

JAPAN FOODS HOLDING LTD.

(Company Registration No.: 200722314M)
420 North Bridge Road
#02-01 North Bridge Centre
Singapore 188727
Tel: (65) 6333 9781 Fax: (65) 6333 9782

Japan Foods focuses on post-pandemic recovery; seeks to reinvigorate restaurant portfolio

- Modifies strategy as HY2021 performance significantly impacted by the COVID-19 pandemic and measures that were implemented to curb the spread of the virus.
- Expects to delay overseas expansion plans as it focuses on optimising resources locally and preparing for further lifting of COVID-19 measures as Singapore looks to Phase 3.
- Expects to debut first self-developed Halal restaurant concept at Tampines Mall and a jointly developed new restaurant concept at VivoCity.
- Declares interim dividend of 0.75 Singapore cent per ordinary share, reflecting business confidence.

Financial Highlights (S\$' million)	Six (6) months ended 30 Sep		Change (%)
	2020	2019	
Revenue	18.5	36.1	(48.7)
Gross profit	15.7	30.6	(48.8)
Profit from operations	0.4	2.0	(81.4)
Profit before income tax	0.4	1.9	(80.5)
Net profit	0.3	1.5	(80.2)
Basic earnings per share ("EPS") (Singapore cents) ¹	0.17	0.87	(80.0)
Net asset value ("NAV") per share (Singapore cents) ²	17.95 (as at 30 Sep 2020)	18.03 (as at 31 Mar 2020)	(0.4)

Note: All financial figures have been rounded.

¹ EPS was computed based on the weighted average number of shares of 173,864,729 shares and 173,731,425 shares in HY2021 and HY2020 respectively.

² NAV was computed based on 173,857,200 shares as at 30 September 2020 and 174,007,200 shares as at 31 March 2020 respectively.

SINGAPORE, 4 November 2020 – With the COVID-19 pandemic putting its overseas expansion plans on hold, **Japan Foods Holding Ltd.** ("**Japan Foods**" or the "**Company**" and together with its subsidiaries, the "**Group**") a leading Singapore-based Japanese restaurant chain, is focusing its efforts and resources on recovery in its domestic market.

The Group had previously disclosed plans to launch a store in Japan together with its joint venture partner, Minor Food Group (Singapore) Pte Ltd ("**Minor Singapore**"), but parties are now planning to debut their first joint concept known as "Pizzakaya" in VivoCity, Singapore instead. This will be the

Group's first pizza restaurant. Separately, the Group will also be unveiling its first self-developed Halal concept restaurant at Tampines Mall, which it is currently in the process of obtaining Halal certification for. To be named "Tokyo Shokudo", all the food preparation will be done at the restaurant's Halal kitchen instead of at the Group's central kitchen which supplies ingredients to its other stores. Barring unforeseen circumstances, both stores are expected to commence operations in November 2020 in time for Phase 3 of the post-Circuit Breaker re-opening, which is widely expected to happen by the end of 2020¹.

Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods, said: *"The COVID-19 pandemic and government-imposed Circuit Breaker to curb the spread of the virus was devastating to the F&B industry especially between the months of April and June 2020. While our business has picked up since measures were gradually lifted from 2 June 2020, we are still not operating at full capacity because of safe distancing guidelines.*

"Our earnings have taken a beating, but rather than focusing on what is beyond our control, we have used this lull period to develop new concepts that can be rolled out once business activities pick up. One of these is our very first Halal-certified restaurant. We have been asked so many times by shareholders to consider opening one and we are very excited to be finally doing so!"

Notwithstanding the gradual resumption of business activities, the Group expects the negative economic impact of the COVID-19 pandemic to continue for some time to come. This will present additional challenges to the food and beverage sector, which was already grappling with rising business costs, intense competition and a tight labour supply. Against this backdrop, the Group plans to intensify its cost containment efforts and improve on operational efficiency as well as negotiate for better lease terms with landlords. It remains cautiously optimistic that its operational track record and healthy balance sheet will enable it to tide through this challenging period.

Period under review

The drastic Government measures to contain the spread of the COVID-19 virus severely impacted the Group's performance in the six months ended 30 September 2020 ("HY2021"). As a result, Japan Foods' net profit fell to S\$0.3 million in HY2021 as compared to S\$1.5 million in the previous corresponding six months ended 30 September 2019 ("HY2020"). This was on the back of revenue which contracted 48.7% year-on-year to S\$18.5 million.

