

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 NINE-MONTH PERIOD ENDED 31 DECEMBER 2016

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 -----> | | | <----- Group -----> | | |
|--|-----------------------------------|--------------------|--------------------------------|----------------------------------|--------------------|--------------------------------|
| | Three Months Ended 31 December | | Increase/ (Decrease) (%) | Nine Months Ended 31 December | | Increase/ (Decrease) (%) |
| | 2016 (\$\$'000) | 2015 (\$\$'000) | | 2016 (\$\$'000) | 2015 (\$\$'000) | |
| Revenue | 16,800 | 15,389 | 9.2 | 50,270 | 47,101 | 6.7 |
| Cost of sales | (2,544) | (2,378) | 7.0 | (7,622) | (7,472) | 2.0 |
| Gross profit | 14,256 | 13,011 | 9.6 | 42,648 | 39,629 | 7.6 |
| Other income | 152 | 164 | (7.3) | 665 | 694 | (4.2) |
| Other gain | 36 | 13 | 176.9 | 10 | - | N.M. ⁽¹⁾ |
| Selling and distribution expenses | (11,737) | (11,131) | 5.4 | (35,228) | (33,370) | 5.6 |
| Administrative expenses | (788) | (799) | (1.4) | (2,503) | (2,350) | 6.5 |
| Other operating expenses | (284) | (288) | (1.4) | (1,005) | (1,043) | (3.6) |
| Profit from operations | 1,635 | 970 | 68.6 | 4,587 | 3,560 | 28.8 |
| Share of results of associated companies | 108 | 117 | (7.7) | 359 | 391 | (8.2) |
| Profit before tax | 1,743 | 1,087 | 60.3 | 4,946 | 3,951 | 25.2 |
| Income tax expenses | (303) | (175) | 73.1 | (849) | (641) | 32.4 |
| Total comprehensive income for the period attributable to equity holders of the company | 1,440 | 912 | 57.9 | 4,097 | 3,310 | 23.8 |

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 charging / (crediting) the following:

| | <----- Group -----> | | | <----- Group -----> | | |
|---|---------------------|----------|--------------------------|---------------------|----------|--------------------------|
| | Three Months Ended | | Increase / (Decrease) | Nine Months Ended | | Increase / (Decrease) |
| | 31 December | | | 31 December | | |
| | 2016 | 2015 | (%) | 2016 | 2015 | (%) |
| | (\$'000) | (\$'000) | | (\$'000) | (\$'000) | |
| Interest income | (10) | (18) | (44.4) | (63) | (65) | (3.1) |
| Royalty and franchise income | (62) | (76) | (18.4) | (306) | (366) | (16.4) |
| Membership card sales | (17) | (15) | 13.3 | (32) | (35) | (8.6) |
| Insurance claims | (10) | (1) | 900.0 | (34) | (6) | 466.7 |
| Amortisation of government grant | (9) | (16) | (43.8) | (40) | (98) | (59.2) |
| Government grants ⁽²⁾ | (38) | (35) | 8.6 | (166) | (110) | 50.9 |
| Other income ⁽³⁾ | (6) | (3) | 100.0 | (24) | (14) | 71.4 |
| Depreciation of plant and equipment | 1,252 | 1,243 | 0.7 | 3,897 | 3,876 | 0.5 |
| Amortisation of intangible assets | 16 | 15 | 6.7 | 49 | 43 | 14.0 |
| Plant and equipment written off | - | 23 | N.M. ⁽¹⁾ | 13 | 127 | (89.8) |
| Loss on disposal of plant and equipment | - | - | N.M. ⁽¹⁾ | 6 | 8 | (25.0) |
| Inventories written off | - | - | N.M. ⁽¹⁾ | - | 1 | N.M. ⁽¹⁾ |
| Currency translation (gain)/loss - net | (36) | (13) | 176.9 | (10) | 14 | N.M. ⁽¹⁾ |

Notes:

