January 23, 2023

KAMEDA SEIKA CO., LTD.

TSE Prime Market: Code No. 2220

Notice Regarding Recording of Extraordinary Losses, Reversal of Deferred Tax Assets, and Revisions of Financial Forecasts

KAMEDA SEIKA CO., LTD. (headquartered in Niigata-shi, Niigata; Masanori Takagi, President & COO; hereinafter, the "Company") resolved at its Board of Directors meeting held today to record extraordinary losses and reverse deferred tax assets for the third quarter of the fiscal year ending March 31, 2023 (October 1, 2022 to December 31, 2022), as follows.

In addition, the Company hereby announces that after a careful examination of recent performance trends and other factors, it has decided to revise its financial forecasts for the fiscal year ending March 31, 2023, which were announced on May 9, 2022, as detailed below.

1. Recording of extraordinary losses (impairment loss on fixed assets) and reversal of deferred tax assets

   Mary's Gone Crackers, Inc. ("MGC"), a consolidated subsidiary of the Company in the U.S., experienced delays in its efforts to improve profitability in the circumstances of a sharp deterioration in the business environment, including higher-than-expected organic raw material prices and higher wages due to inflation, and is expected to record an operating loss.

   Based on the above factors, the Company conservatively and carefully reviewed its future business plan and examined the recoverability of fixed assets. As a result, the Company expects to record an impairment loss of ¥1,792 million for fixed assets related to MGC, because it is unlikely to recover the amount within the expected period.

   At the same time, as a result of examining the recoverability of deferred tax assets, MGC expects to reverse the deferred tax assets recorded on the balance sheet and the Company expects to record ¥384 million in income taxes-deferred.

2. Revisions of the full-year consolidated forecasts for the fiscal year ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

   In addition to the recording of an impairment loss on fixed assets of MGC and the reversal of deferred tax assets, the Company has revised its full-year consolidated forecasts, since the profitability of the Domestic Rice Cracker Business is expected to decline due to soaring raw material and energy costs.

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
	¥ million	¥ million	¥ million	¥ million	¥
Previous forecast（A）	92,000	5,000	5,900	3,700	175.49
Revised forecast（B）	94,500	3,500	4,600	1,600	75.89
Change（B－A）	2,500	△1,500	△1,300	△2,100	
Change（%）	2.7	△30.0	△22.0	△56.8	
(Reference) Results for the fiscal year ended March31,2022	85,163	4,832	6,068	4,419	209.63

3. Reason for the revision

   Net sales are expected to exceed the previous forecast, as the Domestic Rice Cracker Business is backed by firm demand, and the Overseas Business and the Food Business are continuing to perform well.

   Meanwhile, operating income and ordinary income are expected to fall below the previous forecast due to the deterioration in MGC’s profitability and the impact of significantly higher raw material and energy costs in the Domestic Rice Cracker Business than were expected at the beginning of the fiscal year, as described above.

In addition, net income attributable to owners of the parent is also expected to fall short of the previous forecast, after taking into account the deterioration in ordinary income, the recording of an impairment loss on fixed assets of MGC, the reversal of deferred tax assets, and the inclusion in deductible expenses of loss on valuation of shares of subsidiaries and associates.

4. Future measures

MGC is working to improve revenue through measures such as increasing prices in January 2023 in response to a sharp rise in the prices of organic raw materials and diversifying procurement. The Company has also dispatched support personnel to key departments such as production and purchasing, and the entire Group is working together to build an efficient production system.

The gluten-free cracker market in the U.S. is expected to continue to grow steadily, and the Group’s commitment to expanding the U.S. business remains unchanged.

In addition to stabilizing MGC’s business operations, the entire Group will work to strengthen profitability by optimizing the revenue structure of the Domestic Rice Cracker Business, further strengthening the product portfolio including the introduction of new products, and innovating and improving the manufacturing process.

5. Dividend forecast

There is no change to the year-end dividend forecasts, which remain unchanged from the ¥40 per share announced on May 9, 2022. (Annual dividend: ¥55 per share)

(Note) Financial forecasts included in this document are based on the information available to Kameda at the time of the announcement and on certain assumptions considered reasonable. Actual results may differ materially from the forecast depending on a range of factors.