OASIS

Oasis Plans to Submit Proposals for
Alpine Electronics' Annual General Meeting

****More information available at www.protectalpine.com***

March 9, 2018, Hong Kong – Oasis Management Company Ltd. ("Oasis") is the largest minority shareholder of Alpine Electronics ("Alpine" or "the Company"), owning a 9.7% position in Alpine. Oasis has adopted the Japan FSA's "Principles of Responsible Ownership" (a/k/a Japan Stewardship Code) and in line with those principles, Oasis monitors and engages with its investee companies and releases the following statement:

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On February 27, 2018, Alpine and Alps Electric Co., Ltd. ("Alps") released two statements, the first on the structure and timing of the merger, and the second revealing their deceitful reasoning for maintaining the share ratio as is.

Simply put, a bad deal for minority shareholders just got worse. Alpine's profits continue to grow, and Alps prospects look weaker. Poor corporate governance at Alpine leads to abuse of all minority shareholders.

To improve governance and end abuse of minority shareholders, Oasis will make the following proposals at Alpine's upcoming Annual General Meeting:

1. A special dividend of approximately ¥425 per share;
2. A vote <u>against</u> Kojima-San – the independent director and third party committee member who has neglected his duties by, among other things, not attending the Board of Directors meeting held on February 27, 2018 to ask Alps for a higher price; and
3. Oasis's own slate of independent directors.

We encourage <u>all</u> shareholders to get your shares into a *<u>fully paid for</u>* or *<u>custodial</u>* account by March 31 so that you can vote your shares.

We encourage <u>all</u> shareholders to send your own letter to Alpine's directors telling them that the abuse of minority shareholders end. A sample draft letter template is included at the end of this statement for reference.

Oasis is proceeding with requests for the books and records, minutes and materials of all board meetings, board committee meetings, and the third party committee meetings.

We call on the Alpine's management and the third-party committee to meet with us. We are the second largest shareholder of the company holding 9.7% of Alpine.

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Alps needs Alpine more than Alpine needs Alps

As of today, Alpine has revised up its earnings by almost 70% since the merger was announced.
In contrast, Alps forecasts have been revised up by just 16%, and Citi recently downgraded Alps. Alps is currently trading at its lowest price per share in over a year. Unfortunately for Alpine's shareholders, the proposed merger ratio has linked Alpine's share price to Alps. As a result, the proposed transaction values Alpine at JPY1,843 per share, a premium of under 8% from the day prior to the announcement of the merger.

In the first February 27 statement, Alps and Alpine informed shareholders that the merger would be brought forward three months earlier than initially proposed, and that the name of the merged entity will change from "Alps Holding" to "Alps Alpine". Both of these changes highlight the growing importance of Alpine to Alps' future.

Alps has suffered from the disappointing reception of Apple's iPhone X, which has further proven that Alps cannot rely on the smartphone market. It is vital to Alps that it penetrate further into the automotive market, and for that, Alps desperately needs Alpine.

It will be Alpine driving the creation of corporate value at the merged entity. Alps will benefit from Alpine's strong growth but Alpine's shareholders will see their corporate value diluted as Alps faces an uncertain future in the smartphone market.

This is a case of Alpine saving Alps, and Alpine's shareholders should be paid appropriately.

1. Alps and Alpine can't see the forest for the trees

Alps and Alpine have been myopically focused on attempting to demonstrate that the large revision upwards in Alpine's earnings did not necessitate Alpine requesting a higher takeover price. As justification, they point to the fact that SMBC managed to simulate scenarios in which the upwards revisions have limited impact on the DCF. This is a full misunderstanding of fairness. The revisions upward do not **just** affect the DCF valuation, but prove that the market price and comparable company method valuations are deeply flawed.

Alps/Alpine announced the merger with the longest lead time of any Japan deal in over 18 years. At the time, we stated that we believed this was done to set a cap on the stock price, as Alpine had been trading cheaply. The two revisions upward following the announcement of the merger imply that both Alps and Alpine knew that better results were expected and wanted to announce the merger before the stock price would go up on the back of improved profitability. The two revisions upwards would have led to a sharp increase in stock price and would have forced Alps to pay a higher price for Alpine.

