

May 17, 2019

Company Name: NIKON CORPORATION  
Representative: Kazuo Ushida,  
Representative Director and Chairman of the  
Board  
(Code Number: 7731; Stock Listings: Tokyo  
Stock Exchange)  
Contact: Tetsuya Okumura,  
General Manager of Finance & Accounting  
Division  
(Tel: +81-3-6433-3626)

### **Notice Concerning Resumption and Partial Revision of Performance-based Stock Remuneration System for the Executive Directors, etc. of the Company**

NIKON CORPORATION ("Company") hereby announces, as described below, that it resolved at its Board of Directors meeting held on May 17, 2019 to resume, with partial revisions, the performance-based stock remuneration system ("System") as an incentive plan for directors and officers of the Company (excluding Audit and Supervisory Committee Members, external directors, non-executive directors, and non-residents in Japan; collectively "Executive Directors, etc.") and details of the incentive plan ("Plan") that starts on this fiscal year, based on the System.

The resolution of the Board of Directors regarding the above is based on the deliberation results of the Compensation Committee and the revision of the System shall be subject to the approval of the 155th Annual General Shareholders' Meeting to be held on June 27, 2019 ("General Shareholders' Meeting").

#### 1. Resumption of the System

In May 2015, the Company announced the Medium-Term Management Plan covering the period from the fiscal year ended March 31, 2016 to the fiscal year ended March 31, 2018, and introduced the System as a remuneration system linked to this Medium-Term Management Plan. However, the Company, as described in "Notice of Restructuring," released on November 8, 2016, decided to discontinue this Medium-Term Management Plan and subsequently engaged in restructuring efforts through the fiscal year ended March 31, 2019. As a result, the Company forfeited the remuneration based on the System.

In conjunction with the recent formulation of the new Medium-Term Management Plan, which aims to "establish a foundation for growing enterprise value sustainably," the Company will resume the System to further enhance the incentive of the Executive Directors, etc. toward achieving the plan. Also, as the Company transitioned from business management aiming at revenue growth to business management aiming at profit enhancement and maximization of corporate value as a result of the restructuring, the Company will partially revise the System to reinforce linkage with performance targets indicated in the Medium-Term Management Plan. In conjunction with this transition, the Company will extend the trust term of the BIP trust (as described in 2. (2) below).

