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August 5, 2022

Consolidated Financial Results for the Six Months Ended June 30, 2022 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 2533
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 Scheduled date to file quarterly securities report: August 5, 2022
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and securities analysts)

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

1. Consolidated financial results for the six months ended June 30, 2022 (from January 1, 2022 to June 30, 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	%
Six months ended								
June 30, 2022	38,368	1.0	(147)	—	(77)	—	(744)	—
June 30, 2021	37,981	0.5	825	1.5	867	5.8	558	66.5

Note: Comprehensive income For the six months ended June 30, 2022: ¥(607) million [—%]
 For the six months ended June 30, 2021: ¥669 million [168.2%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2022	(12.53)	—
June 30, 2021	9.40	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2022	50,269	21,000	37.9
December 31, 2021	52,280	22,045	38.3

Reference: Equity

As of June 30, 2022: ¥19,049 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)			—	5.00	5.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

We have revised our dividend forecast for the fiscal year ending December 31, 2022 from ¥7 to ¥5. For details, please refer to today's release, entitled "Notice of the Revision to Dividend Forecast." (Japanese only)

3. 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	81,500	3.7	(850)	—	(800)	—	(1,600)	—	(26.92)

Note: Revisions to the financial forecast for this period: Yes

*** 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 June 30, 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 June 30, 2022	6,153,604 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)

Six months ended June 30, 2022	59,432,743 shares
Six months ended June 30, 2021	59,433,504 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 4 of the attachment to this document for cautionary statements concerning the conditions and performance forecasts that serve as the basis for these forecasts.

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

1. Qualitative information on quarterly financial results

(1) Operating performance analysis

During the six months ended June 30, 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 rapid fluctuations in exchange rates, such as sudden depreciation of the yen, as well as the escalation of tensions in the Ukraine and further increases in ingredient 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 six months ended June 30, 2022 net sales amounted to ¥38,368 million (up 1.0% year on year). On the profit front, the Group recorded an operating loss of ¥147 million (operating income of ¥825 million in the same period of the preceding year) and an ordinary loss of ¥77 million (ordinary income of ¥867 million), due to sharply higher prices of ingredients: crude alcohol and corn. The loss attributable to owners of the parent was ¥744 million (profit attributable to owners of the parent of ¥558 million).

Segment performance is shown below.

Sales results

Segment name	Item	Six months ended June 30, 2022 (January 1 to June 30, 2022) (Millions of yen)	YoY change (Previous period = 100%)	
Alcoholic beverages	Japanese alcohol products	<i>Shochu</i>	17,413	94.1
		<i>Chu-hi</i> (RTD)	6,537	113.0
		<i>Sake</i>	1,627	105.0
		<i>Sake</i> compounds	831	98.1
		Brewing and industrial alcohol for sale	5,025	108.6
		<i>Mirin</i> (sweet <i>sake</i> for cooking)	290	86.1
		31,726	100.2	
	Wine and spirits	2,219	106.7	
Others	283	103.0		
	34,229	100.6		
Starch for food processing		2,053	110.2	
Enzymes and pharmaceuticals		1,857	98.2	
Real estate		190	111.3	
Others		37	108.0	
Total		38,368	101.0	

(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. As a result, sales of alcoholic beverages amounted to ¥34,229 million (up 0.6% year on year). In this segment, the operating loss was ¥446 million (operating income of ¥296 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 and *shiso shochu*, *Tantakatan*, but lower sales of store-brand products sapped category sales. In this category, we ran a Twitter-only photo submission campaign for our *shiso shochu*, *Tantakatan*, named “Search

for the *Gold Tantaka Campaign (Kin no Tantaka wo Sagase Campaign)*.” The winner received a bottle of *Tantakatan* along with an original gold tumbler. This is an example of measures we are implementing to attract an even larger fan base.

