

**Flash Report on the Consolidated Results for the First Half of the Fiscal Year
Ending December 31, 2005 (January 1, 2005, to June 30, 2005)**

August 10, 2005

Company Name: OENON HOLDINGS, INC.

Code Number: 2533

(URL <http://www.oenon.jp>)

Stock Exchange Listings: First Section of Tokyo, Osaka and Nagoya stock exchanges, and Sapporo Stock Exchange

Location of Head Office (Prefecture): Metropolis of Tokyo

Representative: Yukio Nagai, President & CEO

Contact: Yoshito Takagi, Director, Corporate Communication Dept.

Phone: 81-3- 3575-2777

Date of the Board of Directors Meeting on the Closing of Accounts: August 10, 2005

Adoption of U.S. GAAP: No

1. Consolidated Performance for the First Half of the Year Ending December 2005
(from January 1, 2005, to June 30, 2005)

(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
First half of year ending December 2005	36,330	(4.2)	1,238	17.8	1,200	25.1
First half of year ended December 2004	37,910	13.5	1,050	113.1	959	119.1
Year ended December 2004	80,313		3,022		2,843	

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
First half of year ending December 2005	427	140.2	6.56	—
First half of year ended December 2004	178	456.6	3.18	—
Year ended December 2004	576		8.98	—

Notes: 1. Equity in net income or loss of unconsolidated subsidiaries and affiliates: —

2. Average number of shares outstanding during the period (consolidated):

Half ended June 2005: 65,172,769 shares

Half ended June 2004: 55,976,765 shares

Year ended December 2004: 58,889,941 shares

3. Change in accounting method: No

4. Percentage figures for net sales, operating income, ordinary income and net income indicate respective changes from the same period of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
First half of year ending December 2005	56,665	15,966	28.2	244.21
First half of year ended December 2004	58,450	13,250	22.7	236.72
Year ended December 2004	63,323	15,839	25.0	243.09

Note: Number of shares issued and outstanding at the end of the period (consolidated):

Half ended June 2005: 65,381,713 shares

Half ended June 2004: 55,972,654 shares

Year ended December 2004: 64,965,832 shares

(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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
First half of year ending December 2005	1,357	(1,086)	(615)	2,257
First half of year ended December 2004	4,015	(3,324)	(1,372)	2,125
Year ended December 2004	6,508	(4,294)	(2,420)	2,601

(4) Scope of consolidation and application of the equity method

Number of consolidated subsidiaries: 12

Number of unconsolidated subsidiaries accounted for by the equity method: 0

Number of affiliates accounted for by the equity method: 0

(5) Change in the scope of consolidation and application of the equity method

Consolidation: (newly included): 0 (Excluded): 0

Equity method: (newly applied): 0 (Excluded): 0

2. Forecast Consolidated Performance for the Year Ending December 2005

(from January 1, 2005, to December 31, 2005)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Year ending December 31, 2005 (full year)	80,000	3,200	1,000

(Reference) Forecast net income per share (full year): ¥15.29

Note: These projected performance figures are based on information available to the Company's management as of the day of releasing the above data. There are many uncertain factors inherent in forecasting, and there might be cases in which actual results differ from forecast values. See page 5 of the Attachment for further information on forecasts.

Operating Results and Financial Position

1. Review of Operations

(1) Overview of operations

During the first half of fiscal 2005, ended June 30, 2005, the Japanese economy was affected by fluctuations in crude oil prices and inventory adjustments in some industries. Nevertheless, corporate performance remained robust, buoyed by increased capital investment, a recovery in personal consumption levels and improvements in the employment environment. Consequently, the economy exhibited signs of a gentle recovery.

In the market for alcoholic beverages, the demand structure is changing in line with increasingly diverse consumption preferences. In tandem with such demographic shifts as a declining birth rate and an aging population, the way people enjoy food and beverages is changing, and consumers are increasingly conscious of health and safety. The liberalization of liquor sales licensing laws has prompted a raft of new entrants into the market, and the industry faces a host of other challenges, as well. Product lifecycles are becoming shorter, social demands are changing and requiring clearer labeling of ingredients, transaction methods are undergoing fundamental changes, and corporate competitiveness is growing increasingly severe.

