TAMRON

New eyes for industry

Annual Report 2006

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.

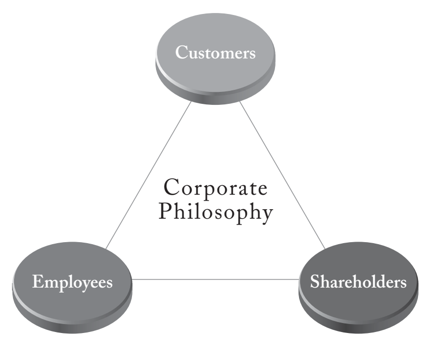
Mission

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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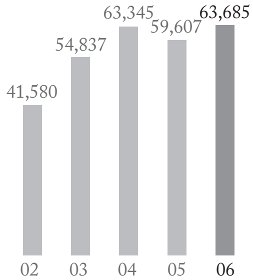
Note: In the 2006 annual report, amounts of less than the unit indicated, for example, one million yen, one thousand yen or one thousand dollars, have been omitted.

Tamron Co., Ltd. and Consolidated Subsidiaries

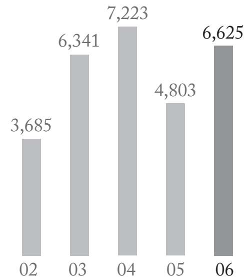
	Millions of Yen					Thousands of U.S. Dollars (Note 1)
Years ended December 31	**2006**	2005	2004	2003	2002	**2006**
For the Year:						
Net sales	¥ **63,685**	¥ 59,607	¥ 63,345	¥ 54,837	¥ 41,580	**$534,634**
Operating income	**6,625**	4,803	7,223	6,341	3,685	**55,620**
Income before income taxes	**5,610**	4,431	6,589	5,027	2,492	**47,102**
Net income	**4,028**	3,343	4,474	3,347	1,863	**33,822**
At Year-End:						
Total assets	¥ **49,528**	¥ 44,081	¥ 40,857	¥ 32,709	¥ 24,840	**$415,788**
Net assets	**31,525**	28,341	24,891	14,809	11,791	**264,656**
Number of employees	**5,024**	3,672	3,232	2,497	1,552	—
	Yen					U.S. Dollars (Note 1)
Per Share Data:						
Net income	¥ **142.82**	¥ 117.48	¥ 323.52	¥ 257.75	¥ 146.24	$ **1.20**
Shareholders' equity	**1,117.59**	1,003.63	1,761.96	1,148.83	925.43	**9.38**
Cash dividends	**40.00**	45.00	40.00	20.00	12.50	**0.34**

Notes:
1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥119.12=U.S.$1.
2. Net income per share is computed based on the weighted-average number of shares of common stock outstanding during each year.
3. Net income per share for FY2005 is calculated accounting for the two-for-one stock split in August 19, 2005.
4. Cash dividend for FY2006 includes a commemorative dividend of ¥5 per share for listing on the 1st section of the Tokyo Stock Exchange.

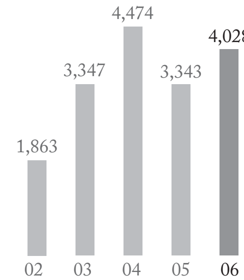
NET SALES
(Millions of Yen)



OPERATING INCOME
(Millions of Yen)



NET INCOME
(Millions of Yen)



In fiscal year 2006, the digital camera market showed a great rise in numbers recording a two digit growth supported by the increasingly functional cameras, product diversification, and price reduction. Especially the digital SLR camera market showed a strong growth with introduction of new digital SLR cameras launched into the market and the price drop helped expand the market growth.

Under our company brand message “New eyes for industry,” Tamron was able to introduce three new lenses into the growing digital SLR camera market and our existing high power zoom lenses also increased in sales. Furthermore among our main business segment, the digital still camera lenses and the high-mega pixel application cellular phone camera lenses increased in sales.

Sales for fiscal year 2006 recorded ¥63,685 million, an increase of 6.8% over the previous fiscal year. Ordinary income, with cost reduction efforts in both domestic and overseas plant, and increased sales of Tamron brand interchangeable lenses-totaled ¥5,608 million, an increase of 32.7% over the previous fiscal year. Net income was ¥4,028 million, an increase of 20.5% over the previous fiscal year.

Photographic Products Business Segment

With the expansion of the digital SLR camera market, our best selling zoom-lens AF18-200 F/3.5-6.3 XR Di II (Model A14) within our existing lens line-up, and the three new products helped increase sales. Especially the new SP AF 17-50mm F/2.8 XR Di II (Model A16) received the prestigious “European Consumer Lens of the Year 2006-2007” (EISA) for its light weigh, cost performance and its F/2.8 maximum aperture over the entire zoom range. As a result, the Photographic Products business segment sales increased to ¥17,287 million, an increase of 15.9% over the previous fiscal year, and operating income increased 56.1% to ¥2,792 million compared to the previous year.

Optical Components Business Segment

In the Optical Components business segment, although the camcorder lenses recorded a decrease in sales, the digital still camera lenses increased its sales supported by the expanding market. The cellular phone camera lenses, entering its second year in the market was able to increase its sales due to the increased demand for the higher mega-pixel cellular phone camera lenses. As a result, the Optical Components business segment sales increased to ¥36,766 million, an increase of 8.8% over the previous fiscal year, and operating income increased 18.9% to ¥5,254 million compared to the previous year.

Commercial/Industrial-use Optics Business Segment

With the increased demand in security related equipment, CCTV lens was able to increase its sales over the previous year. With an active introduction of new products, three types of built-in lens for dome-type surveillance camera was introduced in the first quarter, and two types of high-resolution Vari-Focal series in the fourth quarter of the fiscal year 2006. However, projector lenses decreased in sales and in profit due to the declined sales for RPTV lenses. As a result, the Commercial/Industrial-use Optics business segment sales decreased to ¥9,631 million, a decrease of 11.6% over the previous fiscal year, and operating income also decreased 22.1% to ¥505 million compared to the previous year.

