TAMRON

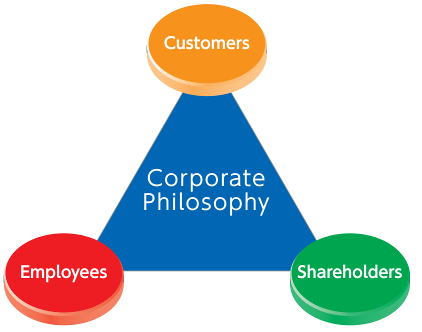
New eyes for industry

# Annual Report 2015

## 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 2015 annual report, amounts of less than the unit indicated, for example, one million yen or one thousand dollars, have been omitted.

My name is Shiro Ajisaka, and I have recently assumed the post of President, CEO and Representative Director of Tamron Co., Ltd.

I am committed to leading everyone at the company in combining all our strengths and efforts to achieve further growth for the whole Tamron group, and I would very much appreciate your continued support.

**About business results for the term**

An overview of global economic conditions during the term shows the following results. For the U.S. economy, moderate growth was sustained led by an increase in personal consumption and other factors, with improvements in the employment and income situation as a backdrop, but a slowdown was seen towards the end of the year. For the European economy, despite the relatively high levels of unemployment rates, they showed a declining trend and the business sentiment improved, sustaining a moderate economic recovery. For the Chinese economy, a slowdown in production and the investments in fixed assets and real estate led to the lowest growth rate in 25 years, and with some confusion observed in financial markets, a sense of insecurity spread regarding the economy.

As for the Japanese economy, improvements in the employment and income situation led to steady personal consumption, sustaining a moderate recovery overall, but in the second half, a slowdown in emerging economies and other factors resulted in a gradual decline in corporate earnings.

In the digital camera market relevant to the Tamron group, the number of lens-interchangeable type cameras shipped increased for mirrorless compact cameras in comparison with the previous year, but decreased for SLR cameras, resulting in a decline on the whole by 6% compared to the previous year. Although there were signs in first half of the year that the decline for digital SLR cameras was bottoming out, the decrease compared to the same period of the previous year continued from August onwards, and with a decline by 15% in comparison with the same period of previous year in the 4th quarter, the market remained sluggish in the whole second half. Affected by the slow sales of DSLR cameras and other factors, the number of interchangeable lenses shipped declined by 9% in the 4th quarter compared to the same period of previous year, resulting in a 6% decline for the whole year in comparison with the previous year. For the number of camera-integrated type cameras shipped, a considerable decline persisted, by 25% compared to the previous year.

Amid this situation, operating results of the Tamron group for the term were as follows. Thanks to favorable fluctuations of exchange rates of a lower yen and a higher U.S. dollar, etc., revenue increased for our Photographic Products and Commercial / Industrial-use Optics business operations, but this was not enough to make up for the decline in revenue for Optical Components business operations, and net sales came to 71.946 billion yen (decrease by 2.3% compared to previous year).

For profits, due to negative exchange rate fluctuations of a lower yen against a higher U.S. dollar and a higher yen against a lower euro, etc., and an increase in sales and general administrative expenses, the operating profit was 4.554 billion yen (decline by 25.0% compared to previous year), while ordinary profit came to 5.140 billion yen (decline by 17.1% compared to previous year). Regarding net profit for the term, the gain on negative goodwill (bargain purchase) by turning Koyu Kosan Company into Tamron's subsidiary and other gains led to posting an extraordinary profit, which contributed to an increase in net profit to 4.048 billion yen (increase by 5.2% compared to previous year).

**About the outlook for the new fiscal year**

There is a sense of uncertainty regarding economic trends in and outside Japan for the new fiscal year, but for Photographic Products business operations, we will launch a number of new products one after another for interchangeable lenses under our Tamron brand, and for Commercial / Industrial-use Optics business operations, we will work towards increasing sales of the lenses for surveillance cameras and for automobile applications.

For our consolidated performance in the new year, our projections are 7.5 billion yen (increase by 4.2% compared to previous year) for net sales, 5.2 billion yen (increase by 14.2% compared to previous year) for operating profit, 5.2 billion yen (increase by 1.2% compared to previous year), and 3.30 billion yen (decrease by 16.8% compared to previous year) for current net profit.

I would like to cordially ask you for your continued kind support towards the company's operations.

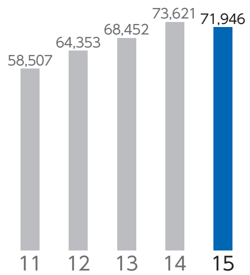
President & CEO
Shiro Ajisaka

* The projected exchange rate as a premise for the outlook above are as follows: 1 U.S. dollar = 120 yen; 1 euro = 130 yen.

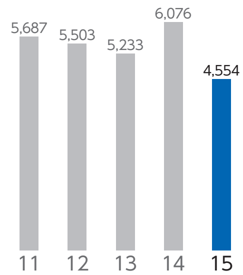
| Years ended December 31 | Millions of Yen 2015 | 2014 | 2013 | 2012 | 2011 | Thousands of U.S. Dollars 2015 |
|---|---|---|---|---|---|---|
| **For the Year:** | | | | | | |
| Net sales | ¥ 71,946 | ¥ 73,621 | ¥ 68,452 | ¥ 64,353 | ¥ 58,507 | $594,056 |
| Operating income | 4,554 | 6,076 | 5,233 | 5,503 | 5,687 | 37,609 |
| Operating income ratio | 6.3% | 8.3% | 7.6% | 8.6% | 9.7% | — |
| Ordinary income | 5,140 | 6,200 | 5,196 | 5,377 | 5,702 | 42,444 |
| Ordinary income ratio | 7.1% | 8.4% | 7.6% | 8.4% | 9.7% | — |
| Net income | 4,048 | 3,846 | 3,197 | 3,894 | 3,804 | 33,429 |
| **At Year-End:** | | | | | | |
| Total assets | ¥ 66,035 | ¥ 69,906 | ¥ 64,704 | ¥ 58,058 | ¥ 51,898 | $545,251 |
| Net assets | 49,001 | 51,995 | 47,087 | 40,805 | 36,134 | 404,605 |
| Number of employees | 5,829 | 2,694 | 2,545 | 2,295 | 6,005 | — |
| **Per Share Data (in yen, dollars):** | | | | | | |
| Net income | ¥ 153.98 | ¥ 140.14 | ¥ 116.48 | ¥ 141.86 | ¥ 138.61 | — |
| Shareholders' equity | 1,890.45 | 1,894.14 | 1,715.37 | 1,486.52 | 1,316.33 | — |
| Cash dividends | 60.00 | 50.00 | 50.00 | 50.00 | 50.00 | — |
| **Ratios (%):** | | | | | | |
| Return on assets (ROA) | 7.6 | 9.2 | 8.5 | 9.8 | 11.2 | — |
| Return on equity (ROE) | 8.0 | 7.8 | 7.3 | 10.1 | 10.9 | — |
| Equity ratio | 74.2 | 74.4 | 72.8 | 70.3 | 69.6 | — |

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥121.11=US$1.
2. ROA=Ordinary income/Total assets
3. ROE=Net income/Net assets

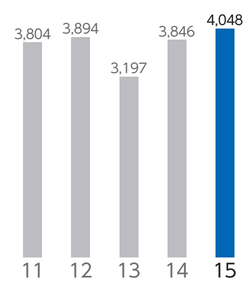
NET SALES
(Millions of Yen)




OPERATING INCOME
(Millions of Yen)




NET INCOME
(Millions of Yen)



## BUSINESS SEGMENT

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<br>Interchangeable lenses for non-Reflex type cameras |
| Optical Components | Camcorder lenses<br>Digital still camera lenses<br>Optical device units |
| Commercial/Industrial-use Optics | Lenses for CCTV cameras<br>Automotive lenses |

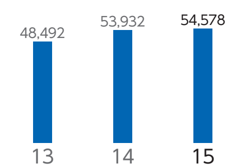
## BUSINESS SEGMENT OVERVIEW

### Photographic Products

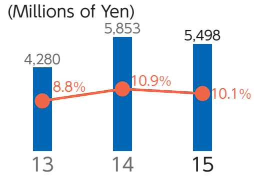
For our Photographic Products business, the sales of interchangeable lens products under the Tamron brand became sluggish in the second half of the year due to a continued slowdown for the market and low sales levels during the Christmas shopping season, etc., but thanks to the effects of the launch of new products and good sales results in Europe, among other factors, the revenue increased.

