

TAMRON

Annual Report 2018

Corporate Philosophy

We at Tamron are advancing with our corporate philosophy to guide our mission.

With its firm commitment to developing high-quality, innovative and technologically advanced products that satisfy customer needs, Tamron is securing a leading position in the worldwide optical industry.

Our primary objective is to sustain strong corporate growth based on a high level of customer satisfaction achieved by providing superior products at the right price, thus also contributing to the prosperity of our shareholders and employees.

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Note: In the 2018 annual report, amounts of less than the unit indicated, for example, one million yen have been omitted.

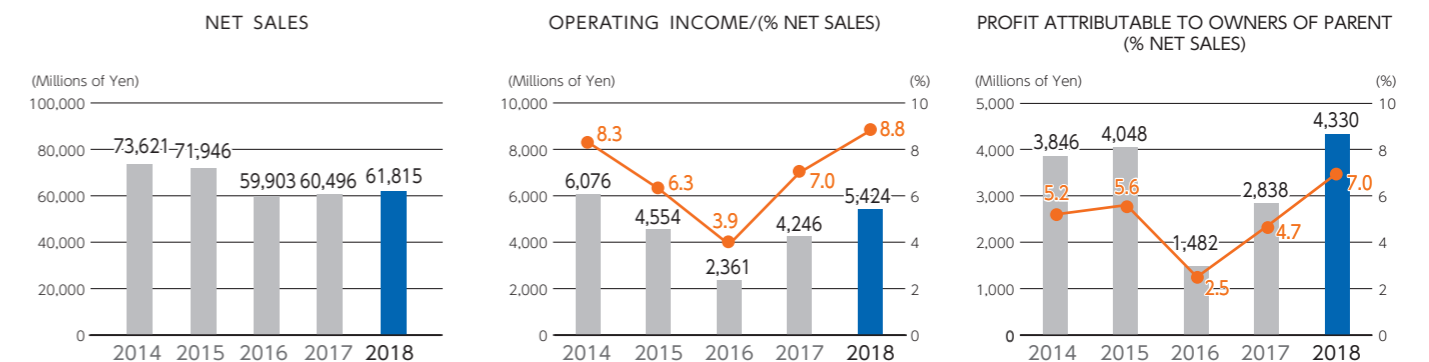
Years ended December 31	Millions of Yen				
	2014	2015	2016	2017	2018
For the Year:					
Net sales	¥73,621	¥71,946	¥59,903	¥60,496	¥61,815
Operating income	6,076	4,554	2,361	4,246	5,424
Operating income ratio	8.3%	6.3%	3.9%	7.0%	8.8%
Ordinary income	6,200	5,140	2,855	4,100	5,877
Ordinary income ratio	8.4%	7.1%	4.8%	6.8%	9.5%
Profit attributable to owners of parent	3,846	4,048	1,482	2,838	4,330

At Year-End:					
Total assets	¥69,906	¥66,035	¥60,910	¥63,868	¥64,704
Net assets	51,995	49,001	47,321	49,940	50,852

Per Share Data (Yen):					
Profit attributable to owners of parent	¥140.14	¥153.98	¥57.19	¥109.51	¥167.80
Shareholders' equity	1,894.14	1,890.45	1,825.62	1,926.65	1,976.05
Cash dividends	50.00	60.00	55.00	50.00	60.00
Price earnings ratio (PER)	17.0	14.6	33.9	22.1	9.4

Ratios:					
Return on assets (ROA)	9.2%	7.6%	4.5%	6.6%	9.1%
Return on equity (ROE)	7.8%	8.0%	3.1%	5.8%	8.6%
Equity ratio	74.4%	74.2%	77.7%	78.2%	78.6%

Notes: 1. ROA=Ordinary income/Total assets
2. ROE=Profit attributable to owners of parent/Total net assets



We achieved a record high gross margin and increases in revenues and profits for the second consecutive fiscal year

I am pleased to provide an overview of our consolidated business results for the 72nd term (January 1, 2018 to December 31, 2018) as follows.

Regarding market conditions for the fiscal year under review, in the digital camera market, the shift towards mirrorless cameras accelerated further, and sales of mirrorless cameras remain strong. Meanwhile, sales of SLR type cameras declined, with overall sales for interchangeable lens-type cameras down by 8% on the previous fiscal year.

Although sales of interchangeable lenses decreased by 6% year-on-year, high image quality lenses (for full-size use) performed strongly, resulting in an increase of 1% compared to the previous year (in terms of monetary amount). Meanwhile sales of compact digital cameras decreased significantly, down by 35% on the previous year, while the surveillance camera and vehicle-mounted camera markets continued to grow.

Under these circumstances, in the fiscal year under review, the Group achieved increases in revenue for all segments, with sales standing at 61.815 billion yen (up 2.2% compared to the previous year).

The company achieved a record high gross margin for the second consecutive fiscal year thanks to the effects of the launch of new products in the house-brand interchangeable lens category. Additionally, by keeping the increase in SG&A expenses to a minimum, the company achieved increases in revenue and profits for a second consecutive year, along with significant improvements in profitability. Operating income stood at 5.424 billion yen (up 27.7% compared to the previous year), ordinary income at 5.877 billion yen (up 43.4% compared to the previous year) and profit attributable to owners of parent at 4.330 billion yen (up 52.5% compared to the previous year).

In FY2019, given the market environment and the progressive shift towards mirrorless cameras, we will accelerate the improvement and expansion of our lineup of house-brand interchangeable lenses for mirrorless cameras. We will also seek to secure new orders and launch high added-value products for drones, automotive cameras, surveillance cameras and factory automation (FA) markets.



President & CEO
Tamron Co., Ltd.
Shiro Ajsaka

Mid-Term Management Plan and Current State of Progress

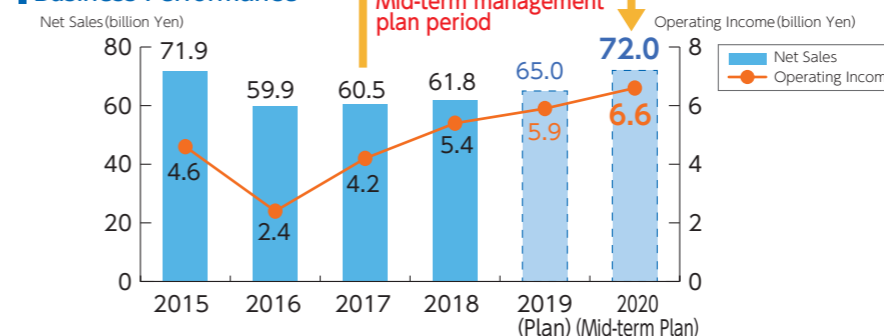
We aim to achieve the medium-term management plan to 2020 as well as achieving innovative change themes.

The Tamron Group has developed a mid-term management plan ending in 2020, with 2017 as the base year for comparisons of business performance. In this plan, the Group has set targets of increasing net sales to 72.0 billion yen (an increase of over 10.0 billion yen), operating income to 6.6 billion yen (an increase of over 1.5 times the base level), and ROE to at least 9%. Here, we present progress during 2018 (the first year of the plan) and the outlook for the future.

Although 2018 (the first year of the plan) ended with planned sales targets unachieved, we were able to achieve results that greatly exceeded the initial plan targets for profits, with operating income of 5.4 billion yen and an ratio of operating income to net sales of 8.8%.