Cash Dividend Strategy

Accounting for the stock split in August, 2005, the cash dividend for fiscal year 2006 was a ¥7.50 increase compared to fiscal year 2005. 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.

Tamron was listed on the 1st section of the Tokyo Stock Exchange on November 13, 2006. Cash dividend for fiscal year 2006 includes a commemorative dividend of ¥5 per share in addition to an ordinary dividend of ¥20 per share for listing on the 1st section of the Tokyo Stock Exchange. The annual dividend was ¥15 per share for the interim dividend and ¥20 per share for the year-end dividend totaling to ¥40 per share. Accounting for the two-for-one stock split, the cash dividend for fiscal year 2006 was a ¥7.50 increase compared to the previous fiscal year.

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 year 2006 increased 6.8% compared to the previous fiscal year to ¥63,685 million, an increase of ¥4,078 million. The Photographic Products business segment sales increased by 15.9% compared to the pervious fiscal year to ¥17,287 million, mainly due to the increased sales of interchangeable lenses for digital SLR camera and the introduction of new lenses. Optical Components business segment was able to increased sales by the strong demand for compact digital still cameras and the expansion of the market for cellular phone equipped with cameras, increasing sales to ¥36,766 million, an increase of 8.8% over the previous fiscal year. Commercial/Industrial-use Optics business segment, the CCTV camera lenses showed an increase in sales supported by the increased security camera demand, however mainly due to the declined sales in the RPTV lenses, sales declined 11.6% compared to the previous year to ¥9,631 million.

Operating income increased by ¥1,821 million over the pervious year to ¥6,625 million, an increase of 37.9%. Operating income for the Photographic Products business segment totaled to ¥2,792 million, an increase of 56.1% over the previous year. Optical Components business segment totaled to ¥5,254, an increase of 18.9% over the previous year. Commercial/Industrial-use Optics business segment experienced a 22.1% decline in operating income compared to the pervious fiscal year to ¥505 million.

Ordinary profit increased ¥1,383 million, an increase of 32.7% over the previous year to ¥5,608 million. Income before income taxes increased ¥1,178 million, an increase of 26.6% over the previous year to ¥5,610 million.

Cash Flows

Cash and cash equivalents at the year-end of fiscal year 2006 totaled to ¥13,409 million, an increase of ¥1,912 million compared to the previous fiscal year-end.

Income before income taxes ¥5,610 million, depreciation and amortization ¥2,620 million, decease in inventory was ¥1,134 million, ¥1,524 million increased in trade payables. With the increase in trade receivables to ¥3,468 million making the net cash provided by operating activities to ¥7,328 million, an increase of 9.3% over the previous fiscal year.

Net cash used in investing activities totaled ¥4,405 million, a 14.0% decrease compared to the previous fiscal year. This was mainly attributed to investment in the purchase of intangible fixed assets totaling ¥1,152 million related to information management system investment, and purchases of tangible fixed assets of ¥3,098 million.

Due to decrease in loans by ¥190 million, dividends paid of ¥958 million, net cash used in financing activities totaled ¥1,175 million, a 21.7% decrease compared to the previous year.

Capital Expenditures

Total capital investment in fiscal 2006 amounted to ¥3,816 million, with major investments in the rapidly growing digital SLR camera related Photographic Products business segment, high mega-pixel cellular phone camera lens with a prosperous future market, and management information system related investments. Capital expenditures for Photographic Products business segment totaled to ¥1,122 million with major capital investment in molds for new interchangeable lenses for digital SLR cameras. Optical Components business segment invested in digital still camera lenses and cellular phone camera lens production related facility equipment, machinery, and molds totaling to ¥1,172 million. Commercial/Industrial-use Optics business segment invested ¥1,351 million in new CCTV camera lens molds, production equipment, and machinery. There was no sale of assets or retirement of assets of great importance in fiscal year 2006.

Research and Development

Total R&D expenses for the fiscal year under review totaled ¥2,583 million and comprised ¥572 million for the Photographic Products business segment, ¥1,448 million for the Optical Components business segment, and ¥562 million for Commercial/Industrial-use Optics business 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 cellular phone camera lenses along with continuing R&D of interchangeable lenses for SLR cameras and CCTV camera lenses.

Photographic Products business segment, we introduced three new interchangeable lenses for digital SLR cameras in fiscal year 2006. The three newly introduced lenses were, SP AF 17-50mm F/2.8 XR Di II (Model A16) introduced in May, AF 28-200mm F/3.8-5.6 XR Di (Model A031) and AF 70-300mm F/4-5.6 Di (Model A17) were introduced in June.

In the Optical Components business segment, for the growing compact digital still camera application, the Company introduced both slim type lenses and retractable type lenses to the market. Tamron also developed new video camera lenses and high mega-pixel cellular phone camera lenses.

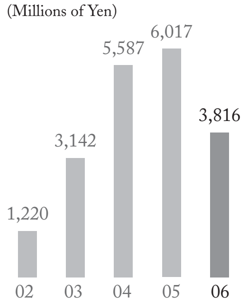
Industrial/Commercial-use Optics business segment with the security surveillance market growing in a firm tone, Tamron introduced three new lenses for dome-type surveillance camera with built-in zoom, and developed two high resolution Vari-Focal series.

Number of Employees

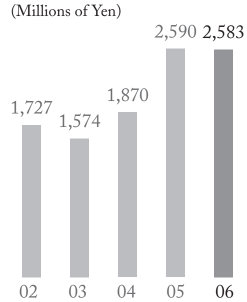
The number of employees on a consolidated basis was 5,024 as of December 31, 2006, an increase of 1,352 from the end of the previous fiscal year. This increase is mainly attributed to a rise in the number of employees in China, primary due to efforts to expand the Company's manufacturing capabilities for Optical Components business segment.

On a non-consolidated basis, the number of employees as of December 31, 2006 was 875, an increase of 19 from the end of the previous fiscal year.

