Financial Results
for the nine months ended September 30, 2019 — Consolidated
(Based on IFRS)

November 6, 2019

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

Filing of quarterly financial report	November 13, 2019
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 nine months ended September 30, 2019 (January 1 – September 30, 2019)

(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	%
Nine months ended September 30, 2019	382,658	0.4	7,718	12.9	6,648	16.4	4,214	18.1
Nine months ended September 30, 2018	381,044	(2.5)	6,837	(29.8)	5,712	(34.9)	3,568	(25.5)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	million yen	%	million yen	%	Yen	Yen
Nine months ended September 30, 2019	4,560	8.3	10,933	_	58.55	55.15
Nine months ended September 30, 2018	4,209	(20.5)	(1,890)	_	54.04	51.88

(2) Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	million yen	million yen	million yen	%
Nine months ended September 30, 2019	645,066	172,091	169,585	26.3
December 31, 2018	639,692	164,735	161,501	25.2

2. Dividends

	Dividend per share				
Record date or period	End Q1	End Q2	End Q3	Year-end	Full year
	yen	yen	yen	yen	yen
Year ended December 31, 2018	—	0.00	—	42.00	42.00
Year ended December 31, 2019	—	0.00	—		
Year ending December 31, 2019 (forecast)				42.00	42.00

Note: Changes were made to dividends forecasts in the nine months ended September 30, 2019: None

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 attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Year ending December 31, 2019	542,000	3.9	6,200	(42.7)	4,900	(48.4)	3,300	(61.3)	42.36

Note: Changes were made to earnings forecasts in the nine months ended September 31, 2019: Yes

4. Other

(1) Changes to scope of consolidation: Yes

*Changes affecting the status of significant subsidiaries (scope of consolidation)

Newly consolidated: - Newly excluded: Sapporo International Inc.

(Note)

Sapporo International Inc. was dissolved in an absorption-type merger with Sapporo Breweries LTD. on January 1, 2019.

(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):
September 30, 2019: 78,794,298 shares
December 31, 2018: 78,794,298 shares

2) Number of shares held in treasury at end of period:
September 30, 2019: 896,737 shares
December 31, 2018: 907,931 shares

3) Average number of outstanding share during the period:
Nine months ended September 30, 2019: 77,891,207 shares
Nine months ended September 30, 2018: 77,891,824 shares

*Quarterly review status

The quarterly financial results are not subject to quarterly reviews pursuant to 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.

1. Analysis of Operating Results and Financial Condition

(1) Operating Results

In the first nine months of 2019 (January 1 – September 30, 2019), the Japanese economy saw a modest, sustained recovery in personal consumption mainly on the back of favorable employment and income conditions, despite growing concerns about a downturn primarily in the manufacturing sector in response to a slowdown in exports. Meanwhile, uncertainty in the global economy increased owing to heightened trade frictions and other geopolitical risks.

In this economic environment, the Group recorded a year-on-year increase in revenue owing to brisk sales of Sapporo Draft Beer Black Label canned products, despite a year-on-year sales volume decline for happoshu and new genre categories in the Alcoholic Beverages segment.

The Group's operating profit increased mainly due to cost controls in the alcoholic beverage businesses in Japan and Asia and the booking of gains on the sale of investment property, despite the impact of decreased domestic beverage sales.

As a result, consolidated revenue in the first nine months of 2019 totaled ¥382.7 billion (up ¥1.6 billion, or less than 1% year on year). The Group posted an operating profit of ¥7.7 billion (up ¥0.9 billion, or 13% year on year), while profit attributable to owners of parent came to ¥4.6 billion (up ¥0.4 billion, or 8% year on year).

Results by segment are outlined below. From this year, in order to further strengthen management oversight of each business, the five reportable segments used up until now have been reorganized into three reportable segments. To enable year-on-year comparisons, figures for the previous fiscal year have been adjusted to reflect the new reportable segments.

Alcoholic Beverages
(Japan & Asia)
We estimate that total domestic demand for beer and beer-type beverages in the first nine months of 2019 was 1% higher than the level of the first nine months of 2018.

In this operating environment, our Japanese Alcoholic Beverages business continues to work towards realizing our corporate vision—Seek to be No.1 by accumulating one-of-a-kind products—and achieving further growth by constantly providing unique, new value to customers.

In the beer category, based on our "beer revival declaration" business policy, sales of Sapporo Draft Beer Black Label, Sapporo Lager Beer, and Sapporo Classic remain brisk, and sales volume increased 2% year on year. However, total sales volume for beer and beer-type beverages decreased 2% year on year with substantially lower sales in the new genre category due to increasingly intense competition and the impact of a pullback in sales of new products launched last year.

In the RTD*1 category, revenue increased significantly year on year with consumers favorably receiving Sapporo Chuhai 99.99 (Four Nines) launched in August last year, which has grown to become a core RTD product alongside the likes of Otoko Ume Sour and others.

