



December 4, 2017

To all parties concerned

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The Company's Views on the Business Integration between Alpine Electronics, Inc. and Alps Electric Co., Ltd.

As announced in the press release dated July 27, 2017, titled "Notice Regarding Business Integration between Alps Electric Co., Ltd. and Alpine Electronics, Inc. (Execution of Share Exchange Agreement between Alps Electric Co., Ltd. and Alpine Electronics, Inc. (Simplified Share Exchange), Reorganization into a Holding Company Structure through the Company Split of Alps Electric Co., Ltd., Change of Company Name and Partial Amendments to the Articles of Incorporation of Alps Electric Co., Ltd.)," Alpine Electronics, Inc. (the "Company") and Alps Electric Co., Ltd. ("Alps Electric" and, together with the Company, the "Companies") resolved at their respective board of directors meetings held on July 27, 2017 to conduct a business integration (the "Business Integration") that involves a reorganization into a holding company structure.

Based on the resolutions dated July 27, 2017 of their respective board of directors, the Companies have executed a share exchange agreement (the "Share Exchange Agreement") concerning a share exchange through which Alps Electric will be the wholly owning parent company and the Company will become the wholly owned subsidiary (the "Share Exchange.")

The Company has concluded that it would be desirable for the Company, as well as the shareholders of the Company and investors generally, that the Company's views on the Business Integration and the Share Exchange be reiterated in more detail and in a manner that is easier to understand, so as to obtain the in-depth understanding of the shareholders of the Company as well as investors generally and resolve in advance as many questions that may arise generally as possible. For this purpose, the Company has compiled, in a Q&A format, its views on the Business Integration and the Share Exchange as set forth in the attached document titled "The Company's Views on the Business Integration between the Company and Alps Electric Co., Ltd. (Q&A)."

The Business Integration will allow the Company to work on full-scale cooperation with Alps Electric, such as (i) strengthening of its ability to propose solutions to and conduct sales vis-a-vis its customers, (ii) development of employees through personnel exchanges across businesses, such as engineers and sales personnel, (iii) making use of Alps Electric's fund-raising capability, network and intellectual property, and (iv) promotion of mutual use of production bases. The Company will promote efforts such as streamlining of back-office departments through infrastructure sharing, cooperation with suppliers through joint procurement of parts, strengthening of the procurement capacity, and reinforcement of global operations, whereby the Company will endeavor to help maximize value for all stakeholders on a global basis.

The Company's Views on the Business Integration between the Company and Alps Electric Co., Ltd. (Q&A)

December 4, 2017

Alpine Electronics, Inc.

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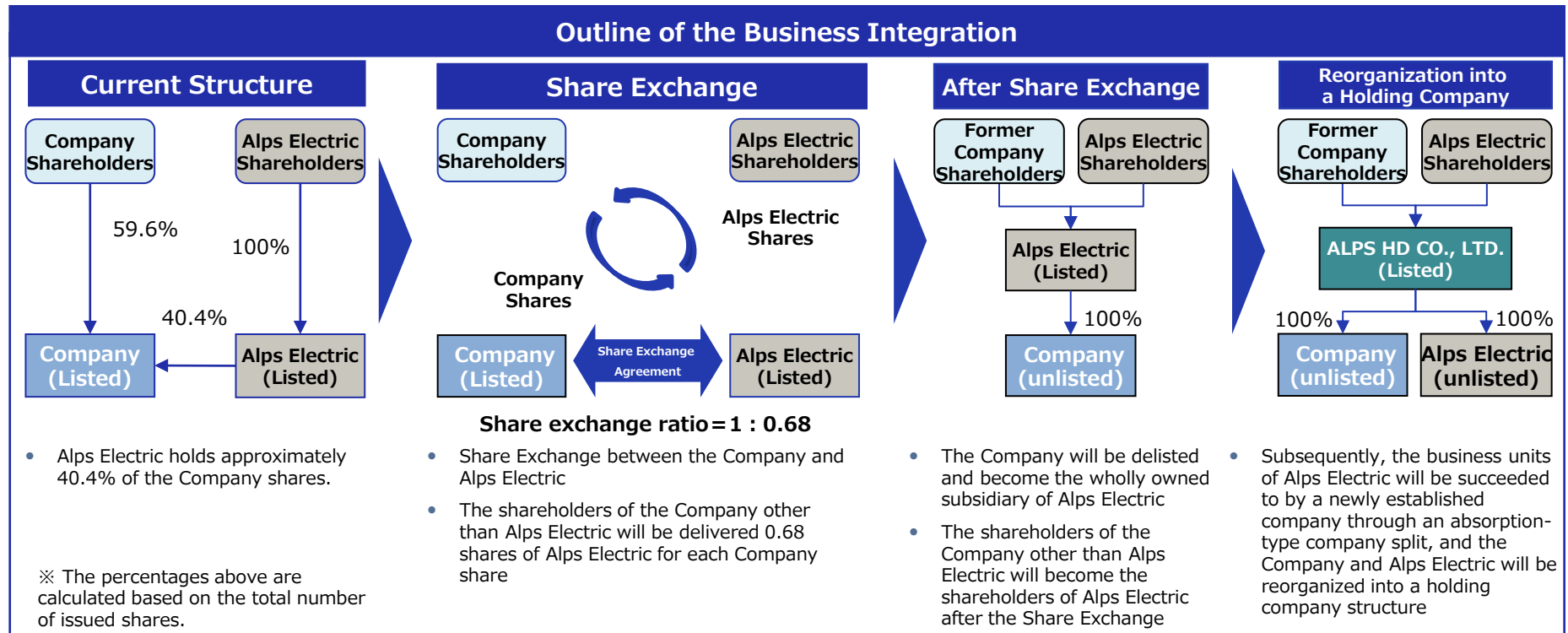
Executive Summary

※ For Q&A, please see page 11 and the subsequent pages.

Outline of the Business Integration

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The Business Integration is intended to reorganize the Company and Alps Electric into a holding company structure through implementation of the Share Exchange through which Alps Electric will make the Company its wholly owned subsidiary, and through an absorption-type company split in which the business units of Alps Electric will be succeeded to by a newly established company (the "Absorption-type Company Split.") (Through the Share Exchange, such shareholders of the Company other than Alps Electric will be allotted the Alps Electric shares.)



Summary Schedule of the Business Integration

July 27, 2017	Execution of the Share Exchange Agreement (Boards of Directors of the Company and Alps Electric,) public announcement
Mid-December 2018 (scheduled)	Extraordinary general meeting of shareholders of the Company relating to approval of the Share Exchange Agreement
January 1, 2019 (scheduled)	Effective date of the Share Exchange
April 1, 2019 (scheduled)	Effective date of the Absorption-type Company Split pertaining to Alps Electric (Reorganization into a Holding Company)

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External Environment and the Business Issues It Presents

- Advances in technologies and intensified competition in the automotive business, which faces new trends such as autonomous driving, connected cars, EV and sharing
- The automotive infotainment market has been polarized into highly functional system products for ADAS and other automobile systems on one hand and commodity products linked to smartphones on the other
- The smartphone market is solid, but is experiencing a slowdown in growth due to maturation of the market and the risk of commoditization
- In the new IoT market, securing additional value with single hardware products has become increasingly difficult

Internal Environment and the Business Issues It Presents

Alps Electric

- **Tight management resources** due to the drastic expansion of its operations
- Need to achieve **balanced growth in its** smartphone-related business and EHII business, notwithstanding a majority of its net sales being from the automotive business
- **Manage risks and maintain growth** in smartphone-related business
- Promote providing high added value through **development of functional module products integrated with software**, besides the existing core technologies, to strengthen its ability to propose solutions in relation to its automotive business and to expand the new IoT business
- Stick to its stance of **devoting itself to electronic components**

Company

- **Improve the balance** in between domestic and foreign countries and between commercially available products and OEM
- **Commercialize new business areas**
- **Find new customers** by utilizing development assets
- **Evolve and develop to secure additional value** in the automotive infotainment business
- Strengthen HMI system products through **integration of core devices** such as sensing devices and communication devices with software
- Continuously maintain and utilize its strengths in the **brand business and audio products**

Issues arising from expansion of the automotive business of the Companies

- **Inefficient cooperation among entities in the areas of** development, production and sales
- **Operational restrictions** due to being individually listed companies

Aim to help maximize value for all stakeholders on a global basis by maximizing the synergy effects on business and further enhancing corporate governance

Improve the agility and efficiency of management by enhancing the strategy function of the entire group and resolving issues

Share Management Resources

Grow the Respective Businesses of the Companies Based on Their Prompt and Agile Decision Making

Establish a new group management structure by establishing a holding company Alps Electric and the Company will continue to grow as operating subsidiaries

Alps Electric : devote itself to electronic components business and expand its core devices in growing markets such as automotive market and EHII market

Company : to create, propose and expand highly functional system products as an automotive HMI system integrator

Amid market innovation brought about by the fourth industrial revolution, the Group aims to keep contributing to people's lives in the areas of electronics and communication by focusing on the Electronic Components Business and the Automotive Infotainment Business, and to become a sustainable "value creating corporate group" targeting at net sales of one trillion yen.

Strengthen each company's businesses

- Alps Electric will push forward with advancement and fusion of input devices, various sensors and communication technologies, which are its core products and technologies, for the automotive market as well as the mobile and the new EHII markets. In the course of such efforts, Alps Electric will utilize the Company's development capability and system design capability.
- The Company will leverage Alps Electric's technology and sensor and communication device technology to strengthen its automotive HMI system integrator business.

