

22 October 2020

Subject: Progress Report on Power Plants in Japan and Repayment of Debt to Other Persons

To: The President  
The Stock Exchange of Thailand

Reference: The Company Letter no. PPPM / 2020-035 dated 9 September 2020, Re : clarification on the progress of power plants in Japan, Animal Feed Business Transfer, and continuing operations of the group companies according to the SET had followed up to clarify (revised)

According to PP Prime Public Company Limited (the Company) informed of the power plant in Japan, the transfer of animal feed business and the continuation of the group companies operations in accordance with the follow up from SET to clarify according to the reference, the Company would like to report additional progress regarding the power plant in Japan and the repayment of short-term loans from other persons (Qbizm Co., Ltd.) the remainder as follows:

1. Status of power plants in Japan

1.1 Summary of the status of Geothermal Power Plants and Wind Power Plants

1.1.1 Summary of the status of Geothermal Power Plants

Details of the Status of the Geothermal Power Plant Project in Japan are summarized in the table below:

No.	Subsidiaries	Power Plants and the right to construct the power plants	Status of the Power Plants
1	PPSN Co., Ltd.	B*	Operating
		A9*	Operation has stop due to the litigation
		A10*	Operation has stopped due to litigation
2	SUMO POWER Co., Ltd.	C*	Operating
		Right to construct the 8 units of power plants**	Not yet construction
3	SNS Power Co., Ltd.	A8*	During repairment
4	Fino Binary Power Plant LLC.	D*	During repairment
		X*	รอขายคืน

No.	Subsidiaries	Power Plants and the right to construct the power plants	Status of the Power Plants
5	NIS Binary Power Plant LLC.	V*	During repairment
		T*	Operating
6	Beppu Tsurumi Onsen Geothermal Station No. 1 Liaison Company	Y*	Operating
		Z*	During repairment
7	Dual Energy Binary – Power Plant No. 1 LLC.	W*	During repairment
		U*	During repairment
8	Lena Power Station No. 1 LLC.	E*	Operation has stopped due to litigation
		M*	Operation has stopped due to litigation
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\* Power plants that the company had previously resolved to sell to Beppu Forest Power co., Ltd.

\*\* The right to construct a power plant came from the purchase of shares of Sumo Power Co., Ltd. (Sumo), the Company has the right in the power plant agreement consisting of land sale agreement, hot spring contract, machine purchase agreement, and the total power plant construction contract, totaling of 8 units that Sumo has entered into with Seitouchi Natural Energy Co., Ltd. (Seitouchi), which the contract allowed the company the right to operate the power plant business from METI (Ministry of Economy and Trade and industry - Japan) and electricity sales agreement from Kyushu Electric Power Co., Ltd. (Kyushu), the contract is valid for 15 years and will expire in June 2029 – September 2032

The power plants that have temporarily stopped operating or pending for buyback, there is presently no impact on the power purchase agreement of the power plants. Kyushu, a power purchase contractor, still sends a notification to the power purchase to the subsidiary for every power plant on a regular basis. However, Electricity trading has determined regarding the right to cancel the contract of each co-contract. The shutdown of the power plant will affect the business plan and profitability of each power plant.

At present, the Company has finished repairing power plant C, power plant T and power plant Y, totaling 3 units and can resume all power generation. At the end of September 2020, the Company is in the process of monitoring and evaluating the performance of all 3 power plants in order to assess and plan for repairs to other power plants.

The unit X power plant has been waiting to be buyback to Seitouchi at a price of 300 million yen, the above price is the price specified in the contract The company wished to sell it back because the machinery did not meet the requirements. Currently, it has been consulted by MOMO -O, MATSUO & NUMBA (MMN) on the approach to take legal action.

### 1.1.2 Summary of the status of wind power plants

The Company invests through PPSN, a 100% subsidiary of the company, in 7 units of wind power plants located in Aomori, Japan, totaling investment of 250 million yen. Ltd. by which hiring Aura Green Energy Co., Ltd. (Aura Green) for construction and installation of wind power plants, total 5 units, and purchase of wind power plants from Aura Green 1 unit and the other 1 unit purchased from MSK Holding, with details as follows:

(A) Purchasing rights (ID Machines) and hiring for the construction of a wind power plant, totaling 5 units (currently COD) for approximately 175 million yen.

(B) Purchased 2 units of wind power plants (currently COD) for approximately 75 million yen.

