

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

February 10, 2023

## Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (Under Japanese GAAP)

Company name: Oeon Holdings, Inc.  
 Listing: Tokyo Stock Exchange  
 Securities code: 2533  
 URL: <https://www.oeon.jp/english/>  
 Representative: Yuji Nishinaga, President & CEO  
 Inquiries: Naoko Tanaka, General Manager of Corporate Communication Dept.  
 Telephone: +81-3-6757-4584  
 Scheduled date of annual general meeting of shareholders: March 22, 2023  
 Scheduled date to commence dividend payments: March 23, 2023  
 Scheduled date to file annual securities report: March 22, 2023  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results briefing: Yes (for institutional investors and analysts)

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

### 1. Consolidated financial results for the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

#### (1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	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	%
December 31, 2022	81,120	3.2	(707)	—	(645)	—	(1,257)	—
December 31, 2021	78,618	1.2	1,207	(45.7)	1,267	(43.6)	299	(73.9)

Note: Comprehensive income For the fiscal year ended December 31, 2022: ¥(1,653) million [—%]  
 For the fiscal year ended December 31, 2021: ¥399 million [(59.5)%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
December 31, 2022	(21.22)	—	(6.7)	(1.2)	(0.9)
December 31, 2021	5.03	—	1.5	2.4	1.5

Reference: Share of profit (loss) of entities accounted for using equity method  
 For the fiscal year ended December 31, 2022: ¥— million  
 For the fiscal year ended December 31, 2021: ¥— million

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2022	55,511	19,604	32.0	305.21
December 31, 2021	52,280	22,045	38.3	336.73

Reference: Equity  
 As of December 31, 2022: ¥17,766 million  
 As of December 31, 2021: ¥20,013 million

### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2022	(860)	(4,040)	4,809	894
December 31, 2021	1,550	(2,865)	1,390	986

### 2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended December 31, 2021	—	—	—	7.00	7.00	419	139.2	2.1
Fiscal year ended December 31, 2022	—	—	—	5.00	5.00	293	(23.6)	1.6
Fiscal year ending December 31, 2023 (Forecast)	—	—	—	5.00	5.00		145.3	

### 3. Financial forecast for the fiscal year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(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, 2023	88,000	8.5	1,000	—	1,000	—	500	—	8.59

### Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) 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
- (3) Number of issued shares (common shares)

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

As of December 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 December 31, 2022	7,375,353 shares
As of December 31, 2021	6,153,362 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended December 31, 2022	59,244,678 shares
Fiscal year ended December 31, 2021	59,433,316 shares

**[Reference] Overview of non-consolidated financial results****1. Non-consolidated financial results for the fiscal year ended December 31, 2022****(from January 1, 2022 to December 31, 2022)****(1) Non-consolidated operating results**

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2022	2,296	(7.9)	1,003	(18.7)	956	(20.0)	766	(8.7)
December 31, 2021	2,494	0.7	1,234	13.8	1,194	16.6	839	17.2

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2022	12.95	—
December 31, 2021	14.13	—

**(2) Non-consolidated financial position**

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2022	38,480	16,738	43.5	287.56
December 31, 2021	34,778	16,633	47.8	279.87

Reference: Equity

As of December 31, 2022: ¥16,738 million

As of December 31, 2021: ¥16,633 million

\* Financial results reports are exempt from audit 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 are based on decisions the Company considers rational given the information currently available to it, but the Company makes no commitment to achieve these objectives. Actual performance may differ substantially from forecasts for a variety of reasons. Please refer to “(4) Future outlook” within “1. Overview of operating 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.

## Content of Supplementary Materials

1. Overview of operating results	2
(1) Overview of operating results	2
(2) Financial condition	3
(3) Cash flows	3
(4) Future outlook	4
(5) Basic policy on profit distribution, and dividends for the current and upcoming fiscal years	6
2. Basic approach to the selection of accounting standards	6
3. Consolidated financial statements and notes	7
(1) Consolidated statement of financial position	7
(2) Consolidated statement of income and consolidated statement of comprehensive income	9
(3) Consolidated statement of changes in shareholders' equity	11
(4) Consolidated statement of cash flows	13
(5) Notes to the consolidated financial statements	15
(Notes related to the going concern assumption)	15
(Changes in accounting policies)	15
(Changes in presentation method)	15
(Additional information)	15
(Segment information, etc.)	16
(Per-share information)	19
(Important subsequent events)	19
4. Others	19
Changes in directors	19

Fiscal Year Ended December 31, 2022 Financial Summary

## 1. Overview of operating results

### (1) Overview of operating results

During the fiscal year under review, the Japanese economy showed signs of recovery in economic and social activities as post-pandemic policies led to a gradual easing of behavioral restrictions. On the other hand, the economic outlook remains uncertain due to soaring raw material and energy prices resulting from the protracted situation in Russia and Ukraine, and rising prices associated with the sharp depreciation of the yen and other factors.

In this operating environment, the Oeon 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 fiscal year ended December 31, 2022 net sales amounted to ¥81,120 million (up 3.2% year on year). On the profit front, the Group recorded an operating loss of ¥707 million (operating income of ¥1,207 million in the preceding year) and an ordinary loss of ¥645 million (ordinary income of ¥1,267 million), due to sharply higher prices of ingredients: crude alcohol and corn. The loss attributable to owners of the parent was ¥1,257 million (profit attributable to owners of the parent of ¥299 million).

Segment performance is shown below.

#### Sales results

Segment name	Item	Fiscal year ended December 31, 2022 (January 1 to December 31, 2022) (Millions of yen)	YoY change (Previous period = 100%)	
Alcoholic beverages	Japanese alcohol products	Shochu	36,100	94.1
		Chu-hi (RTD)	14,169	113.5
		Sake	3,545	106.8
		Sake compounds	1,862	98.8
		Brewing and industrial alcohol for sale	11,265	121.1
		Mirin (sweet sake for cooking)	621	88.1
			67,565	102.3
	Wine and spirits	4,748	107.0	
	Others	589	99.2	
		72,904	102.5	
Starch for food processing		4,279	112.3	
Enzymes and pharmaceuticals		3,395	103.6	
Real estate		460	127.8	
Others		81	113.9	
	Total	81,120	103.2	

#### (Alcoholic beverages)

In the alcoholic beverages segment, competition is intensifying as domestic demand falls further because the population is shrinking, the birth rate is falling, the population is aging, the frequency of drinking outside the home is declining, and prices are rising across all categories. Looking at different drinking practices, the on-premise market is showing signs of recovery as restrictions on movement are eased. However, the practice of drinking at home persists, as rising prices drive more frugal behavior. Accordingly, demand for chu-hi and other RTD beverages remain favorable. Sales of chu-hi base spirit and whiskies suitable for use in highballs also rose. As a result, sales of alcoholic beverages amounted to ¥72,904 million (up 2.5% year on year). In this segment, the operating loss was ¥961 million (operating income of ¥499 million in the previous year).

