OASIS

OASIS RESPONSE TO ALPINE'S DECEMBER 4, 2017 STATEMENT & PRESENTATION

***Alpine minority shareholders are not getting a fair deal**
***More information available at www.ProtectAlpine.com**

December 7, 2017, Hong Kong – Oasis Management Company Ltd. ("Oasis"), the largest minority shareholder of Alpine Electronics ("Alpine" or "the Company") owning a 9.36% position in Alpine, today releases this statement in response to Alpine's December 4 statement and presentation about the proposed business integration with Alps Electric Co, Ltd. ("Alps"):

The December 4, 2017 Alpine statement confirms why a significantly higher share exchange ratio is needed, and why Oasis will vote against the transaction as currently proposed. The Alpine statement further highlights that the transaction process was biased in order to bias the results.

By proposing and recommending such a low-priced takeover, Alps' proposal will usurp value that rightly belongs to all shareholders, including minority shareholders that together own 59.07% of Alpine. Minority shareholders deserve a fair price and fair process, and Oasis will do everything in its power to protect minority shareholder rights and ensure that a fair price and fair process are achieved.

Seth Fischer, Chief Investment Officer at Oasis, said, "Alpine's statement was very helpful because it in fact supports our position and further clarifies exactly why a far improved proposal is needed. In line with our obligations under Japan's stewardship code, Oasis will continue to engage to achieve a fair result for all stakeholders."

Background

In June 2017, Oasis sent a letter to Alpine outlining its significant undervaluation to our view of fair value, and our corporate governance concerns around the increasing influence of its parent company, Alps.

On July 27, 2017, Alps announced its plans to take over Alpine, effective January 1, 2019, at an exchange ratio of 0.68 shares of Alps for every one (1) share of Alpine that they do not already own. Alps owned 40.43% of Alpine before this offer. The offer valued Alpine shareholders' shares at ¥2,108 on the day after the announcement.

Subsequently, and prior to the upward revision in guidance, Oasis engaged BVCJ as an independent valuation expert to study Alpine. BVCJ valued Alpine's shares at between ¥3,516 and ¥6,734 per share. Oasis sent a letter to Alps and Alpine demonstrating flaws in their valuation and in the process which led to

Alps' proposal to purchase Alpine at such a steep discount, and launched its "Protect Alpine" campaign to protect Alpine's minority shareholders' rights.

Alps Needs Alpine More than Alpine Needs Alps

An important consideration in proposals for takeovers and mergers is the "why" of the transaction. The additional disclosure clearly shows that this merger is far more beneficial for Alps than it is for Alpine's shareholders.

As per the disclosure, Alps' smartphone market share is slowing as the market reaches maturation and Alps' products face the risk of commoditization. Alps appear to be desperate for additional manpower and management expertise. On the other hand, Alpine is showing rapid growth in the automobile sector with world class auto manufacturers.

This is not a case of the Parent saving the Subsidiary – but a case of the Subsidiary saving the Parent. The synergies are more substantial for Alps, and look to be in excess of the ¥4 billion mentioned previously. This must be reflected by a greater premium for Alpine shareholders. It is not fair to Alpine shareholders that the benefits of synergies accrue to Alps free of charge (as noted in the description of the fair value opinion by Alpine's financial advisor, such synergies were not included in any calculation of fair value). If such synergies are available to Alps shareholders because of the transaction with Alpine, Alpine shareholders should share in the benefits.

The Missing Cash

Alpine's dismissive approach to minority shareholders is mirrored in its arbitrary decision to allocate ¥30 billion of cash to operating cash for working capital, dividends and taxes – a decision that cost shareholders over ¥400 per share! Let us be clear: cash is cash. It should not be deducted from the Enterprise Value simply by stating it is for "working capital."

Working capital can be financed by working capital lines or debt with a minimal amount of equity-funded cash required to be kept on hand. Further, these are lines Alpine already has: as of September 2017, Alpine has ¥10 billion of undrawn working capital lines. And Alps uses debt to finance its own working capital!

We had wondered, even with Alpine's biased and very high assumptions of a 7.71% - 8.71% discount rate and a 0% perpetual growth rate, how they had arrived at such low discounted cash flow ("DCF") valuations. Now we know why: they simply deducted ¥30 billion from the calculation. This was clearly the "fudged" number used to lower the DCF. This significant flaw in the valuation demonstrates Alpine's disregard for its minority shareholders. This valuation method is not used in any standard corporate finance valuation process. The ¥30 billion belongs to Alpine and belongs in the fair value calculation.

