Financial Results
for the Nine Months Ended September 30, 2016 — Consolidated
(Based on Japanese GAAP)

November 2, 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	November 11, 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 Nine Months Ended September 30, 2016 (January 1 – September 30, 2016)

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

<Note>
On July 1, 2016, the Company carried out a share consolidation at a ratio of 1 share for 5 shares of the Company's common stock. Accordingly, values for the items noted below have been recalculated on the assumption that the share consolidation took place at the beginning of the previous fiscal year.

・Net income per share
・Diluted net income per share
・Number of shares issued at end of period (treasury stock included)
・Number of shares held in treasury at end of period
・Average number of outstanding shares during the period

In addition, the following forecast per-share values for the fiscal year ending December 31, 2016 take into account the share consolidation.

・Dividend per share
・Net income per share

(1) Operating Results

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended September 30, 2016	392,270	1.1	12,886	115.1	11,580	134.5	5,269	174.8
Nine months ended September 30, 2015	388,147	2.3	5,991	(27.7)	4,938	(35.6)	1,917	-

Note: Accumulated other comprehensive income

Nine months ended September 30, 2016 (5,386) million yen

Nine months ended September 30, 2015 529 million yen

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended September 30, 2016	67.65	-
Nine months ended September 30, 2015	24.61	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
September 30, 2016	592,301	155,747	25.4
December 31, 2015	620,388	163,822	25.5

Note: Shareholders' equity

September 30, 2016: 150,617 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	—	0.00	—		
Year ending December 31, 2016 (forecast)				35.00	35.00

Note: No changes were made to dividend forecasts in the nine months ended September 30, 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	547,700	2.6	20,100	44.1	19,200	45.3	10,000	63.7	128.38

Note: Changes were made to earnings forecasts in the nine months ended September 30, 2016: Yes

4. Other

*For details, see "2. Other Information" on page 11.

(1) Changes in significant subsidiaries during the nine months ended September 30, 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 (2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement, in section "2. Other Information" on page 11 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):
   September 30, 2016: 78,794,298 shares
   December 31, 2015: 78,794,298 shares

2) Number of shares held in treasury at end of period:
   September 30, 2016: 898,001 shares
   December 31, 2015: 890,305 shares

3) Average number of outstanding shares during the period:
   Nine months ended September 30, 2016: 77,901,780 shares
   Nine months ended September 30, 2015: 77,920,686 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) Consolidated Financial Results for the Nine Months ended September 30, 2016

In the first nine months of 2016 (January 1 – September 30, 2016), the Japanese economy was generally in a moderate recovery trend but lacked positive signs from the corporate and household sectors. Uncertainties in the international arena and unseasonable weather conditions added to the uncertainties weighing on domestic investment and consumption.

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

Group profits also increased, as (1) the Japanese Alcoholic Beverage business achieved a year-on-year increase in sales of beer and beer-type beverages, (2) the Real Estate business maintained high occupancy rates at its rental properties and therefore increased rental income, and (3) cost reductions and operating efficiency improvements were seen in all business segments.

As a result of the above factors, in the first nine months of 2016 the SAPPORO Group posted consolidated sales of ¥392.2 billion (up ¥4.1 billion or 1% year over year), operating income of ¥12.8 billion (up ¥6.8 billion or 115%), ordinary income of ¥11.5 billion (up ¥6.6 billion or 135%), and net income attributable to owners of the parent of ¥5.2 billion (up ¥3.3 billion or 175%).

Segment information is outlined below.

Japanese Alcoholic Beverages

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

Amid 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.”

The Japanese Alcoholic Beverage business’ efforts produced a 5% year-on-year increase in beer shipments in Japan, led by strong sales of canned versions of Sapporo Draft Beer Black Label and Yebisu Beer. In the happoshu category, shipments of Goku Zero slipped below the previous year’s level, but continued strong sales of Mugi to Hop The gold bolstered sales of our new-genre beer. Overall, shipments of our beer and beer-type beverages products were in line with the previous year’s result.

