

Business Integration Involving Reorganization into Holding Company Structure

July 27, 2017



Background of the Business Integration

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

Objectives of the Business Integration

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

Group's Growth Strategies

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

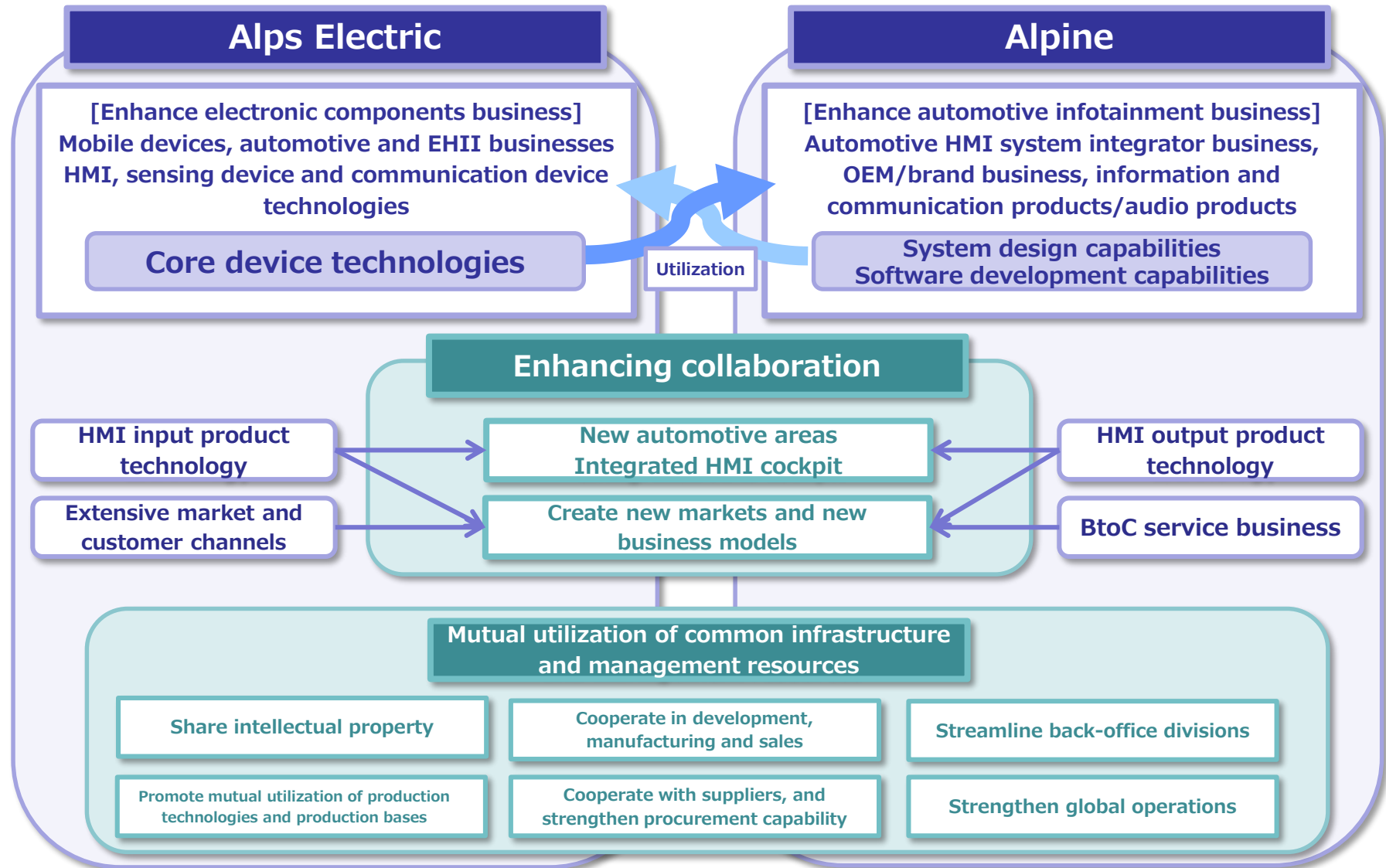
- Develop integrated HMI cockpit systems and various products by combining Alps Electric's HMI input products and Alpine's HMI output products
- Promote alliance and business creation in new business areas such as EHII, autonomous driving, EV and sharing
- Create new business models by utilizing Alps 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

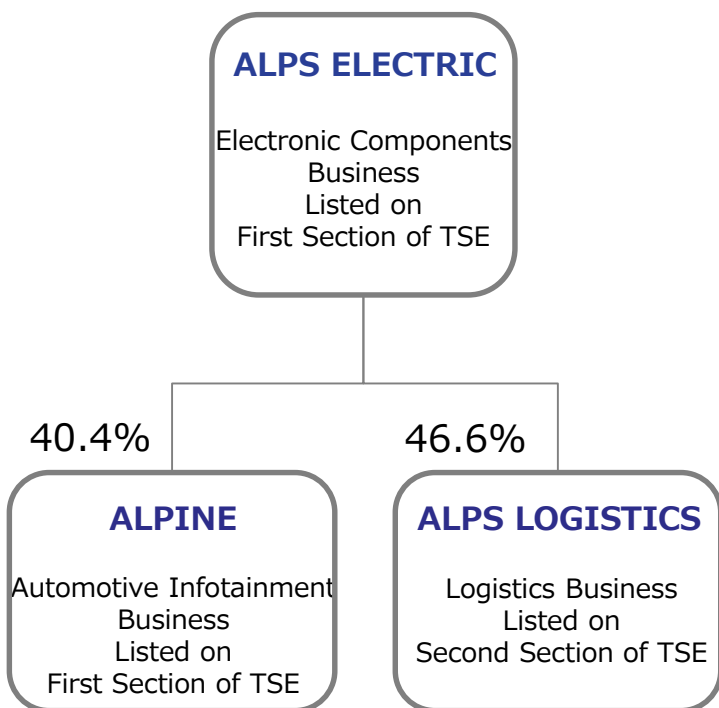
Group's growth strategy: Transform itself into a sustainable value creating corporate group to become a corporate group with net sales of one trillion yen