Where has the growth gone? To Alps!

In SMBC Nikko's DCF valuation, they apply a 0% perpetual growth rate ("PGR"), despite expectations from

Alpine that it will grow rapidly during the projected years.

It is difficult to imagine that Alpine will never grow again after profits grow over 30% CAGR. It is completely unrealistic to assert that after three years of high growth, it all of a sudden completely stops.

Alpine's original forecast announced in May 2017 for the year to March 2018 was for growth in Operating Profit of 15.8%. This forecast was maintained in the Business Integration announcement in late July, which noted the management forecast as disclosed to the financial advisors providing fair value opinions showed 38.5% growth in the year to March 2019 and 33.3% growth in Operating Profit in the year to March 2020.

We note that the same presentation in May also reiterated the Medium Term Plan target of a 10% rise in revenues in the year to March 2021 and a 5% Operating Profit margin, which would translate into a *further* 37.5% growth in Operating Profit in the year to March 2021. This was not mentioned in the Business Integration announcement, and one must presume it was not included in the calculation.

Investors should be asking themselves: why was Alpine targeting 37.5% growth in its public disclosure, but forecasting 0% growth in its valuation?

Since then, Alpine has *revised upward* its March 2018 Operating Profit forecast to show growth of 60.4% (vs. 15.8%). The DCF employed by SMBC did not include the upward revision, and therefore it materially undervalues the business.

The fact that the management forecasts which underlie the financial advisor opinions have not changed now suggest 60% growth in OP from March 2017 to March 2018, 0% growth from March 2018 to March 2019, 33% growth in the year to March 2020, then 0% growth beyond that (despite the additional year of 33% growth described as a target in the Medium Term Plan).

We believe that Alpine has not provided sufficient transparency with regard to these numbers, and seek clarification as to why the change in growth rates and forex levels does not warrant reiteration of forecasts to March 2019 and March 2020, and clarification with regard to Alpine's expectation of strong Operating Profit growth in the year to March 2021, which appears not to have been included in management's disclosure to the financial advisors providing fair value opinions.

It is clear that SMBC should have used a longer projection, such as a 10-year DCF model with significant growth, where it is reasonably explainable to shareholders that the final year of the projection is at a steady state with 0% growth. Alternatively, they could have used a higher PGR of at least 3%. Using a 3-year DCF with high growth and then 0% PGR is simply abusive. This is another reflection of a biased process to bias the results.

The DCF valuation produced by our independent valuation expert, including the upward revision in earnings, values Alpine's shares at ¥4,943 per share.

Why such a long lead time? Alps doesn't want Alpine's price to go up

In order to justify its proposal for the longest merger from announcement to target completion date in recent

Japanese history, Alpine said it timed the announcement in keeping with Form F-4 filing requirements with the U.S. Securities and Exchange Commission, implying the process takes 18 months. To our knowledge, that process typically takes 3-4 months – and it is hardly the first time that a Japanese company has had to fill out such a form in order to complete a merger.

Alpine also said it made the announcement early in order to avoid "speculative trading" and "violent fluctuations of Alpine's share prices." We believe that the only share volatility they were worried about was Alpine's stock price increasing after they announced a 38.5% increase in forecasted operating profit.

By announcing the transaction so early, Alps and their advisers were able to "justify" paying a lower price by using the irrelevant historical price ratio from before Alpine raised earnings guidance substantially. Had Alpine and Alps waited to announce the merger after Alpine announced the improved earnings, the historical price ratio would not have been as dramatically tilted in Alps' favor.

A biased process to bias the results.

Comparable Companies – or finding companies with lower multiples to justify a lower takeover price?

In its comparable companies analysis, instead of using only Clarion Co., Ltd. – the only appropriate comparable company selected, with an EV/EBITDA of 5.6x – SMBC Nikko also used Pioneer Corporation (EV/EBITDA 3x), which has been money-losing in the past 3 out of 5 years due to its substantial exposure to Russia and Brazil, and JVC Kenwood Corporation (EV/EBITDA 4x).

