

JAPAN FOODS HOLDING LTD

JAPAN FOODS HOLDING LTD.

(Incorporated in the Republic of Singapore on 3 December 2007)
(UEN.: 200722314M)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2018

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a)(i) An income statement and statement of comprehensive income or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated statement of comprehensive income

	<----- Group -----> Second Quarter Ended 30 September			<----- Group -----> Six Months Ended 30 September		
	2018 (S\$'000)	2017 (S\$'000)	Increase/ (Decrease) (%)	2018 (S\$'000)	2017 (S\$'000)	Increase/ (Decrease) (%)
Revenue	16,645	16,766	(0.7)	33,271	32,953	1.0
Cost of sales	(2,603)	(2,477)	5.1	(5,131)	(4,901)	4.7
Gross profit	14,042	14,289	(1.7)	28,140	28,052	0.3
Other income	164	176	(6.8)	287	315	(8.9)
Other gain/(losses) – net	(7)	3	N.M ⁽¹⁾	16	6	166.7
Selling and distribution expenses	(12,388)	(11,856)	4.5	(24,310)	(23,507)	3.4
Administrative expenses	(872)	(883)	(1.2)	(1,768)	(1,720)	2.8
Other operating expenses	(310)	(282)	9.9	(593)	(576)	3.0
Profit from operations	629	1,447	(56.5)	1,772	2,570	(31.1)
Share of profits of associated companies	125	149	(16.1)	182	301	(39.5)
Profit before tax	754	1,596	(52.8)	1,954	2,871	(31.9)
Income tax expenses	(129)	(297)	(56.6)	(363)	(527)	(31.1)
Total comprehensive income for the period attributable to equity holders of the company	625	1,299	(51.9)	1,591	2,344	(32.1)

Note:

- (1) "N.M." denotes not meaningful.

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1(a)(ii) Notes to the income statements

The Group's profit before income tax is arrived at after (crediting) / charging the following:

	<----- Group -----> Second Quarter Ended 30 September			<----- Group -----> Six Months Ended 30 September		
	2018 (S\$'000)	2017 (S\$'000)	Increase / (Decrease) (%)	2018 (S\$'000)	2017 (S\$'000)	Increase / (Decrease) (%)
Interest income	(33)	(37)	(10.8)	(59)	(57)	3.5
Royalty and franchise income	(61)	(65)	(6.2)	(122)	(127)	(3.9)
Membership card sales	-	(16)	N.M ⁽¹⁾	-	(22)	N.M ⁽¹⁾
Insurance claims	(9)	(2)	350.0	(11)	(5)	120.0
Government grants ⁽²⁾	(54)	(50)	8.0	(75)	(88)	(14.8)
Other income ⁽³⁾	(7)	(5)	40.0	(20)	(15)	33.3
Depreciation of property, plant and equipment	1,074	1,056	1.7	2,098	2,166	(3.1)
Amortisation of intangible assets	19	18	5.6	34	33	3.0
Property, plant and equipment written off	12	3	300.0	18	25	(28.0)
Currency exchange (gain)/loss - net	7	(4)	N.M ⁽¹⁾	(16)	(8)	100.0

Notes:

- (1) "N.M." denotes not meaningful.
- (2) Government grants refer mainly to the Temporary Employment Credit and Special Employment Credit Scheme.
- (3) Other income refers mainly to sales of scrap materials and marketing subsidy.

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1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

