

Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2024 [Japanese GAAP]



February 6, 2025

Company name:	Kanro Inc.
Listing:	Tokyo Stock Exchange
Securities code:	2216
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Scheduled date of Ordinary General Meeting of Shareholders:	March 28, 2025
Scheduled date to commence dividend payments:	March 10, 2025
Scheduled date of filing annual securities report:	March 31, 2025
Preparation of supplementary material on financial results:	Yes
Holding of financial results briefing:	Yes (for institutional investors and financial analysts)

(Amounts are rounded down to the nearest million yen)

1. Non-consolidated Financial Results for FY2024 (January 1, 2024 to December 31, 2024)

(1) Non-consolidated Operating Results (% of change from the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended December 31, 2024	31,778	9.5	4,284	26.4	4,315	25.7	3,260	32.4
December 31, 2023	29,015	15.5	3,388	75.3	3,432	71.5	2,462	82.9

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2024	232.56	—	20.8	15.7	13.5
December 31, 2023	177.09	—	18.2	14.3	11.7

(Reference) Equity in earnings (losses) of affiliates: FY2024: ¥ - million

FY2023: ¥ - million

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2024	29,105	16,831	57.8	1,198.25
As of December 31, 2023	25,839	14,533	56.2	1,043.94

(Reference) Equity: As of December 31, 2024: ¥16,831 million

As of December 31, 2023: ¥14,533 million

(3) Non-consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended December 31, 2024	4,398	(2,169)	(1,009)	4,981
December 31, 2023	3,935	(1,839)	(585)	3,761

KANRO Financial Results for the Fiscal Year Ended December 31, 2024

2. Cash Dividends

	Annual cash dividends per share					Total dividends	Payout ratio	Dividends to net assets
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2023	—	20.00	—	38.00	58.00	834	32.8	6.2
FY2024	—	35.00	—	58.00	93.00	1,338	40.0	8.5
FY2025 (Forecast)	—	45.00	—	48.00	93.00		40.0	

3. Non-consolidated Financial Results Forecast for FY2025 (January 1, 2025 to December 31, 2025) (% of change from the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	16,300	4.7	2,140	(8.7)	2,150	(8.7)	1,520	(14.0)	108.21
Full year	33,600	5.7	4,320	0.8	4,340	0.6	3,260	0.0	232.56

* Notes:

- (1) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No

- (2) Total number of issued shares (common shares)

	FY2024	FY2023
1) Total number of issued shares at the end of the period (including treasury shares)	15,315,604 shares	15,315,604 shares
2) Total number of treasury shares at the end of the period	1,269,166 shares	1,393,503 shares
3) Average number of shares during the period	14,018,268 shares	13,905,926 shares

* Total number of treasury shares at the end of the period includes the Company's treasury shares owned by Custody Bank of Japan, Ltd. (Trust Account) (December 31, 2024: 346,500 shares and December 31, 2023: 471,000 shares).

* These financial results are outside the scope of audit procedures by a certified public accountant or audit firm.

* Explanation of the proper use of financial results forecast and other notes
The earnings forecasts and other forward-looking statements herein are based on currently available information and certain assumptions deemed reasonable. Actual results may differ significantly from these forecasts due to a wide range of factors.

(Method of obtaining supplementary material on financial results)

Supplementary material on financial results is disclosed on TDnet on February 6, 2025 as well as on the Company's website.

KANRO Financial Results for the Fiscal Year Ended December 31, 2024

Table of Contents (Appendix)

1. Overview of Business Results, etc.....	2
(1) Overview of Business Results for the Fiscal Year under Review	2
(2) Overview of Financial Position for the Fiscal Year under Review	3
(3) Overview of Cash Flows for the Fiscal Year under Review.....	3
(4) Future Outlook	4
2. Basic Concept Regarding Selection of Accounting Standards	4
3. Non-consolidated Financial Statements and Primary Notes.....	5
(1) Non-consolidated Balance Sheets	5
(2) Non-consolidated Statements of Income	8
(3) Non-consolidated Statement of Changes in Equity.....	10
(4) Non-consolidated Statement of Cash Flows	16
(5) Notes to Non-consolidated Financial Statements	18
(Notes on going concern assumption).....	18
(Segment information, etc.)	18
(Revenue recognition)	18
(Equity in earnings or losses of affiliates, etc.)	18
(Per share information).....	19
(Significant subsequent events)	20

1. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year under Review

The Japanese economy during the fiscal year under review recovered moderately, although personal consumption remained partially stalled. However, the downturn in overseas economies, including continued high interest rate levels in Europe and the U.S. and the continued stagnation of China's real estate market, poses downside risks to the domestic economy, and the outlook remains uncertain due to the effects of rising prices, future policy trends in the U.S., the situation surrounding the Middle East region, and fluctuations in financial and capital markets.

