



May 31, 2016

Japan Aviation Electronics Industry, Limited

***Announcement of Expression of Opinion Concerning the (planned) Tender Offer  
Made by NEC Corporation for JAE Shares***

Japan Aviation Electronics Industry, Limited (“JAE”) hereby announces as described below that it has resolved at the meeting of its board of directors held today, as the JAE’s opinion as of today, to support the tender offer (the “Tender Offer”) to be made by NEC Corporation (“NEC”) for the common shares of JAE (the “Shares”), if the Tender Offer is commenced. JAE has also resolved at such meeting of the board of directors to leave the decision to JAE shareholders as to whether they would tender their shares in the Tender Offer since the Shares are planned to remain listed after the Tender Offer. According to the announcement titled “NEC Announces Plans to Commence Tender Offer for Shares of Japan Aviation Electronics Industry, Limited (Securities Code: 6807)” (the “NEC’s Announcement”) released by NEC today, as conditions precedent to the commencement of the Tender Offer, it is required (i) to complete the clearance under foreign and domestic anti-trust laws, and (ii) that JAE’s board of directors duly and validly approves to express JAE’s opinion supporting the Tender Offer and makes an announcement thereof. NEC plans to promptly commence the Tender Offer once such conditions precedent have been satisfied. As of today, NEC aims to commence the Tender Offer around November 2016. Further notification will be promptly given by NEC regarding the details of the Tender Offer schedule as soon as they are determined.

Therefore, when the Tender Offer is commenced, the board of directors of JAE will again resolve to express its opinion regarding the Tender Offer.

Further, JAE and NEC have agreed to maintain the listing of the Shares after JAE becomes a consolidated subsidiary of NEC, and, as stated above, the Shares are planned to remain listed on the First Section of the Tokyo Stock Exchange, Inc. (the “TSE”) after the Tender Offer.

**I. Profile of NEC**

(1) Name	NEC Corporation
(2) Location	7-1, Shiba 5-chome, Minato-ku, Tokyo
(3) Name and Title of Representative	Takashi Niino President and CEO (Representative Director)
(4) Type of Business	Public Business, Enterprise Business, Telecom Carrier Business and System Platform Business
(5) Stated Capital	397,199 million yen
(6) Date of Incorporation	July 17, 1899

(7)	Major Shareholders and Shareholding Ratio (as of March 31, 2016) (Note 1)	Japan Trustee Services Bank, Ltd. (Trust Account)	4.32%
		The Master Trust Bank of Japan, Ltd. (Trust Account)	4.20%
		The Chase Manhattan Bank, N.A. London Special Account No. 1	2.92%
		NEC Employee Shareholding Association	1.95%
		Nippon Life Insurance Company	1.62%
		Japan Trustee Services Bank, Ltd. (Trust Account No. 4)	1.58%
		Sumitomo Life Insurance Company	1.58%
		Trust & Custody Services Bank, Ltd. (Investment Trust Collateral Account)	1.49%
		Japan Trustee Services Bank, Ltd. (Trust Account No. 9)	1.44%
		Japan Trustee Services Bank, Ltd. (Trust Account No. 7)	1.39%
(8)	Relationship between JAE and NEC		
	Capital Relationship (Note 2)	NEC directly owns 22,491,671 shares of JAE, which account for 24.37% of the total issued shares of JAE (i.e., 92,302,608 shares) and, together with the 13,800,000 shares attributable to NEC's Employee Retirement Benefit Trust subject to NEC's reservation of the right to give voting instructions, which account for 14.95% of the total issued shares of JAE, NEC beneficially owns 36,291,671 shares of JAE, which account for 39.32% of the total issued shares of JAE.	
	Personnel Relationship	As of today, one employee from NEC holds office as an outside statutory auditor of JAE.	
	Business Relationship	A portion of the products used by NEC are supplied by JAE (JAE's sales regarding such transactions for the fiscal year ended in March 2016 was 496 million yen). Additionally, NEC partly supplies products to JAE (NEC's sales regarding such transactions for the fiscal year ended in March 2016 was 201 million yen).	
	Status as a Related Party	JAE falls under the category of an affiliated company (accounted for by the equity method) of NEC.	

(Note 1) The shareholding ratios of the major shareholders are calculated excluding treasury stock. The shareholding ratios are rounded to the indicated decimal places.

(Note 2) The shareholding ratios stated in the capital relationship section are rounded to the indicated decimal places.

## II. Tender Offer Price

JPY 1,920 per share of common stock (the "Tender Offer Price")

## III. Details of Opinion on the Tender Offer and Basis and Reasons for that Opinion, etc.

### (1) Details of Opinion

JAE has unanimously resolved at the meeting of the board of directors held today, as JAE's opinion as of today, on the basis and reasons set out in "(2) Basis and Reasons for Opinion, etc." below, to support the Tender Offer if the Tender Offer is commenced, on the condition that (i) there is no event where it will be reasonably determined that the

Tender Offer materially affects JAE's corporate value and therefore JAE's support of the Tender Offer is not appropriate; and (ii) there is no proposal of a tender offer or other large-scale acquisition of the Shares and other equity securities by a third party other than NEC, the conditions of which are superior to those of the Tender Offer, and with respect to which it is reasonably determined that the expression of the opinion to support the Tender Offer, in light of such proposal, could constitute a breach by JAE's directors of the duty of due care as a good manager. In addition, JAE has also resolved at such meeting of the board of directors to leave the decision to JAE shareholder as to whether they would tender their shares in the Tender Offer since the Shares are planned to remain listed after the Tender Offer. With respect to the details of the decision-making procedures of the board of directors, see "(7) 3. Unanimous Approval by All of the Disinterested Directors of JAE and No Objection from All of the Disinterested Statutory Auditors of JAE."

## **(2) Basis and Reasons for Opinion, etc.**

### **1. Overview of the Tender Offer**

NEC provided us with an explanation on the overview of the Tender Offer as follows.

As of today, NEC directly owns 22,491,671 Shares, which account for a Shareholding Percentage (Note 1) of 24.68% and, together with the 13,800,000 Shares contributed to the employee retirement benefit trust, the trustee of which is Sumitomo Mitsui Trust Bank, Limited (which shares have been further entrusted to Japan Trustee Services Bank, Ltd.) (the "NEC's Employee Retirement Benefit Trust") with the right to give voting instructions on such shares being controlled by NEC, which account for a Shareholding Percentage of 15.14%, NEC beneficially owns 36,291,671 Shares, which account for a Shareholding Percentage of 39.82%. Further, JAE is an affiliated company (accounted for by the equity method) of NEC.

(Note 1) The "Shareholding Percentage" means the percentage of such shares out of the number of shares (i.e., 91,137,182 shares) obtained by (i) adding to the total number of issued shares of JAE as of February 10, 2016 (i.e., 92,302,608 shares), as set forth in the 86th Third Quarterly Report filed by JAE on February 10, 2016, the number of the shares of JAE (i.e., 291,000 shares), which are subject to the stock acquisition rights (i.e., 215) as of May 31, 2015 and the stock acquisition rights (i.e., 76) issued on July 10, 2015, as set forth in the 85th Securities Report filed by JAE on June 23, 2015 and the 86th Second Quarterly Report filed by JAE on November 12, 2015, and then (ii) subtracting therefrom the number of treasury stock held by JAE as of March 31, 2016 (i.e., 1,456,426 shares), as set forth in "Summary of Financial Statements for the Fiscal Year Ended March 31, 2016 (Japan GAAP) (Consolidated)" released by JAE on April 27, 2016, which percentage is rounded to the nearest hundredth. The same shall apply hereinafter.

NEC decided at the meeting of its board of directors held today to conduct the Tender Offer, subject to the conditions (i) that NEC, with the aim of making JAE a consolidated subsidiary of NEC, completes the clearance under foreign and domestic anti-trust laws, and (ii) that JAE's board of directors duly and validly approves to express JAE's opinion supporting the Tender Offer and makes an announcement thereof.

As of today, the Shares are listed on the First Section of the TSE. NEC intends to strengthen its business cooperation with JAE, while continuing to maintain the listing of the Shares and the independence of JAE's management after the completion of the Tender Offer. Therefore, NEC has set 10,000,000 shares as the maximum number of

shares to be acquired through the Tender Offer (as of today; together with the Shares held by NEC and NEC's Employee Retirement Benefit Trust; would increase the Shareholding Percentage to 50.79%). If the total number of all the shares tendered in the Tender Offer (the "Tendered Shares") exceeds the maximum number of shares to be acquired (10,000,000 shares), NEC will not acquire any such excess shares and shall conduct settlement through delivery or other such means of settlement in respect of a tender offer for shares through the Pro Rata Method prescribed in Article 27-13, Paragraph 5 of the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) and Article 32 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than Issuer (Ordinance of the Ministry of Finance No. 38 of 1990, as amended). On the other hand, NEC has not set a minimum number of shares to be acquired through the Tender Offer; therefore, if the total number of the Tendered Shares is not more than the number of shares to be acquired (10,000,000 shares), NEC will acquire all of the Tendered Shares.

## **2. Purpose and Background of the Tender Offer**

The NEC group, which consists of NEC and its 217 subsidiaries and 52 affiliated companies accounted for by the equity method (as of March 31, 2016), is involved in a wide range of business activities, from the development, manufacturing and sale of products to the provision of services, in the following four business segments: (i) "Public Business" which mainly provides system integration services, support services, outsourcing services, cloud services and system equipment primarily to government, public, healthcare, finance and media sectors; (ii) "Enterprise Business" which mainly provides system integration services, support services, outsourcing services and cloud services primarily to manufacturing, retail and services sectors; (iii) "Telecom Carrier Business" which mainly provides network infrastructure and services and management primarily to telecommunications carriers; and (iv) "System Platform Business" which mainly provides hardware, software, enterprise network solutions and services (datacenter infrastructure and support).

To realize a society that is safe, secure, efficient, and fair, NEC focuses on "Solutions for Society (which is a general term for the businesses operated in each of the segments of Public Business, Enterprise Business and Telecom Carrier Business stated above)," which leverage ICT (Note 2), in order to advance social infrastructure as a social value innovator. Through the implementation of the Mid-term Management Plan 2018 (from FY2016 to FY2018), NEC will address the reorganization of its profit structure to generate a 5% operating income ratio, as well as aim to achieve medium- to long-term improvement of corporate value by promoting the globalization of its Solutions for Society and getting back on the track to growth.

In order to promote the globalization of its Solutions for Society and get back on the track to growth, specifically, NEC aims to achieve business expansion through designating the safety business, which contributes toward ensuring further safety and security in society, the global carrier network business, which contributes toward promptly creating new services by telecommunication carriers responding to social needs, and the retail IT service business, which contributes toward improving the operation of stores which are open 24 hours a day, 365 days a year in major convenience store chain and the customers' convenience, as its core business areas, and concentrates resources on these potentially growing areas. NEC is devoting its full attention to implementing these measures as part of its efforts to realize a society that is

safe, secure, efficient, and fair, and to accelerate its growth and transformation to a “social value innovator”.

In addition, based on its understanding that, under the situation where the world’s population increases and concentrates in urban areas, and the demands for energy and food will rise at an unsustainable rate in the future, in order to build a fair and sustainable society that utilizes the world’s limited resources without waste, it is required to develop new social infrastructures driven by ICT, NEC is working to provide the values of safety, security, efficiency and equality through its “Solutions for Society” that leverage ICT, with a view to resolving social problems taking the global megatrends (Note 3) into account; however, for the purpose of NEC being globally competitive and expanding its business, it is an urgent task to create appealing solutions in Solutions for Society, which is core business of NEC, as well as to strengthen global business foundations such as the capability to provide local services and earning trustful relationships with clients. In addition, ICT-related data is rapidly growing on a global scale, and as a result, huge amounts of data (big data) are expected to be generated in the near future; and IoT (Note 4) technologies open the way for collecting big data from many different goods that were traditionally not subject to control. As sophisticated analyses of these digital data are conducted, extra value will be discovered. In the coming IoT era, the extra value of data found in the digital world will be incorporated swiftly into real society, industry and life. This will create opportunities for new social value, encourage reforms of the industrial structure and promote changes in the knowledge creation process. NEC aims to create new social value and realize a better society by collecting a large amount of ICT-related data from various goods that were traditionally not subject to control by IoT technologies, through cooperation between a wide variety of industries.

