

JAPAN FOODS HOLDING LTD.

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Japan Foods achieves S\$1.6m in earnings in HY2019 on S\$33.3 million in sales

- Launches two new franchised brands – “Konjiki Hototogisu” and “Kagurazaka Saryo” in 2Q2019.
- Declares interim dividend of 0.80 Singapore cents per ordinary share or a dividend payout ratio of 87.3% of the net profit attributable to equity holders of the Company in HY2019.

Financial Highlights (S\$' million)	Second quarter ended 30 September		Change (%)	Six (6) months ended 30 September		Change (%)
	2018	2017		2018	2017	
Revenue	16.6	16.8	(0.7)	33.3	33.0	1.0
Gross profit	14.0	14.3	(1.7)	28.1	28.1	0.3
Profit before income tax	0.8	1.6	(52.8)	2.0	2.9	(31.9)
Net profit	0.6	1.3	(51.9)	1.6	2.3	(32.1)
Basic earnings per share (“EPS”) (Singapore cents) ¹	0.36	0.75	(52.0)	0.92	1.35	(31.9)
	As at 30 September 2018			As at 31 March 2018		
Net asset value (“NAV”) per share (Singapore cents) ²	19.29			19.63		

¹ EPS was computed based on the weighted average number of shares of 173,977,541 shares and 173,563,500 shares in 2Q2019 and 2Q2018 respectively; and 173,856,463 shares and 173,356,068 shares in HY2019 and HY2018 respectively.

² NAV was computed based on 173,692,100 shares as at 30 September 2018 and 173,387,900 shares as at 31 March 2018 respectively.

SINGAPORE, 7 November 2018 – 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\$1.6 million on the back of S\$33.3 million in sales for the six months ended 30 September 2018 (“HY2019”).

Despite the increasingly competitive F&B scene, the Group achieved a modest revenue increase of 1.0% as compared to the corresponding six months in 2017 (“HY2018”), but net profit fell 32.1% year-on-year (“YOY”) as a result of higher operating expenses due to the expansion of its restaurant network and the recent launch of two new franchise brands namely “Konjiki Hototogisu” and “Kagurazaka Saryo”.

Rising marginally with revenue, gross profit came in 0.3% higher YOY at S\$28.1 million in HY2019 (HY2018: S\$28.0 million) while gross profit margin declined slightly to 84.6% (HY2018: 85.1%) due to the lower margins attributed to certain new brands.

On a quarterly basis, the Group's revenue declined 0.7% YOY to S\$16.6 million for the three months ended 30 September 2018 ("**2Q2019**") notwithstanding a higher number of restaurants in operation during 2Q2019, this was partly due to weaker consumer sentiment and decreasing discretionary consumer spending. Earnings during the period fell 51.9% YOY to S\$0.6 million mainly due to higher cost of sales and expenses as a result of new store openings and the launch of two new brands in July 2018.

As at 30 September 2018, the Group's net asset value per share was 19.29 Singapore cents as compared to 19.63 Singapore cents per share as at 31 March 2018. Earnings per share fell 31.9% from 1.35 Singapore cents per share in HY2018 to 0.92 Singapore cents per share in HY2019. Cash and cash equivalents remained healthy at S\$19.4 million with no borrowings.

Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods, said: *"We had a busy and eventful half-year because of the addition of two new franchised brands to our portfolio and also the expansion of our restaurant network. While our earnings may be impacted by expenses associated with these events, we are very excited by the response to our two new brands – 'Konjiki Hototogisu' and 'Kagurazaka Saryo', which commenced operations in June 2018 and July 2018 respectively."*

HY2019 Business Review

Singapore Network

Restaurant Brands	As at 30 September 2018	As at 30 September 2017
Ajisen Ramen	17 ^(a)	19 ^(a)
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	1	-
Menya Musashi	11	9
Menzo Butao	2	1
New ManLee Bak Kut Teh	1	2
Osaka Ohsho ^(c)	5	6
Shitamachi Tendon Akimitsu	7	3
Yonehachi	1	1
TOTAL RESTAURANTS	53	48
Food Court Outlet	As at 30 September 2018	As at 30 September 2017
Ajisen Ramen	-	1
TOTAL RESTAURANTS AND FOOD COURT OUTLET	53	49

a) Includes 3 “Den by Ajisen Ramen” brand restaurants.

b) Includes 3 “Keika Ramen” brand restaurant.

