

2nd Quarter FY2014 Financial Results

August 6, 2014
Tamron Co., Ltd. (Code: 7740)



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I . 2nd Quarter FY2014 Financial Results

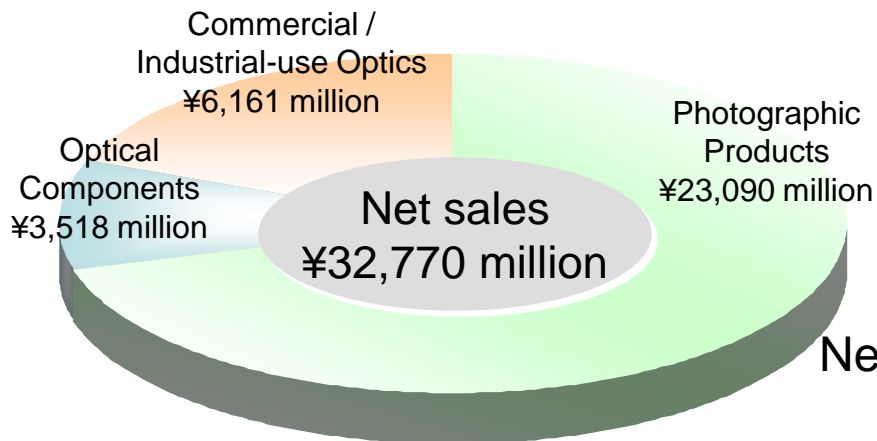
I -1. Business Briefing

Company Profile

- ❖ Total subsidiaries overseas : 9
- ❖ Domestic offices: 4 / Sales offices: 7
- ❖ ISO9001, ISO14001 certified
ISO/TS16949 certified
- ❖ Net sales: ¥32,770 million (1st Half FY2014)
- ❖ Number of employees : 2,574 (As of June 30, 2014)
- ❖ Total assets: ¥63,880 million (As of June 30, 2014)

Business Segment

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



I -2. 1st Half FY2014 Summary

Business Environment

- ❖ Moderate but steady improvement in global economy despite partial setbacks
- ❖ Continued baseline trend of Yen's depreciation against US dollars and Euro
- ❖ Digital Camera market segment
 - Compact DSCs shrunk 39% year on year while interchangeable lens camera decreased by 16% setting off a 13% increase in mirror-less cameras

1st Half FY2014 Results

- ❖ Consolidated sales and profits surpassed those of previous year as well as the forecast due partly to positive currency effects
- ❖ Launch of new lenses facilitated increases both in sales and operating profit, which rose 18%, in photographic business segment
- ❖ Commercial/industrial optics business segment posted increase in sales and profit three years in a row, marking the current result as a record high for the 1st half

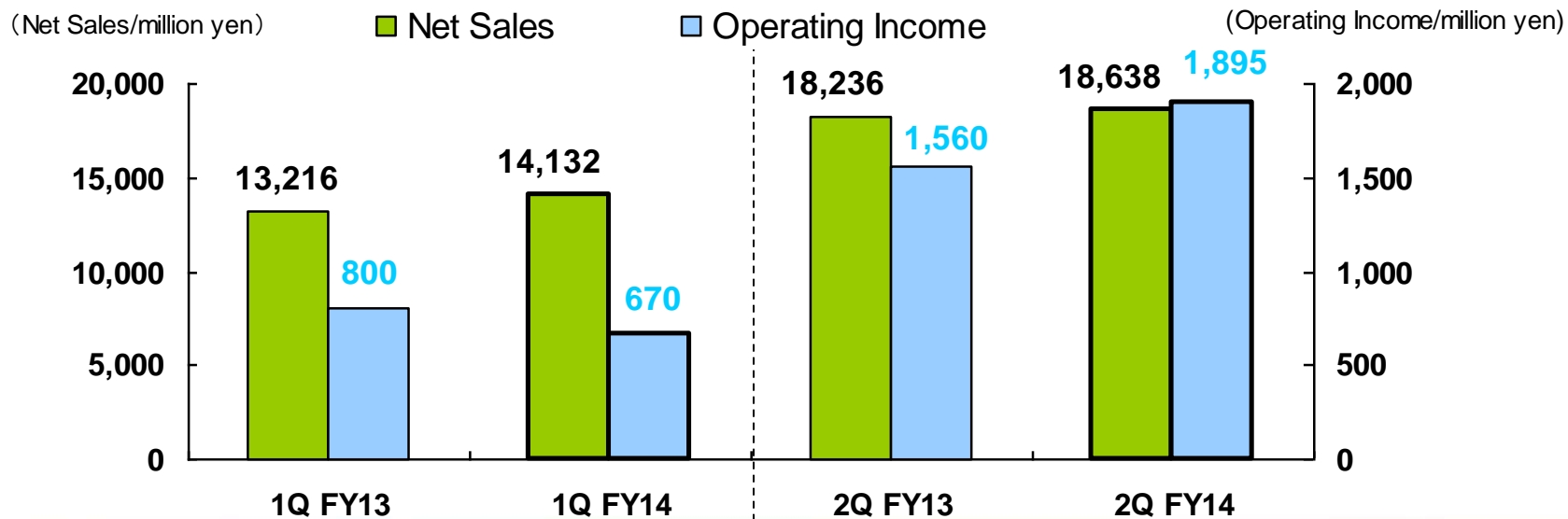
Topics

- ❖ Launched 16-300mm VC PZD (Model B016), world first 18.8x high-power zoom lens
- ❖ Expanded the lens lineup for major mirror-less cameras by adding new lens models

I -3. FY2014 Quarterly Financial Results

(Millions of yen)

	1Q FY13	1Q FY14	Change	2Q FY13	2Q FY14	Change
Net Sales	13,216	14,132	+916	18,236	18,638	+401
Operating Income	800	670	(130)	1,560	1,895	+334
(% Sales)	6.1%	4.7%	(1.4)%	8.6%	10.2%	+1.6%



I -4. 1st Half FY2014 Financial Results

(Millions of yen)

	1st H FY13	1st H FY14*FCT	1st H FY14	Change vs. 1st H FY13		Change vs. Same Period Forecast		FX Impact vs. 1st H FY13
Net Sales	31,453	32,500	32,770	1,317	104.2%	270	100.8%	+2,100
Operating Income	2,360	2,400	2,565	205	108.7%	165	106.9%	+500
(% Sales)	7.5%	7.4%	7.8%	0.3%	-	0.4%	-	
Ordinary Income	2,292	2,300	2,638	346	115.1%	338	114.7%	
(% Sales)	7.3%	7.1%	8.1%	0.8%	-	1.0%	-	
Net Income	1,615	1,650	1,820	205	112.7%	170	110.4%	

I -5. Contributing Factors for Performance vs. 1st H FY2013



(Millions of yen)

	1st H FY13 (a)	1st H FY14 (b)	Change		Change Factors
			(b)-(a)	(b)/(a)	
Net Sales	31,453	32,770	1,317	104.2%	Exchange gain +2,100 Sales (800) ----- +1,300
Operating Income	2,360	2,565	205	108.7%	Exchange gain +500 Sales (250) Others (50) ----- +200