For *chu-hi* and other RTD products, sales of store-brand products were favorable, increasing segment sales. In this category, we strengthened the lineup of our *NIPPON PREMIUM chu-hi* series, which strictly uses ingredients of Japanese origin. New offerings include *Hiroshima Navel Orange*, made from navel oranges grown in Hiroshima Prefecture (Japan’s largest producer region for navel oranges). In a collaboration with *Nippon Yell*, a JA ZEN-NOH product brand, we launched *Hachijo Fruit Lemon*, made from lemons grown on Hachijo (one of the Izu Islands, which are a part of Tokyo).

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*, *Junmai Ginjo*, a *sake* in paper packs, and store-brand products.

In brewing and industrial alcohol for sale, category sales increased due to favorable performance in industrial alcohol, which is used in alcohol-based sterilizing liquid, and in brewing alcohol.

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) and *WHISKY KOH-KUN*. In the category, we launched *Mukashi Natsukashii Sumomo Sour no Moto*, which recreates the taste of a Japanese penny candy called *sumomozuke*, to meet the needs of customers who want to enjoy a retro taste and atmosphere.

(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 ¥2,053 million (up 10.2% year on year). Due to sharply higher raw material prices, however, we generated a segment operating loss of ¥149 million (operating income of ¥2 million in the same period of the previous year).

(Enzymes and pharmaceuticals)

Sales in the enzymes and pharmaceuticals segment were ¥1,857 million (down 1.8% year on year), due to active lower sales of active pharmaceutical ingredients and diagnostic medicines, although overseas sales in the enzymes category were favorable. However, operating income came to ¥338 million (down 21.5% 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 ¥190 million (up 11.3% year on year), and operating income was ¥102 million (up 15.6% year on year).

(2) Financial conditions analysis

1) Assets, liabilities and net assets

As of June 30, 2022, total assets amounted to ¥50,269 million, down ¥2,011 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 ¥29,269 million, down ¥965 million year on year. Short-term loans payable increased, but accrued liquor tax and trade notes and accounts payable decreased.

Net assets fell ¥1,045 million, to ¥21,000 million, mainly because of a decrease in retained earnings.

2) Cash flows

As of June 30, 2022, cash and cash equivalents were ¥839 million, down ¥146 million from their level on December 31, 2021.

Net cash used in operating activities amounted to ¥2,628 million (¥229 million less than in the same period of the previous fiscal year). Major sources of cash were a ¥2,939 million decrease in trade notes and accounts receivable

and depreciation and amortization of ¥846 million. Key uses of cash were a ¥3,871 million decrease in accrued liquor tax and a ¥656 million decrease in accrued consumption taxes.

Net cash used in investing activities came to ¥1,922 million (¥551 million less than in the first half of the previous year), mainly as the result of ¥1,868 million used in the purchase of noncurrent assets.

Net cash provided by financing activities was ¥4,405 million (down ¥796 million). An increase in short-term loans payable provided ¥5,250 million, while cash dividends paid used ¥437 million, and the repayment of long-term loans payable used ¥375 million.

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

We have revised our full-year forecasts from the figures announced on February 10, 2022. For details, please refer to today's release, entitled "Notice of the Reversal of Deferred Tax Assets and Revisions to Performance Forecasts."

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)	Six months ended June 30, 2022 (As of June. 30, 2022)
ASSETS		
Current assets		
Cash and deposits	990	844
Notes and accounts receivable–trade	16,295	13,355
Merchandise and finished goods	5,710	6,698
Work in process	200	242
Raw materials and supplies	1,955	1,370
Other	463	558
Allowance for doubtful accounts	(18)	(15)
Total current assets	25,596	23,055
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	26,053	26,061
Accumulated depreciation	(19,282)	(19,492)
Buildings and structures, net	6,770	6,569
Machinery, equipment and vehicles	36,076	36,247
Accumulated depreciation	(30,192)	(30,640)
Machinery, equipment and vehicles, net	5,883	5,607
Land	9,620	9,628
Construction in progress	1,277	2,460
Other	1,857	1,844
Accumulated depreciation	(1,646)	(1,638)
Other, net	210	205
Total property, plant and equipment	23,763	24,471
Intangible assets		
Goodwill	7	6
Other	291	538
Total intangible assets	298	544
Investments and other assets		
Investment securities	1,404	1,496
Deferred tax assets	891	380
Net defined benefit assets	17	20
Other	313	304
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	2,622	2,198
Total noncurrent assets	26,684	27,213
Total assets	52,280	50,269

