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## Introduction of Performance-based Stock Remuneration System for the Directors, etc., of the Company

NIKON CORPORATION (“Company”) hereby announces, as described below, that it resolved at the Board of Directors meeting held on May 20, 2015 to introduce a performance-based stock remuneration system (“System”) as a new incentive plan for directors and officers of the Company (excluding external directors and non-full-time directors; collectively “Directors, etc.”) and the incentive plan to be implemented in this fiscal year ended March 31, 2018, based on the System (“Plan”).

The aforementioned resolution by the Board of Directors was made based on the result of discussions at the Compensation Committee consisting of the representative directors, external directors and external experts, and the introduction of the System is subject to approval at the 151th Annual General Meeting of Shareholders to be held on June 26, 2015 (“Shareholders Meeting”).

### 1. Purpose of Introducing the System

The Company resolved to change its traditional rolling system to fixed system by every three years in “Medium Term Management Plan of 2015” announced on May 14, 2015, and to set a goal it becomes a company growing with a portfolio of 6 businesses under “Next 100 - Transform to Grow”, the Medium Term Management Vision. The Company will introduce the System, which is closely linked to the company’s performance defined in the Medium Term Management Plan in order to reinforce the incentives to attain the goal for the Directors, etc. In addition, the Company also has the purpose of having more qualified people who play an important role in the international business arena of growing business field like medical field.

### 2. Overview of the System and the Plan

#### (1) The System and the Plan Summary

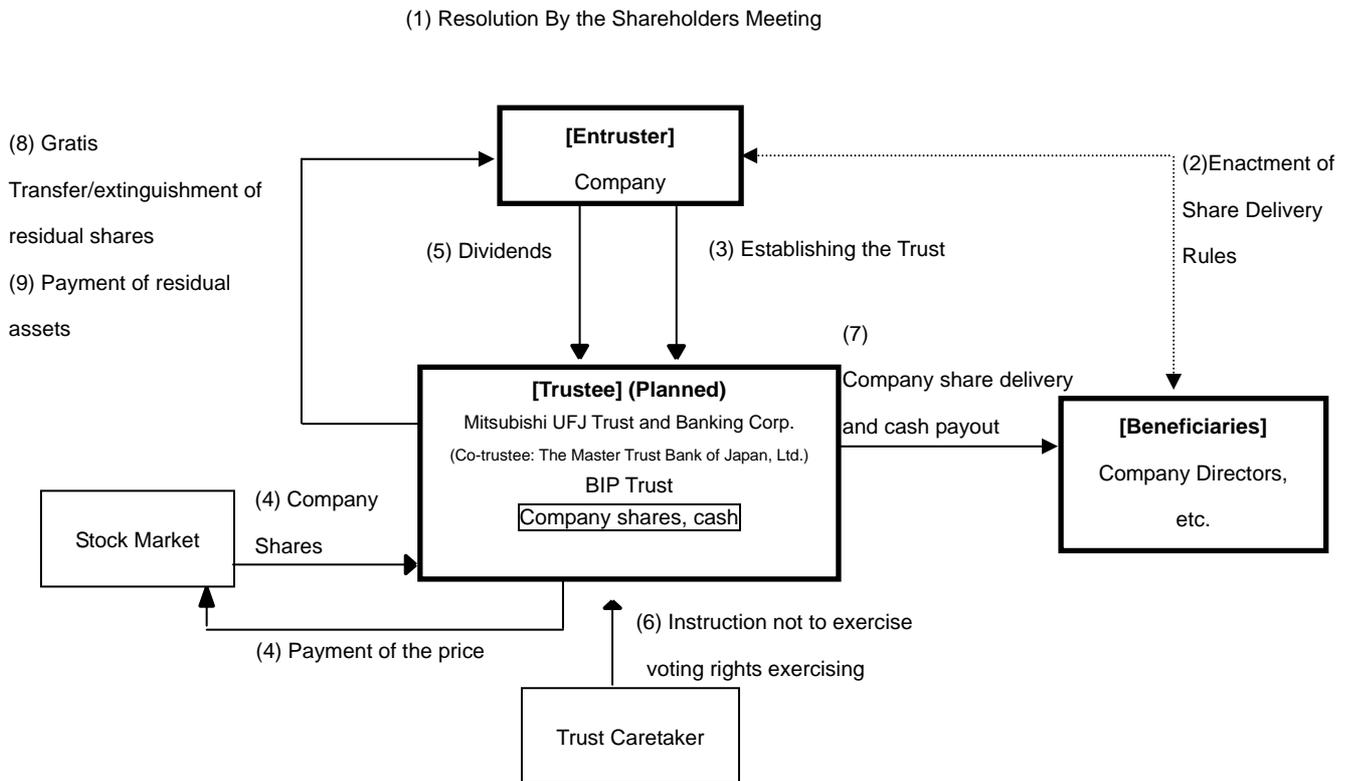
The System is a stock incentive plan for the Directors, etc. Delivery and payment (“Delivery, etc.”) of the Company shares and the cash equivalent of the conversion value of said shares (“Company Shares, etc.”) to the Directors, etc. will be conducted per every three years based on the degree of accomplishment of business performance in the final fiscal year of the Medium Term Management Plan. The Plan will be for the three fiscal years starting from the fiscal year that ends on March 31, 2016 up to the fiscal year that ends on March 31, 2018 (“Target Period”).

