Financial Results
for the Year Ended December 31, 2018 — Consolidated
(Based on IFRS)

February 13, 2019

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

Annual general meeting of shareholders	March 28, 2019
Filing of annual financial report	March 29, 2019
Commencement of dividend payments	March 29, 2019
Supplementary information to the year-end earnings results	Available
Year-end earnings results briefing held	Yes (mainly targeted at institutional investors and analysts)

1. Consolidated Financial Results for the Year Ended December 31, 2018 (January 1 – December 31, 2018)

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

(1) Operating Results

(Percentage figures represent year-over-year changes)

	Revenue		Operating profit		Profit before tax		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended December 31, 2018	521,856	(2.7)	10,828	(15.4)	9,492	(17.7)	7,721	21.3
Year ended December 31, 2017	536,585	_	12,806	_	11,538	_	6,367	_

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	million yen	%	million yen	%	Yen	yen
Year ended December 31, 2018	8,521	18.6	(8,003)	_	109.40	104.46
Year ended December 31, 2017	7,187	_	16,252	_	92.27	92.25

	Ratio of profit to equity attributable to owners of parent	Ratio of profit before tax to total assets	Operating profit margin
	%	%	%
Year ended December 31, 2018	5.1	1.5	2.1
Year ended December 31, 2017	4.4	1.7	2.4

Note: Equity method investment gains

Year ended December 31, 2018: 19 million yen

Year ended December 31, 2017: 19 million yen

(2) Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity per share attributable to owners of parent
	million yen	million yen	million yen	%	yen
December 31, 2018	639,692	164,735	161,501	25.2	2,073.54
December 31, 2017	664,731	175,710	172,055	25.9	2,208.87

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Year ended December 31, 2018	30,830	(18,727)	(14,521)	9,989
Year ended December 31, 2017	33,794	(17,873)	(13,911)	12,537

2. Dividends

	Dividend per share					Total dividends paid (full year)	Payout ratio (consol.)	Dividends to equity attributable to owners of parent (consol.)
Record date or period	End Q1	End Q2	End Q3	Year-end	Full year			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended December 31, 2017	—	0.00	—	40.00	40.00	3,122	43.4	1.9
Year ended December 31, 2018	—	0.00	—	42.00	42.00	3,277	38.4	2.0
Year ending December 31, 2019 (forecast)	—	0.00	—	42.00	42.00		—	

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2019 (January 1 – December 31, 2019)

(Percentage figures represent year-over-year changes)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	%
Year ending December 31, 2019	548,800	5.2	12,600	16.4	11,300	19.0	8,200	6.2	8,700	2.1	111.70

Note: Earnings forecasts for the six months ending June 30, 2019 are omitted because the company manages performance targets on a yearly basis.

4. Other

(1) Changes to scope of consolidation: None

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

1) Changes in accounting policies required by IFRS: None

2) Changes other than 1) above: None

3) Changes in accounting estimates: None

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

1) Number of shares issued at end of period (treasury stock included):
December 31, 2018: 78,794,298 shares
December 31, 2017: 78,794,298 shares

2) Number of shares held in treasury at end of period:
December 31, 2018: 907,931 shares
December 31, 2017: 901,792 shares

3) Average number of outstanding share during the period:
December 31, 2018: 77,890,590 shares
December 31, 2017: 77,894,040 shares

Audit Status

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

Appropriate Use of Earnings Forecasts and Other Important Information

This document contains projections and other forward-looking statements based on information available to the Company as of the date of this document. Actual results may differ from those expressed or implied by forward-looking statements due to various factors. For the assumptions underlying the forecasts herein and other information on the use of earnings forecasts, refer to "Outlook for the fiscal year ending December 31, 2019" on page 11.

1. Analysis of Operating Results and Financial Condition

(1) Analysis of Operating Results

(a) Review of the fiscal year ended December 31, 2018

Millions of yen, except percentages

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parents
Year ended December 31, 2018	521,856	10,828	9,492	8,521
Year ended December 31, 2017	536,585	12,806	11,538	7,187
Change (%)	(2.7)	(15.4)	(17.7)	18.6

In 2018, the Japanese economy stayed on a moderate recovery track, supported by rebounding exports and improved employment and income environments. However, natural disasters such as July's torrential rains and September's Hokkaido Eastern Iburi Earthquake also had a significant impact on the Japanese economy. Global economic conditions, meanwhile, remained clouded by US-China trade frictions, rising interest rates, political instability in many countries and other factors that affect investment.

In the domestic alcoholic beverage industry, consumers' well-entrenched cost-cutting mindset has shifted demand prominently to lower-priced products. Overseas, the North American beer market appears to have again contracted from the previous year's level. Conditions in the Asian beer market vary widely depending on the country, but the Vietnam beer market continues to expand. Demand in Japan's soft drinks industry appears to have increased slightly year on year. Meanwhile, in the real estate industry, the Greater Tokyo office leasing market continued to benefit from improving vacancy rates and moderate increases in rents.

In this environment, the Sapporo Group endeavored to accelerate growth under its Long-Term Management Vision "SPEED150" and the First Medium-Term Management Plan 2020 and achieve its financial targets for 2018, as it strives to be a company with highly unique brands in the fields of "Alcoholic Beverages", "Food", and "Soft Drinks" around the world.

The Japanese Alcoholic Beverages business redoubled its efforts to strengthen core brands in line with its policy of "Continuation of strengthening of the beer business." In particular, the launch of an integrated marketing strategy for Sapporo Draft Beer Black Label, one of those core brands, resulted in a fourth consecutive year of sales growth for the brand despite the decline in overall beer demand. In non-beer growth areas, we continued to build a highly diversified product lineup with a focus on high-value-added products in the wine and spirits categories.

The International Business continued to strengthen its position in North America's premium beer market. In Canada, SLEEMAN BREWERIES continued aggressive marketing activities. In the United States, Sapporo USA and Anchor Brewing Company worked together to build a new structure to generate synergies and lead to new growth in the North American beer market. In the U.S. soft drinks market, we completed the merger of County Pure Foods and Silver Springs Citrus and implemented measures to improve the management of the newly integrated entity. Our Vietnam business achieved profitability in 2018, the result of various structural reforms.

The Food & Soft Drinks business continued to focus its resources on core brands, investing to expand its lineup of beverages made from the highest quality ingredients and its core lemon-based and soup product brands in Japan.

The Restaurants business continued to strengthen its Japan operations by opening new outlets and renovating existing outlets, with the focus on our core Ginza Lion and Yebisu Bar chains. We also endeavored to improve profitability by closing unprofitable outlets or changing their format.

The Real Estate business again enjoyed high occupancy rates at its rental properties throughout the year. At Yebisu Garden Place, our core real estate asset, we continued to upgrade the dining floor and make other efforts to raise the property's value and enhance the appeal of the surrounding area. The GINZA PLACE commercial complex conceived as a "base for information dissemination and exchange" again contributed to earnings in 2018.

As a result of the above factors the Sapporo Group posted the financial results presented below.

Revenue

In 2018, the Sapporo Group posted consolidated revenue of ¥521.9 billion, down ¥14.7 billion or 3% year on year. The Japanese Alcoholic Beverages business had somewhat mixed results. Strong sales were achieved by Sapporo Draft Beer Black Label, thanks to brand strengthening efforts, and by Sapporo Chuhai 99.99 (Four Nines), a new RTD beverage in which the segment has invested aggressively. On the other hand, shipments of happoshu and new-genre beer fell below previous-year levels. As a result, segment revenue declined year on year. The International Business, however, achieved revenue growth in 2018, led by sales growth at Canada's SLEEMAN BREWERIES and Sapporo Vietnam. At the Food & Soft Drinks business, domestic shipments of lemon-based drinks and foods were higher than in 2017, but a weak canned coffee market and lower export sales volumes pushed segment revenue below the previous year's level. The Restaurants business also posted a year-on-year decline in revenue, mainly owing to weak sales at its Japanese food outlets in Japan.

Operating Profit

Operating profit at the Japanese Alcoholic Beverages business declined year on year, reflecting the fall in revenue noted above. The International Business saw its operating profit decline in 2018 as profit growth following structural reforms at Sapporo Vietnam was outweighed by an impairment loss for U.S. subsidiary Anchor Brewing Company, which saw its sales volumes fall on weak demand in its core operating area, San Francisco and the U.S. west coast. Operating profit also declined at the Food & Soft Drinks business, largely due to falling sales of canned coffee in Japan. The Real Estate business, however, achieved profit growth, supported by increases in rental income and higher occupancy rates at its core properties.
As a result of the above, consolidated operating profit in 2018 totaled ¥10.8 billion, ¥2.0 billion or 15% less than in 2017.

Profit Attributable to Owners of Parent

In 2018, profit attributable to owners of parent totaled ¥8.5 billion, up ¥1.3 billion or 19% year on year.
Results by segment are outlined below.

