TAMRON

New eyes for industry

Annual Report 2014

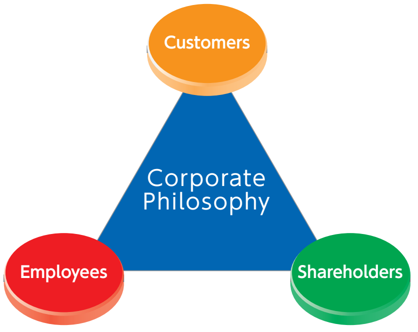
MISSION

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

Corporate Philosophy

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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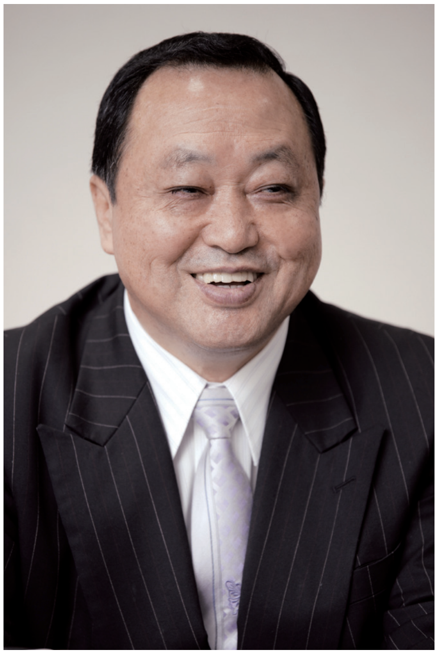
Note: In the 2014 annual report, amounts of less than the unit indicated, for example, one million yen or one thousand dollars, have been omitted.



First of all, I would like to thank our shareholders for the valuable support extended to our company.

It is my pleasure to report on our financial performance for the past 68th fiscal year (from January 1 through December 31, 2014) and the business environment.

Summing up the global economy throughout the past year, the U.S. sustained a relatively steady recovery, supported by favorable consumer spending as employment and income continued to gradually improve. The European economy started to show signs of gradual recovery in the beginning of the year, but it changed to indicate a gradual slowdown as Germany, the driving force for the European economy, began to show a downturn in business sentiment. The Russian economy continued to remain stagnant due to the depreciation of the ruble and decline in oil prices that form the base of the economy. In China, consumer spending remained steady, but investment and production grew sluggishly due to the real estate market cooling down, resulting in the slowdown of the economic growth rate.

The Japanese economy showed signs of moderate recovery along with improvements in employment and income backed by corporate earnings growth. However, consumer confidence declines began to be observed following concerns about rising prices due to the sharp weakening of the yen and anticipated increase in the consumption tax rate.

As for the digital camera segment that Tamron is engaged in, the compact digital still camera market segment significantly shrank over 40% year-on-year on a shipment basis. As for lens-interchangeable cameras, although the shipment of the “mirrorless-type” cameras remained relatively stable, that of DSLR cameras decreased about 20% year-on-year due to delay in demand rebounding, despite some signs of recovery in the Chinese market. Shipment of interchangeable lenses also declined by about 10%, affected by the decrease of DSLR cameras.

Under the circumstances, the business performance of Tamron and our group companies remained favorable at home and abroad, due mainly to our launching new interchangeable lenses under our own brand. Our group posted a record high sales revenue of ¥73.621 billion, up 7.6% year-on-year, primarily attributable to the launch, coupled with the depreciation of the yen against the US dollars and the euro.

As for profits, our group gross profit rate improved due to introducing new products under our own brand as already mentioned, coupled with exchange rate effects. Consequently, our operating profit increased 16.1% year-on-year to 6.076 billion yen, ordinary profit rose 19.3% to ¥6.2 billion, and current net profit grew 20.3% year-on-year to ¥3.846 billion. Thus, both sales and profit increased.

As for the economy at home and abroad in the new fiscal year of 2015, we expect a continued moderate upswing in general. Still, we must carefully watch consumer sentiment in the domestic market and exchange fluctuations, geopolitical risks and the effects of oil prices oversea, and the outlook of the economy of China and other emerging markets.

In the digital camera market where our group is involved, we anticipate continuous market shrinkage concerning lens-integrated compact digital cameras, but we also expect gradual recovery in the demand for lens-interchangeable cameras. We plan to expand our business performance in photographic lenses by introducing epoch-making new products under our own brand, while working hard on business recovery in industrial optics, especially in the Chinese market.

For the new fiscal year of 2015, we aim for increases both in sales and profit for the second consecutive year. Our management goals are consolidated net sales of 78.5 billion yen, an increase of 6.6% year-on-year, operating profit of ¥ 6.6 billion, up 8.6%, and net income of ¥4.2 billion, an increase of 9.2% year-on-year. The exchange rates are assumed at ¥115 to the US dollar and ¥135 to the euro.

The year-end dividend was determined as ¥30 per share. Thus, the aggregate annual dividend turned out to be ¥50 (with ¥20 as the interim dividend), the same as the previous fiscal year, marking a consolidated payout ratio of 35.7%. We plan to deliver an annual dividend of ¥55 per share for the year 2015.

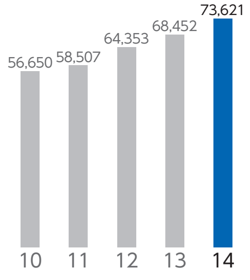
We sincerely appreciate the continued support, warm advice and guidance of our shareholders.

President & CEO
Morio Ono

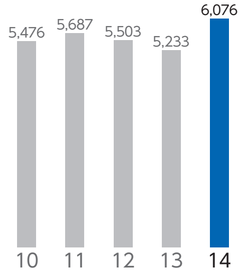
	Millions of Yen					Thousands of U.S. Dollars
Years ended December 31	2014	2013	2012	2011	2010	2014
For the Year:						
Net sales	¥ 73,621	¥ 68,452	¥ 64,353	¥ 58,507	¥ 56,650	$695,921
Operating income	6,076	5,233	5,503	5,687	5,476	57,436
Operating income ratio	8.3%	7.6%	8.6%	9.7%	9.6%	—
Ordinary income	6,200	5,196	5,377	5,702	5,476	58,608
Ordinary income ratio	8.4%	7.6%	8.4%	9.7%	9.7%	—
Net income	3,846	3,197	3,894	3,804	3,689	36,362
At Year-End:						
Total assets	¥ 69,906	¥ 64,704	¥ 58,058	¥ 51,898	¥ 50,120	$660,803
Net assets	51,995	47,087	40,805	36,134	33,996	491,494
Number of employees	2,694	2,545	2,295	6,005	7,198	—
Per Share Data (in yen, dollars):						
Net income	¥ 140.14	¥ 116.48	¥ 141.86	¥ 138.61	¥ 134.40	$ 1.32
Shareholders' equity	1,894.14	1,715.37	1,486.52	1,316.33	1,238.45	17.90
Cash dividends	50.00	50.00	50.00	50.00	50.00	0.47
Ratios (%):						
Return on assets (ROA)	9.2	8.5	9.8	11.2	11.2	—
Return on equity (ROE)	7.8	7.3	10.1	10.9	11.0	—
Equity ratio	74.4	72.8	70.3	69.6	67.8	—

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥105.79=US$1.
2. ROA=Ordinary income/Total assets
3. ROE=Net income/Net assets

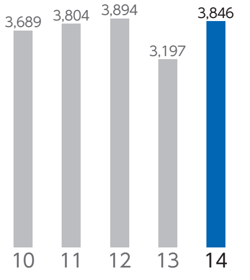
NET SALES
(Millions of Yen)



OPERATING INCOME
(Millions of Yen)



NET INCOME
(Millions of Yen)



Our main business drivers are the following three segments, Photographic Products, Optical Components, and Commercial/Industrial-use Optics.

Business Segment	**Main Business**
Photographic Products	Interchangeable lenses for 35mm/Digital SLR cameras
	Interchangeable lenses for non-Reflex type cameras
Optical Components	Camcorder lenses
	Digital still camera lenses
	Optical device units
Commercial/Industrial-use Optics	Lenses for CCTV cameras
	Automotive lenses

Mid-Term Management Goals for FY 2017

NET SALES	OPERATING INCOME	ROE
¥95,000 Million	¥9,500 Million	10% or more

(10% operating income margin)

Strategy Towards FY2017 by Segment

Interchangeable Lenses for Digital SLR Cameras

Photographic Products

- Sequential introduction of epoch-making new products in our own-brand lens range
- Establishment of efficient new product development framework
- Strengthening sales organizations in emerging markets for bigger market share
- Enhancing brand power (performance, design), strengthening measures for stimulating latent demand

Digital Still Camera Lenses

Optical Components

- Increased focus on higher value-added products, to secure profits and avoid cost cutting competition
- Creating new markets by leveraging our own advantages in special fields
- Cost reduction of far-infrared range optical systems and stronger sales efforts
  → Joint development with leading camera makers

CCTV Camera Lenses

Commercial / Industrial-use Optics

- Stronger sales operations in the worldwide market through technological innovation in surveillance camera lenses
- Promoting new businesses through co-creation
- Putting Automotive camera lens businesses on the track by working harder on sensing application lenses
- Strengthening business operations in new fields including outdoor and night surveillance
- Development and introduction of new products for the Chinese market while working on stronger sales organization establishment

We are committed to fair and transparent management practices as well as enhancing corporate value, which is achieved by strengthening corporate governance to build up trust with shareholders and investors.

