits and losses.

.. Allowances for sales return:

In order to prepare for the estimated losses from goods returned after the fiscal year-end, "allowances for sales return" are calculated, based on the historical ratio of returned goods.

. Reserve for retirement allowances:

In order to prepare for the payment of retirement allowances to employees, an amount expected to accrue as of the current fiscal year-end has been provided for. Such amount is based on the estimated amount of retirement allowance liabilities as of the current fiscal year-end.

An amount of 106,581,000 yen, i.e., the difference accrued upon the change of sales recording standards, has been comprehensively calculated as expenses, and fully recorded as extraordinary expenses.

(Additional information)
Starting from this fiscal year, the Company has adopted the accounting standards for financial products, as set forth in the "Opinion on the establishment of accounting standards for the payment of retirement allowances," dated June 16, 1998, submitted by the Business Accounting Council. Consequently, compared to the calculation by the conventional method, retirement

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allowance expenses have increased by 143,808,000 yen and net income has decreased by 35,539,000 yen and income before taxes has decreased by 142,121,000 yen. The conventional "accrued severance indemnities" are included in the "reserve for retirement allowances" and indicated as such.

(7) Standards for conversion of assets and liabilities into foreign currencies

Monetary credits and liabilities in foreign currencies have been converted into yen by the spot exchange rate as of the last day of the current fiscal year, and differences resulting from such conversion have been calculated as profits or losses.

(Additional Information)

Starting from this fiscal year, the Company has adopted the amended accounting standards for transactions in foreign currencies, etc., as set forth in the "Opinion on the amendment of accounting standards for transactions in foreign currencies, etc.," dated October 22, 1999, submitted by the Business Accounting Council. This has no effect on the Company's profits and losses.

(8) Method for accounting lease transactions

Finance lease transactions, other than those considered to involve the transfer of ownership for the related leased assets, are accounted for by the same method as regular operating leases.

(9) Method for accounting of consumption tax or the like

Transactions subject to consumption tax or local consumption tax are stated as the net amount excluding related taxes.

(10) Accounting of compensatory warrants and stock options granted to directors

and certain employees

The Company has introduced an incentive plan, in which the Company issues bonds with detachable stock-purchase warrants and repurchases such stock warrants and distributes them to directors and certain employees.

Compensation expenses related to this incentive plan are recorded as of the grant of the repurchased stock warrants to directors and employees, at the repurchase value thereof. Furthermore, the warrant portions within the bonds with detachable stock-purchase warrants are recorded in the "warrants" account in the Current Liabilities when they are issued; subsequently, they are transferred from the "warrants" account to the "legal capital surplus" account at the time of the payment of the exercise value upon the exercise of the warrants.

Furthermore, starting from this fiscal year, the Company has introduced for directors and certain employees an incentive plan that is based on the stock option system (warrant method) pursuant to Article 280-19, Paragraph

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2 of the Commercial Code. Moreover, compensation expenses are not recorded in such plan, and no accounting is performed in relation thereto.

- (11) Change in the standards for recording sales related to post-contract

customer support services

The software product license agreements executed between the Company and its customers in relation to the sale of the software products usually include provisions on the post-contract customer support services, which consist of the customer support services, product upgrades and virus pattern file upgrades, etc. performed for a certain period of time after the grant of license.

According to the conventional accounting method adopted by the Company, the total contract amounts, including compensation for post-contract customer support services, were comprehensively added, upon the licensing of products (delivery of the products). Starting from this fiscal year, the Company has changed to an accounting method in which the compensation for post-contract customer support services are separately determined and deferred at the time of the licensing of the products as the "short-term deferred revenue" account of the Current Liabilities and the "long-term deferred revenue" account of the Fixed Liabilities, so that said compensation is equally recorded throughout the contracted supporting term.

The sales accounting standards were changed because the compensation for post-contract customer support services tended to increase within the total contract amount of the software products sold by the Company, such that there was increased importance of such compensation. The sales accounting standards were changed for the purpose of ensuring appropriate profit/loss calculations for the period by reasonably accounting for such revenue in correspondence with related expenses.

As a result of the change in the sales recording standard, if the amended accounting method is adopted by the Company, sales in the amount of 2,800,962,000 yen, i.e., the post-contract customer support services portion corresponding to the deferred revenue from previous fiscal year, processed at the beginning of this fiscal year, are to be recorded as "loss on prior year adjustment due to change in the sales recording standard" in the Extraordinary Profits and Losses. Consequently, compared to calculation by the conventional method, the sales, the operating income and the net income for the current fiscal year have respectively decreased by 2,284,871,000 yen, and the income before taxes has decreased by 5,085,833,000 yen.