As a result, net sales came to 54.578 billion yen (increase by 1.25% compared to previous year) for the Photographic Products business, while the operating profit was negatively affected by exchange rate fluctuations of a lower yen against a higher U.S. dollar and a higher yen against a lower euro, etc., to drop to 5.498 billion yen (decrease by 6.1% compared to previous year).

NET SALES
(Millions of Yen)




OPERATING INCOME
/OPERATING INCOME RATIO
(Millions of Yen)

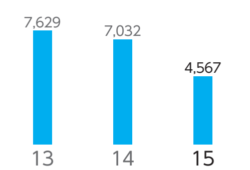



### Optical Components

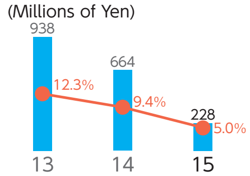
Regarding Optical Components business, a considerable contraction of the market for compact digital cameras and digital video cameras continued, leading to a decline in the number of orders received and in revenue.

As a result, net sales for the Optical Components business came to 4.567 billion yen (decrease by 35.1% compared to previous year), with the operating profit dropping to 228 million yen (decrease by 65.6% compared to previous year).

NET SALES
(Millions of Yen)




OPERATING INCOME
/OPERATING INCOME RATIO
(Millions of Yen)



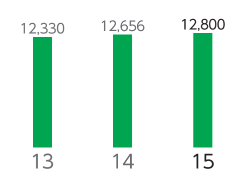

### Commercial / Industrial-use Optics

For Commercial / Industrial-use Optics business, revenue decreased for lenses for surveillance cameras due to a slowdown of the economy in the Chinese market and intensifying competition, among other factors, but rising sales in the U.S. market and other regions and good sales results for the lenses for automotive applications, a key growth area, led to increased revenue overall.

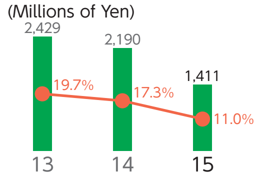
In the area of security applications with continued stable growth expected in the near future, we have focused on expanding our product lineup in response to expanding applications, as well as on developing strategic products matching regional characteristics and the products with superior technological advantages, in order to increase sales.

As a result, net sales for the Commercial / Industrial-use Optics business came to 12.8 billion yen (increase by 1.1% compared to previous year), while the effects of fierce price competitions and other factors showed for the operating profit, which declined to 1.411 billion yen (decrease by 35.6% compared to previous year).

NET SALES
(Millions of Yen)




OPERATING INCOME
/OPERATING INCOME RATIO
(Millions of Yen)



## Financial Summary

*Current assets*

The balance of current assets at the end of the consolidated fiscal year stood at 44.920 billion yen, a decrease by 2.035 billion yen compared to the level at the end of the previous consolidated fiscal year. This was mainly because of decreases in cash on hand and in banks by 1.723 billion yen and in notes and accounts receivable by 2.848 billion yen, and an increase in finished goods by 2.180 billion yen.

*Fixed assets*

The balance of fixed assets at the end of the consolidated fiscal year stood at 21.114 billion yen, a decrease by 1.835 billion yen compared to the level at the end of the previous consolidated fiscal year. This was mainly because of a decrease in tangible fixed assets by 1.605 billion yen.

*Current liabilities*

The balance of current liabilities at the end of the consolidated fiscal year stood at 14.594 billion yen, a decrease by 8 million yen compared to the level at the end of the previous consolidated fiscal year. This was mainly because, while short-term borrowings increased by 826 million yen, there were decreases in the accounts payable by 570 million yen and in income taxes payable by 314 million yen.

*Fixed liabilities*

The balance of fixed liabilities at the end of the consolidated fiscal year stood at 2.439 billion yen, a decrease by 869 million yen compared to the level at the end of the previous consolidated fiscal year. This was chiefly because of a decrease in long-term borrowings by 889 million yen.

*Net assets*

The net balance of assets at the end of the consolidated fiscal year came to 49.001 billion yen, a decrease by 2.993 billion yen compared to the level at the end of the previous consolidated fiscal year. This was mainly because of decreases in retained earnings by 1.422 billion yen and in foreign currency translation adjustments by 1.536 billion yen.

## Cash Flow

For the consolidated fiscal year, cash and cash equivalents at the end of the year decreased by 1.723 billion yen compared to the level at the end of the previous consolidated fiscal year, to 14.192 billion yen.

What follow are cash flows through different activities during the consolidated fiscal year.

*Cash flows through operating activities*

Net income before taxes and other adjustments stood at 5.893 billion yen, with 3.654 billion yen for depreciation expenses and 2.264 billion yen for the decrease in notes and accounts receivable. At the same time, the increase in inventory assets stood at 2.737 billion yen, and the income taxes, etc. paid came to 2.335 billion yen. Overall cash flows through the operating activities resulted in an income of 6.214 billion yen (compared to an income of 6.208 billion yen for the previous consolidated fiscal year).

*Cash flows through investing activities*

With expenses of 2.4 billion for the acquisition of tangible fixed assets, etc., the cash flows through investing activities resulted in a disbursement of 2.552 billion yen (compared to 2.351 billion yen in the previous consolidated fiscal year).

*Cash flows through financing activities*

While there was a net increase of 1.132 billion yen for short-term borrowings, disbursement through the repayment of long-term borrowings came to 1.185 billion yen, with disbursement of 3.693 billion yen for the acquisition of own shares and the dividend payments of 1.471 billion yen, among other items, resulting in a disbursement of 5.219 billion yen for cash flows through the financing activities (compared to 3.009 billion yen in the previous consolidated fiscal year).

## Research and Development

With regard to the R&D activities of the Tamron group, the Optical Design & Engineering R&D Unit, the Core Technology & Engineering R&D Unit, the Integrated Core Technology R&D Unit, and the Process Technology & Engineering Unit are responsible for the development of individual underlying technologies that form the basis of products, in such areas as optics, production engineering and electronics. The Design & Engineering Department in each Business Unit is responsible for the development of products.

As for R&D activities during the consolidated fiscal year, we developed new products centering around the interchangeable lens products for digital SLR cameras, our main business area, as well as new lenses for surveillance cameras and other products. With future business expansion in view, we also concentrated on the development of lenses for far infrared cameras and for automotive applications, among other products. The activities led to total R&D expenses of 4.052 billion yen for the consolidated fiscal year, with results of the R&D activities in each segment described below.

### *Photographic Products*

In Photographic Products business, we have launched such products as 18-200mm VC (B018), a high-power zoom lens achieving the world's lightest weight in the class, and SP 35mm F/1.8 VC USD (F012) and SP 45mm F/1.8 VC USD (F013), the two fast-aperture fixed focal lens products that kick off the SP series with renovated exterior design, functionality and user friendliness, among other products. As a result, R&D expenses related to the Photographic Products business came to 2.706 billion yen.

