

JAPAN FOODS HOLDING LTD.

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Strong growth in Halal segment propels Japan Foods' FY2023 topline to new high

- FY2023 revenue is the highest since inception, affirms strategic direction and post-Covid 19 recovery
- Portfolio expands to 65 restaurants in FY2023 from 56 in FY2022, led by the introduction of new brands to its portfolio and the strong growth momentum of its Halal segment
- Proposes a final dividend of 1.00 Singapore cent per share, which together with interim dividend of 1.00 Singapore cent per share, brings total dividend for FY2023 to 2.00 Singapore cents per share

Financial Highlights (S\$' million)	Twelve months ended 31 Mar		Change (%)
	2023	2022	
Revenue	78.5	54.6	43.8
Gross profit	66.4	46.2	43.7
Gross profit margin (%)	84.6	84.6	-
Profit before income tax	4.9	3.2	50.3
Net profit attributable to equity holders of the Company	4.1	3.2	27.7
Basic earnings per share ("EPS") (Singapore cents) ⁽¹⁾	2.4	1.9	27.7
Net asset value ("NAV") per share (Singapore cents) ⁽²⁾	18.76 (as at 31 Mar 2023)	18.75 (as at 31 Mar 2022)	0.1

¹ EPS was computed based on the weighted average number of shares of 174,418,384 shares and 174,382,275 shares in FY2023 and FY2022 respectively.

² NAV was computed based on 174,394,200 shares as at 31 March 2023 and 174,424,000 shares as at 31 March 2022.

SINGAPORE, 23 May 2023 – 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 new revenue record of S\$78.5 million for the financial year ended 31 March 2023 ("FY2023"). This surpasses pre-Covid 19 revenues and is the Group's best topline performance since its inception in 1997.

Year-on-year (“YOY”), Japan Foods’ revenue was up 43.8% as compared to the previous financial year (“FY2022”) when sales of S\$54.6 million was reported. The improvement was attributed mainly to the strong momentum of the Group’s Halal segment, the addition of several new brands to its portfolio, as well as increased sales revenue across all its brands.

Rising in tandem with revenue, gross profit notched a 43.7% YOY increase to S\$66.4 million, while gross profit margin held steady at 84.6%.

In FY2023, the Group recorded higher overall expenses related to selling and distribution, administration, operations, and lease interest, which combined rose about 25.4% YOY. This was mainly related to the expansion of its restaurant network from 56 restaurants in FY2022 to 65 restaurants in FY2023. The Group also accounted for impairment losses of about S\$0.7 million in FY2023 from impairment of certain non-performing stores as compared to S\$0.1 million in FY2022.

Share of associated companies and joint venture company came in 147.0% higher YOY at S\$205,000, following the lifting of Covid-19 restrictions in Hong Kong during FY2023, which enabled restaurants operated by associated companies there to record an improvement in sales. However, this was partially offset by losses incurred by restaurants in China and Indonesia operated by the associated companies. The Group’s joint venture company, Dining Collective Pte Ltd, which operates three restaurants in Singapore and one in Japan, also incurred losses in FY2023 but these were not captured as the accumulated loss exceeded the capital contribution of S\$100,000.

With the cessation of most Covid-19 related government support schemes for businesses and the tax exemption granted to income derived from these schemes, the Group recorded lower other income of S\$1.9 million in FY2023 as compared to S\$7.2 million in FY2022, while income tax expense was S\$0.7 million in FY2023 as compared to a tax credit of S\$1,000 in FY2022.

In view of the aforementioned, Japan Foods’ profit attributable to shareholders of the Company rose 27.7% YOY to S\$4.1 million. Reflecting the bottomline improvement, earnings per share rose to 2.4 Singapore cents per share in FY2023 as compared to 1.9 Singapore cents per share in FY2022.

As at 31 March 2023, the Group remained debt-free and in a healthy financial position with cash and bank balances of S\$18.5 million (S\$23.2 million as at 31 March 2022).

Dividend

To share the takings from a good year, the Board of Directors (the “**Board**”) of Japan Foods has proposed a final dividend of 1.00 Singapore cent per share, which together with the interim dividend of 1.00 Singapore cent per share paid out in December 2022, brings total dividend in respect of FY2023 to 2.00 Singapore cents per share. This is higher than the 1.85 Singapore cents per share paid out in FY2022 and represents 84.5% of FY2023 net profit attributable to shareholders of the Company.

Mr Takahashi Kenichi, Executive Chairman and CEO of Japan Foods, said: *“We are very encouraged at how quickly our revenue bounced back from the pandemic era to hit a new record. It affirmed our strategy to enter the Halal segment and also demonstrated the resilience of our business against Singapore’s highly competitive F&B landscape.*

“We will continue to refresh our brand portfolio by regularly introducing new brands and rejuvenating existing ones while assessing each brand’s performance by location so that we can manage our restaurant portfolio to achieve the best results.”

Network Updates

- **Self-operated**

In FY2023, Japan Foods expanded its Halal-concept brands portfolio to eight. New concepts included “Ajisen Shokudo”, which is the Halal version of the Group’s flagship “Ajisen Ramen” brand, “BBQ Tori Shokudo” which is a BBQ concept restaurant and “Kyoto Shokudo” which features matcha desserts and also udon and Japanese rice bowls.

