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**Independent Financial Advisor's Opinion**

**On**

**the Connected Transaction of Receiving Technical Assistance  
from Mitsubishi Electric Corporation**

**To Shareholders of**



**Kang Yong Electric Public Company Limited**

**By**



**Silom Advisory Company Limited**

**22 June 2023**

Date 22 June 2023

To Shareholders of Kang Yong Electric Public Company Limited

Subject Independent Financial Advisor's Opinion on the Connected Transaction of Receiving Technical Assistance from Mitsubishi Electric Corporation

The Board of Directors' Meeting of Kang Yong Electric Public Company Limited ("KYE" or "the Company") Special Meeting No. 1/2023 held on 16 June 2023, has resolved to approve and propose to Annual General Meeting of Shareholders to approve the Receiving Technical Assistance from Mitsubishi Electric Corporation ("MELCO") which is connected person of the Company by directly holding 9,048,020 shares and through Setsuyo Astec Corporation holding 5,000 ordinary shares, total of 9,053,020 shares or 45.72% of the Company's total issued and paid-up ordinary shares. As a result, MELCO is major shareholder of the Company and considered as connected transaction.

Therefore, payment of Development fee to MELCO is considered a connected transaction as specified in the Notification of the Capital Market Supervisory Board No. TorChor 21/2551 and the Notification of the Stock Exchange of Thailand regarding the Disclosure and Actions of Listed Companies on Connected Transactions B.E. 2546 which is classified as type 2 connected transaction, which is a normal business support transaction without general trading conditions because Development fee between 1 April 2024 - 31 March 2029 are based on actual expenses incurred each year. Therefore, exact amount cannot be specified at the moment and royalty fee that the Company pays each year is considered as normal business transaction with fair conditions that do not cause transfer of benefits. Then, royalt fee are requested to approve in principle from the Board of Directors of the Company to be within approval authority of the management and not be taken into calculation of the Connected Transaction size for approval at the Company's shareholders meeting this time. The Company considers the proportion of Development fee with revenue from sales and services because development production is intended for distribution. Therefore, determine maximum value of Development fee from proportion of sales at 4% of the estimated revenue from sales and services according to the Company's estimates from 1 April 2024 to 31 March 2029, the highest value of approximately 1,921.00 million baht. The highest transaction size is equal to 24.40 percent of the Company's net tangible assets (NTA), which is equal to 7,871.92 million baht according to the Consolidated Financial Statements as of 31 March 2023. The Company has no other connected transactions with connected persons or related persons of such connected persons within past six months prior to special Board of Directors Meeting of the Company No. 1/2023, since value of transactions exceeds 20 million baht or 3% of the Company's net tangible assets, whichever is higher. The transaction is classified as large connected transaction. Therefore, the Connected Transaction must be approved by the shareholders' meeting with vote of not less than three-fourths of total number of shareholders attending the meeting and having the right to vote, excluding the shareholders with interest and has to disclose information of transaction and appoint an Independent Financial Advisor to provide opinions on the transaction which the Company will present to the shareholders' meeting for consideration and approval at the Annual General Meeting No. 1/2023 scheduled to be held on 26 July 2023

In this regard, the Company has appointed Silom Advisory Co., Ltd. ("IFA" or "the Advisor") as the Independent Financial Advisor to provide opinion on the Connected Transaction to shareholders of the Company as information for their consideration. However, the decision to vote for approval the transaction. It is at the discretion of the shareholders of the Company. The shareholders should study the information in various documents attached to invitation letter of the 2023 Annual General Meeting of Shareholders to be used for consideration and decision to vote appropriately.

In order to calculate the number in this report, some figures and values are typically rounded up by two or three digits (as the case may be) in which the derived numbers may not equal to such figure and value appeared in this report.

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### Glossary

<b>Abbreviation</b>	<b>Definition</b>
KYE or the Company	: Kang Yong Electric Public Company Limited
MELCO	: Mitsubishi Electric Corporation
TAKU	: Teral Taku Corporation
Service Provider	: Mitsubishi Electric Corporation
Service Recipient	: Kang Yong Electric Public Company Limited
The Transaction	: Receiving Technical Assistance from Mitsubishi Electric Corporation
SEC	: Securities and Exchange Commission
SET	: Stock Exchange of Thailand
IFA or the Advisor	: Silom Advisory Company Limited
Independent Financial Advisor's Opinion Report	: Independent Financial Advisor's Opinion on the Connected Transaction of Receiving Technical Assistance from Mitsubishi Electric Corporation
Notifications on Connected Transaction	: The Notification of the Capital Market Supervisory Board No. TorJor. 21/2551 Re: Rules on Connected Transaction dated 31 August 2008 and (as amended), and the Notification of Securities and Exchange Commission Re: Disclosure of Information and Other Acts of Listed Companies Concerning Connected Transactions B.E. 2546 dated 19 November 2003 (as amended)
Public Company Limited Act	: Public Limited Companies Act B.E. 2535 (As Amended)
Securities and Exchange Act	: Securities and Exchange Act B.E.2535 (as amended)

## Section 1 : Executive Summary

### 1.1 Characteristics of the Transaction

The Board of Directors' Meeting of Kang Yong Electric Public Company Limited ("KYE" or "the Company") Special Meeting No. 1/2023 held on 16 June 2023, has resolved to approve and propose to Annual General Meeting of Shareholders to approve the Receiving Technical Assistance from Mitsubishi Electric Corporation ("MELCO") which is connected person of the Company by directly holding 9,048,020 shares and through Setsuyo Astec Corporation holding 5,000 ordinary shares, total of 9,053,020 shares or 45.72% of the Company's total issued and paid-up ordinary shares. As a result, MELCO is major shareholder of the Company. Therefore, receiving Technical Assistance this time is considered a transaction with a connected person with the details of receiving technical assistance as follows:

Title	Description
Service Recipient	Kang Yong Electric Public Company Limited
Service Provider	Mitsubishi Electric Corporation
Objective	In order to be licensed to produce and sell home electrical appliances under "Mitsubishi Electric" and receive assistance in technical and technology in development production for new products of the Company.
Amount	Approximately 1,921.00 million baht
Period	years from 1 April 2024 to 31 March 2029

The Company entering into Technical Assistance Agreement for product development from MELCO for period of 5 years and continuously renewed. The current agreement will expire on 31 March 2024 follow:

Agreement	Development Fee			Agreement Period
	Percent	Average Annual Value (million baht)	Total Value (million baht)	
Previous Agreement	≤ 4	275.22	1,376.11	5
Current Agreement <sup>1</sup>	≤ 4	224.87	1,124.35	5
Renew Agreement <sup>2</sup>	≤ 4	Approximately 384.00	Approximately 1,921.00	5

*Remark : 1. Previous Agreement means Technical Assistance Agreement dated 1 April 2014 - 31 March 2019 between the Company and MELCO for receiving Technical Assistance in product development and right to produce and distribute products under the trademark "Mitsubishi Electric"*

*2. the Company has actual payments made up to 31 March 2023 totaling 922.77 million baht, which still has 12 months of Agreemental installment remaining until 31 March 2024 with projected Development fee amount of 201.59 million baht includes Development fee according to current agreement that will be due equal to 1,124.35 million baht.*

3. *Estimated by the Company's management, calculated from 4 % of estimated revenue from sales and services according to the Company's projection from 1 April 2024 to 31 March 2029 approximately 384 million baht per year. The Company management clarified that product development process will accompany with 3 parties, namely MELCO, the Company and distribution company, who will have a joint planning meeting. To set a plan to develop products for the next year.*

4. *Details of the Agreement can be found in Section 3.5 Summary of the essence of the Agreement.*

Therefore, payment of Development fee to MELCO is considered a connected transaction as specified in the Notification of the Capital Market Supervisory Board No. TorChor 21/2551 and the Notification of the Stock Exchange of Thailand regarding the Disclosure and Actions of Listed Companies on Connected Transactions B.E. 2546 which is classified as type 2 connected transaction, which is a normal business support transaction without general trading conditions because Development fee between 1 April 2024 - 31 March 2029 are based on actual expenses incurred each year. Therefore, exact amount cannot be specified at the moment and royalty fee that the Company pays each year is considered as normal business transaction with fair conditions that do not cause transfer of benefits. Then, royalt fee are requested to approve in principle from the Board of Directors of the Company to be within approval authority of the management and not be taken into calculation of the Connected Transaction size for approval at the Company's shareholders meeting this time. The Company considers the proportion of Development fee with revenue from sales and services because development production is intended for distribution. Therefore, determine maximum value of Development fee from proportion of sales at 4% of the estimated revenue from sales and services according to the Company's estimates from 1 April 2024 to 31 March 2029, the highest value of approximately 1,921.00 million baht. The highest transaction size is equal to 24.40 percent of the Company's net tangible assets (NTA), which is equal to 7,871.92 million baht according to the Consolidated Financial Statements as of 31 March 2023. The Company has no other connected transactions with connected persons or related persons of such connected persons within past six months prior to special Board of Directors Meeting of the Company No. 1/2023, since value of transactions exceeds 20 million baht or 3% of the Company's net tangible assets, whichever is higher. The transaction is classified as large connected transaction. Therefore, the Connected Transaction must be approved by the shareholders' meeting with vote of not less than three-fourths of total number of shareholders attending the meeting and having the right to vote, excluding the shareholders with interest and has to disclose information of transaction and appoint an Independent Financial Advisor to provide opinions on the transaction which the Company will present to the shareholders' meeting for consideration and approval at the Annual General Meeting No. 1/2023 scheduled to be held on July 26, 2023

In this regard, the Company has appointed Silom Advisory Co., Ltd. ("IFA" or "the Advisor") as the Independent Financial Advisor to provide opinion on the Asset Acquisition and Connected Transaction to shareholders of the Company as information for consideration.

## 1.2 Objective of the Transaction

The Company has an objective to enter into this transaction to extend the technical assistance agreement for product development of refrigerators, electric fans, ventilation fans and water pumps from MELCO for a period of 5 years (1 April 2024 – 31 March 2029) covering production, marketing and personnel development services that will help support the business of the Company.

## 1.3 Impact of entering into the Transaction

### 1.3.1 Accounting Impact

By entering into this transaction, the Company will lose some portions of cash flow derived from the Company's operations and/or have a loan burden from borrowing. The development fee for products in the category of refrigerators, electric fans, ventilating fans and water pumps are approximately 1,921.00 million baht, will affect the company's financial statement and comprehensive income in the future for the years 2024 - 2029 as mentioned.

### 1.3.2 Cash flow Impact

Paying for product development from entering into this transaction will cause the Company to incur additional costs in product development costs of both technical assistance agreements for product development, totaling approximately 1,921.00 million baht, which will result in losing portions of cash flow for 2024-2029 for product development costs.

### Development fee structure for entering into the transaction

Unit: million baht

Item	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	Total
Sales and service income	9,046	9,317	9,597	9,885	10,181	48,027
Development fee	362	373	384	395	407	1,921
<b>The ratio of development fees to revenue from sales and services</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>

*Remark: Refers to the fiscal year starting from April 1 to March 31 of the following year according to the closing date of the Company's annual fiscal year.*

When considering the Company's financial structure, it was found that the Company's liquidity ratio for the years 2021 - 2023 after the payment of product development expenses was 4.87 percent, 4.16 and 5.46 respectively, indicating that the Company has sufficient liquidity in business operations. the Company also has high interest coverage ratio and Contingent coverage ratio, indicating that the Company has high capability of debt repayment (Detail in Attachment 1). Therefore, the IFA views that receiving technical services from MELCO is appropriate and would enable the Company to continue its operation while maintaining its ability to pay interest and debt.



## 1.4 Advantages and Disadvantages of entering into the Transaction

### 1.4.1 Advantages of entering into the Transaction

#### 1 Develop and improve product quality in accordance with the country of distribution

Since the Company's products are exported to more than 20 countries around the world, the Company need to improve and develop products to meet various conditions and requirements of countries that the Company will export products and need to create strong standards in terms and conditions of each country in the Company's products such as energy saving, product design and modern technology, safety in use and maintaining the environment including;

No.	Standard	Description	Country
1	Energy Efficiency Ratio : EER	Energy saving standards, indicating the level of electricity consumption and various basic information of electrical appliances.	International
2	SIRIM	Malaysia's standards for quality and technological innovation	Malaysia
3	PREMIUM SAFETY	Standards for product design and selection of materials that prevent fire and are safe for consumers.	International
4	TIS.812-2558	Motor compressor industry standard only for safety	Thailand
5	TIS.934-2558	AC fan industry standard only for safety	Thailand
6	TIS 2214-2561	Refrigerator Industry Standards for Residential Use only for safety	Thailand
7	TIS 2186-2561	Refrigerator Industry Standards for Residential Use Environmental specifics : Energy Efficiency	Thailand
8	TIS 1548-2551	Safety specific electric water pump industry standards	Thailand
9	CR mark	Mandatory standards that ensure the quality, stability and hygiene of all products in Vietnam.	Vietnam
10	RoHS	Standards Restricting the Use of Certain Hazardous Substances which reduces the use of 6 hazardous substances in electrical appliances, namely lead, mercury, cadmium, chromium, hexavalent, polyminate biphenyl (PBB) and polybrominated diphenyl. ether (PBDE), etc.	European Union
11	ISO14001:2015	Environmental management system standards which oversees product quality standards and environmental concerns.	International
12	ISO9001:2015	Quality system standards which oversees both design and development, production, installation and service.	International
13	ISO50001:2018	Energy management system standards according to	International

No.	Standard	Description	Country
		international standards which regulates, regulates, improves energy performance	

## **2 Increase competitiveness and maintain market share**

Due to high competition in the electrical appliance market, the development of product to improve its efficiency and quality is very important. Previously, the Company has used a strategy that focuses on producing quality products with innovation, technology and modern styles that save energy, are universal, have high safety, and preserve the environment to meet ever-changing customers' needs. The design and development of products is primarily concerned with the safety of users, therefore, all home electrical appliances produced by the Company have been developed and manufactured according to safety standards which align with MELCO's safety standards such as giving importance to product design and choosing materials that prevent flame retardation and are safe for consumers, etc. MELCO has the ability to develop electrical products according to standards of each country. Since products under the brand "Mitsubishi Electric" have been distributed around the world for a long time, MELCO has good understanding of the standards and has capability to operates under the standards of each country that is constantly changing.

As the Company has always been working to improve and develop its products in terms of design, technology, quality, and environmentally friendly feature, these will make the Company's products unique to the market and maintain its competitive advantage in highly competitive market and help maintain existing top position in the industry going forward.

