Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2021 [Japanese GAAP]

February 10, 2022

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 Ordinary General Meeting of Shareholders:	March 29, 2022
Scheduled date of commencing dividend payments:	March 10, 2022
Scheduled date of filing annual securities report:	March 30, 2022
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 FY2021 (January 1, 2021 to December 31, 2021)

(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, 2021	25,663	10.0	1,259	50.6	1,296	50.6	882	44.5
December 31, 2020	23,321	(3.0)	836	(9.5)	860	(14.6)	610	(6.4)

	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, 2021	125.12	—	7.7	6.3	4.9
December 31, 2020	86.58	—	5.5	4.4	3.6

(Reference) Equity in earnings (losses) of affiliates: FY2021: ¥ - million
FY2020: ¥ - million

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	21,155	11,776	55.7	1,670.21
As of December 31, 2020	19,779	11,175	56.5	1,584.80

(Reference) Equity: As of December 31, 2021: ¥11,776 million
As of December 31, 2020: ¥11,175 million

(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, 2021	2,620	(1,002)	(770)	2,099
December 31, 2020	1,442	(1,572)	(48)	1,253

2. Cash Dividends

	Annual cash dividends per share					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	%	%
FY2020	—	15.00	—	17.00	32.00	228	37.0	2.1
FY2021	—	15.00	—	25.00	40.00	286	32.0	2.5
FY2022 (Forecast)	—	20.00	—	20.00	40.00		34.4	

3. Non-consolidated Financial Results Forecast for FY2022 (January 1, 2022 to December 31, 2022)

(% 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	10,600	8.3	280	(36.4)	290	(37.1)	170	(54.1)	24.11
Full year	22,600	4.7	1,140	(9.2)	1,160	(10.2)	820	(6.7)	116.29

* The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. will be applied from the beginning of the fiscal year ending December 31, 2022. Accordingly, the forecasts stated above are the amounts after the application of the said standard, etc. The percentage changes from the previous corresponding period stated herein are calculated on the assumption that the said standard, etc. were applied in the fiscal year ended December 31, 2021.

*** 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)

	FY2021	FY2020
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	606,634 shares	606,390 shares
3) Average number of shares during the period	7,051,242 shares	7,051,477 shares

* 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, 2021: 123,600 shares and December 31, 2020: 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 material on financial results)
Supplementary material on financial results is disclosed on TDnet on February 10, 2022 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 suffered from the continued impact of COVID-19. However, the number of infected people decreased at the end of the fiscal year due to progress in vaccination, and there were signs of recovery due to a recent increase in flows of people. Nevertheless, the outlook remains uncertain mainly due to the impact of the emergence and expansion of mutant strains of COVID-19 on the domestic and overseas economies, soaring crude oil prices, rising raw material prices, and stagnant production activities due to disruptions in the supply chain.

As for the candy market, the market as a whole saw a decline year on year due to a drop in consumption as flows of people decreased due to repeated declarations of states of emergency and the normalization of wearing face masks. Meanwhile, the gummy category saw an increase year on year as a result of a recovery beginning due to an increase in at-home consumption.

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.” As a result, net sales during the fiscal year under review increased by ¥2,342 million (10.0%) year on year to ¥25,663 million.

Looking at sales by product category, sales of hard candy products decreased year on year despite bag type hard candy products seeing the increase in the gourmet and fancy category making up for the decrease in throat drops (のど飴), as the sales of the stick type hard candy products and small bags with zip type products continued to decline due to a decrease in office and outing consumption. By product, while sales increased for *Kinno Milk candy* (金のミルクキャンデイ) with newly released flavors, and the *Non-Sugar Sakan* (ノンシュガー茶館) series, sales of the *Kenko Nodoame* (健康のど飴) series, *Non-Sugar Super Menthol Nodoame* (ノンシュガースーパーメントールのど飴), and *Non-Sugar Fruit Nodoame* (ノンシュガー果実のど飴) decreased year on year. Sales of healthy snacks also decreased year on year due to the growing number of private-label products at convenience stores. On the other hand, sales of gummy products increased significantly year on year. In addition to strong sales of renewed *Puré Gummy* (ピュレグミ) and *Puré Ring* (ピュレリング) for parents and children, sales of *Candemina Gummy* (カンデミーナグミ), which has grown into a leading brand, were also strong, and a new product *Marosh* (マロッシュ), a marshmallow product, was received favorably. As a result, the increase in sales of gummy products significantly exceeded the decreases in sales of hard candy products and healthy snacks.