(Note 2) ICT is the abbreviation of Information and Communication Technology.

(Note 3) “Global megatrends” means large movements (megatrends) that the world encounters.

(Note 4) IoT is the abbreviation of Internet of Things and refers to a mechanism by which a various objects are connected to the Internet and information is exchanged.

On the other hand, the JAE group, which consists of JAE and its 25 subsidiaries and 2 affiliated companies (as of March 31, 2016), under the corporate philosophy, “Explore, Create, and Practice, ” and backed by its capabilities in unique, innovative and creative technology and development, has operated 3 businesses: “Connectors Business,” which develops, manufactures and sells a variety of connector products for a wide range of markets, including the mobile device market, automotive market, industrial and infrastructure market; “User Interface Solutions Business,” which develops, manufactures and sells products for the automotive market, such as capacitive touch panels for automobiles, and products such as a variety of operational panels for industrial equipment and medical equipment; and “Aerospace Business,” which develops, manufactures and sells electronic devices for the defense and space industry such as flight control computers, inertial navigation systems and radar altimeters, and products for the industrial and infrastructure market and the automotive market, such as active vibration control/driver products for semiconductors/LCD lithography systems, sensors for oil drilling, rotation angle sensors for automobiles. Under the slogan of “Technology to Inspire Innovation,” JAE focuses on the technical development and product creation that accelerate innovations by customers. Over a period of many years, JAE has promoted the strengthening of global marketing and technical development, the innovation in respect of quality and product creation as well as the

global expansion of the business based on consolidated management as a basic management policy in order to gain a high level of trust as partners to its worldwide clients. JAE has (i) designated the mobile device market, automotive market, and the industrial and infrastructure market as the 3 focused markets, (ii) achieved high sales growth at an average of 12% per year in the past 5 years (a comparison between fiscal years ended March 2012 and March 2016) and the overseas sales percentage for such period increased from 54% (fiscal year ended March 2012) to 71% (fiscal year ended March 2016), and (iii) realized, on a consolidated basis, a ratio of ordinary income to net sales of 9.4% (recorded in the fiscal year ended March 2016) through active global marketing and developing new products in the growing equipment and other growing markets.

JAE was established as a wholly-owned subsidiary of NEC in January 1953 for the purpose of operating the aviation electronics business when NEC expanded its business to the aviation electronics area, and thereafter, JAE has independently developed its business through its independent management. JAE was listed on the Second Section of the TSE in April 1973, and listed on the First Section of the TSE September 1980. Even after such listing, JAE was a consolidated subsidiary of NEC. NEC sold a part of shares of JAE (10,000,000 shares; 1,031 yen per share) through a secondary offering of shares in March 2004, after the collapse of the IT bubble, under NEC's management policy that it focused on the IT/Network solution area; thereafter, JAE was an affiliated company of NEC accounted for by the equity method, and JAE and NEC have generally cooperated up to the present as listed companies that are independent of each other.

At this time, NEC reached the decision that, given the social and economic structural changes such as the arrival of the IoT era, further strengthening the cooperation with JAE is necessary to promote the globalization of the Solutions for Society that leverage ICT and in the middle of March 2016, NEC proposed to JAE a tender offer in order to clarify the management policy regarding the enhancement of the cooperation between both companies and to jointly implement measures concerning their business cooperation, and commenced a discussion at the top management level of both companies.

Upon such proposal, JAE and NEC began to discuss the details of the Tender Offer in the beginning of April 2016 and examined measures with respect to the business operations to improve the corporate value of both companies from various perspectives. As a result, JAE and NEC consider that, in order to realize the strengthening of the business foundation of both companies by assembling the management resources of both companies and the NEC group, it is necessary to again have JAE be a consolidated subsidiary of NEC, and will notify to such effect inside and outside both companies. Therefore, both companies have reached the conclusion that it is important to strengthen the capital relationship between JAE and NEC through the Tender Offer.

The purpose of strengthening the cooperation between JAE and NEC at this time is to strengthen the business foundation of both companies by assembling the management resources of both companies and the NEC group, including (i) under the situation where a major revolution in social infrastructure centering on ICT is expected to occur, (a) the cooperation between both companies in growing areas such as IoT and automated driving of automobiles, (b) the strengthening of the market developing capability and

marketing capability through merging NEC's capabilities with respect to services, systems and other solutions and JAE's capabilities with respect to technology, products, and relationships with global customers, and (c) the increasing of the interactions between both companies in the development of technology, new products, systems and solutions, (ii) the collaboration among both companies for developing future aerospace and defense businesses operated by the Public Businesses of NEC and JAE's Aerospace Business, (iii) mutual utilization of the global network and technology owned by both companies, (iv) the strengthening of the cooperative relationship in research and development and utilization of the NEC group's wide range of intellectual properties through cross-licensing agreements, etc., and (v) the improvement of efficiency in business operations through utilizing various advanced information, management know-how and resources.

JAE and NEC mutually confirm, especially in respect of the following matters:

- (a) that NEC and JAE will share the potential of business development surpassing the boundaries of existing business areas by integrating NEC's approach originating from the services and systems which are created based on the solution-focused perspective and JAE's approach originating from the materials, technology, products and systems; and
- (b) given that both companies have made contributions to the national security and space development of Japan in the aerospace and defense business for many years, the importance of enhancing the cooperation between both companies in order to further realize the promotion of business collaboration toward future developments of both companies in the relevant business.

### **3. Management Policies Subsequent to Tender Offer**

As to the management policies subsequent to the Tender Offer, NEC understands that, in order for JAE to achieve continuous growth and thus improve JAE's corporate value, it is significantly important to maintain JAE's corporate culture that is unique to itself and its management independence. In addition to maintaining the listing of the Shares and respecting the current JAE's management independence as a listed company even after making JAE a consolidated subsidiary of NEC, NEC plans to further discuss with JAE concerning specific approaches regarding the enhancement of the cooperation between both companies and the improvement of their corporate value. In relation to NEC's involvement in JAE's management after making JAE a consolidated subsidiary of NEC, NEC and JAE have agreed that (i) it is their basic policy that the ratio of voting rights held by NEC in JAE will be not more than 51% and that the listing of the Shares will be maintained, and if changes are to be made to such basic policy, NEC will respect the JAE's intention, (ii) the appointment of top management personnel by JAE will be implemented upon prior notice to NEC, (iii) JAE will make and execute decisions at its own responsibility with respect to the matters concerning business operations, such as setting goals regarding JAE's management plans and controlling business performance, and (iv) NEC will send one director to JAE starting from JAE's first shareholders' meeting to be held after making JAE a consolidated subsidiary of NEC. For details, please refer to "1. Basic Policy" and "4. NEC's involvement in JAE's Management" of "(3) Material Agreements Concerning the Tender Offer" below.

### **4. Decision-Making Process and Reasons for Supporting the Tender Offer**

As stated in "2. Purpose and Background of the Tender Offer," after JAE was established as a wholly-owned subsidiary of NEC, NEC's shareholding percentage in the Shares was gradually decreased due to JAE's initial public offering, and the

secondary offering of the Shares, after the collapse of the IT bubble under NEC's management policy that it focused on the IT/Network solution area. However, supported by a strong bond of mutual trust between both companies created through their long time continuing capital and personnel relationship, JAE decided, to take this opportunity to have NEC's shareholding percentage in the Shares go back to the level of in and before March 2004, and to once again enhance the cooperation with NEC to improve its business value.

In particular, JAE plans to conduct the following:

- (i) given that JAE has been expanding the scope of its business from the components business area to the area of modules and devices based on technology relating to materials and raw materials, JAE will explore the possibility of development through cooperating with NEC toward further potential business development surpassing the boundaries of existing business areas (for example, in light of the current trends regarding the integration of connectors and sensors into systems along with the advancement of information and communications technology, (i) promoting the utilization of marketing results from a solution-focused perspective, which is the basis of the services and systems that NEC provides in response to significant changes in the social infrastructure in which information and communications technology plays a key role, such as the utilization of the IoT in various industries and the automated driving of automobiles; and (ii) promoting development of integrated solutions involving systems, devices, modules, components and materials);
- (ii) JAE will accelerate the pace at which it overcomes its technological problems by utilizing the research and development capability and intellectual properties of NEC, and by adopting NEC's approaches from a perspective different from that of JAE, in order to supplement JAE's strengths regarding high-speed transmission/high-frequency technology, high current technology, high performance and reliability in harsh environment, precision machining technology, and reliability evaluation and test technology;
- (iii) JAE will conduct overseas marketing activities and strengthen its ability to develop markets by utilizing the global network of NEC;
- (iv) given that both companies have made contributions to the national security and space development of Japan in the aerospace and defense business for many years, JAE will further promote the business collaboration between both companies toward future developments of both companies in the relevant business; and
- (v) upon the expansion of the management base in line with the expansion of its corporate scale and business scope, JAE will utilize various management know-how and resources of NEC.

Further, in addition to improving its business value as mentioned above, JAE understands that, in order to achieve continuous growth and thus improve its corporate value, it is significantly important to maintain its corporate culture that is unique to itself and its management independence. Based on such understanding, as mentioned in "3. Management Policies Subsequent to Tender Offer" above, NEC intends to maintain the listing of the Shares, respect the current JAE's management independence as a listed company, and initiate discussions with JAE concerning specific approaches regarding the enhancement of the cooperation between both companies and the improvement of their corporate value.

Therefore, JAE resolved at the meeting of the board of directors held today, as JAE's

opinion as of today, to support the Tender Offer if the Tender Offer is commenced. JAE has also resolved at such meeting of the board of directors to leave the decision to JAE shareholders as to whether they would tender their shares in the Tender Offer, in view of the situation that, although the Tender Offer Price is considered to have a certain rationality in light of the valuation report that JAE received from Development Bank of Japan Inc. (“Development Bank of Japan”), (i) JAE and NEC have agreed to maintain the listing of the Shares after JAE becomes a consolidated subsidiary of NEC and the Shares are planned to remain listed after the Tender Offer, and (ii) NEC has set a maximum number of shares to be acquired through the Tender Offer, and therefore it would be sufficiently reasonable that JAE shareholders choose to hold the Shares after the Tender Offer. With respect to the details of the decision-making procedures of the relevant board of directors, please refer to “(7) 3. Unanimous Approval by All of the Disinterested Directors of JAE and No Objection from All of the Disinterested Statutory Auditors of JAE” below.

**(3) Material Agreements Concerning the Tender Offer**

NEC and JAE have entered into a memorandum as of today concerning the Tender Offer and NEC’s involvement in JAE’s management after making JAE a consolidated subsidiary of NEC (the “Memorandum”). The outline of the Memorandum is as follows.

**1. Basic Policy**

The ratio of voting rights held by NEC (which means the ratio of the number of voting rights held by NEC to the figure obtained by (i) subtracting the number of treasury stock held by JAE from the total number of issued shares of JAE, and (ii) dividing it by the number of shares constituting one unit of shares) will be not more than 51%, including the shares attributable to NEC’s Employee Retirement Benefit Trust after making JAE a consolidated subsidiary of NEC (the “Transaction”). Further, the listing of the Shares will be maintained. However, in the case where changes are to be made concerning the basic policy, NEC will respect the JAE’s intention. Furthermore, in the case where JAE issues new shares or conducts any act similar thereto after the Transaction, NEC will cooperate with JAE in accordance with the basic policy to the extent possible.

**2. Implementation of Tender Offer by NEC**

NEC will conduct the Tender Offer subject to each of the following conditions being satisfied by no later than the business day immediately preceding the commencement date of the Tender Offer: (1) JAE’s board of directors duly and validly approves to express JAE’s opinion for support as set forth in “3. Expression of Opinion by JAE Concerning Support for Tender Offer” below and makes an announcement thereof, and (2) in relation to the clearance under foreign and domestic anti-trust laws, (i) permission or an opinion is obtained that the commencement and implementation of the Tender Offer does not violate or is not against the anti-trust laws of the relevant country, or (ii) the waiting period expires without any objection.

