

JAPAN FOODS HOLDING LTD.

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Restaurant openings boost Japan Foods' sales to S\$18.1 million in 1Q2020

- Number of restaurants operated by the Group increased from 51 restaurants as at 30 June 2018 to 57 restaurants as at 30 June 2019.
- Earnings declined from S\$1.0 million to S\$0.9 million mainly due to higher expenses in relation to new restaurant openings and increased operational costs from expanded restaurant network as well as adoption of new accounting standards¹.
- Launched latest franchised brand "Afuri Ramen" at the recently opened Funan Mall in June 2019 which has been well-received by customers.

Financial Highlights (S\$' million)	Three (3) months ended 30 June		Change (%)
	2019	2018	
Revenue	18.1	16.6	8.8
Gross profit	15.4	14.1	8.9
Gross profit margin (%)	84.9	84.8	0.1 pt
Profit from operation	1.1	1.1	(0.3)
Net profit	0.9	1.0	(8.8)
Basic earnings per share ("EPS") (Singapore cents) ^a	0.51	0.56	(8.9)
Net asset value ("NAV") per share (Singapore cents) ^b	19.99 (as at 30 June 2019)	19.48 (as at 31 March 2019)	2.6

^a EPS was computed based on the weighted average number of shares of 173,602,900 shares and 173,734,054 shares in 1Q2020 and 1Q2019 respectively.

^b NAV was computed based on 173,602,900 shares as at 30 June 2019 and as at 31 March 2019.

SINGAPORE, 02 August 2019 – With three more brands and an expanded restaurant network, **Japan Foods Holding Ltd.** ("Japan Foods" and together with its subsidiaries, the "Group"), a leading Singapore-based Japanese restaurant chain, has achieved an 8.8% year-on-year ("YOY") increase in revenue to S\$18.1 million for the first three months ended 30 June 2019 ("1Q2020") as compared to S\$16.6 million generated in the corresponding quarter in 2018 ("1Q2019").

As at 30 June 2019, Japan Foods operated 57 restaurants as compared to 51 restaurants as at 30 June 2018, including 2 new restaurants in recently opened high profile malls such as Jewel at Changi Airport and Funan Mall. In line with increased sales from operating a higher number of restaurants, the

Group's gross profit in 1Q2020 came in 8.9% higher YOY at S\$15.4 million, with gross profit margin improving by 0.1 percentage point to 84.9%.

In terms of performance by its associated and joint venture companies, Japan Foods' share of results was a loss of S\$25,000 in 1Q2020, compared to a gain of S\$57,000 in 1Q2019. This was mainly due to more intense competition in Hong Kong; expenses arising from the closure of a "Menya Musashi" brand restaurant; poorer performance by certain "Menya Musashi" brand restaurants in China; as well as, share of start-up expenses of the Group's recently incorporated joint venture company.

Japan Foods' selling and distribution as well as operating expenses rose 8.2% and 17.0% respectively in 1Q2020, reflecting the growth in its operations with higher costs associated mainly with an enlarged restaurant network and expanded brand portfolio and increased expenses from new restaurant openings.

As compared to S\$1.0 million achieved in 1Q2019, net profit after tax for 1Q2020 came in at S\$0.9 million. Had there not been a change in accounting standards¹, net profit after tax in 1Q2020 would have been S\$1.0 million.

Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods, said: *"I believe we are off to a positive start with healthy growth in sales in 1Q2019 boosted by customers' encouraging response towards our new brands and our new restaurants that have opened at recently launched high profile malls. Our new brands and restaurants have attracted attention not only from the mainstream media but also on social media with positive mentions from patrons who visited the restaurants. We will continue to manage our restaurant and brand portfolio to achieve the best performance outcome for the Group."*

Earnings per share was 0.51 Singapore cents in 1Q2020 based on the weighted average number of approximately 173.6 million shares (1Q2019: 0.56 Singapore cents based on approximately 173.7 million shares). NAV per share as at 30 June 2019 was 19.99 Singapore cents as compared to 19.48 Singapore cents as at 31 March 2019. The Group's cash position also strengthened with cash and bank balances at S\$23.6 million as at 30 June 2019 as compared to S\$22.1 million as at 31 March 2019.

¹ The Group adopted the new and revised Singapore Financial Reporting Standards (International) ("**SFRS(I)**") and Interpretations of SFRS(I) ("**INT SFRS(I)**") that are effective for annual periods beginning on or after 1 January 2019. SFRS (I) 16 introduced a single lessee accounting model, which requires a lessee to recognise all leases on its statements of financial position to reflect its rights to use the leased assets and a corresponding lease liability except for certain short-term leases (less than 12 months) and leases of low-value assets. The adjustments led to a decrease of S\$158,000 in Japan Foods' net profit after tax for 1Q2020.

BUSINESS REVIEW

The latest addition to the Group's brand portfolio is "Afuri Ramen", which opened its first restaurant in June 2019 at the new Funan Mall. As at 30 June 2019, the Group had 57 restaurants operating under 15 brands in Singapore.

Singapore Network

	Restaurant Brands	As at 30 June 2019	As at 30 June 2018
1	Afuri Ramen	1	-
2	Ajisen Ramen ^(a)	16	18
3	Karamen	2	-
4	Curry Is Drink	1	1
5	Dutch Baby Cafe	-	1
6	Fruit Paradise	2	2
7	Ginza Kushi Katsu	-	1
8	Japanese Gourmet Town	1	1
9	Kagurazaka Saryo	2	-
10	Kazokutei	1	1
11	Konjiki Hototogisu	4	1
12	Menya Musashi	11	10
13	Menzo Butao	2	1
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	57	51

^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 Other brands segment was the key revenue driver in 1Q2020 collectively contributing S\$2.6 million increase in sales mainly because of higher takings from new restaurant operating under the "Fruit Paradise", "Menzo Butao" and "Konjiki Hototogisu" brands. This was partially offset by lower revenue from "Dutch Baby Cafe" and "Ginza Kushi Katsu" brand restaurants because of store closures.

In 1Q2020, 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", shrank by S\$0.4 million YOY to S\$5.7 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, partially offset by contribution from two new 'Karamen' brand restaurants at 111 Somerset and Funan Mall. Both "Menya Musashi" and "Osaka Ohsho" each reported S\$0.1 million declines in sales to S\$3.7 million and S\$1.7 million respectively. "Shintamachi Tendon Akimitsu" also registered S\$0.4 million decline in sales to S\$1.8 million.

The Group's customer rewards programme ("**JFH Reward**") had a seven-fold increase in membership since its launch with the number increasing to 140,000 members earning S\$0.3 million (net of expired points of approximately S\$0.1 million) as at 30 June 2019 compared to 20,000 members earning S\$0.2 million a year ago. Such amount was deducted from the corresponding revenue recognized during the respective financial periods in accordance with the relevant accounting standard.

Overseas Network

As at 30 June 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

The coming 12 months are expected to remain challenging for the local F&B scene due to intense competition, tight labour supply, rising business costs and uncertain economic outlook. To mitigate this, the Group will continue its multi-pronged strategy of restaurant and brand portfolio management, operational efficiency and costs control.

The Group is also working towards setting up operations with its joint venture partner Minor Food Singapore Pte. Ltd. ("**Minor Singapore**"). Mr Takahashi said: *"We are actively planning with Minor Singapore and making preparations to set up restaurant operations in Japan. We are excited and optimistic about the possibilities and opportunities that this partnership has opened for both parties and looking forward to opening our first restaurant together."*

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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 2019, the Group operates 57 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 Group 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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