In the shochu category (within Japanese alcohol products), December marked the 30th anniversary of our launch of the shiso shochu, Tantakatan. In commemoration, we promoted sales in collaborative campaigns with companies in Hokkaido. For Big Man, a kou-type shochu, we collaborated with manufacturers of outdoor products and continued to actively promote activities aimed at attracting new fans and creating new drinking practices, such as a campaign featuring the rugby player Michael Leitch as the brand's image character.

In chu-hi and other RTD products, we have strengthened the lineup of our Mukashi Natsukashii series, which produces a retro atmosphere and nostalgic flavors. Sales also rose thanks to favorable performance of the Gotochi series, which spotlights local izakaya (Japanese-style pubs) and manufacturers, and store-brand products. We strengthened our Mukashi Natsukashii series lineup with the release of Mukashi Natsukashii Fruit Punch Sour, which reproduces the taste of the fruit punch served in classical coffee shops. In the Gotochi series, we introduced the

Asakusa Highball Denki Bran Sour.

In the sake category, the market remained sluggish, but category sales rose thanks to favorable performance in the Fukutokucho Kome Dake no Sutto Nomete Yasashii Osake series, Junmai Ginjo, store-brand products and overseas sales. In this same category, we offered a limited-edition product in the Fukutokucho Kome Dake no Sutto Nomete Yasashii Osake series, namely a seasonal unfiltered unpasteurized pure rice sake named Fukutokucho Kome Dake no Sutto Nomete Yasashii Osake Shiboritata Muroka Junmaishu. In this way, we met the needs of our customers for seasonal sake.

In brewing and industrial alcohol for sale, sales rose as we responded to sharply higher prices on our crude alcohol ingredients by revising selling prices.

In wine and spirits, we strengthened our lineup by adding confectionery liqueurs and items in the Chu-hi Senka series (RTS products that allow consumers to just add carbonated water to enjoy drinking at home while replicating the feeling of being in an izakaya (Japanese-style pub)). We also saw an increase in demand for WHISKY KOH-KUN, a type of whisky that is ideal for mixing in highballs. As a result, category sales increased.

(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 ¥4,279 million (up 12.3% year on year). Due to sharply higher raw material prices, however, we generated a segment operating loss of ¥344 million (operating loss of ¥59 million in the previous year).

(Enzymes and pharmaceuticals)

Sales in the enzymes and pharmaceuticals segment were ¥3,395 million (up 3.6% year on year), due to solid results from the outsourced fermentation business in Japan and favorable overseas sales in the enzymes category. However, operating income came to ¥370 million (down 34.6% 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 ¥460 million (up 27.8% year on year), and operating income was ¥214 million (up 15.3% year on year). November marked the opening of The Royal Park Canvas Ginza Corridor, a new hotel on our former head office site in Ginza that is operated by Royal Park Hotels and Resorts Company, Limited, a Mitsubishi Estate Group company.

## (2) Financial condition

As of December 31, 2022, total assets amounted to ¥55,511 million, up ¥3,230 million from a year earlier.

Deferred tax assets decreased, but property, plant and equipment grew.

Liabilities came to ¥35,906 million, up ¥5,671 million from the end of the previous fiscal year, owing to an increase in short-term loans payable, while accrued consumption taxes decreased.

Net assets fell ¥2,441 million, to ¥19,604 million, mainly because of a decrease in retained earnings.

## (3) Cash flows

As of December 31, 2022, cash and cash equivalents were ¥894 million, down ¥91 million from their level on December 31, 2021.

Net cash used in operating activities amounted to ¥860 million (down ¥2,411 million from the cash provided in the previous fiscal year). Major sources of cash were depreciation and amortization of ¥1,732 million and a ¥502 million increase in trade notes and accounts payable. Key uses of cash were a ¥777 million loss before income taxes and minority interests and a ¥720 million increase in inventories.

Net cash used in investing activities came to ¥4,040 million (¥1,174 million more than in the previous year), mainly as the result of ¥3,934 million used in the purchase of noncurrent assets.

Net cash provided by financing activities was ¥4,809 million (up ¥3,419 million). An increase in short-term loans payable provided ¥3,400 million, and proceeds from long-term loans payable provided ¥3,000 million. Meanwhile, the repayment of long-term loans payable used ¥750 million, and cash dividends paid used ¥438 million.

Trends in the Group's cash flow indicators are shown below.

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Equity-to-asset ratio (%)	38.7	38.3	32.0
Equity-to-asset ratio (fair value basis) (%)	47.1	40.9	26.9
Cash flows/Interest-bearing debt ratio (years)	1.0	4.2	(13.9)
Interest coverage ratio (times)	72.3	26.2	(11.7)

Notes: Equity-to-asset ratio is equity divided by total assets.  
Equity-to-asset ratio (fair value basis) is market capitalization divided by total assets.  
The cash flows/interest-bearing debt ratio is interest-bearing debt divided by operating cash flow.  
The interest coverage ratio is cash flow divided by interest paid.

- \* Each indicator is calculated from consolidated financial figures.
- \* Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of shares outstanding (less treasury stock) at the end of the period.
- \* Operating cash flow is the net cash provided by operating activities in the consolidated statements of cash flows. Interest-bearing debt includes all liabilities on the consolidated balance sheets for which interest is paid. For interest payments, the amount of interest paid in the consolidated statements of cash flows is used.

#### (4) Future outlook

We expect the domestic market for alcoholic beverages to continue to decrease post-pandemic, owing to a shrinking and aging population, fewer childbirths, a lower inclination to drink among young people, a decrease in the number of restaurants serving alcoholic beverages and more intense sales competition among companies. On the cost front, we are under pressure to respond to soaring raw material and energy costs.

In enzymes for the food industry, market competition is also intensifying for sales and R&D among companies in Japan and overseas.

