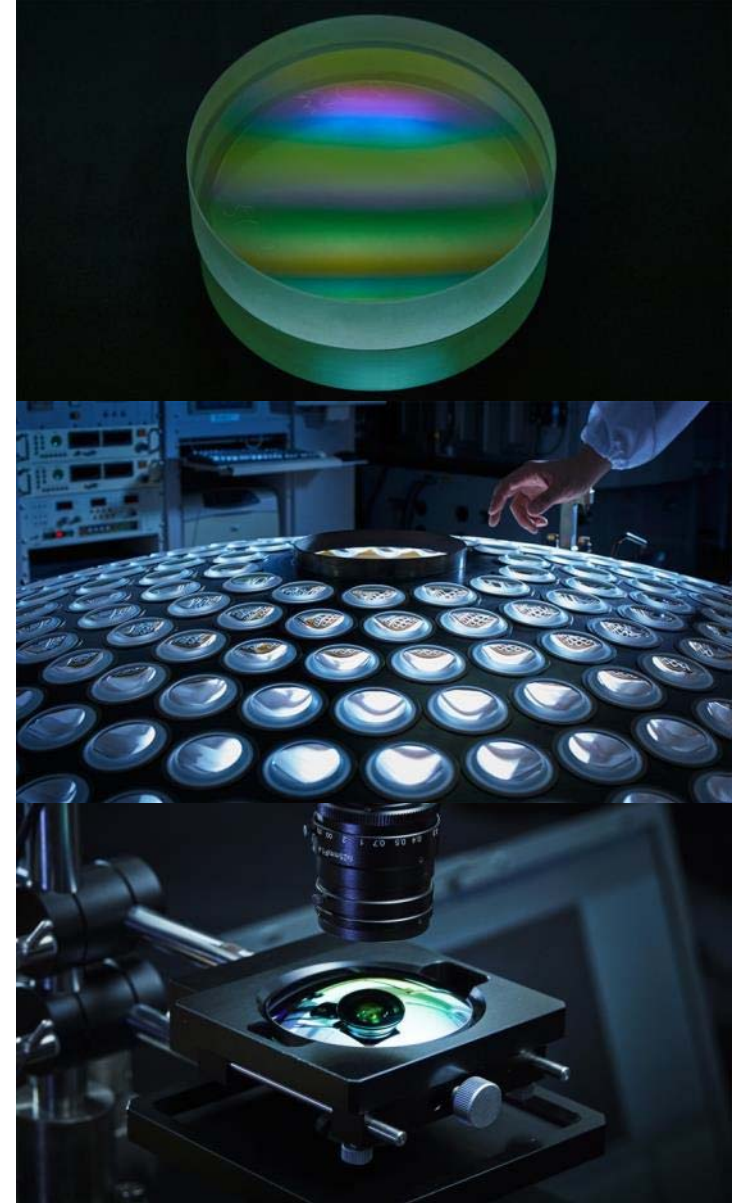


2nd Quarter FY2020 Financial Results

August 4, 2020
Tamron Co., Ltd. (Code: 7740)



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I . FY 2020 Summary

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I - 1 . 1st Half Summary

【Business Environment】 (comparison from the previous year)

➤ Economic Situation : **In the digital camera market, the demand has continued to decline and reduced by half compared to the previous year, due to the impact of COVID-19 from the latter half of 1Q.**

- interchangeable-lens cameras: 49% down in quantity-base, 46% down in money-base.
- Interchangeable lenses : 47% down in quantity-base, 45% down in money-base.
- Lens-integrated cameras: 56% down in quantity-base, 49% down in money-base.

➤ Exchange Rate: **Negative effects on both the sales and profits.**

(JPY got weaker against USD (by 1.8 JPY) but stronger against EUR (by 5.0 JPY))

【Company's Results】

➤ Comparison with the previous year

: **Sales decreased by 28%, operating income decreased by 63%**

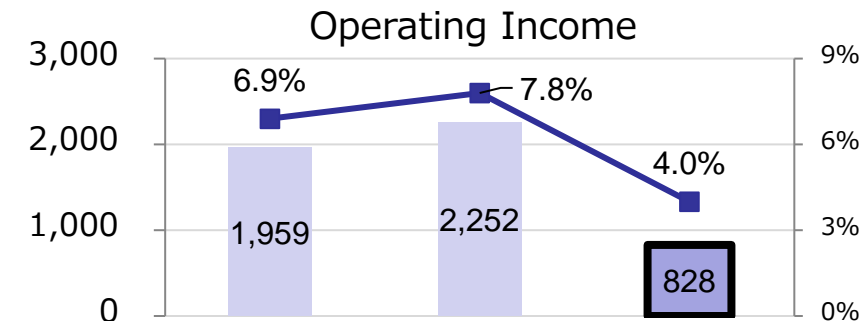
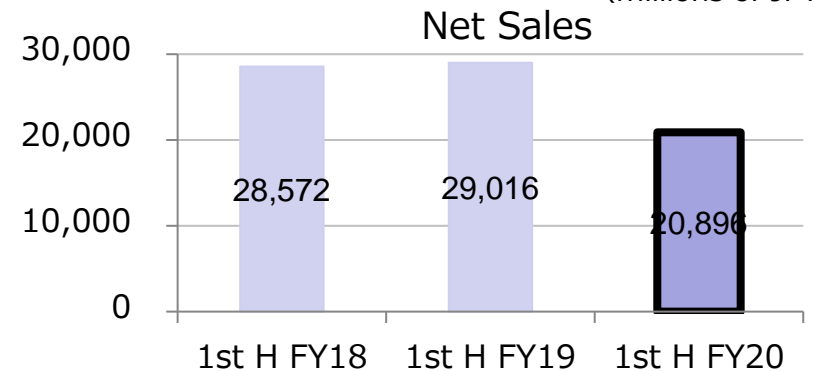
*Decrease in demand due to COVID-19

- BtoC: Diminished purchasing motivation due to curfew and reduced income
⇒ Digital camera sales decreased due to event cancellation etc.
- BtoB: Postponed development such as stagnant corporate activities

⇒ **Sales decreased in all segments; however, operating income in Commercial / Industrial-Use Optics increased.**

【1st Half Financial Results】

(millions of JPY)



I -2. Impact of COVID-19

[Impact on 1st half results]

Impact on sales : **Approx. -8 billion yen**

Impact on operating income : **Approx.-1 billion yen**

(minimized, could be worse)

[Impact on the Group]

Production base	Japan	<ul style="list-style-type: none">Partially closed from May 1st to June 30th due to reduced demand (After that, the suspension period is extended until September 30).
	China	<ul style="list-style-type: none">The operation had been suspended until the 9th of February, the Chinese New Year. By the end of February, the operation was back to normal.
	Vietnam	<ul style="list-style-type: none">While giving due consideration to the safety of employees, the operation has been almost the same as before.
Sales base	Overseas sales company Japan	<ul style="list-style-type: none">The stagnation in sales activities due to retail store closure, travel restrictions, etc.

I -3. FY2020 Overview

【Business Environment from 2nd Half】

- Economic Situation : **The Digital camera market are expected to shrink continuously**, although it will recover from the first half.
 - Mirrorless cameras are expected to increase its composition continuously. (The ratio of Mirrorless cameras in interchangeable-lens camera markets marks 44% in quantity-base and 59% in money-base in the 1st Half, and are expected to increase to 50% in quantity-base and 63% in money-base in the 2nd Half, 2019.)
 - **Surveillance camera and automotive camera market are expected to show the steady growth.**

【Company's Forecast】

- **Expecting decrease in sales and profits in 2nd Half.**
 - The effect of COVID-19 will be smaller, but full-scale recovery is unlikely. Therefore, the sales and profits are expected to decline in 2nd half.
 - ⇒ For FY2020, **sales will decrease by 21%** to ¥50 billion, **operating income will decrease by 60%** to ¥2.8 billion.
- **Only Commercial / Industrial-Use Optics is expected to increase sales.**
 - In 2nd half of the year, sales is expected to increase by 13% in the commercial / industrial-use optics as a result of 20% increase in surveillance and FA
 - ⇒ **For FY2020, sales will increase compared to the previous year.**
- **Mid & long-term strategies are in review** based on the assumption that the economy and market recovery would take some time.