Mid-Term Management Plan (Announced in Feb., 2018)		1st year		2nd year	
	Actual FY17	Target FY20	Original Forecast FY18	Actual FY18	Forecast FY19
Sales	¥60.5B.	¥72.0B.	¥63.0B.	¥61.8B.	¥65.0B.
Operating Income	¥4.2B.	¥6.6B.	¥4.8B.	¥5.4B.	¥5.9B.
(% Sales)	7.0%	9.2%	7.6%	8.8%	9.1%
ROE	5.8%	More than 9%	6.6%	8.6%	7.9%

Business Performance



Steady progress toward achieving the mid-term target

- Although the 1st year sales did not achieve its forecast, the profits showed better-than-expected results
- Planning the sales expansion and keeping the profitability in the 2nd year.

Aim for achieving the mid-term target by the increase in sales and profits in four consecutive years.

MANAGEMENT POLICY

Issues on Mid-to Long-Term Management

1. Accelerate the global expansion of the existing business, capture the demand of the emerging markets, improve profitability and strengthen the business foundation.
2. Strive to expand business, increasing market share with a sales strategy tailored to each market, including increasing market share by bolstering marketing capabilities, product planning capabilities, and sales capabilities, and providing products that move customers emotionally in response to marketing trends and customer needs.
3. Aim to expand business fields by expanding existing businesses and developing New Eyes for Industry through the reinforcement of marketing aiming at resolving social issues and joint creation, including through M&A.
4. Provide timely new products tailored to customers and the market by reinforcing the global development structure and reducing the lead time from development to high-volume production.
5. Construct the global trilateral system for efficient production and promote increased productivity and cost reductions through automation, labor saving and manpower saving, among other means, with the fourth industrial revolution in mind.
6. In addition to the development of component technologies, especially the Company's core optical technologies, focus on research and development in new technical fields, the joint creation of new values and other horizontal operations among multiple companies (including collaboration among government, industry and academia).
7. Realize sustainable growth by strengthening corporate governance to enhance the effectiveness of strategies/tactics.
8. Increase work-life balance and ensure a suitable work environment for all employees where all workers are satisfied with their work.

The key focuses of the mid-to long-term management plan are expanding sales in new areas, such as the industrial domain, and improving the profitability of core businesses. In 2018, we feel that we were able to achieve greater progress in improving the profitability of core businesses than anticipated.

In the digital camera field, which is now at a mature stage, we have made it a priority to improve the profitability of core businesses and build a more robust revenue base. With regard to progress in 2018, we achieved a high operating income ratio of more than 15% in the Photographic Products business, which contributed greatly to improving the Group's overall profit margin.

In other businesses, in 2018, in addition to achieving sales that exceeded planned targets in the automotive field, we also grew sales for the drone-oriented business to in excess of 1 billion yen per annum. In the surveillance and factory automation business, we achieved the full-scale launch of our camera module business.

In 2019, the second year of the plan, we will aim to link the results achieved to date in various fields during 2018 to even greater results, and seek to maintain the trend of improving profitability while at the same time expanding sales in the industrial field, which is the second key focus of the plan. Finally, we will aim to achieve the mid-to long-term management plan by increasing revenues and profits for four consecutive fiscal years until 2020.

Agendas for Transformation

- | Reinforce Sales & Marketing
- | Re-Building of R&D Process
- | Customer Values
- | New Business Development
- | Globalization of Sales, Production, & R&D
- | Corporate Management

ESG

Key CSR Issue

Tamron is engaged in various CSR initiatives with the aim of improving its corporate value and contributing to the realization of a sustainable society. As of 2018, the Company has identified important CSR issues for driving its efforts to tackle social issues in the medium-to-long term, and is bolstering its activities with regard to these issues.



	Main items	Details
Environment	<ul style="list-style-type: none"> • Reducing CO2 emissions, waste output and water usage • Environmentally conscious design and recycling of parts and materials 	<ul style="list-style-type: none"> • Introducing solar power generation <2017 & 2018> • Energy-saving for air conditioning, lighting and production equipment • Recycling of plastic components, reducing use of harmful chemicals • Ascertaining CO2 emissions in the supply chain
Customers	<ul style="list-style-type: none"> • Improving customer satisfaction • Improving and enhancing services 	<ul style="list-style-type: none"> • Building an organizational structure to provide 3-day repairs globally • Providing safe, high-quality products
Suppliers	<ul style="list-style-type: none"> • CSR procurement • Green procurement 	<ul style="list-style-type: none"> • Conducting investigations of CSR initiatives at supplier companies • Activities to make improvements at suppliers where there are risks/concerns
Society	<ul style="list-style-type: none"> • Activities contributing to the advancement of photography/video culture and local communities • Support for para-athletes 	<ul style="list-style-type: none"> • Continuing to hold various photography contests • Continuing to offer lesson visits for local schools
Shareholders & investor	<ul style="list-style-type: none"> • Developing the environment for shareholders to maintain and exercise their rights • Timely, fair and proactive disclosure and communication of information 	<ul style="list-style-type: none"> • English translation of convocation notices <2017> • Use of electronic voting and resolution voting rights PF <2018> • Holding explanatory meetings and disclosing content on the same day as the announcement of financial results <2018>
Employees	<ul style="list-style-type: none"> • Developing easy-to-work workplace environments • Promoting diversity and a healthy work-life balance • Proactive recruitment and promotion of local people 	<ul style="list-style-type: none"> • Continuing to hold no-overtime days • 100% usage of childcare leave (expanding childcare leave, etc.) • Over 10% of management positions filled by female employees (compared to approximately 5% in 2012) • Local people installed as top-management at 8 out of 9 local subsidiaries • In-house preschool "Tamron Kids Nursery School" • Obtained Kurumin logo certification • Obtained Platinum+ company certification, the top level of certification under the Company Implementing Diverse Workstyles scheme
Governance functions	<ul style="list-style-type: none"> • Improving transparency, fairness and objectivity • Proactive use of voluntary committees • Proactive response to the Corporate Governance Code 	<ul style="list-style-type: none"> • Established Nomination and Remuneration committees <2016> (Outside director is appointed as committee chairperson, and the number of outside officer account for at least half of committee membership.) • Full compliance with all rules of the Corporate Governance Code <2018> • Established governance guidelines <2018>
Directors and executive officers	<ul style="list-style-type: none"> • Diversification of board membership • Slimming down of board membership 	<ul style="list-style-type: none"> • Appointed one foreign national as director <2016> (and two foreign nationals as executive officers) • Appointed one female director <2018> (and two female executive officers) • Reduced the number of directors by 20% from 15 to 12 <2018>
Remuneration	<ul style="list-style-type: none"> • Review of remuneration schemes for corporate officers 	<ul style="list-style-type: none"> • Introduced a medium to long-term performance-linked share remuneration scheme <2018>

Composition of Sales

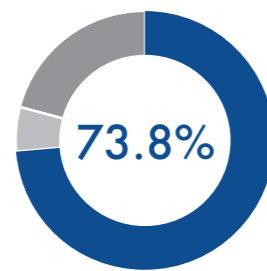
Main Products

Business Segment Overview

Net Sales

Operating Income(Losses)/(%) Net Sales

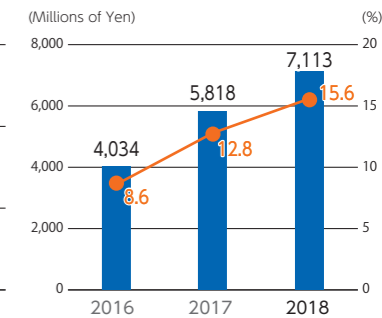
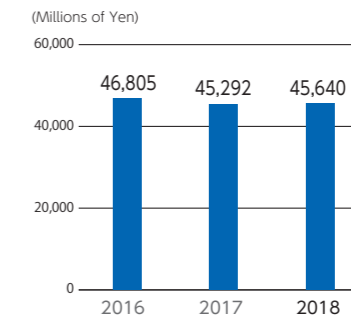
Photographic Products



