

**DISCOUNTED CASH FLOW VALUATION OF OISHI GROUP  
PUBLIC COMPANY LIMITED**



**A THEMATIC PAPER SUBMITTED IN PARTIAL  
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Thematic paper  
entitled  
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PUBLIC COMPANY LIMITED**

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**DISCOUNTED CASH FLOW VALUATION OF OISHI GROUP PUBLIC COMPANY LIMITED**

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**ABSTRACT**

The purpose of thematic paper is to value the stock price of Oishi Group Public Company Limited base on discounted cash flow valuation method which represents the concept of comparing a company's value to that of its competitors or industry peers to assess the firm's financial worth. Increasing of health awareness, sugar tax impose and rapid expansion of competitors among industry have been stagnating growth of OISHI both food and beverage business. The target price of year ended 2019 of OISHI shall approximately equal to THB 76.16 per share with 10.14% downside from its closing price of THB 84.75 on December 4, 2018. The valuation indicates a SELL recommendation for investors. Thus, the valuation value only provides guideline based on past performance of OISHI which investors need to carefully take their own consideration to further make investment decision.

**KEY WORDS:** OISHI / Valuation / Discounted Cash Flow Valuation / Food and Beverage

83 pages

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## CHAPTER I

### HIGHLIGHT

We issue a SELL recommendation on Oishi Group Public Company Limited (“Oishi”) with a one-year target price of THB 76.16 using the Discounted Free Cash Flow to Firm Method. This offers a 10.14% downside from its closing price of THB 84.75 on December 4, 2018. However, Oishi still has slightly opportunities to grow from its core business both from food and beverage. There are four factors that could impact on the stock price of Oishi in the future which are saturation of domestic RTD green tea market, sugar tax policy, enhance in substitute beverage products, and potential expansion of the company.

1. Health awareness and aging population slow down domestic RTD green tea market

The healthy trend in Thailand has been rising with a jump trend in consumption value of 2.85% from 2012 to 2017. The domestic market of RTD tea is also expected to be declined by 3% in term of volumes due to increasing trend of health awareness. This is also correspondent with the negative sales growth of Oishi green tea during the past few years. Alongside with the health awareness, Thailand is approaching to high aging population era which will consider to be 20% of total population in 2021. This would heavily impact on the future performance of green tea beverage industry including Oishi.

2. Raising unit price of RTD green tea due to new sugar tax policy

The new sugar tax policy in Thailand will increase tax expenses of sugary beverage manufacturers which also increase the unit selling price of Oishi green tea. The sugar tax will approximately increase the price of green tea from THB 0.091 to THB 0.536 per bottle from 2017 to 2022. As a result, Oishi has already increased the price of approximately THB 5 per bottle which significantly reduced the beverage sales of 15.1% in 2018.

### 3. Aggressive extension of substitute beverage products

When the price of Oishi green tea products are increased, consumers may stop purchasing from Oishi and switch to other substitute beverage products that have been significantly available for consumers with the lower prices.

### 4. Slightly growth of domestic Oishi restaurants

Oishi plans to open 15 branches a year for the next 3 years during 2018-2020 which mainly focusing on its most successful brand which is Shabushi. Currently, Oishi is still being a leader in the Japanese restaurant market. Even the company slows down the expansion plan due to high coverage of restaurant branches both in Bangkok and provincial areas but the company is able to maintain its same store sales performance. The company also emphasizes on sustaining its market positions by implementing new innovation with restaurants in order to attract consumers and boost up sales.

### 5. Distribution channels support from parent

The oversea sales of Oishi has been increasing rapidly and continuously from 1.8% in 2012 to 6.7% in 2017. The company still has a potential to grow internationally due to strong distribution channels of Thai Beverage Public Company Limited (“Thai Bev”) which is a parent company of Oishi. Thai Bev has a solid plan for oversea expansion which intentionally aims to be the largest beverage producer in ASEAN. Thus, Oishi has an opportunity to drive both sales and profit margin from management efficiency in term of oversea enlargement from the parent company.

## **CHAPTER II**

### **BUSINESS DESCRIPTION**

Oishi Group Public Company Limited is a leading ready-to-drink tea business and Japanese restaurant operator in Thailand. The company was established on 9 September 1999 with registered capital of THB 375,000,000. Currently, Oishi primarily engages in 2 main business segments which are Japanese beverage and Japanese food. Japanese beverage business is the company's main business which accounted for 52% of its sales revenue as of year-ended 2017. Moreover, the company is being a leader with 49% of highest market share in green tea market in Thailand as of August 2017. Oishi has been developing and expanding products and services both Japanese food and beverage in domestic and international market. Oishi beverage's products are exported through its various subsidiaries which located in Thailand, Hong Kong, Singapore, Republic of the Union of Myanmar and Socialist Republic of Vietnam. The beverage business has been expanding and distributing to more than 19 countries globally such as Laos, Cambodia, Myanmar, Malaysia, Negara Brunei Darussalam (Brunei), People's Republic of China, the Republic of Korea, the Russian Federation (Russia), Israel, Australia, New Zealand, the Swiss Confederation, Barbados, Hungary, Netherlands, Saint Maarten, the Republic of Poland, the Federal Republic of Germany (Germany), the Republic of Finland and Great Britain. The company has been heavily focusing on research and development of products in order to respond to the diversity of customer's needs and behaviors. Currently, the beverage business has continuously expanded its brand extension on its major revenue which is ready-to-drink green tea under 5 brands; Oishi Green Tea, Oishi Kabusecha, Oishi Black Tea, Oishi Fruits and Oishi Chakuza. These green tea drink brands intentionally aim to attract and cover different target consumers with 13 flavors, 4 packaging and 6 sizes.

For food business, Oishi has divided its Japanese food business into 2 segments which are restaurant and ready-to-cook and ready-to-eat food. The proportion of food business sales revenue was accounted for 48% of total sales revenue as of 2017.

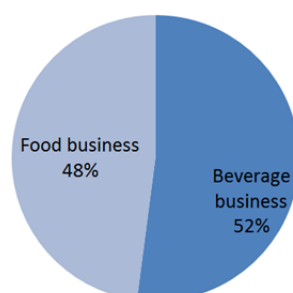
Currently, there are 242 branches of Oishi restaurants that have been expanding into both local and overseas markets. Oishi initiated 7 restaurant brands under different concepts to satisfy various types of target markets which range from middle to high income, middle income and young working, teenagers and university students target groups. Oishi Grand, Oishi Eaterium, Oishi Buffet and Nikuya are engaging to provide a variety of premium Japanese buffet which the target customers are those who have high income. These premium restaurants are not located all over the region in Thailand unlike the other restaurant brands that mainly target the middle and low income people. Oishi Grand is only located in a high-end department store; Siam Paragon, Bangkok with only 1 branch. Moreover, Oishi Eaterium will be covered in high traffic areas around Bangkok with 5 branches. Oishi Buffet mainly focuses on middle income people with 17 branches in both Bangkok and other provinces in Thailand. Also, Nikuya is a Barbecue buffet in Japanese style which has a wide range of customers from middle to high income people. It offers various types of premium Japanese food with different price ranges. It is only located in Bangkok with 18 branches. On the other hand, Shabushi was initiated as a shabu buffet with a conveyor belt that rotates food for customers to customize on their own. Its target customer groups are middle income people. Shabushi has been expanding in Thailand and overseas markets with 126 branches in Thailand and 2 branches in Myanmar. For the lower income group of customers, Oishi decided to offer quick Japanese meals especially to target university students, teenagers and young working people. Oishi Ramen and Kakashi are restaurant brands under Oishi Group which also provide quick bowls of Japanese ramen noodles and meat on top of rice or also known as donburi. Oishi Ramen and Kakashi only concentrate in Thailand with 51 and 24 branches respectively. In addition, Oishi established 2 kiosks that sell only Oishi products both beverages and frozen food such as sandwiches, Oishi green tea and frozen ready-to-eat food.

Oishi ready-to-eat and ready-to-cook business can be categorized into 2 main segments which are chilled ready-to-eat and frozen ready-to-eat products. There are 3 main products for chilled ready-to-eat which are bread and sandwich, chilled gyoza and seasoning sauce. These three products are distributed to customers through convenience stores since it aims to serve city-living people who have limited time. For the frozen ready-to-eat products, there are also 3 main products which are frozen meal and snack such as gyoza, takoyaki, kamaboko or crab stick, tamagoyaki, chuka wakame and kimchi,

frozen ready-to-eat main meal products such as meat topped on Japanese rice and ramen and frozen ready-to-cook products such as sliced salmon and sliced saba. These product types deliberately serve to current people's lifestyle especially those who has rush hour to cook. The products are distributed to consumers at the most convenience in the hypermarket and supermarket.

In term of subsidiaries, Oishi has 7 subsidiaries both direct and indirect relationship which located in Thailand and oversea. Currently, there are 4 direct subsidiaries that operate both in Thailand and Hong Kong in order to support Oishi Group. First, Oishi Trading Co., Ltd. provides production and distribution of both beverages and food for Oishi group. Second, Oishi Ramen Co., Ltd. engages in operation of Japanese restaurant. The company's business line is a retail sale of prepared food and drinks for on demand consumption. Third, Oishi International Holdings Limited, the company was incorporated in Hong Kong which provides beverage distribution to support international business expansion. Forth, Oishi Food Service Co., Ltd was primarily established to support business expansion for its Oishi group. Moreover, Oishi group has 3 indirect subsidiaries that the Oishi Group hold shares for more than 50% of the issued shares. First, Oishi F&B (Singapore) Pte. Ltd. is a brand management and consulting services company that operates in Singapore to support international business expansion. Second, Oishi Myanmar Ltd. operates Japanese restaurant in Yangon, Myanmar. Third, Oishi Group Limited Liability Company operates marketing management and consulting services for Oishi group in the Socialist Republic of Vietnam. The company was established to serve future international expansion opportunities.

### Sales breakdown 2017



**Figure 2.1 Sales Breakdown 2017 of Oishi Group Public Company Limited**



## **2.1 Macroeconomic Analysis**

### **2.1.1 Healthy trend is shaping the future consumer demands.**

Thai consumers are aware more on their health and well-being due to the change of global trend. It has been shaping the different mindset of individual to consider more on self-care, individuality and sustainability. Nowadays, people can be able to access to the internet and social media through rise of technological advancement. Thus, they have higher level of education and access to more information and knowledge which enhances the health consciousness. Consumers prefer to consume healthier food and beverage with less sugar and fat content. At the same time, food manufacturers also adapt to these eating habits by offering fat free and less sugar options. Moreover, the product development has heavily emerged especially on healthy product categories. These product types have been well respond from the customers due to the new innovation on the food processor and packaging that attract new group of consumers.

### **2.1.2 Convenience store chain is driving change in consumers' behavior.**

Currently, outlets and convenience stores are significantly the fastest growing channels in Thailand. It has shifted shopping behavior of Thai consumers that they tend to purchase more often with fewer items each time. Consumers tend to shop more at convenience stores nearby their homes rather than spend time to travel to supermarkets due to changing lifestyle and limitation of time. They also prefer to spend the same amount of expenses at the convenience stores as their spending at hyper- and supermarkets. Even though the convenience stores do not provide all assortment of goods but it has become the most preferable channel for today's consumers. Particularly, this shopping trend is very popular among elders since they travel less and still seek for convenience. One of the most successful convenience store chains in Thailand is 7-Eleven which has been expanding all over the region with more than 11,000 stores. The company focuses mainly on implementation of intelligence technology with their stores including facial and gesture recognition and customers and employees analysis. Moreover, the company also emphasizes to provide banking services on behalf of commercial banks to the customers with more than 10,000 stores across the country. It means that Thai

people will be able to access to more facilities at the convenience stores which help them to have higher quality of life (Today, 2018).

### **2.1.3 Gross Domestic Product (GDP) in Thailand has impressively been increased.**

The value of Gross Domestic Product (GDP) of Thailand was reported at the amount of USD 455.22 billion in 2017 which accounted for 0.73 percent of the world economy. Thailand's GDP in 2017 was recorded to be the highest amount at all time and ranked in the 26th of GDP among other 196 countries (Trading Economics, 2018). GDP in Thailand has approximately risen by 3.9% from 2016. The value of GDP has increased by USD 48,153 million from the previous year ("Thailand GDP", 2018). This incredible increase of GDP was generated from the export that reached at six-year high of USD 236,694 million in 2017 which increased by 9.9% from 2016. At the same time, the major growth also came from recovery trading in Thailand, Thai farming and agro-industrial products (Gupta, 2018). Moreover, tourism industry in Thailand is another important GDP driver that the number of tourists were recorded at 35 million people in which the most two attractive places are beaches and temples (Campbell, 2018). Thailand GDP is also forecasted to be an upward trend for the future which expected to reach USD 510 billion in 2020 (Trading Economics, 2018).

## **2.2 SWOT Analysis**

### **2.2.1 Strengths**

#### **2.2.1.1 Strong brand awareness**

- Both Japanese beverage and restaurant business have been creating significant brand proposition under the concept "Mee Oishi Chevit O jung". It represents client's perception toward the brand which always sustains its brand positioning through remarkable marketing strategies.
- The first company in Thailand that has been serving variety of Japanese restaurants to different group of Thai consumers.

2.2.1.2 Differentiate products and services to serve all segment of customers

- Oishi offers variety of green tea beverage products to all segments of consumers with different brands, flavors, sizes and packaging.
- Oishi restaurants also diversify each type of Japanese restaurant to serve various groups of consumers in order to dominate the Japanese restaurant market.

2.2.1.3 Strong distribution channels

Oishi has wide distribution channels through its major shareholder; Thai Beverage Public Company Limited (“Thai Bev”). Thai Bev is considered to be a largest manufacturer and distributor of alcoholic and non-alcoholic beverages in Thailand. Therefore, Oishi will gain competitive advantage over other competitors via extensive distribution network of its shareholder which also increases its opportunity to generate higher sales.

2.2.1.4 High manufacturing efficiency

Oishi has its own factory which can be able to produce large volume of goods both beverages and food to meet the demand of the market.

2.2.1.5 Healthy financial position

- The company has high cash liquidity which allows Oishi to further expand its business and secures its credit rating.
- Oishi has been researching and developing heavily on its products in order to meet the current demand in the mass market.
- Oishi has rapidly expanded restaurants by opening new branch of restaurants which currently has already covered all Bangkok, vicinity and over 21 provinces in Thailand. Most restaurants are in the main department stores and hypermarkets such as Central, Robinson and Big C which can easily reach and facilitate customers.

2.2.1.6 Technological product advancement

The company has been initiating and implementing new technology in production which called “the cold aseptic filling”. It helps to maintain freshness of beverage and reduce plastic that used to produce beverage bottles so that the manufacturing costs are massively reduced. Thus, this leads to lower production costs which the company also reaches an economy of scale.

## **2.2.2 Weaknesses**

### **2.2.2.1 Source of suppliers**

Since the policy of Oishi is to purchase high quality of raw materials, so the company will stick to purchase from few suppliers. Therefore, the company has a chance to face with raw material shortage and also low bargaining power which raises costs of goods sold and resulted in lower income.

### **2.2.2.2 Deterioration of raw materials**

Oishi operates in food and beverage industry which more than 50% of raw materials and products have short life cycle. Oishi needs to ensure that they generate high inventory turnover so that they do not waste raw material expenses on unsold products.

### **2.2.2.3 Product imitation**

Products and restaurants business are easily to be copied. Oishi has to maintain its brand proposition in order to catch current trend and need of consumers so that they can be able to sustain customers and dominate the market.

### **2.2.2.4 Substitute products and services**

There are several substitute green tea products in the market such as milk tea, coca-cola, coffee and fruit juice. Oishi needs to develop its products and services all the time since customers have wider range of product selection.

## **2.2.3 Opportunities**

### **2.2.3.1 Japanese trend is booming in Thailand**

- Thai people obviously favor Japanese food and beverage which notably expand the market.
- The trend of Japanese food and beverage has been continuously enlarging in every dimension which still has opportunities for an expansion.

### **2.2.3.2 Enlargement of healthy trend**

People aware more on their health especially on food and beverage intakes which Japanese food and beverage are considered to be healthy for perception of Thai consumers.

### 2.2.3.3 Higher income prefers to consume better quality products

Thai people have gained higher income which improves quality of lives particularly on consuming habits. They tend to choose substitute products that offer healthier choices such as ready-to-drink tea more than soda drinks (The World Bank Group, 2018).

### 2.2.3.4 Modern trade channels dominate retail market

People seek for more convenience lifestyle when they shop for grocery products. This changing trend drives the number of convenience stores to cover all of the corner both urban and rural area. This enhances the distribution channels of products to customers.

## 2.2.4 Threats

### 2.2.4.1 Many competitors in the market

- There are several ready-to-drink green tea competitors in the market such as Ichitan Group PCL, C Pharmaceutical Industry Co., Ltd., Unilever Thai Holdings ltd. and Uni-President (Thailand) Ltd.
- The Japanese restaurants have been launched to the market more and more which offer different tastes and eating experiences which create intensive competition in the industry.

### 2.2.4.2 Change of tax policy

Thai government has introduced an excise tax on sugary beverages including tea, soda, and fruit juice. This government policy leads the company to increase expenses on taxes which also raises the price of products. Therefore, the company will be suffering from price war and lower profit margin.

### 2.2.4.3 Health and wellness in Thailand

According to Euromonitor (2018), consumers change perspective about RTD green tea. They aware more on nutritions involve in their food and beverage. Some of them are moving away from high sugar or fat food and beverage since they prefer to perceive cleaner and healthier food and drink.

## **CHAPTER III**

### **INDUSTRY ANALYSIS**

#### **3.1 Restaurant Industry**

##### **3.1.1 Japanese restaurant trend in Thailand has increased by 8.3% from 2017 with the market value of 20 billion baht.**

Nowadays, the number of Japanese restaurants in Thailand especially in Bangkok has rapidly risen in last few years which lead to intensive competition in the market. According to Japan External Trade Organization (2018), there are 3,004 Japanese restaurants in Thailand which increased by 8.3% from 2017 and half of these restaurants (1,718) were located in Bangkok. This market is considered to be the fifth largest Japanese restaurant market in the world with potential growth of 10-15%. Japanese food is the most preferable type of food for Thai consumers when comparing with other national food. As a result, Oishi Group has to compete with various competitors in order to maintain its position within the current intensive market and be able to respond to consumer's demand. As mentioned before about statistic, it indicated that the popularity of Japanese food business in Thailand has been increasing dramatically. Thus, Japanese restaurants are easily to find in a mass of well-known department stores and every corners of the road throughout the country especially in Bangkok. At the same time, each brand heavily competes to each other to pull the customers by using variety of marketing strategies such as promotion, discount rate, and membership in order to retain those existing customers and gain more new customers. Along with its market trend, the total market value of Japanese restaurants in Thailand in 2017 was approximately at THB 20 billion with average past growth less than 10% per year. Over the past 10 years, the Japanese restaurant market is the only industry that has been growing continuously which an impressive development of variety of products and services. The Japanese restaurant market is still not saturated yet and also continues to have capacity to grow toward the future (Thai Rath, 2018).

### 3.1.2 Restaurant's atmosphere draws consumer's attention

It is hard to deny that social media is now a part of daily life for Thai people. Consumers are not only aware of the taste and quality of food. At the same time, they are more likely to pay attention to the restaurant's atmosphere and often take photos both the restaurants and food and beverage that they ordered. Thai consumers becomes a big social media user that always upload the images to their personal Facebook, Instagram, and Twitter account in order to illustrate their lifestyle. As a result, it can be concluded that the physical characteristics of the restaurants can be one of the factors that create an appearance to attract consumers. It is a direct effect to the customer experience, which is the most important element of restaurant nowadays (Waters, 2018). In addition, the atmosphere of the restaurants also significantly has positive influence on perceived value, customer satisfaction, and behavioral intention such as repurchase and positive word-of-mouth (Jalila, Fikrya & Zainuddina, 2015). Therefore, the atmosphere is an important element that could motivate success of the restaurants.

### 3.1.3 Healthy food grows on Thai consumers

Along with global trends, healthy food has become more ordinary among Thai people. According to Euromonitor (2018), Thai consumption value for healthy food has dramatically risen from 148,444 million baht in 2012 to 186,688 million baht in 2017 which considered to be 25.8% of growth rate.

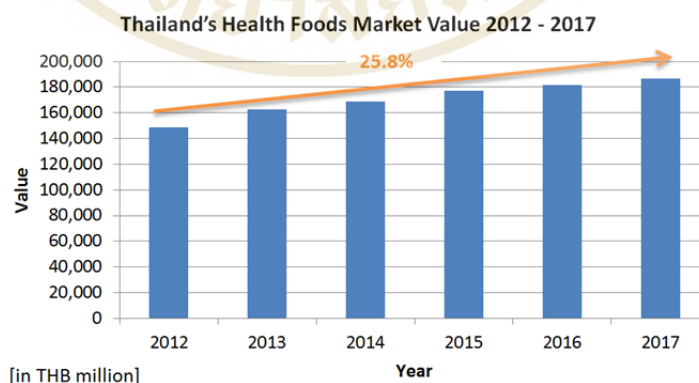


Figure 3.1 Thailand's Health Foods Market Value 2012 – 2017

Japanese food also corresponds to be a very healthy food that Thai people have been awarded of. It contains low calories with high nutritional value from its ingredients. Thus, it has become choices for health-consciousness people to consume. At the same time, the government also imposed tax in order to support growing sector of healthy trend. For example, tax imposed on sugar to ensure that the producers limit the sugar content in the food. Moreover, the government needs to also ensure that the manufacturers produce high quality of food to consumers with benefit to consumers' health. Currently, there are many restaurants in Thailand that provides healthy food such as Farm to Table, Broccoli Revolution, Baan Suan Pak, and Oh-Ka-Ju Organic. These restaurants focus on serving fresh vegetables and often use organic ingredients in their menu. Their restaurants obtained positive feedbacks from the consumers which obviously show that consumers are willing to purchase and perceive healthier food. In addition, the healthy food trend is also significantly reflected through many Thai celebrities and influencers that they tend to prioritize more on healthy food along with doing more exercises. Thus, this could be an important factor that allures Thai people to concern more on their health by selecting healthier food (Thailand Board of Investment, 2017).

#### **3.1.4 Increasing number of Japanese restaurants is accordingly to the number of Japanese residents in Thailand.**

The number of Japanese residents in Thailand has reached 60,000 people which also one of the factors that drive the expansion of Japanese restaurants in the region. Particularly, the specialized Japanese restaurants tend to increase significantly due to the movement of Japanese culture from higher number of Japanese emigrants in Thailand. Japanese restaurants have been launching and transferring its culture to Thai market more and more. There are various kinds of Japanese restaurants including Sushi, Tempura, Omakase, Shabu, Ramen and Yakiniiku. Moreover, these Japanese restaurants intentionally reach to the upper-middle-income people which are the main target group of consumers. Premium Japanese restaurants have also been growing in correspondence with the increase number of high-end department stores that expected to offer new experiences of Japanese food to upper-middle-income to high income customers. However, the potential growth of Japanese restaurants in Thailand will still massively be expanded especially buffet restaurant style which focuses on low to middle income people. The



growth of buffet restaurants is driven from higher proportion of revenue of 60% to 80% due to lower costs of ingredients when compared to premium Japanese restaurants (Food Story, 2018).

## **3.2 Beverage Industry**

### **3.2.1 The ready-to-drink tea industry in Thailand has been declined during the past years both in term of volume and value.**

The ready-to-drink green tea market in Thailand as of 2017 has faced with high competition which resulted from increasing of newcomers and massive marketing strategies. The market has obviously faced with reduction in the growth rate by almost 18% and likely to continuously drop in the future. According to Euromonitor (2018), the total trade volume of ready-to-drink tea declined by 10% from 587.0 million liters in 2016 to 528.1 million liters in 2017. The trade-off value also decreased by 13% from 18.9 billion in 2016 to 16.5 billion in 2017. This shrinking statistic contradicts with the increasing number of ready-to-drink tea brands in Thailand that have been aggressively competing to each other by implementing marketing approaches to attract new group of customers.

