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May 10, 2022

Consolidated Financial Results for the Three Months Ended March 31, 2022 (Under Japanese GAAP)

Company name: Oeon Holdings, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 2533
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 Scheduled date to file quarterly securities report: May 10, 2022
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of the parent | |
|--------------------|-----------------|-------|------------------|-------|-----------------|-------|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Three months ended | | | | | | | | |
| March 31, 2022 | 17,472 | (0.9) | (138) | — | (112) | — | (144) | — |
| March 31, 2021 | 17,635 | 3.6 | 252 | 304.1 | 276 | 484.5 | 159 | — |

Note: Comprehensive income For the three months ended March 31, 2022: ¥(130) million [—%]
 For the three months ended March 31, 2021: ¥332 million [—%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Three months ended | Yen | Yen |
| March 31, 2022 | (2.42) | — |
| March 31, 2021 | 2.69 | — |

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio |
|-------------------|-----------------|-----------------|-----------------------|
| As of | Millions of yen | Millions of yen | % |
| March 31, 2022 | 50,714 | 21,478 | 38.4 |
| December 31, 2021 | 52,280 | 22,045 | 38.3 |

Reference: Equity
 As of March 31, 2022: ¥19,487 million
 As of December 31, 2021: ¥20,013 million

2. Cash dividends

| | Annual dividends per share | | | | |
|---|----------------------------|--------------------|-------------------|-----------------|-------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended December 31, 2021 | — | — | — | 7.00 | 7.00 |
| Fiscal year ending December 31, 2022 | — | | | | |
| Fiscal year ending December 31, 2022 (Forecast) | | — | — | 7.00 | 7.00 |

Note: Revisions to the forecast of cash dividends most recently announced: None

2. Financial Forecast for the Year Ending December 31, 2022

(from January 1, 2022 to December 31, 2022)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of the parent | | Basic earnings per share |
|----------------------------------|-----------------|-------|------------------|--------|-----------------|--------|---|--------|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Year ending December 31, 2022 | 77,500 | (1.4) | 300 | (75.1) | 300 | (76.3) | 100 | (66.6) | 1.68 |

Note: Revisions to the financial forecast for this period: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

| | |
|-------------------------|-------------------|
| As of March 31, 2022 | 65,586,196 shares |
| As of December 31, 2021 | 65,586,196 shares |

- (ii) Number of treasury shares at the end of the period

| | |
|-------------------------|------------------|
| As of March 31, 2022 | 6,153,439 shares |
| As of December 31, 2021 | 6,153,362 shares |

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

| | |
|-----------------------------------|-------------------|
| Three months ended March 31, 2022 | 59,432,776 shares |
| Three months ended March 31, 2021 | 59,433,658 shares |

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forecasts and future projections contained herein have been prepared on the basis of forecasts as of the date of announcement of this document. The assumptions and forecasts that form the basis of the plan are included in the stated information. Actual performance may differ substantially from forecasts for a variety of reasons.

Please refer to “(3) Explanation of Consolidated financial forecast and other forward-looking information” within “1. Qualitative information on quarterly financial results” on page 3 of the attachment to this document for cautionary statements concerning the conditions and performance forecasts that serve as the basis for these forecasts.

Content of Supplementary Materials

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Fiscal Year Ended December 31, 2022 Financial Summary

1. Qualitative information on quarterly financial results

(1) Operating performance analysis

During the first quarter of the fiscal year ending December 31, 2022, economic and social activity began to resume in Japan, as the population began adapting to life in the presence of COVID-19. On the other hand, the economic outlook remains uncertain due to the potential resurfacing of mutant strains, concerns about the slowdown of the Chinese economy, the escalation of tensions in the Ukraine and further increases in raw material prices.

In this operating environment, the Oenon Group continued to implement various measures based on the five pillars of its medium- to long-term management strategy, Long-Term Vision 100, to achieve sustainable growth of the Group and enhance its corporate value over the medium to long term.

As a result, in the first quarter of the fiscal year ending December 31, 2022 net sales amounted to ¥17,472 million (down 0.9% year on year). On the profit front, the Group recorded an operating loss of ¥138 million (operating income of ¥252 million in the same period of the preceding year) and an ordinary loss of ¥112 million (ordinary income of ¥276 million), due to sharply higher prices of ingredients: crude alcohol and corn. The loss attributable to owners of the parent was ¥144 million (profit attributable to owners of the parent of ¥159 million).

Segment performance is shown below.

Sales results

| Segment name | Item | First quarter of the fiscal year ending December 31, 2022 (January 1 to March 31, 2022) (Millions of yen) | YoY change (Previous period = 100%) | |
|-----------------------------|---------------------------|---|-------------------------------------|-------|
| Alcoholic beverages | Japanese alcohol products | <i>Shochu</i> | 7,995 | 95.1 |
| | | <i>Chu-hi</i> (RTD) | 2,866 | 110.1 |
| | | <i>Sake</i> | 785 | 101.7 |
| | | <i>Sake</i> compounds | 362 | 91.6 |
| | | Brewing and industrial alcohol for sale | 2,191 | 96.3 |
| | | <i>Mirin</i> (sweet <i>sake</i> for cooking) | 141 | 70.2 |
| | | 14,342 | 97.8 | |
| | Wine and spirits | 936 | 106.4 | |
| Others | 139 | 98.1 | | |
| | 15,418 | 98.3 | | |
| Starch for food processing | | 939 | 103.2 | |
| Enzymes and pharmaceuticals | | 1,002 | 106.4 | |
| Real estate | | 95 | 111.6 | |
| Others | | 16 | 104.3 | |
| Total | | 17,472 | 99.1 | |

(Alcoholic beverages)

In the alcoholic beverages segment, the market is struggling to expand and price competition is growing more intense, as the Japanese population is shrinking, the birth rate is falling, the population is aging, and the frequency of drinking outside the home is declining. The practice of drinking at home is becoming more entrenched, prompting an expansion of the market for *chu-hi* and other RTD products. We also experienced rapid growth in the market for ready-to-serve (RTS) products. These products, referred to as *chu-hi* base spirit, are easy to prepare and let consumers enjoy bar-like flavors from the comfort of their homes. However, restaurant sales of *shochu* and other products declined, as measures to prevent the spread of disease prompted businesses to refrain from serving alcoholic beverages. As a result, sales of alcoholic beverages amounted to ¥15,418 million (down 1.7% year on year). In this segment, the operating loss was ¥301 million (operating loss of ¥64 million in the same period of the previous year).

In the *shochu* category (within Japanese alcohol products), performance was favorable from *Hakata no Hana*, our *otsu*-type *shochu* series, but lower sales of store-brand products sapped category sales. In this same category, we ran a

collaboration between our *shiso shochu*, *Tantakatan*, and @everyday_debutori, a popular *manga* (comic) centered on social media, to publish an original *manga* on the official *Tantakatan* Twitter account. Through this commemorative campaign, we are seeking to enhance product recognition and win the brand new fans among a younger population.

For *chu-hi* and other RTD products, sales of store-brand products were favorable, increasing segment sales. As part of our social responsibility as a company that handles alcoholic beverages, in this category we are strengthening our efforts to promote proper drinking by, for example, starting to display on packages the amount of pure alcohol (g) contained in each of our own-brand products. At the same time, we are changing the font used for product package displays to a universal design font that is easy for all people to read and difficult to misread, and we are working to solve social issues through our business to achieve the objectives of the SDGs and realize a sustainable society.

In the *sake* category, the market remained sluggish, but category sales rose thanks to favorable performance by *Fukutokucho Kome Dake no Sutto Nomete Yasashii Osake*, *Junmaishu*, a *sake* in paper packs.

In brewing and industrial alcohol, sales of brewing alcohol increased, but sales fell for industrial alcohol, which is used in alcohol-based sterilizing liquid. As a result, category sales declined.

In wine and spirits, sales rose on the back of favorable demand for *Chu-hi Senka Lemon Sour no Moto* (an RTS product that allows consumers to just add carbonated water to enjoy a lemon sour), store-brand products and *WHISKY KOH-KUN*. In this same category, we released *Chu-hi Senka Zeitaku Lemon Sour no Moto*. This product, which is made with no added sugar and uses five carefully selected lemon ingredients, is for customers who want to enjoy a taste that is one rank above the rest.

(Starch for food processing)

In the starch for food processing segment, we revised selling prices in response to a sharp rise in the price of corn, a raw material. As a result, segment sales came to ¥939 million (up 3.2% year on year). Due to sharply higher raw material prices, however, we generated a segment operating loss of ¥68 million (operating income of ¥8 million in the same period of the previous year).

(Enzymes and pharmaceuticals)

Sales in the enzymes and pharmaceuticals segment were ¥1,002 million (up 6.4% year on year), due to favorable overseas sales in the enzymes category. However, operating income came to ¥171 million (down 32.9% year on year), due to higher cost of sales stemming from sharply higher ingredient and energy costs, as well as to the impact of the product mix.

(Real estate)

In the real estate segment, sales amounted to ¥95 million (up 11.6% year on year), and operating income was ¥53 million (up 8.2% year on year).

(2) Financial conditions analysis

As of March 31, 2022, total assets amounted to ¥50,714 million, down ¥1,566 million from December 31, 2021. The decline was due mainly to a decline in trade notes and accounts receivable, while property, plant and equipment increased.

Liabilities amounted to ¥29,236 million, down ¥998 million year on year. Short-term loans payable increased, but accrued liquor tax and trade notes and accounts payable decreased.

Net assets fell ¥567 million, to ¥21,478 million, mainly because of a decrease in retained earnings stemming from dividend payments.

(3) Explanation of Consolidated financial forecast and other forward-looking information

The full-year financial forecast remains unchanged from the figures announced on February 10, 2022.

2. Quarterly consolidated financial statements and notes
(1) Quarterly consolidated statement of financial position

(Millions of yen)

| | Fiscal year 2021 (As of Dec. 31, 2021) | First quarter of fiscal year 2022 (As of Mar. 31, 2022) |
|--|---|--|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 990 | 766 |
| Notes and accounts receivable–trade | 16,295 | 13,005 |
| Merchandise and finished goods | 5,710 | 6,538 |
| Work in process | 200 | 226 |
| Raw materials and supplies | 1,955 | 1,681 |
| Other | 463 | 604 |
| Allowance for doubtful accounts | (18) | (10) |
| Total current assets | 25,596 | 22,813 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 26,053 | 26,059 |
| Accumulated depreciation | (19,282) | (19,396) |
| Buildings and structures, net | 6,770 | 6,663 |
| Machinery, equipment and vehicles | 36,076 | 36,226 |
| Accumulated depreciation | (30,192) | (30,392) |
| Machinery, equipment and vehicles, net | 5,883 | 5,834 |
| Land | 9,620 | 9,620 |
| Construction in progress | 1,277 | 2,458 |
| Other | 1,857 | 1,832 |
| Accumulated depreciation | (1,646) | (1,633) |
| Other, net | 210 | 198 |
| Total property, plant and equipment | 23,763 | 24,775 |
| Intangible assets | | |
| Goodwill | 7 | 6 |
| Other | 291 | 395 |
| Total intangible assets | 298 | 402 |
| Investments and other assets | | |
| Investment securities | 1,404 | 1,456 |
| Deferred tax assets | 891 | 947 |
| Net defined benefit assets | 17 | 18 |
| Other | 313 | 307 |
| Allowance for doubtful accounts | (5) | (5) |
| Total investments and other assets | 2,622 | 2,723 |
| Total noncurrent assets | 26,684 | 27,901 |
| Total assets | 52,280 | 50,714 |

(Millions of yen)

| | Fiscal year 2021 (As of Dec. 31, 2021) | First quarter of fiscal year 2022 (As of Mar. 31, 2022) |
|---|---|--|
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable–trade | 4,699 | 3,785 |
| Electronically recorded obligations | 1,624 | 1,292 |
| Short-term loans payable | 3,700 | 8,425 |
| Accounts payable–other | 4,400 | 3,505 |
| Accrued liquor tax | 8,726 | 5,556 |
| Income taxes payable | 147 | 70 |
| Provision for bonuses | 60 | 321 |
| Provision for directors’ bonuses | 17 | 4 |
| Provision for shareholder benefit program | 18 | 18 |
| Notes payable–facilities | 159 | 34 |
| Electronically recorded obligations–facilities | 76 | 284 |
| Other | 1,720 | 1,170 |
| Total current liabilities | 25,350 | 24,470 |
| Noncurrent liabilities | | |
| Long-term deposits received | 3,140 | 3,002 |
| Deferred tax liabilities | 164 | 173 |
| Provision for directors’ stock benefits | 101 | 101 |
| Net defined benefit liabilities | 1,282 | 1,313 |
| Asset retirement obligation | 53 | 53 |
| Other | 142 | 121 |
| Total noncurrent liabilities | 4,884 | 4,766 |
| Total liabilities | 30,235 | 29,236 |
| NET ASSETS | | |
| Shareholders’ equity | | |
| Capital stock | 6,946 | 6,946 |
| Capital surplus | 5,601 | 5,601 |
| Retained earnings | 8,563 | 7,986 |
| Treasury stock | (1,578) | (1,578) |
| Total shareholders’ equity | 19,532 | 18,956 |
| Total accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 354 | 388 |
| Deferred gains on hedges | 53 | 72 |
| Remeasurements of defined benefit plans | 71 | 70 |
| Total accumulated other comprehensive income | 480 | 530 |
| Non-controlling interests | 2,032 | 1,990 |
| Total net assets | 22,045 | 21,478 |
| Total liabilities and net assets | 52,280 | 50,714 |

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

Quarterly consolidated statement of income

First quarter of the fiscal year

(Millions of yen)

| | First quarter of fiscal year 2021 (Jan. 1, 2021–Mar. 31, 2021) | First quarter of fiscal year 2022 (Jan. 1, 2022–Mar. 31, 2022) |
|--|--|--|
| Net Sales | 17,635 | 17,472 |
| Cost of sales | 14,667 | 15,164 |
| Gross profit | 2,967 | 2,307 |
| Selling, general and administrative expenses | 2,715 | 2,446 |
| Operating income (loss) | 252 | (138) |
| Nonoperating income | | |
| Interest income | 0 | 0 |
| Dividend income | 6 | 6 |
| Rent income | 18 | 16 |
| Foreign exchange gains | 10 | 16 |
| Miscellaneous income | 12 | 14 |
| Total nonoperating income | 46 | 53 |
| Nonoperating expenses | | |
| Interest expenses | 13 | 16 |
| Shutdown expenses | 6 | 6 |
| Miscellaneous losses | 3 | 4 |
| Total nonoperating expenses | 23 | 27 |
| Ordinary income (loss) | 276 | (112) |
| Extraordinary income | | |
| Other | 0 | - |
| Total extraordinary income | 0 | - |
| Extraordinary loss | | |
| Loss on retirement of noncurrent assets | 27 | 14 |
| Loss on recalling of products | - | 82 |
| Other | 6 | 0 |
| Total extraordinary loss | 33 | 97 |
| Income (loss) before income taxes and minority interests | 242 | (209) |
| Income taxes | 79 | (29) |
| Profit (loss) | 162 | (180) |
| Profit (loss) attributable to non-controlling interests | 3 | (36) |
| Profit (loss) attributable to owners of the parent | 159 | (144) |

Quarterly consolidated statement of comprehensive income
 First quarter of the fiscal year

(Millions of yen)

| | First quarter of fiscal year 2021 (Jan. 1, 2021–Mar. 31, 2021) | First quarter of fiscal year 2022 (Jan. 1, 2022–Mar. 31, 2022) |
|---|--|--|
| Profit (loss) | 162 | (180) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 97 | 34 |
| Deferred gains or losses on hedges | 74 | 17 |
| Remeasurements of defined benefit plans | (2) | (1) |
| Total other comprehensive income | 169 | 50 |
| Comprehensive income | 332 | (130) |
| Comprehensive income attributable to | | |
| Comprehensive income (loss) attributable to owners of the parent | 329 | (93) |
| Comprehensive income (loss) attributable to non-controlling interests | 3 | (36) |

(3) Notes to the quarterly consolidated financial statements

(Notes related to the going concern assumption)

Not applicable

(Notes in the event of significant changes in shareholders' equity)

Not applicable

(Changes in accounting methods)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Group applied the "Accounting Standard for Revenue Recognition, etc." (ASBJ Statement No. 29, March 31, 2020, hereinafter the "Accounting Standard for Revenue Recognition") from the beginning of the first quarter under review. Accordingly, revenue is recognized when control of promised goods or services is transferred to the customer in the amount expected to be received in exchange for those goods or services. As a result, from the first quarter under review certain expenses previously recorded as selling, general and administrative (SG&A) expenses are now being deducted from sales as consideration paid to customers. In addition, the Company changed the method of recognizing revenue from export transactions, in which revenue was mainly recognized at the time of shipment, to recognizing revenue when goods or services are transferred to the customer and the performance obligation is satisfied.

The application of Accounting Standard for Revenue Recognition, etc. is in accordance with the transitional treatment stipulated in the provisions of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospective application of new accounting policies prior to the beginning of the first quarter under review is added to or subtracted from retained earnings in the beginning of the first quarter under review, and the new accounting policies are applied from that beginning balance.

This application caused a ¥62 million decrease in net sales in the first quarter of the fiscal year ending December 31, 2022, while cost of sales increased ¥3 million, and SG&A expenses declined by ¥65 million. However, operating income, ordinary income and income before income taxes and minority interests were unaffected. The beginning balance of retained earnings decreased ¥13 million.

In accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Statements" (ASBJ Statement No. 12, March 31, 2020), the Company has not broken down revenue generated from customers for the first quarter of the previous fiscal year.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Group has applied the "Accounting Standard for Fair Value Measurement, etc." (ASBJ Statement No. 30, July 4, 2019, hereinafter, the "Accounting Standard for Fair Value Measurement") from the beginning of the first quarter under review. In accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Accounting Standard for Fair Value Measurement is applied prospectively. This application has no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

Segment information

I. First quarter of fiscal year 2021 (January 1 to March 31, 2021)

1. Information on sales and profit or loss by reportable segment

(Millions of yen)

| | Reportable segment | | | | | Others (Note) 1 | Reconciliations (Note) 2 | Amount stated in the quarterly consolidated statement of income (Note) 3 |
|-------------------------------------|------------------------|----------------------------------|--------------------------------|-------------|--------|--------------------|-----------------------------|--|
| | Alcoholic beverages | Starch for food processing | Enzymes and pharmaceuticals | Real estate | Total | | | |
| Sales | | | | | | | | |
| Sales to external customers | 15,681 | 909 | 942 | 85 | 17,619 | 16 | — | 17,635 |
| Inter-segment sales or transfers | 0 | — | — | — | 0 | — | (0) | — |
| Total | 15,682 | 909 | 942 | 85 | 17,620 | 16 | (0) | 17,635 |
| Segment profit (loss) | (64) | 8 | 256 | 49 | 249 | 2 | — | 252 |

(Note) 1. The “others” category includes business that is not included in the reportable segments, such as warehousing and cargo handling.

2. Reconciliations are to eliminate intersegment transactions.

3. Segment profits or losses are adjusted in operating income in the quarterly consolidated statement of income.

II. First quarter of fiscal year 2022 (January 1 to March 31, 2022)

1. Information on sales and profit or loss by reportable segment

(Millions of yen)

| | Reportable segment | | | | | Others (Note) 1 | Reconciliations (Note) 2 | Amount stated in the quarterly consolidated statement of income (Note) 3 |
|-------------------------------------|------------------------|----------------------------------|--------------------------------|-------------|--------|--------------------|-----------------------------|--|
| | Alcoholic beverages | Starch for food processing | Enzymes and pharmaceuticals | Real estate | Total | | | |
| Sales | | | | | | | | |
| Sales to external customers | 15,418 | 939 | 1,002 | 95 | 17,455 | 16 | — | 17,472 |
| Inter-segment sales or transfers | 0 | — | — | — | 0 | — | (0) | — |
| Total | 15,419 | 939 | 1,002 | 95 | 17,455 | 16 | (0) | 17,472 |
| Segment profit (loss) | (301) | (68) | 171 | 53 | (144) | 6 | — | (138) |

(Note) 1. The “others” category includes business that is not included in the reportable segments, such as warehousing and cargo handling.

2. Reconciliations are to eliminate intersegment transactions.

3. Segment profits or losses are adjusted in operating income in the quarterly consolidated statement of income.

2. Items related to changes in reportable segments

As is described in the changes in accounting methods, the Group has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter under review, which changes the accounting method related to revenue recognition. The method of accounting for segment profits or losses has been revised accordingly.

As a result of this change, sales in the alcoholic beverages segment were ¥48 million lower in the first quarter of the fiscal year ending December 31, 2022 than they would have been under the previous accounting standard. Similarly, sales in the starch for food processing segment was ¥13 million lower. Segment income was not affected.



First Quarter of the Fiscal Year Ending December 31, 2022 Financial Summary

1. Consolidated Statements of Income
2. Sales Results by Segment
3. Profit Breakdown
4. Consolidated Balance Sheets
5. Consolidated Performance Forecast for FY2022
6. Sales Forecast for FY2022

DENON Holdings, Inc.

