

JAPAN FOODS HOLDING LTD

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

RESPONSES TO QUESTIONS RECEIVED FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The board of directors (the “**Board**”) of Japan Foods Holding Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the questions from Securities Investors Association (Singapore) (“**SIAS**”) in advance of the Company’s Annual General Meeting (“**AGM**”) to be held on 24 July 2025 at 3.00 p.m. There were no questions received in advanced from shareholders of the Company by the deadline as stipulated in the notice of AGM.

Unless otherwise defined, capitalised terms used herein shall bear the same meaning as ascribed thereto in the Company’s annual report for the financial year ended 31 March 2025 (“**Annual Report**”).

The Company’s responses to the questions received are set out below:

Question 1

Under the section entitled “At A Glance” on page 2 of the Annual Report, the Company outlined its three business strategies as follows:

- (a) improve profitability through targeted marketing activities to increase same-store sales while managing costs;
- (b) rationalise brand portfolio to focus on more established and proven brands; and
- (c) streamline operations and manage costs, as well as not renewing or pre-terminating leases of non-performing outlets.

The focus on growth has diminished over the years. In addition, under the section entitled “Chairman’s Message” on page 11 of the Annual Report, the Company disclosed that the Group has embarked on a strategy to rationalise its brand portfolio, with an emphasis on profit recovery.

During FY2025, the Group’s restaurant network reduced from 84 outlets as at 30 September 2024 to 78 outlets as at 31 March 2025, with further closures anticipated. It was further stated that the Group does not foresee opening any new restaurants unless a location that is too good to turn down becomes available.

- (i) In light of past store expansion and subsequent closures, what internal benchmarks or learnings will now guide future brand curation and market selection?

Reply

Following the lifting of social distancing measures after the Covid-19 pandemic, the Group expanded its restaurant network, mainly driven by optimism surrounding the post- pandemic recovery and the availability of retail spaces at that time.

However, the F&B industry has since faced increasing challenges, particularly in 2024 and 2025, with rising operating costs, manpower shortage, and intense competition from an influx of overseas brands.

In addition, the Group was also affected by recent trends in consumers’ discretionary spending habits. Encouraged by the strong Singapore dollar, Singaporeans have been travelling and spending abroad especially during holiday seasons, which led to lacklustre sales during such traditionally busy festive periods.

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The Group believes that the F&B industry in Singapore is undergoing a transformation phase, and is shifting its focus from expansion to profit recovery.

To this end, the Group has been closely monitoring the performance of each outlet within its restaurant network, with emphasis on innovation, adaptability, and consumer-centricity.

With respect to its brand portfolio, the Group has been actively identifying and extending those brands which enjoy greater customer loyalty and stronger brand identity to ensure market alignment, while pruning any underperforming brand which may be draining resources.

- (ii) Will the Halal segment provide opportunities for growth, or is that market also saturated?

Reply

The Group launched its first Halal-concept brand in 2020. Today, Halal-concept brands make up a substantial portion of the Group's portfolio. The Halal segment comprised 8 brands across 37 restaurants as at 31 March 2025, as compared with 9 brands across 39 restaurants as at 31 March 2024. The non-Halal segment comprised 13 brands across 41 restaurants as at 31 March 2025, as compared with 14 brands across 40 restaurants as at 31 March 2024.

The Group's Halal segment recorded a 3.2% year-on-year increase in sales from S\$40.8 million in FY2024 to S\$42.1 million in FY2025, representing 50.4% of total revenue in FY2025. The improved sales from the Halal segment partially offset the weak performance from the non-Halal segment, which recorded a 9.0% year-on-year decline in revenue from S\$45.6 million in FY2024 to S\$41.5 million in FY2025.

The Group believes that its Halal-certified outlets have a competitive advantage as they serve not only the Muslim consumers but also the non-Muslim consumers.

- (iii) What gives the Board confidence that the F&B sector remains structurally attractive, and that the Group can generate risk-adjusted return above its cost of capital going forward?

Reply

The Board is optimistic that the fundamentals of the F&B landscape remain attractive – there is a strong local culture of dining out which fuels the vibrant F&B scene with its melting pot of cuisines.

