

JAPAN FOODS HOLDING LTD.

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Japan Foods achieved another record year with 14.0% growth in net profit to S\$7.3 million

- Revenue of S\$62.8 million breaks previous year's record, performance driven mainly by the success of newer brands such as "Menya Musashi" and "Osaka Ohsho"
- Proposes a final dividend and a special dividend per share of 1.0 Singapore cents and 0.5 Singapore cents respectively
- Target dividend pay-out ratio of at least 40% of the Group's net profit each financial year

Financial Highlights (S\$' million)	Financial year ended 31 March		Change (%)
	2014	2013	
Revenue	62.8	61.3	2.4
Gross profit	51.2	49.1	4.3
Profit before income tax	8.8	7.9	11.1
Net profit	7.3	6.4	14.0
Basic earnings per share ("EPS") (Singapore cents) *	4.21	3.70	13.8
Net asset value ("NAV") per share as at 31 March (Singapore cents) *	16.93	14.46	17.1

* EPS was computed based on 173,340,740 and 173,106,000 weighted average number of shares in FY2014 and FY2013 respectively. NAV was computed based on 173,466,000 and 173,106,000 number of shares in FY2014 and FY2013 respectively. For comparative purposes, the number of shares used to compute EPS and NAV for both FY2014 and FY2013 has been adjusted to take into account the issuance of new shares on 6 December 2013 pursuant to the 1-for-2 bonus issue undertaken by Japan Foods.

SINGAPORE, 28 May 2014 – Japan Foods Holding Ltd. ("Japan Foods" and together with its subsidiaries, the "**Group**"), a leading Singapore-based Japanese restaurant chain, has beaten its previous record performance with both revenue and net profit reaching new highs in the financial year ended 31 March 2014 ("**FY2014**").

In FY2014, the Group's net profit rose 14.0% to S\$7.3 million as compared to S\$6.4 million in the financial year ended 31 March 2013 ("**FY2013**"). This was achieved on the back of a 2.4% increase in revenue to S\$62.8 million and a 4.3% increase in gross profit to S\$51.2 million in FY2014. The Group's overall gross profit margin increased from

80.1% in FY2013 to 81.6% in FY2014 mainly due to better control of raw material costs and more efficient use of materials.

Due to the Group's expanded restaurant network as well as rising rental rates and higher manpower related expenses, selling and distribution expenses increased 4.4% from S\$38.0 million in FY2013 to S\$39.6 million in FY2014.

Based on the weighted average number of 173,106,000 and 173,340,740 shares¹ in FY2013 and FY2014 respectively, EPS rose 13.8% year-on-year ("y-o-y") from 3.70 Singapore cents in FY2013 to 4.21 Singapore cents in FY2014. The Group's NAV per share as at 31 March 2014 was 16.93 Singapore cents as compared to 14.46 Singapore cents as at 31 March 2013.

Executive Chairman and CEO of Japan Foods, Mr Takahashi Kenichi, said: "Last year's performance was a record and we are very happy to have raised the bar even higher in FY2014. To celebrate this achievement, the Board is proposing a final dividend as well as a special dividend of 1.0 Singapore cents per share and 0.5 Singapore cents per share respectively."

Subject to the proposed dividends being approved by shareholders at the forthcoming Annual General Meeting in July 2014, the total dividend payout in FY2014 will amount to 2.6 Singapore cents per share in aggregate, taking into account the interim dividend which was paid of 1.1 Singapore cents per share. This represents a total dividend pay-out of S\$3.9 million, or 53.0% of net profit, in FY2014.

Going forward, subject to the Group's business requirements and other relevant considerations and barring unforeseen circumstances, the Board intends to recommend dividends of at least 40% of the Group's audited consolidated net profits attributable to shareholders annually, an increase from the current target dividend pay-out ratio of 35%.

As at 31 March 2014, the Group's cash position remained healthy with cash and cash equivalents of S\$19.0 million with no borrowings.

