

# 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 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 ----->			<----- Group ----->		
	Three Months Ended			Nine Months Ended		
	31 December			31 December		
	2017	2016	Increase/ (Decrease)	2017	2016	Increase/ (Decrease)
	(S\$'000)	(S\$'000)	(%)	(S\$'000)	(S\$'000)	(%)
<b>Revenue</b>	<b>18,710</b>	<b>16,800</b>	<b>11.4</b>	<b>51,663</b>	<b>50,270</b>	<b>2.8</b>
Cost of sales	(2,792)	(2,544)	9.7	(7,693)	(7,622)	0.9
<b>Gross profit</b>	<b>15,918</b>	<b>14,256</b>	<b>11.7</b>	<b>43,970</b>	<b>42,648</b>	<b>3.1</b>
Other income	338	188	79.8	660	675	(2.2)
Selling and distribution expenses	(12,034)	(11,737)	2.5	(35,541)	(35,228)	0.9
Administrative expenses	(843)	(788)	7.0	(2,563)	(2,503)	2.4
Other operating expenses	(390)	(284)	37.3	(967)	(1,005)	(3.8)
<b>Profit from operations</b>	<b>2,989</b>	<b>1,635</b>	<b>82.8</b>	<b>5,559</b>	<b>4,587</b>	<b>21.2</b>
Share of profit of associated companies	117	108	8.3	418	359	16.4
<b>Profit before income tax</b>	<b>3,106</b>	<b>1,743</b>	<b>78.2</b>	<b>5,977</b>	<b>4,946</b>	<b>20.8</b>
Income tax expenses	(613)	(303)	102.3	(1,140)	(849)	34.3
<b>Total comprehensive income for the period attributable to equity holders of the company</b>	<b>2,493</b>	<b>1,440</b>	<b>73.1</b>	<b>4,837</b>	<b>4,097</b>	<b>18.1</b>

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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 31 December			<----- Group -----> Nine Months Ended 31 December		
	2017 (S\$'000)	2016 (S\$'000)	Increase / (Decrease) (%)	2017 (S\$'000)	2016 (S\$'000)	Increase / (Decrease) (%)
Interest income	(22)	(10)	120.0	(79)	(63)	25.4
Royalty and franchise income	(284)	(62)	358.1	(411)	(306)	34.3
Membership card sales	-	(17)	N.M. <sup>(1)</sup>	(22)	(32)	(31.3)
Insurance claims	(2)	(10)	(80.0)	(7)	(34)	(79.4)
Government grants <sup>(2)</sup>	(21)	(47)	(55.3)	(109)	(206)	(47.1)
Other income <sup>(3)</sup>	(7)	(6)	16.7	(22)	(24)	(8.3)
Depreciation of property, plant and equipment	1,084	1,252	(13.4)	3,250	3,897	(16.6)
Amortisation of intangible assets	18	16	12.5	51	49	4.1
Impairment of intangible assets	66	-	N.M. <sup>(1)</sup>	66	-	N.M. <sup>(1)</sup>
Property, plant and equipment written off	36	-	N.M. <sup>(1)</sup>	61	13	369.2
Loss on disposal of property, plant and equipment	-	-	N.M. <sup>(1)</sup>	-	6	(100.0)
Currency translation gain - net	(2)	(36)	(94.4)	(10)	(10)	N.M. <sup>(1)</sup>

