Financial Results
for the three Months Ended March 31, 2016 — Consolidated
(Based on Japanese GAAP)

May 10, 2016

Company name	**Sapporo Holdings Limited**
Security code	2501
Listings	Tokyo Stock Exchange (First Section); Sapporo Securities Exchange
URL	http://www.sapporoholdings.jp/english/
Representative	Tsutomu Kamijo, President, Representative Director and Group CEO
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Scheduled dates:

Filing of quarterly financial report	May 13, 2016
Commencement of dividend payments	-
Supplementary information to the quarterly earnings results	Available
Quarterly earnings results briefing held	Yes (mainly targeted at institutional investors and analysts)

1. Consolidated Financial Results for the three Months Ended March 31, 2016 (January 1 – March 31, 2016)

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

(1) Operating Results

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended March 31, 2016	111,391	2.7	(1,427)	-	(2,272)	-	(2,006)	-
Three months ended March 31, 2015	108,457	(3.2)	(4,328)	-	(4,555)	-	882	-

Note: Accumulated other comprehensive income

Three months ended March 31, 2016 (6,428) million yen

Three months ended March 31, 2015 3,218 million yen

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended March 31, 2016	(5.15)	-
Three months ended March 31, 2015	2.26	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
March 31, 2016	589,609	154,664	25.3
December 31, 2015	620,388	163,822	25.5

Note: Shareholders' equity
March 31, 2016: 149,143 million yen
December 31, 2015: 157,928 million yen

2. Dividends

Record date or period	Dividend per share				
	End Q1	End Q2	End Q3	Year-end	Full year
	yen	yen	yen	yen	yen
Year ended December 31, 2015	—	0.00	—	7.00	7.00
Year ending December 31, 2016	—				
Year ending December 31, 2016 (forecast)		0.00	—	7.00	7.00

Note: No changes were made to dividend forecasts in the three months ended March 31, 2016.

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2016 (January 1 – December 31, 2016)

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Year ending December 31, 2016	565,400	5.9	21,100	51.3	20,200	52.9	10,500	71.9	26.96

Note: No Changes have been made to earnings forecasts since the latest release.

Earnings forecasts for the six months ending June 30, 2016 are omitted because the company manages performance targets on a yearly basis.

4. Other

*For details, see "2. Other Information" on page 10.

(1) Changes in significant subsidiaries during the three months ended March 31, 2016: None

(2) Simplified accounting: Yes

*Use of simplified accounting methods and/or accounting methods specific to quarterly consolidated financial statements

(3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement

1) Changes in accordance with amendments to accounting standards etc.: Yes
2) Changes other than 1) above: Yes
3) Changes in accounting estimates: Yes
4) Retrospective restatement: None

Note: For details, see (3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement, in section “2. Other Information” on page 10 in the accompanying material.

(4) Number of shares issued and outstanding (common stock)

1) Number of shares issued at end of period (treasury stock included):
March 31, 2016: 393,971,493 shares
December 31, 2015: 393,971,493 shares

2) Number of shares held in treasury at end of period:
March 31, 2016: 4,456,262 shares
December 31, 2015: 4,451,525 shares

3) Average number of outstanding shares during the period:
Three months ended March 31, 2016: 389,516,817 shares
Three months ended March 31, 2015: 389,616,758 shares

*Quarterly review status

The quarterly financial results are not subject to quarterly reviews pursuant to the Financial Instruments and Exchange Act. The quarterly review of the quarterly financial results herein had not been completed as of the date of this document.

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.

1. Analysis of Operating Results

(1) Consolidated Financial Results for the Three Months ended March 31, 2016

In the first quarter of 2016 (January 1 – March 31, 2016), the Japanese economy stagnated, in part reflecting the impact of slowdowns in overseas economies in the latter half of 2015. Recent rebounds in personal consumption and income levels stalled, and overall little positive momentum was seen in consumer sentiment.

