

————— Eyes on Diversity —————
Cutting Edge Optical Solutions for an Array of Imaging Devices

TAMRON

Annual Report 2004



Preface

50 Years in Pursuit of "Light"

We at Tamron are pursuing a dream.

For the 50 years that Tamron has been supported by its product users throughout the world, we have pursued many dreams and challenged the unknown in a spirit of creativity and faith in ourselves. To fulfill these dreams, we have created products and markets that did not previously exist, and strode forward to meet the new world of the future strengthened by the ideas of each of us at Tamron raised in the fields of development, sales and production.

Tamron...Focus On the Future

The new challenge starts now as a comprehensive optical manufacturer capable of integrating digital technologies with optics.

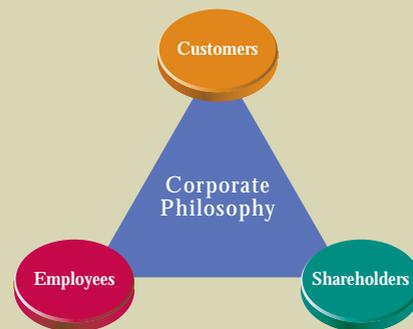
Mission

We at Tamron are advancing into the 21st century with our corporate philosophy to guide our mission.

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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financial highlights

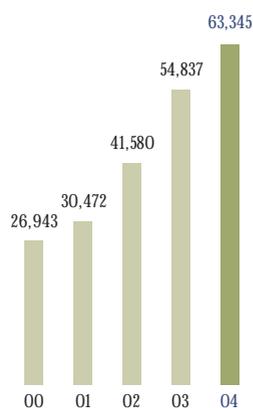
TAMRON CO., LTD. and Consolidated Subsidiaries

Years Ended December 31	Millions of Yen					Thousands of U.S. Dollars (Note 1)
	2004	2003	2002	2001	2000	2004
For the Year:						
Net Sales	¥ 63,345	¥ 54,837	¥ 41,580	¥ 30,472	¥ 26,943	\$ 607,978
Operating Income	7,223	6,341	3,685	388	881	69,331
Income before Income Taxes	6,589	5,027	2,492	11	508	63,243
Net Income (Loss)	4,474	3,347	1,863	(108)	353	42,943
At Year-End:						
Total Assets	¥ 40,857	¥ 32,709	¥ 24,840	¥ 22,820	¥ 23,398	\$ 392,139
Total Shareholders' Equity	24,891	14,809	11,791	10,196	10,833	238,902
Number of Employees	3,232	2,497	1,552	1,378	1,302	—
						U.S. Dollars (Note 1)
						Yen
Per Share Data:						
Net Income (Loss)	¥ 323.52	¥ 257.75	¥ 146.24	¥ (8.51)	¥ 27.50	\$ 3.10
Shareholders' Equity	1,761.96	1,148.83	925.43	800.03	841.94	16.91
Cash Dividends	40.00	20.00	12.50	7.50	10.00	0.38

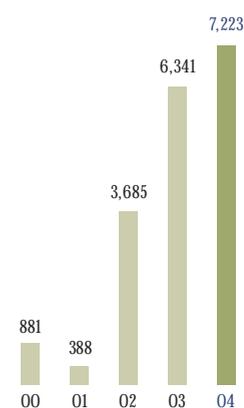
Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥104.19=U.S.\$1.

2. Net income (loss) per share is computed based on the weighted-average number of shares of common stock outstanding during each year.

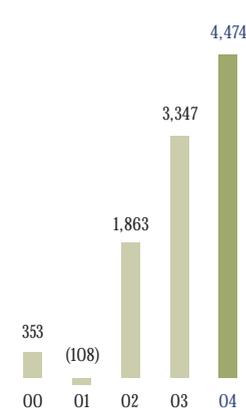
net sales
(Millions of Yen)



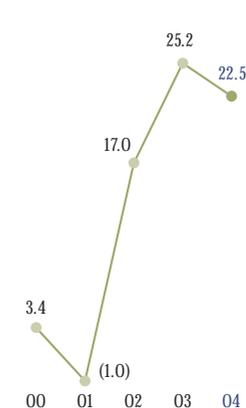
operating income
(Millions of Yen)



net income (loss)
(Millions of Yen)



roe
(%)





Since its establishment in 1950, Tamron has consistently emphasized creativity and originality in its activities as a manufacturer of precision optics. This uncompromising stance has guided our relentless challenge to the limits of possibility in every facet of our activities from R&D, production engineering to quality assurance.

Morio Ono
president & ceo

Operating Results

In the fiscal year ended December 31, 2004, the Japanese economy saw a rise in exports and production in the first half and an increase in capital investment, driven by improvements in corporate results. Despite initial signs of a slowdown in digital electronics fields and export activities, business conditions in the second half remained generally firm backed by continued modest gains in consumer spending and improvements in employment markets.

Regarding overseas economies, despite steep hikes in crude oil prices, the U.S. economy posted growth based on the consistent and moderate increase in consumer spendings. While modest in nature, the European economy exhibited signs of a recovery, and the Asian economy led by China, Thailand, and others continued to expand.

Under these circumstances, the Tamron Group actively continued investment of management resources into digital electronics related segments and reported across-the-board sales growth in each of its business sectors. This includes mainstay digital camera lenses, led by interchangeable lenses for single-lens reflex cameras, projection lenses, lenses for CCTV cameras, and other products. In the area of production, we made efforts to expand production capacity primarily at our Chinese production subsidiary and at our domestic lens factories.

The same is true today as we adapt to the increasing sophistication and diversity of image technology. We are determined to meet the challenge of creating new products and services by integrating the optical technology that we have accumulated over the years with today's electronic and precision engineering technology, in order to meet the needs of the multimedia era. As always, our goal is to develop attractive products that our customers will enjoy, and to provide our customers with the best possible service at all times. We look forward to your continuing support in the future.

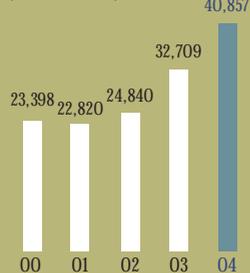
Tamron is also conscious of its environmental responsibilities and has been proactive in implementing sound environmental policies. In the fiscal year under review, we spent ¥162 million to dispose of products and parts that were not environmentally friendly and put other measures in effect.

As a result, net sales rose 15.5% year-on-year to ¥63,345 million in fiscal 2004. With efforts at cost reduction both domestically and abroad, ordinary profit totaled ¥6,589 million, up 19.8%, and net income surged 33.7% year-on-year to ¥4,474 million.

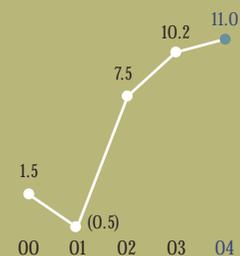
Pressing Issues

In accordance with its medium- and long-term strategies, the Tamron Group will continue to actively invest management resources in optical-related businesses that incorporate digital technologies. Driven by our Group-wide corporate slogan, “Tamron—Eyes on Diversity—Cutting Edge Optical Solutions for an Array of Imaging Devices,” we will continue to promote corporate reform.

total assets (Consolidated)
(Millions of Yen)



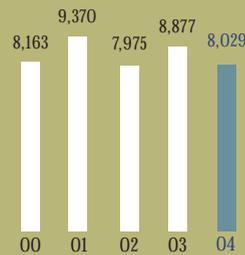
ROA (Consolidated)
(%)



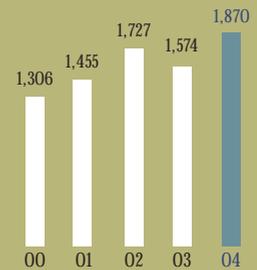
To achieve these aims, we will address the following pressing issues:

1. Timely launch of attractive new products by each of the four business units in line with the corporate tag line of “Tamron—Eyes on Diversity—Cutting Edge Optical Solutions for an Array of Imaging Devices.”
2. Expansion of optical components business in projection device segment and getting a foothold in the cellular phone camera market.
3. Development of core technologies revolving around optics and corporate-wide campaign drive of strategic philosophies surrounding IP (Intellectual Property).
4. Structural improvement in overseas production network associated with procurement system as well as those of domestic facilities to accelerate efficient cost reduction.
5. Reduction in lead time of product development cycle by virtue of establishing a new mold processing plant and innovating production engineering technologies.
6. Improvement in profit structure by solidifying group company management system and improvement in social compliance philosophy among them.
7. Fundamental restructuring of operations by implementing global management information system aimed at achieving optimum inventory control.
8. Further improvement in cash flow management and in consolidated balance sheet.
9. Corporate-wide promotion of environmental preservation and protection effectively linked with quality management system based on ISO activities.

interest-bearing debt
(Consolidated) (Millions of Yen)



r&d expenditure
(Consolidated) (Millions of Yen)



As we work to address these pressing issues, we ask for the continued support and understanding of shareholders.