#### 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 sale 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 31.12.2017 (S\$'000)	As at 31.03.2017 (S\$'000)	As at 31.12.2017 (S\$'000)	As at 31.03.2017 (S\$'000)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances	20,538	20,227	3,623	2,052
Trade receivables	1,569	706	-	-
Other receivables	228	5	-	-
Inventories	646	595	-	-
Amounts owing from subsidiary corporations	-	-	2,640	5,063
Other current assets	1,922	2,246	18	44
	<b>24,903</b>	<b>23,779</b>	<b>6,281</b>	<b>7,159</b>
<b>Non-current assets</b>				
Property, plant and equipment	9,587	9,859	29	44
Investments in subsidiary corporations	-	-	5,727	5,727
Investments in associated companies	2,309	1,891	48	48
Loan to an associated company	248	248	248	248
Financial assets, held-to-maturity	1,006	1,006	-	-
Intangible assets	150	169	-	-
Club membership	322	322	322	322
Long-term security deposits	4,296	3,502	-	-
	<b>17,918</b>	<b>16,997</b>	<b>6,374</b>	<b>6,389</b>
<b>Total Assets</b>	<b>42,821</b>	<b>40,776</b>	<b>12,655</b>	<b>13,548</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	1,650	1,126	-	-
Other payables and accruals	6,136	5,911	536	603
Current income tax liabilities	1,080	1,231	(1)	-
	<b>8,866</b>	<b>8,268</b>	<b>535</b>	<b>603</b>
<b>Non-current liabilities</b>				
Deferred income tax liabilities	860	860	-	-
	<b>860</b>	<b>860</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>9,726</b>	<b>9,128</b>	<b>535</b>	<b>603</b>
<b>Net Assets</b>	<b>33,095</b>	<b>31,648</b>	<b>12,120</b>	<b>12,945</b>
<b>EQUITY</b>				
Share capital	9,522	9,522	9,522	9,522
Treasury shares	(424)	(559)	(424)	(559)
Capital reserves	24	(8)	24	(8)
Retained earnings	23,973	22,693	2,998	3,990
<b>Total Equity</b>	<b>33,095</b>	<b>31,648</b>	<b>12,120</b>	<b>12,945</b>

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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 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 31 December 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 -----> Three Months ended 31 December		<----- Group -----> Nine Months Ended 31 December	
	2017 (S\$'000)	2016 (S\$'000)	2017 (S\$'000)	2016 (S\$'000)
<b>Cash flows from operating activities</b>				
<b>Net profit</b>	<b>2,493</b>	<b>1,440</b>	<b>4,837</b>	<b>4,097</b>
Adjustments for:				
Income tax expenses	613	303	1,140	849
Depreciation of property, plant and equipment	1,084	1,252	3,250	3,897
Amortisation of intangible assets	18	16	51	49
Impairment of intangible assets	66	-	66	-
Property, plant and equipment written off	36	-	61	13
Share of profit of an associated companies	(117)	(108)	(418)	(359)
Loss on disposal of property, plant and equipment	-	-	-	6
Interest income from bank deposits	(22)	(10)	(79)	(63)
Amortisation of government grants	(2)	(9)	(7)	(40)
Employee performance shares expenses	-	-	241	182
	<b>4,169</b>	<b>2,884</b>	<b>9,142</b>	<b>8,631</b>
<b>Changes in working capital:</b>				
Inventories	(70)	(35)	(51)	(11)
Trade and other receivables	(756)	(350)	(1,079)	(206)
Other current assets	364	89	324	327
Long-term security deposits	114	130	(794)	67
Trade and other payables	(43)	337	756	1,672
<b>Cash generated from operations</b>	<b>3,778</b>	<b>3,055</b>	<b>8,298</b>	<b>10,480</b>
Interest income received	15	14	72	59
Income tax paid	(648)	(245)	(1,291)	(717)
<b>Net cash provided by operating activities</b>	<b>3,145</b>	<b>2,824</b>	<b>7,079</b>	<b>9,822</b>
<b>Cash flows from investing activities:</b>				
Additions to property, plant and equipment	(668)	(492)	(3,039)	(3,146)
Additions to intangible assets	(36)	-	(98)	-
<b>Net cash used in investing activities</b>	<b>(704)</b>	<b>(492)</b>	<b>(3,137)</b>	<b>(3,146)</b>

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	<----- Group ----->		<----- Group ----->	
	Three Months ended 31 December		Nine Months Ended 31 December	
	2017	2016	2017	2016
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
<b>Cash flows from financing activities:</b>				
Decrease in short-term bank deposits pledged	(1)	(1)	(17)	(295)
Purchase of treasury shares	(75)	-	(75)	-
Dividend paid to equity holders of the Company	(1,387)	(1,308)	(3,557)	(3,488)
<b>Net cash used in financing activities</b>	<b>(1,463)</b>	<b>(1,309)</b>	<b>(3,649)</b>	<b>(3,783)</b>
Net increase in cash and bank balances	978	1023	293	2,893
Beginning of financial period	17,454	16,936	18,139	15,066
<b>End of financial period <sup>(1)</sup></b>	<b>18,432</b>	<b>17,959</b>	<b>18,432</b>	<b>17,959</b>

