TAMRON

New eyes for industry

Annual Report 2005

CORPORATE PROFILE

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…. "New eyes for industry"

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

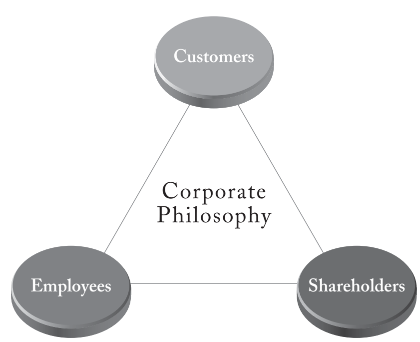
MISSION

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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Tamron Co., Ltd. and Consolidated Subsidiaries

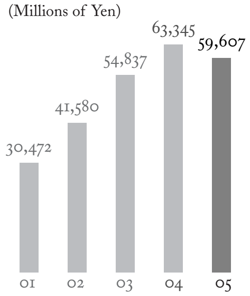
Years Ended December 31	2005	2004	2003	2002	2001	2005
	Millions of Yen					Thousands of U.S. Dollars (Note 1)
For the Year:						
Net Sales	¥ **59,607**	¥ 63,345	¥ 54,837	¥ 41,580	¥ 30,472	**$504,888**
Operating Income	**4,803**	7,223	6,341	3,685	388	**40,688**
Income before Income Taxes	**4,431**	6,589	5,027	2,492	11	**37,539**
Net Income (Loss)	**3,343**	4,474	3,347	1,863	(108)	**28,323**
At Year-End:						
Total Assets	¥ **44,081**	¥ 40,857	¥ 32,709	¥ 24,840	¥ 22,820	**$373,382**
Total Shareholders' Equity	**28,341**	24,891	14,809	11,791	10,196	**240,058**
Number of Employees	**3,672**	3,232	2,497	1,552	1,378	—
	Yen					U.S. Dollars (Note 1)
Per Share Data:						
Net Income (Loss)	¥ **117.48**	¥ 323.52	¥ 257.75	¥ 146.24	¥ (8.51)	$ **0.99**
Shareholders' Equity	**1,003.63**	1,761.96	1,148.83	925.43	800.03	**8.50**
Cash Dividends	**45.00**	40.00	20.00	12.50	7.50	**0.38**

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118.06=U.S.$1.

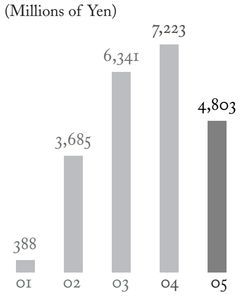
2. Net income (loss) per share is computed based on the weighted-average number of shares of common stock outstanding during each year.

consolidated

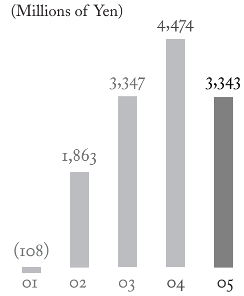
NET SALES
(Millions of Yen)



OPERATING INCOME
(Millions of Yen)



NET INCOME (LOSS)
(Millions of Yen)



In fiscal 2005, the year ended December 31, 2005, interchangeable lenses for digital SLR cameras showed a great rise in sales, and Tamron entered the cellular phone camera lens market. However, due to the maturity of the digital still camera market and further price decline trends, Tamron recorded lower sales and lower income compared to the previous year. Under these circumstances, the Tamron group established the brand concept, "New eyes for industry" and introduced three new interchangeable lenses for digital SLR cameras. Due to the lost sales in the optical components business segment, especially the DSC lens units, net sales totaled at ¥59,607 million a 5.9% decrease compared to fiscal 2004.

Despite domestic and overseas cost reduction and local procurement efforts, loss in sales for DSC lenses, decline in unit prices of DSC lenses, increased depreciation costs due to investments to minimize the R&D lead-time, and investments for solidifying research capabilities, we recorded a lower profit level compared to the previous year. Ordinary profit totaled, ¥4,225 million down 35.9% compared to the previous year and net income dropped 25.3% year-to-year to ¥3,343 million.

Mid-Term Management Goals

Tamron's mid-term management goals are to improve corporate management structure, production structure, sales structure, and solidifying R&D foundation to promote corporate innovation. Tamron group in accordance with the mid-term management goals will invest in optical related products business corresponding to digital technology to promote further corporate innovation.

For the sales strategy, we will promote "New eyes for industry" brand concept and launch attractive new products into the market. Tamron will challenge to expand in the cellular phone camera market and to restructure the commercial and industrial use optics business segment.

Production structure improvement focuses on innovative injection molding technology enabling Tamron to reduce lead-time drastically along with overseas production, local procurement efforts, and cost reduction in domestic facilitates to increase our cost competitiveness.

Corporate management wise, Tamron established a Compliance Committee in April of 2005, and enacted the Compliance Charter to solidify the corporate governance structure. We are also working to implement a new information management system on a global basis to elevate our business level and to further advance our enterprise resource management efforts. Tamron is also working to improve cash flow management and consolidated balance sheet management. Placing ISO at its core, Tamron is actively working on environmental activities and quality management efforts to fulfill our duty as a member of society.

Placing optical technology at its core, we are promoting further R&D of elemental technology and enforcement of intellectual property strategy.