Statement of financial position

	<----- Group ----->		<----- Company----->	
	As at 30.09.2018 (S\$'000)	As at 31.03.2018 (S\$'000)	As at 30.09.2018 (S\$'000)	As at 31.03.2018 (S\$'000)
ASSETS				
Current assets				
Cash and bank balances	21,852	21,887	2,438	2,510
Trade receivables	1,030	1,005	-	-
Other receivables	8	18	1	-
Inventories	643	656	-	-
Amounts owing from subsidiary corporations	-	-	3,090	3,871
Other current assets	2,318	2,059	45	47
	25,851	25,625	5,574	6,428
Non-current assets				
Property, plant and equipment	9,378	9,277	19	24
Investments in subsidiary corporations	-	-	5,727	5,727
Investments in associated companies	2,473	2,365	191	48
Loan to an associated company	248	248	248	248
Financial assets, held-to-maturity	754	1,005	-	-
Intangible assets	235	135	-	-
Club membership	322	322	322	322
Long-term security deposits	3,883	4,285	13	-
	17,293	17,637	6,520	6,369
Total Assets	43,144	43,262	12,094	12,797
LIABILITIES				
Current liabilities				
Trade payables	1,394	1,408	-	-
Other payables and accruals	6,649	5,860	327	664
Current income tax liabilities	1,168	1,531	4	7
	9,211	8,799	331	671
Non-current liability				
Deferred income tax liabilities	430	430	4	4
	430	430	4	4
Total Liabilities	9,641	9,229	335	675
Net Assets	33,503	34,033	11,759	12,122
EQUITY				
Share capital	9,522	9,522	9,522	9,522
Treasury shares	(338)	(424)	(338)	(424)
Capital reserves	80	24	80	24
Retained earnings	24,239	24,911	2,495	3,000
Total Equity	33,503	34,033	11,759	12,122

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1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30 September 2018		As at 31 March 2018	
Secured (S\$'000)	Unsecured (S\$'000)	Secured (S\$'000)	Unsecured (S\$'000)
-	-	-	-

Amount repayable after one year

As at 30 September 2018		As at 31 March 2018	
Secured (S\$'000)	Unsecured (S\$'000)	Secured (S\$'000)	Unsecured (S\$'000)
-	-	-	-

Details of any collateral

Nil

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- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated statement of cash flows

	<----- Group -----> Second Quarter Ended 30 September		<----- Group -----> Six Months Ended 30 September	
	2018 (S\$'000)	2017 (S\$'000)	2018 (S\$'000)	2017 (S\$'000)
Cash flows from operating activities:				
Net profit	625	1,299	1,591	2,344
Adjustments for:				
Income tax expenses	129	297	363	527
Depreciation of property, plant and equipment	1,074	1,056	2,098	2,166
Amortisation of intangible assets	19	18	34	33
Property, plant and equipment written off	12	3	18	25
Share of profits of associated companies	(125)	(149)	(182)	(301)
Interest income from bank deposits	(33)	(37)	(59)	(57)
Amortisation of government grants	(3)	(3)	(5)	(5)
Employee performance shares expenses	-	-	339	241
	1,698	2,484	4,197	4,973
Changes in working capital:				
Inventories	29	14	13	19
Trade and other receivables	(160)	(218)	(15)	(323)
Other current assets	(249)	(198)	(259)	(40)
Long-term security deposits	185	(109)	402	(908)
Trade and other payables	231	18	780	799
Cash generated from operations	1,734	1,991	5,118	4,520
Interest income received	39	44	59	57
Income tax paid	(726)	(648)	(726)	(643)
Net cash provided by operating activities	1,047	1,387	4,451	3,934
Cash flows from investing activities:				
Additions to property, plant and equipment	(1,436)	(1,731)	(2,217)	(2,371)
Additions to intangible assets	(48)	(49)	(134)	(62)
Additions to associated company	-	-	(143)	-
Redemption of financial assets, held-to-maturity	-	-	251	-
Dividends received from associated company	217	-	217	-
Net cash used in investing activities	(1,267)	(1,780)	(2,026)	(2,433)

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Consolidated statement of cash flows (cont'd)

	<----- Group ----->		<----- Group ----->	
	Second Quarter Ended		Six Months Ended	
	30 September		30 September	
	2017	2016	2017	2016
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Cash flows from financing activities:				
Decrease in short-term bank deposits pledged	(4)	(90)	(317)	(16)
Purchase of treasury shares	(197)	-	(197)	-
Dividend paid to equity holders of the Company	(2,263)	(2,170)	(2,263)	(2,170)
Net cash used in financing activities	(2,464)	(2,260)	(2,777)	(2,186)
Net decrease in cash and cash equivalents	(2,684)	(2,653)	(352)	(685)
Cash and cash equivalents				
Beginning of financial period	22,111	20,107	19,779	18,139
End of financial period ⁽¹⁾	19,427	17,454	19,427	17,454

Note:

- (1) This excludes bank deposits of \$2.4 million as at 30 September 2018 (\$2.1 million as at 30 September 2017) pledged as security for bank facilities granted by financial institution(s) to the Group.

