

Supplementary Materials:  
Financial Results for the Nine Months Ended  
September 30, 2021



October 29, 2021

**Kanro Inc.**

(TSE: 2216)

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# Review for FY2021 Q3 (Jan. to Sep. 2021)

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## FY2021 Q3 Overview

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### ◆Market environment

- In the nine months ended September 30, 2021 (Jan.-Sep.), the candy market declined 5.1% over the previous year.  
(Breakdown: Hard candy was down 9.0%, gummies were up 9.1%, tablet candy was down 13.2%, and others were down 4.5%.)<sup>\*1</sup>
- Led by gummies, the candy market overall is currently on a recovery track.

### ◆Status of company business

- Revenue and income rose over the previous year (net sales rose 9.2%, operating income was up 200.1%, ordinary income increased 186.1%, and net income grew 205.4%).
- Candy category: Throat drops were sluggish due to the mask-wearing lifestyle, and candy in stick-shaped, compact packaging also struggled due to a continued decline in demand for candy in offices and spending on outings. Accordingly, revenue fell despite an increase in sales of products such as *Kinno Milk* candy, which launched a new flavor.
- Gummy category: Significant sales growth in excess of market recovery was achieved thanks to strong demand for mainstay brands such as *Puré Gummy* and *Candemina* as well as favorable reception of new products such as *Marosh*, which offers a new taste sensation.
- Market share increase (Jan.-Sep.; figures in brackets indicate results in previous year): Hard candy (20.4% [19.1%])<sup>\*2</sup>, gummies (17.5% [16.4%])<sup>\*3</sup>

\*1 (Source) INTAGE Inc. SRI+ Candy and caramel YoY change in sales amount by type  
\*2 (Source) INTAGE Inc. SRI+ Hard candy  
\*3 (Source) INTAGE Inc. SRI+ Gummies

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## Summary of FY2021 Q3 Performance

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Unit: Million yen

	FY2021 Q3	FY2020 Q3		
	Actual	Actual	YoY	YoY%
Net sales	<b>17,639</b>	16,154	1,485	9.2%
Operating income	<b>512</b>	170	341	200.1%
Ordinary income	<b>543</b>	189	353	186.1%
Net income	<b>435</b>	142	293	205.4%

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## Summary of Revised Full-Year Performance

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Unit: Million yen

	FY2021	FY2020			FY2021	
	Revised forecast <sup>1</sup>	Actual	YoY	YoY%	Full-year forecast <sup>2</sup>	Rate of change
Net sales	<b>25,300</b>	<b>23,321</b>	1,978	8.5%	<b>24,700</b>	2.4%
Operating income	<b>1,160</b>	<b>836</b>	323	38.7%	<b>870</b>	33.3%
Ordinary income	<b>1,200</b>	<b>860</b>	339	39.4%	<b>900</b>	33.3%
Net income	<b>880</b>	<b>610</b>	269	44.1%	<b>660</b>	33.3%
Basic earnings per share (Unit: yen)	<b>124.80</b>	<b>86.58</b>	38.22	44.1%	<b>93.60</b>	33.3%

\*1: Announced on Oct. 29, 2021 \*2: Announced on June 24, 2021

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## Overview of Selling, General and Administrative Expenses in FY2021 Q3 *Kanro*