### *Optical Components*

In the Optical Components business, we have developed lenses for digital cameras with high value added and the lenses for far infrared cameras, among other products. As a result, R&D expenses pertaining to the Optical Components business came to 309 million yen.

### *Commercial / Industrial-use Optics*

In the Commercial / Industrial-use Optics business, with growth of the security market and expansion of the applications in view, we have developed wide-ranging new products to satisfy the needs for higher pixel counts in various conditions, for surveillance at day and night, the surveillance of conditions in an urban environment, traffic surveillance, and machine vision systems, among other uses. To make redoubled efforts towards further growth, we have also developed new lenses for vehicle-mounted cameras and the first ultra-compact camera module with optical vibration compensation in the industry, among other products. As a result, R&D expenses pertaining to the Commercial / Industrial-use Optics business totalled 1.036 billion yen.

## Capital Investment

To further promote the inhouse production of key components, the Tamron group made total capital investments of 2.478 billion yen (increase by 2.0% compared to previous year), centering around the investments in machining equipment at Tamron Optical (Foshan) Co., Ltd. in China and Tamron Optical (Vietnam) Co., Ltd., and the investments in metal molds related to new models, etc.

### *Photographic Products*

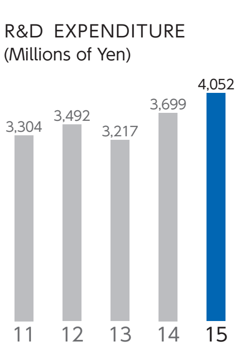
We made capital investments of 1.927 billion yen, mainly centered around the investments in metal molds related to new models for the interchangeable lens products for digital SLR cameras.

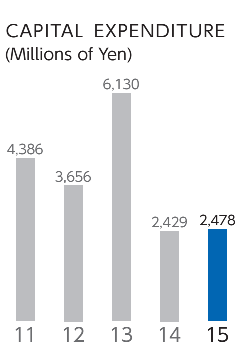
### *Optical Components*

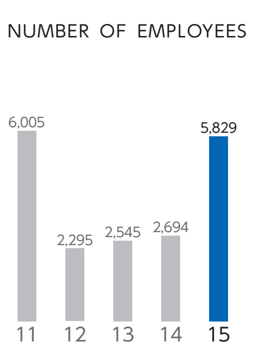
There were capital investments of 92 million yen, mainly as investments in the metal molds concerning new models of the lenses for compact digital cameras, and in lens production facilities.

### *Commercial / Industrial-use Optics*

We made capital investments of 395 million yen, mainly as the investments in metal molds related to new models for the lens units for surveillance cameras.



## Mid-Term Management Goals for FY2018

| NET SALES | OPERATING INCOME | ROE |
| --- | --- | --- |
| ¥92,000 Million | ¥8,600 Million | 10% or more |

(9.3% operating income margin)

### Issues on Mid-to Long-Term Management

1. Strengthen CSR management, internal control and corporate governance in order to enhance capital efficiency
2. Launch new products timely with shortening the lead time from development to production
3. Continue further efforts to expand business through global marketing activities to raise brand awareness and reputation
4. Clarify the role of each production facility and improve productivity with automation
5. Establish new business with collaboration with external partners including M&A and expand the scope of "New eyes for industry"
6. Accelerate activities of core technology development in the field of optics and enhance proactive IP strategy

### Strategy Towards FY2018 by Segment

Interchangeable Lenses for Digital SLR Cameras

#### Photographic Products

- Timely launches of new products with strengthening design and development organization
- Enhance sales activities in emerging markets and areas whose market shares are still low
- Raise brand awareness and reputation with product performance and design
- Enhance OEM business with proposal-based sales approach

Digital Still Camera Lenses

#### Optical Components

- Focus on value-added products and secure appropriate profit
- Reduce new investment to the shrinking markets
- Entry to new categories with leveraging our strength and advantage of optics technology
- Gain cost competitiveness of far-infrared range optical systems

CCTV Camera Lenses

#### Commercial / Industrial-use Optics

- Enhance sales with technology innovation of CCTV lenses and collaboration with camera manufactures
- Build development and sales structures which fit to Chinese market in order to gain market share in China where major CCTV manufactures are located
- Enhance automotive camera lenses especially for sensing application
- Enhance camera module business (Compact/ultra-sensitive camera module etc.)
- Establish new businesses through co-creation with external partners (including M&A)

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 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 2015, Board of Directors met 26 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 2015, Audit & Supervisory Board met 15 times.

### (3) Executive Officer System

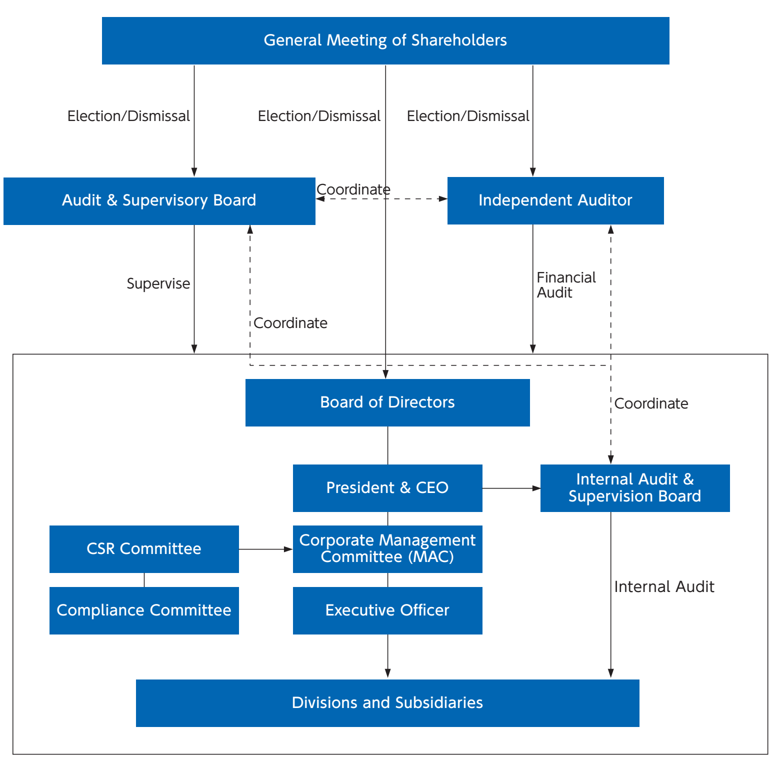
Tamron has employed the Executive Officer System to ensure separation between management and the execution of operations. Executive Officers carry out their duties and responsibilities following the basic policy determined by the Board of Directors.

