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## Oasis Applies its "Truth Meter" to Alpine's Latest Misleading Statements

Oasis Management Company Ltd. ("Oasis") is the manager to funds that beneficially own 9.9% of Alpine Electronics Inc. (TYO: 6816) ("Alpine" or the "Company"), making Oasis the Company's largest shareholder after Alpine's parent company and de facto controlling shareholder, Alps Electric Co., Ltd. (TYO: 6770) ("Alps").

On November 16, 2018, Alpine published "The Company's Views on the Business Integration between the Company and Alps Electric Co., Ltd." related to the share exchange agreed upon between Alps and Alpine (the "Share Exchange Agreement") in an apparent attempt to answer the numerous critical questions posed by Oasis and by other shareholders challenging the fairness of the proposed merger between Alpine and Alps and questioning the integrity and transparency of the process by Alpine. The statements made by Alpine in its latest announcement are only the most recent in a long series of materially misleading public statements made by Alpine in an attempt to gain shareholder approval for a deal that significantly harms minority investors by grossly understating the value of their Alpine stock.

Today, Oasis has released its full, detailed analysis and response to Alpine's misleading statements at www.protectalpine.com, including introducing applying its "Truth Meter" that evaluates each of Alpine's statements, and highlights the continuing significant corporate governance concerns. These materials exclusively represent the opinions, interpretations, and estimates of Oasis in relation to the Share Exchange Agreement. Oasis is expressing those opinions solely in its capacity as an investment advisor to the Oasis Funds. (See the end of this document for the full set of important disclaimers.)

| | Questions | Alpine's November 16 Public Statements | Truth Meter | Oasis's Response |
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| 1. | Why aren't the terms and conditions of the Business Integration revised even though Alpine has increased | ♦ *"The Company conducted the Final Examination based on the most recent financial forecasts of the Companies, based on, among other things, the changes to the financial positions and business conditions of the Companies since the announcement of the Share Exchange on July 27, 2017 (for details,* | ♦ False | ♦ Throughout its release, including the table on the final page of the release, Alpine has referenced premiums and multiples based on earnings projections made in April 2017 and stock prices from that date, which are not only not "recent", but moreover are <u>not the actual results</u>. The truth is that since April 2017: |

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| | its shareholders' equity and cash and deposits since the announcement of the Share Exchange on July 27, 2017? | *see the Final Examination Press Release dated September 27, 2018)."* | | o Alpine beat its net income forecast from the time of the announcement by 1,066%.<br>o Alpine has continued to beat its earnings forecasts in every quarter since the announcement.<br>o Alpine's JV, Neusoft Reach, has signed a large contract with Honda and announced a JV with Denso – none of which has been included in the valuation.<br>o Alps is facing more business uncertainty, as forecasts for Apple unit sales are lower than expected. |
| | | ♦ *"As a result, the Company concluded that the Share Exchange Ratio is fair on the grounds that (i) in accordance with the Final Analysis conducted by SMBC Nikko, the Share Exchange Ratio is at an appropriate level because it is within the range analyzed by the comparable company analysis, and (ii) the financial analysis report obtained by the Third-Party Committee from YCG also states that the Share Exchange Ratio exceeds the upper limit of the range analyzed by the DCF Analysis and the Third-Party Committee has submitted, taking into account such financial analysis report and other analysis, a written report (toshinsho) to the effect that it is considered that the Share Exchange is not disadvantageous to the minority shareholders of the Company."* | ♦ False | ♦ Alpine cannot credibly claim the Share Exchange Ratio is "fair" because Alpine did not obtain a fairness opinion by SMBC Nikko. In its own September 2018 report, Alpine states: "Please note that in connection with the Final Analysis, the Company has not obtained an opinion (fairness opinion) from SMBC Nikko to the effect that the Share Exchange Ratio is fair from a financial point of view to shareholders of the Company's common shares, other than the Company's controlling shareholder and others." |
| | | ♦ **"***On that basis, even on the assumption that the Share Exchange Ratio is fair where the Special Dividends are not paid, the Company concluded that it is appropriate to conduct the Business Integration on even more favorable terms and conditions to its minority shareholders and therefore decided to pay the Special Dividends."* | ♦ False | ♦ The Share Exchange Ratio is not fair under any objective analysis – Alpine's repeating otherwise does not make it true. Moreover, YCG's analysis is deeply flawed and completely unreliable. (We further demonstrate the significant flaws in YCG's analysis separately). Adding a paltry Special Dividend of just Y100 per share on top of a deeply discounted offer price cannot be considered "even more favorable terms". |

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| | | ♦ ***"****As described above, the Company made the decision to maintain the Share Exchange Ratio and pay the Special Dividends, taking into consideration the changes to the financial positions and business conditions of the Companies since the announcement of the Share Exchange on July 27, 2017, and believes that the current terms and conditions are the best in the Business Integration."* | ♦ False | ♦ The current terms and conditions are not the best in the Business Integration. If this statement is true, that means the Company has made the decision to take significant value from minority shareholders and transfer that value directly to Alps. |
| 2. | It is Alps Electric that strongly desires the Business Integration. Can Alpine expect more improvement in corporate value if it remains listed, rather than implementing the Business Integration? | ♦ **"***It is not true that Alps Electric is the only party that strongly desires the Business Integration. The Business Integration is beneficial for both the Company and Alps Electric. Moreover, in light of the recent business environment surrounding the Company, the Company does not believe it is a right view that the Company can expect more improvement in its corporate value if it remains listed rather than implementing the Business Integration.*<br><br>♦ *"In the midst of the drastic changes of the competitive environment surrounding the automobile industry and the automotive business due to the increased electrification of automobiles in recent years, it is a pressing issue for the Company and Alps Electric to resolve operational restrictions, which arise due to the nature of the Companies as independent listed companies, to their mutual cooperation in the areas of development, manufacturing and sales as well as sharing intellectual property, licenses, knowhow and other similar assets, while at the same time to realize* | ♦ Less Honest<br><br>♦ Less Honest | ♦ Alps was the initiator of the Business Integration, not Alpine. It was the Alps representative that first approached Alpine in December 2016. If Alpine was so concerned about their future, then they would have initiated the approach to Alps, and equally, should have investigated alternative strategies and potential partners.<br><br>♦ This might be true, but Alps is not the majority shareholder of Alpine. There will be synergies, but it is appropriate to pay minority shareholders for their share of those synergies. No synergies were incorporated into the value of Alpine. |

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| | | *more effective communication with customers."*<br><br>♦ *"The Company believes that the Business Integration will allow the Company to tackle the above-mentioned business challenges as follows, and thus enable an attempt to increase the corporate value of the Company.*<br>*i. The Company will be able to accelerate its business expansion by finding new customers through utilizing Alps Electric's extensive customer channel;*<br>*ii. (ii) The Company will be able to develop various products, such as integrated HMI cockpit systems and other products that seamlessly integrate electronic devices, software and packaging, through combining Alps Electric's input device, sensing device and communication device technologies, which have built up a track record in the fields of consumer and automotive electronic components, with the Company's output equipment development technology (with navigation at its core), software development capability and production planning capability; and*<br>*iii. As a result of (i) and (ii) above, the Company will be able to create, propose and expand highly functional system products unique to the Alps* | ♦ Maybe | ♦ Maybe, but if this is the case, then Alps should be paying a substantially higher price that equates to the true intrinsic value of Alpine. Alpine has over-emphasized the opportunity from the Business Integration to suit its desire to do this deal with Alps. Alps is a Tier 2 supplier, and as such, does not have extensive direct relationships with OEMs needed to cross-sell Alpine's infotainment systems. It is Alpine which has the stronger OEM relationships and would benefit more from identifying a partner with even stronger and wider OEM relationships. We understand that Alps has input device technologies which Alpine could use to develop advanced HMIs, but there are many other companies with these technologies with whom Alpine could work. A Business Integration at such a low valuation is not justified by these opportunities which benefit Alps far more than they benefit Alpine. Additionally, Alpine has substantial financial resources for it to pursue alternative strategies that will ensure it will grow its corporate value long into the future. Alpine should be buying in additional software capabilities aimed at entrenching it further with its existing customers and expanding its reach. Alpine should also look to increase its exposure in the emerging markets where there is increasing demand for infotainment systems as these become standard in the low- and medium-end markets. Alps, on the other hand, has a far more uncertain future. In the prior year, 60% of Alps' operating profit was derived from actuators sold to Apple, but Alps is facing increasing competition from Minebea Mitsumi in the short-term, and longer-term pricing pressure from Largan's entry into the actuator market and the development of new actuator technologies by Murata and Taiyo Yuden. Alps' other businesses are either flat or declining and its automotive components business has below 2% margins, while its higher-margin switches and volume controls will become obsolete. It is Alps that needs to be saved, and that is the reason they initiated the business integration. It is why they should be paying a substantially higher price that equates to the true intrinsic value of Alpine. |