- (1) "N.M." denotes not meaningful.
- (2) Government grants refer mainly to the Temporary Employment Credit Scheme 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 31.12.2016 (S\$'000) | As at 31.03.2016 (S\$'000) | As at 31.12.2016 (S\$'000) | As at 31.03.2016 (S\$'000) |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 20,042 | 16,854 | 1,774 | 1,417 |
| Trade receivables | 1,065 | 658 | - | - |
| Other receivables | 11 | 209 | - | 174 |
| Inventories | 654 | 643 | - | - |
| Amounts owing by subsidiary companies | - | - | 3,331 | 5,284 |
| Other current assets | 2,482 | 2,809 | 18 | 43 |
| | 24,254 | 21,173 | 5,123 | 6,918 |
| Non-current assets | | | | |
| Property, plant and equipment | 11,035 | 11,805 | 50 | 24 |
| Investment in subsidiaries | - | - | 5,727 | 5,727 |
| Investment in associated companies | 1,644 | 1,285 | 48 | 48 |
| Loan to an associated company | 248 | 248 | 248 | 248 |
| Financial assets, held-to-maturity | 504 | 504 | - | - |
| Intangible assets | 183 | 233 | - | - |
| Club membership | 322 | 322 | 322 | 322 |
| Long-term security deposits | 3,214 | 3,281 | - | - |
| | 17,150 | 17,678 | 6,395 | 6,369 |
| Total Assets | 41,404 | 38,851 | 11,518 | 13,287 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade payables | 1,419 | 1,268 | - | - |
| Other payables and accruals | 6,443 | 4,962 | 518 | 540 |
| Amounts owing to subsidiary companies | - | - | - | - |
| Current income tax liabilities | 1,039 | 908 | 1 | 3 |
| | 8,901 | 7,138 | 519 | 543 |
| Non-current liabilities | | | | |
| Deferred income tax liabilities | 860 | 860 | - | - |
| Total Liabilities | 9,761 | 7,998 | 519 | 543 |
| Net Assets | 31,643 | 30,853 | 10,999 | 12,744 |
| EQUITY | | | | |
| Share capital | 9,522 | 9,522 | 9,522 | 9,522 |
| Treasury shares | (4) | (194) | (4) | (194) |
| Share-based compensation reserves | (8) | - | (8) | - |
| Retained earnings | 22,133 | 21,525 | 1,489 | 3,416 |
| Total Equity | 31,643 | 30,853 | 10,999 | 12,744 |

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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 31 December 2016 | | As at 31 March 2016 | |
|------------------------|------------------------|----------------------|------------------------|
| Secured (S\$'000) | Unsecured (S\$'000) | Secured (S\$'000) | Unsecured (S\$'000) |
| - | - | - | - |

Amount repayable after one year

| As at 31 December 2016 | | As at 31 March 2016 | |
|------------------------|------------------------|----------------------|------------------------|
| 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 -----> | | <----- Group -----> | |
|--|-----------------------------------|--------------|----------------------------------|----------------|
| | Three Months ended 31 December | | Nine Months Ended 31 December | |
| | 2016 | 2015 | 2016 | 2015 |
| | (\$\$'000) | (\$\$'000) | (\$\$'000) | (\$\$'000) |
| Cash flows from operating activities | | | | |
| Net profit | 1,440 | 912 | 4,097 | 3,310 |
| Adjustments for: | | | | |
| Income tax expenses | 303 | 175 | 849 | 641 |
| Depreciation of plant and equipment | 1,252 | 1,243 | 3,897 | 3,876 |
| Amortisation of intangible assets | 16 | 15 | 49 | 43 |
| Plant and equipment written off | - | 23 | 13 | 127 |
| Share of results of an associated companies | (108) | (117) | (359) | (391) |
| Loss on disposal of plant and equipment | - | - | 6 | 8 |
| Inventories written off | - | - | - | 1 |
| Interest income | (10) | (18) | (63) | (65) |
| Amortisation of government grants | (9) | (16) | (40) | (98) |
| Employee Performance Shares expenses | - | - | 182 | 215 |
| | 2,884 | 2,217 | 8,631 | 7,667 |
| Changes in working capital: | | | | |
| Inventories | (35) | 16 | (11) | 34 |
| Trade and other receivables | (350) | (328) | (206) | (455) |
| Other current assets | 89 | - | 327 | (231) |
| Long-term security deposits | 130 | (606) | 67 | (537) |
| Trade and other payables | 337 | (377) | 1,672 | 49 |
| Cash generated from operations | 3,055 | 922 | 10,480 | 6,527 |
| Interest income received | 14 | 13 | 59 | 59 |
| Income tax paid | (245) | (153) | (717) | (305) |
| Net cash provided by operating activities | 2,824 | 782 | 9,822 | 6,281 |
| Cash flows from investing activities: | | | | |
| Purchase of club membership | - | (63) | - | (63) |
| Additions to plant and equipment | (492) | (851) | (3,146) | (2,203) |
| Additions to intangible assets | - | - | - | (83) |
| Proceeds from disposal of plant and equipment | - | - | - | - |
| Net cash used in investing activities | (492) | (914) | (3,146) | (2,349) |

