Financial Results
for the Nine Months Ended September 30, 2017 — Consolidated
(Based on Japanese GAAP)

November 2, 2017

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

Filing of quarterly financial report	November 13, 2017
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, 2017 (January 1 – September 30, 2017)

(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.
- Profit per share
- Diluted net income per share
- Average number of outstanding shares during the period

(1) Operating Results

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended September 30, 2017	400,845	2.2	10,732	(16.7)	10,258	(11.4)	5,424	2.9
Nine months ended September 30, 2016	392,270	1.1	12,886	115.1	11,580	134.5	5,269	174.8

Note: Accumulated other comprehensive income

Nine months ended September 30, 2017	8,428 million yen
Nine months ended September 30, 2016	(5,386) million yen

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended September 30, 2017	69.64	-
Nine months ended September 30, 2016	67.65	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
September 30, 2017	624,803	171,899	26.7
December 31, 2016	626,351	166,380	25.7

Note: Shareholders' equity
September 30, 2017: 166,784 million yen
December 31, 2016: 160,687 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, 2016	—	0.00	—	37.00	37.00
Year ending December 31, 2017	—	0.00	—		
Year ending December 31, 2017 (forecast)				37.00	37.00

Note: No changes were made to dividend forecasts in the nine months ended September 30, 2017.

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2017 (January 1 – December 31, 2017)

(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, 2017	563,800	4.1	21,300	5.1	20,300	5.7	10,700	13.0	137.36

Note: Changes were made to earnings forecasts in the nine months ended September 30, 2017: None

4. Other

*For details, see "(4) Notes on the quarterly financial statements “ on page 9.

(1) Changes in significant subsidiaries during the nine months ended September 30, 2017: 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.: None

2) Changes other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

Note: For details, see (2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement, in section "(4) Notes on the quarterly financial statements “ on page 9 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, 2017: 78,794,298 shares

December 31, 2016: 78,794,298 shares

2) Number of shares held in treasury at end of period:

September 30, 2017: 899,693 shares

December 31, 2016: 898,911 shares

3) Average number of outstanding shares during the period:

Nine months ended September 30, 2017: 77,894,397 shares

Nine months ended September 30, 2016: 77,901,780 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.

<u>Appropriate Use of Earnings Forecasts and Other Important Information</u>

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 Nine Months ended September 30, 2017

In the first nine months of 2017 (January 1 – September 30, 2017), the Japanese economy stayed on a moderate recovery track, but an unsettling international situation and unseasonable weather conditions weighed on domestic investment and consumption.

In this economic environment, the SAPPORO Group achieved growth of its consolidated sales. The Japanese Alcoholic Beverages business increased shipments of its beer and diversified alcoholic beverage products. The International Business achieved volume growth in its sales of alcoholic beverages contributed to the growth in sales. Operating income declined owing to investment to strengthen our core brands and the Group's management platform as well as to the posting of expenditures related to the acquisition of Anchor Brewing Company.

As a result of the above factors, in the first nine months of 2017 the SAPPORO Group posted consolidated sales of ¥400.8 billion (up ¥8.5 billion or 2% year on year), operating income of ¥10.7 billion (down ¥2.1 billion or 17%), ordinary income of ¥10.2 billion (down ¥1.3 billion or 11%), and profit attributable to owners of parent of ¥5.4 billion (up ¥0.1 billion or 3%).

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 2017 was 2% lower than in the same period of 2016, mainly owing to unseasonable weather conditions in August, the peak month for consumption of beer and beer-type beverages.

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 2017, in line with the business policy of "Beer Revival Declaration."

Among beer products, Sapporo Draft Beer Black Label continued to enjoy strong sales, especially the canned version. Sales of our Yebisu brand were also increased, supported by continued customers' favorable response to the March launch of Yebisu Hana Miyabi. As a result, total domestic shipments of beers in the first nine months of 2017 increased 2% year on year. Meanwhile, in the happoshu category, sales of Goku Zero and our new-genre category offering Mugi to Hop brand fell below previous year levels. Overall, shipments of our beer and beer-type beverages declined 2% year on year, in line with the overall domestic demand.