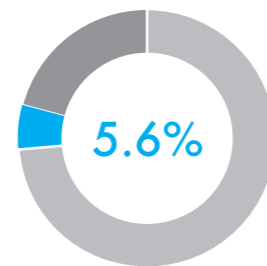
- Interchangeable lenses for 35mm/Digital SLR camera
- Interchangeable lenses for mirrorless interchangeable lens camera

Although sales in the interchangeable lens camera market declined, sales from OEM products remained at the same level as the previous year, while strong sales of house-brand products in the United States coupled with the increase in sales of new products launched in 2017 and 2018 contributed to an increase in revenues. One new house-brand product in particular, the 28-75 mm F/2.8 RXD (A036) high-speed zoom lens for 35 mm full-frame mirrorless cameras (launched in May 2018) has continued to sell strongly since the time of its initial launch due to its uncompromising performance, achieving both high image quality and beautiful bokeh (background blurring) effects only possible with large-aperture lenses. The house-brand 28-75 mm F/2.8 RXD (A036) and 70-210 mm F/4 VC USD (A034) lenses were highly appraised, and simultaneously won an EISA Award, marking the 13th consecutive time for the Company's lenses to win the award.

As a result, net sales for the Photographic Products business stood at 45.640 billion yen (up 0.8% compared to the previous fiscal year), and operating income rose to 7.113 billion yen (up 22.3% compared to the previous year).



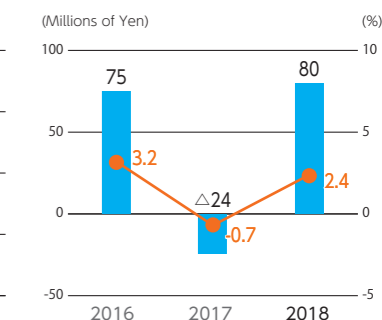
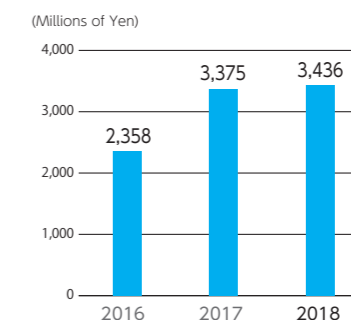
Optical Components



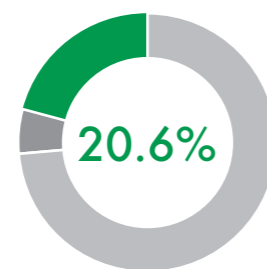
- Camcorder lenses
- Digital still camera lenses
- Drone lenses
- Optical device units

Although revenues from compact digital camera lenses and video camera lenses declined due to the contraction of those markets, there was a major increase in revenues from lenses for drones due to a full-blown increase in sales of these lenses during the second half of the year as a result of an increase in the number of models being ordered.

As a result, net sales of the Optical Components business stood at 3.436 billion yen (up 1.8% compared to the previous year), while operating income stood at 80 million yen (in the previous year, the company posted operating losses of 24 million yen).



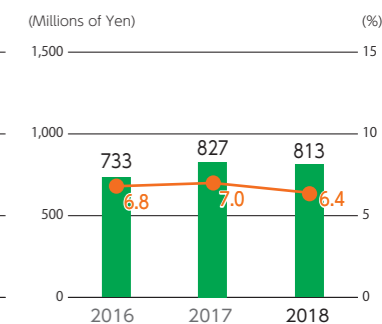
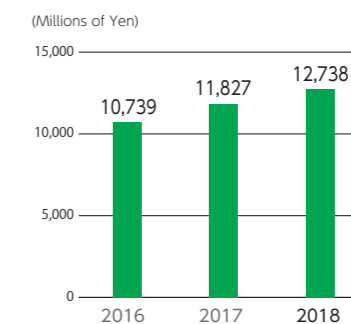
Commercial/Industrial-use Optics



- Surveillance camera lenses
- FA and Machine vision lenses
- Automotive camera lenses
- Camera module

This year saw a double-figure increase in revenues from sales of vehicle-mounted camera lenses as a result of growth in sales in the sensing field (one area in which the Company is focusing its energies), as a result of pushing forward the development of elemental technologies and enhancing production and quality control aspects. Although sales of surveillance camera lenses and DA/machine vision lenses were impacted by competition over price, sales of those lenses in Japan and Europe remained strong, while the full-scale sale of camera modules from the fourth quarter onwards also contributed to an increase in revenues.

As a result, net sales for the Commercial/Industrial-use Optics business came to 12.738 billion yen (up 7.7% compared to the previous year), although operating income stood at 813 million yen (down 1.8% compared to the previous year).



FINANCIAL SUMMARY

Current assets

The balance of current assets at the end of the consolidated fiscal year under review stood at 48.091 billion yen, up 2.698 billion yen compared to the level at the end of the previous consolidated fiscal year. The result primarily reflected increases in cash and deposits of 3.006 billion yen and decreases in notes and accounts receivable-trade of 654 million yen.

Non-current assets

The balance of noncurrent assets at the end of the consolidated fiscal year stood at 16.613 billion yen, a decrease of 1.862 billion yen compared to the level at the end of the previous fiscal year. This was mainly because of a decline in property, plant and equipment of 1.343 billion yen.

Current liabilities

The balance of current liabilities at the end of the consolidated fiscal year stood at 11.620 billion yen, down 311 million yen compared to the level at the end of the previous consolidated fiscal year. This was mainly because of declines in short-term borrowings of 145 million yen and in accrued expenses of 83 million yen.

Non-current liabilities

The balance of noncurrent liabilities at the end of the consolidated fiscal year stood at 2.231 billion yen, up 235 million yen compared to the level at the end of the previous consolidated fiscal year. This was chiefly because of an increase in liabilities for retirement benefit of 154 million yen.

Net assets

The net balance of assets at the end of the consolidated fiscal year came to 50.852 billion yen, an increase of 912 million yen compared to the level at the end of the previous consolidated fiscal year. This mainly reflected an increase in retained earnings of 3.034 billion yen and a decline in foreign currency translation adjustments of 1.289 billion yen.

CASH FLOWS

For the consolidated fiscal year, cash and cash equivalents at the end of the year increased 3.006 billion yen compared to the level at the end of the previous consolidated fiscal year, to 22.438 billion yen.

The cash flows resulting from different activities during the consolidated fiscal year were as follows.

Cash flows through operating activities

Profit before income taxes stood at 5.963 billion yen, depreciation came to 3.164 billion yen, and the increase in notes and accounts payable-trade stood at 608 million yen. At the same time, the increases in accounts receivable-trade and inventory came to 65 million yen and 697 million yen, respectively. Because of these and other factors, cash flows from operating activities resulted in income of 7.523 billion yen (compared to income of 7.661 billion yen for the previous consolidated fiscal year).

Cash flows through investing activities

With expenses of 2.154 billion yen for property, plant and equipment, etc., cash flows from investing activities resulted in a disbursement of 2.202 billion yen (compared to 2.174 billion yen in the previous consolidated fiscal year).

Cash flows through financing activities

There was a disbursement of 518 million yen for the repayment of long-term borrowings and dividend payments of 1.296 billion yen. Because of these and other factors, cash flows from financing activities resulted in a disbursement of 1.861 billion yen (compared to 2.351 billion yen in the previous consolidated fiscal year).

