November 11, 2024

Company name:	Kanro Inc.
Representative:	Tetsuya Murata, President and CEO (Securities code: 2216, Standard Market, Tokyo Stock Exchange)
Inquiries:	Kazuhiro Abe, Director, Managing Executive Officer and CFO, and Division COO, Finance & Accounting Div. (Phone: +81-3-3370-8811)

Non-consolidated Financial Results for the Nine Months Ended September 30, 2024 [Japanese GAAP] (Interim Review by an Audit Firm Completed)

On October 29, 2024, Kanro Inc. disclosed the Non-consolidated Financial Results for the Nine Months Ended September 30, 2024 [Japanese GAAP]. We hereby announce that the audit firm has completed an interim review of the quarterly financial statements.

There are no changes to the quarterly financial statements announced on October 29, 2024.

Non-consolidated Financial Results for the Nine Months Ended September 30, 2024 [Japanese GAAP]

November 11, 2024

Company name:	Kanro Inc.
Listing:	Tokyo Stock Exchange
Securities code:	2216
URL:	https://www.kanro.co.jp/en/
Representative:	Tetsuya Murata, President and CEO
Inquiries:	Kazuhiro Abe, Director, Managing Executive Officer and CFO, and Division COO, Finance & Accounting Div.
Telephone:	+81-3-3370-8811
Scheduled date to commence dividend payments:	–
Preparation of supplementary material on financial results :	Yes
Holding of financial results briefing :	No

(Amounts are rounded down to the nearest million yen)

1. Non-consolidated Financial Results for the Nine Months Ended September 30, 2024 (January 1, 2024 to September 30, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended September 30, 2024	22,679	10.0	3,147	40.8	3,169	40.1	2,334	50.5
Nine months ended September 30, 2023	20,609	15.0	2,235	72.6	2,262	66.9	1,551	65.7

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2024	166.67	—
Nine months ended September 30, 2023	111.64	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	26,276	15,892	60.5
As of December 31, 2023	25,839	14,533	56.2

(Reference) Equity: As of September 30, 2024: ¥15,892 million
As of December 31, 2023: ¥14,533 million

2. Cash Dividends

	Annual cash dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2023	—	20.00	—	38.00	58.00
FY2024	—	35.00	—		
FY2024 (Forecast)				45.00	80.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Non-consolidated Financial Results Forecast for FY2024 (January 1, 2024 to December 31, 2024)

(% of change from the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	30,800	6.1	3,810	12.4	3,830	11.6	2,800	13.7	199.74

(Note) Revision to the financial results forecast announced most recently: No

*** Notes:**

(1) Accounting policies adopted specially for the preparation of non-consolidated financial statements: No

(2) 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

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

	As of September 30, 2024	As of December 31, 2023
1) Total number of issued shares at the end of the period (including treasury shares)	15,315,604 shares	15,315,604 shares
2) Total number of treasury shares at the end of the period	1,269,166 shares	1,393,503 shares
	January 1, 2024 to September 30, 2024	January 1, 2023 to September 30, 2023
3) Average number of shares during the period	14,008,878 shares	13,900,514 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) (September 30, 2024: 346,500 shares and December 31, 2023: 471,000 shares).

* Review of the Japanese-language originals of the attached non-consolidated financial statements by certified public accountants or an audit firm: Yes (voluntary)

* 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. Please refer to "(3) Explanation of Non-consolidated Financial Results Forecast and Other Forward-looking Information" on page 3 of the Appendix for assumptions on financial results forecasts and notes on the use of such forecasts.

(Method of obtaining supplementary material on financial results)
Supplementary material on financial results is disclosed on TDnet on November 11, 2024 as well as on the Company's website.

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1. Qualitative Information on Financial Results for the Period under Review

(1) Explanation of Business Results

The Japanese economy during the nine months ended September 30, 2024 recovered moderately, although some elements, including personal consumption, remained stalled. However, the downturn in overseas economies, including continued high interest rate levels in Europe and the U.S. and the continued stagnation of China's real estate market, poses downside risks to the domestic economy, and the outlook remains uncertain due to the effects of rising prices, the situation surrounding the Middle East region, and fluctuations in financial and capital markets.

In the candy market, sales in each category and in the overall market increased year on year, in part due to price revisions becoming more prevalent. As for our major domains, the hard candy category saw sales of throat drops remain brisk owing to a sustained rise in self-care, and the gummy category continued to experience high growth, driven by hard-texture products.

In such a business environment, Kanro has steadily strived to advance the three business strategies of "Value Creation," "ESG Management," and "Expansion of our Business Domains," under our corporate purpose of "Sweeten the Future" in the fiscal year under review, which is the final year of the three-year Medium-term Corporate Strategy 2024. As a result, net sales during the nine months ended September 30, 2024 increased by ¥2,069 million (10.0%) year on year to ¥22,679 million.