1. Basic Policy

We at Tamron have constantly pursued fair and transparent management practices under our management philosophy and in line with our brand message, "New Eyes for Industry" as well as by respecting the rights and equality of our shareholders and working diligently to maintain a sound relationship with all stakeholders.

2. Corporate Governance System Overview

Tamron has employed the Executive Officer System to speed up decision making and improve efficiencies, which has enabled it to establish a management structure capable of making accurate and strategic decisions. External Directors with expertise in their respective field carefully monitor and advise the company regarding its execution of operations from an independent and fair standpoint. At the same time, Independent Auditors with expert knowledge of finance, accounting and legal affairs as well as Corporate Auditors well versed in Tamron's operations work together with the Accounting Auditor and Internal Audit & Supervision Board to carry out rigorous audit programs. Tamron appoints 15 Directors, of which 2 are Independent Directors, and 4 Corporate Auditors, of which 3 are Independent Corporate Auditors.

(1) Board of Directors

Meetings of the Board of Directors are held twice 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 related laws and regulations. In 2014, Board of Directors met 24 times.

(2) Audit & Supervisory Board

The Audit & Supervisory Board audits the processes of decision making by the Board of Directors and the execution of duties of Directors by attending the Board of Director meetings and checking approval documents. The Audit & Supervisory Board meets monthly, in principle. In 2014, Audit & Supervisory Board met 15 times.

(3) Executive Officer System

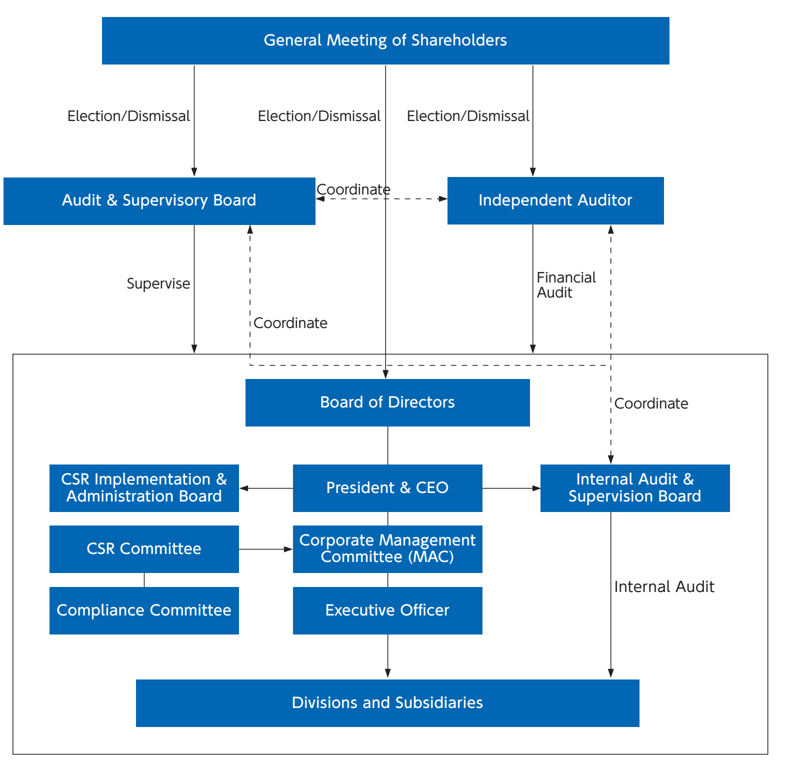
Tamron has employed the Executive Officer System to ensure separation between management and the execution of operations. Executive Officers carry out their duties and responsibilities following the basic policy determined by the Board of Directors.

(4) Internal Control through Committee Meetings

We regularly hold monthly management (MAC) meetings attended by all Directors, full-time Corporate Auditors and Executive Officers to discuss management issues and respond to the fast-changing management environment.

(5) Accounting Auditor

Tamron has concluded an auditing agreement with Wako Audit Corporation and receives audit from this firm in its capacity as accounting auditor.



Operating Result

Term Overview

(Photographic Products)

The global photographic products market continued to face a severe business environment. Given these circumstances, we were pleased to increase sales in all major markets such as Japan, Europe, the United States and China in local currencies, thanks mainly to the favorable sales of the five new products that we launched from the 4th quarter of 2013 through 2014 under our own brand. As a result, both our consolidated sales and profits increased, even after exchange fluctuations.

Two new products we launched and simultaneously received the EISA Awards: the SP 150-600mm VC USD (A011) ultra telephoto zoom lens supporting the full size format and the 16-300mm VC PZD (B016) ultra high power zoom lens that presented the high zoom ratio of 18.8X for the first time in the world. These products sold very well around the world, driving the performance. In addition, in December 2014, we launched the SP 15-30mm F/2.8 VC USD (A012) incorporating Vibration Compensation (VC) for the first time in the world in the F/2.8 class of fast ultra wide-angle lenses supporting the full size format.

As a result, the total sales of the photographic products business unit grew 11.2% year-on-year to ¥53.932 billion, and the operating profit rose 36.7% to ¥5.853 billion.

We will continue to work on introducing more new interchangeable lenses under our own brand for pursuing further growth in the segment.

(Optical Components)

The severe business environment also continued in the global optical component business, affected by the sharp decline of the total market for compact digital cameras and digital video cameras because of the rapid smartphone spread. As a result, our sales in the market segment also dropped, but we kept the decline to a minimum, compared to total market decline. Our operating profit stood at ¥664 million, down 29.2% year-on-year, on total sales of ¥7.032 billion, down 7.8%.

(Commercial / Industrial-use Optics)

Our industrial optic sales were especially weak in the Chinese market due to increased competition, but we posted increased sales in other major markets thanks to global market expansion of surveillance cameras due to our work to expand sales of lenses for surveillance cameras supporting network cameras. As a result, the industrial optics business unit's total sales grew 2.6% year-on-year to ¥12.656 billion, but the operating profit dropped 9.8% to ¥2.190 billion.

Cash Flow

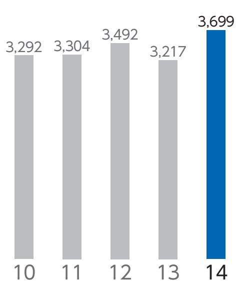
Cash and cash equivalents at the fiscal year end totaled ¥15.915 billion, a year-on-year increase of ¥1.618 billion.

While the increase in trade receivables reached ¥2.415 billion, the current net income before income and other taxes stood at ¥6.11 billion, the depreciation cost at ¥3.812 billion and the decrease in inventory at ¥1.214 billion. As a result, net cash flow from operations totaled ¥6.28 billion (compared to the net cash of ¥9.62 billion for the previous consolidated fiscal year).

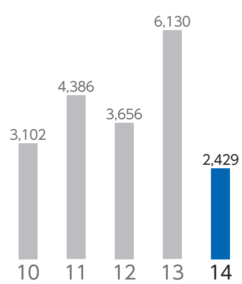
Net cash used in investing totaled ¥2.351 billion (compared to ¥6.041 billion for the previous consolidated fiscal term), mainly due to the acquisition of tangible fixed assets amounting to ¥2.25 billion.

While the proceeds from long-term loans reached ¥1.0 billion, the decrease in short-term loans stood at ¥1.23 billion, the spending for repayment of long-term loans at ¥1.432 billion and the dividend spending at ¥1.373 billion. As a result, the net cash flow from financial activities totaled ¥3.09 billion (compared to ¥1.324 billion for the previous consolidated fiscal term).

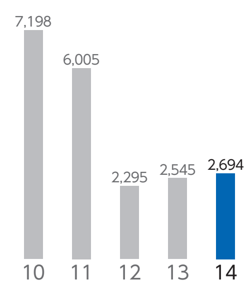
R&D EXPENDITURE
(Millions of Yen)



CAPITAL EXPENDITURE
(Millions of Yen)



NUMBER OF EMPLOYEES



Research and Development

During the term under review total R&D expenses amounted to ¥3.699 billion, resulting mainly from development of new interchangeable lenses for digital SLR cameras and surveillance camera lenses as well as development of lenses for automotive application and Far-IR camera future business expansion.

