TAMRON

New eyes for industry

Annual Report 2010

CORPORATE PROFILE

Tamron Co., Ltd. Celebrates 60 Years of Innovation and Excellence

2010 Marks Six Decades of Optical Achievement

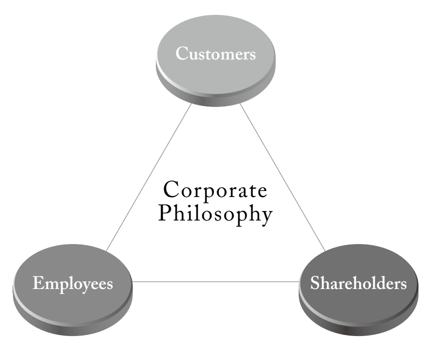
TAMRON®

SIXTIETH ANNIVERSARY

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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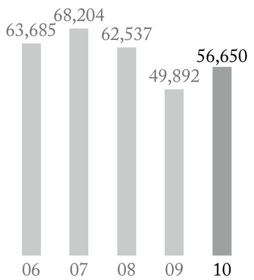
(Note) In the 2010 annual report, amounts of less than the unit indicated, for example, one million yen, one thousand yen or one thousand dollars, have been omitted.

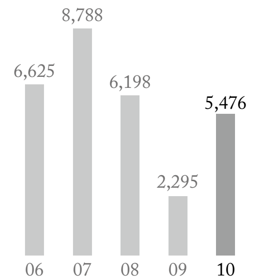
	Millions of Yen					Thousands of U.S. Dollars (Note)
Years ended December 31	**2010**	2009	2008	2007	2006	**2010**
For the Year:						
Net sales	**¥ 56,650**	¥ 49,892	¥ 62,537	¥ 68,204	¥ 63,685	**$645,299**
Operating income	**5,476**	2,295	6,198	8,788	6,625	**62,158**
Income before income taxes	**5,492**	1,112	4,337	7,642	5,610	**62,566**
Net income	**3,689**	642	3,029	4,772	4,028	**42,026**
At Year-End:						
Total assets	**¥ 50,120**	¥ 47,391	¥ 49,176	¥ 52,151	¥ 49,528	**$570,915**
Net assets	**33,996**	32,929	33,126	35,261	31,525	**387,247**
Number of employees	**7,198**	5,472	5,571	5,064	5,024	—
	Yen					
Per Share Data:						
Net income	**¥ 134.40**	¥ 23.41	¥ 108.41	¥ 169.19	¥ 142.82	**$ 1.52**
Shareholders' equity	**1,238.45**	1,199.58	1,206.77	1,250.02	1,117.59	**14.10**
Cash dividends	**50.00**	40.00	50.00	50.00	40.00	**0.56**

(Note) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥87.79=U.S.$1.

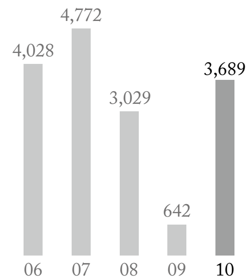
NET SALES
(Millions of Yen)



OPERATING INCOME
(Millions of Yen)



NET INCOME
(Millions of Yen)



Tamron, acclaimed for its consistent record of creating and manufacturing cutting-edge lenses of the highest caliber for a wide variety of imaging applications, has proudly announced that the Company will celebrate its 60th anniversary on November 1, 2010. This milestone has been achieved through the steadfast pursuit of optical excellence through research, and an unwavering dedication to improving production efficiency and enhancing precision manufacturing processes. In short, Tamron has achieved its enviable record of success by continually upgrading its core technologies and applying them across the board to serve its loyal consumer and industrial customer base with state-of-the-art, high-value, high performance products.

Since its establishment in 1950, Tamron has consistently devoted a substantial proportion of its resources to the research and development of optical technology, creating a number of distinguished products including high quality interchangeable lenses for digital SLR cameras, advanced video camera lenses, sophisticated lens units for digital cameras and mobile phones, and CCTV camera lenses that set the highest standard for brightness and detail capture. Tamron interchangeable lenses for digital single-lens reflex (DSLR) cameras are highly esteemed by photographers throughout the world for their unique specifications, outstanding optical performance, amazingly compact design and excellent operational ease, all achieved by leveraging the company's proprietary technologies.

Tamron is continuing its laudable legacy going forward by challenging its talented designers to continually develop remarkable new products such as camera lenses built into vehicles, far-infrared-related optical products and addressing the needs of many other emerging imaging categories to meet the diverse needs of an ever-wider range of industrial applications. Indeed this is the underlying message behind the company's famous corporate tag line: "Tamron—New Eyes for Industry."

From its inception 60 years ago and on into the future, you may rest assured Tamron is, and always will be, deeply committed to making a continuous contribution to society by spearheading further developments in optical technology, pursuing the exciting possibilities of out-of-the-box optical solutions in a wide variety industrial fields, and creating innovative new high-value products based on its advanced proprietary technologies.

Tamron looks forward to celebrating its past, present, and future accomplishments with its valued customers across the globe and remains committed to earning their continued support and patronage by producing products of exceptional value and performance that meet or exceed their highest expectations.

President & CEO
Morio Ono

In this Annual Report, "Tamron," "the Company," "we," "us," "our" or "ours" mean Tamron Co., Ltd. and consolidated subsidiaries unless otherwise specified.

Operating Result

Term Overview

In fiscal year 2010, net sales increased 13.5% to ¥56,650 million, a year-on-year increase of ¥6,758 million despite the negative impact of the strong yen. Net sales increased across all three business segments in line with the high single digit expansion of digital SLR camera market as well as the steady growth of digital still camera market as a whole.

Gross profit increased by 33.0% to ¥18,958 million, a year-on-year increase of ¥4,703 million mainly due to the increase in net sales and effects of cost reduction.

Operating income increased 137.8% to ¥5,476 million, a year-on-year increase of ¥3,161 million mainly due to the increase in gross profit, outweighing the increase in selling and general expenses by ¥1,541 million.

Non-operating income decreased by ¥7 million to ¥175 million while non-operating expenses decreased by ¥57 million to ¥155 million.

Income before income tax increased 393.7% to ¥5,492 million, a year-on-year increase of ¥4,380 consisting of an increase in ordinary income of ¥3,212 million and a decrease in special loss of ¥1,153 million. As a result, net income increased 474.2% to ¥3,689 million, a year-on-year increase of ¥3,046 million.

Cash Flow

Cash and cash equivalents at the term end totaled ¥10,996 million, a year-on-year decrease of ¥890 million.

Net cash provided by operating activities totaled ¥3,562 million, a year-on-year decrease of ¥165 million consisting of net income before income tax totaling ¥5,492 million, depreciation and amortization totaling ¥3,292 million, and an increase of ¥5,606 million in notes and accounts receivable, and an increase of ¥1,682 million in inventories.

Net cash used in investing activities totaled ¥3,008 million, a year-on-year increase of ¥1,179 million, mainly due to the purchase of property, plant and equipment amounted to ¥2,899 million.

Net cash outflow from financing activities totaled ¥890 million, a year-on-year increase of ¥89 million, consisting of proceeds from long-term loans payable totaling ¥1,314 million, repayment of long-term loans payable totaling ¥1,314 million and the disbursement of dividends of ¥1,234 million.

Capital Investment

Consolidated capital investment amounted to ¥3,102 million mainly due to the acquisition of machining equipment to enhance in-house production of key parts and components in TAMRON OPTICAL (FOSHAN) CO., LTD in China as well as an increase in the production of injection molds to support new product development.

Capital investment for Photographic Products business totaled ¥1,786 million, reflecting major investment in injection molds for new interchangeable lenses for digital SLR cameras.

