Medium-term Corporate Strategy 2030

February 6, 2025　Kanro Inc.



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Medium-term Corporate Strategy 2030

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4-4 Financial and capital strategies



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1. **Review of Medium-term Corporate Strategy 2024**

Financial indicators achieved well above targets; some non-financial indicators missed targets

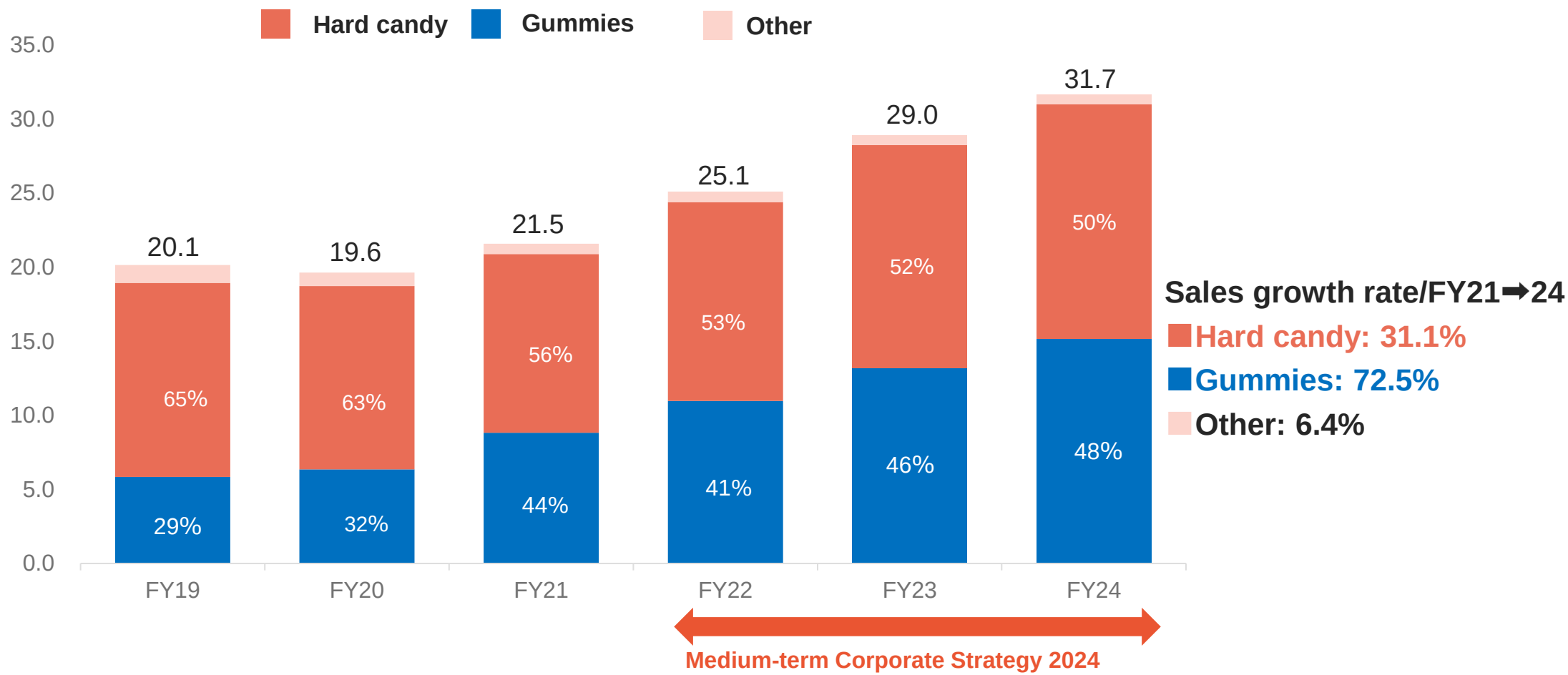
Category	Indicator	Medium-term Corporate Strategy 2024 Target	Actual Results for 2024	Review
Financial indicators	Net sales growth rate (compound annual growth rate)	5% or higher Core: 3% or higher Other: 30% or higher	13.8% Core: 12.7% Other: 40.9%	• Recovery in the hard candy category on the back of rising demand for throat drops • Expanding sales in the gummy category, which continues high growth • Significant increase in sales, especially in core and HITOTUBU KANRO businesses
	Operating profit margin	7%	13.5%	• Respond to soaring raw material and ingredient prices and rising energy and logistics costs by revising prices, etc. • Increase in marginal profit due to realization of significant higher net sales > Increase in fixed cost and SG&A expenses
	ROIC	7.5% or higher	20.5%	• Execution of capital investment based on investment criteria focused on cost of capital • B/S management (reduction of cross-shareholdings) • Company-wide KPI management and ROIC management promotion by KanROIC tree
Non-financial indicators	CO_2 emissions (*) (Total for Scope 1, 2, and 3)	26.24 t-CO_2/JPY bn	30.93 t-CO_2/JPY bn	• Switchover to renewable energy completed at all three of the company's plants • Increase in CO_2 emissions due to increased production, sales, and capital expenditures
	Activities to provide education on the value of sugar	8 million people	9.39 million people	• Implementation of various events such as factory tours and dietary education activities due to recovery in people movement after pandemic • Increased access to owned media “Sweeten the Future” due to growing health consciousness
	Employee Engagement Score	55%	51.9%	• Implement measures to spread understanding of purpose and revise the personnel system. • 2.6 points higher than the 49.3% score recorded in FY21, but still short of the target

(*) Per unit of net sales

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Gummies as a growth engine driving record-high sales

Trends in sales and breakdown (JPY bn)



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2. Awareness of business environment

2-1. Market trends

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The environment surrounding Kanro continues to change at a dizzying pace.

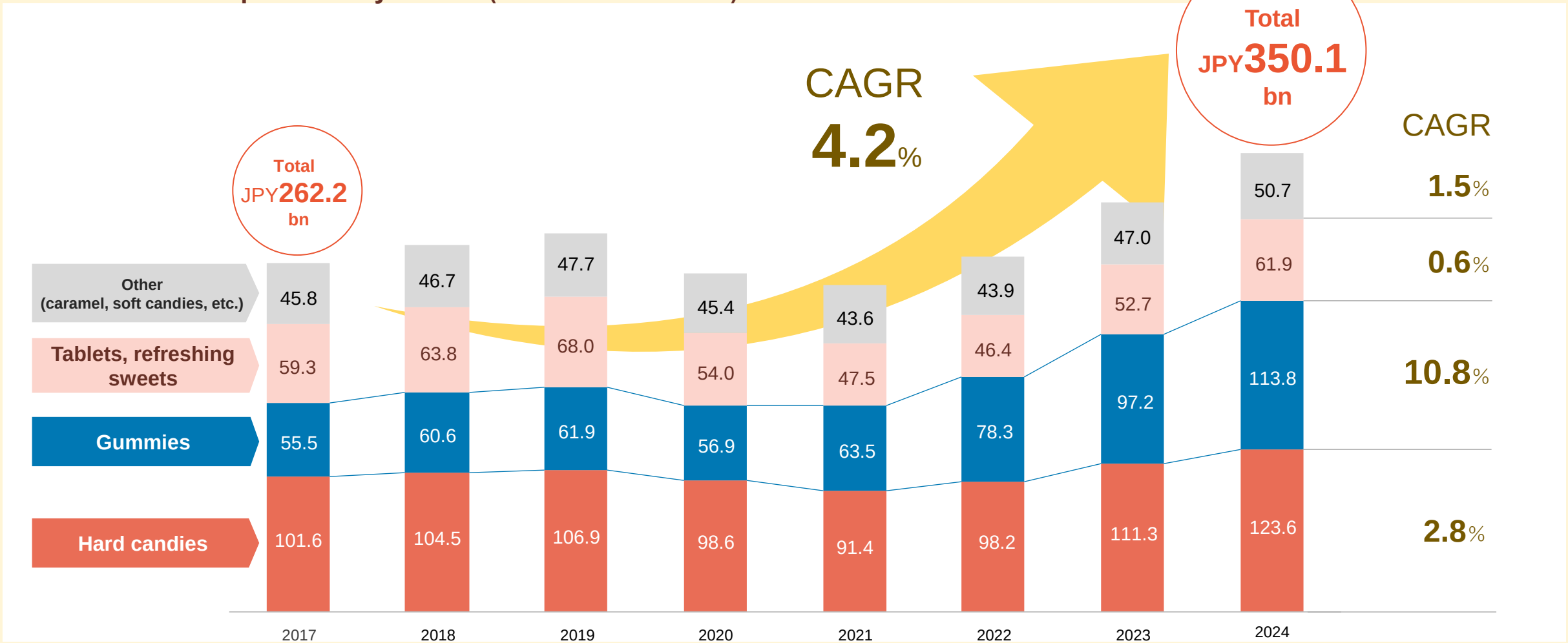
	Changes in the macro environment (megatrends)	Changes in our business environment
Society	Declining birth rate and aging society, demographic shifts	Shrinking domestic population (The confectionery market as a whole will shrink in the long term and competition for human resources will intensify.)
Society	Diversification of lifestyles	Increase in number of people eating gummies and more intense competition (Boom due to market revitalization and increase in gummy-eating population due to generational effect)
Society	Continued growth in interest in health	Growing importance of CX design (Emphasis on experiential and emotional value)
Technology	Advances in artificial intelligence and automation	Growing demand related to health and wellbeing (Change in awareness of sugar, mental and physical health through food)
Environment	Accelerating climate change response	Calls for sustainable production and consumption
Economy	Inflation	
Economy	Polarization of consumption	
Politics	Geopolitical tensions	

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Candy market expanded significantly, driven by gummies

Trends in size of Japan's candy market (retail sales amount)