In terms of profits, gross profit increased by ¥1,558 million (14.3%) year on year to ¥12,422 million, due to an increase in net sales and a decrease in cost-of-sales ratio resulting from an increase in production.

Operating income increased by ¥423 million (50.6%) year on year to ¥1,259 million despite an increase in sales promotion expenses in reaction to the decrease in the previous fiscal year, an increase in advertising expenses due to the implementation of TV commercials for a new product, and an increase in personnel expenses mainly due to an increased number of employees. Ordinary income increased by ¥435 million (50.6%) year on year to ¥1,296 million, due to income from loss recognized in association with the delay in installation of factory equipment, in addition to the above factors.

Net income increased by ¥271 million (44.5%) year on year to ¥882 million, as a result of the posting of ¥94 million in gain on sales of investment securities associated with the reduction of strategic shareholdings coupled with ¥132 million in impairment losses associated with the renewal of facilities to increase production capacity.

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

Total assets at the end of the fiscal year under review increased by ¥1,376 million (7.0%) from the

end of the previous fiscal year to ¥21,155 million. The increase in total assets was mainly attributable to increases in cash and deposits, accounts receivable – trade, and deferred tax assets of ¥846 million, ¥758 million, and ¥215 million, respectively, despite decreases in property, plant and equipment, accounts receivable – other, and investment securities of ¥268 million, ¥150 million, and ¥133 million, respectively.

Liabilities increased by ¥774 million (9.0%) from the end of the previous fiscal year to ¥9,378 million. The increase in liabilities was mainly attributable to increases in accounts payable – trade, accrued expenses, income taxes payable, accrued consumption taxes, and provision for bonuses of ¥334 million, ¥303 million, ¥238 million, ¥167 million, and ¥158 million, respectively, despite a decrease of ¥500 million in short-term loans payable.

Net assets increased by ¥601 million (5.4%) from the end of the previous fiscal year to ¥11,776 million. This was mainly due to the recording of ¥882 million in net income and the payment of ¥229 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 ¥2,099 million, an increase of ¥846 million from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥2,620 million (net cash provided of ¥1,442 million in the previous fiscal year).

This was attributable to cash inflows mainly from operating revenues as well as a decrease in working capital, despite income taxes paid and other factors.

(Cash flows from investing activities)

Net cash used in investing activities was ¥1,002 million (net cash used of ¥1,572 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 ¥770 million (net cash used of ¥48 million in the previous fiscal year).

This was attributable to cash outflows mainly from a net decrease in short-term loans payable and for cash dividends paid.

(Reference) Cash flow-related indicators

	FY2018	FY2019	FY2020	FY2021
Equity ratio (%)	53.3	56.5	56.5	55.7
Equity ratio on a market value basis (%)	61.8	59.0	53.7	53.1
Cash flows to interest-bearing debt (Years)	1.9	0.4	0.7	0.2
Interest coverage ratio (Times)	170.0	340.2	385.8	842.5

(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) Future Outlook

The year 2022, which marks the 110th anniversary of the Company's founding, will be the first year of Medium-term Corporate Strategy 2024 under the newly formulated corporate purpose, and we will steadily promote three business strategies: "Value Creation," "ESG Management," and "Expansion of our Business Domains."

The Company expects that net sales in FY2022 will increase by ¥1,010 million (4.7%) year on year to ¥22,600 million as a result of thorough brand-centric management, expansion of the market share of existing mainstay brands of hard candy and gummies, and expansion of the digital commerce business centered on HITOTUBU KANRO (ヒトツブカンロ) products.

In terms of profits, the cost of sales will rise due to an increase in several expenses caused primarily by soaring raw material prices and rising oil prices, amid rising general expenses to address the rebound from the COVID-19 pandemic and expansion of our business domains, as well as an increase in advertising expenses for mainstay brands. As a result, operating income is expected to decrease by ¥114 million (9.2%) year on year to ¥1,140 million, and ordinary income is expected to decrease by ¥131 million (10.2%) year on year to ¥1,160 million. Net income is projected to decrease by ¥59 million (6.7%) year on year to ¥820 million.

The forecast for FY2022 is based on amounts after the application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. The amounts and rates of change from the previous fiscal year are calculated on the assumption that the accounting standard was applied in FY2021.