March 2005

Morio Ono
president & ceo

Actively Challenging the 21st Century

As we advance into 21st century, we at Tamron will continue revolutionizing in our pursuit of “Light” with products and services that satisfy and delight our customers. With our motto of “Actively challenging without fear of

Long Term Strategic Goals

1. Enhancement of optical technologies and broadening electronics technologies coupled with optics

We aim to become a value-creation company that leads the world with technology. With optics technologies as our core competency, we will expand our business domain in the field of optical technology integrated with mechanical, electronic and digital technologies.

2. Global expansion of sales, production and product development

We will promote globalization of our corporate resources and make our management quality to meet the international standards.

failure”, we have set our 4-pronged long term strategic goals to promote our corporate activities to be a value-creation company of the 21st century.

3. Development of new business coping with on-going changes in the market

We aim to develop new businesses with flexibility responding proactively to the market changes and opportunities of next generation as well as strengthening our existing businesses.

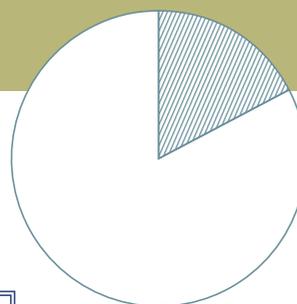
4. Development of human resources that ensures continued growth

We will support and develop human resources enabling our employees to integrate a happy and healthy lifestyle with satisfying, challenging work in pursuit of the company’s mission.

Photographic Products Division



*Technological Edge Hidden Inside High Performance Zoom Lenses
Tamron's original lens technologies hidden inside compact packages—
Tamron has always been at the forefront of developing and introducing
compact and high performance zoom lenses one after another that boast
unique features made possible through the application of original lens
technologies.*



17.0%

NET SALES COMPOSITION

new products



AF18-200mm F/3.5-6.3 XR Di II
LD Aspherical [IF] MACRO (Model A14)



SP AF11-18mm F/4.5-5.6 Di II
LD Aspherical [IF] (Model A13)



AF28-300mm F/3.5-6.3 Di LD Aspherical
[IF] MACRO (Model A061)

- 2002-2003 European Lens Of The Year (Bestowed to model A061)
- 2003-2004 Good Design Award, by JIDPO, Japan
- 2004 Nikkei Superior Products and Services Awards Nikkei Business Daily Awards for Superiority



SP AF90mm F/2.8 Di
MACRO 1:1 (Model 272E)

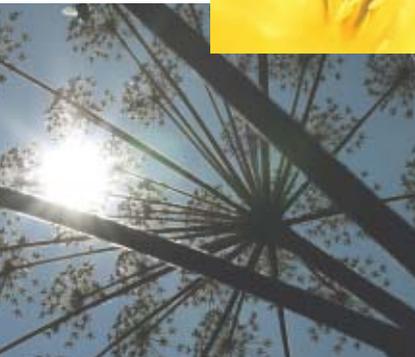
- 2004-2005 Good Design Award, by JIDPO, Japan



SP AF200-500mm F/5-6.3 Di LD [IF]
(Model A08)

- 2004-2005 Good Design Award, by JIDPO, Japan





In the fiscal year under review, the number of interchangeable lenses for single-lens reflex cameras produced and shipped by domestic makers rose 13% year-on-year to 5.35 million units.

As digital single-lens reflex cameras continued to gain popularity throughout the world, Tamron focused its efforts in the Photographic Products Division on the further development

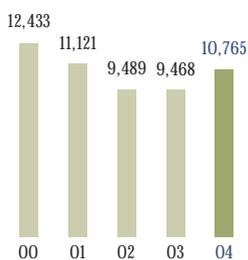
of interchangeable lenses with Di (Digitally Integrated Design). Along with the SP AF200-500mm F/5-6.3 Di LD (IF) (Model A08), we also relaunched the highly acclaimed AF28-300mm F/3.5-6.3 XR Di LD Aspherical (IF) MACRO (Model A061) with upgraded digital compatibility and the SP AF90mm F/2.8 Di MACRO1:1 (Model 272E). These products have received numerous

awards both in Japan and overseas, are held in high regard by the marketplace, and have sold very well.

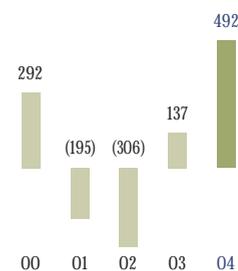
As a result of these factors, sales in the Photographic Products Division rose 13.7% year-on-year to ¥10,765 million, while operating income surged 259.8% to ¥492 million.

consolidated

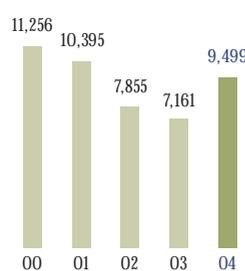
net sales
(Millions of Yen)



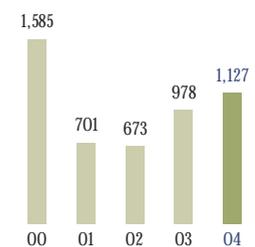
operating income (loss)
(Millions of Yen)



assets
(Millions of Yen)



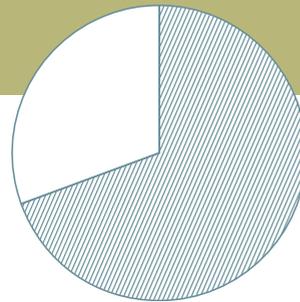
capital expenditure
(Millions of Yen)



Optical Components Division



Tamron has contributed to the growth of the digital camera market and the digital image revolution by supplying optical lens units designed to meet the needs of the era's mega-pixel CCDs. Our optical know-how, therefore, plays a key role in the OEM customers' attempts to attain higher market share. Also for supply to OEM customers, Tamron makes high performance, high definition lightweight and compact lens units for home video cameras by making the most of our technologies and expertise accumulated over the years.



69.4%

NET SALES COMPOSITION



Digital Camera Lenses



Video Camera Lenses



In the fiscal year under review, the number of digital cameras produced and shipped in Japan increased 37.7% year on year to 59.76 million. Domestic production and shipment of home video cameras was in line with last year's level, totaling 11.96 million units.

As the digital camera market grows primarily overseas, Tamron has positioned digital camera lenses as a

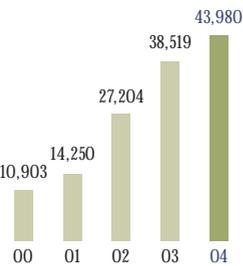
core segment of its business operations. In response to falling digital camera prices, Tamron made efforts to reduce development lead times and cut back materials costs. Due to inventory adjustments in the overall market during the period under review, results fell short of targets set at the beginning of the period. However, Tamron's performance in this segment topped that of the pre-

vious period, and overall results remained solid. In addition, video camera lenses performed well, supported by the shift toward DVD recording and an increase in PC-related needs.

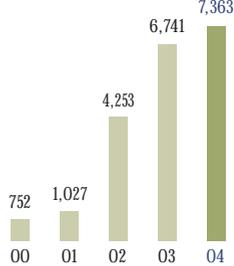
As a result, sales in the Optical Components Division were up 14.2% year-on-year to ¥43,980 million, and operating income rose 9.2% to ¥7,363 million.

consolidated

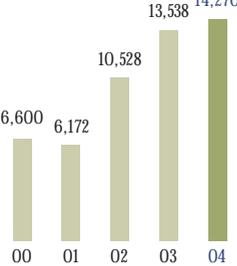
net sales
(Millions of Yen)



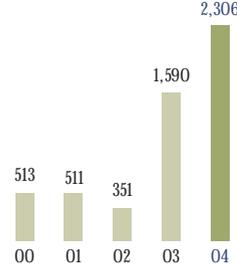
operating income (loss)
(Millions of Yen)



assets
(Millions of Yen)

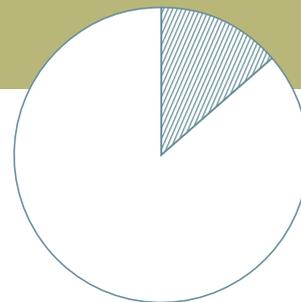


capital expenditure
(Millions of Yen)



Commercial / Industrial - Use Optics Division

As a comprehensive manufacturer of quality optics, Tamron produces a variety of optical devices requiring high accuracy and advanced technologies by utilizing our technological edge in designing, processing and measuring. The optical devices that Tamron manufactures for sophisticated industrial applications include various spherical lens elements, special prisms such as cross-prisms for LCD projectors, devices for laser optical systems, dichroic filter mirrors for color separation, polarizing beam splitters, thin-film layer coated products featuring very special multilayer coatings, ultra-precision standard gauge glass required for prompt and accurate evaluation of lens surfaces and so on.

