

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 2017

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 -----> Three Months Ended 30 September			<----- Group -----> Six Months Ended 30 September		
	2017 (S\$'000)	2016 (S\$'000)	Increase/ (Decrease) (%)	2017 (S\$'000)	2016 (S\$'000)	Increase/ (Decrease) (%)
Revenue	16,766	16,646	0.7	32,953	33,470	(1.5)
Cost of sales	(2,477)	(2,473)	0.2	(4,901)	(5,078)	(3.5)
Gross Profit	14,289	14,173	0.8	28,052	28,392	(1.2)
Other Income	179	264	(32.2)	322	513	(37.2)
Selling and distribution expenses	(11,856)	(11,815)	0.3	(23,507)	(23,491)	0.1
Administrative expenses	(883)	(875)	0.9	(1,720)	(1,715)	0.3
Other operating expenses	(282)	(329)	(14.3)	(577)	(747)	(22.8)
Profit from operations	1,447	1,418	2.0	2,570	2,952	(12.9)
Share of profits of associated companies	149	197	(24.4)	301	251	19.9
Profit before tax	1,596	1,615	(1.2)	2,871	3,203	(10.4)
Income tax expenses	(297)	(262)	13.4	(527)	(546)	(3.5)
Total comprehensive income for the period attributable to equity holders of the company	1,299	1,353	(4.0)	2,344	2,657	(11.8)

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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 -----> Three Months Ended 30 September			<----- Group -----> Six Months Ended 30 September		
	2017	2016	Increase / (Decrease)	2017	2016	Increase / (Decrease)
	(S\$'000)	(S\$'000)	(%)	(S\$'000)	(S\$'000)	(%)
Interest income	(37)	(34)	8.8	(57)	(53)	7.5
Royalty and franchise income	(65)	(63)	3.2	(127)	(244)	(48.0)
Membership card sales	(16)	(6)	166.7	(22)	(15)	46.7
Insurance claims	(2)	(11)	(81.8)	(5)	(24)	(79.2)
Government grants ⁽²⁾	(50)	(143)	(65.0)	(88)	(159)	(44.7)
Other income ⁽³⁾	(5)	(7)	(28.6)	(15)	(18)	(16.7)
Depreciation of property, plant and equipment	1,056	1,339	(21.1)	2,166	2,645	(18.1)
Amortisation of intangible assets	18	16	12.5	33	33	N.M. ⁽¹⁾
Property, plant and equipment written off	3	5	(40.0)	25	13	92.3
Loss on disposal of property, plant and equipment	-	6	(100.0)	-	6	(100.0)
Currency exchange (gain)/loss - net	(4)	9	N.M. ⁽¹⁾	(8)	26	N.M. ⁽¹⁾

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 30.09.2017 (S\$'000)	As at 31.03.2017 (S\$'000)	As at 30.09.2017 (S\$'000)	As at 31.03.2017 (S\$'000)
ASSETS				
Current assets				
Cash and bank balances	19,558	20,227	2,409	2,052
Trade receivables	1,028	706	-	-
Other receivables	6	5	-	-
Inventories	576	595	-	-
Amounts owing from subsidiary corporations	-	-	5,137	5,063
Other current assets	2,286	2,246	47	44
	23,454	23,779	7,593	7,159
Non-current assets				
Property, plant and equipment	10,040	9,859	34	44
Investments in subsidiary corporations	-	-	5,727	5,727
Investments in associated companies	2,192	1,891	48	48
Loan to an associated company	248	248	248	248
Financial assets, held-to-maturity	1,006	1,006	-	-
Intangible assets	197	169	-	-
Club membership	322	322	322	322
Long-term security deposits	4,411	3,502	-	-
	18,416	16,997	6,379	6,389
Total Assets	41,870	40,776	13,972	13,548
LIABILITIES				
Current liabilities				
Trade payables	1,495	1,126	-	-
Other payables and accruals	6,336	5,911	414	603
Current income tax liabilities	1,115	1,231	-	-
	8,946	8,268	414	603
Non-current liability				
Deferred income tax liabilities	860	860	-	-
	860	860		
Total Liabilities	9,806	9,128	414	603
Net Assets	32,064	31,648	13,558	12,945
EQUITY				
Share capital	9,522	9,522	9,522	9,522
Treasury shares	(349)	(559)	(349)	(559)
Capital reserves	24	(8)	24	(8)
Retained earnings	22,867	22,693	4,361	3,990
Total Equity	32,064	31,648	13,558	12,945

