

JAPAN FOODS HOLDING LTD.

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Japan Foods achieves robust operational performance in HY2020 despite challenging environment

- Generates year-on-year topline growth of 8.6%, while profit from operations increases 12.2% in HY2020 due to higher revenue from a larger restaurant portfolio.
- Impacted by weaker performance from associated companies, the Group's earnings declines 4.6% in HY2020.
- Declares interim dividend of 1.00 Singapore cent per ordinary share or a dividend payout ratio of 114.7% of the net profit attributable to equity holders of the Company in HY2020.

Financial Highlights (S\$' million)	Second quarter ended 30 September		Change (%)	Six (6) months ended 30 September		Change (%)
	2019	2018		2018	2018	
Revenue	18.0	16.6	8.3	36.1	33.3	8.6
Gross profit	15.2	14.0	8.4	30.6	28.1	8.7
Profit from operations	0.8	0.6	34.8	2.0	1.8	12.2
Profit before income tax	0.8	0.8	7.4	1.9	2.0	(1.5)
Net profit	0.6	0.6	1.9	1.5	1.6	(4.6)
Basic earnings per share ("EPS") (Singapore cents) ¹	0.37	0.36	2.8	0.87	0.92	(5.4)
	As at 30 September 2019			As at 31 March 2019		
Net asset value ("NAV") per share (Singapore cents) ²	19.32			19.48		

Note: All financial figures have been rounded.

¹ EPS was computed based on the weighted average number of shares of 173,858,552 shares and 173,977,541 shares in 2Q2020 and 2Q2019 respectively; and 173,731,425 shares and 173,856,463 shares in HY2020 and HY2019 respectively.

² NAV was computed based on 174,092,900 shares as at 30 September 2019 and 173,602,900 shares as at 31 March 2019 respectively.

SINGAPORE, 6 November 2019 – 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 healthy 8.6% year-on-year ("YOY") increase in sales to S\$36.1 million for the six months ended 30 September 2019 ("HY2020") despite a challenging operating environment and rising competition in Singapore's food and beverage scene.

Gross profit rose in tandem with higher revenue, increasing by 8.7% YOY to S\$30.6 million with overall gross profit margin maintained at 84.7%. Net profit came in 4.6% lower YOY at S\$1.5 million mainly due to higher overall expenses in relation to an expanded portfolio of restaurants and brands in HY2020 and share of losses from associated companies. The performance of “Menya Musashi” restaurants operated by associated companies in Hong Kong was adversely affected by intense competition and social unrest in Hong Kong. The Company’s joint venture, Dining Collective Pte Ltd, set up to operate restaurants in Japan, Thailand and China, had yet to commence operations and incurred general overhead and administrative costs during HY2020. Excluding the results from its associated companies and joint venture, the Group’s profit from operations grew a healthy 12.2% YOY to S\$2.0 million.

On a quarterly basis, the Group’s net profit rose a modest 1.9% YOY to S\$0.6 million for the three months ended 30 September 2019 (“**2Q2020**”), while profit from operations improved 34.8% to S\$0.8 million on the back of higher revenue, which increased 8.3% over the same period to S\$18.0 million.

As at 30 September 2019, the Group’s net asset value per share was 19.32 Singapore cents as compared to 19.48 Singapore cents per share as at 31 March 2019. Earnings per share declined 5.4% from 0.92 Singapore cent per share in HY2019 to 0.87 Singapore cent per share in HY2020. The Group’s financial position remained healthy with cash and cash equivalents of S\$22.8 million as at 30 September 2019 and no borrowings.

The Group has declared a tax-exempt, one-tier interim cash dividend of 1.00 Singapore cent per ordinary share in respect of HY2020, up from 0.80 Singapore cent declared in HY2019, representing an increased dividend yield and a dividend payout ratio of 114.7% of the net profit attributable to equity holders of the Company for HY2020.

Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods, said: *“Our performance is in line with our expectation with healthy growth in revenue and profit from operations reflecting our enlarged portfolio of 58 restaurants in Singapore as at 30 September 2019 compared to 53 as at 30 September 2018. However, our bottom line was affected by the weak performance of ‘Menya Musashi’ restaurants operated by our associated companies in Hong Kong. We will continue to monitor the situation in Hong Kong closely but in the meantime, we remain focused on our core operations in Singapore and driving sales through restaurant portfolio management and maintaining a robust collection of brands and dining concepts.”*

“Our decision to increase the dividend payout in respect of HY2020 reflects the Board and management’s confidence in the long-term fundamentals and outlook of the Group,” added **Mr Takahashi**.

HY2020 Business Review

At 30 September 2019, Japan Foods had 58 restaurants across 15 brands in Singapore (at 30 September 2018: 53 restaurants). As part of its strategy to continually refresh its brand portfolio, the Group ceased operating under-performing brands such as “Dutch Baby Café” and “Ginza Kushi Katsu” and replaced them with new concepts such as “Afuri Ramen” (a franchised brand from Japan known for its yuzu-flavoured broth) and “Karamen” (a sister brand of its flagship “Ajisen Ramen” brand).

