

JAPAN FOODS HOLDING LTD.

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Japan Foods maintains steady earnings for 9M2016 despite challenging market conditions

- Gross profit margin remains at 84.1% in 9M2016 due to ongoing efforts in cost cutting, operational efficiency and good restaurant portfolio management.

Financial Highlights (S\$' million)	Third Quarter ended 31 Dec		Change (%)	Nine (9) months ended 31 Dec		Change (%)
	2015	2014		2015	2014	
Revenue	15.4	16.6	(7.5)	47.1	47.8	(1.5)
Gross profit	13.0	14.1	(7.9)	39.6	39.8	(0.5)
Profit before income tax	1.1	1.8	(38.9)	4.0	3.9	1.2
Net profit	0.9	1.5	(38.3)	3.3	3.3	0.9
Basic earnings per share ("EPS") (Singapore cents) ⁽¹⁾	0.52	0.85	(38.8)	1.90	1.89	0.5
Net asset value ("NAV") per share (Singapore cents) ⁽²⁾	17.53 (as at 31 Dec 2015)			17.57 (as at 31 Mar 2015)		

¹ EPS was computed based on the weighted average number of shares of 174,436,000 shares and 174,006,000 shares in 3Q2016 and 3Q2015 respectively; and 174,237,418 shares and 173,844,254 shares in 9M2016 and 9M2015 respectively.

² NAV was computed based on 174,436,000 shares as at 31 December 2015 and 174,006,000 shares as at 31 March 2015 respectively.

SINGAPORE, 12 February 2016 – Japan Foods Holding Ltd. ("Japan Foods" and together with its subsidiaries, the "**Group**"), a leading Japanese restaurant chain, has maintained its earnings for the nine (9) months ended 31 December 2015 ("**9M2016**") as compared with the previous corresponding period ("**9M2015**"). During the period under review, the Group achieved gross profit of S\$39.6 million and net profit of S\$3.3 million on the back of a 1.5% marginal decline in revenue to S\$47.1 million.

In 2015, consumer sentiments grew increasingly cautious against an uncertain backdrop caused by the slowdown in key economies such as the US and China and volatile crude oil prices. Despite the challenging market conditions, the Group was able to achieve a

steady 9M2016 performance because of ongoing efforts to control raw material costs, operational efficiency and good restaurant portfolio management which entails close monitoring of market demands and the performance of individual restaurants. These strategies continued to generate high gross profit margins for the Group which stood at 84.1% in 9M2016 as compared to 83.3% in 9M2015.

On a quarterly basis, the Group's net profit fell by 38.3% to S\$0.9 million on the back of a 7.5% decline in revenue to S\$15.4 million during the third quarter from 1 October 2015 to 31 December 2015 ("**3Q2016**") as compared to the previous third quarter from 1 October 2014 to 31 December 2014 ("**3Q2015**"), reflecting curbed spending over the festive period due to weakened consumer sentiments.

NAV per share as at 31 December 2015 was 17.53 Singapore cents as compared to 17.57 Singapore cents as at 31 March 2015. The Group also saw its cash position strengthened with cash and cash equivalents rising from S\$15.9 million as at 31 March 2015 to S\$16.3 million as at 31 December 2015, with no borrowings.

Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods, said: "*The third quarter is usually a strong period for us because of school holidays and the festive season. The decline in our earnings during this quarter was a reflection of consumers tightening their belts amidst fears of a downturn. In response, we have also become more vigilant in monitoring market trends and keeping costs in check.*"

9M2016 Business Review

Singapore Network

Restaurant Brands	As at 31 Dec 2015	As at 31 Dec 2014
Ajisen Ramen	15	17
Botejyu	1	1
Fruit Paradise	4	5
Hanamidori	1	-
Japanese Gourmet Town	1	1
Kazokutei	3	2
Keika Ramen	2	-
Menya Musashi	7	9
Menzo Butao	1	1
New ManLee	1	-

Osaka Ohsho	6*	7*
Yonehachi	1	1
TOTAL RESTAURANTS	43	44
Food Court Outlet	As at 31 Dec 2015	As at 31 Dec 2014
Ajisen Ramen	1	1
TOTAL RESTAURANTS AND FOOD COURT OUTLET	44	45

* Includes 1 “Gyoza Bo” branded restaurant and 1 “Kotsujiru Nabe” branded restaurant, which are both brand extensions of the “Osaka Ohsho” brand.

