

JAPAN FOODS HOLDING LTD

JAPAN FOODS HOLDING LTD.

(Incorporated in the Republic of Singapore on 3 December 2007)
(Company Registration No. 200722314M)

FIRST QUARTER UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2015

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 Income statements

	<----- Group ----->		
	Three (3) months ended 30 June 2015 (S\$'000)	2014 (S\$'000)	Increase / (Decrease) (%)
Revenue	15,818	15,694	0.8
Cost of sales	(2,595)	(2,695)	(3.7)
Gross profit	13,223	12,999	1.7
Other income	271	224	21.0
Other gains - net	-	8	N.M. ⁽¹⁾
Selling and distribution expenses	(11,228)	(11,033)	1.8
Administrative expenses	(723)	(791)	(8.6)
Other operating expenses	(364)	(439)	(17.1)
Profit from operations	1,179	968	21.8
Share of results of an associated company	86	12	616.7
Profit before income tax	1,265	980	29.1
Income tax expenses	(214)	(164)	30.5
Total comprehensive income, representing net profit for the period	1,051	816	28.8

Note:

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

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

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

	<----- Group ----->		
	Three (3) months ended 30 June		Increase /
	2015	2014	(Decrease)
	(S\$'000)	(S\$'000)	(%)
Interest income	(19)	(12)	58.3
Royalty and franchise income	(205)	(194)	5.7
Membership card sales	(10)	(15)	(33.3)
Insurance claims	(4)	-	N.M ⁽¹⁾
Other income ⁽²⁾	(33)	(3)	1,000.0
Depreciation of plant and equipment	1,312	1,091	20.3
Amortisation of intangible assets	13	16	(18.8)
Plant and equipment written off	-	99	N.M ⁽¹⁾
Foreign exchange loss/(gain)	3	(8)	N.M ⁽¹⁾

Notes:

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

(2) Other income refers mainly to the sales of scrap materials and amortisation of government grants received.

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

Consolidated statement of financial position

	<----- Group ----->		<----- Company ----->	
	As at		As at	
	30.06.2015 (S\$'000)	31.03.2015 (S\$'000)	30.06.2015 (S\$'000)	31.03.2015 (S\$'000)
ASSETS				
Current assets				
Cash and cash equivalents	17,417	15,913	885	1,085
Trade receivables	759	590	-	-
Other receivables	5	1	-	-
Inventories	592	636	-	-
Amounts owing from subsidiary companies	-	-	7,327	7,062
Other current assets	1,975	1,942	12	40
	20,748	19,082	8,224	8,187
Non-current assets				
Property, plant and equipment	12,978	13,204	-	-
Investment in subsidiaries	-	-	5,278	5,278
Investment in associates	958	872	48	48
Loan to an associated company	248	248	248	248
Financial assets, held-to-maturity	504	505	-	-
Intangible assets	246	193	-	-
Club membership	259	259	259	259
Long term security deposits	3,836	3,836	-	-
	19,029	19,117	5,833	5,833
Total Assets	39,777	38,199	14,057	14,020
LIABILITIES				
Current liabilities				
Trade payables	1,592	1,604	-	-
Other payables and accruals	5,159	4,834	528	504
Amounts owing to subsidiary companies	-	-	-	-
Current income tax liabilities	540	326	4	4
	7,291	6,764	532	508
Non-current liabilities				
Deferred income tax liabilities	860	860	-	-
	860	860	-	-
Total Liabilities	8,151	7,624	532	508
Net assets	31,626	30,575	13,525	13,512
EQUITY				
Share capital	9,307	9,307	9,307	9,307
Reserves	22,319	21,268	4,218	4,205
	31,626	30,575	13,525	13,512

