



FY2014 Financial Results

February 10, 2015
Tamron Co., Ltd. (Code: 7740)

Contents

I . FY2014 Financial Results

1. Business Briefing	P.4
2. FY2014 Summary	P.5
3. FY2014 Half-Year Financial Results	P.6
4. FY2014 Financial Results	P.7
5. FY2014 Results by Business Segment	P.8
6. FY2014 Quarterly Results by Business Segment	P.9

II . FY2015 Financial Forecast

1. FY2015 Forecast	P.11
2. FY2015 Contributing Factors for Performance	P.12
3. FY2015 Forecast (Sales/Operating Income)	P.13
4. FY2015 Forecast by Segment	
1) Photographic Products	P.14
2) Optical Components	P.15
3) Commercial / Industrial-use Optics	P.16

III . Financial Situation

1. Financial Summary	P.18
2. Capital Investment & Depreciation	P.19

3. Research & Development expenses	P.20
4. Inventories/Liabilities with Interests	P.21
5. Cash Flow Statement	P.22
6. Outlook for Cash Dividends	P.23
7. Reference Data	
1) Key Performance Index	P.24
2) Impact of Currency Exchange Rate Fluctuations	P.25

IV . Mid-Term Strategy

1. Corporate Tagline	P.27
2. Mid-Term Management Goals for FY2017	P.27
3. Strategy Towards FY2017 by Segment	
1) Photographic Products	P.28
2) Optical Components	P.29
3) Commercial / Industrial-use Optics	P.30
4. Enhanced Production System	P.31
5. Issues on Mid-to Long-Term Management	P.32

I . FY2014 Financial Results

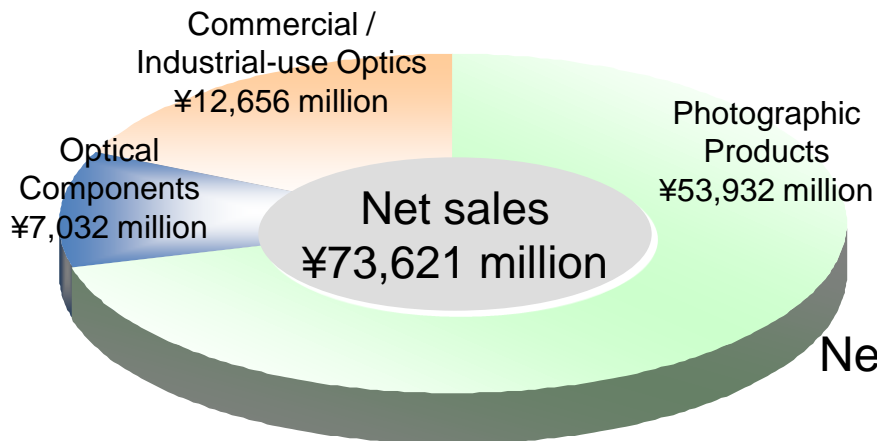
I -1. Business Briefing

Company Profile

- ❖ Total subsidiaries overseas : 9
- ❖ Domestic offices: 4 / Sales offices: 5
- ❖ ISO9001, ISO14001 certified
ISO/TS16949 certified
- ❖ Net sales: ¥73,621 million (FY2014)
- ❖ Number of employees : 2,694 (As of December 31, 2014)
- ❖ Total assets: ¥69,906 million (As of December 31, 2014)

Business Segment

- ❖ Photographic Products
Interchangeable lenses for cameras
(SLR / MILC)
- ❖ Optical Components
Camcorder lenses
Digital still camera lenses
Lenses for long wavelength infrared cameras
Optical devices
- ❖ Commercial / Industrial-use Optics
Surveillance camera lenses
Surveillance camera
Automotive camera lenses
Test plates



Net sales by business segment
(FY14)

I -2. FY2014 Summary

Business environment

- ❖ World economy: The US market was on a track to gradual recovery, but Japan and Europe showed signs of stagnation and weakness in consumers' mind.
- ❖ Currency exchange trend: Yen's depreciation continued, particularly in the 4th quarter.
- ❖ Digital camera market: Compact lens-integrated camera market showed continued significant decrease, eventually down about 40% year-on-year. Interchangeable lens camera market showed signs of recovery in some markets but eventually decreased by about 20% year-on-year due to delay of recovery in the European markets.

FY2014 Results

- ❖ Marked a record high in consolidated total sales
- ❖ Two-digit profit increase thanks mainly to favorable effects from exchange and introduction of new products, while improving profit ratio.
- ❖ Photographic products segment showed increase in sales and profits, even save favorable effects from exchange, in tough market environment, as five new products launched one by one from end of 2013 gave traction to sales.

Topics

- ❖ Launched in December the SP 15-30mm F2.8 VC USD (Model A012) with the VC vibration compensation mechanism, an F2.8 fast ultra wideangle zoom lens supporting the full-size format for the first time in the world
- ❖ The SP 150-600mm VC USD (A011) and the 16-300mm VC PZD (B016), two new products that served as traction engines for performance this year, received the EISA awards (for 9 consecutive years, and 2 years in a row with 2 new products).
- ❖ The SP 150-600mm VC USD (A011) received TIPAAward/Best Expert DSLR Lens.

I -3. 2014 Half-Year Financial Results

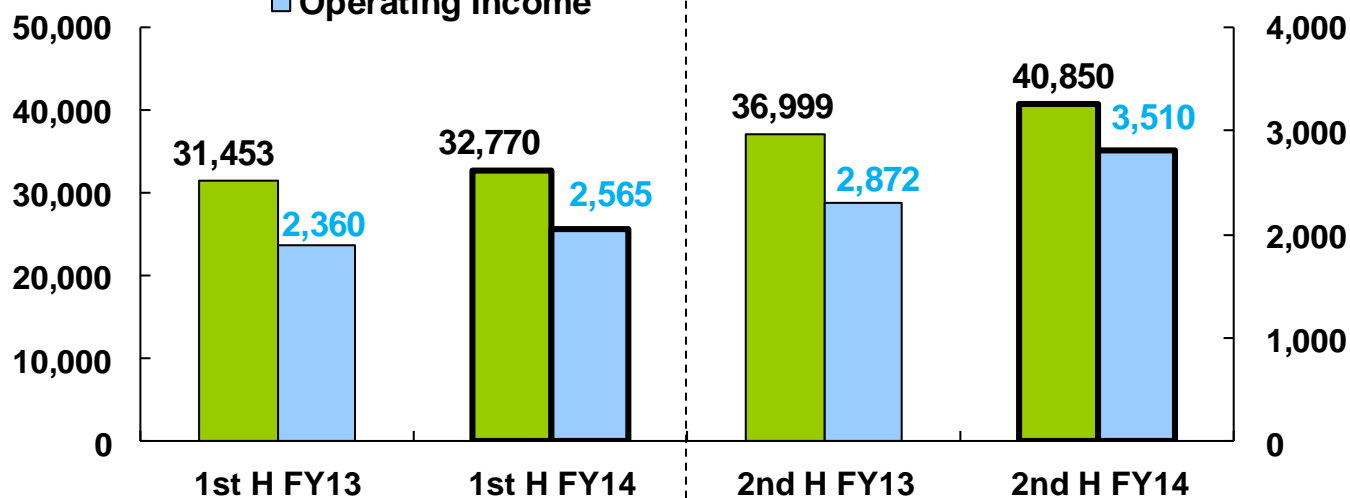
(millions of yen)

