Supplementary Materials: Financial Results for the Nine Months Ended September 30, 2024

October 29, 2024

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 FY2024 (Jan. to Sep. 2024)

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Jan. to Sep. 2024 summary

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◆Market environment

- Candy market: YoY growth continued (of which, hard candy up 11.5%, gummies up 15.5% *1,3)
- Market share [Jan.–Sep. (2023 share in parentheses)]: Hard candy [19.3% (21.4%)], gummies [16.2% (15.2%)] *2,3

◆Status of company business

- Revised prices and changed package contents size for:
  - ✓ *Kinno Milk* (Feb.), *Puré Gummy* and *Candemina* (Mar.), HITOTUBU KANRO (Apr.), *Kenko Nodoame* (stick-type) (Sep.), etc.
- Ran TV advertisement for *Kinno Milk* (Mar.) and *Puré Gummy* (Apr.)
- Mar.: Certified as Health and Productivity Management Outstanding Organization 2024 for the third consecutive year
- Apr.: Opened HITOTUBU KANRO Harajuku Store and Kanro POCKeT lab, a new center for information dissemination
- Jun.: Made upward revisions to financial results forecasts and dividend forecasts
- Sep.: Implemented emergency suspension of sales of *Jururu Shine muscat*

*1: INTAGE Inc. SRI + Hard candy and gummy markets YoY change in sales amount by type (Jan. to Sep. total for 2023 and 2024)

*2: INTAGE Inc. SRI + Hard candy and gummy markets Kanro's share in sales amount by type (Jan. to Sep. total for 2023 and 2024)

*3: Figures for Kanro's marshmallow products are not included

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Summary of Jan. to Sep. 2024 performance

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Unit: JPY mn

	FY2024				FY2023	
	Jan.–Sep. Actual	%	YoY	YoY %	Jan.–Sep. Actual	%
Net sales	**22,679**	**100.0%**	2,069	**10.0%**	20,609	100.0%
Cost of sales	**13,289**	**58.6%**	944	**7.7%**	12,344	59.9%
Freight and storage costs	**1,344**	**5.9%**	80	**6.4%**	1,264	6.1%
Advertising expenses	**412**	**1.8%**	(59)	**(12.5%)**	471	2.3%
Other selling expenses	**217**	**1.0%**	33	**18.4%**	183	0.9%
Personnel expenses	**2,822**	**12.4%**	51	**1.8%**	2,770	13.4%
Other expenses	**1,445**	**6.4%**	106	**7.9%**	1,339	6.5%
Operating profit	**3,147**	**13.9%**	912	**40.8%**	2,235	10.8%
Ordinary profit	**3,169**	**14.0%**	907	**40.1%**	2,262	11.0%
Profit	**2,334**	**10.3%**	782	**50.5%**	1,551	7.5%

* The values displayed in these materials are truncated at the JPY mn level, so the breakdowns and totals may not always match completely.

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Main factors behind changes in Jan. to Sep. 2024 performance (YoY), etc.

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- **Progress against financial results forecast** *Released on June 24, 2024
  - **Net sales:** Steady progress in line with continued strong performance by *Puré Gummy*
  - **Operating profit:** Steady progress in line with strong sales. Expenses that were shifted from the first half and additional measures to promote sales, etc. will mainly be in Q4（Oct. to Dec.）
- **Year on year (increase in net sales, increase in profits)**
  - **Net sales:** Record high for Jan. to Sep.
    - ✓ Hard candy: (net sales up 1.5%): Responded to growth in demand for throat drops through narrowing down of products and production system improvement including personnel increase.

      Kinno Milk price revision (from Feb.) also contributed.