### (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.



## 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 30, 2016.

### *1. Reliance on a Few Selected Customers*

A high degree of our consolidated sales depends on Nikon Corporation with approximately 16% of our business and a Sony group company with approximately 19% (in FY2015 which ended in December 2015). 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 BALANCE SHEETS

Tamron Co., Ltd. and Consolidated Subsidiaries

| As of December 31 | Millions of Yen 2015 | Millions of Yen 2014 | Thousands of U.S. Dollars 2015 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and deposits | ¥14,192 | ¥15,915 | $117,186 |
| Notes and accounts receivable–trade | 15,804 | 18,653 | 130,498 |
| Finished goods | 8,170 | 5,989 | 67,464 |
| Work in process | 3,209 | 2,888 | 26,501 |
| Raw materials and supplies | 1,495 | 1,658 | 12,346 |
| Deferred income taxes | 656 | 481 | 5,418 |
| Other | 1,422 | 1,412 | 11,749 |
| Allowance for doubtful accounts | (31) | (44) | (258) |
| Total current assets | 44,920 | 46,955 | 370,907 |
| **Noncurrent assets:** | | | |
| Property, plant and equipment | | | |
| Buildings and structures | 13,529 | 13,513 | 111,713 |
| Accumulated depreciation | (6,754) | (6,396) | (55,774) |
| Buildings and structures, net | 6,774 | 7,117 | 55,938 |
| Machinery, equipment and vehicles | 20,050 | 20,821 | 165,556 |
| Accumulated depreciation | (13,726) | (13,441) | (113,338) |
| Machinery, equipment and vehicles, net | 6,324 | 7,380 | 52,217 |
| Tools, furniture and fixtures | 18,806 | 17,764 | 155,281 |
| Accumulated depreciation | (16,464) | (15,394) | (135,943) |
| Tools, furniture and fixtures, net | 2,342 | 2,369 | 19,338 |
| Land | 1,057 | 1,063 | 8,731 |
| Construction in progress | 711 | 883 | 5,875 |
| Total property, plant and equipment | 17,209 | 18,814 | 142,101 |
| Intangible assets | 804 | 866 | 6,639 |
| Investments and other assets | | | |
| Investment securities | 2,330 | 2,394 | 19,240 |
| Deferred income taxes | 435 | 474 | 3,598 |
| Other | 406 | 517 | 3,360 |
| Allowance for doubtful accounts | (72) | (116) | (596) |
| Total investments and other assets | 3,100 | 3,269 | 25,603 |
| Total noncurrent assets | 21,114 | 22,950 | 174,344 |
| Total assets | ¥66,035 | ¥69,906 | $545,251 |

| As of December 31 | Millions of Yen 2015 | Millions of Yen 2014 | Thousands of U.S. Dollars 2015 |
|---|---|---|---|
| **Liabilities** | | | |
| **Current liabilities:** | | | |
| Accounts payable–trade | ¥ 5,285 | ¥ 5,855 | $ 43,641 |
| Short-term loans payable | 3,154 | 2,327 | 26,044 |
| Accrued expenses | 3,757 | 3,497 | 31,028 |
| Income taxes payable | 603 | 918 | 4,983 |
| Other | 1,793 | 2,004 | 14,808 |
| Total current liabilities | 14,594 | 14,602 | 120,506 |
| **Noncurrent liabilities:** | | | |
| Long-term loans payable | 881 | 1,771 | 7,279 |
| Net defined benefit liability | 1,495 | 1,342 | 12,344 |
| Other | 62 | 194 | 514 |
| Total noncurrent liabilities | 2,439 | 3,308 | 20,139 |
| Total liabilities | 17,033 | 17,911 | 140,646 |
| **Net assets** | | | |
| **Shareholders' equity:** | | | |
| Capital stock | 6,923 | 6,923 | 57,163 |
| Capital surplus | 7,432 | 7,432 | 61,368 |
| Retained earnings | 30,187 | 31,609 | 249,256 |
| Treasury stock | (53) | (81) | (442) |
| Total shareholders' equity | 44,489 | 45,883 | 367,345 |
| **Accumulated other comprehensive income:** | | | |
| Unrealized gain on investment securities | 445 | 466 | 3,681 |
| Foreign currency translation adjustments | 4,260 | 5,797 | 35,181 |
| Remeasurements of defined benefit plans | (194) | (152) | (1,602) |
| Total accumulated other comprehensive income | 4,512 | 6,111 | 37,260 |
| Total net assets | 49,001 | 51,995 | 404,605 |
| Total liabilities and net assets | ¥66,035 | ¥69,906 | $545,251 |

# CONSOLIDATED STATEMENTS OF INCOME

Tamron Co., Ltd. and Consolidated Subsidiaries

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| Years ended December 31 | 2015 | 2014 | 2015 |
| Net sales | ¥71,946 | ¥73,621 | $594,056 |
| Cost of sales | 49,303 | 50,053 | 407,100 |
| Gross profit | 22,642 | 23,568 | 186,955 |
| Selling, general and administrative expenses: | | | |
| Advertising expenses | 1,455 | 1,654 | 12,019 |
| Promotion expenses | 962 | 1,097 | 7,949 |
| Provision of allowance for doubtful accounts | 4 | 11 | 39 |
| Salaries and bonuses | 4,653 | 4,459 | 38,421 |
| Retirement benefit expenses | 136 | 116 | 1,124 |
| Technical research expenses | 3,986 | 3,619 | 32,918 |
| Other | 6,887 | 6,533 | 56,871 |
| Total selling, general and administrative expenses | 18,087 | 17,492 | 149,345 |
| Operating income | 4,554 | 6,076 | 37,609 |
| Non-operating income: | | | |
| Interest income | 32 | 53 | 268 |
| Dividends income | 51 | 42 | 421 |
| Foreign exchange gains | 387 | — | 3,199 |
| Rent income | 20 | 23 | 166 |
| Subsidy income | 103 | 35 | 852 |
| Other | 209 | 179 | 1,730 |
| Total non-operating income | 804 | 335 | 6,639 |
| Non-operating expenses: | | | |
| Interest expenses | 45 | 64 | 373 |
| Foreign exchange losses | — | 19 | — |
| Loss on retirement of non-current assets | 112 | 106 | 931 |
| Loss on abandonment of inventories | 38 | 1 | 318 |
| Other | 21 | 19 | 180 |
| Total non-operating expenses | 218 | 211 | 1,804 |
| Ordinary income | 5,140 | 6,200 | 42,444 |
| Extraordinary income | | | |
| Insurance income | 99 | — | 824 |
| Gain on bargain purchase | 653 | — | 5,394 |
| Total extraordinary income | 753 | — | 6,218 |
| Extraordinary loss: | | | |
| Loss on disaster | — | 89 | — |
| Total extraordinary loss | — | 89 | — |
| Income before income taxes and minority interests | 5,893 | 6,110 | 48,663 |
| Income taxes–current | 1,926 | 2,163 | 15,904 |
| Income taxes–deferred | (81) | 99 | (669) |
| Total income taxes | 1,845 | 2,263 | 15,234 |
| Income before minority interests | 4,048 | 3,846 | 33,429 |
| Net income | ¥ 4,048 | ¥ 3,846 | $ 33,429 |

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Tamron Co., Ltd. and Consolidated Subsidiaries

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| Years ended December 31 | 2015 | 2014 | 2015 |
| Income before minority interests | ¥4,048 | ¥3,846 | $33,429 |
| Other comprehensive income | | | |
| Unrealized gain (loss) on investment securities | (20) | 96 | (169) |
| Foreign currency translation adjustments | (1,536) | 2,489 | (12,688) |
| Remeasurements of defined benefit plans | (41) | — | (344) |
| Total other comprehensive income | (1,598) | 2,585 | (13,202) |
| Comprehensive income | 2,449 | 6,432 | 20,227 |
| Comprehensive income attributable to owners of parent | 2,449 | 6,432 | 20,227 |

