

Risk Management

The Nikon Group manages the comprehensive risks and implements measures for its continuous growth.

Risk Management System

The Nikon Group set up the Risk Management Committee to deal with the risks appropriately that may have significant impacts on corporate management. This committee covers the entire risk of Nikon Group. It is chaired by the Senior Executive Vice President of Nikon and made up of Executive Committee members, with the Administration Department serving as secretariat. For the year ended March 31, 2017, the committee was held in August 2016 and in February 2017.

The Risk Management Committee supervises the risks as a whole, and specialist committees set up to cover risks requiring specialized knowledge. These subcommittees also handle the detailed matters. Business-specific risks are tackled by the respective business division.

Main Activity Themes of Risk Management Committee in the year ended March 31, 2017

- Revisions to BCM rules
- Review of emergency communications equipment
- Survey on litigation
- Company-wide risk identification survey for the year ended March 31, 2017
- Information security

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	Compliance in general
Environmental Committee	Environmental issues in general (climate change, management of chemical substances)
Export Inspection Committee	- Prevention of the Foreign Exchange Law Violation - Security risk management
Bioethics Review Committee	Bioethics

Risk Assessment

The Nikon Group conducts risk identification surveys to gain overall insight into the risks affecting the Group. In the year ended March 31, 2017, the Nikon Group conducted a survey targeting managerial staff at the general manager level and above as well as presidents of Group companies around the world. After tabulation and adjusting survey responses, a risk assessment conducted from a company-wide perspective to identify, analyze and evaluate risks. Next, a risk map indicating the impacts and probability of each risk was prepared to compare the risk awareness of executive officers. This risk map is continuously updated and reported to the Risk Management Committee to shed light on changes taking place year to year.

In addition, we have provided training to Group compa-

nies on competition laws to address the risk of potential anti-trust violations outside of Japan. This training has proved to be effective in limiting this risk and also raising awareness about crisis management.

Related Information

Financial results contain more information about business and other risks within analysis on management performance and financial condition.

▶ [Financial Results \(Year Ended March 31, 2017, P9 to P12\)](http://www.nikon.com/about/ir/ir_library/result/pdf/2017/17_4qf_c_e.pdf)
http://www.nikon.com/about/ir/ir_library/result/pdf/2017/17_4qf_c_e.pdf

BCM*1 Activities Measures

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

In the year ended March 31, 2017, the Nikon reconsidered its stockpiling criteria and reexamined some



items for emergency supply

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of the items for emergency supply. In addition, the Nikon worked with the CSR Department about supplies approaching their expiry date, and without the need for disposal, donated them to non-profit organizations. Furthermore, the Nikon reviewed the BCM Operating Procedures continued from the previous term and revised them with a focus on the realities and effectiveness of disaster situations. After these revisions, we encouraged our main Nikon Group in Japan to prepare or update an initial response manual for disasters. This work had been completed by more than half of our Nikon Group in Japan during the year ended March 31, 2017.

*1 Business Continuity Management (BCM)
Management activities carried out in normal times, such as the formulation, updating and maintenance of the BCP, implementation of proactive measures, education and training, checking and continual improvement.

*2 Business Continuity Plan (BCP)
A plan describing the policy, systems, and procedures, etc., by which corporations can avoid suspension of critical business or can restore critical business quickly if it is interrupted, even when unforeseen contingencies arise, including natural disasters such as major earthquakes, communicable disease pandemics, etc.

Risk Management for Information Assets

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

Information Assets Management Policy

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.

▶ [The Nikon Group Information Security Policy](http://www.nikon.com/about/sustainability/management/security_policy.pdf)
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 Nikon 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, and each Group company. We have assigned the heads of each of 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. In the year ended March 31, 2017, in preparation for compliance with the EU General Data Protection Regulation, which will be enforced from May 2018, we have been discussing with relevant departments regarding the safety of customer data and improving the information management system.

