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November 4, 2022

Consolidated Financial Results for the Nine Months Ended September 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: November 4, 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 nine months ended September 30, 2022 (from January 1, 2022 to September 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	%
Nine months ended September 30, 2022	57,992	2.2	(869)	—	(799)	—	(1,351)	—
September 30, 2021	56,765	0.9	952	(16.7)	993	(14.5)	206	(60.0)

Note: Comprehensive income For the nine months ended September 30, 2022: ¥(1,298) million [—%]
 For the nine months ended September 30, 2021: ¥449 million [8.4%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2022	(22.73)	—
September 30, 2021	3.48	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2022	52,534	20,309	35.1
December 31, 2021	52,280	22,045	38.3

Reference: Equity

As of September 30, 2022: ¥18,429 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: None

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: 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 September 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 September 30, 2022	6,153,753 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)

Nine months ended September 30, 2022	59,432,668 shares
Nine months ended September 30, 2021	59,433,418 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.

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

1. Qualitative information on quarterly financial results

(1) Operating performance analysis

During the nine months ended September 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, as soaring prices on energy resources and ingredients due to the situation in the Ukraine, as well as rising commodity prices owing to rapid yen depreciation, have the potential to affect personal consumption and economic activity.

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 nine months ended September 30, 2022 net sales amounted to ¥57,992 million (up 2.2% year on year). On the profit front, the Group recorded an operating loss of ¥869 million (operating income of ¥952 million in the same period of the preceding year) and an ordinary loss of ¥799 million (ordinary income of ¥993 million), due to sharply higher prices of ingredients: crude alcohol and corn. The loss attributable to owners of the parent was ¥1,351 million (profit attributable to owners of the parent of ¥206 million).

Segment performance is shown below.

Sales results

Segment name	Item	Nine months ended September 30, 2022 (January 1 to September 30, 2022) (Millions of yen)	YoY change (Previous period = 100%)	
Alcoholic beverages	Japanese alcohol products	<i>Shochu</i>	26,089	95.1
		<i>Chu-hi</i> (RTD)	10,191	110.6
		<i>Sake</i>	2,350	106.9
		<i>Sake</i> compounds	1,287	102.2
		Brewing and industrial alcohol for sale	7,733	113.8
		<i>Mirin</i> (sweet <i>sake</i> for cooking)	443	85.5
		48,094	101.4	
	Wine and spirits	3,368	108.2	
	Others	427	97.2	
	51,890	101.8		
Starch for food processing		3,070	109.9	
Enzymes and pharmaceuticals		2,688	99.9	
Real estate		286	107.7	
Others		57	113.0	
Total		57,992	102.2	

(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 ¥51,890 million (up 1.8% year on year). In this segment, the operating loss was ¥1,140 million (operating income of ¥318 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, since last fiscal year we have been working to transition products sold in PET bottles (such as *Big Man*, which is a *kou*-type *shochu*, and other *shochu* products) to PET bottles containing 20% recycled raw materials obtained through the chemical recycling method. This effort is a first for the alcoholic beverage industry. Since April 2022, we have been gradually shifting to containers made from 30% recycled materials. For some products, such as those in the *Big Man* series that are sold in PET bottles, we have begun including a “PET bottle recycling recommendation mark” on packaging to emphasize that they are environmentally friendly products.

Robust demand for the *Mukashi Natsukashii* series and store-brand products bolstered sales of *chu-hi* and other RTD products. In this category, we have strengthened the lineup of our *Mukashi Natsukashii* series, which produces a retro atmosphere and nostalgic flavors, with *Mukashi Natsukashii Cola Float Sour*. This new offering evokes the flavor of the cola floats that were popular in old-fashioned coffee shops.

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 this category, we added *Chu-hi Senka Umeshu Sour no Moto*, an RTS product in the *Chu-hi Senka* series that allows consumers to just add carbonated water to enjoy a fragrant *umeshu* sour, increasing the number of options that meet the needs of customers who enjoy drinking at home.

(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 ¥3,070 million (up 9.9% year on year). Due to sharply higher raw material prices, however, we generated a segment operating loss of ¥273 million (operating loss of ¥20 million in the same period of the previous year).

(Enzymes and pharmaceuticals)

Sales in the enzymes and pharmaceuticals segment were ¥2,688 million (down 0.1% year on year), due to a decline in overseas sales in the enzymes category and lower sales of active pharmaceutical ingredients and diagnostic medicines. However, operating income came to ¥381 million (down 24.5% 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 ¥286 million (up 7.7% year on year), and operating income was ¥151 million (up 8.6% year on year).