	1st H FY13	1st H FY14	Change	2nd H FY13	2nd H FY14	Change
Net Sales	31,453	32,770	+1,317	36,999	40,850	+3,851
Operating Income	2,360	2,565	+205	2,872	3,510	+637
(% Sales)	7.5%	7.8%	+0.3%	7.8%	8.6%	+0.8%

(Net Sales/million yen)

■ Net Sales
□ Operating Income

(Operating Income/million yen)



I -4. FY2014 Financial Results



(millions of yen)

	Actual FY13 (a)	Forecast FY14 (b)	Actual FY14 (c)	Inc / Dec		Inc / Dec		FX Impact vs. FY13
				(c)-(a)	%	(c)-(b)	%	
Net Sales	68,452	71,000	73,621	5,168	107.6%	2,621	103.7%	4,550
Operating Income	5,233	5,800	6,076	843	116.1%	276	104.8%	850
(% Sales)	7.6%	8.2%	8.3%	0.7%	-	0.1%	-	-
Ordinary Income	5,196	5,600	6,200	1,003	119.3%	600	110.7%	-
(% Sales)	7.6%	7.9%	8.4%	0.8%	-	0.5%	-	-
Net Income	3,197	3,900	3,846	649	120.3%	(53)	98.6%	-
Effective Tax Rate	33.8%	-	37.0%	3.2%	-	-	-	-
Foreign Exchange Rate								
Yen-1USD	97.73	100.00	105.79	8.06	-	-	-	-
Yen-1EURO	129.81	135.00	140.37	10.56	-	-	-	-

I -5. FY2014 Results by Business Segment

		Actual FY13 (a)	Forecast FY14 (b)	Actual FY14 (c)	Inc / Dec		Inc / Dec		FX Impact vs. FY13
					(c)-(a)	%	(c)-(b)	%	
Photographic Products	Net Sales	48,492	52,500	53,932	5,440	111.2%	1,432	102.7%	3,100
	Operating Income	4,280	5,900	5,853	1,573	136.7%	(46)	99.2%	650
	(% Sales)	8.8%	11.2%	10.9%	2.1%	-	(0.3)%	-	-
Own-brand photographic products segment marked increase in both sales and profits on local currency basis in all major markets thanks mainly to new product launch, save even favorable effects from currency exchange.									
Optical Components	Net Sales	7,629	6,500	7,032	(596)	92.2%	532	108.2%	550
	Operating Income	938	500	664	(274)	70.8%	164	132.9%	50
	(% Sales)	12.3%	7.7%	9.4%	(2.9)%	-	1.7%	-	-
Despite shrinkage of the total market, stayed at a small decrease in sales by focusing on sales of higher value-added products.									
Commercial / Industrial-use Optics	Net Sales	12,330	12,000	12,656	325	102.6%	656	105.5%	900
	Operating Income	2,429	2,100	2,190	(238)	90.2%	90	104.3%	150
	(% Sales)	19.7%	17.5%	17.3%	(2.4)%	-	(0.2)%	-	-
Affected by competition keener than ever in the Chinese market, but managed to show overall increase in sales as sales in other markets were favorable.									
Elimination and/or Corporate		(2,415)	(2,700)	(2,632)	(216)	-	67	-	-
Total	Net Sales	68,452	71,000	73,621	5,168	107.6%	2,621	103.7%	4,550
	Operating Income	5,233	5,800	6,076	843	116.1%	276	104.8%	850

I -6. FY2014 Quarterly Results by Business Segment



(millions of yen)

		1Q FY14	2Q FY14	3Q FY14	4Q FY14	Annual FY14
Photographic Products	Net Sales	9,387	13,702	13,584	17,257	53,932
	Operating Income	619	1,692	1,761	1,780	5,853
	(% Sales)	6.6%	12.3%	13.0%	10.3%	10.9%
Optical Components	Net Sales	1,590	1,928	1,807	1,705	7,032
	Operating Income	23	237	219	184	664
	(% Sales)	1.5%	12.3%	12.1%	10.8%	9.4%
Commercial / Industrial-use Optics	Net Sales	3,154	3,007	2,957	3,537	12,656
	Operating Income	668	478	469	573	2,190
	(% Sales)	21.2%	15.9%	15.9%	16.2%	17.3%
Eliminations and/or Corporate		(641)	(512)	(667)	(811)	(2,632)
Total	Net Sales	14,132	18,638	18,349	22,500	73,621
	Operating Income	670	1,895	1,783	1,727	6,076

Ⅱ . FY2015 Financial Forecast

II -1. FY2015 Forecast

❖ Expecting increases in both sales and profits for two consecutive years.

(millions of yen)

	Actual 1st H FY14	Actual 2nd H FY14	Actual FY14 (a)	Forecast 1st H FY15	Forecast 2nd H FY15	Forecast FY15 (b)	Inc/Dec	
							(b)-(a)	(b)/(a)
Net Sales	32,770	40,850	73,621	36,200	42,300	78,500	4,878	106.6%
Operating Income	2,565	3,510	6,076	2,800	3,800	6,600	523	108.6%
(% Sales)	7.8%	8.6%	8.3%	7.7%	9.0%	8.4%	0.1%	-
Ordinary Income	2,638	3,561	6,200	2,700	3,700	6,400	199	103.2%
(% Sales)	8.1%	8.7%	8.4%	7.5%	8.7%	8.2%	(0.2)%	-
Net Income	1,820	2,025	3,846	1,900	2,300	4,200	353	109.2%
Foreign Exchange Rate								
Yen-1USD	102.46	109.01	105.79	115.00	115.00	115.00	9.21	-
Yen-1EURO	140.44	140.30	140.37	135.00	135.00	135.00	(5.37)	-

II -2. FY2015 Contributing Factors for Performance

❖ Counting on an increased profit, even excluding exchange effects.

❖ Anticipating averse exchange effects to profits due to euro's depreciation, but aiming at increasing profits with cost reduction efforts.

(millions of yen)

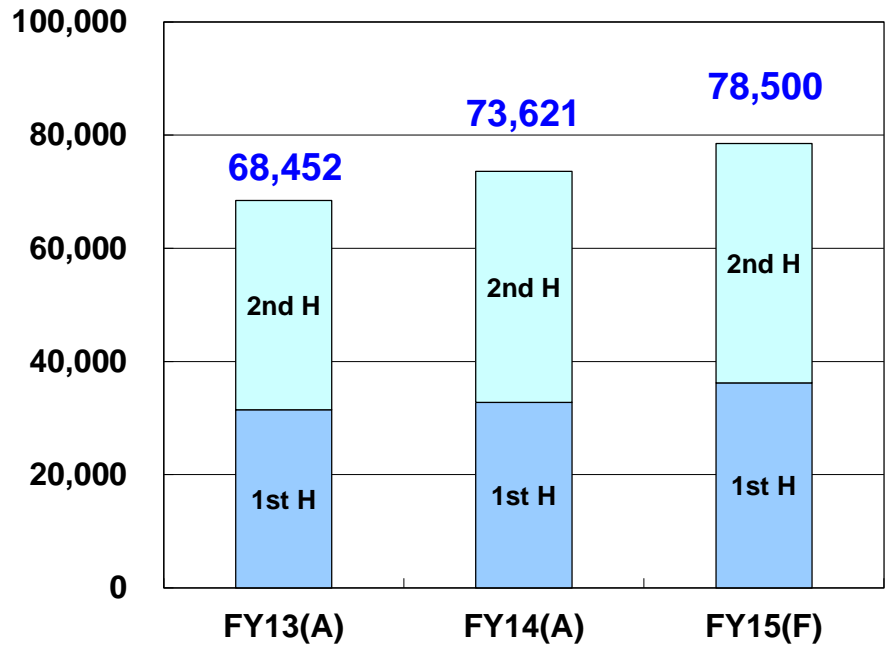
	FY14 (Actual) (a)	FY15 (Forecast) (b)	Inc / Dec		Change Factors
			(b)-(a)	(b)/(a)	
Net Sales	73,621	78,500	4,878	106.6%	Sales + 1,580 Exchange gain + 3,300 ----- + 4,880
Operating Income	6,076	6,600	523	108.6%	Sales + 500 Exchange loss (300) Cost reduction + 320 ----- + 520

