

# FY2013 Financial Results

**February 12, 2014**  
**Tamron Co., Ltd. (Code: 7740)**



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# I . FY2013 Financial Results

# I -1. Business Briefing

## Company profile

Total subsidiaries overseas : 9

Domestic offices : 4 / Sales offices : 7

ISO9001, ISO14001 certified

ISO/TS16949 certified

Net sales : ¥68,452 million (FY2013)

Number of employees : 2,545 (As of December 31, 2013)

Total assets : ¥64,704 million (As of December 31, 2013)

## Business segment

### ❖ Photographic Products

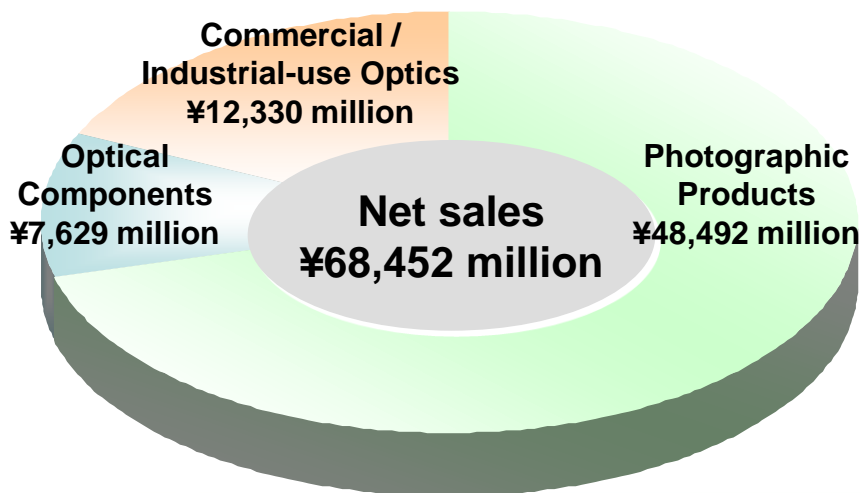
Interchangeable lenses for cameras  
(SLR / MILC)

### ❖ Optical Components

Camcorder lenses  
Digital still camera lenses  
Lenses for Long Wavelength Infrared Cameras  
Optical devices

### ❖ Commercial / Industrial-use Optics

Surveillance camera lenses  
Surveillance camera  
Automotive camera lenses  
Test plates



Net sales by business segment  
(FY2013)

# I -2. FY2013 Summary

## Business Environment

- ❖ Outlook of Global Economy – Japan/ US: Recovery mode      Europe: Continued uncertainty  
China: Slowdown
- ❖ Depreciation trend of Japanese Yen
- ❖ Digital camera market at a turning point; Unit sales of compact digital still cameras marked a shrinkage of 40% while interchangeable-lens cameras posted two-digits decrease in annual shipment.

## FY2013 Results

- ❖ Recovery mode in sales and operating profit from the second half despite increase in sales & decrease in profit for the year
- ❖ Photographic segment: Year-on-year gain achieved in revenue but decrease in profit due to price reduction of some products, etc.
- ❖ Commercial/ Industrial-use Optics segment: Year-on-year increase both in revenue and profit in 3 consecutive years due to expanded sales of security / surveillance camera lenses

## Topics

- ❖ Introduction of Ultra Tele Photo Zoom 150-600mm VC USD (Model A011)
- ❖ 90mm F2.8/MACRO 1:1 VC USD (F004) and 70-200mm F/2.8 VC USD (A009) received EISA Award (eight years in a row and double honor for two lenses)
- ❖ Annual dividend of 50 yen per share anticipated, same as the previous year.

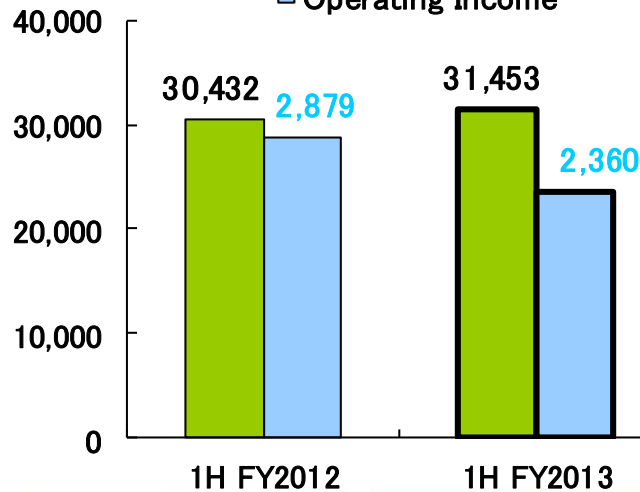
# I -3. FY2013 Half-Year Financial Results

(millions of yen)

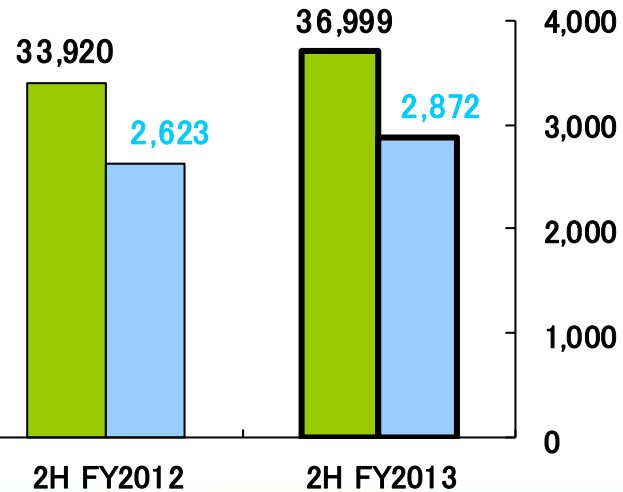
	1st H FY2012	1st H FY2013	Change	2nd H FY2012	2nd H FY2013	Change
<b>Net Sales</b>	30,432	31,453	1,020	33,920	36,999	3,079
<b>Operating Income</b>	2,879	2,360	(519)	2,623	2,872	249
<b>Operating Income Ratio</b>	9.5%	7.5%	(2.0)%	7.7%	7.8%	0.1%

(Net Sales/ million yen)

■ Net Sales  
□ Operating Income



(Operating Income/ million yen)



# I -4. FY2013 Financial Results



(millions of yen)

	Actual FY2012 (a)	Forecast FY2013 (b)	Actual FY2013 (c)	Inc / Dec		Inc / Dec		FX Impact
				(c)-(a)	%	(c)-(b)	%	
<b>Net Sales</b>	64,353	69,000	68,452	4,099	106.4%	(547)	99.2%	10,250
<b>Operating Income</b>	5,503	5,600	5,233	(269)	95.1%	(366)	93.4%	2,750
<b>% of net sales</b>	8.6%	8.1%	7.6%	(1.0)%	-	(0.5)%	-	-
<b>Ordinary Income</b>	5,377	5,500	5,196	(180)	96.6%	(303)	94.5%	-
<b>% of net sales</b>	8.4%	8.0%	7.6%	(0.8)%	-	(0.4)%	-	-
<b>Net Income</b>	3,894	3,900	3,197	(696)	82.1%	(702)	82.0%	-
<b>Effective Tax Rate</b>	26.8%	-	33.8%	7.0%	-	-	-	-

