Supplementary Materials:
Financial Results for the Nine Months Ended September 30, 2022



October 31, 2022

Kanro Inc.

(TSE: 2216)

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“1H” refers to the period from January to June, Q3 refers to the period from January to September, and “2H” refers to the period from July to December in the materials.

Review of FY2022 Q3 (Jan. to Sep. 2022)

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Summary of FY2022 Q3

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◆Market environment

- The candy market increased by 7.6% YoY driven by gummies (hard candy: up 5.9%; gummies: up 22.8%)*1,3.

◆Status of company business

- Year-on-year increases in net sales and incomes (net sales were up 20.8%, operating income was up 151.5%, ordinary income was up 148.4%, and net income was up 114.0%).
  - ○Hard candy: Revision of some product prices (September), in addition to growth of demand for throat drops and *Kinno Milk* candy with release of a new flavor. Net sales were up 11.3% YoY.
  - ○Gummies (Including marshmallow products): Strong performance not only of mainstay brands but also of new products amid growth of the market. Net sales were up 35.0% YoY.
- Market share (Jan.–Sept. [figures in square brackets indicate results in previous year]):
  Hard candy (20.3% [20.4%]), Gummies (16.3% [17.5%])*2,3.
- Revision of product prices: revised prices in sequence, from September 1 shipment for hard candies and from October 1 shipment for gummies (including marshmallow)
- English annual report: International ARC Awards: won Best of the Category Grand Award in 2 categories

*1 INTAGE Inc. SRI + Hard candy and gummies markets YoY change in sales amount by type from Jan. to Sept. 2022 total
*2 INTAGE Inc. SRI + Hard candy and gummies markets Kanro's share in sales amount by type from Jan. to Sept. 2022 total
*3 Figures for Kanro's marshmallow products are not included





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Summary of FY2022 Q3 Performance

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Unit：million yen

	FY2022 Q3	FY2021 Q3		
	Actual	Actual	YoY	YoY%
Net sales	**17,927**	14,842	3,084	20.8%
Operating income	**1,295**	514	780	151.5%
Ordinary income	**1,355**	545	809	148.4%
Net income	**936**	437	498	114.0%

* The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and related guidance is applied from the fiscal year ending Dec. 31, 2022. Accordingly, certain items that were recorded as selling expenses, including agent fees, are deducted from net sales. (The same applies to the subsequent slides.)

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Overview of Selling, General and Administrative Expenses in FY2022 Q3

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Unit: million yen

	FY2022 Q3		FY2021 Q3			
	Actual	Composition ratio	Actual	Composition ratio	YoY	YoY%
Net sales	**17,927**	100.0%	14,842	100.0%	3,084	20.8%
Cost of sales	**11,008**	61.4%	9,281	62.5%	1,726	18.6%
Freight/warehousing costs	**1,241**	6.9%	1,067	7.2%	173	16.2%
Advertising expenses	**363**	2.0%	236	1.6%	127	54.0%
Other selling expenses	**167**	0.9%	140	0.9%	27	19.6%
Personnel expenses	**2,650**	14.8%	2,477	16.7%	173	7.0%
General expenses	**1,201**	6.7%	1,125	7.6%	76	6.8%
Operating income	**1,295**	7.2%	514	3.5%	780	151.5%