(Millions of yen)

	Fiscal year 2021 (As of Dec. 31, 2021)	Six months ended June 30, 2022 (As of June. 30, 2022)
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	4,699	4,380
Electronically recorded obligations	1,624	1,401
Short-term loans payable	3,700	8,575
Accounts payable–other	4,400	3,852
Accrued liquor tax	8,726	4,854
Income taxes payable	147	146
Provision for bonuses	60	60
Provision for directors’ bonuses	17	8
Provision for shareholder benefit program	18	—
Notes payable–facilities	159	2
Electronically recorded obligations–facilities	76	127
Other	1,720	952
Total current liabilities	25,350	24,362
Noncurrent liabilities		
Long-term deposits received	3,140	3,000
Deferred tax liabilities	164	311
Provision for directors’ stock benefits	101	106
Net defined benefit liabilities	1,282	1,314
Asset retirement obligation	53	53
Other	142	119
Total noncurrent liabilities	4,884	4,906
Total liabilities	30,235	29,269
NET ASSETS		
Shareholders’ equity		
Capital stock	6,946	6,946
Capital surplus	5,601	5,602
Retained earnings	8,563	7,385
Treasury stock	(1,578)	(1,578)
Total shareholders’ equity	19,532	18,356
Total accumulated other comprehensive income		
Valuation difference on available-for-sale securities	354	416
Deferred gains on hedges	53	208
Remeasurements of defined benefit plans	71	68
Total accumulated other comprehensive income	480	693
Non-controlling interests	2,032	1,950
Total net assets	22,045	21,000
Total liabilities and net assets	52,280	50,269

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
Quarterly consolidated statement of income
Six months of the fiscal years

(Millions of yen)

	Six months ended June 30, 2021 (Jan. 1, 2021–Jun. 30, 2021)	Six months ended June 30, 2022 (Jan. 1, 2022–Jun. 30, 2022)
Net Sales	37,981	38,368
Cost of sales	31,527	33,446
Gross profit	6,454	4,922
Selling, general and administrative expenses	5,629	5,069
Operating income (loss)	825	(147)
Nonoperating income		
Interest income	0	0
Dividend income	20	23
Rent income	35	32
Foreign exchange gains	12	46
Miscellaneous income	25	27
Total nonoperating income	93	129
Nonoperating expenses		
Interest expenses	28	34
Shutdown expenses	13	12
Miscellaneous losses	9	11
Total nonoperating expenses	51	59
Ordinary income (loss)	867	(77)
Extraordinary income		
Other	0	—
Total extraordinary income	0	—
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	35	18
Loss on recalling of products	—	86
Loss on revaluation of investment securities	44	—
Other	6	0
Total extraordinary loss	87	105
Income (loss) before income taxes and minority interests	779	(182)
Income taxes	216	639
Profit (loss)	563	(821)
Profit (loss) attributable to non-controlling interests	5	(76)
Profit (loss) attributable to owners of the parent	558	(744)

Quarterly consolidated statement of comprehensive income
Six months of the fiscal years

(Millions of yen)

	Six months ended June 30, 2021 (Jan. 1, 2021–Jun. 30, 2021)	Six months ended June 30, 2022 (Jan. 1, 2022–Jun. 30, 2022)
Profit (loss)	563	(821)
Other comprehensive income		
Valuation difference on available-for-sale securities	65	62
Deferred gains or losses on hedges	45	155
Remeasurements of defined benefit plans	(4)	(3)
Total other comprehensive income	105	213
Comprehensive income	669	(607)
Comprehensive income attributable to		
Comprehensive income (loss) attributable to owners of the parent	663	(531)
Comprehensive income (loss) attributable to non-controlling interests	6	(76)