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| | | *Electric group as an automotive HMI system integrator and expand its business in new business areas."*<br><br>♦ ***"****The Company has explained the above-mentioned views to its shareholders through various means such as press releases since the announcement of the Business Integration, and is of the understanding that, as a result of such explanations, the Company has obtained support of the majority of its shareholders."* | ♦ Less Honest | ♦ We doubt the truth of this statement. We have spoken with a large amount of the shareholder base and believe that the base does <u>not</u> support the merger at this price. We believe any Alpine shareholder who does support the merger at this price, at worst, has ulterior motives and interests, and at best, is aligning themselves with extremely poor corporate governance and minority shareholder abuse being perpetrated by Alpine and Alps. |
| 3. | Doesn't Alpine insisting on the transaction with Alps Electric without looking for another acquirer constitute a breach of the duty of due care owed by Alpine's directors? | ♦ *"The Company believes that the Share Exchange Ratio and the procedures in which the Share Exchange Ratio was decided are fair, and understands that there is no fact that constitutes a breach of the duty of due care under the Companies Act of Japan."*<br><br>♦ *"Furthermore, for the reasons described in the Views of the Company on Question 2, the Company believes that the Company pursuing sustainable growth through the Business Integration with Alps Electric is the best option for its minority shareholders."* | ♦ We Disagree<br><br>♦ We Disagree | ♦ Again, repeating that the deal is fair does not make it true, particularly where the overwhelming sum of the objective evidence does not support such a conclusion. We'll let a judge decide that. We believe there is a large breach of duty here. The procedures were flawed and the price is not fair – not to mention that this process has been mired by repeated failures of corporate governance that are harming minority shareholders and will tarnish the reputations of those responsible.<br><br>♦ At this price, as we demonstrate, that is simply not the case. |
| 4. | Hasn't Alpine been neglecting efforts to have itself highly valuated? | ♦ ***"****The Company proactively urged Alps Electric in pursuit of the possibility for the Business Integration to be conducted on even more favorable terms and conditions to its minority shareholders."* | ♦ Less Honest | ♦ This was, at best, a small effort. Y100 is a small additional amount. We believe Alpine has acted from the outset as if the Business Integration was a forgone conclusion, including by agreeing to Alps' "best offer" rather than demanding a higher price that Alps would have to "pay up" for, as we describe in more detail below. |

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| | | ♦ *"Specifically, although no particular circumstances that give rise to doubt about the fairness of the Share Exchange Ratio were initially identified in the course of the Final Examination, which were conducted without taking the impact of the special dividends into consideration, in light of various factors such as opinions expressed by certain minority shareholders of the Company, including the voting outcome at the 52nd ordinary general meeting of shareholders of the Company held on June 21, 2018, and the latest trends of share prices of the Companies, in order to pursue the possibility for the Business Integration to be conducted on even more favorable terms and conditions to its minority shareholders, the Company officially requested Alps Electric to discuss the terms and conditions of the Business Integration with the Company."*<br><br>♦ *"As the result of the discussions described above, the Company obtained agreement from Alps Electric as to the payment of the special dividends of 100 yen per share and that there would be no revision to the Share Exchange Ratio despite the payment of the special dividends."* | ♦ False<br><br>♦ Who Cares? | ♦ This is false. As described in the Form-4 filed by Alps, the merger was a forgone conclusion, and price was never a serious consideration. In fact, at the Feb. 27 and Mar. 6, 2017 meetings, Alps and Alpine agreed that they would announce the merger in July 2017, but did not start negotiating the price until June 30, 2017 – four months later! The companies even publicly announced the merger of their headquarters and discussed director and officer compensation *prior to the price negotiation*. There was obviously no attempt to try to shop the deal for other buyers or investigate alternative strategies, as <u>the whole deal was agreed upon prior to price negotiation</u>. The price negotiation itself demonstrates that Alpine was not looking to achieve a high price for the Company. Alpine's first counter-bid to Alps' original offer was just a share exchange ratio of 0.75 Alps shares for one Alpine share, which implied a valuation of just 1x book value. The most that Alpine wanted Alps to pay its minority shareholders was the value of its assets, with both companies knowing full well that Alpine's earnings would substantially increase.<br><br>We also find it disturbing that when Alps refused Alpine's final offer of 0.7 Alps share for one Alpine share, Alpine simply accepted Alps' offer instead of standing its ground and asking Alps to pay at least slightly more. This demonstrates that the price "negotiation" was merely a formality, and Alpine had no intention of walking away from a deal regardless of the price offered by Alps. Alpine's actions continue to demonstrate that it did not seek to truly protect minority shareholders or seek a fair price.<br><br>We also note that Alpine has gone out of its way to ensure that:<br><br>o Only a limited amount of cash and securities are labeled as non-operating assets, thus lowering the valuation;<br>o There has been no inclusion of expected future profits from the Neusoft Reach JV which are anticipated beyond the projection period; and<br>o Minority shareholders would not be paid their share of the anticipated synergies. |

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| | | | | Finally, Alpine has made no effort to identify alternative strategies or to solicit alternative partners, both of which would substantially increase Alpine's value well above the derisory offer that Alpine has accepted from Alps.<br><br>♦ This special dividend is tiny compared to what Alpine's true fair value is, and this step does not come close to making up the difference in what is owed to shareholders. |
| 5. | If the Business Integration is disapproved at the Extraordinary General Meeting of Shareholders, isn't it possible for Alpine to win compromise and better integration terms and conditions from Alps Electric, which strongly desires the integration? | ♦ *"The board of directors of the Company determined that the current terms and conditions of the Business Integration are the best in light of the status of negotiations with Alps Electric to date, and therefore resolved the proposals which are to be submitted to the Extraordinary General Meeting of Shareholders."*<br><br>♦ *"As described in the Views of the Company on Question 4, as a result of its greatest efforts conceivable at present in pursuit of the possibility for the Business Integration to be conducted on even more favorable terms and conditions to its minority shareholders, the Company won the Special Dividends of 100 yen per share."*<br><br>♦ *"As represented by the four areas called CASE (the abbreviation of Connected, Autonomous, Shared & Services, and Electric; hereinafter the same), the current automobile industry has entered an era of great change, which some people say occurs once a century, and the global movement of alliances with competitors in the industry has been very active. In such business environment, it is becoming very difficult for the* | ♦ False<br><br>♦ Less Honest<br><br>♦ Less Honest | ♦ These terms are not the "best" and in fact, far from it. If this is true of the board, it reflects poor decision-making that we believe falls well below any standard of rational business judgement, and breaches their fiduciary and other duties and responsibilities.<br><br>♦ As discussed, this dividend is tiny compared to what true fair value of the Company is worth. Alps is paying just ¥1,680 per share for all of Alpine's assets, which are worth at book value ¥2,300 per share – a difference of over ¥600 per share. At least ¥400 of cash will be transferred to Alps <u>*for free*</u> due to its misallocation as operating assets, and no value at all has been given for the business itself. Yet Alpine claims to have made the greatest efforts conceivable because it is giving back ¥100 to minorities in return for ripping them off.<br><br>♦ The automotive industry is going through a period of transformation which will entail great opportunities for Alpine, but also some risks. Nevertheless, as the automotive industry transitions, experts believe that there will be more infotainment, not less. There will always be a market for Alpine's products. Merging with Alps is just one possible strategy, but it is not the best strategy for Alpine, and certainly not at this valuation.<br><br>Alps is a Tier 2 supplier and does not have direct access to OEMs to help Alpine increase its customer reach. Alpine has significant financial resources to independently pursue |

