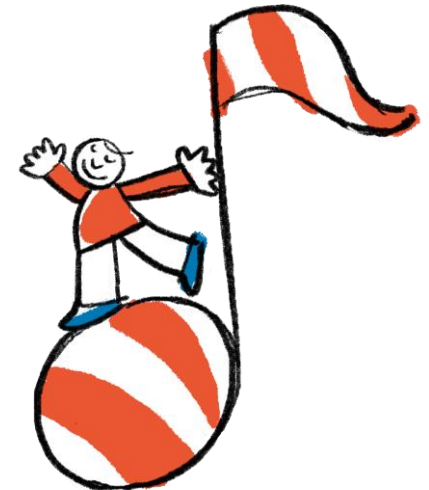




Medium-term Corporate Strategy 2030


February 6, 2025 Kanro Inc.



Medium-term Corporate Strategy 2030

- 1 Review of Medium-term Corporate Strategy 2024
- 2 Awareness of business environment
 - Market trends
 - Our current situation and challenges
- 3 Kanro Vision 2.0
- 4 Medium-term Corporate Strategy 2030
 - 4-1 Outline of business strategy
 - 4-2 Business strategy
 - 4-3 Sustainability and management foundation
 - 4-4 Financial and capital strategies



A young man with dark hair, wearing a dark suit, light blue shirt, and patterned tie, is shown in profile, looking towards the right. He is standing outdoors, with a blurred city skyline and trees in the background. The lighting is soft, suggesting a bright day.

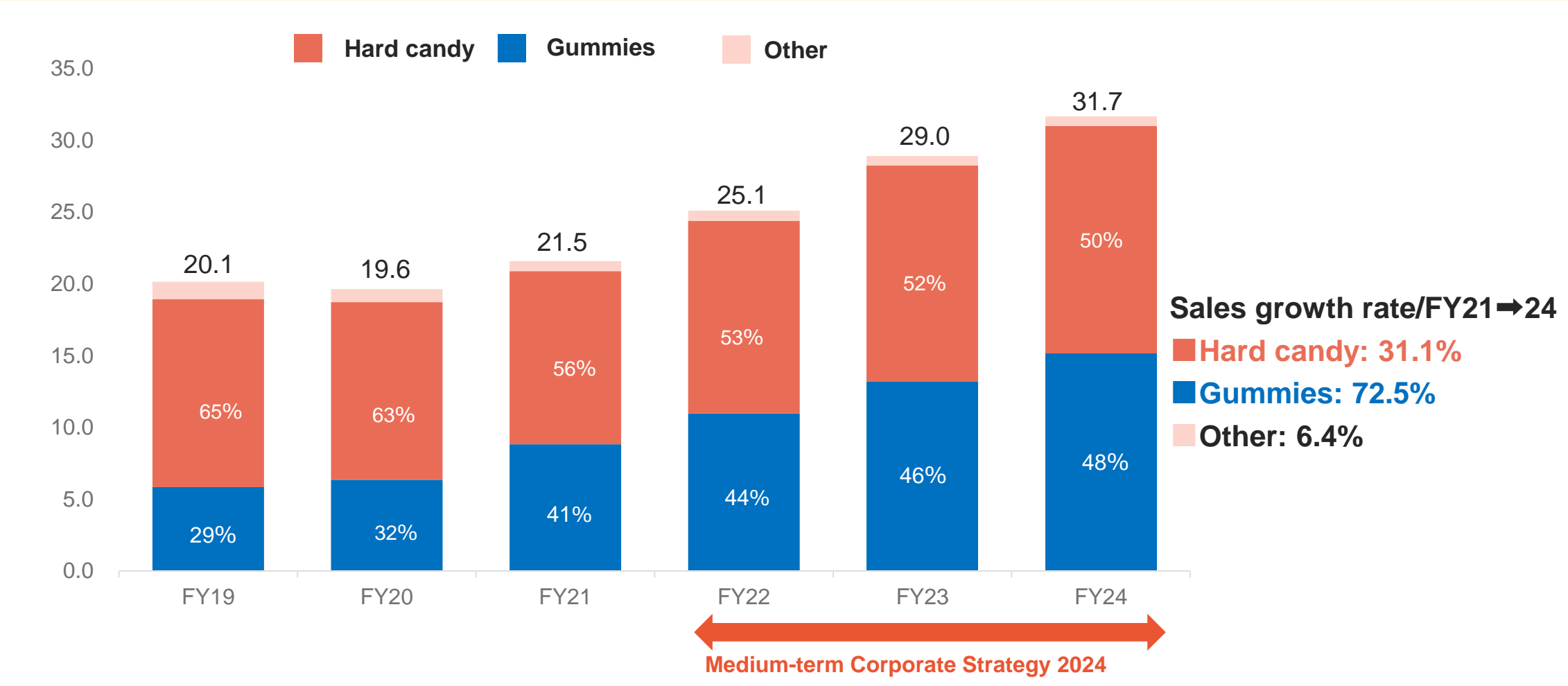
1. Review of Medium-term Corporate Strategy 2024

Financial indicators achieved well above targets; some non-financial indicators missed targets

Category	Indicator	Medium-term Corporate Strategy 2024 Target	Actual Results for 2024	Review
Financial indicators	Net sales growth rate (compound annual growth rate)	5% or higher <div>Core: 3% or higher Other: 30% or higher</div>	13.8% <div>Core: 12.7% Other: 40.9%</div>	<ul style="list-style-type: none">Recovery in the hard candy category on the back of rising demand for throat dropsExpanding sales in the gummy category, which continues high growthSignificant increase in sales, especially in core and HITOTUBU KANRO businesses
	Operating profit margin	7%	13.5%	<ul style="list-style-type: none">Respond to soaring raw material and ingredient prices and rising energy and logistics costs by revising prices, etc.Increase in marginal profit due to realization of significant higher net sales > Increase in fixed cost and SG&A expenses
	ROIC	7.5% or higher	20.5%	<ul style="list-style-type: none">Execution of capital investment based on investment criteria focused on cost of capitalB/S management (reduction of cross-shareholdings)Company-wide KPI management and ROIC management promotion by KanROIC tree
Non-financial indicators	CO ₂ emissions (*) (Total for Scope 1, 2, and 3)	26.24 t-CO ₂ /JPY bn	30.93 t-CO ₂ /JPY bn	<ul style="list-style-type: none">Switchover to renewable energy completed at all three of the company's plantsIncrease in CO₂ emissions due to increased production, sales, and capital expenditures
	Activities to provide education on the value of sugar	8 million people	9.39 million people	<ul style="list-style-type: none">Implementation of various events such as factory tours and dietary education activities due to recovery in people movement after pandemicIncreased access to owned media “Sweeten the Future” due to growing health consciousness
	Employee Engagement Score	55%	51.9%	<ul style="list-style-type: none">Implement measures to spread understanding of purpose and revise the personnel system.2.6 points higher than the 49.3% score recorded in FY21, but still short of the target

Gummies as a growth engine driving record-high sales

Trends in sales and breakdown (JPY bn)