(2) Results by Business Segment

Millions of yen, except percentages

	Revenue			Operating profit		
	Year ended December 31, 2017	Year ended December 31, 2018	Change (%)	Year ended December 31, 2017	Year ended December 31, 2018	Change (%)
Japanese Alcoholic Beverages	261,489	250,867	(4.1)	10,038	6,711	(33.1)
International Business	78,626	79,521	1.1	(2,728)	(3,397)	-
Food & Soft Drinks	132,092	127,219	(3.7)	2,430	2,027	(16.6)
Restaurants	28,639	27,569	(3.7)	(515)	(169)	-
Real Estate	23,893	24,483	2.5	10,271	12,047	17.3

Results by segment are outlined below. From 2018, the export business of Sapporo International Inc., which was previously included in the International Business segment, was transferred to Sapporo Breweries Ltd., which is included in the Japanese Alcoholic Beverages segment.

To enable year-over-year comparisons in this document, figures for the previous year have been adjusted to reflect the new segmentation.

Japanese Alcoholic Beverages

We estimate that total domestic demand for beer and beer-type beverages in 2018 was 2% lower than in 2017. The main factors depressing demand were consumers' shift to RTD*1 beverages, price revisions on returnable bottles used in the commercial-use market, and the cooling in consumer sentiment caused in part by natural disasters that hit various parts of Japan from the summer.

In this operating environment, the Japanese Alcoholic Beverages 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 in line with our policy of "Continuation of strengthening of the beer business."

Among beer products, Sapporo Draft Beer Black Label was again strong, and this core brand achieved sales growth for the fourth straight year. Meanwhile, the happoshu and new-genre beer categories faced a more difficult market environment, including stiffer competition and a shift in consumer demand toward RTD products. As a result, overall shipments of our beer and beer-type beverages in 2018 were 8% lower than in 2017.

In the RTD category, Sapporo Chuhai 99.99 (Four Nines), a "strong"-type high-alcohol beverage launched in August achieved our 2018 sales target of two million cases a month early at the end of November. Sales of our core RTD collaboration products, including Otoko Ume Sour, Ai no Skal White Sour, and Kireto Lemon Sour, were also strong. As a result, RTD category sales were up solidly from the previous year.

In the wine category, we continued to strengthen marketing of our fine wines*2, including our Grande Polaire domestic wines, Taittinger champagne, and the imported wine Penfolds. However, weak sales of our everyday wines*2 led to a year-on-year decline in sales for the wine category as a whole.

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

Our Japanese liquor business continued to enjoy strong sales of Imo Shochu Kokuimo, Japan's No.1 selling*3 blended imo shochu. Overall category sales, however, were lower than in 2017.

Overall, the Japanese Alcoholic Beverages business's revenue totaled ¥250.9 billion, down ¥10.6 billion or 4% year on year. Operating profit was ¥6.7 billion, down ¥3.3 billion or 33%.

*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 of ¥1,500 or more per bottle, while everyday wines are those priced at less than ¥1,500 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 April 2017 to November 2018

International Business

We estimate that total demand in the North American beer market in 2018 fell from the 2017 level, with overall shipments down in both the United States and Canada. In Asian countries, demand is being affected by slower economic growth and governments introducing or considering new taxes on consumer products.

In this environment, our International Business continued its efforts to strengthen brand recognition, especially in the premium beer markets in North America and Southeast Asia.

Our Canadian subsidiary SLEEMAN BREWERIES continued to invest in the marketing of its core premium brands, which enabled it to achieve a year-on-year increase in overall beer sales volume (excluding Sapporo brand beer). In the U.S. beer market, Sapporo USA's shipments of Sapporo brand beers declined year on year despite the subsidiary's continued efforts to expand sales to the general population as well as to Asian Americans. Anchor Brewing Company, which we acquired and made a consolidated subsidiary in September 2017, worked with Sapporo USA to strengthen sales synergies. However, Anchor's sales declined sharply from 2017 levels owing primarily to a large drop in demand in its home market in the San Francisco area.

In the U.S. soft drinks market, an increasingly difficult business environment led to a year-on year decrease in the combined revenue of County Pure Foods and Silver Springs Citrus. During the year, the two U.S. drink subsidiaries were merged with a view to improving their combined performance.

In Southeast Asia, Sapporo Vietnam carried out reforms to correct its high-cost structure while also endeavoring to strengthen its export sales. As a result, it sharply increased its beer shipments over the previous year's level and recorded an operating profit for the fiscal year.

Reflecting the above results in each region, the International Business's shipments of Sapporo brand beer in overseas markets during 2018 fell 2% year on year.

As a result, the International Business posted revenue of ¥79.5 billion, up ¥0.9 billion, or 1%, but recorded an operating loss of ¥3.4 billion (compared with a loss of ¥2.7 billion in 2017).

Food & Soft Drinks

We estimate that overall demand for soft drinks in Japan in 2018 increased 2% year on year.

In this environment, the Food & Soft Drinks business continued to strengthen its brand lineups and provide customers with value unique to the Sapporo Group.

In the domestic soft drinks business, sales were driven by our lemon-based drinks and sugar-free teas[*1] made from domestic tea leaves, such as Kaga Bo-Hojicha. However, overall shipments of soft drinks fell year on year, reflecting a decline in sales of our coffee drinks in a weak market for canned coffees and the impact from the disruption of distribution channels caused by the disastrous torrential rainfall that hit western Japan.

Shipments of our lemon-based food products increased 13% year on year, driven by strong sales of our core Pokka Lemon 100 and the reformulated Lemon kajū o hakkō sasete tsukutta lemon no su, a lemon vinegar made from fermented lemon juice. Both these products meet the needs of health-conscious consumers. During the year, we undertook new initiatives to provide consumers with experiences that increase their appreciation of lemons and lemon-based foods. One such initiative was the establishment in December of the jointly operated Furusato Nagoya Lemon Garden within Nagoya City's Togokusan Fruit Park.

In 2018 we promoted the unique qualities of our soup products, such as our mainstay Jikkuri Kotokoto series, the Risorante and the Karao series. Despite these efforts, shipments of our soups declined year on year owing to warm winter weather. Soy and chilled product sales increased 10% year on year, with a strong contribution from SOYBIO, a new soymilk yogurt.

At the domestic restaurants business, Pokka Create, the POKKA SAPPORO subsidiary that operates the Café de Crié coffee shop chain, continued its efforts to boost sales by introducing new menus with seasonal and trendy dishes. However, the business's sales were generally flat year on year.

Our overseas soft drinks business maintained its top share[*2] in Singapore's tea drinks market, including its dominant 70% share of the green tea market. However, exports to other countries in the region were slowed slightly by new tax regulations in some countries.

Overall, Food & Soft Drinks segment revenue totaled ¥127.2 billion, down ¥4.9 billion or 4% year on year. Segment operating profit came to ¥2.0 billion, down ¥0.4 billion or 17%.

*1) Cumulative combined sales of four products in the Kaga Bo-Hojicha series from January 1 – November 26, 2018 on a shipped package basis.

*2) Based on data from Nielsen Singapore MarketTrack October 2018 (Copyright 2018, The Nielsen Company)

Restaurants

Japan's restaurant industry continued to enjoy year-on-year growth in revenues in 2018, but the industry also continued to face a severe operating environment characterized by labor shortages and increases in labor costs and food material procurement prices.

In this environment, our 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."

Our domestic restaurant business faced a particularly difficult operating environment in 2018, as Japan suffered through several natural disasters caused by a series of typhoons, extended periods of rain, and a major earthquake in Hokkaido. Despite this difficult environment, we continued to open new outlets throughout Japan. We opened two new Yebisu Bar outlets, including our first Yebisu Bar outlet in Kyushu in the Hakata district of Fukuoka City in March and an outlet in the Nishinomiya district of Kobe in November. In May we opened a Ginza Lion Beer Garden in Chiba Prefecture's Kashiwa City. We also opened two new branches of our mainstay Ginza Lion Beer Hall—one in Kawasaki in August and the other in Hiroshima in September. In April, we reopened the fully renovated Ginza Lion outlet in Tokyo's Aoyama district. Also in April, we opened the first outlet of our new Sobaemon Japanese restaurant format in Tokyo's Osaki area and then added a second outlet in Tokyo's Aoyama district in November. Each of the new outlets have won rave reviews from local customers and are performing favorably. On the other hand, we closed six outlets in 2018, including unprofitable stores. In addition, our affiliate Marushinkawamura Inc. opened two new outlets in Sapporo. Taishu Tempura Manekiya, a new format tempura restaurant, began serving customers in August, and Taishu Izakaya Manekiya, a Japanese-style pub, opened in September. After the above openings and closings, our domestic restaurant business had 195 outlets open for business at the end of December. Going forward, we will continue to aggressively expand our restaurant chains, opening new stores, remodeling existing stores, and changing formats when and where desirable.

Turning to the overseas restaurant business in Singapore, where a wave of new entrants has created an extremely competitive market environment, we transferred certain businesses, including the Japanese restaurant business, to a local food and beverage company. As a result, we now have only one Ginza Lion store operating in Singapore. Going forward, the overseas restaurant business will concentrate its resources in the beer hall format and continue to promote the spread of beer hall culture.

