

Results Briefing Materials for the First Half of the
Fiscal Year Ending December 31, 2011

DENON Holdings, Inc.

August 25, 2011

Yukio Nagai, President and CEO

(Securities code: 2533)

**From the bounty of nature and with biotechnology as our base,
we aim to help people find enjoyment and health through food.**

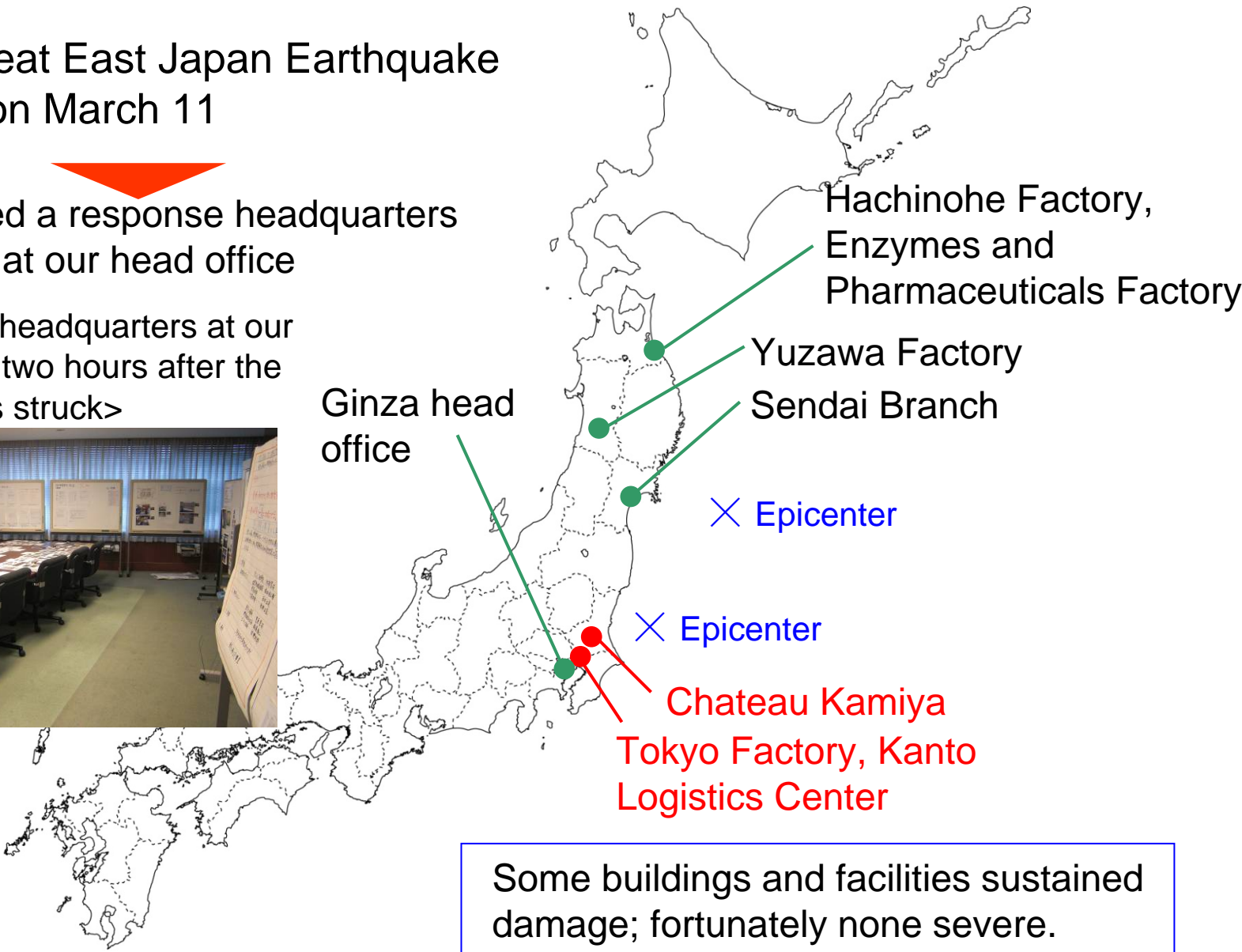
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1. Impact of the Great East Japan Earthquake

The Great East Japan Earthquake struck on March 11

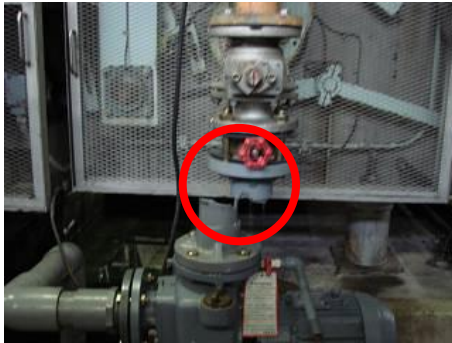
Established a response headquarters at our head office

<Response headquarters at our head office, two hours after the earthquakes struck>



Some buildings and facilities sustained damage; fortunately none severe.