Unit: Million yen

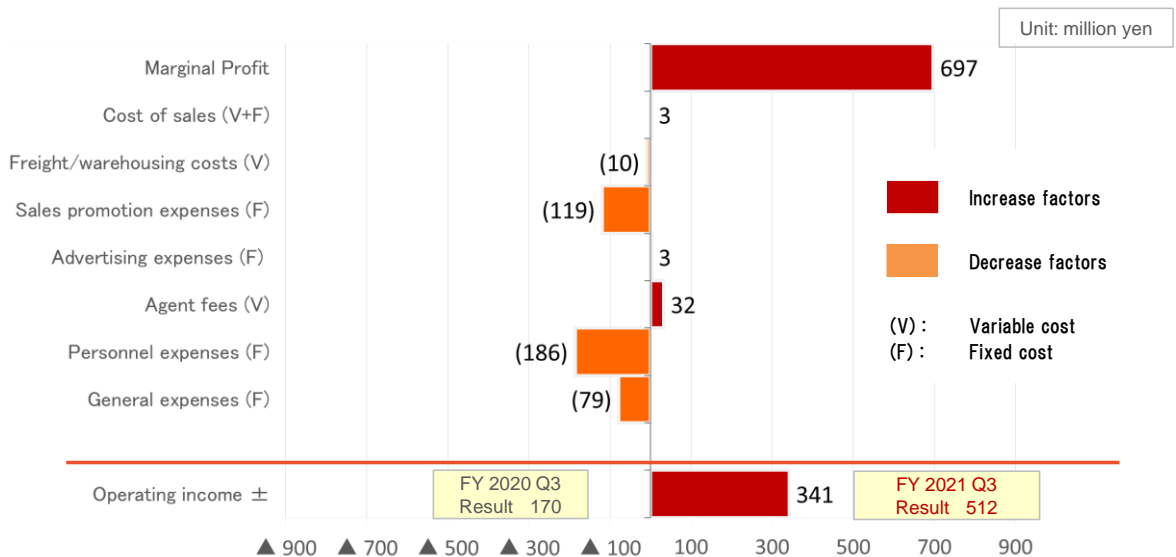
	FY2021 Q3			FY2020 Q3	FY2021	
	Actual	YoY	YoY%		Actual	1H Actual
Net sales	<b>17,639</b>	<b>1,485</b>	9.2%	16,154	11,640	25,300
Cost of sales	<b>9,280</b>	<b>494</b>	5.6%	8,785	6,040	-
Freight/warehousing costs	<b>1,067</b>	<b>99</b>	10.2%	968	686	-
Sales promotion expenses	<b>589</b>	<b>119</b>	25.3%	470	402	-
Advertising expenses	<b>236</b>	<b>(3)</b>	(1.3) %	239	157	-
Agent fees	<b>2,352</b>	<b>168</b>	7.7%	2,184	1,556	-
Personnel expenses	<b>2,477</b>	<b>186</b>	8.2%	2,290	1,605	-
General expenses	<b>1,124</b>	<b>79</b>	7.6%	1,045	754	-
Operating income	<b>512</b>	<b>341</b>	200.1%	170	436	1,160

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## Factors of changes in OP (FY2020 Q3 VS. FY2021 Q3) *Kanro*

*Kanro*



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## FY2021: Dividend Forecast

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Unit: Yen

	Annual dividend			Dividend payout ratio
	2nd quarter-end	Year-end	Total	
FY2021 (forecast)*	15	15	30	32.1%
FY2021 (revised forecast)	15	25	40	32.1%

\*Figures based on the dividend forecast announced on Jun. 24, 2021

- The return of profits to shareholders is an important policy, and our basic stance is to provide sustainable and stable dividends to shareholders. The current medium-term management plan sets dividend at ¥30+ for the period covered by the plan.
- The year-end dividend forecast for FY2021 has been revised to ¥25 thanks to an upswing in the full-year forecast.
- The dividend policy for FY2022 and beyond is expected to be announced in February 2022.

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## Annual Report Wins Grand Award in 2 Categories

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**AR produced as part of IR initiatives aimed at realizing Kanro's corporate vision**

- **World's largest annual report competition "International ARC Awards"**
  - Kanro's first-time entry won "Gold" awards in 6 categories, followed by the "Grand Award" in 2 categories. (Refer to press releases for details.)

\* International ARC Awards

- The world's largest annual report competition, organized by MerComm, Inc., an independent US-based evaluation body, and currently in its 35th year. There were a total of 1,875 entries from 28 countries around the world. From these, 50 Grand Award winners were selected, with Kanro's report winning in 2 categories.