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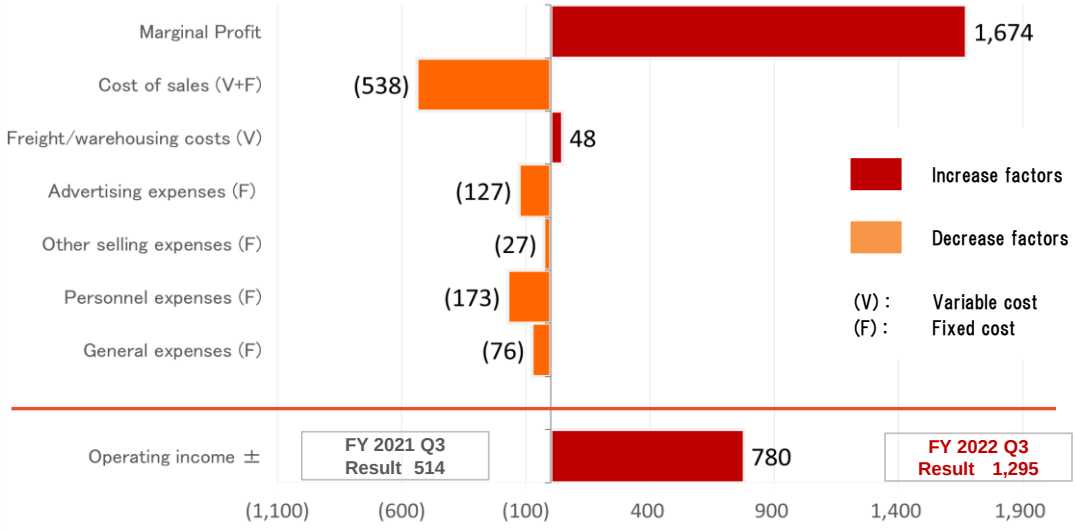
Factors of changes in OP（FY2021/Q3 Result Vs. **FY2022/Q3 Result**）

Unit: million yen



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Summary of Revised Full-Year Performance

Unit: million yen

	FY2022			FY2021		
	Revised-forecast	Previous forecast*	YoY%	Actual	YoY	**YoY%**
Net sales	**24,950**	**24,200**	**3.1%**	**21,589**	**3,360**	**15.6%**
Operating income	**1,830**	**1,530**	**19.6%**	**1,254**	**575**	**45.8%**
Ordinary income	**1,900**	**1,590**	**19.5%**	**1,291**	**608**	**47.1%**
Net income	**1,270**	**1,080**	**17.6%**	**879**	**390**	**44.5%**

*Announced on Apr. 28, 2022

<Reasons for the revision> In the candy market, the gummy category continues to grow steadily, while Kanro has been enjoying strong performance of both its mainstay brands and new products. Despite increases in raw material prices and factory overhead costs, an increase in marginal profit from significantly higher sales as well as improved productivity and price revisions, contributed to increase in incomes.

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Revision of Year-End Dividend Forecast (Distribution of 110th Anniversary Commemorative Dividend)

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Unit: Yen

Dividends per share (yen)	Interim dividend (Before stock split)	Year-end dividend (After stock split)	Annual dividend (Pre-split basis)	Annual dividend (Post-split basis)	Dividend payout ratio
FY2021	—	—	40.0	20.0	32.0%
FY2022 (Previous forecast*)	25.0	12.5	50.0	25.0	32.7%
FY2022 (Revised forecast)	25.0	17.5	60.0	30.0	32.8%

*Announced on May 27, 2022

<Reasons for the revision> In celebration of Kanro's 110th anniversary of its founding, a resolution was passed to distribute a commemorative dividend of 5 yen per share in addition to ordinary dividend of 12.5 yen.

In addition, the return of profits to shareholders is an important policy; the Medium-term Corporate Strategy 2024 provides for enhancement of shareholder returns, gradually raising dividend payout ratio to 40% by FY2024

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Topics on New Businesses

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- Digital Commerce Business/from the new brand "Amazing Kanro"
  - ***Starry Ramune* BOX set**[*1]
    - Following the August 30 launch in Kanro POCKeT on-line shop, the first production run sold out in 9 days; next shipment is scheduled for early December 2022
- Future Design Business/from the new brand "HITOTUBU KANRO earth"
  - ***Earth-Friendly Wet Wipes***[*2]
    - Uses alcohol made by fermenting hard candies that do not meet the standard and are not fit to be sold, as well as organic rice produced from idle fields, with yeast, and then refining the product. On the market from September 14.
    - Circular economy initiative
- Global Business/new original zero-sugar products for the Chinese market
  - ***Zero sugar product "0糖1刻"***[*3]
    - Started test-marketing in September