## Foreign Exchange Rate

<b>Yen-1USD</b>	79.81	1H 85.00 2H 98.00	97.73	17.92	-	-	-	-
<b>Yen-1EURO</b>	102.58	1H 115.00 2H 125.00	129.81	27.23	-	-	-	-

# I -5. FY2013 Results by Business Segment

		Actual FY2012 (a)	Forecast FY2013 (b)	Actual FY2013 (c)	Inc / Dec		Inc / Dec		FX Impact
					(c)-(a)	%	(c)-(b)	%	
<b>Photographic Products</b>	Net Sales	46,920	49,200	48,492	1,572	103.4%	(707)	98.6%	7,300
	Operating Income	5,958	4,950	4,280	(1,677)	71.8%	(669)	86.5%	2,400
	Operating Income Ratio	12.7%	10.1%	8.8%	(3.9)%	-	(1.3)%	-	-
Increase in revenue but decrease in profit due to weak demand in Europe / China and price reduction of some products etc.									
<b>Optical Components</b>	Net Sales	8,275	7,600	7,629	(645)	92.2%	29	100.4%	1,200
	Operating Income	452	850	938	486	207.4%	88	110.4%	100
	Operating Income Ratio	5.5%	11.2%	12.3%	6.8%	-	1.1%	-	-
Year on year decrease in revenue reflecting shrinkage of the market caused by smartphone in-heads but increase in operating profit partially attributable to development fee income.									
<b>Commercial / Industrial- use Optics</b>	Net Sales	9,157	12,200	12,330	3,173	134.6%	130	101.1%	1,750
	Operating Income	1,595	2,400	2,429	833	152.2%	29	101.2%	250
	Operating Income Ratio	17.4%	19.7%	19.7%	2.3%	-	0.0%	-	-
Year-on-year increase both in revenue and operating profit due to expanded sales of built-in type camera lenses.									
<b>Elimination and/or Corporate</b>		(2,503)	(2,600)	(2,415)	88	-	184	-	-
<b>Total</b>	Net Sales	64,353	69,000	68,452	4,099	106.4%	(547)	99.2%	10,250
	Operating Income	5,503	5,600	5,233	(269)	95.1%	(366)	93.4%	2,750



# I -6. FY2013 Quarterly Results by Business Segment



(millions of yen)

		1Q FY2013	2Q FY2013	3Q FY2013	4Q FY2013	Annual FY2013
Photographic Products	Net Sales	8,890	13,489	11,906	14,205	48,492
	Operating Income	612	1,344	1,252	1,071	4,280
	Operating Income Ratio	6.9%	10.0%	10.5%	7.5%	8.8%
Optical Components	Net Sales	1,883	1,950	1,838	1,957	7,629
	Operating Income	379	234	183	141	938
	Operating Income Ratio	20.1%	12.0%	10.0%	7.2%	12.3%
Commercial / Industrial- use Optics	Net Sales	2,441	2,797	3,434	3,657	12,330
	Operating Income	361	504	753	809	2,429
	Operating Income Ratio	14.8%	18.1%	21.9%	22.1%	19.7%
Eliminations and/or corporate		(552)	(523)	(678)	(660)	(2,415)
Consolidated	Net Sales	13,216	18,236	17,179	19,819	68,452
	Operating Income	800	1,560	1,510	1,362	5,233

## II . FY2014 Financial Forecast

## II -1. FY2014 Forecast

❖ Expecting year on year increase both in revenue and profit.

(millions of yen)

	Actual 1st H FY2013	Actual 2nd H FY2013	Actual FY2013 (a)	Forecast 1st H FY2014	Forecast 2nd H FY2014	Forecast FY2014 (b)	Inc/Dec	
							(b)-(a)	(b)/(a)
<b>Net Sales</b>	<b>31,453</b>	<b>36,999</b>	<b>68,452</b>	<b>32,500</b>	<b>38,500</b>	<b>71,000</b>	<b>2,547</b>	<b>103.7%</b>
<b>Operating Income</b>	<b>2,360</b>	<b>2,872</b>	<b>5,233</b>	<b>2,400</b>	<b>3,400</b>	<b>5,800</b>	<b>566</b>	<b>110.8%</b>
<b>Operating Income Ratio</b>	<b>7.5%</b>	<b>7.8%</b>	<b>7.6%</b>	<b>7.4%</b>	<b>8.8%</b>	<b>8.2%</b>	<b>0.6%</b>	<b>-</b>
<b>Ordinary Income</b>	<b>2,292</b>	<b>2,904</b>	<b>5,196</b>	<b>2,300</b>	<b>3,300</b>	<b>5,600</b>	<b>403</b>	<b>107.8%</b>
<b>Ordinary Income Ratio</b>	<b>7.3%</b>	<b>7.8%</b>	<b>7.6%</b>	<b>7.1%</b>	<b>8.6%</b>	<b>7.9%</b>	<b>0.3%</b>	<b>-</b>
<b>Net Income</b>	<b>1,615</b>	<b>1,581</b>	<b>3,197</b>	<b>1,650</b>	<b>2,250</b>	<b>3,900</b>	<b>702</b>	<b>122.0%</b>
<b>Foreign Exchange Rate</b>								
<b>Yen-1USD</b>	<b>95.73</b>	<b>99.65</b>	<b>97.73</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>2.27</b>	<b>-</b>
<b>Yen-1EURO</b>	<b>125.65</b>	<b>133.79</b>	<b>129.81</b>	<b>135.00</b>	<b>135.00</b>	<b>135.00</b>	<b>5.19</b>	<b>-</b>

## II - 2 . FY2014 Contributing Factors for Performance

(Million Yen)

