

Supplementary Materials:
Financial Results for the Six Months Ended
June 30, 2022



July 29, 2022

Kanro Inc.

(TSE: 2216)

Index

	Page
Review for FY2022 1H	- 1
(Supplementary Materials 1) 【Summary of Financial Results】	- 2
(Supplementary Materials 2) 【Non-consolidated Statements of Income/Six Months Ended June 30】	- 3
(Supplementary Materials 3) 【Financial Indicators FY2018—FY2022/Plan】	- 4
(Supplementary Materials 4) 【Market Trends】	- 5
(Supplementary Materials 5) 【Hard Candy+ Gummy Markets Trends by Business Category】	- 6
(Supplementary Materials 6) 【Reference Information】	- 7

“1H” refers to the period from January to June 2022 and “2H” refers to the period from July to December 2022 in the materials.

Summary of FY2022 first-half performance (vs. revised forecast / YoY)

Sweeten the Future
Kanro

Unit: million yen

	FY2022 1H					FY2022 1H	FY2021 1H
	Actual	vs. revised forecast	vs. revised forecast	YoY	YoY %	Revised forecast ¹	Actual ²
Net sales	12,064	164	1.4%	2,280	23.3%	11,900	9,784
Operating income	1,027^{*3}	127	14.2%	587	133.6%	900	440
Ordinary income	1,075^{*3}	125	13.2%	614	133.3%	950	461
Net income	730^{*3}	80	12.4%	360	97.3%	650	370

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

¹ Released on April 28, 2022

² The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the fiscal year ending December 31, 2022. Figures as of June 30, 2021 are the amounts after retrospectively applying said standard, etc.

³ **Record-high first-half incomes**

Copyright ©2022 Kanro Inc.

Main factors behind changes in FY2022 first-half performance (vs. revised forecast /YoY)

Sweeten the Future
Kanro

■ Vs. revised forecast (increase in net sales, increase in incomes)

- Net sales: Gummies outperformed revised forecast with growth of products such as *Puré Gummy*, for which the 20th anniversary TV advertisement was aired
- Operating income/ordinary income/net income: Incomes increased due to reduction in selling, general and administrative expenses and the shift of some costs to the second half, in addition to an increase in marginal profit attributable to higher net sales

■ Year on year (increase in net sales, increase in incomes)

- Net sales:
 - ✓ Gummies: Mainstay brands *Puré Gummy* and *Candemina Gummy* and new product *Marosh*, among others, contributed to achieving a substantial increase in net sales
 - ✓ Hard candy: Net sales increased, driven by *Kinno Milk* candy with release of a new flavor as well as launch of a new product in the fancy category, along with recovery in small bags with zip-type products that had been struggling
- Operating income/ordinary income: Increase in marginal profit due to higher net sales > increase in selling, general and administrative expenses (increase in advertising costs associated with TV advertisement, increase in personnel costs due in part to increase in headcount)
- Net income: Net income increase was smaller due to absence of gain on sales of investment securities that was posted in the previous year

Copyright ©2022 Kanro Inc.

(Supplementary Materials 1) 【Summary of Financial Results】

Quarterly

	Unit: Million yen											
	FY2021					FY2022					FY2021 1H vs. FY2022 1H	
	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	6,071			24,200	2,280	23.3%
Operating income	98	341	74	739	1,254	700	327			1,530	587	133.6%
Ordinary income	100	360	84	745	1,291	739	336			1,590	614	133.3%
Net income	113	256	67	441	879	499	230			1,080	360	97.3%

*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.

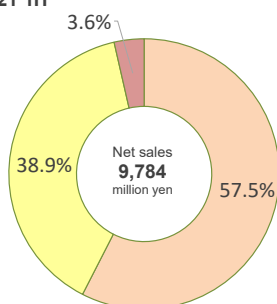
1H/2H

	Unit: Million yen									
	FY2021			FY2022			FY2021 vs. FY2022			
	1H	2H	Full year	1H (Actual)	2H (Plan)	Full year	1H	2H		
Net sales	9,784	11,805	21,589	12,064	12,135	24,200	23.3%	2.8%		
Operating income	440	814	1,254	1,027	502	1,530	133.6%	(38.4)%		
Ordinary income	461	830	1,291	1,075	514	1,590	133.3%	(38.1)%		
Net income	370	508	879	730	349	1,080	97.3%	(31.3)%		

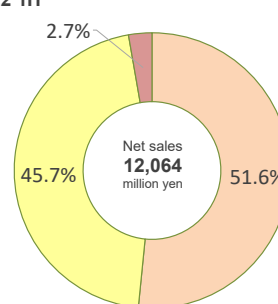
*Results and plan for 2nd half are simple differences. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and related guidance is applied from the fiscal year ending Dec. 31, 2022. Accordingly, certain items that were recorded as selling expenses, including agent 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 from Jan. to Jun.