# 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, 2015 | ¥6,923 | ¥7,432 | ¥31,609 | ¥(81) | ¥45,883 |
| Cumulative effects of changes in accounting policies | | | (13) | | (13) |
| Restated balance | 6,923 | 7,432 | 31,595 | (81) | 45,869 |
| Changes in the term | | | | | |
| Dividends from surplus | | | (1,471) | | (1,471) |
| Net income | | | 4,048 | | 4,048 |
| Purchase of treasury shares | | | | (3,957) | (3,957) |
| Retirement of treasury shares | | | (3,985) | 3,985 | — |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes in the term | — | — | (1,408) | 27 | (1,380) |
| **Balance of December 31, 2015** | 6,923 | 7,432 | 30,187 | (53) | 44,489 |

| | 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, 2015 | ¥466 | ¥5,797 | ¥(152) | ¥6,111 | ¥51,995 |
| Cumulative effects of changes in accounting policies | | | | | (13) |
| Restated balance | 466 | 5,797 | (152) | 6,111 | 51,981 |
| Changes in the term | | | | | |
| Dividends from surplus | | | | — | (1,471) |
| Net income | | | | — | 4,048 |
| Purchase of treasury shares | | | | — | (3,957) |
| Retirement of treasury shares | | | | — | — |
| Net changes of items other than shareholders' equity | (20) | (1,536) | (41) | (1,598) | (1,598) |
| Total changes in the term | (20) | (1,536) | (41) | (1,598) | (2,979) |
| **Balance of December 31, 2015** | 445 | 4,260 | (194) | 4,512 | 49,001 |

| | 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, 2015 | $57,163 | $61,368 | $260,999 | $ (671) | $378,859 |
| Cumulative effects of changes in accounting policies | | | (114) | | (114) |
| Restated balance | 57,163 | 61,368 | 260,885 | (671) | 378,745 |
| Changes in the term | | | | | |
| Dividends from surplus | | | (12,150) | | (12,150) |
| Net income | | | 33,429 | | 33,429 |
| Purchase of treasury shares | | | | (32,679) | (32,679) |
| Retirement of treasury shares | | | (32,907) | 32,907 | |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes in the term | — | — | (11,629) | 228 | (11,400) |
| **Balance of December 31, 2015** | 57,163 | 61,368 | 249,256 | (442) | 367,345 |

| | 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, 2015 | $3,850 | $47,869 | $(1,257) | $50,462 | $429,322 |
| Cumulative effects of changes in accounting policies | | | | | (114) |
| Restated balance | 3,850 | 47,869 | (1,257) | 50,462 | 429,208 |
| Changes in the term | | | | | |
| Dividends from surplus | | | | | (12,150) |
| Net income | | | | | 33,429 |
| Purchase of treasury shares | | | | | (32,679) |
| Retirement of treasury shares | | | | | |
| Net changes of items other than shareholders' equity | (169) | (12,688) | (344) | (13,202) | (13,202) |
| Total changes in the term | (169) | (12,688) | (344) | (13,202) | (24,602) |
| **Balance of December 31, 2015** | 3,681 | 35,181 | (1,602) | 37,260 | 404,605 |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Tamron Co., Ltd. and Consolidated Subsidiaries

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| Years ended December 31 | 2015 | 2014 | 2015 |
| **Cash flows from operating activities:** | | | |
| Income before income taxes and minority interests | ¥ 5,893 | ¥ 6,110 | $ 48,663 |
| Depreciation and amortization | 3,654 | 3,812 | 30,172 |
| Decrease in provision for retirement benefits | — | (1,201) | — |
| Increase in net defined benefit liability | 102 | 1,104 | 843 |
| Interest and dividend income | (83) | (96) | (689) |
| Interest expense | 45 | 64 | 373 |
| Loss on retirement of property, plant and equipment | 112 | 106 | 931 |
| Proceeds from insurance income | (99) | — | (824) |
| Gain on bargain purchase | (653) | — | (5,394) |
| Decrease (increase) in notes and accounts receivable–trade | 2,264 | (2,415) | 18,698 |
| Increase (decrease) in inventories | (2,737) | 1,214 | (22,603) |
| Increase (decrease) in notes and accounts payable–trade | (62) | (695) | (518) |
| Other–net | (23) | (25) | (190) |
| Sub total | 8,412 | 7,979 | 69,462 |
| Interest and dividend income received | 83 | 97 | 689 |
| Interest expenses paid | (46) | (65) | (382) |
| Proceeds from insurance income | 99 | — | 824 |
| Income taxes paid | (2,335) | (1,803) | (19,282) |
| Net cash provided by operating activities | 6,214 | 6,208 | 51,311 |
| **Cash flows from investing activities:** | | | |
| Purchases of property, plant and equipment | (2,400) | (2,250) | (19,817) |
| Purchase of intangible assets | (130) | (214) | (1,073) |
| Purchase of investment securities | (1) | (391) | (11) |
| Proceeds from redemption of investment securities | — | 300 | — |
| Payments of loans receivable | (7) | (45) | (59) |
| Collection of loans receivable | 26 | 26 | 220 |
| Other–net | (40) | 223 | (330) |
| Net cash used in investing activities | (2,552) | (2,351) | (21,072) |
| **Cash flows from financing activities:** | | | |
| Net increase (decrease) in short-term loans payable | 1,132 | (1,203) | 9,349 |
| Proceeds from long-term loans payable | — | 1,000 | — |
| Repayment of long-term loans payable | (1,185) | (1,432) | (9,788) |
| Purchase of treasury shares | (3,693) | — | (30,493) |
| Cash dividends paid | (1,471) | (1,373) | (12,150) |
| Other–net | (1) | (0) | (10) |
| Net cash used in financing activities | (5,219) | (3,009) | (43,093) |
| Effect of exchange rate changes on cash and cash equivalents | (561) | 771 | (4,635) |
| Net increase (decrease) in cash and cash equivalents | (2,118) | 1,618 | (17,489) |
| Cash and cash equivalents at beginning of year | 15,915 | 14,297 | 131,417 |
| Increase (decrease) in cash and cash equivalents resulting from merger of a subsidiary | 394 | — | 3,259 |
| Cash and cash equivalents at the end of year | ¥14,192 | ¥15,915 | $117,186 |

## 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 ¥121.11 = US$1 prevailing on December 31, 2015 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*

The attribution of expected benefits to periods up to the fiscal year under review, upon calculating retirement benefit obligations, is done on the benefits formula basis.

*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.

*c. Accounting treatment for unrecognized actuarial gains and losses*

Unrecognized actuarial gains and losses are recognized in remeasurements of defined benefit plans in accumulated other comprehensive income under the net assets section, net of deferred taxes.

**(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.)**

With respect to the "Accounting Standard for Retirement Benefits" (the Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, which will be hereinafter referred to as the "Statement No. 26") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015, which will be hereinafter referred to as the "Guidance No. 25"), the provisions shown in the text of paragraph 35 of the Statement No. 26 and the text of paragraph 67 of the Guidance No. 25 have been applied from the consolidated fiscal year under review.

Consequently, the Company has revised its method for calculating its retirement benefit liability and service costs. In addition, the method for attributing projected retirement benefits to each period has been changed from a straight-line basis to a benefit formula basis. In tandem, the methodology for deciding the discount rate has also been changed, from a discount rate based on the average remaining period of service to a method that employs a single weighted average discount rate that reflects the approximate number of years of payment and its amount of each year.

As to the application of the Statement No. 26, the amount of the impact of a change in the method of calculating retirement benefit liabilities and service costs was added to, or deducted from, retained earnings at the beginning of the consolidated fiscal year under review in accordance with the transitional treatment provided in paragraph 37 of the Statement No. 26. As a result, net defined benefit liability as of the beginning of the consolidated fiscal year under review increased by 21 million yen and retained earnings declined by 13 million yen. The effect of adopting above Statement and Guidance did not have a material effect on the consolidated statement of income for fiscal year 2015. The effects of this adoption on net assets and net income per share are insignificant.

**[New accounting standards and related guidance not yet adopted]**

**(Accounting Standards for Business Combinations)**

On September 13, 2013, the ASBJ issued "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7), "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10), and "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4).

**(2) Scheduled Date of Adoption**

The Company expects to adopt these revised accounting standards and guidance from the beginning of the year ending December 31, 2016.