**3. Expression of Opinion by JAE Concerning Support for Tender Offer**

JAE will express its opinion to support the Tender Offer and make an announcement thereof subject to satisfaction of the condition precedent that each of the following are true as of the business day immediately preceding the commencement date of the Tender Offer: (1) there is no event where it will be reasonably determined that the Tender Offer materially affects JAE’s corporate value and therefore JAE’s support of the Tender Offer is not appropriate; and (2) there is no proposal of a tender offer or

other large-scale acquisition of the Shares and other equity securities by a third party other than NEC, the conditions of which are superior to those of the Tender Offer, and with respect to which it is reasonably determined that the expression of the opinion to support the Tender Offer, in light of such proposal, could constitute a breach by JAE's directors of the duty of due care as a good manager. Further, as long as (1) and (2) above are satisfied, JAE will maintain such opinion until the end of the tender offer period concerning the Tender Offer.

#### **4. NEC's involvement in JAE's Management**

NEC and JAE acknowledge that, after the Transaction, as long as JAE's sound business operation is maintained, JAE will continue to independently conduct its business as a listed company by giving consideration to NEC's group management policies, as follows.

- (i) JAE will implement the appointments of top management personnel, decisions concerning dividend policy, investments that would have a material impact on its financial status, and announcements of forecasts of financial results and amendments thereof, etc., upon prior notice to NEC;
- (ii) JAE will make and execute decisions at its own responsibility with respect to the matters concerning business operations, such as setting goals regarding management plans, controlling business performance, and formulating and implementing investment projects;
- (iii) JAE will independently plan, decide and implement various systems and measures for employees by maintaining a cooperative relationship between both companies; and
- (iv) NEC will send one director to JAE starting from JAE's first shareholders' meeting to be held after the Transaction.

#### **(4) Matters Concerning Calculation**

##### **1. Name of Valuation Institution and Relations with JAE and NEC**

In expressing its opinions regarding the Tender Offer, JAE, taking into consideration the neutrality of Development Bank of Japan, requested Development Bank of Japan, which acts in the capacity of a third-party valuation institution independent from both JAE and NEC, to calculate the share value of JAE. Although Development Bank of Japan has a business relationship with JAE involving financing, it is not a related party of JAE and NEC and does not have a material interest in respect of the Tender Offer. Further, the calculation of the share value of JAE was independently conducted by the advisory division of Development Bank of Japan, which is separate from the financing division; thus, based on this point also, JAE believes that the financing relationship stated above will not affect the calculation of the share value of JAE.

##### **2. Overview of Calculation**

As a result of the examination of calculation methods for the Tender Offer, based on the idea that it is appropriate to value the Shares multilaterally on the assumption that JAE is a going concern, Development Bank of Japan calculated the share values of JAE using each of (i) the comparable company analysis, which was adopted since it is a basic calculation method for M&A; there are several listed companies comparable with JAE and it is possible to approximate the share value of the Shares by analogy by comparing the comparable companies, and (ii) the discounted cash flow analysis (the "DCF Analysis"), which was adopted since it is a basic calculation method for M&A and to reflect the circumstances concerning JAE's future business activities in the calculation, in addition to (iii) the market price analysis, which was adopted since it is

assumed that (a) the Shares have been listed on the TSE and continuously quoted, (b) sufficient liquidity for share price formation has been secured, and (c) the results of many investment decisions have been reflected thereon. JAE received the valuation report concerning the Shares on May 30, 2016 from Development Bank of Japan. JAE has not obtained an opinion regarding the fairness of the Tender Offer Price (a fairness opinion) from Development Bank of Japan.

The methods adopted by Development Bank of Japan in the calculation of the share value of the Shares and the ranges of the values of JAE's stock per share calculated by Development Bank of Japan using such methods are as follows.

- 1,283 yen to 1,419 yen under the market price analysis;
- 1,534 yen to 1,944 yen under the comparable company analysis; and
- 1,616 yen to 2,268 yen under the DCF Analysis.

Under the market price analysis, with the calculation base date of May 27, 2016, the range of the values of JAE's stock per share was analyzed to be 1,283 yen to 1,419 yen, on the basis of the closing price on the base date (i.e., 1,419 yen) and the respective simple average closing prices for the most recent one-month (i.e., 1,342 yen; rounded to the nearest whole number; the same rounding method shall apply hereafter in the calculation of simple average closing prices), three-month (i.e., 1,283 yen) and six-month (i.e., 1,401 yen) periods, in respect of the closing prices of the Shares quoted on the First Section of the TSE.

Under the comparable company analysis, the share value of JAE was calculated by comparing it to the financial indices indicating market stock prices and revenues of listed companies which operate businesses relatively similar to JAE and the ranges of the values of JAE's stock per share was analyzed to be 1,534 yen to 1,944 yen.

Under the DCF Analysis, the corporate value and the share value of JAE were analyzed by discounting the projected free cash flow to be generated by JAE in and after the fiscal year ending March 2017 to the present value with a specific discount rate. The relevant future free cash flows were projected based on various factors such as earnings forecasts and investment plan prescribed in JAE's business plans (from the fiscal year ending March 2017 to the fiscal year ending March 2020), the recent trend of JAE's business performance, other public information and other factors, and the range of the values of JAE's stock per share was analyzed to be 1,616 yen to 2,268 yen. With respect to the business plans based on which the calculation under the DCF Analysis was conducted, significant increase or decrease in profits is not anticipated.

#### **(5) Prospects of, and Reasons for, Delisting**

As of today, the Shares are currently listed on the First Section of the TSE. As the maximum number of shares to be acquired through the Tender Offer is set to be 10,000,000 Shares (Shareholding Percentage is 10.97%), the Shares to be substantially held by NEC after the purchase of such 10,000,000 shares through the Tender Offer is 46,291,671 Shares (Shareholding Percentage is 50.79%). NEC and JAE have agreed to maintain the listing of the Shares after JAE becomes a consolidated subsidiary of NEC as stated in "(3) Material Agreements Concerning the Tender Offer." In addition, NEC has no intention of delisting JAE through the Tender Offer. Therefore, the Shares will remain to be listed after the completion of the Tender Offer.

**(6) Matters Relating to Two-Step Takeover**

In the Tender Offer, the execution of a Two-Step Takeover is not planned.

**(7) Measures to Ensure Fairness of Tender Offer Including Those to Ensure Fairness of Tender Offer Price and to Avoid Conflicts of Interest**

JAE is not a subsidiary of NEC as of today and therefore the Tender Offer does not fall under the tender offer implemented by a controlling shareholder; however, considering (i) NEC, together with the shares held by NEC's Employee Retirement Benefit Trust, substantially holds 36,291,671 Shares (Shareholding Percentage is 39.82%) and JAE is an affiliated company (accounted for by the equity method) of NEC, and (ii) NEC sends one outside statutory auditor to JAE, JAE and NEC took the following measures to ensure the fairness of the Tender Offer and to avoid conflicts of interest. Of the following statements, those concerning measures taken by NEC are based on the explanation provided by NEC.

**1. Procurement by JAE of Valuation Report from Independent Third-Party Valuation Institution**

In expressing its opinions regarding the Tender Offer, JAE, taking into consideration the neutrality of Development Bank of Japan, requested Development Bank of Japan, which acts in the capacity of a third-party valuation institution independent from both JAE and NEC, to calculate the share value of JAE. Although Development Bank of Japan has a business relationship with JAE involving financing, it is not a related party of JAE and NEC and does not have a material interest in respect of the Tender Offer. Further, the calculation of the share value of JAE was independently conducted by the advisory division of Development Bank of Japan, which is separate from the financing division; thus, based on this point also, JAE believes that the financing relationship stated above will not affect the calculation of the share value of JAE.

As a result of the examination of calculation methods for the Tender Offer, Development Bank of Japan calculated the share values of JAE using each of the market price analysis, the comparable company analysis and the DCF Analysis and JAE received the valuation report concerning the Shares on May 30, 2016 from Development Bank of Japan. With respect to the overview of the calculation of the share value of the Shares, please refer to “(4) 2. Overview of Calculation” . JAE has not obtained an opinion regarding the fairness of the Tender Offer Price (a fairness opinion) from Development Bank of Japan.

**2. Advice to JAE from Outside Law Firm**

In order to ensure transparency and fairness of the decision-making procedures, etc. of JAE's board of directors concerning the Tender Offer, JAE retained Tokyo Hatchobori Law Office as its outside legal advisor and has obtained from the law firm legal advice in relation to the procedures, methods and other considerations concerning the decision-making of JAE's board of directors with respect to the Tender Offer.

**3. Unanimous Approval by All of the Disinterested Directors of JAE and No Objection from All of the Disinterested Statutory Auditors of JAE**

JAE obtained from Development Bank of Japan the valuation report for the valuation of the share value of JAE along with obtaining legal advice from Tokyo Hatchobori Law Office as described in “1. Procurement by JAE of Valuation Report from Independent Third-Party Valuation Institution” and “2. Advice to JAE from Outside Law Firm” as well as the explanation of the Tender Offer provided by NEC, carefully reviewed the proposal by NEC, maintained discussions with NEC and carefully discussed and

reviewed various conditions concerning the Tender Offer.

As a result, JAE has unanimously resolved at the meeting of its board of directors held today, on the basis that (i) the Tender Offer contributes to the improvement of JAE's business value backed by the relationship of mutual trust existed between JAE and NEC over a period of many years, as described in "(2) 4. Decision-Making Process and Reasons for Supporting the Tender Offer", and (ii) NEC states that it will respect the independent management by JAE as an independent listed company as is the case before the Tender Offer, on the assumption that the current listing of JAE will be maintained, to support the Tender Offer if the Tender Offer is commenced, as JAE's opinion as of today, on the condition that (i) there is no event where it will be reasonably determined that the Tender Offer materially affects JAE's corporate value and therefore JAE's support of the Tender Offer is not appropriate; and (ii) there is no proposal of a tender offer or other large-scale acquisition of the Shares and other equity securities by a third party other than NEC, the conditions of which are superior to those of the Tender Offer, and with respect to which it is reasonably determined that the expression of the opinion to support the Tender Offer, in light of such proposal, could constitute a breach by JAE's directors of the duty of due care as a good manager. JAE has also resolved at such meeting of the board of directors to leave the decision to JAE shareholders as to whether they would tender their shares in the Tender Offer, in view of the situation that, although the Tender Offer Price is considered to have a certain rationality in light of the valuation report that JAE received from Development Bank of Japan, (i) JAE and NEC have agreed to maintain the listing of the Shares after JAE becomes a consolidated subsidiary of NEC and the Shares are planned to remain listed after the Tender Offer, and (ii) NEC has set a maximum number of shares to be acquired through the Tender Offer, and therefore it would be sufficiently reasonable that JAE shareholders choose to hold the Shares after the Tender Offer. As stated above, since the Tender Offer will be commenced subject to certain matters constituting the condition precedent and it is expected to take some time for the commencement of the Tender Offer, JAE's board of directors will express its opinion again regarding the Tender Offer at the time of the commencement of the Tender Offer after confirming satisfaction of the conditions stated above for supporting the Tender Offer.

In addition, all the statutory auditors (including an outside statutory auditor) who participated in the deliberation of the proposal relating to the above resolution stated that they did not have any objection to such resolution.

As Ms. Yasuko Matsumoto, who is a statutory auditor of JAE, serves concurrently as an employee of NEC, she did not attend the meeting of JAE's board of directors relating to the resolutions stated above and she did not participate in the discussion with NEC with respect to the Tender Offer on behalf of JAE, from the perspective of avoiding a potential conflict of interest and ensuring fairness and neutrality of JAE's decision-making.

#### **4 Procurement by NEC of Valuation Report from Independent Third-Party Valuation Institution**

According to NEC's Announcement, in determining the Tender Offer Price, NEC requested its financial advisor, SMBC Nikko Securities Inc. ("SMBC Nikko"), which acts in the capacity of a third-party valuation institution independent from both NEC and JAE, to calculate the share value of JAE.

As a result of the examination of the calculation method for the Tender Offer, SMBC Nikko calculated the share value of JAE using the market price analysis, comparable listed company analysis and the DCF Analysis and NEC received from SMBC Nikko the valuation report on May 30, 2016. SMBC Nikko is not a related party of NEC or JAE and does not have a material interest in respect of the Tender Offer. In addition, NEC has not obtained an opinion regarding the fairness of the Tender Offer Price (a fairness opinion) from SMBC Nikko.

