Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2020 [Japanese GAAP]

February 10, 2021

Company name:	Kanro Inc.
Stock exchange listing:	Tokyo Stock Exchange
Code number:	2216
URL:	https://www.kanro.co.jp/en/
Representative:	Kazuyasu Misu, President and CEO
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Scheduled date of Annual General Meeting of Shareholders:	March 26, 2021
Scheduled date of commencing dividend payments:	March 8, 2021
Scheduled date of filing annual securities report:	March 29, 2021
Supplementary materials prepared for annual financial results:	Yes
Schedule of annual financial results briefing session:	Yes (for institutional investors and financial analysts)

(Amounts are rounded down to the nearest million yen)

1. Non-consolidated Financial Results for FY2020 (January 1, 2020 to December 31, 2020)

(1) Non-consolidated Operating Results (% of change from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2020	23,321	(3.0)	836	(9.5)	860	(14.6)	610	(6.4)
December 31, 2019	24,039	4.7	923	(8.0)	1,007	(3.6)	651	(35.6)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating income to net sales
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2020	86.58	—	5.5	4.4	3.6
December 31, 2019	92.36	—	6.1	5.1	3.8

(Reference) Equity in earnings (losses) of affiliates: FY2020: ¥ - million
FY2019: ¥ - million

* The Company conducted a stock split of its common stock at a two-for-one ratio with the effective date of July 1, 2019. Basic earnings per share is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2020	19,779	11,175	56.5	1,584.80
As of December 31, 2019	19,169	10,827	56.5	1,535.52

(Reference) Equity: As of December 31, 2020: ¥11,175 million
As of December 31, 2019: ¥10,827 million

* The Company conducted a stock split of its common stock at a two-for-one ratio with the effective date of July 1, 2019. Net assets per share is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(3) Non-consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2020	1,442	(1,572)	(48)	1,253
December 31, 2019	2,013	(971)	(1,411)	1,430

2. Dividends

	Annual dividends					Total dividends	Payout ratio	Dividends to net assets
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2019	—	30.00	—	15.00	—	214	32.5	2.0
FY2020	—	15.00	—	17.00	32.00	228	37.0	2.1
FY2021 (Forecast)	—	15.00	—	15.00	30.00		35.9	

* The Company conducted a stock split of its common stock at a two-for-one ratio with the effective date of July 1, 2019. Accordingly, the cash dividend for the 2nd quarter-end shows actual amount before the stock split, and total amount of annual cash dividends is indicated as "—." The annual cash dividends per share converted on the basis after the stock split is ¥30.00 for FY2019.

3. Non-consolidated Financial Results Forecast for FY2021 (January 1, 2021 to December 31, 2021)

(% of change from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	11,700	4.9	270	(21.6)	280	(20.3)	150	(37.3)	21.27
Full year	24,600	5.5	840	0.4	860	(0.1)	590	(3.4)	83.67

*** Notes:**

(1) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: No
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(2) Total number of issued shares (common shares)

	FY2020	FY2019
1) Total number of issued shares at the end of the period (including treasury shares)	7,657,802 shares	7,657,802 shares
2) Total number of treasury shares at the end of the period	606,390 shares	606,250 shares
3) Average number of shares during the period	7,051,477 shares	7,059,439 shares

*1. As the Company conducted a stock split of its common stock at a two-for-one ratio with the effective date of July 1, 2019, the total number of issued shares at the end of the period, the total number of treasury shares at the end of the period and average number of shares during the period are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.
2. Total number of treasury shares at the end of the period includes the Company's treasury shares owned by Custody Bank of Japan, Ltd. (Trust Account) (December 31, 2020: 103,600 shares and December 31, 2019: 103,600 shares).

* These financial results are outside the scope of audit procedures by a certified public accountant or audit firm.

* Explanation of the proper use of financial results forecast and other notes
The earnings forecasts and other forward-looking statements herein are based on currently available information and certain assumptions deemed reasonable. Actual results may differ significantly from these forecasts due to a wide range of factors.

(Method of obtaining supplementary briefing material on financial results)
Supplementary briefing material on financial results is disclosed on TDnet on February 10, 2021 as well as on the Company's website.