- (12) In the stated values, fractions less than 1,000 yen are rounded down.

2. Change in the method of indication

Starting from this fiscal year, the provided amount (reduced amount) for the "allowances for sales return," which had been independently indicated, is included within the "sales." The amount provided for "allowances for sales return," subtracted from the sales, is 217,648,000 yen.

3. Additional Information

Starting from this fiscal year, the "treasury stocks" (22,063,000 yen as of the year-end), which had been indicated as an independent item in the Current Liabilities, are indicated in the Shareholders' Equity section as an item deducted from the Shareholders' Equity, in accordance with the

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amendment of regulations on documents required under the Commercial Code.

4. Balance Sheet

(1) Monetary credits and debts from subsidiaries

| | | |
|--------------------|-------------------|--|
| Short-term credits | 4,099,795,000 yen | |
| Long-term credits | 66,169,000 yen | |
| Short-term debts | 710,489,000 yen | |

(2) Monetary credits and debts from directors, etc.

None

(3) Material assets and liabilities in foreign currencies

| | | |
|---|-------------------|------------------------|
| Cash and bank deposits | 2,204,892,000 yen | (16,716,391.98 US\$) |
| Accounts receivables | 846,525,000 yen | (6,417,932.38 US\$) |
| | 158,767,000 yen | (42,281,676.34 NT\$) |
| | 379,674,000 yen | (3,262,652.99 EURO) |
| | 254,793,000 yen | (4,239,487,048.40 ITL) |
| | 212,974,000 yen | (12,005,339.64 US\$) |
| | 1,048,242,000 yen | (5,473,853.67 BP) |
| Intercompany short-term loans | 101,505,000 yen | (769,562.62 US\$) |
| Investment in securities | 627,793,000 yen | (5,502,403.13 US\$) |
| Investment in subsidiaries and affiliates and capital funds | 313,842 yen | (2,627,396.51 US\$) |
| | 1,794,184,000 yen | (455,888,253.00 NT\$) |
| Other payables | 622,335,000 yen | (4,718,235.34 US\$) |

(4) Stock-purchase rights

(a) Stock-purchase rights for bonds with stock-purchase warrants

| Type of stocks issued: | Common stocks | (2nd and 3rd rounds) |
|--|-------------------|----------------------|
| Balance of outstanding warrants: | 143,383,000 yen | (2nd and 3rd rounds) |
| | 3,741,000,000 yen | (4th round) |
| | 5,000,000,000 yen | (5th round) |
| | 4,955,000,000 yen | (6th round) |
| | 1,475,000,000 yen | (7th round) |
| | 6,000,000,000 yen | (8th round) |
| Issue value of stocks issued upon the exercise of warrant: | 142.5 yen | (2nd and 3rd rounds) |
| | 3,200 yen | (4th round) |
| | 7,850 yen | (5th round) |
| | 5,675 yen | (6th round) |
| | 5,760 yen | (7th round) |
| | 2,590 yen | (8th round) |

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- (b) Stock option method based on Article 280-19, Paragraph 2 of the Commercial Code

| | |
|---|-------------------|
| Type of stocks issued | Common stocks |
| Balance of total issue value of stocks issued upon the exercise of warrant: | 4,109,760,000 yen |
| Issue value of stocks issued upon the exercise of warrant: | 5,760 yen |

- (5) Treasury Bonds

The Company has issued unsecured bonds with detachable stock-purchase warrants for the purpose of providing or assigning them to directors and certain employees of the Company and its subsidiaries. In accordance with the proviso of Article 341-8, Paragraph 4 of the Commercial Code, the redemption or extinguishment of such bonds is prohibited when the total issue value of the bonds is less than the total issue value of the stocks related to unexercised warrants.

In order to reduce the interest on the bonds, the Company repurchases from the market a part of the outstanding bonds after the warrants are detached. The repurchased bonds are to be held until the treasury bonds can be legally redeemed.