I -6. 1st Half FY2014 Results by Segment

(Millions of yen)

		1st H FY13	1st H FY14 *FCT	1st H FY14	Change vs. 1st H FY13		Change vs. Same Period Forecast		FX Impact vs. 1st H FY13
Photographic Products	Net Sales	22,380	23,500	23,090	709	103.2%	(409)	98.3%	1,350
	Operating Income	1,956	2,200	2,311	355	118.2%	111	105.1%	350
	(%sales)	8.7%	9.4%	10.0%	1.3%	-	0.6%	-	-
New lens models of Tamron's own brand contributed to an increase of both sales and profit despite shrinkage of the whole market.									
Optical Components	Net Sales	3,833	3,000	3,518	(314)	91.8%	518	117.3%	300
	Operating Income	613	100	260	(352)	42.5%	160	260.6%	50
	(%sales)	16.0%	3.3%	7.4%	(8.6)%	-	4.1%	-	-
Sales decreased significantly having been affected by the dramatic decline of the market caused by inroads of smartphones. Profit declined sharply as amount of development income decreased year on year.									
Commercial/ Industrial-use Optics	Net Sales	5,239	6,000	6,161	922	117.6%	161	102.7%	450
	Operating Income	866	1,200	1,147	281	132.4%	(52)	95.6%	100
	(%sales)	16.5%	20.0%	18.6%	2.1%	-	(1.4)%	-	-
Both sales and profit increased by focusing on high-added-value lens sales in expanding surveillance camera market									
Elimination and/or Corporate		(1,075)	(1,100)	(1,153)	(78)	-	(53)	-	-
Total	Net Sales	31,453	32,500	32,770	1,317	104.2%	270	100.8%	2,100
	Operating Income	2,360	2,400	2,565	205	108.7%	165	106.9%	500

I -7. FY2014 Quarterly Results by Segment

(Millions of yen)

		1Q FY14	2Q FY14	1st H FY14
Photographic Products	Net Sales	9,387	13,702	23,090
	Operating Income	619	1,692	2,311
	(% Sales)	6.6%	12.3%	10.0%
Optical Components	Net Sales	1,590	1,928	3,518
	Operating Income	23	237	260
	(% Sales)	1.5%	12.3%	7.4%
Commercial/ Industrial-use Optics	Net Sales	3,154	3,007	6,161
	Operating Income	668	478	1,147
	(% Sales)	21.2%	15.9%	18.6%
Eliminations and/or corporate		(641)	(512)	(1,153)
Total	Net Sales	14,132	18,638	32,770
	Operating Income	670	1,895	2,565

II . FY2014 Financial Forecast

II -1. FY2014 Forecast

(Millions of yen)

	FY13	1st H FY14	2nd H FY14 ^{*FCT}	FY14 ^{*FCT}	Change vs. FY13	
Net Sales	68,452	32,770	38,229	71,000	2,547	103.7%
Operating Income	5,233	2,565	3,234	5,800	566	110.8%
(% Sales)	7.6%	7.8%	8.5%	8.2%	0.6%	-
Ordinary Income	5,196	2,638	2,961	5,600	403	107.8%
(% Sales)	7.6%	8.1%	7.7%	7.9%	0.3%	-
Net Income	3,197	1,820	2,079	3,900	702	122.0%

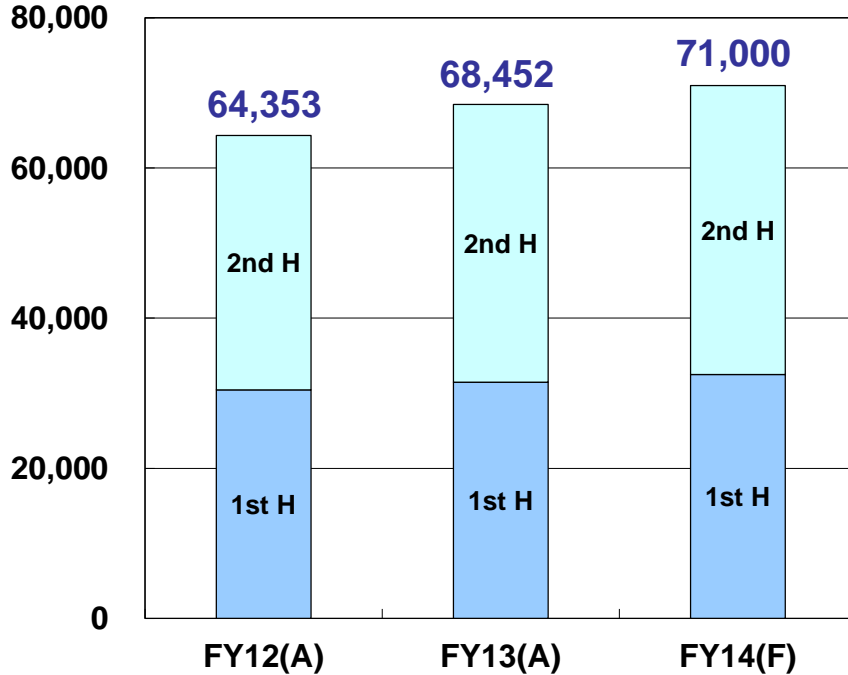
【FY2014 Forecast】

- ❖ Original annual forecast of Feb. 2014 remains unchanged although the 1st half results ended with a slight upward swing.
- ❖ Exchange rate assumption in the 2nd half forecast for US dollars and Euro are ¥100 and ¥135, respectively unchanged from the initial forecast.

II -2. FY2014 Forecast (Sales / Operation Income)

(Millions of yen)

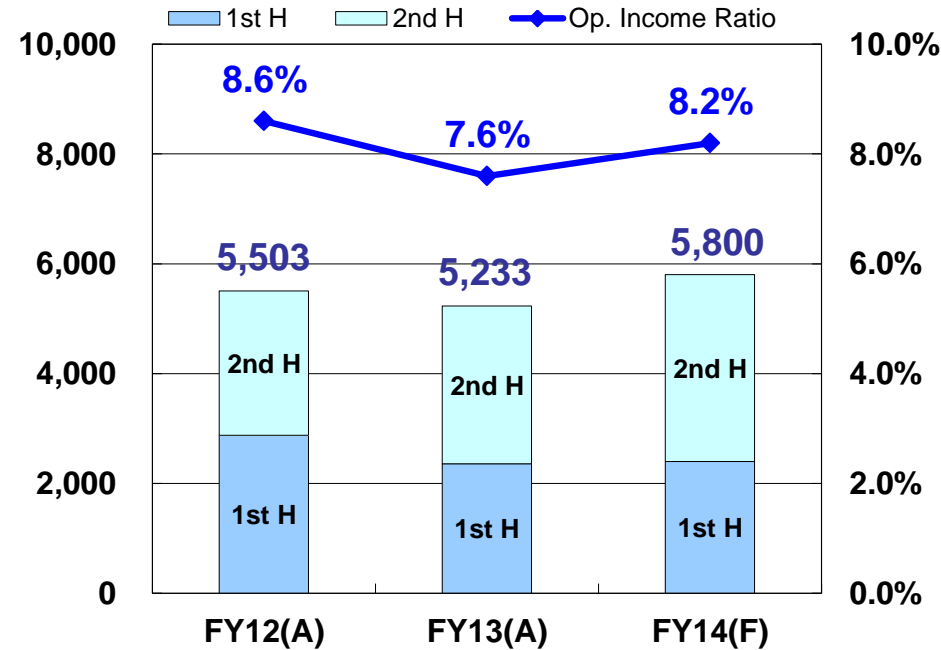
Net Sales



1st H	30,432	31,453	32,770
2nd H	33,920	36,999	38,229
FY	64,353	68,452	71,000
YoY	110.0%	106.4%	103.7%