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1. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year under Review

The Japanese economy during the fiscal year under review drastically worsened due to the spread of the novel coronavirus (COVID-19) pandemic. Although the economy showed signs of recovery after the lifting of the state of emergency declaration and various measures that followed, the situation remains challenging, as the number of new cases of infection surged again in November and there is no prospect of when COVID-19 will be contained. In the candy market, demand for all categories including hard candy and gummies significantly decreased, particularly in the convenience store (hereafter, CVS) channel, since the decrease in office and outing consumption exceeded the increase in stay-at-home consumption, as more people work from home and new cases of infection continue.

In such a business environment, Kanro has strived to advance measures of the “Growth strategy” and “Reinforcement of management base” which are basic strategies of the medium-term corporate strategy “NewKANRO 2021” while adapting to a “new lifestyle.” However, net sales during the fiscal year under review decreased by ¥717 million (3.0%) year on year to ¥23,321 million.

In the hard candy category, in addition to the ongoing decrease in sales of the bag/stick type hard candy products, sales of small bags with zip type products, which had been enjoying a continued increase in recent years, turned to a decrease year on year due to the significant impact of COVID-19. By product, while there are some products with strong performance amid the COVID-19 crisis such as the *Kenko Nodoame Tatakau Manuka Honey* (健康のど飴たたかうマヌカハニー) series and *Non-Sugar Super Menthol Nodoame* (ノンシュガースーパーメントールのど飴), sales of the *Nodoame* (のど飴) products significantly decreased mainly because people are required to live with face masks, and sales decreased in the CVS channel. In addition, sales of some products in existing mainstay brands such as *Morimoriyama-no-Kudamono Ame* (もりもり山のくだもの飴) and *Kinno Milk* (金のミルク) fell below the level of the previous fiscal year due to the significant impact of sales decline in the CVS channel. Sales in the gummy category increased year on year despite the COVID-19 crisis, due to character collaboration products of *Puré Gummy* (ピュレグミ) performing strongly, in addition to an increase in sales of *Candemina Gummy* (カンデミーナグミ), one of the leading brands, as well as the launch of new products such as *Asobon! Gummy* (あそぼん！グミ), which captured in-home consumption demand. Sales of healthy snacks declined year on year, as they were affected by the growing number of private-label products at CVSs as well as market trends.

In terms of profits, gross profit decreased by ¥494 million (4.4%) year on year to ¥10,863 million, due to an increase in cost-of-sales ratio resulting from a decrease in production, in addition to a decrease in net sales.

Operating income decreased by ¥87 million (9.5%) year on year to ¥836 million. This was because of a decrease in gross profit, despite decreased selling expenses resulting from restrictions on sales promotion activities due to the impact of COVID-19 pandemic and efforts to reduce general expenses. Ordinary income decreased by ¥146 million (14.6%) year on year to ¥860 million due to the absence of income from loss posted in the previous fiscal year. Net income decreased by ¥41 million (6.4%) year on year to ¥610 million, mainly as a result of the absence of impairment loss posted in the previous fiscal year, as well as the posting of ¥74 million in gain on sales of investment securities associated with the sale of certain stocks to reduce strategic shareholdings.

(2) Overview of Financial Position for the Fiscal Year under Review

Total assets at the end of the fiscal year under review increased by ¥609 million (3.2%) from the end of the previous fiscal year to ¥19,779 million. The increase in total assets was mainly attributable to increases in accounts receivable – other and property, plant and equipment of ¥153 million and ¥947 million, respectively, offsetting decreases in cash and deposits, accounts receivable – trade, and

investment securities of ¥177 million, ¥159 million and ¥148 million, respectively.

Liabilities increased by ¥262 million (3.1%) from the end of the previous fiscal year to ¥8,604 million. The increase in liabilities was mainly attributable to increases in short-term loans payable, accounts payable – other and income taxes payable of ¥500 million, ¥347 million and ¥158 million, respectively, offsetting decreases in current portion of long-term loans payable, accrued consumption taxes and accrued expenses of ¥292 million, ¥215 million and ¥140 million, respectively.

Net assets increased by ¥347 million (3.2%) from the end of the previous fiscal year to ¥11,175 million. This was mainly due to an increase in retained earnings by ¥395 million as a result of the recording of ¥610 million in net income and the payment of ¥214 million in cash dividends.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year under review amounted to ¥1,253 million, a decline of ¥177 million from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥1,442 million (net cash provided of ¥2,013 million in the previous fiscal year).