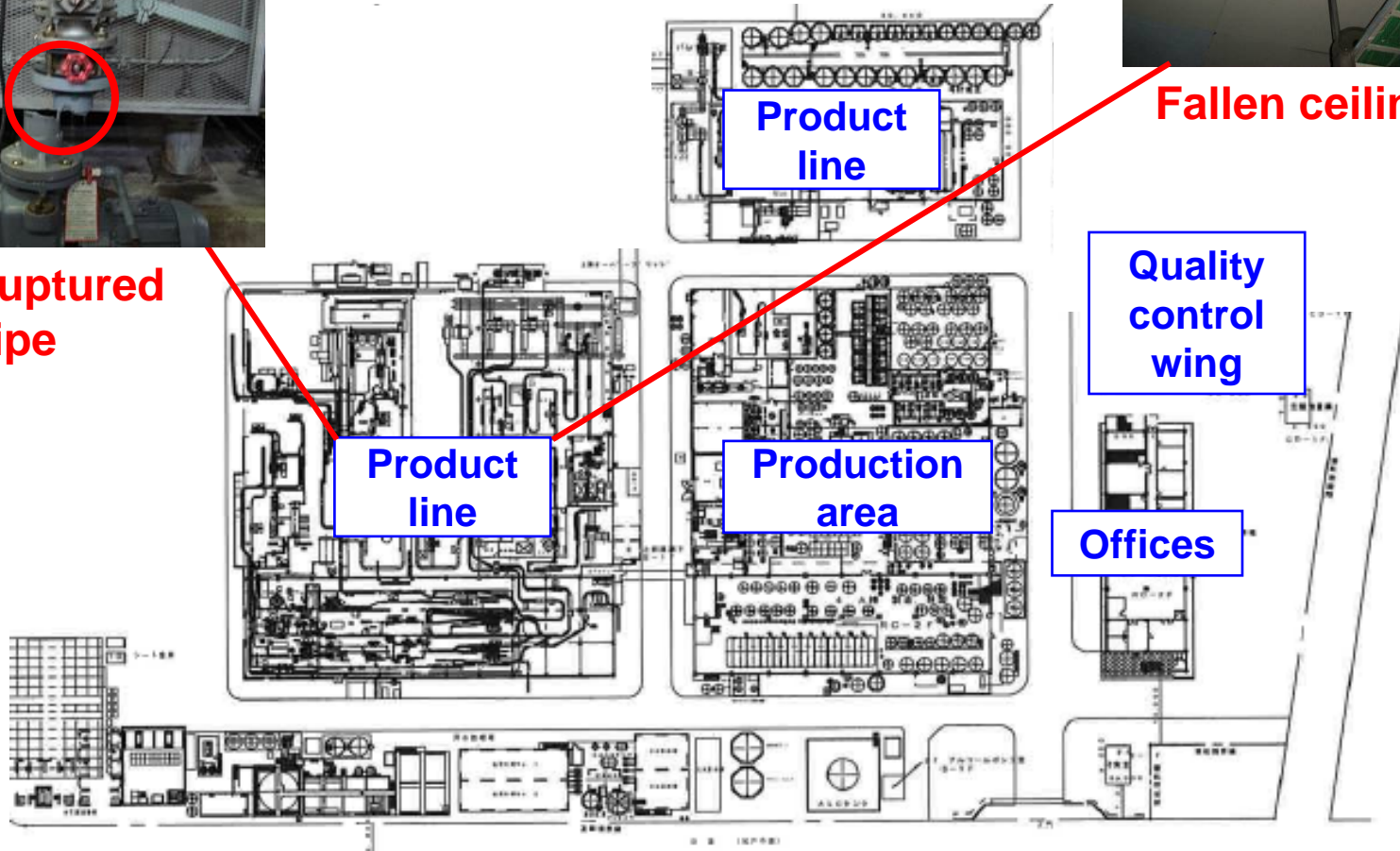
Tokyo Factory



Ruptured pipe



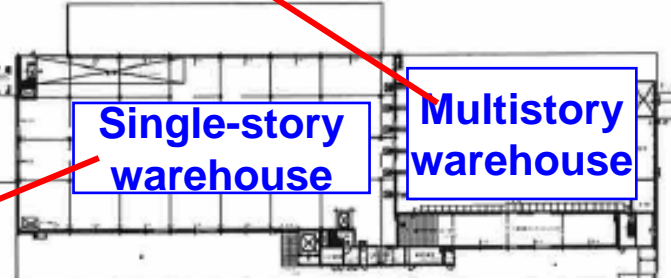
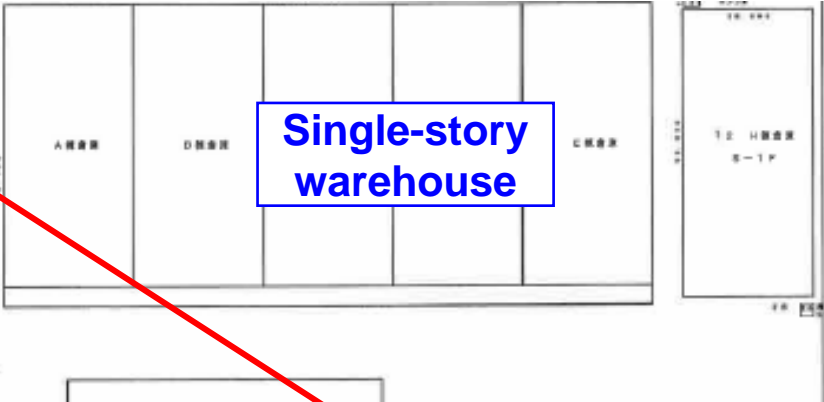
Fallen ceiling tiles



