Financial Results
for the Year Ended December 31, 2023 — Consolidated
(Based on IFRS)

February 14, 2024

Company name	**Sapporo Holdings Limited**
Security code	2501
Listed on	Tokyo Stock Exchange (First Section); Sapporo Securities Exchange
URL	https://www.sapporoholdings.jp/en/
Representative	Masaki Oga, President and Representative Director
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Scheduled dates:

Annual general meeting of shareholders	March 28, 2024
Filing of annual financial report	March 29, 2024
Commencement of dividend payments	March 29, 2024
Supplementary information to the year-end earnings results	Available
Year-end earnings results briefing held	Yes (mainly targeted at institutional investors and analysts)

1. Consolidated Financial Results for the Year Ended December 31, 2023 (January 1 – December 31, 2023)

(Amounts in million yen rounded to the nearest million yen)

(1) Operating Results

(Percentage figures represent year-over-year changes)

	Revenue		Core operating profit		Operating profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended December 31, 2023	518,632	8.4	15,633	67.9	11,820	17.0	8,758	58.8
Year ended December 31, 2022	478,422	9.4	9,312	14.4	10,106	(54.1)	5,515	(55.1)

	Profit attributable to owners of parent		Total comprehensive income	
	million yen	%	million yen	%
Year ended December 31, 2023	8,724	60.1	19,228	170.7
Year ended December 31, 2022	5,450	(55.8)	7,103	(58.5)

	Basic earnings per share	Diluted earnings per share	Ratio of profit to equity attributable to owners of parent	Ratio of profit before tax to total assets	Core operating profit margin
	yen	yen	%	%	%
Year ended December 31, 2023	111.99	111.95	5.0	1.9	3.0
Year ended December 31, 2022	69.96	69.95	3.3	1.8	1.9

Note: Equity method investment gains:
Year ended December 31, 2023: 69 million yen
Year ended December 31, 2022: 108 million yen
Profit (loss) before tax:
Year ended December 31, 2023: 12,144 million yen
Year ended December 31, 2022: 11,367 million yen
Operating profit margin:
Year ended December 31, 2023: 2.3%
Year ended December 31, 2022: 2.1%

Note: Core Operating Profit is a proprietary profit indicator that measures the performance consistency of our business. Core operating profit is calculated as Revenue – Cost of sales – SG&A expenses.

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(2) Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity per share attributable to owners of parent
	million yen	million yen	million yen	%	Yen
Year ended December 31, 2023	663,573	183,248	182,315	27.5	2,340.41
Year ended December 31, 2022	639,118	167,201	166,310	26.0	2,134.98

(3) 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
	million yen	million yen	million yen	million yen
Year ended December 31, 2023	45,446	(16,439)	(27,140)	17,204
Year ended December 31, 2022	7,814	(46,137)	36,465	15,380

2. Dividends

	Dividend per share					Total dividends paid (full year)	Payout ratio (consolidated)	Dividends to equity attributable to owners of parent (consolidated)
Record date or period	End Q1	End Q2	End Q3	Year-end	Full year			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended December 31, 2022	—	0.00	—	42.00	42.00	3,277	60.0	2.0
Year ended December 31, 2023	—	0.00	—	47.00	47.00	3,667	42.0	2.1
Year ending December 31, 2024 (forecast)	—	0.00	—	52.00	52.00		40.5	

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2024 (January 1 – December 31, 2024)

(Percentage figures represent year-over-year changes)

	Revenue		Core operating profit		Operating profit		Profit		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	yen
Year ending December 31, 2023	523,500	0.9	19,000	21.5	17,600	48.9	10,030	14.5	10,000	14.6	128.37

Note: Earnings forecasts for the six months ending June 30, 2024 are omitted because the company manages performance targets on a yearly basis.

4. Other

(1) Changes to scope of consolidation: None

(2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
1) Changes in accounting policies required by IFRS: None
2) Changes other than 1) above: None
3) Changes in accounting estimates: None

(3) Number of shares issued and outstanding (common stock)
1) Number of shares issued at end of period (treasury stock included):
December 31, 2023: 78,794,298 shares
December 31, 2022: 78,794,298 shares

2) Number of shares held in treasury at end of period:
December 31, 2023: 895,451 shares
December 31, 2022: 896,678 shares

3) Average number of outstanding share during the period:
December 31, 2023: 77,898,919 shares
December 31, 2022: 77,897,725 shares

Audit Status

The year-end financial results are outside the scope of audit procedures based on the Financial Instruments and Exchange Act.

Appropriate Use of Earnings Forecasts and Other Important Information

This document contains projections and other forward-looking statements based on information available to the Company as of the date of this document. Actual results may differ from those expressed or implied by forward-looking statements due to various factors. For the assumptions underlying the forecasts herein and other information on the use of earnings forecasts, refer to “Outlook for fiscal year ending December 31, 2024” on page 10.