## **3 Increase the ability to expand the Company's market area.**

Since the Company's products in the market are Thai and Japanese that have high market share and quite stable. It is also combined proportion of 82% of total sales revenue referring to 12-month financial statements ended 31 March 2023, so in order to reduce dependence on the domestic market and Japan, the Company has adjusted its strategy to expand the market both in terms of the product and distribution channels by adding distributors to foreign countries that tend to expand rapidly and still has a small market to increase market share by taking advantage of being one of Mitsubishi Electric Group's network that focus on entering into ASEAN community such as Vietnam, Indonesia, Philippines which are countries with large populations and expanding economies. For example, expanding to Russia, India, Turkey and countries in Oceania and Middle East, etc. Therefore, the Company needs to focus on product development completely in driving this strategy because product development is to differentiate and must meet multicultural consumers in each country. This is a very important factor in achieving objective of new markets. This will result in the Company reducing its reliance on domestic and Japanese market revenues, resulting in the Company having more and more sustainable revenues in the long term.

Therefore, in order to operate according to market expansion strategy, the Company has to increase product models and prepare to support in production of certain types of products and models that will be

exported to new countries for the first time by producing quality products with innovation, technology, modern style that can save energy and conserve environment According to the standards and laws of each country, the Company needs to encourage employees to learn and has received various technology transfers from MELCO's dedicated technical experts in order to be able to produce products according to the standards.

#### **4 To increase efficiency product reliability and reduce the cost of research and development**

Due to the investment in product research and development, if the Company carries out its own product research and development investment, it may require large amount of capital and more than expense that paid to MELCO, including efficiency of product development. If the Company develop by itself, it's may not be effective and unable to meet the needs of customers, equivalent to receiving Technology Assistance and personnel in product development from MELCO because MELCO is a company that initiated and owned production technology under the trademark "Mitsubishi Electric" of Japan. Therefore, MELCO has the technology, personnel, equipment. and experience and expertise in manufacturing and product development than the Company. If the Company conducts product research and development by itself It may take more time to develop than supported by MELCO or may not be successful in product development.

However, the Company has no experience in developing electrical technology. Including no personnel capable of researching and developing products, equipment and places that are important to research and development. As a result, the Company is unable to estimate total costs for development of new electrical technology. As a result, IFA's opinion that developing new technology without disregarding on other business's technology will require more time and cost than receiving technical services from people with technology and expertise.

#### **1.4.2 Disadvantages of entering into the Transaction**

##### **1 Relatively high cost for Technical Assistance**

This is because most of the product development process has to be done in Japan and requires Japanese technology and expertise. As a result, cost burden is quite high, according to cost burden and cost of living in Japan is quite much higher than Thailand included Japanese staff and experts have to travel to work in Thailand causing the burden of expenses related to the certification of personnel and specialists in a relatively high amount.

When considering development fee that the Company will pay to MELCO this time according to the actual expenses at rate not exceeding 4.00 percent of the revenue from sales and services according to the Company's financial statements each year compared to research and development expenses to actual revenue from sales and services of the Companies that manufacture electrical appliances in Japan during the past 4 years (1 April 2018 – 31 Mar. 2022) to consider the remuneration rate determined. It is reasonable rate, not different from other operators with research and development expenses to revenue from sales and services as follows:

Development fee to revenue from sales and services of competitors

Company	Financial statements ended 31 Mar			
	2019	2020	2021	2022
MELCO	4.44%	4.63%	4.54%	4.36%
Toshiba Corporation	5.82%	5.56%	5.37%	4.92%
Hitachi, Ltd.	3.41%	3.35%	3.36%	3.09%

Source: 1. MELCO's Annual Report for 2019 - 2023

2. Toshiba Corporation's Annual Report for 2019 - 2023

3. Hitachi, Ltd.'s Annual Report for 2019 - 2023

However, the Company has worked together and product development has been planned in advance. and aforementioned budget framework is clearly set not to exceed 4.00 percent of sales revenue. Therefore, it can control the burden of expenses that will occur not to be higher than necessary.

## 2 Loss of operating cash flow of the Company as expenses to MELCO

Due to entering into the transaction, the company's Development fee are approximately 1,921 million baht for period of 5 years starting from 1 April 2024 to 31 March 2029, causing the Company to have expenses. In the past, the Company paid to MELCO's technical service fees at an average of 3.12 percent of sales and service revenue per year. From 1 April 2019 to 31 March 2023, the Company has been working together and planning product development in advance and framework is clearly set not to exceed 4.00 percent of sales revenue. Therefore, it can control the burden of expenses that will occur not to be higher than necessary.

### 1.5 Advantages and Disadvantages of not entering into the Transaction

#### 1.5.1 Advantages of not entering into the Transaction

##### 1. The company will not pay for product development and royalties to MELCO.

Due to the renewal of the Agreement from this transaction will result in the Company's expenses increasing in 2 parts: 1. Development fee from technical assistance transaction that falls under the category 2 of the connected transaction. 2. Royalty fee is a normal business support transaction with general trading conditions which is not considered a connected transaction of the Company. If the Company does not renew the Agreement, the above costs can be reduced.

However, the Company's core business is the sale of electrical appliances under "Mitsubishi Electric" trademark, which accounts for more than 90 percent of the Company's total revenue. It will affect the current business operations and will increase the cost of research and development of new products.

## **2. Reducing the dependence on business operations from MELCO.**

The Company currently operates its business by heavily rely on MELCO in terms of product development, procurement of raw materials, production and distribution by not renewing the Agreement, it will reduce dependence on MELCO if MELCO encounters economic problems or any factor which may result in MELCO cessation of business. This will have direct impact on the Company's business operations as well as reducing the risk of transferring benefits that may occur in the future from business operations.

On the other hand, MELCO is large listed company in Japan that can consistently generate positive profits with stability. IFA opined that the risk of MELCO's business termination is low and consideration of related transactions by directors who have no interests. It will reduce risk of transferring MELCO's benefits.

### **1.5.2 Disadvantage of not entering into the Transaction**

#### **1. Impact on current business operations**

the Company has operation that relies on MELCO. Therefore, if the Company's Technical Assistance Agreement is not renewed, the Company may have an impact on business operations immediately after the end of the Agreement on 31 March 2024. The Company will not be able to produce and sell products that use technology and development from MELCO, which will affect the core business.

## **1.6 Advantages and Disadvantages of entering into the Transaction with Connected person**

### **1.6.1 Advantages of entering into the Transaction with Connected person**

#### **1 Received production Technology Assistance from MELCO, a company with expertise.**

If continuing the Technical Assistance Agreement with MELCO, the Company will receive knowledge transfer and production technology from company in Japan that owns production technology and expertise In the production of electronic equipment and electronic appliances. MELCO will provide support and assistance in manufacturing technology as MELCO is major shareholder of the Company which may have a positive effect on the image and quality of the Company's products and affects maintaining market share and seeking new markets from new products. It is developed directly by MELCO, which is of great importance in the long-term business operation of the Company under intense competition.

#### **2 Development fee are cheaper than outsourcing and the quality is at a better standard**

The Company receives Technology Assistance in product development from MELCO, which owns production technology and specializes in electronic appliances at the top of the world, allowing the Company to achieve quality of production and development of products at high standard. In addition, Development fee paid to MELCO are lower than expenses that the Company will outsource because MELCO charges Development fee to the Company according to actual expenses. By the way, MELCO does not charge profits or other expenses. However, if the Company hires an outside company that is not the owner of electrical appliance production technology under the "Mitsubishi Electric" trademark, the Agreeementing company must

invest in studying production technology. There is investment in machinery and equipment. Including the need to create personnel to have expertise in product development. This requires a large investment of time and money and success of product development cannot be guaranteed. Also, the outsourcing company is not affiliated with KYE, so profits must be accounted for in the product cost paid. This will make the product development service charged to the Company to be very high compared to the payment to MELCO.

**3 Be able to negotiate the conditions in Agreement easier and faster than third party**

Renewal of Technical Assistance Agreement with MELCO, which is major shareholder of the Company makes it easier and faster to negotiate terms of the Agreement with the Company if the Company takes any action that is not in accordance with the terms and conditions in Agreement when compared to entering into a transaction with third party. For example, if the Company is unable to pay for product development within the period specified in the Agreement, the Company can request to negotiate of payment terms easier and faster than entering into transactions with third parties.

**1.6.2 Disadvantages of entering into the Transaction with Connected person**

**1 the Company cannot develop products and sell under other trademarks**

Because under Technical Assistance Agreement that the Company has signed with MELCO, the Company will receive assistance in production technology and product development under the trademark "Mitsubishi Electric". The Technology and product development are business secrets causing the Company to be obligated under terms of Agreement that the Company may not produce under other trademarks in order to expand the customer base or product sales. Therefore, its cannot hire or collaborate with any other person in the development of the Company's products under the trademark "Mitsubishi Electric"

**2 There may be suspicions that it is a channel for conflicts of interest**

Entering into a transaction with connected person may cause suspicion that it is channel for transferring benefits of the Company or the Company has negotiated the price and conditions to obtain Technical Assistance that would put the Company at disadvantage that may affect minority shareholders of the Company. The Board of Directors and executive of the Company are well aware of the impact of entering into transactions with connected persons without doing any transaction which does not benefit or cause the Company, especially the Company's minority shareholders. However, the condition of Development fee that the Company will pay to MELCO each quarter will be based on the actual expenses paid by MELCO without any profit or additional expenses. In addition, the Company has set up a working group consisting of production engineers of the Company with expertise to review the expenses that MELCO sends to collect each installment to ensure that collection are reasonable expenses for nature of product development in each model. In addition, the Board of the Company has also presented to approve the budget framework for paying Development fees to MELCO each year, not exceeding 4.00 percent of revenue from sales of goods and services. The Company's Board of Directors and the Company's Audit Committee have considered the conditions and how to enter the transaction in detail Transparent enough to believe that the Company and minority shareholders will get the most benefit from entering into this transaction.

Consideration of the appropriateness of the Company's Development fee will be considered jointly with 3 parties, namely MELCO, the Company and distributor company in product development planning by considering suitability in terms of labor costs, experts, raw materials, equipment for testing to be appropriate according to the characteristics of the product to be developed which will control expenses to not exceed 4.00 percent of the Company's revenue from sales of goods and services each year

Entering into the transaction, the Company has hired an Independent Financial Advisor to provide opinions on the Transaction for entering into the transaction that included impacts, advantages, disadvantages, and risks arising from entering into the transaction as well as giving opinions on the appropriateness of Development fee and conditions involved in renewal of Technical Assistance Agreement from MELCO this time as information for shareholders to use in making a decision in exercising their voting rights to consider the transaction at the Company's shareholders' meeting.

## **1.7 Risk from entering into the Transaction**

### **1 The Company's core business operation that relies on MELCO**

Due to the continuation of the technical assistance agreement from MELCO, the Company has to rely on technology in production and product development from MELCO only. In the case that MELCO encounters problems in business operations that cause business operations to be interrupted or severe loss to the point of bankruptcy, it will affect the business operations of the Company, especially in terms of production and product development that the Company relies on. However, MELCO is a leading company in the business of manufacturing and distributing electrical equipment in Japan. MELCO has been in business with stable financial position and has consistently earned net profits its business. In addition to the business of manufacturing and distributing electrical equipment, MELCO also invests in the information system business, communication equipment, logistics, real estate and advertising business and so on. Therefore, it is believed that MELCO's business operations will be able to operate sustainably in the future.

### **2 Actual product development costs may exceed 4.00 percent of revenue**

In seeking approval from the shareholders' meeting of the Company for the renewal of this Technical Assistance Agreement, the budget framework for paying Development fees to MELCO is set at the actual product development costs. However, this must not exceed 4.00 percent of the income from sales of goods and services each year. However, the request for approval of the product development payment budget each year at such rate is only a budget for the product development payment of the Company, where the development fee rate does not exceed 4.00 percent of the revenue from sales of products and services. It is not specified as a condition of payment for product development under the Technical Assistance Agreement. Therefore, there is a risk that if MELCO incurs actual product research and development expenses and amounts higher than 4.00 percent of the Company's revenue from sales of goods and services each year, the Company will still have obligations under the contract In paying actual product development costs even though product development costs are higher than 4.00 percent of revenue from sales of goods and services.

However, if product development costs exceed 4.00 percent of revenue from sales and services, the Company will proceed to request approval of product development costs to the next shareholders' meeting again. and in the process of product development Three parties, namely MELCO, the Company and the distribution company, have been set up to work together in product development planning. However, every time development fee is paid to MELCO, the financial department will prepare a summary of product development expenses in order to control the expense budget to not exceed 4.00 percent of product sales and services of the Company each year. The product development budget spending will be reported to the Company's Board of Directors for acknowledgment so that the Company's executives can adjust the product development plan in accordance with the remaining budget in order not to expenditure on product development costs exceeding the budget set at 4.00 percent of revenue from sales and services each year.

### **3 Risk from foreign exchange**

Due to the terms of payment for product development under the technical assistance contract, MELCO will charge development fees for refrigerators. electric fans and ventilation fans with the Company according to the amount actually paid by MELCO in Japanese Yen. Therefore, if there is fluctuation in the exchange rate between the Yen and the Baht, the Company may be obliged to pay an additional amount for development if the Baht depreciates against the Yen. However, such risks may not cause much trouble for the Company since the Company's revenues are mainly denominated in the Yen from exports to Japan. It is a natural hedge where the Company has income and expenses in Yen as well.

### **1.8 Summary of Independent Financial Advisor's Opinion**

From aforementioned, IFA as Independent Financial Advisor opined that Receiving Technical Assistance from Mitsubishi Electric Corporation will increase the Company competitive in electrical appliances market and be able to continue operating core business. **IFA had an opinion that shareholders should vote for approval of the Transaction.** However, the decision to vote for approval of this transaction is at the discretion of the shareholders of the Company. The shareholders should study the information in various documents attached to the Invitation letter for the 2023 Annual General Meeting of Shareholders this time for consideration and voting decisions appropriately.



## **Section 2 : Practice and Information used in the preparation of IFA report**

IFA considered and studied the transactions which are connected transaction from the information received from the Company, Management's interviews, Public information, and relevant information including, but not limited to;

1. Board meeting resolutions and information of the Company disclosed through the Stock Exchange of Thailand that related to the Transaction.
2. The Company's documents such as Affidavit, Memorandum of Association and Articles of Association etc.
3. Annual information disclosure form (One Report) of the Company ended 31 March 2022.
4. Audited Financial Statements of the Company for year ended 31 March 2021 – 2023.
5. Business plan and Investment plan of the Company.
6. Interviews with executives of the Company, including related persons.
7. Statistics from the Stock Exchange of Thailand and industry conditions.

IFA's opinion based on the assumption that information and/or document in which IFA receive as well as interview with the Company and management as well as relevant person were true and accurate. The Advisor has carefully considered and studied such information to comply with professional standard. Moreover, the Advisor considered that all Agreements and business agreements were effective and legally enforceable and the conditions of such agreement will not be changed, revoked or canceled, and there is no circumstance or any condition which might significantly affect the transaction.