This was attributable to cash inflows mainly from operating revenues, despite income taxes paid and other factors.

(Cash flows from investing activities)

Net cash used in investing activities was ¥1,572 million (net cash used of ¥971 million in the previous fiscal year).

This was due to the fact that cash outflows for capital investment and other expenditures exceeded proceeds from sales of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities was ¥48 million (net cash used of ¥1,411 million in the previous fiscal year).

This was attributable to cash outflows mainly for repayments of long-term loans payable and cash dividends paid, despite cash inflows from a net increase in short-term loans payable.

(Reference) Cash flow-related indicators

	FY2018	FY2019	FY2020
Equity ratio (%)	53.3	56.5	56.5
Equity ratio on a market value basis (%)	61.8	59.0	53.7
Cash flows to interest-bearing debt (Years)	1.9	0.4	0.7
Interest coverage ratio (Times)	170.0	340.2	385.8

(Notes) Equity ratio: Equity / Total assets

Equity ratio on a market value basis: Market capitalization / Total assets

Cash flows to interest-bearing debt ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

(Note 1) Non-consolidated financial figures were used in all of the calculations above.

(Note 2) Aggregate market value of shares is calculated based on issued and outstanding shares excluding treasury shares.

(Note 3) Operating cash flows are used for “cash flows” in the above calculations.

(Note 4) Interest-bearing debt include all liabilities (short-term loans payable and long-term loans payable) reflected on the non-consolidated balance sheets that incur interest payments. Interest payments represent the interest payments recorded in the non-

consolidated statement of cash flows.

(Note 5) Figures prior to FY2017 are not disclosed as Kanro created consolidated financial statements.

(4) Risk Information Regarding the Novel Coronavirus Infection

(Impact on business activities at this point)

The Company has been operating factories and maintaining production as usual in order to supply products in a stable manner as a food manufacturer, while strengthening infection prevention measures. In addition, the Company continues the work-from-home operation for employees that normally work at the headquarters, Toyosu Institute, and all branches, and strives to mitigate the risk of COVID-19 infection and protect the safety and health of officers and employees by reducing the number of employees and working hours in the offices. Although one headquarter employee was tested positive for COVID-19 by PCR testing, the Company took appropriate actions, and there have been no impact on its business activities.

(Impact on finance)

The Company currently has necessary and sufficient cash reserves for business activities and has also secured means of fund procurement. Therefore, the Company believes that there should be no significant impact on its business activities.

(Impact on corporate activities)

Going forward, if employees were tested positive for COVID-19, the Company may suspend its corporate activities temporarily.

(Ingredient procurement)

The supply of ingredients mainly from overseas has been disrupted as new cases of infection continue to be confirmed both inside and outside Japan, and there is a chance of unstable ingredient supply. However, the Company is prepared for switching into alternative ingredients in the event of significant disruption in ingredient supply. The Company will strive for the supply of safe and reliable products.

(5) Future Outlook

The Company expects the impact of COVID-19 to continue, as seen in developments such as the state of emergency declared again in January 2021. However, we expect that net sales in FY2021 will increase by ¥1,278 million (5.5%) year on year to ¥24,600 million by developing and promoting products that adapt to the new lifestyle for both hard candy and gummies, promoting our brand strategy centered on revamping our mainstay brand products and developing and nurturing new brand products that will lead the way in the future, as well as expanding export transactions.

In terms of profits, we will make aggressive IT investments to introduce a new core system and become a smart factory as a means to achieve a new workstyle, and implement various measures to promote digital marketing, in addition to coping with rising labor costs and personnel expenses resulting from expanded our business operations. As a result, operating income is expected to increase by ¥3 million (0.4%) year on year to ¥840 million, and ordinary income is expected to remain flat year on year at ¥860 million. Net income is projected to decrease by ¥20 million (3.4%) year on year to ¥590 million mainly due to the absence of gain on sales of investment securities associated with strategic shareholdings posted in the previous fiscal year.

2. Basic Concept Regarding Selection of Accounting Standards

In consideration of comparability across periods and across companies for the non-consolidated financial statements, the Company will prepare non-consolidated financial statements under Japanese accounting standards for the time being.