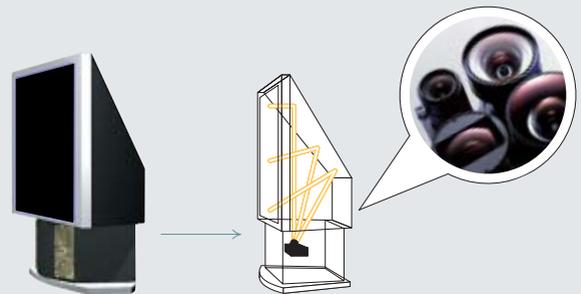


13.6%

NET SALES COMPOSITION

Projector Optical Engines: A Bundle of Precision Optical Parts

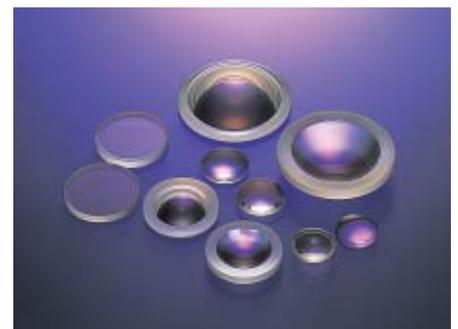
Within the increasingly popular LCD projector optical (transmission-and reflective-type) system, a section called the optical engine functions to disperse incandescent light into three primary colors and then to synthesize those three primary colors. This section requires an ultra-high precision manufacturing process. We have the know-how and capacity to mass produce and supply an array of high-precision prisms, the core of the optical engine. Projector systems are drawing more and more attention not only as PC data projector tools, but also for home-use applications such as home theater and rear-projection televisions.



High Precision Prisms



Projection Lenses



Aspherical Lenses



CCTV [Surveillance] Cameras and Lenses

Empowered by fifty years of optical expertise, Tamron proceeds to open new horizons that change the concept of industrial optics. Concentrating on meeting the demands of professionals in the field, Tamron pioneered the Vari-Focal lens design and continues to research new technologies in order to bring to market lenses that are compact and lightweight, high performance and high quality.

In the midst of more severe worldwide pricing competition, our CCTV camera lens business developed products with specialized features, such as day/night vision IR lenses and large magnification “Vari-Focal lenses.” Results were in line with plans, buoyed by persistent efforts to expand global sales. We also proactively invested management resources to build up the pro-

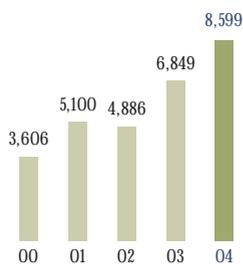
jector optical device business as Tamron’s fourth pillar. As a result, we received high evaluations from a quality perspective from our principal customers, contributing to a significant increase in sales. Profit margins were down, however, due to increased price competition among makers in this growing market. Earnings were also impacted by product development expenses aimed at

strengthening cost competitiveness and at forging Tamron’s position in the rear projection market for the next period.

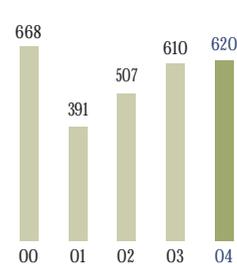
As a result, sales in the Commercial / Industrial-Use Optics Division rose 25.6% year on year to ¥8,599 million, while operating income was ¥620 million, up 1.6% from the previous period.

consolidated

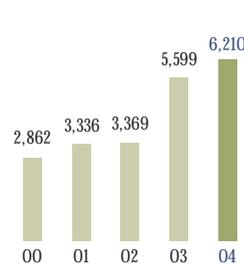
net sales
(Millions of Yen)



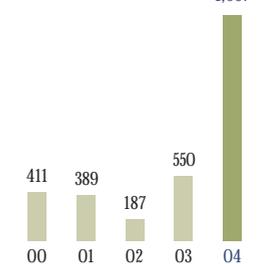
operating income (loss)
(Millions of Yen)



assets
(Millions of Yen)



capital expenditure
(Millions of Yen)



Board of Directors

President & CEO
Morio Ono

Senior Managing Director
Shoji Kono

Senior Managing Director
Hitoshi Ohta

Managing Director
Yoshihiro Shirai

Managing Director
Hisaaki Nagashima

Managing Director
Keisuke Arai

Director
Kunihiro Kanoh

Director
Takashi Kawai

Corporate Auditors
(Note 1)

Standing Corporate Auditor
Tadao Arai

Standing Corporate Auditor
Kiyoshi Okawa

Corporate Auditor
Norio Tomiyoshi

Executive Officers
(Note 2)

Senior Executive Officer
Shinichi Yasuda

Senior Executive Officer
Shoei Kawamura

Senior Executive Officer
Koji Seki

Executive Officer
Kaoru Takahashi

Executive Officer
Hideyo Ohse

Executive Officer
Tadahiro Shimura

Executive Officer
Takashi Ichikawa

Executive Officer
Masayuki Abo

Executive Officer
Shiro Ajisaka

Executive Officer
Shogo Sakuraba

Notes : 1. Mr. Arai and Mr. Tomiyoshi are external corporate auditors as per Article 18.1 of the "Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of Kabushiki-Kaisha."

2. Instituted Executive Officer system as of January 1, 2005.

financial summary

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Total Assets	¥ 40,857	¥32,709	¥24,840	¥22,820	¥23,398	\$392,139
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Per Share Data:	Yen					U.S. Dollars (Note 1)
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Cash Dividends	40.00	20.00	12.50	7.50	10.00	0.38

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2. Net income (loss) per share is computed based on the weighted-average number of shares of common stock outstanding during each year.

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

Operating Results

Term Overview

Consolidated net sales for fiscal 2004, the fiscal year ended December 31, 2004, surged 15.5%, compared with the previous fiscal year, to ¥63,345 million. Sales increases were driven by the introduction of attractive new products in each business segment, and by the reinforcing of our sales structure.

Based on efforts to expand production capacity at our subsidiaries in China and at domestic lens factories, operating income increased 13.9% year-on-year to ¥7,223 million.

The cost of sales to total net sales ratio decreased 0.4 of a percentage point to 75.4%, while selling, general and administrative expenses increased by 0.5 of a percentage point to 13.2%. Despite a slight drop of 0.1 of a percentage point, Tamron succeeded in keeping its operating income margin above the 10% level, finishing with an operating income margin of 11.4%.

Overseas Sales

Consolidated overseas sales for the period under review climbed 64.8% to ¥18,355 million, comprising 29.0% of total consolidated net sales. As a percentage of consolidated net sales, the Company recorded 7.2% in North America, 4.6% in Europe, and 17.1% in Asia. Most notable was the jump in sales in Asia, which improved 172.3% to ¥10,861 million. Sales in Asia comprised 59.2% of total overseas sales.

Financial Position

Total assets as of December 31, 2004 stood at ¥40,857 million, up 24.9% compared with the end of the previous fiscal year. Due to an increase in capital, cash and cash equivalents rose 85.8% from the previous fiscal year-end to ¥11,144 million. In addition, despite a decrease in the balance of trade notes and accounts receivable,

and an increase in inventories, current assets rose 18.4% to ¥29,154 million.

Inventories as of the year-end rose in line with the increase in sales, and inventory turnover improved from 6.8 times to 7.4 times, reflecting greater efficiencies.

Buoyed by the investment in the lens and prism processing machinery, fixed assets rose to ¥11,703 million, an increase of 44.8% compared with the previous fiscal year-end.

Due to the repayment of loans payable, current liabilities decreased 14.1% to ¥11,825 million, while long-term liabilities rose by ¥6 million to ¥4,140 million. As a result, total liabilities as of December 31, 2004 stood at ¥15,965, down 10.8% from the end of the last fiscal year.

