

TAMRON

Annual Report 2017

Corporate Philosophy

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

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 2017 annual report, amounts of less than the unit indicated, for example, one million yen have been omitted.

Years ended December 31	Millions of Yen				
	2013	2014	2015	2016	2017
For the Year:					
Net sales	¥68,452	¥73,621	¥71,946	¥59,903	¥60,496
Operating income	5,233	6,076	4,554	2,361	4,246
Operating income ratio	7.6%	8.3%	6.3%	3.9%	7.0%
Ordinary income	5,196	6,200	5,140	2,855	4,100
Ordinary income ratio	7.6%	8.4%	7.1%	4.8%	6.8%
Profit attributable to owners of parent	3,197	3,846	4,048	1,482	2,838

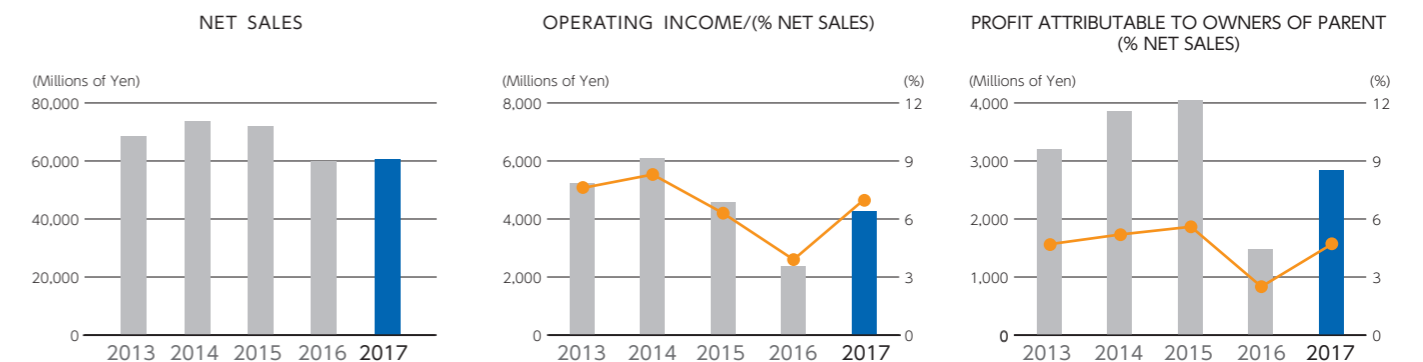
At Year-End:					
	2013	2014	2015	2016	2017
Total assets	¥64,704	¥69,906	¥66,035	¥60,910	¥63,868
Net assets	47,087	51,995	49,001	47,321	49,940

Per Share Data (Yen):					
	2013	2014	2015	2016	2017
Profit attributable to owners of parent	¥116.48	¥140.14	¥153.98	¥57.19	¥109.51
Shareholders' equity	1,715.37	1,894.14	1,890.45	1,825.62	1,926.65
Cash dividends	50.00	50.00	60.00	55.00	50.00
Price earnings ratio (PER)	21.9	17.0	14.6	33.9	22.1

Ratios:					
	2013	2014	2015	2016	2017
Return on assets (ROA)	8.5%	9.2%	7.6%	4.5%	6.6%
Return on equity (ROE)	7.3%	7.8%	8.0%	3.1%	5.8%
Equity ratio	72.8%	74.4%	74.2%	77.7%	78.2%

Notes: 1. ROA=Ordinary income/Total assets

2. ROE=Profit attributable to owners of parent/Total net assets



We achieved a record high gross margin, increases in income and substantial profit in 2017.

I am pleased to provide an overview of our consolidated business results for the 71st term (January 1, 2017 to December 31, 2017) as follows.

Regarding market conditions in the current fiscal year, although there was a decline in sales of the SLR type, sales of the non-flex type increased substantially and the total of lenses for compact mirrorless system cameras turned positive compared to the previous year. Sales of interchangeable lenses also increased slightly. After peaking in 2012, sales of both cameras and lenses had been falling, but the fall came to an end. Sales of cameras with built-in lenses rose slightly, and the surveillance camera market achieved stable growth, while strong growth continued for the automotive camera market.

Under these circumstances, in the current term, net sales came to 60.496 billion yen (up 1.0% compared to the previous year) mainly due to the positive impact of the depreciation of the yen. The Company achieved a record high gross margin primarily thanks to effects of the launch of a new product, own-brand interchangeable lenses. Operating income stood at 4.246 billion yen (up 79.8% compared to the previous year), ordinary income came to 4.1 billion yen (up 43.6% compared to the previous year) and profit attributable to owners of parent was 2.838 billion yen (up 91.5% compared to the previous year) because of a reduction in operating expenses. As a result, it was a year in which we saw an improvement in profitability with an increase in revenue and a substantial rise in profit.

Looking ahead at 2018, we are determined to achieve increases in revenue and profit for the second consecutive year by actively launching new products, own-brand interchangeable lenses, and striving for sales expansion in growth areas such as surveillance cameras, FA, automotive cameras and drones.



President & CEO
Tamron Co., Ltd.
Shiro Ajisaka

MANAGEMENT POLICY

Issues on Mid-to Long-Term Management

1. Accelerate the global expansion of the existing business, capture the demand of the emerging markets, improve profitability and strengthen the business foundation.
2. Increase and strengthen marketing activities, jointly create new values, including M&A, develop new "eyes for industry" and expand the business fields.
3. Reduce the lead time from development to high-volume production and construct the system for the timely input of new products.
4. Construct the global trilateral system for efficient production and promote increased productivity and cost reductions through automation, labor saving and manpower saving, among other means, with the fourth industrial revolution in mind.
5. In addition to the development of component technologies, especially the Company's core optical technologies, focus on research and development in new technical fields, the joint creation of new values and other horizontal operations among multiple companies (including collaboration among government, industry and academia).
6. Strengthen corporate governance and increase capital efficiency.
7. Increase work-life balance and ensure a suitable work environment for all employees where all workers are satisfied with their work.

Mid-Term Management Plan

We aim to achieve the medium-term management plan to 2020 as well as achieving innovative change themes.

The main points of the plan

In 2020, we are aiming for a record profit for the first time in 10 years, with sales of ¥72 billion, an annual growth rate of 6% compared to 2017, and operating income of ¥6.6 billion, about 1.5 times that of 2017. The plan is to improve profitability and capital efficiency.

Sales of ¥63 billion (up 4.1% compared to the prior year) and operating income of ¥4.8 billion (up 13.0% compared to the prior year) are planned for 2018, the first year of the plan.