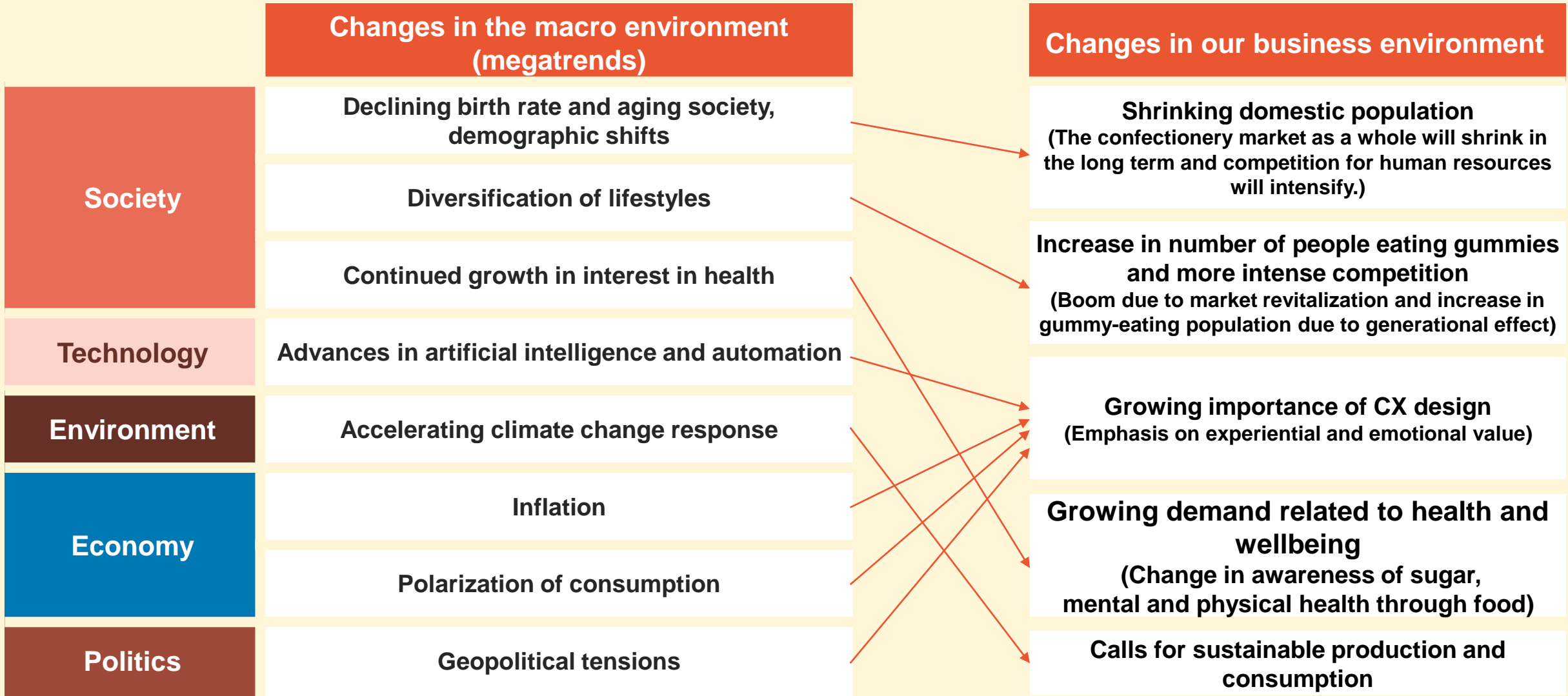




2. Awareness of business environment

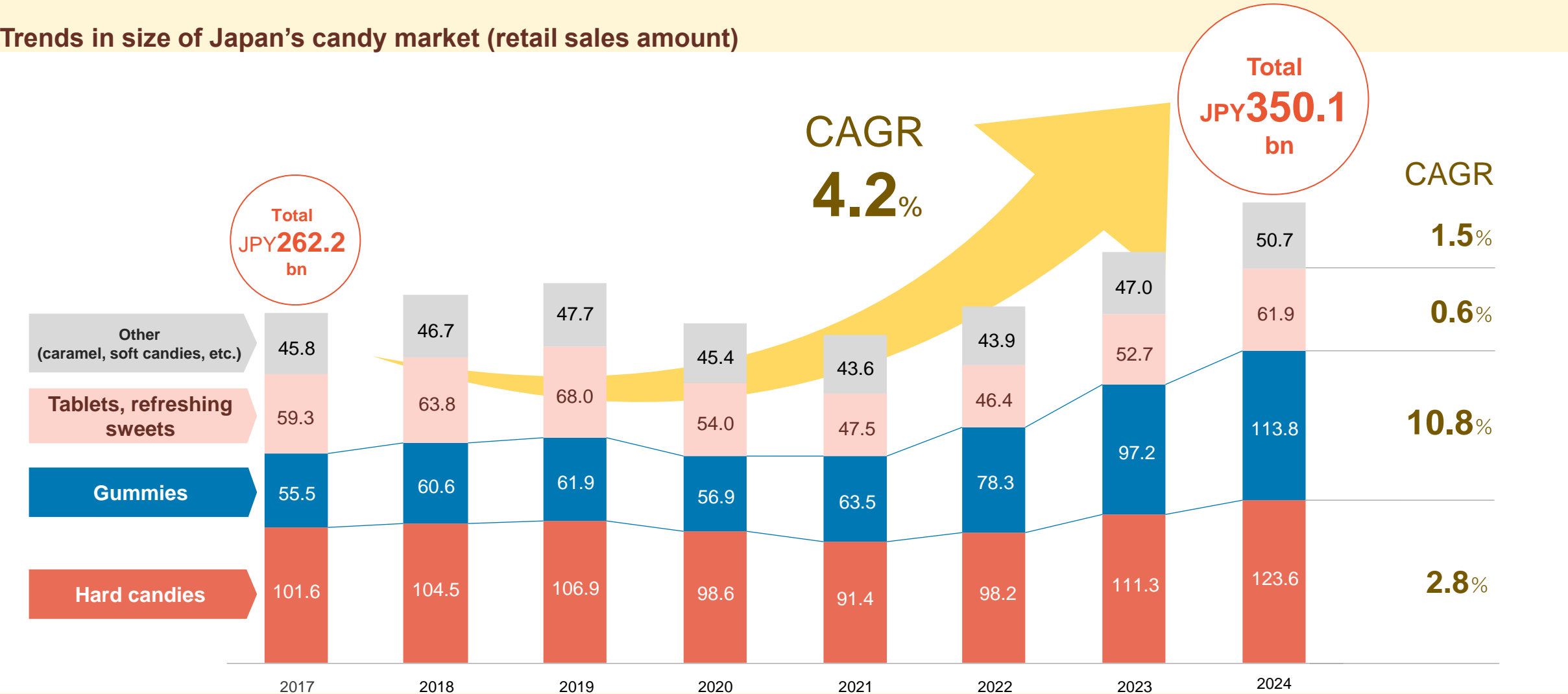
2-1. Market trends

The environment surrounding Kanro continues to change at a dizzying pace.



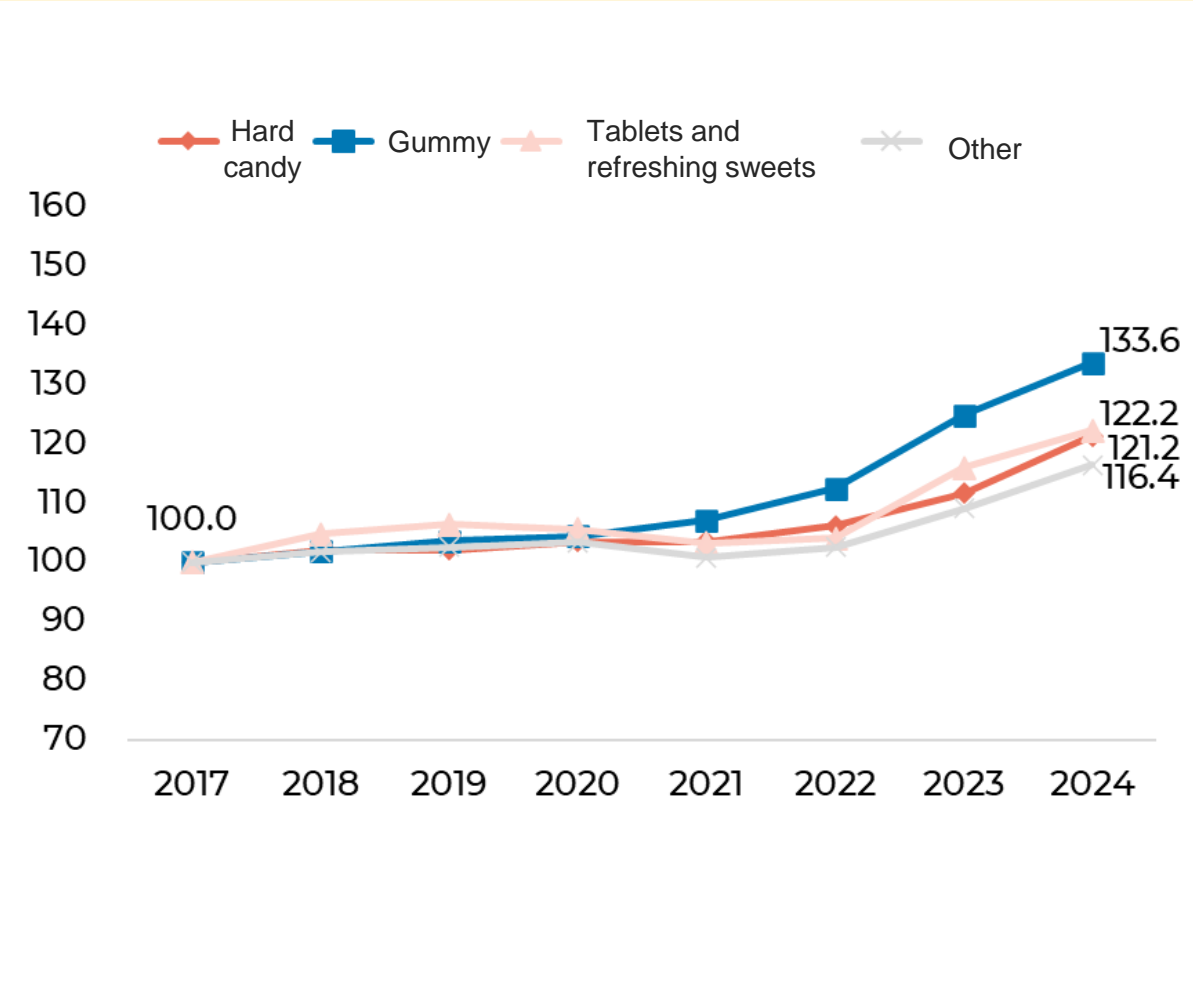
Candy market expanded significantly, driven by gummies

Trends in size of Japan’s candy market (retail sales amount)

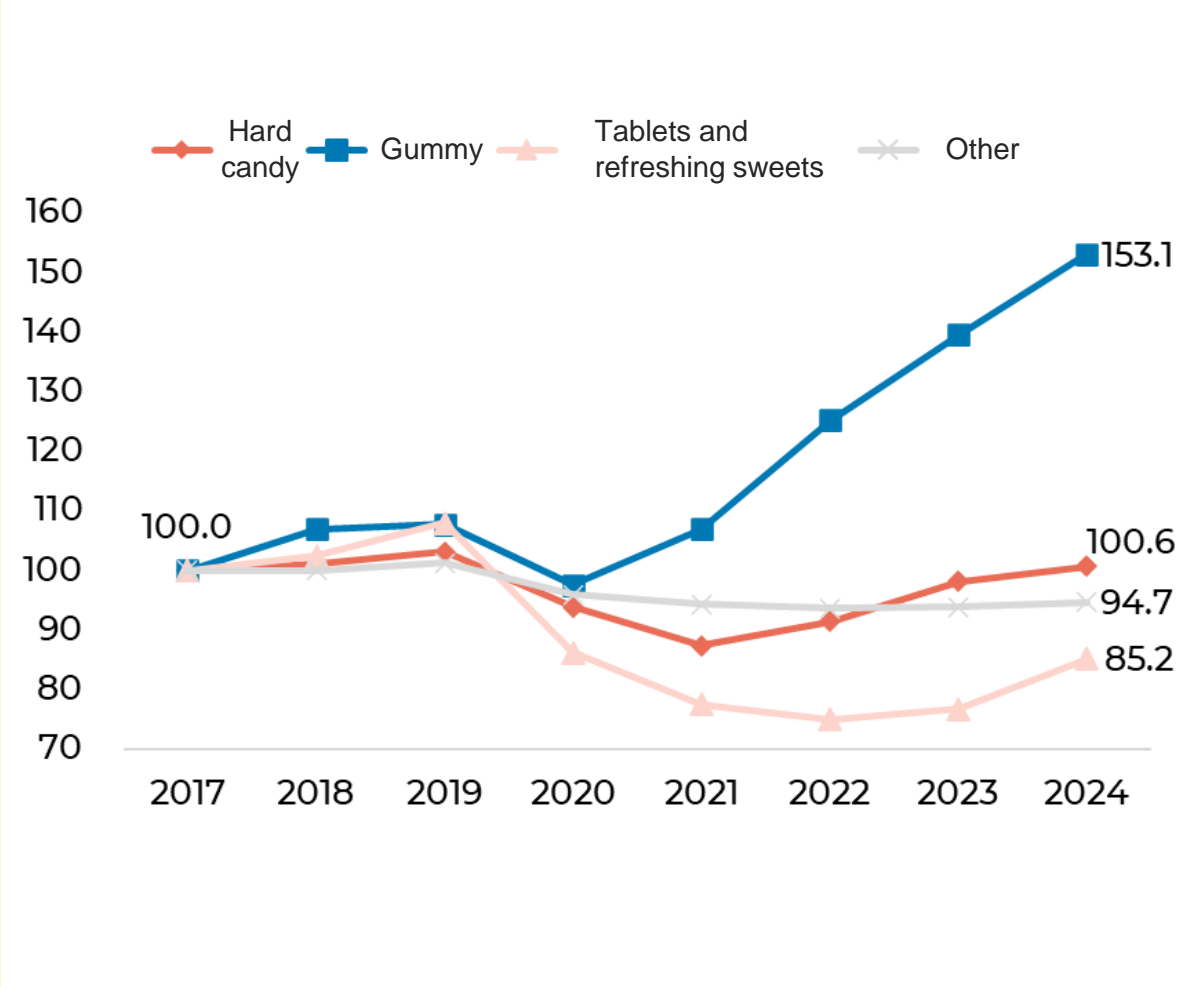


Increase in sales volume for gummy is the largest growth driver

Unit Price (2017 = 100)



Sales volume (2017 = 100)

