

FY2020 Financial Results

TAMRON
Focus on the Future

February 9, 2021
Tamron Co., Ltd. (Code: 7740)

Tamron Co., Ltd.

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I . Mid-Term Management Plan

I - 1 . Results of Mid-Term Management Plan FY18-FY20

Mid-Term Management Plan FY18-FY20

	Actual FY17	Target FY20	1st year	2nd year	Final year
Sales	¥60.5B.	¥72.0B.	¥61.8B.	¥63.3B.	¥48.4B.
Operating Income	¥4.2B.	¥6.6B.	¥5.4B.	¥7.0B.	¥3.6B.
(% Sales)	7.0%	9.2%	8.8%	11.0%	7.4%
ROE	5.8%	More than 9%	8.6%	10.1%	3.9%
			1USD = 110.45JPY 1EURO = 130.38JPY	1USD = 109.04JPY 1EURO = 122.06JPY	1USD = 106.77JPY 1EURO = 121.92JPY

⇒ **Operating Income, Operating Income ratio and ROE FY19 achieved the Target FY20 one year ahead of the schedule.**

- Photographic Products business increased its profitability more than expected.
- Improved ROE by increasing profitability and efficiency.
- Implemented capital strategy in Mar. FY20.

⇒ **Slump in the final year due to the impact of COVID 19.**

- Even though the sales forced to declined due to significant shrank of Digital camera markets, kept the certain profit level by improving the corporate structure.
- Automotive lens business sales glowed to 4.0 billion yen. (2.6 billion yen in FY17)

I - 2 . Role of New Mid-Term Management Plan "Vision23"

New Mid-Term Management Plan "Vision23" has begun

~Basic Policy~

- ◆ Promote investment and distribute resources for significant progress.
- ◆ Establish a business foundation for sustainable growth.

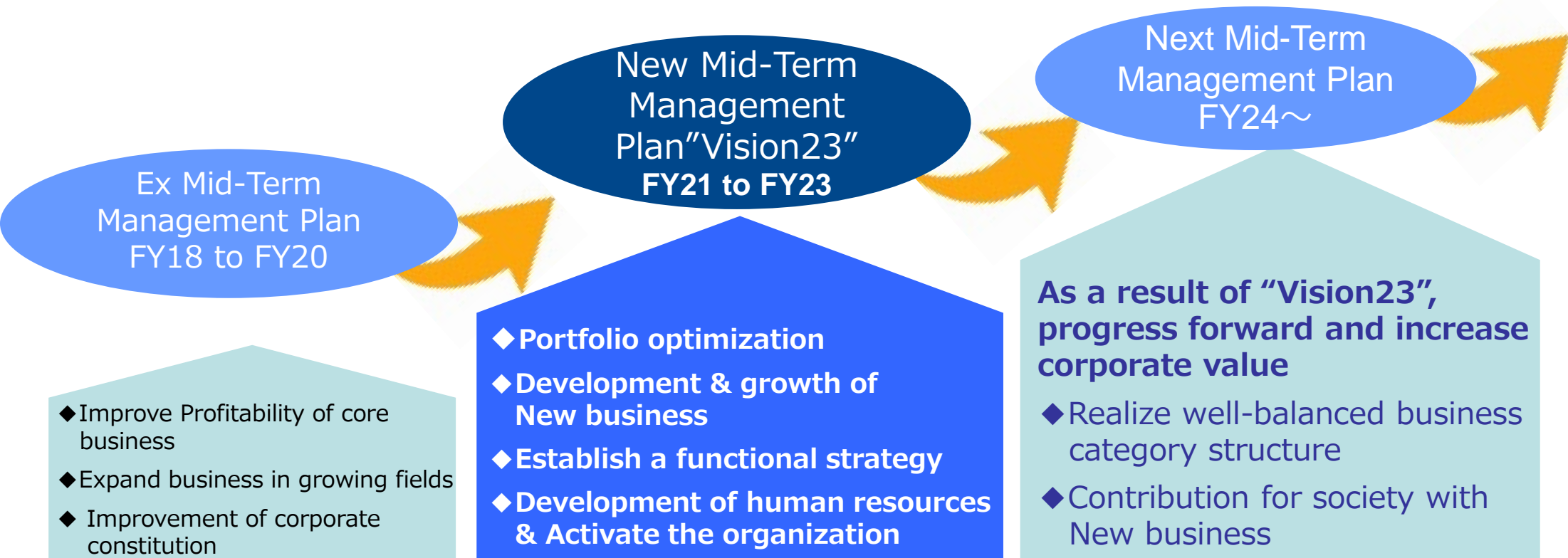
Long-Term Vision

Target:

To be a Company respected and needed by society

Aiming to

- ◆ be a Good Company
- ◆ increase Tamron Brand awareness
- ◆ be a company that feels rewarding to work



I - 3 . Basic Strategy of "Vision23"

Business Strategy

Optimization of the business portfolio ⇒ Change of disclosure segment

Photographic Products

- ◆ Keep high profitability as a core business
- Expand lineup with focusing on mirrorless lens.
- Quick conform to new format.
- Increase in-store share in OEM

Surveillance & FA Lenses

- ◆ Increase sales and profits as the second core business
- Expand New technology business(include SWIR) and module business to establish a position in the huge Chinese market.
- Start OEM business in FA lenses and increasing market share.

Mobility & Healthcare Products, Others

- ◆ Launch of next-generation core business
- ◆ Launch of New Category business
- Strengthen Automotive sensing business and develop new costumers.
- Get on track medical business and expand share in healthcare market.

Function Strategy

Production / Procurement

- Reform of production system.
- Promoting of "Smart Factory"
- Increase automation, in-house production, local procurement and narrow down of suppliers.
- Accumulation of high-precision machining and production technology.

Marketing / Sales

- Evolution of the marketing function by taking advantage of global sales network.
- Transform each sales company to operate autonomously.
- Discover global needs and strengthen cooperation between groups.

R&D

- Advancement of optical and elemental technologies
- Increase productivity and quality of product development
- Excavation of seeds and strengthen its development
- Utilization of open innovation

Strengthen management resources for improving corporate value

Financial structure
/ Strategic Investment

IT Renewal
/ DX Promotion

Human resource
/ human management system

ESG

Establish a
business
foundation
for
sustainable
growth

I - 4 . Financial Target of "Vision23"

New Financial Target FY21-FY23

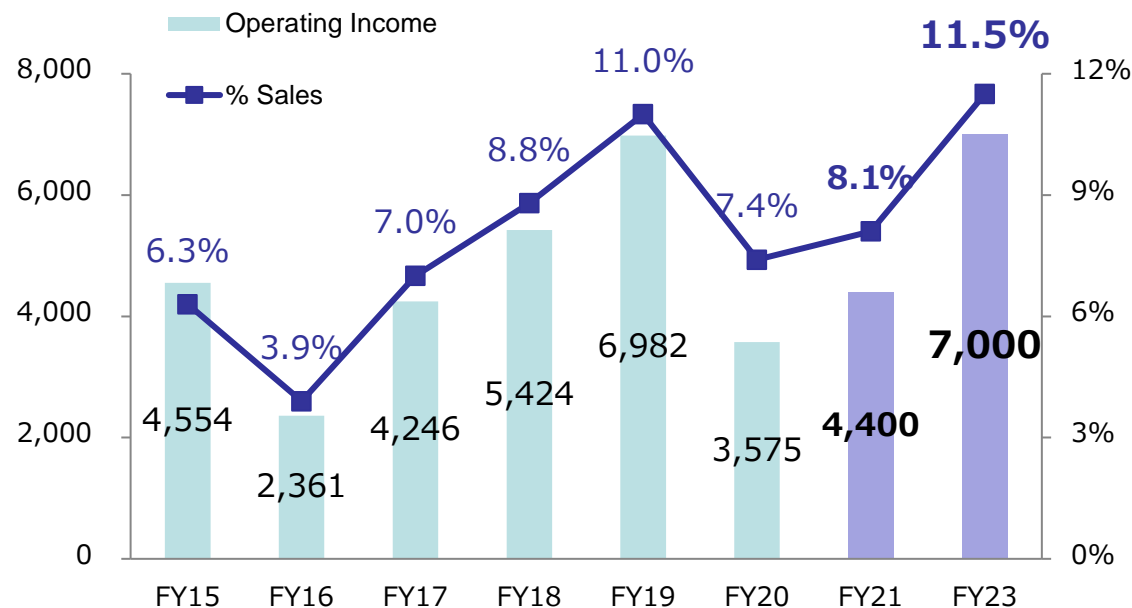
(Consolidated)	Actual FY20	Target FY23
Sales	¥48.4B.	¥61.0B.
Operating Income	¥3.6B.	¥7.0B.
(% Sales)	7.4%	11.5%
ROE	3.9%	More than 9%

※assumption of Exchange rate

1USD=105JPY
1EURO=123JPY

(millions of JPY)

Aim for V-shaped recovery to the same level to before-corona-infection era

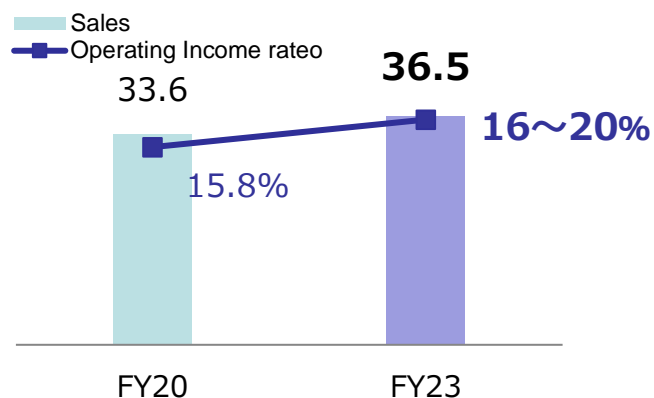


Investment	Total Amount FY21-FY23	Return Policy	
Capital Investment	¥10.0B.	Cash Dividends	Keep Stable Dividend with Dividend Payout ratio around 35%
R&D Expenses	¥15.0B.		