*1



*2



*3

*Product design is subject to change

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(Supplementary Materials 1) 【Summary of Financial Results】

Quarterly

For this table only, represents a 3 months period

Unit: Million yen

	FY2021					FY2022					Jan. to Sep. 2021 vs. Jan. to Sep. 2022	
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year	YoY	YoY%
Net sales	4,576	5,207	5,058	6,746	21,589	5,992	6,071	5,862		24,950	3,084	20.8%
Operating income	98	341	74	739	1,254	700	327	267		1,830	780	151.5%
Operating income margin	2.2	6.6	1.5	11.0	5.8	11.7	5.4	4.6		7.3	3.8pt	-
Ordinary income	100	360	84	745	1,291	739	336	279		1,900	809	148.4%
Net income	113	256	67	441	879	499	230	206		1,270	498	114.0%

*Quarterly results are simple differences. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and related guidance is applied from the fiscal year ending Dec. 31, 2022. Accordingly, certain items that were recorded as selling expenses, including agent fees, are deducted from net sales. The figures from the fiscal year ending December 31, 2021 are after retroactive application of said accounting standard.

1H/2H

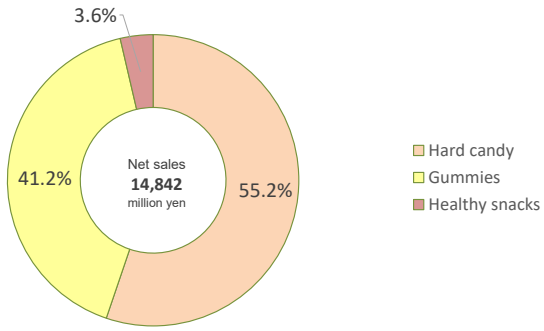
Unit: Million yen

	FY2021			FY2022			FY2021 vs. FY2022	
	1H	2H	Full year	1H (Actual)	2H (Plan)	Full year	1H (YoY%)	2H (YoY%)
Net sales	9,784	11,805	21,589	12,064	12,885	24,950	23.3%	9.1%
Operating income	440	814	1,254	1,027	802	1,830	133.6%	(1.6)%
Operating income margin	4.5	6.9	5.8	8.5	6.2	7.3	-	-
Ordinary income	461	830	1,291	1,075	824	1,900	133.3%	(0.7)%
Net income	370	508	879	730	539	1,270	97.3%	6.0%

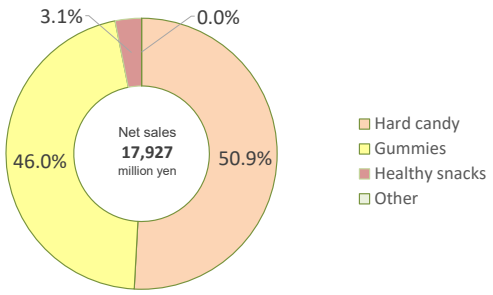
*Results and plan for 2nd half are simple differences. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and related guidance is applied from the fiscal year ending Dec. 31, 2022. Accordingly, certain items that were recorded as selling expenses, including agent fees, are deducted from net sales. The figures from the fiscal year ending December 31, 2021 are after retroactive application of said accounting standard.

Composition of net sales from Jan. to Sep.

FY2021 Q3



FY2022 Q3



Net sales amount by type from Jan. to Sep. (YoY%)

Unit: Mil. yen

	FY2021 Q3	FY2022 Q3	YoY%
Hard candy	8,195	9,118	11.3%
Gummies *1	6,107	8,246	35.0%
Healthy snacks	539	561	4.1%
Other *2	-	0	-
Total	14,842	17,927	20.8%

*1 The data is included marshmallow products.

*2 “Other” refers to miscellaneous products other than foods.