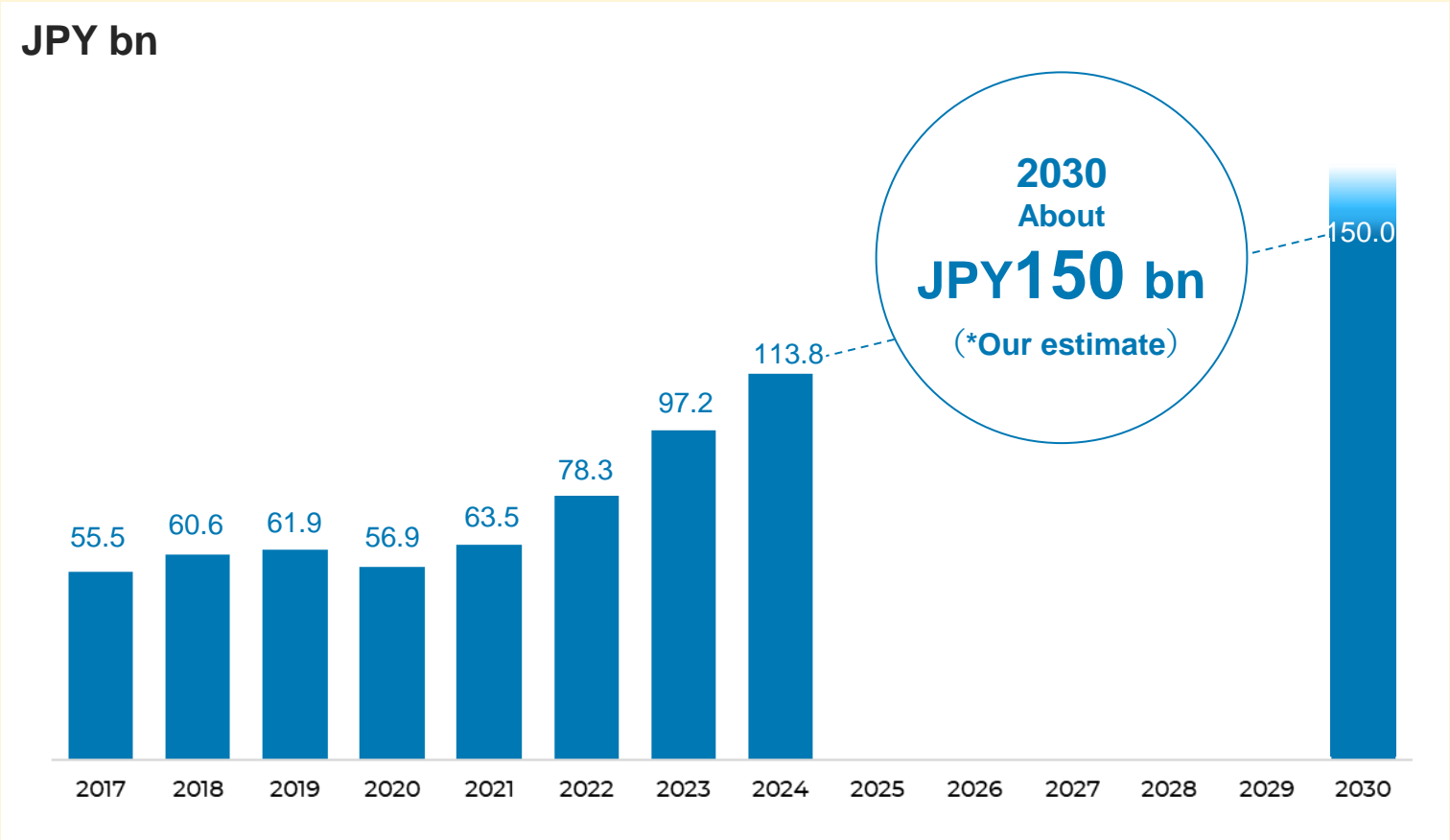


Gummy market is expected to grow to about JPY150 bn by 2030

Context for fluctuations in gummy market size

Demand-side factors	<ul style="list-style-type: none">Expanding population of people eating gummies across all age groupsAt-home demand during the COVID-19 pandemic remained firm afterward as well.Inflow from other categories such as gumIncrease in purchases per capita
Supply-side factors	<ul style="list-style-type: none">Aggressive introduction of new products by domestic manufacturersReinforcements to manufacturing systems by domestic manufacturers (Kanro also began operating a new gummy line at the Matsumoto Plant in 2019, and expanded this plant in 2024.)Expansion in sales of imported gummies

Trends in gummy market size and forecasts for future (based on market sales amount)



In addition to the increase in the gummy-eating population due to the generational effect, per capita gummy consumption also increased

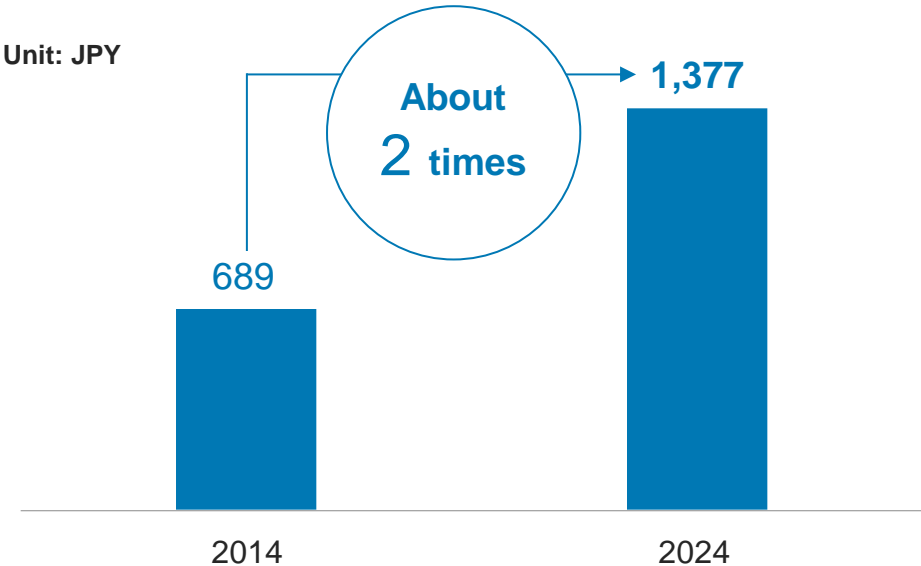
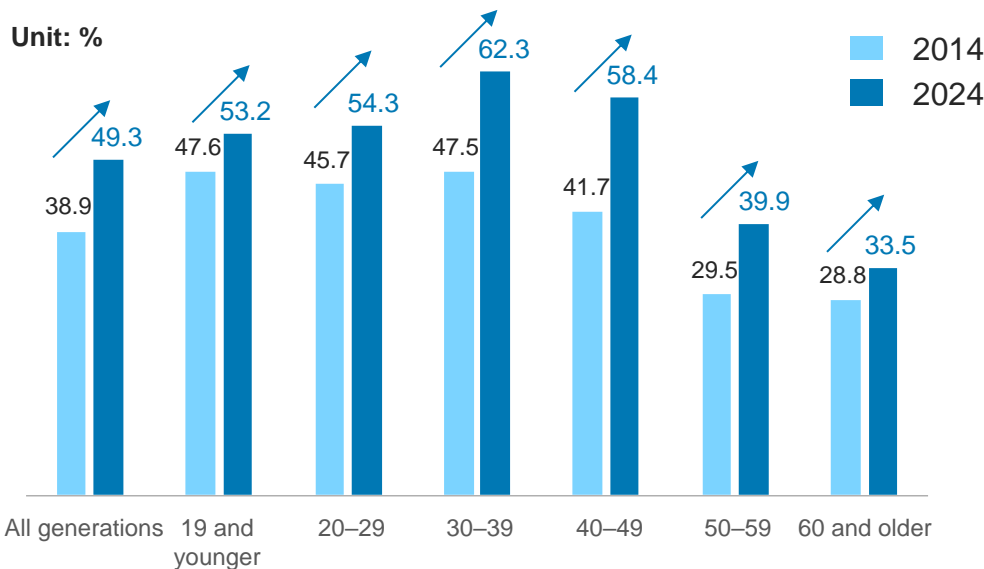
Expansion of gummy market

Increase in gummy-eating population due to generational effect

Increase in gummy consumption per capita

Purchase rate by generation

Annual amount purchased (per capita)



The hard candy market is expected to grow to about JPY120 bn in 2030 due to solid demand for throat drops.

Context for fluctuations in hard candy market size

Trends in hard candy market size and forecasts for future
(based on market sales amount)

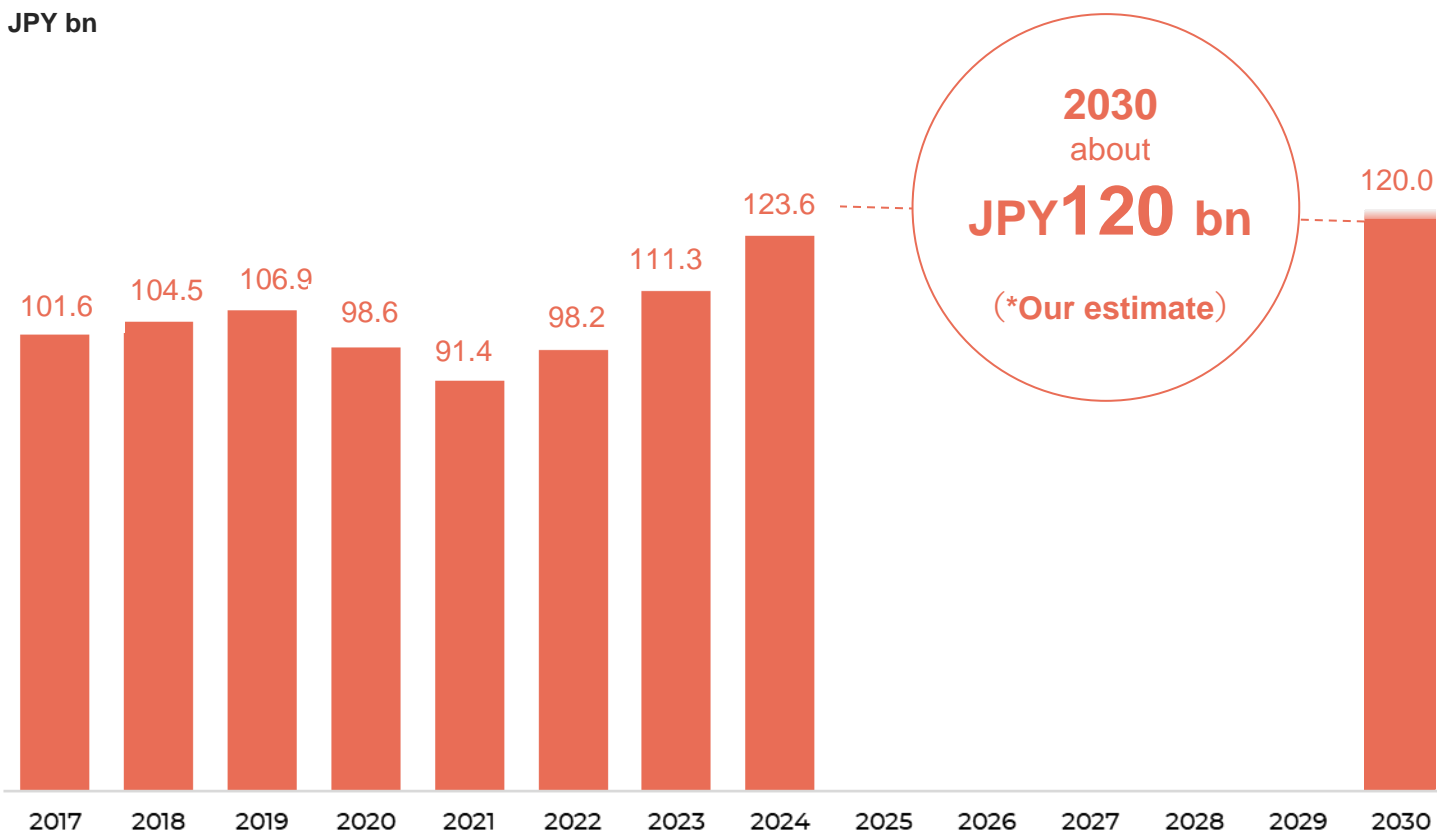
Demand-side factors

- Decrease in opportunities to eat hard candy due to mask-wearing during pandemic
- Recovery in demand for hard candy overall due to recovery in people movement after pandemic
- Increased demand for throat drops due to stronger health consciousness

