



บริษัท โออิชิ กรุ๊ป จำกัด (มหาชน)  
OISHI GROUP PUBLIC COMPANY LIMITED

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## General Information

The company Title:	<input checked="" type="radio"/> Oishi Group Public Company Limited
Trade name:	<input checked="" type="radio"/> OISHI
Business Type:	<input checked="" type="radio"/> Japanese Restaurants, Bakery Shop and Green Tea RTD under the umbrella brand namely Oishi
Head Quarter Location:	<input checked="" type="radio"/> 20 <sup>th</sup> Fl, 9, UM Tower Ramkamhang road, Suan Luang, Bangkok 10250
Company registration number:	<input checked="" type="radio"/> 0107574700158
Homepage:	<input checked="" type="radio"/> www.oishigroup.com
Telephone number:	<input checked="" type="radio"/> 0-2717-2244
Fax:	<input checked="" type="radio"/> 0-2717-3920
Registered capital:	<input checked="" type="radio"/> 375,000,000 Baht
Paid up capital:	<input checked="" type="radio"/> 375,000,000 Baht
Type of Stock:	<input checked="" type="radio"/> Common Stock
Paid up common stock:	<input checked="" type="radio"/> 187,500,000 shares
Par value:	<input checked="" type="radio"/> 2 baht each

### Oishi is holding at least 10% share of the following companies

As of December 31, 2004

Company Title	Type of business	Investment (million baht)	Percent Share %	Value (million baht)	Registered equity (million baht)	Paid up capital (million baht)
Oishi Trading Co., Ltd.	Manufacturing and distributing products	99.99	99.99	477.72	100	100
Oishi Ramen Co., Ltd.	Japanese noodle restaurants	157.99	99.99	214.52	158	158

## Reference

### Security Deposit Agency

Thailand Securities Depository Company Limited  
 No. 62 Stock Exchange of Thailand Building  
 4th ,6th ,7th floor , Rachadabhisek road, Klongtoey,  
 Klongtoey district, Bangkok 10110  
 Tel. 02-3591201-49

### Auditor:

KPMG Phoomchai Audit Limited  
 195 Empire Tower, 22nd floor, South Sathorn road  
 Yannawan, Sathorn district, Bangkok 10120

### Legal Consultant:

None

## M essage from the Chairman

Since the business has been started for over 5 years ago, Y2004 became one of the most prosperous year for Oishi Group Public Company Limited. Bird Flu. situation at the beginning of the year did not yield any negative impact on the company performance. In contrast, it triggered a better production control, via higher standard of the quality control. So that the world class credit rating company “Moody’s Investors Service” certifies with GMP or Good Manufacturing Practice for factory management system and quality & cleanliness of Oishi Group’s production system. Furthermore, outlet expansion of the food brands under Oishi umbrella has been restlessly increased. Total number of branches at year end of 2004 is 87 branches.

For green tea business, production capacity has been improved to better serve an increasing market demand. Currently, there are 3 and 4 production lines for PET and UHT production respectively. There will be an expansion to 4 and 5 production lines for PET and UHT respectively in the second quarter of 2005. Also, new variant development has been incessant implemented. The new variants, so far, are very well receptive among consumers, resulted in a surge in total Oishi Green Tea sales. Oishi Green Tea becomes the brand with the highest market share in Thailand’s green tea business. The most memorable event was in August 2004 when Oishi stock started its trading in Stock Exchange of Thailand, which gained a very warm welcome from domestic and foreign investors.

In Y2005, the plan for the growth has not yet been ceased. CP 7-Eleven becomes a new partner to develop chilled food business, which is one of the plans to expand food based business of Oishi Group. Chilled food products is planned to launch in the first quarter of 2005. Besides, Oishi plans to enlarge its base through the distribution to upcountry and foreign markets.

With the company’s mission that Oishi Group is strongly aimed to become the leader in food and beverages in Japanese style to for better quality of life for the new generation, I do really hope that Y2005 will be another year of prosperity and at the same time, it will be the year that consumers obtain the highest satisfaction from our products.

Finally, on behalf of the management board, I would like to show an appreciation to all stakeholders including shareholders, customers, trade partners and government organizations, who have provided a strong support to the company, along with the dedicated company’s employees who work with honesty and full effort yielding such an astounding growth for Oishi Group.

**Tan Passakornnatee**

Chairman

## Executive Summary

On September 9, 1999, Mr. Tan Pasakornnatee started the first ever Japanese buffet restaurant in Thailand at Sukhumvit 55, called Oishi. After that Oishi Group Plc. Ltd has started its business in Y2000. With its original title, namely Oishi Restaurant Co.Ltd, the company has 10 million baht for its registered equity. The company has operated Japanese restaurants. In Y2002, the company has expanded its operation to other Japanese restaurant styles and healthy bakery business, resulted in an increase in its registered equity to 300 million baht with 2 sub companies, which are Oishi Ramen Co. Ltd., operating Japanese noodle restaurants and Oishi Trading Co. Ltd, being the manufacturer and distributor of Oishi Green Tea. Oishi Trading also operates the central kitchen of Oishi Group.

At present, Oishi Group has 2 main businesses, which are **1) Japanese restaurants and Bakery** **2) Green Tea business.** The former one includes Japanese buffet restaurants called Oishi Buffet, Oishi Express, Shabushi, Oishi Grand, A La Cart restaurant called Oishi Ramen, Oishi Sushi Bar, Log Home Dining Complex, OK Suki, Healthy bakery called IN&OUT the bakery café and Cha For Tea. This business also includes catering service and franchise business for Japanese food restaurant. Green Tea business operates under the brand Oishi Green Tea. On December 31, 2004, the company has 87 restaurant outlets in Bangkok and 83 outlets in major provinces including Chiangmai, Pattaya, Cholburi, while another 4 franchises are in Phuket.

In Y2002, the company started running green tea business by outsource to a foreign company for the 350 cc. green tea production. After that, in the last quarter of 2003, the company saw market potential of this business, it therefore started running its own operation with 901 million baht investment, while 801 million was already invested on December 31, 2004.

Even though Y2004 was not grew as much as the government targeted due to oil price fluctuation, bird flu situation, and the violence in the southern part of Thailand, the company had adapted continuously according to the situation until the target could be achieved. Y2004, hence, became a successful year with high growth both in terms of revenue and profit, so did the leading position in the market.

The company's performance has grown continually in Y2004 (Fiscal year is from January 1st to December 31st ),especially green tea business, which have had a full capacity since the end of 2004. This business generated revenue to the company by 3,272 million baht, increased from Y2003 1,972 million baht, which accounts for 152 % growth. The company's marginal revenue from green tea business accounts for 1,106 percent and 15 percent from food business.

Net profit in Y2004 was 487 million baht, increased 467 million baht or 2,371 % growth when compared to Y2003, which the net profit was 20 million baht.

Currently, the company has 375 million baht for its registered equity, 187.5 million shares being common stock with par value at 2 baht each and 375 million baht being paid up capital

## Board of Directors and Management Team

**Tan Passakornnatee**

**Chairman and Managing Director**

### Education

Honorable Ph.D. from Ramkhamhang University

### Working Experience

1999-Present:	Chairman and Managing Director	Oishi Group Public Co., Ltd
2000-Present:	Chairman	Oishi Ramen Co., Ltd
2001-Present:	Chairman	Oishi Trading Co., Ltd

**Sunisa Sukphataporn**

**Deputy Managing Director**

### Education

Bachelor's Degree in Business Administration (Finance), Bangkok University

### Working Experience

1999-Present:	Deputy Managing Director	Oishi Group Public Co., Ltd
2000-Present:	Director	Oishi Ramen Co., Ltd
2001-Present:	Director	Oishi Trading Co., Ltd

**Yeuh-Chin Chiu**

**Director and Executive Director**

### Education

Bachelor's Degree in Mass Communication (Printed media), Sue Ching University

### Working Experience

1999-Present:	Director and Executive Director	Oishi Group Public Co., Ltd
2000-Present:	Director	Oishi Ramen Co., Ltd
2001-Present:	Director	Oishi Trading Co., Ltd
1993-1994:	Franchise Manager	Sew Hwei Su Sue Lien Swor Ltd

## Thitima Sriutaisiriwong

**Director**

### Education

Experienced in food business for over 10 years

### Working Experience

1999-Present:	Director	Oishi Group Public Co., Ltd
2000-Present:	Director	Oishi Ramen Co., Ltd
2001-Present:	Director	Oishi Trading Co., Ltd

## Darunee Kritboonyarai

**Director**

### Education

Bachelor's Degree in Accounting and Commerce, Chulalongkorn University

### Working Experience

2001-Present:	Director	Oishi Group Public Co., Ltd
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## Sunate Emwattana

**Director**

### Education

Bachelor's Degree in Financial accounting, University of the Thai Chamber of Commerce.

### Working Experience

1999-Present:	Director	Oishi Group Public Co., Ltd
2000-Present:	Director	Oishi Ramen Co., Ltd
2001-Present:	Director	Oishi Trading Co., Ltd

## Damrong Preuksaritanon

**Director**

### Education

Experienced in food business for over 10 years

### Working Experience

1999-Present:	Director	Oishi Group Public Co., Ltd
2001-Present:	Director	Oishi Trading Co., Ltd

## Nopporn Picha

### Chairman of the Audit Committee

#### Education

Bachelor's Degree in Agricultural Science, Kasetsart University

Master's Degree in Economic Development, National Institute of Development Administration

#### Working Experience

2004-Present: Chairman of the Audit Committee Oishi Group Public Co., Ltd

1999-Present: Senior Executive Vice President Bangkok Commerce Asset Management Co., Ltd

## Kriang Yanyongdilok

### Audit Committee

#### Education

Bachelor's Degree in Account, Thammasat University

CPA No. 4250

#### Working Experience

2004-Present: Audit Committee Oishi Group Public Co. Ltd

## Praisun Wongsmith

### Audit Committee

#### Education

Bachelor's Degree in Economics, Oklahoma State University

Master's Degree in Economics, Oklahoma State University

#### Working Experience

2004-Present: Audit Committee Oishi Group Public Co. Ltd

1994-Present: Managing Director SCMB Co., Ltd.

## Chew Hai Chiene Hester Arthur

### Chairman of Executive Committee

#### Education

Master's Degree in Executive Program, Michigan Business School, USA University of Michigan Ann Arbor, USA

#### Working Experience

2004-Present: Chairman of Executive Committee Oishi Group Public Co., Ltd

2002-Present: Independent Director Major Cineplex Group Plc Ltd.

1988-2001: Managing Director Tricon Co., Ltd (Thailand, Singapore, Indochina)

## Preecha Augcharananda

**Director of Finance**

### Education

Bachelor's Degree in Accounting, Thammasat University

Master's Degree in Accounting, Thammasat University

CPA No. 3765

### Working Experience

2003-Present:	Director of Finance	Oishi Group Public Co., Ltd
2002:	Manager, Accounting Manager	AMD Thailand Ltd
2001:	Director of Finance	The Pizza Plc. Ltd.

## Achira Pattanasinth

**Director of Project Development**

### Education

Bachelor's Degree in Mass Communicaton, Bangkok University

Master's Degree in Technology Management, Mercer University

### Working Experience

2002-Present:	Director of Project Development	Oishi Group Public Co., Ltd
2001-2002:	General Manager	Oishi Ramen Co., Ltd
1996-2001:	Marketing Manager	Central Pattana Plc. Ltd.

## Paisarn Aowsathaporn

**Director of Operation**

### Education

Bachelor's Degree in Business Administration, Indiana Institute of Technology, Fort Wayne, Indiana, USA

Master's Degree International Business Administration, Johnson & Wales University

### Working Experience

2004-Present:	Director of Operation	Oishi Group Public Co., Ltd
2002-2004:	Operation Director and Training Director	Global Kitchen Co., Ltd
1999-2002:	Area Manager	Yum brands

## Summary of Financial Information

### Summary of financial status and company's performance at year end , December 31

Unit : (,000 Bht.)