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2021 (Jan. 1, 2021–Jun. 30, 2021)	Six months ended June 30, 2022 (Jan. 1, 2022–Jun. 30, 2022)
Cash flows from operating activities		
Income (loss) before income taxes and minority	779	(182)
Depreciation and amortization	845	846
Amortization of goodwill	1	1
Increase (decrease) in net defined benefit liabilities	12	22
Increase (decrease) in allowance for doubtful accounts	(20)	(3)
Increase (decrease) in provision for directors' bonuses	(20)	(9)
Increase (decrease) in provision for directors' stock benefits	15	4
Increase (decrease) in provision for shareholder benefit program	(18)	(18)
Interest and dividend income	(20)	(23)
Interest expenses	28	34
Gain (loss) on sales and retirement of noncurrent assets	35	18
Loss on revaluation of investment securities	44	—
Loss on recalling of products	—	86
Decrease (increase) in notes and accounts receivable-trade	2,458	2,939
Decrease (increase) in inventories	(726)	(445)
Increase (decrease) in notes and accounts payable-trade	(481)	(541)
Increase (decrease) in accrued consumption tax	(1,197)	(656)
Increase (decrease) in accrued liquor tax	(3,631)	(3,871)
Other, net	(396)	(786)
Subtotal	(2,292)	(2,584)
Interest and dividends received	20	23
Interest expenses paid	(44)	(53)
Payments for restructuring of business	—	(90)
Payments for loss on revaluation of investment securities	—	(77)
Income taxes (paid) refund	(541)	153
Net cash provided by (used in) operating	(2,857)	(2,628)
Cash flows from investing activities		
Purchase of noncurrent assets	(2,233)	(1,868)
Gain (loss) on disposal of noncurrent asset	(213)	(31)
Purchase of investment securities	(3)	(3)
Other, net	(24)	(19)
Net cash provided by (used in) investing	(2,474)	(1,922)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	6,050	5,250
Repayment of long-term loans payable	(375)	(375)
Payments for finance lease obligations	(38)	(26)
Purchase of treasury stock	0	0
Cash dividends paid	(419)	(437)
Cash dividends paid to non-controlling interests	(12)	(3)
Other, net	(3)	(2)
Net cash provided by (used in) financing	5,201	4,405
Net increase (decrease) in cash and cash equivalents	(131)	(146)
Cash and cash equivalents at beginning of period	910	986
Cash and cash equivalents at end of period	779	839

(4) 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 three months ended March 31, 2022. 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 three months ended March 31, 2022 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 three months ended March 31, 2022 is added to or subtracted from retained earnings in the beginning of the three months ended March 31, 2022, and the new accounting policies are applied from that beginning balance. This application caused a ¥144 million decrease in net sales in the six months ended June 30, 2022, while cost of sales increased ¥5 million, and SG&A expenses declined by ¥149 million. However, operating loss, ordinary loss and loss 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 six months ended June 30, 2021.

(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 three months ended March 31, 2022. 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. Six months ended June 30, 2021 (January 1 to June 30, 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	34,019	1,863	1,892	171	37,947	34	—	37,981
Inter-segment sales or transfers	1	—	—	—	1	—	(1)	—
Total	34,021	1,863	1,892	171	37,948	34	(1)	37,981
Segment profit	296	2	431	88	819	6	—	825

(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 profit are adjusted in operating income in the quarterly consolidated statement of income.

II. Six months ended June 30, 2022 (January 1 to June 30, 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	34,229	2,053	1,857	190	38,331	37	—	38,368
Inter-segment sales or transfers	0	—	—	—	0	—	(0)	—
Total	34,230	2,053	1,857	190	38,332	37	(0)	38,368
Segment profit (loss)	(446)	(149)	338	102	(154)	7	—	(147)

(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 profit 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 three months ended March 31, 2022, which changes the accounting method related to revenue recognition. The method of accounting for segment profit or loss has been revised accordingly.

As a result of this change, sales in the alcoholic beverages segment were ¥113 million lower in the six months ended June 30, 2022 than they would have been under the previous accounting standard. Similarly, sales in the starch for food processing segment was ¥30 million lower. Segment income was not affected.



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

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

DENON Holdings, Inc.

August 5, 2022

1. Consolidated Statements of Income

(Millions of yen)

	First half of fiscal year 2021 (Jan. 1, 2021–Jun. 30, 2021)	First half of fiscal year 2022 (Jan. 1, 2022–Jun. 30, 2022)	Change	Percentage change (%)
Alcoholic beverages	34,019	34,229	209	100.6
Starch for food processing	1,863	2,053	189	110.2
Enzymes and pharmaceuticals	1,892	1,857	(34)	98.2
Real estate and others	205	227	22	110.8
Net sales	37,981	38,368	386	101.0
Cost of sales	31,527	33,446	1,919	106.1
Gross profit	6,454	4,922	(1,532)	76.3
Selling, general and administrative expenses	5,629	5,069	(559)	90.1
Alcoholic beverages	296	(446)	(742)	—
Starch for food processing	2	(149)	(152)	—
Enzymes and pharmaceuticals	431	338	(92)	78.5
Real estate and Others	94	109	14	115.7
Operating income (loss)	825	(147)	(972)	—
Nonoperating income	93	129	35	137.6
Nonoperating expenses	51	59	7	114.3
Ordinary income (loss)	867	(77)	(944)	—
Extraordinary income	0	—	(0)	—
Extraordinary loss	87	105	17	120.1
Income (loss) before income taxes	779	(182)	(962)	—
Income, residential and enterprise taxes	216	639	422	295.7
Profit (loss)	563	(821)	(1,385)	—
Profit (loss) attributable to non-controlling interests	5	(76)	(82)	—
Profit (loss) attributable to owners of the parent	558	(744)	(1,302)	—
Profit (loss) per share (Yen)	9.40	(12.53)	(21.93)	—
Capital expenditures	1,862	1,489	(372)	80.0

Note: The Oeon 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 half 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 ¥113 million lower and sales in the starch for food processing segment was ¥30 million lower.)

2. Consolidated Statements of Income (Second quarter)

(Millions of yen)

	Second quarter of fiscal year 2021 (Apr. 1, 2021–Jun. 30, 2021)	Second quarter of fiscal year 2022 (Apr. 1, 2022–Jun. 30, 2022)	Change	Percentage change (%)
Alcoholic beverages	18,337	18,810	473	102.6
Starch for food processing	953	1,113	159	116.8
Enzymes and pharmaceuticals	949	855	(94)	90.0
Real estate and Others	104	115	11	111.1
Net sales	20,345	20,895	549	102.7
Cost of sales	16,859	18,281	1,421	108.4
Gross profit	3,486	2,614	(871)	75.0
Selling, general and administrative expenses	2,913	2,623	(290)	90.0
Alcoholic beverages	360	(145)	(505)	—
Starch for food processing	(6)	(81)	(75)	—
Enzymes and pharmaceuticals	175	167	(8)	95.2
Real estate and Others	42	50	7	117.8
Operating income (loss)	572	(8)	(581)	—
Nonoperating income	46	75	28	160.5
Nonoperating expenses	28	31	2	110.4
Ordinary income	590	35	(555)	5.9
Extraordinary income	—	—	—	—
Extraordinary loss	53	7	(45)	14.4
Income before income taxes	537	27	(509)	5.1
Income, residential and enterprise taxes	136	668	531	490.2
Profit (loss)	400	(640)	(1,041)	—
Profit (loss) attributable to non-controlling interests	2	(40)	(42)	—
Profit (loss) attributable to owners of the parent	398	(600)	(998)	—
Profit (loss) per share (Yen)	6.71	(10.10)	(16.81)	—