According to the valuation report that NEC received, the calculation methods adopted by SMBC Nikko and the ranges of the values of JAE's stock per share calculated using such methods are as follows:

- 1,288 yen to 1,396 yen under the market price analysis
- 1,496 yen to 2,255 yen under the comparable listed company analysis
- 1,516 yen to 2,382 yen under the DCF Analysis

Under the market price analysis, with reference to May 30, 2016, the range of value of JAE's stock per share was analyzed to be 1,288 yen to 1,396 yen, on the basis of the respective simple average closing prices for the most recent one-month (i.e., 1,341 yen), three-month (i.e., 1,288 yen) and six-month (i.e., 1,396 yen) periods.

Under the comparable listed company analysis, the share value of JAE's stock per share was analyzed to be in the range of 1,496 yen to 2,255 yen, based upon (i) selecting a listed company with business activities, etc., similar to JAE, and (ii) valuating share value by applying to JAE's financial figures the ratio of certain financial figures of the relevant company to such company's share price, etc.

Under the DCF Analysis, the corporate value and the share value of JAE were analyzed by discounting the projected free cash flow to be generated by JAE in and after the fiscal year ending March 2017 to the present value with a specific discount rate. The relevant future free cash flows were projected based on various factors, including the business plans independently reviewed by NEC in light of the business plans of JAE for the fiscal year ending March 2017 through the fiscal year ending March 2019, the recent trends in the business results of JAE and other public information. The range of the values of JAE's stock per share was analyzed to be 1,516 yen to 2,382 yen.

On May 31, 2016, NEC decided that the Tender Offer Price should be 1,920 yen, in consideration of the nature of, and the results under, each valuation method as described in the valuation report provided by SMBC Nikko, as well as the results of the due diligence conducted in respect of JAE, the possibility of obtaining an opinion supporting the Tender Offer from JAE's board of directors, market trends of JAE's stock price, actual examples of the premiums implied in determining tender offer prices in past tender offers by entities other than the issuers and the estimated number of shares to be tendered in the Tender Offer.

With respect to the Shares, the Tender Offer Price of 1,920 yen per share represents a premium of (i) 30.26% (rounded to the nearest hundredth; the same rounding method shall apply hereinafter in the calculation of percentages) over the closing price of 1,474 yen on the First Section of the TSE on May 30, 2016, the business day immediately preceding today, (ii) 43.18% over the simple average closing price of 1,341 yen during

the previous one-month period (from May 1, 2016 to May 30, 2016), (iii) 49.07% over the simple average closing price of 1,288 yen during the previous three-month period (from March 1, 2016 to May 30, 2016), and (iv) 37.54% over the simple average closing price of 1,396 yen during the previous six-month period (from December 1, 2015 to May 30, 2016).

**IV. Details of Material Agreements between NEC and JAE Shareholders Concerning Tendering Shares**

Not applicable.

**V. Details on the Provision of Benefits by NEC or Special Related Parties**

Not applicable.

**VI. Measures to Be Taken in Relation to the Basic Policy Regarding Control of the Company**

Not applicable.

**VII. Questions to NEC**

Not applicable.

**VIII. Request for Extension of the Tender Offer Period**

Not applicable.

**IX. Future Prospects**

**(1) Policy Subsequent to the Tender Offer**

With respect to the policy subsequent to the Tender Offer, please refer to “III. (2) 3. Management Policies Subsequent to Tender Offer” and “III. (5) Prospects of, and Reasons for Delisting” above.

**(2) Prospects Concerning Future Performance**

If it becomes clear that the Tender Offer materially affects JAE’s performance, JAE will disclose such fact in a timely manner.

(End of Announcement)

(Reference) Overview of the Tender Offer

Please refer to the attached material “NEC Announces Plans to Commence Tender Offer for Shares of Japan Aviation Electronics Industry, Limited (Securities Code: 6807)” published today by NEC.

***NEC Announces Plans to Commence Tender Offer for Shares of Japan Aviation Electronics Industry, Limited (Securities Code: 6807)***

**Tokyo, May 31, 2016** - NEC Corporation (“NEC”) today announced that, at the meeting of its board of directors held on May 31, 2016, it resolved to conduct a tender offer targeting the shares of common stock of Japan Aviation Electronics Industry, Limited (Code number: 6807, First Section of the Tokyo Stock Exchange; “JAE”) (the “Tender Offer”) under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the “Act”), as stated below. As conditions precedent to the commencement of the Tender Offer, it is required (i) to complete the clearance under foreign and domestic anti-trust laws, and (ii) that JAE’s board of directors duly and validly approves to express JAE’s opinion supporting the Tender Offer and makes an announcement thereof. NEC plans to promptly commence the Tender Offer once the conditions precedent mentioned above have been satisfied. As of today, NEC aims to commence the Tender Offer around November 2016; however, further notification will be promptly given regarding the details of the Tender Offer schedule as soon as they are determined, since it is difficult to predict the precise period required for the procedures, involving the foreign and domestic anti-trust authorities.

**I. Purposes of Tender Offer**

**(1) Overview of the Tender Offer**

As of today, NEC directly owns 22,491,671 shares of common stock of JAE (the “JAE Shares”), which account for a Shareholding Percentage (Note 1) of 24.68% and, together with the 13,800,000 JAE Shares contributed to the employee retirement benefit trust, the trustee of which is Sumitomo Mitsui Trust Bank, Limited (which shares have been further entrusted to Japan Trustee Services Bank, Ltd.) (the “NEC’s Employee Retirement Benefit Trust”) with the right to give voting instructions on such shares being controlled by NEC, which account for a Shareholding Percentage of 15.14%, NEC beneficially owns 36,291,671 JAE Shares, which account for a Shareholding Percentage of 39.82%. Further, JAE is an affiliated company (accounted for by the equity method) of NEC.

(Note1) The “Shareholding Percentage” means the percentage of such shares out of the number of shares (i.e., 91,137,182 shares) obtained by (i) adding to the total number of issued shares of JAE as of February 10, 2016 (i.e., 92,302,608 shares), as set forth in the 86th Third Quarterly Report filed by JAE on February 10, 2016 (the “Quarterly Report”), the number of the shares of JAE (i.e., 291,000 shares), which are subject to (a) the stock acquisition rights (i.e., 215) as of May 31, 2015, as set forth in the 85th Securities Report filed by JAE on June 23, 2015 and the 86th Second Quarterly Report filed by JAE on November 12, 2015 (the “Securities Reports”), and (b) the stock acquisition rights (i.e., 76) issued on July 10, 2015, as set forth in the Securities Reports, and then (ii) subtracting therefrom the number of treasury stock held by JAE as of March 31, 2016 (i.e., 1,456,426 shares), as set forth in “Summary of Financial Statements for the Fiscal Year Ended March 31, 2016 (Japan GAAP) (Consolidated)” released by JAE on April 27, 2016 (the “Earnings Release of JAE”), which percentage is rounded to the nearest hundredth. The same shall apply hereinafter.

NEC decided at the meeting of its board of directors held today to conduct the Tender

Offer, subject to the conditions (i) that NEC, with the aim of making JAE a consolidated subsidiary of NEC, completes the clearance under foreign and domestic anti-trust laws, and (ii) that JAE's board of directors duly and validly approves to express JAE's opinion supporting the Tender Offer and makes an announcement thereof.

As of today, JAE Shares are listed on the First Section of the Tokyo Stock Exchange, Inc. (the "TSE"). NEC intends to strengthen its business cooperation with JAE, while continuing to maintain the listing of JAE Shares and the independence of JAE's management after the completion of the Tender Offer. Therefore, NEC has set 10,000,000 shares as the maximum number of shares to be acquired through the Tender Offer (as of today; together with JAE Shares held by NEC and NEC's Employee Retirement Benefit Trust; would increase the Shareholding Percentage to 50.79%). If the total number of all the shares tendered in the Tender Offer (the "Tendered Shares") exceeds the maximum number of shares to be acquired (10,000,000 shares), NEC will not acquire any such excess shares and shall conduct settlement through delivery or other such means of settlement in respect of a tender offer for shares through the Pro Rata Method prescribed in Article 27-13, Paragraph 5 of the Act and Article 32 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than Issuer (Ordinance of the Ministry of Finance No. 38 of 1990, as amended; the "Ordinance"). On the other hand, NEC has not set a minimum number of shares to be acquired through the Tender Offer; therefore, if the total number of the Tendered Shares is not more than the number of shares to be acquired (10,000,000 shares), NEC will acquire all of the Tendered Shares.

According to the announcement titled "Announcement of Expression of Opinion Concerning the (planned) Tender Offer Made by NEC Corporation for JAE Shares" (the "JAE's Announcement") released by JAE today, JAE has unanimously resolved at the meeting of JAE's board of directors held today, as JAE's opinion as of today, to support the Tender Offer if the Tender Offer is commenced, on the conditions that (1) there is no event where it will be reasonably determined that the Tender Offer materially affects JAE's corporate value and therefore JAE's support of the Tender Offer is not appropriate; and (2) there is no proposal of a tender offer or other large-scale acquisition of JAE Shares and other equity securities by a third party other than NEC, the conditions of which are superior to those of the Tender Offer, and with respect to which it is reasonably determined that the expression of the opinion to support the Tender Offer, in light of such proposal, could constitute a breach by JAE's directors of the duty of due care as a good manager. In addition, JAE has also resolved at such meeting of the board of directors to leave the decision to JAE shareholders as to whether they would tender their shares in the Tender Offer since JAE Shares are planned to remain listed after the Tender Offer.

With respect to the details of the decision-making procedures of JAE's board of directors, please refer to "(iv) Unanimous Approval by All of the Disinterested Directors of JAE and No Objection from All of the Disinterested Statutory Auditors of JAE" in "(4) Measures to Ensure Fairness of Tender Offer Including Those to Ensure Fairness of Tender Offer Price and to Avoid Conflicts of Interest" below.

(2) Purpose and Background of Tender Offer and Management Policies Subsequent to Tender Offer

Purpose and background of the Tender Offer and management policies subsequent to the Tender Offer are as follows. Of the following statements, descriptions

concerning JAE are based on the explanation given and information announced by JAE.

(i) *Purpose and Background of the Tender Offer*

The NEC group, which consists of NEC and its 217 subsidiaries and 52 affiliated companies accounted for by the equity method (as of March 31, 2016), is involved in a wide range of business activities, from the development, manufacturing and sale of products to the provision of services, in the following four business segments: (i) “Public Business” which mainly provides system integration services, support services, outsourcing services, cloud services and system equipment primarily to government, public, healthcare, finance and media sectors; (ii) “Enterprise Business” which mainly provides system integration services, support services, outsourcing services and cloud services primarily to manufacturing, retail and services sectors; (iii) “Telecom Carrier Business” which mainly provides network infrastructure and services and management primarily to telecommunications carriers; and (iv) “System Platform Business” which mainly provides hardware, software, enterprise network solutions and services (datacenter infrastructure and support).

To realize a society that is safe, secure, efficient, and fair, NEC focuses on “Solutions for Society (which is a general term for the businesses operated in each of the segments of Public Business, Enterprise Business and Telecom Carrier Business stated above),” which leverage ICT (Note 1), in order to advance social infrastructure as a social value innovator. Through the implementation of the Mid-term Management Plan 2018 (from FY2016 to FY2018), NEC will address the reorganization of its profit structure to generate a 5% operating income ratio, as well as aim to achieve medium- to long-term improvement of corporate value by promoting the globalization of its Solutions for Society and getting back on the track to growth.

In order to promote the globalization of its Solutions for Society and get back on the track to growth, specifically, NEC aims to achieve business expansion through designating the safety business, which contributes toward ensuring further safety and security in society, the global carrier network business, which contributes toward promptly creating new services by telecommunication carriers responding to social needs, and the retail IT service business, which contributes toward improving the operation of stores which are open 24 hours a day, 365 days a year in major convenience store chain and the customers’ convenience, as its core business areas, and concentrates resources on these potentially growing areas. NEC is devoting its full attention to implementing these measures as part of its efforts to realize a society that is safe, secure, efficient, and fair, and to accelerate its growth and transformation to a “social value innovator”.

(Note 1) ICT is the abbreviation of Information and Communication Technology.

