



October 6, 2020

Company Name: Warabeya Nichiyo Holdings Co., Ltd.
Representative: Hiroyuki Otomo, Representative Director, President
(Securities code: 2918, Tokyo Stock Exchange First Section)
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Notice of Recording of Extraordinary Losses, Difference between Consolidated Financial Forecast and Actual Results for the Six Months Ended August 31, 2020, and Revision to Consolidated Financial Forecast for the Year Ending February 28, 2021

We hereby notify the recording of extraordinary losses for the six months ended August 31, 2020 due to impairment of non-current assets, and difference between the consolidated financial forecast announced on April 10, 2020 and the actual results for the six months ended August 31, 2020 to be announced today.

In addition, we have also revised the consolidated financial forecast for the year ending February 28, 2021, announced on April 10, 2020.

1. Recording of Extraordinary Losses

As part of the restructuring of the production system in Japan, Warabeya Nichiyo Co., Ltd., our consolidated subsidiary, made changes to the product supply system for the Tohoku region. Accordingly, as a result of reviewing the asset grouping based on the “Accounting Standards for Impairment of Non-current Assets,” there were indications of impairment of the non-current assets of the Iwate Plant operated by Warabeya Nichiyo Co., Ltd. Therefore, the Company marked down the book value of those non-current assets to a level deemed recoverable, and booked the writedown of 793 million yen as an impairment loss under extraordinary losses. A total of 1,157 million yen was booked as an extraordinary loss for the six months ended August 31, 2020 due to the above extraordinary loss and an impairment loss of 346 million yen that was booked for the non-current assets of the Food Ingredients Business and other factors.

The extraordinary loss related to the above impairment loss of the non-current assets of the Iwate Plant were included as plant reorganization expenses in the forecast of consolidated financial results in the Summary of Consolidated Financial Results for the Year Ended February 29, 2020 (Based on Japanese GAAP) announced on April 10, 2020.

2. Differences between Consolidated Financial Forecast and Actual Result of Financial Results for the Six Months Ended August 31, 2020

(From March 1, 2020 to August 31, 2020)

(Millions of yen unless otherwise indicated)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share (Yen)
Previously announced forecast (A)	98,000	500	800	(100)	(5.70)
Actual result (B)	96,591	1,205	1,535	(247)	(14.14)
Difference (B) - (A)	(1,408)	705	735	(147)	
Change (%)	(1.4)	141.1	92.0	-	
(Reference) Results for six months ended August 31, 2019	109,816	1,974	2,118	674	38.40

3. Revisions to Consolidated Financial Forecast for the Year Ending February 28, 2021

(From March 1, 2020 to February 28, 2021)

(Millions of yen unless otherwise indicated)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share (Yen)
Previously announced forecast (A)	202,000	1,800	2,100	700	39.88
Revised forecast (B)	192,000	2,200	2,550	300	17.15
Difference (B) - (A)	(10,000)	400	450	(400)	
Change (%)	(5.0)	22.2	21.4	(57.1)	
(Reference) Results for fiscal year ended February 29, 2020	213,581	2,721	2,773	1,010	57.55

4. Reasons for the Differences

- Differences between consolidated financial forecast and actual result of financial results for the six months ended August 31, 2020

Net sales for the six months ended August 31, 2020 fell below financial forecasts mainly due to lower-than-expected sales of cooked rice products in the Food Products Business.

Operating profit and ordinary profit exceeded financial forecasts as a result of restraining rising personnel expenses in the Food Products Business, changing product standards and other contributing factors.

Profit attributable to owners of parent was lower than financial forecasts mainly due to an increase in tax expenses as a result of some consolidated subsidiaries reassessing the recoverability of deferred tax assets.

5. Reasons for the Revisions

- Revisions to consolidated financial forecast for the year ending February 28, 2021

We have revised our forecast of consolidated financial results for the full year based on the assumption that the impact of the novel coronavirus disease (COVID-19), which we had expected to continue until around August 2020, will continue for a period of time after September 2020. As a result, we have revised our previously announced financial forecasts.

Net sales are expected to fall below the previously announced financial forecasts as we assume that all business segments will be impacted by COVID-19 for the full year.

Operating profit and ordinary profit are expected to exceed the previously announced financial forecasts, despite the impact of the shortfall in sales, due to continued contributions from restraining rising personnel expenses in the Food Products Business and changing product standards.

Profit attributable to owners of parent is expected to be lower than the previously announced financial forecasts due to an increase in tax expenses in the six months ended August 31, 2020 as a result of some consolidated subsidiaries reassessing the recoverability of deferred tax assets.

There is no revision to the fiscal year-end dividend forecast (40 yen per share).

(Note) The above financial forecasts are based on information available at the time of publication and on certain assumptions that are deemed to be reasonable. Actual results may differ materially from these forecasts due to a variety of reasons.