Despite this lackluster economic environment, the SAPPORO Group posted a year-on-year increase in sales. The key growth drivers included (1) year-on-year growth in shipments of beer and beer-type beverages at the Japanese Alcoholic Beverage business, (2) the International Business's contribution owning to the inclusion of an overseas subsidiary in the accounts in February 2015, and (3) the contribution from the soymilk business acquired by the Food & Soft Drinks business in October 2015.

The Group achieved a year-on-year profit growth in the first quarter of 2016. The improvement reflects (1) the Japanese Alcoholic Beverage business' increased shipments of beer and beer-type beverages, (2) the Real Estate business' ability to maintain high occupancy rates at its rental properties and therefore increase rental income, and (3) cost reductions and operating efficiency improvements in all business segments.

As a result of the above factors, in the first quarter of 2016 the SAPPORO Group posted consolidated sales of ¥111.3 billion (up ¥2.9 billion or 3% year on year), an operating loss of ¥1.4 billion (compared with a ¥4.3 billion loss a year earlier), an ordinary loss of ¥2.2 billion (compared with a ¥4.5 billion loss a year earlier), and a net loss attributable to owners of the parent of ¥2.0 billion (compared with net income of ¥0.8 billion a year earlier).

Seasonal Factors

The Group's operating results exhibit substantial seasonal variation because demand for the products and services offered by the Japanese Alcoholic Beverages, International Business, Food & Soft Drinks, and Restaurant businesses tends to be concentrated in the summer months. Sales and profits consequently tend to be lower in the first quarter than in the other three quarters.

Segment information is outlined below.

Japanese Alcoholic Beverages

We estimate that total domestic demand for beer and beer-type beverages in the first quarter of 2016 was lower than in the first quarter of 2015.

Under such market conditions, the Japanese Alcoholic Beverage business continued its efforts to realize management's vision of "Seek to be No.1 by accumulating one-of-a-kind products" and achieve further growth by constantly providing customers with a unique value proposal and by investing aggressively in the beer business during 2016, which has been designated as the "first year of a new period of growth in the beer business."

Among beer products, Sapporo Draft Beer Black Label continued the strong sales performance of the previous year, with shipments driven upwards by the canned version introduced in April 2015. Sales of the Yebisu brand also expanded, with a boost from the release of a renewal version in March. As a result, total domestic shipments of beers increased 5% year on year in the first quarter of 2016. In the new-genre category, our popular Mugi to Hop The Gold enjoyed strong sales, especially following the February release of a renewal version. In the happoshu category, however, shipments of Goku Zero slipped below the previous year's level. In aggregate, first-quarter shipments of our beer and beer-type beverages products increased 1% year on year.

In the RTD[*1] category, the high-value-added collaboration products Sapporo Otoko Ume Sour and the Nectar Sour series, as well as Kireto Lemon Sour, all continued to sell well and achieved year-on-year sales growth.

In the wine category, we strengthened marketing of domestic and imported fine wines[*2], including Penfolds from Treasury Wine Estates and champagne from Taittinger, both of which were added to our wine offerings in 2015. However, overall sales in this category slipped below the level achieved in the first quarter of 2015.

Our spirits business remained a bright spot, with a year-on-year increase in sales led by products from major overseas brands, such as Bacardi and Dewars.

Our Japanese liquor business also achieved overall growth in sales during the period, led by continued strong sales of Imo Shochu Kokuimo, Japan's No. 1 selling[*3] blended *imo* shochu.

Overall, the Japanese Alcoholic Beverages business posted first-quarter sales of ¥53.1 billion, up ¥1.9 billion or 4% year on year. The first-quarter operating loss came to ¥1.8 billion, a bit less than the ¥2.3 billion loss recorded a year earlier.

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

*2) Fine wines are wines priced in the mid- to high-price range (¥1,500 and higher per bottle).

*3) Based on Intage SRI market research on combined blended *imo* shochu sales in the supermarket, convenience store, and direct sales channels from January 2013 to December 2015.

