

May 20, 2022

## **Notice Concerning Revision of Compensation System for Directors Other Than Those Who Are Audit and Supervisory Committee Members**

NIKON CORPORATION (the “Company”) hereby announces, as described below, that it has resolved at its Board of Directors’ meeting held on May 20, 2022 to revise the stock compensation system for Directors other than those who are Audit and Supervisory Committee Members and divide the compensation into monetary compensation and stock compensation (“Revision”) and submit a proposal on this Revision to the 158th Annual General Shareholders’ Meeting to be held on June 29, 2022 (“General Shareholders’ Meeting”).

### 1. Purpose of this Revision

Under the current compensation system of the Company, compensation for Directors other than those who are Audit and Supervisory Committee Members comprises fixed monthly compensation, monetary compensation paid as bonuses, performance-based stock remuneration using the BIP Trust, and subscription rights to shares granted as stock-related compensation.

For these compensation components, it was approved, at the 157th Annual General Shareholders’ Meeting held on June 29, 2021, that the aggregate maximum amount of monetary compensation and subscription rights to shares granted as stock-related compensation for Directors other than those who are Audit and Supervisory Committee Members shall be 650 million yen or less per year (of which 50 million yen or less is for External Directors per year and 170 million yen or less per year is for subscription rights to shares granted as stock-related compensation) (this amount does not include the portion of employees’ salaries for Directors who also serve as employees). Separately, it was approved, at the 155th Annual General Shareholders’ Meeting held on June 27, 2019, that performance-based stock remuneration using the BIP Trust with the upper limit of 1,200 million in total shall be paid to Directors (excluding Audit and Supervisory Committee Members, External Directors, other Non-executive Directors, and non-residents of Japan) and Officers (excluding non-residents of Japan) for every three fiscal years.

In conjunction with the recent formulation of the new Medium-term Management Plan, the Company reviewed the current stock compensation system to provide them an incentive to achieve the targets set forth in the Medium-term Management Plan and to enhance corporate value over the medium to long term, as well as to further promote greater value sharing with shareholders, and decided to divide the compensation into monetary compensation and stock compensation and newly set the amount of monetary compensation after consideration of various circumstances such as the compensation paid to Directors in the past. Meanwhile, as for stock compensation, the Company decided to newly establish a restricted stock compensation system and a new performance-based stock remuneration system to replace the current performance-based stock remuneration using the BIP Trust and subscription rights to shares granted as stock-related compensation.

### 2. Overview of this Revision

#### (1) Content of monetary compensation

With regard to the amount of monetary compensation for Directors other than those who are Audit and Supervisory Committee Members of the Company, it will be proposed at the General Shareholders’ Meeting to pay fixed monthly compensation and other monetary compensation within the same amount as previous 650 million yen or less per year (of which 50 million yen or less per year is for External Directors) (this amount does not include the portion of employees’ salaries for Directors who also serve as employees) after consideration of various circumstances such as the compensation paid to Directors in the past and the authorized number of Directors other than those who are Audit and Supervisory Committee members, which is not more than 15.

#### (2) Revision of stock compensation system

Stock compensation for the Company’s Directors other than those who are Audit and Supervisory Committee Members comprises performance-based stock remuneration using the BIP Trust and subscription rights to shares granted as stock-related compensation. As previously mentioned, in conjunction with the recent formulation of the new Medium-term Management Plan, the Company decided to review the current stock compensation system to provide them an incentive to achieve the targets set forth in the Medium-

term Management Plan and to enhance corporate value over the medium to long term, as well as to further promote greater value sharing with shareholders.

Specifically, it will be proposed at the General Shareholders' Meeting to newly establish a restricted stock compensation system and a new performance-based stock remuneration system to replace the current performance-based stock remuneration using the BIP Trust and subscription rights to shares granted as stock-related compensation and deliver shares to Directors other than those who are Audit and Supervisory Committee Members (excluding External Directors, other Non-executive Directors, and non-residents of Japan) separately from their monetary compensation (Directors eligible for the restricted stock compensation and the new performance-based stock remuneration are hereinafter referred to as "Eligible Directors"). After this Revision, respective systems for the both performance-based stock remuneration using the BIP Trust and subscription rights to shares granted as stock-related compensation will be abolished (excluding shares and subscription rights to shares that have already granted).