Japan Foods’ portfolio in Singapore stood at 43 restaurants in 9M2016 as compared to 44 restaurants in 9M2015. The number of food court outlets remained unchanged at one.

The Group’s flagship brand and main revenue generator “Ajisen Ramen” recorded a net decrease in revenue of S\$1.7 million from S\$21.6 million in 9M2015 to S\$19.9 million in 9M2016 due to the closure of two (2) restaurants located at Compass Point and Tiong Bahru Plaza in September 2015 and December 2015 respectively due to mall renovation works. The restaurants at Parkway Parade and Jurong Point Shopping Centre closed in April 2014 and November 2014 respectively due to the expiry of their leases, while the restaurant at Clementi Mall was converted to a “New ManLee Bak Kut Teh” brand restaurant. Net sales generated by existing restaurants during the period also declined.

The restaurants operating under the Group’s other two flagship brands namely “Menya Musashi” and “Osaka Ohsho” continued to perform healthily in 9M2016. While revenue generated by restaurants under the “Menya Musashi” brand fell S\$0.5 million to S\$9.1 million in 9M2016 compared to 9M2015 due to the closure of two (2) restaurants at Thomson Plaza and Ion Orchard in November 2014 and August 2015 respectively, the decrease was partially offset by a net increase in sales from existing restaurants.

Meanwhile, restaurants operating under the “Osaka Ohsho” brand experienced a modest S\$0.3 million increase in sales in 9M2016 compared to 9M2015 due to contribution from new restaurants that opened at Bugis Junction and AMK Hub in May 2014 and September 2014 respectively.

During the period under review, restaurants operating under the Group’s other brands performed strongly generating a S\$1.3 million increase in combined revenue to S\$11.7 million in 9M2016 compared to 9M2015 due to contributions from new restaurants

operating under the “Hanamidori”, “Keika Ramen”, “Kazokutei” and “New ManLee Bak Kut Teh” brands as well as an increase in revenue from existing restaurants operating under the “Japanese Gourmet Town” and “Boteyju” brands which together accounted for an increase of S\$2.7 million in aggregate.

Mr Takahashi said: *“Our first non-Japanese concept ‘New ManLee Bak Kut Teh’ was launched only two months ago in December 2015. The ingredient and preparation requirements for this concept fit nicely with our existing central kitchen capabilities and we have been extremely encouraged by the response from our customers. Subject to market conditions, availability of locations and other business considerations, we intend to look out for opportunities to open more stores under this brand.”*

Sales of food ingredients fell S\$67,000 due to lower demand from the Group’s sub-franchisees.

Overseas Network

Restaurant Brands	As at 31 Dec 2015	As at 31 Dec 2014
Ajisen Ramen (operated by sub-franchisees)		
• Malaysia	5	6
• Vietnam	2	2
Menya Musashi (interests via associated companies)		
• Hong Kong	10	8
• China	5	3
TOTAL RESTAURANTS	22	19

The Group’s overseas network has expanded substantially, from 19 restaurants as at 31 December 2014 to 22 restaurants as at 31 December 2015. This growth was mainly driven by the Group’s associated companies opening restaurants under the “Menya Musashi” brand in Hong Kong and various cities in China.

Business Outlook

For the 12 months ahead, Japan Foods expects the operating environment in the local F&B scene to remain challenging due to the tight labour supply, stiff competition, rising business costs and uncertain economic outlook.

Mr Takahashi said: *“Many industries are currently grappling with the global market turmoil, which has led to poor business and consumer sentiments. However, I believe Japan Foods has a resilient and proven business model that emphasises cost control and margin improvement which will enable us to weather the market conditions.”*

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

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

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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 December 2015, the Group operates 43 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 “Fruit Paradise” 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 31 December 2015, there are 5 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 10 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. 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.*