Overall, the Restaurants business's revenue in 2018 totaled ¥27.6 billion, down ¥1.1 billion or 4% year on year. The operating loss was ¥0.2 billion (compared with a loss of ¥0.5 billion in 2017).

Real Estate

Japan's real estate industry remains concerned about a sharp increase in supply of new office space negatively affecting conditions in the Greater Tokyo office leasing market, but for now vacancy rates remain low as strong corporate earnings support demand for office space. As a result, rents remain on a moderate upward trend.

In this environment, our real estate leasing business is maintaining high occupancy rates at its properties in the Greater Tokyo Area, including Yebisu Garden Place Tower, the business's core source of earnings. In addition, the high occupancy rates provide a solid platform for more assertive efforts to increase rents of existing tenants.

Meanwhile we continue to enhance the asset value of our Yebisu Garden Place commercial complex—a landmark in the stylish and sophisticated Ebisu district of Tokyo—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.

At the GINZA PLACE commercial complex, 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, this effort is increasing the property's drawing power and making the Ginza district an even more dynamic and bustling urban center.

The real estate development business continues to contribute to Sapporo City's urban redevelopment program focused on the area on the east side of the Sosei River by making good progress with the renovation of the Sapporo Factory commercial complex. In November, we opened part of the complex's 3-Jo Kan facility as the first phase of the program. In 2019, we will continue our efforts to make the Sapporo Factory complex an attractive urban space.

To further enhance the value of our real estate business, we are carrying out a strategic restructuring of our property portfolio from a long-term perspective. In line with the goals of this restructuring, in November we sold off the Shinjuku Square office building and the Storia Shirokanedai rental apartment building. Meanwhile, to further advance our urban development business, we have decided to purchase three office buildings, including one currently under construction in Ebisu.

As result of the efforts outlined above, our Real Estate business posted revenue of ¥24.5 billion in 2018, up ¥0.6 billion or 2% year on year. Segment operating profit came to ¥12.0 billion, a year-on-year increase of ¥1.8 billion or 17%.

(2) Consolidated Financial Condition

Consolidated assets as of December 31, 2018, totaled ¥639.7 billion, down ¥25.0 billion from the end of the previous fiscal year (December 31, 2017). The decline primarily reflects decreases in other financial assets (non-current) and trade and other receivables, which offset increases in other current assets and in property, plant and equipment.

Consolidated liabilities totaled ¥475.0 billion, down ¥14.1 billion from December 31, 2017, primarily owing to a decrease in bonds and borrowings (current), which offset increases in net defined benefit liabilities and bonds and borrowings (non-current).

Consolidated equity totaled ¥164.7 billion, down ¥11.0 billion from December 31, 2017. This change in total equity primarily reflects the payment of year-end dividends and a decrease in unrealized holding gain on securities, which offset an increase in profit attributable to owners of parent.

(3) Consolidated Cash Flows

Cash and cash equivalents (collectively "cash") totaled ¥10.0 billion as of December 31, 2018, ¥2.5 billion or 20% less than a year earlier.

Following is an explanation of consolidated cash flows by category in 2018 and the factors that affected cash flows in each category.

Cash flows from operating activities

Operating activities in 2018 provided net cash of ¥30.8 billion, ¥3.0 billion or 9% less than in 2017. The main cash inflows were ¥28.5 billion from depreciation and amortization, a ¥5.4 billion loss on impairment of property, plant and equipment, and ¥4.2 billion decrease in trade and other receivables. The largest cash outflow was the ¥10.7 billion in income taxes paid.

Cash flows from investing activities

Investing activities in 2018 used net cash of ¥18.7 billion, ¥0.9 billion or 5% more than in 2017. The major investment outflows were ¥13.6 billion for purchases of property, plant and equipment and ¥6.3 billion for purchases of investment securities. The major inflow from investing activities was ¥7.2 billion from the sale of trust beneficiary rights (investment property).

Cash flows from financing activities

Financing activities in 2018 used net cash of ¥14.5 billion, ¥0.6 billion or 4% more than in 2017. The main outflows were ¥22.5 billion for repayment of long-term bank loans and ¥10.1 billion for the redemption of bonds. The main inflow came from the issuance of bonds totaling ¥20.0 billion.

Cash Flow Indicators

	As of December 31, 2017	As of December 31, 2018
Ratio of equity attributable to owners of parent to total assets (%)	25.9	25.2
Ratio of equity attributable to owners of parent to total assets based on market capitalization (%)	40.4	27.9
Cash flow to interest-bearing debt (years)	8.8	9.4
Interest coverage ratio (%)	14.6	14.0

Ratio of equity attributable to owners of the parent company to total assets based on market capitalization: Market capitalization / Total assets

Cash flow to interest-bearing debt: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / Interest expense

Notes:

1. All of the above indicators are calculated based on consolidated financial statement data based on IFRS.
2. Market capitalization is calculated based on the number of shares issued and outstanding, excluding treasury stock.
3. "Cash flow" is operating cash flow.
4. Of the debt carried on the consolidated balance sheet, interest-bearing debt is total debt on which interest is currently payable.

(4)Outlook for fiscal year ending December 31, 2019

Millions of yen, except percentages

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent
2019 forecast	548,800	12,600	11,300	8,700
2018 results	521,856	10,828	9,492	8,521
Projected increase (%)	5.2	16.4	19.0	2.1

2019 is the third year of the Sapporo Group Long-Term Management Vision “SPEED150” and the First Medium-Term Management Plan 2020. Throughout the year, we will continue our efforts to supply distinctive products and services worldwide in our three core business areas—“alcoholic beverages”, “food”, and “soft drinks”—and to expand contact points with customers as we strive to achieve robust growth in line with the goals of our longer term vision and the first-stage management plan.

Aiming to secure reliable growth while continuing to nurture and strengthen Group brands, we have decided to restructure our business organization to promote the growth of international business along specific business lines. Accordingly, reporting segments will be reduced from five to three from 2019, a change that will enable us to strengthen management oversight of each business.

Our consolidated forecasts and outlook for the Sapporo Group in 2019 are as follows.

Revenue

In the Alcoholic Beverages segment, in line with our "beer revival declaration," we will continue our efforts in Japan to further enhance the value of our core Sapporo Draft Beer Black Label and Yebisu brands as we aim to increase total shipments of beer and beer-type beverages. In the wine category, we aim to further increase sales and will strengthen marketing of fine wines to achieve that goal. In the RTD space, we will develop new one-of-a-kind products with new twists that surprise and delight and will invest aggressively to expand this business. We also will continue our efforts to expand sales in other growth areas, such as spirits. Overseas, we will expand sales in Vietnam and neighboring countries as we spread the Sapporo brand throughout the region. In North America, we aim to expand revenue by continuing to grow Canada’s SLEEMAN BREWERIES and generating sales synergies for Sapporo USA and Anchor Brewing in the United States.

In the Food & Soft Drinks segment, our Japanese food and beverage operation will continue to provide customers with new value propositions that reflect our superiority in lemon-based foods and soup products as well as in soy milk–based yogurt products. Overseas, we will continue to strengthen the POKKA brand in the core Singapore market and surrounding countries.

Overall, we forecast 2019 consolidated revenue will reach ¥548.8 billion, an increase of ¥26.9 billion or 5% over 2018.

Operating Profit

We expect the Alcoholic Beverages segment to achieve profit growth on the back of higher sales of our core domestic beer brands and strengthening of our SLEEMAN and Sapporo Premium brands overseas.

The Food & Soft Drinks segment also is expected to achieve profit growth, driven by increases in revenue in Japan and overseas and improvements in its product mix.

In the Real Estate segment, we expect profit growth will be driven by steady revenue contributions from core properties, such as Yebisu Garden Place and GINZA PLACE, and gains on sales of certain other properties.

On the other hand, we expect companywide expenses to increase as we make investments targeted at building our groupwide management foundation and securing future growth, while also bearing the costs of structural reforms.

Overall, we forecast 2019 consolidated operating profit of ¥12.6 billion, an increase of ¥1.8 billion or 16% over 2018.

Profit Attributable to Owners of Parent

We project profit attributable to owners of parent will total ¥8.7 billion in 2019, an increase of ¥0.2 billion or 2% over 2018.

The 2019 outlook for each segment is presented below.

(3) Outlook by Business Segment

Millions of yen, except percentages

	Revenue			Operating profit		
	2018	2019 forecast	% change	2018	2019 forecast	% change
Alcoholic Beverages	330,009	346,000	4.8	3,856	9,700	151.5
Food & Soft Drinks	161,331	172,200	6.7	1,150	1,700	47.8
Real Estate	24,483	24,600	0.5	12,047	12,100	0.4

Alcoholic Beverages

(Japan & Asia)

In Japan, we face a difficult market environment in 2019. Given the decrease in the drinking age population, the ongoing shift to RTD[*1] and other alcoholic beverages, and the likely effect on consumer spending from the consumption tax hike planned for October, we expect overall demand for beer to be lower than it was in 2018.