2. Overview of the System and the Plan

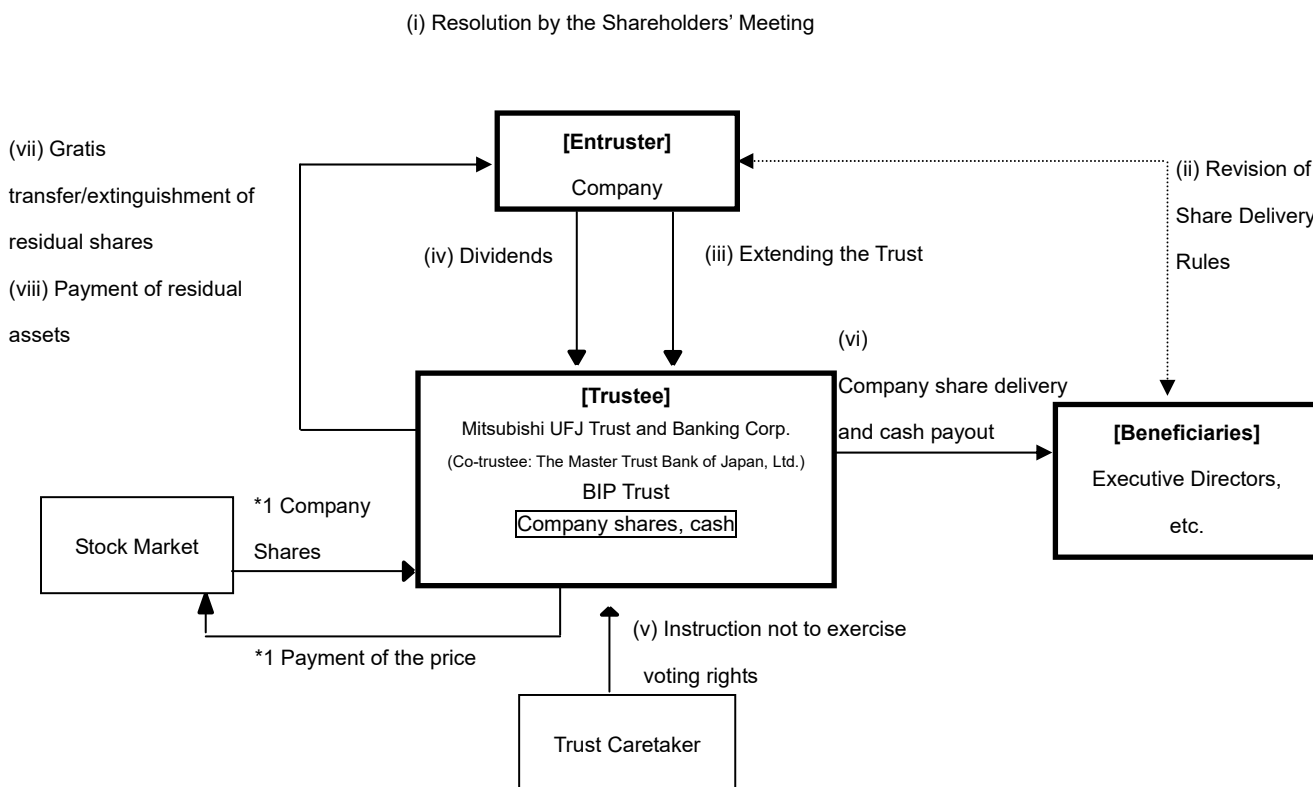
(1) Summary of the System and the Plan

The System is an incentive plan in which the delivery and payment (“Delivery, etc.”) of the Company shares and the cash equivalent of the conversion value of said shares (“Company Shares, etc.”) to the Executive Directors, etc. as director remuneration will be conducted per every three years based on the degree of accomplishment of performance targets, etc. of the Medium-Term Management Plan.

Each incentive plan based on the System applies for three consecutive fiscal years (“Target Period”) from the fiscal year to which the date of the establishment of the trust or the date of the extension of the trust term belongs. The Target Period of the Plan will be for three fiscal years starting from the fiscal year that ends on March 31, 2020 up to the fiscal year that ends on March 31, 2022.

(2) The System Structure

The System adopts a structure called the Board Incentive Plan Trust (“BIP Trust”). The BIP Trust is a stock incentive plan similar to the Performance Share system and Restricted Stock system in the U.S., wherein the Company shares that are acquired by the BIP Trust will be delivered to the Executive Directors, etc. based on the degree of accomplishment of performance targets, etc.



- (i) The Company shall obtain approval for director remuneration in relation to the revision of the System at the General Shareholders' Meeting.
- (ii) The Company shall revise the Share Delivery Rules concerning the System at the Board of Directors meeting.
- (iii) The Company, based on the agreement to change the trust agreement, shall extend the trust term of the

BIP Trust ("Trust"), which was set at the time of introduction of the System.

- (iv) Dividends of the Company shares in the Trust will be distributed as well as other Company shares.
- (v) The voting rights of the Company shares in the Trust will not be exercised during the trust term.
- (vi) During the trust term, the Executive Directors, etc. who meet the beneficiary requirements will receive the Company shares according to the Share Delivery Rules. (In addition, the Executive Directors, etc. will receive money equivalent to a certain percentage of the Company shares under the Trust by converting those shares into money according to the provisions of the trust agreement.)
- (vii) If there are remaining shares at the expiry of the trust term due to non-achievement of performance targets or other reasons during the trust term, the trust may continue to be used as a type of incentive plan similar to the System by changing the trust agreement and entrusting additional money to the Trust, or the Trust may voluntarily convey said remaining shares to the Company and the Company may acquire them without payment and cancel the remaining shares by a resolution at the Board of Directors meeting.
- (viii) Residual properties after distribution to beneficiaries at the end of the Trust will belong to the Company to the extent of allowances for trust expenses, which are calculated by deducting the funds to acquire Company shares from the trust money. The portion exceeding the allowances for trust expenses will be donated to groups that have no vested interest with the Company and the Executive Directors, etc.

(Note) If there are no remaining Company shares under the Trust due to the delivery of the Company shares to the Executive Directors, etc., who meet the beneficiary requirements, the Trust will be discontinued before the expiry of the trust term.

If the possibility of a shortage of shares under the Trust occurs, due to an increase in the number of Executive Directors, etc. and other factors, the Company may entrust additional money to the Trust as funds to acquire the Company shares and the Trust may acquire additional Company shares. However, the total number of the Remaining Company Shares, etc. (as described in (5) below) at the time of extension of the trust term and the additional trust money to be entrusted shall be within the extent of the upper limit of trust money approved by the General Shareholders' Meeting.

### (3) Resolution of the Shareholders' Meeting Related to the partial revision of the System

The General Shareholders' Meeting shall resolve the necessary matters relating to the partial revision of the System. In addition, if the trust term is extended (see (5) below), the Board of Directors will resolve to change the trust agreement and entrust additional money to the Trust at the expiry of the trust term to the extent approved by the General Shareholders' Meeting.

### (4) Eligibility under the Plan (Beneficiary Requirements)

The Delivery, etc. of the Company Shares, etc. to the Executive Directors, etc. from the Trust will be conducted corresponding to the Share Granting Points (provided in (6) below) if the Executive Directors, etc. have fulfilled the beneficiary requirements.