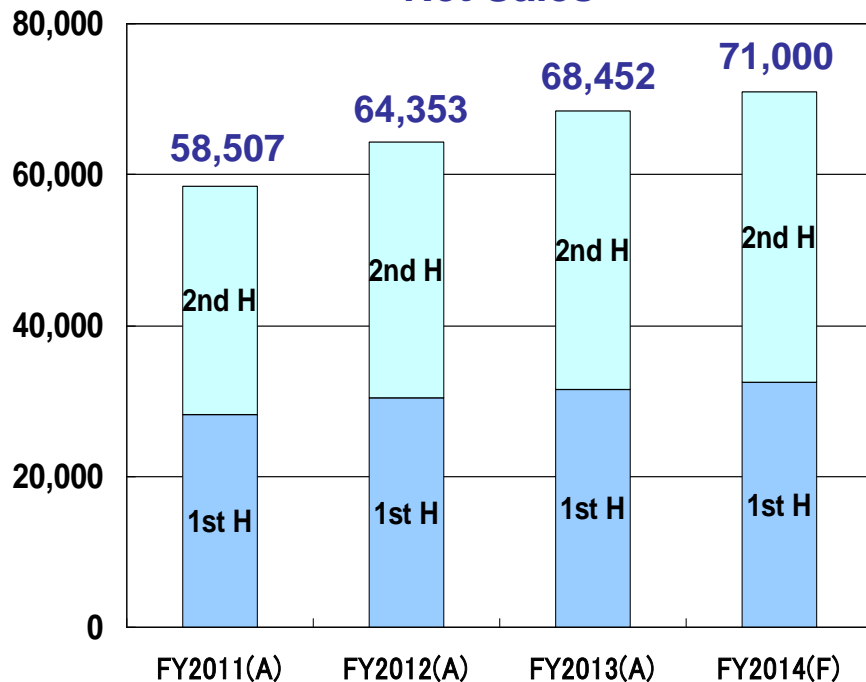
	FY2013 (Actual) (a)	FY2014 (Forecast) (b)	Inc / Dec		Change Factors										
			(b)-(a)	(b)/(a)											
<b>Net Sales</b>	<b>68,452</b>	<b>71,000</b>	<b>2,547</b>	<b>103.7%</b>	<table> <tr> <td>Sales</td> <td>+ 1,250</td> </tr> <tr> <td>Exchange gain</td> <td>+ 1,300</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td></td> <td>+ 2,550</td> </tr> </table>	Sales	+ 1,250	Exchange gain	+ 1,300	<hr/>			+ 2,550		
Sales	+ 1,250														
Exchange gain	+ 1,300														
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	+ 2,550														
<b>Operating Income</b>	<b>5,233</b>	<b>5,800</b>	<b>566</b>	<b>110.8%</b>	<table> <tr> <td>Sales</td> <td>+ 350</td> </tr> <tr> <td>Exchange gain</td> <td>+ 500</td> </tr> <tr> <td>Cost / Sales Expense</td> <td>(300)</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td></td> <td>+ 550</td> </tr> </table>	Sales	+ 350	Exchange gain	+ 500	Cost / Sales Expense	(300)	<hr/>			+ 550
Sales	+ 350														
Exchange gain	+ 500														
Cost / Sales Expense	(300)														
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	+ 550														

# II -3. FY2014 Forecast (Sales / Operating Income)

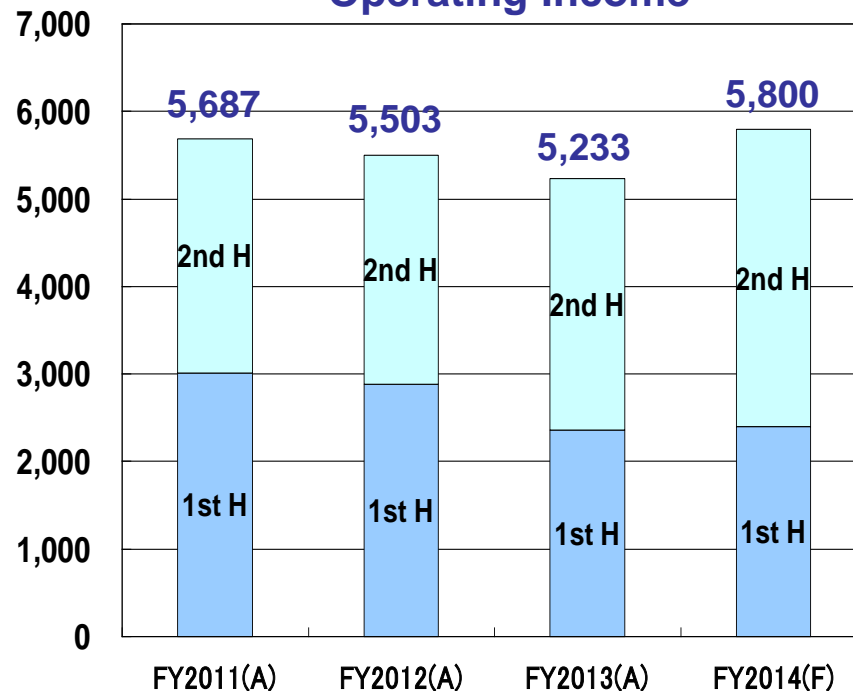


(millions of yen)

### Net Sales



### Operating Income



1st H	28,126	30,432	31,453	32,500
2nd H	30,380	33,920	36,999	38,500
FY	58,507	64,353	68,452	71,000
YoY	103.3%	110.0%	106.4%	103.7%

1st H	3,011	2,879	2,360	2,400
2nd H	2,676	2,623	2,872	3,400
FY	5,687	5,503	5,233	5,800
% of net sales	9.7%	8.6%	7.6%	8.2%
YoY	104.2%	96.8%	95.1%	110.8%

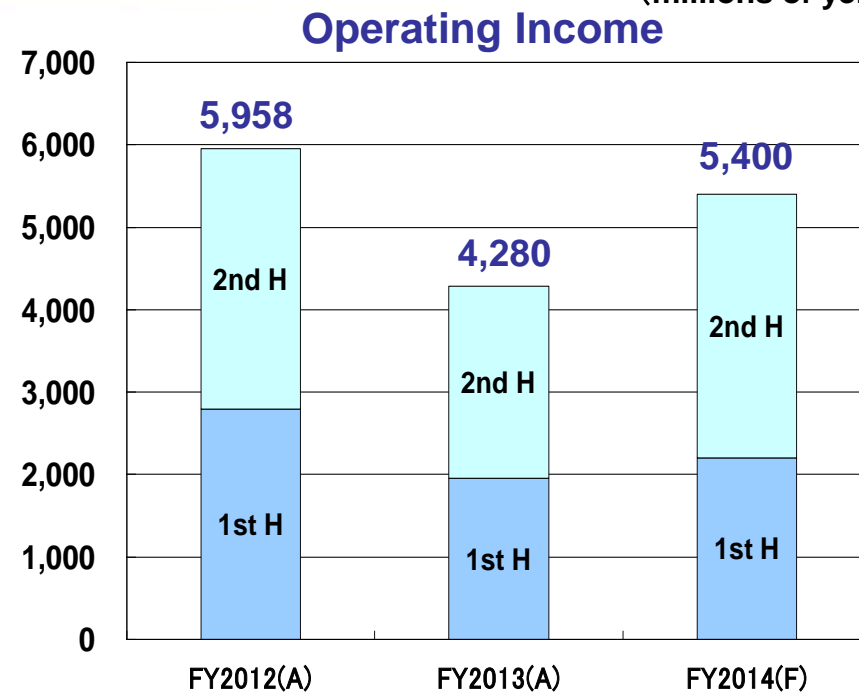
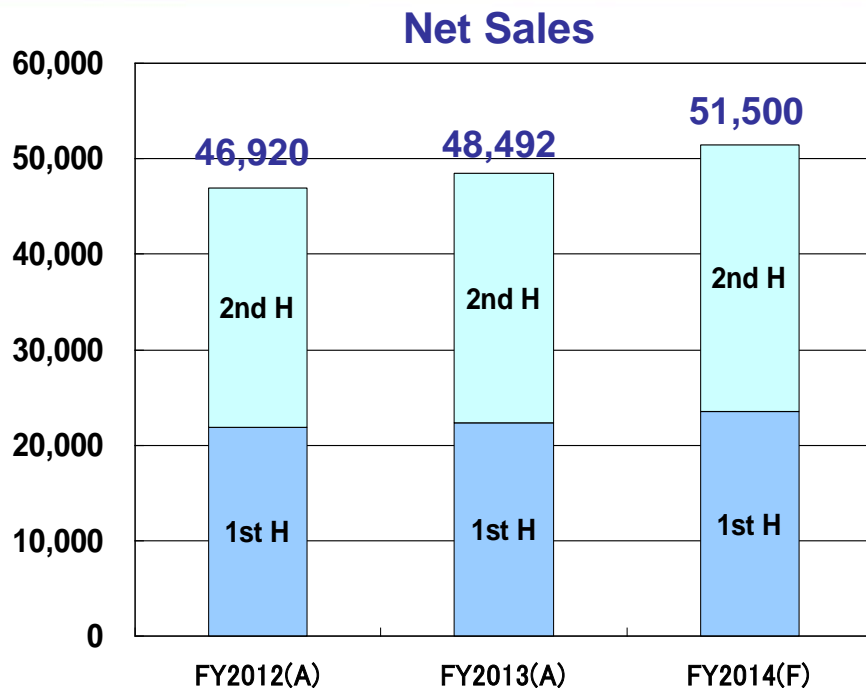
\* (A):Actual (F):Forecast