* (A):Actual (F):Forecast

Operating Income



1st H	2,879	2,360	2,565
2nd H	2,623	2,872	3,234
FY	5,503	5,233	5,800
Op. Income Ratio	8.6%	7.6%	8.2%
YoY	96.8%	95.1%	110.8%

II -3. FY2014 Forecast by Segment

(Millions of yen)

		FY13 (a)	FY14 Previous Forecast (b)	FY14 Current Forecast (c)	Change vs. FY13		Change vs. Previous Forecast	
					(c)-(a)	(c)/(a)	(c)-(b)	(c)/(b)
Photographic Products	Net Sales	48,492	51,500	52,500	4,007	108.3%	1,000	101.9%
	Operating Income	4,280	5,400	5,900	1,619	137.8%	500	109.3%
	(%Sales)	8.8%	10.5%	11.2%	2.4%	-	0.7%	-
Optical Components	Net Sales	7,629	6,000	6,500	(1,129)	85.2%	500	108.3%
	Operating Income	938	300	500	(438)	53.3%	200	166.7%
	(%Sales)	12.3%	5.0%	7.7%	(4.6)%	-	2.7%	-
Commercial/ Industrial-use Optics	Net Sales	12,330	13,500	12,000	(330)	97.3%	(1,500)	88.9%
	Operating Income	2,429	2,800	2,100	(329)	86.4%	(700)	75.0%
	(%Sales)	19.7%	20.7%	17.5%	(2.2)%	-	(3.2)%	-
Eliminations and/or corporate		(2,415)	(2,700)	(2,700)	(284)	-	0	-
Consolidated	Net Sales	68,452	71,000	71,000	2,547	103.7%	0	100.0%
	Operating Income	5,233	5,800	5,800	566	110.8%	0	100.0%

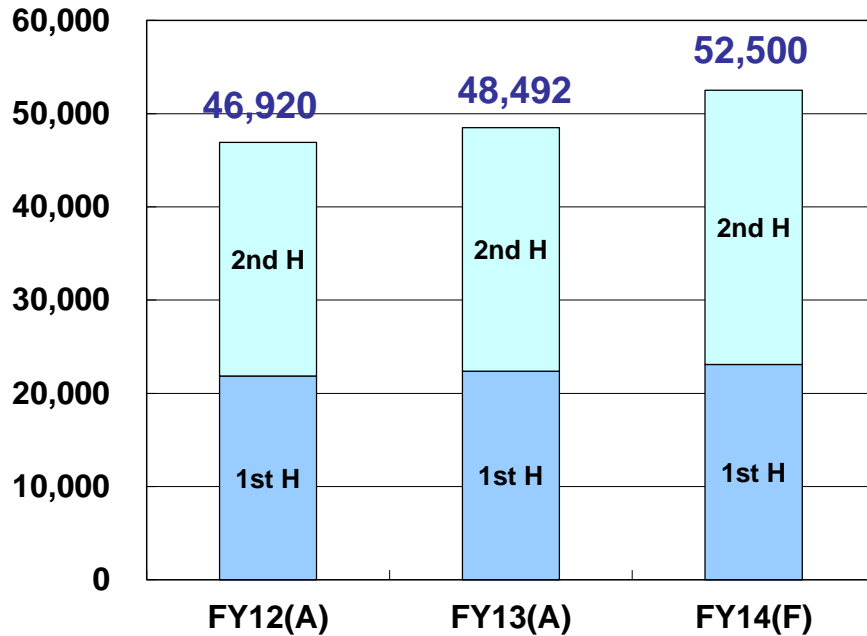
❖ Reflecting 1st half results and current business circumstances intra segment sales and operating profits has been realigned although the annual forecast remains unchanged.

II - 4 . FY2014 Forecast by Segment



1) Photographic Products

Net Sales

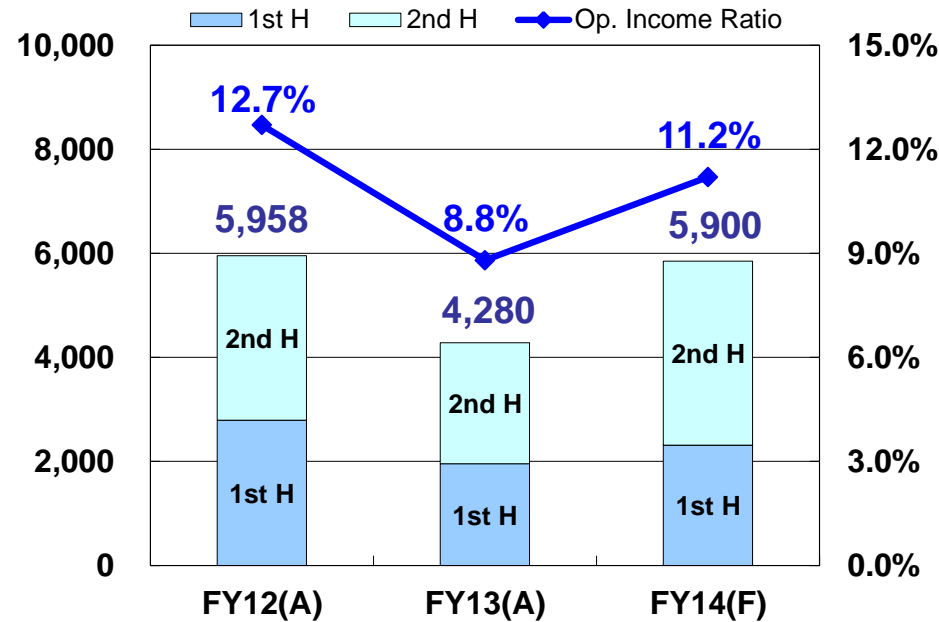


1st H	21,870	22,380	23,090
2nd H	25,049	26,111	29,409
FY	46,920	48,492	52,500
YoY	118.2%	103.4%	108.3%

* (A):Actual (F):Forecast

Operating Income

(Millions of yen)