International Business

In the North American beer market in the first quarter of 2016, we estimate that total demand for beer in the United States increased year on year, driven by demand for imported beers. In Canada, demand appears to have been on par with the first quarter of 2015. In Asia, demand appears to be staying on a growth track formed by growing populations and relatively stable economic growth.

In this environment, our International Business continued aggressive marketing activities targeting the premium beer markets in North America and Southeast Asia, the two regions where the business is concentrating its resources and efforts. In addition, we expanded our sales channel in the US fruit juice market.

Our Canadian subsidiary SLEEMAN BREWERIES continued to invest in the marketing of its core premium brands. As a result, its overall beer sales volume (excluding Sapporo brand beer) increased about 1% year on year. In the U.S. market, Sapporo USA continued efforts to expand its core target customer markets from Japanese Americans to the wider Asian-American and general population market segments. However, temporary distribution-chain inventory adjustments led to a 3% year-on-year decline in shipments of Sapporo brand beers. At our U.S. soft drinks business, Silver Springs Citrus and Country Pure Foods opened up new sales channels and achieved sales growth in the first quarter of 2016.

In Southeast Asia, the new versions of Sapporo Premium Beer in bottles and cans introduced in the Vietnam market in November 2015 continued to sell well, but stepped-up competition from rivals in the keg-beer market resulted in a year-on-year decline in overall sales volumes in Vietnam. In Singapore, we achieved growth in sales volume, thanks to cooperative efforts with our local subsidiary to expand sales channels to that country's household and commercial markets.

Elsewhere in the region, we steadily increased beer sales volumes in South Korea by leveraging our local partner's sales network to strengthen sales to both the household and commercial markets. In Oceania, continued efforts to strengthen sales via licensing agreements with local brewing partners produced a year-on-year gain in beer sales volumes.

The International Business's shipments of Sapporo brand products in overseas markets during the first quarter of 2016 decreased 2% from the volume recorded in the first quarter of 2015.

As a result, the International Business posted first-quarter sales of ¥15.4 billion, down ¥0.5 billion or 4% year on year. The first-quarter operating loss came to ¥0.3 billion, less than the ¥1.2 billion loss posted a year earlier.

Food & Soft Drinks

We estimate that overall demand for soft drinks in Japan increased 4% year on year in the first quarter of 2016, with sales boosted by favorable weather conditions.

Taking advantage of the favorable weather conditions, the Food & Soft Drinks business continued to concentrate investments in core brands and products, part of its overall efforts to strengthen and nurture its various brands.

The domestic soft drinks business added to its core Kireto Lemon lineup of lemon-based products with the introduction of Kireto Lemon Asa Balance Jelly, a pouch- based jelly drink that provides consumers with a new way to enjoy the nutritional benefits of lemon-based drinks. Coffee drinks, including products in bottle-shaped cans, sold well during the period. Other new domestic drinks launched during the quarter included Furano Lavender Tea, an unsweetened tea drink infused with lavender grown in Furano in Japan’s northernmost island of Hokkaido. In February, we introduced Okinawa Pokka Sanpin-cha (Tokusei), POKKA SAPPORO’s first product to be certified as a food for specified health uses (FOSHU) in the Okinawa area. Overall, first-quarter sales volume was flat year on year, owing to the lack of any new core product offerings.

Lemon-based food product sales increased 6% year on year, despite the September 2015 price increase for Pokka Lemon 100 brand products.

In the instant soup category, POKKA SAPPORO continued to add new flavors to the Jikkuri Kotokoto Kongari Pan series while also introducing two new brands—Spice World and Karaou. However, overall sales of instant soups slipped 2% year on year.

At the domestic restaurants business, the Café de Crié coffee shop chain’s introduction of a new seasonal menu contributed to steady sales and customer traffic at pre-existing stores, while the opening of new outlets drove chainwide sales above the level achieved a year earlier.

POKKA SAPPORO’s overseas soft drinks business carried out Chinese new year’s sales campaigns in Singapore and neighboring countries as part of its effort to further penetrate the Southeast Asian market with its POKKA brand products, especially its tea drinks and non-chilled fruit juice beverages, both of which have already secured top market shares in Singapore*.