II . 1st Half Financial Results

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II - 1 . 1st Half Financial Results

(millions of JPY)

	Actual	Actual	Inc / Dec	
	1st H FY19 (a)	1st H FY20 (b)	(b)-(a)	%
Net Sales	29,016	20,896	(8,120)	72.0%
Gross profit	10,421	7,972	(2,448)	76.5%
(% Sales)	35.9%	38.2%	2.3%	–
Operating Income	2,252	828	(1,423)	36.8%
(% Sales)	7.8%	4.0%	(3.8)%	–
Ordinary Income	2,549	1,164	(1,385)	45.7%
(% Sales)	8.8%	5.6%	(3.2)%	–
Net Income	1,931	843	(1,087)	43.7%
(% Sales)	6.7%	4.0%	(2.7)%	–
JPY – 1 USD	110.07	108.24	(1.83)	–
JPY – 1 Euro	124.35	119.36	(4.99)	–



- Digital camera: -7.3 billion yen
- Exchange rate: -0.4 billion yen



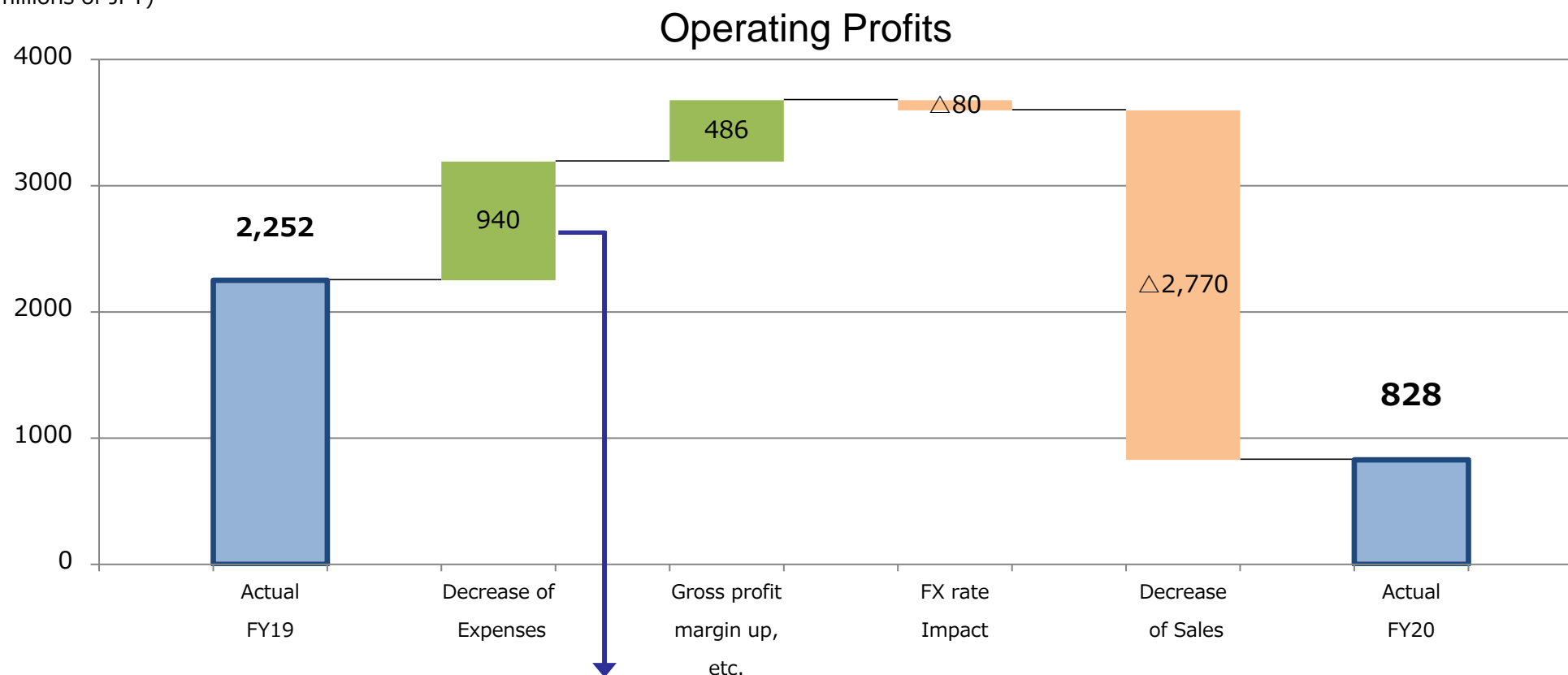
- The gross profits margin increased by 2.3%.
- Selling and administrative expenses reduced by 13%

⇒ Also in the sudden changes in business environments, operating profits were secured in both 1Q and 2Q.

* Especially in 2Q, although 38% decrease in revenue due to COVID-19, profitability was almost the same as the 1Q.

II - 2 . 1st Half Performance Variation Factors

(millions of JPY)



Amortization of Goodwill

+220 Millions of JPY

Total Expense reduction (excluding the amortization)

- such as: • Advertising & Promotional Expenses
- Travel Expenses

(14% decrease) -1,160 Millions of JPY

(38% decrease) -220 Millions of JPY

(62% decrease) -120 Millions of JPY

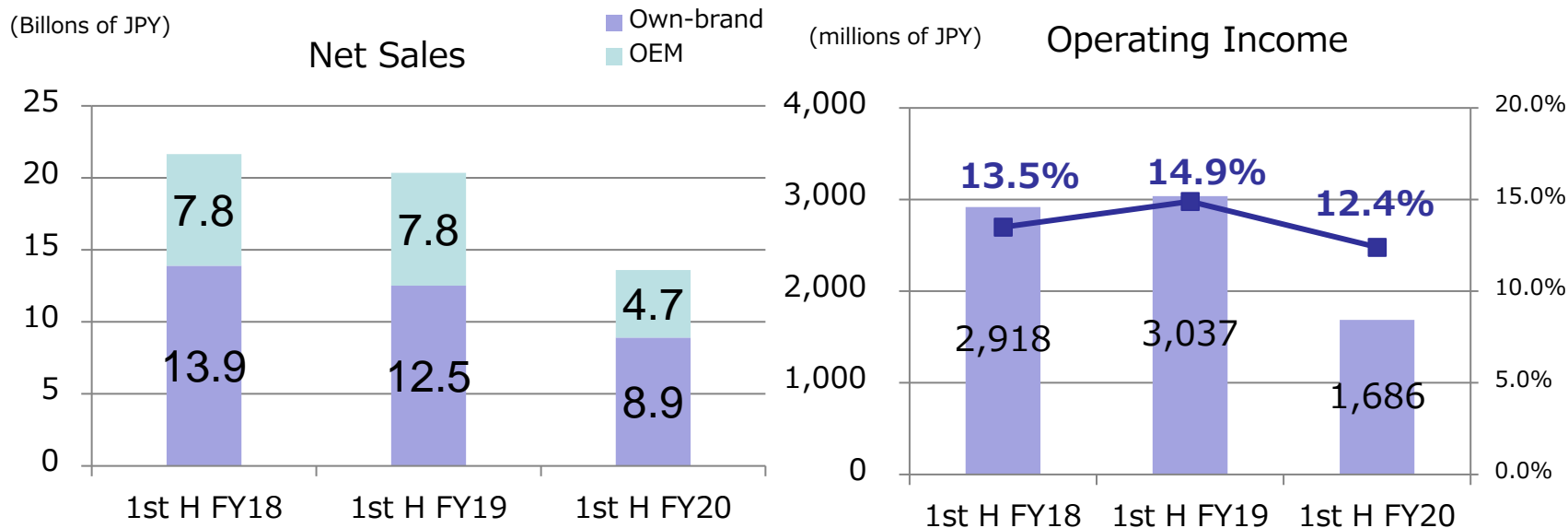
II - 3 . 1st Half Results by Segment

1) Photographic Products

(millions of JPY)

	Actual 1st H FY19 (a)	Actual 1st H FY20 (b)	Inc / Dec		FX Impact vs. 1st H FY19
			(b)-(a)	%	
Net Sales	20,353	13,549	(6,804)	66.6%	(290)
Operating Income	3,037	1,686	(1,351)	55.5%	(110)
(% Sales)	14.9%	12.4%	(2.5)%	—	—

- Sales of our own brand exceeded the range of market decline due to the introduction of new products, but sales of photographic products decreased significantly due to the market decline: by 50% compared to the previous year.