Items	Consolidated		
	2002	2003	2004
Total Asset	656,811	1,187,874	2,377,576
Total Debt	366,903	854,247	872,319
Equity	289,908	333,628	1,505,256
Sale Revenue	707,261	1,299,845	3,271,935
Gross Revenue	713,812	1,318,620	3,282,990
Net Profit	19,252	19,720	487,227

### Summary of Financial Ratios

Items	Consolidated		
	2002	2003	2004
Net Profit/Gross Revenue	2.70%	1.50%	14.84%
Return/ Equity	N/A	1.58%	8.56%
Rate of Return	N/A	0.53%	5.63%
Net Profit/Share (baht)*	0.61	0.14	2.98
Dividend / Share (baht)	-	-	1.00

Note: \*Net profit per Share is calculated from the par value of 2 baht. At year end of 2002 and 2003, the company had par value at 100 baht and at December 31, 2004 , the par value was 2 baht

## 1. Business Operation

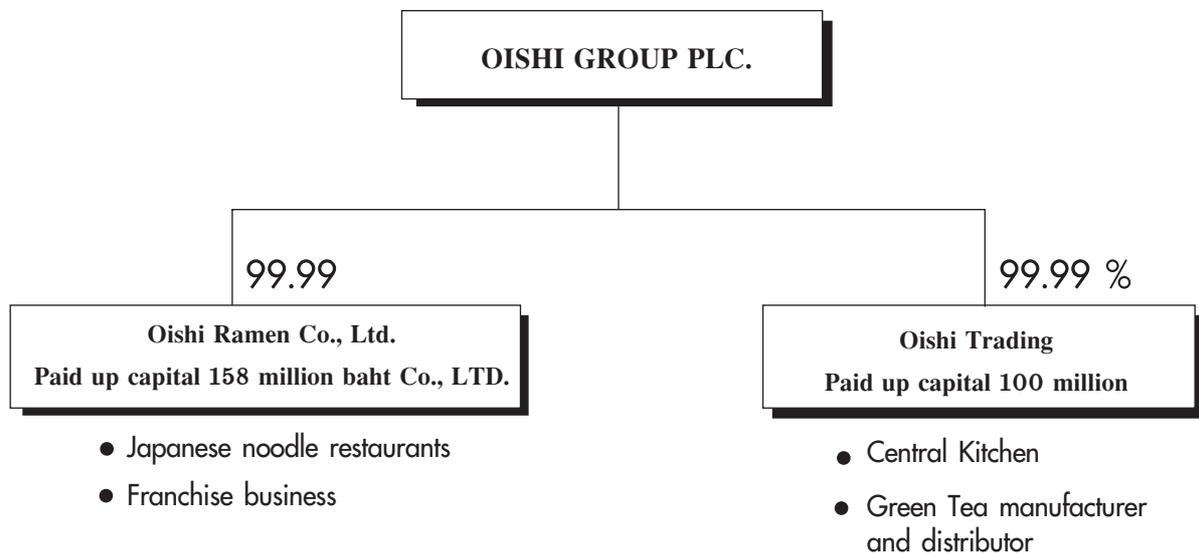
### 1.1 History and significant development

On September 9, 1999, Mr. Tan Passakornnatee started the first ever Japanese buffet restaurant in Thailand under the brand "Oishi" at Sukhumvit 55 (Soi Thonglor) with the aim to bring the new and difference both in terms of servicing style and pricing into the market. From that date, the name Oishi skied rocket and have become a very popular brand for Thai customer. In Y2000, Oishi Restaurant Company started its operation with 10 million baht investment (The company has changed the name, thereafter, to be Oishi Group Plc. Ltd.). As being very well receptive, the business has expanded dramatically within Bangkok area. With the vision about the business potential, the company has enlarged its base by increasing number of outlet and brands of food and bakery to fulfill different market needs. The chronological history is as the following

## An internal adjustment of corporate structure

- 1999      Started Japanese restaurant operation under the brand “Oishi” , the first branch is at Sukhumvit 55 (Soi Thonglor)
  
- 2001      Started Japanese noodle restaurant operation. With mouth watering Japanese noodle in modern style, the business is run under the brand “Oishi Ramen” IN&OUT The Bakery Café, the healthy bakery brand entered the market
  
- 2002      Started Japanese food on the food line, under the brand “Shabushi” The Japanese Deli, namely “Oishi Sushi Bar” firstly opened “Log Home”, the dining complex, started to service
  
- 2003      Central Kitchen, food and beverage production unit was invested to support sub companies’s demand.  
             “Oishi Green Tea” started was launched into the market  
             OK Suki and BBQ” was opened to service Franchise business for Oishi Ramen and IN&OUT was started
  
- 2004      Oishi Group has become a public company since March 3, 2004 Started trading in SET under the name “OISHI” on August 25, 2004 Oishi Buffet Franchise began operated “Oishi Grand” has opened to service at Siam Discovery with modern Japanese buffet style and luxurious image. There is variety of rare and premium food.

### Group Structure



## 1.2. Overall business operation

Oishi Group Plc. Ltd. and its subsidiaries have 2 main businesses as following

### 1.2.1 Japanese food restaurant and bakery outlet, categorized into 4 types

- Japanese buffet restaurants and A La Carte restaurant
- Healthy bakery shop
- Catering and Delivery service
- Japanese restaurant franchise

On December 2004, the company has 87 branches in Bangkok area and 83 branches in major provinces including Chiangmai, Pattaya and Chonburi with another 4 franchisees in Phuket

### 1.2.2 Green Tea business

Manufacturer and distributor of RTD green tea, named “Oishi Green Tea”

Japaness Restaurant and Bakery Shop Business				Green Tea Business					
Buffet	 3 branches	 4 branches	 9 branches	 1 branch					
A La Cart	 19 branches	 20 branches	 1 branch	 2 branches					
Bakery	 23 branches	 1 branch				Lemon Honey	Original	Sugar Free	Genmai
Catering Home Delivery									
Franchising	 1 branch	 1 branch	 2 branches						

## 1.3. Revenue Structure

Revenue by Type of Business	Operated by	% of the company share	Consolidated						
			2002		2003		2004		
			Million baht	%	Million baht	%	Million baht	%	
1	Food and bakery restaurants	The company and Oishi Ramen Co., Ltd	99.99%	707.2	100%	1,136.5	87%	1,302 .6	40%
2	Greeb Tea *	Oishi Trading Co., Ltd.	99.99%	-	0%	163.3	13%	1,969.3	60%
<b>Total</b>				<b>707.2</b>	<b>100%</b>	<b>1,299.8</b>	<b>100%</b>	<b>3,271.9</b>	<b>100%</b>

**Note:** \*In 2003, the company operated green tea business via buying and selling process. Since the company outsourced the other company for green tea production, Oishi International Co., Ltd. was the distributor, which revenue was 15.7 million baht

## 1.4. Business objectives

The company aims to maintain product and service quality in Japanese food restaurants and healthy bakery. Also it determines to produce food product in Japanese style that is good for health to continue the brand's popularity. Outlet expansion plan has been done via 2 processes, the company owned branches and franchise. The target is to increase at least 10 outlets per year so as to cover both Bangkok and major province market having high purchasing power.

Regarding the target growth in green tea business in 2005, the company sets the goal to maintain its leading position together with customer base expansion in Thailand and other countries. The market potential is still high, seen from green tea high popularity since the company had started its own production line in 2003. During March -April 2004, the company gained 36% market share and during November-December 2004, the share surged to 46% of total market (referred to 3.2.2). It is proven that the utilized market strategy has shown its effect. To have line extension for adding up consumer's need for variety, the company has a plan to introduce the new healthy product in Japanese style to the market to generate more revenue along with keeping consistent image with food and green tea business.

## 2. Risk Factor

### 2.1 Location sourcing for outlet expansion and current location retention

Since location is the key factor for a successful restaurant business, competition for area possession is currently radical. This is deemed a limitation for those who aim to increase the new outlet in department store or a specific community. Beside, the need for business variety to attract consumer is crucial for department store, this causes a backbreaking for the company to situate the outlets in the department store where there already is business of the same type. Nonetheless, owing to Oishi's popularity, the company mostly gets invitation from the department store to reserve the rental area prior the place start to operate. The company also has a plan to open to service in major provinces. Franchisee is another way to reduce the location risk.

Normally, short term location rental contract lasts for 3 years plus another 3 years for contract renewal. During 2005-2006, some company's rental contracts will be expired. It is anticipated that rental fee increase or rental termination could be happened. However, it is likely that, as being a good tenant always conforming to the agreement, the company will be able to renew the contract.

### 2.2 Waste of raw materials and products.

One of the key factors for food business is good quality and freshness of raw materials and products. For the company, over 50% of raw materials and products are meat product, seafood, vegetable, fruit and bread, which have short life. With this reason, effective raw material management greatly affects production cost and therefore the company competitiveness. To reduce waste of spoiled raw materials and to preserve quality and freshness, the company has purchase and inventory policy to make a purchase on daily basis. The materials are restored in temperature controlled rooms. Also, First-In-First-Out (FIFO) inventory control scheme is put in used. The raw materials are date labeled to facilitate production process. For daily used product, each branch has to assess daily demand for each product for the sake of material management. Aside from material management scheme, promotion is another way to release the products and reduce risk of product waste.

The company hires Havi Food Services (Thailand ) Limited, which is a leading logistic company, to distribute and restore materials among Oishi network. This company also handles inventory control for frozen food and dried food. This helps facilitate Oishi on material waste and restoration cost. The company has a policy to set current waste from selling at 5%.

### **2.3. Fluctuation in raw material cost**

The fluctuation of raw material has a direct impact on cost structure and therefore the company's performance. Since the company could not change prices to absorb the cost fluctuation, it therefore manages to have an advanced agreement on price, quality and quantity of raw materials to be purchased. Vendors will deliver raw materials to the company as of agreement. For example, meat product, seafood, and half cooked materials purchased from foreign countries. In addition, the company has the policy to promote food variety to offer different choices for customer and to spread raw material costs for the benefit of cost and price management. The company will dismiss any items having high cost but low sale volume. Therefore material cost fluctuation has insignificant effect on the company.

### **2.4 Purchase of packaging from few distributors.**

For green tea business, important cost goes to the packaging i.e. UHT box and hot filled PET with caps, which accounts for 53% of total production cost. At present, the company order UHT box from sole vendor and PET bottles from two vendors. With such condition, the company plans to acquire other vendors, who could provide comparable quality. For example, hot filled PET bottles, there are another two vendors in China and Taiwan, which are able to provide comparable quality. If need be, the company could acquire these two companies for hot filled PET purchase. Since the demand for this type of bottle could increase in the next 1-2 years, there could be the new vendor entering the market. In this case, potential risk from few vendors is likely to reduce. So far, with good purchasing plan, the company and vendors have no problem about purchasing and delivery.

At present, the company requests one of the two PET bottle vendors to install PET bottle production line in factory at Navanakorn. PET bottle production line is linked with green tea production line so as to reduce delivery cost and bottle shortage risk. This vendor is obliged to sell all PET bottles produced at Navanakorn factory to the company. In the case that the company could not use up the entire PET bottle produced, this vendor could sell the bottles to other users, but the first priority is given to the company.

### **2.5 Dependence on one large distributor.**

The company has 5 year contract with Diethelm Ltd. To distribute green teas to various channels e.g. department stores, convenient stores, modern trades, gas stations, mini marts, supermarkets, and discount stores. The contract is renewable for 3 year each if on one dismisses the contract. The company has assessed that Diethelm has long experienced in product marketability. It also has a systematic distribution to wholesalers, retailers and end customers. In 2004, sale volume from Diethelm accounts for 72% of total sales. This could be deemed a risk to rely on only one distributor if Diethelm could not achieve the company sale target. However, with its reputation, the company is confident in Diethelm and believes in its good distributing management.

To reduce this risk, the company also distributes green tea directly to consumers via Oishi outlets as well as other restaurants. The company also cooperates with local restaurants in high potential areas in green tea distribution so as to increase self-reliance and direct contact with end consumers.

## **3. Business operation**

The key strategies for Japanese food restaurants and green tea business are as following:

### **1. Strengthen the brand together with offering healthy products and high quality.**

The company has one clear principle to align business operation that is to offer high quality Japanese food restaurant under the umbrella brand "Oishi" which comprises of Oish Buffet, Oish Express, Oishi Ramen, IN&OUT The Bakery Café, Shabushi, Oishi Sushi Bar and the most recent, Oishi Grand. with continuous brand building, Oishi is well receptive among customers.

The company's success is seen from strength of the brand "Oishi" and customers' confidence in product quality. This results in an incessant sales under the brand "Oishi", especially Oishi Green Tea, which is widely accepted and extremely popular among health conscious consumers.

## **2. Obvious business strategy about Japanese food restaurant and healthy products.**

Since the beginning, the company has an obvious business strategy to focus on Japanese food restaurant and healthy products, started with Oishi Buffet, the modern Japanese style restaurant. This brand is quality oriented aimed to deliver good value for money to customers. Thereafter, the line extension creates Oishi Ramen and Shabushi. To offer more variety to customers, the company has launched a healthy bakery brand and Oishi Green Tea, which is widely popular among consumers. The future projects will still be core business related.

## **3. Customer analysis and continuous marketing activities**

From experience, the company realizes the importance of customer analysis as the key strategy to gain customers' satisfaction. The key targeted consumers are those being health conscious, having modern lifestyle and loving healthy food and beverages. Japanese food and green tea serve these consumers' demand. So far, the company has communicated to these consumers via marketing communication strategies, TV, radio, and other printed media. Beside, consumers' feedback has been employed for product improvement continuously.

## **4. Effective cost management**

The company realizes the importance of raw material cost management and bargaining power with distributor. This is to maintain cost and company performance. Effective cost management of the company arises from Central kitchen, which is the production and distribution center creating economy of scale and bargaining power with raw material vendors.

## **5. Strategy to utilize the benefit of wide coverage distribution channels.**

On December 31, 2004, the company has 87 outlets in Bangkok and 83 outlets in major provinces including Chiangmai, Pattaya, and Chonburi and another 4 franchises in Phuket. Such wide coverage outlets benefit the company's marketing strategy, especially new product launch. An example could be seen from green tea marketability. Prior to the full launch, the company had a soft launch through the company's outlets. When the product began to be acceptable, the company employs an experienced distributor for the full product launch. With the current number of outlets and still increasing, the company could utilize this benefit for more effective marketing strategy.

