

# JAPAN FOODS HOLDING LTD.

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## Strong second half recovery boosts Japan Foods FY2015 net profit to S\$4.7m

- Singapore network increases to 46 outlets while overseas network expanded to 24 restaurants
- Achieves net profit of S\$2.9 million in the second half as compared to S\$1.8 million in the first half of FY2015
- Proposes a final dividend per share of 1.27 Singapore cents bringing the total dividend for FY2015 to 2.00 Singapore cents
- Introduced two new franchise brands and dining concepts in recent months - “Keika Ramen” and “Hanamidori”

Financial Highlights (S\$' million)	Financial year ended 31 March		Change (%)
	2015	2014	
Revenue	62.7	62.8	(0.1)
Gross profit	52.3	51.2	2.1
Profit before income tax	5.1	8.8	(41.6)
Net profit	4.7	7.3	(35.2)
Basic earnings per share (“EPS”) (Singapore cents) <sup>1</sup>	2.73	4.21	(35.2)
Net asset value (“NAV”) per share as at 31 March (Singapore cents) <sup>2</sup>	17.57	16.93	3.8

<sup>1</sup> EPS was computed based on 173,781,123 and 173,340,740 weighted average number of shares in FY2015 and FY2014 respectively.

<sup>2</sup> NAV was computed based on 174,006,000 and 173,466,000 number of shares as at 31 March 2015 and as at 31 March 2014 respectively.

**SINGAPORE, 29 May 2015 – Japan Foods Holding Ltd.** (“Japan Foods” and together with its subsidiaries, the “Group”), a leading Singapore-based Japanese restaurant chain, has achieved net profit of S\$4.7 million on the back of S\$62.7 million in revenue for the year ended 31 March 2015 (“FY2015”).

In FY2015, the Group’s gross profit rose 2.1% to S\$52.3 million in tandem with the increase in gross profit margin, which rose 1.8 percentage points from 81.6% in the financial year ended 31 March 2014 (“FY2014”) to 83.4% in FY2015. This was mainly due to better control of raw material costs arising from efficient use of raw materials and

cost savings from self-produced noodles, bulk purchase discount, price revision of menu items and the appreciation of the Singapore dollar against the Japanese yen.

However, the Group incurred higher expenses during the financial year mainly in relation to its network expansion in Singapore, which increased from a total of 44 restaurants and outlet as at 31 March 2014 to 46 restaurants and outlet as at 31 March 2015, as well as monetary incentives given to staff to increase retention rate amidst a tight labour market.

Selling and distribution expenses, which formed 70.9% of the Group's revenue in FY2015, rose 12.1% to S\$44.4 million mainly attributable to a S\$1.0 million hike in employees' salaries due to an increase in headcount for both part-time and full-time employees and higher base salaries as well as a one-off incentive payment of S\$0.4 million to retain existing staff. The Group also incurred higher rental costs because of rental revisions for restaurants located at existing malls and additional rental costs for new store openings.

As a result, the Group's net profit attributable to equity holders of the Company declined by 35.2% to S\$4.7 million in FY2015.

NAV per share as at 31 March 2015 was 17.57 Singapore cents as compared to 16.93 Singapore cents as at 31 March 2014. At the end of FY2015, the Group's cash position remained healthy with cash and cash equivalents of S\$15.9 million with no borrowings.

According to **Executive Chairman and CEO of Japan Foods, Mr Takahashi Kenichi**, the first half of FY2015 was particularly challenging for Japan Foods because of intense competition in the F&B scene, which was further compounded by the manpower shortage that resulted from the government imposed reduction in the foreign labour quota. However the Group enjoyed better performance in the second half with net profit increasing 61.1% from S\$1.8 million in the first half to S\$2.9 million in the second half of FY2015.

He said: *"Despite the challenges in the first half, we were able to end the financial year with healthy sales mainly because of measures we had taken since FY2014 to mitigate such issues, such as introducing an iPad self-ordering system, expanding the capacity of our central kitchen, as well as offering monetary incentives to retain existing staff. In FY2015, in addition to higher hourly wages and a retention bonus for eligible staff, the management team pitched in during the weekends to help out with service at busy outlets.*

“Although our earnings are down year-on-year, we are optimistic that our expanded restaurant network will contribute to our top and bottom lines in the longer term. The Group is confident that the variety of Japanese cuisine concepts that we offer within our extensive brand portfolio remains attractive to a broad range of customers and our constant effort in responding to customers’ taste and demand will yield fruitful returns.”

Subject to approval by shareholders at the forthcoming Annual General Meeting in July 2015, the Group has proposed a final dividend of 1.27 Singapore cents per share. This will bring the total dividend payout in FY2015 to 2.00 Singapore cents per share, taking into account the interim dividend of 0.73 Singapore cents per share which was paid on 28 November 2014. This represents a total dividend pay-out of S\$3.5 million, or 73.5% of net profit, in FY2015, which is higher than the Group’s dividend policy to distribute not less than 40.0% of the Group’s audited consolidated net profits attributable to shareholders annually.