# II -4. FY2014 Forecast by Business Segment



## 1) Photographic Products

(millions of yen)



1st H	21,870	22,380	23,500
2nd H	25,049	26,111	28,000
FY	46,920	48,492	51,500
YoY	118.2%	103.4%	106.2%

1st H	2,792	1,956	2,200
2nd H	3,166	2,324	3,200
FY	5,958	4,280	5,400
% of net sales	12.7%	8.8%	10.5%
YoY	100.9%	71.8%	126.1%

\* (A):Actual (F):Forecast

◆ Aim to achieve year-on-year increase both in revenue and profit by launching new products.

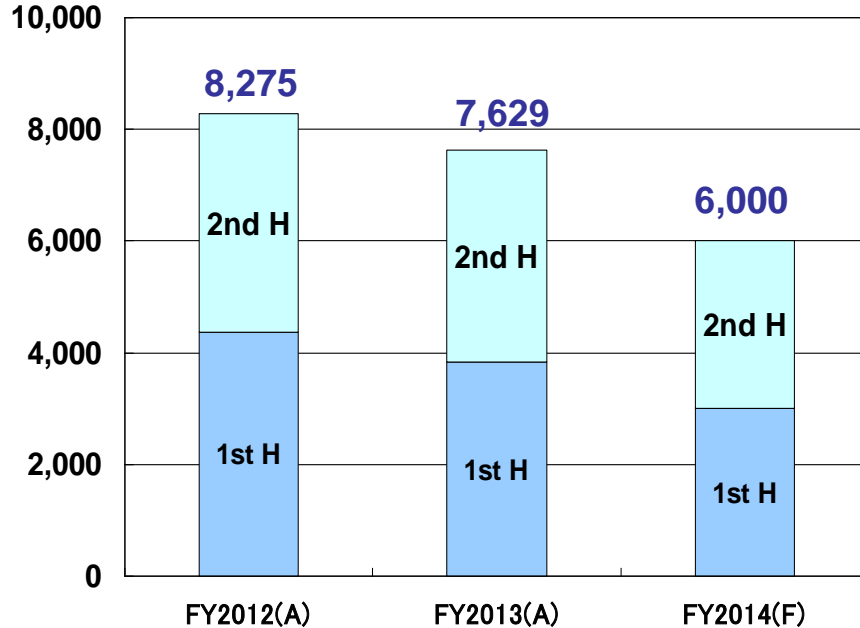
# II -5. FY2014 Forecast by Business Segment

## 2) Optical Components

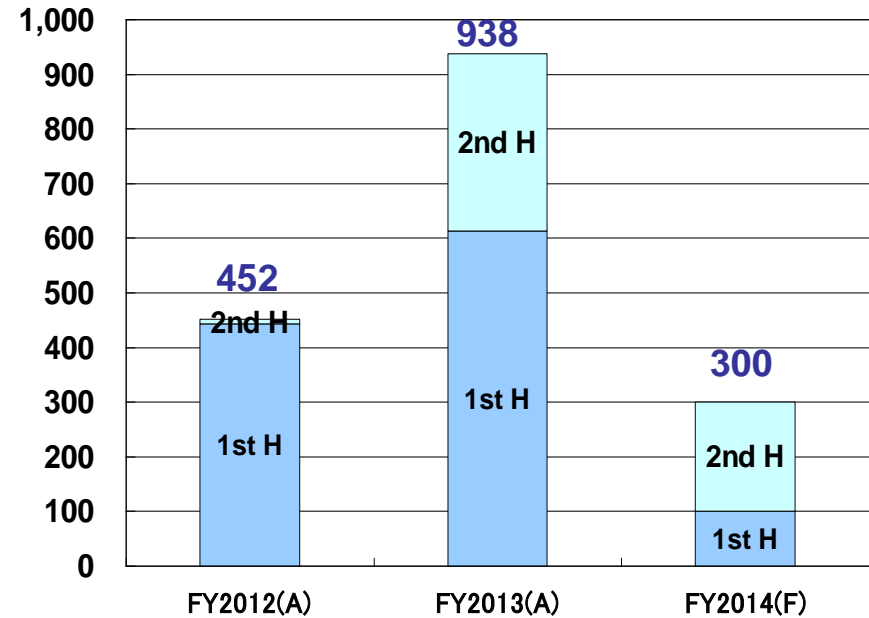


(millions of yen)

### Net Sales



### Operating Income



1st H	4,369	3,833	3,000
2nd H	3,906	3,795	3,000
FY	8,275	7,629	6,000
YoY	78.1%	92.2%	78.6%

1st H	444	613	100
2nd H	8	325	200
FY	452	938	300
% of net sales	5.5%	12.3%	5.0%
YoY	65.5%	207.4%	32.0%

