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Japan Foods' HY2022 revenue lifted by performance of newer brands

- Self-developed Halal brand “Tokyo Shokudo” grows to six restaurants 10 months after its launch and contributed S\$3.2 million in sales in HY2022.
- Earnings impacted by lower government grants and lower rental concessions from landlords.
- Declares interim dividend of 0.5 Singapore cent per ordinary share, reflecting ongoing business confidence and healthy financial position.
- Launched latest brand “Café Kuriko” in June 2021 featuring Mont Blanc desserts.

Financial Highlights (S\$' million)	Six (6) months ended 30 Sep		Change (%)
	2021	2020	
Revenue	21.2	18.5	14.5
Gross profit	17.8	15.7	13.5
(Loss) / Profit before income tax	(1.6)	0.4	N.M
Net (loss) / profit	(1.6)	0.3	N.M
Basic (loss)/ earnings per share ("EPS") (Singapore cents) ¹	(0.94)	0.17	N.M
Net asset value ("NAV") per share (Singapore cents) ²	16.46 (as at 30 Sep 2021)	19.14 (as at 31 Mar 2021)	(14.00)

Note: All financial figures have been rounded.

¹ EPS was computed based on the weighted average number of 174,304,592 shares and 173,864,729 shares in HY2022 and HY2021 respectively.

² NAV was computed based on 174,424,000 shares as at 30 September 2021 and 174,347,200 shares as at 31 March 2021 respectively.

N.M. – Denotes not meaningful

SINGAPORE, 03 November 2021 – Led by the strong performance of its newer brands and the gradual resumption of lifestyle activities, **Japan Foods Holding Ltd.** (“**Japan Foods**” or the “**Company**” and together with its subsidiaries, the “**Group**”) a leading Singapore-based Japanese restaurant chain, has achieved a 14.5% year-on year (“**YOY**”) growth in revenue to S\$21.2 million for the six months ended 30 September 2021 (“**HY2022**”) as compared to S\$18.5 million generated in the corresponding six months last year (“**HY2021**”) whereby 7 April 2020 to 1 June 2020 was the Circuit Breaker¹ period.

¹ A nationwide partial lockdown including stay-at-home order and other restrictions including shuttered schools, workplaces and a ban on dining in during the period. Implemented as a preventive measure by the Government of Singapore in response to the COVID-19 pandemic

Operational Review

The higher revenue was despite a smaller number of restaurants – 52 in HY2022 versus 59 in HY2021, which reflected the higher sales brought in by certain existing restaurants as well as contribution from its new Halal concept restaurant brand “Tokyo Shokudo”.

“Tokyo Shokudo” expanded to six restaurants within 10 months of the first outlet opening in November 2020, contributing revenue of S\$3.2 million in HY2022. Restaurants operating under the Group’s “other” brands, namely “Afuri Ramen”, “Ichiro Ramen”, “Fruit Paradise”, and “Yonehachi”, collectively racked up an increase of S\$0.5 million over the last period to S\$8.5 million in HY2022 and partially offset by the loss of revenue from brands that had been operating under the Group’s now-closed mixed concept restaurant “Japanese Gourmet Town” and conversion of a “Konjiki Hototogisu” brand at Causeway Point to “Tokyo Shokudo” brand in September 2021.

Meanwhile, Japan Foods’ three top brands – “Ajisen Ramen”, “Menya Musashi” and “Osaka Ohsho”, put in mixed performances in HY2022 with “Ajisen Ramen” and “Menya Musashi” reporting lower revenues of S\$6.3 million and S\$1.8 million respectively, while “Osaka Ohsho” recorded revenue growth to S\$1.8 million (HY2021: “Ajisen Ramen” – S\$6.5 million, “Menya Musashi” – S\$2.6 million and “Osaka Ohsho” – S\$1.6 million). The decline in revenue for “Ajisen Ramen” and “Menya Musashi” was mainly due to the closures of restaurants and conversion of restaurants into other brands. For “Osaka Ohsho”, the improvement in sales was mainly attributable to higher net sales generated from existing restaurant and partially offset by the conversion of a restaurant.

During the period under review, J\$ earned by members of the Group’s JFH Rewards loyalty programme amounted to S\$0.3 million as compared to S\$0.1 million in HY2021. In accordance with the relevant accounting standard, such amount was deducted from the corresponding revenue recognized during the respective financial periods.

HY2022 gross profit rose in tandem with the higher revenue, coming in 13.5% higher YOY at S\$17.8 million. Due partly to lower margin from some new brands and discounts given for takeaway orders during Singapore’s Phase 2 (Heightened Alert) restrictions that ran from 19 July 2021 to 8 August 2021, gross profit margin declined 0.7 percentage point to 83.8% in HY2022.

In respect to Japan Foods’ overseas associated companies, the Group’s share of results increased to S\$258,000 in HY2022 from S\$35,000 in HY2021 due to higher profits

generated by “Menya Musashi” brand restaurants in China and “Konjiki Hototogisu” brand restaurants in Hong Kong as more lifestyle activities resumed in those markets. This was partially offset by share of loss of “Menya Musashi” brand restaurants in Hong Kong and Indonesia.