In the candy market, sales in each category and in the overall market increased year on year, in part due to price revisions becoming more prevalent. As for our major domains, the hard candy category saw sales of throat drops remain brisk owing to a sustained rise in self-care in association with the spread of infectious diseases, and the gummy category continued to experience high growth, driven by hard-texture products.

In such a business environment, Kanro has steadily strived to advance the three business strategies of "Value Creation," "ESG Management," and "Expansion of our Business Domains," under our corporate purpose of "Sweeten the Future" in the fiscal year under review, which is the final year of the three-year Medium-term Corporate Strategy 2024. As a result, net sales during the fiscal year under review increased by ¥2,762 million (9.5%) year on year to ¥31,778 million.

Sales of hard candy products increased by ¥769 million (5.1%) year on year to ¥15,815 million as we addressed the continuing demand for throat drops through reductions to the product lineup and enhancing our production system by increasing personnel and other measures. By product, the lineup of throat drops, and *Kinno Milk* (金のミルク) candy, for which price revision has been implemented since February, offset decreases of suspended and end-of-sale products and the fancy category's products. In gummy products, sales increased by ¥1,923 million (14.5%) year on year to ¥15,217 million following completion of the expansion of the gummy building at the Matsumoto Plant at the end of September. By product, sales of the leading brand *Puré Gummy* (ピュレグミ) series increased significantly, due to the growth of *Puré Gummy PREMIUM* (ピュレグミプレミアム) and the effect of promotions through television commercials, coupled with the price revision from March, despite a decrease in sales of imported products. Furthermore, the high value-added product *Gummi-tzel* (グミツツエル) sold at the Company-owned Hitotubu Kanro stores (the second permanent store opened in April at Tokyu Plaza Harajuku "Harakado") and on "Kanro POCKeT" digital platform continues to enjoy favorable sales. Sales of healthy snacks increased by ¥59 million (8.9%) year on year to ¥730 million.

In terms of profits, raw material prices continued to rise in tandem with depreciation of the yen, and fixed costs rose as the result of enhancements to our production system in preparation for increased production but the Company took measures to address this by revising the prices and content of some products. Combined with the higher marginal profit from the abovementioned increase in sales, gross profit increased by ¥1,447 million (12.3%) year on year to ¥13,186 million. Operating profit increased by ¥895 million (26.4%) year on year to ¥4,284 million partly due to a reduction in freight and storage rates as a result of improved delivery efficiency, despite an increase in advertising expenses, including television commercials and sampling, and an increase in general expenses to accommodate business expansion. Ordinary profit increased by ¥882 million (25.7%) year on year to ¥4,315 million.

In addition, profit for the period under review increased by ¥797 million (32.4%) year on year to ¥3,260 million owing to the above factors and the posting of extraordinary income due to a reduction in cross-shareholdings.

(2) Overview of Financial Position for the Fiscal Year under Review

Total assets at the end of the fiscal year under review increased by ¥3,266 million (12.6%) from the end of the previous fiscal year to ¥29,105 million. The increase in total assets was mainly attributable to increases in property, plant and equipment by ¥1,464 million, cash and deposits by ¥1,219 million, accounts receivable - trade by ¥458 million, and merchandise and finished goods by ¥253 million.

Liabilities increased by ¥969 million (8.6%) from the end of the previous fiscal year to ¥12,274 million. The increase in liabilities was mainly attributable to increases in accounts payable - other by ¥996 million and accrued expenses by ¥111 million, and a decrease in income taxes payable by ¥140 million.

Net assets increased by ¥2,297 million (15.8%) from the end of the previous fiscal year to ¥16,831 million. This was mainly due to the recording of ¥3,260 million in profit and the payment of ¥1,050 million in cash dividends.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year under review amounted to ¥4,981 million, an increase of ¥1,219 million from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥4,398 million (net cash provided of ¥3,935 million in the previous fiscal year), despite an increase in working capital, income taxes paid and other factors.

