FY2020 Q2
Presentation material
(Jan. to Jun. 2020)

Sweeten the Future

Kanro

August 24, 2020

Kanro Inc.

Kanro Inc.

(TSE Code: 2216)

Contents

		Page
Kanro Inc. Overview	Corporate vision	− Overview-1
	Corporate overview and History	− Overview-2
FY2020 Q2 Presentation material	Slide 1 to 40	− 1 - 20

Corporate vision



Vision

To make brighter futures infused with sweetness as the world's top confectionary.

Spread the Benefits of Sugar

Our desire is to share the benefits of sugar as an essential part of life and lifestyles.

Grow Trust

As we pursue new products and technologies for the future, we maintain our stance on safety and reliability. We strive to inspire faith in our brand, so people choose us simply because we are Kanro.

Harmony with Society

Our business activities should always be a part of the solution—a solution to individual challenges, human challenges, and global challenges. As a company, we will grow with communities bringing benefits to all our stakeholders.

A Vibrant Workplace

We endeavor to bring people together around candy, working toward health and happiness. Our corporate culture is one of diversity, loyalty, and pride.

A Smile Around the World

Each Kanro candy is made expressly to bring smiles to people all over the world.

Corporate overview and History

[Corporate overview]					As of end June 2020
Company name	Kanro Inc.				
Date founded	May 6, 1950			President and CEO	Kazuyasu Misu
Head office location	3-20-2, Tokyo Opera City Building 37F, Nishishinjuku, Shinjuku-ku, Tokyo			Telephone	+81-3-3370-8811
Business activities	Manufacture and marketing of confections and food			Fiscal year-end	December 31
Exchange listing	Tokyo Stock Exchange, Second Section (securities code: 2216)			Number of shares issued	7,657,802
Capital stock	¥2,864 million	Equity ratio	60.6%	Number of employees	596
Recent performance (Annual)	Net sales: ¥24 billion; Operating income: ¥0.9 billion; Ordinary income: ¥1 billion; Net income: ¥0.6 billion				
Major shareholders (Top 5)	Mitsubishi Corporation approx. 30%; Kanro Kyoei Kai approx. 7%; Enomoto Buhei Shoten K.K. approx. 6%; Sumitomo Mitsui Banking Corporation approx. 5%; Sumitomo Mitsui Trust Bank, Limited approx. 5%				

[History]	
1912	Company founder Masaichi Miyamoto establishes a confectionery manufacturing business in Hikari city, Yamaguchi Prefecture.
1950	Business is restructured into a joint-stock organization with capital of ¥1 million under the name of Miyamoto Seika Co., Ltd.
1955	*Kanro Ame* is launched, using a secret ingredient - soy source. Becomes the first candy to be individually wrapped in cellophane.
1959	Matsumoto Plant is established in Matsumoto City in Nagano Prefecture.
1960	Company name is changed to Kanro Co., Ltd.
1962	Head office is relocated to Toshima-ku, Tokyo. Stock listed on the second section of the Tokyo Stock Exchange.
1963	Head office is relocated to Nakano-ku, Tokyo.
1968	New plant is constructed in Hikari city, Yamaguchi Prefecture (first phase).
1972	Consolidated subsidiary, Hikari Seika Co., Ltd. (former HIKARI Seika Co., Ltd), established in Hikari City, Yamaguchi Prefecture.
1973	Business alliance and sole sales agent agreement concluded with Mitsubishi Corporation.
1981	Launch of the first cough drop in the confectionery segment.
1982	New plant constructed in Matsumoto City, Nagano Prefecture, to which existing Matsumoto Plant is relocated.
1988	New Shimada Plant constructed in Hikari City, Yamaguchi Prefecture. (Leased to former HIKARI Seika Co., Ltd.)
1989	Head office is relocated to Shinjuku-ku, Tokyo.
1992	“Non-sugar” products launched.
1995	New plant constructed in Hikari City, Yamaguchi Prefecture, with facility name changed to “Hikari Plant” on the occasion of the relocation from the existing plant.
2002	*Puré Gummy* launched.
2011	New Asahi Plant constructed in Aasahi village, Nagano Prefecture. ISO 14001 (environmental management systems) certification is obtained for the Hikari Plant (2000), Matsumoto Plant (2001), head office and branch offices (obtained in 2003, surrendered in 2014), which together with the registration of the Asahi Plant means that all facilities are certified.
2012	*Kinno Milk* launched.
2012	To commemorate the 100th anniversary of the founding of the company, the first directly operated Hitotsubu Kanro store is opened in Tokyo Station.
2015	Head office R&D department is relocated to Koto-ku, Tokyo, and renamed the Toyosu Institute for R&D. Asahi Plant obtains FSSC 22000 (Food Safety System Certification).
2016	“NewKANRO 2021” medium-term management plan is announced.
2018	Head office is relocated to Tokyo Opera City building in Shinjuku-ku, Tokyo.
2018	Hikari Plant obtains FSSC 22000 (Food Safety System Certification).
2018	Consolidated subsidiary Hikari Seika Co., Ltd. is merged into parent company.
2019	New gummy product line at Matsumoto Plant begins full-scale operation. Matsumoto Plant obtains FSSC 22000 (Food Safety System Certification).