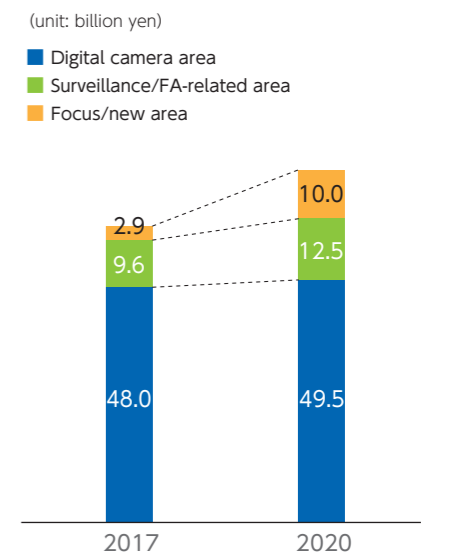
Reflecting back on past medium-term management plans that we successively failed to achieve, we have decided to manage/assess the plan as a three-year fixed plan from now on, rather than in the conventional rolling fashion.

	2017	2020
Net Sales	¥60.5 billion	¥72 billion
Operating Income	¥4.2 billion	¥6.6 billion
(% Sales)	7.0%	9.2%
ROE	5.8%	At least 9%

Approach by area

- Sales composition of the digital camera related area: 80% ⇒ down to the 60% level
 - Sales of focus/new areas: Approx. ¥10 billion
- The plan is to improve the profitability of the core business, a mature market, maintain a competitive edge over stable growth industries and achieve sales growth in the areas of focus. The basic policy by area is as follows:

<Basic policy by area>	
Digital camera area (Mature market)	Do not assume significant sales growth, but prioritize improvement in profitability.
Surveillance/FA-related area (Stable growth market)	Maintain/secure competitiveness and broaden the client base for industries.
Focus area *Drone/Automotive Lenses (High growth market)	Business size expansion phase by aggressively adding resources ⇒ Secure a position in individual focus areas.
New area	A phase for creating new business candidates including cooperation/M&A, etc. ⇒ Certain preparation eyeing full-scale sales growth in 2021 and beyond.



Agendas for Transformation

- Reinforce Sales & Marketing
- Customer Values
- Globalization of Sales, Production, & R&D
- Re-Building of R&D Process
- New Business Development
- Corporate Management

Composition of Sales

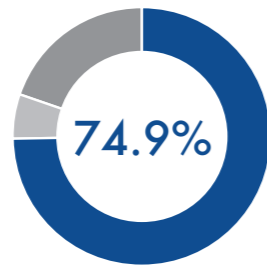
Main Products

Business Segment Overview

Net Sales

Operating Income(Losses)/(%) Net Sales

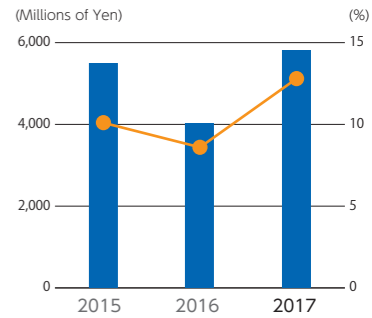
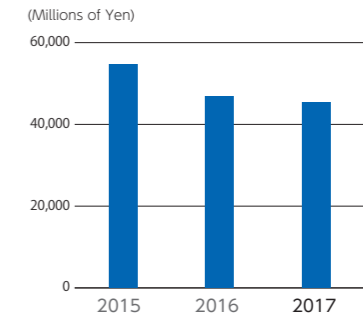
Photographic Products



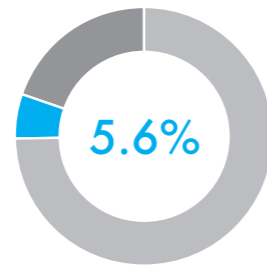
- Interchangeable lenses for 35mm/Digital SLR cameras
- Interchangeable lenses for mirrorless interchangeable lens cameras

While revenue from OEM products fell, sales of and revenue from own-brand interchangeable lenses grew mainly in the U.S., China and Japan due to the effects of launching six new product models. Regarding the own-brand new products, the Company released the high-speed telephoto zoom lens SP70-200mm F/2.8 VC USD G2 (A025) in February, the ultra-wide-angle zoom lens 10-24 mm VC HLD (B023) in March, the ultra-telephoto all-in-one zoom lens 18-400 mm VC HLD (B028) in July, the high-speed standard zoom lens SP 24-70 mm F/2.8 VC USD G2 (A032) in August and the ultra-telephoto zoom lens 100-400 mm VC USD (A035) in November. The Company strove to release new products constantly throughout the year, thereby increasing demand and improving the profit ratio. Favorably received in Japan and overseas, a Company lens won the EISA award for the twelfth consecutive year as well.

As a result, net sales for the Photographic Products business came to 45.292 billion yen (a decrease of 3.2% compared to the previous year). Operating income grew substantially to 5.818 billion yen (an increase of 44.2% compared to the previous year) thanks to the increase in revenue from the own-brand lens and the improvement of the profit ratio.



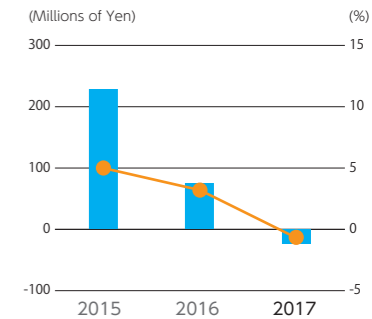
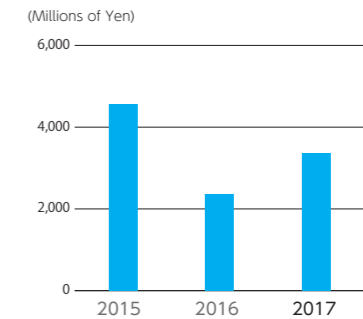
Optical Components



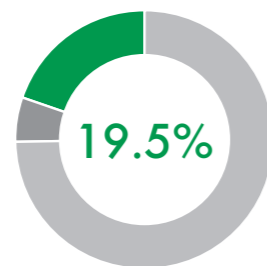
- Camcorder lenses
- Digital still camera lenses
- Drone lenses
- Optical device units

The substantial contraction of the compact digital camera lenses market continued. However, the Company also saw a rise in revenue from the market due to a sharp increase in sales volume because of a reactive increase due to the Kumamoto Earthquake in 2016. Moreover, the Company entered into a new field with the drone market, which the Company has been focusing on as a new business area, commencing product shipments in the second half of the year.

As a result, net sales of the Optical Components business came to 3.375 billion yen (an increase of 43.2% compared to the previous year). Operating losses dropped to 24 million yen (operating profit in the previous year was 75 million yen) due to the initial cost and prior investments associated with the entry into a new business area.



