

2.2 Risk factors on business operation

1. Production Risks

In terms of the potential risk factors which may impact on business operation, the Company recognizes the importance of closely monitoring and systematically formulating and implementing risk management plans to cover the following aspects:

Risks relating to production to ensure the quality of products and production timeline, as well as due management of the cost of products as set by the Company.

- Preventive Measures

The Company selects suppliers with operation management which have attained ISO 9001 accreditation to be confident that our business partners have the required management systems, capabilities and ability to comply with the production policy set by the Company to ensure that the manufactured goods achieve all set targets. These companies were all established with the objective to mutually support one another under the umbrella of the Saha Group, thereby strengthening each other's business operations and enhancing their potential and competitiveness, as well as collaborating immediately to resolve any problems or challenges which may arise.

2. Product Management Risks in Stores

These are risks pertaining to the imbalance of stock management not being in line with the demand of customers and not having the desired products in the store, or fluctuation of purchasing power followed the spreading of COVID-19 resulting in product management risks in all sales channels, which impacted on sales targets and market opportunity, exacerbated by the rapid change in online marketing, has required the production planning to be more flexible so as to always be prepared to meet the variant challenges both in terms of fashion and production volume.

- Preventive Measures

1. The Company introduced the Quick Response Management System or QRMS to enhance its potential in stock management efficiency, resulting in more effective monitoring and management of stocks on a daily basis in every store and rendering effective data analysis, more precise picture of market demand and product movement in order to mitigate opportunity loss. It also helped with the preparation and the update of the latest news to make sure that only the most accurate and up-to-date information was used for analysis with the product management plan, in order to ensure availability of products in market demand, as well as the ability to modify production plan for optimum efficiency.

2. The Company has created an Auto Replenishment system, by adapting the QRMS to effectively and efficiently manage stocks at all stores to ensure that stocks can be replenished in accordance with customer demand in terms of desired products and their volume to ensure that stocks at all stores coincide with sales to avoid the loss of sales opportunity when there was customer demand, but no desired products available.

3. Risks Relating to Sales Channels

The Company's business is conducted through main sales channels which have limitations in terms of area size and number of branches.

- Preventive Measures

1. The Company policy is to further accelerate expansion of sales in Discount Stores, including modification of its sales and order placement systems especially for this sales channel in accordance with the demand and purchasing power of target clients of Discount Stores. This strategy is applied to all product categories through selection of products with both quality and pricing that appeal to target clients, especially for apparel with the main emphasis on fashionable design and colors.

2. The Company policy is to accelerate the increase of sales channels, especially in E-Commerce of which online customers have rapidly increased. In the past year, the Company cooperated with various market places for online sales and simultaneously expanded its outlets under ICC direct management in the Specialty Store model, to enhance sales potential in addition to the sales channel in major department stores nationwide.

4. Risks Relating to Changing Customer Behavior

4.1 Changing of Technology

Risks from changing customer behavior derived from the rapid spreading of COVID-19 making the Company to adjust the supply chain system including the products in response to customer behavior in the new normal time. To this end, technology is utilized to satisfy customer demand and facilitate their convenience in their online shopping via enhanced online access by utilizing social media such as Facebook, Line, Youtube, Instagram, TikTok and others. Moreover, the spreading of COVID-19 has rushed the payment behavior of customers to the

cashless society due to their scares about touching money which may be contaminated carrying diseases resulting in utilizing more digital currency to pay the price of products and services via mobile banking applications, e-payment, credit cards and etc. The spreading of COVID-19 did not only cause the preceding situations, but also led the products display to the Internet of Things including a new variety of virtual experience where the Company had to develop the knowledge base and capabilities of its personnel to be more tech-savvy so as to provide timely and appropriate response to changing customer behavior.

4.2 Hygiene Precautions

Although the COVID-19 outbreak has slowed down, the care for health, the social distancing still appear. Most people have returned to live their normal life after the government has announced lifting the lockdowns. Anyhow, some people are still working from home or working from home some days in each week. The frequency of goods consumption has generally decreased, while the quantity purchased in each time has increased which encourages the management of inventory to be in a sufficient quantity complying with the consumption behavior of customers.

- Preventive Measures

1. To provide customers with the reliability of products and services by the salespersons at the sale shops still wearing surgical masks all time when servicing customers and always cleaning the shops and equipment located in the shops. This is to ensure customers that it will be free from the spread of COVID-19 during selecting the products to purchase in the shops, making the customers feel secured and confident, so the customers will do shopping with no worry. As the frequency of going out of home has decreased, each time of going out is more important. Therefore, the ensuring safety of selecting and buying goods during the time of such carefulness is deemed significant to secure the chance of sale.