### **3.1 Product and service feature.**

Main business of the company could be categorized into;

#### **3.1.1 Japanese food restaurant and bakery outlet**

##### *1. Japanese buffet restaurant*

##### *Oishi Japanese Buffet Restaurant*

The company introduced the first ever Japanese buffet restaurant in Thailand with the concept "All you can eat but pay what you have left". The business is differentiated from other buffet restaurants with more menu variety of 150 items including Japanese, Chinese and European food with the proportion 70:20:10 respectively. In special occasion, the restaurant will offer premium and rare food to add difference and value to consumers according to the policy to offer good food quality, service quality and value for money

to customers. Despite the concept of all you can eat, the restaurant sets the rule to fine those who leave uneaten food. This is to initiate a good buffet tradition that is to prevent waste from buffet. This good will benefits not only to the company, but also to consumers and for natural resource economy.

Currently, there are 3 Oishi Buffet outlets in Bangkok and 1 franchise in Phuket, which opens daily from 11.00 hrs-14.00 hrs, 14.00 hrs-16.30 hrs and 17.00 hrs.-22.00 hrs. On Friday and Saturday, there is 21.00 hrs-24.00 hrs as additional round. Each round is priced differently from 399++ Baht (afternoon and midnight rounds) to 499++ Baht (noon and evening rounds). The main target for Oishi Buffet is high income working people and high income family including those demand catering service.

#### Oishi Express

The brand also offers Japanese buffet like Oishi Buffet, but targets family and working people in vicinity areas of Bangkok. Currently there are 4 branches opened to service. The restaurants open to service without session specified but each session is limited to only 1.45 hrs at 299 Baht with comparable quality as Oishi Buffet. There are some adjustment in the menus to serve customers' demand.

#### Shabushi

The brand offers buffet on food conveyer at economy price. The focus is on middle income group. Shabushi offers 2 Asian's popular menus, which are Shabu-Shabu and Sushi. Currently, there are 9 brands in Bangkok with 199 Baht each. The restaurants open daily with 1.15 hrs limited to each session. Extra 20 Baht is charged for additional 10 minutes for each person. This is to increase turnover rate due to seating limitation of food line restaurants.

#### Oishi Grand

On November 26, 2004, Oishi Grand opened to service on the 2nd floor, Siam Discovery with luxurious servicing style as of 5 star hotels. Over 150 menus are offering including rare menus. Majority of raw materials are imported. Oishi Grand opens to service for 2 rounds; at noon from 11.00 hrs-15.00 hrs, with 650++ Baht each and evening from 17.00 hrs-22.00 hrs at 850++ Baht each.

### **2. A La Cart Japanese food.**

#### Oishi Sushi Bar

With the change in customer behavior becoming more concern of convenience for some meal times, the company launched Sushi Bar offering taken away sushi in Kiosk format in department stores, supermarkets and Oishi outlets. There are 3 types of products (Nikiri, Maki, Sashimi)with 75 menus at the prices started from 5 baht. Apart from these products, Sushi Bar also put some other products under Oishi on sale, including Oishi Green Tea, Furikake, Moji and Moon Cake. Currently, there are 20 Oishi Sushi Bar counters in Bangkok.

#### Oishi Ramen

The brand operates Japanese noodle, called ramen, which the recipe has been developed for its uniqueness of noodle and soup to fit with Thai taste. Both Thai and Japanese style are offering with over 50 menus. Aside from ramen, Japanese rice menus and other A La Carte menus, including desserts are available. Raw materials are fine refinement to produce soft noodle and right taste of soup. Ramen production is done by machines in every process to ensure food hygiene. The target group is working people, teenagers, and students. Currently there are 19 branches in department store in Bangkok and in Pattaya, Chiangmai and Phuket.

#### OK Suki and BBQ

In 2003, the company launched a new style restaurant combining Japanese suki and BBQ called OK Suki and BBQ to add more product variety to the market. Currently there are 2 branches opened to service in Chonburi and on 6th floor MBK.

### Log Home

The dining complex called “Log Home” is opened to service at Log Home building in the middle of Soi Thonglor (Sukhumvit 55) with 4,000 sq. meter area. The target is middle to upper income group. The restaurant is divided into 6 styles with party area to service 50-300 persons and Karaoke room for those who need privacy. The following restaurants in the dining complex are;

<b>Grill’N More</b>	Full course steak in European style. There is imported premium beef from USA, New Zealand, and Japan (Kobe and Matsuzaka) to service. Also there are pork, lamb and seafood for customers’ choice.
<b>Teppanyaki</b>	Steak counter in Japanese style with cooking show from Japanese food chef for each customer. The food is served with soup, salad, fired vegetable, rice, fruit and Japanese green tea in one set.
<b>B-B-Q &amp; Shabu-Shabu</b>	BBQ and Japanese Suki with grilling and boiling pot at each table.
<b>Mori Japanese Restaurant</b>	A La Carte Japanese restaurant with imported raw materials with variety of food offered including sushi, sashimi and set menu.
<b>Log Cabin</b>	Thai food from royal chef in western ambience with beverage and music from live band shown every night.

### **3. Bakery outlet**

#### IN&OUT The Bakery Café

The healthy bakery café for new generation who are health conscious according to the concept healthy bread from 100% natural ingredient. The brand focuses on high quality product from natural ingredients and fine selected grains with high nutrition. Fine production process is used e.g. non daily whip cream is used to lessen fat and calories in cakes by 50%. The products are divided into 2 types 1. bakery, which divided into 4 types; cookies & cakes, sweet bread, croissant, French bread. There are over 200 bakery menus to fill up customers’ selection. The bakery is freshly produced on daily basis with high quality natural ingredients and fine refinement grains through fine production process.2. Healthy beverages with exclusive recipe in house initiated for over 30 menus including premium ground coffees, daily products, and fruit juices. The outlets are in modern style, while some branches have seating service. There are totally 23 branches in department store and superstore in Bangkok.

Also, the company has Cha for Tea, which is a tea shop with relaxing ambience. Imported tea from France, Japan, and Taiwan is served in this shop. There is one branch at Log Home building in Soi Thonglor.

### **4. Catering service**

#### Oishi Catering

Catering service for parties like wedding party, engagement party and seminar. It offers full catering service with experts and necessary facilities. Various foods offered are from various restaurants in Oishi network. There is also a rental area on the 3rd floor at Log Home building for 50-300 seats for any party.

#### Oishi Delivery

Delivery service with Tel.no. 0-2712-3456 from 10.00hrs-21.00hrs to offer more convenience to consumers. Minimum price is at 200 baht and 20 baht charged for delivery service. Free of delivery service charged for any order over 300 baht. There are 5 types of food

1. Bento set
2. Sushi & Sashimi set

3. A La Carte
4. Dessert
5. Green Tea

### 5. Franchised Business

The company sees an opportunity to expand the service to cover high potential area in major province by utilizing the brand “Oishi”, so franchise business has been started. The company has set up standard franchise system as the guide for business conduct for franchisees. Franchise business could be categorized

Type of Franchise	Restaurant
Single store	Oishi Buffet, Oishi Express, Oishi Ramen
Multiple Store	IN & OUT

At present, the company has 4 franchisees in Phuket, which are 2 IN&OUT outlets, 1 Oishi Ramen branch, 1 Oishi Buffet branch. The franchises have opened to service since September 2004 and November 2004. Another 5 outlets will be opened in 2005.

#### Franchisee’ qualifications are as following:

1. Experienced in servicing business
2. Dedicate and want to own a business with good attitude towards franchise business
3. Has financial stability
4. Has service mind
5. Own an area for outlet location or has rental right for outlet location

#### Franchise business process could be summarized as following;

1. Sourcing appropriate area and let the company analysis business potential for that area
2. Make property right contract, trademark buying contract, company registration, location rental contract and other necessary contracts for restaurant business
3. Prepare man power and provide training as of the company’s policy

#### Revenue structure from franchise business could be categorized into 3 types

1. Franchise fee: An application fee for the first entering the business. The payment is made at the day to sign franchise contract. The fee is different dependent on brands
2. Royalty fee: Monthly payment paid by franchisees at 5-7% of monthly sales, dependent on brands
3. Marketing fee: Monthly payment paid by franchisees for advertising, PR, and central service fee. The fee is at 4-5% of monthly sales, dependent on brands.

Franchise contract lasts for 5 years. The franchisees must send confirmation letter to renew contract prior to expiration. Renewal will be approved based on the company assessment on franchisees’ ability to conform to the agreement. After receiving approval, franchisees will get renewal contract, which will last not exceeded than 5 years, without renewal fee charged. However, the company will request franchisees to decorate or maintain the outlet according to business concept by using franchisees’ expense.

### 3.1.2 Green tea business

Since 2002, the company has started green tea business to serve customers who visit Oishi restaurants/ outlets. The company had hired external vendor for 350 cc. green tea production. With pasteurize production process, the product must be preserved at low temperature and has short life. This became a

distribution and sales limitation. In 2003 and 2004, sales from this type of green tea are at 38% and 2% of total green tea sales respectively.

In 2003, the company saw market potential for green tea business, it decided to invest for green tea factory in quarter 4 of 2003 under Oishi Trading's operation. The operation starts from tea leaf selection, then global standard production in sterilize process, without preservatives or coloring. Green tea is sweetened by fructose (single molecule sugar from fruit, which give 1.6 sweeten level but the body could bring it in use faster than normal sugar). However, the sterilized green tea was still produced by the same vendor, but no long term commitment remarked.

Currently, Oishi Green Tea has 5 flavors i.e. Original, Lemon-Honey, Sugar Free, Genmai, CG Slim 300 with 3 pack types.

- 350mlPET(Cool filled)
- 500ml.PET(Hot filled)
- 250ml. UHT(Hot filled)

Oishi Green Tea is widely available across Thailand through distributor to wholesalers, retailers, convenient stores, supermarkets, other leading shops and Oishi outlets.

#### **Promotional Privileges**

On July 30, 2003, Oishi Trading Co.,Ltd. received investment promotion card from BOI for vegetable and fruit juice with sealed package manufacturing business, type 1.11 preserved food business using modern technology.

The benefits received are as following;

- Allow to use expatriate skilled workers or experts with the number stated in the policy and limited period. The allowance will be approved for specific duty or position.
- Tax exemption for imported machinery as approved by the committee
- Income tax exemption for net profit gained from the business but not exceed 100% of total investment, excluding land and cash flow. The allowance period is 8 years started from the first day having revenue. In case of business loss, the loss is allowed to used for profit deduction in the period after the end of allowance period for income tax exemption, but not exceed 5 years after the allowance period ends. The deduction could be selected to do in any year within these 5 years.
- Dividend from the promoted business is not considered as the business profit for income tax calculation within the period of 8 years.
- Allowing sending or receiving money abroad in foreign currency.

#### **Important Conditions**

- Training up Thai workers to replace foreign skilled workers/expert within stated period
- Machinery used in the promoted business must be new machines.
- Achieve 53 million liters of vegetable/fruit juice production (working hours are 16 hours/day for 300 days/year)
- 51% registered share hold by Thai nationality
- Must proceed to achieve ISO 9000 within 2 years.
- Must have the factory location in Navanakorn industrial area, Pathumthanee.

Since the company purchased new machines after investment promotion card granted, it is allowed to increase production capacity from 53 million liters per year to 297.75 million liters.

### **3.2. Marketing and competitive situation**

#### **3.2.1 *Marketing***

##### ***Japanese food restaurant and healthy bakery strategy***

## **1. Product strategy**

### Quality and value for money of product and service

The company has a policy to focus on quality of food and value for money for customers to ensure customers' satisfaction in the long run. This is a key to success for Oishi. The food from Oishi group must be selected from the sources, which reach nutritional standard and hygiene. The company has a regular monitoring system for materials to be processed to ensure freshness, cleanliness and safety to create value for money among customers both in terms of quantity and price. Food recipe is rich and full of ingredients to ensure customers' satisfaction, evidenced from buffet service, which is offering various choices with unlimited amount, priced reasonably.

### Variety of products and services.

The company has invented products with good variety and nice appearance according to preference of target customers. Trademarks have been designed differently to different one product from others. However, every target customer has common preference on Japanese food and healthy products. Oishi groups have 5 target groups as following;

1. Oishi Japanese Buffet Restaurant and Log Home Dining Complex focus on middle to upper income group.
2. Shabushi, Oishi Express and OK Suki and BBQ focus on middle income group
3. Oishi Ramen focuses on teenagers and those who require fast service.
4. IN&OUT The Bakery Café focuses on middle income group who care about health
5. Oishi Sushi Bar focuses on middle income group who cares convenience.

With clear target group in each product line, the company could cover all different customers with various purchasing power including teenagers, working people, family and those who care about their health.

### Menu mix strategy

Display, menu creation and food selection are deemed important strategy for buffet business, since customers need variety and value for money from what they pay for. Normal habit of buffet customers is that they start the meal with high cost product, therefore, display could help attract customers and spread their interest to various food types and not stick to only few foods. It is not only increase customers' satisfaction but also help cost control process.

## **2. Outlet expansion to cover target area**

The company expands outlets to cover area in Bangkok and vicinity area, especially in department store like Central, The Mall, Robinson, Tesco Lotus, Seacon Square, Future Park and Carrefour to increase convenience for customers and to access different target customers effectively. This is also a plan for cost control and create barrier for competitors.

## **3. Pricing strategy for base expansion**

With the same concept as Oishi Japanese Buffet Restaurant, Oishi Express has been launched with lower price to expand the base in the vicinity area of Bangkok. However, quality and value for money are still retained at the same level as Oishi Japanese Buffet Restaurant. Some menus are adjusted to suit customers' need and increase revenue to the company.