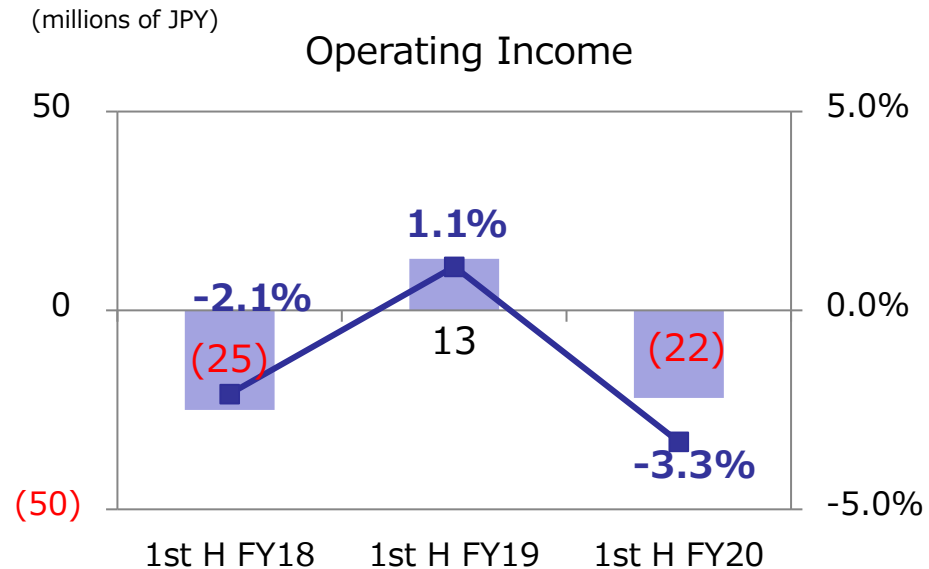
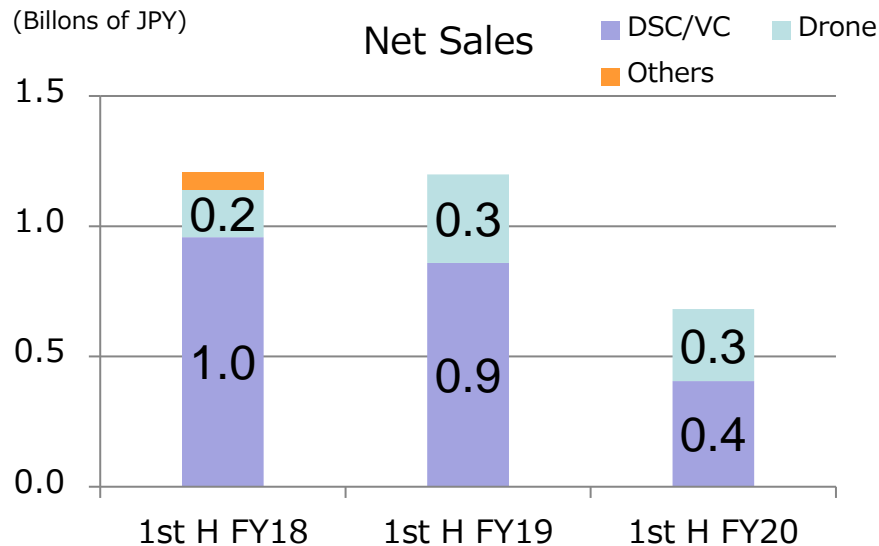
II - 3 . 1st Half Results by Segment

2) Optical Components

(millions of JPY)

	Actual 1st H FY19 (a)	Actual 1st H FY20 (b)	Inc / Dec		FX Impact vs. 1st H FY19
			(b)-(a)	%	
Net Sales	1,199	681	(517)	56.8%	(10)
Operating Income	13	(22)	(35)	—	0
(% Sales)	1.1%	(3.3)%	(4.4)%	—	—

➤ Sales of DSC/VC decreased by half compared to the previous year due to the significant market shrink; resulted in operating deficit.



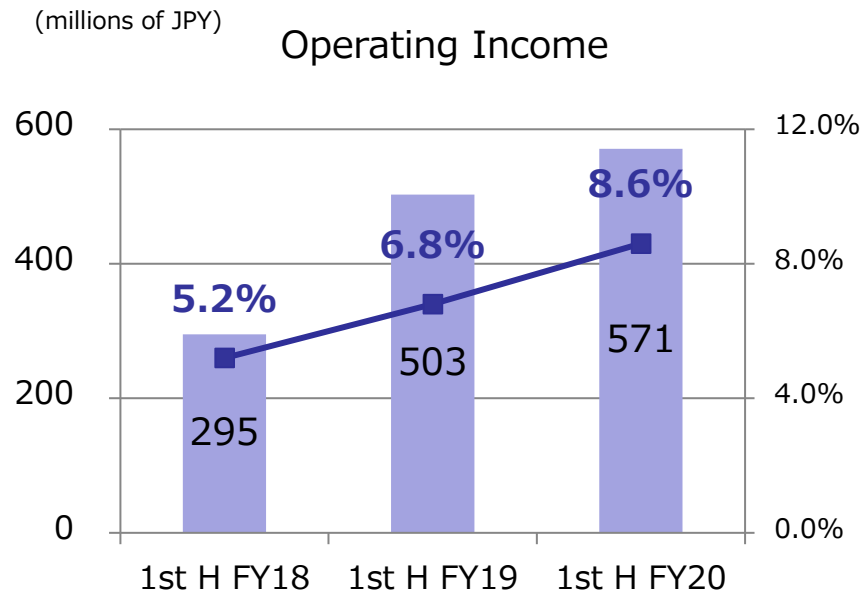
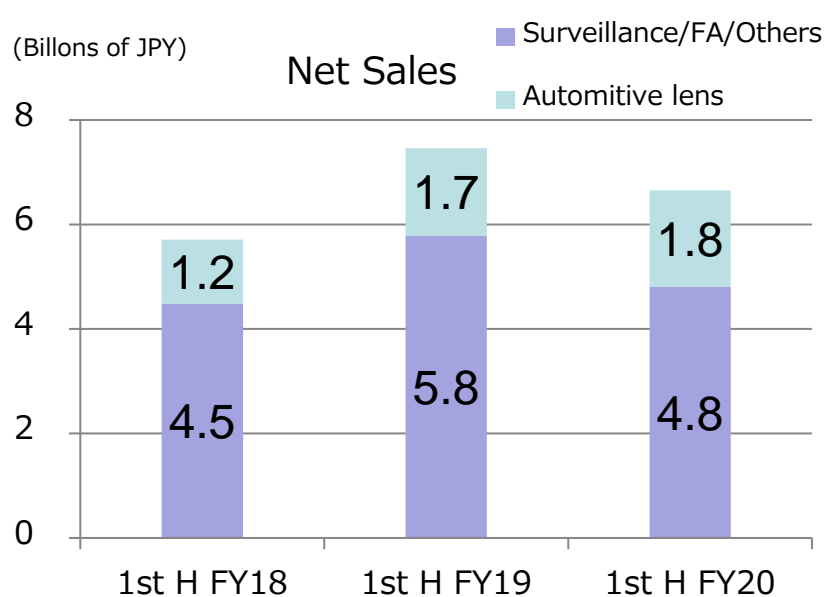
II - 3 . 1st Half Results by Segment

3) Commercial / Industrial-Use Optics

(millions of JPY)

	Actual 1st H FY19 (a)	Actual 1st H FY20 (b)	Inc / Dec		FX Impact vs. 1st H FY19
			(b)-(a)	%	
Net Sales	7,463	6,665	(798)	89.3%	(100)
Operating Income	503	571	67	113.3%	30
(% Sales)	6.8%	8.6%	1.8%	—	—

- Profits increased by 13% due to lower SG&A expenses, lower costs, and increased sales of automotive lenses for sensing.
- Despite the increase in automotive sales, sales decreased by 1 billion yen due to development stagnant caused by COVID-19 in surveillance/FA category.



