

JAPAN FOODS HOLDING LTD.

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Japan Foods' 9M2017 earnings up 23.8% due to performance of new brands

- Gross profit margin increased by 0.7% points to 84.8% in 9M2017 due to ongoing efforts to maintain operational prudence and efficiency as well as effective restaurant portfolio management.

Financial Highlights (S\$' million)	Third quarter ended 31 Dec		Change (%)	Nine (9) months ended 31 Dec		Change (%)
	2016	2015		2016	2015	
Revenue	16.8	15.4	9.2	50.3	47.1	6.7
Gross profit	14.3	13.0	9.6	42.6	39.6	7.6
Gross profit margin (%)	84.9	84.5	0.4% pts	84.8	84.1	0.7% pts
Profit before income tax	1.7	1.1	60.3	4.9	4.0	25.2
Net profit	1.4	0.9	57.9	4.1	3.3	23.8
Basic earnings per share ("EPS") (Singapore cents) ⁽¹⁾	0.83	0.52	59.6	2.35	1.90	23.7
Net asset value ("NAV") per share (Singapore cents) ⁽²⁾	18.14 (as at 31 Dec 2016)			17.74 (as at 31 Mar 2016)		

¹ EPS was computed based on the weighted average number of shares of 174,426,000 shares and 174,436,000 shares in 3Q2017 and 3Q2016 respectively; and 174,253,164 shares and 174,237,418 shares in 9M2017 and 9M2016 respectively.

² NAV was computed based on 174,426,000 shares as at 31 December 2016 and 173,936,000 shares as at 31 March 2016 respectively.

SINGAPORE, 10 February 2017 – Japan Foods Holding Ltd. ("Japan Foods" and together with its subsidiaries, the "Group"), a leading Japanese restaurant chain has achieved growth in both its revenue and net profit attributable to equity holders of the Company in the nine months ended 31 December 2016 ("9M2017") driven mainly by the performance of its newly launched brands.

Japan Foods' revenue grew by 6.7% from S\$47.1 million in the nine months ended 31 December 2015 ("**9M2016**") to S\$50.3 million in 9M2017. Over the same period, gross profit increased by 7.6% to S\$42.6 million, while net profit attributable to equity holders of the Company improved by 23.7%, coming in at S\$4.1 million.

The Group's marketing activities to drive sales combined with its proven restaurant portfolio management strategy and operational efficiency and prudence enabled it to maintain its healthy gross profit margin, which rose 0.7 percentage points from 84.1% in 9M2016 to 84.8% in 9M2017.

On a quarterly basis, the Group reaped higher sales over the three months ended 31 December 2016 ("**3Q2017**") due to the seasonal increase in dining out during the year-end school holidays and festive period. Compared to the corresponding quarter in the previous financial year, Japan Foods' revenue rose 9.2% from S\$15.4 million in the three months ended 31 December 2015 ("**3Q2016**") to S\$16.8 million in 3Q2017. Gross profit rose 9.6% over the same period to S\$14.3 million with gross profit margin reaching 84.9%, while net profit surged 57.9% to S\$1.4 million in 3Q2017.

Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods, said: *"For this current financial year, the Group has done quite well so far despite market volatility and weak consumer sentiment. We are working hard to carry on the momentum we have gained in the first three quarters so as to hopefully finish strongly in the last quarter."*

NAV per share as at 31 December 2016 was 18.14 Singapore cents as compared to 17.74 Singapore cents as at 31 March 2016. The Group's financial position remains healthy with no borrowings and cash and cash equivalents rising from S\$16.9 million as at 31 March 2016 to S\$20.0 million as at 31 December 2016.

9M2017 Business Review

During the period under review, Japan Foods' restaurant portfolio in Singapore grew from 43 restaurants as at 31 December 2015 to 50 restaurants as at 31 December 2016. The number of food court outlets remained unchanged at one.

The following table gives a breakdown of the number of restaurants per brand in Singapore:

Restaurant Brands	As at 31 December 2016	As at 31 December 2015
Ajisen Ramen	16	15
Botejyu	1	1
Dutch Baby Cafe	1	-
Fruit Paradise	4	4
Ginza Kushi Katsu	1	-
Hanamidori	1	1
Japanese Gourmet Town	1	1
Kazokutei	3	3
Keika Ramen	3	2
Menya Musashi	8	7
Menzo Butao	1	1
New ManLee Bak Kut Teh	3	1
Osaka Ohsho ⁽¹⁾	6	6
Yonehachi	1	1
TOTAL RESTAURANTS	50	43
Food Court Outlet	As at 31 December 2016	As at 31 December 2015
Ajisen Ramen	1	1
TOTAL RESTAURANTS AND FOOD COURT OUTLET	51	44

¹ Includes 1 "Gyoza Bo" brand restaurant and 1 "Kotsujiru Nabe" brand restaurant, which are both extensions of the "Osaka Ohsho" brand.

