Supplementary Materials: Financial Results for the Three Months Ended March 31, 2024



April 26, 2024

Kanro Inc.

(TSE: 2216)

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“Q1” refers to the period from January to March, “1H” refers to the period from January to June, and “2H” refers to the period from July to December in the materials.

Review of FY2024 Q1 (Jan. to Mar. 2024)

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Summary of the FY2024 (Q1)

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◆Market environment

- Candy market: YoY growth continued (of which, hard candy up 15.6%, gummies up 14.4% *1,3)

◆Status of company business

- Jan.: Changes made to organizational and management structures (strengthened sustainability promotion structure, newly established the DX Promotion Committee, appointed a brand leader, etc.)
- Mar.: Certified as “Health and Productivity Management Outstanding Organization 2024” for the third consecutive year
- Market share [Jan.–Mar. (2023 share in parentheses)]: Hard candy [19.6% (22.3%)], gummies [16.8% (16.8%)] *2,3
- Performance (YoY): Increase in net sales and profits (net sales: up 1.3%, operating profit: up 2.0%, ordinary profit: up 2.1%, profit: up 11.7%)
  - Hard candy: Continued to narrow down product offerings and improved manufacturing structure to respond to firm demand for throat drops. Net sales decreased slightly from the previous year’s record high that was partly attributable to sales suspension by competitors (net sales down 0.3% YoY)
  - Gummies: Strong performance of *Puré Gummy* drove sales up and made up for the weakness notably of *Marosh* (net sales up 3.5% YoY)
- Revised prices and changed package contents size for the following products (Feb./Mar.): *Kinno Milk candy*, *Puré Gummy*, and *Candemina Gummy*
- Reduced strategic shareholding to post ¥75 million of extraordinary income

*1: INTAGE Inc. SRI+ Hard candy market + Gummy market Jan. to Mar. total for 2023 and 2024, YoY change in sales amount by type
*2: INTAGE Inc. SRI+ Hard candy market + Gummy market Jan. to Mar. total for 2023 and 2024, Kanro share of sales amount by type
*3: Figures for Kanro’s marshmallow products are not included

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Summary of FY2024 Q1 performance (YoY)

Unit: JPYmn

	FY2024				FY2023	
	Q1 Actual	% of total	YoY	YoY %	Q1 Actual	% of total
Net sales	**7,613**	**100.0%**	98	1.3%	7,515	100.0%
Cost of sales	**4,355**	**57.2%**	73	1.7%	4,281	57.0%
Freight and storage costs	**433**	**5.7%**	8	2.1%	424	5.7%
Advertising expenses	**144**	**1.9%**	(20)	(12.5%)	165	2.2%
Other selling expenses	**67**	**0.9%**	(9)	(12.8%)	77	1.0%
Personnel expenses	**923**	**12.1%**	(1)	(0.2%)	925	12.3%
Other expenses	**476**	**6.3%**	25	5.6%	451	6.0%
Operating profit	**1,212**	**15.9%**	23	2.0%	1,189	15.8%
Ordinary profit	**1,217**	**16.0%**	24	2.1%	1,192	15.9%
Profit	**941**	**12.4%**	98	11.7%	842	11.2%

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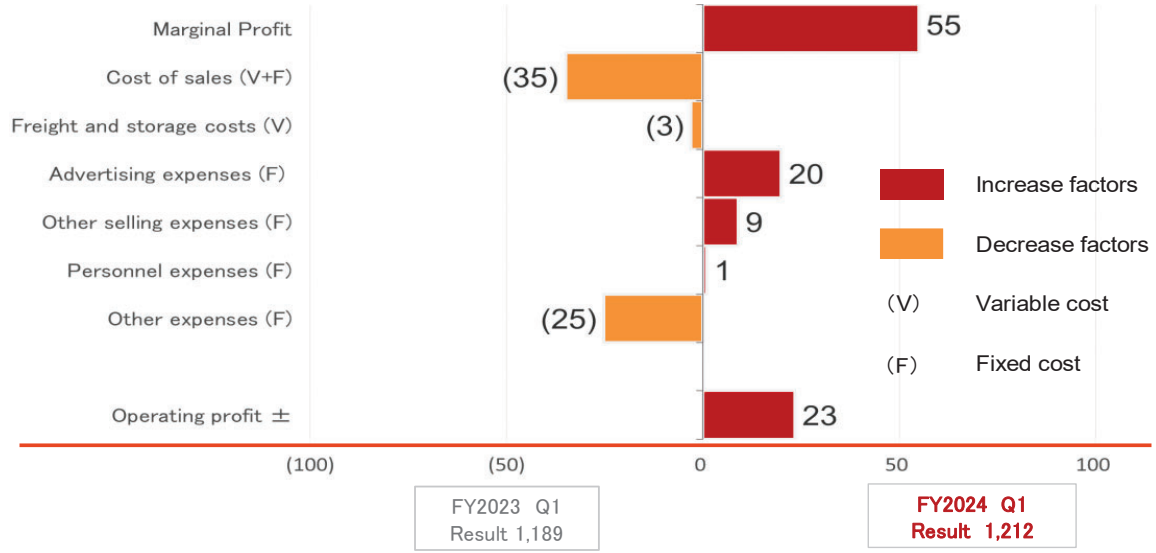
Factors of changes in OP（FY2023 Q1 Result Vs. FY2024 Q1 Result）