Nonetheless, the "bonds" account and the "treasury bonds" account are mutually set off and respectively listed on the balance sheet in the following manner, because this has substantially the same effect as the redemption of bonds. The difference between the repurchase value and the balance sheet treasury bond value at the time of the repurchase is recorded as the "loss on repurchase of treasury bonds" in the Extraordinary Profits and Losses.

| | Current Liabilities | Fixed Liabilities |
|----------------|---------------------|---------------------|
| Bonds | 3,800,000,000 yen | 17,500,000,000 yen |
| Treasury bonds | (800,000,000 yen) | (6,000,000,000 yen) |
| | 3,000,000,000 yen | 11,500,000,000 yen |

- (6) Retirement allowances

- (i) Summary of the retirement allowance plan adopted by the Company

Under the Company's retirement allowance plan, a defined lump-sum retirement allowance plan is provided. Furthermore, the Company is a member of the Tokyo small size computer software industry employee pension fund (tokyoto kogata computa sofutouea sangyo kosei nennkin kikin).

- (ii) Issues related to lump sum retirement allowances

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(a) Issues related to the retirement allowance liabilities

(as of December 31, 2001)

| | | |
|-----|---|-----------------|
| (a) | Retirement allowance liabilities | 222,044,000 yen |
| (b) | Pension assets | -- |
| (c) | Unaccumulated retirement allowances | 222,044,000 yen |
| (d) | Undisposed amount for the difference upon changes in the accounting standards | -- |
| (e) | Unrecognized difference upon arithmetic calculation | (7,880,000 yen) |
| (f) | Reserve for retirement allowances | 229,924,000 yen |

(b) Issues related to the retirement allowance expenses

(January 1, 2001 through December 31, 2001)

| | | |
|-----|---|-----------------|
| (a) | Service costs | 68,475,000 yen |
| (b) | Interest costs | 4,808,000 yen |
| (c) | Expected operation revenue rate | -- |
| (d) | Undisposed amount for the difference upon changes in the accounting standards | 106,581,000 yen |
| (f) | Reserve for retirement allowances | 179,866,000 yen |

(c) Issues related to the criteria of retirement allowance credits, etc.

The issues related to the grounds of calculation of the retirement allowances, adopted by the Company are as follows:

| | | |
|-----|---|--|
| (a) | Method for distributing the estimated retirement allowances | Fixed amount for the period |
| (b) | Discount rate | 3% |
| (c) | Estimated operation revenue rate | -- |
| (d) | Number of years for disposing of the difference upon arithmetic calculation | Extinguished within one year from the fiscal year immediately following the accruing fiscal year |
| (e) | Number of years for disposing the difference upon the change in the accounting standard | One year |

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(iii) The Tokyo small size computer software industry employee pension fund, which the Company participates in, is a multi-company fund, and the amount of pension asset corresponding to the Company's contribution may not be feasibly calculated. Therefore, 53,237,000 yen, the amount of the Company's contribution to the pension fund, is calculated as the retirement allowance expenses. The pension assets of the pension fund, corresponding to the Company's contribution calculated by the ratio of the number of members to the pension plan, is 325,791 yen.

(7) Restrictions on Dividends

Net assets have increased by 21,735,000 yen according to the market value accounting of securities. Applying such amount to dividends is restricted under Article 290, Paragraph 1, Item 6 of the Commercial Code.

(8) Earnings per share for this fiscal year

(Based on the average number of shares during the year) 2.99 yen

5. Income Statement

Volume of trade with subsidiaries

Business

| | |
|--------------------------|-------------------|
| Sales | 6,905,819,000 yen |
| Purchase | 11,446,000 yen |
| Research and development | 1,662,302,000 yen |
| Other operating expenses | 1,916,247,000 yen |

Non-business

| | |
|--------------------|----------------|
| Interests received | 15,516,000 yen |
|--------------------|----------------|

PROPOSED APPROPRIATION OF RETAINED EARNINGS

| ITEM ---- | VALUE ----- |
|---|-------------------|
| Unappropriated retained earnings for the year | 5,731,876,652 yen |
| Retained earnings carried forward | 5,731,876,652 yen |

Certified copy of the audit report made by the Audit Corporation

AUDIT REPORT

February 18, 2002

Mr. Steve Ming-Jang Chang,

Representative Director and President of
Trend Micro Incorporated

Chuo Aoyama Audit Corporation

Representative and
Engagement Partner, Certified Public Accountant

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Koji Hatsukawa

Representative and

Engagement Partner, Certified Public Accountant
Aiko Sekine

Engagement Partner, Certified Public Accountant
Shinya Deguchi

In accordance with Article 2 of the "Law for Special Measures under the Commercial Code with respect to Auditing etc of Joint Stock Corporations", we have examined the balance sheet, the related profit and loss statement, the business report (accounting figures only included therein) and the statement of proposed appropriation of retained earnings, and the related supplementary statements of account (accounting figures only included therein) of Trend Micro Incorporated for the 13th fiscal period from 1 January, 2001 to 31 December, 2001. Accounting figures contained in the business report and the supplementary statements of account, which were subject to our examination, are those based on the accounting books and records.