CAPITAL INVESTMENT

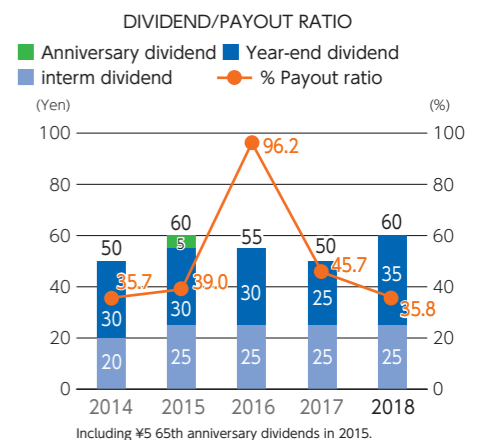
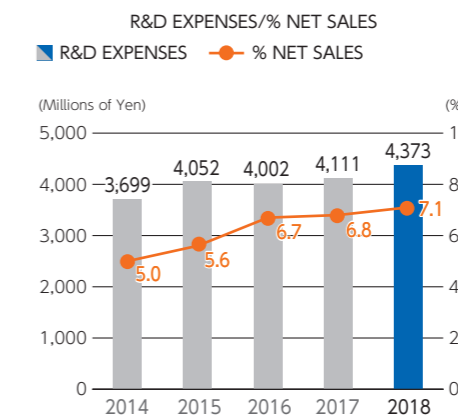
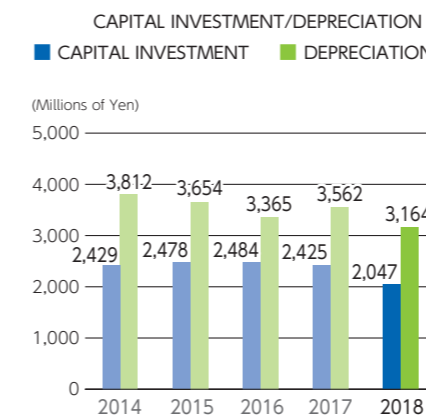
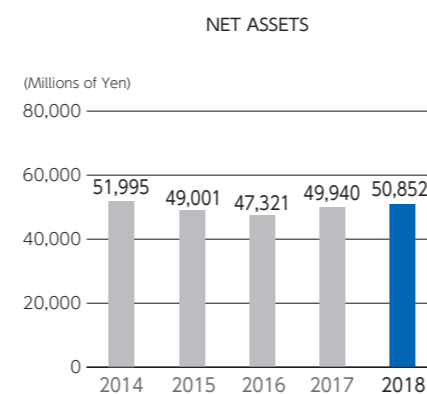
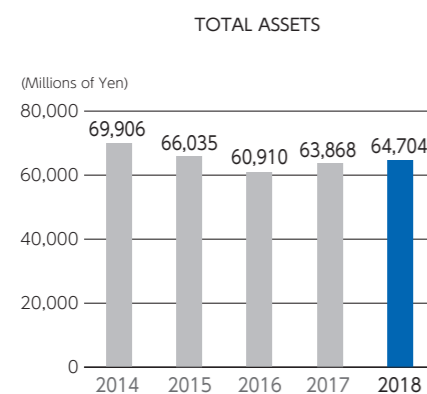
In 2018, the Tamron Group made total capital investments of 2.047 billion yen (down 15.6% compared to the previous year) centered on investments in metal molds related to new models.

RESEARCH AND DEVELOPMENT

With regard to the Tamron Group's research and development activities, the Opto-Science R&D Center has continued to engage in R&D from a long-term perspective. The Optical Design & Engineering R&D Unit, the Core Technology & Engineering R&D Unit, the Integrated Core Technology R&D Unit and the Process Technology & Engineering Unit worked to develop individual elementary technologies, which are the core technologies of optics, production engineering, and electronics, and the engineering departments of the individual Business Units engaged in product development. R&D expenses in 2018 were 4.373 billion yen.

DIVIDEND POLICY

We will continue with the stable allocation of profits to shareholders. We strive to allocate profits based on business performance while taking a long-term view of improved earning power and considering various R&D efforts and capital investments to reinforce the management structure and expand into new businesses in the future. We target a dividend payout ratio of around 35% on a consolidated basis. Taking into account business results for the fiscal year under review, the above dividend policy, etc., total dividends for the fiscal year ended December 31, 2018 were increased by 10 yen per share from the level of the previous fiscal year, to 60 yen per share (a 25-yen interim dividend and a 35-yen year-end dividend), and the consolidated dividend payout ratio was 35.8%.



1. Basic Policy

Ever since the Company was first established, we at Tamron have sought to forge good relationships with all stakeholders, achieve sustainable growth and enhance corporate value in line with our management philosophy. In support of those goals, we have adopted the basic approach of ensuring fair and transparent management practices while developing a highly effective corporate governance system that seeks to improve the speed and efficiency of decision making and business execution.

2. Corporate Governance System Overview

Tamron is a company with corporate auditors and includes a Board of Directors that functions as a body to make important decisions and supervise the execution of operations, as well as an Audit & Supervisory Board as an auditing body that is independent of the Board of Directors.

Tamron also appoints multiple independent external directors possessing a wealth of knowledge, expertise and independence and has set up a Nominating Committee and Compensation Committee as

advisory bodies to enhance supervisory functions.

To the Board of Directors, Tamron appoints 12 directors (two of whom are external directors) and 4 corporate auditors (three of whom are external auditors).

(1) Board of Directors

Meetings of the Board of Directors are held once a month, in principle, attended by all Directors and Corporate Auditors, for reviewing the execution of duties by the Directors and deciding on important issues as set forth in the basic policy of the Company and the Companies Act.

(2) Audit & Supervisory Board

Meeting once a month in principle, the Audit & Supervisory Board audits the process of decision making by the Board of Directors and the execution of duties by Directors, by attending the Board of Directors meetings and checking approval documents.

(3) Nomination Committee and Compensation Committee

To enhance the independence and objectivity of Board of Directors functions concerning director appointment, dismissal and compensation, Tamron has established a Nominating Committee and Compensation Committee. Each committee is chaired by an external director, with a majority of its members external officers (external directors and external auditors).

(4) Management Meeting

Tamron has established management meetings attended by directors and full-time corporate auditors to discuss and consider issues related to management and the execution of duties, and to quickly respond to the changing management environment.

Management (As of May 1, 2019)

Board of Directors

- President & CEO**
Shiro Ajisaka
- Corporate Vice Presidents**
Shogo Sakuraba
Masayuki Abo
- Senior Managing Director**
Hiroshi Kawanabe
- Managing Directors**
Koji Masunari
Yasuki Kitazume
- Directors**
Hiroshi Otsuka
Shenghai Zhang
Makoto Otani
Tomohide Okayasu
Yuichi Sato¹
Harumi Katagiri¹