Overall, the Food & Soft Drinks business recorded sales of ¥30.2 billion in the first quarter, up ¥0.9 billion or 3% year on year. The first-quarter operating loss came to ¥0.6 billion, less than the ¥1.2 billion loss posted a year earlier.

* Market shares based on data from Nielsen Singapore Market Track March 2016 (Copyright 2016, The Nielsen Company)

Restaurants

Japan's restaurant industry stayed on the recovery track in the first quarter of 2016 despite grappling with a difficult operating environment complicated by rising labor costs and food material procurement prices.

In this environment, the Restaurants business continued to pursue the fulfillment of its philosophy of "Enhancing the Joy of Living" through constant efforts to deliver safe and sound food and service to customers while also striving to create restaurants that "deliver 100% satisfaction to customers."

The Restaurants business opened to two new core chain outlets in the first quarter of 2016—a Ginza Lion pub/restaurant in the Tokyo suburb of Kichijoji and a Yebisu Bar outlet in Kawasaki City in Kanagawa Prefecture. Both new stores are doing well in their initial phases. Looking ahead, the Restaurants business should get a boost from the reopening of two flagship stores that have been shut down for an extended period of time due to building redevelopment projects. It also plans to continue expanding chain size with new openings in regional cities. Meanwhile, two unprofitable outlets were closed in the first quarter, bringing the number of outlets operating as of end-March 2016 to 178.

Overseas, we had 14 shops operating in Singapore as of end-March. In addition to opening the first outlet of the new Tonkichi Ginza Shokudo in November 2015, we continue to create a chain of locally popular restaurants in Singapore that are helping spread the reputation of our Ginza Lion brand to the world.

Overall, the Restaurants business posted first-quarter sales of ¥5.7 billion, ¥0.0 billion or 1% less than a year earlier. The first-quarter operating loss was ¥0.1 billion, compared with ¥0.3 billion loss posted a year earlier.

Real Estate

Despite concerns of an economic slowdown, Japan's real estate industry continued to see solid demand in the Greater Tokyo office leasing market, helping keep vacancy rates at low levels and supporting a moderate recovery in rent levels.

In this environment, our real estate leasing business maintained high occupancy rates while assertively seeking rent increases from existing tenants at its properties in the Tokyo Metropolitan area, including Yebisu Garden Place Tower, the business' core source of earnings.

We continue to enhance the value of our Yebisu Garden Place commercial complex, a landmark of stylish and sophisticated Ebisu area, through constant efforts to provide tenants and visitors with enjoyable experiences in comfortable and pleasant surroundings that raise convenience levels and strengthen the property’s brand appeal. Meanwhile, Ebisu First Square, which opened in October 2014, has won high praise from tenants as a highly competitive office building with superior safety features, comfort levels, and environmental performance. The property has maintained full occupancy since opening and continues to make a solid contribution to segment earnings.

At the real estate development business, construction of the GINZA PLACE, a redeveloped commercial complex located at the busy Ginza 4-chome intersection, is on schedule for a June 2016 completion. We are presently negotiating with prospective tenants and making the necessary adjustments and preparations for the complex’s grand opening in September. We expect the complex will become a new landmark and center of human activity and interaction contributing to the global transmission of various information from Tokyo’s world-famous Ginza commercial and shopping district.

As result of the efforts outlined above, the Real Estate business posted first-quarter sales of ¥5.3 billion, up ¥0.6 billion or 14% year on year, and segment operating income of ¥2.6 billion, a year-on-year increase of ¥0.9 billion or 53%.

(2) Review of Consolidated Financial Condition

Consolidated Financial Condition

Consolidated assets as of the end of the first quarter on March 31, 2016, totaled ¥589.6 billion, a ¥30.7 billion decrease from the end of the previous fiscal year (December 31, 2015). The decline is mainly attributable to decreases in trade notes and accounts receivable and in investment securities, which more than offset an increase in merchandise and finished products.

