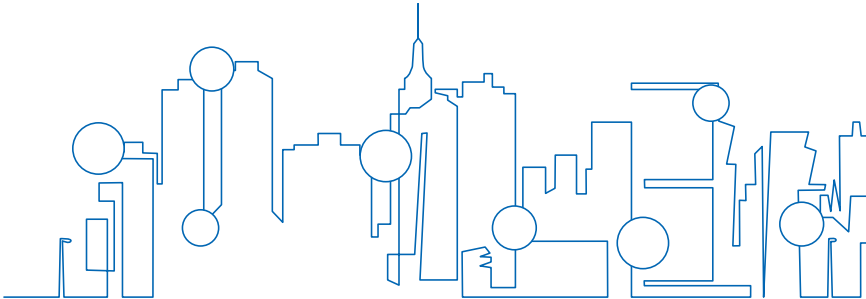


# TAMRON

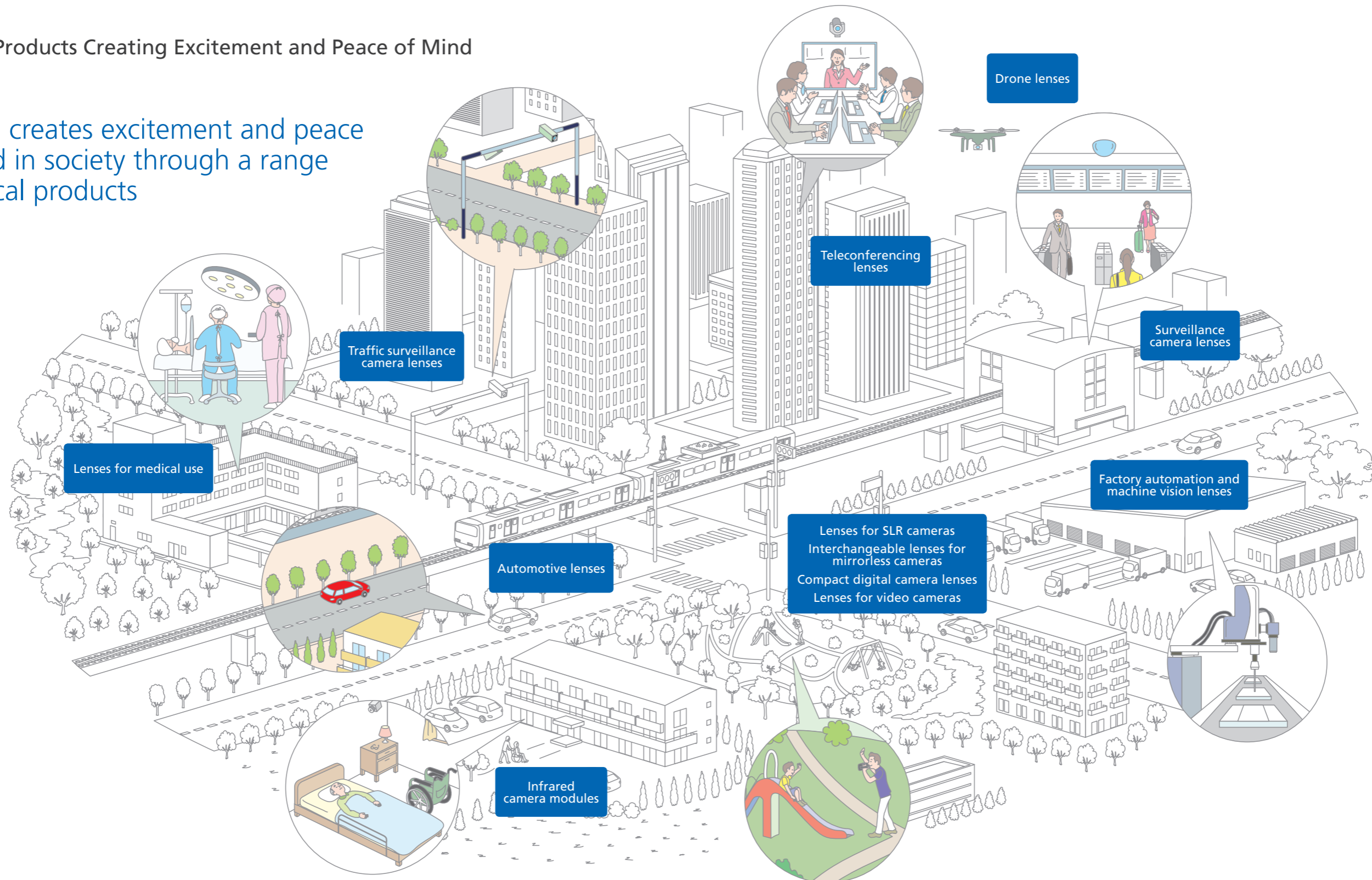


# Integrated Report 2020

for the Year Ended December 2019

# Tamron Products Creating Excitement and Peace of Mind

Tamron creates excitement and peace of mind in society through a range of optical products



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## Editorial Policy

Tamron publishes an integrated report as an important tool for communicating with shareholders, investors and other stakeholders. The report contains information on management strategies, finances, human resources and the environment strategies as a way to share details of Tamron's sustainability and growth potential. In compiling this report, we have referenced the Guidance for Collaborative Value Creation from the Ministry of Economy, Trade and Industry, and the International Integrated Reporting Framework from the International Integrated Reporting Council (IIRC).

This report covers the period from January 1, 2019 to December 31, 2019 (including some information that falls outside the above period). The report concerns the 10 companies of the Tamron Group (including Tamron Co., Ltd.)

\* Please refrain from reproducing the images or other information contained in this report without permission.

## Tamron's Information Framework

Financial Information	Non-financial Information
Integrated Report (Booklet, PDF)	
Securities Report (PDF)	Corporate Governance Report (PDF)
Financial Statements (PDF)	ESG Databook (PDF)
IR Information (Web)	CSR Information (Web)
Reference website: <a href="https://www.tamron.com/ir/">https://www.tamron.com/ir/</a>	Reference website: <a href="https://www.tamron.com/csr/">https://www.tamron.com/csr/</a>



Shiro Ajisaka

President & CEO  
Tamron Co., Ltd.

## Achieving sales and profit growth for three consecutive periods Following the path of light to the future of a 100-year company

### Review of the Fiscal Year Ended December 2019

Looking at the management environment for 2019 in terms of our core business in the digital camera market, in the area of interchangeable lens cameras we saw robust performance among full-frame mirrorless cameras, although the overall market suffered a contraction due to a significant slump in DSLR cameras, particularly entry-level models. Interchangeable lenses experienced a similar contraction, while the market for compact digital cameras also continued to shrink. Meanwhile, the industrial camera market, which includes surveillance and automotive cameras and lenses, continued its growth trend despite the effects of trade friction between the US and China and slumping consumer demand in China.

Even in this market climate, we posted strong operating results for fiscal 2019, with net sales of 63.285 billion yen (up 2.4% year on year) thanks to increased sales in the core Photographic Products Business and Commercial/Industrial-use Optics Business. On the profit side, thanks to cost reductions and a higher percentage of new products in our lineup of Tamron-branded interchangeable lenses, the gross profit margin improved 2.9% year on year, representing a significant increase in gross profit on sales. Consequently, we posted operating income of 6.982 billion yen (up 28.7%) and net income of 5.33 billion yen (up 23.1% year on year). As a result, we managed to achieve increased sales and profits for the third

year running and recorded our highest ever net income.

By segment, in the Photographic Products Business we achieved increased sales and profits, with net sales of 46.175 billion yen (a 1.2% year-on-year increase) and operating income of 8.635 billion yen (up 21.4%). Own-brand models generated strong sales of full-frame mirrorless interchangeable lenses to drive a significant increase in profits, but due to stagnant sales, primarily related to existing products for DSLR cameras, there was a fall in sales. On the other hand, sales from orders for OEM lenses were strong, leading to increased sales of these products.

In the Optical Components Business, sales of lenses for compact digital cameras declined due to the shrinking market and sales from orders for drone lenses were also stagnant, leading to net sales of 2.739 billion yen (a 20.3% fall from the previous year). However, we did manage to increase profits and posted operating income of 137 million yen (up 69.3% year on year).

In the Commercial/Industrial-use Optics Business, which consists of surveillance camera and automotive lenses enjoying continued growth, sales of surveillance camera lenses in China and general sales of camera modules were strong. Combined with higher sales of automotive lenses for sensing functions, we produced double-digit growth in both sales and profits, with net sales of 14.37 billion yen (up 12.8% year on year) and operating income of 994 million yen (a 22.3% increase).

### State of Progress on the Mid-term Management Plan

Our mid-term management plan (2018-2020) is now in its final year. Working from our 2017 results as a starting point, we set the goals of achieving a 10 billion-yen increase in net sales to 72 billion yen and operating income growth of at least 1.5x to 6.6 billion yen, along with an ROE of at least 9%. We launched the plan with the aim of reaching 65 billion yen in net sales and operating income of 5.9 billion yen in 2019, the second year of the plan.

The pillars of the strategy we developed for the mid-term management plan were expanded sales for industrial applications such as surveillance cameras and automotive lenses, and improved profitability in the core Photographic Products Business. During those two years, profitability in the Photographic Products Business improved better than expected, and in terms of profit and ROE, we achieved our target figures for 2020 a year ahead of schedule. However, the outlook for achieving our target net sales has become more difficult due to various factors, including a much higher yen than the expected exchange rate, a greater-than-expected slump in the DSLR camera market, and a large deviation from expected results for B-to-C operations in the drone market.

In light of these developments, with 2020 being the last year of the mid-term management plan, we will maintain the high earnings structure in the Photographic Products Business achieved over the first two years while striving to boost profitability in the surveillance camera and factory automation segments which represent another pillar of our operations.

### Business Outlook

Tamron is one of the few optical manufacturers capable of integrated operations covering everything from design to production and sales. Based on our belief that "business opportunities lie in the solutions to social issues," we grow in step with society by creating products utilizing our strength in optical technologies. Tamron's core interchangeable lens business has been among the first to analyze customer needs and reflect that insight in product planning amid a contracting market and the ongoing shift to mirrorless. By specializing in mirrorless lenses and expanding our lineup, we will boost our market share and grow sales, even under severe market conditions.

In the area of surveillance and factory automation, we will take proper advantage of the robust demand for security such as urban surveillance that combines facial authentication and other forms of AI, along with the firm demand for solutions such as factory automation and machine vision due to the push for sophistication and streamlining in manufacturing. This is one way Tamron is broadening its base to target industrial applications that are showing signs of growth. Based on the reform theme of "globalization of sales, production and R&D" I announced when assuming the post of president and our policy of "rebuilding the R&D process," in addition to existing development efforts in Japan, we have developed a wide-ranging R&D process that includes China and outsourcing. We will strive to effectively

utilize this R&D process, achieve differentiation with high added-value products, increase the speed of development and reduce costs, in an effort to maintain our competitiveness even in this harsh competitive environment.

The automotive camera market, in addition to gaining support due to legislation requiring vehicles to be equipped with cameras, is also at a turning point in anticipation of autonomous driving, and its high growth rate is continuing. At the same time, we are in the midst of an era of technological innovation that includes increasingly sophisticated systems. Accordingly, we are actively investing in the development of elemental technologies such as heat resistance in an effort to establish our position in the industry.

In a society with an increasingly aging population, we also see major business opportunities in products for minimally invasive medical treatment to ease the burden on patients. In April, we newly established the Medical Device Development Depts. as an organization dedicated to the medical business. While sales are still small, we are looking to meet the demands of the medical field for products that are smaller with higher quality and resolution to develop it into a key business in the future.

### Securing Human Resources to Developing a Pleasant Workplace Environment to Enhance Competitiveness

Tamron's most important management resource is its people, and I believe the employees currently working here form an immensely talented group of human resources. Looking to the future, however, we recognize the importance of hiring even more talented engineers while accepting and utilizing people with different ideas, perspectives and values regardless of nationality, gender, age or other attributes, in order to enhance our corporate value to "create emotion and security with light and contribute to realizing a spiritually rich society." In addition, creating a workplace environment in which employees can fully harness their abilities will enhance our corporate competitiveness. As one of those efforts, we have set the task of developing the potential of female employees. In 2015, we opened the in-house preschool Tamron Kids to help employees strike a balance between work and raising children. Some employees based the decision to join Tamron on the availability of Tamron Kids, and the percentage of female managers at Tamron has risen three points from 7.8% in 2014 to 10.9% in 2019. This year we were recognized for our strategic efforts to manage the health of employees and certified for the first time as a company practicing outstanding health and productivity management.



## Message from the President & CEO



take action on various social issues including human rights, labor and information leaks. Accordingly, since 2007 Tamron has continued to support the ten principles of the UN Global Compact. Important CSR issues that concern Tamron and require action are reflected in our management plans as part of efforts to develop solutions.

Through our core business in digital cameras, we are also aware of the power that recorded video and still images have to move people, bring them comfort and enrich their minds. Tamron seeks the myriad issues and needs around the world as business opportunities, and based on the desire to “create emotion and security with light and contribute to realizing a spiritually rich society,” we will take on the challenge of various businesses in the years ahead.

### - Surveillance camera lenses

By providing high-performance surveillance camera lens to address the rise in urban crime, we help create a safe and secure society and aim to develop this field into the second pillar alongside our Photographic Products Business.

### - Automotive lenses

By providing lenses for the latest autonomous driving technology of Lidar and other automotive lenses, we work to expand the scale of our business while helping solve social issues such as traffic accidents and increasing traffic congestion.

### - Lenses for medical applications

With the aging of society said to be picking up speed in Japan and even China, we will help reduce the burden on patients and the medical professionals performing procedures by providing medical-grade lenses that enable minimally invasive actions.

### - Drone lenses

By encouraging the widespread adoption of drone lenses used in agriculture and a range of fields for measurement and surveillance, we aim to offer solutions to the jobs people cannot perform while expanding sales.

### Governance

Since I assumed the post as president in 2016, I have worked to strengthen our governance and clarified our approach to corporate governance through the Corporate Governance Guidelines.

Tamron has appointed two external directors, one of whom is female. As this will allow us to incorporate opinions and recommendations from an expert and independent perspective, it will lead to better decision making. To ensure that the external directors can adequately fulfill their roles, Board of Directors meeting materials are distributed to them in advance, and we proactively implement initiatives to ensure they have a deep understanding of Tamron, such as conducting training and plant tours when they are appointed. In addition to establishing a Nominating Committee and Compensation Committee, we have made steady progress on governance reforms including reductions to the number of directors and the introduction of

a stock compensation scheme linked to business performance.

As a part of efforts to thoroughly enforce compliance-oriented management, we have also worked to enhance our internal reporting system. In addition to regular internal routes and mechanisms to handle internal reporting, in 2019 we also established an outside reporting hotline to offer a route that is independent from management.

### Shareholder Return

In terms of shareholder return, we aim to maintain a stable payout ratio of around 35% in the form of dividends based on business performance. In the period under review, we issued annual dividends of 68 yen per share, an 8-yen increase over the previous year. This represents a record annual dividend for Tamron. While taking into account R&D and capital investment in an effort to strengthen its management structure and develop new businesses based on a long-term view, Tamron also holds to the basic policy of continuing the stable return of profits to shareholders.

### Towards Becoming a 100-Year Company

As a group of optical specialists, Tamron provides lenses to various industrial fields to fulfill its mission of providing excitement, peace of mind and trust to industry, society and people's lives. Today there is a growing need to “measure” things across every aspect of industry, and we recognize that this is a business environment in which we can even better utilize the wide-ranging expertise making up the core of the optical, mechanical design and production technologies we have established over the years.

In November 2020, Tamron will also reach its milestone 70th anniversary. As we pursue the fields of our existing businesses in greater depth and enter new business areas in recognition of the opportunities afforded by the SDGs, we will continue venturing forward over the next decade and on the way to becoming a 100-year company. To enhance the level of our contributions to society and to become the kind of company that society needs, we will create the “new eyes for industry” in unique Tamron style and strive to enhance our corporate value. Expect great things for the future of the Tamron Group.

Shiro Ajisaka

President & CEO  
Tamron Co., Ltd.

### ESG Strategy

#### Environment

With a reduction of 3.5% in 2019, we failed to reach our goal of reducing CO<sub>2</sub> emissions by 3.8% compared to 2016 levels on a unit sale basis, but I still believe that being able to reduce CO<sub>2</sub> on an absolute basis was a major achievement.

Based on the SDGs and the Paris Agreement, an international framework to address climate change issues, countries around the world are strengthening efforts to tackle climate change. There is also a growing recognition that climate change poses a major issue to corporate growth due to the uptick in abnormal weather phenomena such as localized torrential rains and typhoons.

For its part, Tamron is also considering strategies and measures towards the realization of a decarbonized society based on a recognition that our own sustainable growth lies in a sustainable society. In addition to the energy conservation-focused reduction activities we have pursued to date, we will also work to cut CO<sub>2</sub> emissions through the introduction of renewable energies. Furthermore, Tamron will also direct efforts to reducing waste, protecting water resources and solving the issue of plastic pollution of the oceans.