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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 2017		As at 31 March 2017	
Secured (S\$'000)	Unsecured (S\$'000)	Secured (S\$'000)	Unsecured (S\$'000)
-	-	-	-

Amount repayable after one year

As at 30 September 2017		As at 31 March 2017	
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 30 September		Six Months Ended 30 September	
	2017	2016	2017	2016
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Cash flows from operating activities:				
Net profit	1,299	1,353	2,344	2,657
Adjustments for:				
Income tax expenses	297	262	527	546
Depreciation of property, plant and equipment	1,056	1,339	2,166	2,645
Amortisation of intangible assets	18	16	33	33
Property, plant and equipment written off	3	5	25	13
Share of profits of associated companies	(149)	(197)	(301)	(251)
Loss on disposal of property, plant and equipment	-	6	-	6
Inventories written off	-	-	-	-
Interest income from bank deposits	(37)	(34)	(57)	(53)
Amortisation of government grants	(3)	(15)	(5)	(31)
Employee performance shares expenses	-	182	241	182
	2,484	2,917	4,973	5,747
Changes in working capital:				
Inventories	14	(42)	19	24
Trade and other receivables	(218)	65	(323)	144
Other current assets	(198)	247	(40)	239
Long-term security deposits	(109)	(110)	(908)	(63)
Trade and other payables	18	557	799	1,334
Cash generated from operations	1,991	3,634	4,520	7,425
Interest income received	44	30	57	45
Income tax paid	(648)	(467)	(643)	(472)
Net cash provided by operating activities	1,387	3,197	3,934	6,998
Cash flows from investing activities:				
Additions to property, plant and equipment	(1,731)	(1,277)	(2,371)	(2,654)
Additions to intangible assets	(49)	-	(62)	-
Net cash used in investing activities	(1,780)	(1,277)	(2,433)	(2,654)

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Consolidated statement of cash flows (cont'd)

	<----- Group ----->		<----- Group ----->	
	Three Months ended 30 September		Six Months Ended 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	(90)	(43)	(16)	(293)
Dividend paid to equity holders of the Company	(2,170)	(2,181)	(2,170)	(2,181)
Net cash used in financing activities	(2,260)	(2,224)	(2,186)	(2,474)
Net (decrease)/increase in cash and cash equivalents	(2,653)	(304)	(685)	1,870
Cash and cash equivalents				
Beginning of financial period	20,107	17,240	18,139	15,066
End of financial period ⁽¹⁾	17,454	16,936	17,454	16,936

Note:

- (1) This excludes bank deposits of \$2.1 million as at 30 September 2017 (S\$2.1 million as at 30 September 2016) 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 2017	9,522	(559)	(8)	22,693	31,648
Total comprehensive income for the period	-	-	-	1,045	1,045
Performance shares issued	-	210	32	-	242
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
Balance as at 1 April 2016	9,522	(194)	-	21,525	30,853
Total comprehensive income for the period	-	-	-	1,304	1,304
Balance as at 30 June 2016	9,522	(194)	-	22,829	32,157
Dividend paid	-	-	-	(2,181)	(2,181)
Performance shares issued	-	190	(8)	-	182
Total comprehensive income for the period	-	-	-	1,353	1,353
Balance as at 30 September 2016	9,522	(4)	(8)	22,001	31,511

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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 2017	9,522	(559)	(8)	3,990	12,945
Total comprehensive income for the period	-	-	-	22	22
Performance shares issued	-	210	32	-	242
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
Balance as at 1 April 2016	9,522	(194)	-	3,416	12,744
Total comprehensive income for the period	-	-	-	21	21
Balance as at 30 June 2016	9,522	(194)	-	3,437	12,765
Dividend paid	-	-	-	(2,181)	(2,181)
Performance shares issued	-	190	(8)	-	182
Total comprehensive income for the period	-	-	-	1,518	1,518
Balance as at 30 September 2016	9,522	(4)	(8)	2,774	12,284

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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 2017, the Company held 1,392,500 treasury shares and the total number of ordinary shares in the capital of the capital of the Company ("**Shares**") (excluding treasury shares) was 173,043,500 Shares. On 12 June 2017, 520,000 treasury shares ("**PSP Shares**") were transferred to certain employees of the Group pursuant to the Japan Foods Performance Share Scheme. After such transfer, the Company held 872,500 treasury shares as at 30 September 2017 and the total number of issued Shares (excluding treasury shares) was 173,563,500 Shares.