      Decrease in fancy categories for Generation Z, etc. and stick and compact types struggled.
    - ✓ Gummies: (net sales up 19.4%): Sales amount of gummies exceeded that of hard candy
      - Mainstay brands enjoyed steady performance. Price revision of *Puré Gummy* and *Candemina Gummy* (from Mar.) also contributed.
      - *Gummi-tzel* (prices revised from Apr.) continued to be strong.
      - Slowdown in sales of import products
  - **Operating profit/Ordinary profit/Profit**: Record highs for Jan. to Sep.
    - ✓ Surge in raw material prices and increases in several expenses, etc. absorbed with price revisions
    - ✓ Increase in marginal profit (due to increase in revenue) that exceeded an increase in fixed costs caused by the enhancement of our production system and an increase in personnel and other expenses aimed at the expansion of business domains and operations
    - ✓ Posted extraordinary income arising from reduction of cross-shareholdings

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Factors of changes in OP（ Jan.-Sep. 2023 Result Vs. Jan.-Sep. 2024 Result）

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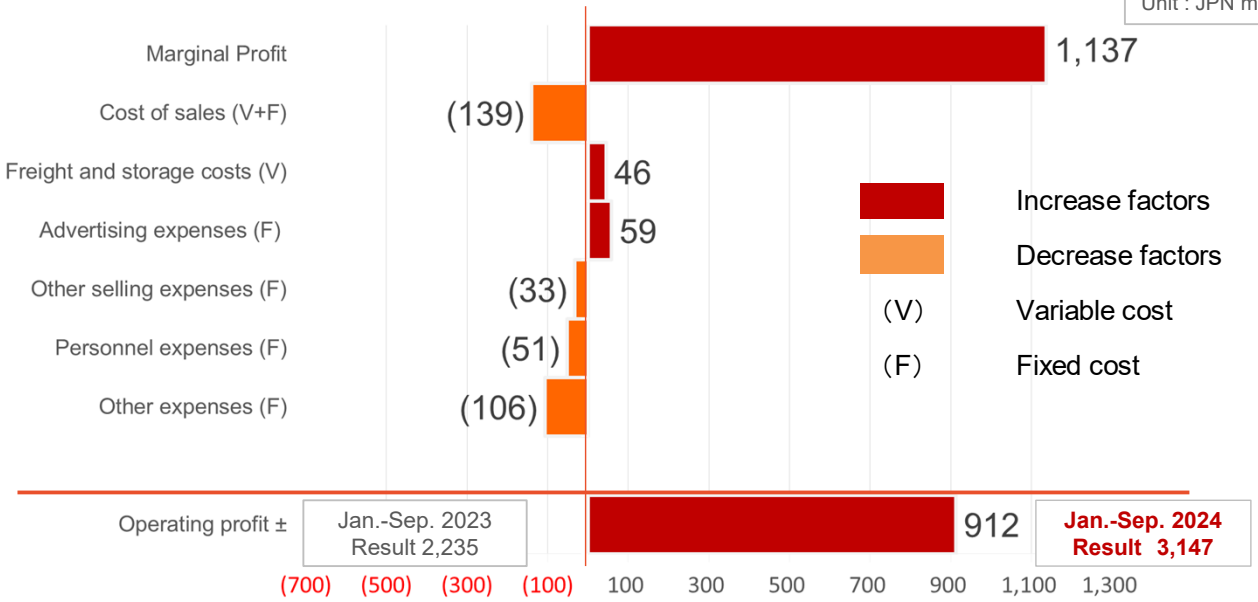
Unit : JPN mn



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Kanro's Annual Report 2023 takes top global spot in the International ARC Awards 2024

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Inside page:
Illustration of Tetsuya Murata, President and CEO

Published Annual Report 2023 (in English)

We participated in the International ARC Awards 2024* and received the Best of Show award, given to the year's most outstanding report, for the first time.
We also won the Grand award in six categories, including the Best of Japan category.

https://ssl4.eir-parts.net/doc/2216/ir_material_for_fiscal_ym13/163498/00.pdf

*About the International ARC Awards
The International ARC Awards program, currently in its 38th year, is the world's largest annual report competition organized by MerComm, Inc., an independent U.S.-based evaluation body. The evaluation and screening process is carried out by close to 200 judges from around the world, representing diverse fields, from financial and non-financial corporations to production businesses, to ensure fairness and eliminate the influence of any specific industry, advertiser, or sponsor. Many entries are received from companies, NGOs, and government agencies around the world. This year's ARC Awards received 1,550 entries from 32 countries.