3. Sales Results by Segment

(Millions of yen)

	First half of fiscal year 2021 (Jan. 1, 2021–Jun. 30, 2021)	First half of fiscal year 2022 (Jan. 1, 2022–Jun. 30, 2022)	Change	Percentage change (%)
<i>Shochu</i>	18,511	17,413	(1,097)	94.1
(<i>Kou</i> -type <i>shochu</i>)	6,773	6,344	(429)	93.7
(<i>Otsu</i> -type <i>shochu</i>)	11,738	11,069	(668)	94.3
<i>Chu-hi</i> (RTD)	5,787	6,537	750	113.0
<i>Sake</i>	1,550	1,627	77	105.0
<i>Sake</i> compounds	847	831	(16)	98.1
Brewing and industrial alcohol for sale	4,628	5,025	396	108.6
<i>Mirin</i> (sweet <i>sake</i> for cooking)	337	290	(46)	86.1
Wine and spirits	2,080	2,219	139	106.7
Others	275	283	8	103.0
Total of alcoholic beverages	34,019	34,229	209	100.6
Starch for food processing	1,863	2,053	189	110.2
Enzymes and pharmaceuticals	1,892	1,857	(34)	98.2
Real estate	171	190	19	111.3
Others	34	37	2	108.0
Total	37,981	38,368	386	101.0

4. Profit Breakdown

(Millions of yen)

	Increase (Decrease)	Remarks
Alcoholic beverages	(742)	Increase in gross profit due to higher sales: 20 Higher ingredient costs, due to increased materials costs: (1,560) Increase in electrical power cost and other production-related costs: (150) Lower SG&A expenses, including sales promotion expenses: 490 Impact of changes in the product mix: 458
Starch for food processing	(152)	Rises in ingredient prices (corn)
Enzymes and pharmaceuticals	(92)	Higher ingredient costs, due to increased materials costs and changes in the product mix
Real estate and others	14	
Operating income	(972)	
Nonoperating income	35	Increase in foreign currency exchange gains
Nonoperating expenses	(7)	
Ordinary income	(944)	
Extraordinary income	(0)	
Extraordinary loss	(17)	Increase in loss on recalling of products
Income before income taxes	(962)	
Income, residential and enterprise taxes	(422)	
Profit	(1,385)	
Profit attributable to non-controlling interests	82	
Profit attributable to owners of the parent	(1,302)	

5. Consolidated Balance Sheets

(Millions of yen)

	Fiscal year 2021 (As of Dec. 31, 2021)	First half of fiscal year 2022 (As of Jun. 30, 2022)	Change	Percentage change (%)	Remarks
(Assets)					
Cash and deposits	990	844	(146)	85.2	
Notes and accounts receivable	16,295	13,355	(2,939)	82.0	Lower sales due to seasonal factors
Inventories	7,866	8,311	445	105.7	
Other current assets	463	558	95	120.6	
Allowance for doubtful accounts	(18)	(15)	3	—	
Total current assets	25,596	23,055	(2,541)	90.1	
Buildings	5,064	4,914	(150)	97.0	
Land	9,620	9,628	8	100.1	
Other tangible fixed assets	9,077	9,928	850	109.4	Increase in construction in progress to develop the Ginza building site
Total tangible fixed assets	23,763	24,471	708	103.0	
Intangible fixed assets	298	544	246	182.4	
Investment securities	1,404	1,496	91	106.5	
Long-term prepaid expenses	105	99	(6)	93.8	
Deferred tax assets	891	380	(511)	42.7	Decrease due to partial reversal in this second quarter
Other investments and other assets	225	226	1	100.5	
Allowance for doubtful accounts	(5)	(5)	—	—	
Total investments and other assets	2,622	2,198	(424)	83.8	
Total fixed assets	26,684	27,213	529	102.0	
Total assets	52,280	50,269	(2,011)	96.2	

(Millions of yen)