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| | <----- Group -----> | | <----- Group -----> | |
|--|-----------------------------------|----------------|----------------------------------|----------------|
| | Three Months ended 31 December | | Nine Months Ended 31 December | |
| | 2016 | 2015 | 2016 | 2015 |
| | (S\$'000) | (S\$'000) | (S\$'000) | (S\$'000) |
| Cash flows from financing activities: | | | | |
| Increase/ (Decrease) in short-term bank deposits pledged | (1) | (1) | (295) | (64) |
| Dividend paid to equity holders of the Company | (1,308) | (1,308) | (3,488) | (3,518) |
| Net cash used in financing activities | (1,309) | (1,309) | (3,783) | (3,582) |
| Net increase/ (decrease) in cash and cash equivalents | 1,023 | (1,441) | 2,893 | 350 |
| Beginning of financial period | 16,936 | 15,981 | 15,066 | 14,190 |
| End of financial period ⁽¹⁾ | 17,959 | 14,540 | 17,959 | 14,540 |

Note:

- (1) This excludes bank deposits of S\$2.1 million as at 31 December 2016 (S\$1.8 million as at 31 December 2015) 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 | Share-based compensation reserves | Retained earnings | Total |
|---|---------------|-----------------|-----------------------------------|-------------------|---------------|
| | (S\$'000) | (S\$'000) | (S\$'000) | (S\$'000) | (S\$'000) |
| Balance as at 1 April 2016 | 9,522 | (194) | - | 21,525 | 30,853 |
| Award of performance shares | - | 190 | (8) | - | 182 |
| Dividend paid | - | - | - | (2,181) | (2,181) |
| Total comprehensive income for the period | - | - | - | 2,657 | 2,657 |
| Balance as at 30 September 2016 | 9,522 | (4) | (8) | 22,001 | 31,511 |
| Dividend paid | - | - | - | (1,308) | (1,308) |
| Total comprehensive income for the period | - | - | - | 1,440 | 1,440 |
| Balance as at 31 December 2016 | 9,522 | (4) | (8) | 22,133 | 31,643 |
| Balance as at 1 April 2015 | 9,307 | - | - | 21,268 | 30,575 |
| Award of performance shares | 215 | - | - | - | 215 |
| Dividend paid | - | - | - | (2,210) | (2,210) |
| Total comprehensive income for the period | - | - | - | 2,398 | 2,398 |
| Balance as at 30 September 2015 | 9,522 | - | - | 21,456 | 30,978 |
| Dividend paid | - | - | - | (1,308) | (1,308) |
| Total comprehensive income for the period | - | - | - | 912 | 912 |
| Balance as at 31 December 2015 | 9,522 | - | - | 21,060 | 30,582 |

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| Company | Share capital | Treasury shares | Share-based compensation reserves | Retained earnings | Total |
|---|---------------|-----------------|-----------------------------------|-------------------|---------------|
| | (S\$'000) | (S\$'000) | (S\$'000) | (S\$'000) | (S\$'000) |
| Balance as at 1 April 2016 | 9,522 | (194) | - | 3,416 | 12,744 |
| Award of performance shares | - | 190 | (8) | - | 182 |
| Dividend paid | - | - | - | (2,181) | (2,181) |
| Total comprehensive income for the period | - | - | - | 1,539 | 1,539 |
| Balance as at 30 September 2016 | 9,522 | (4) | (8) | 2,774 | 12,284 |
| Dividend paid | - | - | - | (1,308) | (1,308) |
| Total comprehensive income for the period | - | - | - | 23 | 23 |
| Balance as at 31 December 2016 | 9,522 | (4) | (8) | 1,489 | 10,999 |
| Balance as at 1 April 2015 | 9,307 | - | - | 4,205 | 13,512 |
| Award of performance shares | 215 | - | - | - | 215 |
| Dividend paid | - | - | - | (2,210) | (2,210) |
| Total comprehensive income for the period | - | - | - | 27 | 27 |
| Balance as at 30 September 2015 | 9,522 | - | - | 2,022 | 11,544 |
| Dividend paid | - | - | - | (1,308) | (1,308) |
| Loss for the period | - | - | - | (24) | (24) |
| Balance as at 31 December 2015 | 9,522 | - | - | 690 | 10,212 |