1st H	2,792	1,956	2,311
2nd H	3,166	2,324	3,538
FY	5,958	4,280	5,900
OpIncomeRatio	12.7%	8.8%	11.2%
YoY	100.9%	71.8%	137.8%

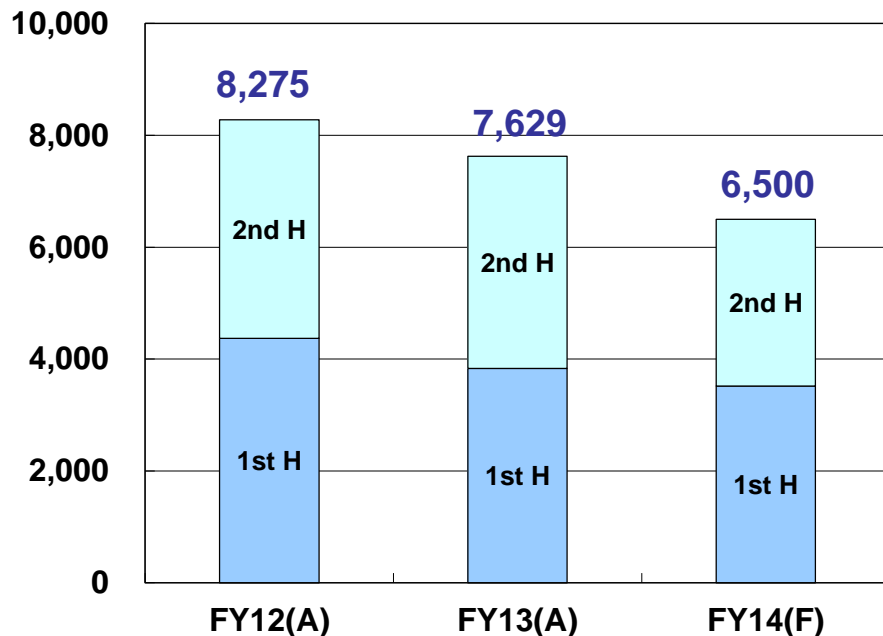
❖ Both sales and operating profit are projected for an increase by virtue of promoting sales of new own-branded lenses.

II - 4 . FY2014 Forecast by Segment



2) Optical Components

Net Sales

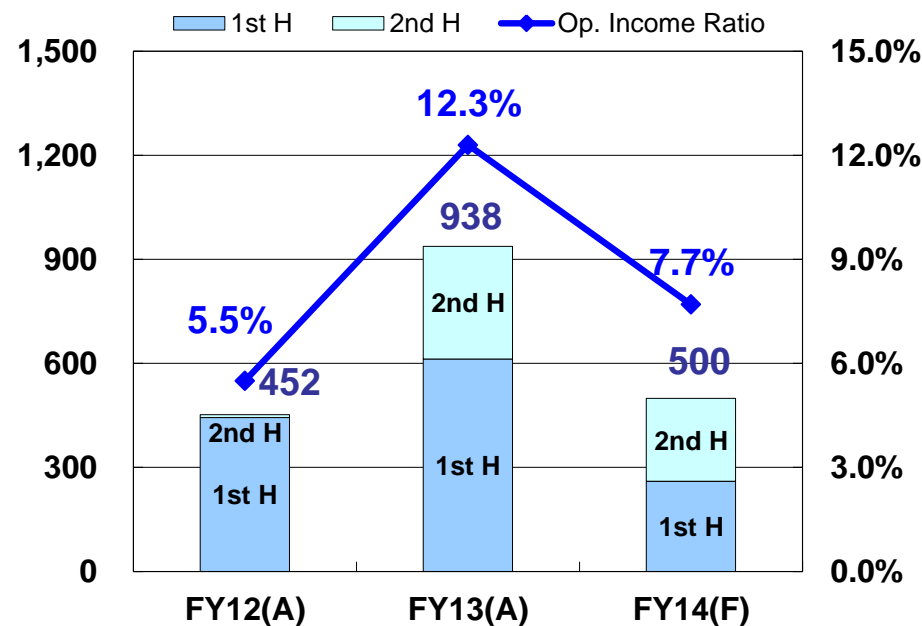


1st H	4,369	3,833	3,518
2nd H	3,906	3,795	2,981
FY	8,275	7,629	6,500
YoY	78.1%	92.2%	85.2%

* (A):Actual (F):Forecast

Operating Income

(Millions of yen)



1st H	444	613	260
2nd H	8	325	239
FY	452	938	500
OpIncomeRatio	5.5%	12.3%	7.7%
YoY	65.5%	207.4%	53.3%

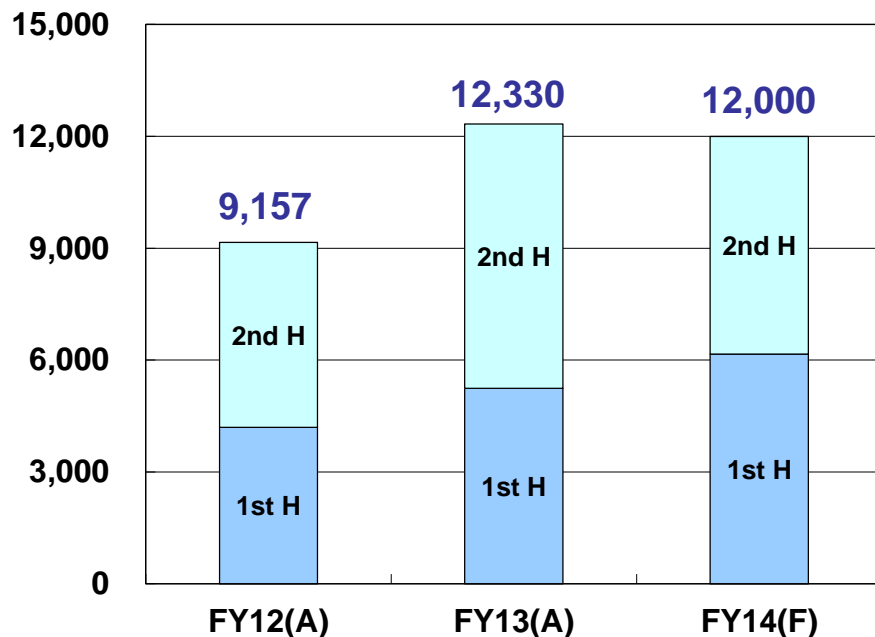
❖ Both sales and operating profit are projected downward due to on-going decline of the pertinent market segment.