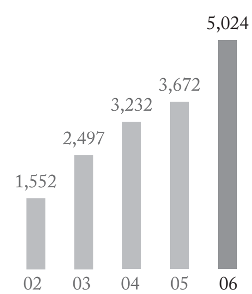
CAPITAL EXPENDITURE
(Millions of Yen)



R&D EXPENDITURE
(Millions of Yen)



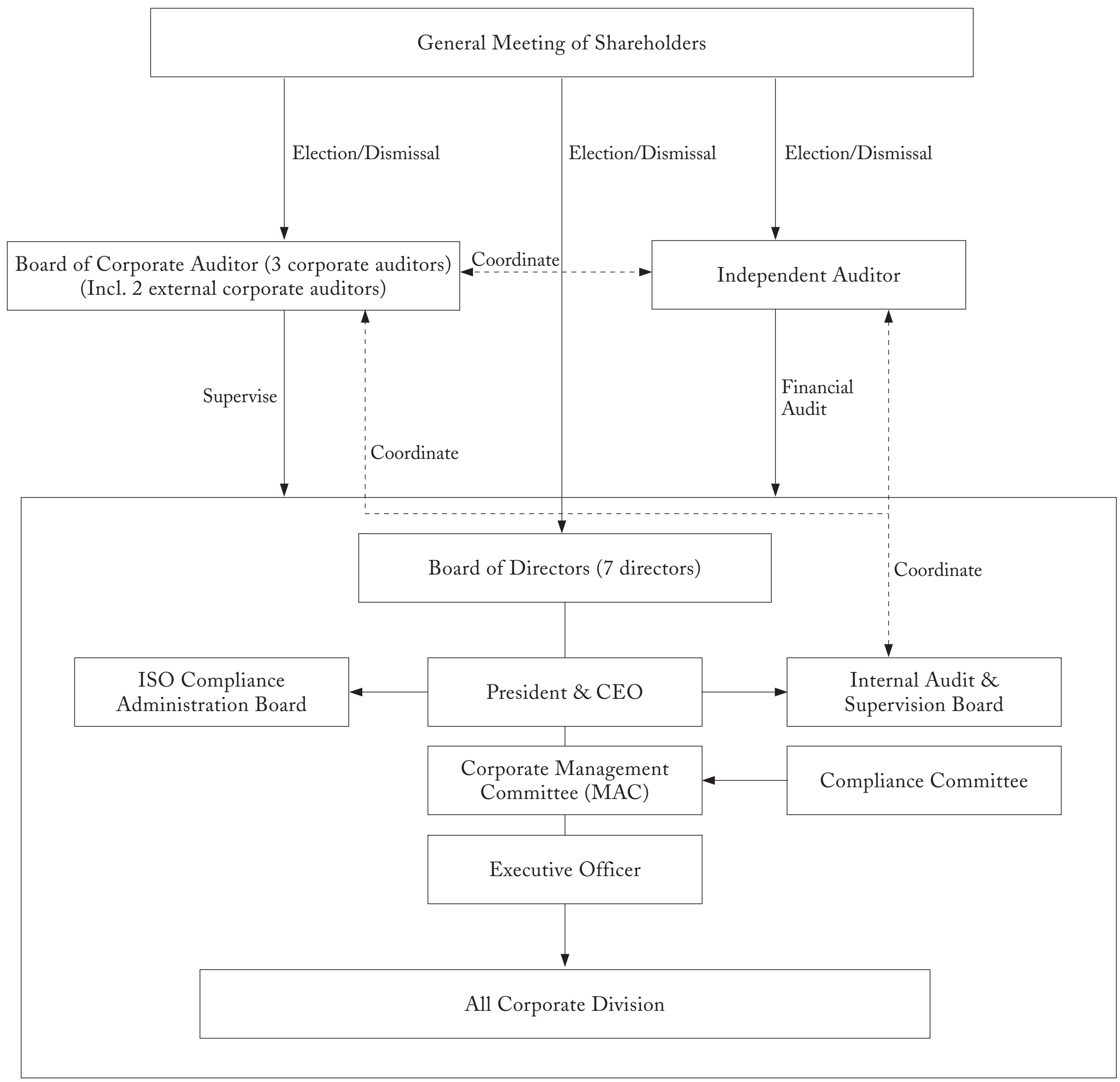
NUMBER OF EMPLOYEES



Corporate Governance

Tamron aspires to contribute to the growth of Japan and to pursue a transparent corporate structure. To further solidify the corporate governance structure the Company placed an executive officer in charge of the compliance committee in March, 2006. The compliance committee meets every month to discuss compliance related issues within the organization, implementing internal education, and control.

Corporate Governance Structure is as illustrated below. (As of December 31, 2006)



Pressing Issues

1. Establishment of internal control system, risk management system and improvement of corporate governance framework
2. Timely launch of attractive new products by all three business segments pursuant to our corporate tagline "New eyes for industry"
3. Expansion of the cellular phone camera lens business and further promotion of automotive application business
4. Research & development of core technologies surrounding optics and corporate-wide campaign drive of augmenting intellectual property strategy
5. Accelerating further cost reduction by improvement in overseas and domestic production and procurement systems
6. Speeding up new-product development by virtue of innovation in injection mold process
7. Improvement in profit structure by solidifying group company management system
8. Utilization of ERP system to promote corporate-wide business process innovation and optimization of inventory management
9. Further improvement of cash flow management and consolidated balance sheet
10. Improvement and maintenance of ISO9001 & 14001, introduction of TS16949 (quality management standard for automotive industry) and further strengthening our CSR 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 29, 2007.

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 having reached 57.7% of our net sales (consolidated), particularly in the 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 EMCS Corporation (100% owned subsidiary by Sony Corporation), 25.4% of our net sales (consolidated) are sales to Sony EMCS 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 cellular phone camera lens business in the optical components business segment, and by entering the market for automotive application in the Commercial/Industrial-use Optics business segment. 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 the 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, the 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."

