

JAPAN FOODS HOLDING LTD.

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Japan Foods' 3Q2018 earnings surge 73.1% due to strong brand and restaurant portfolio

- The Group's two rising stars, the "Menya Musashi" and "Shitamachi Tendon Akimitsu" brands, contributed revenue increases of S\$1.2 million and S\$1.7 million respectively in 3Q2018.
- Gross profit margin rose to 85.1% in 3Q2018 from 84.9% in 3Q2017 due to continuing efforts to control raw material costs.

Financial Highlights (S\$' million)	Third quarter ended 31 December		Change (%)	Nine (9) months ended 31 December		Change (%)
	2017	2016		2017	2016	
Revenue	18.7	16.8	11.4	51.7	50.3	2.8
Gross profit	15.9	14.3	11.7	44.0	42.6	3.1
Profit before income tax	3.1	1.7	78.2	6.0	4.9	20.8
Net profit	2.5	1.4	73.1	4.8	4.1	18.1
Basic earnings per share ("EPS") (Singapore cents) ¹	1.44	0.83	73.5	2.79	2.35	18.7
	As at 31 December 2017			As at 31 March 2017		
Net asset value ("NAV") per share (Singapore cents) ²	19.09			18.29		

¹ EPS was computed based on the weighted average number of shares of 173,484,246 shares and 174,426,000 shares in 3Q2018 and 3Q2017 respectively; and 173,398,949 shares and 174,253,164 shares in 9M2018 and 9M2017 respectively.

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

SINGAPORE, 7 February 2018 – Japan Foods Holding Ltd. ("Japan Foods" and together with its subsidiaries, the "Group"), a leading Japanese restaurant chain has achieved double digit growth in both its top and bottom line for the third quarter ended 31 December 2017 ("3Q2018") driven mainly by strong revenue contribution from its "Ajisen Ramen", "Menya Musashi" and "Shitamachi Tendon Akimitsu" brands.

During 3Q2018, net profit attributable to equity holders of the company surged 73.1% to S\$2.5 million, from S\$1.4 million in the corresponding quarter ended 31 December 2016 (“**3Q2017**”). This is on the back of an 11.4% increase in sales from S\$16.8 million in 3Q2017 to S\$18.7 million in 3Q2018.

The Group’s continuing efforts in controlling the cost of raw materials led to a marginal improvement in its gross profit margin from 84.9% in 3Q2017 to 85.1% in 3Q2018.

For the nine months ended 31 December 2017 (“**9M2018**”), the Group recorded strong growth in its net profit attributable to equity holders of the company which rose to S\$4.8 million, on the back of a 2.8% increase in revenue to S\$51.7 million. As compared to the corresponding nine months ended 31 December 2016 (“**9M2017**”), the net profit attributable to equity holders of the company and revenue was S\$4.1 million and S\$50.3 million respectively

In tandem with the strong bottom line, the Group’s earnings per share in 3Q2018 and 9M2018 also rose strongly to 1.44 Singapore cents and 2.79 Singapore cents respectively (3Q2017:0.83 Singapore cents; 9M2017: 2.35 Singapore cents).

As at 31 December 2017, NAV per share was 19.09 Singapore cents as compared to 18.29 Singapore cents as at 31 March 2017. The Group’s financial position remains healthy with no borrowings, while cash and bank balances stood at S\$20.5 million as at 31 December 2017.

Business Review

Japan Foods’ portfolio in Singapore reduced slightly from 50 restaurants as at 31 December 2016 to 48 restaurants as at 31 December 2017.

Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods, said: *“That we were able to achieve strong sales and profit performance despite the lower number of restaurants is testament to the strength of our brands and the effectiveness of our dynamic restaurant portfolio management.*

“We are particularly pleased with our ‘Shitamachi Tendon Akitmitsu’ brand, which was launched in July 2017 at Plaza Singapura. Its performance has been so encouraging that we have since added four more stores in Northpoint City, Vivo City, Westgate and the latest one at Changi City Point which opened in January 2018. Our flagship ‘Ajisen

Ramen' brand has also performed strongly partially due to higher same-store sales following the revamp of some outlets into the 'Den by Ajisen Ramen' brand."

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

Restaurant Brands	As at 31 December 2017	As at 31 December 2016
Ajisen Ramen	18 ^(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	10	8
Menzo Butao	1	1
New ManLee Bak Kut Teh	2	3
Osaka Ohsho ^(c)	5	6
Shitamachi Tendon Akimitsu	4	-
Yonehachi	1	1
TOTAL RESTAURANTS	48	50
Food Court Outlet	As at 31 December 2017	As at 31 December 2016
Ajisen Ramen	1	1
TOTAL RESTAURANTS AND FOOD COURT OUTLET	49	51

a) Includes 4 "Den by Ajisen Ramen" brand restaurants.

b) Includes 3 "Keika Ramen" brand restaurants.