For these reasons, we expect the Group's operating environment to remain challenging going forward. The RTD market (the only segment of the market that continued to grow while the overall market shrank) declined slightly in 2022, owing to a reversal in trend toward drinking at home that became more pronounced during COVID-19. However, with October 2023 revisions to the Liquor Tax Law we expect to see an ongoing influx of beer from new fields. We also anticipate strong continued efforts to offer products that will appeal to the diverse needs of the drinking-at-home market. In addition, exports of domestically produced alcoholic beverages have been growing rapidly in recent years, driven by growing international appreciation of the quality of alcoholic beverages produced in Japan and the global "Japanese food boom."

Furthermore, the market for functional materials and enzymes for the food industry is expected to expand in response to the growing global health consciousness.

The Oeon Group sees these evolving needs as opportunities. We will respond quickly to these changes and leverage our strengths to achieve growth through our corporate activities.

In the fiscal year ended December 31, 2022, the Group posted an ordinary loss of ¥0.6 billion, owing to a sharp rise in raw material and energy costs. In the fiscal year ending December 31, 2023, we will address the issues outlined below and remain steadfast in our determination to return to profitability. The pillars of our management strategy, as outlined in our Long-Term Vision 100, are to "focus on the shochu business," "expand sales in the brewing and industrial alcohol business," "conduct production reforms," "achieve new developments in the enzymes and pharmaceuticals business" and "follow a real estate CRE strategy."

#### 1. Maximize earned profit

##### (1) Decide on price revisions

In response to soaring raw material and energy costs, we will work to secure profits by revising prices to appropriate levels.

##### (2) Address polarizing consumption

The polarization of consumption has accelerated, due to COVID-19 and rising prices. We will respond by developing and launching high-value-added and differentiated products that maximize the Group's strengths. At the same time, in response to the growing trend toward frugal spending, we will develop and launch products that help consumers maintain their lifestyles and that are affordably priced.

##### (3) Expand alcoholic beverage exports

We will expand exports of alcoholic beverages, for which demand is expected to grow.

##### (4) Engage in new initiatives involving enzymes and pharmaceuticals

For neutral lactase, we will aim to expand sales by proposing products that differentiate us from other companies. For acid lactase, we will work to expand sales of powdered products for supplements. We will also continue to strengthen sales of enzymes for plant-based products, which are attracting attention worldwide, and promote research and development of new and post-lactase by maximizing the fermentation biotechnology we have cultivated to date.

In addition, we will quickly establish technologies and enhance facilities to develop the outsourced fermentation business of functional materials such as lactic acid bacteria and enzymes for the food industry as a second pillar of business after enzymes.

#### 2. Reduce costs

We will strive to improve profitability via thorough efforts to reduce all costs, from procurement to production and sales, by optimizing procurement costs, establishing an efficient production system, and reforming our cost structure.

#### 3. Make production visible, invigorate communications

In order to prevent defective products and complaints, which can lead to loss of trust and confidence from

business partners and cost increases, we will promote initiatives to help improve production quality, such as visualizing problems and stimulating communication during the production process.

To prevent the loss of trust among our business partners due to product defects, as well as to prevent in-process nonconformities and requests that can result in increased costs, we will make problems that occur during the production process visible and invigorate communications. In these ways, we will promote initiatives that help improve production quality.

#### 4. Resolve social issues

##### (1) Address environmental problems

Recognizing that addressing environmental issues is a global challenge, we will continue our efforts to realize a low-carbon society and to create a recycling-oriented society.

In the fiscal year ending December 31, 2023, we will install solar power generation systems at our production bases nationwide, install shochu meal drying equipment, and comply with the Act on Rational Use and Appropriate Management of Fluorocarbons

##### (2) Enhance human capital

To achieve sustainable growth and enhance the Group's corporate value, we believe it is essential to enhance the value of our employees, who are the driving force behind the creation of future value, and to develop a system that enables the effective utilization of that value.

The Group considers safety a topmost priority and will continue working to create a safe working environment for its employees.

We have also positioned diversity and inclusion (respecting and embracing the diversity of our human resources) as a priority issue. We will actively work to create an environment in which diverse human resources can play an active role, such as by creating a workplace environment in which women can fully demonstrate their individuality and abilities, promoting side jobs and dual employment, and encouraging men to take parental leave.

##### (3) Reinforce the management base

We will establish a corporate governance system that is convincing, fair and transparent to enable prompt and decisive decision-making in response to changes in the environment.

To fulfill our responsibility to respect the human rights of all people involved in our business activities, we are working to develop a human rights management system based on the "Guiding Principles on Business and Human Rights" put forward by the United Nations and the "Oeonon Group Human Rights Policy."

Owing to the measures outlined above, in the fiscal year ending December 31, 2023 we forecast consolidated net sales of ¥88,000 million (up 8.5% year on year), consolidated operating income of ¥1,000 million (operating loss of ¥707 million in the previous fiscal year), consolidated ordinary income of ¥1,000 million (ordinary loss of ¥645 million in the previous year) and profit attributable to owners of the parent of ¥500 million (a loss attributable to owners of the parent of ¥1,257 million in the previous year).

We have applied the "Accounting Standard for Revenue Recognition, etc." (ASBJ Statement No. 29) from the beginning of the fiscal year ended December 31, 2022. The impact of applying this accounting standards on net sales and income is negligible.

	Fiscal year ended December 31, 2022	Forecast for the fiscal year ending December 31, 2023	Change	Percentage change
Net sales	Millions of yen 81,120	Millions of yen 88,000	Millions of yen 6,879	8.5%
Operating income	(707)	1,000	1,707	—
Ordinary income	(645)	1,000	1,645	—
Profit attributable to owners of the parent	(1,257)	500	1,757	—
Ratio of ordinary income to net sales	(0.8)%	1.1%		
Dividends per share	5 yen	5 yen	—	100.0%
ROE	(6.7)%	2.8%		



(5) Basic policy on profit distribution, and dividends for the current and upcoming fiscal years

The Oenon Group considers the return of profits to shareholders to be one of its most important policy initiatives. Accordingly, our basic policy is to pay continuous and stable dividends that gradually increase over the medium term, while taking into overall account our business performance, consolidated financial results, medium- and long-term earnings situation, capital investment plans, appropriate internal reserves and the dividend payout ratio.

Based on this policy, we expect to pay dividends of ¥5 per share for the fiscal year under review. We also expect to pay ¥5 per share in dividends for the upcoming fiscal year.

2. Basic approach to the selection of accounting standards

The Oenon Group applies Japanese accounting standards. Most of our stakeholders are domestic investors, creditors, business partners and the like, and we have little need to raise funds overseas.

