



May 14, 2019

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Notice Regarding Partial Revision of Performance-Linked Stock Remuneration System

Furukawa Electric Co., Ltd. (hereinafter the “Company”) introduced the Performance-Linked Stock Remuneration System (hereinafter the “System”) for Directors excluding Outside Directors, as well as Corporate Vice Presidents and Senior Fellows (hereinafter collectively “Directors and Officers”), upon the resolution of the 194th Annual Shareholders Meeting on June 27, 2016. At the Board of Directors meeting held today, the Company adopted a resolution for partial revision of the System (hereinafter the “Revision”), and will submit a proposal concerning the Revision to the 197th Annual Shareholders Meeting to be held on June 27, 2019 (hereinafter “the Shareholders Meeting”). We hereby inform you of the details as follows:

1. Background and Objectives of the Revision

The Company introduced the current remuneration system for Directors and Officers in order to create a system that has stronger linkage to the Company’s business performance and contributes to increasing its corporate value over the mid- to long-term. The Revision is intended to further strengthen the linkage between remuneration for Directors and Officers and mid- to long-term stock value of the Company, thus stimulating greater awareness of their contribution to increasing mid- to long-term corporate value. Specifically, an evaluation index used for the System will be standardized in a way to compare the volatility of the Company’s share price and the volatility of Tokyo Stock Price Index (TOPIX); and the upper limit of the payment rate will be changed from 100% to 130%. In accordance to these changes, the Company decided to submit a proposal to the Shareholders Meeting with regard to the change in the maximum amount of remuneration for Directors under the System. Under the remuneration structure after the Revision, the percentage of performance-linked remuneration will be around 30 to 50 percent of total remuneration, although it depends on rank.

The Revision is subject to the approval of the Shareholders Meeting.

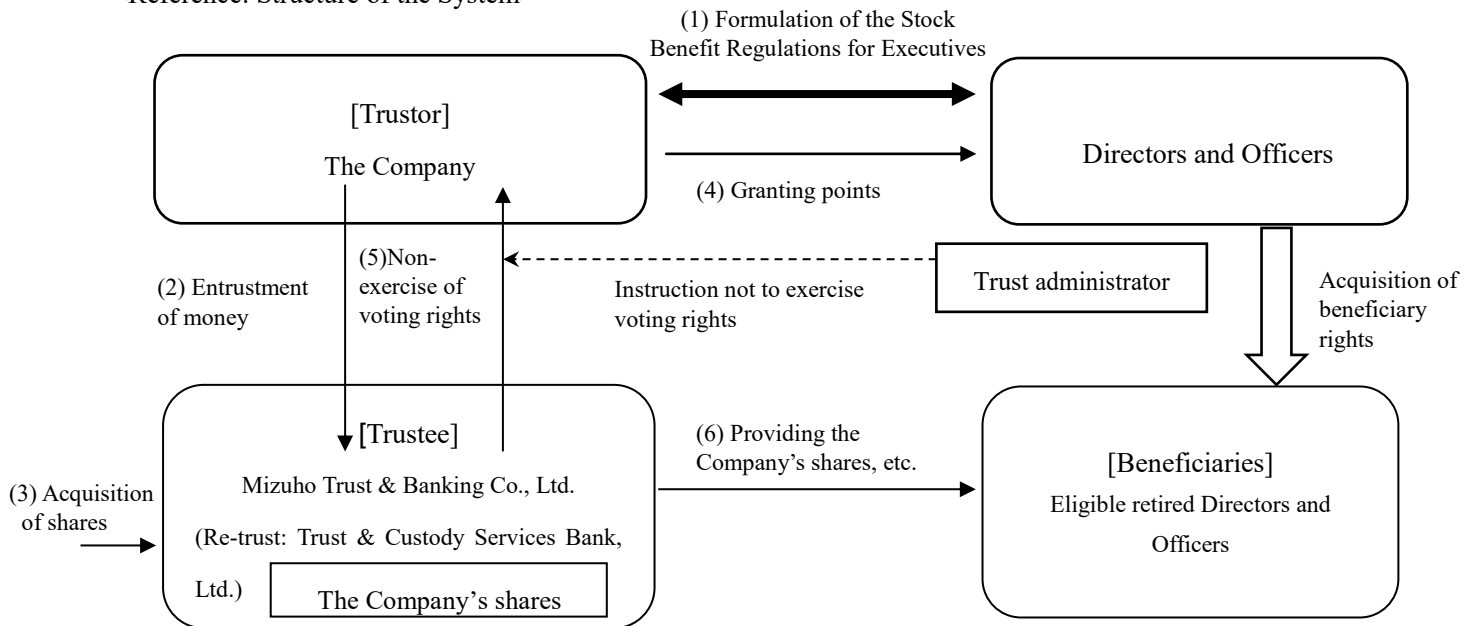
2. Details of the Revision

Major changes in the Revision are indicated by underlined texts below. As for details of the initial System, please refer to the “Notice Regarding the Introduction of Performance-Linked Stock Compensation System” published on May 11, 2016.