Kanto Logistics Center



Broken packaging



Damaged shutters

Chateau Kamiya



Cracks in the main building



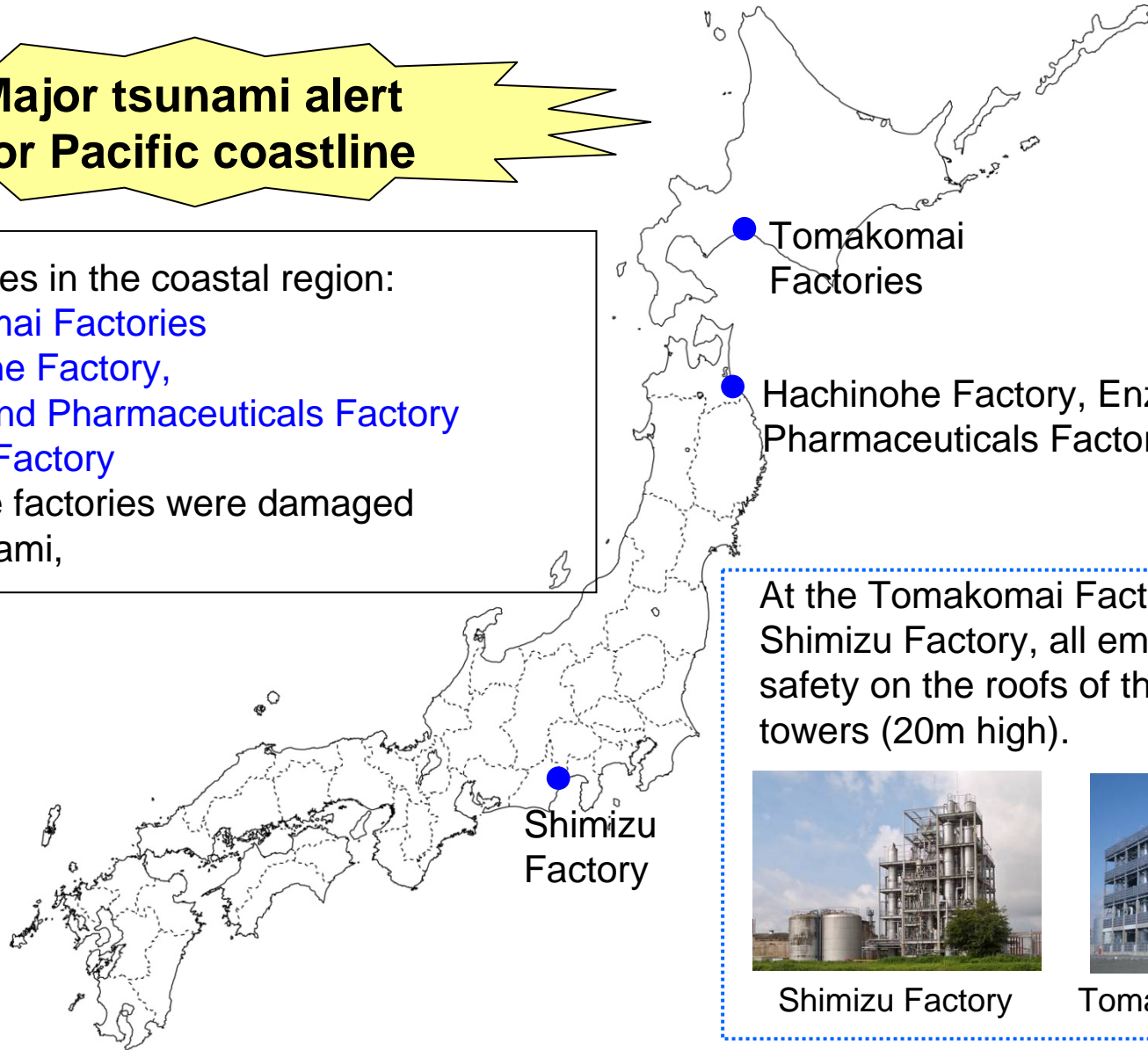
Fallen ceiling plaster at Café Abeille

Major tsunami alert for Pacific coastline

Four factories in the coastal region:

- Tomakomai Factories
- Hachinohe Factory, Enzymes and Pharmaceuticals Factory
- Shimizu Factory

None of the factories were damaged by the tsunami,



At the Tomakomai Factories and Shimizu Factory, all employees fled to safety on the roofs of the distillation towers (20m high).



Shimizu Factory



Tomakomai Factories

Breakdown of Extraordinary Loss

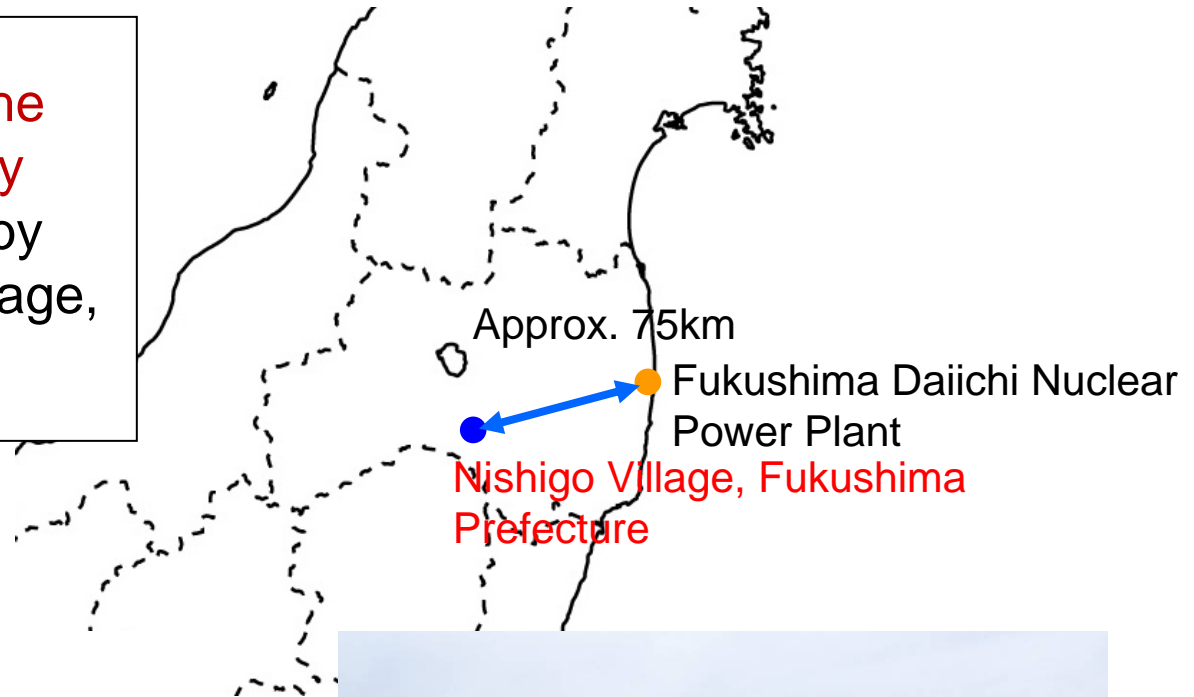
(Billions of yen)

