



May 11, 2016

FOR IMMEDIATE RELEASE

Company	Furukawa Electric Co., Ltd.
Representative	Mitsuyoshi Shibata, President
Code	5801 (TSE First Section)
Contact	Mami Masuda, Head of Investor and Public Relations Department
Telephone	(TEL 03-3286-3050)

### **Notice Regarding the Introduction of Performance-Linked Stock Compensation System**

Furukawa Electric Co., Ltd. (hereinafter the “Company”) hereby announces that at the meeting of the Board of Directors held today, the Company adopted a resolution for the introduction of a new Performance-linked Stock Compensation System (hereinafter the “the System”). It will submit a proposal of the System to the 194th Ordinary General Meeting of Shareholders scheduled to be held on June 27, 2016 (hereinafter the “General Meeting of Shareholders”).

#### 1. Objective and background of introducing the System

The Compensation for Executive Officers and Directors excluding Outside Directors and Auditors will be revised to enhance the linkage between compensation and the Company’s business results and contribution to medium- and long-term corporate value by reducing the portion paid by fixed amount and increasing the portion of performance-linked compensation. It will apply to the payment of executive compensation from July 2016. The revised Compensation System for Executive Officers and Directors consists of basic remuneration, short-term performance-linked compensation and medium- and long-term performance-linked compensation. The proportion of performance-linked compensation to total compensation is, though it depends on rank, approximately from 30 to 50 percent.

Medium- and long-term Performance-linked Compensation is applied to the System for Directors excluding Outside Directors, Corporate Vice President excluding Directors, and Senior Fellows (hereinafter “Directors, etc.”; see (2) below).

The introduction of the System will be subject to the approval of the General Meeting of Shareholders.

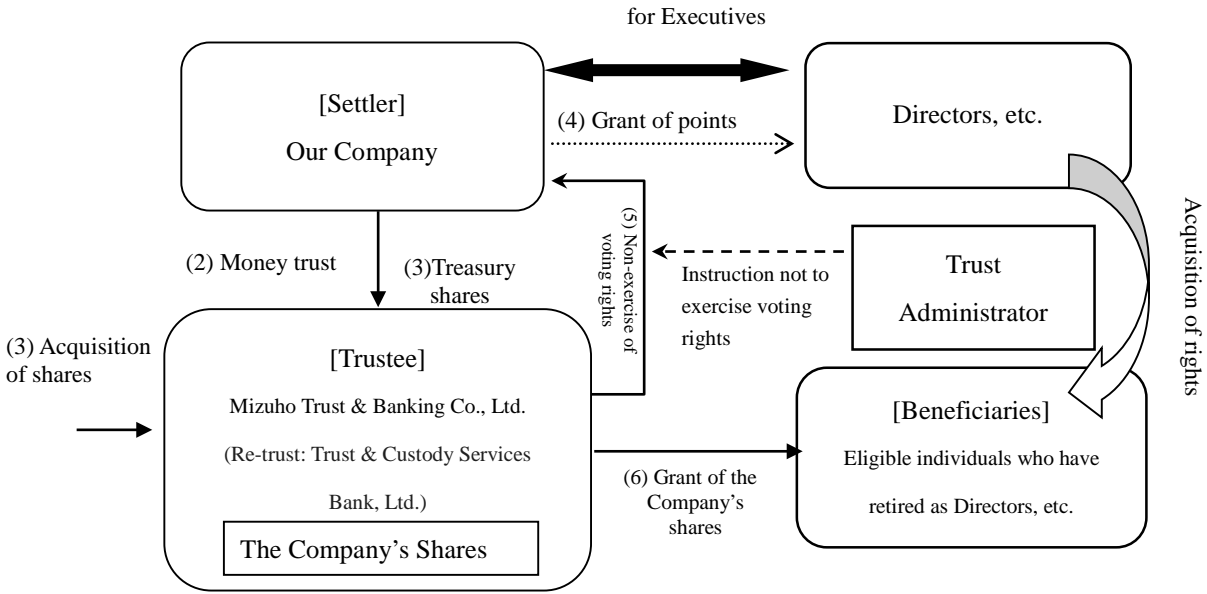
#### 2. Overview of the System

##### (1) Overview of the System

The System adopts a structure called “Board Benefit Trust” where the Company’s common shares (hereinafter the “Company’s shares”) are acquired through a trust using the money entrusted in the trust (hereinafter the

