



2nd Quarter FY2016 Financial Results

August 5, 2016
Tamron Co., Ltd. (Code: 7740)

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I . 2nd Quarter FY2016 Financial Results

I -1. 1st Half FY2016 Summary



【Business Environment】

- Economic situation ⇒ Enterprise performances became worse due to appreciation of JPY against both USD and Euro, and economic slowdown in emerging countries
- Digital camera market ⇒ Drastically shrunk especially since 2nd Quarter with market stagnation and aftermath of Kumamoto Earthquake

※Quantity-base (YoY)

(Source : CIPA)

	1Q	2Q	1st H
Interchangeable lens camera	(1)%	(28)%	(17)%
Interchangeable lens	(7)%	(21)%	(15)%

【Company's results】

- 1st H FY16 ⇒ Sales declined due to negative impact of appreciation of JPY and other reasons. Profit was also decreased because of sales decline and unfavorable exchange rate despite SGA reduction
- 2nd Q FY16 ⇒ Sales declined, however profit increased more than 10% with cost reduction of COGS and SGA

【Topics】

- Enhanced lineup of high-spec “SP series” of own-branded photographic lenses products
 - Launched macro lens “SP 90mm F/2.8 VC USD (Model F 017)” in Feb. 2016
 - Launched fixed focal lens “SP85mm F/1.8 VC USD (Model F 016)” in Mar. 2016

I -2. 1st Half FY2016 Financial Results



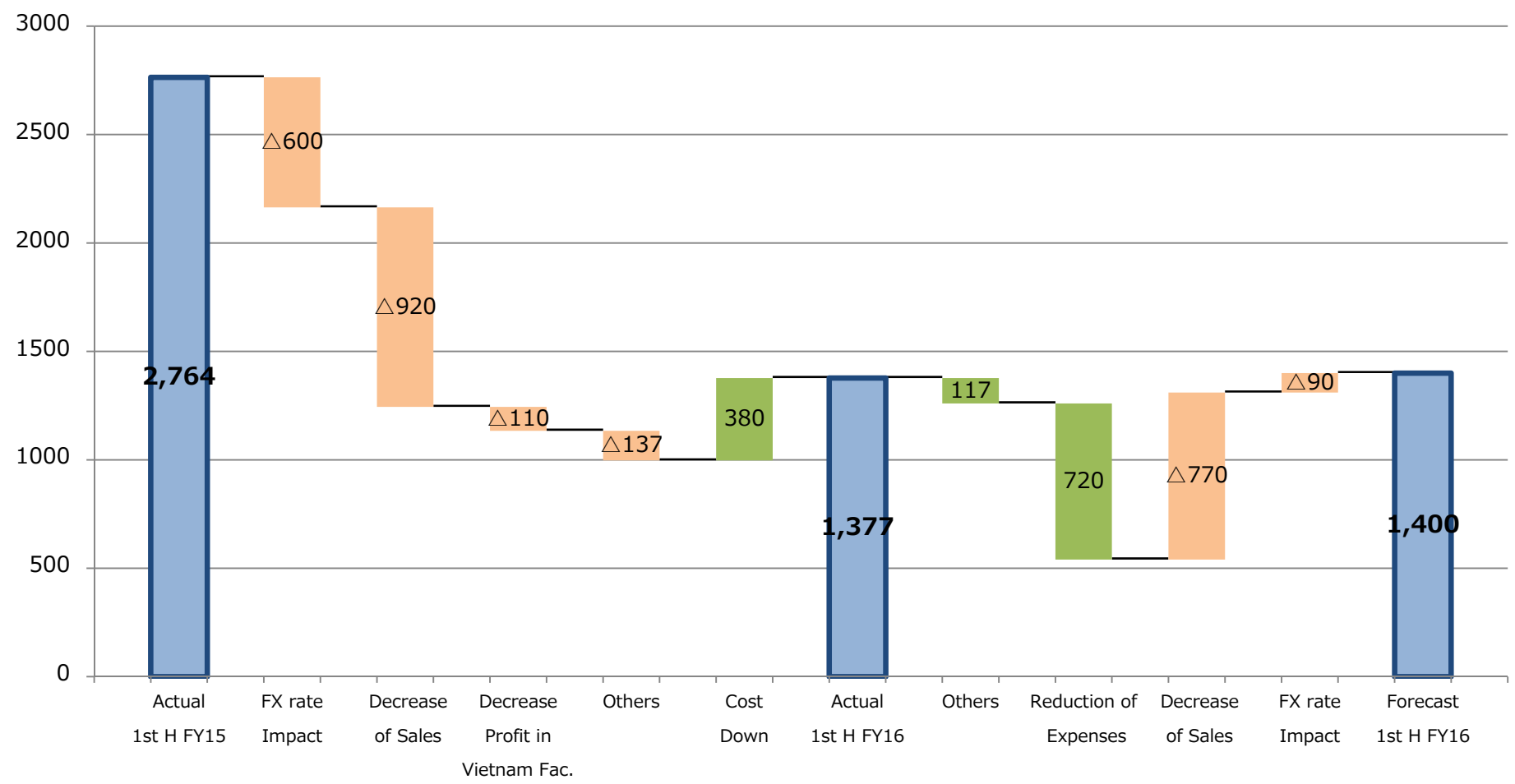
(millions of JPY)

	Actual 1st H FY15 (a)	Forecast * 1st H FY16 (16/4/28) (b)	Actual 1st H FY16 (c)	Inc / Dec		Inc / Dec	
				(c)-(a)	%	(c)-(b)	%
Net Sales	35,235	32,700	30,499	(4,736)	86.6%	(2,200)	93.3%
Operating Income	2,764	1,400	1,377	(1,387)	49.8%	(22)	98.4%
(% Sales)	7.8%	4.3%	4.5%	(3.3)%	—	0.2%	—
Ordinary Income	2,819	1,400	1,486	(1,333)	52.7%	86	106.2%
(% Sales)	8.0%	4.3%	4.9%	(3.1)%	—	0.6%	—
Net Income	2,678	940	934	(1,743)	34.9%	(5)	99.4%
(% Sales)	7.6%	2.9%	3.1%	(4.5)%	—	0.2%	—
JPY – 1 USD	120.31	112.70	111.72	(8.59)	—	(0.98)	—
JPY – 1 Euro	134.14	126.10	124.56	(9.58)	—	(1.54)	—

I -3. 1st Half FY2016 Performance Variation Factors



(millions of JPY)



I -4. 1st Half FY2016 Results by Segment

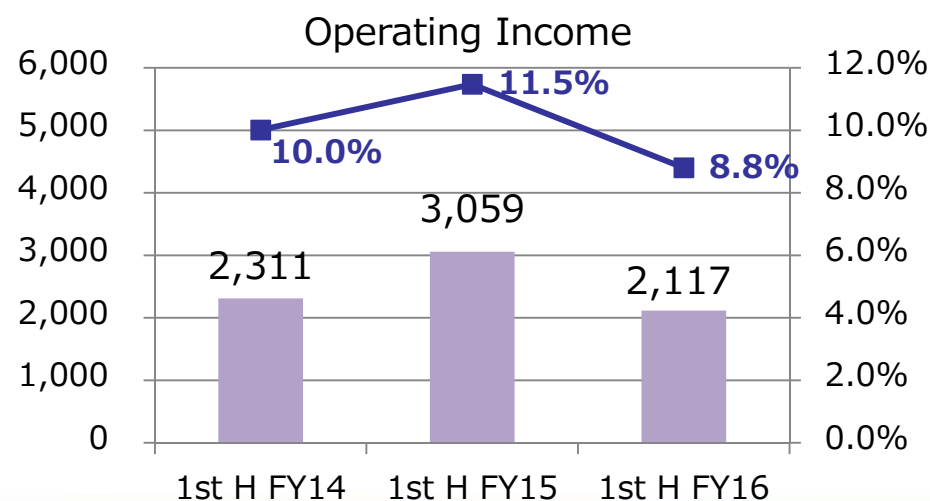
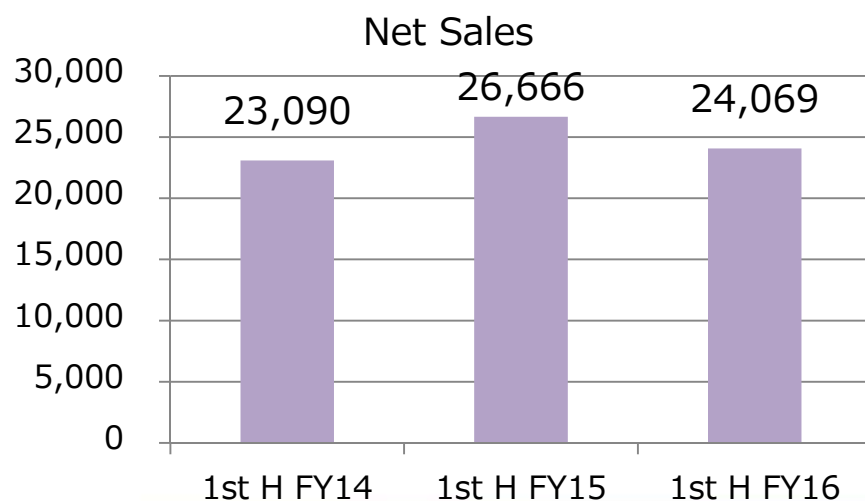
1) Photographic Products



