PROTECT ALPINE

www.protectalpine.com

OASIS

Important Disclaimer

- The information contained in these materials and that may be presented in connection with it are intended to be a resource for shareholders of Alpine Electronics Inc. (“Alpine”). The information has been created by Oasis Management Company Ltd. ("Oasis"), the investment manager to the Oasis Investments II Master Fund Ltd. and Oasis Japan Strategic Fund Ltd. ("Oasis Funds"), related to the share exchange agreed upon between Alps Electric Co. Ltd. (“Alps”) and Alpine as announced by Alpine on July 27, 2017 (the “Share Exchange Agreement”).

- The information and materials include Oasis's opinion that for the protection of their economic interests, shareholders of Alpine should reject the proposed Share Exchange Agreement of 0.68 Alps shares for every one (1) Alpine share by (a) expressing their dissenting view in response to the proposed Share Exchange Agreement, and (b) exercising their voting rights against the proposals at the EGM where Alpine management will seek special approval (no less than 2/3 of the voting shares at present) in the shareholders meeting for the Share Exchange Agreement.

- Oasis encourages minority shareholders of Alpine to take these actions to protect their economic interests.

- However, Oasis is by no means soliciting or requesting shareholders to jointly exercise their voting rights together with Oasis. Shareholders that have an agreement to jointly exercise their voting rights are regarded as Joint Holders under the Japanese large shareholding disclosure rules, and they must file notification of their aggregate share ownership with the relevant Japanese authority for public disclosure.

- Oasis disclaims its intention to be treated as a Joint Holder with other shareholders under the Japanese Financial Instruments and Exchange Act (“FIEA) by virtue of its act to express its view or opinion or other activities to engage in dialogue with other shareholders in or through this website.

- 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.

- This confidential information is for informational purposes only. Nothing in this document or any information herein should be construed as an offer, invitation, marketing of services or products, advertisement, inducement, or representation of any kind, nor as investment advice or a recommendation to buy or sell any investment products or to make any type of investment, or as an opinion on the merits or otherwise of any particular investment or investment strategy.

Flaws in the Process

Flaws in the Process: Overview

1. Misleading shareholders
2. UN-fairness Opinion
3. Non-independent Third-party Committee
4. More flaws in the process

Misleading Shareholders

Fairness Opinion Timeline
(Quick Summary for Context)

- **27 July 2017**
  - **Original "Fairness Opinion" by SMBC with the following range**

Method of Analysis	Result of Financial Analysis of the Share Exchange Ratio
Market Share Price Analysis	0.51 – 0.53
Comparable Company Analysis	0.46 – 0.62
DCF Analysis	0.50 – 0.85

- **Announced Ratio 0.68**

- **27 February 2018**
  - **Alpine had revised up its earnings twice, yet SMBC said that improved results did not have a material impact on the original opinion**

Source: Company Disclosures

Fairness Opinion Timeline (Quick Summary for Context)

- **27 September 2018**
  - Alpine continue to beat its own forecasts and announce a tiny (JPY100) special dividend as a gesture
  - SMBC retract their fairness opinion and provide a pro-Alps opinion which is substantially higher than the original. Transaction is ONLY fair for the controlling shareholder

Method of Analysis	Result of Financial Analysis of the Share Exchange Ratio
Market Share Price Analysis	0.74 – 0.78
Comparable Company Analysis	0.53 – 0.73
DCF Analysis	0.48 – 0.91

  - SMBC obviously can no longer justify such a low Share Exchange Ratio, so Alps and Alpine have to find someone that can: Yamada Consulting Group ("YCG") who were brought in to provide a "fairness opinion"
  - YCG manage to come up with a new "fairness opinion" which is lower than SMBC's original opinion even with Alpine beating management's forecasts again and again

Method of Analysis	Result of Financial Analysis of the Share Exchange Ratio
DCF Analysis	0.45 – 0.65

Source: Company Disclosures

From Fair to Unfairness Opinion

- **SMBC provided a Fairness Opinion in July 2017 Announcement**

> *"As described in "(4) Measures to Ensure Fairness" below, upon request from the board of directors of Alpine, SMBC Nikko submitted to Alpine a written opinion (fairness opinion) dated July 26, 2017 to the effect that the share exchange ratio for the Share Exchange is fair to shareholders of the Alpine Common Shares, excluding Alpine's controlling shareholder and other persons"*

- **But does not provide a Fairness Opinion in the September 2018 Announcement**

> *"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."*

- **We agree. It is only "fair" for the Company's controlling shareholder!**

Source: Company Disclosures

OASIS

To Recap

- At first, Alps/Alpine said the transaction was "Fair" because SMBC said so

- But after Alps/Alpine improved the consideration by JPY100, SMBC now says it is not fair