II - 4 . FY2014 Forecast by Segment

3) Commercial / Industrial-use Optics

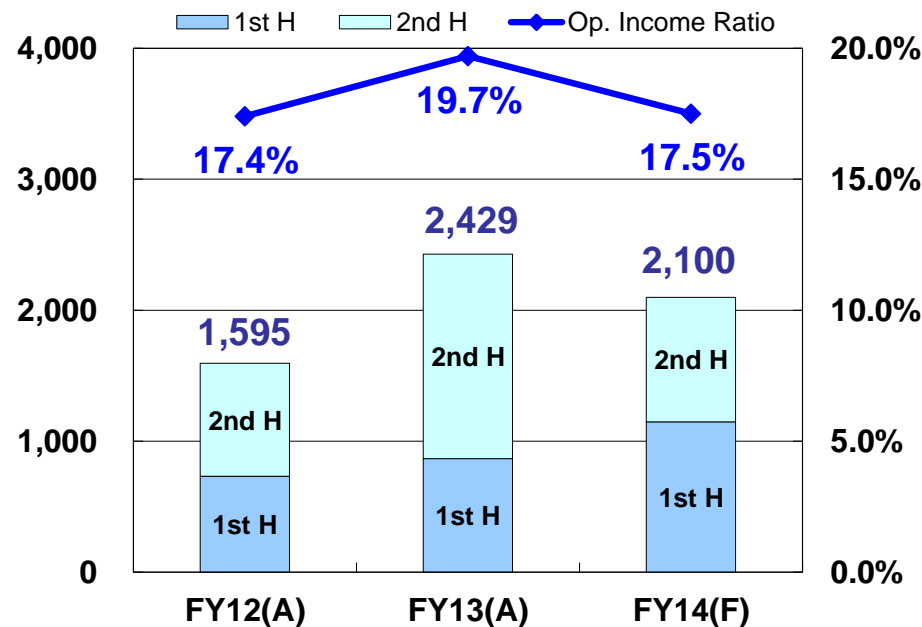


Net Sales



Operating Income

(Millions of yen)



1st H	4,193	5,239	6,161
2nd H	4,963	7,091	5,838
FY	9,157	12,330	12,000
YoY	111.6%	134.6%	97.3%

1st H	732	866	1,147
2nd H	863	1,563	952
FY	1,595	2,429	2,100
Op. Income Ratio	17.4%	19.7%	17.5%
YoY	113.6%	152.2%	86.4%

* (A):Actual (F):Forecast

❖ Both sales and operating profit are projected for a negative growth affected by erosion of the market situation in China with growing competition.

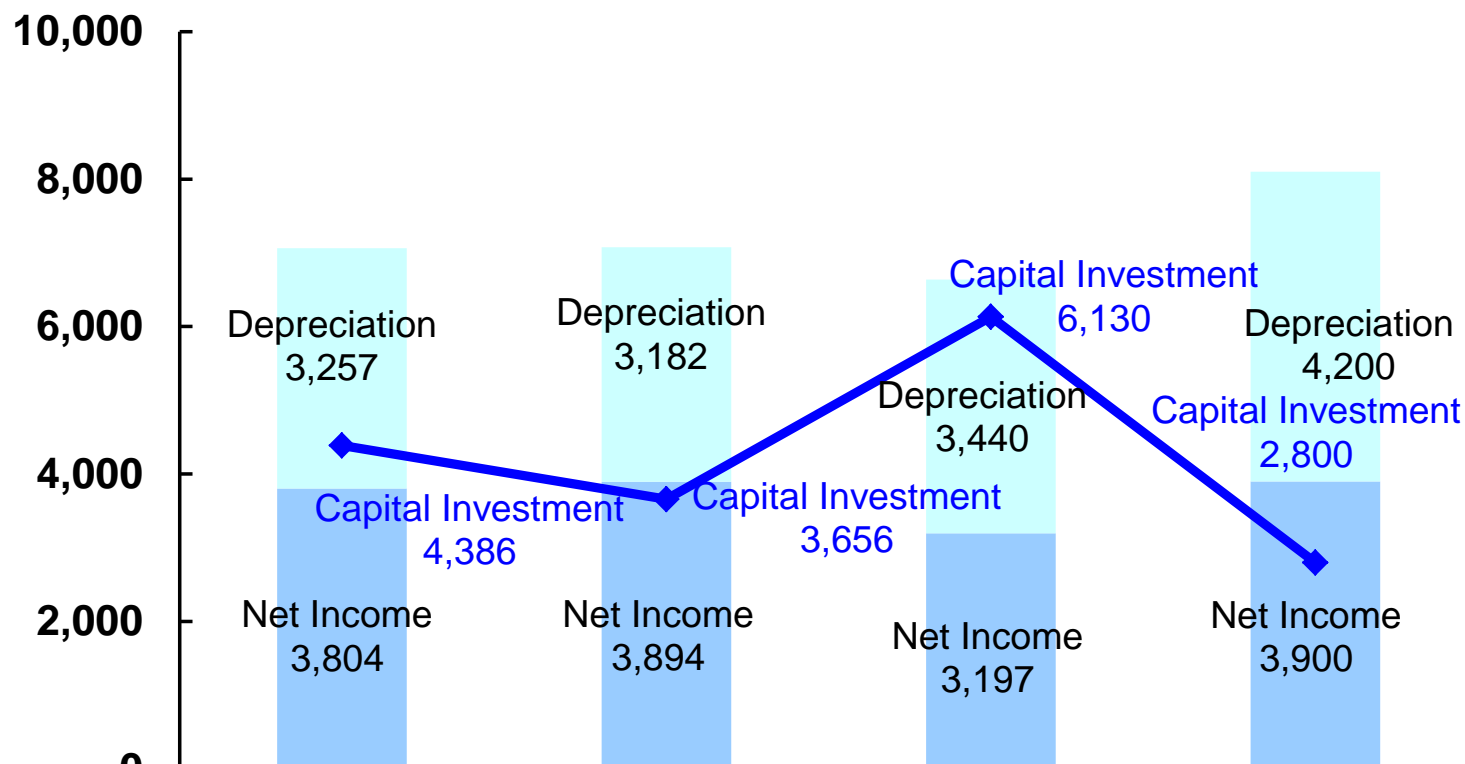
Ⅲ. Financial Situation

III-1. Financial Summary

	Jun 30, 2013	Dec 31, 2013	Jun 30, 2014	Change vs. Dec 31, 2013	Remarks
Cash and Deposits	13,305	14,297	16,947	2,650	Mainly due to decrease in inventory
Notes and Accounts Receivable	13,856	14,898	14,164	(734)	
Inventories	12,278	11,055	9,725	(1,330)	Due to effort to reduce inventory
Other Current Assets	1,576	1,505	1,429	(76)	
Total Non-Current Assets	21,131	22,945	21,613	(1,332)	Annual amortization and optimization of capital investment
Total Assets	62,149	64,704	63,880	(823)	
Total Current Liabilities	13,860	14,144	13,252	(891)	Mainly due to decrease in account payables
Total Non-Current Liabilities	4,259	3,471	3,686	214	
Total Liabilities	18,120	17,616	16,939	(676)	
Total Net Assets	44,029	47,087	46,941	(146)	
Total Liabilities and Net Assets	62,149	64,704	63,880	(823)	
Ratio of Net Assets	70.8%	72.8%	73.5%	0.7%	