(millions of JPY)

	Actual 1st H FY15 (a)	Forecast 1st H FY16 (16/4/28) (b)	Actual 1st H FY16 (c)	Inc / Dec		FX impact vs. 1st H FY15	Inc / Dec	
				(c)-(a)	%		(c)-(b)	%
Net Sales	26,666	25,400	24,069	(2,597)	90.3%	(1,350)	(1,330)	94.8%
Operating Income	3,059	2,200	2,117	(942)	69.2%	(500)	(82)	96.3%
(% Sales)	11.5%	8.7%	8.8%	(2.7)%	-	-	0.1%	-

- OEM models performed well in the market and OEM sales was also increased from the forecast. However, own-branded products were affected by the decelerating economic growth and decreased, although launches of new "SP" series lenses contributed



I -4. 1st Half FY2016 Results by Segment

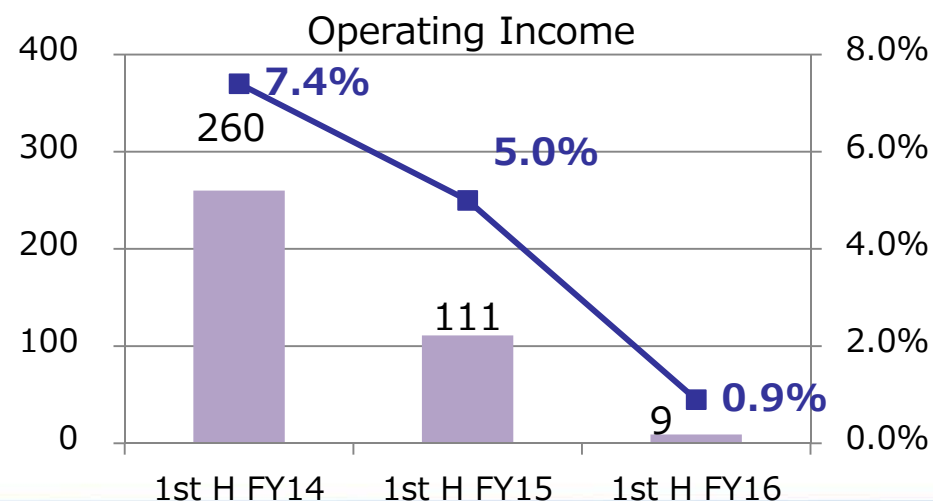
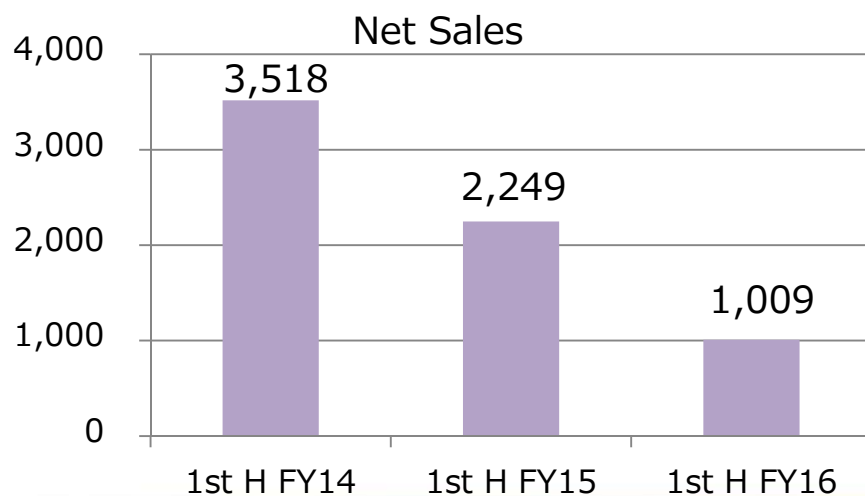
2) Optical Components



(millions of JPY)

	Actual 1st H FY15 (a)	Forecast 1st H FY16 (16/4/28) (b)	Actual 1st H FY16 (c)	Inc / Dec		FX impact vs. 1st H FY15	Inc / Dec	
				(c)-(a)	%		(c)-(b)	%
Net Sales	2,249	1,400	1,009	(1,239)	44.9%	(50)	(390)	72.1%
Operating Income	111	0	9	(101)	8.5%	–	9	–
(% Sales)	5.0%	0.0%	0.9%	(4.1)%	–	–	0.9%	–

- Maintained positive operating income even in the tough market situation caused by continuous shrink of the market and indirect influence of Kumamoto Earthquake



I -4. 1st Half FY2016 Results by Segment

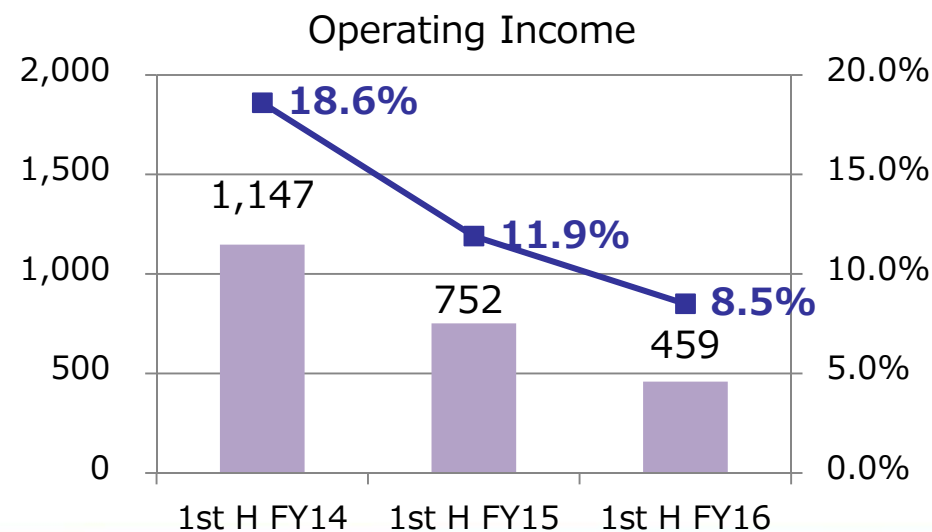
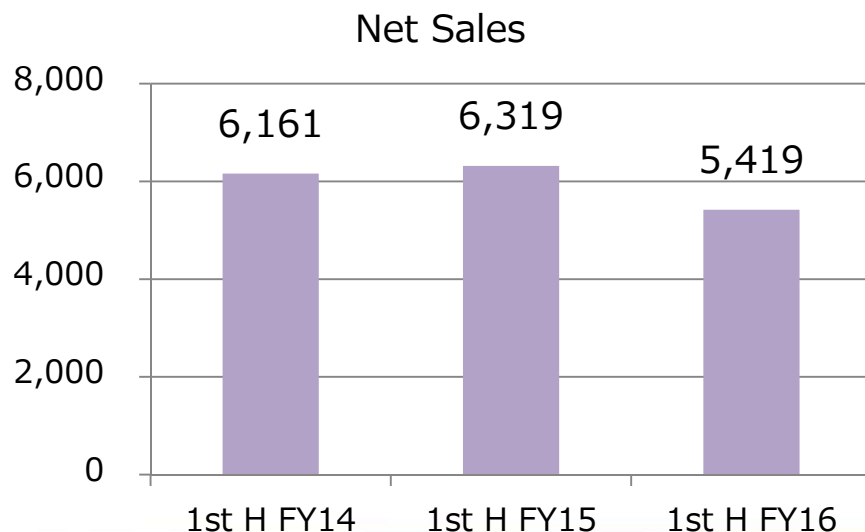
3) Commercial / Industrial-use Optics



(millions of JPY)

	Actual 1st H FY15 (a)	Forecast 1st H FY16 (16/4/28) (b)	Actual 1st H FY16 (c)	Inc / Dec		FX impact vs. 1st H FY15	Inc / Dec	
				(c)-(a)	%		(c)-(b)	%
Net Sales	6,319	5,900	5,419	(899)	85.8%	(300)	(480)	91.9%
Operating Income	752	500	459	(293)	61.0%	(100)	(40)	91.9%
(% Sales)	11.9%	8.5%	8.5%	(3.4)%	-	-	0.0%	-

- Sales of automotive camera lenses has been increasing steadily. However, CCTV lenses was stagnated due to the changes of CCTV camera market share.