**(3) Impact of Adopting Revised Accounting Standards and Guidance**

The impact of adopting the revised accounting standards and guidance on consolidated financial statements is currently under evaluation.

**["Revised Guidance on Recoverability of deferred tax assets"] (ASBJ Guidance No. 26, December 28, 2015)**

**(1) Overview**

The Guidance No. 26 has basically followed the guidance on the "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets" (Report No. 66, the audit committee of the Japanese Institute of Certified Public Accountants). Based on the Audit Treatment, the judgment of the recoverability of deferred tax assets has been estimated by grouping conditions of each entities taxable income under five categories which reflects the level of historical taxable income and projections for future taxable income. After a necessary review for above five categories of taxable income in the Audit Treatment, a new guidance for above five categories has been introduced into the Guidance No. 26.

**(2) Scheduled Date of Adoption**

The Company expects to adopt the Revised Guidance No. 26 from the beginning of the year ending December 31, 2017.

**(3) Impact of Adopting Revised Guidance**

The impact of adopting the revised guidance on consolidated financial statements is currently under evaluation.

**[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, 2015**

*(1) Property, plant and equipment*

Millions of Yen

| | 2014 | 2015 |
|---|---|---|
| Buildings and structures | ¥ 583 | ¥ 639 |
| Machinery, equipment and vehicles | 640 | 592 |
| Tools, furniture and fixtures | 220 | 245 |
| Land | 69 | 96 |
| Total | ¥1,540 | ¥1,573 |

*(2) Other*

Millions of Yen

| | 2014 | 2015 |
|---|---|---|
| Buildings and structures | ¥2,977 | ¥2,930 |
| Land | 96 | 96 |
| Total | ¥3,073 | ¥3,026 |

*(3) Loans secured by the above assets*

Millions of Yen

| | 2014 | 2015 |
|---|---|---|
| Short-term loans payable | ¥ 832 | ¥1,664 |
| Long-term loans payable (including loans due within one year) | 2,029 | 1,276 |
| Total | ¥2,861 | ¥2,941 |

## (CONSOLIDATED STATEMENTS OF INCOME)

1. Research and development expenses included in selling, general and administrative expenses and manufacturing costs totaled ¥3,699 million.

Millions of Yen

| | 2014 | 2015 |
|---|---|---|
| | ¥3,699 | ¥4,052 |

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.

Millions of Yen

| | 2014 | 2015 |
|---|---|---|
| | ¥(55) | ¥14 |

## (CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME)

**(Changes in reclassification adjustments and those tax effects for the year ended December 31, 2015)**

Millions of Yen

| | 2014 | 2015 |
|---|---|---|
| Unrealized gain (loss) on available securities | | |
| Gain (loss) arising during the year | ¥ 148 | ¥ (65) |
| Reclassification adjustments | — | — |
| Amount before income tax | 148 | (65) |
| Tax effect | (52) | 44 |
| Net | 96 | (20) |
| Foreign currency translation adjustments | | |
| Translation adjustments arising during the year | 2,489 | (1,536) |
| Adjustments for retirement benefit obligations | | |
| Unrecognized actuarial loss arising during the year | — | (118) |
| Reclassification adjustments | — | 68 |
| Amount before income tax effect | — | (49) |
| Income tax effect | — | 8 |
| Reclassification adjustments for retirement benefit obligations | — | (41) |
| Total other comprehensive income | ¥2,585 | ¥(1,598) |

(CONSOLIDATED STATEMENTS OF CASH FLOWS)
**Year ended December 31, 2015**

| | Millions of Yen | |
|---|---|---|
| | 2014 | 2015 |
| Cash and deposits | ¥15,915 | ¥14,192 |
| Cash and cash equivalents | 15,915 | 14,192 |

(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 | ¥16 | ¥0 |
| Total | ¥17 | ¥16 | ¥0 |

*(2) Obligation under finance leases*

| | Millions of Yen |
|---|---|
| Due within one year | ¥1 |
| Total | ¥1 |

*(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, 2015
**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, 2015 are as follows.
Investment securities those fair values can not be measured reliably, are not included in the following table. (Refer to Note 2 below)

| | Millions of Yen | | |
|---|---|---|---|
| | Carrying amounts | Fair value | Difference |
| (1) Cash and time deposits | ¥14,192 | ¥14,192 | ¥— |
| (2) Notes and accounts receivable | 15,804 | 15,804 | — |
| (3) Investment securities: | | | |
| Other securities | 2,117 | 2,117 | — |
| Total assets | ¥32,114 | ¥32,114 | ¥— |
| (1) Accounts payable | ¥ 5,285 | ¥ 5,285 | ¥— |
| (2) Short-term loans payable | 3,154 | 3,154 | — |
| (3) Income taxes payable | 603 | 603 | — |
| (4) Long-term loans payable | 881 | 881 | — |
| Total liabilities | ¥ 9,924 | ¥ 9,924 | ¥— |
| 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, 2015 |
| 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, 2015**

| | Millions of Yen | |
|---|---|---|
| | Up to 1 year | More than 1 year and up to 5 years |
| Cash and deposits | ¥14,192 | ¥ — |
| Notes and accounts receivable | 15,804 | — |
| Investment securities: | | |
| Securities with maturity in other investment securities account | — | 300 |
| Total | ¥29,997 | ¥300 |

Note 4: The aggregate annual maturities of long-term borrowings, lease obligations and other interest-bearing debt at December 31, 2015.
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 | ¥2,264 | ¥ — | ¥ — | ¥ — | ¥ — |
| Long-term loans payable | 889 | 605 | 241 | 35 | — |
| Lease obligations | 1 | 1 | 1 | 0 | — |
| Total | ¥3,155 | ¥606 | ¥242 | ¥35 | ¥ — |

(INVESTMENTS IN SECURITIES)

| | Type of securities | Millions of Yen<br>As of December 31, 2015 | | |
|---|---|---|---|---|
| | | Carrying amount | Acquisition costs | Difference |
| Securities whose carrying amounts on consolidated balance sheets exceed their acquisition costs | (1) Stocks | ¥1,852 | ¥1,161 | ¥691 |
| | (2) Debt securities | — | — | — |
| | (3) Others | — | — | — |
| | Total | 1,852 | 1,161 | 691 |
| Securities whose carrying amounts on consolidated balance sheets does not exceed their acquisition costs | (1) Stocks | — | — | — |
| | (2) Debt securities | 264 | 300 | (35) |
| | (3) Others | — | — | — |
| | Total | 264 | 300 | (35) |
| Total | | ¥2,117 | ¥1,461 | ¥656 |

(DERIVATIVE TRANSACTIONS)

**Derivative transactions with the hedge accounting is applied**

**Currency-related transactions**

Year ended December 31, 2015

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 | | ¥1,041 | — | (See Note) |
| | Euro | | 1,612 | — | (See Note) |
| | Ruble | | 98 | — | (See Note) |
| | Buy | Accounts payable | | | |
| | U.S. dollar | | ¥ 602 | — | (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, 2015

**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 | ¥2,961 |
| Cumulative effects of changes in accounting policies | 21 |
| Restated balance | 2,982 |
| Service cost | 196 |
| Interest cost | 25 |
| Actuarial loss | 69 |
| Benefits paid | (142) |
| Other | (4) |
| Benefit obligations at end of year | ¥3,126 |

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

| | Millions of Yen |
|---|---|
| Plan assets at beginning of year | ¥1,618 |
| Actual return on plan assets | 29 |
| Actuarial loss | (48) |
| Plan participants' contribution | 116 |
| Benefits paid | (84) |
| Plan assets at end of year | ¥1,631 |

