
Lacto Japan | 3139 |

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On October 12, 2023, Lacto Japan Co., Ltd. announced earnings results for Q3 FY11/23.

Q3 FY11/23 (December 2022–August 2023) results

Summary

- ▶ Sales: JPY117.3bn (+9.2% YoY)
- ▶ Operating profit: JPY2.4bn (-13.1% YoY)
- ▶ Ordinary income: JPY2.1bn (-24.4% YoY)
- ▶ Net income attributable to owners of the parent: JPY1.4bn (-27.2% YoY)
- ▶ Forex rates: JPY136.71/USD (JPY124.80/USD in Q3 FY11/22), JPY147.96/EUR (JPY134.50/ EUR)

FY11/23 Q3 sales were 73.3% of the full-year forecast (72.9% a year ago of the full-year result), while ordinary income reached 64.4% (86.9%) and net income 61.6% (86.2%).

Business environment

In Q3, economic activity resumed following the reclassification of COVID-19 to Class 5. The restaurant and leisure industries experienced a strong recovery. Meanwhile, demand from businesses resumed in the food industry. However, rising raw material and energy prices, and inflation caused by yen depreciation, led to ongoing price hikes for many food products, hitting consumer purchasing power and depressing domestic demand. The outlook for global markets remained clouded as concerns of an economic downturn heightened against a backdrop of protracted Russia–Ukraine war and global monetary tightening.

In Japan's food industry, demand for commercial food products recovered as people started to go out again. However, food price hikes from Spring resulted in weaker consumer spending. In the dairy industry, the company's focus market, the level of skim milk powder inventory, which had been an issue since the pandemic, began to decline. However, demand for dairy products fell due to the August 2023 price hike for drinking milk.

In Asia, demand for dairy products for commercial use was recovering as travel resumed in Southeast Asian countries. However, China's economic slowdown depressed food demand across Asia.

Factors behind sales growth

Sales grew due mainly to higher product prices against a backdrop of high market prices and a weak yen in 2022. Under the business environment described above, sales of some dairy products and imported pork were robust in Japan, mainly for businesses. However, in Aasia Business (Dairy Ingredients), sales of ingredients for dairy mixtures to Japan declined as customers shifted from imported to domestic dairy ingredients in response to excess inventory of skim milk powder in Japan. In Asia Business (Cheese), sales of processed cheese were sluggish. Sales of protein ingredients were strong in the new functional food ingredients business as the company actively engaged in proposal-based sales activities.

Factors behind a decline in operating profit

Operating profit declined due to sluggish sales volume in Japan. Rising raw material prices weighed on profits in the Asia Business (Cheese). Cost of sales increased 9.8% YoY, while gross profit was down 1.3% YoY, with the GPM at 5.0% (-0.6pp YoY). Operating profit fell 13.1% YoY, and the OPM was down 0.6pp YoY to 2.0%.

Ordinary income down 24.4% YoY

In Q3, the company recorded foreign exchange losses of JPY76mn, versus foreign exchange gains of JPY180mn recorded a year ago. Excluding the JPY90mn negative forex impact in Q3, ordinary income would have come in at JPY2.1bn, down 19.0% from the comparable figure of JPY2.7bn in Q3 FY11/22. Versus the initial ordinary income forecast of JPY3.2bn, adjusted ordinary income was 67.2%.

* In order to avoid taking on exchange rate risk in the course of regular business transactions, as a rule the company enters into forward exchange contracts to cover the cost of the purchases made in foreign currencies at the time the contract is signed. Meanwhile, regarding the accounting treatment of the purchase transaction, procurement (purchase) is recorded at the time of shipment, which creates a lag from the point in time the purchase contract is signed. If the yen strengthens during that timeframe, the exchange rate will be lower than the forward rate at purchase and the actual cost of the goods will be lower than the cost based on forward exchange rate secured at the time the contract was concluded. Lacto Japan calculates its gross profit using the cost of goods sold based on the forward exchange rate at the time the goods were purchased, and records a forex hedging loss under non-operating expenses as a foreign exchange loss.