Therefore, in case that information and/or documents which IFA received is untrue and/or inaccurate or the Agreements and business agreements are not effective and/or not legally enforceable and/or the conditions of Agreements and business agreements are changed, revoked or canceled, and/or there is any circumstance or condition that might cause significant effect to the transactions which may affect opinion of IFA. IFA, therefore, will not be able to provide an opinion on such effect to the Company and its shareholders.

IFA's opinion was prepared based on the information received by IFA including information on the industry, economic condition, and other factors occurred during the preparation, which may significantly change later and affected IFA's opinion. The Advisor does not have an obligation to edit the report on IFA Report.

IFA Report was prepared for the Company's shareholders as additional information. However, IFA Report does not guarantee success of the transaction, including possible impacts, and IFA will not be able to, either directly or indirectly, response for any impact cause from entering into the transaction.

### Section 3 : Characteristics and Detail of the Transaction

#### 3.1 Characteristics of the Transaction

The Board of Directors' Meeting of Kang Yong Electric Public Company Limited ("KYE" or "the Company") Special Meeting No. 1/2023 held on 16 June 2023, has resolved to approve and propose to Annual General Meeting of Shareholders to approve the Receiving Technical Assistance from Mitsubishi Electric Corporation ("MELCO") which is connected person of the Company by directly holding 9,048,020 shares and through Setsuyo Astec Corporation holding 5,000 ordinary shares, total of 9,053,020 shares or 45.72% of the Company's total issued and paid-up ordinary shares. As a result, MELCO is major shareholder of the Company. Therefore, receiving Technical Assistance this time is considered a transaction with a connected person with the details of receiving technical assistance as follows:

Title	Description
Service Recipient	Kang Yong Electric Public Company Limited
Service Provider	Mitsubishi Electric Corporation
Objective	In order to be licensed to produce and sell home electrical appliances under "Mitsubishi Electric" and receive assistance in technical and technology in development production for new products of the Company.
Amount	Approximately 1,921.00 million baht
Period	years from 1 April 2024 to 31 March 2029

The Company entering into Technical Assistance Agreement for product development from MELCO for period of 5 years and continuously renewed. The current agreement will expire on 31 March 2024 follow:

Agreement	Development Fee			Agreement Period
	Percent	Average Annual Value (million baht)	Total Value (million baht)	
Previous Agreement	≤ 4	275.22	1,376.11	5
Current Agreement <sup>1</sup>	≤ 4	224.87	1,124.35	5
Renew Agreement <sup>2</sup>	≤ 4	Approximately 384.00	Approximately 1,921.00	5

Remark : 1. Previous Agreement means Technical Assistance Agreement dated 1 April 2014 - 31 March 2019 between the Company and MELCO for receiving Technical Assistance in product development and right to produce and distribute products under the trademark "Mitsubishi Electric"

2. the Company has actual payments made up to 31 March 2023 totaling 922.77 million baht, which still has 12 months of Agreemental installment remaining until 31 March 2024 with projected Development fee amount of 201.59 million baht includes Development fee according to current agreement that will be due equal to 1,124.35 million baht.

3. *Estimated by the Company's management, calculated from 4 % of estimated revenue from sales and services according to the Company's projection from 1 April 2024 to 31 March 2029 approximately 384 million baht per year. The Company management clarified that product development process will accompany with 3 parties, namely MELCO, the Company and distribution company, who will have a joint planning meeting. To set a plan to develop products for the next year.*

4. *Details of the Agreement can be found in Section 3.5 Summary of the essence of the Agreement.*

Therefore, payment of Development fee to MELCO is considered a connected transaction as specified in the Notification of the Capital Market Supervisory Board No. TorChor 21/2551 and the Notification of the Stock Exchange of Thailand regarding the Disclosure and Actions of Listed Companies on Connected Transactions B.E. 2546 which is classified as type 2 connected transaction, which is a normal business support transaction without general trading conditions because Development fee between 1 April 2024 - 31 March 2029 are based on actual expenses incurred each year. Therefore, exact amount cannot be specified at the moment and royalty fee that the Company pays each year is considered as normal business transaction with fair conditions that do not cause transfer of benefits. Then, royalt fee are requested to approve in principle from the Board of Directors of the Company to be within approval authority of the management and not be taken into calculation of the Connected Transaction size for approval at the Company's shareholders meeting this time. The Company considers the proportion of Development fee with revenue from sales and services because development production is intended for distribution. Therefore, determine maximum value of Development fee from proportion of sales at 4% of the estimated revenue from sales and services according to the Company's estimates from 1 April 2024 to 31 March 2029, the highest value of approximately 1,921.00 million baht. The highest transaction size is equal to 24.40 percent of the Company's net tangible assets (NTA), which is equal to 7,871.92 million baht according to the Consolidated Financial Statements as of 31 March 2023. The Company has no other connected transactions with connected persons or related persons of such connected persons within past six months prior to special Board of Directors Meeting of the Company No. 1/2023, since value of transactions exceeds 20 million baht or 3% of the Company's net tangible assets, whichever is higher. The transaction is classified as large connected transaction. Therefore, the Connected Transaction must be approved by the shareholders' meeting with vote of not less than three-fourths of total number of shareholders attending the meeting and having the right to vote, excluding the shareholders with interest and has to disclose information of transaction and appoint an Independent Financial Advisor to provide opinions on the transaction which the Company will present to the shareholders' meeting for consideration and approval at the Annual General Meeting No. 1/2023 scheduled to be held on 26 July 2023

In this regard, the Company has appointed Silom Advisory Co., Ltd. ("IFA" or "the Advisor") as the Independent Financial Advisor to provide opinion on the Asset Acquisition and Connected Transaction to shareholders of the Company as information for consideration.

### 3.2 Transaction Date

The Company will renew its Technical Service Agreement for product development between 1 April 2024 – 31 March 2029 after the Company's shareholders meeting and MELCO's shareholders meeting approve the renewal. The current agreement will expire on 31 March 2024.

### 3.3 Relevant Parties and Relationships

#### 1. Mitsubishi Electric Corporation

Service Recipient : Kang Yong Electric Public Company Limited  
Service Provider : Mitsubishi Electric Corporation

Relationship with the Company : Mitsubishi Electric Group, which is a connected person, holds the Company's ordinary shares as of 31 March 2023, referring to the securities register as of 31 March 2023, totaling 9,053,020 shares, representing 45.72% consisting of  
1) Mitsubishi Electric Corporation holds 9,048,020 shares or 45.70%  
2) Setsuyo Astec Corporation holds 5,000 shares or 0.02%

#### 2. Teral Taku Corporation ("TAKU")

Service Recipient : Kang Yong Electric Public Company Limited  
Service Provider : Teral Taku Corporation ("TAKU")

Relationship with the Company : The Company is not connected person with TAKU, both shareholders, directors and executives of the Company are neither shareholders nor directors ss not an executive or person with control over TAKU, which TAKU is a company that cooperates with MELCO in developing technology for water pumps and development fee as TAKU has spent for development for the Company

### 3.4 Transaction Size

Development fee that will pay to MELCO, which is classified as type 2 connected transaction, which is the Connected Transaction as normal business without general trading conditions, where the Company considers the ratio of Development fees to revenue from sales and services since the development is intended for distribution. Therefore, the maximum value of Development fee from the proportion of sales estimates that will not exceed 4% of revenue from sales and services according to the Company's financial statements each year and providing such services is request for approval of the budget used for the management of the Company such rates are not specified in the terms of the Technical Assistance Agreement No. 1 and 2 that the Company will renew the Agreement this time. According to the Payment conditions of Development fees to MELCO, the Company shall be paid based on actual expenses, which

may be greater than 4% of sales and service. If actual Development fee is more than 4% in the future, the Company will propose to shareholders' meeting for approval in the next order. In the past, average Development fee of approximately 3.12 percent of revenue from sales and service. The Company's executives have prepared an estimate revenue from sales that will occur in the future within 5 years, from 1 April 2024 - 31 March 2029. The size of the transaction can be calculated based on projected transaction size, total approximately 1,921.00 million baht or equivalent to 24.40 percent of net tangible assets (NTA) according to Financial Statements for the year ended 31 March 2023, which is worth more than 20 million baht or 3 percent of net tangible assets (NTA) of the Company according to the financial statements for the year ended 31 March 2023, whichever is higher. Therefore, it is considered a transaction that requires approval from the shareholders' meeting according to the Notification of the Capital Market Supervisory Board, Office of the Securities and Exchange Commission No. TorJor. 21/2551 regarding the Notification for connected transaction.

Historical of Technical Assistance from MELCO from 1 April 2019 – 31 March 2023 are as follows:

Unit: Million Baht

รายการ	2019-2020	2020-2021	2021-2022	2022-2023
Development fee	270.49	233.56	224.98	193.74
Net Tangible Asset Value	5,613.68	8,360.64	7,984.63	7,871.92
<b>Proportion of Development fee to Net Tangible Assets (%)</b>	<b>4.82</b>	<b>2.79</b>	<b>2.82</b>	<b>2.46</b>
Sales and service revenue	7,703.41	8,285.81	7,897.89	8,398.64
<b>Development fee to revenue from sales and services (%)</b>	<b>3.51</b>	<b>2.82</b>	<b>2.85</b>	<b>2.31</b>

Remark: The Company's accounting year closing reference data, which will start from 1 April to 31 March of the following year.

#### Transaction size calculation

Entering into the transaction is regarded as providing Technical Assistance according to the Connected Transaction Notifications. The highest transaction size is equal to 24.40 percent when calculating the transaction size compared to net tangible assets (NTA) according to the Company's Consolidated Financial Statements ended 31 March 2023. Details of the calculation as follows:

$$\begin{aligned}
 \text{Technical Assistance value} &= \text{Approximately 1,921.00 million baht} \\
 \text{NTA of the Company as of 31 March 2023} &= 7,871.92 \text{ million baht} \\
 \text{Maximum Value} &= \frac{1,921.00}{7,871.92} \\
 &= 24.40\%
 \end{aligned}$$

The Company does not have any other connected transactions with connected persons or related persons within the past six months prior to the Special Board of Directors Meeting of the Company No. 1/2023. Transaction value which exceeds 20 million baht or 3% of NTA of the Company, whichever is higher According to the Consolidated Financial Statements as of 31 March 2023

### 3.5 Essence of Agreement

The essence of Technical Assistance Agreement for product development to be renewed this time is not different from the Agreement made in 2019 both in terms and scope of service. Including the duration of the Agreement period essence of the Agreement can be summarized as follows.

#### 3.5.1 Agreement No.1

Agreement	Technical Services Agreement
Service Recipient	Kang Yong Electric Public Company Limited
Service Provider	Mitsubishi Electric Corporation
First Agreement date	26 April 2522
Current agreement term	5 years from 1 April 2019 to 31 March 2024 and if both the Company and MELCO receive approval from the shareholders' meeting to extend the Agreement will automatically renew for 5 years each time.
Essence of Agreement	<ol style="list-style-type: none"> <li>1. the Company will receive license to produce and distribute refrigerator, Electric fans and ventilation fans under the trademark "Mitsubishi Electric".</li> <li>2. MELCO will provide technical services, product development and marketing to the Company, including providing information consulting service and training in production. It also provides personnel assistance to convey the experience and knowledge to employees of the Company.</li> <li>3. When MELCO decides sale of any model of product for the Company to produce, MELCO will not reproduce and resell the product of the model and will bring the model that the Company produces to sell instead.</li> <li>4. The Agreement and terms of this Agreement cannot be transferred or assigned to others without the written consent of both parties</li> <li>5. Any changes of this Agreement must be in writing signed by both parties.</li> <li>6. Termination requires written notice to the other party at least six months prior to the expiration of the Agreement.</li> </ol>
Development fee and Royalty fee	<ol style="list-style-type: none"> <li>1. The Development fee shall be paid in full in accordance with the actual costs comprising of raw materials, testing costs, engineer labor and technical specialists and it will be paid quarterly in Japanese Yen.</li> <li>2. The Company will pay royalty fee<sup>1</sup> (Royalty Fee) for refrigerator products, electric fans and ventilating fans at rate of 2.50% of net sales to MELCO in Japanese Yen.</li> </ol>
Payment	Development fee will be paid quarterly in Yen and license fee will be paid quarterly in Yen.

*Remark: 1. For the royalty fee is considered as normal business support transaction with general trading conditions. therefore, it can request approval in principle from the Board of Directors of the Company to be within the management's approval authority and was not taken into the calculation of the size of the connected transaction*

### 3.5.2 Agreement No.2

Agreement	Technical Services Agreement
Service Recipient	Kang Yong Electric Public Company Limited
Service Provider	Mitsubishi Electric Corporation ("MELCO") Teral Taku Corporation ("TAKU")
First Agreement date	1 April 2551
Current agreement term	5 years from 1 April 2019 to 31 March 2024, and if both the Company, MELCO and TAKU receive approval from the shareholders' meeting to renew the Agreement will automatically renew for 5 years each time.
Essence of Agreement	<ol style="list-style-type: none"> <li>1. the Company will receive licensed in production and distribution of water pump products under the trademark "Mitsubishi Electric"</li> <li>2. MELCO and TAKU shall cooperate and assist with technical information. production technology including product development for the Company, including providing information, consulting services. and training in production. It also provides personnel assistance to convey the experience and knowledge to employees of the Company</li> <li>3. The Agreement and the terms of this Agreement cannot be transferred or assigned to others without the written consent of both parties</li> <li>4. Any changes of this Agreement must be in writing signed by both parties.</li> <li>5. Termination requires written notice to the other party at least six months prior to the expiration of the Agreement.</li> </ol>
Development fee and Royalty fee	<ol style="list-style-type: none"> <li>1. The Development fee shall be paid in full in accordance with the actual costs comprising of raw materials, testing costs, engineer labor and technical specialists and it will be paid quarterly in Japanese Yen.</li> <li>2. The Company will pay a royalty fee<sup>1</sup> (Royalty Fee) for water pump products at rate of 1.00 percent of net sales to TAKU and at rate of 1.50 percent of net sales to MELCO, paying in baht.</li> </ol>
Payment	Development fee will be paid quarterly in Japanese Yen and royalties will be paid quarterly in baht.

*Remark: 1. For the royalty fee is considered as normal business support transaction with general trading conditions. therefore, it can request approval in principle from the Board of Directors of the Company to be within the management's approval authority and was not taken into the calculation of the size of the connected transaction*

### 3.6 Source of Fund

Operating cashflow of the Company within 5 -year period of Technical Assistance Agreement are source of funding for payment of technical services.