As for Photographic Products business, we worked on developing new products such as the 16-300mm VC PZD (B016), an ultra high power zoom lens offering the high zoom ratio of 18.8X for the first time in the world, the 28-300mm VC PZD (A010), a high power zoom lens supporting the full size format, and the 14-150mm (C001), another high power zoom lens designed for the Micro Four Thirds format cameras for the first time at Tamron. As a result, R&D expenses for photographic products totaled ¥2.499 billion.

In Optical Components business, we proceeded to develop new products such as digital camera lenses with high added value, and optical 3X zoom lenses for IR cameras. As a result, R&D expenses for optical components amounted to ¥357 million.

In Commercial/Industrial-use Optics business, we worked on developing new products such as vari-focal lenses for mega-pixel security cameras, zoom lenses for surveillance cameras, lenses for ultra high performance FA/machine vision cameras, and camera lenses for automotive applications. As a result, R&D expenses for this business totaled ¥842 million.

Capital Investment

Consolidated capital investment amounted to ¥6,130 million, reflecting major investment in plant buildings and machinery and equipment for TAMRON OPTICAL (VIETNAM) Co., LTD. in Vietnam as well as an increase in the extensions of headquarters.

Capital investment for Photographic Products business totaled ¥1,762 million, reflecting major investment in injection molds for new interchangeable lenses for digital SLR cameras.

That for Optical Components business totaled ¥127 million, reflecting major investment in infection molds and production equipment for digital still camera lenses.

That for Commercial/Industrial-use Optics business totaled ¥413 million, reflecting mainly in injection molds to support new product development for CCTV camera lenses.

There is no sale or retirement of great importance in fiscal year 2014.

Issues on Mid-to Long-Term Management

1. Strengthening CSR management and internal control, while working on enhancing capital efficiency
2. Aiming at shortening the lead time from development to production launch.
3. Continued efforts for further business expansion through measures to enhance brand power, improving new product development efficiency and strengthen marketing operations
4. Materializing further cost reduction to meet demand increases by defining role of each production facility.
5. Facilitating new business development by collaborative relationship management with third-party partners, expanding the scope of “New eyes for industry”
6. Accelerating activities in core technology development revolving around optics and taking proactive stance in IP strategy.

Business & Other Risks

Items listed in this annual report regarding business and financial conditions that may potentially impact investor decisions are including but not limited to the following risk factors. Forward-looking statements contained herein are based upon judgments made by the Company as of March 27, 2015.

1. Reliance on a Few Selected Customers

A high degree of our consolidated sales depends on Nikon Corporation with approximately 21% of our business and a Sony group company with approximately 17% (in FY 2014 which ended in December 2014). Consequently, a change in the business strategies and directions of either of the clients, it could significantly impact the overall performance of our company.

2. Expanding Business Segments and Entering New Businesses

The Company plans to expand the scope of its business by automotive application and Far-IR cameras. Because of the anticipated growth of those business segments, several companies are expected to come into play, which will cause severe price competition as well as putting continuous pressure for technological innovation, coping with rapid changes in the customers' needs.

3. Procurement of Raw and Other Materials

While the Company has numerous sources from which to procure most of the necessary raw materials and parts it requires, in the case of glass materials, the Company relies on a limited number of suppliers. As a results, if for various reasons raw materials and other parts cannot be obtained according to plans regarding volume or price, the Company may have difficulty achieving its planned production volume. In such cases, the Company may not be able to fulfill delivery obligations to its customers, which in turn may affect results.

4. Defective Products

All of the Company's domestic and overseas development and production facilities have obtained ISO9001 certification for quality management system and ISO14001 certification for environmental management systems, indicating the Company's excellent framework regarding quality assurance. However, the Company cannot fully guarantee that no product may at some future point be subject to a recall or product liability case. In the event that the defective product is the object of a large-scale recall or product liability case, significant expenses could be incurred, or serious damage could be done to the Company's credibility. In such case, the Company results may be affected. For your information, a market recall is in progress for some customers' products using optical components made by our group. We may be asked to bear part of the expenses involved.

5. Risk Surrounding Overseas Subsidiaries

The Company owns sales outlets in the United Sates, Germany, France, and in Shanghai (China), and in Russia. A distribution and sales company in Hong Kong, and a production company in Foshan, China and in Vietnam.

Following is a list of several inherent risks arising from the Company's activities in overseas markets. In cases where such events occur, the Company results may be affected thereby.

(1) Unexpected changes to laws and regulations
(2) Unexpected and unfavorable changes in political or economic conditions
(3) Unfavorable changes in tax policies or tax rates
(4) Terrorism, war, natural disaster, epidemics or other factors contributing to social upheaval

6. Concentration of Domestic Production Facilities in Aomori Prefecture

The Company's three production facilities in Japan are concentrated in the Tsugaru region of Aomori Prefecture. In the event of an earthquake or other natural disaster, the Company's production facilities could be damaged, and production operations may be severely impacted.

7. Intellectual Property

In order to avoid difficulties surrounding intellectual property, the Company conducts surveys and negotiations, and actively applies for intellectual property rights. At present, there are no instances in which the Company is thought to be in violation of another party's intellectual property rights. However, this does not indicate that the risk of being caught up in litigations at some future point is nonexistent. In the event of unfavorable litigation, fiscal results may be affected.

8. Environmental Regulations

The Company has implemented an environmental management system that conforms to ISO environmental standards, and is working actively to implement environmental reforms.

Regarding the ground contamination found during the voluntary investigation conducted December 2003 at the Company's head office, the Company completed the construction which it proposed to Saitama City in its "Plan to Halt the Spread of Groundwater Contamination."

The Company conducted survey at other domestic facilities such as Hirosaki plant, Namioka plant, and Owani plant has been confirmed that all domestic facility environment is accordance with environmental regulation levels. However, as environmental laws and regulations are revised, the Company may discover instances of violations under new regulations. In such cases, Company results may be affected by related clean-up costs.

9. Disposal of Inventories and Valuation Loss

The Company makes every effort to be thorough in quality control of products and parts, compliance with environmental standards, and inventory management. However, changes in environmental standards, market and technology trends, rapid transitions in product life cycles and other factors may lead to unavoidable variations in the valuation of products and partially finished goods. As a result, the Company may need to dispose of inventories, expense valuation losses to income, and adopt other measures. In such cases, the Company's results may be affected.

10. Impact of Currency Exchange Fluctuation

Transactions between the Company and its overseas subsidiaries and with certain domestic and overseas customers are conducted either in full or in part in foreign currencies. Fluctuations in currency exchange rates affect the competitiveness of the Company's products in foreign markets and the profitability of its exports. Accordingly, the Company's results may be affected.

11. Research and Development Costs

The Company is investing in new technology for further expansion of our business and we will continue to invest in R&D. However, some R&D projects may not progress as planned, or the Company's new technology may be eclipsed by some other technology introduced by our competitors in the market. In such cases, recovering the investment may pose a problem, consequently affecting the Company results.

CONSOLIDATED STATEMENTS OF INCOME

Tamron Co., Ltd. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
Years ended December 31	2014	2013	2014
Net sales	¥73,621	¥68,452	$695,921
Cost of sales	50,053	47,510	473,135
Gross profit	23,568	20,941	222,785
Selling, general and administrative expenses:			
Advertising expenses	1,654	1,612	15,634
Promotion expenses	1,097	792	10,378
Provision of allowance for doubtful accounts	11	16	111
Salaries and bonuses	4,459	3,966	42,150
Retirement benefit expenses	116	156	1,099
Technical research expenses	3,619	3,159	34,225
Other	6,533	6,004	61,749
Total selling, general and administrative expenses	17,492	15,708	165,349
Operating income	6,076	5,233	57,436
Non-operating income:			
Interest income	53	19	505
Dividends income	42	36	404
Rent income	23	25	223
Subsidy income	35	7	335
Other	179	201	1,700
Total non-operating income	335	290	3,167
Non-operating expenses:			
Interest expenses	64	87	607
Foreign exchange losses	19	129	179
Loss on retirement of noncurrent assets	106	76	1,010
Other	20	32	198
Total non-operating expense	211	326	1,995
Ordinary income	6,200	5,196	58,608
Extraordinary loss:			
Loss on retirement of noncurrent assets	—	32	—
License fee for prior periods	—	332	—
Loss on disaster	89	—	847
Total extraordinary loss	89	364	847
Income before income taxes and minority interests	6,110	4,831	57,760
Income taxes–current	2,163	1,562	20,455
Income taxes–deferred	99	72	942
Total income taxes	2,263	1,634	21,397
Income before minority interests	3,846	3,197	36,362
Net income	¥ 3,846	¥ 3,197	$ 36,362