II -3. FY2015 Forecast (Sales / Operating Income)



(millions of yen)

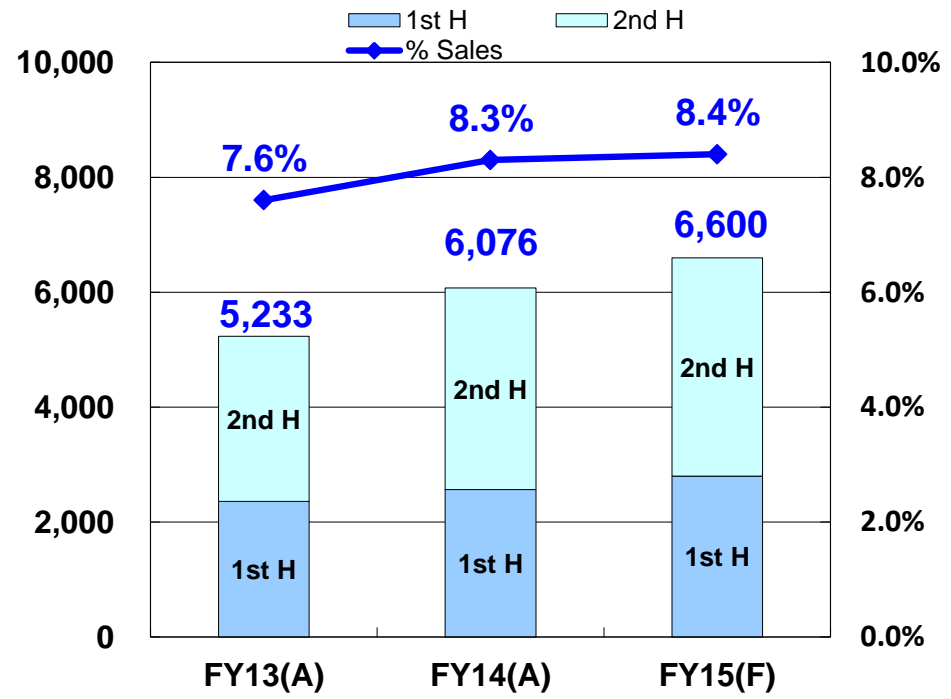
Net Sales



1st H	31,453	32,770	36,200
2nd H	36,999	40,850	42,300
FY	68,452	73,621	78,500
YoY	106.4%	107.6%	106.6%

* (A):Actual (F):Forecast

Operating Income



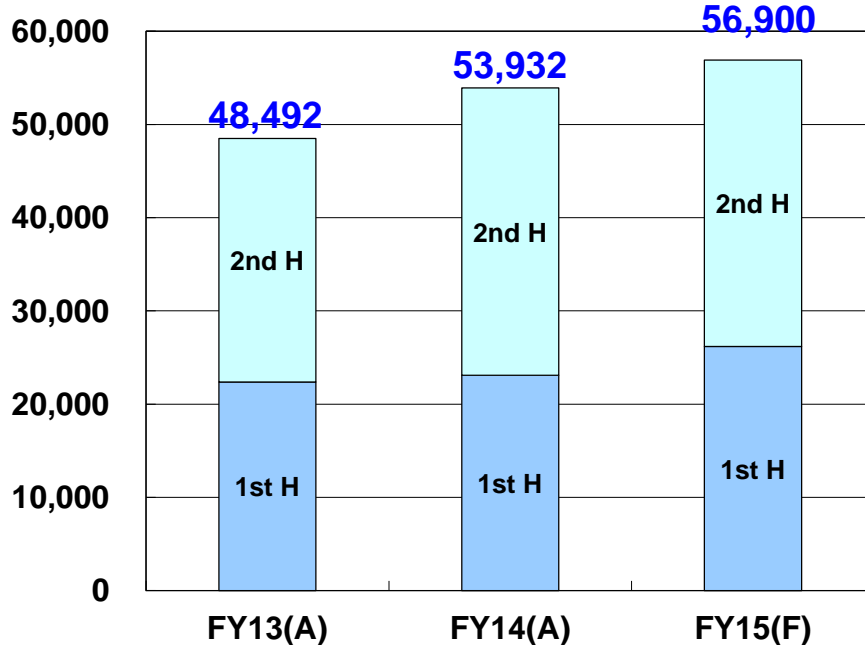
1st H	2,360	2,565	2,800
2nd H	2,872	3,510	3,800
FY	5,233	6,076	6,600
% Sales	7.6%	8.3%	8.4%
YoY	95.1%	116.1%	108.6%

II -4. FY2015 Forecast by Segment

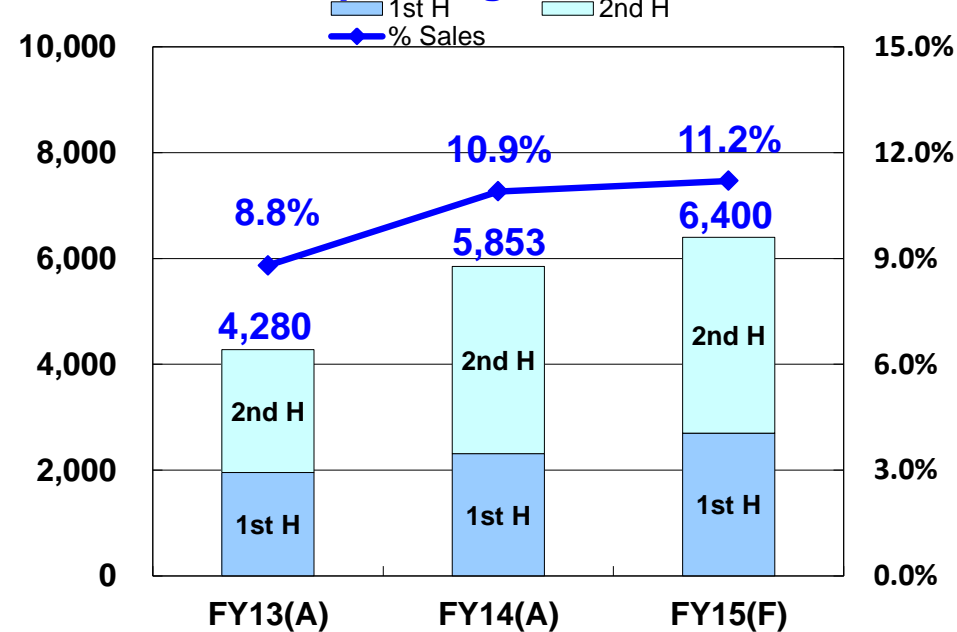
1) Photographic Products

(millions of yen)

