

JAPAN FOODS HOLDING LTD

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(Incorporated in the Republic of Singapore on 3 December 2007)
(Company Registration No. 200722314M)

BUSINESS AND FINANCIAL UPDATE FOR 1Q2023

The board of directors of Japan Foods Holding Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) are pleased to provide a business and financial update for 1Q2023:

(i) Summary of Restaurants as at 30 June 2022

Brands	Number of outlets			
	As at 31/3/2022	New	Closed	As at 30/6/2022
Ajisen Ramen	13	-	-	13
Afuri	2	-	-	2
Shitamachi Tendon Akimitsu	5	-	-	5
Curry is Drink	1	-	-	1
Fruit Paradise	2	-	-	2
Kagurazaka Saryo	1	-	-	1
Konjiki Hotogisu	8	-	-	8
Sho Ryu Ramen	1	-	-	1
Kazokutei	1	-	-	1
Menzo Butao	1	-	-	1
Menya Musashi	4	-	-	4
Tokyo Sokudo	7	-	-	7
New ManLee Bak Kut Teh	1	-	-	1
Osaka Ohsho	4	-	-	4
Yonehachi	2	-	-	2
Ramen Ichiro	1	-	-	1
Edo Shokudo	1	-	-	1
Yakiniku Shokudo	1	2	-	3
Tokyo Kitchen	0	1	-	1
Total Restaurants	56	3	-	59

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(ii) Financial Highlights for the first quarter (3 months) ended 30 June 2022 (“1Q2023”)

(a) Income Statement

	Group		
	3 months ended 30 June 2022 (“1Q2023”)	3 months ended 30 June 2021 (“1Q2022”)	Change
	\$'000	\$'000	%
Revenue	18,814	9,810	91.8
Cost of sales	(2,865)	(1,574)	82.0
Gross profit	15,949	8,236	93.6
Gross profit margin	84.8%	84.0%	
Other income	265	2,119	(87.5)
Selling and distribution expenses	(12,987)	(10,528)	23.4
Administrative expenses	(902)	(784)	15.1
Other operating expenses	(286)	(184)	55.4
Lease interest expenses	(225)	(217)	3.7
Share of profit of associated companies	(84)	125	N.M
Profit/(loss) before income tax	1,730	(1,233)	N.M
Income tax expense	(372)	-	N.M
Net profit/(loss) after income tax	1,358	(1,233)	N.M

Performance review of the Group for 1Q2023 versus 1Q2022

The Group’s revenue increased S\$9.0 million or 91.8% from S\$9.8 million in 1Q2022 to S\$18.8 million in 1Q2023. The improved performance was due to the positive response to the Group’s expanded Halal segment and further boosted by the lifting of Covid-19-related capacity limits and restrictions on social gatherings, including dining-in, since 26 April 2022 compared with 1Q2022 when stringent Covid-19 safe-distancing measures were still in place.

Gross profit increased S\$7.7 million or 93.6% from S\$8.2 million in 1Q2022 to S\$15.9 million in 1Q2023 in line with the increase in the Group’s revenue. Gross profit margin rose by 0.8 percentage point.

Other income comprises mainly the royalty income, Wage Credit Grant, Small Business Grant and late release of rental rebates from some landlords. Other income decreased S\$1.8 million or 87.5% from S\$2.1 million in 1Q2022 to S\$0.3 million in 1Q2023 due to the discontinuance of rental rebates from landlords and grants under the Singapore government’s Job Support Scheme (“JSS”).

Selling and distribution expenses increased S\$2.5 million or 23.4% from S\$10.5 million in 1Q2022 to S\$13.0 million in 1Q2023. The increase was mainly due to higher manpower cost, utilities and depreciation of ROU assets in line with higher revenue and business activities.

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Administrative expenses increased by S\$0.1 million or 15.1% from S\$0.8 million in 1Q2022 to S\$0.9 million in 1Q2023 mainly due to higher manpower cost incurred from the Group's expanded business operations.