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

Consolidated cash flow statements

	<----- Group ----->	
	Three (3) months ended 30 June	
	2015	2014
	(S\$'000)	(S\$'000)
Cash flows from operating activities		
Net Profit	1,051	816
Adjustments for:		
Income tax expenses	214	164
Depreciation of plant and equipment	1,312	1,091
Amortisation of intangible assets	13	16
Plant and equipment written off	-	99
Inventories written off	-	-
Award of shares under Japan Foods Performance Share Plan	-	348
Interest expense	-	-
Amortisation of government grants	(25)	-
Interest income	(19)	(12)
Share of result of an associated companies	(86)	(12)
	2,460	2,510
Changes in working capital:		
Inventories	44	19
Trade and other receivables	(168)	(32)
Other current assets ⁽¹⁾	(33)	(269)
Trade and other payables	338	1,260
Cash generated from operations	2,641	3,488
Interest income received	14	12
Income tax paid	-	-
Net cash generated from operating activities	2,655	3,500
Cash flows from investing activities:		
Purchase of plant and equipment	(1,086)	(2,824)
Purchase of intangible assets	(67)	-
Proceeds from disposal of plant and equipment	-	-
Net cash used in investing activities	(1,153)	(2,824)
Cash flows from financing activities:		
Bank deposits pledged	-	(190)
Net cash used in financing activities	-	(190)
Net increase in cash and cash equivalents	1,502	486
Cash and cash equivalents at beginning of financial year	14,190	16,768
Cash and cash equivalents at end of financial year ⁽²⁾	15,692	17,254

Notes:

- (1) This includes the security deposits (both short term and long term) of S\$4.8 million (1Q2015: S\$4.9 million) placed with lessors in respect of the Group's leases which are recoverable upon expiry of the lease tenure.
- (2) This excludes bank deposits of approximately S\$1.7 million (1Q2015: S\$2.4 million) pledged as security for banking 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 (S\$'000)	Foreign currency translation reserve (S\$'000)	Retained earnings (S\$'000)	Total (S\$'000)
Balance as at 1 April 2015	9,307	-	21,268	30,575
Total comprehensive income for the period	-	-	1,051	1,051
Balance as at 30 June 2015	9,307	-	22,319	31,626
Balance as at 1 April 2014	8,959	-	20,412	29,371
Award of performance shares	348	-	-	348
Total comprehensive income for the period	-	-	816	816
Balance as at 30 June 2014	9,307	-	21,228	30,535

Company	Share capital (S\$'000)	Retained earnings (S\$'000)	Total (S\$'000)
Balance as at 1 April 2015	9,307	4,205	13,512
Award of performance shares	-	-	-
Profit for the period	-	13	13
Balance as at 30 June 2015	9,307	4,218	13,525
Balance as at 1 April 2014	8,959	3,534	12,493
Award of performance shares	348	-	348
Loss for the period	-	(224)	(224)
Balance as at 30 June 2014	9,307	3,310	12,617

- 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 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.**

There were no changes in the Company's share capital since the end of the previous period reported on and there were no outstanding options or convertibles as at 30 June 2015 and as at 30 June 2014.

At an extraordinary general meeting held on 21 July 2015, the Company's shareholders approved a share buy-back mandate which authorises the Company's directors to purchase or otherwise acquire ordinary shares in the capital of the Company.

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- 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 June 2015	As at 31 March 2015
Total number of issued shares (excluding treasury shares)	174,006,000	174,006,000

There were no treasury shares as at 30 June 2015 and as at 31 March 2015.

- 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.**

Not applicable as the Company does not have any treasury shares as at 30 June 2015 and as at 31 March 2015.

- 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 financial statements for the three (3) months ended 30 June 2015 compared to its most recently audited annual financial statements for the financial year ended 31 March 2015.

- 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 2015 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 2015.

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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.**

Review of financial performance

Revenue

The Group's revenue increased by S\$0.1 million or 0.8% from S\$15.7 million in the three (3) months ended 30 June 2014 ("**1Q2015**") to S\$15.8 million in the three (3) months ended 30 June 2015 ("**1Q2016**"). The increase in the Group's revenue was a result of the following:

- (i) *a decrease in revenue of approximately S\$0.2 million from the restaurants operating under the "Ajisen Ramen" brand*

The Group's revenue from restaurants operating under the "Ajisen Ramen" brand decreased from S\$7.1 million in 1Q2015 to S\$6.9 million in 1Q2016, mainly attributable to the closure of restaurants at Parkway Parade in April 2014 and Jurong Point Shopping Centre in November 2014 upon the expiry of their leases. These decreases were partially offset by the increase in revenue contribution from existing restaurants.

