

# Change to the Transaction Structure for the Business Integration and Name of the Holding Company

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February 27, 2018



## 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

### Alpine

- 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

# Group's Growth Strategies

Disclosed  
July 27, 2017

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 Alpine's development capability and system design capability.
- Alpine 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 Alpine'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 Alpine's BtoC service business

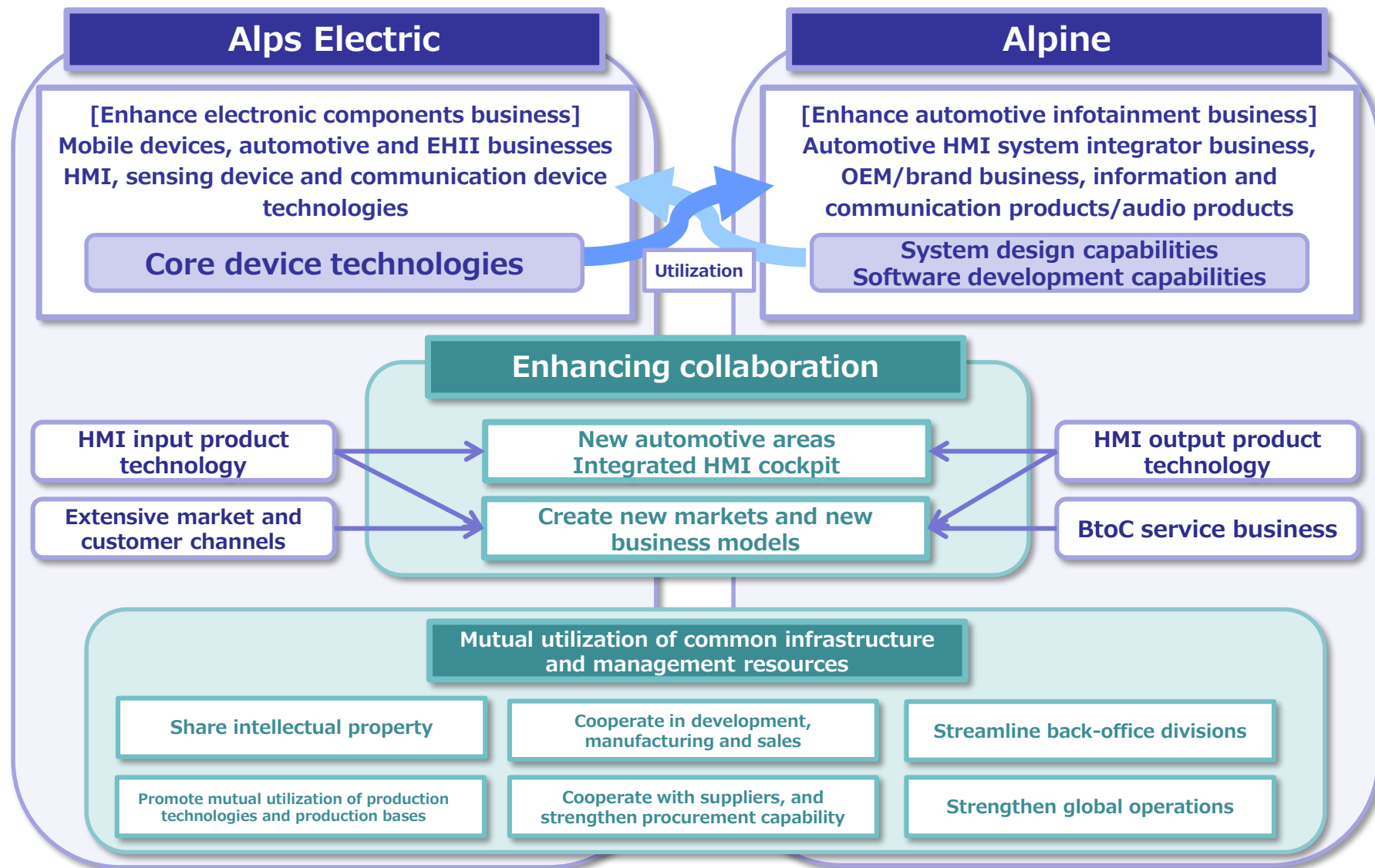
## Share infrastructure and management resources

- 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

# Effect of Business Integration

Disclosed  
July 27, 2017

Group's growth strategy: Transform itself into a sustainable value creating corporate group to become a corporate group with net sales of one trillion yen

