

JAPAN FOODS HOLDING LTD.

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Japan Foods FY2022 revenue rises 7.1% fueled by growing Halal segment

- Portfolio expands to 56 restaurants in FY2022 as compared to 50 in FY2021 led by strong growth from Halal segment which grew from two to nine restaurants over the same period
- Rapid expansion of Halal segment from one restaurant in November 2020 to nine restaurants as at 31 March 2022
- Proposes a final dividend of 1.35 Singapore cents per share, bringing total dividend for FY2022 to 1.85 Singapore cents per share

Financial Highlights (S\$' million)	Six months ended 31 Mar		Change (%)	Twelve months ended 31 Mar		Change (%)
	2022	2021		2022	2021	
Revenue	33.4	32.5	2.9	54.6	51.0	7.1
Gross profit	28.4	27.6	3.2	46.2	43.2	6.9
Gross profit margin (%)	85.1	84.9	0.2% pt	84.6	84.7	(0.1% pt)
Profit before income tax	4.9	3.9	26.0	3.2	4.2	(23.8)
Net profit attributable to equity holders of the Company	4.9	3.3	46.4	3.2	3.6	(10.8)
Basic earnings per share ("EPS") (Singapore cents) ⁽¹⁾	2.8	1.9	46.1	1.9	2.1	(11.1)
Net asset value ("NAV") per share (Singapore cents) ⁽²⁾	18.75 (as at 31 Mar 2022)			19.14 (as at 31 Mar 2021)		

¹ EPS was computed based on the weighted average number of shares of 174,420,000 shares and 173,940,205 shares in 2HY2022 and 2HY2021 respectively; and 174,417,157 shares and 173,934,022 shares in FY2022 and FY2021 respectively.

² NAV was computed based on 174,347,200 shares as at 31 March 2021 and 174,424,000 shares as at 31 March 2022 respectively.

SINGAPORE, 25 May 2022 – Japan Foods Holding Ltd. ("Japan Foods" or the "Company" and together with its subsidiaries, the "Group") a leading Singapore-based restaurant chain that specialises in Japanese cuisine, has achieved a 7.1% year-on-year ("YOY") increase in revenue to S\$54.6 million for the year ended 31 March 2022 ("FY2022") as compared to S\$51.0 million in the corresponding year in 2021 ("FY2021").

FY2022 Performance Review

The revenue increase during the period under review was driven mainly by a seasonally stronger second half and the performance of Japan Foods' new Halal segment, which grew from one restaurant under one brand in November 2020 to nine restaurants under three brands as at 31 March 2022, contributing 20.5% to total revenue. Overall, the Group's restaurant network had expanded to 56 locations (as at 31 March 2021: 50 locations).

The seven restaurants operating under the Group's flagship Halal brand "Tokyo Shokudo", contributed a net increase of S\$8.7 million to total revenue in FY2022, which offset the combined revenue decline of S\$5.6 million from the Group's other core brands including "Ajisen Ramen", "Menya Musashi", "Shitamachi Tendon Akitmitsu", as well as its restaurants operating under other brands, mainly due to conversion to other brands and closure of outlets.

Rising in tandem with the improved revenue, the Group's gross profit in FY2022 rose 6.9% year-on-year ("**YOY**") to S\$46.2 million, while gross profit margin remained favourable at 84.6%.

In FY2022, the Group's associated companies also had a good showing, contributing share of profit of S\$83,000 (FY2021: S\$33,000). In particular, restaurants in Hong Kong operating under the "Hototogisu" had generated higher earnings, partially offset by share of loss of restaurants operating under the "Menya Musashi" brand in China, Hong Kong and Indonesia.

In line with its expanded Singapore network and the increase in business as Covid-19 restrictions were relaxed, selling and distribution and administrative expenses rose 1.4% and 19.2% respectively in FY2022 mainly due to higher manpower and operating costs as the Group ramps up its operations, while other income fell 34.0% YOY mainly due to lower government grants under the Job Support Scheme and lower rental concessions from landlords. As a result, net profit declined 10.8% YOY to S\$3.2 million in FY2022.

Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods, said: *"As a company that is driven by innovation, we had developed and grown our Halal segment during one of the most difficult times that the F&B industry had ever encountered. It showed that opportunities can be created even during adversity. We are extremely encouraged by the performance and the response to our Halal brands and have put in more resources to*

grow this market segment including creating a unique identity under the 'Shokudo' umbrella, which will differentiate our Halal brands from our other brands.

"At the same time, we are expanding our network and brand portfolio to capture the recovery and upswing in business and leisure activities in line with the relaxation of Covid-19 restrictions."

Reflecting its earnings performance, Japan Foods' earnings per share in FY2022 declined to 1.85 Singapore cent per share (FY2021: 2.08 Singapore cent per share) while net asset value per share was 18.75 Singapore cents as at 31 March 2022 (19.14 Singapore cents as at 31 March 2021). The Group's financial position stayed strong with a slight increase in cash and cash equivalents of S\$23.2 million as at 31 March 2022 (S\$23.1 million as at 31 March 2021) and it remained debt-free.

Dividend

The Board of Directors (the "**Board**") of Japan Foods has proposed a final dividend of 1.35 Singapore cents per share, which together with the interim dividend of 0.50 Singapore cents per share paid out in December 2021, brings total dividend in respect of FY2022 to 1.85 Singapore cents per share (FY2021: 2.50 Singapore cents), or 99.8% of net profit for the financial year.

