



FY2024 Q2 Presentation material

(Jan. to Jun. 2024) August 6, 2024

Kanro Inc.

(TSE:2216)

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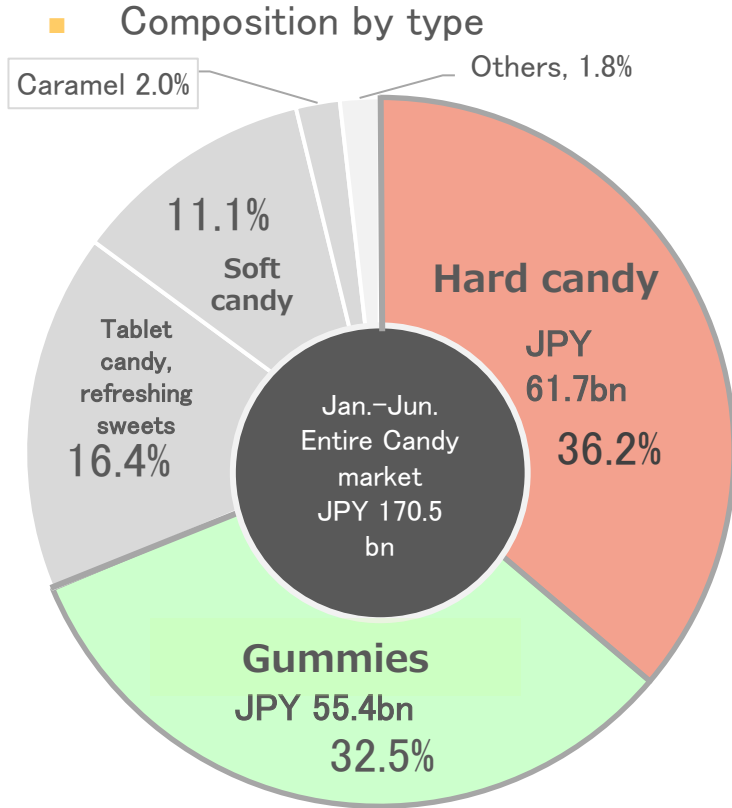


* 1H: January to June, 2H: July to December



1. Review of FY2024 1H (Jan. to Jun. 2024)

Candy market (Estimated sales, Jan. to Jun. 2024)



- Sales increased in all categories compared to the same period last year

	Jan. to Jun.2023	Jan. to Jun.2024	YoY	Kanro's Domain
	JPN bn	JPN bn	%	
Total	151.5	170.5	12.6%	
Hard candy	54.4	61.7	13.4%	
Gummies	49.0	55.4	13.0%	
Tablet candy, refreshing	24.6	28.0	13.9%	
Soft candy	17.2	18.9	9.4%	
Caramel	3.2	3.4	5.1%	
Others	2.9	3.1	4.5%	

※※ INTAGE Inc. SRI+ Candy market Jan.-Jun. total for 2023, 2024, sales amount and YoY change by type (composition)

Kanro's market share from Jan. to Jun. 2024



Candy market as a whole Share:
12.5%
(Previous year 13.2%) *1



Hard candy market share **19.5%** *2
(Previous year 22.3%)

Gummy market share **16.6%** *3
(Previous year 15.9%)

*1 Intage Inc. SRI+ Candy market

*2 Intage Inc. SRI+ Hard candy market

*3 Intage Inc. SRI+ Gummy market

Jan.-Jun. total for 2023 and 2024, share of sales amount

Jan.-Jun. total for 2023 and 2024, share of sales amount by type

Jan.-Jun. total for 2023 and 2024, share of sales amount by type

◆Market environment

- Hard candy (up 13.4% YoY): Continued high demand for throat drops
- Gummies (up 13.0% YoY): Strong performance of both existing and new products, large increase in hard gummies

◆Status of company business (Topics)

- Jan.: Changes made to organizational and management structures (strengthened sustainability promotion structure, newly established the DX Promotion Committee, appointed brand leaders, etc.)
- Revised prices and changed package contents size for:
 - ✓ *Kinno Milk* (Feb.), *Puré Gummy* and *Candemina* (Mar.), and HITOTUBU Kanro (Apr.)
- Ran TV advertisement for *Kinno Milk* (Mar.) and *Puré Gummy* (Apr.)
- Apr.: Opened HITOTUBU KANRO Harajuku Store and Kanro POCKeT laboratory, a new center for information dissemination
- Jun.: Made upward revisions to financial results forecasts and dividend forecasts



HITOTUBU KANRO
Harajuku Store

Summary of FY2024 1H performance (vs. revised forecast/YoY)