By product category, the demand for *shochu*—particularly Group B *shochu* (*Otsu*-type *shochu*)—has moved from a recent boom into an adjustment phase. Sales of beer and low-malt beverages are down substantially, while sales are firm for beer-like alcoholic beverages, *chu-hi*, cocktails and low-alcohol beverages.

Demand for other alcoholic beverages, such as *sake* and wine, continues to decline each year, although product category trends are unclear.

Through our holding company structure, we aim to match the company's business resources with customer demand, while taking advantage of the particular characteristics of each operating company in the Oenon Group.

During the first half, we continued focusing on the following tasks.

- 1) We increased Group management efficiency by more appropriately distributing managerial resources in line with the Group's perceptions of its operating environment, and further applied Group synergies, to optimize our sales and production functions;
- 2) We reviewed and revised business and product portfolios to improve product mixes based on the concept of selectivity and focus. These efforts included developing distinctive products that draw upon the strengths of individual Group companies and concentrating on products that deliver the best value, phasing out low-yield and unprofitable products and nurturing new brands.
- 3) We continued the shift entirely from a "product-out" to a "market-in" sales system, entering new business channels and developing marketing activities to establish powerful brands.
- 4) We continued to conduct thorough checks of corporate activities to reduce total costs, reviewing all functional cost items from procurement, purchasing and production to distribution and sales.

As a result of these activities, consolidated net sales declined 4.2%, to ¥36,330 million, reflecting our efforts to weed out unprofitable and low-profit products. This shift toward a focus on high-profit items increased the effectiveness of our marketing expenditures, generated Groupwide synergies and raised profits in the enzymes and pharmaceuticals business segment. Consequently, during the first half we posted the highest ordinary income ever for this period—a 25.1% increase, to ¥1,200 million—despite the introduction of a system of pro-forma taxation based on business size.

During the term, we posted an extraordinary loss, owing to our shift from a lump-sum retirement benefit system to a defined-contribution system. Nevertheless, we posted a record level of consolidated net income for the period, up 140.2%, to ¥427 million.

(2) Operating results by business segment

Alcoholic beverages:

Overall sales of *shochu* products expanded 2.7%, to ¥19,111 million. Within this group, demand for Group B *shochu* (*Otsu*-type *shochu*) was essentially unchanged, as this category remained in the adjustment phase. However, sales of *Shiso Shochu Tantakatan* rose by approximately 20%, as this product found increasing favor with customers, and *Hakata no Hana* continued to post steady sales growth. Sales of *Gokoku Shochu* continued to expand, as an increasing number of volume sellers adopted this new product. Buoyed by strong performance from our flagship products, sales of our Group B *shochu* products outpaced overall industry trends, rising 2.0% despite the scaling back of unprofitable products.

At the 2005 Monde Selection, our *Hakata no Hana* series earned five gold medals, and *Hakata no Hana Maromi no Toki* won the International High Quality Trophy—presented only to outstanding gold-medal winners—for the third consecutive year. Such honors attest to the high quality of the Oenon Group’s flagship products.

In the Group A *shochu* (*Kou*-type *shochu*) category, we saw an increase in popularity of *Grand Bleu*, which is made with deep-sea water, *Chu-hi Senka* and *Aibo*—a staple for the business market. Overall sales in this category declined, however, as our focus on profitability prompted us to curtail spending to counteract market trends.

Sales of *sake* compounds fell 4.4%, to ¥2,961 million, keeping pace with market trends and maintaining our position of industry leadership. Amid a general decline in sales of private-brand products, sales of our market-leading *Genroku-Bijin* remained robust. We responded aggressively to the consumer focus on price in this category by renewing our *Shujinko* product line, ensuring that we continue to offer a flexible range of brands.

Owing chiefly to changing consumer preferences and our Groupwide shift in focus to highly profitable products, *sake* sales decreased 11.9%, to ¥4,250 million.

Three Group products earned gold medals during the "National Research Institute of Brewing Sake Awards 2004," and the Group was certified for "Production of High-Quality Traditional Sakes." *Taisetsu no Kura Junmai Ginjo Kinuyuki* was certified under the new Hokkaido Food Product Certification System. We believe that such designations attest to our successful ongoing efforts to launch high-quality premium products featuring regional characteristics.

Sales of alcohol for brewing and other purposes surged 47.9%, to ¥1,220 million. In our view, such expansion evinces the market’s awareness of the quality and cost performance of our products in this category.