2. The Company is dedicated to creating quality products at appropriate pricing in more targeted response to specific consumer groups, thus building positive impressions in their hearts and minds. At the same time, the Company also continuously generated measures to stimulate the market by capturing the interest and attention of target consumer groups in its effort to maintain and expand its customer base, including adoption of a strong Customer Relationship Management system in the form of His and Her Membership.

3. The Company has focused on improvement and development of its modernization systems including its E-Commerce website www.iccshopping.com to facilitate easier access and transaction. Furthermore, its partnership with Tiger Distribution and Logistics Co., Ltd., whose long experience in warehousing and timely delivery of goods nationwide through its efficient distribution mechanism, provides consumer confidence to online customers that they will get safe and fast service.

4. The COVID-19 pandemic situation has impacted on many businesses since digital media play a major role in changing consumers' behavior of spending, well-being and lifestyles. Their way of life and spending habits differ from the past. Retail businesses need to adjust and upgrade their strategic framework to cope with the rapidly changing technology. To this end, the Company has developed its strategic structure along with adjusting new marketing strategies to be in line with change and competition, as well as focusing on creating brands in digital media and linkages with its online business partners such as Lazada, Shopee to connect both online and offline while developing products particularly suiting all sale channels.

5. Risk from the Government Sector's Free Trade Policy

The Government's free trade policy advocates 0 tariff in compliance with the ASEAN Free Trade Agreement of which cosmetics is also covered, rendering Thai companies having to ensure their preparedness, including adjustment in capital costs based on the required standard.

Such development has resulted in fierce market competition although the impact on the Company should not be much since the tariff base for the import of cosmetics is currently at 5%. Moreover, the Company is at an advantage in terms of its production technology.

6. Risks from reduction in the number of tourists

The products for which the Company is import and distribution agent are products in demand among Chinese, Russian and Middle Eastern tourists. The reduction in the number of tourists from the COVID-19 pandemic situation inevitably impacts on the sales of the Company especially in those provinces which are tourist destinations.

- Preventive Measures

1. Adjust sales promotion plans to focus on domestic customers because there is still risk of resurgence of COVID-19 whereby it is important and necessary to pay attention to the Thai tourists.

2. Collaborate with department stores in jointly setting plans to attract higher numbers of tourists or the foreign tourists who are staying in Thailand or the foreign tourists who are citizens of the countries permissible to take a trip to Thailand by encouraging them to the shops through various privilege jointly made with those shops.

3. Seek for an occasion to use new products, for example, it must be a souvenir by attracting the tourists to take the products on periodic or special occasion. It is to get chance in new consumption for increasing use of products.

4. Use various online media accessible to tourists to remind of the Brand to always be in their mind when the Country has fully been reopened and they are able to come back to travel in our Country again, they will memorize the brands of products and purchase such brands in their mind.

5. Develop the products to suit the requirements of customers in the groups of the Middle East, India or other tourism markets to reduce the dependence on the tourists of only a single country such as of China, etc.

7. Risks to environmental impact

Having realized the ongoing potential problems that may affect the environment, the Company therefore considerably develops its manufacturing process and extends conservation and sustenance of the environment all the time.

- Preventive Measures

1. Reduction of use of plastic in packaging, reduction of wastes and control to decrease number of plastic in every year. For example, the Company selected to produce giant size powder where to reduce using of plastic in packaging from previously 3 pieces used, now only 1 piece used. In addition, the Company also launches the campaign for reduction of using plastic by means of a refill; it is to reuse its previous package.

2. Development and manufacture of eco-friendly products thereby the formula of sunscreen has been modified to become with no any chemicals that are harmful to coral reefs aiming for prevention of coral bleaching and not destroying the environment under the sea. Currently, there is publication to encourage people's awareness of data and information about sunscreen which indirectly damages coral reefs with some chemical mixture. Additionally, the vegan formula nourishing skin cream has not been tested on animals but only tested on plants. In that connection, neither animals nor ecology are destroyed. The Company always continually develops its products and protects the environment simultaneously.

3. The Company realizes the importance and intends to return profits to the society, the community and the environment. Based on the trend of environment preservation, Wacoal lingerie is the first brand in the textile industrial business sector that is awarded the Green Label by Thailand Environment Institute as the quality and safety brand which is perfectly eco-friendly in every manufacturing process. 'Wacoal Love Earth' is the declaration of the strong intention in jointly preserving the environment with the sustainable growth goal.

8. Outdated Products

The Company is a major distributor of fashion products, the popularity of which changes rather quickly. In 2022, the Company has inventories in the amount of THB 2,407.73 million or 32.10 percent of current assets and 7.03 percent of total assets, with inventory turnover rate of 2.33 times, bring the Company's average sales times to 156 days, which may be at risk of products becoming obsolete if not sold in a timely manner, rendering an increase in management costs and requiring the setting of allowance for obsolete or inferior products which causes a decrease in net profit and liquidity. However, the Company has a management policy to prevent long-term inventories by improving the whole merchandising process: from purchasing, managing seasonal merchandising by increasing success rates of new products, and managing slow-moving products by expediting promotional activities for such products clearance.