“Trust” referring to the trust established based on the System). And the Company’s shares are granted to Directors, etc. subject to the System in accordance with the Stock Benefit Regulations for Executives predetermined by the resolution of the Board of Directors. One target period consists of three fiscal years (hereinafter the “target period”; the initial target period is from April 1, 2016 to March 31, 2019). A pre-set number of points shall be granted to Directors, etc. subject to the System based on rank as a basis of the right to receive the Company’s shares every year, and the points shall be adjusted by the method in (4) below to determine the final points corresponding to the Shares to be paid. The Directors, etc. will receive the Company’s shares in a number corresponding to the final number of points granted while they are in office upon the shares’ retirement in general.

**Framework of the System** (1) Formulation of Stock Benefit Regulations



1. The Company establishes the Stock Benefit Regulations for Executives within the framework of the System approved at its shareholders’ meeting.
2. The Company entrusts money within the scope of a resolution approved at its shareholders’ meeting.
3. The Trust acquires the Company’s shares from the stock market or by subscribing to the Company’s shares retired using the monetary assets entrusted in (2).
4. The Company grants points to Directors, etc. subject to the System in accordance with the Stock Benefit Regulations for Executives.
5. In the Trust, in accordance with the instructions by an independent trust administrator, the voting rights on the shares of the Company held in the Trust are not to be exercised.
6. To those eligible individuals who retired as Directors, etc. and satisfy the requirements for the grant set forth in the Stock Benefit Regulations for Executives (hereinafter “Beneficiary”), the Trust offers the Company’s shares in a number corresponding to the number of points granted to the Beneficiaries. However, in the event that the Directors, etc. satisfy the requirements provided in the Stock Benefit Regulations for Executives separately, money in an amount equivalent to the fair value of retirement of the Company’s shares as at the time of retirement corresponding to a certain portion of the points granted to the Directors, etc. shall be provided to the Directors, etc. in substitute of the Company’s shares.

(2) Individuals eligible under the System

Directors excluding Outside Directors, Corporate Vice President excluding Directors who have entered into a subcontracting agreement with the Company, and Senior Fellows who are in office during the time the System operates are subject to the System. This excludes overseas residents who are to be paid in cash equivalent to the amount of compensation set forth in the System at the time of retirement as substitute for the shares. In the event the Company's Director Election Proposal is approved, the number of Beneficiaries eligible for the System at the time of its introduction will be twenty-four in total, consisting of seven Directors, fourteen Corporate Vice President and three Senior Fellows.

(3) Upper limit of the amount of the Company's contribution

On condition that the Proposal is approved, in accordance with (4) and (5), the Company shall contribute a maximum of ¥350 million as monetary assets of compensation for the Directors, etc. for acquiring the number of the Company's shares deemed necessary for the Trust to acquire the number of shares that are reasonably estimated to be required for granting the Company's shares to Directors etc. subject to the System to the Trust at the start of the Trust. The Beneficiaries of the Trust are retired Directors, etc. who have satisfied the requirements set forth in the Stock Benefit Regulations for Executives. The Trust shall acquire the Company's shares from the stock market or the Company (subscribing to the treasury shares retired through a third party allotment). In the initial target period, a maximum of 1,750,000 shares (a maximum number of shares corresponding to the points granted in each target period as set forth in (4) below) shall be acquired immediately after the establishment of the Trust.

Moreover, even after the elapse of the Initial Target Period, in principle, for every subsequent three fiscal years (the "Next Target Period") until the termination of the Trust, the Company shall contribute a maximum of ¥350 million of additional funds. However, when an additional contribution is to be made and the Company's shares (excluding the Company's shares equivalent to the final number of points granted to the Executives according to (4) below but that are yet to be granted to the Directors, etc.) and money (hereinafter the "Residual shares" inclusively referring to the shares and money) remain in the Trust on the date immediately before the commencement of the Next Target Period, such Residual shares, etc., shall be used as the capital for granting or acquiring shares in the subsequent target period in accordance with the System. In addition, the maximum amount of additional funds contributable to funds in the subsequent target period shall be ¥350 million minus the amount of Residual shares (the amount of the Company's shares equivalent to the fair value of the shares on the day immediately before the commencement of the subsequent target period).