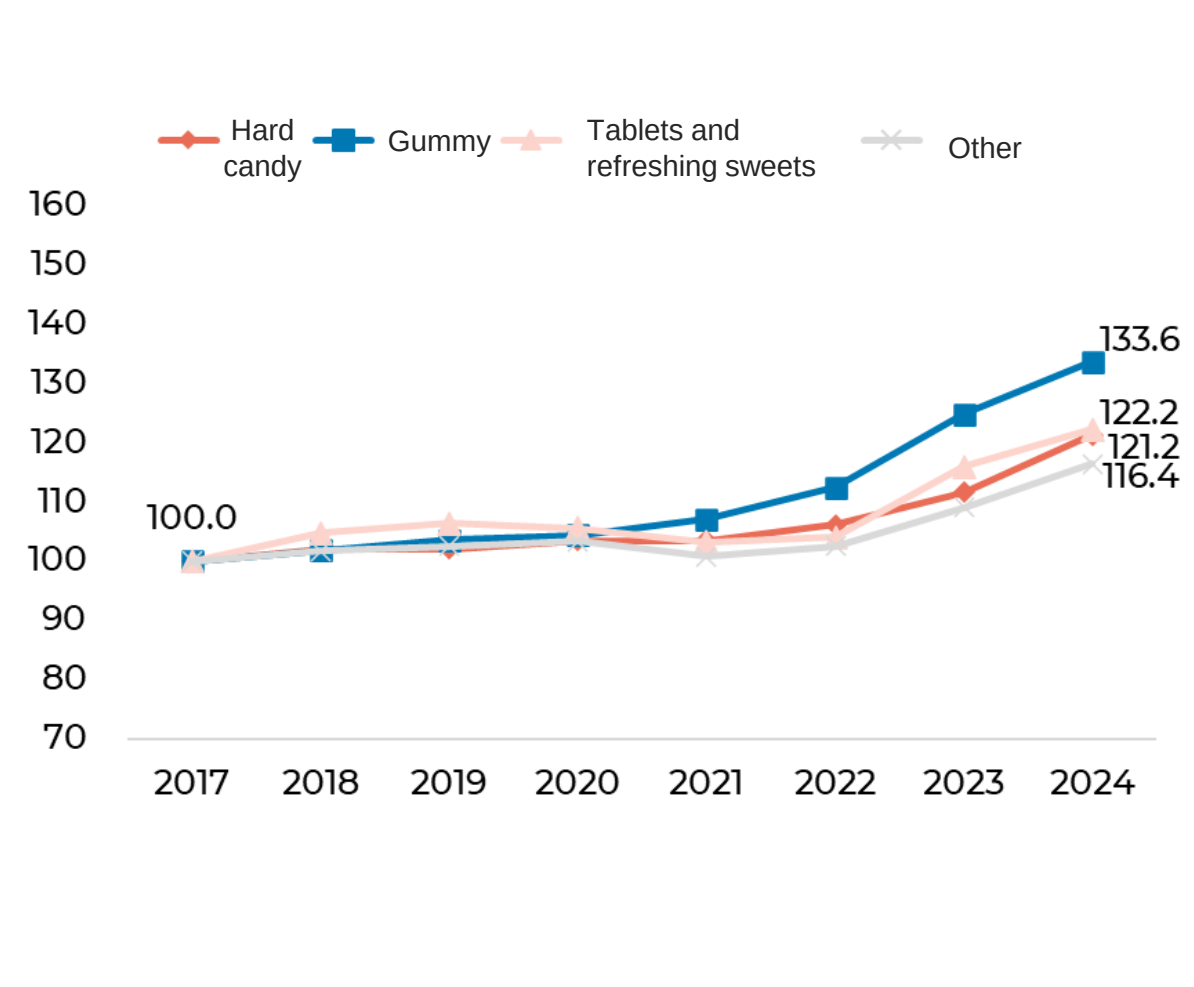
Source: INTAGE Inc. SRI+ Retail sales by composition

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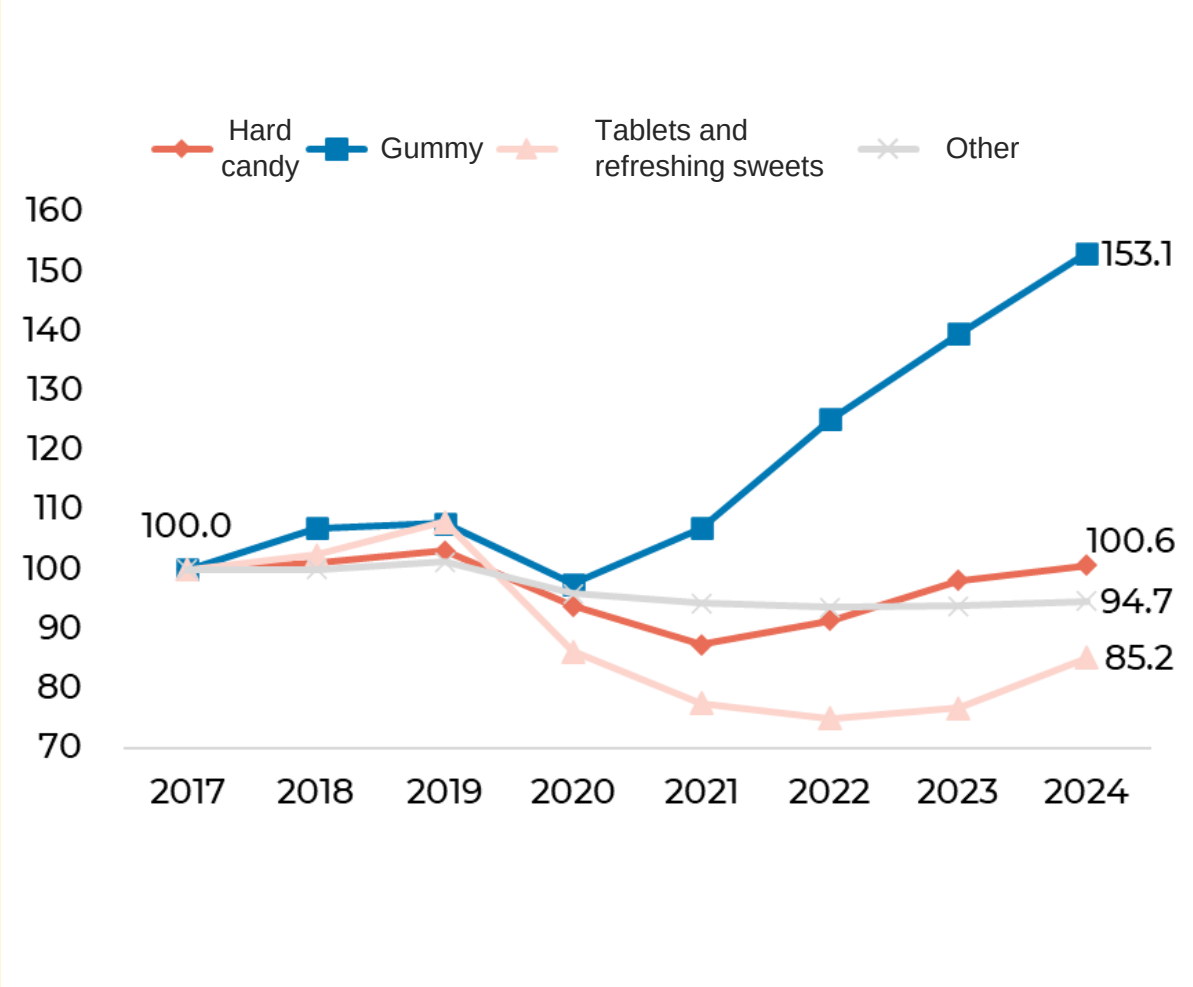
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Increase in sales volume for gummy is the largest growth driver

Unit Price (2017＝100)



Sales volume（2017＝100）



*Fluctuations in index when 2017 value is set as 100 Source: prepared by the Company based on data from INTAGE Inc. SRI+

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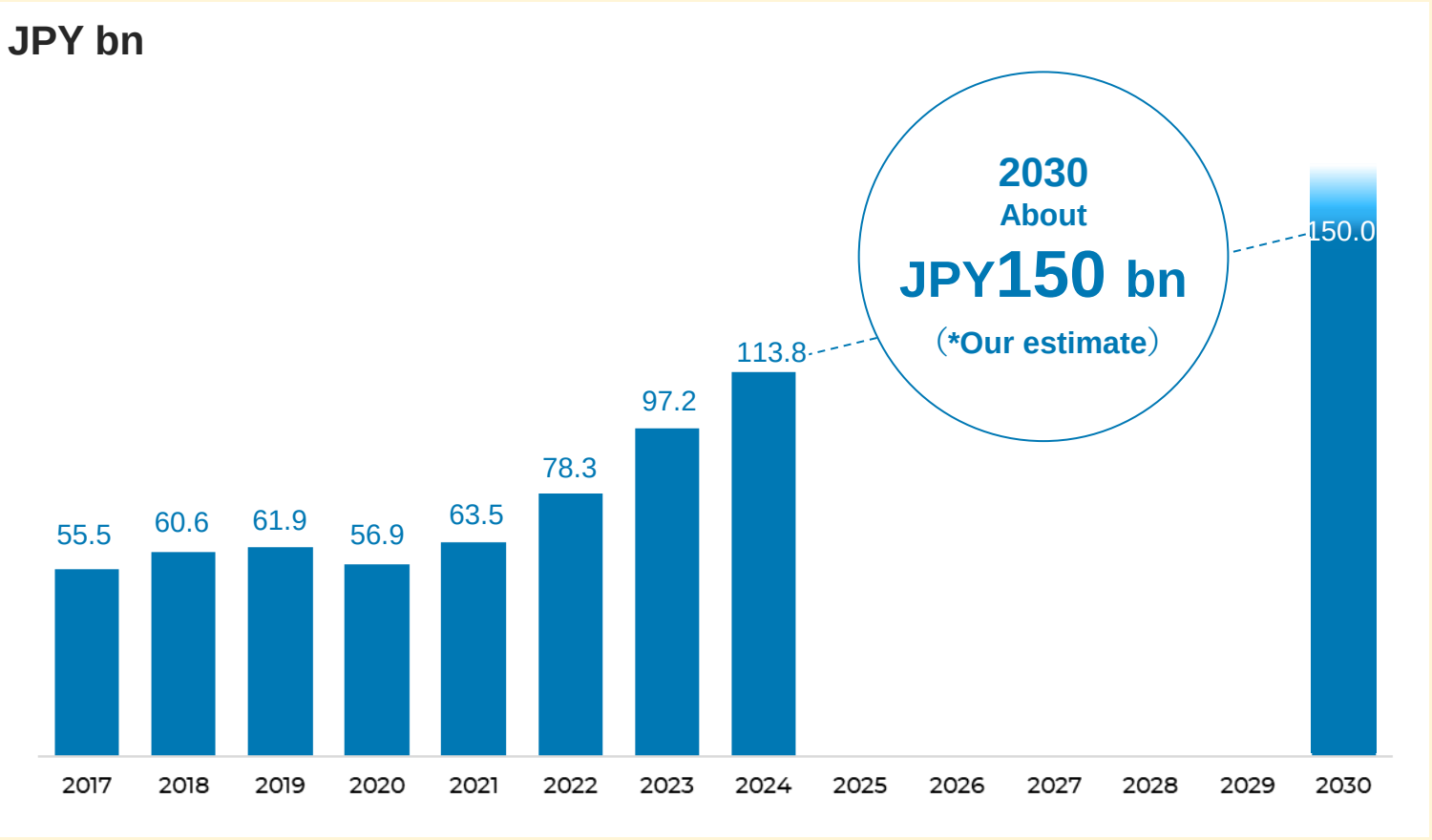
Sweeten the Future Kanro