The company conducted survey at other domestic facilities such as Hirosaki plant, Namioka plant, and Owani plant has been 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 exchange 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 our business and we 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 our 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. In fiscal 2005, the pension benefit level was lowered due to the lower benefit levels financial condition of the fund is recovering. 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 we recognize such possibility as a risk that may affect our Company results, due to forces out side the Company's direct control.

2. Increased numbers of withdrawing from the fund

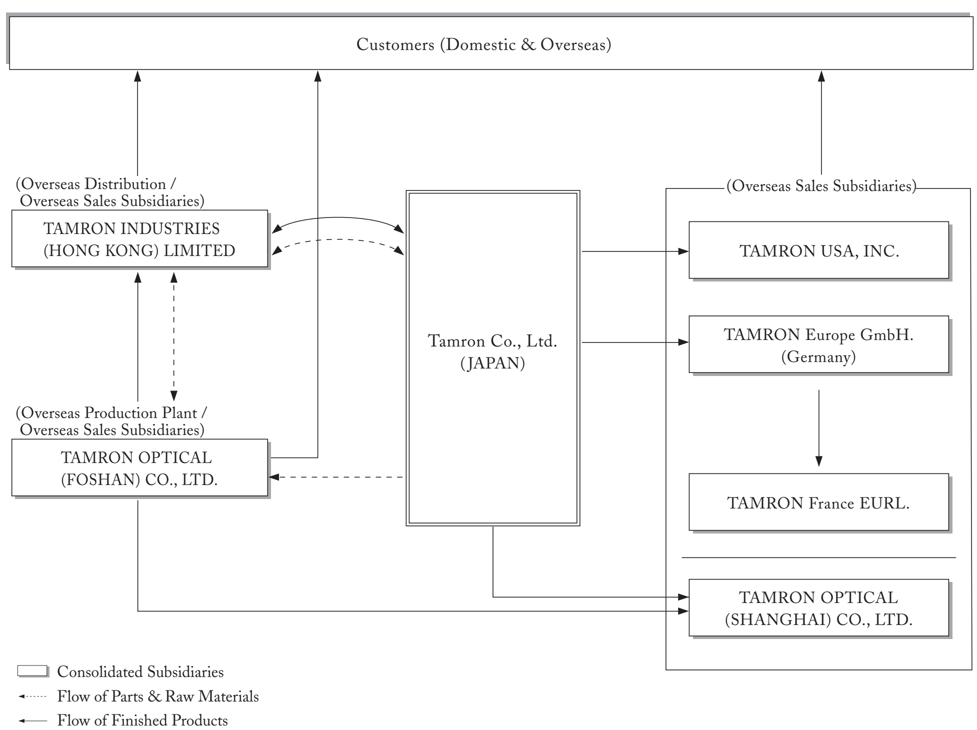
If a number of members of the funds withdraw from the fund, because the fund promises to pay pension to past members, it may cause the residing members to increase their burden share. Accordingly, affecting the Company results.

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	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

	Thousands of Yen		Thousands of U.S. Dollars
December 31	**2006**	2005	**2006**
ASSETS			
Current assets:			
Cash and cash equivalents	**¥13,409,342**	¥ 11,496,535	**$112,570**
Notes and accounts receivable—trade	**11,006,080**	7,360,264	**92,394**
Inventories	**7,045,424**	8,026,847	**59,145**
Deferred tax assets	**303,428**	312,175	**2,547**
Other current assets	**780,189**	1,431,551	**6,549**
Reserve for doubtful accounts	**(72,459)**	(80,677)	**(608)**
Total current assets	**32,472,005**	28,546,696	**272,599**
Fixed assets:			
Tangible fixed assets			
Buildings and structures	**3,737,839**	3,822,587	**31,378**
Machinery, equipment and vehicles	**6,214,466**	6,153,474	**52,169**
Tools, furniture and fixtures	**2,102,752**	1,913,270	**17,652**
Land	**804,415**	773,630	**6,752**
Other	**309,105**	277,010	**2,594**
Total tangible fixed assets	**13,168,579**	12,939,972	**110,548**
Intangible fixed assets	**2,283,702**	1,514,396	**19,171**
Investments and other assets			
Investment securities	**666,609**	623,187	**5,596**
Deferred tax assets	**412,907**	236,769	**3,466**
Other	**534,339**	229,895	**4,485**
Reserve for doubtful accounts	**(9,363)**	(9,360)	**(78)**
Total investments and other assets	**1,604,491**	1,080,492	**13,469**
Total fixed assets	**17,056,773**	15,534,861	**143,189**
Total assets	**¥49,528,778**	¥ 44,081,557	**$415,788**

The accompanying notes are an integral part of these statements.

December 31	Thousands of Yen 2006	2005	Thousands of U.S. Dollars 2006
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Notes and accounts payable—trade	**¥ 5,569,882**	¥ 3,958,531	**$ 46,758**
Short-term loans payable	**4,631,503**	4,308,409	**38,880**
Income taxes payable	**1,063,820**	214,337	**8,930**
Accrued directors' bonuses	**51,600**	—	**433**
Other current liabilities	**2,760,042**	3,063,095	**23,170**
Total current liabilities	**14,076,849**	11,544,373	**118,173**
Long-term liabilities:			
Long-term loans payable	**2,694,797**	3,131,468	**22,622**
Reserve for employees' retirement benefits	**1,013,004**	908,065	**8,504**
Reserve for directors' retirement benefits	**218,244**	156,367	**1,832**
Total long-term liabilities	**3,926,045**	4,195,901	**32,958**
Total liabilities	**18,002,895**	15,740,274	**151,132**
Minority interests	—	—	—
Shareholders' equity:			
Common stock	—	6,923,075	—
Capital surplus	—	7,440,327	—
Retained earnings	—	13,797,491	—
Unrealized gain on marketable investment securities	—	279,464	—
Foreign currency translation adjustments	—	(78,797)	—
Treasury stock, at cost	—	(20,278)	—
Total shareholders' equity	—	28,341,282	—
Total liabilities, minority interests and shareholders' equity	—	¥ 44,081,557	—
NET ASSETS			
Shareholders' equity:			
Common stock	**6,923,075**	—	**58,118**
Capital surplus	**7,440,327**	—	**62,460**
Retained earnings	**16,809,265**	—	**141,112**
Treasury stock, at cost	**(20,462)**	—	**(171)**
Total shareholders' equity	**31,152,205**	—	**261,519**
Unrealized gains and adjustments:			
Net unrealized gains on marketable investment securities	**187,009**	—	**1,569**
Foreign currency translation adjustments	**186,668**	—	**1,567**
Total unrealized gains and adjustments	**373,678**	—	**3,136**
Total net assets	**31,525,883**	—	**264,656**
Total liabilities and net assets	**¥49,528,778**	—	**$415,788**