Sales of hard candy products increased by ¥159 million (1.5%) year on year to ¥10,620 million as we addressed the continuing demand for throat drops through reductions to the product lineup and enhancing our production system by increasing personnel and other measures, despite struggling sales of stick type products and small bags with zip type products. By product, the lineup of throat drops, and *Kinno Milk* (金のミルク) candy, for which price revision has been implemented since February, offset decreases of suspended and end-of-sale products and the fancy category's products. In gummy products, sales increased by ¥1,871 million (19.4%) year on year to ¥11,525 million, marking the first time the category surpassed hard candy products in the first nine months of a fiscal year. By product, sales of the leading brand *Puré Gummy* (ピュレグミ) series increased significantly, due to the growth of *Puré Gummy PREMIUM* (ピュレグミプレミアム) and the effect of promotions through television commercials, coupled with the price revision from March, despite a decrease in sales of imported products. Furthermore, the high value-added product *Gummi-tzel* (グミッツェル) sold at the Company-owned Hitotubu Kanro stores (the second permanent store opened in April at Tokyu Plaza Harajuku "Harakado") and on "Kanro POCKeT" digital platform continues to enjoy favorable sales. Sales of healthy snacks increased by ¥31 million (6.4%) year on year to ¥523 million.

In terms of profits, raw material prices continued to rise in tandem with depreciation of the yen, but the Company took measures to address this by revising the prices and content of some products. An increase in fixed costs was absorbed by the higher marginal profit from the abovementioned increase in sales, and gross profit increased by ¥1,125 million (13.6%) year on year to ¥9,390 million.

Operating profit increased by ¥912 million (40.8%) year on year to ¥3,147 million partly due to a reduction in freight and storage rates as a result of improved delivery efficiency, despite an increase in personnel and general expenses to accommodate business expansion, and ordinary profit increased by ¥907 million (40.1%) year on year to ¥3,169 million.

In addition, profit increased by ¥782 million (50.5%) year on year to ¥2,334 million owing to the above factors and the posting of extraordinary income due to a reduction in cross-shareholdings.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the fiscal year under review increased by ¥436 million (1.7%) from the end of the previous fiscal year to ¥26,276 million.

The increase in total assets was mainly attributable to increases in property, plant and equipment by ¥1,570 million, cash and deposits by ¥681 million, and merchandise and finished goods by ¥287 million, despite a decrease in accounts receivable – trade by ¥2,005 million.

Liabilities decreased by ¥921 million (8.2%) from the end of the previous fiscal year to ¥10,383 million.
The decrease in liabilities was mainly attributable to decreases in accrued expenses by ¥592 million, income taxes payable by ¥487 million, and accounts payable – trade by ¥102 million, despite an increase in accounts payable – other by ¥634 million.

Net assets increased by ¥1,358 million (9.3%) from the end of the previous fiscal year to ¥15,892 million.
This was mainly due to the recording of ¥2,334 million in profit and the payment of ¥1,050 million in cash dividends.

(3) Explanation of Non-consolidated Financial Results Forecast and Other Forward-looking Information

Non-consolidated financial results forecasts for the fiscal year ending December 31, 2024 are as announced in the June 24, 2024 press release, “Notice Concerning Revisions to the First-half and Full-year Non-consolidated Financial Results Forecasts and Interim and Year-end Dividend Forecasts.”

2. Non-consolidated Financial Statements and Primary Notes

(1) Non-consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	3,821,803	4,503,781
Accounts receivable - trade	8,558,076	6,552,798
Merchandise and finished goods	959,854	1,247,746
Work in process	33,684	151,471
Raw materials and supplies	374,154	426,600
Other	188,752	274,443
Total current assets	13,936,325	13,156,842
Non-current assets		
Property, plant and equipment		
Buildings	7,531,136	8,061,107
Accumulated depreciation	(4,270,912)	(4,486,664)
Buildings, net	3,260,224	3,574,443
Machinery and equipment	13,798,759	15,809,309
Accumulated depreciation	(9,999,499)	(10,460,882)
Machinery and equipment, net	3,799,259	5,348,426
Land	1,497,829	1,497,829
Other	2,946,768	3,021,891
Accumulated depreciation	(2,153,736)	(2,223,199)
Other, net	793,031	798,691
Construction in progress	392,169	93,483
Total property, plant and equipment	9,742,515	11,312,875
Intangible assets	375,009	462,561
Investments and other assets		
Investment securities	226,856	141,673
Deferred tax assets	1,125,951	1,027,108
Other	432,586	175,088
Total investments and other assets	1,785,394	1,343,870
Total non-current assets	11,902,919	13,119,307
Total assets	25,839,244	26,276,149

(Thousand yen)

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	2,729,338	2,626,908
Accounts payable - other	1,123,393	1,757,927
Accrued expenses	2,438,952	1,846,168
Income taxes payable	803,236	315,759
Provision for bonuses	1,022,376	931,064
Provision for bonuses for directors (and other officers)	165,500	96,475
Other	348,858	187,606
Total current liabilities	8,631,655	7,761,910
Non-current liabilities		
Provision for retirement benefits	2,291,931	2,338,628
Provision for share awards for directors (and other officers)	205,534	139,980
Other	176,222	143,140
Total non-current liabilities	2,673,688	2,621,749
Total liabilities	11,305,344	10,383,659
Net assets		
Shareholders' equity		
Share capital	2,864,249	2,864,249
Capital surplus	2,577,892	2,577,892
Retained earnings	9,845,310	11,129,443
Treasury shares	(841,285)	(741,602)
Total shareholders' equity	14,446,167	15,829,983
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	87,723	62,704
Deferred gains or losses on hedges	9	(198)
Total valuation and translation adjustments	87,733	62,505
Total net assets	14,533,900	15,892,489
Total liabilities and net assets	25,839,244	26,276,149

(2) Non-consolidated Statements of Income
Nine Months Ended September 30

(Thousand yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Net sales	20,609,658	22,679,639
Cost of sales	12,344,598	13,289,141
Gross profit	8,265,060	9,390,498
Selling, general and administrative expenses	6,029,937	6,243,036
Operating profit	2,235,123	3,147,462
Non-operating income		
Interest income	64	482
Dividend income	3,120	1,966
Electricity sale income	9,111	7,944
Royalty income	10,123	4,798
Other	10,717	12,482
Total non-operating income	33,138	27,674
Non-operating expenses		
Interest expenses	1,277	842
Electricity sale expenses	4,088	4,344
Other	866	235
Total non-operating expenses	6,231	5,421
Ordinary profit	2,262,029	3,169,715
Extraordinary income		
Gain on sale of investment securities	—	75,720
Gain on sale of membership	—	713
Total extraordinary income	—	76,433
Extraordinary losses		
Loss on sale of non-current assets	224	0
Loss on retirement of non-current assets	14,585	3,727
Impairment losses	9,949	10,666
Loss on sale of membership	200	—
Total extraordinary losses	24,959	14,393
Profit before income taxes	2,237,070	3,231,755
Income taxes - current	609,197	786,962
Income taxes - deferred	75,992	109,966
Total income taxes	685,189	896,928
Profit	1,551,880	2,334,826

(3) Notes to Non-consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in the case of significant changes in shareholders' equity)

Not applicable.

(Notes to non-consolidated statement of cash flows)

A non-consolidated statement of cash flows for the nine months ended September 30, 2024 has not been prepared. Depreciation (including amortization pertaining to intangible assets) for the nine months ended September 30, 2024 is as follows.

(Thousand yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Depreciation	902,621	1,109,325

(Notes to segment information, etc.)

[Segment information]

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

(Revenue recognition)

Information on disaggregation of revenue generated from contracts with customers

Kanro operates in the single business category of confectionery and food business, and the following information breaks down the revenue generated from contracts with customers.

	For the nine months ended September 30, 2023		For the nine months ended September 30, 2024	
	Amount (Thousand yen)	Composition (%)	Amount (Thousand yen)	Composition (%)
Hard candy	10,460,644	50.8	10,620,585	46.9
Gummies	9,654,253	46.8	11,525,832	50.8
Healthy snacks	491,823	2.4	523,386	2.3
Other	2,937	0.0	9,835	0.0
Revenue generated from contracts with customers	20,609,658	100.0	22,679,639	100.0
Sales to external customers	20,609,658	100.0	22,679,639	100.0

Note: "Other" refers to miscellaneous products other than foods.

Interim Review Report on the Quarterly Non-consolidated Financial Statements by the Independent Auditor

November 11, 2024

To the Board of Directors of
Kanro Inc.

Deloitte Touche Tohmatsu LLC

Tokyo Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Takako Fujimoto
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Katsuhiro Shibata

Auditor's Conclusion
We have conducted an interim review of the non-consolidated financial statements of Kanro Inc. pertaining to the third quarter (from July 1, 2024 to September 30, 2024) and the first nine months ended September 30, 2024 (from January 1, 2024 to September 30, 2024) of the Company's 75th fiscal year from January 1, 2024 to December 31, 2024, which are included in the "Appendix" to the quarterly financial results; namely, the non-consolidated balance sheets, the non-consolidated statements of income, and notes thereto.