Gummy market is expected to grow to about JPY150 bn by 2030

Context for fluctuations in gummy market size

Demand-side factors	• Expanding population of people eating gummies across all age groups • At-home demand during the COVID-19 pandemic remained firm afterward as well. • Inflow from other categories such as gum • Increase in purchases per capita
Supply-side factors	• Aggressive introduction of new products by domestic manufacturers • Reinforcements to manufacturing systems by domestic manufacturers (Kanro also began operating a new gummy line at the Matsumoto Plant in 2019, and expanded this plant in 2024.) • Expansion in sales of imported gummies

Trends in gummy market size and forecasts for future (based on market sales amount)



Source: INTAGE Inc. SRI+ for actual results; our calculations for future forecasts

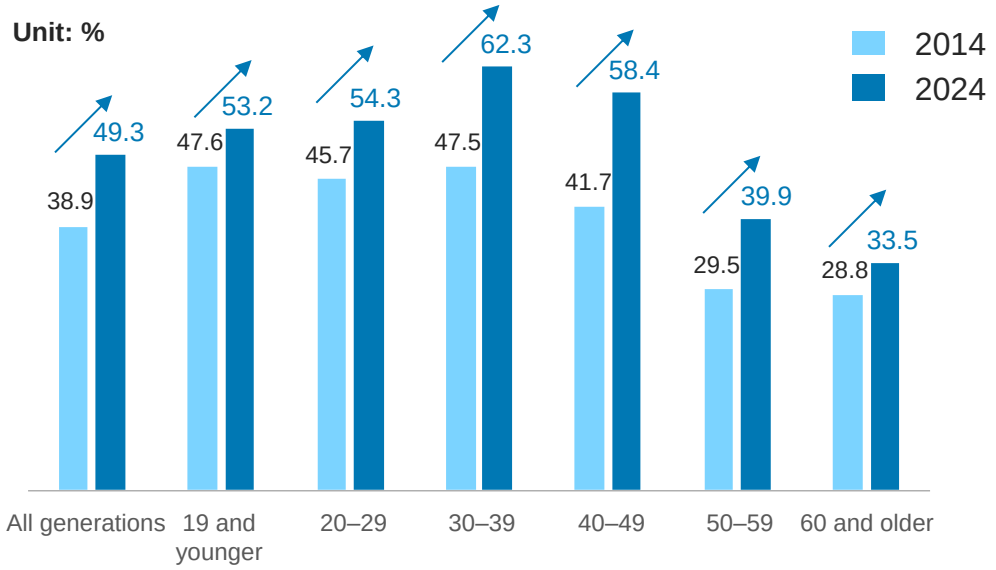
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In addition to the increase in the gummy-eating population due to the generational effect, per capita gummy consumption also increased

Expansion of gummy market

Increase in gummy-eating population due to generational effect

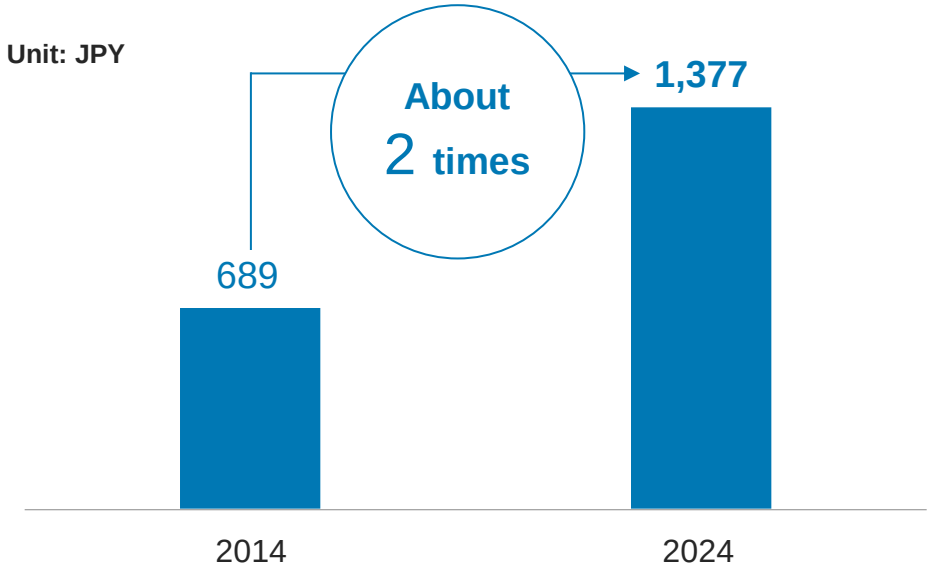
Purchase rate by generation



Source: INTAGE Inc. Former SRI

Increase in gummy consumption per capita

Annual amount purchased (per capita)



Source: Our calculations based on INTAGE Inc. Former SRI

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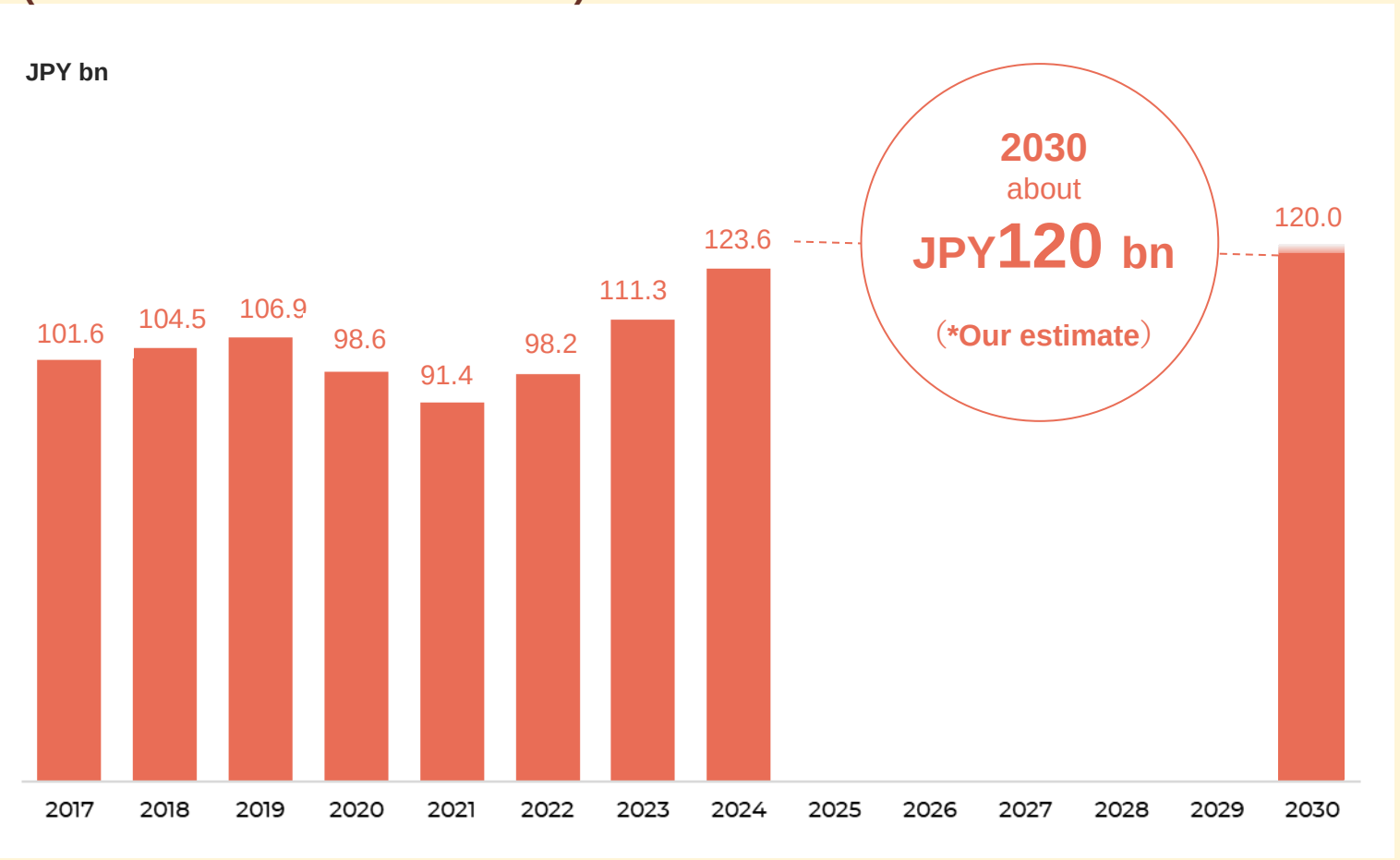
Sweeten the Future Kanro

The hard candy market is expected to grow to about JPY120 bn in 2030 due to solid demand for throat drops.

Context for fluctuations in hard candy market size

Demand-side factors	• Decrease in opportunities to eat hard candy due to mask-wearing during pandemic • Recovery in demand for hard candy overall due to recovery in people movement after pandemic • Increased demand for throat drops due to stronger health consciousness
Supply-side factors	• Decrease in number of manufacturers due to industry restructuring • End of sale of long-selling products

Trends in hard candy market size and forecasts for future (based on market sales amount)