FY2021 1H



FY2022 1H



Net sales amount by type from Jan. to Jun. (YoY%)

Unit: Mil. yen

	FY2021 1H	FY2022 1H	YoY%
Hard candy	5,628	6,223	10.6%
Gummies	3,806	5,511	44.8%
Healthy snacks	349	329	(5.5)%
Total	9,784	12,064	23.3%

* 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/Six Months Ended June 30】

【Unit: Million yen】

	FY2021 1H		FY2022 1H		FY2021 1H vs. FY2022 2H	
	Amount	%	Amount	%	YoY	YoY%
Net sales	9,784	100.0%	12,064	100.0%	2,280	23.3%
Cost of sales	6,042	61.8%	7,291	60.4%	1,248	20.7%
Gross profit	3,741	38.2%	4,773	39.6%	1,031	27.6%
Freight/warehousing costs	686	7.0%	812	6.7%	125	18.3%
Advertising expenses	157	1.6%	277	2.3%	119	75.6%
Other selling expenses	96	1.0%	114	1.0%	18	18.9%
Selling expenses	940	9.6%	1,203	10.0%	263	28.0%
Personnel expenses	1,605	16.4%	1,730	14.3%	125	7.8%
General expenses	755	7.7%	810	6.7%	54	7.3%
General and administrative expenses	2,360	24.1%	2,541	21.1%	180	7.6%
Selling, general and administrative expenses	3,301	33.7%	3,745	31.0%	443	13.4%
Operating income	440	4.5%	1,027	8.5%	587	133.6%
Non-operating income	26	0.3%	51	0.4%	25	96.8%
Non-operating expenses	5	0.1%	3	0.0%	(1)	(27.5)%
Non-operating income and expenses	21	0.2%	47	0.4%	26	126.8%
Ordinary income	461	4.7%	1,075	8.9%	614	133.3%
Gain on sales of investment securities	88	0.9%	3	0.0%	(85)	(95.9)%
Extraordinary income	88	0.9%	3	0.0%	(85)	(95.9)%
Loss on retirement of non-current assets	3	0.0%	0	0.0%	(2)	(92.2)%
Impairment loss	18	0.2%	14	0.1%	(4)	(23.5)%
Extraordinary losses	21	0.2%	14	0.1%	(7)	(33.5)%
Extraordinary income and losses	66	0.7%	(10)	-	(77)	-
Income before income taxes	528	5.4%	1,064	8.8%	536	101.6%
Total income taxes	157	1.6%	334	2.8%	176	111.8%
Net income	370	3.8%	730	6.1%	360	97.3%

*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	742.13	766.23	790.76	833.23	—
Basic earnings per share	*2,3 yen	70.46	46.17	43.18	62.33	76.49
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	14,330,472	14,103,104	14,102,824	14,102,336	14,102,336
Dividends per share	*2,4 yen	16.25	15.00	16.00	20.00	25.00
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 and 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 carried out at the fiscal year ended December 31, 2018.