\* (A):Actual (F):Forecast

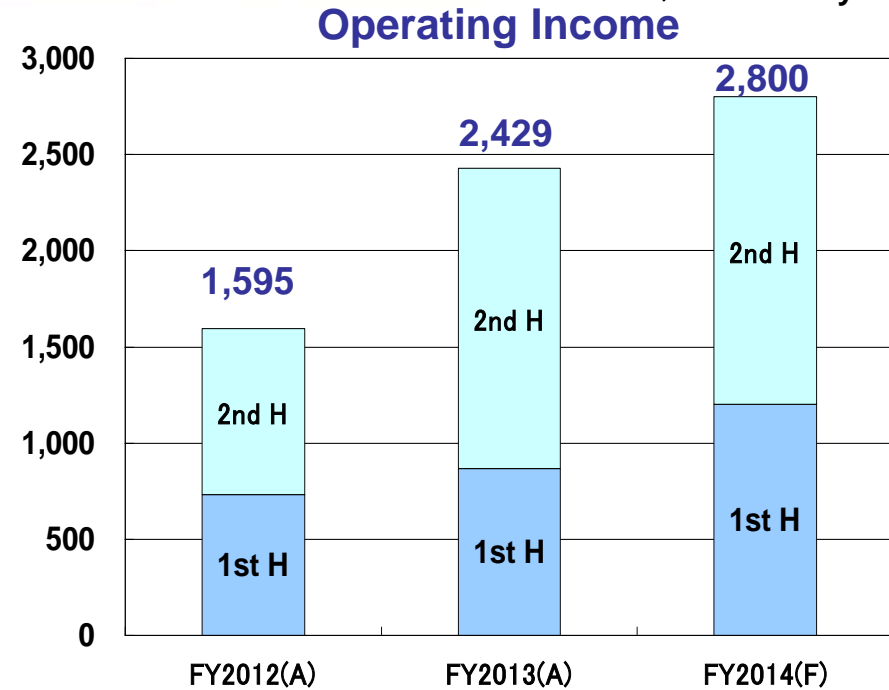
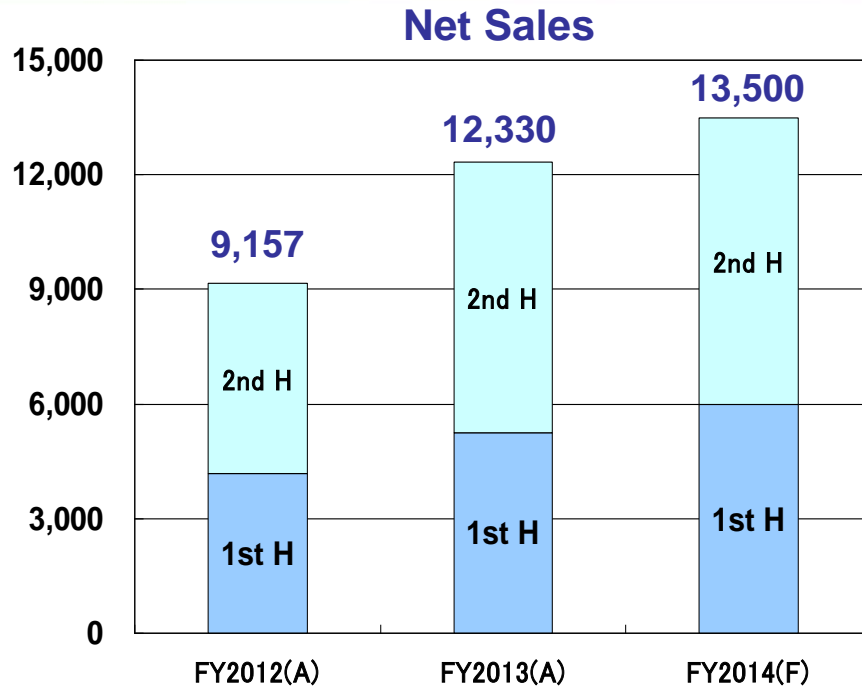
❖ Expecting to turn around the performance to a profit position despite the negative market situation.

# II -6. FY2014 Forecast by Business Segment



## 3) Commercial / Industrial-use Optics

(millions of yen)



1st H	4,193	5,239	6,000
2nd H	4,964	7,091	7,500
FY	9,157	12,330	13,500
YoY	111.6%	134.6%	109.5%

1st H	732	866	1,200
2nd H	863	1,563	1,600
FY	1,595	2,429	2,800
% of net sales	17.4%	19.7%	20.7%
YoY	113.6%	152.2%	115.3%

\* (A):Actual (F):Forecast

❖ Poised at achieving increase both in revenue and profit in four consecutive years by expanded sales of high quality surveillance camera lenses.