Net Sales



Operating Income



	FY13(A)	FY14(A)	FY15(F)
1st H	22,380	23,090	26,200
2nd H	26,111	30,842	30,700
FY	48,492	53,932	56,900
YoY	103.4%	111.2%	105.5%

	FY13(A)	FY14(A)	FY15(F)
1st H	1,956	2,311	2,700
2nd H	2,324	3,542	3,700
FY	4,280	5,853	6,400
% Sales	8.8%	10.9%	11.2%
YoY	71.8%	136.7%	109.3%

* (A):Actual (F):Forecast

❖ Expecting increases in both sales and profits, as own-brand new products introduced last year will contribute throughout the fiscal year, in addition to new products to be launched this year.

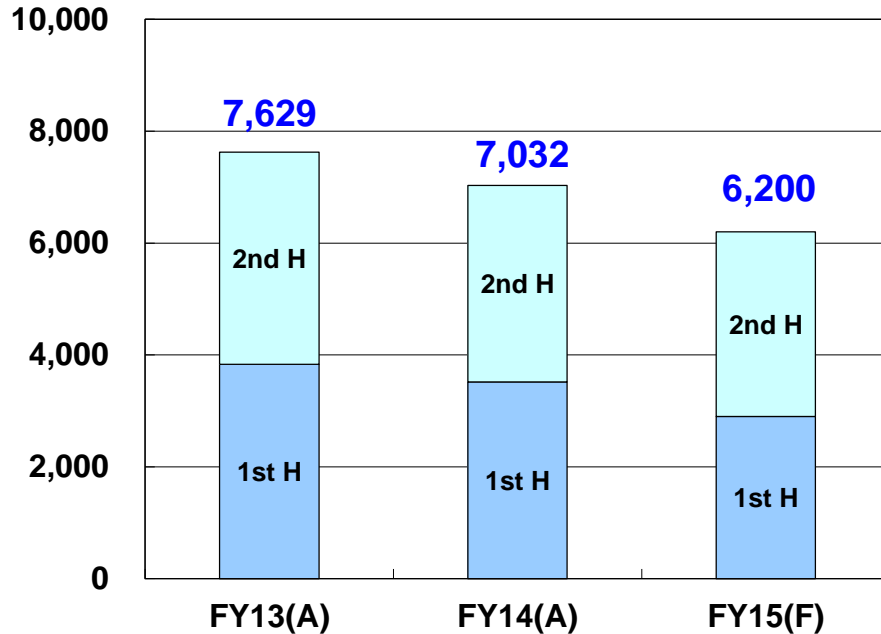
II -4. FY2015 Forecast by Segment

2) Optical Components

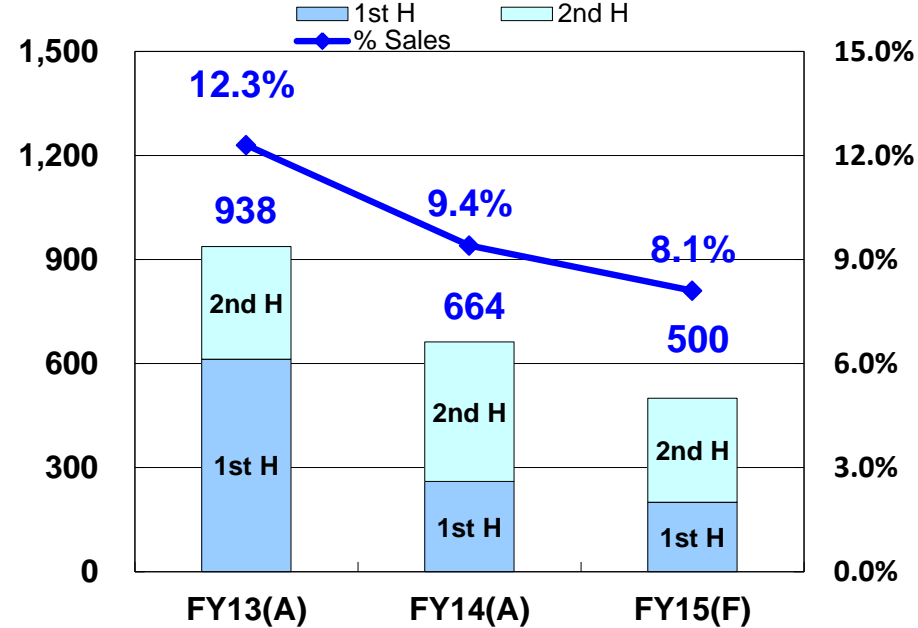


(millions of yen)

Net Sales



Operating Income



1st H	3,833	3,518	2,900
2nd H	3,795	3,513	3,300
FY	7,629	7,032	6,200
YoY	92.2%	92.2%	88.2%

1st H	613	260	200
2nd H	325	403	300
FY	938	664	500
% Sales	12.3%	9.4%	8.1%
YoY	207.4%	70.8%	75.3%

* (A):Actual (F):Forecast

❖ Decreases in both sales and profits anticipated due to continued shrinkage of the total market, but aiming at ending in the black while working on new business development.