The balance of interest-bearing debt was ¥8,029 million, down 9.6%, and comprised short-term loans payable of ¥4,845 million and long-term loans payable of ¥3,184 million.

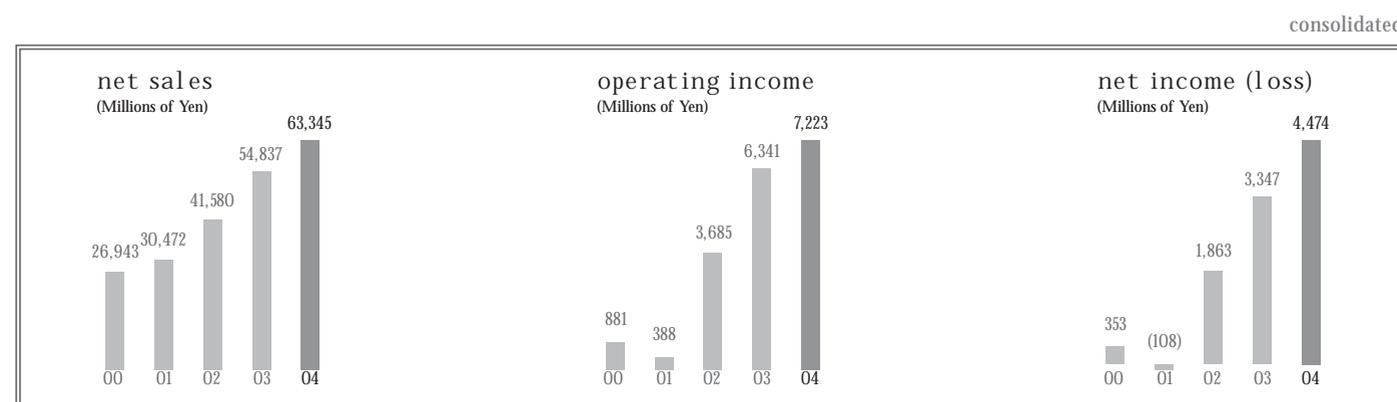
On a consolidated basis, the burdens of debt repayment and interest-bearing debt were lightened. The loan-to-assets ratio fell 7.4 percentage points to 19.7%, with repayment terms declining from 1.7 to 1.5 years and the interest coverage ratio falling slightly from 34.8 times to 32.7 times.

Total shareholders' equity as of the year-end stood at ¥24,891 million, a jump of 68.1%, and the shareholders' equity ratio improved by 15.6% to 60.9%.

Cash Flows

After a substantial jump in income before income taxes, the Company paid a larger amount of income taxes, leading to a slight drop of 1.4% in net cash provided by operating activities to ¥5,257 million. Net cash used in investing activities came to ¥4,909 million, up 47.3% year-on-year. This was mainly attributed to capital investments in the lens and prism processing machinery and for the upgrading of production molds.

Net cash provided by financing activities soared 405.8% over the previous period to ¥4,900 million, reflecting proceeds from the issuing of shares.



As a result of these factors, cash and cash equivalents at the end of the fiscal year totaled ¥11,144 million, up ¥5,146 million compared with the previous fiscal year-end.

Capital Expenditure

The total amount of capital investment in fiscal 2004 amounted to ¥5,587 million in line with the rapid growth in digital-related businesses, focused primarily on the Optical Components and Commercial/Industrial-Use Optics divisions.

Capital expenditure by business segment consisted of ¥1,127 million for the Photographic Products Division, ¥2,306 million for the Optical Components Division, and ¥1,937 million for the Commercial/Industrial-Use Optics Division.

Based on its three-year management plan, Tamron intends to actively invest in four priority fields.

1. Reinforce mold processing machinery and plant
2. Enhance projector-related equipment
3. Build a stronger production structure for cellular phone camera lenses
4. Bolster other business activities

Capital Expenditure Three-Year Plan (Millions of Yen)

Fiscal 2005	Fiscal 2006	Fiscal 2007
6,886	5,060	4,259

Research and Development

Total R&D expenses for the fiscal year under review totaled ¥1,870 million and comprised ¥370 million for the Photographic Products Division, ¥918 million for the Optical Components Division, and ¥580 million for the Commercial/Industrial-Use Optics Division. Tamron has continued to conduct research through its Optical Design & Engineering R&D Unit, Core Technology & Engineering R&D Unit and design departments of respective business units. To offer an extended range of products, Tamron has continued to strengthen fundamental development activities, focusing on digi-

tal-related products such as digital camera lenses, interchangeable lenses for digital single lens reflex cameras, and lenses for the expanding rear projection device market.

The Company plans to make positive investments in effective and flexible R&D, geared toward securing a stronger position in an increasingly competitive market. As part of its three year-management plan, Tamron will focus on the following four priority fields:

1. Development of fundamental technology by focusing on optical technology
2. Development of high-precision processing and measurement/evaluation technology
3. Development of fundamental technology for electronic devices
4. Development of new businesses

R&D Three-Year Management Plan (Millions of Yen)

Fiscal 2005	Fiscal 2006	Fiscal 2007
2,581	2,850	3,150

Number of Employees

The number of employees on a consolidated basis was 3,232 as of December 31, 2004, an increase of 735 from the end of the previous year. This increase is mainly attributed to a rise in the number of employees in China, primarily because of efforts to expand our manufacturing base there for its lens-related business.

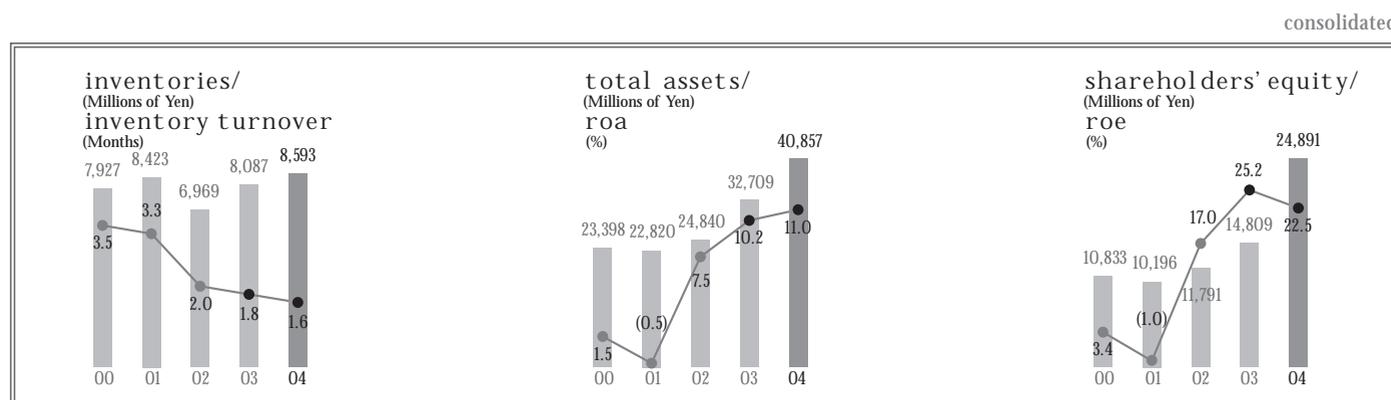
On a non-consolidated basis, the number of employees as of December 31, 2004 was 791, an increase of 57 from the end of the previous fiscal year.

Workforce Three-Year Plan

Consolidated		
Fiscal 2005	Fiscal 2006	Fiscal 2007
5,088	5,272	5,399

Non-Consolidated

Fiscal 2005	Fiscal 2006	Fiscal 2007
916	952	982



Business and 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 at the time of this document's release, March 31, 2005.

1. RELIANCE ON SPECIFIC BUSINESS SEGMENTS AND PRODUCTS

The Company's sales by business segment and the composition thereof reveals a high ratio of sales concentrated in lens-related products, particularly for use in 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 KEY CUSTOMERS

A high degree of the Company's sales are derived from a few key customers. As a result, in cases where the aforementioned customers implement changes in strategy and direction, or choose to alter their business relationship with the Company, fiscal results may be affected.