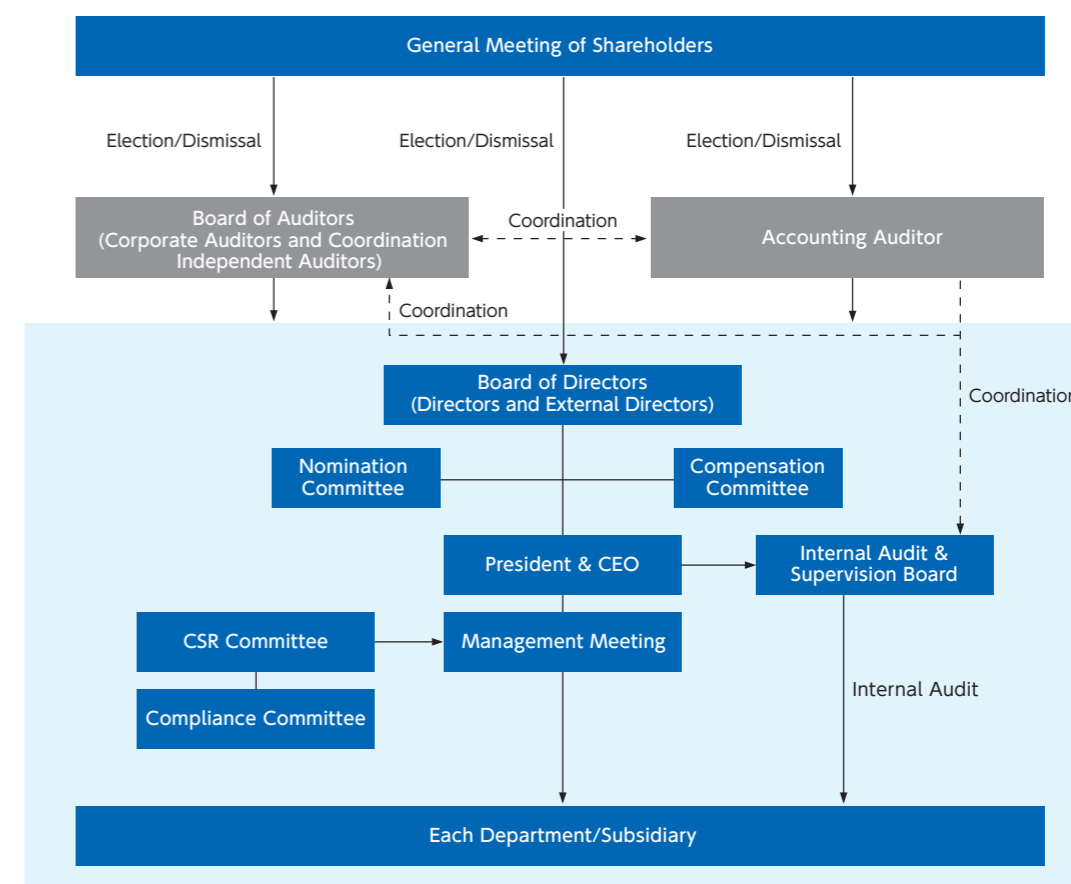
Corporate Auditors

- Audit & Supervisory Board Member**
Tsutomu Tezuka
Takashi Hirayama²
Tadahiro Tone²
Masaya Nara²
- Notes: 1. Independent Director
2. Independent Corporate Auditor

Executive Officers

- Senior Executive Officers**
Hideyuki Nonaka
Toshikuni Tateno
Yoshinori Narita
- Executive Officers**
Chaitang Ho
Jie Chen
Emiko Ushida
Masato Naraoka
Mikio Kimura
Naoto Shiga
Shigehisa Arima
Takashi Sawao
Gregg Maniachi

Corporate Governance Structure



POLICY AND PROCEDURES FOR NOMINATION OF DIRECTOR CANDIDATES AND CORPORATE AUDITOR CANDIDATES

Nomination policy

The Board of Directors shall consist of an appropriate number of people of up to 15 persons, and the viability of the Board shall be secured in consideration of the diversity/balance that is able to cover the individual functions and individual business divisions of the Company so that full

discussions/consideration and accurate and prompt decision-making will be undertaken and appropriate risk management as well as business execution will be made.

- For candidates for directors, while valuing diversity in terms of gender, age, nationality, experience and other aspects, candidates shall have extensive ability, knowledge, achievements, dignity and ethical standards.

- To appropriately reflect extensive experience, high-level expertise or insight in its management, the Company shall have multiple candidates for independent directors who satisfy the criteria for independence set by the Company and who can play the role of a supervisory and advisory function in its management from an independent standpoint.
- Taking into account diversity as well as extensive ability, knowledge, experience, dignity and ethical standards, candidates for corporate auditors shall have a high level of expertise and insight in corporate management, legal affairs, financial affairs, accounting, etc. As for corporate auditors, the Company shall have multiple candidates who satisfy the criteria for independence set by the Company and can play the role of a supervisory and advisory function in its management.

Procedures for nomination decision-making

- Director candidates shall be determined by the Board of Directors after deliberation by the Nomination Committee with an independent director serving as the Chairman.
- Corporate auditor candidates shall be determined by the Board of Directors after obtaining approval from the Audit & Supervisory Board.

POLICY AND PROCEDURES FOR DETERMINING DIRECTORS' REMUNERATION

The Company shall review the remuneration system for directors, and the system shall consist of "base remuneration," a fixed remuneration, "short-term incentive remuneration," a bonus in accordance with the business performance for a single year, and "medium and long-term incentive remuneration," a performance and stock-based remuneration. The revision of a bonus for directors was determined at the 71st Ordinary General Shareholders' Meeting on March 28, 2018. Separately from this, the introduction of performance and stock-based remuneration was resolved at the Meeting.

"Base remuneration," a fixed remuneration, and "short-term incentive remuneration," a bonus in accordance with the business performance for a single year, shall be determined by the Board of Directors through the deliberation of the Compensation Committee with an independent director serving as the Chairman, considering the position, degree of contribution, industry standard or standards of other companies of the same size, and

performance, etc. of individuals within the range of a remuneration limit resolved at the General Meeting of Shareholders.

The purpose of "medium and long-term incentive remuneration," a performance and stock-based remuneration, is to clarify the link between business performance, stock prices, and directors' remuneration and further heighten awareness of contributing to the improvement of medium- and long-term business performance and the increase of corporate value.

Regarding the system, the Trust established as a result of the monetary contribution made by the Company acquires the Company shares and delivers the Company shares to directors through the Trust based on points awarded in accordance with the position and performance pursuant to the share issuance rules specified by the Board of Directors within the range of a remuneration limit resolved by the General Meeting of Shareholders. The directors shall be provided with the Company shares at the time of their retirement, in principle. Levels of achievement towards the Company's mid-term management plan, including ROE, shall also be assessed.

Independent directors shall be paid the base remuneration only.

ANALYSIS/ASSESSMENT OF THE VIABILITY OF THE ENTIRE BOARD OF DIRECTORS

The Company conducts a survey of the directors and corporate auditors regarding the composition and operation of the Board of Directors to self-assess the viability of the overall Board of Directors.

At present, discussions that contribute to the sustainable growth of the business and the enhancement of corporate value are being held. As for the governance function, the supervision of business execution and audit independence are functioning effectively. We therefore acknowledge that the viability of the entire Board of Directors is generally and appropriately secured.

Based on the survey results, the Company recognizes shared issues and strives to review the composition and size or frequency of the Board of Directors and the remuneration system.

The Company shall continue the discussions and verification based on the survey results and commit to further enhancing the viability of the Board of Directors.

Criteria for Assessing the Independence of Independent Directors and Outside Audit & Supervisory Board Members

The Company considers that an independent director or an outside Audit & Supervisory Board member (hereinafter, an "outside executive officers") is independent if he/she satisfies the standards for independence specified by Tokyo Stock Exchange and does not fall under any of the following items.

- 1.Executing person of the Company and its subsidiaries (hereinafter, the "Group").
- 2.The Group's major business partner (business partner who has received payment from the Group in an aggregate amount equaling no less than 2% of its annual consolidated sales) or its executing person.
- 3.The Group's major business partner (business partner who has made payment to the Group in an aggregate amount equaling no less than 2% of its annual consolidated sales) or its executing person.
- 4.Executing person of the Group's major lender (lender from whom the Group has borrowed funds equaling no less than 5% of the Group's consolidated net assets).
- 5.The Group's large shareholder (person holding no less than 10% of voting rights, directly or indirectly) or its executing person.
- 6.Representative partner or partner of audit firm which conducts accounting audits of the Company.
- 7.Consultant, attorney, certified public accountant or other persons who provide professional services who annually receive no less than 10 million yen in cash or other property benefits, other than executive compensation, from the Company.
- 8.Administration officer or other executive persons of an organization, etc. to which the Group annually donates or provides grant in aid of no less than 10 million yen.
- 9.Executive person of a company with which the Company has relationships through outside executive officers;
- 10.Spouse or relative within the second degree of relationships of any person listed in 1 through 9 in the above (excluding those who are not important).
- 11.Any person who has fallen under 1, above, even once in the past, or
- 12.Any person who has fallen under any person listed in 2 through 10 in the past three years.