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

The Group's main revenue generator, the "Ajisen Ramen" brand recorded a net increase in revenue of S\$1.2 million from S\$19.6 million in 9M2017 to S\$20.8 million in 9M2018 as a result of the opening of two restaurants located at Compass Point and Bedok Mall in September 2016 and March 2017 respectively and 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 and the conversion of a restaurant from the "Ajisen Ramen" brand to the "Menya Musashi" brand at Takashimaya in November 2017.

Restaurants operating under the Group's second flagship brand "Menya Musashi", achieved a net increase in revenue of S\$1.8 million from S\$10.0 million in 9M2017 to S\$11.8 million in 9M2018. This was mainly due to the conversion of a "New ManLee Bak Kut Teh" brand restaurant and an "Ajisen Ramen" brand restaurant into "Menya Musashi" brand restaurants at Clementi Mall in April 2017 and at Takashimaya in November 2017 respectively. There was also the opening of a new "Menya Musashi" brand restaurant at Northpoint City in September 2017.

The Group's third flagship brand "Osaka Ohsho" registered a modest S\$0.2 million increase in revenue from S\$5.9 million in 9M2017 to S\$6.1 million in 9M2018, mainly because of the conversion of a "Kazokutei" brand restaurant at Junction 8 to an "Osaka Ohsho" brand restaurant in January 2017. The increase was partially offset by the closure of two "Osaka Ohsho" restaurants at "Tokyo Walker" and Eastpoint Mall in June 2017 and November 2017 respectively.

Meanwhile, the combined revenue from restaurants operating under the Group's remaining brands, namely the "New ManLee Bak Kut Teh", "Dutch Baby Cafe", "Hanamidori", "Menzo Butao", "Kazokutei", "Botejyu", "Ginza Kushi-Katsu" and "Fruit Paradise" brands, fell by S\$1.8 million to S\$12.8 million in 9M2018 from S\$14.6 million in 9M2017. The weaker performance was mainly due to the closure and conversion of some restaurants and this was partially offset by the stellar performance of the Group's new "Shitamachi Tendon Akitmitsu" brand which recorded sales of S\$2.5 million in just over five months after its launch in July 2017.

Overseas Network

Restaurant Brands	As at 31 December 2017	As at 31 December 2016
Ajisen Ramen (operated by sub-franchisees)		
• Malaysia	2	4
• Vietnam	2	2
Menya Musashi (interests via associated companies)		
• Hong Kong	8	9
• China	10	5
TOTAL RESTAURANTS	22	20

The Group's overseas network has expanded to 22 restaurants as at 31 December 2017 from 20 restaurants as at 31 December 2016. This was mainly due to the opening of five more "Menya Musashi" brand restaurants in China. However the number of restaurants in Hong Kong was reduced from nine to eight due to the closure of a restaurant upon expiry of tenancy agreement in March 2017.

Business Outlook

Japan Foods is cautiously optimistic about the outlook for the next 12 months, notwithstanding an operating environment that remains challenging due to the tight labour supply, stiff competition, rising business costs and uncertain economic and geopolitical outlook. The Group will continue its efforts to improve operational efficiency and cost control.

In January 2018, Japan Foods added a new self-developed brand to its portfolio called "Curry is Drink". This concept offers both rice and udon sets with panko-crusted deep fried meats or seafood that are served with curry sauce. In the same month, Japan Foods also launched its JFH Rewards programme, which gives members a 10% rebate on what they spend in the form of J\$. Membership is free and accumulated "J\$" can be used to offset the next meal. This new programme replaces the JFH Family Card.

Mr Takahashi said: *"We are very conscious of the fact that customers have fickle palettes and what is popular today may not be popular tomorrow. Customer loyalty is important to us and this is why we are continuously innovating and seeking either to bring new franchise brands to Singapore or to develop new concepts ourselves. For our existing brands, we offer seasonal dishes and update our menus frequently so that even regular customers will keep on returning and not be bored. With our new rewards programme, we hope to retain as well as gain more customers."*

Japan Foods will continue to explore opportunities to expand its presence in the ASEAN region and Japan by way of joint-ventures, acquisitions and/or sub-franchising of its brands. The Group is currently in advanced discussion with a potential joint venture partner in Indonesia and Japan Foods will make an announcement as and when appropriate.

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 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 31 December 2017, 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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*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.*