URL:
https://www.mercommawards.com/arc/awardWinners/bestOfShow.htm

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(Supplementary Materials 1) 【Summary of Financial Results】

Quarterly

Unit: Million yen

	FY2023					FY2024					FY2023 Q3 vs. FY2024 Q3	
	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	7,949	7,116		30,800	2,069	10.0%
Hard candy	3,950	3,396	3,114	4,586	15,046	3,938	3,510	3,170		-	159	1.5%
Gummies *1	3,417	3,234	3,001	3,639	13,293	3,538	4,235	3,751		-	1,871	19.4%
Healthy snacks	145	145	200	179	671	135	195	192		-	31	6.4%
Other *2	1	0	0	1	4	0	7	2		-	6	234.8%
Cost of sales	4,281	4,090	3,972	4,932	17,277	4,355	4,666	4,267		-	944	7.7%
Cost of sales margin (%)	57.0	60.3	62.9	58.7	59.5	57.2	58.7	60.0		-	-	(1.3)pt
Gross profit	3,233	2,687	2,344	3,473	11,738	3,258	3,283	2,848		-	1,125	13.6%
Operating profit	1,189	583	462	1,153	3,388	1,212	1,130	804		3,810	912	40.8%
Operating profit margin (%)	15.8	8.6	7.3	13.7	11.7	15.9	14.2	11.3		12.4	-	3.0pt
Ordinary profit	1,192	598	470	1,170	3,432	1,217	1,138	814		3,830	907	40.1%
Profit	842	393	315	910	2,462	941	825	567		2,800	782	50.5%

*Quarterly results are simple differences.

*1 The data is included marshmallow products.

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

1H/2H

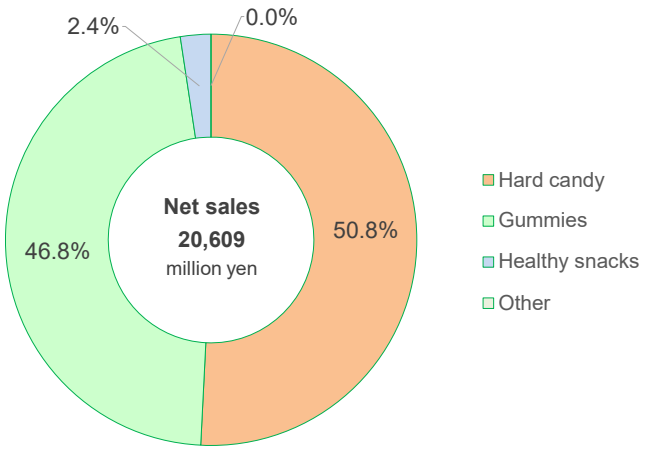
Unit: Million yen

	FY2023（Actual）			FY2024			FY2023 vs. FY2024	
	1H	2H	Full year	1H (Actual)	2H (Forecast)	Full year	1H (YoY%)	2H (YoY%)
Net sales	14,292	14,723	29,015	15,563	15,236	30,800	8.9%	3.5%
Operating profit	1,772	1,616	3,388	2,343	1,466	3,810	32.2%	(9.3)%
Operating profit margin (%)	12.4	11.0	11.7	15.1	9.6	12.4	-	-
Ordinary profit	1,791	1,641	3,432	2,355	1,474	3,830	31.5%	(10.2)%
Profit	1,236	1,225	2,462	1,767	1,032	2,800	42.9%	(15.8)%

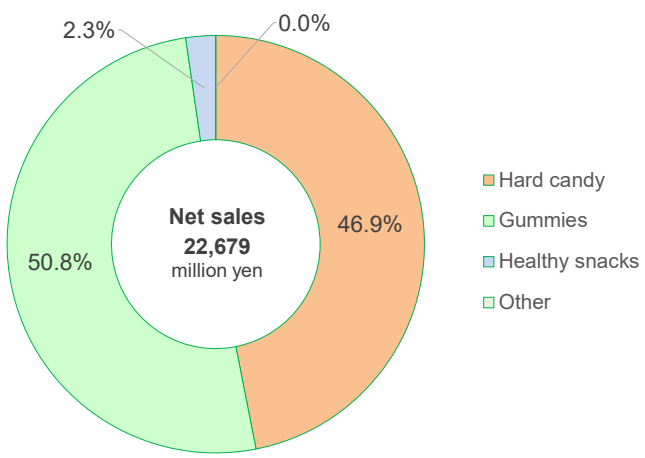
*Results and forecast for 2nd half are simple differences.

