

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

NH Foods Ltd. (security code: 2282)

<Affirmation>

Long-term Issuer Rating: A+
Outlook: Stable
Bonds: A+
CP: J-1

Rationale

- (1) NH Foods Ltd. (the “Company”) is one of Japan’s leading food manufacturers. Its business base is solid as shown by the largest domestic sales share for fresh meats, and others. The Company’s strength lies in its vertical integration system, which encompasses everything from livestock production and raising to slaughtering, processing, distribution, and sales. It also handles processed foods including ham and sausages, deli foods, marine products and dairy products, boasting a high market share and brand power in many product groups.
- (2) The harsh business environment with soaring raw materials and energy prices and the sharp yen depreciation is squeezing profits. While high costs continue to precede, the Company is revising sales prices as necessary and reinforcing its earnings structure in line with changes in the external environment. As the effects of these initiatives materialize, profits will likely head for recovery from the fiscal year ending March 2024 (FY2023) onward. Furthermore, despite the continued aggressive investment, the Company’s favorable financial structure is expected to be kept. Based on the above, JCR has affirmed the ratings on the Company with Stable outlook.
- (3) For FY2022, business profit (IFRS) is expected to be 22 billion yen (down 54.3% year on year), a decline in income for two consecutive years, following FY2021, when the impact of costs began to materialize. The Company intends to accelerate structural reforms, such as reducing the number of product items and improving the efficiency of its production system in the processed foods business; as well as expanding the sales of branded fresh meats and strengthening its procurement system in the fresh meat business. The overseas business is scheduled to sell the Uruguayan meat processing company which had been in the red, in October 2023, in order to stabilize earnings. JCR will observe progress in contributions of these initiatives and future trends in profit recovery.
- (4) The ratio of equity attributable to owners of the parent was 50.1% at the end of the third quarter of FY2022 (52.7% at the end of FY2021). Capital investment remains high, due to the construction of a new ballpark to be opened in March 2023 and DX investment, in addition to normal maintenance/renewal costs and growth investment, but the financial structure is kept at a favorable level. With no change in the Company’s policy of maintaining a certain level of financial discipline going forward, such as DER between 0.4x and 0.5x, there are no particular financial concerns.

Hajime Inoue, Misa Ishizaki

Rating

Issuer: NH Foods Ltd.

<Affirmation>

Long-term Issuer Rating: A+ Outlook: Stable

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
Bonds no. 10	JPY 10	Feb. 25, 2019	Feb. 20, 2024	0.150%	A+
Bonds no. 11	JPY 10	Feb. 25, 2019	Feb. 20, 2026	0.250%	A+
Bonds no. 12	JPY 10	Feb. 25, 2019	Feb. 20, 2029	0.360%	A+
Bonds no. 13	JPY 15	Sept. 4, 2019	Aug. 19, 2039	0.600%	A+
Bonds no. 14 (sustainability bonds)	JPY 10	Feb. 26, 2021	Feb. 20, 2031	0.300%	A+
Bonds no. 15 (sustainability bonds)	JPY 20	Oct. 21, 2022	Oct. 21, 2027	0.37%	A+

CP: J-1

Maximum: JPY 30 billion

Rating Assignment Date: February 21 2023

The assumptions for the credit ratings and the definitions of the rating symbols are published as “Types of Credit Ratings and Definitions of Rating Symbols” (January 6, 2014) in Information about JCR Ratings on JCR’s website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as “JCR’s Rating Methodology” (November 7, 2014) and “Foods” (June 1, 2021) in Information about JCR Ratings on JCR’s website (<https://www.jcr.co.jp/en/>).

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)



INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	NH Foods Ltd.
Rating Publication Date:	February 27, 2023

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Business Bases

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

B) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

C) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

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