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- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Statement of changes in equity

Group	Share capital	Treasury shares	Capital reserves	Retained earnings	Total
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Balance as at 1 April 2018	9,522	(424)	24	24,911	34,033
Performance shares granted	-	283	56	-	339
Total comprehensive income for the period	-	-	-	966	966
Balance as at 30 June 2018	9,522	(141)	80	25,877	35,338
Dividend paid	-	-	-	(2,263)	(2,263)
Purchase of treasury shares	-	(197)	-	-	(197)
Total comprehensive income for the period	-	-	-	625	625
Balance as at 30 September 2018	9,522	(338)	80	24,239	33,503
Balance as at 1 April 2017	9,522	(559)	(8)	22,693	31,648
Performance shares granted	-	210	32	-	242
Total comprehensive income for the period	-	-	-	1,045	1,045
Balance as at 30 June 2017	9,522	(349)	24	23,738	32,935
Dividend paid	-	-	-	(2,170)	(2,170)
Total comprehensive income for the period	-	-	-	1,299	1,299
Balance as at 30 September 2017	9,522	(349)	24	22,867	32,064

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Company	Share capital (S\$'000)	Treasury shares (S\$'000)	Capital reserves (S\$'000)	Retained earnings (S\$'000)	Total (S\$'000)
Balance as at 1 April 2018	9,522	(424)	24	3,000	12,122
Performance shares granted	-	283	56	-	339
Total comprehensive income for the period	-	-	-	22	22
Balance as at 30 June 2018	9,522	(141)	80	3,022	12,483
Dividend paid	-	-	-	(2,263)	(2,263)
Purchase of treasury shares	-	(197)	-	-	(197)
Total comprehensive income for the period	-	-	-	1,736	1,736
Balance as at 30 September 2018	9,522	(338)	80	2,495	11,759
Balance as at 1 April 2017	9,522	(559)	(8)	3,990	12,945
Total comprehensive income for the period	-	-	-	22	22
Balance as at 30 June 2017	9,522	(349)	24	4,012	13,209
Dividend paid	-	-	-	(2,170)	(2,170)
Total comprehensive income for the period	-	-	-	2,519	2,519
Balance as at 30 September 2017	9,522	(349)	24	4,361	13,558

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- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

As at 31 March 2018, the Company held 1,048,100 treasury shares and the total number of ordinary shares in the capital of the Company ("**Shares**") (excluding treasury shares) was 173,387,900 Shares. On 17 May 2018, 700,000 treasury shares ("**PSP Shares**") were transferred to certain employees of the Group pursuant to the Japan Foods Performance Share Scheme. After such transfer and as at 30 June 2018, the Company held 348,100 treasury shares and the total number of issued Shares (excluding treasury shares) was 174,087,900 Shares.

In the months of August and September 2018, the Company had on 11 occasions purchased an aggregate of 395,800 Shares by way of market acquisitions (collectively the "**Share Buy-backs**"). After the Share Buy-backs and as at 30 September 2018, the Company held 743,900 treasury shares and the total number of issued Shares (excluding treasury shares) was 173,692,100 Shares.

Save for the above, there were no other changes in the Company's share capital between 30 June 2018 and 30 September 2018.

As at 30 September 2018 and as at 30 September 2017, the Company did not have any outstanding options or convertibles.

As at 30 September 2018, the Company did not have any subsidiary holdings and held 743,900 treasury shares which represented approximately 0.4% of the total issued Shares (excluding treasury shares and subsidiary holdings) comprising 173,692,100 shares. As at 30 September 2017, the Company did not have any subsidiary holdings and held 872,500 treasury shares which represented approximately 0.5% of the total issued Shares (excluding treasury shares and subsidiary holdings) comprising 173,563,500 shares.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	As at 30 September 2018	As at 31 March 2018
Total number of issued Shares	174,436,000	174,436,000
Less: Treasury shares	(743,900)	(1,048,100)
Total number of issued Shares, excluding treasury shares	173,692,100	173,387,900

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- 1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

	Second quarter ended 30 September 2018	Six months ended 30 September 2018
Treasury shares:		
Balance at beginning of financial period	348,100	1,048,100
Transferred on award of PSP Shares	-	(700,000)
Purchase of treasury shares	395,800	395,800
Balance at end of financial period	743,900	743,900

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable as the Company did not have any subsidiary holdings.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Save as disclosed in Paragraph 5 below, the Group has adopted the same accounting policies and methods of computation in the unaudited consolidated financial statements for the six (6) months ended 30 September 2018 compared to its most recently audited annual financial statements for the financial year ended 31 March 2018.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Accounting Standards Council (Singapore) has introduced a new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)"), that is identical to the International Financial Reporting Standards issued by the International Accounting Standards Board, for the financial year beginning on or after 1 January 2018.