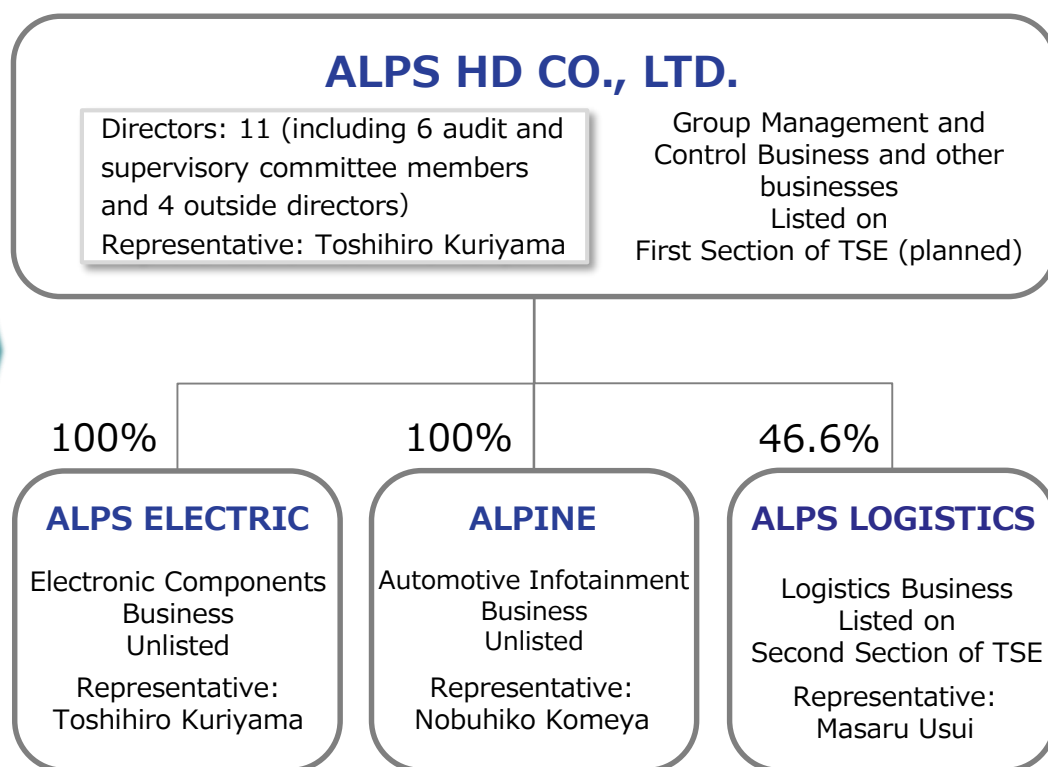
Overview of New Group Management Structure

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)



Schedule of the Reorganization into a Holding Company Structure

The Share Exchange is scheduled to take effect on January 1, 2019
(resolution of the extraordinary general meeting of Alpine shareholders scheduled in mid-December 2018)
The Absorption-type Company Split is scheduled to take effect on April 1, 2019
(resolution of the ordinary general meeting of Alps Electric shareholders scheduled in late June 2018)

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)
July 27, 2017 (scheduled)	Establishment of the Company Split Preparation Company (Company Split Preparation Company)
	Execution of the Memorandum of Understanding on the Absorption-type Company Split (Alps Electric and Company Split Preparation Company)
Late December 2017 (scheduled)	Meeting of the Board of Directors relating to approval of the execution of the Absorption-type Company Split Agreement (Alps Electric)
	Execution of the Absorption-type Company Split Agreement (Alps Electric and Company Split Preparation Company)
Late June 2018 (scheduled)	The 85th ordinary general meeting of shareholders relating to approval of the Absorption-type Company Split Agreement and the Amendments to the Articles of Incorporation (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)
April 1, 2019 (scheduled)	Effective date of the Absorption-type Company Split (Alps Electric and Company Split Preparation Company)
April 1, 2019 (scheduled)	Change of the company names (Alps Electric and Company Split Preparation Company)

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. 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: 1-1-8, Nishi-Gotanda,
Shinagawa-ku, Tokyo, Japan
(Scheduled to relocate to 1-7, Yukigaya-otsukamachi, Ota-ku, Tokyo on August 18, 2017)
Department in charge: Shinji Yamazaki,
Senior Manager, Finance and Public Affairs
Department
Telephone: +81-3-3494-1179 (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 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.