(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 | ¥3,104 |
| Plan assets | (1,631) |
| Net of above | 1,472 |
| Unfunded defined benefit obligations | 22 |
| Net benefit obligation in the consolidated balance sheet | ¥1,495 |
| Liability for retirement benefits | ¥1,495 |
| Net amount of liabilities and assets recognized in the consolidated balance sheet | ¥1,495 |

(4) Components of net periodic benefits expenses

| | Millions of Yen |
|---|---|
| Service cost | ¥196 |
| Interest cost | 25 |
| Expected return on plan assets | (29) |
| Recognized actuarial differences | 68 |
| Net periodic benefits expenses | ¥259 |

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

(5) Reclassification adjustments (before deduction of tax effect) recognized in other comprehensive income

| | Millions of Yen |
|---|---|
| Actuarial loss | ¥49 |

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

| | Millions of Yen |
|---|---|
| Unrecognized actuarial loss | ¥285 |

(7) Information relating to plan assets

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

| Asset category | |
|---|---|
| Debt securities | 64% |
| Stocks | 23% |
| Cash and deposits | 12% |
| Other | 1% |
| Total plan assets | 100% |

(Note) Above total plan assets includes 9% 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.

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

| | |
|---|---|
| Discount rate | 0.846% |
| Expected long-term rate of return | 2.00% |

(Note) Projected salary increase rate is based on the projected salary increase index as of July 1, 2015 that is a base date.

**3. The contributions for defined contribution plans.**
The contributions for defined contribution plans of the company and its subsidiaries were ¥171 million for fiscal 2015.

(ACCOUNTING FOR DEFERRED INCOME TAXES)
Year ended December 31, 2015

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

| | Millions of Yen |
|---|---|
| *Deferred Tax Assets* | |
| Accrued expenses, currently not deductible | ¥ 62 |
| Net defined benefit liability | 501 |
| Provision for product warranties | 29 |
| Long-term accounts payable | 46 |
| Denial of patentability | 54 |
| Excess of depreciation | 60 |
| Unrealized gain | 418 |
| Other | 226 |
| Total of deferred tax assets | ¥1,379 |

| | Millions of Yen |
|---|---|
| *Deferred Tax Liabilities* | |
| Reserve for deduction entries | ¥ (36) |
| Unrealized gain on investments in securities | (221) |
| Other | (29) |
| Total of deferred tax liabilities | (287) |
| Net of deferred tax assets and liabilities | ¥1,092 |

Note: Net of deferred tax assets and liabilities as of December 31, 2015 are reflected in the following accounts in the consolidated balance sheets.

| | Millions of Yen |
|---|---|
| | 2015 |
| Current assets – deferred income taxes | ¥656 |
| Noncurrent assets – deferred income taxes | 435 |

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

| | |
|---|---|
| Effective statutory tax rate | 35.4% |
| (Adjustments) | |
| Entertainment expense and others that are not deductible permanently | 0.6 |
| Exclusion of loss related to a donation | 0.1 |
| Inhabitant tax on per capita basis | 0.3 |
| Provision for directors' bonuses | 1.1 |
| Tax credits | (4.0) |
| Differences of tax rates for overseas consolidated subsidiaries | (4.7) |
| Dividend income and others that are not taxable permanently | (12.6) |
| Effect of dividend income eliminated for consolidation | 12.5 |
| Special tax rate on retained earnings of family corporation | 1.1 |
| International withholding income tax | 3.1 |
| Gain on negative goodwill | (3.9) |
| Effect of changes in the rate of corporation tax | 1.2 |
| Others | 1.1 |
| Actual tax rate | 31.3% |

### 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. 9 of 2015) and the "Act for Partial Amendment of the Local Tax, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 35.38% to 32.83% and 32.06% for the temporary differences expected to be realized or settled from fiscal year beginning on or after January 1, 2016 and for the temporary differences expected to be realized or settled after January 1, 2017, respectively. The effect of this change will be negligible.

## BUSINESS COMBINATIONS

### 1. Business combination by acquisition

**(1) Outline of the Business Combination**

*a. Name of acquired company and its business lines*

Name of acquired company Kouyu Kosan Co., Ltd.
Business lines of acquired company Selling/buying of valuable securities

*b. Background of the business combination*

The founder's family 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 view of the situation, 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.

After thorough assessment and deliberation, Tamron has reached to a conclusion that it would be best served to acquire stocks of Kouyu Kosan and made Kouyu Kosan a 100% owned subsidiary, following a resolution at the Board of Directors meeting and at the 68th ordinary General Shareholders Meeting.

*c. Date of the business combination*

March 31, 2015

*d. Legal form of the business combination*

Acquisition of shares with cash as consideration

*e. Names of the company after the acquisition*

No change

*f. The acquired voting rights ratio*

100%

*g. Grounds for determining acquiring company*

We acquired stocks of Kouyu Kosan to value with cash

**(2) The period for financial results of the acquired company that are included in consolidated statements of income of the year under review.**

From April 1, 2015 to May 31, 2015

**(3) Cost of the acquisition of the acquired company and the breakdown**

| | | |
|---|---|---|
| Compensation for the acquisition of the stocks | Ordinary stocks of Kouyu Kosan | 3,686 million yen |
| Direct costs of the acquisition of stocks | Advisory fee | 6 million yen |
| The acquisition cost | | 3,692 million yen |

**(4) The amount and source of gain on the bargain purchase**

*a. The amount of gain on the bargain purchase*

653 million yen

*b. The source of gain on the bargain purchase*

The fair market value of net assets acquired exceeds its acquisition cost.

### 2. Business combination of an entity under common control

**Merger of a consolidated subsidiary**

**(1) Summary of the transaction**

*a. The name and its business lines of the acquired company*

Company name Kouyu Kosan Co., Ltd.
Business lines of acquired company Selling/buying of valuable securities

*b. Date of the business combination*

June 1, 2015

*c. Legal form of the business combination*

The Company absorbed Kouyu Kosan Co., Ltd. and became the surviving company; Kouyu Kosan Co., Ltd. was subsequently dissolved.

*d. Name of the company after the merger*

Tamron Co., Ltd.

*e. Other matters of business combinations*

Kouyu Kosan is an asset managing company owned by the family of the founder of our company with the vast majority of its assets being comprised of our company stock. Its main business is holding company stock, and it does not substantively engage in any other business. Considering these facts, our company decided to merge Kouyu Kosan and make our company the surviving company, acquiring all of our company stock that Kouyu Kosan owns.

With respect to disposition of the stocks currently owned by Kouyu Kosan, it is planned to merge Kouyu Kosan with Tamron Co., Ltd., making Tamron as the surviving company after completing acquisition of Kouyu Kosan, then subsequently acquire those for the company own stocks. This is in consideration of the fact that Kouyu Kosan is an asset managing company of the founder's family and its primary business is holding the stocks at this time, although it engaged in commercial activities such as leasing and renting real estate several years ago. Please be advised that the action plan stated herein is not a final decision at the moment, and a formal announcement shall be made immediately after the determination becomes firm.

**(2) The accounting principles applied for above business combination**

The Accounting Standard for Business Combinations (ASBJ Accounting Standard No. 21, December 26, 2008) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, December 26, 2008) have been applied for accounting process relating to the business combination under common control.