The Group’s “JFH Rewards” loyalty programme also registered a 28.6% increase in membership to 180,000 members as at 30 September 2019 as compared to 140,000 as at 30 June 2019, indicating an increased awareness about the programme. The reward points (or J\$) earned by members (net of expired points of S\$124,000) amounted to S\$0.7 million in HY2020 as compared to S\$0.4 million in HY2019¹.

Singapore Network

	Restaurant Brands	As at 30 September 2019	As at 30 September 2018
1	Afuri Ramen	1	-
2	Ajisen Ramen ^(a)	16	17
3	Karamen	2	-
4	Curry Is Drink	1	1
5	Dutch Baby Cafe	-	1
6	Fruit Paradise	2	1
7	Ginza Kushi Katsu	-	1
8	Japanese Gourmet Town	1	1
9	Kagurazaka Saryo	2	2
10	Kazokutei	1	1
11	Konjiki Hototogisu	5	1
12	Menya Musashi	11	11
13	Menzo Butao	2	2
14	New ManLee Bak Kut Teh	1	1
15	Osaka Ohsho ^(b)	5	5
16	Shitamachi Tendon Akitmitsu	7	7
17	Yonehachi	1	1
	TOTAL RESTAURANTS	58	53

^a Includes 5 “Den by Ajisen Ramen” brand restaurants.

^b Includes 1 “Kotsujiru Nabe” brand restaurant, which is an extension of the “Osaka Ohsho” brand.

¹ In accordance with the relevant accounting standard, such amount was deducted from the corresponding revenue recognised during the respective financial periods.

In HY2020, the Group's flagship brands reported weaker performance mainly due to lower net sales from existing restaurants operating under these brands. Revenue from restaurants operating under the "Ajisen Ramen" brand and its sister brand "Karamen", fell S\$0.7 million YOY to S\$11.7 million mainly due to closure of two "Ajisen Ramen" brand restaurants at White Sands and Sembawang Shopping Centre in November 2018 and April 2019 respectively and lower net sales from existing restaurants. This was partially mitigated by contribution from two new 'Karamen' brand restaurants at 111 Somerset and Funan Mall which opened in March 2019 and June 2019 respectively. Restaurants under the "Menya Musashi" and "Osaka Ohsho" reported S\$0.2 million and S\$0.3 million decline in sales to S\$7.3 million and S\$3.3 million respectively. "Shintamachi Tendon Akimitsu" also registered S\$0.9 million fall in sales to S\$3.4 million.

The Group's other brands continued the growth momentum generated by new brands and openings, collectively contributing an increase in sales of S\$5.2 million in HY2020 mainly because of higher takings from new restaurants operating under the "Afuri Ramen", "Fruit Paradise", "Menzo Butao" and "Konjiki Hototogisu" brands. This was partially offset by the absence of revenue contribution from "Dutch Baby Cafe" and "Ginza Kushi-Katsu" brand restaurants which had ceased operations.

Overseas Network

As at 30 September 2019, the Group had 19 restaurants in its overseas network comprising one "Ajisen Ramen" brand restaurant operated by a sub-franchisee in Malaysia as well as 18 "Menya Musashi" brand restaurants operated by associated companies (Indonesia: 1; Hong Kong: 6; China: 11).

Outlook & Recent Corporate Developments

Japan Foods expects the operating environment to remain challenging in the next 12 months due to intense competition, tight labour supply, rising business costs and uncertain economic outlook. The Group will continue to focus its efforts in controlling raw material costs, improving operational efficiency via streamlining of work processes and technology and practising good restaurant portfolio management taking into account market demand and individual restaurant's profitability.

On 8 August 2019, Japan Foods and an indirect wholly-owned subsidiary of Ajisen (China) Holdings Limited established a 30-70 joint venture company, Wakayama International Limited, to operate restaurants under the "Konjiki Hototogisu" brand in Hong Kong.

Mr Takahashi said: *"Subject to business considerations and developments in Hong Kong, we remain on track to set up our first 'Konjiki Hototogisu' brand restaurant in Hong Kong. Meanwhile, the joint venture*

company² that we had established with Minor Group (Singapore) Pte. Ltd. is actively looking for a suitable location in Japan with the intention of opening its first store within the next 12 months.”

Most recently in October 2019, Japan Foods launched its latest brand with the opening of “麵 (Men) House Yamamoto” at Raffles City, which is by the same chef behind the Group’s one-Michelin-star franchised brand “Konjiki Hototogisu”. As with all its other brands and concepts, the Group will seek opportunities to open more restaurants under this new brand if well-received by diners.

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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 2019, the Group operates 58 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 (Silver)”.

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This news release has been reviewed by the Company’s sponsor, CIMB Bank Berhad, Singapore Branch (the “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.

² On 29 January 2019, the Company and Minor Food Group (Singapore) Pte. Ltd. (“MS”) established a joint venture to conduct the business of franchising and operating existing restaurant brands owned by the Company and MS in Japan, Thailand and the People’s Republic of China.