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1

Contents

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		Slide #
	About Kanro Inc.	: 3– 7
1.	Review of first-half	: 8–17
2.	Mainstay brand status	: 18–20
3.	Business strategy for second half of FY2020	: 21–25
4.	Forecast for FY2020	: 26–31
5.	The status of Medium-Term Corporate Strategy, NewKANRO 2021	: 32–35
	Appendix	: 36–39



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2

About Kanro Inc. (1/5)

- Kanro is a confectionery manufacturer involved primarily in the manufacture and marketing of candy such as ***Kanro Ame***, ***Kenko Nodoame***, ***Kinno Milk*** and ***Puré Gummy***.
- Kanro aims to become the **No.1 candy manufacturer** by leveraging its **"Brand-centric management,"** which generates strong brands by focusing development on **functionality** and on **using ingredients themselves to the full**, and working on **"Sustainable management"** initiatives that use a business based on "sweetness" to support people's healthy lifestyles and to contribute to the realization of a sustainable society.

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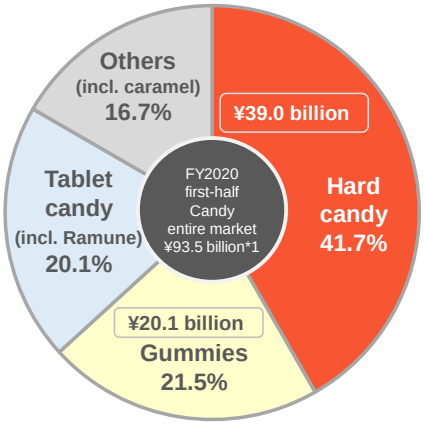
About Kanro Inc. (2/5) Candy Market (Jan. to Jun. 2020)



- Market environment (Jan. to Jun. 2020)
  - Due to the impact of novel coronavirus, from March onward the candy market began to turn down, and declined -7.5% YoY
  - Hard candy market reversed, fell -2.4% YoY (+2.6% in Jan. to Mar.)
  - Gummy market declining trend continued, -7.8%
  - Dramatic contraction in tablet candy: -16.6% YoY

Jan. to Jun. 2020 Market sales amount/YoY Unit: billion yen

	FY2019*2	FY2020*1	YoY	
Hard candy	40.0	39.0	-2.4%	Our main market
Gummies	21.8	20.1	-7.8%	
Tablet candy (incl. Ramune)	22.6	18.8	-16.6%	
Others (incl. caramel)	16.7	15.6	-6.7%	
Total	101.0	93.5	-7.5%	

*1 INTAGE Inc. SRI Market by composition Jan. 2020 to Jun. 2020, sales amount
*2 INTAGE Inc. SRI Market by composition Jan. 2019 to Jun. 2019, sales amount

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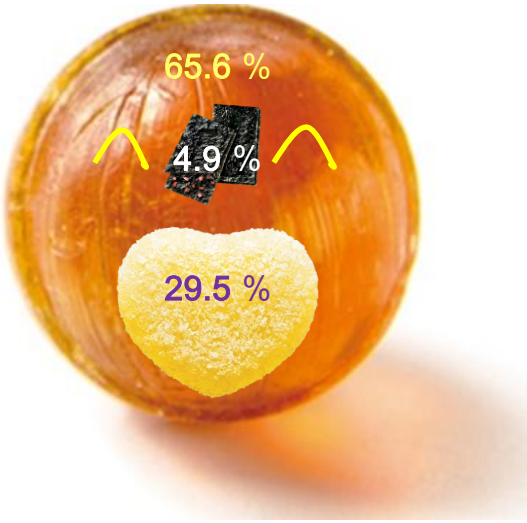
About Kanro Inc. (3/5) Composition of sales



First-half of FY2020

	Jan. to Jun. 2019	Jan. to Jun. 2020
Net sales	11.7 billion yen	11.1 billion yen
Hard candies	65 %	65.6 %
Gummies	29 %	29.5 %
Healthy snacks *	6 %	4.9 %

* Healthy snacks: products containing healthy ingredients such as sour plum, laver, seaweed stems, and natto soybeans that have been processed for easy consumption.