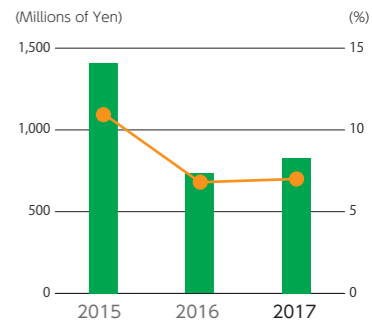
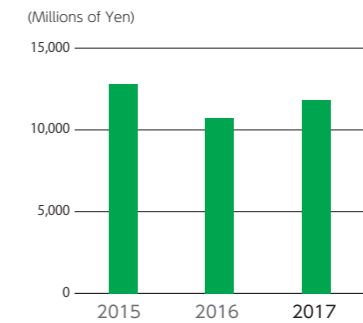
Commercial/Industrial-use Optics



- Surveillance camera lenses
- Machine vision/FA Lenses
- Automotive lenses

Sales of surveillance camera lenses rose centered on highly value-added products for camera makers in advanced countries, although severe conditions remained in the competitive environment where the Company competes with overseas makers. In addition, revenue from automotive camera lenses grew against the backdrop of strong market growth and remained favorable.

As a result, net sales for the Commercial/Industrial-use Optics business came to 11.827 billion yen (an increase of 10.1% compared to the previous year). Operating income came to 827 million yen (an increase of 12.9% compared to the previous year), posting double-digit revenue and operating profit.



FINANCIAL SUMMARY

Current assets

The balance of current assets at the end of the consolidated fiscal year stood at 45.392 billion yen, up 3.802 billion yen compared to the level at the end of the previous consolidated fiscal year. The result primarily reflected increases in cash and deposits of 3.401 billion yen and in notes and accounts receivable-trade of 642 million yen.

Non-current assets

The balance of non-current assets at the end of the consolidated fiscal year stood at 18.476 billion yen, a decrease of 844 million yen compared to the level at the end of the previous fiscal year. This was mainly because of a decline in property, plant and equipment of 921 million yen.

Current liabilities

The balance of current liabilities at the end of the consolidated fiscal year stood at 11.931 billion yen, up 543 million yen compared to the level at the end of the previous consolidated fiscal year. This was mainly because of a decline in short-term borrowings of 650 million yen, an increase in accounts payable-trade of 607 million yen and a rise in accrued expenses of 283 million yen.

Non-current liabilities

The balance of non-current liabilities at the end of the consolidated fiscal year stood at 1.996 billion yen, down 204 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 of 268 million yen.

Net assets

The net balance of assets at the end of the consolidated fiscal year came to 49.940 billion yen, an increase of 2.618 billion yen compared to the level at the end of the previous consolidated fiscal year. This mainly reflected increases in retained earnings of 1.412 billion yen and in foreign currency translation adjustments of 738 million yen.

CASH FLOWS

For the consolidated fiscal year, cash and cash equivalents at the end of the year increased 3.401 billion yen compared to the level at the end of the previous consolidated fiscal year, to 19.431 billion yen.

The cash flows resulting from different activities during the consolidated fiscal year were as follows.

Cash flows through operating activities

Income before income taxes and minority interests stood at 4.222 billion yen, depreciation expenses came to 3.562 billion yen, and the increase in notes and accounts payable-trade stood at 543 million yen. At the same time, the increases in accounts receivable-trade and inventory came to 367 million yen and 192 million yen, respectively. Because of these and other factors, cash flows from operating activities resulted in income of 7.661 billion yen (compared to income of 6.537 billion yen for the previous consolidated fiscal year).

Cash flows through investing activities

With expenses of 2.390 billion yen for property, plant and equipment, etc., cash flows from investing activities resulted in a disbursement of 2.174 billion yen (compared to 2.540 billion yen in the previous consolidated fiscal year).

Cash flows through financing activities

There was a disbursement of 766 million yen for the repayment of long-term borrowings and dividend payments of 1.427 billion yen. Because of these and other factors, cash flows from financing activities resulted in a disbursement of 2.351 billion yen (compared to 1.524 billion yen in the previous consolidated fiscal year).

CAPITAL INVESTMENT

In 2017, the Tamron Group made total capital investments of 2.425 billion yen (a decrease of 2.4% compared to the previous year) centered on investments in machining equipment at Tamron Optical (Foshan) Co., Ltd. and investments in metal molds related to new models in order to manufacture key components internally.

RESEARCH AND DEVELOPMENT

Regarding the Tamron Group's research and development activities, the Opto-Science R&D Center engages in R&D from a long-term perspective.

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 develop individual elementary technologies, which are the core technologies of optics, production engineering, and electronics. The engineering departments of the individual Business Units develop products.

In 2017, R&D expenses were 4.111 billion yen (up 2.7% compared to the previous year).

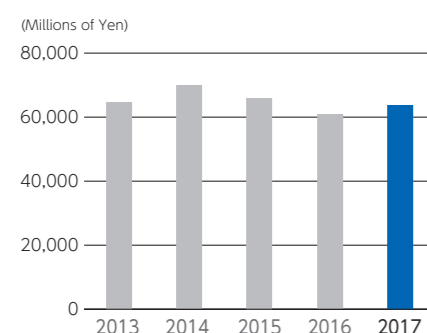
DIVIDEND POLICY

We take R&D and capital investments, etc. into consideration to strengthen the management structure and develop new businesses from a long-term perspective. We also strive to achieve performance-based profit distribution by focusing on a continuous dividend with a payout ratio of some 35%, and continue stable profit distribution to our shareholders. That is our basic policy on dividends.

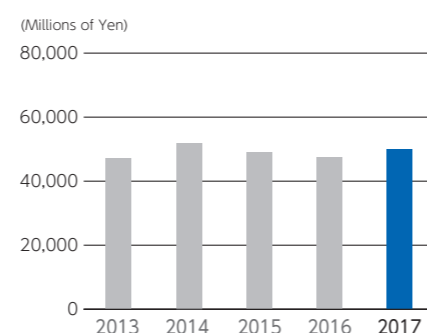
For the term ended December, 2017, the total dividends for the year were 50 yen per share (a 25-yen interim dividend and a 25-yen year-end dividend), and the consolidated dividend payout ratio was 45.7%.

For internal reserves, we are considering making an effective investment in core technology & engineering and capital investments to further reinforce cost competitiveness.

