

# Corporate Governance

## Basic Policy

Based on its new corporate mission to "create emotion and reassurance through its mastery of light, contributing to the realization of a fulfilling society," Tamron aims to build good relationships with all stakeholders to achieve sustainable growth and improve corporate value.

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 outside 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.

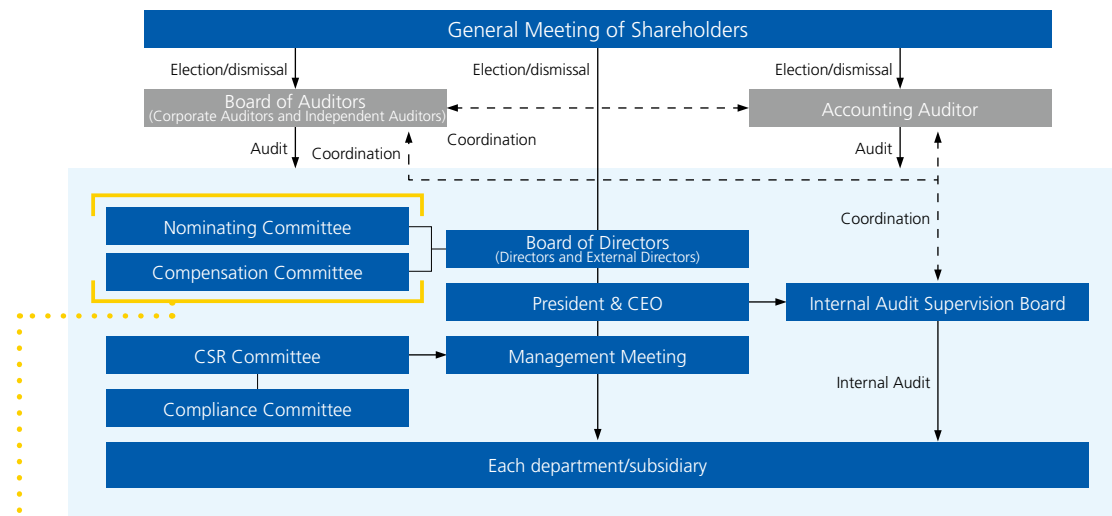
To the Board of Directors, Tamron appoints 11 directors (four of whom are outside directors), including one foreign director and two female directors, as well as 4 corporate auditors (three of whom are outside auditors).

## 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.

### Nominating Committee and Compensation Committee

To enhance the independence and objectiveness of Board of Directors functions concerning the nomination, appointment and dismissal and compensation 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 independent outside directors.

### CSR Committee and Compliance Committee

The CSR Committee, which comprises directors, full-time corporate auditors, executive officers and others, convenes quarterly, where it considers issues related to risk management and CSR and determines policies. Tamron has also worked to strengthen its compliance structure by establishing the Compliance Committee, which considers basic matters for the promotion of compliance.

### 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.

### 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.

## 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.

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

Category	2016	2017	2018	2019	2020	2021	2022
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>	<ul style="list-style-type: none"> <li>Increase of one outside director</li> <li>Changes to the structures of the Nominating Committee and Compensation Committee</li> </ul>	<ul style="list-style-type: none"> <li>Having independent outside directors account for at least a third of each committee</li> <li>Appointment of an individual with corporate management experience at another company as an outside director</li> <li>Review of director compensation indices</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>Revision to the Corporate Mission</li> <li>Formulation of a long-term vision</li> </ul>	<ul style="list-style-type: none"> <li>Consideration of response to the revised Corporate Governance Code</li> </ul>	<ul style="list-style-type: none"> <li>Shortening of Director terms of office to one year</li> <li>Disclosure of skills matrix</li> <li>Compliance with all principles of the revised Corporate Governance Code</li> <li>Revisions to the corporate governance guidelines</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	Basic Compensation (Monetary compensation)	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.
	Short-term Incentive Compensation (Monetary compensation)	Approx. 20%	
Variable	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		
		President	Directors assigned to business units	Other directors
Company-wide performance	Consolidated net sales	20%	10%	15%
	Consolidated operating income	50%	25%	30%
Performance of assigned business units	Assessment of business performance	70%	35%	25%
Individual assessment	Assessment of individual strategic goals		30%	

\* Assessment of business performance in a single fiscal year

Assessment Item	Assessment Indicator	Assessment Weighting
Company-wide performance	Consolidated net sales	20%
	Consolidated operating income	40%
Corporate Value	ROE	10%
	TSR	30%

\* Assessment of medium-term business performance