## 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 | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | | | | |
| | Photographic products | Optical components | Commercial/ Industrial-use optics | Total | Eliminations and/or corporate | Consolidated |
| Net sales: | | | | | | |
| Sales to external customers | ¥54,578 | ¥4,567 | ¥12,800 | ¥71,946 | — | ¥71,946 |
| Intersegment sales | — | — | — | — | — | — |
| Total | ¥54,578 | ¥4,567 | ¥12,800 | ¥71,946 | — | ¥71,946 |
| Operating income | ¥ 5,498 | ¥ 228 | ¥ 1,411 | ¥ 7,139 | ¥(2,584) | ¥ 4,554 |
| Assets | 44,228 | 2,825 | 10,127 | 57,181 | 8,854 | 66,035 |
| Depreciation expenses | 2,653 | 168 | 568 | 3,390 | 263 | 3,654 |
| Capital expenditures | 1,927 | 92 | 395 | 2,415 | 62 | 2,478 |

Notes:

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

(1) Adjustment of segment profit totaled ¥(2,584) 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 and deposits, 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, 2015

1. Information by geographical area

(1) Sales

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | Japan | North America | Europe | Asia | Other | Total |
| 2014 | ¥15,761 | ¥8,526 | ¥15,597 | ¥32,140 | ¥1,594 | ¥73,621 |
| 2015 | ¥16,642 | ¥9,725 | ¥16,455 | ¥26,656 | ¥2,466 | ¥71,946 |

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 |
| 2014 | ¥7,592 | ¥285 | ¥346 | ¥10,590 | ¥18,814 |
| 2015 | ¥7,355 | ¥285 | ¥307 | ¥9,261 | ¥17,209 |

2. Information by major customer

| | Millions of Yen | | |
|---|---|---|---|
| Name of company | Net sales | | Relevant segments |
| | 2014 | 2015 | |
| Nikon Corporation | ¥15,340 | ¥11,859 | Photographic Products |
| Sony EMCS Corporation | — | 7,289 | Photographic Products<br>Optical Components<br>Commercial / Industrial-use Optics |

## RELATED PARTY TRANSACTIONS

Year ended December 31, 2015

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 | ¥7,289 | ¥1,989 |
| Sony Digital Products (Wuxi) Co., Ltd. | 485,584 | thousand | RMB | Sale of DSC lenses | 3,198 | 355 |
| Shanghai Suoguang Electronics Co., Ltd. | 118,696 | thousand | RMB | Sale of DSC lenses | 1,621 | 463 |
| Sony Technology (Thailand) Co., Ltd. | 570,880 | thousand | THB | Sale of DSC lenses | 877 | 179 |

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, 2015

| | 2014 | 2015 |
|---|---|---|
| Net assets per share | 1,894.14 Yen | 1,890.45 Yen |
| Net income per share | 140.14 Yen | 153.98 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 | 2015 |
|---|---|---|
| Net income (Millions of Yen) | ¥3,846 | ¥4,048 |
| Amount not belong to ordinary shareholders (Millions of Yen) | — | — |
| Net income for ordinary shares (Millions of Yen) | 3,846 | 4,048 |
| Average number of shares outstanding during the term (Shares) | 27,450,636 | 26,293,826 |

## CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

### (Schedule of borrowings)

Year ended December 31, 2015

| Category | Millions of yen<br>Balance at end of prior year | Millions of yen<br>Balance at end of current year | Average interest rate (%) | Maturity |
|---|---|---|---|---|
| Short-term borrowings | 1,132 | 2,264 | 0.9 | — |
| Current portion of long-term borrowings | 1,195 | 889 | 1.2 | — |
| Current portion of lease obligations | 0 | 1 | 6.0 | — |
| Long-term borrowings (excluding current portion) | 1,771 | 881 | 0.8 | 2017 to 2021 |
| Lease obligations (excluding current portion) | 0 | 3 | 6.0 | 2017 to 2019 |
| Total | 4,100 | 4,040 | — | — |

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, 2016.

| | Millions of yen | | | |
|---|---|---|---|---|
| Category | Due within fiscal 2016 | Due within fiscal 2017 | Due within fiscal 2018 | Due within fiscal 2019 |
| Long-term borrowings | 605 | 241 | 35 | — |
| Lease obligations | 1 | 1 | 0 | — |

## (Other)

Quarterly financial information for the year ended December 31, 2015

| | Millions of yen, excluding earnings per share | | | |
|---|---|---|---|---|
| | 1Q | 2Q | 3Q | For the year ended December 31, 2015 |
| Net sales | 16,818 | 35,235 | 52,805 | 71,946 |
| Income before income taxes and minority interests | 2,401 | 3,572 | 1,301 | 5,893 |
| Net income | 1,856 | 2,678 | 3,575 | 4,048 |
| Earnings per share | 67.67 | 100.40 | 135.33 | 153.98 |

Note: Amount per each quarter is accumulated amount.

| | Yen | | | |
|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q |
| Earnings per share | 67.67 | 31.69 | 34.61 | 18.26 |

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, 2015, 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, 2015, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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 25, 2016

Wako Audit Corporation

Wako Audit Corporation

# COMPANY PROFILE

## *Overview (As of December 31, 2015)*

**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 30, 2016)*

### Board of Directors

**President and CEO**
Shiro Ajisaka

**Corporate Vice Presidents**
Hiroaki Arai
Tadahiro Shimura
Shogo Sakuraba

**Senior Managing Directors**
Hideyo Ose
Kenichi Hamada
Masayuki Abo

**Managing Directors**
Takashi Ichikawa
Hiroshi Kawanabe
Koji Masunari

**Directors**
Yasuki Kitazume
Hiroshi Otsuka
Shenghai Zhang
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**
Michiko Chiyoda
Hans Peter Rosenthal
Makoto Otani
Hideyuki Nonaka
Tomohide Okayasu
Takao Yamamoto

**Executive Officers**
Kunio Wada
Yoshinori Narita
Tsutomu Tezuka
Chaitang Ho
Jie Chen
Emiko Ushida
Toshikuni Tateno
Masato Naraoka
Mikio Kimura

# STOCK OVERVIEW

## *Corporate Stock Summary (As of December 31, 2015)*

Number of shares issued:
25,950,000 shares

Number of shares per unit:
100 shares

Number of shareholders:
5,664 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, 2015)

| | Shareholders | Number of Shares Held (Thousands of Shares) | Percentage of Shares Held |
|---|---|---|---|
| 1 | New Well Co., Ltd. | 4,898 | 18.87% |
| 2 | Sony Corporation | 3,129 | 12.06% |
| 3 | BNP PARIBAS SEC SERVICES LUXEMBOURG/ JASDEC/ ABERDEEN GLOBAL CLIENT ASSETS | 1,839 | 7.08% |
| 4 | Saitama Resona Bank Limited. | 1,122 | 4.32% |
| 5 | JP MORGAN CHASE BANK 385174 | 908 | 3.49% |
| 6 | Japan Trustee Services Bank, Ltd. (trust account) | 602 | 2.32% |
| 7 | Nippon Life Insurance Company | 580 | 2.23% |
| 8 | NORTHERN TRUST CO. (AVFC) RE NVI01 | 558 | 2.15% |
| 9 | STATE STREET BANK AND TRUST COMPANY 505223 | 377 | 1.45% |
| 10 | Sompo Japan Nipponkoa Insurance Inc. | 329 | 1.27% |
| | Total | 14,346 | 55.28% |

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.

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## GROUP NETWORK

### *Production Facilities*

**Hirosaki Plant**
3-2, Shimizu 3-chome, Hirosaki-shi, Aomori
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JAPAN
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Fax:+81-172-33-2340

**Namioka Plant**
64-1, Shimoshimada, Kitanakano, Namioka,
Aomori-shi, Aomori 038-1325
JAPAN
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Fax:+81-172-62-9302

**Owani Plant**
31-1, Maeda, Hachimandate, Owani-machi,
Minamitsugaru-gun, Aomori 038-0243
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### *Subsidiaries Overseas*

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