(1) Overview of the System

The System adopted a structure called “Board Benefit Trust” where the Company’s shares (common stock) (hereinafter the “Company’s shares”) are acquired through a trust using the money which the Company contributed to the trust (hereinafter the “Trust” referring to the trust established under the System). And the Company’s shares and the amount of money equivalent to the market value of the Company’s shares (hereinafter the “Company’s shares, etc.”) are granted to Directors and Officers 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 three fiscal years from April 1, 2016 to March 31, 2019, and the first target period after the Revision is three fiscal years from April 1, 2019 to March 31, 2022). A predetermined number of points shall be granted to Directors and Officers based on their ranks every year, as a basis of their entitlement to receive the Company’s shares, etc., and the points shall be adjusted by the method stipulated in (4) below to determine the final number of points corresponding to the number of the Company’s Shares to be granted. The Directors and Officers will receive the Company’s shares, etc. in a number corresponding to the final number of points granted while they are in office, in principle, at the time of their retirement.

<Reference: Structure of the System>



1. The Company established the “Stock Benefit Regulations for Executives” within the framework of the System approved at its 194th Annual Shareholders Meeting, and the “Stock Benefit Regulations for Executives” will be revised within the framework of the Revision to be approved at the Shareholders Meeting.
2. The Company entrusted money within the scope approved by resolution of its 194th Annual Shareholders Meeting, and will entrust additional money within the scope to be approved at the Shareholders Meeting.
3. The Trustee acquires the Company’s shares through the stock market or the disposal of treasury shares of the Company, using the monetary assets entrusted (including additional monetary contribution to be made by the Company as stated in the above 2, and remaining balance of money entrusted prior to the additional contribution).
4. The Company grants points to Directors and Officers in accordance with the “Stock Benefit Regulations for Executives”.
5. In the Trust, in accordance with instructions given by an independent trust administrator, voting rights on the Company’s shares held in the Trust are not to be exercised.
6. The Trust will provide the retired Directors and Officers who fulfill beneficiary requirements under the “Stock Benefit Regulations for Executives” (hereinafter “Beneficiaries”) with the Company’s shares in a number corresponding to the number of points granted to the Beneficiaries. However, if Directors and Officers satisfy separate requirements in the “Stock Benefit Regulations for Executive”, the Trust will provide them with an amount of money equivalent to the market value of the Company’s shares at the time of retirement, for a certain proportion of their points in lieu of the Company’s shares.

(2) Eligible Persons under the System

Eligible persons are Directors (excluding Outside Directors), Corporate Vice Presidents (excluding Directors who concluded a mandate agreement with the Company), and Senior Fellows, who are in office during the period the System remains in effect. However, overseas residents are not eligible for remuneration under the System: instead, they are paid in cash equivalent to the amount of remuneration under the System at the time of retirement. After the revision, on condition that the Company’s proposal for election of Directors is approved at the Shareholders Meeting, the total number of eligible persons will be 26 with the following breakdown: 7 Directors, 17 Corporate Vice Presidents, and 2 Senior Fellows.

(3) Maximum amount of the Company's contribution

The Company established the Trust, where its Beneficiaries are retired Directors and Officers who fulfill beneficiary requirements under the "Stock Benefit Regulations for Executives". At the time of establishing the Trust, the Company contributed 347 million yen to the Trust as monetary assets for acquiring an appropriate number of the Company's shares deemed reasonably necessary for providing remuneration for Directors and Officers in the form of the Company's shares, etc. in accordance with (4) and (5) below. The Trust used entrusted money to acquire the Company's shares from the stock market. During the initial target period, in August 2016 after the establishment of the Trust, it acquired 1,295,000 shares of the Company's common stocks (the Company carried out a reverse stock split at one for 10 shares of common stock on October 1, 2016, due to a change in the trading unit from 1,000 shares to 100 shares at the financial instruments exchange).

After the elapse of the initial target period, in every three fiscal years as a general rule until the termination of the Trust, the Company will make an additional contribution of no more than 450 million yen to the Trust for the subsequent three fiscal years (hereinafter the "next target period"). However, when an additional contribution is to be made, if there remain the Company's shares (excluding the Company's shares to be granted to Directors and Officers, corresponding to the number of points adjusted according to (4) below) and/or money (hereinafter such shares and money are collectively referred to as the "Remaining Shares, etc.") in the Trust account as of the date preceding to the start of the next target period, for which the contribution is to be made, such Remaining Shares, etc. shall be used for payments under the System during the next target period, and the maximum amount of the Company's contribution for the next target period shall be calculated by deducting the amount of the Remaining Shares, etc. (the value of the Company's shares is calculated at market value as of the preceding date of the start of the next target period) from 450 million yen.