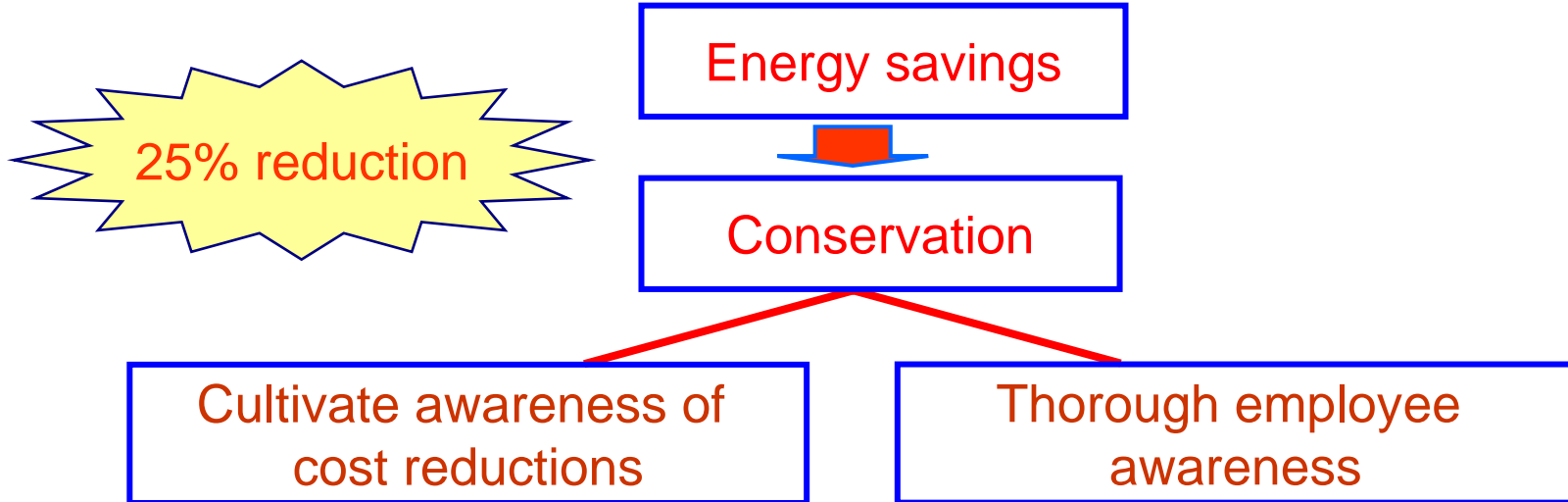
Damage to inventories	0.2
Expenditure to restore plant and equipment to original condition	0.1
Fixed costs while operations and sales activities suspended	0.1
Total	0.4

Rather than returning to his home country, our chef at the Ginza restaurant, Dominique Corby, went to the disaster-affected region, where he prepared onion soup for victims.

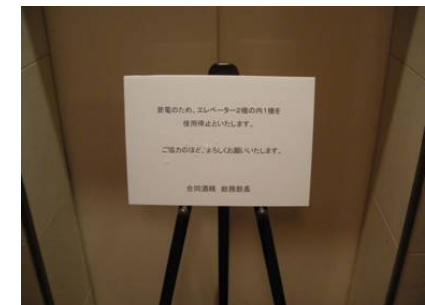


We provided **space for the construction of temporary housing** on land owned by the Group in Nishigo Village, Fukushima Prefecture.





- From July, shifted working hours to 8:00–16:30 (formerly, 9:00–17:30)
- No overtime allowed on Wednesdays
- Two days extension of summer holidays (to seven days in total, including weekend)
- Reduced office lighting by 70%, removed refrigerator and made extensive effort to eliminate electric equipment unrelated to operations
- Reviewed utility leaks
- Insulation of plate heaters
- Other activities



2. Overview of Consolidated Results for 1H FY2011

Market and Business Environment

- In addition to the demand shift toward **inexpensive products** and **frugal spending**, the earthquake prompted a **decline in internal demand**.
- By category, **low-alcohol drinks** made inroads, centering on younger demographic.
- Even in categories where demand is decreasing, demand for **store-brand products** by leading retailers continues to expand.

Year-on-Year Performance by Category

Beer	- 3%	<i>Kou-otsu</i> blended <i>shochu</i>	- 1%
<i>Kou</i> -type <i>shochu</i>	- 3%	<i>Sake</i>	- 2%
<i>Otsu</i> -type <i>shochu</i>	- 2%	<i>Chu-hi</i> (RTD)	+ 8%

Down overall

Oenon Group

- Effect of higher income in the alcoholic beverages segment: **Positive ¥300 million**
- Effect of lower income in the enzymes and pharmaceuticals segment: **Negative ¥100 million**
- Effect of income improvement in bioethanol segment: **Positive ¥100 million**

(Millions of yen)

	1H FY2010	1H FY2011		
			Difference	YoY Change
Net sales	39,703	39,483	(219)	(1)%
Operating income	716	1,097	380	53%
Ordinary income	664	1,088	423	64%

Overview of Results by Segment (Abbreviated) for 1H FY2011



(Millions of yen)

	Net Sales				Operating Income (Loss)			
	1H FY2010	1H FY2011	Difference	YoY Change	1H FY2010	1H FY2011	Difference	YoY Change
Alcoholic beverages	35,145	34,964	(181)	(1)%	66	385	318	480%
Starch for food processing	1,905	1,974	69	4%	76	108	31	42%
Enzymes and pharmaceuticals	1,932	1,726	(205)	(11)%	478	361	(117)	(25)%
Bioethanol	475	577	101	21%	(55)	90	146	—
Total	39,703	39,483	(219)	(1)%	716	1,097	380	53%

Alcoholic beverages

- **Sales flat year on year**, owing to efforts to provide products that meet ongoing customer frugality
- Although rising ingredient costs put downward pressure on income, **operating income up ¥300 million year on year**, owing to reduction of SG&A, depreciation and amortization, and other costs