Results by business category

Dairy Ingredients and Cheese

In Q3 FY11/23, sales were JPY83.2bn (+14.9% YoY) and total sales volume was 124,799 tons (-11.5% YoY).

Progress against the company's full-year FY11/23 forecast was 78.2% for sales and 72.6% for sales volume.

Sales of lactose, whole milk powder, and other dairy ingredients (used in ice cream and chocolate) were robust due to the recovery of leisure and travel demand during the summer. The inventory of domestic skim milk powder gradually declined, from the peak of 100,000 tons in May 2022 down to 60,000–70,000 tons in March 2023 and later, thanks to ongoing efforts to bring down the excess inventory. The company's major customers shifted from imported to domestic products to address the excess inventory, resulting in lower sales volumes of skim milk powder and dairy mixture ingredients. Sales of domestic products, which had been growing in recent years, dropped for domestic and global markets.

Cheese sales for the restaurant market were robust. However, consumer (retail) demand was weak due to price hikes on end (consumer) products. Amid ongoing yen depreciation, the company leveraged its global network to offer competitive pricing, resulting in strong earnings. International cheese prices have been declining since the beginning of the fiscal year. The company plans to expand sales and carve a greater market share.

Meat Products

In Q3 FY11/23, sales were JPY13.4bn (+22.8% YoY) and total sales volume was 20,835 tons (+14.3% YoY).

Progress against the company's full-year FY11/23 forecast was 88.2% for sales and 74.4% for sales volume.

In Meat Products, sales of chilled and frozen pork, the company's mainstay, grew owing to a recovery in demand for commercial use, particularly in the restaurant industry. In the imported pork market, inquiries for North American pork increased against a backdrop of an increase in the market price of pork produced in Europe. This is attributable to the impact of African Swine Fever (ASF), which was prevalent last year, and lower production due to rising costs. The company primarily procures pork from North America. Its products were well received in terms of quality and prices, with sales steadily growing. Amid the pandemic, the company's key supplier in the US had decreased production due to labor

shortages. However, the production system improved and production resumed thanks to progress in securing personnel. The company made steady progress in purchasing chilled and frozen pork.

Lacto Japan is working to diversify its product offerings in Meat Products, and sales of poultry and related products grew in Q3. The company won new orders for these products and plans to expand such orders.

Asia Business and Other

In Q3 FY11/23, sales were JPY20.8bn (-14.2% YoY).

Dairy ingredient sales (wholesaling)

Sales were JPY14.1bn (-27.3% YoY) and sales volumes was 27,479 tons (-29.4% YoY).

Progress against the company's full-year FY11/23 forecast was 52.6% for sales and 48.6% for sales volume.

Sales of dairy mixture ingredients declined as customers in Japan shifted from imported to domestic products. The volume of skim milk powder exported from Japan declined as the level of domestic skim milk inventory normalized. Further, sales to local manufacturers in Southeast Asia were sluggish due to China's economic slowdown. As a result, sales volume was down 29.4% YoY. According to the company, amid declining demand from China, its competitors (who sells Oceania dairy ingredients) started to target Asian countries other than China, resulting in fierce competition.

Cheese manufacturing and sales

Sales were JPY3.5bn (+20.1% YoY) and sales volume was 3,541 tons (-1.1% YoY).

Progress against the company's full-year FY11/23 forecast was 75.5% for sales and 60.0% for sales volume.

The decline in demand in China amid the economic slowdown resulted in lower-than-expected sales of processed cheese to food manufacturers targeting the Chinese market. In addition to China, sales volumes were particularly lower in Thailand, where the economy is showing signs of slowing.

In Singapore and Malaysia, despite the impact of China's economic downturn, sales of processed and natural cheese remained steady as demand recovered in the local restaurant industry and the company won new orders. The company plans to start operations at a new factory under construction in Singapore in the first half of 2025.