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Tamron Co., Ltd. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
Years ended December 31	2014	2013	2014
Income before minority interests	¥3,846	¥3,197	$36,362
Other comprehensive income			
Net change in unrealized gain on investment securities	96	275	907
Foreign currency translation adjustments	2,489	4,181	23,530
Total other comprehensive income	2,585	4,457	24,438
Comprehensive income	6,432	7,654	60,800
Comprehensive income attributable to shareholders' of parent	6,432	7,654	60,800

CONSOLIDATED BALANCE SHEETS

Tamron Co., Ltd. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
As of December 31	2014	2013	2014
Assets			
Current assets:			
Cash and deposits	¥15,915	¥14,297	$150,448
Notes and accounts receivable–trade	18,653	14,898	176,323
Finished goods	5,989	6,485	56,619
Work in process	2,888	3,022	27,305
Raw materials and supplies	1,658	1,547	15,675
Deferred tax assets	481	528	4,549
Other	1,412	1,027	13,356
Allowance for doubtful accounts	(44)	(50)	(418)
Total current assets	46,955	41,758	443,859
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures	13,513	12,778	127,740
Accumulated depreciation	(6,396)	(5,640)	(60,462)
Buildings and structures, net	7,117	7,137	67,278
Machinery, equipment and vehicles	20,821	19,363	196,819
Accumulated depreciation	(13,441)	(12,048)	(127,053)
Machinery, equipment and vehicles, net	7,380	7,314	69,765
Tools, furniture and fixtures	17,764	17,181	167,920
Accumulated depreciation	(15,394)	(14,444)	(145,523)
Tools, furniture and fixtures, net	2,369	2,736	22,397
Land	1,063	1,042	10,054
Construction in progress	883	811	8,352
Total property, plant and equipment	18,814	19,042	177,847
Intangible assets	866	771	8,188
Investments and other assets			
Investment securities	2,394	2,138	22,631
Deferred tax assets	474	476	4,487
Other	517	614	4,894
Allowance for doubtful accounts	(116)	(97)	(1,105)
Total investments and other assets	3,269	3,131	30,907
Total noncurrent assets	22,950	22,945	216,943
Total assets	¥69,906	¥64,704	$660,803

As of December 31	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars 2014
Liabilities			
Current liabilities:			
Accounts payable–trade	¥ 5,855	¥ 5,051	$ 55,350
Short-term loans payable	2,327	3,634	22,001
Income taxes payable	918	512	8,681
Other	5,501	4,945	52,004
Total current liabilities	14,602	14,144	138,037
Noncurrent liabilities:			
Long-term loans payable	1,771	2,080	16,742
Provision for retirement benefits	—	1,201	—
Net defined benefit liability	1,342	—	12,694
Other	194	190	1,834
Total noncurrent liabilities	3,308	3,471	31,271
Total liabilities	17,911	17,616	169,308
Net assets			
Shareholders' equity:			
Capital stock	6,923	6,923	65,441
Capital surplus	7,432	7,432	70,255
Retained earnings	31,609	29,135	298,796
Treasury stock	(81)	(81)	(768)
Total shareholders' equity	45,883	43,409	433,724
Accumulated other comprehensive income:			
Unrealized gain on investment securities	466	370	4,408
Foreign currency translation adjustments	5,797	3,308	54,801
Remeasurements of defined benefit plans	(152)	—	(1,439)
Total accumulated other comprehensive income	6,111	3,678	57,770
Total net assets	51,995	47,087	491,494
Total liabilities and net assets	¥69,906	¥64,704	$660,803

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Tamron Co., Ltd. and Consolidated Subsidiaries

	Millions of Yen				
	Stockholders' equity				
Year ended December 31	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance of January 1, 2014	¥6,923	¥7,432	¥29,135	¥(81)	¥43,409
Changes in term					
Dividends from surplus			(1,372)		(1,372)
Net income			3,846		3,846
Purchase of treasury stock					—
Net change of items other than stockholders' equity					—
Total change in the term	—	—	2,474	—	2,474
Balance of December 31, 2014	**¥6,923**	**¥7,432**	**¥31,609**	**¥(81)**	**¥45,883**

	Millions of Yen				
	Changes in accumulated other comprehensive income				
Year ended December 31	Unrealized gain (loss) on investment securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total net assets
Balance of January 1, 2014	¥370	¥3,308	—	¥3,678	¥47,087
Changes in term					
Dividends from surplus				—	(1,372)
Net income				—	3,846
Purchase of treasury stock				—	—
Net change of items other than stockholders' equity	96	2,489	(152)	2,433	2,433
Total change in the term	96	2,489	(152)	2,433	4,907
Balance of December 31, 2014	**¥466**	**¥5,797**	**¥(152)**	**¥6,111**	**¥51,995**

	Thousands of U.S. Dollars				
	Stockholders' equity				
Year ended December 31	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance of January 1, 2014	$65,441	$70,255	$275,407	$(768)	$410,336
Changes in term					
Dividends from surplus			(12,974)		(12,974)
Net income			36,362		36,362
Purchase of treasury stock					—
Net change of items other than stockholders' equity					—
Total change in the term	—	—	23,388	—	23,388
Balance of December 31, 2014	**$65,441**	**$70,255**	**$298,796**	**$(768)**	**$433,724**

	Thousands of U.S. Dollars				
	Changes in accumulated other comprehensive income				
Year ended December 31	Unrealized gain (loss) on investment securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total net assets
Balance of January 1, 2014	$3,501	$31,270	—	$34,771	$445,107
Changes in term					
Dividends from surplus				—	(12,974)
Net income				—	36,362
Purchase of treasury stock				—	—
Net change of items other than stockholders' equity	907	23,530	(1,439)	22,998	22,998
Total change in the term	907	23,530	(1,439)	22,998	46,386
Balance of December 31, 2014	**$4,408**	**$54,801**	**$(1,439)**	**$57,770**	**$491,494**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Tamron Co., Ltd. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
Years ended December 31	2014	2013	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 6,110	¥ 4,831	$57,760
Depreciation and amortization	3,812	3,440	36,036
Decrease in provision for retirement benefits	(1,201)	43	(11,353)
Increase (decrease) in net defined benefit liability	1,104	—	10,437
Interest and dividend income	(96)	(55)	(910)
Interest expense	64	87	607
Loss on retirement of property, plant and equipment	106	109	1,010
Decrease (increase) in notes and accounts receivable–trade	(2,415)	2,927	(22,831)
Increase in inventories	1,214	3,071	11,481
Increase (decrease) in notes and accounts payable–trade	(695)	(2,815)	(6,576)
Other–net	(25)	(171)	(237)
Sub total	7,979	11,468	75,423
Interest and dividend income received	97	55	924
Interest expenses paid	(65)	(86)	(617)
Income taxes paid	(1,803)	(1,835)	(17,047)
Net cash provided by operating activities	6,208	9,602	58,683
Cash flows from investing activities:			
Purchases of property, plant and equipment	(2,250)	(5,753)	(21,270)
Purchase of intangible assets	(214)	(168)	(2,028)
Purchase of investment securities	(391)	(43)	(3,699)
Proceeds from redemption of investment securities	300	—	2,835
Payments of loans receivable	(45)	(16)	(432)
Collection of loans receivable	26	11	252
Other–net	223	(71)	2,115
Net cash used in investing activities	(2,351)	(6,041)	(22,228)
Cash flows from financing activities:			
Net decrease in short-term loans payable	(1,203)	(707)	(11,375)
Proceeds from long-term loans payable	1,000	2,060	9,452
Repayment of long-term loans payable	(1,432)	(1,304)	(13,539)
Cash dividends paid	(1,373)	(1,372)	(12,981)
Other–net	(0)	(0)	(7)
Net cash used in financing activities	(3,009)	(1,324)	(28,451)
Effect of exchange rate changes on cash and cash equivalents	771	1,238	7,292
Net increase (decrease) in cash and cash equivalents	1,618	3,474	15,295
Cash and cash equivalents at beginning of year	14,297	10,822	135,152
Cash and cash equivalents at the end of year	¥15,915	¥14,297	$150,448

BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of Tamron Co., Ltd. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and Corporate Law and in conformity with accounting principles generally accepted in Japan. Therefore, application and disclosure requirements are different from International Financial Reporting Standards in certain respects.

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥105.79 = US$1 prevailing on December 31, 2014 has been used in translating the consolidated financial statements expressed in Japanese yen into U.S. dollars. Such translations should not be construed as representations that the Japanese yen amounts could be readily converted, realized or settled in U.S. dollars at this rate.

1. Scope of Consolidation

All subsidiaries are consolidated.
Number of consolidated subsidiaries: 9
TAMRON USA, Inc.
TAMRON Europe GmbH.
TAMRON France EURL.
TAMRON (Russia) LLC.
TAMRON OPTICAL (VIETNAM) CO., LTD.
TAMRON INDIA PRIVATE LIMITED
TAMRON INDUSTRIES (HONG KONG) LIMITED
TAMRON OPTICAL (FOSHAN) CO., LTD.
TAMRON OPTICAL (SHANGHAI) CO., LTD.