In the RTD*[1] category, the high-value-added collaboration products Sapporo Otoko Ume Sour and Nectar

Sour, as well as Kireto Lemon Sour, continued to sell well and achieve year-on-year sales growth.

In the wine category, strengthened marketing of domestic and imported fine wines*[2] led to higher sales of Penfolds, an imported wine from Treasury Wine Estates, as well as Taittinger champagne and our Grande Polaire series of domestic wines.

Our spirits business achieved year-on-year sales growth, led by strong sales of products from major overseas brands, such as Bacardi and Dewars.

Our Japanese liquor business also achieved sales growth, led by continued strong sales of Imo Shochu Kokuimo, Japan's No. 1 selling*[3] blended *imo* shochu, and a favorable response to the newly introduced Kokuimo Red.

Overall, the Japanese Alcoholic Beverages business posted cumulative first three-quarter sales of ¥200.0 billion, up ¥4.8 billion or 2% year on year, and operating income of ¥6.3 billion, up ¥3.3 billion or 111%.

*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 nine months of 2016, we estimate that total demand for beer in the United States increased year over year, with the main driver being demand for imported beers. In Canada, demand appears to have been on par with 2015. In Asia, demand appears to be staying on the 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 focusing its marketing 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 over year. In the U.S. market, where Sapporo USA continues its effort to expand its core target customer markets from Japanese Americans to the wider Asian-American and general population market segments, shipments of Sapporo brand beers were up 1% year on year. Our U.S. soft drinks business also achieved year-on-year sales growth, with U.S. subsidiary Country Pure Foods' acquisition of a fruit juice sorbet business in May contributing to the growth. Silver Springs Citrus also achieved year-on-year sales growth thanks to its efforts to expand sales channels (After adjustment for period included in Sapporo Group results).

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, driving overall sales volumes in Vietnam above the level achieved a year earlier. In addition, the Vietnam business launched Sapporo Blue Cap in July to a favorable market response. In Singapore, sustained cooperative efforts with our local subsidiary to expand sales channels to that country's household and commercial markets continued to produce year-on-year growth in sales volume.

Elsewhere in the region, we 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 and by increasing the number of sales outlets carrying our Sapporo Premium Beer. In Oceania, continued efforts to strengthen sales via licensing agreements with local brewing partners produced a year-on-year gain in beer sales volumes.

As a result of the efforts noted above, the International Business’s shipments of Sapporo brand products in overseas markets during the first nine months of 2016 were 5% higher than the volume recorded in the same period of 2015.

However, due to adverse currency-translation effects, the segment’s sales for the first three quarters of the year totaled ¥48.0 billion, down ¥5.2 billion or 10% year on year. Operating income came to ¥0.7 billion, compared with a loss of less than ¥0.0 billion in the first three quarters of fiscal 2015.

Food & Soft Drinks

We estimate that overall demand for soft drinks in Japan in the first nine months of 2016 increased 3% year on year. In this somewhat favorable environment, the Food & Soft Drinks business continued its efforts to strengthen and nurture its various brands, focusing its resources on its core soup and lemon-based products.

The domestic soft drinks business continued to expand its lineup of lemon-based product brands, centering on the Kireto Lemon brand. During the first nine months of 2016, the business launched World Lemonade and FREE Tea, which was approved for marketing with a functional food label. Other products that made significant contributions to sales included distinctive offerings from Pokka Sapporo, such as Nippon Oolong, made from domestic tea leaves, and Furano Lavender Tea, made from lavender grown in Furano, Hokkaido. Overall, shipments of our domestic soft drinks increased 3% year on year. During the period, we completed installation of an aseptic bottling line at our Gunma plant in July, part of our plan to raise productivity by increasing our in-house bottling capacity.

In the lemon-based food category, product shipments increased 2% year on year, on solid sales of our mainstay Pokka Lemon 100 brand products and a contribution from the newly marketed Pokka Lemon Organic Sicilian Straight Lemon Juice.

In the soup category, we commemorated the 20th anniversary of the launch of our Jikkuri Kotokoto brand soups with the introduction of several additions to the brand, including Jikkuri Kotokoto Gohobi Dining, packaged in a microwavable pouch. The new product offerings reflect our unceasing efforts to differentiate our soup brands and further enhance our competitive advantage.