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

(Supplementary Materials 2)【 Non-consolidated Statements of Income/Nine Months Ended Sep. 30】

Unit: Million yen

	FY2021 Q3		FY2022 Q3		FY2021 Q3 vs. FY2022 Q3	
	Amount	%	Amount	%	YoY	YoY%
Net sales	**14,842**	100.0%	**17,927**	100.0%	**3,084**	**20.8%**
Cost of sales	9,281	62.5%	11,008	61.4%	1,726	18.6%
Gross profit	5,561	**37.5%**	6,919	**38.6%**	1,358	24.4%
Freight/warehousing costs	1,067	7.2%	1,241	6.9%	173	16.2%
Advertising expenses	236	1.6%	363	2.0%	127	54.0%
Other selling expenses	140	0.9%	167	0.9%	27	19.6%
Selling expenses	1,443	9.7%	1,772	9.9%	328	22.7%
Personnel expenses	2,477	16.7%	2,650	14.8%	173	7.0%
General expenses	1,125	7.6%	1,201	6.7%	76	6.8%
General and administrative expenses	3,602	24.3%	3,852	21.5%	249	6.9%
Selling, general and administrative expenses	5,046	34.0%	5,624	31.4%	577	11.5%
Operating income	**514**	**3.5%**	**1,295**	**7.2%**	**780**	**151.5%**
Non-operating income	38	0.3%	65	0.4%	27	71.0%
Non-operating expenses	7	0.1%	5	0.0%	(2)	(33.7)%
Non-operating income and expenses	30	0.2%	60	0.3%	29	97.2%
Ordinary income	**545**	**3.7%**	**1,355**	**7.6%**	**809**	**148.4%**
Gain on sales of investment securities	94	0.6%	3	0.0%	(91)	(96.2)%
Gain on sale of non-current assets	-	-	0	0.0%	0	-
Extraordinary income	94	0.6%	4	0.0%	(90)	(95.2)%
Loss on retirement of non-current assets	5	0.0%	0	0.0%	(5)	(94.4)%
Impairment loss	19	0.1%	16	0.1%	(3)	(17.6)%
Extraordinary losses	25	0.2%	16	0.1%	(8)	(34.9)%
Extraordinary income and losses	69	0.5%	(11)	-	(81)	-
Income before income taxes	615	4.1%	1,343	7.5%	728	118.4%
Total income taxes	177	1.2%	407	2.3%	229	129.3%
Net income	**437**	**2.9%**	**936**	**5.2%**	**498**	**114.0%**

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

(Supplementary Materials 3)【Financial Indicators FY2018－FY2022/Plan】

(FY2022 figures planned; all others actual)

							Plan
Fiscal Year		Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Net sales	*1◎	million yen	19,293	20,146	19,646	21,589	**24,950**
Net sales YoY		%	―	4.4	(2.5)	9.9	**15.6**
Gross profit	◎	million yen	7,279	7,467	7,189	8,353	―
Gross profit to net sales		%	37.7	37.1	36.6	38.7	―
Operating income	◎	million yen	1,001	923	834	1,254	**1,830**
Operating income margin	◎	%	―	4.6	4.2	5.8	**7.3**
Ordinary income	◎	million yen	1,042	1,007	858	1,291	**1,900**
Net income	◎	million yen	1,009	651	608	879	**1,270**
Net income YoY		%	―	(35.4)	(6.6)	44.3	**44.5**
Net assets	◎	million yen	10,635	10,806	11,151	11,750	―
Total assets	◎	million yen	20,033	19,207	19,818	21,200	―
Net assets per share	*2,3	yen	742.13	766.23	790.76	833.23	―
Basic earnings per share	*2,3	yen	70.46	46.17	43.18	62.33	**91.57**
Equity ratio		%	53.1	56.3	56.3	55.4	―
ROE		%	9.8	6.1	5.5	7.7	―
PER		times	12.2	17.4	17.4	12.7	―
Cash flow from operating activities	◎	million yen	949	2,013	1,442	2,620	―
Cash flow from investing activities	◎	million yen	(1,743)	(971)	(1,572)	(1,002)	―
Cash flow from financing activities	◎	million yen	271	(1,411)	(48)	(770)	―
Cash and cash equivalents at end of period	◎	million yen	1,800	1,430	1,253	2,099	―
Number of employees		persons	542	578	601	608	―
Average numbers of temporary employees, excluded from the number of employees		persons	118	121	132	137	―
Capital investment	◎	million yen	2,850	1,721	2,090	914	―
Depreciation	◎	million yen	933	1,102	1,182	1,115	―
R&D expenses	◎	million yen	603	664	629	710	―
Total number of issued shares at the end of the period (not including treasury shares)	*2,3,5	number of shares	14,330,472	14,103,104	14,102,824	14,102,336	**14,102,336**
Dividends per share	*2,4	yen	16.25	15.00	16.00	20.00	**30.00**
Payout ratio		%	23.0	32.5	37.0	32.0	**32.8**