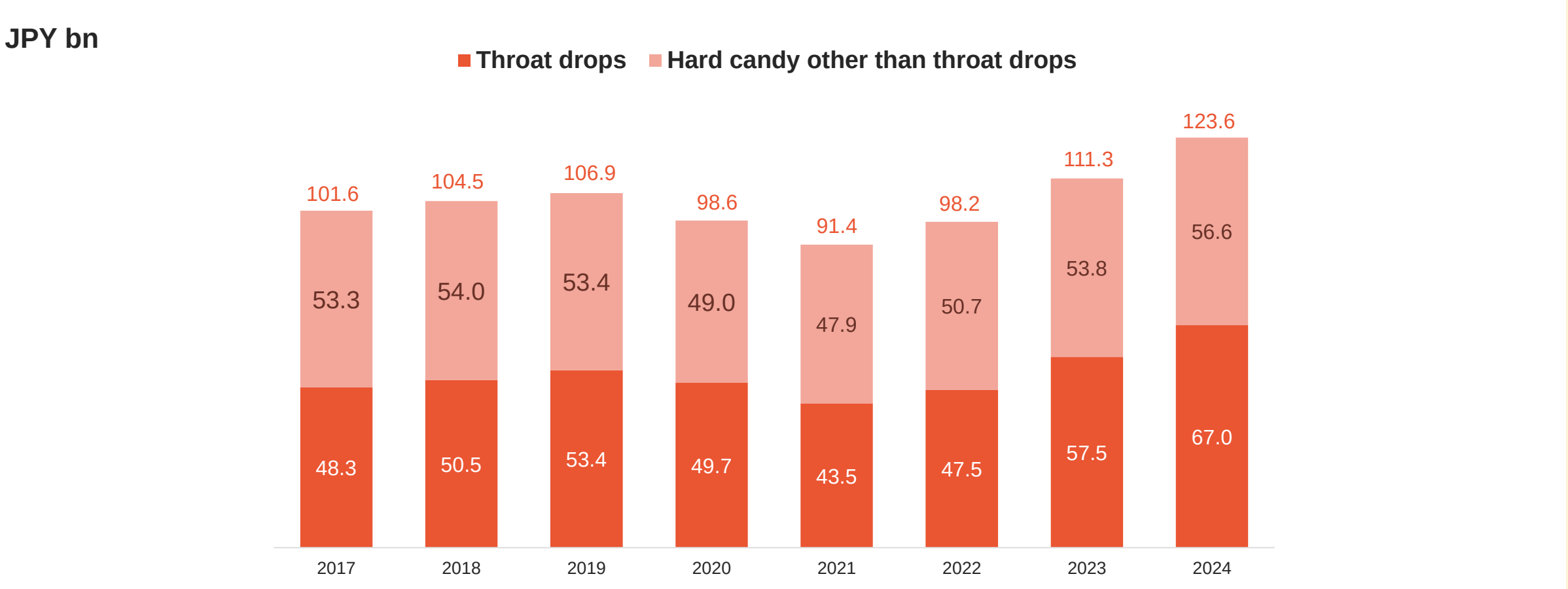
Source: INTAGE Inc. SRI+ for actual results; our calculations for future forecasts

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Throat drops have been driving the hard candy market since the pandemic. Demand for throat drops is expected to continue due to rising health consciousness.

Trends in market size for throat drops and other hard candies (in terms of retail sales amount)



Source: Prepared by the Company based on data from INTAGE Inc. SRI+.

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2. Awareness of business environment

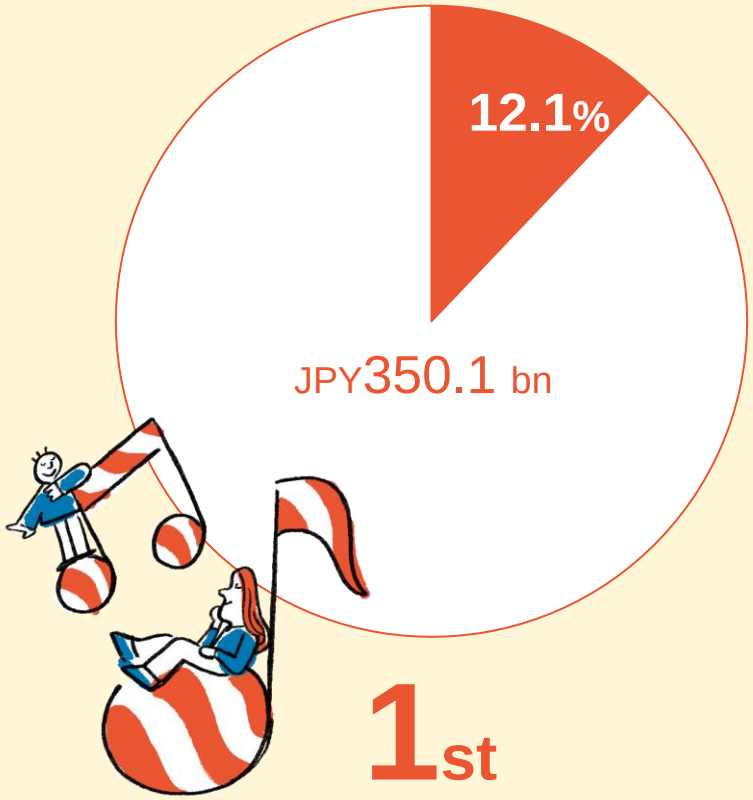
2-2. Our current situation and challenges

Sweeten the Future Kanro

No. 1 share in the candy market and No. 2 share in the gummy market

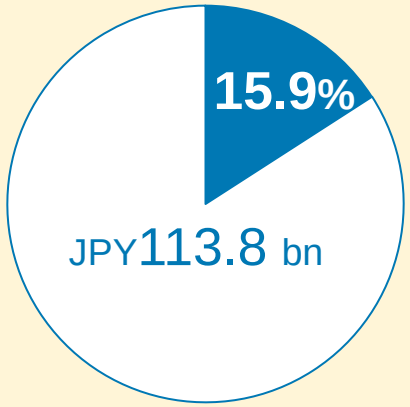
Kanro's share (2024*1)

Candy*2



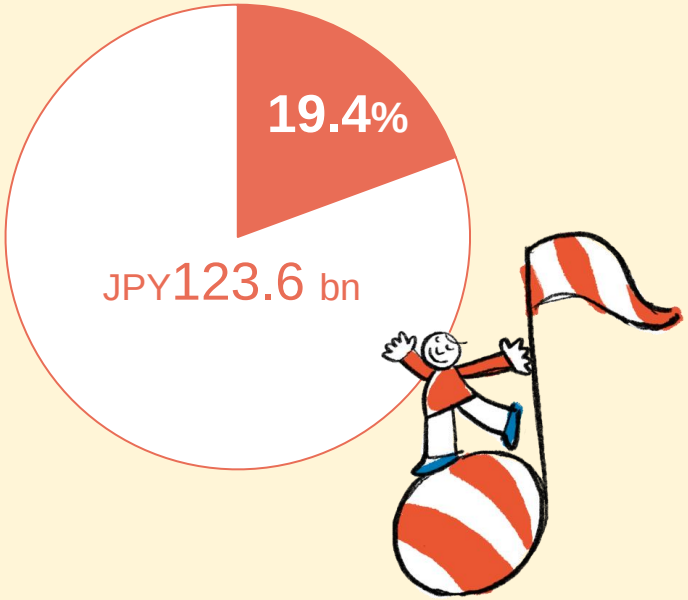
1st

Gummy



2nd

Hard candy



1st

Source: INTAGE Inc.SRI+.
*1. 2024 retail sales amount base
*2. Consisting of hard candy, gummies, tablets, and refreshing sweets, and others

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Growth rate for Kanro's mainstay brands

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Our mainstay brands achieved significant growth in the previous medium-term corporate strategy period, with some exceptions.

Retail sales (2024 compared with 2021)

194%



Puré Gummy

130%



Candemina Gummy

129%



***Kinno Milk* Candy**

100%



Kanro Ame

160%



Kenko Nodoame

153%

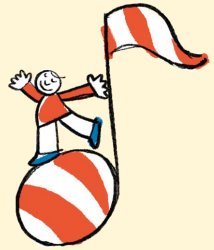


Voice Care Nodoame

137%



***Non-Sugar* series**



Source: INTAGE Inc. SRI＋
2021 and 2024 by brand and retail sales amount

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Our challenges lie in expanding gummy production capacity to increase domestic market share, promoting business strategy and implementing HR strategies for further growth

	Initiatives and results of the Medium-term Corporate Strategy 2024	Challenges
Value creation	・Increase in gummy production capacity through expansion of the Matsumoto Plant, etc. ・Expansion of sales of mainstay brands by strengthening store-focused sales activities ・Promotion of the original experience co-creation project with Generation Z to provide formative experience in candy	・Capturing the expanding gummy market in Japan ・Providing products and services that meet new customer needs ・Expanding digital and person-to-person contact points
ESG management	・Establishment of the Sustainability Committee ・Switch to renewable energy sources for electricity at three of our plants ・Establishment of Human Rights Policy	・Fleshing out and implementing measures to mitigate environmental load ・Conducting human rights due diligence
Expansion of business domains	・Development and start of sales of exclusive products for the Chinese market ・Expansion of HITOTUBU KANRO business (Harajuku store opened in 2024) ・Construction of new digital platform centered with Kanro POCKeT at its core	・Expanding the global business ・Attracting customers to EC (implementing measures to increase the number of members on our Company's website) ・Pursuing further growth, including discontinuous growth
Human resources and organization	・Execution of measures aimed at promoting wide spread understanding of purpose ・Strengthen investment in human resources (augment training)	・Further improving penetration of purpose-driven actions ・Developing and securing human resources to support business strategies

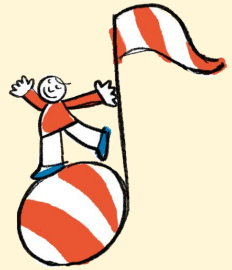
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3. Kanro Vision 2.0

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Flexibility in adapting to changes and consistency based on vision is essential to sustain long-term growth.



Bringing smiles to people and society by continuing to create sweet moments

Both in the present, which is uncertain and occasionally challenging,

and into the future, all of us at Kanro aim to create a company that makes sweet moments and smiles with a commitment to remain close to consumers, be flexible enough to meet needs, and stick to our unwavering vision.






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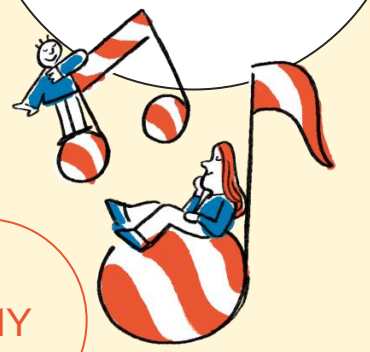
Sweeten the Future Kanro

Four values to achieve our vision

Three promises we make to our stakeholders, starting with our customers

Corporate culture

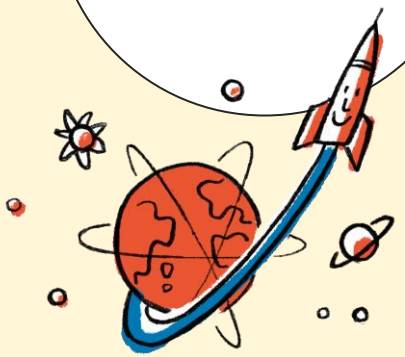
Creating sweet moments



WHY

Identify four areas in which we provide value from the customer's point of view and strengthen competitiveness and promote innovation

Transforming the business foundation



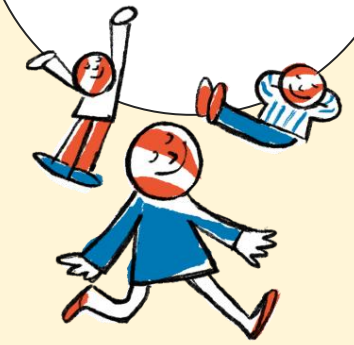
Create new market opportunities and build a business model

Weaving a path to the future



Build a model for creating sustainable economic value, contribute to a sustainable future

Further evolving the emergent organization



Continue to grow rapidly even in an environment characterized by dramatic change by remaining flexible and adaptable, promoting innovation and co-creation