On the other hand, the JAE group, which consists of JAE and its 25 subsidiaries and 2 affiliated companies (as of March 31, 2016), under the corporate philosophy, “Explore, Create, and Practice,” and backed by its capabilities in unique, innovative and creative technology and development, has operated 3 businesses: “Connectors Business,” which develops, manufactures and sells a variety of connector products for a wide range of markets, including the mobile device market, automotive market, industrial and infrastructure market; “User Interface Solutions Business,” which develops, manufactures and sells products

for the automotive market, such as capacitive touch panels for automobiles, and products such as a variety of operational panels for industrial equipment and medical equipment; and “Aerospace Business,” which develops, manufactures and sells electronic devices for the defense and space industry such as flight control computers, inertial navigation systems and radar altimeters, and products for the industrial and infrastructure market and the automotive market, such as active vibration control/driver products for semiconductors/LCD lithography systems, sensors for oil drilling, rotation angle sensors for automobiles. Under the slogan of “Technology to Inspire Innovation,” JAE focuses on the technical development and product creation that accelerate innovations by customers. Over a period of many years, JAE has promoted the strengthening of global marketing and technical development, the innovation in respect of quality and product creation as well as the global expansion of the business based on consolidated management as a basic management policy in order to gain a high level of trust as partners to its worldwide clients. JAE has (i) designated the mobile device market, automotive market, and the industrial and infrastructure market as the 3 focused markets, (ii) achieved high sales growth at an average of 12% per year in the past 5 years (a comparison between fiscal years ended March 2012 and March 2016) and the overseas sales percentage for such period increased from 54% (fiscal year ended March 2012) to 71% (fiscal year ended March 2016), and (iii) realized, on a consolidated basis, a ratio of ordinary income to net sales of 9.4% (recorded in the fiscal year ended March 2016) through active global marketing and developing new products in the growing equipment and other growing markets.

JAE was established as a wholly-owned subsidiary of NEC in January 1953 for the purpose of operating the aviation electronics business when NEC expanded its business to the aviation electronics area, and thereafter, JAE has independently developed its business through its independent management. JAE was listed on the Second Section of the TSE in April 1973, and listed on the First Section of the TSE September 1980. Even after such listing, JAE was a consolidated subsidiary of NEC. NEC sold a part of shares of JAE (10,000,000 shares; 1,031 yen per share) through a secondary offering of shares in March 2004, after the collapse of the IT bubble, under NEC’s management policy that it focused on the IT/Network solution area; thereafter, JAE was an affiliated company of NEC accounted for by the equity method, and NEC and JAE have generally cooperated up to the present as listed companies that are independent of each other.

At this time, NEC reached the decision that, given the social and economic structural changes such as the arrival of the IoT (Note 2) era, further strengthening the cooperation with JAE is necessary to promote the globalization of the Solutions for Society that leverage ICT and in the middle of March 2016, NEC proposed to JAE a tender offer in order to clarify the management policy regarding the enhancement of the cooperation between both companies and to jointly implement measures concerning their business cooperation, and commenced a discussion at the top management level of both companies. Upon such proposal, NEC and JAE began to discuss the details of the Tender Offer in the beginning of April 2016 and examined measures with respect to the business operations to improve the corporate value of both companies from various perspectives. As a result, NEC and JAE consider that, in order to realize the strengthening of the business foundation of both

companies by assembling the management resources of both companies and the NEC group, it is necessary to again have JAE be a consolidated subsidiary of NEC, and will notify to such effect inside and outside both companies. Therefore, both companies have reached the conclusion that it is important to strengthen the capital relationship between NEC and JAE through the Tender Offer.

(Note 2) IoT is the abbreviation of Internet of Things and refers to a mechanism by which a various objects are connected to the Internet and information is exchanged.

The purpose of strengthening the cooperation between NEC and JAE at this time is to strengthen the business foundation of both companies by assembling the management resources of both companies and the NEC group, including (i) under the situation where a major revolution in social infrastructure centering on ICT is expected to occur, (a) the cooperation between both companies in growing areas such as IoT and automated driving of automobiles, (b) the strengthening of the market developing capability and marketing capability through merging NEC's capabilities with respect to services, systems and other solutions and JAE's capabilities with respect to technology, products, and relationships with global customers, and (c) the increasing of the interactions between both companies in the development of technology, new products, systems and solutions, (ii) the collaboration among both companies for developing future aerospace and defense businesses operated by the Public Businesses of NEC and JAE's Aerospace Business, (iii) mutual utilization of the global network and technology owned by both companies, (iv) the strengthening of the cooperative relationship in research and development and utilization of the NEC group's wide range of intellectual properties through cross-licensing agreements, etc., and (v) the improvement of efficiency in business operations through utilizing various advanced information, management know-how and resources.

Based on its understanding that, under the situation where the world's population increases and concentrates in urban areas, and the demands for energy and food will rise at an unsustainable rate in the future, in order to build a fair and sustainable society that utilizes the world's limited resources without waste, it is required to develop new social infrastructures driven by ICT, NEC is working to provide the values of safety, security, efficiency and equality through its "Solutions for Society" that leverage ICT, with a view to resolving social problems taking the global megatrends (Note 3) into account; however, for the purpose of NEC being globally competitive and expanding its business, it is an urgent task to create appealing solutions in Solutions for Society, which is core business of NEC, as well as to strengthen global business foundations such as the capability to provide local services and earning trustful relationships with clients. In addition, ICT-related data is rapidly growing on a global scale, and as a result, huge amounts of data (big data) are expected to be generated in the near future; and IoT technologies open the way for collecting big data from many different goods that were traditionally not subject to control. As sophisticated analyses of these digital data are conducted, extra value will be discovered. In the coming IoT era, the extra value of data found in the digital world will be incorporated swiftly into real society, industry and life. This will create opportunities for new social value, encourage reforms of the industrial structure and promote changes in the knowledge creation process. NEC aims to create new social value and realize a better society by collecting a large amount

of ICT-related data from various goods that were traditionally not subject to control by IoT technologies, through cooperation between a wide variety of industries.

(Note 3) “Global megatrends” means large movements (megatrends) that the world encounters.

With respect to such current task, NEC and JAE mutually confirm, especially in respect of the following matters:

- (a) that NEC and JAE will share the potential of business development surpassing the boundaries of existing business areas by integrating NEC’s approach originating from the services and systems which are created based on the solution-focused perspective and JAE’s approach originating from the materials, technology, products and systems; and
- (b) given that both companies have made contributions to the national security and space development of Japan in the aerospace and defense business for many years, the importance of enhancing the cooperation between both companies in order to further realize the promotion of business collaboration toward future developments of both companies in the relevant business.

After being established as a wholly-owned subsidiary of NEC, NEC’s shareholding percentage in JAE Shares was gradually decreased due to JAE’s initial public offering, and the secondary offering of JAE Shares, after the collapse of the IT bubble under NEC’s management policy that it focused on the IT/Network solution area. However, supported by a strong bond of mutual trust between both companies created through their long time continuing capital and personnel relationship, JAE decided, to take this opportunity to have NEC’s shareholding percentage in JAE Shares go back to the level of in and before March 2004, and to once again enhance the cooperation with NEC to improve its business value.

In particular, JAE plans to conduct the following:

- (a) given that JAE has been expanding the scope of its business from the components business area to the area of modules and devices based on technology relating to materials and raw materials, JAE will explore the possibility of development through cooperating with NEC toward further potential business development surpassing the boundaries of existing business areas (for example, in light of the current trends regarding the integration of connectors and sensors into systems along with the advancement of information and communications technology, (i) promoting the utilization of marketing capability from a solution-focused perspective, which is the basis of the services and systems that NEC provides in response to significant changes in the social infrastructure in which information and communications technology plays a key role, such as the utilization of the IoT in various industries and the automated driving of automobiles; and (ii) promoting development of integrated solutions involving systems, devices, modules, components and materials);
- (b) JAE will accelerate the pace at which it overcomes its technological problems by utilizing the research and development capability and intellectual properties of NEC, and by adopting NEC’s approaches from a perspective different from that of JAE, in order to supplement JAE’s strengths regarding high-speed transmission/high-frequency technology, high current technology, high performance and reliability in harsh

environment, precision machining technology, and reliability evaluation and test technology;

- (c) JAE will conduct overseas marketing activities and strengthen its ability to develop markets by utilizing the global network of NEC;
- (d) given that both companies have made contributions to the national security and space development of Japan in the aerospace and defense business for many years, JAE will further promote the business collaboration between both companies toward future developments of both companies in the relevant business; and
- (e) upon the expansion of the management base in line with the expansion of its corporate scale and business scope, JAE will utilize various management know-how and resources of NEC.

Further, in addition to improving its business value as mentioned above, JAE understands that, in order to achieve continuous growth and thus improve its corporate value, it is significantly important to maintain its corporate culture that is unique to itself and its management independence. Based on such understanding, as mentioned in “(ii) Management Policies Subsequent to Tender Offer” below, NEC intends to maintain the listing of JAE Shares, respect the current JAE’s management independence as a listed company, and initiate discussions with JAE concerning specific approaches regarding the enhancement of the cooperation between both companies and the improvement of their corporate value. Therefore, JAE resolved at the meeting of JAE’s board of directors held on May 31, 2016, as JAE’s opinion as of the said date, to support the Tender Offer if the Tender Offer is commenced. JAE has also resolved at such meeting of the board of directors to leave the decision to JAE shareholders as to whether they would tender their shares in the Tender Offer, in view of the situation that, although the Tender Offer Price is considered to have a certain rationality in light of the valuation report that JAE received from Development Bank of Japan Inc. (“Development Bank of Japan”), (i) JAE and NEC have agreed to maintain the listing of JAE Shares after JAE becomes a consolidated subsidiary of NEC and JAE Shares are planned to remain listed after the Tender Offer, and (ii) NEC has set a maximum number of shares to be acquired through the Tender Offer, and therefore it would be sufficiently reasonable that JAE shareholders choose to hold JAE Shares after the Tender Offer. With respect to the details of the decision-making procedures of JAE’s relevant board of directors, please refer to “(iv) Unanimous Approval by All of the Disinterested Directors of JAE and No Objection from All of the Disinterested Statutory Auditors of JAE” in “(4) Measures to Ensure Fairness of Tender Offer Including Those to Ensure Fairness of Tender Offer Price and to Avoid Conflicts of Interest” below.

(ii) *Management Policies Subsequent to Tender Offer*

As to the management policies subsequent to the Tender Offer, NEC understands that, in order for JAE to achieve continuous growth and thus improve JAE’s corporate value, it is significantly important to maintain JAE’s corporate culture that is unique to itself and its management independence. In addition to maintaining the listing of JAE Shares and respecting the current JAE’s management independence as a listed company even after making JAE a consolidated subsidiary of NEC, NEC plans to further discuss with JAE concerning specific approaches regarding the enhancement of the cooperation between both companies and the improvement of their corporate value. In

relation to NEC's involvement in JAE's management after making JAE a consolidated subsidiary of NEC, NEC and JAE have agreed that (i) it is their basic policy that the ratio of voting rights held by NEC in JAE will be not more than 51% and that the listing of JAE Shares will be maintained, and if changes are to be made to such basic policy, NEC will respect the JAE's intention, (ii) the appointment of top management personnel by JAE will be implemented upon prior notice to NEC, (iii) JAE will make and execute decisions at its own responsibility with respect to the matters concerning business operations, such as setting goals regarding JAE's management plans and controlling business performance, and (iv) NEC will send one director to JAE starting from JAE's first shareholders' meeting to be held after making JAE a consolidated subsidiary of NEC. For details, please refer to "(i) Basic Policy" and "(iv) NEC's involvement in JAE's Management" of "(3) Material Agreements Concerning the Tender Offer" below.

(3) Material Agreements Concerning the Tender Offer

NEC and JAE have entered into a memorandum as of today concerning the Tender Offer and NEC's involvement in JAE's management after making JAE a consolidated subsidiary of NEC (the "Memorandum"). The outline of the Memorandum is as follows.