In recent years, the company has received increasing inquiries for natural shredded cheese. Sales for restaurants steadily grew. Profitability of processed cheese declined due to soaring prices of raw cheese last year.

Other businesses

Sales came in at JPY3.2 (+67.3% YoY), with progress against the company's full-year FY11/23 forecast at 45.5%.

In the functional food ingredients business, which Lacto Japan launched in FY11/20 and has positioned as a new growth business, sales of protein ingredients were robust. The company proposed protein products combined with other functional ingredients to prospective customers. As a result, it gradually expanded sales and sales channels.

Financial position

Current assets totaled JPY77.1bn, up JPY7.0bn versus end-FY11/22. The increase is mainly attributable to increases of JPY4.9bn in merchandise and finished goods and JPY3.2bn in cash and deposits. Fixed assets of JPY3.5bn were up JPY157mn versus end-FY11/22, primarily due to increases of JPY161mn in investments and other assets and JPY25mn in intangible fixed assets, partially offset by a decline of JPY28mn in tangible fixed assets.

Current liabilities stood at JPY45.4bn, up JPY4.3bn versus end-FY11/22, with most of this increase attributed to increases of JPY7.2bn in short-term borrowings accompanying increased working capital and JPY1.0bn in commercial papers, partially offset by a JPY3.6bn decline in accounts payable. Fixed liabilities of JPY11.1bn were up JPY1.2bn versus end-FY11/22, primarily reflecting a JPY1.3bn increase in long-term borrowings. Net assets totaled JPY24.2bn, up JPY1.7bn versus end-FY11/22, due mainly to increases of JPY8mn in retained earnings, JPY325mn in deferred hedge gains, and JPY544mn in foreign currency translation adjustments.

Inventories totaled JPY45.9bn, up JPY4.5bn versus end-FY11/22, mainly reflecting an increase in product prices denominated in yen due to products procured when the market prices were high and the yen was weak, and the following two volume factors. According to the company, inventories are in principle tied to sales and the company does not take inventory risk.

- 1) Sales of dairy ingredients slowed in the domestic cheese market due to sluggish demand caused by price hikes on end (consumer) products.
- 2) Orders increased in the Meat Business, as food manufacturers in North America sought to secure ingredients in advance in light of rising market prices in Europe.

