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Statement by Oasis Management Company Ltd. on the pending takeover offer of Alpine Electronics by Alps

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

October 30, 2017, Hong Kong -- Oasis Management Company Ltd. ("Oasis") is the largest minority shareholder of Alpine Electronics Inc. (6816 JP) ("Alpine" or the "Company") owning 9.24% of the company.

On July 27, 2017, Alps Electric Co. Ltd (6770 JP) ("Alps") announced its intention to acquire the 59.57% shares of Alpine that they do not own by January 1, 2019 at a ratio of 0.68 shares of Alps for every one (1) share of Alpine, valuing Alpine, on the day after announcement, at ¥2,108 per share.

At that price, Alpine's operating business is being valued at ¥618 per share, which is just 2.6x the company's own March 2020 operating profit excluding any benefits from the expected synergies with Alps on consolidation.

Alpine shareholders should be receiving between 60% and 206% more than the current offer price. Oasis has created a website www.protectalpine.com that contains detailed information about this situation.

In a letter to Alpine in June 2017, Oasis expressed its view of the deep undervaluation of Alpine, and offered to pay ¥1,800 per share in the event Alps would sell its shares but acknowledged that the offer was below Alpine's intrinsic value of at least ¥3,300 per share. We were shocked to learn that Alpine accepted Alps' offer, which was well below its intrinsic value. In light of the Board of Directors and the Special Committee accepting the low ball offer price implied by the initial announcement of the 0.68 : 1.00 share ratio, we sent another letter to Alps and Alpine to reiterate our interest in buying Alpine and expressed our interest in purchasing the Company for ¥2,400 per share, a 10% premium to the current implied takeover price by Alps.

In addition, we have obtained a fair value opinion from BVCJ, an independent valuation expert who values Alpine's shares at ¥4,180 per share based on a Discounted Cash Flow ("DCF") method and between ¥3,516 and ¥6,734 per share on a comparable company basis, this implies a premium of between 60% and 206% to the current share price.

The unfair price offered by Alps could only have been the result of a flawed process and a valuation. The valuation was determined by reference to the historical market price, comparable company valuations and a DCF model. Each of these metrics was apparently manipulated to ensure a valuation that benefited Alps at the expense of Alpine's minor shareholders. We set out just a few of the examples below:

1. The Historical Ratio

The period between the announcement of the merger and its completion is the longest of any merger in the past 30 years. As part of the acquisition announcement, Alpine announced that it expects its operating income to grow on average 35% growth for two years from FY19. This strong growth was <u>not</u> reflected in the market price at the time of the merger and we suspect that the long lead time was employed to avoid a run up in the stock price as a result of this expected growth. We also note that the tender offer ratio of 0.68 is below the average share ratios of the past 5 and 10 years of 0.81 and 1.29 respectively.

2. Comparable Companies

Two out of the three comparable companies used, Pioneer Corporation and JVC Kenwood, had been loss making in two out of the last four years and such they trade at a discount to Alpine and Clarion and are not relevant comparables. We suspect that these companies were used because they trade at lower multiples as a result of these losses.

3. DCF Valuation

We could not solve for the very low DCF value employed in the merger while still taking into account the large cash and shareholdings that Alpine has. Alpine's cash and shareholdings and investments (there is no debt) make up ¥103 billion which is 65% of the current value of the acquisition of ¥159 billion. The DCF value furthermore uses a 0% growth rate, which is deliberately low considering that they plan to grow an average 35% in FY19 and FY20.

Oasis believes Alps should conduct a cash tender offer for Alpine's shares at ¥4,180, which is a better deal for both Alps and Alpine shareholders. Alps shareholders would not face the dilutive impact of issuing additional shares to Alpine shareholders and Alpine shareholders would get a fair deal.

Oasis has been a long-term shareholder of Alpine and first engaged with Alpine in May 2015 expressing serious corporate governance concerns over their lack of prudent asset management on behalf of all stakeholders and urging them sell their shares in Neusoft, which at the time would have realized cash before taxes equivalent 24 years of Alpine's Mar-16 earnings. Oasis's engagement was stymied by lack of action by Alpine management at that time and, when they finally did act, it was too late and raised even more corporate governance issues. We had hope that this time, Alpine will not leave it so late to remedy the corporate governance abuses.

Shareholders are encouraged to visit www.protectalpine.com including how to sign up for updates and how you can help. Shareholders may also contact us at protectalpine@oasiscm.com, or contact our Japanese legal counsel Iwaida Partners at +81-3-5218-2084 or by email to Kawamura@iwaidalaw.com or Legal@protectalpine.com.

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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.

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