Supply-side factors

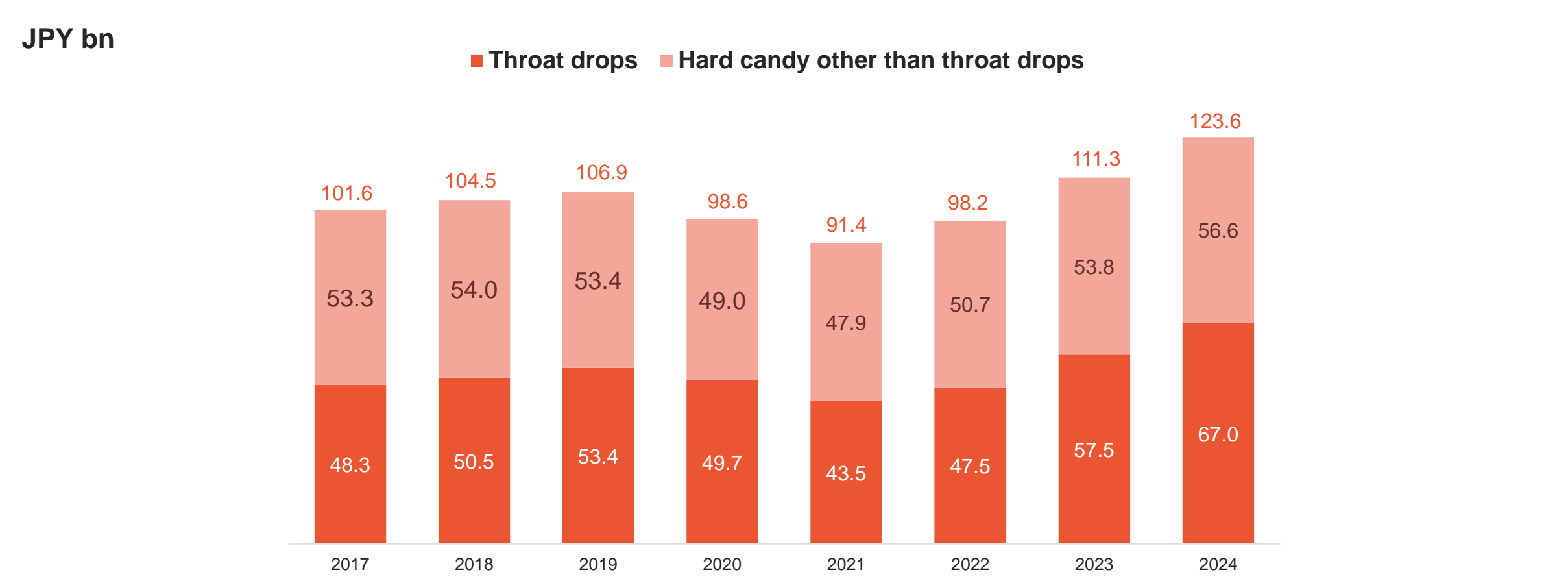
- Decrease in number of manufacturers due to industry restructuring
- End of sale of long-selling products

JPY bn



Throat drops have been driving the hard candy market since the pandemic.
Demand for throat drops is expected to continue due to rising health consciousness.

Trends in market size for throat drops and other hard candies (in terms of retail sales amount)



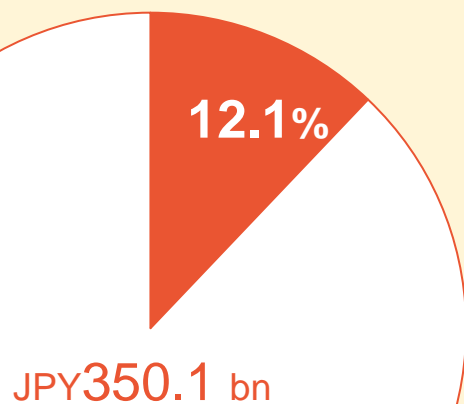


2. Awareness of business environment
2-2. Our current situation and challenges

No. 1 share in the candy market and No. 2 share in the gummy market

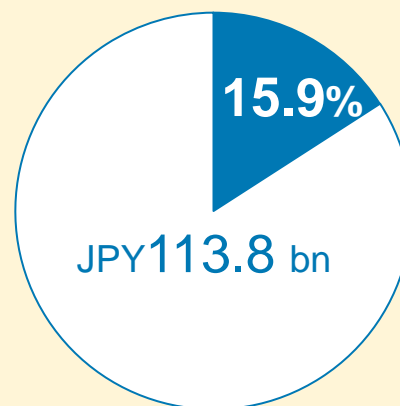
Kanro's share (2024*1)

Candy*2



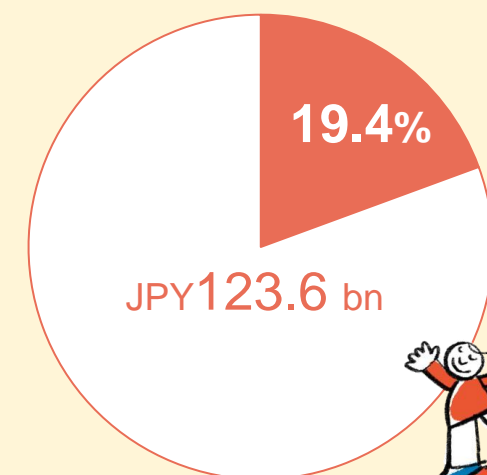
1st

Gummy



2nd

Hard candy



1st



Source: INTAGE Inc.SRI+.

*1. 2024 retail sales amount base

*2. Consisting of hard candy, gummies, tablets, and refreshing sweets, and others

Our mainstay brands achieved significant growth in the previous medium-term corporate strategy period, with some exceptions.

Retail sales (2024 compared with 2021)



Puré Gummy



Candemina Gummy



Kinno Milk Candy



Kanro Ame



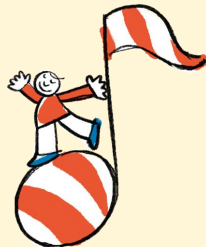
Kenko Nodoame



Voice Care Nodoame



Non-Sugar series



Source: INTAGE Inc. SRI +
2021 and 2024 by brand and retail sales amount
Copyright © 2025 Kanro Inc.

Our challenges lie in expanding gummy production capacity to increase domestic market share, promoting business strategy and implementing HR strategies for further growth

Initiatives and results of the Medium-term Corporate Strategy 2024

Challenges

Value creation	<ul style="list-style-type: none"> • Increase in gummy production capacity through expansion of the Matsumoto Plant, etc. • Expansion of sales of mainstay brands by strengthening store-focused sales activities • Promotion of the original experience co-creation project with Generation Z to provide formative experience in candy 	<ul style="list-style-type: none"> • Capturing the expanding gummy market in Japan • Providing products and services that meet new customer needs • Expanding digital and person-to-person contact points
ESG management	<ul style="list-style-type: none"> • Establishment of the Sustainability Committee • Switch to renewable energy sources for electricity at three of our plants • Establishment of Human Rights Policy 	<ul style="list-style-type: none"> • Fleshing out and implementing measures to mitigate environmental load • Conducting human rights due diligence
Expansion of business domains	<ul style="list-style-type: none"> • Development and start of sales of exclusive products for the Chinese market • Expansion of HITOTUBU KANRO business (Harajuku store opened in 2024) • Construction of new digital platform centered with Kanro POCkET at its core 	<ul style="list-style-type: none"> • Expanding the global business • Attracting customers to EC (implementing measures to increase the number of members on our Company's website) • Pursuing further growth, including discontinuous growth
Human resources and organization	<ul style="list-style-type: none"> • Execution of measures aimed at promoting wide spread understanding of purpose • Strengthen investment in human resources (augment training) 	<ul style="list-style-type: none"> • Further improving penetration of purpose-driven actions • Developing and securing human resources to support business strategies



3. Kanro Vision 2.0

Flexibility in adapting to changes and consistency based on vision is essential to sustain long-term growth.

Bringing smiles to people and society by continuing to create sweet moments

Both in the present, which is uncertain and occasionally challenging, and into the future, all of us at Kanro aim to create a company that makes sweet moments and smiles with a commitment to remain close to consumers, be flexible enough to meet needs, and stick to our unwavering vision.



Four values to achieve our vision

Three promises we make to our stakeholders, starting with our customers

Corporate culture

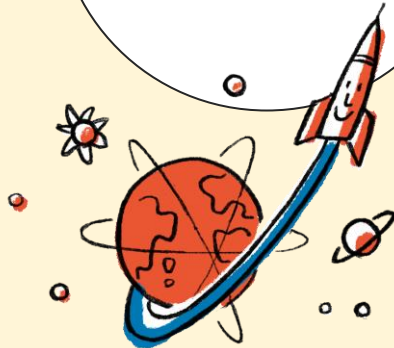
Creating sweet moments



WHY

Identify four areas in which we provide value from the customer's point of view and strengthen competitiveness and promote innovation

Transforming the business foundation



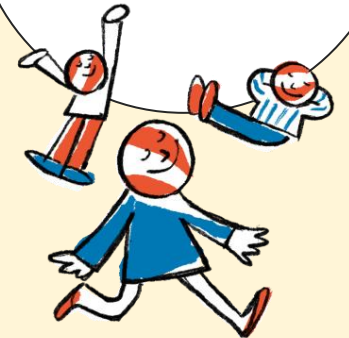
Create new market opportunities and build a business model

Weaving a path to the future



Build a model for creating sustainable economic value, contribute to a sustainable future

Further evolving the emergent organization



Continue to grow rapidly even in an environment characterized by dramatic change by remaining flexible and adaptable, promoting innovation and co-creation

Purpose

Vision

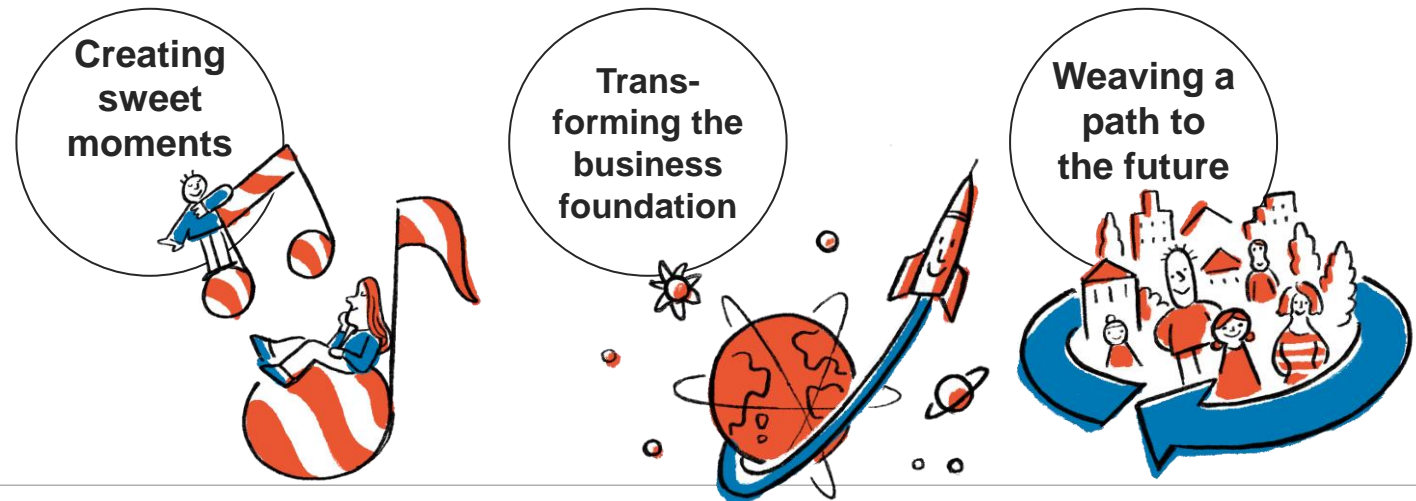
Value

Corporate culture

“ *Sweeten the Future* ”

Bringing smiles to people and society by continuing to create sweet moments

Three promises we make to our stakeholders, starting with our customers



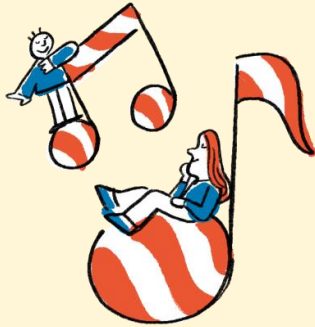
Further evolving the emergent organization

A hand is shown from the bottom, holding a small, glowing orange sphere between the thumb and index finger. The sphere has a bright highlight on its left side, giving it a three-dimensional appearance. The background is a soft, out-of-focus gradient of light blue and white, suggesting a sky or a bright indoor space.