We continued to introduce *chu-hi* products that foster growing individualism in the food and beverage arena, but value-focused marketing efforts drove down sales in this category 44.2%, to ¥944 million. Despite ongoing changes to our product portfolio, which includes *mirin*, overall sales of Japanese-style alcohol decreased 5.5%, to ¥29,189 million.

In the Western-style alcohol category, *Oshukubai Pack ume* (plum) liquor posted strong sales, as did our *Zeitaku Umesu*, which is made using a two-stage production method that delivers a luxurious flavor. Such successes boosted category sales 1.2%. Faring extremely well was *La Tomato*, a fruity and crisply refreshing Oenon Group original whose sales more than doubled during the period.

For wine products, the Company carefully selects quality wines in the medium-priced and premium ranges from various chateaux. We concluded a sales contract with Dominique Laurent, who has become known as a producer of some of the most popular wines from France’s Burgundy region. Through such promotions, we continue to concentrate on selecting and promoting highly profitable products. This Groupwide strategic focus resulted in lower sales volumes in this category, however, and sales declined 11.6%.

Market demand for Western-style alcohol for processing is falling, and our sales in this category dropped 4.5%. Convinced that demand will remain for quality products that demonstrate technical expertise, we have shifted our primary focus to such products, which have lasting customer appeal.

Sales of Western-style alcohol were ¥2,784 million, down 8.0%. This level was in line with our initial forecasts, as we shifted to a product strategy that concentrates on Group originality.

In fiscal 2004, we began implementing the strategy of reconfiguring our product portfolio for both Japanese- and Western-style alcohol. Despite these changes, we stemmed the overall decline in sales of alcoholic beverages to 5.7%, to ¥31,974 million.

Food products:

Food product sales dropped 2.0%, to ¥2,053 million. Sales of processing starch expanded, as customers rewarded our stable production capacity and high quality levels. We were also successful in ongoing efforts to cultivate new product applications. Sales of seasonings declined, however, bearing the brunt of Groupwide efforts to pare down unprofitable products.

Enzymes and pharmaceuticals:

Sales of enzymes and pharmaceuticals were robust, expanding 39.1%, to ¥1,508 million, mainly helped by mainstay products. Sales of enzymes grew approximately 40%, buoyed by sales of our lactose-splitting enzyme to milk product makers throughout the world. During the period, we cultivated sales in North America, Latin America, Europe, Asia and Oceania. We were proactive in proposing new applications for this enzyme, and were rewarded for our efforts.

Sales of bulk pharmaceuticals benefited from a growing interest in treatments for lifestyle-related illnesses and the growing acceptance of generic drugs. Sales of hyperlipidemia treatments expanded steadily, and the response to our newly introduced bulk pharmaceutical for diabetes treatments was extremely favorable.

Sales continued to expand for such pharmaceuticals as a reagent to test for blood in the stool. We also extended our market through the introduction of various products to meet growing diversity in user demand. Shipments of health foods fell, owing to the introduction of competing products and severe price competition.

Real estate and others:

Lower revenues in the real estate segment partly reflected aggressive efforts implemented in fiscal 2004 to improve the Group's internal utilization of owned real estate. Sales in the others segment also decreased, affected by bad weather. As a result, combined net sales in the real estate and others segments fell 4.5%, to ¥794 million.

(3) Outlook

We face uncertain raw material prices, owing to expected shifts in crude oil prices and foreign exchange rates, but we anticipate a steady recovery in the global economy and believe Japanese economic performance will remain stable. In the alcoholic beverages sector, we expect customer preferences to grow increasingly borderless and diverse. Accordingly, we will continue to revise our product lineups. In this process, we will cull out some products and channels, and we expect to see substantial new transformation within the transaction system. Such factors will result in increasingly severe market competition.

In this environment, the Group will concentrate its fundamental management focuses on customers and profits. Specifically, we will steadily seek out products that differentiate us and raise our cost competitiveness. In these ways, we will work together to create future value, by vigorously increasing corporate value and management quality.

For the full fiscal year ending in December 2005, we revise our numerical forecasts. Although we now anticipate consolidated net sales of ¥80.0 billion, down 0.4% from the preceding term, we retain our original forecast for ordinary income of ¥3.2 billion, up 12.5%, and net income of ¥1.0 billion, a 73.6% increase.