3. EXPANDING BUSINESS SEGMENTS AND ENTERING NEW BUSINESSES

The Company plans to increase the scope of its operations by expanding its projector lens business, and by entering the market for cellular phone camera lenses. Because the market demand for these products is projected to grow, the number of companies entering these fields is high. Therefore, severe price competition, continuous pressure for technological innovation, and rapid changes in market needs are expected. In addition, finished product specifications may or may not be well rated in the marketplace, and newly developed products do not always directly generate sales. Due to these

factors, it is difficult to predict rapid changes in the operating environments of the businesses that the Company plans to expand or enter into, and in some cases Company results may be affected thereby.

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 result, if for various reasons raw materials, parts, and so forth, 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.

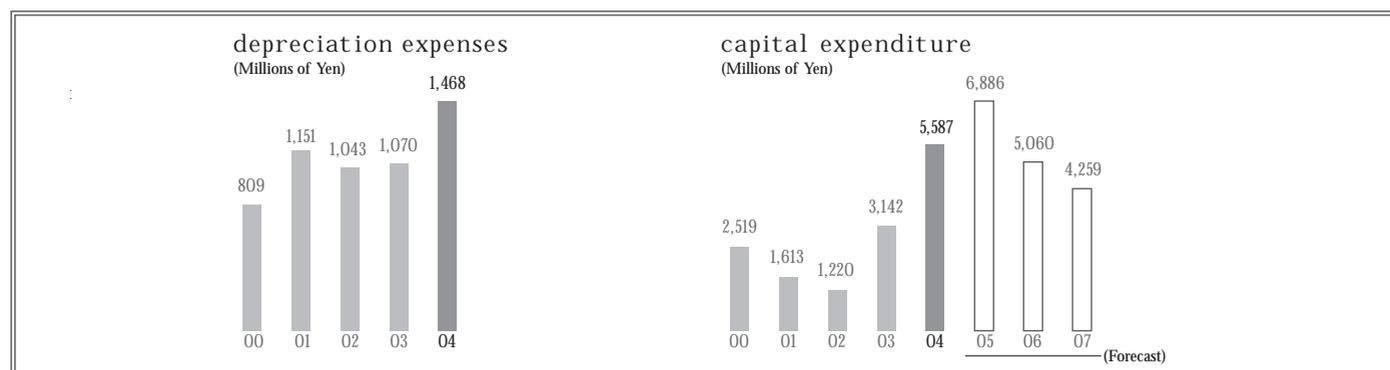
5. DEFECTIVE PRODUCTS

All of the Company's domestic and overseas development and production facilities have obtained ISO9001 certification for quality management systems 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 a 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 cases, Company results may be affected.

6. RISKS SURROUNDING OVERSEAS SUBSIDIARIES

The Company owns sales outlets in the United States, Germany, and France, a distribution and sales company in Hong Kong, and a production and sales company in China.

consolidated



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 disasters, 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 litigation 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. 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.

Regarding the groundwater contamination found in the voluntary investigation conducted December 2003 at the Company's headquarters in Omiya, the Company completed the construction which it proposed to Saitama City in its "Plan to Halt the Spread of Groundwater Contamination" in March, 2005. Groundwater purification equipment (pumping equipment) has been operating on head-quarter grounds from March 2005, and groundwater is improving to meet environmental standards.

The Company is conducting survey at other domestic facilities according to its environmental reforms activity.

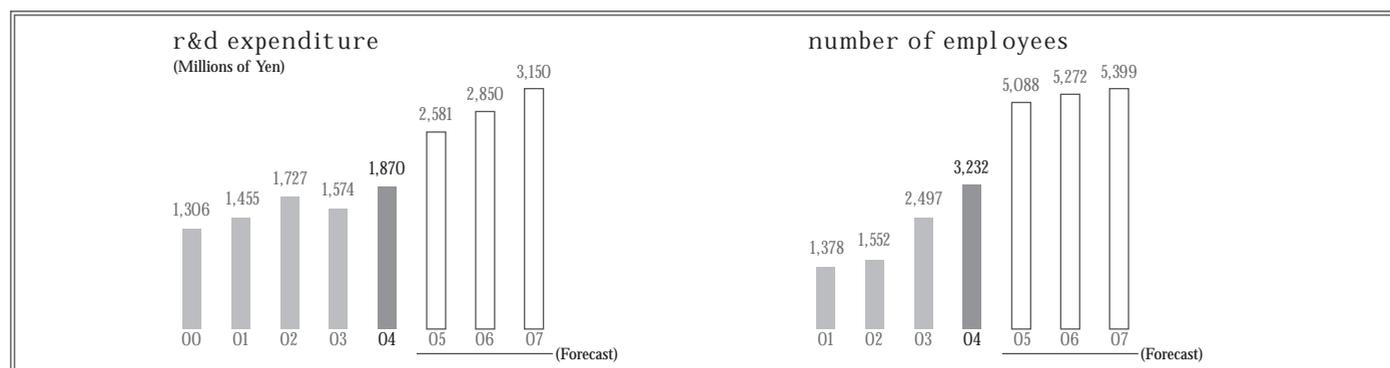
10. DISPOSAL OF INVENTORIES AND VALUATION LOSS

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, etc. 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 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.

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consolidated balance sheets

TAMRON CO., LTD. and Consolidated Subsidiaries

December 31	Thousands of Yen		Thousands of
	2004	2003	U.S. Dollars
assets			
Current assets:			
Cash and cash equivalents	¥11,144,704	¥ 5,998,067	\$106,965
Notes and accounts receivable—trade	7,857,023	8,837,169	75,410
Inventories	8,593,451	8,087,822	82,478
Deferred tax assets	464,310	644,478	4,456
Other current assets	1,204,407	1,149,350	11,559
Reserve for doubtful accounts	(109,891)	(89,243)	(1,054)
Total current assets	29,154,005	24,627,643	279,815
Fixed assets:			
Property, plant and equipment:			
Buildings and structures	2,306,918	2,308,078	22,141
Machinery, equipment and vehicles	4,498,481	2,040,926	43,175
Tools, furniture and fixtures	1,434,049	1,077,167	13,763
Land	874,552	875,455	8,393
Other	567,203	602,219	5,443
Total property, plant and equipment	9,681,205	6,903,847	92,918
Intangible assets:	863,414	176,146	8,286
Investments and other assets:			
Investments in securities	628,249	532,965	6,029
Deferred tax assets	348,676	309,296	3,346
Other	190,844	168,687	1,831
Reserve for doubtful accounts	(9,364)	(8,892)	(89)
Total investment and other assets	1,158,406	1,002,056	11,118
Total fixed assets	11,703,026	8,082,050	112,323
Total assets	¥40,857,031	¥32,709,694	\$392,139

The accompanying notes are an integral part of these statements.

December 31	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Liabilities, minority interests and shareholders' equity			
Current liabilities:			
Notes and accounts payable—trade	¥ 3,482,649	¥ 4,150,999	\$ 33,425
Short-term loans payable	4,845,350	5,564,371	46,504
Income taxes payable	878,839	1,663,400	8,434
Other current liabilities	2,618,222	2,387,264	25,129
Total current liabilities	11,825,061	13,766,036	113,495
Long-term liabilities:			
Long-term loans payable	3,184,227	3,312,996	30,561
Reserve for employees' retirement benefits	822,819	703,898	7,897
Reserve for directors' retirement benefits	133,704	117,626	1,283
Total long-term liabilities	4,140,751	4,134,521	39,742
Total liabilities	15,965,813	17,900,557	153,237
Minority interests:			
	—	—	—
Shareholders' equity:			
Common stock	6,923,075	3,835,575	66,446
Capital surplus	7,440,327	4,353,384	71,411
Retained earnings	11,197,882	7,234,100	107,475
Unrealized gain on other marketable securities	103,130	46,626	989
Foreign currency translation adjustments	(754,165)	(642,127)	(7,238)
Treasury stock, at cost	(19,032)	(18,421)	(182)
Total shareholders' equity	24,891,218	14,809,136	238,902
Total liabilities, minority interests and shareholders' equity	¥40,857,031	¥32,709,694	\$392,139

The accompanying notes are an integral part of these statements.

