

JAPAN FOODS HOLDING LTD.

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Japan Foods kicks off FY2017 with a strong 24% jump in 1Q2017 net profit

- *Underlining the improved performance is the year-on-year increase in the number of stores and growing revenue contributed by newer brands.*

Financial Highlights (S\$' million)	Three (3) months ended 30 June		Change (%)
	2016	2015	
Revenue	16.8	15.8	6.4
Gross profit	14.2	13.2	7.5
Profit before income tax	1.6	1.3	25.5
Net profit	1.3	1.1	24.1
Basic earnings per share ("EPS") (Singapore cents) ¹	0.75	0.60	25.0
Net asset value ("NAV") per share (Singapore cents) ²	18.49 (as at 30 June 2016)	17.74 (as at 31 March 2016)	4.2

¹ EPS was computed based on the weighted average number of shares of 173,936,000 shares and 174,006,000 shares in 1Q2017 and 1Q2016 respectively.

² NAV was computed based on 173,936,000 shares as at 30 June 2016 and as at 31 March 2016 respectively.

SINGAPORE, 4 August 2016 – Japan Foods Holding Ltd. ("Japan Foods" and together with its subsidiaries, the "**Group**"), a leading Singapore-based Japanese restaurant chain, saw a 24.1% jump in net profit to S\$1.3 million on the back of a 6.4% growth in revenue to S\$16.8 million for the three months ended 30 June 2016 ("**1Q2017**").

The Group performed better in the reporting quarter as compared to the preceding three months ended 30 June 2015 ("**1Q2016**") because of higher revenue generated from an increased number of stores (as at 30 June 2016: 50 stores; as at 30 June 2015: 48 stores) as well as better gross profit margin which rose by 1.0 percentage point from 83.5% to 84.5%.

Corresponding to the rise in the number of stores, administrative and other operating expenses for the period grew 16.2% and 14.8% to S\$0.8 million and S\$0.4 million respectively. Likewise, selling and distribution expenses inched 4.0% higher in 1Q2017 to S\$11.7 million from S\$11.2 million in 1Q2016.

NAV per share as at 30 June 2016 was 18.49 Singapore cents as compared to 17.74 Singapore cents as at 31 March 2016. The Group's cash position also strengthened with cash and cash equivalents rising from S\$16.9 million as at 31 March 2016 to S\$19.3 million as at 30 June 2016.

Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods, said: *"I am pleased with the strong start to the financial year especially because we are operating in an increasingly challenging economic landscape. Competition in the industry continues to intensify with new players coming on stream all the time. It is imperative that we continue to innovate and launch new concepts and brands and also to regularly update our existing restaurants so that we can continue to attract new customers and retain loyal ones. I believe we have done well in these areas and our performance speaks for itself."*

1Q2017 Business Review

Singapore Network

Restaurant Brands	As at 30 June 2016	As at 30 June 2015
Ajisen Ramen	15	17
Botejyu	1	1
Fruit Paradise	4	5
Dutch Baby Cafe	1	-
Ginza Kushi Katsu	1	-
Hanamidori	1	1
Japanese Gourmet Town	1	1
Kazokutei	3	3
Keika Ramen	3	1
Menya Musashi	8	9
Menzo Butao	1	1
New ManLee Bak Kut Teh	3	-
Osaka Ohsho	6	7
Yonehachi	1	1
TOTAL RESTAURANTS	49	47
Food Court Outlet	As at 30 June 2016	As at 30 June 2015
Ajisen Ramen	1	1
TOTAL RESTAURANTS AND FOOD COURT OUTLET	50	48

The Group's flagship brand and main revenue generator "Ajisen Ramen" recorded a decrease in revenue from S\$7.2 million in 1Q2016 to S\$6.3 million in 1Q2017 as a result of the closure of two restaurants located at Compass Point and Tiong Bahru Plaza in September 2015 and December 2015 respectively due to mall renovation works. In December 2015, an "Ajisen Ramen" brand restaurant at Clementi Mall was converted to "New ManLee Bak Kut Teh". Also during the reporting period, some existing restaurants cashed in lower net sales.