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| | | *Company to survive as an independent standalone company as it has been. In order to secure orders in the CASE areas, which is expected to grow in the future, and realize a medium- to long-term growth scenario, it is essential to propose products and services that combine and integrate the areas in which the Company has advantages, with the areas of products and technologies that the Company does not have. The Company believes that the most effective means to realize that is the Business Integration with Alps Electric. Accordingly, if the Business Integration is disapproved, it is expected that the Company will face great difficulties in securing orders in the advanced areas such as the CASE areas, and even in the conventional product areas, it is expected that even if the Company manages to secure orders, its profitability will deteriorate due to severer price competition. The Company will consequently have to implement new measures to improve its corporate value over the medium- to long-term. As a result, under the circumstances where there are already active moves around the players in and around the automobile industry, it is concerned that the Company may face a growing risk of being forced out of the industry due to the Company's response lagging behind those players."* | | alternative strategies that would enhance its corporate value far more than integrating with Alps.<br><br>The current valuation values Alpine *below liquidation value* despite visibility of strong earnings until 2021 at the earliest. As cars become more automated there will be more need for infotainment systems in addition to increased demand in emerging countries as infotainment becomes more standard. There are plenty of opportunities for Alpine to grow its medium- to long-term corporate value without the business integration. We note, importantly, the company has been successful in securing orders to date. |
| 6. | The theoretical share price of Alpine assumed under the | ♦ ***"****As described in the Views of the Company on Question 18, the Company believes that the premium to the Share Exchange Ratio ranks considerably high* | ♦ False | ♦ Today, due to the decline in value of Alps shares, the price Alps is offering is a <u>discount</u> to where the stock was trading prior to the announcement, despite the large earnings increases since |

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| | Share Exchange Ratio is 1,710 yen, which does not greatly differ from the share price of Alpine before the announcement of the Business Integration. Doesn't Alps Electric intend to acquire shares of Alpine without paying a premium? | *in comparison with the level of premiums offered in other companies' business combinations that are similar to the Share Exchange."*<br><br>♦ *"In the first place, in analyzing the Share Exchange Ratio, in addition to the calculations using the market share price analysis and comparable company analysis, the factors should be taken into account such as the intrinsic value calculated using the DCF Analysis, future revenue projections based on the Companies' business plans and the operating environment, and the Company does not believe that it is appropriate to discuss the appropriateness of the Share Exchange Ratio based only on the current share prices of the Companies."*<br><br>♦ *"Although no particular circumstances that give rise to doubt about fairness of the Share Exchange Ratio were identified, in light of various factors such as opinions expressed by certain minority shareholders of the Company, including the voting outcome at the 52nd ordinary general meeting of shareholders of the Company held on June 21, 2018, and the latest trends of share prices of the Companies, in order to pursue the possibility for the Business Integration to be conducted on even more favorable terms and conditions to its minority shareholders, the Company resolved at its board of directors meeting held on September 27, 2018 to submit a proposal regarding the Special Dividends of 100 yen per share, subject* | <br><br><br><br><br>♦ Less Honest<br><br><br><br><br><br><br><br><br><br><br><br><br><br><br>♦ False | 2017. It is highly misleading to claim that this transaction is being done at a premium when it is clearly not.<br><br>♦ The current share price of Alps is what shareholders are ultimately receiving, so it is clearly appropriate to discuss this. It is a large, liquid stock. An Alpine shareholder who receives Alps shares can't sell them, or mark them at a DCF analysis price, that is higher than current market price. A DCF calculation is purely theoretical and used when there are no real-world options available, but in this case, there are several such options, including the Clarion deal and shopping Alpine to third-party buyers.<br><br>♦ "*No particular circumstances that give rise to doubt about fairness were identified"* – really? This is patently false. How about the valuation? Alps is attempting to buy Alpine at 0.7 of book value, and 1.3x EV/EBITDA. Clarion just sold for 3x book value and 11.3x EV/EBITDA. We believe this is <u>the most transparent attempted theft of value from minority shareholders and the most blatant failure of Corporate Governance we've ever seen in Japan.</u> |

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| | | *to the condition that the proposal of the Share Exchange Agreement will be approved at the Extraordinary General Meeting of Shareholders."* | | |
| 7. | The Shareholder Proposal proposes a 300 yen dividend on the condition that the proposal for the approval of the Share Exchange Agreement is disapproved. Even if Alpine accepts the proposal, can the operating cash be covered by borrowings or other means? | ♦ ***"****The Company believes that the early realization of synergies through the Business Integration is essential not only for improving shareholder value of the Company over a medium to long term but also for meeting the expectations of its customers and employees, and further, the Company believes that it is the best measure for all stakeholders, including the Company's minority shareholders. On the other hand, the assertion underlying the Shareholder Proposal that the proposal for the approval of the Share Exchange Agreement being disapproved will contribute to the improvement of the corporate value of the Company contradicts the Company's view. The Company therefore cannot agree to the Shareholder Proposal"*<br><br>♦ ***"****If the Company pays dividends as asserted in the Shareholder Proposal (totaling approximately 20.7 billion yen), taking into account the Company's current funding requirements, it poses the risk of a shortfall in operating cash, and a loss of reserves to cover risks for credit shrinkage on a crisis event could result in stable sustainability of the Company's business being impaired.* | ♦ False | ♦ Synergies did not factor into the valuation at all. Alpine shareholders are not being rewarded for the synergies they contribute to Alps in the proposed ratio. |

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| | | ♦ *"On this point, it might be an option to cover a shortfall in operating cash created by the payment of dividends as asserted in the Shareholder Proposal by loans from financial institutions. However, many of the automobile manufacturers that are the Company's major customers request their business partners to provide financial data on a regular basis and therefore it is a requisite to secure stable financial footing for maintaining ongoing transaction relationships. This is especially the case with the Company group's OEM business, which sells its products to automobile manufacturers around the world that demand for even better quality, lower prices and shorter deadlines amid the global competition for survival. In order to meet such demand, the Company considers it essential that it maintains its financial strength at a high level."*<br><br>♦ ***"****The amount of the Special Dividends of 100 yen per share proposed by the Company was presented to and agreed by Alps Electric as a result of the Company having concluded that the amount is payable by the Company after considering the balance among the above factors and can be agreed by Alps Electric while maintaining the existing terms and conditions of the Business Integration."* | ♦ False<br><br>♦ Less Honest | ♦ This is not a true statement. Alpine admits that it could take loans, but is misleading minority shareholders by claiming it must retain a significant amount of cash to demonstrate a secure stable financial footing for its business partners. We note the following competitors all have more debt than cash, demonstrating that Alpine's assertions are misleading:<br><br>o Clarion Co., Ltd.<br>o Pioneer Corp<br>o JCV Kenwood Crop<br>o Continental AG<br>o Delphi Technologies PLC<br>o Magna International Inc<br>o Faurecia SA<br><br>We note further that following the payment of the special dividend, Alpine would *still* be in a position of over ¥60 billion of cash, securities and investments, without even drawing on any credit lines. Furthermore Alps itself operates with more debt than cash.<br><br>♦ Why is this dividend <u>only proposed if the merger is approved?</u> It should remain in all cases. We note that in discussing the merger, Alps has discussed increasing shareholder returns through buybacks conducted <u>*with Alpine's cash*</u>. Alps and Alpine are attempting to pay the lowest possible price they can and trying to hide this with a paltry Y100 dividend. |
| 8. | What is the reason that the Third-Party Committee reappointed Mr. | ♦ ***"****Director Kojima satisfies both the Tokyo Stock Exchange's requirements for independent officers and the Company's Independence Criteria for Independent* | ♦ False | ♦ Director Kojima was the signatory of the auditing firm which conducted audits for Alps from 2001-2007, and used to be a signatory of the auditing firm for Alps Logistics. He might meet the technical requirements, but it is clear his loyalties lie with |