consolidated statements of income

TAMRON CO., LTD. and Consolidated Subsidiaries

Years ended December 31	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Net sales	¥ 63,345,260	¥ 54,837,131	\$607,978
Cost of sales	47,747,609	41,539,842	458,274
Gross profit	15,597,651	13,297,289	149,703
Selling, general and administrative expenses	8,374,025	6,955,838	80,372
Operating income	7,223,625	6,341,450	69,331
Non-operating income	208,258	109,492	1,998
Non-operating expenses	842,578	950,385	8,086
Ordinary profit	6,589,305	5,500,557	63,243
Extraordinary loss	—	473,328	—
Income before income taxes	6,589,305	5,027,229	63,243
Income taxes—current	2,015,811	2,112,744	19,347
Income taxes—deferred	99,167	(433,241)	951
Net income	¥ 4,474,325	¥ 3,347,726	\$ 42,943
Net income per share (in yen and U.S. dollars)	¥ 323.52	¥ 257.75	\$ 3.10

The accompanying notes are an integral part of these statements.

consolidated statements of retained earnings

TAMRON CO., LTD. and Consolidated Subsidiaries

Years ended December 31	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Capital surplus			
Capital surplus at the beginning of the year	¥ 4,353,384	¥ 4,345,425	\$ 41,783
Increase:			
Issuance of common stock	3,086,875	—	29,627
Gain on sales of treasury stock	68	7,958	0.65
Capital surplus at the end of the year	¥ 7,440,327	¥ 4,353,384	\$ 71,411
Retained earnings			
Retained earnings at the beginning of the year	¥ 7,234,100	¥ 4,079,647	\$ 69,431
Increase:			
Net income	4,474,325	3,347,726	42,943
Decrease:			
Cash dividends	468,642	159,273	4,497
Bonuses to directors and auditors	41,900	34,000	402
Retained earnings at the end of the year	¥11,197,882	¥ 7,234,100	\$107,475

The accompanying notes are an integral part of these statements.

consolidated statements of cash flows

TAMRON CO., LTD. and Consolidated Subsidiaries

Years ended December 31	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Cash flows from operating activities:			
Income before income taxes	¥ 6,589,305	¥ 5,027,229	\$ 63,243
Depreciation and amortization	1,468,778	1,070,008	14,097
Increase in reserve for employees' retirement benefits	118,921	75,088	1,141
Interest and dividend income	(9,068)	(9,746)	(87)
Interest expense	159,190	152,803	1,527
Loss on disposal of property, plant and equipment	48,474	101,585	465
Increase (decrease) in trade receivables	896,052	(1,714,359)	8,600
(Increase) decrease in inventories	(548,175)	(1,330,321)	(5,261)
Increase (decrease) in trade payables	(530,269)	2,264,761	(5,089)
Other—net	146,229	845,090	1,403
Sub-total	8,339,437	6,482,139	80,040
Interest and dividend received	9,078	9,747	87
Interest paid	(160,714)	(153,453)	(1,542)
Income taxes paid	(2,930,371)	(1,116,406)	(28,125)
Income taxes refunded	—	110,862	—
Net cash provided by operating activities	5,257,429	5,332,888	50,460
Cash flows from investing activities:			
Purchases of property, plant and equipment	(4,176,880)	(3,024,920)	(40,089)
Proceeds from sale of property, plant and equipment	6,369	22,612	61
Purchases of investment securities	—	(300,000)	—
Increase in loans receivable	(12,470)	(6,318)	(119)
Proceeds from collection of loans receivable	11,341	5,063	108
Purchases of intangible fixed assets	(721,204)	(2,848)	(6,922)
Other—net	(17,014)	(27,248)	(163)
Net cash used in investing activities	(4,909,858)	(3,333,659)	(47,124)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	(1,009,574)	352,147	(9,689)
Proceeds from long-term loans	2,296,304	2,481,260	22,039
Repayment of long-term loans	(2,091,518)	(1,799,986)	(20,074)
Proceeds from sale of treasury stock	902	104,632	8
Purchases of treasury stock	(1,444)	(10,286)	(13)
Proceeds from issuance of common stock	6,174,375	—	59,260
Dividends paid	(468,072)	(158,804)	(4,492)
Net cash provided by financing activities	4,900,971	968,962	47,038
Effect of exchange rate changes on cash and cash equivalents	(101,905)	(145,928)	(978)
Net increase in cash and cash equivalents	5,146,637	2,822,262	49,396
Cash and cash equivalents at the beginning of the year	5,998,067	3,175,804	57,568
Cash and cash equivalents at the end of the year	¥11,144,704	¥ 5,998,067	\$106,965

The accompanying notes are an integral part of these statements.

Basis of presenting Consolidated Financial Statements

Tamron Co., Ltd. (the Company) maintains its accounts and records in accordance with the provisions set forth in Japanese Commercial Code and the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan (Japanese GAAP). The accounts of overseas-consolidated subsidiaries are based on accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the countries of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries, particularly in respect to application and disclosure requirements; accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company, which were prepared in accordance with Japanese GAAP, and were filed with the appropriate Local Finance Bureau of the Ministry of Finance, as required by the Securities and Exchange Law.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of readers; the prevailing exchange rate on December 31, 2004, ¥104.19 per U.S. \$1.00, was used. The translations should not be construed as representations of Japanese yen that have been, could have been, or could be converted into U.S. dollars in the future, at this rate or any other rate of exchange.

1. Scope of consolidation

All subsidiaries are consolidated.

Number of consolidated subsidiaries: 5

TAMRON USA, Inc.

TAMRON Europe GmbH.

TAMRON INDUSTRIES (HONG KONG) LIMITED

TAMRON OPTICAL (FOSHAN) CO., LTD.

TAMRON France EURL.

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 stockholders' equity. 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. Inventories

The Company: valued at cost using the monthly moving-average method.

Consolidated subsidiaries: stated at the lower of cost, or market, principally using the first-in first-out method.

c. Derivatives

Derivatives financial positions are stated at fair value.

(2) Depreciation of fixed assets

a. Property, Plant and Equipment

The Company: by the declining-balance method, primarily based on the following estimated useful lives:

Buildings	30 to 40 years
Machinery and equipment	5 to 10 years

However, buildings (excluding equipment attached) obtained on or after April 1, 1998 are depreciated by the straight-line method, according to the Corporation Tax Law.

Consolidated subsidiaries: by the straight-line method.

b. Intangible Assets

By the straight-line method. In-house use software is amortized over a five-year period, the assumed useful life.

(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 booked based on an estimation of the uncollectible amount, on a case-by-case basis.

b. 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, 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.

c. Reserve for Directors' Retirement Benefits

The Company provides the reserve for directors' retirement benefits with an amount deemed necessary at the term-end, in line with in-house regulations.

(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 shareholders' equity under "Foreign currency translation adjustments."

(5) Lease transactions

Finance lease transactions, excluding leases where the ownership of leased objects are deemed to be transferred to the lessee, were accounted for in the same manner as operating leases.

(6) 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.

(7) 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. Appropriation of retained earnings

Appropriations of retained earnings of consolidated subsidiaries were carried out based on the actual appropriations at the subsidiaries.

7. 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.

Additional Information

(Loan Participation)

Based on the "Standard and Accounting Treatment of Loan Participation" in Accounting Standards Committee Report No. 3 (June 1, 1995, The Japanese Institute of Certified Public Accountants), the total outstanding principal on accounts receivable recognized as sold to participants was ¥760,000 thousand as of December 31, 2004.

Notes to consolidated balance sheets

1. Assets pledged as collateral

(1) Property, plant and equipment

	Thousands of Yen
Buildings and structures	790,847
Machinery, equipment and vehicles	1,032,048
Tools, furniture and fixtures	134,139
Land	96,179
Other	11,049
Total	2,064,264

(2) Other

	Thousands of Yen
Buildings and structures	428,088
Land	213,180
Total	641,268

(3) Loans secured by the above assets

	Thousands of Yen
Short-term loans payable	1,141,650
Long-term loans payable (including loans due within one year)	3,435,026
Total	4,576,676

2. Accounting for notes matured at end of fiscal year

The end of the 2004 fiscal year coincided with a bank holiday, and the following notes that matured at the end of the fiscal year were accounted for as if they were settled on their date of maturity.

Notes receivable.....¥18,955 thousand

3. The Company's total number of shares outstanding was 14,117,500 ordinary shares.

4. The Company has 12,647 ordinary shares of treasury stock.

Notes to consolidated statements of income

Research and development expenses included in selling, general and administrative expenses and manufacturing costs totaled ¥1,870,391 thousands.

Notes to consolidated statements of cash flows

Reconciliation between amounts shown in cash and cash equivalents at the 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, 2004, is not required, and is as follows:

Cash and cash equivalents on the statement of cash flows.....¥11,144,704 thousand

Cash and cash equivalents at the end of the year¥11,144,704 thousand

I. Notes to leases

Finance leases are accounted for in the same manner as operating leases.