Posted record high first-half sales and profits

Unit: JPY mn

	FY2024 1H						FY2023 1H
	Actual (1)	Revised forecast (2) *1	Vs. revised forecast (1) - (2)	Vs. revised forecast (%)	YoY (1) - (3)	YoY %	Actual (3)
Net sales	15,563	15,500	63	0.4%	1,270	8.9%	14,292
Operating profit	2,343	2,230	113	5.1%	570	32.2%	1,772
Ordinary profit	2,355	2,250	105	4.7%	564	31.5%	1,791
Profit	1,767	1,680	87	5.2%	530	42.9%	1,236

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

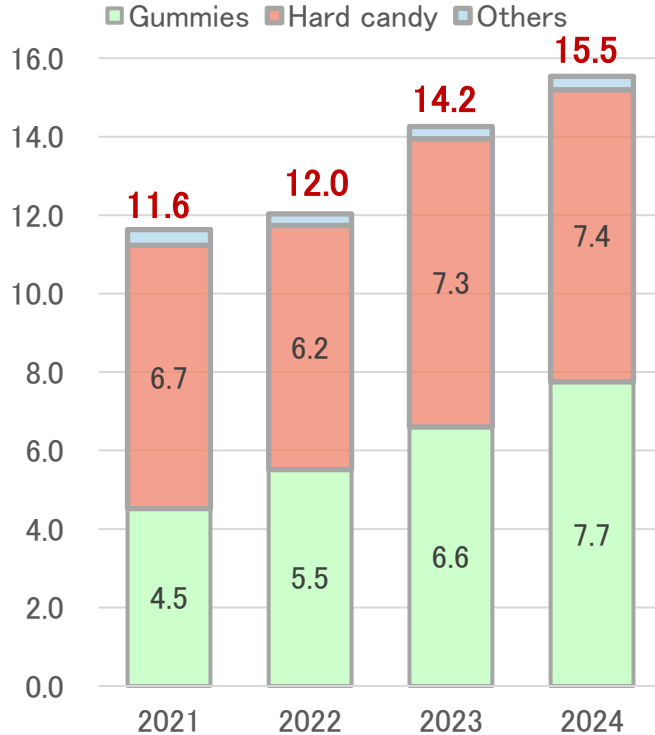
*1: Released on June 24, 2024

Main factors behind changes in FY2024 1H performance (vs. revised forecast /YoY)

- **Vs. revised forecast*: (increase in net sales, increase in profits)** *released on June 24, 2024
 - **Net sales:** Further growth in gummies
 - **Operating profit:** Increase in marginal profit resulting from higher net sales, decrease in SG&A expenses including expenses that were shifted to the second half
- **Year on year (increase in net sales, increase in profits)**
 - **Net sales:**
 - ✓ Hard candy: (net sales up 1.4%): Responded to growth in demand for throat drops through narrowing down of products and production system improvement including personnel increase. *Kinno Milk* price revision (from Feb.) also contributed. Stick-type products struggled.
 - ✓ Gummies: (net sales up 16.9%): Sales amount of gummies exceeded that of hard candy
 - Mainstay brands enjoyed steady performance. Price revision of *Puré Gummy* and *Candemina Gummy* (from Mar.) also contributed.
 - *Gummi-tzel* (prices revised from Apr.) continued to be strong.
 - **Operating profit / Ordinary profit / Profit:**
 - ✓ Surge in raw material prices and increases in several expenses, etc. absorbed with price revisions
 - ✓ Marginal profit and gross profit margin increased reflecting increases in sales and production
 - ✓ Posted extraordinary income arising from reduction of strategic shareholding

Change in composition of net sales (1H)

Unit: JPY bn



- In 1H, gummies net sales > hard candy net sales (for the first time in Kanro's history)
- The fruits of having pushed forward with the business strategy of positioning gummies as the growth driver

YoY change in sales composition in 1H (Jan. to Jun.)

Unit: JPY mn

	Jan. to Jun. 2023	Jan. to Jun. 2024	% of total	vs FY2023
Hard candy	7,346	7,449	47.9%	1.4%
Gummies	6,652	7,774	50.0%	16.9%
Healthy snacks	290	331	2.1%	13.9%
Other	2	7	0.0%	276.6%
Total	14,292	15,563	100.0%	8.9%