There were no changes in the Company's share capital since the end of the previous period reported on, being 30 June 2017, to 30 September 2017.

As at 30 September 2017 and as at 30 September 2016, the Company did not have any outstanding options or convertibles.

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. As at 30 September 2016, the Company did not have any subsidiary holdings and held 10,000 treasury shares which represented approximately 0.005% of the total issued Shares (excluding treasury shares and subsidiary holdings) comprising 173,043,500 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 2017	As at 31 March 2017
Total number of issued Shares	174,436,000	174,436,000
Less: Treasury shares	(872,500)	(1,392,500)
Total number of issued Shares, excluding treasury shares	173,563,500	173,043,500

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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 30 September 2017	Six months ended 30 September 2017
Treasury shares:		
Balance at beginning of financial period	872,500	1,392,500
Transferred on award of PSP Shares	-	(520,000)
Balance at end of financial period	872,500	872,500

- 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 2017 compared to its most recently audited annual financial statements for the financial year ended 31 March 2017.

- 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 2017 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 2017.

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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 ----->	
	Three Months Ended		Six Months Ended	
	30 September		30 September	
	2017	2016	2017	2016
Earnings attributable to equity holders of the Company (S\$'000)	1,299	1,353	2,344	2,657
Weighted average number of Shares used in computation of basic EPS	173,563,500	174,394,043	173,356,068	174,166,273
Basic EPS attributable to equity holders of the Company (cents) ⁽¹⁾	0.75	0.78	1.35	1.53
Fully diluted EPS attributable to equity holders of the Company (cents) ⁽²⁾	0.75	0.78	1.35	1.53

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 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 respective 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	As at	As at	As at
	30 September	31 March	30 September	31 March
	2017	2017	2017	2017
NAV per Share (cents)	18.47	18.29	7.81	7.48
Number of Shares used in computation of NAV per Share	173,563,500	173,043,500	173,563,500	173,043,500

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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 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" brands). As at 30 September 2017, the Group had 1 "Ajisen Ramen" outlet located in Marina Bay Sands Shoppes Premium Food Precinct.

As at 30 September 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" restaurants 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 30 September 2016, the Group had 1 "Ajisen Ramen" outlet located in Marina Bay Sands Shoppes Premium Food Precinct.

Review of financial performance of the Group for 2Q2018 compared to 2Q2017

Revenue

The Group's revenue increased by S\$0.1 million or 0.7% from S\$16.6 million in the second quarter from 1 July 2016 to 30 September 2016 ("**2Q2017**") to S\$16.7 million in the second quarter from 1 July 2017 to 30 September 2017 ("**2Q2018**"). The increase in the Group's revenue was a result of the following:

- (i) *a net increase in revenue of S\$0.5 million from restaurants operating under the "Ajisen Ramen" and "Keika Ramen" brand*

The Group's revenue from restaurants operating under the "Ajisen Ramen" and "Keika Ramen" brands increased from S\$6.5 million in 2Q2017 to S\$7.0 million in 2Q2018, mainly attributable to: (i) the opening of two restaurants at Compass Point and Bedok Mall in September 2016 and March 2017 respectively and (ii) higher net sales generated from some existing restaurants. The increase was partially offset by the closure of a restaurant at Bedok Point in March 2017.

- (ii) *net increase in revenue of S\$0.4 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\$3.2 million in 2Q2017 to S\$3.6 million in 2Q2018, mainly attributable to the conversion of a "New ManLee Bak Kut Teh" brand restaurant to a "Menya Musashi" brand restaurant at Clementi Mall in April 2017 and opening of a new restaurant at Northpoint City in September 2017. The increase was partially offset by the conversion of a restaurant at Bedok Mall to "Ajisen Ramen" brand in March 2017.