At the domestic restaurants business, the Café de Crié coffee shop’s constant efforts to revise and improve its seasonal menus led to steady growth in comparable-store sales, enabling the chain to achieve year-on-year sales growth.

The overseas soft drinks business continued its effort to further enhance recognition of 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 segment recorded sales of ¥101.5 billion, up ¥2.2 billion or 2% year on year and posted operating income of ¥0.6 billion (compared with a ¥0.5 billion loss a year earlier).

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

Restaurants

Japan's restaurant industry has stayed on the recovery track in 2016 despite grappling with a difficult operating environment complicated by continuous 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."

In Japan, our Restaurants business continued to open new stores, with an emphasis on expanding into new geographical areas and new store formats. Thus far in 2016 the business has opened its first restaurant inside a zoo and the first outlet of CRAFT BEER KOYOEN, our entry into the craft beer pub format. Meanwhile, our core Ginza Lion chain of Beer hall chains got a boost from the reopening of flagship outlets in Shimbashi and Ginza areas when the GINZA PLACE commercial complex and others opened after a lengthy redevelopment project. Overall, we opened 12 new restaurants in the first nine months of 2016, while also reopening two completely renovated outlets.

In addition, Marushinkawamura Inc., an operator of restaurants located primarily in Hokkaido, including the Kushiro and Sapporo Ginrin chains, became a consolidated subsidiary from June.

Meanwhile, six unprofitable outlets have been closed, bringing the total number of restaurants operated by our Restaurants business in Japan as of end-September 2016 to 202.

The Restaurant business also has 14 shops operating in Singapore as of end-September. In addition to opening the first Tonkichi Ginza Shokudo outlet in November 2015, we continue to create a chain of locally popular restaurants in Singapore that are spreading the reputation of our Ginza Lion brand to the world.

Overall, Restaurants business sales in the first nine months of 2016 totaled ¥21.0 billion, up ¥0.4 billion or 2% year on year. Segment operating income was ¥0.5 billion, up ¥0.1 billion or 45% from the first nine months of 2015.

Real Estate

Japan's real estate industry continues to benefit from solid demand in the Greater Tokyo office leasing market and low vacancy rates, which combined are supporting a sustained moderate recovery in rent levels.

In this environment, our real estate leasing business was able to maintain high occupancy rates at its properties in the Tokyo Metropolitan area, including Yebisu Garden Place Tower, the business' core source of earnings. In addition, the high occupancy rates provided a solid platform for more assertive efforts to increase rents of existing tenants.

The real estate leasing business also continued to enhance the value of our Yebisu Garden Place commercial complex through its efforts to raise convenience levels and strengthen the property's brand appeal as a landmark of the stylish and sophisticated Ebisu area. In the complex's commercial area, we are presently renovating the restaurant floor on the 38^{th} floor of the Yebisu Garden Place Tower. At the City Walk area on the side of the complex along the JR Yamanote Line tracks, we constructed a new row of eateries called BRICK END, which opened in October. Our other core property in the Ebisu area, the new 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 its contribution to segment earnings is on the rise.

The real estate development business completed construction of the GINZA PLACE, a redeveloped commercial complex located at the busy Ginza 4-chome intersection, and held its grand opening on schedule in September. We look forward to this complex, located in the heart of Tokyo's world-famous Ginza commercial and shopping district, providing visitors from around the world insights into Japanese traditions, culture, advanced technologies and a wide range of other interesting topics and eventually becoming a "landmark that gives birth to the Ginza of tomorrow" In addition, we have newly started the redevelopment of our former Sapporo factory as part of the renovation of the area on the east side of the Sosei River, a focus of the city's urban redevelopment program. In addition to raising the value of the Sapporo Factory as a commercial complex, we are redeveloping the parking lot adjacent to the factory site into a new commercial building.