Quarterly (cumulative) earnings

Cumulative (JPYmn)	FY11/21				FY11/22				FY11/23			FY11/23	
	Q1 Cons.	Q2 Cons.	Q3 Cons.	Q4 Cons.	Q1 Cons.	Q2 Cons.	Q3 Cons.	Q4 Cons.	Q1 Cons.	Q2 Cons.	Q3 Cons.	% of Est.	Est.
Sales	23,994	52,648	79,630	110,884	31,755	69,788	107,486	147,423	38,745	80,450	117,330	73.3%	160,000
YoY	-15.0%	-9.1%	-6.4%	0.0%	32.3%	32.6%	35.0%	33.0%	22.0%	15.3%	9.2%		8.5%
Dairy Ingredients and Cheese	17,090	36,952	54,996	76,481	22,024	47,202	72,356	98,821	27,594	56,791	83,158	78.2%	106,400
YoY	-14.8%	-7.5%	-8.2%	-2.4%	28.9%	27.7%	31.6%	29.2%	25.3%	20.3%	14.9%		7.7%
% of sales	71.2%	70.2%	69.1%	69.0%	69.4%	67.6%	67.3%	67.0%	71.2%	70.6%	70.9%		
Meat Products	3,116	6,769	10,380	14,278	3,530	7,221	10,927	15,135	4,063	8,996	13,413	88.2%	15,200
YoY	7.4%	10.8%	18.2%	20.0%	13.3%	6.7%	5.3%	6.0%	15.1%	24.6%	22.8%		0.4%
% of sales	13.0%	12.9%	13.0%	12.9%	11.1%	10.3%	10.2%	10.3%	10.5%	11.2%	11.4%		9.5%
Asia Business and other	3,787	8,926	14,251	20,122	6,200	15,364	24,201	33,464	7,086	14,661	20,757		
YoY	-28.0%	-24.8%	-12.9%	-2.4%	63.7%	72.1%	69.8%	66.3%	14.3%	-4.6%	-14.2%		
% of sales	15.8%	17.0%	17.9%	18.1%	19.5%	22.0%	22.5%	22.7%	18.3%	18.2%	17.7%		
Asia Business: dairy ingredients	2,829	6,809	11,111	15,754	4,783	12,279	19,405	26,672	5,248	10,564	14,098	52.6%	26,800
YoY	-35.9%	-32.8%	-19.2%	-7.5%	69.1%	80.3%	74.6%	69.3%	9.7%	-14.0%	-27.3%		0.5%
% of sales	11.8%	12.9%	14.0%	14.2%	15.1%	17.6%	18.1%	18.1%	13.5%	13.1%	12.0%		16.8%
Asia Business: cheese	801	1,689	2,428	3,324	935	1,827	2,892	3,984	1,087	2,246	3,473	75.5%	4,600
YoY	17.9%	24.9%	19.3%	14.8%	16.7%	8.2%	19.1%	19.9%	16.3%	22.9%	20.1%		15.5%
% of sales	3.3%	3.2%	3.0%	3.0%	2.9%	2.6%	2.7%	2.7%	2.8%	2.8%	3.0%		2.9%
Other	156	428	712	1,044	481	1,258	1,904	2,808	751	1,851	3,186	45.5%	7,000
YoY	-7.1%	10.9%	24.9%	51.1%	208.3%	193.9%	167.4%	169.0%	56.1%	47.1%	67.3%		149.3%
% of sales	0.7%	0.8%	0.9%	0.9%	1.5%	1.8%	1.8%	1.9%	1.9%	2.3%	2.7%		4.4%
Sales volume (tons)													
Dairy Ingredients and Cheese	43,141	91,993	135,032	184,358	46,731	96,454	141,079	182,957	40,578	85,335	124,799	72.6%	172,000
YoY	-12.7%	-6.4%	-7.2%	-3.8%	8.3%	4.8%	4.5%	-0.8%	-13.2%	-11.5%	-11.5%		-6.0%
Meat Products	5,736	12,567	19,013	25,699	6,004	12,096	18,224	24,775	6,005	13,878	20,835	74.4%	28,000
YoY	9.9%	9.7%	17.8%	17.2%	4.7%	-3.7%	-4.1%	-3.6%	0.0%	14.7%	14.3%		13.0%
Asia Business: dairy ingredients	9,918	22,690	34,546	47,817	11,397	26,549	38,906	50,423	10,374	21,088	27,479	48.6%	56,500
YoY	-32.4%	-35.0%	-28.4%	-20.5%	14.9%	17.0%	12.6%	5.4%	-9.0%	-20.6%	-29.4%		12.1%
Asia Business: cheese	1,120	2,334	3,355	4,635	1,253	2,336	3,579	4,786	1,154	2,369	3,541	60.0%	5,900
