1st Mid-Term Business Plan (“MTP”)
「Innovative T-shaped Company “ITC101”」
(Mid-term business plan for the three-year period from FY2019 to FY2021, excluding Logistics and other)

Friday, April 26, 2019
ALPS ALPINE CO., LTD.
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**ITC101: Innovative T-shaped Company with 10% operating income margin and 1 trillion yen sales**  
(Innovative T-shaped Company, mid- and long-term goal: 10% operating income margin, 1 trillion yen sales on consolidated basis)
1. Business environment

Increase cost competitiveness against commonization of existing business. See major changes such as CASE, EHI and IoT as a chance, and create new business.

**<Threat> Commonization**
Automotive businesses, smartphone businesses, etc. Expanding business volume is becoming difficult

**Profit increase of existing business**
Lean operations by management innovation
Development of cost synergy

**<Opportunity> Waves of major change such as CASE, EHI and IoT**
Social structure change: Urbanization and depopulation, aging and global warming
Technological innovation: AI, 5G, Evolution of smartphones into information HUB
Change of values: Sharing, service consumption

**Creation of new business (high value added business)**
Mutual use of strengths through business synergy
Accelerating commercialization and sales expansion

CASE: Connected, Autonomous, Shared&Service and Electric
EHI: Energy, Healthcare, Industry

Lean operation: Elimination of wastes and useless things
2. Mid-term business plan – Our goal

Innovative T-shaped Company : ITC101

Evolution from Component Supplier to Functional Device Partner
Evolution into Mobility Life Creator with In-house Core Devices

ITC101: Innovative T-shaped Company with 10% operating income margin and 1 trillion yen sales
(Innovative T-shaped Company, mid- and long-term goal: 10% operating income margin, 1 trillion yen sales on consolidated basis)
### 2. Mid-term business plan

#### Milestones of management innovation

**1st MTP**: Management innovation/lean operation of existing business, reduce fixed cost
- New business Shikomi, accelerate commercialization

**2nd MTP**: Increase net sales from new business

<table>
<thead>
<tr>
<th>Annual net sales from new business</th>
<th>150 bil. yen</th>
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<tbody>
<tr>
<td>ITC101</td>
<td>10% consolidated operating income margin</td>
</tr>
<tr>
<td></td>
<td>Consolidated net sales 1 trillion yen</td>
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<table>
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<tr>
<th>Synergy arising from business integration (FY2019~2021)</th>
<th>Cost reduction TTL 20 bil. yen</th>
</tr>
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<tr>
<td>Synergy creation by business integration</td>
<td>Management innovation for driving One ALPS ALPINE</td>
</tr>
<tr>
<td>Reorganize domestic business/Reorganize overseas business</td>
<td>Lean operation of existing business → Resource shift</td>
</tr>
<tr>
<td>Acceleration of Shikomi and commercialization for new business</td>
<td></td>
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<table>
<thead>
<tr>
<th>1st MTP</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
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<tr>
<td>Milestones</td>
<td>Management innovation/lean operation of existing business, reduce fixed cost</td>
<td>New business Shikomi, accelerate commercialization</td>
<td>Increase net sales from new business</td>
</tr>
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Lean operation: Elimination of wastes and useless things
Shikomi: Business proposal and certain activities to win orders
3. Synergy arising from business integration
Cost reduction (Profit increase)

1st MTP: Promote cost reduction through cost synergy from business integration

Cost synergy from business integration

- Procurement cost reduction through centralized purchasing
- Labor cost reduction in the manufacturing process (use of robot and AI)
- Investment reduction through mutual use of resources (people and equipment) in the manufacturing process
- Reduce quality loss

- Cost reduction through reorganization
- Cost reduction through reorganization of IT systems and business infrastructures

1st MTP (FY2019-2021)
Target to reduce cost by TTL 20 bil. yen through cost synergy from business integration

2nd MTP (FY2022-2024)
Contribute by 1% operating income margin per year
3. Synergy arising from business integration

**Business portfolio and strategy**

Existing business $\rightarrow$ Lean operation of existing business, shift resource to new business
Growth investment in new business/selection and concentration $\rightarrow$ Accelerate commercialization

<table>
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<th>Market growth rate</th>
<th>Operating income margin</th>
</tr>
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<tbody>
<tr>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
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</table>

**CASE** / Premium HMI
EHI and IoT
Other new business

**Resource shift and fixed cost reduction**

**Investment for growth**
Selection and concentration

**Growth**
Cash Out: Hi, Cash In: Hi

**High**
CASE: Connected, Autonomous, Shared&Service and Electric
EHI: Energy, Healthcare, Industry

Lean operation: Elimination of wastes and useless things
3. Synergy arising from business integration
New business “CASE and Premium HMI”

Integrate HMI, Connectivity and Sensors with system design and software development
Develop products that integrate device and system, and accelerate commercialization

**Connected**
- Communication network module for 5G
- Cellular V2X module for in-car device-infrastructure
- TCU (Telematics control unit)
- Electric control unit for car entry access
- Car entry access
  1. Smartphone keyless entry system
  2. Remote parking system
  3. Digital key system for car sharing

**Autonomous**
- Steering monitoring system
- Short to middle distance high resolution mmW radar
- Tire sensing
- Passenger monitoring system
- E-Mirror/image integration system
- Battery management system

**Shared & Service**
- Contribution to car sharing service
- Current sensor

**Premium HMI**
- Integrated cockpit
- E-Mirror/image integration system

**Electric**
- Communication network module for 5G
- Current sensor

CASE: Connected, Autonomous, Shared & Service and Electric
Cellular V2X: V2X (Vehicle-to-Everything) communication technology using mobile communication network such as LTE and 5G. C-V2X.