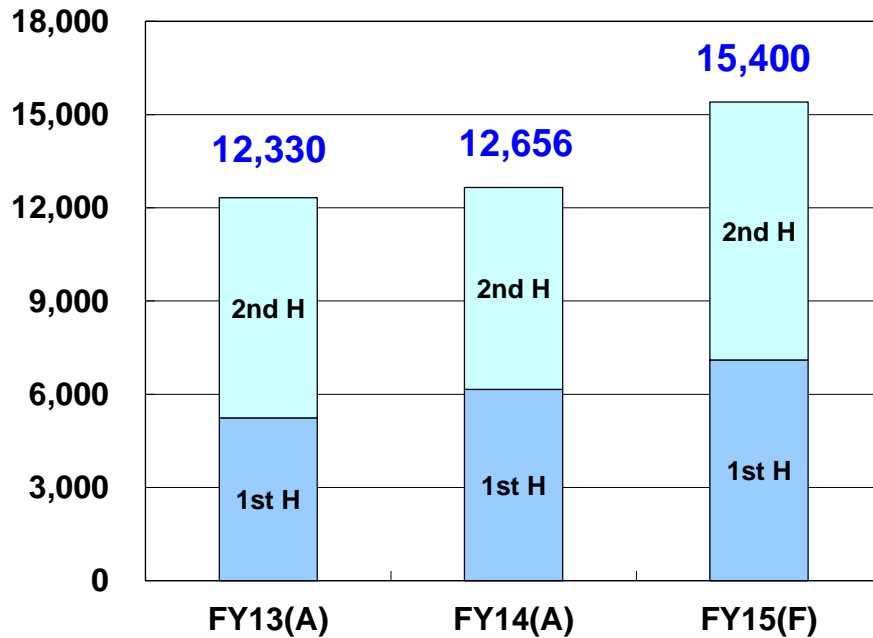
II -4. FY2015 Forecast by Segment

3) Commercial / Industrial-use Optics

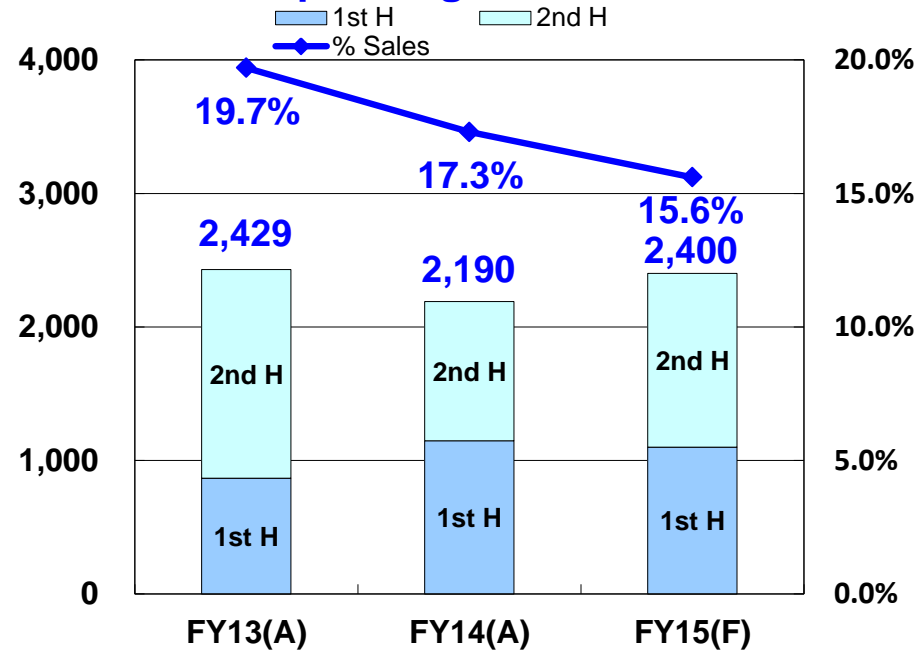


(millions of yen)

Net Sales



Operating Income



1st H	5,239	6,161	7,100
2nd H	7,091	6,494	8,300
FY	12,330	12,656	15,400
YoY	134.6%	102.6%	121.7%

1st H	866	1,147	1,100
2nd H	1,563	1,043	1,300
FY	2,429	2,190	2,400
% Sales	19.7%	17.3%	15.6%
YoY	152.2%	90.2%	109.6%

* (A):Actual (F):Forecast

❖ Aiming at increases in both sales and profits by attempting to achieve recovery in the Chinese market while continuing to work on expanding business in other markets.

Ⅲ. Financial Situation

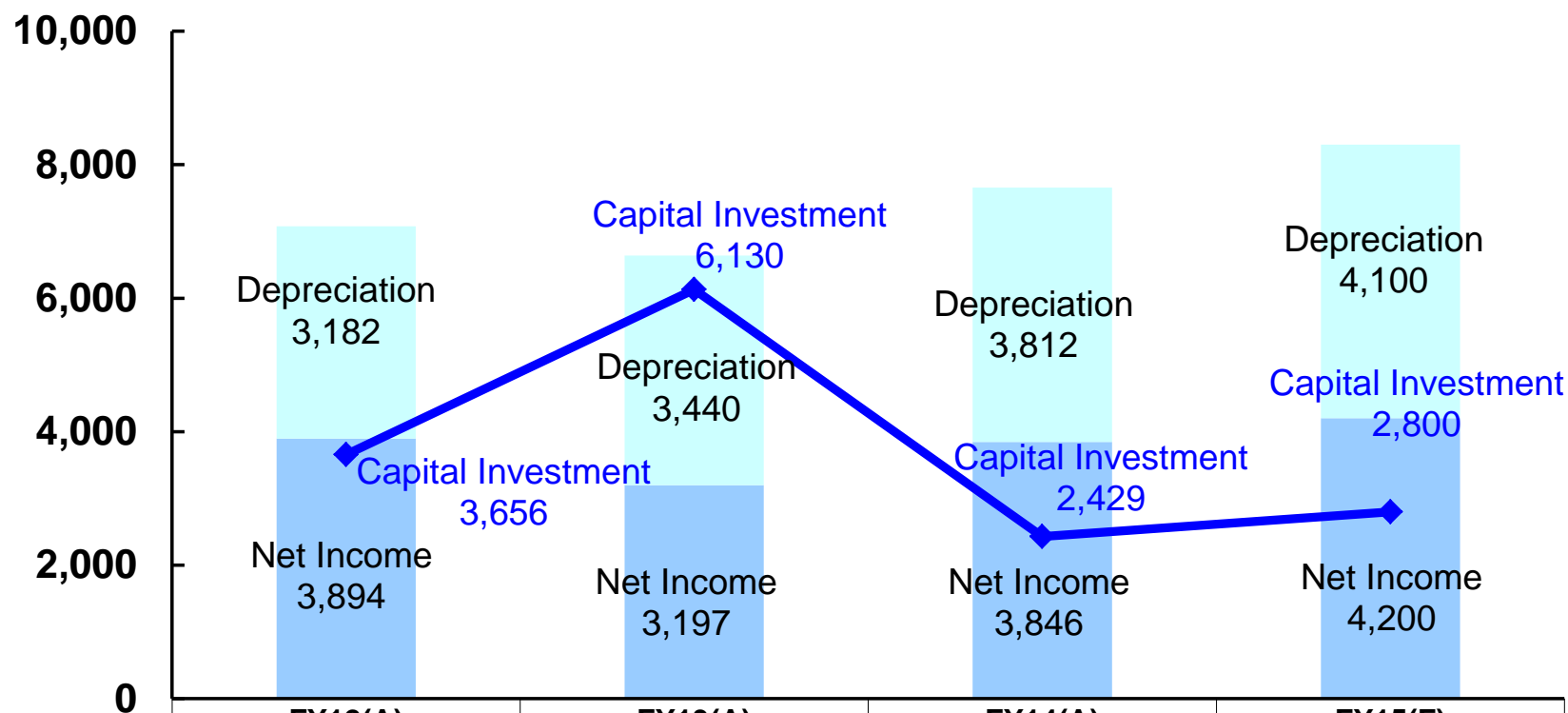
Ⅲ-1. Financial Summary

(millions of yen)

	FY13 (a)	FY14 (b)	Change (b)-(a)	Remarks
Cash and deposits	14,297	15,915	1,618	
Notes and accounts receivable	14,898	18,653	3,754	Thanks to increased sales
Inventories	11,055	10,536	(519)	Through inventory reduction and so on (about 1.2 billion yen, excluding exchange effects)
Other current assets	1,505	1,849	344	
Non-current assets	22,945	22,950	4	Due to decrease in equipment investment after round of large-scale investment
Total Assets	64,704	69,906	5,202	
Total current liabilities	14,144	14,602	458	
Total non-current liabilities	3,471	3,308	(163)	
Total liabilities	17,616	17,911	295	
Total net assets	47,087	51,995	4,907	Due to posting of current term profit, foreign currency translation adjustments and so on
Total liabilities and net assets	64,704	69,906	5,202	
Ratio of net assets	72.8%	74.4%	1.6%	