Information Management of Contractors

We are aware that our indifference to the contractor’s information management regarding disclosed our information will lead to serious information risks. Therefore, some divisions of Nikon have been implementing distribution of handy card requesting for ensuring information security to related contractor’s workers. In the year ended March 31, 2017, we established measures according to importance of information disclosed to contractor for expansion of this approach to other divisions of Nikon and Group companies in Japan. In the year ending March 31, 2018,

2017.02

Requirements to insure information security (Summary)
When performing work for Nikon Group Company, you are required to strictly comply with the following:

- Do not create, copy, distribute, or otherwise use documents which contain any information created, stored, or held (hereinafter referred to as “Information”) for Nikon Group Company or its subsidiaries, or other information held by Nikon Group Company or its subsidiaries, without the prior approval of the Information Security Division.
- Do not disclose any information to any third party related to the business, in addition, do not use online storage, external or other Internet-based services to transfer the business information.
- Do not provide any information in a personal PC, USB memory, SD card, smartphone, tablet or other devices without the prior approval of the Information Security Division.
- Do not use any information held by Nikon Group Company or its subsidiaries, without the prior approval of the Information Security Division, for any purpose other than the work for which it was provided.
- Do not dispose of any equipment or business information held by Nikon Group Company or its subsidiaries without the prior approval of the Information Security Division.

**In addition to the above, do not release any business information for any reason whatsoever without permission from our company or the customer.*

Information Security Division NIKON CORPORATION

The handy card

we set a goal to request in writing contractors, disclosed important information of Nikon Group in Japan, to ensure information security and will expand this approach in series.

Protection of Personal Information

We have 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 this policy and other rules related to information management. Nikon Imaging Japan Inc., which handles a lot of customer’s personal information, has obtained certification under PrivacyMark System*1 in Japan, and Nikon Inc. (United States) has obtained certification for the 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).

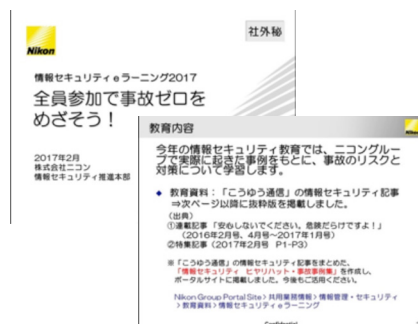
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Information Security Education

We promote 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 of Group companies in Japan and Asia to make sure that every one of them understands the importance of information asset management and complies with the rules with strong awareness.

In the year ended March 31, 2017, we provided e-Learning around the theme of “achievement zero-accidents by all employees” to employees of Group companies in Japan. We also provided training using e-Learning and quarterly journals in Europe and the Americas.



Information Security e-Learning 2017

Information Security Audit

We periodically conduct internal audits to improve information security level.

In the year ended March 31, 2017, we have conducted audits of 2 departments in Nikon and 25 Group companies in Japan, which handling employees' individual numbers as nicknamed “My Number” (like Social Security Number), and confirmed the management status of dedicated computers to handle employees' My Numbers. In addition, we called Group companies' attention to their web site vulnerabilities.

We plan to conduct audits focusing on personal information management, etc. in the year ending March 31, 2018.

Responses to Country-specific Risks

The Nikon Group operates globally with employees working in countries all over the world. As the number of Group employees stationed and traveling outside of their home countries increases, we are developing a risk management system for each country which can manage risks that are specific to each region in an appropriate way.

Risk Management for Employees Dispatched to Foreign Countries

In 2008, the Nikon Group enacted management regulations for expatriated personnel, striving to ensure the safety of business travelers, transferees, and accompanying family members, working outside of their home country. Specifically, a designated Overseas Risks Chief Manager and Officer are stationed within every Nikon Group. The Nikon Human Resources Department, as the Office of Management for Overseas Risks, sets and conveys the Security Level for specific regions, as well as communicates all necessary risk information, and maintains an emergency contact system.

In order to make this policy easier to understand, we revised part of it in the year ended March 31, 2017 and reclassified overseas workers as “expatriate employees and their families sent to work in regions other than their home country.” Additionally, we clarified measures to be taken in the occurrence of situations where the lives or well-being of expatriated employees are threatened, such as in the case of terrorism, as well as measures to be taken to minimize any harm. Furthermore, we issued an English version of this policy in addition to the Japanese version.

