

JAPAN FOODS HOLDING LTD.

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Japan Foods achieves net profit of S\$1.8 million; declares interim dividend of 0.73 Singapore cents per share

- Increase in number of restaurants from 39 as at 30 September 2013 to 44 as at 30 September 2014
- Newer brands such as “Menya Musashi”, “Osaka Ohsho”, “Yonehachi” and “Menzo Butao” continue to contribute to the Group’s revenue

Financial Highlights (S\$’ million)	6 months ended 30 September		Change (%)
	2014	2013	
Revenue	31.2	31.0	0.8
Gross profit	25.7	25.0	2.8
Profit before income tax	2.1	4.6	(53.3)
Net profit	1.8	3.8	(52.0)
Basic earnings per share (“EPS”) (Singapore cents) *	1.04	2.17	(52.1)
Net asset value (“NAV”) per share (Singapore cents) +	16.61 (as at 30 Sept 2014)	16.93 (as at 31 March 2014)	(1.9)

* EPS was computed based on 173,823,049 and 173,216,165 weighted average number of shares in HY2015 and HY2014 respectively. For comparative purposes, the weighted average number of Shares used to compute EPS for HY2014 has been adjusted to take into account the issuance of the 57,822,000 new Shares on 6 December 2013 pursuant to a one-for-two bonus issue announced by the Company on 11 November 2013 (the “**Bonus Issue**”) and assuming that the Bonus Issue had been completed on 1 April 2013.

+ NAV was computed based on 174,006,000 and 173,466,000 shares as at 30 September 2014 and 31 March 2014 respectively.

SINGAPORE, 5 November 2014 – Japan Foods Holding Ltd. (“Japan Foods” and together with its subsidiaries, the “**Group**”), a Singapore-based Japanese restaurant chain, has achieved revenue growth of 0.8% to S\$31.2 million for the six months ended 30 September 2014 (“**HY2015**”) as compared to S\$31.0 million achieved in the corresponding period last year (“**HY2014**”) mainly due to an increase in revenue contribution from its newer brands such as “Menya Musashi”, “Osaka Ohsho”, “Yonehachi” and “Menzo Butao”.

The Group's gross profit in HY2015 increased by 2.8% to S\$25.7 million as compared to S\$25.0 million in HY2014. Gross profit margin rose by 1.6 percentage points from 80.8% in HY2014 to 82.4% in HY2015 mainly due to better control of raw material costs arising from more efficient use of materials and cost savings from self-produced noodles, bulk purchase discounts and the appreciation of the Singapore dollar against the Japanese Yen.

During HY2015, the Group saw an increase in its expenses, in particular selling and distribution expenses, which rose 16.2% from S\$18.9 million in HY2014 to S\$22.0 million in HY2015. As a percentage of revenue, selling and distribution expenses represented 70.4% of revenue in HY2015 compared to 61.0% in HY2014 mainly due to an increase in salaries of about S\$0.6 million and a one-off incentive payment of S\$0.4 million to retain existing staff; as well as a rise in rental, utilities, depreciation and other expenses in line with the higher number of restaurants in operation during HY2015. The increase in manpower-related expenses was part of the Group's proactive measures to cushion the impact of Singapore's labour shortage on its operations.

As a result, Japan Foods reported a net profit of S\$1.8 million in HY2015, down 52.0% from S\$3.8 million in HY2014.

Based on the weighted average number of 173,823,049 shares in HY2014⁽¹⁾ and 173,216,165 shares in HY2015, EPS fell 52.1% from 2.17 Singapore cents in HY2014 to 1.04 Singapore cents in HY2015. NAV per share was 16.61 Singapore cents as at 30 September 2014 as compared to 16.93 Singapore cents as at 31 March 2014 based on 174,006,000 and 173,466,000 shares outstanding then.

Executive Chairman and CEO of Japan Foods, Mr Takahashi Kenichi, said: *"The operating environment has become increasingly challenging for F&B companies because of keener competition and higher business costs. We are glad the measures we had put in place over the past few years, such as having our own noodle production facility as well as a self-ordering iPad E-menu system at all our restaurants, have enabled us to effectively manage our costs such that we have been able to continue to expand and increase the number of restaurants despite the challenging environment."*

⁽¹⁾ For comparative purposes, the weighted average number of Shares used to compute EPS for HY2014 has been adjusted to take into account the issuance of the 57,822,000 new Shares on 6 December 2013 pursuant to the Bonus Issue and assuming that the Bonus Issue had been completed on 1 April 2013.

In line with Japan Foods' target dividend payout ratio of at least 40% of audited consolidated net profits attributable to shareholders annually, the Group has declared an interim dividend of 0.73 Singapore cents per ordinary share, which represents a dividend pay-out ratio of 70% of the Group's unaudited consolidated net profits attributable to shareholders for HY2015.

As at 30 September 2014, the Group's cash position remained healthy with cash and cash equivalents of S\$15.8 million with no borrowings.

