Risk Management and Management Strategy

Risk Management

The business environment surrounding Tamron is 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. 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
• Shrinking digital camera market • Reliance on Photographic Products Business • Reliance on specific customers	● Contraction of the digital camera market ● Reliance on Photographic Products Business and specific customers ● Growth in the mirrorless camera market ● Growth in the industrial camera market	• Sales strategy specializing in interchangeable lenses for mirrorless cameras • Expanding sales in the growing market for industrial lenses • Actively investing in new businesses such as lense medical application
• Rapid technological innovation	● Decline in competitiveness when the development of cutting edge technologies or their application in products is not advanced as scheduled ● Obtaining growth opportunities through the development of revolutionary technologies	• Technology development and creation of new businesses based on medium- to long-term strategies • Open innovation between industry, academia and government
• Investment in new businesses • Investment in M&A activities, etc.	● Failures to investment in R&D and capital investment for new businesses ● Actively tackling M&A activities utilizing a robust financial structure ● Building the foundations of growth through new management resources acquisition	• Strategies aimed at the full-scale commercialization of medical products • 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
• Product supply and demand	● Fluctuating product prices, too much or too little inventory ● Lack of procurement of glass materials	• Properly responding to fluctuating demand in each region and controlling production • Multiple purchases and understanding alternative supplier candidates
• Geopolitical risks	● Expanding various impacts due to global political, social and economic trend	• Continually monitoring the global political, social and economic climate to analyze the impact in relation to corporate activities
• Climate change and global environmental issues Please refer to pages 21–24 for details.	● Impact on production activities due to damage to plants in Japan or overseas ● Burden from carbon taxes and renewable energy purchase costs ● Increased order opportunities due to responding to decarbonized society at an early stage	• Implementation of strategies based on the Environment Vision 2050 (energy saving and introduction of renewable energy) • Action and continual improvement based on business continuity planning (BCP) in Japan and overseas
• Securing human resources	● Impact on new hires and continuing employment due to intensifying competition to hire and retain talented human resources ● Obtaining growth opportunities by hiring and retaining the employment of talented human resources	• Job-specific hiring, positional and grade systems, systems to solicit positional applications internally • Creating a comfortable workplace environment by promoting a healthy work-life balance and diversity • Promoting health and productivity management
• COVID-19 pandemic	● Impact of stagnant economic activity on business performance ● Impact of decreasing demand on production activities ● Impact on health and safety of employees and stakeholders	• Building and operating a remote product development framework • Development of work-at-home and telework environment
• Complicity in human rights abuses	● Boycotts due to direct or indirect complicity in human rights abuses, impact on corporate activities due to legal violations	• Consideration of human rights due diligence • Request to supplier and confirmation through self-assessment questionnaires
• Risks unique to the interchangeable lens business	● Defects due to improper matching between lenses and cameras	• Quality assurance inspections before product shipments • Handling the overwriting of firmware after shipping
• Product quality and safety	● Damage to brand value due to declining product quality or defects	• Building and improving quality assurance systems compliant • Taking action and preventing release when quality defects occur
• Information security	● Leaking of corporate information and personal information due to damaged information system functions caused by computer viruses and the like	• Developing information security systems • Implementing management based on an information security policy
• Compliance	● 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	• Building compliance management systems • Disseminating and ensuring observance of the Compliance Code of Conduct

Materiality

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. Identified materiality comes under six categories: creating excitement and peace of mind, creating new light, business structural reforms, contributing to a sustainable earth, empowering employees and developing the foundations of trust and sustained growth.

Key CSR Issues	Materiality	Mid-Term Management Policy
• Contributing to social issues through business	Creating emotion and reassurance	• 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.
	Creating new light	• Besides expanding existing businesses, we will step up the creation of new businesses through enhanced marketing focused on the "resolution of social issues" in line with the guiding principles of the SDGs, and collaborative creation, including through M&A. • 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.
	Business structural reforms (improved productivity)	• 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 development structure in China, work to shorten lead times from development to mass production, and deliver products that meet customer needs 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.
• Reducing CO₂ emissions • Recycling resources and reducing waste • Environmentally friendly design • Reducing harmful chemical substances • Water management	Contributing to a sustainable earth	• 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.
• Human resource development • Fostering the development of the next generation • Developing comfortable workplace environments and promoting diversity	Empowering employees	• 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.
• Promoting CSR procurement		
• Enhancing product quality and safety management	Developing the foundations of trust and sustained growth	• We will strengthen corporate governance to improve the effectiveness of strategies and tactics, and achieve sustained growth.
• Improving the governance system • Preparing for major disasters • Enhancing internal reporting systems • Expanding the disclosure of nonfinancial information		