In the RTD*1 category, sales increased over the previous year, boosted by the nationwide expansion of the sales area for Ai no Skal White Sour, one of our high-value-added collaboration products, and steady growth in sales of other core RTD products, including Otoko Ume Sour and Kireto Lemon Sour.

We also achieved year-on-year sales growth in the wine category, as we strengthened marketing of domestic and imported fine wines*2, including the imported wine Penfolds, Taittinger champagne, and our domestic Grande Polaire wines.

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

Our Japanese liquor business achieved sales growth in the first nine months of the year, 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 cumulative first three-quarter sales of ¥199.7 billion, down ¥0.3 billion or 0% year on year. Operating income totaled ¥5.9 billion, down ¥0.3 billion or 6%.

*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 2015 to December 2016.

International Business

We estimate that total demand in the North American beer market in the first nine months of 2017 was below previous-year levels in both the United States and Canada. Meanwhile, demand in Asian markets was solid, but growth momentum slowed in line with the widely divergent pace of growth in national and regional economies.

In this environment, our International Business continued its efforts to strengthen brand recognition in the premium beer markets in North America and Southeast Asia. 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) were in line with the previous year's result. In the U.S. beer market, Sapporo USA's efforts to expand its customer base among the general population as well as Asian Americans led to a 7% year-on-year increase in shipments of Sapporo brand beers during the first nine months of the year. In addition, we strengthened our position in the North American premium beer market with the September acquisition of Anchor Brewing Company, now a 100% consolidated subsidiary. In the U.S. soft drinks market, group company Silver Springs Citrus saw a decline in its sales volume, but County Pure Foods enjoyed strong demand for its commercial-use soft drinks and its fruit juice sorbet. The combined sales of the two group companies increased year on year.

In Southeast Asia, our Vietnam business saw its beer shipments decline year on year owing to an increase in the country's liquor tax in January and a decrease in the number of sales outlets stocking our products following a change in our marketing methods. Our Singapore business, meanwhile, continued to its efforts to expand its sales channels in the household- and commercial-use markets.

Elsewhere in Asia, our Korean business achieved year-on-year growth in beer shipments thanks to the popularity of Sapporo Premium Beer in both the household- and commercial-use markets and to the market launch of Yebisu beer. In Oceania, continued efforts to strengthen sales via licensing agreements with local brewing partners produced another year-on-year gain in beer sales volumes.

Reflecting the above, our International Business' shipments of Sapporo brand products in overseas markets during the first nine months of 2017 increased 11% year on year.

As a result, sales of the International Business for the first three quarters of the year totaled ¥51.0 billion, up ¥3.0 billion or 6% year on year. Operating income was ¥0.1 billion, ¥0.6 billion or 84% less than in the first three quarters of fiscal 2016.

Food & Soft Drinks

We estimate that overall demand for soft drinks in Japan in the first nine months of 2017 was 1% higher than a year earlier.

In this market environment, the Food & Soft Drinks business delivers value unique to the Sapporo Group by strengthening our shokkan-kei (texture), sozai-kei (ingredient) and Gabunomi series of brands in the domestic soft drinks business and bolstering lineup of core lemon-based and soup products in the domestic food business. During the first nine months of 2017, the domestic soft drinks business launched several new products that leverage our core strengths, such as Lemon no Genki, a lemon-based drink with a functional food label made possible by our extensive research into lemons, and Nippon Mugi-cha, made from 100% domestic-grown six-row barley. Meanwhile, the unique flavors achieved by new additions to our Gabunomi brand, such as Gabunomi Lemon Cream Soda, a collaborative product using the Kanto-Tochigi Lemon products of Tochigi Milk Co., Ltd., created quite a buzz in the soft drinks market. In addition, we continue to launch new products in line with market trends. A good example is the recent marketing of Kaga Bo-Hojicha Latte, a hot beverage for the autumn and winter season.

