

Tamron Co., Ltd.

2nd Quarter FY2024 Financial Results Briefing

On Thursday, August 8, 2024 at 16:00-17:00

### **[Main Questions and Answers]**

**Q1. What is your view about the durability of the positive conditions in the overall digital camera market? Are there any differences between countries?**

**A1.** We see that the digital camera market has bottomed out. After the easing of COVID-19-related restrictions, people became more active around the world and consumer sentiment improved. Looking to the future, we expect that sales quantity will drop slightly due to a contraction in conventional DSLR cameras and that sales in value terms will continue to rise at a moderate pace because of a surge in unit prices due to the shift to mirrorless cameras.

Our performance during the first half shows that sales were weak in the Americas and in Europe. Sales achieved double-digit growth in China, Japan and Southeast Asia. We feel that performance was strong in Asia.

**Q2. I hear that your Canon RF mount lens will be released within 2024. More specifically, when is the release date and what sales do you expect? I imagine that you did not include sales of Canon RF mount models for the forecast for next year and for the year after that. What contribution to net sales do you expect from them? Will we be able to expect final sales to be comparable in scale to those of lenses for Sony mounts?**

**A2.** We are unable to disclose the month of release of our first RF mount model, but we are gearing up for the selling season at the end of year. We foresee that it will have little positive impact on sales for the current fiscal year. For the next year and beyond, we will accelerate releases of RF mount models. In the camera market, Canon and Sony hold substantial market shares. We hope that the Canon mount models will achieve growth that is comparable to that of the Sony mount ones.

**Q3. Did the weakening of the yen bring about differences in prices of interchangeable lenses between Japan and overseas? Camera manufacturers increased prices of their products, including existing models. Is TAMRON also thinking of raising prices of your conventional models?**

**A3.** At this point, we are not planning to increase prices of our existing products on the grounds of a weaker yen. In the future, we will incorporate rising raw material prices and personnel expenses into prices of new models. With respect to prices in Japan and overseas, we will aim to set globally uniform prices, although actual prices may not be perfectly uniform.

**Q4. You mentioned that performance in Photographic Products was brisk in China for the first half. I feel that this is not consistent with business confidence in that country. What is behind the briskness in photographic lenses, despite the weak Chinese economy?**

**A4.** Globally, the main purchasers of photographic cameras and lenses are in their thirties, forties and fifties. In China, many purchasers are in their twenties. These young people are eager to make purchases and have the capacity to do so. In China, social media is popular. We see that those who are not satisfied with smartphones tend to buy cameras and lenses for photos they upload to social media.

**Q5. In the Photographic Products Business, sales of OEM products doubled. Will this strength be temporary or will it persist for some time?**

**A5.** That depends on our clients, and we are unable to give a definitive answer. However, brisk sales continued from the fourth quarter of 2023 to the first half of 2024. We foresee that demand will ease in the second half.

**Q6. Why did you choose to design your very first Canon RF mount model for APS-C cameras, rather than for full-size models? You said you would accelerate releases of RF mount models. Will they differ from orthodox models like Sony mount models for full-size cameras?**

**A6.** There are a large number of lenses for APS-C cameras among the lenses that are in widespread use. Our choice was based on the thinking that we would be able to offer such lenses to a large number of customers at affordable prices. We are unable to disclose information on the future expansion of product specifications.

**Q7. The introduction of new products is gathering momentum in Photographic Products. I imagine that there is little concern about an overall market slowdown, but there could be some years in which the market may stall. To what extent can you manage the pace of product introduction? My view is that seven releases per year is a benchmark at present. Will it be possible to increase the number of releases depending on the timing? How many products do you have the capacity to release? When will the lineup be complete?**

**A7.** We announced that we would develop seven models for the current fiscal year. We aim to develop around 10 models per year in the medium- and long-term future. The lineup is still incomplete. For example, it lacks a single-focus model. From a medium-term perspective, we will strive to achieve a full lineup. After that, we will replace it with a second generation and then with a third one to stimulate demand.

**Q8. You say that you will aim to release 10 new models per year. Among the existing products, you have some commercially successful interchangeable lenses for the Sony mount. You may possibly remodel them into products for the Canon mount. Will this approach shorten the development schedule?**

**A8.** Given that the same metal molds and lens parts can be used, the development period will be shorter to some extent than developing a new model from scratch.

