

JAPAN FOODS HOLDING LTD

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

RESPONSES TO QUESTIONS FROM SHAREHOLDERS

The board of directors (the “**Board**”) of Japan Foods Holding Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) would like to thank the Company’s shareholders (“**Shareholders**”) for submitting their questions in advance of the Company’s Annual General Meeting to be held on 20 July 2022 at 3.00 p.m.

Unless otherwise defined, capitalised terms used herein shall have the same meaning as ascribed there to in the Company’s annual report for the financial year ended 31 March 2022 (“**Annual Report**”).

The Company’s responses to the questions received from Shareholders are set out below.

- 1. Overseas Restaurants: The Executive Chairman has regularly referred to the benefits of Centralising certain key operations and activities within the Company. I believe Shareholders recognise that this approach yields scaling-type benefits for the Company’s Singapore Business. But how can such benefits be pursued and moreover secured in operations & activities outside Singapore, operations which are not as concentrated, are geographically more widespread and moreover are managed by ‘associate companies’?**

Our associate companies hold the majority share in our overseas network. Our stake is about 20% to 30%.

The strategy is for our associate companies to take the lead in running the key operations and activities as they have the local know-how. Our role is mainly to provide technical support in franchise management and quality control. We share our experiences with the associated companies and influence them to adopt our approach if this is suitable and beneficial for their operation.

- 2. Overseas Business Profitability: I ask Executive Chairman Kenichi-san to speak to the profitability of overseas restaurants compared to Singapore restaurants. Are overseas outlets giving better/similar/worse unit levels of profitability compared to Singapore outlets?**

Our overseas expansion strategy is to seek a suitable partner and leverage on its local operational strength and market familiarity while we provide technical support in franchise management and quality control. The arrangement has worked well for both sides over the years.

The Covid-19 pandemic and related measures had impacted the overall performance of our associate companies. However, we have observed higher footfalls at our restaurants as restrictions in the respective markets are gradually lifted. We expect the performance of our overseas network to continue improving in tandem with the easing of measures until pre-pandemic levels are reached.

Whether in Singapore or overseas, the performance of individual outlets depends on location, brand, and the demographics of the people who frequent the area.

3. **Board Size/Number of Directors: Was it critical for the Business to recruit an additional Director, with an HR Background outside of the F&B sector and no prior NED Experience, which serves to incur additional costs for the Company?**

Provision 2.2 of Code of Corporate Governance Code 2.2 states that independent directors are to make up a majority of the Board where the Chairman is not independent. The appointment of Ms Sylvia Koh as an additional independent director was in keeping with the Group's commitment to uphold the Code of Corporate Governance. At the same time, her appointment refreshes the composition of the Board. In addition, Ms Koh is a human resource veteran with many years of experience in dealing with manpower issues and challenges. She brings a new perspective to the human resource situation and her expertise will be very valuable to our Group, particularly in the areas of talent retention and attraction because the F&B industry in Singapore has been grappling with a manpower crunch for several years and this has been made worse since the Covid-19 outbreak.

4. **With the lifting of all safe distancing measures, has sales per outlet generally revert back to pre-pandemic level?**

The Group will provide better clarity of sales performance when we release our half-year results but in general, we have observed that the crowds have returned to heartland malls and this has driven more customers to our restaurants that are located at such malls. The bulk of our restaurants are located in heartland malls.

However, some of our restaurants in the city areas have yet to enjoy the benefit of lifting of all safe distancing measures due to a reduction in the office crowd as some companies are still adopting hybrid work arrangements.

5. **Is the current manpower crunch seriously affecting the company's plan to open more new outlets?**

Since the lifting of restrictions on dining-in and social gatherings, the resultant high demand and competition for service staff has worsened the F&B industry's manpower crunch. However, Japan Foods has invested in ways to improve our efficiency over the years. With the ingredients being prepared at our Central Kitchen, we have been able to keep headcount at our restaurants low. Additionally, with our iPad self-ordering system, customers can order their own food efficiently and this has enabled our service staff to focus on serving food and clearing tables faster so that we can enjoy more covers during meal-times. With these measures in place, we were able to grow our network from 50 restaurants in FY2021 to 56 restaurants in FY2022 and we hope to continue growing.

6. With the Halal segment contributing about 20% of revenue and expected to continue to grow, would the management consider setting up a Halal- certified centralized kitchen to improve its efficiency?

Our Group has zero debt because we have always emphasised on financial prudence and management and this means that we review each investment opportunity very carefully. Likewise, we will continue to monitor the performance of our new Halal segment closely, including evaluating the cost-benefit of establishing a Halal-certified Central Kitchen at the appropriate time.

By Order of the Board

TAKAHASHI KENICHI
Executive Chairman and CEO

14 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 Catalyst.*

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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