Hard candies　Healthy snacks　Gummies

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5

About Kanro Inc. (4/5) Market share





Hard candies market share: No.1 * **19.9 %** ※1
（Previous year 19.5%）※2

Gummies market share: No.3 * **14.9 %** ※1
（Previous year 13.0%）※2

※Candy market as a whole: No.1 share（11.5%）
←Previous year No. 2 (10.5%)

* 1 INTAGE SRI, Jan-Jun. 2020
* 2 INTAGE SRI, Jan-Jun. 2019

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6

Manufacture and sales of Candy and others



"HITOTUBU KANRO" directly operated stores (GRANSTA Tokyo, Osaka LUCUA1100 stores and Shinjuku MYLORD store for a limited time)

The HITOTUBU gift shops are based on the concept of "HITOTUBU connects people to people," embodying the joy of giving and receiving in the form of drop candy. Their purpose is to support the corporate brand and product brands through the test marketing of high value-added products and new products, and so on.







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7

1. Review of first-half (Jan. to Jun. 2020)

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8

(Outlook) Impact of novel coronavirus on performance

- Impact on performance
  - Significant impact on results in Q2.
  - From March onwards, sharp declines in office & outing demand and decrease in convenience store customers led to declines in all candy market categories.
  - Even after the state of emergency was lifted at the end of May, demand continued to decline as a result of new lifestyles taking root, and the ongoing occurrence of new infections.
  - Sales expenses such as retail sales events and promotions, and general expenses such as business trip and entertainment costs have fallen.
  - Gummy sales rose, due in part to the release of "*Puré Gummy Pokemon Dengeki Toropica Flavor 2*" and leading to a recovery in July with net sales increasing +8.8% YoY.
- Trend in performance going forward
  - From August onwards the Company will continue to focus on developing and selling products matched to the coronavirus era, and work to reduce costs while aiming to achieve the financial results forecast. However, if a situation such as a significant increase in the number of new infections and a reinstatement of the state of emergency were to occur, there could be a considerable impact on our business activities and on our performance. In such an event, the Company would disclose the impact promptly. In addition to continuing to gather information related to novel coronavirus and to implement measures to mitigate or prevent risks, the Company will strive to maintain stable production and supply of products.

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9

Status of response to novel coronavirus (as of today)

- Employees that normally work at head office, Toyosu Institute and all branches basically now work from home, with a workplace attendance target of 20-30% in operation.
- Events, including business discussions, sales promotions, training, and CSR activities, are held remotely, as a rule. When face-to-face meetings are required, thorough measures to prevent infection are implemented first.
- Business trips are limited to those that cannot be conducted remotely.
  Overseas business trips have been canceled.



- Production at factories continues as usual, but with thoroughly strengthened infection prevention measures in place.
- For raw materials, in cases of supply not keeping up with demand, the Company will switch to substitute raw materials.
- The Company has sufficient cash reserves for business activities. It has also secured a framework for funds procurement.
- The Company provides support in the form of products to healthcare staff, related regional public bodies, and children.

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10

Market environment/status of business in first-half FY2020

◆ Market environment (refer to next slide)

- Office/outing scenarios providing opportunities to eat / demand for candy has decreased.
- Hard candy market reversed in March and declined (-2.4%); Gummy market trend of decline from previous year continued (-7.8%).
- Status of sales channels (hard candy/gummy): significant slump in convenience store channel (-12.6%). SM declined slightly (-0.6%); drugstore increased slightly (+0.6%)*1

◆ Status of company business

- YoY: net sales decreased, and income excluding net income decreased (net sales -5.4%; operating income -31.1%; ordinary income -30.6%; net income +1.0%).
- Kanro market share grew. Hard candy 19.9%（+0.4%）; Gummy 14.9%（+1.9%）.
- Implemented organizational reforms (changes to sales structure, appointment of CIO*2 in preparation for promotion of digital/IT strategy).
- In response to the coronavirus crisis, the Company implemented online sales for directly operated HITOTUBU KANRO stores (currently suspended).
- The numerical targets for the “NewKANRO 2021” medium-term corporate strategy have been withdrawn (slide 32).

*1 Source: Supplementary briefing material on annual financial results “Supplementary materials 5”
*2 CIO = Chief Information Officer

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Trends in personal consumption during the coronavirus crisis (candy market)

- Increased demand for goods to be consumed inside the home is not providing a tailwind for the candy market.
- Scenarios in which candy is eaten (commuting to work/school, office, outings, etc.) have decreased.
  - When moving around in trains, etc., people do not eat candy or gummies (wearing masks, finger hygiene).
  - As opportunities to come into contact with others decrease, demand related to social etiquette declines.
  - Closure of stores within stations and in companies, etc.
- Decline in demand caused by suspension of events and club activities.
- Due to the decrease in the number of influenza patients, demand for cough drops to prevent infection has declined.
- Use of masks (keep the throat moist, menthol makes eyes smart) has resulted in reduced demand for cough drops.
- Decline in inbound tourism demand.