### 3.7 Expected benefit to the Company

1. Maintaining business continuousness because product development is significant to the Company's business operations and increase the competitive advantage with other competitors.
2. Increasing sales revenue and maintain the Company's market share from MELCO's product development, whether small or large adjustments.
3. Preparing for ente new markets
4. Increasing quality and improve the products in accordance with regulations and standard requirements of each country in which the Company's products are sold.
5. Enhancing product development skills from technology transfer

### 3.8 Connected Directors and Shareholders who did not attend the meeting.

#### 3.8.1 Director who did not attend to the meeting

1) Mr. Keiji Oya 2) Mr. Tatsuo Ono 3) Mr. Hitoshi Maruyama 4) Mr. Yasuhito Negishi 5) Mr. Osamu Sugimoto 6) Mr. Kuni Hiko Seki are directors who has interests and/or directors who is connected person did not attend the meeting and did not have the right to vote in the Board of Directors' Meeting of the Company Special No. 1/2023 held on 16 June 2023 during the consideration of approval of the connected transaction.

#### 3.8.2 Shareholders who did not have right to vote at the meeting

1. Mitsubishi Electric Corporation ("MELCO") as major shareholder of the Company who is considered interested person in the transaction 2. Setsuyo Astec Corporation as juristic person having the ultimate shareholder (Ultimate Shareholder) is a major shareholder of the Company who is considered a stakeholder in the transaction .

#### Information of interested shareholders of the transaction

No	Shareholders	number of shares (share)	Shareholding (%)
1	Mitsubishi Electric Corporation	9,048,020	45.70
2	Setsuyo Astec Corporation	5,000	0.02
<b>Including shareholders who have interests in the</b>		<b>9,053,020</b>	<b>45.72</b>



No	Shareholders	number of shares (share)	Shareholding (%)
<b>transaction</b>			
3	other shareholders	10,746,980	54.28
<b>total</b>		<b>19,800,000</b>	<b>100.00</b>

Source: The Company's shareholder register as of 31 March 2023

### 3.9 Opinion of the Company's Board of Directors to entering into the Transaction

The Board of Directors' Meeting of the Company (excluding interested directors) Special Meeting No. 1/2023 held on 16 June 2023 has carefully considered this transaction. It is seen that this Agreement is important to the business operation of the company, enabling the Company to produce quality products that are safe using modern technology with added value. It can increase sales revenue and help maintain business continuity and the terms of payment are reasonable. The value of transaction has an appropriate proportion of revenue when compared to other business operators in the similar industry. Therefore, such connected transactions, It is a reasonable transaction that should be proposed for approval at the annual general meeting of shareholders to be held on 26 July 2023.

### 3.10 Opinions of the Audit Committee and/or the Company's Director which are different from Board of Directors's opinion

The Audit Committee has no different opinion from the Company's Board of Directors.

## Section 4 : Reasonableness of the Transaction

### 4.1 Objective of the Transaction

The Company has an objective to enter into this transaction to extend the technical assistance agreement for product development of refrigerators, electric fans, ventilation fans and water pumps from MELCO for a period of 5 years (1 April 2024 – 31 March 2029) covering production, marketing and personnel development services that will help support the business of the Company.

### 4.2 Historical of Technical Assistance

Kang Yong Electric Public Company Limited ("the Company") was established on January 12, 1964 through a joint venture between the Phothivorakhun family. and Mitsubishi Electric Corporation, a major manufacturer of electrical appliances in Japan under the former name of the Company "Kang Yong Electric Company Manufacturing Co., Ltd., with the business objective to manufacture and sell home electrical appliances consisting of refrigerators, electric fans, ventilation fans. water pump and hand dryer. The Company received the copyright as well as production technology from Mitsubishi Electric Corporation in Japan, which is a joint venture company under "Mitsubishi Electric" trademark. The Company has a vision in building a strong operating foundation, developing technology capabilities to compete in the market with top quality products and conducting business with social and environmental responsibility. The Company has been developing new products to the market both domestically and internationally with the help of manufacturing technology and personnel from MELCO to meet customers needs and drive more sales. The details of past product developments are as follows:

Month/Year	Development Information
April 2020	- Replacing the insulating foam injection system with the Pascal system in the L4 Grande 4-door refrigerator which reduce the foam injection time and the use of foam by 8% while maintaining the highest level of energy saving efficiency and because Australia has improved the safety standards for refrigerators to be able to prevent spreading more fire.
May 2020	- Changing the structure and operation of Freezer cabinets for export to Japan due to problems in the compressor factory.
June 2020	- Improving the design of the 314-liter Top Freezer 2-door refrigerator, Model F31, which is sold locally to look like the FC-Series refrigerator, as well as changing to Inverter compressor to increase competitiveness in the market and reduce production costs by designing a new control board to be smaller in size, this improvement will help expand the export market in Malaysia, Singapore and Vietnam.
November 2020	- Manufacturing wall-mounted ventilating fans with propeller sizes of 8 inches, 10 inches and 12 inches by changing the motor to high quality steel with built-in paint to reduce odors from the paint process that affects the environment for domestic sales and exports.

Month/Year	Development Information
	<ul style="list-style-type: none"> <li>- Improving the production cost of FC-Series 2-door refrigerators with a capacity of 204, 231 and 274 liters by changing to a smaller control circuit board.</li> </ul>
December 2020	<ul style="list-style-type: none"> <li>- Started production of table fans, floor fans and wall fans with 16-inch fan blades using new motors to increase efficiency and quality for long-lasting fans.</li> </ul>
January 2021	<ul style="list-style-type: none"> <li>- Started developing a 414-liter Bottom Freezer 2-door refrigerator, HX-Series model, to replace the MR-F50 and F56 2-door refrigerators with new capabilities added such as A multi-purpose freezer that can adjust the temperature to 0 ° C or ° C or change to -7 ° C or ° C, Blue Catalyst Deodorizer technology that helps deodorize and reduce bacteria and an automatic ice making system.</li> </ul>
March 2021	<ul style="list-style-type: none"> <li>- Started cost reduction by replacing the compressor by developing compressors in conjunction with compressor development factories to ensure quality and efficiency according to Mitsubishi's standards, there are plans to use fixed-speed compressors in 1-door refrigerators and inverter-type compressors in 2-door refrigerators.</li> </ul>
April 2021	<ul style="list-style-type: none"> <li>- Developed a 2-door Top Freezer refrigerator with a capacity of 413 liters, model MR-FS45ES, to replace the MR-F45 2-door refrigerator with new capabilities added such as A multi-purpose freezer that can adjust the temperature to 0 ° C or ° C or change to -7 ° C or ° C and Blue Catalyst Deodorizer technology that helps deodorize and reduce bacteria.</li> </ul>
May 2021	<ul style="list-style-type: none"> <li>- Improved the 4-door refrigerator model MR-LA65ES and LA70ES by adding automatic ice making capabilities to compete in the market and developed a new type of control circuit board for double-door refrigerators, FV22ES and F21S, to be used with new microchips because the original manufacturer discontinued production</li> </ul>
January 2022	<ul style="list-style-type: none"> <li>- Started producing a new wall-mounted ventilation fan, size 8,10,12 inches using a new motor to increase efficiency and quality for the ventilation fan to be used for a long time for domestic sale.</li> </ul>
February 2022	<ul style="list-style-type: none"> <li>- Started producing 5 new models of table fans (D12A-GB/D16A-GB/D18A-GB/R16A-GB/R18A-GB) with the distinctive feature of a special plastic front grille that is durable. It helps spread the air out to the side and effectively sends the wind away, receiving the highest energy saving label No. 5, 3 stars, sent for domestic sale.</li> <li>- Started producing 18-inch orbit fan blades using propellers made from new PP-Fiber material.</li> </ul>
March 2022	<ul style="list-style-type: none"> <li>- Developed a 4-door Bottom Freezer refrigerator for the Japanese market, model MR-NX40EH, based on a 3-door refrigerator for sale in Japan, model MR-CD41H, by dividing the freezer into 2 compartments, allowing users to store frozen items in the freezer in a more organized and easy-to-use manner. At the same time, the packaging is also designed to be smaller in order to maximize the volume contained in the container, which will result in a decrease in the average shipping cost per container.</li> </ul>

Month/Year	Development Information
April 2022	<ul style="list-style-type: none"> <li>- Started producing a new wall-mounted ventilation fan, size 8,10,12 inches using a new motor for international markets.</li> <li>- Started producing 5 new types of table fans (D12A-GB/D16A-GB/D18A-GB/R16A-GB/R18A-GB) with the distinctive feature of a special plastic front grille that is durable. It helps spread the air out to the side and effectively sends air far away, receiving the highest energy saving label number 5, selling to foreign countries.</li> <li>- Improved the Top Freezer refrigerator for export to Japan, model MR-P15H and P17H, by adding Anti-Bacteria compound to the parts that the user has to touch, such as the handle and the shelf on the top of the cabinet to meet the needs of customers who are concerned about the outbreak of Covid and improve the 3-door Bottom Freezer refrigerator for export to Japan, model MR-CX27H, C33H, CGX33H, CGX37H by replacing the electrical parts that have supply shortage problems from China due to the country's lockdown policy. This included Connector, Fan Box Fan and Capacitor to continue producing products to meet customers orders.</li> </ul>
July 2022	<ul style="list-style-type: none"> <li>- Started developing Freezer model MF-U22ET with a size of 200 liters from the original maximum size of only 140 liters to meet the needs of customers who work at home or home office, leading to the higher consumption of frozen food. Also, for ease of use and orderly storage, it has been designed as a 2-door freezer. To increase product's competitiveness in energy savings, the Company designed an inverter compressor system. There are plans to expand the market to Japan, Australia, New Zealand, Taiwan, Malaysia, Singapore, Hong Kong and Vietnam.</li> </ul>
Oct 2022	<ul style="list-style-type: none"> <li>- Improved safety standards for refrigerators to IEC60335-2-24 : 2020 (Edition 8.0) for products to be sent to Singapore according to the changed standards.</li> </ul>
December 2022	<ul style="list-style-type: none"> <li>- Began production of 16-inch and 18-inch wall-mounted fans with special propellers that have higher resistance to oil and chemical. Such products are suitable to be installed in places with high oil mist such as kitchens or restaurants for domestic sales.</li> </ul>

Since the Company has to consistently develop new products into the market to meet the needs of customers by increasing the usefulness of energy saving and quality, the Company has to push for new products to expand the market to new groups of consumers and generate more sales as well as maintain the standard and image of the "Mitsubishi Electric" trademark, which has an image of reliability in quality and is accepted by consumers. The Company needs to receive technological support and personnel for production and product development from MELCO, a company who owns production technology and is trademark owner. Moreover, support received in product development will enable transfer of technology, knowledge, experience, production techniques, and work skills from experienced professionals from Japan to local employees. This transfer will contribute to the development of the Company's operating system to meet international production standards as well as increasing work skills for employees and will affect the quality of manufactured products and reduce the loss in production caused by the lack of employee skills. In addition to

receiving support in product development, the Company also receives support in terms of product sales and procurement of parts and raw materials.

Considering the above support, the IFA views that the Company greatly need to extend the technical service agreement from MELCO for another 5 years (1 April 2024 – 31 March 2029), especially in the condition that competition in the industry tends to increase and depends on the ability to develop products and market to meet the ever-changing needs of customers.

### 4.3 Impact of entering into the Transaction

#### 4.3.1 Accounting Impact

By entering into this transaction, the Company will lose some portions of cash flow derived from the Company's operations and/or have a loan burden from borrowing. The development fee for products in the category of refrigerators, electric fans, ventilating fans and water pumps are approximately 1,921.00 million baht, will affect the company's financial statement and comprehensive income in the future for the years 2024 - 2029 as mentioned.

#### 4.3.2 Cash flow Impact

Paying for product development from entering into this transaction will cause the Company to incur additional costs in product development costs of both technical assistance agreements for product development, totaling approximately 1,921.00 million baht, which will result in losing portions of cash flow for 2024-2029 for product development costs.

#### Development fee structure for entering into the transaction

Unit: million baht

Item	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	Total
Sales and service income	9,046	9,317	9,597	9,885	10,181	48,027
Development fee	362	373	384	395	407	1,921
<b>The ratio of development fees to revenue from sales and services</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>

*Remark: Refers to the fiscal year starting from April 1 to March 31 of the following year according to the closing date of the Company's annual fiscal year.*

When considering the Company's financial structure, it was found that the Company's liquidity ratio for the years 2021 - 2023 after the payment of product development expenses was 4.87 percent, 4.16 and 5.46 respectively, indicating that the Company has sufficient liquidity in business operations. the Company also has high interest coverage ratio and Contingent coverage ratio, indicating that the Company has high capability of debt repayment (Detail in Attachment 1). Therefore, the IFA views that receiving technical services from MELCO is appropriate and would enable the Company to continue its operation while maintaining its ability to pay interest and debt.

#### 4.4 Advantages and Disadvantages of entering into the Transaction

##### 4.4.1 Advantages of entering into the Transaction

###### 1. Develop and improve product quality in accordance with the country of distribution.

Since the Company's products are exported to more than 20 countries around the world, the Company need to improve and develop products to meet various conditions and requirements of countries that the Company will export products and need to create strong standards in terms and conditions of each country in the Company's products such as energy saving, product design and modern technology, safety in use and maintaining the environment including;

No.	Standard	Description	Country
1	Energy Efficiency Ratio : EER	Energy saving standards, indicating the level of electricity consumption and various basic information of electrical appliances.	International
2	SIRIM	Malaysia's standards for quality and technological innovation	Malaysia
3	PREMIUM SAFETY	Standards for product design and selection of materials that prevent fire and are safe for consumers.	International
4	TIS.812-2558	Motor compressor industry standard only for safety	Thailand
5	TIS.934-2558	AC fan industry standard only for safety	Thailand
6	TIS 2214-2561	Refrigerator Industry Standards for Residential Use only for safety	Thailand
7	TIS 2186-2561	Refrigerator Industry Standards for Residential Use Environmental specifics : Energy Efficiency	Thailand
8	TIS 1548-2551	Safety specific electric water pump industry standards	Thailand
9	CR mark	Mandatory standards that ensure the quality, stability and hygiene of all products in Vietnam.	Vietnam
10	RoHS	Standards Restricting the Use of Certain Hazardous Substances which reduces the use of 6 hazardous substances in electrical appliances, namely lead, mercury, cadmium, chromium, hexavalent, polyminate biphenyl (PBB) and polybrominated diphenyl. ether (PBDE), etc.	European Union
11	ISO14001:2015	Environmental management system standards which oversees product quality standards and environmental concerns.	International
12	ISO9001:2015	Quality system standards which oversees both design and development, production, installation and service.	International
13	ISO50001:2018	Energy management system standards according to	International

No.	Standard	Description	Country
		international standards which regulates, regulates, improves energy performance	

**2. Increase competitiveness and maintain market share**

Due to high competition in the electrical appliance market, the development of product to improve its efficiency and quality is very important. Previously, the Company has used a strategy that focuses on producing quality products with innovation, technology and modern styles that save energy, are universal, have high safety, and preserve the environment to meet ever-changing customers' needs. The design and development of products is primarily concerned with the safety of users, therefore, all home electrical appliances produced by the Company have been developed and manufactured according to safety standards which align with MELCO's safety standards such as giving importance to product design and choosing materials that prevent flame retardation and are safe for consumers, etc. MELCO has the ability to develop electrical products according to standards of each country. Since products under the brand "Mitsubishi Electric" have been distributed around the world for a long time, MELCO has good understanding of the standards and has capability to operates under the standards of each country that is constantly changing.