YoY	10.5%	17.7%	13.8%	10.4%	11.9%	0.1%	6.7%	3.3%	-7.9%	1.4%	-1.1%		23.3%
Average price (JPY/kg)													
Dairy Ingredients and Cheese	396	402	407	415	471	489	513	540	680	666	666		
YoY	-2.4%	-1.1%	-1.1%	1.5%	19.0%	21.8%	25.9%	30.2%	44.3%	36.0%	29.9%		
Meat Products	543	539	546	556	588	597	600	611	677	648	644		
YoY	-2.2%	1.0%	0.4%	2.4%	8.2%	10.8%	9.8%	10.0%	15.1%	8.6%	7.4%		
Asia Business: dairy ingredients	285	300	322	329	420	463	499	529	506	501	513		
YoY	-5.1%	3.4%	12.9%	16.4%	47.1%	54.1%	55.1%	60.6%	20.5%	8.3%	2.9%		
Asia Business: cheese	715	724	724	717	746	782	808	832	942	948	981		
YoY	6.6%	6.1%	4.8%	4.0%	4.3%	8.1%	11.7%	16.1%	26.2%	21.2%	21.4%		
CoGS	22,316	49,274	74,599	104,243	30,033	65,832	101,492	139,962	36,639	76,448	111,416		
YoY	-15.9%	-9.6%	-6.7%	0.0%	34.6%	33.6%	36.1%	34.3%	22.0%	16.1%	9.8%		
CoGS ratio	93.0%	93.6%	93.7%	94.0%	94.6%	94.3%	94.4%	94.9%	94.6%	95.0%	95.0%		
Gross profit	1,678	3,375	5,032	6,641	1,722	3,956	5,994	7,462	2,107	4,002	5,914		
YoY	-0.5%	-1.0%	-1.0%	0.2%	2.6%	17.2%	19.1%	12.4%	22.4%	1.2%	-1.3%		
GPM	7.0%	6.4%	6.3%	6.0%	5.4%	5.7%	5.6%	5.1%	5.4%	5.0%	5.0%		
SG&A expenses	865	1,844	2,786	3,854	982	2,088	3,228	4,490	1,093	2,296	3,510		
YoY	-6.2%	1.0%	2.9%	5.1%	13.5%	13.2%	15.9%	16.5%	11.4%	10.0%	8.7%		
SG&A ratio	3.6%	3.5%	3.5%	3.5%	3.1%	3.0%	3.0%	3.0%	2.8%	2.9%	3.0%		
Operating profit	813	1,530	2,245	2,787	740	1,868	2,766	2,971	1,013	1,706	2,404		
YoY	6.4%	-3.2%	-5.5%	-5.8%	-9.0%	22.0%	23.2%	6.6%	36.9%	-8.7%	-13.1%		
OPM	3.4%	2.9%	2.8%	2.5%	2.3%	2.7%	2.6%	2.0%	2.6%	2.1%	2.0%		
Gains (losses) on foreign exchange	50	0	123	81	7	0	180	445	242	-189	-76		
YoY	224.7%	-	-	-	-86.2%	-	45.4%	452.7%	-	-	-		
% of sales	0.2%	0.0%	0.2%	0.1%	0.0%	0.0%	0.2%	0.3%	0.6%	-0.2%	-0.1%		
OP + Gains (losses) on forex	863	1,531	2,369	2,868	747	1,868	2,945	3,416	1,256	1,516	2,328		
YoY	10.7%	-0.8%	0.6%	-3.2%	-13.5%	22.0%	24.3%	19.1%	68.1%	-16.4%	-21.0%		
% of sales	3.6%	2.9%	3.0%	2.6%	2.4%	2.7%	2.7%	2.3%	3.2%	1.9%	2.0%		
Ordinary income	737	1,412	2,213	2,682	719	1,665	2,725	3,135	744	1,345	2,060	64.4%	3,200
YoY	-2.1%	-1.5%	0.2%	-3.6%	-2.5%	17.9%	23.1%	16.9%	3.5%	-19.2%	-24.4%		2.1%
Profit margin	3.1%	2.7%	2.8%	2.4%	2.3%	2.4%	2.5%	2.1%	1.9%	1.7%	1.8%		2.0%
Net income	527	1,011	1,601	1,959	524	1,207	1,970	2,287	509	923	1,435	61.6%	2,330
YoY	-3.4%	-2.8%	-0.4%	-5.0%	-0.6%	19.4%	23.1%	16.7%	-2.8%	-23.6%	-27.2%		1.9%
Net margin	2.2%	1.9%	2.0%	1.8%	1.6%	1.7%	1.8%	1.6%	1.3%	1.1%	1.2%		1.5%
Foreign exchange													
USD/JPY	104.30	106.65	107.80	108.97	114.65	119.55	124.80	129.67	132.73	133.82	136.71		
EUR/JPY	126.62	128.73	129.43	129.68	129.77	132.11	134.50	136.86	141.94	144.09	147.96		