CONSOLIDATED STATEMENTS OF INCOME

Tamron Co., Ltd. and Consolidated Subsidiaries

	Thousands of Yen		Thousands of U.S. Dollars
Years ended December 31	**2006**	2005	**2006**
Net sales	**¥63,685,668**	¥59,607,175	**$534,634**
Cost of sales	**46,209,060**	45,099,766	**387,920**
Gross profit	**17,476,607**	14,507,408	**146,714**
Selling, general and administrative expenses:			
Advertising expenses	**948,554**	727,016	**7,963**
Sales promotion expenses	**561,856**	364,127	**4,716**
Transfer to reserve for doubtful accounts	**10,008**	1,281	**84**
Employees' salaries, wages and bonuses	**2,494,939**	1,977,499	**20,944**
Transfer to reserve for directors' bonuses	**51,600**	—	**433**
Employees' retirement benefit expenses	**136,731**	109,209	**1,147**
Transfer to reserve for directors' retirement benefits	**61,877**	23,663	**519**
Research and development expenses	**2,540,809**	2,559,773	**21,329**
Commission paid	**—**	983,506	**—**
Other expenses	**4,044,733**	2,957,703	**33,955**
Total selling, general and administrative expenses	**10,851,110**	9,703,781	**91,093**
Operating income	**6,625,497**	4,803,627	**55,620**
Non-operating income:			
Interest and dividend income	**23,622**	14,485	**198**
Gain on foreign exchange	**—**	26,181	**—**
Other	**165,000**	269,665	**1,385**
Total non-operating income	**188,623**	310,332	**1,583**
Non-operating expense:			
Interest expense	**198,160**	156,784	**1,663**
Loss on foreign exchange	**87,349**	—	**733**
Loss on disposal of inventory	**372,446**	570,186	**3,126**
Loss on disposal of fixed assets	**502,099**	92,791	**4,215**
Other	**45,602**	68,780	**382**
Total non-operating expense	**1,205,660**	888,543	**10,121**
Ordinary income	**5,608,460**	4,225,416	**47,082**
Other:			
Gain from sale of fixed assets	**—**	199,172	**—**
Reserve for doubtful accounts	**—**	7,293	**—**
Gain from sale of investment securities	**2,342**	—	**19**
Income before income taxes	**5,610,803**	4,431,882	**47,102**
Income taxes	**1,709,338**	958,153	**14,349**
Tax refund	**(22,913)**	(47,121)	**(192)**
Tax adjustment	**(104,510)**	177,004	**(877)**
Net income	**¥ 4,028,889**	¥ 3,343,845	**$ 33,822**
Net income per share (in yen and U.S. dollars)	**¥ 142.82**	¥ 117.48	**$ 1.20**

Note: A two-for-one stock split was put in effect on August 19, 2005.

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	**2006**	2005	**2006**
Capital surplus			
Capital surplus at the beginning of the year	—	¥ 7,440,327	—
Capital surplus at the end of year	—	7,440,327	—
Retained earnings			
Retained earnings at the beginning of the year	—	11,197,882	—
Increase:			
Net income	—	3,343,845	—
Decrease:			
Cash dividends	—	705,237	—
Bonus to directors	—	39,000	—
Retained earnings at the end of the year	—	¥13,797,491	—

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Tamron Co., Ltd. and Consolidated Subsidiaries

	Thousands of Yen				
	Stockholders' equity				
Year ended December 31	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance of December 31, 2005	¥6,923,075	¥7,440,327	¥13,797,491	¥(20,278)	¥28,140,615
Changes in the term					
Cash dividends from appropriation of retained earnings			(564,180)		(564,180)
Cash dividends other than from appropriation of retained earnings			(423,134)		(423,134)
Bonus to directors			(29,800)		(29,800)
Net income			4,028,889		4,028,889
Purchase of treasury stock				(184)	(184)
Total change in the term	—	—	3,011,774	(184)	3,011,590
Balance of December 31, 2006	**¥6,923,075**	**¥7,440,327**	**¥16,809,265**	**¥(20,462)**	**¥31,152,205**

	Thousands of Yen			
	Changes in unrealized gain and translation adjustments			
Year ended December 31	Net unrealized gain on marketable investment securities	Foreign currency translation adjustments	Total unrealized gain and translation adjustments	Total net assets
Balance of December 31, 2005	¥279,464	¥ (78,797)	¥ 200,667	¥28,341,282
Changes in the term				
Cash dividends from appropriation of retained earnings				(564,180)
Cash dividends other than from appropriation of retained earnings				(423,134)
Bonus to directors				(29,800)
Net income				4,028,889
Purchase of treasury stock				(184)
Net change of items other than stockholders' equity	(92,455)	265,466	173,010	173,010
Total change in the term	(92,455)	265,466	173,010	3,184,601
Balance of December 31, 2006	**¥187,009**	**¥186,668**	**¥ 373,678**	**¥31,525,883**