Concerning the application of International Financial Reporting Standards, the Company will take appropriate measures in consideration of trends in Japan and overseas.

3. Non-consolidated Financial Statements and Primary Notes

(1) Non-consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2019	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	1,490,990	1,313,031
Accounts receivable - trade	6,250,709	6,090,805
Merchandise and finished goods	637,370	585,357
Work in process	3,332	7,820
Raw materials and supplies	213,949	236,471
Prepaid expenses	134,042	147,943
Short-term loans receivable	1,050	1,910
Accounts receivable - other	3,809	157,806
Other	840	1,646
Total current assets	8,736,095	8,542,792
Non-current assets		
Property, plant and equipment		
Buildings	6,596,442	6,834,536
Accumulated depreciation	(3,271,141)	(3,514,692)
Buildings, net	3,325,300	3,319,844
Structures	1,431,186	1,456,313
Accumulated depreciation	(1,125,697)	(1,159,430)
Structures, net	305,489	296,882
Machinery and equipment	11,754,578	12,852,273
Accumulated depreciation	(8,911,306)	(9,176,048)
Machinery and equipment, net	2,843,272	3,676,224
Vehicles	47,107	52,397
Accumulated depreciation	(36,629)	(40,222)
Vehicles, net	10,477	12,175
Tools, furniture and fixtures	910,287	948,768
Accumulated depreciation	(639,204)	(686,004)
Tools, furniture and fixtures, net	271,082	262,764
Land	1,497,709	1,497,709
Leased assets	161,836	152,383
Accumulated depreciation	(66,135)	(61,782)
Leased assets, net	95,701	90,601
Construction in progress	142,127	282,761
Total property, plant and equipment	8,491,160	9,438,963
Intangible assets		
Trademark right	9,399	8,199
Software	176,749	166,792
Telephone subscription right	10,411	10,411
Right of using facilities	969	5,953
Total intangible assets	197,530	191,356

(Thousand yen)

	As of December 31, 2019	As of December 31, 2020
Investments and other assets		
Investment securities	431,054	282,851
Investments in capital	10	10
Long-term loans receivable from employees	1,545	1,635
Long-term prepaid expenses	8,287	8,597
Guarantee deposits	429,061	419,406
Deposits on admission	16,900	13,900
Deferred tax assets	857,862	879,787
Total investments and other assets	1,744,721	1,606,187
Total non-current assets	10,433,411	11,236,507
Total assets	19,169,506	19,779,299

(Thousand yen)

	As of December 31, 2019	As of December 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	1,692,176	1,597,976
Short-term loans payable	500,000	1,000,000
Current portion of long-term loans payable	292,500	—
Lease obligations	36,483	42,142
Accounts payable - other	632,351	979,729
Accrued expenses	1,806,627	1,666,235
Income taxes payable	75,631	234,316
Accrued consumption taxes	215,006	—
Deposits received	119,726	125,620
Provision for bonuses	608,183	554,967
Provision for directors' bonuses	67,300	65,200
Other	30	—
Total current liabilities	6,046,016	6,266,188
Non-current liabilities		
Lease obligations	68,401	57,331
Provision for retirement benefits	2,060,659	2,105,097
Provision for directors' share benefits	90,444	127,372
Other	76,178	48,245
Total non-current liabilities	2,295,684	2,338,047
Total liabilities	8,341,700	8,604,235
Net assets		
Shareholders' equity		
Capital stock	2,864,249	2,864,249
Capital surplus		
Legal capital surplus	2,141,805	2,141,805
Other capital surplus	409,178	409,178
Total capital surplus	2,550,983	2,550,983
Retained earnings		
Legal retained earnings	298,600	298,600
Other retained earnings		
Reserve for advanced depreciation of non-current assets	184,602	172,397
Reserve for special depreciation	28,341	14,170
General reserve	4,420,000	5,020,000
Retained earnings brought forward	1,002,476	824,712
Total retained earnings	5,934,020	6,329,880
Treasury shares	(653,088)	(653,296)
Total shareholders' equity	10,696,165	11,091,818
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	131,640	83,234
Deferred gains or losses on hedges	—	10
Total valuation and translation adjustments	131,640	83,245
Total net assets	10,827,806	11,175,063
Total liabilities and net assets	19,169,506	19,779,299