1. Analysis of Operating Results and Financial Condition

(1) Operating Results

(a) Review of the fiscal year ended December 31, 2023

Lifestyle patterns of living with COVID-19 penetrated society and economic activity continued to normalize as the impact of COVID-19 lessened. On the other hand, the uncertain outlook continues, with concerns over rising prices due to factors such as the situation in Ukraine, the depreciation of the yen, and inflation from surging prices of raw materials and energy will lead to consumers becoming more cautious with their spending.

Under these circumstances, the Sapporo Group decisively implemented structural reforms, aiming to realize its growth strategy in the first year of our “Medium-Term Management Plan (2023-2026),” and delivered solid results.

Consolidated revenue overall increased compared to the same period last year. This was because of the positive recovery of the commercial-use products market in Alcoholic Beverages, along with the inclusion of STONE BREWING CO., LLC (Stone) as a consolidated subsidiary at the end of August 2022 and its contribution over the year, which counteracted decreased revenue following the transfer of the cafe business in April 2022 and the full-year liquidation of a vending machine operator subsidiary in November 2022 intended to shift management resources of Food & Soft Drinks to growth areas.

Consolidated core operating profit increased year-on-year amid the effects of increased revenue in the Japan Alcoholic Beverages business and structural reforms in the Restaurants business and Japan Food & Soft Drinks business.

Summary in key figures

Millions of yen, except percentages

	Revenue	Core operating profit	Operating profit	Profit attributable to owners of parent
Year ended December 31, 2023	518,632	15,633	11,820	8,724
Year ended December 31, 2022	478,422	9,312	10,106	5,450
Change (%)	8.4	67.9	17.0	60.1

*Core operating profit is the Sapporo Group’s unique profit benchmark for measuring the performance of its regular business and is calculated by deducting cost of sales, and selling, general and administrative expenses, from revenue.

Results by segment are outlined below.

Alcoholic Beverages

Revenue increased year-on-year thanks to a steady recovery in the commercial-use products market, price revisions, strong sales in North America, and the addition of Stone Brewing Co., LLC to the Group at the end of August 2022.

Core operating profit increased year-on-year despite increased variable costs due to factors such as increased raw material prices. This was thanks to the effects of increased revenue from the recovery in the on-trade market as well as the effects of structural reforms in the Restaurants business.

While there were impairment losses associated with the resolution to dissolve an overseas subsidiary, which had been under consideration as a part of our business review, operating profit increased year-on-year due to the year-on-year increase in core operating profit, among other factors.

■Revenue: ¥376.9 billion (up ¥42.2 billion, or 12.6% year on year)
■Core operating profit: ¥16.0 billion (up ¥8.3 billion, or 107.2% year on year)
■Operating profit: ¥9.0 billion (up ¥0.1 billion, or 0.8% year on year)

Details of Alcoholic Beverages (Japan and Overseas) and Restaurants in the Alcoholic Beverages business were as follows.

Japan

The commercial-use products market was on a recovery path as economic activity continued to normalize as a result of the lessened impact of COVID-19, while the home-use products market remained weak. Total domestic demand for beer beverages (the general term for beers, sparkling alcohol, new genres) was 99% of the previous year’s level and total domestic demand for beer was 107%.

We are focusing more on strengthening beer and RTD* taking into account the liquor tax revision made in October 2023.

In this context, the Group’s total domestic sales volume of beer and beer-like beverages was 102% of the previous year’s level. Commercial-use products’ sales volume was at 123% year-on-year. Moreover, while impacted by the shrinking sparkling alcohol and new genre markets due to the liquor tax revision and the recovery in the commercial-use products market, strong sales continued for household use products, with the sales quantity of Black Label cans at 104% year-on-year and sales quantity for RTD canned beverages at 116% year-on-year.

Overseas

In Canada, COVID-19 countermeasures have spurred an economic restart, and the on-trade products market was in a year-on-year recovery trend, but the total demand for Beer-type beverages is expected to have been lower year-on-year primarily due to the impact of rising inflation. This is also expected to have been lower year-on-year in the United States due to the impact of rising inflation.

In this context, the sales volume of overseas beer brands exceeded that of the previous year thanks to a recovery of the on-trade market in Canada and after including the sales of Stone in the United States. Additionally, sales volume of Sapporo brand beer in the focus market of North America was 104% of the previous first quarter’s level, another record high after the previous fiscal year.

Also, a resolution to dissolve ANCHOR BREWING COMPANY, LLC (“Anchor”) was made in July 2023. Anchor was positioned as subject to liquidation in the Medium-Term Management Plan due to its continued poor business performance. In the United States, which will become a growth driver, we are shifting resources by enacting decisive structural reforms, and aim to achieve further growth centered on Sapporo brand beer by creating synergies with Stone. In addition, we have partially started manufacturing at Stone in December 2023.

Restaurants

The recovery trend for the restaurant market is continuing as economic activity continues to normalize as a result of the lessened impact of COVID-19.