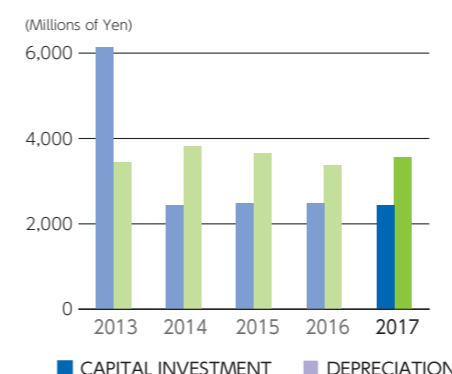
TOTAL ASSETS



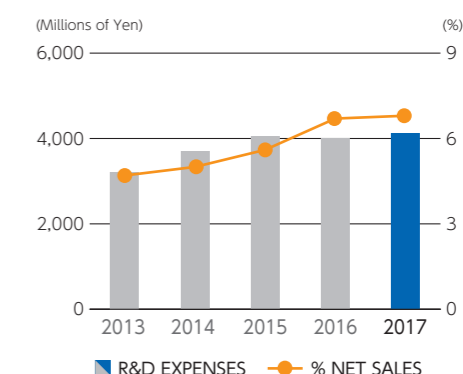
NET ASSETS



CAPITAL INVESTMENT/DEPRECIATION



R&D EXPENSES/% NET SALES



1. Basic Policy

Ever since the Company was first established, we at Tamron have sought to forge good relationships with all stakeholders, achieve sustainable growth and enhance corporate value in line with our management philosophy. In support of those goals, we have adopted the basic approach of ensuring fair and transparent management practices while developing a highly effective corporate governance system that seeks to improve the speed and efficiency of decision making and business execution.

2. Corporate Governance System Overview

Tamron is a company with corporate auditors and includes a Board of Directors that functions as a body to make important decisions and supervise the execution of operations, as well as an Audit & Supervisory Board as an auditing body that is independent of the Board of Directors.

Tamron also appoints multiple independent external directors possessing a wealth of knowledge, expertise and independence and has set up a Nominating Committee and Compensation Committee as

advisory bodies to enhance supervisory functions. In addition, by establishing a Management Meeting and introducing an Executive Officer system, we have developed a framework for executing business matters in a way that responds smoothly and quickly to changes in the external environment.

To the Board of Directors, Tamron appoints 12 directors (two of whom are external directors) and 4 corporate auditors (three of whom are external 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 the Companies Act.

(2) Audit & Supervisory Board

Meeting once a month in principle, the Audit & Supervisory Board audits the process of decision making by the Board of Directors and the execution

of duties by Directors, by attending the Board of Directors meetings and checking approval documents.

(3) Nomination Committee and Compensation Committee

To enhance the independence and objectivity of Board of Directors functions concerning director appointment, dismissal and compensation, Tamron has established a Nominating Committee and Compensation Committee. Each committee is chaired by an

external director, with a majority of its members external officers (external directors and external auditors).

(4) Management Meeting

Tamron has established management meetings attended by directors and full-time corporate auditors to discuss and consider issues related to management and the execution of duties, and to quickly respond to the changing management environment.

Management (As of April 1, 2018)

Board of Directors

- President & CEO**
Shiro Ajisaka
- Corporate Vice Presidents**
Shogo Sakuraba
Masayuki Abo
- Senior Managing Director**
Hiroshi Kawanabe
- Managing Directors**
Koji Masunari
Yasuki Kitazume
- Directors**
Hiroshi Otsuka
Shenghai Zhang
Makoto Otani
Tomohide Okayasu
Yuichi Sato¹
Harumi Katagiri¹

Audit & Supervisory Board Member

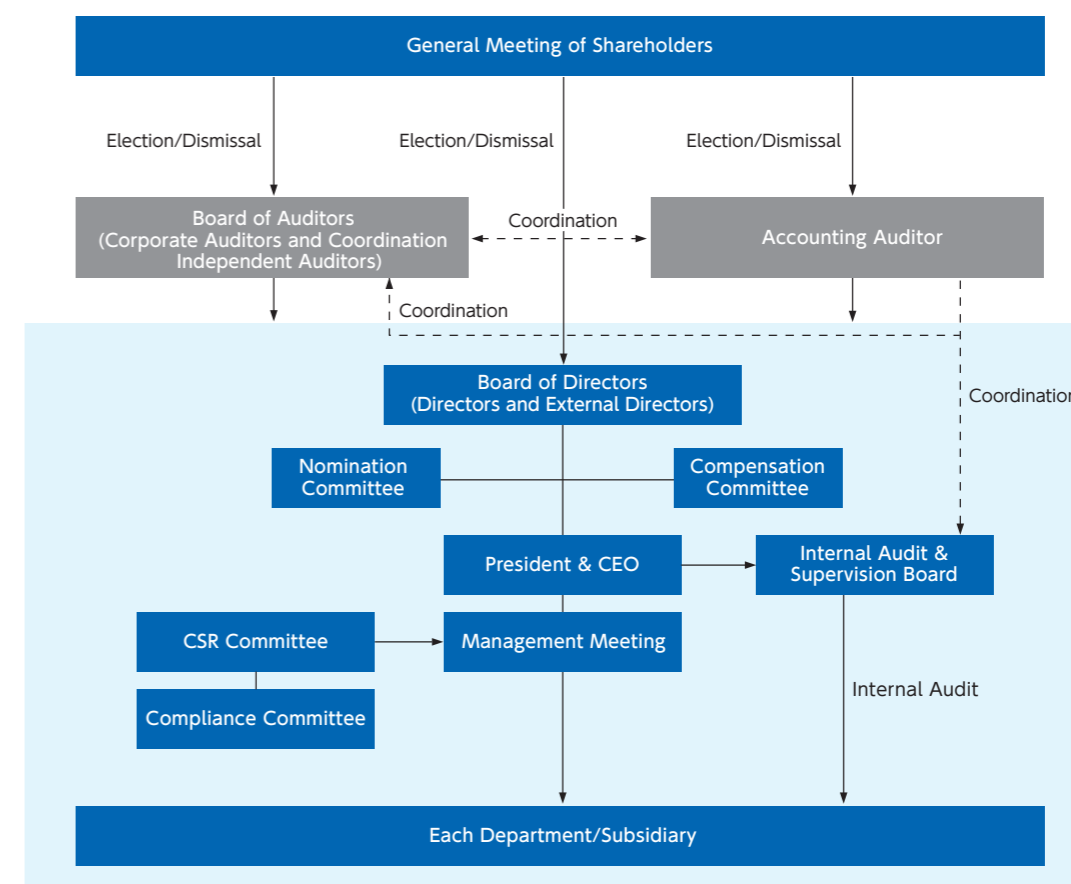
- Full-Time Corporate Auditors**
Tsugio Tsuchiya
Takayuki Namiki²
- Corporate Auditors**
Tadahiro Tone²
Yasuhiko Nishimoto²

Notes: 1. Independent Director
2. Independent Corporate Auditor

Executive Officers

- Senior Executive Officers**
Hideyuki Nonaka
Takao Yamamoto
Toshikuni Tateno
- Executive Officers**
Yoshinori Narita
Tutomu Tezuka
Chaitang Ho
Jie Chen
Emiko Ushida
Masato Naraoka
Mikio Kimura
Naoto Shiga
Shigehisa Arima
Takashi Sawao

Corporate Governance Structure



POLICY AND PROCEDURES FOR NOMINATION OF DIRECTOR CANDIDATES AND CORPORATE AUDITOR CANDIDATES

Nomination policy

The Board of Directors shall consist of an appropriate number of people of up to 15 persons, and the viability of the Board shall be secured in consideration of the diversity/balance that is able to cover the individual functions and individual business divisions of the Company so that full

discussions/consideration and accurate and prompt decision-making will be undertaken and appropriate risk management as well as business execution will be made.