Source: Shared Research based on company data

Note: Figures rounded to the nearest million yen (amounts less than JPY1 mn are rounded down in materials released by the company).

Quarterly earnings (three months)

Quarterly (JPYmn)	FY11/21				FY11/22				FY11/23		
	Q1 Cons.	Q2 Cons.	Q3 Cons.	Q4 Cons.	Q1 Cons.	Q2 Cons.	Q3 Cons.	Q4 Cons.	Q1 Cons.	Q2 Cons.	Q3 Cons.
Sales	23,994	28,654	26,982	31,253	31,755	38,033	37,698	39,938	38,745	41,705	36,880
YoY	-15.0%	-3.5%	-0.6%	21.3%	32.3%	32.7%	39.7%	27.8%	22.0%	9.7%	-2.2%
CoGS	22,316	26,957	25,325	29,644	30,033	35,799	35,659	38,470	36,639	39,809	34,969
YoY	-15.9%	-3.6%	-0.6%	22.3%	34.6%	32.8%	40.8%	29.8%	22.0%	11.2%	-1.9%
CoGS ratio	93.0%	94.1%	93.9%	94.9%	94.6%	94.1%	94.6%	96.3%	94.6%	95.5%	94.8%
Gross profit	1,678	1,697	1,657	1,609	1,722	2,234	2,039	1,467	2,107	1,896	1,912
YoY	-0.5%	-1.4%	-1.2%	4.3%	2.6%	31.6%	23.0%	-8.8%	22.4%	-15.1%	-6.2%
GPM	7.0%	5.9%	6.1%	5.1%	5.4%	5.9%	5.4%	3.7%	5.4%	4.5%	5.2%
SG&A expenses	865	979	942	1,067	982	1,106	1,140	1,262	1,093	1,203	1,214
YoY	-6.2%	8.3%	6.7%	11.4%	13.5%	13.0%	21.0%	18.2%	11.4%	8.7%	6.5%
SG&A ratio	3.6%	3.4%	3.5%	3.4%	3.1%	2.9%	3.0%	3.2%	2.8%	2.9%	3.3%
Operating profit	813	717	715	542	740	1,127	898	205	1,013	692	698
YoY	6.4%	-12.2%	-9.9%	-7.2%	-9.0%	57.1%	25.7%	-62.1%	36.9%	-38.6%	-22.3%
OPM	3.4%	2.5%	2.6%	1.7%	2.3%	3.0%	2.4%	0.5%	2.6%	1.7%	1.9%
Gains (losses) on foreign exchange	-50	51	123	-43	7	-7	180	265	242	53	114
YoY	-	-	580.0%	-	-86.2%	-	45.7%	-	-	-	-51.4%
% of sales	-0.2%	0.2%	0.5%	-0.1%	0.0%	-0.0%	0.5%	0.7%	0.6%	0.1%	0.3%
OP + Gains (losses) on forex	763	768	838	499	747	1,120	1,078	471	1,256	745	812
YoY	-2.2%	0.7%	3.3%	-18.0%	-13.5%	67.9%	28.6%	-5.6%	68.1%	-30.1%	-28.3%
% of sales	3.2%	2.7%	3.1%	1.6%	2.4%	2.9%	2.9%	1.2%	3.2%	1.8%	2.2%
Ordinary income	737	675	801	469	719	947	1,060	409	744	601	715
YoY	-2.1%	-0.8%	3.3%	-18.1%	-2.5%	40.2%	32.4%	-12.7%	3.5%	-36.5%	-32.6%
Profit margin	3.1%	2.4%	3.0%	1.5%	2.3%	2.5%	2.8%	1.0%	1.9%	1.4%	1.9%
Net income	527	484	590	358	524	684	763	317	509	414	512
YoY	-3.4%	-2.2%	4.0%	-21.2%	-0.6%	41.3%	29.3%	-11.6%	-2.8%	-39.5%	-32.8%
Net margin	2.2%	1.7%	2.2%	1.1%	1.6%	1.8%	2.0%	0.8%	1.3%	1.0%	1.4%

Source: Shared Research based on company data

Note: Figures rounded to the nearest million yen (amounts less than JPY1 mn are rounded down in materials released by the company).

