

Supplementary Materials:
Financial Results for the Three Months Ended
March 31, 2023



April 28, 2023

Kanro Inc.

(TSE: 2216)

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

Review of FY 2023 Q1 (Jan. to Mar. 2023)

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Summary of FY2023 Q1

◆Market environment

- Candy market: recorded YoY growth, driven by gummies (of which, hard candy was up 8.9%, gummies were up 23.3% *1).

◆Status of company business

- YoY increases in net sales and profits (net sales were up 25.4%, operating profit was up 69.7%, ordinary profit was up 61.2%, and profit was up 68.7%).
 - Hard candy: Growth in throat drops, increased product lineup for Generation Z. Rebound of zip-type small bags and stick-type products, reflecting recovery in movement of people. Net sales up 21.5% YoY.
 - Gummies: Robust performance of mainstay brands + price revisions (March onward). Net sales up 32.1% YoY.
- Jan.: New management team launched under Tetsuya Murata, President and CEO
- Mar.: Revised prices (raising manufacturer's suggested retail prices by around 3 to 13%) and changed package contents size of certain products, notably gummies
- Mar.: Certified as "Health and Productivity Management Outstanding Organization 2023" for the second year in a row, published the TCFD Report (joined the TCFD Consortium)
- Market share [Jan.–Mar. (2022 share in parentheses)]: Hard candy [22.4% (21.0%)], gummies [16.9% (15.6%)] *2

*1 INTAGE Inc. SRI + Hard candy and gummies markets YoY change in sales amount by type from Jan. to Mar. 2023 total

*2 INTAGE Inc. SRI + Hard candy and gummies markets Kanro's share in sales amount by type from Jan. to Mar. 2023 total

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Summary of FY2023 Q1 performance (YoY)

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Unit : JPY mn

	FY2023 Q1			FY2022 Q1
	Actual	YoY	YoY %	Actual
Net sales	7,515	+1,522	25.4%	5,992
Operating profit	1,189	+488	69.7%	700
Ordinary profit	1,192	+452	61.2%	739
Profit	842	+343	68.7%	499

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Factors behind change in FY2023 Q1 Operating profit

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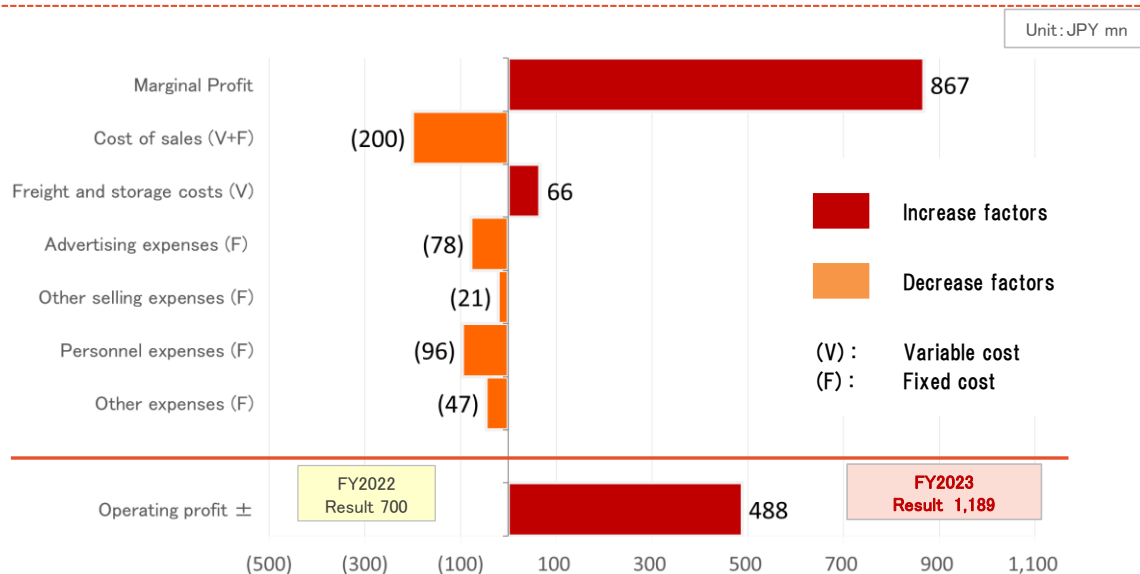
Unit : JPY mn

	FY 2023 Q1				FY 2022 Q1	
	Actual	%	YoY	YoY %	Actual	%
Net sales	7,515	100.0%	+1,522	25.4%	5,992	100.0%
Cost of sales	4,281	57.0%	+755	21.4%	3,526	58.8%
Freight and storage costs	424	5.7%	+33	8.5%	391	6.5%
Advertising expenses	165	2.2%	+78	89.9%	87	1.5%
Other selling expenses	77	1.0%	+21	39.3%	55	0.9%
Personnel expenses	925	12.3%	+96	11.7%	828	13.8%
Other expenses	451	6.0%	+47	11.9%	403	6.7%
Operating profit	1,189	15.8%	+488	69.7%	700	11.7%

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Factors of changes in OP (FY2022 Q1 Result Vs. FY2023 Q1 Result)

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Revision to forecast

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Unit: JPY mn

	FY2023 1H			FY2023 Full year			FY2022 1H		
	Initial forecast	(Revised)	YoY	Initial forecast	(Revised)	YoY	1H	Full year	Full year YoY 2023 vs. 2022
Net sales	13,300	14,400	1,100	26,900	27,700	800	12,064	25,118	2,582
Operating profit	810	1,600	790	1,980	2,450	470	1,027	1,933	517
Ordinary profit	820	1,610	790	2,000	2,470	470	1,075	2,001	469
Profit	540	1,100	560	1,370	1,680	310	730	1,346	334

- First half: Marginal profit to increase due to higher net sales, gross profit margin to improve due to productivity improvement and other factors.
- Full year: In addition to net sales decrease in the second half from the initial plan to ensure stable supply, operating profit in the second half likely to decrease due to continued rise in raw material costs. However, the impact of profit increase in the first half to outweigh these decreases.

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On dividends

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Unit: JPY

Dividends per share	FY2023				FY2022
	Initial forecast on Feb. 7	Revised forecast	Change	YoY	
Interim dividend	18.0	20.0	2.0	7.5	* 12.5
Year-end dividend	18.0	22.0	4.0	3.0	19.0
Annual dividend	36.0	42.0	6.0	10.5	31.5
Dividend payout ratio	36.4%	34.7%	—	—	32.8%

* Converted to post-split basis following the share split conducted on July 1, 2022

<Policy on shareholder returns>

Profit distribution to shareholders is one of the crucial management tasks. Medium-term Corporate Strategy 2024 sets forth the policy of enhancing shareholder returns with a target of raising dividend payout ratio gradually up to 40% by the end of FY2024.

With respect to dividend forecast for the fiscal year under review, interim and year-end dividends will be increased by ¥2 and ¥4 per share, respectively in line with the upward revision to earnings forecast as described above, to bring interim dividend to ¥20, year-end dividend to ¥22, and annual dividend forecast to ¥42.

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(Supplementary Materials 1) 【Summary of Financial Results】

Quarterly

	Unit: Million yen											
	FY2022					FY2023					FY2022 Q1 vs. FY2023 Q1	
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year (Forecast)	YoY	YoY%
Net sales	5,992	6,071	5,862	7,190	25,118	7,515				27,700	1,522	25.4%
Cost of sales	3,526	3,765	3,716	4,435	15,444	4,281				-	755	21.4%
Cost of sales margin (%)	58.8	62.0	63.4	61.7	61.5	57.0				-	-	(1.9)pt
Gross profit	2,466	2,306	2,146	2,754	9,674	3,233				-	766	31.1%
Operating profit	700	327	267	638	1,933	1,189				2,450	488	69.7%
Operating profit margin (%)	11.7	5.4	4.6	8.9	7.7	15.8				8.8	-	4.1pt
Ordinary profit	739	336	279	645	2,001	1,192				2,470	452	61.2%
Profit	499	230	206	409	1,346	842				1,680	343	68.7%

*Quarterly results are simple differences.

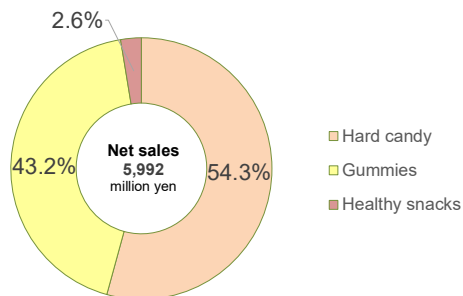
1H/2H

Fiscal period	Unit: Million yen								
	FY2022 (Actual)			FY2023 (Forecast)			FY2022 vs. FY2023		
	1H	2H	Full year	1H	2H	Full year	1H (YoY%)	2H (YoY%)	
Net sales	12,064	13,053	25,118	14,400	13,300	27,700	19.4%	1.9%	
Operating profit	1,027	905	1,933	1,600	850	2,450	55.6%	(6.1)%	
Operating profit margin (%)	8.5	6.9	7.7	11.1	6.4	8.8	-	-	
Ordinary profit	1,075	925	2,001	1,610	860	2,470	49.7%	(7.1)%	
Profit	730	615	1,346	1,100	580	1,680	50.6%	(5.8)%	

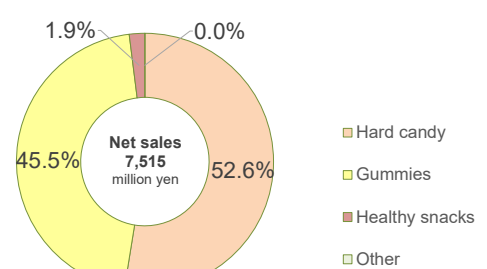
*Results and plan for 2nd half are simple differences.

Composition of Net sales

FY2022 Q1



FY2023 Q1



	Unit: Mil. yen		
	FY2022 Q1	FY2023 Q1	YoY%
Hard candy	3,251	3,950	21.5%
Gummies *1	2,587	3,417	32.1%
Healthy snacks	153	145	(5.3)%
Other *2	-	1	-
Total	5,992	7,515	25.4%

*1 The data is included marshmallow products.

*2 "Other" refers to miscellaneous products other than foods.

*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】

Unit: Million yen

	FY2022 Q1		FY2023 Q1		FY2022 Q1 vs. FY2023 Q1	
	Amount	%	Amount	%	YoY	YoY%
Net sales	5,992	100.0%	7,515	100.0%	1,522	25.4%
Cost of sales	3,526	58.8%	4,281	57.0%	755	21.4%
Gross profit	2,466	41.2%	3,233	43.0%	766	31.1%
Freight and storage costs	391	6.5%	424	5.7%	33	8.5%
Advertising expenses	87	1.5%	165	2.2%	78	89.9%
Other selling expenses	55	0.9%	77	1.0%	21	39.3%
Total selling expenses	534	8.9%	667	8.9%	133	25.0%
Personnel expenses	828	13.8%	925	12.3%	96	11.7%
Other expenses	403	6.7%	451	6.0%	47	11.9%
General and administrative expenses	1,231	20.6%	1,376	18.3%	144	11.7%
Selling, general and administrative expenses	1,765	29.5%	2,043	27.2%	277	15.7%
Operating profit	700	11.7%	1,189	15.8%	488	69.7%
Non-operating income	40	0.7%	5	0.1%	(35)	(87.2)%
Non-operating expenses	1	0.0%	2	0.0%	0	19.4%
Non-operating income and expenses	38	0.6%	3	0.0%	(35)	(92.0)%
Ordinary profit	739	12.3%	1,192	15.9%	452	61.2%
Loss on retirement of non-current assets	0	0.0%	2	0.0%	2	1762.5%
Impairment losses	11	0.2%	1	0.0%	(9)	(86.3)%
Extraordinary losses	11	0.2%	4	0.1%	(7)	(64.4)%
Extraordinary income and losses	(11)	-	(4)	-	7	-
Profit before income taxes	728	12.2%	1,188	15.8%	460	63.2%
Total income taxes	228	3.8%	345	4.6%	116	51.1%
Profit	499	8.3%	842	11.2%	343	68.7%

*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 FY2019 – FY2023/Forecast]

(FY2023 figures forecast; all others actual)

Fiscal Year	Unit	FY2019	FY2020	FY2021	FY2022	Forecast
						FY2023
Net sales	◎ million yen	20,146	19,646	21,589	25,118	27,700
Net sales YoY	%	4.4	(2.5)	9.9	16.3	10.3
Gross profit	◎ million yen	7,467	7,189	8,353	9,674	–
Gross profit margin	%	37.1	36.6	38.7	38.5	–
Operating profit	◎ million yen	923	834	1,254	1,933	2,450
Operating profit margin	%	4.6	4.2	5.8	7.7	8.8
Ordinary profit	◎ million yen	1,007	858	1,291	2,001	2,470
Profit	◎ million yen	651	608	879	1,346	1,680
Profit YoY	%	(35.4)	(6.6)	44.3	53.2	24.8
Net assets	◎ million yen	10,806	11,151	11,750	12,555	–
Total assets	◎ million yen	19,207	19,818	21,200	22,315	–
Net assets per share	* 1, 2 yen	766.23	790.76	833.23	905.23	–
Basic earnings per share	* 1, 2 yen	46.17	43.18	62.33	96.08	121.13
Equity ratio	%	56.3	56.3	55.4	56.3	–
ROE	%	6.1	5.5	7.7	11.1	–
PER	times	17.4	17.4	12.7	11.5	–
Cash flows from operating activities	◎ million yen	2,013	1,442	2,620	2,373	–
Cash flows from investing activities	◎ million yen	(971)	(1,572)	(1,002)	(1,116)	–
Cash flows from financing activities	◎ million yen	(1,411)	(48)	(770)	(1,106)	–
Cash and cash equivalents at end of period	◎ million yen	1,430	1,253	2,099	2,250	–
Number of employees	persons	578	601	608	608	–
Average number of temporary employees excluded from the number of employees	persons	(121)	(132)	(137)	(142)	–
Capital investment	◎ million yen	1,721	2,090	914	1,052	–
Depreciation	◎ million yen	1,102	1,182	1,115	1,149	–
Research and development expenses	◎ million yen	664	629	710	755	–
Total number of issued shares at the end of the period (not including treasury shares)	* 1, 2, 4 number of shares	14,103,104	14,102,824	14,102,336	13,869,428	13,869,428
Dividends per share	* 1, 3 yen	15.00	16.00	20.00	31.50	42.00
Payout ratio	%	32.5	37.0	32.0	32.8	34.7

◎ : 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 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, 2019, 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 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 conducted at the beginning of the fiscal year ended December 31, 2019.

* 2 : The Company's own shares remaining in the trust that were recorded as treasury shares in shareholders' equity onward are included in treasury shares 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 deducted when calculating the average number of shares during the period for the calculation of basic earnings per share.

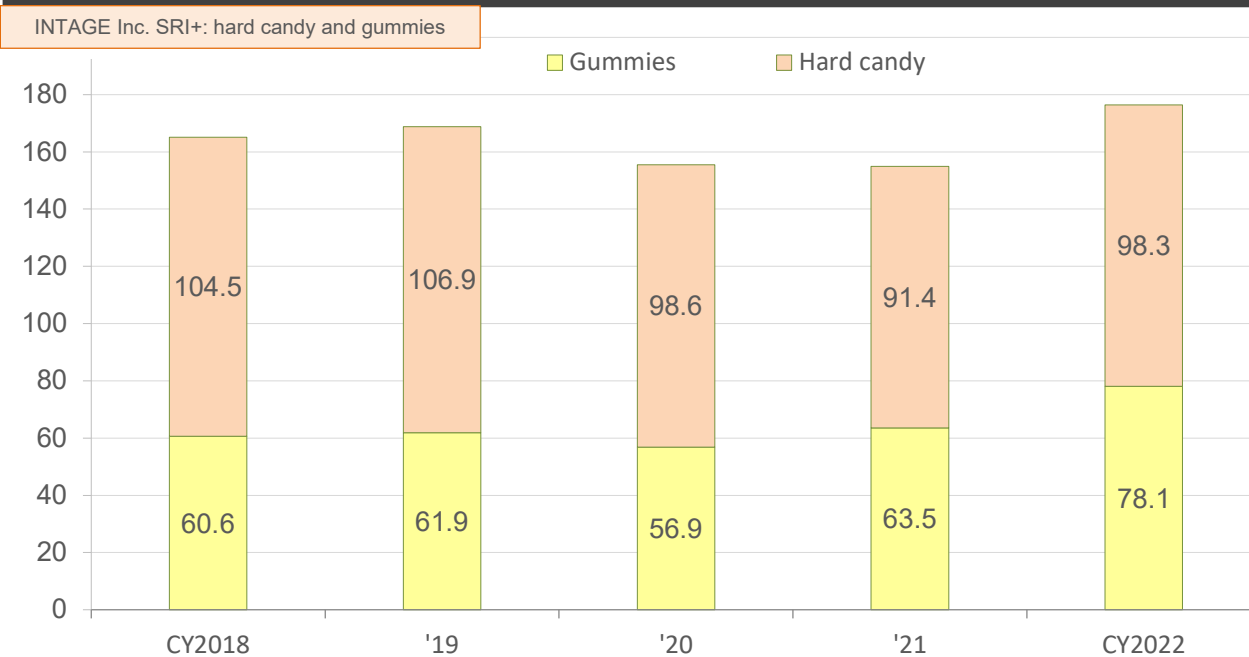
* 3 : Dividends per share for FY2022 includes a commemorative dividend of 5 yen (commemorative dividend for 110th anniversary).

* 4 : 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】

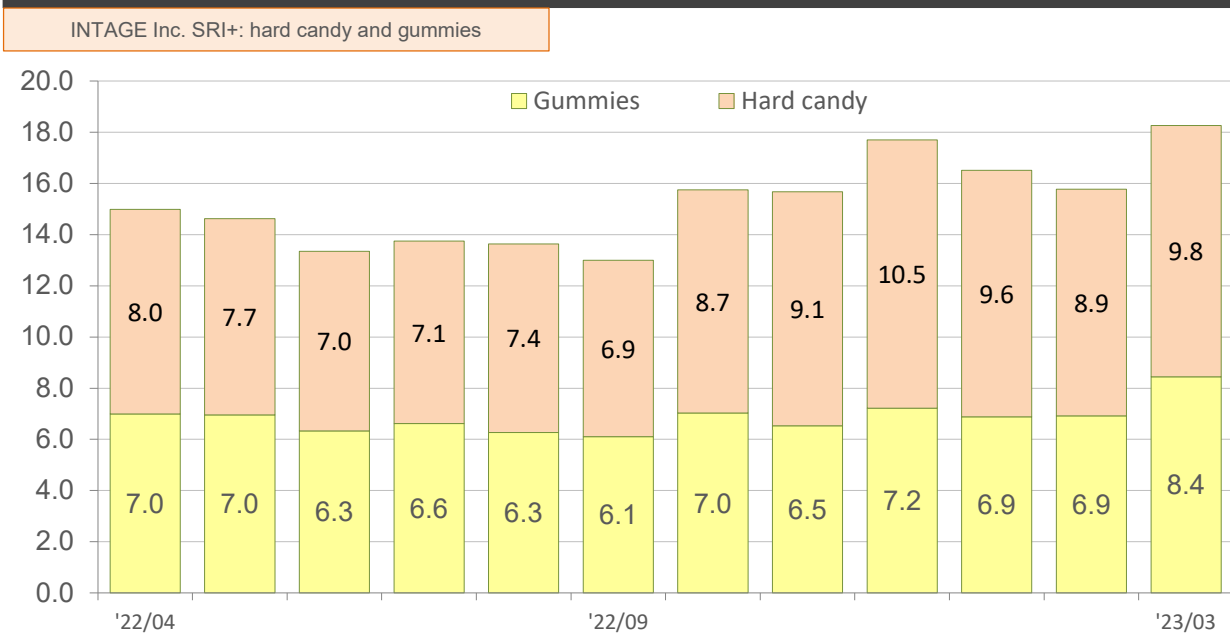
Unit: Bln. yen

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



Unit: Bln. yen

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



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

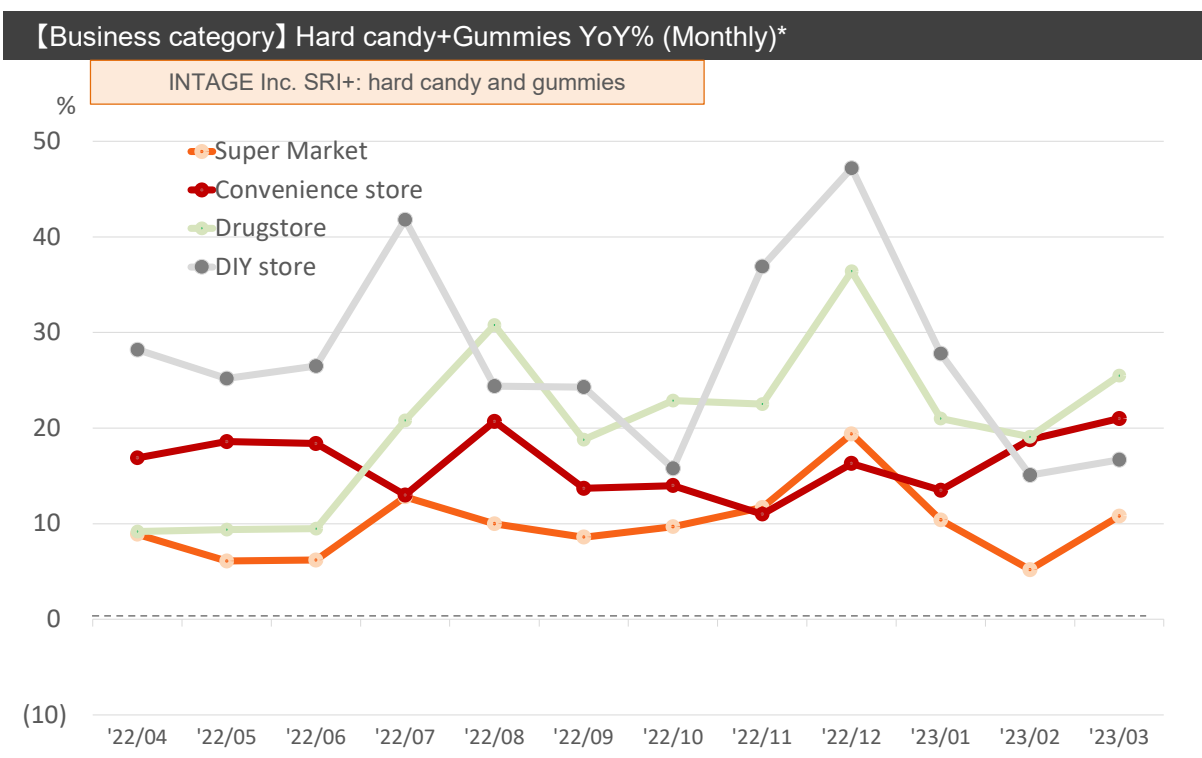
Unit: Bln. yen

	Sales amount		YoY%
	Jan. to Mar.2022	Jan. to Mar.2023	
Hard candy	26.0	28.3	8.9%
Gummies	18.0	22.2	23.3%
Total	44.0	50.6	14.8%

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

(Supplementary Materials 5)

【Hard Candy+Gummy Markets Trends by Business Category】



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

Unit: Bln. Yen

	Sales amount		YoY%
	Jan. to Mar.2022	Jan. to Mar.2023	
Grocery store	18.9	20.6	8.9%
Convenience store	15.4	18.2	17.8%
Drug store	8.7	10.6	21.9%
DIY store	1.0	1.2	19.8%
Total	44.0	50.6	14.8%

* INTAGE Inc. SRI+: hard candy and gummies 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://ssl4.eir-parts.net/doc/2216/ir_material_for_fiscal_ym13/118791/00.pdf



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

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