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	2006	2005	2006
Cash flows from operating activities:			
Income before income taxes	¥ 5,610,803	¥ 4,431,882	$ 47,102
Depreciation and amortization	2,620,680	2,210,838	22,000
Increase in reserve for directors' bonuses	51,600	—	433
Increase in reserve for employees' retirement benefits	104,938	85,245	880
Interest and dividend income	(26,371)	(37,420)	(221)
Interest expense	198,160	156,784	1,663
Loss on disposal of fixed assets	502,099	92,791	4,215
Gain from sale of fixed assets	—	(199,172)	—
Gain from sale of investment securities	(2,342)	—	(19)
(Increase) Decrease in trade receivables	(3,468,378)	698,022	(29,116)
Decrease in inventories	1,134,377	943,025	9,522
Increase in trade payables	1,524,442	295,200	12,797
Other—net	7,235	63,094	60
Sub total	8,257,245	8,740,293	69,318
Interest and dividend received	26,371	37,420	221
Interest paid	(195,268)	(158,610)	(1,639)
Income taxes paid	(1,032,831)	(1,959,027)	(8,670)
Income taxes refunded	273,454	47,121	2,295
Net cash provided by operating activities	7,328,971	6,707,197	61,525
Cash flows from investing activities:			
Purchases of tangible fixed assets	(3,098,616)	(4,860,591)	(26,012)
Proceeds from sale of tangible fixed assets	12,567	359,348	105
Purchase of intangible fixed assets	(1,152,711)	(861,431)	(9,676)
Purchase of investment securities	(199,804)	—	(1,677)
Proceeds from redemption of investment securities	—	300,000	—
Proceeds from sale of investment securities	2,784	—	23
Increase in loans receivable	(76,950)	(19,235)	(645)
Proceeds from collection of loans receivable	74,517	20,939	625
Other—net	32,723	(59,537)	274
Net cash provided by investing activities	(4,405,490)	(5,120,508)	(36,983)
Cash flows from financing activities:			
Net increase in short-term loans	84,560	(312,360)	709
Proceeds from long-term loans	1,799,096	1,550,000	15,103
Repayment of long-term loans	(2,073,993)	(2,036,465)	(17,410)
Purchases of treasury stock	(184)	(1,246)	(1)
Dividends paid	(985,406)	(700,910)	(8,272)
Net cash provided by financing activities	(1,175,926)	(1,500,983)	(9,871)
Effect of exchange rate changes on cash and cash equivalents	165,252	266,124	1,387
Net increase in cash and cash equivalents	1,912,807	351,830	16,057
Cash and cash equivalents at the beginning of the year	11,496,535	11,144,704	96,512
Cash and cash equivalents at the end of the year	¥13,409,342	¥11,496,535	$112,570

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, 2006, ¥119.12 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.

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 net assets. 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 and structures	10 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 directors' bonuses

The amount reported on the balance sheet is based on the projected bonus amount.

(Change in Accounting Principals)

Effective as of FY 2006 ending December 31, 2006, "Accounting standard related to the directors' bonus" issued by the Accounting Standards Board of Japan, on November 29, 2005. As a result, the operating income, ordinary income, and net income has decreased by ¥51,600 thousand. The effect on the business segments are stated on the respectable sections.

c. 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.

d. 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 net assets 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. 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.

(Accounting Standards for Impairment of Fixed Assets)
Effective as of FY 2006 ending December 31, 2006, the Company applied the "Accounting Standards for Impairment of Fixed Assets" issued by the Business Accounting Council on August 9, 2002 and "Implementation Guidance for Accounting Standards for Impairment of Fixed Assets" issued by the Accounting Standards Board of Japan on October 31, 2003. This does not have effect on company profit.

(Accounting Standards for the Indication Method Regarding Sections of Net Assets in the Balance Sheet)
Effective from FY 2006 ending December 31, 2006, the Company applied "Accounting Standards for the Indication Method Regarding Sections of Net Assets in the Balance Sheet" issued by Accounting Standards Board of Japan on December 9, 2005 and "Accounting Standards for the Indication Method Regarding Sections of Net Assets in the Balance Sheet Guidance" issued on December 9, 2005. The amount corresponding to the former stockholders' equity as of December 31, 2006 is ¥31,525,883 thousand. The net assets figures in the consolidated balance sheets of FY 2006 are prepared in accordance with the revised rules for consolidated financial statements.

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 ¥469,000 thousand as of December 31, 2006.

NOTES TO CONSOLIDATED BALANCE SHEETS

1. Assets pledged as collateral
(1) Property, plant and equipment

	Thousands of Yen
Buildings and structures	¥ 789,175
Machinery, equipment and vehicles	759,459
Tools, furniture and fixtures	131,514
Land	96,179
Other	11,049
Total	¥1,787,379

(2) Other

	Thousands of Yen
Buildings and structures	¥1,671,744
Land	96,043
Total	¥1,767,788

(3) Loans secured by the above assets

	Thousands of Yen
Short-term loans payable	¥ 756,000
Long-term loans payable (including loans due within one year)	2,868,780
Total	¥3,624,780

2. Accounting for notes matured at end of fiscal year

The end of the 2006 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 ¥291,225 thousand

NOTES TO CONSOLIDATED STATEMENTS OF INCOME

1. Research and development expenses included in selling, general and administrative expenses and manufacturing costs totaled ¥2,583,321 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, 2006, is not required, and is as follows:

Cash and cash equivalents on the statement of cash flows	¥13,409,342 thousand
Cash on hand and in banks at the end of the year	¥13,409,342 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	¥ 1,227,895	¥ 822,951	¥ 404,944
Tools, furniture and fixtures	173,785	101,712	72,073
Software	122,487	61,788	60,698
Total	¥ 1,524,167	¥ 986,452	¥ 537,715

2. Unpaid lease expenses as of December 31, 2006

	Thousands of Yen
Due within one year	¥214,643
Due after one year	349,422
Total	¥564,066

3. Lease expenses, depreciation and interest expenses

	Thousands of Yen
Lease expenses	¥294,024
Depreciation	264,655
Interest expenses	21,501