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Overview of Kanro Vision 2.0

Sweeten the Future Kanro

Purpose

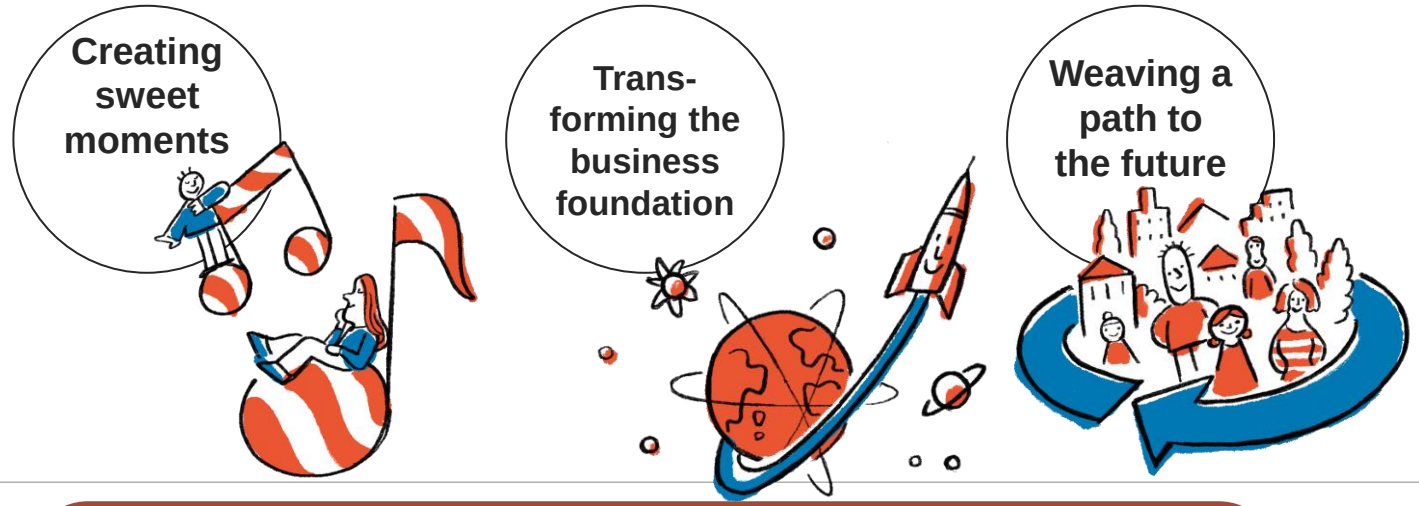
“Sweeten the Future”

Vision

Bringing smiles to people and society by continuing to create sweet moments

Value

Three promises we make to our stakeholders, starting with our customers



Corporate culture

Further evolving the emergent organization

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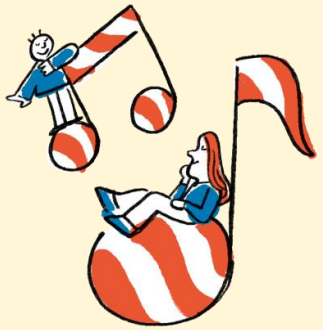


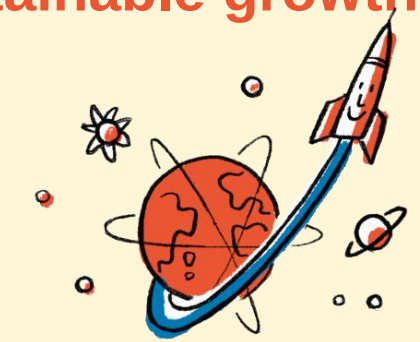
4. Medium-term Corporate Strategy 2030

4-1. Outline of business strategy

Sweeten the Future Kanro

Achieve further growth, primarily in the domestic gummy business, and expand business domains and business models for sustainable growth





Creating sweet moments

— Sales and profit growth driven by the domestic gummy market —

1 Achieve further growth in the domestic gummy business

Aiming to further revitalize the market and expand market share by continuously introducing new products and expanding capacity

2 Strengthening product development and adding functionality to increase value, expanding the domestic hard candy and gummy business

Transforming the business foundation

— Expansion of business domain and business model —

3 Global business expansion

Expansion of exports, primarily to the US

Build a business foundation for full-scale expansion

4 Promotion of multi-channel and shift to DtoC

Further expansion of HITOTUBU Digital business

Increase points of contact with customers and promote CX to create core fans

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Strategic investment to support growth: Construction of new gummy line (from two lines to three lines: production capacity will increase by about 50%)

Image of Asahi Plant after completion



Location	2216-1 Yanagikubo, Komi, Asahi-mura, Higashichikuma-gun, Nagano (on premises of Asahi Plant)
Plant area	Total area is 6,916.75 ㎡
Capital expenditure	About JPY13.0 bn
Investment details	Expansion of building, construction of new gummy line, new automated warehouses, etc.
Production start date	July 2027 (scheduled)

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Continue to create sweet moments for customers based on the brand in four areas of value provision

Rewards

Providing time for tiny luxuries

- Reward yourself
- Delicious snacks

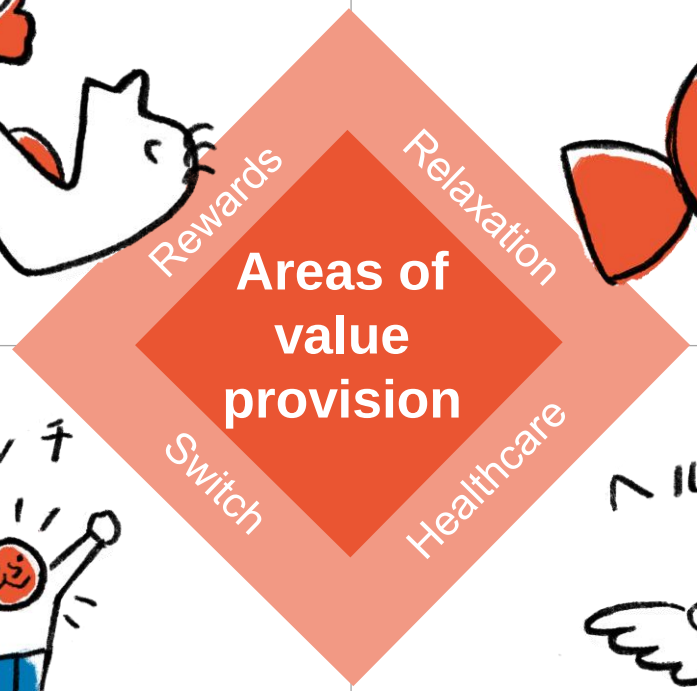


Relaxation

Provide mental release

- Unwind and heal the mind
- Relief from tension





Switch

Change one's mindset
Provide motivation

- Find excitement
- Refresh



Healthcare

Provide support for self-care

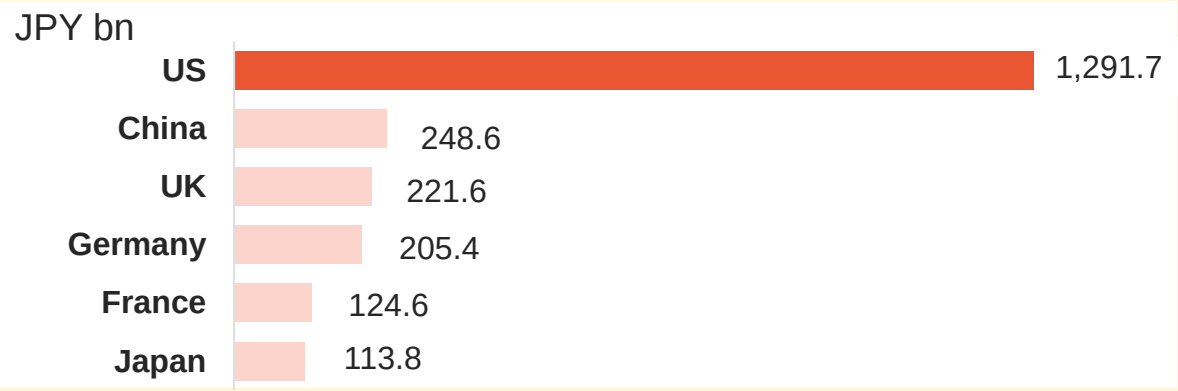
- Take care of oneself
- Align the mind and body



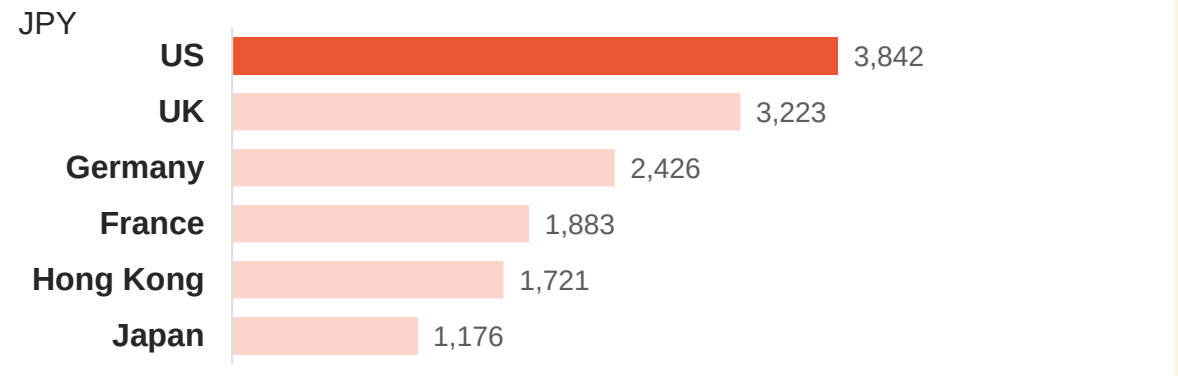
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Full-scale entry into the US market, which has a large gummy market, and work to expand sales with *Puré Gummy*

Gummy (*) market size by country (2024)