Composition of Net sales Jan. to Sep.

FY2023 Q3



FY2024 Q3



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

Unit: Million yen

	FY2023 Q3		FY2024 Q3		FY2023 Q3 vs. FY2024 Q3	
	Amount	%	Amount	%	YoY	YoY%
Net sales	**20,609**	100.0%	**22,679**	100.0%	**2,069**	10.0%
Cost of sales	12,344	59.9%	13,289	58.6%	944	7.7%
Gross profit	**8,265**	40.1%	**9,390**	41.4%	**1,125**	13.6%
Freight and storage costs	1,264	6.1%	1,344	5.9%	80	6.4%
Advertising expenses	471	2.3%	412	1.8%	(59)	(12.5)%
Other selling expenses	183	0.9%	217	1.0%	33	18.4%
Total selling expenses	1,919	9.3%	1,975	8.7%	55	2.9%
Personnel expenses	2,770	13.4%	2,822	12.4%	51	1.8%
Other expenses	1,339	6.5%	1,445	6.4%	106	7.9%
General and administrative expenses	4,110	19.9%	4,267	18.8%	157	3.8%
Selling, general and administrative expenses	6,029	29.3%	6,243	27.5%	213	3.5%
Operating profit	**2,235**	10.8%	**3,147**	13.9%	**912**	40.8%
Non-operating income	33	0.2%	27	0.1%	(5)	(16.5)%
Non-operating expenses	6	0.0%	5	0.0%	(0)	(13.0)%
Non-operating income and expenses	26	0.1%	22	0.1%	(4)	(17.3)%
Ordinary profit	**2,262**	11.0%	**3,169**	14.0%	**907**	40.1%
Gain on sale of investment securities	-	-	75	0.3%	75	-
Gain on sale of membership	-	-	0	0.0%	0	-
Extraordinary income	-	-	76	0.3%	76	-
Loss on sale of non-current assets	0	0.0%	0	0.0%	(0)	(100.0)%
Loss on retirement of non-current assets	14	0.1%	3	0.0%	(10)	(74.4)%
Impairment losses	9	0.0%	10	0.0%	0	7.2%
Loss on sale of membership	0	0.0%	-	-	(0)	-
Extraordinary losses	24	0.1%	14	0.1%	(10)	(42.3)%
Extraordinary income and losses	(24)	-	62	0.3%	86	-
Profit before income taxes	2,237	10.9%	3,231	14.2%	994	44.5%
Total income taxes	685	3.3%	896	4.0%	211	30.9%
Profit	**1,551**	7.5%	**2,334**	10.3%	**782**	50.5%

(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	**30,800**
Net sales YoY	%	(2.5)	9.9	16.3	15.5	**6.1**
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	**3,810**
Operating profit margin	%	4.2	5.8	7.7	11.7	**12.4**
Ordinary profit	million yen	858	1,291	2,001	3,432	**3,830**
Profit	million yen	608	879	1,346	2,462	**2,800**
Profit YoY	%	(6.6)	44.3	53.2	82.9	**13.7**
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	**199.74**
ROA *2	%	3.1	4.3	6.2	10.2	**-**
ROIC *2	%	4.5	7.3	10.9	18.2	**18.0**
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	number of shares	14,102,824	14,102,336	13,869,428	13,922,101	**—**
Dividends per share *1	yen	16.00	20.00	31.50	58.00	**80.00**
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, to the fiscal year ended December 31, 2021, are after retroactive application of said accounting standard.

