

# JAPAN FOODS HOLDING LTD.

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## Japan Foods posts stronger second half despite ongoing COVID-19 challenges

- Achieved modest 0.5% increase in revenue in 2H2021 in line with more relaxed COVID-19 restrictions, bringing FY2021 sales to S\$51.0 million.
- Bottomline of S\$3.6 million in FY2021 due mainly to government grants arising from the Jobs Support Scheme and foreign workers' levy rebates and receipt of rental concession.
- Proposes a final dividend of 1.75 Singapore cents per share, bringing total dividend for FY2021 to 2.50 Singapore cents.
- Revises dividend policy to distribute at least 100.0% of net profit attributable to equity holders of the Company annually from financial year ending 31 March 2022.

Financial Highlights (S\$' million)	Six months ended 31 Mar		Change (%)	Twelve months ended 31 Mar		Change (%)
	2021	2020		2021	2020	
Revenue	32.5	32.3	0.5	51.0	68.4	(25.4)
Gross profit	27.6	27.2	1.4	43.2	57.8	(25.2)
Gross profit margin (%)	84.9	84.2	0.7% pt	84.7	84.4	0.6% pt
Profit / (loss) before income tax	3.9	(0.5)	N.M.	4.2	1.4	203.1
Net profit / (loss) attributable to equity holders of the Company	3.3	(0.5)	N.M.	3.6	1.0	256.4.0
Basic earnings / (loss) per share ("EPS") (Singapore cents) <sup>(1)</sup>	1.9	(0.3)	N.M.	2.1	0.6	250.0
Net asset value ("NAV") per share (Singapore cents) <sup>(2)</sup>	19.14 (as at 31 Mar 2021)			18.03 (as at 31 Mar 2020)		

<sup>1</sup> EPS was computed based on the weighted average number of shares of 173,940,205 shares and 173,724,440 shares and in 2HY2021 and 2HY2020 respectively; and 173,934,022 shares and 173,908,165 shares in FY2021 and FY2020 respectively.

<sup>2</sup> NAV was computed based on 174,007,200 shares as at 31 March 2020 and 174,347,200 shares as at 31 March 2021 respectively.

**SINGAPORE, 25 May 2021** – With the COVID-19 situation remaining fluid, **Japan Foods Holding Ltd.** (“**Japan Foods**” or the “**Company**” and together with its subsidiaries, the “**Group**”) a leading Singapore-based Japanese restaurant chain, will prioritise its resources to focus on domestic growth and also on its existing overseas network, as it waits for an opportune time to resume plans to debut in new markets abroad.

The Group came back strongly from a weak first half ended 30 September 2020 (“**1H2021**”) when it reported a 48.7% year-on-year (“**YOY**”) plunge in sales to S\$18.5 million, to achieve revenue of S\$32.5 million in the second half ended 31 March 2021 (“**2H021**”). The improved second half performance was due mainly to the end of the Circuit Breaker<sup>1</sup> (“**CB**”) period and the reopening of all the Group’s restaurants from 19 June 2020 when some restrictions were lifted and groups of up to five were allowed to dine-in albeit with safe distancing measures in place. Sales performance further improved when more restrictions were relaxed on 28 December 2020 when groups of up to eight were permitted to dine-in although capacity limits still applied. Post-CB, the Group’s restaurants located in heartland malls generally generated higher sales revenue while those located in the Central Business District (“**CBD**”) and near the Orchard Road area had yet to recover to pre-COVID-19 levels mainly due to lower footfalls.

**Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods,** said: *“The performance of our restaurants in the CBD and Orchard Road area versus the ones located at heartland malls was reflective of the fact that most workers were still working from home and had yet to return to their offices as at 31 March 2021 in large numbers. We believe that working remotely may continue to be the new norm even after the COVID-19 pandemic is over and we will seek out opportunities according to trends that emerge from this situation to drive growth for our domestic market.”*

### **FY2021 Performance Review**

In view of the challenges brought on by the COVID-19 pandemic, the Group continued to monitor its restaurant portfolio to ensure optimum allocation of resources. As at 31 March 2021, the number of restaurants operated by the Group in Singapore fell to 50 from 59 as at 31 March 2020.

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<sup>1</sup> The “Circuit Breaker” was imposed by the Singapore government from 7 April 2020 to 1 June 2020 to curb the local spread of the COVID-19 virus. Measures that impacted the F&B industry included the prohibition of dining-in at F&B outlets although takeaways and food deliveries were allowed.

On a full-year basis, although the Group's performance was boosted by the strong recovery in the second half, the significant adverse impact of the COVID-19 pandemic on the local F&B industry in FY2021 still weighed heavily especially because ongoing curbs included limits on seating capacity. Revenue for the 12 months ended 31 March 2021 ("**FY2021**") declined 25.4% to S\$51.0 million as compared to S\$68.4 million achieved in the previous 12 months ended 31 March 2020 ("**FY2020**").

In tandem with the lower revenue, gross profit fell 25.2% YOY to S\$43.2 million in FY2021, however the Group retained its strong and stable gross profit margin of 84.7% in FY2021 (FY2020: 84.4%) due to its tight cost control and efficient use of food materials.