(Cash flows from investing activities)

Net cash used in investing activities was ¥2,169 million (net cash used of ¥1,839 million in the previous fiscal year).

This was due to cash outflows for capital investment and other expenditures.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1,009 million (net cash used of ¥585 million in the previous fiscal year).

This was attributable to cash outflows mainly from cash dividends paid.

(Reference) Cash flow-related indicators

	FY2020	FY2021	FY2022	FY2023	FY2024
Equity ratio (%)	56.3	55.4	56.3	56.2	57.8
Equity ratio on a market value basis (%)	53.5	53.0	68.4	112.0	171.8
Cash flows to interest-bearing debt (Years)	0.7	0.2	—	—	—
Interest coverage ratio (Times)	385.8	842.5	2,225.9	2,172.5	4,915.1

(Notes) Equity ratio: Equity / Total assets

Equity ratio on a market value basis: Market capitalization / Total assets

Cash flows to interest-bearing debt ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

(Note 1) Aggregate market value of shares is calculated based on issued and outstanding shares excluding treasury shares.

(Note 2) Operating cash flows are used for “cash flows” in the above calculations.

(Note 3) Interest-bearing debt include all liabilities (short-term loans payable and long-term loans payable) reflected on the non-consolidated balance sheets that incur interest payments. Interest payments represent the interest payments recorded in the non-consolidated statement of cash flows.

(4) Future Outlook

In the year 2025, the first year of Medium-term Corporate Strategy 2030, the Company expects that net sales will increase by ¥1,821 million (5.7%) year on year to ¥33,600 million owing to the expansion of our production system, including the expansion of the gummy building at the Matsumoto Plant, which began operations at the end of September 2024.

In terms of profits, we anticipate an increase in the cost-of-sales ratio due to high raw material prices and an increase in labor costs partly owing to wage increases and increased personnel. In addition, we expect increases in logistics costs and personnel expenses, as well as an increase in expenses for measures to expand business areas and improve our management base. Operating profit is projected to increase by ¥35 million (0.8%) year on year to ¥4,320 million, ordinary profit is expected to increase by ¥24 million (0.6%) year on year to ¥4,340 million, and profit is projected to remain at the same figure as the current fiscal year at ¥3,260 million.

With regard to the dividends of surplus, Medium-term Corporate Strategy 2030 sets forth a shareholder return policy of a minimum of ¥93 per share based on a payout ratio of 40%. Based on this policy, the Company plans to pay an annual dividend of ¥93 per share (including an interim dividend of ¥45 per share) for the next fiscal year (ending December 31, 2025), the same as the dividend amount for the fiscal year under review.

2. Basic Concept Regarding Selection of Accounting Standards

In consideration of comparability across periods and across companies for the non-consolidated financial statements, the Company will prepare non-consolidated financial statements under Japanese accounting standards for the time being.

Concerning the application of International Financial Reporting Standards, the Company will take appropriate measures in consideration of trends in Japan and overseas.

3. Non-consolidated Financial Statements and Primary Notes**(1) Non-consolidated Balance Sheets**

(Thousand yen)

	As of December 31, 2023	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	3,821,803	5,041,259
Accounts receivable - trade	8,558,076	9,016,832
Merchandise and finished goods	959,854	1,213,548
Work in process	33,684	21,982
Raw materials and supplies	374,154	414,425
Prepaid expenses	168,807	218,454
Short-term loans receivable	1,050	910
Accounts receivable - other	18,116	9,950
Other	778	546
Total current assets	13,936,325	15,937,909
Non-current assets		
Property, plant and equipment		
Buildings	7,531,136	8,111,574
Accumulated depreciation	(4,270,912)	(4,550,722)
Buildings, net	3,260,224	3,560,852
Structures	1,541,162	1,540,114
Accumulated depreciation	(1,232,180)	(1,237,413)
Structures, net	308,981	302,701
Machinery and equipment	13,798,759	15,863,174
Accumulated depreciation	(9,999,499)	(10,618,381)
Machinery and equipment, net	3,799,259	5,244,792
Vehicles	53,236	59,851
Accumulated depreciation	(44,023)	(47,092)
Vehicles, net	9,213	12,758
Tools, furniture and fixtures	1,160,532	1,275,862
Accumulated depreciation	(834,564)	(891,879)
Tools, furniture and fixtures, net	325,968	383,983
Land	1,497,829	1,497,829
Leased assets	191,837	192,935
Accumulated depreciation	(42,968)	(83,700)
Leased assets, net	148,869	109,235
Construction in progress	392,169	95,056
Total property, plant and equipment	9,742,515	11,207,210
Intangible assets		
Trademark right	12,624	12,894
Software	157,729	138,611
Software in progress	189,854	312,891
Telephone subscription right	10,411	10,411
Right to use facilities	4,389	3,868
Total intangible assets	375,009	478,676