The Group's flagship brand and main revenue generator "Ajisen Ramen" as well as its "Keika Ramen" brand recorded a net decrease in revenue of S\$1.3 million from S\$20.9 million in 9M2016 to S\$19.6 million in 9M2017 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, the conversion of the "Ajisen

Ramen” brand restaurant at Clementi Mall into a “New ManLee Bak Kut Teh” brand restaurant in December 2015, and lower net sales generated by some existing restaurants.

The fall in sales was partially offset by the revenue contribution from a restaurant in Bukit Panjang Plaza following the conversion from “Osaka Osho” brand to “Ajisen Ramen” brand in October 2015, revenue contribution from the opening of two “Keika Ramen” brand restaurants at White Sands and Tiong Bahru Plaza in November 2015 and April 2016 respectively, and revenue contribution from the opening of a new “Ajisen Ramen” brand restaurant at Compass One in September 2016.

Japan Foods’ other flagship brands include “Menya Musashi” and “Osaka Ohsho”. “Menya Musashi” achieved a S\$0.9 million increase in revenue from S\$9.1 million in 9M2016 to S\$10.0 million in 9M2017 mainly because of contribution from a new restaurant at Waterway Point that opened in January 2016 as well as a net increase in sales from existing restaurants. However “Osaka Ohsho” suffered a marginal revenue decline of S\$0.3 million from S\$6.3 million in 9M2016 to S\$6.0 million in 9M2017 mainly due to the brand conversion of a restaurant at Bukit Panjang to “Ajisen Ramen” brand in October 2015, which was partially offset by revenue contribution from a new restaurant at Waterway Point, which opened in January 2016.

The Group’s other brands achieved a S\$3.9 million increase in revenue from S\$7.0 million in 9M2016 to S\$10.8 million in 9M2017. The top performers were its newest brands – “New ManLee Bak Kut Teh” (December 2015), “Dutch Baby Cafe” (April 2016) and “Ginza KushiKatsu” (April 2016) – as well as its dessert brand “Fruit Paradise”. Together, these four brands generated a S\$4.3 million increase in sales in 9M2017, which was partially offset by a S\$0.4 million fall in revenue from restaurants operating under the “Hanamidori”, “Menzo Butao”, “Kazokutei”, “Yonehachi” and “Botejyu” brands.

Mr Takahashi said: *“The biggest worry of every restaurateur is that diners will not respond well to a new concept that is launched. When you have invested time, money and effort into it, the last thing you want is an empty restaurant. That is why I feel proud that our three newest brands have been doing well over the last nine months and even more so because two of these were self-developed.”*

Overseas Network

Restaurant Brands	As at 31 December 2016	As at 31 December 2015
Ajisen Ramen (operated by sub-franchisees) <ul style="list-style-type: none"> • Malaysia • Vietnam 	4 2	5 2
Menya Musashi (interests via associated companies) <ul style="list-style-type: none"> • Hong Kong • China 	9 5	10 5
TOTAL RESTAURANTS	20	22

The Group's overseas network has fallen from 22 restaurants as at 31 December 2015 to 20 restaurants as at 31 December 2016. This was due to the cessation of one "Ajisen Ramen" brand restaurant in Malaysia as well as the closure of two "Menya Musashi" brand restaurants in Hong Kong due to the expiration of leases, however the latter was partially offset by the opening of a new "Menya Musashi" brand restaurant in Hong Kong in December 2016.

Business Outlook

For the next 12 months, 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: *"Like many other businesses, we are bracing ourselves for a difficult year. In addition to our proven strategy of controlling raw material costs, improving operational efficiency and effective restaurant portfolio management, we will also continue to update our menus regularly and introduce compelling seasonal dishes and promotions to attract more diners to our restaurants."*

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” brand 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 2016, the Group operates 50 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.

The Group has expanded beyond Singapore. As at 31 December 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 9 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.*