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Impact of High Prices as Seen in Financial Statements of Food Service Companies

Highlights how high prices put pressure on corporate profits through cost of sales and SG&A expenses

Financial and Capital Market Research Dept.
Yuki Seto

Summary

- Since the latter half of 2021, prices have been rising in Japan as a result of the increase in commodity prices and the depreciation of the yen. This report uses food service companies as an example in analyzing the impact of high prices on corporate profits.
- Looking at the latest quarterly results of food service companies (results for end of quarter in Jul-Sep 2022), while sales have recovered and are only 1.1% below the level of the Jul-Sep period of 2019 before the corona crisis, operating income was only about 30% of the same period due to the deterioration in the gross margin and other financial components.
- Electricity and gas rates in particular rose rapidly from the end of 2021, and the impact was particularly significant in the third quarter of 2022. Based on data from some listed companies that disclosed their utility expenses, the ratio of utility expenses to sales in the third quarter of 2022 was about 4.4%, an 0.8%pt increase from the third quarter of 2019.
- Although food service companies have raised prices one after another, many companies have not sufficiently covered the growth in cost of sales and utilities in their most recent financial results. On the other hand, as the possibility of a decline in demand due to further price increases is anticipated, it may continue to be difficult to pass on the increase in purchase prices directly to sales prices. It will be necessary to continue to monitor not only prices, but also wages, incomes, and consumer confidence when setting prices.

Attention

This report is a summary translation. The official document is only in Japanese.