#### Society

Due to the globalization of management, we recognize it is necessary to not only address environmental issues but to also

### Corporate Philosophy

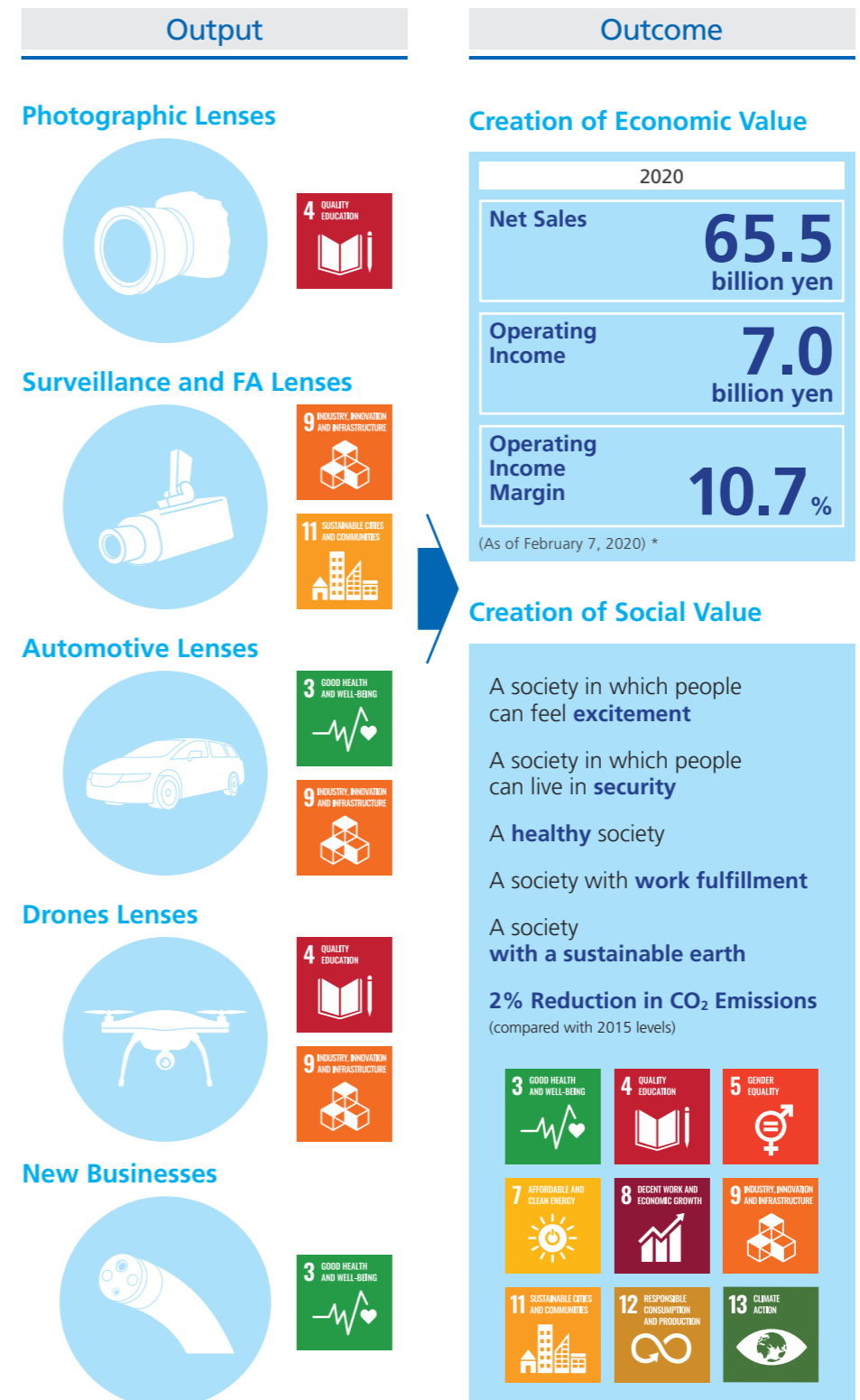
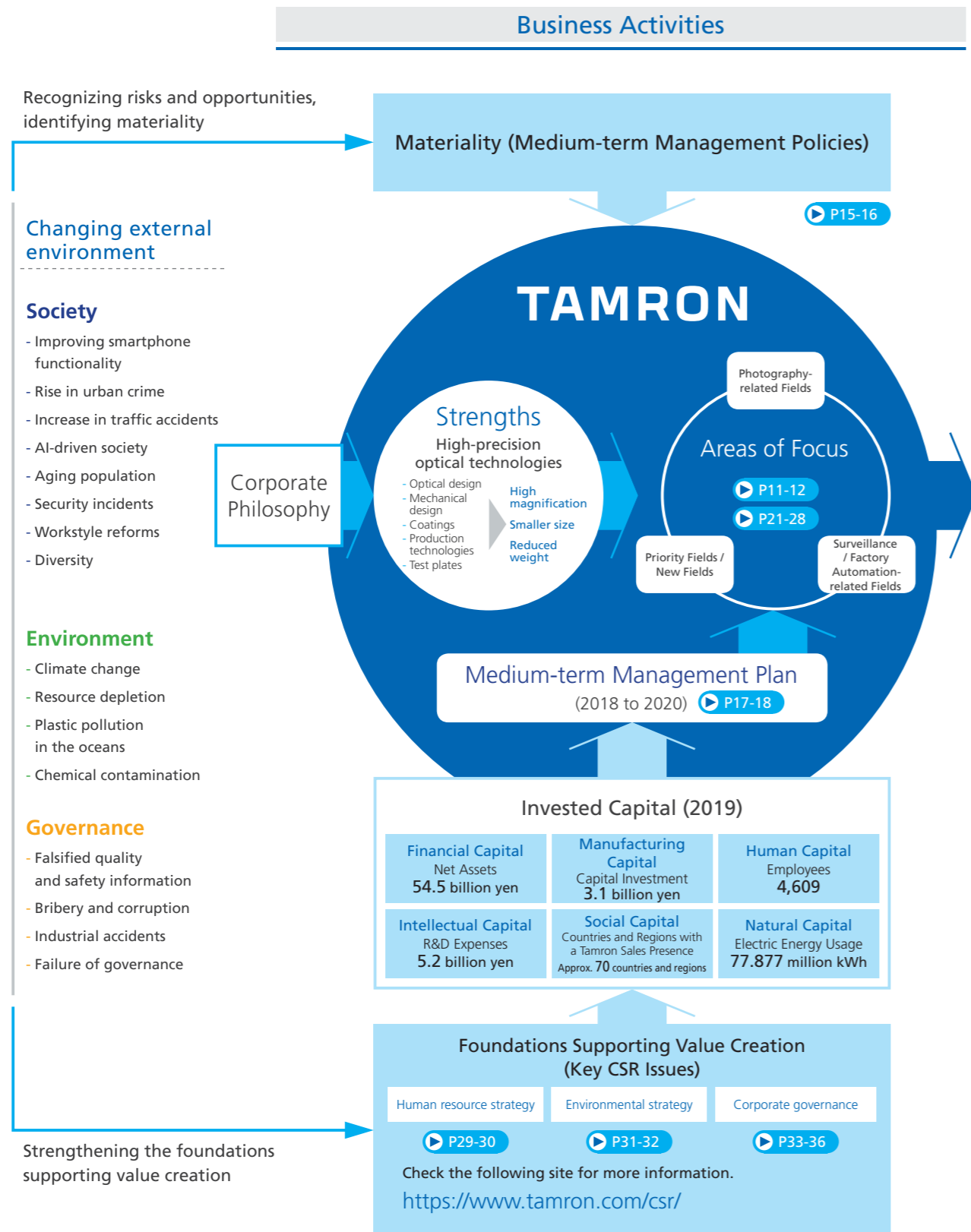
With its firm commitment to developing high-quality, innovative and technologically advanced products that satisfy customer needs, Tamron is securing a leading position in the worldwide optical industry. Our primary objective is to sustain strong corporate growth based on a high level of customer satisfaction achieved by providing superior products at the right price, thus also contributing to the prosperity of our shareholders and employees.

### Brand Message

New Eyes for Industry

# The Value Creation Process

We regard various social issues as management opportunities, create economic and social value, and contribute to the realization of a sustainable society.



We challenge the possibilities of light to help realize a fulfilling society

\* Due to the extreme uncertainty caused by the worldwide spread of COVID-19 coronavirus infections, on April 28, 2020, Tamron decided to revise the results forecast that was announced on February 7, 2020, leaving it undecided for the time being. Tamron will announce a new forecast when it becomes feasible.



## Tamron's Value Creation Story

Over 70 years, Tamron has grown with society and peace of mind

and continued to create excitement the world

### Company History Becoming a global company providing products around

- 1950** Taisei Optical Equipment Manufacturing is founded
- 1952** Taisei Optical Equipment Manufacturing Inc. is established
- 1958** The Tamron brand is registered as a trademark
- 1969** The Hirosaki Plant is constructed  
\* Expanding to a total of three plants with the later construction of production sites within Aomori Prefecture
- 1970** Company name is changed to Tamron Co., Ltd.
- 1979** Sales subsidiary is established in the United States
- 1982** Sales subsidiary is established in West Germany



Members of the Urawa Plant at the time



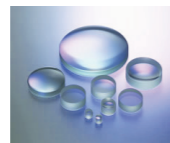
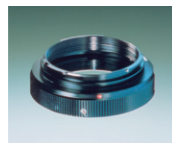
Hirosaki Plant

Learn more about Tamron's history from its founding on the Tamron website.  
<https://www.tamron.com/70th/>



### Product History Developing a wide range of products through technologies

- 1950** Manufacture of cameras and binocular lenses is started
- 1957** The T mount interchangeable lens mount for SLR cameras is developed  
\* World-first
- 1966** Production of master test plates, ultra-precision lenses and prisms is started
- 1966** The Tamron Adapt-A-Matic range of lenses is developed
- 1981** 6x zoom video camera lens is developed



#### Master test plates

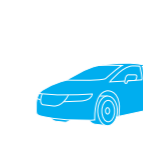
Ultra-precision lenses that serve as the standard for all optical lenses. For more than half a century, skillful techniques have been handed down by successive craftspeople, making Tamron one of the few optical manufacturers able to craft master test plates even today.

#### Widespread adoption of video cameras begins

VTR-equipped cameras and video camera lenses developed to coincide with the widespread uptake of compact video cameras enjoy brisk sales. These products accounted for 50% of sales at the time.

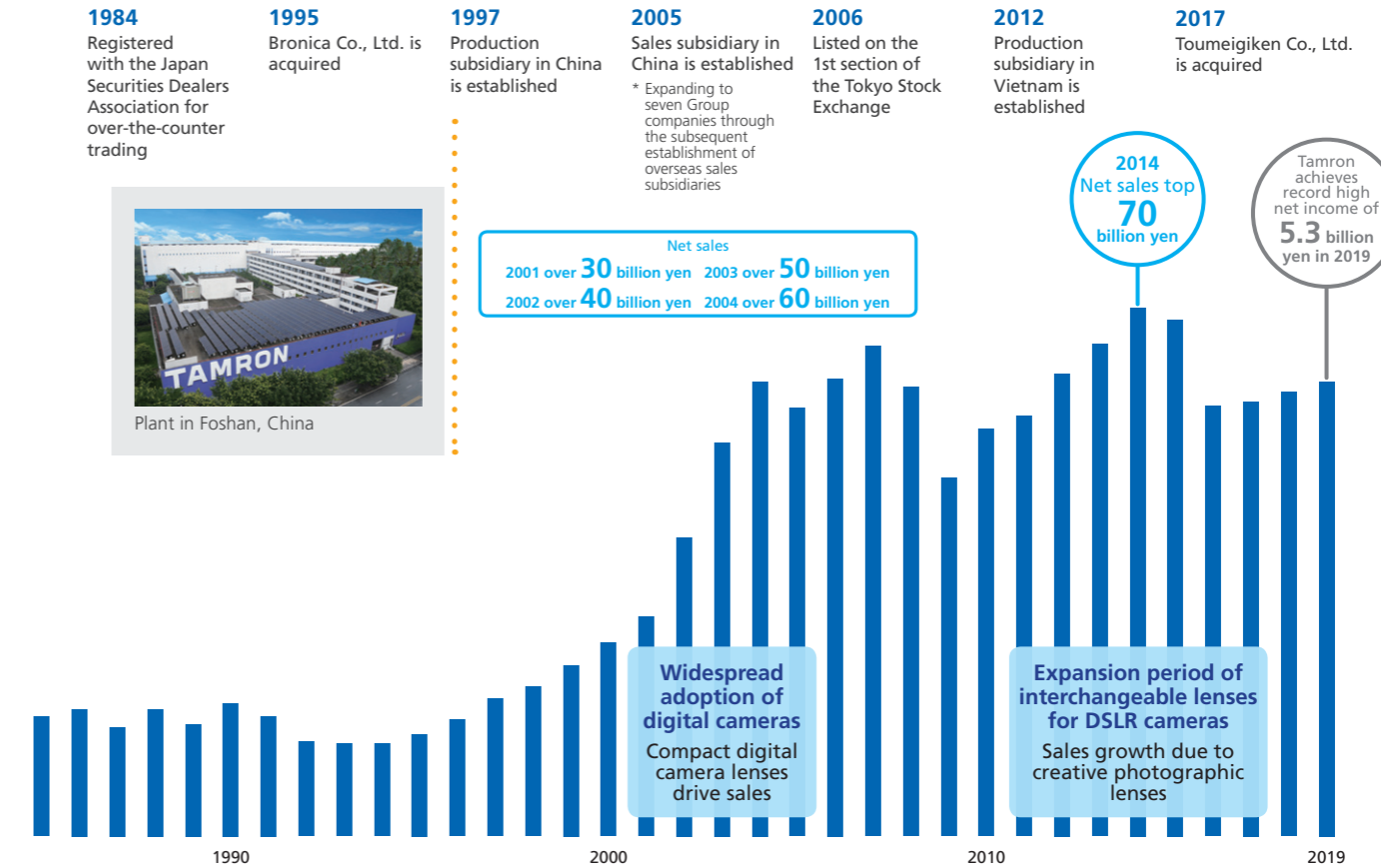
### to develop high precision in lenses

- 1986** Varifocal lenses for CCTVs are developed.  
\* Industry-first
- 1992** The AF28-200mm (71D) all-in-one zoom lenses for SLR cameras is released\*
- 2006** Sale of lenses for mobile phones is started
- 2008** Sale of automotive lenses is started
- 2016** Sale of compact camera modules is started
- 2017** Sale of drone lenses is started
- 2018** Sale of lenses for medical use is started



#### The beginning of all-in-one zoom lenses

The original model for the all-in-one zoom lens was a rounded piece of graph paper the size of a cigarette packet (The world's smallest and lightest in the world at the time). Starting with this first product, Tamron has made successful advancements with greater focal distances, more compact and lighter designs and new mounting mechanisms, establishing Tamron's position as the go-to manufacturer of all-in-one zoom lenses.



Plant in Foshan, China

Net sales  
2001 over 30 billion yen 2002 over 40 billion yen  
2003 over 50 billion yen 2004 over 60 billion yen

Widespread adoption of digital cameras  
Compact digital camera lenses drive sales

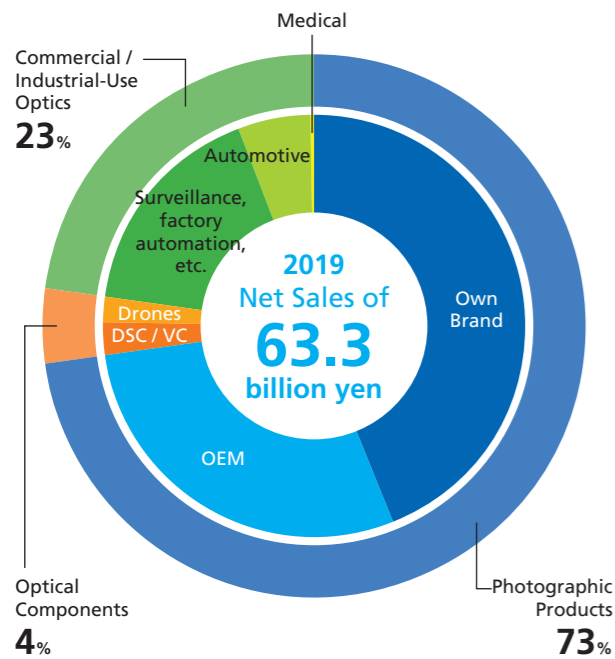
Expansion period of interchangeable lenses for DSLR cameras  
Sales growth due to creative photographic lenses

Tamron achieves record high net income of 5.3 billion yen in 2019

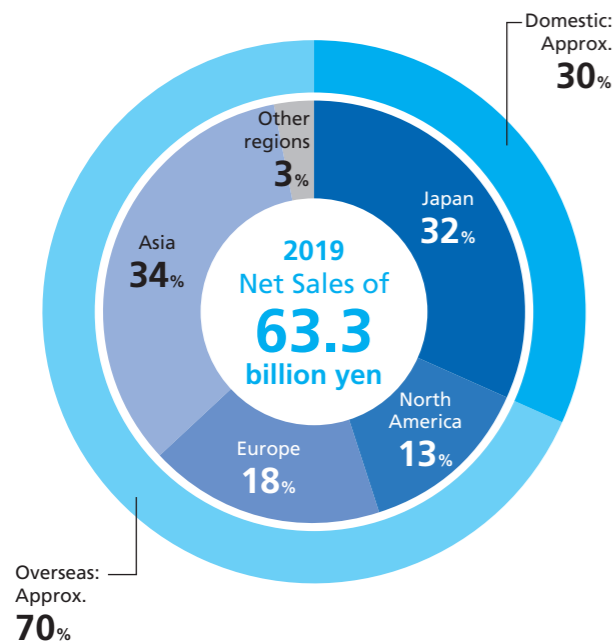
# Business Development

Using the profits earned from the mature photographic products market and the stable growth market for surveillance and factory automation as capital, Tamron aims to allocate management resources to new and high-growth markets, namely automotive, drone and medical-use lenses to scale up its business.

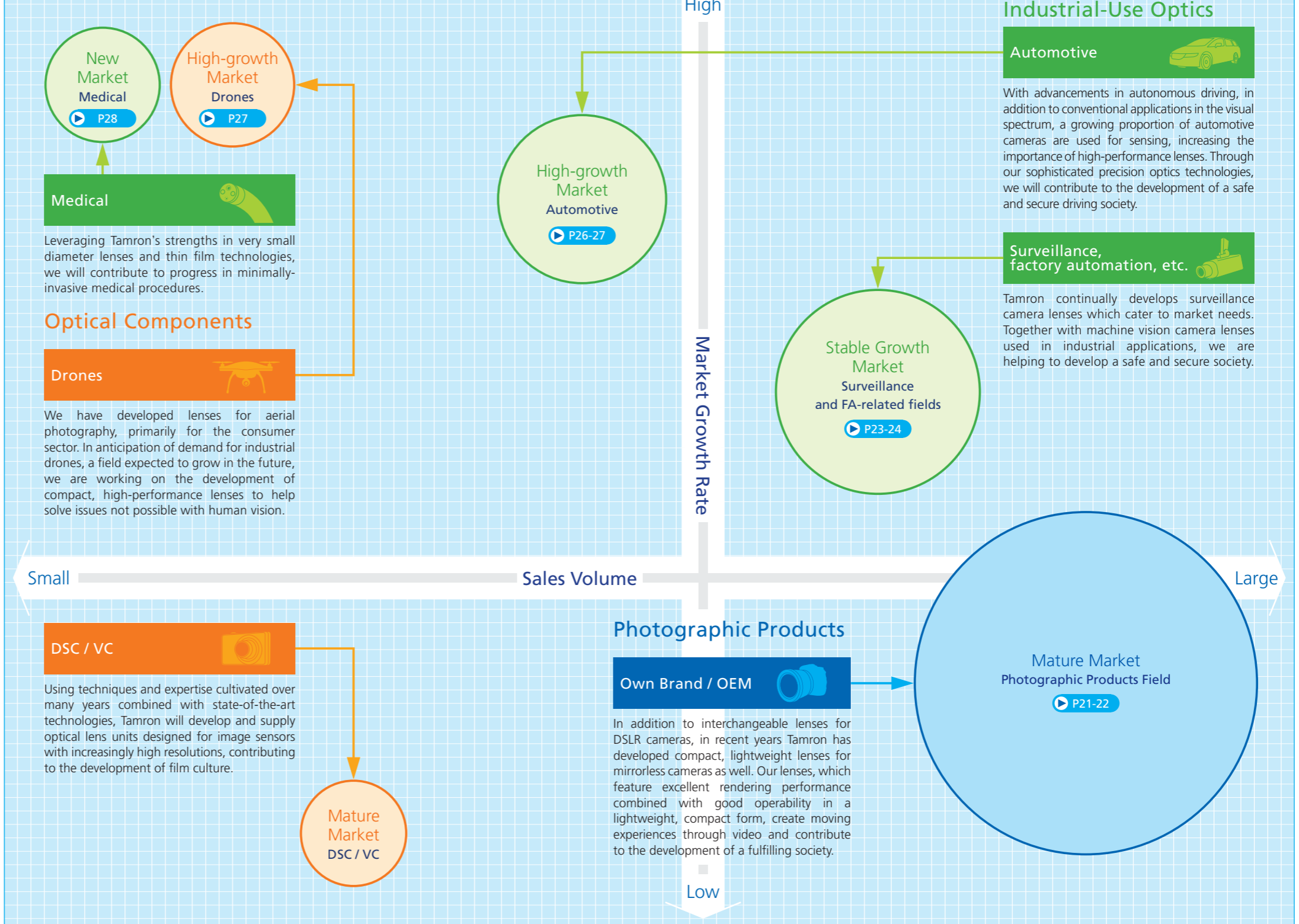
Composition of Sales (by Business)



Composition of Sales (by Region)