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Summary of FY2020 first half performance (vs. initial forecast/YoY)

Unit: million yen

	FY2020 1H	Change				FY2020 1H	FY2019 1H
	Actual	Forecast	Vs. forecast	YoY	YoY %	Initial forecast*	**Actual**
Net sales	**11,152**	−1,047	−8.6%	−636	−5.4%	12,200	11,788
Operating income	**344**	−55	−13.9%	−155	−31.1%	400	499
Ordinary income	**351**	−48	−12.2%	−155	−30.6%	400	506
Net income	**239**	−10	−4.2%	+2	+1.0%	250	237
Basic earnings per share (Unit: yen)	**33.95**	−1.5	−4.2%	+0.4	+1.2%	35.45	33.55

The amounts given in these materials are rounded down to the million-yen level, so the breakdowns and totals may not always completely agree.
*Initial forecast announced on February 12, 2020

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Main factors behind changes in FY2020 first-half performance (vs. initial forecast/YoY)

- Vs. initial forecast
  - Net sales (decrease): fell significantly short of forecast due to the slump in the market caused by the impact of novel coronavirus.
    - ・Hard candy: in addition to declines for bag-/stick-type products, growth in products packaged in compact format stagnated, despite having expanded in recent years.
    - ・Gummies: hit by dwindling office/outing demand.
    - ・Healthy snacks: more or less in line with plan.
  - Operating income (decrease) : despite controlling / cutting fixed selling, general and administrative expenses, the impact of lower net sales could not be offset.
    Due to the decline in output, etc., the cost of sales ratio has also risen.
  - Ordinary income (decrease): consequence of decline in operating income.
  - Net income (decrease): size of the decline in net income contracted due to gain on sales of investment securities recorded as a result of a reduction in cross shareholdings.

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Main factors behind changes in FY2020 first-half performance (YoY)

- Year on year
  - Net sales (decrease): despite increase in share, market contraction caused by impact of novel coronavirus was significant.
    - Hard candy: despite year-on-year growth in products packaged in compact format, it was not enough to offset the decline in bag-/stick-type products.
      Although *Kenko Nodoame Tatakau Manuka Honey* recorded growth, new products were weak.
    - Gummies: new products such as *Candemina and Asobon!* did well, but *Puré Gummy* declined.
    - Healthy snacks: declined due to the impact of the shift of convenience stores to the use of private brands.
  - Operating income (decrease): fixed costs were controlled, but the impact of lower net sales resulted in lower profit.
  - Ordinary income (decrease): consequence of decline in operating income.
  - Net income (increase): gain on sales of investment securities recorded in extraordinary income for the period under review, and the absence of impairment loss recorded in previous fiscal year, resulted in slight increase in profit.

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15

Factors behind change in FY2020 first-half operating income

Unit: million yen

	FY2020 1H	Change				FY2020 1H	FY2019 1H
	Actual	Forecast	Vs. forecast	YoY	YoY %	Initial forecast*	Actual
Net sales	**11,152**	-1,047	-8.6%	-636	-5.4%	12,200	11,788
Cost of sales	**5,978**	–	–	-232	-3.8%	–	6,211
Freight/warehousing costs	**637**	–	–	-28	-4.3%	–	666
Sales promotion expenses	**304**	–	–	-74	-19.7%	–	379
Advertising expenses	**167**	–	–	-45	-21.5%	–	213
Agent fees	**1,517**	–	–	-53	-3.4%	–	1,571
Personnel expenses	**1,493**	–	–	+12	+0.8%	–	1,481
General expenses	**709**	–	–	-57	-7.5%	–	767
Operating income	**344**	-55	-13.9%	-155	-31.1%	**400**	499