As result of the efforts outlined above, Real Estate business sales in the first nine months of 2016 totaled ¥16.7 billion, up ¥1.5 billion or 10%. Operating income was ¥8.0 billion, up ¥1.9 billion or 31%.

(2) Consolidated Financial Condition

Consolidated assets as of September 30, 2016, totaled ¥592.3 billion, down ¥28.0 billion 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 the increase in buildings and structures owing to the opening of GINZA PLACE.

Consolidated liabilities totaled ¥436.5 billion, ¥20.0 billion less than on December 31, 2015, with the decline primarily owing to decreases in income taxes payable and liquor taxes payable.

Consolidated net assets totaled ¥155.7 billion, ¥8.0 billion less than on December 31, 2015. The contraction in net assets primarily reflects the payment of dividends and decreases in unrealized holding gain on securities and in foreign currency translation adjustments, which offset the posting of net income attributable to owners of the parent.

(3) Outlook for the fiscal year ending December 31, 2016

As a result of taking into account the performance of each business, the forecasts for the full year have been revised as indicated below.

Revision of consolidated full-year earnings forecast for the fiscal year ending December 31, 2016

(January 1 to December 31, 2016)

(millions of yen, except percentages and per-share data)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
Previous forecast (A)	565,400	21,100	20,200	10,500	134.78
Current forecast (B)	547,700	20,100	19,200	10,000	128.38
Change (B-A)	(17,700)	(1,000)	(1,000)	(500)	-
Percent change	(3.1)%	(4.7)%	(5.0)%	(4.8)%	-
For reference: Results for the fiscal year ended December 31, 2015	533,748	13,950	13,211	6,108	78.40

2. Other Information

(1) Changes in significant subsidiaries during the nine month ended September 30, 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 and minority interests for the fiscal year, which encompasses the nine months ended September 30, 2016, and then multiplying income (loss) before taxes and minority interests 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-half 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 income, ordinary income, and income before income taxes reported for the third 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 and medium-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 ¥1,322 million, had a ¥1,252 million positive impact on operating income, and added ¥1,262 million to ordinary income and to income before income taxes in the third quarter of fiscal 2016.

(4) Additional information

(Board Benefit Trust (BBT) for directors, group operating officers of the Company, and some directors of the Company's subsidiaries)

Following the approval of shareholders of a resolution at the 92nd Ordinary General Meeting of Shareholders, the Company on May 31, 2016, introduced a new stock-based compensation system (Board Benefit Trust, or BBT) (hereinafter referred to as the "System"), for directors, group operating officers of the Company, and some of the directors of the Company's subsidiaries (excluding outside directors, hereinafter referred to as the "Group Target Officers"). The new System is designed to increase Group Target Officers' awareness of their contributions to improving the performance of the Company over the longer term and to enhancing corporate value.

1. Overview of System

   The Company shall grant points to the Group Target Officers according to their respective positions and performance achievements. The BBT will then provide the Company's shares to Group Target Officers who meet certain conditions in proportion to the points granted to them. In principle, Group Target Officers will receive the Company's shares when they retire. The shares to be awarded to Group Target Officers, including shares for future allocation, shall be purchased using money contributed by the Company at the time of the System's establishment, and shall be managed separately as Trust property.

2. Company shares remaining in the Trust

Upon the introduction of the System during the second quarter of the current fiscal year, Trust & Custody Services Bank, Ltd. (Trust Account E) has acquired shares 754,600 shares of the Company. The book value (excluding incidental costs) of the Company shares now held by the Trust are accounted for as treasury stock in the net assets section of the Company's balance sheet. As of the end of the second quarter of fiscal 2016, the book value and total number of treasury shares held by the Trust are, respectively, ¥445 million and 754,600 shares.