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, 2005			**As of December 31, 2006**		
		Acquisition costs	Carrying amount	Difference	Acquisition costs	Carrying amount	Difference
Securities whose carrying amounts on consolidated balance sheets exceed their acquisition costs	(1) Stocks	¥153,134	¥622,035	¥468,900	**¥152,613**	**¥465,975**	**¥313,361**
	(2) Debt securities	—	—	—	—	—	—
	(3) Others	—	—	—	**198,989**	**199,551**	**562**
	Total	153,134	622,035	468,900	**351,603**	**665,527**	**313,923**
Securities whose acquisition costs exceed carrying amounts on consolidated balance sheets does not exceed their acquisition costs	(1) Stocks	—	—	—	**520**	**371**	**(149)**
	(2) Debt securities	—	—	—	—	—	—
	(3) Others	—	—	—	—	—	—
	Total	—	—	—	**520**	**371**	**(149)**
Total		¥153,134	¥622,035	¥468,900	**¥352,124**	**¥665,898**	**¥313,774**

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, 2005	**As of December 31, 2006**
	Carrying amount	Carrying amount
Other type of securities		
Non-listed securities (excluding OTC securities)	¥1,152	**¥710**

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, 2006

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 obligations	¥(1,898,421)
(2) Plan assets at fair value	1,011,074
(3) Unfunded retirement benefit obligations (1)+(2)	(887,346)
(4) Unrecognized actual loss	(115,863)
(5) Net balance sheet amount (3)+(4)	(1,003,209)
(6) Prepaid pension expense	9,794
(7) Accrued retirement benefits (5)-(6)	¥(1,013,004)

Note: Welfare pension fund plan assets totaling ¥4,928,903 thousand are not included in the aforementioned breakdown of retirement benefit obligation.

3. Retirement benefit expenses

	Thousands of Yen
(1) Service expenses	¥335,905
(2) Interest expenses	37,198
(3) Expected return on plan assets	(13,952)
(4) Amortization of net actuarial difference	53,758
(5) Retirement benefit expenses (1) + (2) + (3) + (4)	¥412,909

Note: A contribution amount of ¥214,051 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, 2006

Deferred Tax Assets

	Thousands of Yen
Accrued enterprise tax	¥ 77,407
Reserve for doubtful accounts	13,434
Unrealized intercompany profits	75,453
Reserve for employees' retirement benefits	446,379
Subsidiaries' net operating tax loss carryforwards	38,065
Reserve for directors' retirement benefits	88,170
Loss on disposal of inventories	67,720
Loss on devaluation of inventories	39,071
Other	101,272
Subtotal	946,975
Valuation allowance assets	(38,065)
Net deferred tax assets	¥908,910

Deferred Tax Liabilities

	Thousands of Yen
Reserve for deduction entries	¥ (58,858)
Reserve for special depreciation	(6,890)
Unrealized gain on investments in securities	(126,825)
Deferred tax liabilities	(192,574)
Net deferred tax assets	¥716,335

(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)	0.3
Per capita tax	0.4
Tax deductions	(12.1)
Valuation allowance assets	0.1
Difference in tax rates applicable to overseas subsidiaries	(9.9)
Elimination of dividend	8.5
Income taxes—refund	(0.4)
Other	0.9
Effective tax rate after adoption of tax effect accounting	28.2%

VI. NOTES TO SEGMENT INFORMATION

Business segment information

Thousands of Yen

	2005					
	Photographic products	Optical components	Commercial/ industrial-use optics	Total	Eliminations and/or corporate	Consolidated
Net sales:						
Sales to outside customers	¥14,912,504	¥33,800,418	¥10,894,251	¥59,607,175	¥ —	¥59,607,175
Intersegment sales or transfer	—	—	—	—	—	—
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

Thousands of Yen

	2006					
	Photographic products	Optical components	Commercial/ industrial-use optics	Total	Eliminations and/or corporate	Consolidated
Net sales:						
Sales to outside customers	**¥17,287,172**	**¥36,766,496**	**¥ 9,631,999**	**¥63,685,668**	**¥ —**	**¥63,685,668**
Intersegment sales or transfer	—	—	—	—	—	—
Total	**17,287,172**	**36,766,496**	**9,631,999**	**63,685,668**	—	**63,685,668**
Operating expenses	**14,494,672**	**31,511,805**	**9,126,016**	**55,132,494**	**1,927,676**	**57,060,171**
Operating income	**¥ 2,792,499**	**¥ 5,254,691**	**¥ 505,982**	**¥ 8,553,173**	**¥ (1,927,676)**	**¥ 6,625,497**
Assets	**¥13,307,160**	**¥16,852,190**	**¥ 8,230,987**	**¥38,390,338**	**¥11,138,440**	**¥49,528,778**
Depreciation expenses	**790,500**	**855,615**	**933,933**	**2,580,049**	**40,631**	**2,620,680**
Capital expenditures	**1,122,613**	**1,172,255**	**1,351,171**	**3,646,040**	**169,961**	**3,816,001**

Notes:

1. Business segmentation
   Main products by business segment are as follows:
   (1) Photographic products
      Interchangeable lenses for SLR camera
   (2) Optical components
      Camcorder lenses, digital still camera lenses, cellular phone camera lenses
   (3) Commercial/industrial-use optics
      Lenses for CCTV cameras, projection lenses, high-precision molds, injection-molded parts & components, optical device units
2. 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. Unallocated operating expenses included in “Eliminations and/or corporate” totaled ¥1,927,676 thousand for the fiscal year ended December 31, 2006. These expenses consisted principally of expenses related to general affairs, accounting and other departments of the Company.
3. 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. As of December 31, 2006, total assets included in “Eliminations and/or corporate” of ¥11,138,440 thousand, mainly represent cash, long-term investments funds (investments in securities), and assets related to the administration department.
4. As stated in “Basis of presenting Consolidated Financial Statement—4. Accounting Policies,” “Accounting standard related to the directors’ bonus” has been applied from FY 2006 ending December 31, 2006. Due to the changes, the operating income of “Elimination and/or corporate” decreased by ¥51,600 thousand.