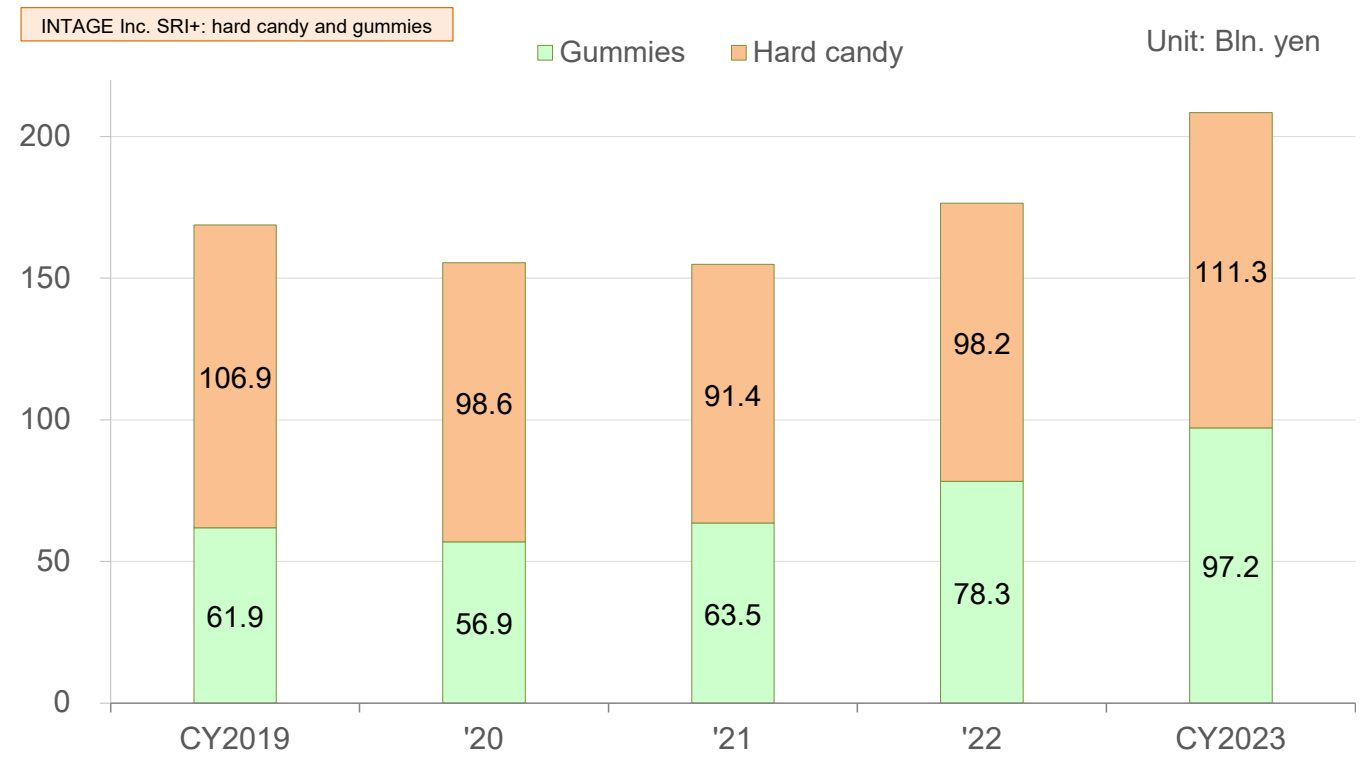
*1: Kanro conducted a share split of common stock at a ratio of two shares for every one share, effective as of July 1, 2022. Dividends per share, net assets per share, basic earnings per share, and total number of issued shares at the end of the period (not including treasury shares) are calculated 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