I - 5 . Target of "Vision23" by Segment

Photographic Products

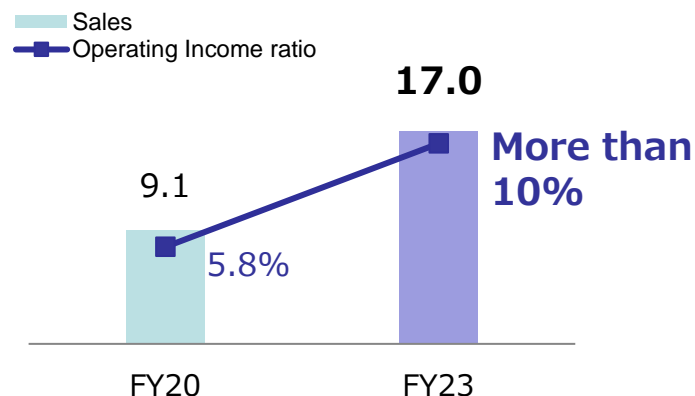
	Actual FY20	Target FY23
Sales	¥33.6B.	¥36.5B.
Operating Income ratio	15.8%	16~20%



Sales by Category	FY20	FY23
Own-Brand products	¥21.4B.	¥21.0B.
OEM products	¥12.2B.	¥15.5B.

Surveillance & FA Lenses

	Actual FY20	Target FY23
Sales	¥9.1B.	¥17.0B.
Operating Income ratio	5.8%	More than 10%



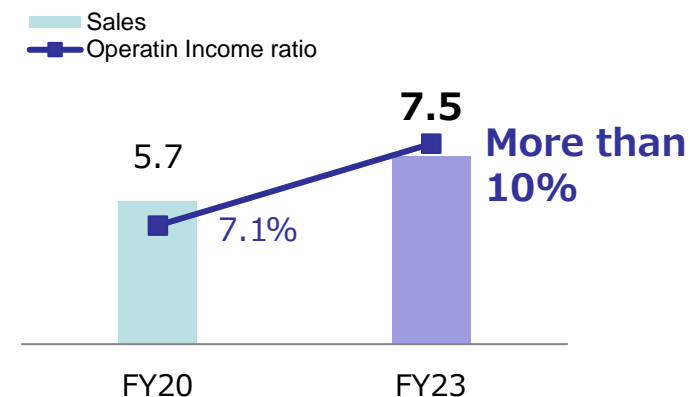
◆ **Planned Surveillance & FA Lenses sales increase 190%, Mobility & Healthcare, and the other business sales increase 130% from FY20.**

⇒ **Planned the sales composition to be about 40% of all sales in Tamron.**

◆ **Planned over 10% Operating Income ratio in each business of the segment**

Mobility & Healthcare Products, Others

	Actual FY20	Target FY23
Sales	¥5.7B.	¥7.5B.
Operating Income ratio	7.1%	More than 10%



Sales by Category	FY20	FY23
Automotive Lenses	¥4.0B.	¥5.6B.
Drone Lenses	¥0.6B.	¥0.7B.
Health Care	¥0.2B.	¥0.7B.
DSC/VC	¥0.8B.	¥0.4B.
Others	¥0.1B.	¥0.1B.

II. FY2020 Financial Results

II - 1 . FY2020 Summary

【Business Environment】

- Economic Situation: Although the world economy recovered in the 2nd half from the sharp drop in the 1st half, it remained sluggish.
- Market Situation: Digital SLR camera market **significantly decreased from the previous year** due to continually downward trend in demand and the impact of the spread of COVID19; Purchasing opportunities declined due to store closures, travel and going out restrictions and cancellation of various events around the world.

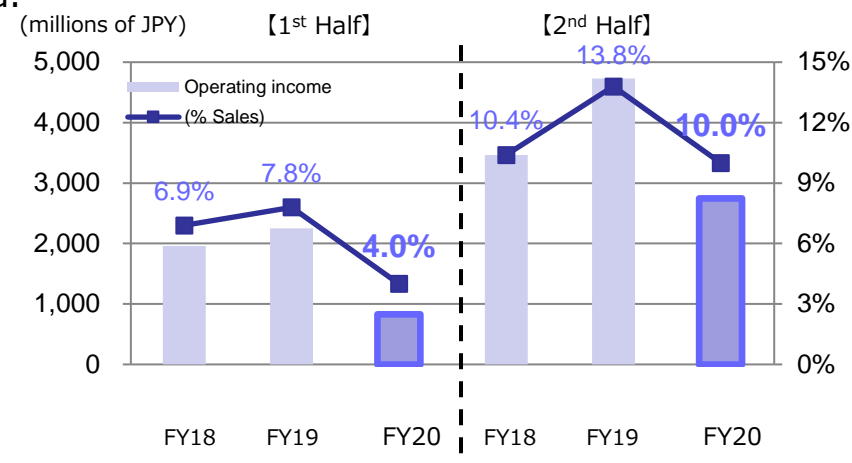
(FY2019 Comparison)

- Interchangeable lens camera; down by 37% in amount base, down by 25% in money base
- Interchangeable lenses; down by 37% in amount base, down by 31% in money base
- Lens integrated camera; down by 47% in amount base, down by 41% in money base

【Company's Results】

- **Sales decreased by 15 billion yen from the previous year** due to drastic decline of the digital camera markets; The sales decline related to digital cameras was 13.5 billion yen.
- Some of operations at domestic plant continually closed due to a sharp decrease in demands.
- **Operating income halved** due to significant decreased sales of 20% or more compare to previous year, but **operating income ratio kept 7% level**.
- Although sales and profits decreased in the 2nd half from the previous year, sales showed increase by 30% compare to 1st half and operating income ratio recovered to 10% level.

【Operating Income by Semiannual】



II-2. FY2020 Financial Results

- Although the sales did not achieve the forecast, the profits (both operating income and ordinary income) achieved two-digit-increase compare to the forecast.
- Implemented personnel optimization at domestic plant (voluntary retirement recruitment).
⇒Net income decreased due to extraordinary loss. (released on 16th, Dec.)

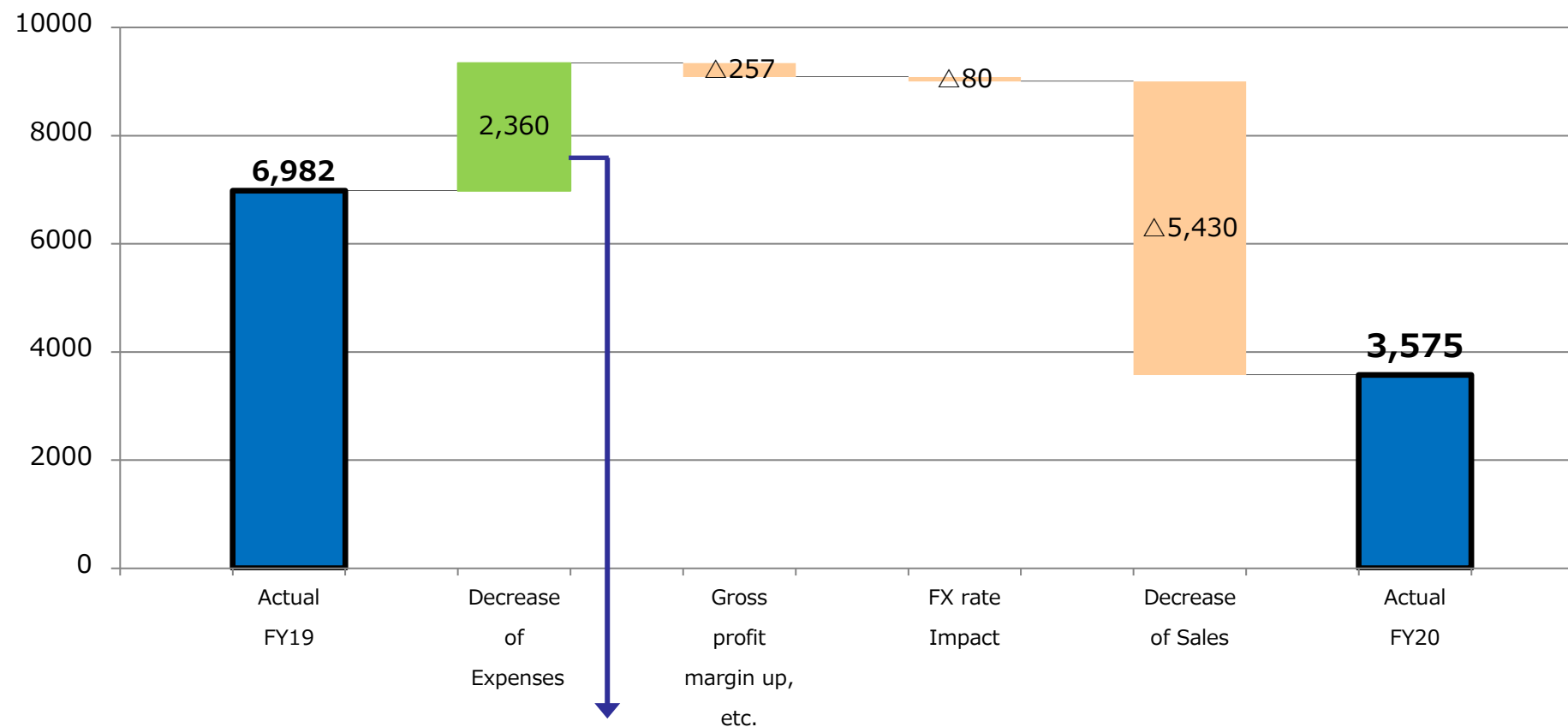
(millions of JPY)