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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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.**

As at 31 March 2016, the Company held 500,000 treasury shares and the total number of ordinary shares in the capital of the Company ("**Shares**") (excluding treasury shares) was 173,936,000 Shares. On 7 July 2016, 490,000 treasury shares ("**PSP Shares**") were transferred to certain employees of the Company and its subsidiaries (the "**Group**") pursuant to the Japan Foods Performance Share Scheme. Following the transfer of the PSP Shares, the total issued share capital of the Company (excluding treasury shares) increased from 173,936,000 Shares as at 31 March 2016 to 174,426,000 Shares as at 31 December 2016.

There were no changes in the Company's share capital since the end of previous period reported on 30 September 2016 to 31 December 2016.

As at 31 December 2016, the Company held 10,000 treasury shares and the total number of issued Shares (excluding treasury shares) was 174,426,000 Shares. As at 31 December 2015, the Company did not have any treasury shares and the total number of issued Shares (excluding treasury shares) was 174,436,000 Shares.

As at 31 December 2016 and 31 December 2015, the Company did not have any outstanding options or convertibles.

On 18 January 2017 and 19 January 2017, the Company purchased 1,000,000 and 382,500 Shares by way of market acquisition. Accordingly, as at the date of this announcement, the Company held 1,392,500 treasury shares and the total number of issued Shares was 173,043,500 Shares (excluding treasury 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 31 December 2016 | As at 31 March 2016 |
|--|-----------------------------------|--------------------------------|
| Total number of issued Shares | 174,436,000 | 174,436,000 |
| Less: Treasury shares | (10,000) | (500,000) |
| Total number of issued Shares, excluding treasury shares | <u>174,426,000</u> | <u>173,936,000</u> |

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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.**

| | Three Months Ended 31 December | | Nine Months Ended 31 December | |
|--|-----------------------------------|------|----------------------------------|------|
| | 2016 | 2015 | 2016 | 2015 |
| Treasury shares: | | | | |
| Balance at beginning of financial period | 10,000 | - | 500,000 | - |
| Share buy-backs | - | - | - | - |
| Transferred on award of PSP Shares | - | - | (490,000) | - |
| Balance at end of financial period | 10,000 | - | 10,000 | - |

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.**

Saved as disclosed in Paragraph 5 below, the Group has adopted the same accounting policies and methods of computation in its unaudited consolidated financial statements for the nine (9) months ended 31 December 2016 compared to its most recently audited annual financial statements for the financial year ended 31 March 2016.

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 Group has adopted all the new and revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2016 and are relevant to its operations. The adoption of these new/revised FRS and INT FRS 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 2016.

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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 -----> | |
|--|---------------------------------|-------------|-------------------------------|-------------|
| | Third Quarter Ended 31 December | | Nine Months Ended 31 December | |
| | 2016 | 2015 | 2016 | 2015 |
| Earnings attributable to equity holders of the Company (S\$'000) | 1,440 | 912 | 4,097 | 3,310 |
| Weighted average number of Shares used in computation of basic EPS | 174,426,000 | 174,436,000 | 174,253,164 | 174,237,418 |
| Basic EPS attributable to equity holders of the Company (cents) ⁽¹⁾ | 0.83 | 0.52 | 2.35 | 1.90 |
| Fully diluted EPS attributable to equity holders of the Company (cents) ⁽²⁾ | 0.83 | 0.52 | 2.35 | 1.90 |

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 period.
- (2) Fully diluted EPS are 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 financial periods.

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 31 December 2016 | As at 31 March 2016 | As at 31 December 2016 | As at 31 March 2016 |
| NAV per Share (cents) | 18.14 | 17.74 | 6.31 | 7.33 |
| Number of Shares used in computation of NAV per Share | 174,426,000 | 173,936,000 | 174,426,000 | 173,936,000 |

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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 31 December 2016, the Group had a total of 50 restaurants in operation comprising 16 "Ajisen Ramen" restaurants, 3 "Keika Ramen" restaurants, 4 "Fruit Paradise" restaurants, 8 "Menya Musashi" restaurants, 3 "Kazokutei" restaurants, 6 "Osaka Ohsho" restaurants, 3 "New ManLee Bak Kut Teh" and 7 restaurants operating under various other brands (namely, "Botejyu", "Hanamidori", "Menzo Butao", "Japanese Gourmet Town", "Yonehachi", "Ginza Kushi-Katsu" and "Dutch Baby Cafe" brands). As at 31 December 2016, the Group had 1 "Ajisen Ramen" outlet located in Marina Bay Sands Shoppes Premium Food Precinct.