- So Alps/Alpine went out to find a new valuation opinion

- The new "Fair Value" opinion is so mathematically and fundamentally flawed that the publication of this opinion by Alpine's Third-party Committee and the Company is an act of fraud against minority shareholders

Alpine and Alps Say We Have to Rely upon the "Expert" Valuation Agents' Opinions…

- But if they are false, what is one to do?
- Let's first explain how they are false

YCG’s Discount Rates are Irreconcilable (1)

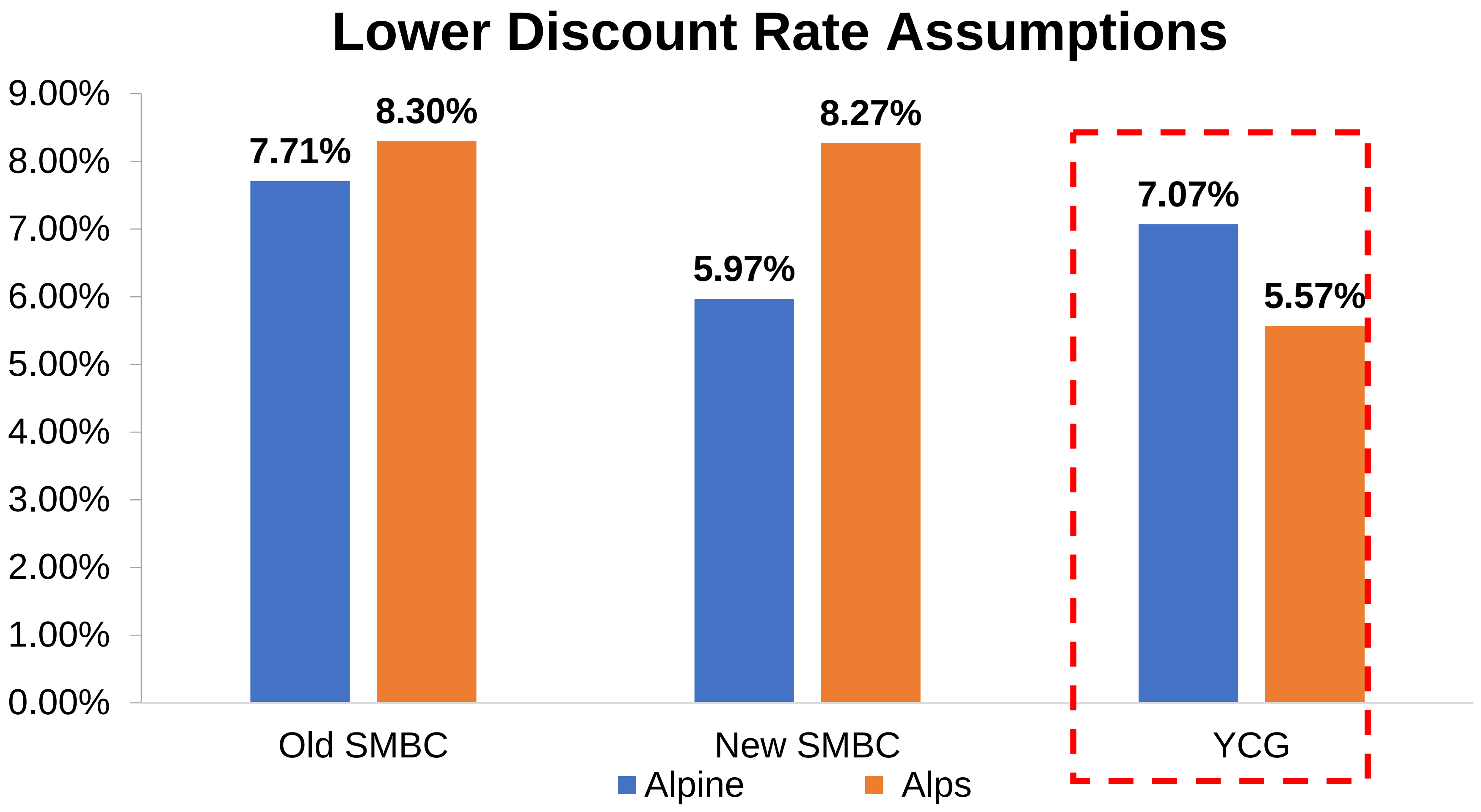
- YCG was appointed by the Third-party Committee to provide a fairness opinion and opine whether the Share Exchange is fair to minority shareholders