### **3.2.2 Consumers tend to aware more on their health which significantly impacts Ready-to-drink tea market.**

Ready to drink tea (RTD) market has decreased in term of volume and value due to variation of eating behavior of consumers. Consumers prefer to drink healthier beverages rather than RTD tea since it contains high amount of sugar (Euromonitor, 2018). Juice becomes alternative for consumers which resulted in an increase of both value and volume of 4% and 3% respectively in 2017. The value of juice market was 16.8 billion in 2016 and increased by 4% to 17.5 billion in 2017. In term of volume, the volume increased from 309.3 million liters in 2016 to 318.6 million liters in 2017. Consumer's health-consciousness continuously rises the sales performance of juices (Euromonitor, 2018). Moreover, consumers also are able to easily access to more knowledge and information related to health and wellness via sources from internet. As a result, they quickly obtain

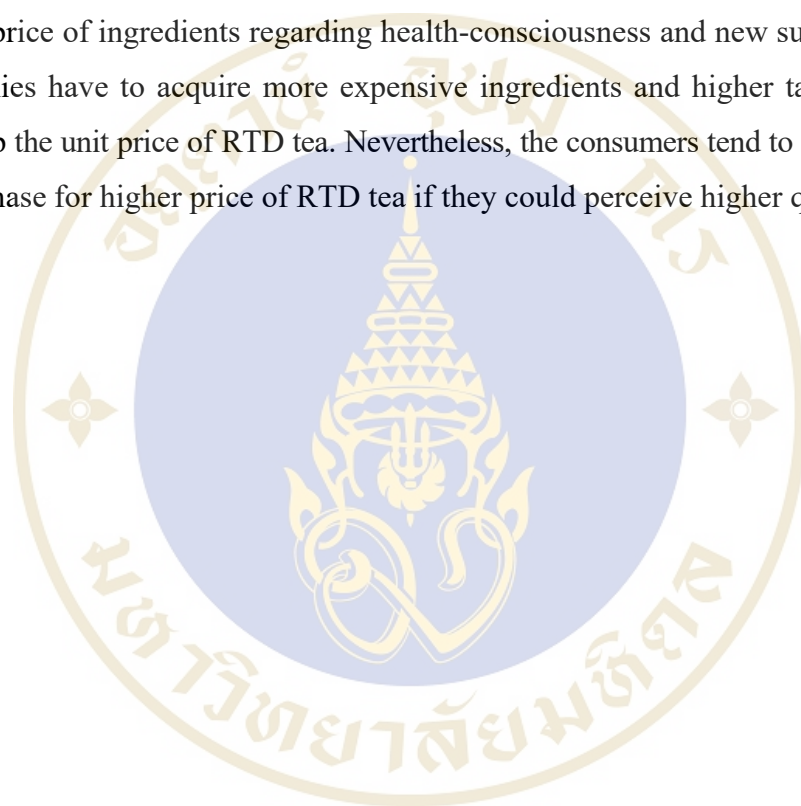
nutritional information about food and drink that they are consuming and adjust their consumption accordingly.

### **3.2.3 The new sugar tax impacts on performance of the beverage industry.**

The sugar tax was imposed in September 2017 which the goal of the government is to generate healthier society. The sugar tax will be adjusted every two years during 2017-2023 to charge higher taxes on sugary beverages. This means that beverage manufacturers need to be aware of sugar content within the drinks that they produce in order to avoid burden tax expenses. The tax has been applicable with soft drinks that contain sugar of 6 grams and above per 100 milliliters. The sugar tax on beverage will be as following; the sugar content of 6 to 8 grams will be taxed at 10 satang per liter, 8 to 10 grams at 30 satang per liter, 10 to 14 grams at 50 satang per liter and 14-18 grams and above at THB 1 per liter. The sugary beverages that are subjected to be taxed include aerated soft drink, juices, energy drink and all kind of sweetened drinks. Currently, the average of sugar content is approximately at 10 grams which is more than half of what the food and drug administration has been suggested to be at 4 grams per 100 milliliters (Tangsiri, 2017). In 2017, the beverage industry in Thailand has been rapidly growing and continuously expanding with the market value of THB 200 billion. The majority of the beverage industry also comes from the drinks that contained high sugar amount. Thus, producers are not only responsible for higher tax expenses on goods but they also need to avoid increasing in retail prices in order to absorb their additional tax expenditures. Thus, it directly impacts on the lower amount of profit which resulted in poorer performance of the company. At the same time, the company will also need to emphasize more on product development particularly on ingredients that need to be adjusted along with the new tax regulations. For example, they might need to change some ingredients from sugar to herb which improve nutritional value of RTD tea and reduce the extra costs from taxes. Nevertheless, the company might be charged with higher price of ingredients and lead to more expensive price per unit of RTD tea that consumers might be unsatisfied and prefer to switch to other substitute products.

### **3.2.4 The price war in the Ready-to-drink tea market is still intensive.**

The number of RTD tea producers are significantly increased which leads to shifting from one brand to another of the customers. Even each RTD tea brand always launches new products accordingly to the change of eating habits but the growth of RTD tea is still unlikely to be increased. The alternative way that producers executed in order to increase sales performance is to implement aggressive promotions particularly price promotions to ensure that they are able to retain and expand their customer base. However, the manufacturers need to increase price per unit of the RTD tea due to both higher price of ingredients regarding health-consciousness and new sugar tax law. The companies have to acquire more expensive ingredients and higher tax burden which boost up the unit price of RTD tea. Nevertheless, the consumers tend to have willingness to purchase for higher price of RTD tea if they could perceive higher quality and better taste.



## **CHAPTER IV**

### **COMPETITION ANALYSIS**

#### **4.1 Restaurant Business**

##### **4.1.1 Oishi has been developing to be a strong restaurant brand and gained market shares among chained full-service restaurants in Thailand.**

According to Euromonitor (2018), there are 30 brands of full-service restaurants which have been recorded accordingly to the percentage of service value. In 2017, Shabushi gained 3.8% of market share in the industry of full-service restaurants, which considered to be the top-ranked buffet restaurant and also ranked in the 8th of percentage of food service value. Moreover, the market share of Shabushi among the full-service restaurants has been continuously increasing during the past few years from 3.2% in 2014 to 3.8% in 2017. At the same time, Oishi Ramen also gained 1.3% of market share in the value of food service industry and ranked in the 14th of the market. The restaurants that highly dominate the market are MK and Fuji which were ranked to be the first and the second restaurants that have the highest market shares in the chained full-service restaurant which gained 22.4% and 11.6% respectively (Appendix K).

##### **4.1.2 Oishi has created variety of Japanese restaurants in order to diversify its brands to cover all target groups of customers.**

Oishi has divided its restaurant business into different target group of customers in order to serve and reach wide range of consumers including teenagers, junior office employees, middle income, and upper income groups. For example, Oishi Grand is a luxury dining buffet which intentionally aims to reach middle to high income people. While, the target group of Shabushi and Oishi Ramen are teenagers and young working group. According to Euromonitor (2017), the majority of full-service restaurants in Thailand that currently operates as Japanese restaurants have the same target group of customer as Shabushi and Oishi Ramen which is the middle-income segment. This

corresponds with the World Bank group which the report shows that Thailand is classified as an upper-middle-income economy (The World Bank Group, 2018).

#### **4.1.3 Direct competitors of Oishi restaurants are Hot Pot Restaurant and Hachiban Ramen.**

Among 30 brands of chained full-service restaurants, the direct competitor of the best seller restaurant of Oishi; Shabushi is Hot Pot restaurant or the new name known as JCK Hospitality Public Company Limited (“JCK”). JCK has similar revenue structure and business line as Shabushi. Hot Pot is the major source of revenue of the company which accounted for 57.69% of overall revenue and the rest of the revenues came from other restaurant brands under the same group. Hot Pot focuses on Japanese style of Suki and Shabu which mainly focus on the same target group as Shabushi which are middle-income people such as teenagers, students, workers and families. Shabushi gained highest rank in term of value among other 30 chained full-service restaurants and was ranked in the 8th. The market share of Shabushi has been continuously increased during 2014-2017 from 3.2% to 3.8%. On the other hand, the market share of Hot Pot has been declining over the years from 3.7% in 2014 to 2.7% in 2017 and was ranked in the 10th (Appendix K). Furthermore, Oishi Ramen is also another restaurant brand under Oishi that gained market share among 30 brands of chained full-service restaurants. Oishi Ramen ranked in the 14th which the percentage of market share of Oishi Ramen has been slightly decreased from 1.5% in 2014 to 1.3% in 2016 and remained constant toward 2017. The direct competitor of Oishi Ramen is Hachiban Ramen which was ranked in the 9th in term of brand shares. Hachiban Ramen operates similarly to Oishi Ramen which offers Japanese style of ramen with affordable price to respond to the quick lifestyle of customers. Currently, Hachiban Ramen has been expanding all over Thailand with 125 branches. At the same time, Hachiban Ramen also has the same target of customers which is middle income people as same as Oishi Ramen. Even though Hachiban Ramen gained higher portion of market share of 2.7% in 2017. However, the market share of Hachiban Ramen has been diminishing from 3.0% in 2014 to 2.7 in 2017 (Appendix K).

## 4.2 Beverage Business

### 4.2.1 Oishi is a leader of ready-to-drink green tea company in the industry both in term of share of the brand and the company.

According to Euromonitor (2018), Oishi currently holds about 55.8% of market share in term of volume among the ready-to-drink (RTD) tea industry in Thailand. Even though, the RTD tea market has been continuously declining during the past few years but Oishi still be able to maintain its leader position among the RTD green tea industry. The off-trade sales volume declined by 11% from 540.6 million liters in 2016 to 479.3 million liters in 2017. The value of the off-trade is also declined by 13% down to THB 16.5 billion in 2017. Oishi gained both highest proportion of shares in term of company's shares and brands. There are several RTD tea brands under Oishi group that have gained market shares in term of brand among the market which are Oishi green tea and Chakuza which obtained 46.4% and 0.4% of market shares among the brand shares of RTD tea respectively.

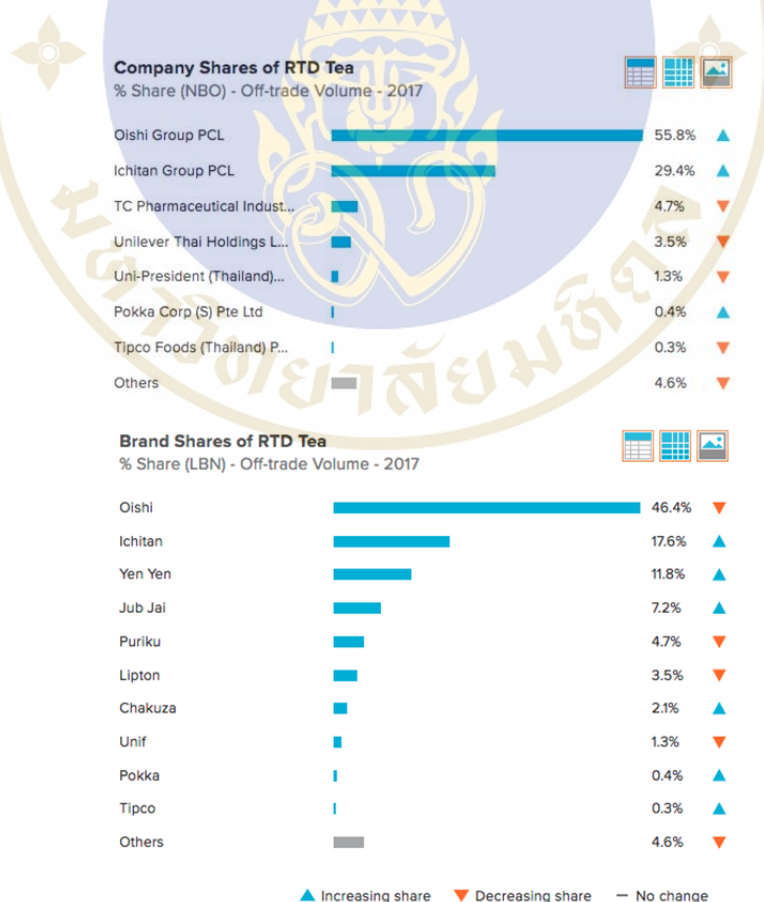


Figure 4.1 Company Shares of RTD Tea and Brand Shares of RTD Tea

#### **4.2.2 Oishi focuses heavily on product innovation along with marketing strategy that captures both existing and new customers.**

Currently, there are 13 flavors of green tea under 5 different Oishi brands. The company has been developing its products using diversification as its business strategy. Oishi sustains both growth and market share in the RTD tea market by being an innovator especially in term of product development. The company has been implementing new green tea brands and flavors together with its attractive packaging and sizes that cover wide range of customer types. Moreover, Oishi also emphasizes on brand awareness to maintain its leading status in the industry. They have implemented creative sales activities in order to support the launch of new products under the concept of their brand “Mee Oishi Chevit O jung”. The product research and development of Oishi leads their green tea brands to sustain its brand position in the customer’s mind.

#### **4.2.3 Direct Competitor of Oishi group is Ichitan Group**

Ichitan Group Public Company Limited (Ichitan) operates as manufactures and sells beverages in Thailand. Ichitan’s products are also including green tea, organic green tea, herbal tea (Yen Yen), fruit juices (Bireley’s), jellies (Ichitan Chew Chew), and energy drink (T247). The company tried to diversify its business by providing various kinds of drink to customers. However, the main revenue of the company derived from Ready-To-Drink Tea Beverage which accounted for 96% of total revenue in 2017. In addition, Ichitan is also focusing on middle income people as their target group which is the same target group as Oishi beverage. Ichitan has implemented the aggressive marketing plan by promoting its brand through celebrities in order to increase its market share. Moreover, it also implemented other marketing campaign by using sales promotion and nationwide campaigns. Furthermore, when comparing the companies between Oishi Group and Ichitan Group, the market share of Oishi Group was accounted for 49% of overall shares of Ready-to-Drink Tea market which is larger than the Ichitan group that only captured about 28% of total market share.

### 4.3 Investment Summary

We issue a HOLD recommendation on Oishi Public Company Limited (“Oishi”) with a one-year target price of THB 78.15. We used the Relative Valuation method which offers a downside of 7.79% from its closing price of THB 84.75 on December 4, 2018. Oishi will be able to slightly grow from its core businesses both food and beverage. In term of food business, the company is able to grow from new domestic restaurant branches during 2018-2020. While, Oishi will sustain the number of restaurant branches to be constant from 2021 to 2022 accordingly to the historical opening trend. For beverage business, the company will generate potential sales from international expansion with solid distribution channels support from parent company throughout 2018 to 2022.

On the other hand, there are several factors from macro and industry that could impact and offset the sales performance of the company during 2018-2022 particularly on the beverage business. The demand of RTD tea from 2018 to 2022 is expected to be declined by 3% according to healthy trend, aging population and other attractive substitute products. The prices of the Oishi beverages are also expected to be increased along the years due to the sugar tax on beverages which also resulted in stagnant demand.

#### **4.3.1 Saturation of domestic green tea market due to increase in health awareness and aging population.**

The healthy trend in Thailand has been rising with a jump trend of healthy food consumption value of 2.85% from 2012 to 2017. Thai people prefer to drink healthier beverages since the higher knowledge through accessibility to more information. They realized that RTD green tea drinks contain high amount of sugar which is harmful to their health. Thus, they have switched their lifestyle to drink healthier beverage choices. According to Euromonitor (2018), the RTD tea in Thailand is expected to be declined by 3% in term of volumes. This is also correlated with the negative sales growth of green tea beverage of Oishi during the past few years. Thus, the domestic sales are forecasted to be reduced in term of quantity in the next 5 years. Alongside with health awareness, aging population is another significant factor that drives the green tea market in Thailand to be decreased. According to Chaitrong (2017), Thailand will become a full-fledged ageing society over the next four years or in 2021. There will be 13.1 million people



that aged 60 years old or older. The number of aged people will rise from 17.13 percent in 2018 to 20 percent of the total population in 2021.

#### **4.3.2 Increasing price of green tea beverage due to new sugar tax policy**

The new sugar tax policy will increase the tax expenses of the company which manufactures of sugary beverages need to raise selling unit prices. Oishi green tea contains sugar as an important ingredient which will be highly impacted on the new impose of sugar tax of the government. The new sugar tax will approximately increase the price of Oishi green tea from THB 0.091 to THB 0.536 per bottle from 2017 to 2022. Currently, this tax policy has already increased the Oishi green tea price of approximately THB 5 per bottle which significantly reduced the beverage sales of 15.1% from 2017 to 2018.

#### **4.3.3 Enhance in substitute beverage products**

Since green tea beverages are classified as convenience product and people does not seek it as necessity for lives. When the price of green tea increased, consumers may stop purchasing Oishi green tea and switch to other substitute products that has been rapidly increasing and available for them for the lower prices in the beverage market. Thus, Oishi has potential to loss customers which resulted in lower income.

#### **4.3.4 Slightly growth of Oishi restaurants**

Oishi plans to open 15 branches a year for the next 3 years during 2018-2020 which mainly focusing on its popular brand which is Shabushi. Shabushi is the most successful Oishi restaurant brand with the highest number of branches among other Oishi restaurant brands. Oishi still dominates the Japanese restaurant market with potential expansion into provincial and suburb areas. Even though the Japanese restaurants have been aggressively implementing marketing strategies in order to reach more customers and gain market shares. Nevertheless, the company has also developed new innovation with their restaurants to ensure that they can be able to catch the new technological changes and attract consumers. In addition, Oishi has been initiating many restaurant brands that have different concepts to reach wide range of consumer types so that they can be able to maintain and gain more market shares. During 2015-2017, the company

has remained the same number of restaurant branches but still able to generate sales constantly.

#### **4.3.5 Potential international expansion from strong distribution channels of parent company**

Oishi has derived sales portion from overseas market both by exporting green tea drinks and operating Shabushi restaurants in Myanmar which was accounted for 6.7% of total sales in 2017. The overseas sales have been increasing rapidly and continuously from 1.8% in 2012 to 6.7% in 2017. Moreover, the company still has potential to grow internationally due to the strong distribution channels of Thai Beverage Public Company Limited (“Thai Bev”) which is a parent company of Oishi. Thai Bev is considered to be Thailand’s leading beverage manufacturer and also one of Asia’s largest beverage producers. The company involves in 4 main businesses which are spirits, beer, non-alcoholic beverage and food. Currently, the main markets of Thai Bev are Thailand, Malaysia and Singapore and it plans to expand into new markets such as Myanmar, Indonesia, Vietnam, Laos, Cambodia and Philippines in order to be a largest beverage producer in ASEAN. In addition, the company has implemented acquisition strategies so that they can easily reach overseas target market. Recently, the company has acquired Saigon Beer Alcohol Beverage Corporation or also known as Sabeco which is number one of beer producer in Vietnam. Nevertheless, the company already has 6 non-alcohol beverage offices in ASEAN and will be expanded another office branch in Cambodia. Therefore, the strong expansion of Thai Bev would create solid distribution channels for Oishi to distribute their products to new countries especially in ASEAN.

## CHAPTER V

### VALUATION

Valuation of Oishi derives from 2 valuation models which are Discounted Free Cash Flow to Firm (DCF) and relative valuation model.

#### 5.1 Discounted Free Cash Flow to Firm (DCF)

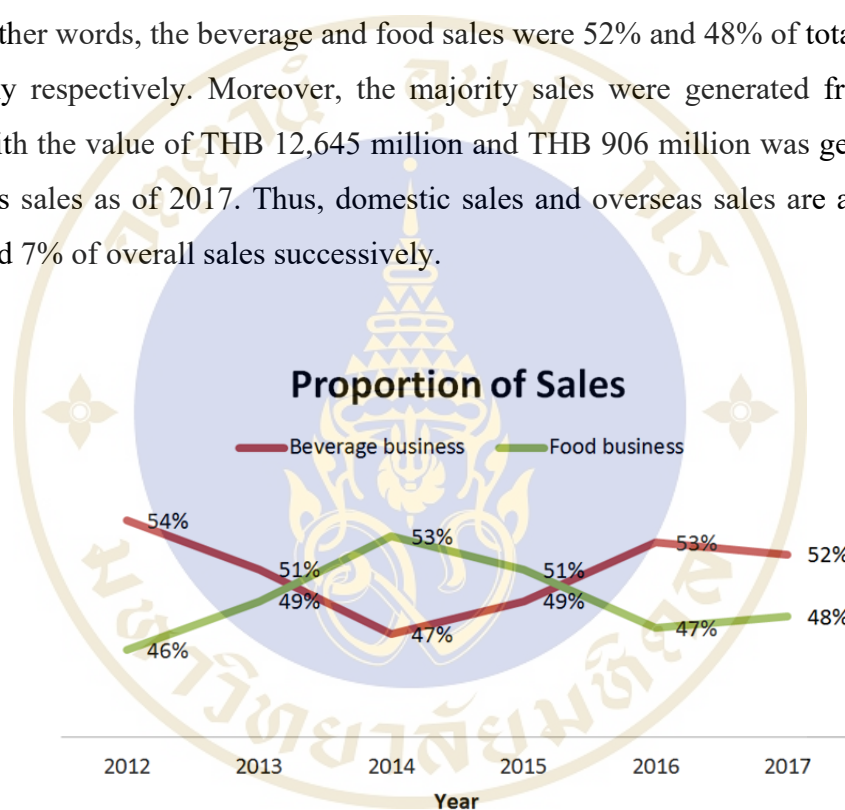
The target value of Oishi will be determined by using FCFF since this model will estimate firm's value which also adjust for net debt and enable to obtain equity value. DCF model is suitable for Oishi since the company has certain level of debt structure and it also takes time value of money into consideration. The value of the company also reflects Oishi's business strategies and future plans which varied throughout the years. Moreover, the model also allows obtaining free cash flow value of the company using long-term vision growth. The value per common share derived from using DCF method is THB 76.16.

There are two components of the company which derived from the Discounted Cash Flow model which are value of operating assets and value of non-operating assets. The value of operating assets obtained from the core business activities of the company which engages in Japanese restaurants and RTD tea businesses. In order to obtain the value of operating assets, we projected company's performance according to its main expansion in both restaurant branches and export of beverages to overseas market during 2018-2019. However, the number of restaurant branches assumed to be constant in 2021 and 2022 due to the past opening trend. On the other hand, beverage business has continuous growth trend from international expansion throughout 2018 to 2022. The expected forecasting high growth period is within the expansion plans of the company which is projected to be saturated in 2022. Thus, we assumed the constant growth rate of inflation which will generally impact on goods and service prices after 2022 and

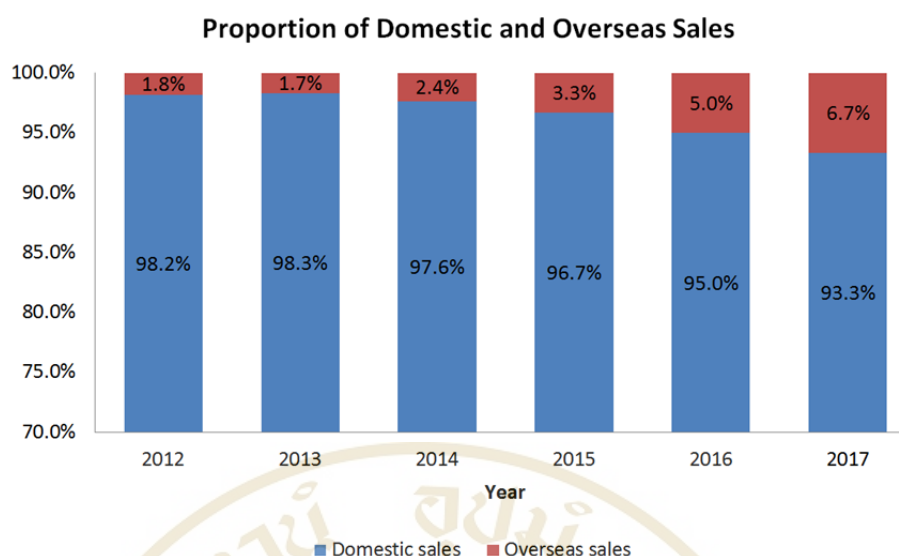
onwards using Dividend Discounted Model (DDM) to reflect the regular growth of the company

### 5.1.1 Overall Sales of Oishi

Oishi obtains sale revenues from 2 main businesses which are beverage and food. The sales of beverage and food compose of both domestic and overseas market. In 2017, total sales of Oishi was THB 13,551 million which THB 7,054 million was generated from the beverage sales and THB 6,497 million was from the food business. In the other words, the beverage and food sales were 52% and 48% of total sales of the company respectively. Moreover, the majority sales were generated from domestic sales with the value of THB 12,645 million and THB 906 million was generated from overseas sales as of 2017. Thus, domestic sales and overseas sales are accounted for 93% and 7% of overall sales successively.