◎: *The values displayed in these materials are truncated at the million-yen level.

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and related guidance is applied from the fiscal year ending Dec. 31, 2022. Accordingly, certain items that were recorded as selling expenses, including agent fees, are deducted from net sales. The figures from the fiscal year ending December 31, 2018 are after retroactive application of said accounting standard.

*1: Net sales do not include consumption taxes, etc.

*2: Kanro conducted a share consolidation of common stock at a ratio of two share for one share effective as of July 1, 2019 and July 1, 2022. Dividends per share, net assets per share, basic earnings per share, and total number of issued shares at the end of the period (not including treasury shares) are calculated on the assumption that the share split was carried out at the fiscal year ended December 31, 2018.

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

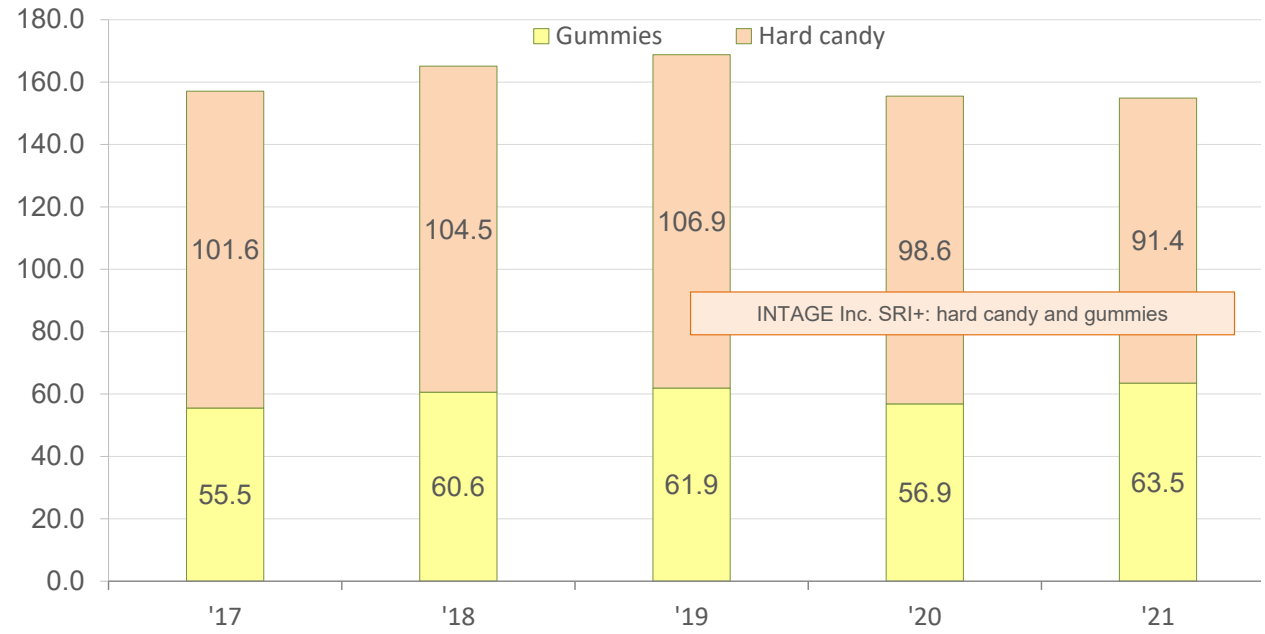
*4: Dividends per share of FY2018 includes a special dividend of 1.25 yen per share. And for FY2022 includes a commemorative dividend of 5 yen (commemorative dividend for 110th anniversary).