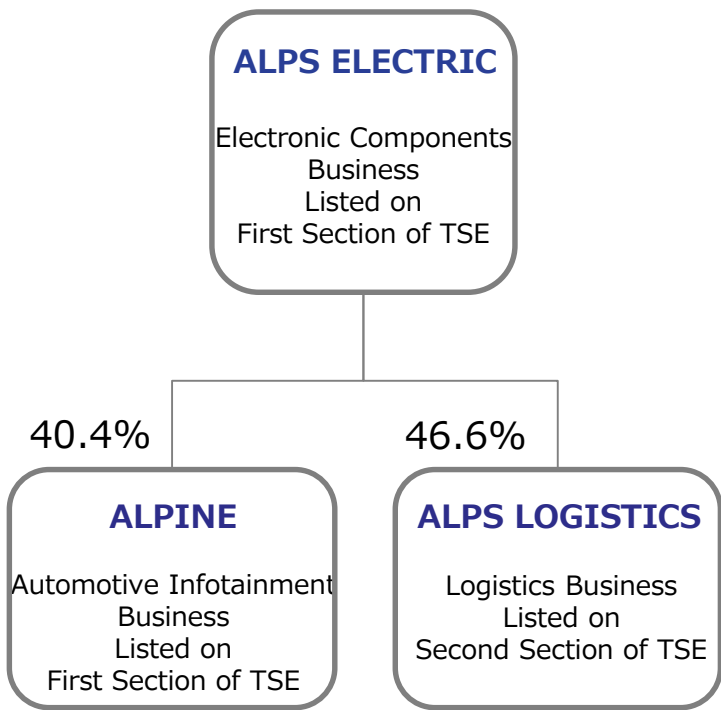


# Overview of Previous Group Management Structure

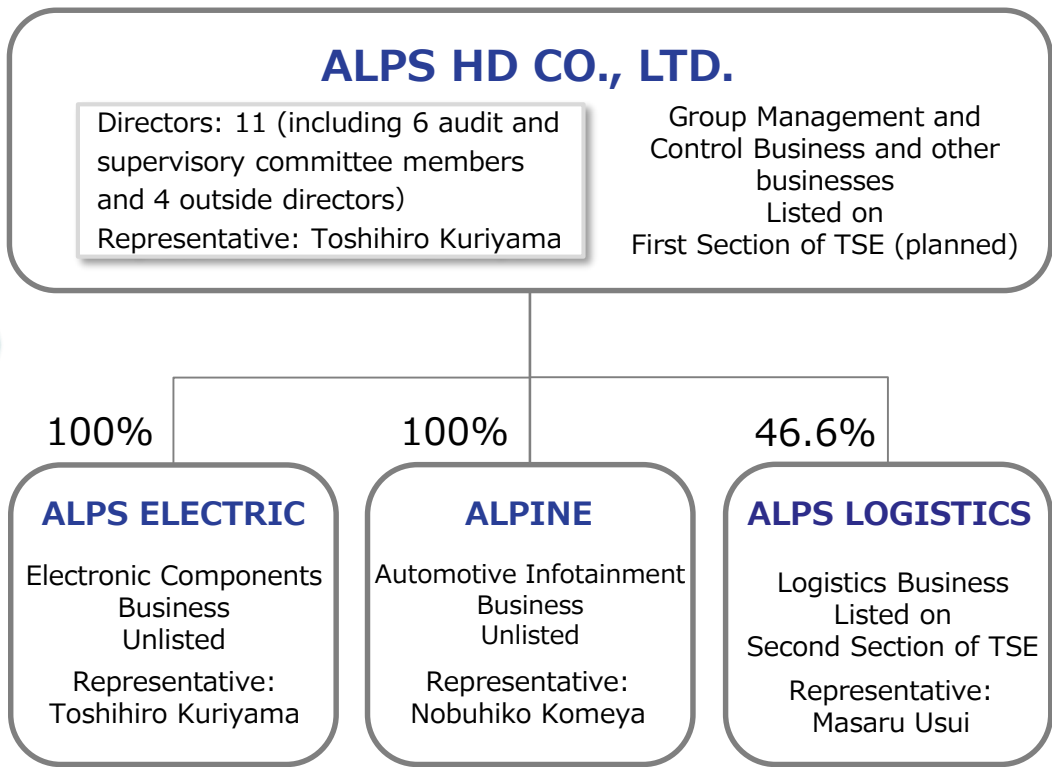
Disclosed  
July 27, 2017

Share Exchange between Alps Electric and Alpine (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)



# Background to the Change of the Transaction Structure and the Company Name

## Growth strategy of the group (concept of the transaction structure)

①Strengthen the businesses and autonomy of each of Alps Electric Co., Ltd. ("Alps Electric") and Alpine Electronics, Inc. ("Alpine" and, together with Alps Electric, the "Companies")

②Enhance collaboration (the automotive business and new business areas) ③Share management resources

**Considered strategy for sustained growth at the business integration preparation committee (held seven meetings) after July 27, 2017 announcement of the business integration**

- The business plan of the holding company after the business integration
- Best group structure
- The timing for when the business integration synergies are to be realized and the methods for such realization

**Confirmed stronger expectations for the new integrated company through the conversations with automotive OEM customers after July 27, 2017 announcement of the business integration**

**Decided to change the post-integration organizational structure to realize steadily the purpose of the business integration**