(i) *Basic Policy*

The ratio of voting rights held by NEC (which means the ratio of the number of voting rights held by NEC to the figure obtained by (i) subtracting the number of treasury stock held by JAE from the total number of issued shares of JAE, and (ii) dividing it by the number of shares constituting one unit of shares) will be not more than 51%, including the shares attributable to NEC's Employee Retirement Benefit Trust after making JAE a consolidated subsidiary of NEC (the "Transaction"). Further, the listing of JAE Shares will be maintained. However, in the case where changes are to be made concerning the basic policy, NEC will respect the JAE's intention. Furthermore, in the case where JAE issues new shares or conducts any act similar thereto after the Transaction, NEC will cooperate with JAE in accordance with the basic policy to the extent possible.

(ii) *Implementation of Tender Offer by NEC*

NEC will conduct the Tender Offer subject to each of the following conditions being satisfied by no later than the business day immediately preceding the commencement date of the Tender Offer: (1) JAE's board of directors duly and validly approves to express JAE's opinion for support as set forth in "(iii) Expression of Opinion by JAE Concerning Support for Tender Offer" below and makes an announcement thereof, and (2) in relation to the clearance under foreign and domestic anti-trust laws, (i) permission or an opinion is obtained that the commencement and implementation of the Tender Offer does not violate or is not against the anti-trust laws of the relevant country, or (ii) the waiting period expires without any objection.

(iii) *Expression of Opinion by JAE Concerning Support for Tender Offer*

JAE will express its opinion to support the Tender Offer and make an announcement thereof subject to satisfaction of the condition precedent that each of the following are true as of the business day immediately preceding the commencement date of the Tender Offer: (1) there is no event where it will be reasonably determined that the Tender Offer materially affects JAE's corporate value and therefore JAE's support of the Tender Offer is not appropriate; and (2) there is no proposal of a tender offer or other large-scale acquisition of JAE

Shares and other equity securities by a third party other than NEC, the conditions of which are superior to those of the Tender Offer, and with respect to which it is reasonably determined that the expression of the opinion to support the Tender Offer, in light of such proposal, could constitute a breach by JAE's directors of the duty of due care as a good manager. Further, as long as (1) and (2) above are satisfied, JAE will maintain such opinion until the end of the tender offer period concerning the Tender Offer (the "Tender Offer Period").

(iv) *NEC's involvement in JAE's Management*

NEC and JAE acknowledge that, after the Transaction, as long as JAE's sound business operation is maintained, JAE will continue to independently conduct its business as a listed company by giving consideration to NEC's group management policies, as follows.

- (a) JAE will implement the appointments of top management personnel, decisions concerning dividend policy, investments that would have a material impact on its financial status, and announcements of forecasts of financial results and amendments thereof, etc., upon prior notice to NEC;
- (b) JAE will make and execute decisions at its own responsibility with respect to the matters concerning business operations, such as setting goals regarding management plans, controlling business performance, and formulating and implementing investment projects;
- (c) JAE will independently plan, decide and implement various systems and measures for employees by maintaining a cooperative relationship between both companies; and
- (d) NEC will send one director to JAE starting from JAE's first shareholders' meeting to be held after the Transaction.

(4) Measures to Ensure Fairness of Tender Offer Including Those to Ensure Fairness of Tender Offer Price and to Avoid Conflicts of Interest

JAE is not a subsidiary of NEC as of today and therefore the Tender Offer does not fall under the tender offer implemented by a controlling shareholder; however, considering (i) NEC, together with the shares held by NEC's Employee Retirement Benefit Trust, substantially holds 36,291,671 JAE Share (Shareholding Percentage is 39.82%) and JAE is an affiliated company (accounted for by the equity method) of NEC, and (ii) NEC sends one outside statutory auditor to JAE, NEC and JAE took the following measures to ensure the fairness of the Tender Offer and to avoid conflicts of interest. Of the following statements, those concerning measures taken by JAE are based on the explanation provided by JAE.

(i) *Procurement by NEC of Valuation Report from Independent Third-Party Valuation Institution*

In determining the purchase price of JAE's stock per share in the Tender Offer (the "Tender Offer Price"), NEC requested its financial advisor, SMBC Nikko Securities Inc. ("SMBC Nikko"), which acts in the capacity of a third-party valuation institution independent from both NEC and JAE, to calculate the share value of JAE.

As a result of the examination of the calculation method for the Tender Offer, SMBC Nikko calculated the share value of JAE using the market price analysis, comparable listed company analysis and the discounted cash flow analysis (the "DCF Analysis") and NEC received from SMBC Nikko the valuation report on May 30, 2016. SMBC Nikko is not a related party of NEC or JAE and does not have a material interest in respect of the Tender Offer. In addition, NEC has not obtained an opinion regarding the fairness of the Tender Offer Price (a fairness

opinion) from SMBC Nikko.

With respect to the overview of the valuation report of JAE Share that NEC received from SMBC Nikko, please refer to “(i) Basis of Calculation” of “(4) Basis of Calculation of Tender Offer Price” of “II. Outline of Tender Offer” below.

(ii) *Procurement by JAE of Valuation Report from Independent Third-Party Valuation Institution*

According to JAE’s Announcement, in expressing its opinions regarding the Tender Offer, JAE, taking into consideration the neutrality of Development Bank of Japan, requested Development Bank of Japan, which acts in the capacity of a third-party valuation institution independent from both NEC and JAE, to calculate the share value of JAE. Although Development Bank of Japan has a business relationship with JAE involving financing, it is not a related party of NEC and JAE and does not have a material interest in respect of the Tender Offer. Further, the calculation of the share value of JAE was independently conducted by the advisory division of Development Bank of Japan, which is separate from the financing division; thus, based on this point also, JAE believes that the financing relationship stated above will not affect the calculation of the share value of JAE.

As a result of the examination of calculation methods for the Tender Offer, based on the idea that it is appropriate to value JAE Shares multilaterally on the assumption that JAE is a going concern, Development Bank of Japan calculated the share values of JAE using each of (i) the comparable company analysis, which was adopted since it is a basic calculation method for M&A; there are several listed companies comparable with JAE and it is possible to approximate the share value of JAE Shares by analogy by comparing the comparable companies, and (ii) the DCF Analysis, which was adopted since it is a basic calculation method for M&A and to reflect the circumstances concerning JAE’s future business activities in the calculation, in addition to (iii) the market price analysis, which was adopted since it is assumed that (a) JAE Shares have been listed on the TSE and continuously quoted, (b) sufficient liquidity for share price formation has been secured, and (c) the results of many investment decisions have been reflected thereon. JAE received the valuation report concerning JAE Shares on May 30, 2016 from Development Bank of Japan. JAE has not obtained an opinion regarding the fairness of the Tender Offer Price (a fairness opinion) from Development Bank of Japan.

The methods adopted by Development Bank of Japan in the calculation of the share value of JAE Shares and the ranges of the values of JAE’s stock per share calculated by Development Bank of Japan using such methods are as follows.

- 1,283 yen to 1,419 yen under the market price analysis;
- 1,534 yen to 1,944 yen under the comparable company analysis; and
- 1,616 yen to 2,268 yen under the DCF Analysis.

Under the market price analysis, with the calculation base date of May 27, 2016, the range of the values of JAE’s stock per share was analyzed to be 1,283 yen to 1,419 yen, on the basis of the closing price on the base date (i.e., 1,419 yen) and the respective simple average closing prices for the most recent one-month (i.e., 1,342 yen; rounded to the nearest whole number; the same rounding method shall apply hereafter in the calculation of simple average closing prices), three-month (i.e., 1,283 yen) and six-month (i.e., 1,401 yen) periods, in respect of the

closing prices of JAE Shares quoted on the First Section of the TSE.

Under the comparable company analysis, the share value of JAE was calculated by comparing it to the financial indices indicating market stock prices and revenues of listed companies which operate businesses relatively similar to JAE and the ranges of the values of JAE's stock per share was analyzed to be 1,534 yen to 1,944 yen.

Under the DCF Analysis, the corporate value and the share value of JAE were analyzed by discounting the projected free cash flow to be generated by JAE in and after the fiscal year ending March 2017 to the present value with a specific discount rate. The relevant future free cash flows were projected based on various factors such as earnings forecasts and investment plan prescribed in JAE's business plans (from the fiscal year ending March 2017 to the fiscal year ending March 2020), the recent trend of JAE's business performance, other public information and other factors, and the range of the values of JAE's stock per share was analyzed to be 1,616 yen to 2,268 yen. With respect to the business plans based on which the calculation under the DCF Analysis was conducted, significant increase or decrease in profits is not anticipated.

*(iii) Advice to JAE from Outside Law Firm*

According to JAE's Announcement, in order to ensure transparency and fairness of the decision-making procedures, etc. of JAE's board of directors concerning the Tender Offer, JAE retained Tokyo Hatchobori Law Office as its outside legal advisor and has obtained from the law firm legal advice in relation to the procedures, methods and other considerations concerning the decision-making of JAE's board of directors with respect to the Tender Offer.

*(iv) Unanimous Approval by All of the Disinterested Directors of JAE and No Objection from All of the Disinterested Statutory Auditors of JAE*

According to JAE's Announcement, JAE obtained from Development Bank of Japan the valuation report for the valuation of the share value of JAE along with obtaining legal advice from Tokyo Hatchobori Law Office as described in "(ii) Procurement by JAE of Valuation Report from Independent Third-Party Valuation Institution" and "(iii) Advice to JAE from Outside Law Firm" as well as the explanation of the Tender Offer provided by NEC, carefully reviewed the proposal by NEC, maintained discussions with NEC and carefully discussed and reviewed various conditions concerning the Tender Offer.

As a result, JAE has unanimously resolved at the meeting of its board of directors held today, on the basis that (i) the Tender Offer contributes to the improvement of JAE's business value backed by the relationship of mutual trust existed between NEC and JAE over a period of many years, as described in "(2) Purpose and Background of Tender Offer and Management Policies Subsequent to Tender Offer" in "(i) Purpose and Background of the Tender Offer", and (ii) NEC states that it will respect the independent management by JAE as an independent listed company as is the case before the Tender Offer, on the assumption that the current listing of JAE will be maintained, to support the Tender Offer if the Tender Offer is commenced, as JAE's opinion as of today, on the condition that (i) there is no event where it will be reasonably determined that the Tender Offer materially affects JAE's corporate value and therefore JAE's support of the Tender Offer is not appropriate; and (ii) there is no proposal of a tender offer or other large-scale acquisition of JAE Shares and other equity securities by a third party other than NEC, the conditions of which are superior

to those of the Tender Offer, and with respect to which it is reasonably determined that the expression of the opinion to support the Tender Offer, in light of such proposal, could constitute a breach by JAE's directors of the duty of due care as a good manager. JAE has also resolved at such meeting of the board of directors to leave the decision to JAE shareholders as to whether they would tender their shares in the Tender Offer, in view of the situation that, although the Tender Offer Price is considered to have a certain rationality in light of the valuation report that JAE received from Development Bank of Japan, (i) JAE and NEC have agreed to maintain the listing of JAE Shares after JAE becomes a consolidated subsidiary of NEC and JAE Shares are planned to remain listed after the Tender Offer, and (ii) NEC has set a maximum number of shares to be acquired through the Tender Offer, and therefore it would be sufficiently reasonable that JAE shareholders choose to hold JAE Shares after the Tender Offer. As stated above, since the Tender Offer will be commenced subject to certain matters constituting the condition precedent and it is expected to take some time for the commencement of the Tender Offer, JAE's board of directors will express its opinion again regarding the Tender Offer at the time of the commencement of the Tender Offer after confirming satisfaction of the conditions stated above for supporting the Tender Offer.

In addition, all the statutory auditors (including an outside statutory auditor) who participated in the deliberation of the proposal relating to the above resolution stated that they did not have any objection to such resolution.

As Ms. Yasuko Matsumoto, who is a statutory auditor of JAE, serves concurrently as an employee of NEC, she did not attend the meeting of JAE's board of directors relating to the resolutions stated above and she did not participate in the discussion with NEC with respect to the Tender Offer on behalf of JAE, from the perspective of avoiding a potential conflict of interest and ensuring fairness and neutrality of JAE's decision-making.