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| | Kojima, whose independence is doubtful, as a member? | *Outside Directors, and the Company does not believe there is doubt about his independence."*<br><br>♦ ***"****Meanwhile, from the viewpoint of obtaining support of certain shareholders who were concerned about the independence of Mr. Kojima, in the Final Examination, in order to and as the means to take a cautious approach to enhance the independence of the Third-Party Committee, two members were newly added to the Third-Party Committee."* | <br><br>♦ Not Enough | Alps. Alpine's insistence to keep a biased director for such an important role in this proposed transaction reveals that they are not actually interested in fairness or independence.<br><br>♦ Even with the new additions, it is still a committee led by Director Kojima, who is the only Alpine "independent" director on the Third-Party Committee. Director Kojima has also been chosen to continue as an "independent" director at the combined entity of Alps Alpine. |
| 9. | Alpine has not obtained a Fairness Opinion again from SMBC Nikko in the Final Examination. Is this because SMBC Nikko no longer considers the Share Exchange Ratio fair, even if it considers the Share Exchange Ratio to be "within the range"? | ♦ ***"****It is not true at all that the Company did not obtain a Fairness Opinion from SMBC Nikko again because SMBC Nikko believes the Share Exchange Ratio is not fair."*<br><br>♦ ***"****The reason that SMBC Nikko did not submit a Fairness Opinion to the Company in the Final Examination is that the Company determined it is unnecessary to obtain a Fairness Opinion again from SMBC Nikko for the following reasons."*<br><br>♦ *"While the Company obtained a Fairness Opinion from SMBC Nikko at the time of the announcement of the Business Integration in July 2017, as certain shareholders expressed their concern about the independence of SMBC Nikko, the Company believed it is important to obtain a Fairness Opinion from a third-party financial advisor other* | ♦ False<br><br>♦ False<br><br>♦ Okay | ♦ The plain reading of SMBC's statement says: "Please note that in connection with the Final Analysis, the Company has not obtained an opinion (fairness opinion) from SMBC Nikko to the effect that the Share Exchange Ratio is fair from a financial point of view to shareholders of the Company's common shares other than the Company".<br><br>Maybe SMBC Nikko did not submit a Fairness Opinion because they <u>would not</u> issue a fairness opinion? We also note that for the original fairness opinion and M&A advisory, SMBC had a Y100 million contingency fee, payable upon approval of the merger at the shareholder meeting. Alpine nevertheless still had SMBC conduct an updated valuation and presented it to shareholders, this time without the fairness opinion. It appears peculiar that Alpine still had SMBC update their valuation and not offer a fairness opinion if it was updated on the same basis.<br><br>♦ Alpine appears to justify the absence of this fairness opinion by stating that there was not significant discrepancy between SMBC's original and final DCF analyses. This appears to be an absurd statement, as it is clearly stated that SMBC's new valuation is fair <u>only to the controlling shareholder,</u> and as such is implied to be biased and would understate the valuation in |

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| | | *than SMBC Nikko to obtain support and understanding from many shareholders as possible. In the Final Examination, from the perspective of enhancing the fairness of the procedures for the Business Integration, in order to examine the fairness of the Share Exchange Ratio in a more multifaceted manner, the Third-Party Committee, to which two new members were added, decided to analyze the Share Exchange Ratio separately and independently from the analysis by SMBC Nikko. The Third-Party Committee therefore appointed YCG as its own third-party financial advisor, and received a financial analysis report and a Fairness Opinion regarding the Share Exchange Ratio from YCG."*<br><br>♦ *"There was no significant discrepancy between the results of the DCF Analysis conducted by SMBC Nikko in the Final Analysis and the results of the DCF Analysis conducted by SMBC Nikko in July 2017, which is considered to be used as one of the bases of its Fairness Opinion dated July 26, 2017, and based on the former, the Share Exchange Ratio generally fell around the median of the range of the analysis results."* | <br><br><br><br><br>♦ Misleading | Alps' favor. It should bear no comparison with the original valuation which Alpine and SMBC claim to be a fairness opinion.<br><br>♦ Additionally, in its response Alpine omits that SMBC's valuation of the comparable companies is *vastly* different and far higher than it was originally (0.53-0.72 vs. 0.46-0.62). In its comments, SMBC was forced to move the goalposts by changing its earlier statement, from "the Share Exchange Ratio exceeds the respective upper limits of the range of the share exchange ratio obtained by the comparable company analysis" to "exceeds the median value of the range obtained by the comparable company analysis". Alpine's omission of fact is misleading to minority shareholders.<br><br>♦ So why does Alpine still refer to the outdated, now clearly incorrect "fairness" opinion from 2017? |
| 10. | Why was YCG retained in addition to SMBC Nikko, which had conducted the financial analysis for the Business | ♦ *"According to the Third-Party Committee, in order to examine the fairness of the Share Exchange Ratio in a more multifaceted manner, the Third-Party Committee decided to analyze the Share Exchange Ratio separately and independently from the analysis by SMBC Nikko, which is a third-party financial advisor of the Company, and* | ♦ Okay | ♦ We support the appointment of an independent third party financial advisor, but YCG's analysis is unreliable and basically worthless. YCG failed to conduct an honest and accurate valuation, and manipulated their calculations in trying to justify an already very low price. YCG used irrational and mistaken methods throughout their analysis, such as excluding the Clarion sale as a comparable, and making substantial mistakes in the details of the discount rate they have disclosed. |

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| | Integration thus far? | *thus independently appointed YCG as its own third-party financial advisor."*<br><br>♦ **"***The Company was also informed that in appointing YCG, the Third-Party Committee selected YCG from among multiple candidates by carefully considering the fact that YCG has experience in handling transactions that are similar to the Share Exchange and has no conflict of interest with any related parties."* | ♦ Unlikely | ♦ We believe it is more likely YCG were selected because of the result they were prepared to find. We have our significant doubts as to their lack of conflicts and to their abilities based on this flawed analysis. |
| 11. | Why did the Third-party Committee determine that it is appropriate to appoint YCG as its financial advisor from among multiple financial advisors with rich track record such as leading securities firms? | ♦ *"According to the Third-Party Committee, in light of obtaining support of certain shareholders who were concerned about the independence of SMBC Nikko, the Third-Party Committee appointed as its financial advisor YCG that does not have any special circumstances that could give rise to doubt about the business relationships with, or independence from, the Company and Alps Electric, from among multiple financial advisors with rich track record."* | ♦ Okay | ♦ As stated above, we have our doubts. The fundamental errors in the YCG calculation imply that either YCG is not qualified for the role, or that they were willing to acquiesce to pressures from Alps and Alpine to find obscure ways to justify the current Share Exchange Ratio. Perhaps this was the reason that YCG was chosen over any other financial institution. Has YCG ever conducted an analysis and determined that a deal was not fair? We have so far not found any evidence of that. |
| 12. | Did YCG and SMBC Nikko exchange information with each other as to the contents of their analyses? Isn't there any possibility | ♦ **"***It is not true that YCG and SMBC Nikko exchanged information with each other as to the contents of their analyses."*<br><br>♦ *"As described in the Views of the Company on Question 14, according to the Third-Party Committee, they conducted an examination based solely on the results of the analysis by YCG,* | ♦ Okay<br><br>♦ Doubtful | ♦ Perhaps, but YCG, SMBC Nikko, and Nomura all based their valuations on the business plans and management representations provided to them by Alps and Alpine. These plans and representations were made by the management teams at Alps and Alpine to make sure the merger would be concluded at the <u>lowest valuation possible,</u> and as such, all the valuations provided by these valuers are fundamentally biased against minority shareholders. |