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The Group has adopted SFRS(I) on 1 April 2018 and as a result, the Group's financial statements for the financial year ending 31 March 2019 will be prepared in accordance with SFRS(I).

The adoption of SFRS(I) does not result in any material changes to the Group's accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited financial statements as at 31 March 2018.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings per share ("EPS")

	<----- Group ----->		<----- Group ----->	
	Second Quarter Ended 30 September		Six Months Ended 30 September	
	2018	2017	2018	2017
Earnings attributable to equity holders of the Company (S\$'000)	625	1,299	1,591	2,344
Weighted average number of Shares used in computation of basic EPS	173,977,541	173,563,500	173,856,463	173,356,068
Basic EPS attributable to equity holders of the Company (cents) ⁽¹⁾	0.36	0.75	0.92	1.35
Fully diluted EPS attributable to equity holders of the Company (cents) ⁽²⁾	0.36	0.75	0.92	1.35

Notes:

- (1) Basic EPS is computed by dividing the Group's earnings attributable to the equity holders of the Company in each financial period by the weighted average number of Shares outstanding during the respective financial periods
- (2) Fully diluted EPS is the same as the basic EPS for the financial periods presented in the table above as the Company did not have any outstanding instruments convertible into rights to subscribe for, and options in respect of its Shares during these respective financial periods.

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7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

- (a) current financial period reported on; and
- (b) immediately preceding financial year.

Net asset value (“NAV”)

	<----- Group ----->		<----- Company ----->	
	As at		As at	
	30 September 2018	31 March 2018	30 September 2018	31 March 2018
NAV per Share (cents)	19.29	19.63	6.77	7.00
Number of Shares used in computation of NAV per Share	173,692,100	173,387,900	173,692,100	173,387,900

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group’s business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

As at 30 September 2018, the Group had a total of 53 restaurants in operation comprising 17 “Ajisen Ramen” restaurants, 2 “Kagurazaka Saryo” restaurants, 11 “Menya Musashi” restaurants, 7 “Shitamachi Tendon Akimitsu” restaurants, 5 “Osaka Ohsho” restaurants, 2 “Menzo Butao” restaurants and 9 restaurants operating under various other brands, namely, “Curry Is Drink”, “Kazokutei”, “Fruit Paradise”, “Konjiki Hototogisu”, “Japanese Gourmet Town”, “New ManLee Bak Kut Teh”, “Yonehachi”, “Ginza Kushi-Katsu” and “Dutch Baby Cafe”.

As at 30 September 2017, the Group had a total of 48 restaurants in operation comprising 19 “Ajisen Ramen” restaurants, 3 “Fruit Paradise” restaurants, 9 “Menya Musashi” restaurants, 3 “Shitamachi Tendon Akimitsu” restaurants, 6 “Osaka Ohsho” restaurants, 2 “New ManLee Bak Kut Teh” restaurants and 6 restaurants operating under various other brands, namely, “Kazokutei”, “Menzo Butao”, “Japanese Gourmet Town”, “Yonehachi”, “Ginza Kushi-Katsu” and “Dutch Baby Cafe”. As at 30 September 2017, the Group also had 1 “Ajisen Ramen” outlet located in Marina Bay Sands Shoppes Premium Food Precinct.