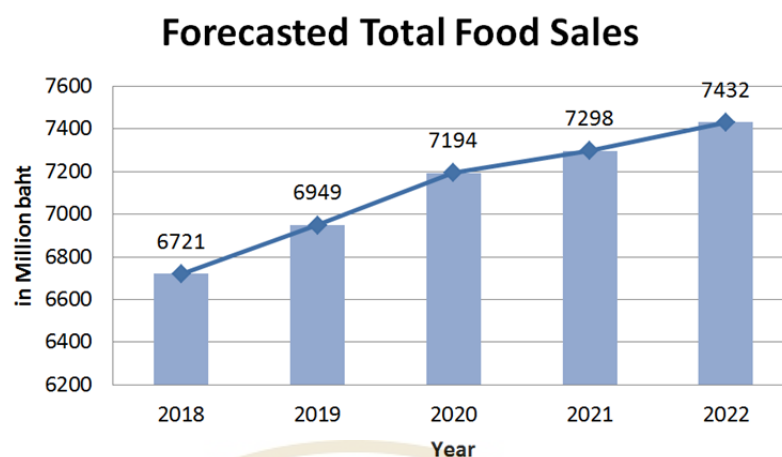
**Figure 5.1 Proportion of Sales of Oishi Group during 2012-2017**



**Figure 5.2 Proportion of Domestic and Overseas Sales during 2012-2017**

## 5.2 Overall Sales for Food Business

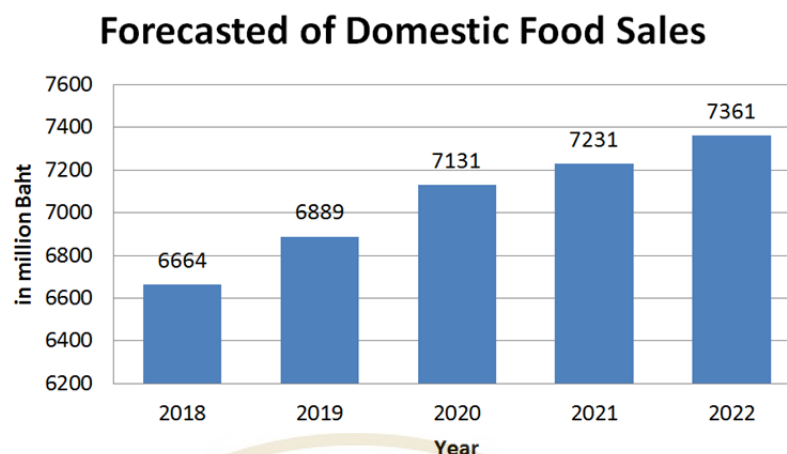
Food Business will be slightly growing during 2018-2022 accordingly to the incremental coverage of branches particularly in Bangkok and high potential purchasing power in provincials. In 2017, there are altogether domestic and overseas restaurants of 242 branches. The total food sales in 2017 was THB 6,497 million which generated from THB 6,443 million of 240 domestic branches and THB 54 million of 2 Shabushi branches in overseas. The forecasted sales during 2018-2022 are expected to be increased according to the higher amount of sales since the higher charged on price per head due to the higher inflation rate both domestically and internationally and the plan of the company to open 15 new branches per year between 2018 and 2020. Therefore, the total food sales from domestic and overseas during 2018-2022 will be THB 6,721 million, THB 6,949 million, THB 7,194 million, THB 7,298 million and THB 7,432 million respectively.



**Figure 5.3 Forecasted Total Food Sales from 2018 to 2022**

### 5.2.1 Sales of Domestic Restaurant Branches

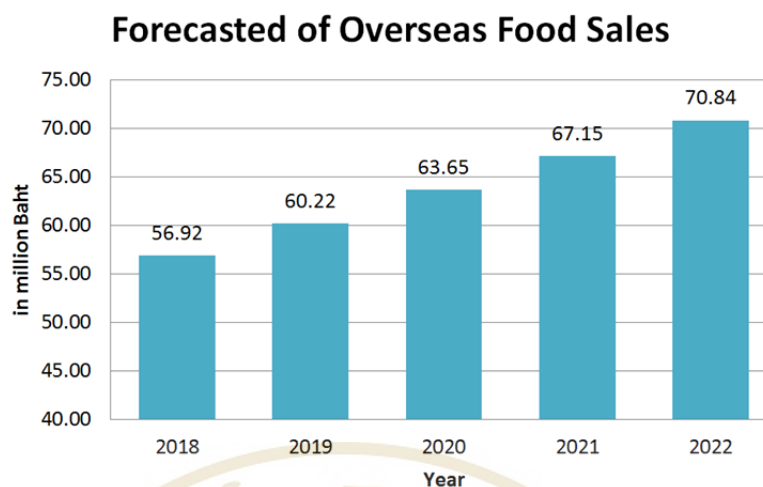
There are 242 restaurant branches under Oishi brand which 240 branches are located in Bangkok and provincial areas. The total sales of food business are THB 6,497 million or accounted for 48% of total sales. Thus, the average sales in 2017 both domestic and international are THB 26.85 million per branch. The forecasted sales per branch in Thailand during 2018-2022 tend to be increased due to the fluctuation of inflation in the future which range from 0.9%, 0.92%, 1.1%, 1.4% and 1.8% from 2018 to 2022, respectively (Appendix L). Therefore, the sales in each branch will be slightly increased to the amount of THB 27.09 million, THB 27.34 million, THB 27.64 million, THB 28.03 million and THB 28.53 million from 2018 to 2022 respectively. Since the actual number of opening new branches will be increased by 6 branches a year during 2018-2020 due to the historical average closing branches of 9 branches a year, the number of branches will be 246, 252 and 258 branches respectively. From 2020 to 2022, the number of restaurant branches will be constant as 258 branches. Thus, the total domestic food sales of Oishi during 2018-2022 will be THB 6,664 million, THB 6,889 million, THB 7,131 million, THB 7,231 million and THB 7,361 million respectively.



**Figure 5.4 Forecasted of Domestic Food Sales from 2018 to 2022**

### 5.2.2 Sales of Oversea Restaurant Branches

For international market, there are only 2 Shabushi branches in Myanmar out of 242 branches of the total restaurant branches in 2017. Oishi intentionally aims to focus on high-income Myanmar people as their target customers by serving similar restaurant model as in Thailand. Thus, the 2 branches of Shabushi restaurant in Myanmar are assumed to generate the same amount of sales per branch as Thailand which is 26.85 million THB a branch in 2017. Therefore, the total overseas sales for food business are THB 53.7 million in 2017. The forecasted sales of overseas food business will be increased according to the higher inflation in Myanmar which range from 6%, 5.8%, 5.7%, 5.5% and 5.5% from 2018 to 2022 respectively. Thus, the price per head for Shabushi in Myanmar buffet might be slightly increased due to higher costs of both ingredients and operations. Therefore, the sales during 2018-2022 in each branch will be slightly increased to the amount of THB 28.46 million, THB 30.11 million, THB 31.82 million, THB 33.58 million and THB 35.42 million respectively. However, the company still has an unclear position to open the new branches in Myanmar and overseas due to the market saturation and small rich Myanmar population. As a result, the forecasted number of restaurant branches in international market will remain constant for only 2 branches for the next 5 years. The total food sales in overseas from 2018 to 2022 will be THB 56.92 million, THB 60.22 million, THB 63.65 million, THB 67.15 million and THB 70.84 million, respectively.



**Figure 5.5 Forecasted of Overseas Food Sales from 2018 to 2022**

### 5.2.3 Number of Domestic Restaurant Branches

According to annual report 2012-2017 of Oishi Group, Oishi has always opened new branches of their restaurants throughout the years in Thailand. However, they also have solid strategy to close non-performing restaurant branches which on average 9 branches were closed in each year during the 5 past years. Nevertheless, the company plans to open local 15 new restaurant branches per year for the next 3 years which will be emphasizing on its most popular brand which is Shabushi. The placing strategy of new restaurant branches will be located in Bangkok and provincials where consumers have high purchasing power. Therefore, the actual restaurant branches that will be opened each year during 2018-2020 will actually be estimated at 6 branches. However, the number of restaurant branches will remain constant in 2021 and 2022 due to the historical trend of opening new branches. From 2012 to 2015, the company has aggressively opened up the new branches to be covered all target areas both in Bangkok and upcountry areas with average of almost 30 branches a year. However, the company has remained the number of approximately 240 branches consistently during 2015-2017 to see the response from the market and slow down its growth to be correspond with saturated economy. Therefore, the forecasted number of restaurant branched in domestic from 2020 to 2022 will be assumed as constant with the number of 258 branches.



### Average Historical Closing Branches

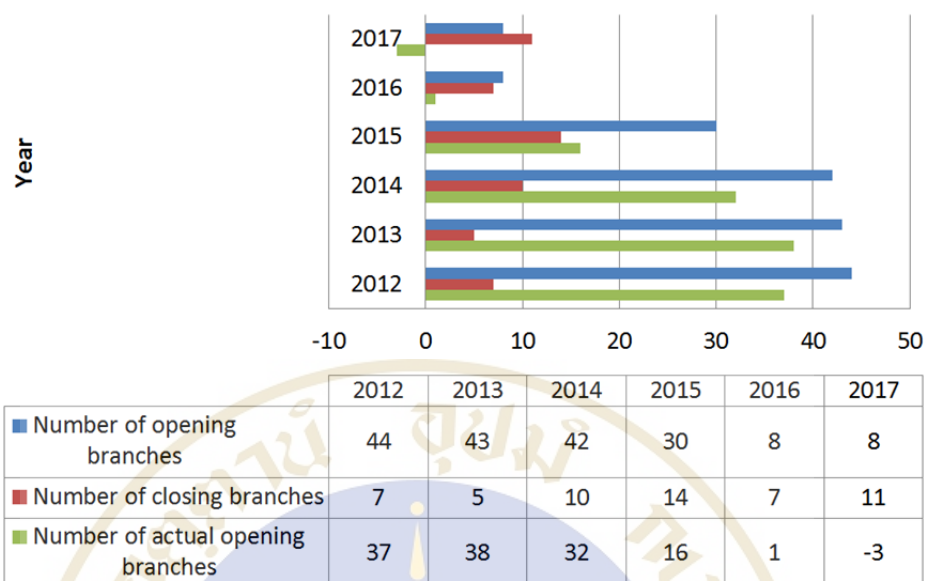


Figure 5.6 Average Historical Closing Branches

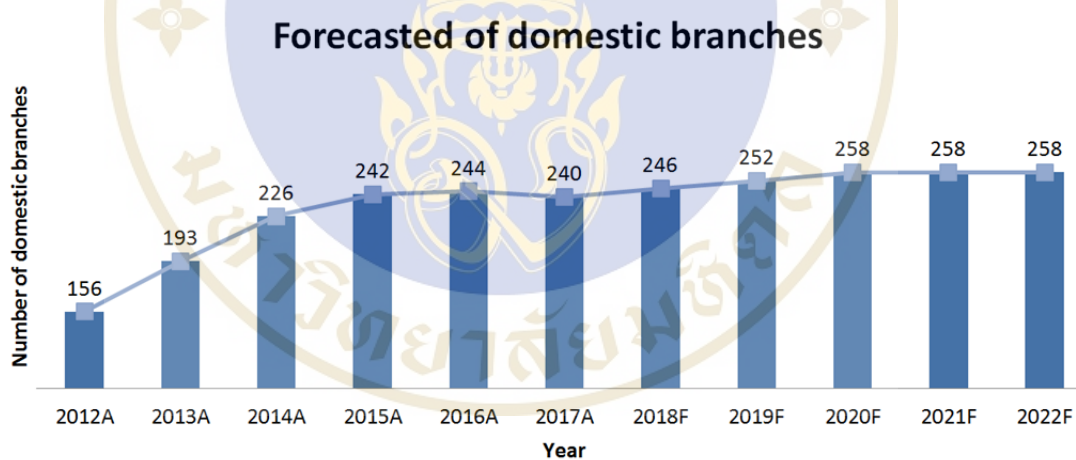


Figure 5.7 Forecasted of Domestic Branches from 2018 to 2022

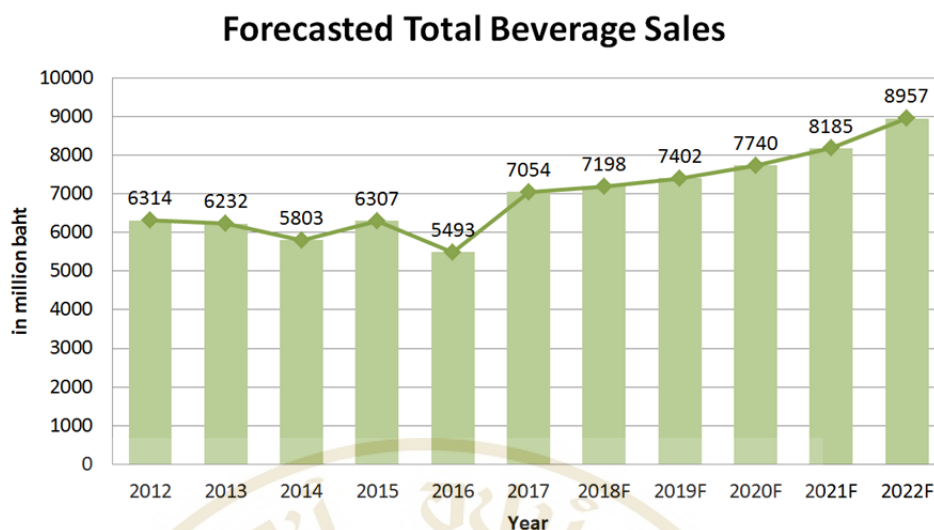
#### 5.2.4 Number of Overseas Restaurant Branches

The number of Shabushi restaurant branches in the international market has been concentrating only in Myanmar. The average number of restaurants in overseas during 2012-2017 has been 2 branches constantly. According to the annual report, even though the company has a plan to expand its stores in Myanmar in the future but there is still insignificant supporting information that represents strong growth of Myanmar

market. At the same time, there were 3 branches of Shabushi in 2015 and 2016 and Oishi decided to terminate 1 branch in Mandalay, Myanmar since it did not achieve its target sales. Moreover, according to the World Bank Group (2018), Myanmar is classified as a lower-middle income economy. While, the price during the past 5 years of Shabushi buffet in Myanmar was USD 15 per head which considered to be a high price for Myanmar people when comparing to the minimum wage of Kyat 4,800 or USD 3 (International Labour Organization, 2018). Therefore, Shabushi restaurants only aim to serve high-income people in Myanmar which only accounted for 9% of total population (Aung, 2013). Thus, the number of Shabushi restaurants overseas will be assumed to be constant over the next 5 years due to the stagnant and uncertain growth of business from the past toward the future trend.

### **5.3 Overall Sales for Beverage Business**

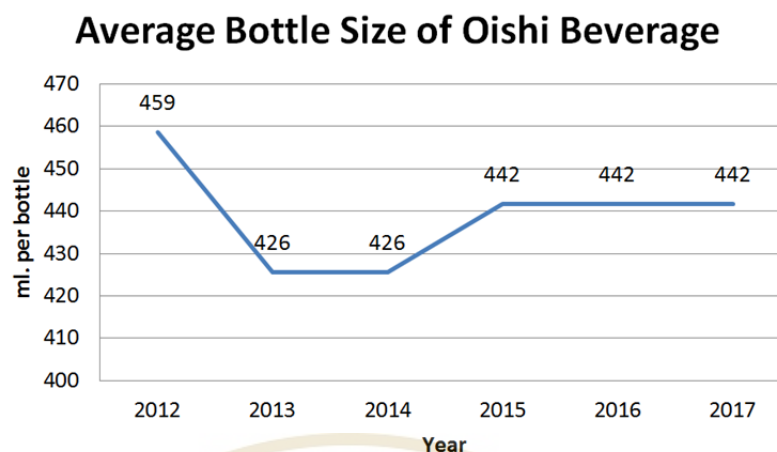
The total beverage sales in 2017 were 7,054 million THB out of total sales of THB 13,551 million or accounted for 52% of total sales. The beverage sales derived from both domestic and overseas market with the amount of THB 6,202 million and THB 852 million respectively. The number of estimated number of bottles sold locally in 2017 dropped from 2016 by 8% due to the impact from healthy trend and development of substitute products. Therefore, the future trend of number of selling bottles to be sold in Thailand in the next 5 years will also continue to drop according to the market stagnant of the industry. However, the local selling prices of Oishi beverages are expected to be increased since the new sugar tax policy and higher inflation rate in Thailand during 2018-2022. On the other hand, the beverage business in overseas has significantly growing from distribution channels support of parent company. As a result, the total beverage sales from 2018 to 2022 will be THB 7,198 million, THB 7,402 million, THB 7,740 million, THB 8,185 million and THB 8,957 million respectively.



**Figure 5.8 Forecasted Total Beverage Sales from 2018 to 2022**

### 5.3.1 Number of Bottles of Domestic Beverage Sales

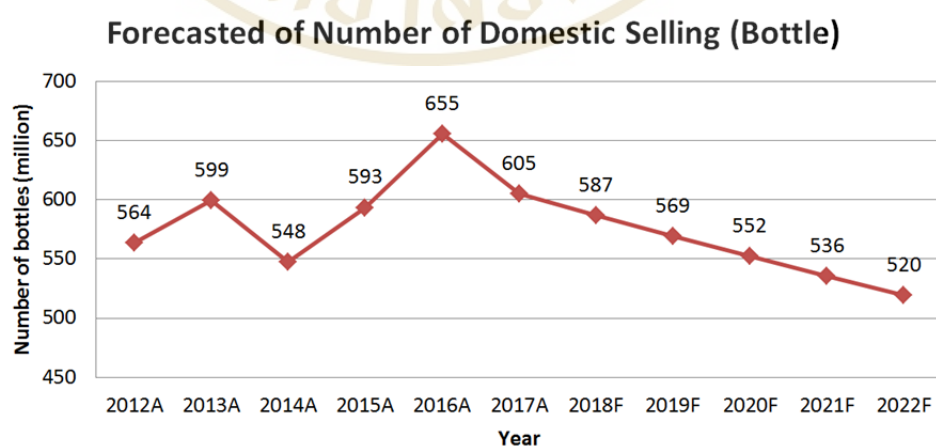
In 2017, the total domestic sales both beverage and food were THB 12,645 million which the domestic of food sales were approximately estimated to the amount of THB 6,443 million. Therefore, the beverage sales for domestic will be the amount of THB 6,202 million. According to Euromonitor (2018), Thai Beverage Public Company Limited, a Thailand's largest beverage companies and major shareholder of Oishi, produced the largest volume of RTD tea in Thailand for 5 consecutive years during 2012-2017. From 2012 to 2017, Oishi sold 258.57 million liters out of 545.5 million liters of total market volume, 255 million liters out of 640.7 million liters of total market volume, 233.03 million liters out of 603.7 million liters of total market volume, 262.07 million liters out of 599.7 million liters of total market volume, 289.39 million liters out of 587 million liters of total market volume and 267.22 million liters out of 528.1 million liters of total market volume respectively (Euromonitor, 2018). Oishi has been developing RTD tea products in several flavors and sizes of packaging. Thus, the average sizes of Oishi beverage products will range from 459 ml. in 2012, 426 ml. in 2013 and 2014 and 442 ml. from 2015 to 2017.



**Figure 5.9 Average Bottle Size of Oishi Beverage**

Therefore, the average selling bottles each year from 2012-2017 will be 564 million bottles, 599 million bottles, 548 million bottles, 593 million bottles, 655 million bottles and 605 million bottles respectively.

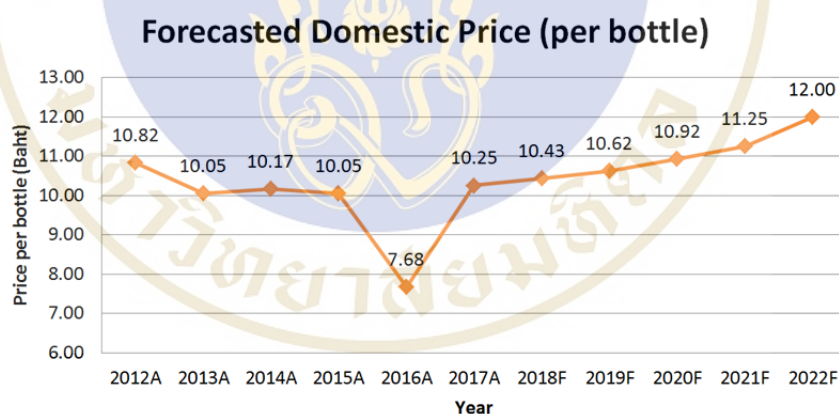
The forecasted selling bottles in Thailand for the next 5 years during 2018-2022 will be estimated to decline by 3% due to the market saturation of RTD tea in Thailand regarding to enhancing of health consciousness of Thai population (Euromonitor, 2018). Thus, the number of forecasted selling bottles from 2018 to 2022 will be 587 million bottles, 569 million bottles, 552 million bottles, 536 million bottles and 520 million bottles respectively.



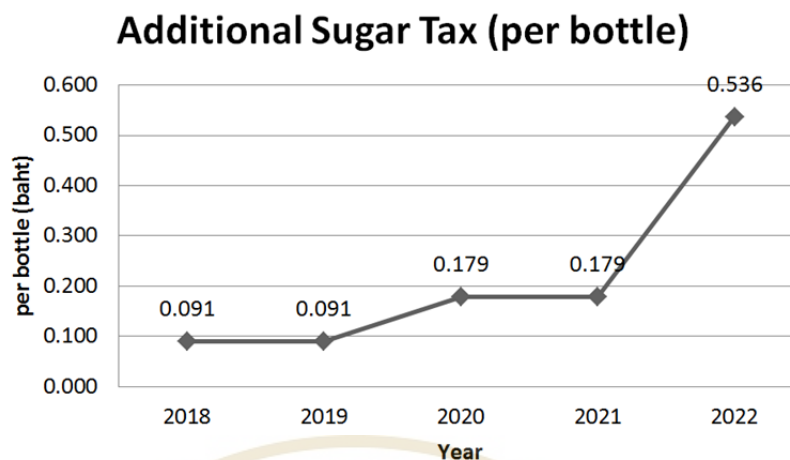
**Figure 5.10 Forecasted of Number of Domestic Selling (Bottle)**

### 5.3.2 Price of Domestic Beverage Sales

In 2017, the total domestic sales of beverage for Oishi was THB 6,202 million which the total estimated number of bottles sold are 605 million bottles. The price per bottle of Oishi beverage sold during 2012-2017 are THB 10.82, THB 10.05, THB 10.17, THB 10.05, THB 7.68 and THB 10.25 respectively. The forecasted of selling price per unit of Oishi beverage from 2018 to 2022 will be estimated from the increase of sugar tax and inflation. The sugar tax law was imposed in September 2017 which aims to create healthier society. The sugar tax will be adjusted every two years during 2017-2022 which charge higher taxes on sugary beverages. The average tax per bottle from 2018 to 2022 are ranging from THB 0.091 in 2018 and 2019, THB 0.179 in 2020 and 2021 and THB 0.536 in 2022 respectively. Moreover, the selling price per bottle also need to be adjusted accordingly to the higher rate of inflation in Thailand which range from 0.9%, 0.92%, 1.1%, 1.4% and 1.8% from 2018 to 2022 respectively (Appendix L). Thus, the selling price per bottle from 2018 to 2022 will be increased to THB 10.43, THB 10.62, THB 10.92, THB 11.25 and THB 12.00 respectively.



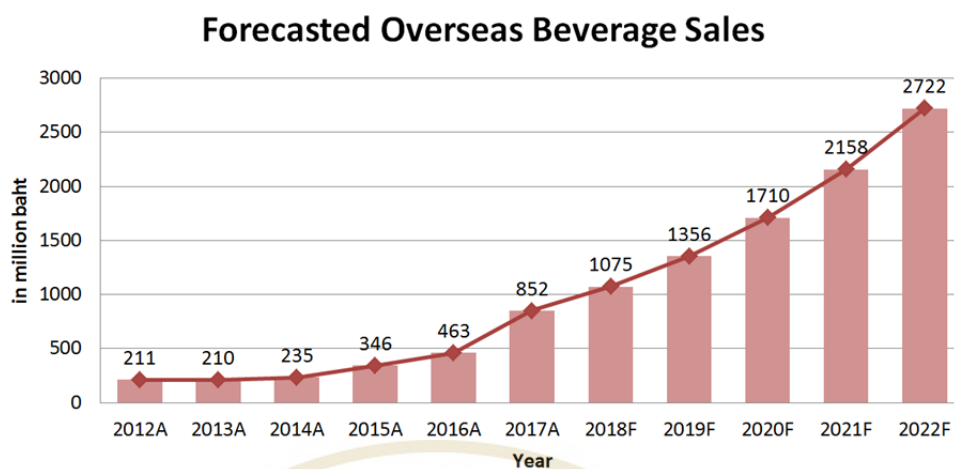
**Figure 5.11 Forecasted Domestic Price (per bottle)**



**Figure 5.12 Additional Sugar Tax (per bottle)**

### 5.3.3 Oversea Beverage Sales

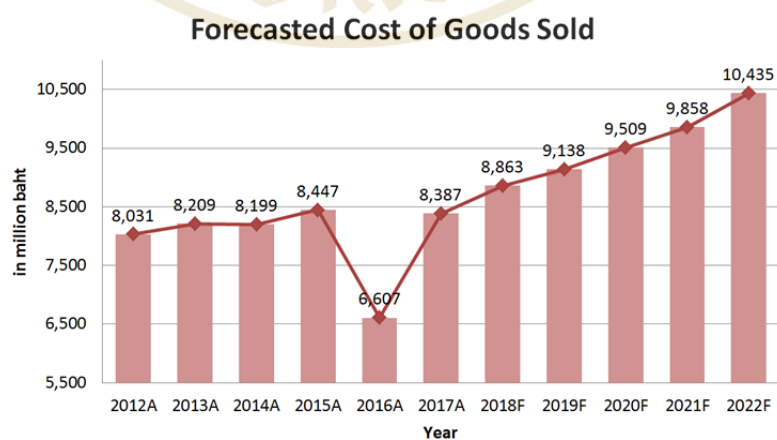
For the international market, the sales of beverage in international market has been significantly increased with compound annual growth rate of 26.16% from 2012 to 2017 or more than 4 times from THB 211 million in 2012 to THB 852 million in 2017. This is according to the continuous product expansion plan to overseas market and strong distribution channels from its major shareholder; Thai Beverage Public Company Limited. In 2017, Oishi has distributed beverage products to various countries such as Laos, Cambodia, Myanmar, Malaysia, Negara Brunei Darussalam (Brunei), People's Republic of China, the Republic of Korea, the Russian Federation (Russia), Israel, Australia, New Zealand, the Swiss Confederation, Barbados, Hungary, Netherlands, Saint Maarten, the Republic of Poland, the Federal Republic of Germany, the Republic of Finland and Great Britain. Moreover, the company also foresees the potential growth of export market especially in new overseas markets such as Italy, France and India. At the same time, Oishi expected to expand their beverage products across Eastern Europe and ASEAN markets such as Myanmar in 2018. It also implements marketing strategies to those existing overseas markets in order to boost up sales especially in Lao and Cambodia. Therefore, the forecasted beverage sales in international market from 2018 to 2022 will be correspondent to the historical compound annual growth rate of 26.16%. The total overseas sales of beverage during 2018-2022 will be THB 1,075 million, THB 1,356 million, THB 1,710 million, THB 2,158 million, THB 2,722 million respectively.



**Figure 5.13 Forecasted Overseas Beverage Sales**

#### 5.4 Cost of Goods Sold

Since the company operates mainly in food and beverage business which cost of goods sold need to be relied accordingly to the sales. From 2012 to 2017, the proportion of costs of goods sold to sales are 69%, 67%, 66%, 66%, 64% and 62% respectively. The average of the historical cost of goods sold to sales is 64%. Therefore, the forecasted cost of goods sold during 2018 to 2022 will be THB 8,863 million, THB 9,138 million, THB 9,509 million, THB 9,858 million and THB 10,435 million respectively.



**Figure 514 Forecasted Cost of Goods Sold**

## 5.5 Capital Expenditure

The plant, property and equipment (PPE) of the company from 2018 to 2022 was forecasted using the compound annual growth rate of historical PPE during 2012-2017 of 5.87%. Since the company plans to expand 6 restaurant branches per year for the next 3 years from 2018 to 2020. We assumed to use the CAGR of the PPE since the past trend of number of opening new stores and closing poor performance stores in each year are uncertainty. Moreover, the company still does not have certain investment projects to expand its business due to saturation of the current market. Even though the company expected to expand its beverage business to overseas market but the current capacity of the beverage production lines is still being able to respond to the increasing demand. On the other hand, depreciation expenses of the PPE from 2018 to 2022 were forecasted using the average historical proportion of depreciation expenses in each year during 2012-2017 to the gross PPE of 4.78%. Therefore, capital expenditures from 2018 to 2022 will be calculated from the summation of change in total PPE in the current year and previous year and forecasted depreciation expenses in each year accordingly.

## 5.6 Net Operating Working Capital

The net operating working capital was projected from trade and other receivables, inventories and trade and other payables by using average RCP (16 days), ICP (19 days) and PDP (50 days) of year 2013 to 2017

Trade receivables were forecasted from proportion of sales projection of each year to 365 days and using the multiplier as the historical average of RCP (16 days) during 2013-2017. In term of other receivables, we projected using the calculation from the historical average of other receivables to total assets of the company during 2012-2017 of 1.05%.

For inventories, we calculated using the proportion of forecasted cost of goods sold of each year to 365 days and using multiplier as the historical average of ICP (19 days) during 2013-2017.

Trade payables were forecasted from proportion of sales projection of each year to 365 days and using the multiplier as the historical average of PDP (50 days) during 2013-2017. In term of other payables, we projected using the calculation from the



historical average of other payables to total revenues of the company during 2015-2017 of 6.4%.

## 5.7 Weighted Average Cost of Capital

WACC is classified into two components which are cost of equity and cost of debt. Cost of equity was calculated by using CAPM model. According to Thai BMA, the risk-free rate was assumed from 10-year government bond yield of 2.78% as of 16 Nov 2018 (The Thai Bond Market Association, 2018). The adjusted beta of the company is 0.71 according to SET and the market risk premium of Thailand is 6.92% (Damodaran, 2018). As a result, the cost of equity of Oishi is 7.7%. In term of cost of debt, the average 6 years of after-tax cost of debt is 2.50%. Therefore, WACC of the company that will be used in the DCF model is 7.19%.

**Table 5.1 Weighted Average Cost of Capital**

Assumption		Information retrieved from
Debt	1,700,700,000	Interest bearing debt Q3 2018
Market Value of Equity	15,890,625,000	
Share price	84.75	Stock Exchange of Thailand as of 18 November 2018
Number of share outstandings	187,500,000	Annual report 2017
Weight of debt	9.67%	
Weight of equity	90.33%	
Cost of debt	3.12%	Average 6 years of cost of debt
Cost of debt after tax	2.50%	
Cost of equity	7.70%	
Risk free rate	2.78%	10-Year government bond yield, Thai BMA as of 16 Nov 2018
Market Risk Premium	6.92%	Aswath Damodaran as of Jan 2018
Beta	0.71	Obtained from SET
Tax rate	20%	Corporate Tax Rate in Thailand - PWC
<b>WACC</b>	<b>7.19%</b>	

## 5.8 Terminal Value

We calculated terminal value by using the Dividend Discount Model which the constant growth rate of the company expected to be 2.5% from 2020 and on onwards. The constant growth rate of 2.5% represents the expected inflation rate of Thailand which was estimated by the Bank of Thailand. We expected that the constant growth of Oishi will be equal to the expected inflation rate since the performance of the company in the long-run will be varied accordingly to the increase of prices both goods and services. Therefore, the terminal value of the company is THB 16,535.80 million.

**Table 5.2 Terminal Value**

<b>Terminal value</b>		
FCFF1 (Year 6)	776.34	Million Baht
Constant Growth Rate	2.50%	Inflation rate from Bank of Thailand
WACC	7.19%	Estimate WACC
Marginal Tax Rate	20.00%	
<b>Terminal value</b>	<b>16535.80</b>	<b>Million Baht</b>

## 5.9 Risk of Terminal Value

The valuation model relies on the Terminal value which is determined from perpetual growth rate. The constant growth rate is obtained from unforeseen long term performance of the company which also relies on the economy and market conditions. Thus, the target price of the company could be varied due to uncertainty of Terminal Value which is considered to be an important variable of the discounted cash flow model. Please see Appendix I for the sensitivity of the constant growth rate. Moreover, WACC is also another factor that leads to change in Terminal Value due to uncertainty of capital structure of the company in the future.

## 5.10 Rating Criteria

The rating criteria are set up in order to evaluate the recommendation on the expected target stock price comparing to the current share price. There are three recommendations from the rating criteria. First, if the expected target share price is upside more than 10% of the current share price then we recommended to buy the shares. Second, if the expected target share price is still in a range of downside less than 10% or upside less than 10% of the current share price then we recommended to hold or not to buy and sell the shares. Third, if the expected target share price is upside more than 10% of the current share price then we recommended to sell the shares.

**Table 5.3 Rating Criteria**

<b>Price:</b>	<b>Drop</b>	-8.59	Baht				
<b>Result:</b>	<b>Downside</b>	-10.14%					
<b>Recommend:</b>	<b>Sell</b>						
<b>Rating rule:</b>							
Buy	10% or Greater Upside			Upside	10%	93.23	
Hold	Less than 10% upside and greater than 10% downside			Downside	-10%	76.28	
Sell	Lower than 10% downside						



## CHAPTER VI CONCLUSION

### 6.1 Summary of Discounted Free Cash Flow to Firm Valuation

According to all the assumptions, the value of operating assets by free cash flow to firm from Discounted Cash Flow method is THB 14,692 million. The non-operating assets value is THB 1,289 million. Therefore, the total value of firm is THB 15,981 million. The debt value of the company is THB 1,701 million as of Quarter 3 2018. The value of equity is THB 14,280 million after deducting the total value of the firm by total debt. The current number of shares outstanding of the company is 187.5 million shares and the target value per share is THB 76.16. While, the current price of the company is THB 84.75 as of 4 December 2018. Since the estimated target price is downside less than 10% from the recommendation rating criteria. Therefore, we recommended to sell the shares.

**Table 6.1 Enterprise Value**

Items	Assumption	Method	0	1	2	3	4	5
			2017 Million Baht	2018F Million Baht	2019F Million Baht	2020F Million Baht	2021F Million Baht	2022F Million Baht
Revenues from sale of goods and rendering of services		Separate Calculation	13,550.81	13,919.03	14,351.68	14,934.16	15,482.85	16,388.89
Other income	0.87%		126.28	127.38	128.49	129.61	130.74	131.88
<b>Total Revenues</b>			<b>13,677.09</b>	<b>14,046.42</b>	<b>14,480.17</b>	<b>15,063.78</b>	<b>15,613.60</b>	<b>16,520.77</b>
Cost of sale of goods and rendering of services	63.67%	% to sales	8,387.47	8,862.69	9,138.17	9,509.06	9,858.43	10,435.33
Selling expenses	12.11%	% to sales	1,649.91	1,685.73	1,738.13	1,808.67	1,875.12	1,984.85
Administrative expenses	15.91%	% of Total Revenues	2,094.93	2,234.90	2,303.92	2,396.77	2,484.25	2,628.59
Other expenses	0.0%	% of Total Revenues	-	-	-	-	-	-
<b>Total Expenses</b>			<b>12,132.30</b>	<b>12,783.33</b>	<b>13,180.22</b>	<b>13,714.51</b>	<b>14,217.81</b>	<b>15,048.78</b>
<b>EBIT</b>			<b>1,544.79</b>	<b>1,263.09</b>	<b>1,299.95</b>	<b>1,349.27</b>	<b>1,395.79</b>	<b>1,471.99</b>
NOPAT				1,010.47	1,039.96	1,079.42	1,116.63	1,177.59
Add: Depreciation and amortization			1,016.85	975.80	1,060.55	1,153.07	1,254.10	1,364.46
Less: Change in net operating working capital				386.43	(92.92)	42.29	33.52	72.14
Less: Capital expenditure				(1,368)	(1,475)	(1,592)	(1,719)	(1,857)
Free cash flow to firm (FCFF)				1,005.01	532.15	682.46	685.12	757.41
Terminal value								16535.80
PV of FCFF				937.55	463.11	554.06	518.88	12218.13
<b>Enterprise value</b>				<b>14691.74</b>				

**Table 6.2 Valuation Summary**

<b>Terminal value</b>		
FCFF1 (Year 6)	776.34	Million Baht
Constant Growth Rate	2.50%	Inflation rate from Bank of Thailand
WACC	7.19%	Estimate WACC
Marginal Tax Rate	20.00%	
<b>Terminal value</b>	<b>16535.80</b>	<b>Million Baht</b>
<b>7. Valuation Summary</b>		
Value of Operating Assets	14691.74	Enterprise value from FCFF
Value of Non-operating Assets	1288.93	Million Baht
Value of Firm	15980.67	
Value of Debt	1,701	Interest bearing debt Q3 2018
Value of Equity	14279.97	
No. of Shares Outstanding	187.5	
<b>Share Price</b>	<b>76.16</b>	<b>THB per share</b>
<b>Current Share Price</b>	<b>84.75</b>	<b>THB per share (4 Dec 2018)</b>
<b>Value of non-operating assets Q3 2018</b>		
Cash and cash equivalents	1,288.93	Million Baht
Current investments	0	No investment
<b>Total</b>	<b>1288.93</b>	<b>Million Baht</b>

## 6.2 Sensitivity Analysis

We also perform a sensitivity analysis in order to determine the impact from investment risks that could occurred to the company which varied the target price of Oishi. The key variables are cost of goods sold, selling and administrative expenses, other income, and beverage sales from overseas, number of closing branches each year, RTD tea trend in Thailand and cost of capital (discount rate).

**Table 6.3 Sensitivity of Cost of Goods Sold**

<b>1. Cost of good solds</b>		
%Deviation from Base Case	% to sales	Share price
		76.16
-2%	62.40%	93.21
-1%	63.04%	84.68
0%	63.67%	76.16
1%	64.31%	67.64
2%	64.95%	59.12

According to the sensitivity analysis on the table above, cost of goods sold is significantly varied accordingly to the sales of the company. It has an obvious impact on the target price of Oishi since if the COGS reduces more than only 2% then the rating criteria would change from sell to hold recommendation. However, if the COGS increases by 1% then the rating criteria would still be sell recommendation.

**Table 6.4 Sensitivity of Selling Expenses**

<b>2. Selling Expenses</b>		
<b>%Deviation from Base Case</b>	<b>% to sales</b>	<b>Share price</b>
		76.16
-2%	11.87%	79.40
-1%	11.99%	77.78
0%	12.11%	76.16
1%	12.23%	74.54
2%	12.35%	72.92

**Table 6.5 Sensitivity of Administrative Expenses**

<b>3. Administrative expenses</b>		
<b>%Deviation from Base Case</b>	<b>% to revenues</b>	<b>Share price</b>
		76.16
-2%	15.59%	80.45
-1%	15.75%	78.31
0%	15.91%	76.16
1%	16.07%	74.01
2%	16.23%	71.87

At the same time, selling and administrative expenses are also impact on the target price of the company. If both expenses decreased by only 1% then the target price will be changed which lead to hold rather than sell recommendation.

**Table 6.6 Sensitivity of Other Income**

<b>4. Other income</b>		
<b>%Deviation from Base Case</b>	<b>% to sales</b>	<b>Share price</b>
		76.16
-20%	0.70%	76.09
-10%	0.78%	76.12
0%	0.87%	76.16
10%	0.96%	76.20
20%	1.05%	76.23

For other income, the target price of the company has insignificant impact from other income. Since even other income increases or decreases by 20%, the target price is still in the range of sell recommendation. It can be concluded that other income has no effect to share price of the company.

**Table 6.7 Sensitivity of Overseas Beverage Sales**

<b>5. Overseas Beverage Sales</b>		
<b>%Deviation from Base</b>	<b>% Oversea sales</b>	<b>Share price</b>
		<b>76.16</b>
-20%	20.93%	73.00
-10%	23.54%	74.51
0%	26.16%	76.16
10%	28.78%	77.95
20%	31.39%	79.89

Beverage sales from overseas are significantly impact on the target price of Oishi. According to the sensitivity analysis table above, if the company increases overseas sales of beverage by more than 10% then the recommendation will change from sell to hold.

**Table 6.8 Sensitivity of Average Historical Closing Branches**

<b>6. Average Historical Closing Branches</b>		
	<b>Close branch</b>	<b>Share price</b>
		<b>76.16</b>
	5	78.41
	6	77.84
	7	77.28
	8	76.72
	9	76.16
	10	75.60
	11	75.04

For the sensitivity analysis on the closing restaurant branches of the company, if Oishi closes the branches less than 9 branches for each year, it will impact on the target price of the company which will lead to a hold recommendation rather than sell.

**Table 6.9 Sensitivity of Domestic Beverage Industry Trend**

7. Domestic Beverage Industry Trend		
%Deviation from Base	% of industry trend	Share price 76.16
-20%	-2.40%	77.38
-10%	-2.70%	76.77
0%	-3.00%	76.16
10%	-3.30%	75.56
20%	-3.60%	74.96

The trend of RTD tea beverage industry in Thailand is also important to the overall performance of the company especially impact on different rating. If the negative trend gets better by more than 10% then the recommendation will change from sell to hold due to the higher target price of the company.

**Table 6.10 Sensitivity of Change in Number of Restaurant in Myanmar**

8. Change in Number of Restaurant in Myanmar	
Close branch	Share price 76.16
-2	73.95
-1	75.06
0	76.16
1	77.26
2	78.37
3	79.47
4	80.58

In term of restaurant branches in the international market, we conducted the sensitivity analysis according to the change in number of restaurant branches in Myanmar. If Oishi decided to open one more branch in Myanmar, then it will impact on the target price of the company which leads to hold rather than sell recommendation.

**Table 6.11 Sensitivity of WACC and Constant Growth Rate**

9. WACC and Constant Growth Rate			Constant Growth Rate						
WACC	Share price 76.16		-30%	-20%	-10%	0%	10%	20%	30%
			1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%
-30%	5.04%	102.21	109.72	118.58	129.18	142.11	158.20	178.80	
-20%	5.76%	86.34	91.36	97.09	103.70	111.41	120.52	131.44	
-10%	6.48%	75.30	78.90	82.91	87.44	92.57	98.43	105.21	
0%	7.19%	67.18	69.89	72.87	76.16	79.82	83.93	88.55	
10%	7.91%	60.96	63.07	65.37	67.88	70.63	73.67	77.03	
20%	8.63%	56.04	57.73	59.56	61.54	63.69	66.03	68.58	
30%	9.35%	52.04	53.44	54.93	56.54	58.26	60.12	62.13	



For the WACC and Terminal growth rate, the growth rate is assumed to be 2.5% constant over the period. The terminal value has an impact on the target price if the constant growth rate increase by more than 10% then the recommendation will change from sell to hold. On the other hand, for the WACC, it has a significant impact on the target price since if the WACC decrease by more than 10%, the recommendation rating will be hold and if the WACC reduces by more than 20% then the rating will be buy instead of sell recommendation.

## 6.3 Scenario Analysis

### 6.3.1 Scenario Analysis of Revenues

**Table 6.12 Scenario Summary of Revenue**

Scenario Summary						
	Current Values:	Worst Case 2	Worst Case 1	Base case	Best Case 1	Best Case 2
<b>Changing Cells:</b>						
Average historical closing branches	6	8	7	6	5	4
Change in number of restaurant in Myanmar	0	-2	-1	0	1	2
Domestic beverage industry trend	-3.0%	-5.0%	-4.0%	-3.0%	-2.0%	-1.0%
Beverage overseas sales	26.16%	25.63%	25.89%	26.16%	26.42%	26.68%
Other income	0.87%	0.00%	0.50%	0.87%	1.00%	1.50%
<b>Result Cells:</b>						
Share Price	76.16	69.38	72.75	76.16	79.55	83.17

Notes: Current Values column represents values of changing cells at time Scenario Summary Report was created. Changing cells for each scenario are highlighted in gray.

Current share price	84.75 THB (as of 4 December 2018)					
	Worst case 2	Worst case 1	Base case	Best case 1	Best case 2	
Upside/downside:	-18%	-14%	-10%	-6%	-2%	
Results:	Sell	Sell	Sell	Hold	Hold	

Based on the scenario analysis above, we found that revenue is an important variable that greatly affect the target price of the company since according to the worst case 1 and 2. If the company decides to close restaurant branches in domestic and overseas more than 6 branches and 1 branch respectively, it will reduce the target price of Oishi. At the same time, its trend of domestic RTD tea and the beverage sales from overseas decline by more than 1%, the target price would lead to change in hold recommendation. Therefore, it means that if all the revenue drivers are changed accordingly to the worst case 1 and 2, the recommendation would be sell as the same.

### 6.3.2 Scenario Analysis of Expenses

**Table 6.13 Scenario Summary of Expenses**

Scenario Summary						
	Current Values:	Worst case 2%	Worst case 1%	Base case	Best case 1%	Best case 2%
<b>Changing Cells:</b>						
Cost of good sold	63.67%	64.95%	64.31%	63.67%	63.04%	62.40%
Selling expenses	12.11%	12.35%	12.13%	12.11%	11.99%	11.87%
Administrative expenses	15.91%	16.23%	16.07%	15.91%	15.75%	15.59%
<b>Result Cells:</b>						
Share price	76.16	51.56	65.23	76.16	88.42	100.76

Notes: Current Values column represents values of changing cells at time Scenario Summary Report was created. Changing cells for each scenario are highlighted in gray.

Current share price		THB (as of 4 December 2018)				
		Worst case 2%	Worst case 1%	Base case	Best case 1%	Best case 2%
Upside/downside:	84.75	-39%	-23%	-10%	4%	19%
Results:		Sell	Sell	Sell	Hold	Buy

In term of scenario analysis of expenses, if cost of goods sold and selling and administrative expenses increase by more than 1% as represented in the table above as worst case. The target price will change from THB 76.16 to THB 65.23 and THB 51.56 in the worst case 1% and 2% respectively. This will also lead to sell recommendation. Furthermore, if cost of goods sold and selling and administrative expenses decrease by more than 1%, the target price will be THB 88.42. This will change the recommendation from sell to hold. Lastly, if the entire cost drop by more than 2%, the target share price will be THB 100.76. So, the recommendation will change from sell to buy. Therefore, it means that the target price and business operation of Oishi are highly impacted from the incremental expenses of the company.

## 6.4 Investment Risks and Downside Possibilities

### 6.4.1 Change in Government Laws

Oishi involves in both RTD tea manufacturers and restaurant providers. The company must comply with all laws relating to environment, safety, labor, tax, business competition, and accounting management. At the same time, the company needs to ensure to follow strictly to the rules, regulations and notifications of the public agencies that

engage in business operations. Therefore, the company might need to adjust the operations accordingly to the changes of policies which also lead to modification of business strategies. Moreover, the company might impact on the lower profit margin due to the differentiation of the operations in order to meet the new policies. For example, the new tax on sugary beverages was implemented for the first time in 2017. The excise sugar tax aims to reduce sugar content within beverages in order to increase health consciousness among Thai people. This tax will lead to additional excise tax burden to manufacturers. Oishi is obviously one of the companies that will heavily impact on the increase of the sugar tax since all of Oishi beverages contain sugar as an important ingredient. As a result, Oishi needs to consider whether to bear this additional cost by itself or allocate some portion of increase costs to consumers by increasing the selling prices. However, if the retail prices are increased, it will lead to lower sales volume. On the other hand, if the company decided to bear all the additional tax expenses by itself, the volumes might not be varied but the company needs to be stricter in term of costs management which could reflect on lower profits.

#### **6.4.2 The Limitation and Fluctuation of Raw Materials**

Oishi does not produce its own raw materials to produce green tea beverages and operate food restaurants. The company does not rely on only one supplier for the raw materials of their products. The company intentionally seeks for suppliers who can provide them premium raw materials. Thus, the company involved in the risk of raw materials shortage. Moreover, the company also has low bargaining power with their suppliers which lead to disadvantage in price negotiation. The management team requires to seek for the qualified suppliers in order to be able to secure and maximize its raw materials. In addition, the fluctuation in raw material costs also significantly impact on the performance of the company. For the beverage business, the main raw materials are sugar, fuel, petroleum packaging and paper pulp which the prices fluctuated according to the demand and supply in the market and government policies. For the food business, the main raw materials are fresh vegetables and meats which the prices varied according to seasons. Moreover, these raw materials of food business must be kept in the suitable methods otherwise the costs of purchasing fresh food might result in higher production costs. Nevertheless, since the main raw materials are almost relying

on production of farmland and livestock which there could be unexpected plagues both in vegetables and animals. This could cause dramatically decline in sales due to both insecure feeling of consumers and shortage of raw materials from suppliers. Therefore, the company needs to secure its raw materials by conducting contracts to avoid raw materials shortage and maintain its production costs.

### **6.4.3 Intensive Competition in the Industry**

The beverage and food industry in Thailand is highly competitive in the past few years. For the beverage business, the green tea business of Oishi has higher competition due to lower costs of entry into the market and solid marketing strategies. The company needs to ensure that the selling prices in the market are reasonable and can be able to compete with other competitors. Moreover, there are also several substitute beverage products that might be difficult for Oishi to maintain its market shares and volume of sales. For the food business, the trend of Japanese food has been increasing rapidly among Thai society. Oishi has to face with higher competition in term of changing trends and preferences of the consumers. The company also requires to implement effective marketing activities to catch up with the brand new restaurants in order to sustain its market shares. Thus, these activities might charge higher costs which also lead to lower profit margin.

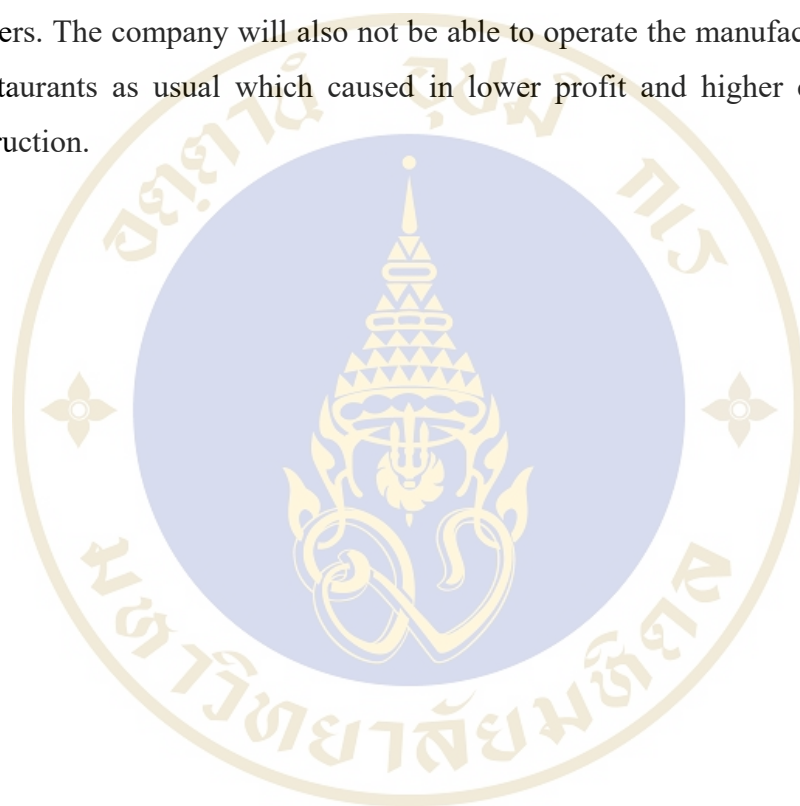
### **6.4.4 Limitation of Distribution Channels and Logistics**

Since both beverage and frozen food products have been relying on convenience stores which lead to limited negotiation power. The location of the products is significantly important in term of sales. Thus, the company needs to manage negotiation well in order to gain benefit and maintain relationship with the stores. In addition, the company might require higher expenses for placing its products and locating restaurants in the good locations. Moreover, the company also involves in uncertainty risk of the restaurants in each particular area. If their restaurants cannot perform well, they need to close down and relocate the restaurants in the new area which result in loss of assets and higher costs of reconstruction. In term of distribution channels, the company distributes products both food and beverages to international markets. The company will face with high

costs of logistics since in some countries; they need to rely on their partners in order to expand its market.