Consolidated liabilities totaled ¥434.9 billion, a ¥21.6 billion reduction from December 31, 2015, primarily owing to decreases in commercial paper, income taxes payable, and liquor taxes payable, which combined outweighed an increase in current portion of bonds.

Consolidated net assets totaled ¥154.6 billion, down ¥9.1 billion from the end of the previous fiscal year. The decrease primarily reflects declines in retained earnings following the payment of year-end dividends and in unrealized holding gain on securities.

(3) Consolidated Earnings Forecast

The consolidated earnings forecast for the full fiscal year ending December 31, 2016 is unchanged from the forecast announced by the Company on February 10, 2016.

2. Other Information

(1) Changes in significant subsidiaries during the three months ended March 31, 2016

Not applicable

(2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements

(Calculation of tax liabilities)

The Company calculates tax liabilities by producing a reasonable estimate of the effective tax rate after applying tax-effect accounting to income before taxes for the fiscal year, which encompasses the three months ended March 31, 2016, and then multiplying income (loss) before income taxes by this estimated effective tax rate.

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

(Changes in accounting policies)

The following changes to accounting policies were applied from the first quarter of fiscal year 2016: Accounting Standard for Business Combinations (Accounting Standards Board of Japan - ASBJ - Statement No. 21 of September 13, 2013); Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013); and Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013). Accordingly, in cases where the parent company continues to have control, differences arising from changes in the Company's ownership interests in subsidiaries are now recorded in capital surplus, and acquisition expenses for business combinations are now treated as expenses in the consolidated financial statements for the year in which they arise. Regarding business combinations that take place on or after the beginning of the first quarter of fiscal year 2016, any change to the allocation of the acquisition cost arising from confirmation of the provisional accounting treatment must now be reflected in the consolidated financial statements for the quarter in which the business combination occurred. In addition, the presentation of the net income category has been revised and minority interests has been changed to non-controlling interests. Consolidated financial statements for the first quarter of the previous fiscal year and for the entire previous fiscal year have been restated in order to reflect this change in presentation.

Application of the newly adopted accounting standards noted at the outset of this section has been implemented from the start of the first quarter of fiscal year 2016, in accordance with the transitional provisions in Article 58-2(4) of the Accounting Standard for Business Combinations, Article 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4(4) of the Accounting Standard for Business Divestitures.

These changes in accounting policy had no effect on the quarterly operating loss, ordinary loss, and net loss before income taxes reported for the first quarter of fiscal 2016.

(Changes to accounting policies difficult to distinguish from changes in accounting estimates)

The SAPPORO Group has in the past applied the declining-balance method for depreciation of property, plant and equipment (however, the straight-line method was applied to property, plant and equipment of the Hokkaido Brewery, rental properties acquired since January 1988, Yebisu Garden Place, Sapporo Factory, buildings (excluding fixtures and equipment) acquired since April 1, 1998, Kyushu Hita Brewery, the Gunma Brewery's Japanese liquor manufacturing equipment, and Nasu Brewery). However, from fiscal year 2016 all property, plant and equipment will be depreciated using the straight-line method.

Group companies Sapporo Breweries Ltd. and POKKA SAPPORO Food & Beverage Ltd. have carried out aggressive capital investments on the assumption that growth in total demand would deliver early returns on those investments. However, in recognition of the maturation of our markets and operating environment, we are now prioritizing stable supply from existing facilities. In the current fiscal year, we plan to invest in new manufacturing facilities and the renewal of existing facilities to secure additional stable supplies of core products. In preparation for the drafting of the next long-term plan to be implemented from January 2017, we have examined the current state of usage of the Group's property, plant, and equipment and plans for future capital investments. This examination indicates that we will be able to maintain stable utilization of such domestic property, plant and equipment, which in turn has led to the decision that using the straight-line method to evenly distribute the acquisition cost of these assets over their useful lives will lead to more appropriate calculations of profit and loss in each reporting period.