Cash Dividends Strategy

Accounting for the stock split, it is a ¥25 increase in cash dividends paid compared to fiscal 2004. Tamron aspires to maintain a stable profit distribution policy on a long-term basis, rationally reflecting the business performance with consideration given to profitability, corporate management strategy, R&D costs for new business opportunities, and capital investments. As a specific target for our shareholders, we plan to maintain a dividend payout ratio of around 30% (consolidated) on a mid-term basis. During the fiscal 2005, a two-for-one stock split was put into effect for the purpose of providing greater liquidity of the company's common shares, increase the number of individual investors and improve return for shareholders through lowering the per share investment amount. Year-end cash dividend was ¥20 per share, with the cash dividends of ¥25 paid prior to the stock split, the cash dividends paid for fiscal 2005 was ¥45.

We look forward to your continuing support in the future.

President & CEO
Morio, Ono

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 2005, the fiscal year ended December 31, 2005, dropped 5.9%, compared with the previous fiscal year, to ¥59,607 million. The drop in sales was due to the lost sales in the optical components business segment, specifically the declined sales of DSC camera lenses.

Despite our efforts to increase efficiency and to increase profitability, operating income decreases by ¥2,419 million. The cost of sales to total net sales ratio increased by 0.3 of a percentage point to 75.7% and selling, general and administrative expenses also increased by 3.1 of a percentage point to 16.4% Tamron was unable to maintain its operating income margin above the 10% level, finishing the term with an operating income margin of 8.1%.

Overseas Sales

Consolidated overseas sales for the period under review totaled ¥18,844,437 thousand, comprising 31.6% of total consolidated net sales. As a percentage of consolidated net sales, the Company recorded 8.2% in North America, 7.0% in Europe, and 16.1% in Asia. The most notable was the jump in sales in Europe, which improved 70.4% to ¥4,180,251 thousand. Sales in Asia comprised 52.0% of total overseas sales, recording ¥9,805,749 thousand.

Financial Position

Total assets as of December 31, 2005 stood at ¥44,081,557 thousand, up 7.9% compared with the year-end of the previous fiscal year. With a slight increase in capital, cash and cash equivalents of 2.08%, a decline of 6.03% in notes and accounts receivable and 6.59% decrease in inventory making the total current assets of ¥28,546,696 thousand, a 2.08% drop from the previous year.

Tamron focused efforts to reduce inventory on hand and successfully reduced inventory by ¥566,604 thousand to ¥8,026,847 thousand.

As a result of increased investments in the new injection molding plant and management information system investments, fixed assets rose to ¥15,534 million, an increase of 33.7% compared to the previous fiscal year-end. Total fixed assets recorded ¥21,939,972 thousand, with buildings and structure increased ¥1,515 million, machinery, equipment and vehicles increase of ¥1,653 million, and intangible assets rose ¥650 million.

Total shareholders equity at the year-end stood at ¥24,891 million, a jump of 13.6%, and shareholders equity improved to 64.3%, a 3.4 percentage point jump. This is mainly due to the increase of retained earnings by ¥2,599 million and the decrease in foreign currency translation adjustments of ¥675 million.

Cash Flows

Net cash provided by operating activities totaled to ¥6,707 million, up 27.6% year-on-year. Despite lower income before income taxes compared to the previous year, the decease in inventory and drop in income taxes contributed to the increase of cash flow of operating activities.

Net cash used in investing activities came to ¥5,120 million, a 4.3% increase compared to the previous year. This was mainly attributed to investment in the new injection molding plant and information management system investment.

Net cash used in financing activities totaled ¥1,500 million. This was mainly used for cash dividends and repayment of long-term loans.

As a result of the aforementioned factors, cash and cash equivalents at the year-end of fiscal 2005 totaled to ¥11,496 million, an increase of ¥351 million compared to the previous fiscal year-end.

Capital Expenditures

Total capital investment in fiscal 2005 amounted to ¥6,017 million, with major investments in the new injection molding plant and management information system related investments. Capital expenditures for Photographic Products segment totaled to ¥1,244 million with major capital investment in precision molds for new interchangeable lenses for digital SLR cameras. Optical components division invested mostly on digital still camera lenses and cellular phone cameras lens production facility equipment and machinery, totaling to ¥2,205 million. Commercial / Industrial-use optics invested ¥2,123 million in new CCTV camera lens molds, and production equipment and machinery to increase production capabilities of projector prisms.

Research and Development

Total R&D expenses for the fiscal year under review totaled ¥2,590 million and comprised ¥528 million for the Photographic Products Segment, ¥1,279 million for the Optical Components segment, and ¥782 million for Commercial / Industrial-use Optics segment. Tamron has continued to conduct research through its Optical Design & Engineering R&D Unit, Core Technology & Engineering R&D Unit, Integrated Core Technology & Engineering R&D Unit, and design departments of respective business units. Tamron has continued to strengthen fundamental development activities, focusing on digital related products such as digital camera lenses and mobile optical devices along with continuing R&D of interchangeable lenses for SLR cameras and CCTV camera lenses.

For Photographic products segment, the Company introduced three new interchangeable lenses for digital SLR cameras in fiscal year 2005. In the Optical Components segment, Tamron focused R&D efforts on high mega-pixel models with zoom capabilities, and entered the cellular phone camera lens market and supplied the smallest cellular phone camera lens unit in its class, measuring 8mm in length. Industrial / Commercial-use optics segment invested R&D resources in various fields of industry ranging from, wide-angle CCTV lenses, CCTV lenses with infrared capabilities, iris recognition technologies, telecentric optic technologies and introduced optical components for RPTV with enhanced motion picture projection capabilities.