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

The Group’s sales performance in HY2019 was boosted by restaurants operating under its newer brands as well as the expansion of its network to 53 restaurants as at 30 September 2018 (As at 30 September 2017: 49 restaurants).

New brands including “Shitamachi Tendon Akimitsu”, “Curry is Drink”, “Menzo Butao”, “Kagurazaka Saryo” and “Konjiki Hototogisu”, contributed a combined YOY increase of S\$4.6 million in sales in HY2019 but this was partially offset by a S\$2.2 million YOY decrease in revenue generated by restaurants operating under the “New ManLee Bak Kut Teh”, “Dutch Baby Cafe”, “Ginza Kushi-Katsu” and “Fruit Paradise” brands due to closure of certain restaurants and lower same store sales. The net effect was a YOY increase of S\$2.4 million from restaurants operating under these brands in HY2019.

Restaurants operating under the Group's flagship "Ajisen Ramen" brand and its brand extensions "Den by Ajisen Ramen", recorded a S\$1.8 million YOY decline in revenue to S\$12.0 million in HY2019 mainly attributable to the conversion of an "Ajisen Ramen" brand restaurant to a "Menya Musashi" brand restaurant at Takashimaya in November 2017, a closure of a foodcourt outlet at Marina Bay Sands Shoppes Premium Food Precinct in February 2018, temporary closure of a restaurant at Nex in September 2018 for a resizing of floor space, and lower net sales generated by some existing restaurants.

Revenue from restaurants operating under the Group's "Menya Musashi" brand rose S\$0.3 million YOY to S\$7.6 million in HY2019 mainly due to the opening of new restaurants at North Point and Chinatown Point in September 2017 and September 2018 respectively and also the conversion of an "Ajisen Ramen" brand restaurant to a "Menya Musashi" brand restaurant at Takashimaya in November 2017. The increase was partially offset by lower net sales generated by some existing restaurants.

The Group's restaurants operating under the "Osaka Ohsho" brand generated a S\$0.6 million decline in sales to S\$3.6 million in HY2019 mainly due to the closure of a restaurant at Eastpoint Mall in November 2017 as well as lower sales achieved by some existing restaurants.

Mr Takahashi said: *"Overall, I am pleased with our performance. The new brands performed well and the older brands generated stable revenue. This attests to our strategy to bring in new concepts while continuing to rejuvenate older brands. Over the next few months, we will look for opportunities to open more restaurants under the 'Konjiki Hototogisu' and 'Kagurazaka Saryo' brands in Singapore in addition to our ongoing efforts to explore other new brands."*

Overseas Network

Restaurant Brands	As at 30 September 2018	As at 30 September 2017
Ajisen Ramen (operated by sub-franchisees)		
• Malaysia	1	3
• Vietnam	2	2
Menya Musashi (interests via associated companies)		
• Indonesia	1	-
• Hong Kong	7	8
• China	10	8
TOTAL RESTAURANTS	21	21

The Group maintained its overseas network at 21 restaurants as at 30 September 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. Having launched “New ManLee Bak Kut Teh”, which is a brand from Malaysia, the Group also intends to explore more opportunities in non-Japanese food and beverage.

The Group has declared a tax-exempt, one-tier interim cash dividend of 0.80 Singapore cents per ordinary share, which is the same as the interim dividend declared in HY2018. This represents a dividend payout ratio of 87.3% of the net profit attributable to equity holders of the Company in HY2019.

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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 2018, the Group operates 53 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 30 September 2018, there was 1 restaurant 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 1 restaurant in Indonesia, 7 restaurants in Hong Kong and 10 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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*This news release has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("**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.*