¹ The Straits Times article "Singapore could enter phase 3 by end-2020; social gatherings of 8 people may be allowed" published on October 21. (www.straitstimes.com/singapore/singapore-could-enter-phase-3-by-end-2020-social-gatherings-of-8-people-may-be-allowed)

In light of the Circuit Breaker, which took effect on 7 April 2020 and mandated that all restaurants serve food only for takeaways and food deliveries, the Group made a decision to scale down its operations to focus on residential areas as most of the population were required to work from home during this period. As a result, only a maximum of 13 of the Group's restaurants located in those districts were kept open for this purpose in the month of April 2020.

In the month of May 2020, in view of the extension of the Circuit Breaker Measures to 1 June 2020, the Group progressively resumed the operation of more restaurants. When Singapore moved into Phase 2 of the Circuit Breaker Measures on 19 June 2020, all of the Group's restaurants resumed operations. However, the Group's revenue did not recover to pre-Covid 19 levels because the remaining restrictions continued to curtail lifestyle and economic activities.

In line with its HY2021 results, earnings per share fell to 0.17 Singapore cent per share (HY2020: 0.87 Singapore cent per share). The Group's net asset value per share was 17.95 Singapore cents as at 30 September 2020 (18.03 Singapore cents as at 31 March 2020). The Group's financial position remained strong with cash and cash equivalents of S\$22.6 million as at 30 September 2020 and no borrowings.

Despite the weaker performance, the Group has declared a tax-exempt, one-tier interim cash dividend of 0.75 Singapore cent per ordinary share in respect of HY2021 as a reflection of its confidence in the sustainability of its business.

Mr Kenichi, said: *"2020 has been a difficult year for everyone all over the world. We are thankful that prudent management of our resources and our cost containment measures had enabled us to remain in the black in HY2021 despite the very difficult conditions."*

As at 30 September 2020, the Group maintained a network of 59 restaurants in Singapore under the following brands:

	Restaurant Brands	As at 30 September 2020	As at 30 September 2019
1	Afuri Ramen	2	1
2	Ajisen Ramen ^(a)	16	16
3	Karamen	-	2
4	Curry Is Drink	1	1
5	Fruit Paradise	2	2
6	Ichiro Ramen	1	-

	Restaurant Brands	As at 30 September 2020	As at 30 September 2019
7	Japanese Gourmet Town	1	1
8	Kagurazaka Saryo	2	2
9	Kazokutei	1	1
10	Konjiki Hototogisu	8	5
11	Menya Musashi	8	11
12	Menzo Butao	1	2
13	New ManLee Bak Kut Teh	1	1
14	Osaka Ohsho ^(b)	5	5
15	Shitamachi Tendon Akitmitsu	6	7
16	Shoryo Ramen	2	-
17	Yonehachi	2	1
	TOTAL RESTAURANTS	59	58

^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.

The Group’s JFH Rewards loyalty programme in Singapore gained a stronger following during the period under review with the number of members increasing from 180,000 as at 30 September 2019 to 250,000 members as at 30 September 2020.

Japan Foods’ overseas network as at 30 September 2020 comprised 18 restaurants including one “Ajisen Ramen” brand restaurant operated by a sub-franchisee in Malaysia; 16 “Menya Musashi” brand restaurants operated by associated companies (Indonesia: 1; Hong Kong: 6; China: 9); and, one “Konjiki Hototogisu” brand restaurant in Hong Kong.

Commenting on the Group’s overseas network, **Mr Kenichi** said: *“We are still keen to expand our overseas network together with Minor Singapore albeit at a more cautious pace. We have been monitoring developments in border controls closely and we are hopeful that the recent establishment of the Reciprocal Green Lane between Singapore and Japan for business travellers is a sign that we may be able to resume our plans there soon.”*

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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 2020, the Group operates 59 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)”.

August Consulting Pte Ltd

Tel: (65) 6733 8873 Fax: (65) 6733 9913

Wrisney Tan – wrisneytan@august.com.sg; Avril Lim – avrillim@august.com.sg

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