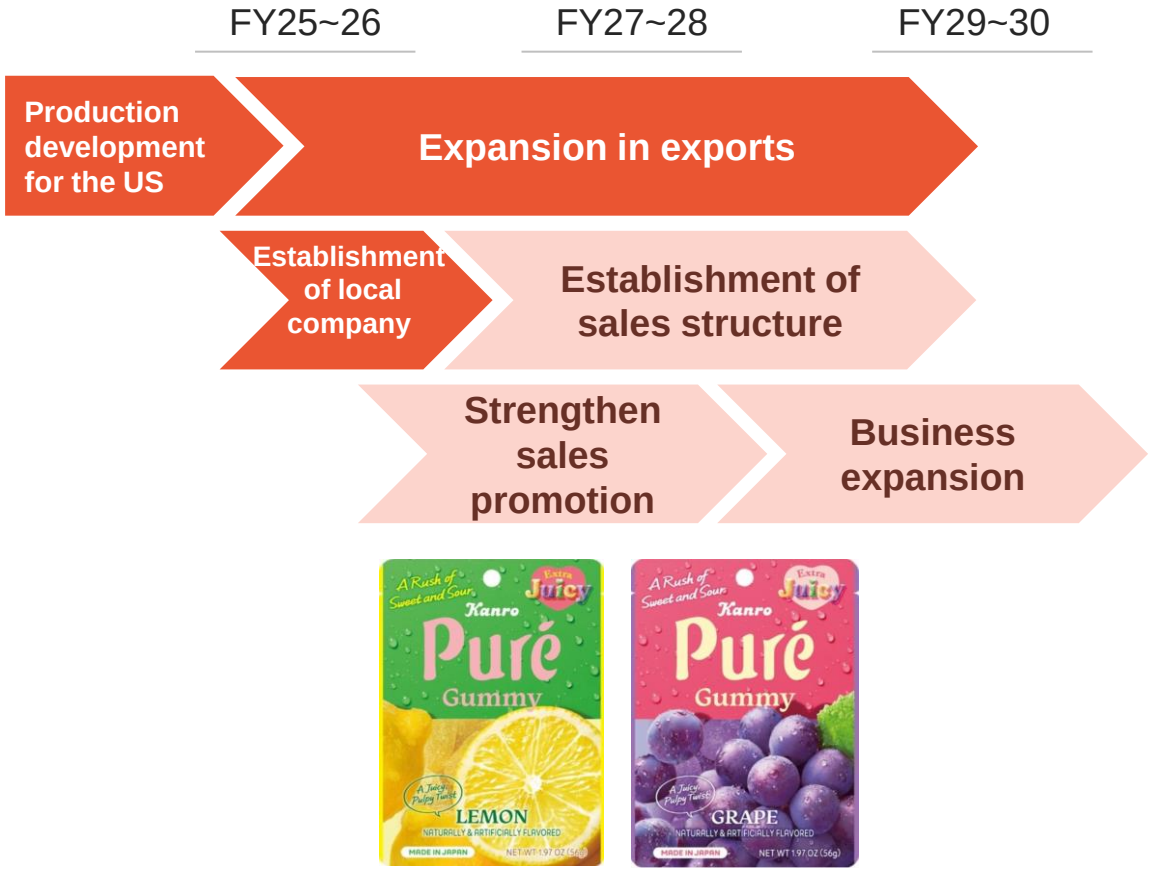


Per capita consumption of gummies (*) by country (2024)



(*) Pastilles, Gummies, Jellies, and Chews in the Sugar Confectionery category.

Source: Euromonitor International (average exchange rate in yen in 2024)
Gummy Market Size by Countries (2024) Japan only INTAGE Inc. SRI+.



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Strengthening customer engagement

Promote CX to build up Kanro fans through comprehensive communication

Turning customers into assets
Continuous communication

Kanro POCKeT membership
ID acquisition

Expand contact with the Company
Connecting active visitors

Reach of external contact
Bringing potential interest groups into contact with the Company

Kanro community
Kanro POCKeT X

Customer list data

EC

CRM (customer service)

Product information and brand website
Chatbots and FAQs
Official social media accounts
Corporate site
Podcasts, etc.

Events at directly operated stores
HITOTUBU Institute (HARAKADO)

Digital contact with the Company

Person-to-person contact with the Company

TV commercials, PR, products, etc.

Media

Retail stores

Points of contact

Communicate with the public with various points of contact in a way consistent with Kanro's values and create fans

Make the most of fans' opinions in products (brand service)

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4. Medium-term Corporate Strategy 2030

4-2. Business strategy

Sweeten the Future Kanro

Transform the business foundation by expanding and deepening customer base to achieve Kanro Vision 2.0

	Existing markets (Japan)	New markets
New products, new channels	New products and revenue model Digital business Capturing peripheral markets in Japan Future design business HITOTUBU KANRO business	Global business Overseas expansion
Existing products, Existing channels	Core business Reinforce differentiation strategy based on the brand	









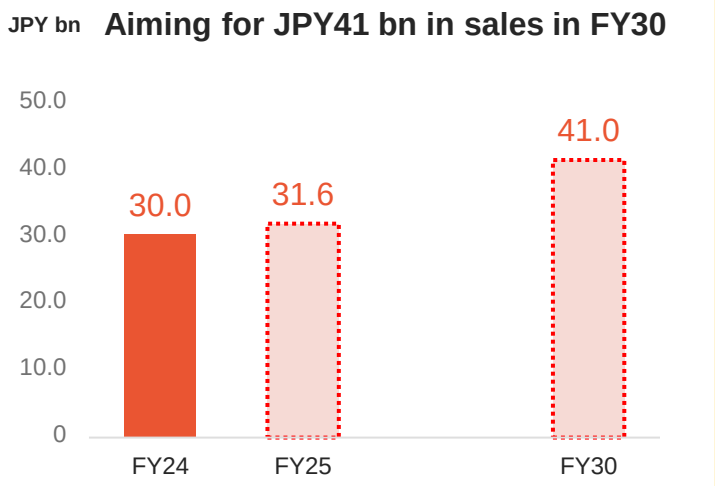
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Sweeten the Future Kanro

Revitalize the domestic market and achieve solid No. 1 share of domestic sales amount for both hard candy and gummy



Quantitative targets (sales by business)



KPI

	FY24	FY30 target
Kanro's share of hard candy	No. 1 19.4%	No. 1
Kanro's share of gummy	No. 2 15.9%	No. 1

Source: INTAGE Inc. SRI＋

Measures

1 Market revitalization through continuous introduction of high-value products

- Continue to develop and launch new products while strengthening existing brands to further revitalize the gummy market
- Develop products that make the most of our research and development capabilities so that we can continue to develop new products with unique flavors and textures that have high added value

2 Reinforcement of store-focused sales activities

- Establish a staffing structure with enhanced in-store activities and expand contact between new brands and customers
- Use information collected from storefronts as feedback to be used for product development

3 Promotion of DX for sales division

- Utilize SFA, RPA, and BI tools to strengthen management and promote operational efficiency, as well as strengthen proposal-based sales using digital tools

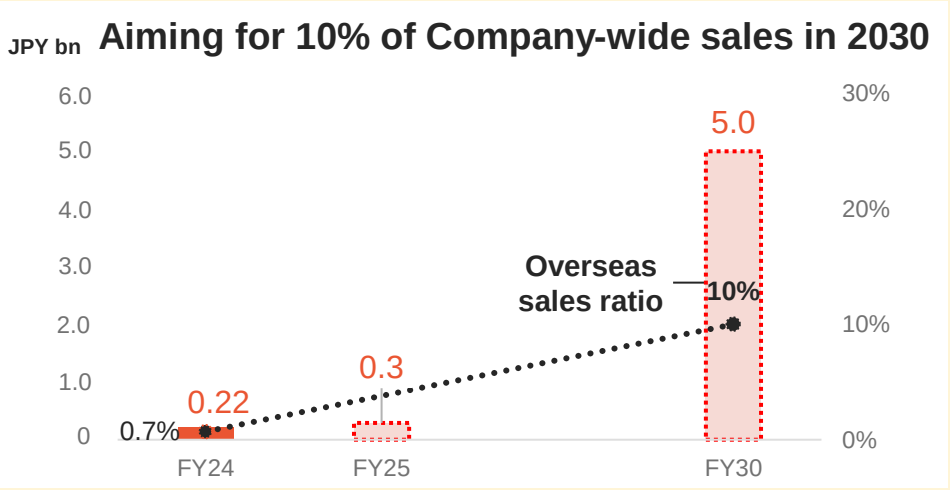
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Sweeten the Future Kanro

Establish a business foundation for further growth in the U.S. market, and aim for overseas sales to account for 10% of total company sales



Quantitative targets (Sales by business)



Roadmap

	FY25–26	FY27–28	FY29–30
Target number of stores to be developed	300 stores–		5,000 stores–
Stores targeted for development	Japanese/Asian retail stores	U.S. retail stores with local regional presence	Retail stores expanding U.S.-wide

Measures

1 Expand exports with a focus on the U.S.

- Speed up entry into U.S. gummy market
- Develop products with same quality as domestic products
- First expand into western area

2 Build sales system in U.S.

- Establish a local subsidiary and promote sales activities
- Ramp up marketing activities aimed at raising brand awareness
- Initiate approaches to local distributors

3 Expand sales to China and Asia

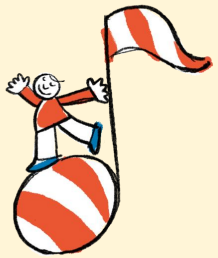
- Decide on a strategic brand to cultivate the Chinese market and take an intensive approach to its expansion
- Enhance sales promotion activities to Taiwan, Hong Kong and other regions and raise brand recognition

➡Aim for increase in sales

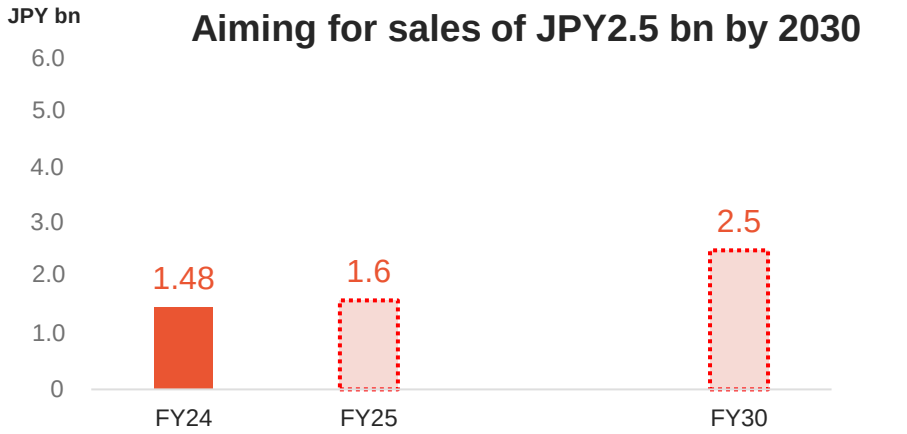
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Sweeten the Future Kanro

Strengthen customer contact in real-life situations and online, and expand the HITOTUBU KANRO business by nurturing the next generation of brands and enhancing services



Quantitative targets (sales by business)



*Sales for the HITOTUBU KANRO business include gummy, hard candy products , etc.

