

# JAPAN FOODS HOLDING LTD

## JAPAN FOODS HOLDING LTD.

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

### BUSINESS AND FINANCIAL UPDATE FOR 3Q2024

The board of directors of Japan Foods Holding Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) is pleased to provide a business and financial update for the nine-month period ended 31 December 2023 (“**3Q2024**”).

#### 1. Portfolio of Restaurants as at 31 December 2023

Brands	Number of outlets			
	As at 30/09/2023	New	Closed	As at 31/12/2023
<b><u>Franchised Brands</u></b>				
Ajisen Ramen	11	-	-	11
Konjiki Hototogisu	10	1	-	11
Shitamachi Tendon	3	-	-	3
Akimitsu	4	-	-1	3
Osaka Ohsho	2	-	-1	1
Afuri Ramen	1	-	-	1
Yonehachi	1	-	-	1
Menzo Butao	1	-	-	1
New ManLee Bak Kut Teh	1	-	-	1
Nakiryu	2	-	-1	1
Tori Sanwa	2	1	-	3
Kagurazaka Saryo*	1	-	-	1
		-	-	
<b><u>Self-Developed Brands</u></b>				
Tokyo Shokudo*	12	-	-	12
Yakiniku Shokudo*	9	2	-	11
Yakiniku Kai	-	1	-	1
Fruit Paradise*	5	-	-	5
Yakiniku Taro	1	-	-	1
Edo Shokudo*	1	1	-	2
Kyoto Shokudo*	1	-	-	1
Godaime*	2	-	-	2
Milan Shokudo*	1	2	-	3
Milan Tei*	-	1	-	1
BBQ Seoul Shokudo*	1	-	-	1
<b>Total</b>	<b>72</b>	<b>9</b>	<b>-3</b>	<b>78</b>

**Note:** \* Halal brand

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## 2. Financial Highlights for the Third Quarter Ended 31 December 2023

### (a) Income Statement

	Group		
	Nine months ended 31 December 2023 ("3Q2024")	Nine months ended 31 December 2022 ("3Q2023")	Change %
	S\$'000	S\$'000	
Revenue	65,268	58,401	11.8
Cost of sales	(10,026)	(8,990)	11.5
<b>Gross profit</b>	<b>55,242</b>	<b>49,411</b>	<b>11.8</b>
<b>Gross profit margin</b>	<b>84.6%</b>	<b>84.6%</b>	
Other income	1,070	688	55.5
Selling and distribution expenses	(49,791)	(41,696)	19.4
Administrative expenses	(3,001)	(2,848)	5.4
Other operating expenses	(1,561)	(924)	68.9
Lease interest expenses	(1,162)	(715)	62.5
Share of profit of associated companies	137	139	(1.4)
<b>Profit before income tax</b>	<b>934</b>	<b>4,055</b>	<b>(77.0)</b>
Income tax expense	(266)	(815)	(67.4)
<b>Net profit after income tax</b>	<b>668</b>	<b>3,240</b>	<b>(79.4)</b>

Revenue increased S\$6.9 million or 11.8%, from S\$58.4 million in 3Q2023 to S\$65.3 million in 3Q2024 due to expanded Halal offerings and a higher number of operating restaurants in 3Q2024. The increase was partially offset by lower revenue generated from certain existing outlets.

Gross profit increased S\$5.8 million or 11.8%, from S\$49.4 million in 3Q2023 to S\$55.2 million in 3Q2024 in line with the increase in the Group's revenue. Group profit margin remained the same at 84.6%.

Other income comprises mainly royalty income, interest income, insurance claims and government grants such as grants under the Wage Credit Scheme and Jobs Growth Incentive Scheme. Other income increased S\$0.4 million or 55.5%, from S\$0.7 million in 3Q2023 to S\$1.1 million in 3Q2024 due to higher government grants received and royalty income in 3Q2024. The increase was partially offset by the absence of rental concessions.

Selling and distribution expenses rose S\$8.1 million or 19.4%, from S\$41.7 million in 3Q2023 to S\$49.8 million in 3Q2024 mainly due to higher manpower cost, utilities and depreciation charges of right-of-use assets.

Administrative expenses increased S\$0.2 million or 5.4%, from S\$2.8 million in 3Q2023 to S\$3.0 million in 3Q2024 mainly due to higher manpower cost incurred from the Group's expanded business operations.

Other operating expenses increased S\$0.7 million or 68.9%, from S\$0.9 million in 3Q2023 to S\$1.6 million in 3Q2024 mainly due to impairment allowance on loans to a joint venture.

Lease interest expenses increased by S\$0.5 million or 62.5%, from S\$0.7 million in 3Q2023 to S\$1.2 million in 3Q2024 mainly due to the higher number of operating restaurants in 3Q2024.