Unit : JPN mn



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（Supplementary Materials 1）【Summary of Financial Results】

Quarterly

Unit: Million yen

	FY2023					FY2024					FY2023 Q1 vs. FY2024 Q1	
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year (Forecast)	YoY	YoY%
Net sales	7,515	6,777	6,317	8,406	29,015	7,613				30,300	98	1.3%
Cost of sales	4,281	4,090	3,972	4,932	17,277	4,355				-	73	1.7%
Cost of sales margin (%)	57.0	60.3	62.9	58.7	59.5	57.2				-	-	0.2pt
Gross profit	3,233	2,687	2,344	3,473	11,738	3,258				-	25	0.8%
Operating profit	1,189	583	462	1,153	3,388	1,212				3,450	23	2.0%
Operating profit margin (%)	15.8	8.6	7.3	13.7	11.7	15.9				11.4	-	0.1pt
Ordinary profit	1,192	598	470	1,170	3,432	1,217				3,470	24	2.1%
Profit	842	393	315	910	2,462	941				2,500	98	11.7%

*Quarterly results are simple differences.

1H/2H

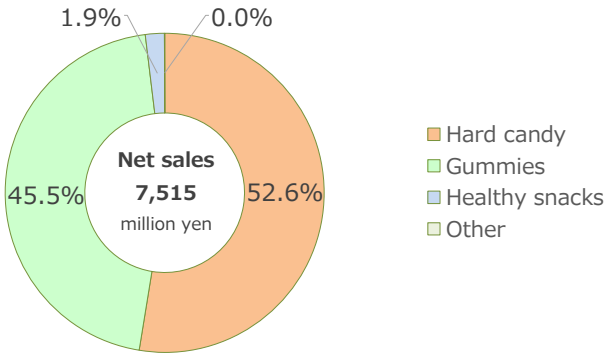
Unit: Million yen

	FY2023（Actual）			FY2024（Forecast）			FY2023 vs. FY2024	
	1H	2H	Full year	1H	2H	Full year	1H (YoY%)	2H (YoY%)
Net sales	14,292	14,723	29,015	15,000	15,300	30,300	5.0%	3.9%
Operating profit	1,772	1,616	3,388	1,660	1,790	3,450	(6.4)%	10.8%
Operating profit margin (%)	12.4	11.0	11.7	11.1	11.7	11.4	-	-
Ordinary profit	1,791	1,641	3,432	1,670	1,800	3,470	(6.8)%	9.6%
Profit	1,236	1,225	2,462	1,230	1,270	2,500	(0.6)%	3.6%

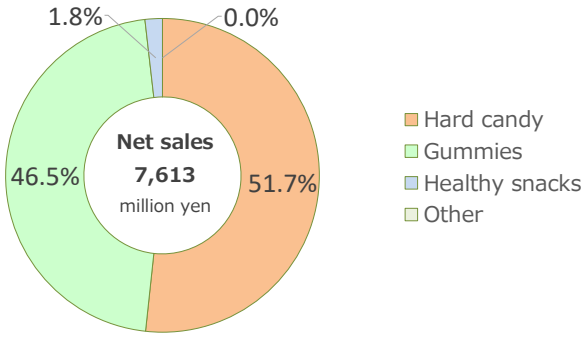
*Results and forecast for 2nd half are simple differences.