Cushioned by government grants arising from the Jobs Support Scheme and foreign workers' levy rebates and receipt of rental concession amounting to a total of S\$10.3 million and registered as Other Income, the Group's net profit attributable to equity holders of the company came in at S\$3.6 million in FY2021 (FY2020: S\$1.0 million). Expenses in FY2021 also fell across the board mainly due to a smaller number of restaurants as compared to FY2020.

Earnings per share in FY2021 rose to 2.1 Singapore cent per share (FY2020: 0.6 Singapore cent per share). The Group's net asset value per share was 19.14 Singapore cents as at 31 March 2021 (18.03 Singapore cents as at 31 March 2020). The Group's financial position remained strong with cash and cash equivalents increasing from S\$20.4 million as at 31 March 2020 to S\$23.1 million as at 31 March 2021 with no borrowings.

## **Dividend**

The Board of Directors (the "**Board**") of Japan Foods has proposed a final dividend of 1.75 Singapore cents per share, which together with the interim dividend of 0.75 Singapore cents per share paid out in December 2020, brings total dividend in respect of FY2021 to 2.50 Singapore cents per share, or 120.1% of net profit for the financial year.

To thank shareholders for their unwavering support, Japan Foods will be revising its dividend policy to distribute at least 100.0%<sup>2</sup> of net profit attributable to equity holders of the Company annually, up from 50.0% previously. This will be applicable from the financial year ending 31 March 2022.

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<sup>2</sup> Subject to the Group's business requirements and other relevant considerations and barring unforeseen circumstances. This amount of dividends will depend on the Group's operating results, financial conditions such as cash position and retained earnings, other cash requirements including capital expenditure, restrictions on payment of dividends imposed on the Group by financing arrangements (if any) and other factors deemed relevant by the Directors.

## Operational Updates

Despite the adverse conditions in FY2021, Japan Foods continued to explore new ideas to rejuvenate its restaurant portfolio. During the year, the Group launched two fresh concepts under two new brands. A “Pizzakaya” brand restaurant at VivoCity was launched in November 2020 together with joint venture partner, Minor Food Group (Singapore) Pte Ltd (“**Minor Singapore**”) and a second outlet has since opened at Jem. “Pizzakaya” is the Group’s first pizza concept restaurant and features Japanese-inspired pies. Also in November 2020, the Group launched its first Halal concept restaurant “Tokyo Shokudo” at Tampines Mall to tap into the growing Muslim market and has since opened two more outlets at Westgate Mall and Northpoint. These new brands are expected to make full-year contributions in the current financial year ending 31 March 2022.

Meanwhile, the Group will continue to manage its restaurant portfolio by closely assessing the performance of each brand and outlet and taking the appropriate actions for non-performing ones. The following table shows the number of outlets operated by the Group by brand:

Restaurant Brands	As at 31 March 2021	As at 31 March 2020
Ajisen Ramen	14	16
Afuri	2	1
Curry is Drink	1	1
Fruit Paradise	1	2
Ichiro Ramen	1	-
Japanese Gourmet Town	-	1
Kagurazaka Saryo	1	2
Kazokutei	1	1
Konjiki Hototogisu	8	8
Menya Musashi	6	9
Menzo Butao	1	2
New ManLee Bak Kut Teh	1	1
Osaka Ohsho	4	5
Shitamachi Tendon Akimitsu	3	6
Shoryu Ramen	2	2
Tokyo Shokudo	2	-
Yonehachi	2	2
<b>TOTAL RESTAURANTS</b>	<b>50</b>	<b>59</b>

Elsewhere in the region, Japan Foods' associated companies operated 7 restaurants in Hong Kong, 9 restaurants in China and 1 restaurant in Indonesia under the "Menya Musashi" brand and 2 "Konjiki Hototogisu" brand restaurants in Hong Kong as at 31 March 2021. The Group also has a joint venture company ("JV Co") with Minor Singapore that had planned to open a Thai cuisine restaurant ahead of the 2020 Summer Olympics in Japan before plans were scuppered by COVID-19.

**Mr Kenichi**, said: *"We will continue to work with Minor Singapore to assist the JV Co in developing plans for the Japanese, Thai and Chinese markets, albeit at a more cautious and slower pace due to the ongoing pandemic. We will exercise prudence and take the appropriate measures at the most opportune time."*

### **Outlook**

Amidst concerns over the emergence of a more infectious new strain of the COVID-19 virus that has led to a rising number of community cases, Singapore on 16 May 2021, returned to heightened health measures that included the prohibition of dining-in at all F&B outlets until 13 June 2021. This is expected to have an impact on the Group's revenue for its duration.

**Mr Kenichi**, said: *"Depending on the how fast the public health situation is managed, it is unclear at this point if these heightened measures will be extended beyond 13 June 2021. The bulk of our revenue has always been derived from dine-in customers. Not being able to serve our customers at our outlets will adversely affect us."*

*"However, this is not something we have control over and so we will continue to deploy our resources carefully and focus on prioritising staff and customer safety, as well as boosting food deliveries and takeaway orders through our marketing and promotion efforts, which will include reaching out to our 280,000<sup>3</sup> JF Rewards loyalty programme members."*

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<sup>3</sup> As at 31 March 2021.

### **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 2021, the Group operated 50 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)”.

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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.*