	Actual FY19 (a)	Revised Forecast FY20(20/8/4) (b)	Actual FY20 (c)	Inc / Dec		Inc / Dec	
				(c)-(a)	%	(c)-(b)	%
Net Sales	63,285	55,000	48,375	(14,910)	(23.6)%	(1,624)	(3.2)%
Gross profit	24,229	–	18,370	(5,859)	(24.2)%	–	–
(% Sales)	38.3%	–	38.0%	(0.3)%	–	–	–
Operating Income	6,982	2,800	3,575	(3,407)	(48.8)%	775	27.7%
(% Sales)	11.0%	5.6%	7.4%	(3.6)%	–	1.8%	–
Ordinary Income	7,403	3,100	3,750	(3,652)	(49.3)%	+650	21.0%
(% Sales)	11.7%	6.2%	7.8%	(3.9)%	–	+1.6%	–
Net Income	5,330	2,220	1,958	(3,371)	(63.3)%	(261)	(11.8)%
(% Sales)	8.4%	4.4%	4.0%	(4.4)%	–	(0.4)%	–
JPY – 1 USD	109.04	107.60	106.77	(2.27)	–	(0.83)	–
JPY – 1 Euro	122.06	119.70	121.92	(0.14)	–	2.22	–

- Impact of foreign exchange compare to previous year; sales -¥730 million, operating income -¥66 million

II-3. FY2020 Performance Variation Factors

(Millions of JPY)



Advertising and Sales Promotion Expenses	(490) M JPY	(36)%
Travel Expenses	(270) M JPY	(70)%
Research & Development Expenses	(560) M JPY	(11)%

※FY20 Comparison

II-4. FY2020 Results by Segment

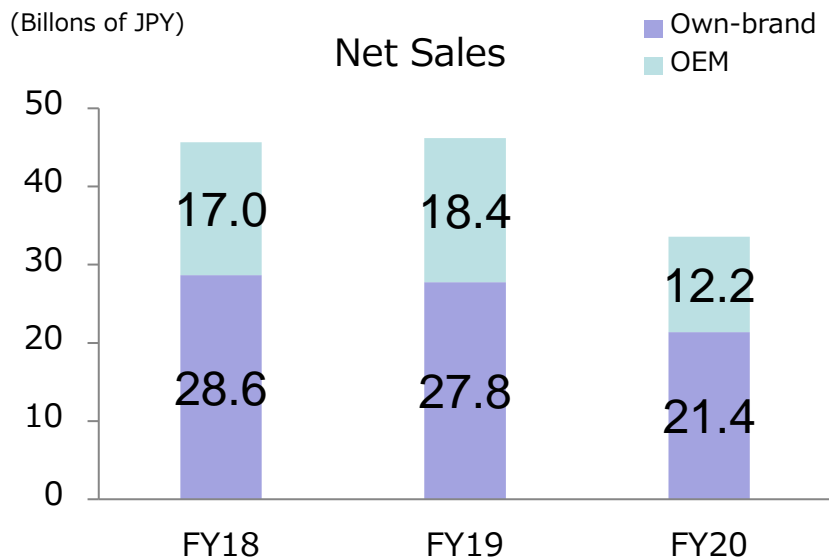
1) Photographic Products

(millions of JPY)

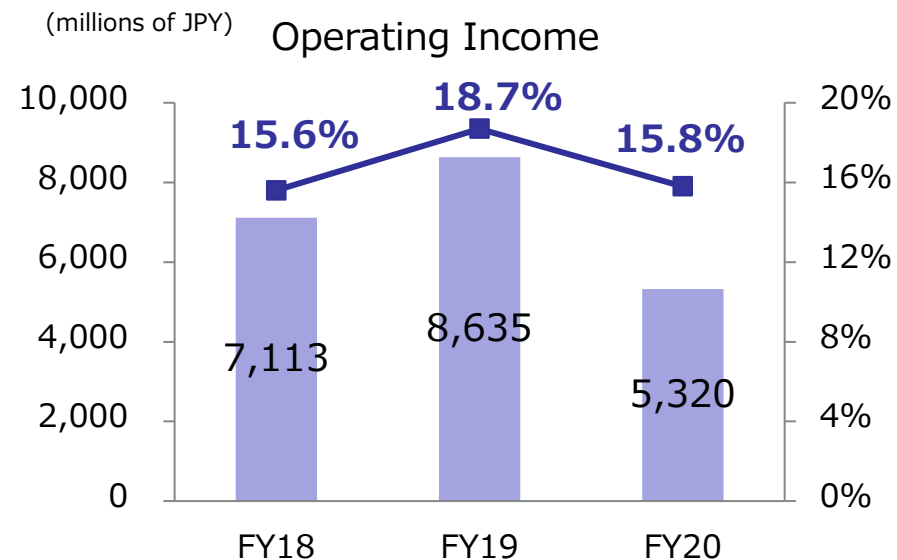
	Actual FY19 (a)	Revised Forecast FY20(20/8/4) (b)	Actual FY20 (c)	Inc / Dec		FX Impact vs. FY19	Inc / Dec	
				(c)-(a)	%		(c)-(b)	%
Net Sales	46,175	34,200	33,569	(12,605)	(27.3)%	(490)	(630)	(1.8)%
Operating Income	8,635	4,700	5,320	(3,315)	(38.4)%	(90)	620	13.2%
(% Sales)	18.7%	13.7%	15.8%	(2.9)%	—	—	2.1%	—

- With the newly launched mirrorless models, total sales of the own-brand stopped decline less than the market decline.
- Although sales decreased by 30% from the previous year, operating income ratio kept 15% level.
- Sales did not achieve the forecast, but **the operating income achieved the forecast** due to the higher gross profit margin, together with the lower SGA expenses.

(Billions of JPY)



(millions of JPY)



Photographic Products - New Models

Category		Launched in 2018	Launched in 2019	Launched in 2020
Mirrorless	Fixed Focal		Launched in Dec.  Launched in Dec.  24mm F/2.8 OSD M1:2 (F051) 35mm F/2.8 OSD M1:2 (F053)	Launched in Jan.  20mm F/2.8 OSD M1:2 (F050)
	Wide-angle Zoom		Launched in Jul.  17-28mm F/2.8 RXD (A046)	
	Standard Zoom	Launched in May.  28-75mm F/2.8 RXD (A036)		
	Telephoto Zoom			Launched in May.  Launched in Oct.  70-180mm F/2.8 VXD (A056) 70-300mm F/4.5-6.3 RXD (A047)
	All-in-one Zoom			Launched in Jun.  28-200mm F/2.8-5.6 RXD (A071)
DSLR		Launched in Apr.  70-210mm F/4 VC USD (A034)	Launched in May.  35-150mm F/2.8-4 VC OSD (A043)	
		Launched in Sep.  Launched in Sep.  17-35mm F/2.8-4 OSD (A037) SP 15-30mm F/2.8 VC USD G2 (A041)	Launched in Jun.  SP 35mm F/1.4 USD (F045)	

II-4. FY2020 Results by Segment

2) Optical Components

(millions of JPY)