- (5) Plan to Acquire Shares and other equity securities After the Tender Offer  
As NEC implements the Tender Offer for the purpose of making JAE a consolidated subsidiary, NEC currently does not plan to additionally acquire JAE Shares after the Tender Offer to the extent that the purpose will be achieved through the Tender Offer. On the other hand, if NEC fails to make JAE a consolidated subsidiary through the Tender Offer, NEC will discuss with JAE the policy to deal with the situation; however, currently, a specific policy has yet to be determined and there is no specific plan to additionally acquire JAE Shares after the Tender Offer.
- (6) Prospects of, and Reasons for, Delisting  
As of today, JAE Shares are currently listed on the First Section of the TSE. As the maximum number of shares to be acquired through the Tender Offer is set to be 10,000,000 JAE Share (Shareholding Percentage is 10.97%), JAE Shares to be substantially held by NEC after the purchase of such 10,000,000 shares through the Tender Offer is 46,291,671 JAE Shares (Shareholding Percentage is 50.79%) and NEC has no intention of delisting JAE through the Tender Offer. In addition, NEC and JAE have agreed to maintain the listing of JAE Shares after JAE becomes a consolidated subsidiary of NEC as stated in "(3) Material Agreements Concerning the Tender Offer." Therefore, JAE Shares will remain to be listed after the completion of the Tender Offer.

## II. Outline of Tender Offer

## (1) Profile of JAE

(i)	Name	Japan Aviation Electronics Industry, Limited
(ii)	Location	10-8, Dogenzaka 1-chome, Shibuya-ku, Tokyo
(iii)	Name and Title of Representative	Tsutomu Onohara, President
(iv)	Type of Business	(a) Manufacturing and marketing of connectors, user interface solution devices and electronics and electronic components for aviation and aerospace, and (b) purchase and sale of devices, components, etc., in connection therewith
(v)	Stated Capital	JPY 10,690 million
(vi)	Date of Incorporation	January 19, 1953
(vii)	Major Shareholders and Shareholding Ratio (as of March 31, 2016) (Note 1)	NEC Corporation 24.76%
		Japan Trustee Services Bank, Ltd. 15.19% (Beneficial Interest Trust Account from The Sumitomo Trust & Banking Co., Ltd.; NEC Corporation Retirement Benefit Trust Account)
		Japan Trustee Services Bank, Ltd. 2.49% (Trust Account)
		NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT 2.42%
		JP MORGAN CHASE BANK 385078 2.30%
		JP MORGAN CHASE BANK 380634 2.18%
		THE CHASE MANHATTAN BANK, N.A. 1.84% LONDON SPECIAL ACCOUNT NO.1
		The Master Trust Bank of Japan, Ltd. (Trust Account) 1.80%
		STATE STREET BANK AND TRUST COMPANY 1.43%
		CBLDN STICHTING PGGM DEPOSITARY- DEVELOPED MARKETS ALTERNATIVE EQUITY PF FUND 1.23%

(viii) Relationship between NEC and JAE	
Capital Relationship (Note 2)	NEC directly owns 22,491,671 shares of JAE, which account for 24.37% of the total issued shares of JAE (i.e., 92,302,608 shares) and, together with the 13,800,000 shares attributable to NEC's Employee Retirement Benefit Trust subject to NEC's reservation of the right to give voting instructions, which account for 14.95% of the total issued shares of JAE, NEC beneficially owns 36,291,671 shares of JAE, which account for 39.32% of the total issued shares of JAE.
Personnel Relationship	As of today, one employee from NEC holds office as an outside statutory auditor of JAE.
Business Relationship	NEC partly receives from JAE the supply of components that NEC uses (JAE's sales regarding such transactions for the fiscal year ended in March 2016 was 496 million yen). Additionally, NEC partly supplies products to JAE (NEC's sales regarding such transactions for the fiscal year ended in March 2016 was 201 million yen).
Status as a Related Party	JAE falls under the category of an affiliated company (accounted for by the equity method) of NEC.

(Note 1) The shareholding ratios of the major shareholders are calculated excluding treasury stock. The shareholding ratios are rounded to the indicated decimal places.

(Note 2) The shareholding ratios stated in the capital relationship section are rounded to the indicated decimal places.

(2) Schedule

(i) *Schedule*

As conditions precedent to the commencement of the Tender Offer, it is required (i) to complete the clearance under foreign and domestic anti-trust laws, and (ii) that JAE's board of directors duly and validly approves to express JAE's opinion supporting the Tender Offer and makes an announcement thereof.

NEC plans to promptly commence the Tender Offer once the conditions precedent mentioned above have been satisfied. As of today, NEC aims to commence the Tender Offer around November 2016; however, further notification will be promptly given regarding the details of the Tender Offer schedule as soon as they are determined, since it is difficult to predict the precise period required for the procedures, involving the foreign and domestic anti-trust authorities.

(ii) *Tender Offer Period as of Filing Date*

The Tender Offer Period is planned to be 30 business days.

(3) Tender Offer Price

JPY 1,920 per share of common stock

(4) Basis of Calculation of Tender Offer Price

(i) *Basis of Calculation*

Upon determining the Tender Offer Price, NEC requested SMBC Nikko, a financial advisor acting in the capacity of a third-party valuation institution independent from both NEC and JAE, to calculate the share value of JAE.

As a result of the examination of calculation methods for the Tender Offer, SMBC Nikko calculated the share values of JAE using each of the market price analysis, the comparable listed company analysis and the DCF Analysis, and JAE received the valuation report concerning JAE Shares on May 30, 2016 from SMBC Nikko. SMBC Nikko is not a related party of NEC or JAE and does not have a material interest in respect of the Tender Offer. NEC has not obtained an opinion regarding the fairness of the Tender Offer Price (a fairness opinion) from SMBC Nikko.

According to the valuation report, the calculation methods adopted by SMBC Nikko and the ranges of the values of JAE's stock per share calculated using such methods are as follows:

- 1,288 yen to 1,396 yen under the market price analysis
- 1,496 yen to 2,255 yen under the comparable listed company analysis
- 1,516 yen to 2,382 yen under the DCF Analysis

Under the market price analysis, with reference to May 30, 2016, the range of value of JAE's stock per share was analyzed to be 1,288 yen to 1,396 yen, on the basis of the respective simple average closing prices for the most recent one-month (i.e., 1,341 yen; rounded to the nearest whole number; the same rounding method shall apply hereafter to the calculation of simple average values), three-month (i.e., 1,288 yen) and six-month (i.e., 1,396 yen) periods.

Under the comparable listed company analysis, the share value of JAE's stock per share was analyzed to be in the range of 1,496 yen to 2,255 yen, based upon (i) selecting a listed company with business activities, etc., similar to JAE, and (ii) valuating share value by applying to JAE's financial figures the ratio of certain financial figures of the relevant company to such company's share price, etc.

Under the DCF Analysis, the corporate value and the share value of JAE were analyzed by discounting the projected free cash flow to be generated by JAE in and after the fiscal year ending March 2017 to the present value with a specific discount rate. The relevant future free cash flows were projected based on various factors, including the business plans independently reviewed by NEC in light of the business plans of JAE for the fiscal year ending March 2017 through the fiscal year ending March 2019, the recent trends in the business results of JAE and other public information. The range of the values of JAE's stock per share was analyzed to be 1,516 yen to 2,382 yen.

On May 31, 2016, NEC decided that the Tender Offer Price should be 1,920 yen, in consideration of the nature of, and the results under, each valuation method as described in the valuation report provided by SMBC Nikko, as well as the results of the due diligence conducted in respect of JAE, the possibility of obtaining an opinion supporting the Tender Offer from JAE's board of directors, market trends of JAE's stock price, actual examples of the premiums implied in determining tender offer prices in past tender offers by entities other than the issuers and the estimated number of shares to be tendered in the Tender Offer.

With respect to JAE Shares, the Tender Offer Price of 1,920 yen per share represents a premium of (i) 30.26% (rounded to the nearest hundredth; the same rounding method shall apply hereinafter in the calculation of percentages) over the closing price of 1,474 yen on the First Section of the TSE on May 30, 2016, the business day immediately preceding today, (ii) 43.18% over the simple average closing price of 1,341 yen during the previous one-month period (from May 1, 2016 to May 30, 2016), (iii) 49.07% over the simple average closing price of 1,288 yen during the previous three-month period (from March 1, 2016 to May 30, 2016), and (iv) 37.54% over the simple average closing price of 1,396 yen during the previous six-month period (from December 1, 2015 to May 30, 2016).

(ii) *Calculation Process*

(Decision-making Process Concerning Tender Offer Price)

Following a proposal made to JAE for conducting a tender offer in mid-March 2016 in order to clarify the management policy regarding the enhancement of the cooperation between both companies and to jointly implement measures concerning their business cooperation, and the commencement of a discussion at the top management level of both companies concerning such proposal, NEC has appointed SMBC Nikko to act as its financial advisor and third-party valuation institution independent from both NEC and JAE. Accordingly, NEC and JAE began to discuss the details of the Tender Offer in the beginning of April 2016 and examined measures with respect to the business operations to improve the corporate value of both companies from various perspectives.

As a result, NEC and JAE consider that, in order to realize the strengthening of the business foundation of both companies by assembling the management resources of both companies and the NEC group, it is necessary to again have JAE be a consolidated subsidiary of NEC, and will notify to such effect inside and outside both companies. Therefore, both companies have reached the conclusion that it is important to strengthen the capital relationship between NEC and JAE through the Tender Offer. NEC determined the Tender Offer Price based on the process described below, and resolved at the meeting of its board of directors held on May 31, 2016 to conduct the Tender Offer, subject to the conditions (i) that NEC, with the aim of making JAE a consolidated subsidiary of NEC, completes the clearance under foreign and domestic anti-trust laws, and (ii) that JAE's board of directors duly and validly approves to express JAE's opinion supporting the Tender Offer and makes an announcement thereof.

i. *Independent Third-Party Valuation Institution*

In determining the Tender Offer Price, NEC requested SMBC Nikko, which acts in the capacity of a third-party valuation institution independent from both NEC and JAE, and also acts as a financial advisor, to evaluate JAE Shares.

As a result of the examination of calculation methods for the Tender Offer, SMBC Nikko calculated the share values of JAE using the market price analysis, the comparable listed company analysis and the DCF Analysis, and NEC received the valuation report concerning JAE Shares on May 30, 2016 from SMBC Nikko. SMBC Nikko is not a related party of NEC or JAE and does not have a material interest in respect of the Tender Offer. NEC has not obtained an opinion regarding the fairness of the Tender Offer Price (a fairness opinion) from SMBC Nikko.

ii. *Outline of Valuation*

As a result of the examination of calculation methods for the Tender Offer,

SMBC Nikko calculated the share values of JAE using the market price analysis, the comparable listed company analysis and the DCF Analysis. The calculation methods adopted by SMBC Nikko and the ranges of the values of JAE's stock per share calculated using such methods are as follows.

- 1,288 yen to 1,396 yen under the market price analysis
- 1,496 yen to 2,255 yen under the comparable listed company analysis
- 1,516 yen to 2,382 yen under the DCF Analysis

iii. Process For Determining Tender Offer Price Based On Valuation

On May 31, 2016, NEC decided that the Tender Offer Price should be 1,920 yen, in consideration of the nature of, and the results under, each valuation method as described in the valuation report provided by SMBC Nikko, as well as the results of the due diligence conducted in respect of JAE, the possibility of obtaining an opinion supporting the Tender Offer from JAE's board of directors, market trends of JAE Shares price, actual examples of the premiums implied in determining tender offer prices in past tender offers by entities other than the issuers and the estimated number of shares to be tendered in the Tender Offer.

(iii) *Relations to the Third Party Appraiser*

NEC's financial advisor, SMBC Nikko, is not a related party of NEC or JAE and does not have any material interest in respect of the Tender Offer.

(5) Number of Shares to Be Acquired

Number of Shares to Be Acquired	Minimum Number of Shares to Be Acquired	Maximum Number of Shares to Be Acquired
10,000,000 (shares)	—	10,000,000 (shares)

Note 1: If the total number of the Tendered Shares is not more than the number of shares to be acquired (10,000,000 shares), NEC will acquire all of the Tendered Shares. If the total number of the Tendered Shares exceeds the maximum number of shares to be acquired (10,000,000 shares), NEC will not acquire any such excess shares and shall conduct settlement through delivery or other such means of settlement in respect of a tender offer for shares through the Pro Rata Method prescribed in Article 27-13, Paragraph 5 of the Act and Article 32 of the Ordinance.