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, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	1,313,031	2,159,716
Accounts receivable - trade	6,090,805	6,849,168
Merchandise and finished goods	585,357	610,407
Work in process	7,820	42,675
Raw materials and supplies	236,471	288,581
Prepaid expenses	147,943	149,990
Short-term loans receivable	1,910	1,750
Accounts receivable - other	157,806	7,773
Other	1,646	565
Total current assets	8,542,792	10,110,628
Non-current assets		
Property, plant and equipment		
Buildings	6,834,536	6,928,107
Accumulated depreciation	(3,514,692)	(3,767,034)
Buildings, net	3,319,844	3,161,072
Structures	1,456,313	1,521,277
Accumulated depreciation	(1,159,430)	(1,180,304)
Structures, net	296,882	340,972
Machinery and equipment	12,852,273	12,976,990
Accumulated depreciation	(9,176,048)	(9,198,081)
Machinery and equipment, net	3,676,224	3,778,909
Vehicles	52,397	52,527
Accumulated depreciation	(40,222)	(42,012)
Vehicles, net	12,175	10,515
Tools, furniture and fixtures	948,768	1,008,164
Accumulated depreciation	(686,004)	(715,155)
Tools, furniture and fixtures, net	262,764	293,009
Land	1,497,709	1,497,662
Leased assets	152,383	157,357
Accumulated depreciation	(61,782)	(100,956)
Leased assets, net	90,601	56,400
Construction in progress	282,761	32,366
Total property, plant and equipment	9,438,963	9,170,910
Intangible assets		
Trademark right	8,199	10,565
Software	166,792	176,352
Telephone subscription right	10,411	10,411
Right of using facilities	5,953	5,432
Total intangible assets	191,356	202,761

(Thousand yen)

	As of December 31, 2020	As of December 31, 2021
Investments and other assets		
Investment securities	282,851	148,944
Investments in capital	10	10
Long-term loans receivable from employees	1,635	2,485
Long-term prepaid expenses	8,597	7,683
Guarantee deposits	419,406	402,972
Deposits on admission	13,900	13,900
Deferred tax assets	879,787	1,095,026
Total investments and other assets	1,606,187	1,671,022
Total non-current assets	11,236,507	11,044,694
Total assets	19,779,299	21,155,323

(Thousand yen)

	As of December 31, 2020	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	1,597,976	1,932,594
Short-term loans payable	1,000,000	500,000
Lease obligations	42,142	33,654
Accounts payable - other	979,729	952,293
Accrued expenses	1,666,235	1,969,919
Income taxes payable	234,316	472,912
Accrued consumption taxes	—	167,869
Deposits received	125,620	127,751
Provision for bonuses	554,967	713,154
Provision for directors' bonuses	65,200	83,500
Other	—	356
Total current liabilities	6,266,188	6,954,006
Non-current liabilities		
Lease obligations	57,331	28,328
Provision for retirement benefits	2,105,097	2,181,480
Provision for directors' share benefits	127,372	165,334
Other	48,245	49,260
Total non-current liabilities	2,338,047	2,424,403
Total liabilities	8,604,235	9,378,409
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	419,071
Total capital surplus	2,550,983	2,560,876
Retained earnings		
Legal retained earnings	298,600	298,600
Other retained earnings		
Reserve for advanced depreciation of non-current assets	172,397	160,191
Reserve for special depreciation	14,170	—
General reserve	5,020,000	5,320,000
Retained earnings brought forward	824,712	1,204,100
Total retained earnings	6,329,880	6,982,892
Treasury shares	(653,296)	(663,536)
Total shareholders' equity	11,091,818	11,744,481
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	83,234	32,522
Deferred gains or losses on hedges	10	(91)
Total valuation and translation adjustments	83,245	32,431
Total net assets	11,175,063	11,776,913
Total liabilities and net assets	19,779,299	21,155,323

(2) Non-consolidated Statements of Income

(Thousand yen)