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Review of financial performance of the Group for 2Q2019 compared to 2Q2018

Revenue

The Group's revenue decreased by S\$0.1 million or 0.7% from S\$16.7 million in the second quarter from 1 July 2017 to 30 September 2017 ("**2Q2018**") to S\$16.6 million in the second quarter from 1 July 2018 to 30 September 2018 ("**2Q2019**") notwithstanding a higher number of restaurants in operation during 2Q2019, partly due to weaker consumer sentiment and decreasing discretionary consumer spending. The decrease in the Group's revenue was a result of the following:

- (i) *a net decrease in revenue of S\$1.2 million from restaurants operating under the "Ajisen Ramen" brand*

The Group's revenue from restaurants operating under the "Ajisen Ramen" brands decreased from S\$7.0 million in 2Q2018 to S\$5.8 million in 2Q2019, mainly attributable to: (i) the conversion of an "Ajisen Ramen" brand restaurant to a "Menya Musashi" brand restaurant at Takashimaya in November 2017, (ii) closure of an outlet at Marina Bay Sands Shoppes Premium Food Precinct in February 2018, (iii) temporary closure of a restaurant at Nex for a resizing of floor space and (iv) lower net sales generated from some other existing restaurants.

- (ii) *net decrease in revenue of S\$0.3 million from the restaurants operating under "Osaka Ohsho" brand*

The Group's revenue from restaurants operating under the "Osaka Ohsho" brand decreased from S\$2.1 million in 2Q2018 to S\$1.8 million in 2Q2019, mainly attributable to the closure of a restaurant at Eastpoint Mall in November 2017 as well as lower net sales generated from some existing restaurants.

- (iii) *net increase in revenue of S\$0.1 million from the restaurants operating under the "Menya Musashi" brand*

The Group's revenue from restaurants operating under the "Menya Musashi" brand increased from S\$3.6 million in 2Q2018 to S\$3.7 million in 2Q2019, mainly attributable to (i) the opening of new restaurants at North Point and Chinatown Point in September 2017 and September 2018 respectively and (ii) the conversion of an "Ajisen Ramen" brand restaurant to a "Menya Musashi" brand restaurant at Takashimaya in November 2017. The increase was partially offset by lower net sales generated from some other existing restaurants.

- (iv) *a net increase in revenue of approximately S\$1.3 million from the restaurants operating under other brands*

The Group recorded an increase in revenue of S\$2.2 million in 2Q2019, contributed by new restaurants operating under the "Shitamachi Tendon Akimitsu", "Curry is Drink", "Menzo Butao", "Kagurazaka Saryo" and "Konjiki Hototogisu" brands.

The increase in revenue was partially offset by a decrease in revenue from restaurants operating under other brands, namely the "New ManLee Bak Kut Teh", "Kazokutei", "Dutch Baby Cafe", "Ginza Kushi-Katsu", and "Fruit Paradise" brands which in aggregate recorded a decrease in revenue of S\$0.9 million in 2Q2019 as compared to 2Q2018 mainly due to closure of certain restaurants and lower same store sales.

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Gross profit

The Group's gross profit decreased by S\$0.2 million or 1.7%, from approximately S\$14.2 million in 2Q2018 to approximately S\$14.0 million in 2Q2019, in line with the lower revenue achieved. The Group's overall gross profit margin decreased marginally from 85.2% in 2Q2018 to 84.4% in 2Q2019 due to lower gross margin attributable to certain new brands.

Other income

The Group's other income remained approximately the same at S\$0.2 million in 2Q2019 as compared to 2Q2018.

Selling and distribution expenses

The Group's selling and distribution expenses increased by S\$0.5 million or 4.5% from S\$11.9 million in 2Q2018 to S\$12.4 million in 2Q2019 mainly due to higher (i) manpower cost of S\$0.2 million, (ii) rental expense of S\$0.2 million and (iii) utilities cost of S\$0.1 million, in line with the increased number of restaurants operated in 2Q2019.

Administrative expenses

The Group's administrative expenses remained approximately the same at S\$0.9 million in 2Q2019 as compared to 2Q2018.

Other operating expenses

The Group's other operating expenses remained approximately the same at S\$0.3 million in 2Q2019 as compared to 2Q2018.

Share of profit of associated companies

The Group's share of profit of its associated companies decreased by S\$24,000 or 16.1% from S\$149,000 in 2Q2018 to S\$125,000 in 2Q2019 due to lower sales of certain "Menya Musashi" brand restaurants operated by an associated company in Hong Kong as a result of intense competition.

