

Risk Management

We carry out comprehensive risk management and implement measures for the continuous advancement of the Nikon Group.

Risk Management System

To properly respond to risks that might critically impact corporate management, the Nikon Group has created the Risk Management Committee, which is chaired by a senior executive vice president, made up of Executive Committee members, and served by Administration Department as the secretariat, as a supervising body of risk management. For the year ended March 31, 2016, total of two Committee meetings were held, one in October 2015 and the other in March 2016. In addition, the Risk Management Committee is managing all risks, but specialist subcommittees are in charge of risks requiring technical support and devise detailed responses. Business-specific risks are responded to at the respective business division level.

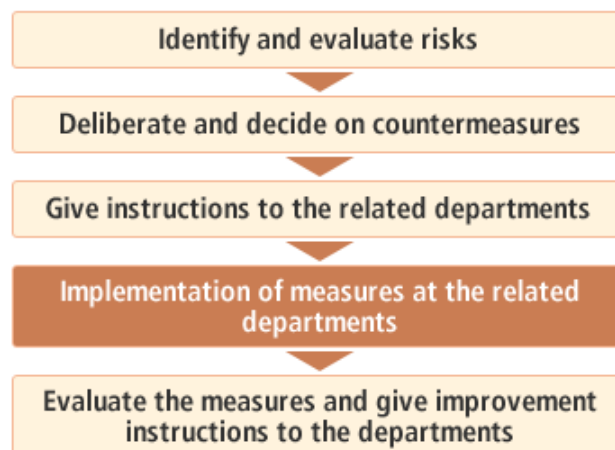
Main Activity Themes of the Risk Management Committee in the year ended March 31, 2016

- Promotion of information security
- Competition Law Training
- BCM rule revision

Main Specialist Committees Involved in Risk Management

Committee	Main risks handled
Risk Management Committee	Risk in general
CSR Committee	CSR in general
Business Conduct Committee	Anti-bribery
Environmental Committee	Environmental issues in general (climate change, chemical substances management, supply chain)
Export Inspection Committee	Avoid violation of Foreign Exchange Law, security risk management
Bioethics Review Committee	Bioethics

Risk Management Flow of the Risk Management Committee



Risk Assessment

The Nikon Group conducts risk identification surveys to gain an overall insight into the risks potentially affecting the Group. In the year ended March 31, 2016, the Nikon Group continued to conduct a survey targeting not only equivalent to department manager level or above and presidents of domestic and overseas Group companies, who had been surveyed, but also Nikon Corporation personnel at section manager level. Taking a companywide perspective, a risk assessment is then performed to identify, analyze and evaluate the replies collected after compilation and adjustment, to create a risk map that shows the level of influence and probability of each risk.

With regard to cases evaluated as high risk, we study measures for mitigating those risks. The risk map is also continually updated and the subsequent changes visualized. In addition, we have implemented analyses for recognizing the differences in awareness of risks in different employment levels in the year ended March 31, 2016. The results are reported to the Risk Management Committee.

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BCM*¹ Activities Measures

The Nikon Group has formulated BCPs*² in preparation for large-scale disasters and other emergencies and is reviewing those BCPs every year.

Our emergency response capabilities, including the installation of emergency power generators at the Nikon head office, have been reinforced and emergency goods have also been stockpiled for a growing workforce in the year ended March 31, 2016. Furthermore, we examined the flow of actions in emergencies that corresponds to various disasters by primarily reviewing our initial response, including actions for regular employees while re-evaluating the standard actions of emergency personnel to increase the viability of the BCM standards at the Nikon Group.

We are also furthering our production of English guidance for the purpose of building awareness and sharing emergency response and the basic philosophy of BCM activities throughout the entire Group, including companies overseas.

*1 BCM (Business Continuity Management)

Management activities in normal times such as the establishment, maintenance and revision of a BCP, implementation of proactive measures, education and training, inspections and continual improvement.