Our examination was made in accordance with generally accepted auditing standards and included such auditing procedures as normally required. Such auditing procedures also included those applied on the statutory accounts in the subsidiaries of Trend Micro Incorporated, which we considered necessary.

As a result of our examination of the above mentioned financial documents, our opinion is as follows:

- (1) The balance sheet and the related profit and loss statement present fairly in conformity with the applicable regulations and the Articles of Incorporation, the financial position and the results of operations of the Company.
- (2) As set forth in Paragraph (11) of the Material Accounting Policies, starting from this fiscal year, the accounting of sales for the post-contract customer support service portion included in the software product license agreement, which consist of the customer support services, product upgrades and virus pattern file upgrades, etc. performed for a certain period of time after the grant of license, was changed as follows: from the previous method of comprehensively adding, upon the licensing of products (delivery of the products), the total contract amounts, including compensation for post-contract customer support services, to a new accounting method of separately determining the compensation for post-contract customer support services and deferring such compensation at the time of the licensing of the products as the "short-term deferred revenue" account of the Current Liabilities and the "long-term deferred revenue" account of the Fixed Liabilities, and thereby equally recording the compensation throughout the contracted supporting term. Accordingly, we found the above proper.
- (3) The business report (accounting figures only included therein) presents fairly the Company's affairs in conformity with the applicable regulations and the Articles of Incorporation.
- (4) The statement of proposed appropriation of retained earnings is presented in conformity with the applicable regulations and the

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Articles of Incorporation.

- (5) We have no matters to report on the supplementary statements of account (accounting figures only included therein) as required by the provisions of the Commercial Code.

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

Certified copy of the audit report made by the Board of Statutory Auditors

AUDIT REPORT

In order to audit the business activities of the Directors undertaken during the 13th fiscal year from Jan. 1, 2001 to Dec. 31, 2001, we, the Board of Statutory Auditors, heard auditing reports from each auditor regarding auditing procedures of their results, held meetings of the Board of Statutory Auditors, and accordingly, hereby report as follows:

1. Scope of Audit and Auditing Procedures

In accordance with the guidelines provided by the Board of Statutory Auditors, each auditor performs his own share of the responsibilities by attending the meetings of the Board of Directors and other important meetings, hearing business reports from the Directors, reviewing important documents, examining business activities and the existing state of the assets in the main and principal offices of the Company. Regarding the subsidiaries, we heard business reports from the Directors in charge and visited the subsidiaries to hear business reports from their representative directors as needed. We also received the audit report and sought explanation from the accounting auditor. We further reviewed the financial statements and supplementary statements.

With regard to the competitive trading by the Directors, conflict-of-interest trading between the Directors and the Company, free offering of benefit by the Company, unusual trading with the subsidiaries or shareholders, and acquisition and disposal of treasury stocks, we sought reports from the Directors, et al, if necessary, and carefully examined such trading, in addition to the aforementioned auditing procedures.

2. Results of Audit

(1) We found proper the method and result of the audit by Chuo Aoyama Audit Corporation who had been appointed as the Company's accounting auditor.

(2) We found that the business report fairly reflects the Company's business situation in conformity with and pursuant to the applicable laws and the Articles of Incorporation of the Company.

(3) As for the agenda regarding the proposal for appropriation of retained earnings, we did not find any matters which should be brought to the shareholders' attention in light of the existing state of the Company's assets and other conditions.

(4) The supplementary statements fairly present the necessary items to be described and we did not find any matters which should be brought to the shareholders' attention.

(5) We are aware of neither unfair practices nor material violation against the applicable laws or the Articles of Incorporation of the Company in connection with the performance of the duties of the Directors.

As for the competitive trading by the Directors, conflict-of-interest trading between the Directors and the Company, free offering of benefit by the Company, unusual trading with the subsidiaries or shareholders, and acquisition and

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disposal of treasury stocks, we did not find any breach of duties on the part of Directors.