Amid this, due to price revisions, a recovery in the number of customers, and attracting inbound tourist and senior customers, the Sapporo Group’s Restaurants business recorded existing store sales at 106% of 2019 levels, recovering to roughly the same level as before the outbreak of the COVID-19 pandemic.

*: RTD, or ready-to-drink beverages, are pre-mixed, low-alcohol cocktail-like beverages that can be consumed as is immediately after opening.

Food & Soft Drinks

Revenue declined year-on-year due to the impacts of reduced units in operations following the liquidation of a vending machine operator subsidiary in November 2022 and divestment of the cafe business in April 2022.

Core operating profit and operating profit both decreased compared to the same period of the previous fiscal year due to increased raw material costs and the booking of provisions for doubtful accounts for accounts receivable in arrears in the overseas beverage business, despite the effect of price revisions and structural reforms.

■Revenue: ¥119.9 billion (down ¥3.0 billion, or 2.4% year on year)
■Core operating profit: ¥1.6 billion (down ¥0.1 billion, or 7.5% year on year)
■Operating profit: ¥1.7 billion (down ¥0.6 billion, or 25.4% year on year)

Food & Soft Drinks (Japan)

Total domestic beverage demand is estimated to remain around 99% of the previous year, despite the commercial-use products market and vending machine demand roughly recovering thanks to the transition of COVID-19 to the Class 5 category.

Meanwhile, the sales value of the Group's domestic beverages was 93% of that of the previous year, as overall beverage sales decreased due to product lineup changes and a decrease in the number of vending machines in operation, despite sales value for Kireto Lemon, the main brand in the lemon business, growing 109% year-on-year, and no-sugar-added tea made with selected domestic ingredients performing well at 160%, centered on the strong performance of corn tea, thanks to the effect of price revisions.

Regarding the sales value of lemon products, the main brand Pokka Lemon 100, reached 102% of the previous year's level, and the overall sales value progressed favorably at 105% year-on-year.

Overseas Beverage

In Singapore, the sales value, focused on the home-use channel, trended strongly at 106% year-on-year with the impact of price revisions contributing to the performance. In addition, while total demand slumped in Malaysia, a focus area, as the recovery in the post-COVID-19 demand stabilized, sales value was 107% year-on-year because of progress made in strengthening the Group's sales structure.

In the Middle East export business, the sales value was 93% year-on-year due to the suspension of sales to customers whose financial condition deteriorated.

Real Estate

In the office leasing market in the Greater Tokyo area, the stagnating occupancy rates and weak average rent levels—both of which declined during the COVID-19 pandemic—have yet to see a recovery.

Meanwhile, revenue increased year-on-year mainly due to the effect of increased revenue from the renovation and opening in November 2022 of Center Plaza at the Yebisu Garden Place, which is a large complex facility, and the increased occupancy rates at The Garden Hall/Room, a multi-purpose auditorium.

Core operating profit declined year-on-year because of a declining office occupancy rate of Yebisu Garden Place caused by work to update the HVAC facilities of the office tower started in 2022.

Operating profit increased in reaction to the gain on sale of investment properties among other factors, while core operating profit decreased year-on-year.

■Revenue: ¥21.7 billion (up ¥1.0 billion, or 4.7% year on year)
■Core operating profit: ¥5.8 billion (down ¥0.7 billion, or 10.5% year on year)
■Operating profit: ¥8.9 billion (up ¥3.4 billion, or 62.9% year on year)

(2) Consolidated Financial Condition

As of the end of the fiscal year consolidated accounting period, the following were the change factors in the condition of assets, liabilities and equity.

(Millions of yen)

	2022	2023	Increase (decrease)
Current assets	179,431	176,353	(3,079)
Non-current assets	459,687	487,220	27,533
Total assets	639,118	663,573	24,455
Current Liabilities	219,515	191,204	(28,311)
Non-current liabilities	252,402	289,121	36,719
Total liabilities	471,917	480,325	8,408
Total equity	167,201	183,248	16,047
Total liabilities and equity	639,118	663,573	24,455

At the end of the fiscal year under review, assets had increased by ¥24.5 billion to ¥663.6 billion relative to the previous fiscal year end due to increases in property, plant and equipment, an increase in other non-current financial assets from investments and other factors, which offset the decline in other current financial assets due to the redemption of investment in securities.

Consolidated total liabilities came to ¥480.3 billion, which was an increase of ¥8.4 billion as compared to the end of the previous fiscal year, because of the increase in corporate bonds and borrowings (non-current) resulting from a bond issuance, and an increase in other financial liabilities associated with capital expenditures, which offset the decline in corporate bonds and borrowings (current).

On the same comparative basis, capital increased by ¥16.0 billion to ¥183.2 billion. Although there was a decrease in retained earnings stemming from the payment of end-period dividends, the posting of profit attributable to owners of the parent and increases in other capital components, due to changes in financial assets measured in fair value through other comprehensive income and foreign currency translation adjustments on foreign operating entities, contributed to the increase.

(3) Consolidated Cash Flows

Cash and cash equivalents (collectively “cash”) totaled ¥17.2 billion as of December 31, 2023, ¥1.8 billioor 12% more than at the end of the previous fiscal year.

The components of the quarter’s cash flow categories were as follows.

(Millions of yen)

	2022	2023	Increase (decrease)
Cash flows from operating activities	7,814	45,446	37,631
Cash flows from investing activities	(46,137)	(16,439)	29,698
Free cash flow	(38,323)	29,007	67,330
Cash flows from financial activities	36,465	(27,140)	(63,606)
Effect of exchange rate change on cash and cash equivalents	(131)	(43)	88
Net increase (decrease) in cash and cash equivalents	(1,988)	1,824	3,812
Cash and cash equivalents at beginning of period	17,368	15,380	(1,988)
Cash and cash equivalents at end of period	15,380	17,204	1,824

(Cash flows from operating activities)

Cash provided by operating activities was ¥45.4 billion (compared to ¥7.8 billion provided in the previous fiscal year). This was mainly due to increase factors which were depreciation and amortization of ¥21.0 billion, income before tax of ¥12.1 billion and impairment losses and reversal of impairment losses of ¥7.3 billion, which offset decrease factors which were proceeds from the sale and retirement of property, plant and equipment, and intangible assets of ¥3.7 billion, and interest expenses of ¥2.1 billion.

(Cash flows from investing activities)

Cash used in investing activities was ¥16.4 billion (compared to ¥46.1 billion used in the previous fiscal year). Although there was income of ¥7.4 billion from the redemption of investment securities, expenses related to the purchase of property, plant and equipment of ¥16.5 billion, the purchase of investment securities of ¥10.7 billion, the purchase of investment property of ¥10.5 billion contributed to this result.

(Cash flows from financing activities)

Cash used in financing activities was ¥27.1 billion (compared to ¥36.5 billion provided in the previous fiscal year). The main outflows were 21.5 billion in repayment of long-term borrowings, ¥17.0 billion decrease in commercial papers, a ¥16.3 billion decrease in short-term borrowings, ¥10.0 billion in expenditures for the redemption of corporate bonds, which outweighed proceeds from long-term borrowings of ¥25.0 billion and proceeds from the issuance of bonds of ¥20.0 billion.

Cash Flow Indicators

	2022	2023
Ratio of equity attributable to owners of parent to total assets (%)	26.0	27.5
Ratio of equity attributable to owners of parent to total assets based on market capitalization (%)	40.0	73.0
Cash flow to interest-bearing debt (years)	37.9	6.1
Interest coverage ratio (times)	4.5	21.3

Ratio of equity attributable to owners of parent to total assets: Equity attributable to owners of parent to total assets / Total assets
Ratio of equity attributable to owners of parent to total assets based on market capitalization: Market capitalization / Total assets
Cash flow to interest-bearing debt: Interest-bearing debt / Cash flow
Interest coverage ratio: Cash flow / Interest expense
Notes:
1. Market capitalization is calculated based on the number of shares issued and outstanding, excluding treasury stock.
2. “Cash flow” is operating cash flow.
3. Of the debt carried on the consolidated balance sheet, interest-bearing debt is total debt on which interest is currently payable.

(4) Outlook for fiscal year ending December 31, 2024

(Outlook for 2024)

In the next fiscal year, under the theme of “Beyond150 - New Growth Through Business Structure Transformation -,” we will aim for structural reforms in the second year of our "Medium-Term Management Plan (2023-2026)" and ensure the implementation of our growth strategy for 2025 and beyond.

In addition to the expected rise in prices due to surging prices of raw materials, which was expected to continue in 2023, logistics costs are expected to soar due to the "2024 problem in logistics" (stricter regulations on overtime work for drivers).

Under these circumstances, the Sapporo Group will strengthen its profitability by decisively implementing structural reforms and accelerating growth. We expect raw material prices and transportation costs to rise further in the domestic Alcoholic Beverages and Food & Soft Drinks segments, but we will work to improve profitability through structural reforms, including cost reductions and a drastic shakeup of unprofitable businesses, in addition to price revisions. In the Real Estate business, we seek to improve overall asset value over a long-term time horizon, through the value improvement of core properties in the Ebisu and Sapporo areas. In addition, overseas, the Group will expand sales of alcoholic beverages in North America and overseas soft drinks and maximize synergies with Stone, making the overseas business a growth driver for the Sapporo Group. Through these efforts, we will strive to improve the profitability of the entire Group.

As a result of the above, revenue, core operating profit, operating profit, and profit attributable to owners of the parent company are expected to increase compared to the period under review.

Overall outlook

Millions of yen, except percentages

	Revenue	Core operating profit	Operating profit	Profit attributable to owners of parent
2024 forecast	523,500	19,000	17,600	10,000
2023 results	518,632	15,633	11,820	8,724
Projected change (%)	0.9	21.5	48.9	14.6

Results by segment are outlined below.