In comparison, as at 31 December 2015, the Group had a total of 43 restaurants in operation comprising 15 "Ajisen Ramen" restaurants, 4 "Fruit Paradise" restaurants, 7 "Menya Musashi" restaurants, 3 "Kazokutei" restaurants, 6 "Osaka Ohsho" restaurants, 2 "Keika Ramen" restaurants and 6 restaurants operating under various other brands (namely "Botejyu", "Hanamidori", "New ManLee Bak Kut Teh", "Menzo Butao", "Japanese Gourmet Town" and "Yonehachi" brands). As at 31 December 2015, the Group also had 1 "Ajisen Ramen" outlet located in Marina Bay Sands Shoppes Premium Food Precinct.

Review of financial performance of the Group for 3Q2017 compared to 3Q2016

Revenue

The Group's revenue increased by S\$1.4 million or 9.2% from S\$15.4 million in the third quarter from 1 October 2015 to 31 December 2015 ("**3Q2016**") to S\$16.8 million in the third quarter from 1 October 2016 to 31 December 2016 ("**3Q2017**"). The increase in the Group's revenue was a result of the following:

- (i) a net increase in revenue of S\$0.1 million from restaurants operating under the "Ajisen Ramen" and "Keika Ramen" brands

The Group's revenue from restaurants operating under the "Ajisen Ramen" and "Keika Ramen" brands increased from S\$6.7 million in 3Q2016 to S\$6.8 million in 3Q2017, mainly attributable to: (i) revenue contribution from a restaurant at Bukit Panjang Plaza following the conversion from "Osaka Ohsho" brand to "Ajisen Ramen" brand in October 2015; (ii) revenue contribution from the opening of 2 "Keika Ramen" brand restaurants at White Sands and Tiong Bahru Plaza in November 2015 and April 2016 respectively; and (iii) revenue contribution from the opening of a restaurant under the "Ajisen Ramen" brand at Compass One in September 2016.

This increase in revenue was partially offset by: (i) the closure of 2 restaurants at Compass Point and Tiong Bahru Plaza in September 2015 and December 2015 respectively due to mall renovation works and (ii) the conversion of a restaurant at Clementi Mall from "Ajisen Ramen" brand to "New ManLee Bak Kut Teh" brand in December 2015.

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- (ii) *a net increase in revenue of S\$0.5 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\$2.9 million in 3Q2016 to S\$3.4 million in 3Q2017, mainly attributable to the new restaurant at Waterway Point which opened in January 2016 and a net increase in sales from the existing restaurants.

- (iii) *a net decrease in revenue of S\$0.2 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 3Q2016 to S\$1.9 million in 3Q2017, mainly attributable to the conversion of a restaurant at Bukit Panjang Plaza to “Ajisen Ramen” brand in October 2015 and a net decrease in sales from the existing restaurants. The decrease in revenue was however partially offset by revenue generated from a new restaurant at Waterway Pont which opened in January 2016.

- (iv) *a net increase in revenue of S\$1.0 million from the restaurants operating under other brands*

The Group's restaurant's operating under other brands, namely “Hanamidori”, “Keika Ramen”, “Kazokutei”, “New ManLee Bak Kut Teh”, “Yonehachi”, “Japanese Gourmet Town”, “Fruit Paradise”, “Menzo Butao” and “Boteyju” recorded an increase in revenue from S\$3.7 million in 3Q2016 to S\$4.7 million in 3Q2017. This was mainly due to new restaurants operating under the “Hanamidori”, “Keika Ramen”, “Kazokutei” and “New ManLee Bak Kut Teh” brands which together accounted for an increase of S\$1.0 million in revenue.

Gross profit

The Group's gross profit increased by S\$1.2 million or 9.6% from S\$13.0 million in 3Q2016 to S\$14.2 million in 3Q2017, generally in line with increase in the Group's revenue.

The Group's overall gross profit margin improved from 84.5% in 3Q2016 to 84.9% in 3Q2017 due to the Group's continuing efforts in bulk purchase discount, raw material costs control, material usage efficiency and product pricing strategy.