*Initial forecast announced on Feb. 12, 2020

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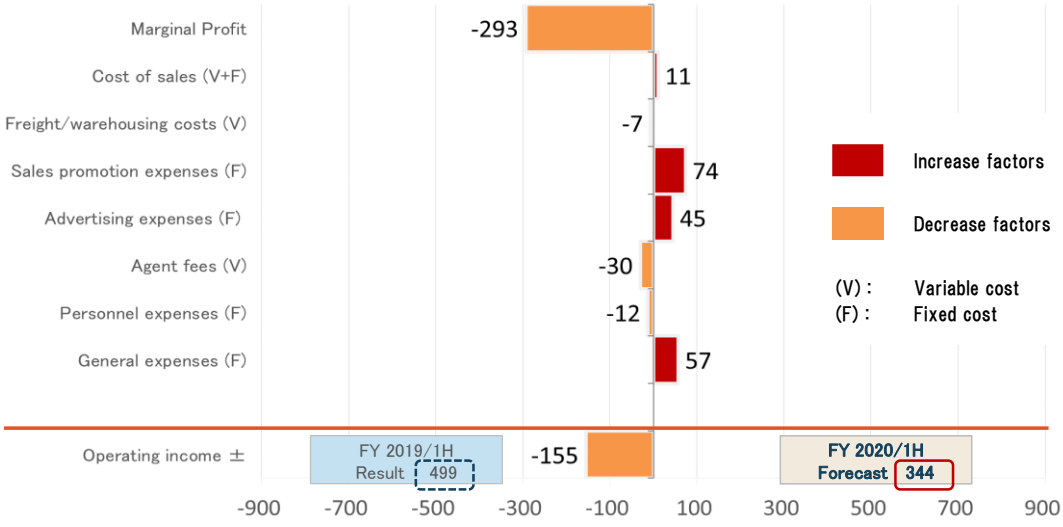
16

Factors of changes in OP (FY2020/1H Results vs. FY2019/1H Results)

Unit: million yen



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17

2. Mainstay brand status (Jan. to Jun. 2020)

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18

Mainstay brand status: hard candy



A premium milk candy for grown-ups, that uses carefully selected ingredients in pursuit of a sense of high-class luxury.





Salty-sweet Japanese deliciousness Simple, gentle taste.



A coloring-free cough drop that balances the flavor of slow-pickled sour plums with the mellow gentleness of honey.



This cough drop combines 29 different herbs with Manuka honey and propolis.

- *Kinno Milk* candy
  (No.1 milk candy brand by sales*)
  - Six types of packaging with cute Japanese patterns on sale for a limited time only (compact size)

  * INTAGE Inc. SRI "Milk-flavor Candy Market" May. 2019 - Apr. 2020, cumulative sales amount brand ranking for "Kinno Milk brand"
- *Kanro Ame*
  (a long-selling brand in its 65th year from launch)
  - Opened "Kanro Ame Shokudo" recipe site on our company website
- *Kenko Ume Nodoame*
- *Kenko Nodoame Tatakau Manuka Honey*
  - Sales in the "cough drop" category have remained strong despite the coronavirus crisis

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Mainstay brand status: gummies





A refreshing gummy candy with an enjoyable sweet-and-sour fruit taste, in which the acidity of the powder is followed by the spreading sweetness of the gummy.



An addictively chewable gummy candy with a springy texture and a unique shape.



A gummy that grown-ups can enjoy as well as children.
10 different cute gummy shapes to enjoy.

- *Puré Gummy*
  - *Puré Gummy Pokemon Dengeki Toropica Flavor* on sale for a limited time only
- *Candemina*
  - *Grew +6% YoY despite the coronavirus crisis*
  - *Taste, shape, texture, entertainment value*
- *Asobon! Gummy*
  - A new product sold under a "mother and child" theme. Strong sales
  - Theme of promotion: "Let's Asobon (play at home) ! "

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3. Business strategy for second half of FY2020

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Business strategy for second half of FY2020: launch products designed for “new lifestyles”

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- **<Product strategy> Brand-centric management + products matched to coronavirus era**

  “Using candy to support anxious consumers whose activities are restricted”

  - **(Topic) Increased health awareness of viruses**
    - Response (1): Using the cough drop product lineup to enhance "throat moisturization and care"
  - **(Topic) Increased stress**
    - Response (2): Change mood, organize enjoyment (through collaborative products) through firm-textured gummies and gourmet candy that give a sense of healing
  - **(Topic) Changes in lifestyles**
    - Response (3): Awareness of calories consumed, and candy/gummy for consumption within the home that fulfills the instinct for playfulness
      Food for specified uses that maintains good digestion, new products with firm textures that leverage the qualities of the materials

- **<Sales strategy> SCGs（Sustainable Candy Goals）**
  - **Propose candy/gummy corners to provide sustainable support for retail businesses (from the two approaches of leveraging the qualities of the materials + functionality)**

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22

Examples of extensive product lineups compatible with the strategy

(1) Using the cough drop product lineup to enhance "throat moisturization and care"



(2) Change mood, organize enjoyment through firm-textured gummies and gourmet candy that give a sense of healing



(3) Awareness of calories consumed, and candy/gummy for consumption within the home that fulfills the instinct for playfulness



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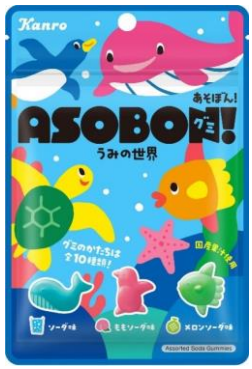
23

Asobon! Gummy follows *Puré Gummy* and *Candemina* to become our third flagship product

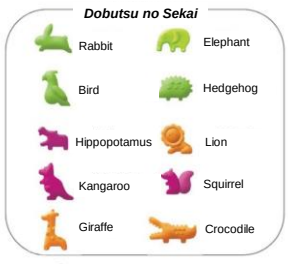




The utmost attention has been paid to the shape, taste and safety of this new product, which stimulates intellectual curiosity and will go on sale under the two themes of *Dobutsu no Sekai* and *Umi no Sekai*.

