

JAPAN FOODS HOLDING LTD.

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Japan Foods' achieves double-digit bottom-line growth in FY2018 as revenue hits new high

- Net profit attributable to equity holders of the Company rises 24.0% to S\$5.8 million on the back of a new revenue record of S\$67.8 million.
- Proposes a final dividend of 1.30 Singapore cents per ordinary share, which together with the interim dividend of 0.80 Singapore cents, brings total dividend declared in FY2018 to 2.10 Singapore cents.

Financial Highlights (S\$' million)	Three months ended 31 Mar		Change (%)	Twelve months ended 31 Mar		Change (%)
	2018	2017		2018	2017	
Revenue	16.2	15.2	6.5	67.8	65.5	3.6
Gross profit	13.7	12.9	6.0	57.7	55.6	3.8
Gross profit margin (%)	84.8	85.2	(0.4) pt	85.0	84.9	0.1 pt
Profit before income tax	1.0	0.8	35.4	7.0	5.7	22.8
Net profit attributable to equity holders of the Company	0.9	0.6	67.8	5.8	4.7	24.0
Basic earnings per share ("EPS") (Singapore cents) ⁽¹⁾	0.54	0.32	68.8	3.33	2.68	24.3
Net asset value ("NAV") per share (Singapore cents) ⁽²⁾	19.63 (as at 31 Mar 2018)			18.29 (as at 31 Mar 2017)		

¹ EPS was computed based on the weighted average number of shares of 173,387,900 shares and 173,336,357 shares in 4Q2018 and 4Q2017 respectively; and 173,511,662 shares and 174,022,774 shares in FY2018 and FY2017 respectively.

² NAV was computed based on 173,387,900 shares as at 31 March 2018 and 173,043,500 shares as at 31 March 2017 respectively.

SINGAPORE, 10 May 2018 – Japan Foods Holding Ltd. ("Japan Foods" and together with its subsidiaries, the "Group"), a leading Japanese restaurant chain, has surpassed its previous financial year's record to achieve a new revenue high of S\$67.8 million with net profit attributable to equity holders of the Company coming in at S\$5.8 million for the financial year ended 31 March 2018 ("FY2018"). This respectively represents a 3.6% and a 24.0% year-on year ("YOY") increase over the revenue of S\$65.5 million and net attributable profit of S\$4.7 million achieved over the corresponding financial year ended 31 March 2017 ("FY2017").

The stellar performance was driven mainly by strong contribution from the restaurants operating under the Group's flagship "Ajisen Ramen" and "Menya Musashi" brands as well as new contribution from its "Shitamachi Tendon Akitmitsu" brand, which was launched in July 2017.

In line with the revenue growth, gross profit came in at S\$57.7 million in FY2018 as compared to S\$55.6 million in FY2017, while gross profit margin rose 0.1 percentage point to a new record of 85.0% due to the Group's continuing efforts in bulk purchase discounts, raw material costs control, efficient material usage and product pricing strategy. This is the eighth straight year of increase in the Group's gross profit margin.

On a quarterly basis, net profit attributable to equity holders of the Company rose 67.8% YOY to S\$0.9 million in the three months ended 31 March 2018 ("**4Q2018**") on the back of revenue which increased 6.5% YOY to S\$16.2 million mainly due to improved contribution from restaurants operating under the "Menya Musashi" brand and also the contribution of new brands.

Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods, said: *"I am very pleased that Japan Foods has set a new revenue record despite an increasingly challenging operational environment as it reflects the success of our ongoing restaurant portfolio management strategy in driving revenue. We will continue to monitor the sales of individual stores carefully in order to maintain a healthy topline and sustainable bottomline."*

Earnings per share was 3.33 Singapore cents per share for FY2018 as compared to 2.68 Singapore cents per share for FY2017. NAV per share as at 31 March 2018 was 19.63 Singapore cents as compared to 18.29 Singapore cents as at 31 March 2017. The Group's financial position remains healthy with no borrowings. Cash and cash equivalents rose from S\$18.1 million as at 31 March 2017 to S\$19.8 million as at 31 March 2018.

Dividend

In line with the Group's performance, the board of directors of Japan Foods is pleased to propose a final dividend of 1.30 Singapore cents per share to be paid in August 2018 if approved at the upcoming annual general meeting, which together with the interim dividend of 0.80 Singapore cents per share which was paid in December 2017, brings

total dividend declared in FY2018 to a total of 2.10 Singapore cents a share. This represents a dividend payout ratio of approximately 63.1% for the whole of FY2018.

FY2018 Business Review

Restaurant Brands	As at 31 March 2018	As at 31 March 2017
Ajisen Ramen	18	18
Botejyu	-	1
Curry Is Drink	1	-
Dutch Baby Cafe	1	1
Fruit Paradise	2	4
Ginza Kushi Katsu	1	1
Hanamidori	-	1
Japanese Gourmet Town	1	1
Kazokutei	1	2
Keika Ramen	-	1
Menya Musashi	10	7
Menzo Butao	1	1
New ManLee Bak Kut Teh	2	3
Osaka Ohsho ⁽¹⁾	5	7
Shitamachi Tendon Akitmitsu	6	-
Yonehachi	1	1
TOTAL RESTAURANTS	50	49
Food Court Outlet	As at 31 March 2018	As at 31 March 2017
Ajisen Ramen	-	1
TOTAL RESTAURANTS AND FOOD COURT OUTLET	50	50

¹ Includes 1 "Kotsujiru Nabe" brand restaurant, which is an extension of the "Osaka Ohsho" brand.