#### (2) The System Structure

The Board Incentive Plan Trust (“BIP Trust”) <sup>(\*)</sup> will be adopted upon introduction of the System. The BIP Trust is a stock incentive plan reference 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 Company Directors, etc., based on the degree of the attainment of business performance goals, etc.

(\*)BIP Trust® is a registered trademark of Mitsubishi UFJ Trust and Banking Corporation.



- (1) The Company will obtain approval for director remuneration in relation to the introduction of the System at the Shareholders Meeting.
- (2) The Company will, at the Board of Directors meeting, enact the Shares Delivery Rules concerning director remuneration in relation to the introduction of the System.
- (3) The Company will entrust money to the extent approved by the resolution at the Shareholders Meeting in (1) above and at the appropriate timing under relevant laws, and establish a trust ("Trust") wherein the Company Directors, etc., who meet the beneficiary requirements, are beneficiaries.
- (4) The Trustee (of the Trust) acquires the Company shares from the stock market using money contributed in (3) above in accordance with the instructions of the trust caretaker.
- (5) Dividends of the Company shares in the Trust will be distributed as well as other Company shares.
- (6) The voting rights of Company shares in the Trust will not be exercised during the trust term.
- (7) During the trust term, the Directors, etc. who meet the beneficiary requirements will receive the Company shares according to the Shares Delivery Rules (in addition, the 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.).
- (8) 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.

- (9) 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 Company Directors, etc.

(Note) If there are no remaining Company shares under the Trust due to the delivering of the Company shares to the Directors, etc., who meet the beneficiary requirements, the Trust will be discontinued before the expiry of the trust term. The Company may entrust additional money to the Trust as funds to acquire the additional Company shares and the Trust may acquire the additional Company shares to the extent of funds necessary to acquire the Company shares that were approved by a resolution of the Shareholders Meeting and to the extent of the maximum amount of the Company shares to be delivered (provided in (8), below).

### (3) Resolution of the Shareholders Meeting related to the Introduction of the System

The upper limit of the amount to be paid to the Trust, the maximum amount of Company shares to be acquired and other necessary matters will be resolved by the Shareholders Meeting. In addition, if the trust period 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 a resolution of the Shareholders Meeting.

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

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

Beneficiary requirements of the Plan will be as follows:

- (i) a person who is in office as the Director, etc., as of the end of the end of the Board of Directors meeting held after the Shareholders Meeting <sup>(\*1)</sup> <sup>(\*2)</sup> <sup>(\*3)</sup> <sup>(\*4)</sup>
- (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.

(\*1) If an eligible Director, etc., resigns (excluding cases of resignation for personal reasons), the Delivery, etc., of the Company Shares, etc. to the Directors, etc. from the Trust corresponding to the cumulative Share Granting Points as of the person's resignation will be promptly conducted.

(\*2) If an eligible Director, etc., passes away during his/her time in office as a Company Director, etc., a successor of the Directors, etc. shall receive payouts from the Trust promptly with regard to money equivalent to Company shares converted into cash corresponding to the cumulative Share Granting Points as of death of the Directors, etc.

(\*3) If an eligible Director, etc., becomes a non-resident in Japan during the Target Period, the Director, etc. shall be treated in the same manner as those who dies, and receive payouts from the Trust with regard to money equivalent to the Company shares converted into cash corresponding to the cumulative Share Granting Points as of the time the Director, etc. becomes a non-resident.

(\*4) While a person who is newly appointed as a Director, etc., during the Target Period, and is not a Director, etc. at the end of the Board of Directors meeting held after the Shareholders Meeting shall not be eligible for the System, the Director, etc. will be granted Share Granting Points in accordance with his/her service period in the same manner as an eligible Director, etc. Yet, if the Trust is continued as provided in (5) below, the Delivery, etc., of the Company Shares, etc., from the continued trust, corresponding to the Share Granting Points granted during the Target Period in addition to the Company Shares, etc., corresponding to Share Granting Points granted during the period of the continued trust.

(5) Trust Term

The trust term will be about three years, from August 11, 2015 (planned) until the end of August 2018 (planned).