2. Financial Position (Consolidated Cashflow Situation)

During the period, net cash provided by operating activities was ¥1,357 million. Among uses of cash, the decrease in allowance for employees' retirement benefits required ¥588 million, increase in inventories ¥674 million, decrease in accounts payable ¥1,321 million and decrease in accrued liquor tax ¥3,591 million. Of main sources of cash, income before income taxes and minority interests provided ¥991 million, depreciation and amortization ¥1,086 million, and the decrease in trade receivables ¥6,560 million.

Net cash used in investing activities totaled ¥1,086 million. Most of this amount resulted from ¥1,096 million in payments for acquisition of fixed assets.

Net cash used in financing activities was ¥615 million. A net increase in short-term loans payable provided ¥550 million, and proceeds from long-term loans payable provided ¥500 million. Payments for long-term loans payable required ¥1,318 million, and dividends paid used ¥320 million.

During the period, the net decrease in cash and cash equivalents was ¥343 million. As a result, cash and cash equivalents at the end of the period totaled ¥2,257 million, compared with ¥2,601 million at the beginning of the period.

Cashflow indicators of the Group's activities are as follows:

	Year ended December 31, 2003	Year ended December 31, 2004	Half ended June 30, 2004	Half ended June 30, 2005
Equity ratio (%)	20.3	25.0	22.7	28.2
Equity ratio at market valuation (%)	19.6	27.5	29.8	45.7
Debt redemption (years)	6.0	2.9	5.4	13.6
Interest coverage ratio (times)	10.4	19.1	20.7	7.9

Notes:

Equity ratio: Shareholders' equity/total assets

Equity ratio at market valuation: Total market capitalization/total assets

Debt redemption: Interest-bearing debt/operating cash flow

Interest coverage ratio: Operating cash flow/interest payments

1. All of the above indicators are calculated on a consolidated basis.
2. Total market capitalization is calculated by multiplying the closing price of the Company's shares at the end of the period by the number of shares issued and outstanding at the end of the period.
3. Operating cash flow is the value stated as "cash flows from operating activities" in the consolidated statements of cash flows. Interest-bearing debt indicates the portion of balance-sheet liabilities on which interest is paid. Interest payment corresponds to the amount of interest paid in the consolidated statements of cash flows.

Consolidated Balance Sheets

(Amounts below one million yen are truncated.)

	First half of fiscal year 2004 (As of June 30, 2004)		First half of fiscal year 2005 (As of June 30, 2005)		Fiscal year 2004 (As of Dec. 31, 2004)	
	Amount (Millions of yen)	Percent of total (%)	Amount (Millions of yen)	Percent of total (%)	Amount (Millions of yen)	Percent of total (%)
(Assets)						
I. Current assets						
1 Cash and deposits	2,130		2,262		2,605	
2 Notes and accounts receivable	16,146		15,414		21,974	
3 Marketable securities	49		—		—	
4 Inventories	10,453		9,911		9,271	
5 Deferred tax assets	224		362		324	
6 Prepaid expenses	114		126		146	
7 Other current assets	247		344		438	
8 Allowance for doubtful accounts	(30)		(34)		(47)	
Total current assets	29,336	50.2	28,387	50.1	34,714	54.8
II Fixed assets						
(1) Tangible fixed assets						
1 Buildings	8,836		8,520		8,712	
2 Structures	1,530		1,524		1,532	
3 Machinery, equipment and vehicles	5,883		5,530		5,760	
4 Tools, furniture and fixtures	397		359		391	
5 Land	7,750		7,704		7,704	
6 Construction in progress	289		76		193	
Total tangible fixed assets	24,687	42.2	23,714	41.9	24,295	38.4
(2) Intangible fixed assets						
1 Leasehold	11		11		11	
2 Consolidation adjustments	1,107		999		1,037	
3 Software	203		177		174	
4 Other intangible fixed assets	520		405		420	
Total intangible fixed assets	1,842	3.2	1,594	2.8	1,643	2.6
(3) Investments and other assets						
1 Investment securities	1,535		1,619		1,624	
2 Long-term loans receivable	24		17		22	
3 Long-term prepaid expenses	213		190		190	
4 Deferred tax assets	424		487		444	
5 Other investments and other assets	454		719		440	
6 Allowance for doubtful accounts	(67)		(66)		(51)	
Total investments and other assets	2,583	4.4	2,968	5.2	2,670	4.2
Total fixed assets	29,113	49.8	28,278	49.9	28,609	45.2
Total Assets	58,450	100.0	56,665	100.0	63,323	100.0

(Amounts below one million yen are truncated.)