May 10, 2022

1. Consolidated Statements of Income

(Millions of yen)

| | First quarter of fiscal year 2021 <small>(Jan. 1, 2021–Mar. 31, 2021)</small> | First quarter of fiscal year 2022 <small>(Jan. 1, 2022–Mar. 31, 2022)</small> | Change | Percentage change (%) |
|---|---|---|--------|--------------------------|
| Alcoholic beverages | 15,681 | 15,418 | (263) | 98.3 |
| Starch for food processing | 909 | 939 | 29 | 103.2 |
| Enzymes and pharmaceuticals | 942 | 1,002 | 59 | 106.4 |
| Real estate and others | 101 | 112 | 10 | 110.4 |
| Net sales | 17,635 | 17,472 | (163) | 99.1 |
| Cost of sales | 14,667 | 15,164 | 497 | 103.4 |
| Gross profit | 2,967 | 2,307 | (660) | 77.8 |
| Selling, general and administrative expenses | 2,715 | 2,446 | (269) | 90.1 |
| Alcoholic beverages | (64) | (301) | (237) | — |
| Starch for food processing | 8 | (68) | (77) | — |
| Enzymes and pharmaceuticals | 256 | 171 | (84) | 67.1 |
| Real estate and Others | 51 | 59 | 7 | 114.0 |
| Operating income (loss) | 252 | (138) | (391) | — |
| Nonoperating income | 46 | 53 | 6 | 114.7 |
| Nonoperating expenses | 23 | 27 | 4 | 119.1 |
| Ordinary income (loss) | 276 | (112) | (388) | — |
| Extraordinary income | 0 | — | (0) | — |
| Extraordinary loss | 33 | 97 | 63 | 287.9 |
| Income (loss) before income taxes | 242 | (209) | (452) | — |
| Income, residential and enterprise taxes | 79 | (29) | (108) | — |
| Profit (loss) | 162 | (180) | (343) | — |
| Profit (loss) attributable to non-controlling interests | 3 | (36) | (39) | — |
| Profit (loss) attributable to owners of the parent | 159 | (144) | (303) | — |
| Profit (loss) per share (Yen) | 2.69 | (2.42) | (5.11) | — |

Note: The Oenon Group applied the Accounting Standard for Revenue Recognition, etc. (ASBJ Statement No. 29) from the beginning of fiscal 2022. Accordingly, the consolidated performance indicated above (for the first quarter of fiscal year 2022) indicates amounts after the application of the relevant accounting standards. Application of this standard has only a slight impact on sales. (Sales in the alcoholic beverages segment were ¥48 million lower and sales in the starch for food processing segment was ¥13 million lower.)

2. Sales Results by Segment

(Millions of yen)

| | First quarter of fiscal year 2021 (Jan. 1, 2021–Mar. 31, 2021) | First quarter of fiscal year 2022 (Jan. 1, 2022–Mar. 31, 2022) | Change | Percentage change (%) |
|--|--|--|--------------|--------------------------|
| <i>Shochu</i> | 8,411 | 7,995 | (416) | 95.1 |
| (<i>Kou</i> -type <i>shochu</i>) | 2,922 | 2,698 | (223) | 92.3 |
| (<i>Otsu</i> -type <i>shochu</i>) | 5,488 | 5,296 | (192) | 96.5 |
| <i>Chu-hi</i> (RTD) | 2,603 | 2,866 | 263 | 110.1 |
| <i>Sake</i> | 772 | 785 | 12 | 101.7 |
| <i>Sake</i> compounds | 395 | 362 | (33) | 91.6 |
| Brewing and industrial alcohol for sale | 2,275 | 2,191 | (84) | 96.3 |
| <i>Mirin</i> (sweet <i>sake</i> for cooking) | 201 | 141 | (60) | 70.2 |
| Wine and spirits | 879 | 936 | 56 | 106.4 |
| Others | 142 | 139 | (2) | 98.1 |
| Total of alcoholic beverages | 15,681 | 15,418 | (263) | 98.3 |
| Starch for food processing | 909 | 939 | 29 | 103.2 |
| Enzymes and pharmaceuticals | 942 | 1,002 | 59 | 106.4 |
| Real estate | 85 | 95 | 9 | 111.6 |
| Others | 16 | 16 | 0 | 104.3 |
| Total | 17,635 | 17,472 | (163) | 99.1 |

3. Profit Breakdown

(Millions of yen)

| | Increase (Decrease) | Remarks |
|--|------------------------|--|
| Alcoholic beverages | (237) | Decrease in gross profit due to lower sales: (30) Higher ingredient costs, due to increased materials costs: (600) Increase in electrical power cost and other production-related costs: (30) Lower SG&A expenses, including sales promotion expenses: 230 Impact of changes in the product mix: 193 |
| Starch for food processing | (77) | Rises in ingredient prices (corn) |
| Enzymes and pharmaceuticals | (84) | Higher ingredient costs, due to increased materials costs and changes in the product mix |
| Real estate and others | 7 | |
| Operating income | (391) | |
| Nonoperating income | 6 | |
| Nonoperating expenses | (4) | |
| Ordinary income | (388) | |
| Extraordinary income | (0) | |
| Extraordinary loss | (63) | Increase in loss on recalling of products |
| Income before income taxes | (452) | |
| Income, residential and enterprise taxes | 108 | |
| Profit | (343) | |
| Profit attributable to non-controlling interests | 39 | |
| Profit attributable to owners of the parent | (303) | |