## **4. Promotion and advertising**

Continuous promotion has been employed to serve need and create customers' satisfaction. The company always has special promotion for specific festive season like Grilled pork, Shark fin soup and Lobster. Menu selection is mainly considered from new and difference, being favorite menu, high price in consumers' perception. To induce repeat purchase and base expansion, the company introduced membership card and Yong senior card and Senior card offering 10 -50% discount, dependent on type of the cards. The brand "Oishi" has been publicized through various media like TV, radio, and billboard to strengthen brand name and product under the brand.

## **5. Co-promotion among Oishi Group**

With over 87 branches in Bangkok and vicinity area, the company uses spider marketing to lower

management cost and support business in the group. Co-promotion among Oishi Japanese Buffet Restaurant, Oishi Ramen, Oishi Sushi Bar, Oishi Green Tea, Shabushi and IN&OUT The Bakery Café has been conducted. Therefore, marketing activities of the brands in Oishi group have occurred continuously and effectively.

## **Marketing strategy for green tea business**

### ***1. Product strategy***

#### Product and service quality

Quality is the main focus of the company's policy. Green tea production process is highlighted for its production quality from hygienic water via reverse osmosis process (RO), tea leaf refinement, the use of fructose syrup instead of normal sugar until hygienic and standardized production process without preservatives and artificial coloring. These make Oishi Green Tea different from other green teas and to be the real natural & healthy product.

#### Product variety

Variety becomes another focus as it encourages consumer demand and consumption consistency. The company launches 3 flavors of green tea under different packages with unique style to suit consumers' need. Besides, the company has packaging adjustment and new flavor launch in special occasions like Christmas, Valentine, and New Year. The special products are limited.

### ***2. Pricing strategy for customer base expansion***

The company has 2 different prices of RTD green tea with the plan for customer base expansion. PET is set at 20 baht per bottle and 35 baht per bottle for CG 300 for housewives and working people, while UHT is priced at 10 baht per bottle for teenagers and students.

### ***3. Distribution channel strategy***

The company has different distribution channels to access different target groups as following; 1. Via major distributor, which has accessible channels to retailers, 2. The company's outlets to reach customers of each Oishi brand, 3. Dealers/trade partners to get access to small retailers. Besides, point of purchase in some events such as Yaowarach food festival and Red Cross event, so as to get closer to consumers and offer them more convenience.

### ***4. Sale promotion and advertising media***

The company has special promotion continuously e.g. radio and TV sponsorship, promotion poster and sale promotion. The activities have been done continuously all year and joint exhibition or event booth to create brand and product awareness among consumers. Product sampling and souvenir redemption also have been done.

#### Pricing policy

Japanese food is a premium food in customers' perception. One price policy becomes an effective strategy to encourage more frequent consumption.

For A La Carte and bakery outlets, pricing is influenced by many factors such as raw material cost, brand image and competitors' pricing. The company has set competitive pricing for these products. It could be slightly higher than the competitors due to value of the brand Oishi.

#### Customer characters and customer relationship

The company has offered various products and brands to serve different needs among target consumers like students, working people, family group and health conscious people. Customer relationship with the company is growing, seen from an increasing members and usage of membership discount. Distribution and channel of distribution

The main distribution categorizes into 3 channels;

1. Japanese food restaurants and bakery outlets.

Distribution channels for Japanese food and bakery are mainly through Oishi group outlets. As of December 31, 2004, the company has 87 outlets throughout Bangkok and 83 branches in major provinces including Chaingman, Pattay, Chonburi and 4 franchises in Phuket.

2. Catering and delivery service

Currently, Japanese food is popularly put into party menus, the need for Japanese food becomes

increasing. Catering and delivery service appear to be another distribution channels via Tel. no. 0-2712-3456, which covers Bangkok area except Thonburi.

### 3. Modern Trade (Convenient store, Supermarket, and Discount store)

Apart from the stated channels, Oishi green tea has been distributed via

1. Diethelm which is the main distributor getting access to modern trade (both wholesalers and retailers) including convenient store, supermarket, discount store and convenient store in gas station such as 7-Eleven, Tops, Tesco Lotus, Makro, and Jiffy. The contract lasts for 5 years and another 3 years for renewal. 2. Dealer/trade partner getting access to retailers that the main distributor could not access.

#### 3.2.2. Industry and competitive situation

##### Japanese food market

Japanese food consumption trend has risen since 1999 due to an image change from premium food served only in grand hotels targeted at high income businessmen to buffet with one price policy with all you can eat concept. The new choice for customers has happened. As customers perceive that Japanese food does not as expensive as it used to be, frequency of consumption surges. An incremental demand also derives from a nice food display and nutritious with low fat unlike western food in general and fast food. This is the reason why Japanese food business grows with more variety on ramen and buffet types, which mostly opened in department store.

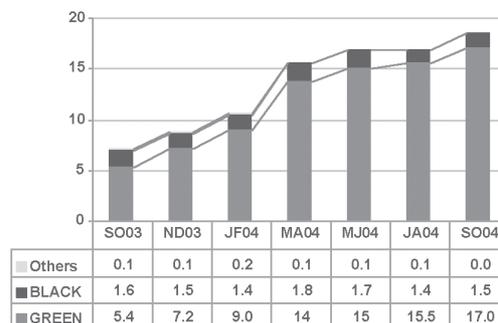
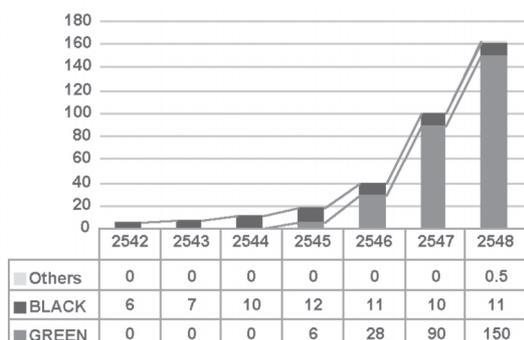
From the study about Japanese food industry in Siam Business on December 21-27, 2003, the market value is around 3,800 million baht with 10-15% growth rate. However this rate is lower than 20-25% in couple years before. Nevertheless, market potential of this kind of business still could be seen, especially in important provinces being business center and tourist attraction. From this survey, Oishi captures up to 42.5% consumption among working people.

The competitors are Japanese restaurants in hotels, general Japanese food restaurants including the big two Japanese franchises. Despite a fierce competition, price war does not happen but instead, product differentiation, variety of choice, and promotional activities like membership program and point collection become the major strategy used in this market.

Ramen industry has a very high growth. The growth is expected to continue in the next 3-5 years whether in style of mobile vendor or kiosk. Ramen business has advantage in that there are many tastes and prices from 49 baht to 149 baht, which is compatible with current economic situation. At present, the company's competitors are the three major franchises, general ramen shops and general noodle shops.

##### Green tea market situation

In 2003, green tea market grew with a big leap due to the change in consumers' behavior. With more concern on health, consumers reduce other beverages like soft drinks and turn to tea and fruit juice instead. ACNielsen (Thailand) Limited assessed that in 2003 and 2004, green tea market value would be 100 million and 160 million baht respectively. Green tea would be a stimulus for RTD tea market. Growth rate was up to 362 % in 2002 and 277% in 2003.



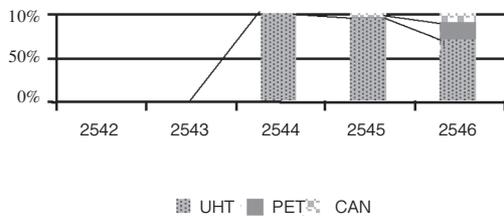
Remark: Others are Oolong tea and fruit tea

Note: Market data acquired by ACNielsen accounts for 60% of total actual tea market. The data covers those in super/hypermarkets, convenient stores and retailers in the ACNielsen's panel. The panel does not include tea business in general retail shops like vendor in Chatuchak weekend market, Yaowarach road, and other weekend markets

The above information indicates fast growing green tea business in couple years. In 2001, green tea accounted for only 4% of total tea market, while the main volume was among Japanese food consumers only. In 2003, green tea business dominated the market with 71% share with market value of 1,800 million baht. In 2004, green tea segment accounted for 90% of total market with 5,000 million baht market value.

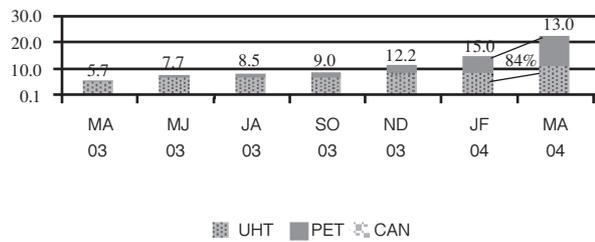
Apart from the volume, price is another factor driving market value. In 2003, price per liter is at 38.3 baht, increased from 1 baht per liter in 2002. This is because bottled green tea was increased from 2002 by 57%, while UHT tea consumption increased by 2.5% only. In comparison, bi-monthly growth from the beginning of 2003 to April 2004, bottled green tea has the highest growth rate up to 84% from the data below.

**Green tea consumption by Package (Annually)**



Source : ACNielsen (Thailand) Co. LTD and Tetra Pak (Thai) LTD.

**Green tea consumption by Package (bi monthly)**

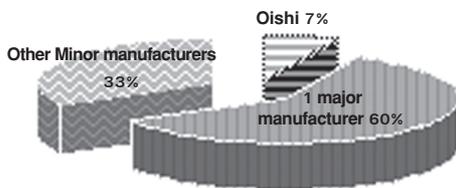


Source : ACNielsen (Thailand) Co. LTD and Tetra Pak (Thai) LTD.

As of ACNielsen survey, penetration rate in traditional wholesalers is higher than that in modern trade due to its low concentration of the channel at only 13% when compared to 77-98% of other channels.

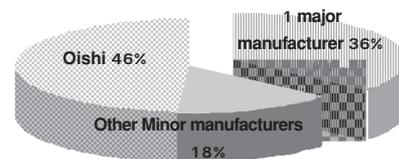
With an impressive growth, green tea and Japanese food business has been risen according to a jump in the number of players. As a result, competition in this market becomes more radical. Each player has to compete among another by means of distribution and product innovation in terms of packaging and flavors. Also, consumer education about green tea benefit has been put in used as another strategy to expand customer base.

**2003 RTD Green Tea Market Share**



Source : ACNielsen (Thailand) Co., Ltd and Tetra Pak (Thai) LTD.

**2004 RTD Green Tea Market Share**



Source : ACNielsen (Thailand) Co., Ltd and Tetra Pak (Thai) LTD.

Remark: The company launched Oishi green tea in November 2003, therefore the market share was at 7%. From ACNielsen survey, Oishi green tea share jumped to 46% in November 2004.

Current situation for green tea market is deemed radical with one major competitor and other new entering small players. This is the result of a continuous increase in market value every year. Despite such a high competition, the company believes that with its strong brand and effective marketing plan, the company will be able to retain current share and even capture larger market share.

### 3.3 Product and service sourcing

Oishi Trading Co.Ltd is the center for all Oishi businesses in sourcing and distributing raw materials. It is also responsible for preserving raw material quality and deliver to various outlets. Such sourcing scheme is

the key strategy to increase bargaining power with vendors. The central kitchen produces all bakery and moon cakes during festive seasons to support IN&OUT bakery and other restaurants of Oishi group. It also has a duty to produce Oishi Green Tea and has research and development unit for the brand Oishi. Innovation policy is focused on health related food and beverages. For other products apart from Oishi Green Tea, the company outsources to other vendors, who meet the company's production standard. The vendors are obliged to sign confidentiality contract and raw material selling contract with the company.

In 2003, Oishi Trading bought the land in Navanakorn industrial area, Pathumthanee to develop as the central kitchen storing modern and standardized facilities for food production, while the old central kitchen was turned to be a distribution center for Oishi Group. The new central kitchen is situated on 30,865 sq. meters and has been operated with full capacity since March 2004.

### **3.3.1 Japanese food restaurant and bakery business**

#### Raw material sourcing process

The central kitchen is the food process center to transform raw materials into ready to use format. It is also responsible for quality control prior to the distribution process to outlets in Oishi Group. The central kitchen is in the plan production cost control. However, another part of quality control occurs at each outlet. Raw materials and key products are categorized into 4 types as following;

1. Food; frozen food, chilled food, fresh food and dried food.
2. Food ware and package
3. Chemical products and disposable items
4. Cutlery, tableware, cookery and other gadgets.

The company has a policy to spread raw material order to many suppliers. The main criteria are product quality, agreement and cost. Majority of raw materials could be sourced domestically, except for some meats product e.g. meat and Halibat, which have been ordered from other countries. Purchase criteria also depend on price history and delivery period. Each order must last for 3-5 months. Import accounts for about 2% of total raw material cost.

To preserve raw material quality, the company rents temperature controlled room in Mahachai.

#### Quality control

Apart from being the distribution center, Oishi Trading is also responsible for quality control prior to pre-production process. The quality must be controlled to meet global standard in terms of size, weight, color and taste. The quality control starts from suppliers' vehicles, delivery staff, delivery process, and checking process. The checking process is done at random. Also, the company has a policy to visit distributors' venues/factories together with FIFO or First-In-First-Out system by labeling manufactured date. Laboratory checking is also put in used to check for any potential cause of danger to consumers. Conclusively, all production process is under quality control by the central kitchen.