Network Updates

During the year under review, Japan Foods added two new self-developed Halal brands to its portfolio. "Edo Shokudo" was launched in October 2021, it features ramen, teppanyaki (cooking style that uses an iron griddle) and okonomiyaki (Japanese-style savoury pancakes). "Yakiniku Shokudo" was launched in February 2022, it offers Japanese style barbeque. Both are expected to make full-year revenue contributions in the current financial year ending 31 March 2023 ("**FY2023**").

In FY2022, the Group continued to manage its restaurant portfolio actively, converting less performing brands with strong brands in order to drive sales across its network.

The following table shows the number of outlets operated by the Group by brand:

Non-Halal Restaurant Brands	As at 31 March 2022	As at 31 March 2021
Ajisen Ramen	13	14
Afuri	2	2
Curry is Drink	1	1
Fruit Paradise	2	1
Ichiro Ramen	1	1
Kagurazaka Saryo	1	1
Kazokutei	1	1
Konjiki Hototogisu	8	8
Menya Musashi	4	6
Menzo Butao	1	1
New ManLee Bak Kut Teh	1	1
Osaka Ohsho	4	4
Shitamachi Tendon Akimitsu	5	3
Shoryu Ramen	1	2
Yonehachi	2	2
Halal Restaurant Brands		
Edo Shokudo	1	-
Tokyo Shokudo	7	2
Yakiniku Shokudo	1	-
TOTAL RESTAURANTS	56	50

Japan Foods' overseas network operated by its associated companies had also expanded to 24 restaurants as at 31 March 2022 (as at 31 March 2021: 19 restaurants). These included eight restaurants in Hong Kong, ten restaurants in China and one restaurant in Indonesia under the "Menya Musashi" brand, as well as and four restaurants in Hong Kong and one restaurant in Shanghai under the "Konjiki Hototogisu" brand. The Group also has three "Pizzakaya" brand restaurants in Singapore together with its joint venture partner Minor Food Group (Singapore) Pte. Ltd. ("MS").

In FY2022, the Group's JF Rewards loyalty programme expanded to 327,000 members compared to 280,000 members in FY2021. The programme enables the Group to build a database of loyal customers and to direct marketing promotions to those who had opted to be kept informed.

Most recently in April 2022, the Group launched yet another self-developed brand “Tokyo Kitchen” at North Point, featuring Japanese inspired Western food. This brings the number of brands to-date to 19.

Outlook

Japan Foods expects the next 12 months to be challenging due to several factors. Singapore’s F&B industry continues to face a manpower crunch, which has led to high demand and competition for service staff that has intensified since the lifting of Covid-19 related restrictions on dining-in and social gatherings on 26 April 2022. The Group also expects to face higher costs of operations due to inflationary pressures and an uncertain economic outlook.

Mr Kenichi said: *“The lifting of Covid-19 restrictions was very much welcomed by a battle-weary F&B industry, whose earnings had been severely affected by these measures these past two years. We are optimistic that things will only get better from here as we see more people returning to malls and to restaurants to dine-in. At the same time, we are mindful that the recovery is fragile because of the risk of resurgence of Covid-19 and also because of the uncertain macro environment such as the geopolitical tensions in Eastern Europe that have fueled rising inflation, supply chain disruptions and fears of a recession. To ensure that our business is sustainable, we will intensify our efforts to manage our expenses and maintain our healthy balance sheet, while making sure that our portfolio of brands and locations remain appealing to customers.”*

With the highly anticipated opening of Japan’s borders¹, the Group can now resume its overseas expansion plans. It had established a joint venture company with MS to conduct the business of franchising and operating existing restaurant brands that they own in selected markets including Japan, however their plans to open restaurants in Japan in 2020 were derailed by the Covid-19 pandemic.

“It has been a long delay but we are very much looking forward to opening our first restaurant in Tokyo in the coming months,” said **Mr Kenichi**.

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¹ Bloomberg article “Japan to Allow Tourist Groups as Soon as This Month, Report Says” dated 6 May 2022.

About Japan Foods

Established in Singapore in 1997 and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited in February 2009, Japan Foods is one of the leading Japanese restaurant chains in Singapore. As at 31 March 2022, the Group operated 56 restaurants in Singapore under various self-developed brands and franchised brands such as “Ajisen Ramen”, “Osaka Ohsho”, “Menya Musashi”, and “Konjiki Hototogisu” which earned one Michelin Star in Tokyo. The Group is also active in the Halal market with its Halal restaurants parked under its “Shokudo” brand umbrella.

Japan Foods has won multiple awards for its efforts in corporate governance. The Company was named the “Most Transparent Company (Catalist)” at the 17th SIAS Investors’ Choice Awards in 2016 and also awarded the “Transparency Award – SMEs” at the 18th SIAS Investors’ Choice Awards 2017. In 2018, the Group received the “Best Managed Board Award (Gold)” at the Singapore Corporate Awards 2018 and Runner Up in the “Most Transparent Company Award – Hotel/Restaurant” category at the 2018 SIAS Investor Choice Awards. In 2019, it was once again recognised at the Singapore Corporate Awards for “Best Annual Report (Sliver)”.

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**Issued on behalf of Japan Foods Holding Ltd by
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