New offering



Tantakatan no Soda Wari



Highball

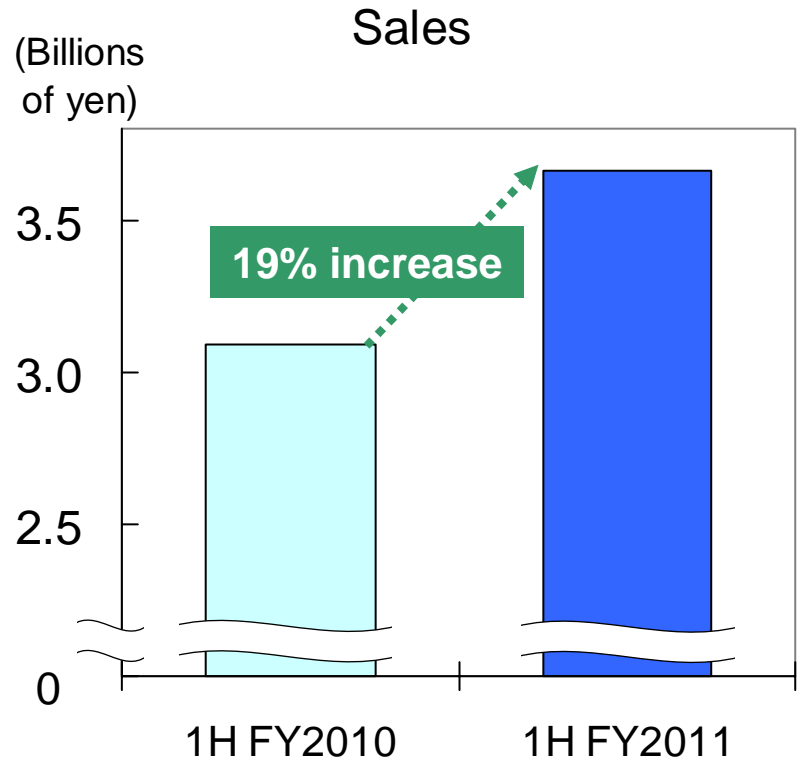


Lemon



Grapefruit

Chokkyu Shobu



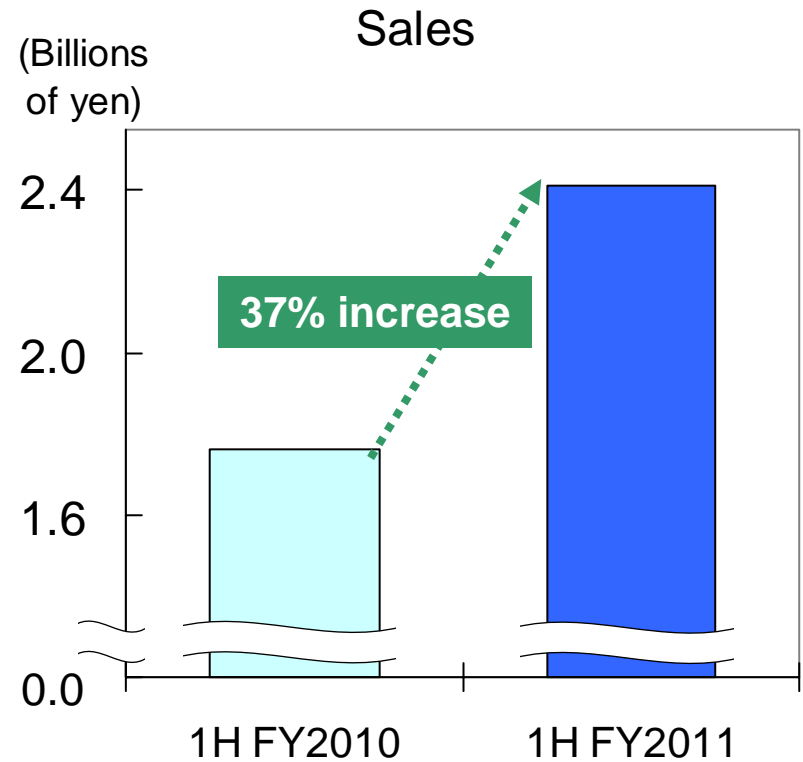
Sales up 19% year on year, owing to popularity of *Tantakatan no Soda Wari*, highballs and store-brand products



Principal uses of brewing alcohol



Principal uses of industrial alcohol



Sales up 37% year on year, owing to increases in brewing alcohol and industrial alcohol

New offering



Tantakatan no Umeshu



Assari Umeshu

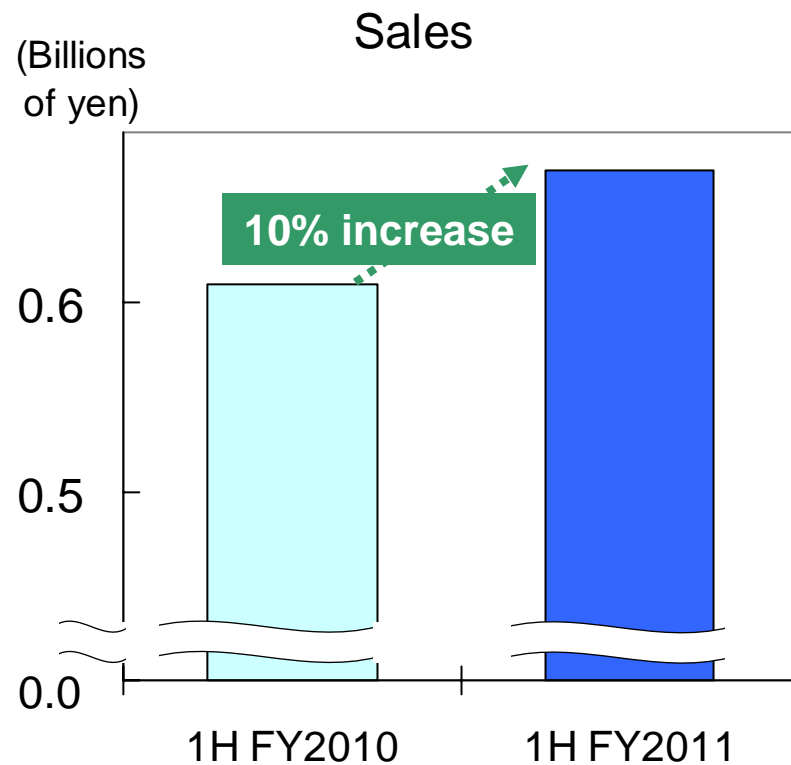


"Nigori" Umeshu with Extra Pulp



Ginger Umeshu

Oshukubai



Sales up 10% year on year, owing to robust sales of *Tantakatan no Umeshu*

Alcoholic beverages

1H FY2010 operating income: ¥100 million
1H FY2011 operating income: ¥400 million

