

JAPAN FOODS HOLDING LTD.

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Japan Foods maintained revenue in FY2020 despite challenging industry conditions

- Revenue rose marginally 0.5% year-on-year to S\$68.4 million in FY2020.
- Impacted by the effects of Covid-19 pandemic which negated the increase in revenue for most of FY2020, net profit attributable to equity holders of the Company fell 69.5% to S\$1.0 million.
- Network in Singapore grew to 59 restaurants as at 31 March 2020 as compared to 55 as at 31 March 2019.
- Proposes a final dividend of 0.25 Singapore cents per share subject to shareholders' approval at the upcoming annual general meeting.

Financial Highlights (S\$' million)	Six months ended 31 Mar		Change (%)	Twelve months ended 31 Mar		Change (%)
	2020	2019		2020	2019	
Revenue	32.3	34.8	(7.2)	68.4	68.1	0.5
Gross profit	27.2	29.4	(7.5)	57.8	57.5	0.4
Gross profit margin (%)	84.2	84.4	(0.2) pt	84.4	84.5	(0.1) pt
(Loss) / profit before income tax	(0.5)	2.2	N.M.	1.4	4.1	(66.1)
Net (loss) / profit attributable to equity holders of the Company	(0.5)	1.7	N.M.	1.0	3.3	(69.5)
Basic (loss) / earnings per share ("EPS") (Singapore cents) ⁽¹⁾	(0.3)	1.0	N.M.	0.6	1.9	(79.2)
Net asset value ("NAV") per share (Singapore cents) ⁽²⁾	18.03 (as at 31 Mar 2020)			19.48 (as at 31 Mar 2019)		

¹ EPS was computed based on the weighted average number of shares of 173,724,440 shares and 173,604,150 shares in 2HY2020 and 2HY2019 respectively; and 173,908,165 shares and 173,750,246 shares in FY2020 and FY2019 respectively.

² NAV was computed based on 174,007,200 shares as at 31 March 2020 and 173,602,900 shares as at 31 March 2019 respectively.

SINGAPORE, 8 July 2020 – Despite challenging conditions in the local food and beverage industry, **Japan Foods Holding Ltd.** ("**Japan Foods**" and together with its subsidiaries, the "**Group**"), a leading Japanese restaurant chain, achieved revenue of S\$68.4 million for the financial year ended 31 March 2020 ("**FY2020**"), a modest increase

of 0.5% year-on-year (“YOY”) mainly driven by new brands and network growth. However, due to the onset of the Covid-19 outbreak towards the end of the year under review, the Group’s net profit attributable to equity holders of the Company fell 69.5% YOY to S\$1.0 million.

On a half-year basis, Japan Foods had put in a strong performance in the first six months from 1 April 2019 to 30 September 2019 (“1H2020”), achieving S\$1.5 million in net profit attributable to equity holders of the Company on the back of an 8.6% YOY increase in revenue to S\$36.1 million. However, the second half from 1 October 2019 to 31 March 2020 (“2H2020”) was impacted by the global Covid-19 outbreak which led to a decline in revenue as people chose to stay home. As a consequence, the Group registered a 7.2% YOY fall in sales to S\$32.3 million in 2H2020.

After assessing the aggravated impact of the Covid-19 pandemic on certain stores’ non-performance, the Group recorded an impairment loss of plant and equipment of S\$0.7 million in 2H2020 as compared to S\$0.1 million in the corresponding six months in 2019 (“2H2019”). Elsewhere in the region, the performance of the Group’s associated companies in Hong Kong, China and Indonesia were similarly affected by the Covid-19 pandemic and the Group’s share of loss of associated companies widened to S\$287,000 in 2H2020 as compared to S\$50,000 in 2H2019.

Due to the impairment loss arising from the Covid-19 pandemic and also higher operating costs in relation to a larger restaurant network, the Group recorded a net loss attributable to equity holders of the Company of S\$0.5 million in 2H2020, which resulted in the weaker full-year performance in FY2020.

Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods, said: *“FY2020 started promisingly for us but no one could have predicted the devastation brought by Covid-19 on many businesses worldwide. Although it was business as usual at our restaurants in the last quarter of our FY2020 before circuit breaker measures were implemented, there was a dearth of customers as people were fearful of the rising number of infections locally and overseas and chose to stay home. Some of our outlets saw an increase in food delivery during that period but it was not enough to make up for the shortfall in dine-ins.*

“However, thanks to our corporate culture of prudence, we remained financially healthy with S\$20.4 million in cash and bank balances and zero borrowings as at 31 March 2020.

We believe this puts us in a strong position to overcome this unprecedented event, just as how we had weathered other financial crisis and the 2002/2003 SARS pandemic in the past.”

Dividend

Despite the macro environment, the Board of Directors (the “**Board**”) and the management of Japan Foods are confident about the long-term prospects of the Group. Accordingly, the Board is proposing a final dividend of 0.25 Singapore cents per share subject to shareholders’ approval at the upcoming annual general meeting. Together with the interim dividend of 1.0 Singapore cents per share which was paid on 6 December 2019, this brings total dividend in FY2020 to 1.25 Singapore cents per share and represents a dividend payout ratio of 214.0% of net profit for FY2020.

BUSINESS REVIEW

Singapore Network

Restaurant Brands	As at 31 March 2020	As at 31 March 2019
Ajisen Ramen	16	18
Afuri	1	-
Curry is Drink	1	1
Fruit Paradise	2	2
Japanese Gourmet Town	1	1
Kagurazaka Saryo	2	2
Kazokutei	1	1
Konjiki Hototogisu	8	3
Menya Musashi	9	11
Menzo Butao	2	2
New ManLee Bak Kut Teh	1	1
Osaka Ohsho	5	5
Shitamachi Tendon Akimitsu	6	7
Shoryu Ramen	2	-
Yonehachi	2	1
TOTAL RESTAURANTS	59	55

The number of restaurants under the Group’s various brands in Singapore grew from 55 as at 31 March 2019 to 59 as at 31 March 2020. New franchised brands were also added

to its portfolio including “Shoryu Ramen” and “Afuri”. The latter had attracted long queues and lengthy waiting times when the first restaurant opened at Funan Mall in July 2019.

In FY2020, revenue from restaurants operating under Japan Foods’ flagship brands, namely “Ajisen Ramen”, “Osaka Osho” “Menya Musashi” and “Shitamachi Tendon Akimitsu”, decreased by a combined S\$7.4 million YOY due to various reasons such as store closures, restaurant conversions to other brands within the Group’s portfolio and lower same-store sales at some existing restaurants.

The weaker performance of the flagship brands was partially offset by a S\$8.2 million increase in sales from restaurants operating under the Group’s other brands, driven mainly by new restaurants operating under the “Afuri”, “Konjiki Hototogisu”, “Menzo Butao”, “Fruit Paradise” and “Yonehachi” brands, which together contributed an increase in revenue of S\$10.4 million in FY2020.

The Group’s loyalty programme “JFH Rewards” continued to attract more members in FY2020 with the number almost doubling during the year from 116,000 as at 31 March 2019 to 230,000 as at 31 March 2020. Reward points known as \$J earned by members (net of expired points of approximately S\$0.1 million) under JFH Rewards amounted to S\$1.4 million in FY2020 compared to S\$0.9 million in FY2019. In accordance with the relevant accounting standard, such amount was deducted from the corresponding revenue recognised during the respective financial years.