III-2. Capital Investment & Depreciation

(millions of yen)



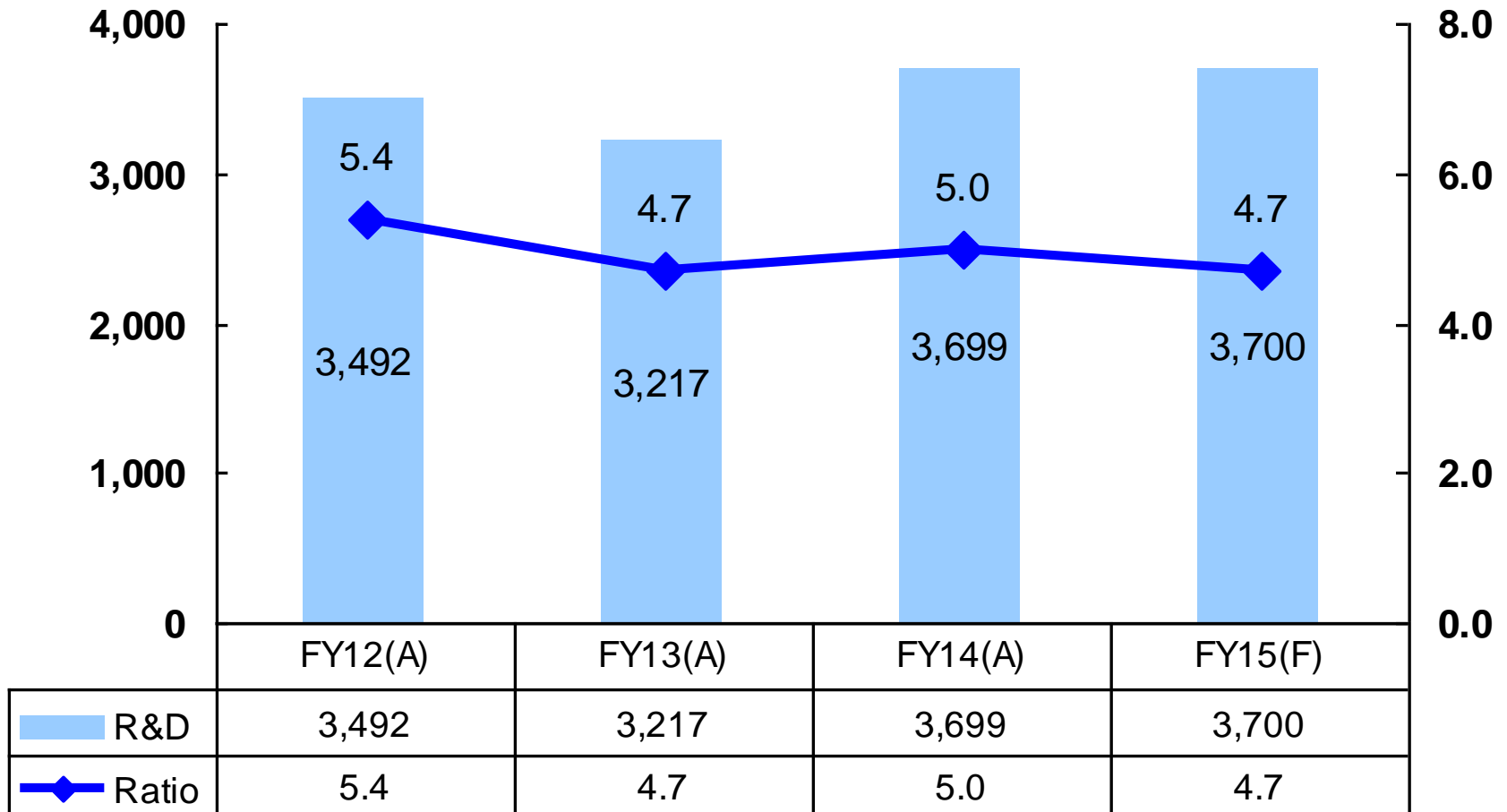
	FY12(A)	FY13(A)	FY14(A)	FY15(F)
Depreciation	3,182	3,440	3,812	4,100
Net Income	3,894	3,197	3,846	4,200
Capital Investment	3,656	6,130	2,429	2,800

* (A):Actual (F):Forecast

Ⅲ-3. Research & Development expenses

(millions of yen)

(%)