Waste from sale is recorded and sent back to the central kitchen to destroy. This is top prevent the re-use, especially bakery items and sushi, which requires daily production. The company policy is to monitor waste rate at below 5%.

### **3.3.2 Green Tea business**

#### Raw material sourcing process

The main raw materials used for green tea production are tea leaves, fructose, and artificial fragrance. Mostly, these materials are domestically sourced.

#### ***Water***

The water for green tea production comes from reverse osmosis (RO) process to ensure 100% purification.

#### ***Fine Refinement Tea Leaves***

Oishi Trading purchases tea leaves from the major vendors. Green tea leaves are year round available plant. Seasonal shortage is therefore not a problem. So far, the company has never faced any problem about shortage, price and quality of tea leaves.

### ***Fructose and artificial fragrance***

Fructose is domestically available; the shortage is therefore not a problem. Oishi Trading makes a purchase from many vendors. Artificial fragrance is imported, however, it has been used with only small portion comparing to other raw materials. Beside, the artificial fragrance could be restored for long period.

### **Package**

PET bottle, UHT box and shrink film label are important materials for Oishi Green Tea. Oishi Trading purchases PET bottles from two major domestic vendors. Currently, one of the two vendors installs PET bottle production line inside Oishi factory to avoid bottle shortage risk. The vendor is obliged to have Oishi as the first priority to supply the bottle, what left from Oishi's green tea production could be sold to other buyers. The bottle production line has started to operate since quarter 3 of 2004.

### ***Quality control***

Oishi Trading makes a purchase for tea leaves from two major vendors; tea leaf quality is therefore controllable. However, the company has quality control department to ensure tea leaf quality prior to the production process.

### **Impact on environment**

The company has controlled environmental impact from production process by setting waste purification process e.g. fat and food left over duct before emitting to public pipe. The company also receives GMP (Good Manufacturing Practice) in 2004 and currently proceeds to get ISO 9000 within 2005. Also, the company plans to get HACCP for the central kitchen as of the world standard for food business.

### **3.4 Limitation for business operation**

None

## **4. Research and Development**

The company's R&D has conducted by each product management team. Specific purposes for R&D are market survey to follow up customers' satisfaction & opinion towards the products, and to have product innovation introduced to the market on regular basis. This is to add product variety to the market and to grow customer base. R&D also includes the study to preserve products for longer period without preservatives. Besides, the company has a plan to cooperate with each product management team to syndicate R&D team for better information analysis to capture all changes in consumers' behavior.

The company has been sourcing the new products under the brand Oishi by means of studying foreign markets especially in the part of Japanese food. The study aims at Asian markets like Japan and Taiwan. The information will be analysis if such products have any potential to grow in Thailand or not. Key criteria are; 1. Affiliation of the product with the brand Oishi 2. total market value of such product, which must be at least 100 million baht. Each product must account for at least 3% of total market value, 3. market competition and competitors. For each production process, the company closely monitors every single process to ensure standard of product quality.

Along the past 3 years, the company has not separated R&D unit, therefore the cost is combined with normal expense. However, it is planned that R&D unit will be set as a separate unit in 2005.

## **5. Business Asset**

Land and Land Improvements

Business operation asset has book value as of December 31, 2004 as following;

- 5.1 Oishi group has land and land improvement for business operation at the book value as of December 31, 2004 as the following details;

Land and Land improvements	Type of possession	Net book value (million baht)	Engagement
A land with 1-1-01 rai No. 540/5-7 on Sukhumvit 55 road, Norht Klongton, Wattana district, Bangkok	Owner	70	None
A land with 17-2-28 rai with improvements area No. 60/68 Moo 19 , Navanakorn industrial zone 2, Klong Nueng, Pathumthanee	Owner	57	Collateral for 441 million baht loan and Overdraft loan
<b>Total</b>		<b>127</b>	

### 5.2 Building and Building improvements

Building are used for business operation with book value as of December 31, 2004 as the following;

Construction and Building maintenance	Type of possession	Net book balue (million baht)	Engagement
Log Home building and improvements No. 540/7, Sukhumvit 55, North Klongton, Wattana district, Bangkok	Owner Owner	62.06 272.29	None
Central Kicthen No. 60/68 Moo 19, Navanakorn industrial zone 2, Klong Luang, Pathumthanee	Owner	272.29	Collateral for 441 million baht loan
<b>Total</b>		<b>334.35</b>	

### 5.3 Rental agreement

As of December 31, 2004, the company has land rental contract for Japanese food restaurant business and healthy bakery outlets with retailers for 64 contracts. Mostly they are short term with the period of 3 years and another 3 years for renewal. Many contracts will be expired in 2005-2006.

#### Leasehold Rights.

Majority of location for Oishi business are under the contract of 3 years with another 3 years for renewal. This is to lower risk of engagement and fluctuation from economic change. Only some outlets have long term agreement for location in department stores. Net value as of December 31, 2004 is as following;

Area/Location	Rental period/Expiration	Net book value (million baht)	Engagement
4th floor, Seacon Square, No. 1053-1054 in 292.58 sq.m. area	21 years and 9 months/Expire 2024	23.04	Non
The Mall Ngamwongwan. GFC1A in 220 sq.m.area and GFC1B in 101 sq.m. area	17 years and 9 months/ Expire 2019	12.45	None
The Mall Bangkok GF-F5A in 300 sq.m.area and GF-5B in 52 sq.m. area	20 years and 8 months/Expire 2022	34.4	None
Central Plaza, Pinklaow, G45 in 160.15 sq.m area	13 years and 5 months/Expire 2022	12.73	None
<b>Total</b>		<b>82.62</b>	

#### 5.4 Machinery

As of December 31, 2004, machinery for business operation is as following;

Type of machinery	Net book value (million baht)	Engagement
Machinery_Green Tea	346.48	Collateral for 441 million baht loan
Machinery_Food	109.99	None
<b>Total</b>	<b>456.47</b>	

#### 5.5 Decoration and internal system

Type	Net book value (million)	Engagement
Decoration	73.19	2.17 million baht of decoration collateral for 441 million baht loan
Internal system	68.49	24.64 million baht internal system collateral for 441 million baht loan
<b>Total</b>	<b>141.68</b>	

## 5.6 Assets in progress

Assets in progress include building, internal system and machinery, the details as of December 31 2004, is as following;

Type	Net book value (million)	Engagement
Construction in progress	23.61	441 million bath collateral
Decoration	4.26	None
Internal system	2.54	441 million bath collateral
Machinery	171.81	441 million bath collateral
<b>Total</b>	<b>202.22</b>	

## 5.7 Other assets

Other assets include office stationary, decoration items for restaurants and vehicles. Net book value as of December 31, 2004 is 113.73 million baht

## 5.8 Service Trademark

In March 2004, The Company got approval to use service trademark for Oishi both Thai and English, together with Oishi logo, the word “Oishi” both in Thai and English, “In & Out the Bukery Café” logo, and “Oishi Ramen logo.

## 5.9 Trademark

In September and October 2004, the Company got approve to us trademark from the Intellectual Property Department for Oishi both Thai and English, together with Oishi logo, the word “Oishi” both in Thai and English. The approval also covers Oji and Ami Mascot both in Thai English

## 5.10 Investment policy for an investment in sub companies and holdings

As of December 31, 2004, the company has invested in 2 operating sub companies, which are Oishi Ramen Co. Ltd. And Oishi Trading Co.Ltd. Both are running Japanese noodles and Japanese food&bakery&RTD green tea respectively. Total market value is 692.24 million baht, accounting for 29.12% of total assets.

The company's investment policy depends on economic situation and business growth. The company's investment is focused on Japanese food related business. An investment in sub companies must be approved by the board of directors. Also, the company must send a delegate to manage the sub companies. This is to utilize the right to vote or give some comment according to the board of directors' policy.

## 6. Future Projects.

With the goal to maintain leading position in the market, the company has a plan to increase the number of outlets at least by 10 branches annually both in forms of the company own branches and franchises. Investment per branch is approximately 1.3-18.5 million baht depending on business type. It is anticipated that the number of food restaurants and bakery outlets will be around 100 branches nationwide. Among all, there will be 6 franchises in Phuket in 2005.

To have further green tea sale growth, the company has a plan to increase production capacity. In October 2004, the production capacity was at 23.8 million bottles per months and 12.96 UHT boxes per month. The short term plan, there will be an increase in bottled green tea production by 8.5 million bottles per month and an increase in UHT production by 8.5 million boxes per month. The additional capacity will start to operation in the second quarter of 2005. The production capacity by that time will reach 21.46 million boxes per month and 32.3 million bottles per month. Total investment for green tea production as

million boxes per month and 32.3 million bottles per month. Total investment for green tea production as of December 31, 2004 was 801 million baht and another 100 million baht will be invested in 2005. The company also has a potential project, which is chilled food and frozen food. From the study, those who live in Bangkok and the vicinity area have busy lifestyle. These consumers need speedy and convenient consumption. Such lifestyle points an opportunity for this business. It also benefits the company via a full utilization of the central kitchen. The company has planned to launch the new products in 2005 through the current distribution channels. This project needs do not need lots of additional investment since the central kitchen's capacity has not been fully utilized. Nevertheless, there is no obvious revenue forecast because it is still an interim process.

At present, the company has an agreement with CP seven-eleven to produce 8 chilled foods under the brand "Easy Go By Oishi", while will be put on shelf in 56 branches of 7-11 in February, 2005. The plan still goes for 200 branches in the next two months.

## 7. Legal Issues

The company and sub companies do have any significant legal issues that affect more than 5% of asset of total Oishi Group.

## 8. Equity Structure

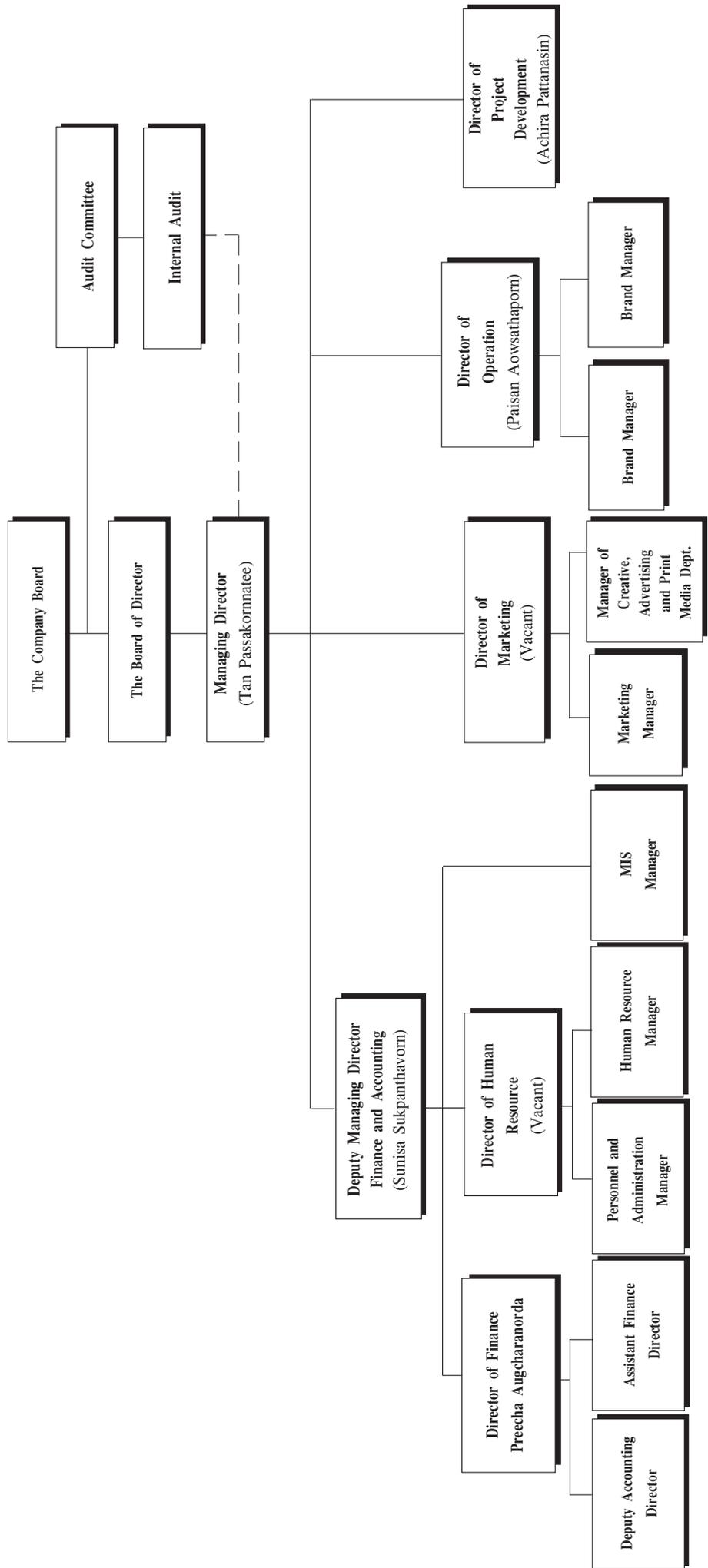
### 8.1 The company stock

As of December, 2004, the company has 375 million baht for authorized capital, categorized into 187.5 million common stock, with 2 baht par value. Paid up capital is 375 million baht.