- YCG stated that they believed the SER was fair as the ratio was in excess of their valuation range of 0.45x to 0.65x

- However, we have found a material error in their valuation which has severely undervalued Alpine
  - YCG has used a significantly lower discount ratio in valuing Alps than the discount rate used for Alpine
  - This massively inflates Alps’ valuation and lowers the Share Exchange Ratio in Alps’ favor
  - Neither of SMBC’s calculations select a lower discount rate for Alps and in the most recent iteration, SMBC gives a much lower discount rate for Alpine
  - We estimate that YCG’s valuation range would be significantly higher had the correct WACC been employed and in the region of 0.94x

Source: Company Disclosures

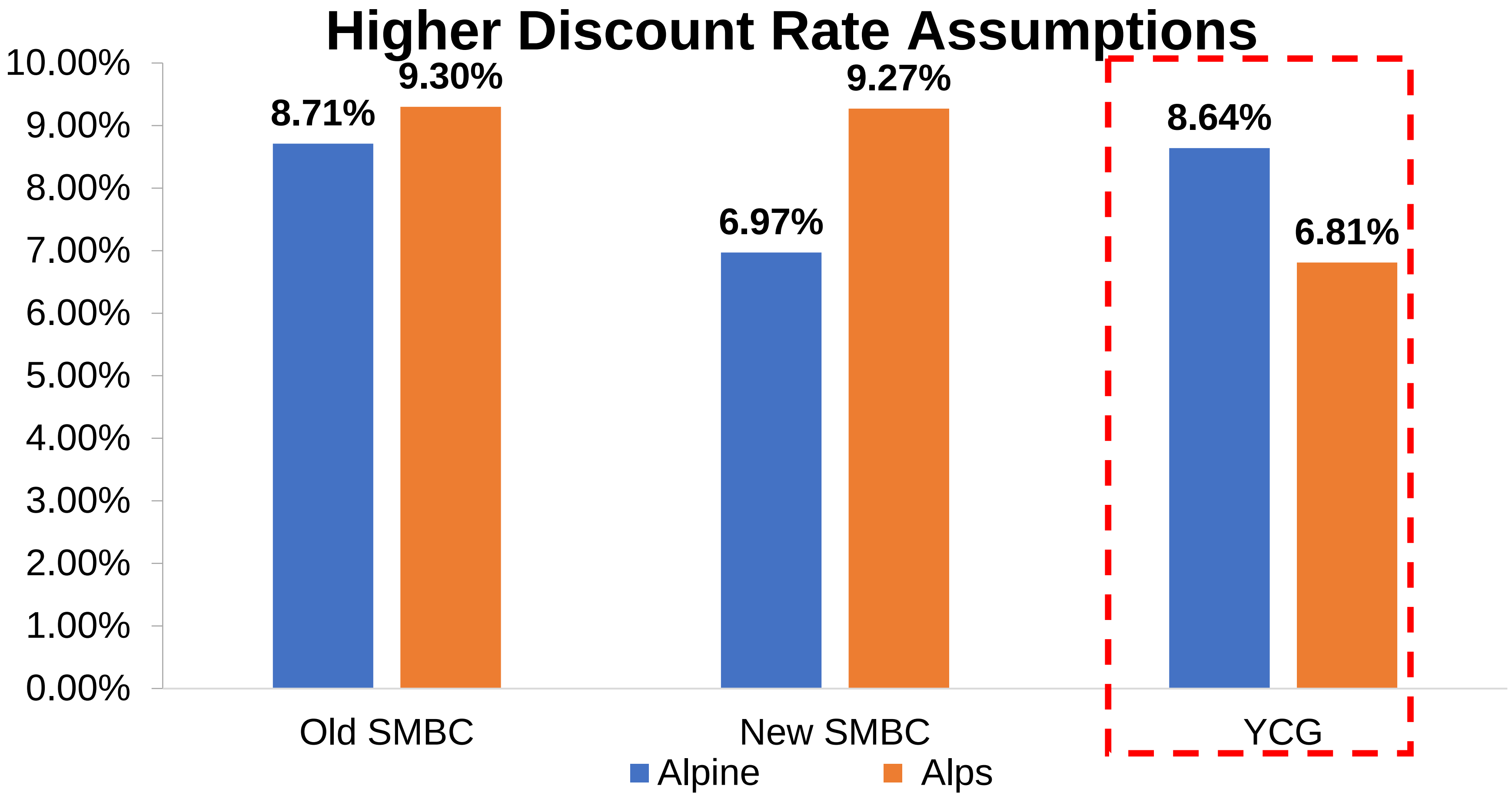
Discount Rates are Irreconcilable (2) YCG Has Them Inverted. Alps Rate Should Be Higher than Alpine



Source: Company Disclosures

OASIS

Discount Rates are Irreconcilable (3) Again, YCG Has Alps and Alpine Rates Inverted



Source: Company Disclosures

OASIS

Independent Expert Verifies the Deception

Comparison result of β statistic and Implied β of each company (1)

Unlike SMBC's discount rate, implied β of discount rate used by YCG is outside the range of comparable companies, and are abnormal values.

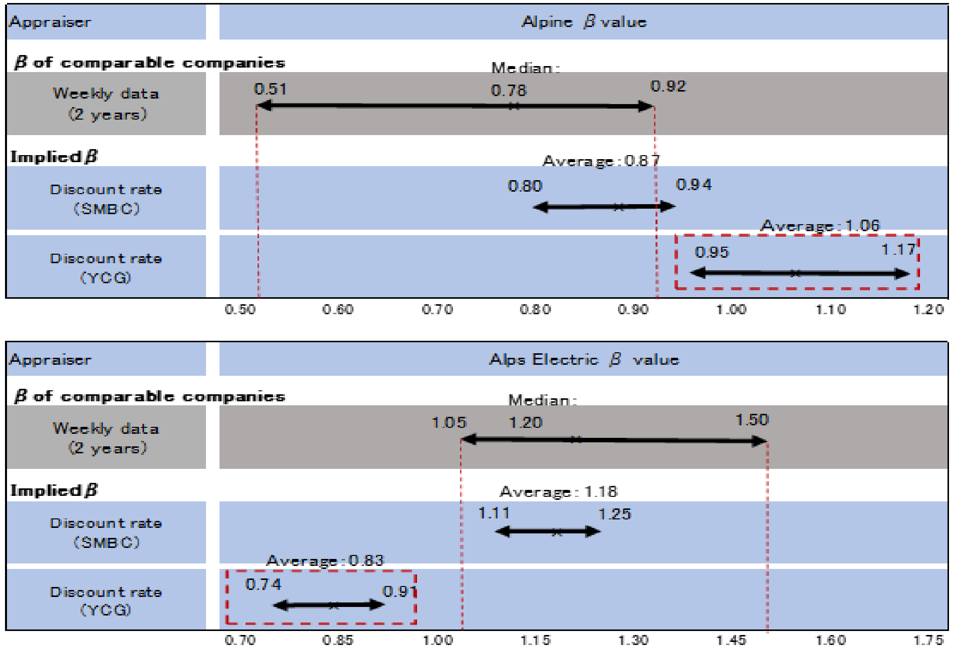
Comparison of β statistic of comparable companies and Implied β

- The table on the right shows the comparison between the β value of comparable companies in each industry and the estimated β (Implied β) back calculated from the discount rate used by the appraiser.
- The comparable companies on the right table are based on companies selected by SMBC, and Alpine and Alps are included in it.
- When choosing comparable companies in each industry, it is usually performed through an interview with the management, and there should be no big difference between SMBC and YCG (see Q & A on Page 23). Based on the fact, we are comparing β values on the premise that both appraisers select the same companies.
- The β of comparable companies are calculated based on the β (hereinafter referred to as levered β (βL)) from the weekly stock price observed two years back from Sep. 25 (For details, see Appendix 2.4) In addition, the β in the table shows the βu (unlevered β: hereinafter referred to as β statistics) on the premise that the shareholders' equity ratio is 100% (see Appendix 2.4).

Abnormality of discount rate applied by YCG

- As for Alpine, the upper right table shows that the β (βu) of comparable companies is in the range of 0.51 to 0.92. As for the Implied β obtained from the discount rate used by both appraisers (see Appendix 2.1 for details), an average β adopted by SMBC is 0.87 within the range of comparable companies. On the other hand, the minimum value of β adopted by YCG is 0.95, which is higher than the maximum value (0.92) of comparable companies and can not be explained by statistical values.
- Furthermore, as for Alps Electric the maximum value of the Implied β applied by YCG shown in the right lower table is 0.91, which is outside the range of comparable companies(1.05 to 1.5), and it is an abnormal value and can not be explained by statistical values.

Table 2-1. Impliedβ and β statistics of comparable companies



5

OASIS

YCG are Factually Wrong

Comparison result of β statistic and Implied β of each company (2)

β applied to Alps Electric is higher than Alpine and it is higher than 1, even if the observation period of β is expanded. This indicates abnormality of β adopted by YCG, and it is not rational.

Various β statistics

- The table on the right shows the β whose observation period extended to 3 years and 5 years, in addition to the previously mentioned β based on the 2 years' duration.
- Also in the lower right table (adjusted figures) is the β statistics excluding the presumed abnormal variations in Alpine and Alps electric after disclosing the press release dated on July 27, 2017.

Various β statistic and abnormality of β applied by YCG

- As for the β statistics for 2 years' and 3 years' duration, the minimum value of Alps electric is larger than the maximum value of Alpine.
- As for 5 years' duration, it is not as clear as the result of the 2 or 3 years' observation period, but there is no difference enough to reverse the order of the β.
- The minimum value of the β applied to Alps Electric is larger than 1, and it can not rationally explain the Implied β (0.75 ~ 0.92) of Alps electric adopted by YCG.

Table2-2 .βstatistics of comparable companies by observation period

βu statistics	Alpine			Alps		
observation period	Min.	Avg.	Max.	Min.	Avg.	Max.
2 years	0.51	0.72	0.92	1.05	1.28	1.50
3 years	0.60	0.82	1.04	1.11	1.32	1.52
5 yeasrs	0.51	0.84	1.16	1.02	1.21	1.40
2years（adjusted）	0.51	0.74	0.98	1.13	1.45	1.77
3years（adjusted）	0.60	0.87	1.14	1.11	1.32	1.52
5years（adjusted）	0.51	0.87	1.23	1.02	1.22	1.42
Impliedβ						
YCG（Avg.）		1.06			0.83	

Outside the range

6

ZECOO partners

OASIS

Correcting the Discount Rate Would Make the Current Ratio Unfair

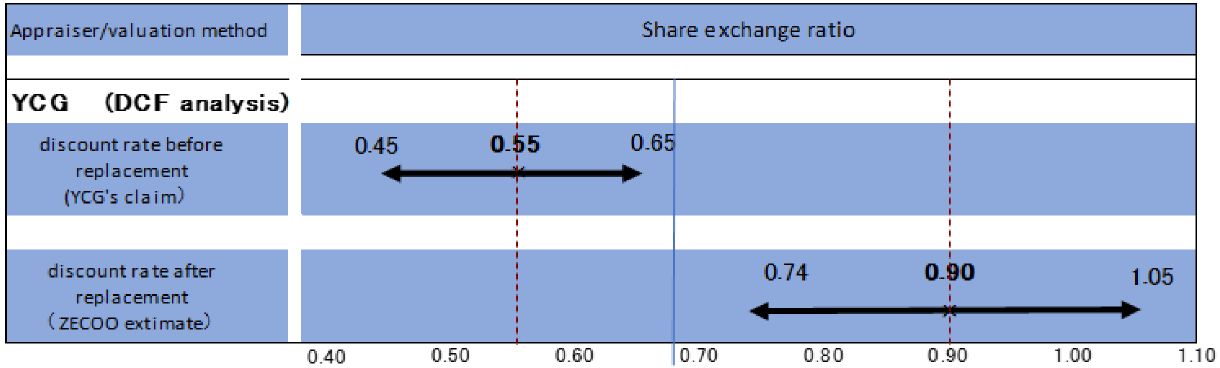
Analysis of impact to share exchange ratio when replacing YCG discount rate with SMBC

If the irrational discount rate used by YCG is replaced with the discount rate used by SMBC which is consistent with the basis, the share exchange ratio will be up to the range from 0.74 to 1.05 (0.9 on average), and there is no validity for YCG's claim that 0.68 is reasonable as the ratio is above the fair range of share exchange ratio led by YCG which is between 0.45 and 0.65 (0.55 on average)

Analysis of impact to exchange rate by discount rate replacement

- As the discount rate used by YCG is not rational, it is recalculated on the premise that the discount rate is replaced with the rate used by SMBC. The revised ratio is between 0.74 to 1.05 (0.90 on average)
- Since the basis of the discount rate used by SMBC can be confirmed in the press release dated on Sep. 27, the DCF analysis was performed by replacing it with the rate used by SMBC, to estimate the exchange ratio (see Appendix 3.1 - 3.4 for details).
- As a result, there is no validity for YCG's claim that 0.68 is reasonable as the ratio is above the fair range of share exchange ratio led by YCG which is between 0.45 and 0.65 (0.55 on average)

Table3. impact to share exchange ratio after replacement



(note) 0.68 is the share exchange ratio currently proposed by Alps. YCG seems to imply that the proposal is in favor for the shareholder of Alpine judging from its conclusion that the fair range is from 0.45 to 0.65 (0.55 on average).

ZECOO partners

OASIS

Dishonesty/Fraud or Incompetence?

- **Had YCG used the correct discount rates it would have arrived at a share exchange ratio of approximately 0.74 to 1.05, which average 0.9, and is much higher than the current share exchange ratio**

- **This raises questions:**

  - **Did YCG purposefully manipulate their findings to justify the price or are they so completely incompetent that they somehow magically employed a discount rate that made their findings so much lower?**

  - **Was the “Third-party” Committee aware/involved in this manipulation or are they also incompetent and incapable of protecting minority shareholders?**

AND

<u>What else has been misstated/misrepresented whether with intent or gross negligence?</u>

<u>Should shareholders trust anything they have told us?</u>

Source: Company Disclosures

Well Third-party Committee, What Are You Going to Do About It?

- **We informed Alpine of this blatant manipulation at a meeting on October 10, 2018 and have put forth the details, but there has been no response so far**

- **So we ask the Third-party Committee – if you are truly independent and you unfortunately missed this terrible mistake/manipulation by YCG, what are you going to do about it now?**

- **Are any of you honest enough to retract your support?**

- **Fellow shareholders, please do complain to the Third-party committee members below:**

  – **Mr. Hideo Kojima – (formerly E&Y)**
  – **Mr. Shunsuke Teragaki – (Nexpert Law Office)**
  – **Mr. Toshikazu Nakazawa – (Blest Partners)**
  – **Mr. Toru Matsumoto – (Toru Matsumoto Certified Public Accountant Office)**
  – **Mr. Takashi Kokubo - (Kokubo Law Office)**

Source: Company Disclosures

Shocking Corporate Governance

- **Alps and Alpine, whether through mistake or fraud, are misleading shareholders into accepting a hugely discounted price for their stakes in Alpine**
- **Either way, this is against everything the Corporate Governance Code in Japan stands for**
- **This is, without doubt, amongst the worst cases of Corporate Governance abuse we have seen in Japan and the world**
- **We ask that you, fellow shareholders, demand truth and honesty from Alps and Alpine**
- **We believe that it is your duty, under the Stewardship Code, to demand better corporate governance from Alps and Alpine and vote against the merger that has been based on deception and misrepresentation**

Source: Company Disclosures

A Few More Points on the <u>Un</u>fairness Opinions

Moving the Goal Posts

- **In the July 2017 announcement, the SER was considered fair given that:**

> *"the Share Exchange Ratio **exceeds the respective upper** **limits of the range of the share exchange ratio obtained by the comparable company analysis** and the market share price analysis **while being close to the median value of the range obtained by the DCF Analysis**"*

- **In the September 2018 announcement the bar was clearly lowered:**

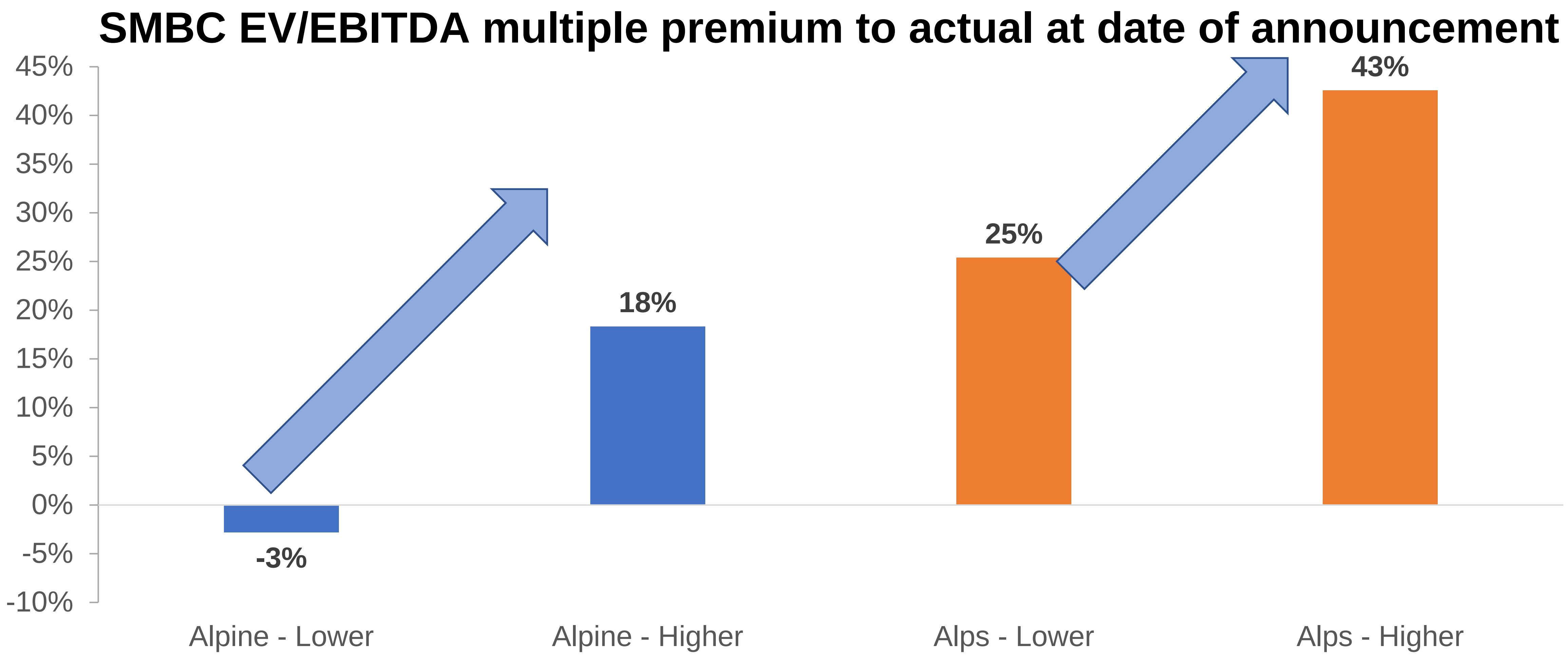
> *"the Share Exchange Ratio is at an appropriate level because **it is within the range obtained by the DCF Analysis** and **exceeds the median value of the range obtained by the comparable company analysis**"*