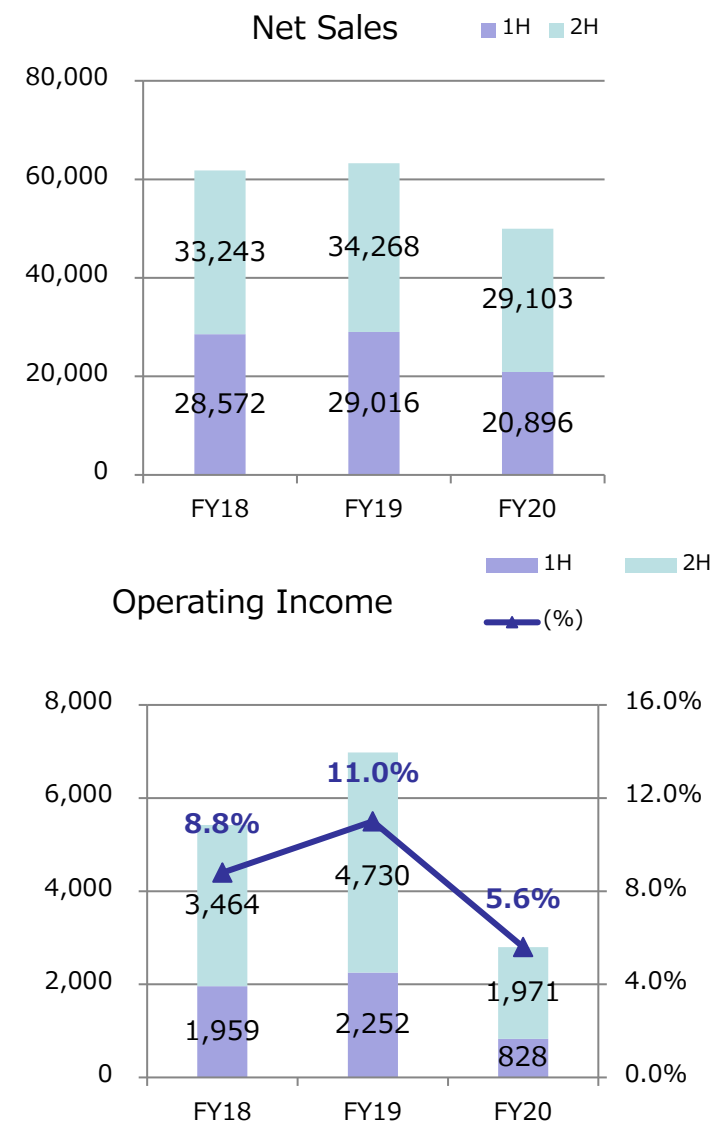
Ⅲ. FY2020 Financial Forecast

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Ⅲ - 1 . FY2020 Financial Forecast

(millions of JPY)

	Actual FY19 (a)	Forecast FY20 (b)	Inc / Dec	
			(b)-(a)	%
Net Sales	63,285	50,000	(13,285)	79.0%
Operating Income	6,982	2,800	(4,182)	40.1%
(% Sales)	11.0%	5.6%	(5.4)%	—
Ordinary Income	7,403	3,100	(4,303)	41.9%
(% Sales)	11.7%	6.2%	(5.5)%	—
Net Income	5,330	2,220	(3,110)	41.6%
(% Sales)	8.4%	4.4%	(4.0)%	—
JPY – 1 USD	109.04	107.60	(1.44)	—
JPY – 1 Euro	122.06	119.70	(2.36)	—



- The assumption of exchange rates from 3rd quarter:
107 JPY/USD and 120 JPY/EUR

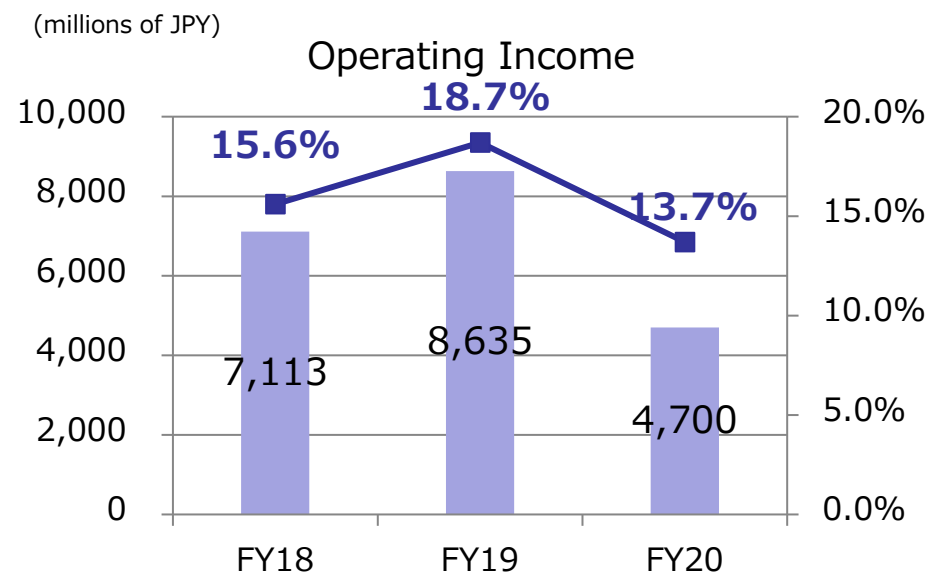
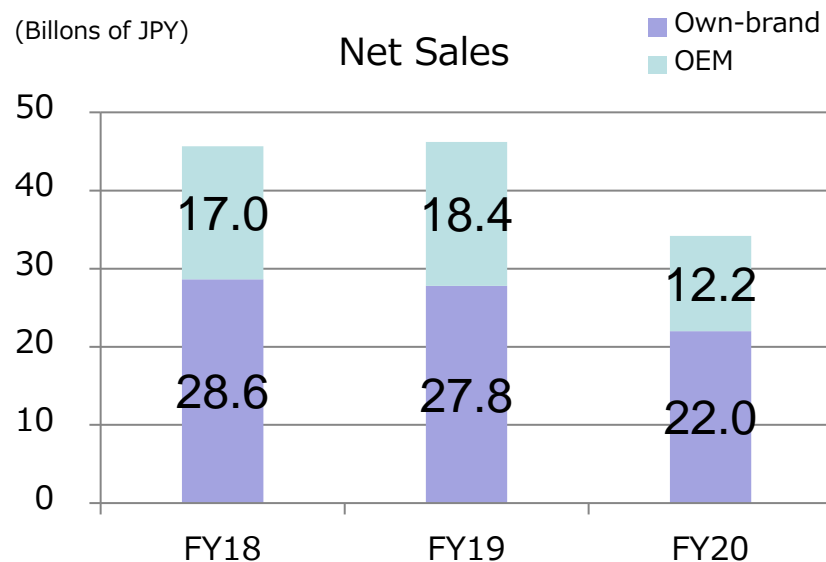
Ⅲ - 2 . FY2020 Forecast by Segment

1) Photographic Products






(millions of JPY)

	Actual FY19 (a)	Revised Forecast FY20 (b)	Inc / Dec	
			(b)-(a)	%
Net Sales	46,175	34,200	(11,975)	74.1%
Operating Income	8,635	4,700	(3,935)	54.4%
(% Sales)	18.7%	13.7%	(5.0)%	-

- Although sales decrease due to the shrinking market, and profits also decrease due to the significant decrease in sales, the decline in the gross profit margin would be minimized as much as possible.



Photographic Products - New Models

Category		Launched in 2018	Launched in 2019	To be Launched in 2020	
Mirrorless	Single Fixed		Launched in Dec.  Launched in Dec.  24mm F/2.8 OSD M1:2 (F051) 35mm F/2.8 OSD M1:2 (F053)	Launched in Jan.  20mm F/2.8 OSD M1:2 (F050)	
	Wide Zoom		Launched in Jul.  17-28mm F/2.8 RXD (A046)	<div style="background-color: #e0f2f1; padding: 10px; text-align: center;"> Planning to launch 4 models in 2020 </div>	
	Standard Zoom	Launched in May.  28-75mm F/2.8 RXD (A036)			
	Tele Zoom			Launched in May.   70-180mm F/2.8 VXD (A056) 70-300mm F/4.5-6.3 RXD (A047)	Development Announcement
	All-in-one Zoom			Launched in Jun.  28-200mm F/2.8-5.6 RXD (A071)	
DSLR		Launched in Apr.  70-210mm F/4 VC USD (A034)	Launched in May.  35-150mm F/2.8-4 VC OSD (A043)		
		Launched in Sep.  Launched in Sep.  17-35mm F/2.8-4 OSD (A037) SP 15-30mm F/2.8 VC USD G2 (A041)	Launched in Jun.  SP 35mm F/1.4 USD (F045)		

Ⅲ - 2 . FY2020 Forecast by Segment

2) Optical Components

(millions of JPY)