3. Consolidated financial statements and notes  
(1) Consolidated statement of financial position

(Millions of yen)

	Fiscal year 2021 (As of Dec. 31, 2021)	Fiscal year 2022 (As of Dec. 31, 2022)
<b>ASSETS</b>		
Current assets		
Cash and deposits	990	899
Notes and accounts receivable–trade	16,295	16,955
Merchandise and finished goods	5,710	6,329
Work in process	200	230
Raw materials and supplies	1,955	2,026
Prepaid expenses	99	127
Other	363	487
Allowance for doubtful accounts	(18)	(18)
Total current assets	25,596	27,038
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	26,053	30,122
Accumulated depreciation	(19,282)	(19,737)
Buildings and structures, net	6,770	10,385
Machinery, equipment and vehicles	36,076	36,348
Accumulated depreciation	(30,192)	(30,975)
Machinery, equipment and vehicles, net	5,883	5,372
Tools, furniture and fixtures	1,636	1,626
Accumulated depreciation	(1,510)	(1,467)
Tools, furniture and fixtures, net	125	159
Land	9,620	9,628
Lease assets	220	151
Accumulated depreciation	(135)	(82)
Lease assets, net	85	69
Construction in progress	1,277	8
Total property, plant and equipment	23,763	25,623
Intangible assets		
Goodwill	7	5
Software	139	141
Other	151	407
Total intangible assets	298	554
Investments and other assets		
Investment securities	1,404	1,545
Long-term prepaid expenses	105	115
Deferred tax assets	891	403
Net defined benefit assets	17	—
Other	208	235
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	2,622	2,294
Total noncurrent assets	26,684	28,473
Total assets	52,280	55,511

(Millions of yen)

	Fiscal year 2021 (As of Dec. 31, 2021)	Fiscal year 2022 (As of Dec. 31, 2022)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable–trade	4,699	5,035
Electronically recorded obligations	1,624	1,791
Short-term loans payable	3,700	6,950
Lease obligations	43	30
Accounts payable–other	4,400	4,608
Accrued expenses	169	163
Accrued liquor tax	8,726	8,448
Accrued consumption taxes	1,077	547
Income taxes payable	147	153
Deposits received	340	302
Provision for bonuses	60	62
Provision for directors’ bonuses	17	2
Provision for shareholder benefit program	18	23
Notes payable–facilities	159	43
Electronically recorded obligations–facilities	76	34
Other	89	280
<b>Total current liabilities</b>	<b>25,350</b>	<b>28,476</b>
Noncurrent liabilities		
Long-term loans payable	—	2,400
Long-term deposits received	3,140	3,134
Lease obligations	49	44
Deferred tax liabilities	164	128
Provision for directors’ stock benefits	101	111
Net defined benefit liabilities	1,282	1,497
Asset retirement obligation	53	53
Other	92	59
<b>Total noncurrent liabilities</b>	<b>4,884</b>	<b>7,430</b>
<b>Total liabilities</b>	<b>30,235</b>	<b>35,906</b>
<b>NET ASSETS</b>		
Shareholders’ equity		
Capital stock	6,946	6,946
Capital surplus	5,601	5,602
Retained earnings	8,563	6,873
Treasury stock	(1,578)	(1,927)
<b>Total shareholders’ equity</b>	<b>19,532</b>	<b>17,494</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	354	454
Deferred gains or losses on hedges	53	(97)
Remeasurements of defined benefit plans	71	(84)
<b>Total accumulated other comprehensive income</b>	<b>480</b>	<b>272</b>
<b>Non-controlling interests</b>	<b>2,032</b>	<b>1,837</b>
<b>Total net assets</b>	<b>22,045</b>	<b>19,604</b>
<b>Total liabilities and net assets</b>	<b>52,280</b>	<b>55,511</b>

(2) Consolidated statement of income and consolidated statement of comprehensive income  
Consolidated statement of income

(Millions of yen)

	Fiscal year 2021 (Jan. 1, 2021–Dec. 31, 2021)	Fiscal year 2022 (Jan. 1, 2022–Dec. 31, 2022)
Net Sales	78,618	81,120
Cost of sales	65,967	71,449
Gross profit	12,651	9,670
Selling, general and administrative expenses	11,444	10,378
Operating income (loss)	1,207	(707)
Nonoperating income		
Interest income	0	0
Dividend income	33	38
Rent income	71	66
Foreign exchange gains	12	35
Miscellaneous income	49	46
Total nonoperating income	167	186
Nonoperating expenses		
Interest expenses	60	79
Shutdown expenses	26	25
Loss on sales of accounts receivable	10	11
Miscellaneous losses	9	7
Total nonoperating expenses	106	124
Ordinary income (loss)	1,267	(645)
Extraordinary income		
Gain on sales of noncurrent assets	0	—
Reversal of asset retirement obligations	60	—
Other	2	—
Total extraordinary income	62	—
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	54	34
Loss on recalling of products	—	86
Impairment loss	145	—
Loss on restructuring of business	616	—
Loss on revaluation of investment securities	44	10
Loss on sales of investment securities	2	—
Other	1	0
Total extraordinary loss	865	131
Income (loss) before income taxes and minority interests	464	(777)
Income taxes—current	155	115
Income taxes—deferred	48	548
Income, residential and enterprise taxes	203	664
Profit (loss)	261	(1,441)
Loss attributable to non-controlling interests	(37)	(184)
Profit (loss) attributable to owners of the parent	299	(1,257)

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year 2021 (Jan. 1, 2021–Dec. 31, 2021)	Fiscal year 2022 (Jan. 1, 2022–Dec. 31, 2022)
Profit	261	(1,441)
Other comprehensive income		
Valuation difference on available-for-sale securities	78	99
Deferred gains or losses on hedges	83	(155)
Remeasurements of defined benefit plans	(23)	(156)
Total other comprehensive income	138	(212)
Comprehensive income	399	(1,653)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	437	(1,464)
Comprehensive income attributable to non-controlling interests	(37)	(188)

(3) Consolidated statement of changes in shareholders' equity  
Fiscal year 2021 (Jan. 1, 2021–Dec. 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of January 1, 2021	6,946	5,599	8,683	(1,577)	19,652
Changes in items during the period					
Dividends from surplus			(419)		(419)
Profit attributable to owners of the parent			299		299
Purchase of treasury stock				(0)	(0)
Change in treasury stock of parent arising from transactions with non-controlling shareholders		1			1
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	1	(120)	(0)	(119)
Balance as of December 31, 2021	6,946	5,601	8,563	(1,578)	19,532

	Cumulative other comprehensive income				Noncontrolling interests	Total net assets
	Valuation difference on available-for sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total cumulative other comprehensive income		
Balance as of January 1, 2021	275	(29)	95	341	2,086	22,081
Changes in items during the period						
Dividends from surplus						(419)
Profit attributable to owners of the parent						299
Purchase of treasury stock						(0)
Change in treasury stock of parent arising from transactions with non-controlling shareholders						1
Net changes in items other than shareholders' equity	78	83	(23)	138	(54)	83
Total changes in items during the period	78	83	(23)	138	(54)	(35)
Balance as of December 31, 2021	354	53	71	480	2,032	22,045

Fiscal year 2022 (Jan. 1, 2022–Dec. 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of January 1, 2022	6,946	5,601	8,563	(1,578)	19,532
Cumulative effects of changes in accounting policies			(13)		(13)
Restated balance as of January 1, 2022	6,946	5,601	8,549	(1,578)	19,519
Changes in items during the period					
Dividends from surplus			(419)		(419)
Profit attributable to owners of the parent			(1,257)		(1,257)
Purchase of treasury stock				(349)	(349)
Change in treasury stock of parent arising from transactions with non-controlling shareholders		1			1
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	1	(1,676)	(349)	(2,025)
Balance as of December 31, 2022	6,946	5,602	6,873	(1,927)	17,494

	Cumulative other comprehensive income				Noncontrolling interests	Total net assets
	Valuation difference on available-for sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Valuation difference on available-for sale securities		
Balance as of January 1, 2022	354	53	71	480	2,032	22,045
Cumulative effects of changes in accounting policies						(13)
Restated balance as of January 1, 2022	354	53	71	480	2,032	22,031
Changes in items during the period						
Dividends from surplus						(419)
Profit attributable to owners of the parent						(1,257)
Purchase of treasury stock						(349)
Change in treasury stock of parent arising from transactions with non-controlling shareholders						1
Net changes in items other than shareholders' equity	99	(150)	(156)	(207)	(194)	(402)
Total changes in items during the period	99	(150)	(156)	(207)	(194)	(2,427)
Balance as of December 31, 2022	454	(97)	(84)	272	1,837	19,604

## (4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year 2021 (Jan. 1, 2021–Dec. 31, 2021)	Fiscal year 2022 (Jan. 1, 2022–Dec. 31, 2022)
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes and minority interests	464	(777)
Depreciation and amortization	1,711	1,732
Impairment loss	145	—
Amortization of goodwill	2	2
Increase (decrease) in net defined benefit liabilities	2	6
Increase (decrease) in allowance for doubtful accounts	(12)	(0)
Increase (decrease) in provision for directors' stock benefits	25	9
Increase (decrease) in provision for directors' bonuses	(23)	(14)
Increase (decrease) in provision for shareholder benefit program	(0)	(18)
Interest and dividend income	(33)	(38)
Interest expenses	60	79
Gain on sales of noncurrent assets	(0)	—
Loss on revaluation of investment securities	44	10
Loss on sales of investment securities	2	—
Reversal of asset retirement obligations	(60)	—
Loss on sales and retirement of noncurrent assets	54	34
Loss on restructuring of business	616	—
Loss on recalling of products	—	86
Decrease (increase) in notes and accounts receivable–trade	574	(660)
Decrease (increase) in inventories	(358)	(720)
Increase (decrease) in notes and accounts payable–trade	282	502
Increase (decrease) in accrued consumption tax	(664)	(518)
Increase (decrease) in accrued liquor tax	(163)	(277)
Other, net	191	(125)
Subtotal	2,861	(686)
Interest and dividends received	33	38
Interest expenses paid	(59)	(73)
Payments for restructuring of business	(526)	(90)
Payments for loss on recalling of products	—	(86)
Income taxes (paid) refund	(758)	37
Net cash provided by (used in) operating activities	1,550	(860)



(Millions of yen)

	Fiscal year 2021 (Jan. 1, 2021–Dec. 31, 2021)	Fiscal year 2022 (Jan. 1, 2022–Dec. 31, 2022)
Cash flows from investing activities		
Payments into time deposits	(4)	(4)
Proceeds from withdrawal of time deposits	4	4
Purchase of noncurrent assets	(2,601)	(3,934)
Gain (loss) on disposal or sales of noncurrent assets	(222)	(13)
Proceeds from local government subsidies	—	2
Purchase of investment securities	(7)	(8)
Other, net	(33)	(87)
Net cash provided by (used in) investing activities	(2,865)	(4,040)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,650	3,400
Proceeds from long-term loans payable	—	3,000
Repayment of long-term loans payable	(750)	(750)
Payments for finance lease obligations	(73)	(46)
Purchase of treasury stock	(0)	(349)
Cash dividends paid	(419)	(438)
Repayments to non-controlling shareholders	(12)	(3)
Other, net	(3)	(2)
Net cash provided by (used in) financing activities	1,390	4,809
Net increase (decrease) in cash and cash equivalents	75	(91)
Cash and cash equivalents at beginning of period	910	986
Cash and cash equivalents at end of period	986	894

- (5) Notes to the consolidated financial statements  
(Notes related to the going concern assumption)  
Not applicable

(Changes in accounting policies)

(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 fiscal year ended December 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, 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 fiscal year ended December 31, 2022 is added to or subtracted from retained earnings in the beginning of the fiscal year ended December 31, 2022, and the new accounting policies are applied from that beginning balance. As a result, net sales were down ¥291 million, cost of sales was up ¥9 million, SG&A expenses were down ¥300 million in the fiscal year ended December 31, 2022, but this application has no impact on operating loss, ordinary loss and loss before income taxes and minority interests. The beginning balance of retained earnings decreased ¥13 million.

(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 fiscal year ended December 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 consolidated financial statements.

(Changes in presentation method)

(Consolidated statement of income)

In the previous fiscal year, “foreign exchange gains” were included in “miscellaneous income” within “nonoperating income.” Due to their increased financial importance, they are presented separately from the fiscal year under review. The consolidated financial statements for the previous fiscal year have been adjusted to reflect this change in presentation method.

As a result, “miscellaneous income” of ¥62 million that was presented under “nonoperating income” in the consolidated statement of income for the previous fiscal year has been reclassified as ¥12 million in “foreign exchange gains” and ¥49 million in “miscellaneous income.”

(Additional information)

(Accounting estimates associated with the spread of COVID-19)

During the fiscal year under review, the on-premise market showed signs of recovering as social and economic activity began to normalize post-pandemic. As the practice of drinking at home has become more entrenched, the market for chu-hi (RTD) and chu-hi base spirit has grown, and we believe the impact on the overall market has been negligible.

For this reason, the accounting estimates used by the Group in preparing the consolidated financial statements (such as the recoverability of deferred tax assets and the impairment of noncurrent assets) are calculated based on the assumption that COVID-19 will have no material impact at this time. However, a prolonged impact from COVID-19 could significantly affect consolidated financial statements in the future.

(Segment information, etc.)

Segment information

1. Overview of reportable segments

(1) Method of determining reportable segments

The Company's reportable segments are components of the Group for which separate financial information is available and that are subject to periodic review by the Board of Directors for the purpose of allocating and evaluating management resources.

The Group is composed of segments based on products and services. We have four reportable segments: "alcoholic beverages," "starch for food processing," "enzymes and pharmaceuticals," and "real estate."

(2) Types of products and services belonging to each reportable segment

The main products in services in each reportable segment are indicated below.

Business category	Main products and services
Alcoholic beverages	Shochu, chu-hi (RTD), sake, sake compounds, umeshu plum wine, wine and spirits, processed liquor, brewing and industrial alcohol, seasonings
Starch for food processing	Starch for food processing
Enzymes and pharmaceuticals	Enzymes, diagnostic medicines, outsourced fermentation business
Real estate	Purchase, sale and leasing of real estate

2. Calculation of sales, income or loss, assets, liabilities and other items by reportable segment

The accounting methods for reported business segments are generally the same as those described in "Important matters forming the basis for preparing the consolidated financial statements."

The figures of income for reportable segments are based on operating income. Intersegment revenues and transfers are based on prevailing market prices.

As indicated in "(Changes in accounting methods)," the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the fiscal year under review. The method of calculating profits and losses for business segments has been revised in accordance with the change in accounting method related to revenue recognition.

Compared with previous accounting methods, this change had the effect of reducing sales in "alcoholic beverages" in the fiscal year under review by ¥226 million and lowering sales in "starch for food processing" by ¥64 million. Segment losses were not affected.

### 3. Information on sales, profit or loss, assets, liability and others by reportable segment

Fiscal year ended December 31, 2021 (January 1 to December 31, 2021)

(Millions of yen)

	Reportable segment					Others (Note) 1	Reconciliations (Note) 2	Amount stated in the consolidated financial statements (Note) 3
	Alcoholic beverages	Starch for food processing	Enzymes and pharmaceuticals	Real estate	Total			
Sales								
Sales to external customers	71,099	3,810	3,277	360	78,547	71	—	78,618
Inter-segment sales or transfers	12	—	—	—	12	—	(12)	—
Total	71,111	3,810	3,277	360	78,559	71	(12)	78,618
Segment profit (loss)	499	(59)	566	185	1,192	14	—	1,207
Segment assets	39,049	2,676	3,460	2,516	47,704	47	4,528	52,280
Other items								
Depreciation and amortization	1,215	56	243	46	1,562	0	148	1,711
Impairment loss	145	—	—	—	145	—	—	145
Increase in property, plant and equipment and intangible assets	593	20	85	312	1,011	—	1,256	2,268

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

2. Details of adjustments are as follows.

(1) The negative ¥12 million adjustment to sales represents the elimination of intersegment transactions.

(2) The adjustment of ¥4,528 million to segment assets includes a negative ¥0 million elimination of inter-segment transactions and ¥4,529 million in companywide assets. Companywide assets consist mainly of surplus funds under management (cash and deposits), investment securities and assets related to administrative operations.

(3) The ¥148 million adjustment to depreciation and amortization is for depreciation and amortization on companywide assets.

(4) The ¥1,256 million upward adjustment to property, plant and equipment and intangible assets is due to an increase related to companywide assets.

3. Segment income (loss) is adjusted with operating income in the consolidated statement of income.

Fiscal year ended December 31, 2022 (January 1 to December 31, 2022)

(Millions of yen)

	Reportable segment					Others (Note) 1	Reconciliations (Note) 2	Amount stated in the consolidated financial statements (Note) 3
	Alcoholic beverages	Starch for food processing	Enzymes and pharmaceuticals	Real estate	Total			
Sales								
Sales to external customers	72,904	4,279	3,395	460	81,039	81	—	81,120
Inter-segment sales or transfers	2	—	—	—	2	—	(2)	—
Total	72,907	4,279	3,395	460	81,042	81	(2)	81,120
Segment profit (loss)	(961)	(344)	370	214	(720)	13	—	(707)
Segment assets	39,361	2,864	3,475	6,500	52,202	34	3,274	55,511
Other items								
Depreciation and amortization	1,226	53	242	93	1,616	0	115	1,732
Increase in property, plant and equipment and intangible assets	511	12	67	2,880	3,472	—	51	3,524

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

2. Details of adjustments are as follows.

(1) The negative ¥2 million adjustment to sales represents the elimination of intersegment transactions.

(2) The adjustment of ¥3,274 million to segment assets includes a negative ¥0 million elimination of inter-segment transactions and ¥3,275 million in companywide assets. Companywide assets consist mainly of surplus funds under management (cash and deposits), investment securities and assets related to administrative operations.

(3) The ¥115 million adjustment to depreciation and amortization is for depreciation and amortization on companywide assets.

(4) The ¥51 million upward adjustment to property, plant and equipment and intangible assets is due to an increase related to companywide assets.

3. Segment income (loss) is adjusted with operating loss in the consolidated statement of income.

(Per-share information)

	Fiscal year 2021 (Jan. 1, 2021–Dec. 31, 2021)	Fiscal year 2022 (Jan. 1, 2022–Dec. 31, 2022)
Net assets per share	¥336.73	¥305.21
Basic earnings (loss) per share	¥5.03	(¥21.22)

(Notes) 1. Diluted earnings per share are not stated because there are no potentially dilutive shares.

2. The basis for the calculation of net assets per share is as follows.

Item	Fiscal year 2021 (Jan. 1, 2021–Dec. 31, 2021)	Fiscal year 2022 (Jan. 1, 2022–Dec. 31, 2022)
Total net assets in the consolidated balance sheets (millions of yen)	22,045	19,604
Net assets related to common shares	20,013	17,766
Breakdown of the difference between total net assets in the consolidated balance sheet and net assets per common share used in the calculation of net assets per share at the end of the fiscal year (millions of yen)		
Noncontrolling interests	2,032	1,837
Common shares issued (thousands of shares)	65,586	65,586
Common shares in treasury shares (thousands of shares)	6,153	7,375
Number of common shares used in the calculation of net assets per share (thousands of shares)	59,432	58,210

3. The basis for calculating basic earnings (loss) per share is as follows.

Item	Fiscal year 2021 (Jan. 1, 2021–Dec. 31, 2021)	Fiscal year 2022 (Jan. 1, 2022–Dec. 31, 2022)
Basic earnings (loss) per share		
Profit (loss) attributable to owners of the parent (millions of yen)	299	(1,257)
Profit (loss) attributable to owners of the parent related to common shares (millions of yen)	299	(1,257)
Average number of common shares outstanding during the period (thousands of shares)	59,433	59,244

(Important subsequent events)

Not applicable

#### 4. Others

Changes in directors

This information was disclosed in the “Notice of Changes in Directors” dated January 31, 2023.



## Fiscal Year Ended December 31, 2022 Financial Summary

1. Consolidated Statements of Income
2. Consolidated Statements of Income (Fourth quarter)
3. Sales Results by Segment
4. Profit Breakdown
5. Consolidated Balance Sheets
6. Consolidated Performance Forecast for FY2023
7. Sales Forecast for FY2023

**DENON Holdings, Inc.**

February 10, 2023

## 1. Consolidated Statements of Income

(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	72,904	1,805	102.5
Starch for food processing	3,810	4,279	469	112.3
Enzymes and pharmaceuticals	3,277	3,395	117	103.6
Real estate and others	431	541	109	125.5
Net sales	78,618	81,120	2,501	103.2
Cost of sales	65,967	71,449	5,482	108.3
Gross profit	12,651	9,670	(2,980)	76.4
Selling, general and administrative expenses	11,444	10,378	(1,066)	90.7
Alcoholic beverages	499	(961)	(1,460)	—
Starch for food processing	(59)	(344)	(285)	—
Enzymes and pharmaceuticals	566	370	(196)	65.4
Real estate and Others	200	227	27	113.5
Operating income (loss)	1,207	(707)	(1,914)	—
Nonoperating income	167	186	18	111.2
Nonoperating expenses	106	124	17	116.5
Ordinary income (loss)	1,267	(645)	(1,913)	—
Extraordinary income	62	—	(62)	—
Extraordinary loss	865	131	(733)	15.2
Income (loss) before income taxes	464	(777)	(1,241)	—
Income, residential and enterprise taxes	203	664	460	326.5
Profit (loss)	261	(1,441)	(1,702)	—
Profit (loss) attributable to non-controlling interests	(37)	(184)	(146)	—
Profit (loss) attributable to owners of the parent	299	(1,257)	(1,556)	—
Profit (loss) per share (Yen)	5.03	(21.22)	(26.25)	—
Capital expenditures	2,190	3,457	1,267	157.8

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 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 ¥226 million lower and sales in the starch for food processing segment were ¥64 million lower. There was no impact on profit.



## 2. Consolidated Statements of Income (Fourth quarter)

(Millions of yen)

	Fourth quarter of fiscal year 2021 (Oct. 1, 2021–Dec. 31, 2021)	Fourth quarter of fiscal year 2022 (Oct. 1, 2022–Dec. 31, 2022)	Change	Percentage change (%)
Alcoholic beverages	20,135	21,014	878	104.4
Starch for food processing	1,015	1,208	193	119.1
Enzymes and pharmaceuticals	587	707	119	120.4
Real estate and Others	114	197	82	172.1
Net sales	21,853	23,128	1,275	105.8
Cost of sales	18,491	20,125	1,634	108.8
Gross profit	3,362	3,003	(359)	89.3
Selling, general and administrative expenses	3,108	2,841	(266)	91.4
Alcoholic beverages	180	179	(1)	99.2
Starch for food processing	(39)	(71)	(31)	—
Enzymes and pharmaceuticals	61	(11)	(72)	—
Real estate and Others	52	65	13	125.5
Operating income	254	162	(92)	63.7
Nonoperating income	48	39	(8)	81.8
Nonoperating expenses	28	47	18	165.8
Ordinary income	274	154	(119)	56.3
Extraordinary income	62	—	(62)	—
Extraordinary loss	150	22	(128)	14.8
Income before income taxes	186	132	(54)	71.0
Income, residential and enterprise taxes	112	73	(39)	64.7
Profit	73	58	(14)	80.6
Profit (loss) attributable to non-controlling interests	(19)	(34)	(15)	—
Profit attributable to owners of the parent	92	93	1	101.9

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 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 ¥55 million lower and sales in the starch for food processing segment were ¥18 million lower. Application of this standard has only a slight impact on profit.

### 3. Sales Results by Segment

(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	36,100	(2,268)	94.1
( <i>Kou</i> -type <i>shochu</i> )	13,541	12,886	(654)	95.2
( <i>Otsu</i> -type <i>shochu</i> )	24,828	23,213	(1,614)	93.5
<i>Chu-hi</i> (RTD)	12,482	14,169	1,687	113.5
<i>Sake</i>	3,320	3,545	225	106.8
<i>Sake</i> compounds	1,885	1,862	(23)	98.8
Brewing and industrial alcohol for sale	9,302	11,265	1,962	121.1
<i>Mirin</i> (sweet <i>sake</i> for cooking)	705	621	(84)	88.1
Wine and spirits	4,437	4,748	310	107.0
Others	594	589	(4)	99.2
Total of alcoholic beverages	71,099	72,904	1,805	102.5
Starch for food processing	3,810	4,279	469	112.3
Enzymes and pharmaceuticals	3,277	3,395	117	103.6
Real estate	360	460	99	127.8
Others	71	81	9	113.9
<b>Total</b>	<b>78,618</b>	<b>81,120</b>	<b>2,501</b>	<b>103.2</b>

#### 4. Profit Breakdown

(Millions of yen)

	Increase (Decrease)	Remarks
Alcoholic beverages	(1,460)	Increase in gross profit due to higher sales: 200 Higher ingredient costs, due to increased materials costs: (4,720) Increase in electrical power cost and other production-related costs: (350) Lower SG&A expenses, including personnel expenses: 950 Impact of changes in the product mix and higher unit selling prices: 2,460
Starch for food processing	(285)	Rises in ingredient prices (corn)
Enzymes and pharmaceuticals	(196)	Higher ingredient costs, due to increased materials costs and changes in the product mix
Real estate and others	27	
Operating income	(1,914)	
Nonoperating income	18	Increase in foreign currency exchange gains
Nonoperating expenses	(17)	Higher interest expenses
Ordinary income	(1,913)	
Extraordinary income	(62)	Decrease in reversal of asset retirement obligations
Extraordinary loss	733	Decrease in loss on restructuring of business
Income before income taxes	(1,241)	
Income, residential and enterprise taxes	(460)	Increase in tax expenses due to partial reversal of deferred tax assets
Profit	(1,702)	
Profit attributable to non-controlling interests	146	
Profit attributable to owners of the parent	(1,556)	

## 5. Consolidated Balance Sheets

(Millions of yen)

	Fiscal year 2021 (As of Dec. 31, 2021)	Fiscal year 2022 (As of Dec. 31, 2022)	Change	Percentage change (%)	Remarks
(Assets)					
Cash and deposits	990	899	(91)	90.8	
Notes and accounts receivable	16,295	16,955	660	104.1	Higher sales due to price rises
Inventories	7,866	8,586	720	109.2	
Other current assets	463	615	152	132.9	
Allowance for doubtful accounts	(18)	(18)	0	—	
Total current assets	25,596	27,038	1,441	105.6	
Buildings	5,064	8,753	3,688	172.8	Increase due to completion of the Ginza building site development
Land	9,620	9,628	8	100.1	
Other tangible fixed assets	9,077	7,241	(1,836)	79.8	Decrease in construction in progress to develop the Ginza building site
Total tangible fixed assets	23,763	25,623	1,860	107.8	
Intangible fixed assets	298	554	256	185.7	Increase in software in progress
Investment securities	1,404	1,545	140	110.0	
Long-term prepaid expenses	105	115	9	109.2	
Deferred tax assets	891	403	(488)	45.2	Decrease due to partial reversal in this period
Other investments and other assets	225	235	10	104.5	
Allowance for doubtful accounts	(5)	(5)	—	—	
Total investments and other assets	2,622	2,294	(328)	87.5	
Total fixed assets	26,684	28,473	1,788	106.7	
Total assets	52,280	55,511	3,230	106.2	

(Millions of yen)

	Fiscal year 2021 (As of Dec. 31, 2021)	Fiscal year 2022 (As of Dec. 31, 2022)	Change	Percentage change (%)	Remarks
(Liabilities)					
Notes and accounts payable	6,324	6,827	502	107.9	
Short-term debt	3,700	6,950	3,250	187.8	
Other payables	4,400	4,608	207	104.7	
Accrued liquor tax	8,726	8,448	(277)	96.8	
Other current liabilities	2,199	1,643	(556)	74.7	Decreases in accrued consumption taxes
Total current liabilities	25,350	28,476	3,126	112.3	
Long-term debt	—	2,400	2,400	—	
Other long-term liabilities	4,884	5,030	145	103.0	
Total long-term liabilities	4,884	7,430	2,545	152.1	
Total liabilities	30,235	35,906	5,671	118.8	
(Net assets)					
Common stock	6,946	6,946	—	100.0	
Capital surplus	5,601	5,602	1	100.0	
Retained earnings	8,563	6,873	(1,690)	80.3	
Treasury stock	(1,578)	(1,927)	(349)	—	
Total shareholders' equity	19,532	17,494	(2,038)	89.6	
Valuation difference of other securities	354	454	99	128.2	
Deferred hedging gains (losses)	53	(97)	(150)	—	
Cumulative adjustments related to retirement benefits	71	(84)	(156)	—	
Cumulative other comprehensive income	480	272	(207)	56.7	
Non-controlling interests	2,032	1,837	(194)	90.4	
Total net assets	22,045	19,604	(2,441)	88.9	
Total liabilities and net assets	52,280	55,511	3,230	106.2	
Equity ratio (%)	38.3	32.0	(6.3)		

## 6. Consolidated Performance Forecast for FY2023

(Millions of yen)

	Fiscal year 2022 (Jan. 1, 2022–Dec. 31, 2022)	Fiscal year 2023 (Jan. 1, 2023–Dec. 31, 2023)	Change	Percentage change (%)
Alcoholic beverages	72,904	78,131	5,226	107.2
Starch for food processing	4,279	5,087	808	118.9
Enzymes and pharmaceuticals	3,395	3,671	275	108.1
Real estate and others	541	1,110	568	205.1
Net sales	81,120	88,000	6,879	108.5
Cost of sales	71,449	76,057	4,607	106.4
Gross profit	9,670	11,942	2,271	123.5
Selling, general and administrative expenses	10,378	10,942	564	105.4
Alcoholic beverages	(961)	27	988	—
Starch for food processing	(344)	36	380	—
Enzymes and pharmaceuticals	370	470	99	126.8
Real estate and others	227	467	239	204.9
Operating income (loss)	(707)	1,000	1,707	—
Nonoperating income (expenses)	61	0	(61)	—
Ordinary income (loss)	(645)	1,000	1,645	—
Extraordinary income (loss)	(131)	(181)	(50)	—
Income (loss) before income taxes	(777)	818	1,595	—
Income, residential and enterprise taxes	664	302	(362)	45.5
Profit (loss)	(1,441)	516	1,957	—
Profit (loss) attributable to non-controlling interests	(184)	16	200	—
Profit (loss) attributable to owners of the parent	(1,257)	500	1,757	—

## 7. Sales Forecast for FY2023

(Millions of yen)

	Fiscal year 2022 (Jan. 1, 2022–Dec. 31, 2022)	Fiscal year 2023 (Jan. 1, 2023–Dec. 31, 2023)	Change	Percentage change (%)
<i>Shochu</i>	36,100	35,920	(180)	99.5
( <i>Kou</i> -type <i>shochu</i> )	12,886	12,570	(316)	97.5
( <i>Otsu</i> -type <i>shochu</i> )	23,213	23,349	135	100.6
<i>Chu-hi</i> (RTD)	14,169	16,278	2,108	114.9
<i>Sake</i>	3,545	3,822	276	107.8
<i>Sake</i> compounds	1,862	1,835	(26)	98.6
Brewing and industrial alcohol for sale	11,265	13,980	2,715	124.1
<i>Mirin</i> (sweet <i>sake</i> for cooking)	621	412	(209)	66.3
Wine and spirits	4,748	5,303	554	111.7
Others	589	577	(12)	98.0
Total of alcoholic beverages	72,904	78,131	5,226	107.2
Starch for food processing	4,279	5,087	808	118.9
Enzymes and pharmaceuticals	3,395	3,671	275	108.1
Real estate	460	1,017	557	221.2
Others	81	92	11	113.9
<b>Total</b>	<b>81,120</b>	<b>88,000</b>	<b>6,879</b>	<b>108.5</b>