4. Consolidated Balance Sheets

(Millions of yen)

| | Fiscal year 2021 (As of Dec. 31, 2021) | First quarter of fiscal year 2022 (As of Mar. 31, 2022) | Change | Percentage change (%) | Remarks |
|------------------------------------|---|---|---------|--------------------------|---|
| (Assets) | | | | | |
| Cash and deposits | 990 | 766 | (224) | 77.4 | |
| Notes and accounts receivable | 16,295 | 13,005 | (3,289) | 79.8 | Lower sales due to seasonal factors |
| Inventories | 7,866 | 8,446 | 579 | 107.4 | |
| Other current assets | 463 | 604 | 141 | 130.6 | |
| Allowance for doubtful accounts | (18) | (10) | 8 | — | |
| Total current assets | 25,596 | 22,813 | (2,783) | 89.1 | |
| Buildings | 5,064 | 4,983 | (81) | 98.4 | |
| Land | 9,620 | 9,620 | — | 100.0 | |
| Other tangible fixed assets | 9,077 | 10,171 | 1,093 | 112.0 | Increase in construction in progress to develop the Ginza building site |
| Total tangible fixed assets | 23,763 | 24,775 | 1,012 | 104.3 | |
| Intangible fixed assets | 298 | 402 | 103 | 134.6 | |
| Investment securities | 1,404 | 1,456 | 51 | 103.7 | |
| Long-term prepaid expenses | 105 | 99 | (5) | 94.5 | |
| Deferred tax assets | 891 | 947 | 55 | 106.2 | |
| Other investments and other assets | 225 | 225 | 0 | 100.2 | |
| Allowance for doubtful accounts | (5) | (5) | — | — | |
| Total investments and other assets | 2,622 | 2,723 | 101 | 103.9 | |
| Total fixed assets | 26,684 | 27,901 | 1,216 | 104.6 | |
| Total assets | 52,280 | 50,714 | (1,566) | 97.0 | |

(Millions of yen)

| | Fiscal year 2021 (As of Dec. 31, 2021) | First quarter of fiscal year 2022 (As of Mar. 31, 2022) | Change | Percentage change (%) | Remarks |
|---|---|---|---------|--------------------------|---|
| (Liabilities) | | | | | |
| Notes and accounts payable | 6,324 | 5,078 | (1,246) | 80.3 | |
| Short-term debt | 3,700 | 8,425 | 4,725 | 227.7 | |
| Other payables | 4,400 | 3,505 | (894) | 79.7 | Decrease in construction costs to develop the Ginza building site |
| Accrued liquor tax | 8,726 | 5,556 | (3,169) | 63.7 | Lower sales due to seasonal factors |
| Other current liabilities | 2,199 | 1,904 | (294) | 86.6 | Decreases in accrued consumption taxes and income taxes payable |
| Total current liabilities | 25,350 | 24,470 | (880) | 96.5 | |
| Other long-term liabilities | 4,884 | 4,766 | (118) | 97.6 | |
| Total long-term liabilities | 4,884 | 4,766 | (118) | 97.6 | |
| Total liabilities | 30,235 | 29,236 | (998) | 96.7 | |
| (Net assets) | | | | | |
| Common stock | 6,946 | 6,946 | — | 100.0 | |
| Capital surplus | 5,601 | 5,601 | 0 | 100.0 | |
| Retained earnings | 8,563 | 7,986 | (577) | 93.3 | |
| Treasury stock | (1,578) | (1,578) | (0) | — | |
| Total shareholders' equity | 19,532 | 18,956 | (576) | 97.0 | |
| Valuation difference of other securities | 354 | 388 | 34 | 109.6 | |
| Deferred hedging gains (losses) | 53 | 72 | 18 | 134.0 | |
| Cumulative adjustments related to retirement benefits | 71 | 70 | (1) | 97.4 | |
| Cumulative other comprehensive income | 480 | 530 | 50 | 110.5 | |
| Non-controlling interests | 2,032 | 1,990 | (41) | 98.0 | |
| Total net assets | 22,045 | 21,478 | (567) | 97.4 | |
| Total liabilities and net assets | 52,280 | 50,714 | (1,566) | 97.0 | |
| Equity ratio (%) | 38.3 | 38.4 | 0.1 | | |

5. Consolidated Performance Forecast for FY2022

(Millions of yen)

| | Fiscal year 2021 (Jan. 1, 2021–Dec. 31, 2021) | Fiscal year 2022 (Jan. 1, 2022–Dec. 31, 2022) | Change | Percentage change (%) |
|--|--|--|---------|--------------------------|
| Alcoholic beverages | 71,099 | 69,482 | (1,616) | 97.7 |
| Starch for food processing | 3,810 | 4,194 | 384 | 110.1 |
| Enzymes and pharmaceuticals | 3,277 | 3,289 | 11 | 100.4 |
| Real estate and others | 431 | 533 | 102 | 123.6 |
| Net sales | 78,618 | 77,500 | (1,118) | 98.6 |
| Cost of sales | 65,967 | 65,890 | (76) | 99.9 |
| Gross profit | 12,651 | 11,609 | (1,042) | 91.8 |
| Selling, general and administrative expenses | 11,444 | 11,309 | (135) | 98.8 |
| Alcoholic beverages | 499 | (348) | (848) | — |
| Starch for food processing | (59) | (103) | (44) | — |
| Enzymes and pharmaceuticals | 566 | 502 | (64) | 88.7 |
| Real estate and others | 200 | 249 | 49 | 124.4 |
| Operating income | 1,207 | 300 | (907) | 24.9 |
| Nonoperating income (expenses) | 60 | 0 | (60) | — |
| Ordinary income | 1,267 | 300 | (967) | 23.7 |
| Extraordinary income (loss) | (802) | (200) | 602 | — |
| Income before income taxes | 464 | 100 | (364) | 21.5 |
| Income, residential and enterprise taxes | 203 | 48 | (154) | 24.0 |
| Profit | 261 | 51 | (209) | 19.6 |
| Profit (loss) attributable to non-controlling interests | (37) | (48) | (10) | — |
| Profit attributable to owners of the parent | 299 | 100 | (199) | 33.4 |

Note: The Oenon Group applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) from the beginning of fiscal 2022. Accordingly, the consolidated performance forecast indicated above (for the fiscal year 2022) indicates amounts after the application of the relevant accounting standards. Application of this standard has only a slight impact on sales.

6. Sales Forecast for FY2022

(Millions of yen)

| | Fiscal year 2021 (Jan. 1, 2021–Dec. 31, 2021) | Fiscal year 2022 (Jan. 1, 2022–Dec. 31, 2022) | Change | Percentage change (%) |
|--|--|--|----------------|--------------------------|
| <i>Shochu</i> | 38,369 | 38,367 | (2) | 100.0 |
| (<i>Kou</i> -type <i>shochu</i>) | 13,541 | 13,856 | 315 | 102.3 |
| (<i>Otsu</i> -type <i>shochu</i>) | 24,828 | 24,510 | (317) | 98.7 |
| <i>Chu-hi</i> (RTD) | 12,482 | 12,694 | 212 | 101.7 |
| <i>Sake</i> | 3,320 | 3,259 | (60) | 98.2 |
| <i>Sake</i> compounds | 1,885 | 1,844 | (41) | 97.8 |
| Brewing and industrial alcohol for sale | 9,302 | 7,373 | (1,929) | 79.3 |
| <i>Mirin</i> (sweet <i>sake</i> for cooking) | 705 | 679 | (25) | 96.3 |
| Wine and spirits | 4,437 | 4,685 | 247 | 105.6 |
| Others | 594 | 577 | (16) | 97.1 |
| Total of alcoholic beverages | 71,099 | 69,482 | (1,616) | 97.7 |
| Starch for food processing | 3,810 | 4,194 | 384 | 110.1 |
| Enzymes and pharmaceuticals | 3,277 | 3,289 | 11 | 100.4 |
| Real estate | 360 | 461 | 101 | 128.2 |
| Others | 71 | 71 | 0 | 100.4 |
| Total | 78,618 | 77,500 | (1,118) | 98.6 |

Note: The Oenon Group applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) from the beginning of fiscal 2022. Accordingly, the consolidated performance forecast indicated above (for the fiscal year 2022) indicates amounts after the application of the relevant accounting standards. Application of this standard has only a slight impact on sales.