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The Group recorded its share of profit of associated companies of S\$137,000 in 3Q2024, comparable to that recorded in 3Q2023. The profit was achieved by associated companies in Hong Kong operating “Konjiki Hototogisu” brand restaurants, and associated companies in China and Indonesia operating “Menya Musashi” brand restaurants. The profit was partially offset by losses incurred in an associated company in Hong Kong operating “Menya Musashi” brand restaurants due to poor performance of certain stores arising from intense competition and an amount written-off upon closure of an outlet. The associated company in China which is operating one “Konjiki Hototogisu” brand restaurant also incurred small losses due to high operating costs and weak demand resulting from the slowdown in China’s economy.

The Group recorded lower income tax expenses of S\$0.3 million in 3Q2024, in line with the lower profit recorded during the period.

As a result of the aforementioned reasons, the Group’s net profit attributable to equity holders of the Company declined S\$2.5 million, or 79.4%, from S\$3.2 million in 3Q2023 to S\$0.7 million in 3Q2024.

## (b) Balance Sheet

	Group			
	As at 31/12/2023	As at 31/3/2023	Increase/(Decrease)	
	S\$'000	S\$'000	S\$'000	%
Cash and bank balances	13,539	18,489	(4,950)	(26.8)
Other current assets	5,608	5,581	27	0.5
Non-current assets	68,567	66,549	2,018	3.0
<b>Total assets</b>	<b>87,714</b>	<b>90,619</b>	<b>(2,905)</b>	<b>(3.2)</b>
Lease liabilities-current	21,575	22,056	(481)	(2.2)
Current liabilities	11,364	10,343	1,021	9.9
Non-current liabilities	23,815	25,500	(1,685)	(6.6)
<b>Total liabilities</b>	<b>56,754</b>	<b>57,899</b>	<b>(1,145)</b>	<b>(2.0)</b>
<b>Equity</b>	<b>30,960</b>	<b>32,720</b>	<b>(1,760)</b>	<b>(5.4)</b>
<b>Total liabilities and equity</b>	<b>87,714</b>	<b>90,619</b>	<b>(2,905)</b>	<b>(3.2)</b>

Total assets fell S\$2.9 million due to a decrease in net book value of right-of-use assets and cash and bank balances which were partially offset by an increase in net book value of plant and equipment. The decrease in cash and bank balances and the increase in net book value of plant and equipment were due to the Group’s expansion of outlets during the financial period.

Total liabilities decreased S\$1.1 million due to a decrease in lease liabilities which were partially offset by an increase in trade and other payables.

The Group had net current liabilities of S\$13.8 million as at 31 December 2023 due to recognition of lease liabilities of S\$21.6 million in compliance with SFRS(I)16. Based on the

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Group's internal resources and projected operational cashflows, the Board is of the view that the Group will have sufficient funds to meet its financial obligations as and when they fall due.

Total equity decreased S\$1.8 million due to payment of dividend and purchase of treasury shares during the period under review. The decrease was partially offset by the profit generated during the financial period.

## (c) Outlook

The Company expects the next 12 months to remain challenging due to economic headwinds. The food and beverage industry continues to face challenges arising from intense competition, manpower crunch and increasing cost of operations due to inflationary pressures. The hike in GST to 9% with effect from 1 January 2024 may also lead to short-term cautionary response from consumers.

To mitigate these challenges, the Group will continue to focus its efforts on controlling raw material costs and on improving operational efficiency via streamlining of work processes and the adoption of technology. The Group seeks to optimise performance through effective restaurant portfolio management by closely monitoring the sales of individual outlets and the changing trends in consumers' preferences.

The Group's network stood at 78 as at 31 December 2023, half of which are under its Halal concepts reflecting the strong growth from this segment. To capture a bigger share of the market, the Group will continue to explore opportunities to open more restaurants under its existing Halal concepts as well as to launch new concepts.

Several new brands were launched during 3Q2024. In December 2023, the Group expanded its yakiniku, or Japanese barbecue concept restaurants with the launch of its self-developed "Yakiniku Kai" brand. "Yakiniku Kai" offers sake and beer pairings with a wide selection of grilled meats and side dishes. The Group also launched two new Japanese-Italian concept brands – Milan Tei and Milan Shokudo, both of which are Halal-concepts featuring Italian favourites such as pizzas, pastas and dorias with a Japanese twist. The new brands have received encouraging response from customers. As is its usual practice, the Group will monitor the performance of these new brands and look for opportunities to increase the number of restaurants under these brands should their popularity be sustained.

In terms of updates from its associated companies and joint venture partner, the joint venture company ("JVC") between the Group and Minor Food Group (Singapore) Pte. Ltd. opened a new restaurant at One Holland Village in December 2023 under its "Extra Virgin Pizza" brand. As at 31 December 2023, the JVC has 1 "Pizzakaya" brand restaurant and 2 "Extra Virgin Pizza" brand restaurants in Singapore.

As at 31 December 2023, the Group's associated companies operated 6 restaurants in Hong Kong, 4 restaurants in China and 2 restaurants in Indonesia under the "Menya Musashi" brand as well as 4 restaurants in Hong Kong and 1 restaurant in Shanghai under the "Konjiki Hototogisu" brand.

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BY ORDER OF THE BOARD

TAKAHASHI KENICHI  
Executive Chairman and CEO

6 February 2024

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*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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