KANRO Financial Results for the Fiscal Year Ended December 31, 2024

(Thousand yen)

	As of December 31, 2023	As of December 31, 2024
Investments and other assets		
Investment securities	226,856	161,295
Investments in capital	10	10
Employ long-term loan	910	—
Long-term prepaid expenses	16,786	26,194
Guarantee deposits	399,791	149,958
Deposits on admission	15,088	12,438
Deferred tax assets	1,125,951	1,132,101
Total investments and other assets	1,785,394	1,481,998
Total non-current assets	11,902,919	13,167,885
Total assets	25,839,244	29,105,795

KANRO Financial Results for the Fiscal Year Ended December 31, 2024

(Thousand yen)

	As of December 31, 2023	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	2,729,338	2,776,646
Lease liabilities	48,177	47,497
Accounts payable - other	1,123,393	2,119,548
Accrued expenses	2,438,952	2,550,578
Income taxes payable	803,236	663,168
Accrued consumption taxes	106,106	45,597
Deposits received	123,671	139,240
Provision for bonuses	1,022,376	1,088,304
Provision for bonuses for directors (and other officers)	165,500	129,000
Other	70,903	57,313
Total current liabilities	8,631,655	9,616,894
Non-current liabilities		
Lease liabilities	115,579	72,661
Provision for retirement benefits	2,291,931	2,378,643
Provision for share awards for directors (and other officers)	205,534	148,706
Other	60,643	57,710
Total non-current liabilities	2,673,688	2,657,722
Total liabilities	11,305,344	12,274,616
Net assets		
Shareholders' equity		
Share capital	2,864,249	2,864,249
Capital surplus		
Legal capital surplus	2,141,805	2,141,805
Other capital surplus	436,087	436,087
Total capital surplus	2,577,892	2,577,892
Retained earnings		
Legal retained earnings	298,600	298,600
Other retained earnings		
Reserve for tax purpose reduction entry of non-current assets	136,072	125,351
General reserve	6,320,000	7,320,000
Retained earnings brought forward	3,090,637	4,310,689
Total retained earnings	9,845,310	12,054,641
Treasury shares	(841,285)	(741,602)
Total shareholders' equity	14,446,167	16,755,181
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	87,723	76,024
Deferred gains or losses on hedges	9	(27)
Total valuation and translation adjustments	87,733	75,997
Total net assets	14,533,900	16,831,178
Total liabilities and net assets	25,839,244	29,105,795

KANRO Financial Results for the Fiscal Year Ended December 31, 2024

(2) Non-consolidated Statements of Income

(Thousand yen)

	FY2023 (From January 1, 2023 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Net sales	29,015,855	31,778,392
Cost of sales		
Beginning finished goods inventory	774,996	959,854
Cost of products manufactured	16,519,382	18,257,718
Purchase of finished goods	981,383	626,535
Total	18,275,762	19,844,108
Ending finished goods inventory	959,854	1,213,548
Transfer to other account	38,533	38,178
Total cost of sales	17,277,374	18,592,381
Gross profit	11,738,480	13,186,011
Selling, general and administrative expenses	8,349,669	8,901,797
Operating profit	3,388,810	4,284,214
Non-operating income		
Interest and dividend income	6,554	4,576
Electricity sale income	11,294	10,229
Royalty income	12,394	7,174
Other	22,101	16,682
Total non-operating income	52,343	38,663
Non-operating expenses		
Interest expenses	1,811	894
Electricity sale expenses	5,537	5,869
Other	1,017	640
Total non-operating expenses	8,366	7,405
Ordinary profit	3,432,788	4,315,472
Extraordinary income		
Gain on sale of investment securities	—	75,720
Gain on sale of membership	—	713
Total extraordinary income	—	76,433
Extraordinary losses		
Loss on sale of non-current assets	224	383
Loss on retirement of non-current assets	14,920	5,130
Impairment losses	32,317	32,566
Loss on valuation of investment securities	222	—
Loss on sale of membership	200	—
Total extraordinary losses	47,885	38,080
Profit before income taxes	3,384,903	4,353,825
Income taxes - current	1,003,755	1,094,776
Income taxes - deferred	(81,384)	(975)
Total income taxes	922,370	1,093,800
Profit	2,462,532	3,260,024

KANRO Financial Results for the Fiscal Year Ended December 31, 2024

Statement of cost of goods manufactured

		FY2023 (From January 1, 2023 to December 31, 2023)		FY2024 (From January 1, 2024 to December 31, 2024)	
Category	Note No.	Amount (Thousand yen)	Composition (%)	Amount (Thousand yen)	Composition (%)
I Raw material costs	*1	10,305,394	62.3	11,400,853	62.5
II Labor costs		3,157,915	19.1	3,451,285	18.9
III Expenses		3,075,552	18.6	3,393,878	18.6
Total cost of manufacturing		16,538,862	100.0	18,246,016	100.0
Beginning work in process		14,204		33,684	
Total		16,553,067		18,279,701	
Ending work in process		33,684		21,982	
Cost of products manufactured		16,519,382		18,257,718	

(Note)*1 Major components are as follows.

Item	FY2023 (Thousand yen)	FY2024 (Thousand yen)
Subcontract processing expenses	217,489	192,407
Depreciation	1,030,563	1,311,489
Repair expenses	414,499	533,039
Utilities expenses	701,172	707,625

(Method of cost accounting)

Kanro adopts process costing as a method of cost accounting.

KANRO Financial Results for the Fiscal Year Ended December 31, 2024

(3) Non-consolidated Statement of Changes in Equity

FY2023 (From January 1, 2023 to December 31, 2023)

(Thousand yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of period	2,864,249	2,141,805	436,087	2,577,892
Changes during period				
Reversal of reserve for tax purpose reduction entry of non-current assets				
Dividends of surplus				
Provision of general reserve				
Profit				
Purchase of treasury shares				
Disposal of treasury shares				
Net changes in items other than shareholders' equity				
Total changes during period	—	—	—	—
Balance at end of period	2,864,249	2,141,805	436,087	2,577,892

KANRO Financial Results for the Fiscal Year Ended December 31, 2024

(Thousand yen)

	Shareholders' equity				
	Retained earnings				
	Legal retained earnings	Other retained earnings			Total retained earnings
		Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of period	298,600	148,184	5,820,000	1,677,329	7,944,113
Changes during period					
Reversal of reserve for tax purpose reduction entry of non-current assets		(12,111)		12,111	—
Dividends of surplus				(561,335)	(561,335)
Provision of general reserve			500,000	(500,000)	—
Profit				2,462,532	2,462,532
Purchase of treasury shares					
Disposal of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period	—	(12,111)	500,000	1,413,308	1,901,196
Balance at end of period	298,600	136,072	6,320,000	3,090,637	9,845,310

KANRO Financial Results for the Fiscal Year Ended December 31, 2024

(Thousand yen)

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(883,467)	12,502,789	52,085	148	52,234	12,555,023
Changes during period						
Reversal of reserve for tax purpose reduction entry of non-current assets		—				—
Dividends of surplus		(561,335)				(561,335)
Provision of general reserve		—				—
Profit		2,462,532				2,462,532
Purchase of treasury shares	(259)	(259)				(259)
Disposal of treasury shares	42,440	42,440				42,440
Net changes in items other than shareholders' equity			35,637	(139)	35,498	35,498
Total changes during period	42,181	1,943,378	35,637	(139)	35,498	1,978,876
Balance at end of period	(841,285)	14,446,167	87,723	9	87,733	14,533,900

KANRO Financial Results for the Fiscal Year Ended December 31, 2024

FY2024 (From January 1, 2024 to December 31, 2024)

(Thousand yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of period	2,864,249	2,141,805	436,087	2,577,892
Changes during period				
Reversal of reserve for tax purpose reduction entry of non-current assets				
Dividends of surplus				
Provision of general reserve				
Profit				
Purchase of treasury shares				
Disposal of treasury shares				
Net changes in items other than shareholders' equity				
Total changes during period	—	—	—	—
Balance at end of period	2,864,249	2,141,805	436,087	2,577,892

KANRO Financial Results for the Fiscal Year Ended December 31, 2024

(Thousand yen)