KPI

	FY24 results	FY30 target
Total customers visiting stores	2.56 million customers	4.80 million customers
HITOTUBU KANRO brand recognition rate	15.4%	40%

Measures

1 Make the most of customer contacts to increase loyalty

- Attract more customers with high-value products such as *Gummi-tzel* and *Mofuwa*
- Work to raise recognition of the Kanro brand and customer loyalty through the consumer experience at HITOTUBU KANRO
- Strengthen collaboration between real stores and online stores and provide seamless service

2 Cultivate the Kanro brand through differentiated products

- Aim for continuous growth through product development following up on *Gummi-tzel* and brand cultivation
- Improve Kanro's brand image through the sale of differentiated products
- Reinforce HITOTUBU KANRO earth brand products from a sustainable perspective in conjunction with R&D

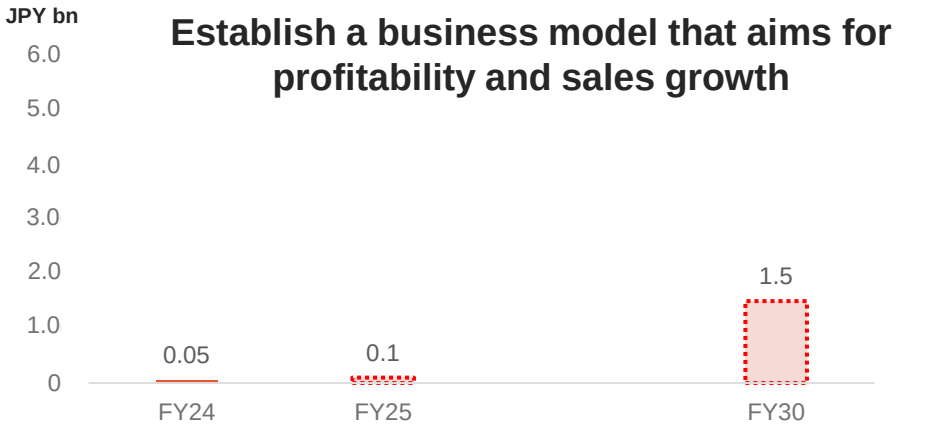
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Sweeten the Future Kanro

Create a new revenue model through the DtoC business by building a platform for brand value enhancement



Quantitative targets (sales by business)



*Excluding HITOTUBU KANRO e-commerce

KPI

	FY24 results	FY30 target
No. of Kanro POCKeT members	0.24 million members	1.5 million members
Kanro POCKeT customer loyalty (NPS®) (*)	—	Compared with FY2024 score +10

Measures

1 Establishment of highly profitable business scheme

- Provide high-value products that are aligned with customers and new services such as subscriptions

2 Development of products specifically for e-commerce

- Plan and develop products and services that lead to improved experience values for existing product brands utilizing the business merits of DtoC

3 Improve CX through comprehensive CRM implementation

- Utilize KanroPOCKeT and integrate data for customers related to Kanro's business activities
- Continue to implement comprehensive CRM marketing with a focus on the fan community KanroPOCKeTX (cross) and carry out loyalty marketing

(*) NPS is a registered trademark or service mark of Bain & Company, Fred Reichheld, and NICE Systems, Inc.

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4. Medium-term Corporate Strategy 2030

4-3. Sustainability and management foundation

Contribute to a sustainable future for people and society by raising corporate value while also helping to solve social issues through business

Creating value through sweetness and contribute to society

Promote health and welfare

- Implement plans that lead to creating value through sweetness, in conjunction with sports events, community support activities, and education CSR

Consider food diversity

- Product development aimed at improving well-being

Mitigating environmental load through business

Reduce global warming gas emissions

- Encouragement to reduction of environmental impact throughout the supply chain
- ESG investments that lead to greenhouse gas reductions
- Expand use of recycled plastics to reduce waste plastics

Weaving a path to the future



Food safety and reliability

Product health and safety

- Implement a review of product design standards and reduce food loss

Responsible marketing and labeling

- Product design with universal design in mind

Promotion of human rights and diversity

Respect human rights

- Implement human rights due diligence

Utilize diverse human resources

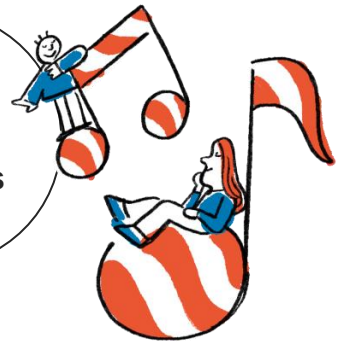
- Implementation of measures to support balance
- Develop and secure digital human resources, global human resources, etc.

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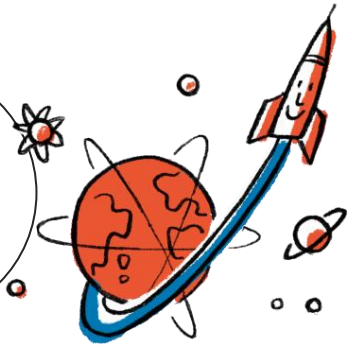
Implement measures to strengthen the management foundation and improve employee engagement to achieve “Kanro Vision 2.0”

Four values to achieve “Kanro Vision 2 .0”

Creating sweet moments



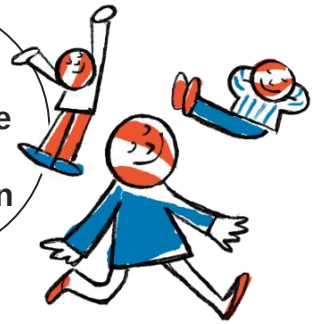
Trans-forming the business foundation



Weaving a path to the future



Further evolving the emergent organization



Strengthening of management foundation for implementation of Medium-term Corporate Strategy 2030

- **Execution of “human resource strategy” linked to management and business strategies**
  (Developing and securing human resources for the expansion of global business and digital business)
- **Execution of “DX strategy” to promote S&OP and improve productivity and competitiveness**
  (Investment in management foundation such as DX)

Improvement in employee engagement

- **Implementation of measures for purpose-driven practice**
- **Development of a personnel system that encourages challenge and growth**
- **Promoting autonomous workstyles in response to the diversification of workstyles and values**
- **Further promotion of diversity and inclusion**

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Quantitative targets (Sustainability and management foundation)



Indicators	Results during Medium-term Corporate Strategy 2024	2030 target
Activities to provide education on the value of sugar	Cumulative **9.39** million people	Cumulative **15** million people
Greenhouse gas emissions (Scope 1–3)	Scope 1–2 **10,828** t-CO_2	Scope 1–2 **10,000** t-CO_2
	Scope 3 **87,308** t-CO_2	Scope 3 **110,000** t-CO_2
Employee Engagement Score	**51.9**%	**70**% or higher



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4. Medium-term Corporate Strategy 2030

4-4. Financial and capital strategies

Quantitative targets (financial targets)

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Update 2030 financial targets (upward revisions)



Indicators	2024 Actual	2025 Forecasts	2030 Target
Net sales	JPY31.7 bn	JPY33.6 bn	JPY50.0 bn or more (CAGR : 7.8% or higher)
Operating profit margin	13.5 %	12.9 %	13 % or higher
EBITDA (*)	JPY5.78 bn	–	JPY10.0 bn
ROIC	20.5 %	16.9 %	11 % or higher
ROE	20.8 %	18.2 %	15 % or higher

(*) Our EBITDA is defined as operating profit plus depreciation and amortization.

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Drive growth investments with ROIC management and reduce capital costs through use of leverage and other means

Basic Policy for Enhancing Corporate Value

Corporate value =

Cash flow ↑

- **Maximize cash flow**
  - **Improve earning power**
    - Growth investment for the growing domestic gummy market
    - Full-scale entry into global (U.S.) market
  - **Improve capital efficiency**
    - Field-based KPI management with KanROIC tree
    - Stable shareholder returns balanced with investment in growth

Capital costs ↓

- **Reduce capital costs**
  - Increase financial leverage by using interest-bearing debt (optimize capital structure)
  - Deepen IR/SR activities: Enhance and expand constructive dialogue with investors, promote understanding of our business through enhanced disclosure

*Estimated cost of equity is 6–8%

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Maximize cash flow by establishing a new gummy line and taking other measures, and accelerate further growth investment

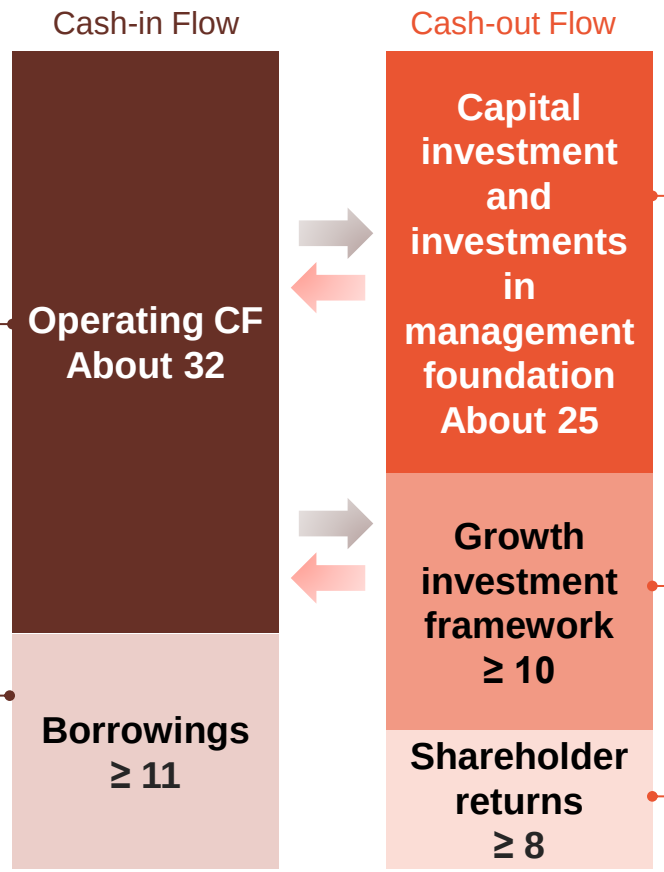
Cumulative cash flows for FY25–30 (Unit: JPY bn)

Maximize operating cash flow

- Improve earning power in core business by leveraging strategic investments
- Cultivate and scale up new businesses

Optimize leverage by utilizing borrowings

- Utilize interest-bearing debt to the extent that financial stability is not impaired
- Reduce capital costs by optimizing the capital structure



Aggressive implementation of strategic investments

- Investments in plant expansion/new line construction: Approx. JPY13 bn
- Updates, capacity expansion, ESG investment: About 9 bn yen
- R&D investment: Approx. JPY1.5 bn
- Investment in management foundation such as DX: Approx. JPY1.5 bn
- Investment profitability management based on cost of capital