Selling and distribution expenses

The Group's selling and distribution expenses increased by S\$0.6 million or 5.4% from S\$11.1 million in 3Q2016 to S\$11.7 million in 3Q2017 due to rental and other costs in line with higher sales achieved in 3Q2017.

Administrative expenses

The Group's administrative expenses remained approximately the same at S\$0.8 million in 3Q2017 as compared to 3Q2016.

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Other operating expenses

The Group's other operating expenses remained approximately the same at S\$0.3 million in 3Q2017 as compared to 3Q2016.

Share of results of associated companies

The Group's share of results of its associated companies decreased marginally by S\$9,000 or 7.7% from S\$117,000 in 3Q2016 to S\$108,000 in 3Q2017 due to a decrease in the number of restaurants operated by its associated companies in 3Q2017.

Income tax expenses

The Group's income tax expenses increased by S\$0.1 million or 73.1% from S\$0.2 million in 3Q2016 to S\$0.3 million in 3Q2017, in line with the increase in the Group's profit before income tax.

Net profit

As a result of the reasons mentioned above, the Group's net profit attributable to equity holders of the Company increased by S\$0.5 million or 57.9% from S\$0.9 million in 3Q2016 to S\$1.4 million in 3Q2017.

Review of financial performance of the Group for 9M2017 compared to 9M2016

Revenue

The Group's revenue increased by S\$3.2 million or 6.7% from S\$47.1 million in the nine (9) months ended 31 December 2015 ("**9M2016**") to S\$50.3 million in the nine (9) months ended 31 December 2016 ("**9M2017**"). The increase in the Group's revenue was a result of the following:

- (i) *a net decrease in revenue of S\$1.3 million from restaurants operating under the "Ajisen Ramen" and "Keika Ramen" brands*

The Group's revenue from restaurants operating under the "Ajisen Ramen" and "Keika Ramen" brand decreased from S\$20.9 million in 9M2016 to S\$19.6 million in 9M2017, mainly attributable to (i) the closure of two (2) restaurants at Compass Point and Tiong Bahru Plaza in September 2015 and December 2015 respectively due to mall renovation works; (ii) conversion of a restaurant at Clementi Mall from "Ajisen Ramen" brand to "New ManLee Bak Kut Teh" brand in December 2015; and (iii) lower net sales generated from some existing restaurants.

This decrease in revenue was partially offset by the increase in: (i) revenue contribution from a restaurant at Bukit Panjang Plaza following the conversion from "Osaka Ohsho" brand to "Ajisen Ramen" brand in October 2015; (ii) revenue contribution from the opening of 2 "Keika Ramen" brand restaurants at White Sands and Tiong Bahru Plaza in November 2015 and April 2016 respectively; and (iii) revenue contribution from the opening of a restaurant under the "Ajisen Ramen" brand at Compass One in September 2016.

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- (ii) *a net increase in revenue of S\$0.9 million from the restaurants operating under “Menya Musashi” brand*

The Group’s revenue from restaurants operating under the “Menya Musashi” brand increased from S\$9.1 million in 9M2016 to S\$10.0 million in 9M2017, mainly attributable to the new restaurant at Waterway Point which opened in January 2016 and a net increase in sales from the existing restaurants.

- (iii) *a 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\$6.3 million in 9M2016 to S\$6.0 million in 9M2017, mainly attributable to the conversion of a restaurant at Bukit Panjang Plaza to “Ajisen Ramen” brand in October 2015 and a net decrease in sales from the existing restaurants. The decrease was however partially offset by revenue generated from a new restaurant at Waterway Pont which opened in January 2016.

- (iv) *a net increase in revenue of S\$3.9 million from the restaurants operating under other brands*

The Group’s restaurants operating under other brands, namely the “New ManLee Bak Kut Teh”, “Dutch Baby Cafe”, “Ginza Kushi-Katsu”, and “Fruit Paradise” brands, recorded an increase in revenue of S\$4.3 million in aggregate in 9M2017 as compared to 9M2016 mainly due to revenue contribution from new stores.

This increase in revenue was however partially offset by a decrease in revenue of S\$0.4 million in aggregate in 9M2017 as compared to 9M2016 due to lower revenue recorded by restaurants operating under the “Hanamidori”, “Menzo Butao”, “Kazokutei”, “Yonehachi” and “Botejyu” brands.