Alpine's revision upwards also stand in stark contrast to the comparable companies employed by SMBC in the comparable companies' analysis. This again demonstrates that both the comparable company methodology and the DCF employing an EBITDA multiple based on comparable companies are unfair and inappropriate.

- Clarion Co. Ltd (6796 JP) – As Alpine has raised its operating profit forecast by 69%, Clarion reduced its operating profit forecast by 29% for the current fiscal year, which was already set to be lower than the prior year. Clarion is going through a slow restructuring while Alpine is rapidly growing. Applying Clarion's multiples to Alpine will deeply undervalue Alpine. Sadly for shareholders, Clarion was the competitor with the higher multiples.
- Pioneer Corp (6773 JP) – Pioneer cut its forecast for the current year by 50%, a stark contrast to Alpine, which increased its forecast by 69% for the current year. Pioneer was also loss making in two of the prior four years, which also weighed down its valuation metrics. As with Clarion, comparing this company to Alpine deeply undervalues Alpine and hurts shareholders.
- JVC Kenwood (6632 JP) – JVC was loss-making in the prior year which, as with Pioneer, weighed down its valuation. JVC is also underperforming its five year medium-term plan. Again, the use of JVC as comparable company, without including a premium for Alpine, is unacceptable and unfair.

These issues highlight the obvious disdain with which Alps and Alpine treat their minority shareholders and demonstrate that measures that they claimed to have undertaken to ensure fairness were deficient at the very least. We welcome recent quotes in the press that Toshihiro Kuriyama, the president of Alps, expressed willingness to meet with Oasis, but are perplexed that Alpine's president, Nobuhiko Komeya, has remained silent. Clearly Alps has full control of Alpine and little care for Alpine's minority shareholders.

We also raise the suspicion that Alps and Alpine did not only treat minority shareholders unfairly, but also potentially acted fraudulently. The revisions upwards after the takeover are too convenient, and there is a distinct possibility that Alpine delayed any revisions upwards to ensure that Alps could pay a lower price.

We recommend that shareholders read our releases on www.protectalpine.com for further details on how Alps and Alpine skewed the valuations in order to achieve an unfairly deeply discounted price, including Alpine's arbitrary decision to include ¥30 billion in operating cash and therefore taking ¥400 yen per share from minority shareholders and to give to Alps for free.

2. Obfuscation, obfuscation and more obfuscation

In their justification of not renegotiating the share exchange ratio, Alpine made the following statements, which were clearly designed to obfuscate and mislead shareholders:

"In the Analysis, SMBC Nikko used the most recent financial forecasts as underlying conditions and ***conducted simulations using the DCF analysis on the basis of reasonably expected assumptions.****"*[1]

Alpine could not be more opaque. It appears that SMBC tried as many simulations as possible using any assumptions they decided were reasonable to justify the price. We believe that it is clear that SMBC were told to justify the current ratio by any means.

"Specifically, SMBC Nikko assumed various cases, including the case in which the ***capital cost, which is a condition underlying the calculation by DCF analysis, is replaced with the most recent figure****, and the case in which the most recent financial forecasts of the Company are further* ***revised upward by a certain degree****."*[2]

This raises a myriad of questions, including:

1. How many various cases did they try?
2. What were the assumptions in these cases?
3. Were the cases biased towards a lower price?
4. What capital cost had they been using before?
5. What capital cost number did they use this time?
6. How much is a "certain degree"?
7. Has Alpine understated its financials in order to avoid revising upwards further?

"…but the medium to long term automobile sales forecasts will remain uncertain based on the documents and other materials showing the analysis ***concerning the automobile sales forecasts as provided by a research company.****"*[3]

Alpine kept the source of their sales forecasts suspiciously vague considering that they were happy to reveal that LMC Automotive was the source for the forecasts in their medium term plan. This raises the likely possibility that Alpine sought out the lowest forecasts it could to justify accepting the lowest price it could.

