

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 1Q2024

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 three-month period ended 30 June 2023 (“**1Q2024**”):

1. Portfolio of Restaurants as at 30 June 2023

Brands	Number of outlets			
	As at 31/3/2023	New	Closed	As at 30/6/2023
<u>Franchised Brands</u>				
Ajisen Ramen	12	-	-1	11
Konjiki Hototogisu	7	1	-	8
Shitamachi Tendon Akimitsu	4	-	-1	3
Menya Musashi	4	-	-	4
Osaka Ohsho	3	-	-	3
Afuri Ramen	2	-	-1	1
Yonehachi	2	-	-	2
Menzo Butao	1	-	-	1
New ManLee Bak Kut Teh	1	-	-	1
Nakiryu	1	1	-	2
		-	-	
<u>Self-Developed Brands</u>				
Tokyo Shokudo*	8	4	-	12
Yakiniku Shokudo*	8	-	-	8
Fruit Paradise*	5	-	-	5
Kagurazaka Saryo*	1	-	-	1
Yakiniku Taro	1	-	-	1
Edo Shokudo*	1	-	-	1
Ramen Ichiro	1	-	-	1
Kyoto Shokudo*	1	-	-	1
BBQ Seoul Shokudo*	-	1	-	1
BBQ Tori Shokudo*	1	-	-1	-
Ajisen Shokudo*	1	-	-1	-
Total	65	7	-5	67

Note:

* Halal brand

JAPAN FOODS HOLDING LTD

2. Financial Highlights for the First Quarter Ended 30 June 2023

(a) Income Statement

	Group		
	Three months ended 30 June 2023 ("1Q2024") S\$'000	Three months ended 30 June 2022 ("1Q2023") S\$'000	Change %
Revenue	21,261	18,814	13.0
Cost of sales	(3,337)	(2,865)	16.5
Gross profit	17,924	15,949	12.4
Gross profit margin	84.3%	84.8%	
Other income	188	265	(29.1)
Selling and distribution expenses	(16,277)	(12,987)	25.3
Administrative expenses	(990)	(902)	9.8
Other operating expenses	(332)	(286)	16.1
Lease interest expenses	(362)	(225)	60.9
Share of profit of associated companies	91	(84)	N.M.
Profit before income tax	242	1,730	(86.0)
Income tax expense	(31)	(372)	(91.7)
Net profit after income tax	211	1,358	(84.5)

Revenue increased S\$2.4 million or 13.0%, from S\$18.8 million in 1Q2023 to S\$21.3 million in 1Q2024 mainly attributable to the Group's expanded Halal offerings and the higher number of operating restaurants in 1Q2024.

Gross profit increased S\$2.0 million or 12.4%, from S\$15.9 million in 1Q2023 to S\$17.9 million in 1Q2024 in line with the increase in the Group's revenue. Gross profit margin decreased by 0.5 percentage point to 84.3% in 1Q2024 due to higher material costs.

Other income, which comprise mainly royalty income, interest income and insurance claims, decreased S\$0.1 million or 29.1%, from S\$0.3 million in 1Q2023 to S\$0.2 million in 1Q2024 due to the absence of rental concession and lower government grants in 1Q2024.

Selling and distribution expenses rose S\$3.3 million or 25.3%, from S\$13.0 million in 1Q2023 to S\$16.3 million in 1Q2024 mainly due to higher manpower cost, utilities expenses and depreciation charges of right-of-use assets in line with higher revenue and business activities.

Administrative expenses increased by S\$0.1 million or 9.8%, from S\$0.9 million in 1Q2023 to S\$1.0 million in 1Q2024 mainly due to higher manpower cost with the Group's expanded business operations.

Other operating expenses increased by S\$46,000 or 16.1%, from S\$286,000 in 1Q2023 to S\$332,000 in 1Q2024 mainly due to plant and equipment written-off from rebranding of outlets during the period under review.

Lease interest expenses increased by S\$137,000 or 60.9%, from S\$225,000 in 1Q2023 to S\$362,000 in 1Q2024 mainly due to the higher number of operating restaurants in 1Q2024.

JAPAN FOODS HOLDING LTD

The Group recorded its share of profit of associated companies of S\$91,000 in 1Q2024 as compared to a loss of S\$84,000 in 1Q2023. This was mainly due to profit achieved by associated companies in Hong Kong as a result of the lifting of COVID-19 restrictions since December 2022.

The Group recorded lower income tax expenses of S\$31,000 in 1Q2024 as compared to S\$372,000 in 1Q2023, in line with the lower profit recorded during the period.

As a result of the abovementioned reasons, the Group's net profit attributable to equity holders of the Company declined S\$1.2 million, or 84.5%, from S\$1.4 million in 1Q2023 to S\$0.2 million in 1Q2024.

(b) Balance Sheet

	Group			
	As at 30/6/2023	As at 31/3/2023	Increase/(Decrease)	
	S\$'000	S\$'000	S\$'000	%
Cash and bank balances	17,954	18,489	(535)	(2.9)
Other current assets	5,469	5,581	(112)	(2.0)
Non-current assets	64,639	66,549	(1,910)	(2.9)
Total assets	88,062	90,619	(2,557)	(2.8)
Current liabilities	32,230	32,399	(169)	(0.5)
Non-current liabilities	22,943	25,500	(2,557)	(10.0)
Total liabilities	55,173	57,899	(2,726)	(4.7)
Equity	32,889	32,720	169	0.5
Total liabilities and equity	88,062	90,619	(2,557)	(2.8)

Total assets fell by S\$2.6 million due to a decrease in the net book value of right-of-use assets and a decrease in cash and bank balances which were partially offset by an increase in the net book value of plant and equipment.

Total liabilities decreased by S\$2.7 million mainly due to a decrease in lease liabilities.

The Group has net current liabilities of S\$8.8 million as at 30 June 2023 due to the recognition of lease liabilities of S\$21.8 million in compliance with SFRS(I)16. Based on the 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.

The Group's total equity increased by S\$169,000 due to profit generated from operations which was partially offset by an increase in treasury shares.

JAPAN FOODS HOLDING LTD

(c) Outlook

The lifting of Covid-19 restrictions has led to significantly higher human traffic at shopping malls and an improvement in consumer sentiments. However, the Group expects the next 12 months to remain challenging due to economic headwinds and prevailing conditions faced by the food and beverage industry including intense competition, manpower crunch and rising cost of operations due to inflationary pressures.

To mitigate these challenges, the Group will intensify its efforts to manage expenses and maintain a healthy balance sheet while continuing to explore new brands and locations to drive top-line growth.

In July 2023, the Group launched a self-developed new brand “Godaime”, specialising in maze soba, or dry ramen. The Group also launched “Tori Sanwa”, a 120-year old brand serving Nagoya Chicken Rice Bowl, in August 2023.

Since the first Halal concept restaurant “Tokyo Shokudo” opened in Tampines Mall in November 2020, the Group has rapidly expanded its Halal segment to 29 Halal concept restaurants under various brands as at 30 June 2023.

As at 30 June 2023, there were 4 restaurants operated by the joint venture between the Group and Minor Food Group (Singapore) Pte. Ltd., namely 1 “Siam Smith” brand restaurant in Tokyo and 2 “Pizzakaya” brand restaurants and 1 “Extra Virgin Pizza” brand restaurant in Singapore.

As at 30 June 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.

BY ORDER OF THE BOARD

TAKAHASHI KENICHI
Executive Chairman and CEO
11 August 2023

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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