*Note \* The names of the 7 power plants are as follows.*

1. Omojo Okuto Shitamachi
2. Aura Sakakibara Number 2
3. Omaha Jojo Sui WP-1
4. Omojo Okuto Shitamachi
5. Haru Yamanodo Number 2
6. Otazawa WP-1
7. Aura No. 1

Currently, 7 units of wind power plants can gain revenue from sales (COD) from 2017 to the present. However, the income from electricity generation is not recognized in the financial statements of the Group due to the fact that the Group has not yet been transferred ownership of the wind power plants. The Company sent out a notice on 2 October 2019 asking Aura to transfer ownership of the wind power plant, but Aura ignored such request, so the company appointed Pro Legal & I.P. Co., Ltd., a legal advisor, to take legal action for further exercise of the rights under the aforementioned contracts

The company provided a loan to Auluxe Power Co., Ltd. (Auluxe), the target company. The Company previously invested in a joint venture with Aura Green Energy Co., Ltd. (Aura Green) with a 60% stake (by PPSN) and 40% (by Aura Green) totaling loan of 312 million yen to purchase the right to operate the wind power plant (machine ID) in which the loan is proportionate.

The investment in wind power plants is a joint venture between the group of companies and Aura Green; therefore, the Company needs to organize a joint venture structure by setting up a company in Mauritius and Hong Kong. The process took place and finished around the end of October 2018. After structuring, Aura will bring Auluxe's shares to exchange with Hong Kong-based company shares; however, when the company notified Aura Green to swap out the agreed shares, Aura Green has ignored. However, the Group still has the right in accordance with the



purchasing rights agreement, employment agreements and loan agreements. The details of the contracts are as follows:

1. The rights assignment agreement in the 5 projects, with the right assignment effective on the date of the contract. Rights in the project consist of the following:-
  - (A) rights to purchase electricity
  - (B) various licenses necessary for the implementation of the project and
  - (C) rights to use land to locate the project by which the contract is in between PPSN.
2. Contract for construction of 5 wind power plants according to the power plant locations specified in the right assignment agreement.
3. Sales contracts for 2 power plants, valued at 36 million yen each.
  - (A) land use rights
  - (B) Power plant equipment with the ID of the machine
4. 9 loan agreements between a subsidiary and Auluxe Power, totaling 312 million yen.
  - (A) The loan repayment period is scheduled on March 31, 2020.
  - (B) 3% interest rate

## **1.2 Report on the progress of the dispute**

### **1.2.1 Dispute between PPSN (a subsidiary) and Beppu Forest Power Co., Ltd.**

As the company previously disclosed information that Beppu Forest Power Co., Ltd. (Beppu) filed a lawsuit against PPSN Co., Ltd. (PPSN), the Company's subsidiary, subject to PPSN to pay for electricity. On 17 July 2020, PPSN received Subpoena for reporting and a letter of request from Beppu. To defend the case, the court set the date for the first hearing on 5 November 2020, and the company will report on the progress of the case further.

### **1.2.2 Legal action against Mr. Takashi Nishida**

The Executive Committee Meeting No. 9/2020 on 13 August 2020 passed a resolution to appoint the Ginza Law Office in Japan to prosecute both civil and criminal case against Mr. Takashi Nishida, a former executive of PPSN Co., Ltd., the Company's legal advisor is currently in legal proceedings.

## **1.3 Actions of Foreign Investment Committee**

Foreign Investment Committee (FI) has monitor the facts, analyze the problem, present the solutions and report progress to the Company's directors periodically and conclude the problems on operation of the power plant business in Japan that arise and solution of the company as follows

(1) Problems on the sale of 4 power plants

Agreement no.	Agreement date	Co-contract	Director signatory*	Notes
1	25 February 2019	PPSN	Not specify the name but only company seal	<ul style="list-style-type: none"> <li>During this period, Mr. Takashi Nishida was the Director and Chief Executive Officer of PPSN and was the owner of all subsidiaries' stamps (Mr. Takashi Nishida resigned on 31 March 2019 *).</li> <li>Making a juristic act by specifying the name of the director and the seal is a practice in Japan. In the event of a juristic act by simply stamping but not specifying the name of the director It is still legally binding It may only be an argument that the act has been made or not "</li> </ul>
2	5 April 2019	PPSN	Specify Mrs. Yoko Kando together with company seal	During that time Mrs. Yoko Kando ** was a director of PPSN, but denied being ignorant about the contract. by informing that the seal has not yet been given from the original management but the former director, Mr. Takashi Nishida, identified his name instead.
		Lena-1	Not specify the name and company seal	Not doing legal acts and does not assign any other person to act Instead of ***
		PPPM	No signatory and company seal	Not doing legal acts and does not assign any other person to act Instead of ***
3	5 April 2019	PPSN	Specify Mrs. Yoko Kando together with company seal	During that time Mrs. Yoko Kando ** was a director of PPSN, but denied being ignorant about the contract. By informing that the seal has not yet been given from the original management But the former director, Mr. Takashi Nishida, identified his name instead.