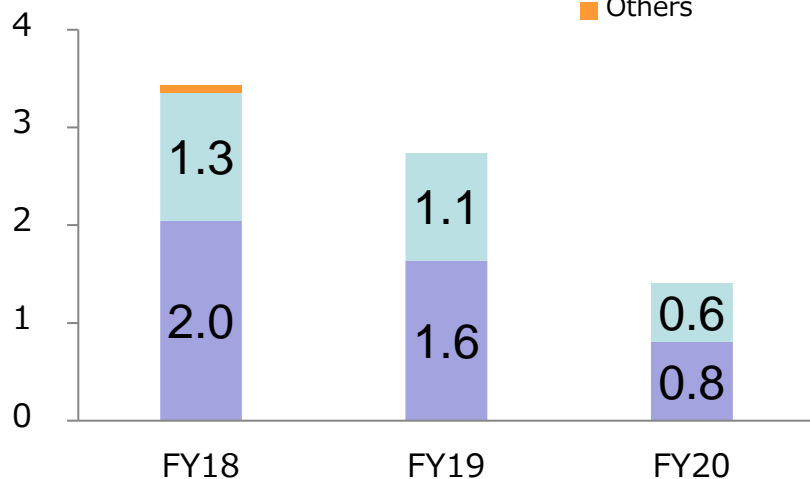
	Actual FY19 (a)	Revised Forecast FY20(20/8/4) (b)	Actual FY20 (c)	Inc / Dec		FX Impact vs. FY19	Inc / Dec	
				(c)-(a)	%		(c)-(b)	%
Net Sales	2,739	1,300	1,406	(1,332)	(48.6)%	(30)	106	8.2%
Operating Income	137	(100)	(82)	(219)	-	-	17	-
(% Sales)	5.0%	(7.7)%	(5.9)%	(10.9)%	-	-	1.8%	-

- The sales of DSC/VC Lenses decreased due to the significant shrink of the digital camera markets
- The sales of the Drone Products decreased because of the decline of orders.
- **The operating income decreased into the red** due to the sales halved.

(Billions of JPY)

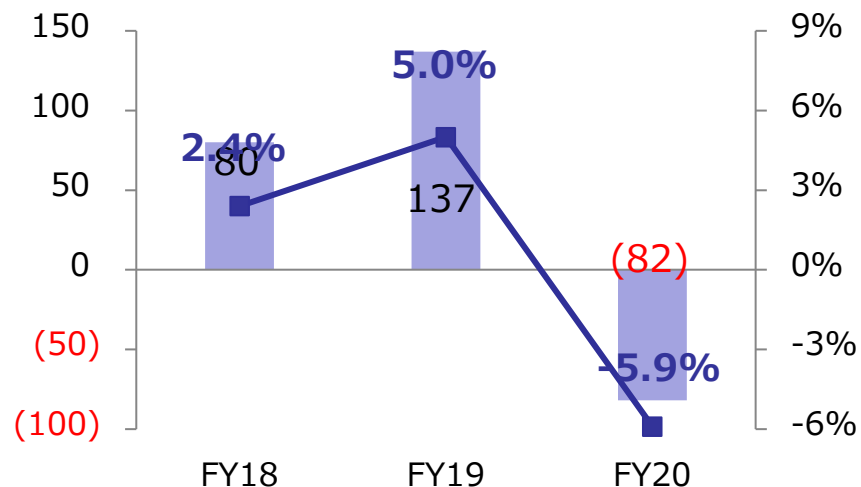
Net Sales

■ DSC/VC ■ Drone ■ Others



(millions of JPY)

Operating Income



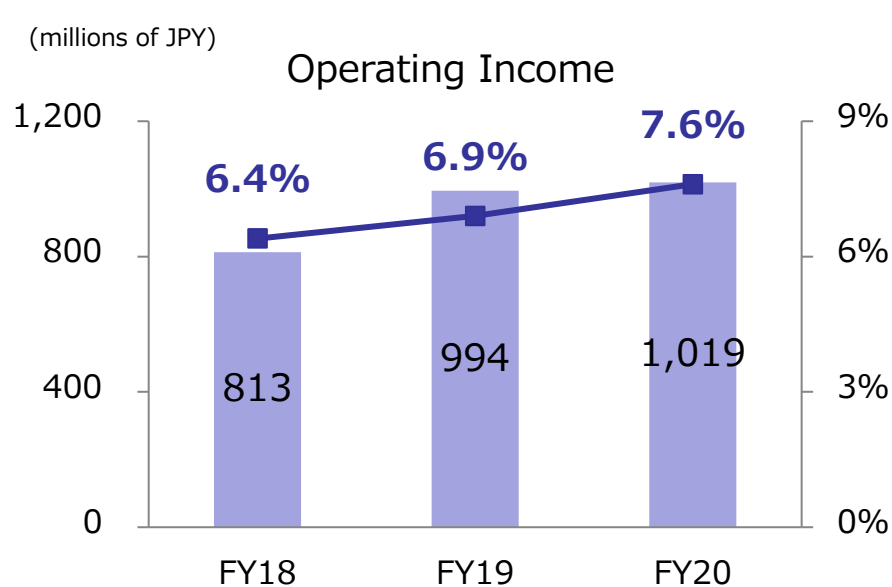
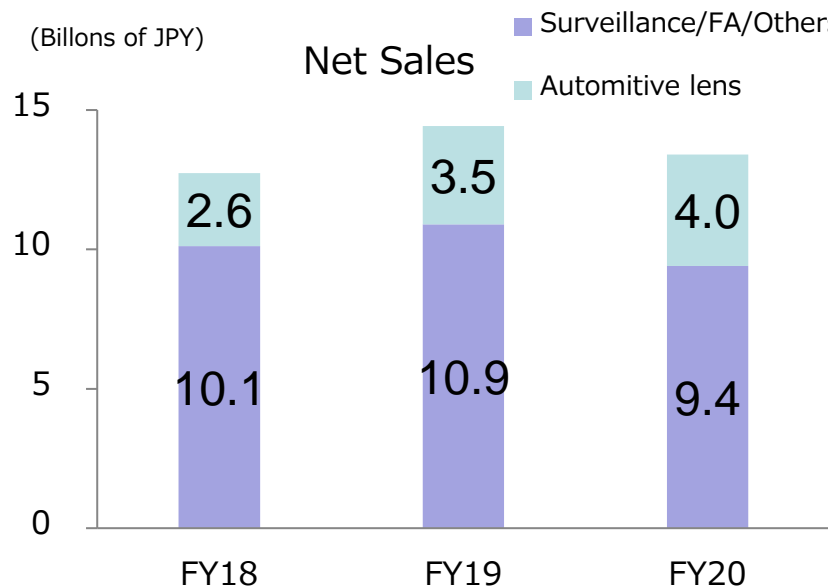
II-4. FY2020 Results by Segment

3) Commercial / Industrial-Use Optics

(millions of JPY)

	Actual FY19 (a)	Revised Forecast FY20(20/8/4) (b)	Actual FY20 (c)	Inc / Dec		FX Impact vs. FY19	Inc / Dec	
				(c)-(a)	%		(c)-(b)	%
Net Sales	14,370	14,500	13,398	(972)	(6.8)%	(210)	(1,101)	(7.6)%
Operating Income	994	900	1,019	25	2.5%	10	119	13.3%
(% Sales)	6.9%	6.2%	7.6%	0.7%	–	–	1.4%	–

- With the strong sales of sensing lens, the total sales of Automotive Lenses achieved **two-digit-increase** from the previous year.
- Although the sales of the Surveillance/FA lenses decreased due to the delay of product development and suppression of investment, the 2nd half sales in Chinese market **increased by 40%** compare to the previous year.
- With the lower SGA expenses, cost reductions, and strong sales of Automotive Sensing lenses, the profits increased despite of decline in total sales of the segment.



Ⅲ. FY2021 Forecast

III-1. FY2021 Financial Forecast

【Economic & Market Situation】

- Assumption of economic situation: will recover slowly but remain uncertainty.
- Assumption of interchangeable lens cameras and interchangeable lenses market: will recover as a reaction of fall in FY20.
- Assumption of Surveillance lenses and Automotive lenses market : will show high-growth as used to.

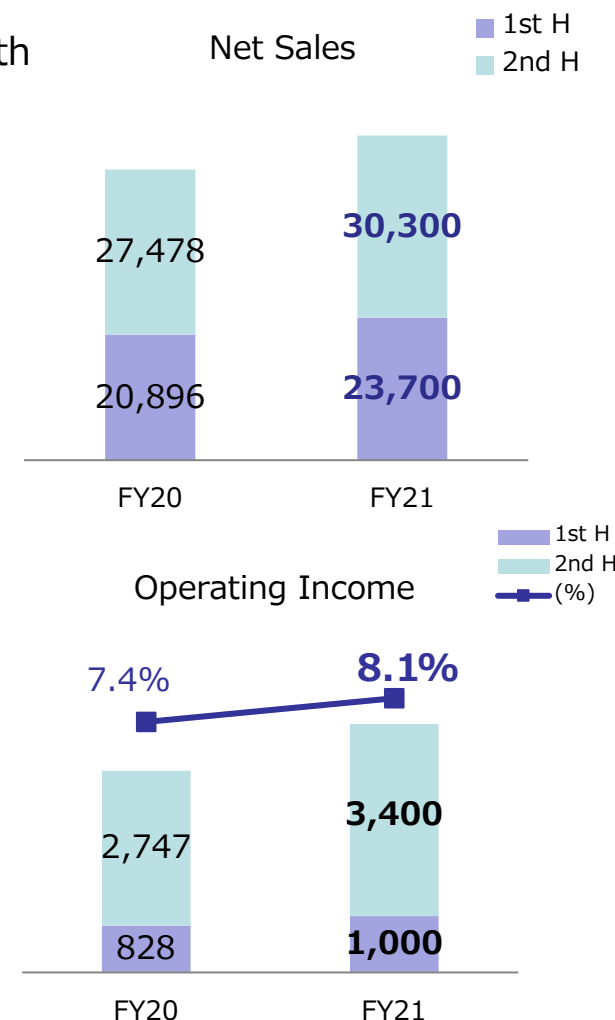
【Company's Forecast】

- The core business of Photographic products is expected to increase profits.
- The second core of Surveillance lens business is expected to significant growth and will achieve the highest sales ever.