1. Acquisition cost, accumulated depreciation and net book value of lease assets

	Acquisition cost	Accumulated depreciation	Thousands of Yen Net book value
Machinery and equipment	1,505,115	730,643	774,471
Tools, furniture and fixtures	440,354	238,365	201,989
Total	1,945,469	969,008	976,460

2. Unpaid lease expenses as of December 31, 2004

	Thousands of Yen
Due within one year	277,593
Due after one year	735,543
Total	1,013,137

3. Lease expenses, depreciation and interest expenses

	Thousands of Yen
Lease expenses	347,407
Depreciation	310,190
Interest expenses	35,121

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.

II. Notes to investments in securities

1. With quoted market value

		Thousands of Yen					
	Type of securities	As of December 31, 2003			As of December 31, 2004		
		Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
Securities whose carrying amounts on consolidated balance sheets exceed their acquisition costs	(1) Stocks	108,890	188,043	79,153	108,890	284,488	175,598
	(2) Debt securities	—	—	—	—	—	—
	(3) Others	—	—	—	—	—	—
	Total	108,890	188,043	79,153	108,890	284,488	175,598
Securities whose acquisition costs exceed carrying amounts on consolidated balance sheets	(1) Stocks	44,244	43,719	(525)	44,244	42,558	(1,686)
	(2) Debt securities	—	—	—	—	—	—
	(3) Others	—	—	—	—	—	—
	Total	44,244	43,719	(525)	44,244	42,558	(1,686)
Total		153,134	231,762	78,628	153,134	327,046	173,912

Notes:

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.

2. Without quoted market value

	Thousands of Yen	
	As of December 31, 2003	As of December 31, 2004
	Carrying amount	Carrying amount
Investments in securities		
Preference fund certificates	300,000	300,000
Non-listed stocks (excluding OTC stocks)	1,202	1,202

III. Notes to derivatives

Current transactions

(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.

Market value of transactions

All derivative transactions fall under hedge accounting, accordingly the market value information is not required.

IV. Notes to retirement benefits as of december 31, 2004

(1) Retirement benefit system used

The Company has a defined benefit plan comprising a welfare pension fund plan, a qualified pension plan, and a lump-sum retirement payment plan. For the retirement of employees, the Company may pay additional retirement benefits.

(2) Retirement benefit obligation

	Thousands of Yen
(1) Retirement benefit obligation	(1,713,737)
(2) Plan assets at fair value	711,498
(3) Unfunded retirement benefit obligation (1) + (2)	(1,002,239)
(4) Unrecognized actuarial differences	179,420
(5) Accrued retirement benefits (3) + (4)	(822,819)

Note: Welfare pension fund plan assets totaling ¥3,450,077 thousand are not included in the aforementioned breakdown of retirement benefit obligation.

(3) Retirement benefit expenses

	Thousands of Yen
(1) Service expenses	278,702
(2) Interest expenses	33,088
(3) Expected return on plan assets	(9,077)
(4) Amortization of net actuarial difference	82,228
(5) Retirement benefit expenses (1) + (2) + (3) + (4)	384,941

Note: 1. A contribution amount of ¥169,628 thousand to the welfare pension fund is included in service expenses.

2. Besides the above retirement benefit expenses, the Company paid additional benefits of ¥2,740 thousand.

(4) Basis for calculation of retirement benefit obligation

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

V. Notes to accounting for deferred income tax

(1) Breakdown of the major components for deferred tax assets and liabilities as of December 31, 2004

Deferred Tax Assets

	Thousands of Yen
Accrued enterprise tax	94,063
Reserve for doubtful accounts	28,743
Unrealized intercompany profits	106,341
Reserve for employees' retirement benefits	326,575
Subsidiaries' net operating tax loss carryforwards	44,888
Reserve for directors' retirement benefits	54,417
Loss on disposal of inventories	72,972
Loss on devaluation of inventories	10,702
Soil improvement expenses	90,559
Other	114,463
Subtotal	943,728
Valuation allowance assets	(47,702)
Net deferred tax assets	896,026

Deferred Tax Liabilities

	Thousands of Yen
Reserve for special depreciation	(11,570)
Unrealized gain on investments in securities	(71,468)
Deferred tax liabilities	(83,038)
Net deferred tax assets	812,987

(2) Breakdown of the major differences between the statutory tax rate and the effective tax rate after adoption of tax effect accounting

Statutory tax rate	42.0%
(Adjustments)	
Permanent non-deductible expenses (entertainment expenses)	0.8
Per capita tax	0.3
Tax deductions	(4.8)
Valuation allowance assets	0.2
Difference in tax rates applicable to overseas subsidiaries	(7.5)
Other	1.1
Effective tax rate after adoption of tax effect accounting	32.1

VI. Notes to segment information

Business segment information

	Thousands of Yen					
	2003					
	Photographic products	Optical components	Commercial/ industrial-use optics	Total	Eliminations and / or corporate	Consolidated
Sales:						
Sales to outside customers	¥9,468,348	¥38,519,748	¥6,849,034	¥54,837,131	¥ —	¥54,837,131
Sales or amounts transferred among segments	—	—	—	—	—	—
Total	9,468,348	38,519,748	6,849,034	54,837,131	—	54,837,131
Operating expenses	9,331,329	31,778,138	6,238,303	47,347,771	1,147,910	48,495,681
Operating income	¥ 137,019	¥ 6,741,610	¥ 610,730	¥ 7,489,360	¥(1,147,910)	¥ 6,341,450
Assets	¥7,161,395	¥13,538,814	¥5,599,429	¥26,299,638	¥ 6,410,055	¥32,709,694
Depreciation expenses	476,685	314,681	265,476	1,056,842	13,165	1,070,008
Capital expenditures	978,171	1,590,833	550,590	3,119,594	22,461	3,142,056

	Thousands of Yen					
	2004					
	Photographic products	Optical components	Commercial/ industrial-use optics	Total	Eliminations and / or corporate	Consolidated
Sales:						
Sales to outside customers	¥10,765,252	¥43,980,066	¥8,599,941	¥63,345,260	¥ —	¥63,345,260
Sales or amounts transferred among segments	—	—	—	—	—	—
Total	10,765,252	43,980,066	8,599,941	63,345,260	—	63,345,260
Operating expenses	10,272,293	36,616,418	7,979,381	54,868,094	1,253,541	56,121,635
Operating income	¥ 492,958	¥ 7,363,648	¥ 620,559	¥ 8,477,166	¥ (1,253,541)	¥ 7,223,625
Assets	¥ 9,499,426	¥14,270,695	¥6,210,563	¥29,980,684	¥10,876,346	¥40,857,031
Depreciation expenses	630,387	476,741	333,916	1,441,046	27,732	1,468,778
Capital expenditures	1,127,136	2,306,354	1,937,553	5,371,044	216,916	5,587,960

Notes:

1. Business segmentation

Main products by business segment are as follows:

(1) Photographic products

Interchangeable lenses for 35mm single-lens reflex cameras, medium-format cameras, interchangeable lenses for medium-format cameras and related accessories

(2) Optical components

Lenses for digital video camcorders, lenses for digital still cameras

(3) Commercial/industrial-use optics

Lens units for CCTV cameras, projection lenses, precision injection mold, plastic molded engineering parts and components, test plates, etc.

2. Unallocated operating expenses included in "Eliminations and / or corporate" totaled ¥1,147,910 thousand for the fiscal year ended December 31, 2003. 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 ¥1,253,541 thousand for the fiscal year ended December 31, 2004. These expenses consisted principally of expenses related to general affairs, accounting and other departments of the Company.

3. As of December 31, 2003, total assets included in "Eliminations and / or corporate" of ¥6,410,055 thousand, mainly represent cash, long-term investment funds (investments in securities), and assets related to the administration department. As of December 31, 2004, total assets included in "Eliminations and / or corporate" of ¥10,876,346 thousand, mainly represent cash, long-term investments funds (investments in securities), and assets related to the administration department.