Enhance collaboration in the automotive business and new business areas

- Develop integrated HMI cockpit systems and various products by combining Alps Electric's HMI input products and the Company's HMI output products
- Promote alliance and business creation in new business areas such as EHII, autonomous driving, EV and sharing
- Create new business models by utilizing Alps Electric's extensive market and customer channels and the Company's BtoC service business

Share infrastructure and management resources

- Mutually use development resources and intellectual property
- Promote mutual use of production technologies and production bases
- Streamline back-office departments through infrastructure sharing
- Strengthen cooperation with suppliers and procurement capacity through joint procurement of parts and raw materials
- Strengthen global operations

Overview of New Group Management Structure

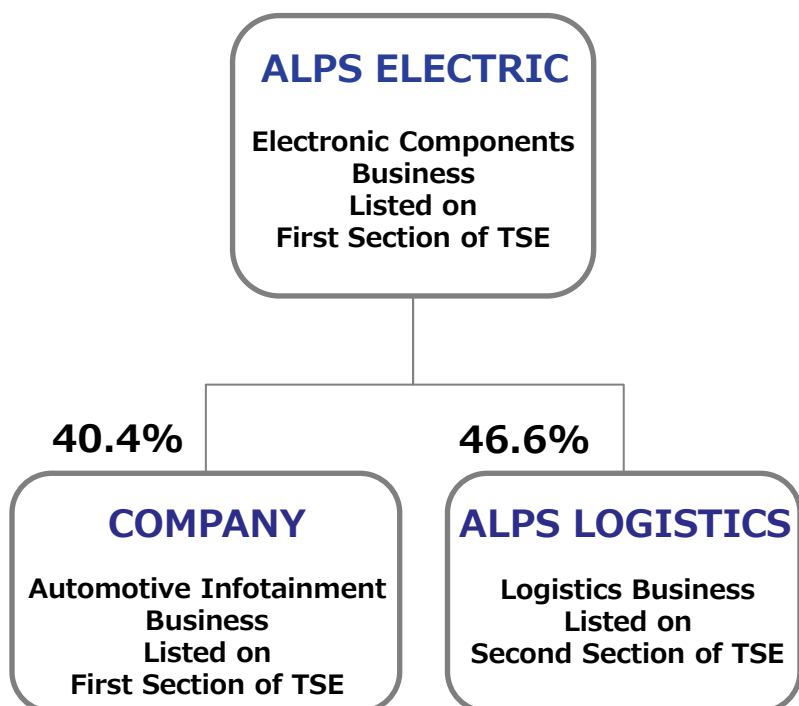
This page is an excerpt from the IR presentation slides titled "Business Integration Involving Reorganization into Holding Company Structure" issued on July 27, 2017. (However, reference to "Alpine" has been changed so as to refer to it as "the Company")

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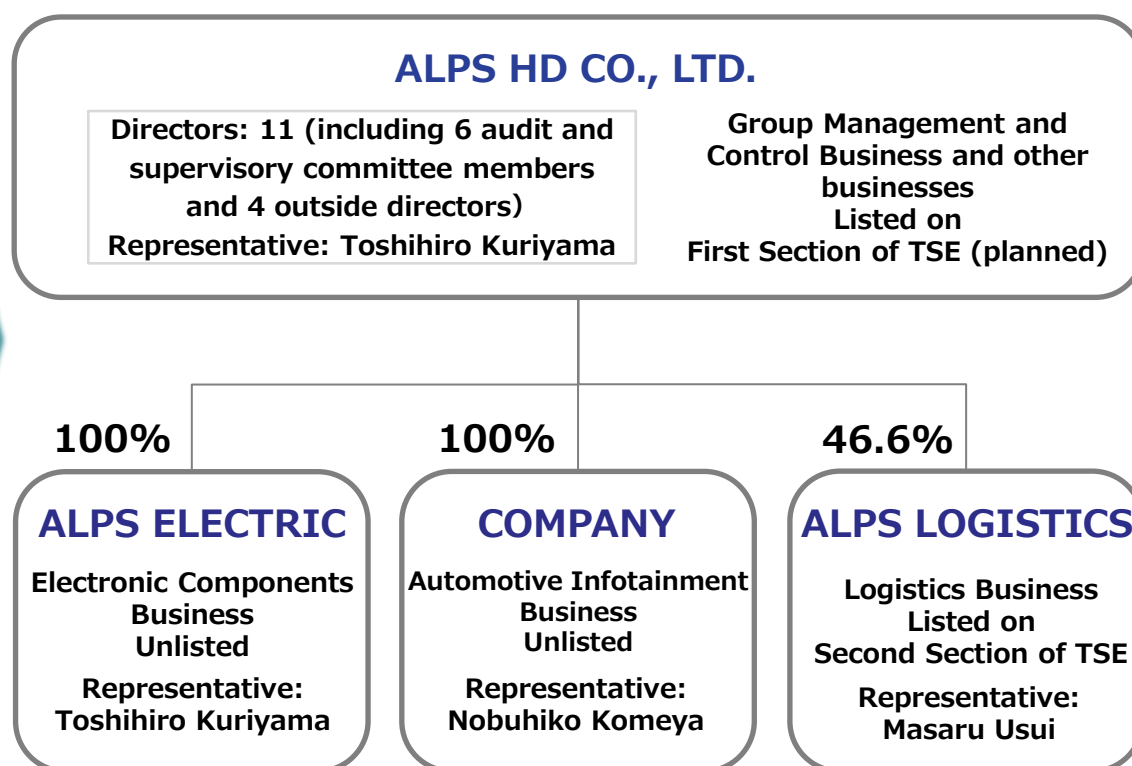


Share Exchange between Alps Electric and the Company (scheduled to take effect on January 1, 2019) and Reorganization into a Holding Company Structure through Company Split of Alps Electric (scheduled to take effect on April 1, 2019)

As of July 27, 2017



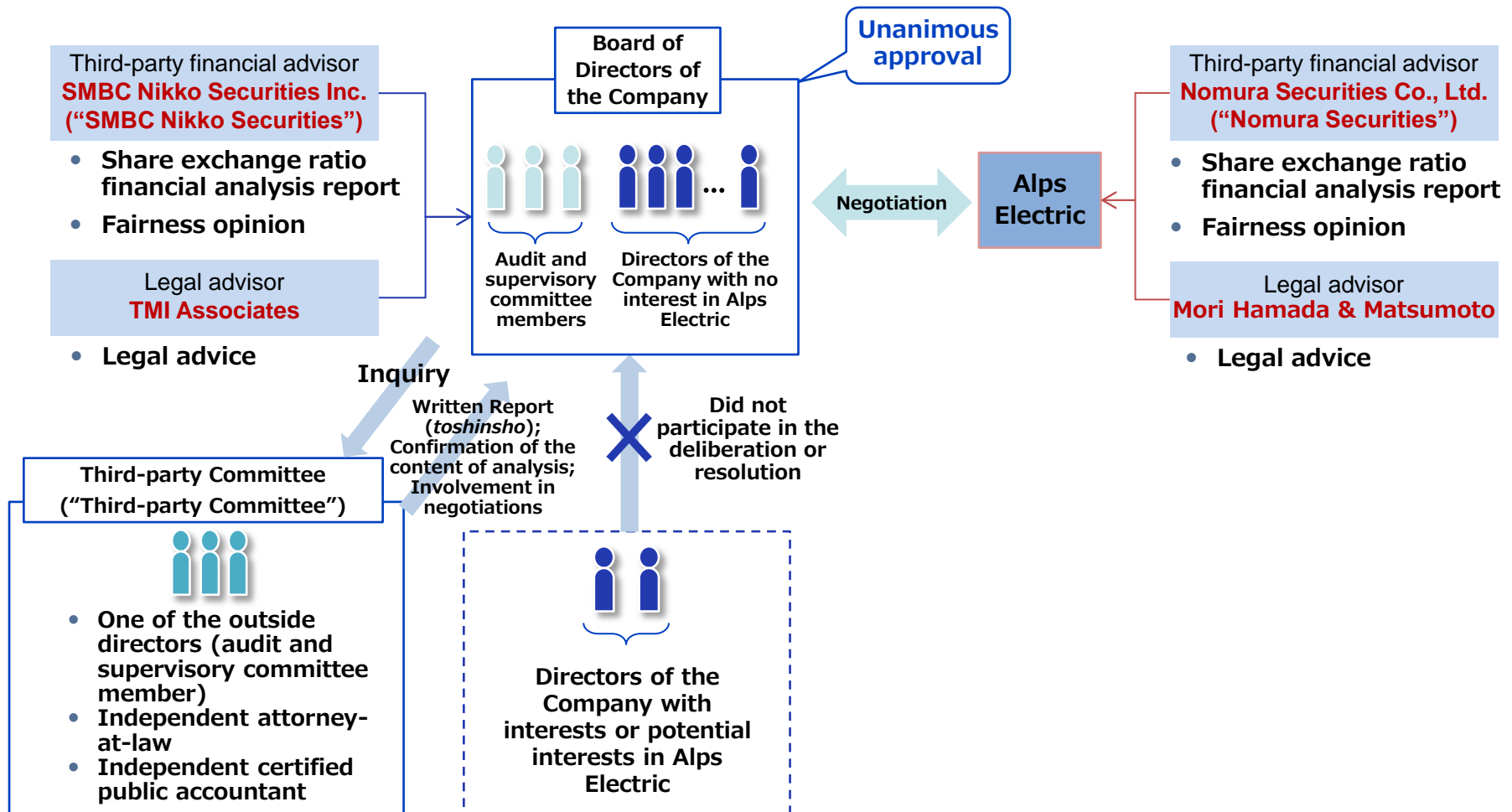
April 1, 2019 (scheduled)



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Measures to Avoid Conflicts of Interest and Ensure Fairness

Since the Share Exchange constitutes a transaction between the Company and its parent company, the Company has taken the following measures to avoid conflicts of interest and ensure fairness, for the purposes of not undermining the interests of minority shareholders of the Company.



※ For the assumptions and disclaimers pertaining to the analysis of the share exchange ratio and the fairness opinion provided by SMBC Nikko Securities, please see the exhibit.

