



MILL 011/2022

15 November 2022

Subject: Disposal of assets related to the sale of ordinary shares of Kobelco Millcon Steel Company Limited.

Attention: Managing of Director
The Stock Exchange of Thailand

Enclosure 1. Information Memorandum on the Disposal of assets related to the sale of ordinary shares of Kobelco Millcon Steel Company Limited.

Millcon Steel Public Company Limited (the “Company”) would like to inform that to the Board of Directors Meeting No. 5/2022 had resolved to approve the sale of ordinary shares of Kobelco Millcon Steel Company Limited. (“KMS”) which is joint venture with Kobe Steel Limited. (“Kobe Steel”) which is not a related person with the Company, in the amount of 7,075,000 shares or 25% of paid up capital of KMS to Kobe Steel , for a total amount of 575,000,000 baht.

Regarding Disposal of assets related to the sale of ordinary shares of KMS, the Company will have more cash for working capital in the business. Moreover, the Company will be able to maintain doing business with KMS. In addition, as a part of selling products in the normal grade wire rod market, purchasing volume of raw material will not decreased. After Kobe Steel will acquire 75% of KMS, which is considered as a major shareholding, this will be helpful to drive the specialty steel business to grow even more and will encourage the Company to earn more profit from better performance in the future, and also this will lead to opening an opportunity for future cooperation between the Company and Kobe Steel to initiate the compliance with global policy, Environment, Social and Governance. To further strengthen the partnership between the Company and Kobe Steel in the Thai steel business, the share transfer is only the first phase. For second phase the Company and Kobe will also work together to improve and develop the Carbon Neutrality steelmaking by means of its electric furnaces and other business, thereby supporting and promoting operations in an environmental dimension, which is an important factor in the concept of sustainable business.

The entry into the aforementioned transaction is considered an acquisition of assets pursuant to Notification of the Capital Market Supervisory Board No. TorChor. 20/2551 Re: Rules on Entering into Material Transactions deemed as Acquisition or Disposal of Assets, and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition or Disposition of Assets, B.E. 2547 (2004) (as amended) (collectively referred to as the “Acquisition and Disposition Notification”). The transaction size of the disposal transactions is equivalent to 21.21% calculated under the net profit from operating results criterion, which gives the highest transection value, references from the Financial Statement (Consolidated) of twelve month period of the Company and KMS. However, when calculating the total size of the asset disposal transaction of the Company that occurred



บริษัท มิลล์คอน สตีล จำกัด (มหาชน)

MILLCON STEEL PUBLIC COMPANY LIMITED

during the past 6 months, the Company has the transection size is equal to 22.74 %. Therefore, the transaction is deemed a class 2 transection according to the Acquisition or Disposition Notification which is a transaction with the size of more than 15% but less than 50%.

Therefore, the Company is required to disclose information memorandum associated with the transaction to The Stock Exchange of Thailand (“SET”) and send circular notice to shareholders of the Company for acknowledgment within 21 days from the date of disclosure of the transaction to the SET. In this regard, the Company discloses the information memorandum associated with details of which are as provided in the Enclosure1

Please be informed accordingly.

Yours sincerely,

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(Ms. Jureerat Lapanavanich)
Director



**Information Memorandum on Disposal of Assets of Millcon Steel Public Company Limited
Regarding the sale of ordinary shares of Kobelco Millcon Steel Company Limited.**

Millcon Steel Public Company Limited (the “Company”) would like to inform that to the Board of Directors Meeting No. 5/2022 had resolved to approve the sale of ordinary shares of Kobelco Millcon Steel Company Limited. (“KMS”) which is joint venture with Kobe Steel Limited. (“Kobe Steel”) which is not a related person with the Company, in the amount of 7,075,000 shares or 25% of paid up capital of KMS to Kobe Steel , for a total amount of 575,000,000 baht.