The domestic food business enjoyed steady sales of its cold canned soups and cup-based instant soups. In addition, we launched new soup products expected to stimulate demand in the autumn and winter seasons. These included renewal of the Jikkuri Kotokoto Gohobi Dining series of retort-packaged soups that can easily be heated in a microwave oven and launch of the Jikkuri Kotokoto Kongari Pan PREMIUM, which supplements our cup soup lineup with a new richly flavored soups. These new additions contributed to a 7% year-on-year rise in soup sales over the first nine months of 2016. Lemon-based food product sales expanded 9% year on year, led by strong sales of our core Pokka Lemon 100 brand products. During the period under review, we entered into a new partnership agreement with Hiroshima Prefecture's Kure City with the aim of promoting the city and its lemons and contributing to regional revitalization. The new agreement adds to our partnership with Hiroshima Prefecture, which includes a similar partnership with the town of Osaki-Kamijima. We also enhanced our lineup of soymilk and soymilk-based yogurt products by marking the 20th anniversary of the launch of the SOYAFARM Tōnyū de Tsukutta Yogurt series with the series' first revision in 10 years. These yogurts made from soy milk have been certified as food for specified health uses (FOSHU).

At the domestic restaurants business, Pokka Create, the POKKA SAPPORO subsidiary that operates the Café de Crié coffee shop chain, achieved year-on-year sales growth, reflecting the success of its efforts to boost sales by introducing new menus with seasonal and trendy dishes.

Although our overseas beverage business maintained its top share* in Singapore's tea drinks market with its dominant 70% share of the green tea market, exports were slowed a bit by new tax regulations in some countries. In Indonesia, PT. POKKA DIMA INTERNATIONAL started up commercial production at its new plant from April and began shipping the plant’s main output, including a 450ml PET bottle of Jasmine Green Tea and 350ml PET bottle of Lemon Black Tea.

Overall, the Food & Soft Drinks segment recorded sales of ¥101.4 billion, a small year-on-year decline of ¥0.1 billion or 0%. The segment posted an operating loss of ¥0.1 billion, compared with an income of ¥0.6 billion a year earlier.

* Based on data from Nielsen Singapore MarketTrack May 2017 (Copyright 2017, The Nielsen Company)

Restaurants

Japan’s restaurant industry has remained on the recovery track during the first nine months of 2017, while grappling with a severe operating environment characterized by labor shortages and the resulting increase in labor costs as well as the upward trend in 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.”

New store openings in Japan included the February opening of a Yebisu Bar outlet in Hiroshima, the chain's first outlet in the Chugoku–Shikoku region, the March opening of another Yebisu Bar outlet in Shin Yokohama, and the May opening of a Ginza Lion Beer Garden in Omiya, a suburb of Tokyo in Saitama Prefecture.

We also renovated the Beer Hall LION GINZA 7-Chome outlet, one of that chain’s flagship stores, and completely renovated the Ginza Lion Haneda Airport outlet. Meanwhile, we closed five unprofitable outlets. As a result, we had 198 outlets open for business in Japan as of end-September 2017.

Overseas, we continued to expand our operations in Singapore, where we are building a chain of restaurants popular with the local people. Thus far in 2017, we have renovated three Tonkichi outlets in the center of the city-state and in April opened a RIVE GAUCHE cake shop in the CityLink Mall. We also opened a Hokkaido-themed takeout SAPPORO LION shop in Resorts World Sentosa. As a result, we now have 15 outlets open in Singapore (as of end-September 2017).

As a result of the above initiatives, the Restaurants segment sales in the first nine months of 2017 totaled ¥22.1 billion, up ¥1.0 billion or 5% year on year. Operating income was ¥0.2 billion, down ¥0.2 billion or 48% from the first nine months of 2016.

Real Estate

Japan’s real estate industry continues to enjoy solid demand in the Greater Tokyo office leasing market, keeping vacancy rates low and supporting a moderate recovery in rent levels.

In this environment, our real estate business was able to maintain high occupancy rates at its properties in Greater Tokyo, 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. We are constantly striving to bring new added-value to our core Yebisu Garden Place commercial complex and enhance the property’s brand value. Thus far in 2017, those efforts included the establishment of a consortium-type child day care center that can be used by employees of the many companies with offices in the complex as well as Shibuya Ward residents. The new facility opened its doors in April. In August, we celebrated the grand opening of the Yebisu Garden Place Tower’s completely renovated panorama-view restaurant rows on the building’s 38th and 39th floors. The renovation was based on the concept of “Grand & Casual - the luxury of casual enjoyment of the essence.” With a “Think the World” theme, the 39th floor now offers a wide variety of select restaurants offering cuisine from around world. The 38th floor meanwhile features restaurants offering a wide variety of Japanese cuisine.

GINZA PLACE, the commercial complex we opened in September 2016, is making a solid contribution to earnings in 2017, its first full-year of operation. We continue to enhance the facility’s information dissemination capability in line with its original concept as a “base for information dissemination and exchange.” In addition to enhancing the property’s brand value, these efforts are increasing the property’s drawing power and helping make the Ginza district an even more dynamic and bustling urban center.

Meanwhile, our real estate development business is making steady progress on the renovation of the Sapporo Factory commercial complex built on the former site of a Sapporo brewery located on the east side of the Sosei River, an area which is a focus of Sapporo City’s urban redevelopment program. In May we completed the redevelopment of the adjacent parking lot into a three-story, 6,900m2 commercial complex, and in July a housing-related company opened a showroom in the new complex. We will continue our efforts to make this complex an attractive urban space that delivers enhanced convenience to Sapporo residents and visitors.

As a result of the efforts outlined above, our Real Estate segment posted cumulative three-quarter sales of ¥17.9 billion, up ¥1.2 billion or 7% year on year. Operating income totaled ¥8.8 billion, an increase of ¥0.7 billion or 10%.

(2) Review of Consolidated Financial Condition

Consolidated Financial Condition

Consolidated assets as of September 30, 2017, totaled ¥624.8 billion, ¥1.5 billion less than at the end of the previous fiscal year (December 31, 2016). The decline is mainly attributable to decreases in trade notes and accounts receivable and in long-term loans receivable, which offset increases in merchandise and finished products, goodwill, and investment securities.

Consolidated liabilities totaled ¥452.9 billion, a ¥7.0 billion decline from December 31, 2016, reflecting decreases in liquor taxes payable and long-term bank loans, which outweighed increases in short-term bank loans and commercial paper.

Consolidated net assets totaled ¥171.8 billion, ¥5.5 billion more than on December 31, 2016. The gain primarily reflects the posting of profit attributable to owners of parent and an increase in unrealized holding gain on securities.

(3) Consolidated Earnings Forecast

The consolidated earnings forecast for the full fiscal year ending December 31, 2017, is unchanged from the forecast announced by Sapporo Holdings on February 13, 2017.

(4) Notes on the quarterly financial statements

(Notes on the Going-concern Assumption)
Not applicable

(Notes on significant changes in the amount of shareholders’ equity)
Not applicable

(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 nine months ended September 30, 2017, and then multiplying profit before income taxes by this estimated effective tax rate.

(Changes in accounting policies, changes in accounting estimates, and retrospective restatements)
Not applicable

(Additional information)
■Implementation Guidance on Recoverability of Deferred Tax Assets
Sapporo Holdings has applied the revised Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan [ASBJ] Guidance No. 26 of March 28, 2016) to its consolidated accounts from the first quarter of the year ending December 31, 2017.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2016	September 30, 2017
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	10,589	13,084
2 Notes and accounts receivable - trade	96,850	81,727
3 Merchandise and finished products	24,657	29,860
4 Raw materials and supplies	13,315	12,973
5 Other	18,852	18,919
6 Allowance for doubtful receivables	(82)	(120)
Total current assets	164,183	156,444
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	393,022	397,956
Accumulated depreciation	(220,233)	(224,603)
Buildings and structures, net	172,788	173,352
(2) Machinery and vehicles	231,559	235,206
Accumulated depreciation	(187,660)	(190,941)
Machinery and vehicles, net	43,898	44,265
(3) Land	111,636	113,185
(4) Construction in progress	3,694	3,110
(5) Other	34,702	33,407
Accumulated depreciation	(21,224)	(20,794)
Other, net	13,477	12,612
Total property, plant and equipment	345,495	346,526
2 Intangible assets		
(1) Goodwill	27,439	32,277
(2) Other	10,511	9,726
Total intangible assets	37,950	42,003
3 Investments and other assets		
(1) Investment securities	59,296	64,169
(2) Long-term loans receivable	4,789	470
(3) Other	15,831	16,379
(4) Allowance for doubtful receivables	(1,195)	(1,191)
Total investments and other assets	78,721	79,828
Total fixed assets	462,168	468,358
Total assets	626,351	624,803

