

JAPAN FOODS HOLDING LTD.

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Japan Foods achieves revenue of S\$16.6 million and net profit of S\$1.0 million

- Maintains healthy gross profit margin at 84.8%.
- Launches two new franchised brands “Konjiki Hototogisu” and “Kagurazaka Saryo” in June and July 2018 respectively.

Financial Highlights (S\$' million)	Three (3) months ended 30 June		Change (%)
	2018	2017	
Revenue	16.6	16.2	2.7
Gross profit	14.1	13.8	2.4
Gross profit margin (%)	84.8	85.0	(0.2) pts
Profit from operation	1.1	1.1	1.8
Net profit	1.0	1.1	(7.6)
Basic earnings per share (“EPS”) (Singapore cents) ¹	0.56	0.60	(6.7)
Net asset value (“NAV”) per share (Singapore cents) ²	20.30 (as at 30 June 2018)	19.63 (as at 31 March 2018)	3.4

¹ EPS was computed based on the weighted average number of shares of 173,734,054 shares and 173,146,357 shares in 1Q2019 and 1Q2018 respectively.

² NAV was computed based on 174,087,900 shares and 173,387,900 shares as at 30 June 2018 and as at 31 March 2018 respectively.

SINGAPORE, 02 August 2018 – Japan Foods Holding Ltd. (“Japan Foods” and together with its subsidiaries, the “Group”), a leading Singapore-based Japanese restaurant chain, has achieved a modest 2.7% year-on-year (“YOY”) increase in sales to S\$16.6 million but net profit fell 7.6% to S\$1.0 million for the three months ended 30 June 2018 (“1Q2019”).

Japan Foods’ profit from operation rose a marginal 1.8% YOY in 1Q2019 as compared to the three months ended 30 June 2017 (“1Q2018”). However net profit was lower over the same period, mainly due to lower earnings from associated companies that led to a 62.5% YOY decline in share of profits of associates from S\$152,000 in 1Q2018 to S\$57,000 in 1Q2019.

Gross profit rose 2.4% from S\$13.8 million in 1Q2018 to S\$14.1 million in 1Q2019. Gross profit margin remained healthy but fell marginally by 0.2 percentage point over the same period to 84.8% due to lower gross margins attributable to certain new brands.

Computed based on the weighted average number of shares of 173,734,054 shares and 173,146,357 shares in 1Q2019 and 1Q2018 respectively, EPS was 0.56 Singapore cents in 1Q2019 as compared to 0.60 Singapore cents in 1Q2018. NAV per share as at 30 June 2018 was 20.30 Singapore cents as compared to 19.63 Singapore cents as at 31 March 2018. The Group's cash position also strengthened with cash and bank balances rising from S\$21.9 million as at 31 March 2018 to S\$24.5 million as at 30 June 2018.

In June 2018, the Group launched a new franchised brand "Konjiki Hototogisu" with a 20-seat restaurant at CHIJMES. This ramen brand originated in Shinjuku in Tokyo, Japan in 2006 and was featured in Michelin Guide Tokyo's Bib Gourmand for four consecutive years between 2015 and 2018. The brand is known in Japan for its full-bodied clam, chicken and pork base broth and was named by Tokyo Walker Magazine as "#1 Ramen in Tokyo 2016, 2017" and "#1 Ramen in Japan 2016". The Group is the first franchisee for this brand in Asia.

The Group is also the first franchisee for the "Kagurazaka-Saryo" brand and opened a restaurant under this brand at VivoCity in July 2018. This 20-year old brand originated in the back street of Kagurazaka, also known as "Little Kyoto", in Tokyo, Japan. It is known for its traditional Japanese desserts including cakes and ice creams with matcha (or Japanese green tea) as a key ingredient.

Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods, said: *"The Group recently launched two new franchised brands and sales have been encouraging. 'Konjiki Hototogisu' is a brand that is quite different from our other ramen brands. It is more upmarket given its Michelin recognition as well as its location at CHIJMES. We are very encouraged by the positive response from customers so far.*

"At the same time, we are trying out a new dessert concept with 'Kagurazaka-Saryo'. While it is known for its sweet treats in Japan, the brand also offers tea-flavoured hotpots called Cha-Nabe. We have made adaptations to include regional flavours such as tom yum to appeal to local taste-buds. We are optimistic that these two new brands will start generating healthy contributions to sales in the next quarter."