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Analysis of the Share Exchange Ratio (1/2)

The Company obtained a financial analysis report on the share exchange ratio and a fairness opinion from SMBC Nikko Securities, its third-party financial advisor.

Result of analysis by the third-party financial advisor

	Result of analysis by SMBC Nikko Securities
Average market share price analysis	0.51 ~ 0.53
Comparable company analysis	0.46 ~ 0.62
DCF analysis	0.50 ~ 0.85

Agreed ratio of the Share Exchange 1 : 0.68

Premiums indicated in the share exchange ratio

Share exchange ratio premium	Alps Electric share price	Company share price	Theoretical Company share price* ¹	Premium
Closing price on the day before announcement	¥3,190	¥1,708	¥2,169.2	27.0%
1-month average share price	¥3,212.4	¥1,692.5	¥2,184.4	29.1%

Higher premiums as compared to other companies' cases that are similar to the Share Exchange



Share exchange premiums for listed subsidiaries over the last 2 years (Premium over 1-month average share price)	Number of transactions	Average premium	Median premium
Similar cases of other companies	15	12.4%	13.2%

*1 : Theoretical share price of the company = Alps Electric share price x the share exchange ratio of the Share Exchange (0.68)

※ For the assumptions and disclaimers pertaining to the analysis of the share exchange ratio and the fairness opinion provided by SMBC Nikko Securities, please see the exhibit.

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Analysis of the Share Exchange Ratio (2/2)

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The criteria for selecting the comparable listed companies and the treatment of the necessary cash and deposits as well as the investment securities in the DCF analysis is as follows.

Matters regarding the analysis of the share exchange ratio

		Summary	
Criteria for selecting comparable listed companies	Company	<p>① Businesses</p> <ul style="list-style-type: none"> That the companies are categorized as belonging to the "Car Navigation System" industry by SPEEDA*1. The Company's size, similarities in the major purchasers of its products as well as business characteristics were also taken into account. That manufacturing and sales of car navigation products account for the majority of their main businesses. <p>② Formation of share price</p> <ul style="list-style-type: none"> That there is not any circumstance (e.g. a corporate reorganization) that would cause an abnormality in share price formation; and That the ratio of successfully concluded trades and the rate of turnover of floating shares of those companies are not extremely low. 	<p>The following three companies were selected as the comparable listed companies.</p> <ul style="list-style-type: none"> Clarion Co., Ltd. Pioneer Corporation JVC KENWOOD Corporation
	Alps Electric	<p>① Businesses</p> <ul style="list-style-type: none"> That the companies are categorized as belonging to "Capacitors," "Switches/Connectors," "Electric motors," "Fine Chemicals" or "Automotive Electronic Components" by SPEEDA. Alps Electric's company size, similarities in the major purchasers of its products as well as business characteristics were also taken into account. <p>② Formation of share price</p> <ul style="list-style-type: none"> That there is not any circumstance (e.g. a corporate reorganization) that would cause an abnormality in share price formation; and That the ratio of successfully concluded trades and the rate of turnover of floating shares of those companies are not extremely low. 	<p>The following six companies were selected as the comparable listed companies.</p> <ul style="list-style-type: none"> Murata Manufacturing Co., Ltd. Nitto Denko Corporation TDK Corporation MinebeaMitsumi Inc. Taiyo Yuden Co., Ltd. Japan Aviation Electronics Industry, Limited
How necessary operating cash as well as investment securities were taken into account in the DCF analysis	<p>① How necessary operating cash were taken into account</p> <ul style="list-style-type: none"> For reasons relating to the collection period and the payment period, cash and deposits tend to have their peak at the end of each month. In addition, taking into account that the need to pay such things as taxes and dividends may arise, approximately ¥30 billion needs to be secured as necessary cash and deposits. 		<p>Cash and deposits, excluding the necessary operating cash, were added, as non-operating assets, to the values on which the analysis is based.</p>
	<p>② How investment securities were taken into account</p> <ul style="list-style-type: none"> Key investment securities, including affiliates shares, were treated as non-operating assets, and were appropriately taken into account in the analysis, while taking tax effects into consideration. 		<p>Investment securities were added, as non-operating assets, to the values on which the analysis is based.</p>

※ For the assumptions and disclaimers pertaining to the analysis of the share exchange ratio and the fairness opinion provided by SMBC Nikko Securities, please see the exhibit.

*1: A corporate finance database operated by UZABASE, Inc.

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Views of the Company (Q&A)

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1. Objective of the Business Integration (1/4)

No.	Question	Answer
1-1	What are the significance and the objective of the Business Integration?	<ul style="list-style-type: none">• The recent business environment surrounding the Company has undergone various changes. For instance, (i) business risks resulting from overemphasis on the businesses targeting automobile manufacturers and overseas markets have become apparent; (ii) the automotive infotainment market has been polarized into highly functional system products for ADAS (advanced driver-assistance systems) and other automobile systems on the one hand and commodity products linked to smartphones on the other; and (iii) in connection with the polarization described in (ii) above, the market and customer demands are shifting towards collaboration with safety functions that utilize input devices, sensing devices and others, as well as implementation of the connected car technologies that utilize data communication modules. In order to adapt to such changes and maintain continuous growth, the Company believes that an important business challenge it faces is to significantly change its past hardware-oriented business to a comprehensive car-oriented service business. Specifically, in existing business areas, the Company has to improve profitability through maintaining and utilizing its strengths in the brand business and audio products, finding new customers by utilizing development assets and streamlining business activities; and in new business areas, the Company needs to create unique and high-value products that use HMI (human machine interface) as a core business domain, and enhance its ability to propose solutions to markets and customers, with the aim of expanding its cockpit-related business and connected car-related business.• In addition to the above, 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 more effective communication with customers.

(Continued on the following page.)

1. Objective of the Business Integration (2/4)

No.	Question	Answer
1-1	What are the significance and the objective of the Business Integration?	<ul style="list-style-type: none">• The Company believes that the reorganization of the Company and Alps Electric into a holding company structure will allow the Company to tackle the above-mentioned business challenges as follows, and thus enable an attempt to increase the corporate value of not only the Company but also the entire Alps Electric group.<ul style="list-style-type: none">① The Company will be able to accelerate its business expansion by finding new customers through capitalizing on Alps Electric's extensive customer channel;② The Company will be able to develop various products, such as integrated HMI cockpit systems 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; and③ As a result of ① and ② above, the Company will be able to create, propose and expand highly functional system products unique to the Alps Electric group as an automotive HMI system integrator and expand its business in new business areas.

1. Objective of the Business Integration (3/4)

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No.	Question	Answer
1-2	What kind of synergy effects are expected as a result of the Business Integration?	<ul style="list-style-type: none"> • The Company and Alps Electric will move to a holding company structure. The holding company will have a group strategy function, under which the Companies will work on full-scale cooperation, such as strengthening of their ability as a group to propose solutions to and conduct sales vis-a-vis their customers, development of employees through personnel exchanges across businesses, such as engineers and sales personnel, and use of Alps Electric's fund-raising capability, network and <i>monozukuri</i> capability. The Companies believe that, coupled with such measures as further promotion of the sharing of intellectual property, licenses, knowhow and other similar assets, promotion of mutual use of production bases, streamlining of back-office departments through infrastructure sharing, cooperation with suppliers through joint procurement of parts, strengthening of the procurement capacity, and reinforcement of global operations, the above measures can maximize the synergy effects on business of not only the Company but also the entire Alps Electric group. • Of the above synergy effects, as described in the Results Briefing of the First Six Months of the Fiscal Year Ending March 31, 2018, dated October 30, 2017, the Company expects that cost synergies of 4 billion yen or more will be generated in or after the fiscal year ending March 2020, the year in which the Business Integration takes effect, through streamlining procurement functions (e.g. joint procurement.) The business integration preparation committee is continuing to discuss and examine other synergy effects while complying with the competition laws of the relevant countries.
1-3	What are the reasons for selecting a share exchange and company split method for the Business Integration with Alps Electric through reorganization into a holding company?	<ul style="list-style-type: none"> • We also examined other business integration methods, but we judged that the combination of a share exchange and a company split is the best method after taking into account various factors such as that: (i) the share exchange and company split method permits providing to the Company's minority shareholders the opportunity to receive the benefit of increased corporate value which comes from the generation of synergy effects of the Business Integration set forth in Q1-2; (ii) the share exchange and company split method has a great benefit to the Company's minority shareholders in that they are not taxed as of the effectuation of the Share Exchange; and (iii) the liquidity will be sufficiently secured because the shares of common stock of Alps Electric, which are the consideration of the Share Exchange, are listed on the First Section of the Tokyo Stock Exchange, and shares of ALPS HD CO., LTD. will remain listed even after the Share Exchange.

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1. Objective of the Business Integration (4/4)

No.	Question	Answer
1-4	Why was the Business Integration agreed to at this timing?	<ul style="list-style-type: none">As set forth in Q1-1, with rapid changes of technologies in recent years due to the increased electrification of automobiles and the rapid progress of technologies such as autonomous driving and connected cars, it is clear that the automobile industry will undergo drastic changes in the coming decade. With the understanding that in such a changing environment, the role required of the Company is also changing and the overall strength will be more important in the future, the Companies share a sense of crisis that they cannot put off any longer the Business Integration for strengthening the group's overall strength in achieving further expansion of businesses of the Company. Accordingly, the Companies decided to conduct the Business Integration at this timing.
1-5	Why does it take over a year from the execution of the Share Exchange Agreement until the effective date of the Share Exchange?	<ul style="list-style-type: none">In implementing the Share Exchange, in order to comply with the U.S. Securities Act, it is necessary for the Companies to prepare financial statements in accordance with International Financial Reporting Standards and to have them audited. In addition, it is necessary for Alps Electric to file a registration statement on Form F-4 with the U.S. Securities and Exchange Commission. The effective date of the Share Exchange was set while taking into account the time period needed to complete these measures. Moreover, the Company determined that it would be desirable to execute the Share Exchange Agreement at the time of the announcement of the Business Integration because it considered that speculative media reports that could arise after the announcement of the Business Integration as well as speculative trading triggered by such media reports could cause violent fluctuations of the Companies' share prices, possibly giving rise to an unexpected situation for the shareholders and other stakeholders of the Companies, if the Companies were to announce the Business Integration first and execute the Share Exchange Agreement setting forth the share exchange ratio and other terms at a later date.

2. Process Leading to the Decision on the Share Exchange (1/2)

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No.	Question	Answer
2-1	Please summarize the procedures that the Company followed in making the decision to conduct the Share Exchange.	<ul style="list-style-type: none"> The Company carefully determined the implementation of the Share Exchange, as well as the terms thereof, after taking the following measures. In order to ensure fairness of the Share Exchange, the Company received (i) a financial analysis report on the share exchange ratio and a fairness opinion from SMBC Nikko Securities, a third-party financial advisor that is independent from the Company or Alps Electric, and (ii) advice from TMI Associates, a legal advisor that is independent from the Company and Alps Electric, from a legal point of view regarding such matters as the procedures for the Share Exchange as well as the methods and process of decision-making of the board of directors. In addition, in order to avoid conflicts of interest between the controlling shareholder and the minority shareholders, (iii) the Company established a third-party committee (as defined in page 8 of this material as the "Third-party Committee") consisting of one of the outside director of the Company, who is also an Audit and Supervisory Committee member, as well as certain external experts with no interests in the Company or Alps Electric, and obtained a written report from such Third-party Committee stating that the resolution by the board of directors of the Company to approve the Share Exchange was not disadvantageous to the minority shareholders of the Company; and (iv) the resolution of the Share Exchange was unanimously approved by all directors excluding the directors who have conflicts of interest or potential conflicts of interest with Alps Electric concerning the Share Exchange. ※ For the assumptions and disclaimers pertaining to the analysis of the share exchange ratio and the fairness opinion provided by SMBC Nikko Securities, please see the exhibit.
2-2	Please provide information on the history of the Companies' negotiation on the share exchange ratio.	<ul style="list-style-type: none"> The Company and Alps Electric each independently examined the policy and the content of the negotiation of the share exchange ratio. They also conducted multiple rounds of substantive discussions and negotiations with each other through their financial advisors, which acted as contact points. In addition, in important stages of the negotiations, the Company had an opportunity to meet with Alps Electric in the presence of the financial advisors of the Companies and directly proposed raising the share exchange ratio. Through such a negotiation process, the Companies reached an agreement on the share exchange ratio. In addition, the Company reported the negotiation progress to the Third-party Committee whenever necessary, and in important stages of the negotiations, the Company negotiated with Alps Electric, taking into account the preferences and views of the Third-party Committee.

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2. Process Leading to the Decision on the Share Exchange (2/2)

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No.	Question	Answer
2-3	Please provide information on the circumstances of the discussions at the meetings of the board of directors of the Company when the Share Exchange was resolved to be conducted.	<ul style="list-style-type: none">At the meeting of the board of directors of the Company, the Share Exchange was unanimously approved by all directors excluding the directors who have conflicts of interest or potential conflicts of interest with Alps Electric with respect to the Share Exchange, after considering various factors such as the significance, objective and method of the Business Integration, fairness of the share exchange ratio, synergies from the Business Integration and the impact on the minority shareholders of the Companies.
2-4	Was the resolution of the Company's shareholders meeting approving the relocation of the head office proposed assuming that the Business Integration would proceed?	<ul style="list-style-type: none">The relocation of the head office of the Company was a part of its domestic reorganization efforts involving the integration and abolition of domestic subsidiaries in April 2017, and determined after consideration which started from around September 2016, completely irrelevant to the Business Integration and prior to receiving a proposal concerning the Business Integration from Alps Electric. Moreover, the relocation of the head office is aimed at enhancing the development capabilities in new business areas through promotion of open innovation, and improving marketing capabilities through integration and consolidation of the relevant functions. Furthermore, since the former head office in Shinagawa-ku would become overcrowded as a result of enhanced functions in the Tokyo metropolitan area, we integrated the offices previously located in Shinagawa-ku and Ota-ku into the new head office in Ota-ku with a view to optimizing costs, accelerating communication between and among different divisions, and improving business efficiency.
2-5	How will the Company respond if the Company receives any counterproposal competing against the Business Integration from a third party?	<ul style="list-style-type: none">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.

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3. The Third-party Committee (1/2)

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No.	Question	Answer
3-1	Please provide information on the competency and independence of the Third-party Committee members.	<ul style="list-style-type: none">• The competency and independency of the Third-party Committee members are as follows.<ul style="list-style-type: none">– Mr. Hideo Kojima:<ul style="list-style-type: none">▪ Mr. Hideo Kojima has long been engaged in auditing practice as a certified public accountant and has sufficient finance and accounting expertise. In addition, he has been serving as an outside director of the Company and understands in depth the businesses of the Company. The Company therefore judged that he is competent as a Third-party Committee member, believing that he will be able to help the Third-party Committee discuss matters in a more multifaceted way.▪ Moreover, Mr. Kojima's independence has been ensured as he satisfies the independent director/auditor requirement set forth by the Tokyo Stock Exchange as well as the criteria for independence of outside directors prescribed by the Company.– Mr. Toshikazu Nakazawa:<ul style="list-style-type: none">▪ He is qualified as a certified public accountant, having many years of considerable experience in M&A practice through serving as a partner of the M&A advisory division of major auditing firms and their affiliates, and has sufficient expertise in areas such as share valuation and financial due diligence. The Company therefore judged that he is competent as a Third-party Committee member.▪ Moreover, Mr. Nakazawa's independence has been ensured because he has never had any interest in the Company or Alps Electric from the past to the present.– Mr. Shunsuke Teragaki:<ul style="list-style-type: none">▪ Mr. Shunsuke Teragaki has various practical experience in practicing as attorney-at-law, including M&A transactions, and experience as serving as a member in third-party committees that provide impartial advice from the perspective of protecting minority shareholders in the transactions between a company and its controlling shareholder, in the same manner as in this Share Exchange. The Company therefore judged that he is competent as a Third-party Committee member.▪ Moreover, Mr. Teragaki's independence has been ensured because he has never had any interest in the Company or Alps Electric from the past to the present.

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3. The Third-party Committee (2/2)

No.	Question	Answer
3-2	Please tell us the activities of the Third-party Committee.	<ul style="list-style-type: none"> The Third-party Committee held a total of seven meetings between March 31, 2017 and July 26, 2017. In addition to those meetings, the Third-party Committee collected sufficient information by, for instance, having direct interview sessions with the Alps Electric management and, thereafter, carefully deliberated in such manner as having discussions among the Third-party Committee members whenever necessary. Moreover, in the course of negotiations between the Company and Alps Electric, the Third-party Committee has been involved in the negotiations between the Company and Alps Electric such as by receiving reports from the Company whenever necessary to gain an understanding of the negotiation process, and by informing the Company of the Third-party Committee's preference and views in important negotiation phases.
3-3	Please describe the content of the inquiry to the Third-party Committee and the report submitted by the Third-party Committee.	<ul style="list-style-type: none"> In essence, the Third-party Committee submitted a written report (<i>toshinsho</i>) in response to the inquiry from the board of directors of the Company as follows: <ol style="list-style-type: none"> the Share Exchange would contribute to the improvement of the corporate value of the Company and confirmed that the purpose of the Share Exchange was reasonable; the fairness of the terms and conditions of the Share Exchange has been ensured; in the Share Exchange, attention has been paid to the interests of the minority shareholders of the Company in the Share Exchange through procedures that were fair; and the resolution of the board of directors of the Company for the Share Exchange was not disadvantageous to the minority shareholders of the Company. <p>For details, please see the July 27, 2017 press release.</p>
3-4	How did the Third-party Committee evaluate the analysis of the share exchange ratio conducted by SMBC Nikko Securities?	<ul style="list-style-type: none"> The Third-party Committee asked sufficient questions to and received answers from the Company regarding the business plans and financial forecasts of each of the Companies prepared by itself, which were used as a basis for the analysis of the share exchange ratio by SMBC Nikko Securities. The Third-party Committee also examined the content of the analysis in light of the results of analysis by legal, accounting and tax experts retained by the Company. In addition, with respect to the analysis of the share exchange ratio, the Third-party Committee requested from SMBC Nikko Securities sufficient explanation on analysis methodologies used by SMBC Nikko Securities and assumptions regarding the analysis, and asked sufficient questions to and received answers from SMBC Nikko Securities regarding the explanation provided by SMBC Nikko Securities. In addition to the examination in such manner, after comprehensively taking into account not only the content of the analysis of the share exchange ratio by SMBC Nikko Securities but also whether SMBC Nikko Securities is independent and has no conflict of interest, the Third-party Committee submitted a written report (<i>toshinsho</i>) to the Company, expressly stating that the Third-party Committee considers that such matters regarding the analysis of the share exchange ratio by SMBC Nikko Securities as described above "did not have factitious elements and there is nothing unreasonable in terms of their being used in the analysis of the share exchange ratio."