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| | where they have been mutually affected in the course of the analyses? | *which was independently appointed by the Third-Party Committee, and did not review at all the results of the analysis in the Final Analysis by SMBC Nikko. In addition, SMBC Nikko did not in any respect participate in the Third-Party Committee's examination of the content of the analysis by YCG."*<br><br>♦ ***"****As described above, YCG's analysis and SMBC Nikko's analysis were conducted separately and independently from each other, and there are no circumstances where they were mutually affected in the course of the analyses."* | <br><br><br><br><br><br><br><br>♦ Doubtful | ♦ As part of the process, YCG would have reviewed all relevant public information, including what was publicly disclosed by Alpine and Alps, which included the SMBC valuation. The claim that the Third-Party Committee did not review the results of the SMBC analysis, but included them to justify the price, is odd.<br><br>♦ As discussed above, we have our doubts, and expect that YCG would have reviewed all relevant public information available, including SMBC's disclosed prior valuation. |
| 13. | What is the reason that the results of the DCF Analyses by SMBC Nikko and YCG greatly differ? | ♦ ***"****The Company believes that there are differences in the methods of the analyses used and the results of the analyses because YCG and SMBC Nikko conducted their financial analyses separately and independently from each other and also in accordance with their own analysis policy."*<br><br>♦ ***"****The Company understands that the Third-Party Committee appointed YCG to examine the Share Exchange Ratio separately and independently from the analysis by SMBC Nikko, which is a third-party financial advisor of the Company, and, in other words, to realize more multifaceted examination by obtaining a second opinion on the Share Exchange Ratio. In that sense, the Company believes that the fact that YCG conducted analysis based on the* | ♦ True, but…<br><br><br><br><br><br><br><br><br><br><br><br>♦ True | ♦ It's true – YCG and SMBC Nikko used two different, biased analysis methods. As discussed above, YCG's valuation is based on the same assumptions that underlie the SMBC calculation. The only differences are that YCG only adopted a perpetual growth method, whereas SMBC adopted the perpetual growth method *and* the EBITDA multiple method, which usually produces a lower valuation that the perpetual growth method. The reason that YCG, the supposed protector of minority shareholders, reached a lower valuation than SMBC, is due to their use of a lower discount rate for Alps than for Alpine, which does not reflect reality and has been impossible to substantiate, as we discuss below.<br><br>♦ As previously mentioned, it's true – YCG and SMBC Nikko used two different, biased analysis methods. Additionally, we have requested numerous times that Alpine publish the valuation reports, but they have continued to refuse, which again raises questions over their fairness. |

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| | | *analysis policy different from the analysis policy of SMBC Nikko rather serves the purpose of appointing YCG, which is to conduct a multifaceted examination. In this regard, it is reasonable that there are differences in the analysis results if the analysis methods are different, and the Company believes that the fact that the Share Exchange Ratio fell within the range of the analyses conducted by the two financial advisors, despite the different analysis methods, supports the fairness of the Share Exchange Ratio."*<br><br>♦ ***"****Moreover, according to the Third-Party Committee, they fully examined the content of the analysis of the Share Exchange Ratio by YCG before concluding that such content is reasonable."* | ♦ True, but… | ♦ YCG's analysis is fatally flawed, and the Committee should have examined that. We reiterate our concerns about the independence and competence of the Third-Party Committee. |
| 14. | How did Alpine and the Third-party Committee examine and confirm the fact that the results of the DCF Analyses by SMBC Nikko and YCG greatly differ? | ♦ ***"****According to the Third-Party Committee, in determining whether they should examine not only the content of the analysis by YCG but also the analysis by SMBC Nikko, which is a third-party financial advisor of the Company, they had discussions in light of advantages and disadvantages of such examination. As a result, the Third-Party Committee concluded that, in order to thoroughly ensure that the Third-Party Committee has the Share Exchange Ratio analyzed separately and independently from the analysis by SMBC Nikko, which is the third-party financial advisor of the Company, partly from the viewpoint of obtaining support of certain shareholders who were concerned about the independence of SMBC Nikko, it would be best to examine* | ♦ A breach of their duty | ♦ Director Kojima and the rest of the Third-Party Committee should be sufficiently knowledgeable to identify, understand, and challenge the glaring and significant flaws made by YCG in their single method analysis. YCG, commissioned with protecting minority shareholder rights, produced a valuation that is ***at a steep discount*** to both of the valuations produced by SMBC and Nomura, who were working explicitly for Alps. The Third-Party Committee was fully aware of both Nomura's and SMBC's prior valuations and should have realized that YCG's valuation was particularly low by comparison. If the Committee is competent enough to decide on this matter, then they should have identified these issues and the fundamental flaws and inconsistencies in YCG's valuation. |

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<td>the Share Exchange Ratio based solely on the results of the analysis by YCG, which was independently appointed by the Third-Party Committee and therefore did not review at all the results of the analysis in the Final Analysis by SMBC Nikko.”<br><br>♦ “Moreover, according to the Third-Party Committee, they fully examined the content of the analysis of the Share Exchange Ratio by YCG before concluding that such content is reasonable.”<br><br>♦ “Meanwhile, the Company has confirmed that the difference in the results of the analyses by the two financial advisors was attributable to differences in their analysis policies and that their own analysis policies were reasonable.”</td>
<td></td>
<td><table>
<tr><th></th><th colspan="2">Share Exchange Ratio (DCF Analysis)</th></tr>
<tr><td>YCG</td><td>0.45</td><td>0.65</td></tr>
<tr><td>Nomura</td><td>0.56</td><td>0.79</td></tr>
<tr><td>YCG Discount to Nomura</td><td>-20%</td><td>-18%</td></tr>
<tr><td>SMBC</td><td>0.48</td><td>0.91</td></tr>
<tr><td>YCG Discount to SMBC</td><td>-6%</td><td>-29%</td></tr>
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<tr>
<td>15.</td>
<td>In SMBC Nikko’s Final Analysis, the discount rate applied to Alps Electric (8.27% to 9.27%) was higher than the discount rate applied to Alpine (5.97% to 6.97%). In YCG’s analysis, in contrast, the discount rate applied to Alps Electric (5.57% to 6.81%) was</td>
<td>♦ The Company has confirmed that the discount rate of Alps Electric and the discount rate of the Company were reversed in the analyses by the two financial advisors due to whether size premium (Note) were taken into consideration as described below.<br>o In analyzing the respective discount rates of the Company and Alps Electric, YCG took into consideration the size premium (i.e. historical size premium corresponding to the respective market capitalization of the Company and Alps Electric based on the Japan Size Premia Report 2018 (as of the end of</td>
<td>♦ False</td>
<td>♦ The size premium explanation still does not justify the disparity in the YCG calculation. YCG's analysis is irreconcilably flawed:<br><br>o Using the size premium method clearly is disadvantageous to Alpine’s minority shareholders. Why was this method chosen?<br>o Even in their use of this method, YCG have made serious errors.<br>o YCG supposedly adopted the Ibbotson size premiums. Yet the Ibbotson chart only provides for a gap of 0.6%, but the size premium gap implied by YCG is approximately 2.73% - 3.31%. The 0.6% is explicit in the Ibbotson table and should be used in this case rather than the estimation method which YCG likely used, as we know the market capitalization of Alps and Alpine.<br>o YCG’s “fairness opinion” is clearly flawed and appears to have been manipulated to justify the deeply</td>
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| | lower than the discount rate applied to Alpine (7.07% to 8.64%). What is the reason that the discount rates of the Companies were reversed in these two analyses? | *December 2017) issued by Ibbotson Associates Japan, Inc.) in accordance with its financial analysis policy."*<br>o *SMBC Nikko, on the other hand, did not take size premium into consideration in its analysis.*<br><br>*Note: In general, the size premium refers to, with respect to the expected excess return on stock that cannot be explained by equity capital cost under the Capital Asset Pricing Model (CAPM), the numbers analyzed by size such as the total market value of listed shares. It cannot be said that there is a generally accepted view in enterprise value analysis practice as to whether the size premium should be applied or which number should be applied. Accordingly, the Company is aware that there are various treatments in practice depending on the analysis policy of each financial advisor."*<br><br>♦ ***"****It is the Company's understanding that whether size premium should be taken into consideration is not an indisputable issue even in theory of the enterprise value analysis and that the treatment in practice varies depending on the analysis policy of each financial advisor. The Company therefore determined that each of the results of the examination, YCG's analysis results and SMBC Nikko's analysis results, is reasonable."* | ♦ False | discounted offer from Alps, over and against minority shareholders' rights.<br>o This calls into question the independence of all parties in this transaction and highlights the deep corporate governance flaws. Minority shareholders are being misled into accepting a terribly disadvantageous offer from Alps.<br>o Please see endnote for full analysis from ZECOO Partners (i) |