III-2. Capital Investment & Depreciation

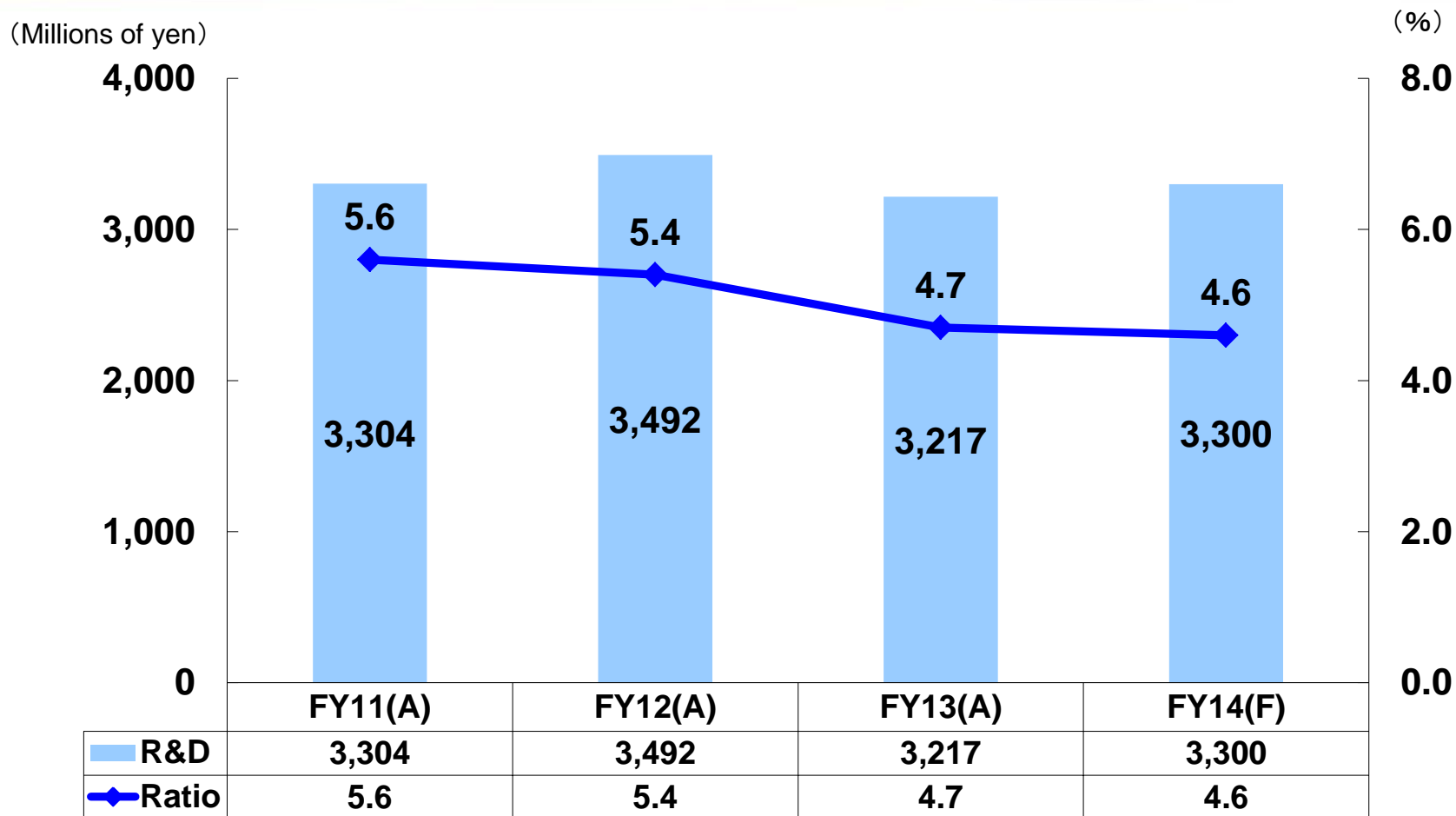
(Millions of yen)



	FY11(A)	FY12(A)	FY13(A)	FY14(F)
Depreciation	3,257	3,182	3,440	4,200
Net Income	3,804	3,894	3,197	3,900
Capital Investment	4,386	3,656	6,130	2,800

* (A):Actual (F):Forecast

III-3. Research & Development



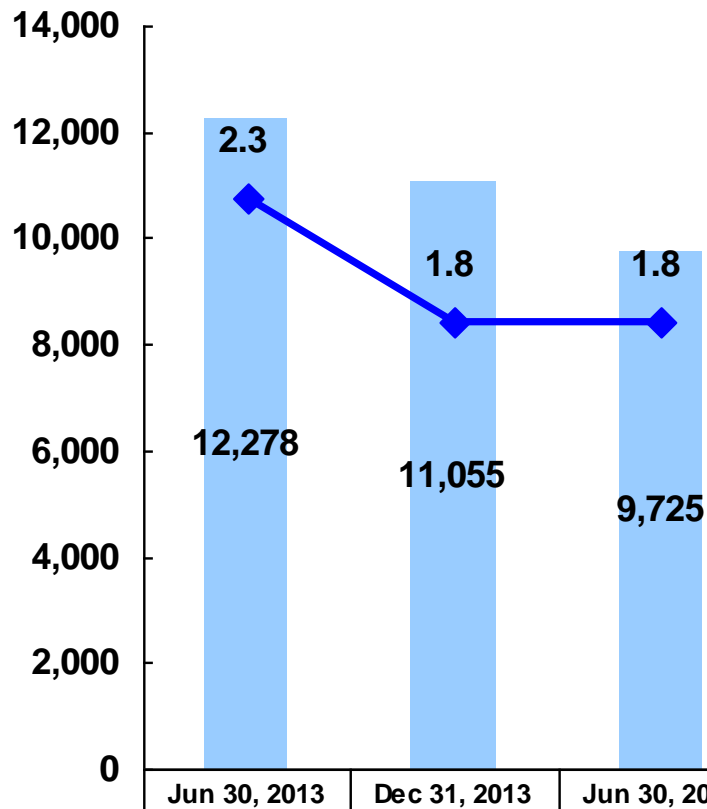
❖ R&D cost/Net sales ratio

❖ (A):Actual (F):Forecast

III-4. Inventories / Liabilities with Interests

Inventories

(Millions of yen)