The change from the declining-balance method to the straight-line method of depreciation reduced depreciation expense by ¥409 million, had a ¥351 million positive impact on operating income, and added ¥355 million to ordinary income and to income before income taxes in the current fiscal year.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2015	March 31, 2016
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	10,430	12,129
2 Notes and accounts receivable - trade	92,335	64,373
3 Merchandize and finished products	24,912	28,226
4 Raw materials and supplies	13,722	13,057
5 Other	15,028	17,062
6 Allowance for doubtful receivables	(64)	(52)
Total current assets	156,364	134,797
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	383,087	382,847
Accumulated depreciation	(213,567)	(214,913)
Buildings and structures, net	169,519	167,934
(2) Machinery and vehicles	227,534	226,847
Accumulated depreciation	(183,165)	(182,654)
Machinery and vehicles, net	44,368	44,193
(3) Land	105,121	105,277
(4) Construction in progress	6,637	7,762
(5) Other	33,985	33,832
Accumulated depreciation	(22,589)	(22,719)
Other, net	11,395	11,113
Total property, plant and equipment	337,042	336,282
2 Intangible assets		
(1) Goodwill	30,235	29,227
(2) Other	10,743	9,927
Total intangible assets	40,978	39,154
3 Investments and other assets		
(1) Investment securities	61,848	55,990
(2) Long-term loans receivable	9,016	8,825
(3) Other	16,372	15,800
(4) Allowance for doubtful receivables	(1,234)	(1,241)
Total investments and other assets	86,002	79,375
Total fixed assets	464,023	454,811
Total assets	620,388	589,609

	December 31, 2015	March 31, 2016
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	36,772	34,687
2 Short-term bank loans	65,822	68,425
3 Commercial Paper	17,000	13,000
4 Current portion of bonds	10,000	20,000
5 Liquor taxes payable	33,903	17,945
6 Income taxes payable	6,114	847
7 Accrued bonuses	2,219	3,999
8 Deposits received	8,824	10,200
9 Other	52,986	49,053
Total current liabilities	233,643	218,159
II Long-term liabilities		
1 Bonds	50,000	50,000
2 Long-term bank loans	91,919	88,276
3 Net defined benefit liability	7,636	7,274
4 Dealers' deposits for guarantees	32,833	33,267
5 Other	40,533	37,967
Total long-term liabilities	222,921	216,785
Total liabilities	456,565	434,945
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	45,913	45,913
3 Retained earnings	35,189	30,456
4 Treasury stock, at cost	(1,595)	(1,598)
Total shareholders' equity	133,394	128,658
II Accumulated other comprehensive income		
1 Unrealized holding gain on securities	23,926	20,262
2 Deferred hedge gains	(11)	(27)
3 Foreign currency translation adjustments	(1,255)	(1,574)
4 Remeasurements of defined benefit plans	1,874	1,825
Total accumulated other comprehensive income	24,533	20,485
III Non-controlling Interests	5,894	5,520
Total net assets	163,822	154,664
Total liabilities and net assets	620,388	589,609

(2) Consolidated Statements of Income

(millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016
	Amount	Amount
I Net sales	108,457	111,391
II Cost of sales	73,819	73,944
Gross profit	34,638	37,446
III Selling, general and administrative expenses		
1 Sales incentives and commissions	7,725	8,074
2 Advertising and promotion expenses	5,234	4,742
3 Salaries	6,937	6,956
4 Provision for bonuses	1,335	1,431
5 Retirement benefit expenses	667	206
6 Other	17,065	17,461
Total selling, general and administrative expenses	38,966	38,874
Operating loss	(4,328)	(1,427)
IV Non-operating income		
1 Interest income	54	67
2 Dividend income	345	117
3 Equity in income of affiliates	35	5
4 Other	297	294
Total non-operating income	732	484
V Non-operating expenses		
1 Interest expense	561	532
2 Foreign exchange losses	111	323
3 Loss on valuation of derivatives	-	271
4 Other	287	200
Total non-operating expenses	959	1,329
Ordinary loss	(4,555)	(2,272)
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	7,363	5
2 Gain on sales of investment securities	26	5
3 Gain on sales of consolidated subsidiaries	12	-
4 Subsidy income	322	-
Total extraordinary gains	7,726	10
VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	244	161
2 Loss on sales of property, plant and equipment	2	2
3 Loss on devaluation of investment securities	154	-
4 Impairment loss	67	29
5 Compensation expenses	-	224
Total extraordinary losses	469	418
Income (Loss) before income taxes	2,700	(2,681)
Income taxes	1,937	(586)
Net income (loss)	763	(2,095)
Loss attributable to Non-controlling interests	(119)	(88)
Net income (loss) attributable to owners of the parent	882	(2,006)