- Regardless of gender/nationality, etc., director candidates shall have extensive ability, knowledge, experience, results, dignity, and ethical standards.
- In order to appropriately reflect extensive experience, high-level expertise or insight in the management of the Company, the Company shall

have multiple independent director candidates who satisfy the standards set by the Company and can play the role of a supervisory and advisory function in its management from an independent standpoint in addition to the standards for independence specified by the Tokyo Stock Exchange.

- Corporate auditor candidates shall have a high level of expertise and insight in corporate management, legal affairs, finance and accounting. As for independent corporate auditors, the Company shall have multiple independent corporate auditor candidates who satisfy the standards set by the Company and can play the role of a supervisory and advisory function in its management from an independent standpoint in addition to the standards for independence specified by the Tokyo Stock Exchange.

Procedures for nomination decision-making

- Director candidates shall be determined by the Board of Directors after deliberation by the Nomination Committee with an independent director serving as the Chairman.
- Corporate auditor candidates shall be determined by the Board of Directors after obtaining approval from the Audit & Supervisory Board.

POLICY AND PROCEDURES FOR DETERMINING DIRECTORS' REMUNERATION

The Company shall review the remuneration system for directors, and the system shall consist of "base remuneration," a fixed remuneration, "short-term incentive remuneration," a bonus in accordance with the business performance for a single year, and "medium and long-term incentive remuneration," a performance and stock-based remuneration. The revision of a bonus for directors was determined at the 71st Ordinary General Shareholders' Meeting on March 28, 2018. Separately from this, the introduction of performance and stock-based remuneration was resolved at the Meeting.

"Base remuneration," a fixed remuneration, and "short-term incentive remuneration," a bonus in accordance with the business performance for a single year, shall be determined by the Board of Directors through the deliberation of the Compensation Committee with an independent director serving as the Chairman, considering the position, degree of contribution, industry standard or

standards of other companies of the same size, and performance, etc. of individuals within the range of a remuneration limit resolved at the General Meeting of Shareholders.

The purpose of "medium and long-term incentive remuneration," a performance and stock-based remuneration, is to clarify the link between business performance, stock prices, and directors' remuneration and further heighten awareness of contributing to the improvement of medium- and long-term business performance and the increase of corporate value.

Regarding the system, the Trust established as a result of the monetary contribution made by the Company acquires the Company shares and delivers the Company shares to directors through the Trust based on points awarded in accordance with the position and performance pursuant to the share issuance rules specified by the Board of Directors within the range of a remuneration limit resolved by the General Meeting of Shareholders. The directors shall be provided with the Company shares at the time of their retirement, in principle.

Independent directors shall be paid the base remuneration only.

ANALYSIS/ASSESSMENT OF THE VIABILITY OF THE ENTIRE BOARD OF DIRECTORS

The Company conducts a survey of the directors and corporate auditors regarding the composition and operation of the Board of Directors to self-assess the viability of the overall Board of Directors.

At present, discussions that contribute to the sustainable growth of the business and the enhancement of corporate value are being held. As for the governance function, the supervision of business execution and audit independence are functioning effectively. We therefore acknowledge that the viability of the entire Board of Directors is generally and appropriately secured.

Based on the survey results, the Company recognizes shared issues and strives to review the composition and size or frequency of the Board of Directors and the remuneration system.

The Company shall continue the discussions and verification based on the survey results and commit to further enhancing the viability of the Board of Directors.

The following section provides an overview of the issues related to the business results and financial position of the Group that may have a material effect on the decisions of investors.

The forward-looking statements in this text represent the judgment of management as of March 28, 2018.

1. Dependence on specific customers

Sales to Sony Corporation's group companies and Nikon Corporation's group companies comprise approximately 24% and 11% of the Group's sales, respectively (both figures are for the fiscal year ended December 31, 2017). As a result, changes in the strategies and policies and business relationships of these two companies may significantly affect the Group's business results.

2. New businesses

It is the Group's policy to foster and expand new businesses. In the event that the Group decides to scale back or withdraw from a new business due to intensifying price competition, rapid technological innovation, drastic changes in market needs and so forth, the Group's business results may be significantly affected.

3. Dependence on specific suppliers

The Group procures raw materials, components, etc. from numerous external suppliers. For the procurement of glass materials, in particular, it relies on limited supply sources.

If these raw materials, components, etc. are not available in the quantity or price that the Group has planned for any reason, and the Group is unable to produce the products in the planned quantity, etc., it will fail to carry out its responsibility of delivery to customers, and this may significantly affect its business results.

4. Product defects

The Group has developed advanced quality assurance systems. In the unlikely event of the occurrence of a defect in its products that may lead to large-scale product liability, the Group may incur significant expense or lose public confidence, etc., any of which may significantly affect its business results.

5. Intellectual property rights

The Group undertakes investigations, negotiations and applications, and also takes other necessary steps to protect its rights related to intellectual property rights and avoid any related issues. In the event of a dispute over intellectual properties occurring between the Group and a third party, the Group's business results may be significantly affected.

6. Laws and regulations

The Group strives to comply with international and domestic laws and regulations, government permits, licenses, regulations and so forth that are relevant to the Group's businesses. In the event of a violation of laws or regulations or the filing of a suit due to unintended reasons, the Group's business results may be significantly affected.

7. Impairment loss

In cases where the market value of the Group's assets declines significantly or where the profitability of its business deteriorates, impairment loss will be recorded according to the accounting standards for impairment of assets, and this may significantly affect the Group's business results.

8. Effects of exchange rate fluctuations

The Group conducts transactions with overseas subsidiaries in foreign currencies, and some of the transactions with international and domestic business partners in foreign currencies. Accordingly, fluctuations in exchange rates may significantly affect the competitiveness of the Group's products in overseas markets, its export profit, business results, etc.