	First half of fiscal year 2004 (As of June 30, 2004)		First half of fiscal year 2005 (As of June 30, 2005)		Fiscal year 2004 (As of Dec. 31, 2004)	
	Amount (Millions of yen)	Percent of total (%)	Amount (Millions of yen)	Percent of total (%)	Amount (Millions of yen)	Percent of total (%)
(Liabilities)						
I Current liabilities						
1 Notes and accounts payable	6,294		5,874		7,196	
2 Short-term debt	9,446		8,262		7,784	
3 Bonds redeemable within 1 year	—		5,000		5,000	
4 Other payables	3,433		3,542		4,561	
5 Accrued liquor tax	4,847		4,275		7,867	
6 Accrued consumption tax	534		365		584	
7 Accrued income tax	414		569		831	
8 Allowance for employees' bonuses	93		86		78	
9 Accrued expenses	267		320		215	
10 Deposits payable	225		228		208	
11 Other current liabilities	955		353		785	
Total current liabilities	26,512	45.3	28,878	50.9	35,111	55.4
II Long-term liabilities						
1 Bonds	5,000		—		—	
2 Long-term debt	4,962		2,725		3,472	
3 Long-term deposits payable	3,197		3,280		3,143	
4 Allowance for employees' retirement benefits	1,351		862		1,450	
5 Allowance for directors' retirement benefits	234		181		271	
6 Other long-term liabilities	1,776		2,573		1,778	
Total long-term liabilities	16,523	28.3	9,623	17.0	10,116	16.0
Total liabilities (Minority interests)	43,035	73.6	38,502	67.9	45,228	71.4
Minority interests	2,164	3.7	2,196	3.9	2,255	3.6
(Shareholders' Equity)						
I Common stock	5,867	10.0	6,938	12.3	6,938	11.0
II Capital surplus	4,477	7.7	5,568	9.8	5,540	8.7
III Retained earnings	2,645	4.5	3,148	5.6	3,043	4.8
IV Valuation difference of other securities	291	0.5	351	0.6	351	0.6
V Treasury stock	(32)	(0.0)	(39)	(0.1)	(34)	(0.1)
Total shareholders' equity	13,250	22.7	15,966	28.2	15,839	25.0
Total Liabilities, Minority Interests and Shareholders' Equity	58,450	100.0	56,665	100.0	63,323	100.0

Consolidated Statements of Income

(Amounts below one million yen are truncated.)

	First half of fiscal year 2004 (From January 1, 2004, to June 30, 2004)		First half of fiscal year 2005 (From January 1, 2005, to June 30, 2005)		Fiscal year 2004 (From January 1, 2004, to December 31, 2004)				
	Amount (Millions of yen)	Percent of total (%)	Amount (Millions of yen)	Percent of total (%)	Amount (Millions of yen)	Percent of total (%)			
I Net sales		37,910	100.0		36,330	100.0		80,313	100.0
II Cost of sales		27,372	72.2		25,889	71.3		57,547	71.7
Gross profit		10,537	27.8		10,441	28.7		22,766	28.3
III Selling, general and administrative expenses		9,486	25.0		9,203	25.3		19,743	24.5
Operating income		1,050	2.8		1,238	3.4		3,022	3.8
IV Nonoperating income									
1 Interest income	1			0			1		
2 Dividend income	22			24			26		
3 Rental income	34			35			76		
4 Foreign currency exchange gain	2			1			2		
5 Other nonoperating income	48	109	0.3	72	134	0.4	104	211	0.2
V Nonoperating expenses									
1 Interest expenses	177			148			344		
2 Other nonoperating expenses	23	200	0.6	23	171	0.5	45	390	0.5
Ordinary income		959	2.5		1,200	3.3		2,843	3.5
VI Extraordinary income									
1 Gain on sales of fixed assets	16			—			16		
2 Gain on sales of marketable securities	0			41			0		
3 Reversal of allowance for doubtful accounts	9			1			9		
4 Others	—	25	0.1	—	42	0.1	1	27	0.1
VII Extraordinary loss									
1 Directors' retirement benefits	20			—			20		
2 Transfer to directors' retirement benefits reserve	138			—			138		
3 Loss on sales and disposal of fixed assets	172			23			429		
4 Loss on disposal of inventories	—			34			306		
5 Loss on revaluation of memberships	24			—			115		
6 Loss on sales of investment securities	—			—			3		
7 Loss on revaluation of investment securities	49			3			51		
8 Loss on transition to defined contribution pension plan	—			168			—		
9 Others	67	473	1.2	22	252	0.7	122	1,187	1.5
Income before income taxes and minority interests		511	1.4		991	2.7		1,684	2.1
Income, residential and enterprise taxes	399			566			1,241		
Reversal of income taxes payable for previous periods	(43)			—			(43)		
Adjustment for income taxes	(98)	257	0.7	(71)	495	1.3	(257)	940	1.2
Minority interests		76	0.2		68	0.2		167	0.2
Net income		178	0.5		427	1.2		576	0.7