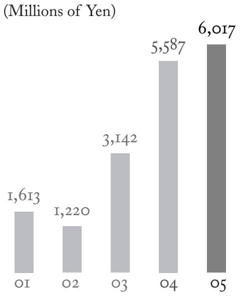
Number of Employees

The number of employees on a consolidated basis was 3,672 as of December 31, 2005, an increase of 440 from the year-end of the previous year. This increase is mainly attributed to a rise in the number of employees in China, primary because of efforts to expand the Company's manufacturing capabilities for commercial / industrial-use optics segment.

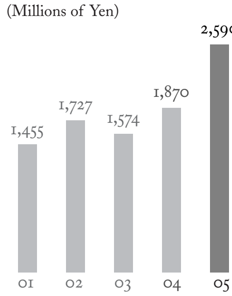
On a non-consolidated basis, the number of employees as of December 31, 2005 was 856, an increase of 65 from the year-end of fiscal 2004.

consolidated

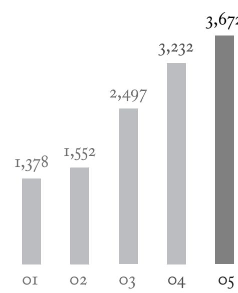
capital expenditure
(Millions of Yen)



r&d expenditure
(Millions of Yen)



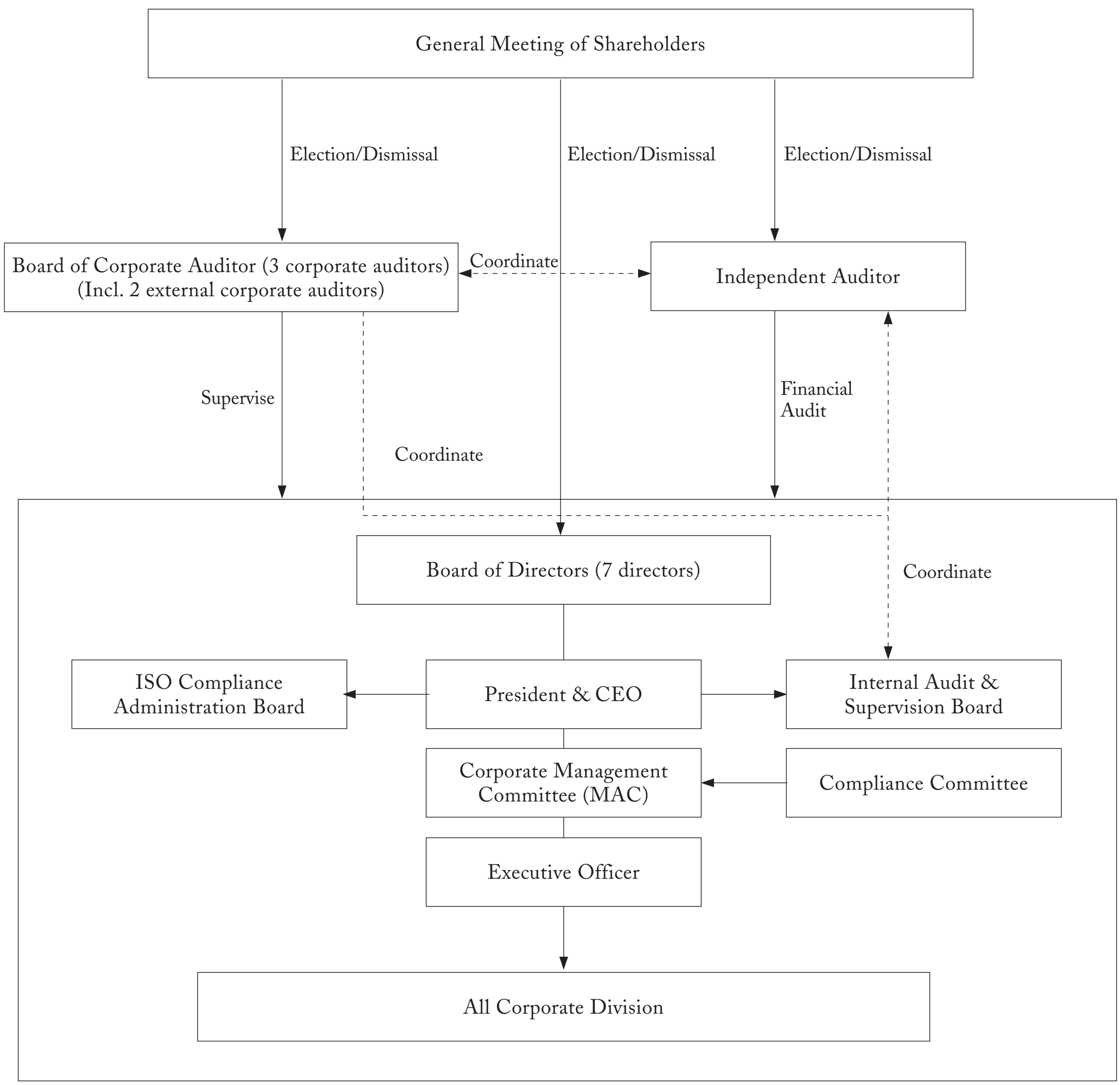
number of employees



Corporate Governance

Tamron aspires to contribute to the growth of Japan and to pursue a fair and transparent management by virtue of a solid corporate structure. To further solidify the corporate governance structure, the Company established the Compliance Committee in April, 2005, and implemented the Compliance Charter in July, 2005.

Corporate Governance Structure is as illustrated below.