2. Application of the Equity Method

Investment in an affiliated company KOEISHA Corporation is stated at cost, due to immateriality in terms of net income and retained earnings, and accounting for above affiliated company under equity method would not give significant influences on the Company's consolidated financial statements, as a whole.

3. Fiscal Term

The fiscal year end of TAMRON INDIA PRIVATE LIMITED is March 31, and those of other consolidated subsidiaries are the same as the fiscal year end of the Company. In the preparation of consolidated financial statements, financial statements of TAMRON INDIA PRIVATE LIMITED as of the said date was used, and with respects to significant transaction that occurred between the said date and the consolidated book-closing, adjustments necessary for consolidation are made.

4. Accounting Policies

(1) Methods for valuation of significant assets

a. Investments in securities

With market quotations: stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of the net assets. Realized gains and losses on the sale of such securities are computed using the moving-average cost.
Without market quotations: stated at cost using the moving-average method.

b. Derivatives

Derivatives financial positions are stated at fair value.

c. Inventories

Inventories of the Company and its consolidated subsidiaries are valued at cost, as determined mainly by the monthly moving-average method, with balance sheet inventory amounts calculated using lowered book values, reflecting a potential decline in profitability.

(2) Depreciation of fixed assets

a. Tangible assets (excluding leased assets)

The Company: depreciation of depreciable assets other than buildings (excluding facilities attached) is principally computed using the declining-balance method, while the straight-line method is applied for buildings (excluding facilities attached) acquired on or after April 1, 1998.
The estimated useful lives are as follows:

Buildings and structures	10 to 40 years
Machinery and equipment	5 to 10 years

b. Intangible assets (excluding leased assets)

Depreciation of intangible assets is computed by the straight-line method. In-house use software is amortized over a five-year period based on the assumed useful life.

c. Leased assets

The company uses the straight-line method over the terms of their respective leases with a zero residual value.
Finance lease transactions not involving transfer of ownership commencing on or before December 31, 2008 are accounted for based on methods applicable to ordinary rental transactions.

(3) Reserves

Reserves for doubtful accounts

Reserves for doubtful accounts are generally provided based on actual collection losses incurred in the past. Additionally, for accounts receivable considered at risk (bankruptcy, companies under rehabilitation plan), an allowance is provided based on an estimation of the uncollectible amount, on a case-by-case basis.

(4) Employee Retirement and Severance Benefits

a. Imputation method for retirement benefit estimates

In computing its retirement benefit obligation, the Company applies straight-line attribution as the method for imputing its retirement benefit estimates through the end of the fiscal year under review.

b. Method for the recognition of a portion of its actuarial gains and losses as income or expense

The actuarial gains (losses) will be recognized in expenses (income), in equal amounts, over a five-year period, which is shorter than the average remaining service years of eligible employees, commencing with the next year of the accrual.

(5) Foreign currency translation of significant assets and liabilities

Foreign currency-denominated assets and liabilities held by the Company are translated into Japanese yen using exchange rates prevailing on the balance sheet date; and gains and losses on translation are charged to income. Relevant assets and liabilities held by subsidiaries are translated into Japanese yen using exchange rates prevailing on the balance sheet date; and revenues and expenses are translated using the average exchange rates during the term. Gains and losses on translation are charged to net assets under "Foreign currency translation adjustments."

(6) Hedging

a. Hedge accounting

Derivative financial instruments are stated at fair value and changes in the fair value are recognized as gains or losses, unless derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gains or losses, resulting from changes in fair value of derivative financial instruments, until the related losses or gains on the hedged items are recognized.

b. Hedge instruments and assets and liabilities being hedged

Hedge instruments are foreign exchange forward contracts and foreign currency option contracts. Assets and liabilities being hedged are foreign currency receivables and payables and future foreign currency transactions.

c. Hedge transaction policies

The Company engages in derivative transactions with the aim of hedging risk on foreign exchange fluctuations in accordance with in-house regulations.

d. Assessment of effectiveness of hedging

The Company has realized a high correlation coefficient between market fluctuations and cash flows (assets and liabilities being hedged) and hedge instruments: it thereby highly evaluates the effectiveness of the derivatives transactions in question.

(7) Scope of cash and cash equivalents in the statement of cash flows

In preparing the consolidated statements of cash flows, cash on hand, available deposits and short-term highly liquid investments, with readily maturity not exceeding three months at the time of purchase, are considered to be cash and cash equivalents.

(8) Other significant accounting policies for preparing consolidated financial statements

Consumption tax:
Consumption tax is not included.

[Changes in Accounting Policies]
(Application of Accounting Standard for Retirement Benefits, etc.)

From the end of fiscal 2014, the Company has applied the "Accounting Standard for Retirement Benefits" (Standard No.26), and "Guidance on Accounting Standard for Retirement Benefits" (Guidance No.25), both are issued by the Accounting Standards Board of Japan (ASBJ) on May 17, 2012, (excluding, however, content stipulated in paragraph 35 of Standard No.26 and stipulated in paragraph 67 of Guidance No.25.

Accordingly, the Company has changed the accounting method to one in which it records the amount calculated by deducting pension assets from retirement benefits obligations as net defined benefit liability or net defined benefit asset, and it records unrecognized actuarial differences as a net defined benefit liability or net defined benefit asset. Application of Standard No.26 is handled in line with the transitional process stipulated in paragraph 37 of Standard No.26. Consequently, at the end of fiscal 2014, the Company added or subtracted any impact from this accounting change to "Remeasurements of defined benefit plans" listed under "Accumulated other comprehensive income."

As a result of this accounting change, the Company recorded a net defined benefit liability of 1,342 million yen as of end of fiscal 2014, In addition, accumulated other comprehensive income decreased 152 million yen, and net assets per share at the end of fiscal 2014 decreased 5.54 yen.

[New accounting standards and related guidance not yet adopted]

(a) A new Accounting Standard for retirement Benefits (Statement No.26) and its guidance (Guidance No .25), both are issued by the Accounting Standards Board of Japan (ASBJ) on May 17, 2012.

(b) Above Statement and guidance are established from the view point of improvements to financial reporting and international convergence, mainly focusing on (i) how actuarial gains and losses and past service costs should be accounted for, (ii) how retirement benefit obligations and current service costs should be determined and (iii) enhancement of disclosures.

(c) Schedule for the adoption of above Statement and Guidance.

Relating to determination of retirement benefit obligations and current service costs.

On or after January 1, 2015.

(d) The Company is currently evaluating the effects ASBJ Statement No.26 and its guidance No.25 will have on its consolidated financial statements.

[Additional information]

For your information, a market recall is in progress for some customers' products using optical components made by our group. We may be asked to bear part of the expenses involved.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONSOLIDATED BALANCE SHEETS)

Assets pledged as collateral as of December 31, 2014

(1) Property, plant and equipment

	Millions of Yen
Buildings and structures	¥ 583
Machinery, equipment and vehicles	640
Tools, furniture and fixtures	220
Land	96
Intangible assets	—
Total	¥1,540

(2) Other

	Millions of Yen
Buildings and structures	¥2,977
Land	96
Total	¥3,073

(3) Loans secured by the above assets

	Millions of Yen
Short-term loans payable	¥ 832
Long-term loans payable (including loans due within one year)	2,029
Total	¥2,861

(CONSOLIDATED STATEMENTS OF INCOME)

1. Research and development expenses included in selling, general and administrative expenses and manufacturing costs totaled ¥3,699 million.
2. The ending inventory balance represents after write-down of book value when their carrying amounts become unrecoverable. The inventory gains of ¥55 million, net of reversal of the balance of reserve at end of fiscal 2013.

(CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME)

(Changes in reclassification adjustments and those tax effects for the year ended December 31, 2014)

	Millions of Yen
Unrealized gain on available securities	
Gain arising during the year	¥ 148
Reclassification adjustment	—
Amount before income tax	148
Tax effect	(52)
Net	96
Foreign currency translation adjustments	
Translation adjustments arising during the year	2,489
Total other comprehensive income	¥2,585

(CONSOLIDATED STATEMENTS OF CASH FLOWS)

Year ended December 31, 2014

	Millions of Yen
Cash and deposits	¥15,915
Cash and cash equivalents	15,915

(LEASES)

Finance lease that do not transfer ownership

1. Leased assets
   Mainly a lens production facility

2. Depreciation method for leased assets
   It is described in “Basis of Presenting Consolidated Financial Statements” (4. Accounting Policies, (2) Depreciation of fixed assets, c. Leased assets).

Regarding finance lease that do not transfer ownership, for which the starting date for the lease transaction is prior to December 31, 2008, lease payments are recognized as expenses. Details are as follows.