(2) Financial conditions analysis

As of September 30, 2022, total assets amounted to ¥ 52,534 million, up ¥254 million from December 31, 2021. This increase was due to rises in property, plant and equipment and inventories, while trade notes and accounts receivable declined.

Liabilities came to ¥32,225 million, up ¥1,990 million from the end of the previous fiscal year, owing to an increase in short-term loans payable, while accrued liquor tax decreased.

Net assets fell ¥1,736 million, to ¥20,309 million, mainly because of a decrease in retained earnings.

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

The full-year financial forecast remains unchanged from the figures announced on August 5, 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)	Nine months ended September 30, 2022 (As of Sep. 30, 2022)
ASSETS		
Current assets		
Cash and deposits	990	631
Notes and accounts receivable–trade	16,295	13,615
Merchandise and finished goods	5,710	6,362
Work in process	200	233
Raw materials and supplies	1,955	2,129
Other	463	937
Allowance for doubtful accounts	(18)	(11)
Total current assets	25,596	23,898
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	26,053	30,200
Accumulated depreciation	(19,282)	(19,606)
Buildings and structures, net	6,770	10,593
Machinery, equipment and vehicles	36,076	36,284
Accumulated depreciation	(30,192)	(30,872)
Machinery, equipment and vehicles, net	5,883	5,412
Land	9,620	9,628
Construction in progress	1,277	15
Other	1,857	1,818
Accumulated depreciation	(1,646)	(1,612)
Other, net	210	206
Total property, plant and equipment	23,763	25,856
Intangible assets		
Goodwill	7	5
Other	291	545
Total intangible assets	298	551
Investments and other assets		
Investment securities	1,404	1,472
Deferred tax assets	891	380
Net defined benefit assets	17	22
Other	313	358
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	2,622	2,228
Total noncurrent assets	26,684	28,636
Total assets	52,280	52,534

(Millions of yen)

	Fiscal year 2021 (As of Dec. 31, 2021)	Nine months ended September 30, 2022 (As of Sep. 30, 2022)
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	4,699	4,861
Electronically recorded obligations	1,624	1,367
Short-term loans payable	3,700	8,800
Accounts payable–other	4,400	3,726
Accrued liquor tax	8,726	4,941
Income taxes payable	147	77
Provision for bonuses	60	319
Provision for directors’ bonuses	17	2
Provision for shareholder benefit program	18	—
Notes payable–facilities	159	39
Electronically recorded obligations–facilities	76	37
Other	1,720	658
Total current liabilities	25,350	24,832
Noncurrent liabilities		
Long-term loans payable	—	2,400
Long-term deposits received	3,140	3,152
Deferred tax liabilities	164	245
Provision for directors’ stock benefits	101	110
Net defined benefit liabilities	1,282	1,306
Asset retirement obligation	53	53
Other	142	123
Total noncurrent liabilities	4,884	7,393
Total liabilities	30,235	32,225
NET ASSETS		
Shareholders’ equity		
Capital stock	6,946	6,946
Capital surplus	5,601	5,602
Retained earnings	8,563	6,779
Treasury stock	(1,578)	(1,578)
Total shareholders’ equity	19,532	17,749
Total accumulated other comprehensive income		
Valuation difference on available-for-sale securities	354	397
Deferred gains on hedges	53	216
Remeasurements of defined benefit plans	71	66
Total accumulated other comprehensive income	480	680
Non-controlling interests	2,032	1,879
Total net assets	22,045	20,309
Total liabilities and net assets	52,280	52,534

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

Quarterly consolidated statement of income

Nine months of the fiscal years

(Millions of yen)