That for Optical Components business totaled ¥825 million, reflecting major investment in injection molds and production equipment for digital still camera lenses.

That for Commercial/Industrial-use Optics business totaled ¥464 million reflecting mainly investment in injection molds to support new product development for CCTV camera lenses in line with the expansion of security and surveillance market.

There is no sale or retirement of great importance in fiscal year 2010.

Research and Development

Tamron conducts research for core technologies through its Optical Design & Engineering R&D Unit, Core Technology & Engineering R&D Unit and Integrated Core Technology R&D Unit and for product development through Design & Engineering Department of respective business units.

During the term under review total R&D expenses amounted to ¥3,292 million, resulting from the development of new interchangeable lenses for digital SLR cameras, new lenses for digital still cameras, camcorders and CCTV cameras and lenses for automotive application as well as development of new lenses for Far-IR cameras.

As for Photographic Products business, we launched two 60th anniversary models, which were 70-300mm VC USD (Model A005) featuring an XLD lens element to deliver best in class resolution along with Tamron's new Ultrasonic Silent Drive (USD), and 18-270mm VC PZD (Model B008) the world's lightest, smallest, all-in-one 15x zoom lens incorporating piezoelectric motor (PZD) for smooth and quick auto-focusing. As a result, R&D expenses for Photographic Products business totaled ¥1,406 million.

R&D expenses for Optical Component business totaled ¥1,051 million, mainly used for the development of high power zoom lenses for digital still cameras with high megapixel imager and lenses for full HD camcorders.

In Commercial/industrial-use Optics business, we launched indoor-use mini-dome camera with a built-in high-quality vari-focal lens and all-in-one vari-focal IR lens with automatic zoom and focus control that is fully compatible with 1/3"-format mega pixel resolution cameras, also promoted development of lenses for automotive vision system application and lenses for Far-IR camera. As a result, R&D expenses for Commercial/industrial-use Optics business amounted to ¥834 million.

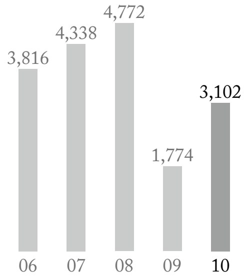
Number of Employees

The total number of employees on consolidated basis at the term end increased by 1,726 persons to 7,198 persons compared with the previous year. This increase was attributed to the expansion of production capacity of photographic lenses in our factory in China. The employees on non-consolidated basis increased 7 persons to 1,055 persons.

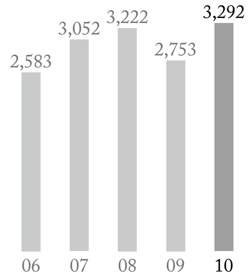
Long-Term Management Goals

1. Enhancing corporate governance based on CSR management system coupled with internal control and risk management.
2. Pursuing improved quality assurance reliability and enhancing the quality of customer service aimed at delivering higher customer satisfaction.
3. Driving sales of Tamron-branded interchangeable lenses while increasing the brand awareness around the globe.
4. Achieving further reduction in cost by means of enhancing in-house production ratio of critical parts and components while deploying strategic logistics.
5. Expansion in automotive business, far infrared rays optical business and new business.
6. Enhancement in R&D activities in core technology development revolving around optics and taking proactive stance in IP strategy.

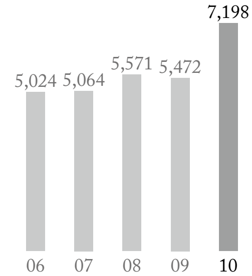
CAPITAL EXPENDITURE
(Millions of Yen)



R&D EXPENDITURE
(Millions of Yen)



NUMBER OF EMPLOYEES



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, 2011.

1. RELIANCE ON SPECIFIC BUSINESS SEGMENT AND PRODUCTS

The Company's sales by business segment and the composition thereof reveals a high ratio of sales concentrated in lens-related products having reached 24.7% of our net sales (consolidated), particularly in the digital camera-related fields. Accordingly, trends in overall market demand for the aforementioned products, or changes in customers' strategies or sales results may in turn impact the Company's fiscal results.

2. RELIANCE ON A FEW SELECTED CUSTOMERS

A high degree of Company's sales depends on a Sony group company approximately 29% (FY2010) of our net sales (consolidated). Consequently, in case of a change in the business strategies and directions by the client, it could impact the overall performance of the company.

3. EXPANDING BUSINESS SEGMENTS AND ENTERING NEW BUSINESSES

The Company plans to expand the scope of its business by tapping into its automotive application in the Commercial/Industrial-use Optics business segment, and by entering into the market for 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.

4. 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.

5. DEFECTIVE PRODUCTS

All of the Company's domestic and overseas development and production facilities have obtained ISO19001 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.

6. RISK SURROUNDING OVERSEAS SUBSIDIARIES

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

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

7. 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.

8. 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.

9. 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 2005 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.

10. 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.

11. 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.

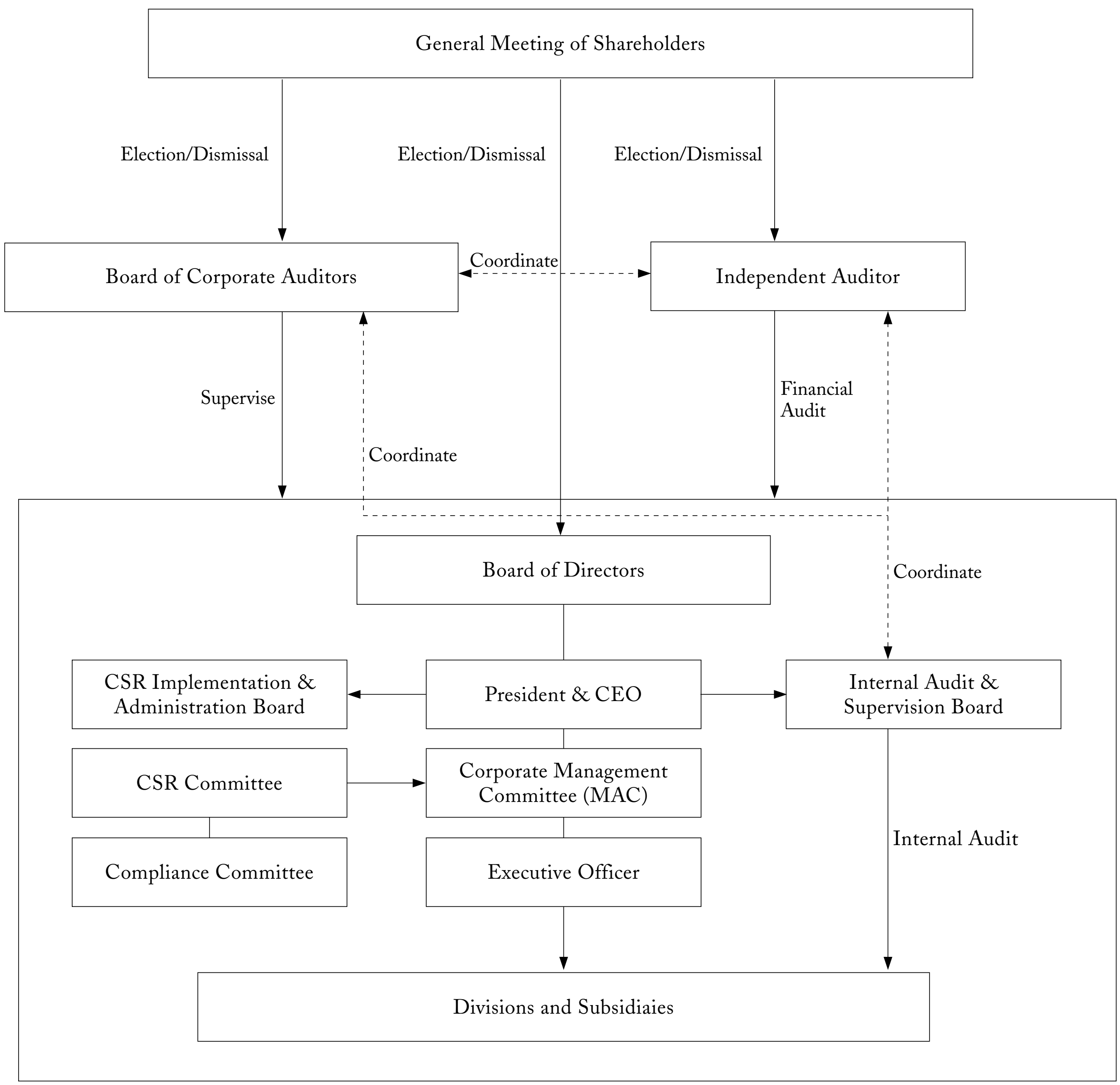
12. RESEARCH & DEVELOPMENT COSTS

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.