Gross profit

The Group’s gross profit increased by S\$3.0 million or 7.6% from S\$39.6 million in 9M2016 to S\$42.6 million in 9M2017, generally in line with the increase in the Group’s revenue.

The Group’s overall gross profit margin improved from 84.1% in 9M2016 to 84.8% in 9M2017 due to the Group’s continuing efforts in bulk purchase discount, raw material costs control, material usage efficiency and product pricing strategy.

Selling and distribution expenses

The Group’s selling and distribution expenses increased by S\$1.8 million or 5.6% from S\$33.4 million in 9M2016 to S\$35.2 million in 9M2017 due to higher manpower cost, rental and other costs in line with higher number of outlets in operation and higher sales achieved in 9M2017.

Administrative expenses

The Group’s administrative expenses increased by S\$0.2 million or 6.5% from S\$2.3 million in 9M2016 to S\$2.5 million in 9M2017. The increase in administrative expenses was mainly due to higher manpower cost and other administrative expenses in line with the Group’s expanded restaurant network and brands.

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Other operating expenses

The Group's other operating expenses remained approximately the same at S\$1.0 million in 9M2017 as compared to 9M2016.

Share of results of associated companies

The Group's share of results of its associated companies decreased by S\$32,000 or 8.2% from S\$391,000 in 9M2016 to S\$359,000 in 9M2017 due to a decrease in the number of restaurants operated by its associated companies in 9M2017.

Income tax expenses

The Group's income tax expenses increased by S\$0.2 million or 32.4% from S\$0.6 million in 9M2016 to S\$0.8 million in 9M2017, in line with the increase in the Group's profit before income tax.

Net profit

As a result of the reasons mentioned above, the Group's net profit attributable to equity holders of the Company increased by S\$0.8 million or 23.8% from S\$3.3 million in 9M2016 to S\$4.1 million in 9M2017.

Review of financial position of the Group as at 31 December 2016

Current assets

The Group's total current assets increased by S\$3.1 million, from S\$21.2 million as at 31 March 2016 to S\$24.3 million as at 31 December 2016.

This was mainly a result of (i) an increase in cash and cash equivalents of S\$3.2 million; and (ii) an increase in trade and other receivables of S\$0.2 million in aggregate, which were partially offset by the reduction in rental deposit and prepayment of S\$0.3 million in aggregate.

Non-current assets

The Group's total non-current assets decreased by S\$0.5 million, from S\$17.7 million as at 31 March 2016 to S\$17.2 million as at 31 December 2016 due to a decrease in the net book value of plant and equipment of S\$0.8 million, partially offset by an increase in investment in associated companies of S\$0.3 million.

Current liabilities

The Group's total current liabilities increased by S\$1.8 million, from S\$7.1 million as at 31 March 2016 to S\$8.9 million as at 31 December 2016, mainly due to: (i) higher current tax provision of S\$0.1 million; (ii) higher trade payables of S\$0.2 million; and (iii) higher other payables and accruals of S\$1.5 million.

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Non-current liabilities

The Group's total non-current liabilities remained unchanged at S\$0.9 million as at 31 December 2016.

Shareholders' equity

The Group's shareholders' equity increased by S\$0.8 million, from S\$30.8 million as at 31 March 2016 to S\$31.6 million as at 31 December 2016. The increase was mainly due to the net profit achieved by the Group in 9M2017 of S\$4.1 million and the transfer of treasury shares to the Group's employees pursuant to the Japan Foods Performance Share Plan (as announced on 7 July 2016) amounting to S\$0.2 million, which was partially offset by the distribution of final dividend in respect of the financial year ended 31 March 2016 and the interim dividend in respect of the half year ended 30 September 2016 amounting to S\$2.2 million and S\$1.3 million respectively.

Review of statement of cash flow for 3Q2017

The Group's net cash generated from operating activities in 3Q2017 was S\$2.8 million. This was mainly due to operating profit before working capital changes of S\$2.9 million and working capital inflow of S\$0.2 million being offset by payment of income tax of S\$0.3 million.

The Group's net cash used in investing activities in 3Q2017 was S\$0.5 million mainly due to renovation cost and purchase of equipment for the Group's new restaurants.

The Group's net cash used in financing activities in 3Q2017 was S\$1.3 million mainly due to dividend payment of S\$1.3 million.

Review of statement of cash flow for 9M2017

The Group's net cash generated from operating activities in 9M2017 was S\$9.8 million. This was mainly due to operating profit before working capital changes of S\$8.6 million and working inflows of S\$1.9 million being offset by payment of income tax of S\$0.7 million.