4. Medium-term Corporate Strategy 2030

4-1. Outline of business strategy

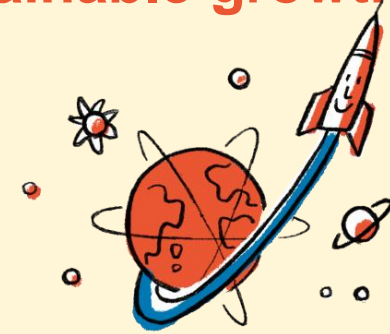
Achieve further growth, primarily in the domestic gummy business, and expand business domains and business models for sustainable growth



Creating sweet moments

— Sales and profit growth driven by the domestic gummy market —

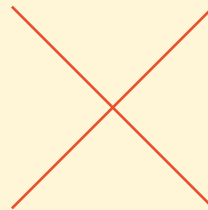
- 1 Achieve further growth in the domestic gummy business**
Aiming to further revitalize the market and expand market share by continuously introducing new products and expanding capacity
- 2 Strengthening product development and adding functionality to increase value, expanding the domestic hard candy and gummy business**



Transforming the business foundation

— Expansion of business domain and business model —

- 3 Global business expansion**
Expansion of exports, primarily to the US
Build a business foundation for full-scale expansion
- 4 Promotion of multi-channel and shift to DtoC**
Further expansion of HITOTUBU Digital business
Increase points of contact with customers and promote CX to create core fans





Strategic investment to support growth: Construction of new gummy line
(from two lines to three lines: production capacity will increase by about 50%)

Image of Asahi Plant after completion



Location	2216-1 Yanagikubo, Komi, Asahi-mura, Higashichikuma-gun, Nagano (on premises of Asahi Plant)
Plant area	Total area is 6,916.75 m ²
Capital expenditure	About JPY13.0 bn
Investment details	Expansion of building, construction of new gummy line, new automated warehouses, etc.
Production start date	July 2027 (scheduled)



Continue to create sweet moments for customers based on the brand in four areas of value provision

Rewards

Providing time for tiny luxuries

Reward yourself

Delicious snacks



Rewards

Relaxation



Relaxation

Provide mental release

Unwind and heal the mind

Relief from tension

Switch

Change one's mindset
Provide motivation

Find excitement

Refresh



Switch

Healthcare

Healthcare

Provide support for self-care

Take care of oneself

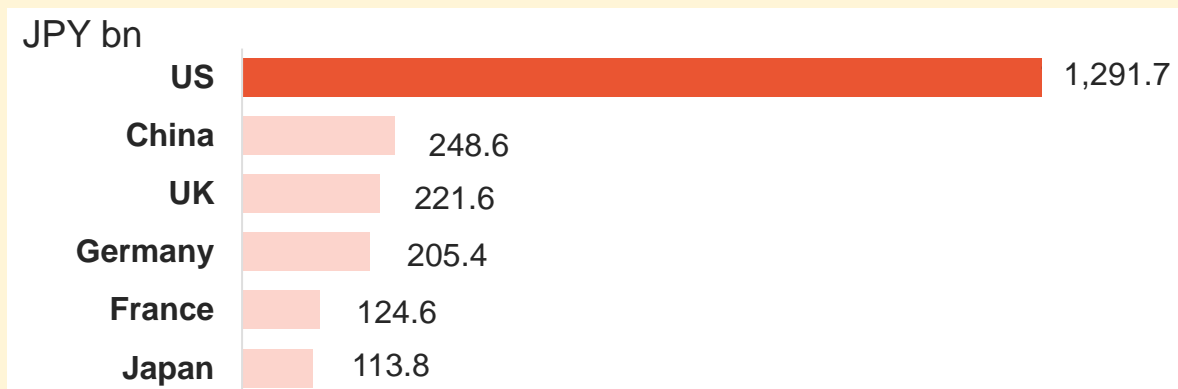
Align the mind and body



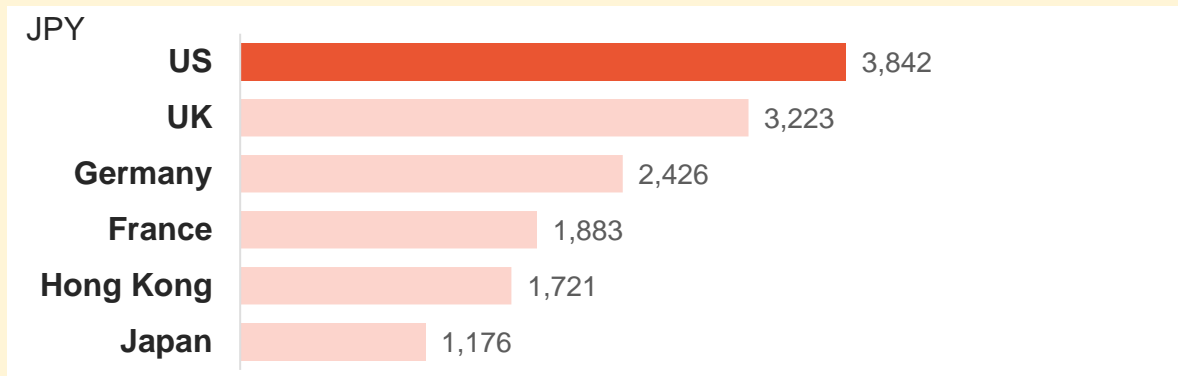
Areas of
value
provision

Full-scale entry into the US market, which has a large gummy market, and work to expand sales with *Puré Gummy*

Gummy (*) market size by country (2024)



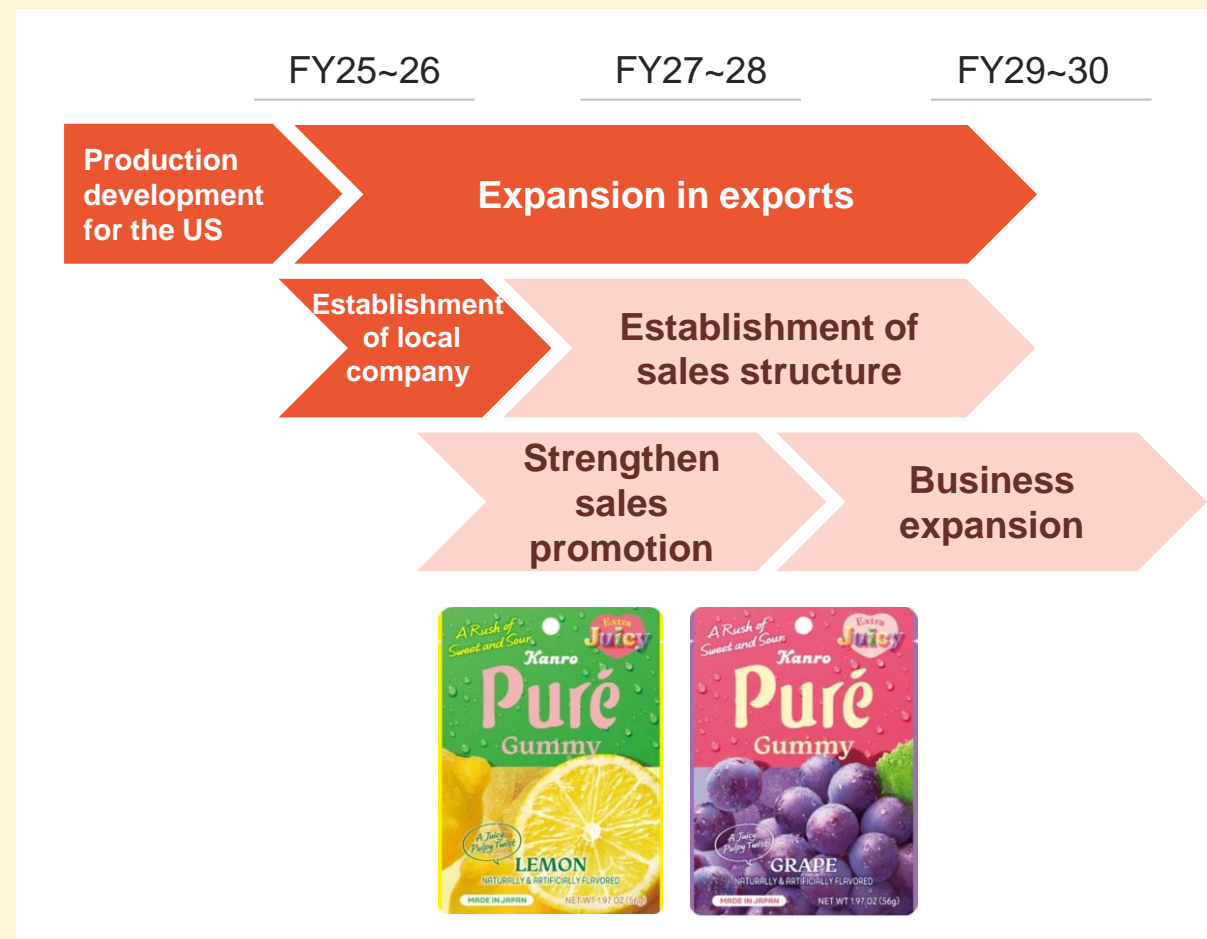
Per capita consumption of gummies (*) by country (2024)



(*) Pastilles, Gummies, Jellies, and Chews in the Sugar Confectionery category.

Source: Euromonitor International (average exchange rate in yen in 2024)

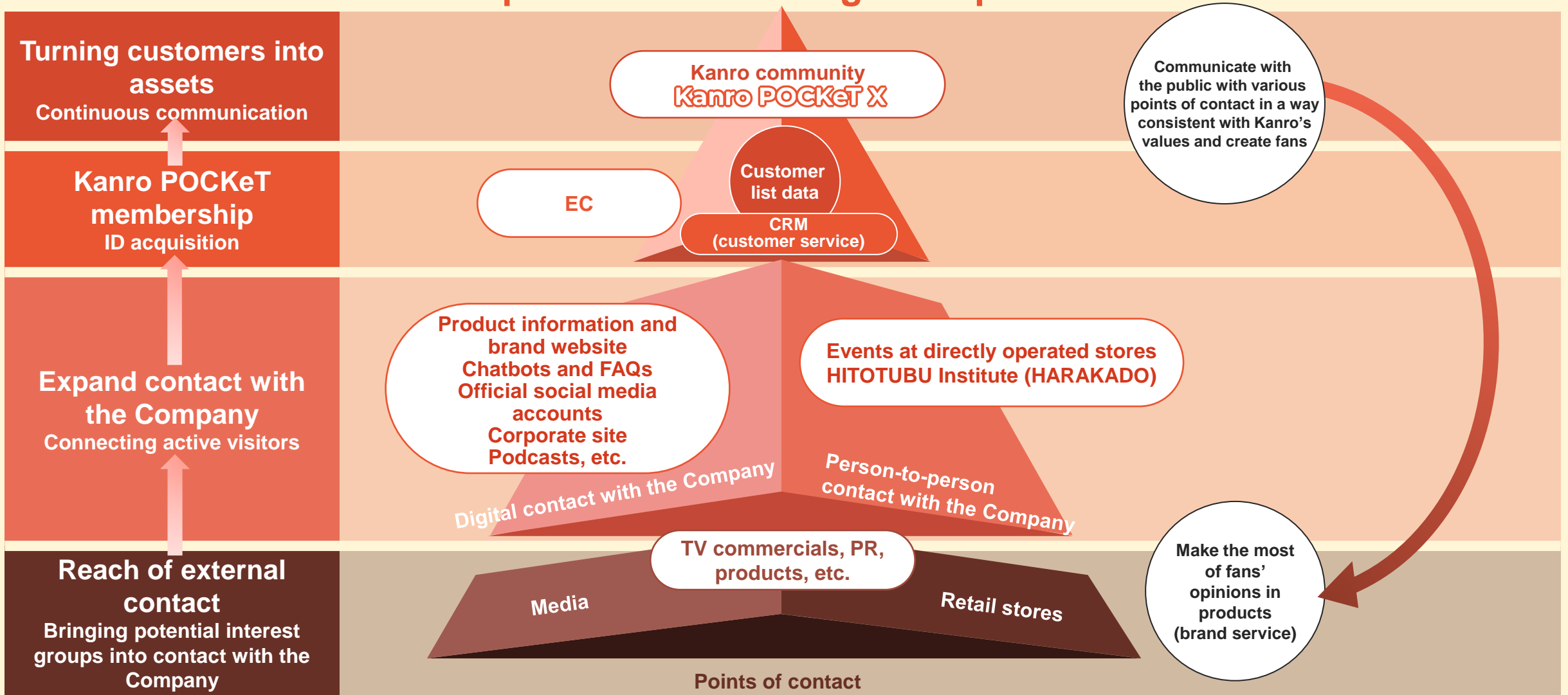
Gummy Market Size by Countries (2024) Japan only INTAGE Inc. SRI+.





Strengthening customer engagement

Promote CX to build up Kanro fans through comprehensive communication

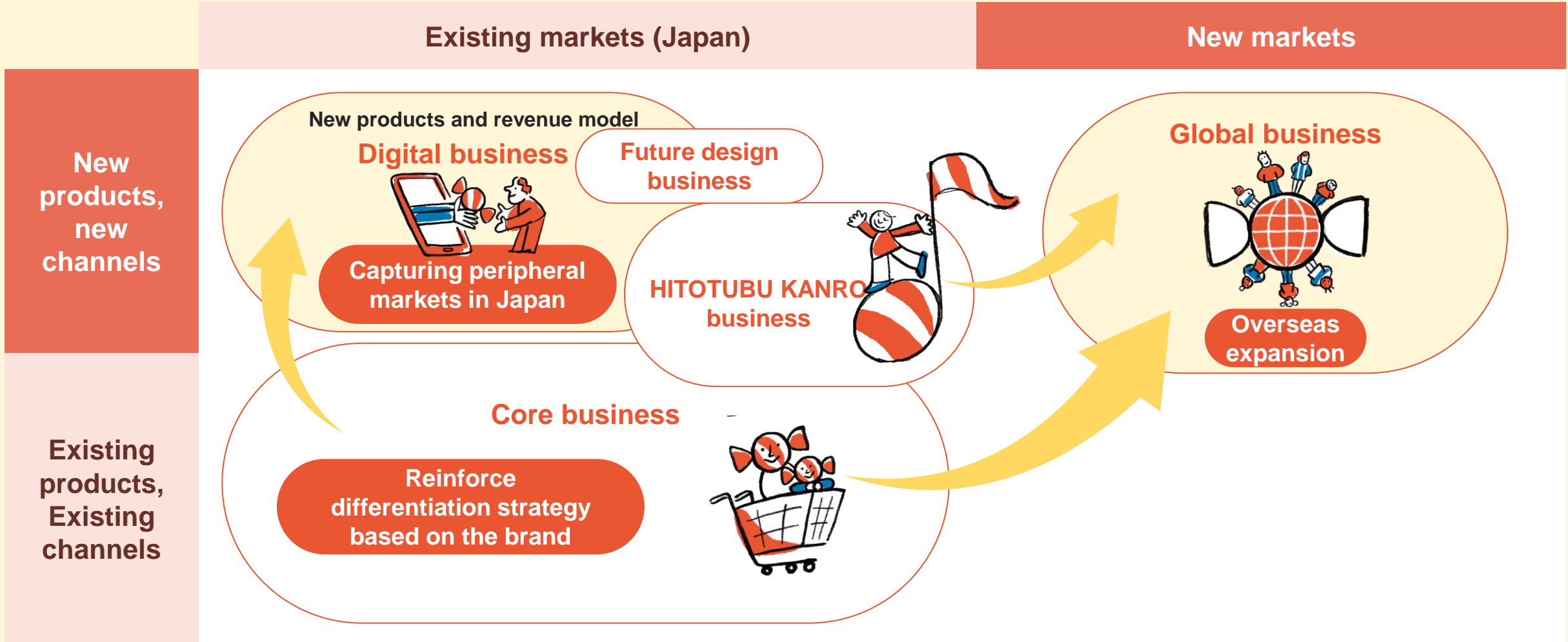


A close-up photograph of a hand holding a small, heart-shaped, yellow, crystalline object. The hand has red nail polish on the thumb. The background is a blurred, warm-toned bokeh.

4. Medium-term Corporate Strategy 2030

4-2. Business strategy

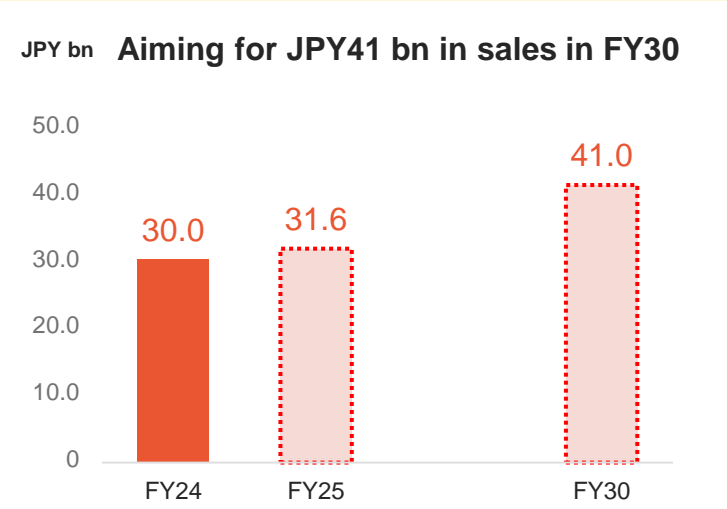
Transform the business foundation by expanding and deepening customer base to achieve Kanro Vision 2.0



Revitalize the domestic market and achieve solid No. 1 share of domestic sales amount for both hard candy and gummy



Quantitative targets (sales by business) Measures



KPI

	FY24	FY30 target
Kanro's share of hard candy	No. 1 19.4%	No. 1
Kanro's share of gummy	No. 2 15.9%	No. 1

1

Market revitalization through continuous introduction of high-value products

- Continue to develop and launch new products while strengthening existing brands to further revitalize the gummy market
- Develop products that make the most of our research and development capabilities so that we can continue to develop new products with unique flavors and textures that have high added value

2

Reinforcement of store-focused sales activities

- Establish a staffing structure with enhanced in-store activities and expand contact between new brands and customers
- Use information collected from storefronts as feedback to be used for product development

3

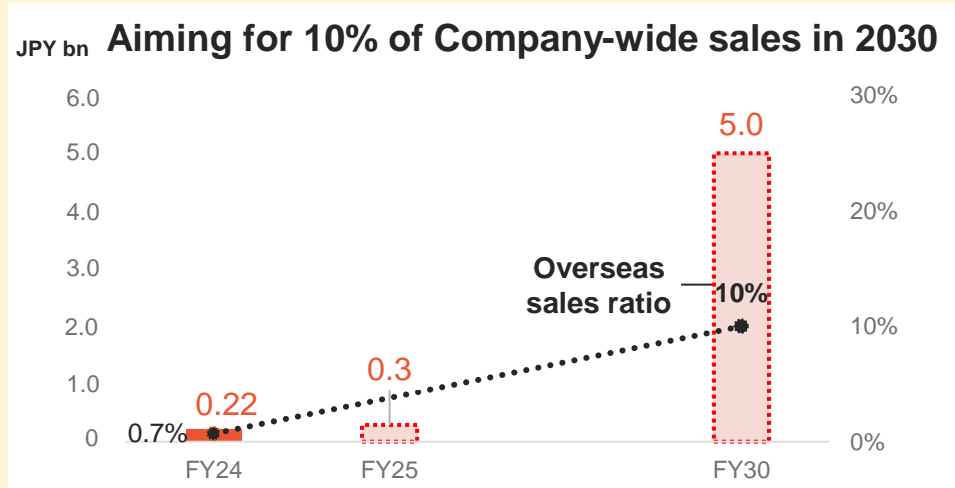
Promotion of DX for sales division

- Utilize SFA, RPA, and BI tools to strengthen management and promote operational efficiency, as well as strengthen proposal-based sales using digital tools

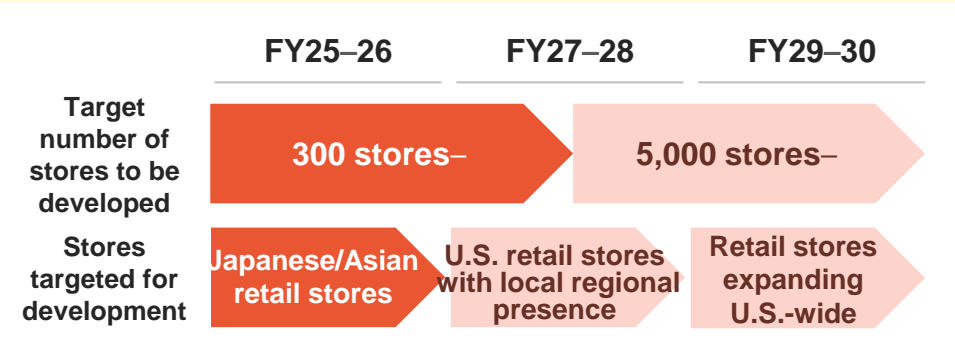


Establish a business foundation for further growth in the U.S. market, and aim for overseas sales to account for 10% of total company sales

Quantitative targets (Sales by business)



Roadmap



Measures

1
Expand exports with a focus on the U.S.

- Speed up entry into U.S. gummy market
- Develop products with same quality as domestic products
- First expand into western area

2
Build sales system in U.S.

- Establish a local subsidiary and promote sales activities
- Ramp up marketing activities aimed at raising brand awareness
- Initiate approaches to local distributors

3
Expand sales to China and Asia

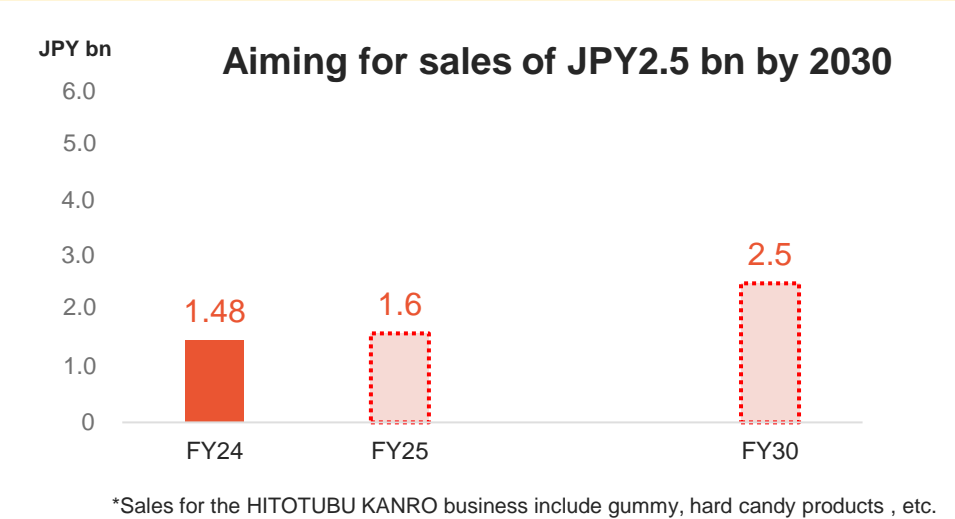
- Decide on a strategic brand to cultivate the Chinese market and take an intensive approach to its expansion
 - Enhance sales promotion activities to Taiwan, Hong Kong and other regions and raise brand recognition
- Aim for increase in sales