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- (iii) *a net decrease in revenue of approximately S\$0.8 million from the restaurants operating under other brands*

The Group's restaurants operating under other brands, namely the "New ManLee Bak Kut Teh", "Kazokutei", "Fruit Paradise", "Boteyju", "Hanamidori", "Japanese Gourmet Town", "Dutch Baby Cafe" and "Ginza Kushi-Katsu" brands, recorded a decrease in revenue of S\$1.6 million in aggregate in 2Q2018 as compared to 2Q2017 mainly due to closures of restaurants and lower same store sales.

This decrease in revenue was however partially offset by an increase in revenue of S\$0.8 million recorded by new restaurants operating under the "Shitamachi Tendon Akimitsu" brand.

Gross profit

The Group's gross profit increased by S\$0.1 million or 0.8% from S\$14.2 million in 2Q2017 to S\$14.3 million in 2Q2018, generally in line with the increase in the Group's revenue.

Other income

The Group's other income decreased by S\$0.1 million or 32.2%, from S\$0.3 million in 2Q2017 to S\$0.2 million in 2Q2018 mainly due to lower government grant in 2Q2018.

Selling and distribution expenses

The Group's selling and distribution expenses remained approximately the same at S\$11.8 million in 2Q2018 as compared to 2Q2017.

Administrative expenses

The Group's administrative expenses remained approximately the same at S\$0.9 million in 2Q2018 as compared to 2Q2017.

Other operating expenses

The Group's other operating expenses remained approximately the same at S\$0.3 million in 2Q2018 as compared to 2Q2017.

Share of profit of associated companies

The Group's share of profit of its associated companies decreased by S\$48,000 or 24.4% from S\$197,000 in 2Q2017 to S\$149,000 in 2Q2018 due to temporary closure of restaurants operating under the Menya Musashi brand for renovation.

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Income tax expenses

The Group's income tax expenses increased by S\$35,000 or 13.4% from S\$262,000 in 2Q2017 to S\$297,000 in 2Q2018 mainly due to lower tax deductible expenses upon full utilisation of the PIC incentive scheme in the financial year ended 31 March 2017 ("FY2017").

Net profit

As a result of the reasons mentioned above, the Group's net profit attributable to equity holders of the Company in 2Q2018 remained largely the same as 2Q2017 at S\$1.3 million.

Review of financial performance of the Group for 1H2018 compared to 1H2017

Revenue

The Group's revenue decreased by S\$0.5 million or 1.5% from S\$33.5 million in the six (6) months ended 30 September 2016 ("1H2017") to S\$33.0 million in the six (6) months ended 30 September 2017 ("1H2018"). The decrease in the Group's revenue was a result of the following:

- (i) *a net decrease in revenue of S\$2.2 million from the restaurants operating under other brands*

The Group's restaurants operating under other brands, namely the "New ManLee Bak Kut Teh", "Kazokutei", "Fruit Paradise", "Boteyju", "Hanamidor", "Japanese Gourmet Town", "Dutch Baby Cafe" and "Ginza Kushi-Katsu" brands, recorded a decrease in revenue of S\$3.0 million in aggregate in 1H2018 as compared to 1H2017 mainly due to closures of restaurants and lower same store sales.

This decrease in revenue was however partially offset by an increase in revenue of S\$0.8 million recorded by new restaurants operating under the "Shitamachi Tendon Akimitsu" brand.

- (ii) *net increase in revenue of approximately S\$1.0 million from the restaurants operating under the "Ajisen Ramen" and "Keika Ramen" brand*

The Group's revenue from restaurants operating under the "Ajisen Ramen" and "Keika Ramen" brands increased from S\$12.8 million in 1H2017 to S\$13.8 million in 1H2018, mainly attributable to: the opening of two restaurants at Compass Point and Bedok Mall in September 2016 and March 2017 respectively and (ii) higher net sales generated from some existing restaurants. The increase was partially offset by the closure of a restaurant at Bedok Point in March 2017.

- (iii) *net increase in revenue of S\$0.6 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\$6.7 million in 1H2017 to S\$7.3 million in 1H2018, mainly attributable to the conversion of a "New ManLee Bak Kut Teh" brand restaurant to a "Menya Musashi" brand restaurant at Clementi Mall in April 2017 and opening of a new restaurant at Northpoint City in September 2017. The increase was partially offset by the conversion of a restaurant at Bedok Mall to "Ajisen Ramen" brand in March 2017.

