

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 of 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) Earnings are recovering. Costs remain high, but demand for eating out has recovered and inventory management has been more sophisticated in the fresh meats business, and the effects of gradual price revisions and product mix are beginning to appear in the processed foods business. The processed foods business has been consolidating its bases and reducing the number of items. Going forward, profits are expected to continue recovering in the medium term as well, through further optimization of the production structure and appropriate price pass-through. JCR will confirm the progress and results of earnings structure reforms and growth strategies that the Company is working on both at home and abroad. The financial position is sound, and JCR believes that the Company will be able to maintain the current level of financial structure going forward. Based on the above, JCR has affirmed the ratings on the Company with Stable outlook.
- (3) Business profit for the fiscal year ending March 2024 (FY2023) is projected to be 45 billion yen (up 75.8% year on year), the first increase in three periods. In FY2022, the soaring market price of imported meat had a negative impact on profits, but earnings are currently improving due to stricter management to keep inventory at an appropriate level. Additionally, the Hokkaido Ballpark, which opened in March 2023, is attracting a steady flow of visitors and is boosting profits. The future challenges are to continue improving the profitability of the processed foods business and stabilize the earnings of the overseas business. In recent years, the overseas business has been focusing on expanding sales of processed products and branded meat. The Company is also proceeding with the liquidation of unprofitable businesses, and JCR is paying attention to whether these measures will enable the Company to stay in the black.
- (4) The equity ratio attributable to owners of the parent at the end of the third quarter of FY2023 was 54.1% (52.6% at end-FY2022). Capital investment, mainly for the construction of a new stadium, remained at a somewhat high level, but it is expected to peak out from FY2024, and free cash flow will expand. There is no change in the financial policy of controlling the DER at around 0.5-0.6x, and concerns about financial soundness are low.

Hajime Inoue, Misa Ishizaki

### Rating

Issuer: NH Foods Ltd.

### <Affirmation>

Long-term Issuer Rating: A+	Outlook: Stable
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Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
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, 2024**

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" (February 1, 2024) 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.

### Japan Credit Rating Agency, Ltd.

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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, 2024

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).

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as parent company, subsidiary, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

## 4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

## 5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

## 6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

## 7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

## 8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- ◁ The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.
- A) Audited financial statements presented by the rating stakeholders
- B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

## 9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- ◁ JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the warranty made by the issuer, the publication by the issuer, some independent media or, otherwise, JCR analyst's scrutiny, etc.
- ◁ JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- ◁ If the credit rating is an Indication, please see the report for Indication.

## 10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- ◁ JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- ◁ JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of public or private credit rating, such as one in the ancillary business.

## 11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

### A) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

### B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

### C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.