#### **6.4.5 Natural Disasters Risks**

The company will be directly impact on manufacturing processes if there are unexpected natural disasters occurred. The company may lose massive amount of sales as well as its assets due to the uncontrollable situations from disasters. Moreover, the economic during disaster will also be saturated according to lower consumption of consumers. The company will also not be able to operate the manufacturing processes and restaurants as usual which caused in lower profit and higher costs in term of reconstruction.



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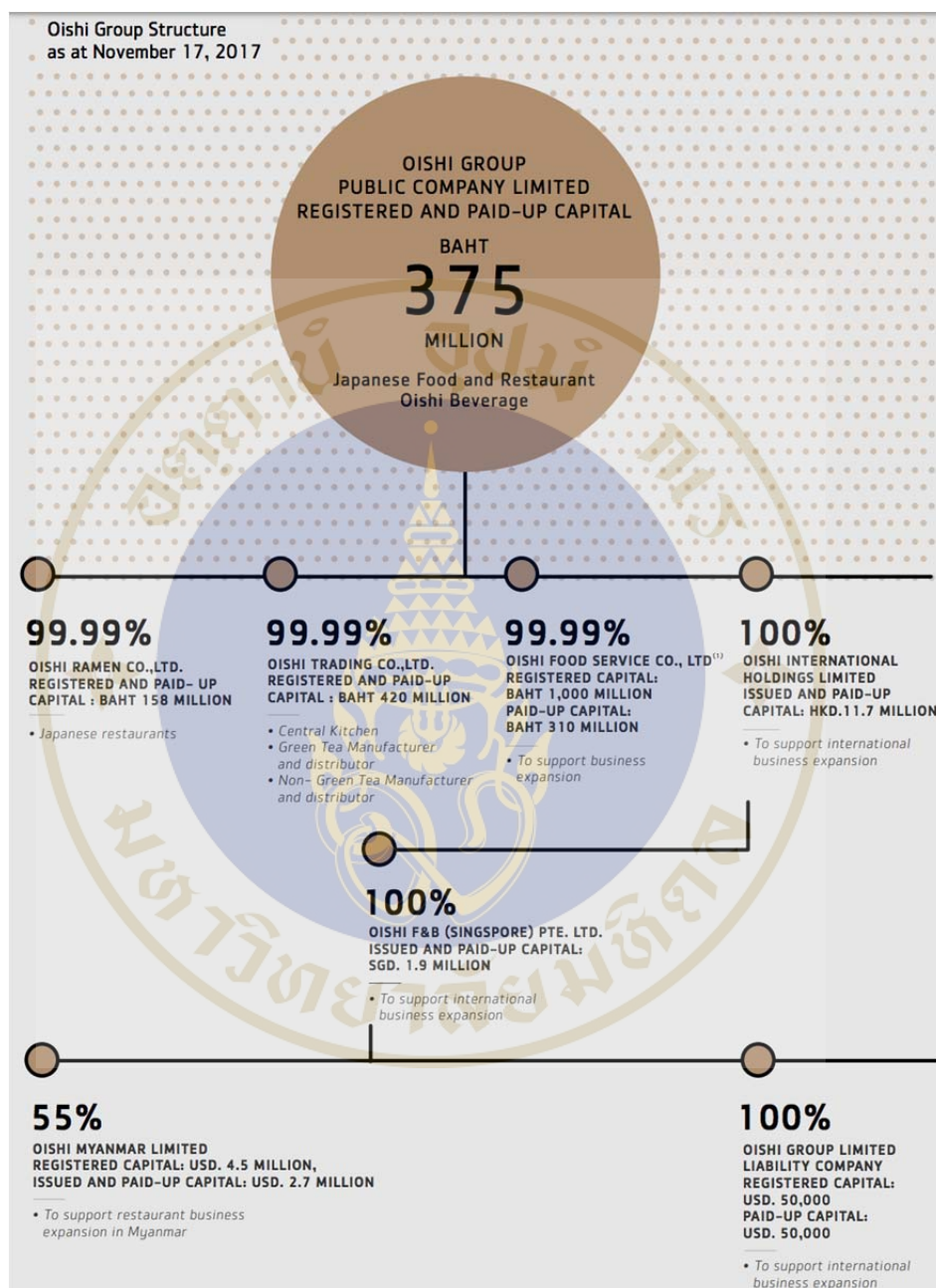
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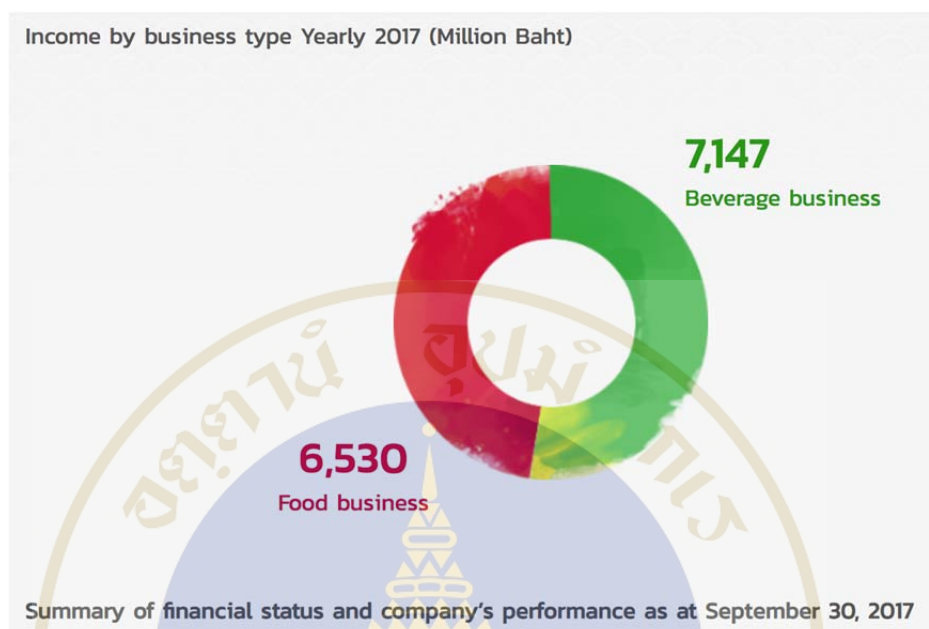


## Appendix A: Business Structure



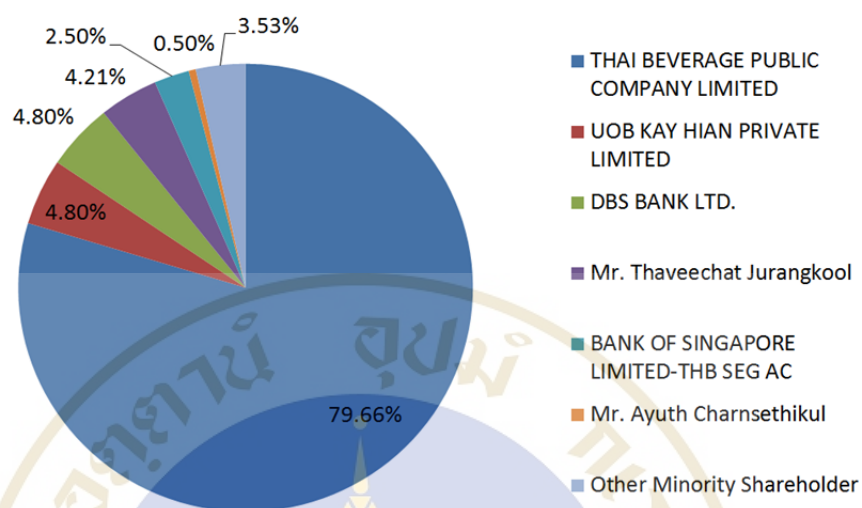
Source: Oishi Annual Report 2017

## Appendix B: Revenue Breakdown (Year 2017)



Source: Oishi Group Website

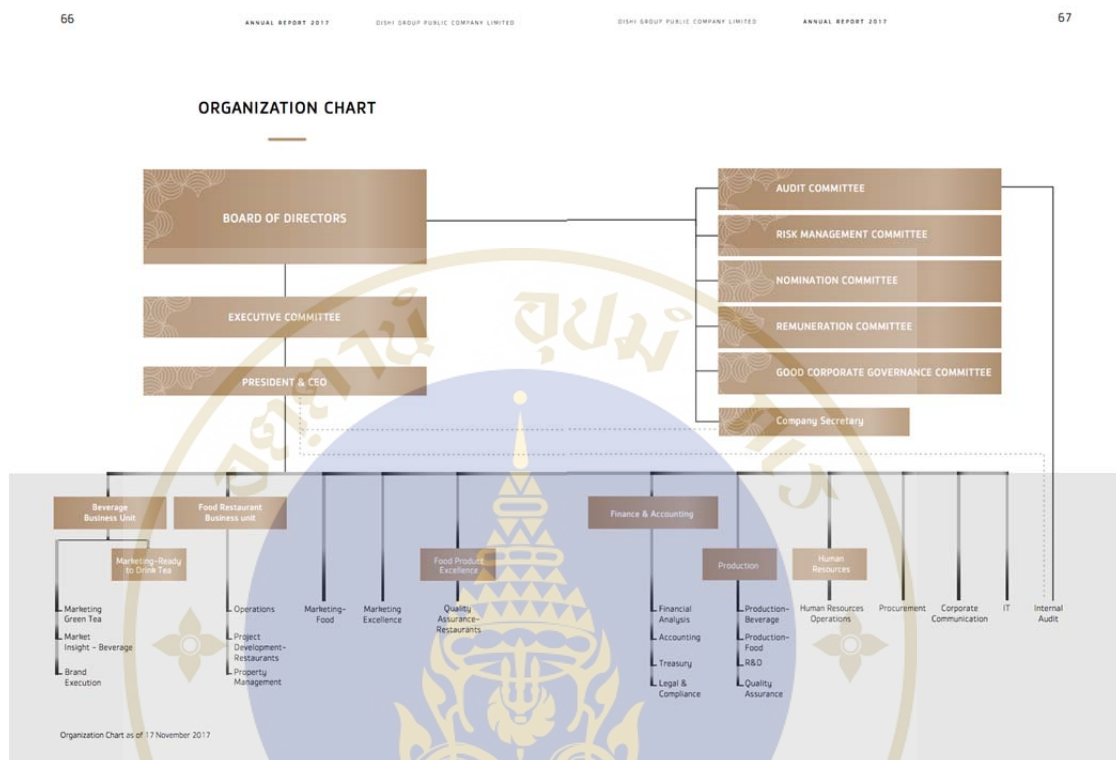
### Appendix C: Major Shareholder (as of October 2, 2017)



The company's shares are listed on Stock Exchange of Thailand with 20.34% free float. (as of December 4, 2017)

Source: Oishi Annual Report 2017 and The Stock Exchange of Thailand

## Appendix D: Organization Chart (as of December 2017)



Source: Oishi Group Annual Report 2017

## Appendix E: Management and Executive

Board of Directors	
Name	Position
Mr. Prasit Kovilaikool	Chairman and Independent Director
Mr. Thapana Sirivadhanabhakdi	Vice Chairman
Mr. Vikrom Koompirochana	Independent Director
Ms. Potjanee Thanavaranit	Independent Director
Mr. Chai Jroongtanapibarn	Independent Director
Mr. Ueychai Tantha-Obhas	Director
Mr. Sithichai Chaikriangkrai	Director
Mrs. Nongnuch Buranasetkul	Director
Mr. Pisanu Vichiensanth	Director
Executive	
Name	Position
Mr. Paisarn Aowsathaporn	Executive Vice President
Mrs. Jesdakorn Ghosh	Senior Vice President
Mr. Thanee Pornphisutsak	Vice President
Mrs. Kodchacorn Attarangsarn	Vice President
Mr. Ekboodin Densutham	Vice President

## Appendix F: Products and Services

### Beverage business

The company has continuously developed its green tea products under the brands “Oishi”, “Chakulza”, “Fruito” and “Kabusecha”. Oishi green tea was reported to be the most popular ready-to-drink tea in the Thai market in 2016 to 2017. Oishi green tea became very popular because it has been initiating new flavors with different sizes and packaging to attract and serve wide range of different target consumers. The production process emphasizes on choosing the best quality of ingredients which are the top three-leaf tips of green tea trees to distill green tea and make their famous ready-to-drink Oishi green tea. Moreover, the product development has been enlarging to ensure that they can be able to meet the expectation of different needs of their target consumers that varied all the time. Thus, Oishi green tea will be able to sustain itself as a market leader in the green tea market.

Oishi green tea products can be classified into 4 main categories which are Oishi Green Tea, Oishi Kabusecha, Oishi black Tea, Oishi Fruito, and Oishi Chakulza. Oishi green tea was launched into the market in 2003. Currently, there are 9 flavor of Oishi green tea in the market which are honey lemon, genmai, original, strawberry, lychee, kyoho grape, sakura strawberry, watermelon and yuzu orange. In 2007, Oishi black tea was launched and it has only one flavor which is honey lemon. Oishi fruto was introduced into the market in 2011 with only one flavor at the current which is green apple white grape. At the same time, Oishi Chakulza was also available in the market for the first time in 2011 which Oishi aims to target teenagers with sparking honey lemon green tea can. In 2004, Oishi launched Oishi Kabusecha under the concept of premium sugar-free green tea and later on Oishi kabusecha low sugar was launched in 2005 to response to the healthy trend and life style among health conscious consumers. Oishi is not only offering variety of green tea beverage choices to consumers but also design different style of packaging to reach the target group. There are 4 types of packaging for Oishi green tea drinks which are Polyethylene terephthalate (PET) or clear plastic bottle, RGB, UHT, and can. The sizes are also important aspect for Oishi’s product implementation. The sizes of Oishi green tea beverages are range from 250 ml. of UHT

to 800 ml. of bottle. In addition, Oishi has also been adopting technological advancement called “Cold Aseptic Filling Bottling System” which help to maintain original green tea taste, freshness and benefits of the products to be consistent over time. Nevertheless, Oishi green tea was also expanded not only domestic market but also international market under the brand “Oyoshi”.

## **Food Business**

### *Restaurant Segment*

Since Oishi Group want to capture every customer segments, so the company restaurant will be divided into 3 main segments which are listed below;

#### 1. Middle to high income target groups

1.1 Oishi Grand - It is the super-premium Japanese food buffet with variety selection of dishes and rare items with several kinds of various cultural food such as Thai, Chinese, Japanese and international food. The restaurant is located Siam Paragon (One of the most famous department store in Thailand). The price is 995 Baht per person. There is only one branch in Bangkok.

1.2 Oishi Eaterium - the concept of this restaurant is “Eat-Explore-Premium”. Customers will get chance to try new initiatives and finely integrated. The decoration in the restaurant has been presented as Japanese atmosphere style. However, there are only 88 dishes to be served which is less than Oishi Grand. Moreover, the service is designed to be innovative. It is operated with barcode system and touch screen for ordering foods. The price of Eaterium is 659 (excluding 7% VAT) per person. There are 5 branches of Oishi Eaterium that located in Bangkok.

1.3 Oishi Buffet - This is the first Japanese buffet style in Thailand. The restaurant provides different 80 dishes with 1 hour and 45 minutes. The price is 589 baht each (excluding 7% VAT) per person. There are 17 branches both in Bangkok and other provinces.

1.4 Nikuya - it is a Japanese Barbeque Buffet which imported from Osaka’s Yakiniku (grilled meat) recipe. The restaurant has designed to be a paradise for grilled meat lovers. The restaurant provides imported beef from New Zealand, Salmon from Norway, Kurobuta black hog from Japan with Osaka’s original Sauce recipe. The

restaurant serves 38 dishes with 399, 499, 679 baht per person (excluding 10 Service Charge and 7% VAT). There are 18 branches in Bangkok.

## 2. Middle income target groups

Shabushi - The most famous Japanese buffet for middle income class. The restaurant provides Conveyor belt for sushi, beef, pork, chicken, shrimp, Salmon, vegetable that are rotated in Kaiten Style around the restaurant. The restaurant also offers Ready-to-Eat counter for Tempura, Grilled Saba and so on. Furthermore, drinks, fruits and ice cream counters are ready to serve customers. The price is 419 baht per person. There are 126 branches in Thailand and 2 branches in Myanmar.

## 3. Young working group, teenagers, university students target groups

3.1 Oishi Ramen - The restaurant offers quickly serve original Japanese ramen with different kinds of soup such as clear soup, thick soup, spicy soup, and miso soup. The restaurant also provides Thai Style Ramen for customer. For example, Tom Yum Ramen, Spicy Fried Seafood/Pork Ramen with Basil, Stir Fried Clams Ramen with Chilli Paste, and Crispy Basil Ramen. The price is friendly to customer. It is medium price that they can affordable. There are 51 branches in Thailand.

3.2 Kakashi - it is a Japanese-style Quick Service. The restaurant provides bowl of rice with Japanese famous meat on top or customer also known as Donburi. There are several menus that customers can choose in this restaurant with friendly price. The price will start at 79 baht. Moreover, there are 24 branches in Thailand.

### **Snack shop**

Oishi provides 2 snack shops for customer. The concept is easy to grab and go. Snack shop offers existing Oishi products including sandwiches, frozen food and beverages.

### **Frozen food business**

Oishi Group Company Limited is considered to be a leader company that has been implementing innovation in products especially in their ready-to-cook and ready-to-eat Japanese food business. The company has developed using new technology in product development to expand its business into ready-to-cook and ready-to-eat Japanese food. Oishi emphasizes to serve these products to those who prefer convenience



due to limitation of time and quick lifestyle. Nevertheless, the company still highly responsible for quality along with the value of money that consumers need to spend for these products. The distribution channels of these products are also response to the need of consumers through retailers, modern trade, supermarkets, hypermarkets and other convenient stores.

There are 2 main types of ready-to-cook and ready-to-eat business which are child and frozen food. The subgroups of these kind of food can be classified into 4 different products which are Oishi Gyoza, Oishi Kani (Crab Stick), Oishi Sandwich and Oishi Ready Meal.

### **Delivery services business**

Oishi provides food delivery and served to customer doorstep by offering bento set, donburi, soup, sushi and their existing products such as frozen food and green tea. The company provides home delivery service both in Bangkok and its vicinity and over 15 provinces nationwide. The services are available during 10AM to 9PM with 40 Baht delivery fee per an order. There are 5 stores of Oishi Delivery that located in Thailand.



## Appendix G: Corporate Governance

Oishi Group Public Company Limited (the “Company”) has seen that the good corporate governance is very significant for the company management system and long-term sustainable growth. These practices will in turn be beneficial to all stakeholders, including the society and the country itself. Therefore, the company ensured strict the policies which were in line with Thai Institute of Directors Association (IOD), the corporate governance principle, that issued by Thailand Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). There are 5 categories that analysis will used to evaluate the companies as follows;

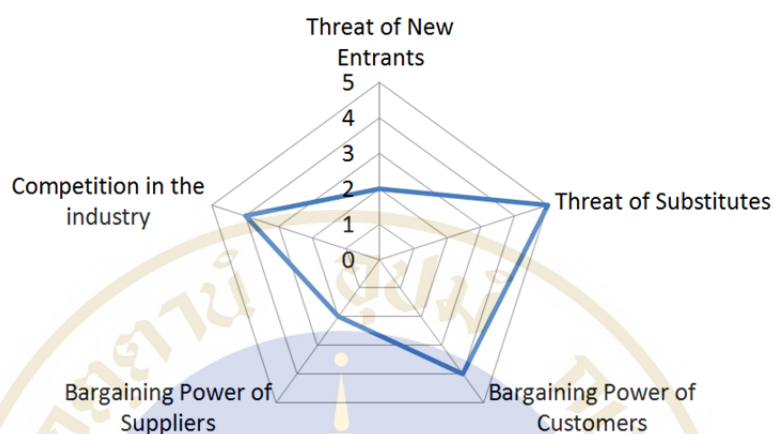
1. Rights of shareholders
2. Equal treatment to all shareholders
3. Roles of stakeholders
4. Disclosure and transparency
5. Responsibility of the Board of Directors.

As of October 2017, the Corporate Governance Rating of Oishi Group was attained at “Very Good” levels of recognition

Source: Corporate Governance Report of Thai Listed Companies 2017

## Appendix H: Five Force Analysis

### Five Force Analysis



#### **The bargaining power of suppliers: LOW**

Oishi selects high quality of raw materials especially green tea leafs which they are always running the production. This leads to low bargaining power since Oishi deals with few suppliers. They need to be aware of raw materials shortage which will directly impact sales activities of the company.

#### **The bargaining power of Customers: HIGH**

- Consumers can easily switch to a different products or services that meet their needs and offer different consumer experiences.
- Price sensitivity is high among this industry since they are a lot of competitors so that customers have more choices to purchase.

#### **The threat of new entrants: LOW**

- It is hard for new entrants to enter Ready-to-drink tea industry because new entrants need to use huge capital budgeting to invest in this business area.

- Oishi has variety of distribution channels since Oishi is majority owned by Thai Beverage Public Company Limited so that its products are spread all over the country.

**The threat of substitutes: HIGH**

There are a lot of substitute products both direct and indirect products such as water, milk, coffee, milk tea, and fruit juice.

**Competitive rivalry: HIGH**

- Competitors are the same size and have comparable strategies.
- Little or no differentiation between competitors and their products which lead to intensive price competition.
- Japanese food and beverage industry still have potential growth.
- New products and services create competitive market.