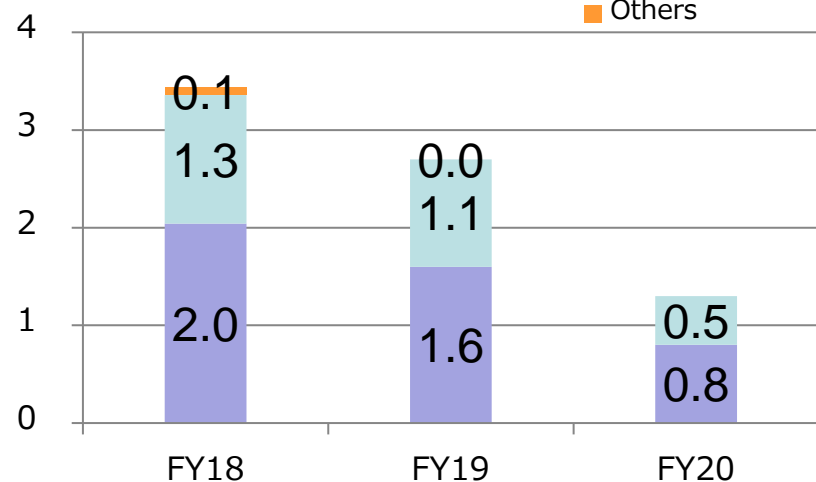
	Actual FY19 (a)	Revised Forecast FY20 (b)	Inc / Dec	
			(b)-(a)	%
Net Sales	2,739	1,300	(1,439)	47.5%
Operating Income	137	(100)	(237)	-
(% Sales)	5.0%	(7.7)%	(12.7)%	-

- Sales for both DSC/VC and drones are expected to **decrease by half** compared to the previous year, expecting to result in **operating deficit**.

(Billions of JPY)

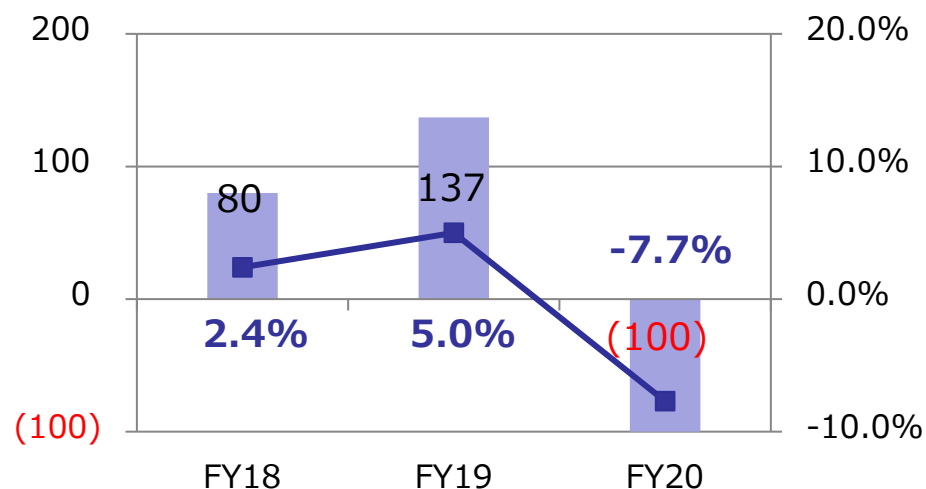
Net Sales

■ DSC/VC ■ Drone
■ Others



(millions of JPY)

Operating Income



Ⅲ - 2 . FY2020 Forecast by Segment

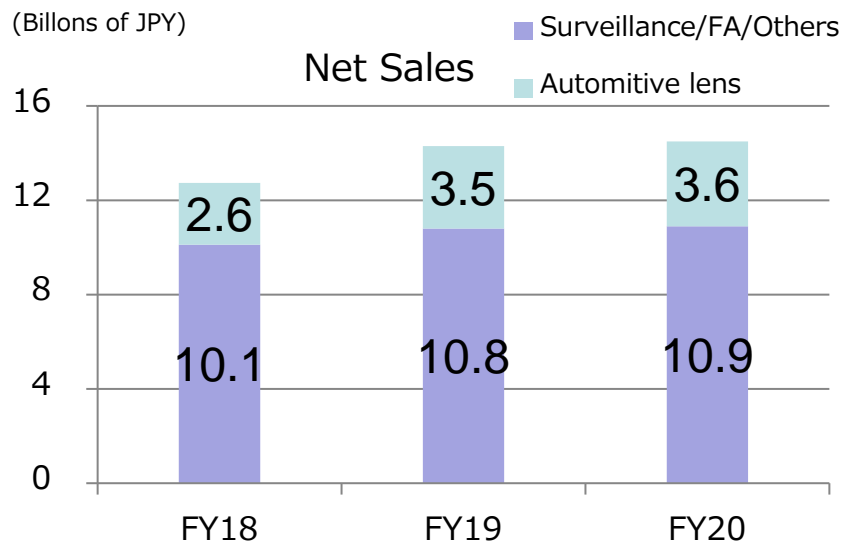
3) Commercial / Industrial-Use Optics

(millions of JPY)

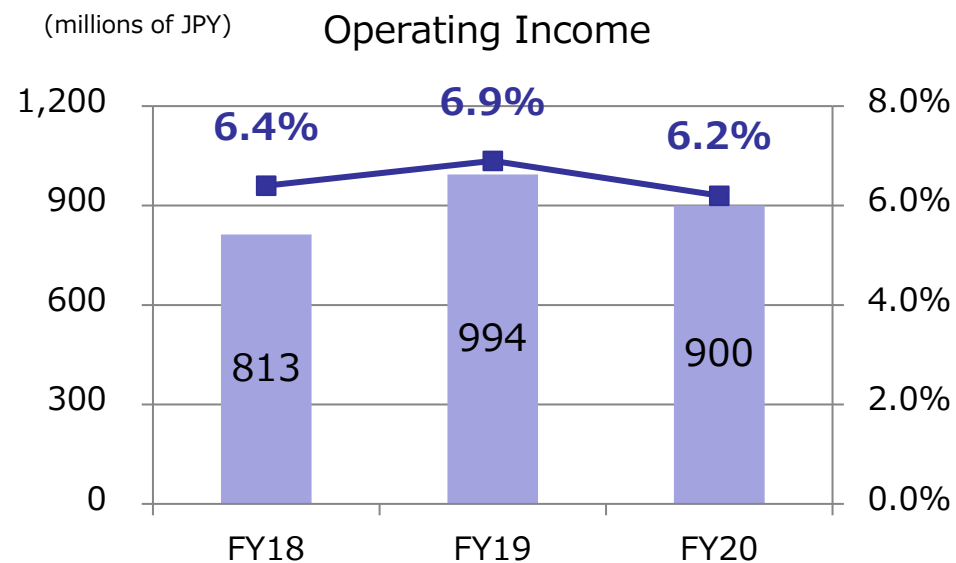
	Actual FY19 (a)	Revised Forecast FY20 (b)	Inc / Dec	
			(b)-(a)	%
Net Sales	14,371	14,500	129	100.9%
Operating Income	994	900	(94)	90.5%
(% Sales)	6.9%	6.2%	(0.7)%	—

➤ Surveillance/FA and Lenses for automotive are expected to **increase sales**; however, **profits should decrease** due to price competition, investment in R&D.