(i) Structure of restricted stock compensation system

(a) Overview

Restricted stock compensation system is a compensation system under which shares of the Company's common stock that are subject to provisions of a certain transfer restriction period and grounds for acquisition by the Company without contribution ("Restricted Shares (I)") are delivered to Eligible Directors.

(b) Upper limits of the amount of compensation and the number of shares to be delivered

Upon resolution by the Board of Directors, the Company shall, in principle, grant monetary compensation claims to Eligible Directors every year. Meanwhile, Eligible Directors shall receive Restricted Shares (I) by making an in-kind contribution of the said monetary compensation claims at the time of issuance of Restricted Shares (I) or disposal of treasury stock by the Company. The amount of monetary compensation claims to be granted by the Company to Eligible Directors shall be determined by the Board of Directors within a range that is not particularly advantageous to Eligible Directors who receive Restricted Shares (I), and its total amount shall be 100 million yen or less per fiscal year, which is deemed reasonable in light of the aforementioned purpose. The number of Restricted Shares (I) to be delivered to Eligible Directors shall be 150,000 shares or less per fiscal year; provided, however, that if the total number of shares issued by the Company increases or decreases as a result of such events as a share consolidation, share split, or allotment of shares without contribution ("Share Split, etc."), the said upper limit shall be reasonably adjusted according to the ratio of Share Split, etc.

(c) Calculation method of shares of the Company's common stock to be received by Eligible Directors

The Company shall determine the number of Restricted Shares (I) to be delivered to each Eligible Director for each fiscal year in accordance with the calculation formula defined below:

[Calculation formula for the number of Restricted Shares (I) to be delivered for each fiscal year]

Number of shares to be delivered = Base reference amount by title <sup>(\*)1</sup> ÷ Reference price <sup>(\*)2</sup>

\*1 Base reference amount by title shall be determined according to factors such as the title of, content of duties performed by, and responsibilities of each Eligible Director.

\*2 Reference price shall be determined at the Board of Directors' meeting on the issuance of Restricted Shares (I) or the disposal of treasury stock within a range that is not particularly advantageous to Eligible Directors.

(d) Details of transfer restrictions

An Eligible Director shall be, in principle, prohibited from transferring, creating a security interest on, or otherwise disposing of Restricted Shares (I) during the period between the date on which he/she receives Restricted Shares (I) and the date on which he/she retires from any of the positions as Director (including executive officer at a company with three committees) and Officer (including Executive Fellow and other positions equivalent to Officer) ("Restriction Period (I)") under an agreement entered into among the Company, the Eligible Director, and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. that manages accounts opened for Restricted Shares (I).

(e) Lifting of transfer restrictions

The Company shall lift the transfer restrictions on all of the Restricted Shares (I) upon the expiry of the Restricted Period (I), on condition that an Eligible Director to whom Restricted Shares (I) were delivered has remained in any of the positions as Director (including executive officer at a company with three committees) and Officer (including Executive Fellow and other positions equivalent to Officer) throughout a period determined by the Board of Directors (“Service Offering Period (I)”).

If the Eligible Director retires from any of the positions as Director (including executive officer at a company with three committees) and Officer (including Executive Fellow and other positions equivalent to Officer) due to a justifiable reason (including the case where he/she has died) during the Service Offering Period (I), the number of shares on which the transfer restrictions are to be lifted shall be reasonably adjusted based on the period between the start date of the Service Offering Period (I) and the date of retirement.

(f) Acquisition without contribution

The Company shall acquire without contribution the remaining shares of Restricted Shares (I) on which the transfer restrictions have not been lifted in accordance with (e) above.

If an Eligible Director retires from any of the positions as Director (including executive officer at a company with three committees) and Officer (including Executive Fellow and other positions equivalent to Officer) without a justifiable reason or if certain other circumstances arise before the lifting of the transfer restrictions, the Company shall acquire all of the Restricted Shares (I) without contribution immediately after the circumstance arises.

(g) Treatment during reorganization, etc.