"Confectionery toys" that stimulate the five senses and the curiosity of children

- Two living creature themes that encourage intellectual development
- Total of 10 different types of animal-shaped gummies
- Three assorted flavors make choosing fun
- Uses domestic fruit juice, and no artificial colorings
- Colorful and lively packaging design sets off the store, with two-product displays and other fixtures





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24

Puré Gummy Pokemon Dengeki Toropica Flavor 1 was a success Flavor 2 launched



- **Flavor 1 “Tropical Fruits Combined with Soda Flavor” (from June 2 for a limited time only)**
- **Before the launch a special “Crunchy, Chewy!” video production called “Pikachu Mogu-Mogu Hen” was released on May 26, showing a cute Pikachu making munching noises while eating candy. This recorded more than 1 million viewings within the first three days of the video being made available, with many people finding the sight of the cutely munching monster deeply comforting, and leading it to become a trend on Twitter on the day of release and a topic of conversation primarily on social media networks.**

- **Flavor 2 “Tropical Fruits Combined with Cola Flavor” (from July 21 for a limited quantity only)**
- **Package uses an original “Pikachu is full” illustration created especially for this product**
- **Nearly all are cute Pikachu-shaped gummies (There are also some heart shapes)**
- **Uses pine, mango and banana juice**



*For more details please see the news release on the Company website

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25

4. Forecast for FY2020

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26

Forecast for FY2020

Unit: million yen

	FY2020	Change		FY2019	FY2018
	Forecast	YoY	YoY %	Actual	Actual
Net sales	23,500	−539	−2.2%	24,039	22,949
Operating income	800	−123	−13.4%	923	1,003
Ordinary income	800	−207	−20.6%	1,007	1,045
Net income	550	−101	−15.6%	651	1,011
Basic earnings per share (Unit: yen)	78.00	−14.36	−15.5%	92.36	141.19

*The amounts given in these materials are rounded down at the million-yen level, so the breakdowns and totals may not always completely agree

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27

Forecast for FY2020 (Year on year)

- Year on year
  - Net sales (decrease):
    - Despite the agile introduction to the market of new products to suit “new lifestyles,” it will be difficult to offset the decline in revenues in the first half.
    - Second-half sales forecast of +0.8% YoY.
    - For gummies, with new products, etc. leading to gains in market share, the target is to achieve year-on-year growth.
  - Operating/ordinary income（decrease）:
    - Cost reductions from changes to packaging materials, etc. to offset increases in fixed costs, leading to flat cost of sales ratio year on year.
    - Despite progress in reducing selling, general and administrative expenses, the impact of lower revenues and the additional factor of staff increases will lead to significant decline in profit.
  - Net income（decrease）:
    - Gain on sales of investment securities recorded in extraordinary income for the period under review, the absence of an impairment loss recorded as extraordinary loss in previous fiscal year, to result in decline in net income contraction.

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28

FY2020 operating income forecast (year on year)

Unit: million yen

	FY2020	Change		FY2019	FY2018
	Revised forecast	YoY	YoY %	Actual	Actual
Net sales	23,500	-539	-2.2%	24,039	22,949
Cost of sales	12,402	-278	-2.2%	12,680	12,015
Freight/warehousing costs	1,384	-1	-0.1%	1,385	1,327
Sales promotion expenses	757	-81	-9.8%	838	744
Advertising expenses	369	-15	-4.1%	384	426
Agent fees	3,168	-27	-0.9%	3,195	3,042
Personnel expenses	3,103	+77	2.6%	3,025	2,783
General expenses	1,517	-87	-5.5%	1,604	1,605
Operating income	800	-123	-13.4%	923	1,003

*The values displayed in these materials are truncated at the million-yen level, so the totals and percentages may not always match completely