9. Investment

The Company invests in businesses of a total of 138 affiliated and other companies in the proportion of shares held no more than 50 percent of such company's registered capital and in four companies with share held more than 50 percent of the registered capital, which are considered subsidiaries of the Company. Investment is in the form of cross or reverse share-owning between affiliated companies, with the Company having no control over the invested company and their management is completely under the direction of the respective board of directors of each company.

The management and decision making regarding the Company's investment is in the form of joint investment in related businesses, businesses with mutual benefits, and investments to diversify risks.

The Company receives a return on investment in the form of dividends. If any invested company suffers a loss, the Company will record an allowance for loss on impairment of investment in the income statement of the Company. The said share-owning structure does not affect the recognition of the Company's revenue sharing and does not make any difference to the financial statements.

The Company has measures to prevent investment risks by appointing a person who is in a joint venture company or is in a company that does business related to the invested business, investment management center to monitor the financial statements and information regarding the invested company's situation to know if there are problems and report to the Company and the shareowners in the group once a year, as well as to immediately report any unusual or critical events so that solutions may be collectively found. In addition, the Board of Directors and Executive Committee meetings are regularly convened to review the operating results in which the Company invests, with a focus on businesses which are suffering from losses, and to find remedies for such businesses to manage losing transactions in order to obtain sustainable profit.

10. Loans and guarantees

As of December 31, 2022, the Company had granted loans to two joint venture companies amounting to THB 119.00 million compared to THB 130.05 million in the year 2021, a decrease of THB 11.50 million, due to the receiving of the loan repayment.

As of December 31, 2022, the Company had guarantee obligations to 11 companies, amount to THB 273.95 million compared to THB 509.77 million in the year 2021. A decrease of THB 235.82 million occurred by the end of the Sahaphat Real Estate Co., Ltd.'s guarantee period on December 30, 2021. Such guarantees were under the joint venture agreement and are proportionate to the Company's share-owning.

11. The Outbreak of Corona Virus 2019 (COVID-19)

The outbreak of Corona Virus 2019 (COVID -19), from the end of December 2019 to the year 2022, had caused each country to take various measures. More public vaccination and protection measures had been employed dramatically since 2021, resulting in the unravelling of the pandemic situation. The country was also re-opened and more tourists had gradually travelled back to Thailand. Tourism and service sectors that had been severely affected by the pandemic started to heal and heading for a more positive trend. The measures and restrictions for conducting economic and social activities as well as international travelling had been alleviated. The transition to a post-pandemic phase, which the COVID-19 was declared as contagious disease instead of epidemic, played an important role in the Company's significantly higher revenue compared to 2021. The Company and its subsidiaries continuously maintain measures of cutting down inefficient operational costs, non-contributed costs to the growth of sales and personnel costs by utilizing existing personnel more effectively.

12. External market competition

As today technologies have advanced rapidly, entrepreneurs aim to approach individual customers in order to establish direct business without middleman; the Company, therefore, has plans for future operations as follows:

1. Entering supply chain structure to lower the costs and to gain more competitive advantages
2. Focusing on the Company's ability improvement to reach "Deep Customer Insight" to better respond to the change of customer's behavior.
3. Restructuring the organization structures to become more concise, effective, and quick to respond to customer's needs, along with continuously developing more efficiency in various aspects.

13. Risks from uncertainty of returns that investors expected to receive

Prices of the Company's shares may fluctuate depending on various factors, some of which may be uncontrollable, for instance:

- Changing of policies, rules, regulations, or conditions that have an effect on the manufacturer's industry;
- Economic conditions, crises, and unusual situations such as inflation, the oil price war, Russo-Ukrainian war etc.

These factors may cause the share prices to become lower than the prices purchased and/or higher than the prices sold by the investors; thus, the investors may be at risk of the uncertainty of returns as expected by the investors.

14. Risks of incapability to pay dividends as investors expected

The Company's ability to make dividend payment depends on various factors; such as, investment budgets and capital reserves for business expansion, payment for investments in investment funds, and cash flows obtained from work operations. In case the mentioned factors affect the Company's ability to pay annual dividends and/or interim dividends, the Company may be at risk of paying dividends at a lower rate than investors expected. Nevertheless, the Company still treats the shareowners as an important group of persons, as if they are the owners of the Company or the investment's owners of the business. The Company has a policy on making annual dividends payment at one Baht per share (equivalent to 49 percent of the PAR value), mainly depending on the Company's business performance and the economic conditions.