**Note:**

- (1) This excludes bank deposits of S\$2.1 million as at 31 December 2017 (S\$2.1 million as at 31 December 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)
<b>Balance as at 1 April 2017</b>	<b>9,522</b>	<b>(559)</b>	<b>(8)</b>	<b>22,693</b>	<b>31,648</b>
Performance shares issued	-	210	32	-	242
Dividend paid	-	-	-	(2,170)	(2,170)
Total comprehensive income for the period	-	-	-	2,344	2,344
<b>Balance as at 30 September 2017</b>	<b>9,522</b>	<b>(349)</b>	<b>24</b>	<b>22,867</b>	<b>32,064</b>
Dividend paid	-	-	-	(1,387)	(1,387)
Purchase of treasury shares	-	(75)	-	-	(75)
Total comprehensive income for the period	-	-	-	2,493	2,493
<b>Balance as at 31 December 2017</b>	<b>9,522</b>	<b>(424)</b>	<b>24</b>	<b>23,973</b>	<b>33,095</b>
<b>Balance as at 1 April 2016</b>	<b>9,522</b>	<b>(194)</b>	<b>-</b>	<b>21,525</b>	<b>30,853</b>
Performance shares issued	-	190	(8)	-	182
Dividend paid	-	-	-	(2,181)	(2,181)
Total comprehensive income for the period	-	-	-	2,657	2,657
<b>Balance as at 30 September 2016</b>	<b>9,522</b>	<b>(4)</b>	<b>(8)</b>	<b>22,001</b>	<b>31,511</b>
Dividend paid	-	-	-	(1,308)	(1,308)
Total comprehensive income for the period	-	-	-	1,440	1,440
<b>Balance as at 31 December 2016</b>	<b>9,522</b>	<b>(4)</b>	<b>(8)</b>	<b>22,133</b>	<b>31,643</b>

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Company	Share capital	Treasury shares	Capital reserves	Retained earnings	Total
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
<b>Balance as at 1 April 2017</b>	<b>9,522</b>	<b>(559)</b>	<b>(8)</b>	<b>3,990</b>	<b>12,945</b>
Performance shares issued	-	210	32	-	242
Dividend paid	-	-	-	(2,170)	(2,170)
Total comprehensive income for the period	-	-	-	2,541	2,541
<b>Balance as at 30 September 2017</b>	<b>9,522</b>	<b>(349)</b>	<b>24</b>	<b>4,361</b>	<b>13,558</b>
Dividend paid	-	-	-	(1,387)	(1,387)
Purchase of treasury shares	-	(75)	-	-	(75)
Total comprehensive income for the period	-	-	-	24	24
<b>Balance as at 31 December 2017</b>	<b>9,522</b>	<b>(424)</b>	<b>24</b>	<b>2,998</b>	<b>12,120</b>
<b>Balance as at 1 April 2016</b>	<b>9,522</b>	<b>(194)</b>	<b>-</b>	<b>3,416</b>	<b>12,744</b>
Performance shares issued	-	190	(8)	-	182
Dividend paid	-	-	-	(2,181)	(2,181)
Total comprehensive income for the period	-	-	-	1,539	1,539
<b>Balance as at 30 September 2016</b>	<b>9,522</b>	<b>(4)</b>	<b>(8)</b>	<b>2,774</b>	<b>12,284</b>
Dividend paid	-	-	-	(1,308)	(1,308)
Total comprehensive income for the period	-	-	-	23	23
<b>Balance as at 31 December 2016</b>	<b>9,522</b>	<b>(4)</b>	<b>(8)</b>	<b>1,489</b>	<b>10,999</b>



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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 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.