During the period under review, Japan Foods' restaurant portfolio in Singapore grew from 49 restaurants as at 31 March 2017 to 50 restaurants as at 31 March 2018.

Ajisen Ramen:

The Group's flagship brand and main revenue generator "Ajisen Ramen" recorded a net increase in revenue of S\$0.9 million from S\$25.9 million in FY2017 to S\$26.8 million in FY2018 due to the opening of two restaurants located at Compass Point and Bedok Mall in September 2016 and March 2017 respectively and higher net sales generated by some existing outlets. The increases were partially offset by the closure of a restaurant at

Bedok Point in March 2017 and an outlet at Marina Bay Sands Shoppes Premium Food Precinct in February 2018 respectively. In addition, one restaurant at Takashimaya Shopping Centre was converted to the “Menya Musashi” brand in November 2017.

The only “Ajisen Ramen” food court outlet located at the Marina Bay Sands Shoppes Premium Food Precinct ceased operations in 4Q2018 upon expiry of the tenancy agreement.

Menya Musashi:

Japan Foods’ other flagship brand “Menya Musashi” generated a S\$2.6 million increase in revenue from S\$13.2 million in FY2017 to S\$15.8 million in FY2018 mainly because of an increase in the number of restaurants from conversion, in particular the conversion of a “New ManLee Bak Kut Teh” brand restaurant at Clementi Mall in April 2017 and a “Ajisen Ramen” brand restaurant at Takashimaya Shopping Centre in November 2017; as well as the opening of a new restaurant at Northpoint City in September 2017. This was partially offset by the conversion of a restaurant at Bedok Mall to the “Ajisen Ramen” brand in March 2017.

Osaka Ohsho:

Revenue from restaurants operating under the “Osaka Ohsho” brand was maintained at S\$7.9 million despite a reduction in the number of outlets from seven in FY2017 to five in FY2018.

Other Brands:

The Group’s other brands generated a net S\$1.1 million decrease in revenue from S\$18.4 million in FY2017 to S\$17.3 million in FY2018 mainly because of store closures or conversion of restaurants operating under the “New ManLee Bak Kut Teh”, “Dutch Baby Cafe”, “Hanamidori”, “Menzo Butao”, “Kazokutei”, “Botejyu”, “Ginza Kushi Katsu” and “Fruit Paradise” brands. The aforementioned brands collectively generated a decrease in revenue of S\$5.0 million in aggregate, which was partially offset by an increase in revenue of S\$3.9 million by new restaurants operating under the “Shitamachi Tendon Akitmitsu” brand.

Overseas Network

Restaurant Brands	As at 31 March 2018	As at 31 March 2017
Ajisen Ramen (operated by sub-franchisees)		
• Malaysia	1	3
• Vietnam	2	2
Menya Musashi (interests via associated companies)		
• Hong Kong	8	7
• China	10	6
TOTAL RESTAURANTS	21	18

The Group's overseas network comprised 21 restaurants as at 31 March 2018 compared to 18 as at 31 March 2017. This was due to the closure of two "Ajisen Ramen" restaurants in Malaysia by sub-franchisees and five restaurant openings by the Group's associated companies under the "Menya Musashi" brand including one in Hong Kong and four in China.

Business Outlook

The board of directors of Japan Foods is cautiously optimistic about the Group's outlook notwithstanding that the operating environment in the local F&B scene is expected to remain challenging in the next 12 months due to the tight labour supply, stiff competition and rising business costs.

Besides ongoing efforts to contain costs, increase efficiency and drive sales, Japan Foods is also seeking opportunities to expand its presence in the ASEAN region and Japan by way of joint-ventures, acquisitions and / or sub-franchising its brands.

On 14 February 2018, the Group announced it had entered into an agreement with PT Arena Gourmet and PT Menya Musashi Indonesia to operate restaurants under the "Menya Musashi" brand in Indonesia via a joint venture. The completion of this agreement is conditional upon the fulfillment of certain conditions precedent. Japan Foods will make an announcement upon completion.

Mr Takahashi said: *"We are very excited about the joint venture in Indonesia as we believe the market presents good potential for growth. As we work towards Completion, our Indonesian partner is already scouting for suitable store locations so they can embark*

on launching ‘Menya Musashi’ restaurants in the market as soon as possible. Meanwhile, Japan Foods remains on the look-out for other opportunities throughout the region.”

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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 March 2018, the Group operates 50 restaurants in Singapore under various brands, such as “Ajisen Ramen”, “Osaka Ohsho” and “Menya Musashi”.

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 March 2018, there are 2 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 10 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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