In the wine category, we stepped up marketing of our fine wines*2, including the imported wine Penfolds, Taittinger champagne, and domestic Grande Polaire wines. However, weak sales of our everyday wines*2 led to revenue being below that of the year-earlier period.

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

Our Japanese liquor business posted a year-on-year decline in revenue, despite solid sales of Kokuimo, Japan's best-selling*3 blended imo shochu.

In Asia, in the Vietnam market we continued our efforts to establish sales channels capable of generating profit growth.

(North America)
We estimate that total demand in the North American beer market declined year on year in both the

U.S. and Canada, partially due to the impact of the record cold snap. In this environment, we worked to strengthen our mainstay brands, primarily premium beer, and strengthen the portfolio of each brand.

In Canada, our subsidiary Sleeman Breweries continued to invest in the marketing of its core premium brands, but the drop in total demand stemming from inclement weather resulted in a slight year-on-year decline in beer sales volume (excluding Sapporo brand beer).

In the U.S., Sapporo USA's sales volume of Sapporo brand beers grew year on year due to the company's sales promotion activities for Sapporo brands targeting the general population as well as Asian-Americans. Meanwhile, Anchor Brewing Company worked to bolster sales synergies with Sapporo USA amid the challenging business environment created by the continued decline in demand for craft beer in its home market in the San Francisco area.

(Restaurants)

Japan's restaurant industry as a whole continued to enjoy year-on-year growth in revenues, but the operating environment remained challenging in the first nine months of 2019, highlighted by rising hiring costs owing to labor shortages and increasing raw material procurement prices.

In this environment, based on the philosophy of "Enhancing the Joy of Living," Sapporo Lion worked to deliver safe and sound products to customers while also striving to create restaurants that deliver 100% satisfaction to customers.

In Japan, our existing restaurants performed well, posting year-on-year increases each month except for July, which was impacted by weather and other factors. In March, we opened the third Sobaemon format restaurant in Kawasaki, while in July we opened a Yebisu Bar in Shizuoka. These have earned rave reviews from local customers and continue to perform well. In January, we renovated and switched the format of a Shinjuku store to reopen it as Kakoiya, while in July we refurbished the first floor of the Shimbashi store and reopened it as the Ginza Lion Shimbashi Training Center, the first Ginza Lion training store. Also, in August we converted HANEI INC., which operates a chain of seven gyoza restaurants in Osaka, into a subsidiary. Meanwhile, we closed 14 restaurants during the nine-month period due to the expiration of contracts, unprofitability, and other factors. As a result, we had 190 outlets open for business at the end of September. Going forward, we will continue to aggressively expand our restaurant chains, opening new stores, remodeling existing stores, and changing formats when and where desirable.

In Singapore, we continue to promote the spread of beer hall culture.

As a result, revenue in the Alcoholic Beverages segment in the first half of 2019 came to ¥238.5 billion (down ¥1.0 billion, or less than 1% year on year), while the segment posted an operating profit of ¥4.5 billion (up ¥1.8 billion, or 68% year on year).

*1) RTD, or ready-to-drink beverages, are pre-mixed, low-alcohol 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 or more per bottle), while everyday wines are low- priced wines (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 December 2017 to August 2019.

Food & Soft Drinks

(Japan & Asia)

We estimate that overall demand for soft drinks in Japan declined by 2% compared to the level in the first nine months of the previous year.

In this market environment, POKKA SAPPORO implemented initiatives to further grow each product brand and achieve further expansion.

In the domestic soft drinks business, we began sales of LEMON MADE Lemonade Soda, the second product in the LEMON MADE brand which was launched with the aim of using lemon-based drinks to spread lemonade culture, and the product was well received by consumers. We continued to enhance our lineup of unique products in the TOCHI & CRAFT domestic sugar-free tea series with the launch of

Kagabo Hojicha Kaoru Ichibancha and Chiran Nippon Kocha Sparkling. However, total sales volume of soft drinks fell year on year owing to the impacts of the decline in sales of coffee drinks as well as the cool summer weather in July.

In the domestic food business, we proactively implemented a number of initiatives, including the renewal launch of the boxed-type Jikkuri Kotokoto soups, the launch of the Kongari Pan GRANDE Series of soups featuring large pieces of bread, and the launch of the Isshokubun no Yasai Series of soups targeted at consumers looking to increase their vegetable intake, but sales of soup products were lower year on year due to the impact of the mild winter in the first quarter. Construction work on a POKKA SAPPORO plant within the grounds of the Sendai brewery of Sapporo Breweries was completed in August. The new plant features cup-based soup production facilities etc. and we are now planning to aggressively bolster soup operations yet further.

Sales volume of lemon-based food products remained brisk, increasing 8% year on year thanks to our successful development of products that harness the value of lemons, including our mainstay Pokka Lemon 100. In the soy beans and chilled products business, our soymilk yogurt production plant established a stable production system, and our SOYBIO brand products with straws attached launched exclusively in the Greater Tokyo area were well received by consumers, leading to a nationwide (excluding Okinawa) rollout from September.