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- (iv) *net increase in revenue of S\$0.1 million from the restaurants operating under “Osaka Ohsho” brand*

The Group’s revenue from restaurants operating under the “Osaka Ohsho” brand increased from S\$4.1 million in 1H2017 to S\$4.2 million in 1H2018, mainly attributable to the conversion of a “Kazokutei” brand restaurant at Junction 8 to “Osaka Ohsho” brand in January 2017. The increase was partially offset by the closure of a restaurant at “Toyko Walker” in June 2017 and lower net sales generated from some existing restaurants.

Gross profit

The Group’s gross profit decreased by S\$0.3 million or 1.2% from S\$28.4 million in 1H2017 to S\$28.1 million in 1H2018, generally in line with the decrease in the Group’s revenue.

The Group’s overall gross profit margin increased from 84.8% in 1H2017 to 85.1% in 1H2018 due to the Group’s continuing efforts in bulk purchase discount, raw material costs control, material usage efficiency and product pricing strategy.

Other income

The Group’s other income decreased by S\$0.2 million or 32.2%, from S\$0.5 million in 1H2017 to S\$0.3 million in 1H2018 mainly due to lower fees payable to the Group by its associated company for the operation of restaurants under the “Menya Musashi” brand in China after the initial establishment period in accordance with the terms of the relevant agreement and lower government grant received by the Group in 1H2018.

Selling and distribution expenses

The Group’s selling and distribution expenses remained approximately the same at \$23.5 million in 1H2018 as compared to 1H2017.

Administrative expenses

The Group’s administrative expenses remained approximately the same at S\$1.7 million in 1H2018 as compared to 1H2017.

Other operating expenses

The Group’s other operating expenses decreased by S\$0.2 million or 22.8% from S\$0.8 million in 1H2017 to S\$0.6 million in 1H2018 due to lower fees payable to the master franchisor by the Group for the operation of restaurants by its associated company under the “Menya Musashi” brand in China after the initial establishment period in accordance with the terms of the relevant agreement.

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Share of profit of associated companies

The Group's share of profit of its associated companies increased by S\$50,000 or 19.9% from S\$251,000 in 1H2017 to S\$301,000 in 1H2018 due to an increase in the number of restaurants operated by its associated companies in 1H2018.

Income tax expenses

The Group's income tax expenses decreased by S\$19,000 or 3.5% from S\$546,000 in 1H2017 to S\$527,000 in 1H2018, in line with the decrease in the Group's profit before income tax. However, the effective tax rate in 1H2018 increased by 2.00% from 18.5% in 1H2017 to 20.5% in 1H2018 due to full utilisation of the PIC incentive scheme in FY2017.

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\$0.4 million or 11.8% from S\$2.7 million in 1H2017 to S\$2.3 million in 1H2018.

Review of financial position of the Group as at 30 September 2017

Current assets

The Group's total current assets decreased by S\$0.3 million, from S\$23.8 million as at 31 March 2017 to S\$23.5 million as at 30 September 2017.

This was mainly a result of a decrease in cash and bank balances of S\$0.7 million partially offset by an increase in trade and other receivables of S\$0.3 million and other current assets of S\$0.1 million.

Non-current assets

The Group's total non-current assets increased by S\$1.4 million, from S\$17.0 million as at 31 March 2017 to S\$18.4 million as at 30 September 2017, due to (i) an increase in the net book value of plant and equipment of S\$0.2 million; (ii) increase in investment in associated companies of S\$0.3 million; and (iii) long term security deposit of S\$0.9 million.

Current liabilities

The Group's total current liabilities increased by S\$0.7 million, from S\$8.2 million as at 31 March 2017 to S\$8.9 million as at 30 September 2017, mainly due to higher trade payables of S\$0.4 million and other payables and accrued expenses of S\$0.4 million partially offset by a decrease of current tax liabilities of S\$0.1 million.

Non-current liabilities

The Group's total non-current liabilities remained unchanged at S\$0.9 million as at 30 September 2017.

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Shareholders' equity

The Group's shareholders' equity increased by S\$0.4 million, from S\$31.6 million as at 31 March 2017 to S\$32.0 million as at 30 September 2017. The increase was mainly due to the net profit achieved by the Group in 1H2018 of S\$2.4 million and the transfer of treasury shares to the Group's employees pursuant to the Japan Foods Performance Share Plan (as announced on 12 June 2017) amounting to S\$0.2 million, which was partially offset by the distribution of final dividend in respect of FY2017 amounting to S\$2.2 million.