### 8.2 Equity

Major shareholders and share holding proportion based on authorized and paid up capital are as following;

No.	Shareholder	As of December, 2004	
		No. of stock	Percentage
1	Thailand Security Depository Company Limited for Depositor	44,936,297.00	23.97%
2	Tan Passakornnatee	34,497,750.00	18.40%
3	Sunusa Sukphantavorn	27,869,100.00	14.86%
4	Thailand Security Depository Company Limited for Depositor	10,656,350.00	5.68%
5	Mr. Yeuh-Chin Chiu	8,372,150.00	4.47%
6	Varisa Passakornnatee	5,174,700.00	2.76%
7	Thitima Sriuthaisiriwong	4,301,550.00	2.29%
8	Darunee Kritboonyalai	1,960,400.00	1.05%
9	Damrung Preuksaritanon	1,349,850.00	0.72%
10	Sulawon Preuksaritanon	1,274,850.00	0.68%
11	Thitinart Preuksaritanon	1,199,850.00	0.64%
12	Thitiporn Preuksaritanon	1,124,900.00	0.56%
13	Thitikul Preuksaritanon	1,049,900.00	0.48%
14	Wichitra Hematurin	899,950.00	0.48%
15	Sunan Jareaonsopha	899,950.00	0.48%
16	Supaporn Jareaonsopha	899,950.00	0.48%
17	Pacharaorn Sisongsarn	899,950.00	0.48%
18	Paveena Witwaranukul	899,950.00	0.48%
19	Kriwut Unhakongtripob	899,950.00	0.48%
20	Poonpattana Sitthipiyakul	899,950.00	0.48%
21	General shareholders	37,432,703.00	19.96%
	<b>Total</b>	<b>187,500,000.00</b>	<b>100%</b>



### 8.3 Dividend policy

The company and sub companies have dividend policy to be not lower than 40% of net profit after tax and legal reserve. Dividend payment does not have a considerable impact on the company's performance. Dividend payment must be approved among shareholders and the board of directors.

## 9. Structure of Management

### 9.1 The board of directors' structure

#### 9.1.1 The company board

The Extraordinary Shareholder' Meeting No. 2/2004 on February 17, 2004 and the Ordinary Shareholders' meeting No. 1/2004 on March 18, 2004 and the Ordinary Shareholders' Meeting No. 1/2004 on April 27, 2004 have consent to appoint the following persons the board of directors and audit committee. The teams comprises of 12 members

1. Mr. Tan Pasakornnatee	Chairman/Managing Director
2. Ms. Sunisa Sukphanthavorn	Director
3. Mr. Chew Hai Chiene Hester Arthur	Director
4. Mr. Yeuh-Chin Chiu	Director
5. Ms. Thitima Sriutaisiriwong	Director
6. Ms. Darunee Kritboonyarai	Director
7. Mr. Damrong Preuksaritanon	Director
8. Ms. Sulawan Preuksaritanon	Director
9. Mr. Sunate Emwattana	Director /Secretary
10. Mr. Nopporn Picha	Independent/Chairman of Audit Committee
11. Mr. Kriang Yanyongdilok	Independent/Audit Committee
12. Mr. Praisson Wongsmith	Independent/Audit Committee

#### Authorized Directors are as following;

Direction who has an authority to sign any valid agreement for the company is either Mr. Tan Passakornnatee or Ms. Sunisa Sukphanthavorn, to sign an agreement with Mr. Yeuh-Chin Chiu or Ms, Thitima Sriutaisiriwong or Mr. Sunate Emwattana. With two signers and the company's logo, the agreement is hold valid.

#### 9.1.2 The audit committee

The board of director meeting No. 1/2004 on March 18, 2004 appoints the following persons the auditing committee;

1. Mr. Nopporn Picha	Chairman of the Audit Committee
2. Mr. Kriang Yanyongdilok	Audit Committee
3. Mr. Praisson Wongsmith	Audit Committee

#### 9.1.3. The Executive Committee

The board of director conference No. 1/2004 on March 18, 2004 appoints the following persons the Executive Committee;

1. Mr. Chew Hai Chiene Hester Arthur	Chairman Director
2. Mr. Tan Passakornnatee	Executive Director
3. Ms. Sunisa Sukphantavorn	Executive Director
4. Mr. Yeuh-Chin Chiu	Executive Director

#### 9.1.4 Management Team

As of December 31, 2004, the company has 5 members of Management Team board of directors.

1. Mr. Tan Passakornnatee	Managing Director
---------------------------	-------------------

2. Ms. Sunisa Sukphantavorn	Deputy Managing Director
3. Mr. Preecha Augcharananda	Director of Finance
4. Mr. Paisan Aowsathaporn	Director of Operation
5. Mr. Achira Pattanasin	Director of Project Development

The Extraordinary Shareholder' Meeting No. 2/2004 on February 17, 2004 and The Board of Director Meeting No. 1/2004 on March 18, 2004 and the board of director meeting, No. 2/2004 on June 9, 2004 in which the Audit committee are participants. The company has set chairmen's, the Audit committee the Board of Directors' and managing directors' authority as following;

The company board's authority

The board must use he/she's knowledge to benefit the company's business by obliging to law, objectives and obligation agreed upon shareholder conference. The board must allow internal audit and monitoring and effective management. Also, information transparency, responsibility towards shareholders is a must. The board is obliged to refrain from any competition or anything/any business related to the business that is competing with the company. The board is allowed to appoint any person or team to be a representative for any business conduct or operation. The following deeds would need to get approval from shareholder conference before taking action;

1. Issues which are compulsory, by law, to have shareholder conference's approval.
2. Any deed that yields the board gain or loss or any deed that is obliged, by SET regulation, to have shareholder conference's approval.

Those who potentially have conflict of interest are 1. the company board, 2. The major shareholders, 3. Those who have the company's authority, 4. Those who have close relationship with the persons in 1, 2, and 3 via either blood line or marriage. The persons could be parents, married couples, son/daughter or close relatives, 5. Company of those mentioned in 1, 2, and 3 or the company that those mentioned in 1, 2, and 3 holds share/stock will not have right to vote for any issue that might initiate the conflict of interest.

The following issues would need an approval from the board of directors and shareholder's conference with 3/4 of total votes.

1. Buying or transferring a part or total parts of the company's business to others.
2. Making a purchase or receiving a transfer of a private company or public company.
3. Making/changing/dismissing and agreement for company rental or assigning any party to take control over the company
4. Making any adjustment in company registration document or the company regulations
5. Increasing or decreasing authorized capital or issuing debentures
6. Terminating company's business
7. Merger and acquisition with other companies
8. Any issue remarked in SET ACT and SET announcement that would need to get approval from shareholder conference e.g. buying and selling authorized capital or any interrelated business.

The audit committee's authority

The audit committee has the following authority;

1. Auditing financial statement with transparent and enough information, by cooperating with external audit and the responsible company board for every quarterly and annually financial statement.
2. Allows the company to have an effective and appropriate internal auditing by cooperating with both internal and external auditors.
3. Checking the company's operation following SET regulations or the related law
4. Screening and proposing the company's auditors. Also approving the auditors' remuneration. The criteria are credibility, capacity and experience of that auditor
5. Approving the company's information disclosure, especially information that might lead to conflict

- of interest and bring the issue to the company board or to shareholders
6. Any deed that the company board assigns the audit committee to check e.g. revising risk management policy, monitoring management's ethic with the company board and get the issue to the public
  7. Doing auditor's report and put it in company annual report. The report must be signed by chief audit committee. It contains the following information;
    - Comment on audit report process and information transparency, accuracy and credibility.
    - Comment on the extent of internal checking system in the company
    - Giving the reasons for the auditor's appropriateness to continue to work for the company
    - Comment on law and regulation conformation of the company
    - Other reports, which are deemed important to all stakeholders under the auditing committee's authority.

#### The Executive Committee authority

1. Follow the company's policy, which obliges to law and regulation, except for those issues subjected to the consent of shareholders.
2. Propose and set business policy and strategy to the company board
3. Set business plan, handle business management and set business target and propose all these to the company board and follow those are approved by the company board
4. Handle business administration, set up organization structure including recruiting, training, making employment, and terminate employment.
5. Approve credit offered to a financial institution or loan requested to a financial institution, giving collateral or making any payment for business administration e.g. branch expansion investment or any regular business expense. Each expense must not exceed 200 million baht or equivalent. However, the amount of expense depends on the company board's approval.
6. Appoint or dismiss any employee having lower level than managing director
7. Other authorities as of assigned by the company board

An approval of the above authorities must not bring to the conflict of interest for or among the board of directors (as of set by SEC) and sub companies. Since those who involve in any conflict of interest will not have a right to vote.

#### Managing director's authority

The following authorities are allowed for the managing director.

1. Follow the company board or the board of director assignment, given that such authority is obliged to the company's objectives, law and regulation
2. Approve operating expense, sale expense, administration expense, and investment budget as of the budget approved by the company board or the board of director. However, this does not include the authority to request any loan or offering any collateral.
3. Approve raw material, product, equipment and any other service procurement which relates to the company's business. Nevertheless, this does not include land procurement for outlet expansion. The managing director's authority to make any purchase does not exceed 100 million baht each.
4. Approve location search for outlet expansion and approve outlet opening and location renting for the new outlets.
5. Approve budget for customer take care which does not exceed 500,000 baht

The managing director does not have any authority to operation or involve in any Interrelated business that might bring to the conflict of interest or involve in selling and purchasing the company's asset or any conflicting issues with sub companies. Since these issues must be brought to the company board's meeting

## 9.2 The search for committee, independent committee, audit committee and director.

9.2.1. The board of directors, independent committee, audit committee and directors are selected by the company board, without recruiting committee since the company does not have a recruiting committee. However, the company has selected those who are qualified for their competent educational/personal background with high experience. They must also have the qualifications required by public company limited Act No. 68 of 1992 as of approved by SEC. After passing these selection criteria, the person will be proposed in shareholder conference according to the following procedures;

1. One shareholder has one right to vote.
2. A shareholder must use the right to vote a person or many persons for chairman but cannot separate the vote to a particular person
3. The one who has the highest votes will be appointed a chairman and so on. The number of chairmen must be equaled to the number allowed each time. In the case that there are more than one person gaining equal votes and the number is exceeded the quota; the conference head will have a right to make a decision.

### 9.2.2. Criteria to select independent committee and audit committee

The qualifications are as following

1. Have at least 5% share of paid up capital from the company, sub companies, holding companies and related companies.
2. Does not involve in any business administration for the company, sub companies, the related companies or is not a major shareholder. He/she must not be the company's employees, consultant or those who have the company's salary.
3. Does not have any benefit either directly or indirectly from the company's administration at least in the period of 1 year before being appointed, except that the company board agrees to ignore the benefit that the person is receiving, due to insignificant to the status of independence.
4. He/she must not be a close relative or must not have any relationship with the board of directors or major shareholders of the company
5. He/she must not be appointed delegate or representative of any major shareholders
6. He/she must have ability to perform and give an opinion as assigned by the company board without any board's or major shareholders' control

## 9.3 Incentives for the board of directors

### 9.3.1 Financial incentives

Items	2003			2004		
	No.	Baht (million baht)	Benefit details	No.	Baht (million baht)	Benefit details committee
committee	5	NA	NA	12		Conference compensation
1. Tan Passakornnatee CEO and Managing director					NA	
2. Sunisa Sukphantavorn director					NA	
3. Chew Hai Chiene Hester Arthur director					NA	

Items	2003			2004		
	No.	Baht (million baht)	Benefit details	No.	Baht (million baht)	Benefit details committee
4. Yeuh-Chin Chiu Director					NA	
5. Thitima Sriutaisiriwong Director					NA	
6. Darunee Kritboonyarai Director					NA	
7. Damrong Preuksaritanon Director					NA	
8. Sulawan Preuksaritanon Director					NA	
9. Sunate Emwattana Director and Secretary					NA	
10. Nopporn Picha Independent/Chairman of the Audit Committee					262,500	
11. Kriang Yanyongdilok Independent/Audit Committee					195,000	
12. Praisun Wongsmiit Independent/Audit Committee					195,000	
Directors and management team	8	5.42	Salary and Bonus	5	8,973,000	Salary

In 2004, shareholders had consent to appoint the new board. There are additional members, from 5 members (in 2003) to 12 members (as of April 27, 2004) The anticipated remuneration, excluding bonus, will not exceed 16 million baht, while conference compensation is approximately 3 million baht together with other welfare.

9.3.2 Independent committee participation in any training course organized by IOD.

The course		
The company board	Directors Certification Program (DCP)	Directors Accreditation Program (DAP)
1. Tan Passakornnatee		Class 12/2004
2. Sunisa Sukphantavorn	Class 44/2004	Class 12/2004
3. Chew Hai Chiene Hester Arthur		-
4. Yeuh-Chin Chiu		Class 16/2004
5. Thitima Sriutaisiriwong		Class 16/2004
6. Darunee Kritboonyarai		Class 16/2004
7. Damrong Preuksaritanon		Class 16/2004
8. Sulawan Preuksaritanon		Class 16/2004
9. Sunate Emwattana		Class 16/2004
10. Nopporn Picha		Class 2/2004
11. Kriang Yanyongdilok		Class 12/2004
12. Praisong Wongsmith		Class 12/2004

Note: Chew Hai Chiene Hester Arthur did not join the training since IOD has not offered any English course.