The Group's net cash used in investing activities in 9M2017 was S\$3.1 million mainly due to renovation cost and purchase of equipment for the Group's new restaurants.

The Group's net cash used in financing activities in 9M2017 was S\$3.8 million mainly due to dividend payment of S\$3.5 million and fixed deposit pledged with banks for issuance of banker's guarantees in lieu of rental deposit 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 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.

A new "Menya Musashi" brand restaurant was opened at 2E-88 Level 2, Sunshine City Plaza, 18 On Luk Street, Ma On Shan, Shatin, N.T. on 24 December 2016. As at 31 December 2016, the Group's associated companies operate 9 restaurants in Hong Kong and 5 restaurants in the People's Republic of China ("PRC") under the "Menya Musashi" brand. Barring unforeseen circumstances, the Group expects its associated companies to continue to expand the "Menya Musashi" brand restaurant network in Hong Kong and the PRC when opportunity arises.

The Group will continue its efforts to seek opportunities to expand its presence in the ASEAN region by way of joint ventures, acquisitions and/or sub-franchising of its brands. In addition, the Group will continue to 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? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(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)

Not applicable.

(d) Date payable

Not applicable.

(e) Books closure date

Not applicable.

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

There is no dividend declared or recommended in this quarter.

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13. Interested person transactions

The Company had, at its last annual general meeting on 21 July 2016, obtained the approval of its shareholders for the renewal of the general mandate in respect of purchases of soup base and such other ingredients necessary for the “Ajisen Ramen” business by the Group from Shigemitsu Industry Co., Ltd (the “**IPT Mandate**”). The IPT Mandate is subject to annual renewal and will continue in force until the Company’s next annual general meeting.

| Name of Interested person | Aggregate value of all interested person transactions (including transactions of less than S\$100,000 each) during 9M2017 (excluding transactions conducted under shareholders’ mandate pursuant to Rule 920 of the Catalist Rules) (S\$’000) | Aggregate value of all interested person transactions (including transactions of less than S\$100,000 each) conducted during 9M2017 under shareholders’ mandate pursuant to Rule 920 of the Catalist Rules (S\$’000) |
|---|--|---|
| Royalty fees paid to Shigemitsu Industry Co., Ltd. ⁽¹⁾ | 334 ⁽²⁾ | - |
| Purchases of food ingredients from Shigemitsu Industry Co., Ltd. ⁽¹⁾ | 18 ⁽³⁾ | 699 ⁽⁴⁾ |

Notes:

- (1) Shigemitsu Katsuaki, the Company’s Non-executive Director, is the president, chief executive officer and major shareholder of Shigemitsu Industry. Accordingly, transactions between the Group and Shigemitsu Industry are interested person transactions within the ambit of Chapter 9 of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”).
- (2) The royalty, franchise and licence fees paid to Shigemitsu Industry in 9M2017 comprise: (i) fees paid for the use of the “Ajisen Ramen” brand amounting to S\$272,000 (such fees relating to the “Ajisen Ramen” brand are deemed to have been specifically approved by shareholders at the time of the Company’s initial public offering in February 2009 and are not subject to Rule 905 and Rule 906 of the Catalist Rules to the extent that there is no variation or amendment to the terms of the relevant franchise agreement); (ii) fees paid relating to the “Keika Ramen” brand amounting to S\$48,000; and (iii) the right to use the technique for the production of noodles amounting to S\$14,000.
- (3) This amount relates to the Group’s purchases of soup base for the “Keika Ramen” business from Keika Ramen Co., Ltd (a subsidiary of Shigemitsu Industry).
- (4) This amount relates to the Group’s purchases of soup base and such other ingredients necessary for the “Ajisen Ramen” business (including transactions of less than S\$100,000 each) from Shigemitsu Industry pursuant to the IPT Mandate.

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14. Negative confirmation pursuant to Rule 705(5)

We, Takahashi Kenichi and Wong Hin Sun, Eugene, 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 nine (9) months ended 31 December 2016 to be false or misleading in any material aspect.

On behalf of the board of Directors

Takahashi Kenichi
Director

Wong Hin Sun, Eugene
Director

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, such format as revised by the SGX-ST on 21 January 2016.

BY ORDER OF THE BOARD

TAKAHASHI KENICHI
Executive Chairman and CEO

10 February 2017

*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.*