¥600 million Lower SG&A expenses

¥100 million Lower depreciation and amortization related to the Tomakomai factories

Higher ingredient costs
¥400 million

**Total decrease:
¥400 million**

**Total increase:
¥700 million**

+ ¥300 million

Overview of Results by Segment (Abbreviated) for 1H FY2011



(Millions of yen)

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**Starch for
food
processing**

- **Sales up**, due to increases in demand for use in cereals and vegetable oils
- **Operating income up**, owing to higher sales and result of efforts to curtail cost of sales

Overview of Results by Segment (Abbreviated) for 1H FY2011



(Millions of yen)

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Enzymes and pharmaceuticals

- In enzymes, overseas sales of lactase increased
- Sales of bulk pharmaceuticals for use in generic drugs, such as for diabetes treatment, declined

Overview of Results by Segment (Abbreviated) for 1H FY2011



(Millions of yen)

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Total	39,703	39,483	(219)	(1)%	716	1,097	380	53%

Bioethanol

- Unit selling prices improved and the utilization ratio increased, lowering cost of sales and leading to a **¥100 million improvement** at the operating level

Consolidated Balance Sheets (Abbreviated) as of June 30, 2011



(Millions of yen)

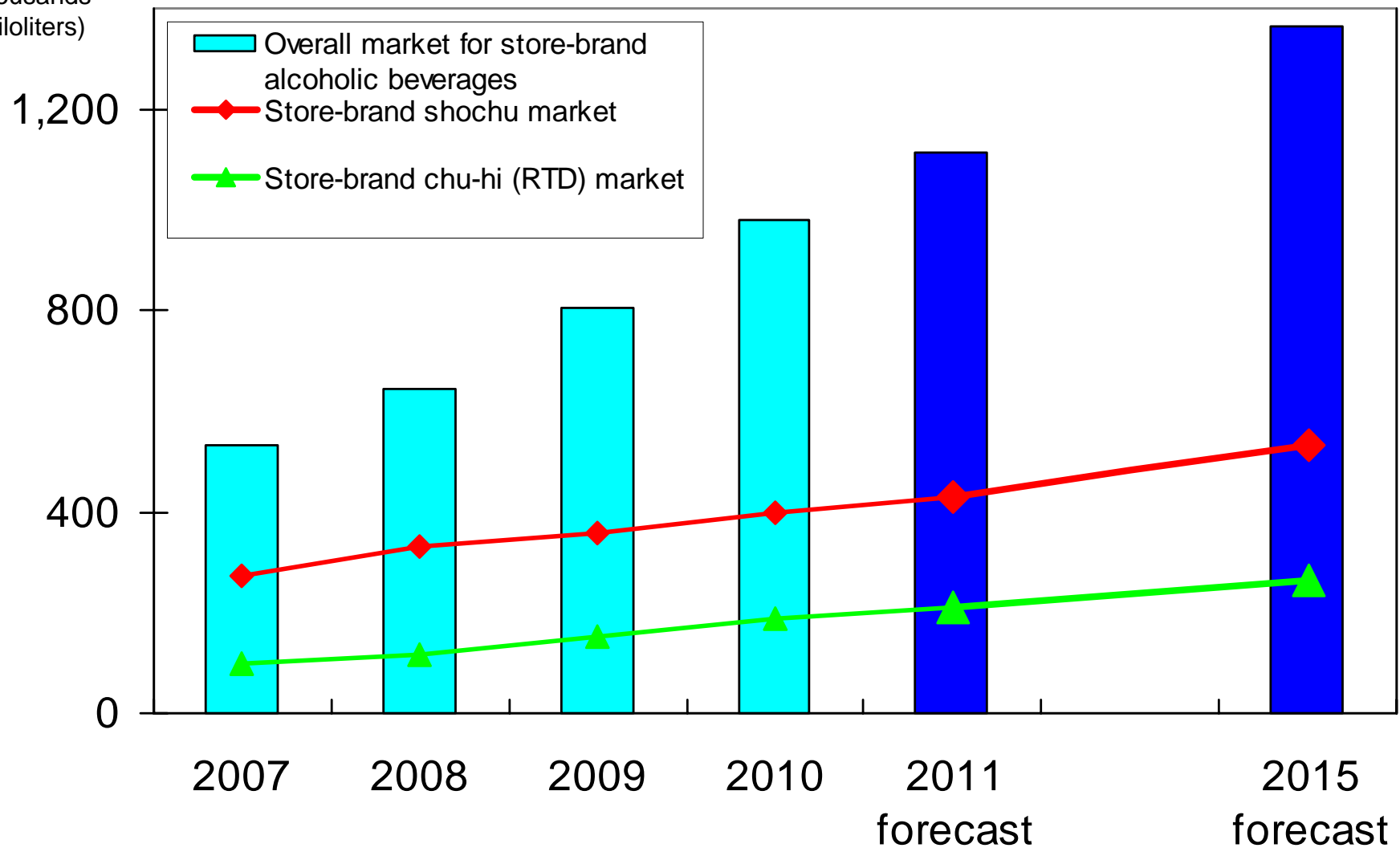
	December 31, 2010	June 30, 2011		
			Difference	Change
Total assets	62,744	55,860	(6,884)	(11)%
Current assets	34,224	28,339	(5,885)	(17)%
Fixed assets	28,520	27,521	(999)	(3)%
Total liabilities	43,065	36,421	(6,644)	(15)%
Current liabilities	27,223	20,689	(6,533)	(24)%
Long-term liabilities	15,842	15,731	(111)	(1)%
Net assets	19,679	19,438	(240)	(1)%

- Interest-bearing liabilities: ¥14.7 billion → ¥14.6 billion (down ¥0.1 billion)
- Dividend disbursement caused decrease in net assets, but total assets fell substantially, causing the equity ratio to improve (27.7% → 30.6%)

3. Key Strategies in 2H FY2011

The alcoholic beverages market for store-brand products is expected to continue growing at a rate of **around 7% per year**.