Feb. 19, 2002

Trend Micro Incorporated

Board of Statutory Auditors

Standing Statutory Auditor
Fumio Hasegawa

Statutory Auditor
Mitsuo Sano

Statutory Auditor
Sadatoshi Nakayama

Statutory Auditor
Yasuo Kameoka

(Note: Statutory auditors, Fumio Hasegawa, Mitsuo Sano, Sadatoshi Nakayama, Yasuo Kameoka, are external auditors as defined under Clause 1, Article 18 of the "Law for Special Measures under the Commercial Code with respect to Auditing etc. of Joint Stock Corporations.")

Reference Information for the Shareholders to Exercise the Right to Vote

1. Number of Total Shareholders' Voting Rights: 263,955

2. Matters to Be Resolved at the Meeting

Item 1: Proposed Appropriation of Retained Earnings for the 13th Fiscal Period

For details, please refer to the attachment (page.).

The Company has smoothly expanded its scope of operations in the past several years. However, the Internet security related market has just reached the full-scale stage of expansion and, as compared with other U.S. competitors, the Company's share of the market in the world scale has not yet reached a stable level. Also in terms of the corporate scale, the Company's competitors can commit more management resources to the Internet security business than the Company can.

Moreover, due to the effect of the fact that the Company's business area is specialized in a more limited market in the Internet security market, that is, primarily relating to anti-virus measures and contents securities, there is a possibility that earnings may become volatile in a short term, as compared with the competitors which are engaged in more than one business area.

In consideration of the above-described business environment and the Company's individual factors, the Company recognizes that in order to maintain its competitiveness against the competitors, a stable balance sheet, enhancement of managerial foundation, and active operations are important management challenges. We consider that we should give precedence to sufficiently increasing retained earnings without paying any dividends for the time being. Accordingly, we would appreciate it

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very much if you could understand that we will not distribute dividends as profit sharing for this fiscal period.

We plan to make full use of the retained earnings fund as a source for the investment in the research and development area that, the Company considers, should be enhanced still further, and for the improvement of our brand recognition in North America and Europe.

Item 2: Purchase of Treasury Shares

We request that in accordance with the provisions of Article 210 of the Commercial Code, the purchase of 5,000,000 common shares of the Company be approved to the extent of purchase prices in the total amount of 5.7 billion yen (Yen5,700,000,000) during a period from the conclusion of this general meeting of shareholders to the conclusion of the ordinary general meeting of shareholders for the next period.

Item 3: Partial Modifications of the Articles of Incorporation

1. Reason for Modifications

As the "Law for Partial Amendments of the Commercial Code" (Law No. 79 in 2001) was enforced on October 1, 2001 in order to, for example, abolish par value shares, create a unit (tangen) share system, and abolish the Law for Special Exceptions Concerning Redemption of Shares, necessary modifications are made to the Articles of Incorporation and the article numbers are changed accordingly.

2. Modifications

Details of the modifications are as follows:

(Modified parts are underlined)

Current Articles of Incorporation

Proposed Modifications

Article 5 (Total Number of Shares To Be Issued)

Article 5 (Total Number of Shares To Be Issu

The total number of shares to be issued by the Company shall be two hundred fifty million (250,000,000). However, if the redemption of -----
shares is conducted, the corresponding number

of the retired shares shall be subtracted from

the total number of shares.

The total number of shares to be the Company shall be two hundred fifty million (250,000,

Article 6 (Amount of One Par Value Share)

(Deleted)

The amount of one par value share issued

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by the Company shall be fifty (yen50).

Article 7 (Number of Shares Constituting
_
One Unit (tan'i) of Stock)

The number of shares constituting one
_
unit (tan'i) of stock shall be five

hundred (500).

(To be newly set forth)

Article 8. (Transfer Agent)

1. The Company shall appoint a transfer agent in respect to shares.
2. The transfer agent and its handling office shall be selected in accordance with a resolution of the Board of Directors.
3. The Company's register of shareholders (including a register of beneficial shareholders; hereinafter the same interpretation being applicable) shall be kept at the handling office of the transfer office. The Company shall cause the transfer agent to handle registration of transfer of shares, purchase of shares constituting less than one full unit (tan'i) of stock,
_
acceptance of notification of beneficial shareholders, and other business activities pertaining to shares.
The Company itself shall not handle the above matters directly.