On 9 November 2017, 15 November 2017, 16 November 2017, 5 December 2017 and 11 December 2017, the Company purchased 29,300, 50,000, 28,000, 41,300 and 27,000 Shares respectively by way of market acquisition. After these share buy-backs and the abovementioned transfer, the Company held 1,048,100 treasury shares as at 31 December 2017 and the total number of issued Shares (excluding treasury shares) was 173,387,900 Shares.

Save for the above, there were no changes in the Company's share capital since the end of the previous period reported on, being 30 September 2017, to 31 December 2017.

As at 31 December 2017 and as at 31 December 2016, the Company did not have any outstanding options or convertibles.

As at 31 December 2017, the Company did not have any subsidiary holdings and held 1,048,100 treasury shares which represented approximately 0.6% of the 173,387,900 total issued Shares (excluding treasury shares and subsidiary holdings). As at 31 December 2016, the Company did not have any subsidiary holdings and held 10,000 treasury shares which represented approximately 0.01% of the 174,426,000 total issued Shares (excluding treasury shares and subsidiary holdings).

- 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 2017	As at 31 March 2017
Total number of issued Shares	174,436,000	174,436,000
Less: Treasury shares	(1,048,100)	(1,392,500)
Total number of issued Shares, excluding treasury shares	173,387,900	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.**

	<b>Three months ended 31 December 2017</b>	<b>Nine months ended 31 December 2017</b>
<b>Treasury shares:</b>		
Balance at beginning of financial period	872,500	1,392,500
Purchase of treasury shares	175,600	175,600
Transferred on award of PSP Shares	-	(520,000)
Balance at end of financial period	<u>1,048,100</u>	<u>1,048,100</u>

- 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 its unaudited consolidated financial statements for the nine (9) months ended 31 December 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 ----->	
	Third Quarter Ended 31 December		Nine Months Ended 31 December	
	2017	2016	2017	2016
Earnings attributable to equity holders of the Company (S\$'000)	2,493	1,440	4,837	4,097
Weighted average number of Shares used in computation of basic EPS	173,484,246	174,426,000	173,398,949	174,253,164
Basic EPS attributable to equity holders of the Company (cents) <sup>(1)</sup>	1.44	0.83	2.79	2.35
Fully diluted EPS attributable to equity holders of the Company (cents) <sup>(3)</sup>	1.44	0.83	2.79	2.35

### 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 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 2017	As at 31 March 2017	As at 31 December 2017	As at 31 March 2017
NAV per Share (cents)	19.09	18.29	6.99	7.48
Number of Shares used in computation of NAV per Share	173,387,900	173,043,500	173,387,900	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 31 December 2017, the Group had a total of 48 restaurants in operation comprising 18 "Ajisen Ramen" restaurants, 3 "Fruit Paradise" restaurants, 10 "Menya Musashi" restaurants, 5 "Osaka Ohsho" restaurants, 2 "New ManLee Bak Kut Teh" restaurants, 4 "Shitamachi Tendon Akimitsu" 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 31 December 2017, the Group had 1 "Ajisen Ramen" outlet located in Marina Bay Sands Shoppes Premium Food Precinct.

In comparison, 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" 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 31 December 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 3Q2018 compared to 3Q2017**

#### **Revenue**

The Group's revenue increased by S\$1.9 million or 11.4% from S\$16.8 million in the third quarter from 1 October 2016 to 31 December 2016 ("**3Q2017**") to S\$18.7 million in the third quarter from 1 October 2017 to 31 December 2017 ("**3Q2018**"). The increase in the Group's revenue was a result of the following:

- (i) *a net increase in revenue of S\$0.2 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\$6.8 million in 3Q2017 to S\$7.0 million in 3Q2018, mainly attributable to higher sales recorded from revamped restaurants as well as the increase in net sales of other existing restaurants. In particular, the restaurants located at Hougang Mall, Tampines Mall, Square 2 and Plaza Singapura which were rebranded to "Den by Ajisen" recorded better performance.

This increase in revenue was partially offset by the effect of the closure of a restaurant at Bedok Point in April 2017 and conversion of a restaurant at Takashimaya from the "Ajisen Ramen" brand to the "Menya Musashi" brand in November 2017.