- Content: includes top message, corporate vision, business model, growth strategies, risk information, and financial and non-financial information (sustainability and governance)



Exterior designed to resemble Kinno Milk



A cool pouch is used for the packaging.

<https://www.kanro.co.jp/en/ir/library/>

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## (Supplementary Materials 1) 【Summary of Financial Results】

### Quarterly

	Unit: Million yen											
	FY2020					FY2021					FY2020 Q3 vs. FY2021 Q3	
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year	YoY	YoY%
Net sales	6,112	5,040	5,001	7,166	23,321	5,439	6,200	5,999		25,300	1,485	9.2%
Operating income	439	(95)	(173)	665	836	91	344	75		1,160	341	200.1%
Ordinary income	439	(88)	(161)	670	860	93	363	85		1,200	353	186.1%
Net income	333	(94)	(96)	467	610	109	258	67		880	293	205.4%

\*Quarterly results are simple differences.

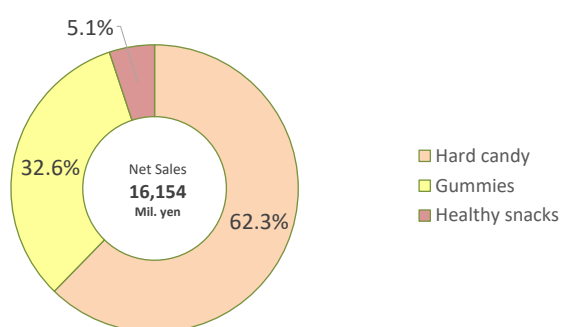
### 1H/2H

	Unit: Million yen								
	FY2020 (Results)			FY2021			FY2020 vs. FY2021		
	1H	2H	Full year	1H (Results)	2H (Plan)	Full year	1H	2H	
Net sales	11,152	12,168	23,321	11,640	13,659	25,300	4.4%	12.2%	
Operating income	344	492	836	436	723	1,160	26.8%	47.0%	
Ordinary income	351	509	860	457	742	1,200	30.3%	45.7%	
Net income	239	371	610	367	512	880	53.6%	38.0%	

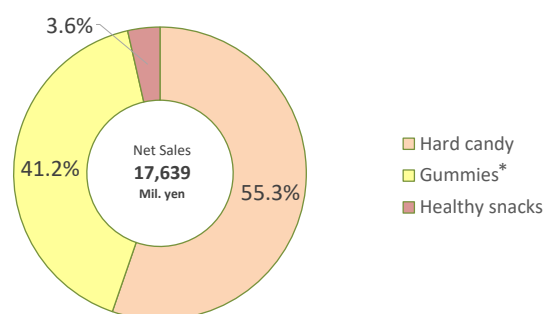
\*Results and plan for 2nd half are simple differences.

### Composition of net sales

FY2020 Q3



FY2021 Q3



Unit: Mil. yen

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

	FY2020 Q3	FY2021 Q3	YoY%
Hard candy	10,064	9,751	(3.1)%
Gummies*	5,266	7,260	37.9%
Healthy snacks	823	627	(23.9)%
Total	16,154	17,639	9.2%