Article 9 (Share Handling Regulations)

Denominations of share certificates, registration of transfer of shares, purchase

of shares constituting less than one full unit (tan'i) of stock, acceptance of notification of

Article 6 (Number of Shares Con
_
One Unit (tangen) of Stock)

The number of shares constituting
_
(tangen) of stock shall be five hu

Article 7 (No Issuance of Shares
_
Unit (tangen))

The Company shall not issue any sh
_
certificate for shares less than t
_
shares constituting one unit (tang

Article 8. (Transfer Agent)

1. (As set forth in the current p
2. (As set forth in the current p
3. The Company's register of shar
(including the register of ben
shareholders; hereinafter the
interpretation being applicabl
kept at the handling office of
office. The Company shall caus
agent to handle registration o
shares, purchase of shares con
than one full unit (tangen) of
_
notification of beneficial sha
business activities pertaining
Company itself shall not handl

Article 9 (Share Handling Regu

Denominations of share certifi
of transfer of shares, purchas

of shares constituting less th
(tangen) of stock, acceptance

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beneficial shareholders, and other business activities
pertaining to shares and the fees relating thereto shall
be governed by the Share of Handling Regulations adopted
by the Board of Directors.

Article 10 (Record Date)

(Omitted)

Article 11 (Redemption of Shares in Accordance with

Resolution of the Board of Directors)

1. On and after March 11, 1999, the Company may

purchase and retire, with profit, a maximum of

800,000 shares of its treasury stock in

accordance with a resolution of the Board of

Directors.

2. In addition to the preceding provisions, on

and after March 11, 1999, the Company may

purchase and retire, with capital reserve, a

maximum of 4,000,000 shares of its treasury

stock and to the extent of purchase prices in

the total amount of 5,5 billion yen

(yen5,500,000,000) in accordance with a resolution

of the Board of Directors.

Article 12 to Article 17
-- --

(Omitted)

Article 18 (Election of Directors)
--

1. Directors shall be elected at the general
meeting of shareholders.
2. In order to adopt a resolution for the
election of directors, the attendance of
shareholders holding shares corresponding to not

less than one-third (1/3) of the total shares

with voting rights issued and outstanding, and

the majority of such voting rights shall be

beneficial shareholders, and o
activities pertaining to share
relating thereto shall be gove
Handling Regulations adopted b

Article 10 (Record Date)

(As set forth in the current

(Deleted)

Article 11 to Article 16
-- --

(As set forth in the current

Article 17 (Election of Dire

1. (As set forth in the cur
2. In order to adopt a res
election of directors,
shareholders holding no
one-third (1/3) of the

voting rights, and the

voting rights shall be

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The terms of office for all the four statutory auditors will expire with the closing of this general meeting. Accordingly, we request that four statutory auditors be elected. The candidates are shown below. All of them are candidates for external statutory auditors as defined under Article 18, Paragraph 1 of the "Law for Special Exceptions to the Commercial Code Concerning Audits, etc. of Kabushiki-kaisha."

Candidate Number: 1

Name (Date of birth): Fumio Hasegawa (Feb. 15, 1940)

Resume: May 1994 Manager of Management Accounting Division
and Assistant Director of Accounting
Department of Showa Shell Sekiyu K.K.
Dec. 1996 Senior Managing Director of Tokyo Shell Pack
K.K.
Mar. 2000 (Standing) Statutory Auditor of the Company
(presently)

Shares held by the candidate: 500 shares

Candidate Number: 2

Name (Date of birth): Sadatoshi Nakayama (Dec. 20, 1951)

Resume: June 1984 Registered as a certified public accountant
July 1992 President of the Office of Certified Public
Accountant Sadatoshi Nakayama (presently)
Mar. 2001 Statutory Auditor of the Company (presently)

Shares held by the candidate: 0 shares

Number: 3

Name (Date of birth): Yasuo Kameoka (Nov. 12, 1955)

Resume: April 1982 Registered as a certified public accountant
Sep. 1988 Joined the Office of Certified Public
Accountant Tokuichi Hayashi
April 1999 Established Taiko CPA Firm
Representative Employee of Daiko CPA Firm
(presently)
Mar. 2001 Statutory Auditor of the Company (presently)

Shares held by the candidate: 0 shares

Number: 4

Name (Date of birth): Kouji Fujita (June 9, 1962)

Resume: April 1989 Admitted to Tokyo Bar Association
Joined Okuno Law Firm (renewed "Okuno Sogo
Law Firm") (presently)
April 2000 Statutory Auditor of K.K. Toei Jutaku

Shares held by the candidate: 0 shares

Note: There exist no special common interests between the Company and the respective candidates.