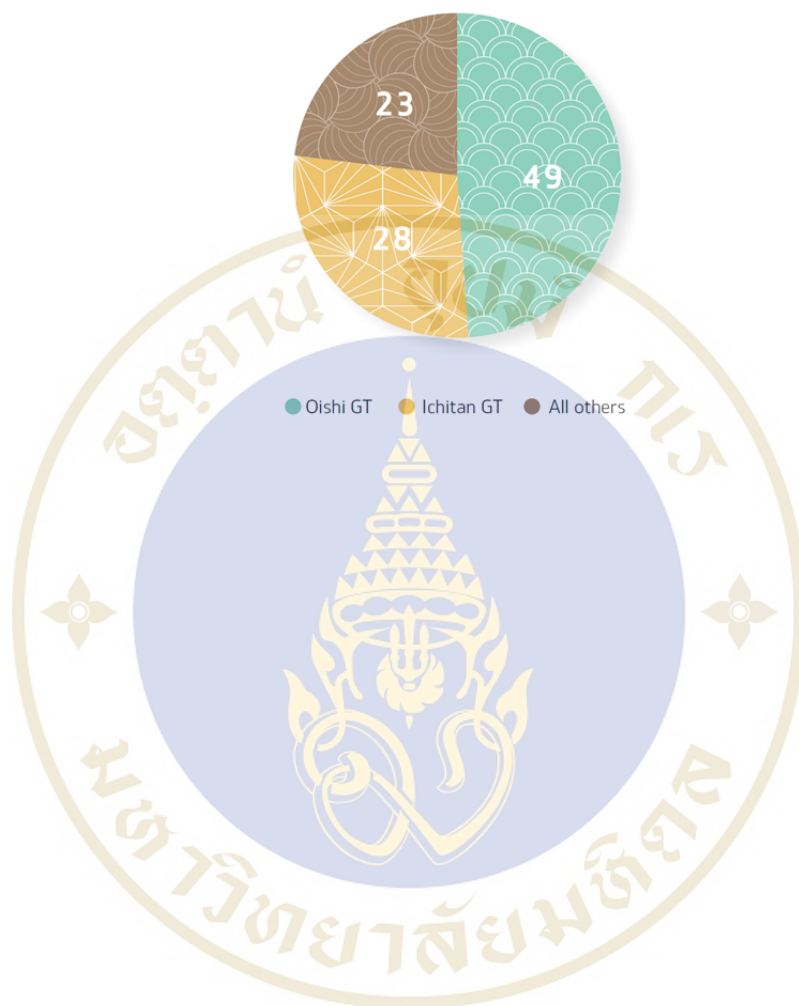
## Appendix I: WACC and constant growth rate sensitivity analysis

9. WACC and Constant Growth Rate			Constant Growth Rate						
		Share price	-30%	-20%	-10%	0%	10%	20%	30%
		76.16							
WACC	-30%	5.04%	102.21	109.72	118.58	129.18	142.11	158.20	178.80
	-20%	5.76%	86.34	91.36	97.09	103.70	111.41	120.52	131.44
	-10%	6.48%	75.30	78.90	82.91	87.44	92.57	98.43	105.21
	0%	7.19%	67.18	69.89	72.87	76.16	79.82	83.93	88.55
	10%	7.91%	60.96	63.07	65.37	67.88	70.63	73.67	77.03
	20%	8.63%	56.04	57.73	59.56	61.54	63.69	66.03	68.58
	30%	9.35%	52.04	53.44	54.93	56.54	58.26	60.12	62.13



## Appendix J: Market Shares

TH-Val% Share to Green Tea (YTD Aug17)



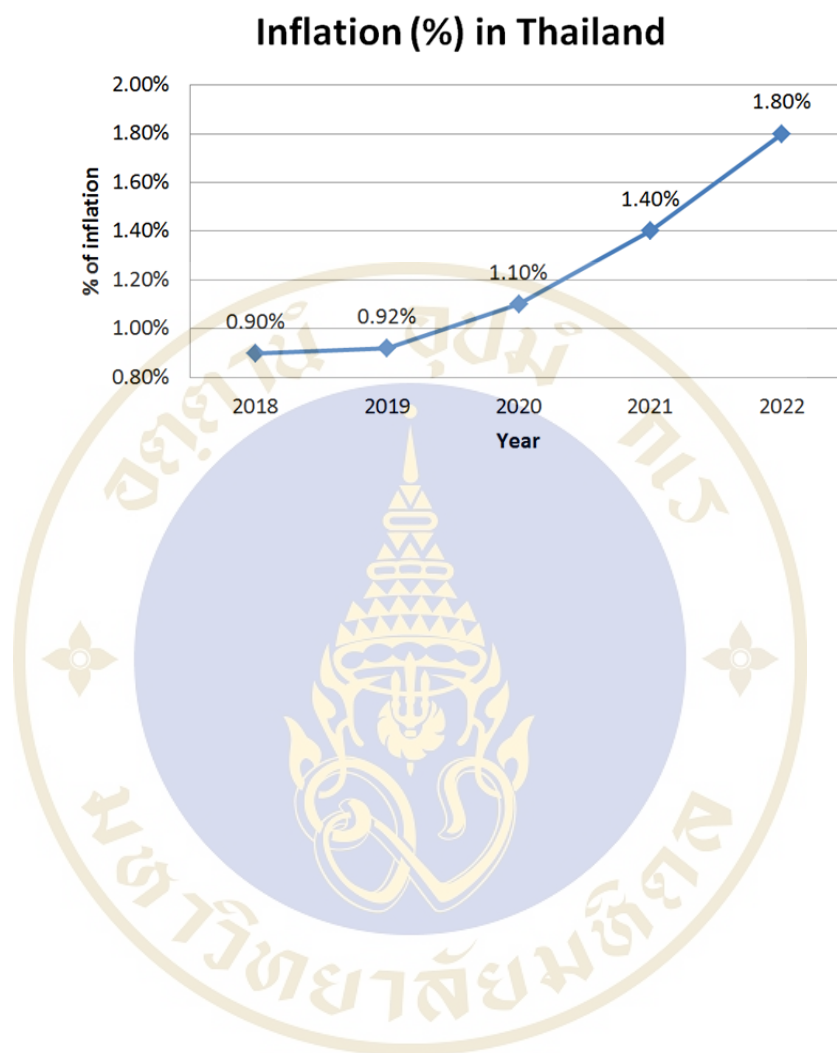
## Appendix K: Brand Shares in Chained Full-Service Restaurants: % Foodservice Value 2014-2017

Table GBN Brand Shares in Chained Full-Service Restaurants: % Foodservice Value 2014-2017

% value	Global Brand Owner	2014	2015	2016	2017
MK	MK Restaurants Co Ltd	22.4	21.2	21.6	22.4
Fuji Japanese Restaurant	Fuji Tsukui Group	12.4	12.2	12.1	11.6
Pizza Co, The	Minor International PCL	5.1	5.6	5.8	6.1
S&P	S & P Syndicate PCL	5.5	5.5	5.6	5.5
Sizzler	Worldwide Restaurant Concepts Inc	4.1	4.4	4.8	4.7
Bar B Q Plaza	Bar B Q Plaza Corp	3.5	4.1	4.5	4.4
Yayoi	MK Restaurants Co Ltd	3.8	3.9	4.1	3.9
Shabushi	Thai Beverage PCL	3.2	3.3	3.3	3.8
Hachiban Ramen	Hachiban Ramen Co Ltd	3.0	2.9	2.9	2.7
Hot Pot	Hot Pot PCL	3.7	3.3	2.8	2.7
Santa Fe	KT Restaurant Co	1.8	2.1	2.4	2.6
Zen	Central Group	2.2	2.5	2.3	2.2
Ootoya	Ootoya Co Ltd	1.7	1.7	1.6	1.6
Oishi Ramen	Thai Beverage PCL	1.5	1.4	1.3	1.3
Jeffer Steak & Seafood	Wave Entertainment PCL	1.2	1.3	1.3	1.3
Laem Cha-roen Seafood	Laem Cha-roen Seafood	1.0	1.0	1.1	1.2
Pizza Hut	Yum! Brands Inc	1.0	1.1	1.1	1.0
Jum Sab Hut	Bar B Q Plaza Corp	0.8	0.6	0.5	0.5
See Fah Restaurants	See Fah Restaurants Co Ltd	0.4	0.4	0.5	0.4
Hard Rock Café	Hard Rock Café International Inc	0.4	0.4	0.4	0.4
Chabuton	Chabuton	0.4	0.4	0.4	0.4
Din Tai Fung	Fairy Rise Development Ltd	0.3	0.4	0.4	0.3
Scoozi	Scoozi Restaurant Group Co Ltd	0.4	0.4	0.4	0.3
Daidomon	Hot Pot PCL	0.4	0.3	0.3	0.3
Domino's Pizza	Domino's Pizza Inc	0.2	0.3	0.3	0.3
Yoshinoya	Yoshinoya Holdings Co Ltd	0.3	0.3	0.2	0.2
Narai Pizzeria	Narai Group	0.3	0.3	0.2	0.2
Siam	MK Restaurants Co Ltd	0.1	0.1	0.1	0.1
The Terrace	Central Group	0.1	0.1	0.1	0.1
Coca Restaurant	Coca Holding International Co Ltd	0.1	0.1	0.1	0.1
Others	Others	18.9	18.7	17.6	17.3
Total	Total	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

## Appendix L: Inflation in Thailand





## Appendix M: Financial Ratio

We divided financial analysis into two main parts which are the historical income statements analysis and the forecasted financial ratios. The analysis of historical income statements consisted of size analysis, common size analysis, trend analysis, and financial ratios. We provided the analysis by comparing information of Oishi Group to its main competitor Ichitan Grou

### Income Statement of Oishi Group

Items	2017 Million Baht	2016 Million Baht	2015 Million Baht	2014 Million Baht	2013 Million Baht	2012 Million Baht
<b>Income Statement</b>						
Revenues from sale of goods and rendering of services	13,550.81	10,399.11	12,878.81	12,404.50	12,208.11	11,634.40
Other income	126.28	109.32	84.35	111.85	61.13	67.89
Interest income	5.29	3.69	1.04	1.59	-	-
Net income from severe flooding	-	-	-	-	-	-
Gain on foreign currency exchange	-	-	1.22	28.50	-	-
Other incomes - others	120.99	105.62	82.09	81.76	61.13	67.89
<b>Total Revenues</b>	<b>13,677.09</b>	<b>10,508.42</b>	<b>12,963.16</b>	<b>12,516.35</b>	<b>12,269.24</b>	<b>11,702.29</b>
Cost of sale of goods and rendering of services	8,387.47	6,607.20	8,446.81	8,198.53	8,209.10	8,030.59
Cost of goods sold	8,264.63	6,499.42	8,370.06	8,198.53	8,209.10	8,030.59
Cost of rendering of services	122.84	107.78	76.76	-	-	-
Selling and administrative expenses	3,744.83	2,920.57	3,704.29	3,721.96	3,437.55	2,955.68
Selling expenses (Distribution costs)	1,649.91	1,263.45	1,546.44	1,694.92	1,679.22	1,376.45
Administrative expenses	2,094.93	1,657.11	2,157.86	2,027.04	1,758.33	1,579.23
Other expenses	-	-	-	-	110.17	42.33
Loss on foreign currency exchange	-	-	-	-	10.97	36.59
Other expenses - other	-	-	-	-	99.20	5.74
<b>Total Expenses</b>	<b>12,132.30</b>	<b>9,527.77</b>	<b>12,151.11</b>	<b>11,920.48</b>	<b>11,756.82</b>	<b>11,028.60</b>
Profit (loss) before finance costs and income tax expenses	1,544.79	980.66	812.05	595.86	512.42	673.69
Share of loss of investment in joint venture	-	-	-	-	-	-
Financing costs	53.67	60.85	105.53	97.10	87.09	45.65
Tax income (expense)	(47.91)	(39.55)	(2.78)	22.00	30.24	25.79
<b>Net profit (loss)</b>	<b>1,443.20</b>	<b>880.26</b>	<b>703.74</b>	<b>520.76</b>	<b>455.57</b>	<b>653.83</b>

## Income statement of Ichitan Group

Items	2017	2016	2015	2014	2013	2012
	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
<b>Income Statement</b>						
Revenues from sale of goods and rendering of services	5,687.51	5,338.27	6,339.58	6,179.08	6,484.38	3,906.78
Other income	31.51	23.56	17.19	29.78	47.47	576.12
Interest income	0.93	1.35	1.65	9.36	1.35	-
Net income from severe flooding	-	-	-	-	-	518.82
Gain on foreign currency exchange	-	-	-	-	-	-
Other incomes - others	30.59	22.21	15.54	20.42	46.11	57.30
<b>Total Revenues</b>	<b>5,719.03</b>	<b>5,361.83</b>	<b>6,356.77</b>	<b>6,208.87</b>	<b>6,531.84</b>	<b>4,482.90</b>
Cost of sale of goods and rendering of services	4,334.65	3,943.94	4,214.70	4,065.20	4,425.03	2,866.10
Cost of goods sold	4,334.65	3,943.94	4,214.70	4,065.20	4,425.03	2,866.10
Cost of rendering of services	-	-	-	-	-	-
Selling and administrative expenses	885.90	917.54	1,150.26	1,024.60	1,061.54	666.62
Selling expenses (Distribution costs)	711.40	714.90	1,019.35	774.18	931.19	531.74
Administrative expenses	174.50	202.63	130.91	250.42	130.35	134.88
Other expenses	-	-	-	-	-	-
Loss on foreign currency exchange	-	-	-	-	-	-
Other expenses - other	-	-	-	-	-	-
<b>Total Expenses</b>	<b>5,220.55</b>	<b>4,861.48</b>	<b>5,364.96</b>	<b>5,089.80</b>	<b>5,486.57</b>	<b>3,532.72</b>
Profit (loss) before finance costs and income tax expenses	498.47	500.36	991.81	1,119.06	1,045.27	950.18
Share of loss of investment in joint venture	(144.34)	(95.74)	(48.73)	0.03	-	4.84
Financing costs	64.35	75.46	86.50	99.42	161.62	125.267
Tax income (expense)	25.31	39.32	(43.83)	59.09	-	(132.30)
<b>Net profit (loss)</b>	<b>315.09</b>	<b>368.48</b>	<b>812.74</b>	<b>1,078.76</b>	<b>883.65</b>	<b>697.45</b>

When comparing income statement between two companies, it obviously seen that Oishi Group has double total sales more than Ichitan Group. Total sales of Oishi are THB 13,550 million where Ichitan's total sales are only THB 5,687 million in 2017. The difference in term of income between two companies is overseas sales. Oishi got support from parent company (Thai Bev) to be able to operate business in overseas market. Oishi's total sales from overseas have dramatically increased every year. Moreover, Oishi has been emphasizing in sinking cost of goods sold in order to increase profit margin of the company.

## Balance sheet of Oishi Group

Items	2017 Million Baht	2016 Million Baht	2015 Million Baht	2014 Million Baht	2013 Million Baht	2012 Million Baht
<b>Assets</b>						
<b>Current Assets</b>						
Cash and Cash equivalents	1,446.51	593.64	595.20	142.00	122.25	93.65
Short-term Investments	-	3.66	3.66	-	6.50	2.00
Trade accounts receivable and Other receivables	789.78	558.37	614.21	668.76	660.03	1,719.57
Inventories	319.25	490.48	392.82	441.92	370.92	309.61
Other current assets	85.34	71.39	32.30	55.33	54.16	50.71
Prepayments (Corporate tax refundable)	-	-	4.80	6.78	16.56	13.43
Other Current Assets - Others	85.34	71.39	27.50	48.55	37.60	37.28
<b>Total current assets</b>	<b>2,640.88</b>	<b>1,717.54</b>	<b>1,638.19</b>	<b>1,308.01</b>	<b>1,213.87</b>	<b>2,175.54</b>
<b>Non-current assets</b>						
Long-term Investment	-	-	-	3.66	3.66	10.16
Investment in joint venture	-	-	-	-	-	-
Other non-current receivables	-	-	-	-	-	-
Cash and cash equivalents entity	-	-	-	-	-	-
Advance for purchase of machinery and equipment	-	-	-	-	-	-
Property, Plant and Equipment	6,676.13	7,154.98	7,003.04	7,376.02	6,144.82	4,741.70
Leasehold rights	40.80	46.82	51.34	57.68	64.95	72.63
Intangible assets	36.57	39.10	27.98	26.69	33.79	33.14
Deferred tax assets	51.90	45.52	106.09	112.59	85.60	53.77
Other non-current assets	260.55	274.12	262.24	246.91	361.07	173.08
<b>Total non-current assets</b>	<b>7,065.95</b>	<b>7,560.54</b>	<b>7,450.68</b>	<b>7,823.54</b>	<b>6,693.91</b>	<b>5,084.48</b>
<b>Total assets</b>	<b>9,706.83</b>	<b>9,278.08</b>	<b>9,088.87</b>	<b>9,131.55</b>	<b>7,907.77</b>	<b>7,260.02</b>
<b>Liabilities and equity</b>						
<b>Current liabilities</b>						
Bank overdrafts and short-term borrowings from financial institutions	-	-	-	873.00	63.00	1,836.00
Trade accounts and other payable	977.09	970.38	1,003.95	1,179.11	1,321.59	932.94
Other short-term account payables - net	957.10	1,034.96	740.63	1,223.57	976.14	1,251.04
Current portion of long-term liabilities	12.97	522.70	1,619.81	416.75	-	-
Long-term borrowings from financial institutions	-	500.00	600.00	400.00	-	-
Finance lease liabilities	12.97	22.70	19.81	16.75	-	-
Debentures and debt certificates	-	-	1,000.00	-	-	-
Payables on purchase of property, plant and equipment	-	-	-	-	-	-
Accrued expenses	-	-	-	-	-	-
Other current liabilities	83.16	47.73	51.71	53.88	42.63	60.95
Corporate income tax payable	42.06	3.10	0.005	0.53	-	3.70
Other current liabilities - others	41.11	44.63	51.71	53.35	42.63	57.25
<b>Total current liabilities</b>	<b>2,030.32</b>	<b>2,575.76</b>	<b>3,416.11</b>	<b>3,746.32</b>	<b>2,403.37</b>	<b>4,080.93</b>
<b>Non-current liabilities</b>						
Net of current portion of long-term liabilities	2,000.00	2,012.97	1,530.26	1,649.83	2,000.00	0.00
Long-term borrowings from financial institutions	-	-	500.00	600.00	1,000.00	-
Finance lease liabilities	-	12.97	30.26	49.83	-	-
Debentures and debt certificates	2,000.00	2,000.00	1,000.00	1,000.00	1,000.00	-
Long-term loans from related parties	-	-	-	-	-	-
Net of current portion of deferred income	-	-	-	-	0.02	0.26
Net of current portion of post employee benefit obligations	71.79	66.18	53.31	72.05	51.14	40.89
Other non-current liabilities	14.14	14.22	5.96	29.15	44.82	16.75
<b>Total non-current liabilities</b>	<b>2,085.93</b>	<b>2,093.37</b>	<b>1,589.54</b>	<b>1,751.03</b>	<b>2,095.98</b>	<b>57.90</b>
<b>Total liabilities</b>	<b>4,116.25</b>	<b>4,669.14</b>	<b>5,005.65</b>	<b>5,497.35</b>	<b>4,499.34</b>	<b>4,138.83</b>
<b>Equity</b>						
Share capital:						
Authorised share capital	375.00	375.00	375.00	375.00	375.00	375.00
Issued and paid-up share capital	375.00	375.00	375	375.00	375.00	375.00
Share premium on ordinary shares	609.40	609.40	609	609.40	609.40	609.40
Surplus on share-based payment transactions	-	-	-	-	-	-
Retained earnings						
Appropriated to legal reserve	37.50	37.50	37.50	37.50	37.50	37.50
Unappropriated	4,393.71	3,412.90	3,008	2,570	2,350	2,062
Other components of equity	162.87	162.68	35.13	34.69	36.86	36.85
Equity attributable to owners of the parent	5,578.48	4,597.48	4,064.94	3,626.93	3,408.43	3,121.19
Non-controlling interests	12.10	11.46	18.29	7	-	-
<b>Total equity</b>	<b>5,590.58</b>	<b>4,608.94</b>	<b>4,083.23</b>	<b>3,634</b>	<b>3,408</b>	<b>3,121</b>
<b>Total liabilities and equity</b>	<b>9,706.83</b>	<b>9,278.08</b>	<b>9,088.87</b>	<b>9,131.55</b>	<b>7,907.77</b>	<b>7,260.02</b>

## Balance sheet of Ichitan Group

Items	2017 Million Baht	2016 Million Baht	2015 Million Baht	2014 Million Baht	2013 Million Baht	2012 Million Baht
<b>Income Statement</b>						
Revenues from sale of goods and rendering of services	5,687.51	5,338.27	6,339.58	6,179.08	6,484.38	3,906.78
Other income	31.51	23.56	17.19	29.78	47.47	576.12
Interest income	0.93	1.35	1.65	9.36	1.35	-
Net income from severe flooding	-	-	-	-	-	518.82
Gain on foreign currency exchange	-	-	-	-	-	-
Other incomes - others	30.59	22.21	15.54	20.42	46.11	57.30
<b>Total Revenues</b>	<b>5,719.03</b>	<b>5,361.83</b>	<b>6,356.77</b>	<b>6,208.87</b>	<b>6,531.84</b>	<b>4,482.90</b>
Cost of sale of goods and rendering of services	4,334.65	3,943.94	4,214.70	4,065.20	4,425.03	2,866.10
Cost of goods sold	4,334.65	3,943.94	4,214.70	4,065.20	4,425.03	2,866.10
Cost of rendering of services	-	-	-	-	-	-
Selling and administrative expenses	885.90	917.54	1,150.26	1,024.60	1,061.54	666.62
Selling expenses (Distribution costs)	711.40	714.90	1,019.35	774.18	931.19	531.74
Administrative expenses	174.50	202.63	130.91	250.42	130.35	134.88
Other expenses	-	-	-	-	-	-
Loss on foreign currency exchange	-	-	-	-	-	-
Other expenses - other	-	-	-	-	-	-
<b>Total Expenses</b>	<b>5,220.55</b>	<b>4,861.48</b>	<b>5,364.96</b>	<b>5,089.80</b>	<b>5,486.57</b>	<b>3,532.72</b>
Profit (loss) before finance costs and income tax expenses	498.47	500.36	991.81	1,119.06	1,045.27	950.18
Share of loss of investment in joint venture	(144.34)	(95.74)	(48.73)	0.03	-	4.84
Financing costs	64.35	75.46	86.50	99.42	161.62	125.267
Tax income (expense)	25.31	39.32	(43.83)	59.09	-	(132.30)
<b>Net profit (loss)</b>	<b>315.09</b>	<b>368.48</b>	<b>812.74</b>	<b>1,078.76</b>	<b>883.65</b>	<b>697.45</b>
<b>Liabilities and equity</b>						
<b>Current liabilities</b>						
Bank overdrafts and short-term borrowings from financial institutions	240.00	713.72	120.00	28.22	355.83	640.73
Trade accounts and other payable	426.00	256.71	387.09	519.32	288.86	459.24
Other short-term account payables - net	142.07	56.46	51.20	24.72	23.52	28.84
Current portion of long-term liabilities	647.53	524.02	456.18	153.84	230.81	9.00
Long-term borrowings from financial institutions	647.53	524.02	456.18	153.84	230.81	9.00
Finance lease liabilities	-	-	-	-	-	-
Debentures and debt certificates	-	-	-	-	-	-
Payables on purchase of property, plant and equipment	106.13	30.18	61.83	101.36	165.31	390.57
Accrued expenses	203.93	214.00	211.74	186.40	140.81	227.49
Other current liabilities	7.19	11.73	16.78	8,032,453	8,881,115	5,657,134
Corporate income tax payable	7.19	-	0.28	-	-	-
Other current liabilities - others	-	11.73	16.50	-	-	-
<b>Total current liabilities</b>	<b>1,772.85</b>	<b>1,806.81</b>	<b>1,304.82</b>	<b>1,021.90</b>	<b>1,214.01</b>	<b>1,761.53</b>
<b>Non-current liabilities</b>						
Net of current portion of long-term liabilities	767.50	1,042.74	1,491.76	1,780.44	2,350.93	1,749.94
Long-term borrowings from financial institutions	767.50	1,042.74	1,491.76	1,780.44	2,350.93	1,749.94
Finance lease liabilities	-	-	-	-	-	-
Debentures and debt certificates	-	-	-	-	-	-
Long-term loans from related parties	-	-	-	-	1,000.00	780.00
Net of current portion of deferred income	-	-	-	-	-	-
Net of current portion of post employee benefit obligations	29.78	26.06	22.58	10.96	7.68	5.64
Other non-current liabilities	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>797.28</b>	<b>1,068.80</b>	<b>1,514.34</b>	<b>1,791.40</b>	<b>3,358.61</b>	<b>2,535.59</b>
<b>Total liabilities</b>	<b>2,570.13</b>	<b>2,875.61</b>	<b>2,819.16</b>	<b>2,813.30</b>	<b>4,572.62</b>	<b>4,297.12</b>

In term of Balance sheet or financial position, the two companies have approximately the same total assets. Oishi's total asset is THB 9,706 million as of 2017 with consists of THB 2,640 million of total current assets and THB 7065 million of total non-current assets. For Ichitan group, total assets are THB 8626 million with consists of THB 1573 million of total current assets and THB 7053 million of non-current assets.

We can say that with the same amount of total assets, Oishi can generate better sales, revenues, and net income. Furthermore, for liabilities in 2017, Oishi has THB 4,116 million total liabilities while Ichitan has total liabilities of THB 2,570 million. The major amount of liabilities for both companies is long-term liabilities which represent long-term debentures. In addition, Oishi has shareholders' equity of THB 5,590 million while Ichitan has shareholders' equity of THB 6,056 million as of 2017. Ichitan has larger paid-up share capital of THB 1,300 million with smaller retained earnings of only THB 1,077 million. In contrast, Oishi has inappropriate profits of THB 4,393 million and paid-up share capital of THB 375 million.