(1) Acquisition cost, accumulated depreciation and net book value of lease assets

	Millions of Yen		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥17	¥14	¥2
Tools, furniture and fixtures	—	—	—
Total	¥17	¥14	¥2

(2) Obligation under finance leases

	Millions of Yen
Due within one year	¥2
Due after one year	1
Total	¥3

(3) Lease expenses, depreciation and interest expenses

	Millions of Yen
Lease expenses	¥2
Depreciation cost equivalent	1
Interest expenses equivalent	¥0

(4) Method of calculating depreciation
Depreciation expense on leased assets is calculated by using the straight-line method, over the lease period and has a residual value of zero.

(5) Method of calculating interest expense
The difference between total lease expense and acquisition cost of leased assets, is considered as the interest portion, and the allocation of this interest is calculated by the interest method.

(FINANCIAL INSTRUMENTS)
Year ended December 31, 2014

1. Overview of financial instruments

(1) Policy on the handling of financial instruments
In principle, the Company obtain funds from banks for the capital needed to execute operations. Any temporary surplus is invested in highly secured bank deposits. The Company adheres to a policy under which derivatives are used to avert the risks outlined below and not for speculative purposes.

(2) Financial instruments and inherent risks and its management
Notes and accounts receivable–trade are exposed to customers' credit risks. To reduce customers' credit risks, the Company has established credit policies under which monitoring of, due dates and remaining balance of note and account receivable–trade and of credit condition, by each customer.

Receivables denominated in foreign currencies, which arise in the process of business activities undertaken overseas, are exposed to market risks arising from fluctuations in foreign currency exchange rates. The Company manages these risks by entering into foreign currency exchange forward contracts.

Investments in securities consist mainly of the equity securities of corporations with which the Company has business relations, are exposed to the risk of fluctuations in market prices. The Company manages this risk by periodically examining market prices and the financial condition of the issuing entities.

Accounts payable–trade is all due within one year. Some are denominated in foreign currencies and are therefore exposed to risks arising from changes in foreign currency exchange rates. The Company manages these risks by entering into foreign exchange forward contracts.

The Company execute and manage derivative transactions which are foreign currency forward exchange contracts used to reduce risk exposure arising from which changes in exchange rates applied to foreign-currency-denominated receivables and payables. Accounting policies for hedges, specifically hedge accounting, hedge instruments and assets and liabilities being hedged, hedge transaction policies, assessment of effectiveness of hedging, are described in the section "4. Accounting Policies (6) Hedging."

In the execution and monitoring of derivative transactions, the Company is guided by internal rules. In derivative transactions, the Company only enter into transactions with financial institutions having high credit ratings, thereby significantly mitigating potential losses arising from credit risk.

Accounts payable–trade and loans payable are exposed to liquidity risks. The Company and each of its consolidated subsidiaries, prepares a cash flow plan and keeps its in financially sound conditions.

(3) Additional information for fair values of financial instruments
Fair values of financial instruments are based on fair markets value. If the fair markets value is not available, other rational valuation methods are used instead. These estimates include variable factors, and are subject to fluctuations due to changes in the underlying assumptions.

2. Fair Value of Financial Instruments

Fair value and variances with carrying amounts as of December 31, 2014 are as follows.
Investment securities those fair values can not be measured reliably, are not included in the following table. (Refer to Note 2)

	Millions of Yen		
	Carrying amounts	Fair value	Difference
(1) Cash and time deposits	¥15,915	¥15,915	¥—
(2) Notes and accounts receivable	18,653	18,653	—
(3) Investment securities:			
Other securities	2,181	2,181	—
Total assets	¥36,750	¥36,750	¥—
(1) Accounts payable	¥ 5,855	¥ 5,855	¥—
(2) Short-term loans payable	2,327	2,327	—
(3) Income taxes payable	918	918	—
(4) Long-term loans payable	1,771	1,771	0
Total liabilities	¥10,872	¥10,872	¥0
Derivative instruments	—	—	—

Note 1: Method for calculating the fair value of financial instruments and information about investments in securities and derivative transactions

Assets

(1) Cash and time deposits; (2) Notes and accounts receivable
The carrying amounts approximate fair value because of the short maturity of these instruments.
(3) Investments in securities
Market prices on stock exchanges are used to determine the fair value of these securities. Prices quoted by financial institutions are used to determine the fair value of bonds.

Liabilities

(1) Accounts payable; (2)Short-term loans payable; (3) Income taxes payable
The carrying amounts approximate fair value because of the short maturity of these instruments.
(4) Long-term loans payable
The fair value of long-term loans payable in estimated by discounting future cash flows using rates currently available for loans similar terms and remain maturities.

Derivative instruments

Please refer to (DERIVATIVE TRANSACTIONS) below

Note 2: Carrying amount of financial instruments those fair values cannot be reliably determined.

	Millions of Yen
	As of December 31, 2014
Unlisted stocks	¥212

Note: Unlisted stocks are not included in investment securities (Note 1-(3) above), because its extremely difficult to estimates those fair values, both, due to their markets prices are not available and to the difficulty in estimating future cash flows relating to the stocks.

Note 3: The following schedule shows the maturities of financial instruments (assets) as of December 31, 2014

	Millions of Yen	
	Up to 1 year	More than 1 year and up to 5 years
Cash and deposits	¥15,915	¥ —
Notes and accounts receivable	18,653	—
Investment securities:		
Securities with maturity in other investment securities account	—	300
Total	¥34,569	¥300

Note 4: The aggregate annual maturities of Corporate bond, long-term borrowings, lease obligations and other interest-bearing debt at December 31, 2014.

Please refer to (Schedule of borrowings)

	Millions of Yen				
	Up to 1 year	More than 1 year and up to 2 years	More than 2 year and up to 3 years	More than 3 year and up to 4 years	More than 4 year and up to 5 years
Short-term loans payable	¥1,132	¥—	¥—	¥—	¥—
Long-term loans payable	1,195	889	605	241	35
Lease obligations	0	0	—	—	—
Total	¥2,328	¥890	¥605	¥241	¥35

(INVESTMENTS IN SECURITIES)

	Type of securities	Millions of Yen As of December 31, 2014 Carrying amount	Acquisition costs	Difference
Securities whose carrying amounts on consolidated balance sheets exceed their acquisition costs	(1) Stocks	¥1,887	¥1,159	¥727
	(2) Debt securities	—	—	—
	(3) Others	—	—	—
	Total	1,887	1,159	727
Securities whose carrying amounts on consolidated balance sheets does not exceed their acquisition costs	(1) Stocks	—	—	—
	(2) Debt securities	—	—	—
	(3) Others	294	300	(5)
	Total	294	300	(5)
Total		¥2,181	¥1,459	¥721

(DERIVATIVE TRANSACTIONS)

Derivative transactions with the hedge accounting is applied

Currency-related transactions

Year ended December 31, 2014

Millions of Yen

Hedge accounting method	Type of transactions	Primary hedged items	Contract amount, etc.	Portion with maturity over one year	Fair value
Designation method	Forward foreign exchange contracts				
	Sell	Accounts receivable			
	U.S. dollar		¥4,468	—	(See Note)
	Euro		1,531	—	(See Note)
	Hong Kong dollar		50	—	(See Note)
	Ruble		64	—	(See Note)

Note: Under Japanese GAAP, forward foreign exchange contracts as a derivative financial instrument and accounts receivable as hedged items are considered as a pair of transaction and if hedge accounting such as the designation method is applied to derivative financial instruments, fair valuation of such derivative financial instruments itself, is not required.

(RETIREMENT BENEFITS)

Year ended December 31, 2014

1. Outline of retirement and severance benefit plans adopted

The Company and certain consolidated subsidiaries have defined benefit pension plans and lump-sum payment plans as well as defined contribution pension plans. There are occasions where officers other than directors receive special lump-sum payments at retirement.

2. Defined benefit plans

(1) Reconciliation of beginning and ending balances of the benefit obligations

	Millions of Yen
Benefit obligations at beginning of year	¥2,614
Service cost	174
Interest cost	51
Actuarial loss	327
Befits paid	(211)
Other	3
Benefit obligations at end of year	¥2,961

(2) Reconciliation of beginning and ending balances of the plan assets

	Millions of Yen
Plan assets at beginning of year	¥1,396
Actual return on plan assets	26
Actuarial gain	107
Plan participants' contribution	213
Benefits paid	(126)
Plan assets at end of year	¥1,618

(3) Reconciliation of year-end balance of benefit obligations and plan assets to net benefit obligation in the consolidated balance sheet.

	Millions of Yen
Benefit obligations on the funded defined benefit plan	¥2,936
Plan assets	(1,618)
Net of above	1,318
Unfunded defined benefit obligations	24
Net benefit obligation in the consolidated balance sheet	¥1,342
Liability for retirement benefits	¥1,342
Asset for retirement benefits	—
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥1,342

(4) Components of net periodic benefits expenses

	Millions of Yen
Service cost	¥174
Interest cost	51
Expected return on plan assets	(26)
Recognized actuarial gain	1
Net periodic benefits expenses	¥202

(Note) Benefits expenses of consolidated subsidiaries which adopt simplified method are included in the service cost.