(2) Non-consolidated Statements of Income

(Thousand yen)

	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Net sales	24,039,072	23,321,485
Cost of sales		
Beginning finished goods	588,198	637,370
Cost of products manufactured	11,832,305	11,623,780
Purchase of finished goods	935,534	833,831
Total	13,356,038	13,094,983
Ending finished goods	637,370	585,357
Transfer to other account	38,427	52,093
Total cost of sales	12,680,240	12,457,532
Gross profit	11,358,832	10,863,952
Selling, general and administrative expenses	10,434,890	10,027,452
Operating income	923,941	836,499
Non-operating income		
Interest and dividend income	10,170	8,124
Subsidy income	—	9,346
Income from loss	64,273	—
Sold power income	10,768	9,497
Other	12,172	9,262
Total non-operating income	97,385	36,231
Non-operating expenses		
Interest expenses	5,178	3,491
Sold power expenses	5,587	5,650
Loss on cancellation of leases	—	1,785
Other	2,957	950
Total non-operating expenses	13,723	11,877
Ordinary income	1,007,604	860,853
Extraordinary income		
Gain on sales of non-current assets	1,725	—
Gain on sales of investment securities	10,786	74,950
Total extraordinary income	12,511	74,950
Extraordinary losses		
Loss on retirement of non-current assets	1,378	670
Impairment loss	136,944	25,234
Loss on sales of investment securities	884	475
Total extraordinary losses	139,207	26,380
Income before income taxes	880,908	909,423
Income taxes - current	226,681	299,496
Income taxes - deferred	2,227	(586)
Total income taxes	228,909	298,909
Net income	651,999	610,513

Statement of cost of goods manufactured

Category	Note No.	FY2019 (From January 1, 2019 to December 31, 2019) Amount (Thousand yen)	Composition (%)	FY2020 (From January 1, 2020 to December 31, 2020) Amount (Thousand yen)	Composition (%)
Ⅰ Raw material costs		6,829,044	57.8	6,592,269	56.7
Ⅱ Labor costs		2,591,643	21.9	2,584,124	22.2
Ⅲ Expenses	*1	2,394,040	20.3	2,451,873	21.1
Total cost of manufacturing		11,814,729	100.0	11,628,268	100.0
Beginning work in process		20,908		3,332	
Total		11,835,638		11,631,600	
Ending work in process		3,332		7,820	
Cost of products manufactured	*2	11,832,305		11,623,780	

(Notes)*1 Major components are as follows.

Item	FY2019 (Thousand yen)	FY2020 (Thousand yen)
Subcontract processing expenses	112,245	120,517
Depreciation	937,769	1,008,256
Repair expenses	283,196	286,082
Utilities expenses	447,376	394,628

*2 Reconciliation of cost of products manufactured and cost of sales

Category	FY2019 (Thousand yen)	FY2020 (Thousand yen)
Cost of products manufactured	11,832,305	11,623,780
Beginning finished goods	588,198	637,370
Purchase of finished goods	935,534	833,831
Total	13,356,038	13,094,983
Ending finished goods	637,370	585,357
Transfer to other account	38,427	52,093
Cost of sales	12,680,240	12,457,532

(Method of cost accounting)

Kanro adopts process costing as a method of cost accounting.

(3) Non-consolidated Statement of Changes in Equity

FY2019 (From January 1, 2019 to December 31, 2019)

(Thousand yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of current period	2,864,249	2,141,805	409,178	2,550,983
Changes of items during period				
Reversal of reserve for advanced depreciation of non-current assets				
Reversal of reserve for special depreciation				
Dividends of surplus				
Provision of general reserve				
Net income				
Purchase of treasury shares				
Disposal of treasury shares				
Net changes of items other than shareholders' equity				
Total changes of items during period	—	—	—	—
Balance at end of current period	2,864,249	2,141,805	409,178	2,550,983