Strengthen customer contact in real-life situations and online, and expand the HITOTUBU KANRO business by nurturing the next generation of brands and enhancing services



Quantitative targets (sales by business)

Measures



KPI

	FY24 results	FY30 target
Total customers visiting stores	2.56 million customers	4.80 million customers
HITOTUBU KANRO brand recognition rate	15.4%	40%

1

Make the most of customer contacts to increase loyalty

- Attract more customers with high-value products such as *Gummi-tzel* and *Mofuwa*
- Work to raise recognition of the Kanro brand and customer loyalty through the consumer experience at HITOTUBU KANRO
- Strengthen collaboration between real stores and online stores and provide seamless service

2

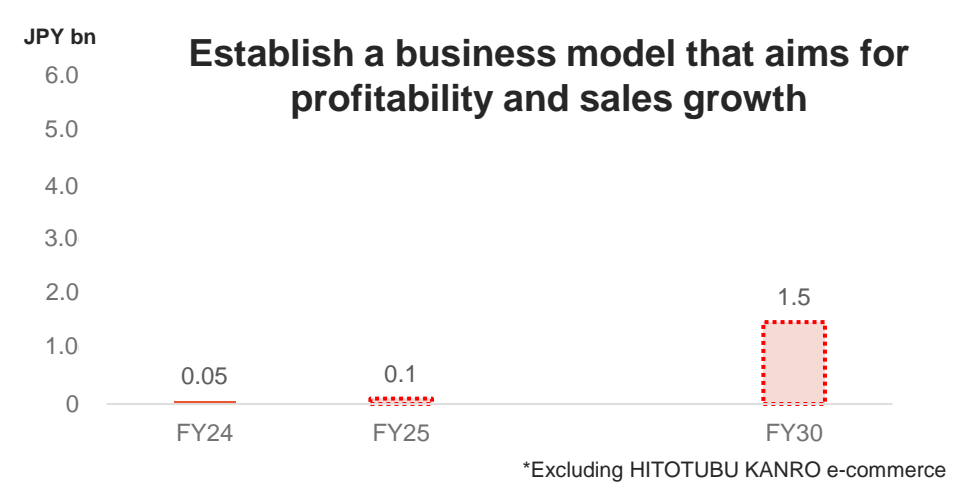
Cultivate the Kanro brand through differentiated products

- Aim for continuous growth through product development following up on *Gummi-tzel* and brand cultivation
- Improve Kanro’s brand image through the sale of differentiated products
- Reinforce HITOTUBU KANRO earth brand products from a sustainable perspective in conjunction with R&D

Create a new revenue model through the DtoC business
by building a platform for brand value enhancement



Quantitative targets (sales by business)



KPI

	FY24 results	FY30 target
No. of Kanro POCKeT members	0.24 million members	1.5 million members
Kanro POCKeT customer loyalty (NPS®) (*)	—	Compared with FY2024 score +10

Measures

1

Establishment of highly profitable business scheme

- Provide high-value products that are aligned with customers and new services such as subscriptions

2

Development of products specifically for e-commerce

- Plan and develop products and services that lead to improved experience values for existing product brands utilizing the business merits of DtoC

3

Improve CX through comprehensive CRM implementation

- Utilize KanroPOCKeT and integrate data for customers related to Kanro’s business activities
- Continue to implement comprehensive CRM marketing with a focus on the fan community KanroPOCKeTX (cross) and carry out loyalty marketing

A close-up photograph of a hand holding a small, red, heart-shaped ring. The ring is made of a textured material, possibly a fruit slice or a piece of candy. The hand is positioned in the lower right quadrant of the frame, with the thumb and index finger holding the ring. The background is a soft, out-of-focus gradient of light blue and white, suggesting a bright, airy environment. The overall mood is positive and symbolic, representing themes of love, care, and sustainability.

4. Medium-term Corporate Strategy 2030

4-3. Sustainability and management foundation



Contribute to a sustainable future for people and society by raising corporate value while also helping to solve social issues through business

Creating value through sweetness and contribute to society

Promote health and welfare

- Implement plans that lead to creating value through sweetness, in conjunction with sports events, community support activities, and education CSR

Consider food diversity

- Product development aimed at improving well-being

Mitigating environmental load through business

Reduce global warming gas emissions

- Encouragement to reduction of environmental impact throughout the supply chain
- ESG investments that lead to greenhouse gas reductions
- Expand use of recycled plastics to reduce waste plastics

Food safety and reliability

Product health and safety

- Implement a review of product design standards and reduce food loss

Responsible marketing and labeling

- Product design with universal design in mind

Promotion of human rights and diversity

Respect human rights

- Implement human rights due diligence

Utilize diverse human resources

- Implementation of measures to support balance
- Develop and secure digital human resources, global human resources, etc.

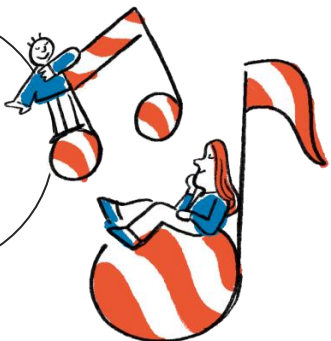




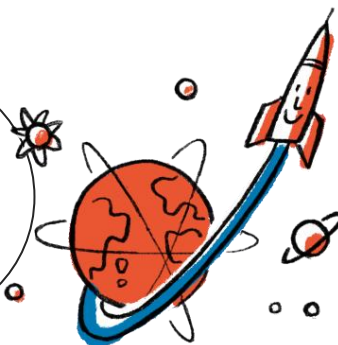
Implement measures to strengthen the management foundation and improve employee engagement to achieve “Kanro Vision 2.0”

Four values to achieve “Kanro Vision 2.0”

Creating
sweet
moments



Trans-
forming the
business
foundation



Weaving a
path to the
future



Further
evolving the
emergent
organization



Strengthening of management foundation for implementation of Medium-term Corporate Strategy 2030

- Execution of “**human resource strategy**” linked to management and business strategies
(Developing and securing human resources for the expansion of global business and digital business)
- Execution of “**DX strategy**” to promote S&OP and improve productivity and competitiveness
(Investment in management foundation such as DX)

Improvement in employee engagement

- Implementation of measures for purpose-driven practice
- Development of a personnel system that encourages challenge and growth
- Promoting autonomous workstyles in response to the diversification of workstyles and values
- Further promotion of diversity and inclusion



Indicators	Results during Medium-term Corporate Strategy 2024	2030 target
Activities to provide education on the value of sugar	Cumulative 9.39 million people	Cumulative 15 million people
Greenhouse gas emissions (Scope 1–3)	<u>Scope 1–2</u> 10,828 t-CO ₂	<u>Scope 1–2</u> 10,000 t-CO ₂
	<u>Scope 3</u> 87,308 t-CO ₂	<u>Scope 3</u> 110,000 t-CO ₂
Employee Engagement Score	51.9%	70% or higher





4. Medium-term Corporate Strategy 2030

4-4. Financial and capital strategies

Update 2030 financial targets (upward revisions)

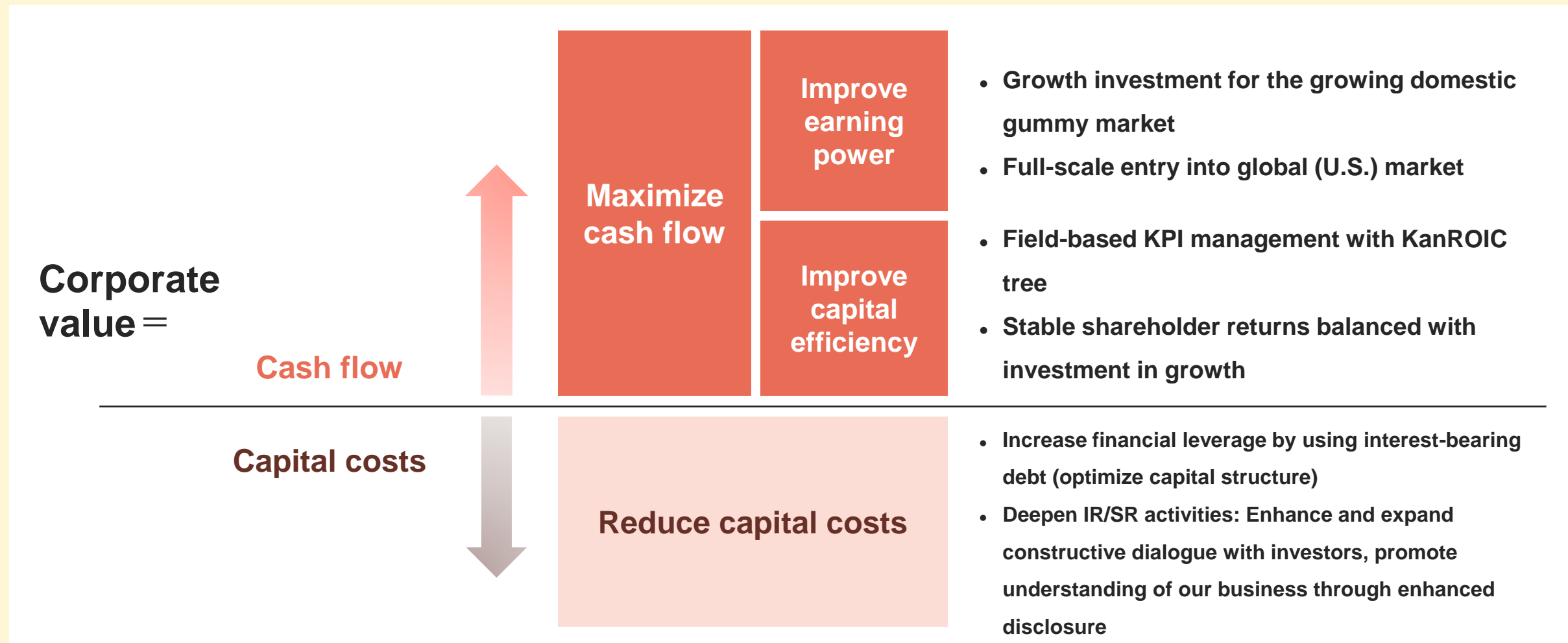


Indicators	2024 Actual	2025 Forecasts	2030 Target
Net sales	JPY31.7 bn	JPY33.6 bn	JPY50.0 bn or more (CAGR : 7.8% or higher)
Operating profit margin	13.5 %	12.9 %	13 % or higher
EBITDA ^(*)	JPY5.78 bn	—	JPY10.0 bn
ROIC	20.5 %	16.9 %	11 % or higher
ROE	20.8 %	18.2 %	15 % or higher

39 (*) Our EBITDA is defined as operating profit plus depreciation and amortization.

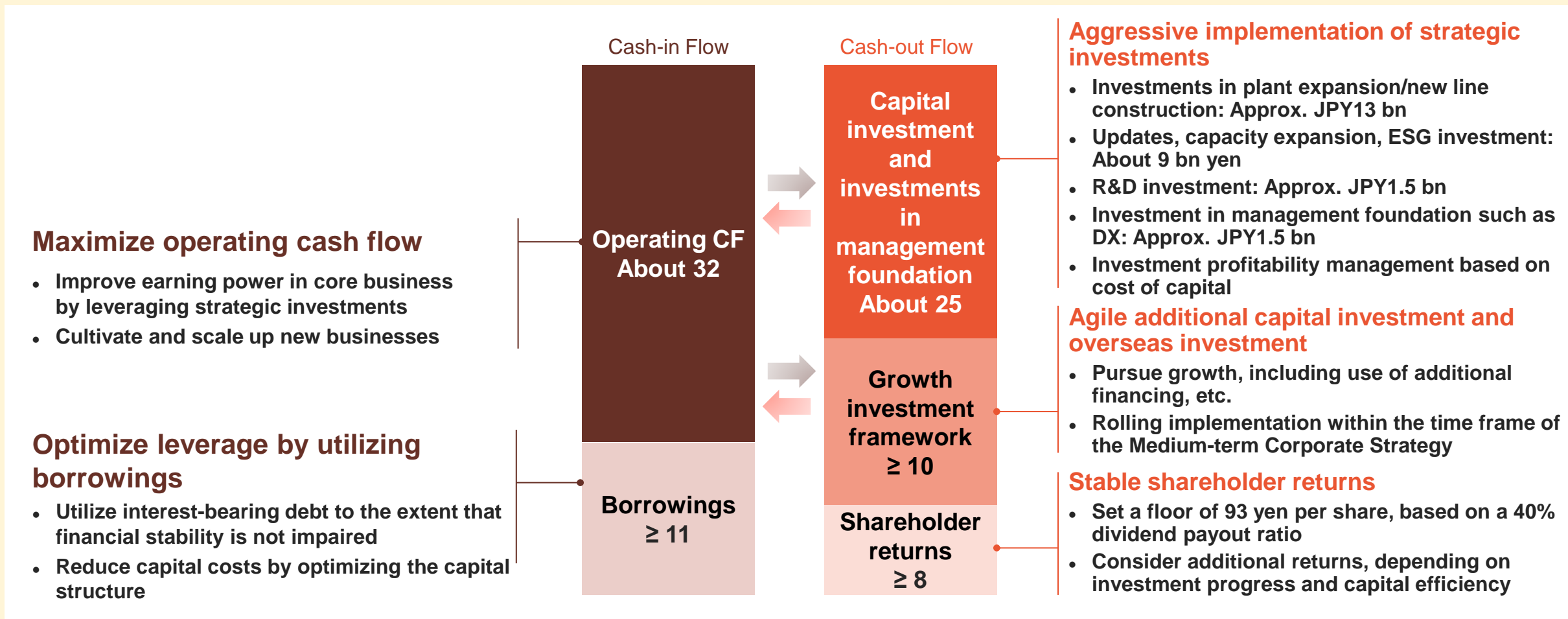
Drive growth investments with ROIC management and reduce capital costs through use of leverage and other means

Basic Policy for Enhancing Corporate Value

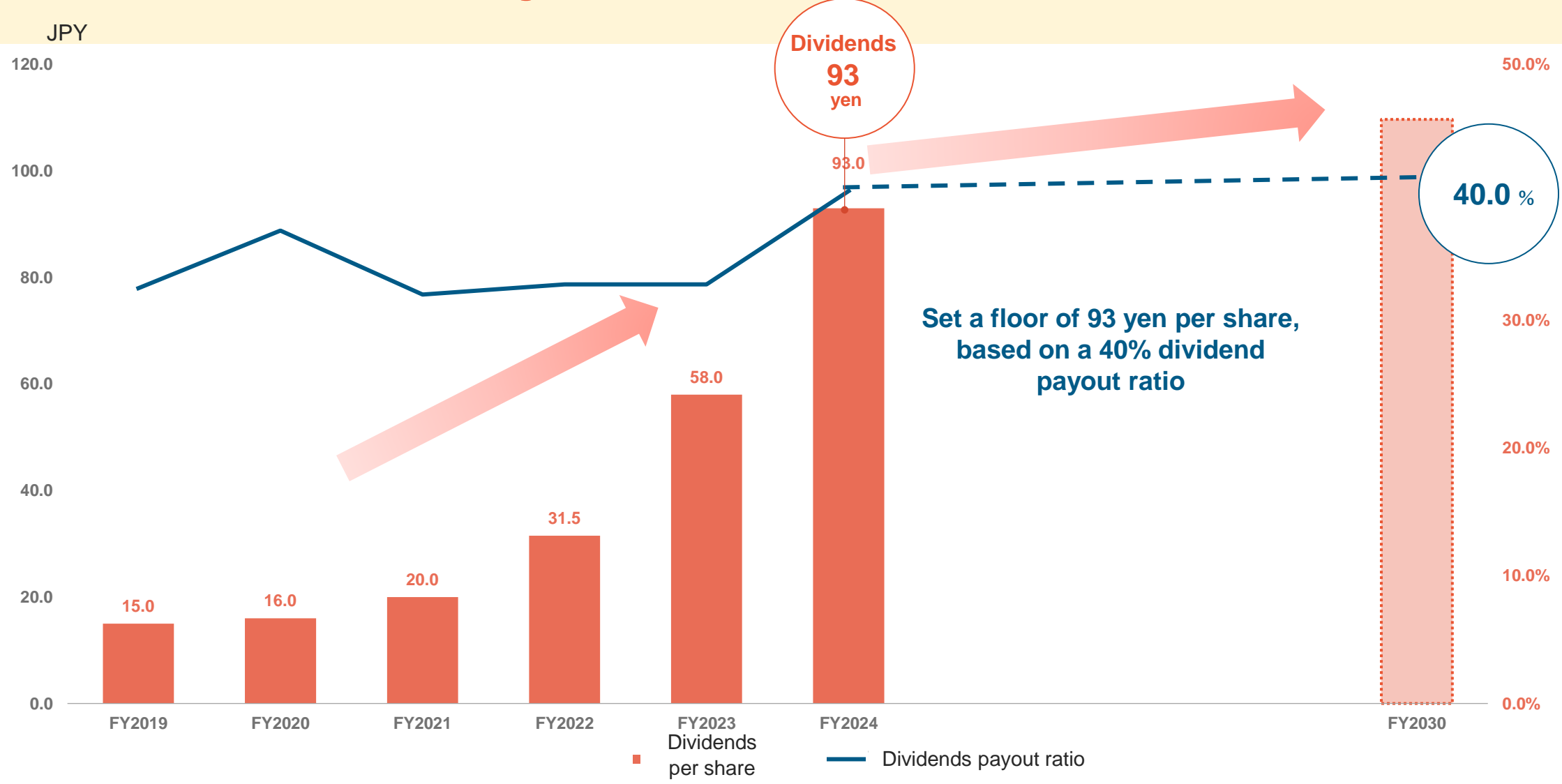


Maximize cash flow by establishing a new gummy line and taking other measures, and accelerate further growth investment

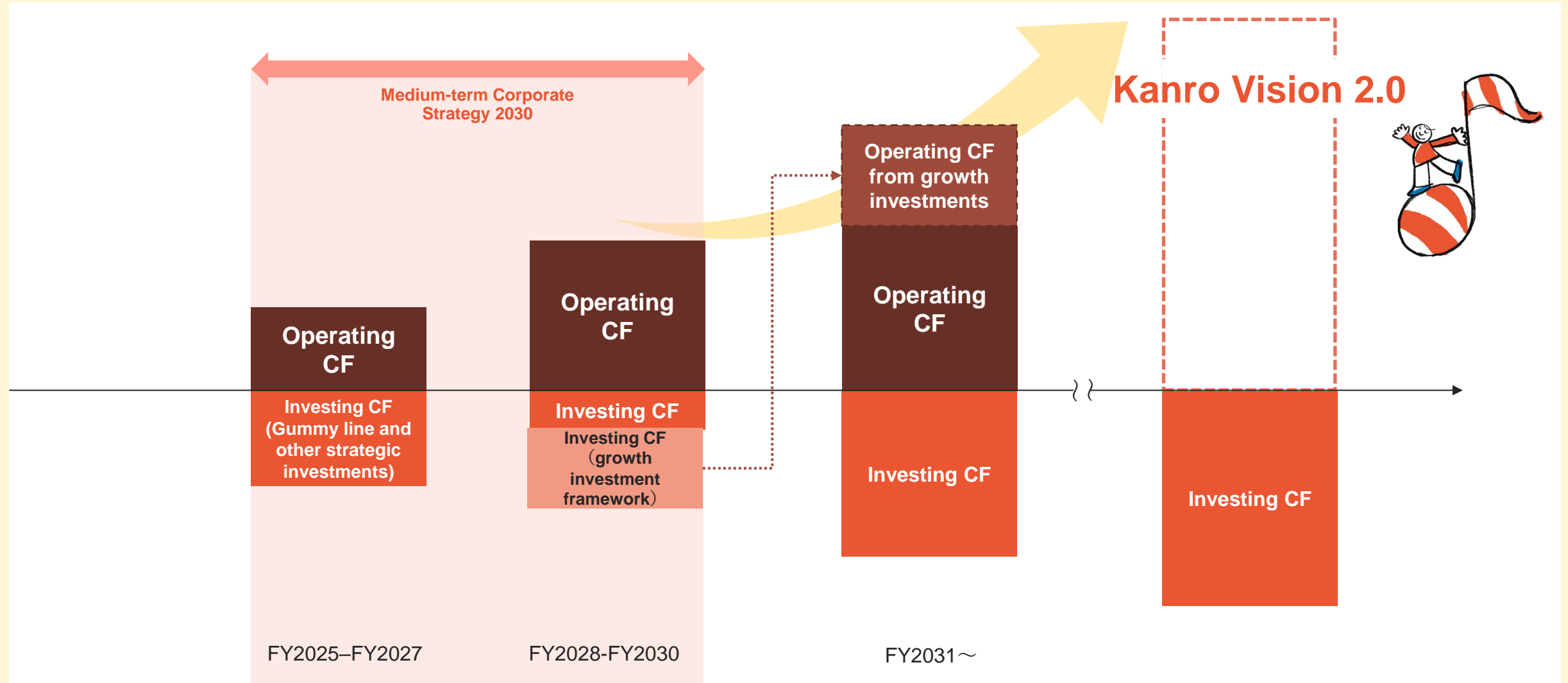
Cumulative cash flows for FY25–30 (Unit: JPY bn)



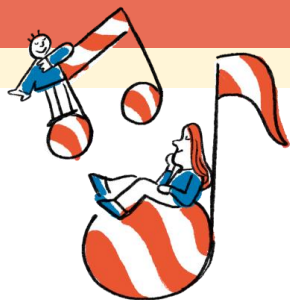
Grow operating cash flow to enable balance between growth and strategic investments and stable dividends



Pursue further growth, including discontinuous growth, to realize Kanro Vision 2.0 through the use of the growth investment framework



Summary of Key initiatives



Creating sweet moments

- Investments to promote innovation
Investment in plant expansion and new line construction, R&D investment
- Providing four customer-driven values
Rewards, Switch, Healthcare, Relaxation
- Promotion of brand-based management
(Higher Value x Higher Profitability Merchandise Ratio)



Transforming the business foundation

- Global business expansion
- Expansion of HITOTUBU KANRO business
- Establishment of highly profitable business scheme through EC
- Cultivation of Kanro fans and increase LTV through the fusion of real and digital contents



Weaving a path to the future

- Promotion of activities to disseminate correct knowledge of sugar
- Promotion of measures to mitigate environmental load
- Food safety and security
- Respect for human rights and promotion of diversity
- Build a sustainable model for creating economic value, contribute to a sustainable future



Further evolution of emergent organizations

- Purpose-driven practice
- Development of a personnel system that encourages challenge and growth
- Creation a rewarding work environment and promote operational efficiency



Financial indicators

2030 targets

Net sales	JPY50 bn or more (CAGR : 7.8% or higher)
Operating profit margin	13% or higher
EBITDA	JPY10 bn
ROIC	11% or higher
ROE	15% or higher

Non-financial indicators

2030 targets

Activities to provide education on the value of sugar	Cumulative 15 million people
Greenhouse gas emissions (Scope 1–3)	<u>Scope 1–2</u> 10,000 t-CO₂ <u>Scope 3</u> 110,000 t-CO₂
Employee engagement score	70% or higher