The Group was founded in 1997, at the height of the Asian financial crisis. Over nearly three decades, the Group has navigated the complexities of the evolving F&B landscape, weathered the uncertainties of many economic cycles, and overcome difficult challenges such as those faced during two pandemics (i.e. SARS and Covid-19).

Despite these uncertainties and challenges, the Group has successfully established itself as one of the leading Japanese restaurant chains in Singapore. The Board has confidence in the Group's proven capabilities in F&B operations and brand management. The Board also believes that management is focusing on the right priorities as the Group builds resilience and continues to reshape and strengthen its business.

Please also refer to the reply to Question 1(i).

Question 2

While the Group's gross profit margins have remained resilient, the Group's overall profitability (which has since turned into losses) has been weighed down by rising manpower costs, increasing depreciation and amortisation charges, as well as write-offs and impairments. Please refer to Note 7 to the financial statements on page 128 of the Annual Report.

- (i) Despite revenue declining by 3.2%, employee compensation increased by 5.0%. How is the Board addressing the persistent rise in manpower costs? What productivity measures have been implemented, and can management share specific outcomes or measurable efficiency improvements achieved to date?

Reply

The rise in manpower costs was in tandem with the higher number of operating outlets during FY2025. The Group had 79 outlets as at 31 March 2024, 84 outlets as at 30 September 2024 and 78 outlets as at 31 March 2025.

As stated in the Annual Report, as part of the Group's ongoing rationalisation exercise, the Group does not intend to renew leases and/or will pre-terminate the leases of non-performing stores, which will alleviate pressure on manpower costs.

In addition, the Group has stepped up the implementation of productivity measures at its outlets, including adopting QR code ordering and pay-as-you-order systems which reduce manpower requirements.

- (ii) The steady increase in write-offs, impairments and depreciation suggests heightened level of costs from store renovations, rebranding, premature closures and challenges in partnerships, arising from underperformance of brands/stores.

To what extent are impairment and write-off trends symptomatic of execution gaps in location strategy and brand curation? What decision-making processes has management refined to prevent future store-level underperformance and asset obsolescence?

Reply

The Group's impairment loss increased by S\$1.7 million or 93.4% from S\$1.9 million in FY2024 to S\$3.6 million in FY2025 due to the impairment loss on the loan provided to a joint venture company as well as impairment loss for certain non-performing stores under the Group and an impairment loss of franchise right.

The higher impairment loss relating to non-performing stores in FY2025 arose from the Group's rationalisation exercise. The Group had 79 outlets as at 31 March 2024, 84 outlets as at 30 September 2024 and 78 outlets as at 31 March 2025.

The Group is shifting its strategic focus from expansion to profit recovery. Please also refer to the reply to Question 1(i).

Question 3

The Board comprises five members: an executive chairman who also serves as the chief executive officer, a non-executive non-independent director, and three independent directors.

The directors' profiles are disclosed on pages 21 and 22 of the Annual Report. It is noted that none of the independent directors have professional experience in the F&B sector. Their backgrounds are primarily in finance, accounting, and legal.

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- (i) Given the lack of direct operating experience in the F&B industry, can the independent directors explain how they contribute meaningfully to strategic discussions and operational oversight? How does the Board ensure robust and informed debate on critical areas such as brand strategy, customer experience, outlet performance, and food safety?

Reply

The Board composition reflects a broad spectrum of experiences, perspectives and capabilities, and comprises directors with a diverse mix of domain knowledge covering business consultancy, finance, accounting and legal. The role of the non-executive directors is integral in enhancing Board deliberations by bringing external insights.

The Board meets with management on a regular basis and is provided with updates on brand and outlet performance, business plan relating to outlet opening and closures and other key operational matters (such as manpower and food safety). Leveraging their respective domain knowledge and work experiences, the non-executive directors (including the independent directors) provide a diverse perspective that aids in identifying potential pitfalls and benefits, contributing to balanced strategic planning and robust decision-making processes.

- (ii) How does the Board validate management's assumptions around pricing, customer preferences, and location strategy, particularly in light of macro shifts in consumption and cost inflation?

Reply

The Board reviews management's business plan by taking into consideration, amongst others, market trends, industry benchmarking and evaluation of key business drivers.

BY ORDER OF THE BOARD

TAKAHASHI KENICHI
Executive Chairman and CEO

18 July 2025

This announcement has been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "Sponsor").

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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