

Supplementary Materials:
Financial Results for the Three Months Ended
March 31, 2022



April 28, 2022

Kanro Inc.

(TSE: 2216)

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Review for FY2022 Q1 (Jan. to Mar. 2022)

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Summary of FY2022 Q1

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◆Market environment

- The candy market in Q1 (Jan.–Mar.) showed a recovery trend year on year (hard candy was up 6.0%, gummies were up 22.5%).*1

◆Status of company business

- Year-on-year increases in net sales and incomes (net sales were up 31.0%, operating income was up 609.7%, ordinary income was up 634.3%, and net income was up 338.6%).
- Candy category: Rebound from the decline in throat drops in the previous year. Year-on-year increase along with market recovery. Sales were up 14.3%.
- Gummy category (including Kanro's marshmallow products):
Strong performance of at-home consumption by households, with gummies fitting well with the enjoyment and offering a healthy feeling. Sales were up 66.4% to exceed market growth.
- Market share (Jan.–Mar. [figures in parentheses indicate results in previous year]): Hard candy (21.0% [20.7%]), gummies (15.6% [16.1%]).*2
- Concluded "Commitment Line Syndicated Loan Agreement" based on "ESG/SDGs assessment" (Feb. 10)
- Certified as "Health and Productivity Management Outstanding Organization 2022" (Ministry of Economy, Trade and Industry): recognized for health management initiatives that lead to maintenance and promotion of employees' health



*1 INTAGE Inc. SRI + Hard candy and gummies markets YoY change in sales amount by type from Jan. to Mar. 2022 total
*2 INTAGE Inc. SRI + Hard candy and gummies markets Kanro's share in sales amount by type from Jan. to Mar. 2022 total

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Summary of FY2022 Q1 performance

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Unit: million yen (New revenue recognition standard)

| | FY2022 Q1 | FY2021 Q1 | | |
|------------------|--------------|-----------|-------|--------|
| | Actual | Actual | YoY | YoY % |
| Net sales | 5,992 | 4,576 | 1,416 | 31.0% |
| Operating income | 700 | 98 | 602 | 609.7% |
| Ordinary income | 739 | 100 | 638 | 634.3% |
| Net income | 499 | 113 | 385 | 338.6% |

* The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and related guidance is applied from the fiscal year ending Dec. 31, 2022. Accordingly, certain items that were recorded as selling expenses, including agent fees, are deducted from net sales. (The same applies to the subsequent slides.)

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Revision to forecast

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Unit: million yen

| | FY2022 1H | | | FY2022 Full year | | | FY2021 | | |
|------------------|------------------|---------------|--------|------------------|---------------|-------|--------------|---------------|-----------------------------|
| | Initial forecast | (Revised) | YoY | Initial forecast | (Revised) | YoY | 1H | Full-year | Full-year YoY 2022 vs. 2021 |
| Net sales | 10,600 | 11,900 | 12.3% | 22,600 | 24,200 | 7.1% | 9,784 | 21,589 | 12.1% |
| Operating income | 280 | 900 | 221.4% | 1,140 | 1,530 | 34.2% | 440 | 1,254 | 21.9% |
| Ordinary income | 290 | 950 | 227.6% | 1,160 | 1,590 | 37.1% | 461 | 1,291 | 23.1% |
| Net income | 170 | 650 | 282.4% | 820 | 1,080 | 31.7% | 370 | 879 | 22.9% |

First half: Marginal profit to increase due to higher net sales.

Full year: Despite decline in operating income margin in the second half due to rise in raw material costs and increase in factory overhead costs attributable to factors including the Ukraine situation, impact of income increases in the first half to be larger and lead to income increases for the full year.