Both Pioneer and JVC Kenwood are substantially exposed to non-autos and the auto after-market and bring the EV/EBITDA range down significantly. **The choice of 3.4-4.6x EV/EBITDA is too low. We think the correct range is over 5x.**

SMBC Are Independent, Except When They're Not

Alpine's response in the statement regarding the independence of SMBC Nikko raises far more questions than it answers.

The response confirms that SMBC Nikko's duty of care is to Alpine and has no conflicts of interest by way of having "established such systems or otherwise taken necessary measures with its group companies" and because it "provides services to Alpine in an honest and fair manner".

None of these responses provide any comfort that SMBC have any duty to protect Alpine's minority shareholders and ensure they received a fair price.

Alpine continues to hold up SMBC Nikko's fair value opinion as evidence that the transaction is fair. While the transaction may have been blessed by SMBC Nikko, SBMC Nikko is not independent, but rather, the most significant lender to Alps – the parent company. Further, they should have asked SMBC Nikko to conduct a precedent transaction analysis. The SMBC Nikko fair value opinion is further evidence of a biased process in order to achieve a biased result.

No Go Shop

Most importantly, Alpine has further confirmed that the independent committee and the board did not look at any other acquirer, or make any effort to determine what Alpine's value and sales price would be in a sale to a third party – the true test of a fair market transaction. With no market check or "Go Shop," and no truly independent advisor or opinion, the method to arrive at a fair price is substantially lacking, and the process cannot be deemed fair.

When a premium is not a premium

Although the proposed share exchange may offer a higher premium compared to the list of other takeovers by parents of listed subsidiaries put forth by the Company, it is not a premium to sales of companies to third parties. And that is the appropriate standard.

The average premium paid by third parties for transactions completed in 2017 is 37%. This transaction should be measured by that metric – true third-party sales – and not by past related-party transactions that have abused minority shareholder rights.

This is important. Measuring yourself against other abusive transactions is a very low bar. We hold everyone to the same high standard. Share exchanges have historically been completed at lower values than tender offers, but in any case where shareholders are asked to give up their shares, shareholders should be fairly compensated. Alpine is not even trying to do that – they are only comparing themselves to other abusive transactions.

Nevertheless, Alpine was trading at a deep discount to its intrinsic value due to poor corporate governance and poor results, as shareholders were not informed of the rapid future growth trajectory of Alpine. Applying a small premium to a deeply discounted price does not establish a "fair value" simply because a premium is applied. The premium provided is meaningless in light of Alpine's underlying fundamentals and poor corporate governance.

Alpine's disregard for minority shareholders

The lack of care and independence of the third-party committee and the contempt that Alpine's management has shown for its minority shareholders are clearly demonstrated in their refusal to request that Alps amend the share exchange ratio in light of Alpine's revision up of their operating guidance by 38.5% for the year.

This is a material change which has not been accounted for in the valuation. It is worth noting that the original share exchange announcement included a provision that the share exchange ratio could change in the event of any material change.

In the statement, Alpine management says that they consider "that such upward revision has only an extremely limited impact on the financial forecasts" and "there is no need to reconsider the share exchange ratio."

We believe that the upward revision is substantial, and means that the resulting 38.5% growth the following year should be calculated off a much higher base. Alpine's statements and suggestions that the growth is not substantial, and that they will not ask for an upward revision in price from Alps, are a significant breach of good governance and a strong indication of what they are trying to achieve: taking value that belongs to all shareholders and transferring that value to Alps.

In the Hitachi Kokusai/KKR transaction, when earnings were substantially higher, the third-party committee rescinded their acceptance of KKR's offer and asked for an adjustment to the final price. In the case of Alpine, had the third-party committee been truly independent, they would have done the same thing – it's what any owner and independent management looking out for all shareholders would do.

For these reasons and others, we will continue our engagement to protect Alpine**.**

We demand a fair deal. We remind Alpine not to spend time on the integration for now, as the transaction will be voted down at this price. We welcome the opportunity to conduct due diligence on Alpine to proceed with a substantially improved bid for Alpine.

We await response from Alpine and the special committee. We believe that Alpine management and directors should welcome the opportunity to achieve a higher value for all of Alpine's shareholders through an enhanced due diligence and sale process.

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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. Oasis has adopted the Japan FSA's "Principles of Responsible Institutional Investors" (a/k/a Japan Stewardship Code) and in line with those principles, Oasis monitors and engages with our investee companies.