\* The data is included marshmallow product in FY2021 Q3

\*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】

	FY2020 Q3		FY2021 Q3		FY2020 Q3 vs. FY2021 Q3	
	Amount	%	Amount	%	YoY	YoY%
<b>Net sales</b>	<b>16,154</b>	100.0%	<b>17,639</b>	100.0%	<b>1,485</b>	<b>9.2%</b>
Cost of sales	8,785	54.4%	9,280	52.6%	494	5.6%
<b>Gross profit</b>	<b>7,368</b>	<b>45.6%</b>	<b>8,359</b>	<b>47.4%</b>	991	13.4%
Freight/warehousing costs	968	6.0%	1,067	6.1%	99	10.2%
Sales promotion expenses	470	2.9%	589	3.3%	119	25.3%
Advertising expenses	239	1.5%	236	1.3%	(3)	(1.3)%
Agent fees	2,184	13.5%	2,352	13.3%	168	7.7%
Selling expenses	3,862	23.9%	4,246	24.1%	383	9.9%
Personnel expenses	2,290	14.2%	2,477	14.0%	186	8.2%
General expenses	1,045	6.5%	1,124	6.4%	79	7.6%
General and administrative expenses	3,335	20.6%	3,601	20.4%	265	8.0%
Selling, general and administrative expenses	7,198	44.6%	7,847	44.5%	649	9.0%
<b>Operating income</b>	<b>170</b>	<b>1.1%</b>	<b>512</b>	<b>2.9%</b>	<b>341</b>	<b>200.1%</b>
Non-operating income	27	0.2%	38	0.2%	11	40.9%
Non-operating expenses	8	0.1%	7	0.0%	(0)	(4.9)%
Non-operating income and expenses	19	0.1%	30	0.2%	11	60.3%
<b>Ordinary income</b>	<b>189</b>	<b>1.2%</b>	<b>543</b>	<b>3.1%</b>	<b>353</b>	<b>186.1%</b>
Gain on sales of investment securities	74	0.5%	94	0.5%	19	26.6%
Extraordinary income	74	0.5%	94	0.5%	19	26.6%
Loss on retirement of non-current assets	0	0.0%	5	0.0%	5	767.3%
Impairment loss	23	0.1%	19	0.1%	(3)	(16.0)%
Extraordinary losses	24	0.1%	25	0.1%	1	5.4%
Extraordinary income and losses	50	0.3%	69	0.4%	18	36.7%
Income before income taxes	240	1.5%	612	3.5%	371	154.5%
Total income taxes	98	0.6%	176	1.0%	78	80.4%
<b>Net income</b>	<b>142</b>	<b>0.9%</b>	<b>435</b>	<b>2.5%</b>	<b>293</b>	<b>205.4%</b>

\*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 FY2016—FY2021/Plan】

		Consolidated ←		→ Non-consolidated		(FY2021 figures planned; all others actual)		
Fiscal Year	Unit	Consolidated		Non-consolidated			Plan	
		FY2016	FY2017	FY2017	FY2018	FY2019	FY2020	FY2021
Net sales	*1◎ million yen	19,716	21,303	21,301	22,949	24,039	23,321	<b>25,300</b>
Net sales YoY	%	0.2	8.0	8.1	7.7	4.7	(3.0)	<b>8.5</b>
Gross profit	◎ million yen	8,750	9,791	9,719	10,934	11,358	10,863	—
Gross profit to net sales	%	44.4	46.0	45.6	47.6	47.3	46.6	—
Operating income	◎ million yen	591	935	947	1,003	923	836	<b>1,160</b>
Ordinary income	◎ million yen	612	999	1,001	1,045	1,007	860	<b>1,200</b>
Ordinary income YoY	%	104.2	63.4	49.9	4.4	(3.6)	(14.6)	<b>39.4</b>
Net income attributable to parent company	*2◎ million yen	500	447	593	1,011	651	610	<b>880</b>
Net income YoY	%	476.0	(10.6)	8.1	70.3	(35.6)	(6.4)	<b>44.1</b>
Comprehensive income	◎ million yen	539	602	—	—	—	—	—
Net assets	◎ million yen	9,736	10,003	9,935	10,656	10,827	11,175	—
Total assets	◎ million yen	17,947	18,275	18,064	19,997	19,169	19,779	—
Net assets per share	*3.4 yen	1,343.39	1,395.97	1,386.56	1,487.26	1,535.52	1,584.80	—
Basic earnings per share	*3.4 yen	69.06	62.19	82.57	141.19	92.36	86.58	<b>124.80</b>
Equity ratio	%	54.3	54.7	55.0	53.3	56.5	56.5	—
ROE	%	5.2	4.5	6.1	9.8	6.1	5.5	—
PER	times	21.2	26.1	19.6	12.2	17.4	17.4	—
Cash flow from operating activities	◎ million yen	1,970	1,512	—	949	2,013	1,442	—
Cash flow from investing activities	◎ million yen	(213)	(830)	—	(1,743)	(971)	(1,572)	—
Cash flow from financing activities	◎ million yen	(486)	(855)	—	271	(1,411)	(48)	—
Cash and cash equivalents at end of period	◎ million yen	2,305	2,132	—	1,800	1,430	1,253	—
Number of employees	persons	515	521	485	542	578	601	—
Average numbers of temporary employees, excluded from the number of employees	persons	174	146	120	118	121	132	—
Capital investment	◎ million yen	336	741	—	2,850	1,721	2,090	—
Depreciation	◎ million yen	999	962	—	933	1,102	1,182	—
R&D expenses	◎ million yen	427	527	—	603	664	629	—
Total number of issued shares at the end of the period (not including treasury shares)	*3.4,6 number of shares	7,247,776	7,165,892	7,165,892	7,165,236	7,051,552	7,051,412	<b>7,051,412</b>
Dividends per share	*3.5 yen	30	30	30	32.5	30	32	<b>40</b>
Payout ratio	%	43.4	48.2	36.3	23.0	32.5	37.0	<b>32.1</b>