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Overview of selling, general and administrative expenses in FY2022 Q1

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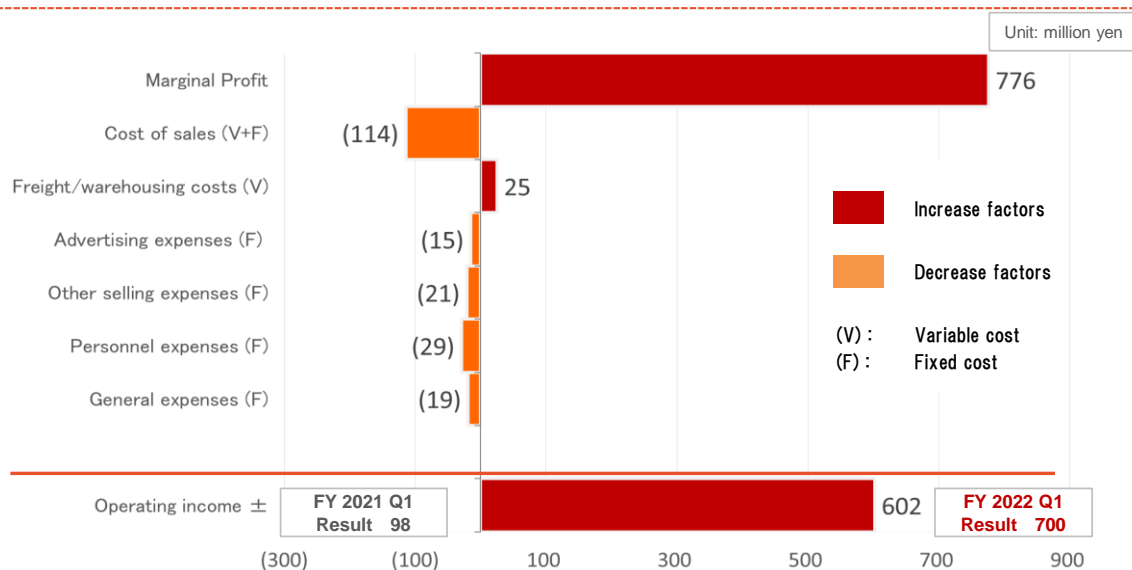
Unit : million yen

| | FY2022 Q1 | | | FY2021 Q1 Actual | FY2022 (Revised) | |
|---------------------------|-----------|-------|--------|---------------------|------------------|--------------------|
| | Actual | YoY | YoY% | | 1H forecast | Full-year forecast |
| Net sales | 5,992 | 1,416 | 31.0% | 4,576 | 11,900 | 24,200 |
| Cost of sales | 3,526 | 655 | 22.8% | 2,870 | — | 14,867 |
| Freight/warehousing costs | 391 | 73 | 23.0% | 318 | — | 1,543 |
| Advertising expenses | 87 | 15 | 21.4% | 71 | — | 249 |
| Other selling expenses | 55 | 21 | 63.6% | 33 | — | 592 |
| Personnel expenses | 828 | 29 | 3.6% | 799 | — | 3,468 |
| General expenses | 403 | 19 | 5.2% | 383 | — | 1,752 |
| Operating income | 700 | 602 | 609.7% | 98 | 900 | 1,530 |

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Factors of changes in OP (FY2021/Q1 Result Vs. FY2022/Q1 Result)

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Revision to dividend forecast

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Unit: Yen

| | Annual dividend | | | Dividend payout ratio |
|----------------------------------|-----------------|-----------|-----------|-----------------------|
| | 2nd quarter-end | Year-end | Total | |
| FY2021 | 15 | 25 | 40 | 32.0% |
| FY2022 (Initial forecast) | 20 | 20 | 40 | 34.4% |
| FY2022 (Revised forecast) | 25 | 25 | 50 | 32.7% |

- The return of profits to shareholders is an important policy; the Medium-term Corporate Strategy 2024 provides for enhancement of shareholder return, raising dividend payout ratio gradually to 40% by FY2024.
- With respect to dividend forecast for the fiscal year under review, interim and year-end dividends will both be increased by ¥5 per share in line with upward revision of earnings forecast as described above, to bring interim dividend to ¥25, year-end dividend to ¥25, and annual dividend to ¥50.

