

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 9M2023

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 9M2023:

(i) Summary of Restaurants as at 31 December 2022

Brands	Number of outlets			
	As at 30/9/2022	New	Closed	As at 31/12/2022
<u>Franchise Brands</u>				
Ajisen Ramen	13	-	-1	12
Konjiki Hotogisu	7	-	-	7
Shitamachi Tendon Akimitsu	5	-	-1	4
Menya Musashi	4	-	-	4
Osaka Ohsho	4	-	-	4
Afuri	2	-	-	2
Yonehachi	2	-	-	2
Kazokutei	1	-	-	1
Menzo Butao	1	-	-	1
New ManLee Bak Kut Teh	1	-	-	1
Kagurazaka Saryo*	1	-	-	1
<u>Self-Developed Brands</u>				
Tokyo Shokudo*	7	-	-	7
Yakiniku Shokudo*	3	3	-	6
Fruit Paradise*	3	1	-	4
Yakiniku Taro	1	-	-	1
Edo Shokudo*	1	-	-	1
Curry is Drink	1	-	-1	-
Ramen Ichiro	1	-	-	1
Sho Ryu Ramen	1	-	-1	-
Tokyo Kitchen*	1	-	-	1
Kyoto Shokudo*	-	1	-	1
Total Restaurants	60	5	-4	61

Note:

* Halal brand

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(ii) Financial Highlights for the third quarter (9 months) ended 31 December 2022 (“9M2023”)

(a) Income Statement

	Group		
	9 months ended 31 December 2022 (“9M2023”)	9 months ended 31 December 2021 (“9M2022”)	Change
	\$'000	\$'000	%
Revenue	58,401	37,902	54.1
Cost of sales	(8,990)	(5,969)	50.6
Gross profit	49,411	31,933	54.7
Gross profit margin	84.6%	84.3%	
Other income	688	6,627	(89.6)
Selling and distribution expenses	(41,696)	(32,848)	26.9
Administrative expenses	(2,848)	(2,604)	9.4
Other operating expenses	(924)	(790)	17.0
Lease interest expenses	(715)	(606)	18.0
Share of profit of associated companies	139	304	(54.3)
Profit/(loss) before income tax	4,055	2,016	101.1
Income tax expense	(815)	(350)	132.9
Net profit/(loss) after income tax	3,240	1,666	94.5

Performance review of the Group for 9M2023 versus 9M2022

The Group's revenue increased S\$20.5 million or 54.1% from S\$37.9 million in 9M2022 to S\$58.4 million in 9M2023. The improved performance was due to the positive response to the Group's expanded Halal segment and boosted further by the lifting of Covid-19-related capacity limits and restrictions on social gatherings, including dining-in, since 26 April 2022 compared with 9M2022 when stringent Covid-19 safe-distancing measures were still in place.

Gross profit increased S\$17.5 million or 54.7% from S\$31.9 million in 9M2022 to S\$49.4 million in 9M2023 in line with the increase in the Group's revenue. Gross profit margin rose by 0.3 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\$5.9 million or 89.6% from S\$6.6 million in 9M2022 to S\$0.7 million in 9M2023 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\$8.8 million or 26.9% from S\$32.8 million in 9M2022 to S\$41.7 million in 9M2023. 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\$0.2 million or 9.4% from S\$2.6 million in 9M2022 to S\$2.8 million in 9M2023 mainly due to higher manpower cost incurred from the Group's expanded business operations.

Other operating expenses increased S\$0.1 million or 17.0% from S\$0.8 million in 9M2022 to S\$0.9 million in 9M2023 due to higher royalty expenses in line with the higher revenue achieved in 9M2023 and fixed assets written off expenses.

The Group recorded its share of profit of its associated companies of S\$139,000 in 9M2023 as compared to share of profit of S\$304,000 in 9M2022. 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\$0.8 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\$3.2 million in 9M2023 as compared to S\$1.7 million in 9M2022.

(b) Balance Sheet

	Group			
	31 Dec 2022 \$'000	31 Mar 2022 \$'000	Increase/(Decrease) \$'000 %	
Cash and bank balances	19,910	23,207	(3,297)	-14.2%
Other current assets	6,155	4,373	1,782	40.8%
Non-current assets	60,708	50,257	10,451	20.8%
Total assets	86,773	77,837	8,936	11.5%
Lease liabilities-current	17,405	17,391	14	0.1%
Other current liabilities	10,823	8,705	2,118	24.3%
Non-current liabilities	26,713	19,034	7,679	40.3%
Total liabilities	54,941	45,130	9,811	21.7%
Equity	31,832	32,707	(875)	-2.7%
Total Liabilities and Equity	86,773	77,837	8,936	11.5%

The Group's total assets rose by S\$8.9 million due to an increase in right-of-use assets recognised during the period under review; higher plant and equipment, rental deposit and trade receivables. The increase is partially offset by lower cash & bank balances as at 31 December 2022. These changes are in line with the increase in the number of restaurants operating in 9M2023.

The Group's total liabilities rose by S\$9.8 million due to an increase in trade and other payables and provision for income tax. The Group has net current liabilities of S\$2.2 million as at 31 December 2022 due to recognition of lease liabilities of S\$17.4 million in compliance with SFRS(I)16. Based on

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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 decrease by approximately S\$0.9 million due to payment of dividend during the financial period.

(c) Outlook

Business momentum is picking up after the lifting of Covid-19 related restrictions on dining-in and social gatherings since 26 April 2022, the operating environment for the food and beverage ('F&B') industry in Singapore continues to be challenging in the near term due to intense competition, manpower shortages, uncertain economic outlook and higher cost of operations due to inflationary pressures and geopolitical climate.

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 and lifting of vaccination-differentiated safe management measures in Singapore.

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. In addition, we have received positive response from customers with our newly launched brand, "Nakiryu", at Plaza Singapura. Originating from Japan, Nakiryu was awarded Tokyo Michelin Star consecutively since year 2017.

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 31 December 2022, we have 21 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. Our store in Japan had commenced business after the lifting of Covid-19 restrictions and reopening of Japan's borders from 11 October 2022. However, the response is not within our expectation. We will continue to monitor the business.

As at 31 December 2022, the Group's associated companies operated 7 restaurants in Hong Kong, 4 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.

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BY ORDER OF THE BOARD

TAKAHASHI KENICHI
Executive Chairman and CEO
10 February 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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