Agile additional capital investment and overseas investment

- Pursue growth, including use of additional financing, etc.
- Rolling implementation within the time frame of the Medium-term Corporate Strategy

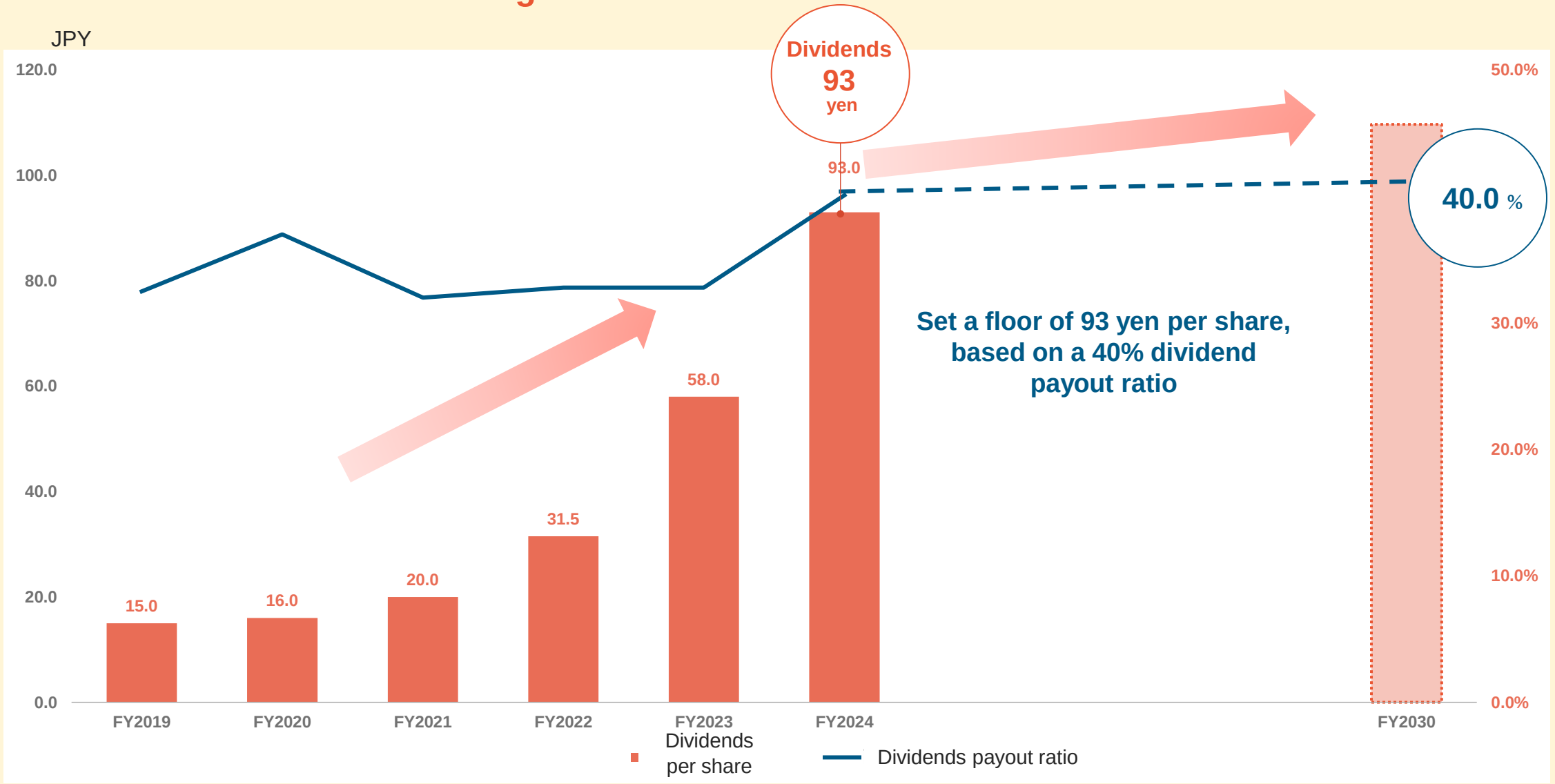
Stable shareholder returns

- Set a floor of 93 yen per share, based on a 40% dividend payout ratio
- Consider additional returns, depending on investment progress and capital efficiency

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Sweeten the Future Kanro

Grow operating cash flow to enable balance between growth and strategic investments and stable dividends

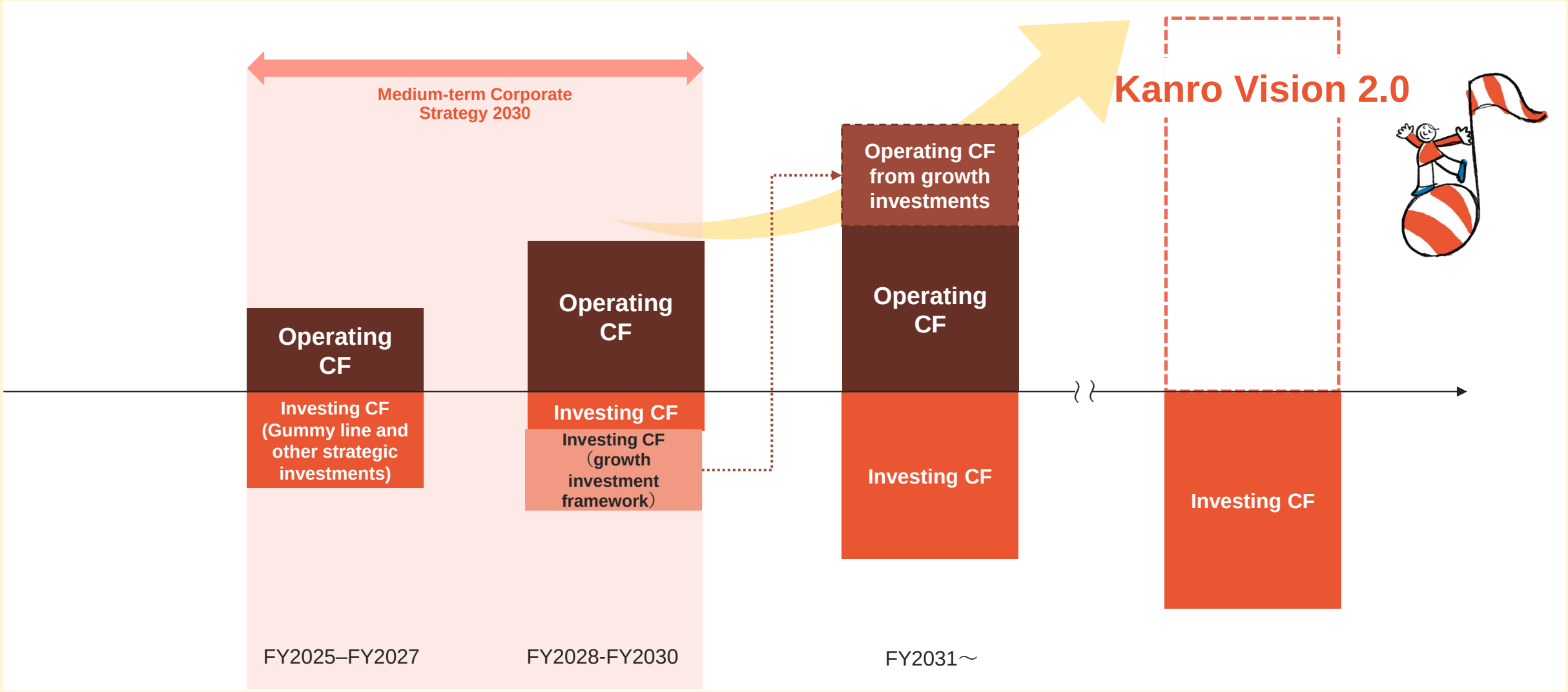


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Growth investment framework

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Pursue further growth, including discontinuous growth, to realize Kanro Vision 2.0 through the use of the growth investment framework

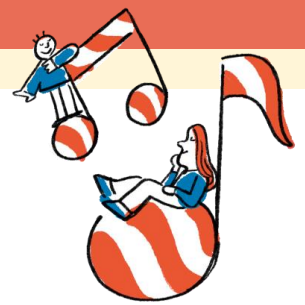


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Medium-term Corporate Strategy 2030 summary

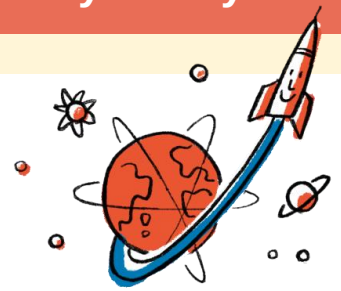
Sweeten the Future Kanro

Summary of Key initiatives



Creating sweet moments

- **Investments to promote innovation**
  Investment in plant expansion and new line construction, R&D investment
- **Providing four customer-driven values**
  Rewards, Switch, Healthcare, Relaxation
- **Promotion of brand-based management**
  (Higher Value x Higher Profitability Merchandise Ratio)



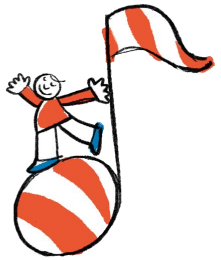
Transforming the business foundation

- **Global business expansion**
- **Expansion of HITOTUBU KANRO business**
- **Establishment of highly profitable business scheme through EC**
- **Cultivation of Kanro fans and increase LTV through the fusion of real and digital contents**



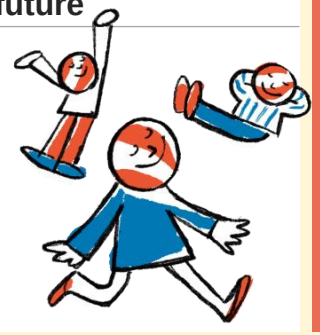
Weaving a path to the future

- **Promotion of activities to disseminate correct knowledge of sugar**
- **Promotion of measures to mitigate environmental load**
- **Food safety and security**
- **Respect for human rights and promotion of diversity**
- **Build a sustainable model for creating economic value, contribute to a sustainable future**



Further evolution of emergent organizations

- **Purpose-driven practice**
- **Development of a personnel system that encourages challenge and growth**
- **Creation a rewarding work environment and promote operational efficiency**



Financial indicators	2030 targets
Net sales	JPY50 bn or more (CAGR : 7.8% or higher)
Operating profit margin	13% or higher
EBITDA	JPY10 bn
ROIC	11% or higher
ROE	15% or higher

Non-financial indicators	2030 targets
Activities to provide education on the value of sugar	Cumulative 15 million people
Greenhouse gas emissions (Scope 1–3)	Scope 1–2 10,000 t-CO_2 Scope 3 110,000 t-CO_2
Employee engagement score	70% or higher

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