(5) Remeasurements recognized in accumulated other comprehensive income before deduction of tax effect at end of year.

	Millions of Yen
Unrecognized actuarial loss	¥235

(6) Information relating to plan assets

①The percentage that each major category constitutes of the total plan assets at end of year.

Asset category	
General accounts	67%
Equity securities	22%
Debt securities	10%
Other	1%
Total plan assets	100%

(Note) Above total plan assets includes 7% of pension trust fund for the defined benefit plans.

②The method for estimation of the expected long-term rate of return.
The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

(7) Main actuarial assumptions used at end of the year

Discount rate	0.878%
Expected long-term rate of return	2.00%

(Note) Discount rate of 2.00% was used at beginning of the year, however, the year-end rate was changed to 0.878% due to the Company's re-evaluation of the rate.

3. The contributions for defined contribution plans.
The contributions for defined contribution plans of the company and its subsidiaries were ¥165 million for fiscal 2014.

(ACCOUNTING FOR DEFERRED INCOME TAX)

Year ended December 31, 2014

1. Breakdown of the major components for deferred tax assets and liabilities

	Millions of Yen
Deferred Tax Assets	
Reserve for doubtful accounts	¥ 46
Unrealized intercompany profits	291
Net defined benefit liability	498
Long-term accounts payable	49
Loss on devaluation of inventories	33
Loss on disposal of fixed assets	28
Depreciation and amortization	26
Lump-sum depreciable assets	34
Unrealized loss on investment securities	2
Other	278
Total of deferred tax assets	¥1,290

	Millions of Yen
Deferred Tax Liabilities	
Reserve for deduction entries	¥ (41)
Unrealized gain on investments in securities	(257)
Other	(35)
Total of deferred tax liabilities	(334)
Net deferred tax assets	¥ 956

Note: Net deferred tax assets as of December 31, 2014 are reflected in the following accounts in the consolidated balance sheets.

	Millions of Yen
	2014
Current assets – deferred tax assets	¥481
Fixed assets – deferred tax assets	474

2. Reconciliation of the statutory tax rate and the effective tax rate

Effective statutory tax rate	37.8%
(Adjustments)	
Entertainment expense and others that are not deductible permanently	0.7
Exclusion of loss related to a donation	0.0
Inhabitant tax on per capita basis	0.3
Provision for directors' bonuses	1.0
Tax credits	(5.0)
Differences of tax rates for overseas consolidated subsidiaries	(6.6)
Dividend income and others that are not taxable permanently	(22.0)
Effect of dividend income eliminated for consolidation	22.0
Special tax rate on retained earnings of family corporation	0.9
International withholding income tax	6.2
Others	1.7
Actual tax rate	37.0%

3. Revision of the amount of deferred tax assets and liabilities due to a change in the rate of corporation tax, etc.

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2015 and, as a result, the company is no longer subject to the Special Reconstruction Corporation Tax effective for fiscal 2015. As a result, the effective statutory tax rate used to measure the company's deferred tax assets and liabilities was changed from 38.01% to 35.64% for the temporary differences expected to be realized or settled from fiscal 2015. Above announced reduction of the effective statutory tax rate did not have a material effects on the estimates of the deferred tax assets and liabilities and the temporary differences.

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 Lenses for CCTV cameras and Automotive lenses.

2. Calculating reporting segment sales, income, assets and other items

Accounting policies used to financial results of reporting segments are the same as those used for the preparation of the Company's consolidated financial statements. Reporting segment income corresponds to operating income.

3. Information on sales, income, assets, liabilities and other items by reporting segment

	Millions of Yen					
	2014					
	Photographic products	Optical components	Commercial/ Industrial-use optics	Total	Eliminations and/or corporate	Consolidated
Net sales:						
Sales to external customers	¥53,932	¥7,032	¥12,656	¥73,621	—	¥73,621
Intersegment sales	—	—	—	—	—	—
Total	53,932	7,032	12,656	73,621	—	73,621
Operating income	¥ 5,853	¥ 664	¥ 2,190	¥ 8,708	¥ (2,632)	¥ 6,076
Assets	¥44,354	¥4,723	¥10,609	¥59,687	¥10,218	¥69,906
Depreciation expenses	2,674	270	590	3,535	277	3,812
Capital expenditures	1,762	127	413	2,303	125	2,429

Notes:

1. Adjustments (eliminations and/or corporate) are as follows.

(1) Adjustment of segment profit totaled ¥(2,632) million is due to unallocated operating expenses consisted principally of expenses related to general affairs, accounting and other departments of the Company.

(2) Total assets included in adjustments of segment assets mainly represent cash, long-term investments funds (investments in securities), and assets related to the administration department.

2. Segment profit is adjusted to operating profit of consolidated statements of income.

RELATED INFORMATION

Year ended December 31, 2014

1. Information by geographical area

(1) Sales

Millions of Yen					
Japan	North America	Europe	Asia	Other	Total
¥15,761	¥8,526	¥15,597	¥32,140	¥1,594	¥73,621

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

(2) Property and equipment

Millions of Yen				
Japan	North America	Europe	Asia	Total
¥7,592	¥285	¥346	¥10,590	¥18,814

2. Information by major customer

	Millions of Yen	
Name of company	Net sales	Relevant segments
Nikon Corporation	¥15,340	Photographic Products

RELATED PARTY TRANSACTIONS

Year ended December 31, 2014

1. Transactions between the Company and related parties.

Millions of Yen

Name of company	Paid in capital			Transaction	Amount per year	Year end balance
Sony EMCS Corporation	100	million	JPY	Sale of DSC lenses	¥5,298	¥1,456
Sony Digital Products (Wuxi) Co., Ltd.	485,584	thousand	RMB	Sale of DSC lenses	4,724	735
Shanghai Suoguang Electronics Co., Ltd.	118,696	thousand	RMB	Sale of DSC lenses	1,214	390
Sony Technology (Thailand) Co., Ltd.	570,880	thousand	THB	Sale of DSC lenses	904	115

Notes: 1. Sales prices are based on the arms' length transaction basis.
2. Consumption tax is not included in the amount of transaction but included in the amount of year-end balance.

PER SHARE INFORMATION

Year ended December 31, 2014

Net assets per share	1,894.14 Yen
Net income per share	140.14 Yen

Information for diluted net income per share is omitted because potentially dilutive securities are not issued.

Note: The basis for calculating net income per share is as follows.

	2014
Net income (Millions of Yen)	¥3,846
Amount not belong to ordinary shareholders (Millions of Yen)	—
Net income for ordinary shares (Millions of Yen)	3,846
Average number of shares outstanding during the term (Shares)	27,450,636

SUBSEQUENT EVENTS

At the Board of Directors meeting held on February 27, 2015, Tamron resolved to acquire outstanding stocks of Kouyu Kosan Co., Ltd. (hereinafter referred to as "Kouyu Kosan"), making it to a 100% owned subsidiary of Tamron Co., Ltd. (hereinafter referred to as the "Transaction")

Kouyu Kosan, the party to acquire the stocks from, is an asset managing company owned by the family of the founder of Tamron Co., Ltd. with the vast majority of its assets being comprised of stocks of the company, and it is under the consideration of Tamron to buy them back at some point in the future to retain as the treasury stock. Under those circumstances and in order to keep fairness to our shareholders and investors while ensuring transparency of the Transaction, it is deemed appropriate to initiate the procedures in a manner equivalent to acquiring the company's own stocks retained by specific shareholders in conformity with the provisions of Paragraph 1 of the Article 156, Paragraph 1 of the Article 160 and the Article 161 of the Companies Act, while making it as a premise to validate the Transaction by means of obtaining a majority vote at the General Shareholders Meeting, excluding those stocks owned by certain individuals related to the shareholders of Kouyu Kosan.

For reasons aforementioned, it has been validated by the Shareholders approval at the 68th ordinary General Shareholders Meeting on March 27, 2015, proceed with the execution.

1. Background of the stock acquisition

The founder's family as stated above made a proposal to the company, offering to sell the stocks in possession by Kouyu Kosan. The number of stocks retained as of February 27, 2015 stands at 1,529,826, representing 5.56% of the total number of shares issued by Tamron Co., Ltd.: e.g. 27,500,000. In addition, the offer came with a certain discount rate applicable to the purchase cost of the stocks owned by Kouyu Kosan coupled with the prevailing market value.

Tamron took a proactive stance to identify an equitable option with its financial position carefully taken into account in order to mitigate potential downfall of the stock value when such substantial number of stocks were put into market in case Tamron were to decline to take the offer, causing an undesirable negative impact to the benefit of the company's shareholders.

