

Tamron Co., Ltd.
FY2024 Financial Results Briefing
Friday, February 7, 2025, at 16:30-17:30

[Main Questions and Answers]

Q1. For the first year of your Medium-term Management Plan, you achieved your targets by a large margin. What were the factors behind this performance? Were there any areas where you did not make as much progress as expected?

A1. There was an increase in demand in the OEM Products business under Photographic Products, and in the Automotive Lenses business under Mobility & Healthcare, leading to a significant increase in net sales. Camera modules under Surveillance & FA Lenses also performed strongly, and we were also able to pursue improvements on the profit front. These were the main factors in our strong results. If I had to point out one area that did not go as well as planned, it would be Own-Brand products under the Photographic Products segment. We saw strong performance overall, but in Europe and the United States where we had anticipated a recovery, the sluggish conditions persisted.

Q2. Are there any areas where you are currently seeing promising potential in terms of the launch of new businesses?

A2. One of those areas is in a thermal emitter with meta surface. We are trying to make them more compact, energy-efficient and durable than other light sources that are available, and we are targeting the healthcare, agriculture and food industries. Another area is optical communications. This is a promising field that enables communication between space and the ground using lasers, while leveraging optical technologies to convert light into data.

Q3. Your results in the fourth quarter were largely in line with expectations, but compared with the third quarter, the decline in sales and profit in the Photographic Products Business in particular had a major impact, leading to a decline in sales and profit overall. What factors were behind this?

A3. This was mainly due to a decline in sales of OEM products in Photographic Products Business. In the third quarter we shipped a lot of OEM products to customers in preparation for the fourth quarter, year-end shopping season, so there are seasonal factors causing sales to drop off in the fourth quarter. On the profit front, in addition to the decline in gross profit due to this decline in sales, we have also recorded an impairment loss on stagnant inventory due to changes in accounting policy. Other factors contributing to the decline in profit included increased advertising expenses, increased R&D expenses due to progress in development, increased employee bonuses in light of strong performance over the full year, and increased SG&A expenses driven by office improvements and other measures to prepare for the future.

Q4. For launches of new Own-Brand products in the Photographic Products segment, you raised your target pace to 10 lenses per year by 2026, but in 2024 you launched seven lenses for the year, one more than initially planned. Will the number increase in 2025?

A4. In 2025 we are looking around six new lenses. To elaborate on this, the RF mount lens for Canon that was released at the end of 2024 was initially slated for an early 2025 release, but since the release was brought forward, last year we ended up releasing seven lenses from the year, up from the initial plan for six.

Q5. How do you view the interchangeable lens market in 2025?

A5. On a volume basis we expect the market to remain flat, while on a value-basis we project a slight increase due to strong performance with high-value-added products.

Q6. What is your 2025 outlook by region for Own-Brand products in the Photographic Products segment?

A6. On a local currency basis, in 2024 Europe and the United States showed sluggish performance and our plan is to recover by 10% year on year. In distributor regions such as China and Asia, where there were year-on-year gains of about 20% in 2024, we plan to achieve growth of around 5% respectively, in part due to the high bar that was set in 2024. In Japan we saw a year-on-year increase of more than 20% for 2024, and since we saw a slight lull in the fourth quarter in 2024, we are targeting a 10% year-on-year increase in 2025. As we struggled in Europe and the United States in 2024, we will devote various resources in 2025 to regain momentum and recover.

Q7. With OEM products in the Photographic Products segment, you achieved significant gains that exceeded the growth of the market in 2024. I believe there are concerns of a reactionary decline in 2025. In 2025 you expect performance to remain on par with 2024, but is there cause for concern about a reactionary decline in 2026? Can we expect stable orders to continue?

A7. As with our plan for 2025, we expect performance to remain steady in the new medium-term plan for 2026. We will strengthen our relationships with customers and continue with stable order activities going forward.

Q8. Unlike 2024, in your plan for the Photographic Products Business in 2025 you expect sales and profit to increase more in the second half of the year rather than the first half. This may be due to inherent seasonal factors, but what explains the different balances between the first half and the second half of the year from 2024?

A8. As you are aware, usually there are seasonal factors at play, where performance improves in the second half of the year as we head into the year-end shopping season. But in 2024, performance was very strong in the first half of the year in part due to a brisk OEM products market. We therefore expect a decline in the first half of 2025 due to the absence of those factors, with sales picking up significantly in the second half of 2025. Note that with our Own-Brand products, as with 2024 our goal for 2025 is to increase sales in both the first half and the second half of the year.

Q9. Over the past few years SG&A expenses have tended to be higher in the second half of the year, with more cases of profit being recorded in the first half. In 2025 will there be changes in the balance of how SG&A expenses are apportioned and profit is generated between the first half and the second half of the year?

A9. SG&A expenses tend to be higher in the second half, but in part due to rising personnel expenses and other factors, we expect increases in both the first half and the second half. Therefore, as with the trend in sales, profit will also tend to be higher in the second half. Also note in the first half, the extent of the decline in profit will appear large due to the significant impact of lower OEM product sales and increased expenses during a phase of sales decline, but for the full year, excluding foreign exchange effects, we plan to diligently pursue near-2-digit increases in both sales and profit.

Q10. How do you view the impact of President Trump's tariff policies? Will there be a significant impact if tariffs on Chinese imports are raised?

A10. An increase in tariffs on China will have some impact, but we dealt with the higher tariffs on China during the previous Trump administration, and since that time we have been gradually shifting production of the components that would be impacted from China to Vietnam. Own-Brand products in the Photographic Products segment are particularly susceptible to tariffs, but few of these models are still being produced in China. Roughly 85% of production has already been shifted outside China to Vietnam and Aomori, so the impact would be minor.

<Note>

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