⇒Two-digit-increase in Sales and Profits

(millions of JPY)

	Actual FY20 (a)	Forecast FY21 (b)	Inc / Dec	
			(b)-(a)	%
Net Sales	48,375	54,000	5,624	11.6%
Operating Income	3,575	4,400	824	23.1%
(% Sales)	7.4%	8.1%	0.7%	—
Ordinary Income	3,750	4,400	649	17.3%
(% Sales)	7.8%	8.1%	0.3%	—
Net Income	1,958	2,900	941	48.1%
(% Sales)	4.0%	5.4%	1.4%	—
JPY – 1 USD	106.77	105.00	(1.77)	—
JPY – 1 Euro	121.92	123.00	1.08	—



III-2. FY2021 Forecast by Segment

1) Photographic Products

(millions of JPY)

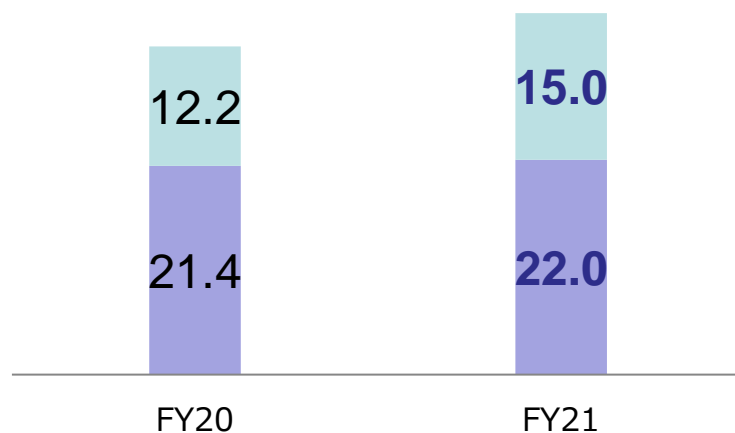
	Actual FY20 (a)	Forecast FY21 (b)	Inc / Dec	
			(b)-(a)	%
Net Sales	33,569	37,000	3,430	10.2%
Operating Income	5,320	5,700	379	7.1%
(% Sales)	15.8%	15.4%	(0.4)%	—

- The sales and profits are expected to increase for both own-brand models and OEM models as a reaction to FY20, which affected by COVID 19.
- With newly launched 5 mirrorless models, the composition of mirrorless models is expected to be about 80% in own-brand models.

(Billions of JPY)

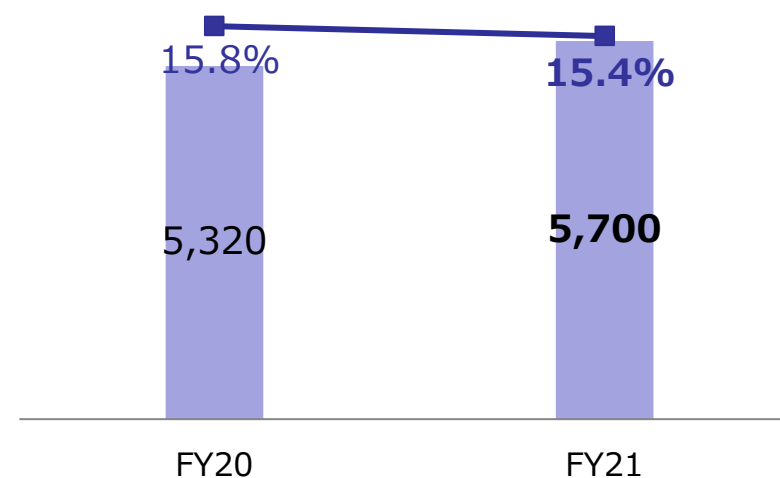
Net Sales

Own-brand
OEM



(millions of JPY)

Operating Income



III-2. FY2021 Forecast by Segment

2) Surveillance & FA Lenses

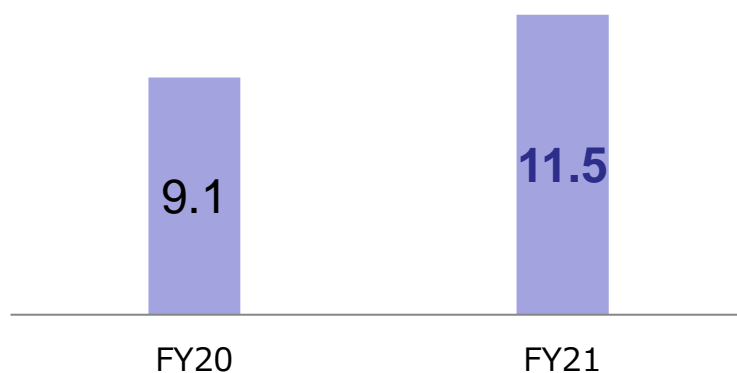
(millions of JPY)

	Actual FY20 (a)	Forecast FY21 (b)	Inc / Dec	
			(b)-(a)	%
Net Sales	9,100	11,500	2,399	26.4%
Operating Income	530	900	369	69.5%
(% Sales)	5.8%	7.8%	2.0%	—

- Sales in Chinese market **is expected to double** and show high growth in the other market.
⇒ **Aim to the highest sales ever**
- With the significant increase in sales, profits **is expected to increase by 70%** from the previous year.

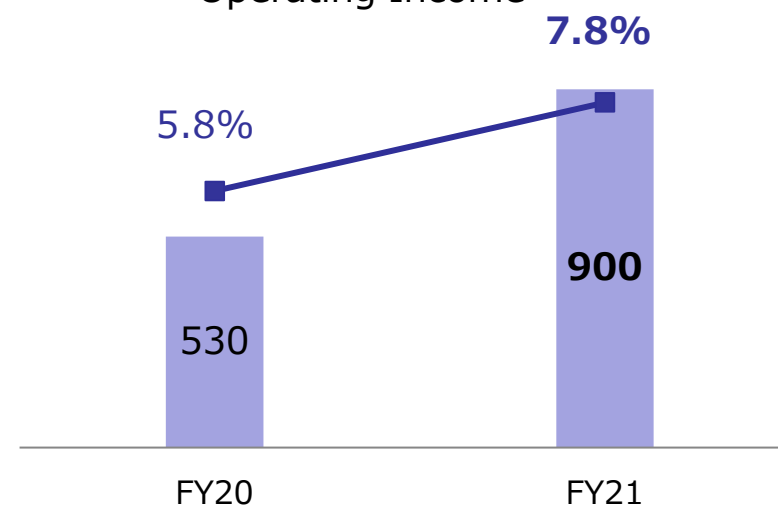
(Billions of JPY)

Net Sales



(millions of JPY)

Operating Income



III-2. FY2021 Forecast by Segment

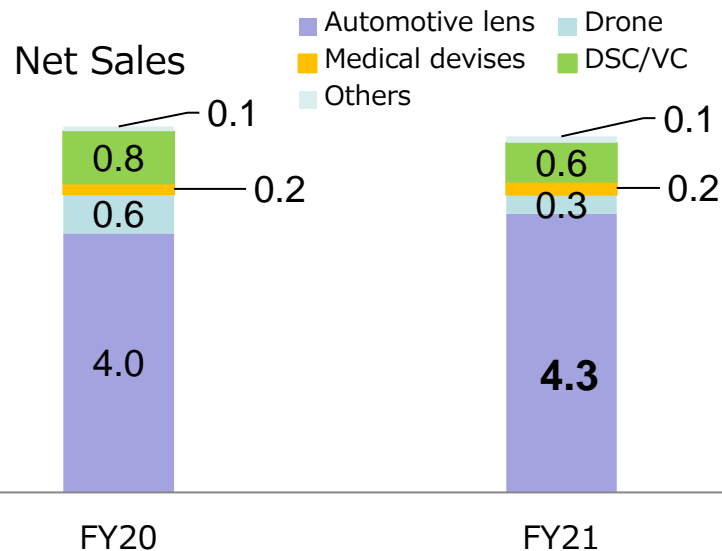
3) Mobility & Healthcare Products, Others

	Actual FY20 (a)	Forecast FY21 (b)	Inc / Dec	
			(b)-(a)	%
Net Sales	5,705	5,500	(205)	(3.6)%
Operating Income	405	300	(105)	(26.1)%
(% Sales)	7.1%	5.5%	(1.6)%	—

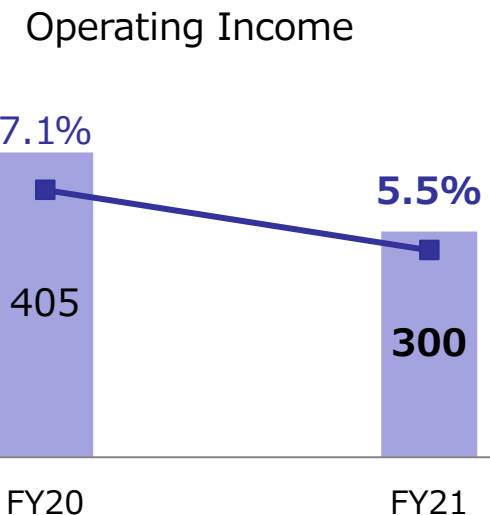
(millions of JPY)

- Although Automotive Lens sales continue to increase, the total sales of the segment expected to decline due to large decline of DSC/VC lenses and Drone lenses sales.
- For Medical Devices business, while aiming for steady growth of existing business, strengthen investment and enhance product development to acquire new business.

