

February 9, 2022

Dear Sirs and Madams

Name of the Company: NH Foods Ltd.

Representative: Yoshihide Hata
President and Representative Director
(Code No. 2282, First Section of the
Tokyo Stock Exchange)

Person to contact: Tomoya Matsuda
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Notice of Recording of Profits from Share Transfer associated with the Change in Consolidated Subsidiaries (by Share Transfer) and the Adjustment to the Forecast of Business Results

Notice is hereby given that NH Foods Ltd. (the “Company”), in consideration of the contents of “Notice of Change in Consolidated Subsidiaries (by Share Transfer)” announced today, as well as recent trends in its business results, has adjusted the forecast of consolidated business results and non-consolidated business results for the year ending March 31, 2022 announced on May 10, 2021 in “Brief Statement of Accounts for the Year Ended March 31, 2021 (Under IFRS) (Consolidated),” as described below.

Description

1. Details of profits from share transfer

As described in the “Notice of Change in Consolidated Subsidiaries (by Share Transfer)” announced today, all shares and related assets of The Marine Foods Corporation, a consolidated subsidiary of the Company (“Marine Foods”), are scheduled to be sold to Sojitz Corporation on March 31, 2022 (the “Share Transfer”). As a result of the Share Transfer, the Company expects to record profits from the Share Transfer of approximately 8.8 billion yen in the consolidated financial statements and approximately 13.7 billion yen in the non-consolidated financial statements (the both being approximate values) in the fourth quarter of the year ending March 31, 2022.

The consideration for the Share Transfer will be determined by adjusting Marine Foods’ consolidated interest-bearing liabilities, cash and deposits, working capital, and other assets and liabilities at the time of execution of the Share Transfer against the corporate value of Marine Foods as agreed in the agreement for the Share Transfer. However, the above-mentioned profits from the Share Transfer are estimated based on the approximate values as of the end of the year ending March 31, 2021.

2. Adjustment to the forecast of business results

- Adjustment to the forecast of consolidated business results for the whole-year period ending March 31, 2022 (April 1, 2021 through March 31, 2022):

	(millions of yen)				
	Net sales	Business profit	Profit before tax	Profit attributable to owners of parent	Earnings per share (basic) (yen)
Previous forecast (A)	1,180,000	48,000	43,000	30,000	293.62
Adjusted forecast (B)	1,160,000	48,000	46,000	39,500	386.19
Amount of increase or decrease (B)-(A)	(20,000)	—	3,000	9,500	
Rate of increase or decrease (%)	(1.7)%	—	7.0%	31.7%	
(For reference) Actual results for the previous year (April 1, 2020 through March 31, 2021)	1,176,101	52,426	48,874	32,616	317.97

* Net sales and profit before tax of the actual results for the previous year (year ending March 31, 2021) are figures before retrospective adjustment is made based on classification as discontinued operations.

[Reason for adjustment to the forecast of consolidated business results]

(Classification as discontinued operations)

Since the decision of the Share Transfer has been made, the marine products business related to Marine Foods will be classified as discontinued operations from the fourth quarter consolidated accounting period for the year ending March 31, 2022. As a result, profits and losses arising from such business and the Share Transfer will be indicated as “profit from discontinued operations”, separately from continuing operations, in the consolidated statements of income. Accordingly, net sales and profit before tax will be announced as forecast figures for continuing operations. Further, business profit, profit attributable to owners of parent and earnings per share (basic) are forecast figures, inclusive of discontinued operations.

(Reason for adjustment)

Net sales are expected to be slightly lower than the previous forecast due to the exclusion of net sales for the marine business related to Marine Foods by the classification as discontinued operations, although net sales is expected to increase due to steady sales prices in the Fresh Meats Business Division and the Overseas Business Division in response to the global trend of high fresh meats market prices and the recovery in demand of commercial-use products in the Processed Foods Business Division.

In terms of business profit, the Company expects it to be at the same level as the previous forecast due to the high cost trend in Japan, including the sharp rise in feed prices in the Fresh Meats Business Division and the rise of prices of main ingredients and other materials in the Processed Foods Business Division, while profit growth is expected in the Australia operations in the Overseas Business Division due to solid sales prices and increased efficiency in plant operations.

Profit before tax is expected to exceed the previous forecast due to the favorable business performance of overseas equity method affiliates and the expected increase in investment profits on equity method, despite reduction factors due to the classification as discontinued operations.

Profit attributable to owners of parent is expected to exceed the previous forecast, due to a profit of approximately 8.8 billion yen (approximate value) from the Share Transfer and the income tax expense on such transfer profit being expected to be included in “profit from discontinued operations”, in addition to the increase in profit before tax.

■ Adjustment to the forecast of non-consolidated business results for the whole-year period ending March 31, 2022 (April 1, 2021 through March 31, 2022):

	(millions of yen)			
	Net sales	Ordinary income	Net income	Basic earnings per share (yen)
Previous forecast (A)	760,000	19,500	18,200	178.13
Adjusted forecast (B)	770,000	22,000	29,700	290.37
Amount of increase or decrease (B)-(A)	10,000	2,500	11,500	
Rate of increase or decrease (%)	1.3%	12.8%	63.2%	
(For reference) Actual results for the previous year (April 1, 2020 through March 31, 2021)	772,313	22,860	6,933	67.59

[Reason for adjustment to the forecast of non-consolidated business results]

Net sales and ordinary income are expected to exceed the previous forecast, due to increase in sales volume of imported chicken in response to the recovery in demand for dining out, and market prices remaining steady, in the fresh meats business.

Net income is expected to be higher than the previous forecast due to the increase in ordinary income and the estimated profits of 13.7 billion yen (approximate value) from the Share Transfer which is scheduled to be recorded in extraordinary income as sales proceeds of shares in affiliate companies.

<Cautionary notice on information about the future>

The plans, forecast of operating results, and other prospects for the future described in this press release material are based on the information currently available to the Company and certain assumptions considered reasonable by the Company and are not contemplated to ensure the fulfillment thereof. The actual results in the future may materially differ from such plans and forecast in this press release, depending on various factors including risk factors in business. The Company, therefore, wishes to caution that readers should not place undue reliance on these descriptions to make investment decisions. Further, unless obligated by laws or ordinances or the rules of financial instruments exchanges, the Company will not necessarily, or is not obligated to, revise such descriptions about the future, including the forecast of business results notwithstanding any information or event in the future or any result arising therefrom, or publicize such revised information.

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