Press Release

Notice of the Issuance of Bonds with Subscription Warrants
pursuant to the "Incentive Plan"

Tokyo, Japan - March 26, 2002 - Trend Micro Inc. (NASDAQ:TMIC, Tokyo TSE:4704), a leading provider of antivirus and Internet content security software, today adopted the following resolutions regarding the issuance of bonds with subscription warrants at the meeting of the Board of Directors of the Company held on March 26, 2002.

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Pursuant to the Company's "Incentive Plan for the Year 2002," the purpose of the issuance of the bonds with subscription warrants is to grant the subscription warrants to certain directors and employees of the Company as well as to officers and certain employees of the Company's subsidiaries.

The summary of the issuance is as follows.

Trend Micro Incorporated
The Summary of the Issuance of the Ninth Series of Unsecured Bonds with
Subscription Warrants

1. Name of the bonds
Trend Micro Incorporated Ninth Unsecured Bonds with Subscription Warrants
2. Total aggregate volume of bonds to be issued
4 billion yen
3. Price of each bond
100 million yen
4. Type of bond
Only bearer type
5. Price of bond at issue
Undecided (It will be decided at the meeting of the Board of Directors to be held on April 2, 2002). (Of which, the bond issue price shall be 100 yen. As a tentative rule, subscription warrant issue price shall be 13 to 18 yen, and it will be decided at the meeting of the Board of Directors to be held on April 2, 2002).
6. Interest rate
Undecided (As a tentative rule, it shall be 1.5% to 2.0% per year. It will be decided at the meeting of the Board of Directors to be held on April 2, 2002).
7. Redemption price
100 yen par value of 100 yen
8. Term of redemption
April 18, 2006
9. Application period
From April 3, 2002 until April 16, 2002
10. Date of payment
April 18, 2002
11. Subscription method
Daiwa Securities SMBC Co., Ltd. shall purchase the total amount.
12. Security, guarantee

There is no collateral or guarantee, and there is no asset serving as a back up for the bonds.
13. Special agreements
"Negative Pledge"
14. Cancellation of the purchase

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From the day after the date of the issuance, as long as the total value of the shares that can be obtained by the then unexercised subscription warrants does not exceed the total value of the outstanding bonds, cancellation of the purchase of the bonds is allowed.

15. Method and period of interest payment
 - (1) From the day after the date of the issuance until the redemption date, the interests will be paid first on October 18, 2002 for all the interest payments due by then, and from thereafter, six-months worth of interest will be paid on every April 18 and October 18.
 - (2) If the banks are closed on the day when interests are to be paid, then, the date of interest payment shall be moved to the prior bank business day.
 - (3) When paying less-than-six-months worth of interests, interests should be calculated according to the calendar.
 - (4) No interest will be paid after the redemption date.

16. Place where principal and interest shall be paid
The registered head office of the Company

17. Underwriting company
Daiwa Securities SMBC Co., Ltd.

18. Regarding subscription warrants
 - (1) Ratio of the bond to the share obtained by the subscription warrant
For every 100 million yen par value bond price, total issue price of par value shares of common stock issuable upon exercise of the subscription warrant shall be granted 100%. Each subscription warrant certificate represents the right to obtain 1 million yen worth of new shares.

 - (2) Total amount of the issue price of shares issuable upon exercise of the subscription warrants
4 billion yen

 - (3) Type of shares issuable upon exercise of the subscription warrant
Common stock of the Company

 - (4) Conditions of exercise of the subscription warrants
Issue price per share ("exercise price") of shares issuable upon exercise of the subscription warrants is undecided. (As a tentative rule, the exercise price shall be the amount which is the closing price per share of the shares of common stock of the Company on the Tokyo Stock Exchange on the day on which the exercise price is decided (if no closing price is reported on such day, the closing price of the immediately preceding such day should be used).