	December 31, 2016	September 30, 2017
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	38,503	37,387
2 Short-term bank loans	30,337	44,302
3 Commercial Paper	33,000	34,500
4 Current portion of bonds	10,083	10,005
5 Liquor taxes payable	34,228	31,565
6 Income taxes payable	1,680	2,275
7 Accrued bonuses	2,980	3,933
8 Deposits received	8,214	7,178
9 Other	53,095	50,794
Total current liabilities	212,123	221,942
II Long-term liabilities		
1 Bonds	50,128	50,128
2 Long-term bank loans	114,593	99,609
3 Net defined benefit liability	8,995	8,233
4 Dealers' deposits for guarantees	33,241	31,104
5 Other	40,887	41,885
Total long-term liabilities	247,847	230,961
Total liabilities	459,971	452,904
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	46,089	46,091
3 Retained earnings	41,932	44,469
4 Treasury stock, at cost	(1,795)	(1,799)
Total shareholders' equity	140,112	142,647
II Accumulated other comprehensive income		
1 Unrealized holding gain on securities	22,517	25,382
2 Deferred hedge gains	41	14
3 Foreign currency translation adjustments	(1,943)	(957)
4 Remeasurements of defined benefit plans	(41)	(302)
Total accumulated other comprehensive income	20,574	24,137
III Non-controlling Interests	5,693	5,114
Total net assets	166,380	171,899
Total liabilities and net assets	626,351	624,803

(2) Consolidated Statements of Income

(millions of yen)

	Nine months ended September 30, 2016	Nine months ended September 30, 2017
	Amount	Amount
I Net sales	392,270	400,845
II Cost of sales	254,524	259,025
Gross profit	137,745	141,819
III Selling, general and administrative expenses		
1 Sales incentives and commissions	27,458	28,678
2 Advertising and promotion expenses	15,859	16,484
3 Salaries	22,912	23,910
4 Provision for bonuses	2,186	2,460
5 Retirement benefit expenses	601	539
6 Other	55,839	59,014
Total selling, general and administrative expenses	124,858	131,086
Operating income	12,886	10,732
IV Non-operating income		
1 Interest income	172	113
2 Dividend income	743	807
3 Equity in income of affiliates	12	14
4 Other	595	561
Total non-operating income	1,522	1,497
V Non-operating expenses		
1 Interest expense	1,620	1,436
2 Foreign exchange losses	713	138
3 Loss on valuation of derivatives	33	19
4 Other	462	376
Total non-operating expenses	2,829	1,970
Ordinary income	11,580	10,258
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	46	231
2 Gain on sales of investment securities	9	741
Total extraordinary gains	55	973
VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	1,155	680
2 Loss on sales of property, plant and equipment	4	11
3 Impairment loss	509	297
4 Loss on devaluation of marketable securities and investments	22	9
5 Compensation expenses	325	292
Total extraordinary losses	2,017	1,291
Income before income taxes	9,619	9,940
Income taxes	4,380	4,907
Profit	5,238	5,032
Profit (loss) attributable to non-controlling interests	(31)	(392)
Profit attributable to owners of parent	5,269	5,424

Profit	5,238	5,032
Other comprehensive income		
Unrealized holding gain on securities	(5,183)	2,847
Deferred hedge gains (losses)	33	(30)
Foreign currency translation adjustments	(5,282)	839
Remeasurements of defined benefit plans	(193)	(260)
Total other comprehensive income	(10,625)	3,395
Comprehensive income	(5,386)	8,428
(Breakdown)		
Comprehensive income attributable to owners of parent	(4,529)	8,987
Comprehensive income attributable to non-controlling interests	(857)	(559)

3. Segment Information

Ⅰ **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									
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other *1	Total	Adjustments	Amounts reported on the statements of income *2
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. 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

Ⅱ Nine months ended September 30, 2017 (January 1, 2017 – September 30, 2017)

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	199,726	51,043	101,453	22,132	17,998	392,355	8,489	400,845	-	400,845
(2) Intra-group sales and transfers	2,579	84	208	0	1,973	4,846	15,268	20,114	(20,114)	-
Total	202,306	51,128	101,662	22,133	19,972	397,202	23,757	420,959	(20,114)	400,845
Segment income (loss)	5,945	127	(191)	271	8,841	14,994	(117)	14,876	(4,144)	10,732

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	14,994
Total other losses	(117)
Unallocated corporate costs	(4,237)
Intra-segment sales	93
Operating income on the statement of income	10,732

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)

The International Business acquired 100% of the outstanding shares of Anchor Brewing Company, LLC (and one other company) on August 31, 2017, making Anchor Brewing Company a consolidated subsidiary of Sapporo Holdings. The transaction increased goodwill for the first three quarters of fiscal 2017, by ¥7,827 million. The increased amount of goodwill is based on a provisional calculation as the allocation of the acquisition cost for Anchor Brewing Company has not yet been completed.

(Material Gain on negative goodwill)

Not Applicable

[Business combination by acquisition]

The Company acquired 100% of the outstanding shares of Anchor Brewing Company, LLC, with the acquisition to be made through a newly established 100% subsidiary, to be established for the purpose of entering into the agreement.

A)

1. Name and business content of company to be acquired

Name:	Anchor Brewing Company, LLC (and a subsidiary)
Location:	San Francisco, California, USA
Business content:	Beer brewing and sales

2. Purpose of business combination

In November 2016, the Sapporo Group formulated the new Long-Term Management Vision "SPEED 150" through 2026, the year marking the Group's 150th anniversary since its founding. The vision set forth in Speed 150 is for the Sapporo Group to be a company with highly unique brands in the fields of "Alcoholic Beverages," "Food," and "Soft Drinks" around the world.

Regarding its "Promote Global Business Expansion" policy, a key component of the Group's growth strategy, Sapporo Group is promoting a distinctive plan that prioritizes expanding business in North America, already a core part of the Group's business foundation, and Southeast Asia, a regional market with high growth prospects.

The addition of Anchor's strong brand power and network to the Sapporo Group's US beer business portfolio through the conclusion of this agreement is expected to generate further synergies and accelerate the growth of the Group's US business.

3. Transaction counterparty

Anchor Brewers & Distillers, LLC

4. Acquisition date

August 31, 2017

5. Legal form of business combination

Equity shares were acquired for a cash consideration.

6. Name of acquired company after acquisition

No change

7. Share of outstanding stock acquired:

100%

8. Basis for determining the acquiring company

A Group consolidated subsidiary acquired an equity stake through a cash consideration.

B)

1. Inclusion of acquired company's results in consolidated financial statements

As the acquisition was deemed completed on September 30, 2017, the acquired company's results were not included in the consolidated statements of income for the nine months ended on that same date.

2. Acquisition cost and consideration paid, by type, for the acquired company

Acquisition cost (cash): ¥11,517 million

The acquisition cost above is a provisional figure because part of the consideration for the acquisition has yet to be decided.

3. Goodwill generated by acquisition, reason, amortization method and period

1) Goodwill generated by acquisition: ¥7,827 million

Since the acquisition cost is uncertain and the allocation of the acquisition cost has not been completed, the amount of goodwill is a provisionally calculated amount.

2) Reason for goodwill

Business activities are expected to generate excess profitability in the future.

3) Amortization method and period

Goodwill is amortized using the straight-line method over the period in which the goodwill is expected to have an effect. The amortization period will be determined in accordance with the results of the allocation of acquisition cost.

(Subsequent Events)

None