With an effective date of July 1, 2016, the Company implemented a consolidation of shares at a ratio of 1 share for each 5 shares of the Company's common shares. Following this share consolidation, the number of shares held by the Trust totaled 150,920.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2015	September 30, 2016
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	10,430	13,296
2 Notes and accounts receivable - trade	92,335	71,243
3 Merchandise and finished products	24,912	27,737
4 Raw materials and supplies	13,722	12,876
5 Other	15,028	15,577
6 Allowance for doubtful receivables	(64)	(57)
Total current assets	156,364	140,675
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	383,087	389,446
Accumulated depreciation	(213,567)	(218,034)
Buildings and structures, net	169,519	171,412
(2) Machinery and vehicles	227,534	224,652
Accumulated depreciation	(183,165)	(183,440)
Machinery and vehicles, net	44,368	41,211
(3) Land	105,121	106,735
(4) Construction in progress	6,637	3,566
(5) Other	33,985	34,723
Accumulated depreciation	(22,589)	(21,030)
Other, net	11,395	13,693
Total property, plant and equipment	337,042	336,619
2 Intangible assets		
(1) Goodwill	30,235	27,695
(2) Other	10,743	9,872
Total intangible assets	40,978	37,567
3 Investments and other assets		
(1) Investment securities	61,848	54,017
(2) Long-term loans receivable	9,016	8,833
(3) Other	16,372	15,818
(4) Allowance for doubtful receivables	(1,234)	(1,230)
Total investments and other assets	86,002	77,438
Total fixed assets	464,023	451,625
Total assets	620,388	592,301

	December 31, 2015	September 30, 2016
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	36,772	38,880
2 Short-term bank loans	65,822	41,213
3 Commercial Paper	17,000	15,000
4 Current portion of bonds	10,000	10,000
5 Liquor taxes payable	33,903	20,426
6 Income taxes payable	6,114	1,282
7 Accrued bonuses	2,219	3,630
8 Deposits received	8,824	7,569
9 Other	52,986	56,876
Total current liabilities	233,643	194,880
II Long-term liabilities		
1 Bonds	50,000	50,217
2 Long-term bank loans	91,919	112,033
3 Net defined benefit liability	7,636	6,859
4 Dealers' deposits for guarantees	32,833	33,256
5 Other	40,533	39,306
Total long-term liabilities	222,921	241,672
Total liabilities	456,565	436,553
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	45,913	46,089
3 Retained earnings	35,189	37,700
4 Treasury stock, at cost	(1,595)	(1,792)
Total shareholders' equity	133,394	135,883
II Accumulated other comprehensive income		
1 Unrealized holding gain on securities	23,926	18,743
2 Deferred hedge gains	(11)	(2)
3 Foreign currency translation adjustments	(1,255)	(5,687)
4 Remeasurements of defined benefit plans	1,874	1,680
Total accumulated other comprehensive income	24,533	14,734
III Non-controlling Interests	5,894	5,129
Total net assets	163,822	155,747
Total liabilities and net assets	620,388	592,301

(2) Consolidated Statements of Income

(millions of yen)

	Nine months ended September 30, 2015	Nine months ended September 30, 2016
	Amount	Amount
I Net sales	388,147	392,270
II Cost of sales	256,480	254,524
Gross profit	131,667	137,745
III Selling, general and administrative expenses		
1 Sales incentives and commissions	25,509	27,458
2 Advertising and promotion expenses	17,826	15,859
3 Salaries	23,025	22,912
4 Provision for bonuses	1,819	2,186
5 Retirement benefit expenses	2,089	601
6 Other	55,405	55,839
Total selling, general and administrative expenses	125,676	124,858
Operating income	5,991	12,886
IV Non-operating income		
1 Interest income	179	172
2 Dividend income	802	743
3 Equity in income of affiliates	36	12
4 Gain on valuation of derivatives	49	-
5 Other	772	595
Total non-operating income	1,839	1,522
V Non-operating expenses		
1 Interest expense	1,738	1,620
2 Foreign exchange losses	534	713
3 Loss on valuation of derivatives	-	33
4 Other	619	462
Total non-operating expenses	2,893	2,829
Ordinary income	4,938	11,580
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	7,382	46
2 Gain on sales of investment securities	27	9
3 Gain on sales of consolidated subsidiaries	72	-
4 Subsidy income	322	-
Total extraordinary gains	7,805	55
VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	862	1,155
2 Loss on sales of property, plant and equipment	4	4
3 Loss on impairment of property, plant and equipment	3,298	509
4 Loss on devaluation of investment securities	1,757	22
5 Compensation expenses	140	325
Total extraordinary losses	6,062	2,017
Income before income taxes	6,680	9,619
Income taxes	4,906	4,380
Net Income	1,773	5,238
Loss attributable to Non-controlling interests	(144)	(31)
Net Income attributable to owners of the parent	1,917	5,269