It will be decided at the meeting of the Board of Directors to be held on April 2, 2002). Number of shares issuable upon exercise of the subscription warrant is as follows:

| | | |
|---|---|-------------------------|
| The total value of subscription warrant certificates submitted by the waranholder for the exercise of the the warrant | = | ----- Exercise price |
|---|---|-------------------------|

Number of shares =

Any fraction less than one share shall be disregarded. The adjustment of

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the exercise price will take the market-price format.

- (5) Exercise period of the subscription warrants:
From April 3, 2003 through April 11, 2006. If bond acceleration occurs, no subscription warrant may be exercised thereafter.
- (6) Partial exercise of the subscription warrant
No subscription warrant may be partially exercised.
- (7) Transfer of the subscription warrants
Normally, subscription warrants detachable from bonds can be transferred, however, pursuant to the Company's and/or its subsidiary's memorandum, the Company's directors and employees as well as the subsidiary's directors and employees cannot transfer the subscription warrants.
- (8) The portion of the issue price of the shares to be issued upon exercise of the subscription warrant which will not be transferred to stated capital.
The balance of the exercise price (if adjusted pursuant to 18(4) above, the adjusted exercise price) remaining after deduction of the amount to be transferred to stated capital. The amount to be transferred to stated capital shall mean an amount obtained by multiplying the exercise price (if adjusted pursuant to 18(4) above, the adjusted exercise price) by 0.5, with any fraction of one yen occurring as a result of such calculation to be rounded up to a full yen. However, the amount to be so transferred to stated capital for each such share shall not be below the par value of a share of the par value common stock of the Company.
- (9) Payment in kind

Not applicable
- (10) Effectiveness of exercise of the subscription warrants
The exercise of the subscription warrants shall become effective if the certificate evidencing the relevant subscription warrant, documents required for exercise of the subscription warrant and cash payment reach the handling agent.
- (11) Dividends payable on shares to be issued upon exercise of the subscription warrants.
Any annual dividend or interim dividend payable on shares issuable upon exercise of the subscription warrants with respect to the Dividend Accrual Period (as defined below), during which the relevant date of exercise falls, shall be paid for the full Dividend Accrual Period as if the exercise had taken effect at the beginning of such Dividend Accrual Period. The "Dividend Accrual Period" means each six-month period ending on June 30 and December 31 in each year.
- (12) Place for accepting the request for exercise of the subscription warrant
The registered head office of the Company
- (13) The handling agent resulting from exercise of the subscription warrant
The registered head office of UFJ Trust Bank Limited.
- (14) Method of delivery of share certificates
Share certificates will be delivered by the corporate agency department of UFJ Trust Bank Limited as soon as after the relevant subscription warrant is exercised. No certificates will be issued for

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any fractional shares.

19. Registration agency
The company has not appointed a registration agency of the bond.
20. Any other matters required for the issuance of the Bonds of Subscription Warrants will be decided at a meeting of the Company's board of directors to be held hereafter and entrusted to the representative director of the Company.
21. The subscription warrants to be issued by the Company will be fully repurchased by the Company from Daiwa Securities SMBC Co., Ltd. Then, they will be partly granted to certain directors of the Company as part of director compensations and partly offered to certain employees of the Company and to the Company's subsidiaries.

Offering of Subscription Warrants for Sale

1. Name of certificates
Trend Micro Incorporated Subscription Warrants (Ninth)
2. Holder of certificates to be sold
Trend Micro Incorporated
3. Number of certificates to be sold
3,680
4. Minimum unit for application
One certificate
5. Period during which applications will be accepted
From April 3, 2002 through April 16, 2002
6. Date of delivery
April 19, 2002
7. Place where applications will be accepted
At the holder of certificates as stated in 2 above
8. Miscellaneous
 - (1) Offering price per certificate, the aggregate offering prices and other details will be decided at the meeting of the Board of Directors to be held on April 2, 2002.
 - (2) This offer for sale will be made to certain employees of the Company and to the Company's subsidiaries.

About Trend Micro, Inc.

Trend Micro is a worldwide leader in network antivirus and Internet content security and the global leader in server-based antivirus and Internet content security products and services. The Tokyo-based Corporation has its North American headquarters in Cupertino, CA and business units worldwide. Trend Micro products and services are sold directly, and VARs and managed service providers.

For additional information and evaluation copies Trend Micro products, visit

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www.trendmicro.com.

For additional information contact:
Mr.Mahendra Negi
Chief Financial Officer/IR Officer
phone: +81-3-5334-4899
fax: +81-3-5334-4874
ir@trendmicro.co.jp