Composition of Net sales Jan. to Mar.

FY2023 Q1



FY2024 Q1



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

Unit: Mil. yen

	FY2023 Q1	FY2024 Q1	YoY%
Hard candy	3,950	3,938	(0.3)%
Gummies *1	3,417	3,538	3.5%
Healthy snacks	145	135	(7.1)%
Other *2	1	0	(40.6)%
Total	7,515	7,613	1.3%

*1 The data is included marshmallow products.

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

(Supplementary Materials 2)【Non-consolidated Statements of Income】

Unit: Million yen

	FY2023 Q1		FY2024 Q1		FY2023 Q1 vs. FY2024 Q1	
	Amount	%	Amount	%	YoY	YoY%
Net sales	**7,515**	100.0%	**7,613**	100.0%	**98**	1.3%
Cost of sales	4,281	57.0%	4,355	57.2%	73	1.7%
Gross profit	**3,233**	43.0%	**3,258**	42.8%	**25**	0.8%
Freight and storage costs	424	5.7%	433	5.7%	8	2.1%
Advertising expenses	165	2.2%	144	1.9%	(20)	(12.5)%
Other selling expenses	77	1.0%	67	0.9%	(9)	(12.8)%
Total selling expenses	667	8.9%	645	8.5%	(21)	(3.3)%
Personnel expenses	925	12.3%	923	12.1%	(1)	(0.2)%
Other expenses	451	6.0%	476	6.3%	25	5.6%
General and administrative expenses	1,376	18.3%	1,399	18.4%	23	1.7%
Selling, general and administrative expenses	2,043	27.2%	2,045	26.9%	1	0.1%
Operating profit	**1,189**	15.8%	**1,212**	15.9%	**23**	2.0%
Non-operating income	5	0.1%	5	0.1%	0	7.9%
Non-operating expenses	2	0.0%	1	0.0%	(0)	(30.6)%
Non-operating income and expenses	3	0.0%	4	0.1%	1	33.9%
Ordinary profit	**1,192**	15.9%	**1,217**	16.0%	**24**	2.1%
Gain on sale of investment securities	-	-	75	1.0%	75	-
Gain on sale of membership	-	-	0	0.0%	0	-
Extraordinary income	-	-	76	1.0%	76	-
Loss on retirement of non-current assets	2	0.0%	0	0.0%	(2)	(93.3)%
Impairment losses	1	0.0%	1	0.0%	(0)	(2.1)%
Extraordinary losses	4	0.1%	1	0.0%	(2)	(58.7)%
Extraordinary income and losses	(4)	-	74	1.0%	78	-
Profit before income taxes	1,188	15.8%	1,291	17.0%	103	8.7%
Total income taxes	345	4.6%	350	4.6%	4	1.4%
Profit	**842**	11.2%	**941**	12.4%	**98**	11.7%

(Supplementary Materials 3)【Financial Indicators FY2020－FY2024/Forecast】

(FY2024 figures forecast; all others actual)