Training Relating to Nikon's Expatriated Employees Risk Management (as of Year Ended March 31, 2017)

- Implementing crisis management guidance relating to terrorism, including video education, and an e-learning program for all Nikon employees dispatched overseas
- Training for members of the Office of Management for Overseas Risks provided by external specialist organizations to help prepare for emergency situations where employees have been affected by terrorism

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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. In cooperation with the international community, Nikon not only complies with laws and regulations but is also continuously conscious of fulfilling its social responsibilities as well as conducting rigorous control of EXPORT*.

* EXPORT: For the export of goods (including domestic trade resulting in export) and provision of technologies.

■ Security and Export Control Operations

Based on basic policies and internal regulations at the Nikon Group in Japan that are involved in EXPORT, technical experts entrusted with duties internally determine whether the goods fall under controlled goods. We confirm 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 EXPORT.

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

■ 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

The Nikon Group conducts an education program for employees aimed at improving employees' knowledge and understanding of export control. In the year ended March 31, 2017, we held training sessions (23 times with a total of 315 participants) for Nikon Group employees in Japan. Additionally, as well conducting an export control audit for 15 Nikon departments and 15 Group companies in Japan and overseas, we began an education program for expatriate executives to improve export control at Group companies outside Japan. And furthermore, Optos, joined the Nikon Group in the year ended March 31, 2016. We have endeavored to improve its regulations and establish a management system so that it can perform export control according to the standards of the Nikon Group.

Intellectual Property Management

The Nikon Group protects its advanced technologies, designs, and trademarks, created through research and development activities, by engaging in various efforts related to intellectual property, and supports the brand value of Nikon products in the marketplace.

Intellectual Property Policy

Intellectual property is recognized as an extremely valuable asset to the Nikon Group because it is a driving force behind the long-term and stable continuation of business and contributes to shaping Nikon's brand value to make it trusted by our customers.

In the event that a third party infringes the intellectual property rights assigned to the Nikon Group, we will take strict action and strive to prevent any harm from impacting not only our customers and all of our stakeholders but also ourselves.

Furthermore, the Nikon Group's fundamental position is to respect the rights of third parties, and we will obtain information on intellectual property through lawful and fair means.

Intellectual Property System

The Nikon Group has set up Intellectual Property Division within Nikon. It works in close cooperation with the business and R&D divisions to carry out various activities related to intellectual property.

Furthermore, Nikon, and its Group companies in Japan and overseas, have established the Nikon Group Basic Intellectual Property Policy to ensure a strategic response through worldwide cooperation and coordination on the acquisition, maintenance, and utilization of intellectual

property rights as well as the handling of intellectual property disputes and other matters. Additionally, Nikon provides training on intellectual property to new employees, research and development staff, etc. to ensure their proper understanding and handling of intellectual property.

Data on Nikon's Intellectual Property

Item	Results from 2016
Number of Japanese published patent applications	510
Number of United States patent registrations	219

Column

Measures against Infringements on Trademark Rights and Design Rights

From the perspective of brand protection and consumer protection, in cooperation with all of its Group companies, Nikon is continuously working on countermeasures against infringements on trademark rights and design rights. In the event where infringed goods are not dealt with, quality and safety problems may cause unexpected damage to consumers, and there is a possibility that it will become a source of revenue for organized crime. The Nikon Group regards countermeasures against product infringements as a socially important policy, and, as soon as any trends towards the infringement of rights are perceived, we will take all effective measures against them.

Nikon's Measures against Product Infringements	Main Results as of the Year Ended March 31, 2017
Government raids in cooperation with government agencies in each country	According to the findings of research conducted by Nikon, government raids on overseas factories which produce and sell counterfeit products seized approximately 4,100 fake Nikon camera batteries
Criminal investigations in cooperation with police agencies	
Customs injunctions in cooperation with customs offices in each country	Seizure of annually approximately 130,000 counterfeit items, such as spectacle lenses
Detection of counterfeit items on e-commerce sites and take-down of those sites	Approximately 9,200 counterfeit items, mainly camera batteries and chargers, are deleted annually



Raid on counterfeit items by enforcement agencies



Seized counterfeit items