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Topics of January–March (April)

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- *Puré Gummy*: 20th anniversary celebration, including start of TV advertising campaign in April
 - Special website for *Puré Gummy* 20th anniversary: <https://kanro.jp/blogs/campaign/20tokimeki/>
 - Kanro official YouTube channel: <https://www.youtube.com/channel/UCAmDicnFH-LXlrNBTkOkeyA>
- Launch of three products against the backdrop of increasing health awareness (Mar. 7)
 - “Supports maintenance of the immune system in healthy individuals” Product that is registered as food with functional claims for immune system, *Kenko Nodoume iMUSE*, *Lactococcus Lactis Strain Plasma That Fights*
 - A handy way to improve digestive health, anytime!
 - *Oishii Oligotol Candy*, product approved as food for specific health use
 - Developed jointly with medical university!
 - *Kakishibu Care Candy* containing high-purity persimmon tannin



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(Supplementary Materials 1) 【Summary of Financial Results】

Quarterly

| | Unit: Million yen | | | | | | | | | | | |
|------------------|-------------------|-------|-------|-------|-----------|--------|----|----|----|-----------|-------------------------|--------|
| | FY2021 | | | | | FY2022 | | | | | FY2021 Q1 vs. FY2022 Q1 | |
| | Q1 | Q2 | Q3 | Q4 | Full year | Q1 | Q2 | Q3 | Q4 | Full year | YoY | YoY% |
| Net sales | 4,576 | 5,207 | 5,058 | 6,746 | 21,589 | 5,992 | | | | 24,200 | 1,416 | 31.0% |
| Operating income | 98 | 341 | 74 | 739 | 1,254 | 700 | | | | 1,530 | 602 | 609.7% |
| Ordinary income | 100 | 360 | 84 | 745 | 1,291 | 739 | | | | 1,590 | 638 | 634.3% |
| Net income | 113 | 256 | 67 | 441 | 879 | 499 | | | | 1,080 | 385 | 338.6% |

*Quarterly results are simple differences. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and related guidance is applied from the fiscal year ending 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 ending December 31, 2021 are after retroactive application of said accounting standard.

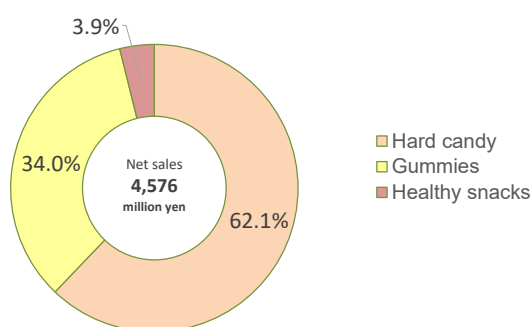
1H/2H

| | Unit: Million yen | | | | | | | |
|------------------|-------------------|--------|-----------|---------------|--------|-----------|-------------------|---------|
| | FY2021 | | | FY2022 (Plan) | | | FY2021 vs. FY2022 | |
| | 1H | 2H | Full year | 1H | 2H | Full year | 1H | 2H |
| Net sales | 9,784 | 11,805 | 21,589 | 11,900 | 12,300 | 24,200 | 21.6% | 4.2% |
| Operating income | 440 | 814 | 1,254 | 900 | 630 | 1,530 | 104.5% | (22.7)% |
| Ordinary income | 461 | 830 | 1,291 | 950 | 640 | 1,590 | 106.0% | (22.9)% |
| Net income | 370 | 508 | 879 | 650 | 430 | 1,080 | 75.5% | (15.5)% |

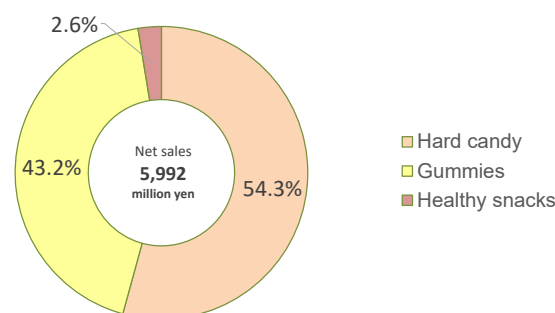
*Results and plan for 2nd half are simple differences. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and related guidance is applied from the fiscal year ending Dec. 31, 2022. Accordingly, certain items that were recorded as selling expenses, including agent fees, are deducted from net sales. The figures from the fiscal year ending December 31, 2021 are after retroactive application of said accounting standard.