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4. Regarding the Third-party Financial Advisor

No.	Question	Answer
4-1	Please explain the independence of SMBC Nikko Securities, the third-party financial advisor to the Company.	<ul style="list-style-type: none"> • SMBC Nikko Securities, the third-party financial advisor to the Company, is independent from, and not a related party of, either the Company or Alps Electric and has no material relationship to be noted in connection with the Share Exchange. • Under the Financial Exchange and Instruments Act and other related laws and ordinances, financial instruments business operators must establish a system concerning the management of conflicts of interest or take other necessary measures to ensure that the interests of a customer would not be unjustly impaired by the transactions conducted by the financial instruments business operators or their affiliates. In addition, financial instruments business operators are subject to the duty to be honest and fair and the duty of care of a prudent manager. The Company has confirmed with SMBC Nikko Securities that (1) SMBC Nikko Securities has established such systems or otherwise taken necessary measures with its group companies, and, (2) in becoming the third-party financial advisor in connection with the Business Integration, SMBC Nikko Securities provides services to the Company in an honest and fair manner, only after having ensured that SMBC Nikko Securities is independent and has no conflict of interest by following the procedures mentioned in (1).
4-2	Please explain the methods of analyzing the share exchange ratio used by SMBC Nikko Securities.	<ul style="list-style-type: none"> • The methods of analyzing the share exchange ratio used by SMBC Nikko Securities is as follows. <ul style="list-style-type: none"> – SMBC Nikko Securities conducted (a) a market share price analysis because the shares of the Company and Alps Electric are listed on a financial instruments exchange and market prices are available for their shares, (b) a comparable company analysis because there are multiple listed companies that conduct relatively similar businesses as the Companies and analogical inference of the equity values of the Companies is possible through the comparison to such comparable companies, and (c) a DCF Analysis in order to analyze the Companies' intrinsic values based on their future business activities. ※ For the assumptions and disclaimers pertaining to the analysis of the share exchange ratio and the fairness opinion provided by SMBC Nikko Securities, please see the exhibit.
4-3	Has the Company obtained a fairness opinion?	<ul style="list-style-type: none"> • The Company obtained from SMBC Nikko Securities a fairness opinion dated July 26, 2017 to the effect that the share exchange ratio for the Share Exchange is fair to the Company's minority shareholders, excluding the Company's controlling shareholder and other persons, from a financial point of view as of such date. ※ For the assumptions and disclaimers pertaining to the analysis of the share exchange ratio and the fairness opinion provided by SMBC Nikko Securities, please see the exhibit.

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5. Regarding the Comparable Company Analysis by the Third-party Financial Advisor (1/3)

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No.	Question	Answer									
5-1	Please explain the criteria for selecting comparable listed companies of the Company and Alps Electric that were used in the comparable company analysis.	<ul style="list-style-type: none"> The criteria for selecting comparable listed companies used in the comparable company analysis by SMBC Nikko Securities are as follows. <table border="1"> <thead> <tr> <th>Criteria for selection</th><th>The comparable listed companies of the Company</th><th>The comparable listed companies of Alps Electric</th></tr> </thead> <tbody> <tr> <td>① Similarities in businesses</td><td> <ul style="list-style-type: none"> In order to ensure objectivity, companies that belong to the "Car Navigation System" industry were selected using SPEEDA, which is a corporate finance database operated by UZABASE, Inc. Among such selected companies, companies whose manufacturing and sales of car navigation products account for the majority of their main businesses were selected, while also taking into account the Company's company size, similarities in the major purchasers of its products as well as business characteristics. In addition to the above, the reasonableness and comprehensiveness of the companies selected as the above were examined by consulting materials such as those relating to the industry. </td><td> <ul style="list-style-type: none"> In order to ensure objectivity, companies that belong to "Capacitors," "Switches/Connectors," "Electric motors," "Fine Chemicals" or "Automotive Electronic Components" were selected using SPEEDA, which is a corporate finance database operated by UZABASE, Inc. Among such selected companies, comparable companies were selected while also taking into account Alps Electric's company size, similarities in the major purchasers of its products as well as business characteristics. In addition to the above, the reasonableness and comprehensiveness of the companies selected as the above were examined by consulting materials such as those relating to the industry. </td></tr> <tr> <td>② Whether there are any special circumstances such as the existence of abnormalities in share price formation</td><td> <ul style="list-style-type: none"> The listed companies selected according to the standards set out in ① were examined for whether they have any circumstances, such as a corporate reorganization, that differed from share price formation in a normal environment. The days traded ratio and floating turnover ratio were also checked. </td><td> <ul style="list-style-type: none"> The listed companies selected according to the standards set out in ① were examined for whether they have any circumstances, such as a corporate reorganization, that differed from share price formation in a normal environment. The days traded ratio and floating turnover ratio were also checked. </td></tr> </tbody> </table>	Criteria for selection	The comparable listed companies of the Company	The comparable listed companies of Alps Electric	① Similarities in businesses	<ul style="list-style-type: none"> In order to ensure objectivity, companies that belong to the "Car Navigation System" industry were selected using SPEEDA, which is a corporate finance database operated by UZABASE, Inc. Among such selected companies, companies whose manufacturing and sales of car navigation products account for the majority of their main businesses were selected, while also taking into account the Company's company size, similarities in the major purchasers of its products as well as business characteristics. In addition to the above, the reasonableness and comprehensiveness of the companies selected as the above were examined by consulting materials such as those relating to the industry. 	<ul style="list-style-type: none"> In order to ensure objectivity, companies that belong to "Capacitors," "Switches/Connectors," "Electric motors," "Fine Chemicals" or "Automotive Electronic Components" were selected using SPEEDA, which is a corporate finance database operated by UZABASE, Inc. Among such selected companies, comparable companies were selected while also taking into account Alps Electric's company size, similarities in the major purchasers of its products as well as business characteristics. In addition to the above, the reasonableness and comprehensiveness of the companies selected as the above were examined by consulting materials such as those relating to the industry. 	② Whether there are any special circumstances such as the existence of abnormalities in share price formation	<ul style="list-style-type: none"> The listed companies selected according to the standards set out in ① were examined for whether they have any circumstances, such as a corporate reorganization, that differed from share price formation in a normal environment. 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Criteria for selection	The comparable listed companies of the Company	The comparable listed companies of Alps Electric									
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※ For the assumptions and disclaimers pertaining to the analysis of the share exchange ratio and the fairness opinion provided by SMBC Nikko Securities, please see the exhibit.

Following companies were selected as the comparable listed companies that may be considered to have similarities with the Company.

- Clarion Co., Ltd.
- Pioneer Corporation
- JVC KENWOOD Corporation

Following companies were selected as the comparable listed companies that may be considered to have similarities with Alps Electric.

- Murata Manufacturing Co., Ltd.
- Nitto Denko Corporation
- TDK Corporation
- MinebeaMitsumi Inc.
- Taiyo Yuden Co., Ltd.
- Japan Aviation Electronics Industry, Limited

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6. Regarding the DCF Analysis by the Third-party Financial Advisor (1/4)

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No.	Question	Answer
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- 6-1 What are the assumptions used in the DCF analysis?
- SMBC Nikko Securities performed the DCF analysis based on the following assumptions. Based on the results of the above analysis, the range of the share exchange ratio was analyzed to be between 0.50 and 0.85.

	Company	Alps Electric
Concept of analysis	<ul style="list-style-type: none"> The enterprise value of the Company was analyzed by discounting the future free cash flow based on the financial forecasts prepared by the Company at a certain discount rate. 	<ul style="list-style-type: none"> The enterprise value of Alps Electric was analyzed by discounting the future free cash flow based on the financial forecasts prepared by Alps Electric at a certain discount rate.
Financial forecasts	<ul style="list-style-type: none"> The financial forecasts of the Company contemplate a significant increase in profit for the period ending March 2019. Such increase is expected to be primarily because net sales are expected to increase due to the number of orders for car navigation and automotive display products, primarily from automobile manufacturers, being expected to progress at a steady price, and also the profit margin being expected to further improve primarily because of increased efficiency in development investments. Due to these factors, the operating income for the period ending March 2019 is expected to exceed that for the period ending March 2018 by approximately 38.5%. Also, the financial forecasts of the Company anticipate a significant increase in profit for the period ending March 2020. Such increase is expected to be primarily because net sales are expected to increase due to the number of orders for car navigation products, primarily from automobile manufacturers, being expected to progress at a steady price, and also the profit margin is expected to improve, primarily because of cost reductions. Due to these factors, the operating income for the period ending March 2020 is expected to exceed that for the period ending March 2019 by approximately 33.3%. Such financial forecasts of the Company do not assume the consummation of the Share Exchange. 	<ul style="list-style-type: none"> The financial forecasts of Alps Electric used as a basis for its DCF analysis do not contemplate any significant increase or decrease in profit. Such financial forecasts of the Company do not assume the consummation of the Share Exchange.

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6. Regarding the DCF Analysis by the Third-party Financial Advisor (2/4)

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No.	Question	Answer																
6-1	What are the assumptions used in the DCF analysis?	<table><tr><th></th><th>Company</th><th>Alps Electric</th></tr><tr><td>Analysis of the terminal values</td><td><ul style="list-style-type: none">The perpetual growth method and the multiple method</td><td><ul style="list-style-type: none">The perpetual growth method and the multiple method</td></tr><tr><td>Discount rates</td><td><ul style="list-style-type: none">Between 7.71% and 8.71%</td><td><ul style="list-style-type: none">Between 8.30% and 9.30%</td></tr><tr><td>Perpetual growth rates</td><td><ul style="list-style-type: none">0%</td><td><ul style="list-style-type: none">0%</td></tr><tr><td>EV/EBITDA Multiples in the multiple method</td><td><ul style="list-style-type: none">Between 3.6 and 4.6</td><td><ul style="list-style-type: none">Between 6.4 and 7.4</td></tr></table>			Company	Alps Electric	Analysis of the terminal values	<ul style="list-style-type: none">The perpetual growth method and the multiple method	<ul style="list-style-type: none">The perpetual growth method and the multiple method	Discount rates	<ul style="list-style-type: none">Between 7.71% and 8.71%	<ul style="list-style-type: none">Between 8.30% and 9.30%	Perpetual growth rates	<ul style="list-style-type: none">0%	<ul style="list-style-type: none">0%	EV/EBITDA Multiples in the multiple method	<ul style="list-style-type: none">Between 3.6 and 4.6	<ul style="list-style-type: none">Between 6.4 and 7.4
	Company	Alps Electric																
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※ For the assumptions and disclaimers pertaining to the analysis of the share exchange ratio and the fairness opinion provided by SMBC Nikko Securities, please see the exhibit.