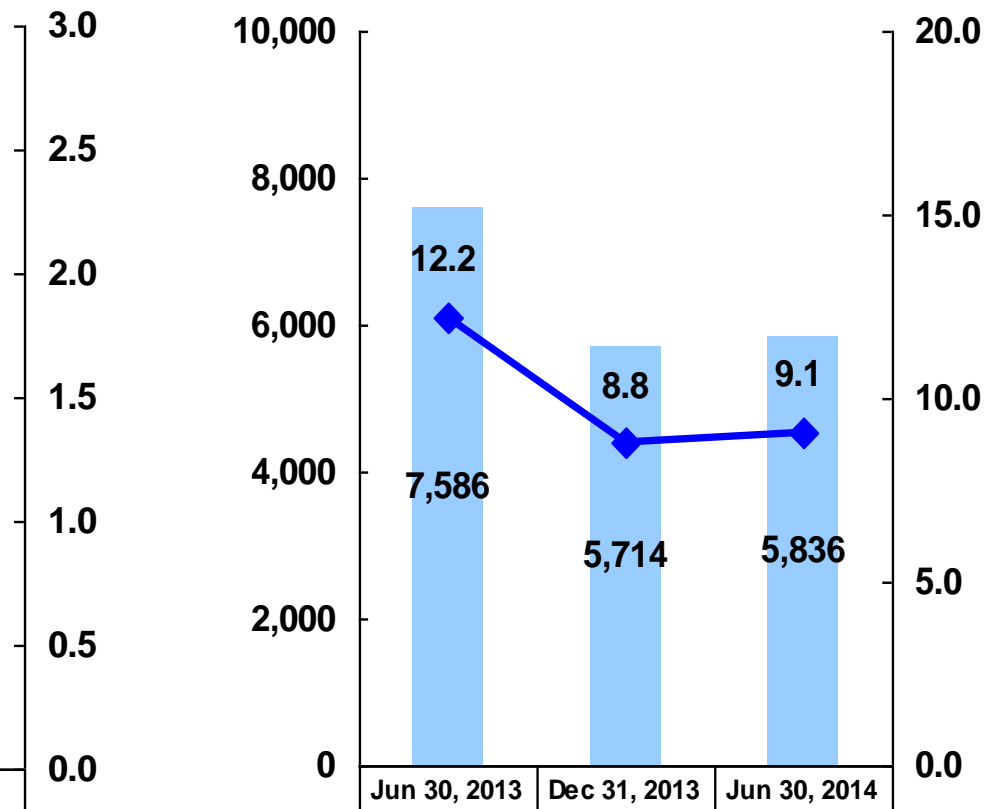
Inventories	12,278	11,055	9,725
Inventory turnover	2.3	1.8	1.8

Liabilities with Interests

(Month)

(Millions of yen)

(%)

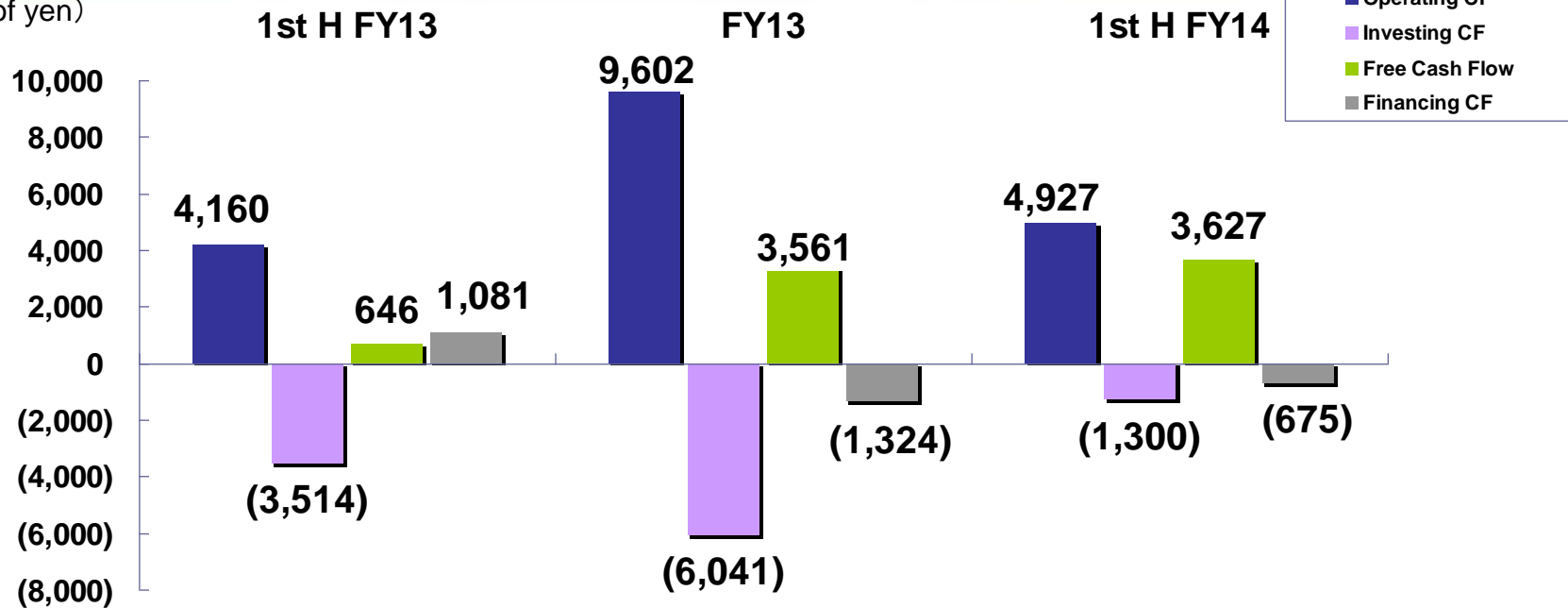


Liability with Interest	7,586	5,714	5,836
Loan-to-Asset	12.2	8.8	9.1

❖ Turnover ratio based on average monthly sales for last 6 months

III-5. Cash Flow Statement

(Millions of yen)



	1st H FY13	FY13	1st H FY14
Cash Flow from Operating Activities	4,160	9,602	4,927
Cash Flow from Investing Activities	(3,514)	(6,041)	(1,300)
Free Cash Flow	646	3,561	3,627
Cash Flow from Financing Activities	1,081	(1,324)	(675)
Cash and Cash Equivalents at Year End	13,305	14,297	16,947
Liquidity (Months)	2.54	2.51	3.10