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- (ii) *a net increase in revenue of S\$1.2 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\$3.4 million in 3Q2017 to S\$4.6 million in 3Q2018, mainly attributable to the (i) conversion of a “New ManLee Bak Kut Teh” brand restaurant to a “Menya Musashi” brand restaurant at Clementi Mall in April 2017, (ii) opening of a new restaurant at Northpoint City in September 2017, and (iii) conversion of a “Ajisen Ramen” brand restaurant to a “Menya Musashi” brand restaurant at Takashimaya in November 2017. The increase was partially offset by the effect of the conversion of a restaurant at Bedok Mall to “Ajisen Ramen” brand in April 2017.

- (iii) *a net increase in revenue of S\$0.5 million from the restaurants operating under other brands*

The Group’s restaurants recorded an increase in revenue of S\$1.7 million by new restaurants operating under the “Shitamachi Tendon Akimitsu”. This increase in revenue was however partially offset by a decrease in revenue of restaurants operating under other brands, namely the “New ManLee Bak Kut Teh”, “Kazokutei”, “Fruit Paradise”, “Boteyju”, “Hanamidori”, “Fruit Paradise” and “Dutch Baby Cafe” brands. A decrease in revenue of S\$1.2 million in aggregate in 3Q2018 was recorded as compared to 3Q2017 and this was mainly due to the effect of closure of restaurants and lower same store sales.

### Gross profit

The Group’s gross profit increased by S\$1.7 million or 11.7% from S\$14.2 million in 3Q2017 to S\$15.9 million in 3Q2018, generally in line with the increase in the Group’s revenue.

The Group’s overall gross profit margin improved marginally from 84.9% in 3Q2017 to 85.1% in 3Q2018 due to the Group’s continuing efforts in cost control of raw materials.

### Other income

The Group’s other income increased by S\$0.1 million or 79.8%, from S\$0.2 million in 3Q2017 to S\$0.3 million in 3Q2018 mainly due to additional royalty income from the associated company in China. The increase is partially offset by lower government grant and foreign currency exchange gain in 3Q2018.

### Selling and distribution expenses

The Group’s selling and distribution expenses increased by S\$0.3 million or 2.5% from S\$11.7 million in 3Q2017 to S\$12.0 million in 3Q2018 due to higher rental, employee compensation and online delivery charges expenses in line with higher sales achieved in 3Q2018. These increases in cost were partially offset by lower depreciation expenses.

### Administrative expenses

The Group’s administrative expenses remained the same at approximately S\$0.8 million in 3Q2018 as compared to 3Q2017.

### Other operating expenses

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The Group's other operating expenses increased by S\$0.1 million or 37.3% from S\$0.3 million in 3Q2017 to S\$0.4 million in 3Q2018 mainly due to impairment charge on unamortised franchise right and write-offs on fixed assets upon closure of restaurants.

### Share of profit of associated companies

The Group's share of profit of its associated companies remained the same at approximately S\$0.1 million in 3Q2018 as compared to 3Q2017.

### Income tax expenses

The Group's income tax expenses increased by S\$0.3 million or 102.3% from S\$0.3 million in 3Q2017 to S\$0.6 million in 3Q2018, in line with the increase of 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\$1.1 million or 73.1% from S\$1.4 million in 3Q2017 to S\$2.5 million in 3Q2018.

## Review of financial performance of the Group for 9M2018 compared to 9M2017

### Revenue

The Group's revenue increased by S\$1.4 million or 2.8% from S\$50.3 million in the nine (9) months ended 31 December 2016 ("**9M2017**") to S\$51.7 million in the nine (9) months ended 31 December 2017 ("**9M2018**"). The increase in the Group's revenue was a result of the following:

- (i) *a net increase in revenue of S\$1.2 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 increased from S\$19.6 million in 9M2017 to S\$20.8 million in 9M2018, mainly attributable to the (i) 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. These increases were partially offset by the effect of the closure of a restaurant at Bedok Point in March 2017 and the conversion of an "Ajisen Ramen" brand restaurant to the "Menya Musashi" brand restaurant at Takashimaya in November 2017.