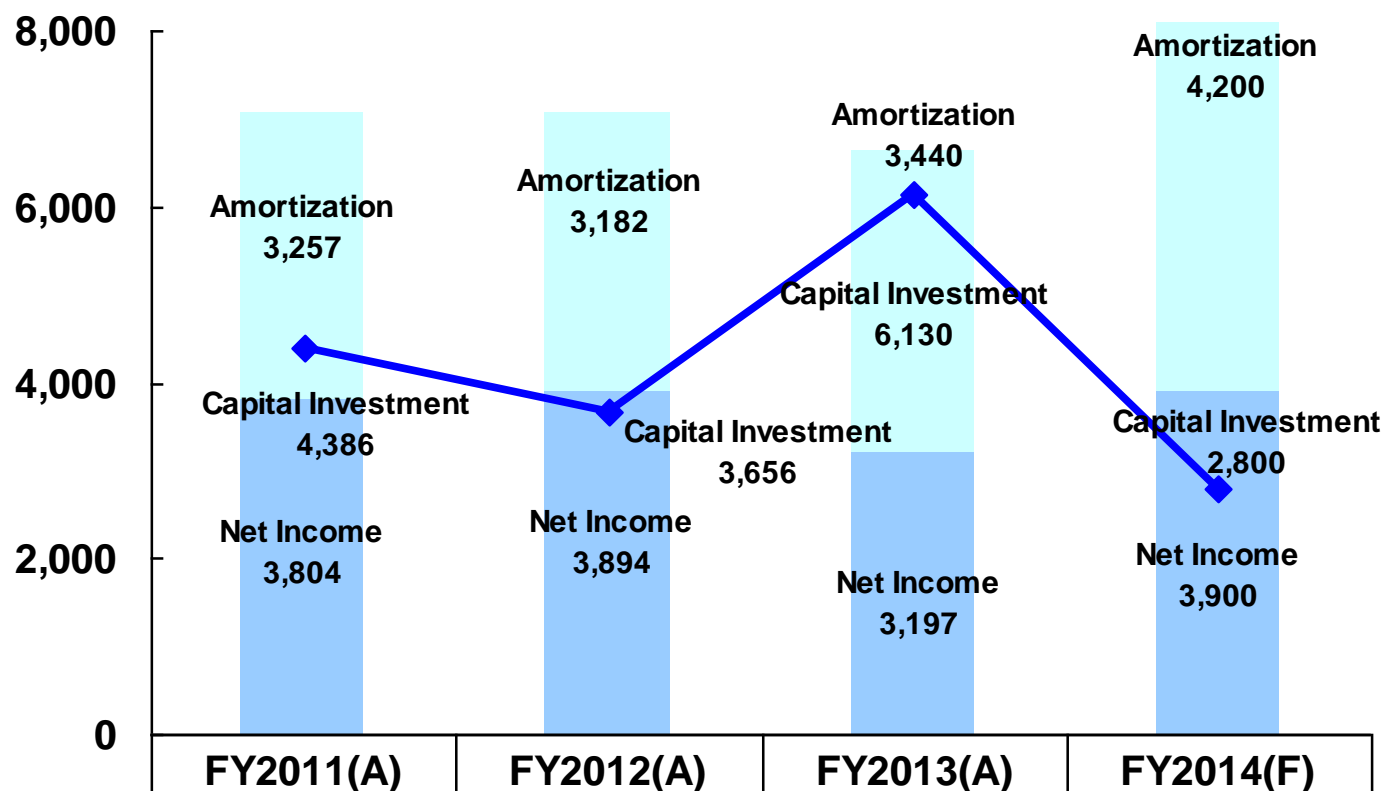
## III. Financial Situation

# Ⅲ-1. Financial Summary

	FY2012 (a)	FY2013 (b)	Change (b)-(a)	Main Factor for Change
<b>Cash and Cash Equivalents</b>	10,822	14,297	3,474	Increase in A/R collection etc.
<b>Notes and Accounts Receivable, trade</b>	15,509	14,898	(610)	
<b>Inventories</b>	12,363	11,055	(1,307)	Positive effect of reduced finished goods (decreased 3 billion Yen when excluding changes in exchange rate)
<b>Other Current Assets</b>	1,516	1,505	(10)	
<b>Fixed Assets</b>	17,846	22,945	5,098	Construction of Vietnam plant and reconstruction of headquarter
<b>Total Assets</b>	<b>58,058</b>	<b>64,704</b>	<b>6,645</b>	
<b>Current Liabilities</b>	14,262	14,144	(117)	
<b>Total Long-Term Liabilities</b>	2,990	3,471	481	
<b>Total Liabilities</b>	17,252	17,616	363	
<b>Total Shareholders' Equity</b>	40,805	47,087	6,282	Increased in retained earnings and adjustment due to changes in exchange rate
<b>Total Liabilities and Shareholders' Equity</b>	<b>58,058</b>	<b>64,704</b>	<b>6,645</b>	
<b>Equity Ratio</b>	<b>70.3%</b>	<b>72.8%</b>	<b>2.5%</b>	

# Ⅲ-2. Capital Investment & Depreciation

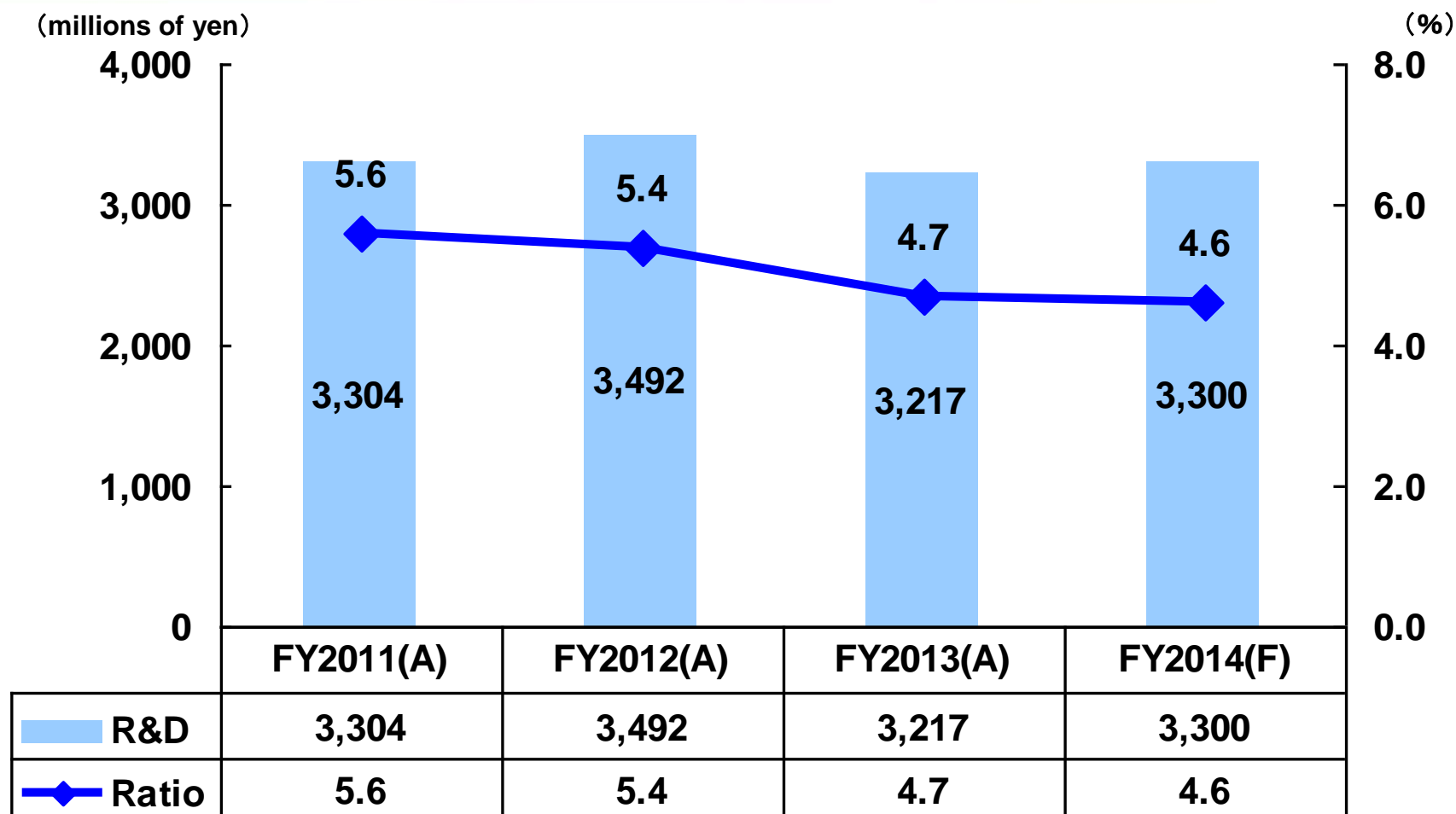
(millions of yen)



Amortization	3,257	3,182	3,440	4,200
Net Income	3,804	3,894	3,197	3,900
Capital Investment	4,386	3,656	6,130	2,800