9. Other risks

In addition to the above, if there arise unanticipated political or economic factors, changes in tax systems or tax rates that have adverse effects, or events of social turmoil, etc. due to acts of terrorism, wars, natural disasters, contagious diseases or other factors in the countries or regions where the Group conducts business, this may significantly affect the Group's business results.

CONSOLIDATED BALANCE SHEETS

As of December 31	Millions of Yen	
	2016	2017
Assets		
Current assets		
Cash and deposits	¥16,030	¥19,431
Notes and accounts receivable-trade	13,419	14,061
Finished goods	7,023	6,392
Work in process	2,201	3,098
Raw materials and supplies	875	982
Deferred tax assets	442	360
Other	1,630	1,093
Allowance for doubtful accounts	(32)	(28)
Total current assets	41,590	45,392
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,200	13,295
Accumulated depreciation	(7,088)	(7,513)
Buildings and structures, net	6,112	5,781
Machinery, equipment and vehicles	19,195	19,385
Accumulated depreciation	(13,682)	(14,403)
Machinery, equipment and vehicles, net	5,513	4,982
Tools, furniture and fixtures	19,289	20,186
Accumulated depreciation	(17,056)	(18,188)
Tools, furniture and fixtures, net	2,232	1,998
Land	1,012	961
Construction in progress	668	894
Total property, plant and equipment	15,539	14,618
Intangible assets	787	704
Investments and other assets		
Investment securities	2,303	2,811
Deferred tax assets	340	115
Other	437	267
Allowance for doubtful accounts	(88)	(40)
Total investments and other assets	2,993	3,153
Total non-current assets	19,320	18,476
Total assets	¥60,910	¥63,868

As of December 31	Millions of Yen	
	2016	2017
Liabilities		
Current liabilities		
Accounts payable-trade	¥3,068	¥3,675
Short-term loans payable	3,327	2,676
Accrued expenses	2,826	3,109
Income taxes payable	371	629
Other	1,794	1,839
Total current liabilities	11,388	11,931
Non-current liabilities		
Long-term loans payable	736	468
Net defined benefit liability	1,403	1,298
Other	60	230
Total non-current liabilities	2,200	1,996
Total liabilities	13,589	13,928
Net assets		
Shareholders' equity		
Capital stock	6,923	6,923
Capital surplus	7,432	7,432
Retained earnings	30,114	31,527
Treasury shares	(53)	(53)
Total shareholders' equity	44,416	45,829
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	498	846
Foreign currency translation adjustment	2,475	3,214
Remeasurements of defined benefit plans	(69)	49
Total accumulated other comprehensive income	2,905	4,110
Total net assets	47,321	49,940
Total liabilities and net assets	¥60,910	¥63,868

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31	Millions of Yen	
	2016	2017
Net sales	¥59,903	¥60,496
Cost of sales	41,001	39,899
Gross profit	18,901	20,596
Selling, general and administrative expenses		
Advertising expenses	1,174	983
Promotion expenses	853	753
Provision of allowance for doubtful accounts	29	(5)
Salaries and bonuses	4,261	4,450
Retirement benefit expenses	147	131
Technical research expenses	3,946	4,038
Other	6,126	5,997
Total selling, general and administrative expenses	16,539	16,350
Operating income	2,361	4,246
Non-operating income		
Interest income	34	58
Dividend income	61	45
Foreign exchange gains	348	—
Rent income	20	14
Subsidy income	38	64
Other	206	149
Total non-operating income	709	332
Non-operating expenses		
Interest expenses	42	42
Foreign exchange losses	—	357
Loss on retirement of non-current assets	88	36
Loss on abandonment of inventories	15	18
Other	69	23
Total non-operating expenses	215	478
Ordinary income	2,855	4,100
Extraordinary income		
Surrender value of insurance	—	122
Total extraordinary income	—	122
Extraordinary losses		
Loss on valuation of investment securities	77	—
Impairment loss	35	—
Total extraordinary losses	113	—
Profit before income taxes	2,742	4,222
Income taxes—current	987	1,276
Income taxes—deferred	273	107
Total income taxes	1,260	1,383
Profit	1,482	2,838
Profit attributable to owners of parent	¥1,482	¥2,838

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31	Millions of Yen	
	2016	2017
Profit	¥1,482	¥2,838
Other comprehensive income		
Valuation difference on available-for-sale securities	52	348
Foreign currency translation adjustment	(1,784)	738
Remeasurements of defined benefit plans, net of tax	124	119
Total other comprehensive income	(1,607)	1,205
Comprehensive income	(125)	4,044
Comprehensive income attributable to owners of parent	(125)	4,044

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Year ended December 31	Millions of Yen				
	2016				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	¥6,923	¥7,432	¥30,187	¥(53)	¥44,489
Changes of items during period					
Dividends of surplus			(1,555)		(1,555)
Profit attributable to owners of parent			1,482		1,482
Purchase of treasury shares					—
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	(72)	—	(72)
Balance at end of current period	6,923	7,432	30,114	(53)	44,416

Year ended December 31	Millions of Yen				
	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total net assets
Balance at beginning of current period	¥445	¥4,260	¥(194)	¥4,512	¥49,001
Changes of items during period					
Dividends of surplus					(1,555)
Profit attributable to owners of parent					1,482
Purchase of treasury shares					—
Net changes of items other than shareholders' equity	52	(1,784)	124	(1,607)	(1,607)
Total changes of items during period	52	(1,784)	124	(1,607)	(1,680)
Balance at end of current period	498	2,475	(69)	2,905	47,321

Year ended December 31	Millions of Yen				
	2017				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	¥6,923	¥7,432	¥30,114	¥(53)	¥44,416
Changes of items during period					
Dividends of surplus			(1,425)		(1,425)
Profit attributable to owners of parent			2,838		2,838
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	1,412	(0)	1,412
Balance at end of current period	6,923	7,432	31,527	(53)	45,829

Year ended December 31	Millions of Yen				
	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total net assets
Balance at beginning of current period	¥498	¥2,475	¥(69)	¥2,905	¥47,321
Changes of items during period					
Dividends of surplus					(1,425)
Profit attributable to owners of parent					2,838
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	348	738	119	1,205	1,205
Total changes of items during period	348	738	119	1,205	2,618
Balance at end of current period	846	3,214	49	4,110	49,940