Ⅱ . FY2016 Financial Forecast

II -1. FY2016 Forecast

TAMRON

New eyes for industry

(millions of JPY)

	Actual FY15 (a)	Previous Forecast FY16 (16/4/28) (b)	Revised Forecast FY16 (c)	Inc / Dec		Inc / Dec	
				(c)-(a)	%	(c)-(b)	%
Net Sales	71,946	72,000	64,000	(7,946)	89.0%	(8,000)	88.9%
Operating Income	4,554	5,100	3,000	(1,554)	65.9%	(2,100)	58.8%
(% Sales)	6.3%	7.1%	4.7%	(1.6)%	–	(2.4)%	–
Ordinary Income	5,140	5,100	3,100	(2,040)	60.3%	(2,000)	60.8%
(% Sales)	7.1%	7.1%	4.8%	(2.3)%	–	(2.3)%	–
Net Income	4,048	3,300	1,780	(2,268)	44.0%	(1,520)	53.9%
(% Sales)	5.6%	4.6%	2.8%	(2.8)%	–	(1.8)%	–
JPY – 1 USD	121.11	111.30	108.40	(12.71)	–	(2.90)	–
JPY – 1 Euro	134.35	125.60	119.80	(14.55)	–	(5.80)	–

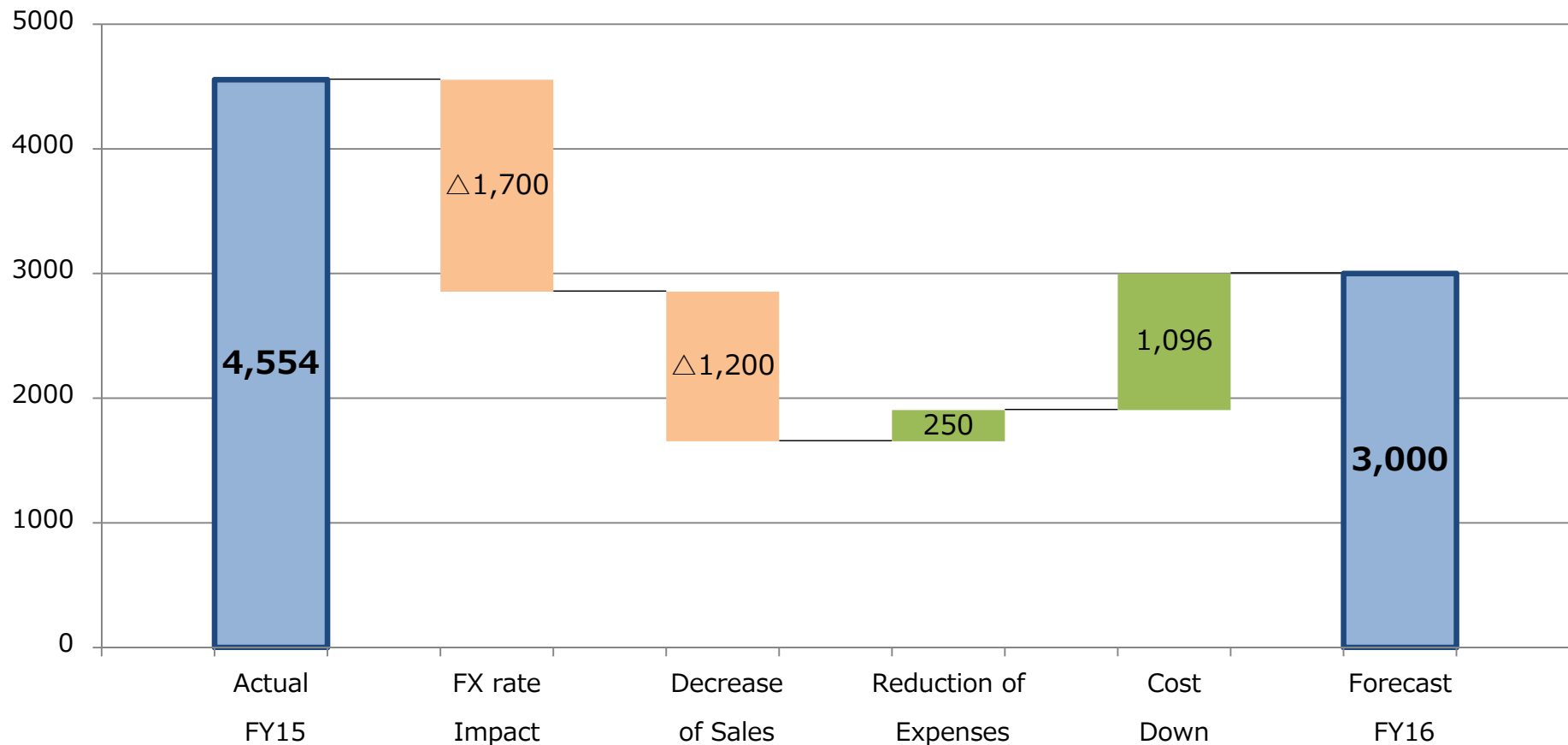
【FY2016 Forecast】

- Revised the full-year forecast announced on Apr. 28, 2016, with the assumption changes of the exchange rate (US\$1=110JPY→105JPY, €1=125JPY→115JPY) and consideration of the latest market situation
- Enhance cost reduction of COGS and SGA in order to overcome the tough market situation in the 2nd Half

II -2. FY2016 Performance Variation Factors vs.FY2015



(millions of JPY)