In this environment, Sapporo Breweries will continue its efforts to realize our corporate vision—"Seek to be No.1 by accumulating one-of-a-kind products"—as it strives to achieve further growth by constantly providing customers with a unique value proposal.

It will continue to strengthen its beer brands in line with the business policy set forth in its "beer revival declaration." We will aim for a fifth consecutive year of sales growth for Sapporo Draft Beer Black Label in the household and commercial markets by strengthening its appeal through the unique "Otona no ★ Nama" world view and offer customers the chance to savor "the perfect draft beer experience." Our Yebisu brand will be celebrating its 130th year in 2020, and in 2019 we plan to enhance the brand's reputation as one of Japan's most well-known beer brands by introducing Yebisu Premium Ale, a complement to Yebisu Beer that will bring a new flavor to the beer market.

We will also utilize mini breweries that increased in number during 2018 to make unique product proposals that are based on "high value-added" and lead to the creation of new beer culture.

In the RTD space, we will continue our efforts to develop products from new perspectives that lead to one-of-a-kind products that surprise and delight consumers. We will accelerate the growth of our RTD business by offering unique products through collaborations, such as Otoko Ume Sour, and further strengthening our new core brand Sapporo Chuhai 99.99 (Four Nines).

In the wine category, we will continue strengthening our lineup of fine wines[*2]. We will seek to expand sales and enhance the brand images of our wine offerings, including our premium Japanese wine Grande Polaire, as well as our imported brands, especially Penfolds wine and Taittinger champagne. In the everyday wine category, we aim to expand awareness of our offerings and build the user base by releasing products for commercial-use only.

In the spirits business, we will continue to focus our marketing efforts on such world-famous brands as Bacardi, the world's best-selling rum in both sales volume and value[*3], as well as Bombay Sapphire, Dewar's, and Martini.

Our Japanese liquor business will focus on further expanding sales of our blended imo shochu Kokuimo by proposing new ways to drink shochu that enhance the enjoyment of its pleasing aroma and by disseminating information that arouses consumer interest in shochu.

In Asia, we expect to see continued growth in the beer market, but the pace of growth in some countries is expected to slow owing to slowdowns in the wider economy and to stricter regulations on alcoholic sales and consumption.

In that market environment, Sapporo Vietnam is aiming to establish sales channels that will enable it to sustain profit growth in 2019 and coming years.

(North America)

In Canada, strong consumer spending and capital investment are expected to contribute to higher economic growth. However, we expect overall demand in Canada's beer market to be generally flat owing to the widening diversity in consumers' alcoholic beverage preferences.

In that environment, SLEEMAN BREWERIES will continue to build an optimal product portfolio by strengthening strategic brands that have the potential for sustained growth. SLEEMAN also plans to move more strongly into the RTD space while continuing to concentrate management resources on premium brands.

In the United States, rising uncertainties about the government's trade policy and a diminishing impact from its large tax cut are expected to weigh on consumer and corporate sentiment. Nonetheless, as with Canada, we expect overall demand in the beer market to be about the same as in 2018.

Given this business environment, Sapporo USA and Anchor Brewing are scheduled to undergo a management integration on April 1, 2019, that will enable the two companies to maximize synergies in their manufacturing and distribution operations. The integration will establish a platform conducive to more dramatic growth for both companies. By clarifying the priority business areas for each company, we will be better able to maximize management resources and reform the two companies' current low-profit cost structures.

(Restaurants)

Japan's restaurant industry is expected to face a difficult operating environment again in 2019, with labor shortages still pushing up hiring costs, food material procurement prices continuing to rise, and competition intensifying as cross-industry competition from retailers and other non-traditional players increases.

In this environment, Sapporo Lion will emphasize raising the quality of its menus, service, and store atmosphere in a return to basics focused on "delivering 100% satisfaction to customers." As part of that commitment, the subsidiary's premises are taking extra care to ensure the provision of safe and sound food and service to their customers.

New store openings in 2019 again will focus on developing new formats and territorial expansion for our two core formats, Ginza Lion and Yebisu Bar, as well as our newer chains, such as Sobaemon. We also will continue to renovate existing outlets and, as needed, shift them to new formats in order to sustain and enhance their earnings power.

Overseas, we remain devoted to spreading the beer hall culture. In Singapore, we will undertake cost restructuring to enhance profitability while implementing measures to reestablish the Ginza Lion brand.

*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 of ¥1,500 or more per bottle, while everyday wines are those priced at less than ¥1,500 per bottle.

*3) Based on a survey by International Wine & Spirits Research 2017

Food & Soft Drinks

(Japan & Asia)

Japan's soft drinks industry continues to face a difficult operating environment, characterized by the diversification of consumer preferences, stiff competition among beverage makers, and upward pressures on costs stemming from rising distribution and personnel costs.

In this environment, POKKA SAPPORO will follow its vision of "continually creating delicious products that enrich and brighten people's everyday lives" to deliver new value by providing products that delight customers and thoroughly meet their needs.

The domestic soft drinks business will refine the strengths of its core brand areas, including Kireto Lemon, *sozai-kei* (ingredient), *shokkan-kei* (texture), as it continues to carve out a unique market position.

The domestic food business plans to more aggressively expand its steadily growing instant soup business. To support that expansion, POKKA SAPPORO is now constructing its Sendai plant within the site of Sapporo Breweries' Sendai Brewery to install a new line for producing cup-based instant soups and granulation equipment for processing granulated materials used in its powdered soups. In the lemon-based foods category, we will continue our efforts to expand demand for Pokka Lemon 100 and lemon vinegar products, including by spreading the word about lemon's health benefits. In the commercial-use channel, we will leverage Group synergies to expand sales in all product categories, from lemon-based products to powdered teas and soups. We regard soymilk business as crucial to the acceleration of our expansion in the foods domain and are planning to develop new soymilk-based yogurt products, our core strength in this category. Accordingly, POKKA SAPPORO is scheduled to bring on line new soymilk yogurt manufacturing facilities, including raw soymilk extraction equipment, at its Gunma Plant in March 2019.

At the domestic restaurants business, the Café de Crié chain will continue to conduct fine-tuned marketing to stimulate business at its existing outlets and will enhance the Crié brand value by accelerating chain expansion.

The overseas soft drinks business plans to expand sales and increase efficiency while maintaining its dominance of the tea drinks and juice beverages segments in the core Singapore market. We also plan to raise our presence in the Asian countries where we have operations by providing products that meet the needs of customers in each country.

(North America)

Country Pure Foods and Silver Springs Citrus have completed their management integration and will be moving quickly to put their combined management resources to maximum effect.

Real Estate

Japan’s real estate industry expects the supply of floor space in large buildings in the Greater Tokyo office leasing market to be considerably lower than in 2018. Nonetheless, the office supply is expected to be above the average level seen over the past 10 years. We forecast that vacancy rates at our buildings will remain at low levels, thanks to continued robust demand supported by such positive factors as companies’ need to maintain optimal office environments to secure human resources and comply with Japan's work-style reforms. Low vacancy rates should support a continued moderate upward trend in office rents. However, we also remain aware of the possibility of a change in market conditions caused by changes in the economic environment and intensifying competition between new buildings and currently existing ones, which could lead to the emergence of secondary vacancies.

In this environment, our Real Estate business will continue its efforts to enhance the competitiveness of its buildings and related services as it seeks to raise occupancy rates and rent levels at its properties.

At our flagship property, Yebisu Garden Place, we will continue to enhance the convenience of facilities in all areas of the complex, beginning with the commercial areas, as we aim to increase the entire neighborhood’s brand value by providing new added-value.

At the GINZA PLACE commercial complex, we will 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, this effort will increase the property’s drawing power and make the Ginza district an even more dynamic and bustling urban center.

The real estate development business will proceed with the renovation of the Sapporo Factory commercial complex as part of Sapporo City’s urban redevelopment program focused on the area on the east side of the Sosei River. We will continue our efforts to make the new complex an attractive urban space.

To enhance the overall value of our Real Estate business we will continue to strategically review and revise our property portfolio, diversify funding methods and expand the functions of our real estate business through the use of real estate securitizations, work on development of new business, etc., and advance our urban development projects in Ebisu and Sapporo.

(NOTE) The outlook for 2019 presented above contains forward-looking statements that are based on information available when the materials were prepared and are subject to risks and uncertainties. Actual performance may differ materially from the future outlook described for various reason

(5) Dividend Policy and Dividends for 2018 and 2019

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

Pursuant to the Sapporo Group Long-Term Management Vision “SPEED 150”, which was announced in November 2016, the Company is implementing the First Medium-Term Management Plan 2020, which was launched in 2017 and calls for a dividend payout ratio of 30% as a target for return of profits to its shareholders. However, if profit attributable to owners of parent changes significantly because of an extraordinary profit or loss stemming from special factors, the impact may be taken into consideration when deciding the dividend.