Corporate Governance

We at Tamron upholding our corporate brand message of "New Eyes for Industry" and pursuing our corporate philosophy, are committed to respecting the rights and equality of shareholders, and maintaining good relationship with all stakeholders through fair and transparent management.

Corporate governance structure is as illustrated below.

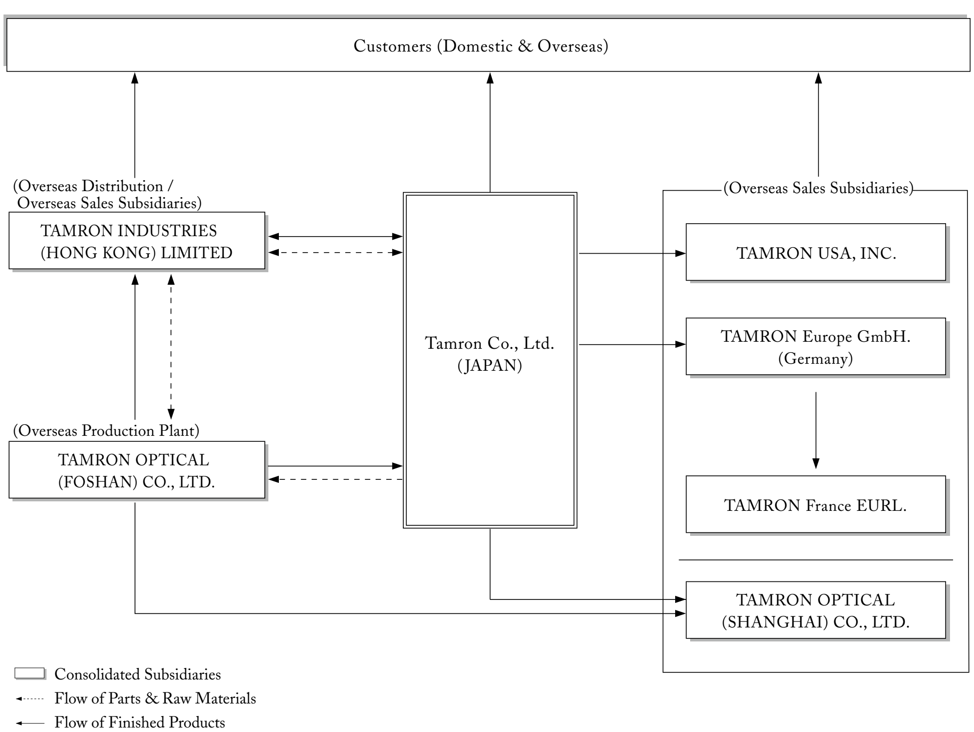


Tamron group comprise Tamron Co., Ltd. (Japan) and six other subsidiaries. Main business drivers are the following three segments, Photographic Products, Optical Components, and Commercial/Industrial-use Optics.

The details of the business segments are as follows.

Business Segment	Main Business	Related Business Groups
Photographic Products	Interchangeable lenses for SLR camera	Tamron Co., Ltd. TAMRON USA, INC. TAMRON Europe GmbH. TAMRON France EURL. TAMRON INDUSTRIES (HONG KONG) LIMITED TAMRON OPTICAL (FOSHAN) CO., LTD. TAMRON OPTICAL (SHANGHAI) CO., LTD.
Optical Components	Camcorder lenses Digital still camera lenses Cellular phone camera lenses	Tamron Co., Ltd. TAMRON INDUSTRIES (HONG KONG) LIMITED TAMRON OPTICAL (FOSHAN) CO., LTD. TAMRON OPTICAL (SHANGHAI) CO., LTD.
Commercial/Industrial-use Optics	Lenses for CCTV cameras Automotive lenses High-precision molds Molding die for high-precision engineering plastic injection Test plates Optical device units	Tamron Co., Ltd. TAMRON USA, INC. TAMRON Europe GmbH. TAMRON INDUSTRIES (HONG KONG) LIMITED TAMRON OPTICAL (FOSHAN) CO., LTD. TAMRON OPTICAL (SHANGHAI) CO., LTD.

Overview of the relationships and the flow of products, and parts & raw materials are as illustrated below.



Tamron Co., Ltd. and Consolidated Subsidiaries

	Thousands of Yen		Thousands of U.S. Dollars
Years ended December 31	**2010**	2009	**2010**
Net sales	**¥56,650,832**	¥49,892,645	**$645,299**
Cost of sales	**37,692,114**	35,637,382	**429,344**
Gross profit	**18,958,717**	14,255,262	**215,955**
Selling, general and administrative expenses:			
Advertising expenses	**964,399**	764,998	**10,985**
Promotion expenses	**647,676**	596,426	**7,377**
Provision of allowance for doubtful accounts	**8,436**	57,993	**96**
Salaries and bonuses	**3,045,482**	2,971,627	**34,690**
Provision for directors' bonuses	**143,500**	10,300	**1,634**
Retirement benefit expenses	**96,450**	106,485	**1,098**
Technical research expenses	**3,209,985**	2,713,834	**36,564**
Other	**5,385,886**	4,738,439	**61,349**
Total selling, general and administrative expenses	**13,501,817**	11,960,105	**153,796**
Operating income	**5,456,899**	2,295,157	**62,158**
Non-operating income:			
Interest income	**19,895**	29,037	**226**
Other	**155,105**	153,006	**1,766**
Total non-operating income	**175,000**	182,043	**1,993**
Non-operating expenses:			
Interest expenses	**105,435**	120,067	**1,200**
Loss on retirement of fixed assets	**43,106**	13,783	**491**
Product compensation expenses	**—**	35,534	**—**
Other	**6,953**	44,066	**79**
Total non-operating expense	**155,495**	213,451	**1,771**
Ordinary income	**5,476,405**	2,263,749	**62,380**
Extraordinary income:			
Reversal of allowance for doubtful accounts	**16,331**	1,800	**186**
Total extraordinary income	**16,331**	1,800	**186**
Extraordinary loss:			
Loss on valuation of investment securities	**—**	22,223	**—**
Loss on withdrawal from Pension Fund	**—**	1,130,776	**—**
Total extraordinary loss	**—**	1,153,000	**—**
Income before income taxes	**5,492,737**	1,112,549	**62,566**
Income taxes–current	**971,802**	674,150	**11,069**
Income taxes–refunded	**(38,424)**	—	**(437)**
Income taxes–deferred	**869,873**	(204,145)	**9,908**
Total income taxes	**1,803,251**	470,004	**20,540**
Net income	**¥ 3,689,485**	¥ 642,545	**$ 42,026**
Net income per share (in yen and U.S. dollars)	**¥134.40**	¥23.41	**$1.52**

The accompanying notes are an integral part of these statements.

