

# JAPAN FOODS HOLDING LTD.

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## Japan Foods achieves revenue of S\$50.8 million and net profit of S\$2.8 million for 9M2019

- New brands continue to perform well, contributing combined YOY increase of S\$5.5 million in sales in 9M2019.
- Establishes 50-50 joint venture company “Dining Collective” with Minor Singapore to expand presence of their respective brands in the region.
- Secures a new franchise brand “Afuri Ramen” and plans new brand extension for “Ajisen Ramen” to be named “Kara-Men by Ajisen”.

Financial Highlights (S\$' million)	Third quarter ended 31 December		Change (%)	Nine (9) months ended 31 December		Change (%)
	2018	2017		2018	2017	
Revenue	17.5	18.7	(6.3)	50.8	51.7	(1.7)
Gross profit	14.8	15.9	(7.1)	42.9	44.0	(2.4)
Gross profit margin	84.4	85.1	(0.7)% pt	84.5	85.1	(0.6)% pt
Profit before income tax	1.5	3.1	(53.3)	3.4	6.0	(43.0)
Net profit	1.2	2.5	(51.3)	2.8	4.8	(42.0)
Basic earnings per share (“EPS”) (Singapore cents) <sup>1</sup>	0.70	1.44	(51.4)	1.61	2.79	(42.3)
	As at 31 December 2018			As at 31 March 2018		
Net asset value (“NAV”) per share (Singapore cents) <sup>2</sup>	19.18			19.63		

<sup>1</sup> EPS was computed based on the weighted average number of shares of 173,686,190 shares and 173,484,246 shares in 3Q2019 and 3Q2018 respectively; and 173,799,499 shares and 173,398,949 shares in 9M2019 and 9M2018 respectively.

<sup>2</sup> NAV was computed based on 173,615,400 shares as at 31 December 2018 and 173,387,900 shares as at 31 March 2018 respectively.

**SINGAPORE, 30 January 2019 – 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\$2.8 million on the back of S\$50.8 million in sales for the nine months ended 31 December 2018 (“9M2019”).

As compared to the corresponding nine months ended 31 December 2017 (“9M2018”), the marginal 1.7% year-on-year (“YOY”) decline in revenue was mainly due to lower sales generated by the Group’s flagship brands and partially offset by strong performance of the newer brands.

As at 31 December 2018, Japan Food's JFH Reward programme had over 100,000 registered members who accumulated reward points (or "\$J") worth S\$0.7 million during 9M2019. As members can offset their restaurant bills with their \$J, this amount was deducted from the corresponding revenue recognised in 9M2019, in accordance with the relevant accounting standards.

In line with the aforementioned, Japan Foods' gross profit decreased 2.4% YOY from S\$44.0 million in 9M2018 to S\$42.9 million in 9M2019 while gross profit margin declined 0.6% point over the same period to 84.5%. Net profit also fell 42.0% YOY as compared to 9M2018 mainly due to higher expenses incurred for new restaurant openings, as well as increased costs from operating more restaurants (as at 31 December 2017: 48 restaurants and 1 food court outlet ; as at 31 December 2018: 54 restaurants).

**Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods**, said: *"During 9M2018, we had a number of store openings under new brands and along with this came renovation, manpower and other related expenses. However, we believe there will be interest in the new brands. The response has been very positive so far and we are optimistic that in the long run, these new brands will contribute healthy sales to the Group."*

He added: *"We are also very happy that so many people have signed up for our JFH Reward programme. Our records show that the amount of \$J accumulated has grown eight times YOY during 9M2019 and more importantly, that over 60% of our members have visited our restaurants at least twice. We consider the programme a success because in the competitive F&B environment, our ultimate goal is to retain a big pool of loyal customers who choose to dine at our restaurants over others."*

On a quarterly basis, the Group's revenue declined 6.3% YOY to S\$17.5 million for the three months ended 31 December 2018 ("**3Q2019**") and earnings during the period fell 51.3% YOY to S\$1.2 million mainly due to higher cost of sales and expenses as a result of new store openings and the JF Reward programme.

As at 31 December 2018, the Group's net asset value per share was 19.18 Singapore cents as compared to 19.63 Singapore cents per share as at 31 March 2018. Earnings per share fell 42.3% from 2.79 Singapore cents per share in 9M2018 to 1.61 Singapore cents per share in 9M2019. Cash and bank balances as at 31 December 2018 remained healthy at S\$21.9 million with no borrowings.

## 9M2019 Business Review

### Singapore Network

Restaurant Brands	As at 31 December 2018	As at 31 December 2017
Ajisen Ramen <sup>(a)</sup>	17	18
Curry is Drink	1	-
Dutch Baby Cafe	1	1
Fruit Paradise	1	3
Ginza Kushi Katsu	1	1
Japanese Gourmet Town	1	1
Kagurazaka Saryo	2	-
Kazokutei	1	1
Konjiki Hototogisu	2	-
Menya Musashi	11	10
Menzo Butao	2	1
New ManLee Bak Kut Teh	1	2
Osaka Ohsho <sup>(b)</sup>	5	5
Shitamachi Tendon Akimitsu	7	4
Yonehachi	1	1
<b>TOTAL RESTAURANTS</b>	<b>54</b>	<b>48</b>
Food Court Outlet	As at 31 December 2018	As at 31 December 2017
Ajisen Ramen	-	1
<b>TOTAL RESTAURANTS AND FOOD COURT OUTLET</b>	<b>54</b>	<b>49</b>

a) Includes 3 "Den by Ajisen Ramen" brand restaurants.