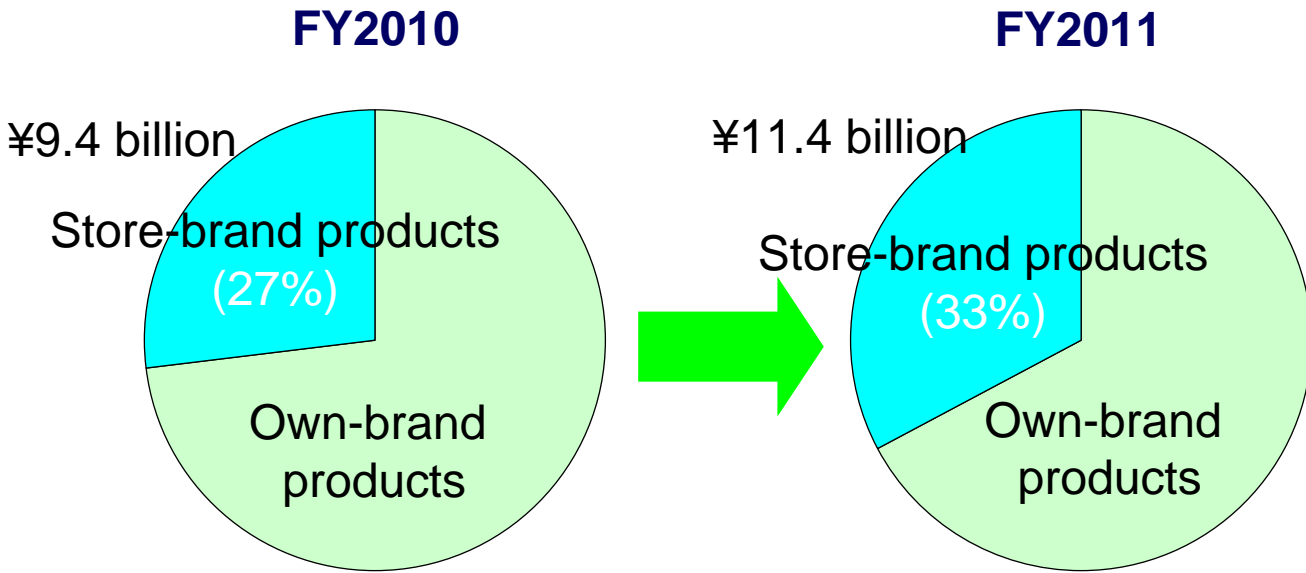
(Thousands of kiloliters)



Source: Field Survey of the Market for Store-Brand Food Products, by Fuji Keizai

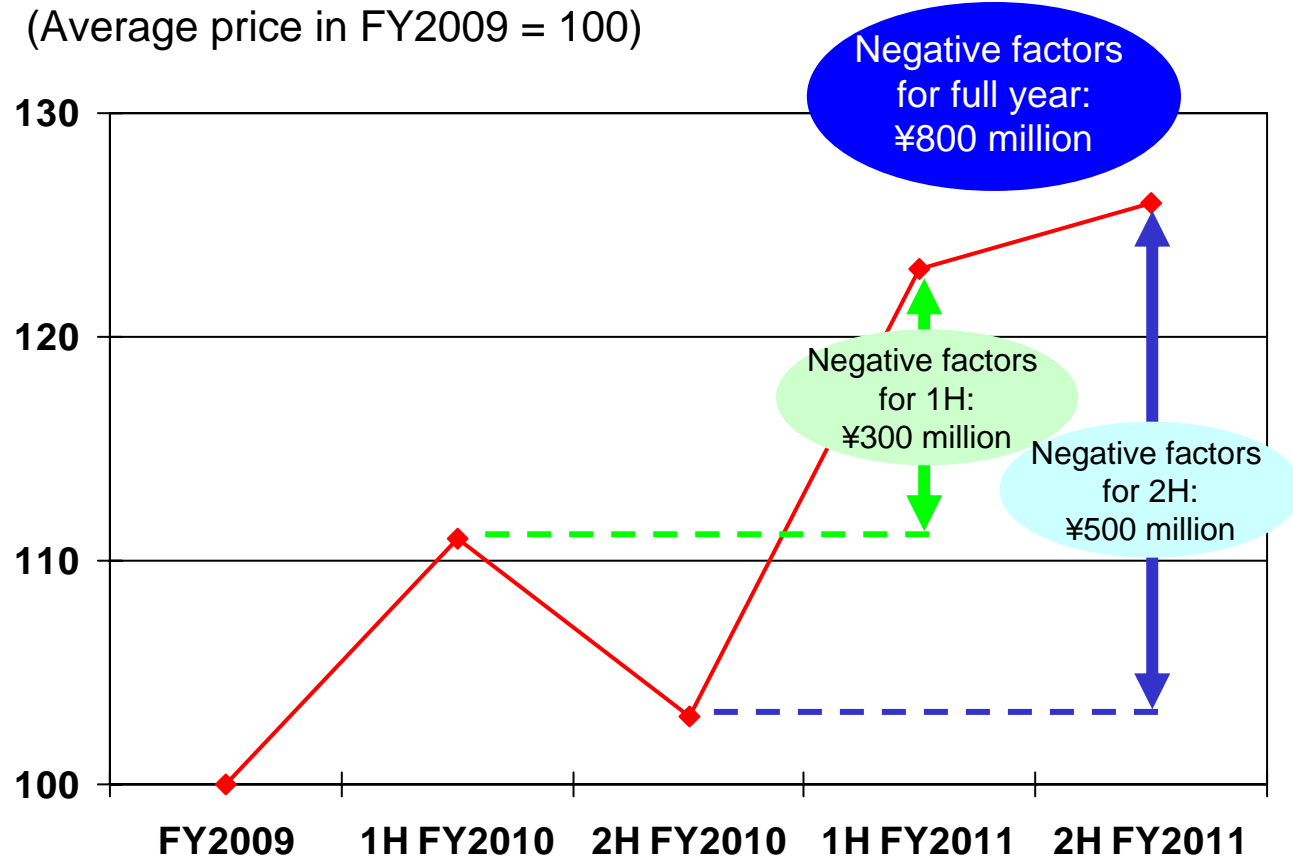
Percentage of store-brand products in sales of alcoholic beverages