Alcoholic Beverages

Revenue is expected to increase due to growth in sales of RTD in Japan and Sapporo Premium Beer in North America, as well as price revisions.

Core operating profit and operating profit are expected to increase due to synergies with Stone in North America, the effect of increased revenue, and improvements to the product mix, despite the increase of variable costs due to surging raw materials and transportation costs, and the increase in sales promotion expenses to strengthen the beer business.

■Revenue: ¥380.0 billion (up ¥3.1 billion, or 0.8% year on year)
■Core operating profit: ¥18.3 billion (up ¥2.3 billion, or 14.3% year on year)
■Operating profit: ¥17.0 billion (up ¥8.0 billion, or 89.3% year on year)

Details of Alcoholic Beverages (Japan and Overseas) and Restaurants in the Alcoholic Beverages business were as follows.

Japan

In the next fiscal year, we will focus more on strengthening beer and RTD based on the liquor tax revision in October 2023. Along with sales growth, efforts for RTD will be made by improving productivity through the RTD production facilities at the Sendai Brewery. Continuing from the current fiscal year, soaring raw material prices will have a strong impact on our domestic alcoholic beverage performance, but we expect to offset this impact through efforts to improve the product mix.

Overseas

In the United States, the manufacturing of Sapporo Premium Beer will proceed at full tilt at Stone, with the creation of synergy effects to the maximum degree. Moreover, we aim to achieve further growth and further promote the appeal of the Sapporo brand by increasing marketing investment. In Canada, we will continue to focus on strengthening our premium-brand beer and RTD, while also striving to further improve profitability by enhancing business efficiency through structural cost reforms.

Restaurants

In order to maintain the trend of 2023, when demand transitioned to a significant recovery, and to build an even stronger management structure, we will continue to shift resources to focused business categories such as YEBISU BAR and Ginza Lion, with the strengthening of existing stores as a pillar. Although raw materials and other costs are expected to continue to rise, we aim to secure earnings through timely and appropriate price revisions and efforts to enhance customer experience value.

Food & Soft Drinks

Revenue is expected to increase due to the growth of sales of all-lemon products and overseas soft drinks, which should offset the impact of the review of unprofitable businesses.

Core operating profit and operating profit are both estimated to increase year-on-year because of initiatives to reduce variable selling costs and a reaction to the booking of provisions for doubtful accounts for accounts receivable in arrears in 2023, among other factors, despite increased raw material and transportation costs.

■Revenue: ¥120.0 billion (up ¥0.1 billion, or 0.1% year on year)
■Core operating profit: ¥3.5 billion (up ¥1.9 billion, or 114.2% year on year)
■Operating profit: ¥5.8 billion (up ¥4.1 billion, or 242.6% year on year)

Details of domestic food & soft drinks and overseas beverages categorized in Food & Soft Drinks are as follows.

Food & Soft Drinks (Japan)

We will accelerate our initiatives to concentrate resources on the growing lemon business in the next fiscal year. Raw material prices were expected to rise in 2023, but we will work to strengthen our earning power through structural reforms, including further cost reductions and a shakeup of unprofitable businesses, in addition to price revisions.

Overseas Beverage

Overseas beverages will be affected by soaring raw material prices, but we will address this by revising prices and taking other measures. We will aim to turn our overseas businesses into a growth driver for the Group by strengthening our sales and marketing structure in countries and regions with growth potential, such as Malaysia and the Middle East, starting from Singapore.

Real Estate

Revenue is expected to increase due to improvements in the office occupancy rate of Ebisu Garden Place and the reopening of the hotel managed in Sapporo City in January 2024 after renovations.

An increase in core operating profit is expected due to the impact of the revenue increase.

Operating profit is expected to decrease due to a reaction to the gain on sales of investment properties in 2023, despite the increase in core operating profit.

■Revenue: ¥23.5 billion (up ¥1.8 billion, or 8.3% year on year)
■Core operating profit: ¥5.8 billion (up ¥0.0 billion, or 0.3% year on year)
■Operating profit: ¥5.4 billion (down ¥3.5 billion, or 39.1% year on year)

In the next fiscal year, we will work toward enhancing our competitiveness by improving the value of core properties in the Ebisu and Sapporo areas and promoting community development, while striving to improve the value of the Sapporo Group to increase overall asset value over a long-term time horizon.

(Medium- to long-term management policies for increasing Group value)

Our Company approved the “Medium- to Long-Term Management Policy for Increasing Group Value” at the Board of Directors meeting held on February 14, 2024. Following the announcement of the Group’s Medium-Term Management Plan (2023-2026) in November 2022, we have received various opinions from capital markets through our IR and SR initiatives. Taking these into consideration, we established the Group Strategy Review Committee, which includes third-party advisors, in September 2023 to discuss management policies to enhance corporate value over the medium to long term beyond the current medium-term management plan from multiple and objective perspectives, including those of outside partners, and have recently reached a resolution.