## **FY2015 Business Review**

### **Singapore Network**

<b>Restaurant Brands</b>	<b>As at 31 March 2015</b>	<b>As at 31 March 2014</b>
Ajisen Ramen	17	18
Botejyu	1	1
Fruit Paradise	5	5
Japanese Gourmet Town	1	1
Kazokutei	2	3
Keika Ramen	1	-
Menya Musashi	9	8
Menzo Butao	1	1
Osaka Ohsho	7	4
Udon King	0	1
Yonehachi	1	1
<b>TOTAL RESTAURANTS</b>	<b>45</b>	<b>43</b>
<b>Food Court Outlet</b>	<b>As at 31 March 2015</b>	<b>As at 31 March 2014</b>
Ajisen Ramen	1	1
<b>TOTAL FOOD COURT OUTLET</b>	<b>1</b>	<b>1</b>
<b>TOTAL RESTAURANTS AND FOOD COURT OUTLET</b>	<b>46</b>	<b>44</b>

The Group’s flagship brand and main revenue generator “Ajisen Ramen” recorded a net decrease in revenue of S\$2.7 million to S\$27.5 million in FY2015. This was due to the

temporary closure of restaurants located at Lot One Shoppers Mall, Bugis Junction and Tampines Mall for renovation. In addition, there restaurant closures at Hougang Mall, Changi Airport Terminal 3, Parkway Parade and Jurong Point upon the expiry of the leases. However, the decrease in sales from these restaurants was partially offset by an increase in revenue generated by a new outlet at Bedok Point, which opened in April 2014.

The restaurants operating under the Group's other brands such as "Menya Musashi", "Osaka Ohsho", "Fruit Paradise" and "Menzo Butao" continued to gain traction with revenue increasing by an aggregate of S\$2.6 million in FY2015.

In February 2015, the Group launched a new franchise brand "Keika Ramen", at Hougang Mall. Established in 1955 in Kumamoto, Japan, Keika Ramen is known for its tonkotsu soup seasoned with natural salt and a special ingredient developed by the brand owner. Popular items include the signature Taro Ramen and 5-spice Pork Ramen.

Mr Takahashi said: *"It is still early days as the restaurant has been in operation for less than three months but the response from diners has been very encouraging and we have seen strong sales from the outlet despite its short tenure."*

### **Overseas Network**

<b>Restaurant Brands</b>	<b>As at 31 March 2015</b>	<b>As at 31 March 2014</b>
Ajisen Ramen (operated by sub-franchisees)		
• Malaysia	6	4
• Indonesia	-	1
• Vietnam	3	2
Menya Musashi (interests via associated companies)		
• Hong Kong	10	7
• Shanghai, PRC	5	1
<b>TOTAL RESTAURANTS</b>	<b>24</b>	<b>15</b>

During the year, the Group's overseas network expanded substantially with restaurant openings mainly under the growing "Menya Musashi" brand. As at 31 March 2015, there were 6 "Ajisen Ramen" restaurants in Malaysia and 3 in Vietnam operated by the Group's

sub-franchisees. In addition, the Group has interests in 10 “Menya Musashi” restaurants in Hong Kong and 5 in Shanghai through associated companies.

### **Business Outlook**

Japan Foods expects the operating environment in the local F&B scene to remain challenging due to tight labour supply, stiff competition as well as rising labour and rental costs.

Japan Foods will continue to employ its strategy of good restaurant portfolio management taking into account market demand and the profitability of individual restaurants. The wide variety of brands the Group carries gives it an advantage as it is able to swap under-performing brands for more popular ones in order to drive higher sales across all locations.

The Group is also on the constant look out for new brands and concepts to introduce to the market. The latest Japanese franchise to join its brand portfolio is “Hanamidori”, which features an all-chicken menu and *mizutaki* – a specialty chicken broth hotpot that comes with signature dipping sauces. The new restaurant opened at Plaza Singapura on 25 May 2015.

Mr Takahashi said: *“We are very excited to welcome “Hanamidori” into our family of brands. Hotpots are very much a part of the communal dining culture in Singapore. We believe that the flavourful broth offered by our new restaurant will make it the new must-go destination for hotpot lovers.”*

Barring unforeseen circumstances and subject to suitable opportunities, the Group expects its associated companies to continue to expand the “Menya Musashi” restaurant network in Hong Kong and China. The Group will also seek opportunities to expand its presence in the ASEAN region.

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### **About Japan Foods**

*Established in Singapore in 1997 and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited in February 2009, Japan Foods is one of the leading Japanese restaurant chains in Singapore. As at 31 March 2015, the Group operates 45 restaurants in Singapore under various brands, such as “Ajisen Ramen”, “Osaka Ohsho” and “Menya Musashi”, and 1 outlet located in a food court.*

*Over the years, Japan Foods has successfully expanded its restaurant network of the “Ajisen Ramen” brand and has also created its own “Udon King”, “Fruit Paradise” and “Japanese Gourmet Town” brands. The Group is focused on innovation and aims to continuously refresh the dining experience of its customers.*

*The Group has expanded beyond Singapore. As at 31 March 2015, there are 6 “Ajisen Ramen” restaurants in Malaysia and 3 in Vietnam operated by the Group’s sub-franchisees. The Group also has interests in 10 “Menya Musashi” restaurants in Hong Kong and 5 in Shanghai, through its associated companies.*

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