1Q2019 Business Review

Singapore Network

Restaurant Brands	As at 30 June 2018	As at 30 June 2017
Ajisen Ramen	18	18
Curry Is Drink	1	-
Dutch Baby Cafe	1	1
Fruit Paradise	2	3
Ginza Kushi Katsu	1	1
Japanese Gourmet Town	1	1
Kazokutei	1	1
Keika Ramen	-	1
Konjiki Hototogisu	1	-
Menya Musashi	10	8
Menzo Butao	1	1
New ManLee Bak Kut Teh	1	2
Osaka Ohsho ⁽¹⁾	5	6
Shitamachi Tendon Akitmitsu	7	-
Yonehachi	1	1
TOTAL RESTAURANTS	51	44
Food Court Outlet	As at 30 June 2018	As at 30 June 2017
Ajisen Ramen	-	1
TOTAL RESTAURANTS AND FOOD COURT OUTLET	51	45

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

The Group operated 51 restaurants as at 30 June 2018. The improvement in its overall revenue in 1Q2019 was mainly result of higher sales generated by restaurants operating under the “Menya Musashi” brand as well as restaurants operating under the “Shitamachi Tendon Akimitsu”, “Curry is Drink” and “Konjiki Hototogisi” brands.

Japan Foods’ flagship brand and main revenue generator “Ajisen Ramen” recorded lower revenues with net sales from restaurants operating under the brand declining from S\$6.8 million in 1Q2018 to S\$6.1 million in 1Q2019. This was mainly attributed to the conversion of a restaurant from the “Ajisen Ramen” brand to the “Menya Musahi” brand in November 2017, the closure of a foodcourt outlet at the Marina Bay Sands Shoppes Premium Food Precinct in February 2018, as well as lower net sales generated by some existing restaurants.

The Group's restaurants operating under the "Osaka Ohsho" brand also recorded lower revenues with sales falling from S\$2.1 million in 1Q2018 to S\$1.8 million in 1Q2019. This was mainly attributed to the closure of restaurants at Eastpoint Mall in November 2017 and at Tokyo Walker in June 2017 as well as lower net sales generated by some existing restaurants.

With more restaurants operating under the "Menya Musashi" brand, revenue rose from S\$3.6 million in 1Q2018 to S\$3.8 million in 1Q2019 mainly due to the opening of a new restaurant at North Point in September 2017 and the brand conversion of a restaurant in Takashimaya from "Ajisen Ramen" to "Menya Musashi" in November 2017.

Restaurants operating under the Group's other brands generated a S\$1.2 million increase in revenue from S\$3.7 million in 1Q2018 to S\$4.9 million in 1Q2019. This was mainly attributed to a S\$2.4 million increase in revenue generated by restaurants operating under the Group's new brands including "Shitamachi Tendon Akimitsu", "Curry is Drink" and "Konjiki Hototogisu". The increase was partially offset by lower revenues achieved by the remaining brands including "Botejyu", "New ManLee Bak Kut Teh", "Kazokutei", "Hanamidori", "Dutch Baby Cafe", "Ginza Kushi-Katsu", "Menzo Butao", "Japanese Gourmet Town" and "Yonehachi" due to lower same-store sales and store closures.

Overseas Network

Restaurant Brands	As at 30 June 2018	As at 30 June 2017
Ajisen Ramen (operated by sub-franchisees)		
• Malaysia	1	3
• Vietnam	2	2
Menya Musashi (interests via associated companies)		
• Indonesia	1	-
• Hong Kong	8	8
• China	10	7
TOTAL RESTAURANTS	22	20

The Group's overseas network increased from 20 restaurants as at 30 June 2017 to 22 restaurants as at 30 June 2018. Although there was a closure of two "Ajisen Ramen" brand restaurants in Malaysia, this was partially offset by the opening of three "Menya Musashi" brand restaurants in China.

In 1Q2018, the Group completed the acquisition of a 30% equity interest in PT Menya Musashi Indonesia – a joint venture company for the purpose of launching the "Menya Musashi" brand in the country. The first "Menya Musashi" brand restaurant has since opened in Jakarta in April 2018.

Business Outlook

The coming 12 months are expected to remain challenging for the local F&B scene mainly due to intense competition, tight labour supply, rising business costs and uncertain economic outlook. To mitigate this, the Group will continue its dual strategies of operational efficiency and financial prudence.

At the same time, it will remain responsive to market demand and conditions by practicing good restaurant portfolio management and continue to explore new concepts to bring into its portfolio of brands.

The Group will continue its efforts to seek opportunities to expand its presence in the ASEAN region by way of joint ventures, acquisitions and/or sub-franchising of its brands. The Group also intends to explore opportunities in non-Japanese food and beverages.

Recently in July 2018, Japan Foods won the “Best Managed Board Award (Gold)” at the Singapore Corporate Awards 2018 for achievements in corporate governance.

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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 June 2018, the Group operates 51 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 June 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, 8 restaurants in Hong Kong and 10 restaurants in China operated by its associated companies under the “Menya Musashi” brand.

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.

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