Tamron Co., Ltd. and Consolidated Subsidiaries

	Thousands of Yen		Thousands of U.S. Dollars
December 31	**2010**	2009	**2010**
ASSETS			
Current assets:			
Cash and deposits	**¥10,996,219**	¥11,887,019	**$125,255**
Notes and accounts receivable–trade	**14,588,865**	9,566,922	**166,179**
Finished goods	**4,816,673**	4,323,744	**54,865**
Work in process	**2,300,834**	1,248,922	**26,208**
Raw materials and supplies	**992,489**	1,479,295	**11,305**
Deferred tax assets	**166,144**	916,514	**1,892**
Other	**737,962**	1,165,739	**8,405**
Allowance for doubtful accounts	**(58,029)**	(57,496)	**(660)**
Total current assets	**34,541,160**	30,530,662	**393,452**
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures	**8,162,252**	8,461,764	**92,974**
Accumulated depreciation	**(4,563,601)**	(4,399,799)	**(51,983)**
Buildings and structures, net	**3,598,651**	4,061,964	**40,991**
Machinery, equipment and vehicles	**12,861,896**	12,688,540	**146,507**
Accumulated depreciation	**(7,736,860)**	(7,363,708)	**(88,129)**
Machinery, equipment and vehicles, net	**5,125,036**	5,324,832	**58,378**
Tools, furniture and fixtures	**13,498,028**	12,451,142	**153,753**
Accumulated depreciation	**(11,287,999)**	(10,224,678)	**(128,579)**
Tools, furniture and fixtures, net	**2,210,029**	2,226,463	**25,174**
Land	**751,923**	775,852	**8,565**
Other	**524,530**	283,524	**5,974**
Total property, plant and equipment	**12,210,170**	12,672,637	**139,083**
Intangible assets	**737,207**	1,156,808	**8,397**
Investments and other assets			
Investment securities	**1,171,975**	1,190,926	**13,349**
Deferred tax assets	**576,091**	701,044	**6,562**
Other	**932,718**	1,209,123	**10,624**
Allowance for doubtful accounts	**(48,621)**	(69,271)	**(553)**
Total investments and other assets	**2,632,164**	3,031,822	**29,982**
Total noncurrent assets	**15,579,543**	16,861,268	**177,463**
Total assets	**¥50,120,703**	¥47,391,931	**$570,915**

The accompanying notes are an integral part of these statements.

December 31	Thousands of Yen 2010	Thousands of Yen 2009	Thousands of U.S. Dollars 2010
LIABILITIES			
Current liabilities:			
Accounts payable–trade	**¥ 4,769,486**	¥ 3,736,609	**$ 54,328**
Short-term loans payable	**5,086,222**	5,315,065	**57,936**
Income taxes payable	**323,293**	103,370	**3,682**
Provision for directors' bonuses	**143,500**	10,300	**1,634**
Other	**2,962,168**	2,738,806	**33,741**
Total current liabilities	**13,284,671**	11,904,151	**151,323**
Noncurrent liabilities:			
Long-term loans payable	**1,442,346**	1,081,580	**16,429**
Provision for retirement benefits	**1,127,388**	1,203,497	**12,841**
Other	**269,826**	273,347	**3,073**
Total noncurrent liabilities	**2,839,561**	2,558,425	**32,344**
Total liabilities	**16,124,232**	14,462,576	**183,668**
NET ASSETS			
Shareholders' equity:			
Capital stock	**6,923,075**	6,923,075	**78,859**
Capital surplus	**7,440,327**	7,440,327	**84,751**
Retained earnings	**23,788,911**	21,334,711	**270,975**
Treasury stock	**(1,521,461)**	(1,521,304)	**(17,330)**
Total shareholders' equity	**36,630,852**	34,176,809	**417,255**
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	**65,066**	77,121	**741**
Foreign currency translation adjustments	**(2,699,448)**	(1,324,576)	**(30,748)**
Total valuation and translation adjustments	**(2,634,381)**	(1,247,455)	**(30,007)**
Total net assets	**33,996,470**	32,929,354	**387,247**
Total liabilities and net assets	**¥50,120,703**	¥47,391,931	**$570,915**

Tamron Co., Ltd. and Consolidated Subsidiaries

	Thousands of Yen				
	Stockholders' equity				
Year ended December 31	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance of December 31, 2009	¥6,923,075	¥7,440,327	¥21,334,711	¥(1,521,304)	¥34,176,809
Changes in term					
Dividends from surplus			(1,235,286)		(1,235,286)
Net income			3,689,485		3,689,485
Purchase of treasury stock				(156)	(156)
Net change of items other than stockholders' equity					
Total change in term	—	—	2,454,199	(156)	2,454,042
Balance of December 31, 2010	**¥6,923,075**	**¥7,440,327**	**¥23,788,911**	**¥(1,521,461)**	**¥36,630,852**

	Thousands of Yen			
	Changes in unrealized gain and translation adjustments			
Year ended December 31	Net unrealized gain on marketable investment securities	Foreign currency translation adjustments	Total unrealized gain and translation adjustments	Total net assets
Balance of December 31, 2009	¥ 77,121	¥(1,324,576)	¥(1,247,455)	¥32,929,354
Changes in term				
Dividends from surplus				(1,235,286)
Net income				3,689,485
Purchase of treasury stock				(156)
Net change of items other than stockholders' equity	(12,054)	(1,374,871)	(1,386,926)	(1,386,926)
Total change in term	(12,054)	(1,374,871)	(1,386,926)	1,067,116
Balance of December 31, 2010	**¥ 65,066**	**¥(2,699,448)**	**¥(2,634,381)**	**¥33,996,470**

The accompanying notes are an integral part of these statements.

Tamron Co., Ltd. and Consolidated Subsidiaries

	Thousands of Yen		Thousands of U.S. Dollars
Years ended December 31	**2010**	2009	**2010**
Cash flows from operating activities:			
Income before income taxes	**¥ 5,492,737**	¥ 1,112,549	**$ 62,566**
Depreciation and amortization	**3,292,711**	3,963,323	**37,506**
Increase (decrease) in provision for directors' bonuses	**133,200**	(58,700)	**1,517**
Increase (decrease) in reserve for loss on withdrawal from pension fund	**—**	(1,149,664)	**—**
Increase (decrease) in provision for retirement benefits	**(30,767)**	68,805	**(350)**
Interest and dividend income	**(37,455)**	(45,978)	**(426)**
Interest expense	**105,435**	120,067	**1,200**
Loss on retirement of property, plant and equipment	**43,106**	13,783	**491**
Loss (gain) on valuation of investment securities	**—**	22,223	**—**
Decrease (increase) in notes and accounts receivable–trade	**(5,606,140)**	(24,147)	**(63,858)**
Decrease (increase) in inventories	**(1,682,498)**	970,277	**(19,165)**
Increase (decrease) in notes and accounts payable–trade	**1,465,196**	7,388	**16,689**
Other–net	**653,646**	389,369	**7,445**
Sub total	**3,829,172**	5,389,296	**43,617**
Interest and dividend received	**37,575**	44,652	**428**
Interest expenses paid	**(107,356)**	(122,650)	**(1,222)**
Income taxes paid	**(737,648)**	(1,584,244)	**(8,402)**
Income taxes refund	**540,533**	—	**6,157**
Net cash provided by (used in) operating activities	**3,562,275**	3,727,055	**40,577**
Cash flows from investing activities:			
Purchases of property, plant and equipment	**(2,899,102)**	(1,715,380)	**(33,023)**
Purchase of intangible assets	**(95,229)**	(131,788)	**(1,084)**
Purchase of investment securities	**(1,278)**	(301,243)	**(14)**
Proceeds from sales of investment securities	**9**	300,000	**0**
Payments of loans receivable	**(3,374)**	(20,608)	**(38)**
Collection of loans receivable	**7,798**	23,509	**88**
Other–net	**(17,738)**	16,218	**(202)**
Net cash provided by (used in) investing activities	**(3,008,914)**	(1,829,293)	**(34,273)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**—**	630,101	**—**
Proceeds from long-term loans payable	**1,659,192**	1,000,000	**18,899**
Repayment of long-term loans payable	**(1,314,434)**	(1,330,327)	**(14,972)**
Purchase of treasury stock	**(156)**	(77)	**(1)**
Cash dividends paid	**(1,234,760)**	(1,100,266)	**(14,064)**
Other–net	**(557)**	(1,380)	**(6)**
Net cash provided by (used in) financing activities	**(890,715)**	(801,949)	**(10,145)**
Effect of exchange rate changes on cash and cash equivalents	**(553,444)**	39,141	**(6,304)**
Net increase (decrease) in cash and cash equivalents	**(890,799)**	1,134,954	**(10,146)**
Cash and cash equivalents at beginning of year	**11,887,019**	10,752,065	**135,402**
Cash and cash equivalents at the end of year	**¥10,996,219**	¥11,887,019	**$125,255**