## Business Portfolio



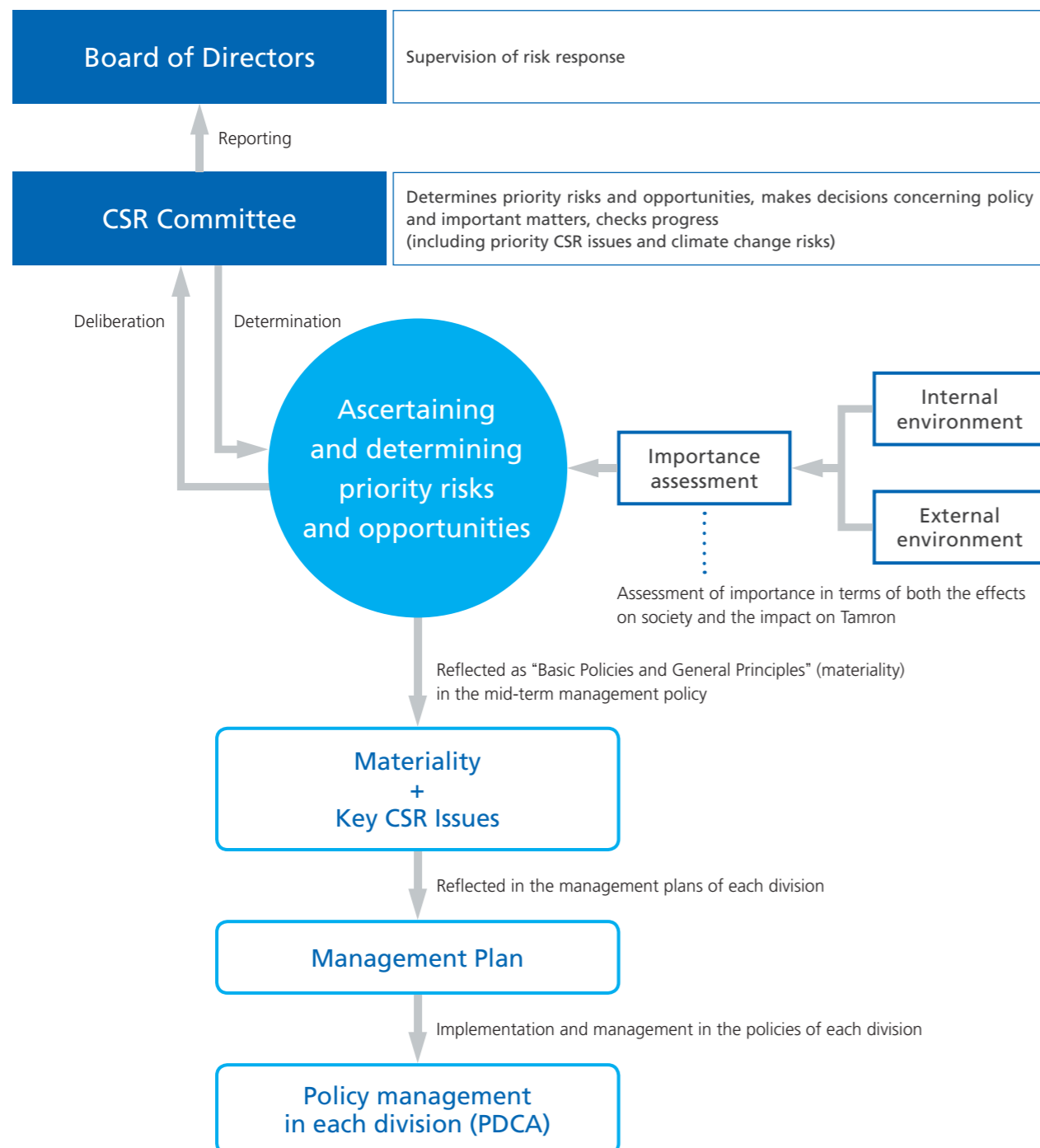
# Risks and Opportunities

## Risk Management System

The political and economic conditions surrounding Tamron, along with the broader business environment, are changing with each day. Tamron implements risk management and controls risks based on both aspects, namely the risks that need to be prepared for to ensure Tamron's sustained growth, as well as growth opportunities themselves.

We recognize a wide range of risks as key management issues. The CSR Committee, which is chaired by the president and comprises all officers and managers of division as members, deliberates and makes decisions about Tamron's basic policy on risk response and other important matters. The committee

also reports to the Board of Directors as appropriate. Risks and opportunities recognized as key management issues are implemented through the "Basic Policies and General Principles" of the mid-term management policy and through the management plans of each division. Each division then builds a management system to perform administration of the policies. In terms of CSR, important issues are recognized as priority CSR issues. For these, we set management targets and monitor our progress on the issues periodically through quarterly CSR Committee meetings.



## Key Risks and Opportunities

● Key Risks ● Key Opportunities

Risk Factors	Key Risks / Key Opportunities	Response Methods
<ul style="list-style-type: none"> <li>Shrinking digital camera market</li> <li>Reliance on Photographic Products Business</li> <li>Reliance on specific customers</li> </ul>	<ul style="list-style-type: none"> <li>Expanding contraction of the digital camera market due to increasing functionality of smartphone cameras</li> <li>Reliance on Photographic Products Business</li> <li>Reliance on specific customers</li> <li>Growth in the mirrorless camera market</li> <li>Growth in the industrial camera market</li> </ul>	<ul style="list-style-type: none"> <li>Sales strategy specializing in interchangeable lenses for mirrorless cameras</li> <li>Expanding sales in the growing market for industrial lenses</li> <li>Actively investing in new businesses</li> </ul>
<ul style="list-style-type: none"> <li>Product supply and demand</li> </ul>	<ul style="list-style-type: none"> <li>Fluctuating product prices, too much or too little inventory</li> </ul>	<ul style="list-style-type: none"> <li>Properly responding to fluctuating demand in each region and controlling production</li> </ul>
<ul style="list-style-type: none"> <li>Climate change</li> </ul>	<ul style="list-style-type: none"> <li>Damage to corporate value through inability to respond to the shift to a decarbonized society</li> <li>Impact on production activities due to damage to plants in Japan or overseas</li> <li>Burden from carbon taxes and renewable energy purchase costs</li> <li>Increased order opportunities due to responding to decarbonized society at an early stage</li> </ul>	<ul style="list-style-type: none"> <li>Setting CO<sub>2</sub> emissions reduction targets in formulating the Environmental Vision 2050, and strengthening related initiatives</li> <li>Action and continual improvement based on business continuity planning (BCP) in Japan and overseas</li> <li>Ascertaining and responding to risks and opportunities based on analyses of the 2°C scenario and 4°C scenario</li> </ul>
<ul style="list-style-type: none"> <li>Risks unique to the interchangeable lens business</li> </ul>	<ul style="list-style-type: none"> <li>Defects due to improper matching between lenses and cameras</li> </ul>	<ul style="list-style-type: none"> <li>Quality assurance inspections before product shipments</li> <li>Handling the overwriting of firmware after shipping</li> </ul>
<ul style="list-style-type: none"> <li>Rapid technological innovation</li> </ul>	<ul style="list-style-type: none"> <li>Decline in competitiveness when the development of cutting edge technologies or their application in products is not advanced as scheduled</li> <li>Obtaining growth opportunities through the development of revolutionary technologies</li> </ul>	<ul style="list-style-type: none"> <li>Creation of new businesses through the Opto-Science R&amp;D Center</li> <li>Open innovation between industry, academia and government</li> </ul>
<ul style="list-style-type: none"> <li>Investment in new businesses</li> <li>Investment in M&amp;A activities, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Failures to investment in R&amp;D and capital investment for new businesses</li> <li>Failures to establish business alliances or acquire companies to strengthen business</li> <li>Actively tackling M&amp;A activities utilizing a robust financial structure</li> <li>Building the foundations of growth through new management resources acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>Strategies aimed at the full-scale commercialization of medical products</li> <li>Engaging in analysis and discussion in the Management Meeting and Board of Directors from a range of perspectives including market trends, strategy, acquisition prices and potential risks</li> </ul>
<ul style="list-style-type: none"> <li>Product quality and safety</li> </ul>	<ul style="list-style-type: none"> <li>Damage to brand value due to declining product quality or defects</li> </ul>	<ul style="list-style-type: none"> <li>Building and improving quality assurance systems compliant with ISO9001, ISO13485 and IATF16949</li> <li>Taking action and preventing release when quality defects occur</li> </ul>
<ul style="list-style-type: none"> <li>Securing human resources</li> </ul>	<ul style="list-style-type: none"> <li>Impact on new hires and continuing employment due to intensifying competition to hire and retain talented human resources</li> <li>Obtaining growth opportunities by hiring and retaining the employment of talented human resources that fit the mold of the ideal employees Tamron is looking for</li> </ul>	<ul style="list-style-type: none"> <li>Job-specific hiring, positional and grade systems, systems to solicit positional applications internally</li> <li>Creating a comfortable workplace environment by promoting a healthy work-life balance and diversity</li> <li>Promoting health and productivity management</li> </ul>
<ul style="list-style-type: none"> <li>Information security</li> </ul>	<ul style="list-style-type: none"> <li>Leaking of corporate information and personal information due to damaged information system functions caused by computer viruses and the like</li> </ul>	<ul style="list-style-type: none"> <li>Developing information security systems</li> <li>Implementing management based on an information security policy</li> </ul>
<ul style="list-style-type: none"> <li>Geopolitical risks</li> </ul>	<ul style="list-style-type: none"> <li>Experiencing various impacts due to global political, social and economic trends</li> </ul>	<ul style="list-style-type: none"> <li>Continually monitoring the global political, social and economic climate to analyze the impact in relation to corporate activities</li> </ul>
<ul style="list-style-type: none"> <li>COVID-19 coronavirus infections, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Impact on the safety of employees due to the spread of coronavirus infections, and various impacts on business activities</li> </ul>	<ul style="list-style-type: none"> <li>Development of work-at-home and telework environments</li> <li>Action and continuous improvements through business continuity planning (BCP) in Japan and overseas</li> </ul>
<ul style="list-style-type: none"> <li>Compliance</li> </ul>	<ul style="list-style-type: none"> <li>Damage to corporate value due to corporate behavior that violates laws or diverges from social normal, such as infringements upon intellectual property rights, bribery, and so on</li> </ul>	<ul style="list-style-type: none"> <li>Determination and promotion of policies by the Compliance Committee</li> <li>Disseminating and ensuring observance of the Compliance Code of Conduct</li> </ul>

\* Check the section on "Business & Other risks to learn more about priority risks and opportunities. (URL: [https://www.tamron.com/ir/management/management\\_04.html](https://www.tamron.com/ir/management/management_04.html))



# Risks and Opportunities

## Materiality (Basic Policies and General Principles of the Mid-term Management Policy)

Tamron regards materiality to achieve sustained growth together with society as an important matter in the formulation of business strategy and the decision-making process, and has

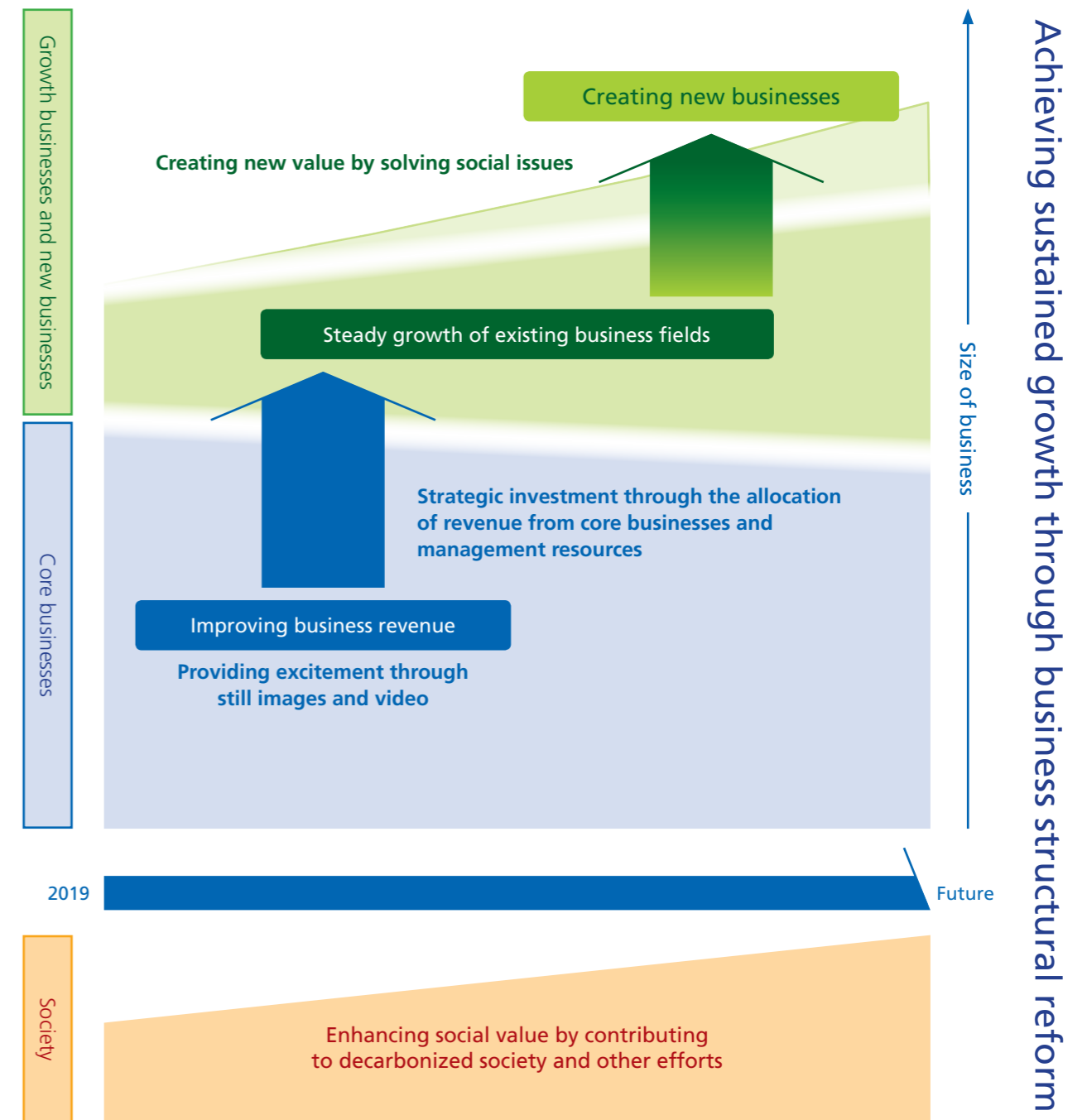
incorporated this into its mid-term management policy.

When addressing these material issues, there are "Key CSR Issues" representing individual issues related to the environment, society and governance in order to mitigate risks and take advantage of opportunities.

Materiality	Key CSR Issues	Mid-Term Management Policy (Basic Policies and General Principles)
<b>1 Creating excitement and peace of mind</b> 	• Contributing to social issues through business	• We will enhance our marketing, product planning and sales capabilities, provide products that respond to market trends and customer needs to excite customers, and work to expand our business through increased market share and other approaches with sales strategies adapted for each market.
<b>2 Creating new light</b> 		• By enhancing marketing efforts directed at solving social issues and engaging in collaborative creation including M&A activities, we will aim to grow our existing businesses while expanding into business fields by developing new "eyes for industry." • In addition to developing elemental technologies focused on our core competency in optical technologies, we will pursue R&D in new technological fields and focus on a horizontal specialization (including collaboration between industry, academia and government) such as collaborative creation.
<b>3 Business structural reforms (improved productivity)</b> 		• We will accelerate the global expansion of our existing businesses, capture demand in the markets of developing countries with top priority placed on strengthening our position in Asian market, strive to boost profitability and bolster our operating foundations. • To respond to severe changes to the external environment, we will reinforce our global development structure, work to shorten lead times from development to mass production, and deliver new products that cater to customers in each market in a timely fashion. • We will build a global structure of efficient production across three regions, and with the Fourth Industrial Revolution in mind, pursue further productivity improvements and cost reductions by way of automation, labor saving and personnel saving with the introduction of smart factories.
<b>4 Contributing to a sustainable earth</b> 	• Reducing CO <sub>2</sub> emissions • Recycling resources and reducing waste • Environmentally friendly design • Reducing harmful chemical substances • Water management	• To contribute to the realization of a sustainable global environment, we will reduce greenhouse gas emissions as part of measures to combat climate change while also promoting the recycling of resources.
<b>5 Empowering employees</b> 	• Human resource development • Developing comfortable workplace environments and promoting diversity • Fostering the development of the next generation	• We will promote improved work-life balance and diversity, foster the development of human resources, and develop workplace environments in which all employees can demonstrate their full potential.
<b>6 Developing the foundations of trust and sustained growth</b> 	• Expanding the disclosure of nonfinancial information • Enhancing product quality and safety management • Promoting CSR procurement • Preparing for major disasters • Enhancing internal reporting systems • Improving the governance system	• We will strengthen corporate governance to improve the effectiveness of strategies and tactics, and achieve sustained growth.

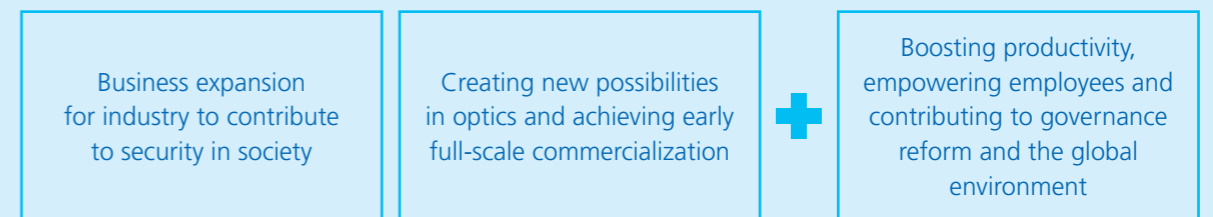


## The Direction of Sustained Growth: Together With Society



Achieving sustained growth through business structural reform

### Initiatives focused on the future based on materiality

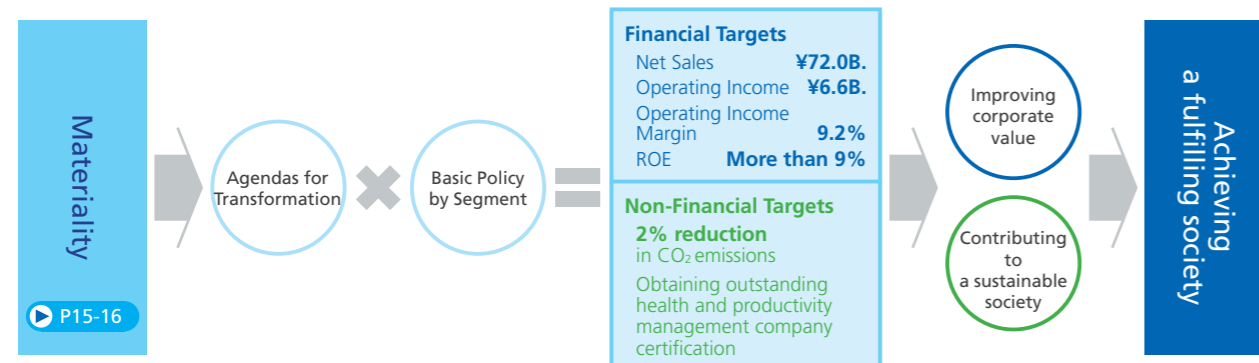


# State of Progress on the 2020 Mid-term Management Plan

Tamron's mission lies in contributing to the development of a fulfilling society in which all people experience excitement and peace of mind through its corporate activities. To achieve that society, Tamron has been working on a three-year mid-term management plan ending in FY2020 that aims to further enhance corporate value.