**Q9. If the products are upgraded to a second or third generation, will the sales per model shrink? Or is it hard to say since it depends on the product plan?**

**A9.** Your latter interpretation is closer to our understanding. With respect to product planning, we aspire to introduce unique lenses to the market. Take for example the three much-loved lenses, namely the standard, wide-angle and ultra-telephoto lenses. Their focal lengths and f-stops are fixed to some extent. However, we hope to provide some unique and user-friendly lenses, like Model A063, which has special features for the focal length as well as reduced size and weight. We have no concern about sales per model dropping sharply at some point.

**Q10. You explained that first-half sales of OEM products in the Photographic Products business jumped 96%. What was the increase on a quantity basis? Will you also explain it in comparison with the market?**

**A10.** On a quantity basis, sales grew around 50%. Since market growth was slower than that, we can say that our OEM products performed very well. The figure was weak for the first half of last year, especially for the first quarter. This lowered the level of difficulty and helped achieve a high sales growth rate.

**Q11. Will the rate of growth in sales quantity in the market be comparable with that of TAMRON's OEM products in the long run?**

**A11.** We expect that their trends will move closer to each other in the long run. However, a time lag may occur depending on the timing of receiving orders and on the timing of starting mass production. Therefore, they will not be completely identical.

**Q12. TAMRON now has a new management team under its new president & CEO Shogo Sakuraba. I am very impressed by the point that you achieved not only sales growth but also profits while focusing on improving profitability and on research and development in new businesses. What changed after the new regime started? What changes do you perceive in the internal atmosphere?**

**A12.** After he became president and CEO, Mr. Sakuraba had several messages for employees. One was that he aimed to create an open atmosphere in the company. Another was that he aspired to build a company with job satisfaction. To the employees, he presented a set of four aspirations. First, he hoped that individual employees will display their creativity and find their job rewarding. Second, the company will evaluate employees' achievements fairly. This includes salaries and appointments. Third, he hoped that employees will value human relationships and communication. And fourth, he hoped that employees will take care of the physical and mental health essential to humans. We understand that the company will provide job satisfaction when these four aspirations are fulfilled.

**Q13. What is your stance on incubation of new businesses? I suppose that TAMRON now generates a profit even without new businesses because the Photographic Products business is stronger than it used to be. What actions do you think will be needed, such as M&A and corporate venture capital (CVC) with an eye to the future?**

**A13.** In 2016, we launched a research and development section, and we have developed unprecedented optical technologies in a bid to embark on new businesses. While M&A and open innovation are important, what is still at the heart of our operations is optical technologies. We believe that we will be unable to create any business without developing a technology peculiar to TAMRON. We have approximately 30 technology subjects that are already under development. Some of them are now in the marketing phase. We firmly remain centered on optical technologies. We see M&A and other actions as means of making partnerships requisite to commercialization. In line with our shift from *Imaging* to *Measuring*, we will discover light sources, new technologies in the domain of measuring, including light sources and spectrometry, in a bid to develop new businesses.

**Q14. The financial forecast for FY2024 has been revised to the present figures, which are higher than those in the Medium-Term Management Plan. Are you considering revising the Medium-Term Management Plan?**

**A14.** Usually, we formulate medium-term management plans for fixed three-year periods and not in a rolling format. However, in light of the results for the current fiscal year, we will consider revising the plan.

**Q15. I imagine that the automotive lenses business foresees future orders, but according to the forecast after the revision, sales are expected to be lower for the second half than for the first. What is behind this?**

**A15.** For the first half of 2024, several hundred million yen worth of sales were deferred from the end of 2023 at the beginning of the fiscal year. And the net sales forecast for the second half was premised on the yen being stronger than in the first half. If these factors are disregarded, net sales will be almost the same for both halves of the year and performance is healthy.

**Q16. You explained that the gap between the first and second halves in sales and profits in Mobility & Healthcare and in Others is due partly to the impact of foreign exchange rates. Do you estimate that there would be little gap in sales and profits between the two halves if the foreign exchange rate turns out to be unchanged?**

**A16.** Sales are as we presented earlier. As for profits, we steadily cut costs in the first half because sales volume was high. For the second half, it is possible that we may fail to advance a cost reduction, and cost cutting is hardly taken into account in the forecast. In addition, we expect to incur expenses for new businesses. Therefore, profits are projected to be lower in the second half than in the first.

<Note>

This material is provided as a reference material for the convenience of those who were unable to attend the financial results briefing. Please note that its content is not an exact copy of what was discussed in the event but that it is a summary made at our discretion.

This material includes forward-looking statements such as financial forecasts. Please note that forward-looking statements are based on information that was available at the time of making them and on certain assumptions that we deem reasonable and actual results may differ materially for various reasons.