	Fiscal year 2021 (As of Dec. 31, 2021)	First half of fiscal year 2022 (As of Jun. 30, 2022)	Change	Percentage change (%)	Remarks
(Liabilities)					
Notes and accounts payable	6,324	5,782	(541)	91.4	
Short-term debt	3,700	8,575	4,875	231.8	
Other payables	4,400	3,852	(547)	87.6	
Accrued liquor tax	8,726	4,854	(3,871)	55.6	Lower sales due to seasonal factors
Other current liabilities	2,199	1,297	(901)	59.0	Decreases in accrued consumption taxes and income taxes payable
Total current liabilities	25,350	24,362	(987)	96.1	
Total long-term liabilities	4,884	4,906	21	100.4	
Total liabilities	30,235	29,269	(965)	96.8	
(Net assets)					
Common stock	6,946	6,946	—	100.0	
Capital surplus	5,601	5,602	0	100.0	
Retained earnings	8,563	7,385	(1,177)	86.2	
Treasury stock	(1,578)	(1,578)	(0)	—	
Total shareholders' equity	19,532	18,356	(1,176)	94.0	
Valuation difference of other securities	354	416	62	117.5	
Deferred hedging gains (losses)	53	208	155	388.0	
Cumulative adjustments related to retirement benefits	71	68	(3)	94.9	
Cumulative other comprehensive income	480	693	213	144.4	
Non-controlling interests	2,032	1,950	(82)	96.0	
Total net assets	22,045	21,000	(1,045)	95.3	
Total liabilities and net assets	52,280	50,269	(2,011)	96.2	

Equity ratio (%)	38.3	37.9	(0.4)		
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6. 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	73,101	2,002	102.8
Starch for food processing	3,810	4,350	540	114.2
Enzymes and pharmaceuticals	3,277	3,509	231	107.1
Real estate and others	431	538	106	124.7
Net sales	78,618	81,500	2,881	103.7
Cost of sales	65,967	71,603	5,636	108.5
Gross profit	12,651	9,896	(2,754)	78.2
Selling, general and administrative expenses	11,444	10,746	(697)	93.9
Alcoholic beverages	499	(1,231)	(1,730)	—
Starch for food processing	(59)	(370)	(310)	—
Enzymes and pharmaceuticals	566	516	(50)	91.1
Real estate and others	200	235	34	117.1
Operating income (loss)	1,207	(850)	(2,057)	—
Nonoperating income (expenses)	60	50	(10)	82.8
Ordinary income (loss)	1,267	(800)	(2,067)	—
Extraordinary income (loss)	(802)	(200)	602	—
Income (loss) before income taxes	464	(1,000)	(1,464)	—
Income, residential and enterprise taxes	203	784	580	385.4
Profit (loss)	261	(1,784)	(2,045)	—
Profit (loss) attributable to non-controlling interests	(37)	(184)	(146)	—
Profit (loss) attributable to owners of the parent	299	(1,600)	(1,899)	—

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.

7. 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	37,326	(1,043)	97.3
(<i>Kou</i> -type <i>shochu</i>)	13,541	13,055	(486)	96.4
(<i>Otsu</i> -type <i>shochu</i>)	24,828	24,270	(557)	97.8
<i>Chu-hi</i> (RTD)	12,482	13,450	967	107.7
<i>Sake</i>	3,320	3,461	141	104.3
<i>Sake</i> compounds	1,885	1,827	(57)	96.9
Brewing and industrial alcohol for sale	9,302	11,111	1,808	119.4
<i>Mirin</i> (sweet <i>sake</i> for cooking)	705	568	(137)	80.5
Wine and spirits	4,437	4,787	349	107.9
Others	594	568	(26)	95.6
Total of alcoholic beverages	71,099	73,101	2,002	102.8
Starch for food processing	3,810	4,350	540	114.2
Enzymes and pharmaceuticals	3,277	3,509	231	107.1
Real estate	360	461	101	128.2
Others	71	76	4	106.7
Total	78,618	81,500	2,881	103.7

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.