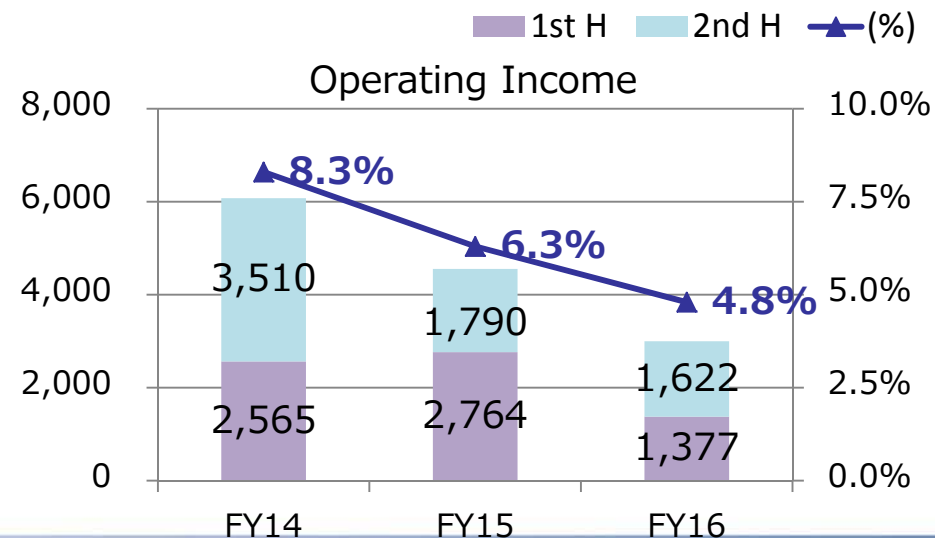
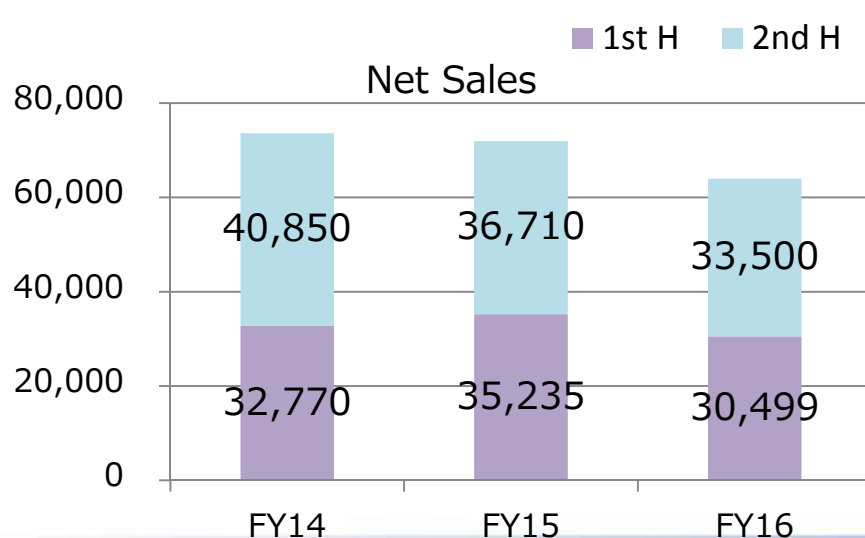
II -3. 2nd Half FY2016 Forecast



(millions of JPY)

	Actual 2nd H FY15 (a)	Previous Forecast 2nd H FY16 (b)	Revised Forecast 2nd H FY16 (c)	Inc / Dec		Inc / Dec	
				(c)-(a)	%	(c)-(b)	%
Net Sales	36,710	39,300	33,500	(3,209)	91.3%	(5,799)	85.2%
Operating Income	1,790	3,700	1,622	(167)	90.6%	(2,077)	43.9%
(% Sales)	4.9%	9.4%	4.8%	(0.1)%	-	(4.6)%	-

- Maintain profitability from last year with gross profit improvement and SGA reduction, even though both sales and profit could be decreased due to significant JPY appreciation against USD and Euro



II -4. FY2016 Forecast by Segment

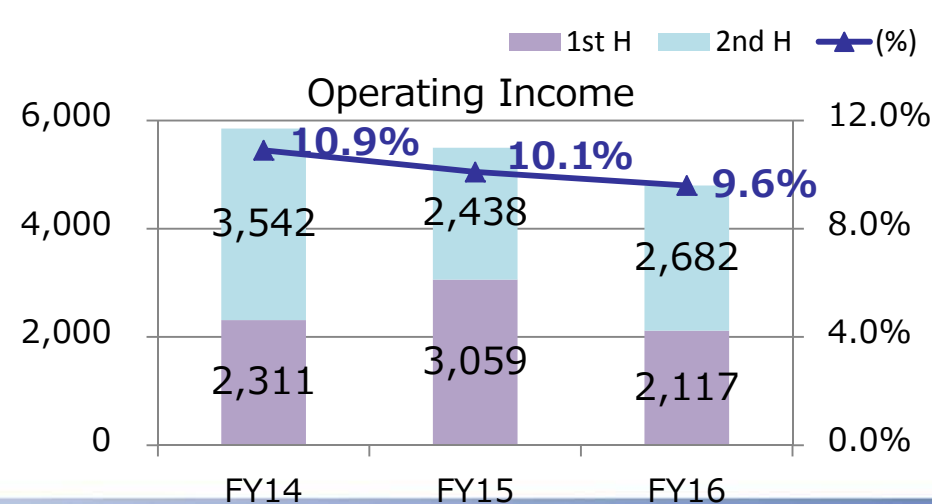
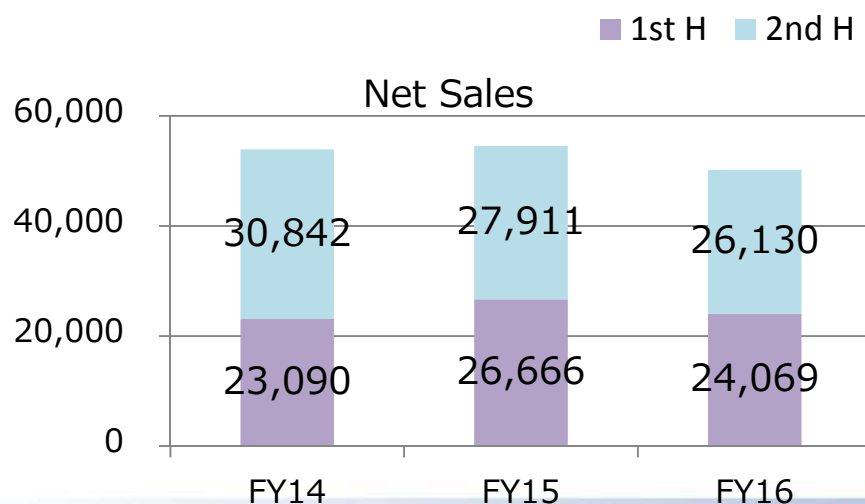
1) Photographic Products



(millions of JPY)

	Actual FY15 (a)	Previous Forecast FY16 (b)	Revised Forecast FY16 (c)	Inc / Dec		Inc / Dec	
				(c)-(a)	%	(c)-(b)	%
Net Sales	54,578	56,000	50,200	(4,378)	92.0%	(5,800)	89.6%
Operating Income	5,498	6,300	4,800	(698)	87.3%	(1,500)	76.2%
(% Sales)	10.1%	11.3%	9.6%	(0.5)%	-	(1.7)%	-

- In the 2nd Half forecast sales decrease, but profit increase from last year, although both sales and profit could be decreased on the full year basis because of the market stagnation and unfavorable exchange rate



II -4. FY2016 Forecast by Segment

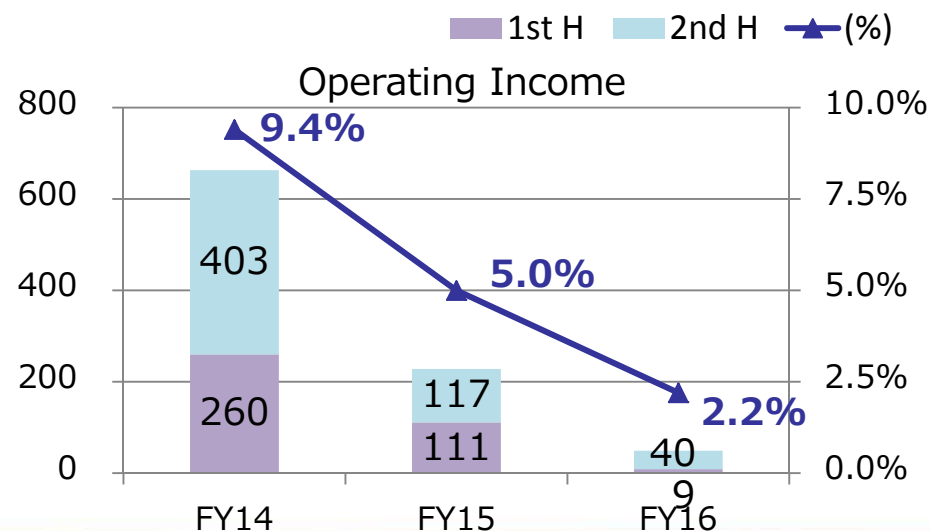
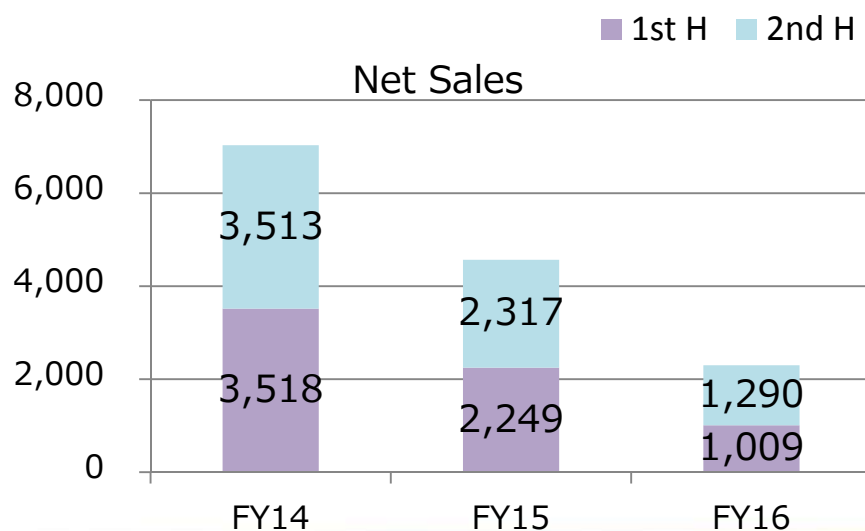
2) Optical Components