Income tax expenses

The Group's income tax expenses decreased by S\$168,000 or 56.6% from S\$297,000 in 2Q2018 to S\$129,000 in 2Q2019 in line with the lower profit before income tax in 2Q2019.

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Net profit

As a result of the reasons mentioned above, the Group's net profit attributable to equity holders of the Company decreased by S\$0.7 million or 51.9% from S\$1.3 million in 2Q2018 to from S\$0.6 million in 2Q2019.

Review of financial performance of the Group for HY2019 compared to HY2018

Revenue

The Group's revenue increased by S\$0.3 million or 1.0% from S\$33.0 million in the six (6) months ended 30 September 2017 ("HY2018") to S\$33.3 million in the six (6) months ended 30 September 2018 ("HY2019"). The increase in the Group's revenue was a result of the following:

- (i) *a net increase in revenue of S\$2.4 million from the restaurants operating under other brands*

The Group recorded an increase in revenue of S\$4.6 million in HY2019, contributed by new restaurants operating under the "Shitamachi Tendon Akimitsu", "Curry is Drink", "Menzo Butao", "Kagurazaka Saryo" and "Konjiki Hototogisu" brands.

The increase in revenue was partially offset by a decrease in revenue from restaurants operating under other brands, namely the "New ManLee Bak Kut Teh", "Kazokutei", "Dutch Baby Cafe", "Ginza Kushi-Katsu", and "Fruit Paradise" brands which in aggregate recorded a decrease in revenue of S\$2.2 million in HY2019 as compared to HY2018 mainly due to closure of certain restaurants and lower same store sales.

- (ii) *net increase in revenue of S\$0.3 million from the restaurants operating under the "Menya Musashi" brand*

The Group's revenue from restaurants operating under the "Menya Musashi" brand increased from S\$7.3 million in HY2018 to S\$7.6 million in HY2019, mainly attributable to (i) the opening of new restaurants at North Point and Chinatown Point in September 2017 and September 2018 respectively and (ii) the conversion of an "Ajisen Ramen" brand restaurant to a "Menya Musashi" brand restaurant at Takashimaya in November 2017. The increase was partially offset by lower net sales generated from some existing restaurants.

- (iii) *net decrease in revenue of approximately S\$1.8 million from the restaurants operating under the "Ajisen Ramen" brand*

The Group's revenue from restaurants operating under the "Ajisen Ramen" brands decreased from S\$13.8 million in HY2018 to S\$12.0 million in HY2019, mainly attributable to: (i) the conversion of an "Ajisen Ramen" brand restaurant to a "Menya Musashi" brand restaurant at Takashimaya in November 2017, (ii) closure of an outlet at Marina Bay Sands Shoppes Premium Food Precinct in February 2018, (iii) temporary closure of a restaurant at Nex in September 2018 for a resizing of floor space and (iv) lower net sales generated from some existing restaurants.

- (iv) *net decrease in revenue of S\$0.6 million from the restaurants operating under "Osaka Ohsho" brand*

The Group's revenue from restaurants operating under the "Osaka Ohsho" brand decreased from S\$4.2 million in HY2018 to S\$3.6 million in HY2019, mainly attributable to the closure of a restaurant at Eastpoint Mall in November 2017 as well as lower net sales generated from some existing restaurants.

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Gross profit

The Group's gross profit increased by S\$0.1 million or 0.3% from S\$28.0 million in HY2018 to S\$28.1 million in HY2019, generally in line with the increase in the Group's revenue.

The Group's overall gross profit margin decreased marginally from 85.1% in HY2018 to 84.6% in HY2019 due to lower gross margin attributable to certain new brands.

Other income

The Group's other income remained approximately the same at S\$0.3 million in HY2019 as compared to HY2018.

Selling and distribution expenses

The Group's selling and distribution expenses increased by S\$0.8 million or 3.4% from S\$23.5 million in HY2018 to S\$24.3 million in HY2019 mainly due to higher (i) manpower cost of S\$0.4 million, (ii) rental expense of S\$0.3 million and (iii) utilities cost of S\$0.2 million, in line with the increased number of restaurants operated in HY2019. The was partially offset by a decrease in depreciation and advertising expenses of S\$0.1 million in aggregate.