Pressing Issues

1. Timely launch of attractive new products by all three business segments pursuant to our corporate tagline "New eyes for industry"
2. Restructuring of RPTV lens components business and expansion of cellular phone camera lens business
3. Research & development of core technologies surrounding optics and corporate-wide campaign drive of augmenting intellectual property strategy
4. Accelerating further costs reduction by improvement in overseas and domestic production and procurement systems
5. Reduction of lead time by virtue of innovation in injection mold process
6. Improvement in profit structure by solidifying group company management system and establishment of group social compliance framework
7. Establishment and operation of internal control system
8. Implementing global management information system for corporate-wide business process innovation and optimization of inventory management
9. Further improvement of cash flow management and consolidated balance sheet
10. Corporate-wide promotion of environmental preservation and protection effectively linked with quality management system inline with ISO activities

Business & 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, 2006.

1. RELIANCE ON SPECIFIC BUSINESS SEGMENT 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 Company's sales depends on a Sony EMSC Corporation (wholly owned subsidiary of Sony Corporation), 49.0% of the Company's consolidated net sales, as of December 31, 2005, are sales to Sony EMSC Corporation. As a result, in cases where the aforementioned customer implement changes in strategy and direction, or chooses 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 business 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 results, if for various reasons raw materials and other parts 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 ISO19001 certification for quality management system 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 the 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 case, Company results may be affected.

6. RISK SURROUNDING OVERSEAS SUBSIDIARIES

The Company owns sales outlets in the United Sates, Germany, France, and in Shanghai (China). A distribution and sales company in Hong Kong, and a production and sales company in Foshan, China

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 disaster, 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 litigations 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 ground contamination found during the voluntary investigation conducted December 2003 at the Company's head office, the Company completed the construction which it proposed to Saitama City in its "Plan to Halt the Spread of Groundwater Contamination". Ground water purification equipment (pumping equipment) has been operating on head office grounds since March 2005, and groundwater is improving to meet environmental standards.

The Company conducted survey at other domestic facilities and has confirmed that all domestic facility environment is accordance with environmental regulation levels.

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 and other factors 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.

12. RESEARCH & DEVELOPMENT COSTS

The Company is investing in new technology for further expansion of the business and will continue to invest in R&D. However, some R&D projects may not progress as planned, or the Company's new technology may be eclipsed by some other technology introduced by competitors in the market. In such cases, recovering the investment may pose a problem, consequently affecting the Company results.

13. EMPLOYEE PENSION FUND / Corporate pension fund scheme

The Company is a member of "The pension fund of SAITAMA KIKAI KOGYO", a general-type fund. Due to unfavorable operational environment, the fund is facing financial difficulties. Financial condition of the fund is recovering by virtue of lowered benefit levels in fiscal 2005. However, the Company recognizes the risks listed below.

1. Risk when the pension yield is lower than original plan

Originally the funds yield rate was set at 5.5%, if the rate is substantially lower the members are subject to cover the deficit. There are no plans for covering the deficit, but the Company recognize such possibility as a risk that may affect Company results, due to forces out side the Company's direct control.

2. Increased number of members withdrawing from the fund

If a number of members withdraw from the fund, because the fund promises to pay pension to past members, it may cause the residing members to increase their burden share. Accordingly, affecting Company results.

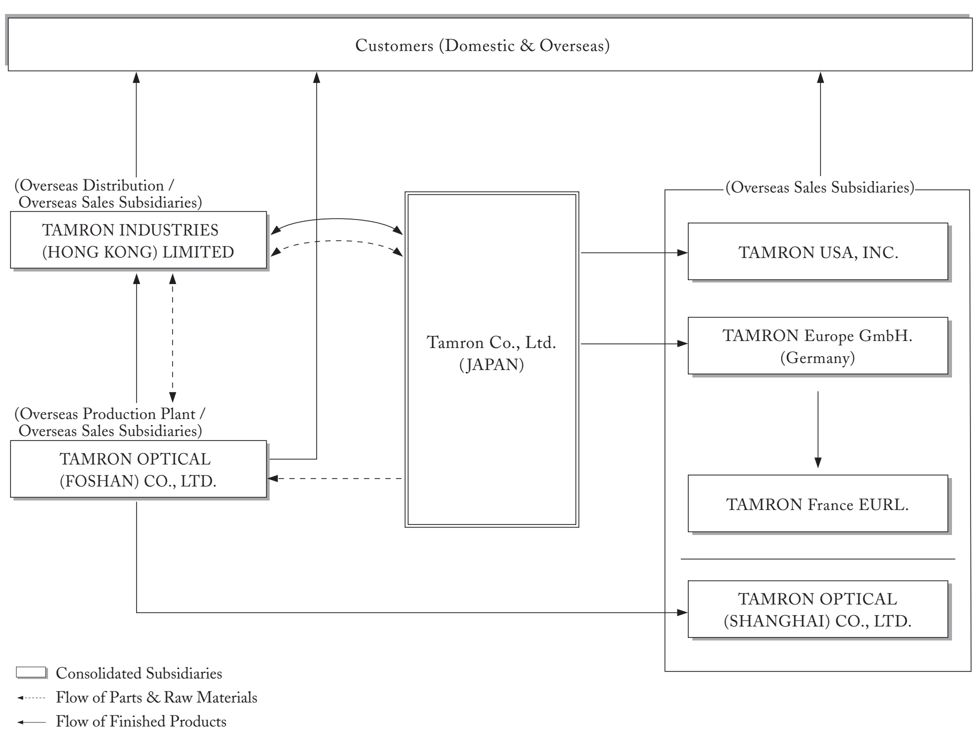
Group Network Overview

Tamron group comprise Tamron Co., Ltd. (Japan) and six other subsidiaries. Main business drivers are the following three segments, Photographic Products, Optical Components, and Commercial / Industrial-use Optics.

The details of the business segments are as follows.