(millions of JPY)

	Actual FY15 (a)	Previous Forecast FY16 (b)	Revised Forecast FY16 (c)	Inc / Dec		Inc / Dec	
				(c)-(a)	%	(c)-(b)	%
Net Sales	4,567	2,800	2,300	(2,267)	50.4%	(500)	82.1%
Operating Income	228	50	50	(178)	21.9%	0	100.0%
(% Sales)	5.0%	1.8%	2.2%	(2.8)%	-	0.4%	-

- Forecast decrease of both sales and profit because of the continuous market shrink and the influence of Kumamoto Earthquake as well as in the 1st Half



II -4. FY2016 Forecast by Segment

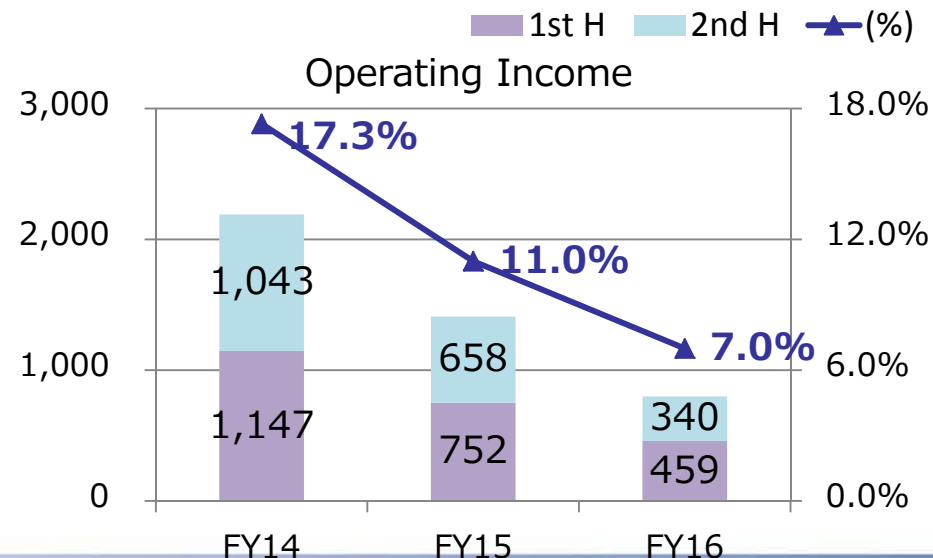
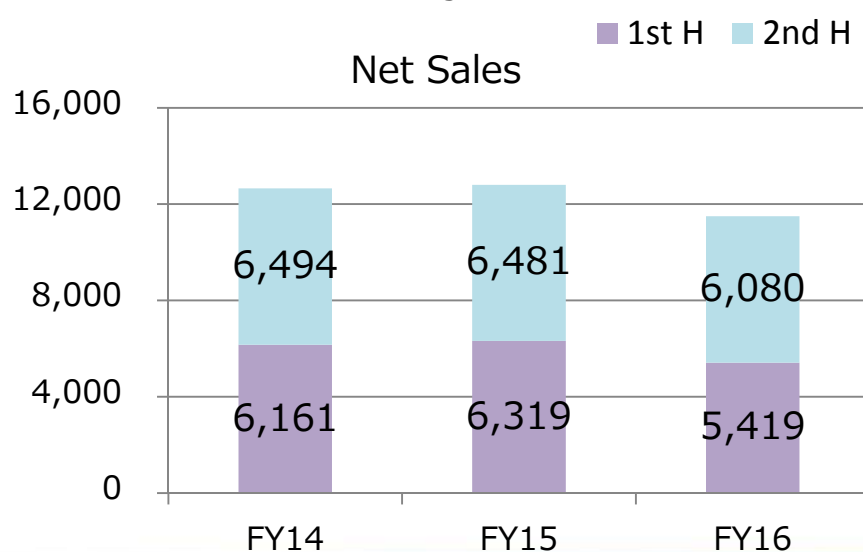
3) Commercial / Industrial-use Optics



(millions of JPY)

	Actual FY15 (a)	Previous Forecast FY16 (b)	Revised Forecast FY16 (c)	Inc / Dec		Inc / Dec	
				(c)-(a)	%	(c)-(b)	%
Net Sales	12,800	13,200	11,500	(1,301)	89.8%	(1,700)	87.1%
Operating Income	1,411	1,450	800	(611)	56.7%	(650)	55.2%
(% Sales)	11.0%	11.0%	7.0%	(4.0)%	-	(4.0)%	-

- Expect steady sales increase of automotive camera lenses, however forecast decrease of sales and profit totally because of continuous stagnation of CCTV lenses



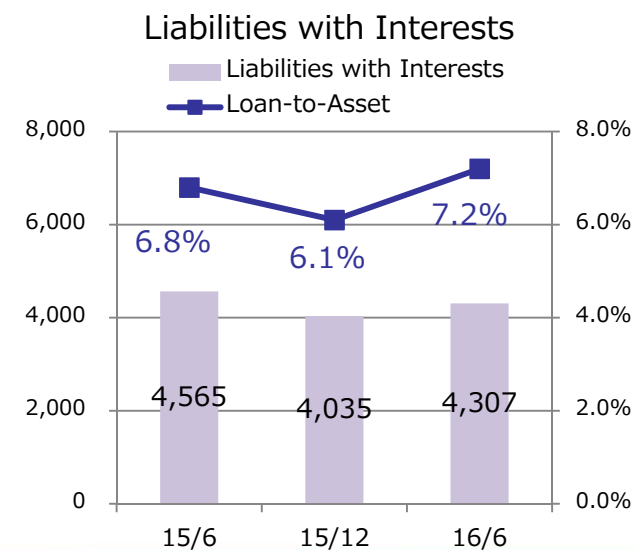
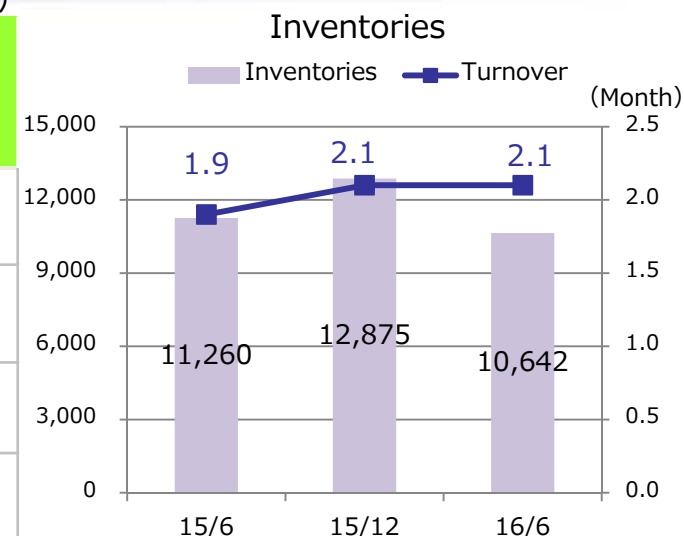
Ⅲ. Financial Situation

Ⅲ-1. Financial Summary



(millions of JPY)