	Shareholders' equity					
	Retained earnings					
	Legal retained earnings	Other retained earnings				Total retained earnings
		Reserve for advanced depreciation of non-current assets	Reserve for special depreciation	General reserve	Retained earnings brought forward	
Balance at beginning of current period	298,600	196,806	42,512	3,720,000	1,258,746	5,516,664
Changes of items during period						
Reversal of reserve for advanced depreciation of non-current assets		(12,203)			12,203	—
Reversal of reserve for special depreciation			(14,170)		14,170	—
Dividends of surplus					(234,643)	(234,643)
Provision of general reserve				700,000	(700,000)	—
Net income					651,999	651,999
Purchase of treasury shares						
Disposal of treasury shares						
Net changes of items other than shareholders' equity						
Total changes of items during period	—	(12,203)	(14,170)	700,000	(256,269)	417,355
Balance at end of current period	298,600	184,602	28,341	4,420,000	1,002,476	5,934,020

(Thousand yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	
Balance at beginning of current period	(474,080)	10,457,818	198,770	－	10,656,588
Changes of items during period					
Reversal of reserve for advanced depreciation of non-current assets		－			－
Reversal of reserve for special depreciation		－			－
Dividends of surplus		(234,643)			(234,643)
Provision of general reserve		－			－
Net income		651,999			651,999
Purchase of treasury shares	(188,239)	(188,239)			(188,239)
Disposal of treasury shares	9,232	9,232			9,232
Net changes of items other than shareholders' equity			(67,130)	－	(67,130)
Total changes of items during period	(179,007)	238,347	(67,130)	－	171,217
Balance at end of current period	(653,088)	10,696,165	131,640	－	10,827,806

FY2020 (From January 1, 2020 to December 31, 2020)

(Thousand yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of current period	2,864,249	2,141,805	409,178	2,550,983
Changes of items during period				
Reversal of reserve for advanced depreciation of non-current assets				
Reversal of reserve for special depreciation				
Dividends of surplus				
Provision of general reserve				
Net income				
Purchase of treasury shares				
Disposal of treasury shares				
Net changes of items other than shareholders' equity				
Total changes of items during period	—	—	—	—
Balance at end of current period	2,864,249	2,141,805	409,178	2,550,983

	Shareholders' equity					
	Retained earnings					
	Legal retained earnings	Other retained earnings				Total retained earnings
		Reserve for advanced depreciation of non-current assets	Reserve for special depreciation	General reserve	Retained earnings brought forward	
Balance at beginning of current period	298,600	184,602	28,341	4,420,000	1,002,476	5,934,020
Changes of items during period						
Reversal of reserve for advanced depreciation of non-current assets		(12,205)			12,205	—
Reversal of reserve for special depreciation			(14,170)		14,170	—
Dividends of surplus					(214,653)	(214,653)
Provision of general reserve				600,000	(600,000)	—
Net income					610,513	610,513
Purchase of treasury shares						
Disposal of treasury shares						
Net changes of items other than shareholders' equity						
Total changes of items during period	—	(12,205)	(14,170)	600,000	(177,763)	395,860
Balance at end of current period	298,600	172,397	14,170	5,020,000	824,712	6,329,880

(Thousand yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	
Balance at beginning of current period	(653,088)	10,696,165	131,640	—	10,827,806
Changes of items during period					
Reversal of reserve for advanced depreciation of non-current assets		—			—
Reversal of reserve for special depreciation		—			—
Dividends of surplus		(214,653)			(214,653)
Provision of general reserve					—
Net income		610,513			610,513
Purchase of treasury shares	(207)	(207)			(207)
Disposal of treasury shares		—			—
Net changes of items other than shareholders' equity			(48,405)	10	(48,394)
Total changes of items during period	(207)	395,652	(48,405)	10	347,257
Balance at end of current period	(653,296)	11,091,818	83,234	10	11,175,063

(4) Non-consolidated Statement of Cash Flows

(Thousand yen)