Composition of net sales

FY2021 Q1



FY2022 Q1



Unit: Mil. yen

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

| | FY2021 Q1 | FY2022 Q1 | YoY% |
|----------------|-----------|-----------|---------|
| Hard candy | 2,843 | 3,251 | 14.3% |
| Gummies* | 1,555 | 2,587 | 66.4% |
| Healthy snacks | 177 | 153 | (13.3)% |
| Total | 4,576 | 5,992 | 31.0% |

* The data is included marshmallow products.

*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/Three Months Ended March 31】

【Unit: Million yen】

| | FY2021 Q1 | | FY2022 Q1 | | FY2021 Q1 vs. FY2022 Q1 | |
|--|--------------|--------------|--------------|--------------|-------------------------|---------------|
| | Amount | % | Amount | % | YoY | YoY% |
| Net sales | 4,576 | 100.0% | 5,992 | 100.0% | 1,416 | 31.0% |
| Cost of sales | 2,870 | 62.7% | 3,526 | 58.8% | 655 | 22.8% |
| Gross profit | 1,705 | 37.3% | 2,466 | 41.2% | 761 | 44.6% |
| Freight/warehousing costs | 318 | 7.0% | 391 | 6.5% | 73 | 23.0% |
| Advertising expenses | 71 | 1.6% | 87 | 1.5% | 15 | 21.4% |
| Other selling expenses | 33 | 0.7% | 55 | 0.9% | 21 | 63.6% |
| Selling expenses | 423 | 9.3% | 534 | 8.9% | 110 | 26.0% |
| Personnel expenses | 799 | 17.5% | 828 | 13.8% | 29 | 3.6% |
| General expenses | 383 | 8.4% | 403 | 6.7% | 19 | 5.2% |
| General and administrative expenses | 1,182 | 25.8% | 1,231 | 20.6% | 48 | 4.1% |
| Selling, general and administrative expenses | 1,606 | 35.1% | 1,765 | 29.5% | 159 | 9.9% |
| Operating income | 98 | 2.2% | 700 | 11.7% | 602 | 609.7% |
| Non-operating income | 4 | 0.1% | 40 | 0.7% | 35 | 791.5% |
| Non-operating expenses | 2 | 0.1% | 1 | 0.0% | (0) | (32.3)% |
| Non-operating income and expenses | 1 | 0.0% | 38 | 0.6% | 36 | 1880.1% |
| Ordinary income | 100 | 2.2% | 739 | 12.3% | 638 | 634.3% |
| Gain on sales of investment securities | 83 | 1.8% | - | - | (83) | - |
| Extraordinary income | 83 | 1.8% | - | - | (83) | - |
| Loss on retirement of non-current assets | 2 | 0.1% | 0 | 0.0% | (2) | (95.1)% |
| Impairment loss | 17 | 0.4% | 11 | 0.2% | (5) | (33.5)% |
| Extraordinary losses | 19 | 0.4% | 11 | 0.2% | (8) | (42.2)% |
| Extraordinary income and losses | 63 | 1.4% | (11) | - | (74) | - |
| Income before income taxes | 164 | 3.6% | 728 | 12.2% | 563 | 343.3% |
| Total income taxes | 50 | 1.1% | 228 | 3.8% | 178 | 354.0% |
| Net income | 113 | 2.5% | 499 | 8.3% | 385 | 338.6% |