Entering into the above transaction is considered a disposition of assets pursuant to Notification of the Capital Market Supervisory Board No. TorChor. 20/2551 Re: Rules on Entering into Material Transactions deemed as Acquisition or Disposal of Assets, and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition or Disposition of Assets, B.E. 2547 (2004) (as amended) (collectively referred to as the “Acquisition and Disposition Notification”). The transaction size of the disposal transactions is equivalent to 21.21% calculated under the net profit from operating results criterion, which gives the highest transection value, references from the Financial Statement (Consolidated) of twelve-month period of the Company and KMS. However, when calculating the total size of the asset disposal transaction of the Company that occurred during the past 6 months, the Company has the transection size is equal to 22.74 %. Therefore, the transaction is deemed a class 2 transection according to the Acquisition or Disposition Notification which is a transaction with the size of more than 15% but less than 50%. In this regard, The Company therefore would like to disclose the information memorandum on the disposal of assets relating to the sale of ordinary shares of KMS, details as follows:

1. Date Month Year of transaction.

The Board of Directors Meeting of the Company no. 5/2022 held on 25 May 2022 has had resolved to approve the sale of ordinary shares of KMS to Kobe Steel in the amount of 7,075,000 shares representing of 25% of paid up capital of KMS at the total amount of 575,000,000 baht and on 14 November 2022, Kobe Steel has already paid for the shares.



2. Related parties and relationship with the Company.

The Seller	Millcon Steel Public Company Limited.																																														
The Purchaser	<p>Kobe Steel Limited.</p> <p>10 largest shareholders of Kobe Steel as of 31 March 2022</p> <table border="1"> <thead> <tr> <th rowspan="2">No.</th> <th rowspan="2">Name of Shareholder</th> <th>Number of Shares</th> <th>Ratio</th> </tr> <tr> <th>Held (Thousands of shares)</th> <th>(%)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td> <td>56,035</td> <td>14.15</td> </tr> <tr> <td>2</td> <td>Custody Bank of Japan, Ltd. (Trust Account)</td> <td>15,372</td> <td>3.88</td> </tr> <tr> <td>3</td> <td>Nippon Steel Corporation</td> <td>10,735</td> <td>2.71</td> </tr> <tr> <td>4</td> <td>Nippon Life Insurance Company</td> <td>7,471</td> <td>1.89</td> </tr> <tr> <td>5</td> <td>HAYAT</td> <td>7,373</td> <td>1.86</td> </tr> <tr> <td>6</td> <td>J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SETT ACCT</td> <td>5,454</td> <td>1.38</td> </tr> <tr> <td>7</td> <td>DFA INTL SMALL CAP VALUE PORTFOLIO</td> <td>5,156</td> <td>1.3</td> </tr> <tr> <td>8</td> <td>STATE STREET BANK WEST CLIENT - TREATY 505234</td> <td>4,918</td> <td>1.24</td> </tr> <tr> <td>9</td> <td>KOBELCO Employee Stock Ownership Plan</td> <td>4,473</td> <td>1.13</td> </tr> <tr> <td>10</td> <td>SHIMABUN Corporation</td> <td>4,420</td> <td>1.12</td> </tr> </tbody> </table> <p>Noted : Shareholding ratio is calculated excluding treasury stock (258,159 shares)</p> <p>The company has verified that the Purchaser side is not considered a connected person.</p>	No.	Name of Shareholder	Number of Shares	Ratio	Held (Thousands of shares)	(%)	1	The Master Trust Bank of Japan, Ltd. (Trust Account)	56,035	14.15	2	Custody Bank of Japan, Ltd. (Trust Account)	15,372	3.88	3	Nippon Steel Corporation	10,735	2.71	4	Nippon Life Insurance Company	7,471	1.89	5	HAYAT	7,373	1.86	6	J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SETT ACCT	5,454	1.38	7	DFA INTL SMALL CAP VALUE PORTFOLIO	5,156	1.3	8	STATE STREET BANK WEST CLIENT - TREATY 505234	4,918	1.24	9	KOBELCO Employee Stock Ownership Plan	4,473	1.13	10	SHIMABUN Corporation	4,420	1.12
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Relationship with the Company	The Company and the Purchaser do not have any relationship which will cause the KMS Share Disposal Transaction to be considered a connected transaction of a listed company according to the Notification of the Capital Market Supervisory Board No. Tor.Jor. 21/2551 Re: Connected Transaction dated 31 August 2008 (as amended) and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Operations of the Company Listed on the Connected Transaction B.E. 2546 (as amended).																																														