Consolidated Statements of Retained Earnings

(Amounts below one million yen are truncated.)

	First half of fiscal year 2004 (From January 1, 2004, to June 30, 2004)		First half of fiscal year 2005 (From January 1, 2005, to June 30, 2005)		Fiscal year 2004 (From January 1, 2004, to December 31, 2004)	
	Amount (Millions of yen)		Amount (Millions of yen)		Amount (Millions of yen)	
(Capital surplus)						
I Capital surplus at beginning of term		4,477		5,540		4,477
II Increase in capital surplus						
1 New issue of stock due to capital increase	—		—		1,062	
2 Gain on disposal of treasury stock	0		0		0	
3 Gain from separation of subsidiaries	—	0	27	27	—	1,063
III Capital surplus at end of term		4,477		5,568		5,540
(Retained earnings)						
I Retained earnings at beginning of year		2,779		3,043		2,779
II Increase in retained earnings						
1 Gain from separation of subsidiaries	—		48		—	
2 Net income	178	178	427	476	576	576
III Decrease in retained earnings						
1 Dividends paid	279		324		279	
2 Bonuses to directors	31	311	47	372	31	311
IV Retained earnings at end of year		2,645		3,148		3,043

Consolidated Statements of Cash Flows

(Amounts below one million yen are truncated.)

	First half of fiscal year 2004 (January 1, 2004, to June 30, 2004)	First half of fiscal year 2005 (January 1, 2005, to June 30, 2005)	Fiscal year 2004 (January 1, 2004, to December 31, 2004)
	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)
I Cash flows from operating activities:			
Income before income taxes and minority interests	511	991	1,684
Depreciation and amortization	1,163	1,086	2,408
Amortization of consolidation adjustments	69	37	139
Increase (decrease) in allowance for employees' retirement benefits	96	(588)	196
Increase (decrease) in allowance for directors' retirement benefits	149	(90)	187
Increase (decrease) in allowance for doubtful accounts	(22)	2	(21)
Interest and dividend income	(24)	(24)	(27)
Interest expenses	177	148	344
Loss (gain) on sales of investment securities	(0)	(41)	3
Loss on revaluation of investment securities	49	3	51
Gain on sales of fixed assets	(16)	—	(16)
Loss on sales and disposal of fixed assets	172	23	429
Loss on revaluation of memberships	24	—	115
Loss on disposal of inventories	—	34	306
Loss on transition to defined contribution pension plan	—	168	—
Decrease (increase) in trade receivables	7,300	6,560	1,471
Decrease (increase) in inventories	(921)	(674)	(45)
Increase (decrease) in accounts payable	(1,278)	(1,321)	(376)
Increase (decrease) in accrued liquor tax	(3,149)	(3,591)	(130)
Decrease (increase) in other current assets	384	113	160
Increase (decrease) in other current liabilities	(1,077)	(861)	(187)
Increase (decrease) in other fixed liabilities	1,734	925	1,678
Others	(349)	(583)	(285)
Subtotal	4,994	2,314	8,086
Interest and dividends received	22	24	28
Interest paid	(194)	(171)	(340)
Income taxes paid	(807)	(809)	(1,264)
Net cash provided by operating activities	4,015	1,357	6,508
II Cash flows from investing activities:			
Decrease in time deposits	—	—	(4)
Increase in time deposits	—	—	4
Payments for acquisition of fixed assets	(3,200)	(1,096)	(4,250)
Proceeds from sales and payments for disposal of fixed assets	5	(9)	24
Payments for acquisition of investment securities	(39)	(36)	(42)
Proceeds from sales of investment securities	10	78	13
Proceeds from collection of loans	5	6	7
Others	(105)	(30)	(46)
Net cash used in investing activities	(3,324)	(1,086)	(4,294)
III Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	140	550	(1,060)
Proceeds from long-term loans payable	—	500	—
Payments for long-term loans payable	(1,222)	(1,318)	(3,174)
Proceeds from issuance of new shares	—	—	2,133
Dividends paid	(274)	(320)	(279)
Dividends paid to minority interests	(12)	(20)	(12)
Others	(2)	(5)	(28)
Net cash (used in) provided by financing activities	(1,372)	(615)	(2,420)
IV Net increase (decrease) in cash and cash equivalents	(681)	(343)	(206)
V Cash and cash equivalents at beginning of period	2,807	2,601	2,807
VI Cash and cash equivalents at end of period	2,125	2,257	2,601