- (ii) *a net increase in revenue of S\$1.8 million from the restaurants operating under "Menya Musashi" brand*

The Group's revenue from restaurants operating under the "Menya Musashi" brand increased from S\$10.0 million in 9M2017 to S\$11.8 million in 9M2018, mainly attributable to the (i) conversion of a "New ManLee Bak Kut Teh" brand restaurant to a "Menya Musashi" brand restaurant at Clementi Mall in April 2017, (ii) opening of a new restaurant at Northpoint City in September 2017, and (iii) conversion of a "Ajisen Ramen" brand restaurant to the "Menya Musashi" brand restaurant at Takashimaya in November 2017. The increases were



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partially offset by the effect of the conversion of a restaurant at Bedok Mall to the “Ajisen Ramen” brand in March 2017.

- (iii) *a net increase 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 increased from S\$5.9 million in 9M2017 to S\$6.1 million in 9M2018, mainly attributable to the conversion of a “Kazokutei” brand restaurant at Junction 8 to the “Osaka Ohsho” brand in January 2017. The increase was however partially offset by the effect of the closure of restaurants at “Tokyo Walker” and Eastpoint Mall in June 2017 and November 2017 respectively.

- (iv) *a net decrease in revenue of S\$1.8 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”, “Hanamidori”, “Menzo Butao”, “Kazokutei”, “Botejyu”, “Ginza Kushi-Katsu” and “Fruit Paradise” brands, recorded a decrease in revenue of S\$4.3 million in aggregate in 9M2018 as compared to 9M2017 mainly due to the effect of closure or conversion of stores.

This decrease in revenue was however partially offset by an increase in revenue of S\$2.5 million by the new restaurants operating under the “Shitamachi Tendon Akimitsu” brand.

### Gross profit

The Group’s gross profit increased by S\$1.3 million or 3.1% from S\$42.7 million in 9M2017 to S\$44.0 million in 9M2018, generally in line with the increase in the Group’s revenue.

The Group’s overall gross profit margin improved marginally from 84.8% in 9M2017 to 85.1% in 9M2018 due to the Group’s continuing efforts in cost control of raw materials.

### Other income

The Group’s other income remained the same at approximately S\$0.7 million in 9M2018 as compared to 9M2017.

### Selling and distribution expenses

The Group’s selling and distribution expenses increased by S\$0.3 million or 0.9% from S\$35.2 million in 9M2017 to S\$35.5 million in 9M2018 due to higher manpower cost, rental and online delivery charges in line with the higher sales achieved in 9M2018.

### Administrative expenses

The Group’s administrative expenses increased marginally by S\$0.1 million or 2.4% from S\$2.5 million in 9M2017 to S\$2.6 million in 9M2018. The increase in administrative expenses was mainly due to higher manpower cost and other administrative expenses to support the Group’s diverse brands and competitive operating environment.

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### **Other operating expenses**

The Group's other operating expenses remained the same at approximately S\$1.0 million in 9M2018 as compared to 9M2017.

### **Share of profit of associated companies**

The Group's share of profit of its associated companies increased by S\$59,000 or 16.4% from S\$359,000 in 9M2017 to S\$418,000 in 9M2018 due to an increase in the number of restaurants operated by its associated companies in 9M2018.

### **Income tax expenses**

The Group's income tax expenses increased by S\$0.3 million or 34.3% from S\$0.8 million in 9M2017 to S\$1.1 million in 9M2018, 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\$0.7 million or 18.1% from S\$4.1 million in 9M2017 to S\$4.8 million in 9M2018.

## **Review of financial position of the Group as at 31 December 2017**

### **Current assets**

The Group's total current assets increased by S\$1.1 million, from S\$23.8 million as at 31 March 2017 to S\$24.9 million as at 31 December 2017.

This was mainly a result of (i) an increase in cash and bank balances of S\$0.3 million, and (ii) an increase in trade and other receivables mainly relating to sales withheld by landlord in line with the higher sales revenue generated in December 2017 of S\$1.1 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 increased by S\$0.9 million, from S\$17.0 million as at 31 March 2017 to S\$17.9 million as at 31 December 2017 due to (i) an increase in long-term rental deposit of S\$0.8 million and (ii) an increase in investment in associated companies of S\$0.4 million, which were partially offset by a decrease in the net book value of plant and equipment of S\$0.3 million.