Review of cash flow statement for 2Q2018

The Group's net cash generated from operating activities in 2Q2018 was S\$1.3 million. This was mainly due to operating profit before working capital changes of S\$2.5 million and offset by working capital outflow of S\$0.6 million and payment of income tax of S\$0.6 million.

The Group's net cash used in investing activities in 2Q2018 was S\$1.7 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 2Q2018 was S\$2.3 million mainly due to dividend payment of S\$2.2 million and fixed deposits pledged with banks for issuance of banker's guarantees in lieu of rental deposit of S\$0.1 million.

Review of cash flow statement for 1H2018

The Group's net cash generated from operating activities in 1H2018 was S\$4.0 million. This was mainly due to operating profit before working capital changes of S\$5.0 million and offset by working capital outflow of S\$0.4 million and payment of income tax of S\$0.6 million.

The Group's net cash used in investing activities in 1H2018 was S\$2.4 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 1H2018 was S\$2.2 million mainly due to dividend payment of S\$2.2 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 right of "Shitamachi Tendon Akimitsu" which is an established tendon and tempura brand from Asakusa, Tokyo, Japan. Since the opening of the first "Shitamachi Tendon Akimitsu" restaurant at Plaza Singapura, Singapore on 13 July 2017, the Group has opened two additional restaurants at Vivo City on 23 August 2017 and Northpoint City on 22 September 2017. The response from customers has been encouraging.

As at 30 September 2017, the Group's associated companies operated 8 restaurants in Hong Kong and 8 restaurants in the People's Republic of China under the "Menya Musashi" brand.

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.

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)	0.75 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 1H2018 (the “**Interim Dividend**”) is on 8 December 2017.

- (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 22 November 2017 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 23 November 2017 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.

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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**

As Mr Shigemitsu Katsuaki did not seek re-election and ceased to be a director of the Company at the conclusion of the Company's last annual general meeting held on 24 July 2017 ("**2017 AGM**"), the transactions between the Group and Shigemitsu Industry Co., Ltd ("**Shigemitsu Industry**") no longer constitute interested person transactions within the ambit of Chapter 9 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst ("**Catalist Rules**"). Accordingly, the previous general mandate in respect of certain recurring transactions between the Group and Shigemitsu Industry was not renewed at the 2017 AGM and had since lapsed.

The disclosure below relates to past transactions between the Group and Shigemitsu Industry during 1H2018 (that is, prior to the date of the 2017 AGM).

Name of Interested person	Aggregate value of all interested person transactions (including transactions of less than S\$100,000 each) during 1H2018 (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 1H2018 under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (S\$'000)
Royalty fees paid to Shigemitsu Industry Co., Ltd. ⁽¹⁾	127 ⁽²⁾	-
Purchases of food ingredients from Shigemitsu Industry Co., Ltd. ⁽¹⁾	-	362 ⁽³⁾

Notes:

- Prior to 24 July 2017 (being the date of the 2017 AGM), Mr Shigemitsu Katsuaki was the Company's Non-executive Director. Mr Shigemitsu Katsuaki is also the president, chief executive officer and major shareholder of Shigemitsu Industry. Accordingly, transactions between the Group and Shigemitsu Industry which took place prior to 24 July 2017 were interested person transactions within the ambit of Chapter 9 of the Catalist Rules.
- The royalty, franchise and licence fees paid to Shigemitsu Industry in 1H2018 (that is prior to the date of the 2017 AGM) comprised: (i) fees paid for the use of the "Ajisen Ramen" brand amounting to S\$116,000 (such fees relating to the "Ajisen Ramen" brand were deemed to have been specifically approved by shareholders at the time of the Company's initial public offering in February 2009 and were not subject to Rule 905 and Rule 906 of the Catalist Rules to the extent that there was no variation or amendment to the terms of the relevant franchise agreement); (ii) fees paid for the use of the "Keika Ramen" brand amounting to S\$5,000; and (iii) the right to use the technique for the production of noodles amounting to S\$6,000.
- 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 general mandate which was valid until 24 July 2017 (being the date of the 2017 AGM).

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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 2017 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

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 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.*