- (ii) *a net increase in revenue of approximately S\$0.3 million from the restaurants and food court outlet operating under other brands*

The Group's restaurants operating under other brands, namely the "Menya Musashi", "Osaka Ohsho", "Japanese Gourmet Town", "Keika Ramen", "Hanamitori" and "Botejyu" brands, recorded an increase in revenue of S\$1.1 million in aggregate in 1Q2016 as compared to 1Q2015 mainly due to revenue contribution from new stores.

This increase in revenue was however partially offset by a decrease in revenue of S\$0.8 million in aggregate due to: (a) lower revenue recorded by restaurants under the "Fruit Paradise" and "Menzo Butao" brands and (b) the conversion of "Udon King" restaurant at AMK Hub to "Gyoza Bo" restaurant in September 2014.

As at 30 June 2015, the Group had a total of 47 restaurants in operation, comprising 17 "Ajisen Ramen" restaurants, 5 "Fruit Paradise" restaurants, 3 "Kazokutei" restaurants, 9 "Menya Musashi" restaurants, 7 "Osaka Ohsho", and 6 restaurants operating under various other brands, namely, "Botejyu", "Japanese Gourmet Town", "Menzo Butao", "Hanamitori", "Keika Ramen" and "Yonehachi". As at 30 June 2015, the Group also had 1 "Ajisen Ramen" outlet located in a food court.

As at 30 June 2014, the Group had a total of 43 restaurants in operation, comprising 18 "Ajisen Ramen" restaurants, 4 "Fruit Paradise" restaurants, 3 "Kazokutei" restaurants, 8 "Menya Musashi" restaurants, 5 "Osaka Ohsho" restaurants, and 5 restaurants operating under various other brands, namely, "Botejyu", "Japanese Gourmet Town", "Menzo Butao", "Udon King" and "Yonehachi". As at 30 June 2014, the Group also had 1 "Ajisen Ramen" outlet located in a food court.

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Gross profit

The Group's gross profit increased marginally by S\$0.2 million or 1.7%, from approximately S\$13.0 million in 1Q2015 to approximately S\$13.2 million in 1Q2016 due to improved gross profit margin.

The Group's overall gross profit margin increased from 82.8% in 1Q2015 to 83.6% 1Q2016 primarily due to price revision of menu items.

Selling and distribution expenses

The Group's selling and distribution expenses increased marginally by S\$0.2 million or 1.8%, from S\$11.0 million in 1Q2015 to S\$11.2 million in 1Q2016. The increase was in line with the higher number of outlets operating during the period which resulted in higher advertising expenses, rental expenses and depreciation charges. The increase was partially offset by lower labour costs of S\$0.3 million as there was a one-off incentive bonus payment to staff in 1Q2015.

Administrative expenses

The Group's administrative expenses decreased by S\$0.1 million or 8.6%, from S\$0.8 million in 1Q2015 to S\$0.7 million in 1Q2016 as there was a one-off incentive bonus payment to staff in 1Q2015.

Other operating expenses

The Group's other operating expenses decreased by S\$75,000 or 17.1%, from S\$439,000 in 1Q2015 to S\$364,000 in 1Q2016 mainly due to absence of plant and equipment write-off of S\$99,000 and partially offset by an increase in royalty fee of S\$24,000 in 1Q2016.

Share of results of associated companies

The Group's share of results of associated companies increased by of S\$74,000 or 616.7% from approximately S\$12,000 in 1Q2015 to approximately S\$86,000 in 1Q2016 due to an increase in the number of restaurants operated by its associated companies in 1Q2016.

Income tax expenses

The income tax expenses of the Group increased by S\$50,000 or 30.5% from S\$164,000 in 1Q2015 to S\$214,000 in 1Q2016 in line with the higher profit recorded in 1Q2016.

Net profit

As the result of the reasons mentioned above, the Group's net profit attributable to equity holders of the Company increased by approximately S\$0.2 million or 28.8% from S\$0.9 million in 1Q2015 to S\$1.1 million in 1Q2016.

Review of financial position

Current assets

The Group's total current assets as at 30 June 2015 increased by S\$1.7 million, from approximately S\$19.1 million as at 31 March 2015 to S\$20.8 million as at 30 June 2015.