	Shareholders' equity				
	Retained earnings				
	Legal retained earnings	Other retained earnings			Total retained earnings
		Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of period	298,600	136,072	6,320,000	3,090,637	9,845,310
Changes during period					
Reversal of reserve for tax purpose reduction entry of non-current assets		(10,721)		10,721	—
Dividends of surplus				(1,050,693)	(1,050,693)
Provision of general reserve			1,000,000	(1,000,000)	—
Profit				3,260,024	3,260,024
Purchase of treasury shares					
Disposal of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period	—	(10,721)	1,000,000	1,220,052	2,209,330
Balance at end of period	298,600	125,351	7,320,000	4,310,689	12,054,641

KANRO Financial Results for the Fiscal Year Ended December 31, 2024

(Thousand yen)

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(841,285)	14,446,167	87,723	9	87,733	14,533,900
Changes during period						
Reversal of reserve for tax purpose reduction entry of non-current assets		—				—
Dividends of surplus		(1,050,693)				(1,050,693)
Provision of general reserve		—				—
Profit		3,260,024				3,260,024
Purchase of treasury shares	(415)	(415)				(415)
Disposal of treasury shares	100,098	100,098				100,098
Net changes in items other than shareholders' equity			(11,698)	(36)	(11,735)	(11,735)
Total changes during period	99,682	2,309,013	(11,698)	(36)	(11,735)	2,297,278
Balance at end of period	(741,602)	16,755,181	76,024	(27)	75,997	16,831,178

KANRO Financial Results for the Fiscal Year Ended December 31, 2024

(4) Non-consolidated Statement of Cash Flows

(Thousand yen)

	FY2023 (From January 1, 2023 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Cash flows from operating activities		
Profit before income taxes	3,384,903	4,353,825
Depreciation	1,216,160	1,508,617
Increase (decrease) in provision for bonuses	118,007	65,927
Increase (decrease) in provision for bonuses for directors (and other officers)	43,750	(36,500)
Increase (decrease) in provision for retirement benefits	21,349	86,712
Increase (decrease) in provision for share awards for directors (and other officers)	10,186	(56,828)
Interest and dividend income	(6,554)	(4,576)
Interest expenses	1,811	894
Loss on retirement of non-current assets	14,920	5,130
Impairment losses	32,317	32,566
Loss (gain) on sale of non-current assets	224	383
Loss (gain) on sale of investment securities	—	(75,720)
Loss (gain) on valuation of investment securities	222	—
Loss (gain) on sale of membership	200	(713)
Decrease (increase) in trade receivables	(884,435)	(458,756)
Decrease (increase) in inventories	(197,895)	(282,263)
Increase (decrease) in trade payables	553,312	47,307
Increase (decrease) in accrued expenses	213,258	111,625
Increase (decrease) in accrued consumption taxes	(48,924)	(60,508)
Other, net	(2,377)	390,208
Subtotal	4,470,437	5,627,333
Interest and dividends received	6,555	4,576
Interest paid	(1,811)	(894)
Income taxes paid	(539,351)	(1,232,575)
Net cash provided by (used in) operating activities	3,935,829	4,398,439
Cash flows from investing activities		
Payments into time deposits	(60,000)	(60,000)
Proceeds from withdrawal of time deposits	60,000	60,000
Purchase of property, plant and equipment	(1,628,633)	(2,405,694)
Proceeds from sale of property, plant and equipment	—	129
Purchase of intangible assets	(208,943)	(143,219)
Purchase of investment securities	(1,276)	(1,266)
Proceeds from sale of investment securities	—	125,690
Loan advances	(2,010)	—
Proceeds from collection of loans receivable	2,535	1,050
Collection of deposit	4,500	—
Purchase of membership	(10,688)	—
Proceeds from sale of membership	4,800	3,600
Proceeds from refund of guarantee deposits	—	250,000
Net cash provided by (used in) investing activities	(1,839,717)	(2,169,710)

KANRO Financial Results for the Fiscal Year Ended December 31, 2024

(Thousand yen)

	FY2023 (From January 1, 2023 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Cash flows from financing activities		
Repayments of lease liabilities	(45,555)	(48,593)
Net decrease (increase) in treasury shares	18,867	85,170
Dividends paid	(558,428)	(1,045,850)
Net cash provided by (used in) financing activities	(585,117)	(1,009,273)
Net increase (decrease) in cash and cash equivalents	1,510,995	1,219,455
Cash and cash equivalents at beginning of period	2,250,808	3,761,803
Cash and cash equivalents at end of period	3,761,803	4,981,259

KANRO Financial Results for the Fiscal Year Ended December 31, 2024

(5) Notes to Non-consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Segment information, etc.)