Status of mainstay products in 1H (Hard candy) up 1.4% YoY

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- **Kinno Milk candy** (No. 1 milk candy brand by sales*)
 - Positive effect of price revisions (Feb.) and TV advertisement in boosting net sales to record double-digit growth YoY despite sluggish gourmet category market
* INTAGE Inc. SRI+ “Milk-flavor Candy Market” Apr. 2022 – Mar. 2023, cumulative sales amount brand ranking for “Kinno Milk brand”
- **Non-Sugar brand / Kenko Nodoame brand**
 - Worked on improving production system, including personnel increase, to respond to growth in demand for throat drops that reflected rising consumer health consciousness, resulting in expanded sales
- **Stick-type and small bags with zip-type products**
 - Stick-type struggled and recorded net sales decrease
- **Other**
 - Product exclusively for the Chinese market fell short of the target due partly to the treated water issue
 - Net sales of fancy products targeting Generation Z and others decreased partly as a result of SKU reduction

Status of mainstay products in 1H (gummies) up 16.9% YoY



- **Puré Gummy**
(No. 1 brand in annual sales in the gummies category in 2023*)
 - * INTAGE Inc. SRI+ Gummy Market Jan.–Dec. 2023, cumulative sales amount brand ranking
 - Net sales increased by more than 20% YoY reflecting price revisions (Mar.), rollout of TV advertisement (Apr.), and strong performance of new taste and seasonal products
- **Candemina Gummy**
 - Recorded double-digit growth YoY on the back of growing popularity of hard gummies, combined with contribution from price revisions (Mar.)
- **Marosh (marshmallow product)**
 - Net sales decreased and fell short of the target
- **Gummi-tzel (HITOTUBU KANRO directly operated stores / Kanro POCkET)**
 - Large sales growth was recorded as strong performance continued. Alerting consumers to imitation products.