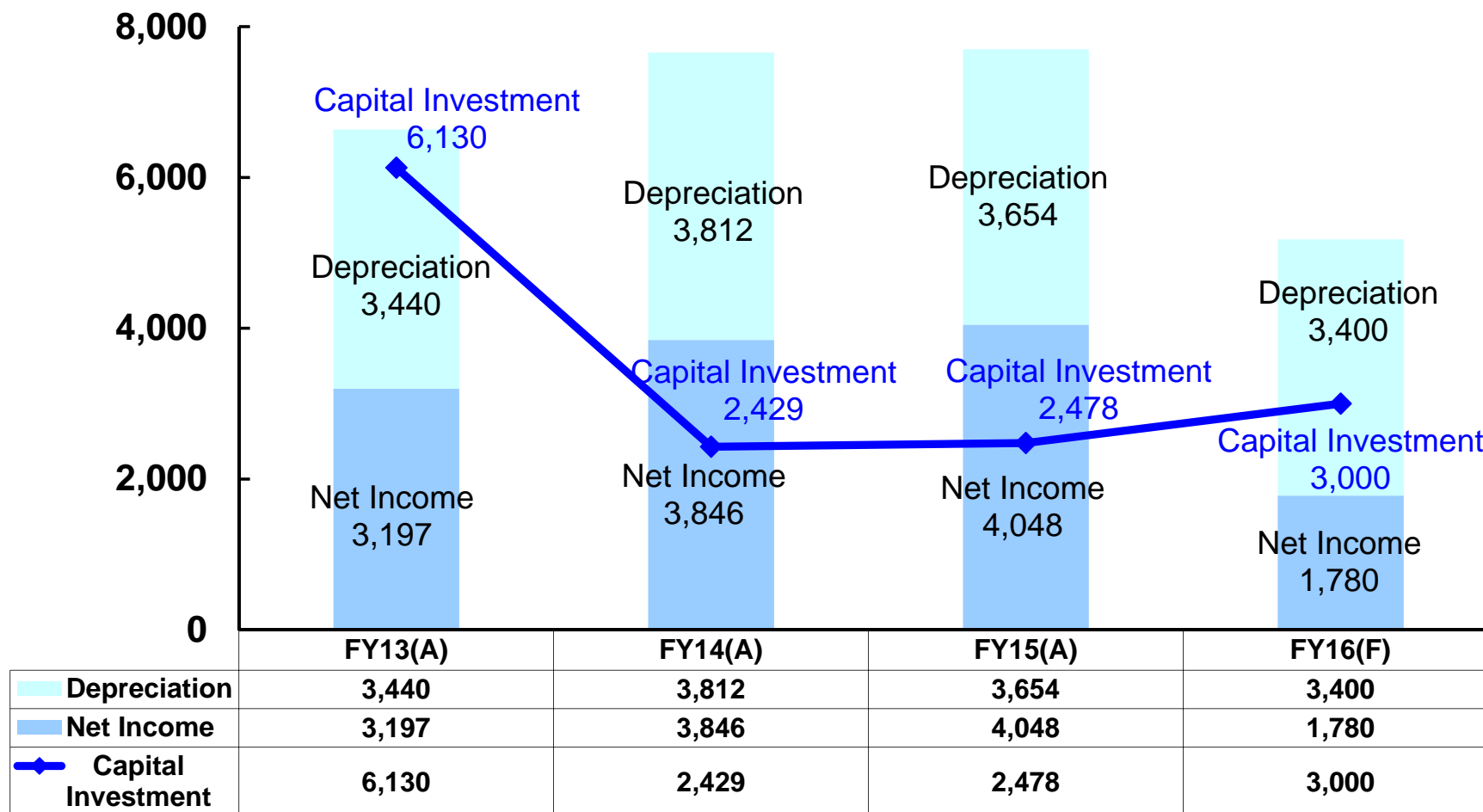
	Jun30, 2015 (a)	Dec 31, 2015 (b)	Jun 30, 2016 (c)	Change (c)-(b)
Cash and deposits	17,875	14,192	15,083	891
Notes and accounts receivable	13,962	15,804	12,667	(3,137)
Inventories	11,260	12,875	10,642	(2,233)
Other current assets	1,734	2,047	2,006	(41)
Non-current assets	22,574	21,114	19,056	(2,058)
Total Assets	67,408	66,035	59,455	(6,579)
Total current liabilities	14,550	14,594	11,965	(2,628)
Total non-current liabilities	2,852	2,439	2,662	223
Total net assets	50,004	49,001	44,827	(4,174)
Total liabilities and net assets	67,408	66,035	59,455	(6,579)
Ratio of net assets	74.2%	74.2%	75.4%	1.2%



Ⅲ-2. Capital Investment & Depreciation



(millions of JPY)



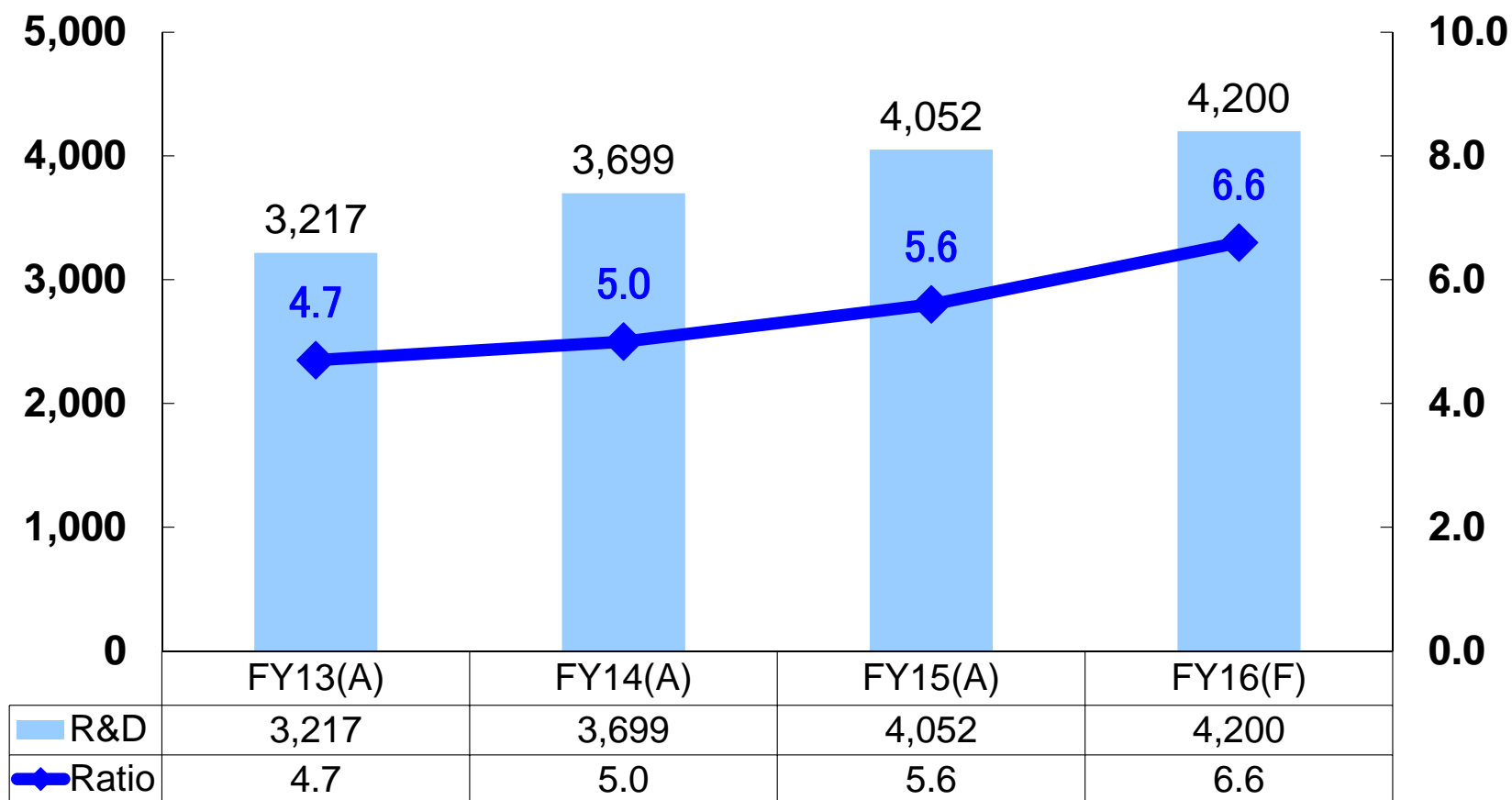
* (A): Actual (F): Forecast

Ⅲ-3. Research & Development Expenses



(millions of JPY)