As the Company has always been working to improve and develop its products in terms of design, technology, quality, and environmentally friendly feature, these will make the Company's products unique to the market and maintain its competitive advantage in highly competitive market and help maintain existing top position in the industry going forward.

**3. Increase the ability to expand the Company's market area.**

Since the Company's products in the market are Thai and Japanese that have high market share and quite stable. It is also combined proportion of 82% of total sales revenue referring to 12-month financial statements ended 31 March 2023, so in order to reduce dependence on the domestic market and Japan, the Company has adjusted its strategy to expand the market both in terms of the product and distribution channels by adding distributors to foreign countries that tend to expand rapidly and still has a small market to increase market share by taking advantage of being one of Mitsubishi Electric Group's network that focus on entering into ASEAN community such as Vietnam, Indonesia, Philippines which are countries with large populations and expanding economies. For example, expanding to Russia, India, Turkey and countries in Oceania and Middle East, etc. Therefore, the Company needs to focus on product development completely in driving this strategy because product development is to differentiate and must meet multicultural consumers in each country. This is a very important factor in achieving objective of new markets. This will result in the Company reducing its reliance on domestic and Japanese market revenues, resulting in the Company having more and more sustainable revenues in the long term.

Therefore, in order to operate according to market expansion strategy, the Company has to increase product models and prepare to support in production of certain types of products and models that will be exported to new countries for the first time by producing quality products with innovation, technology, modern style that can save energy and conserve environment According to the standards and laws of each country, the Company needs to encourage employees to learn and has received various technology transfers from MELCO's dedicated technical experts in order to be able to produce products according to the standards.

#### **4. To increase efficiency product reliability and reduce the cost of research and development**

Due to the investment in product research and development, if the Company carries out its own product research and development investment, it may require large amount of capital and more than expense that paid to MELCO, including efficiency of product development. If the Company develop by itself, it's may not be effective and unable to meet the needs of customers, equivalent to receiving Technology Assistance and personnel in product development from MELCO because MELCO is a company that initiated and owned production technology under the trademark "Mitsubishi Electric" of Japan. Therefore, MELCO has the technology, personnel, equipment. and experience and expertise in manufacturing and product development than the Company. If the Company conducts product research and development by itself It may take more time to develop than supported by MELCO or may not be successful in product development.

However, the Company has no experience in developing electrical technology. Including no personnel capable of researching and developing products, equipment and places that are important to research and development. As a result, the Company is unable to estimate total costs for development of new electrical technology. As a result, IFA's opinion that developing new technology without disregarding on other business's technology will require more time and cost than receiving technical services from people with technology and expertise.

#### **4.4.2 Disadvantages of entering into the Transaction**

##### **1. Relatively high cost for Technical Assistance**

This is because most of the product development process has to be done in Japan and requires Japanese technology and expertise. As a result, cost burden is quite high, according to cost burden and cost of living in Japan is quite much higher than Thailand included Japanese staff and experts have to travel to work in Thailand causing the burden of expenses related to the certification of personnel and specialists in a relatively high amount.

When considering development fee that the Company will pay to MELCO this time according to the actual expenses at rate not exceeding 4.00 percent of the revenue from sales and services according to the Company's financial statements each year compared to research and development expenses to actual revenue from sales and services of the Companies that manufacture electrical appliances in Japan during the past 4 years (1 April 2018 – 31 Mar. 2022) to consider the remuneration rate determined. It is reasonable rate, not different from other operators with research and development expenses to revenue from sales and services as follows:



Development fee to revenue from sales and services of competitors

Company	Financial statements ended 31 Mar			
	2019	2020	2021	2022
MELCO	4.44%	4.63%	4.54%	4.36%
Toshiba Corporation	5.82%	5.56%	5.37%	4.92%
Hitachi, Ltd.	3.41%	3.35%	3.36%	3.09%

Source: 1. MELCO's Annual Report for 2019 - 2023

2. Toshiba Corporation's Annual Report for 2019 - 2023

3. Hitachi, Ltd.'s Annual Report for 2019 - 2023

However, the Company has worked together and product development has been planned in advance. and aforementioned budget framework is clearly set not to exceed 4.00 percent of sales revenue. Therefore, it can control the burden of expenses that will occur not to be higher than necessary.

## 2. Loss of operating cash flow of the Company as expenses to MELCO.

Due to entering into the transaction, the company's Development fee are approximately 1,921 million baht for period of 5 years starting from 1 April 2024 to 31 March 2029, causing the Company to have expenses. In the past, the Company paid to MELCO's technical service fees at an average of 3.12 percent of sales and service revenue per year. From 1 April 2019 to 31 March 2023, the Company has been working together and planning product development in advance and framework is clearly set not to exceed 4.00 percent of sales revenue. Therefore, it can control the burden of expenses that will occur not to be higher than necessary.

## 4.5 Advantages and Disadvantages of not entering into the Transaction

### 4.5.1 Advantages of not entering into the Transaction

#### 1 The company will not pay for product development and royalties to MELCO.

Due to the renewal of the Agreement from this transaction will result in the Company's expenses increasing in 2 parts: 1. Development fee from technical assistance transaction that falls under the category 2 of the connected transaction. 2. Royalty fee is a normal business support transaction with general trading conditions which is not considered a connected transaction of the Company. If the Company does not renew the Agreement, the above costs can be reduced.

However, the Company's core business is the sale of electrical appliances under "Mitsubishi Electric" trademark, which accounts for more than 90 percent of the Company's total revenue. It will affect the current business operations and will increase the cost of research and development of new products.

## **2 Reducing the dependence on business operations from MELCO.**

The Company currently operates its business by heavily rely on MELCO in terms of product development, procurement of raw materials, production and distribution by not renewing the Agreement, it will reduce dependence on MELCO if MELCO encounters economic problems or any factor which may result in MELCO cessation of business. This will have direct impact on the Company's business operations as well as reducing the risk of transferring benefits that may occur in the future from business operations.

On the other hand, MELCO is large listed company in Japan that can consistently generate positive profits with stability. IFA opined that the risk of MELCO's business termination is low and consideration of related transactions by directors who have no interests. It will reduce risk of transferring MELCO's benefits.

### **4.5.2 Disadvantage of not entering into the Transaction**

#### **1 Impact on current business operations**

the Company has operation that relies on MELCO. Therefore, if the Company's Technical Assistance Agreement is not renewed, the Company may have an impact on business operations immediately after the end of the Agreement on 31 March 2024. The Company will not be able to produce and sell products that use technology and development from MELCO, which will affect the core business.

## **4.6 Advantages and Disadvantages of entering into the Transaction with Connected person**

### **4.6.1 Advantages of entering into the Transaction with Connected person**

#### **1. Received production Technology Assistance from MELCO, a company with expertise.**

If continuing the Technical Assistance Agreement with MELCO, the Company will receive knowledge transfer and production technology from company in Japan that owns production technology and expertise In the production of electronic equipment and electronic appliances. MELCO will provide support and assistance in manufacturing technology as MELCO is major shareholder of the Company which may have a positive effect on the image and quality of the Company's products and affects maintaining market share and seeking new markets from new products. It is developed directly by MELCO, which is of great importance in the long-term business operation of the Company under intense competition.

#### **2. Development fee are cheaper than outsourcing and the quality is at a better standard.**

The Company receives Technology Assistance in product development from MELCO, which owns production technology and specializes in electronic appliances at the top of the world, allowing the Company to achieve quality of production and development of products at high standard. In addition, Development fee paid to MELCO are lower than expenses that the Company will outsource because MELCO charges Development fee to the Company according to actual expenses. By the way, MELCO does not charge profits or other expenses. However, if the Company hires an outside company that is not the owner of electrical appliance production technology under the "Mitsubishi Electric" trademark, the Agreementing company must invest in studying production technology. There is investment in machinery and equipment. Including the

need to create personnel to have expertise in product development. This requires a large investment of time and money and success of product development cannot be guaranteed. Also, the outsourcing company is not affiliated with KYE, so profits must be accounted for in the product cost paid. This will make the product development service charged to the Company to be very high compared to the payment to MELCO.

**3. Be able to negotiate the conditions in Agreement easier and faster than third party**

Renewal of Technical Assistance Agreement with MELCO, which is major shareholder of the Company makes it easier and faster to negotiate terms of the Agreement with the Company if the Company takes any action that is not in accordance with the terms and conditions in Agreement when compared to entering into a transaction with third party. For example, if the Company is unable to pay for product development within the period specified in the Agreement, the Company can request to negotiate of payment terms easier and faster than entering into transactions with third parties.

**4.6.2 Disadvantages of entering into the Transaction with Connected person**

**1. the Company cannot develop products and sell under other trademarks.**

Because under Technical Assistance Agreement that the Company has signed with MELCO, the Company will receive assistance in production technology and product development under the trademark "Mitsubishi Electric". The Technology and product development are business secrets causing the Company to be obligated under terms of Agreement that the Company may not produce under other trademarks in order to expand the customer base or product sales. Therefore, its cannot hire or collaborate with any other person in the development of the Company's products under the trademark "Mitsubishi Electric"

**2. There may be suspicions that it is a channel for conflicts of interest.**

Entering into a transaction with connected person may cause suspicion that it is channel for transferring benefits of the Company or the Company has negotiated the price and conditions to obtain Technical Assistance that would put the Company at disadvantage that may affect minority shareholders of the Company. The Board of Directors and executive of the Company are well aware of the impact of entering into transactions with connected persons without doing any transaction which does not benefit or cause the Company, especially the Company's minority shareholders. However, the condition of Development fee that the Company will pay to MELCO each quarter will be based on the actual expenses paid by MELCO without any profit or additional expenses. In addition, the Company has set up a working group consisting of production engineers of the Company with expertise to review the expenses that MELCO sends to collect each installment to ensure that collection are reasonable expenses for nature of product development in each model. In addition, the Board of the Company has also presented to approve the budget framework for paying Development fees to MELCO each year, not exceeding 4.00 percent of revenue from sales of goods and services. The Company's Board of Directors and the Company's Audit Committee have considered the conditions and how to enter the transaction in detail Transparent enough to believe that the Company and minority shareholders will get the most benefit from entering into this transaction.

Consideration of the appropriateness of the Company's Development fee will be considered jointly with 3 parties, namely MELCO, the Company and distributor company in product development planning by considering suitability in terms of labor costs, experts, raw materials, equipment for testing to be appropriate according to the characteristics of the product to be developed which will control expenses to not exceed 4.00 percent of the Company's revenue from sales of goods and services each year

Entering into the transaction, the Company has hired an Independent Financial Advisor to provide opinions on the Transaction for entering into the transaction that included impacts, advantages, disadvantages, and risks arising from entering into the transaction as well as giving opinions on the appropriateness of Development fee and conditions involved in renewal of Technical Assistance Agreement from MELCO this time as information for shareholders to use in making a decision in exercising their voting rights to consider the transaction at the Company's shareholders' meeting.

#### **4.7 Risk from entering into the Transaction**

##### **1. The Company's core business operation that relies on MELCO**

Due to the continuation of the technical assistance agreement from MELCO, the Company has to rely on technology in production and product development from MELCO only. In the case that MELCO encounters problems in business operations that cause business operations to be interrupted or severe loss to the point of bankruptcy, it will affect the business operations of the Company, especially in terms of production and product development that the Company relies on. However, MELCO is a leading company in the business of manufacturing and distributing electrical equipment in Japan. MELCO has been in business for nearly 100 years with stable financial position and has consistently earned net profits its business. In addition to the business of manufacturing and distributing electrical equipment, MELCO also invests in the information system business, communication equipment, logistics, real estate and advertising business and so on. Therefore, it is believed that MELCO's business operations will be able to operate sustainably in the future.

##### **2. Actual product development costs may exceed 4.00 percent of revenue**

In seeking approval from the shareholders' meeting of the Company for the renewal of this Technical Assistance Agreement, the budget framework for paying Development fees to MELCO is set at the actual product development costs. However, this must not exceed 4.00 percent of the income from sales of goods and services each year. However, the request for approval of the product development payment budget each year at such rate is only a budget for the product development payment of the Company, where the development fee rate does not exceed 4.00 percent of the revenue from sales of products and services. It is not specified as a condition of payment for product development under the Technical Assistance Agreement. Therefore, there is a risk that if MELCO incurs actual product research and development expenses and amounts higher than 4.00 percent of the Company's revenue from sales of goods and services each year, the Company will still have obligations under the contract In paying actual product development costs even though product development costs are higher than 4.00 percent of revenue from sales of goods and services.

However, if product development costs exceed 4.00 percent of revenue from sales and services, the Company will proceed to request approval of product development costs to the next shareholders' meeting again. and in the process of product development Three parties, namely MELCO, the Company and the distribution company, have been set up to work together in product development planning. However, every time development fee is paid to MELCO, the financial department will prepare a summary of product development expenses in order to control the expense budget to not exceed 4.00 percent of product sales and services of the Company each year. The product development budget spending will be reported to the Company's Board of Directors for acknowledgment so that the Company's executives can adjust the product development plan in accordance with the remaining budget in order not to expenditure on product development costs exceeding the budget set at 4.00 percent of revenue from sales and services each year.

### **3. Risk from foreign exchange**

Due to the terms of payment for product development under the technical assistance contract, MELCO will charge development fees for refrigerators. electric fans and ventilation fans with the Company according to the amount actually paid by MELCO in Japanese Yen. Therefore, if there is fluctuation in the exchange rate between the Yen and the Baht, the Company may be obliged to pay an additional amount for development if the Baht depreciates against the Yen. However, such risks may not cause much trouble for the Company since the Company's revenues are mainly denominated in the Yen from exports to Japan. It is a natural hedge where the Company has income and expenses in Yen as well.