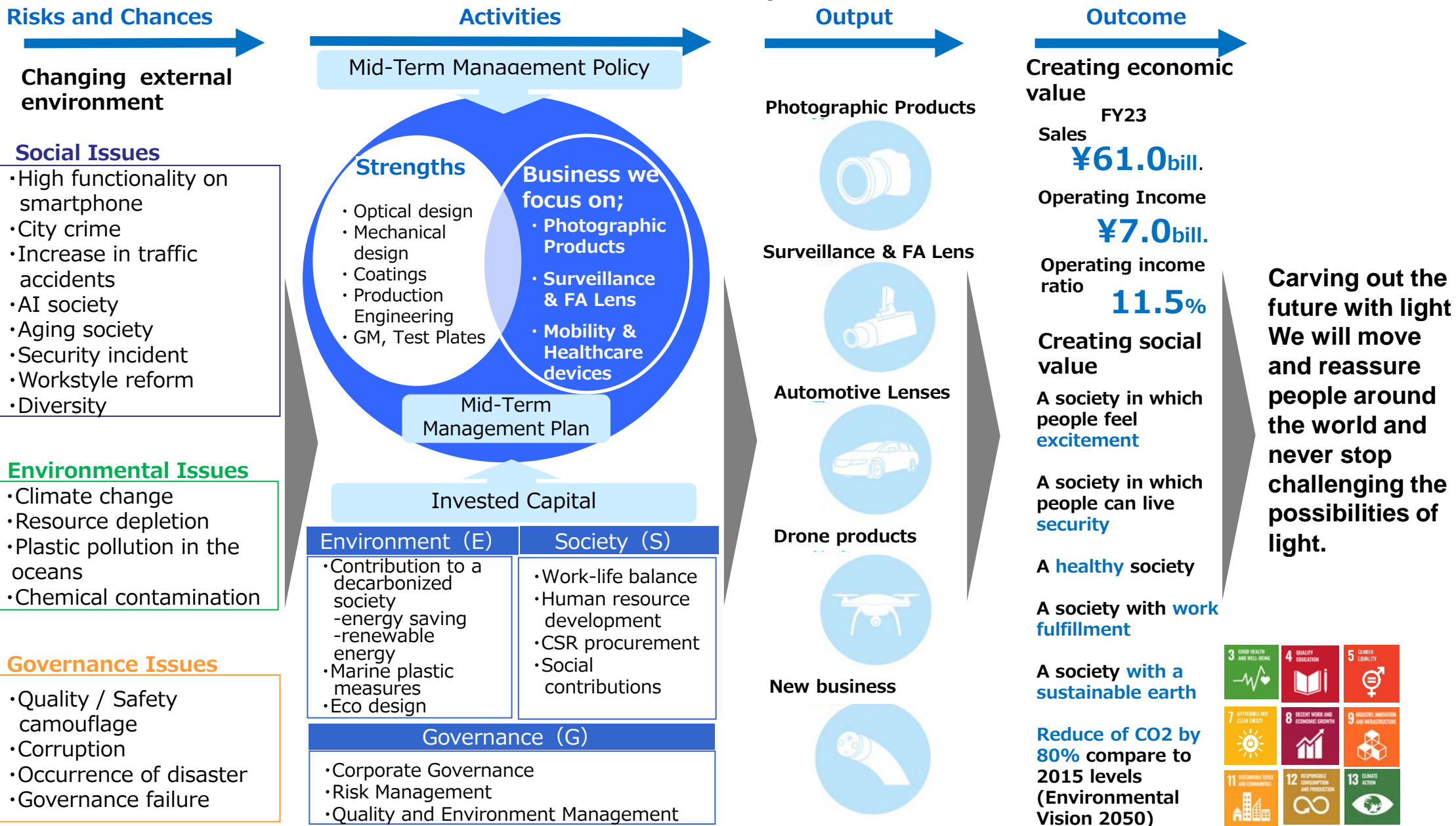
(Billions of JPY)



(millions of JPY)



III-3. Activities for ESG / Processes to increase corporate value

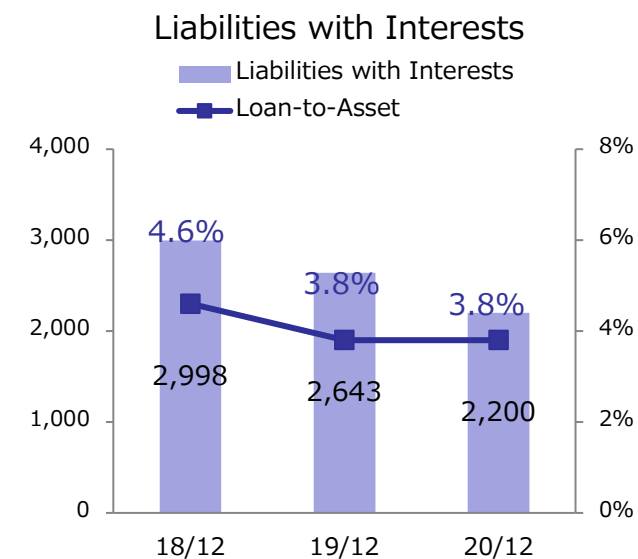
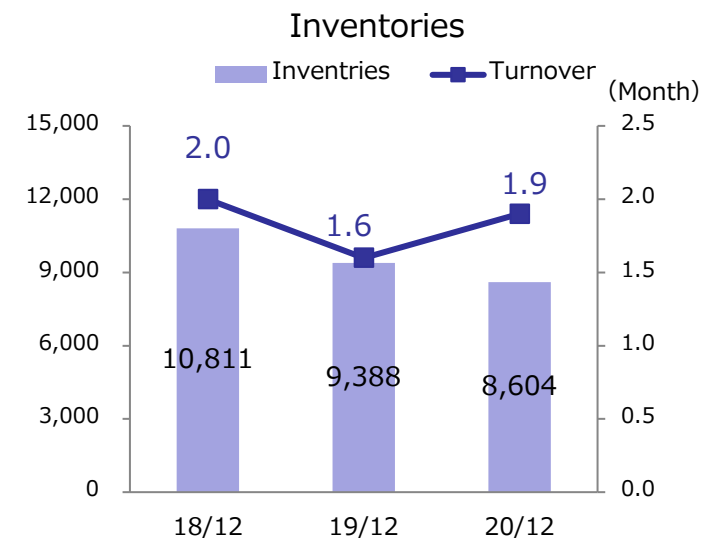