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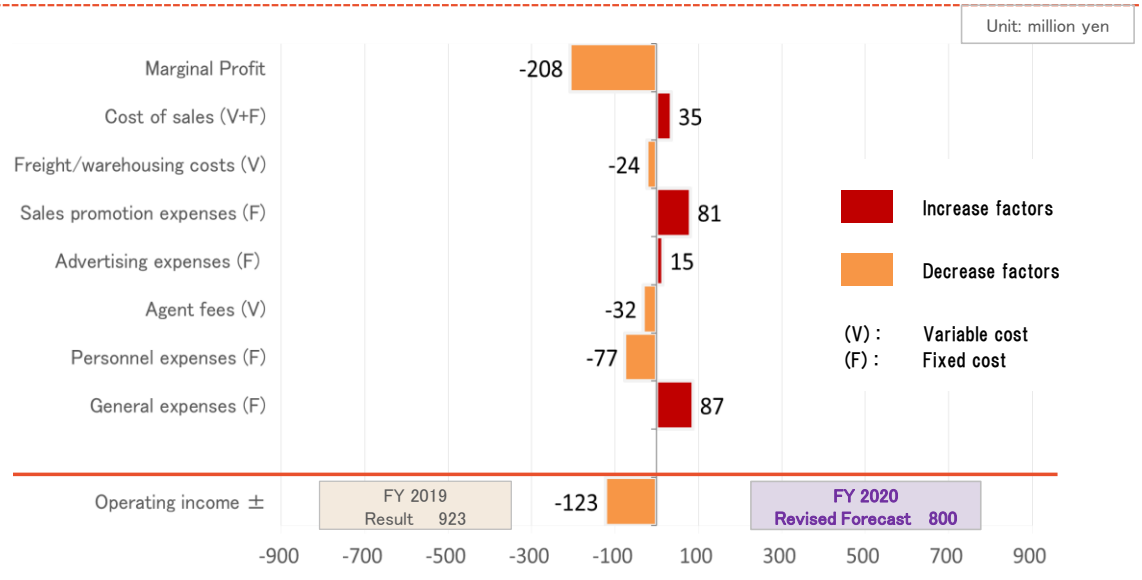
29

Factors of changes in OP (FY2019/Results vs. FY2020/Revised Forecast)



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30

(Reference) Factors of changes in OP (FY2020/Initial Forecast vs. FY2020/Revised Forecast)

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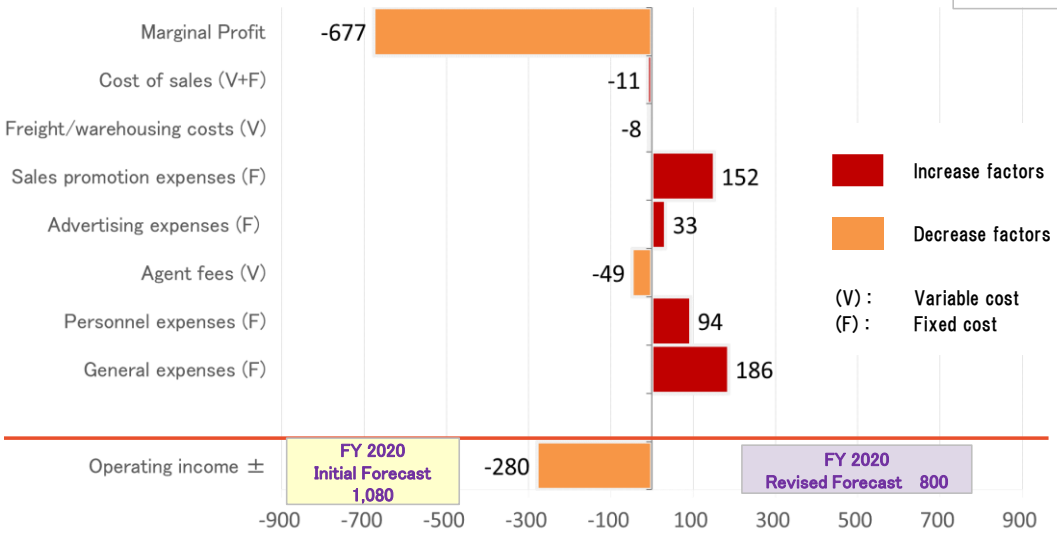
Unit: million yen



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31

5. The status of Medium-Term Corporate Strategy NewKANRO 2021

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32

Medium-term corporate strategy NewKANRO 2021

Announcement date: August 9, 2016 → Update date: July 22, 2020

- **Long-term vision:** No.1 Candy Manufacturer
  - Kanro is working to strengthen its management base and become the leader in all aspects of its business, including quality, brand power, net sales and profit, with the aim of becoming recognized by all stakeholders as the No.1 company in candy manufacturing.
- **Initiatives: growth strategy and reinforcement of management base**
  - Growth strategy
    - **Gummies as growth engine:** address the growing gummy market as a market opportunity, and aim to double sales through capital investment.
    - **Grow candy through nurturing mainstay products and developing new products:** maximize utilization of existing facilities to improve production efficiency.
    - **Capital investment:** in preparation for becoming the No.1 candy manufacturer, plan actively for ¥6 billion in capital investments over five years.
  - Reinforcement of management base
    - **Eliminate waste, reduce cost of sales, improve personnel systems, develop information systems, enhance quality assurance systems, promote CSR activities**
- **Numerical targets in FY2021: net sales of ¥26 billion, with an ROE of over 10% → Withdrawn**