(Billions of JPY)

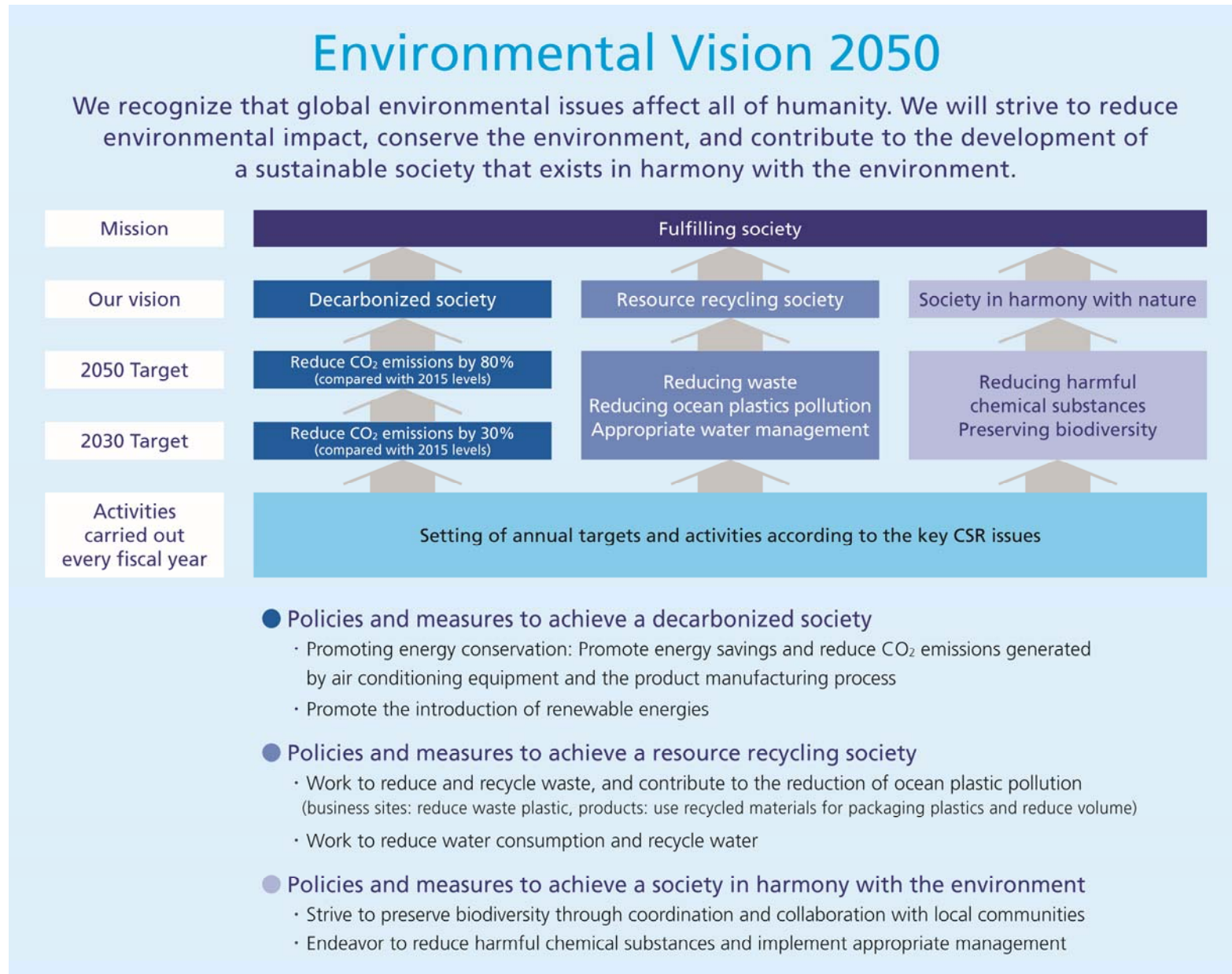


(millions of JPY)



Ⅲ-3. Activities for ESG

Environmental Vision 2050



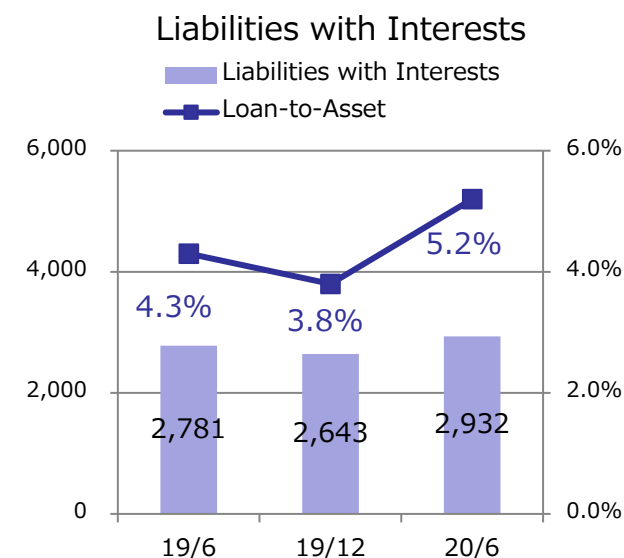
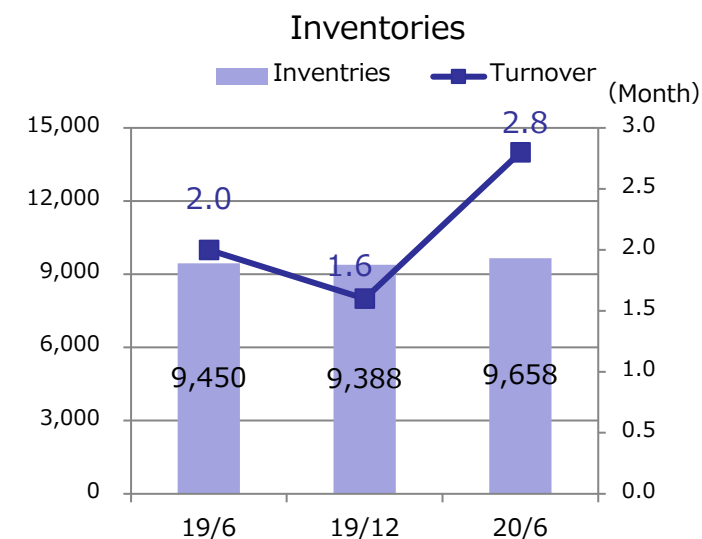
IV. Reference Data

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IV- 1 . Financial Summary

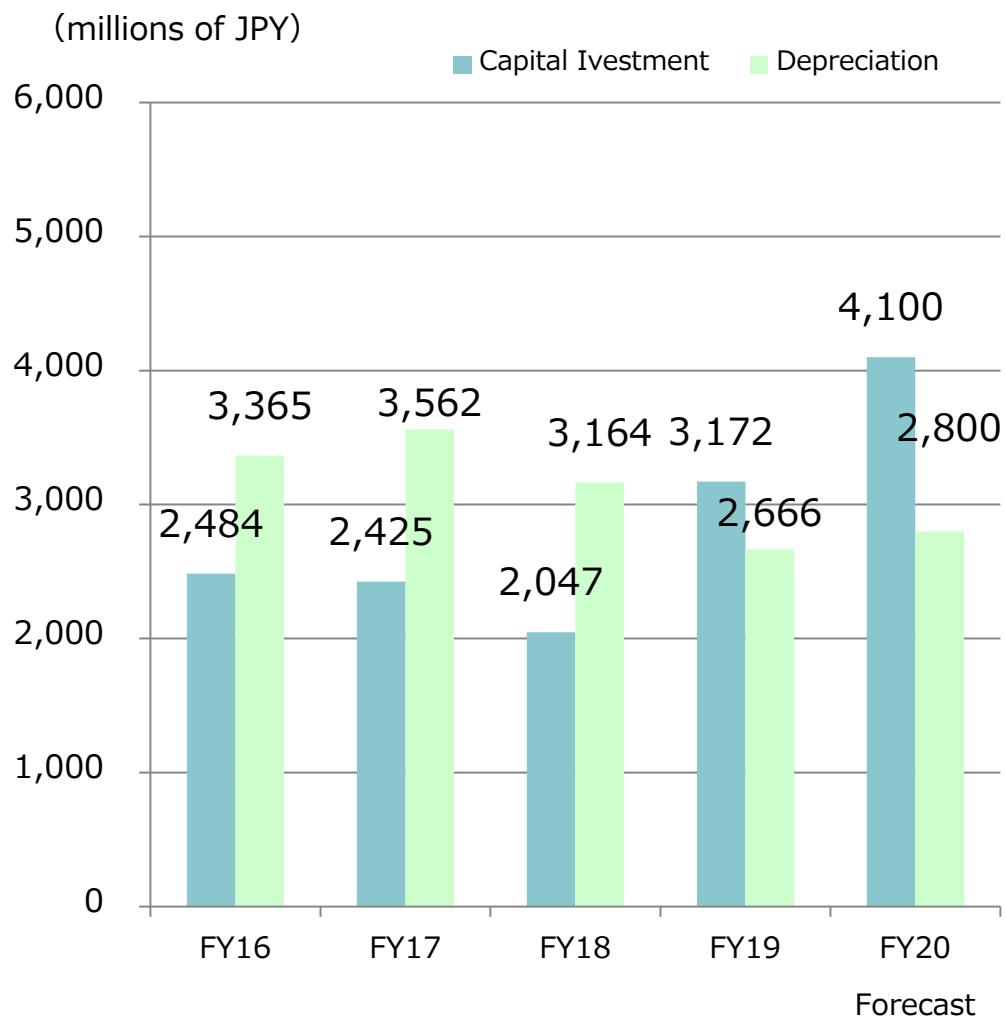
(millions of JPY)