3. General Characteristics and transaction size

3.1 General Characteristics of the transaction

The Company will sale ordinary shares of KMS in the amount of 7,075,000 shares at par value of 100 baht, representing 25% of the total paid up capital of KMS, for a total of 575,000,000 baht. In this regard, the price of shares is agreed by the Seller and the Purchaser which is calculated by Discount Cash Flow method. After the transaction, the Company will hold KMS shares representative 25% and Kobe Steel will hold the shares of 75%

Asset of the transaction	KMS ordinary shares in the amount of 7,075,000 shares, not exceeding 575,000,000 baht.
The Seller	Millcon Steel Public Company Limited.
The purchaser	Kobe Steel Limited.
Total Value of Consideration	Not exceeding 575,000,000 baht.
Method of payment	Cash.
Condition precedent entering into the transaction	<ol style="list-style-type: none">1.No event having occurred since hereof to the Completion, the consequence of which is to significantly and adversely affect the financial position, business, property, result of operations or business prospects of the Company.2. Approved by the Board of Directors of KMS for the Removal of BOI restrictions on the minimum Thai shareholding from the Thailand's Board of Investments ("BOI").3.The Company having obtained approval from the BOI to remove a restriction on the minimum Thai shareholding.4.Enter into the amended Joint Venture Agreement which shall become effective on the date of successful transaction5.Enter into the Loan Agreement in the amount of 250 million baht between the Company and KMS.



3.2 Transaction size under the disposal of assets criteria

The aforementioned transaction is considered as the disposition of assets transaction under the Notification of the Acquisition or Disposal of Assets, details as follows:

Criteria	Formula of Calculation
Net Tangible Asset (NTA)	= (Percentage of KMS's shares sale by the Company x KMS's NTA) / the Company's NTA
Net profit after taxes from normal business operation	= (Percentage of KMS's shares sale by the Company x KMS's Net profit after taxes from normal business operation) / (the Company's Net profit after taxes from normal business operation)
Total Value of Consideration	= Total Maximum Value of Consideration for the Company's / the Company's Total Assets.
Value of securities which are issued by listed company for the asset acquired	= Not applicable as the transaction is a disposal of asset and no issuance of new securities.

The transaction size calculations based on the comparative methods are as follows:

Criteria	Formula of Calculation (million baht)	Transaction Size	Criteria Used to Disclosure
Net Tangible Asset (NTA)	$(1,666 \times 25\%) / 5,995$	6.95%	No need to disclosure.
Net profit after taxes from normal business operation	$(369 \times 25\%) / 435$	21.21%	Notify the SET and sending a circular notice to shareholders.
Total Value of Consideration	$575 / 19,389$	2.97%	No need to disclosure.
Value of securities which are issued by listed company for the asset acquired	not applicable as no new share of the Company will be issued as consideration.	- None -	No need to disclosure.

Note: Calculate by using the consolidated financial statements for the Company's accounting period ending March 31, 2022 that the Certified Public Accountant has reviewed.

As the transaction size calculation based on the comparative methods as above, Sale shares of KMS's ordinary shares is a Disposition of Assets transaction of the Listed company which the highest value as by above calculation is equivalent to 21.21% calculated under the net profit from operating results criterion. However, when calculating the total size of the asset disposal transaction of the Company that occurred during the past 6 months, the transaction is deemed a class 2 transection according to the Acquisition or Disposition Notification which is a transaction with the size of more than 15% but less than 50%.