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### **Current liabilities**

The Group's total current liabilities increased by S\$0.6 million, from S\$8.3 million as at 31 March 2017 to S\$8.9 million as at 31 December 2017, mainly due to (i) higher trade payables of S\$0.5 million and (ii) higher other payables and accruals of S\$0.2 million which were partially offset by a decrease in current tax provision of S\$0.1 million;

### **Non-current liabilities**

The Group's total non-current liabilities remained unchanged at S\$0.9 million as at 31 December 2017.

### **Shareholders' equity**

The Group's shareholders' equity increased by S\$1.5 million, from S\$31.6 million as at 31 March 2017 to S\$33.1 million as at 31 December 2017. The increase was mainly due to the net profit achieved by the Group in 9M2018 of S\$4.8 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\$0.3 million. The increase was partially offset by (i) the share-buy-back of S\$0.1 million; (ii) distribution of final dividend for the financial year ended 31 March 2017 and interim dividend for the half year ended 30 September 2017 amounting to S\$2.2 million and S\$1.3 million respectively.

### **Review of statement of cash flow for 3Q2018**

The Group's net cash generated from operating activities in 3Q2018 was S\$3.1 million. This was mainly due to operating profit before working capital changes of S\$4.2 million and was partially offset by working capital outflow of S\$0.4 million and payment of income tax of S\$0.7 million.

The Group's net cash used in investing activities in 3Q2018 was S\$0.7 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 3Q2018 was S\$1.5 million mainly due to dividend payment of S\$1.4 million and share-buy-back of S\$0.1 million.

### **Review of statement of cash flow for 9M2018**

The Group's net cash generated from operating activities in 9M2018 was S\$7.1 million. This was mainly due to operating profit before working capital changes of S\$9.1 million offset by working outflow of S\$0.7 million and payment of income tax of S\$1.3 million.

The Group's net cash used in investing activities in 9M2018 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 9M2018 was S\$3.6 million mainly due to dividend payment of S\$3.5 million and share-buy-back of S\$0.1 million.

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**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.

**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 Board is cautiously optimistic about the Group's outlook notwithstanding that 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 and geopolitical 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.

In January 2018, Japan Foods added a new self-developed brand to its portfolio called "Curry is Drink". This concept offers both rice and udon sets with panko-crusted deep fried meats or seafood that are served with curry sauce. In the same month, Japan Foods also launched its JFH Rewards programme, which gives members a 10% rebate on what they spend in the form of J\$. Membership is free and accumulated J\$ can be used to offset the next meal. This new programme replaces the JFH Family Card.

As at 31 December 2017, the Group's associated companies operated 8 restaurants in Hong Kong and 10 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 and Japan by way of joint-ventures, acquisitions and/or sub-franchising of its brands. The Group is currently in advanced discussion with a potential joint venture partner in Indonesia and the Company will make an announcement as and when appropriate.

**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.

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**(d) Date payable**

Not applicable.

**(e) Books closure date**

Not applicable.

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

There is no dividend declared or recommended in this quarter.

**13. Interested person transactions**

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 Catalist ("**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 9M2018 (that is, from 1 April 2017 up to 23 July 2017 (being the date prior to the 2017 AGM)).

Name of Interested person	Aggregate value of all interested person transactions (including transactions of less than S\$100,000 each) <b>during 9M2018</b> (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 <b>during 9M2018</b> under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (S\$'000)
Royalty fees paid to Shigemitsu Industry Co., Ltd. <sup>(1)</sup>	127 <sup>(2)</sup>	-
Purchases of food ingredients from Shigemitsu Industry Co., Ltd. <sup>(1)</sup>	-	362 <sup>(3)</sup>

**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 9M2018 (that is from 1 April 2017 up to 23 July 2017, being the date prior to 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

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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.

- (3) 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).

### 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 nine (9) months ended 31 December 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 February 2018

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*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.*