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This was mainly a result of an increase in cash and cash equivalents of S\$1.5 million and trade receivables of S\$0.2 million.

Non-current assets

The Group's total non-current assets as at 30 June 2015 decreased by S\$0.1 million, from S\$19.1 million as at 31 March 2015 to S\$19.0 million as at 30 June 2015, due to a decrease in the net book value of plant and equipment of S\$0.2 million partially offset by an increase in investment in associated companies of S\$0.1 million.

Current liabilities

The Group's total current liabilities increased by S\$0.5 million from S\$6.8 million as at 31 March 2015 to S\$7.3 million as at 30 June 2015 mainly due to higher other payables and accruals of S\$0.3 million and higher tax provision of S\$0.2 million.

Non-current liabilities

The Group's total non-current liabilities remained unchanged at S\$0.9 million as at 30 June 2015.

Shareholders' equity

The Group's shareholders' equity increased by S\$1.0 million, from approximately S\$30.6 million as at 31 March 2015 to approximately S\$31.6 million as at 30 June 2015 arising from the net profit achieved by the Group in 1Q2016.

Review of cash flow management

The Group's net cash generated from operating activities in 1Q2016 was approximately S\$2.7 million. This was mainly due to operating profit before working capital changes of S\$2.5 million and working capital inflow of S\$0.2 million.

The Group's net cash used in investing activities in 1Q2016 was S\$1.2 million mainly due to renovation cost and purchase of equipment for the Group's new restaurants.

The Group did not generate or use any cash from financing activities in 1Q2016.

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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 Group expects the operating environment in the local food and beverage industry to continue to be very challenging in the next 12 months due to stiff competition, tight labour supply and rising labour and rental costs.

To counter the intense competition, the Group will review its pricing strategy, product offerings and service to meet current and future customers' needs, including menu innovations and value offerings.

The Group will continue to focus its efforts in controlling raw material costs, improving operational efficiency and practising good "restaurant portfolio management", taking into account market demands and individual restaurant's profitability.

As at 30 June 2015, the Group's associated companies operated 10 restaurants in Hong Kong and 5 restaurants in the PRC under the "Menya Musashi" brand. Barring unforeseen circumstances, the Group's associated companies will seek to expand the "Menya Musashi" restaurant network in Hong Kong and the PRC.

The Group will also seek opportunities to expand our presence in the ASEAN region by way of joint-ventures, acquisitions and/or sub-franchising of our brands.

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) ***Date payable***

Not applicable.

- (d) ***Books closure date***

Not applicable.

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

There is no dividend declared in this quarter.

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

The Company had, at its last annual general meeting on 21 July 2015, 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 1Q2016 (excluding transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalyst Rules) (S\$'000)	Aggregate value of all interested person transactions (including transactions of less than S\$100,000 each) conducted during 1Q2016 under shareholders' mandate pursuant to Rule 920 of the Catalyst Rules (S\$'000)
Royalty fees paid to Shigemitsu Industry Co., Ltd. ⁽¹⁾	S\$102 ⁽²⁾	-
Purchases of food ingredients from Shigemitsu Industry Co., Ltd. ⁽¹⁾	-	S\$148 ⁽³⁾

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 SGX-ST Listing Manual Section B: Rules of Catalyst (the "**Catalist Rules**").
- (2) The royalty, franchise and licence fees paid to Shigemitsu Industry in 1Q2016 comprise: (i) fees paid for the use of the "Ajisen Ramen" brand amounting to S\$90,000 (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 Catalyst Rules to the extent that there is 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\$8,000; and (iii) the right to use the technique for the production of noodles amounting to S\$4,000.
- (3) This amount relates to the Group's purchases of soup base and such other ingredients necessary for the "Ajisen Ramen" business (including transactions less than S\$100,000 each) from Shigemitsu Industry pursuant to the IPT Mandate.

14. Confirmation by the board of directors pursuant to Rule 705(5) of the Catalyst Rules

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 three (3) months ended 30 June 2015 to be false or misleading in any material aspect.

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BY ORDER OF THE BOARD

Takahashi Kenichi
Executive Chairman and CEO

Wong Hin Sun Eugene
Non-Executive Vice Chairman

4 August 2015

*This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist. 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.*