Beneficiary requirements of the System will be as follows:

- (i) a person who is in office as Executive Director, etc.;
- (ii) a person who resides in Japan;
- (iii) a person who does not fall within those who left office due to dismissal, etc., or who conducted certain illegal activities during their time in office;
- (iv) a person whose Share Granting Points provided in (6) below have been determined;
- (v) a person who satisfies other requirements deemed necessary to attain the aim of the System as a share remuneration system.

(5) Trust Term after Extension

The trust term pertaining to the Plan after the extension of the Trust will be three years, from September 1, 2019 until the end of August 2022.

The Trust may be continued by changing the trust agreement. In such cases, the Company may further extend the trust term of the Trust, entrust, if necessary, additional money to the Trust per each extended trust term to the extent of the upper limit of trust money approved by the resolutions at the General Shareholders' Meeting, and continue, in accordance with the (6) below, the grant of Standard Points to the Executive Directors, etc., continuously during the extended trust term.

However, in cases where such additional entrustment is made and there are remaining Company shares and money (excluding Company shares to be delivered to the Executive Directors, etc., corresponding to the Share Granting Points (as described in (6) below) granted to the Executive Directors, etc. which have not been delivered to the Executive Directors, etc.; "Remaining Company Shares, etc.") in the trust assets as of the last day of the previous trust term, the Remaining Company Shares, etc. may, under the Plan, be granted to the Executive Directors, etc. as the remuneration under the System and for the extended trust term, provided that the total amount of the Remaining Company Shares, etc., and the additional contribution of trust money shall be within the upper limit of trust money approved by the resolutions at the General Shareholders' Meeting.

(6) Calculation Method of Number of the Company Shares to Be Delivered to the Executive Directors, etc.

Points calculated in accordance with the standard points calculation formula defined below ("Standard Points") will be granted to the Executive Directors, etc., as of June every year during the trust term. The Company Shares, etc. will be Delivery, etc. to the Executive Directors, etc., in accordance with the number of points ("Share Granting Points") which is calculated as of June after the end of the final fiscal year of the Medium-Term Management Plan to be resolved per each three fiscal years (June 2022 in relation to the Plan) by multiplying the performance-based coefficient <sup>(\*)1</sup> to the three-year cumulative Standard Points. One Share Granting Point equals one share <sup>(\*)2</sup>.

(Standard Points Calculation Formula)

Base compensation by title <sup>(\*)3</sup> x ratio by title <sup>(\*)4</sup> / average price per share acquired by the Trust (fractions after the decimal point to be rounded down)

(Share Granting Points Formula)

Cumulative Standard Points granted during the Target Period x performance-based coefficient

(\*)1 The performance-based coefficient shall be determined within the range of 0% to 150% in accordance with the degree of accomplishment of the target for total consolidated operating income for the Target Period and the degree of accomplishment of the ROE target in the final fiscal year that are set in the Medium-Term Management Plan covering the Target Period.

[Reference] Calculation Method of Share Granting Points under the Plan

Under the Plan, weighting of each evaluation benchmarks (ROE for the final fiscal year and total consolidated operating income) to the Share Granting Points will be 50% each. Targets, degree of linkage with performance and applicable coefficient by performance for each evaluation benchmarks will be as follows;

| Evaluation benchmarks  | Weight | Targets         | Degree of linkage with performance | Applicable coefficient by performance  |
|--|--------|-----------------|------------------------------------|--|
| ROE for the fiscal year ending March 31, 2022  | 50%    | 8.0%            | 0% - 150%                          | Variable in the range below;<br>- Upper limit (12.0%) : Coefficient 150%<br>- Target (8.0%) : Coefficient 100%<br>- Lower limit (6.0%) : Coefficient 50%<br>*If it falls below 6.0%, the coefficient will be 0%, and if it exceeds 12.0%, the coefficient will be 150%.                  |
| Total consolidated operating income for the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022 | 50%    | 200 billion yen | 0% - 150%                          | Variable in the range below;<br>- Upper limit (240 billion yen) : 150%<br>- Target (200 billion yen) : 100%<br>- Lower limit (180 billion yen) : 50%<br>*If it falls below 180 billion yen, the coefficient will be 0%, and if it exceeds 240 billion yen, the coefficient will be 150%. |

(\*2) In the events such as a share split, allotment of shares without contribution or consolidation of shares occurs during the Trust Period regarding the Company shares, the Company will adjust the number of Share Granting Points with reasonable calculation.

(\*3/4) The “base compensation by title” and “ratio by title” will be determined in consideration of factors such as responsibilities and duties, and the percentage of monetary compensation and stock compensation in overall executive compensation.