(%)



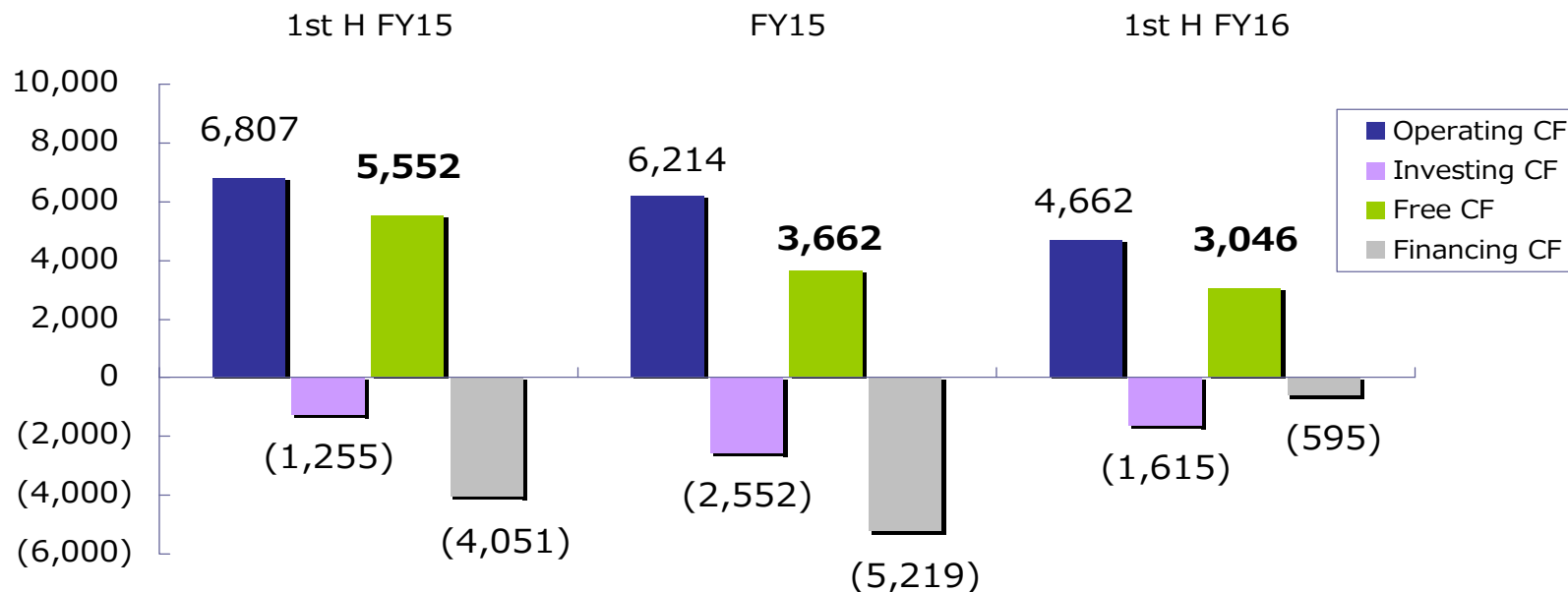
* R&D cost/Net sales ratio

* (A): Actual (F): Forecast

Ⅲ-4. Cash Flow Situation



(millions of JPY)



	1st H FY15	FY15	1st H FY16
Cash flow from operating activities	6,807	6,214	4,662
Cash flow from investing activities	(1,255)	(2,552)	(1,615)
Free cash flow	5,552	3,662	3,046
Cash flow from financing activities	(4,051)	(5,219)	(595)
Cash and cash equivalents at the end of period	17,875	14,192	15,083
Liquidity (Months)	3.04	2.37	2.97

III-5. Cash Dividends Outlook



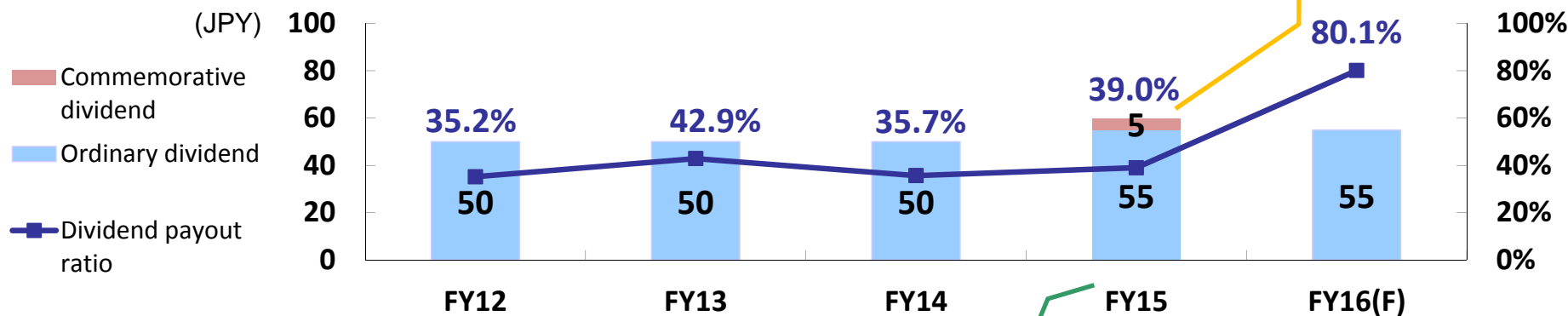
Planning to maintain ordinary dividend (2015 amount includes ¥5 commemorative dividend)

(JPY)	FY12	FY13	FY14	FY15	FY16(F)
Interim	20.00	20.00	20.00	25.00	25.00
Year-end	30.00	30.00	30.00	35.00	30.00
Annual	50.00	50.00	50.00	60.00	55.00
Dividends Payout Ratio (Consolidated)	35.2%	42.9%	35.7%	39.0%	80.1%

Including ¥5 commemorative dividend

Dividend Policy

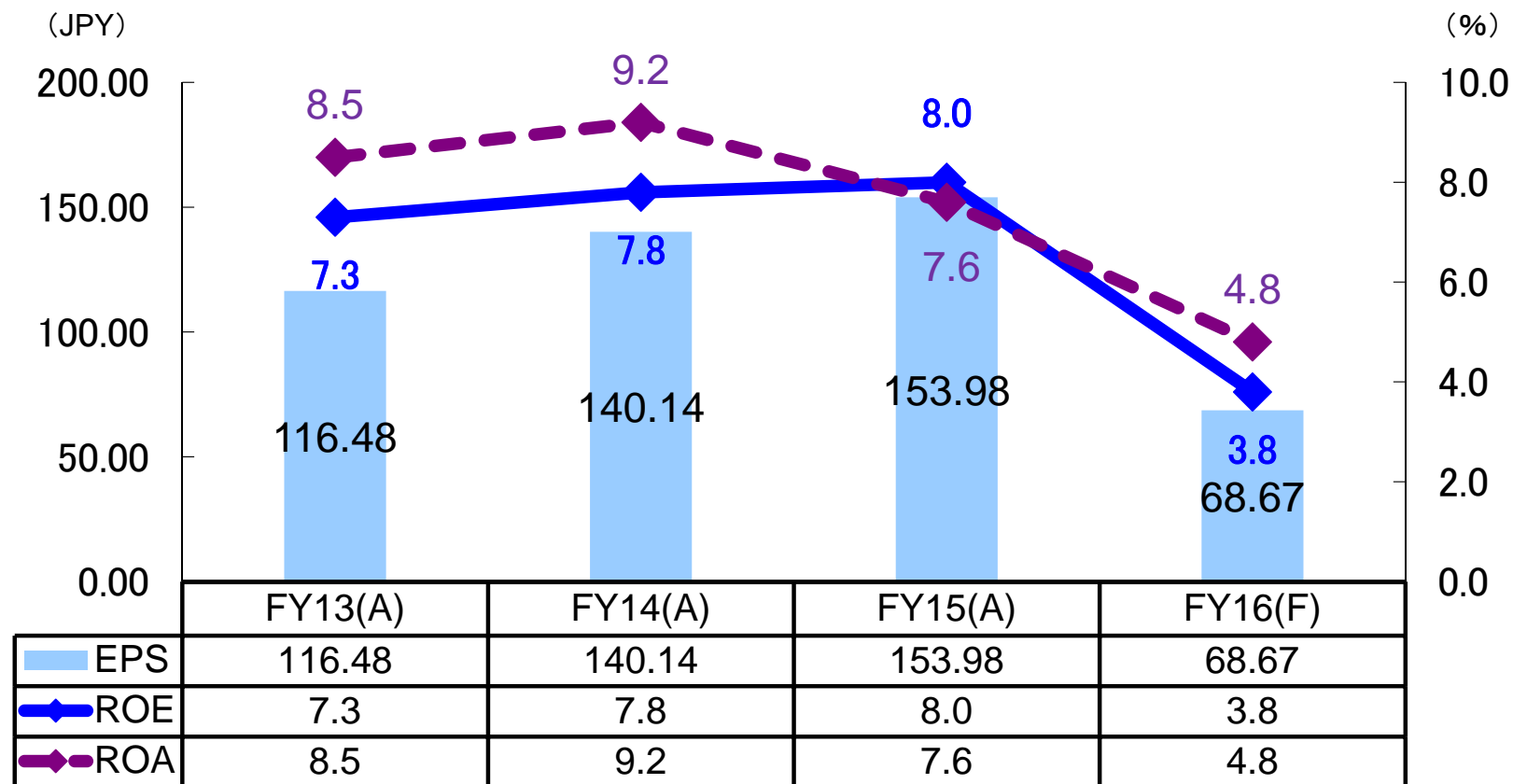
- Keep Stable Dividend
- Dividend Payout Ratio Target: 35% (Consolidated)