						Forecast
Fiscal Year	Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Net sales	million yen	19,646	21,589	25,118	29,015	**30,300**
Net sales YoY	%	(2.5)	9.9	16.3	15.5	**4.4**
Gross profit	million yen	7,189	8,353	9,674	11,738	**-**
Gross profit margin	%	36.6	38.7	38.5	40.5	**-**
Operating profit	million yen	834	1,254	1,933	3,388	**3,450**
Operating profit margin	%	4.2	5.8	7.7	11.7	**11.4**
Ordinary profit	million yen	858	1,291	2,001	3,432	**3,470**
Profit	million yen	608	879	1,346	2,462	**2,500**
Profit YoY	%	(6.6)	44.3	53.2	82.9	**1.5**
Net assets	million yen	11,151	11,750	12,555	14,533	**-**
Total assets	million yen	19,818	21,200	22,315	25,839	**-**
Equity ratio	%	56.3	55.4	56.3	56.2	**-**
Net assets per share *1	yen	790.76	833.23	905.23	1,043.94	**-**
Basic earnings per share *1	yen	43.18	62.33	96.08	177.09	**179.57**
ROA *2	%	3.1	4.3	6.2	10.2	**-**
ROIC *2	%	4.5	7.3	10.9	18.2	**16.2**
ROE *2	%	5.5	7.7	11.1	18.2	**-**
PER	times	17.4	12.7	11.5	11.7	**-**
PBR	times	0.95	0.96	1.22	1.99	**-**
Cash flows from operating activities	million yen	1,442	2,620	2,373	3,935	**-**
Cash flows from investing activities	million yen	(1,572)	(1,002)	(1,116)	(1,839)	**-**
Cash flows from financing activities	million yen	(48)	(770)	(1,106)	(585)	**-**
Cash and cash equivalents at end of period	million yen	1,253	2,099	2,250	3,761	**-**
Number of employees	persons	601	608	608	639	**-**
Average number of temporary employees excluded from the number of employees	persons	(132)	(137)	(141)	(149)	**-**
Capital investment	million yen	2,090	914	1,052	1,856	**-**
Depreciation	million yen	1,182	1,115	1,149	1,216	**-**
Research and development expenses	million yen	629	710	755	771	**-**
Total number of issued shares at the end of the period (not including treasury shares) *1, 3	number of shares	14,102,824	14,102,336	13,869,428	13,922,101	**13,922,101**
Dividends per share *1	yen	16.00	20.00	31.50	58.00	**72.00**
Payout ratio	%	37.0	32.0	32.8	32.8	**40.1**

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and related guidance are applied from the beginning of the fiscal year ended 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 ended December 31, 2020, are after retroactive application of said accounting standard.

*1: Kanro conducted a share split of common stock at a ratio of two shares for every one share, effective as of 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 conducted at the beginning of the fiscal year ended December 31, 2020.

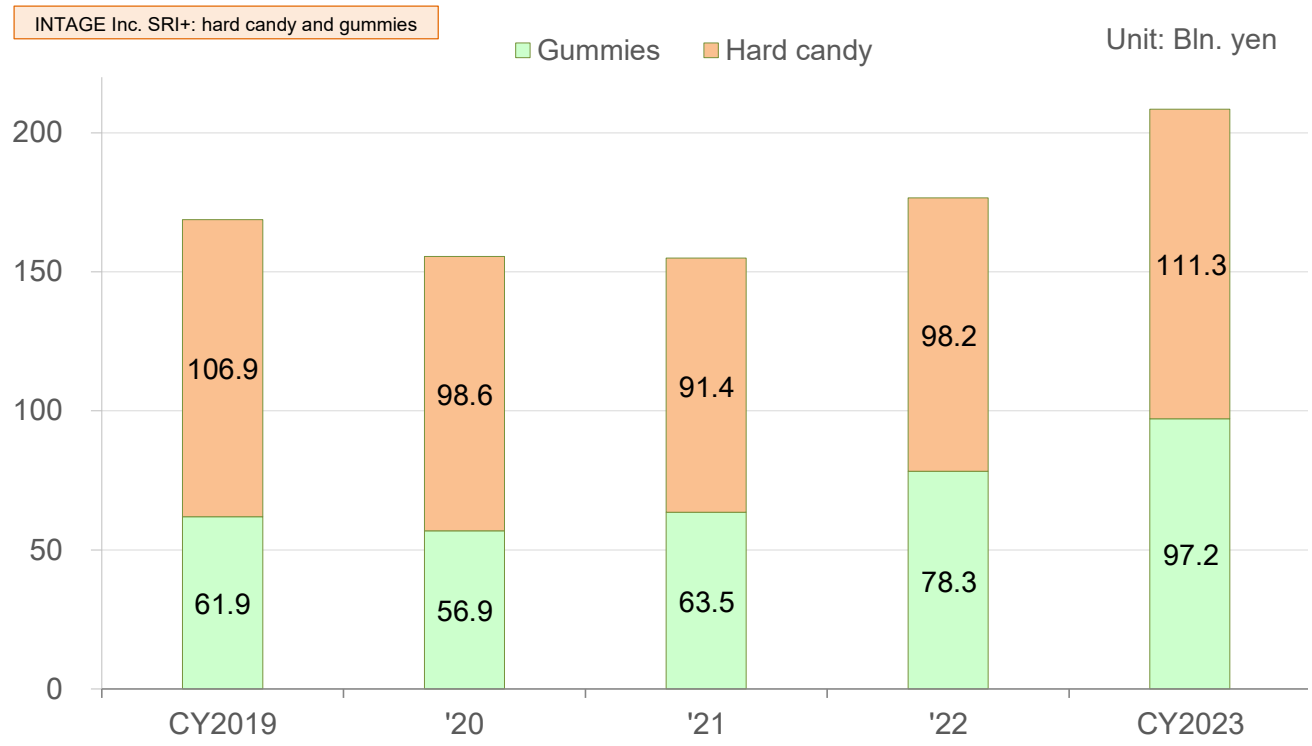
*2: ROA = Profit / Average of total assets at beginning and end of period
ROIC = Operating profit after tax / (average of interest-bearing liabilities at beginning and end of period + average of net assets at beginning and end of period)
ROE = Profit / Average of net assets at beginning and end of period

*3: 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.

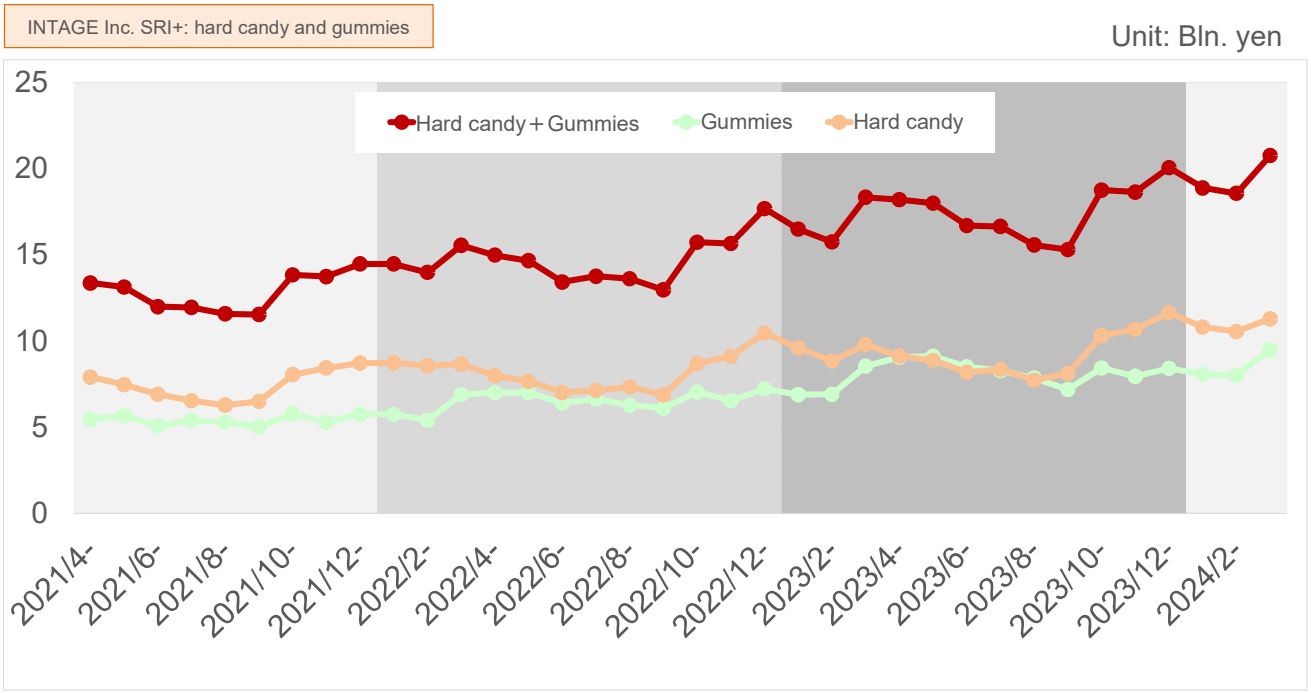
(Supplementary Materials 4) 【Market Trends】

*Please note that due to a change in the data aggregation method, the figures may differ from those previously disclosed.