Business Segment	Main Business	Related Business Groups
Photographic Products	Interchangeable lenses for SLR camera Medium-format cameras Lenses for medium-format cameras Related photographic accessories	Tamron Co., Ltd. TAMRON USA, INC. TAMRON Europe GmbH. TAMRON France EURL. TAMRON INDUSTRIES (HONG KONG) LIMITED TAMRON OPTICAL (FOSHAN) CO., LTD. TAMRON OPTICAL (SHANGHAI) CO., LTD.
Optical Components	Camcorder lenses Digital still camera lenses Cellular phone camera lenses	Tamron Co., Ltd. TAMRON INDUSTRIES (HONG KONG) LIMITED TAMRON OPTICAL (FOSHAN) CO., LTD. TAMRON OPTICAL (SHANGHAI) CO., LTD.
Commercial / Industrial-use Optics	Lenses for CCTV cameras Projection lenses High-precision molds Injection-molded parts & components Optical device units	Tamron Co., Ltd. TAMRON USA, INC. TAMRON Europe GmbH. TAMRON INDUSTRIES (HONG KONG) LIMITED TAMRON OPTICAL (FOSHAN) CO., LTD. TAMRON OPTICAL (SHANGHAI) CO., LTD.

Overview of the relationships and the flow of products, and parts & raw materials are as illustrated below.



Tamron Co., Ltd. and Consolidated Subsidiaries

December 31	Thousands of Yen 2005	Thousands of Yen 2004	Thousands of U.S. Dollars 2005
ASSETS			
Current assets:			
Cash on hand and in banks	**¥11,496,535**	¥11,144,704	**$ 97,378**
Notes and accounts receivable—trade	**7,360,264**	7,857,023	**62,343**
Inventories	**8,026,847**	8,593,451	**67,989**
Deferred tax assets	**312,175**	464,310	**2,644**
Other current assets	**1,431,551**	1,204,407	**12,125**
Reserve for doubtful accounts	**(80,677)**	(109,891)	**(683)**
Total current assets	**28,546,696**	29,154,005	**241,798**
Fixed assets:			
Property, plant and equipment:			
Buildings and structures	**3,822,587**	2,306,918	**32,378**
Machinery, equipment and vehicles	**6,153,474**	4,498,481	**52,121**
Tools, furniture and fixtures	**1,913,270**	1,434,049	**16,205**
Land	**773,630**	874,552	**6,552**
Other	**277,010**	567,203	**2,346**
Total property, plant and equipment	**12,939,972**	9,681,205	**109,605**
Intangible assets:	**1,514,396**	863,414	**12,827**
Investments and other assets:			
Investments in securities	**623,187**	628,249	**5,278**
Deferred tax assets	**236,769**	348,676	**2,005**
Other	**229,895**	190,844	**1,947**
Reserve for doubtful accounts	**(9,360)**	(9,364)	**(79)**
Total investment and other assets	**1,080,492**	1,158,406	**9,152**
Total fixed assets	**15,534,861**	11,703,026	**131,584**
Total assets	**¥44,081,557**	¥40,857,031	**$373,382**

The accompanying notes are an integral part of these statements.

December 31	Thousands of Yen 2005	2004	Thousands of U.S. Dollars 2005
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Notes and accounts payable—trade	**¥ 3,958,531**	¥ 3,482,649	**$ 33,529**
Short-term loans payable	**4,308,409**	4,845,350	**36,493**
Income taxes payable	**214,337**	878,839	**1,815**
Other current liabilities	**3,063,095**	2,618,222	**25,945**
Total current liabilities	**11,544,373**	11,825,061	**97,783**
Long-term liabilities:			
Long-term loans payable	**3,131,468**	3,184,227	**26,524**
Reserve for employees' retirement benefits	**908,065**	822,819	**7,691**
Reserve for directors' retirement benefits	**156,367**	133,704	**1,324**
Total long-term liabilities	**4,195,901**	4,140,751	**35,540**
Total liabilities	**15,740,274**	15,965,813	**133,324**
Minority interests:	**—**	—	**—**
Shareholders' equity:			
Common stock	**6,923,075**	6,923,075	**58,640**
Capital surplus	**7,440,327**	7,440,327	**63,021**
Retained earnings	**13,797,491**	11,197,882	**116,868**
Unrealized gain on other marketable securities	**279,464**	103,130	**2,367**
Foreign currency translation adjustments	**(78,797)**	(754,165)	**(667)**
Treasury stock, at cost	**(20,278)**	(19,032)	**(171)**
Total shareholders' equity	**28,341,282**	24,891,218	**240,058**
Total liabilities, minority interests and shareholders' equity	**¥44,081,557**	¥40,857,031	**$373,382**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

Tamron Co., Ltd. and Consolidated Subsidiaries

	Thousands of Yen		Thousands of U.S. Dollars
Years ended December 31	**2005**	2004	**2005**
Net sales	**¥59,607,175**	¥63,345,260	**$504,888**
Cost of sales	**45,099,766**	47,747,609	**382,007**
Gross profit	**14,507,408**	15,597,651	**122,881**
Selling, general and administrative expenses	**9,703,781**	8,374,025	**82,193**
Operating income	**4,803,627**	7,223,625	**40,688**
Non-operating income	**310,332**	208,258	**2,628**
Non-operating expenses	**888,543**	842,578	**7,526**
Ordinary profit	**4,225,416**	6,589,305	**35,790**
Extraordinary profit	**206,465**	—	**1,748**
Income before income taxes	**4,431,882**	6,589,305	**37,539**
Income taxes—current	**958,153**	2,015,811	**8,115**
Income taxes—refund	**(47,121)**	—	**(399)**
Income taxes—deferred	**177,004**	99,167	**1,499**
Net income	**¥ 3,343,845**	¥ 4,474,325	**$ 28,323**
Net income per share (in yen and U.S. dollars)	**¥ 117.48**	¥ 323.52	**$ 0.99**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Tamron Co., Ltd. and Consolidated Subsidiaries