## Basic Policy of the 2020 Mid-term Management Plan

Reinforce operating foundations by achieving record level profits through improved profitability



## Agendas for Transformation

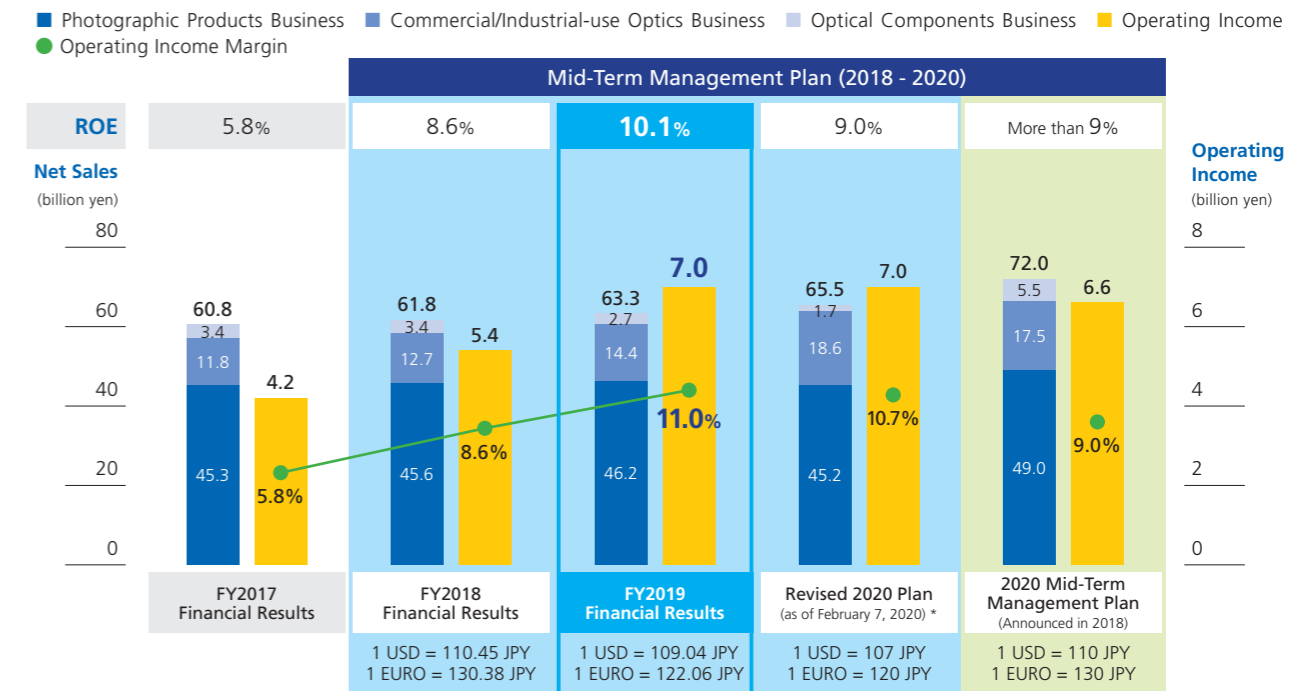
Agenda	Policy	Measures
Reinforce Sales & Marketing	<ul style="list-style-type: none"> <li>Enhance Marketing Functions</li> <li>Proposal-Based Sales Activities</li> </ul>	<ul style="list-style-type: none"> <li>Enhance proposal-based sales activities</li> <li>Create pull-demands and increase repeat customer rate</li> </ul>
Customer Values	<ul style="list-style-type: none"> <li>Innovative &amp; Exciting Product Planning</li> </ul>	<ul style="list-style-type: none"> <li>Reinforce functions of Product Planning Dept. (from product planning to launch)</li> <li>Establish mechanism to feed market needs to product planning</li> </ul>
Globalization of Sales, Production, & R&D	<ul style="list-style-type: none"> <li>Re-Organize Sales Network / Re-Organize Manufacturing Process</li> </ul>	<ul style="list-style-type: none"> <li>Expand territories covered by US subsidiary</li> <li>Initiate R&amp;D for CCTV Lens in China factory</li> <li>Establish a production system built around the three core production sites in Japan, China and Vietnam, while pulling the Vietnam Plant into the black</li> </ul>
Re-Building of R&D Process	<ul style="list-style-type: none"> <li>R&amp;D Investment in Future Business</li> <li>Shorten R&amp;D LT</li> </ul>	<ul style="list-style-type: none"> <li>Start full-scale operation of Opto-Science R&amp;D Center</li> <li>Increase efficiency in R&amp;D process</li> </ul>
New Business Development	<ul style="list-style-type: none"> <li>Operational &amp; Capital Partnership with External Organization</li> </ul>	<ul style="list-style-type: none"> <li>Build partnership with external organization</li> <li>Selection and concentration of resources</li> <li>Leverage alliances and M&amp;A</li> </ul>
Corporate Management	<ul style="list-style-type: none"> <li>Organizational &amp; HR System Restructuring</li> <li>Enhance Corp. Governance</li> <li>Contribution to the transition to decarbonized society</li> </ul>	<ul style="list-style-type: none"> <li>Flatter &amp; slimmer organization structure</li> <li>Review HR evaluation system</li> <li>Efforts to improve productivity in each dept.</li> <li>Promote energy saving and consider introducing renewable energies</li> </ul>

## Basic Policy by Segment (P21-28)

Segment	Basic Policy	Measures
Photographic Products (Mature Market)	<ul style="list-style-type: none"> <li>Prioritize profitability improvements without assuming major sales growth</li> </ul>	<ul style="list-style-type: none"> <li>Concentrate on new products for the full frame and mirrorless markets</li> <li>Improve own brand gross profit margin and streamline business operating costs</li> </ul>
Surveillance / Factory Automation (Stable Growth Market)	<ul style="list-style-type: none"> <li>Expand the base of industrial products and establish a business structure through both lens units and modules</li> </ul>	<ul style="list-style-type: none"> <li>Achieve differentiation with high value-added products</li> <li>Develop a wide-ranging development structure (Japan, China and outsourcing)</li> <li>Strengthen sales capabilities in the expanding Chinese market</li> <li>Speed up development by shortening development lead times</li> </ul>
Drone and Automotive Lenses (High Growth Market)	<ul style="list-style-type: none"> <li>Actively invest management resources to expand the size of the business</li> </ul>	<ul style="list-style-type: none"> <li>Enhance autonomous driving-related products such as lenses for sensing cameras</li> <li>Reduce costs by increasing the automation rate of production equipment</li> <li>R&amp;D investment and capital investment to develop underlying technologies</li> </ul>
Medical and Other Fields (New Markets)	<ul style="list-style-type: none"> <li>Create new business candidates and lay the groundwork for commercialization</li> </ul>	<ul style="list-style-type: none"> <li>Consider joint ventures, M&amp;A activities and so on</li> <li>Acquire quality standards towards full-scale commercialization in the medical field</li> </ul>

# State of Progress on the Mid-Term Management Plan (2018 - 2020)

## Historical Sales & Targets



Achieved target operating income, operating profit margin and ROE a year ahead of schedule due to improved profitability

\* Due to the extreme uncertainty caused by the worldwide spread of COVID-19 coronavirus infections, on April 28, 2020, Tamron decided to revise the results forecast that was announced on February 7, 2020, leaving it undecided for the time being. Tamron will announce a new forecast when it becomes feasible.

## Main Achievements and Issues

### Achievements

#### Quantitative Results

- 2020 target values were far exceeded in terms of profit and ROE. Targets were reached a year earlier than expected (2019 operating income of 7 billion yen, operating profit margin of 11.0%, ROE of 10.1%)
- Obtained outstanding health and productivity management company certification

#### Qualitative Results

- Achieved a large increase in the number of new own brand interchangeable lens products released, and achieved big hits in the mirrorless market
- Boosted profitability by generating higher gross profit margins on own brand interchangeable lenses and controlling costs
- Shifted to increased revenue from surveillance camera lenses in the Chinese market
- Launch of the module business and full-scale commercialization
- Expanded sales of automotive lenses for sensing applications
- Revised personnel systems and raised awareness of productivity improvements
- Flattened and slimmed Tamron's organization structure
- Formulated an environment vision

### Issues

#### Quantitative Issues

- Achieving the net sales target of 72 billion yen is expected to be difficult
- 2019 sales: 63.3 billion yen ⇒ target value revised to 65.5 billion yen
- Continued non-attainment of CO<sub>2</sub> emissions reduction target

#### Qualitative Issues

- Responding to significant appreciation of the yen compared to the expected exchange rate
- Shrinking digital camera market
- Handling the mature B-to-C drone market
- Developing new businesses
- Allocating management resources to high growth areas on a priority basis

# Financial Strategy

The Tamron Group will balance ensuring a robust financial structure with high capital efficiency, and follow a basic policy of strategically allocating management resources to improve corporate value through business strategy.

Strategically allocating management resources by balancing robust financial structure with high capital efficiency

## (1) Robust financial structure

We have implemented future-oriented R&D and capital investment for sustained growth while making preparations for flexible strategic investments (including M&A and alliances, etc.) and considering risk tolerance. Under these conditions, we aim to have at least two-thirds of our total assets comprised of owned capital and ensure sufficient liquidity on hand of two or three months. We have developed a financial structure that maintains financial health with a D/E ratio of 0.1x or less.

## (2) Capital investment

We will actively pursue capital investment that contributes to improved corporate value. In addition to investment in new models and high-precision equipment, we are investing automation, streamlining, energy-saving production equipment, and other systems to boost productivity and improve business operations.

Over the three-year period from 2018 to 2020, we plan to make cumulative capital investments worth around 10 billion yen, and we are managing the investment amounts made in each fiscal year to fall within the range of operating cash flow.

## (3) R&D investment

As a global optical manufacturer, investment in R&D is essential to maintain and improve high-level technologies, as well as to contribute to social needs and produce innovation from a long-term perspective.

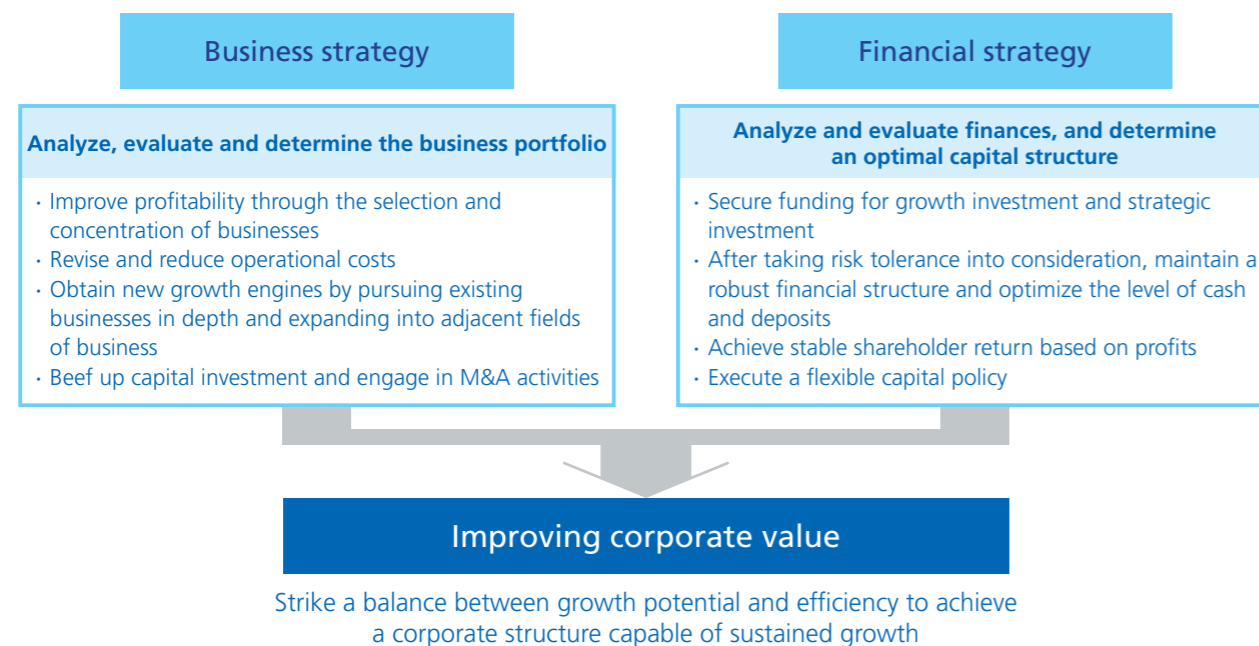
Over the three-year period from 2018 to 2020, we plan to make R&D investments worth around 15 billion yen, representing an increase of at least 20% over the previous three years from 2015 to 2017. On a fiscal year basis, up to 2015 these investments amounted to around 5% of sales, but this has been gradually raised to at least 8% of sales in 2019.

## (4) Shareholder return and capital policy

We will steadily link growth investment to profit growth, work to increase earnings per share (EPS), target a dividend payout ratio of around 35% as the allocation of profits based on business performance, and position the continuation of stable shareholder return as our basic policy.

In addition, in light of developments such as market conditions, financial status and capital efficiency, we will also implement capital policy including the acquisition of treasury shares on a flexible basis.

## Improving corporate value through both business strategy and financial strategy



The Tamron Group pursues management that maintains an awareness of capital costs and places an emphasis on capital efficiency. In the mid-term management plan, we have set the goal of raising ROE that was 5.8% in 2017 to at least 9% in 2020, exceeding the cost of capital (estimated at 7%), and have undertaken various initiatives with this in mind.

## Initiatives to raise ROE

ROE (composition)	=	<b>Profitability</b> Net Income / Net Sales	×	<b>Asset Efficiency</b> Net Sales / Total Assets	×	<b>Financial Leverage</b> Total Assets / Net Assets
<b>Main Initiatives</b>		<b>Improved profitability</b> • Reduced development and production costs • Reduced operational costs		<b>Improved asset efficiency</b> • Thoroughly managed and reduced inventory assets, etc. • Shortened the cash conversion cycle (CCC)		<b>Enhancing shareholder return and executing capital policy</b> • Ongoing shareholder return based on a dividend payout ratio of around 35% • Execution of flexible capital policy
<b>Results (2017 ⇒ 2019)</b>		• Gross profit margin: 34.0% ⇒ <b>38.3%</b> • SG&A expense ratio excluding R&D expenses: 20.4% ⇒ <b>19.0%</b> • Improved non-operating profit/loss, reduced effective rate of duty		• Months of stock turnover: 2.1 months ⇒ <b>1.8 months</b> • CCC: 147 days ⇒ <b>128 days</b>		• Annual dividend: 50 yen ⇒ <b>record high of 68 yen</b>

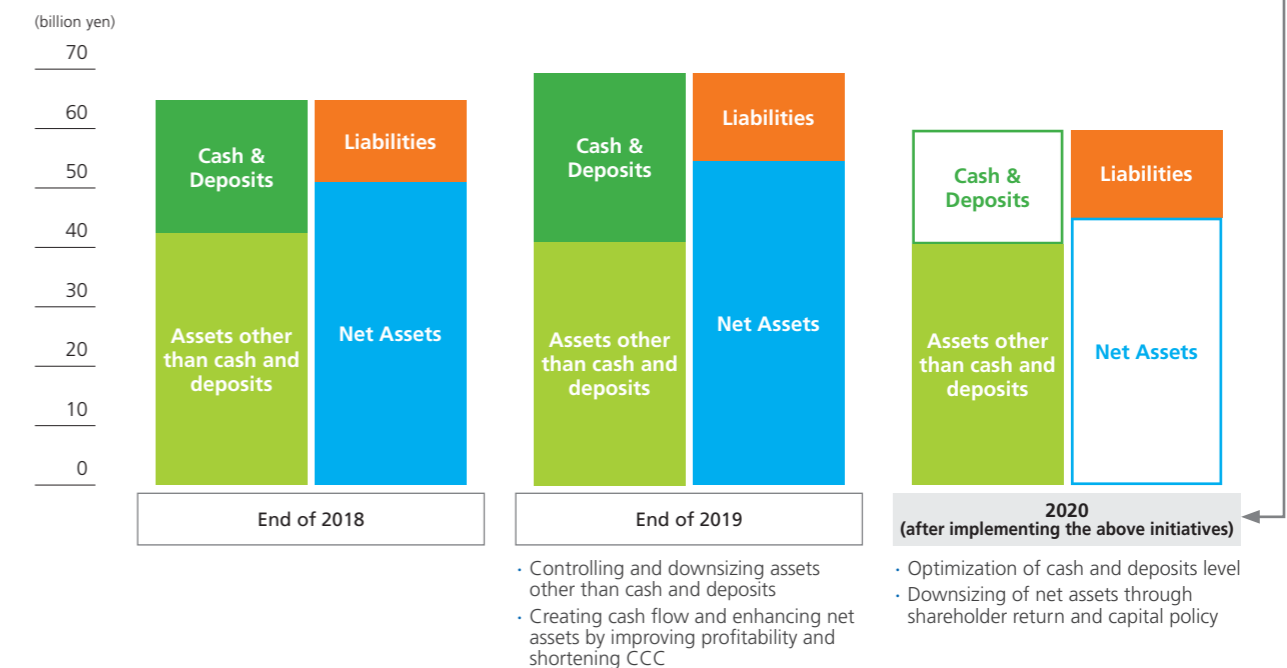
- 2019: Major achievements in profitability, and degree of progress on capital efficiency
- 2020: Further improvements to capital efficiency and financial leverage through capital policy (also contributing to EPS)

### Implemented acquisition of treasury shares (March 2020)

- Percentage of total number of issued shares: 18.87%
- Acquisition amount: 8.9 billion yen

\* Through acquisition of stock by the asset management firm of the founding family

## Change in Balance Sheet



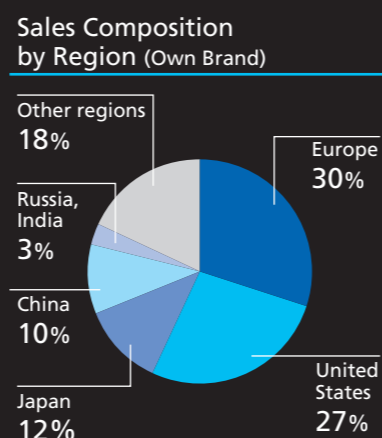
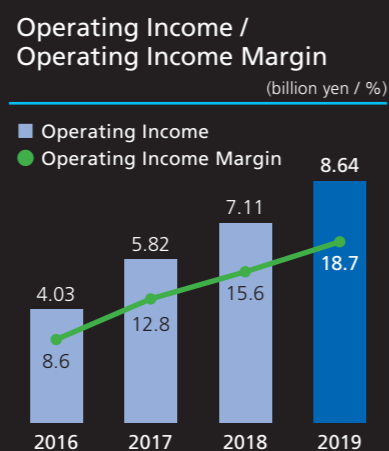
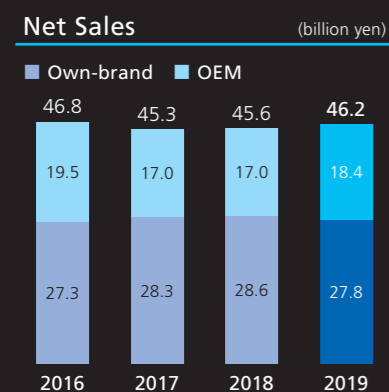


# Photographic Products



With a focus on everyone who takes pictures, Tamron will take on the challenge of developing advanced lenses that live up to the passionate desire to take better photos and contribute to the development of a fulfilling society.