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

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

\*2: "Net income" in the non-consolidated financial statements

\*3: Kanro conducted a share consolidation of common stock at a ratio of one share for five shares effective as of July 1, 2017 and a stock split of its common stock at a two-for-one ratio with the effective date of July 1, 2019. 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 consolidation and the stock split were conducted at the beginning of FY2016.

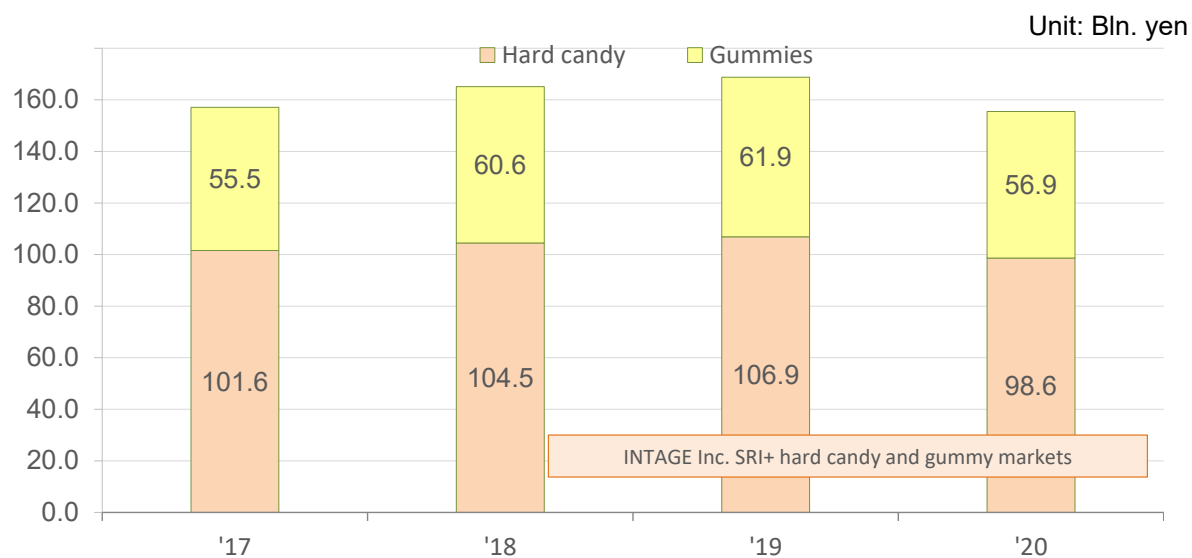
\*4: The Company's own shares remaining in the trust that were recorded as treasury shares in shareholders' equity from FY2017 onward are included in treasury shares that are deducted from the total number of issued shares at the end of the period when calculating net assets per share. In addition, these 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.