*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 FY2018—FY2022/Plan】

(FY2022 figures planned; all others actual)

| Fiscal Year | Unit | Non-consolidated | | | | Plan |
|--|-------------------------|------------------|-----------|-----------|-----------|------------------|
| | | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
| Net sales | *1◎ million yen | 19,293 | 20,146 | 19,646 | 21,589 | 24,200 |
| Net sales YoY | % | — | 4.4 | (2.5) | 9.9 | 12.1 |
| Gross profit | ◎ million yen | 7,279 | 7,467 | 7,189 | 8,353 | — |
| Gross profit to net sales | % | 37.7 | 37.1 | 36.6 | 38.7 | — |
| Operating income | ◎ million yen | 1,001 | 923 | 834 | 1,254 | 1,530 |
| Ordinary income | ◎ million yen | 1,042 | 1,007 | 858 | 1,291 | 1,590 |
| Ordinary income YoY | % | — | (3.4) | (14.8) | 50.4 | 23.1 |
| Net income | ◎ million yen | 1,009 | 651 | 608 | 879 | 1,080 |
| Net income YoY | % | — | (35.4) | (6.6) | 44.3 | 22.9 |
| Net assets | ◎ million yen | 10,635 | 10,806 | 11,151 | 11,750 | — |
| Total assets | ◎ million yen | 20,033 | 19,207 | 19,818 | 21,200 | — |
| Net assets per share | *2,3 yen | 1,484.27 | 1,532.46 | 1,581.52 | 1,666.46 | — |
| Basic earnings per share | *2,3 yen | 140.91 | 92.34 | 86.36 | 124.66 | 152.98 |
| Equity ratio | % | 53.1 | 56.3 | 56.3 | 55.4 | — |
| ROE | % | 9.8 | 6.1 | 5.5 | 7.7 | — |
| PER | times | 12.2 | 17.4 | 17.4 | 12.7 | — |
| Cash flow from operating activities | ◎ million yen | 949 | 2,013 | 1,442 | 2,620 | — |
| Cash flow from investing activities | ◎ million yen | (1,743) | (971) | (1,572) | (1,002) | — |
| Cash flow from financing activities | ◎ million yen | 271 | (1,411) | (48) | (770) | — |
| Cash and cash equivalents at end of period | ◎ million yen | 1,800 | 1,430 | 1,253 | 2,099 | — |
| Number of employees | persons | 542 | 578 | 601 | 608 | — |
| Average numbers of temporary employees, excluded from the number of employees | persons | 118 | 121 | 132 | 137 | — |
| Capital investment | ◎ million yen | 2,850 | 1,721 | 2,090 | 914 | — |
| Depreciation | ◎ million yen | 933 | 1,102 | 1,182 | 1,115 | — |
| R&D expenses | ◎ million yen | 603 | 664 | 629 | 710 | — |
| Total number of issued shares at the end of the period (not including treasury shares) | *2,3,5 number of shares | 7,165,236 | 7,051,552 | 7,051,412 | 7,051,168 | 7,051,168 |
| Dividends per share | *2,4 yen | 32.5 | 30 | 32 | 40 | 50 |
| Payout ratio | % | 23.0 | 32.5 | 37.0 | 32.0 | 32.7 |

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

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and related guidance is applied from the fiscal year ending 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 ending December 31, 2018 are after retroactive application of said accounting standard.

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

*2: Kanro conducted a share consolidation of common stock at a ratio of two share for one share effective as 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 split was carried out at the fiscal year ended December 31, 2018.

