

JAPAN FOODS HOLDING LTD.

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Japan Foods achieves net profit of S\$3.8 million in FY2016

- Maintains sales performance despite more intense competition and a slowing economy.
- Weaker earnings a result of higher expenses due to an expanded network and brand portfolio.
- Proposes final dividend of 1.25 Singapore cents per ordinary share.

Financial Highlights (S\$' million)	Fourth Quarter ended 31 Mar		Change (%)	Twelve (12) months ended 31 Mar		Change (%)
	2016	2015		2016	2015	
Revenue	15.7	14.8	5.8	62.8	62.7	0.2
Gross profit	13.3	12.5	6.4	52.9	52.3	1.1
Profit before income tax	0.7	1.2	(41.7)	4.7	5.1	(9.1)
Net profit	0.5	1.5	(68.1)	3.8	4.7	(20.3)
Basic earnings per share ("EPS") (Singapore cents) ⁽¹⁾	0.27	0.84	(67.9)	2.17	2.73	(20.5)
Net asset value ("NAV") per share (Singapore cents) ⁽²⁾	17.74 (as at 31 March 2016)			17.57 (as at 31 March 2015)		

¹ EPS was computed based on the weighted average number of 174,000,382 shares and 174,006,000 shares in 4Q2016 and 4Q2015 respectively; and 174,241,277 shares and 173,781,123 shares in FY2016 and FY2015 respectively.

² NAV was computed based on 173,936,000 shares as at 31 March 2016 and 174,006,000 shares as at 31 March 2015 respectively.

SINGAPORE, 30 May 2016 – Japan Foods Holding Ltd. ("Japan Foods" and together with its subsidiaries, the "**Group**"), a leading Japanese restaurant operator, has achieved a net profit of S\$3.8 million on the back of S\$62.8 million in revenue for the financial year ended 31 March 2016 ("**FY2016**").

Gross profit came in at S\$52.9 million in FY2016, which was 1.1% higher than the S\$52.3 million recorded in the preceding financial year ended 31 March 2015 ("**FY2015**"). This

was due to a 0.8 percentage point increase in gross profit margin from 83.4% in FY2015 to 84.2% in FY2016, arising mainly from the efficient use of raw materials and cost savings from self-produced noodles and bulk purchase discounts.

As compared to FY2015, net profits were down 20.3% while revenue remained flat. Despite more intense competition and a slowing economy, Japan Foods was able to maintain its sales at the same level because of its proven strategy of seasonal promotions, regular menu rejuvenation and restaurant portfolio management. However, the Group's bottomline was mainly impacted by a one-time impairment charge in relation to store closures.

On a quarterly basis, the Group's net profit fell 68.1% to S\$0.5 million despite a revenue increase of 5.8% to S\$15.7 million for the fourth quarter from 1 January 2016 to 31 March 2016 ("4Q2016"), as compared to a net profit of S\$1.5 million and revenue of S\$14.8 million in the corresponding quarter in 2015 ("4Q2015"). The Group's sales performance reflected the traditionally high season of dining out, as New Year, Chinese New Year and the March school holidays all fall within this quarter. However earnings in 4Q2016 fell sharply because of higher operating expenses, which rose more than three times compared to 4Q2015, due to higher royalty fees as a result of more franchised brands and a one-time impairment charge in relation to store closures.

In FY2016, Japan Foods launched three new brands. The Group's first non-Japanese offering, "New ManLee Bak Kut Teh", which was franchised from Malaysia was launched in December 2015 with the opening of its first store in Clementi. It has since opened its second outlet under this brand at Ang Mo Kio Hub in March 2016 and a third at Bugis Junction in April 2016. The Group also introduced two other self-developed brands – "Ginza Kushi Katsu" and "Dutch Baby Café" in March 2016 and April 2016 respectively. Both are located at The Paragon on Orchard Road.

Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods, said: *"I am satisfied with the Group's performance especially in light of the intense competition in the market and the current slowdown in the economy that has led to weaker consumption trends. Despite the challenging conditions, we were able to maintain our revenue at the same levels as the previous financial year. The fall in our earnings was mainly because of a one-time impairment charge due to store closures. The response to our new brands has been encouraging and the new brands have already started contributing to our sales. Customers have taken to 'New ManLee Bak Kut Teh' particularly well although the brand*

was launched only six months ago. We will continue to monitor its progress and we plan to add more restaurants under this brand if it continues to perform strongly."

Japan Foods' NAV per share as at 31 March 2016 was 17.74 Singapore cents as compared to 17.57 Singapore cents as at 31 March 2015.

The Group also saw its cash position strengthened with cash and cash equivalents rising from S\$15.9 million as at 31 March 2015 to S\$16.9 million as at 31 March 2016, with no borrowings.