Our Group is carrying forward the further concentration of management resources to improve corporate value over the medium to long term, in line with the future vision we aim to achieve. We will grow as a company that creates rich beer and customer experiences worldwide and increase our profitability by concentrating on businesses where we have a competitive edge and where we can clearly find synergies and by refining our market creation capabilities, which have been part of our DNA since our founding.

As a financial policy, we aim for ROE of 10% or higher, as we view the improvement of capital efficiency as an important issue. We will also utilize capital brought in from outside sources to enhance financial stability and increase the agility of growth investment in Alcoholic Beverages.

We plan to proceed with further discussions and release more specific details on our initiatives.

(5) Dividend Policy and Dividends for 2023 and 2024

The Company considers the appropriate return of profits to its shareholders as a fundamental aspect of management policy and has adopted a basic policy to undertake stable dividend payments, taking into consideration the Company’s performance and financial condition.

With regard to the level of dividends in the future, the Company will strive to raise the level of dividends in line with the increase in corporate value, based on a consolidated dividend payout ratio of 30% or more, with the current level as the minimum under the “Medium-Term Management Plan (2023-2026),” announced in November 2022. However, if the profit attributable to owners of parent changes significantly because of an extraordinary profit or loss stemming from special factors, the impact may be taken into consideration when deciding the dividend. Retained earnings will be used for operational and capital investments, contributing to the future growth of the corporate value.

Given the above policy and taking into consideration operating results and the financial condition, the Company decided to pay a dividend of 47 yen per share for 2023, an increase of 2 yen per share over the previous forecast. The Company’s Articles of Incorporation stipulate that interim dividends may also be distributed, but we currently are distributing an annual dividend once a year. Decisions regarding the payment of dividends from surplus profits are, in the case of the year-end distribution, approved at the general meeting of shareholders, while the interim dividend, if any, is determined at the sole discretion of the Board of Directors.

We plan to pay an annual per-share dividend of ¥52 in 2024, an increase of ¥5 per share over the current fiscal year to further return profits to our shareholders.

2. Basic Approach to Selecting Accounting Standards

The Sapporo Group has voluntarily applied the International Financial Reporting Standards (IFRS) to its consolidated accounts from the first quarter of 2018. This change in accounting standard is aimed at facilitating international comparisons of Group financial information in the capital markets.

3. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of yen)

	December 31, 2022	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	15,380	17,204
Trade and other receivables	96,593	98,023
Inventories	47,525	47,575
Other financial assets	8,454	4,393
Other current assets	11,479	7,589
Subtotal	179,431	174,785
Assets held for sale	—	1,568
Total current assets	179,431	176,353
Non-current assets		
Property, plant and equipment	129,102	145,687
Investment property	209,628	211,164
Goodwill	33,783	35,124
Intangible assets	9,328	6,993
Investments accounted for using equity method	1,370	1,359
Other financial assets	68,616	79,400
Retirement benefit Asset	1,353	1,266
Other non-current assets	3,938	3,366
Deferred tax assets	2,569	2,863
Total non-current assets	459,687	487,220
Total assets	639,118	663,573

(Millions of yen)

	December 31, 2022	December 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	35,730	38,717
Bonds and borrowings	86,524	39,672
Lease liabilities	3,825	3,645
Income taxes payable	890	5,919
Other financial liabilities	32,999	37,158
Provisions	7,485	8,504
Other current liabilities	52,060	57,589
Total current liabilities	219,515	191,204
Non-current liabilities		
Bonds and borrowings	155,369	182,930
Lease liabilities	17,478	19,377
Other financial liabilities	51,859	58,252
Retirement benefit liability	3,471	3,412
Provisions	1,941	2,422
Other non-current liabilities	278	897
Deferred tax liabilities	22,007	21,831
Total non-current liabilities	252,402	289,121
Total liabilities	471,917	480,325
Equity		
Share capital	53,887	53,887
Capital surplus	40,645	40,754
Treasury shares	(1,785)	(1,783)
Retained earnings	43,392	50,828
Other components of equity	30,171	38,630
Total equity attributable to owners of parent	166,310	182,315
Non-controlling interests	891	933
Total equity	167,201	183,248
Total liabilities and equity	639,118	663,573

(2) Consolidated Statement of Profit or Loss and Comprehensive Income

Consolidated Statement of Profit or Loss

(Millions of yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Revenue	478,422	518,632
Cost of sales	339,180	361,793
Gross profit	139,243	156,839
Selling, general and administrative expenses	129,931	141,206
Other operating income	3,992	6,406
Other operating expenses	3,198	10,219
Operating profit (loss)	10,106	11,820
Finance income	3,044	3,361
Finance costs	1,891	3,107
Share of profit of investments accounted for using equity method	108	69
Profit (loss) before tax	11,367	12,144
Income tax expense	5,852	3,386
Profit (loss)	5,515	8,758
Profit attributable to		
Owners of parent	5,450	8,724
Non-controlling interests	65	33
Profit (loss)	5,515	8,758
Basic earnings (loss) per share	69.96	111.99
Diluted earnings (loss) per share	69.95	111.95