	Thousands of Yen		Thousands of U.S. Dollars
Years ended December 31	**2005**	2004	**2005**
Capital surplus			
Capital surplus at the beginning of the year	**¥ 7,440,327**	¥ 4,353,384	**$ 63,021**
Increase:			
Issuanse of common stock	—	3,086,875	—
Gain on sales of treasury stock	—	68	—
Capital surplus at the end of the year	**¥ 7,440,327**	¥ 7,440,327	**$ 63,021**
Retained earnings			
Retained earnings at the beginning of the year	**¥11,197,882**	¥ 7,234,100	**$ 94,849**
Increase:			
Net income	**3,343,845**	4,474,325	**28,323**
Decrease:			
Cash dividends	**705,237**	468,642	**5,973**
Bonuses to directors and auditors	**39,000**	41,900	**330**
Retained earnings at the end of the year	**¥13,797,491**	¥11,197,882	**$116,868**

The accompanying notes are an integral part of these statements.

Tamron Co., Ltd. and Consolidated Subsidiaries

	Thousands of Yen		Thousands of U.S. Dollars
Years ended December 31	2005	2004	2005
Cash flows from operating activities:			
Income before income taxes	¥ 4,431,882	¥ 6,589,305	$ 37,539
Depreciation and amortization	2,210,838	1,468,778	18,726
Increase in reserve for employees' retirement benefits	85,245	118,921	722
Interest and dividend income	(37,420)	(9,068)	(316)
Interest expense	156,784	159,190	1,328
Loss on disposal of property, plant and equipment	92,791	48,474	785
Gain on sale of property, plant and equipment	(199,172)	—	(1,687)
Decrease in trade receivables	698,022	896,052	5,912
(Increase) decrease in inventories	943,025	(548,175)	7,987
Increase (decrease) in trade payables	295,200	(530,269)	2,500
Other—net	63,094	146,229	534
Sub-total	8,740,293	8,339,437	74,032
Interest and dividend received	37,420	9,078	316
Interest paid	(158,610)	(160,714)	(1,343)
Income taxes paid	(1,959,027)	(2,930,371)	(16,593)
Income taxes refunded	47,121	—	399
Net cash provided by operating activities	6,707,197	5,257,429	56,811
Cash flows from investing activities:			
Purchases of property, plant and equipment	(4,860,591)	(4,176,880)	(41,170)
Proceeds from sale of property, plant and equipment	359,348	6,369	3,043
Purchases of intangible fixed assets	(861,431)	(721,204)	(7,296)
Proceeds from redemption of securities	300,000	—	2,541
Increase in loans receivable	(19,235)	(12,470)	(162)
Proceeds from collection of loans receivable	20,939	11,341	177
Other—net	(59,537)	(17,014)	(504)
Net cash used in investing activities	(5,120,508)	(4,909,858)	(43,372)
Cash flows from financing activities:			
Net decrease in short-term loans	(312,360)	(1,009,574)	(2,645)
Proceeds from long-term loans	1,550,000	2,296,304	13,128
Repayment of long-term loans	(2,036,465)	(2,091,518)	(17,249)
Proceeds from issuance of common stock	—	6,174,375	—
Proceeds from sale of treasury stock	—	902	—
Purchases of treasury stock	(1,246)	(1,444)	(10)
Dividends paid	(700,910)	(468,072)	(5,936)
Net cash provided by financing activities	(1,500,983)	4,900,971	(12,713)
Effect of exchange rate changes on cash and cash equivalents	266,124	(101,905)	2,254
Net increase in cash and cash equivalents	351,830	5,146,637	2,980
Cash and cash equivalents at the beginning of the year	11,144,704	5,998,067	94,398
Cash and cash equivalents at the end of the year	¥11,496,535	¥11,144,704	$ 97,378

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, 2005, ¥118.06 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: 6
TAMRON USA, Inc.
TAMRON Europe GmbH.
TAMRON France EURL.
TAMRON INDUSTRIES (HONG KONG) LIMITED
TAMRON OPTICAL (FOSHAN) CO., LTD.
TAMRON OPTICAL (SHANGHAI) CO., LTD.

TAMRON OPTICAL (SHANGHAI) CO., LTD. was established in fiscal year 2005 and is added to our scope of consolidation.

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 ¥1,340,000 thousand as of December 31, 2005.

(Practical Treatment for Presentation of Extend Standards Taxation of the Enterprise Taxes in Statements of Operations)

Effective from the fiscal year ended December 31, 2005, the Company has included an amount of ¥66,396 thousand corresponding to the value-added and equity portions of enterprise taxes in selling, general and administrative expenses, in accordance with Practical Treatment for Presentation of External Standards Taxation of the Enterprise Taxes in Statements of Operations (Practical Solution Reports No.12 issued by ASB) on February 13, 2005.