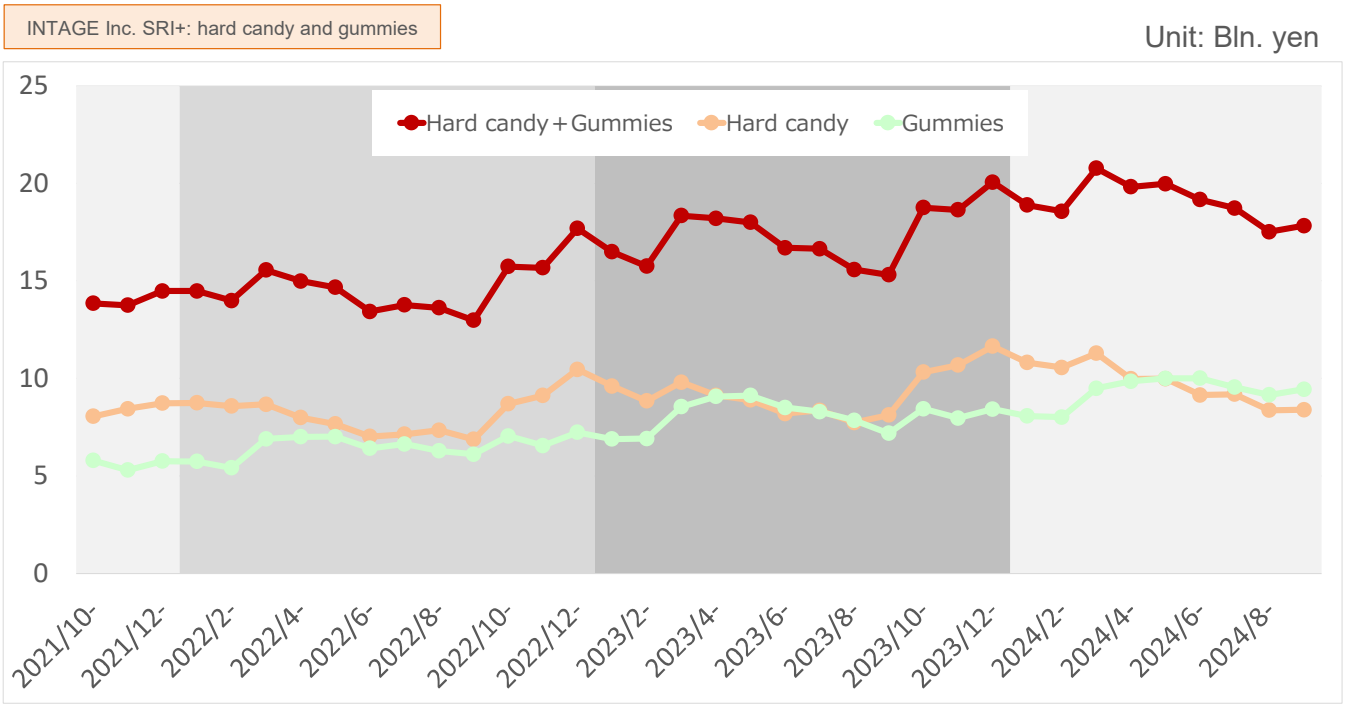
(Supplementary Materials 4) 【Market Trends】

*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 estimated sales amount (Yearly)



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



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

Unit: Bln. yen

	Whole Market		YoY%
	Jan.- Sep. /2023	Jan.- Sep. /2024	
Hard candy	78.7	87.7	11.5%
Gummies	72.4	83.6	15.5%
Total	151.0	171.2	13.4%

Unit: Bln. yen

	Kanro		YoY%
	Jan.- Sep. /2023	Jan.- Sep. /2024	
Hard candy	16.8	16.9	0.6%
Gummies	11.0	13.5	22.9%
Total	27.8	30.4	9.4%

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

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心がひとつぶ、大きくなる。

Disclaimer

Forward-looking statements related to Kanro's current plans, outlook and strategy, etc. contained within these materials are based on judgments made by Kanro management using information available at hand at the time of writing. A variety of material factors that could result in actual performance differing significantly from earnings forecasts include, but are not limited to, economic conditions, particularly trends in personal consumption, as well as the industry environment in which the company conducts its business activities.

The information contained within these materials is provided to facilitate understanding of Kanro, and does not necessarily constitute encouragement to invest.

Moreover, information contained herein is not continuously updated, and the reader should be aware that the content may be revised or withdrawn without prior notice.

Inquiries related to these materials should be directed to Kanro Inc. at tel. +81-3-3370-8811

■ Company URL: https://www.kanro.co.jp/en/

■ QR code for the above: