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Oasis Statement on Alpine Electronics' January 30 Revisions to Full-Year Earnings Forecasts

Another Day, Another Big Revision Upward

**** Alpine minority shareholders have not yet received a fair deal***
**** More information available at www.protectalpine.com***

February 5, 2018, Hong Kong – Oasis Management Company Ltd. ("Oasis") is manager to funds that beneficially own 9.7% of Alpine Electronics Inc. (TYO: 6816) ("Alpine" or the "Company"), making Oasis the Company's second largest minority shareholder after Alps Electric Co., Ltd. (TYO: 6770) ("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 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 – an egregious, steep discount to fair value arrived at through a biased valuation process that manipulated almost every aspect of the methodology and calculation in order to solve for a very low price.

On January 30, 2018, Alpine revised upward its full-year consolidated earnings forecasts for the second time since the Company accepted a share exchange offer from Alps, at a substantial discount to its fair value. At the end of the January 30 press release announcing the revision, Alpine wrote:

> *"Furthermore, the Company will, for the purpose of being cautious, examine the impact of the above revisions to earnings forecasts on the financial forecasts of both the Company and Alps Electric Co., Ltd., which owns the Company as its consolidated subsidiary, that were used as a basis for the DCF analysis by SMBC Nikko Securities Inc., the Company's third-party financial advisor, as set forth in the "Notice Regarding Business Integration between Alps Electric Co., Ltd. and Alpine Electronics, Inc." announced on July 27, 2017, based on the most recent financial forecasts of the two companies. The Company plans to make a separate announcement regarding the results of such examination."*

We find Alpine's intention in the above statement to be positive for minority shareholders, as it implies that Alpine may seek a higher price from Alps. However, Alpine's minority shareholders must make it clear to Alpine that they should demand a significantly higher price from Alps, and work to remedy the flaws in the process and valuation that led to the original acceptance of a share exchange ratio that deeply undervalued Alpine.

Some of the flaws in the valuation methodology that Alpine must remedy immediately are:

1. Missing Cash

We note from Alpine's statement on December 4, 2017, that approximately ¥30 billion of cash has been arbitrarily allocated as operating cash for working capital, which reduced the valuation by almost ¥400 per share. The allocation of such a large amount of cash as operating cash is unacceptable and is against the accepted industry standard of allocating approximately 2% of revenue as operating cash.

In its reassessment of the valuation, Alpine should rectify this and reclassify this cash as non-operating cash, which would lift the valuation by almost ¥400 per share.

2. Substantial Improvements in the Fundamental Business Require a Higher Price

Alpine has substantially revised up its forecast for the current year twice since the share exchange was originally announced, and has demonstrated stronger-than-expected business fundamentals which were not included in in any of the valuation calculations. We also note that many analysts believe that the latest upward revision is cautious and that it should have been significantly higher. Additionally, analysts also see that Alpine's core markets growing faster than expected. Therefore, Alpine management must honestly review their forecasts and ensure that Alpine's minority shareholders are paid the full fair value of their shares, and not lose out to overly cautious forecasts that will only disadvantage and injure minority shareholders.

The upward revisions also demonstrate that using a three year basis period for the DCF valuation is far too short a time frame, as the Company would not have reached stabilization in the next three years. The resulting undervaluation is further stretched by the application of a 0% perpetual growth rate, which is even more unreasonable in light of the substantial growth this year. Alpine's management should extend their forecasts so that the valuation includes all of the expected growth, and not assuming arbitrarily (and illogically) that it somehow stopped after three years.

3. Other Valuation Methodologies Undervalue Alpine

The comparable company analysis is deeply flawed, and no weight should be given to the resulting valuations. SMBC Nikko used three "comparable" companies in the analysis: Pioneer Corporation (TYO: 6773), JVC Kenwood Corporation (TYO: 6632), and Clarion Co Ltd (TYO: 6796). Of these, both JVC Kenwood and Pioneer were loss-making in the most recent financial year, which obviously affected their valuation and led them to trade at a low EBITDA multiple. Clarion's revenue has been on a downward trend, and therefore, comparing it to the rapidly-growing Alpine also leads to substantial undervaluation.

Further issues deeply flaw the comparable company analysis:

a. JVC Kenwood, as well as being loss-making, has a significantly different business compared to Alpine, with less than 38% of its operating income coming from the automotive segment, and an even smaller proportion coming from the OEM business. On other hand, Alpine has strong relationships with top European automakers, such as BMW and Audi.

b. Pioneer has been loss-making in two of the last three years. It also has high exposure to the unpredictable after-market segment in volatile locations such as Russia and Brazil. This is a far cry from the stable businesses of the large European automakers to which Alpine is exposed.
c. Clarion is controlled by Hitachi, meaning that a "takeover premium" is not embedded in the share price, because no independent party can reasonably attempt to take over the company. Additionally, Clarion has been in the process of restructuring its business portfolio, which has also affected its stock price and lowered its multiple.

The DCF valuation, which employs the EBITDA multiple method, adopts these comparable company multiples in its valuation, and as a result is also deeply flawed due to the issues raised above.

The revisions to forecasts also negate the average market price methodology adopted in SMBC's analysis. Had these revisions taken place prior to the share exchange offer, the stock price used would have been significantly higher. Instead, a low stock price was used to anchor down artificially Alpine's value.

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

We believe Alps' offer is significantly lower than the fair value. Alpine must take this opportunity to remedy the defects in the original valuation, and ensure that Alps pays Alpine's minority shareholders a fair price. We call on all of Alpine's shareholders to contact the Company as soon as possible and share their views.

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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.

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