	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Cash flows from operating activities		
Income before income taxes	880,908	909,423
Depreciation	1,102,334	1,182,865
Increase (decrease) in provision for bonuses	19,055	(53,215)
Increase (decrease) in provision for directors' bonuses	(3,800)	(2,100)
Increase (decrease) in provision for retirement benefits	116,831	44,438
Increase (decrease) in provision for directors' share benefits	29,715	36,928
Interest and dividend income	(10,170)	(8,124)
Interest expenses	5,178	3,491
Loss on retirement of non-current assets	1,378	670
Impairment loss	136,944	25,234
Loss (gain) on sales of non-current assets	(1,725)	—
Loss (gain) on sales of investment securities	(9,901)	(74,474)
Decrease (increase) in notes and accounts receivable - trade	(231,933)	159,903
Decrease (increase) in inventories	(35,287)	25,003
Increase (decrease) in notes and accounts payable - trade	(6,360)	(94,199)
Increase (decrease) in accrued expenses	104,194	(140,143)
Increase (decrease) in accrued consumption taxes	223,125	(211,698)
Decrease (increase) in consumption taxes refund receivable	114,314	(150,252)
Other, net	5,294	(69,602)
Subtotal	2,440,097	1,584,146
Interest and dividend income received	10,170	8,124
Interest expenses paid	(5,920)	(3,739)
Income taxes paid	(430,484)	(146,028)
Net cash provided by (used in) operating activities	2,013,863	1,442,503
Cash flows from investing activities		
Payments into time deposits	(60,000)	(60,000)
Proceeds from withdrawal of time deposits	60,000	60,000
Purchase of property, plant and equipment	(1,943,318)	(1,666,250)
Proceeds from sales of property, plant and equipment	1,071,553	—
Purchase of intangible assets	(79,725)	(61,067)
Payments for removal of non-current assets	(52,200)	—
Purchase of investment securities	(2,013)	(1,701)
Proceeds from sales of investment securities	32,729	154,630
Payments of loans receivable	—	(4,260)
Collection of loans receivable	1,490	3,310
Proceeds from refund of cash segregated as deposits	—	3,000
Net cash provided by (used in) investing activities	(971,484)	(1,572,338)

(Thousand yen)

	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Cash flows from financing activities		
Repayments of long-term loans payable	(465,000)	(292,500)
Net increase (decrease) in short-term loans payable	(500,000)	500,000
Repayments of lease obligations	(28,431)	(41,793)
Net purchase of treasury shares	(185,274)	(207)
Cash dividends paid	(233,221)	(213,624)
Net cash provided by (used in) financing activities	(1,411,928)	(48,125)
Net increase (decrease) in cash and cash equivalents	(369,548)	(177,959)
Cash and cash equivalents at beginning of period	1,800,539	1,430,990
Cash and cash equivalents at end of period	1,430,990	1,253,031

(5) Notes to Non-consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Segment information, etc.)

This information has been omitted because the entire business of Kanro falls under the single business category of confectionery and food business.

(Equity in earnings or losses of affiliates, etc.)

Equity method is not applied as the Company has no affiliated companies.

(Per share information)

	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Net assets per share	¥1,535.52	¥1,584.80
Basic earnings per share	¥92.36	¥86.58

(Notes) 1. Diluted earnings per share is not indicated as there are no residual shares outstanding.

2. The Company conducted a stock split of its common stock at a two-for-one ratio as of July 1, 2019. Net assets per share and basic earnings per share is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

3. The Company's own shares that remain in the trust recorded as treasury shares in shareholders' equity are included in treasury shares which were deducted in calculating the average number of shares during the period for the calculation of basic earnings per share. In addition, these shares are included in treasury shares deducted from total number of issued shares at the end of the period in calculating net assets per share.

   The number of deducted treasury shares at the end of the period in calculating net assets per share for FY2019 and FY2020 was 103 thousand shares and 103 thousand shares, respectively.

   The average number of treasury shares during the period deducted in calculating basic earnings per share for FY2019 and FY2020 was 105 thousand shares and 103 thousand shares, respectively.

4. Net assets per share were calculated based on the following data.

	FY2019 (As of December 31, 2019)	FY2020 (As of December 31, 2020)
Total net assets (Thousand yen)	10,827,806	11,175,063
Net assets relating to common stock at year-end (Thousand yen)	10,827,806	11,175,063
Number of outstanding shares of common stock (Thousand shares)	7,657	7,657
Number of treasury shares of common stock (Thousand shares)	606	606
Number of shares of common stock at year-end used for calculating net assets per share (Thousand shares)	7,051	7,051

5. Basic earnings per share was calculated based on the following data.

	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Net income (Thousand yen)	651,999	610,513
Amount not attributable to common stock holders (Thousand yen)	—	—
Net income relating to common stock (Thousand yen)	651,999	610,513
Average number of outstanding shares of common stock during the period (Thousand shares)	7,059	7,051

(Significant subsequent events)

Not applicable.