### 9.3.3 Other Benefit

The Ordinary Shareholders' Meeting No. 1/2004 on April 27, 2004 propose to increase capital by 2.5 million units accounted for 1.33% of registered capital. The stock is sold to the Board of Directors and employees with the price lower than IPO price by 15%. However, the stock has silent period for 1.6 years since the day to start trading in SET, after 6 month trading, 25% of total share could be sold to public. Only in some cases, silent period lasts only 3 months. But this will be dealt case by case.

According to shareholders' consent on April 27, 2004, Chew Hai Chiene Hester Arthur was allowed to trade stock to public for 100,000 units, so did Nopporn Picha for 50,000 units, Kriang Yanyongdilok for 50,000 baht and Praisong Wongsmith for 50,000 baht. The board of directors gains about 0.21 million unit.

### 9.4 Business operation

The Board of Directors follow 15 codes of conduct for a good cooperate governance and the required regulations for the board of company of a registered company as of required by SET. This is to create business operation transparency. This would yield benefit to shareholders. Also, the board appoints audit committee for check and balance process.

### 9.5. Internal information usage

9.5.1 It is remarked that the board of directors shall not bring any unpublicized internal information in use for personal benefit like stock trading. He/she is obliged to one month silent period.

9.5.2. The board of directors has been informed about the shareholding regulations either of oneself or family required by SEC No. 59 and 275 punishment regulation as of SEC Act in 1999. The company's punishment for those who misconduct internal information ranges from verbal warning until terminate employment.

### 9.6 Employees

As of December 31, 2004, the company and sub companies have 2,583 employees in total (Excluding the Board of Directors and Management Team as 9.1), categorized into

Line of Command	Number of employees
Office	127
Restaurant	1,974
Factory	482

In 2004, expense on employees' salary was 253.26 million in total. The company has never conflict regarding labor issue.

### **Employee development**

In October 2003, the company set up Oishi Trading Center as a training center for employees under Oishi Group from operation level to management. There are also specific training for each particular line of command.

Management Trainee until Area manager courses contain 5 courses

1. **Manager Training Class** for manager trainees who have been a manager for at least one year. The course aims to build brand knowledge, inventory control and product delivery.
2. **Basic 2nd Assistant Manager** is the course for assistant manager and have worked in this position for at least 1 month. It aims to build people management skill
3. **Advance 2nd Assistant Manager** is the class for the second assistant manager who already passes the previous course. This class aims to build knowledge about cost analysis, cost control either food cost or labor cost. End result is to train up a competent manager.
4. **1<sup>st</sup> Assistant Manager Class** is the course for 1st manager. The objectives are to build knowledge about planning, how to achieve sale target, branch marketing, branch location analysis, training and people development within each branch.
5. **Area Manager** class is the course for pre-area manager about team management. There is Oishi Workbook 5 as a textbook.

The training courses categorizes into 3 formats;

1. Annual seminar (3 consecutive days)
2. All brand manager meeting organized once a year, this is a one day course
3. External trainer, once or twice a year.

Each training course takes 5 months to 1 year period, depending on participants' readiness. The participants must work on Oishi Workbook. Time to spend on each workbook is around 3-6 months, join the course. After finishing the course work, the participants must work on an action plan related to content of each course. The workbook has been adjusted every 3 years.

For operation staff, on the job training has been used. Also, there is recommendation from an expert in each line of command as a guideline. Performance assessment has been employed. Team administration focuses on cooperation in problem solving and building good attitude towards organization. In the past 3 years, the company has never separated training investment from employee expense. In 2004, training investment was 0.93 million baht.

### **10. Internal Control**

The Board of Directors' Meeting as of 1/2004 on March 18, 2004, the audit committee/independent committee had assessed the company's internal auditing by discussion with the board of directors and checking the documents done by management. There are 5 aspects being issues to be audited; Organization and environment, risk management, Information management, communication, and follow up

process. It is found that the company has quite good internal audit for good corporate governance. The company also has a policy required the sub companies to initiate internal audit system that is compatible with that in the company. It also sends internal auditor to check the sub companies' operation.

## 11. Interrelated Transactions.

### 11.1 Relationship with a person who might have the conflict of interest.

The company and sub companies have Interrelated business with those who might have the conflict of interest in 2004 as summarized below.

Person who might have the conflict of interest	Relationship
Thank You Service Ltd.	<ul style="list-style-type: none"> <li>• Mr. Tan Passakornnatee holds 15% share of Thank You Service and is a director and have authority to sign a contract</li> <li>• Ms. Sunisa Sukphantavorn holds 9.9% share of Thank You Service and is a Managing Director and have authority to sign a contract.</li> <li>• Ms. Thitima Sriutaisiriwong holds 15%% share of Thank You Service and is a Managing Director and have authority to sign a contract.</li> </ul>
Mr. Tan Passakornnatee	<ul style="list-style-type: none"> <li>• A major shareholder, Managing Director, and Chairman of the board of director</li> </ul>
Ms. Sunisa Sukphanthavorn	<ul style="list-style-type: none"> <li>• A major shareholder Deputy Managing Director, and the board of director</li> </ul>
Mr. Chew Hai Chiene Hester Arthur	<ul style="list-style-type: none"> <li>• Holds 0.08% share and is a Chairmand of the Executive Committee</li> <li>100% shareholder of Hester Chew &amp; Associates Consultancy (including associates). The business is in Singapore</li> </ul>

### 11.2 Interrelated business

In 2004, the company have Interrelated business due to the persons who might have the conflict of interest. Summary of interrelated business as following;

#### 11.2.1 Rental fee

Person who might have the conflict of interest	Items	Rental fee (million baht)
Thank You Service Ltd.	Rental fee for area in Thonglor Branch	2.4
Mr. Tan Passakornnatee	Rental fee for area/in Chonburi Branch	0.78

#### 11.2.2 Loan

Lender	Borrower	Interest Rate	Balance from 2003	Additional Loan	Installment Payment	Balance 2004
Oishi Ramen	Ms.Sunisa Sukphantavorn	5.75%	1.44	-	1.44	-
Ms. Sunisa Sukphantavorn	The company	4%	106.6	-	106.6	-

In 2004, The Company paid interest to director amounting 2.54 million baht

### **11.2.3 Professional fee**

Since September 1, 2004, the company has hired Hester Chew & Associates Consultancy, experiencing in business consultant for restaurant and franchise business, to manage and increase business operation effectiveness. The consultant has planed operation system for effective restaurant business, effective franchise business and created business plan, revised every 3 years. Also improve human resource development and adjust the company management system. The consultant company had sent Mr. Chew Hai Chiene Hester Arthur to operate and give consultant service. Professional fee for this service is 6 million baht in 2004.

The company plans to use this service until all above systems set up. There is no timing specific in the agreement; however, both parties could terminate the agreement, as soon as the other party agrees.

### **11.3. Necessity and Rationality of Inter-related business**

The Board of Director' Meeting No. 1/2004 on March 18/2004 with independent committees to participate the conference and audit committee' meeting No. 1/2004 on May 17, 2004, the board of director and the audit committee have the following comment

#### **11.3.3 Rental**

The company rents an area for Oishi Japanese Buffet Restaurant branch in Soi Thonglor with Thank You Service Ltd. And rent an area for OK Suki in Chonburi with Mr. Tan Passakornnatee. The rental rate is a market rate compared to normal rental fee of the vicinity area.

#### **11.3.4 Loan from and Interest expenses**

The company has borrowed money from a director for the new factory investment and machinery and equipment purchase for green tea business under Oishi Trading. Since loan proportion from a financial institution must not exceed 70% of the project and the rest must be investment from the company. The company faces lower interest rate than normal rate for the loan borrowed from the Director. The company has to make an interest payment every 3 months. The loan benefits the company more than gain from deposit due to revenue generation from the project. Nevertheless, the company already paid up all debt in August 2004.

#### **11.3.5 Loan to and interest income**

Osihi Ramen lends a director short term loan since the amount is not so high and therefore not interrupt business operation. Return from issue the loan to the director is not lower than market rate and the rate that Oishi Ramen has to pay to the financial institution. On February 27, 2004, The director has already paid up all loan with interest rate to Oishi Ramen.

#### **11.3.6. Professional fee**

In 2003, the company had a plan to expand franchise business and improve business performance to be more effective and standardized, it therefore hires a food and franchise business expert to provide consulting service. Fee rate that the company pays is a competitive rate with the market rate. The rate had been set before Mr. Chew Hai Chiene Hester Arthur has appointed to Chairman of to Executive Committee. It is therefore reasonable and beneficial to the business.

Conclusively, the above interrelated businesses are reasonable and benefit to the company. In the future when the company is listed in SET, interrelated businesses will be done after approval of the audit committee and those who have right to vote as 11.5.

### **11.4 Procedure for interrelated business approval**

In case that interrelated business happens with those who might have conflict of interest, the company will ask audit committee to give opinion about necessity of such business. In case that the auditing committee does not have any expert in such a field, they will ask independent experts or external auditor to commit an audit instead.

### **11.5. Policy or potential to conduct interrelated business in the future**

It is anticipated that there will be interrelated business in the future according to normal business

practice. The company therefore still sticks to the same practice for interrelated business and the company's own benefit. However, an independent auditor or independent specialist will involve by their comment on the company action towards such issue. The company will also conform to SEC rules and regulations. It will also commit to information transparency policy about interrelated business.

Regarding interrelated business which might happen with those who may have conflict of interest, the company anticipates that there will not be such an issue after being listed with SET. In case that such case happens, the company will arrange a proper contract and ask auditing committee to give a comment on such issue. In case that the internal auditor does not have enough knowledge in a particular area, an expert will be requested to give their opinion instead.

## **12. Financial Status and the Company Performance**

### 12.1 Financial Statements

#### Summary of the auditor's report

The auditor's report in 2002 by Ms. Somchai Kurujitkosol from SK Accountant Services Ltd. gave an opinion that the company's financial statements is present fairly, in all material respects, in conformity with generally accepted accounting principles.

The auditor's report in 2004 by Ms. Somboon Supasiripinyo from KPMG Phoomchai Audit Ltd. gave an opinion that the company's financial statements is present fairly, in all material respects, in conformity with generally accepted accounting principles.

### 12.2 The auditor's fee

#### 12.2.1 Audit fee

The company and subsidiaries pay audit fee 3,680,000 baht in 2004.

#### 12.2.2 Non Audit fee

None

### Summary of Financial Statements

Items	Consolidated ('000 baht)		
	2002	2003	2004
Cash and cash equivalents	34,566	40,108	328,437
Current investments	972	1,143	30
Trade accounts Receivable - net	21,956	81,338	313,809
Loan to related parties	3,000	1,444	-
Inventories	27,188	88,501	188,529
Other current assets	15,963	38,571	38,700
Cash at Bank under commitment	3,712	3,630	3,000
General investment	5,000	-	-
Property, Plant and Equipment-net	404,473	805,580	1,375,448
Leasehold rights-net	93,021	87,823	82,621
Other non current assets	46,960	39,737	47,002
<b>Total Assets</b>	<b>656,811</b>	<b>1,187,874</b>	<b>2,377,576</b>

Items	Consolidated ('000 baht)		
	2002	2003	2004
Short term loans from financial institutions	-	132,759	71,404
Trade accounts payable	72,116	89,786	372,908
Current portion of long-term loans	24,744	36,754	6,100
Loan from director and related parties	18,823	106,600	-
Accrued expenses	31,647	87,836	144,384
Other accounts payable	41,326	56,430	154,817
Other current liabilities	9,430	26,605	21,949
Deferred Income	-	2,624	3,837
Long-term loans from financial institution	168,817	314,854	83,000
Other non-current liabilities	-	-	13,920
<b>Total Liabilities</b>	<b>366,903</b>	<b>854,247</b>	<b>872,319</b>
Registered capital	276,000	300,000	375,000
Paid up capital	276,000	300,000	375,000
Premium on share capital			609,402
Appropriated- Legal reserve			24,361
Unappropriated Retained earnings	13,908	33,628	496,493
<b>Total Shareholders' equity</b>	<b>289,908</b>	<b>333,628</b>	<b>1,505,256</b>
<b>Total liabilities and Shareholders' Equity</b>	<b>656,811</b>	<b>1,187,874</b>	<b>2,377,576</b>

#### Summary of the company's Financial Statements

Items	Consolidated ('000 baht)		
	2002	2003	2004
Sales	707,261	1,299,845	3,271,935
Other Income	6,551	18,775	11,055
Total Revenue	713,812	1,318,620	3,282,990
Cost of sales	407,776	735,352	1,990,201
Selling and administrative expenses	271,541	521,682	764,508
Profit before interest expenses and income tax	34,494	61,585	528,281
Interest expenses	(5,581)	(16,405)	(18,930)
Income tax	(5,830)	(25,460)	(22,125)
Net profit of minority interests	(3,831)	-	-
Net profit	19,252	19,720	487,227
Weighted average equivalent shares ('000 shares)	31,775	142,701	163,729
Basic earnings per share (par value 2 baht)	0.61	0.14	2.98