In our interim review, nothing came to our attention that would lead us to believe that the abovementioned non-consolidated financial statements have not been prepared, in all material respects, in accordance with Article 4, Paragraph 1 of the Tokyo Stock Exchange, Inc.'s Standards for Preparation of Quarterly Financial Statements, etc. and the accounting standards for quarterly financial statements generally accepted as fair and appropriate in Japan (however, to which the omissions set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements, etc. have been applied).

Basis for Auditor's Conclusion
We conducted an interim review in conformity with interim review standards generally accepted as fair and appropriate in Japan. Our responsibility under the interim review standards is described in "Auditor's Responsibility in the Interim Review of Quarterly Non-consolidated Financial Statements." In accordance with the regulations pertaining to professional ethics in Japan, we are independent of the Company and fulfil our other ethical responsibilities as an auditor. We believe that we have obtained the evidence to provide a basis for our conclusion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Quarterly Non-consolidated Financial Statements
The responsibility of management is to prepare quarterly non-consolidated financial statements in accordance with Article 4, Paragraph 1 of the Tokyo Stock Exchange, Inc.'s Standards for Preparation of Quarterly Financial Statements, etc. and the accounting standards for quarterly financial statements generally accepted as fair and appropriate in Japan (however, to which the omissions set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements, etc. have been applied). This includes the establishment and management of internal controls that management deems necessary in order to prepare quarterly non-consolidated financial statements that are free from material misstatement due to fraud or error.

In preparing the quarterly non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare quarterly non-consolidated financial statements based on the premise of a going concern, and for disclosing matters as necessary related to a going concern in accordance with Article 4, Paragraph 1 of the Tokyo Stock Exchange, Inc.'s Standards for Preparation of Quarterly Financial Statements, etc. and the accounting standards for quarterly financial statements generally accepted as fair and appropriate in Japan (however, to which the omissions set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements, etc. have been applied).

The responsibility of Audit & Supervisory Board Members and the Audit & Supervisory Board is to oversee the execution of duties by Directors in the establishment and management of the financial reporting process.

Auditor's Responsibility in the Interim Review of Quarterly Non-consolidated Financial Statements
The responsibility of the Auditor is to express a conclusion on the quarterly non-consolidated financial statements from an independent perspective in the interim review report based on the interim review conducted by the Auditor.

The Auditor shall exercise its professional judgment throughout the interim review process in accordance with standards for interim reviews generally accepted as fair and appropriate in Japan, and carry out the following with professional skepticism.

- Make inquiries, primarily to management and persons responsible for financial and accounting matters, and conduct analytical procedures and other interim review procedures. Interim review procedures are less in scope than an audit of financial statements for the fiscal year conducted in conformity with auditing standards generally accepted as fair and appropriate in Japan.
- If the Auditor determines that there are significant uncertainties regarding events or circumstances that may cast significant doubt on the going concern assumption, it shall make a conclusion, based on the evidence obtained, as to whether there are any matters that lead it to believe that the quarterly non-consolidated financial statements have not been prepared in accordance with Article 4, Paragraph 1 of the Tokyo Stock Exchange, Inc.'s Standards for Preparation of Quarterly Financial Statements, etc. and the accounting standards for quarterly financial statements generally accepted as fair and appropriate in Japan (however, to which the omissions set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements, etc. have been applied). In addition, if significant uncertainties regarding the going concern assumptions are recognized, the Auditor is required to bring attention to the notes to quarterly non-consolidated financial statements in the interim review report, or to express a qualified or adverse conclusion on the quarterly non-consolidated financial statements if notes to quarterly non-consolidated financial statements regarding significant uncertainties are not appropriate. The Auditor's conclusions are based on evidence obtained up to the interim review report date, but future events or circumstances may prevent the Company from continuing as a going concern.
- Evaluate whether there are any matters that lead the Auditor to believe that the presentation and notes of the quarterly non-consolidated financial statements have not been prepared in accordance with Article 4, Paragraph 1 of the Tokyo Stock Exchange, Inc.'s Standards for Preparation of Quarterly Financial Statements, etc. and the accounting standards for quarterly financial statements generally accepted as fair and appropriate in Japan (however, to which the omissions set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements, etc. have been applied).

The Auditor shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board on the planned scope and timing of the interim review, as well as any material findings from the interim review.

The Auditor shall report to the Audit & Supervisory Board Members and the Audit & Supervisory Board that it has complied with the regulations pertaining to professional ethics in Japan regarding independence, as well as on any matters that may reasonably be considered to affect the Auditor's independence, and on any measures taken to remove obstacles or any safeguards applied in order to reduce obstacles to an acceptable level.

Interest
There are no conflicts of interest between the Company and the audit firm or its engagement partners that should be stated pursuant to the Certified Public Accountants Act.

End

Notes: 1. The original copy of the above interim review report is retained separately by the Company (company that discloses quarterly financial results).
2. XBRL data and HTML data are not included in the interim review.