IV. Reference Data

IV- 1 . Financial Summary

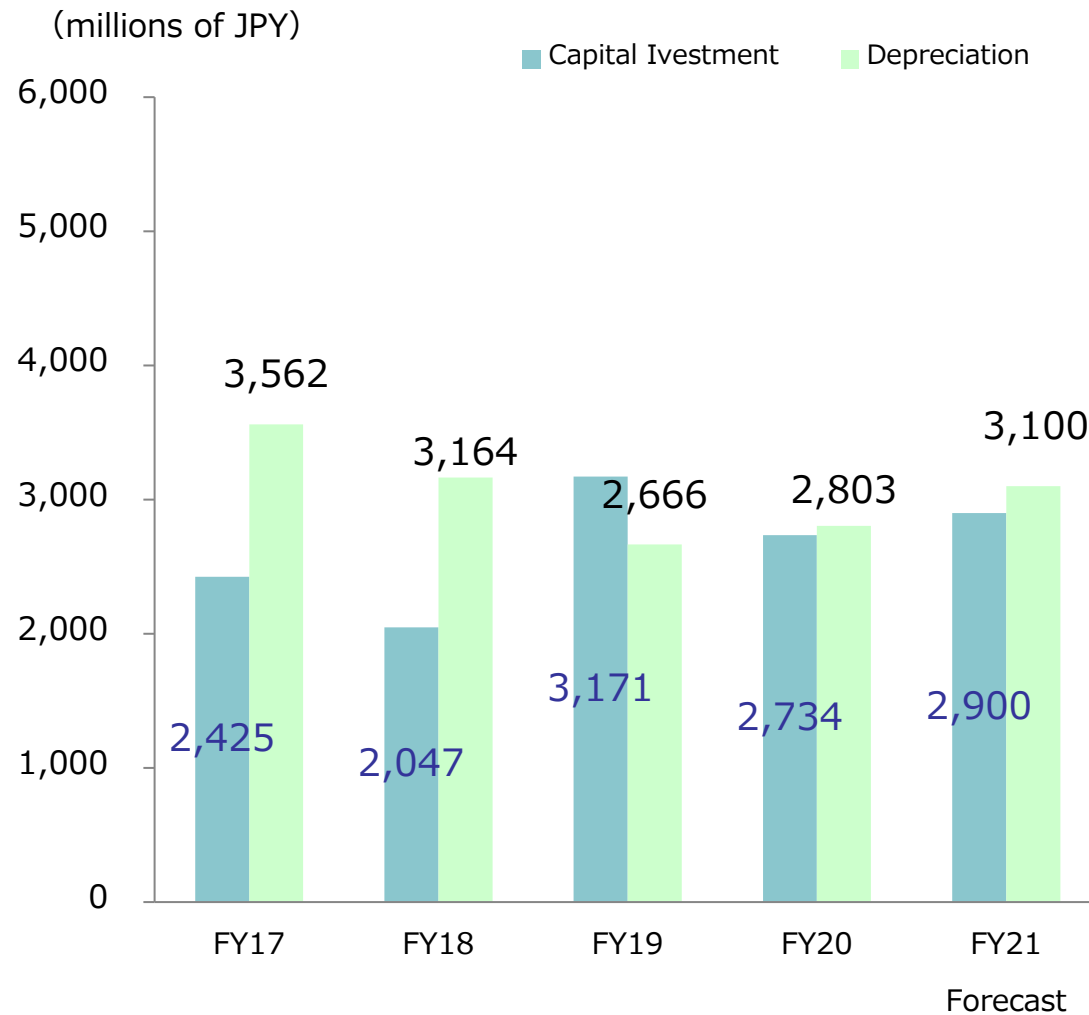
(millions of JPY)

	Dec 31, 2019 (a)	Dec 31, 2020 (b)	Change (b)-(a)
Cash & Deposits	28,384	21,417	(6,967)
Notes & Accounts Receivable	12,907	10,318	(2,588)
Inventories	9,388	8,604	(784)
Other Current Assets	982	1,130	147
Non-Current Assets	17,634	16,719	(915)
Total Assets	69,297	58,190	(11,107)
Total Current Liabilities	12,299	10,198	(2,101)
Total Non-Current Liabilities	2,458	2,214	(244)
Total Net Assets	54,539	45,778	(8,761)
Total Liabilities & Net Assets	69,297	58,190	(11,107)
Ratio of Net Assets	78.7%	78.7%	—