Given the above policy and taking into consideration the operating results for the current term and the management environment etc. going forward, the Company plans to pay a dividend of ¥42 per share for 2018. The Company’s Articles of Incorporation stipulate that interim dividends may also be distributed, but we currently are distributing an annual dividend once a year. Decisions regarding the payment of dividends from surplus profits are, in the case of the year-end distribution, approved at the general meeting of shareholders, while the interim dividend, if any, is determined at the sole discretion of the Board of Directors.

We plan to pay an annual per-share dividend of ¥42 in 2019.

2. Basic Approach to Selecting Accounting Standards

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

3. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(millions of yen)

	Transition date January 1, 2017	December 31, 2017	December 31, 2018
	Amount	Amount	Amount
Assets			
I Current assets			
1 Cash and cash equivalents	10,476	12,537	9,989
2 Trade and other receivables	96,574	98,325	93,340
3 Inventories	37,619	37,873	37,109
4 Other financial assets	9,967	9,107	4,790
5 Other current assets	7,386	6,914	8,316
subtotal	162,022	164,755	153,544
6 Assets held for sale	359	-	-
Total current assets	162,381	164,755	153,544
II Non-current assets			
1 Property, plant and equipment	151,602	151,334	152,676
2 Investment property	223,595	219,658	215,522
3 Goodwill	21,483	24,942	21,229
4 Intangible assets	10,305	13,339	12,056
5 Investments accounted for using equity method	372	391	410
6 Other financial assets	79,278	78,677	70,205
7 Other non-current assets	8,921	9,309	8,526
8 Deferred tax assets	2,176	2,326	5,523
Total non-current assets	497,733	499,976	486,148
Total assets	660,114	664,731	639,692

	Transition date January 1, 2017	December 31, 2017	December 31, 2018
	Amount	Amount	Amount
Liabilities and equity			
Liabilities			
I Current liabilities			
1 Trade and other payables	38,460	36,488	35,292
2 Bonds and borrowings	75,580	80,716	73,863
3 Lease liabilities	6,609	6,533	6,743
4 Income tax payable	1,570	5,207	1,527
5 Other financial liabilities	33,108	33,277	33,905
6 Other current liabilities	66,424	66,590	63,260
Total current liabilities	221,750	228,809	214,591
II Non-current liabilities			
1 Bonds and borrowings	165,235	153,184	154,483
2 Lease liabilities	24,623	24,295	24,495
3 Other financial liabilities	48,125	45,956	45,733
4 Net defined benefit liabilities	8,996	6,283	11,715
5 Other non-current liabilities	2,689	2,621	2,991
6 Deferred tax liabilities	26,455	27,872	20,950
Total non-current liabilities	276,122	260,212	260,367
Total liabilities	497,872	489,021	474,957
Equity			
1 Share capital	53,887	53,887	53,887
2 Capital surplus	40,706	40,825	40,998
3 Treasury shares	(1,796)	(1,807)	(1,822)
4 Retained earnings	36,315	44,491	46,065
5 Other components of equity	28,515	34,659	22,373
Total equity attributable to owners of parent	157,628	172,055	161,501
Non-controlling interests	4,613	3,655	3,234
Total equity	162,241	175,710	164,735
Total liabilities and equity	660,114	664,731	639,692

(2) Consolidated Statement of Profit and Comprehensive Income

Consolidated Statement of Profit (millions of yen)

	Year ended December 31, 2017	Year ended December 31, 2018
	Amount	Amount
Revenue	536,585	521,856
Cost of sales	373,148	362,210
Gross profit	163,437	159,646
Selling, general and administrative expenses	145,991	145,237
Other operating income	1,029	3,009
Other operating expense	5,669	6,590
Operating profit	12,806	10,828
Financial income	1,338	1,139
Financial expense	2,626	2,494
Share of profit of investments accounted for using equity method	19	19
Profit before tax	11,538	9,492
Income tax expense	5,170	1,772
Profit	6,367	7,721
Profit attributable to		
Owners of parent	7,187	8,521
Non-controlling interests	(820)	(801)
Total	6,367	7,721
Basic earnings per share (JPY)	92.27	109.40
Diluted earnings per share(JPY)	92.25	104.46

Consolidated Statement of Comprehensive Income

	Year ended December 31, 2017	Year ended December 31, 2018
	Amount	Amount
Profit	6,367	7,721
Other comprehensive income		
Items that will not be reclassified to profit		
Financial assets measured at fair value through other comprehensive income	8,202	(9,201)
Remeasurements of defined benefit plans	537	(3,688)
Total of items that will not be reclassified to profit	8,739	(12,890)
Items that might be reclassified to profit		
Exchange differences on translation of foreign operations	1,032	(2,765)
Effective portion of gains and losses on fair value of cash flow hedges	114	(69)
Total of items that might be reclassified to profit	1,146	(2,834)
Other comprehensive income, net of taxes	9,884	(15,724)
Comprehensive income	16,252	(8,003)

Comprehensive income attributable to		
Owners of parent	17,183	(6,987)
Non-controlling interests	(931)	(1,016)
Comprehensive income	16,252	(8,003)

(3) Consolidated Statements of Changes in Equity

(millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Effective portion of gains and losses on fair value of cash flow hedges
Balance as of January 1, 2017	53,887	40,706	(1,796)	36,315	-	(317)
Profit				7,187		
Other comprehensive income, net of taxes					1,137	126
Total comprehensive income	-	-	-	7,187	1,137	126
Purchase of treasury shares			(17)			
Disposal of treasury shares		1	6			
Dividends				(2,888)		
Share-based payment transactions		117				
Transfer from other components of equity to retained earnings				3,876		
Other increase (decrease)						
Total transactions with owners	-	118	(11)	989	-	-
Balance as of December 31, 2017	53,887	40,825	(1,807)	44,491	1,137	(191)

	Equity attributable to owners of parent					
	Other components of equity					
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of January 1, 2017	28,832	-	28,515	157,628	4,613	162,241
Profit			-	7,187	(820)	6,367
Other comprehensive income, net of taxes	8,195	537	9,996	9,996	(111)	9,884
Total comprehensive income	8,195	537	9,996	17,183	(931)	16,252
Purchase of treasury shares			-	(17)	-	(17)
Disposal of treasury shares			-	7	-	7
Dividends			-	(2,888)	(20)	(2,907)
Share-based payment transactions				117	-	117
Transfer from other components of equity to retained earnings	(3,315)	(537)	(3,852)	24	(24)	-
Other increase (decrease)			-	-	17	17
Total transactions with owners	(3,315)	(537)	(3,852)	(2,756)	(26)	(2,783)
Balance as of December 31, 2017	33,712	-	34,659	172,055	3,655	175,710

(millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Effective portion of gains and losses on fair value of cash flow hedges
Balance as of January 1, 2018	53,887	40,825	(1,807)	44,491	1,137	(191)
Profit				8,521		
Other comprehensive income, net of taxes					(2,622)	2
Total comprehensive income	-	-	-	8,521	(2,622)	2
Purchase of treasury shares			(20)			
Disposal of treasury shares		0	5			
Issuance of convertible bonds with stock acquisition rights		182				
Dividends				(3,122)		
Share-based payment transactions		(9)				
Transfer from other components of equity to retained earnings				(3,826)		
Total transactions with owners	-	173	(15)	(6,947)	-	-
Balance as of December 31, 2018	53,887	40,998	(1,822)	46,065	(1,485)	(188)

	Equity attributable to owners of parent					
	Other components of equity					
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of January 1, 2018	33,712	-	34,659	172,055	3,655	175,710
Profit				8,521	(801)	7,721
Other comprehensive income, net of taxes	(9,200)	(3,688)	(15,508)	(15,508)	(215)	(15,724)
Total comprehensive income	(9,200)	(3,688)	(15,508)	(6,987)	(1,016)	(8,003)
Purchase of treasury shares			-	(20)	-	(20)
Disposal of treasury shares			-	6	-	6
Issuance of convertible bonds with stock acquisition rights			-	182	-	182
Dividends			-	(3,122)	(8)	(3,130)
Share-based payment transactions				(9)	-	(9)
Transfer from other components of equity to retained earnings	(466)	3,688	3,222	(603)	603	-
Total transactions with owners	(466)	3,688	3,222	(3,566)	595	(2,972)
Balance as of December 31, 2018	24,046	-	22,373	161,501	3,234	164,735

(4) Consolidated Statements of Cash Flows

(millions of yen)