Notes to consolidated balance sheets

1. Assets pledged as collateral

(1) Property, plant and equipment

	Thousands of Yen
Buildings and structures	739,140
Machinery, equipment and vehicles	938,210
Tools, furniture and fixtures	175,204
Land	96,179
Other	11,049
Total	1,959,784

(2) Other

	Thousands of Yen
Buildings and structures	1,835,652
Land	138,961
Total	1,974,614

(3) Loans secured by the above assets

	Thousands of Yen
Short-term loans payable	820,000
Long-term loans payable (including loans due within one year)	3,405,570
Total	4,225,570

2. Accounting for notes matured at end of fiscal year

The end of the 2005 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	¥19,608 thousand

3. The Company's total number of shares outstanding is 28,235,000 ordinary shares.

4. The Company has 25,986 ordinary shares of treasury stock.

Notes to consolidated statements of income

1. Research and development expenses included in selling, general and administrative expenses and manufacturing costs totaled ¥2,590,739 thousand.
2. Details of gain from sales of property, plant and equipment is as follows:

Land	¥199,172 thousand

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, 2005, is not required, and is as follows:

Cash and cash equivalents on the statement of cash flows	¥11,496,535 thousand
Cash on hand and in banks at the end of the year	¥11,496,535 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

Thousands of Yen

	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	1,341,095	758,486	582,608
Tools, furniture and fixtures	475,521	288,808	186,712
Total	1,816,616	1,047,294	769,321

2. Unpaid lease expenses as of December 31, 2005

	Thousands of Yen
Due within one year	277,350
Due after one year	527,260
Total	804,610

3. Lease expenses, depreciation and interest expenses

	Thousands of Yen
Lease expenses	323,865
Depreciation	290,956
Interest expenses	29,796

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, 2004			**As of December 31, 2005**		
		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	284,488	175,598	**153,134**	**622,035**	**468,900**
	(2) Debt securities	—	—	—	—	—	—
	(3) Others	—	—	—	—	—	—
	Total	108,890	284,488	175,598	**153,134**	**622,035**	**468,900**
Securities whose acquisition costs exceed carrying amounts on consolidated balance sheets	(1) Stocks	44,244	42,558	(1,686)	—	—	—
	(2) Debt securities	—	—	—	—	—	—
	(3) Others	—	—	—	—	—	—
	Total	44,244	42,558	(1,686)	—	—	—
Total		153,134	327,046	173,912	**153,134**	**622,035**	**468,900**

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, 2004	**As of December 31, 2005**
	Carrying amount	Carrying amount
Other type of securities		
Preferred shares	300,000	—
Non-listed securities (excluding OTC securities)	1,202	**1,152**

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, 2005

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	(1,859,906)
(2) Plan assets at fair value	913,524
(3) Unfunded retirement benefit obligation (1) + (2)	(946,381)
(4) Unrecognized plan asset	(61,188)
(5) Unrecognized actuarial differences	99,505
(6) Accrued retirement benefits (3) + (4) + (5)	(908,065)

Note: Welfare pension fund plan assets totaling ¥4,488,507 thousand are not included in the aforementioned breakdown of retirement benefit obligation.

3. Retirement benefit expenses

	Thousands of Yen
(1) Service expenses	310,843
(2) Interest expenses	34,275
(3) Expected return on plan assets	(10,685)
(4) Amortization of net actuarial difference	68,316
(5) Retirement benefit expenses (1) + (2) + (3) + (4)	402,749

Note: A contribution amount of ¥201,363 thousand to the welfare pension fund is included in service expenses.

4. Basis for calculation of retirement benefit obligation

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

V. Notes to accounting for deferred income tax

(1) Breakdown of the major components for deferred tax assets and liabilities as of December 31, 2005

Deferred Tax Assets

	Thousands of Yen
Accrued enterprise tax	26,824
Reserve for doubtful accounts	17,221
Unrealized intercompany profits	79,847
Reserve for employees' retirement benefits	381,131
Subsidiaries' net operating tax loss carryforwards	41,181
Reserve for directors' retirement benefits	63,172
Loss on disposal of inventories	73,796
Loss on devaluation of inventories	50,883
Other	114,991
Subtotal	849,051
Valuation allowance assets	(41,181)
Net deferred tax assets	807,869

Deferred Tax Liabilities

	Thousands of Yen
Reserve for deduction entries	(60,300)
Reserve for special depreciation	(9,187)
Unrealized gain on investments in securities	(189,435)
Deferred tax liabilities	(258,924)
Net deferred tax assets	548,945

(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	40.4%
(Adjustments)	
Permanent non-deductible expenses (entertainment expenses)	0.6
Per capita tax	0.5
Tax deductions	(15.5)
Valuation allowance assets	0.1
Difference in tax rates applicable to overseas subsidiaries	(12.3)
Elimination of dividend	11.8
Income taxes—refund	(1.1)
Other	0.1
Effective tax rate after adoption of tax effect accounting	24.6

VI. Notes to segment information

Business segment information

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

Thousands of Yen

	2005					
	Photographic products	Optical components	Commercial/ industrial-use optics	Total	Eliminations and / or corporate	Consolidated
Sales:						
Sales to outside customers	**¥14,912,504**	**¥33,800,418**	**¥10,894,251**	**¥59,607,175**	**¥ —**	**¥59,607,175**
Sales or amounts transferred among segments	**—**	**—**	**—**	**—**	**—**	**—**
Total	**14,912,504**	**33,800,418**	**10,894,251**	**59,607,175**	**—**	**59,607,175**
Operating expenses	**13,123,595**	**29,382,399**	**10,245,142**	**52,751,137**	**2,052,410**	**54,803,547**
Operating income	**¥ 1,788,908**	**¥ 4,418,019**	**¥ 649,109**	**¥ 6,856,037**	**¥ (2,052,410)**	**¥ 4,803,627**
Assets	**¥10,362,240**	**¥14,022,834**	**¥ 8,953,328**	**¥33,338,403**	**¥10,743,153**	**¥44,081,557**
Depreciation expenses	**715,747**	**764,280**	**715,116**	**2,195,145**	**15,693**	**2,210,838**
Capital expenditures	**1,244,980**	**2,205,294**	**2,123,880**	**5,574,154**	**443,578**	**6,017,733**

Notes:

1. Business segmentation

   Main products by business segment are as follows:

   (1) Photographic products

   Interchangeable lenses for 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, cellular phone camera lenses

   (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 ¥1,253,541 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. Unallocated operating expenses included in “Eliminations and / or corporate” totaled ¥2,052,410 thousand for the fiscal year ended December 31, 2005. These expenses consisted principally of expenses related to general affairs, accounting and other departments of the Company.