## Summary of Business Results



## Own Brand Initiatives and Future Policy

In the mature market of the Photographic Products segment, instead of pursuing significant growth in sales, we will position improved profitability as the basic policy of the mid-term management plan. In terms of specific strategies, we are releasing new own brand products specifically designed for the stable full-frame interchangeable lens market and the growing mirrorless lens market. By expanding and improving our lineup in this way, we are working to increase gross profit margins while streamlining business operating costs. In line with this basic policy, in 2019 we released five new models including three mirrorless models, with own brand products accounting for around 60% of the new models released since 2018. As a result, we managed to raise gross profit margin and also improved operating profit margin from 8.6% in 2016 to 18.7%.

Moving forward, we will continue to launch new products for the mirrorless market in anticipation of ongoing growth. We aim to raise the percentage of mirrorless sales, which was just 10% in 2018, to over 60%, and will strive to maintain expanding sales and a highly profitable structure.

By pursuing these initiatives in the segment, we will not only aim for business growth but will also take on the challenge of developing advanced lenses and contribute to the realization of a fulfilling society.

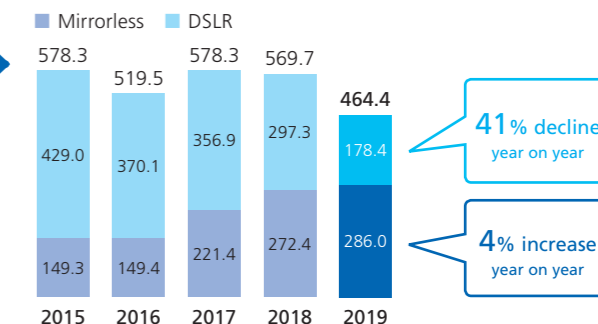
Segment Characteristics	Products Offered
	Lenses for interchangeable lens cameras (DSLR and mirrorless cameras)
	Production Methods: Own brand products / OEM products
	Delivery Destinations: Electronics retail stores, online electronics retailers (own brand products), major camera manufacturers (OEM products)
	Users: Consumers

## 2019 Overview

### Market Situation

Interchangeable Lens Camera Market	20% decline year on year
Interchangeable Lens Market	12% decline year on year APS-C: 23% decline year on year Full Frame: 6% decline year on year
Compact Digital Cameras	18% decline year on year

### Interchangeable Lens Camera Market Environment (billion yen)



## 2019 Results

In 2019, despite growth in mirrorless products, sales declined particularly among existing products for DSLR cameras due to a cooling market environment. As a result, sales of Tamron-branded products fell 3% year on year. However, thanks to strong sales from OEM orders, sales in the OEM category rose 8% over the same period.

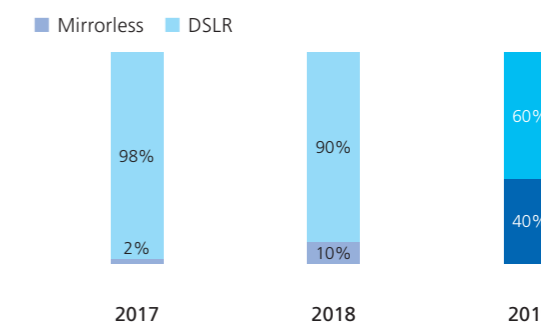
Due to Tamron-branded products accounting for a higher

percentage of new products, operating income rose significantly, up over 20% year on year. Operating income on net sales also improved from 17.6% the previous year to 18.7% in 2019 due to higher gross profit on net sales and reduced SG&A expenses. Particularly the A036 standard zoom released in May 2018 and the A046 wide-angle zoom released in July 2019 become hit products that remained back-ordered throughout the year, contributing to the increase in operating income on net sales.

## Future Strategy

For Tamron-branded products, we plan to continually release new products at the speed of around five models a year. Especially in light of the market's shift to mirrorless, all of the new products released in 2020 will be for mirrorless. In January, we released the F050, the third in our series of fixed focal lenses, and in May, we released the A056 telephoto zoom lens for full-frame mirrorless cameras. With the release of the A056, we have assembled a series of three lenses which are compact, lightweight and carry a sense of unity covering the wide-angle, standard and telephoto focal lengths. Accordingly, we will pursue further sales increases for these products.

## Percentage of Tamron-branded Mirrorless Products



## Value Creation Initiatives

In response to the market trend towards mirrorless, Tamron has seized upon customer demands for compact, lightweight lenses with the development of the A056 (70-180mm). While the focal range of lenses in this category is generally 70-200mm, by shortening the focal length at the telephoto end by 20mm to 180mm, we achieved a 45% weight reduction over the previous model.\*

\* Comparison with the A025 (70-200mm)



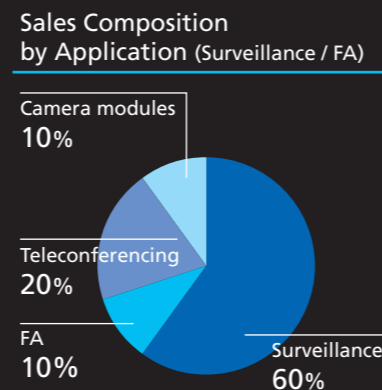
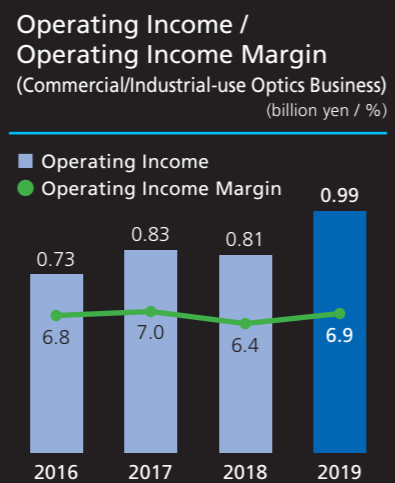
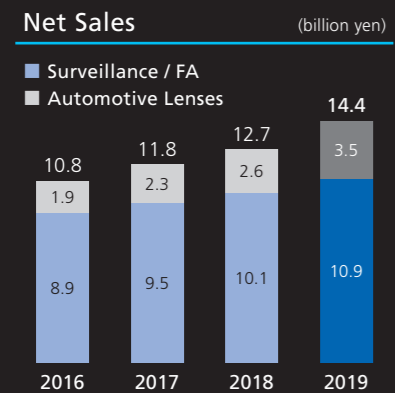
# Surveillance / FA

Related SDGs




To cater to a diverse range of needs in people's lives and industry, Tamron is actively working to develop technologies and to enhance and expand its lineup, contributing to the development of a safe and secure society and improved efficiency in industry.

## Summary of Business Results



## Initiatives and Future Policy in the Surveillance / FA Segment

In the Surveillance / FA segment, a stable growth market, the basic policy of our mid-term management plan will be to maintain and ensure competitiveness while expanding sales in the industrial market. Over the past several years, despite the rise of Chinese lens manufacturers, business opportunities for Tamron have continued to expand in step with growing demands for high-performance, high-quality products. By launching new products in response to this trend, we will aim to achieve our highest ever net sales.

Based on the above policy, in 2019 we began selling lens units and worked to reinforce our business structure with the full-scale launch of the camera module business. As a result, net sales rose 7% year on year to 10.9 billion yen, and we managed increased sales in the stagnant Chinese market in addition to steady sales in developed countries.

In 2020, we will strive to enhance our technological level in the surveillance field to accommodate increasingly diverse needs including urban surveillance, while in the area of factory automation, we will enhance and expand our product lineup to increase sales.

Looking ahead, we will offer surveillance cameras designed for sophisticated facial recognition and lenses for factory automation equipment enabling the streamlining of industrial operations, contributing to a safe and secure society and improved industrial efficiency while expanding the scope of business utilizing optics.

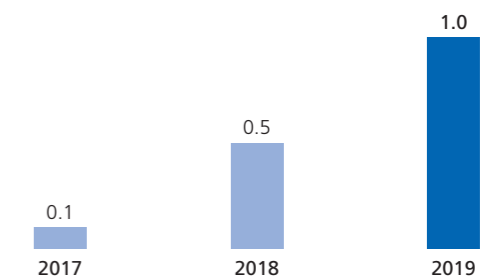
Segment Characteristics	Delivery Customers	Our Strengths	Related Social Issues
	Major camera manufacturers and machine tool procedures from around the world, including the United States, Europe, South Korea, Taiwan and China. * Tamron establishes deep ties with major manufacturers, ascertains demand and promotes joint ventures.	<ul style="list-style-type: none"> <li>We possess the technologies to design and manufacture compact lenses with focal distances that offer high magnification</li> <li>We have enhanced our lineup with units that incorporate accessories and modularization with cameras</li> </ul>	Developing a safer and more secure society is a challenge common to various countries, and the surveillance market is expanding around the world.

## 2019 Overview

### Market Situation

Trends	Despite trade frictions between the United States and China and decreased demand in the Chinese market, growth has continued.
Demand for the Surveillance Segment	Market needs have become increasingly diverse due to regional characteristics, and security demands including urban surveillance are on the rise.

### Net Sales of Camera Modules (billion yen)



## 2019 Results

In 2019, we pursued development based on an efficient two-pronged development structure adapted for different applications due to the expanding number of models developed and wide range of demands in terms of performance and cost. We developed high-end, high-performance products in Japan, and high-volume products with strict cost controls at our plant in China, as part of efforts to shorten development lead times.

We also released one model of a camera module that integrates the camera and lens unit. This has enhanced the added value of our products and is leading to higher unit prices.



The MP2030M-GS camera module

## Future Strategy

In conjunction with efforts to enhance and expand the lineup of highly competitive products, we will prioritize the initiatives described on the right.

Moving forward, we will pursue joint ventures with leading camera manufacturers around the world, strive to develop products that capture the needs of the market early on, and continue to deliver appealing products.

\* SWIR: Acronym for short wave infra-red, referring to light falling roughly between 0.7 and 2.5 μm in wavelength.

- Improved technical level including better resolution to deal with higher definition and reduced ghosting and color bleed in anticipation of the era of 4K and 8K
- Expanding the scope of business utilizing optics
  - Lenses for SWIR\*: Main applications are for livestock and meat inspection, agricultural produce inspection and determining liquid contents
  - Lenses for infra-red cameras: Mainly used for thermometry

## Value Creation Initiatives

Among high-power zoom lenses for surveillance cameras, Tamron has implemented the improvements described on the right in terms of product miniaturization and cost reductions.

In 2020, we will continue to purpose the possibilities of technology to simultaneously produce lenses of different shapes from a single mold in an effort to achieve even greater cost reductions.

- Introduced a multi-group control method to hold the entire length in place for stowing in the camera housing.
- Reduced costs while maintaining high performance by actively introducing plastic lenses

# High Priority / New Business

We will take advantage of our strengths in high-precision optical technologies to help create a safe and secure automotive society. We will also provide high-precision optical devices in new fields including medicine and drones to help realize a fulfilling society and improve the efficiency of industry.

## High Priority / New Business Initiatives and Future Policy

### Automotive Lenses

In the high-growth market for automotive lenses, our basic policy for the mid-term management plan is to enhance our ability to respond to customer demands by securing development capacity, and to actively invest in R&D and capital.

Based on the above policy, in 2019 we achieved increased sales of at least 30% year on year due to aggressive efforts to sell automotive lenses for sensing cameras.

To respond to rising demands for high thermal resistance, in 2020 we will continue to work on the development of elemental technologies such as plastic lenses and heat resistant coating. In addition, for sensing applications, we will concentrate on the development of lenses for automotive cameras used for ADAS\*1 and products for LiDAR\*2 with the aim of continuous sales growth.

Looking ahead, Tamron will provide high added-value products as the key devices supporting autonomous driving to contribute to the realization of a safe and secure automotive society.

### Medical

The medical segment is an area of business expected to experience future growth. In 2019, we commenced the mass production of optical devices to achieve increased sales, and have also steadily gained business for new projects. In 2020, we will strengthen partnership ties with customers and work to reinforce our development systems. Tamron will provide high-precision optical devices in preparation for full-scale sales growth from 2021 onwards.

### Drones Lenses

In the drone segment, we have positioned growth in the size of the business through active resource investment as the basic policy of our mid-term management plan. While plans for development projects slated for 2019 were canceled, we maintained sales of more than one billion yen. In 2020, we will strive to bolster development systems and proposal-based sales efforts to respond to customer needs with a sense of speed. As an optical manufacturer, we will work to achieve differentiation on the technology and quality fronts, further the development of a fulfilling society, and contribute to the improved efficiency of industry.

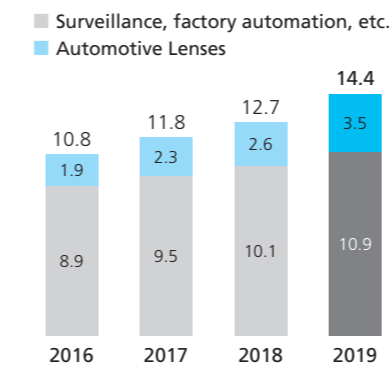
\*1: ADAS is the acronym for Advanced Driver Assistance System. This is a collective term for automotive systems that utilize vehicle-equipped radar, cameras and various sensors to provide support enabling safe vehicle operation.  
 \*2: LiDAR is the acronym for Light Detection and Ranging. LiDAR has recently attracted attention as one of the key items for achieving the autonomous driving whose development is being actively pursued by numerous companies.

# Automotive Lenses

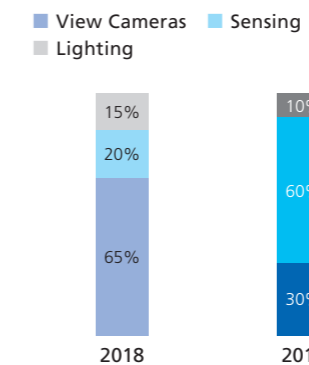


## Summary of Business Results

### Net Sales (billion yen)



## Sales Composition by Application (Automotive Lenses)



## Map of Autonomous Driving Levels

Autonomous Driving Level	Timing for Practical Application
Level 1 Driver assistance	Already implemented
Level 2 Partial automation	Already implemented
Level 3 Conditional automation	Around 2020
Level 4 High automation	2025 - 2030
Level 5 Full automation	Timing not set

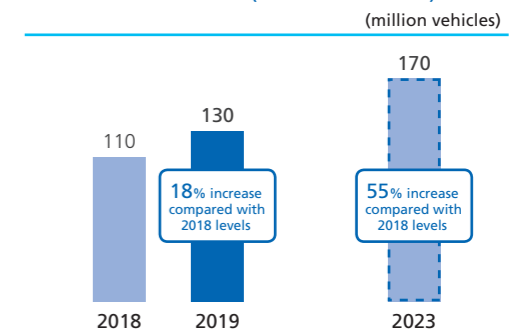
Segment Characteristics	Product Features
	<ul style="list-style-type: none"> <li>As our products relate to people's safety, high levels of durability and heat resistance are required. Because of this, we work with customers for 3-4 years on development, and since sales are made over the long term, it is easier to forecast orders.</li> </ul>
Related Social Issues	<ul style="list-style-type: none"> <li>Traffic fatalities are increasing in emerging countries.</li> <li>The Japanese government is promoting the widespread adoption of autonomous driving technologies.</li> </ul>

## 2019 Overview

### Market Situation

Trends	In addition to support from legislation, such as requiring all cars to be fitted with cameras, we are in a period of transition to autonomous driving, and a high level of growth in the market is set to continue.
Autonomous Driving-related Market	There are growing demands for products catering to sensing applications and LiDAR to achieve autonomous driving.

## Outlook for the Automotive Camera Market (Tamron Estimates)



## 2019 Results

In 2019, net sales increased 34% year on year to 3.5 billion yen, primarily due to sales growth in automotive lenses for sensing. Operating income also rose due to the effects of increased sales, combined with the cost-reducing effects of higher productivity.

In 2019, we strengthened our team of sales personnel to

expand the size of business operations in overseas markets. Additionally, in an effort to set our technology apart from the competition, we developed a high heat-resistant plastic lens element that maintains performance across a wide temperature range from -40°C to 125°C, something not possible with regular lens plastics.

## Future Strategy

Moving forward, we will actively pursue the development and sale of lenses for ADAS and LiDAR as the key devices in 360° sensing systems ahead of the transformation in automotive society due to autonomous driving. In doing so, we will

contribute to the realization of a safe and secure automotive society. We will also continue with steady efforts aimed at automation and reducing production loss to boost profitability.



### Value Creation Initiatives

In anticipation of the coming autonomous driving-based society, Tamron is working on the development of a range of automotive lenses.

The lenses used in automotive cameras largely fall into two categories, those for visibility cameras such as rear view cameras, and those for sensing cameras applied to ADAS and autonomous driving to recognize lane markers, monitor the driver and perform other functions. Other automotive lenses include those used for headlights.

To date, Tamron has supplied lens for applications denoted by the ★ mark in the diagram on the right. Moving forward, we will also focus on developing automotive lenses for new applications towards the realization of an autonomous driving society in the future.

### Drones Lenses

**Related SDGs**

- 4 QUALITY EDUCATION
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Segment Characteristics	Product Applications	Consumer Use (Filming, enthusiast use) Industrial Use (Transportation, agriculture, surveying, inspection, etc.)
	Market Configuration	The market is an oligopoly made up of several major companies. Tamron supplies lenses directly to these major drone manufacturers.
	Related Social Issues	<ul style="list-style-type: none"> <li>Ensuring distribution in lightly-populated areas</li> <li>Improving productivity in livestock and agriculture, collecting various observational data for disaster prevention purposes</li> </ul>

#### Outlook for the Drone Market (billion USD)

#### 2019 Overview

##### Market Situation

Consumer Use	Growth will be blunted due to turned growth cycle
Industrial Use	Expansionary trend (35% increase compared with 2018 in 2019)

#### 2019 Results

Due to factors including a model under development being cancelled and poor sales of existing models, net sales fell 200 million yen year on year to 1.1 billion yen. The impact from reduced sales was minimized to secure an increase in operating income.

#### Future Strategy

While lower sales are expected in 2020, we will strengthen cooperative ties with major drone manufacturers and strive to enhance speed and cost competitiveness to meet customer needs. In the future, in addition to consumer applications

we will actively work on the development and sale of lenses for industrial drones that simplify surveying, inspection and surveillance.

### Medical

**Related SDGs**

- 3 GOOD HEALTH AND WELL-BEING

#### Summary of Business Results

##### Net Sales (billion yen)

Segment Characteristics	Market Characteristics	<ul style="list-style-type: none"> <li>Manufacturers supplying components face relatively low barriers to entry</li> <li>Resilient to economic fluctuations</li> </ul>
	Related Social Issues	<ul style="list-style-type: none"> <li>Improved quality of medical care</li> <li>Medical devices related to minimally invasive procedures*, particularly in medical procedures such as diagnosis, examination and surgery, have started to be introduced.</li> </ul> <p>* Minimally invasive procedures are medical procedures that take a reduced (less invasive) toll on a patient's body.</p>

#### 2019 Overview

##### Market Situation

Trends	Due to the advance of extreme population aging and the increase in middle income groups, the market is on track for long-term expansion.
Medical Device Market	The annual growth rate of the medical device market has hovered at around 6% (2015 to 2019)

#### 2019 Results

Sales of component parts for endoscopes which entered mass production from 2018 grew, generating sales of 60 million yen in 2019. A major factor behind the increase was the acquisition of orders for standalone lenses in addition to lens component parts handled to date, owing to the strengthening of partnerships with customers.

#### Future Strategy

In 2020, we will implement market research and customer development focused not only on Japan but also Europe and North America. From a medium-to-long-term perspective, we

will develop technological capabilities, customer adaptability as well as quality and safety management capabilities.

### Value Creation Initiatives

Tamron is pursuing the following initiatives targeting the evolution of minimally invasive procedures.

- The development of high precision thin film technology ideal for ICG fluorescence imaging\*
- The development of very small diameter lens polishing technologies ideal for the observation optical systems typical in endoscopes.