	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
Net sales	23,321,485	25,663,917
Cost of sales		
Beginning finished goods	637,370	585,357
Cost of products manufactured	11,623,780	12,584,798
Purchase of finished goods	833,831	714,161
Total	13,094,983	13,884,317
Ending finished goods	585,357	610,407
Transfer to other account	52,093	32,884
Total cost of sales	12,457,532	13,241,025
Gross profit	10,863,952	12,422,891
Selling, general and administrative expenses	10,027,452	11,163,306
Operating income	836,499	1,259,584
Non-operating income		
Interest and dividend income	8,124	5,775
Subsidy income	9,346	4,875
Income from loss	—	12,474
Sold power income	9,497	11,025
Other	9,262	12,189
Total non-operating income	36,231	46,339
Non-operating expenses		
Interest expenses	3,491	3,110
Sold power expenses	5,650	5,674
Loss on cancellation of leases	1,785	—
Other	950	1,009
Total non-operating expenses	11,877	9,794
Ordinary income	860,853	1,296,130
Extraordinary income		
Gain on sales of investment securities	74,950	94,905
Total extraordinary income	74,950	94,905
Extraordinary losses		
Loss on sales of non-current assets	—	46
Loss on retirement of non-current assets	670	5,540
Impairment loss	25,234	132,700
Loss on sales of investment securities	475	—
Total extraordinary losses	26,380	138,287
Income before income taxes	909,423	1,252,748
Income taxes - current	299,496	563,314
Income taxes - deferred	(586)	(192,834)
Total income taxes	298,909	370,479
Net income	610,513	882,268

Statement of cost of goods manufactured

Category	Note No.	FY2020 (From January 1, 2020 to December 31, 2020) Amount (Thousand yen)	Composition (%)	FY2021 (From January 1, 2021 to December 31, 2021) Amount (Thousand yen)	Composition (%)
Ⅰ Raw material costs		6,592,269	56.7	7,293,816	57.8
Ⅱ Labor costs		2,584,124	22.2	2,740,296	21.7
Ⅲ Expenses	*1	2,451,873	21.1	2,585,541	20.5
Total cost of manufacturing		11,628,268	100.0	12,619,653	100.0
Beginning work in process		3,332		7,820	
Total		11,631,600		12,627,473	
Ending work in process		7,820		42,675	
Cost of products manufactured		11,623,780		12,584,798	

(Notes)*1 Major components are as follows.

Item	FY2020 (Thousand yen)	FY2021 (Thousand yen)
Subcontract processing expenses	120,517	191,888
Depreciation	1,008,256	939,831
Repair expenses	286,082	288,563
Utilities expenses	394,628	451,292

(Method of cost accounting)

Kanro adopts process costing as a method of cost accounting.

(3) Non-consolidated Statement of Changes in Equity

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	Total valuation and translation adjustments	
Balance at beginning of current period	(653,088)	10,696,165	131,640	—	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)	(48,394)
Total changes of items during period	(207)	395,652	(48,405)	10	(48,394)	347,257
Balance at end of current period	(653,296)	11,091,818	83,234	10	83,245	11,175,063

FY2021 (From January 1, 2021 to December 31, 2021)

(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			9,892	9,892
Net changes of items other than shareholders' equity				
Total changes of items during period	－	－	9,892	9,892
Balance at end of current period	2,864,249	2,141,805	419,071	2,560,876

	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	172,397	14,170	5,020,000	824,712	6,329,880
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					(229,257)	(229,257)
Provision of general reserve				300,000	(300,000)	－
Net income					882,268	882,268
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)	300,000	379,387	653,011
Balance at end of current period	298,600	160,191	－	5,320,000	1,204,100	6,982,892

(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	Total valuation and translation adjustments	
Balance at beginning of current period	(653,296)	11,091,818	83,234	10	83,245	11,175,063
Changes of items during period						
Reversal of reserve for advanced depreciation of non-current assets		–				–
Reversal of reserve for special depreciation		–				–
Dividends of surplus		(229,257)				(229,257)
Provision of general reserve		–				–
Net income		882,268				882,268
Purchase of treasury shares	(30,344)	(30,344)				(30,344)
Disposal of treasury shares	20,104	29,996				29,996
Net changes of items other than shareholders' equity			(50,711)	(102)	(50,814)	(50,814)
Total changes of items during period	(10,240)	652,663	(50,711)	(102)	(50,814)	601,849
Balance at end of current period	(663,536)	11,744,481	32,522	(91)	32,431	11,776,913

(4) Non-consolidated Statement of Cash Flows

(Thousand yen)