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31	Millions of Yen	
	2016	2017
Cash flows from operating activities		
Profit before income taxes	¥2,742	¥4,222
Depreciation	3,365	3,562
Increase (decrease) in net defined benefit liability	95	(64)
Interest and dividends income	(96)	(104)
Interest expenses	42	42
Loss on retirement of property, plant and equipment	88	36
Impairment loss	35	—
Surrender value of insurance	—	(122)
Loss (gain) on valuation of investment securities	77	—
Decrease (increase) in notes and accounts receivable-trade	1,260	(367)
Decrease (increase) in inventories	2,263	(192)
Increase (decrease) in notes and accounts payable-trade	(1,331)	543
Increase (decrease) in accrued expenses	(787)	204
Other, net	(193)	991
Subtotal	7,564	8,752
Interest and dividends income received	96	104
Interest expenses paid	(43)	(42)
Income taxes paid	(1,079)	(1,153)
Net cash provided by (used in) operating activities	6,537	7,661
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,286)	(2,390)
Purchase of intangible assets	(204)	(60)
Purchase of investment securities	(1)	(16)
Proceeds from cancellation of insurance funds	—	260
Payments of loans receivable	(10)	(6)
Collection of loans receivable	13	13
Other, net	(49)	26
Net cash provided by (used in) investing activities	(2,540)	(2,174)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	308	(372)
Proceeds from long-term loans payable	700	216
Repayment of long-term loans payable	(977)	(766)
Cash dividends paid	(1,554)	(1,427)
Other, net	(1)	(1)
Net cash provided by (used in) financing activities	(1,524)	(2,351)
Effect of exchange rate change on cash and cash equivalents	(635)	265
Net increase (decrease) in cash and cash equivalents	1,837	3,401
Cash and cash equivalents at beginning of period	14,192	16,030
Cash and cash equivalents at end of period	¥16,030	¥19,431

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 Surveillance camera lenses and Automotive lenses.

2. Information on sales, income, assets, liabilities and other items by reporting segment for fiscal 2017 and 2016

	Millions of Yen					
	2016					
	Photographic products	Optical components	Commercial/Industrial use optics	Total	Adjustment (Note1)	Consolidated (Note2)
Net sales:						
Sales to external customers	¥46,805	¥2,358	¥10,739	¥59,903	¥ -	¥59,903
Intersegment sales	-	-	-	-	-	-
Total	46,805	2,358	10,739	59,903	-	59,903
Operating income	4,034	75	733	4,843	(2,482)	2,361
Assets	39,567	1,944	8,600	50,112	10,797	60,910
Depreciation	2,497	167	470	3,135	229	3,365
Impairment loss	-	-	-	-	35	35
Increase in tangible and intangible fixed assets	1,840	91	526	2,458	25	2,484

Notes:

- (1) Adjustment of segment profit totaled (2,482) million yen is due to unallocated operating expenses consisted principally of expenses related to general affairs, accounting and other departments of the Company.
 - (2) Adjustment to segment assets includes corporate level assets, which consist principally of surplus investment funds (cash and deposits) long-term investment funds (such as marketable securities), and non-segment specific.
2. Segment profit is adjusted to operating profit of consolidated statements of income.

	Millions of Yen					
	2017					
	Photographic products	Optical components	Commercial/Industrial use optics	Total	Adjustment (Note1)	Consolidated (Note2)
Net sales:						
Sales to external customers	¥45,292	¥3,375	¥11,827	¥60,496	¥ -	¥60,496
Intersegment sales	-	-	-	-	-	-
Total	45,292	3,375	11,827	60,496	-	60,496
Operating income (loss)	5,818	(24)	827	6,622	(2,376)	4,246
Assets	36,582	2,472	8,708	47,764	16,104	63,868
Depreciation	2,578	235	674	3,488	73	3,562
Increase in tangible and intangible fixed assets	1,733	308	349	2,391	33	2,425

Notes:

- (1) Adjustment of segment profit totaled (2,376) million yen is due to unallocated operating expenses consisted principally of expenses related to general affairs, accounting and other departments of the Company.
 - (2) Adjustment to segment assets includes corporate level assets, which consist principally of surplus investment funds (cash and deposits), long-term investment funds (such as marketable securities), and non-segment specific.
2. Segment profit or loss is adjusted to operating profit of consolidated statements of income.

RELATED INFORMATION

Year ended December 31, 2017 and 2016

1. Information by geographical area

(1) Sales

	Japan	North America	Europe	Asia	Other	Total
2016	¥16,152	¥7,759	¥14,194	¥20,301	¥1,495	¥59,903
2017	¥17,238	¥8,897	¥12,310	¥20,496	¥1,552	¥60,496

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

(2) Property, plant and equipment

	Japan	North America	Europe	Asia	Total
2016	¥7,172	¥260	¥277	¥7,829	¥15,539
2017	¥6,965	¥243	¥271	¥7,137	¥14,618

2. Information by major customer

Name of company	Millions of Yen		Relevant segments
	2016	2017	
Nikon Corporation	¥9,585	¥6,578	Photographic Products
Sony Global Manufacturing & Operations Corporation	7,439	9,403	Photographic Products Optical Components Commercial / Industrial-use Optics

3. Other

Quarterly financial information for the year ended December 31, 2017

	Millions of yen, excluding net income per share-basic			
	1Q	2Q	3Q	For the year ended December 31, 2017
Net sales	¥11,495	¥26,912	¥42,433	¥60,496
Profit before income taxes	263	1,265	2,468	4,222
Profit attributable to owners of parent	175	912	1,683	2,838
Net income per share-basic (yen)	6.76	35.19	64.94	109.51

Note: Amount per each quarter is accumulated amount.

	Yen			
	1Q	2Q	3Q	4Q
Net income per share-basic	¥6.76	¥28.42	¥29.75	¥44.57

IMPACT OF FOREIGN EXCHANGE RATE FLUCTUATIONS

2017	Yen		Millions of Yen	
	Exchange Rate	2017	Net Sales	Operating Income
USD	108.79	112.17	+1,000	+100
EUR	120.31	126.73	+520	+430
Others	-	-	+130	+60
Total	-	-	+1,650	+590

(Impact on 2017 Actual performance)

Forecast 2018

	Yen		Millions of Yen	
	Exchange Rate	Assumption 2018	Impact of ¥1 appreciation	Net Sales
USD	110.00		(300)	(10)
EUR	130.00		(90)	(80)

Company History

1950
Taisei Optical Equipment Manufacturing is founded in Urawa City, Saitama Prefecture

1952
Taisei Optical Equipment Manufacturing Inc. is established with capital of 2.5 million yen



Founding member Takeyuki Arai (right)

1958
The Tamron Brand is registered as a trademark



The Urawa Plant at the time

1970
The Company name is changed to Tamron Co., Ltd.

Tamron's corporate symbol at the time



1969
The Hirosaki Plant is established in Aomori Prefecture

Origin of the Company Name

The name Tamron comes from the surname of Uhyoue Tamura, who laid the foundations of Tamron's optical technologies. After the name was launched as a product, the Company name was changed to Tamron on the occasion of the Company's 20th anniversary. Throughout its history, Tamron has promoted a corporate culture that values its engineers.