Boost sales of store-brand products **20%** year on year



	YoY Change
<i>Kou</i> -type <i>shochu</i>	38%
<i>Otsu</i> -type <i>shochu</i>	15%
<i>Kou</i> - <i>otsu</i> blended <i>shochu</i>	32%
<i>Chu</i> - <i>hi</i> (RTD)	24%

4. Outlook for Full-Year FY2011



Crude alcohol prices are expected to continue their rise from FY2010. In 2H, the increase is expected to be more pronounced than in 1H, generating **negative factors for the full year equivalent to ¥800 million**.

Alcoholic beverages

FY2010 operating income: ¥900 million
FY2011 operating income: ¥900 million

Higher ingredient costs
 (1H: ¥0.4bn, 2H: ¥0.7bn) **¥1.1 billion**

Crude alcohol: ¥0.8bn (1H: ¥0.3bn, 2H: ¥0.5bn)
 Fuel oil, gas: ¥0.2bn (1H: ¥0.1bn, 2H: ¥0.1bn)
 Barley: ¥0.1bn (1H: ¥0.0bn, 2H: ¥0.1bn)

¥0.7 billion Lower SG&A expenses
 (1H: ¥0.6bn, 2H: ¥0.1bn)

¥0.2 billion Lower depreciation and amortization on Tomakomai factories
 (1H: ¥0.1bn, 2H: ¥0.1bn)

¥0.2 billion Decrease in other manufacturing expenses
 (1H: ¥0.0bn, 2H: ¥0.2bn)

**Total decrease:
 ¥1.1 billion**

**Total increase:
 ¥1.1 billion**

No change

Alcoholic beverages

(Millions of yen)

	FY2010	FY2011		
			Difference	YoY Change
<i>Shochu</i>	41,292	40,524	(768)	(2)%
<i>(Kou-type shochu)</i>	16,381	16,017	(364)	(2)%
<i>(Otsu-type shochu)</i>	24,910	24,507	(403)	(2)%
<i>Chu-hi (RTD)</i>	6,894	7,743	849	12%
<i>Sake</i>	8,862	8,624	(238)	(3)%
Brewing and industrial alcohol	3,914	4,702	787	20%
Wine and spirits	5,767	5,871	103	2%

Forecast of Results by Segment for FY2011



(Millions of yen)

	Net Sales				Operating Income (Loss)			
	FY2010	FY2011	Difference	YoY Change	FY2010	FY2011	Difference	YoY Change
Alcoholic beverages	74,972	74,902	(69)	0%	962	922	(39)	(4)%
Starch for food processing	3,711	3,911	199	5%	168	169	0	0%
Enzymes and pharmaceuticals	3,709	3,593	(116)	(3)%	956	837	(118)	(12)%
Bioethanol	830	1,107	276	33%	(241)	0	241	—
Real estate and others	483	484	1	0%	264	271	6	3%
Total	83,707	84,000	292	0%	2,110	2,200	89	4%

Forecast net sales for FY2011 of ¥84.0 billion, operating income of ¥2.2 billion

Net sales up ¥0.3 billion and operating income up ¥0.1 billion

Forecast of Results by Segment for FY2011 (Compared with Initial Forecast)



(Millions of yen)

	Net Sales			Operating Income (Loss)		
	Initial forecast	Current forecast	Difference	Initial forecast	Current forecast	Difference
Alcoholic beverages	74,613	74,902	288	922	922	0
Starch for food processing	3,911	3,911	0	67	169	101
Enzymes and pharmaceuticals	3,970	3,593	(376)	1,052	837	(215)
Bioethanol	1,020	1,107	87	(135)	0	135
Real estate and others	484	484	0	292	271	(21)
Total	84,000	84,000	0	2,200	2,200	0

- Secure income in alcoholic beverages as initially forecast
- Compensate for income decrease in enzymes and pharmaceuticals with increases in starch for food processing and bioethanol

Profit Breakdown for Alcoholic Beverages in FY2011 (Compared with Initial Forecast)



(Billions of yen)

	<u>Initial forecast</u>		<u>Current forecast</u>
Higher ingredient costs (Crude alcohol)	(0.2)	- 0.9 	(1.1)
Lower SG&A expenses (Sales promotion and advertising expenses)	0.0	+ 0.7 	0.7
Lower depreciation and amortization expenses on Tomakomai factories	0.2		0.2
Decrease in other manufacturing costs	0.0	+ 0.2 	0.2
Total	0.0	(Unchanged YoY)	0.0 (Unchanged YoY)

Cover higher than initially expected ingredient costs through lower SG&A expenses and manufacturing costs

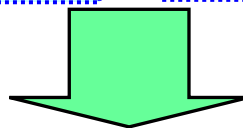
(Millions of yen)

	Initial forecast	Current forecast	Difference
Sales	3,970	3,593	(376)
Operating income	1,052	837	(215)

Expected sales decreases

Enzymes:
¥50 million

Bulk pharmaceuticals:
¥320 million



Revise initial operating income forecast,
aim to achieve current forecast figure

Outlook for FY2011

(Millions of yen)

	FY2010	FY2011		
			Difference	YoY Change
Net sales	83,707	84,000	292	0%
Operating income	2,110	2,200	89	4%
Ordinary income	2,015	2,100	84	4%
Net income	898	750	(148)	(17)%

Net income per share (yen)	13.74	11.48
Dividends per share (yen)	7.00	7.00



These materials contain future forecasts based on management's judgments of the information available at the time of publication. Actual performance may differ from forecasts contained herein. Furthermore, the information contained in these materials is not intended as a basis for the purpose of investment decisions, nor is it intended to be a solicitation to invest in the Company's stock. Investors are advised to make their own decisions regarding stock selection and ultimate investment.

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