There were two new additions to the non-Halal segment. The first is “Nakiryu”, which opened in January 2023 and is the Group’s second Michelin-star ramen brand from Tokyo. The second is “Yakiniku Taro”, which is a Japanese-style grill restaurant that opened in July 2022 and it is the non-Halal version of “Yakiniku Shokudo”.

The Group’s JF Rewards loyalty programme in Singapore expanded to 363,000 members in FY2023 compared to 327,000 members in FY2022. The programme has enabled the Group to build a database of loyal customers and to direct marketing promotions to those who had opted to be kept informed.

The following table shows the number of outlets in Singapore self-operated by the Group under each brand:

Non-Halal Restaurant Brands	As at 31 March 2023	As at 31 March 2022
Ajisen Ramen	12	13
Afuri Ramen	2	2
Curry is Drink	-	1
Ichiro Ramen	1	1
Kazokutei	-	1
Konjiki Hototogisu	7	8
Menya Musashi	4	4
Menzo Butao	1	1
Nakiryu	1	-
New ManLee Bak Kut Teh	1	1
Osaka Ohsho	3	4
Shitamachi Tendon Akimitsu	4	5
Shoryu Ramen	-	1
Yakiniku Taro	1	-
Yonehachi	2	2
Halal-Concept restaurants		
Ajisen Shokudo	1	-
BBQ Tori Shokudo	1	-
Edo Shokudo	1	1
Fruit Paradise	5	2
Kagurazaka Saryo	1	1
Kyoto Shokudo	1	-
Tokyo Shokudo	8	7
Yakiniku Shokudo	8	1
TOTAL RESTAURANTS	65	56

- ***Operated by associated companies and joint venture***

Elsewhere in the region, Japan Foods' overseas network operated by its associated companies reduced to 17 restaurants as at 31 March 2023 (as at 31 March 2022: 24 restaurants) mainly due to the closure of one restaurant in Hong Kong and six restaurants in China under the "Menya Musashi" brand as a result of Covid-19 related challenges.

As at 31 March 2023, restaurants operated by the Group's overseas network comprised seven restaurants in Hong Kong, four restaurants in China and one restaurant in Indonesia under the "Menya Musashi" brand, as well as four restaurants in Hong Kong and one restaurant in Shanghai under the "Konjiki Hototogisu" brand.

The Group's network operated by its joint venture company ("JVC") with Minor Food Group (Singapore) Pte. Ltd. comprised three "Pizzakaya" brand restaurants in Singapore as at 31 March 2023. The JVC had opened one "Siam Smith" brand restaurant in Tokyo, Japan shortly after Covid-19 restrictions were lifted in the country but closed it because response was not within expectations.

Outlook

Japan Foods is optimistic that its performance will continue to reflect post-pandemic recovery and also the return of tourism following the opening of borders. However, this is expected to be weighed down by inflationary pressures on its cost of operations and raw materials as well as cautionary spending by consumers amidst recessionary concerns. The Group also expects the industry's manpower crunch to persist.

To mitigate these challenges, the Group will intensify efforts to manage its expenses and to maintain a healthy balance sheet.

Since November 2020 when it opened its first Halal-certified restaurant, the Halal segment has yielded positive results for the Group. In view of this, Japan Foods will continue to develop new brands and concepts to cater to this market. At the same time, the Group continues to be on the lookout for potential brand partners in Japan to add new concepts to its non-Halal portfolio.

There were several new additions to Japan Foods' network in April 2023. The Group launched yet another self-developed Halal brand "BBQ Seoul Shokudo" at Velocity Novena. This is Japan Food's first Korean concept restaurant and features BBQ favourites accompanied by the quintessential Korean side dishes. In the same month, the Group opened a second "Nakiryu" restaurant in Vivocity following the positive response to the first restaurant in Plaza Singapura. Meanwhile, the JVC has re-opened a "Siam Smith" brand restaurant in a new location in Tokyo, Japan and also expanded its Singapore network with the acquisition of the "Extra Virgin Pizza" brand and its existing restaurant at Asia Square Tower 1.

Mr Kenichi said: *“In the financial year ahead, we look forward to full year revenue contributions from the brands that were launched in FY2023 and also contributions from BBQ Seoul Shokudo that was recently launched in April 2023.”*

“We believe the fastest revenue growth will continue to be from our Halal segment, which in FY2023 contributed to more than 30.0% of total revenue versus 25.1% in FY2022. Having served customers in this market for about 2.5 years now, we have a deeper understanding about their tastes and spending patterns and I believe we will be able to cater to their needs even better.”

Note:

This press release is to be read in conjunction with the Company’s announcement in relation to its financial results for FY2023 released on the same date.

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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 2023, the Group operated 65 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 (Silver)”. At the SIAS Investors Choice Awards 2022, Japan Foods was a Runner Up for the “Most Transparent Company Award – Consumer Discretionary” category.

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**Issued on behalf of Japan Foods Holding Ltd by
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*This news release has been prepared by Japan Foods Holding Ltd. (the “**Company**”) and its contents have been reviewed by the Company’s sponsor, UOB Kay Hian Private Limited (“**Sponsor**”) for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist. This news release has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this news release, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this news release. The contact person for the Sponsor is Lance Tan, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.*