The accompanying notes are an integral part of these statements.

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 ¥87.79 = US$1 prevailing on December 31, 2010 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: 6
TAMRON USA, Inc.
TAMRON Europe GmbH.
TAMRON France EURL.
TAMRON INDUSTRIES (HONG KONG) LIMITED
TAMRON OPTICAL (FOSHAN) CO., LTD.
TAMRON OPTICAL (SHANGHAI) CO., LTD.

2. Application of the Equity Method

The Company does not have any unconsolidated or affiliated companies, accordingly, the equity method is not applied.

3. Fiscal Term

The fiscal terms of each consolidated subsidiary are the same as the terms of the Company.

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.

(Accounting Change)
From fiscal year 2010, a minor accounting change relating to revenue for employees' retirement benefits has been made, reflecting a minor amendment of "Accounting Standard for Employees' Retirement Benefits" (ASBJ No. 19, July 31, 2008).

(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

Consolidated subsidiaries: Computed by the straight-line method.

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

Depreciation is based on the straight-line method over the lease period and the residual value as zero. Regarding finance lease that do not transfer ownership, for which the starting date for the lease transaction is prior to March 31, 2008, lease payments are recognized as expenses.

(3) Reserves

a. 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.

b. Reserve for directors' bonuses

The amount reported on the balance sheet is based on the projected bonus amount.

c. Reserve for employees' retirement benefits

In order to provide for retirement benefits to be paid to employees, the amount considered to have accrued, as at the end of the term, is stated, based on the estimated amount of retirement benefit obligations and pension plan assets, as at the end of the term. 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.

(4) 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."

(5) 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. Assets and liabilities being hedged are foreign currency receivables and payables.

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.

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

Consumption tax

Consumption tax is not included.

5. Assets and Liabilities of Consolidated Subsidiaries

Assets and liabilities of consolidated subsidiaries were valued at the fair value.

6. Scope of Cash and Cash Equivalents in the Statements of Cash Flows

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

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

(CONSOLIDATED BALANCE SHEETS)

1. Assets pledged as collateral as of December 31, 2010

(1) Property, plant and equipment

	Thousands of Yen
Buildings and structures	¥ 700,167
Machinery, equipment and vehicles	975,769
Tools, furniture and fixtures	164,724
Land	96,179
Intangible assets	11,049
Total	¥1,947,889

(2) Other

	Thousands of Yen
Buildings and structures	¥1,324,375
Land	96,043
Total	¥1,420,419

(3) Loans secured by the above assets

	Thousands of Yen
Short-term loans payable	¥1,900,000
Long-term loans payable (including loans due within one year)	1,429,580
Total	¥3,329,580

2. Accounting for notes matured at end of fiscal year

The end of 2010 fiscal year coincided with a bank holiday, and the following notes that matured at the end of fiscal year were accounted for as if they were settled on their date of maturity.

Notes receivable ¥3,942 thousand

(CONSOLIDATED STATEMENTS OF INCOME)

1. Research and development expenses included in selling, general and administrative expenses and manufacturing costs totaled ¥3,292,454 thousand.
2. The ending inventory balance represents after write-down of book value when their carrying amounts become unrecoverable. In fiscal year 2010, amount of reversal of 2009 year's reserve for inventory write down exceed the inventory losses originated for fiscal year 2010, the net amount of ¥140,494 thousand is credited to cost of sales.

(CONSOLIDATED STATEMENTS OF CASH FLOWS)

Reconciliation between amounts shown in cash and cash equivalents at end of the year on the statements of cash flows, and in cash and cash equivalents on the consolidated balance sheets, as of December 31, 2010, is as follows:

Cash and cash equivalents on the statement of cash flows	¥10,996,219 thousand
Cash on hand and in banks at end of the year	¥10,996,219 thousand

(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 March 31, 2008, lease payments are recognized as expenses. Details are as follows.

(1) Acquisition cost, accumulated depreciation and net book value of lease assets as of December 31, 2010

			Thousands of Yen
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥322,310	¥300,803	¥21,506
Tools, furniture and fixtures	60,702	51,063	9,638
Software	62,602	54,283	8,319
Total	¥445,614	¥406,150	¥39,464

(2) Obligation under finance leases as of December 31, 2010

	Thousands of Yen
Due within one year	¥28,834
Due after one year	13,605
Total	¥42,440

(3) Lease expenses, depreciation and interest expenses for the year ended December 31, 2010

	Thousands of Yen
Lease expenses	¥84,778
Depreciation cost equivalent	76,985
Interest expenses equivalent	¥ 2,603

(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)
Fiscal period 2010
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 (5)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 presented on the balance sheets as of December 31, 2010 are as follows. Fair values that are not readily available are not included in the following table. (See Note 2)

Thousands of Yen

	Carrying amounts	Fair value	Difference
(1) Cash and time deposits	¥10,996,219	¥10,996,219	¥ —
(2) Notes and accounts receivable–trade	14,588,865	14,588,865	—
(3) Investment securities:			
Other securities	1,171,264	1,171,264	—
Total assets	¥26,756,349	¥26,756,349	¥ —
(1) Accounts payable–trade	¥ 4,769,486	¥ 4,769,486	¥ —
(2) Short-term loans payable	5,086,222	5,086,222	—
(3) Income taxes payable	323,293	323,293	—
(4) Long-term loans payable	1,442,346	1,443,687	1,341
Total liabilities	¥11,621,349	¥11,622,690	¥1,341
Derivative instruments	—	—	—

(Note) 1. Method for calculating the fair value of financial instruments, short-term 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 equity securities. Prices quoted by financial institutions are used to determine the fair value of bonds.

Liabilities
(1) Accounts payable–trade; (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 “IV. NOTES TO DERIVATIVES”

(Note) 2. Unlisted stocks (carrying amount on the consolidated balance sheet: ¥710 thousand) are not included in Other securities, because its extremely difficult to estimates fair value, both, due to their markets prices are not available and to the difficulty in estimating future cash flows.

3. December 31, 2010 the following schedule shows the maturities of financial instruments (assets)

Thousands of Yen

	Up to 1 year	More than 1 year and up to 5 years
Cash and deposits	¥10,996,219	¥ —
Notes and accounts receivable–trade	14,588,865	—
Investment securities:		
Securities with maturity in the other securities account	—	301,440
Total	¥25,585,084	¥301,440

4. The schedule shows the maturities of long-term loans payable and liabilities for finance leases for the following December 31, 2010 and thereafter.
Please refer to the detail of long-term loans payable at the supplementary schedule of the payables.