HMI: Human Machine Interface
3. Synergy arising from business integration

New business “EHI and IoT”

Integrate HMI, Connectivity and Sensors with system design and software development

Become a solution provider in industrial machinery and infrastructure market

EHI and IoT

Failure prevention for transmission equipment

Failure prediction for plant equipment

Worker safety

Track location and monitor status of packages in real time

Error check for transmission line

Network

Physiological sensor

Power conversion module

Household storage battery

EHI: Energy, Healthcare, Industry
4. To achieve ITC101

1st MTP: 200 bil. yen new business Shikomi
2nd MTP: 150 bil. yen net sales

FY13-18: Combined sales of former Alps Electric and Alpine disclosed in the past by former Alps Electric
Shikomi: Business proposal and certain activities to win orders
4. To achieve ITC101

**1st MTP:** 200 bil. yen new business Shikomi  
**2nd MTP:** 150 bil. yen net sales

*NET SALES*  

- **FY13**  
  - 200 bil. yen new business Shikomi
  - FY24: FY18 to FY24: Disclosed in the past by former Alps Electric
- **FY14**  
  - Shikomi: Business proposal and certain activities to win orders

*New business Shikomi 200 bil. yen for the 2nd MTP*

*Electronic Components Segment*

*Automotive Infotainment Segment*

**FY13-18:** Disclosed in the past by former Alps Electric  
Shikomi: Business proposal and certain activities to win orders
4. To achieve ITC101

2nd MTP: 10% operating income margin
Increase in operating income margin through cost reduction for existing business and sales from new business

FY13-18: Calculated by combined operating income and sales of former Alps Electric and Alpine disclosed in the past by Alps Shikomi: Business proposal and certain activities to win orders.
5. Investments for future growth

R&D cost will increase, capital investment will be reduced, depreciation expenses will gradually decline

FY2016-2018: Combined amount of former Alps Electric and Alpine
6. To achieve ITC101 (Consolidated)

(Consolidated)

Consolidated net sales (bil. yen)

FY2018: 851.3

Consolidated operating income margin

FY2018: 5.8%

Sales matrix

Operating income share

Logistics and other: Logistics segment and management function subsidiaries
7. Capitalization policy and shareholder return policy

Shareholder return policy under integrated business *1

(1) Secure a sound financial base: Establish a sound financial base that enables it to maintain a domestic rating at “A”

(2) Investment in sustainable growth: Approximately TTL 200 bil. yen for three-year period from FY2019 to FY2021

(3) Capital efficiency improvements: Realize and maintain an ROE of no less than 10% for the period of the 1st MTP

To improve capital efficiency responding to dilution due to the business integration, buy back its own shares in the amount equivalent to 40 bil. yen

(1) Adopt the principle of securing a total payout ratio of 30% of the Company’s consolidated profit
(2) For the three-year period from FY2019 to FY2021, have a total payout ratio of 50%

### FY2018 Shareholder return

<table>
<thead>
<tr>
<th>Planned acquisition of own shares *2</th>
<th>Status of dividends and acquisition of own shares</th>
<th>FY2019 Shareholder return policy</th>
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<tr>
<td>◆Improve capital efficiency responding to dilution due to the business integration</td>
<td>◆Improve capital efficiency responding to dilution due to the business integration</td>
<td>Total payout ratio</td>
</tr>
<tr>
<td>◆Class of shares to be acquired: Common stock</td>
<td>◆Class of shares to be acquired: Common stock</td>
<td>50%</td>
</tr>
<tr>
<td>◆Total number of shares to be acquired: 20 million shares (maximum)</td>
<td>◆Total number of shares to be acquired: 20 million shares (maximum)</td>
<td>Annual dividends *4</td>
</tr>
<tr>
<td>◆The percentage compared to the total number of shares outstanding (excluding treasury shares): 9.14%</td>
<td>◆The percentage compared to the total number of shares outstanding (excluding treasury shares): 9.14%</td>
<td>40 yen/share</td>
</tr>
<tr>
<td>◆Aggregate amount of acquisition cost: 28.4 billion yen (maximum)*</td>
<td>◆Aggregate amount of acquisition cost: 28.4 billion yen (maximum)</td>
<td>Total number of shares to be acquired *4</td>
</tr>
<tr>
<td>◆Period of acquisition: From January 30, 2019 to June 28, 2019</td>
<td>◆Period of acquisition: From January 30, 2019 to June 28, 2019</td>
<td>5.5 mil. shares (maximum)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Aggregate amount of acquisition cost*3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10,240,700 shares</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Aggregate amount of acquisition cost*3</td>
</tr>
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<td></td>
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<td>23,342,335,135 yen</td>
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*1: Press release on November 26, 2018
*2: Press release on January 29, 2019
*3: as of April 25, 2019
*4: Press release on April 26, 2019

※Alpine received requests for share buybacks from certain shareholders of Alpine and paid approximately 11.6 billion yen to the shareholders. Therefore, such amount is deducted from 40.0 billion yen to be set as the upper limit of “Aggregate amount of acquisition cost” in the share buybacks.
The business results forecasts and future predictions included in these materials are based on the judgment of the Company at the time of preparation of the materials, and are inherently subject to risks and uncertainties. As a result, actual business results and outcomes may differ significantly due to a variety of factors.