If, during the Restriction Period (I), matters relating to a merger agreement under which the Company will become a dissolving company, a share exchange agreement or a share transfer plan under which the Company will become a wholly-owned subsidiary of another company, or other certain reorganization, etc. are approved at a general shareholders’ meeting (or at a Board of Directors’ meeting in case where approval at a general shareholders’ meeting is not required in relation to the reorganization, etc.) (“Approval for Reorganization”), the Company shall lift the transfer restrictions on all of the Restricted Shares (I). Provided, however, that if the Approval for Reorganization is given during the Service Offering Period (I), even if it is during the Restriction Period (I), the Company shall lift the transfer restrictions on Restricted Shares (I) in the number determined based on the period between the start date of the Service Offering Period (I) and the date of approval and shall acquire without contribution the shares on which the transfer restrictions have not been lifted.

(ii) Structure of performance-based stock remuneration system

(a) Overview

Performance-based stock remuneration system is a compensation system under which the number of shares of the Company’s common stock calculated based on the degree of accomplishment of performance targets, etc. for each evaluation fiscal year or the amount of cash equivalent to the market value of shares of the Company’s common stock (“Company’s Shares, etc.”) shall be delivered to Eligible Directors.

(b) Evaluation fiscal year

An evaluation fiscal year under the performance-based stock remuneration system shall be each fiscal year of the period covered by a medium-term management plan subject to the delivery of Company’s Shares, etc. (“Target Period”; initially, four consecutive fiscal years from fiscal 2022 to fiscal 2025; and thereafter, multiple consecutive fiscal years, starting from the fiscal year following the final fiscal year of the previous Target Period, determined separately by the Board of Directors every time a new medium-term management plan is formulated).

(c) Upper limit of the amount of remuneration

The Company shall grant monetary compensation claims to Eligible Directors based on the degree of accomplishment of performance targets, etc. for each evaluation fiscal year. Meanwhile, Eligible Directors shall receive shares of the Company’s

common stock that are subject to provisions of a certain transfer restriction period and grounds for acquisition by the Company without contribution (“Restricted Shares (II)”) by making an in-kind contribution of the said monetary compensation claims at the time of issuance of Restricted Shares (II) or disposal of treasury stock. The amount of the said monetary compensation claims shall be the number of Restricted Shares (II) to be delivered to Eligible Directors, multiplied by the closing price of the Company’s common stock on the Tokyo Stock Exchange on the business day prior to the date of resolution by the Board of Directors on the issuance of Restricted Shares (II) or the disposal of treasury stock (if there is no closing price on such date, the closing price on the closest preceding trading day).

The upper limit of the total amount of monetary compensation claims and cash to be delivered by the Company to Eligible Directors under the performance-based stock remuneration system shall be the upper limit of the number of Restricted Shares (II) to be delivered to Eligible Directors per evaluation fiscal year of 110,000 shares as defined in (e) below, multiplied by the closing price of the Company’s common stock on the Tokyo Stock Exchange on the business day prior to the date of resolution by the Board of Directors on the issuance of Restricted Shares (II) or the disposal of treasury stock (if there is no closing price on such date, the closing price on the closest preceding trading day).

(d) Details of transfer restrictions and lifting thereof

Details of transfer restrictions on Restricted Shares (II) and the lifting thereof, conditions for acquisition by the Company without contribution, and treatment of reorganization, etc. shall be the same as those for Restricted Shares (I) (excluding, however, the provisos to 2. (2) (i) (e) and (g)). In these provisions, the terms “Restriction Period (I),” “Restricted Shares (I),” and “Service Offering Period (I)” shall be deemed to be replaced with “Restriction Period (II),” “Restricted Shares (II),” and “Service Offering Period (II),” respectively. The Service Offering Period (II) is planned to be from the start date to the end date of each evaluation fiscal year; provided, however, that if the tenure of an Eligible Director during the Service Offering Period (II) is shorter than the entire period of the Service Offering Period (II) due to the assumption of position as Eligible Director during the period or other such reasons, the number of Restricted Shares (II) to be delivered shall be reasonably adjusted.

Meanwhile, as described in (f) below, in certain cases, such as where an Eligible Director retires before the delivery date of Restricted Shares (II), the amount of cash equivalent to the market value of Restricted Shares (II) shall be delivered instead of Restricted Shares (II).