*2 BCP (Business Continuity Plan)

A plan describing the policy, systems, procedures, etc. by which enterprises can avoid suspension of their critical business or can recover the critical business quickly if it is interrupted, even when contingencies arise, including natural disasters such as major earthquakes, communicable disease pandemics, etc. or they can recover business quickly if their business is interrupted.

Risk Management for Information Assets


We have built a sophisticated information management system to meet the status of the countries and regions where we operate our business. We protect our information assets from risks such as cyber attacks, leakages or disasters.

■ Information Assets Management Policies

We have established the “Nikon Group Information Security Policy”.

Group companies in Japan have applied the “Nikon Group Information Management Rules” according to it.

Group companies overseas have also established their own rules complying with the policy and they are implementing concrete measures.

 Nikon Group Information Security Policy (PDF: 39KB)

http://www.nikon.com/about/sustainability/management/security_policy.pdf

■ Information Management System

We have placed President of Nikon as the superintendent of information management and established the Information Security Division to propose measures toward information management throughout the entire Group and work to implement as well as maintain these systems. Specifically, we have set up organizations to promote and control information management at each division of Nikon, the headquarters, and each Group company. We have assigned the heads of each organization as the supervisor of information management. They should strive for comprehensive and appropriate information management based on the guidance of the Information Security Division.

■ Protection of personal information

The Nikon Group has established the “Nikon Group Privacy Protection Policy” based on the belief that dealing with personal information in a proper manner is an important social responsibility. We provide education to all of our employees, dispatched workers and contractors while implementing necessary and appropriate safety control measures based on

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this policy and other rules related to information management. Nikon Imaging Japan Inc., which deals with a lot of personal information from customers, has obtained certification under the “PrivacyMark System”^{*1} in Japan. In the United States, Nikon Inc. has obtained certification for the “Payment Card Industry Data Security Standards (PCI DSS)”^{*2}.

*1 PrivacyMark System

This is a registered trademark recognized by the Japan Information Processing Development Center (JIPDEC), given to companies that meet the fixed requirements concerning personal information protection

*2 PCI DSS (Payment Card Industry Data Security Standards)

This is the credit card industry's security standards made by the five major credit card companies (American Express, Discover, JCB, Master Card, VISA)

■ Information security education

The Nikon Group promotes awareness and effectiveness among employees by not only knowledge of the policies and rules but specific examples in our education programs. We have distributed the “Nikon Group Information Security Handbook” to employees to make sure that every one of them understands the importance of information asset management and complies with the rules with strong awareness. We also continue providing e-Learning to each department and Group company.

We provided e-Learning around the theme of learning from cases of information security accidents for employees (including employees of contractors) of the Nikon Group in Japan in the year ended March 31, 2016. This was also started to be expanded to Group companies in Asia in April 2016. In addition, we are planning training that uses e-Learning and quarterly journals in Europe and the Americas.



Information-security e-learning 2016

■ Information security audit

The Nikon Group periodically conducts internal audits to improve information security level. We have conducted audits of 20 departments in Nikon and 11 Group companies in Japan under the theme of personal information. We confirmed related issues such as education of the person in charge and management of outsourcing contractors. We plan to conduct audits focusing on external storage media and “My Number (like Social Security Number)” management in the year ending March 31, 2017.

Responses to Country-specific Risks

As the Nikon Group expands its business on a global scale, its employees work in many different countries. The number of employees who are working outside Japan is increasing, as is the number of group company employees in each country who are transferred abroad or taking overseas business trips. Accordingly, we are localizing our risk management systems so that we can appropriately manage the risks specific to each country and region.

■ Crisis Management for Terror Threats

We are further strengthening initiatives to respond to terrorism at the Nikon Group in response to incidents such as the large-scale terrorist attacks on Paris in November of 2015. Nikon is building awareness by sending informational emails for warnings about terrorism to overseas risk management supervisors and introducing visual education about terrorism at crisis management seminars for employees scheduled to be appointed overseas.

