

June 7, 2018

**Subject:** Opinion of the Audit Committee regarding to Connected Transaction for Product Development fee between Kang Yong Electric Public Company Limited and Mitsubishi Electric Corporation

**To:** The Board of Directors and Shareholders  
Kang Yong Electric Public Company Limited

Pursuant to the Annual General Meeting of Shareholders for fiscal year 2013 on July 25, 2013, the meeting made a resolution to approve the connected transaction for Product Development fee between Kang Yong Electric Public Company Limited and Mitsubishi Electric Corporation, the compensation is based on the actual cost, not exceeding 4% of sales revenue. The transaction period from April 1, 2014 to March 31, 2019.

The Company Proposed renewal of connected transaction for Product Development fee. The compensation is based on the actual cost. However, not exceeding 4% of the sales revenue by renewing. The contract in the period from April 1, 2014 to March 31, 2024.

This transaction is classified as supporting normal business transaction that does not carry general trading conditions and value of which is higher than 3% of net tangible assets. As such, the Company is obligated seek approval from the Board of Directors Meeting and Annual General Meeting of shareholders.

Audit Committee of Kang Yong Electric Public Company Limited consists of Mr. Chackchai Panichapat, Chairman of Audit Committee, Mr. Arthakrit Visudtibhan and Mr. Tanabodee Kusinkert, members of Audit Committee, provides opinions about this transaction as follows;

**1. Reasonableness of the connected transaction**

- 1.1 The development and product quality improvement are important role in home appliance business, which has been developed and changed continuously and improve the quality to meet the requirements or standards in the market, such as product safety standards, energy savings standard and environmental friendly. It shall rely on the development from MELCO, who owns technology and trademarks. This is a reasonable transaction.
- 1.2 The development of product quality and design is a cornerstone of efficiency and competitiveness, with current market conditions and maintaining the market share and image of the "Mitsubishi Electric" brand. Over the past few years, the Company has been successful

in selling various products. As a result of continuous product development. The Company is well-supported by MELCO and is ready to assist in improving efficiency and consistency.

- 1.3 The development of quality, trendy product design and advanced technology of new products. The market continues to meet demand. It is imperative to create competitive opportunities and expand the sales of new products to new markets. To increase the revenue of the company to ensure the stability of the business.

## **2. The Fairness of Price and Conditions of Transaction**

- 2.1 The proportion of the product development fee to the revenue from sales is reasonable when compared to the ratio of research and development per the revenue from sales in the same industry, Especially, electric home appliance business and the Company will also benefits from increase in revenues and maintain market share resulting from the launch of new products development
- 2.2 The Company is granted a right to manufacture and sales electric home appliances under “Mitsubishi Electric” trademark, by signing a technical assistance contract with MELCO with a five-year contract and renewing it for a five-year contract, MELCO will provide technical assistance, manufacturing technology and undertake development for new products. The Company shall pay development fee to contract parties regarding product development by the actual costs that consists of material materials, testing fee and engineering or technician staff cost. The renewal of this contract is to develop and improve the quality of products that are continuing the business of the company. This is a condition that is reasonable.

Therefore, the Audit Committee so agreed to the Company to proposed to the Board of Directors and the 2018 Annual General Meeting of Shareholders.

Please be informed accordingly.

Yours sincerely,



(Mr. Chackchai Panichapat)

Chairman of Audit Committee