(e) Calculation method of Company’s Shares, etc. to be received by Eligible Directors and upper limit thereof

The Company shall deliver the number of Restricted Shares (II) calculated based on the degree of accomplishment of performance targets and the title of each Eligible Director, etc. for each evaluation fiscal year during the Target Period to each individual Eligible Director. The number of Restricted Shares (II) to be delivered to each Eligible Director per evaluation fiscal year shall be determined in accordance with the calculation formula defined below:

[Calculation formula for the number of Restricted Shares (II) to be delivered per evaluation fiscal year]

Number of shares to be delivered = Base number of shares to be delivered by title <sup>(\*)</sup> × Performance-based coefficient <sup>(\*)</sup>

\*1 The base number of shares to be delivered by title shall be determined by the Board of Directors, after deliberation by the Compensation Committee, taking into account factors such as the title of, content of duties performed by, and responsibilities of each Eligible Director.

\*2 The degree of accomplishment of each of the evaluation benchmarks, namely, financial targets set forth in the Medium-term Management Plan (the degrees of accomplishment of revenue, operating margin, and ROE) as well as strategic targets (amounts of operating profit derived from growth drivers, and services and components, respectively, and initiatives to strengthen the management base) shall be deliberated by the Compensation Committee, which is chaired by an External Director, and more than half of which consists of External Directors, within a range of 0% to 150%. Then, the performance-based coefficients shall be calculated by totaling the values multiplied by the weightings of respective evaluation benchmarks within a range of 0% to 150%. Points may be added to or subtracted from the performance-based coefficients, which are calculated as above, within 25 points, respectively, upon decisions of the Compensation Committee and the Board of Directors in consideration of, among other factors, economic conditions during each evaluation fiscal year, and subsequent events and other special circumstances of the Company. Even in such cases, however, the performance-based

coefficients shall be determined within a range of 0% to 150%.

Weightings of respective evaluation benchmarks and targets set for fiscal 2025 are as follows:

	Evaluation benchmark	Weighting	FY 2025 target
Financial targets	Revenue	25–30%	700.0 billion yen
	Operating margin	25–30%	10%
	ROE (FY 2025 only)	20%	8%
Strategic targets	Amount of operating profit derived from growth drivers	10–20%	31.0 billion yen
	Amount of operating profit derived from services and components	10–20%	46.0 billion yen
	Initiatives to strengthen the management base (Sustainability strategy, human capital management, etc.)	10%	Evaluate the degrees of accomplishment of initiatives on sustainability strategy human capital management, etc. in a comprehensive manner.

Among these evaluation benchmarks, ROE shall only be used for the evaluation for the final fiscal year of a Target Period. Also, the weightings and the targets of respective evaluation benchmarks for the period between fiscal 2022 and fiscal 2024 shall be determined at the beginning of each fiscal year, after deliberation on their appropriate levels to achieve the fiscal 2025 targets by the Compensation Committee, by the Board of Directors in accordance with the results of the deliberation, taking into account such factors as the state of the Company at the time.

The upper limit of the number of Restricted Shares (II) to be delivered by the Company to Eligible Directors shall be 110,000 shares per evaluation fiscal year; provided, however, that if the total number of shares issued by the Company increases or decreases as a result of Share Split, etc., the said upper limit shall be reasonably adjusted according to the ratio of Share Split, etc.

(f) Delivery of Company's Shares, etc. to Eligible Directors

The Company shall deliver the number of Restricted Shares (II), which is calculated as (e) above, to Eligible Directors who remain in service during each evaluation fiscal year in accordance with prescribed procedures after the end of the fiscal year in a way described in (c) above. Provided, however, that if an Eligible Director retires (including the case where he/she has died) before the delivery date of Restricted Shares (II), the Company shall deliver the amount of cash equivalent to the market value of the number of shares of the Company's common stock, obtained by prorating the number of shares to be delivered, which is calculated as (e) above, based on tenure during each evaluation fiscal year between the start date of each evaluation fiscal year and the date of retirement (in case of death, such cash shall be delivered to a successor to the rights to delivery, etc. of shares of the Eligible Director).

If an Eligible Directors is a non-resident of Japan who does not have Japanese nationality at the time of delivery, the amount of cash equivalent to the market value of the number of shares of the Company's common stock to be delivered, which is calculated as (e) above, shall be delivered to the Eligible Director.

(Reference)

If a proposal on this Revision is approved at the General Shareholders' Meeting as originally proposed, the Company plans to pay the same restricted stock compensation and performance-based stock remuneration as proposed in the proposal on this Revision to the Company's Officers (including Executive Fellows and other positions equivalent to Officer).

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