The following section provides an overview of the issues related to the business results and financial position of the Group that may have a material effect on the decisions of investors.

The forward-looking statements in this text represent the judgment of management as of March 27, 2019.

1. Dependence on specific customers

Sales to Sony Corporation's group companies approximately 24% of the Group's sales, (results for the fiscal year ended December 31, 2018). As a result, changes in the strategies and policies and business relationships of this company may significantly affect the Group's business results.

2. New businesses

It is the Group's policy to foster and expand new businesses. In the event that the Group decides to scale back or withdraw from a new business due to intensifying price competition, rapid technological innovation, drastic changes in market needs and so forth, the Group's business results may be significantly affected.

3. Dependence on specific suppliers

The Group procures raw materials, components, etc. from numerous external suppliers. For the procurement of glass materials, in particular, it relies on limited supply sources.

If these raw materials, components, etc. are not available in the quantity or price that the Group has planned for any reason, and the Group is unable to produce the products in the planned quantity, etc., it will fail to carry out its responsibility of delivery to customers, and this may significantly affect its business results.

4. Product defects

The Group has developed advanced quality assurance systems. In the unlikely event of the occurrence of a defect in its products that may lead to large-scale product liability, the Group may incur significant expense or lose public confidence, etc., any of which may significantly affect its business results.

5. Intellectual property rights

The Group undertakes investigations, negotiations and applications, and also takes other necessary steps to protect its rights related to intellectual property rights and avoid any related issues. In the event of a dispute over intellectual properties occurring between the Group and a third party, the Group's business results may be significantly affected.

6. Laws and regulations

The Group strives to comply with international and domestic laws and regulations, government permits, licenses, regulations and so forth that are relevant to the Group's businesses. In the event of a violation of laws or regulations or the filing of a suit due to unintended reasons, the Group's business results may be significantly affected.

7. Impairment loss

In cases where the market value of the Group's assets declines significantly or where the profitability of its business deteriorates, impairment loss will be recorded according to the accounting standards for impairment of assets, and this may significantly affect the Group's business results.

8. Effects of exchange rate fluctuations

The Group conducts transactions with overseas subsidiaries in foreign currencies, and some of the transactions with international and domestic business partners in foreign currencies. Accordingly, fluctuations in exchange rates may significantly affect the competitiveness of the Group's products in overseas markets, its export profit, business results, etc.

9. Other risks

In addition to the above, if there arise unanticipated political or economic factors, changes in tax systems or tax rates that have adverse effects, or events of social turmoil, etc. due to acts of terrorism, wars, natural disasters, contagious diseases or other factors in the countries or regions where the Group conducts business, this may significantly affect the Group's business results.

As of December 31	Millions of Yen	
	2017	2018
Assets		
Current assets		
Cash and deposits	¥19,431	¥22,438
Notes and accounts receivable-trade	14,061	13,407
Finished goods	6,392	6,364
Work in process	3,098	3,461
Raw materials and supplies	982	985
Deferred tax assets	360	289
Other	1,093	1,168
Allowance for doubtful accounts	(28)	(25)
Total current assets	45,392	48,091
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,295	13,131
Accumulated depreciation	(7,513)	(7,869)
Buildings and structures, net	5,781	5,261
Machinery, equipment and vehicles	19,385	18,555
Accumulated depreciation	(14,403)	(14,120)
Machinery, equipment and vehicles, net	4,982	4,434
Tools, furniture and fixtures	20,186	20,551
Accumulated depreciation	(18,188)	(18,755)
Tools, furniture and fixtures, net	1,998	1,796
Land	961	1,155
Construction in progress	894	625
Total property, plant and equipment	14,618	13,274
Intangible assets	704	632
Investments and other assets		
Investment securities	2,811	2,336
Deferred tax assets	115	132
Other	267	269
Allowance for doubtful accounts	(40)	(32)
Total investments and other assets	3,153	2,705
Total non-current assets	18,476	16,613
Total assets	¥63,868	¥64,704

As of December 31	Millions of Yen	
	2017	2018
Liabilities		
Current liabilities		
Accounts payable-trade	¥3,675	¥3,782
Short-term loans payable	2,676	2,531
Accrued expenses	3,109	3,026
Income taxes payable	629	551
Other	1,839	1,728
Total current liabilities	11,931	11,620
Non-current liabilities		
Long-term loans payable	468	467
Provision for share benefits	—	83
Net defined benefit liability	1,298	1,452
Other	230	229
Total non-current liabilities	1,996	2,231
Total liabilities	13,928	13,852
Net assets		
Shareholders' equity		
Capital stock	6,923	6,923
Capital surplus	7,432	7,432
Retained earnings	31,527	34,561
Treasury shares	(53)	(483)
Total shareholders' equity	45,829	48,433
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	846	561
Foreign currency translation adjustment	3,214	1,924
Remeasurements of defined benefit plans	49	(67)
Total accumulated other comprehensive income	4,110	2,418
Total net assets	49,940	50,852
Total liabilities and net assets	¥63,868	¥64,704

Years ended December 31	Millions of Yen	
	2017	2018
Net sales	¥60,496	¥61,815
Cost of sales	39,899	39,910
Gross profit	20,596	21,905
Selling, general and administrative expenses		
Advertising expenses	983	896
Promotion expenses	753	721
Provision of allowance for doubtful accounts	(5)	4
Salaries and bonuses	4,450	4,251
Retirement benefit expenses	131	126
Share-based compensation expenses	—	83
Technical research expenses	4,038	4,361
Other	5,997	6,036
Total selling, general and administrative expenses	16,350	16,481
Operating income	4,246	5,424
Non-operating income		
Interest income	58	79
Dividend income	45	66
Foreign exchange gains	—	184
Rent income	14	12
Subsidy income	64	67
Other	149	174
Total non-operating income	332	584
Non-operating expenses		
Interest expenses	42	44
Foreign exchange losses	357	—
Loss on retirement of non-current assets	36	34
Loss on abandonment of inventories	18	20
Other	23	31
Total non-operating expenses	478	131
Ordinary income	4,100	5,877
Extraordinary income		
Gain on sales of investment securities	—	85
Surrender value of insurance	122	—
Total extraordinary income	122	85
Profit before income taxes	4,222	5,963
Income taxes-current	1,276	1,382
Income taxes-deferred	107	250
Total income taxes	1,383	1,633
Plofit	2,838	4,330
Profit attributable to owners of parent	¥2,838	¥4,330

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31	Millions of Yen	
	2017	2018
Plofit	¥2,838	¥4,330
Other comprehensive income		
Valuation difference on available-for-sale securities	348	(285)
Foreign currency translation adjustment	738	(1,289)
Remeasurements of defined benefit plans, net of tax	119	(117)
Total other comprehensive income	1,205	(1,692)
Comprehensive income	4,044	2,637
Comprehensive income attributable to owners of parent	4,044	2,637

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Year ended December 31	Millions of Yen				
	2017				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	¥6,923	¥7,432	¥30,114	¥(53)	¥44,416
Changes of items during period					
Dividends of surplus			(1,425)		(1,425)
Profit attributable to owners of parent			2,838		2,838
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	1,412	(0)	1,412
Balance at end of current period	6,923	7,432	31,527	(53)	45,829