Note 2: The Tender Offer also targets shares less than one unit. If the right to request purchase of shares less than one unit is exercised by a shareholder pursuant to the Companies Act (Act No. 86 of 2005, as amended), JAE will purchase such shares of JAE during the tender offer period in accordance with the statutory procedures.

Note 3: There is no plan to purchase, through the Tender Offer, the treasury stock held by JAE.

Note 4: The stock acquisition rights may be exercised up to the last day of the tender offer period and the Tender Offer also targets JAE Shares issued through such exercise.

(6) Change in Percentage of Ownership of Shares after Tender Offer

Number of Voting Rights Represented by Shares Held by NEC Before Tender Offer	36,291	(Percentage of Ownership of Shares Before Tender Offer: 39.82%)
Number of Voting Rights Represented by Shares Held by Special Related Parties Before Tender Offer	TBD	(Percentage of Ownership of Shares Before Tender Offer: TBD)
Number of Voting Rights Represented by Shares to Be Acquired	10,000	(Percentage of Ownership of Shares After Tender Offer: 10.97%)

Number of Voting Rights Represented by Shares Held by Special Related Parties After Tender Offer	–	(Percentage of Ownership of Shares After Tender Offer: –%)
Number of Voting Rights of All Shareholders of JAE	90,454	

Note 1: “Number of Voting Rights Represented by Shares Held by NEC Before Tender Offer” indicates the number of voting rights (i.e., 22,491) represented by the shares held by NEC as of today (i.e., 22,491,671 shares) and the number of voting rights (i.e., 13,800) represented by the shares attributable to NEC’s Employee Retirement Benefit Trust, which shall be deemed as the shares held by NEC pursuant to Article 7, Paragraph 1, Item 3 of the Enforcement Order (Cabinet Order No. 321 of 1965, as amended; the “Enforcement Order”) (i.e., 13,800,000 shares).

Note 2: “Number of Voting Rights Represented by Shares Held by Special Related Parties Before Tender Offer” and its “Percentage of Ownership of Shares Before Tender Offer” have yet to be determined as of today; however, they will be disclosed by the time of the commencement of the Tender Offer upon the examination thereof.

Note 3: “Number of Voting Rights Represented by Shares to Be Acquired” is the number of voting rights represented by the shares to be acquired in the Tender Offer (i.e., 10,000,000 shares).

Note 4: “Number of Voting Rights of All Shareholders of JAE” is the total number of voting rights of all shareholders of JAE set forth in the Quarterly Report. Since the Tender Offer targets shares less than one unit and JAE Shares issued or transferred upon exercise of the stock acquisition rights of JAE, in order to calculate “Percentage of Ownership of Shares Before Tender Offer” and “Percentage of Ownership of Shares After Tender Offer,” the number of voting rights (i.e., 91,137) represented by the number of shares (i.e., 91,137,182 shares) obtained by (i) adding to the total number of issued shares of JAE as of February 10, 2016 (i.e., 92,302,608 shares), as set forth in the Quarterly Report, the number of JAE Shares (i.e., 291,000 shares), which are subject to (a) the stock acquisition rights (i.e., 215) as of May 31, 2015, as set forth in the Securities Reports, and (b) the stock acquisition rights (i.e., 76) issued on July 10, 2015, as set forth in the Securities Reports, and then (ii) subtracting therefrom the number of treasury stock held by JAE as of March 31, 2016 (i.e., 1,456,426 shares), as set forth in the Earnings Release of JAE, is used as the denominator.

Note 5: “Percentage of Ownership of Shares Before Tender Offer” and “Percentage of Ownership of Shares After Tender Offer” are rounded to the nearest hundredth.

(7) Purchase Price 19,200 million yen

Note : “Purchase Price” is the amount calculated by multiplying the number of shares to be acquired through the Tender Offer (i.e., 10,000,000 shares) by the Tender Offer Price (1,920 yen).

(8) Settlement Method, etc.

With respect to the settlement method, the date of public notice for the commencement of the Tender Offer and other details regarding the conditions and methods of the Tender Offer, further notice will be provided once those matters are determined. NEC plans to appoint SMBC Nikko as its Tender Offer Agent.

III. Policies after the Tender Offer and Future Prospects

Please refer to “I. Purposes of Tender Offer” above with respect to policies after the Tender Offer.

IV. Others

(1) Agreements Between NEC and JAE or Its Officers; Details Thereof

(i) *Expressing Opinion Supporting Tender Offer*

According to JAE’s Announcement, JAE has unanimously resolved at the meeting of JAE’s board of directors held on May 31, 2016, as JAE’s opinion as

of the said date, to support the Tender Offer if the Tender Offer is commenced, on the conditions that (1) there is no event where it will be reasonably determined that the Tender Offer materially affects JAE's corporate value and therefore JAE's support of the Tender Offer is not appropriate; and (2) there is no proposal of a tender offer or other large-scale acquisition of JAE Shares and other equity securities by a third party other than NEC, the conditions of which are superior to those of the Tender Offer, and with respect to which it is reasonably determined that the expression of the opinion to support the Tender Offer, in light of such proposal, could constitute a breach by JAE's directors of the duty of due care as a good manager. In addition, JAE has also resolved at such meeting of the board of directors to leave the decision to JAE shareholders as to whether they would tender their shares in the Tender Offer since JAE Shares are planned to remain listed after the Tender Offer.

With respect to the details of the decision-making procedures of JAE's board of directors resolution, please refer to JAE's Announcement and "(iv) Unanimous Approval by All of the Disinterested Directors of JAE and No Objection from All of the Disinterested Statutory Auditors of JAE" in "(4) Measures to Ensure Fairness of Tender Offer Including Those to Ensure Fairness of Tender Offer Price and to Avoid Conflicts of Interest" in "I. Purposes of Tender Offer" above.

(ii) *The Memorandum*

As of today, NEC and JAE have agreed and entered into the Memorandum providing that (i) it is their basic policy that the ratio of voting rights held by NEC in JAE will be not more than 51% and that the listing of JAE Shares will be maintained, and if changes are to be made to such basic policy, NEC will respect the JAE's intention, (ii) the appointment of top management personnel by JAE will be implemented upon prior notice to NEC, (iii) JAE will make and execute decisions at its own responsibility with respect to the matters concerning business operations, such as setting goals regarding JAE's management plans and controlling business performance, and (iv) NEC will send one director to JAE starting from JAE's first shareholders' meeting to be held after making JAE a consolidated subsidiary of NEC. With respect to the details of the Memorandum, please refer to "(3) Material Agreements Concerning the Tender Offer" in "I. Purposes of Tender Offer" above.

(2) Other Information Deemed Necessary for Decision-making by Investors Concerning Tender Their Shares

Not applicable.

End of Announcement

### *Insider Regulations*

In accordance with the provisions of Article 167, Clauses 3 and 4 of the Act and Article 30 of its Enforcement Order, it is possible that anyone having read this material will be considered a primary recipient of information under the insider trading regulations. In this regard, you are urged to exercise due care since you may be restricted from purchasing the shares of Japan Aviation Electronics Industry, Limited before 12 hours have passed from the time of the announcement of this material. If you are held liable under criminal, civil, or administrative laws for making such a prohibited purchase, NEC will assume no responsibility whatsoever.

### *Soliciting Regulations*

This statement is a material to announce the Tender Offer to the public and has not been prepared for the purpose of soliciting an offer to sell the shares. If shareholders wish to make an offer to sell their shares, they should first read the Tender Offer Explanation Statement for the Tender Offer and offer their shares for sale at their own discretion. This material shall neither be, nor constitute a part of, an offer to sell or purchase, or solicitation of such sale or purchase, regarding any securities, and neither this material (or a part thereof) nor its distribution shall be interpreted to be the basis of any agreement in relation to the Tender Offer, and this material may not be relied on at the time of entering into any such agreement.

### *Other Countries*

The announcement, issuance, or distribution of this material may be legally restricted in some countries or territories. In such case, shareholders should be aware of and comply with such restriction. The announcement, issue or distribution of this material shall be interpreted not to be an offer to purchase or a solicitation of an offer to sell, but simply to be a distribution of information.

### *Note for U.S. Shareholders of JAE*

The Tender Offer will be conducted in accordance with the procedures and the information disclosure standards prescribed by Japanese law, and these procedures and information disclosure standards may differ from the procedures and the information disclosure standards in the jurisdictions including the United States, other than Japan. You should be aware that the NEC may purchase shares otherwise than under the Tender Offer, such as in open market or privately negotiated purchases, to the extent permitted under Japanese law.

### *Japanese Language*

Unless otherwise specified, all procedures relating to the Tender Offer are to be conducted entirely in Japanese. If all or any part of a document relating to the Tender Offer is prepared in the English language and there is any inconsistency between the English-language documentation and the Japanese-language documentation, the Japanese-language documentation will prevail.

### *Forward-Looking Statements*

This material contains forward-looking statements pertaining to the strategies, financial targets, technology, products and services and business performance of the NEC group, which consists of NEC Corporation and its subsidiaries and affiliated companies. Written forward-looking statements may appear in other documents that NEC files with stock exchanges or regulatory authorities, such as the Director of the Kanto Local Finance Bureau, and in reports to shareholders and other communications. Forward-looking statements necessarily depend on currently available assumptions, data, or methods that may be incorrect or imprecise and NEC may not be able to realize the results expected by them.

You should not place undue reliance on forward-looking statements, which reflect NEC's analysis and expectations only. Forward-looking statements are not guarantees of future performance and involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those in the forward-looking statements. Among the factors that could cause actual results to differ materially from such statements include (i) effects of economic conditions, volatility in the markets generally, and fluctuations in foreign currency exchange and interest rate, (ii) trends and factors beyond the NEC group control and fluctuations in financial conditions and profits of the NEC group that are caused by external factors, (iii) risks arising from acquisitions, business combinations and reorganizations, including the possibility that the expected benefits cannot be realized or that the transactions may result in unanticipated adverse consequences, (iv) developments in the NEC group's alliances with strategic partners, (v) effects of expanding the NEC group's global business, (vi) risk that the NEC group may fail to keep pace with rapid technological developments and changes in customer preferences, (vii) risk that the NEC group may lose sales due to problems with the production process or due to its failure to adapt to demand fluctuations, (viii) defects in products and services, (ix) shortcomings in material procurement and increases in delivery cost, (x) acquisition and protection of intellectual property rights necessary for the operation of business, (xi) risk that intellectual property licenses owned by third parties cannot be obtained and/or are discontinued, (xii) risk that the NEC group may be exposed to unfavorable pricing environment due to intensified competition, (xiii) risk that a major customer changes investment targets, reduces capital investment and/or reduces the value of transactions with the NEC group, (xiv) risk that the NEC group may be unable to provide or facilitate payment arrangements (such as vendor financing) to its customers on terms acceptable to them or at all, or risk that the NEC group's customers are unable to make payments on time, due to the customers' financial difficulties or otherwise, (xv) risk that the NEC group may experience a substantial loss of, or an inability to attract, talented personnel, (xvi) risk that NEC group's ability to access the commercial paper market or other debt markets are adversely affected due to a downgrade in its credit rating, (xvii) risk that the NEC group may incur large costs and/or liabilities in relation to internal control, legal proceedings, laws and governmental policies, environmental laws and regulations, tax practice, information management, and human rights and working environment, (xviii) consequences of natural and fire disasters, (xix) changes in methods, estimates and judgments that the NEC group uses in applying its accounting policies, (xx) risk that the NEC group may incur liabilities and losses in relation to its retirement benefit obligations, (xxi) the possibility that the transactions contemplated by this material are not successfully completed, and (xxii) the possibility that expected benefit may not be realized by the transactions contemplated by this material. New risks and uncertainties come up from time to time, and it is impossible for NEC to predict these events or how they may affect the NEC group. Furthermore, the forward-looking statements in this material were prepared based on the information held by NEC as of the date of this material and unless required by law, NEC does not undertake any obligation to update or revise any of the forward-looking statements to reflect any future events or circumstances.

The management targets of NEC included in this material are not projections, and do not represent management's current estimates of future performance. Rather, they represent targets that management will strive to achieve through the successful implementation of NEC's business strategies. NEC cautions you that the statements made in this material are not an offer of securities for sale. Securities may not be offered or sold in any jurisdiction in which required registration is absent or an exemption from registration under the applicable securities laws is not granted.