Overseas Network

Restaurant Brands	As at 31 March 2020	As at 31 March 2019
Ajisen Ramen (operated by sub-franchisees)		
• Malaysia	1	1
Menya Musashi (interests via associated companies)		
• Indonesia	1	1
• Hong Kong	5	7
• China	9	12
Konjiki Hototogisu (interests via associated companies)		

Restaurant Brands	As at 31 March 2020	As at 31 March 2019
• Hong Kong	1	-
TOTAL RESTAURANTS	17	21

The Group's overseas network increased from 17 restaurants as at 31 March 2019 to 22 restaurants as at 31 March 2020, including one "Konjiki Hototogisu" brand restaurant operated by an associated company that debuted in Hong Kong in FY2020.

The Group recorded its share of loss of its associated companies of S\$0.3 million in FY2020 as compared to its share of profit of S\$0.1 million in FY2019 as the Group's associated companies operating the "Menya Musashi" brand restaurants in Hong Kong and China as well as the associated company in Indonesia all incurred losses mainly due to the impact of Covid-19 pandemic. These losses were partially offset by the profit from an associated company operating the "Konjiki Hototogisu" brand restaurant in Hong Kong.

The Group recorded share of loss of its joint venture company of S\$9,000 in FY2020. As at 30 March 2020, the joint venture company, Dining Collective Pte Ltd ("**Dining Collective**")¹, had not commenced operations and the loss was due to general overhead and administrative costs incurred during FY2020

OUTLOOK

The operating environment in the local food and beverage industry is expected to become more challenging in the next 12 months due to ongoing Covid-19 related measures including social distancing, tight labour supply, rising business costs and the economic fallout from Covid-19. Against this backdrop, the Group will prioritise its resources on tackling immediate challenges brought about by the pandemic and will adopt a cautious and prudent approach in managing its restaurants portfolio in Singapore and overseas in the near term.

While the support extended by the Singapore Government, in particular the Job Support Scheme and rental relief from landlords, will cushion the decline in the Group's revenue in the short term, Japan Foods believes it will take some time before lifestyle habits such as

¹ In December 2018, Japan Foods announced a binding Memorandum of Understanding with Minor Food Group (Singapore) Pte. Ltd. to expand the geographical reach of their respective brands. The 50-50 joint venture company formed by both parties in Singapore named Dining Collective Pte. Ltd., was formed to conduct the business of franchising and operating existing restaurant brands owned by Japan Foods and Minor Singapore in Thailand, Japan and the People's Republic of China.

dining out, will resume to pre-Covid-19 levels. As such, the Group expects its growth prospects to be curtailed for the remainder of the current financial year ending 31 March 2021.

Mr Takahashi said: *“Although the Singapore government has relaxed some measures and allowed dining-in again, we still have to ensure social distancing which significantly reduces the number of covers we are able to take in per day. In addition, people are generally still quite cautious about venturing out so the footfalls at malls are still low as compared to pre-Covid-19 levels.*

“However, we are confident of our fundamentals. We continue to offer compelling brands at price points that appeal to a broad range of customers. We will continue to engage our loyal customers through our JFH Rewards programme to inform them of marketing and seasonal promotions as well as store openings to drive sales. Covid-19 has resulted in business closures which may present opportunities for us to get good locations. We still plan to introduce new brands to the market if the conditions are right.”

In an update announcement on 20 May 2020, the Group disclosed that the pandemic had caused disruption in the progress of its joint venture company Dining Collective in opening stores in Japan and commencement of business was expected to be delayed.

Mr Takahashi said: *“We are still determined to develop markets in Japan, Thailand and China but in light of the Covid-19 pandemic, Dining Collective will be approaching it at a more cautious and slower pace.”*

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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 2020, the Group operates 59 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 “Fruit Paradise”, “Curry Is Drink” 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 March 2020, there was 1 restaurant in Malaysia operated by the Group’s sub-franchisees under the “Ajisen Ramen” brand. The Group also had interests in 5 restaurants in Hong Kong, 9 restaurants in China and 1 in Indonesia operated by its associated companies under the “Menya Musashi” brand as well as 1 restaurant operating under the “Konjiki Hototogisu” brand in Hong Kong.

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”) in accordance with Rule 226(2)(b) 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 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.