3. 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. As of December 31, 2005, total assets included in “Eliminations and / or corporate” of ¥10,743,153 thousand, mainly represent cash, long-term investments funds (investments in securities), and assets related to the administration department.

Geographical segment information

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

Thousands of Yen

	2005						
	Japan	North America	Europe	Asia	Total	Eliminations and / or corporate	Consolidated
Sales:							
Sales to outside customers	**¥49,036,292**	**¥4,513,779**	**¥3,101,477**	**¥ 2,955,625**	**¥59,607,175**	**¥ —**	**¥59,607,175**
Sales or amounts transferred among segments	**5,614,493**	**—**	**1,298**	**20,987,206**	**26,602,998**	**(26,602,998)**	**—**
Total	**54,650,785**	**4,513,779**	**3,102,776**	**23,942,831**	**86,210,173**	**(26,602,998)**	**59,607,175**
Operating expenses	**49,851,767**	**4,298,059**	**2,972,077**	**22,061,566**	**79,183,470**	**(24,379,922)**	**54,803,547**
Operating income	**¥ 4,799,018**	**¥ 215,720**	**¥ 130,698**	**¥ 1,881,265**	**¥ 7,026,703**	**¥ (2,223,075)**	**¥ 4,803,627**
Assets	**¥25,330,604**	**¥2,004,892**	**¥1,151,244**	**¥10,950,243**	**¥39,436,985**	**¥ 4,644,571**	**¥44,081,557**

Notes:
1. Country and regional segments are classified on the basis of geographic proximity.
2. Principal markets in the above designated areas:
   (1) North America: U.S.A.
   (2) Europe: Germany, France
   (3) Asia: Hong Kong, China
3. 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. Unallocated operating expenses included in “Eliminations and / or corporate” totaled ¥2,052,410 thousand for the fiscal year ended December 31, 2005. These expenses consisted principally of expenses related to general affairs, accounting and other departments of the Company.
4. 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. As of December 31, 2005, total assets included in “Eliminations and / or corporate” of ¥10,743,153 thousand, mainly represent cash, long-term investment funds (investments in securities), and assets related to the administration department.

Overseas sales

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

Thousands of Yen

	2005			
	North America	Europe	Asia	Total
I Overseas sales	**4,858,436**	**4,180,251**	**9,805,749**	**18,844,437**
II Consolidated sales				**59,607,175**
III Overseas sales as a percentage of consolidated sales (%)	**8.2**	**7.0**	**16.5**	**31.6**

Notes:
1. Country and regional segments are classified on the basis of geographic proximity.
2. Principal markets in the above designated areas:
   (1) North America: U.S.A., Canada
   (2) Europe: Germany, U.K., France, Northern Europe and other European countries
   (3) Asia: Hong Kong, China and other Asian countries
3. 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, 2005:

Net assets per share	1,003.63 Yen
Net income per share	117.48 Yen

Information for diluted net income per share is omitted because potentially dilutive securities are not issued.
Two-for-one stock split was effected on August 31, 2005. The following per share data is caluculated with the assumption that the stock split was executed at the begining of the fiscal year.

Net assets per share	880.98 Yen
Net income per share	161.76 Yen

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.

	2004	2005
Net income per share		
Net income (Thousands of Yen)	¥4,474,325	**¥3,343,845**
Amount not belong to ordinary shareholders (Thousands of Yen)	39,000	**29,800**
(Portion for directors' bonuses appropriated for retained earnings)	(39,000)	**(29,800)**
Net income for ordinary shares (Thousands of Yen)	4,435,325	**3,314,045**
Average number of shares outstanding during the term (Shares)	13,709,642	**28,209,317**

VIII. Notes to subsequent events

Not applicable.

INDEPENDENT AUDITORS' REPORT

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, 2005 and 2004, 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, 2005 and 2004, 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, 2006

Wako Audit Corporation

Wako Audit Corporation

MANAGEMENT

(As of March 31, 2006)

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

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 to strengthen corporate governance structure.

INVESTOR INFORMATION

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:
3,672 (Consolidated) (As of December 31, 2005)

Principal Shareholders (As of December 31, 2005)

Shareholders	Number of Shares Held (Thousands of Shares)	Percentage of Shares Held
New Well Co., Ltd.	4,898	17.34
Sony Corporation	3,130	11.08
The Chase Manhattan Bank N.A., London	1,858	6.57
Kouyu Kosan Co., Ltd.	1,530	5.41
Saitama Resona Bank, Limited	1,042	3.68
The Master Trust Bank of Japan, Ltd.	823	2.91
Japan Trustee Services Bank, Ltd.	701	2.48
Tamron Business Partner Stock Holding Plan	429	1.51
Nippon Insurance Company	412	1.45
NIPPONKOA Insurance Co., Ltd.	412	1.45

Note: The 3,130 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

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New eyes for industry

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