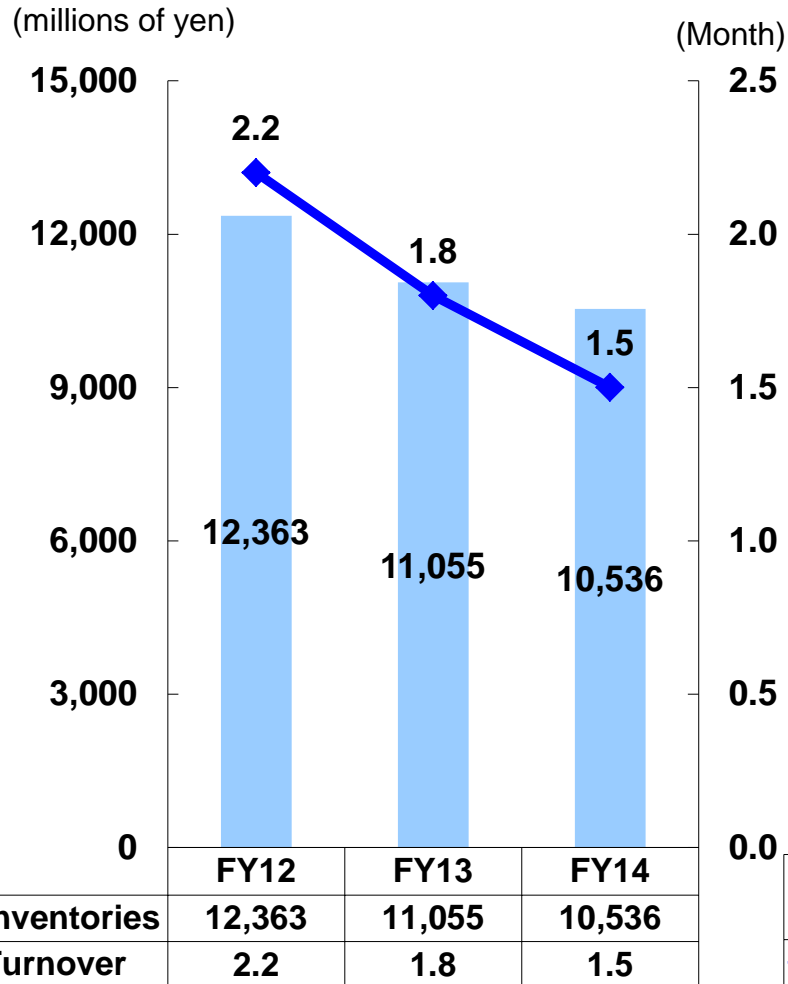


* R&D cost/Net sales ratio

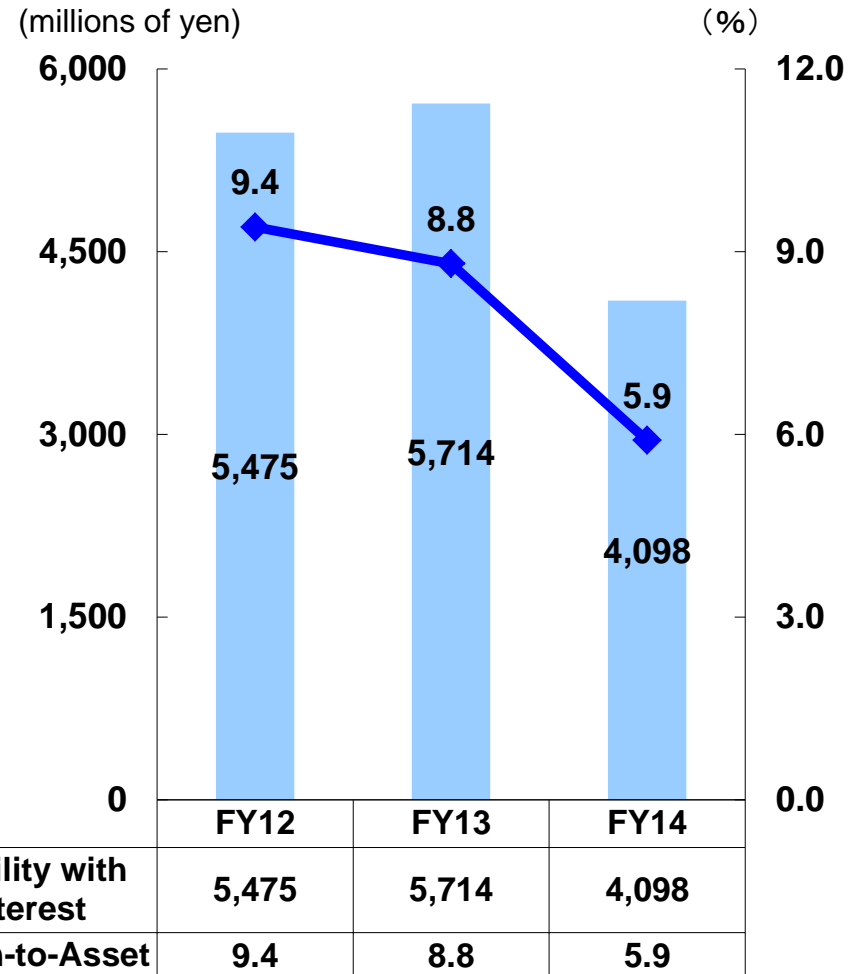
* (A):Actual (F):Forecast

III-4. Inventories / Liabilities with Interests

Inventories

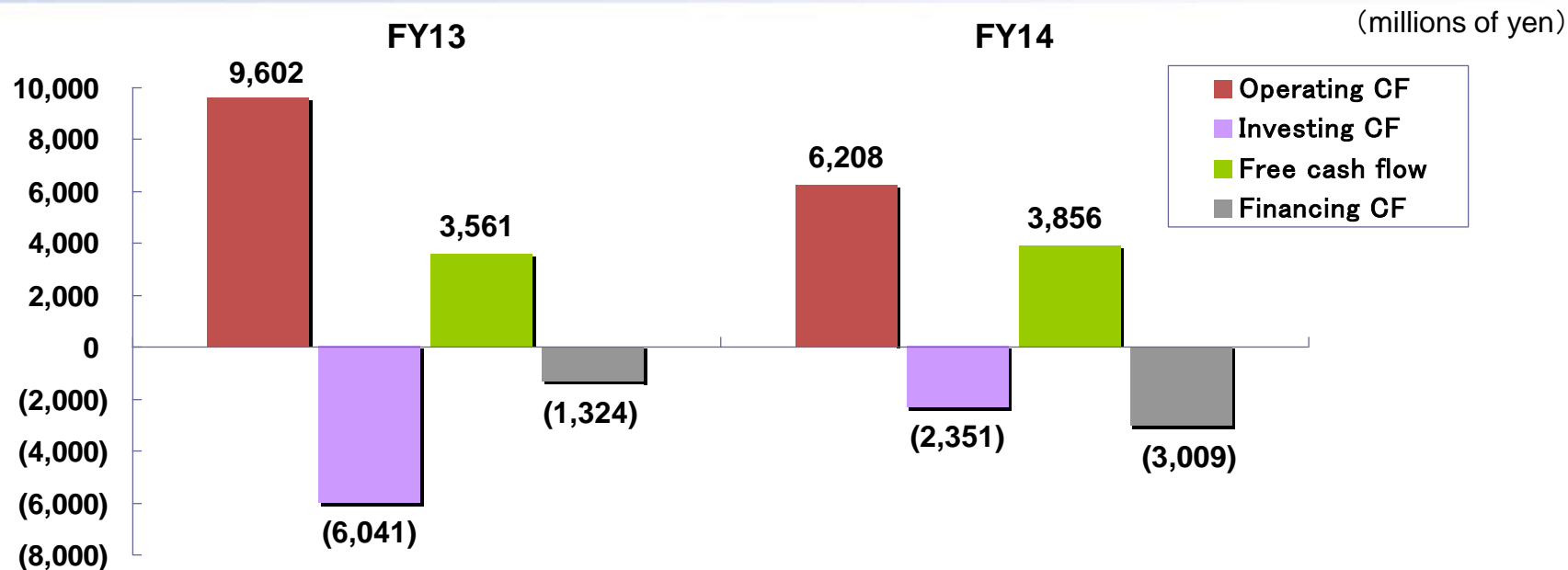


Liabilities with Interests



(Turnover ratio based on average monthly sales for last 6 months)

III-5. Cash Flow Statement



	FY13	FY14
Cash flows from operating activities	9,602	6,208
Cash flows from investing activities	(6,041)	(2,351)
Free cash flow	3,561	3,856
Cash flows from financing activities	(1,324)	(3,009)
Cash and cash equivalents at end of period	14,297	15,915
Liquidity (Months)	2.51	2.59