4. Details of Asset Disposed

Asset Disposed	:	KMS's ordinary shares
Amount of the disposal asset and percentage of holding shares after disposal.	:	The Company will sale KMS's shares in the amount of 7,075,000 shares, representing 25% of paid up capital and after transaction, the Company will hold KMS's shares 25% of paid up capital in KMS.

General information of KMS

Company Name	Kobelco Millcon Steel Co., Ltd
Nature of Business	Manufacture of basic and special wire rod.
Registered Address	119 Moo. 1 Ban Laeng-Natakhwan Rd. Ban Leang, Mueang Rayong, Rayong
Corporate Type	Company Limited
Registered Number	0105557054161
Registered Date	11 April 2014
Registered Capital (Baht)	2,830,000,000 baht (par value 100 baht)
Paid-up Capital	2,830,000,000 baht
Total of Shares	28,300,000 Shares

List of Directors as of 15 November 2022

No.	Name	Position
1	Mr. Kasuhiko Kimoto	Director
2	Mr. Shoji Sukiao	Director
3	Mr. Shinichi Yasuki	Director
4	GEN. Winai Phattiyakul	Director
5	Mr. Sittichai Leeswadtrakul	Director
6	Mr. Vipoota Trakulhoon	Director

However, according to the Extraordinary General Meeting No. 2/2022 of KMS on 10 November 2022, has passed the resolution to approval the appointment of new directors, following are the details :

1. Resolved to approval to appoint Mr. Yuji Mihara as a director in replacement of Mr. Kasuhiko Kimoto, with effect from 14 November 2022 onwards.
2. Resolved to approval to appoint Mr. Akihiko Endo as a new Director, with effect from 14 November 2022 onwards.



List of Directors after the resolution to approval the appointment of new directors

No.	Name	Position
1	Mr. Yuji Mihara	Director
2	Mr. Shoji Sukiao	Director
3	Mr. Shinichi Yasuki	Director
4	Mr. Akihiko Endo	Director
5	GEN. Winai Phattiyakul	Director
6	Mr. Sittichai Leeswadtrakul	Director
7	Mr. Vipoota Trakulhoon	Director

Remark : Incorporating changes of names in the List of such Directors, is in the process of registration with the Department of Business Development, Ministry of Commerce.

Shareholding structure

Shareholder Name	Before disposal			After disposal		
	Shares	Value (Baht)	%	Shares	Value (Baht)	%
Millcon Steel PLC.	14,149,999	1,414,999,900	50.00	7,074,999	707,499,900	25.00
Kobe Steel Limited.	14,150,000	1,415,000,000	50.00	21,225,000	2,122,500,000	75.00
Mr. Sittichai Leeswadtrakul	1	100	0.00	1	100	0.00
รวม	28,300,000	2,830,000,000	100.00	28,300,000	2,830,000,000	100.00

However, after the completion of the transaction, KMS will become an associated company of the Company, which the Company holds 7,074,999 shares, representing 25 percent of the paid-up capital.

Financial Statement of KMS as of 31 December,2021.

Balance Sheet

In baht

Statement of Financial Position	As of 31 December 2021	As of 31 December 2020	As of 31 December 2019
Cash and cash equivalents	366,030,830	234,030,830	155,876,900
Trade accounts receivable	291,236,377	121,904,709	284,201,516
Other receivables	290,207,174	187,896,219	214,631,536
Inventories	1,489,267,693	1,004,624,359	1,438,422,269
Other current assets	5,228,454	4,049,802	3,748,258
Total current assets	2,441,990,528	1,552,692,639	2,096,880,479