	Dec 31, 2019 (a)	Jun 30, 2020 (b)	Change (b)-(a)
Cash & Deposits	28,384	19,476	(8,907)
Notes & Accounts Receivable	12,907	8,665	(4,241)
Inventories	9,388	9,658	269
Other Current Assets	982	938	(44)
Non-Current Assets	17,634	17,351	(287)
Total Assets	69,297	56,090	(13,206)
Total Current Liabilities	12,299	8,774	(3,525)
Total Non-Current Liabilities	2,458	2,624	166
Total Net Assets	54,539	44,691	(9,847)
Total Liabilities & Net Assets	69,297	56,090	(13,206)
Ratio of Net Assets	78.7%	79.7%	1.0%



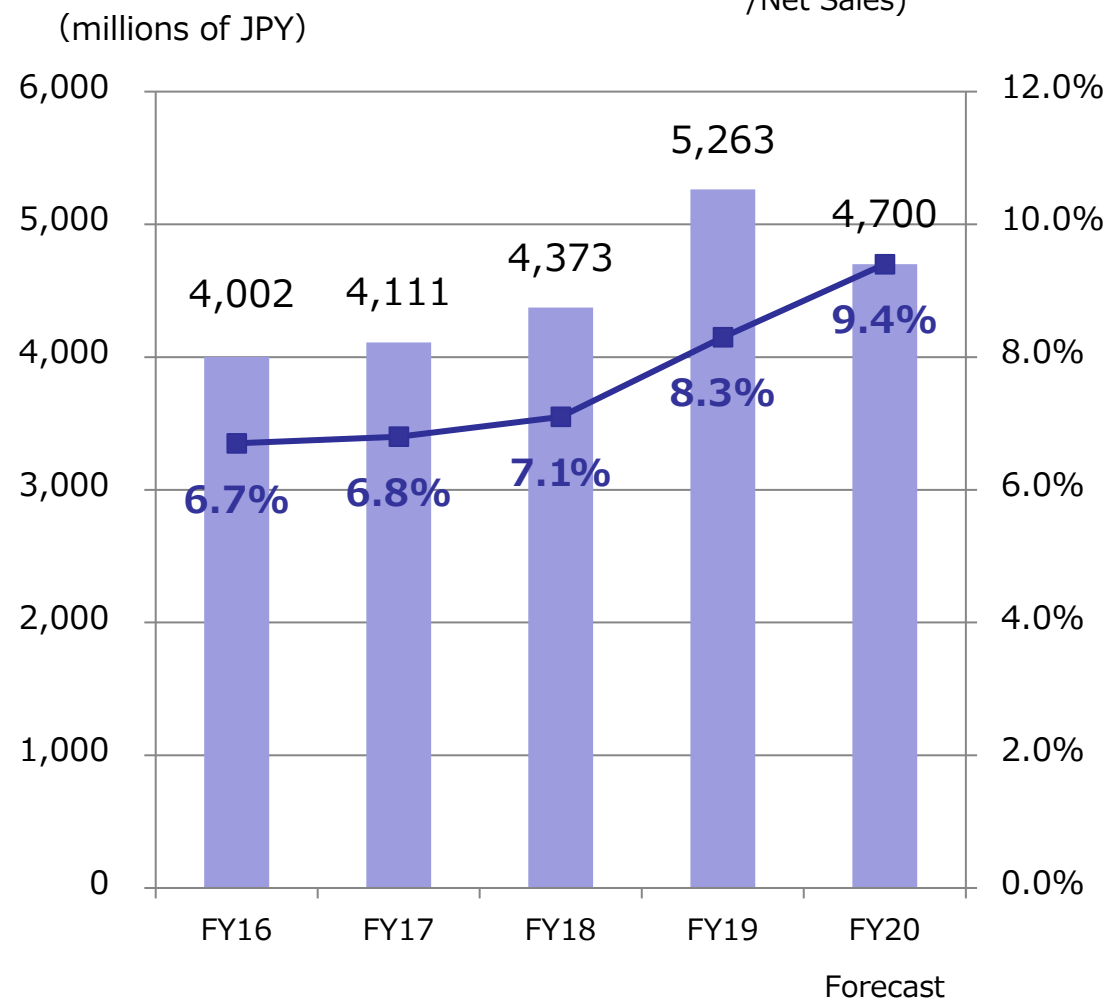
IV- 2 . Capital Investment, Depreciation, & Research & Development Expenses

Capital Investment & Depreciation

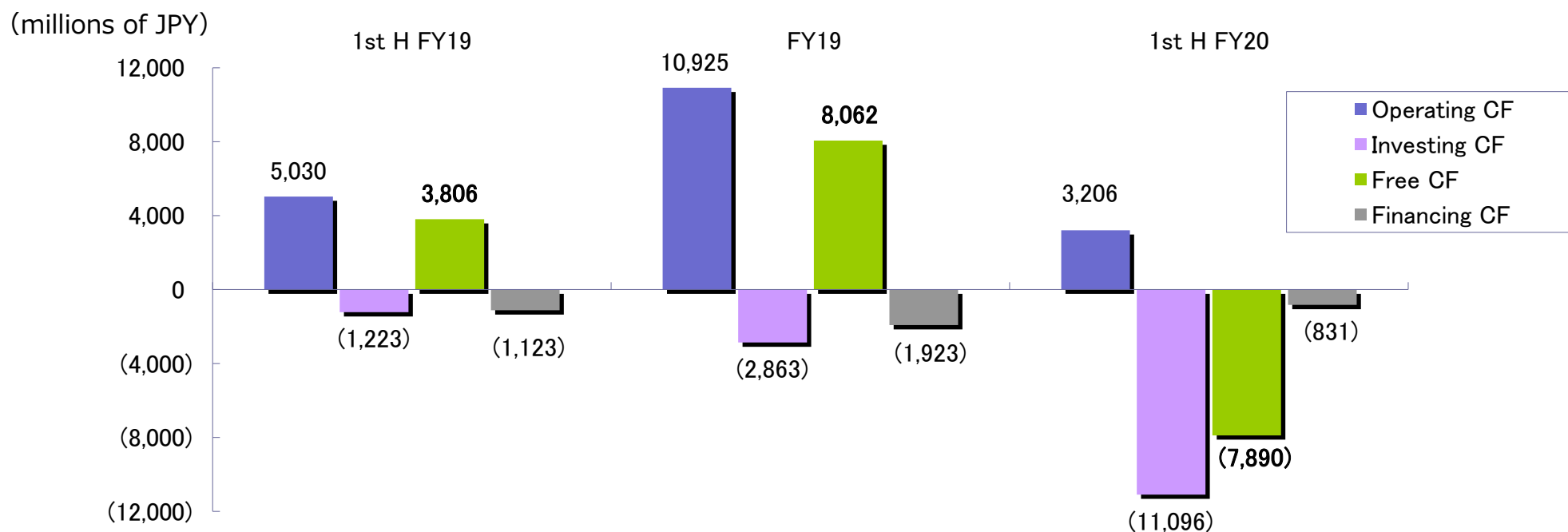


Research & Development Expenses

(Ratio of R&D Expenses / Net Sales)