Factors behind change in FY2024 1H operating profit

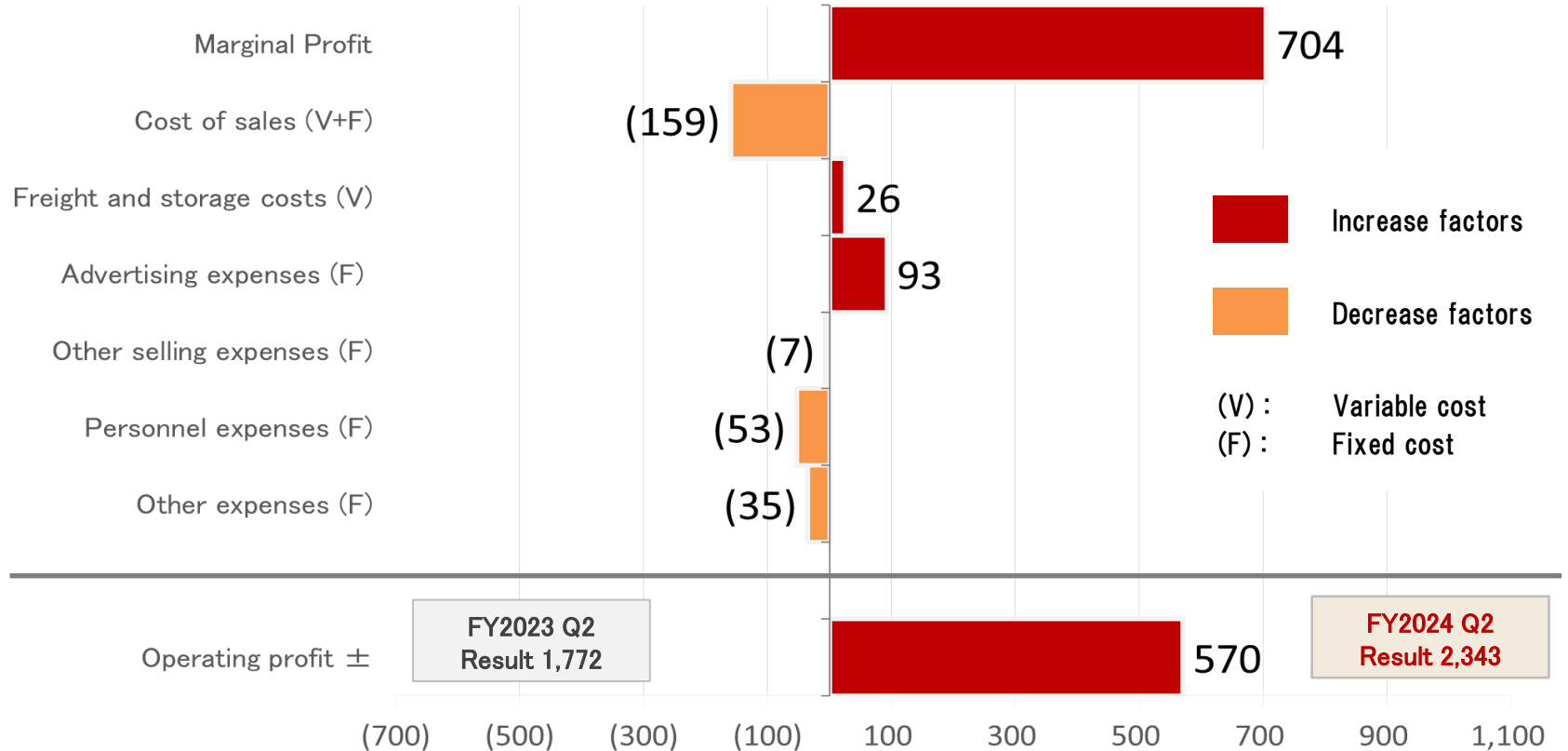
Unit: JPY mn

	FY2024 1H			FY2023 1H
	Actual	YoY	YoY %	Actual
Net sales	15,563	1,270	8.9%	14,292
Cost of sales	9,021	649	7.8%	8,372
Freight and storage costs	895	48	5.7%	847
Advertising expenses	331	(93)	(22.0%)	424
Other selling expenses	134	7	5.5%	126
Personnel expenses	1,895	53	2.9%	1,842
Other expenses	942	35	3.9%	906
Operating profit	2,343	570	32.2%	1,772

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Factors of changes in OP (FY2023 Q2 Result vs FY2024 Q2 Result)

Unit : JPY mn



4. Forecast of FY2024

	FY2024			Unit: JPY mn
	Revised forecast*	YoY	YoY %	FY2023
				Actual
Net sales	30,800	1,784	6.1%	29,015
Operating profit	3,810	421	12.4%	3,388
Ordinary profit	3,830	397	11.6%	3,432
Profit	2,800	337	13.7%	2,462
EPS (JPY)	199.74	22.65	12.8%	177.09

The values displayed in these materials are truncated at the JPY mn level, so the totals and percentages may not always match completely.

* Released on June 24, 2024

■ Year on year

- Net sales (increase): Growth in hard candy and mainstay brand gummies
 - ✓ Production system improvement (personnel increase, expansion of gummies production building in Matsumoto Plant), price revisions
- Operating profit / Ordinary profit / Profit (increases):
 - ✓ Increases in the costs mentioned below to be absorbed with net sales growth and price revisions leading to higher marginal profit
 - Increases in raw material prices, labor costs, and several expenses (including depreciation expense as a result of expansion of the gummies production building in Matsumoto Plant and other factors)
 - Increase in expenses related to implementation of initiatives for expansion of business including expansion of business domains
 - ✓ Further reduction of strategic shareholding
 - ✓ Tax benefit from application of Tax Measure to Promote Wage Increases

■ Vs. revised forecast (no change from financial results forecast announced on June 24)

- Operating profit / Ordinary profit / Profit (downside factors in the second half and countermeasures):
 - ✓ Deterioration in cost of sales ratio due to rises in raw materials prices exceeding the initial forecast
 - ✓ Shift of first half expenses to the second half, and increase in expenses related to initiatives that look ahead to the next fiscal year and beyond
 - ==> Work on improving second-half performance through improvement of production system

FY2024 forecast for operating profit (vs. Initial forecast / YoY)