**Announced on July 27, 2017**

**ALPS HD CO., LTD.**  
As of April 1, 2019

Holding company  
Two operating subsidiaries  
(corporation)

Customer expectation  
integrated HMI system supplier

Steady realization of the  
targeted synergy

Strengthening of the integrated  
business strategy function

Utilization of the brand power of  
the Companies

**Announced on February 27, 2018**

**ALPS ALPINE CO., LTD.**  
As of January 1, 2019

Operating holding company  
Two in-house companies  
(internal organization)  
Common function  
(consolidation of divisions)

# Outline of the New Group Management Structure

Reorganization into an operating holding company structure

Adoption of in-house company system

Separation of management supervision and business execution

Company name change to increase the sense of unity through the integration of the Companies' strengths and brand power

Acceleration of the date of reorganization into the new management structure (April 1, 2019→January 1, 2019)

As of February 27, 2018

January 1, 2019 (scheduled)



40.4%

46.6%

**ALPINE ELECTRONICS, INC.**

Automotive infotainment business  
Listed on TSE 1st Section

**ALPS LOGISTICS CO., LTD.**

Logistics business  
Listed on TSE 2nd Section

Supervision of management

Business execution

## ALPS ALPINE CO., LTD.

Directors:11  
(6 audit and supervisory committee members, of whom 4 are outside directors)  
Representative : Toshihiro Kuriyama

Including group management and administration  
Listing on TSE 1st Section (scheduled)

Integrated corporate officer committee  
Drafting and promoting business integration strategy

**Alps Company**  
(Electronic components business)

Business execution corporate officer committee

Corporate officer, Head of Alps Company:  
Toshihiro Kuriyama

**Alpine Company**  
(Automotive infotainment business)

Business execution corporate officer committee

Corporate officer, Head of Alpine Company:  
Nobuhiko Komeya

**Common functional departments**

Planning departments  
Administration departments

**ALPINE ELECTRONICS, INC.**

Representative:  
Nobuhiko Komeya  
Automotive infotainment business  
Non-listed

**ALPS LOGISTICS CO., LTD.**

Representative:  
Masaru Usui  
Logistics business  
Listed on TSE 2nd Section

# Schedule of the Reorganization into a Holding Company Structure

The Share Exchange is scheduled to be resolved at the Alpine extraordinary general meeting of shareholders mid-December 2018 and take effect on January 1, 2019

Reorganization into a Holding Company Structure and change of the company name to “ALPS ALPINE CO., LTD.” are scheduled on January 1, 2019

July 27, 2017	Meeting of board of directors relating to approval of the execution of the share exchange agreement, the establishment of the company split preparation company and the execution of the memorandum of understanding on the absorption-type company split (Alps Electric)
	Meeting of the board of directors relating to approval of the execution of the share exchange agreement (Alpine)
	Execution of the share exchange agreement (Alps Electric and Alpine)
	Establishment of the company split preparation company (Company split preparation company)
	Meeting of board of directors relating to approval of the execution of the memorandum of understanding on the absorption-type company split (Company split preparation company)
	Execution of the memorandum of understanding on the absorption-type company split (Alps Electric and Company split preparation company)
February 27, 2018	Meeting of the board of directors relating to approval of the execution of the memorandum of understanding concerning the amendment to the share exchange agreement and cancellation of the absorption-type company split (Alps Electric)
	Decision by the directors relating to the cancellation of the absorption-type company split (Company split preparation company)
	Meeting of the board of directors relating to approval of the execution of the memorandum of understanding concerning the amendment to the share exchange agreement (Alpine)
	Execution of the memorandum of understanding concerning the amendment to the share exchange agreement (Alps Electric and Alpine)
Late June 2018 (scheduled)	The 85th ordinary general meeting of shareholders, at which the company name change and the partial amendments to the Articles of Incorporation are to be approved (Alps Electric)
Mid-December 2018 (scheduled)	Extraordinary general meeting of shareholders relating to approval of the share exchange agreement (Alpine)
December 25, 2018 (scheduled)	Last trading date (Alpine)
December 26, 2018 (scheduled)	Delisting (Alpine)
January 1, 2019 (scheduled)	Effective date of the share exchange (Alps Electric and Alpine)
	Change of the company name (Alps Electric)
	Reorganization into a holding company structure (Alps Electric and Alpine)

The above schedule is the plan at present. It may be changed in the course of carrying out the procedures described above due to such reasons as the filings made with the Japan Fair Trade Commission and other Japanese or foreign authorities, or the obtainment of permissions and approvals. In addition, Alps Electric and Alpine may change the above schedule after consulting with each other due to the need to do so in carrying out the procedures described above or other reasons.



# Contacts for inquiries regarding the Business Integration

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. 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 Alpine 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 the Companies, the Share Exchange and related matters. U.S. shareholders of Alpine 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](http://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  
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 Alps Electric and Alpine 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 Companies 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 Companies undertake 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 a 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.