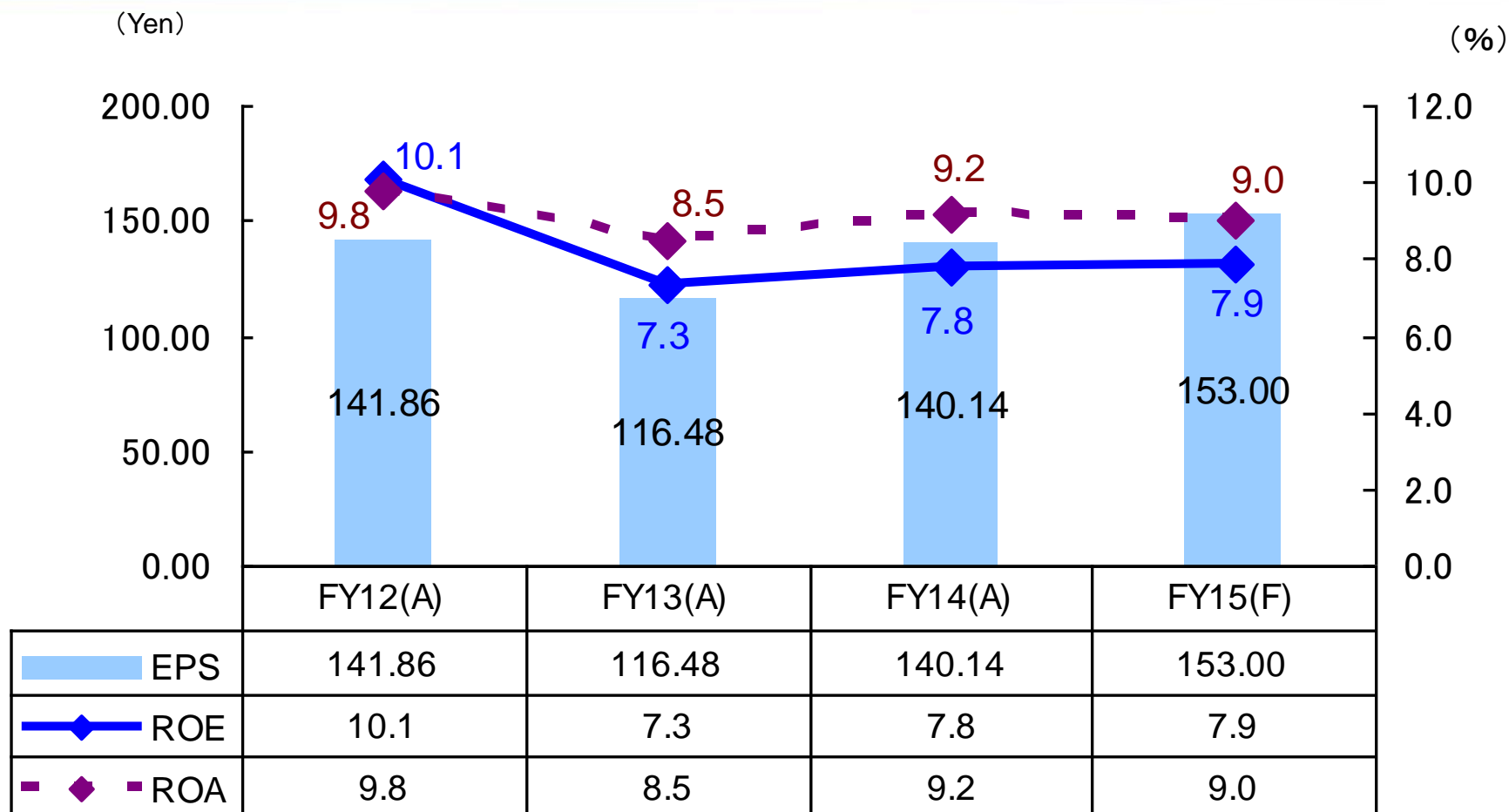
III-6. Outlook for Cash Dividends

Annual dividend for FY15 is expected the dividend increase 5 yen compared to FY14.

	(yen)			
	FY12	FY13	FY14	FY15 (Forecast)
Interim	20.00	20.00	20.00	25.00
Year-end	30.00	30.00	30.00	30.00
Annual	50.00	50.00	50.00	55.00
Dividends Payout Ratio (Consolidated)	35.2%	42.9%	35.7%	35.9%

III-7. Referential Data

1) Key Performance Index



- ❖ ROE = Net Income / Net assets (average for FY)
- ❖ ROA = Ordinary Income / Total assets (average for FY)
- ❖ (A): Actual (F): Forecast

III-7. Reference Data

2) Impact of Currency Exchange Rate Fluctuations

Actual FY2014

	Exchange Rate (yen)		Effect (million of yen)	
	Actual FY13	Actual FY14	Net Sales	Operating Income
USD	97.73	105.79	3,100	0
Euro	129.81	140.37	1,050	900
Others	-	-	400	(50)
Total	-	-	4,550	850

(Impact on FY2014 Actual performance)

Forecast FY2015

	Exchange Rate (yen)	One yen change impact for FY2015 (million of yen)	
	Assumption FY15	Net Sales	Operating Income
USD	115.00	380	30
Euro	135.00	110	100

IV. Mid-Term Strategy

New eyes for industry

IV - 2. Mid-Term Management Goals for FY2017

Net Sales : ¥95.0 billion

Operating Income : ¥9.5 billion

(Operating Income Ratio 10%)

ROE : 10% or more

IV-3. Strategy Towards FY2017 by Segment

1) Photographic Products

Target : 68.0 billion yen (71.6% of total net sales)

**2017
Mid-Term
Target**

- ❖ Sequential introduction of epoch-making new products in our own-brand lens range
- ❖ Establishment of efficient new product development framework
- ❖ Strengthening sales organizations in emerging markets for bigger market share
- ❖ Enhancing brand power (performance, design), strengthening measures for stimulating latent demand

New Product

Launched in Jun. 2014



For Micro Four Thirds Mirrorless



28-300mm VC PZD (Model A010) 14-150mm (Model C001) 18-200mm VC (Model B011)

For Mirrorless Canon mount.



Strategic New Products



High Power Zoom
16-300mm VC PZD (Model B016)
Launched in Apr. 2014



Ultra Tele Zoom
150-600mm VC USD (Model A011)
Launched in Dec. 2013



Wide Zoom
15-30mm F/2.8 VC USD (Model A012)
Launched in Dec. 2014



Standard Category Zoom

2) Optical Components

Target: 4.5 billion yen (4.7% of total net sales)

**2017
Mid-Term
Target**

- ❖ Increased focus on higher value-added products, to secure profits and avoid cost cutting competition
- ❖ Creating new markets by leveraging our own advantages in special fields
- ❖ Cost reduction of far-infrared range optical systems and stronger sales efforts
⇒ Joint development with leading camera makers



Digital still camera lenses, Camcorder lenses



Original zoom lens



Lenses for Long Wavelength Infrared Cameras

IV-3. Strategy Towards FY2017 by Segment

3) Commercial / Industrial-use Optics

Target: 22.5 billion yen (23.7% of total net sales)

**2017
Mid-Term
Target**

- ❖ Stronger sales operations in the worldwide market through technological innovation in surveillance camera lenses
- ❖ Promoting new businesses through co-creation
- ❖ Putting Automotive camera lens businesses on the track by working harder on sensing application lenses
- ❖ Strengthening business operations in new fields including outdoor and night surveillance
- ❖ Development and introduction of new products for the Chinese market while working on stronger sales organization establishment



"Flat-Field Mega Pixel Lens Series"



30x Zoom Lens for Board Cameras
4.3-129mm F/1.6 (Model DF019)



Automotive camera lenses

IV-4. Enhanced Production System

Vietnam — Continued efforts for steadily increasing production volume, to become a cost competitive factory



Category	Current situation
Number of Employee	200 (Jul, 2013) ⇒ 1,180 (Feb, 2015)
Processing	Lens Element, Metal, Assembly
Production Capacity Production Model	Surveillance camera lenses from the latter half of 2014, in addition to DSLR camera lenses

Lens Element Processing



Metal Processing



Assembly Lines



IV-5. Issues on Mid-to Long-Term Management

1. Strengthening CSR management and internal control, while working on enhancing capital efficiency
2. Aiming at shortening the lead time from development to production launch.
3. Continued efforts for further business expansion through measures to enhance brand power, improving new product development efficiency and strengthen marketing operations
4. Materializing further cost reduction to meet demand increases by defining role of each production facility.
5. Facilitating new business development by collaborative relationship management with third-party partners, expanding the scope of “New eyes for industry”
6. Accelerating activities in core technology development revolving around optics and taking proactive stance in IP strategy.

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