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

At 31 December 2018, the Group operated 54 restaurants as compared to 48 restaurants and one food court outlet as at 31 December 2017. It has since ceased the food court outlet at Marina Bay Sands Shoppes Premium Food Precinct in February 2018.

During 9M2019, revenue from restaurants operating under the Group's flagship brands, namely "Ajisen Ramen", "Osaka Osho" and "Menya Musashi", decreased by a combined S\$3.9 million YOY mainly due to lower sales generated by existing restaurants and closure / conversion of certain restaurants to other brands within the Group's portfolio of restaurant brands.

For the same reasons, restaurants operating under brands such as "New ManLee Bak Kut Teh", "Kazokutei", "Dutch Baby Cafe" and "Fruit Paradise" also recorded a YOY combined decrease in revenue of S\$1.8 million.

However, new restaurants including “Shitamachi Tendon Akimitsu”, “Curry is Drink”, “Menzo Butao”, “Kagurazaka Saryo” and “Konjiki Hototogisu”, contributed a combined YOY increase of S\$5.5 million in sales in 9M2019. The new one-Michelin star rated “Konjiki Hototogisu” brand, in particular, which was launched in July 2018, has continued to attract strong interest among customers. The Group has since opened another store at Great World City in December 2018 and plans to convert its restaurant at Paragon from the “Ginza Kushi Katsu” brand to a third “Konjiki Hototogisu” brand restaurant.

Just recently in January 2019, Japan Foods secured a new franchise brand, “Afuri Ramen”, from Kanagawa Japan, which is known for its yuzu-flavoured broth. In addition, the Group has planned a new extension for its “Ajisen Ramen” brand. To be named “Kara-Men by Ajisen”, the new extension forms part of the Group’s plans to rejuvenate its twenty-year old flagship “Ajisen Ramen” brand. The “Kara-Men by Ajisen” brand will feature a spicy broth. The first restaurants under these two brands are expected to open in the next 12 months.

**Mr Kenichi** said: *“The ‘Ajisen Ramen’ brand has been in Singapore for over two decades. With a lot of competition in the ramen space, we have to take steps to rejuvenate the brand so that we retain the interest of our customers. We have done this previously with encouraging customer response when we introduced ‘Den by Ajisen Ramen’, which offers five different types of broth and we hope to replicate this with ‘Kara-Men by Ajisen’.”*

### **Overseas Network**

<b>Restaurant Brands</b>	<b>As at 31 December 2018</b>	<b>As at 31 December 2017</b>
Ajisen Ramen (operated by sub-franchisees)		
• Malaysia	1	2
• Vietnam	1	2
Menya Musashi (interests <i>via</i> associated companies)		
• Indonesia	1	-
• Hong Kong	7	8
• China	11	10
<b>TOTAL RESTAURANTS</b>	<b>21</b>	<b>22</b>

The Group maintained its overseas network at 21 restaurants as at 31 December 2018, including one “Menya Musashi” brand restaurant operated by an associated company in Jakarta, which is a new market for the Group.

Japan Foods intends to continue its efforts to seek opportunities to expand its presence in the ASEAN region and Japan by way of joint ventures, acquisitions and/or sub-franchising of its brands.

In December 2018, Japan Foods announced a binding Memorandum of Understanding (“**MOU**”) with Minor Food Group (Singapore) Pte. Ltd. (“**Minor Singapore**”) to expand the geographical reach of their respective brands.

The parties had on 29 January 2019 formed a 50-50 joint venture company in Singapore named “Dining Collective Pte. Ltd.” (“**Dining Collective**”), which will conduct the business of franchising and operating existing restaurant brands owned by Japan Foods and Minor Singapore in Japan, Thailand and the People’s Republic of China. The Group will oversee, develop and manage Dining Collective’s Thai cuisine restaurant operations in Japan and provide technical support and expertise in the preparation of Japanese cuisine; Minor Singapore will do likewise for Dining Collective’s Japanese cuisine restaurant operations in Thailand and China and provide technical support and expertise in the preparation of Thai cuisine.

Brands under Minor Singapore include “Thai Express”, “Xin Wang Hong Kong Café”, “Poulet”, “Buffet Town” and “Kiseki Japanese Buffet Restaurant”.

Commenting on the partnership with Minor Singapore, **Mr Kenichi**, said: *“This is a major step forward for Japan Foods as it will enable us to enter the Japanese market with compelling brands that are backed by a strong partner. At the same time, we are looking forward to seeing our own brands being launched in Thailand. We are working together with Minor Singapore to assess the opportunities as we are excited to be operating restaurants in both markets as soon as possible.”*

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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 December 2018, the Group operates 54 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” 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. At 31 December 2018, there was one restaurant in Malaysia and one restaurant in Vietnam operated by the Group's sub-franchisees under the "Ajisen Ramen" brand. The Group also has interests in one restaurant in Indonesia, seven restaurants in Hong Kong and 11 restaurants in China operated by its associated companies under the "Menya Musashi" brand.

For its efforts in corporate governance, 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. In July 2018, the Group received the "Best Managed Board Award (Gold)" at the Singapore Corporate Awards 2018 and in September 2018, it was named Runner-Up in the "Most Transparent Company – Hotel / Restaurant" award category at the 19th SIAS Investors' Choice Awards 2018.

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