(Additional Information)
From the current fiscal year under review, the Company has applied “Accounting Standard for Financial Instruments” (ASBJ, Statement No. 10, March 10, 2008) and “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ, Guidance No. 19, March 10, 2010).

(INVESTMENTS IN SECURITIES)

1. With quoted market value

Thousands of Yen

	Type of securities	As of December 31, 2009			**As of December 31, 2010**		
		Acquisition costs	Carrying amount	Difference	Carrying amount	Acquisition costs	Difference
Securities whose carrying amounts on consolidated balance sheets exceed their acquisition costs	(1) Stocks	¥ 511,865	¥ 709,925	¥198,060	**¥633,446**	**¥452,824**	**¥180,622**
	(2) Debt securities	—	—	—	**—**	**—**	**—**
	(3) Others	—	—	—	**301,440**	**300,000**	**1,440**
	Total	511,865	709,925	198,060	**934,886**	**752,824**	**182,062**
Securities whose carrying amounts on consolidated balance sheets does not exceed their acquisition costs	(1) Stocks	248,952	184,040	(64,912)	**236,677**	**309,268**	**(72,890)**
	(2) Debt securities	—	—	—	**—**	**—**	**—**
	(3) Others	300,000	296,250	(3,750)	**—**	**—**	**—**
	Total	548,952	480,290	(68,662)	**236,677**	**309,268**	**(72,890)**
Total		¥1,060,817	¥1,190,215	¥129,397	**¥1,171,264**	**¥1,062,092**	**¥109,172**

(Notes)

1. The Company shall write down the stocks, whose fair market values fall below 50% or more of acquisition costs; and for those securities, whose fair market values fall between 30% or more and 50% or less, and whose fair market values were not judged to recover, a write down for those securities will also be made. Based on the above policy, in fiscal year 2009, the Company made write-down of ¥22,223 thousand on investment securities.
2. Unlisted stocks (book value on the consolidated balance sheet: ¥710 thousand are not included in Other securities under "Other type of securities" as their market prices are not available and it is extremely difficult to calculate the fair value to the difficulty in estimating future cash flows.

2. Other Securities sold

Disclosure is omitted as there were no significant gains/losses on sale of other securities.

3. Without quoted market value

Thousands of Yen

	As of December 31, 2009	**As of December 31, 2010**
	Carrying amount	Carrying amount
Other type of securities		
Non-listed securities	¥710	**¥710**

(DERIVATIVES)

1. Transactions

Fiscal period 2009

(1) Derivative financial instruments

Derivative financial instruments utilized by the Company are comprised principally of foreign exchange forward contracts and currency options. Consolidated subsidiaries do not utilize derivative financial instruments.

(2) Policy relating to derivative financial instruments

The Company is exposed to market risks from changes in foreign currency exchange rates and interest rates, and enters into financial instruments and derivative financial instruments for the purpose of reducing such risks. The Company does not hold or issue derivative financial instruments for speculation.

(3) Objectives

The Company utilizes derivative transactions to secure stable profits by hedging against those risks arising from changes in foreign exchange rates in connection with its foreign currency assets and liabilities. The Company adopts hedge accounting in connection to the application of derivative transactions.

Hedge Accounting Methodology

The Company applies the deferral hedge method in hedge accounting, if certain hedging criteria are met. Foreign exchange forward contracts are accounted for by using the appropriated method for contracts that fulfill requirements for appropriated method hedge accounting.

Hedging Instruments and Coverage

The Company uses foreign exchange forward contracts and currency option transactions as hedging instruments. Hedging covers foreign-currency-denominated receivables and payables, as well as scheduled transactions in foreign currency.

Hedging Method

Based on internal rules for derivative transactions, the Company hedges against the risk of fluctuations in foreign currency exchange rates.

Evaluation of Hedging Effectiveness

The Company evaluates the effectiveness of hedging based on the strong correlation between changes in market rates under hedging coverage, cash flow, and hedging instruments.

(4) Transaction risk
Foreign exchange forward contracts and other transactions carry the risk of changes in exchange rates. However, derivative transactions conducted by the Company are entirely for the purpose of hedging, and the Company does not engage in transactions that may have a significant impact on management. In addition, transactions are conducted with financial institutions with high credit ratings. As a result, there is minimal credit risk.

(5) Transaction risk management structure
The Company has rules for transaction management that determine a maximum limit and authority on derivative transactions. Based on these rules, the accounting department administers the transactions and risk management with the approval of the management.

2. Market value of transactions
Fiscal period 2009
All derivative transactions fall under hedge accounting, accordingly the market value information is not required.

Derivative transactions to which the hedge accounting method is applied
(1) Currency-related transactions
Fiscal period 2010

Thousands of Yen

Hedge accounting method	Type of transactions	Primary hedged items	Contract amount, etc.	Portion with maturity over one year	Fair value
Designation method for forward foreign exchange contracts	Forward foreign exchange contracts				
	Sell	Accounts receivable			
	U.S. dollar		¥3,884,753	—	(Note)
	Euro		1,193,046	—	(Note)
	Hong Kong dollar		54,136	—	(Note)
	Pay	Accounts payable			
	U.S. dollar		494,940	—	(Note)

(Note) For forward foreign exchange contracts, etc., subject to the designation method, because they are recognized together with accounts receivable and accounts payable, which are hedged items, their fair values are included in those of accounts receivable and accounts payable.

(RETIREMENT BENEFITS)
1. Retirement and pension plans
The Company had defined benefit plans that define benefit corporate pension plans and lump-sum retirement benefit plans. The Company also had adopted defined contribution pension plans as well as defined benefit pension plans.
Some overseas consolidated subsidiaries adopt defined-contribution pension plans.

2. Retirement benefit obligation

	Thousands of Yen
(1) Retirement benefit obligations	¥(2,204,623)
(2) Plan assets at fair value	922,228
(3) Unfunded retirement benefit obligations (1)+(2)	(1,282,395)
(4) Unrecognized actuarial loss	170,708
(5) Net balance sheet amount (3)+(4)	(1,111,687)
(6) Prepaid pension expense	15,701
(7) Accrued retirement benefits (5)-(6)	¥(1,127,388)

3. Retirement benefit expenses for fiscal year 2010

	Thousands of Yen
(1) Service expenses	¥148,552
(2) Interest expenses	42,411
(3) Expected return on plan assets	(13,638)
(4) Amortization of net actuarial difference	27,122
(5) Other	90,391
(6) Retirement benefit expenses (1) + (2) + (3) + (4) + (5)	¥294,838

(Note) "Other" in the above table represents contributions to the defined contribution retirement benefit plans.

4. Basis for calculation of retirement benefit obligation

(1) Periodic allocation method for projected benefits	Straight-line method
(2) Discount rate	2.0%
(3) Expected rate of return on plan assets	2.0%
(4) Amortization period for net actuarial difference	5 years

(ACCOUNTING FOR DEFERRED INCOME TAX)

1. Breakdown of the major components for deferred tax assets and liabilities as of December 31, 2010

Deferred Tax Assets

	Thousands of Yen
Reserve for doubtful accounts	¥ 24,044
Unrealized intercompany profits	61,075
Reserve for employees' retirement benefits	482,439
Long-term accounts payable	99,214
Loss on devaluation of inventories	25,568
Loss on disposal of fixed assets	33,519
Depreciation and amortization	18,982
Lump-sum depreciable assets	43,104
Unrealized loss on investment securities	29,447
Other	66,994
Total of deferred tax assets	¥884,392

Deferred Tax Liabilities

	Thousands of Yen
Reserve for deduction entries	¥ (53,088)
Unrealized gain on investments in securities	(73,553)
Other	(15,513)
Total of deferred tax liabilities	(142,155)
Net deferred tax assets	¥ 742,236

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

Effective statutory tax rate	40.4%
(Adjustments)	
Entertainment expense and others that are not deductible permanently	0.9
Exclusion of loss related to a donation	0.2
Inhabitant tax on per capita basis	0.4
Provision for directors' bonuses	1.1
Tax credits	(0.6)
Differences of tax rates for overseas consolidated subsidiaries	(12.8)
Dividend income and others that are not taxable permanently	(8.9)
Effect of dividend income eliminated for consolidation	9.3
Special tax rate on retained earnings of family corporation	1.0
International withholding income tax	1.3
Others	0.5
Actual tax rate	32.8%

II. NOTES TO RELATED PARTY TRANSACTION

Fiscal period 2009

(Additional Information)

From fiscal year 2009, the Company adopts "Accounting Standard for Related Party Transactions (ASBJ No. 11, October 17, 2006) and "Practical Application Rules for Related Party Transactions (JICPA No. 13, October 17, 2006). By the adoption, information for related party transactions between consolidated subsidiaries and related parties are additionally disclosed.