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Withdrawal of the profit targets for the medium-term corporate strategy

- With the aim of becoming the No.1 company in candy manufacturing, Kanro has been undertaking the two major initiatives of a sales expansion (growth) strategy and the reinforcement of the management base, and in the five-year medium-term corporate strategy, which runs from FY2017 to FY2021, the targets for the final year of FY2021 were set at net sales of ¥26 billion, with an ROE of over 10%.
- However, as noted in the reasons for the downward revision to the forecast for FY2020, the recent spread of novel coronavirus has brought about considerable changes in the environment in which the Company operates. For that reason, it is impossible to anticipate the timing with which the situation will be resolved, and at this point in time it is difficult to calculate a reasonable number for the impact on earnings.
- With this situation in mind, the Company has taken the decision to withdraw the numerical targets for FY2021 of net sales of ¥26 billion and an ROE of over 10% that were announced in February 2020.

  (From the news release of July 22, 2020）

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Numerical targets for the “NewKANRO 2021” medium-term corporate strategy

<table>
<tr><th></th><th>News release of February 12, 2020</th><th colspan="2">Since news release of July 22, 2020</th></tr>
<tr><td rowspan="4">New KANRO 2021</td><td colspan="2">Long-term vision: No.1 Candy Manufacturer
Initiatives: sales expansion (growth) strategy and reinforcement of management base</td><td>Maintain</td></tr>
<tr><td>Net sales: ¥26.0 billion</td><td colspan="2" rowspan="2">After gauging the impact of novel coronavirus, the Company’s medium- to long-term vision and strategy is scheduled to be announced in February 2021</td></tr>
<tr><td>ROE: over 10%</td></tr>
<tr><td>Dividends of ¥30+ per share</td><td>Dividends of ¥30+ per share
*¥32 forecast for FY2020</td><td>No change</td></tr>
</table>

- Action plan
  - Develop products and draw up business strategy matched to the new lifestyles emerging as a result of coronavirus
  - Expand sales and reduce costs by improving productivity

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35

Appendix

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36

Sustainable management initiatives

Basic policy for promotion of sustainability
Kanro aims to contribute to health and a better society through integrity and sweetness, thereby helping to realize a sustainable society.

Five material issues

- Creating value through “sweetness”
- Mitigation of environmental load through business
- Safety and reliability of food
- Respect for human rights and the promotion of diversity
- Corporate governance

SUSTAINABLE DEVELOPMENT GOALS



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Kanro Inc. announces vegan certification mark for *Kanro Ame*



Kanro Ame has long been a favorite with those who have an affinity with nature, but having taken into account the recent rise in diverse and healthy diets both in Japan and overseas, Kanro Inc. decided to take further actions on behalf of its customers. Accordingly, on February 10, 2020, *Kanro Ame* obtained vegan certification from NPO VegeProject Japan, which is involved in activities to increase choices available to vegetarians and vegans.
(The vegan certification mark is displayed on the rear of the package.)

[Definition of vegan as prescribed by VegeProject Japan]
Vegan is defined as food for which raw materials are certified as not containing any items derived from animals, such as meat, fish, shellfish, egg, dairy products, and honey. In addition, other standards are also set for sugar and production sites (launched on July 20, 2020).

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“Candy Cheer” initiative begins

キャンディ エール

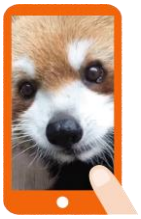
Kanro

Kanro Inc. is using candy to support people who have been impacted by the spread of novel coronavirus or by major natural disasters.



- Cheering on the customer!
  - Launch of “Cheer Can”
    - Illustrations and messages can be added freely
    - The cans will be donated to 5,000 students in junior and senior high schools all over Japan
- Cheering on society!
  - A portion of the sales of *Asobon! Gummy* is to be used to implement emergency support
  - ¥1 million to be donated to zoos through ONE ZOO
    - App to enable users to view zoo animals online (tie-up with nine zoos nationwide)
- Cheering on employees!
  - Starting new work styles adapted to the coronavirus era that put the health, safety and security of employees first
  - Health support

one zoo



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39

Sweeten the Future

Kanro

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40

MEMO

Sweeten the Future

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