

Tamron Co., Ltd.
FY2022 Financial Results Briefing
On Wednesday, February 8, 2023 at 17:10-18:00

[Main Questions and Answers]

Q1. Looking at business results for the Photographic Products Business in the fourth quarter of FY2022, despite it being the year-end sales season, net sales were slightly higher but profit was lower than the third quarter. What is behind these results?

A1. This is due to net sales for own-brand products increasing but net sales from OEM products decreasing. In terms of profit, the extent of the impact of rising costs for components and materials was a key factor eating into profit margins. In addition, business travel increased as the COVID-19 situation gradually eased, advertising expenses increased ahead of the Christmas shopping season, and personnel expenses rose due to bonuses and other payments. These and other factors led to an increase in SG&A expenses.

Q2. Regarding the 2023 forecast for the Photographic Products Business, what is behind your projection of a significant jump in sales and profit from the first half to the second half of the year?

A2. As we plan to launch new products in the Photographic Products Business in the second half of the year, that will have a large impact.

Q3. In Mobility & Healthcare and Others, you project a decline in profit margins for 2023. What is the reason for this?

A3. Healthcare is a sector we are focused on cultivating as a future business, but in 2022 we were not able to conduct sales activities as much as hoped due to COVID-19. However, in 2023 we plan to revive those efforts without our sales activities being constrained, and as a result, we foresee an increase in SG&A expenses and lower profit margin. As we are at the stage of cultivating this business, profits will decline temporarily, but we want to prioritize increased orders.

Q4. What is the breakdown for the 4 billion yen you invested in the new plant in Vietnam?

A4. The investment includes land, buildings and also some processing facilities. We will refrain from giving specific figures for the breakdown, but the buildings will account for most of the investment, with land and facilities each planned to be in the range of several hundred million yen.

Q5. What percentages of total production do each of the current production sites account for, and how will those percentages change in the future with the establishment of the new plant in Vietnam?

A5. On a value basis, in 2022 China accounted for around 65% of the total, followed by around 25% for Vietnam and about 10% for Japan. We cannot give specific figures at this point for the future, but basically the 10% share for Japan will be maintained, with the percentage in China falling and the percentage in Vietnam increasing.

Q6. The fact that you significantly increased profits, reaching over 10 billion yen in operating income, deserves strong recognition. However, when profit growth like this is achieved, we have seen many cases at other companies where selling expenses increase in order to expand market share. What are your future intentions, will you try to expand profit going forward, or are you happy with maintaining this level of profit without further squeezing selling expenses?

A6. Our basic approach is to always increase sales and profits, and we do not see our reaching the 10 billion yen profit mark as the end of that. Going forward we will pursue a policy that prioritizes profit and hope to expand profit.

Q7. What are the recent trends of sales in the US, Europe, China and Japan respectively?

A7. In the US we have seen a slight cooling. Europe also faces concerns of an economic downturn due to energy issues, inflation and other factors, but the Christmas shopping season in 2022 was strong. With China, there are still some uncertainties about the future due to the relaxation of zero-COVID policies, but sales were brisk in the 2022 Christmas shopping season and we have seen dealers increasing their purchases of stock in response to the relaxing of zero-COVID, so we do not project that China will see reduced sell-in. In Japan, in part due to inflationary pressures, we are seeing cautious purchases by dealers.

Q8. Why has inventory as of the end of 2022 significantly increased compared with the same time the previous year?

A8. The increase was 1.76 billion yen year on year, but around half of that, or 0.85 billion yen, is an increase due to foreign exchange rate fluctuations. In addition, we have pursued more cushioning in inventory in light of component and material supply risks and other factors continuing since last year. As a result, raw materials and work in process have increased. Additionally, from the third quarter to the fourth quarter we continued to release our own-brand new photographic products. Due to inventory of finished products increasing with plans for expanded sales in the future, months of inventory turnover has also increased.

<Note>

This material is provided as a reference material for the convenience of those who were unable to attend the financial results briefing. Please note that its content is not an exact copy of what was discussed in the event but that it is a summary made at our discretion.

This material includes forward-looking statements such as financial forecasts. Please note that forward-looking statements are based on information that was available at the time of making them and on certain assumptions that we deem reasonable and actual results may differ materially for various reasons.