3. Shareholder proposals and calling for independent directors

Oasis plans to submit the following shareholder proposals for Alpine's upcoming Annual General Meeting:

I. Special Dividend

Oasis will propose that Alpine distribute ¥29.7 billion as a special dividend to all shareholders. This is the maximum special dividend that Alpine can pay at this point for technical accounting reasons. This will amount to approximately ¥425 per share. Minority shareholders deserve more than this, but this will

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1 http://www.alpine.com/e/investor/library/pdf/kessai/ja/2017j_en.pdf
2 *Ibid.*
3 *Ibid.*

help move towards a fairer price for shareholders. This also corresponds to the ¥30 billion of cash that Alpine has arbitrarily taken away from shareholders by dishonestly claiming it is operating cash.

Voting for the special dividend will bring at least some justice for minority shareholders.

II. Vote against the re-election of Hideo Kojima

Oasis will propose that shareholders vote <u>against</u> the re-election of Hideo Kojima. Mr. Kojima is a member of Alpine's Audit and Supervisory Committee and an outside director for Alpine. He is also a member of the Third-party Committee that rubber stamped Alps' takeover of Alpine at a large discount to its intrinsic value. We find it peculiar and disheartening that Mr. Kojima did not even bother to attend the board of directors meeting that decided not to ask Alps for a higher price:

"Also, Mr. Hideo Kojima, who serves as both a director and a member of the Audit and Supervisory Committee, was absent from the board of directors meeting of the Company held today for the need of attention to business operations, it has been confirmed separately that Mr. Kojima approves that the Company will not request a revision of the Share Exchange Ratio."

<u>Mr. Kojima failed to protect minority shareholder rights</u>. As such, shareholders should ensure that he is <u>not</u> re-elected.

III. Vote against majority of Alpine's board and for a majority of truly independent directors

Alpine's directors are all up for re-election at Alpine's next Annual General Meeting. Oasis will propose a new slate of 11 independent directors that will seek the fair treatment of minority shareholders. Once elected, these directors will have the power to compel Alpine to renegotiate a higher price with Alps.

We have already developed a slate of experts in the automotive field that would be willing to become independent directors for Alpine, but we would also welcome any interest from any others that would be interested in being elected to Alpine's board.

If you are interested in being nominated to Alpine's board please contact us at Legal@protectalpine.com.

We continue our engagement to protect Alpine.

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Shareholders are encouraged to visit www.ProtectAlpine.com to sign up for updates and learn how you can help. Shareholders may also contact us at protectalpine@oasiscm.com, or contact our Japanese legal counsel at Legal@protectalpine.com.

For media and all other inquiries, please contact thall@hk.oasiscm.com.

Oasis Management Company Ltd. manages private investment funds focused on opportunities in a wide array of asset classes across countries and sectors. Oasis was founded in 2002 by Seth H. Fischer, who leads the firm as its Chief Investment Officer. More information about Oasis is available at https://oasiscm.com

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LETTER TEMPLATE FOR SHAREHOLDERS

[Date]

President Nobuhiko Komeya
Alpine Electronics Inc.

Board of Directors
Alpine Electronics Inc.
1-7, Yukigaya-otsukamachi, Ota-Ku
Tokyo 145-0067, Japan

Dear President Komeya,

We are [shareholder name], shareholders of Alpine Electronics Inc. ("Alpine" or "the Company"), and hold [###] number of shares.

We believe that the current Share Exchange Ratio agreed with Alps Electric Co., Ltd. ("Alps") greatly undervalues Alpine and is unfair to minority shareholders. We believe that Alpine is worth in excess of ¥ [###]* per share. *[* Oasis values the shares in excess of ¥5,000 but shareholders can put in the price you wish.]*

As a result, we are planning to vote AGAINST the merger at the current Share Exchange Ratio.

We implore you, as management, to seek a higher, fair price for all shareholders.

Yours sincerely,

[Your name]

Copy to: Alpine Board of Directors

President
Nobuhiko Komeya

Managing Directors

- Hitoshi Kajiwara
- Naoki Mizuno
- Koichi Endo

Directors

- Toshinori Kobayashi
- Shuji Taguchi
- Yasuhiro Ikeuchi
- Youji Kawarada
- Shinji Inoue
- Koji Ishibashi
- Masataka Kataoka
- Hirofumi Morioka
- Hideo Kojima
- Satoko Hasegawa
- Naoki Yanagida