Administrative expenses

The Group's administrative expenses increased by S\$48,000 or 2.8% from S\$1,720,000 in HY2018 to S\$1,768,000 in HY2019. The increase was mainly due to higher manpower cost, in line with the Group's expanded restaurant network and brands.

Other operating expenses

The Group's other operating expenses remained approximately the same at S\$0.6 million in HY2019 as compared to HY2018.

Share of profit of associated companies

The Group's share of profit of its associated companies decreased by S\$0.1 million or 39.5% from S\$0.3 million in HY2018 to S\$0.2 million in HY2019 due to lower sales of certain "Menya Musashi" brand restaurants operated by an associated company in Hong Kong as a result of intense competition.

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Income tax expenses

The Group's income tax expenses decreased by S\$0.1 million or 31.1% from S\$0.5 million in HY2018 to S\$0.4 million in HY2019, in line with the decrease in the Group's profit before income tax in HY2019.

Net profit

As a result of the reasons mentioned above, the Group's net profit attributable to equity holders of the Company decreased by S\$0.7 million or 32.1% from S\$2.3 million in HY2018 to S\$1.6 million in HY2019.

Review of financial position of the Group as at 30 September 2018

Current assets

The Group's total current assets increased by S\$0.3 million, from S\$25.6 million as at 31 March 2018 to S\$25.9 million as at 30 September 2018. This was mainly due to an increase in short term rental deposits and prepayments of S\$0.3 million.

Non-current assets

The Group's total non-current assets decreased by S\$0.3 million, from S\$17.6 million as at 31 March 2018 to S\$17.3 million as at 30 September 2018, due to a decrease in long term security deposit of S\$0.4 million and financial assets held-to-maturity of S\$0.2 million. These were partially offset by (i) an increase in the net book value of plant and equipment of S\$0.1 million, (ii) increase in the net book value of intangible assets due to the acquisition of franchise rights of new brands of S\$0.1 million, and (iii) net increase in investment in associated company of S\$0.1 million arising from the investment in an associated company in Indonesia, share of profits from associated companies in Hong Kong and China, less dividends received.

Current liabilities

The Group's total current liabilities increased by S\$0.4 million, from S\$8.8 million as at 31 March 2018 to S\$9.2 million as at 30 September 2018, mainly due to an increase in other payables and accrued expenses of S\$0.8 million partially offset by a decrease in current income tax liabilities of S\$0.4 million.

Non-current liabilities

The Group's total non-current liabilities remained unchanged at S\$0.4 million as at 30 September 2018.

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Shareholders' equity

The Group's shareholders' equity decreased by S\$0.5 million, from S\$34.0 million as at 31 March 2018 to S\$33.5 million as at 30 September 2018. The decrease was mainly due to the distribution of final dividend in respect of FY2018 amounting to S\$2.2 million and the Share-Buy-backs of S\$0.2 million. The decrease was partially offset by the net profit achieved by the Group in HY2019 of S\$1.6 million and the transfer of treasury shares to the Group's employees pursuant to the Japan Foods Performance Share Plan (as announced on 17 May 2018) amounting to S\$0.3 million.

Review of cash flow statement for 2Q2019

The Group's net cash generated from operating activities in 2Q2019 was S\$1.0 million. This was mainly due to operating profit after working capital changes of S\$1.7 million and offset by payment of income tax of S\$0.7 million.

The Group's net cash used in investing activities in 2Q2019 was S\$1.3 million mainly due to renovation cost and purchase of equipment for the Group's new restaurants of S\$1.5 million and partially offset by dividends received from the Hong Kong and China associated companies of S\$0.2 million.

The Group's net cash used in financing activities in 2Q2019 was S\$2.4 million mainly due to dividend payment of S\$2.2 million and the Share Buy-backs of S\$0.2 million.

Review of cash flow statement for HY2019

The Group's net cash generated from operating activities in HY2019 was S\$4.4 million. This was mainly due to operating profit after working capital changes of S\$5.1 million and offset by payment of income tax of S\$0.7 million.

The Group's net cash used in investing activities in HY2019 was S\$2.0 million mainly due to (i) renovation cost and purchase of equipment for the Group's new restaurants of S\$2.2 million, (ii) acquisition of franchise rights of new brands of approximately S\$0.1 million, (iii) investment in an associated company in Indonesia of approximately S\$0.2 million and partially offset by the redemption of financial assets held-to-maturity of approximately S\$0.3 million and dividends received from the Hong Kong and China associated company of S\$0.2 million.