\* (A):Actual (F):Forecast

# III-3. Research & Development

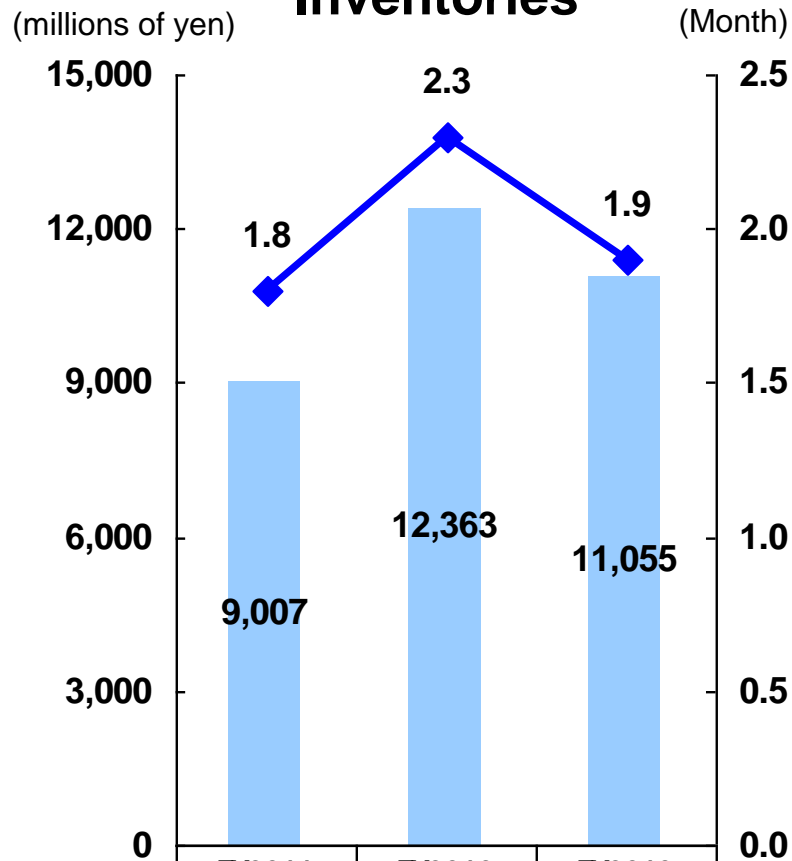


\* R&D cost/Net sales ratio

\* (A):Actual (F):Forecast

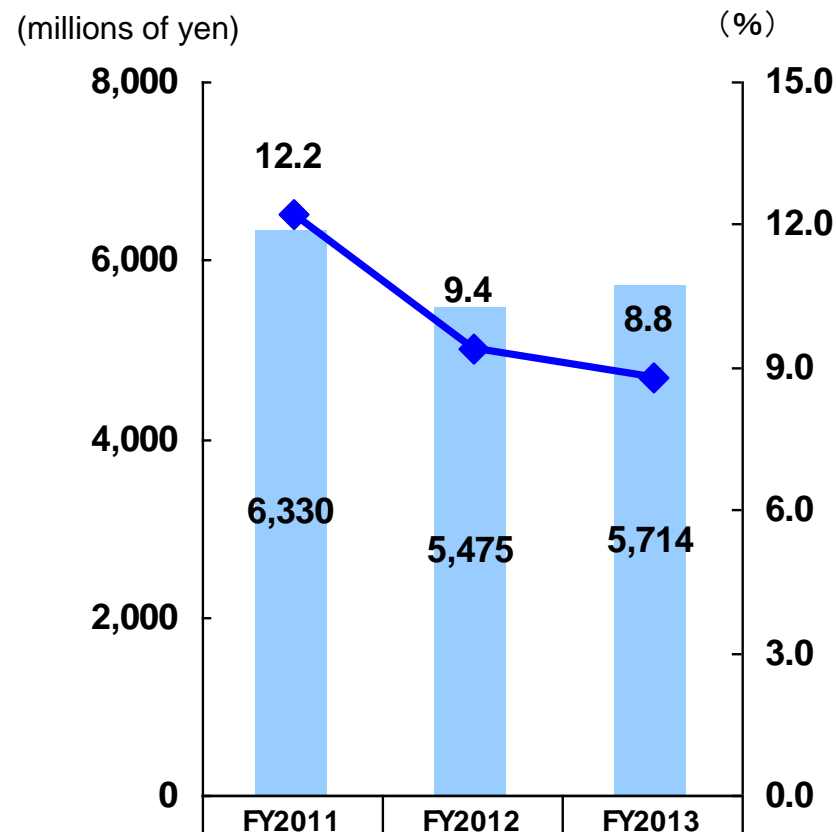
# III-4. Inventories / Liabilities with Interests

## Inventories



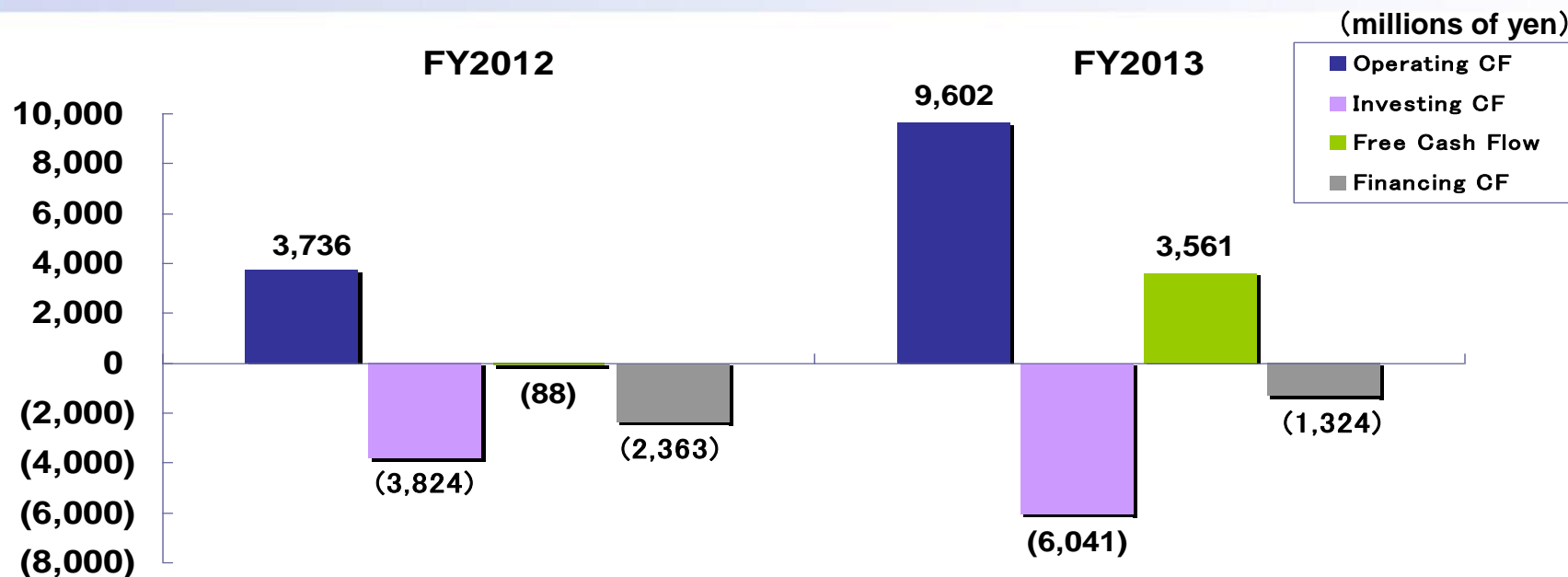
Inventories	9,007	12,363	11,055
Inventory Turnover	1.8	2.3	1.9

## Liabilities with Interests



Liability with Interest	6,330	5,475	5,714
Loan-to-Asset	12.2	9.4	8.8

# III-5. Cash Flow Statement



	FY2012	FY2013
Cash Flow from Operating Activities	3,736	9,602
Cash Flow from Investing Activities	(3,824)	(6,041)
Free Cash Flow	(88)	3,561
Cash Flow from Financing Activities	(2,363)	(1,324)
Cash and Cash Equivalents at Year End	10,822	14,297
Liquidity (Months)	2.02	2.51