III-6. Reference 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-6. Reference Data



2) Impact of Foreign Exchange Rate Fluctuations

Actual 1st Half FY2015

(JPY)

(million of JPY)

	Exchange Rate		Impact	
	Actual 1st H FY15	Actual 1st H FY16	Net Sales	Operating Income
USD	120.31	111.72	(900)	(150)
Euro	134.14	124.56	(500)	(400)
Others	-	-	(300)	(50)
Total	-	-	(1,700)	(600)

(Impact on FY2015 Actual performance)

Forecast 2nd Half FY2016

(JPY)

(million of JPY)

	Exchange Rate	Impact of ¥1 appreciation	
	Assumption 2nd H FY16	Net Sales	Operating Income
USD	105.00	(160)	(10)
Euro	115.00	(60)	(50)

IV. Mid-Term Strategy

Shiro Ajisaka, President & CEO

IV-1. Agendas for Transformation



IV- 2. Mid-Term Management Goals

Mid-Term Management Goals

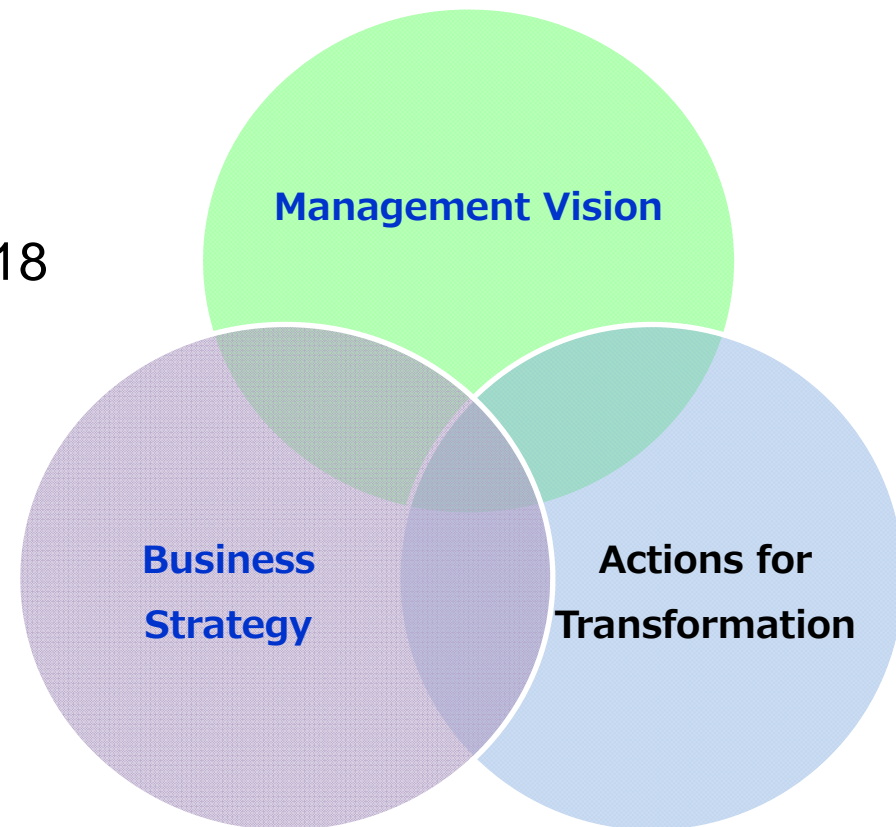
Net Sales ¥100.0 billion



Mid-Term Management Goals of FY2018

Net Sales	¥92.0 billion
Operating income	¥8.6 billion
(% Sales)	9.3%
ROE	10% or more

Assumed exchange rate: US\$1=120JPY, €1=130JPY



IV-3. Strategy towards FY2018



	Sales Target	Business Strategy
Photographic Products	<p>¥66.5 billion (72.3%) <small>*Composition Ratio</small></p>	<p>Improve profitability as core business ⇒ Enhance business foundation</p> <ul style="list-style-type: none"> • Unique features and timely launches of new products with strengthening design and development organization • Enhance sales organization and activities in emerging countries • Enhance sales and marketing activities in areas whose market shares are still low • Enhance proposal-based sales approaches for OEM business

Launched in 2015



Launched in Sep. 2015

Fixed Focal

35mm F/1.8VC USD
(Model F012)



45mm F/1.8VC USD
(Model F013)

Launched in Dec. 2014



Wide Zoom
15-30mm F/2.8VC USD
(Model A012)

Launched in Aug. 2015



**World's lightest-weight*
High Power Zoom**
18-200mm VC (Model B018)

Launched in 1st Half, 2016

Launched in Feb. 2016



Macro
90mm F/2.8 VC USD
(Model F017)

Launched in Mar. 2016



Fixed Focal
85mm F/1.8 VC USD
(Model F016)

New Model will be launched in 2nd Half as well

Launch more new models since FY2017~

- Enhance lineup of value added, compact and light-weighted products
- Renew existing products with additional values

IV-3. Strategy towards FY2018



	Sales Target	Business Strategy
Optical Components	<p>¥3.4 billion (3.7%) <small>*Composition Ratio</small></p>	<p>Restrain investment to shrinking market ⇒ Explore new business fields</p> <ul style="list-style-type: none"> • Restrain new investment and review R&D resources • Entry into new business fields (Drone market etc.) with leveraging our strength and advantage of optics technology • Gain cost competitiveness of far-infrared range optical systems <div data-bbox="1756 552 2022 735" style="text-align: right;"> </div> <p style="text-align: right;">Entry to Drone market</p>
Commercial/Industrial-use Optics	<p>¥22.1 billion (24.0%) <small>*Composition Ratio</small></p>	<p>Invest resources ⇒ Create new business and incubate to core business</p> <ul style="list-style-type: none"> • Re-strengthen CCTV lenses business with technology innovation and recovery in China • Enhance automotive camera lenses especially for sensing applications • Develop camera module business (Compact/Ultra-sensitive camera module etc.) • Establish new businesses through co-creation with external partners (including M&A) <div style="display: flex; justify-content: space-around; align-items: flex-end;"> <div data-bbox="1256 1161 1552 1358" style="text-align: center;"> <p>Surveillance camera lenses</p> </div> <div data-bbox="1706 1161 1964 1358" style="text-align: center;"> <p>Automotive camera lenses</p> </div> </div>

1. The purpose of this material is to provide information on the “FY2015 Financial Results” and future business strategies. It is not an offer or a solicitation of an offer to buy or sell securities.
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