### **4.8 Summary of Opinions on the Reasonableness of the Transaction**

The IFA has considered the reasonableness of the transaction by considering the impact of the transaction and the conditions of the transaction, advantages and disadvantages of entering into the transaction, advantages and disadvantages of not entering into the transaction, advantages and disadvantages of entering into transactions with connected persons compared to third parties to the risk of entering into the transaction. The IFA views that receiving technical assistance from Mitsubishi Electric Corporation will help the Company to compete in the electrical equipment market and be able to continue operating the Company's core business. **Therefore, the IFA opined that the transaction is reasonable.**

**Section 5 : Summary of IFA's Opinion**

Please see Summary of Independent Financial Advisor's Opinion in Section 1, "Executive Summary" of this IFA Opinion Report.

From consideration of reasonableness, advantages, and disadvantages of entering into the Transaction, Advantages and disadvantages of entering into a transaction with a connected person, risk from entering into the Transaction, IFA has an opinion that **shareholders should vote to approve the Transaction as specified by the Company this time.**

In addition, entering the Connected Transaction of the Trust according to the Notification of terms and conditions unitholders of the Trust able to consider information, supporting reasons and opinions on various issues according to IFA presented in this report.

Silom Advisory Co., Ltd., as an Independent Financial Advisor of BLAND certify that IFA considered and studied the information with due diligence and reasonableness according to professional standards and reasoned because of reasonableness and fair analysis by considering the benefits of the shareholders of BLAND as important.

Best Regards,

.....*Signature*.....

(Mr. Pitak Kittiakrastein)

Managing Director

Silom Advisory Company Limited

.....*Signature*.....

(Mr. Nuttawat Kittiakrastein)

Operation Controller

Silom Advisory Company Limited

## Attachment 1 : Summary of Kang Yong Electric Public Company Limited

### 1.1 Basic Information

Company name	: Kang Yong Electric Public Company Limited
Initial	: KYE
Corporate registration number	: 0107536001257
Business	: Manufacturer of Mitsubishi Electric brand of electrical home appliances such as refrigerators, electric fan, ventilating fan and water pump. The Company, with technical licensed by joint - ventured partner, Mitsubishi Electric Corporation, has customers both domestics and overseas.
Location	: 67 Moo 11, Thepparat Road, Km. 20, Bang Chalong Subdistrict, Bang Phli District, Samut Prakan 10540
Registered Capital	: 198,000,000 baht divided into 19,800,000 ordinary shares at par value of 10.00 baht (As of 20 June 2023)
Issued and paid-up Capital	: 198,000,000 baht divided into 19,800,000 ordinary shares at par value of 10.00 baht (As of 20 June 2023)

### 1.2 Historical information

Kang Yong Electric Public Company Limited was established on 12 January 1964 by Mr. Sitthiphol Potivorakhun with registered capital of 10 million baht under the Company's former name "Kang Yong Electric Manufacturing Co., Ltd." joint venture between Phothivorakhun family and MELCO with the objective to produce and distribute electrical appliances under "Mitsubishi Electric" trademark, in 1993 the Company was listed on the Stock Exchange of Thailand as well as transforming into public company and changed its name to "Kang Yong Electric Public Company Limited", using securities initial "KYE" with paid-up capital of 220 million baht and 22 million ordinary shares at par value of 10 baht per share on 12 September 2019. In the past, the Company has reduced its registered capital to 198 million baht or 19.8 million shares.

At present, the Company has an office and factory located on land area of 73 rai 2 ngan 23 square wah as manufacturer and distributor of electrical appliances products consist of refrigerators, electric fans, ventilation fans and water pump It has received license and production technology from Mitsubishi Electric Corporation, Japan, which is venture capitalists.

### 1.3 Business

the Company is manufacturer and distributor of electrical appliances such as refrigerators, electric fans, ventilation fans and water pump under the trademark "Mitsubishi Electric" by receiving cooperation and support in product design development technology and production system from MELCO, focusing on producing quality products, safe, modern technology, energy saving and environment in order to needs of customers and able to compete with competitors in the market

## **Products and Services**

### **1 Refrigerator**

the Company focuses on research and development of refrigerator products to be designed can respond to the needs of consumers in many ways, including

Capless Design	:	New exterior design that is outstanding, beautiful and clearly differentiated.
Easy to Use	:	Diversified design both the number of models, doors and capacity for suitability.
Healthy Technology	:	Combination of different food preservation technologies for good hygiene in food consumption that maintains the freshness of food and clean area in each compartment inside.

### **2 Electric fan**

The Company develops different types of fans to suit application include fans, tabletop type, floor type, wall type, oscillating type and ceiling type. For each model will have variety of propeller sizes according to the suitability of use, enclosed fan motors which is the exclusive copyright of Mitsubishi Electric that helps prevent dust and foreign matter from damaging, the product thus making it highly durable and withstand all conditions of use, the Company has designed and developed new wall fan with 16-inch propeller model and 18-inch propeller model use propellers made from PP-Fiber materials that are resistant to oil and durable.

### **3 Ventilation fan**

The Company's ventilating fan products are considered product that creates benefits and elevate the quality of life for consumers as well, which the Company pays special attention to the process of product development. To provide good ventilation and air circulation both ventilated, wall-mounted, glass-mounted, ceiling-mounted that do not require ventilation ducts and pipe connection type, embedded in the ceiling. Last year, the Company introduced a 12-inch wall-mounted ventilating fan model EX-30SKC7T, which was launched in Thailand in May 2022.

### **4 Water pump**

The Company develops and manufactures various types of water pumps to suit various user applications, such as water pumps for pumping water from wells or water tank. It works automatically according to Automatic constant pressure and inverter type which has electronic control system to save more energy. The R-series water pump product, which started production in 2019 under the new energy saving standard 5, the highest 3 star rating, with a new impeller design, U-shaped design, allows the pump to deliver more and more powerful and save energy worthwhile and received good feedback from both domestic and foreign countries. In 2022, the R-series water pump can be ranked as the number 1 brand in the Thai market for 5 consecutive years according to survey of popularity of water pump products from Marketeer magazine.



## Marketing and Competition

the Company distributes products through 3 main market segments: domestic market Japan market And other foreign markets in fiscal year 2022, the proportion of sales is 39:43:18, respectively, with sales growing in all markets. When comparing the proportion of sales to the 2021 budget, the Company saw lower sales in all markets. as it is still affected by the COVID-19 situation, especially other foreign markets Which was quite severely affected by the problem of insufficient containers. Freight charges have increased. Density within the port of destination country making it impossible to deliver the goods as planned.

### 1 Domestic Market

Domestic demand for electrical appliances in 2023 is expected to grow. This is due to factors such as the housing market which is expected to improve in line with the economic growth direction. Marketing of new electrical appliances that pay more attention to health Including the development of the ability to control the work through the Internet connection. The weather is rising due to global warming. and increasing distribution channels through online product marketing This makes it more convenient for consumers to access information and make purchasing decisions. The Company's demand for electrical appliances grows from the above factors. In addition, the relaxation of the epidemic measures of COVID-19 It is a positive factor that causes a shortage of raw materials. Started to unravel, allowing the Company to produce and deliver products as customers want, thus increasing domestic sales.

- Refrigerators: The overall market demand for refrigerator products is growing at a high rate. There is still need for larger capacity refrigerators to store food. Therefore, trend of growth in 4 -door refrigerators, while 1-door and 2-door refrigerators still have high growth rate, especially small 2-door refrigerators because less price and consumers are more aware of energy savings in the past year. The Company can deliver products according to demand due to raw material shortage situation and labor shortages in the manufacturing sector began to ease.
- Water pumps: The overall market demand for water pumps is growing at a high rate. Because the behavior of choosing housing may change after the outbreak of COVID-19, for example, working at home (Work from home), resulting in higher demand for low-rise houses than condominiums. Low-rise housing tends to improve from customers who buy for real living, most of which are customers with purchasing power in middle to upper market. The factor is driven by price that not very high.
- Electric Fan : Overall market demand has decreased compared to previous year due to inclement weather rainy season lasts longer than usual and not conducive to marketing. However, new fan design, which has replaced grille cover from steel to plastic, has been well received by customers in Bangkok and its vicinity while sales in provincial customers have decreased slightly.

- Ventilation fans : The overall market demand has high growth rate because supply of new condominiums tends to be increased to accommodate investors, especially in tourist attractions to support recovery of tourism sector as a result of principles reduction on foreign property ownership.

## **2 Japanese Market**

Japan's economy is expected to expand, driven by investment expansion to support export expansion and investment in digital technology to cope with future labor shortages. The tourism sector gradually recovered as a result of the "Go To Travel" measure and the gradual opening of the country. In addition, the government has issued other stimulus measures to remedy impact of COVID-19 and revitalize the economy such as collecting taxes from high-revenue wage increase and investment support in provincial areas. The Bank of Japan (BOJ) tends to continue accommodative monetary policy. The recovery is still slow and savings rate remains high. As a result, domestic spending remains cautious and has a low growth trend.

Presently, the Company has exported 3 types of products to the Japanese market, including refrigerators, electric fans, ventilation fans by fiscal year 2022, the market situation in Japan of each product can be briefly summarized as follows.

- Refrigerators : The overall market demand has a higher growth rate than the previous year, especially in the first half of the year and the Company is able to deliver products as needed due to shortage of parts in production labor shortage and shortage of containers has begun to improve, with freezers and small double-door refrigerators still in high demand. In addition, the Company has sent new small 4-door refrigerator to the market in October while the 3-door refrigerator sales were similar to previous year.
- Electric Fan : Overall market demand has decreased growth rate due to electric fans in conjunction with ventilation fans to reduce the risk of spreading the COVID-19 virus is expected to decrease.
- Ventilation Fan : Overall market demand has decreased considerably from previous year due to demand for ventilation fans to reduce risk of spreading the COVID-19 virus in various places as the government reduces various control measures. In addition, the budget for installing ventilation fans has been cancelled. As a result, the Company's sales decreased.

## **3 Other Foreign Markets**

The problem of global supply disruption, including shortages of semiconductors and containers in the transportation sector, is prospective to resolve in second half of 2022 as many countries can control the spread of Covid-19 and reduce measures to control the outbreak and gradually open in many countries. The economy recovered gradually rise global commodity prices causing inflation in many trading partners such as New Zealand exceeded monetary policy target which led to slowdown in domestic consumption. However, trends in energy and commodity prices need to be monitored on costs and inflation in each country.

In previous year, the Company's export growth decreased in almost all products except electric fans due to high sales growth mainly from Vietnam as the economy recovery after the Covid-19 situation but in terms of value, there is growth in all products as the Company has raised selling prices and adjusted its strategy to focus on selling profitable products and models.

#### 1.4 Revenue Structure

Products	31 March 2021		31 March 2022		31 March 2023	
	Million baht	Percent	Million baht	Percent	Million baht	Percent
Electric fan and ventilation fan	1,312.7	15.8	1,291.2	16.3	1,352.4	16.1
Refrigerator	5,732.9	69.2	5,347.0	67.7	5,638.8	67.1
Water Pump	1,148.1	13.9	1,190.5	15.1	1,334.6	15.9
Others	92.2	1.1	69.2	0.9	72.8	0.9
<b>Total</b>	<b>8,285.9</b>	<b>100.0</b>	<b>7,897.9</b>	<b>100.0</b>	<b>8,398.6</b>	<b>100.0</b>

Source: Internal information received from the Company

#### 1.5 Board of Directors

As of 20 June 2023, the Company has 14 directors as followed:

	Name		Position
1	Mr. Praphad	Phodhivorakhun	Chairman, Chairman of the Board of Executive Directors
2	Mr. Keiji	Oya	Vice Chairman of Board of Directors, President
3	Mr. Chayanind	Phodhivorakhun	Director
4	Mr. Tatsuo	Ono	Director
5	Mr. Hitoshi	Maruyama	Director
6	Mr. Praphon	Potivorakun	Director
7	Mr. Yasuhito	Negishi	Director
8	Mr. Osamu	Sugimoto	Director
9	Mr. Kunihiko	Seki	Director
10	Mr. Arthakrit	Visudtibhan	Independent Director, Chairman of the Audit Committee
11	Mr. Manu	Leopairote	Independent Director
12	Pol. Maj. Gen. Sahachai	Indrasukhsri	Independent Director, Audit Committee
13	Mr. Apichai	Boontharawara	Independent Director, Audit Committee
14	Mr. Pumipat	Sinacharoen	Independent Director

Source : SET as of 20 June 2023

## 1.6 Shareholders Structure

As of 31 March 2023, the Company has list of major shareholders as followed:

No.	Name	Shares	Percent
1	MITSUBISHI ELECTRIC CORPORATION	9,048,020	45.34
2	Phothivorakhun Co., Ltd.	1,960,024	9.90
3	KY Intertrade Co., Ltd.	1,773,024	8.95
4	Kang Yong Company Limited	697,324	3.52
5	Mr. Supachai Suthipongchai	342,500	1.73
6	Mr. Somjin Leelaket	340,000	1.71
7	BANK OF SINGAPORE LIMITED	307,500	1.55
8	Mr. Chayanin Potivorakhun	265,583	1.34
9	Mrs. Srirat Warikarn	258,307	1.30
10	Mr. Praphon Potivorakhun	204,115	1.03
	<b>Total shares of top 10 major shareholders</b>	<b>15,196,397</b>	<b>76.75</b>
11	Other shareholders	4,603,603	23.25
	<b>Total</b>	<b>19,800,000</b>	<b>100.00</b>