(7) Method and Timing of the Delivery, etc. of the Company Shares, etc. to the Executive Directors, etc.

The Delivery, etc. of the Company Shares, etc., corresponding to the Share Granting Points will be conducted in June after the end of the final fiscal year of the Medium-Term Management Plan (June 2022 in relation to the Plan) to eligible Executive Directors, etc., who satisfy the beneficiary requirements.

Executive Directors, etc. will receive 50% of the Share Granting Points by Company shares (less than one unit will be rounded down), and remaining 50% of the Share Granting Points by money after the conversion of Company shares into money by the Trust.

(8) Upper Limit of the Amount of Trust Money Entrusted to the Trust and Number of the Company Shares to Be Delivered by the Trust

The upper limit of the amount of trust money entrusted to the Trust by the Company (total amount of the Remaining Company Shares, etc. and additional entrustment of trust money during the Target Period) shall be 1.2 billion yen <sup>(\*5)</sup>.

(\*5) These are the total funds for the Trust acquired shares, as well as trust fees and trust expenses.

The total number of the Company Shares, etc. to be Delivered, etc. (including in case of conversion into money) under the Trust pursuant to (6) and (7) above shall be up to 730 thousand shares. The maximum number of the Company shares to be delivered has been determined based on the maximum amount of trust money mentioned above and in reference to the latest stock prices, etc.

(9) Method of Acquiring the Company Shares by the Trust

The Trust will acquire the Company shares from the stock market to the extent of trust money and the maximum number of the Company shares to be delivered, as specified in (8) above.

(10) Exercising Voting Rights Related to Company Shares in the Trust

Voting rights related to the Company shares in the Trust (namely Company shares, with respect to which Delivery, etc. to the Executive Directors, etc. has not been conducted yet pursuant to (7) above) will not be exercised during the trust term, to ensure the neutrality of the Company management.

(11) Treatment of Dividends Related to the Company Shares in the Trust

Dividends related to the Company shares in the Trust will be received by the Trust and used for trust fees and trust expenses.

(12) Treatment at the End of the Trust Term

If there are residual shares at the end of the trust term due to the non-achievement of performance targets during the Target Period, the Trust may continue to be used as the same type of incentive plan as the performance-based stock remuneration system by changing the trust agreement and entrusting additional money to the Trust. If the Trust is terminated by the expiry of the trust term, the Trust will transfer said remaining shares to the Company without compensation and the Company will cancel said shares by a resolution at the Board of Directors meeting.

If there is a remainder of dividends at the end of the trust term, even after dividends are used for trust fees and trust expenses under the Trust, the remainder will be donated to groups that have no vested interest with the Company or the Executive Directors, etc.

(Reference)

[Details of Trust Agreement]

- |                        |  |
|------------------------|--|
| (i) Type of trust:     | Money trust other than a specific individually operated money trust (third-party benefit trust)                        |
| (ii) Purpose of trust: | To grant incentives to the Executive Directors, etc.   |
| (iii) Entruster:       | The Company  |
| (iv) Trustee:          | Mitsubishi UFJ Trust and Banking Corporation (planned)<br>(Co-trustee: The Master Trust Bank of Japan, Ltd. (planned)) |
| (v) Beneficiaries:     | Executive Directors, etc. who meet beneficiary requirements  |
| (vi) Trust caretaker:  | A third party who has no vested interest in the Company  |

- (certified public accountant)
- (vii) Date of trust agreement: August 11, 2015 (To be revised, effective August 7, 2019)
- (viii) Trust period: From August 11, 2015 to the end of August 2019 (To be extended to the end of August 2022, by changing the trust agreement, effective August 7, 2019)
- (ix) Exercise of voting rights: No voting rights shall be exercised.
- (x) Upper limit of trust money: 1.2 billion yen (total amount of the Remaining Company Shares, etc. and the additionally entrusted trust money entrusted during the Target Period)
- (xi) Time to acquire shares: If the possibility of a shortage of shares under the Trust occurs, additional shares may be acquired.
- (xii) Type of acquired shares: The Company's common stock
- (xiii) Method of share acquisition: To be acquired from the stock market
- (xiv) Vested rights holder: The Company
- (xv) Residual properties: Residual properties that the Company, which is the holder of vested rights, can receive shall be within the extent of allowances for trust expenses, which are calculated by deducting funds to acquire Company shares from trust money.

[Note] The scheduled time mentioned above may be changed to an appropriate time in accordance with applicable laws and regulations, etc.

[Affairs Concerning Trust and Shares]

- (1) Trust-related affairs: Mitsubishi UFJ Trust and Banking Corporation will be the trustee of the Trust and engage in affairs related to the Trust.
- (2) Share-related affairs: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. will engage in affairs related to delivering Company shares to beneficiaries based on the agreement of entrustment of affairs.