

JAPAN FOODS HOLDING LTD.

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Japan Foods records S\$2.3m in earnings in 1H2018; declares higher interim dividend of S\$0.80 Singapore cents

- Gross profit margin hits new high of 85.1% in 1H2018.
- Interim dividend declared represents a dividend payout ratio of 59.2% of the net profit attributable to equity holders of the Company in 1H2018 and reflects the Group's optimism in the sustainability of its business.

Financial Highlights (S\$' million)	Second quarter ended 30 September		Change (%)	Six (6) months ended 30 September		Change (%)
	2017	2016		2017	2016	
Revenue	16.8	16.6	0.7	33.0	33.5	(1.5)
Gross profit	14.3	14.2	0.8	28.1	28.4	(1.2)
Profit before income tax	1.6	1.6	(1.2)	2.9	3.2	(10.4)
Net profit	1.3	1.4	(4.0)	2.3	2.7	(11.8)
Basic earnings per share ("EPS") (Singapore cents) ¹	0.75	0.78	(3.8)	1.35	1.53	(11.8)
	As at 30 September 2017			As at 31 March 2017		
Net asset value ("NAV") per share (Singapore cents) ²	18.47			18.29		

¹ EPS was computed based on the weighted average number of shares of 173,563,500 shares and 174,394,043 shares in 2Q2018 and 2Q2017 respectively; and 173,356,068 shares and 174,166,273 shares in 1H2018 and 1H2017 respectively.

² NAV was computed based on 173,563,500 shares as at 30 September 2017 and 173,043,500 shares as at 31 March 2017 respectively.

SINGAPORE, 7 November 2017 – Japan Foods Holding Ltd. ("Japan Foods" or the "Company") and together with its subsidiaries, the "**Group**", a leading Singapore-based Japanese restaurant chain, achieved net profit of S\$2.3 million on the back of S\$33.0 million in revenue for the six months ended 30 September 2017 ("**1H2018**"). The top and bottom line, which fell 1.5% and 11.8% respectively, as compared to the corresponding six months in 2016 ("**1H2017**") was partly due to a reduced number of restaurants operated by the Group (as at 30 September 2017: 48 restaurants; as at 30 September 2016: 50 restaurants).

In line with the lower revenue, Japan Foods' gross profit in 1H2018 declined 1.2% year-on-year ("**YOY**") to S\$28.1 million but due to the Group's efforts to control raw material costs and increase in material usage efficiency as well as its product pricing strategy and economies of scale from bulk purchases, gross profit margin increased from 84.8% in 1H2017 to 85.1% in 1H2018.

On a quarterly basis, the Group's revenue rose a modest 0.7% from S\$16.6 million for the three months ended 30 September 2016 ("**2Q2017**") to S\$16.8 million for the corresponding quarter in 2017 ("**2Q2018**"). This improvement in sales is partly due to the launch of the Group's new brand "Shitamachi Tendon Akimitsu". However earnings in 2Q2018 fell 4.0% YOY to S\$1.3 million, partly affected by a decline in share of profit of associated companies due to the temporary closure of some "Menya Musashi" brand restaurants for renovation.

As at 30 September 2017, the Group's net asset value per share was 18.47 Singapore cents as compared to 18.29 Singapore cents per share as at 31 March 2017. Earnings per share fell 11.8% from 1.53 Singapore cents per share in 1H2017 to 1.35 Singapore cents in 1H2018. Cash and cash equivalents remained healthy at S\$19.6 million with no borrowings.

Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods, said: *"Although the number of our restaurants have fallen, I am pleased that we have maintained our top and bottom lines at almost the same levels because we were able to drive traffic to our restaurants through the rejuvenation of some of our brands, namely 'Ajisen Ramen', and also the launch of our new 'Shitamachi Tendon Akimitsu' brand. In addition, we were able to curb operating expenses by watching our costs closely. As a result, our gross profit margin has hit a new high of 85.1% in 1H2018 as compared to 84.8% in 1H2017 despite a challenging operating environment."*

In line with its healthy performance, the Group has declared a tax-exempt, one-tier interim cash dividend of 0.80 Singapore cents per ordinary share to be paid on 8 December 2017. This represents a dividend payout ratio of 59.2% on the net profit attributable to equity holders of the Company in 1H2018. This is an improvement over the interim cash dividend declared in 1H2017 of 0.75 Singapore cents per ordinary share and reflects the Group's optimism in the sustainability of its business.