6. Regarding the DCF Analysis by the Third-party Financial Advisor (3/4)

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No.	Question	Answer
6-2	In using the perpetual growth method in the DCF analysis, why was the perpetual growth rate of the Companies assumed to be 0%?	<ul style="list-style-type: none"> • SMBC Nikko Securities assumed both of the perpetual growth rates of the Company and Alps Electric to be 0% in light of the factors such as the respective business phases and business environment of the Companies. SMBC Nikko Securities has provided the following explanation regarding the perpetual growth rate. <ul style="list-style-type: none"> – For perpetual growth rates in DCF analysis, according to corporate finance theory, it is necessary that perpetual growth rates of the perpetually expected free cash flow for the period after the period of a business plan are used. Accordingly, SMBC Nikko Securities did not simply refer to the short-term growth rate of items such as sales that is expected in the periods of the respective business plans of the Company or Alps Electric. <p>※ For the assumptions and disclaimers pertaining to the analysis of the share exchange ratio and the fairness opinion provided by SMBC Nikko Securities, please see the exhibit.</p>
6-3	How were cash and deposits as well as investment securities held by the Company or Alps Electric taken into consideration?	<ul style="list-style-type: none"> • For the purpose of analyzing the respective equity values of the Company and Alps Electric as part of the process of analysis of the share exchange ratio by SMBC Nikko Securities, the treatment of cash and deposits as well as non-operating assets held by the Company or Alps Electric were appropriately taken into consideration as follows, with certain variations in the manner of such treatment depending on the method of analysis. <ol style="list-style-type: none"> ① Average market share price analysis <ul style="list-style-type: none"> – The market share price is determined by comprehensively taking into account various factors, including business environment, performance trends and dividends. The Company believes that it is reasonable to assume that such factors include investors' recognition of the level of cash and deposits as well as non-operating assets held by the Company or Alps Electric. ② Comparable company analysis <ul style="list-style-type: none"> – In calculating the EV/EBITDA multiple, in order to make the assumptions of the analysis consistent for both the Company and Alps Electric, the numbers provided on the balance sheet were consistently used and, accordingly, the entire amount of cash and deposits held by the Company or Alps Electric and the intergroup deposit were taken into consideration. ③ DCF analysis <ul style="list-style-type: none"> – In the DCF analysis, cash and deposits held by the Company or Alps Electric were categorized as either necessary operating cash or all other cash and deposits. In the process of analysis, cash and deposits other than necessary operating cash and intergroup deposit are added to the values on which the analysis is based. Moreover, key investment securities, including investments in affiliates, were treated as non-operating assets, and were appropriately reflected in the analysis after taking tax effects into consideration.

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6. Regarding the DCF Analysis by the Third-party Financial Advisor (4/4)

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No.	Question	Answer
6-3	How were cash and deposits as well as investment securities held by the Company or Alps Electric taken into consideration?	<ul style="list-style-type: none">• Although the Company has cash and deposits of ¥53.3 billion (net cash of ¥55.4 billion, including the intergroup deposit) as of March 31, 2017, as described below, it is not the case that the entirety of such amount is the so-called “excess funds.” Rather, a significant amount must be kept at hand as necessary operating cash.• In the Company, the collection of accounts receivable peaks at the end of each month, while the payment of accounts payable peaks around the 20th day of each month. Accordingly, the amount of cash and deposits normally tends to peak at month-end. In addition, the Company needs to secure a certain level of cash and deposits to pay dividends and taxes. Based on past experience, the Company considers that the amount of necessary operating cash is approximately ¥30 billion in light of the current sales volume.• Moreover, in order for the Company and its major affiliates to be able to borrow funds without delay when their operating cash for the month falls short, a short-term credit facility may be created at a financial institution from which a loan can be obtained whenever necessary. The amount of necessary operating cash indicated above is an estimate, taking into account a case in which such short-term loan is extended. <p>※ For the assumptions and disclaimers pertaining to the analysis of the share exchange ratio and the fairness opinion provided by SMBC Nikko Securities, please see the exhibit.</p>

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7. Fairness of the Share Exchange Ratio of the Share Exchange (1/3)

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No.	Question	Answer
7-1	What are the Company's views on the share exchange ratio of the Share Exchange?	<ul style="list-style-type: none"> The Company conducted measures to ensure fairness as mentioned in Q2-1 as a premise for decision-making concerning the Share Exchange. In addition, in the process of the negotiations regarding the share exchange ratio, while referring to the financial analysis report from SMBC Nikko Securities that conducted analyses through various methods such as average market share price analysis, comparable company analysis and DCF analysis and taking into account factors such as the financial conditions, performance trends, trends of the share price and other factors of both Companies, the Company carefully proceeded with the consideration of the share exchange ratio and conducted negotiations and discussions with Alps Electric multiple times. The Company believes that the share exchange ratio, which was agreed on by the Companies through the above-described processes, is fair because it exceeds the respective upper limits of the ranges analyzed by the market share price analysis and comparable company analysis by SMBC Nikko Securities, while being close to the median value of the range obtained by the DCF analysis and because the Company received a fairness opinion from SMBC Nikko Securities concerning the share exchange ratio of the Share Exchange. As described in Q7-3, the Company believes that the premium offered based on the share exchange ratio of the Share Exchange ranks considerably high in comparison with the level of premiums offered in other companies' business combinations that are similar to this Share Exchange. <p>※ For the assumptions and disclaimers pertaining to the analysis of the share exchange ratio and the fairness opinion provided by SMBC Nikko Securities, please see the exhibit.</p>
7-2	Why is it that the share exchange ratio analyzed by each method presented by SMBC Nikko Securities is not the same as that of Nomura Securities'?	<ul style="list-style-type: none"> SMBC has provided the following explanation. <ul style="list-style-type: none"> Policies concerning the methods used for and the detailed underlying logic relating to analyses of equity value may be different at each third-party financial advisor. Therefore, it is common that the results of the analyses differ if two or more third-party financial advisors analyze the value of the same company as the subject of their analysis.

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7. Fairness of the Share Exchange Ratio of the Share Exchange (2/3)

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No.	Question	Answer																									
7-3	What is the level of the premium offered with respect to the share exchange ratio in the Share Exchange?	<ul style="list-style-type: none">The premiums calculated based on the closing prices of the Companies on the day immediately prior to date of the announcement of the Business Integration (July 26, 2017,) and the average closing prices of the Companies during the one-month, three-month, and six-month periods ending on the day immediately prior to the date of the announcement are as follows. <table><tr><th></th><th>Alps Electric share price</th><th>Company share price</th><th>Theoretical share price of the Company* 1</th><th>Premium</th></tr><tr><td>Closing prices on the day immediately prior to the date of the announcement</td><td>3,190 yen</td><td>1,708 yen</td><td>2,169.2 yen</td><td>27.0%</td></tr><tr><td>Average share price of the last one months</td><td>3,212.4 yen</td><td>1,692.5 yen</td><td>2,184.4 yen</td><td>29.1%</td></tr><tr><td>Average share price of the last three months</td><td>3,180.8 yen</td><td>1,623.9 yen</td><td>2,162.9 yen</td><td>33.2%</td></tr><tr><td>Average share price of the last six months</td><td>3,201.5 yen</td><td>1,626.8 yen</td><td>2,177.0 yen</td><td>33.8%</td></tr></table>		Alps Electric share price	Company share price	Theoretical share price of the Company* 1	Premium	Closing prices on the day immediately prior to the date of the announcement	3,190 yen	1,708 yen	2,169.2 yen	27.0%	Average share price of the last one months	3,212.4 yen	1,692.5 yen	2,184.4 yen	29.1%	Average share price of the last three months	3,180.8 yen	1,623.9 yen	2,162.9 yen	33.2%	Average share price of the last six months	3,201.5 yen	1,626.8 yen	2,177.0 yen	33.8%
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Average share price of the last six months	3,201.5 yen	1,626.8 yen	2,177.0 yen	33.8%																							

*1 : Theoretical share price of the company = Alps Electric share price x the share exchange ratio of the Share Exchange (0.68)

- The Company believes that the above premium ranks considerably high in comparison with the level of premiums offered in other companies' cases that are similar to the Share Exchange. Specifically, set forth below are, according to the research conducted by SMBC Nikko Securities, the average and median of the premiums based on the one-month periods ending on the day immediately prior to the dates of announcement in the 15 cases, as described in the following page titled "(Reference) Cases of listed subsidiary companies made into wholly owned subsidiaries through a share exchange", of other companies*2 making their listed subsidiaries wholly owned subsidiaries through share exchanges that were announced between July 1, 2015 and the day immediately prior to the date of the announcement (July 26, 2017.) The Company believes that, by comparing the below values and the premium provided in the Share Exchange, it can be understood that a high premium was achieved in the Share Exchange as compared to the cases of other companies in the last two years.

	Number of cases	Average value of the premiums	Median of the premiums
Similar cases of other companies	15	12.4%	13.2%

*2 : 18 cases where the capital contribution ratio by the parent company prior to the share exchange was 40% or more were selected (of these, a total of three cases, of which two cases that employed a two-step structure involving a tender offer and a share exchange, and one case where the objective was to bail out a company, were excluded.)

(Reference) Cases of listed subsidiary companies made into wholly owned subsidiaries through a share exchange

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Announce Date	Parent Companies	Subsidiary Companies
October 30, 2015	Hitachi Zosen Corporation	OHNAMI Corporation
November 30, 2015	The Japan Steel Works, LTD.	MEIKI CO.,LTD.
November 30, 2015	IZUMI Co.,Ltd.	Super Daiei Corporation
January 29, 2016	Murata Manufacturing Co., Ltd.	TOKO INC.
January 29, 2016	TOYOTA MOTOR CORPORATION	DAIHATSU MOTOR CO., LTD.
February 10, 2016	ODAWARA ENGINEERING CO.,LTD.	ROYAL ELECTRIC CO.,LTD.
August 3, 2016	OPTEX CO., LTD.	OPTEX FA CO.,LTD.
August 4, 2016	Nippon Flour Mills Co., Ltd.	Tofuku Flour Mills Co., Ltd.
September 14, 2016	Mitsubishi Chemical Corporation	Nippon Kasei Chemical Company Limited
December 20, 2016	Panasonic Corporation	Panasonic Industrial Devices SUNX Co., Ltd.
February 7, 2017	The Nisshin OilliO Group, Ltd.	Settsu Oil Mill, Inc.
March 28, 2017	Faith, Inc.	NIPPON COLUMBIA CO.,LTD.
April 12, 2017	Yamada Denki Co., Ltd.	BEST DENKI Co., Ltd.
May 11, 2017	DTS CORPORATION	DATALINKS CORPORATION
May 15, 2017	Nisshinbo Holdings Inc.	Japan Radio Co., Ltd.

Note : 15 cases have been selected based on the similarity with this Share Exchange. (For the information regarding such selection, please see Q&A No. 7-3.)

Source : Compiled by SMBC Nikko Securities Inc. based on information provided on the press releases of such selected companies.

7. Fairness of the Share Exchange Ratio of the Share Exchange (3/3)

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No.	Question	Answer
7-4	Is the share exchange ratio of the Share Exchange fair? Are the synergy effects taken into account?	<ul style="list-style-type: none"> The Company believes the share exchange ratio of the Share Exchange is fair because (a) the premium offered based on the share exchange ratio of the Share Exchange ranks considerably high in comparison with the level of premiums offered in other companies' business combinations that are similar to this Share Exchange, (b) the Company obtained a fairness opinion from SMBC Nikko Securities to the effect that the share exchange ratio for the Share Exchange is fair to the Company from a financial point of view, and (c) it was decided to be a share exchange in which the consideration of the Share Exchange will be Alps Electric shares, such that the current minority shareholders of the Company will be in the position to receive the distribution of the synergies created by the Business Integration as the shareholders of ALPS HD CO., LTD., even after the Share Exchange and the company split of Alps Electric. <p>※ For the assumptions and disclaimers pertaining to the analysis of the share exchange ratio and the fairness opinion provided by SMBC Nikko Securities, please see the exhibit.</p>
7-5	Is there any possibility that the share exchange ratio or the method for the Business Integration will be changed?	<ul style="list-style-type: none"> The Company does not plan to request Alps Electric that the share exchange ratio be amended or the method for conducting the Business Integration be changed because (a) the Company believes that the share exchange ratio of the Share Exchange was agreed between the Company and Alps Electric through negotiations between them based upon fair procedures, and (b) the Company considers that it is in the best interest of the Company's minority shareholders to conduct the Business Integration by means of the Share Exchange and company split.
7-6	Will the upward revisions of full-year forecasts of the Company and Alps Electric for the business year ending March 2018 have any impact on the share exchange ratio of the Share Exchange? Is it not necessary to amend the share exchange ratio of the Share Exchange given the upward revisions?	<ul style="list-style-type: none"> With regard to the Company's upward revision of the full-year forecast ending March 2018 as disclosed in "Notice of Differences between Earnings Forecasts and Actual Financial Results for First Six Months of Fiscal Year Ending March 31, 2018, and Revisions to Full-Year Earnings Forecasts" issued on October 30, 2017, the Company considers that such upward revision has only an extremely limited impact on the financial forecasts that were the basis of the analysis of the share exchange ratio by SMBC Nikko Securities. Therefore, the Company considers that there is no need to reconsider the share exchange ratio. With regard to Alps Electric's upward revision of the full-year forecast ending March 2018 as disclosed in "Official Announcement Regarding Differences between Financial Results Forecasts and Actual Results for the First Half of the Fiscal Year Ending March 31, 2018, and Revisions to Financial Results Forecasts for the Fiscal Year Ending March 31, 2018" issued on October 30, 2017, the Company considers that such upward revision has only an extremely limited impact on the financial forecasts that were the basis of the analysis of the share exchange ratio by SMBC Nikko Securities. Therefore, the Company considers that there is no need to reconsider the share exchange ratio.

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One of the parties to the Business Integration, Alps Electric Co., Ltd. ("Alps Electric"), may file a registration statement on Form F-4 ("Form F-4") with the U.S. Securities and Exchange Commission (the "SEC") in connection with the possible share exchange with Alpine Electronics, Inc. ("the Company" and, together with Alps Electric, the "Companies"). The Form F-4 (if filed) will contain a prospectus and other documents. If a Form F-4 is filed and declared effective, the prospectus contained in the Form F-4 will be mailed to U.S. shareholders of the Company prior to the shareholders' meeting at which the share exchange will be voted upon. The Form F-4 and prospectus (if a Form F-4 is filed) will contain important information about Alps Electric, the Company, the share exchange and related matters. U.S. shareholders of the Company are urged to read the Form F-4, the prospectus and other documents that may be filed with the SEC in connection with the share exchange carefully before they make any decision at the shareholders' meeting with respect to the share exchange. Any documents filed with the SEC in connection with the share exchange will be made available when filed, free of charge, on the SEC's website at www.sec.gov. In addition, upon request, the documents will be mailed to shareholders for free of charge. To make a request, please refer to the following contact information.

Company name: Alps Electric Co., Ltd.
Address: 1-7, Yukigaya-otsukamachi, Ota-ku,
Tokyo, Japan
Department in charge: Junji Kobayashi,
Senior Manager, Corporate Planning Office
Telephone: +81-3-5499-8026 (IR Direct)

Company name: Alpine Electronics, Inc.
Address: 1-7, Yukigaya-otsukamachi, Ota-ku,
Tokyo, Japan
Department in charge: Shinji Yamazaki,
Senior Manager, Finance and Public Relations
Department
Telephone: +81-3-5499-4391 (IR Direct)

Forward-Looking Statements

This document includes “forward-looking statements” that reflect the plans and expectations of the Company in relation to, and the benefits resulting from, their Business Integration described above. To the extent that statements in this document do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Company in light of the information currently available to them, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the actual results, performance, achievements or financial position of one or both of the Companies (or the integrated group) to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements.

The Company undertakes no obligation to publicly update any forward-looking statements after the date of this document. Investors are advised to consult any further disclosures by the Companies (or the integrated group) in their subsequent domestic filings in Japan and filings with the U.S. Securities and Exchange Commission.

The risks, uncertainties and other factors referred to above include, but are not limited to:

- (1) economic and business conditions in and outside Japan;
- (2) changes in demand for and material prices of automobiles, smart phones and consumer electrical equipment and machines, which are the main markets of the Companies’ products, and changes in exchange rates;
- (3) changes in the competitive landscape, including the changes in the competition environment and the relationship with major customers;
- (4) further intensified competition in the electronic components business, automotive infotainment business and logistics business;
- (5) increased instability of the supply system of certain important components;
- (6) change in the product strategies or other similar matters, cancellation of a large-quantity order, or bankruptcy, of the major customers;
- (7) costs and expenses, as well as adverse impact to the group’s reputation, resulting from any product defects;
- (8) suspension of licenses provided by other companies of material intellectual property rights;
- (9) changes in interest rates on loans and other indebtedness of the Companies, as well as changes in financial markets;
- (10) adverse impact to liquidity due to acceleration of indebtedness;
- (11) changes in the value of assets (including pension assets) such as securities and investment securities;
- (12) changes in laws and regulations (including environmental regulations) relating to the Companies’ business activities;
- (13) increases in tariffs, imposition of import controls and other developments in the Companies’ main overseas markets;
- (14) unfavorable political factors, terrorism, war and other social disorder;
- (15) interruptions in or restrictions on business activities due to natural disasters, accidents and other causes;
- (16) environmental pollution countermeasures costs;
- (17) violation of laws or regulations, or the filing of a lawsuit;
- (18) the Companies being unable to complete the Business Integration due to reasons such as the Companies are not able to implement the necessary procedures including approval of the agreement with regard to the Business Integration by the shareholders’ meetings of the Companies, and any other reasons;
- (19) delays in the review process by the relevant competition law authorities or the clearance of the relevant competition law authorities’ or other necessary approvals’ being unable to be obtained; and
- (20) inability or difficulty of realizing synergies or added values by the Business Integration by the integrated group.

(Note) The Company and other certain third parties reserve all copyright and other intellectual property rights with respect to this press release and the Q&A. It is prohibited to adapt, reproduce, or otherwise use this press release or the Q&A without the Company’s or the other certain third parties’ approval, unless such use is permitted under applicable laws. Violators of this prohibition may be subject to criminal or civil prosecution.

This document has been translated from the Japanese-language original for reference purpose only. While this English translation is believed to be generally accurate, if there is any inconsistency between the English translation and the Japanese documentation, the Japanese documentation will prevail.

Exhibit: Assumptions and disclaimers, etc. of SMBC Nikko's Analyses and Fairness Opinion (1/3)

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The full text of the opinion of SMBC Nikko dated July 26, 2017 (the “SMBC Nikko Fairness Opinion”) will be attached as an appendix to the prospectus included in Alps Electric Co., Ltd.’s Form F-4 registration statement expected to be filed with the U.S. Securities and Exchange Commission. The SMBC Nikko Fairness Opinion is addressed to the board of directors of Alpine Electronics, Inc., and the summary of the SMBC Nikko Fairness Opinion included in this presentation is qualified in its entirety by reference to the full text of such opinion. You are urged to read the opinion in its entirety when it becomes publicly available. In addition, the summary of the analyses underlying the SMBC Nikko Fairness Opinion is necessarily incomplete and could create a misleading view of SMBC Nikko’s analyses. SMBC Nikko cautions against undue reliance on the summary of such analyses.