## Common size analysis

### Common size - Income statement

Items	Common Size Analysis											
	OISHI						ICHITAN					
	2017	2016	2015	2014	2013	2012	2017	2016	2015	2014	2013	2012
<b>Income Statement</b>												
Revenues from sale of goods and rendering of services	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Other income	0.93%	1.05%	0.65%	0.90%	0.50%	0.58%	0.55%	0.44%	0.27%	0.48%	0.73%	14.75%
Interest income	0.04%	0.04%	0.01%	0.01%	-	-	0.02%	0.03%	0.03%	0.15%	0.02%	-
Net income from severe flooding	-	-	-	-	-	-	-	-	-	-	-	13.28%
Gain on foreign currency exchange	-	-	0.01%	0.23%	-	-	-	-	-	-	-	-
Other incomes - others	0.89%	1.02%	0.64%	0.66%	0.50%	0.58%	0.54%	0.42%	0.25%	0.33%	0.71%	1.47%
<b>Total Revenues</b>	<b>100.93%</b>	<b>101.05%</b>	<b>100.65%</b>	<b>100.90%</b>	<b>100.50%</b>	<b>100.58%</b>	<b>100.55%</b>	<b>100.44%</b>	<b>100.27%</b>	<b>100.48%</b>	<b>100.73%</b>	<b>114.75%</b>
Cost of sale of goods and rendering of services	61.90%	63.54%	65.59%	66.09%	67.24%	69.02%	76.21%	73.88%	66.48%	65.79%	68.24%	73.36%
Cost of goods sold	60.99%	62.50%	64.99%	66.09%	67.24%	69.02%	76.21%	73.88%	66.48%	65.79%	68.24%	73.36%
Cost of rendering of services	0.91%	1.04%	0.60%	-	-	-	-	-	-	-	-	-
Selling and administrative expenses	27.64%	28.08%	28.76%	30.00%	28.16%	25.40%	15.58%	17.19%	18.14%	16.58%	16.37%	17.06%
Selling expenses (Distribution costs)	12.18%	12.15%	12.01%	13.66%	13.75%	11.83%	12.51%	13.39%	16.08%	12.53%	14.36%	13.61%
Administrative expenses	15.46%	15.94%	16.76%	16.34%	14.40%	13.57%	3.07%	3.80%	2.06%	4.05%	2.01%	3.45%
Other expenses	-	-	-	-	0.90%	0.36%	-	-	-	-	-	-
Loss on foreign currency exchange	-	-	-	-	0.09%	0.31%	-	-	-	-	-	-
Other expenses - other	-	-	-	-	0.81%	0.05%	-	-	-	-	-	-
<b>Total Expenses</b>	<b>89.53%</b>	<b>91.62%</b>	<b>94.35%</b>	<b>96.10%</b>	<b>96.30%</b>	<b>94.79%</b>	<b>91.79%</b>	<b>91.07%</b>	<b>84.63%</b>	<b>82.37%</b>	<b>84.61%</b>	<b>90.43%</b>
Profit (loss) before finance costs and income tax expenses	11.40%	9.43%	6.31%	4.80%	4.20%	5.79%	8.76%	9.37%	15.64%	18.11%	16.12%	24.32%
Share of loss of investment in joint venture	-	-	-	-	-	-	-2.54%	-1.79%	-0.77%	0.00%	0.00%	0.12%
Financing costs	0.40%	0.59%	0.82%	0.78%	0.71%	0.39%	1.13%	1.41%	1.36%	1.61%	2.49%	3.21%
Tax income (expense)	-0.35%	-0.38%	-0.02%	0.18%	0.25%	0.22%	0.45%	0.74%	-0.69%	0.96%	0.00%	-3.39%
<b>Net profit (loss)</b>	<b>10.65%</b>	<b>8.46%</b>	<b>5.46%</b>	<b>4.20%</b>	<b>3.73%</b>	<b>5.62%</b>	<b>5.54%</b>	<b>6.90%</b>	<b>12.82%</b>	<b>17.46%</b>	<b>13.63%</b>	<b>17.85%</b>

According to common size analysis of income statements, the major income of both companies comes from sale of goods and rendering of services. Both Oishi Group and Ichitan do not have significant cash inflow from other income. We can see that both companies have less than 1% of other income to sale revenues. Alongside with income, total expenses are the most important thing to drive a good business. For Oishi Group, the company has better management in term of cost saving. Oishi can reduce cost of sale approximately 1-2% each year. In contrast, Ichitan seems to be less efficient in RTD green tea business with higher cost of goods sold increased every year. Cost of

goods sold of Oishi is 61.90% in 2017, comparing to Ichitan which has 76.21%. Oishi seems to perform better in business with lower cost of goods sold; as well as, it has lower selling expenses proportion to sale of 12.18%. Moreover, considering the net profit, Oishi has higher net profit margin to sales of 10.65% while the competitor has only 5.54% margin. We can conclude that Oishi Group has better business operation than Ichitan Group.

### Common size - Balance Sheet

Items	Common Size Analysis												
	OISHI						ICHITAN						
	2017	2016	2015	2014	2013	2012	2017	2016	2015	2014	2013	2012	
<b>Assets</b>													
<b>Current Assets</b>													
Cash and Cash equivalents	14.90%	6.40%	6.55%	1.56%	1.56%	1.29%	1.27%	0.39%	1.24%	1.68%	1.28%	0.67%	
Short-term Investments	0.00%	0.04%	0.04%	0.00%	0.08%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Trade accounts receivable and Other receivables	8.14%	6.02%	6.76%	7.32%	8.42%	23.69%							
Inventories	3.29%	5.29%	4.32%	4.84%	4.73%	4.26%	8.54%	5.96%	7.65%	7.50%	5.17%	8.45%	
Other current assets	0.88%	0.77%	0.36%	0.61%	0.69%	0.70%	0.001%	0.09%	0.07%	0.14%	0.17%	0.10%	
Prepayments (Corporate tax refundable)	-	-	0.05%	0.07%	0.21%	0.19%	-	-	-	0.98%	1.42%	3.28%	
Other Current Assets - Others	0.88%	0.77%	0.30%	0.53%	0.48%	0.51%	-	-	-	-	-	1.76%	
<b>Total current assets</b>	<b>27.21%</b>	<b>18.51%</b>	<b>18.02%</b>	<b>14.32%</b>	<b>15.48%</b>	<b>29.97%</b>	<b>18.24%</b>	<b>16.93%</b>	<b>21.55%</b>	<b>21.27%</b>	<b>21.92%</b>	<b>25.33%</b>	
<b>Non-current assets</b>													
Long-term Investment	-	-	-	0.04%	0.05%	0.14%	-	-	-	-	-	-	
Investment in joint venture	-	-	-	-	-	-	0.71%	1.10%	0.84%	-	-	-	
Other non-current receivables	-	-	-	-	-	-	0.30%	-	-	-	-	-	
Cash and cash equivalents entity	-	-	-	-	-	-	-	-	-	1.31%	-	-	
Advance for purchase of machinery and equipment	-	-	-	-	-	-	0.40%	5.03%	0.17%	0.34%	1.84%	1.14%	
Property, Plant and Equipment	68.78%	77.12%	77.05%	80.78%	78.35%	65.31%	78.93%	75.34%	76.16%	75.43%	76.17%	73.31%	
Leasehold rights	0.42%	0.50%	0.56%	0.63%	-	1.00%	-	-	-	-	-	-	
Intangible assets	0.38%	0.42%	0.31%	0.29%	0.43%	0.46%	0.30%	0.55%	1.00%	0.96%	0.04%	0.05%	
Deferred tax assets	0.53%	0.49%	1.17%	1.23%	1.09%	0.74%	1.10%	0.72%	0.25%	0.66%	-	-	
Other non-current assets	2.68%	2.95%	2.89%	2.70%	4.60%	2.38%	0.02%	0.32%	0.02%	0.03%	0.03%	0.17%	
<b>Total non-current assets</b>	<b>72.79%</b>	<b>81.49%</b>	<b>81.98%</b>	<b>85.68%</b>	<b>84.52%</b>	<b>70.03%</b>	<b>81.76%</b>	<b>83.07%</b>	<b>78.45%</b>	<b>78.73%</b>	<b>78.08%</b>	<b>74.67%</b>	
<b>Total assets</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	
<b>Liabilities and equity</b>													
<b>Current liabilities</b>													
Bank overdrafts and short-term borrowings from financial institutions	0.00%	0.00%	0.00%	9.56%	0.80%	25.29%	2.78%	8.27%	1.36%	0.31%	5.44%	11.93%	
Trade accounts and other payable	10.07%	10.46%	11.05%	12.91%	16.85%	12.85%	4.94%	2.98%	4.37%	5.76%	4.42%	8.55%	
Other short-term account payables - net	9.86%	11.15%	8.15%	13.40%	12.45%	17.23%	1.65%	0.65%	0.58%	0.27%	0.36%	0.54%	
Current portion of long-term liabilities	0.13%	5.63%	17.82%	4.56%	-	-	7.51%	6.07%	5.15%	1.71%	3.53%	0.17%	
Long-term borrowings from financial institutions	-	5.39%	6.60%	4.38%	-	-	7.51%	6.07%	5.15%	1.71%	3.53%	0.17%	
Finance lease liabilities	-	-	-	-	-	-	-	-	-	-	-	-	
Debentures and debt certificates	-	-	11.00%	-	-	-	-	-	-	-	-	-	
Payables on purchase of property, plant and equipment	-	-	-	-	-	-	1.23%	0.35%	0.70%	1.13%	2.53%	7.27%	
Accrued expenses	-	-	-	-	-	-	2.36%	2.48%	2.39%	2.07%	2.15%	4.24%	
Other current liabilities	0.86%	0.51%	0.57%	0.59%	0.54%	0.84%	0.08%	0.14%	0.19%	0.09%	0.14%	0.11%	
Corporate income tax payable	0.43%	0.03%	0.00%	0.01%	-	0.05%	0.08%	-	0.003%	-	-	-	
Other current liabilities - others	0.42%	0.48%	0.57%	0.58%	0.54%	0.79%	-	0.14%	0.19%	-	-	-	
<b>Total current liabilities</b>	<b>20.92%</b>	<b>27.76%</b>	<b>37.59%</b>	<b>41.03%</b>	<b>30.64%</b>	<b>56.21%</b>	<b>20.55%</b>	<b>20.94%</b>	<b>14.74%</b>	<b>11.34%</b>	<b>18.56%</b>	<b>32.80%</b>	
<b>Non-current liabilities</b>													
Net of current portion of long-term liabilities	20.60%	21.70%	16.84%	18.07%	25.50%	0.00%	0.00%	8.90%	16.85%	19.76%	35.94%	32.58%	
Long-term borrowings from financial institutions	-	-	5.50%	6.57%	12.75%	-	8.90%	12.09%	16.85%	19.76%	35.94%	32.58%	
Finance lease liabilities	-	0.14%	0.33%	0.55%	-	-	-	-	-	-	-	-	
Debentures and debt certificates	20.60%	21.56%	11.00%	10.95%	12.75%	-	-	-	-	-	-	-	
Long-term loans from related parties	-	-	-	-	-	-	-	-	-	-	15.29%	14.52%	
Net of current portion of deferred income	-	-	-	-	0.0003%	0.004%	-	-	-	-	-	-	

Net of current portion of post employee benefit obligations	0.74%	0.71%	0.59%	0.79%	0.65%	0.56%	0.35%	0.30%	0.26%	0.12%	0.12%	0.11%
Other non-current liabilities	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>21.49%</b>	<b>22.56%</b>	<b>17.49%</b>	<b>19.18%</b>	<b>26.72%</b>	<b>0.80%</b>	<b>9.24%</b>	<b>12.39%</b>	<b>17.11%</b>	<b>19.89%</b>	<b>51.35%</b>	<b>47.21%</b>
<b>Total liabilities</b>	<b>42.41%</b>	<b>50.32%</b>	<b>55.07%</b>	<b>60.20%</b>	<b>57.37%</b>	<b>57.01%</b>	<b>29.79%</b>	<b>33.33%</b>	<b>31.85%</b>	<b>31.23%</b>	<b>69.91%</b>	<b>80.01%</b>
<b>Equity</b>												
Share capital:												
Authorised share capital	3.86%	4.04%	4.13%	4.11%	4.78%	5.17%	15.07%	15.07%	14.69%	14.43%	19.87%	18.62%
Issued and paid-up share capital	3.86%	4.04%	4.13%	4.11%	4.78%	5.17%	15.07%	15.07%	14.69%	14.43%	15.29%	18.62%
Share premium on ordinary shares	6.28%	6.57%	6.70%	6.67%	7.77%	8.39%	40.75%	40.75%	39.72%	39.02%	-	-
Surplus on share-based payment transactions	-	-	-	-	-	-	0.65%	0.65%	0.63%	0.62%	0.86%	0.81%
Retained earnings												
Appropriated to legal reserve	0.39%	0.40%	0.41%	0.41%	0.48%	0.52%	1.51%	1.51%	1.47%	1.44%	0.69%	-
Unappropriated	45.26%	36.78%	33.09%	28.15%	29.96%	28.41%	12.48%	8.83%	11.79%	13.45%	13.26%	0.57%
Other components of equity	1.68%	1.75%	0.39%	0.38%	0.47%	0.51%	-0.26%	-0.14%	-0.14%	-0.20%	-	-
Equity attributable to owners of the parent	57.47%	49.55%	44.72%	39.72%	43.46%	42.99%	70.21%	66.67%	68.15%	68.77%	30.09%	19.99%
Non-controlling interests	0.12%	0.12%	0.20%	0.08%	-	0.00%	-	-	-	-	-	-
<b>Total equity</b>	<b>57.59%</b>	<b>49.68%</b>	<b>44.93%</b>	<b>39.80%</b>	<b>43.46%</b>	<b>42.99%</b>	<b>70.21%</b>	<b>66.67%</b>	<b>68.15%</b>	<b>68.77%</b>	<b>30.09%</b>	<b>19.99%</b>
<b>Total liabilities and equity</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.83%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

## Trend analysis

### Trend - Income statement

Items	Trend Analysis											
	OISHI					ICHITAN						
	2017	2016	2015	2014	2013	2012	2017	2016	2015	2014	2013	2012
<b>Income Statement</b>												
Revenues from sale of goods and rendering of services	116.47%	89.38%	110.70%	106.62%	104.93%	100.00%	145.58%	136.64%	162.27%	158.16%	165.98%	100.00%
Other income	186.00%	161.01%	124.23%	164.74%	90.03%	100.00%	5.47%	4.09%	2.98%	5.17%	8.24%	100.00%
Interest income	-	-	-	-	-	-	-	-	-	-	-	-
Net income from severe flooding	-	-	-	-	-	-	-	-	-	-	-	100.00%
Gain on foreign currency exchange	-	-	-	-	-	-	-	-	-	-	-	-
Other incomes - others	178.20%	155.57%	120.91%	120.43%	90.03%	100.00%	53.38%	38.77%	27.11%	35.64%	80.47%	100.00%
<b>Total Revenues</b>	<b>116.88%</b>	<b>89.80%</b>	<b>110.77%</b>	<b>106.96%</b>	<b>104.84%</b>	<b>100.00%</b>	<b>127.57%</b>	<b>119.61%</b>	<b>141.80%</b>	<b>138.50%</b>	<b>145.71%</b>	<b>100.00%</b>
Cost of sale of goods and rendering of services	104.44%	82.28%	105.18%	102.09%	102.22%	100.00%	151.24%	137.61%	147.05%	141.84%	154.39%	100.00%
Cost of goods sold	102.91%	80.93%	104.23%	102.09%	102.22%	100.00%	151.24%	137.61%	147.05%	141.84%	154.39%	100.00%
Cost of rendering of services	-	-	-	-	-	-	-	-	-	-	-	-
Selling and administrative expenses	126.70%	98.81%	125.33%	125.93%	116.30%	100.00%	132.89%	137.64%	172.55%	153.70%	159.24%	100.00%
Selling expenses (Distribution costs)	119.87%	91.79%	112.35%	123.14%	122.00%	100.00%	133.79%	134.45%	191.70%	145.59%	175.12%	100.00%
Administrative expenses	132.66%	104.93%	136.64%	128.36%	111.34%	100.00%	129.37%	150.23%	97.06%	185.66%	96.64%	100.00%
Other expenses	0.00%	0.00%	0.00%	0.00%	260.24%	100.00%	-	-	-	-	-	-
Loss on foreign currency exchange	0.00%	0.00%	0.00%	0.00%	29.97%	100.00%	-	-	-	-	-	-
Other expenses - other	0.00%	0.00%	0.00%	0.00%	1726.92%	100.00%	-	-	-	-	-	-
<b>Total Expenses</b>	<b>110.01%</b>	<b>86.39%</b>	<b>110.18%</b>	<b>108.09%</b>	<b>106.60%</b>	<b>100.00%</b>	<b>147.78%</b>	<b>137.61%</b>	<b>151.86%</b>	<b>144.08%</b>	<b>155.31%</b>	<b>100.00%</b>
Profit (loss) before finance costs and income tax expenses	229.30%	145.57%	120.54%	88.45%	76.06%	100.00%	52.46%	52.66%	104.38%	117.77%	110.01%	100.00%
Share of loss of investment in joint venture	-	-	-	-	-	-	-2983.80%	-1979.05%	-1007.36%	0.55%	0.00%	100.00%
Financing costs	117.58%	133.30%	231.20%	212.72%	190.78%	100.00%	51.37%	60.24%	69.05%	79.36%	129.02%	100.00%
Tax income (expense)	-185.76%	-153.34%	-10.78%	85.28%	117.24%	100.00%	-19.13%	-29.72%	33.13%	-44.66%	0.00%	100.00%
<b>Net profit (loss)</b>	<b>220.73%</b>	<b>134.63%</b>	<b>107.63%</b>	<b>79.65%</b>	<b>69.68%</b>	<b>100.00%</b>	<b>45.18%</b>	<b>52.83%</b>	<b>116.53%</b>	<b>154.67%</b>	<b>126.70%</b>	<b>100.00%</b>

## Trend - Balance Sheet

Items	Trend Analysis											
	OISHI						ICHITAN					
	2017	2016	2015	2014	2013	2012	2017	2016	2015	2014	2013	2012
<b>Assets</b>												
<b>Current Assets</b>												
Cash and Cash equivalents	1544.59%	633.90%	635.56%	151.62%	130.54%	100.00%	304.22%	93.69%	304.66%	420.37%	231.68%	100.00%
Short-term Investments	0.00%	183.00%	183.00%	0.00%	325.00%	100.00%	-	-	-	-	-	-
Trade accounts receivable and Other receivables												
Inventories	103.11%	158.42%	126.88%	142.74%	119.80%	100.00%	162.29%	113.21%	149.05%	148.87%	74.54%	100.00%
Other current assets	168.27%	140.76%	63.70%	109.11%	106.80%	100.00%	2.10%	139.27%	113.72%	229.69%	209.41%	100.00%
Prepayments (Corporate tax refundable)	-	-	35.74%	50.48%	123.26%	100.00%	-	-	-	50.09%	52.76%	100.00%
Other Current Assets - Others	228.91%	191.48%	73.77%	130.24%	100.86%	100.00%	-	-	-	-	-	100.00%
<b>Total current assets</b>	<b>121.39%</b>	<b>78.95%</b>	<b>75.30%</b>	<b>60.12%</b>	<b>55.80%</b>	<b>100.00%</b>	<b>115.64%</b>	<b>107.36%</b>	<b>140.24%</b>	<b>140.82%</b>	<b>105.40%</b>	<b>100.00%</b>
<b>Non-current assets</b>												
Long-term Investment	-	-	-	36.02%	36.02%	100.00%	-	-	-	-	-	-
Investment in joint venture	-	-	-	-	-	-	-	-	-	-	-	-
Other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents entity	-	-	-	-	-	-	-	-	-	-	-	-
Advance for purchase of machinery and equipment	-	-	-	-	-	-	56.60%	707.47%	24.27%	49.81%	196.21%	100.00%
Property, Plant and Equipment	140.80%	150.89%	147.69%	155.56%	129.59%	100.00%	172.92%	165.06%	171.20%	172.57%	126.52%	100.00%
Leasehold rights	56.17%	64.46%	70.68%	79.42%	-	100.00%	-	-	-	-	-	-
Intangible assets	110.36%	117.99%	84.43%	80.54%	101.98%	100.00%	976.46%	1791.13%	3323.16%	3241.33%	94.26%	100.00%
Deferred tax assets	96.51%	84.66%	197.28%	209.37%	159.19%	100.00%	-	-	-	-	-	-
Other non-current assets	150.54%	158.38%	151.51%	142.66%	208.62%	100.00%	15.49%	310.99%	22.79%	34.04%	24.73%	100.00%
<b>Total non-current assets</b>	<b>138.97%</b>	<b>148.70%</b>	<b>146.54%</b>	<b>153.87%</b>	<b>130.38%</b>	<b>100.00%</b>	<b>175.86%</b>	<b>178.68%</b>	<b>173.14%</b>	<b>176.84%</b>	<b>127.34%</b>	<b>100.00%</b>
<b>Total assets</b>	<b>133.70%</b>	<b>127.80%</b>	<b>125.19%</b>	<b>125.78%</b>	<b>108.03%</b>	<b>100.00%</b>	<b>160.61%</b>	<b>160.62%</b>	<b>164.80%</b>	<b>167.72%</b>	<b>121.78%</b>	<b>100.00%</b>
<b>Liabilities and equity</b>												
<b>Current liabilities</b>												
Bank overdrafts and short-term borrowings from financial institutions	0.00%	0.00%	0.00%	47.55%	3.43%	100.00%	37.46%	111.39%	18.73%	4.41%	55.53%	100.00%
Trade accounts and other payable	104.73%	104.01%	107.61%	126.39%	141.66%	100.00%	92.76%	55.90%	84.29%	113.08%	62.90%	100.00%
Other short-term account payables - net	76.50%	82.73%	59.20%	97.80%	78.03%	100.00%	492.54%	195.74%	177.51%	85.71%	81.55%	100.00%
Current portion of long-term liabilities	-	-	-	-	-	-	7194.79%	5822.45%	5068.68%	1709.34%	2564.50%	100.00%
Long-term borrowings from financial institutions	-	-	-	-	-	-	7194.79%	5822.45%	5068.68%	1709.34%	2564.50%	100.00%
Finance lease liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Debentures and debt certificates	-	-	-	-	-	-	-	-	-	-	-	-
Payables on purchase of property, plant and equipment	-	-	-	-	-	-	27.17%	7.73%	15.83%	25.95%	42.33%	100.00%
Accrued expenses	-	-	-	-	-	-	89.65%	94.07%	93.08%	81.94%	61.90%	100.00%
Other current liabilities	136.45%	78.31%	84.84%	88.41%	69.94%	100.00%	127.11%	207.33%	296.57%	141.99%	156.99%	100.00%
Corporate income tax payable	1136.65%	83.82%	0.14%	14.39%	-	100.00%	-	-	-	-	-	-
Other current liabilities - others	71.80%	77.95%	90.32%	93.19%	74.46%	100.00%	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>49.75%</b>	<b>63.12%</b>	<b>83.71%</b>	<b>91.80%</b>	<b>58.89%</b>	<b>100.00%</b>	<b>100.64%</b>	<b>102.57%</b>	<b>74.07%</b>	<b>58.01%</b>	<b>68.92%</b>	<b>100.00%</b>
<b>Non-current liabilities</b>												
Net of current portion of long-term liabilities	-	-	-	-	-	-	43.86%	59.59%	85.25%	101.74%	134.34%	100.00%
Long-term borrowings from financial institutions	-	-	-	-	-	-	43.86%	59.59%	85.25%	101.74%	134.34%	100.00%
Finance lease liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Debentures and debt certificates	-	-	-	-	-	-	-	-	-	-	-	-
Long-term loans from related parties	-	-	-	-	-	-	-	-	-	-	128.21%	100.00%
Net of current portion of deferred income	-	-	-	-	7.58%	100.00%	-	-	-	-	-	-
Net of current portion of post employee benefit obligations	175.57%	161.83%	130.37%	176.20%	125.06%	100.00%	527.59%	461.67%	400.01%	194.17%	136.07%	100.00%
Other non-current liabilities	84.42%	84.93%	35.61%	174.04%	267.61%	100.00%	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>3602.45%</b>	<b>3615.30%</b>	<b>2745.17%</b>	<b>3024.07%</b>	<b>3619.80%</b>	<b>100.00%</b>	<b>31.44%</b>	<b>42.15%</b>	<b>59.72%</b>	<b>70.65%</b>	<b>132.46%</b>	<b>100.00%</b>
<b>Total liabilities</b>	<b>99.45%</b>	<b>112.81%</b>	<b>120.94%</b>	<b>132.82%</b>	<b>108.71%</b>	<b>100.00%</b>	<b>59.81%</b>	<b>66.92%</b>	<b>65.61%</b>	<b>65.47%</b>	<b>106.41%</b>	<b>100.00%</b>
<b>Equity</b>												
Share capital:												
Authorised share capital	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	130.00%	130.00%	130.00%	130.00%	130.00%	100.00%
Issued and paid-up share capital	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	130.00%	130.00%	130.00%	130.00%	100.00%	100.00%
Share premium on ordinary shares	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	-	-	-	-	-	-
Surplus on share-based payment transactions	-	-	-	-	-	-	129.47%	129.47%	129.47%	129.47%	129.47%	100.00%
Retained earnings												
Appropriated to legal reserve	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	-	-	-	-	-	-
Unappropriated	213.03%	165.48%	145.84%	124.63%	113.93%	100.00%	3521.58%	2491.04%	3411.60%	3961.20%	2835.81%	100.00%
Other components of equity	441.91%	441.42%	95.31%	94.12%	100.01%	100.00%	-	-	-	-	-	-
Equity attributable to owners of the parent	178.73%	147.30%	130.24%	116.20%	109.20%	100.00%	563.94%	535.55%	561.73%	576.87%	183.29%	100.00%
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total equity</b>	<b>179.12%</b>	<b>147.67%</b>	<b>130.82%</b>	<b>116.44%</b>	<b>109.20%</b>	<b>100.00%</b>	<b>563.94%</b>	<b>535.55%</b>	<b>561.73%</b>	<b>576.87%</b>	<b>183.29%</b>	<b>100.00%</b>
<b>Total liabilities and equity</b>	<b>133.70%</b>	<b>127.80%</b>	<b>125.19%</b>	<b>125.78%</b>	<b>108.92%</b>	<b>100.00%</b>	<b>160.61%</b>	<b>160.62%</b>	<b>164.80%</b>	<b>167.72%</b>	<b>121.78%</b>	<b>100.00%</b>