Uhyoue Tamura

1979
Sales subsidiary is established in the United States

1982
Sales subsidiary is established in West Germany

1984
Plant is established in Aomori Prefecture (Now the Namioka Plant)
Tamron registers with Japan Securities Dealers Association for over-the-counter trading

1986
Molding plant is established in Aomori Prefecture (Now the Owani Plant)

1995
Tamron acquires medium-format manufacturing and sales company (Bronica Co., Ltd.) (subsequently subjected to absorption-type merger)

1997
Sales subsidiary in Hong Kong is established
Production subsidiary in China is established

2000
Sales subsidiary in France is established

2005
Construction of new molding plant (head office) is completed
Sales subsidiary in China is established

2006
Tamron is listed on the 1st section of the Tokyo Stock Exchange



2012
Sales subsidiary in Russia is established
Production subsidiary in Vietnam is established

2013
Sales subsidiary in India is established

2015
Kouyu Kosan Co., Ltd. is acquired (subsequently subjected to absorption-type merger)

2017
Toumeigiken Co., Ltd. is acquired

1950 1960 1970 1980 1990 2000 2010

Product History

1950
Manufacture of cameras and binocular lenses started



1957
135mm F/4.5 lens is developed for 35mm single lens reflex cameras

The "T mount," the world's first interchangeable lens mount for single-lens reflex cameras, is developed



1966
Production of master lenses, ultra-precision lenses and prisms begins

"Tamron Adapt-A-Matic" range of interchangeable mount lenses is developed



Production of lenses for ITV and broadcasting begins

1969
Production of interchangeable lenses for single-lens reflex cameras, television lenses and photocopier lenses, etc. begins

1981
Development and production of the 6x zoom video camera lens begins

1983
Integrated video camera lens is developed



1986
Tamron leads the industry in the development of varifocal lenses for CCTVs

1992
The AF28-200mm (71D), the world's smallest and lightest all-in-one zoom lens for single-lens reflex cameras, is released

The Beginning of ALL-In-One Zoom Lenses

The original model for the all-in-one zoom lens was a rounded piece of graph paper the size of a cigarette packet.

Starting with this first product, Tamron has made successful advancements with greater focal distances, more compact and lighter designs and new mounting mechanisms, establishing Tamron's position as the go-to manufacturer of all-in-one zoom lenses.

The graph paper serving as the original model for the all-in-one zoom lens, featuring the signature of top management at the time



2000
645 format rangefinder camera RF645 is released

2006
Sale of lenses for mobile phones begins

2008
Sale of automotive lenses begins



2016
Sale of compact camera modules begins

2017
Sale of drone lenses begins

Tamron wins EISA awards for 12 consecutive years

COMPANY PROFILE

(As of December 31, 2017)

Overview

Company Name:
Tamron Co., Ltd.

Founded:
November 1, 1950

Incorporated:
October 27, 1952

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

Employees:
1,067 (non-consolidated)
4,640 (consolidated)

Stock exchange:
First section, Tokyo Stock Exchange

TAMRON

Tel:+81-48-684-9111
Fax:+81-48-683-8289
<http://www.tamron.co.jp>

STOCK OVERVIEW

(As of December 31, 2017)

Number of shares issued:
25,950,000 shares

Number of shares per unit:
100 shares

Number of shareholders:
4,465 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

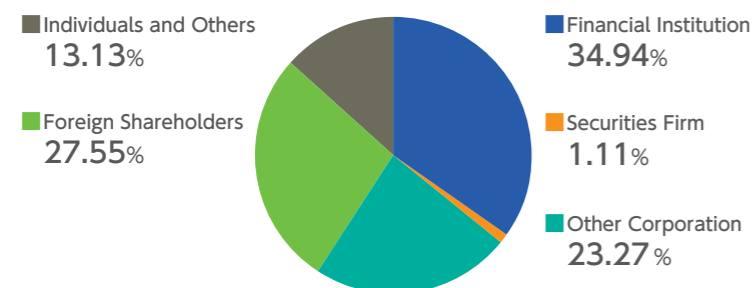
Top10 Shareholders

No	Name	Number of Shares (Thousands)	%
1	New Well Co., Ltd.	4,898	18.87
2	Sony Corporation	3,129	12.06
3	Saitama Resona Bank Limited	1,122	4.32
4	Japan Trustee Services Bank, Ltd. (trust account)	792	3.05
5	NORTHERN TRUST CO. (AVFC) RE NV101	763	2.94
6	HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED 700700	752	2.90
7	The Master Trust Bank of Japan, Ltd. (trust account)	670	2.58
8	THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD - HONG KONG PRIVATE BANKING DIVISION-CLIENT ACCOUNT	632	2.43
9	Nippon Life Insurance Company	580	2.23
10	GOVERNMENT OF NORWAY	562	2.16
	Total	13,904	53.58

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.

Composition of Shareholders

Note: Excluding odd lot.



GROUP NETWORK

Production Facilities

Hirosaki Plant
3-2 Shimizu 3-chome, Hirosaki-shi, Aomori
036-8254,
JAPAN

Namioka Plant
64-1 Shimoshimada, Kitanakano, Namioka,
Aomori-shi, Aomori 038-1325,
JAPAN

Owani Plant
31-1 Maeda, Hachimandate, Owani-machi,
Minamitsugaru-gun, Aomori 038-0243,
JAPAN

TAMRON OPTICAL (FOSHAN) CO., LTD.
No. 76 West of Langbao Road, Changcheng
District, Foshan, Guangdong,
CHINA

TAMRON OPTICAL (VIETNAM) CO., LTD.
Plot No. 69B&70A, Noi Bai Industrial
Zone, Mai Dinh Commune, Soc Son
District, Hanoi,
VIETNAM

Subsidiaries Overseas

TAMRON USA, INC.
10 Austin Boulevard, Commack, NY 11725,
USA

TAMRON Europe GmbH.
Robert Bosch-Str. 9, 50769 Cologne,
GERMANY

TAMRON France EURL.
5, avenue Georges Bataille, F-60330
Le Plessis-Belleville,
FRANCE

**TAMRON INDUSTRIES
(HONG KONG) LIMITED**
Unit 908, 9/F, Elite Centre, 22
Hung To Road, Kwun Tong, Kowloon,
Hong kong

TAMRON OPTICAL (SHANGHAI) CO., LTD.
Room 1707, Ruijin Building, No. 205,
Maoming South Road, Shanghai 200020,
CHINA

Tamron (Russia) LLC.
Unikon Business Center 2F No. 4,
Plekhanova Street 4a, Moscow, 111123,
Russian Federation

TAMRON INDIA PRIVATE LIMITED
801, 8th Floor, Time Tower, M.G Road,
Sector-28, Gurgaon-122002, Haryana,
India