Note: \* During 1 April 2019 to 1 October 2019, PPSN has no Chief Executive Officer (CEO), later appointed Mr. Takuchi. Hamano took the position of CEO of PPSN, effective 2 October 2019, at that time Ms. Yoko Kando was a director of the company.

\*\* Mrs. Yoko Kando resigned from PPSN on 23 December 2019 and the Company appointed Mr. Takuchi Hamano to replace Mrs. Yoko Kando on 2 October 2019.

\*\*\* The company's Japanese legal advisor has examined the basic facts. It was found that the 2nd contract was unlikely to bind PPSN, Lena-1 and PPPM.



From the above facts, The Board of Directors has approved the sale of 15 geothermal power plants at a price of 320 million yen each, totaling 4,800 million yen to Relocation Group ("Relocation"), receiving a deposit of 200 million yen, and the rest is due in February 2019. On 21 February 2019, Relocation transferred the rights to Beppu Forest Power Co., Ltd. ("Beppu") and extended the remaining payment deadline to 30 June 2019. During February - April 2019 PPSN has entered into 3 contracts with Beppu as detailed below.

The 1st contract states that (1) Beppu will pay a deposit of 400 million yen and transfer 25% of Beppu shares to PPSN by 15 March 2019 (2) PPSN will transfer ownership of 4 power plants to Beppu within 15 days since receiving payment

- The second contract specifies to sell the above 4 power plants to Beppu at a price of 200 million yen each, totaling 800 million yen. Beppu will pay 400 million yen within 2 weeks and the remaining 400 million yen to pay within 1 year

- The third contract states that Beppu has the right to terminate the agreement to sell the above power plant. If the Board of Directors does not approve the sale of the said power plant (This contract does not mention the transfer of 25% Beppu share)

The Foreign Investment Committee acknowledged the contract for the purchase of four power plants and saw an abnormality in the contract made during the transition period of Mr. Takashi Nichida, the former director and chief executive officer of PPSN who resigned on March 31, 2019 and appointed a director to replace Mr. Takashi Nishida as a new director, Ms. Yoko Kando, who denied knowing about the power plant purchase agreement 4 units issue dated 5 April 2019

Transactions in Japan only the names of the directors are printed, the director is not required to sign. The company's seal only is important, it will be considered binding the company. (Including transactions with financial institutions)

At the end of 2019, the Company used to ask for an opinion from Nishimura & Asahi (N&A or a Japanese legal advisor). N&A has opined that the contract date 5 April 2019 did not bind with PPSN, Lena-1, and PPPM as it is the true intent of the contract (True Intention) if it is against the intent of the signatory. This contract will be null and void. If this has been proved that Mr. Yoko Kando was not enter into the contract, this contract is not binding PPSN while Lena-1 and PPPM do not enter into the act, and not anonymous or having seal in the contract. Also it does not assign any other person to act instead.

On 9 February 2020 and 13 February 2020, a subsidiary in Japan sent a notice of deposit at Oita Prefectural Law Office and PPSN for Lena-1 and PPSN respectively, by sending the letter to Kyushu Electric Power Co., Ltd. (Kyushu), the electricity buyer of the 4 power plants. Kyushu stated that they had placed electricity fee since January 2020 at the Oita City Law Office because Beppu had asked the buyer to pay for the electricity. This made electricity buyers in doubt on their right to receive payment for electricity. And there were concerns that they would pay off the wrong debt



In early 2020, the Company discussed with MOMO-O, MATSUO & NUMBA (MMN), where MMN proposed a prosecution against Beppu, asking cooperation from Kyushu regarding documentation. In addition, MMN opined that the contract dated April 5, 2019 unlikely to be binding on both PPSN and LENA-1. Then, there is also an issue of a copy of documents that Beppu claims to accept payment for electricity instead of PPSN and Lena-1, which the company noticed that It appears in the filing with Kyushu differs from the PPSN stamp used as of the filing date to Kyushu in consultation with Mr. Takuchi Hamano, Director and Chief Executive Officer. Subsidiary in Japan who was appointed CEO on 2 October 2019, was informed that the person who filed the document with Kyushu could not be identified because the document filed with Kyushu contains only a stamp. The name of the person who submitted the document is not displayed.as well as the seal of PPSN.

On 18 June 2020, PPSN received a letter from Beppu, a counterparty to purchase PPSN's geothermal power plant by Beppu, referring to the contract dated 5 April 2019.The content of this agreement will sell 4 power plants at a price of 200 million yen each, totaling 800 million yen. Beppu will pay 400 million yen within two weeks, and the remaining 400 million yen to pay within a year. The 4 power plants: 2 belong to PPSN and the other 2 belong to Lena-1. Beppu canceled the purchase of 2 power plants of Lena-1, a 100% subsidiary of the company. On 17 July 2020, PPSN received a summons to report and request letter of response from Beppu, asking PPSN to pay the right to transfer electricity in the amount of 40,540,542 yen or equivalent to 11,627,959.87 baht (1 yen exchange rate equal to 0.286823 baht) with accrued interest at a rate of 3 percent per year from 2 May 2020 until complete payment.

The Company does not know why Beppu canceled the purchase 2 power plants of Lena-1, but in an indictment filed by Beppu in a local court in Tokyo, Beppu said it had paid 400 million yen for the power plant transaction of which the 2 power plants of P-Power to PPSN. Beppu announced the cancellation of Lena-1 on the purchase of 2 power plants, and Beppu asked the court to judge PPSN to pay for the electricity bill for 2 power plants of PPSN. Beppu mentioned that he had settled a transaction fee of 400 million yen, that

1) PPSN to pay for electricity between June 2019 and June 2020, amounting 40,540,542 yen with interest rate of 3% per annum from 2 May 2020 until complete payment to Beppu, while electricity bills after June 2020 has been pending for an order from the court.

2) PPSN to bear the cost of the litigation.

Beppu did not request PPSN to return the amount of 400 million yen, which the company did not know the reason why Beppu did not ask for this. The Board of Directors' meeting No. 12/2020 on 14 August 2020 resolved to appoint MMN as a lawyer in Japan to proceed with this case on 5 October 2020. MMN as a lawyer of PPSN has submitted a testimony to defend the case. The court then set the date for the first hearing on 5 November 2020.

Currently, the company hires two legal advisors: MMN, a legal advisor in Japan and Pro Legal & I.P. Co., Ltd (Pro Legal), a legal advisor in Thailand. The Company terminated Nishimura & Asahi (N&A) because of the higher service fees and the increase in number of cases N&A done. The termination of N&A had no impact on the case since the Company sent all documents to N&A together with MMN and later Pro Legal, at that time, the Company compared the services of the law firm in terms of price, service fee, quality of work and number of cases.

**(2) internal control**

The Foreign Investment Committee has proposed the amendment to the authority table of a subsidiary in Japan by having an approved by the Board of Directors Meeting No. 8/2020 on 12 June 2020 and will be effective from 4 September 2020 onwards.

The Foreign Investment Committee proposed to bring back the company seal of the subsidiary in Japan to keep in Thailand; however, after consultation with the management and directors of the subsidiary. It was found that If the seal is brought back and kept in Thailand, the subsidiary in Japan may face with a problem of daily transactions. As a consequence, we have changed from bringing back the company seal to keep in Thailand to then preparing a log sheet for controlling the use of the company seal instead, and then requiring Mr. Takuchi Hamano, Chief Executive and the director is entitled to use the seal of the subsidiary in the transaction. The seal is kept under the joint supervision of Mr. Takuchi Hamano and Ms. Rie Kagami, the general administrative staff. In addition, Ms. Rie Kagami is required to prepare a stamp withdrawal record and submit the stamp usage report to the office in Thailand every week.

**(3) M-Luxe Energy Co., Ltd.**

The investment in the joint venture company M-Luxe Energy Co., Ltd. (M-Luxe) under the Joint Venture Agreement, such agreement stated the duties of each party, that is, at that time, the Company was only obliged to provide sources of funds with the joint venture company for land development and hot springs and managed by M-Luxe, the company provided the loan of 70,000,000 baht in the proportion of 100%, while Setouchi Natural Energy Co., Ltd. (Seitouchi), which has business experience in land development and the hot spring will provide business assistance on looking after and providing an advice in business operations, land and hot springs development to joint venture companies. Presently, the joint ventures has not explored and developed hot springs; therefore the land has not been sold due to the delay in investment. The Foreign Investment Committee acknowledged. and was on the process of discussion on debt settlement solutions for M-Luxe and Seitouchi.

**2. Repayment of short-term loans from other persons (Qbizm Co., Ltd.) the remaining amount of 20,000,000 baht.**

Referring to the 2Q2020 financial statements, the Company has short-term loans with unrelated individuals and juristic persons totaling 35 million baht, which the Company has reported through the Stock Exchange of Thailand by letter number. PPPM / 2020-034 on 9 September 2020 that the loan has been repaid until July 2020 in the amount of 15 million baht. The remaining loan of 20 million baht, consisting of loan from Qbizm Co., Ltd., amounting to 20 million baht, due on 24 September 2020, amounting to 10 million baht and due on 30 September 2020 amounting to 10 million baht. The Company would like to inform that we have repaid the total loan to Qbizm Co., Ltd. in accordance with the stated period.





Please be informed accordingly.

Yours sincerely,

(M.L. Phanpiengduen Sungkahapong)

Chief Executive Officer

PP Prime Public Company Limited