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| | | ♦ *"As described in the Views of the Company on Question 13, the Company believes that, from the viewpoint of multifaceted examination, it is reasonable that there are some differences in the figures used in the analyses if the analysis policies are different, and that the fact that, despite different analysis policies, the Share Exchange Ratio fell within the range of the analyses by the two financial advisors supports the fairness of the Share Exchange Ratio."* | ♦ False | |
| 16. | The discount rates applied to Alpine and Alps Electric (7.07% to 8.64% and 5.57% to 6.81%) in the analysis by YCG are generally lower than the discount rates applied to the same (5.97% to 6.97% and 8.27% to 9.27%) in the Final Analysis by SMBC Nikko. What is the reason that the levels of discount rates applied by these financial advisors differ? | ♦ *"The Company has confirmed that the levels of discount rates applied to Alps Electric and the Company by the two financial advisors differ because the figures used by them as equity risk premiums, which are mainly market risks, are different (however, as a matter of course, the same value was used for both Alps Electric and the Company).*<br><br>*Note: In general, the equity risk premium (ERP) refers to the difference between the expected return on the market portfolio of stocks and the risk free rate (expected return on risk-free securities). As the methods of estimating an ERP, commonly securities). As the methods of estimating an ERP, commonly applied methods include the estimate method based on excessive returns on the historical long-term market portfolio and the estimate method based on the market value of securities in the* | ♦ False | ♦ Please see above for why this is a false statement by Alpine. Alpine has attempted to again mislead shareholders by claiming that a reason for YCG's bizarre discount rate -- which applies a lower rate for Alps than Alpine compared to the discount rate used by SMBC -- is that YCG applied a size premium which SMBC does not apply. This size premium is said to have been taken from Ibbotson Associates Japan Inc. We have had our experts examine this issue in light of this size premium, but they have still not been able to find a rational basis for YCG's discount rates. Based on the Ibbotson tables, the size premium would impact the spread by a maximum 0.6%, but YCG's discount rates imply that the size premium impacted the spread by over 2.7%.<br><br>YCG's full calculation for its so-called "Fairness Opinion" remains a mystery, and Alpine's claim that the difference is due to the size premium is unsubstantiated and misleading. Questions remain over YCG's independence or competence and that of the Third-party Committee. |

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| | | *market and earnings forecasts. However, it cannot be said that there is a generally accepted view as to which estimate method should be applied or which number should be applied as the ERP. Accordingly, the Company is aware that there are various treatments in practice depending on the analysis policy of each financial advisor."* | | |
| 17. | Didn't YCG intentionally exclude Clarion, which has high financial multiples, from comparable listed companies? | ♦ ***"**According to the explanation from YCG, YCG did not use the comparable company analysis for the reasons listed below, and it is not true that YCG intentionally excluded Clarion, which has high financial multiples, from comparable listed companies.*<br><br>✓ *When YCG analyzed the Company, Pioneer Corporation, JVCKENWOOD Corporation and Clarion in terms of the correlations between their (i) market capitalization and net income, (ii) market capitalization and shareholders' equity, and (iii) business value and EBITDA for FY2010 through FY2017 (eight years), no correlation was identified with respect to Clarion. Accordingly, YCG excluded Clarion from comparable listed companies.*<br><br>✓ *Pioneer Corporation was also excluded from comparable listed companies because the news release titled "Pioneer Announces Business Results for* | ♦ False | ♦ Alpine's statement is false. Alpine claims that YCG did not exclude Clarion intentionally because of its higher financial multiples. Yet Alpine clearly states that Clarion was excluded because it had no correlation with Alpine in terms of market capitalization and net income (i.e., Price/Earnings Ratio), market capitalization and shareholder equity (i.e. Price/Book Value) and business value and EBITDA (i.e. EV/EBITDA) over the last eight years – whereas Pioneer and JVC Kenwood *did* bear a correlation. These are valuation metrics and so it is clear from this that Clarion was excluded precisely because it had higher multiples.<br><br>Alpine has traded at a discount due to its inefficient use of its assets in the accumulation of cash and cross-shareholdings, likely based on policies agreed upon with Alps. This is something we have addressed with Alpine as a shareholder since 2015. Alps and Alpine should not be rewarded for their poor corporate governance before and after the announcement of the Business Integration.<br><br>In respect to profitability, Clarion has far more in common with Alpine, because neither company has made a loss since FY2011, whereas both Pioneer and JVC Kenwood made losses in two of the most recent four-year period selected by YCG.<br><br>The Clarion deal multiples are the only accurate basis upon which Alpine should be valued. Clarion is a directly comparable company as a direct competitor, and the recent transaction was truly independent with a third party acquiring control. This must |