Geographical segment information

	Thousands of Yen						
	2003						
	Japan	North America	Europe	Asia	Total	Eliminations and / or corporate	Consolidated
Sales:							
Sales to outside customers	¥48,385,720	¥3,826,793	¥1,680,234	¥ 944,384	¥54,837,131	—	¥54,837,131
Sales or amounts transferred among segments	3,573,150	—	—	11,336,356	14,909,507	(14,909,507)	—
Total	51,958,871	3,826,793	1,680,234	12,280,740	69,746,638	(14,909,507)	54,837,131
Operating expenses	45,406,479	3,756,034	1,713,652	11,459,793	62,335,960	(13,840,278)	48,495,681
Operating income	¥ 6,552,391	¥ 70,758	¥ (33,418)	¥ 820,947	¥ 7,410,678	¥ (1,069,228)	¥ 6,341,450
Assets	¥21,502,626	¥1,693,501	¥1,090,076	¥ 5,932,619	¥30,218,823	¥ 2,490,870	¥32,709,694

	Thousands of Yen						
	2004						
	Japan	North America	Europe	Asia	Total	Eliminations and / or corporate	Consolidated
Sales:							
Sales to outside customers	¥55,008,969	¥3,653,840	¥1,996,950	¥ 2,685,500	¥63,345,260	—	¥63,345,260
Sales or amounts transferred among segments	4,258,654	—	—	19,741,395	24,000,049	(24,000,049)	—
Total	59,267,624	3,653,840	1,996,950	22,426,895	87,345,310	(24,000,049)	63,345,260
Operating expenses	52,431,729	3,598,435	1,995,937	20,783,281	78,809,384	(22,687,748)	56,121,635
Operating income	¥ 6,835,894	¥ 55,404	¥ 1,012	¥ 1,643,614	¥ 8,535,926	¥ (1,312,300)	¥ 7,223,625
Assets	¥23,544,491	¥1,736,460	¥1,090,733	¥ 8,641,027	¥35,012,712	¥ 5,844,319	¥40,857,031

Notes:

- Country and regional segments are classified on the basis of geographic proximity.
- Principal markets in the above designated areas:
 - North America: U.S.A.
 - Europe: Germany, France
 - Asia: Hong Kong, China
- Unallocated operating expenses included in "Eliminations and / or corporate" totaled ¥1,147,910 thousand for the fiscal year ended December 31, 2003. 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 ¥1,253,541 thousand for the fiscal year ended December 31, 2004. These expenses consisted principally of expenses related to general affairs, accounting and other departments of the Company.
- As of December 31, 2003, total assets included in "Eliminations and / or corporate" of ¥6,410,055 thousand, mainly represent cash, long-term investment funds (investments in securities), and assets related to the administration department. As of December 31, 2004, total assets included in "Eliminations and / or corporate" of ¥10,876,346 thousand, mainly represent cash, long-term investment funds (investments in securities), and assets related to the administration department.

Overseas sales

	Thousands of Yen			
	2003			
	North America	Europe	Asia	Total
I Overseas sales	4,540,748	2,605,041	3,989,275	11,135,066
II Consolidated sales				54,837,131
III Overseas sales as a percentage of consolidated sales (%)	8.3	4.8	7.3	20.3

Thousands of Yen

	2004			
	North America	Europe	Asia	Total
I Overseas sales	4,551,987	2,942,472	10,861,053	18,355,513
II Consolidated sales				63,345,260
III Overseas sales as a percentage of consolidated sales (%)	7.2	4.6	17.1	29.0

Notes:

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

VII. Notes to per share information

Year ended December 31, 2004:

Net assets per share	¥1,761.96
Net income per share	¥323.52

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.

	2003	2004
Net income per share		
Net income (Thousands of Yen)	¥3,347,726	¥4,474,325
Amount not belong to ordinary shareholders (Thousands of Yen)	41,900	39,000
(Portion for directors' bonuses appropriated for retained earnings)	(41,900)	(39,000)
Net income for ordinary shares (Thousands of Yen)	3,305,826	4,435,325
Average number of shares outstanding during the term (Shares)	12,825,516	13,709,642

Treasury stock for stock option plan
approved at General Shareholders
Meeting on March 29, 2001
Ordinary shares: 1,000 shares

VIII. Notes to subsequent events

Not applicable.

To the Board of Directors of
TAMRON CO., LTD.

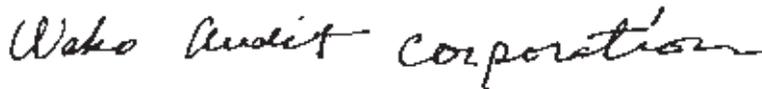
We have audited the accompanying consolidated balance sheets of TAMRON CO., LTD. and its subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, retained earnings, and cash flows for the years then ended. These consolidated financial statements are the responsibility 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, 2004 and 2003, and the results of their operations and their cash flows for the years 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 31, 2005



Wako Audit Corporation

Company Profile

Company Name:
Tamron Co., Ltd.

Established:
November 1, 1950

Incorporated:
October 27, 1952

Headquarters:
1385 Hasunuma, Minuma-ku, Saitama-City, Saitama

Capital:
¥6,923 million

Fiscal Year-End:
End of December

Employees:
3,232 (Consolidated) (As of December 31, 2004)

Principal Shareholders (As of December 31, 2004)

Shareholders	Number of Shares Held (Thousands of Shares)	Percentage of Shares Held
New Well Co., Ltd.	2,449	17.36
Sony Corporation	1,564	11.09
Kouyu Kosan Co., Ltd.	764	5.42
Japan Trustee Services Bank, Ltd. (Trust Account)	639	4.53
Saitama Resona Bank, Ltd.	520	3.69
State Street Bank and Trust Company	397	2.81
The Chase Manhattan Bank N.A. London	344	2.44
The Master Trust Bank of Japan, Ltd. (Trust Account)	266	1.88
Trust & Custody Services Bank, Ltd. (Securities Trust Account)	259	1.84
The Chase Manhattan Bank N.A. London S.L. Omnibus Account	231	1.64

note: The 1,564 thousand shares owned by Sony Corporation are fiduciary assets trusted to Mizuho Trust & Banking Co., Ltd. In regard to the execution of voting rights and jus disposition of the shares, Sony Corporation reserves the right to instruct pursuant to the provisions of the trust contract between the two parties.

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

group network

Hirosaki Plant

3-2 Shimizu 3-chome, Hirosaki-city,
Aomori 036-8254
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Fax: 81-172-33-2340
ISO9001/ISO14001 Certified

Namioka Plant

64-1 Shimo Shimada, Kita Nakano,
Namioka, Aomori-city,
Aomori 038-1325
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Fax: 81-172-62-9302
ISO9001/ISO14001 Certified

Owani Plant

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Minami Tsugaru-gun,
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Fax: 81-172-47-6715
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TAMRON France EURL.

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Osaka Sales Office

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Sapporo Regional Sales Representative Office

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Sapporo-city, Hokkaido 003-0022
Tel:81-11-863-6570 Fax:81-11-863-6588

Tohoku Regional Sales Representative Office

3-2 Shimizu 3-chome, Hirosaki-city, Aomori 036-8254
Tel:81-172-35-8510 Fax:81-172-33-2340

Niigata Regional Sales Representative Office

1611-2 Suwayama Seirou-machi, Kitakanbara-gun, Niigata 957-0117
Tel:81-25-427-3321 Fax:81-25-427-3371

Chubu Regional Sales Representative Office

205-5-43 Kamiinjiki, Ginan-cho, Hashima-gun, Gifu 501-6001
Tel:81-58-240-5719 Fax:81-58-240-5719

Fukuoka Regional Sales Representative Office

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Fukuoka-city, Fukuoka 812-0013
Tel:81-92-473-2310 Fax:81-92-473-2370

Overseas Sales & Marketing Unit

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Tel:81-3-3916-0131 Fax:81-3-3916-1860



Hirosaki Plant



Namioka Plant



Owani Plant



TAMRON OPTICAL (FOSHAN) CO., LTD.



TAMRON USA, Inc.



TAMRON Europe GmbH.



TAMRON France EURL.



TAMRON INDUSTRIES
(HONG KONG) LIMITED

corporate data

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- Industrial Optics Business Unit, Sales Dept.Tel: 81-48-684-9129 Fax: 81-48-683-8594
- Optical Device & Component Business Unit.....Tel: 81-48-684-9176 Fax: 81-48-684-9472

<http://www.tamron.co.jp/>

ISO9001/ISO14001 Certified



By Public transport

- From JR Omiya Station, catch Tobu Noda Line to Nanasato Station, then walk 10 minutes.
- From JR Omiya Station east exit, catch the Tobu bus to the Yagi Antenna (20 minutes) then walk for 1 minute.

TAMRON

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