	Year ended December 31, 2017	Year ended December 31, 2018
	Amount	Amount
I Cash flows from operating activities		
1 Profit before income taxes	11,538	9,492
2 Depreciation and amortization	29,569	28,512
3 Loss on impairment of property, plant and equipment	3,810	5,430
4 Interest and dividend income	(1,330)	(1,123)
5 Interest expenses	2,397	2,368
6 Share of loss (profit) of investments accounted for using equity method	(19)	(19)
7 (Gain) loss on sales and disposal of property, plant and equipment, and intangible assets	719	(659)
8 (Increase) decrease in trade and other receivables	(1,136)	4,209
9 (Increase) decrease in inventories	333	70
10 Increase (decrease) in trade and other payables	(2,337)	(830)
11 Increase (decrease) in liquor taxes payable	132	(1,950)
12 Other	(4,253)	(2,968)
Sub total	39,422	42,533
13 Interest and dividends received	1,383	1,150
14 Interest paid	(2,315)	(2,197)
15 Income taxes paid	(4,696)	(10,657)
Net cash provided by (used in) operating activities	33,794	30,830
II Cash flows from investing activities		
1 Purchases of property, plant and equipment	(10,598)	(13,581)
2 Proceeds from sales of property, plant and equipment	3,086	1,729
3 Purchase of investment property	(2,499)	(4,712)
4 Purchases of intangibles	(2,197)	(2,220)
5 Purchases of investment securities	(1,020)	(6,345)
6 Proceeds from sale of investment securities	8,278	1,455
7 Payments for acquisition of subsidiaries	(11,623)	-
8 Payments for acquisition of trust beneficiary rights (investment property)	-	(2,523)
9 Proceeds from sale of trust beneficiary rights (investment property)	-	7,239
10 Payments for long-term loans receivable	(68)	(139)
11 Collection of long-term loans receivable	4,267	4,081
12 Other	(5,499)	(3,712)
Net cash provided by (used in) investing activities	(17,873)	(18,727)
III Cash flows from financing activities		
1 Net increase (decrease) in short-term bank loans	(3,076)	(264)
2 Increase (decrease) in commercial paper	(1,000)	(3,500)
3 Proceeds from long-term bank loans	12,500	12,000
4 Repayment of long-term bank loans	(12,603)	(22,524)
5 Proceeds from issuance of bonds	9,960	20,021
6 Redemption of bonds	(10,083)	(10,068)
7 Cash dividends paid	(2,913)	(3,133)
8 Repayment of finance lease obligations	(6,686)	(7,038)
9 Purchase of treasury shares	(17)	(20)
10 Other	7	6
Net cash provided by (used in) financing activities	(13,911)	(14,521)
IV Effect of exchange rate changes on cash and cash equivalents	51	(130)
V Net increase (decrease) in cash and cash equivalents	2,061	(2,548)
VI Cash and cash equivalents at beginning of period	10,476	12,537
VII Cash and cash equivalents at end of period	12,537	9,989

(5)Notes on the Going-concern Assumption

Not applicable

(6).Segment Information

1. Overview of reportable segments

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

The Group's businesses are segmented mainly based on the products, services, and sales markets of Group companies and their affiliated companies. The Company's five reportable segments are Japanese Alcoholic Beverages, International, Food & Soft Drinks, Restaurants, and Real Estate.
The Japanese Alcoholic Beverages segment produces and sells alcoholic beverages in Japan, while the international segment produces and sells alcoholic beverages and soft drinks overseas.
The Food & Soft Drinks segment produces and sells foods and soft drinks.
The Restaurants segment operates restaurants of various styles.
The Real Estate segment's activities include leasing and development of real estate.

2. Revenue, profit (or loss)

(millions of yen)

	Year ended December 31, 2017 (January 1, 2017 – December 31, 2017)				
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate
Revenue					
To outside customers	261,489	78,626	132,092	28,639	23,893
Inter-segment revenue	3,381	108	282	1	2,670
Total	264,870	78,735	132,374	28,640	26,563
Operating profit	10,038	(2,728)	2,430	(515)	10,271

	Year ended December 31, 2017 (January 1, 2017 – December 31, 2017)			
	Other *1	Total	Adjustment	Consolidated total
Revenue				
To outside customers	11,846	536,585	-	536,585
Inter-segment revenue	21,002	27,445	(27,445)	-
Total	32,848	564,030	(27,445)	536,585
Operating profit	(137)	19,359	(6,553)	12,806

(millions of yen)

	Year ended December 31, 2018 (January 1, 2018 – December 31, 2018)				
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate
Revenue					
To outside customers	250,867	79,521	127,219	27,569	24,483
Inter-segment revenue	3,011	500	276	1	2,824
Total	253,878	80,021	127,494	27,570	27,307
Operating profit	6,711	(3,397)	2,027	(169)	12,047

	Year ended December 31, 2018 (January 1, 2018 – December 31, 2018)			
	Other *1	Total	Adjustment	Consolidated total
Revenue				
To outside customers	12,198	521,856	-	521,856
Inter-segment revenue	21,169	27,781	(27,781)	-
Total	33,368	549,637	(27,781)	521,856
Operating profit	59	17,279	(6,451)	10,828

(1) "Other" comprises businesses, such as logistics businesses, that are not included in reportable segments.
(2) The export business of Sapporo International Inc. has been transferred to Sapporo Breweries Ltd. effective January 1, 2018.
Accordingly, the business was previously included in the International business segment,
but has been included in the Japanese Alcoholic Beverages segment.
The consolidated financial statements for fiscal 2017 have been adjusted retroactively to reflect these changes.

(Subsequent Events)

At the Board of Directors meeting held on January 31, 2019, the Company resolved to transfer the following investment property (trust beneficiary rights) owned by Sapporo Real Estate Co., Ltd., a consolidated subsidiary of the Company.

1. Reason for the transfer
   The transfer, via a real estate securitization, was conducted as part of a strategic restructuring of the Company's property portfolio and with a view toward diversifying fund procurement methods and expanding the Company's business functions.

2. Assets to be transferred
   One investment property located in Tokyo's Shibuya Ward.

3. Overview of the transferee
   The transferee is planned to be a newly established domestic limited liability company (SPC).

4. Date of sales contract agreement
   March 20, 2019 (planned)

5. Date of handover
   March 20, 2019 (planned)

6. Transfer price
   ¥8,586 million (planned)

7. Impact on earnings
   The transfer of the concerned asset is expected to result in a gain of ¥1,881 million to be posted as other operating income in the Company's fiscal 2019 consolidated financial accounts.

(First time adoption)
Sapporo Group (the Group) started to disclose the consolidated financial statements based on the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ended December 31, 2018. The last consolidated financial statements prepared based on JGAAP is those for the fiscal year ended December 31, 2017, and the date of transition to IFRS is January 1, 2017.

In principle, IFRS requires that first-time adopters apply IFRS retrospectively. However, IFRS 1 sets out exceptions under which first-time adopters are optionally exempted or prohibited from the retrospective application of some of the standards required by IFRS.

The exemptions applied by the Group are as follows:

・ Business combination

As IFRS provides exemptions from IFRS 3 "Business Combinations," the Group elected not to apply the standards retrospectively to business combinations that occurred before the date of transition to IFRS. Consequently, the amounts of goodwill arising from business combinations that occurred before the date of transition to IFRS were recognized based on their book value under JGAAP at the transition date. For reference, at the transition date, an impairment test was implemented for such goodwill with or without evidence that indicates impairment loss.

・ Deemed cost

With respect to property, plant and equipment items and intangible assets items, IFRS 1 permits the first-time adopter to use their fair value at the date of transition to IFRS as deemed cost at the date of transition to IFRS. The Group applied the exemption to certain property, plant and equipment items and used their fair value at the date of transition to IFRS as deemed cost at the date of transition to IFRS.

・ Exchange differences on translation of foreign operations

As is permitted by IFRS 1, the Group elected to deem the cumulative exchange differences on translation of foreign operations to be zero at the date of transition to IFRS.

・ Designation of financial instruments recognized before the transition date

With respect to the classification described in IFRS 9, IFRS 1 permits an entity to assess financial assets on the basis of the facts and circumstances that exist at the date of transition to IFRS, instead of those existed at the initial recognition. In addition, based on the facts and circumstances that exist at the date of transition to IFRS, an entity may designate change in fair value of equity instruments as financial assets measured at fair value through other comprehensive income. For the classification described in IFRS 9, the Company assessed financial assets on the basis of the facts and circumstances that exist at the date of transition to IFRS, and designated certain equity instruments as financial assets measured at fair value through other comprehensive income.

・ Lease for lessee

With respect to recognition of lease liabilities and right-of-use assets, IFRS 1 permits a first-time adopter that is a lessee to measure all of its lease liabilities and right-of-use assets at the date of transition to IFRS. The Group measured lease liabilities at the date of transition to IFRS at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. The Group also measured right-of-use assets at the date of transition to IFRS at an amount equal to the lease liabilities.

For leases whose period ends within 12 months from the transition date and leases for which the underlying asset is of low value, the lease payments are expensed over the lease period with the straight-line method or another systematic basis.

The reconciliation which IFRS requires a first-time adaptor to disclose are presented below. For reference, "Presentation reclassification" in the following reconciliation tables include items that do not affect retained earnings and comprehensive income. "Recognition and measurement differences" include items that affect retained earnings or comprehensive income.