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<td>1Q Fiscal 2019” dated August 6, 2018 contains a note to its consolidated quarterly financial statements that there are substantial uncertainties about the going concern assumption.<br><br>✓ As a result of the above, JVCKENWOOD Corporation was the only company that could be treated as a comparable listed company, so YCG decided not to use the comparable company analysis.”</td>
<td></td>
<td>be the basis for the Alpine valuation and any rejection of this is a breach of independence by the Third-party Committee and YCG.</td>
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<tr>
<td>18.</td>
<td>In the tender offer for shares of Clarion by a subsidiary of the French company Faurecia S.A., which was announced on Oct. 26, 2018, a tender offer price is set at an EBITDA multiple of as high as 11.2 times. If this multiple is applied in this business integration, Alpine shares would be priced at 4,731 yen. Isn’t the premium to the</td>
<td>♦ “In the Business Integration, the Company assessed the fairness of the Share Exchange Ratio based on the results of the objective and multifaceted analyses of the Share Exchange Ratio performed by multiple financial advisors using various analysis methods. In the Clarion case, on the other hand, has a different nature from the Share Exchange in terms of the transaction structure and whether the major shareholder has an intention to sell shares of the target. Moreover, in the Clarion case, the Company understands that the tender offer price was agreed through the negotiations between the parties in which they took specific circumstances into account. Accordingly, the Company does not believe it right to discuss whether the Share Exchange Ratio is appropriate by simply referring to a single transaction like the Clarion case. For the comparison with the Clarion transaction like the Clarion case. For the comparison with the Clarion case, please</td>
<td>♦ False</td>
<td>♦ Alpine’s statement is not true. Clarion is the relevant comparable in a control transaction. It's not the only transaction, either. Harman was sold in 2016 at very similar multiples to Clarion. Alpine’s approach here is deeply misleading, as it claims that multiples of the transaction with Alps are similar with Clarion, per multiples shown in Alpine’s release and recreated in the table below:<br><br>
<table>
<tr><th>Metric</th><th>Alpine</th><th>Clarion</th></tr>
<tr><td>EV/EBITDA</td><td>7.7x</td><td>10.7x</td></tr>
<tr><td>PER</td><td>188.2x</td><td>82.9x</td></tr>
<tr><td>PBR</td><td>1.0x</td><td>3.1x</td></tr>
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<br>The problem is that the Alpine multiples shown by the company here <u>are not accurate</u>. To achieve these figures, Alpine is using its original forecast <u>released on April 27, 2017</u> – the one which it revised up twice and still beat, as in the table below:<br><br>
<table>
<tr><th></th><th>EBITDA</th><th>Net Income</th></tr>
<tr><td>Forecast Alpine employed for Clarion Table</td><td>12,917</td><td>800</td></tr>
<tr><td>Actual result</td><td>20,782</td><td>9,326</td></tr>
<tr><td>Difference</td><td>61%</td><td>1066%</td></tr>
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<td>Share Exchange Ratio too low?</td>
<td> also refer to the table attached to this press release as the Schedule.
♦ “The Company is not in a position to comment on whether the tender offer price in the Clarion case is appropriate. However, if the Company were to answer in general terms, the ideas about a premium differs in a tender offer in which cash is offered as consideration and in a share exchange in which shares are offered as consideration as described below, so it is believed that it is inappropriate to simply compare a premium in a tender offer in which cash is offered as consideration as in the Clarion case, with a premium in a share exchange as in the Business Integration.
♦ Theoretically, in the case of a tender offer in which cash is offered as consideration, since shareholders cease to be the shareholders of the integrated company, it is considered to be reasonable to include some of the integration synergies in the tender offer price. On the other hand, in a share exchange, the consideration would be determined by taking into account the fact that shareholders would be able to enjoy the integration synergies as the shareholders of the integrated company. The Company understands that in fact tender offer price premiums in the past tender offers in which cash was offered as consideration tend to be higher on their surface than the premiums in share exchange transactions.” </td>
<td>♦ True, but…</td>
<td> ♦ Yes, a cash tender offer is different than a share exchange. In the share exchange as proposed today, Alpine shareholders are receiving <u>less value</u> due to Alps’ stock being down 23% since the initial announcement. So the value for Alpine shareholders is that much less.
Alpine is also presenting this table (see below) based on the average one-month Alps share price of ¥3,212 in the month prior to the acquisition. However, Alps’ current share price is just ¥2,473, or 23% lower than the average used by Alpine here. It’s also worth noting that Alpine did not deduct all of the non-operating assets from the EV/EBITDA calculation, which overstates it. As you can see below, adjusting Alpine’s numbers for <u>the actual numbers</u> provides a very different picture:
<table>
<tr><th>Metric</th><th>Alpine True Multiple</th><th>Clarion</th><th>Discount to Clarion</th></tr>
<tr><td>EV/EBITDA</td><td>1.2x</td><td>10.7x</td><td>-89%</td></tr>
<tr><td>PE</td><td>9.6x</td><td>82.9x</td><td>-88%</td></tr>
<tr><td>PE adj. for non-operating assets*</td><td>2.5x</td><td>92.6x</td><td>-97%</td></tr>
<tr><td>PBR</td><td>0.7x</td><td>3.1x</td><td>-76%</td></tr>
<tr><td colspan="4">* Oasis calculation</td></tr>
</table>
Alpine also claims that the Clarion deal is not comparable because Alps has no intention to sell its shares. They are missing the point. <u>Alps should not be allowed to buy Alpine at a substantial discount just because they do not want to sell their shares.</u> Alpine should be looking at independent transactions to ascertain the true value of the company and should be demanding this price from Alps. The Clarion case is exactly comparable. In fact, it is hard to find a situation that is more analogous, as Clarion is a direct competitor.
Applying the Clarion multiples correctly to Alpine would value Alpine substantially higher: </td>
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<td>♦ “On the premise of a share exchange, the Company does not believe that the premium to the Share Exchange Ratio is lower than the past similar cases. The Company rather believes that the premium to the Share Exchange Ratio (29% on the basis of the average market share immediately preceding the announcement of the Share Exchange) ranks high in comparison with the level of premiums offered in the past similar cases, and is at a level that the Company believes is acceptable to the minority shareholders who support the Company from a medium- to long-term perspective.”</td>
<td>♦ Not Relevant</td>
<td>
<table>
<tr><th>Metric</th><th>Alpine Claimed Multiple</th><th>Alpine True Multiple</th><th>Clarion</th></tr>
<tr><td>EV/EBITDA</td><td>7.7x</td><td>1.2x</td><td>10.7x</td></tr>
<tr><td>PE</td><td>188.2x</td><td>9.6x</td><td>82.9x</td></tr>
<tr><td>PE Adj. for non-operating assets*</td><td>-</td><td>2.5x</td><td>92.6x</td></tr>
<tr><td>PBR</td><td>1.0x</td><td>0.7x</td><td>3.1x</td></tr>
<tr><td colspan="4">*Oasis calculation</td></tr>
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<td>♦ Although a simple comparison is not possible because transaction structures differ, it is believed that the level of the premium in the Share Exchange does not pale in comparison to the tender offer price in the Clarion case, in which a premium of 31.2% is set on a one-month average market share price basis.<br><br>[Reference] Premium levels in the past business combinations that are similar to the Share Exchange (From July 1, 2015 to November 9, 2018)<br><br>Note: Extracted 27 cases in which the investment ratio of the parent company before the share exchange was 40% or higher (of which, 22 cases were subject to the calculation after excluding a total of five cases, including two cases in which two-step transaction structure (tender offer and share exchange) was used, two cases that was intended to bail</td>
<td>♦ True</td>
<td>♦ Due to the decline in Alps’ stock price, the current offer is at a <u>discount</u> to the stock price at the time. However, the continued reference to the premium is misleading.</td>
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| | | *out the target, and one case in which unlisted company shares were offered as consideration)"* | | |
| 19. | Should Alpine look for another acquirer in light of the Clarion case? | ♦ *"The Company announced that "The Company and Alps Electric do not have any agreement that prohibits or restricts the Company from contacting any third party with a competing proposal. In the event a competing proposal is made, the Company will sincerely consider its terms" in Q&A 2-5 of the Q&A Press Release dated December 4, 2017, but no such proposal has been received to date, even though nearly one year has passed since the date of such announcement.*<br><br>♦ *Moreover, the Company had confirmed with Alps Electric before the announcement of the Share Exchange that it had no intention to sell shares of the Company. In this regard, the Company believes that the premises are considerably different from the Clarion case, where a major shareholder agreed to tender its shares in the tender offer.*<br><br>♦ *In addition to the above, through the dialogue with minority shareholders and other stakeholders of the Company following the announcement of the Business Integration, the Company has obtained positive comments for the business integration with Alps Electric from many of those shareholders and other stakeholders.*<br><br>♦ *Accordingly, the Company believes that the Company pursuing sustainable growth through the Business Integration* | ♦ False | ♦ There is no evidence to support this assertion by Alpine. If Alpine's management *truly* cared about increasing corporate value, and if they were *truly* concerned over the future viability of the company, they would have approached alternative partners to ensure that there were no better alternatives than merging with Alps. But they did not do this. Using the excuse that they have not been approached since the Dec. 4 announcement is cynical, as unsolicited offers are not welcomed in Japan and as such no third-party would make a competing proposal without being invited by Alpine.<br><br>We note from the Investor Shareholder Services ("ISS") report dated November 19, 2018 on the Alpine transaction that Alpine stated it had been approached by a potential merger partner, but Alpine concluded it was not as attractive compared to Alps' offer. Alpine's comments imply that they rejected the approach early before a formal offer could be made. It is highly unlikely that Alpine considered this approach sincerely or considered minority shareholder rights in its summary rejection of the approach.<br><br>Additionally, Oasis offered an alternative bid for Alpine, but they rejected our offer without *any* exploratory talks and refused to allow any access for due diligence purposes. We also offered to work with Alpine to identify potential partners, and we even engaged an investment bank to do so, but Alpine again showed no interest. Their claims to sincerely consider any alternative proposal are **false**.<br><br>♦ Alps does not have to sell its shares in order for minority shareholders to receive a fair price. Alps and Alpine could together approach a third party that would buy out the minority shareholders at a higher price and benefit all parties by offering more access to a wider range of customers for Alps and Alpine. Alpine could approach third parties alone. Alpine could engage with the indicative offers they have received. In the event that the board determined a sale of the company to be appropriate, the |

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| | | *with Alps Electric is the best option for its minority shareholders. For specific synergy effects of the Business Integration, see the Views of the Company on Question 2, and for the risks anticipated where the Business Integration is disapproved, see the Views of the Company on Question 5."* | | Company should have been put up for sale in an organized and transparent process, but they did not. Alps' disinterest in selling it shares is not a justification for paying such a low price for the minority shares. Alpine's third-party committee and management have a fiduciary responsibility to treat all investors fairly and equally, and to look out for their interests. In proposing this transaction, at this price, they have failed in that duty. |

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**i Discrepancy in explanation of discount rate applied by YCG (Q15)**

**ZECOO Partners**

**1 <u>Discrepancy in discount rate applied by YCG</u>**

1.1 Table 1 - 1 shows the difference in discount rates between YCG and SMBC. 3.97% (yellow part), which is the difference between the elements on the vertical axis and the horizontal axis, is composed of the β gap (Δβ)between Alpine and Alps, the ERP gap(Equity Risk Premium)(ΔERP) between Alpine and Alps and the size premium gap( thereafter "net SP") described in Q 15,which are components of CAPM( Risk Free Rate + β×ERP + SP).