■ Risk management for employees dispatched to foreign countries

In 2008, the Nikon Group formulated risk management rules for employees dispatched to foreign countries to ensure the safety of employees, whether they are dispatched from Japan or from another country. Specifically, we collect risk information from experts on country-specific risks, from the Japanese Ministry of Foreign

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Affairs, and from our local Group companies in each country. For countries with high potential risks, including emerging economies and politically unstable regions, we actually visit the areas to collect the latest information, which is then provided to relevant employees. We also set and update security levels for each country in light of local situations, based on which we regulate employee business trips and give evacuation orders. In addition, we are advancing the introduction of systems for checking the safety of people on overseas business travel. We began the operation of a system for the centralized management of information about employees on business trips at Nikon Group companies in Japan. We are also further developing systems for checking the safety of people on overseas business trips at our overseas Group companies.

■ Crisis Management Courses

Nikon holds crisis management seminars for all employees scheduled for appointment overseas, which we tailor to each individual in order to provide the necessary local knowledge. Furthermore, we implemented measures to combat terrorism through specialized external organizations to increase knowledge about crisis management of the Crisis Management Secretariat of the Human Resource Department in the year ended March 31, 2016.

Efforts for Security and Export Control

Japan and other major countries conclude international treaties and establish international framework (export control regime) to maintain international peace and security. Nikon implements its export control in cooperation with the international society.

■ Basic Policy

The Nikon Group is committed to security and export control, not only for the sake of compliance with laws and regulations, but also for the purpose of maintaining international peace and security. Nikon Corporation and Group companies in Japan have established internal compliance program on export control with the following basic policy on security and export control. Our Group companies outside Japan comply with the relevant country's laws and regulations on export control.

1. For the export of controlled goods, the provision of controlled technologies, the brokerage of goods and the brokerage of

technology, we shall not engage in any conduct that violates the Foreign Exchange and Foreign Trade Act or any laws, regulations, ordinances or official notices based on this Act (hereinafter referred to as "Foreign Exchange Laws, etc.").

2. For the purpose of complying with Foreign Exchange Laws, etc. and conducting appropriate export control, we shall designate a person responsible for security and export control, and we shall develop and enhance our systems for export control.

Efforts for Security and Export Control



■ Security and Export Control Operations

Technical experts entrusted with duties internally determine whether the goods fall under controlled goods based on basic policies and internal regulations at the Nikon Group companies that are involved in operations such as export from Japan.

We confirm that aspects such as whether the goods can be used for the development of weapons of mass destruction or conventional weapons even if goods do not correspond with those regulated by law.

We apply for approval in cases approval by the Minister of Economy, Trade and Industry is necessary, following the necessary internal procedures for exports.

We formulate internal regulations that follow the laws and ordinances of each country and common Nikon Group rules even at overseas group companies conducting operations such as exporting. We strive to prevent these exports from becoming round-about export or part of dealings with customers of concern.

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■ Utilization of AEO Program*

In 2007, Nikon was certified as an AEO exporter under the Authorized Economic Operator (AEO) Program*. Certification of AEO exporter is given by the Japanese Customs to enterprises with excellent security control and compliance systems to ensure security in international trade while facilitating international trade operations.



The official logo of the AEO Program

* Authorized Economic Operator (AEO) Program

It is a program under which customs authorities in individual countries approve those operators equipped with cargo security management and compliance systems to facilitate and simplify their customs procedures. The World Customs Organization (WCO) adopted an international framework of standards to secure and facilitate global trade ("SAFE framework") that prescribes guidelines for introduction and construction of the program.

■ Management of Security Risks in International Trade

In the year ended March 2016, we conducted trainings for all the Nikon Group employees (28 training courses with 538 participants in total) to improve employees' knowledge and understanding of export control.

We maintained and strengthened our export control system by formulating the export control rules for Group company in Australia that began to export controlled goods in addition to implementing export control audits at 17 divisions of Nikon as well as 14 Group companies in and outside of Japan. Furthermore, we confirmed management is appropriate for controlled goods (machine tools, etc.) at each overseas production site.