2Q2018 Business Review

Singapore Network

Restaurant Brands	As at 30 September 2017	As at 30 September 2016
Ajisen Ramen	19 ^(a)	19 ^(b)
Botejyu	-	1
Dutch Baby Cafe	1	1
Fruit Paradise	3	4
Ginza Kushi Katsu	1	1
Hanamidori	-	1
Japanese Gourmet Town	1	1
Kazokutei	1	3
Menya Musashi	9	8
Menzo Butao	1	1
New ManLee Bak Kut Teh	2	3
Osaka Ohsho ^(c)	6	6
Shitamachi Tendon Akimitsu	3	-
Yonehachi	1	1
TOTAL RESTAURANTS	48	50
Food Court Outlet	As at 30 September 2017	As at 30 September 2016
Ajisen Ramen	1	1
TOTAL RESTAURANTS AND FOOD COURT OUTLET	49	51

a) Includes 3 “Den by Ajisen Ramen” brand restaurants.

b) Includes 3 “Keika Ramen” brand restaurant.

c) Includes 1 “Kotsujiru Nabe” brand restaurant, which is a brand extension of the “Osaka Ohsho” brand.

The Group’s flagship brand and main revenue generator “Ajisen Ramen” brand recorded a combined increase in revenue from S\$6.5 million in 2Q2017 to S\$7.0 million in 2Q2018 mainly attributable to the opening of two restaurants at Compass Point and Bedok Mall in September 2016 and March 2017 respectively and the higher net sales generated from some existing restaurants. The increase was partially offset by the closure of a restaurant at Bedok Point in March 2017.

Mr Takahashi said: “Being our flagship and oldest brand, we felt that it was time for ‘Ajisen Ramen’ to go through a brand rejuvenation. As such, we have upgraded three of our ‘Ajisen Ramen’ brand restaurants to our new ‘Den by Ajisen Ramen’ brand, which offers diners more options in terms of soup bases and also wider menu choices as compared to the ‘Ajisen Ramen’ brand. The three upgraded restaurants are located at Plaza Singapura, Hougang Mall and Square 2 Mall. The response has been encouraging and we were able to drive higher same store sales. We are now considering upgrading more existing ‘Ajisen Ramen’ brand restaurants to ‘Den by Ajisen Ramen’.”

The restaurants operating under the Group's "Menya Musashi" brand also contributed a S\$0.4 million increase in revenue to S\$3.6 million in 2Q2018. This was mainly due to the conversion of a "New ManLee Bak Kut Teh" brand restaurant to a "Menya Musashi" brand restaurant at Clementi Mall in April 2017 and the opening of a new restaurant at Northpoint City in September 2017. The increase was partially offset by the conversion of a restaurant at Bedok Mall to "Ajisen Ramen" brand in March 2017.

The Group's other brands generated a S\$0.8 million YOY decrease in sales to S\$5.9 million in 2Q2018. The decline was caused mainly by restaurant closures and lower sales contribution of S\$1.6 million in aggregate from the "New ManLee Bak Kut Teh", "Kazokutei", "Fruit Paradise", "Botejyu", "Hanamidori", "Japanese Gourmet Town", "Dutch Baby Cafe" and "Ginza Kushi-Katsu" brands. The decrease in revenue was however partially offset by an increase in revenue of S\$0.8 million generated by new restaurants operating under the Group's newly launched Tendon concept under the "Shitamachi Tendon Akimitsu" brand.

Mr Takahashi said: *"Shitamachi Tendon Akimitsu' is a brand that originated in Tokyo. The long queues that snake daily from its flagship store in Asakusa, Tokyo, attests to its long history of producing delicious Tendon, which is the name of its signature dish that comprises a selection of tempura, or deep fried vegetables, meat and seafood atop a bed of rice and topped with their own secret recipe sauce. We are very happy to be awarded the franchise rights to bring this concept to Singapore. We launched the brand at Plaza Singapura in July 2017 and the response has been good and we have since opened two more restaurants at Vivo City in August 2017 and at Northpoint City in September 2017."*

Overseas Network

Restaurant Brands	As at 30 September 2017	As at 30 September 2016
Ajisen Ramen (operated by sub-franchisees)		
• Malaysia	3	4
• Vietnam	2	2
Menya Musashi (interests via associated companies)		
• Hong Kong	8	8
• China	8	5
TOTAL RESTAURANTS	21	19

The Group's overseas network expanded from 19 restaurants as at 30 September 2016 to 21 restaurants as at 30 September 2017. The increase in the number of restaurants was mainly due to the opening of 3 new "Menya Mushashi" brand restaurants in China.

Business Outlook

Japan Foods expects the challenges faced by the food and beverage industry to remain the same over the next 12 months, including ever increasing competition, tight labour supply, rising business costs and an uncertain economic outlook. The Group will remain vigilant about 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 restaurant's profitability.

The Group will continue its efforts to seek opportunities to introduce brands to its markets as well as 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 September 2017, the Group operates 48 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 30 September 2017, there are 3 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 8 restaurants in China operated by its associated companies under the "Menya Musashi" brand.

Japan Foods was named the Most Transparent Company (Catalist) at the 17th SIAS Investors' Choice Awards in 2016 and also awarded the Transparency Award – SMEs at the 18th SIAS Investors' Choice Awards 2017.

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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.*