Mr Takahashi added: *"We are also pleased to share some positive news in relation to our associated company ACJF Holding Limited, which paid us its maiden dividend in May 2016 amounting to approximately S\$174,000.!"*

Proposed Dividend

In line with its FY2016 performance, the Group has proposed a tax-exempt, one-tier final dividend of 1.25 Singapore cents per ordinary share to be paid on 15 August 2016 if approved by shareholders at the forthcoming Annual General Meeting. Taking into account the interim dividend of 0.75 Singapore cents per ordinary share which was paid on 9 December 2015, total dividends will amount to 2.00 Singapore cents per ordinary share for the year which represent a dividend payout ratio of 92.2% of net profit attributable to equity holders of the Company.

Mr Takahashi said: *"Despite the weaker financial performance, we are paying the same total amount of dividend per ordinary share as we did in FY2015, not only to reward shareholders for their support but also to demonstrate the confidence that the Board and management has in the growth prospects of the Group."*

FY2016 Business Review

Singapore Network

Restaurant Brands	As at 31 Mar 2016	As at 31 Mar 2015
Ajisen Ramen	15	17
Botejyu	1	1
Fruit Paradise	5	5
Ginza Kushi Katsu	1	-
Hanamidori	1	-
Japanese Gourmet Town	1	1
Kazokutei	3	2
Keika Ramen	2	1
Menya Musashi	8	9
Menzo Butao	1	1
New ManLee Bak Kut Teh	2	-
Osaka Ohsho	6 [#]	7 [*]
Yonehachi	1	1
TOTAL RESTAURANTS	47	45
Food Court Outlet	As at 31 Mar 2016	As at 31 Mar 2015
Ajisen Ramen	1	1
TOTAL RESTAURANTS AND FOOD COURT OUTLET	48	46

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

Closure of 1 "Gyoza Bo" branded restaurant to be converted to "New ManLee Bak Kut Teh" in March 2016.

Japan Foods' restaurant portfolio in Singapore stood at 47 restaurants as at 31 March 2016 as compared to 45 restaurants as at 31 March 2015. The number of food court outlets remained unchanged at one.

The Group's flagship brand and main revenue generator, "Ajisen Ramen", together with "Keika Ramen" brand, recorded a net S\$1.5 million decrease in revenue from S\$28.4 million in FY2015 to S\$26.9 million in FY2016 mainly due to the closure of restaurants under these brands. Two (2) restaurants located at Compass Point and Tiong Bahru Plaza closed in September 2015 and March 2016 respectively due to mall renovation works while another two (2) restaurants at Parkway Parade and Jurong Point Shopping Centre closed in April 2014 and November 2014 respectively due to the expiry of their leases. The restaurant at Clementi Mall was converted to a "New ManLee Bak Kut Teh" brand restaurant in March 2016. Net sales generated by some existing restaurants during the period also declined.

The restaurants operating under the Group's other flagship brand, "Osaka Ohsho", continued to perform healthily, with a net S\$0.2 million increase in revenue to S\$8.6 million in FY2016 from S\$8.4 million in FY2015. This was attributed to full year revenue contributed by new restaurants in Bugis Junction, AMK Hub, and East Point Mall, which commenced operations in May 2014, September 2014 and December 2014 respectively.

Meanwhile, restaurants operating under the Group's other brands performed strongly and generated a net S\$1.4 million increase in combined revenue from S\$13.4 million in FY2015 to S\$14.8 million in FY2016, due to contributions from new restaurants operating under the "Hanamidori", "Keika Ramen", "Kazokutei" and "New ManLee Bak Kut Teh" brands as well as an increase in revenue from existing restaurants operating under the "Japanese Gourmet Town" and "Boteyju" brands which together accounted for an increase of S\$2.7 million in aggregate.

Sales of food ingredients fell S\$67,000 due to lower demand from the Group's sub-franchisees.

Overseas Network

Restaurant Brands	As at 31 Mar 2016	As at 31 Mar 2015
Ajisen Ramen (operated by sub-franchisees)		
• Malaysia	4	6
• Vietnam	2	2
Menya Musashi (interests <i>via</i> associated companies)		
• Hong Kong	8	8
• PRC	5	3
TOTAL RESTAURANTS	19	19

The number of stores in the Group's overseas network remained unchanged as at 31 March 2015 and as at 31 March 2016.

The number of "Menya Musashi" brand restaurants in Hong Kong reduced from 10 to 8 due to the cessation of 2 restaurants in 4Q2016 due to the expiry of the leases. The

Group expects the restaurant network of its associated companies to continue to expand in Hong Kong and the PRC..

Business Outlook

For the 12 months ahead, Japan Foods expects the operating environment in the local F&B scene to remain challenging due to intense competition, tight labour supply, rising business costs and uncertain economic outlook. The Group will continue its cost containment strategies including controlling raw material costs, improving operational efficiency and practicing good restaurant portfolio management by taking into account market demand and the profitability of each restaurant.

At the same time, 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.

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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 2016, the Group operates 47 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 Café”, “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. In December 2015, Japan Foods launched its first non-Japanese concept called “New ManLee Bak Kut Teh” offering both Malaysia-style and Singapore-style pork rib soup at its first restaurant at Clementi Mall in Singapore.

The Group has expanded beyond Singapore. As at 31 March 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 8 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.*