Other operating expenses increased S\$0.1 million or 55.4% from S\$0.2 million in 1Q2022 to S\$0.3 million in 1Q2023 due to higher royalty expenses in line with the higher revenue achieved in 1Q2023.

The Group recorded its share of loss of its associated companies of S\$84,000 in 1Q2023 as compared to share of profit of S\$125,000 in 1Q2022. This was mainly due to losses incurred by associated companies in China as a result of the country's strict zero-Covid-19 stance during the period under review.

The Group recorded income tax expenses of S\$0.4 million in line with the profit achieved during the period.

As a result of the aforementioned reasons, the Group recorded a net profit attributable to equity holders of the Company of S\$1.4 million in 1Q2023 as compared to a loss of S\$1.2 million in 1Q2022.

(b) Balance Sheet

	Group			
	30 Jun 2022	31 Mar 2022	Increase/(Decrease)	
	\$'000	\$'000	\$'000	
Cash and bank balances	25,314	23,207	2,107	9.1%
Other current assets	4,808	4,373	435	9.9%
Non-current assets	51,265	50,257	1,008	2.0%
Total assets	81,387	77,837	3,550	4.6%
Current liabilities	27,157	26,096	1,061	4.1%
Non-current liabilities	20,166	19,034	1,132	5.9%
Total liabilities	47,323	45,130	2,193	4.9%
Equity	34,064	32,707	1,357	4.1%
Total Liabilities and Equity	81,387	77,837	3,550	4.6%

The Group's total assets rose by S\$3.6 million due to an increase in right-of-use assets recognised during the period under review; higher cash and bank balances as at 30 June 2022 in line with the profit generated; and the increase in the number of restaurants operating in 1Q2023.

The Group's total liabilities rose by S\$2.2 million due to an increase in lease liabilities, trade and other payables.

The Group's total equity rose by S\$1.4 million due to profits generated from operations.

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(c) Outlook

The Group expects the next 12 months to remain challenging due to several factors. Singapore's F&B industry continues to face a manpower crunch, which has led to high demand and competition for service staff that has intensified since the lifting of Covid-19 related restrictions on dining-in and social gatherings since 26 April 2022. We also expect to face higher cost of operations due to inflationary pressures and an uncertain economic outlook.

Notwithstanding the aforementioned, we expect the F&B industry and our Group's topline to reflect an increase in dine-in customers in line with the removal of Covid-19 restrictions on social gatherings since 26 April 2022.

To cushion our bottom-line against rising costs, we will intensify our efforts to manage our expenses and maintain our healthy balance sheet, while continuing to establish a compelling portfolio of brands, concepts and locations that appeal to customers. We will also continue to drive sales through marketing and promotional efforts through our JFH Rewards programme.

With the positive response to our first Halal concept restaurant "Tokyo Shokudo", which commenced operation at Tampines Mall in November 2020, the Group has rapidly expanded this segment and as at 30 June 2022, we have 11 restaurants that are Halal certified. We believe that this will continue to be a growing segment for our Group.

The Group and Minor Food Group (Singapore) Pte. Ltd. ("**MS**") had established a joint venture to conduct the business of franchising and operating restaurant brands in Japan, Thailand and China. Although the Covid-19 pandemic had disrupted our plans to open our restaurants, barring unforeseen circumstances, we are working towards the opening of our first Thai concept restaurant in Tokyo in August 2022,.

As at 30 June 2022, the Group's associated companies operate 8 restaurants in Hong Kong, 8 restaurants in China and 1 restaurant in Indonesia under the "Menya Musashi" brand. The Group's associated company also operates 4 restaurants in Hong Kong and 1 restaurant in Shanghai under the "Konjiki Hototogisu" brand.

BY ORDER OF THE BOARD

TAKAHASHI KENICHI
Executive Chairman and CEO
21 July 2022

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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