(4) Calculation method of the number of the Company's shares, etc., to be granted and upper limit of the number of the shares to be granted

The Directors, etc. shall be granted a certain number of points by rank that will serve as the basis for determining the Company's shares, etc., every year as a basis of calculating the number of the Company's

shares subject to the System. However, the upper limit of the total number of points to be granted to the Directors, etc. each target period shall be 1,750,000. After the elapse of each target period, in accordance with the standards (standards for comparison between the volatility of the Company's shares during the target period and the volatility of TOPIX (Tokyo Stock Exchange Stock Price Index), and standard cumulative amount of dividend per share of the Company during the target period), the number of points shall be adjusted under a certain condition and finalized as the number of points that shall be exchanged at a rate of one share of the Company's common stock for one point. In the event the Company conducts a stock split or a consolidation of its shares during a valid period of the System, the number of shares to be granted shall be adjusted according to the share split ratio or share consolidation ratio. As of October 1, 2016, the Company will consolidate the Company's shares share at a ratio of one-for-ten, resulting from the reduction of the mandatory unit of transaction at stock exchanges from 1,000 to 100. (For more details, see "Notice regarding change in number of shares per share unit, consolidation of shares and partial amendments of Articles of Incorporation" separately released today.) In the event of a stock consolidation, the upper limit of the total points to be granted each target period and points to be granted will also be adjusted.

The Directors, etc. who have retired before the target period ends shall receive the number of shares, etc., calculated with the above-mentioned method, and the Directors, etc. who have retired for other reasons shall be handled by the Board of Directors depending on individual cases.

(5) Granting period of the Company's shares, etc.

By following a beneficiary identification procedure at retirement, Directors, etc. shall be granted the Company's shares in a number corresponding to the sum of the final points determined by method (4) by converting one point to one share from the Trust. In the event that the Directors meet the requirements separately set forth in the Stock Benefit Regulations for Executives in addition to the beneficiary requirements, a portion of the share to be granted will be paid in cash equivalent to the amount of the fair value of the shares at the time of payment. The Trust may sell the Company's shares to fulfill the payment obligation.

(6) Trust term

The Trust term shall be from August 2016 (planned) to the Trust's expiry date.

\* The Trust term shall continue as long as the Trust exists. The System shall be terminated when the Company's shares are delisted or the System is revoked by the resolution of the Board of Directors.

(7) Voting rights of the shares held by the Trust

Under the instruction of the trust administrator, voting rights of the Company's shares held by the Trust are not to be exercised without exception. In this way, the Company aims to ensure neutrality towards the Company's management.

(8) Handing of dividends

Dividends associated with the Company's shares within the Trust shall be received by the Trust and allocated to the capital for acquisition of the Company's shares and trust fees to be paid to trustees associated with the Trust, among others. In the event that dividends remain in the Trust upon termination of the Trust term, such dividends shall be donated to an organization having no relationship of interest with the Company and its executives, or granted to Directors, etc. in office at the time of the termination.

(9) Handling of the Trust upon termination

Of the residual assets of the Trust remaining at the time of termination, all of the Company's shares are scheduled to be transferred to the Company without compensation and cancelled by the resolution of the Board of Directors. Of the residual assets of the Trust remaining at the time of termination, a sum of money minus the residual dividends in (8) above shall be granted to the Company.

(10) Others

The other matters associated with the System including the establishment of the Trust, revision of the trust agreement, and additional funds shall be set forth by the Board of Directors when necessary.

**Overview of the Trust**

1. Name: Board Benefit Trust (BBT)
2. Entrustor: The Company
3. Trustee: Mizuho Trust & Banking Co., Ltd. (Re-trustee: Trust & Custody Services Bank Ltd.)
4. Beneficiaries: Retired Directors, etc. subject to the System who meet the beneficiary requirements set forth in Stock Benefit Regulations for Executives
5. Trust administrator: A third party having no conflict of interest with the Company shall be appointed.
6. Type of trust: Trust of money other than money trust (third party beneficiary trust)
7. Date of conclusion of the Trust agreement: August 2016 (Planned)
8. Date on which money will be entrusted: August 2016 (Planned)
9. Trust term: From August 2016 (Planned) to the day of termination (without specifying any time limit for such continuation)