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Profit (loss)	5,515	8,758
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	2,539	6,353
Remeasurements of defined benefit plans	(3,977)	(71)
Total of items that will not be reclassified to profit or loss	(1,439)	6,282
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	3,002	4,195
Effective portion of cash flow hedges	25	(7)
Total of items that may be reclassified to profit or loss	3,027	4,188
Total other comprehensive income, net of tax	1,588	10,470
Comprehensive income	7,103	19,228
Comprehensive income attributable to		
Owners of parent	6,969	19,172
Non-controlling interests	135	56
Comprehensive income	7,103	19,228

(4) Consolidated Statement of Changes in Equity

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Exchange differences on translation of foreign operations	Effective portion of cash flow hedges
Balance as of January 1, 2022	53,887	40,596	(1,785)	44,791	1,782	(15)
Profit (loss)				5,450		
Other comprehensive income					2,932	25
Comprehensive income	-	-	-	5,450	2,932	25
Purchase of treasury shares			(4)			
Disposal of treasury shares		0	3			
Dividends				(3,277)		
Share-based remuneration transactions		49				
Transfer from other components of equity to retained earnings				(3,572)		
Total transactions with owners	-	49	(0)	(6,849)	-	-
Balance as of December 31, 2022	53,887	40,645	(1,785)	43,392	4,714	10

	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total other components of equity			
Balance as of January 1, 2022	23,313	-	25,080	162,570	757	163,327
Profit (loss)			-	5,450	65	5,515
Other comprehensive income	2,539	(3,977)	1,519	1,519	69	1,588
Comprehensive income	2,539	(3,977)	1,519	6,969	135	7,103
Purchase of treasury shares			-	(4)	-	(4)
Disposal of treasury shares			-	3	-	3
Dividends			-	(3,277)	(1)	(3,278)
Share-based remuneration transactions			-	49	-	49
Transfer from other components of equity to retained earnings	(406)	3,977	3,572	-	-	-
Total transactions with owners	(406)	3,977	3,572	(3,228)	(1)	(3,229)
Balance as of December 31, 2022	25,446	-	30,171	166,310	891	167,201

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Exchange differences on translation of foreign operations	Effective portion of cash flow hedges
Balance as of January 1, 2023	53,887	40,645	(1,785)	43,292	4,714	10
Profit (loss)				8,724		
Other comprehensive income					4,172	(7)
Comprehensive income	-	-	-	8,724	4,172	(7)
Purchase of treasury shares			(7)			
Disposal of treasury shares		0	8			
Dividends				(3,277)		
Share-based remuneration transactions		109				
Transfer from other components of equity to retained earnings				1,988		
Total transactions with owners	-	109	2	(1,289)	-	-
Balance as of December 31, 2023	53,887	40,754	(1,783)	50,828	8,886	3

	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total other components of equity			
Balance as of January 1, 2023	25,446	-	30,171	166,310	891	167,201
Profit (loss)			-	8,724	33	8,758
Other comprehensive income	6,353	(71)	10,447	10,447	23	10,470
Comprehensive income	6,353	(71)	10,447	19,172	56	19,228
Purchase of treasury shares			-	(7)	-	(7)
Disposal of treasury shares			-	8	-	8
Dividends			-	(3,277)	(15)	(3,292)
Share-based remuneration transactions			-	109	-	109
Transfer from other components of equity to retained earnings	(2,059)	71	(1,988)	-	-	-
Total transactions with owners	(2,059)	71	(1,988)	(3,167)	(15)	(3,181)
Balance as of December 31, 2023	29,740	-	38,630	182,315	933	183,248

(5) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Cash flows from operating activities		
Profit (loss) before tax	11,367	12,144
Depreciation and amortization	21,234	20,971
Impairment losses and reversal of impairment losses	1,326	7,333
Interest and dividend income	(1,056)	(1,193)
Interest expenses	1,886	2,245
Share of loss (profit) of investments accounted for using equity method	(108)	(69)
Loss (gain) on sale and retirement of property, plant and equipment, and intangible assets	(749)	(3,668)
Decrease (increase) in trade and other receivables	(2,862)	(499)
Decrease (increase) in inventories	(5,013)	1,042
Increase (decrease) in trade and other payables	295	2,547
Increase (decrease) in accrued alcohol tax	(2,434)	1,286
Increase (decrease) in Retirement benefit Asset and liability	(5,736)	(1,125)
Other	282	5,429
Subtotal	18,431	46,445
Interest and dividends received	1,066	1,250
Interest paid	(1,725)	(2,138)
Income taxes paid	(9,958)	(111)
Net cash provided by (used in) operating activities	7,814	45,446
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,040)	(16,466)
Proceeds from sale of property, plant and equipment	1,928	3,073
Purchase of investment property	(12,706)	(10,500)
Proceeds from sale of investment property	—	7,264
Purchase of intangible assets	(1,580)	(1,957)
Purchase of investment securities	(4,187)	(10,720)
Proceeds from sale of investment securities	1,140	5,322
Proceeds from redemption of investment securities	—	7,420
Payments for acquisition of subsidiaries due to change in scope of consolidation	(22,558)	—
Payments for loans receivable	(48)	(39)
Collection of loans receivable	130	64
Other	(216)	99
Net cash provided by (used in) investing activities	(46,137)	(16,439)