Company forecast for full-year FY11/23

	Sales (JPYmn)	YoY	Operating profit (JPYmn)	YoY	Ordinary income (JPYmn)	YoY	Net income (JPYmn)	YoY	EPS (JPY)	BPS (JPY)	ROA (OI-based)	ROE
FY11/14	Cons. 96,550	27.1%	1,532	118.8%	1,653	-1.0%	988	-1.9%	127.79	1,165.58	4.5%	12.2%
FY11/15	Cons. 98,001	1.5%	720	-53.0%	1,343	-18.8%	831	-15.9%	98.94	1,062.54	3.3%	8.5%
FY11/16	Cons. 88,679	-9.5%	3,349	365.1%	1,434	6.8%	946	13.8%	96.79	1,167.72	3.7%	8.7%
FY11/17	Cons. 101,335	14.3%	1,924	-42.6%	2,523	75.9%	1,755	85.5%	179.48	1,302.98	6.0%	14.5%
FY11/18	Cons. 115,441	13.9%	3,009	56.4%	2,613	3.6%	1,784	1.7%	182.31	1,462.35	5.5%	13.2%
FY11/19	Cons. 116,794	1.2%	3,144	4.5%	2,747	5.1%	1,963	10.0%	200.11	1,618.31	5.7%	13.0%
FY11/20	Cons. 110,838	-5.1%	2,959	-5.9%	2,781	1.2%	2,062	5.1%	209.47	1,774.58	6.1%	12.3%
FY11/21	Cons. 110,884	0.0%	2,787	-5.8%	2,682	-3.6%	1,959	-5.0%	198.73	1,978.42	5.6%	10.6%
FY11/22	Cons. 147,423	33.0%	2,959	6.2%	3,135	16.9%	2,287	16.7%	231.64	1,774.58	6.1%	12.3%
FY11/23	Est. Cons. 160,000	8.5%	-	-	3,200	2.1%	2,330	1.9%	235.52	-	-	-

Source: Shared Research based on company data

Note: Figures rounded to the nearest million yen (amounts less than JPY1 mn are rounded down in materials released by the company).

Company forecast for full-year FY11/23

- ▶ Sales: JPY160.0bn (+8.5% YoY)
- ▶ Ordinary income: JPY3.2bn (+2.1% YoY)
- ▶ Net income: JPY2.3bn (+1.9% YoY)
- ▶ EPS: JPY235.52 (JPY231.64 in FY11/22)
- ▶ DPS: JPY48.00 (JPY40.00)

As of the announcement of Q3 results, the company maintained its full-year earnings forecast.

In the dairy and dairy farming industry, there is concern over the slowdown in dairy product consumption due to the August 2023 price hike of drinking milk. The company will pay close attention to demand trends for dairy products and

skim milk powder inventory. It expects growing demand for imported ingredients with competitive prices and will focus on sales of these ingredients to grow sales.

Forecast by business category**Dairy Ingredients and Cheese**

Sales: JPY106.4bn (+7.7% YoY)

Sales volume: 172,000 tons (-6.0% YoY)

Meat Products

Sales: JPY15.2bn (+0.4% YoY)

Sales volume: 28,000 tons (+13.0% YoY)

Asia Business: Dairy ingredient sales (wholesaling)

Sales: JPY26.8bn (+0.5% YoY)

Sales volume: 56,500 tons (+12.1% YoY)

Asia Business: Cheese manufacturing and sales

Sales: JPY4.6bn (+15.5% YoY)

Sales volume: 5,900 tons (+23.3% YoY)

Other

Sales: JPY7.0bn (+149.3% YoY)

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Contact Details

Shared Research Inc.

Daiwa Sarugakucho Building

2-6-10 Kanda Sarugakucho, Chiyoda-ku Tokyo, Japan

<https://sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: info@sharedresearch.jp