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



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



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

Unit: Bln. yen

	Sales Amount		YoY%
	Jan.- Mar. /2023	Jan.- Mar. /2024	
Hard candy	28.2	32.7	15.6%
Gummies	22.3	25.6	14.4%
Total	50.6	58.2	15.1%

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

(Supplementary Materials 5)

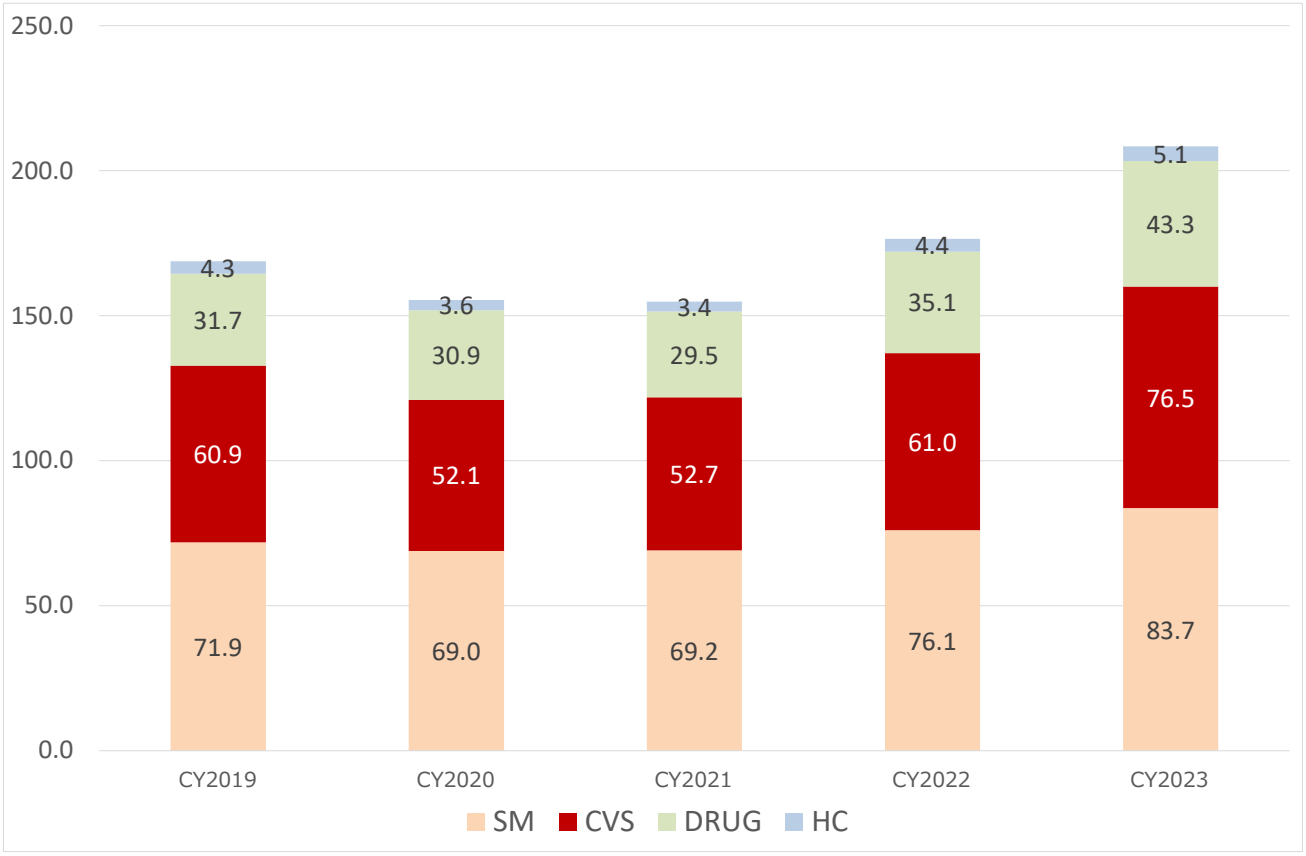
【Hard Candy+Gummy Markets Trends by Business Category】

*Please note that due to a change in the data aggregation method, the figures may differ from those previously disclosed.

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

INTAGE Inc. SRI+: hard candy and gummies

Unit: Bln. yen



Sales amount from Jan. - Mar. (YoY%)

Unit: Bln. yen

	Sales amount		YoY%
	Jan.- Mar. /2023	Jan.- Mar. /2024	
SM	**20.5**	**23.1**	12.6%
CVS	**18.2**	**21.0**	15.1%
DRUG	**10.6**	**12.7**	18.9%
HC	**1.2**	**1.5**	23.6%
Total	**50.6**	**58.2**	15.1%

* 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_ym13/136560/00.pdf

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