HY2015 Business Review

Singapore Network

Restaurant Brands	As at 30 Sept 2014	As at 30 Sept 2013
Ajisen Ramen	18	19
Botejyu	1	1
Fruit Paradise	5	4
Japanese Gourmet Town	1	1
Kazokutei	2	3
Menya Musashi	9	6
Menzo Butao	1	1
Osaka Ohsho	6 ⁽²⁾	2
Udon King	-	1
Yonehachi	1	1
TOTAL RESTAURANTS	44	39
Food Court Outlets	As at 30 Sept 2014	As at 30 Sept 2013
Ajisen Ramen	1	1
Botejyu Yatai	-	2
TOTAL FOOD COURT OUTLETS	1	3
TOTAL RESTAURANTS AND FOOD COURT OUTLETS	45	42

Although revenue from the Group's flagship "Ajisen Ramen" branded restaurants in HY2015 fell S\$2.2 million, it continued to be the Group's main revenue generator contributing 45.2% of total revenue in HY2015. The decline was due mainly to a drop in

⁽²⁾ Includes 1 "Gyoza Bo" branded restaurant and 1 "Kotsujiru Nabe" branded restaurant, which are both brand extensions of "Osaka Ohsho" brand.

net sales from existing restaurants as a result of increased competition as well as temporary closures at Lot One Shoppers Mall and at Bugis Junction in the month of July 2014 for renovation, and restaurant closures at Hougang Mall in May 2013, at Changi Airport Terminal 3 in February 2014 and at Parkway Parade in April 2014

The Group's restaurants operating under other brands achieved an overall net increase in revenue of S\$2.4 million in HY2015. The Group's newer brands, namely "Menya Musashi", "Osaka Ohsho", "Yonehachi" and "Menzo Butao", contributed an increase in revenue of S\$4.2 million in HY2015 as compared to HY2014. However, this increase was partially offset by an aggregate S\$1.8 million decrease in revenue contribution from other brands due to temporary closure of the restaurants operating under "Japanese Gourmet Town" at VivoCity in August 2014 for renovation, the closure of "Botejyu Yatai" outlets in the food courts at Junction 8 in October 2013 and at Bugis Junction in February 2014, as well as of the closure of a "Kazokutei" restaurant at Plaza Singapura in May 2014 and the re-opening as "Fruit Paradise" restaurant in September 2014 and the conversion of the "Udon King" restaurant at AMK Hub into the newly introduced brand "Gyoza Bo" in September 2014.

Mr Takahashi said: "*We continue to be very encouraged by the market's response to our newer brands as it is our vision for some of these brands such as "Menya Musashi" and "Osaka Ohsho" to grow in strength and one day become our flagship brands, together with "Ajisen Ramen".*"

"At the same time, we have responded to the rising popularity of gyozas among local diners by introducing two specialty brands. "Kotsujiru Nabe" was launched at Bugis Junction in May 2014, while "Gyoza Bo" was launched at AMK Hub in September 2014. Both are brand extensions of our popular "Osaka Ohsho" brand and all specialise in Japanese dumplings known as "gyoza" but offer different styles of cooking. We believe the new brands will gain acceptance as quickly as the "Osaka Ohsho" brand did," he added.

"Gyoza Bo" by "Osaka Ohsho" is a new variety gyoza concept shop that offers the savory and succulent dumplings served in three-ways, including gilled, boiled or in broth, while "Kotsujiru Nabe" offers gyozas that are made with a different wrap that has a chewy texture similar to the Japanese rice cakes called "*mochi*".

Overseas Network

Restaurant Brands	As at 30 September 2014	As at 30 September 2013
Ajisen Ramen (operated by sub-franchisees)		
• Malaysia	6	3
• Indonesia	-	4
• Vietnam	2	2
Menya Musashi (interests <i>via</i> associated companies)		
• Hong Kong	8	5
• Shanghai, PRC	2	-
• Shenzhen, PRC	1	-
TOTAL RESTAURANTS	19	14

Japan Foods has expanded its footprint overseas with the opening of 5 more restaurants in its existing regional markets over HY2015. This expansion was led mainly by the “Menya Musashi” brand in Hong Kong and the People’s Republic of China (“**PRC**”). As at 30 September 2014, the Group has 6 “Ajisen Ramen” restaurants in Malaysia and 2 in Vietnam, which are operated by sub-franchisees. In addition, through its associated companies, the Group has interests in 11 “Menya Musashi” restaurants in Hong Kong and the PRC.

The number of “Ajisen Ramen” restaurants operating under sub-franchisees fell from 9 as at 30 September 2013 to 8 as at 30 September 2014. The decline was mainly due to the closure of all 4 restaurants in Indonesia as the Group’s sub-franchisee in this market had decided not to seek renewal following the expiration of the franchise agreement in August 2014. During the same period, 3 new “Ajisen Ramen” restaurants were opened in Malaysia.

Business Outlook

Japan Foods expects the operating environment in the local F&B industry to remain challenging over the next 12 months due to tight labour supply, stiff competition as well as rising business costs.

Japan Foods will continue to employ its strategy of good restaurant portfolio management by 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.

Mr Takahashi added: *“Early this year, we successfully piloted our iPad E-menu system, which enables diners to self-order thereby freeing our staff to focus on serving good quality food more efficiently. We have since introduced this system at almost all our restaurants across Singapore and it has received very positive reviews from our diners who appreciate the convenience. Over the next 12 months, we plan to increase our central kitchen capacity with a view to improving operational efficiency even further and we will also look at how we can better deploy our manpower resources.”*

To counter the intense competition, the Group will review its pricing strategy, product offerings and service including menu innovation and value offerings.

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

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About Japan Foods

Japan Foods is one of the leading Japanese restaurant chains in Singapore. As at 30 September 2014, the Group operates 44 restaurants in Singapore under various brands, such as “Ajisen Ramen”, “Osaka Ohsho” and “Menya Musashi”, and 1 outlet located in a food court.

Since its establishment in Singapore in 1997, the Group 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 30 September 2014, there are 6 “Ajisen Ramen” restaurants in Malaysia and 2 “Ajisen Ramen” restaurants in Vietnam which are operated by sub-franchisees. Through associated companies, the Group also has interests in 11 “Menya Musashi” restaurants in Hong Kong and the PRC.

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