(Segment Information)

Business segments

(Millions of yen)

	First half of fiscal year 2004 (January 1, 2004 – June 30, 2004)							
	Alcoholic beverages	Food products	Enzymes and pharmaceuticals	Real estate	Others	Total	Elimination or corporate	Consolidated
Sales:								
(1) Sales to outside customers	33,899	2,095	1,084	217	613	37,910	—	37,910
(2) Inter-segment sales/transfers	38	0	—	220	3,713	3,972	(3,972)	—
Total sales	33,938	2,095	1,084	438	4,326	41,882	(3,972)	37,910
Operating expenses	33,292	1,939	1,045	237	4,316	40,832	(3,972)	36,859
Operating income (loss)	645	155	38	200	10	1,050	(—)	1,050

Notes:

1. Segmentation: Businesses of the Oeon Group are categorized into five segments (alcoholic beverages, food products, enzymes and pharmaceuticals, real estate and others), depending on product types and characteristics, as well as similarities of their respective markets.

2. Major products of each business segment

Business segment	Major products/business areas
Alcoholic beverages	<i>Shochu, chu-hi, sake</i> compounds, <i>sake</i> , Western-style alcohol for processing, wines
Food products	Processing starch, seasonings
Enzymes and pharmaceuticals	Enzymes, diagnostics, bulk pharmaceuticals, health foods
Real estate	Purchase and sale, leasing and rental of real estate
Others	Food services, warehousing, packaging, cargo handling

(Millions of yen)

	First half of fiscal year 2005 (January 1, 2005 – June 30, 2005)							
	Alcoholic beverages	Food products	Enzymes and pharmaceuticals	Real estate	Others	Total	Elimination or corporate	Consolidated
Sales:								
(1) Sales to outside customers	31,974	2,053	1,508	189	604	36,330	—	36,330
(2) Inter-segment sales/transfers	28	1	—	266	3,533	3,830	(3,830)	—
Total sales	32,002	2,055	1,508	456	4,138	40,161	(3,830)	36,330
Operating expenses	31,457	1,923	1,174	201	4,166	38,922	(3,830)	35,092
Operating income (loss)	544	132	334	254	(27)	1,238	(—)	1,238

Notes:

1. Segmentation: Businesses of the Oeon Group are categorized into five segments (alcoholic beverages, food products, enzymes and pharmaceuticals, real estate and others), depending on product types and characteristics, as well as similarities of their respective markets.

2. Major products of each business segment

Business segment	Major products/business areas
Alcoholic beverages	<i>Shochu, chu-hi, sake</i> compounds, <i>sake</i> , Western-style alcohol for processing, wines
Food products	Processing starch, seasonings
Enzymes and pharmaceuticals	Enzymes, diagnostics, bulk pharmaceuticals, health foods
Real estate	Purchase and sale, leasing and rental of real estate
Others	Food services, warehousing, packaging, cargo handling

(Millions of yen)

	Fiscal year 2004 (January 1, 2004 – December 31, 2004)							
	Alcoholic beverages	Food products	Enzymes and pharmaceuticals	Real estate	Others	Total	Elimination or corporate	Consolidated
Sales:								
(1) Sales to outside customers	71,977	4,377	2,282	409	1,266	80,313	—	80,313
(2) Inter-segment sales/transfers	78	0	—	482	7,449	8,011	(8,011)	—
Total sales	72,056	4,377	2,282	891	8,716	88,325	(8,011)	80,313
Operating expenses	70,207	4,025	1,981	442	8,646	85,302	(8,011)	77,291
Operating income (loss)	1,849	352	301	449	70	3,022	(—)	3,022

Notes:

1. Segmentation: Businesses of the Oenon Group are categorized into five segments (alcoholic beverages, food products, enzymes and pharmaceuticals, real estate and others), depending on product types and characteristics, as well as similarities of their respective markets.

2. Major products of each business segment

Business segment	Major products/business areas
Alcoholic beverages	<i>Shochu, chu-hi, sake</i> compounds, <i>sake</i> , Western-style alcohol for processing, wines
Food products	Processing starch, seasonings
Enzymes and pharmaceuticals	Enzymes, diagnostics, bulk pharmaceuticals, health foods
Real estate	Purchase and sale, leasing and rental of real estate
Others	Food services, warehousing, packaging, cargo handling

(Geographical segments)

As sales in Japan account for more than 90% of total sales in each category for the first half of fiscal 2004 (January 1, 2004, to June 30, 2004), the first half of fiscal 2005 (January 1, 2005, to June 30, 2005) and fiscal year 2004 (January 1, 2004, to December 31, 2004), segment sales by geographical region are omitted.

(Overseas sales)

As overseas sales account for less than 10% of total net sales for the first half of fiscal 2004 (January 1, 2004, to June 30, 2004), the first half of fiscal 2005 (January 1, 2005, to June 30, 2005) and fiscal year 2004 (January 1, 2004, to December 31, 2004), information on overseas sales is omitted.

(Production, Orders Received and Sales Performance)

1. Production

The production performance by major product category is as follows:

Business segment		First half of fiscal year 2004 (Jan. 1, 2004 to Jun. 30, 2004) (Kiloliters)	First half of fiscal year 2005 (Jan. 1, 2005 to Jun. 30, 2005) (Kiloliters)	Fiscal year 2004 (Jan. 1, 2004 to Dec. 31, 2004) (Kiloliters)
	Item (Major product category)			
Alcoholic beverages	<i>Shochu</i>	50,155	42,911	100,842
	<i>Chu-hi</i>	8,039	5,009	16,566
	<i>Sake</i>	15,018	13,338	28,881
	<i>Sake compounds</i>	16,887	15,883	32,982
	Brewing alcohol	8,673	14,486	20,778
	<i>Mirin</i> (sweet <i>sake</i> for cooking)	2,744	2,061	5,241
	Western-style alcohol	3,243	2,714	5,513
	Total	104,762	96,405	210,806
Food products		2,784	2,727	6,223

Note: The production in the enzymes and pharmaceuticals segment is not stated, as quantitative computation is difficult. The real estate and others segments are not listed, as these segments had no production outputs.

2. Orders received

The Oenon Group does not conduct production on a made-to-order basis.

3. Sales performance

The sales performance by item (major product category) is as follows:

(Amounts below one million yen are truncated.)

Business segment		First half of fiscal year 2004 (Jan. 1, 2004 to Jun. 30, 2004) (Millions of yen)	First half of fiscal year 2005 (Jan. 1, 2005 to Jun. 30, 2005) (Millions of yen)	Fiscal year 2004 (Jan. 1, 2004 to Dec. 31, 2004) (Millions of yen)
	Item (Major product category)			
Alcoholic beverages	<i>Shochu</i>	19,648	19,111	41,731
	<i>Chu-hi</i>	1,693	944	3,232
	<i>Sake</i>	4,823	4,250	10,177
	<i>Sake compounds</i>	3,098	2,961	6,526
	Brewing alcohol	824	1,220	1,849
	<i>Mirin</i> (sweet <i>sake</i> for cooking)	783	701	1,751
	Western-style alcohol	3,026	2,784	6,709
	Total	33,899	31,974	71,977
Food products		2,095	2,053	4,377
Enzymes and pharmaceuticals		1,084	1,508	2,282
Real estate		217	189	409
Others		613	604	1,266
Total		37,910	36,330	80,313

Notes:

1. The above amounts do not include consumption taxes.
2. As sales performance at each destination accounts for less than 10% of total sales performance, sales performance by destination is omitted.