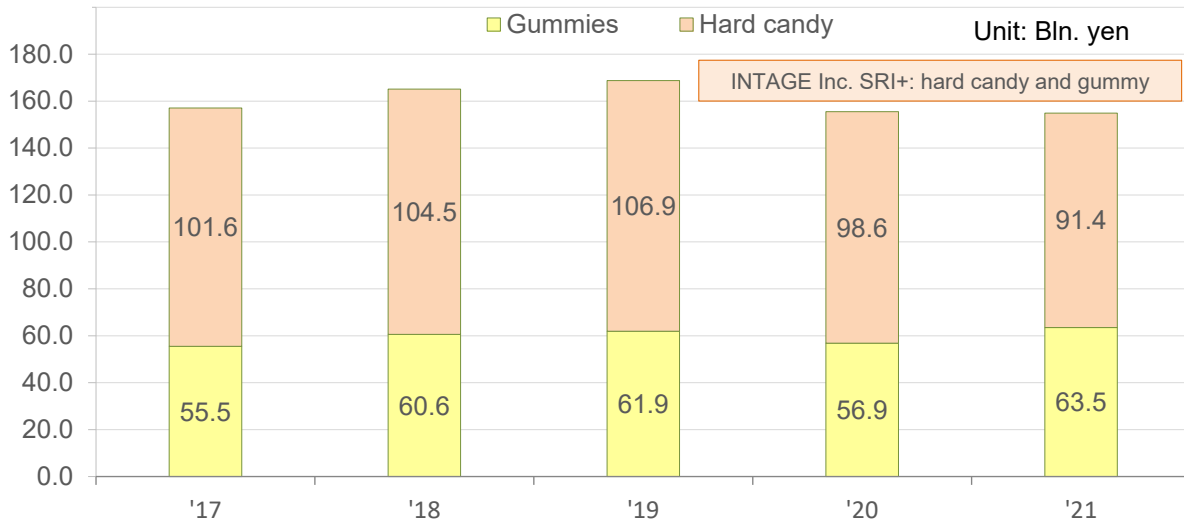
*3: The Company's own shares remaining in the trust that were recorded as treasury shares in shareholders' equity onward are included in treasury shares that are deducted from the total number of issued shares at the end of the period when calculating net assets per share. In addition, these shares are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

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

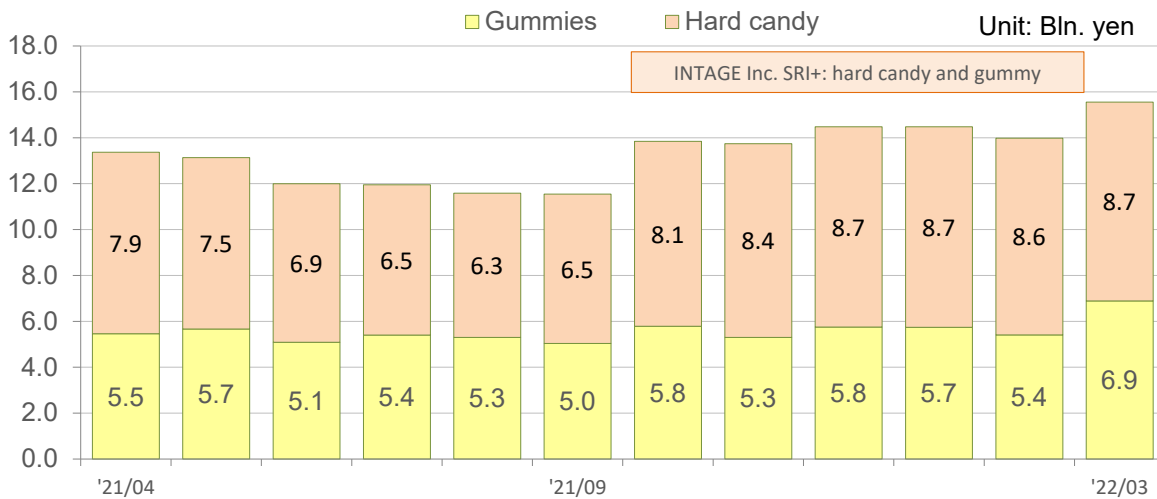
*5: Total number of issued shares at the end of the period (not including treasury shares) is the number of shares at the end of the previous fiscal year.