Both of these initiatives represent efforts to elevate the machining technologies cultivated since our founding to respond to the needs of the times. In 2020 we will pursue further research on the way to achieving practical utilization.

\* ICG (indocyanine green) fluorescence imaging: With this imaging technique, medical CCD cameras pick up the near infra-red radiation emitted when ICG binds to alpha-1 lipoprotein in the blood, allowing blood vessels and other biological tissue to be observed. As ICG fluorescence imaging has very few side effects, is minimally invasive and simple, in recent years it has been applied across various fields of medicine, with widely reported utility.

# Human Resource Development



By strengthening the potential of human resources and developing the workplace environment to realize our corporate philosophy, we will build an organization in which employees can succeed.

## Basic Approach

To realize our corporate philosophy, it is necessary to build an organization in which each employee can demonstrate their full potential while striving to boost productivity. To develop an organization in which employees can excel, Tamron works to “strengthen the potential of human resources” by making improvements to the workplace environment such as promoting a healthy work-life balance, diversity and health & productivity management, and through improvements to personnel systems such as human resource development and personnel evaluations.



## Human Resource Development Job-specific hiring

People with dreams who continue to take on challenges — these are the kinds of people we want to work together with at Tamron.

At Tamron, we recruit human resources by first clarifying what department, what job and what kind of work we will allocate to people, and this applies to new graduate hires in addition to mid-career recruitment. This approach not only avoids situations where an employee ends up assigned to work that is different from what they imagined once they enter the company, but also reflects the emphasis placed on individual career plans. We believe this is very important to ensure that employees will continue to be passionate about their jobs and demonstrate their potential.

## Tiered and occupation-specific training

We conduct tiered training from employee induction training all the way to senior managers, and also offer occupation-specific training to enhance specialization in technical or administrative job types.

For occupation-specific training aimed at engineers, we start with courses on technical basics and branch out to courses on various technical themes including basic optics, optical measurement technologies and analysis technologies. The courses can be voluntarily attended by employees from outside a division that the training is designed for, providing opportunities for engineers to acquire a broad range of knowledge related to Tamron technologies and allowing the addition of new training that caters to employee needs as the occasion dictates. In this way, Tamron maintains a high level of job motivation among staff and endeavors to enhance the environment that cultivates talented human resources.

## Personnel evaluations Post Qualification System and the Evaluation Process

In April 2019, we revised the previous occupational grading system and introduced a positional grading system for management-level employees. The positional grading system determines grades and compensation based on positional classifications (positions) according to the level of responsibility and difficulty to be fulfilled as required by management, irrespective of seniority or ability. Based on the positions defined for each grade, goals appropriate for those positions are set at the beginning of each period. Feedback is provided through daily business duties through the period, and at the end of the period the employee’s achievements are evaluated to determine their compensation. Through this system, employees themselves set goals that include challenges and innovation appropriate to their position, build a consensus with their supervisor, and go through the process of evaluation at the end of the period. In keeping with this system, supervisors support the daily growth of their subordinates to maximize their potential, and links these advancements with human resource development.

Employees who have developed a degree of occupational skills are offered two career tracks under the positional grading system, the “manager course” or “professional course.” In this way, each individual can attain a working style that fits their aptitude and intentions.

## Work-Life Balance and Diversity

Tamron pursues a number of initiatives with the aim of achieving a healthy work-life balance for its employees.

We believe it is crucial to develop support systems that help employees achieve a balance between raising children and work. As a part of these efforts, Tamron Kids Day-Care Center has been established in parallel with our head office, and is available to the local community as well as employees.



Parents’ observation day

Day-care times cover an extra hour on each side of working times, with extensions also available. Day-care for sick children is also supported. Due to the opening of the in-house day-care center, the number of employees awaiting vacancies at local day-care centers has decreased, allowing employees to return from childcare leave earlier.

One hundred percent of female Tamron employees in Japan who have had a child have made use of leave before and after childbirth and the parental leave systems and subsequently returned to work. Employees can make use of the reduced working hours scheme until up to the end of April when their child is in the fourth year of elementary school.

Japan requires companies to maintain a 2.2% hiring ratio for people with disabilities, and in FY2019 Tamron again exceeded this ratio at 2.5%. Through these initiatives, Tamron has met the standards set forth in the Act on Advancement of Measures to Support Raising Next-generation Children, and had also been awarded the “Kurumin Mark,” which is given to companies that promote a childcare-friendly workplace. Tamron has also been certified as a “Platinum +” company practicing diverse work styles as part of the Saitama Womenomics Project being promoted in Saitama Prefecture, where our head office is located.



## Health and Productivity Management

Tamron promotes health and productivity management based on its policy of “endeavoring to protect the lives, mental health and physical wellbeing of employees.” By striving to develop a workplace in which employees can engage in fulfilling work in good physical and mental health, we believe employees will be able to demonstrate their full potential and allow Tamron to deliver products and services that provide society with excitement and security.

In terms of initiatives to promote mental and physical health, we commission outside contractors to conduct mental health diagnoses for all permanent and non-permanent employees twice a year (implementation rate of 95.7% in August 2019). Employees undergoing the diagnoses include those dispatched overseas. Additionally, for each age group, job type and division, we identify issues in terms of management, workplace unity and job satisfaction, brief the Management Meeting based on a report compiled each time, and endeavor to make improvements.

In recognition of these efforts, in 2020 Tamron was certified under the 2020 Certified Health & Productivity Management Organization Recognition Program (Major Corporation Category) for the first time.

Moving forward, we will continue to promote health and productivity management to advance the health of all employees, who represent the driving force behind the growth of Tamron.



## Improving productivity

Tamron conducts operations with an awareness of productivity. In the Productivity Improvement Project, we reviewed the way working hours are used with the aim of improving the speed and quality of the work performed.

Additionally, based on the policy that “work an hour less and achieve even more than before: therein lies progress in how people work,” for 2020 we have set the goal of reducing company-wide overtime by 10% compared with the previous year. If we aim to make bold reductions to overtime hours all at once, this could place an increased burden on employees and have a negative effect on deliverables. With the aim of steadily enhancing productivity a little at a time, we have set the clear-cut numerical target of a 10% year-on-year reduction. Each week we utilize RPA to send automated emails to all employees who use PCs to inform them of their overtime hours for the same month in the previous year and their cumulative overtime hours in the current month. This is designed to raise their awareness of their own working hours and productivity.

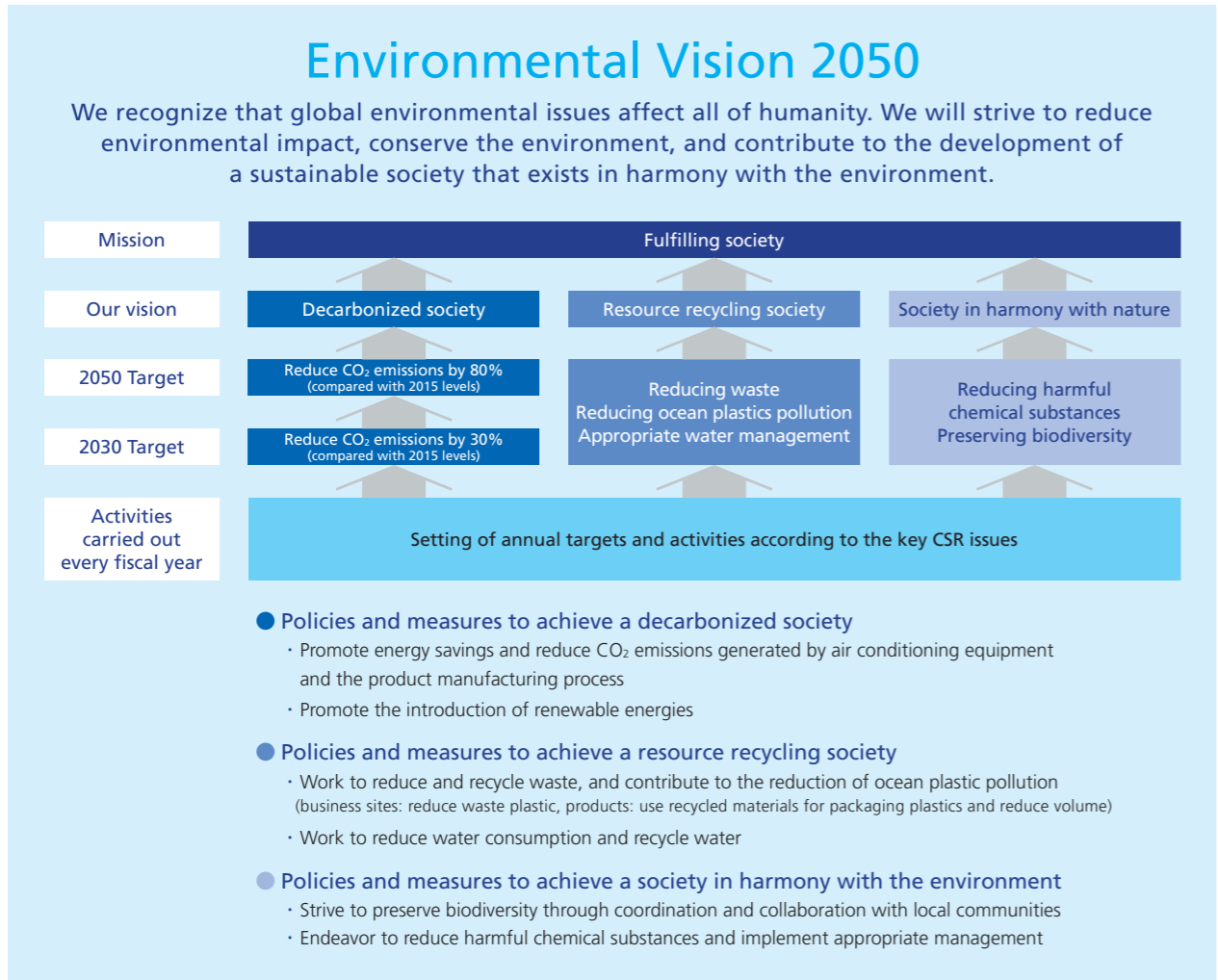
# Environmental Strategy



To build a fulfilling society, Tamron formulated Environmental Vision 2050, which outlines the long-term direction of Tamron's environmental initiatives.

## Environmental Vision 2050

In light of trends in climate change due to global warming in recent years, Tamron has formulated Environmental Vision 2050. To build a fulfilling society, we will engage in activities to achieve three visions, a decarbonized society, a resource recycling society and a society that exists in harmony with nature.



### Examples to reduce waste plastics to lessen ocean plastic pollution

Many of Tamron's products employ plastic housings to reduce weight. However, finding ways to use the plastic runner materials produced during the molding process has proved challenging. To address this, we now manufacture the rear caps for our digital camera interchangeable lenses from a recycled material that uses 100% runner matters, and have successfully reduced the waste plastics generated at our business sites. From 2010 to 2019, this has saved 171 tons (enough for 7.75 million rear caps) cumulatively.

## Climate Change-Related Information Disclosure (Responding to TCFD Recommendations) Our Approach to Climate Change

In response to the TCFD recommendations\*, Tamron has conducted an analysis of a scenario with a sustainable global temperature rise of 1.5°C in 2050, and revised the associated risks, opportunities, activities, systems and other aspects. With a renewed recognition that it will be necessary to aim for a global temperature rise of 1.5°C to ensure the sustained growth of Tamron, we have determined that fundamental revisions to our strategies, indicators and targets are needed. This led to the formulation of Environmental Vision 2050. Moving forward, Tamron will tackle measures to compact climate change based on Environmental Vision 2050.

\* TCFD Recommendations: A disclosure framework announced by the Task Force on Climate-related Financial Disclosures for investors to appropriately evaluate organizations' climate-related risks and opportunities

## Governance

Tamron recognizes various risks including climate change as important management issues. The CSR Committee, which is chaired by the president, deliberates and makes decisions about Tamron's basic policy on risk response and other important matters. Systems are in place to report important matters to the Board of Directors to enable suitable supervision. Information decided on by the CSR Committee is also reflected in management plans.

[▶ P13](#)

## Strategy

When climate change becomes apparent, social issues will develop, and as these progress to economic effects, business risks and opportunities will emerge. Tamron recognizes the risks and opportunities it faces based on the following table. It will also be necessary to contribute to worldwide initiatives as part of the shift to decarbonized society to ensure the sustained corporate activities of Tamron. Given this, in July 2020 Tamron will establish Environmental Vision 2050 and work to help create a sustainable earth by reducing CO<sub>2</sub> emissions by 80% by the year 2050.

Risks	<b>Physical Risks</b>	① Impact on production activities from manufacturing to sales due to damage to plants in Japan and overseas
	<b>Transitional Risks</b>	① Damage to corporate value through inability to respond to the shift to a decarbonized society ② Rising burden of carbon taxes and renewable energy purchase costs
Opportunities		① Increased demand for teleconferencing cameras as measure to deal with interruptions to public transportation

## 1.5°C Target Scenario

In a world with a 1.5°C global temperature rise, it is expected that (1) renewable energy costs will rise, and (2) carbon taxes will be introduced. To achieve the 2050 target, we have set the goal of reducing CO<sub>2</sub> emissions by 30% compared to 2015 levels by the year 2030, but to achieve this, the purchasing of renewable energy will be essential. As renewable energy is more expensive than conventional sources of power, it will impart a financial impact. Costs are expected to rise by up to 4.5 yen per kWh from current levels. In addition, to achieve sustained growth in production volume moving forward, Tamron expects its annual power consumption to rise from the current 77 million kWh to 117 million kWh by the year 2030. In this case, our costs would increase by a total of around 160 million yen per year. Furthermore, if a carbon tax was introduced in Japan, China or Vietnam, where we maintain production facilities, we estimate that our taxes would amount to 240 million yen based on the IEA's SDS 2025 scenario (carbon taxes predicted to be 6,000 yen / t-CO<sub>2</sub> in developed nations and 4,000 yen / t-CO<sub>2</sub> in developing nations). However, Tamron will try to reduce its carbon tax burden by introducing renewable energies and cutting carbon volume through energy conservation.

## Risk Management

Tamron views opportunities and risks associated with climate change as one of the important perspectives to be considered when formulating its business strategy. The CSR Committee also revises the analysis and evaluation of opportunities and risks based on the changing external environment.

## Indicators and Targets

Target CO<sub>2</sub> emissions from Tamron's corporate activities have been defined in Environmental Vision 2050. Each year, we will report on target values and past results as we move towards achieving these goals. Moreover, in addition to direct emissions (Scope 1) and indirect emissions from energy purchases (Scope 2), we are also considering the prospect of calculating and setting reduction targets for indirect emissions (Scope 3). Check the Tamron website for data on CO<sub>2</sub> emissions.

<https://www.tamron.com/csr/>

## 2019 Environmental Targets and Results

Unit sales basis	Target	3.8% reduction in CO <sub>2</sub> emissions compared with 2016 levels
	Results	3.5% reduction in CO <sub>2</sub> emissions compared with 2016 levels
Cause of the reduction shortfall		Reduction activities focused on energy conservation only
Future Measures		Reducing total energy consumption through energy conservation while shifting to reduction with a focus on the introduction of renewable energies



# Management Structure



## Board of Directors

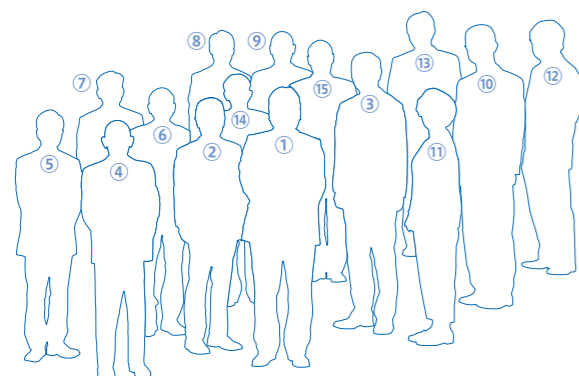
- ① **Shiro Ajisaka**  
President & CEO  
Member of Nominating Committee and Member of Compensation Committee
- ② **Shogo Sakuraba**  
Corporate Vice President  
Optical Design & Engineering R&D Unit, Integrated Core Technology R&D Unit and Opto-Science R&D Center
- ③ **Masayuki Abo**  
Corporate Vice President  
Production Management & Administration Unit, Core Technology & Engineering R&D Unit
- ④ **Koji Masunari**  
Managing Director  
Industrial Optics Business Unit and Compliance
- ⑤ **Yasuki Kitazume**  
Managing Director  
Administrative Management Unit, Internal Control and Risk Management
- ⑥ **Hiroshi Otsuka**  
Managing Director  
Corporate Business Planning & Administration Board, Legal & IP Management Board, CSR Implementation & Administration and Investors Relations
- ⑦ **Shenghai Zhang**  
Managing Director  
Mold & Tooling Technology Center and overseas manufacturing subsidiaries
- ⑧ **Makoto Otani**  
Director  
OEM Component Business Unit and Quality Control & Assurance Supervision Unit
- ⑨ **Tomohide Okayasu**  
Director  
Imaging Products Business Unit and Product Development Management & Administration Unit
- ⑩ **Yuichi Sato** Outside Independent Officer  
Director (Outside Director, Independent Officer)  
Chairperson of Nominating Committee and member of Compensation Committee
- ⑪ **Harumi Katagiri** Outside Independent Officer  
Director (Outside Director, Independent Officer)  
Member of Nominating Committee and chairperson of Compensation Committee  
Supervisory officer at MORI TRUST Sogo Reit, Inc.  
Outside director at Japan Asia Investment Co., Ltd.

## Audit & Supervisory Board Members

- ⑫ **Tsutomu Tezuka**  
Full-Time Corporate Auditor  
Member of Nominating Committee and member of Compensation Committee
- ⑬ **Takashi Hirayama** Outside Independent Officer  
Full-Time Corporate Auditor (Outside Corporate Auditor, Independent Officer)  
Member of Nominating Committee and member of Compensation Committee
- ⑭ **Tadahiro Tone** Outside  
Corporate Auditor (Outside Corporate Auditor)
- ⑮ **Masaya Nara** Outside Independent Officer  
Corporate Auditor (Outside Corporate Auditor, Independent Officer)

## Activities of Outside Officers

Category	Name	Activities in 2019 (Attendance Rate)
Director	Yuichi Sato	Attended all 18 Board of Directors meetings held during the fiscal year. He has made appropriate remarks based on his wealth of experience as an executive director and vice president of Saitama University.
Director	Harumi Katagiri	Attended all 18 Board of Directors meetings held during the fiscal year. She has made appropriate remarks based on her professional knowledge and experience as a certified public accountant.
Corporate Auditor	Takashi Hirayama	He attended all 14 Board of Directors meetings and all 10 Audit & Supervisory Board meetings held since taking office. He has made appropriate remarks based on his wealth of business experience at financial institutions and the knowledge and experience of serving as an auditor or working in the audit departments of other companies.
Corporate Auditor	Tadahiro Tone	Attended 17 of the 18 meetings of the Board of Directors and all 15 of the Audit & Supervisory Board held during the fiscal year. He has made appropriate remarks based on his wealth of business experience at financial institutions and his knowledge and experience as a corporate manager.
Corporate Auditor	Masaya Nara	He attended all 14 Board of Directors meetings and all 10 Audit & Supervisory Board meetings held since taking office. He has made appropriate remarks based on his professional knowledge and experience as a lawyer and his knowledge and experience as a director and corporate auditor of other companies.



For details including brief profiles on directors and corporate auditors, please refer to the Securities Report or "Board of Directors" section, both of which can be found on the Tamron website.