	Nine months ended September 30, 2021 (Jan. 1, 2021–Sep. 30, 2021)	Nine months ended September 30, 2022 (Jan. 1, 2022–Sep. 30, 2022)
Net Sales	56,765	57,992
Cost of sales	47,476	51,324
Gross profit	9,289	6,667
Selling, general and administrative expenses	8,336	7,536
Operating income (loss)	952	(869)
Nonoperating income		
Interest income	0	0
Dividend income	22	25
Rent income	53	50
Foreign exchange gains	8	45
Miscellaneous income	34	35
Total nonoperating income	118	156
Nonoperating expenses		
Interest expenses	44	53
Shutdown expenses	20	19
Miscellaneous losses	13	14
Total nonoperating expenses	78	87
Ordinary income (loss)	993	(799)
Extraordinary income		
Other	0	—
Total extraordinary income	0	—
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	50	22
Loss on recalling of products	—	86
Loss on revaluation of investment securities	44	—
Loss on sales of investment securities	2	—
Provision of allowance for loss on restructuring of business	615	—
Other	1	0
Total extraordinary loss	715	109
Income (loss) before income taxes and minority interests	278	(909)
Income taxes	90	591
Profit (loss)	188	(1,500)
Loss attributable to non-controlling interests	(18)	(149)
Profit (loss) attributable to owners of the parent	206	(1,351)

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

(Millions of yen)

	Nine months ended September 30, 2021 (Jan. 1, 2021–Sep. 30, 2021)	Nine months ended September 30, 2022 (Jan. 1, 2022–Sep. 30, 2022)
Profit (loss)	188	(1,500)
Other comprehensive income		
Valuation difference on available-for-sale securities	194	42
Deferred gains or losses on hedges	72	164
Remeasurements of defined benefit plans	(6)	(5)
Total other comprehensive income	260	201
Comprehensive income	449	(1,298)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	465	(1,151)
Comprehensive income attributable to non-controlling interests	(16)	(147)

(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 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. As a result, net sales were down ¥217 million, cost of sales was up ¥6 million, SG&A expenses were down ¥222 million in the nine months ended September 30, 2022, while operating loss, ordinary loss and loss before income taxes and minority interests each up ¥1 million. 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 nine months ended September 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. Nine months ended September 30, 2021 (January 1 to September 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	50,963	2,794	2,690	265	56,714	50	—	56,765
Inter-segment sales or transfers	1	—	—	—	1	—	(1)	—
Total	50,965	2,794	2,690	265	56,716	50	(1)	56,765
Segment profit (loss)	318	(20)	505	139	943	9	—	952

(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.

II. Nine months ended September 30, 2022 (January 1 to September 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	51,890	3,070	2,688	286	57,934	57	—	57,992
Inter-segment sales or transfers	2	—	—	—	2	—	(2)	—
Total	51,892	3,070	2,688	286	57,936	57	(2)	57,992
Segment profit (loss)	(1,140)	(273)	381	151	(880)	11	—	(869)

(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 loss 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 ¥171 million lower in the nine months ended September 30, 2022 than they would have been under the previous accounting standard and sales in the starch for food processing segment were ¥46 million lower, while the application has only slight impacts on segment losses.



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

1. Consolidated Statements of Income
2. Consolidated Statements of Income (Third 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.

November 4, 2022

1. Consolidated Statements of Income

(Millions of yen)

	First three quarters of fiscal year 2021 (Jan. 1, 2021–Sep. 30, 2021)	First three quarters of fiscal year 2022 (Jan. 1, 2022–Sep. 30, 2022)	Change	Percentage change (%)
Alcoholic beverages	50,963	51,890	926	101.8
Starch for food processing	2,794	3,070	275	109.9
Enzymes and pharmaceuticals	2,690	2,688	(1)	99.9
Real estate and others	316	343	27	108.5
Net sales	56,765	57,992	1,226	102.2
Cost of sales	47,476	51,324	3,848	108.1
Gross profit	9,289	6,667	(2,621)	71.8
Selling, general and administrative expenses	8,336	7,536	(799)	90.4
Alcoholic beverages	318	(1,140)	(1,458)	—
Starch for food processing	(20)	(273)	(253)	—
Enzymes and pharmaceuticals	505	381	(123)	75.5
Real estate and Others	148	162	13	109.4
Operating income (loss)	952	(869)	(1,822)	—
Nonoperating income	118	156	37	131.9
Nonoperating expenses	78	87	9	111.6
Ordinary income (loss)	993	(799)	(1,793)	—
Extraordinary income	0	—	(0)	—
Extraordinary loss	715	109	(605)	15.3
Income (loss) before income taxes	278	(909)	(1,187)	—
Income, residential and enterprise taxes	90	591	500	653.4
Profit (loss)	188	(1,500)	(1,688)	—
Profit (loss) attributable to non-controlling interests	(18)	(149)	(130)	—
Profit (loss) attributable to owners of the parent	206	(1,351)	(1,557)	—
Profit per share (Yen)	3.48	(22.73)	(26.21)	—

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 three quarters of fiscal year 2022) indicates amounts after the application of the relevant accounting standards. As a result of application of this standard, sales in the alcoholic beverages segment were ¥171 million lower and sales in the starch for food processing segment were ¥46 million lower. Application of this standard has only a slight impact on profit.