Net Income	1,773	5,238
Other comprehensive income		
Unrealized holding gain on securities	1,682	(5,183)
Deferred hedge gains (losses)	(4)	33
Foreign currency translation adjustments	(3,766)	(5,282)
Remeasurements of defined benefit plans	844	(193)
Total other comprehensive income	(1,243)	(10,625)
Comprehensive income	529	(5,386)
(Breakdown)		
Comprehensive income attributable to owners of the parent	699	(4,529)
Comprehensive income attributable to non-controlling interests	(169)	(857)

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

(4) Segment Information

Ⅱ **Nine months ended September 30, 2015 (January 1, 2015 – September 30, 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	195,261	53,232	99,341	20,569	15,260	383,665	4,482	388,147	-	388,147
(2) Intra-group sales and transfers	2,157	76	208	4	1,898	4,344	14,593	18,938	(18,938)	-
Total	197,419	53,308	99,549	20,573	17,159	388,009	19,076	407,085	(18,938)	388,147
Segment income (loss)	3,007	(35)	(513)	364	6,145	8,969	74	9,043	(3,052)	5,991

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	8,969
Total other losses	74
Unallocated corporate costs	(3,023)
Intra-segment sales	(28)
Operating income on the statement of income	5,991

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

(Significant impairment losses on fixed assets)
In the “Japanese Alcoholic Beverages” business, the book value of the buildings and land has been revalued and lowered to the expected sales price, following the decision to sell off idle real estate. As a result, an impairment loss of 1,688 million yen has been recognized in the third quarter of the financial year 2015.

(Significant changes in the amount of goodwill)
The International Business on September 25, 2015, acquired additional shares of SAPPORO VIETNAM LTD., making the company a wholly owned subsidiary. The transaction increased goodwill included on the balance sheets as of the end of the third quarter of the current consolidated financial year by 1,663 million yen.

(Material Gain on negative goodwill)
Not Applicable

Ⅱ **Nine months ended September 30, 2016 (January 1, 2016 – September 30, 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	200,067	48,026	101,581	21,048	16,775	387,499	4,770	392,270	-	392,270
(2) Intra-group sales and transfers	2,108	77	202	0	1,917	4,306	14,761	19,067	(19,067)	-
Total	202,175	48,104	101,783	21,049	18,693	391,805	19,532	411,338	(19,067)	392,270
Segment income (loss)	6,337	790	688	527	8,070	16,414	(107)	16,307	(3,420)	12,886

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	16,414
Total other losses	(107)
Unallocated corporate costs	(3,382)
Intra-segment sales	(38)
Operating income on the statement of income	12,886

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 third quarter segment profit of the Japanese Alcoholic Beverages business by¥692 million, Food & Soft Drinks business by ¥260 million, Restaurants business by ¥137 million and the Real Estate business by ¥120 million over the profit that would have been recorded under the previous method.

The change also has a positive effect on earnings of Others segments, reducing third quarter losses by ¥4 million. The change also reduces Adjustments by ¥38 million.

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

(Significant impairment losses on fixed assets)

At the Food & Soft Drinks business, the book value of fixed assets owned by consolidated subsidiary NIHON BEANS CO., LTD., are now estimated to be less than assumed when forecasting earnings for fiscal 2016. Accordingly, the book value of these assets has been lowered to the expected recoverable amount. As a result, an impairment loss of ¥400 million has been recognized on the accounts for the first nine months of fiscal 2016.

(Significant changes in the amount of goodwill)

Not Applicable

(Material Gain on negative goodwill)

Not Applicable

(5)Notes on Significant Changes in the Amount of Shareholder's Equity
Not applicable

(6)Subsequent Events
Not applicable