For the first target period after the Revision, it is intended that the Trust shall acquire the Company's shares up to 180,000 shares (this number corresponds to the number of points to be granted in every target period as described in (4) below) through the stock market or the disposal of treasury shares of the Company promptly after the additional contribution. The Company will disclose its decision on an additional contribution in an appropriate and timely manner.

(4) Calculation method and upper limit of the number of the Company's shares to be granted to Directors and Officers

Directors and Officers shall be granted a predetermined number of points, depending on their ranks, every year, which serves as the basis of their entitlement to receive the Company's shares, etc. However, the maximum number of total points to be granted to Directors and Officers during each target period is limited to 180,000 points. After the elapse of each target period, in accordance with the predetermined standards (standards for comparison between the volatility of the Company's share prices and the volatility of Tokyo Stock Price Index or TOPIX), upon adjusting the number of points in certain cases, the number of points eligible for receiving the Company's shares by converting one point to one share is determined. In case a stock split or reverse stock split is carried out during the period the System remains in effect, necessary adjustment will be made according to the ratio of split or reverse split. The Company carried out a reverse stock split at one for 10 shares of common stock on October 1, 2016, due to a change in the trading unit from 1,000 shares to 100 shares at the financial instruments exchange. Accordingly, the Company made adjustments to the maximum number of total points during the initial target period, and granted points.

As for Directors and Officers who retired at the expiration of their terms before the target period ends, they are entitled to receive the Company's shares, etc. in a number calculated by the above-mentioned method. As for Directors and Officers who retired for other reasons, the Board of Directors shall make a decision depending on their specific circumstances.

(5) Granting of the Company's shares

On condition that Directors and Officers fulfill the Trust's beneficiary requirements under the "Stock Benefit Regulations for Executives", by completing procedures for determining eligibility at the time of retirement, Directors and Officers are entitled to receive, from Trust, the Company's shares in a number corresponding to an aggregate number of points earned during their services. The number is determined by the method stipulated in the above (4) by converting one point to one share. However, if Directors and Officers satisfy separate requirements in the "Stock Benefit Regulations for Executive" in addition to the above-mentioned beneficiary requirements, they will receive an amount of money equivalent to the market value of the Company's shares at that time, for a certain proportion of their points in lieu of the Company's shares. The Trust may sell the Company's shares to make such monetary payments.

(6) Trust term

The Trust term shall be from August 8, 2016 to the termination of the System.

※An expiry date is not set for the Trust term, and the Trust will be maintained as long as the System is maintained. The System will be terminated in such events as delisting of the Company's shares and the termination of the "Stock Benefit Regulations for Executives".

(7) Voting rights of shares held in the Trust

In accordance with instructions of the trust administrator, the Trust shall not exercise its voting rights of the Company's shares held in the Trust. Through this arrangement, the Company aims at ensuring neutrality toward the Company's management with respect to voting rights of its shares in the Trust.

(8) Dividends

With respect to dividends from the Company's shares held in the Trust, the Trust shall receive such dividends, which are to be allocated to the capital for the acquisition of the Company's shares and/or payments of trust fees to the trustees associated with this Trust. In the event of the termination of the Trust, dividends remaining as residual assets of the Trust shall be donated to an organization in which the Company and its executives have no interest, or paid to Directors and Officers in office at the time of the termination.

(9) Termination of the Trust

With respect to the Company's shares remaining as residual assets of the Trust at the time of its termination, it is intended that all such shares shall be transferred to the Company free of charge and retired based on the resolution of the Board of Directors. With respect to money remaining as residual assets of the Trust at the time of its termination, the remaining balance after making the donation to the organization as stipulated in the above (8) or payments to Directors and Officers, shall belong to the Company.

(10) Other

Other matters associated with the System shall be determined by the Board of Directors in the following events: the establishment of the Trust, any change in the Trust Agreement, and additional contribution to the Trust.

[Overview of the Trust]

1. Name: Board Benefit Trust (BBT)
2. Trustor: The Company
3. Trustee: Mizuho Trust & Banking Co., Ltd. (Re-trustee: Trust & Custody Services Bank Ltd.)
4. Beneficiaries: Retired Directors and Officers who fulfill beneficiary requirements under the "Stock Benefit Regulations for Executives"
5. Trust administrator: A third party with no conflicts of interest with the Company (lawyer)
6. Type of Trust: Trust of money other than money trust (third party benefit trust)
7. Date of conclusion of the Trust Agreement: August 8, 2016
8. Date on which money was entrusted (initial contribution): August 8, 2016

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