However, the decline in revenue was partially offset by revenue contribution from the conversion of the "Osaka Ohsho" brand to "Ajisen Ramen" brand at Bukit Panjang Plaza in October 2015 and the opening of "Keika Ramen" brand restaurant at White Sands and Tiong Bahru Plaza in November 2015 and April 2016 respectively.

Meanwhile, restaurants operating under the Group's two other flagship brands namely "Menya Musashi" and "Osaka Ohsho" held steady performances in 1Q2017.

"Menya Musashi" branded restaurants generated a modest S\$0.3 million increase in revenue to S\$3.4 million in 1Q2017 mainly due to higher sales achieved by existing restaurants and the opening of a new outlet at Punggol Waterway Point in January 2016.

On the other hand, restaurants operating under the "Osaka Ohsho" brand saw a marginal slide in revenue of S\$0.1 million to S\$2.0 million in 1Q2017, primarily because of a drop in net sales from some existing restaurants and brand conversions to "Ajisen Ramen" at Bukit Panjang Plaza in October 2015 and to "New ManLee Bak Kut Teh" at AMK Hub in March 2016.

As a result of more stores opening including the recently launched self-developed brands "Dutch Baby Cafe" and "Ginza Kushi Katsu" in April 2016, the Group's restaurants operating under other brands generated a S\$1.8 million increase in revenue in 1Q2017 as compared to 1Q2016. This was partially offset by a S\$0.1 million slip in aggregate revenue due to lower sales by restaurants under the "Japanese Gourmet Town", "Botejyu", and "Yonehachi" brands.

Overseas Network

Restaurant Brands	As at 30 June 2016	As at 30 June 2015
Ajisen Ramen (operated by sub-franchisees)		
• Malaysia	4	6
• Vietnam	2	3
Menya Musashi (interests via associated companies)		
• Hong Kong	8	10
• China	5	5
TOTAL RESTAURANTS	19	24

The Group's overseas network reduced from 24 restaurants in 1Q2016 to 19 restaurants in 1Q2017 because of the cessation of three "Ajisen Ramen" brand restaurants in Malaysia and Vietnam. In Hong Kong, the Group also has two less "Menya Musashi" brand restaurants as compared to 1Q2016 because of the expiration of lease.

Business Outlook

The coming 12 months is expected to remain challenging for the local F&B scene due to intense competition, tight labour supply, rising business costs and uncertain economic outlook.

In view of this, the Group's ongoing focus will be on controlling raw material costs, improving operational efficiency via streamlining of work processes and technology as well as practising good restaurant portfolio management while taking into account market demand and individual outlet's profitability.

Mr Takahashi said: *"The response to our new brands has been very heartening. Our first non-Japanese concept 'New ManLee Bak Kut Teh' has been particularly well-received and we have gathered very good feedback from customers who enjoy the taste. In the coming months, we will definitely be actively seeking out opportunities to open more restaurants under this brand and maybe look for other opportunities to franchise more non-Japanese brands that share the same synergies."*

At the same time, 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.

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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 30 June 2016, the Group operates 49 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 “Dutch Baby Cafe”, “Fruit Paradise”, “Ginza Kushi Katsu” and “Japanese Gourmet Town” brands. The Group is focused on innovation and aims to continuously refresh the dining experience of its customers. In December 2015, Japan Foods launched its first non-Japanese concept called “New ManLee Bak Kut Teh” offering both Malaysia-style and Singapore-style pork rib soup at its first restaurant at Clementi Mall in Singapore.

The Group has expanded beyond Singapore. As at 30 June 2016, there are 4 restaurants in Malaysia and 2 restaurants in Vietnam operated by the Group’s sub-franchisees under the “Ajisen Ramen” brand. The Group also has interests in 8 restaurants in Hong Kong and 5 restaurants in China operated by its associated companies under the “Menya Musashi” brand.

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This news release has been reviewed by the Company’s sponsor, CIMB Bank Berhad, Singapore Branch (the “**Sponsor**”) for compliance with the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”). The Sponsor has not independently verified the contents of this news release. This news release has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this news release, including the correctness of any of the statements or opinions made or reports contained in this news release. 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.