In baht

Statement of Financial Position	As of 31 December 2021	As of 31 December 2020	As of 31 December 2019
Property, plant and equipment	4,705,506,704	4,870,775,944	4,654,273,560
Intangible assets	86,989,515	101,517,775	81,804,177
Non-current assets	5,438,911	22,719,919	27,097,339
Total non-current assets	4,797,935,130	4,995,013,638	4,763,175,076
Total assets	7,239,925,658	6,547,706,277	6,860,055,555
Short-term loans from financial institutions	1,000,000,000	1,294,000,000	1,764,000,000
Trade accounts payable	1,888,981,929	963,135,928	1,211,385,414
Other payable	216,632,205	143,593,809	172,599,927
Total current liabilities	5,467,876,037	5,147,994,866	5,274,140,612
Total non-current liabilities	18,575,794	15,418,990	9,424,718
Total liabilities	5,486,451,831	5,163,413,856	5,283,565,330
Authorized share capital	2,830,000,000	2,830,000,000	2,830,000,000
Issue and paid-up share capital	2,830,000,000	2,830,000,000	2,830,000,000
Deficit	(1,076,526,173)	(1,445,707,579)	(1,253,509,775)
Total equity	1,753,473,827	1,384,292,421	1,576,490,225
Total liabilities and equity	7,239,925,658	6,547,706,277	6,860,055,555

Profit and loss

Statement of Financial Position	As of 31 December 2021	As of 31 December 2020	As of 31 December 2019
Revenue from sale of goods	5,431,615,635	3,147,233,681	4,151,043,777
Other income	12,508,142	4,734,637	38,189,410
Total revenue	5,444,123,777	3,151,968,318	4,189,233,187
Cost of sales of goods	4,709,239,230	3,036,954,678	4,214,508,204
SG&A	217,258,216	190,826,987	185,029,186
Total expenses	4,983,571,988	3,232,658,662	4,399,537,390
Finance costs	(91,370,383)	(113,286,404)	(123,266,475)
Profit (loss) for the year	369,181,406	(193,976,748)	(333,570,678)



5. Total Value of Consideration and Basis Used for Determination of Consideration Value

The book value of shares as of March 31, 2022 is 497 million baht, while the value of KMS shares that the company will sell to Kobe Steel is 575 million baht, is agreed by the Purchaser and The Buyer, taking references from Discount Cash Flow for suitable consideration in entering to the transaction, [under the assumptions determined from the historical performance data including the operating results in the first quarter of 2022 together with the consideration of the business plan. The discounted cash flow method is between 468 - 520 million baht.](#)

6. Expected Benefits of the Transaction

1. The Company has more cash for working capital in the business.
2. Kobe Steel will acquire 75% of KMS, which is considered a major shareholder, and this will be helpful to drive the specialty steel business to grow even more and will encourage the Company to earn more profit from better performance in the future.
3. The sale of KMS shares will result in having more cash flow which will result in increase of the Company current ratio and decrease debt to equity ratio
4. The Company will be able to maintain doing business with KMS. In addition as a part of selling products in the normal grade wire rod market and purchasing volume of raw material will not decreased.
5. New opportunities may open for further cooperation and this may lead to business expansion and business development between the Company and Kobe Steel by following the compliance with global policy, Environment, Social and Governance.

7. Plans for use of funds received from transaction

The company plans to use the funds received from the transaction for working capital. [However, the Board of Directors can consider proportion of capital utilization to suit the situation that may change.](#)

8. Conditions for the Entering into the Transaction

Due to the asset disposal transaction of the Company, the transaction is deemed a class 2 transection according to the Acquisition or Disposition Notification of the listed companies. Therefore, after the Company has resolution approved from the Board of Director's meeting no.5/2022 and on 14 November 2022, Kobe Steel has already paid for the shares. the Company is required to disclose information memorandum associated with the transaction to The Stock Exchange of Thailand ("SET") and send circular notice to shareholders of the Company for acknowledgment within 21 days from the date of disclosure of the transaction to the SET.

9. Opinions of the Board of Directors

The Board of Directors has considered the disposal of assets with comprehensive resolution, without interest considering the appropriateness of the trading value of KMS shares and the benefits from entering the transaction as well as other factors related to the transaction and is of the opinion that entering into such transaction is appropriate and benefit for the company. Therefore, The Board of Directors has resolved to approve the entering into the transaction.

10. Opinion of Audit Committee different from Opinion of the Board of Directors

-None-