Net income (loss)	763	(2,095)
Other comprehensive income		
Unrealized holding gain on securities	3,835	(3,664)
Deferred hedge gains (losses)	(8)	(14)
Foreign currency translation adjustments	(1,668)	(605)
Remeasurements of defined benefit plans	296	(49)
Total other comprehensive income	2,455	(4,333)
Comprehensive income	3,218	(6,428)
(Breakdown)		
Comprehensive income attributable to owners of the parent	3,143	(6,055)
Comprehensive income attributable to non-controlling interests	75	(373)

(3) Notes on the Going-concern Assumption
Not applicable

(4) Segment Information
Ⅰ **Three months ended March 31, 2015 (January 1, 2015 – March 31, 2015)**

1. Sales, income, and loss by reportable segment

(millions of yen)

	Reportable segments						Other *1	Total	Adjustments	Amounts reported on the statements of income *2
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total				
Net sales										
(1) Operating revenues	51,232	16,008	29,303	5,880	4,725	107,151	1,306	108,457	-	108,457
(2) Intra-group sales and transfers	624	23	28	0	593	1,269	4,042	5,312	(5,312)	-
Total	51,856	16,032	29,331	5,881	5,319	108,420	5,348	113,769	(5,312)	108,457
Segment income (loss)	(2,326)	(1,262)	(1,204)	(333)	1,708	(3,418)	(62)	(3,481)	(847)	(4,328)

Notes:

(1) "Other" comprises businesses, such as logistics businesses, that are not included in reportable segments.
(2) Segment income and losses are adjusted based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

2. Reconciliation and main components of differences between income and loss of reportable segments and figures on the statement of income (information on differences)

(millions of yen)

Segment income (loss)	Amount
Total for reportable segments	(3,418)
Total other losses	(62)
Unallocated corporate costs	(851)
Intra-segment sales	3
Operating losses on the statement of income	(4,328)

3. Impairment Loss on Fixed Assets or Goodwill by Reportable Segment
(Significant impairment losses on fixed assets)
Not Applicable.

(Significant changes in the amount of goodwill)
In the international business segment, the company acquired the shares of Country Pure Foods, Inc. on February 24, 2015 and made it a consolidated subsidiary.
As a result of the consolidation, the amount of goodwill increased by 5,924 million yen during the three months ended March 31, 2015.
The amount of goodwill was calculated on a tentative basis, because the allocation of acquisition cost had yet to be completed.

(Material Gain on negative goodwill)
Not Applicable

Ⅱ Three months ended March 31, 2016 (January 1, 2016 – March 31, 2016)

1. Sales, income, and loss by reportable segment

(millions of yen)

	Reportable segments						Other *1	Total	Adjustments	Amounts reported on the statements of income *2
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total				
Net sales										
(1) Operating revenues	53,150	15,421	30,237	5,793	5,376	109,979	1,411	111,391	-	111,391
(2) Intra-group sales and transfers	575	30	32	1	604	1,243	4,149	5,392	(5,392)	-
Total	53,726	15,451	30,270	5,794	5,980	111,223	5,560	116,784	(5,392)	111,391
Segment income (loss)	(1,804)	(390)	(643)	(139)	2,610	(367)	(99)	(467)	(960)	(1,427)

Notes:

(1) "Other" comprises businesses, such as logistics businesses, that are not included in reportable segments.