(Millions of yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	9,625	(16,309)
Net increase (decrease) in commercial papers	10,000	(17,000)
Proceeds from long-term borrowings	50,000	25,000
Repayments of long-term borrowings	(16,563)	(21,254)
Proceeds from issuance of bonds	—	20,000
Redemption of bonds	(10,026)	(10,000)
Dividends paid	(3,277)	(3,277)
Repayments of lease liabilities	(4,685)	(4,459)
Purchase of treasury shares	(4)	(7)
Other	1,395	434
Net cash provided by (used in) financing activities	36,465	(27,140)
Effect of exchange rate changes on cash and cash equivalents	(131)	(43)
Net increase (decrease) in cash and cash equivalents	(1,988)	1,824
Cash and cash equivalents at beginning of period	17,368	15,380
Cash and cash equivalents at end of period	15,380	17,204

(6) Notes to Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Reporting entity)

Sapporo Holdings Limited (the "Company") is a stock company located in Japan. Both its registered head office and principal business address are located in Shibuya-ku, Tokyo. The Company's consolidated financial statements, with a year-end date of December 31, 2023, consist of the Company and its subsidiaries (collectively the "Group"), as well as the Company's interest in its affiliates. The Group's business and key activities are described in (Segment Information).

(Basis of Creation)

(a) Compliance with IFRS

The Group's consolidated financial statements are prepared in accordance with IFRS (International Financial Reporting Standards). The Company has applied the provisions of Article 93 of the Regulation since meeting the requirements of "Specified Company Complying with Designated International Accounting Standards" as stipulated in Article 1-2 of the Regulation on Consolidated Financial Statements.

(b) Presentation currency

The Group's consolidated financial statements are presented in Japanese yen, the functional currency of the Company, rounded to the nearest million yen.

(Significant accounting estimates and judgments involving estimates)

In preparing consolidated financial statements in accordance with IFRS, management is required to make judgments, estimates, and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenues, and expenses. Actual results may differ materially from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the accounting period in which the estimate is revised and in future accounting periods thereafter.

Significant accounting estimates and judgments involving estimates in the consolidated financial statements are the same as those used in the consolidated financial statements for the previous fiscal year.

(Segment Information)

(a) Overview of reportable segments

The Company’s reportable segments are components of the Sapporo Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company’s board of directors to decide how to allocate resources and assess performance.

Under the Company, which is a pure holding company, Group companies carry out business activities and formulate strategies for the products and services they offer and for the sales markets they cover. The Group’s businesses are segmented mainly based on the products, services and sales markets of Group companies and their affiliate companies. The Company’s three reportable segments are Alcoholic Beverages, Food & Soft Drinks, and Real Estate.

The Alcoholic Beverages segment produces and sells alcoholic beverages and operates restaurants of various styles.

The Food & Soft Drinks segment produces and sells foods and soft drinks.

The Real Estate segment’s activities include leasing and development of real estate.

(b) Revenue, profit (or loss)

(Millions of yen)

	Years ended December 31, 2022 (January 1, 2022 – December 31, 2022)						
	Alcoholic Beverages	Food & Soft Drinks	Real Estate	Other *1	Total	Adjustment	Consolidated total
Revenue							
To outside customers	334,644	122,914	20,724	140	478,422	—	478,422
Inter-segment revenue	12,571	912	2,332	—	15,815	(15,815)	—
Total	347,215	123,826	23,057	140	494,237	(15,815)	478,422
Operating profit (loss)	8,908	2,270	5,442	18	16,638	(6,531)	10,106

(Millions of yen)

	Years ended December 31, 2023 (January 1, 2023 – December 31, 2023)						
	Alcoholic Beverages	Food & Soft Drinks	Real Estate	Other *1	Total	Adjustment	Consolidated total
Revenue							
To outside customers	376,862	119,922	21,702	146	518,632	—	518,632
Inter-segment revenue	12,363	1,025	2,388	—	15,777	(15,777)	—
Total	389,225	120,947	24,090	146	534,408	(15,777)	518,632
Operating profit (loss)	8,980	1,693	8,867	15	19,555	(7,735)	11,820

"Other" comprises businesses, such as health food business, etc., that are not included in reportable segments. Adjustment included General corporate and intercompany eliminations.
General corporation are general administrative expenses that do not belong to the reporting segment.

(Subsequent Events)
None