[\[Securities Report\]](https://www.tamron.co.jp/ir/library/library_03.html)  
[https://www.tamron.co.jp/ir/library/library\\_03.html](https://www.tamron.co.jp/ir/library/library_03.html)

[\[Board of Directors\]](https://www.tamron.com/ir/cg/cg_03.html)  
[https://www.tamron.com/ir/cg/cg\\_03.html](https://www.tamron.com/ir/cg/cg_03.html)



# Corporate Governance

## Basic Policy

Ever since the company was first established, we at Tamron have sought to forge good relationships with all stakeholders, achieve sustainable growth and enhance corporate value in line with our management philosophy.

In support of those goals, we have adopted the basic approach of ensuring fair and transparent management practices while developing a highly effective corporate governance system that seeks to improve the speed and efficiency of decision making and business execution.

## System Overview

Tamron is a company with corporate auditors and includes a Board of Directors that functions as a body to make important decisions and supervise the execution of operations, as well as an Audit & Supervisory Board as an auditing body that is independent of the Board of Directors. Tamron also appoints multiple independent external directors possessing a wealth of knowledge, expertise and independence and has set up a Nominating Committee and Compensation Committee as advisory bodies to enhance supervisory functions.

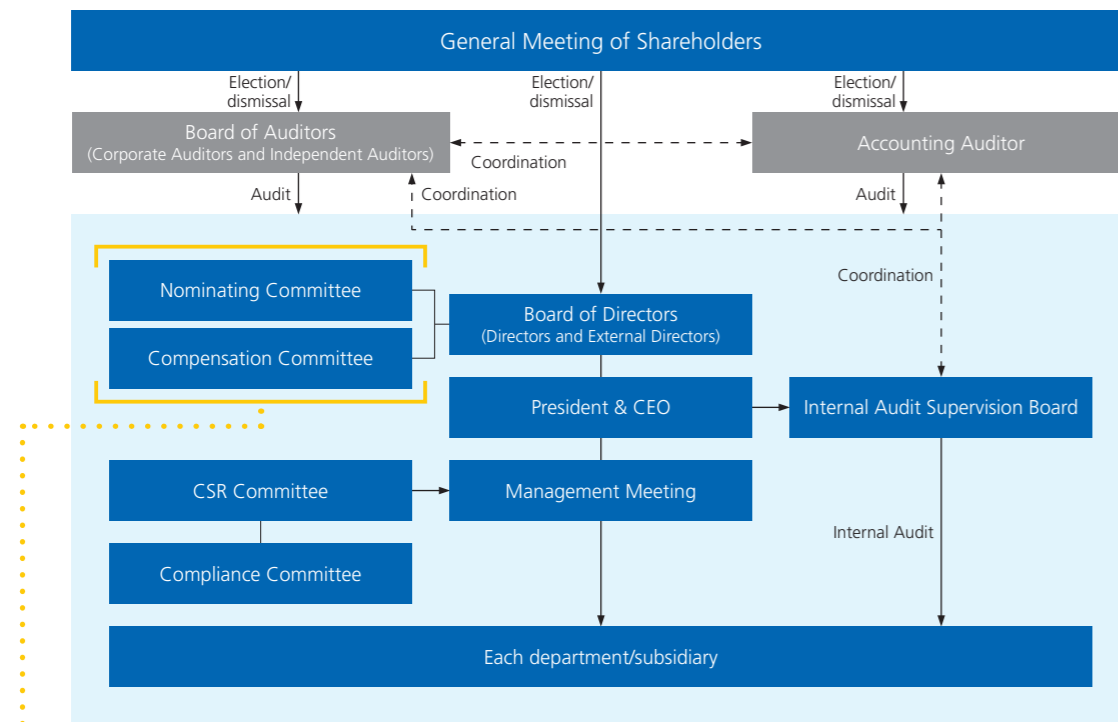
To the Board of Directors, Tamron appoints 11 directors (two of whom are external directors), including one foreign director and one female director, as well as 4 corporate auditors (three of whom are external auditors).

## Compliance with the Corporate Governance Code

Through the continual improvements to our corporate governance system, we implemented all of the principles found in the Corporate Governance Code prescribed by the Tokyo Stock Exchange. We have also established Corporate

Governance Guidelines that summarize our approach to corporate governance. The guidelines are available on the Tamron website.

## Corporate Governance Structure



### Board of Directors

Meetings of the Board of Directors are held once a month, in principle, attended by all Directors and Corporate Auditors, for reviewing the execution of duties by the Directors and deciding on important issues as set forth in the basic policy of the company and the Companies Act.

### Audit & Supervisory Board

Meeting once a month in principle, the Audit & Supervisory Board audits the process of decision making by the Board of Directors and the execution of duties by Directors, by attending the Board of Directors meetings and checking approval documents.

### Nominating Committee and Compensation Committee

To enhance the independence and objectiveness of Board of Directors functions concerning the nomination, appointment and dismissal of directors, we have established a Nominating Committee and Compensation Committee, each of which are chaired by an outside director and whose membership comprises a majority of outside officers (outside directors and corporate auditors).

### Management Meetings

Tamron has established management meetings attended by directors and full-time corporate auditors to discuss and consider issues related to management and the execution of duties, and to quickly respond to the changing management environment.

## Board of Directors Effectiveness Assessment

To self-assess the overall effectiveness of the Board of Directors, each year Tamron makes revisions to pertinent questions based on external changes such as corporate governance revisions and Tamron's own governance measures, surveys all directors and corporate auditors by way of a questionnaire, and accepts

individual opinions as needed.

Based on the results of the assessment, the Board of Directors deliberates over analysis, assessment and improvement measures, makes revisions to matters including the composition, size, compensation system and operating methods of the Board of Directors, and strives to improve its effectiveness.

## Major Initiatives to Enhance Corporate Governance and Progress on Improvements

Category	2016	2017	2018	2019	2020
Officer Composition and Compensation	<ul style="list-style-type: none"> <li>Established a Nominating Committee and Compensation Committee</li> <li>Appointed a foreign national as a director</li> </ul>	<ul style="list-style-type: none"> <li>Considered the size and composition of the Board of Directors</li> <li>Established standards concerning the independence of outside officers</li> </ul>	<ul style="list-style-type: none"> <li>Reduced the number of directors by three</li> <li>Appointed a female director</li> <li>Revised the compensation system and introduced a stock compensation scheme</li> </ul>	<ul style="list-style-type: none"> <li>Considered the size and composition of the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Reduced the number of directors by one</li> </ul>
Other	<ul style="list-style-type: none"> <li>Began effectiveness assessment by conducting a questionnaire among officers</li> </ul>	<ul style="list-style-type: none"> <li>Considered compliance with items of the Corporate Governance Code not yet in compliance</li> </ul>	<ul style="list-style-type: none"> <li>Reduced the number of Board of Directors meetings</li> <li>Complied with all principles of the Corporate Governance Code</li> <li>Established Corporate Governance Guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Increased opportunities for medium-to-long-term discussion</li> <li>Improved methods and timing for providing materials in advance</li> </ul>	<ul style="list-style-type: none"> <li>&lt;Planned&gt; Revise the structure of the management philosophy and consider the framework of the long-term vision, next medium-term management plan, and so on.</li> </ul>

## Officer Compensation

Compensation for company officers at Tamron comprises "basic compensation," which is a form of fixed compensation, "short-term incentive compensation," which is a kind of performance-linked monetary compensation based on factors such as business performance in a single fiscal year, and "medium-to-long-term incentive compensation," as a kind of performance-linked stock-based compensation. As well as linking a considerable percentage of compensation to company performance, the

performance-linked stock-based compensation aims to clarify the links between business performance, share prices and the compensation of directors, and raise the motivation of directors to contribute to medium-to-long-term improvement in business performance and corporate value. Compensation for external directors and corporate auditors consists only of the basic compensation.

## Compensation System

Types of Compensation	Percentage	Policy and Process for Determining the Method of Calculation
Fixed	Approx. 60%	In light of each person's position, level of contribution, levels in the industry or other companies of the same size and business performance, etc., compensation is determined by the Board of Directors following a review by the Compensation Committee chaired by an external director.
Variable	Approx. 20%	
Medium-to-long Term Incentive Compensation (Stock-based compensation)	Approx. 20%	<ul style="list-style-type: none"> <li>Points are granted based to each person's position, business performance, and so on, in accordance with the Share Issuance Regulations established by the Board of Directors. Stocks in Tamron are issued through a trust based on the number of points.</li> <li>The level of medium-term management plan achievement such as ROE is also assessed.</li> </ul>

## Assessment Indicators, etc.

Assessment Item	Assessment Indicator	Assessment Weighting			Assessment Weighting All directors
		President	Directors assigned to business units	Other directors	
Company-wide performance	Consolidated net sales	20%	10%	15%	20%
	Consolidated operating income	50%	25%	30%	50%
Performance of assigned business units	Assessment of business performance	—	35%	25%	30%
Individual assessment	Assessment of individual strategic goals	30%			

\* Assessment of business performance in a single fiscal year

\* Assessment of medium-term business performance

# Financial and Non-financial Highlights

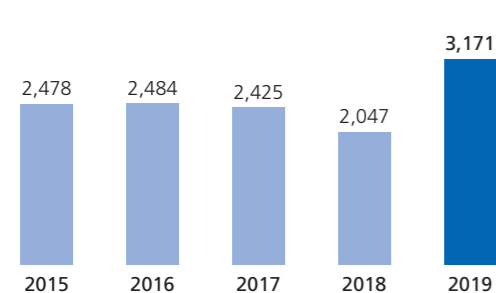
## Financial Highlights

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Million yen											
<b>Status of Profit and Loss</b>											
Net sales	49,892	56,650	58,507	64,353	68,452	73,621	71,946	59,903	60,496	61,815	63,285
Gross profit	14,255	18,958	19,625	20,545	20,941	23,568	22,642	18,901	20,596	21,905	24,229
Operating income	2,295	5,456	5,687	5,503	5,233	6,076	4,554	2,361	4,246	5,424	6,982
EBITDA	6,258	8,749	8,944	8,685	8,674	9,888	8,209	5,726	7,808	8,588	9,649
Ordinary income	2,263	5,476	5,702	5,377	5,196	6,200	5,140	2,855	4,100	5,877	7,403
Profit attributable to owners of parent	642	3,689	3,804	3,894	3,197	3,846	4,048	1,482	2,838	4,330	5,330
<b>Financial Position</b>											
Net assets	32,929	33,996	36,134	40,805	47,087	51,995	49,001	47,321	49,940	50,852	54,539
Total assets	47,391	50,120	51,898	58,058	64,704	69,906	66,035	60,910	63,868	64,704	69,297
Cash and deposits	11,887	10,996	12,773	10,822	14,297	15,915	14,192	16,030	19,431	22,438	28,384
Inventories	7,051	8,109	9,007	12,363	11,055	10,536	12,875	10,100	10,473	10,811	9,388
Liabilities with interests	6,396	6,528	6,330	5,475	5,714	4,098	4,035	4,063	3,145	2,998	2,643
<b>Status of Cash Flow</b>											
Cash flows from operating activities	3,727	3,562	8,030	3,736	9,602	6,208	6,214	6,537	7,661	7,523	10,925
Cash flows from investing activities	(1,829)	(3,008)	(4,679)	(3,824)	(6,041)	(2,351)	(2,552)	(2,540)	(2,174)	(2,202)	(2,863)
Free cash flow	1,897	553	3,351	(88)	3,561	3,856	3,662	3,997	5,487	5,321	8,062
Cash flows from financing activities	(801)	(890)	(1,486)	(2,363)	(1,324)	(3,009)	(5,219)	(1,524)	(2,351)	(1,861)	(1,923)
<b>Per-Share Information (yen)</b>											
EPS	23.41	134.40	138.61	141.86	116.48	140.14	153.98	57.19	109.51	167.80	207.13
BPS	1,199.58	1,238.45	1,316.33	1,486.52	1,715.37	1,894.14	1,890.45	1,825.62	1,926.65	1,976.05	2,119.33
Dividend	40	50	50	50	50	50	60	55	50	60	68
Dividend Payout Ratio	170.9%	37.2%	36.1%	35.2%	42.9%	35.7%	39.0%	96.2%	45.7%	35.8%	32.8%
<b>Major Indicators</b>											
Gross profit on net sales	28.6%	33.5%	33.5%	31.9%	30.6%	32.0%	31.5%	31.6%	34.0%	35.4%	38.3%
Operating Income Margin	4.6%	9.6%	9.7%	8.6%	7.6%	8.3%	6.3%	3.9%	7.0%	8.8%	11.0%
EBITDA Margin	12.5%	15.4%	15.3%	13.5%	12.7%	13.4%	11.4%	9.6%	12.9%	13.9%	15.2%
Ordinary Income Margin	4.5%	9.7%	9.7%	8.4%	7.6%	8.4%	7.1%	4.8%	6.8%	9.5%	11.7%
ROE	1.9%	11.0%	10.9%	10.1%	7.3%	7.8%	8.0%	3.1%	5.8%	8.6%	10.1%
ROA	4.7%	11.2%	11.2%	9.8%	8.5%	9.2%	7.6%	4.5%	6.6%	9.1%	11.0%
Shareholders' equity ratio	69.5%	67.8%	69.6%	70.3%	72.8%	74.4%	74.2%	77.7%	78.2%	78.6%	78.7%
D/E Ratio (times)	0.19	0.19	0.18	0.13	0.12	0.08	0.08	0.09	0.06	0.06	0.05
Inventory turnover (months)	1.7	1.7	1.8	2.3	1.9	1.7	2.1	2.0	2.1	2.1	1.8
PER (times)	40.4	12.6	13.4	17.2	21.9	17.0	14.6	33.9	22.1	9.4	12.2
PBR (times)	0.8	1.4	1.4	1.6	1.5	1.3	1.2	1.1	1.3	0.8	1.2
<b>Capital Investment, Depreciation and R&amp;D Expenses</b>											
Capital investment	1,774	3,102	4,386	3,656	6,130	2,429	2,478	2,484	2,425	2,047	3,171
Depreciation	3,963	3,292	3,257	3,182	3,440	3,812	3,654	3,365	3,562	3,164	2,666
R&D expenses	2,753	3,292	3,304	3,492	3,217	3,699	4,052	4,002	4,111	4,373	5,263
R&D expenses on net sales	5.5%	5.8%	5.6%	5.4%	4.7%	5.0%	5.6%	6.7%	6.8%	7.1%	8.3%

\* EBITDA = Operating income + Depreciation

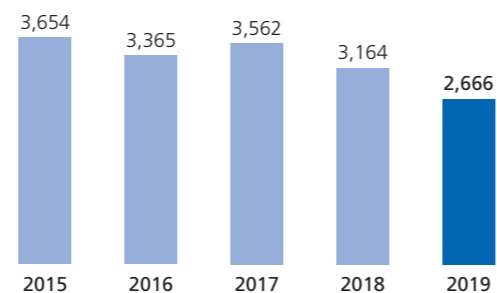
### Capital Investment

(Million yen)



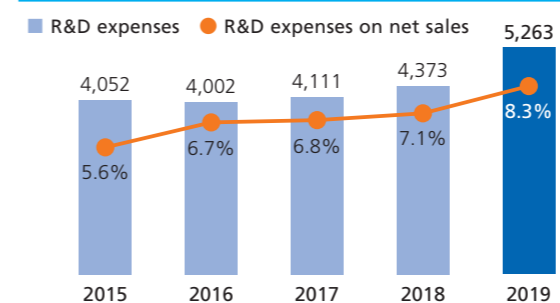
### Depreciation

(Million yen)



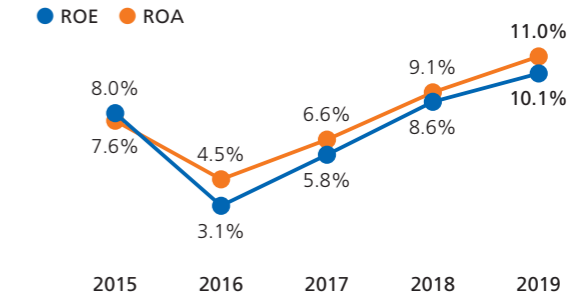
### R&D Expenses

(Million yen)



### Management Indices

● ROE ● ROA





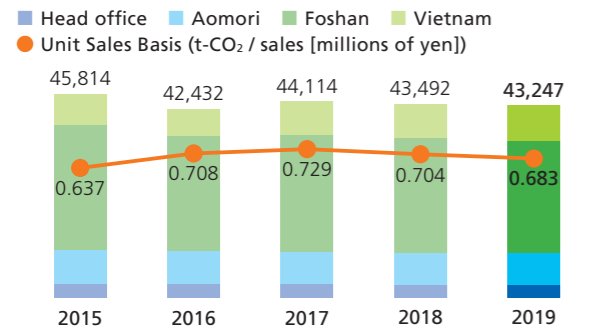
# Financial and Non-financial Highlights

## Non-financial Highlights

Tamron strives to be a company that limits its impact on the environment and is highly productive, where a diverse range of human resources can succeed.

### CO<sub>2</sub> Emissions

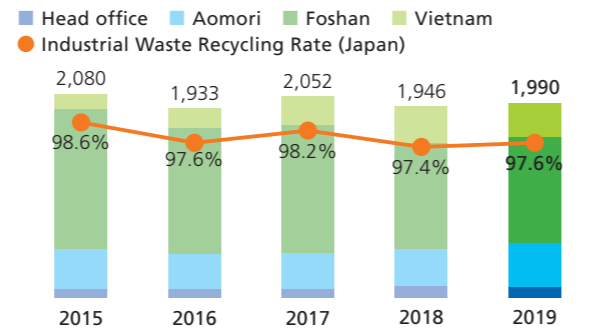
(t-CO<sub>2</sub>)



In 2019, CO<sub>2</sub> emissions fell 3.5% compared with 2016 levels on a unit sales basis, and total emissions declined 1% compared with 2018. Tamron has thoroughly implemented energy saving measures and is pursuing the introduction of renewable energy at some sites.

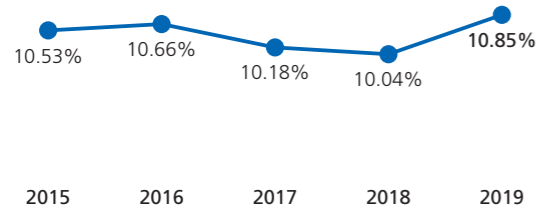
### Waste Volume and Recycling Rate

(t)



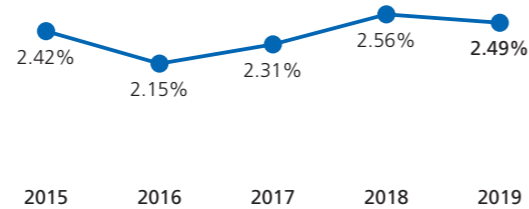
In 2019, total waste volume increased 2% compared with 2018, and the industrial waste recycling rate was 97.6% in Japan. Waste plastics were reduced due to improvements in process methods, and 3Rs were promoted through measures including the reuse of recycled materials for components.