To avoid the undesirable negative impact to the benefit of the company's shareholders, the Board of Directors meeting resolved to acquire outstanding stocks of Kouyu Kosan and make it to the 100% owned subsidiary of Tamron.

Since Mr. Hiroaki Arai, Managing Director of our company, is a shareholder of Kouyu Kosan, he has specific interest associated with this Transaction. Accordingly, he did not participate in the deliberation and resolution concerning this planned Transaction.

2. Name of acquired company , business lines and scale.

(1) Company name	Kouyu Kosan Co., Ltd.	
(2) Address	388-3, Higashi-monzen, Minuma-ku, Saitama-shi, Saitama	
(3) Representative, office	Takeo Arai, Representative Director	
(4) Main businesses	Selling/buying of valuable securities	
	Selling, buying, leasing, renting, operation and management of real estate	
(5) Capital	20 million yen	
(6) Established	August 12, 1971	
(7) Main shareholders and their holding ratio	Mr. Takeo Arai, the representative director and his family (total 4) own 100% of issued stocks (excluding common treasury stocks)	
(8) Relationship between the company and listed companies	Capital	5.56% of Tamron stocks owned by the company.
	Personal	Nothing in particular
	Transaction	Nothing in particular

3. Name of the company of which stocks being planned to acquire:
Representative director of Kouyu Kosan Mr. Takeo Arai and his 3 family members

4. Number of stocks to be acquired and Ratio of equity interests after acquisition:
36,890 stocks (ratio of voting rights eligible: 100.0%)

5. The total amount of Monies, etc. that will be delivered in exchange for the acquisition of the shares:
Money

6. The amount of consideration payable to acquire stocks
For valuation of the company's stocks currently retained by Kouyu Kosan, a scheme was set to compare (1) the value obtained by multiplying 0.93 on the average closing price at Tokyo Stock Exchange Market for the three consecutive months from November 27, 2014 through February 26, 2015, which comes up to Yen 2,155, and (2) the closing price at TSE as of March 26, 2015, namely one day prior to the date of the 68th ordinary General Shareholders Meeting of the company, then adopt the lower of the two, which shall be taken as the per share value of the stocks for acquisition.

For finalizing the total acquisition cost of the stocks at Kouyu Kosan, it is planned to rely on a third-party appraisal valuation for stock assets other than those of Tamron, and the afore-mentioned scheme shall be applied for the stocks of Tamron respectively.

For your information, the approximate acquisition value as stated above is thought to be the approximate evaluated value of stocks Kouyu Kosan has in our company. In this case, the value is obtained by multiplying the average closing price of stocks of our company during three months from November 27, 2014 through February 26, 2015 at TSE.

7. Period applicable to acquisition
From March 27, 2015, the day of the ordinary General Shareholders Meeting of our company, through March 31, 2015

8. Other remarks
In executing the Transaction, pertinent procedures shall be taken in line with cases equivalent to the acquisition of our own stocks from specific shareholders. As for the evaluated value of stocks of our company held by Kouyu Kosan among its assets, as stated in the remarks of the above 6 "The amount of consideration payable to acquire stocks", it does not exceed the value obtained by the method specified in the Article 161 of the Companies Act and the Item 1 of the Article 30 of the Ordinance for Enforcement of the Companies Act. Accordingly, sellers' claim right as specified in the Paragraphs 2 and 3 of the Article 160 of the Companies Act will not occur on the side of our shareholders other than the party of this Transaction.

CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

(Schedule of borrowings)

Year ended December 31, 2014

Category	Millions of yen		Average interest rate (%)	Maturity
	Balance at end of prior year	Balance at end of current year		
Short-term borrowings	2,347	1,132	0.8	—
Current portion of long-term borrowings	1,287	1,195	1.3	—
Current portion of lease obligations	0	0	6.0	—
Long-term borrowings (excluding current portion)	2,080	1,771	1.0	2016 to 2019
Lease obligations (excluding current portion)	1	1	6.0	2016 to 2019
Total	5,717	4,100	—	—

Notes:
1. The average interest rate represents the weighted-average rate applicable to the year-end balance.
2. The following table shows the aggregate annual maturities of long-term borrowings (excluding the current portion) and lease obligations (excluding the current portion) for 5 years subsequent to December 31, 2014.

Category	Millions of yen Due within fiscal 2015	Due within fiscal 2016	Due within fiscal 2017	Due within fiscal 2018
Long-term borrowings	889	605	241	35
Lease obligations	0	0	—	—

(Other)

Quarterly financial information for the year ended December 31, 2014

	Millions of yen, excluding earnings per share 1Q	2Q	3Q	For the year ended December 31, 2014
Net sales	14,132	32,770	51,120	73,621
Income before income taxes and minority interests	749	2,638	4,415	6,110
Net income	457	1,820	2,740	3,846
Earnings per share	16.65	66.33	99.84	140.14

Note: Amount per each quarter is accumulated amount.

	Yen 1Q	2Q	3Q	4Q
Earnings per share	16.65	49.68	33.51	40.30

To the Board of Directors of Tamron Co., Ltd.

Based on the provision of Article 193-2(1) of Financial Instruments and exchange Law, we have audited the accompanying consolidated financial statements of Tamron Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2014, and the consolidated statement of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies, other explanatory notes and financial statement schedules.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tamron Co., and its subsidiaries as at December 31, 2014, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of matter
As more fully described in the note "SUBSEQUENT EVENT" to the consolidated financial statements, a purchase of all of the outstanding equity securities of Kouyuu Kousann, Co., Ltd. was proposed by the Board of Directors held on February 27, 2015 and it was approved at the ordinary shareholders' meeting held on March 27, 2015.
Our audit opinion does not affected by this matter.

The United States dollar amounts shown in the consolidated financial statements have been translated solely for convenience. We have reviewed this translation and, in our opinion, the consolidated financial statements expressed in Japanese Yen have been translated into United States dollars on the basis described in the preface at BASIS OF PRESENTING FINANCIAL STATEMENTS.

Tokyo, Japan March 27, 2015

Wako Audit Corporation

Wako Audit Corporation

COMPANY PROFILE

Overview (As of December 31, 2014)

Company Name:
Tamron Co., Ltd.

Established:
November 1, 1950

Incorporated:
October 27, 1952

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

Capital:
¥6,923 million

Management (As of March 28, 2015)

Board of Directors

President and CEO
Morio Ono

Corporate Vice Presidents
Yoshihiro Shirai
Hisaaki Nagashima
Shiro Ajisaka

Senior Managing Directors
Hiroaki Arai
Tadahiro Shimura
Hideyo Ohse

Managing Directors
Kenichi Hamada
Takashi Ichikawa
Hiroshi Kawanabe

Directors
Masayuki Abo
Shogo Sakuraba
Koji Masunari
Hideo Shimizu[1]
Mikio Yokose[1]

Audit and Supervisory Board Member

Standing Corporate Auditors
Tsugio Tsuchiya
Takayuki Namiki[2]

Corporate Auditors
Tadahiro Tone[2]
Yasuhiko Nishimoto[2]

Notes: 1. Independent director
2. Independent corporate auditor

Executive Officers

Senior Executive Officers
Yasuki Kitazume
Michiko Chiyoda
Shenghai Zhang
Hiroshi Otsuka
Hans Peter Rosenthal
Takashi Inoue

Executive Officers
Kunio Wada
Makoto Otani
Yoshinori Narita
Hideyuki Nonaka
Tomohide Okayasu
Takao Yamamoto
Tsutomu Tezuka
Chaitang Ho
Jie Chen
Emiko Ushida

STOCK OVERVIEW

Corporate Stock Summary (As of December 31, 2014)

Number of shares issued:
27,500,000 shares

Number of shares per unit:
100 shares

Number of shareholders:
5,595 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

Principal Shareholders (As of December 31, 2014)

	Shareholders	Number of Shares Held (Thousands of Shares)	Percentage of Shares Held
1	New Well Co., Ltd.	4,898	17.81%
2	Sony Corporation	3,129	11.38%
3	BNP PARIBAS SEC SERVICES LUXEMBOURG/ JASDEC/ ABERDEEN GLOBAL CLIENT ASSETS	1,880	6.83%
4	Kouyu Kosan Co., Ltd.	1,529	5.56%
5	JP MORGAN CHASE BANK 385174	1,524	5.54%
6	Saitama Resona Bank Limited.	1,122	4.08%
7	Japan Trustee Services Bank, Ltd. (trust account)	595	2.16%
8	Nippon Life Insurance Company	580	2.10%
9	The Master Trust Bank of Japan, Ltd. (trust account)	486	1.76%
10	Sompo Japan Nipponkoa Insurance Inc.	329	1.19%
	Total	16,078	58.46%

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.

New eyes for industry

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ISO/TS16949 Certified

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