The Group's net cash used in financing activities in HY2019 was S\$2.8 million mainly due to (i) dividend payment of S\$2.3 million, (ii) Share Buy-backs of S\$0.2 million and (iii) increase in short-term bank deposit pledged of S\$0.3 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

There has not been any forecast or prospect statement in relation to the Group's results previously disclosed to shareholders.

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10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The operating environment in the local food and beverage industry is expected to remain challenging in the next 12 months due to intense competition, tight labour supply, rising business costs and uncertain economic outlook.

The Group will continue to focus its efforts in controlling raw material costs, improving operational efficiency via streamlining of work processes and technology and practising good restaurant portfolio management taking into account market demand and individual restaurant's profitability.

The Group recently secured the franchise rights of "Konjiki Hototogisu" which is an award winning ramen brand featured in Michelin Guide Tokyo's Bib Gourmand for four consecutive years from 2015 to 2018. The first restaurant under this brand opened at CHIJMES in June 2018. The Group has also secured the franchise rights of "Kagurazaka Saryo", an established Japanese tea house and dessert shop from Tokyo, Japan. The first restaurant under this brand opened at Vivo City in July 2018. The response from customers for these two new brands has been encouraging. Subject to general economic conditions, availability of suitable locations and other business considerations, the Group intends to open more restaurants under "Konjiki Hototogisu" and "Kagurazaka Saryo" brands in future. The Group will continue to explore opportunities to acquire new brands and expand its portfolio of restaurants.

As at 30 September 2018, the Group's associated companies operated 7 restaurants in Hong Kong, 10 restaurants in the People's Republic of China and 1 restaurant in Jakarta under the "Menya Musashi" brand.

The Group intends to continue its efforts to seek opportunities to expand its presence in the ASEAN region and Japan by way of joint ventures, acquisitions and/or sub-franchising of its brands. In addition, the Group will also explore opportunities in non-Japanese food and beverage.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

Name of dividend	Interim
Dividend type	Cash
Dividend amount per share (in cents)	0.80 cents per ordinary share

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of dividend	Interim
Dividend type	Cash
Dividend amount per share (in cents)	0.80 cents per ordinary share

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- (c) **Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)**

Tax exempt (one-tier)

- (d) **Date payable**

The payment date for the interim dividend in respect of HY2019 (the “**Interim Dividend**”) is on 7 December 2018.

- (e) **Books closure date**

Registrable transfers received by the Company's Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road, #03-00 ASO Building, Singapore 048544, up to 5.00 p.m. on 21 November 2018 will be registered before entitlements to the Interim Dividend are determined and the Share Transfer Books and the Register of Members of the Company will be closed on 22 November 2018 for the purposes of determining shareholders' entitlement to the Interim Dividend.

12. **If no dividend has been declared/recommended, a statement to that effect.**

Not applicable.

13. **If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no general mandate has been obtained, a statement to that effect**

The Company did not obtain any general mandate from its shareholders in respect of any interested person transaction.

14. **Negative confirmation pursuant to Rule 705(5)**

We, Takahashi Kenichi and Eugene Wong Hin Sun, being directors of the Company (“**Directors**”), hereby confirm on behalf of the board of Directors that, to the best of the Directors' knowledge, nothing has come to the attention of the board of Directors which may render the unaudited consolidated financial statements of the Group for the six months ended 30 September 2018 to be false or misleading in any material aspect.

On behalf of the board of Directors

Takahashi Kenichi
Executive Chairman and CEO

Eugene Wong Hin Sun
Non-Executive Vice Chairman

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15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that it has already procured signed undertakings from all of its Directors and relevant executive officers in the format as set out in Appendix 7H of the Catalist Rules in accordance with Rule 720(1) of the Catalist Rules.

BY ORDER OF THE BOARD

Takahashi Kenichi
Executive Chairman and CEO

7 November 2018

This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor") for compliance with the Catalist Rules. The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement. The contact person for the Sponsor is Ms Tan Cher Ting, Director, Investment Banking, CIMB Bank Berhad, Singapore Branch, at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.