\*5: Dividends per share of FY2018 includes a special dividend of 2.5 yen per share.

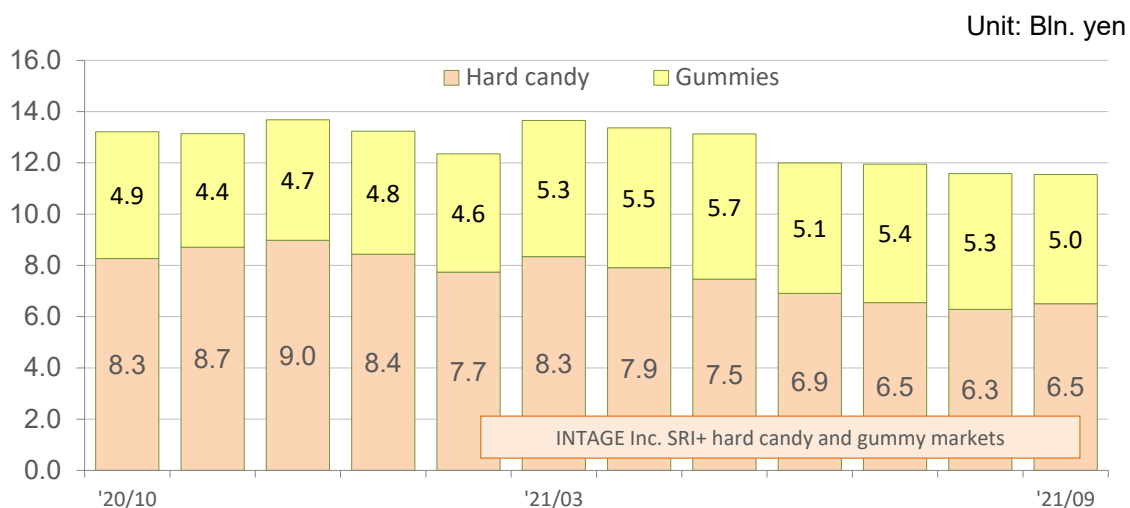
\*6: Total number of issued shares at the end of the period (not including treasury shares) is the number of shares at the end of the previous fiscal year.