## Growth analysis

### Growth - Income Statement

Items	Growth Analysis									
	OISHI					ICHITAN				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
<b>Income Statement</b>										
Revenues from sale of goods and rendering of services	30.31%	-19.25%	3.82%	1.61%	4.93%	6.54%	-15.79%	2.60%	-4.71%	65.98%
Other income	15.52%	29.61%	-24.59%	82.98%	-9.97%	33.75%	37.09%	-42.29%	-37.25%	-91.76%
Interest income	43.26%	255.19%	-34.50%	-	-	-31.29%	-18.37%	-82.35%	592.49%	-
Net income from severe flooding	-	-	-	-	-	-	-	-	-	-
Gain on foreign currency exchange	-	-	-95.72%	-	-	-	-	-	-	-
Other incomes - others	14.55%	28.67%	0.40%	33.76%	-9.97%	37.70%	42.99%	-23.92%	-55.72%	-19.53%
<b>Total Revenues</b>	<b>30.15%</b>	<b>-18.94%</b>	<b>3.57%</b>	<b>2.01%</b>	<b>4.84%</b>	<b>6.66%</b>	<b>-15.65%</b>	<b>2.38%</b>	<b>-4.94%</b>	<b>45.71%</b>
Cost of sale of goods and rendering of services	26.94%	-21.78%	3.03%	-0.13%	2.22%	9.91%	-6.42%	3.68%	-8.13%	54.39%
Cost of goods sold	27.16%	-22.35%	2.09%	-0.13%	2.22%	9.91%	-6.42%	3.68%	-8.13%	54.39%
Cost of rendering of services	13.98%	40.42%	-	-	-	-	-	-	-	-
Selling and administrative expenses	28.22%	-21.16%	-0.47%	8.27%	16.30%	-3.45%	-20.23%	12.26%	-3.48%	59.24%
Selling expenses (Distribution costs)	30.59%	-18.30%	-8.76%	0.94%	22.00%	-0.49%	-29.87%	31.67%	-16.86%	75.12%
Administrative expenses	26.42%	-23.21%	6.45%	15.28%	11.34%	-13.89%	54.79%	-47.72%	92.11%	-3.36%
Other expenses	-	-	-	-100.00%	160.24%	-	-	-	-	-
Loss on foreign currency exchange	-	-	-	-100.00%	-70.03%	-	-	-	-	-
Other expenses - other	-	-	-	-100.00%	1626.92%	-	-	-	-	-
<b>Total Expenses</b>	<b>27.34%</b>	<b>-21.59%</b>	<b>1.93%</b>	<b>1.39%</b>	<b>6.60%</b>	<b>7.39%</b>	<b>-9.38%</b>	<b>5.41%</b>	<b>-7.23%</b>	<b>55.31%</b>
Profit (loss) before finance costs and income tax expenses	57.53%	20.76%	36.28%	16.28%	-23.94%	-0.38%	-49.55%	-11.37%	7.06%	10.01%
Share of loss of investment in joint venture	-	-	-	-	-	50.77%	96.46%	-182939%	-	-100.00%
Financing costs	-11.79%	-42.34%	8.69%	11.50%	90.78%	-14.72%	-12.77%	-12.99%	-38.49%	29.02%
Tax income (expense)	21.14%	1322.33%	-112.64%	-27.26%	17.24%	-35.63%	-189.71%	-174.18%	-	-100.00%
<b>Net profit (loss)</b>	<b>63.95%</b>	<b>25.08%</b>	<b>35.14%</b>	<b>14.31%</b>	<b>-30.32%</b>	<b>-14.49%</b>	<b>-54.66%</b>	<b>-24.66%</b>	<b>22.08%</b>	<b>26.70%</b>

### Growth - Balance Sheet

Items	Growth Analysis									
	OISHI					ICHITAN				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
<b>Assets</b>										
<b>Current Assets</b>										
Cash and Cash equivalents	143.67%	-0.26%	319.17%	16.15%	30.54%	224.70%	-69.25%	-27.53%	81.44%	131.68%
Short-term Investments	-100.00%	0.00%	-	-100.00%	225.00%	-	-	-	-	-
Trade accounts receivable and Other receivables	-	-	-	-	-	-	-	-	-	-
Inventories	-34.91%	24.86%	-11.11%	19.14%	19.80%	43.35%	-24.05%	0.12%	99.71%	-25.46%
Other current assets	19.55%	120.98%	-41.62%	2.17%	6.80%	-98.49%	22.47%	-50.49%	9.69%	109.41%
Prepayments (Corporate tax refundable)	-	-	-29.21%	-59.05%	23.26%	-	-	-	-5.05%	-47.24%
Other Current Assets - Others	19.55%	159.55%	-43.35%	29.12%	0.86%	-	-	-	-	-
<b>Total current assets</b>	<b>53.76%</b>	<b>4.84%</b>	<b>25.24%</b>	<b>7.76%</b>	<b>-44.20%</b>	<b>7.72%</b>	<b>-23.45%</b>	<b>-0.41%</b>	<b>33.61%</b>	<b>5.40%</b>
<b>Non-current assets</b>										
Long-term Investment	-	-	-	0.00%	-63.98%	-	-	-	-	-
Investment in joint venture	-	-	-	-	-	-35.39%	27.09%	-	-	-
Other non-current receivables	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents entity	-	-	-	-	-	-	-	-	-	-
Advance for purchase of machinery and equipment	-	-	-	-	-	-92.00%	2815.22%	-51.28%	-74.61%	96.21%
Property, Plant and Equipment	-6.69%	2.17%	-5.06%	20.04%	29.59%	4.76%	-3.58%	-0.80%	36.40%	26.52%
Leasehold rights	-12.86%	-8.80%	-11.00%	-	-	-	-	-	-	-
Intangible assets	-6.47%	39.74%	4.83%	-21.02%	1.98%	-45.48%	-46.10%	2.52%	3338.85%	-5.74%
Deferred tax assets	14.00%	-57.09%	-5.77%	31.52%	59.19%	52.28%	176.27%	-62.19%	-	-
Other non-current assets	-4.95%	4.53%	6.21%	-31.62%	108.62%	-95.02%	1264.36%	-33.03%	37.66%	-75.27%
<b>Total non-current assets</b>	<b>-6.54%</b>	<b>1.47%</b>	<b>-4.77%</b>	<b>18.02%</b>	<b>30.38%</b>	<b>-1.58%</b>	<b>3.21%</b>	<b>-2.10%</b>	<b>38.88%</b>	<b>27.34%</b>
<b>Total assets</b>	<b>4.62%</b>	<b>2.08%</b>	<b>-0.47%</b>	<b>16.43%</b>	<b>8.03%</b>	<b>-0.01%</b>	<b>-2.54%</b>	<b>-1.74%</b>	<b>37.72%</b>	<b>21.78%</b>

<b>Liabilities and equity</b>										
<b>Current liabilities</b>										
Bank overdrafts and short-term borrowings from financial institutions	-	-	-100.00%	1285.71%	-96.57%	-66.37%	494.76%	325.17%	-92.07%	-44.47%
Trade accounts and other payable	0.69%	-3.34%	-14.86%	-10.78%	41.66%	65.95%	-33.68%	-25.46%	79.79%	-37.10%
Other short-term account payables - net	-7.52%	39.74%	-39.47%	25.35%	-21.97%	151.63%	10.27%	107.09%	5.11%	-18.45%
Current portion of long-term liabilities	-97.52%	-67.73%	288.67%	-	-	23.57%	14.87%	196.53%	-33.35%	2464.50%
Long-term borrowings from financial institutions	-	-16.67%	50.00%	-	-	23.57%	14.87%	196.53%	-33.35%	2464.50%
Finance lease liabilities	-42.86%	14.55%	18.27%	-	-	-	-	-	-	-
Debentures and debt certificates	-	-	-	-	-	-	-	-	-	-
Payables on purchase of property, plant and equipment	-	-	-	-	-	251.61%	-51.19%	-38.99%	-38.69%	-57.67%
Accrued expenses	-	-	-	-	-	-	-4.70%	1.06%	13.60%	32.38%
Other current liabilities	74.25%	-7.70%	-4.03%	26.41%	-30.06%	-38.69%	-30.09%	108.87%	-9.56%	56.99%
Corporate income tax payable	1256.07%	59736%	-99.03%	-	-	-	-	-	-	-
Other current liabilities - others	-7.88%	-13.69%	-3.09%	25.16%	-25.54%	-	-	-28.92%	-	-
<b>Total current liabilities</b>	<b>-21.18%</b>	<b>-24.60%</b>	<b>-8.81%</b>	<b>55.88%</b>	<b>-41.11%</b>	<b>-1.88%</b>	<b>38.47%</b>	<b>27.69%</b>	<b>-15.82%</b>	<b>-31.08%</b>
<b>Non-current liabilities</b>										
Net of current portion of long-term liabilities	-0.64%	31.54%	-7.25%	-17.51%	-	-26.40%	-30.10%	-16.21%	-24.27%	34.34%
Long-term borrowings from financial institutions	-	-	-16.67%	-40.00%	-	-26.40%	-30.10%	-16.21%	-24.27%	34.34%
Finance lease liabilities	-	-57.14%	-39.28%	-	-	-	-	-	-	-
Debentures and debt certificates	0.00%	100.00%	0.00%	0.00%	-	-	-	-	-	-
Long-term loans from related parties	-	-	-	-	-	-	-	-	-	28.21%
Net of current portion of deferred income	-	-	-	-	-92.42%	-	-	-	-	-
Net of current portion of post employee benefit obligations	8.49%	24.14%	-26.01%	40.89%	25.06%	14.28%	15.41%	106.01%	42.69%	36.07%
Other non-current liabilities	-0.60%	138.50%	-79.54%	-34.96%	167.61%	-	-	-	-	-
Other non-current liabilities	-0.36%	31.70%	-9.22%	-16.46%	3519.80%	-25.40%	-29.42%	-15.47%	-46.66%	32.46%
<b>Total non-current liabilities</b>	<b>-11.84%</b>	<b>-6.72%</b>	<b>-8.94%</b>	<b>22.18%</b>	<b>8.71%</b>	<b>-10.62%</b>	<b>2.00%</b>	<b>0.21%</b>	<b>-38.48%</b>	<b>6.41%</b>
<b>Total liabilities</b>	<b>-11.84%</b>	<b>-6.72%</b>	<b>-8.94%</b>	<b>22.18%</b>	<b>8.71%</b>	<b>-10.62%</b>	<b>2.00%</b>	<b>0.21%</b>	<b>-38.48%</b>	<b>6.41%</b>
<b>Equity</b>										
<b>Share capital:</b>										
Authorised share capital	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	30.00%
Issued and paid-up share capital	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	30.00%	0.00%
Share premium on ordinary shares	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-
Surplus on share-based payment transactions	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	29.47%
<b>Retained earnings</b>										
Appropriated to legal reserve	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	188.89%	-
Unappropriated	28.74%	13.46%	17.02%	9.39%	13.93%	41.37%	-26.98%	-13.87%	39.68%	2735.81%
Other components of equity	0.11%	363.12%	1.27%	-5.89%	0.01%	84.91%	-2.65%	-31.10%	-	-
Equity attributable to owners of the parent	21.34%	13.10%	12.08%	6.41%	9.20%	5.30%	-4.66%	-2.62%	214.73%	83.29%
Non-controlling interests	5.59%	-37.33%	151.49%	-	-	-	-	-	-	-
<b>Total equity</b>	<b>21.30%</b>	<b>12.87%</b>	<b>12.36%</b>	<b>6.62%</b>	<b>9.20%</b>	<b>5.30%</b>	<b>-4.66%</b>	<b>-2.62%</b>	<b>214.73%</b>	<b>83.29%</b>
<b>Total liabilities and equity</b>	<b>4.62%</b>	<b>2.08%</b>	<b>-0.47%</b>	<b>15.48%</b>	<b>8.92%</b>	<b>-0.01%</b>	<b>-2.54%</b>	<b>-1.74%</b>	<b>37.72%</b>	<b>21.78%</b>

## Historical financial ratio of Oishi Group and Ichitan Group

Valuation Ratios	OISHI						ICHITAN					
	2017	2016	2015	2014	2013	2012	2017	2016	2015	2014	2013	2012
Gross Profit Margin	38.1%	36.5%	34.4%	33.9%	32.8%	31.0%	23.8%	26.1%	33.5%	34.2%	31.8%	26.6%
Profit Margin	10.7%	8.5%	5.5%	4.2%	3.7%	5.6%	5.5%	6.9%	12.8%	17.5%	13.6%	17.9%
EBIT Margin (%)	11.4%	9.4%	6.3%	4.8%	4.2%	5.8%	8.8%	9.4%	15.6%	18.1%	16.1%	24.3%
EBITDA Margin (%)	18.7%	16.6%	13.9%	11.3%	9.9%	10.1%	17.9%	18.9%	23.3%	24.0%	20.1%	24.7%
Earnings per Share (EPS)	7.74	4.73	3.80	2.80	2.43	3.49	0.24	0.28	0.63	0.83	0.68	69.74
Dividend per share	3.4	2.5	2.0	1.6	1.3	2.2	195.0	325.0	650.0	1.0	0.0	0.0
Dividend payout ratio	43.9%	52.8%	52.7%	57.1%	53.5%	63.1%	62.0%	88.0%	80.0%	120.5%	0.0%	0.0%
Share price (year end)	THB 132.00	THB 130.00	THB 62.50	THB 70.00	THB 86.50	THB 157.00	THB 9.10	THB 10.20	THB 12.30	THB 20.00		
Current price (as of 4 December 2018)	THB 84.75						THB 3.80					
<b>Profitability Ratios</b>												
Total Asset Turnover	1.43	1.13	1.41	1.46	1.62		0.66	0.61	0.71	0.79	1.09	
Return on Assets (ROA)	15.8%	10.2%	8.9%	6.7%	6.3%		5.44%	5.20%	10.57%	13.56%	17.55%	
Return on Equity (ROE)	28.30%	20.25%	18.24%	14.79%	13.95%		5.34%	6.25%	13.29%	26.43%	58.09%	
Return on Sales (ROS)	11.40%	9.43%	6.31%	4.80%	4.20%	5.79%	8.76%	9.37%	15.64%	18.11%	16.12%	24.32%
<b>Liquidity Ratios</b>												
Current Ratio	1.30	0.67	0.48	0.35	0.51	0.53	0.89	0.81	1.46	1.87	1.18	0.77
Quick Ratio	1.10	0.45	0.36	0.22	0.33	0.44	0.47	0.52	0.94	1.11	0.82	0.36
<b>Operating Efficiency Ratios</b>												
Accounts Receivable Turnover Ratio (ARTO)	23.9	21.7	24.6	23.5	19.5		7.0	5.3	6.0	6.5	8.6	
Inventory Turnover (ITO)	20.7	15.0	20.2	20.2	24.1		6.9	6.6	6.2	8.0	11.2	
Accounts Payable Turnover Ratio (APTO)	8.4	6.79	7.69	6.61	7.34		13.35	11.75	9.30	10.90	11.52	
Receivables Collection Period (RCP)	15.3	16.8	14.8	15.5	18.7		52.3	69.1	60.5	56.0	42.3	
Inventory Conversion Period (ICP)	17.6	24.4	18.04	18.09	15.13		52.7	55.1	58.6	45.5	32.7	
Payables Deferral Period (PDP)	43.3	53.7	47.4	55.2	49.7		27.3	31.1	39.2	33.5	31.7	
Cash Conversion Cycle (CCC)	-10.4	-12.5	-14.6	-21.6	-15.9		77.7	93.1	79.8	68.0	43.3	

## Forecasted financial ratio of Oishi Group

Key financial ratio	2013A	2014A	2015A	2016A	2017A	2018F	2019F	2020F	2021F	2022F
<b>Profitability</b>										
Gross profit margin (%)	32.8%	33.9%	34.4%	36.5%	38.1%	36.3%	36.3%	36.3%	36.3%	36.3%
EBIT margin (%)	4.2%	4.8%	6.3%	9.4%	11.4%	9.1%	9.1%	9.0%	9.0%	9.0%
EBITDA margin (%)	9.9%	11.3%	13.9%	16.6%	18.7%	15.9%	16.3%	16.6%	17.0%	17.2%
Net profit margin (%)	3.7%	4.2%	5.5%	8.5%	10.7%	6.7%	6.7%	6.4%	6.5%	5.4%
Return on assets (ROA) (%)	6.0%	6.1%	7.7%	9.6%	15.2%	9.7%	9.9%	9.3%	9.2%	7.7%
Return on equity (ROE) (%)	14.0%	14.8%	18.2%	20.3%	28.3%	15.9%	15.0%	13.7%	13.2%	10.8%
<b>Short-term liquidity risk</b>										
Current ratio (x)	0.51	0.35	0.48	0.67	1.30	0.77	0.82	0.84	0.86	0.87
Quick ratio (x)	0.33	0.22	0.36	0.45	1.10	0.58	0.62	0.64	0.66	0.66
Receivables Collection Period (RCP) (days)	18.72	15.51	14.82	16.83	15.27	17.42	15.98	15.91	15.94	15.78
Inventory Conversion Period (ICP) (days)	15.13	18.09	18.04	24.40	17.62	15.90	18.37	18.29	18.32	18.14
Payables Deferral Period (PDP) (days)	49.75	55.19	47.44	53.74	43.26	47.10	52.00	49.44	49.58	49.19
Cash Conversion Cycle (CCC) (days)	-15.90	-21.58	-14.59	-12.52	-10.37	-13.78	-17.64	-15.24	-15.32	-15.27
<b>Long-term solvency risk</b>										
Debt ratio (%)	57%	57%	60%	55%	50%	42%	36%	33%	31%	29%
D/E ratio (x)	1.33	1.32	1.51	1.23	1.01	0.74	0.55	0.49	0.45	0.42
Time interest earned (TIE) (x)	14.76	5.88	6.14	7.69	16.12	28.78	46.73	49.25	59.90	73.40

## Profitability margins constant due to saturation of domestic RTD green tea

In the past five years, Oishi's profit margin has significantly improved due to higher gross profit margin from 32.8% in 2012 to 38.1% in 2017. On the other hand, the forecasted gross profit margin will be constant in the next five years (2018-2022) because of declining in RTD green tea industry.

## Forecasted Income Statement of Oishi Group

Income Statement Forecasts (in million baht)				Forecast				
Year	Assumption	Method	2018F	2019F	2020F	2021F	2022F	
Sale of goods and rendering of services		Separate Calculation	13919	14352	14934	15483	16389	
Other income	0.87%	% to sales	127.38	128.49	129.61	130.74	131.88	
<b>Total Revenues</b>			<b>14,046.42</b>	<b>14,480.17</b>	<b>15,063.78</b>	<b>15,613.60</b>	<b>16,520.77</b>	
Cost of sale of goods and rendering of services	63.7%	% to sales	8,862.69	9,138.17	9,509.06	9,858.43	10,435.33	
Selling expenses	12.1%	% to sales	1,685.73	1,738.13	1,808.67	1,875.12	1,984.85	
Administrative expenses	15.9%	% to revenues	2,234.90	2,303.92	2,396.77	2,484.25	2,628.59	
Other expenses	0.0%	% to sales	0	0	0	0	0	
<b>Total Expenses</b>			<b>12,783.33</b>	<b>13,180.22</b>	<b>13,714.51</b>	<b>14,217.81</b>	<b>15,048.78</b>	
<b>EBIT</b>			<b>1,263.09</b>	<b>1,299.95</b>	<b>1,349.27</b>	<b>1,395.79</b>	<b>1,471.99</b>	
Finance Costs	3.12%	Cost of debt	27.03	26.40	22.53	19.02	17.62	
<b>EBT</b>			<b>1,236.06</b>	<b>1,273.56</b>	<b>1,326.75</b>	<b>1,376.77</b>	<b>1,454.37</b>	
<b>Sugar Tax</b>		Separate Calculation	<b>53.11</b>	<b>51.52</b>	<b>98.63</b>	<b>95.68</b>	<b>278.42</b>	
Income Tax Expenses	20%	% of EBT	247.21	254.71	265.35	275.35	290.87	
<b>Net Profit (Loss)</b>			<b>935.73</b>	<b>967.33</b>	<b>962.76</b>	<b>1,005.74</b>	<b>885.08</b>	
Dividend	40%	40% of NI - Dividend policy	374.29	386.93	385.10	402.30	354.03	
Addition to Retained Earnings	60%		561.44	580.40	577.66	603.45	531.05	

## Forecasted Balance Sheet of Oishi Group

Balance Sheet Forecasts (in million baht)			Forecast				
Year	Assumption	Method	2018F	2019F	2020F	2021F	2022F
<b>Assets</b>							
<b>Current Assets</b>							
Cash and Cash equivalents	9.28%	% of Total Assets	886.34	935.14	987.86	1043.09	1104.30
Short-term Investments	0.03%	% of Total Assets	3.01	3.18	3.36	3.55	3.76
Trade accounts receivable	16.23	RCP	618.87	638.11	664.00	688.40	728.68
Other receivable	1.05%	% of Total Assets	100.26	105.78	111.74	117.99	124.92
Inventories	18.65	ICP	452.97	467.05	486.00	503.86	533.34
Other current assets	0.67%	% of Total Assets	63.78	67.29	71.09	75.06	79.46
<b>Total current assets</b>			<b>2,125.23</b>	<b>2,216.55</b>	<b>2,324.05</b>	<b>2,431.95</b>	<b>2,574.46</b>
<b>Non-current assets</b>							
Other long-term investments		Same as previous year	0	0	0	0	0
Property, plant and equipment	5.87%	CAGR	7068.02	7482.92	7922.16	8387.19	8879.52
Intangible assets	0.37%	% of Total Assets	35.59	37.55	39.66	41.88	44.34
Leasehold rights	0.50%	% of Total Assets	47.84	50.47	53.32	56.30	59.60
Other non-current assets	2.84%	% of Total Assets	271.29	286.22	302.36	319.26	338.00
<b>Total non-current assets</b>			<b>7,422.73</b>	<b>7,857.16</b>	<b>8,317.50</b>	<b>8,804.64</b>	<b>9,321.46</b>
<b>Total assets</b>			<b>9,547.96</b>	<b>10,073.71</b>	<b>10,641.55</b>	<b>11,236.59</b>	<b>11,895.92</b>
<b>Liabilities and equity</b>							
<b>Current liabilities</b>							
Short term loans from financial institutions	22%	of IBD	191.54	187.05	159.61	134.74	124.89
Current portion of long term loan from financial institutions and debentures	14%	of IBD	121.37	118.52	101.14	85.38	79.13
Trade accounts payable	49.88	PDP	1344.76	1262.77	1318.32	1364.96	1455.42
Other payables	6.4%	% of Total Revenue	903.811	931.721	969.272	1004.650	1063.022
Accounts payable-assets acquisition	1.46%	% of Total Assets	139.03	146.69	154.96	163.62	173.22
Current portion of financial lease liabilities	0.46%	of IBD	3.95	3.86	3.29	2.78	2.58
Other current liabilities	0.65%	% of Total assets	61.75	65.15	68.82	72.67	76.93
<b>Total current liabilities</b>			<b>2,766.22</b>	<b>2,715.75</b>	<b>2,775.41</b>	<b>2,828.80</b>	<b>2,975.20</b>
<b>Non-current liabilities</b>							
Deferred income							
Accrued employee benefit	0.68%	% of Total assets	64.91	68.48	72.34	76.39	80.87
Long term loan and debentures	62.87%	of IBD	544.28	531.51	453.54	382.87	354.87
Financial lease liabilities	0.53%	of IBD	4.57	4.46	3.81	3.21	2.98
Other non-current liabilities	0.12%	% of Total assets	11.60	12.24	12.93	13.65	14.45
<b>Total non-current liabilities</b>			<b>625.36</b>	<b>616.69</b>	<b>542.62</b>	<b>476.12</b>	<b>453.18</b>
<b>Total liabilities</b>			<b>3,391.58</b>	<b>3,332.44</b>	<b>3,318.04</b>	<b>3,304.92</b>	<b>3,428.37</b>
<b>Equity</b>							
Issued and paid-up share capital		Same as previous year	375.00	375.00	375.00	375.00	375.00
Share premium on ordinary shares		Same as previous year	609.40	609.40	609.40	609.40	609.40
Retained earnings							
Appropriated to legal reserve		Same as previous year	37.50	37.50	37.50	37.50	37.50
Unappropriated			4,955.15	5,535.55	6,113.20	6,716.65	7,247.70
Other components of equity	2.50%	Expected Inflation rate	166.93	171.10	175.38	179.77	184.26
Non-controlling interests	2.50%	Expected Inflation rate	12.40	12.71	13.03	13.36	13.69
<b>Total equity</b>			<b>6,156.39</b>	<b>6,741.27</b>	<b>7,323.52</b>	<b>7,931.67</b>	<b>8,467.55</b>
<b>Total liabilities and equity</b>			<b>9,547.96</b>	<b>10,073.71</b>	<b>10,641.55</b>	<b>11,236.59</b>	<b>11,895.92</b>

## Appendix N: Historical Share Price of Oishi Group Public Company Limited



Source: Bloomberg as of 18 December 2018