*5: Total number of issued shares at the end of the period (not including treasury shares) is the number of shares at the end of the previous fiscal year.

(Supplementary Materials 4) 【Market Trends】

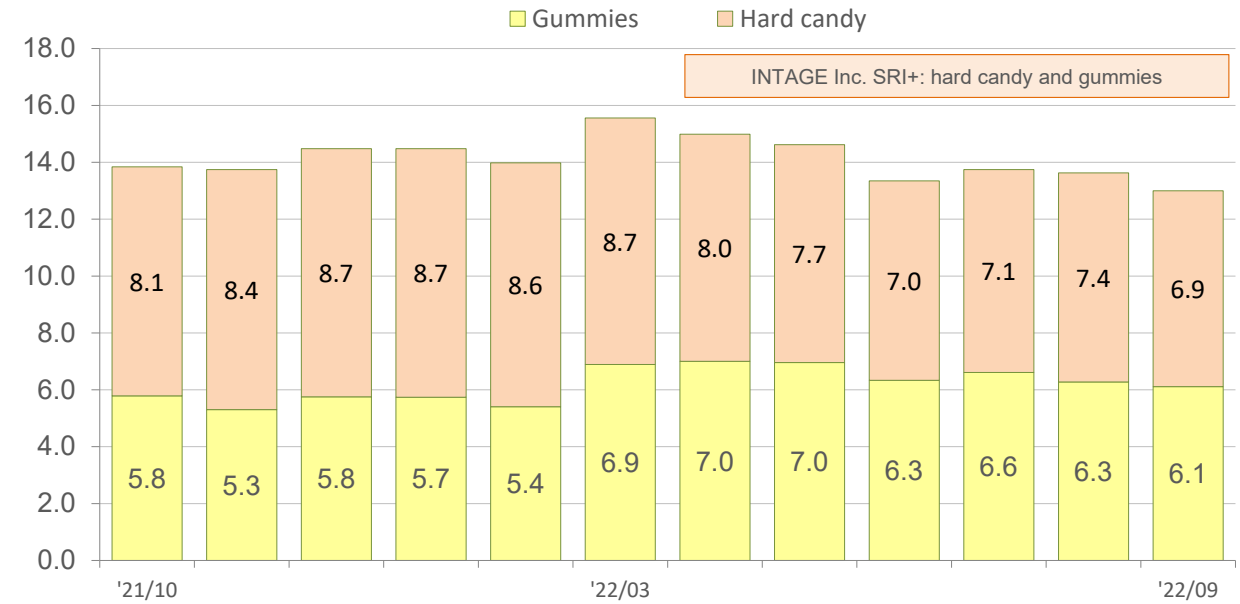
Unit: Bln. yen

【Market trends】Hard candy＋Gummies sales amount (Yearly)*



Unit: Bln. yen

【Market trends】Hard candy＋Gummies sales amount (Monthly)*



Sales amount from Jan. to Sep. (YoY%)