	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
Cash flows from operating activities		
Income before income taxes	909,423	1,252,748
Depreciation	1,182,865	1,115,617
Increase (decrease) in provision for bonuses	(53,215)	158,187
Increase (decrease) in provision for directors' bonuses	(2,100)	18,300
Increase (decrease) in provision for retirement benefits	44,438	76,382
Increase (decrease) in provision for directors' share benefits	36,928	37,961
Interest and dividend income	(8,124)	(5,775)
Interest expenses	3,491	3,110
Loss on retirement of non-current assets	670	5,540
Impairment loss	25,234	132,700
Loss (gain) on sales of non-current assets	—	46
Loss (gain) on sales of investment securities	(74,474)	(94,905)
Decrease (increase) in notes and accounts receivable - trade	159,903	(758,362)
Decrease (increase) in inventories	25,003	(112,015)
Increase (decrease) in notes and accounts payable - trade	(94,199)	334,617
Increase (decrease) in accrued expenses	(140,143)	303,684
Increase (decrease) in accrued consumption taxes	(211,698)	168,367
Decrease (increase) in consumption taxes refund receivable	(150,252)	150,252
Other, net	(69,602)	164,394
Subtotal	1,584,146	2,950,851
Interest and dividend income received	8,124	5,774
Interest expenses paid	(3,739)	(3,110)
Income taxes paid	(146,028)	(333,206)
Net cash provided by (used in) operating activities	1,442,503	2,620,309
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	(1,666,250)	(1,090,640)
Purchase of intangible assets	(61,067)	(67,141)
Purchase of investment securities	(1,701)	(1,134)
Proceeds from sales of investment securities	154,630	156,875
Payments of loans receivable	(4,260)	(4,960)
Collection of loans receivable	3,310	4,270
Proceeds from refund of cash segregated as deposits	3,000	—
Net cash provided by (used in) investing activities	(1,572,338)	(1,002,731)

(Thousand yen)

	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
Cash flows from financing activities		
Repayments of long-term loans payable	(292,500)	—
Net increase (decrease) in short-term loans payable	500,000	(500,000)
Repayments of lease obligations	(41,793)	(42,962)
Net purchase of treasury shares	(207)	(348)
Cash dividends paid	(213,624)	(227,581)
Net cash provided by (used in) financing activities	(48,125)	(770,892)
Net increase (decrease) in cash and cash equivalents	(177,959)	846,685
Cash and cash equivalents at beginning of period	1,430,990	1,253,031
Cash and cash equivalents at end of period	1,253,031	2,099,716

(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)

	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
Net assets per share	¥1,584.80	¥1,670.21
Basic earnings per share	¥86.58	¥125.12

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

2. 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 FY2020 and FY2021 was 103 thousand shares and 123 thousand shares, respectively.

   The average number of treasury shares during the period deducted in calculating basic earnings per share for FY2020 and FY2021 was 103 thousand shares and 121 thousand shares, respectively.

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

	FY2020 (As of December 31, 2020)	FY2021 (As of December 31, 2021)
Total net assets (Thousand yen)	11,175,063	11,776,913
Net assets relating to common stock at year-end (Thousand yen)	11,175,063	11,776,913
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

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

	FY2020 (From January 1, 2020 to December 31, 2020)	FY2021 (From January 1, 2021 to December 31, 2021)
Net income (Thousand yen)	610,513	882,268
Amount not attributable to common stock holders (Thousand yen)	—	—
Net income relating to common stock (Thousand yen)	610,513	882,268
Average number of outstanding shares of common stock during the period (Thousand shares)	7,051	7,051

(Significant subsequent events)

(Conclusion of commitment line agreement)

At a meeting of the Board of Directors held on January 27, 2022, the Company resolved to conclude a commitment line agreement for the purpose of flexible and stable financing to promote Medium-term Corporate Strategy 2024, and concluded the agreement with the following details.

(1) Use of funds: Working capital
(2) Maximum amount: ¥2,000 million
(3) Date of agreement conclusion: February 10, 2022
(4) Agreement period: February 10, 2022 to February 28, 2023
(5) Collateral: None
(6) Financial covenants
(i) The total amount of net assets in the non-consolidated balance sheet as of the end of the fiscal year shall be equal to 75% or more of the total amount of net assets in the non-consolidated balance sheet as of the end of FY2021, or the end of the most recent fiscal year, whichever is higher.
(ii) The ordinary income (loss) in the non-consolidated statement of income at the end of FY2021, and at the end of each fiscal year thereafter shall not be a loss for two consecutive fiscal years.