2. Consolidated Statements of Income (Third quarter)

(Millions of yen)

	Third quarter of fiscal year 2021 (Jul. 1, 2021–Sep. 30, 2021)	Third quarter of fiscal year 2022 (Jul. 1, 2022–Sep. 30, 2022)	Change	Percentage change (%)
Alcoholic beverages	16,943	17,660	716	104.2
Starch for food processing	931	1,017	85	109.2
Enzymes and pharmaceuticals	797	830	32	104.1
Real estate and Others	110	115	4	104.4
Net sales	18,783	19,623	840	104.5
Cost of sales	15,948	17,878	1,929	112.1
Gross profit	2,834	1,745	(1,089)	61.6
Selling, general and administrative expenses	2,707	2,467	(239)	91.1
Alcoholic beverages	22	(693)	(716)	—
Starch for food processing	(22)	(124)	(101)	—
Enzymes and pharmaceuticals	74	43	(31)	58.0
Real estate and Others	53	52	(0)	98.2
Operating income (loss)	127	(722)	(849)	—
Nonoperating income	28	28	(0)	98.8
Nonoperating expenses	30	29	(1)	95.9
Ordinary income (loss)	125	(722)	(848)	—
Extraordinary income	0	—	(0)	—
Extraordinary loss	627	4	(623)	0.7
Income (loss) before income taxes	(501)	(726)	(225)	—
Income, residential and enterprise taxes	(125)	(47)	77	—
Profit (loss)	(375)	(679)	(303)	—
Profit (loss) attributable to non-controlling interests	(24)	(72)	(48)	—
Profit (loss) attributable to owners of the parent	(351)	(606)	(255)	—
Profit (loss) per share (Yen)	(5.91)	(10.21)	(4.30)	—

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 third quarter of fiscal year 2022) indicates amounts after the application of the relevant accounting standards. As a result of application of this standard, sales in the alcoholic beverages segment were ¥ 57 million lower and sales in the starch for food processing segment were ¥15 million lower. Application of this standard has only a slight impact on profit.

3. Sales Results by Segment

(Millions of yen)

	First three quarters of fiscal year 2021 (Jan. 1, 2021–Sep. 30, 2021)	First three quarters of fiscal year 2022 (Jan. 1, 2022–Sep. 30, 2022)	Change	Percentage change (%)
<i>Shochu</i>	27,423	26,089	(1,334)	95.1
(<i>Kou</i> -type <i>shochu</i>)	9,822	9,406	(416)	95.8
(<i>Otsu</i> -type <i>shochu</i>)	17,601	16,682	(918)	94.8
<i>Chu-hi</i> (RTD)	9,213	10,191	977	110.6
<i>Sake</i>	2,199	2,350	151	106.9
<i>Sake</i> compounds	1,260	1,287	27	102.2
Brewing and industrial alcohol for sale	6,794	7,733	938	113.8
<i>Mirin</i> (sweet <i>sake</i> for cooking)	518	443	(75)	85.5
Wine and spirits	3,113	3,368	254	108.2
Others	439	427	(12)	97.2
Total of alcoholic beverages	50,963	51,890	926	101.8
Starch for food processing	2,794	3,070	275	109.9
Enzymes and pharmaceuticals	2,690	2,688	(1)	99.9
Real estate	265	286	20	107.7
Others	50	57	6	113.0
Total	56,765	57,992	1,226	102.2

4. Profit Breakdown

(Millions of yen)

	Increase (Decrease)	Remarks
Alcoholic beverages	(1,458)	Increase in gross profit due to higher sales: 100 Higher ingredient costs, due to increased materials costs: (3,410) Increase in electrical power cost and other production-related costs: (290) Lower SG&A expenses, including personnel expenses: 720 Impact of changes in the product mix and higher unit selling prices: 1,152
Starch for food processing	(253)	Rises in ingredient prices (corn)
Enzymes and pharmaceuticals	(123)	Higher ingredient costs, due to increased materials costs and changes in the product mix
Real estate and others	13	
Operating income	(1,822)	
Nonoperating income	37	Increase in foreign currency exchange gains
Nonoperating expenses	(9)	
Ordinary income	(1,793)	
Extraordinary income	(0)	
Extraordinary loss	605	Decrease in provision of allowance for loss on restructuring of business
Income before income taxes	(1,187)	
Income, residential and enterprise taxes	(500)	
Profit	(1,688)	
Profit attributable to non-controlling interests	130	
Profit attributable to owners of the parent	(1,557)	