1. Transactions between the Company and related parties.

Thousands of Yen

Name of company	Paid in capital	Transaction	Amount per year	Year end balance
Sony EMCS Corporation	6,741,000	Sale of DSC lenses	8,219,336	561,640
Sony Digital Products (Wuxi) Co., Ltd.	485,584 thousand RMB	Sale of DSC lenses	4,660,828	910,751
Shanghai Suoguang Electronics Co., Ltd.	118,696 thousand RMB	Sale of DSC lenses	2,001,227	508,818

(Note) Sales prices are based on the arms' length transaction basis.

2. Transactions between the Company's consolidated subsidiaries and related parties.

Thousands of Yen

Name of company	Paid in capital	Transaction	Amount per year	Year end balance
Sony Digital Products (Wuxi) Co., Ltd.	485,584 thousand RMB	Sale of DSC lenses	93,973	61,210

(Note) Sales prices are based on the arms' length transaction basis.

Fiscal period 2010

1. Transactions between the Company and related parties.

Thousands of Yen

Name of company	Paid in capital	Transaction	Amount per year	Year end balance
Sony EMCS Corporation	6,741,000	Sale of DSC lenses	9,893,559	2,896,951
Sony Digital Products (Wuxi) Co., Ltd.	485,584 thousand RMB	Sale of DSC lenses	4,192,127	277,748
Shanghai Suoguang Electronics Co., Ltd.	118,696 thousand RMB	Sale of DSC lenses	1,431,715	216,497
Sony Technology (Thailand) Co., Ltd.	570,880 thousand THB	Sale of DSC lenses	715,952	186,945

(Note) Sales prices are based on the arms' length transaction basis.

2. Transactions between the Company's consolidated subsidiaries and related parties.

Thousands of Yen

Name of company	Paid in capital	Transaction	Amount per year	Year end balance
Sony Digital Products (Wuxi) Co., Ltd.	485,584 thousand RMB	Sale of DSC lenses	60,130	—
Shanghai Suoguang Visual Products Co., Ltd.	850,719 thousand RMB	Sale of CCTV camera lenses	192,622	80,747

(Note) Sales prices are based on the arms' length transaction basis.

III. NOTES TO SEGMENT INFORMATION

Business segment information

Thousands of Yen

	2009					
	Photographic products	Optical components	Commercial/ industrial-use optics	Total	Eliminations and/or corporate	Consolidated
Net sales:						
Sales to outside customers	¥29,422,071	¥12,956,926	¥7,513,646	¥49,892,645	—	¥49,892,645
Intersegment sales or transfer	—	—	—	—	—	—
Total	29,422,071	12,956,926	7,513,646	49,892,645	—	49,892,645
Operating expenses	25,993,369	12,919,885	6,787,306	45,700,560	1,896,926	47,597,487
Operating income	¥ 3,428,702	¥ 37,041	¥ 726,340	¥ 4,192,084	¥ (1,896,926)	¥ 2,295,157
Assets	¥21,581,327	¥ 7,522,329	¥6,587,879	¥35,691,536	¥11,700,394	¥47,391,931
Depreciation expenses	2,038,237	1,287,899	586,247	3,912,384	50,938	3,963,323
Capital expenditures	1,115,130	446,783	191,646	1,753,560	20,740	1,774,301

Thousands of Yen

	2010					
	Photographic products	Optical components	Commercial/ industrial-use optics	Total	Eliminations and/or corporate	Consolidated
Net sales:						
Sales to outside customers	¥34,124,148	¥13,980,416	¥8,546,267	¥56,650,832	—	¥56,650,832
Intersegment sales or transfer	—	—	—	—	—	—
Total	34,124,148	13,980,416	8,546,267	56,650,832	—	56,650,832
Operating expenses	29,714,393	11,382,483	7,680,282	48,777,159	2,416,772	51,193,932
Operating income	¥ 4,409,754	¥ 2,597,933	¥ 865,984	¥ 7,873,672	¥(2,416,772)	¥ 5,456,899
Assets	¥24,703,930	¥ 9,515,508	¥6,547,438	¥40,766,877	¥ 9,353,826	¥50,120,703
Depreciation expenses	1,935,505	781,647	533,985	3,251,139	41,572	3,292,711
Capital expenditures	1,786,662	825,951	464,311	3,076,924	25,437	3,102,361

(Notes)

1. Business segmentation
   Main products by business segment are as follows:
   (1) Photographic products
   Interchangeable lenses for SLR camera
   (2) Optical components
   Camcorder lenses, digital still camera lenses, cellular phone camera lenses
   (3) Commercial/industrial-use optics
   Lenses for CCTV cameras, Automotive lenses, High-precision molds, Molding die for high-precision engineering plastic injection, Test plates, Optical device units
2. Unallocated operating expenses included in "Eliminations and/or corporate" totaled ¥1,896,926 thousand for fiscal year ended December 31, 2009. These expenses consisted principally of expenses related to general affairs, accounting and other departments of the Company. Unallocated operating expenses included in "Eliminations and/or corporate" totaled ¥2,416,772 thousand for fiscal year ended December 31, 2010. These expenses consisted principally of expenses related to general affairs, accounting and other departments of the Company.
3. As of December 31, 2009, total assets included in "Eliminations and/or corporate" of ¥11,700,394 thousand, mainly represent cash, long-term investment funds (investments in securities), and assets related to the administration department. As of December 31, 2010, total assets included in "Eliminations and/or corporate" of ¥9,353,826 thousand, mainly represent cash, long-term investments funds (investments in securities), and assets related to the administration department.
4. The Company has adopted the "Accounting Standard for Measurement of Inventories" (ASBJ No.9, July 5, 2006) from the current fiscal year. Due to the change, the operating income of Photographic products business segment, Optical components business segment and Commercial/industrial-use optics business segment decreased by ¥95,085 thousand, ¥87,806 thousand and ¥138,960 thousand, respectively.