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Unit: JPY mn

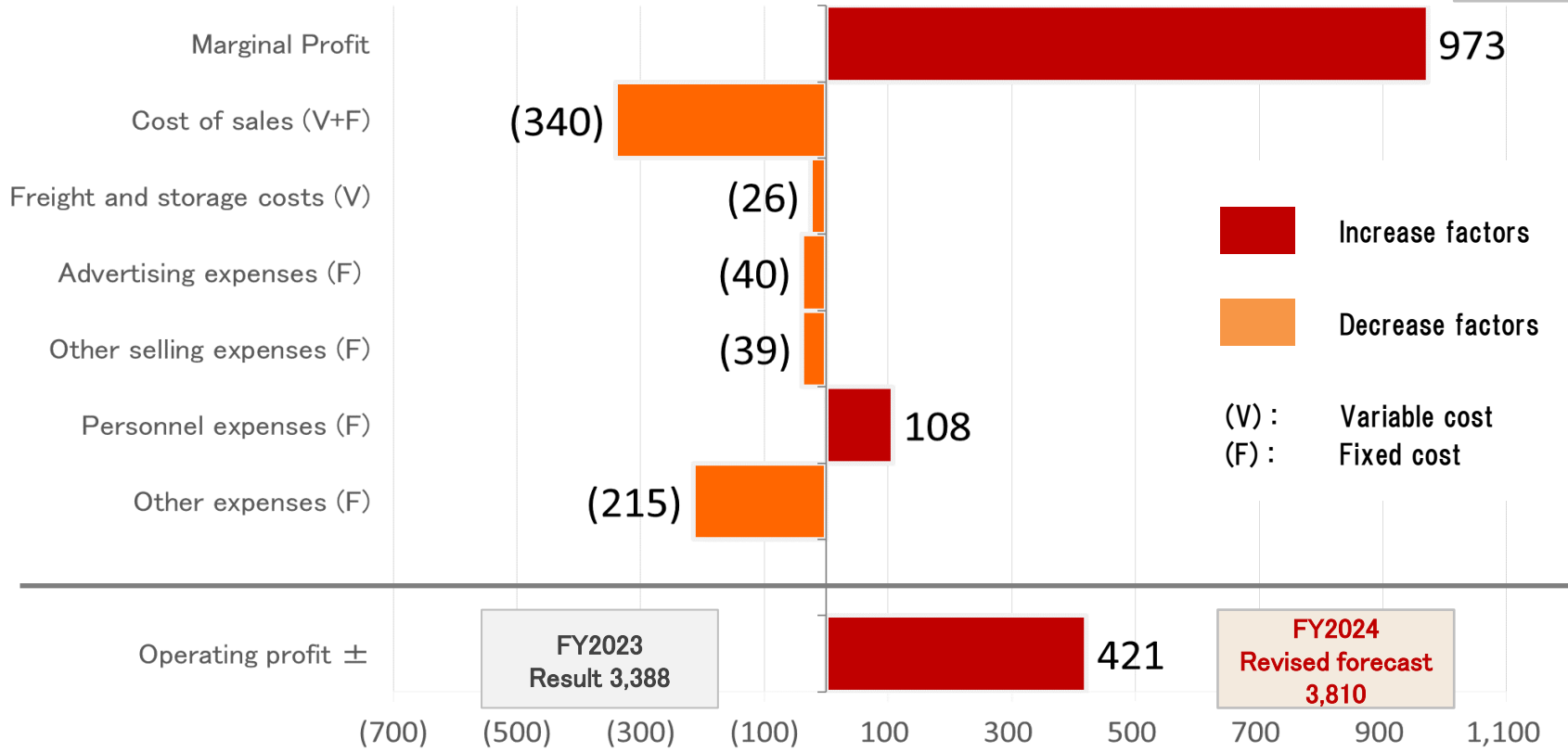
	FY2024				FY2023		
	Forecast*	Initial forecast	Vs. initial forecast	Vs. initial forecast %	Actual	YoY	YoY %
Net sales	30,800	30,300	500	1.6%	29,015	1,784	6.1%
Cost of sales	18,320	18,163	157	0.8%	17,277	1,042	6.0%
Freight and storage costs	1,880	1,875	4	0.2%	1,746	133	7.6%
Advertising expenses	650	614	35	5.8%	609	40	6.5%
Other selling expenses	290	312	(21)	(7.0%)	250	39	15.8%
Personnel expenses	3,780	3,811	(31)	(0.8%)	3,888	(108)	(2.7%)
Other expenses	2,070	2,074	(4)	(0.2%)	1,854	215	11.5%
Operating profit	3,810	3,450	360	10.4%	3,388	421	12.4%

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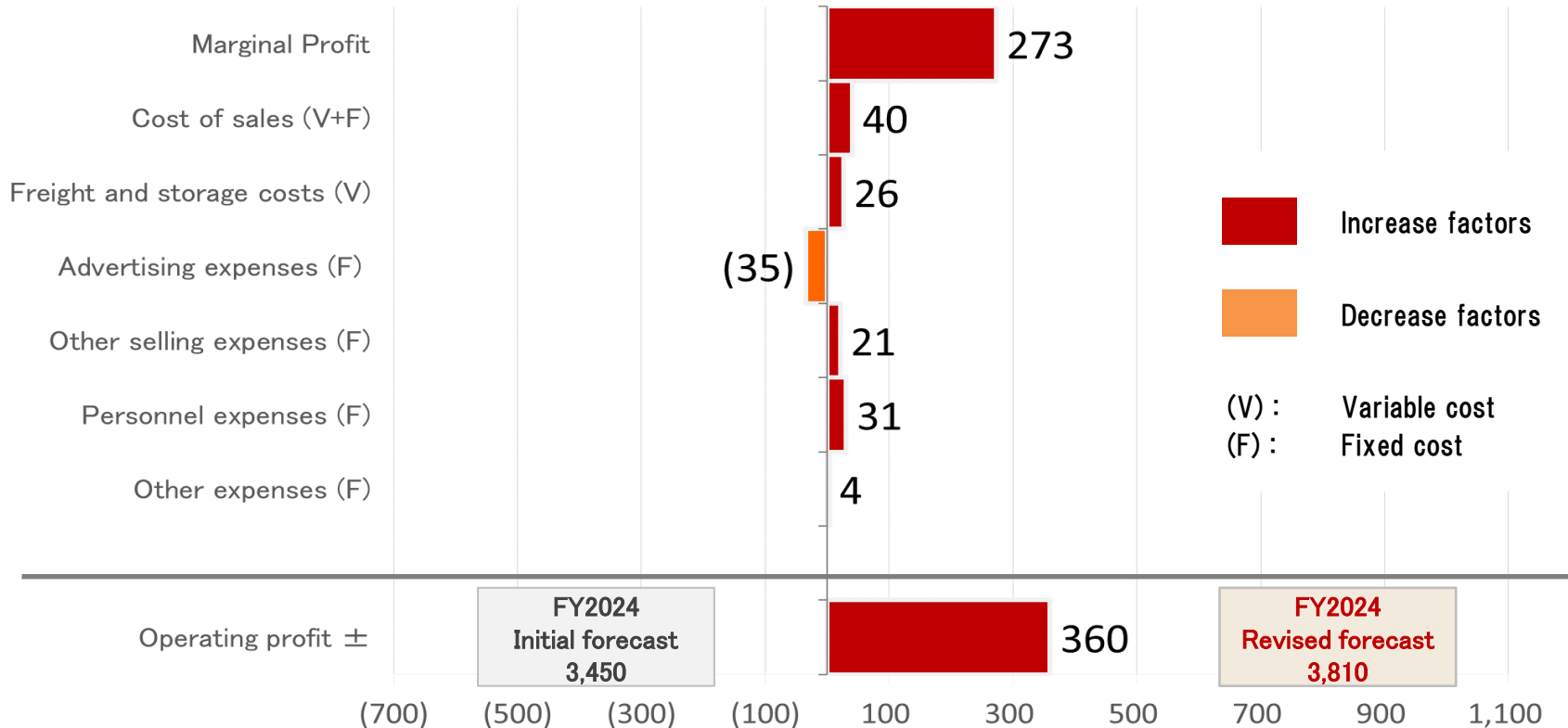
Factors of changes in OP (FY2023 Q4 Result vs FY2024 Q4 Revised forecast)

Unit : JPY mn



Factors of changes in OP (FY2024 Q4 Initial forecast vs FY2024 Q4 Revised forecast)

Unit : JPY mn



3. Business strategy FY2024 2H

and progress of Medium-term Corporate Strategy 2024

Challenges

**Strengthening of
production and sales
system aimed at
market share
expansion**

Actions to Take

- (1) Improve production and sales efficiency / expand sales per item
- (2) Strengthen production capacity

Measures

- (1)-1 Raise sales ratio of priority products through concentration of sales promotion measures
- (1)-2 Carry out store-focused sales activities using digital media
- (2)-1 Enhance manufacturing personnel
- (2)-2 Expand gummies production building in Matsumoto Plant (scheduled to start operation in October)
- (2)-3 Conduct study on expanding production scale during the period of Kanro Vision 2030

Challenges

Realization and
scaling of
business
domain expansion

Actions to Take

- (1) Make advance investment for cultivation of overseas markets and in preparation for the next medium-term corporate strategy
- (2) Strengthen sale of HITOTUBU business and increase customer lifetime value
- (3) Launch and develop sales channels for new products in collaboration with co-creation partners

Measures

- (1)-1 Expand exports through sales promotion activities by country and region
- (1)-2 Select and develop strategic brands for developing US markets
- (1)-3 Promote collaboration with Amos for the Chinese market
- (2) Develop products and strengthen promotional efforts that meet customer needs
- (3) Conduct market receptivity survey and explore OEM partner candidates for commercialization

Initiatives to strengthen gummies production capacity

- Strengthen production system for gummies, the growth engine
 - (Matsumoto Plant) Expansion work of gummies production building in progress for scheduled start of operation in October 2024
 - Gummies production capacity up by approx. 14% compared to FY2023 (total for all plants)



- Long term: measures under consideration toward achieving Kanro Vision 2030



Aim to construct and start perating a new plant by 2030

- Expand scale of production
- Build a smart factory that makes full use of AI and sensing technologies to provide a smart working style
- Select location that would allow construction of an optimal distribution network
- Establish a global network of production bases with localization of overseas production in mind
- Pursue sustainable production that is global environment-friendly (CO₂, food loss, waste plastics, energy, etc.)

■ Initiatives in environmental conservation

- Electricity purchased in all production facilities transitioned to renewable energy sources
 - In addition to the two plants in Nagano Prefecture, Hikari Plant in Yamaguchi Prefecture also shifted to electricity derived from renewable energy sources in May 2024
- Started collaboration with REMARE Inc., a materials recycling startup
 - To strengthen sustainable management through promotion of waste packaging materials recycling



Kanro Hikari Plant
(Yamaguchi Prefecture)



■ Human resources management

- Certified as “Health and Productivity Management Outstanding Organization 2024” (for the third consecutive year)
- Received “Platinum Kurumin” certification (May 2024)
~as a company with a high standard of childcare support





Published Annual Report 2023 (in English)

Under the theme of “Wa,” or traditional Japanese culture, the report uses “Hanafuda” as the motif. Hanafuda is a beloved 200-year-old Japanese card game, played with Hanafuda cards that depict traditional themes of natural beauty in Japan. Kanro also aims to be long beloved, just like Hanafuda.

[00.pdf \(eir-arts.net\)](#)



Publication of Integrated Report 2024

Multi-stakeholder communication to deliver message on Kanro’s strengths and value creation, from both financial and non-financial perspectives.

[00.pdf \(eir-parts.net\)](#)

Progress of Medium-term Corporate Strategy 2024

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		Medium-term Corporate Strategy 2024 (CAGR = Compound Annual Growth Rate)										Long-term vision KV2030
	FY2021 (Actual)	FY2022 (Actual)	FY2023 (Actual)	FY2024 (KPI)	FY2024 (Forecast*)	FY 25	FY 26	FY 27	FY 28	FY 29	FY2030 (Target)	
Net sales (YoY)	JPY21.5 bn	JPY25.1 bn (16.3%)	JPY29.0 bn (15.5%)	—	JPY30.8 bn (6.1%)						JPY50.0 bn	
4 businesses CAGR			5% or higher		12.5%						—	
Core business CAGR			3% or higher		11.8%						JPY30.0 bn	
3 new businesses CAGR			30% or higher		33.9%						JPY20.0 bn	
Operating profit	JPY1.2 bn	JPY1.9bn	JPY3.3 bn	—	JPY3.8 bn						—	
Operating profit margin	5.8%	7.7%	11.7%	7.0%	12.4%						9% or higher	
Profit	JPY0.8 bn	JPY1.3 bn	JPY2.4 bn	—	JPY2.8 bn						—	
ROIC	7.3%	10.9%	18.2%	7.5% or higher	18.0%						10% or higher	
Dividend payout ratio	32.0%	32.8%	32.8%	40%	40.1%						50%	

* Released on June 24, 2024

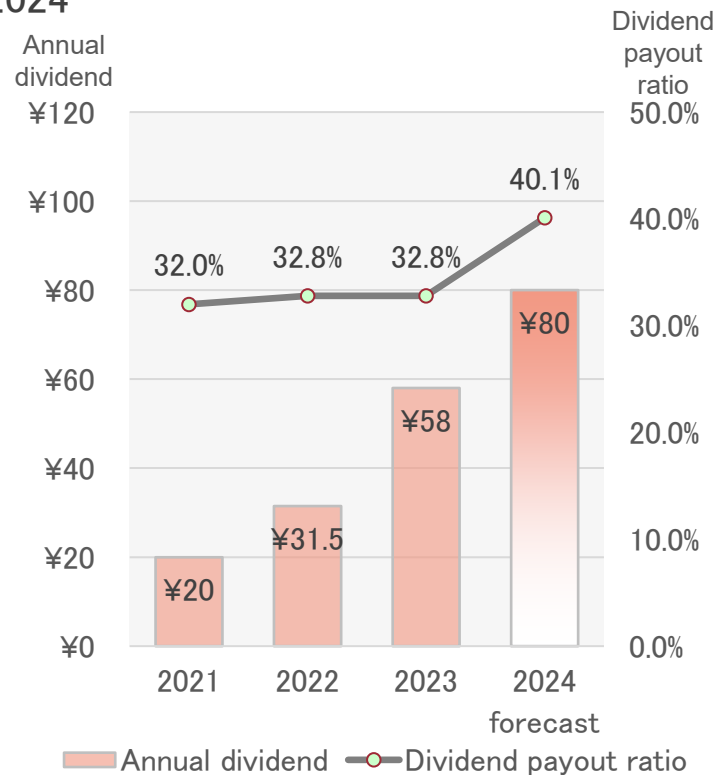
Policy on shareholder returns: raise the dividend payout ratio up to 40% by the end of FY2024

Unit: JPY

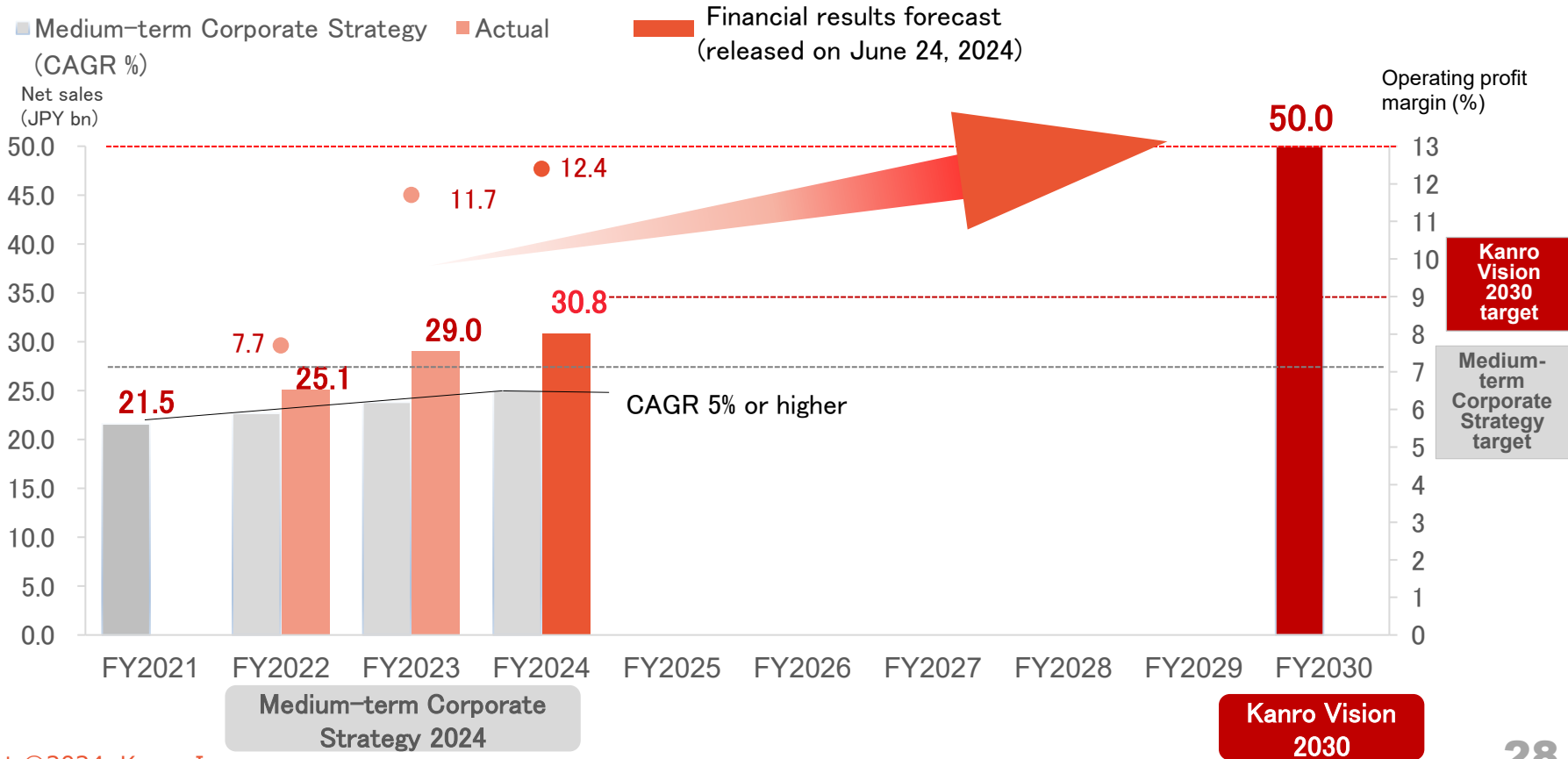
Dividends (per share)	FY2021	FY2022	FY2023	FY2024	
	Actual	Actual	(1) Actual	(2) Forecast *	vs. FY2023 (2)-(1)
Interim dividend	7.5	12.5	20	35	15
Year-end dividend	12.5	19	38	45	7
Annual dividend	20	31.5	58	80	22
Dividend payout ratio	32.0%	32.8%	32.8%	40.1%	7.3pt

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

* Released on June 24, 2024



Aiming for Kanro Vision 2030





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