(2) Segment income and losses are adjusted based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

2. Reconciliation and main components of differences between income and loss of reportable segments and figures on the statement of income (information on differences)

(millions of yen)

Segment income (loss)	Amount
Total for reportable segments	(367)
Total other losses	(99)
Unallocated corporate costs	(951)
Intra-segment sales	(9)
Operating losses on the statement of income	(1,427)

3. Changes in Reportable Segment, etc.

(Change to depreciation method)

As described in “Changes in accounting policies,” the depreciation method for property, plant and equipment has been changed with effect from the first quarter of fiscal year 2016.

This change increases the first-quarter segment profit of the Real Estate business by ¥40 million over the profit that would have been recorded under the previous method. The change also has a positive effect on earnings of other segments, reducing first-quarter losses by ¥196 million at the Japanese Alcoholic Beverages business, ¥68 million at the Food and Soft Drinks business, ¥39 million at the Restaurants business, and ¥1 million at the Others segment. The change also reduces Adjustments by ¥6 million.

4. Impairment Loss on Fixed Assets or Goodwill by Reportable Segment

(Significant impairment losses on fixed assets)

Not Applicable.

(Significant changes in the amount of goodwill)

In the International Business segment, previous financial disclosures included a provisional estimate of goodwill related to the acquisition of COUNTRY PURE FOODS, INC., on February 24, 2015, because allocation of the actual acquisition cost had yet to be completed. In the first quarter of 2016, however, allocation of the acquisition cost was completed and the amount of goodwill was adjusted. This adjustment increases goodwill posted on accounts for the first-quarter of 2016 by ¥264 million.

(Material Gain on negative goodwill)

Not Applicable

(5) Notes on significant changes in the amount of shareholders' equity

Not applicable

(6)Business combinations

In the International Business segment, previous financial disclosures included a provisional estimate of goodwill related to the acquisition of COUNTRY PURE FOODS, INC., on February 24, 2015, because allocation of the actual acquisition cost had yet to be completed. In the first quarter of 2016, however, allocation of the acquisition cost was completed and the amount of goodwill was adjusted as described below.

Goodwill (before adjustment)	¥ 4,162 million
Intangible assets	¥ 310 million
Deferred tax assets	¥ (20) million
Deferred tax liabilities	¥ (76) million
Other adjustment	¥ 51 million
Amount of adjustment	¥ 264 million
Goodwill (after adjustment)	¥ 4,426 million

●Amount of goodwill arising, reason for its recognition, and amortization method and period

①Amount of goodwill : ¥4,426 million

②Reason for its recognition : Future business activities are expected to generate excess profitability.

③Amortization method and amortization period : 9 years with the straight-line method

(7) Subsequent events

(Disposal of treasury stock via third-party allotment)

At the Board of Directors' meeting held on May 10, 2016, the Company resolved to dispose of treasury stock via a third-party allocation as per below.

Overview of disposal of treasury stock:

Disposal date: May 31, 2016

Number of shares to be disposed: 754,600

shares Disposal price: ¥591 per share

Funds procured: ¥445,968,600

Disposal method: Third-party allotment

Allotee: Trust & Custody Services Bank, Ltd.

Purpose of and reason for disposal

At a Board of Directors' meeting held on February 10, 2016, the Company resolved to introduce a new stock-based compensation system (Board Benefit Trust, or BBT) (hereafter, the "System") for directors, group operating officers of the Company, and some of the directors of the Company's subsidiaries (excluding outside directors). The proposed System was presented to and approved by the 92nd Ordinary General Meeting of Shareholders held on March 30, 2016. The share disposal will be implemented through a third-party allocation of shares to the Trust & Custody Services Bank, Ltd., which is re-entrusted by the System's trustee Mizuho Trust & Banking Co., Ltd. with the holding and disposition of the Company's shares upon establishment of the System.