(Supplementary Materials 4) 【Market Trends】

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



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



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

Unit: Bln. yen

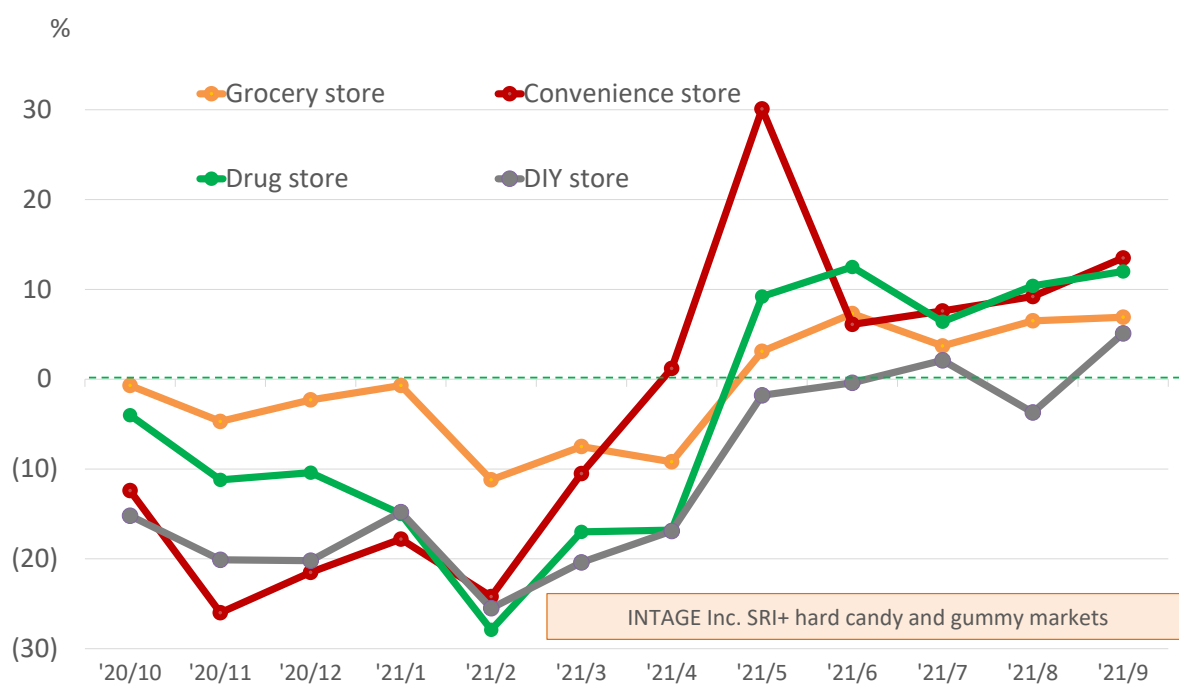
	Sales amount		YoY%
	Jan. to Sep. 2020	Jan. to Sep. 2021	
Hard candy	72.7	66.1	(9.0)%
Gummies	42.8	46.7	9.1%
Total	115.5	112.8	(2.3)%

\* INTAGE Inc. SRI+ hard candy and gummy markets Sales amount by type

(Supplementary Materials 5)

【Hard Candy+Gummy Markets Trends by Business Category】

【Business category】 Hard candy+Gummy markets YoY% (Monthly)\*



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

Unit: Bln. yen

	Sales amount		YoY%
	Jan. to Sep. 2020	Jan. to Sep. 2021	
Grocery store	51.1	50.7	(0.8)%
Convenience store	38.6	38.1	(1.4)%
Drug store	23.0	21.6	(6.1)%
DIY store	2.7	2.4	(10.0)%
Total	115.5	112.8	(2.3)%

\* INTAGE Inc. SRI+ hard candy and gummy markets  
Sales amount by business category

(Supplementary Materials 6) 【IR News Oct. 2020 to Sep. 2021】

Date	Content
Sep. 22, 2021	[Delayed] FY2021 Q2 Presentation material
Sep. 16, 2021	[Delayed] Supplementary Materials: Financial Results for the Six Months Ended June 30, 2021
Sep. 1, 2021	[Delayed] Non-consolidated Financial Results for the Six Months Ended June 30, 2021 [Japanese GAAP]
Aug. 31, 2021	Kanro wins "Gold" award in 6 categories of "International ARC Awards 2021," the world's largest annual report competition
Jun. 8, 2021	Annual Report 2020
Jun. 1, 2021	[Delayed] Supplementary Materials: Financial Results for the Three Months Ended March 31, 2021
May 28, 2021	[Delayed] Non-consolidated Financial Results for the Three Months Ended March 31, 2021 [Japanese GAAP]
Apr. 2, 2021	[Delayed] FY2020 Presentation material
Mar. 10, 2021	[Delayed] Supplementary Materials: Financial Results for the Fiscal Year Ended December 31, 2020
Mar. 10, 2021	[Delayed] Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2020 [Japanese GAAP]
Dec. 7, 2020	[Delayed] Supplementary Materials: Financial Results for the Nine Months Ended September 30, 2020
Dec. 7, 2020	[Delayed] Non-consolidated Financial Results for the Nine Months Ended September 30, 2020 [Japanese GAAP]
Nov. 27, 2020	KANRO CORPORATE REPORT 2020

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<https://www.kanro.co.jp/en/ir/news.html>



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

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