- **SMBC's new valuation (which it does not say is fair to minorities) fails the original requirement!**
  - **The SER no longer exceeds the upper limits of the Comparable Company Analysis**
  - **It is implied that the SER is no longer close to the median value of the SER – it is only "within the range", implying it is lower than, because when it was higher, it says "exceeds" the median value**

Source: Company Disclosures

OASIS

SMBC – Drastically Overvalues Alps, Undervalues Alpine



Source: Company Disclosures

OASIS

SMBC New DCF Range Is Inconsistent

	Share Exchange Ratio (DCF Analysis)		
	Old SMBC	New SMBC	Change
Lower Range	0.50	0.48	-4%
Higher Range	0.85	0.91	7%

- **We would like the Company and SMBC to explain how the lower range of the DCF Analysis in the new analysis is lower than the old, considering the following:**
  - **Alpine’s discount rate has been reduced by 20% and would increase Alpine’s value compared with Alps, which had a minimal move in discount rate**
  - **Alpine’s EBITDA multiple range has increased more than the Alps EBITDA multiple range**
  - **Alpine’s earnings have increased since the last valuation and as such we do not expect earnings to have a negative impact**

- **In light of the above, how is it possible that the new SMBC lower range is less than in the old analysis?**

- **SMBC admit they are no longer independent and yet have a higher valuation than their fairness opinion**

Source: Company Disclosures

Who is Protecting Who?

- **We find it peculiar that YCG, who has been tasked with providing a fairness opinion to protect minority shareholders, has provided a valuation that is significantly below that of Nomura Securities, who are advising Alps and have no duty to Alpine's minority shareholders, and SMBC, who are no longer providing a fairness opinion and are looking at the valuation from Alps' point of view**

	Share Exchange Ratio (DCF Analysis)	
YCG	0.45	0.65
Nomura	0.56	0.79
YCG Discount to Nomura	**-20%**	**-18%**
SMBC	0.48	0.91
YCG Discount to SMBC	**-6%**	**-29%**

- **We also find it bizarre that Nomura, who again expressly represent Alps, also have in the majority of ranges a higher valuation than SMBC, which was supposed to protect minorities**

	Share Exchange Ratio (Comparable Companies Analysis)	
SMBC	0.53	0.73
Nomura	0.57	1.13
SMBC Discount to Nomura	**-7%**	**-35%**

	Share Exchange Ratio (DCF Analysis)	
SMBC	0.48	0.91
Nomura	0.56	0.79
SMBC Discount to Nomura	**-14%**	**15%**

Source: Company Disclosures

Keeping the Wrong Tone

- The tone for the valuation was set by the first SMBC "fairness opinion" which included numerous flaws in the comparable company analysis and the DCF

- We find it peculiar that the valuations sought by Alps and Alpine have remained so low despite major changes in the underlying assumptions, including:

  - Alpine's earnings, which have increased so dramatically that the company had to revise up its forecasts twice and beat them a third time
  - Pioneer (6773), which we stated was an unfair comparable at the time due to a weak balance sheet and losses, has gone through restructuring
  - JVC Kenwood (6632), which we also stated was an unfair comparable due to a weaker balance sheet and losses, has continued to underperform
  - Anticipated slowdown in Alps' smartphone business

- It is pretty clear that Alps and Alpine chose a price regardless of the true fair value

Additional Questions on the True Independence of the Third-party Committee

The Third-party Committee

- The original Third-party Committee members were:
  - Mr. Shunsuke Teragaki – legal background (Nexpert Law Office)
  - Mr. Toshikazu Nakazawa – accounting background (Blest Partners)
  - Mr. Hideo Kojima – accounting background
    - Described as “a member of Alpine’s Audit and Supervisory Committee, as well as an outside director of Alpine who is registered with the TSE as an independent officer”

Source: Company Disclosures

Biased from the Start

- Oasis believes that Kojima-san is deeply biased towards Alps based on his long history with the group, including roles as:
  - Signing auditor of Alps Electric from 2001 to 2006
  - Signing auditor of Aps Logistics from 2001 to 2006
  - Statutory auditor of Alpine from June 2011 to 2016
  - Director of Alpine from 2016
  - Between 2006 and 2011, he visited Alps and Alps Logistics once a year for a couple of years to assess client satisfaction

Source: Company Disclosures

OASIS

Adding More Members to Old Committee Doesn't Help

- Alpine claims that in order to increase independence, they established another Third-party Committee
- Instead of a new slate of directors, Alpine simply added two new members to the committee
  - Mr. Toru Matsumoto (Toru Matsumoto Certified Public Accountant Office)
  - Mr. Takashi Kokubo (Kokubo Law Office)
- Adding two new members to a Third-party Committee that has previously accepted unfair valuation opinions will not cleanse the group
- The original committee members will never agree to changing to a fairer price and implicate themselves as having been unfair

Source: Company Disclosures

Additional Flaws in the Process

Significant Flaws in the Process (1)

- **<u>Announcing the acquisition of Alpine and setting the ratio just before earnings are revised up 115% from the first quarter</u>**

- **The acquisition will only be completed in 2019, making this the longest lead time of any merger in Japan in the past 30 years**

- **Alps knows Alpine's operating business and future opportunities better than anyone else and we strongly suspect that they are attempting to use this distinct advantage to buy Alpine at the lowest price and well below the fair value**

Significant Flaws in the Process (2)

- <u>No Control Premium</u>

- **Alps owns less than 50% of Alpine, and although it consolidates Alpine, we believe that there is a stronger reason for Alps to have paid a control premium over a comparative-company neutral valuation of Alpine**

OASIS

Significant Flaws in the Process (3)

- <u>No “Go Shop”</u>

- To protect minority shareholder interests, and conduct real price inquiry as to what the market would pay for the shares of Alpine and the control of the company, the Board of Directors should have approached other investors to determine what they would have paid for Alpine

- Shopping the deal is the only true test of fair value and the best deal for minority shareholders

Significant Flaws in the Process (4)

- **<u>Acquisition was a foregone conclusion</u>**

- **Even prior to the conclusion of the negotiations, Alpine announced on May 23, 2017 its intention to move the remainder of its headquarters staff to Alp’s headquarters**

- **With most of Alpine’s staff already located at Alps, we believe that Alps had increased its control over Alpine even further, and as such there was no opportunity for Alpine to try and achieve the best price possible for its minority shareholders**

Significant Flaws in the Process (5)

- Alps should be paying for the synergies

- As reported in the Nikkei, Alps' president commented that Alps' earnings could overshoot forecasts due to several billions of yen in costs cuts and input procurement savings arising from the synergies resulting from the Alpine acquisition

- This is a significant benefit to Alps that is conferred by Alpine shareholders without fair compensation

- Because Alps gets the most benefit, they should pay more, not less than an open market "Fair Price"

- Instead, they are buying Alpine for lower than a Fair Price to the detriment of minority shareholders

Significant Flaws in the Process (6)

- **Where is the common sense?**

- **A clear procedural flaw is the lack of adherence to the minimum standards of valuation…common sense. Alpine is being acquired at less than book value, which means that Alps is not ascribing *any* value to the brand value of Alpine or to Alpine's future cash earnings**

- **The fair corporate value should include all these elements in the valuation,, e.g. book value of non-operating assets + the value of the discounted cash flows from the operating businesses**

PROTECT ALPINE

www.protectalpine.com

OASIS