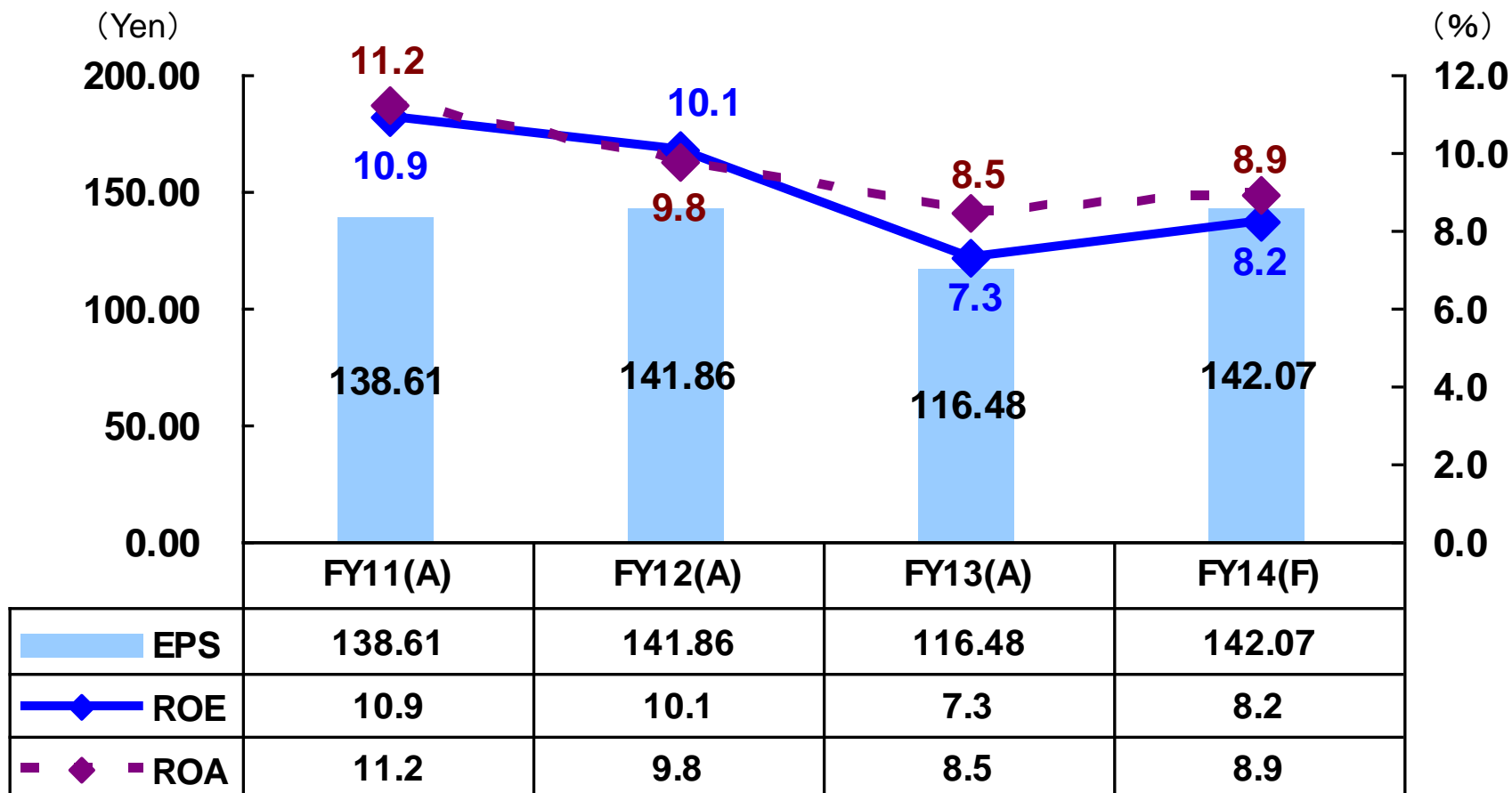
Ⅲ-6. Outlook for Cash Dividends

(Yen)

	FY11	FY12	FY13	FY14*FCT
Interim	20.00	20.00	20.00	20.00
Year End	30.00	30.00	30.00	30.00
Total	50.00	50.00	50.00	50.00
Dividend Payout Ratio (Consolidated)	36.1%	35.2%	42.9%	35.2%

III-7. Referential Data

1) Key Performance Index



❖ ROE = Net Income / Net assets (average for FY)

❖ ROA = Ordinary Income / Total assets (average for FY)

❖ (A): Actual (F): Forecast

III-7. Referential Data

2) Impact of Currency Rate Fluctuations

1st Half FY2014

	Exchange rate (Yen)		Effect (Million yen)	
	1st H FY13	1st H FY14	Net Sales	Operating Income
USD	95.73	102.46	+1,250	±0
EURO	125.65	140.44	+650	+500
Others	-	-	+200	±0
Total	-	-	+2,100	+500

(Impact on FY2013 Actual performance)

2nd Half FY2014 Forecast

	Exchange rate (Yen)	One yen change impact (Million yen)	
	2nd H FY14	Net Sales	Operating Income
USD	100.00	+200	±0
EURO	135.00	+60	+50

IV. Mid-Term Strategy

IV-1. Corporate Tagline

New eyes for industry

IV - 2. Mid-Term Management Goals for FY2016

Net Sales : ¥90.0 billion

Operating Income : ¥8.5 billion

(Operating Income Ratio 9.4%)

IV-3. Strategy Towards FY2016 by Segment

1) Photographic Products

Target : ¥67.0 billion (74.4% of Total Net Sales)

**2016
Mid-Term
Target**

- ❖ Development of innovative new products for own-branded lens line
- ❖ Improvement of new product development time line and launch schedule
- ❖ Expansion of sales network and market share in the emerging markets

New Product

Launched in Jun. 2014



28-300mm VC PZD
(Model A010)



For Micro Four Thirds Mirrorless

14-150mm (Model C001)



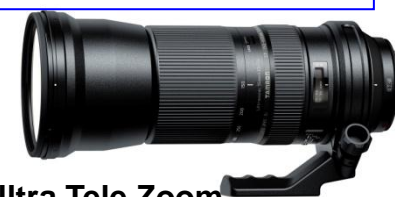
For Mirrorless
Canon mount.

Strategic New Products



High Power Zoom
16-300mm VC PZD (Model B016)

Launched in Apr. 2014



Ultra Tele Zoom
150-600mm VC USD (Model A011)

Launched in Dec. 2013



Wide Zoom



Standard Categorized Zoom

IV-3. Strategy Towards FY2016 by Segment

2) Optical Components

Target: 3.5 billion yen (3.9% of Total Net Sales)

**2016
Mid-Term
Target**

- ❖ Focus on higher value-added products to avoid getting involved in price competition and to secure profits.
- ❖ Achieving better cost efficiency for LWIR (Long-Wave Infra Red) lenses to develop business opportunities
 - Joint development with major camera manufacturers



Digital still camera lenses, Camcorder lenses



Original zoom lens



Lenses for Long Wavelength Infrared Cameras

IV-3. Strategy Towards FY2016 by Segment

3) Commercial / Industrial-use Optics

Target: 19.5 billion yen (21.7% of Total Net Sales)

**2016
Mid-Term
Target**

- ❖ Strengthened development of security surveillance camera lenses and expansion in global sales network
- ❖ Facilitating new business development by collaborative relationship management with third-party partners
- ❖ Continued development of automotive camera lens business
- ❖ Commercialization of lenses for video conference systems and traffic surveillance cameras etc.
- ❖ Re-streaming R&D activities better tuned for the Chinese market environment



"Flat-Field Mega Pixel Lens Series"



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



Model M118FM35-II

Traffic surveillance lens



Automotive camera lenses

IV-4. Enhanced Production System

Vietnam—Started operation in July, 2013



Category	Current situation
Number of Employee	200 (July, 2013) ⇒ 796 (August, 2014)
Processing	Lens Element, Metal, Assembly
Production Capacity Production Model	Interchangeable DSLR lenses, Security/ Surveillance camera lenses (starting 2nd half this year)

Lens Element Processing



Metal Processing



Assembly Lines



Disclaimer

1. The purpose of this material is to provide information on the “FY2014 Financial Results” 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 our presentation are based on the data that are obtainable at the time of the presentation in compliance with our management policies and certain premises that are deemed reasonable by us.
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