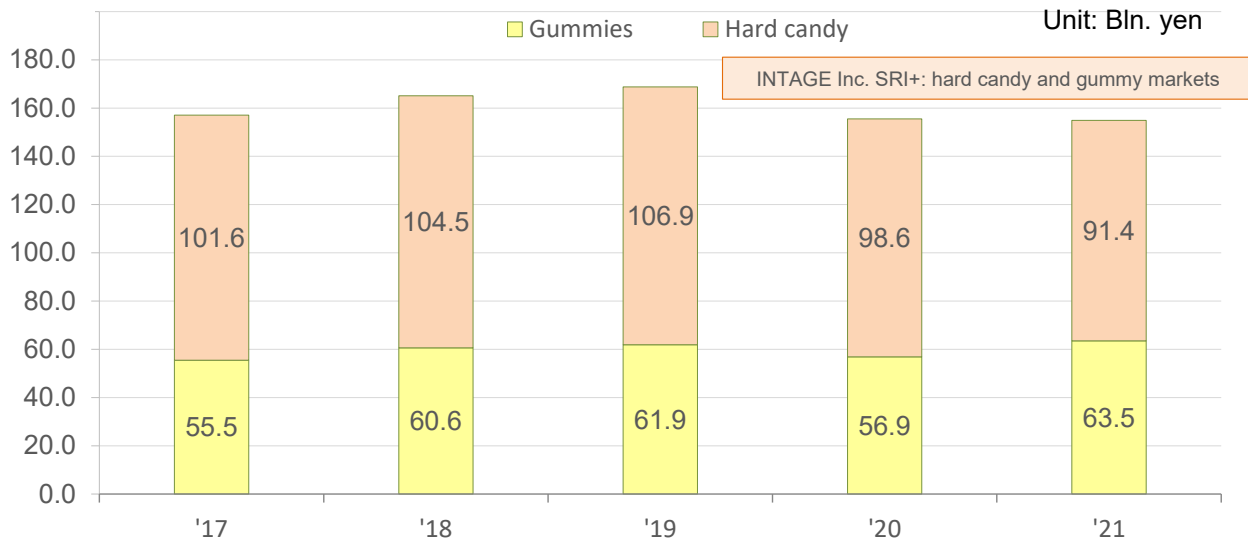
*3: The Company's own shares remaining in the trust that were recorded as treasury shares in shareholders' equity onward are included in treasury shares that are deducted from the total number of issued shares at the end of the period when calculating net assets per share. In addition, these shares are 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 1.25 yen per share.

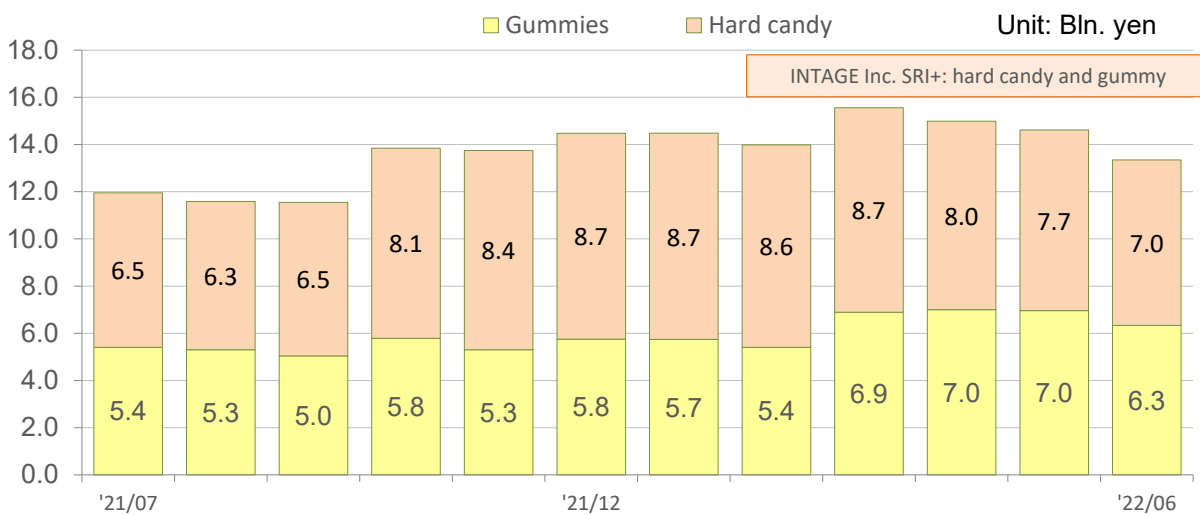
*5: Total number of issued shares at the end of the period (not including treasury shares) is the number of shares at the end of the previous fiscal year.

(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 Jun. (YoY%)

Unit: Bln. yen

	Sales amount		YoY%
	FY2021 1H	FY2022 1H	
Hard candy	46.8	48.6	3.9%
Gummies	30.9	38.3	23.9%
Total	77.7	87.0	11.9%

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

(Supplementary Materials 5)

【Hard Candy+Gummy Markets Trends by Business Category】



Sales amount from Jan. to Jun. (YoY%)

Unit: Bln. yen

	Sales amount		YoY%
	FY2021 1H	FY2022 1H	
Grocery store	34.6	37.5	8.1%
Convenience store	26.3	30.5	16.1%
Drugstore	15.1	16.9	11.9%
DIY store	1.7	2.1	22.5%
Total	77.7	87.0	11.9%

* 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.

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:

