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August 4, 2023

Consolidated Financial Results for the Six Months Ended June 30, 2023 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 2533
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 Scheduled date to file quarterly securities report: August 4, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and securities analysts)

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

1. Consolidated financial results for the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
June 30, 2023	42,657	11.2	2,029	—	2,101	—	1,718	—
June 30, 2022	38,368	1.0	(147)	—	(77)	—	(744)	—

Note: Comprehensive income For the six months ended June 30, 2023: ¥2,093 million [—%]
 For the six months ended June 30, 2022: ¥(607) million [—%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2023	29.52	—
June 30, 2022	(12.53)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2023	51,903	20,422	37.7
December 31, 2022	55,511	19,604	32.0

Reference: Equity
 As of June 30, 2023: ¥19,566 million
 As of December 31, 2022: ¥17,766 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, 2022	—	—	—	5.00	5.00
Fiscal year ending December 31, 2023	—	—			
Fiscal year ending December 31, 2023 (Forecast)			—	7.00	7.00

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

3. Financial Forecast for the 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	85,000	4.8	2,400	—	2,400	—	1,800	—	30.92

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: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

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

As of June 30, 2023	65,586,196 shares
As of December 31, 2022	65,586,196 shares

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

As of June 30, 2023	7,375,617 shares
As of December 31, 2022	7,375,353 shares

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

Six months ended June 30, 2023	58,210,687 shares
Six months ended June 30, 2022	59,432,743 shares

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

* Proper use of earnings forecasts, and other special matters

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

Please refer to “(3) Explanation of Consolidated financial forecast and other forward-looking information” within “1. Qualitative information on quarterly financial results” on page 4 of the attachment to this document for cautionary statements concerning the conditions and performance forecasts that serve as the basis for these forecasts.

Content of Supplementary Materials

1. Qualitative information on quarterly financial results	2
(1) Operating performance analysis	2
(2) Financial conditions analysis	4
(3) Explanation of Consolidated financial forecast and other forward-looking information	4
2. Quarterly consolidated financial statements and notes	5
(1) Quarterly consolidated statement of financial position	5
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income	7
(3) Quarterly consolidated statement of cash flows	9
(4) Notes to the quarterly consolidated financial statements	11
(Notes related to the going concern assumption)	11
(Notes in the event of significant changes in shareholders' equity)	11
(Changes in accounting methods)	11
(Segment information, etc.)	11

First Half of the Fiscal Year Ending December 31, 2023 Financial Summary

1. Qualitative information on quarterly financial results

(1) Operating performance analysis

During the six months ended June 30, 2023, the ongoing normalization of economic and social activity led to a modest economic recovery in Japan, as COVID-era restrictions on movement were eased and COVID-19 was reclassified as a Class 5 infectious disease. On the other hand, the economic outlook remains uncertain due soaring raw material and energy prices resulting from the protracted situation in Russia and Ukraine, and rising prices associated with the 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 six months ended June 30, 2023, net sales amounted to ¥42,657 million (up 11.2% year on year). On the profit front, the Group recorded operating income of ¥2,029 million (operating loss of ¥147 million in the same period of the preceding year) and ordinary income of ¥2,101 million (ordinary loss of ¥77 million). Profit attributable to owners of the parent was ¥1,718 million (loss attributable to owners of the parent of ¥744 million).

During the period under review, the Company sold some of its shares in SUNNY MAIZE CO., LTD., a consolidated subsidiary that handled the starch for food processing segment. As a result, SUNNY MAIZE was excluded from the scope of consolidation, with the beginning of the second quarter as the deemed date of sale. For this reason, results for the starch for food processing segment are for the first quarter.

Segment performance is shown below.

Sales results

Segment name	Item	Six months ended June 30, 2023 (January 1 to June 30, 2023) (Millions of yen)	YoY change (Previous period = 100%)	
Alcoholic beverages	Japanese alcohol products	<i>Shochu</i>	17,400	99.9
		<i>Chu-hi</i> (RTD)	8,330	127.4
		<i>Sake</i>	1,798	110.5
		<i>Sake</i> compound	901	108.4
		Brewing and industrial alcohol for sale	7,437	148.0
		<i>Mirin</i> (rice cooking wine)	202	69.7
		36,071	113.7	
	Wine and spirits	2,439	109.9	
	Others	289	102.1	
	38,800	113.4		
Starch for food processing		1,341	65.3	
Enzymes and pharmaceuticals		1,811	97.5	
Real estate		662	347.8	
Others		41	112.1	
Total		42,657	111.2	

Note: Results for the starch for food processing segment are through the first quarter of the fiscal year.

(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 is declining, and selling prices are being adjusted (raised) across all categories. However, the on-premise market is showing signs of recovery as restrictions on movement are eased. The practice of drinking at home persists as rising prices drive more frugal behavior, leading to favorable performance for store-brand products. In relation to this trend, sales of *chu-hi*

base spirit and *whiskies* suitable for use in highballs rose. We moved forward with sales efforts aimed at meeting these changing needs. As a result, sales of alcoholic beverages amounted to ¥38,800 million (up 13.4% year on year). Progress on price revisions pushed up profitability in all categories, resulting in segment operating profit of ¥1,319 million (operating loss of ¥446 million in the same period of the previous year).

Sales in the *shochu* category (within Japanese alcohol products) decreased, owing to lower sales of store-brand products, although sales of our *shiso shochu Tantakatan*, were favorable. In April, we opened an official Instagram account for our *shiso shochu Tantakatan*, commemorating the 30th anniversary of the product's launch in 2022. From this platform, we disseminated product and campaign information, and strengthened social media marketing activities. In these ways, we implemented measures aimed at improving product recognition and attracting a larger fan base. From fiscal 2022 through to the period under review, we have introduced a number of price revisions, averaging 4% for *kou*-type *shochu* and 6% for *otsu*-type and *kou-otsu* blended *shochu*.

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. In the *Gotochi* series, we strengthened our lineup with the launch of *Otona no Co-up Guarana SOUR*. This product is a collaboration with the *Co-up Guarana* brand, a guarana beverage that has long been popular in Hokkaido. In this category, we have introduced two price revisions from fiscal 2022 through to the period under review, averaging 9%.

In the *sake* category, the market was lackluster, but sales rose on favorable performance in on-premise and store-brand products. In this category, we revised prices by an average of 7% in fiscal 2022.

In brewing and industrial alcohol for sale, category sales increased due to favorable performance in brewing and industrial alcohol. In this category, we generally conduct price revisions with each business partner approximately every quarter and are working to pass on increased raw material costs.

Sales in the wine and spirits category increased, owing to favorable performance for our *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 domestic and overseas demand for *WHISKY KOH-KUN*, a type of whisky that is ideal for mixing in highballs. In this category, we have introduced several price revisions from fiscal 2022 through to the period under review, averaging 6%.

(Starch for food processing)

In the starch for food processing segment, during the six months ended June 30, 2023, the Company sold some of its shares in SUNNY MAIZE CO., LTD., a consolidated subsidiary that handled operations in this segment. Owing to our reduced ownership percentage and deeming the transaction to have taken place at the beginning of the second quarter, SUNNY MAIZE CO., LTD. was excluded from the scope of consolidation, becoming an equity-method affiliate. Through the first three months of the fiscal year, segment sales came to ¥1,341 million (down 34.7% year on year from the first six months of the preceding year), and we generated a segment operating loss of ¥6 million (operating loss of ¥149 million in the first six months of the preceding year).

(Enzymes and pharmaceuticals)

Sales in the enzymes and pharmaceuticals segment were ¥1,811 million (down 2.5% year on year), despite solid results from the contract manufacturing business in Japan, due to a decline in overseas sales in the enzymes category. However, operating income came to ¥360 million (up 6.4% year on year), due to lower cost of sales, as well as to the impact of the product mix.

(Real estate)

In the real estate segment, sales amounted to ¥662 million (up 247.8% year on year), and operating income was ¥352 million (up 244.6% year on year). November 2022 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. The Company also recorded the sale of real estate for sale.

(2) Financial conditions analysis

1) Assets, liabilities and net assets

As of June 30, 2023, total assets amounted to ¥51,903 million, down ¥3,607 million from December 31, 2022. The decline was due mainly to a decline in trade notes and accounts receivable, while investment securities increased.

Liabilities amounted to ¥31,480 million, down ¥4,426 million. Income taxes payable increased, but accrued liquor tax and other accounts payable decreased.

Net assets up ¥818 million, to ¥20,422 million, mainly because of a increase in retained earnings.

2) Cash flows

As of June 30, 2023, cash and cash equivalents were ¥616 million, down ¥278 million from their level on December 31, 2022.

Net cash used in operating activities amounted to ¥94 million (¥2,534 million decreased from the same period of the previous fiscal year). Major sources of cash were a ¥2,301 million decrease in trade notes and accounts receivable and income before income taxes minority interests of ¥2,064 million. Key uses of cash were a ¥3,298 million decrease in accrued liquor tax and a ¥1,666 million increase in inventories.

Net cash provided by investing activities came to ¥532 million (¥2,455 million more than in the same period of the previous year), mainly as the result of ¥950 million provided by the collection of loans receivable.

Net cash used in financing activities was ¥716 million (down ¥5,121 million). The repayment of long-term loans payable used ¥300 million, and cash dividends paid used ¥293 million.

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

The full-year financial forecast remains unchanged from the figures announced on July 28, 2023.

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

(Millions of yen)

	Fiscal year 2022 (As of Dec. 31, 2022)	Six months ended June 30, 2023 (As of June. 30, 2023)
ASSETS		
Current assets		
Cash and deposits	899	621
Notes and accounts receivable–trade	16,955	13,635
Merchandise and finished goods	6,329	7,210
Work in process	230	278
Raw materials and supplies	2,026	1,280
Other	615	369
Allowance for doubtful accounts	(18)	(16)
Total current assets	27,038	23,379
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	30,122	29,491
Accumulated depreciation	(19,737)	(19,526)
Buildings and structures, net	10,385	9,964
Machinery, equipment and vehicles	36,348	35,103
Accumulated depreciation	(30,975)	(30,116)
Machinery, equipment and vehicles, net	5,372	4,987
Land	9,628	9,438
Construction in progress	8	42
Other	1,777	1,773
Accumulated depreciation	(1,549)	(1,523)
Other, net	228	250
Total property, plant and equipment	25,623	24,683
Intangible assets		
Goodwill	5	4
Other	549	563
Total intangible assets	554	567
Investments and other assets		
Investment securities	1,545	2,575
Deferred tax assets	403	348
Other	351	353
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	2,294	3,272
Total noncurrent assets	28,473	28,524
Total assets	55,511	51,903

(Millions of yen)

	Fiscal year 2022 (As of Dec. 31, 2022)	Six months ended June 30, 2023 (As of June. 30, 2023)
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	5,035	4,866
Electronically recorded obligations	1,791	1,627
Short-term loans payable	6,950	6,850
Accounts payable–other	4,608	3,708
Accrued liquor tax	8,448	5,149
Income taxes payable	153	432
Provision for bonuses	62	237
Provision for directors’ bonuses	2	11
Provision for shareholder benefit program	23	—
Notes payable–facilities	43	26
Electronically recorded obligations–facilities	34	69
Other	1,322	1,308
Total current liabilities	28,476	24,290
Noncurrent liabilities		
Long-term loans payable	2,400	2,100
Long-term deposits received	3,134	3,098
Deferred tax liabilities	128	227
Provision for directors’ stock benefits	111	119
Net defined benefit liabilities	1,497	1,468
Asset retirement obligation	53	51
Other	104	125
Total noncurrent liabilities	7,430	7,190
Total liabilities	35,906	31,480
NET ASSETS		
Shareholders’ equity		
Capital stock	6,946	6,946
Capital surplus	5,602	5,604
Retained earnings	6,873	8,297
Treasury stock	(1,927)	(1,927)
Total shareholders’ equity	17,494	18,920
Total accumulated other comprehensive income		
Valuation difference on available-for-sale securities	454	623
Deferred gains on hedges	(97)	104
Remeasurements of defined benefit plans	(84)	(82)
Total accumulated other comprehensive income	272	645
Non-controlling interests	1,837	856
Total net assets	19,604	20,422
Total liabilities and net assets	55,511	51,903

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

(Millions of yen)

	Six months ended June 30, 2022 (Jan. 1, 2022–Jun. 30, 2022)	Six months ended June 30, 2023 (Jan. 1, 2023–Jun. 30, 2023)
Net Sales	38,368	42,657
Cost of sales	33,446	35,551
Gross profit	4,922	7,106
Selling, general and administrative expenses	5,069	5,076
Operating income (loss)	(147)	2,029
Nonoperating income		
Interest income	0	0
Dividend income	23	25
Share of profit of entities accounted for using equity method	—	18
Rent income	32	31
Foreign exchange gains	46	36
Miscellaneous income	27	27
Total nonoperating income	129	140
Nonoperating expenses		
Interest expenses	34	47
Shutdown expenses	12	12
Miscellaneous losses	11	8
Total nonoperating expenses	59	68
Ordinary income (loss)	(77)	2,101
Extraordinary income		
Gain on sales of investment securities	—	14
Other	—	0
Total extraordinary income	—	14
Extraordinary loss		
Loss on retirement of noncurrent assets	18	2
Loss on recalling of products	86	—
Loss on sales of shares of subsidiaries and associates	—	46
Other	0	1
Total extraordinary loss	105	51
Income (loss) before income taxes and minority interests	(182)	2,064
Income taxes	639	349
Profit (loss)	(821)	1,715
Loss attributable to non-controlling interests	(76)	(3)
Profit (loss) attributable to owners of the parent	(744)	1,718

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

(Millions of yen)

	Six months ended June 30, 2022 (Jan. 1, 2022–Jun. 30, 2022)	Six months ended June 30, 2023 (Jan. 1, 2023–Jun. 30, 2023)
Profit (loss)	(821)	1,715
Other comprehensive income		
Valuation difference on available-for-sale securities	62	170
Deferred gains or losses on hedges	155	205
Remeasurements of defined benefit plans	(3)	2
Total other comprehensive income	213	378
Comprehensive income	(607)	2,093
Comprehensive income attributable to		
Comprehensive income (loss) attributable to owners of the parent	(531)	2,091
Comprehensive income (loss) attributable to non-controlling interests	(76)	2

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended June 30, 2022 (Jan. 1, 2022–Jun. 30, 2022)	Six months ended June 30, 2023 (Jan. 1, 2023–Jun. 30, 2023)
Cash flows from operating activities		
Income (loss) before income taxes and minority	(182)	2,064
Depreciation and amortization	846	921
Amortization of goodwill	1	1
Increase (decrease) in net defined benefit liabilities	22	(28)
Increase (decrease) in allowance for doubtful accounts	(3)	(2)
Increase (decrease) in provision for directors' bonuses	(9)	9
Increase (decrease) in provision for directors' stock benefits	4	8
Increase (decrease) in provision for shareholder benefit program	(18)	(23)
Interest and dividend income	(23)	(25)
Interest expenses	34	47
Share of (profit) loss of entities accounted for using equity method	—	(18)
Loss on retirement of noncurrent assets	18	2
Gain on sales of investment securities	—	(14)
Loss on sales of shares of subsidiaries and associates	—	46
Loss on recalling of products	86	—
Decrease (increase) in notes and accounts receivable-trade	2,939	2,301
Decrease (increase) in inventories	(445)	(1,666)
Increase (decrease) in notes and accounts payable-trade	(541)	(321)
Increase (decrease) in accrued consumption tax	(656)	164
Increase (decrease) in accrued liquor tax	(3,871)	(3,298)
Other, net	(786)	(158)
Subtotal	(2,584)	7
Interest and dividends received	23	25
Interest expenses paid	(53)	(61)
Payments for restructuring of business	(90)	—
Payments for loss on recalling of products	(77)	—
Income taxes (paid) refund	153	(65)
Net cash provided by (used in) operating activities	(2,628)	(94)

(Millions of yen)

	Six months ended June 30, 2022 (Jan. 1, 2022–Jun. 30, 2022)	Six months ended June 30, 2023 (Jan. 1, 2023–Jun. 30, 2023)
Cash flows from investing activities		
Purchase of noncurrent assets	(1,868)	(395)
Gain (loss) on disposal of noncurrent asset	(31)	—
Government subsidies	—	32
Purchase of investment securities	(3)	(3)
Proceeds from sales of investment securities	0	17
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	119
Payments of loans receivable from subsidiaries and associates	—	(150)
Proceeds from collection of loans receivable from subsidiaries and associates	—	950
Other, net	(19)	(38)
Net cash provided by (used in) investing activities	(1,922)	532
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	5,250	(100)
Repayment of long-term loans payable	(375)	(300)
Payments for finance lease obligations	(26)	(15)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(437)	(293)
Cash dividends paid to non-controlling interests	(3)	(3)
Other, net	(2)	(3)
Net cash provided by (used in) financing activities	4,405	(716)
Net increase (decrease) in cash and cash equivalents	(146)	(278)
Cash and cash equivalents at beginning of period	986	894
Cash and cash equivalents at end of period	839	616

(4) Notes to the quarterly consolidated financial statements

(Notes related to the going concern assumption)

Not applicable

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

Not applicable

(Changes in accounting methods)

Not applicable

(Segment information, etc.)

Segment information

I. Six months ended June 30, 2022 (January 1 to June 30, 2022)

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

(Millions of yen)

	Reportable segment					Others (Note) 1	Reconciliations (Note) 2	Amount stated in the quarterly consolidated statement of income (Note) 3
	Alcoholic beverages	Starch for food processing	Enzymes and pharmaceuticals	Real estate	Total			
Sales								
Sales to external customers	34,229	2,053	1,857	190	38,331	37	—	38,368
Inter-segment sales or transfers	0	—	—	—	0	—	(0)	—
Total	34,230	2,053	1,857	190	38,332	37	(0)	38,368
Segment profit (loss)	(446)	(149)	338	102	(154)	7	—	(147)

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

2. Reconciliations are to eliminate intersegment transactions.

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

II. Six months ended June 30, 2023 (January 1 to June 30, 2023)

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 (Note) 4	Enzymes and pharmaceuticals	Real estate	Total			
Sales								
Sales to external customers	38,800	1,341	1,811	662	42,616	41	—	42,657
Inter-segment sales or transfers	13	—	—	—	13	—	(13)	—
Total	38,813	1,341	1,811	662	42,629	41	(13)	42,657
Segment profit (loss)	1,319	(6)	360	352	2,026	2	—	2,029

(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.

4. On May 15, 2023, the Company sold some of its shares in SUNNY MAIZE CO., LTD., which handled the starch for food processing segment. As a result, SUNNY MAIZE was excluded from the scope of consolidation and became an equity method affiliate. For this reason, sales and the segment loss for this segment are for the first quarter.



First Half of the Fiscal Year Ending December 31, 2023 Financial Summary

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

DENON Holdings, Inc.

August 4, 2023

1. Consolidated Statements of Income

(Millions of yen)

	First half of fiscal year 2022 (Jan. 1, 2022–Jun. 30, 2022)	First half of fiscal year 2023 (Jan. 1, 2023–Jun. 30, 2023)	Change	Percentage change (%)
Alcoholic beverages	34,229	38,800	4,570	113.4
Starch for food processing	2,053	1,341	(711)	65.3
Enzymes and pharmaceuticals	1,857	1,811	(45)	97.5
Real estate and others	227	704	476	309.2
Net sales	38,368	42,657	4,289	111.2
Cost of sales	33,446	35,551	2,105	106.3
Gross profit	4,922	7,106	2,183	144.4
Selling, general and administrative expenses	5,069	5,076	7	100.1
Alcoholic beverages	(446)	1,319	1,766	—
Starch for food processing	(149)	(6)	143	—
Enzymes and pharmaceuticals	338	360	21	106.4
Real estate and Others	109	355	245	324.1
Operating income (loss)	(147)	2,029	2,176	—
Nonoperating income	129	140	11	108.6
Nonoperating expenses	59	68	9	115.5
Ordinary income (loss)	(77)	2,101	2,178	—
Extraordinary income	—	14	14	—
Extraordinary loss	105	51	(53)	48.9
Income (loss) before income taxes	(182)	2,064	2,246	—
Income, residential and enterprise taxes	639	349	(289)	54.7
Profit (loss)	(821)	1,715	2,536	—
Profit (loss) attributable to non-controlling interests	(76)	(3)	73	—
Profit (loss) attributable to owners of the parent	(744)	1,718	2,462	—
Profit (loss) per share (Yen)	(12.53)	29.52	42.05	—
Capital expenditures	1,489	341	(1,148)	22.9

Note: During the six months ended June 30, 2023, the Company sold some of its shares in SUNNY MAIZE CO., LTD., a consolidated subsidiary that handled the starch for food processing segment. As a result, SUNNY MAIZE became an equity-method subsidiary from the start of the second quarter (April 1, 2023). Accordingly, indicated sales and operating income for the starch for food processing segment remain at the levels for the first three months of the fiscal year.

(Figures for the starch for food processing segment in the previous fiscal year are for January to June 2022. In the current fiscal year, figures are for January through March 2023.)

2. Consolidated Statements of Income (Second quarter)

(Millions of yen)

	Second quarter of fiscal year 2022 <small>(Apr. 1, 2022–Jun. 30, 2022)</small>	Second quarter of fiscal year 2023 <small>(Apr. 1, 2023–Jun. 30, 2023)</small>	Change	Percentage change (%)
Alcoholic beverages	18,810	20,492	1,681	108.9
Starch for food processing	1,113	—	(1,113)	—
Enzymes and pharmaceuticals	855	890	35	104.1
Real estate and Others	115	431	315	372.7
Net sales	20,895	21,813	918	104.4
Cost of sales	18,281	18,023	(258)	98.6
Gross profit	2,614	3,790	1,176	145.0
Selling, general and administrative expenses	2,623	2,637	14	100.6
Alcoholic beverages	(145)	834	979	—
Starch for food processing	(81)	—	81	—
Enzymes and pharmaceuticals	167	95	(71)	57.0
Real estate and Others	50	223	173	443.4
Operating income (loss)	(8)	1,152	1,161	—
Nonoperating income	75	96	20	127.9
Nonoperating expenses	31	30	(0)	97.3
Ordinary income	35	1,218	1,183	—
Extraordinary income	—	14	14	—
Extraordinary loss	7	50	43	657.9
Income before income taxes	27	1,182	1,154	—
Income, residential and enterprise taxes	668	255	(412)	38.2
Profit (loss)	(640)	926	1,567	—
Profit (loss) attributable to non-controlling interests	(40)	6	47	—
Profit (loss) attributable to owners of the parent	(600)	920	1,520	—
Profit (loss) per share (Yen)	(10.10)	15.81	25.91	—

3. Sales Results by Segment

(Millions of yen)

	First half of fiscal year 2022 (Jan. 1, 2022–Jun. 30, 2022)	First half of fiscal year 2023 (Jan. 1, 2023–Jun. 30, 2023)	Change	Percentage change (%)
<i>Shochu</i>	17,413	17,400	(13)	99.9
(<i>Kou</i> -type <i>shochu</i>)	6,344	6,451	107	101.7
(<i>Otsu</i> -type <i>shochu</i>)	11,069	10,949	(120)	98.9
<i>Chu-hi</i> (RTD)	6,537	8,330	1,793	127.4
<i>Sake</i>	1,627	1,798	170	110.5
<i>Sake</i> compound	831	901	70	108.4
Brewing and industrial alcohol for sale	5,025	7,437	2,411	148.0
<i>Mirin</i> (rice cooking wine)	290	202	(87)	69.7
Wine and spirits	2,219	2,439	219	109.9
Others	283	289	5	102.1
Total of alcoholic beverages	34,229	38,800	4,570	113.4
Starch for food processing	2,053	1,341	(711)	65.3
Enzymes and pharmaceuticals	1,857	1,811	(45)	97.5
Real estate	190	662	472	347.8
Others	37	41	4	112.1
Total	38,368	42,657	4,289	111.2

4. Profit Breakdown

(Millions of yen)

	Increase (Decrease)	Remarks
Alcoholic beverages	1,766	Increase in gross profit due to revised selling prices and higher sales: 3,980 Higher ingredient costs, due to increased materials costs: (2,320) Higher SG&A expenses, including personnel expenses: (100) Impact of changes in the product mix: 206
Starch for food processing	143	Second quarter of fiscal year 2022: (149)
Enzymes and pharmaceuticals	21	Increase in contract manufacturing in Japan
Real estate and others	245	Increase in rent income of hotel in Ginza and proceed from sale of real estate for sale
Operating income	2,176	
Nonoperating income	11	Increase in share of profit of entities accounted for using equity method
Nonoperating expenses	(9)	Higher interest expenses
Ordinary income	2,178	
Extraordinary income	14	Increase in gain on sales of investment securities
Extraordinary loss	53	Decrease in loss on recalling of products
Income before income taxes	2,246	
Income, residential and enterprise taxes	289	
Profit	2,536	
Profit attributable to non-controlling interests	(73)	
Profit attributable to owners of the parent	2,462	

5. Consolidated Balance Sheets

(Millions of yen)

	Fiscal year 2022 (As of Dec. 31, 2022)	First half of fiscal year 2023 (As of Jun. 30, 2023)	Change	Percentage change (%)	Remarks
(Assets)					
Cash and deposits	899	621	(278)	69.1	
Notes and accounts receivable	16,955	13,635	(3,320)	80.4	Lower sales due to seasonal factors
Inventories	8,586	8,770	183	102.1	
Other current assets	615	369	(246)	60.0	Decrease in consumption taxes receivable and other accounts receivable
Allowance for doubtful accounts	(18)	(16)	2	—	
Total current assets	27,038	23,379	(3,658)	86.5	
Buildings	8,753	8,423	(329)	96.2	
Land	9,628	9,438	(190)	98.0	
Other tangible fixed assets	7,241	6,821	(419)	94.2	
Total tangible fixed assets	25,623	24,683	(940)	96.3	
Intangible fixed assets	554	567	13	102.4	
Investment securities	1,545	2,575	1,030	166.6	Increase due to change a consolidated subsidiary into an affiliated company accounted for using equity method
Long-term prepaid expenses	115	119	3	103.0	
Deferred tax assets	403	348	(54)	86.5	
Other investments and other assets	235	234	(0)	99.6	
Allowance for doubtful accounts	(5)	(5)	—	—	
Total investments and other assets	2,294	3,272	977	142.6	
Total fixed assets	28,473	28,524	50	100.2	
Total assets	55,511	51,903	(3,607)	93.5	

(Millions of yen)

	Fiscal year 2022 (As of Dec. 31, 2022)	First half of fiscal year 2023 (As of Jun. 30, 2023)	Change	Percentage change (%)	Remarks
(Liabilities)					
Notes and accounts payable	6,827	6,494	(332)	95.1	
Short-term debt	6,950	6,850	(100)	98.6	
Other payables	4,608	3,708	(899)	80.5	
Accrued liquor tax	8,448	5,149	(3,298)	61.0	Lower sales due to seasonal factors
Other current liabilities	1,643	2,087	444	127.0	Increases in income taxes payable and accrued consumption taxes
Total current liabilities	28,476	24,290	(4,186)	85.3	
Long-term debt	2,400	2,100	(300)	87.5	
Other long-term liabilities	5,030	5,090	59	101.2	
Total long-term liabilities	7,430	7,190	(240)	96.8	
Total liabilities	35,906	31,480	(4,426)	87.7	
(Net assets)					
Common stock	6,946	6,946	—	100.0	
Capital surplus	5,602	5,604	1	100.0	
Retained earnings	6,873	8,297	1,424	120.7	
Treasury stock	(1,927)	(1,927)	(0)	—	
Total shareholders' equity	17,494	18,920	1,426	108.2	
Valuation difference of other securities	454	623	169	137.3	
Deferred hedging gains (losses)	(97)	104	201	—	
Cumulative adjustments related to retirement benefits	(84)	(82)	2	—	
Cumulative other comprehensive income	272	645	373	237.1	
Non-controlling interests	1,837	856	(981)	46.6	
Total net assets	19,604	20,422	818	104.2	
Total liabilities and net assets	55,511	51,903	(3,607)	93.5	
Equity ratio (%)	32.0	37.7	5.7		

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	78,788	5,884	108.1
Starch for food processing	4,279	1,341	(2,938)	31.3
Enzymes and pharmaceuticals	3,395	3,557	161	104.8
Real estate and others	541	1,313	771	242.5
Net sales	81,120	85,000	3,879	104.8
Cost of sales	71,449	72,032	583	100.8
Gross profit	9,670	12,967	3,296	134.1
Selling, general and administrative expenses	10,378	10,567	188	101.8
Alcoholic beverages	(961)	1,399	2,360	—
Starch for food processing	(344)	(6)	338	—
Enzymes and pharmaceuticals	370	420	49	113.3
Real estate and others	227	587	359	257.6
Operating income (loss)	(707)	2,400	3,107	—
Nonoperating income (expenses)	61	0	(61)	—
Ordinary income (loss)	(645)	2,400	3,045	—
Extraordinary income (loss)	(131)	(135)	(3)	—
Income (loss) before income taxes	(777)	2,264	3,041	—
Income, residential and enterprise taxes	664	438	(225)	66.0
Profit (loss)	(1,441)	1,826	3,267	—
Profit (loss) attributable to non-controlling interests	(184)	26	210	—
Profit (loss) attributable to owners of the parent	(1,257)	1,800	3,057	—

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	36,370	269	100.7
(<i>Kou</i> -type <i>shochu</i>)	12,886	12,939	52	100.4
(<i>Otsu</i> -type <i>shochu</i>)	23,213	23,431	217	100.9
<i>Chu-hi</i> (RTD)	14,169	16,126	1,956	113.8
<i>Sake</i>	3,545	3,963	417	111.8
<i>Sake</i> compound	1,862	1,941	79	104.3
Brewing and industrial alcohol for sale	11,265	13,987	2,721	124.2
<i>Mirin</i> (rice cooking wine)	621	416	(205)	67.0
Wine and spirits	4,748	5,323	574	112.1
Others	589	660	70	111.9
Total of alcoholic beverages	72,904	78,788	5,884	108.1
Starch for food processing	4,279	1,341	(2,938)	31.3
Enzymes and pharmaceuticals	3,395	3,557	161	104.8
Real estate	460	1,230	770	267.4
Others	81	82	1	101.3
Total	81,120	85,000	3,879	104.8