Remark: Par value is 2 baht/share. For comparison, in 2003 and 2004, the company has par value 100 baht and becomes 2 baht per share as of December 31, 2004

Items	Consolidated ('000 baht)		
	2002	2003	2004
Net cash provided by operating activities	N/A	76,938	740,140
Net cash used in investing activities	N/A	(474,074)	(705,751)
Net cash provided by financing activities	N/A	402,678	253,940
Net increase in Cash and cash equivalents	N/A	5,542	288,329

Items	Consolidated ('000 baht)		
	2002	2003	2004
<b>Liquidity Ratio</b>			
Liquidity Ratio (time)	0.52	0.47	1.13
Quick Ratio Time	0.29	0.23	0.83
Current cash debt coverage ratio	N/A	0.21	1.15
Account Receivable Turnover (times)	N/A	25.17	12.52
Average Collection period (days)	N/A	14.30	21.57
Inventory turnover (times)	N/A	12.71	11.10
Days sale outstanding (days)\	N/A	28.32	24.33
Account payable Turnover (times)	N/A	9.08	5.75
Average Payment Period (days)	N/A	39.63	83.42
Cash Cycle (days)	N/A	2.99	(37.51)
<b>Profitability Ratios</b>			
Gross Profit Margin	42.34%	43.43%	39.17%
Operating Profit Margin	3.95%	3.29%	15.81%
Other Profit Margin	0.92%	1.42%	0.34%
Cash to Profit Ratio	N/A	179.72%	143.10%
Net Profit Margin	2.70%	1.50%	14.84%
Return on Equity	N/A	1.58%	8.56%
<b>Efficiency Ratios</b>			
Return on Asset	N/A	0.53%	5.63%
Return on Fixed Asset	N/A	16.37%	49.28%
Asset Turnover	N/A	0.36	0.38
<b>Financial Policy Ratios</b>			
Debt to Equity Ratio (times)	1.27	2.56	0.58
Loan to Equity Ratio (times)	0.73	1.77	0.11
Times interest earned (times)	N/A	7.24	41.27
Dividend Payout	0.00%	0.00%	38.48%

## 12.1 Management's Discussion and Analysts on Operating Results

### Consolidated Operating Results

(Million Baht)

Items	Consolidated ('000 baht)		
	2004	2003	Compare to 2003
Sales Revenue	3,271.9	1,299.8	151.7%
Cost of sales	1,990.2	735.3	170.6%
Gross Profit	1,281.7	564.5	127.1%
Selling and Admin. Exp.	764.5	521.7	46.5%
Interest Expenses	18.9	16.4	15.4%
Net Profit	487.2	19.7	2,370.8%
Earnings per Share (Baht)	2.98	0.14	2,028.6%

### Consolidated Operating Results - Classified by Businesses

(Million Baht)

	Consolidated ('000 baht)		
	2004	2003	Compare to 2003
Sales Revenue - Foods	1,302.6	1,136.5	14.6%
Sales Revenue - Green Tea	1,969.3	163.3	1,105.7%
Total Sales Revenue	3,271.9	1,299.8	151.7%
Net Profit - Foods	54.1	58.4	(7.4%)
Net Profit - Green Tea	433.1	(38.7)	1,220.0%
Total Net Profit	487.2	19.7	2,370.8%

### Sales

In the year of 2004, company has sales revenue totally 3,271.9 million baht, which is 151.7% increase from the previous year that had sales revenue totally 1,299.8 million baht. It can be classified as 1,302.6 million baht from sales revenue of foods business or equivalent to 39.8% of total sales revenue, and 1,969.3 million baht from sales revenue of green tea business or 60.2% of total sales revenue. Moreover, the higher sales revenue comparing to the previous year comes from 1,105.7% increase in sales revenue of green tea business because of 4 additional production lines, totally there are 7 production lines and the company did not begin to produce or sell green tea during the first 9 months of year 2003. Also, it comes from 14.6% increase in sales revenue of foods business because company has expanded 6 branches during this year.

### Cost of sales

Total Cost of sales of the company for 2004 and 2003 are 1,990.2 million baht and 735.3 million baht or equal to 60.8% and 56.6% respectively. The company has higher Cost of sales because the percentage Cost of sales from green tea business is higher than from foods business.

## Selling and Administrative expenses

Company has Selling and Administrative expenses in 2004 and 2003 equals to 764.5 million baht and 521.7 million baht respectively. It is higher than the Selling and Administrative expenses of previous year because employee expenses, rent expense and advertising expense have increased. However, when compare these expenses in proportion of Selling and Administrative expenses over total sales in 2004 and 2003, the proportion has declined from 40.1% to 23.4% respectively. Due to the proportion of Selling and Administrative expenses from total sales of green tea business is lower than foods business, and green tea business has higher revenue structure and higher growth than foods business.

## Net Profit

In 2004 and 2003, the Company had net profit of Baht 487.2 million and Baht 19.7 million, respectively, which accounts for 14.9 and 1.5 percent of Sales. Net profit had increased by 2,370.8 percent; the improvements in net profit proportion resulted from a reduction in selling and administrative expenses, interest expenses and corporate income tax, due to increase from green tea beverage's income and decrease from interest expense that the company has paid of part of the loan within Q3/2004.

## Financial Status

### Assets

	December 31, 2004		December 31, 2003	
	Million Baht	Million Baht	Million Baht	Million Baht
Current assets	869.5	36.6%	251.1	21.1%
Land, buildings and Equipment (net)	1,375.5	57.8%	805.6	67.8%
Leasehold rights (net)	82.6	3.5%	87.8	7.4%
Other non-current assets	50.0	2.1%	43.4	3.7%

As at December 31, 2004, the Company had total assets of Baht 2,377.6 million. It had increased from the end of 2003 by 100.2 percent or Baht 1,189.7 million. Total assets consists of (1) Baht 869.5 million of current assets or 36.6% of total assets and (2) 1,508.1 million baht of non-current assets or 63.4% of total assets.

### **Current Assets**

**Current assets increased to Baht 618.4 million or 246.3% due to**

1. Cash and cash equivalent is Baht 328.4 million that increase from the end of 2003 by 718.9 percent or Baht 288.3 million due to gain from operation.
2. Account receivable (net) is Baht 313.8 million that increase from the end of 2003 by 285.8 percent or Baht 232.5 million, due to increase in income from green tea beverage sale.
3. Inventory is Baht 188.5 million that increase from the end of 2003 by 113.0 percent or Baht 100.0 million, due to increase in income from green tea beverage sale.

### **Property, Plant and Equipment - net**

Property, Plant and Equipment - net increased to Baht 569.9 million baht or 70.7 percent due to

1. To expanded the production lines of packaging (PET bottle) of green tea beverage from 1 to 4 production lines. The second one is available on Q3/2004, the third one is available on the early of Q4/2004, and the last one will be available on Q1/2005.

2. To expanded the production lines of packaging (UHT box) from 2 to 5 production lines. The third one is available on the Q2/2004, the fourth one is available on the early of Q4/2004 and the last one will be available on Q1/2005.

3. Open 6 new branches of foods business and changed the Buffet at Siam Discovery Branch to Oishi Buffet Grand.

### Liabilities

	December 31, 2004		December 31, 2003	
	Million Baht	Million Baht	Million Baht	Million Baht
Current liabilities	771.6	88.5%	536.8	62.8%
Long term Loans	83.0	9.5%	314.8	36.9%
Other non-current liabilities	17.7	2.0%	2.6	0.3%

As at December 31, 2004, total liabilities were Baht 872.3 million, which increased by 2.1 percent or Baht 18.1 million from 2003 because of increase of account payables-trade and account payable - construction and machineries and net with repayment of long term loan.

1. The share offering to the public, board of committee, and employee are 37.5 million shares, which par value is Baht 2. Thus company has increased in registered capital to Baht 75 million and premium is Baht 609.4 million

2. Net Profit in 2004 is Baht 487.2 million

### Liquidity

The company has net cash flow from operating activities in 2004 at 740.1 million baht, comprised of profit from operation 634.7 million baht and asset from operation increases by 341.3 million baht, while liabilities increases by 446.7 million baht. Net cash used in investment is 705.8 million baht for green tea business expansion and food outlet expansion. Net cash provided by financing activities is 253.9 million baht, comprised of cash flow from fund raising and premium from stock value at 684.4 million baht an pay back debt to director and financial institutions at 430.5 million baht. As of January 1, 2004 ,the company has cash and cash equivalents at 40.1 million baht , net cash as of December 31, 2004 is 328.4 million baht.

Liquidity ratio and quick ratio in 2004 is better than that in 2003, from 0.47 time and 0.23 time to 1.13 times and 0.83 times respectively. Since the company has cash flow from operation activities increased 663.2 million baht.

### Appropriateness of Capital Structure

The company has debt to equity ratio at 2.56 and 0.58 in 2003 and 2004 respectively. The ratio has reduced due to an increase in shareholder equity by 1,171.6 million baht. This is a result of trading common shares for fund raising and premium on stock value to public, directors, management and employees at 684.4 million baht and net profit in 2004 at 487.2 million baht and increase in liabilities only 18.1 million baht.

### 12.3 Influential factors affecting future business operation and financial status

12.3.1 In quarter 2, 2005, the company is going to increase green tea production by adding 2 more production lines (one for PET and one for UHT), there will be totally 9 lines. With additional 2 lines, PET production capacity increases by 36% and UHT increases by 65%

12.3.2 Due to green tea market growth in couple years, there are lots of new entry causing more radical competition, affecting the company's performance. However, the company still has some advantage in that it came first with strong brand and possessing large market share. Therefore the competitive situation should not have significant impact on company's performance. Instead, it will drive green tea segment to grow. The company has increased production capacity to correspond to future market expansion. The company also plans to expansion export to foreign markets.

12.3.3 At present, consumers become more health conscious, fruit juices and teas are getting popular and replacing soft drink. Apart from current capacity to serve market demand, the company plans to launch the new flavors and size. However, the company realizes the risk from consumer behavior change; it therefore plans to grow across categories of healthy beverages, by utilizing current capacity.

### 13. Other related information

None

# Oishi Group Public Company Limited

## Responsibility Report of the Board of Directors towards the Financial Report.

The company board is responsible for financial statements of Oishi Group Public Company Limited and consolidated financial statements of the company and subsidiaries including financial information, presented in an annual report. The financial statements have been prepared in conformity with generally accepted accounting principles. The company chooses the most appropriated accounting practice and uses it as a standard practice. The practice is ensured an ample extent to which information disclosed for the benefit of shareholders and investors.

The company board organizes and effective risk management system and internal control system. This is to ensure accuracy, completeness, and enough information of the financial statement and to prevent any corruption.

The company board has appointed an Audit Committee to responsible for an auditing process both for financial statements and for internal checking and monitoring. This, in another way, is to have a risk management system. The Audit Committee's report is presented in the annual report.

The company's financial statements, the company and subsidiaries' consolidated financial statements have been audited by KPMG Phoomchai Audit Ltd. Along the auditing process, the company gave a full support on required documents. The auditor's report on auditing matter is presented in the annual report.

The company board considers that the internal control is in satisfying level and is able to guarantee that financial statements of Oishi Group Public Company Limited and consolidated financial statements of the company and subsidiaries as of December 31, 2004 are credible according to accounting standards, and related law and regulations.

**Tan Passanakornnatee**  
(Chairman)

**Chew Hai Chiene Hester Arthur**  
(Chairman of Executive Committee)

# Oishi Group Public Company Limited

## The Audit Committee's Report

The Audit Committee for Oishi Group Public Company Limited was appointed according to the consent of the Board of Directors' Meeting No.1/2004 on March 18, 2004. The committee is comprised of 3 independent directors including Mr. Nopporn Picha, the Chairman of the Audit Committee, Mr. Kriang Yanyongdilok and Mr. Praisun Wongsmith, the committee members.

The committee has duty and responsibility as stated in the regulation and code of conduct for Stock Exchange of Thailand's committees. In Y2004, the committee held 9 meetings in total, while the essence of the meetings is as the following;

1. Quarterly and annually financial statements were audited. With this practice, important issues were queried for the disclosure of the precise and complete information according to an accounting standard. Also, there is cooperation from an external auditor regarding financial statement and internal accounting practice, which the detection found no discrepancy or big issue to concern.
2. The committee monitored the operation according to 15 codes of conduct guided by The Stock Exchange of Thailand. Besides, there was a detection of the company's practice and information disclosure regarding interrelated issues according to The Stock Exchange of Thailand's regulations. This is for a fair treatment towards all stakeholders.
3. An assessment of internal control capacity and appropriateness found that the company and subsidiaries have a proper internal control system for each business. No severe issue was found.
4. The committee controlled and monitored internal auditing by approving an auditing plan and studying auditing results conducted by internal auditing department, together with providing recommendation for improvement to operators case by case. More importantly, the committee also followed up the revision and improvement continuously.

For 2005, the committee suggests the company board to appoint Mr. Supoj Singsaneh, CPA No. 2826 or Ms Somboon Suppasirbhinyo, CPA No. 3731 or Mr. Akasit Shoothamasathid, CPA No.4195 of KMPG Phoomchai Audit Ltd. to conduct an auditing process once more. The committee already approved auditing fee of 3,680,000 baht, which is equal to the last year.

**Nopporn Picha**  
Chairman of the Audit Committee