The Trust may be continued by changing the trust agreement and entrusting additional money at the expiration of the trust term. In such cases, the Company may further extend the trust term of the Trust, entrust additional money to the Trust per each extended trust term to the extent of the upper limit of trust money approved by the resolution at the Shareholders Meeting, and continue the grant of Share Granting Points to Directors, etc., continuously during the extended trust term.

However, in cases where such additional entrustment is made and there are remaining Company shares (excluding Company shares to be delivered to Directors, etc., corresponding to the Share Granting Points granted to the Directors, etc., which have not been delivered to the Directors, etc.) and money (collectively the "Remaining Company Shares, etc.") in the trust assets as of the last day of the previous trust term, 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 resolution at the Shareholders Meeting.

(6) Amount of the Company Shares to be delivered to the Directors, etc.

Points calculated in accordance with the points calculation formula defined below will be granted to the Directors, etc., as of June 1 (or the next business day in case June 1 is not a business day) every year during the trust term. The Company shares delivered to the Directors, etc., will be determined based on 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 2018 in relation to the Plan) by multiplying the performance-based coefficient <sup>(5)</sup> to the three-year cumulative points after consideration of discussions and advice from the Compensation Committee consisting of the representative directors, external directors and external experts. One Share Granting Point equals to one share <sup>(6)</sup>.

(Points Calculation Formula)

Base compensation by title <sup>(7)</sup> x ratio by title <sup>(8)</sup> / average price per share acquired by the Trust (fractions after the decimal point to be rounded down)

(Share Granting Points)

Three-year cumulative points x performance-based coefficient

(\*5) The performance-based coefficient shall be determined within the range of 0% to 150% in accordance with achievement during in the final fiscal year (the fiscal year of 2017 in relation to the Plan) of the Medium Term Management Plan to be resolved per each three fiscal years.

(\*6) If events such as a share split or reverse share split occurs and the adjustment of the number of points during the trust term in accordance with such events is regarded as appropriate, such adjustment will be made in accordance with the relevant share split ratio or reverse share split ratio, etc.

(\*7/8) 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 Directors, etc.

The Delivery, etc. of 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 to be resolved per each three fiscal years (June 2018 in relation to the Plan) to eligible Directors, etc., who satisfy the beneficiary requirements.

(8) Scheduled Amount of Trust Money to be paid to the Trust and Scheduled Amount 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 shall be 1.2 billion yen <sup>(\*9)</sup>.

(\*9) These are the total funds for the Trust to acquire shares, as well as trust fees and trust expenses. The Company is planning to submit a proposal for an upper limit of 1.2 billion yen for the amount to be paid for the System, and to obtain a resolution at the Shareholders Meeting. If it is so resolved, the Company may pay money to the Trust under the System up to said limit.

The total amount of the Company Shares, etc., to be delivered under the Trust pursuant to (6) above shall be up to 730 thousand shares. The maximum amount of the Company shares to be delivered has been determined based on the upper limit of trust money mentioned above and in reference to the current stock price, etc.

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

The Trust plans the acquisition of the Company shares from the stock market to the extent of the funds to acquire shares and the maximum amount 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. 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-attainment of business performance goals 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 paying 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 Period, 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 Directors, etc.

(Reference)

[Trust Agreement Contents]

(1) Type of Trust:	An individually operated designated trust of cash other than cash trust (third party benefit trust)
(2) Purpose of Trust:	To grant incentives to the Directors, etc.
(3) Entruster:	The Company
(4) Trustee:	Mitsubishi UFJ Trust and Banking Corporation (planned) (Co-trustee: The Master Trust Bank of Japan, Ltd. (planned))
(5) Beneficiaries:	The Directors, etc. who is incumbent upon the establishment of the Trust, and who meet beneficiary requirements
(6) Trust Caretaker:	A third person who has no vested interest with the Company (Certified public accountant)
(7) Date of trust agreement:	August 11, 2015 (planned)
(8) Trust Period:	From August 11, 2015 (planned) to the end of August 2018 (planned)
(9) Start of the Plan:	August 11, 2015 (planned) Granting points from June 1, 2016 (planned)
(10) Exercise of voting rights:	No voting rights will be exercised
(11) Type of acquired shares:	Common Company shares
(12) Total amount of trust money:	1.2 billion yen (scheduled)
(13) Time to acquire shares:	From August 17, 2015 (planned) to the end of August 2015 (planned)
(14) Manner of share	To be acquired from the stock market

acquisition:	
(15) Vested rights holder:	The Company
(16) Residual properties:	Residual properties that the Company, which is the holder of vested rights, can receive are 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 related to Trust and Shares]

(1) Affairs related to trust:	Mitsubishi UFJ Trust and Banking Corporation will be the trustee of the BIP Trust and engage in affairs related to the Trust.
(2) Affairs related to shares:	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.