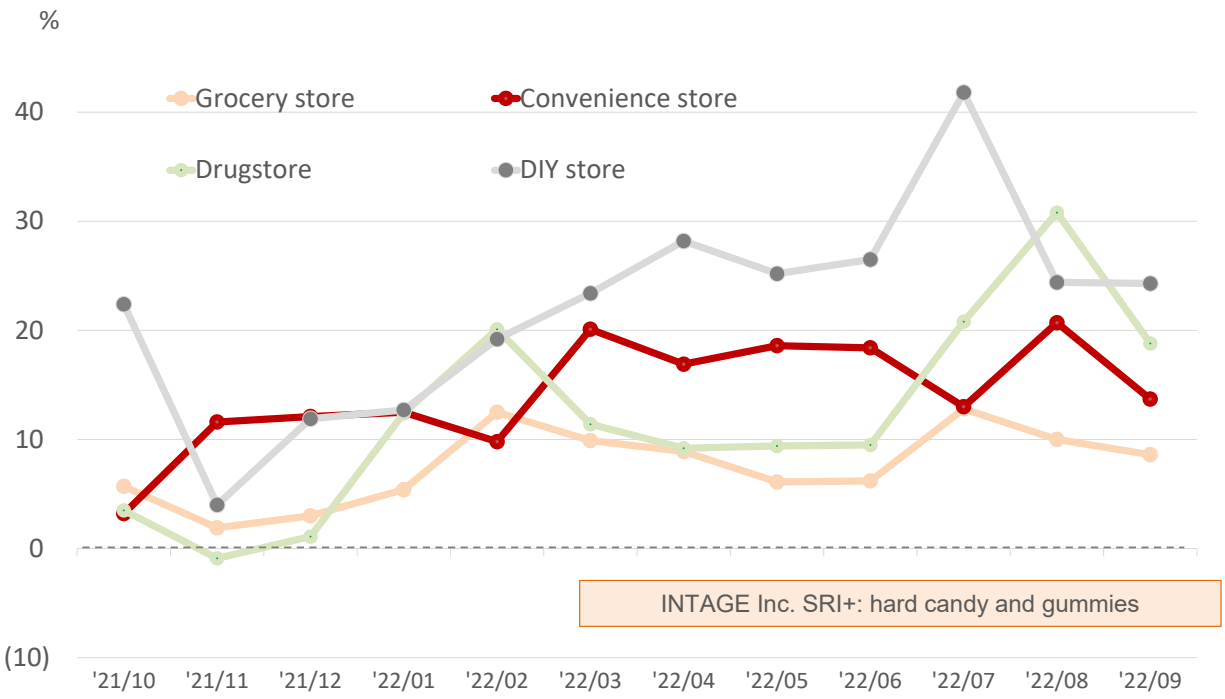
Unit: Bln. yen

	Sales amount		YoY%
	Jan. to Sep.2021	Jan. to Sep.2022	
Hard candy	**66.1**	**70.0**	5.9%
Gummies	**46.7**	**57.3**	22.8%
Total	**112.8**	**127.3**	12.9%

* INTAGE Inc. SRI+: hard candy and gummies sales amount by type

(Supplementary Materials 5)
【Hard Candy+Gummy Markets Trends by Business Category】

【Business category】Hard candy+Gummies YoY% (Monthly)*



Sales amount from Jan. to Sep. (YoY%)

Unit: Bln. yen

	Sales amount		YoY%
	Jan. to Sep.2021	Jan. to Sep.2022	
Grocery store	**50.7**	**55.2**	8.9%
Convenience store	**38.1**	**44.2**	16.0%
Drugstore	**21.6**	**24.9**	15.4%
DIY store	**2.4**	**3.1**	25.0%
Total	**112.8**	**127.3**	12.9%

* INTAGE Inc. SRI+: hard candy and gummies sales amount by business category

(Supplementary Materials 6)　【Reference Information】

IR Information

https://www.kanro.co.jp/en/ir/

IR News

https://www.kanro.co.jp/en/ir/news/

Medium-term Corporate Strategy 2024

https://ssl4.eir-parts.net/doc/2216/ir_material3/181759/00.pdf

Annual Report

https://ssl4.eir-parts.net/doc/2216/ir_material_for_fiscal_ym13/118791/00.pdf

MEMO

Sweeten the Future

Kanro

心がひとつぶ、大きくなる。

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