Source: the Company's Shareholders register as of 31 March 2023

## 1.7 Financial Statement

## 1.7.1 Statement of Financial Position

Statement of Financial Position	Audited Financial Statement for year ended 31 March					
	2021		2022		2023	
	Mbaht	Percent	Mbaht	Percent	Mbaht	Percent
<b>Assets</b>						
Current assets						
Cash and cash equivalents	755.52	7.17	739.26	7.21	630.63	6.54
Trade accounts receivables	1,095.95	10.40	1,202.34	11.73	1,041.53	10.80
Value added tax refundable	33.01	0.31	54.57	0.53	49.80	0.52
Other receivables	26.18	0.25	28.51	0.28	30.71	0.32
Short-term loan to related party	94.60	0.90	98.25	0.96	96.96	1.01
Inventories	768.60	7.29	1,180.55	11.51	1,271.35	13.18
Other current financial assets	3,600.00	34.15	3,030.00	29.55	2,820.00	29.24
Other current assets	11.73	0.11	17.87	0.17	17.62	0.18
<b>Total current assets</b>	<b>6,385.59</b>	<b>60.57</b>	<b>6,351.35</b>	<b>61.95</b>	<b>5,958.59</b>	<b>61.78</b>
Non-current assets						
Other non-current financial assets	2,607.14	24.73	2,328.41	22.71	2,195.94	22.77
Investment in associate	19.48	0.18	21.66	0.21	23.26	0.24
Investment properties	3.91	0.04	3.91	0.04	3.91	0.04
Property, plant and equipment	1,464.50	13.89	1,491.22	14.54	1,405.27	14.57
Right-of-use assets	19.98	0.19	17.69	0.17	20.90	0.22
Intangible assets	30.19	0.29	27.19	0.27	27.17	0.28
Other non-current assets	12.24	0.12	11.75	0.11	10.41	0.11
<b>Total non-current assets</b>	<b>4,157.45</b>	<b>39.43</b>	<b>3,901.84</b>	<b>38.05</b>	<b>3,686.87</b>	<b>38.22</b>
<b>Total assets</b>	<b>10,543.04</b>	<b>100.00</b>	<b>10,253.18</b>	<b>100.00</b>	<b>9,645.45</b>	<b>100.00</b>
<b>Liabilities and equity</b>						
Current liabilities						
Trade accounts payables	892.68	8.47	1,147.05	11.19	769.00	7.97
Other payables	347.65	3.30	362.51	3.54	304.33	3.16
Current portion of lease liabilities	7.43	0.07	7.89	0.08	8.65	0.09
Other current liabilities	56.92	0.54	-	-	-	-
Total current liabilities	7.48	0.07	10.74	0.10	8.84	0.09
<b>Current liabilities</b>	<b>1,312.17</b>	<b>12.45</b>	<b>1,528.19</b>	<b>14.90</b>	<b>1,090.82</b>	<b>11.31</b>
Non-current liabilities						
Lease liabilities	12.98	0.12	10.47	0.10	13.01	0.13
Deferred tax liabilities	412.46	3.91	333.71	3.25	290.35	3.01

Statement of Financial Position	Audited Financial Statement for year ended 31 March					
	2021		2022		2023	
	Mbaht	Percent	Mbaht	Percent	Mbaht	Percent
Provision for warranties	99.25	0.94	85.00	0.83	75.81	0.79
Non-current provisions for employee benefits	305.08	2.89	276.20	2.69	270.03	2.80
Provident funds	10.28	0.10	7.80	0.08	6.35	0.07
<b>Total non-current liabilities</b>	<b>840.04</b>	<b>7.97</b>	<b>713.17</b>	<b>6.96</b>	<b>655.55</b>	<b>6.80</b>
<b>Total liabilities</b>	<b>2,152.21</b>	<b>20.41</b>	<b>2,241.36</b>	<b>21.86</b>	<b>1,746.37</b>	<b>18.11</b>
Equity						
Share capital:						
Authorised share capital						
(19,800,000 ordinary shares, par value at 10 baht per share)	198.00	1.88	198.00	1.93	198.00	2.05
Issued and paid-up share capital		-		-		-
(19,800,000 ordinary shares, par value at 10 baht per share)	198.00	1.88	198.00	1.93	198.00	2.05
Share premium:						
Share premium on ordinary shares	726.10	6.89	726.10	7.08	726.10	7.53
Retained earnings						
Appropriated						
Legal reserve	22.00	0.21	22.00	0.21	22.00	0.23
Other reserve	420.00	3.98	420.00	4.10	420.00	4.35
Unappropriated	5,069.11	48.08	4,913.09	47.92	4,906.33	50.87
Other component of equity	1,955.61	18.55	1,732.63	16.90	1,626.65	16.86
<b>Total equity</b>	<b>8,390.83</b>	<b>79.59</b>	<b>8,011.82</b>	<b>78.14</b>	<b>7,899.09</b>	<b>81.89</b>
<b>Total liabilities and equity</b>	<b>10,543.04</b>	<b>100.00</b>	<b>10,253.18</b>	<b>100.00</b>	<b>9,645.45</b>	<b>100.00</b>

Source: Audited Financial Statement of the Company for year ended 31 March 2022 – 2023

Remark: Financial information for 2021 is based on the company's Audited Financial Statements as of 31 March 2022.

## 1.7.2 Comprehensive Revenue Statement

Comprehensive Revenue Statement	Audited Financial Statement for year ended 31 March					
	2021		2021		2021	
	Mbaht	Mbaht	Mbaht	Mbaht	Mbaht	Mbaht
<b>Revenue</b>						
Revenue from sale of goods and rendering of services	8,285.81	93.92	7,897.89	93.09	8,398.64	95.82
Investment revenue	475.08	5.39	478.50	5.64	277.56	3.17
Net foreign exchange gain	5.29	0.06	40.55	0.48	21.84	0.25
Other revenue	55.81	0.63	67.13	0.79	66.68	0.76
<b>Total revenue</b>	<b>8,821.98</b>	<b>100.00</b>	<b>8,484.07</b>	<b>100.00</b>	<b>8,764.72</b>	<b>100.00</b>
<b>Expenses</b>						
Cost of sale of goods and rendering of services	6,620.42	75.04	7,059.71	83.21	7,517.45	85.77
Distribution costs	435.06	4.93	462.58	5.45	493.23	5.63
Administrative expenses	631.12	7.15	651.24	7.68	614.01	7.01
<b>Total expenses</b>	<b>7,686.61</b>	<b>87.13</b>	<b>8,173.53</b>	<b>96.34</b>	<b>8,624.68</b>	<b>98.40</b>
<b>Profit from operating activities</b>	<b>1,135.37</b>	<b>12.87</b>	<b>310.54</b>	<b>3.66</b>	<b>140.04</b>	<b>1.60</b>
Finance costs	(0.33)	(0.00)	(0.31)	(0.00)	(0.33)	(0.00)
Share of profit of associate	0.02	0.00	2.19	0.03	2.27	0.03
<b>Profit before revenue tax</b>	<b>1,135.06</b>	<b>12.87</b>	<b>312.42</b>	<b>3.68</b>	<b>141.98</b>	<b>1.62</b>
Tax revenue (expense)	(136.78)	(1.55)	24.65	0.29	17.60	0.20
<b>Profit for the year</b>	<b>998.28</b>	<b>11.32</b>	<b>337.06</b>	<b>3.97</b>	<b>159.58</b>	<b>1.82</b>
<b>Other comprehensive revenue</b>						
Item that will not be reclassified subsequently to profit or loss						
Gain (loss) on investments in equity instruments designated at FVOCI	2,448.14	27.75	(278.73)	(3.29)	(132.47)	(1.51)
Gain on remeasurements of defined benefit plans	13.47	0.15	8.58	0.10	3.69	0.04
Revenue tax relating to items that will not be reclassified	(492.32)	(5.58)	54.03	0.64	25.76	0.29
Total items that will not be reclassified subsequently	1,969.29	22.32	(216.12)	(2.55)	(103.03)	(1.18)
<b>Other comprehensive revenue</b>	<b>1,969.29</b>	<b>22.32</b>	<b>(216.12)</b>	<b>(2.55)</b>	<b>(103.03)</b>	<b>(1.18)</b>
<b>Total comprehensive revenue</b>	<b>2,967.57</b>	<b>33.64</b>	<b>120.94</b>	<b>1.43</b>	<b>56.55</b>	<b>0.65</b>

Source: Audited Financial Statement of the Company for year ended 31 March 2022 – 2023

Remark: Financial information for 2021 is based on the company's Audited Financial Statements as of 31 March 2022.

### 1.7.3 Financial Ratio

Financial Ratio	Unit	2021	2022	2023
<b>Liquidity Ratio</b>				
Current ratio	Time	4.87	4.16	5.46
Quick ratio	Time	1.41	1.27	1.53
Cash flow from operating ratio	Time	0.84	(0.15)	(0.09)
Account receivable turnover	Time	7.29	6.71	7.29
Collection period	Day	50.06	54.37	50.05
Inventory turnover	Time	8.52	7.24	6.13
Inventory coverage	Day	42.82	50.39	59.52
Account payables turnover	Time	7.87	6.92	7.85
Payment period	Day	46.37	52.73	46.52
Cash cycle	Day	46.52	52.03	63.05
<b>Profitability Ratio</b>				
Gross profit margin	%	20.10	10.61	10.49
Operating profit margin	%	13.70	3.93	1.67
Other revenue to total revenue ratio	%	6.08	6.91	4.18
Cash to profit margin	%	92.95	(70.40)	(88.19)
Net profit margin	%	11.32	3.97	1.82
Return on equity	%	14.13	4.11	2.01
<b>Efficiency Ratio</b>				
Return on assets	%	11.14	3.24	1.60
Return on fixed assets	%	15.49	6.70	5.03
Asset turnover	Time	0.98	0.82	0.88
<b>Financial Policy Ratio</b>				
Debt to equity ratio	Time	0.26	0.28	0.22
Interest coverage ratio	Time	4,583.94	2,180.36	1,501.08
Interest bearing debt to EBITDA ratio	Time	0.01	0.03	0.04
Debt service coverage ratio	Time	4.32	1.83	1.56
Dividend payout ratio	%	31.14	148.33	106.08



## **1.8 Management Discussion and Analysis**

### **1.8.1 Operating Performance**

#### **1. Revenue from Sales and Services**

The Company's revenue from sales and services between 2021 - 2023 is equal to 8,285.81 million baht 7,897.89 million baht and 8,398.64 million baht respectively, representing a compound annual growth rate (CAGR) between 2021 - 2023 equal to 0.68 with revenue from sales and services consisting of revenue from 4 main product lines, namely refrigerators, electric fans, ventilation fans and water pump

In 2022, the Company had sales revenue of 7,897.89 million baht, decrease of 387.92 million baht or 4.7% from decreasing of the Company's products sales in domestically, Japan and other foreign markets accounted for 4.1%, 2.3%, 11.2%, respectively due to the spread of COVID-19 and the Russo-Ukrainian War that resulted in the price of raw materials in the world market increasing.

In 2023, the Company had sales and service revenue of 8,398.6 million baht, increase of 500.70 million baht or 6.30% from increasing in domestically, Japan and other countries in the amount of 241.2 million baht 123.1 million baht and 136.5 million baht or representing 7.8, 3.6, and 9.8 percent respectively, due to the increasing of product prices subsequent with costs.

#### **2. Investment revenue and Other revenue**

Investment revenue and other revenue between 2021 and 2023, the Company has investment revenue and other revenue of 536.17 million baht, 586.18 million baht and 366.08 million baht respectively.

In 2022, the Company had investment revenue and other revenue of 586.18 million baht, increase of 50.00 million baht or 9.32% due to the Company receiving gains from exchange rates increased by 35.26 million baht, increase in investment income of 3.42 million baht from higher dividend income and from gains on exchange rates from debtor revaluation resulting in higher profits.

In 2023, the Company had investment revenue and other revenue of 366.08 million baht, decrease of 220.09 million baht or 37.55% due to decrease in investment revenue of 200.94 million baht and a decrease in foreign exchange gains of 18.71 million baht. This was caused by a huge decrease in dividend revenue of 203.4 million baht due to the difficult situation of the companies invested by the Company.

#### **3. Cost of sales and Distribution**

The Company has cost of sales and distribution between 2021 – 2023 equal to 7,055.49 million baht 7,522.29 million baht 8,010.67 million baht respectively.

In 2022, the Company's cost of sales and distribution was 7,522.29 million baht, an increase of 466.81 million baht or 6.62% due to the shortage of containers and the increase in freight rates causing transportation abroad increase.

In 2023, the Company's cost of sales and distribution was 8,010.67 million baht, an increase of 488.38 million baht or 6.49% due to the increasing shortage of parts and raw materials. Therefore, cost of transporting abroad has to be increased.

#### **4. Administrative Expense**

Between 2021 – 2023, the Company has administrative expenses equal to 631.12 million baht 651.24 million baht and 614.01 million baht respectively.

In 2022, the Company had administrative expenses of 651.24 million baht, increase of 20.1 million baht or 3.2% due to an increase in COVID-19 prevention related expenses of 31.9 million baht.

In 2023, the Company had administrative expenses of 614.01 million baht, decrease of 37.2 million baht or 5.7% due to expenses related to prevention of COVID-19, such as cost of COVID-19 vaccination, disposable masks, Antigen Test Kit for COVID-19 (ATK) has decreased.

#### **5. Net Profit**

While the Company's operating results in 2021 were 998.28 million baht, between 2022 and 2023 the Company had net profit of 337.06 million baht and 159.58 million baht respectively.

In 2022, the Company had net profit of 337.06 million baht, decrease of 661.22 million baht or 66.24% due to lower sales and service revenue and increased costs from transportation and freight.

In 2023, the Company had net profit of 159.6 million baht, decrease of 177.48 million baht or 52.66% due to increase in the Company's revenue of 6.34% from price adjustment of overseas shipping expenses from shortage of semiconductors and containers include shipping freight.

### **1.8.2 Financial Position**

#### **1. Assets**

The Company has total assets between 2021 – 2023 equal to 10,543.04 million baht 10,253.18 million baht 9,645.45 million baht respectively, consisting of other current financial assets other non-current financial assets, property plant and equipment, etc.

As of 31 March 2022, the Company has total assets of 10,253.18 million baht, decrease of 289.8 million baht from 2021 or 2.7% because 1. Cash and cash equivalents decreased by 16.2 million baht 2. Using short-term deposits for business operations in the amount of 570.0 million baht 3. Adjustment of the fair value of other investments decreased by a total of 278.7 million baht.

As of 31 March 2023, the Company has total assets of 9,645.45 million baht, a decrease of 607.7 million baht from 2022, representing 5.93% due to 1. Cash and cash equivalents decreased by 108.7 million baht 2. Using short-term deposits for business operations in amount of 210.0 million baht due to inventories increase 3. Decrease in trade accounts receivable 160.81 million baht 4. Adjustment of fair value of other investments decreased in total 132.5 million baht

## **2. Liabilities**

The Company has total liabilities between 2021 and 2023 equal to 2,152.21 million baht 2,241.36 million baht 1,746.37 million baht respectively, consisting of trade payable, Deferred tax liabilities, Provisions for employee benefits, etc.

As of 31 March 2022, the Company has total liabilities of 2,241.36 million baht, an increase of 89.14 million baht from 2021, or 4.1% due to trade and other payables increase of 269.22 million baht, Deferred tax liabilities decreased by 78.8 million baht from fair value measurement through other comprehensive revenue decreased and the payment of corporate tax reduced accrued tax by 56.9 million baht.

As of 31 March 2023, the Company has total liabilities of 1,746.37 million baht, an increase from 2022, decrease of 494.99 million baht or 22.08% due to decrease trade and other payables decreased by 436.3 million baht., Deferred tax liabilities decreased by 43.3 million baht from gains on investments in equity securities designated to be measured at fair value through other comprehensive income and estimated damage insurance decreased by 9.2 million baht.