¹ On 6 December 2013, Japan Foods issued and allotted 57,822,000 new shares pursuant to a 1-for-2 bonus issue. Following the issuance of the bonus shares, the total issued share capital of the Company increased from 115,644,000 shares as at 30 September 2013 to 173,466,000 shares as at 31 March 2014.

FY2014 Business Review

Singapore Network

Restaurant Brands	As at 31 March 2014	As at 31 March 2013
Ajisen Ramen	18	20
Aoba	-	1
Botejyu	1	1
Fruit Paradise	5	4
Japanese Gourmet Town	1	1
Kazokutei	3	3
Menya Musashi	8	4
Menzo Butao	1	0
Osaka Ohsho	4	1
Udon King	1	1
Yonehachi	1	1
TOTAL RESTAURANTS	43	37
Food Court Outlets	As at 31 March 2014	As at 31 March 2013
Ajisen Ramen	1	1
Botejyu Yatai	-	2
TOTAL FOOD COURT OUTLETS	1	3
TOTAL RESTAURANTS AND FOOD COURT OUTLETS	44	40

Although revenue from the Group's "Ajisen Ramen" restaurants in FY2014 was slightly down by S\$3.0 million to S\$30.2 million, the brand continued to be the Group's main revenue generator contributing 48.2% of total revenue in FY2014. The decline was due to lower sales at some existing restaurants as well as the closure of the Hougang Mall restaurant upon the expiry of the lease and the Changi Airport Terminal 3 restaurant due to the landlord's renovation plans.

Revenue from restaurants operating under the Group's other brands such as "Menya Musashi", "Osaka Ohsho", "Fruit Paradise" and "Menzo Butao" increased by S\$4.5 million to S\$32.3 million in FY2014. In aggregate, these other brands achieved a y-o-y increase of S\$10.9 million in revenue.

Sales of food ingredients fell marginally y-o-y to S\$0.2 million in FY2014 due to closure of some overseas sub-franchise outlets.

Mr Takahashi said: “We are heartened by the market's response towards our newer brands, which have continued to grow in strength over the past years.”

“While our flagship brand “Ajisen Ramen” and other brands continue to do well and we remain focused on growing same-store-sales through our marketing efforts such as refreshing our menus and offering seasonal promotions, I believe the success and increasing popularity of our newer brands, all of which have been launched only in the last two years, have paved the way for us to be able to achieve a higher level of growth for the Group.”

Overseas Network

Restaurant Brands	As at 31 March 2014	As at 31 March 2013
Ajisen Ramen (operated by sub-franchisees)		
• Malaysia	4	5
• Indonesia	1	5
• Vietnam	2	2
Menya Musashi (interests <i>via</i> associated companies)		
• Hong Kong	7	5
• Shanghai, PRC	1	-
TOTAL RESTAURANTS	15	17

As at 31 March 2014, the Group has 4 “Ajisen Ramen” restaurants in Malaysia, 1 in Indonesia and 2 in Vietnam, which are operated by sub-franchisees. In addition, the Group has interests in 7 “Menya Musashi” restaurants in Hong Kong and 1 in Shanghai through associated companies.

Business Outlook

Japan Foods expects the operating environment in the local F&B industry to remain challenging due to tight labour supply, stiff competition as well as rising labour and rental costs.

Japan Foods will continue to employ its strategy of good restaurant portfolio management 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: "To improve efficiency and mitigate rising labour costs as well as overcome difficulties in hiring service staff, we recently piloted the use of iPads at some of our restaurants, where customers can now place their food orders using these iPads. This initiative has enabled us to maintain a leaner crew at these restaurants and also free our staff to concentrate on serving food quickly to the customers."

Barring unforeseen circumstances, the Group 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

Japan Foods is one of the leading Japanese restaurant chains in Singapore. As at 31 March 2014, 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.

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 and as at 31 March 2014, operates 4 "Ajisen Ramen" restaurants in Malaysia, 1 in Indonesia and 2 in Vietnam, which are operated by sub-franchisees. The Group also has interests in 7 "Menya Musashi" restaurants in Hong Kong and 1 in Shanghai, through joint ventures.

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