Geographical segment information

Thousands of Yen

	2009						
	Japan	North America	Europe	Asia	Total	Eliminations and/or corporate	Consolidated
Net sales:							
Sales to outside customers	¥33,808,280	¥4,385,561	¥8,647,392	¥ 3,051,410	¥49,892,645	—	¥49,892,645
Intersegment sales or transfer	11,561,606	3,210	713	22,545,423	34,110,953	(34,110,953)	—
Total	45,369,887	4,388,771	8,648,106	25,596,833	84,003,599	(34,110,953)	49,892,645
Operating expenses	43,893,504	4,213,704	7,916,626	23,833,464	79,857,298	(32,259,811)	47,597,487
Operating income	¥ 1,476,383	¥ 175,067	¥ 731,480	¥ 1,763,369	¥ 4,146,300	¥ (1,851,142)	¥ 2,295,157
Assets	¥21,624,538	¥2,445,710	¥4,323,018	¥11,196,545	¥39,589,812	¥ 7,802,118	¥47,391,931

Thousands of Yen

	2010						
	Japan	North America	Europe	Asia	Total	Eliminations and/or corporate	Consolidated
Net sales:							
Sales to outside customers	¥39,351,694	¥4,838,770	¥8,699,753	¥ 3,760,613	¥56,650,832	—	¥56,650,832
Intersegment sales or transfer	11,736,052	553	—	29,553,338	41,289,943	(41,289,943)	—
Total	51,087,747	4,839,323	8,699,753	33,313,951	97,940,775	(41,289,943)	56,650,832
Operating expenses	46,636,007	4,579,976	8,308,892	30,340,487	89,865,363	(38,671,430)	51,193,932
Operating income	¥ 4,451,739	¥ 259,347	¥ 390,861	¥ 2,973,464	¥ 8,075,412	¥ (2,618,512)	¥ 5,456,899
Assets	¥25,681,875	¥2,276,129	¥3,790,585	¥12,639,758	¥44,388,348	¥ 5,732,355	¥50,120,703

(Notes)
1. Country and regional segments are classified on the basis of geographic proximity.
2. Principal markets in the above designated areas:
   (1) North America: U.S.A.
   (2) Europe: Germany, France
   (3) Asia: Hong Kong, China
3. Unallocated operating expenses included in "Eliminations and/or corporate" totaled ¥1,896,926 thousand for fiscal year ended December 31, 2009. These expenses consisted principally of expenses related to general affairs, accounting and other departments of the Company. Unallocated operating expenses included in "Eliminations and/or corporate" totaled ¥2,416,772 thousand for fiscal year ended December 31, 2010. These expenses consisted principally of expenses related to general affairs, accounting and other departments of the Company.
4. As of December 31, 2009, total assets included in "Eliminations and/or corporate" of ¥11,700,394 thousand, mainly represent cash, long-term investment funds (investments in securities), and assets related to the administration department. As of December 31, 2010, total assets included in "Eliminations and/or corporate" of ¥9,353,826 thousand, mainly represent cash, long-term investment funds (investments in securities), and assets related to the administration department.
5. The Company has adopted the "Accounting Standard for Measurement of Inventories" (ASBJ No.9, July 5, 2006) from the current fiscal year. Due to the change, the operating income of Japan, Europe and Asia decreased by ¥294,393 thousand, ¥1,577 thousand and ¥25,880 thousand, respectively.

Overseas sales

Thousands of Yen

	2009			
	North America	Europe	Asia	Total
I Overseas sales	¥5,508,091	¥9,189,973	¥19,278,497	¥33,976,561
II Consolidated sales				49,892,645
III Percentage of consolidated sales (%)	11.0	18.4	38.7	68.1

Thousands of Yen

	2010			
	North America	Europe	Asia	Total
I Overseas sales	**¥6,113,960**	**¥9,355,239**	**¥24,271,124**	**¥39,740,324**
II Consolidated sales				**56,650,832**
III Percentage of consolidated sales (%)	**10.8**	**16.5**	**42.8**	**70.1**

(Notes)
1. Country and regional segments are classified on the basis of geographic proximity.
2. Principal markets in the above designated areas:
   (1) North America: U.S.A., Canada
   (2) Europe: Germany, U.K., France, Northern Europe and other European countries
   (3) Asia: Hong Kong, China and other Asian countries
3. Overseas sales represent those of Tamron Co., Ltd. and consolidated companies in countries and regions other than Japan.

IV. NOTES TO PER SHARE INFORMATION

Year ended December 31, 2010:

Net assets per share	1,238.45 Yen
Net income per share	134.40 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.

	2009	**2010**
Net income (Thousands of Yen)	¥ 642,545	**¥ 3,689,485**
Amount not belong to ordinary shareholders (Thousands of Yen)	—	—
Net income for ordinary shares (Thousands of Yen)	642,545	**3,689,485**
Average number of shares outstanding during the term (Shares)	27,450,875	**27,450,743**

V. NOTES TO SUBSEQUENT EVENTS

Not applicable.

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

We have audited the accompanying consolidated balance sheet of Tamron Co., Ltd. and its subsidiaries as of December 31, 2010, and the related consolidated statement of income, net assets, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tamron Co., Ltd. and its subsidiaries as of December 31, 2010, and the result of their operations and their cash flows for the year then ended, in conformity 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 Note 1.

Tokyo, Japan
March 24, 2011

Wako Audit Corporation

Wako Audit Corporation

MANAGEMENT

(As of March 30, 2011)

BOARD OF DIRECTORS

President & CEO
Morio Ono

Corporate Vice President
Shoji Kono

Corporate Vice President
Hitoshi Ohta

Corporate Vice President
Yoshihiro Shirai

Senior Managing Director
Hisaaki Nagashima

Senior Managing Director
Takashi Kawai

Managing Director
Koji Seki

Managing Director
Hiroaki Arai

Director
Tadahiro Shimura

Director
Shiro Ajisaka

Director
Hideyo Ohse

Director
Kenichi Hamada

CORPORATE AUDITORS (Note)

Standing Corporate Auditor
Yukio Masuko

Standing Corporate Auditor
Shinichi Yasuda

Corporate Auditor
Tadahiro Tone

Corporate Auditor
Yasuhiko Nishimoto

EXECUTIVE OFFICERS

Senior Executive Officer
Takashi Ichikawa

Senior Executive Officer
Masayuki Abo

Senior Executive Officer
Shogo Sakuraba

Senior Executive Officer
Hiroshi Kawanabe

Senior Executive Officer
Yasuki Kitazume

Executive Officer
Kunio Wada

Executive Officer
Satoshi Hasegawa

Executive Officer
Mitsuharu Takeuchi

Executive Officer
Kaoru Nagano

Executive Officer
Michiko Chiyoda

Executive Officer
Masaki Kudo

Executive Officer
Tsugio Tsuchiya

Executive Officer
Hiroshi Otsuka

Executive Officer
Hans Peter Rosenthal

Executive Officer
Takashi Inoue

Executive Officer
Zhixing Ma

Executive Officer
Shenghai Zhang

(Note) Mr. Masuko, Mr. Tone, and Mr. Nishimoto are external corporate auditors.

INVESTOR INFORMATION

Company Profile

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

Fiscal Year-End:
End of December

Employees:
7,198 (Consolidated) (As of December 31, 2010)

Principal Shareholders (As of December 31, 2010)

Shareholders	Number of Shares Held (Thousands of Shares)	Percentage of Shares Held
New Well Co., Ltd.	4,898	17.34
Sony Corporation	3,129	11.08
Japan Trustee Services Bank, Ltd. (trust account)	1,594	5.64
Kouyu Kosan Co., Ltd.	1,529	5.41
State Street Bank and Trust Company	1,161	4.11
Saitama Resona Bank Limited.	1,122	3.97
The Master Trust Bank of Japan, Ltd. (trust account)	685	2.42
The Chase Manhattan Bank, N.A. London	594	2.10
Tamron Business Partner Stock Holding Plan	473	1.67
Tha Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	419	1.48

(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 disposition of the shares, Sony Corporation reserves the right to instruct pursuant to the provisions of the trust contract between the two parties.
Tamron Co., Ltd. owns 784 thousand (2.77%) shares of treasury stock (excluded from the table above).

Shareholders' Memo

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:
33-1, Shiba 3-chome, Minato-ku, Tokyo, Japan
The Chuo Mitsui Trust and Banking Company, Limited

Stock trading unit:
100 shares

Announcements:
Nihon Keizai Shimbun

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