(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 March. (YoY%)】

Unit: Bln. yen

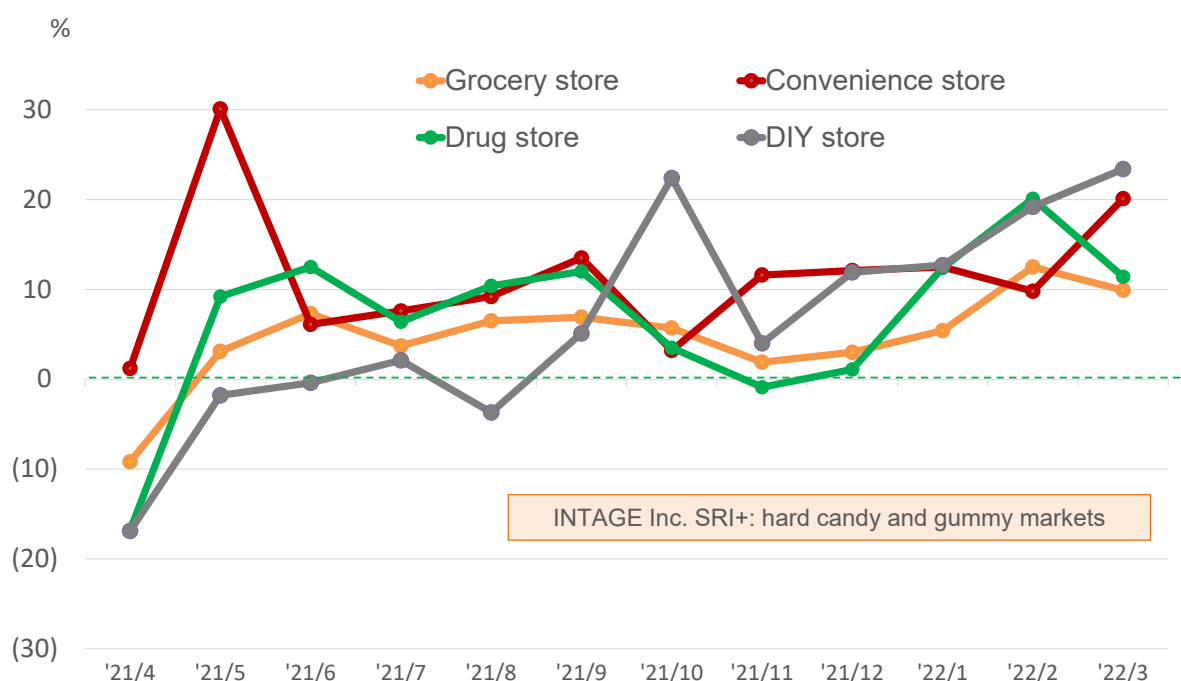
| | Sales amount | | YoY% |
|------------|-------------------|-------------------|-------|
| | Jan. to Mar. 2021 | Jan. to Mar. 2022 | |
| Hard candy | 24.5 | 26.0 | 6.0% |
| Gummies | 14.7 | 18.0 | 22.5% |
| Total | 39.2 | 44.0 | 12.2% |

* 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)*



INTAGE Inc. SRI+: hard candy and gummy markets

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

Unit: Bln. yen

| | Sales amount | | YoY% |
|-------------------|-------------------|-------------------|-------|
| | Jan. to Mar. 2021 | Jan. to Mar. 2022 | |
| Grocery store | 17.3 | 18.9 | 9.2% |
| Convenience store | 13.5 | 15.4 | 14.3% |
| Drug store | 7.6 | 8.7 | 14.5% |
| DIY store | 0.8 | 1.0 | 18.4% |
| Total | 39.2 | 44.0 | 12.2% |

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

(Supplementary Materials 6) 【Reference Information】

■ IR Information

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

■ IR News

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

■ Medium-term Corporate Strategy 2024

https://ssl4.eir-parts.net/doc/2216/ir_material3/181759/00.pdf

■ Annual Report

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



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.

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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.

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