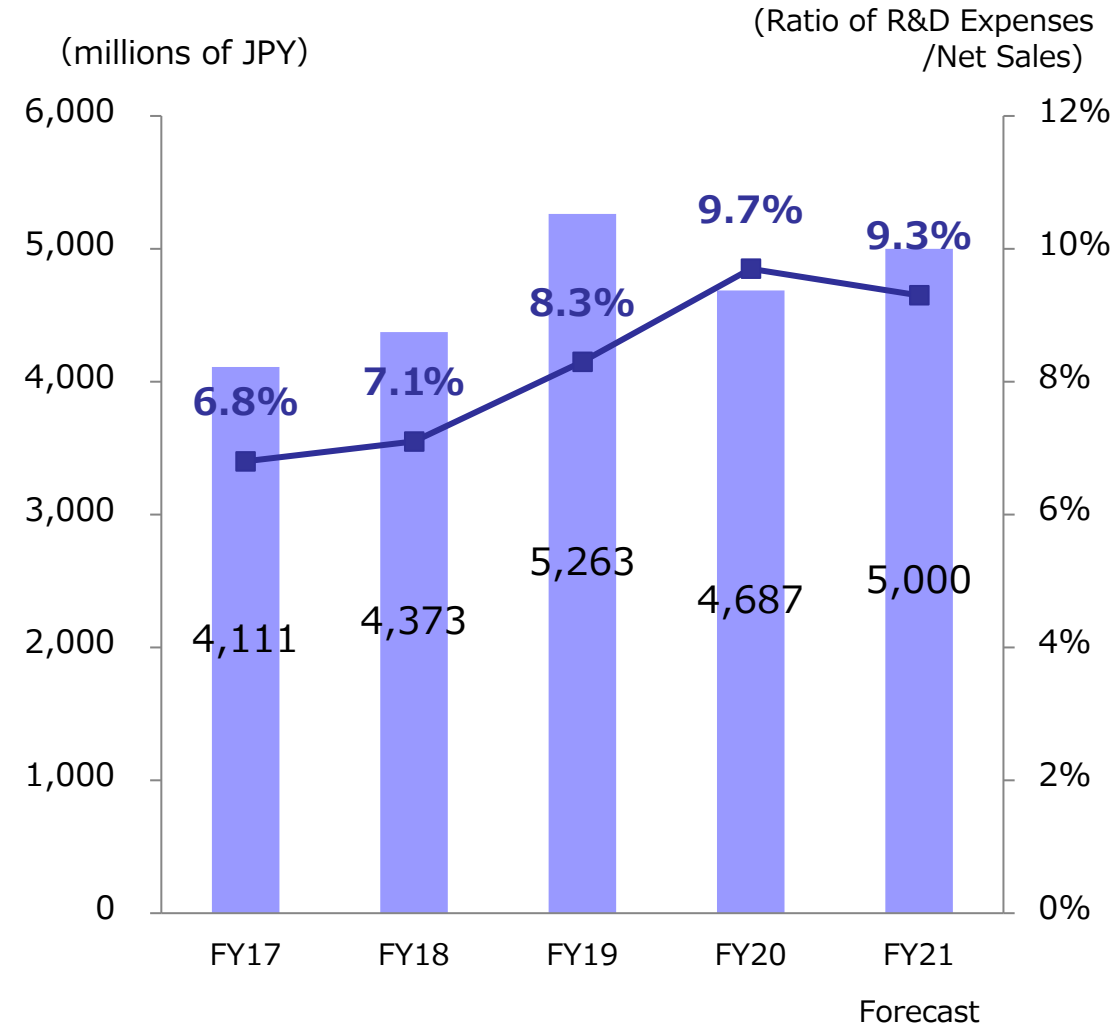


IV- 2 . Capital Investment, Depreciation, & Research & Development Expenses

Capital Investment & Depreciation

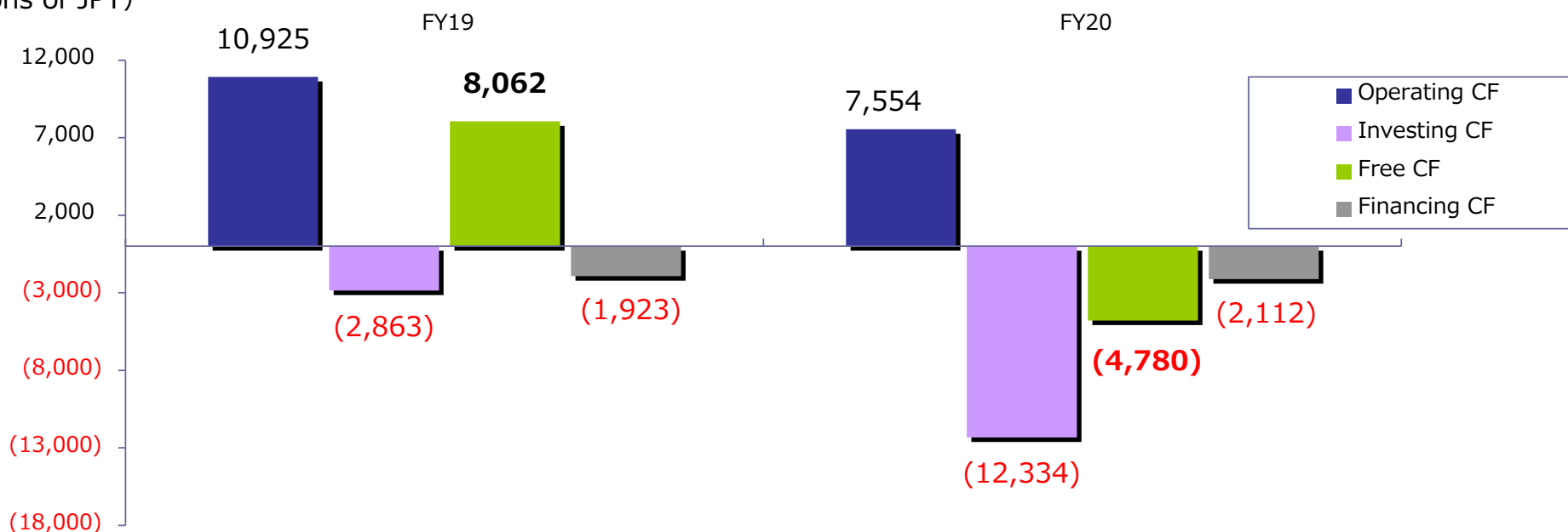


Research & Development Expenses



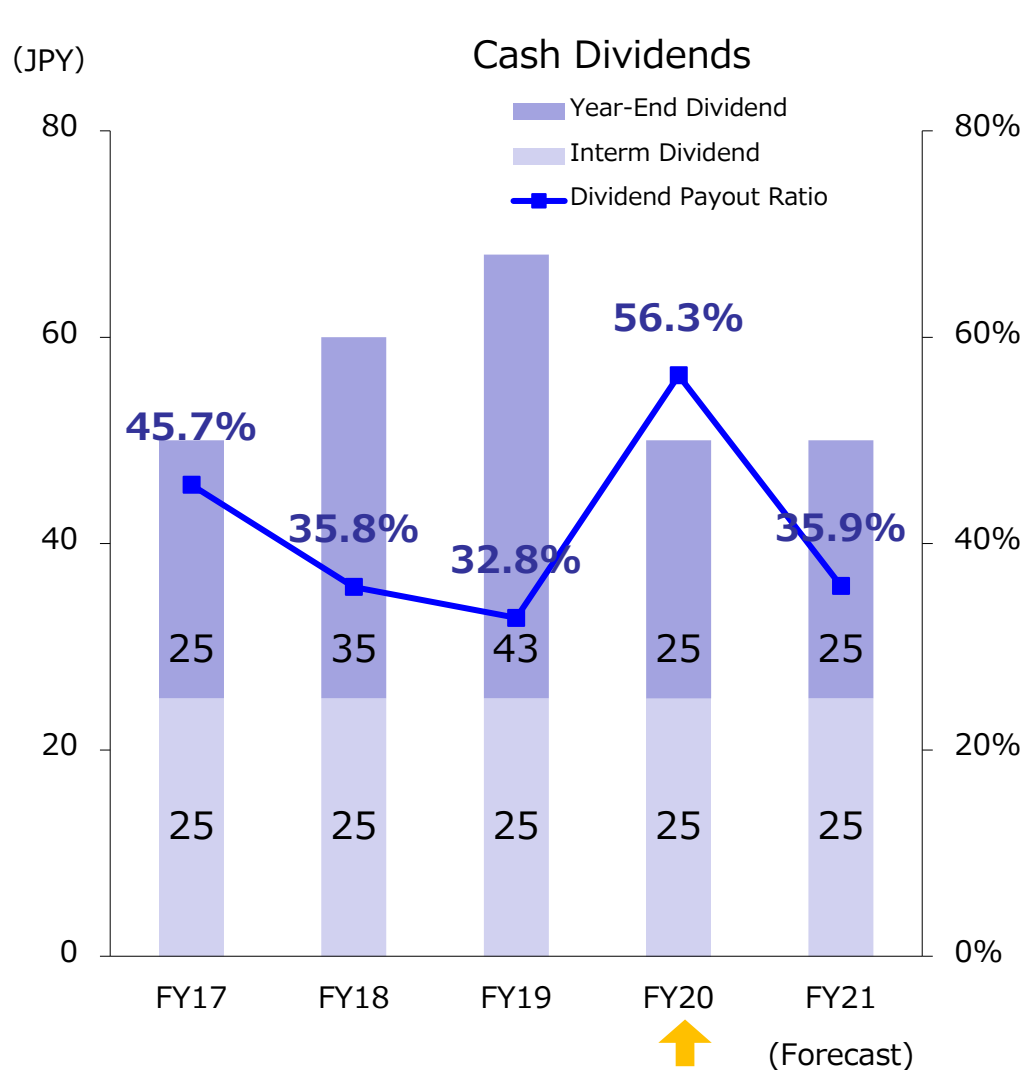
IV- 3 . Cash Flow Situation

(millions of JPY)

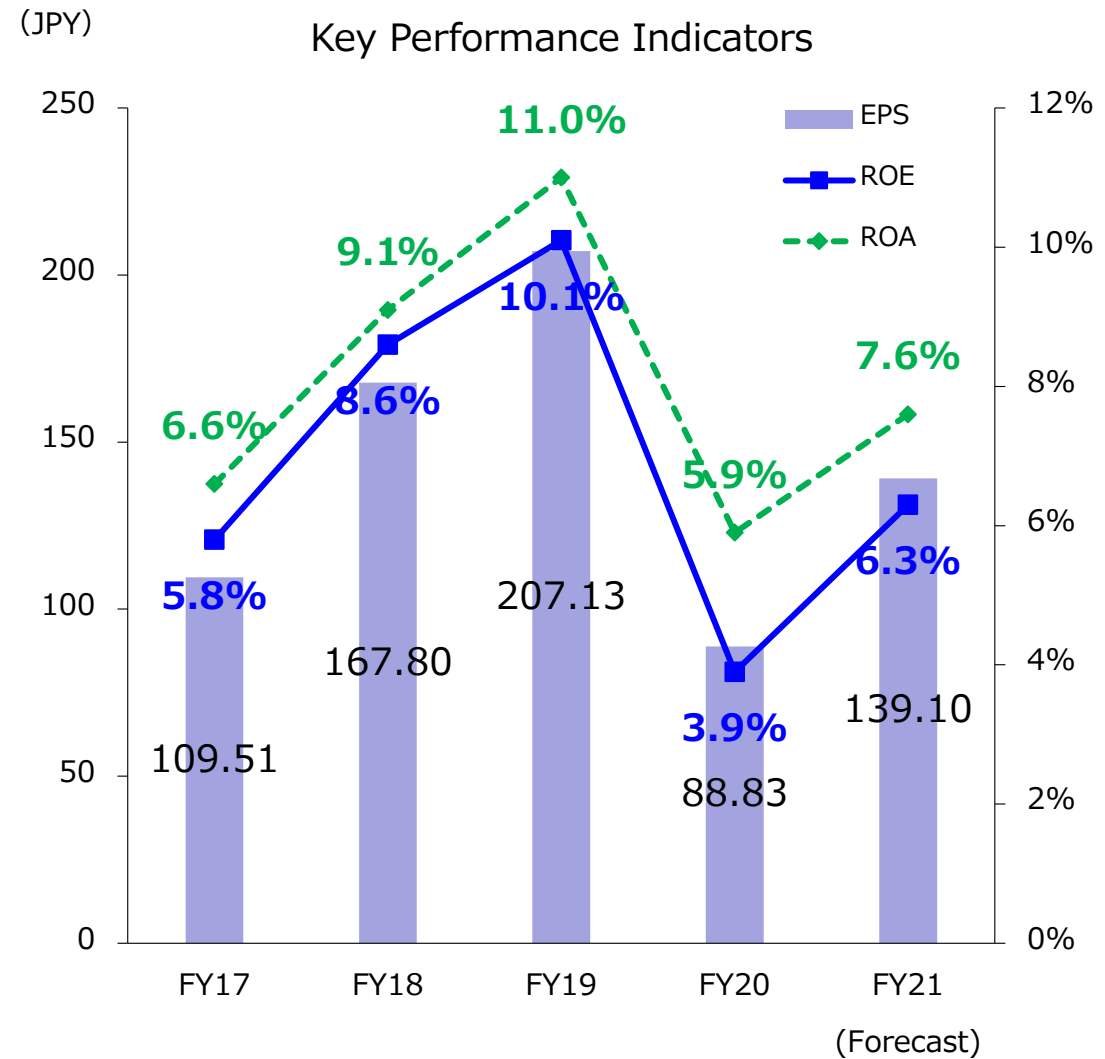


	FY19	FY20
Cash Flow from Operating Activities	10,925	7,554
Cash Flow from Investing Activities	(2,863)	(12,334)
Free Cash flow	8,062	(4,780)
Cash Flow from Financing Activities	(1,923)	(2,112)
Cash & Cash Equivalents at the End of Period	10,925	21,417

IV-4 . Cash Dividends Outlook & Key Performance Indicators



Acquired treasury stock (¥8.9Bil.) in Mar. 2020.



ROE = Net Income / Net Assets (Average for FY)

ROA = Ordinary Income / Total Assets (Average for FY)

Dividend Policy

- Dividend Payout Ratio Target: 35% (Consolidated)
- Keep Stable Dividend

IV- 5 . Impact of Foreign Exchange Rate Fluctuations

FY2020

(JPY)

(millions of JPY)

	Exchange Rate		Impact	
	Actual FY19	Actual FY20	Net Sales	Operating Income
USD	109.04	106.77	(560)	10
EUR	122.06	121.92	(10)	(10)
Others	-	-	(160)	(80)
Total	-	-	(730)	(80)

(Impact on FY2019 Actual performance)

Forecast FY2021

(JPY)

(millions of JPY)

	Exchange Rate	Impact of ¥1 appreciation	
	Assumption FY21	Net Sales	Operating Income
USD	105.00	(300)	(30)
EUR	123.00	(60)	(50)

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1. The purpose of this material is to provide information on the actual results for FY2020 and future business strategies. It is not an offer or a solicitation of an offer to buy or sell securities.
2. This material and the information provided verbally in the company's presentation are based on the data that are obtainable at the time of the presentation in compliance with the management policies and certain premises that are deemed reasonable by the company.
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