This information has been omitted because the entire business of Kanro falls under the single business category of confectionery and food business.

(Revenue recognition)

Information on disaggregation of revenue generated from contracts with customers

Kanro operates in the single business category of confectionery and food business, and the following information breaks down the revenue generated from contracts with customers.

	For the fiscal year ended December 31, 2023		For the fiscal year ended December 31, 2024	
	Amount (Thousand yen)	Composition (%)	Amount (Thousand yen)	Composition (%)
Hard candy	15,046,773	51.9	15,815,847	49.8
Gummies	13,293,746	45.8	15,217,477	47.9
Healthy snacks	671,082	2.3	730,597	2.3
Other	4,251	0.0	14,469	0.0
Revenue generated from contracts with customers	29,015,855	100.0	31,778,392	100.0
Sales to external customers	29,015,855	100.0	31,778,392	100.0

Note: "Other" refers to miscellaneous products other than foods.

(Equity in earnings or losses of affiliates, etc.)

Equity method is not applied as the Company has no affiliated companies.

KANRO Financial Results for the Fiscal Year Ended December 31, 2024

(Per share information)

	FY2023 (From January 1, 2023 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Net assets per share	¥1,043.94	¥1,198.25
Basic earnings per share	¥177.09	¥232.56

(Notes) 1. Diluted earnings per share is not indicated as there are no residual shares outstanding.

2. The Company's own shares that remain in the trust recorded as treasury shares in shareholders' equity are included in treasury shares which were deducted in calculating the average number of shares during the period for the calculation of basic earnings per share. In addition, these shares are included in treasury shares deducted from total number of issued shares at the end of the period in calculating net assets per share.

The number of deducted treasury shares at the end of the period in calculating net assets per share for FY2023 and FY2024 was 471 thousand shares and 346 thousand shares, respectively. The average number of treasury shares during the period deducted in calculating basic earnings per share for FY2023 and FY2024 was 487 thousand shares and 374 thousand shares, respectively.

3. Net assets per share were calculated based on the following data.

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Total net assets (Thousand yen)	14,533,900	16,831,178
Net assets relating to common stock at year-end (Thousand yen)	14,533,900	16,831,178
Number of outstanding shares of common stock (Thousand shares)	15,315	15,315
Number of treasury shares of common stock (Thousand shares)	1,393	1,269
Number of shares of common stock at year-end used for calculating net assets per share (Thousand shares)	13,922	14,046

4. Basic earnings per share was calculated based on the following data.

	FY2023 (From January 1, 2023 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Profit (Thousand yen)	2,462,532	3,260,024
Amount not attributable to common stock holders (Thousand yen)	—	—
Profit relating to common stock (Thousand yen)	2,462,532	3,260,024
Average number of outstanding shares of common stock during the period (Thousand shares)	13,905	14,018

(Significant subsequent events)

(Significant capital investment)

At the Board of Directors meeting held on February 6, 2025, the Company resolved to expand its existing plants and build new production facilities as described below.

1. Purpose of capital investment

The focus of the Company's business strategy in our Medium-term Corporate Strategy 2030, which was formulated and announced in February 2025, is to "achieve further growth, primarily in the domestic gummy business, while expanding our business domains and business model for long-term sustainable growth." To achieve this, we will expand our existing Asahi Plant, build new gummy production facilities, and improve our supply and logistics systems as well as our production efficiency.

2. Details of capital investment

(1) Location	2216-1 Yanagikubo, Komi, Asahi-mura, Higashichikuma-gun, Nagano *currently located within the Asahi Plant site
(2) Overview of assets	Construction of expanded facilities, new gummy production line, new automated warehouse, etc.
(3) Building (total) area	6,916.75 m ²
(4) Acquisition price	Approximately ¥13.0 billion (planned)
(5) Funding plan	Own funds and borrowings

3. Timing of capital investment

(1) Construction start date	October 2025 (planned)
(2) Construction completion date	March 2027 (planned)
(3) Production start date	July 2027 (planned)

4. Future outlook

The impact of this capital investment on the Company's business performance for the fiscal year ending December 31, 2025 is expected to be immaterial.