5. Consolidated Balance Sheets

(Millions of yen)

	Fiscal year 2021 (As of Dec. 31, 2021)	First three quarters of fiscal year 2022 (As of Sep. 30, 2022)	Change	Percentage change (%)	Remarks
(Assets)					
Cash and deposits	990	631	(359)	63.7	
Notes and accounts receivable	16,295	13,615	(2,679)	83.6	Lower sales due to seasonal factors
Inventories	7,866	8,725	859	110.9	
Other current assets	463	937	474	202.4	
Allowance for doubtful accounts	(18)	(11)	7	—	
Total current assets	25,596	23,898	(1,697)	93.4	
Buildings	5,064	8,927	3,862	176.3	Increase due to completion of the Ginza building site development
Land	9,620	9,628	8	100.1	
Other tangible fixed assets	9,077	7,300	(1,777)	80.4	Decrease in construction in progress to develop the Ginza building site
Total tangible fixed assets	23,763	25,856	2,093	108.8	
Intangible fixed assets	298	551	252	184.5	
Investment securities	1,404	1,472	67	104.8	
Long-term prepaid expenses	105	122	17	116.2	
Deferred tax assets	891	380	(511)	42.7	Decrease due to partial reversal in this period
Other investments and other assets	225	258	33	114.7	
Allowance for doubtful accounts	(5)	(5)	—	—	
Total investments and other assets	2,622	2,228	(393)	85.0	
Total fixed assets	26,684	28,636	1,952	107.3	
Total assets	52,280	52,534	254	100.5	

(Millions of yen)

	Fiscal year 2021 (As of Dec. 31, 2021)	First three quarters of fiscal year 2022 (As of Sep. 30, 2022)	Change	Percentage change (%)	Remarks
(Liabilities)					
Notes and accounts payable	6,324	6,229	(95)	98.5	
Short-term debt	3,700	8,800	5,100	237.8	
Other payables	4,400	3,726	(673)	84.7	
Accrued liquor tax	8,726	4,941	(3,784)	56.6	Lower sales due to seasonal factors
Other current liabilities	2,199	1,135	(1,063)	51.6	Decreases in accrued consumption taxes
Total current liabilities	25,350	24,832	(517)	98.0	
Long-term debt	—	2,400	2,400	—	
Other long-term liabilities	4,884	4,993	108	102.2	
Total long-term liabilities	4,884	7,393	2,508	151.3	
Total liabilities	30,235	32,225	1,990	106.6	
(Net assets)					
Capital stock	6,946	6,946	—	100.0	
Capital surplus	5,601	5,602	0	100.0	
Retained earnings	8,563	6,779	(1,784)	79.2	
Treasury stock	(1,578)	(1,578)	(0)	—	
Total shareholders' equity	19,532	17,749	(1,783)	90.9	
Valuation difference of other securities	354	397	42	112.1	
Deferred hedging gains (losses)	53	216	162	402.2	
Cumulative adjustments related to retirement benefits	71	66	(5)	92.3	
Cumulative other comprehensive income	480	680	199	141.6	
Non-controlling interests	2,032	1,879	(152)	92.5	
Total net assets	22,045	20,309	(1,736)	92.1	
Total liabilities and net assets	52,280	52,534	254	100.5	
Equity ratio (%)	38.3	35.1	(3.2)		

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 Oeon 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	37,176	(1,193)	96.9
(<i>Kou</i> -type <i>shochu</i>)	13,541	13,155	(386)	97.1
(<i>Otsu</i> -type <i>shochu</i>)	24,828	24,020	(807)	96.7
<i>Chu-hi</i> (RTD)	12,482	13,700	1,217	109.8
<i>Sake</i>	3,320	3,511	191	105.8
<i>Sake</i> compounds	1,885	1,977	92	104.9
Brewing and industrial alcohol for sale	9,302	10,811	1,508	116.2
<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.