Year ended December 31	Millions of Yen				
	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total net assets
Balance at beginning of current period	¥498	¥2,475	¥(69)	¥2,905	¥47,321
Changes of items during period					
Dividends of surplus				—	(1,425)
Profit attributable to owners of parent				—	2,838
Purchase of treasury shares				—	(0)
Net changes of items other than shareholders' equity	348	738	119	1,205	1,205
Total changes of items during period	348	738	119	1,205	2,618
Balance at end of current period	846	3,214	49	4,110	49,940

Year ended December 31	Millions of Yen				
	2018				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	¥6,923	¥7,432	¥31,527	¥(53)	¥45,829
Changes of items during period					
Dividends of surplus			(1,296)		(1,296)
Profit attributable to owners of parent			4,330		4,330
Purchase of treasury shares				(429)	(429)
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	3,034	(429)	2,604
Balance at end of current period	6,923	7,432	34,561	(483)	48,433

Year ended December 31	Millions of Yen				
	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total net assets
Balance at beginning of current period	¥846	¥3,214	¥49	¥4,110	¥49,940
Changes of items during period					
Dividends of surplus				—	(1,296)
Profit attributable to owners of parent				—	4,330
Purchase of treasury shares				—	(429)
Net changes of items other than shareholders' equity	(285)	(1,289)	(117)	(1,692)	(1,692)
Total changes of items during period	(285)	(1,289)	(117)	(1,692)	912
Balance at end of current period	561	1,924	(67)	2,418	50,852

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31	Millions of Yen	
	2017	2018
Cash flows from operating activities		
Profit before income taxes	¥4,222	¥5,963
Depreciation	3,562	3,164
Increase (decrease) in net defined benefit liability	(64)	155
Increase (decrease) in provision for share benefits	—	83
Interest and dividends income	(104)	(146)
Interest expenses	42	44
Loss (gain) on sales of investment securities	—	(85)
Loss on retirement of property, plant and equipment	36	34
Surrender value of insurance	(122)	—
Decrease (increase) in notes and accounts receivable-trade	(367)	(65)
Decrease (increase) in inventories	(192)	(697)
Increase (decrease) in notes and accounts payable-trade	543	608
Increase (decrease) in accrued expenses	204	(8)
Other, net	991	(207)
Subtotal	8,752	8,841
Interest and dividends income received	104	146
Interest expenses paid	(42)	(44)
Income taxes paid	(1,153)	(1,419)
Net cash provided by (used in) operating activities	7,661	7,523
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,390)	(2,154)
Purchase of intangible assets	(60)	(125)
Purchase of investment securities	(16)	(2)
Proceeds from sales of investment securities	—	147
Proceeds from cancellation of insurance funds	260	—
Payments of loans receivable	(6)	(2)
Collection of loans receivable	13	8
Other, net	26	(72)
Net cash provided by (used in) investing activities	(2,174)	(2,202)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(372)	(16)
Proceeds from long-term loans payable	216	400
Repayment of long-term loans payable	(766)	(518)
Purchase of treasury shares	(0)	(429)
Cash dividends paid	(1,427)	(1,296)
Other, net	(1)	(1)
Net cash provided by (used in) financing activities	(2,351)	(1,861)
Effect of exchange rate change on cash and cash equivalents	265	(452)
Net increase (decrease) in cash and cash equivalents	3,401	3,006
Cash and cash equivalents at beginning of period	16,030	19,431
Cash and cash equivalents at end of period	¥19,431	22,438

SEGMENT INFORMATION

1. Outline of reporting segments

The Company's reporting segments are business units for which abstracted financial data is available and periodically reviewed by the Board of Directors to determine resource allocation and evaluate business performance. The Company has its business units identified by products. Each business unit plans its comprehensive domestic and overseas strategy for its products and operates its business activities.

Accordingly, Tamron has the following three reportable segments based on these business divisions that are categorized according to products: Photographic Products, Optical Components and Commercial/Industrial-use Optics. The "Photographic Products" manufactures and sells Interchangeable lenses for SLR cameras. The "Optical Components" manufactures and sells Camcorder lenses, Digital still camera lenses, and Optical device units. The "Commercial/Industrial-use Optics" manufactures and sells Surveillance camera lenses and Automotive lenses.

2. Information on sales, income, assets, liabilities and other items by reporting segment for fiscal 2018 and 2017

	Millions of Yen					
	2017					
	Photographic products	Optical components	Commercial/Industrial use optics	Total	Adjustment (Note1)	Consolidated (Note2)
Net sales:						
Sales to external customers	¥45,292	¥3,375	¥11,827	¥60,496	¥ -	¥60,496
Intersegment sales	-	-	-	-	-	-
Total	45,292	3,375	11,827	60,496	-	60,496
Operating income (loss)	5,818	(24)	827	6,622	(2,376)	4,246
Assets	36,582	2,472	8,708	47,764	16,104	63,868
Depreciation	2,578	235	674	3,488	73	3,562
Increase in tangible and intangible fixed assets	1,733	308	349	2,391	33	2,425

Notes:

- (1) Adjustment of segment profit totaled (2,376) million yen is due to unallocated operating expenses consisted principally of expenses related to general affairs, accounting and other departments of the Company.
 - (2) Adjustment to segment assets includes corporate level assets, which consist principally of surplus investment funds (cash and deposits), long-term investment funds (such as marketable securities), and non-segment specific.
2. Segment profit or loss is adjusted to operating profit of consolidated statements of income.

	Millions of Yen					
	2018					
	Photographic products	Optical components	Commercial/Industrial use optics	Total	Adjustment (Note1)	Consolidated (Note2)
Net sales:						
Sales to external customers	¥45,640	¥3,436	¥12,738	¥61,815	¥ -	¥61,815
Intersegment sales	-	-	-	-	-	-
Total	45,640	3,436	12,738	61,815	-	61,815
Operating income	7,113	80	813	8,008	(2,583)	5,424
Assets	32,899	2,833	9,473	45,206	19,497	64,704
Depreciation	2,170	325	594	3,090	73	3,164
Increase in tangible and intangible fixed assets	1,543	137	317	1,998	49	2,047

Notes:

- (1) Adjustment of segment profit totaled (2,583) million yen is due to unallocated operating expenses consisted principally of expenses related to general affairs, accounting and other departments of the Company.
 - (2) Adjustment to segment assets includes corporate level assets, which consist principally of surplus investment funds (cash and deposits), long-term investment funds (such as marketable securities), and non-segment specific.
2. Segment profit is adjusted to operating profit of consolidated statements of income.

RELATED INFORMATION

Year ended December 31, 2018 and 2017

1. Information by geographical area

(1) Sales

	Japan	North America	Europe	Asia	Other	Total
2017	¥17,238	¥8,897	¥12,310	¥20,496	¥1,552	¥60,496
2018	¥17,802	¥8,910	¥11,845	¥21,571	¥1,686	¥61,815

Note: Sales are grouped by country or region, based on customer location.

(2) Property, plant and equipment

	Japan	North America	Europe	Asia	Total
2017	¥6,965	¥243	¥271	¥7,137	¥14,618
2018	¥6,685	¥238	¥235	¥6,115	¥13,274

2. Information by major customer

Name of company	Millions of Yen	
	Net sales	Relevant segments
2017		
Nikon Corporation	¥6,578	Photographic Products
Sony Global Manufacturing & Operations Corporation	¥9,403	Photographic Products Optical Components Commercial / Industrial-use Optics
2018		
Sony Global Manufacturing & Operations Corporation	¥9,806	Photographic Products Optical Components Commercial / Industrial-use Optics

3. Other

Quarterly financial information for the year ended December 31, 2018

	Millions of yen, excluding net income per share-basic			
	1Q	2Q	3Q	For the year ended December 31, 2018
Net sales	¥12,447	¥28,572	¥43,903	¥61,815
Profit before income taxes	415	2,176	3,695	5,963
Profit attributable to owners of parent	303	1,585	2,801	4,330
Net income per share-basic (yen)	11.69	61.26	108.46	167.80

Note: Amount per each quarter is accumulated amount.