### Percentage of Female Managerial Staff



In 2019, we largely met our target figure, with 10.85% of female managerial staff. (The percentage among female employees in Japan is 20%) We will continue to appropriately evaluate talented employees and appoint them as managerial staff accordingly.  
\* In Japan: section manager and higher

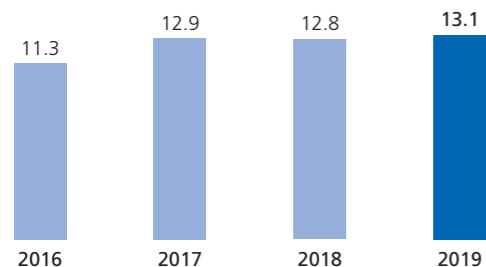
### Employment Rate for Disabled Persons



In 2019, the rate was 2.49%, meeting the target of 2.3%. (The statutory employment rate is 2.2%) Tamron will continue to develop a comfortable working environment for a diverse range of people.  
\* Japan

### Net Sales per Employee

(Million yen)

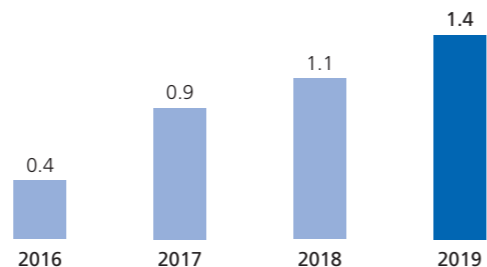


In 2019, this figure rose 3% compared with 2018. As a key related market, the digital camera market is experiencing harsh conditions, but we continue to ensure increased sales in the Photographic Products business, and the significant increase in sales from the Commercial / Industrial-Use Optics business also contributed to the rise.

\* Calculated based on the average number of employees at the end of the previous period and end of the period under review.

### Operating Income per Employee

(Million yen)



In 2019, this figure rose 29% compared with 2018. Along with productivity improvements, we are implementing a policy of prioritizing profitability over sales volume.

\* Calculated based on the average number of employees at the end of the previous period and end of the period under review.

# External Recognition

Certification Marks	Name	Overview of Recognition
	<b>SOMPO Asset Management</b> SOMPO Sustainability Index	The SOMPO Sustainability Index is an index consisting of about 300 stocks with excellent ESG. Tamron has been selected for investment by the fund since 2012.
	<b>S&amp;P Dow Jones Indices, Japan Exchange Group</b> S&P/JPX Carbon Efficient Index	An index that focuses on the state of environmental information disclosure and carbon efficiency levels to determine weightings among the companies that make up the index. Tamron is included as one of the companies making up the index.
	<b>Ministry of Economy, Trade and Industry</b> 2020 Certified Health & Productivity Management Outstanding Organizations Recognition (Major Corporation Category)	The program aims to promote health and productivity management by selecting enterprises engaged in outstanding health and productivity management and introducing them to investors that emphasize improvements to corporate value from a long-term perspective. Tamron was certified as a 2020 Health & Productivity Management Outstanding Organization in the Major Corporation category.
	<b>Ministry of Health, Labour and Welfare</b> Kurumin Mark	The Kurumin Mark is a program under the Act on Advancement of Measures to Support Raising Next-Generation Children to certify childcare supporting companies that have passed a review that includes items on the development of an environment conducive to taking childcare leave and support for balancing work with childcare. Tamron has been certified for the Kurumin Mark since 2015.
	<b>Ministry of the Environment and Global Environmental Forum</b> Excellence Award (Environmental Reporting Category) from the Environmental Communication Awards	The Environmental communication Awards are awarded to excellent environmental reports (CSR reports, etc.). The scheme is designed to encourage companies to engage in initiatives related to environmental management and environmental communication. Tamron won the award for its 2019 CSR Report, marking the fifth time it has received the award.
	<b>Nihon Keizai Shimbun</b> Nikkei Smart Work Management Survey: 3 Stars	The survey examines companies in four areas, namely "human resources," "innovation," "market development," as well as the "management fundamentals" required for the sustainable development of a company. Tamron received a 3-star rating in 2019.
—	<b>Nikkei Keizai Shimbun</b> Nikkei SDGs Management Survey: 4 stars	The SDGs Management Survey assesses companies across four categories, namely SDGs strategy and economic value, social value, environmental value and governance, and examines how this translates into enhanced corporate value through contributions to problem solving and enhanced governance. Tamron received a 4-star rating in 2019.
—	<b>Toyo Keizai</b> TOYOKEIZAI CSR Ranking: AAA	The rating scheme evaluates companies on 16 major items across the four areas of human resource utilization, environment, corporate governance and social performance. In 2019 Tamron received a AAA ranking.
	<b>Saitama Prefecture</b> Sai-no-Kuni Plant	The scheme designates plants exhibiting exceptional technical and environmental achievements as partners in the development of a richer Saitama Prefecture. Tamron has been designated since 2007.
	<b>Saitama City</b> Leading-edge Companies Certification	The scheme to certify companies developing research and development-oriented production exhibiting superior creativity and innovation in Saitama City. Tamron has been certified since 2009.

Check the Tamron website for details. <https://www.tamron.com/csr/>

# Consolidated Financial Statement

## Consolidated Balance Sheets

	Million yen	
	2018 December 31, 2018	2019 December 31, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	22,438	28,384
Notes and accounts receivable - trade	13,407	12,907
Inventories	10,811	9,388
Other	1,143	982
Total current assets	47,801	51,662
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	5,261	4,902
Machinery, equipment and vehicles	4,434	4,035
Tools, furniture and fixtures	1,796	2,328
Land	1,155	1,165
Construction in progress	625	1,073
Total property, plant and equipment	13,274	13,505
Intangible assets	632	698
Investments and other assets		
Investment securities	2,336	2,864
Other	659	566
Total investments and other assets	2,995	3,431
Total non-current assets	16,903	17,634
Total assets	64,704	69,297
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	3,782	3,660
Short-term loans payable	2,531	2,418
Accrued expenses	3,026	2,857
Income taxes payable	551	1,019
Other	1,661	2,343
Total current liabilities	11,553	12,299
<b>Non-current liabilities</b>		
Long-term loans payable	467	225
Retirement benefit liability	1,452	1,365
Other	379	868
Total non-current liabilities	2,299	2,458
Total liabilities	13,852	14,758
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	6,923	6,923
Capital surplus	7,432	7,432
Retained earnings	34,561	38,336
Treasury shares	(483)	(483)
Total shareholders' equity	48,433	52,208
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	561	920
Foreign currency translation adjustment	1,924	1,399
Other	(67)	9
Total accumulated other comprehensive income	2,418	2,330
Total net assets	50,852	54,539
Total liabilities and net assets	64,704	69,297

## Consolidated Statements of Income

	Million yen	
	2018 From January 1, 2018 to December 31, 2018	2019 From January 1, 2019 to December 31, 2019
Net sales	61,815	63,285
Cost of sales	39,910	39,056
Gross profit	21,905	24,229
Selling, general and administrative expenses		
Advertising expenses	896	764
Promotion expenses	721	594
Provision of allowance for doubtful accounts	4	43
Salaries and bonuses	4,251	4,340
Retirement benefit expenses	126	147
Share-based compensation expenses	83	112
Technical research expenses	4,361	5,248
Other	6,036	5,995
Total selling, general and administrative expenses	16,481	17,246
Operating income	5,424	6,982
Non-operating income		
Interest income	79	92
Dividend income	66	60
Foreign exchange gains	184	—
Rent income	12	12
Subsidy income	67	219
Other	174	236
Total non-operating income	584	621
Non-operating expenses		
Interest expenses	44	44
Foreign exchange losses	—	12
Loss on retirement of non-current assets	34	53
Loss on abandonment of inventories	20	15
Other	31	76
Total non-operating expenses	131	201
Ordinary income	5,877	7,403
Extraordinary income		
Gain on sales of investment securities	85	—
Total extraordinary income	85	—
Profit before income taxes	5,963	7,403
Income taxes - current	1,382	1,815
Income taxes - deferred	250	257
Total income taxes	1,633	2,072
Profit	4,330	5,330
Profit attributable to owners of parent	4,330	5,330

## Consolidated Statements of Comprehensive Income

	Million yen	
	2018 From January 1, 2018 to December 31, 2018	2019 From January 1, 2019 to December 31, 2019
Profit	4,330	5,330
Other comprehensive income		
Valuation difference on available-for-sale securities	(285)	359
Deferred gains or losses on hedges	—	(1)
Foreign currency translation adjustment	(1,289)	(525)
Remeasurements of defined benefit plans, net of tax	(117)	79
Total other comprehensive income	(1,692)	(87)
Comprehensive income	2,637	5,242
Comprehensive income attributable to owners of parent	2,637	5,242

## Consolidated Financial Statement

### Consolidated Statements of Changes in Net Assets

2018	Million yen				
	From January 1, 2018 to December 31, 2018				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of current period	6,923	7,432	31,527	(53)	45,829
Changes in items during period					
Dividends of surplus			(1,296)		(1,296)
Profit attributable to owners of parent			4,330		4,330
Purchase of treasury shares				(429)	(429)
Net changes of items other than shareholders' equity					—
Total changes in items during period	—	—	3,034	(429)	2,604
Balance at end of current period	6,923	7,432	34,561	(483)	48,433
	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	846	3,214	49	4,110	49,940
Changes in items during period					
Dividends of surplus				—	(1,296)
Profit attributable to owners of parent				—	4,330
Purchase of treasury shares				—	(429)
Net changes of items other than shareholders' equity	(285)	(1,289)	(117)	(1,692)	(1,692)
Total changes in items during period	(285)	(1,289)	(117)	(1,692)	912
Balance at end of current period	561	1,924	(67)	2,418	50,852

2019	Million yen				
	From January 1, 2019 to December 31, 2019				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of current period	6,923	7,432	34,561	(483)	48,433
Changes in items during period					
Dividends of surplus			(1,555)		(1,555)
Profit attributable to owners of parent			5,330		5,330
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					—
Total changes in items during period	—	—	3,775	(0)	3,774
Balance at end of current period	6,923	7,432	38,336	(483)	52,208
	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	
Balance at beginning of current period	561	—	1,924	(67)	2,418
Changes in items during period					
Dividends of surplus				—	(1,555)
Profit attributable to owners of parent				—	5,330
Purchase of treasury shares				—	(0)
Net changes of items other than shareholders' equity	359	(1)	(525)	79	(87)
Total changes in items during period	359	(1)	(525)	79	(87)
Balance at end of current period	920	(1)	1,399	11	2,330

### Consolidated Statements of Cash Flows

	Million yen	
	2018 From January 1, 2018 to December 31, 2018	2019 From January 1, 2019 to December 31, 2019
Cash flows from operating activities		
Profit before income taxes	5,963	7,403
Depreciation	3,164	2,666
Increase (decrease) in retirement benefit liability	155	(31)
Increase (decrease) in provision for share benefits	83	112
Interest and dividend income	(146)	(153)
Interest expenses	44	44
Settlement received	—	(47)
Loss (gain) on sales of investment securities	(85)	—
Loss on retirement of property, plant and equipment	34	53
Decrease (increase) in notes and accounts receivable - trade	(65)	184
Decrease (increase) in inventories	(697)	1,278
Increase (decrease) in notes and accounts payable - trade	608	8
Increase (decrease) in accrued expenses	(8)	(131)
Other, net	(207)	642
Subtotal	8,841	12,029
Interest and dividend income received	146	152
Interest expenses paid	(44)	(44)
Settlement package received	—	47
Income taxes paid	(1,419)	(1,259)
Net cash provided by (used in) operating activities	7,523	10,925
Cash flows from investing activities		
Proceeds from redemption of securities	—	300
Purchase of property, plant and equipment	(2,154)	(2,580)
Purchase of intangible assets	(125)	(222)
Purchase of investment securities	(2)	(317)
Proceeds from sales of investment securities	147	—
Payments of loans receivable	(2)	(2)
Collection of loans receivable	8	2
Other, net	(72)	(42)
Net cash provided by (used in) investing activities	(2,202)	(2,863)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(16)	(11)
Proceeds from long-term loans payable	400	—
Repayments of long-term loans payable	(518)	(341)
Purchase of treasury shares	(429)	(0)
Cash dividends paid	(1,296)	(1,555)
Other, net	(1)	(14)
Net cash provided by (used in) financing activities	(1,861)	(1,923)
Effect of exchange rate change on cash and cash equivalents	(452)	(193)
Net increase (decrease) in cash and cash equivalents	3,006	5,946
Cash and cash equivalents at beginning of period	19,431	22,438
Cash and cash equivalents at end of period	22,438	28,384



**Head Office**

**Tamron Co., Ltd.**  
 1385 Hasunuma, Minuma-ku, Saitama-shi, Saitama  
 337-8556, JAPAN

**Founded / Incorporated**

**Founded:** November 1, 1950  
**Incorporated:** October 27, 1952

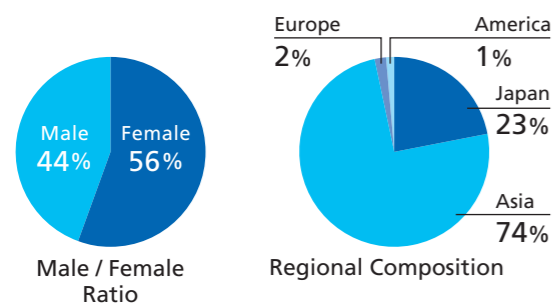
**Capital**

6,923 million yen

**Employees**

4,609 (consolidated), 1,060 (non-consolidated)

**Breakdown of Employees (consolidated)**



**Stock Overview**

**Number of shares issued:** 25,950,000 shares  
**Number of shares per unit:** 100 shares  
**Number of shareholders:** 4,054 shareholders

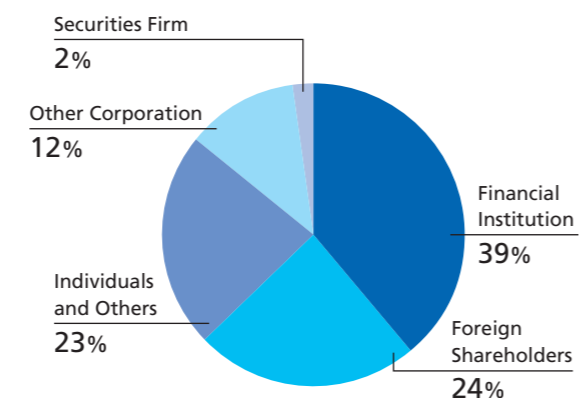
**Stock Exchange**

First section, Tokyo Stock Exchange  
 Securities Code: 7740

**Balance Date**

December 31

**Distribution of Shares by Owner**



**Status of Major Shareholders**

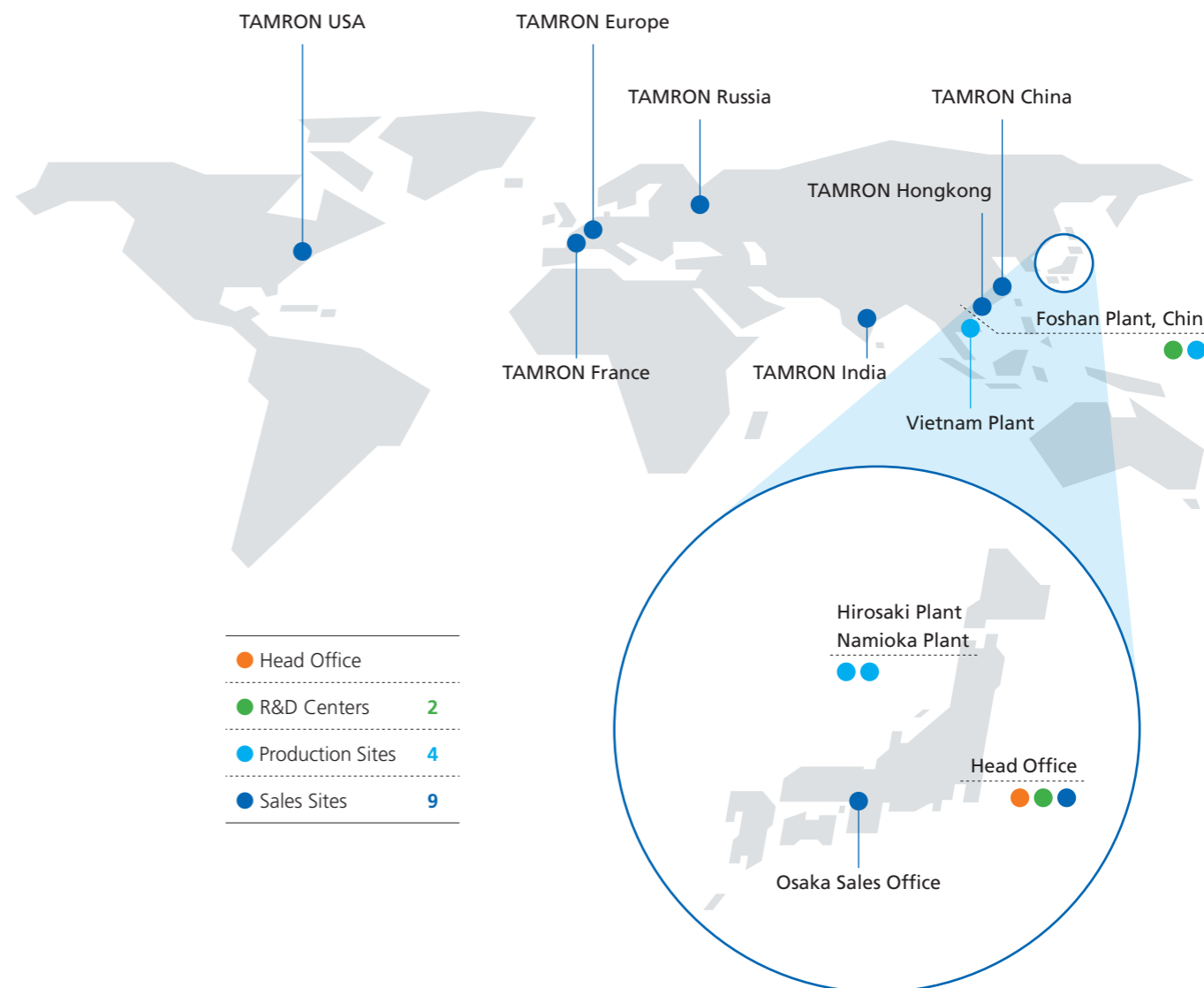
Name	Number of Shares (Thousands)	Percentage of Shares Held
New Well Co., Ltd.	4,898	18.89
Sony Corporation	3,129	12.07
Japan Trustee Services Bank, Ltd. (trust account)	1,763	6.80
Saitama Resona Bank Limited	1,122	4.33
The Master Trust Bank of Japan, Ltd. (trust account)	1,002	3.86
Nippon Life Insurance Company	580	2.23
GOVERNMENT OF NORWAY	551	2.12
Japan Trustee Services Bank, Ltd. (trust account 9)	468	1.80
THE BANK OF NEW YORK MELLON 140044	371	1.43
Japan Trustee Services Bank, Ltd. (trust account 5)	325	1.25

**Manager of the Register of Shareholders**

**Sumitomo Mitsui Trust Bank, Limited**  
 2-8-4 Izumi, Suginami-ku, Tokyo, 168-0063, Japan

**Group Network**

To ensure that it can respond flexibly to the needs of customers, Tamron has developed a global structure engaged in everything from R&D to planning, design, manufacturing, sales and customer support.



**Main Functions and Characteristics**

- Head Office**
  - Optical design, mechanical design, electronics and software design, etc.
  - Mold manufacturing, plastic injection molding
- R&D Centers**
  - Research and development into the improvement of base technologies
  - Research and development related to product development in new fields
- Production Sites**
  - Lens processing, plastic molding, metal processing, assembly, etc.
  - Tamron's plants in Japan (Aomori Prefecture) function as mother plants providing manufacturing technologies to Tamron's large-scale production sites at the Foshan Plant in China and the Vietnam Plant.
  - This production structure spread across three sites around the world allows Tamron to handle various manufacturing tasks from small lot production to mass production.
- Sales Sites**
  - In addition to seven overseas sales companies, Tamron has developed networks with sales centers and distributors in various regions.
  - We also provide after-sales support through this network.

# TAMRON

## Tamron Co., Ltd.

Corporate Business Planning & Administration Board

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