Reconciliations of equity as of the IFRS transition date (January 1, 2017)

(millions of yen)

Accounts under JGAAP	JGAAP	Presentation reclassification	Recognition and measurement differences	IFRS	Notes	Accounts under IFRS
Assets						Assets
Current assets						Current assets
Cash and cash equivalents	10,589	(114)	—	10,476		Cash and cash equivalents
Notes and accounts receivable - trade	96,851	(82)	(194)	96,574	①	Trade and other receivables
Merchandise and finished products	24,657	(24,657)	—	—		
Raw materials and supplies	13,315	(13,315)	—	—		
	—	38,343	(724)	37,619	①	Inventories
	—	7,452	2,516	9,967	⑥	Other financial assets
Other	15,213	(7,696)	(131)	7,386		Other current assets
Deferred tax assets	3,640	(3,640)	—	—		
Allowance for doubtful receivables	(82)	82	—	—		
	164,184	(3,627)	1,466	162,022		Subtotal
	—	359	—	359		Assets held for sale
Total current assets	164,184	(3,269)	1,466	162,381		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	345,496	(223,544)	29,651	151,602	③④	Property, plant and equipment
Intangible assets						
Goodwill	27,439	—	(5,956)	21,483	⑤	Goodwill
Other	10,511	(409)	202	10,305		Intangible assets
	—	223,595	—	223,595		Investment property
Investments and other assets						
Investment securities	59,296	(59,296)	—	—		
	—	372	—	372		Investments accounted for using equity method
	—	68,783	10,495	79,278	⑥	Other financial assets
Long-term loans receivable	4,790	(4,790)	—	—		
Other	14,760	(6,265)	426	8,921		Other non-current assets
Deferred tax assets	1,071	(3,308)	4,414	2,176	②	Deferred tax assets
Allowance for doubtful receivables	(1,195)	1,195	—	—		
Total fixed assets	462,168	(3,666)	39,231	497,733		Total non-current assets
Total assets	626,352	(6,935)	40,697	660,114		Total assets

(millions of yen)

Accounts under JGAAP	JGAAP	Presentation reclassification	Recognition and measurement differences	IFRS	Notes	Accounts under IFRS
						Liabilities and equities
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	38,503	―	(43)	38,460		Trade and other payables
Short-term bank loans	30,337	(30,337)	―	―		
Commercial Paper	33,000	(33,000)	―	―		
Current portion of bonds	10,083	(10,083)	―	―		
	―	73,421	2,159	75,580	⑥	Bonds and borrowings
Lease obligations	3,024	―	3,584	6,609	④	Lease liabilities
Income taxes payable	1,681	―	(111)	1,570		Income tax payables
	―	32,988	120	33,108	⑥	Other financial liabilities
Accrued bonuses	2,980	(2,980)	―	―		
Liquor taxes payable	34,228	(34,228)	―	―		
Deposits received	8,215	(8,215)	―	―		
Other	50,072	12,338	4,014	66,424	⑦	Other current liabilities
Total current liabilities	212,123	(96)	9,724	221,750		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds	50,129	(50,129)	―	―		
Long-term bank loans	114,594	(114,594)	―	―		
	―	164,723	512	165,235	⑥	Bonds and borrowings
	―	47,609	517	48,125	⑥	Other non-current financial liabilities
Net defined benefit liability	8,996	―	―	8,996		Net defined benefit liability
Lease obligations	6,969	―	17,654	24,623	④	Lease liabilities
Dealers’ deposits for guarantees	33,242	(33,242)	―	―		
Other	15,115	(14,367)	1,941	2,689		Other non-current liabilities
Deferred tax liabilities	18,804	(6,839)	14,490	26,455	②	Deferred tax liabilities
Total long-term liabilities	247,848	(6,839)	35,113	276,122		Total non-current liabilities
Total liabilities	459,971	(6,935)	44,837	497,872		Total liabilities
Net assets						Equity
Common stock	53,887	―	―	53,887		Share capital
Capital surplus	46,089	―	(5,383)	40,706	⑤	Capital surplus
Treasury stock, at cost	(1,796)	―	―	(1,796)		Treasury shares
Retained earnings	41,932	―	(5,617)	36,315	⑨	Retained earnings
Accumulated other comprehensive income	20,574	―	7,941	28,515	⑧	Other components of equity
				157,628		Total equity attributable to owners of parent
Non-controlling interests	5,694	―	(1,081)	4,613		Non-controlling interests
Total net assets	166,381	―	(4,140)	162,241		Total equity
Total liabilities and net assets	626,352	(6,935)	40,697	660,114		Total liabilities and equity

Reconciliations of equity as of the end of FY2017 (December 31, 2017)

(millions of yen)

Accounts under JGAAP	JGAAP	Presentation reclassification	Recognition and measurement differences	IFRS	Notes	Accounts under IFRS
Assets						Assets
Current assets						Current assets
Cash and cash equivalents	12,718	(181)	—	12,537		Cash and cash equivalents
Notes and accounts receivable - trade	98,605	(103)	(176)	98,325	①	Trade and other receivables
Merchandise and finished products	24,681	(24,681)	—	—		
Raw materials and supplies	13,638	(13,638)	—	—		
	—	38,718	(846)	37,873	①	Inventories
	—	8,216	892	9,107	⑥	Other financial assets
Other	15,413	(8,433)	(66)	6,914		Other current assets
Deferred tax assets	3,900	(3,878)	(22)	—		
Allowance for doubtful receivables	(103)	103	—	—		
Total current assets	168,852	(3,878)	(219)	164,755		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	343,763	(219,266)	26,837	151,334	③④	Property, plant and equipment
Intangible assets						
Goodwill	26,948	—	(2,006)	24,942	⑤	Goodwill
Other	13,575	(391)	155	13,339		Intangible assets
	—	219,658	—	219,658		Investment property
Investments and other assets						
Investment securities	62,146	(62,146)	—	—		
	—	391	—	391		Investments accounted for using equity method
	—	66,904	11,773	78,677	⑥	Other financial assets
Long-term loans receivable	428	(428)	—	—		
Other	14,828	(5,938)	419	9,309		Other non-current assets
Deferred tax assets	1,306	(5,201)	6,220	2,326	②	Deferred tax assets
Allowance for doubtful receivables	(1,216)	1,216	—	—		
Total fixed assets	461,779	(5,201)	43,398	499,976		Total non-current assets
Total assets	630,631	(9,079)	43,179	664,731		Total assets

(millions of yen)

Accounts under JGAAP	JGAAP	Presentation reclassification	Recognition and measurement differences	IFRS	Notes	Accounts under IFRS
						Liabilities and equities
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	36,530	—	(43)	36,488		Trade and other payables
Short-term bank loans	37,882	(37,882)	—	—		
Commercial paper	32,000	(32,000)	—	—		
Current portion of bonds	10,068	(10,068)	—	—		
	—	79,950	765	80,716	⑥	Bonds and borrowings
Lease obligations	2,691	—	3,842	6,533	④	Lease obligations
Income taxes payable	5,202	—	5	5,207		Income tax payables
	—	33,060	216	33,277	⑥	Other financial liabilities
Accrued bonuses	3,090	(3,090)	—	—		
Liquor taxes payable	34,408	(34,408)	—	—		
Deposits received	7,817	(7,817)	—	—		
Other	50,484	12,255	3,850	66,590	⑦	Other current liabilities
Total current liabilities	220,173	(0)	8,636	228,809		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds	50,061	(50,061)	—	—		
Long-term bank loans	103,578	(103,578)	—	—		
	—	153,639	(455)	153,184	⑥	Bonds and borrowings
	—	45,548	408	45,956	⑥	Other financial liabilities
Net defined benefit liability	5,493	—	790	6,283		Net defined benefit liability
Lease obligations	5,960	—	18,335	24,295	④	Lease obligations
Dealers' deposits for guarantees	31,086	(31,086)	—	—		
Other	15,324	(14,462)	1,759	2,621		Other non-current liabilities
Deferred tax liabilities	21,292	(9,079)	15,658	27,872	②	Deferred tax liabilities
Total long-term liabilities	232,795	(9,079)	36,496	260,212		Total non-current liabilities
Total liabilities	452,968	(9,079)	45,132	489,021		Total liabilities
Net assets						Equity
Common stock	53,887	—	—	53,887		Share capital
Capital surplus	46,091	—	(5,266)	40,825	⑤	Capital surplus
Treasury stock, at cost	(1,807)	—	—	(1,807)		Treasury shares
Retained earnings	50,023	—	(5,532)	44,491	⑨	Retained earnings
Accumulated other comprehensive income	25,274	—	9,385	34,659	⑧	Other components of equity
	—			172,055		Total equity attributable to owners of parent
Non-controlling interests	4,195	—	(539)	3,655		Non-controlling interests
Total net assets	177,663	—	(1,952)	175,710		Total equity
Total liabilities and net assets	630,631	(9,079)	43,179	664,731		Total liabilities and equity

Notes on reconciliations of equity

(1) Presentation reclassification

A. Trade and other receivables

Under JGAAP, “Notes and accounts receivable - trade” and “Allowance for doubtful receivables” were presented separately, though under IFRS, these line items are included in “Trade and other receivables.”