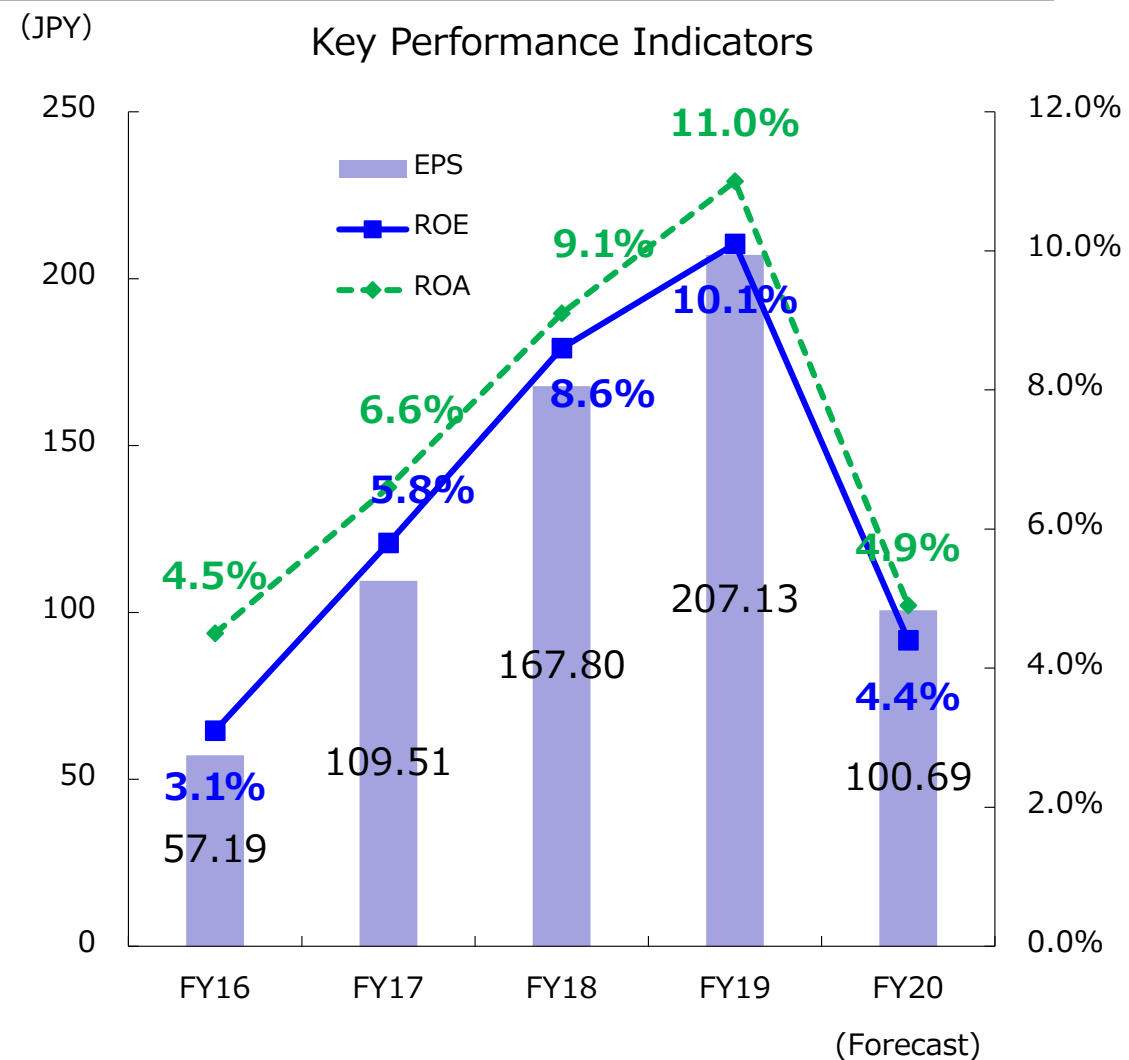
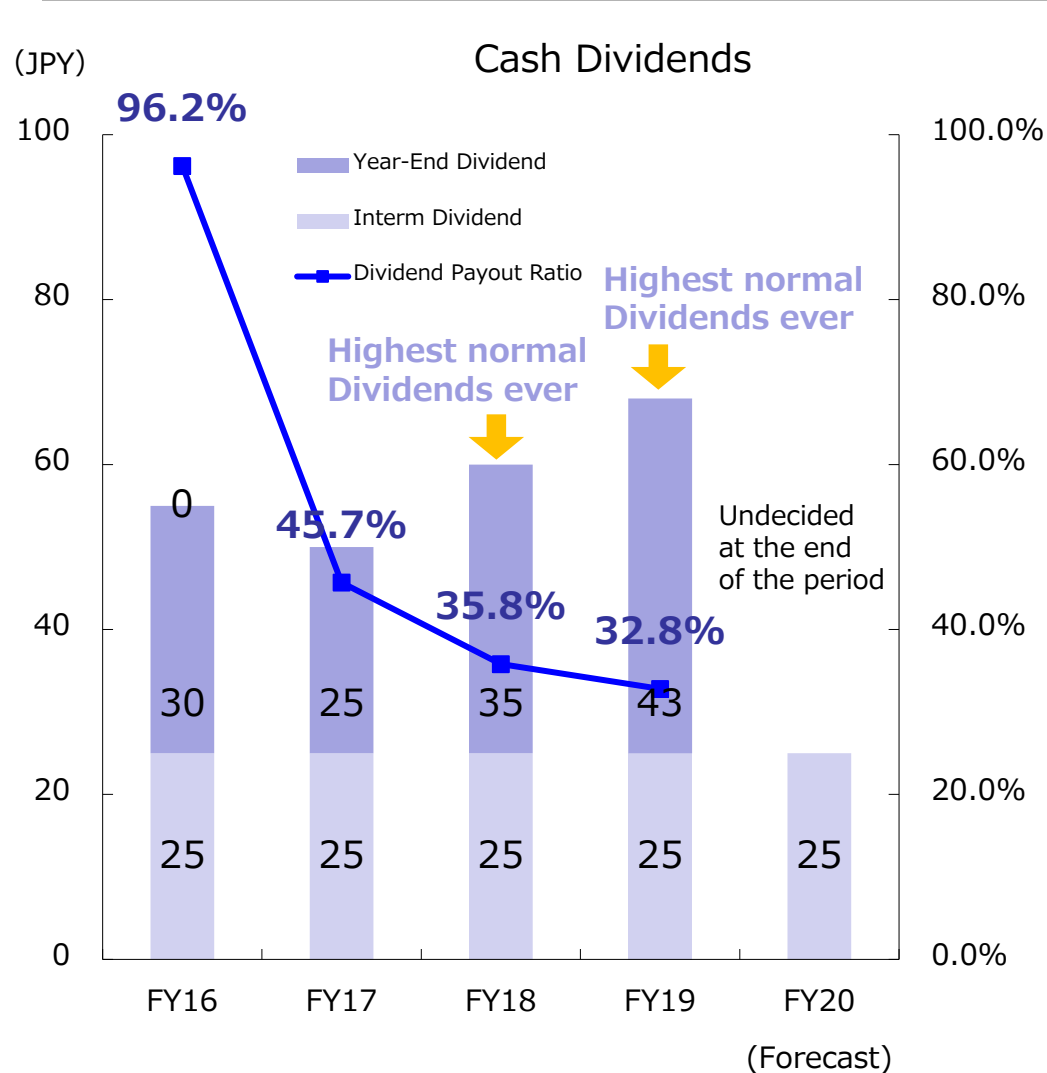


IV- 3 . Cash Flow Situation



	1st H FY19	FY19	1st H FY20
Cash Flow from Operating Activities	5,030	10,925	3,206
Cash Flow from Investing Activities	(1,223)	(2,863)	(11,096)
Free Cash flow	3,806	8,062	(7,890)
Cash Flow from Financing Activities	(1,123)	(1,923)	(831)
Cash & Cash Equivalents at the End of Period	24,905	28,384	19,476

IV-4 . Cash Dividends Outlook & Key Performance Indicators



March 2020 : Implemented acquisition of treasury shares (8.9 billion yen)

ROE = Net Income/Net Assets (Average for FY)
ROA = Ordinary Income/Total Assets (Average for FY)

Dividend Policy

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

IV- 5 . Impact of Foreign Exchange Rate Fluctuations

Actual 1st Half FY2020

(JPY)

(millions of JPY)

	Exchange Rate		Impact	
	Actual 1st H FY19	Actual 1st H FY20	Net Sales	Operating Income
USD	110.07	108.24	(160)	0
EUR	124.35	119.36	(130)	(100)
Others	-	-	(110)	20
Total	-	-	(400)	(80)

(Impact on previous year performance)

Forecast 2nd Half FY2020

(JPY)

(millions of JPY)

	Exchange Rate	Impact of ¥1 appreciation	
	Assumption 2nd H FY20	Net Sales	Operating Income
USD	107.00	(120)	0
EUR	120.00	(40)	(30)

Disclaimer

1. The purpose of this material is to provide information on the actual results for 1st Half of FY2020 and future business strategies. It is not an offer or a solicitation of an offer to buy or sell securities.
2. This material and the information provided verbally in the company's presentation are based on the data that are obtainable at the time of the presentation in compliance with the management policies and certain premises that are deemed reasonable by the company.
3. Please note that the actual results may sometimes differ from the forecasts contained herein due to various factors.
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