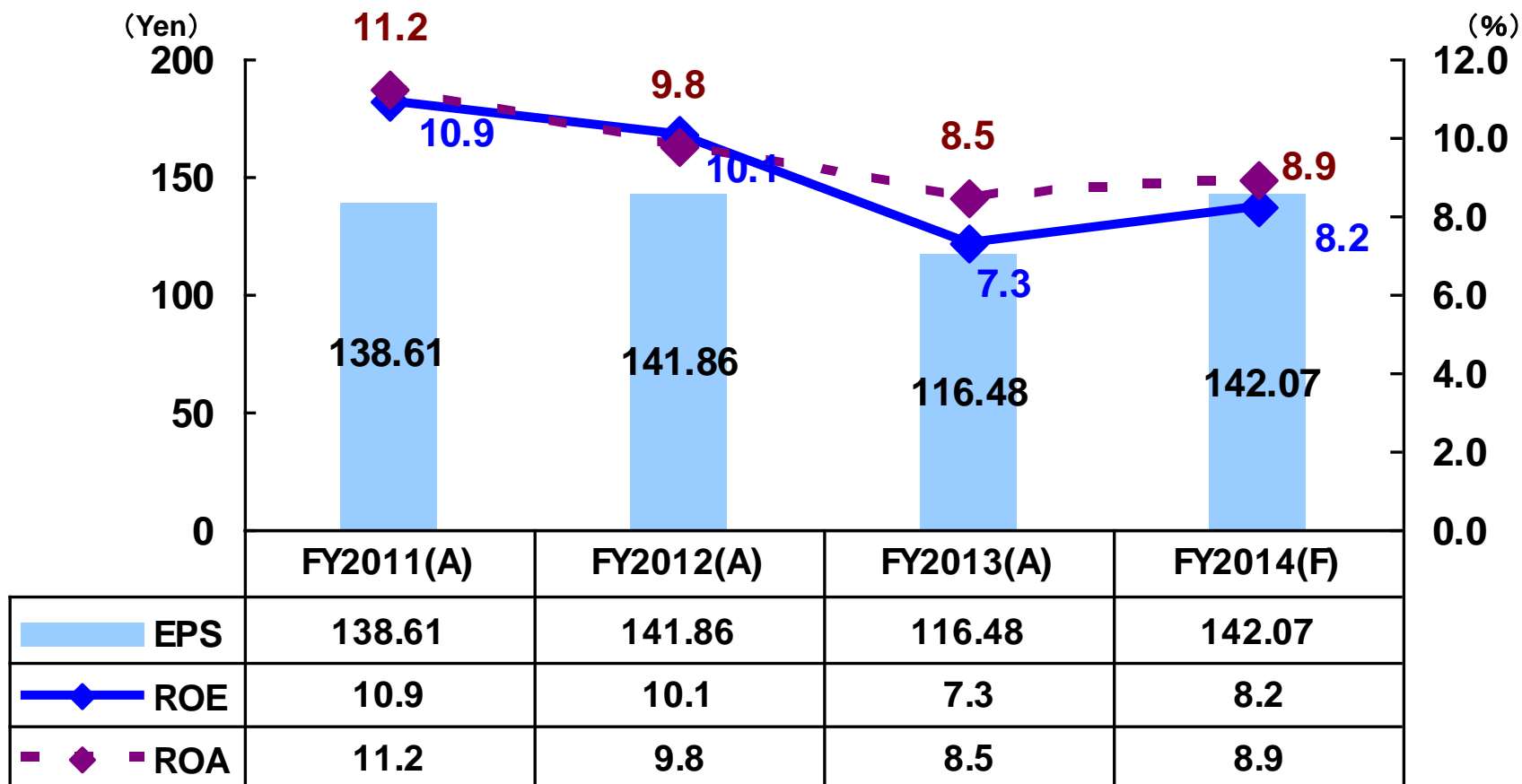
## III-6. Outlook for Cash Dividends

(yen)

	FY2011	FY2012	FY2013	FY2014 (Forecast)
Interim	20.00	20.00	20.00	20.00
Year End	30.00	30.00	30.00	30.00
Total	50.00	50.00	50.00	50.00
Dividend Payout Ratio	36.1%	35.2%	42.9%	35.2%

# Ⅲ-7. Referential Data

## 1) Key Performance Index



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

\* (A):Actual (F):Forecast



## III-7. Reference Data

### 2) Impact of Currency Exchange Rate Fluctuations

#### Actual FY2013

	Exchange Rate		Effect	
	Actual FY2012	Actual FY2013	Net Sales	Operating Income
USD	79.81Yen	97.73Yen	6,400 Million Yen	700 Million Yen
Euro	102.58Yen	129.81Yen	2,500 Million Yen	2,050 Million Yen
Others	-	-	1,350 Million Yen	0 Million Yen
<b>Total</b>	-	-	<b>10,250 Million Yen</b>	<b>2,750 Million Yen</b>

(Impact on FY2013 Actual performance)

#### Forecast FY2014

	Exchange Rate	One yen change impact for FY2014	
	Assumption FY2014	Net Sales	Operating Income
USD	100.00Yen	360 Million Yen	30 Million Yen
Euro	135.00Yen	100 Million Yen	80 Million Yen

# IV. Mid-Term Strategy

# New eyes for industry

## IV - 2. Mid-Term Management Goals for FY2016

**Net Sales : ¥90.0 billion**

**Operating Income : ¥8.5 billion**

(Operating Income ratio 9.4%)

## 1) Photographic Products

**Target: 67.0 billion yen ( 74.4% of total net sales)**

**2016  
Mid-Term  
Target**

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

### Present Products

EISA Award: Double honor for two Lenses in same year



same year



70-200mm F/2.8  
VC USD (Model A009)



90mm F/2.8  
MACRO 1:1 VC USD  
(Model F004)



28-300mm VC PZD  
(Model A010)

### New Product

2/6 Product announcement



High Power Zoom  
16-300mm VC PZD (Model B016)  
2/6 Product announcement



Wide Zoom

### 4 Strategic New Products



Ultra Tele Zoom  
160-600mm VC USD (Model A011)  
12/19 Launch



Standard Category Zoom

## 2) Optical Components

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

**2016  
Mid-Term  
Target**

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



Digital still camera lenses, Camcorder lenses



Original zoom lens



Lenses for Long Wavelength Infrared Cameras

## 3) Commercial / Industrial-use Optics

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

**2016  
Mid-Term  
Target**

- ❖ Strengthened development of security surveillance camera lenses and expansion in global sales network
- ❖ Addition of Mega-pixel and HD compliant lens models to the current portfolio
- ❖ Continued development of automotive camera lens business
- ❖ Commercialization of lenses for video conference systems and traffic surveillance cameras etc.



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



Model M118FM35-II

**Traffic surveillance lens**



**Automotive camera lenses**

# IV-4 . Enhanced Production System

## Vietnam—Started operation in July, 2013



Category	Current situation
Number of Employee	200 (July, 2013) ⇒ 460 (Jan, 2014)
Processing	Lens Element, Metal, Assembly
Production Capacity Production Model	20,000 pcs per month B008/A14/A16

### Lens Element Processing



### Metal Processing



### Assembly Lines



## IV-5. Issues on Mid-to Long-Term Management

1. Enhancing corporate governance based on CSR management system coupled with internal control and risk management.
2. Aiming at shortening the lead time from development to production launch.
3. Boosting sales of our own-branded interchangeable lenses by developing innovative new products and enhancing brand recognition
4. Materializing further cost reduction to meet demand increases by defining role of each production facility.
5. Facilitating new business development by collaborative relationship management with third-party partners, expanding the scope of “New eyes for industry”
6. Accelerating activities in core technology development revolving around optics and taking proactive stance in IP strategy.



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