B. Inventories

Under JGAAP, “Merchandise and finished products” and “Raw materials and supplies” were presented separately, and work in progress was included in “Other,” though under IFRS, these line items are reclassified as “Inventories.”

C. Other financial assets and other financial liabilities

Based on presentation rules of IFRS, “Other financial assets” and “Other financial liabilities” are presented separately.

Under JGAAP, “Investment securities” and “Long-term loans receivable” were separately presented and derivative assets were included in “Other” in Fixed assets. Though under IFRS, they are included in “Other financial assets.”

In addition, under JGAAP, “Deposits received” was separately presented in current liabilities, though under IFRS, it is included in “Other financial liabilities.”

D. Deferred tax assets and deferred tax liabilities

Under JGAAP, “Deferred tax assets” and “Deferred tax liabilities” were separately presented in current assets and current liabilities, respectively, though under IFRS, these line items are presented in non-current assets and non-current liabilities.

E. Assets held for sale

Based on IFRS 5, “Assets held for sale” is presented separately.

F. Investment property

Under JGAAP, fixed assets that meet the definition of investment property was included in “Property, plant and equipment” in fixed assets, though under IFRS, it is presented as “Investment property.”

(2) Differences on recognition and measurement

1) Trade and other receivables and inventories

Under JGAAP, revenue was recognized mainly at the point of shipment, though under IFRS, it is recognized mainly at the point of delivery.

In addition, under JGAAP, goods held mainly for advertisement and promotion were recognized as inventories, though under IFRS, they are recognized as expenses at the point of purchase.

2) Deferred tax assets and deferred tax liabilities

Amounts of deferred tax assets and deferred tax liabilities have been adjusted for reasons such as temporary differences arising from transition to IFRS from JGAAP.

3) Property, plant and equipment

In line with adoption of IFRS, the Group revised the depreciation method and other procedures for property, plant and equipment and reduced their book value. In addition, for certain property, plant and equipment items, the Group applied the exemption that permits the first-time adopter to use the fair value as of the transition date as deemed cost. The book value of those property, plant and equipment before the application of deemed cost as of the transition date was 39,044 million yen and their total fair value was 71,253 million yen.

4) Lease obligations

Under JGAAP, lease transactions of lessee were classified into finance lease and operating lease. For operating lease, lease transactions were accounted for in a similar manner with ordinary rental transactions. Under IFRS, the Group records all of its lease transactions in both leased assets (right-of-use asset) and lease obligations (lease liabilities), as lease transactions of lessee are not classified into finance lease and operating lease.

5) Goodwill

Under JGAAP, goodwill was amortized with the straight-line method over a reasonable period up to 20 years, though from the date of transition to IFRS, the Group ceased to amortize goodwill and instead started to perform an impairment test every year.

In addition, under JGAAP, changes in ownership interests in subsidiaries that do not result in loss of control (additional acquisition of ownership interests) were accounted for as external transaction with adjustments of goodwill or income and loss. Under IFRS, such changes are accounted for as equity transaction, which affects “Capital surplus" without any change in goodwill or income and loss.

6) Other financial assets and other financial liabilities

Under JGAAP, the Group recorded unlisted shares based on their acquisition costs and, if necessary, recognized their impairment when the financial position of an issuer deteriorated, though under IFRS, the Group has elected to measure them at fair value through other comprehensive income.

In addition, under JGAAP, interest-rate swaps that meet specific requirements were treated with a specific accounting method. Under IFRS, however, they are treated with principle hedge accounting, where derivative assets/derivative liabilities are recognized accordingly, and valuation differences are recognized in other comprehensive income.

7) Other current liabilities

Under JGAAP, unused compensated absences were not required to be accounted for, though under IFRS, they are recognized as liabilities.

Under JGAAP, levies including real-estate tax were recognized at the time of payment, though under IFRS, they are recognized on the day when the liability is accrued.

8) Other components of equity

With respect to cumulative exchange differences on translations of foreign operations recognized under JGAAP, the total amount was transferred to “Retained earnings” as of the transition date.

Under JGAAP, the Group recorded unlisted shares based on their acquisition costs and, if necessary, recognized their impairment when the financial position of an issuer deteriorated. Under IFRS, the Group has elected to measure them at fair value through other comprehensive income.

Under JGAAP, past service cost was recognized in net assets through other comprehensive income when they occurred and was expensed using the straight-line method over a certain number of years within the average remaining service period of the employees. Under IFRS, past service cost is recognized in full as either profit or loss when it occurs.

9) Retained earnings

(millions of yen)

	Transition date (January 1, 2017)	Year ended December 31,2017
Trade and other receivables and Inventories (see 1)	(418)	(510)
Property, plant and equipment (see 3)	(1,610)	(4,851)
Lease obligations (see 4)	252	217
Goodwill (see 5)	－	3,904
Other financial assets、Other financial liabilities (see 6)	263	275
Other current liabilities (see 7)	(2,739)	(2,643)
Other components of equity (see 8)	(1,382)	(1,739)
Other	16	(185)
Total adjustments to retained earnings	(5,617)	(5,532)

Reconciliations of profit or loss and comprehensive income for FY2017
(January 1, 2017 - December 31, 2017)

(millions of yen)

Accounts under JGAAP	JGAAP	Presentation reclassification	Recognition and measurement differences	IFRS	Notes	Accounts under IFRS
Net sales	551,549	－	(14,963)	536,585	①	Revenue
Cost of sales	358,573	－	14,576	373,148	①②④	Cost of sales
Gross profit	192,976	－	(29,539)	163,437		Gross profit
Selling, general and administrative expenses	175,944	－	(29,952)	145,991	①②③④	Selling, general and administrative expenses
	－	2,716	(1,687)	1,029		Other operating income
	－	5,813	(144)	5,669		Other operating expenses
Operating income	17,033	(3,097)	(1,130)	12,806		Operating profit
Non-operating income	2,093	(2,093)	－	－		
Non-operating expenses	2,715	(2,715)	－	－		
Extraordinary gains	6,814	(6,814)	－	－		
Extraordinary losses	5,423	(5,423)	－	－		
	－	6,171	(4,833)	1,338	⑤	Finance income
	－	2,324	302	2,626		Finance costs
	－	19	(0)	19		Share of profit of investments accounted for using equity methods
Profit before income taxes	17,802	－	(6,264)	11,538		Profit before tax
Income taxes	8,182	－	(3,012)	5,170	⑤	Income tax expense
Profit	9,619	－	(3,252)	6,367		Profit
Other comprehensive income						Other comprehensive income
Unrealized holding gain on securities	3,416	－	4,785	8,202	⑤	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans	189	－	348	537	④	Remeasurements of defined benefit plans
Foreign currency translation adjustments	1,019	－	13	1,032		Exchange differences on translation of foreign operations
Deferred hedge gains (losses)	(60)	－	174	114		Effective portion of gains and losses on fair value of cash flow hedges
Comprehensive income	14,184	－	2,068	16,252		Comprehensive income

Notes on reconciliations of income and comprehensive income

(1) Presentation reclassification

A. Other operating income, other operating expenses, finance income, finance costs and share of profit of investments accounted for using equity methods

With respect to line items presented in “Non-operating income,” “Non-operating expenses,” “Extraordinary gains” and “Extraordinary losses” under JGAAP, the Group has reclassified financial-related items to “Finance income” or “Finance costs” and other items to “Other operating income,” “Other operating expenses” or “Share of profit of investments accounted for using equity methods” in accordance with IFRS.

(2) Differences on recognition and measurement

1) Revenue, cost of sales and selling, general and administrative expenses

Under JGAAP, some rebates and other related costs were presented in “Selling, general and administrative expenses,” though under IFRS, these costs are deducted from “Revenue.”

Under JGAAP, revenue was recognized mainly at the point of shipment, though under IFRS, it is recognized mainly at the point of delivery.

2) Cost of sales and selling, general and administrative expenses

As the Group revised the depreciation method and other procedures for property, plant and equipment in line with adoption of IFRS, depreciation expense included in cost of sales and selling, general and administrative expenses have been changed.

In addition, under JGAAP, levies including real-estate tax were recognized at the time of payment, though under IFRS, they are recognized on the day when the liability is accrued.

3) Selling, general and administrative expenses

Under JGAAP, goodwill was amortized over the period for which its effects are estimated to last, though under IFRS, goodwill is no longer amortized after the transition date.

4) Cost of sales, selling, general and administrative expenses, and remeasurements of defined benefit plans

Under JGAAP, past service cost was recognized in net assets through other comprehensive income when they occurred and was expensed using the straight-line method over a certain number of years within the average remaining service period of the employees. Under IFRS, past service cost is recognized in full as either profit or loss when it occurs.

5) Income tax expense, financial assets measured at fair value through other comprehensive income

Under JGAAP, the Group recognized gain on sales of investment securities and tax on the gain in “Extraordinary gains” and “Income taxes,” respectively. Under IFRS, which permits to designate certain equity instruments as financial assets measured at fair value through other comprehensive income, the Group recognizes the gain on sales of designate equity instruments as “Other comprehensive income.”