Geographical segment information

Thousands of Yen

	2005						
	Japan	North America	Europe	Asia	Total	Eliminations and/or corporate	Consolidated
Net sales:							
Sales to outside customers	¥49,036,292	¥4,513,779	¥3,101,477	¥ 2,955,625	¥59,607,175	¥ —	¥59,607,175
Intersegment sales or transfer	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

Thousands of Yen

	2006						
	Japan	North America	Europe	Asia	Total	Eliminations and/or corporate	Consolidated
Net sales:							
Sales to outside customers	**¥50,339,853**	**¥5,375,735**	**¥4,252,739**	**¥ 3,717,339**	**¥63,685,668**	**¥ —**	**¥63,685,668**
Intersegment sales or transfer	**7,128,630**	**—**	**—**	**27,395,936**	**34,524,566**	**(34,524,566)**	**—**
Total	**57,468,484**	**5,375,735**	**4,252,739**	**31,113,275**	**98,210,235**	**(34,524,566)**	**63,685,668**
Operating expenses	**52,357,052**	**4,800,278**	**3,825,542**	**28,715,304**	**89,698,178**	**(32,638,006)**	**57,060,171**
Operating income	**¥ 5,111,432**	**¥ 575,457**	**¥ 427,197**	**¥ 2,397,970**	**¥ 8,512,057**	**¥ (1,886,559)**	**¥ 6,625,497**
Assets	**¥26,638,102**	**¥2,077,387**	**¥2,164,937**	**¥13,344,976**	**¥44,225,404**	**¥ 5,303,374**	**¥49,528,778**

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 ¥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. Unallocated operating expenses included in “Eliminations and/or corporate” totaled ¥1,927,676 thousand for the fiscal year ended December 31, 2006. These expenses consisted principally of expenses related to general affairs, accounting and other departments of the Company.
4. 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. As of December 31, 2006, total assets included in “Eliminations and/or corporate” of ¥11,138,440 thousand, mainly represent cash, long-term investment funds (investments in securities), and assets related to the administration department.
5. As stated in “Basis of presenting Consolidated Financial Statement—4. Accounting Policies,” “Accounting standard related to the directors’ bonus” has been applied from FY 2006 ending December 31, 2006. Due to the changes the operating income of “Elimination and/or corporate” decreased by ¥51,600 thousand.

Overseas sales

	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 Percentage of consolidated sales (%)	8.2	7.0	16.5	31.6

	Thousands of Yen			
	2006			
	North America	Europe	Asia	Total
I Overseas sales	**¥5,565,776**	**¥5,319,492**	**¥24,744,479**	**¥35,629,749**
II Consolidated sales				**63,685,668**
III Percentage of consolidated sales (%)	**8.7**	**8.3**	**38.9**	**55.9**

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, 2006:

Net assets per share	1,117.59 Yen
Net income per share	142.82 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.

	2005	**2006**
Net income per share		
Net income (Thousands of Yen)	¥ 3,343,845	**¥ 4,028,889**
Amount not belong to ordinary shareholders (Thousands of Yen)	29,800	**—**
(Portion for directors' bonuses appropriated for retained earnings)	(29,800)	**(—)**
Net income for ordinary shares (Thousands of Yen)	3,314,045	**4,028,889**
Average number of shares outstanding during the term (Shares)	28,209,317	**28,208,973**

VIII. NOTES TO SUBSEQUENT EVENTS

Not applicable.

To the Board of Directors of
Tamron Co., Ltd.

We have audited the accompanying consolidated balance sheet of Tamron Co., Ltd. and its subsidiaries as of December 31, 2006, and the related consolidated statement of income, net assets, and cash flows for the year 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, 2006, and the result of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in Japan.

Additional information

As stated in "Basis of presenting Consolidated Financial Statements—4. Accounting Policies," the Company adopted new Japanese accounting standard relating to the directors' bonus.

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, 2007

Wako Audit Corporation

Wako Audit Corporation

MANAGEMENT

(As of March 31, 2007)

BOARD OF DIRECTORS

President & CEO
Morio Ono

Corporate Vice President
Shoji Kono

Corporate Vice President
Hitoshi Ohta

Senior Managing Director
Yoshihiro Shirai

Managing Director
Hisaaki Nagashima

Director
Kunihiro Kanoh

Director
Takashi Kawai

CORPORATE AUDITORS (Note 1)

Standing Corporate Auditor
Kiyoshi Okawa

Standing Corporate Auditor
Yukio Masuko

Corporate Auditor
Norio Tomiyoshi

Corporate Auditor
Yasuhiko Nishimoto

EXECUTIVE OFFICERS (Note 2)

Senior Executive Officer
Shinichi Yasuda

Senior Executive Officer
Shoei Kawamura

Senior Executive Officer
Koji Seki

Senior Executive Officer
Takashi Ichikawa

Executive Officer
Kaoru Takahashi

Executive Officer
Hideyo Ohse

Executive Officer
Tadahiro Shimura

Executive Officer
Masayuki Abo

Executive Officer
Shiro Ajisaka

Executive Officer
Shogo Sakuraba

Executive Officer
Hiroaki Arai

Executive Officer
Yoshiyuki Shirai

Executive Officer
Hiroshi Kawanabe

Executive Officer
Kunio Wada

Executive Officer
Yasuki Kitazume

Notes: 1. Mr. Masuko, Mr. Tomiyoshi, and Mr. Nishimoto 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-shi, Saitama 337-8556 JAPAN

Capital:
¥6,923 million

Fiscal Year-End:
End of December

Employees:
5,024 (Consolidated) (As of December 31, 2006)

Principal Shareholders (As of December 31, 2006)

Shareholders	Number of Shares Held (Thousands of Shares)	Percentage of Shares Held
New Well Co., Ltd.	4,898	17.34
Sony Corporation	3,129	11.08
The Chase Manhattan Bank N.A., London	1,895	6.71
Japan Trustee Services Bank, Ltd.	1,857	6.57
Kouyu Kosan Co., Ltd.	1,529	5.41
Saitama Resona Bank Limited	1,041	3.68
NikkoCiti Trust and Banking Corporation	660	2.33
Tamron Business Partner Stock Holding Plan	430	1.52
NIPPONKOA Insurance Co., Ltd.	411	1.45
Nippon Insurance Company	400	1.41

Note: The 3,129 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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