	Yen			
	1Q	2Q	3Q	4Q
Net income per share-basic	¥11.69	¥49.82	¥47.27	¥59.40

IMPACT OF FOREIGN EXCHANGE RATE FLUCTUATIONS

2018	Exchange Rate		Impact	
	2017	2018	Net Sales	Operating Income
USD	112.17	110.45	(550)	(20)
EUR	126.73	130.38	260	220
Others	-	-	(60)	(60)
Total	-	-	(350)	140

(Impact on 2018 Actual performance)

Forecast 2019	Exchange Rate		Impact of ¥1 appreciation	
	Assumption 2019		Net Sales	Operating Income
USD	110.00		(330)	(40)
EUR	125.00		(90)	(80)

Company History

1950
Taisei Optical Equipment Manufacturing is founded in Urawa City, Saitama Prefecture

1952
Taisei Optical Equipment Manufacturing Inc. is established with capital of 2.5 million yen



Founding member Takeyuki Arai (right)

1958
The Tamron Brand is registered as a trademark



The Urawa Plant at the time

1970
The Company name is changed to Tamron Co., Ltd.

Tamron's corporate symbol at the time



1969
The Hirosaki Plant is established in Aomori Prefecture

Origin of the Company Name

The name Tamron comes from the surname of Uhyoue Tamura, who laid the foundations of Tamron's optical technologies. After the name was launched as a product, the Company name was changed to Tamron on the occasion of the Company's 20th anniversary. Throughout its history, Tamron has promoted a corporate culture that values its engineers.



Uhyoue Tamura

1979
Sales subsidiary is established in the United States

1982
Sales subsidiary is established in West Germany

1984
Plant is established in Aomori Prefecture (Now the Namioka Plant)
Tamron registers with Japan Securities Dealers Association for over-the-counter trading

1986
Molding plant is established in Aomori Prefecture (Now the Owani Plant)

1995
Tamron acquires medium-format manufacturing and sales company (Bronica Co., Ltd.) (subsequently subjected to absorption-type merger)

1997
Sales subsidiary in Hong Kong is established
Production subsidiary in China is established

2000
Sales subsidiary in France is established

2005
Construction of new molding plant (head office) is completed
Sales subsidiary in China is established

2006
Tamron is listed on the 1st section of the Tokyo Stock Exchange



2012
Sales subsidiary in Russia is established
Production subsidiary in Vietnam is established

2013
Sales subsidiary in India is established

2015
Kouyu Kosan Co., Ltd. is acquired (subsequently subjected to absorption-type merger)

2017
Toumeigiken Co., Ltd. is acquired

1950 1960 1970 1980 1990 2000 2010

Product History

1950
Manufacture of cameras and binocular lenses started



1957
135mm F/4.5 lens is developed for 35mm single lens reflex cameras

The "T mount," the world's first interchangeable lens mount for single-lens reflex cameras, is developed



1966
Production of master lenses, ultra-precision lenses and prisms begins

"Tamron Adapt-A-Matic" range of interchangeable mount lenses is developed



Production of lenses for ITV and broadcasting begins

1969
Production of interchangeable lenses for single-lens reflex cameras, television lenses and photocopier lenses, etc. begins

1981
Development and production of the 6x zoom video camera lens begins

1983
Integrated video camera lens is developed



1986
Tamron leads the industry in the development of varifocal lenses for CCTVs

1992
The AF28-200mm (71D), the world's smallest and lightest all-in-one zoom lens for single-lens reflex cameras, is released

The Beginning of ALL-In-One Zoom Lenses

The original model for the all-in-one zoom lens was a rounded piece of graph paper the size of a cigarette packet.

Starting with this first product, Tamron has made successful advancements with greater focal distances, more compact and lighter designs and new mounting mechanisms, establishing Tamron's position as the go-to manufacturer of all-in-one zoom lenses.

The graph paper serving as the original model for the all-in-one zoom lens, featuring the signature of top management at the time



2000
645 format rangefinder camera RF645 is released

2006
Sale of lenses for mobile phones begins

2008
Sale of automotive lenses begins



2016
Sale of compact camera modules begins

2017
Sale of drone lenses begins

Tamron wins EISA awards for 13 consecutive years

COMPANY PROFILE

(As of December 31, 2018)

Overview

Company Name:
Tamron Co., Ltd.

Founded:
November 1, 1950

Incorporated:
October 27, 1952

Head office:
1385 Hasunuma, Minuma-ku, Saitama-shi,
Saitama 337-8556, JAPAN

Employees:
1,055 (non-consolidated)
5,046 (consolidated)

Stock exchange:
First section, Tokyo Stock Exchange

STOCK OVERVIEW

(As of December 31, 2018)

Number of shares issued:
25,950,000 shares

Number of shares per unit:
100 shares

Number of shareholders:
4,930 shareholders

Balance date:
December 31

Scheduled Annual Shareholders Meeting:
March

Eligibility date for year-end dividend payments:
December 31

Eligibility date for interim dividend payments:
June 30

Transfer Agent:
Sumitomo Mitsui Trust Bank, Limited

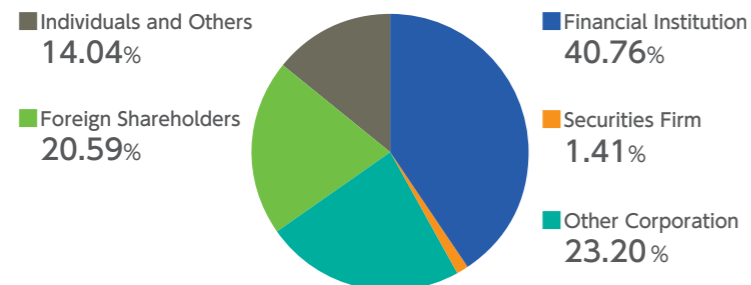
Top10 Shareholders

No	Name	Number of Shares (Thousands)	Percentage of Shares Hold
1	New Well Co., Ltd.	4,898	18.89%
2	Sony Corporation	3,129	12.07%
3	Japan Trustee Services Bank, Ltd. (trust account)	1,558	6.01%
4	Saitama Resona Bank Limited	1,122	4.33%
5	Japan Trustee Services Bank, Ltd. (trust account 9)	1,038	4.00%
6	The Master Trust Bank of Japan ,Ltd. (trust account)	893	3.44%
7	Nippon Life Insurance Company	580	2.23%
8	GOVERNMENT OF NORWAY	542	2.09%
9	BNP PARIBAS SEC SERVICES LUXEMBOURG/ JASDEC/ ABERDEEN GLOBAL CLIENT ASSETS	460	1.77%
10	Japan Trustee Services Bank, Ltd. (trust account 5)	346	1.33%
Total		14,570	56.21%

Note: The 3,129 thousand shares owned by Sony Corporation are fiduciary assets trusted to Mizuho Trust & Banking Co., Ltd. In regard to the execution of voting rights and jus disposition of the shares, Sony Corporation reserves the right to instruct pursuant to the provisions of the trust contract between the two parties.

Composition of Shareholders

Note: Excluding odd lot.



TAMRON

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Fax:+81-48-683-8289
<http://www.tamron.com>

GROUP NETWORK

Production Facilities

Hirosaki Plant
3-2 Shimizu 3-chome, Hirosaki-shi, Aomori
036-8254,
JAPAN

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