In giving consent to the use of the SMBC Nikko Fairness Opinion and the analyses underlying such opinion for the purpose of this presentation, we do not hereby admit that we are “experts” within the meaning of the term “experts” as used in the U.S. Securities Act of 1933.

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Exhibit: Assumptions and disclaimers, etc. of SMBC Nikko's Analyses and Fairness Opinion (2/3)

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In preparing its analysis regarding the Share Exchange Ratio set forth in the Share Exchange Agreement (the "SMBC Nikko Analysis") and its opinion, dated as of the date thereof, on the fairness of the Share Exchange Ratio from the financial viewpoint to the holders of shares of common stock of Alpine other than the Controlling Shareholder and Others (the "SMBC Nikko Fairness Opinion"), SMBC Nikko has relied upon and assumed the accuracy and completeness of all information that SMBC Nikko took into account in the consideration or was provided to SMBC Nikko or was discussed with Alpine or Alps Electric or was publicly available or otherwise reviewed by or for SMBC Nikko. SMBC Nikko has not independently verified nor has SMBC Nikko assumed responsibility or liability for independently verifying any such information or its accuracy or completeness and have assumed that the management of each of Alpine and Alps Electric is unaware of any fact or circumstance that would make such information inaccurate or misleading.

The foregoing summary is not a complete description of all analyses performed and factors considered by SMBC Nikko in connection with the SMBC Nikko Analysis and the SMBC Nikko Fairness Opinion. The preparation of a financial opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. SMBC Nikko believes that its analyses, a portion of which are summarized above, must be considered as a whole and that selecting portions of its analyses or focusing on information presented in tabular format could create an incomplete view of the processes underlying SMBC Nikko's analyses and opinion. In conducting the SMBC Nikko Analysis and arriving at the SMBC Nikko Fairness Opinion, SMBC Nikko did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion, but rather arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole.

In conducting the SMBC Nikko Analysis and arriving at the SMBC Nikko Fairness Opinion, SMBC Nikko has not conducted any independent assessment, appraisal, valuation or research (including environmental research for properties; same shall apply hereunder) concerning the assets or liabilities of Alpine, Alps Electric, and affiliates of either of them (including derivative products, off-BS assets and liabilities, and other contingent liabilities), let alone analysis and assessment of each asset item or each liability item, and SMBC Nikko has never conducted independent verifications to see whether each one of the items does really exist or not; also SMBC Nikko has not received any reports of appraisal, valuation, research, or verification regarding real existence for each of the items. Nor has SMBC Nikko conducted any credit evaluation for Alpine or Alps Electric under the applicable laws and regulations, concerning such points as bankruptcy, insolvency or the like. As to the financial projections and other forecast information of Alpine and Alps Electric that SMBC Nikko was provided, SMBC Nikko took them as is as the basis of its outlook, assuming that they were reasonably prepared or provided by Alpine and Alps Electric as per the best estimation and judgment of respective management, and that the financial condition of Alpine and Alps Electric each would undergo a transition just in accordance with the said projections and forecast. SMBC Nikko has relied on the projections and related materials, without having conducted any independent research to verify them, in conducting the SMBC Nikko Analysis and arriving at the SMBC Nikko Fairness Opinion. SMBC Nikko notes that SMBC Nikko does not guarantee that the said financial projections are feasible, or that the actual results should be close to the projections. It is reasonably expected that the shares of common stock of Alpine would be delisted in accordance with the Listing Rules of TSE after the completion of the Share Exchange, but SMBC Nikko notes that SMBC Nikko did not take into account whether shares of common stock of Alps Electric might be delisted or not, and also that SMBC Nikko did not take into account whether there would be any impact from such delisting on Alpine and Alpine's shareholders as well as the degree of impact if any, in conducting the SMBC Nikko Analysis and arriving at the SMBC Nikko Fairness Opinion. Also, in conducting the SMBC Nikko Analysis and arriving at the SMBC Nikko Fairness Opinion, SMBC Nikko has assumed that all material information of Alpine and Alps Electric has been adequately disclosed, that all material information of Alpine and Alps Electric has adequately been reflected in the market price of respective share, and that there is no more material information yet to be announced or disclosed that could adversely affect the market price of Alpine or Alps Electric share.

SMBC Nikko is not a legal, accounting or tax expert and has not conducted any independent consideration and analysis concerning the legality and validity of the Share Exchange as well as concerning the adequacy in handling tax or accounting in conducting the SMBC Nikko Analysis and arriving at the SMBC Nikko Fairness Opinion, so SMBC Nikko has assumed that the Share Exchange will be consummated properly and effectively in accordance with all adequate procedures in terms of legal, accounting and tax. Also, SMBC Nikko notes that SMBC Nikko did not take into account the impact from the Share Exchange on Alpine and other transaction counterparties in terms of tax.

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Exhibit: Assumptions and disclaimers, etc. of SMBC Nikko's Analyses and Fairness Opinion (3/3)

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SMBC Nikko has also assumed that (i) all governmental, regulatory or other permits and consents (contractual or otherwise) necessary to consummate the Share Exchange will be received during a period and under the terms that would never negatively affect the business and the expected profitability of Alpine and Alps Electric, (ii) the Share Exchange is a tax-free share exchange in compliance with the Japanese corporation tax law, and (iii) the Share Exchange will be consummated all in accordance with the terms and conditions set forth in the Agreement, without any waiver, amendment or change concerning all material conditions and agreements set forth in the Agreement and the detail of rights and obligations related to the target business (more specifically rights and obligations regarding the related assets, liabilities, contracts, employees, etc.) as presented by Alpine and Alps Electric. SMBC Nikko was not obligated to, so has not conducted any independent research concerning the above assumed points. SMBC Nikko also has assumed that the final executed Agreement will not differ in any material respect from the draft Agreement reviewed by SMBC Nikko.

The SMBC Nikko Analysis and the SMBC Nikko Fairness Opinion are based on the financial and capital markets, economic and other conditions as of the date thereof (except as otherwise stated in the SMBC Nikko Analysis), and SMBC Nikko relies on the information made available to SMBC Nikko or SMBC Nikko managed to obtain by the date thereof. Although the SMBC Nikko Analysis and the SMBC Nikko Fairness Opinion might be affected by future changes in conditions, SMBC Nikko does not assume any obligation to revise, change, or supplement them. Also, the SMBC Nikko Analysis and the SMBC Nikko Fairness Opinion do not include inference or suggestion of SMBC Nikko's future opinion after the date thereof.

SMBC Nikko has prepared and is submitting the SMBC Nikko Analysis and the SMBC Nikko Fairness Opinion herewith in response to Engle's request. As a financial advisor to Alpine concerning the Share Exchange, SMBC Nikko has received, and will receive fees from Alpine for its services (the substantial part of such fees is contingent on the consummation of the Share Exchange). Alpine has agreed to reimburse SMBC Nikko's expenses and indemnify SMBC Nikko against certain liabilities arising out of its engagement. SMBC Nikko and its affiliates in the past have traded and may actively trade or possibly would trade for or with Alpine, Alps Electric, or affiliates of either of them, for investment banking business, securities/financial instruments-related business, and commercial banking business, and have received or in the future might receive fees for such services. Also, in the ordinary course of businesses, SMBC Nikko may trade the securities and various other financial instruments including derivatives of Alpine, Alps Electric, or affiliates of either of them, for own account or for customer accounts from time to time, and could own certain position relating to them. In the two year period prior to the date of the SMBC Nikko Analysis and the SMBC Nikko Fairness Opinion, SMBC Nikko and its affiliates have provided certain investment banking business, securities/financial instruments-related business, and commercial banking business to Alpine, Alps Electric, and affiliates of either of them unrelated to the Share Exchange, for which SMBC Nikko and its affiliates received compensation.

The SMBC Nikko Fairness Opinion does not express SMBC Nikko's comment on the value and the market price level of the common stock of Alpine or Alps Electric before or after the consummation of the Share Exchange. SMBC Nikko is not requested to express its opinion on the facts and/or assumptions, including the financial forecasts of Alpine and Alps Electric, that constitute the foundation to determine the Share Exchange Ratio; also SMBC Nikko is not requested to express its opinion on Alpine's corporate decision itself to pursue or implement the Share Exchange (including its merits and demerits as compared with other business strategic alternatives or other types of deal scheme), any terms or other aspects of the Share Exchange (other than the Share Exchange Ratio to the extent expressly specified herein), including the effectiveness of the proposed structure of the Share Exchange as well as on whether there is/are any better structure option(s) in terms of effectiveness, and on the merits and demerits of comparable structure options if any, so SMBC Nikko does not express its opinion on such points. Also, SMBC Nikko is not requested to analyze any transactions other than the Share Exchange or relative value of such transactions, or SMBC Nikko is not requested to consider how fair the Share Exchange or the proposed Share Exchange Ratio would be to the holders of securities other than shares of common stock of Alpine as well as for the creditors and other interested parties of any party. Hence, SMBC Nikko has not covered these aspects in the SMBC Nikko Fairness Opinion. In addition, no opinion or view is expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the Share Exchange, or class of such persons, relative to the Share Exchange Ratio. Furthermore, SMBC Nikko is not obligated by Alpine or by Alpine's board of directors to solicit indications of interest or proposals from third parties in relation to the Share Exchange and SMBC Nikko has not taken any such action. Also, SMBC Nikko is not requested to express its opinion on any specifics of the documents and methods relating to the Share Exchange, other than on the Share Exchange Ratio as specifically covered in the SMBC Nikko Fairness Opinion, so SMBC Nikko has not included any opinion on such points.

SMBC Nikko expresses no opinion or recommendation as to how the holders of common stock of Alpine should vote or take any action in connection with the Share Exchange; also the SMBC Nikko Fairness Opinion is not to make any solicitation or recommendation to Alpine's shareholders or other interested parties as to sale or purchase of Alpine's shares or other matters related to them.

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