## **3. Shareholders' Equity**

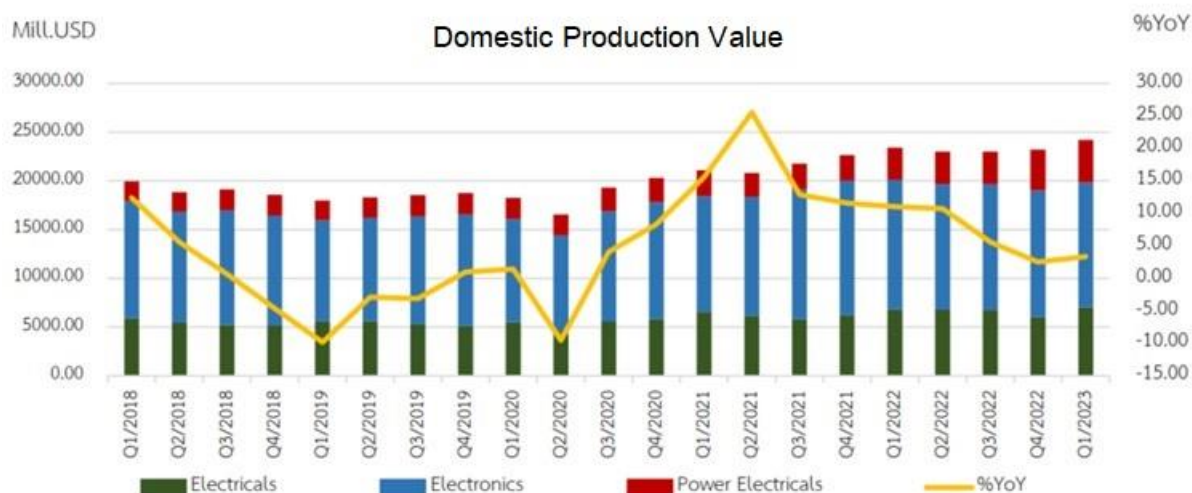
The Company has shareholders' equity between 2021 - 2023 equal to 8,390.83 million baht 8,011.82 million baht 7,899.09 million baht respectively which consists of retained earnings, registered capital, premium on ordinary shares, etc.

As of 31 March 2022, the Company has total shareholders' equity of 8,011.82 million baht, a decrease from 2021 at 379.0 million baht or 4.5% by operation performance according to the year ended 31 March 2022 and dividend payment to shareholders 500.0 million baht at the rate of 25.25 baht per share

As of 31 March 2023, the Company has total shareholders' equity of 7,899.09 million baht, decreased from 2022 at 112.7 million baht or 1.4%. by operating performance according to the year ended 31 March 2023 and dividend payment to shareholders 169.3 million baht at the rate of 8.55 baht per share

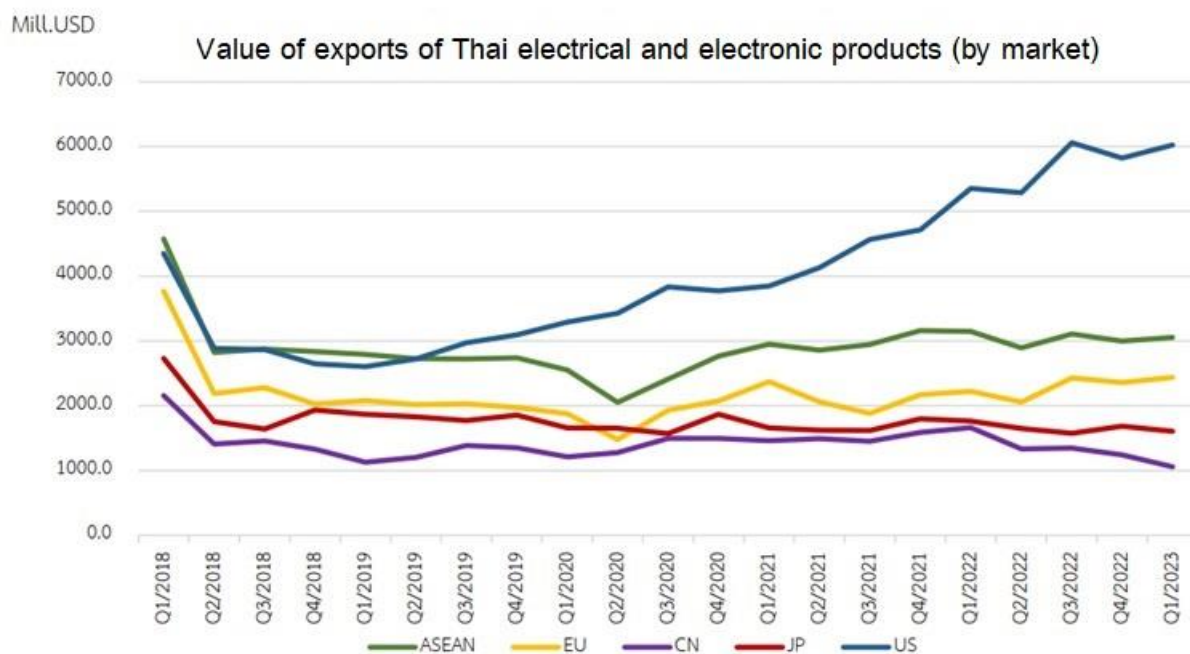
### 1.9 Industry

Information from the Electrical and Electronics Institute under the Office of Industrial Economics, Ministry of Industry on "Electrical and Electronic Industry Industry" found that electrical and electronic industry declined by 13.11 percent in the first quarter of 2023 due to uncertainty of various situations of global force such as United States of America, China, etc., resulting in a high level of inflation thus reducing orders while domestic production value increased by 3.30 percent from 2022, reflecting domestic recovery.



Source: Electrical and Electronics Institute on 31 March 2023

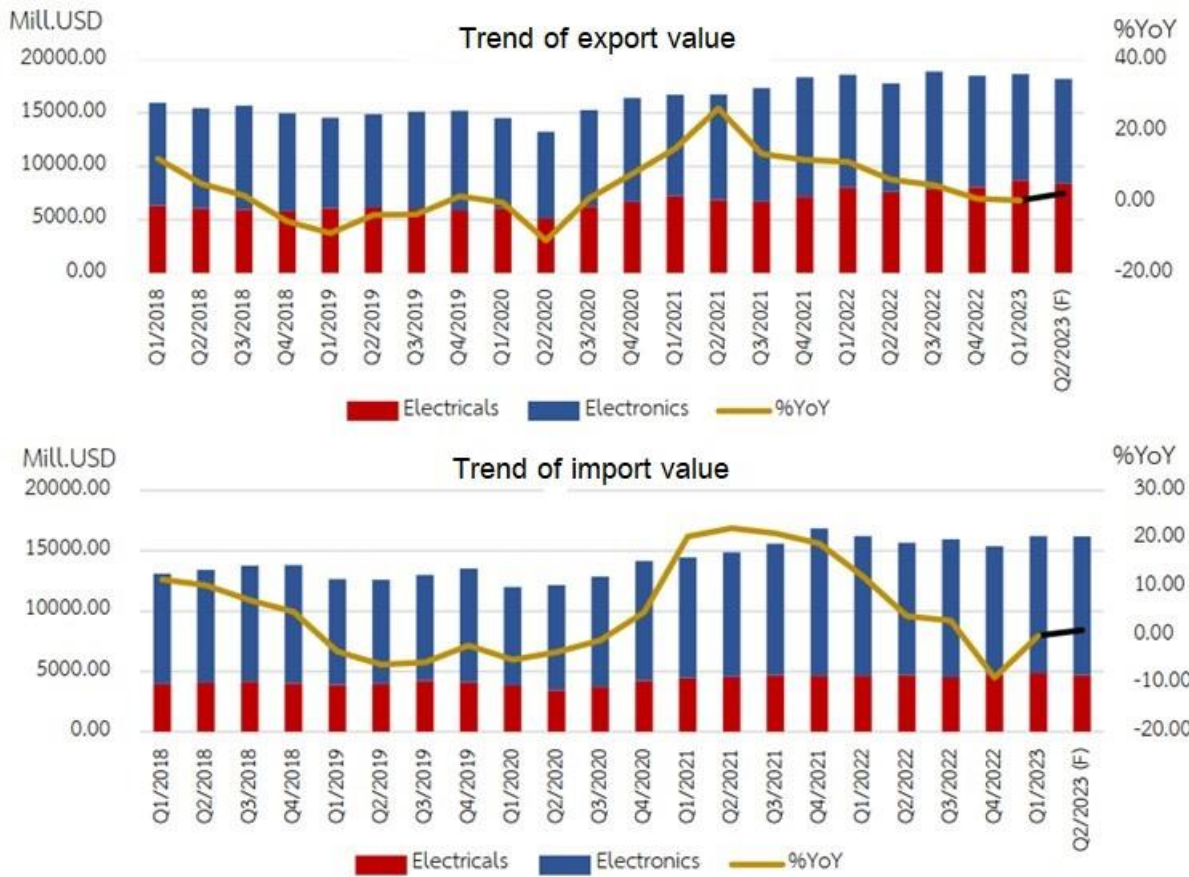
In Q1/2023, electrical and electronic industry production grew by 3.33 percent from the previous year as a result of exports and domestic sales expanding especially industries that related to environmental protection trends and clean energy. Monthly industry situation tends to expand although value of production will expand. But global purchasing power has reduced. Consumers are concerned about recession including high inflation. As a result, the demand for product decreased and reduce production according to orders. This can be reflected from industrial production index that dropped in the first quarter of 2023 and dropped for two consecutive quarters.



Source: Electrical and Electronics Institute on 31 March 2023

Electrical and electronic export market situation of Thailand in the 1st quarter of 2023 has declined in China and Japan, while it has increased in United States, Europe and ASEAN, respectively, compared to the same period last year because United States has imported more Thai air conditioners. This increase is due to consumer behavior in United States as it prepares for summer while the European Union (EU) was relatively stable from the previous year by the relief of concerns about effects of the Russian-Ukrainian war although inflation rate is high. However, electrical and electronic products are still in demand in global market especially electronic products that are components to other related industries.

Therefore, entrepreneurs must be ready and able to remedy the situation in order to continue with industry's activities. Including the Government must gradually help promoting and issuing various measures that facilitates entrepreneurs to be able for international trade.



Source: Electrical and Electronics Institute on 31 March 2023

Trend of export and import value in second quarter of 2023 are expected to expand by 2.41 and 1.07 percent respectively, compared to the same quarter last year due to global economic situation in second quarter of 2022, it began to recover but was not fully, another factor is high inflation causing prices of production. In quarter 1/2023, situation began to improve although economy was still in recession but oil prices gradually decreased. As a result, forecast in the second quarter of 2023 of industry tends to expand with supporting factors. Thailand can still gain market share in trading partner markets and be the world's production base for a wide range of electrical and electronic products.

## Attachment 2 : Summary of Mitsubishi Electric Corporation

### 2.1 Basic information

<b>Company name</b>	: Mitsubishi Electric Corporation
<b>Securities registration number</b>	: 6503
<b>Location</b>	: Tokyo Building, 2-7-3, Marunouchi, Chiyoda-ku, Tokyo 100-8310, Japan
<b>Business</b>	: Manufacture and distribute electric and electronic equipment used in Energy and Electric systems and other businesses such as Logistic, Real estate and Advertising etc.
<b>Issued and Paid-up Capital</b>	: 175,820 million yen divided into 2,147,201,551 ordinary shares

### 2.2 Business

Mitsubishi Electric Group, will contribute to the realization of a vibrant and sustainable society through continuous technological innovation and ceaseless creativity, as a leader in the manufacture and sales of electric and electronic equipment used in Energy and Electric Systems, Industrial Automation, Information and Communication Systems, Electronic Devices, and Home Appliances.

### 2.3 Board of Directors

Mitsubishi Electric Corporation has 12 directors as follow:

No.	Name	Position
1	Mr. Mitoji Yabunaka	Chairman of Board of Directors, Chairman of Nomination Committee, Compensation Committee
2	Mr. Hiroshi Obayashi	Chairman of Audit Committee, Nomination Committee
3	Mr. Kazunori Watanabe	Chairman of Compensation Committee, Audit Committee
4	Ms. Hiroko Koide	Nomination Committee, Compensation Committee
5	Mr. Takashi Oyamada	Nomination Committee, Audit Committee
6	Mr. Tatsuro Kosaka	Nomination Committee, Compensation Committee
7	Mr. Hiroyuki Yanagi	Nomination Committee, Compensation Committee
8	Mr. Kei Uruma	Director, President and Executive Officer
9	Mr. Tadashi Kawagoishi	Audit Committee
10	Mr. Kuniaki Masuda	Nomination Committee, Compensation Committee
11	Ms. Jun Nagasawa	Audit Committee
12	Mr. Kunihiko Kaga	Director, Senior Vice President

Source : Tokyo Stock Exchange as of 20 June 2023

## 2.4 Shareholders Structure

Mitsubishi Electric Corporation has list of major shareholders as followed:

No.	Name	Thousand Shares	Percent
1	The Master Trust Bank of Japan, Ltd	337,314	15.71
2	SSBTC Client Omnibus Account	116,486	5.43
3	Custody Bank of Japan, Ltd. (Trust Account)	106,410	4.96
4	Meiji Yasuda Life Insurance Company	81,862	3.81
5	Mitsubishi Electric Group Employees Shareholding Union	45,979	2.14
6	JP MORGAN CHASE BANK 380055	37,178	1.73
7	Nippon Life Insurance Company	36,339	1.69
8	STATE STREET BANK WEST CLIENT – TREATY 505234	33,373	1.55
9	JP MORGAN CHASE BANK 385781	25,633	1.19
10	THE BANK OF NEW YORK MELLON 140044	23,516	1.10
<b>Total shares of top 10 major shareholders</b>		<b>844,090</b>	<b>40.0</b>
	Other shareholders	1,303,112	60.69
<b>Total</b>		<b>2,147,201.55</b>	<b>100.00</b>

Source : Tokyo Stock Exchange as of 20 June 2023

## 2.5 Summary of Financial information

### 2.5.1 Summary of Financial Position

Unit: Million Yen

Financial Position	2021	2022	2023
Total Assets	4,797,921	5,582,519	5,582,519
Total Liabilities	1,927,310	2,219,295	2,219,295
Shareholder's Equity	2,870,611	3,097,397	3,363,224
Total Liabilities and Equity	4,797,921	5,107,973	5,582,519

Source : Audited Financial Statements of MELCO for year ended 31 March 2022 – 2023

### 2.5.2 Summary of Revenue Statement

Unit: Million Yen

Revenue Statement	2021	2022	2023
Total Revenue	4,191,433	4,476,758	5,003,694
Profit from Operation	230,195	252,051	262,352
<b>Net Profit</b>	<b>201,683</b>	<b>217,885</b>	<b>224,944</b>

Source : Audited Financial Statements of MELCO for year ended 31 March 2022 – 2023