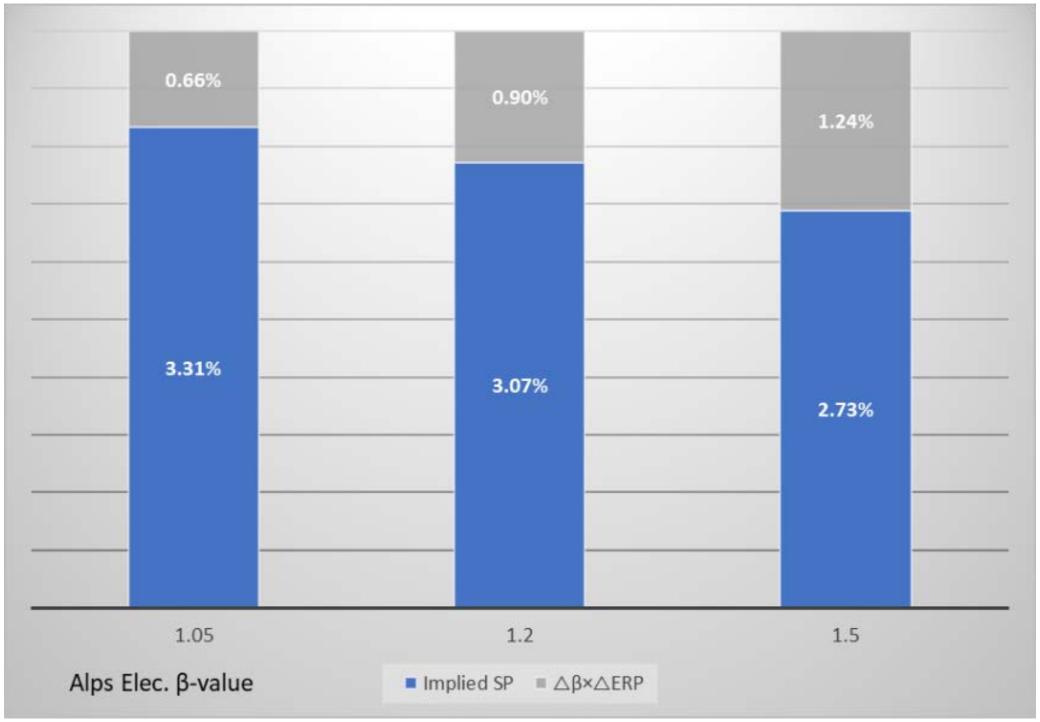
This "3.97%" is usually interpreted as net SP, but since it is implied that ERP applied by YCG is different from SMBC in Q16, the implied SP was also analyzed in the following paragraph 1.2.

Table 1-1. Difference in discount rates between YCG and SMBC

| | | YCG<br>（１） | SMBC<br>（２） | difference(B)<br>（１)-(２） |
|---|---|---|---|---|
| Alpine | ① | 7.86% | 6.47% | 1.39% |
| Alps Elec. | ② | 6.19% | 8.77% | -2.58% |
| difference<br>（A：①-②) | | 1.67% | -2.30% | 3.97% |

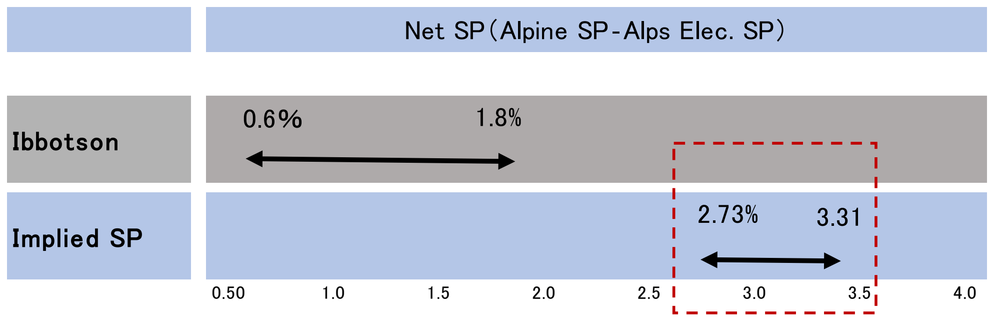
1.2 Chart 1-2 shows the result of simulation in how “3.97%” consists of the above-mentioned elements according to the β applied to Alps Elec. (upper limit, median, lower limit β). As this chart shows, the implied SP is calculated to be 2.73% - 3.31% (for details of the implied SP see Appendix Table 2-4).

Chart1-2. Breakdown of “3.97％”




1.3 Table 1-3 shows that the implied SP is outside the range of Ibbotson's SP (0.6% to 1.8%). This means that, when considering YCG's discount rate, even if we add net SP based on Ibbotson’s data to the discount rate, the reversal phenomenon of discount rates between Alpine and Alps Electric will not happen, and the phenomenon in Q15 cannot be rationally explained. (Please refer to Appendix Table 2-1 and 2-2 for more detail re Ibbotson's SP.)

Table 1-3. Comparison of SP




## 2 Appendix

2.1 According to the Ibbotson's size premium report, SP applied to Alpine and Alps is as follows:

Table 2-1. Japan Size premium 2018 (as of Dec. 2017)

Japan Size Premiun (Excerpt)

| 3 classes | | Size Premium | |
|---|---|---|---|
| Mid-Cap （３－５） | 64.2bn—285.1bn | 1.80% | Alpine |

| 10 classes | | Size Premium | |
|---|---|---|---|
| 1 —Largest | 720bn - 23 tn | -0.30% | |
| 2 | 285.5bn - 719.8 bn | 1.00% | Alps Elec. |
| 3 | 145.3bn -285.1bn | 1.60% | Alpine |

（Market cap）

| as of Sep. 25th | Market cap |
|---|---|
| Alpine | 155.0bn |
| Alps | 587.0bn |

As Table 2-2 shows, Alpine is 1.8% based on the table consisting of three categories, Therefore, the SP for Alpine must be higher than Alps by the amount which is between 0.6% and 1.8% at most. (the gap is between 0.6% and 1.8%)

Table 2-2. Net SP additionally added to Alpine

| SP | 10 classes | 3 classes |
|---|---|---|
| Alpine | 1.60% | 1.80% |
| Alps | 1% | 0 |
| Net SP | 0.60% | 1.80% |

2.2 The difference in the discount rates between YCG and SMBC is shown in table 2-3.

Table 2-3. Breakdown of the difference in discount rate between YCG and SMBC

| | YCG | SMBC | difference(B) |
|---|---|---|---|
| | (２) | (イ) | (１)-(２) |
| Alpine | ① rf+β（AP)×ERP（Y)+SP（AP) | rf+β（AP)×ERP（S) | ERP(Y-S)×β（AP)＋SP(AP) |
| Alps | ② rf+β（AL)×ERP（Y)+SP（AL) | rf+β（AL)×ERP（S) | ERP(Y-S)×β（AL)+SP(AL) |
| difference（A：①-②) | β（AP-AL)×ERP（Y)＋SP(AP-AL) | β（AP-AL)×ERP（S) | SP(AP-AL)＋β（AP-AL）×ERP（Y-S） |

rf:Risk free rate
β（AP） ：Alpine β β（AL）：Alps β：β（AP-AL):β（AP)-β（AL）
ERP（Y） ：YCGのERP ERP(S） ：SMBCのERP ERP(Y-S):ERP（Y)-ERP（S）
SP（AP） ：Alpine SP SP（AL）：Alps SP：SP（AP-AL):SP（AP)-SP（AL）

The net SP applied by YCG is calculated by substituting the gap in the table1-1, and β of each company into the above-mentioned formula. A simulation was performed on the premise that the range of the Alps β is from 1.05 to 1.5 and Alpine β is 0.78, the median value, based on the weekly data observed for the past 2 years. The results are shown in table 2-4.

Table 2-4. Simulation of Implied SP

| β | | 1 | 2 | 3 |
|---|---|---|---|---|
| β（AP：Alpine） | ① | 0.78 | 0.78 | 0.78 |
| β（AL：Alps） | ② | 1.05 | 1.2 | 1.5 |
| β（AP)－β（AL） | ①-② | -0.27 | -0.42 | -0.72 |
| | | | | |
| Implied SP | ③＝A-④ | 3.31% | 3.07% | 2.73% |
| β（AP） ×ERP(Y-S) | ④=B/②×① | -1.92% | -1.68% | -1.34% |
| AP（B:（1） ー （2）） | A（③＋④） | 1.39% | 1.39% | 1.39% |
| β（AL） ×ERP(Y-S) | B | -2.58% | -2.58% | -2.58% |
| | C＝A-B | 3.97% | 3.97% | 3.97% |

* * *

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