Due to a significant reduction in government Jobs Support Scheme grants and lower rental concessions from landlords in HY2022 as compared to HY2021, Japan Foods’ other income declined 50.2% YOY to S\$4.1 million. This impacted the Group’s earnings and as a result, it recorded a net attributable loss of S\$1.6 million in HY2022 versus a net attributable profit of S\$0.3 million in HY2021.

As at 30 September 2021, Japan Foods remained in healthy financial standing with cash and bank balances of S\$18.2 million and no borrowings. The Group has declared an interim dividend of 0.5 Singapore cent per ordinary share in respect of HY2022 as a reflection of its business confidence despite the challenging operating environment.

Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods, said: *“The ongoing COVID-19 pandemic and the constant and ongoing changes to restrictions on dining-in has taken a tremendous toll on the F&B industry. We expect the next 12 months to remain challenging as it will be difficult for our revenue to recover to pre-Covid-19 levels as long as social activities are restricted. But despite all the uncertainties and the intense competition, I am cautiously optimistic that Japan Foods will be able to rise above this situation because of our operational track record, our financial prudence, our healthy balance sheet and our ability to manage our restaurant portfolio to ensure that we can continue to drive sales with compelling brands and concepts.”*

Network Update

In keeping with its track record of introducing new concepts every year, the Group launched a new brand “Café Kuriko” in June 2021, specialising in French-style Mont Blanc desserts of sweetened chestnut purée in sweet vermicelli layers piled high atop pastry shells. The response to the first restaurant in Funan Mall has been encouraging and the Group will seek to open more outlets if the brand continues to produce results.

Due to the challenging market conditions, the Group did not pursue renewals at some locations when the leases ended. The following table shows the breakdown in the number of restaurants by brand:

	Restaurant Brands	As at 30 September 2021	As at 30 September 2020
1	Afuri Ramen	2	2
2	Ajisen Ramen (including brand extensions)	13	16
3	Café Kuriko	1	-
4	Curry Is Drink	1	1
5	Fruit Paradise	1	2
6	Ichiro Ramen	1	1
7	Japanese Gourmet Town	-	1
8	Kagurazaka Saryo	1	2
9	Kazokutei	1	1
10	Konjiki Hototogisu	7	8
11	Menya Musashi	4	8
12	Menzo Butao	1	1
13	New ManLee Bak Kut Teh	1	1
14	Osaka Ohsho (including brand extensions)	4	5
15	Shitamachi Tendon Akitmitsu	4	6
16	Shoryo Ramen	2	2
17	Tokyo Shokudo	6	-
18	Yonehachi	2	2
	TOTAL RESTAURANTS	52	59

Mr Kenichi said: “Covid-19 has caused life as we know it to be changed in so many ways but one thing that hasn’t changed is Singaporeans’ love for food and dining-out as the preferred method to socialise. As an F&B company, Japan Foods will continue to feed this passion through ongoing research into new concepts that we can introduce to the market that will boost sales for our Group.”

As at 30 September 2021, Japan Foods’ overseas network comprised 24 restaurants including 20 “Menya Musashi” brand restaurants operated by associated companies (Indonesia: 1; Hong Kong: 7; China: 12); and, 4 “Konjiki Hototogisu” brand restaurant in Hong Kong.

In 2018, Japan Foods and Minor Food Group (Singapore) Pte. Ltd. had established a joint venture to conduct the business of franchising and operating their respective existing restaurant brands in Japan, Thailand and China. Their plans to open restaurants in Japan in 2020 was disrupted by the outbreak of Covid-19 and progress is expected to be delayed until further notice. In view of this, the joint venture parties had established a new concept “Pizzakaya” in November 2020, which currently has two restaurants in Singapore.

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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 30 September 2021, the Group operates 52 restaurants in Singapore under various self-developed brands as well as franchised brands such as “Ajisen Ramen”, “Osaka Ohsho”, “Menya Musashi”, and “Konjiki Hototogisu” which earned one Michelin Star in Tokyo.

Japan Foods has won multiple awards for its efforts in corporate governance. The Company 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 2018, the Group received the “Best Managed Board Award (Gold)” at the Singapore Corporate Awards 2018 and Runner Up in the “Most Transparent Company Award – Hotel/Restaurant” category at the 2018 SIAS Investor Choice Awards. In 2019, it was once again recognised at the Singapore Corporate Awards for “Best Annual Report (Sliver)”.

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This news release has been prepared by Japan Foods Holding Ltd. (the “Company”) and its contents have been reviewed by the Company’s sponsor, UOB Kay Hian Private Limited (the “Sponsor”) for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual Section B: Rules of Catalist. This news release has not been examined or approved by the SGX-ST and the SGX-ST assumes 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 Mr Lance Tan, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.