Revenue in the domestic restaurants business grew year on year as Pokka Create, the company that operates the Café de Crié coffee shop chain, worked to generate new demand, including renovating and reopening the flagship Sunshine-dori shop in Ikebukuro, Tokyo, in July.

In our overseas soft drinks business, although the export business from Singapore was somewhat lackluster, sales remained firm in Singapore, a market in which we maintain the leading share* in the tea drinks category, including a roughly 70% share in the green tea category.

(North America)

In the U.S. soft drinks market, the business environment remained challenging due to the decline in demand for juices owing to the rise of health-conscious consumers. Amid this environment, a management integration of Country Pure Foods and Silver Springs Citrus was carried out in the previous fiscal year in an effort to improve profitability. As a result, total revenue for the two companies increased year on year.

Overall, revenue in the Food & Soft Drinks segment came to ¥121.5 billion (up ¥2.7 billion, or 2% year on year), while the segment posted an operating loss of ¥1.3 billion (compared with an operating profit of ¥0.5 billion a year earlier).

*Nielsen Singapore MarketTrack October 2018 (Copyright 2018, The Nielsen Company)

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, which is celebrating its 25th anniversary in operation, through constant efforts to provide tenants and visitors with enjoyable experiences in comfortable and pleasant surroundings by enhancing convenience and strengthening the property's brand appeal. In November, one section of Glass Square will be transformed into PORTAL POINT -Ebisu-, a complex centered on co-working spaces. This is expected to create opportunities for people working there to interact with visitors to Yebisu Garden Place. At the GINZA

PLACE commercial complex, we are enhancing the facility's capacity for communicating information in line with its concept as a “base for information dissemination and exchange.” In addition to enhancing the property's brand value, this is expected to boost customer foot traffic and make the Ginza district an even more dynamic and bustling urban center. In July, we refurbished and reopened the basement level 1, and many customers have been coming to the Taiwanese cafe Chun Shui Tang, the first outlet in Ginza, and Sapporo Draft Beer Black Label-THE BAR-, creating a vibrant environment.

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

To further enhance the value of our real estate business as a whole, we will continue to carry out a strategic restructuring of our property portfolio and pursue urban redevelopment based on a long-term perspective.

As a result of the efforts outlined above, revenue in the Real Estate business came to ¥18.3 billion (up less than ¥1 billion, or less than 1% year on year), while operating profit came to ¥9.7 billion (up ¥1.6 billion, or 19% year on year).

(2) Consolidated Financial Condition

Consolidated assets as of September 30, 2019, totaled ¥645.1 billion, ¥5.4 billion more than at the end of the previous fiscal year (December 31, 2018). The increase owes mainly to an increase in cash and cash equivalents and other financial assets (current), which more than offset a decline in trade and other receivables.

Consolidated total liabilities totaled ¥473.0 billion, ¥2.0 billion less than on December 31, 2018, primarily owing to a decrease in other current liabilities, which helped offset an increase in bonds and borrowings (non-current).

Consolidated total equity came to ¥172.1 billion, up ¥7.4 billion from December 31, 2018. This increase was due to the posting of profit attributable to owners of parent.

(3) Consolidated Earnings Forecast

Consolidated full-year earnings forecast for the fiscal year ending December 31, 2019 is expected to fall short of the previous forecast due to factors such as the impact of exchange rates and failure to achieve sales volume targets primarily in the Alcoholic Beverages (North America) and Food & Soft Drinks (Japan & Asia) businesses as well as an increase in corporate expenses.

1) Revision of consolidated full-year earnings forecast for the fiscal year ended December 31, 2019 (January 1 to December 31, 2019)

(millions of yen)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share(yen)
Previous forecast (A)	548,800	12,600	11,300	8,700	111.70
Current forecast (B)	542,000	6,200	4,900	3,300	42.36
Change (B-A)	(6,800)	(6,400)	(6,400)	(5,400)	-
Percent change(%)	(1.2%)	(50.8%)	(56.6%)	(62.1%)	-
For reference: Results for the fiscal year ended December 31, 2018	521,856	10,828	9,492	8,521	109.40

2. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(millions of yen)

	December 31, 2018	September 30, 2019
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	9,989	22,116
2 Trade and other receivables	93,340	74,509
3 Inventories	37,109	40,797
4 Other financial assets	4,790	4,677
5 Other current assets	8,316	8,805
Total current assets	153,544	150,904
II Non-current assets		
1 Property, plant and equipment	152,676	153,995
2 Investment property	215,522	219,616
3 Goodwill	21,229	22,151
4 Intangible assets	12,056	12,453
5 Investments accounted for using equity method	410	425
6 Other financial assets	70,205	75,096
7 Other non-current assets	8,526	7,544
8 Deferred tax assets	5,523	2,882
Total non-current assets	486,148	494,162
Total assets	639,692	645,066

	December 31, 2018	September 30, 2019
	Amount	Amount
Liabilities and equity		
Liabilities		
I Current liabilities		
1 Trade and other payables	35,292	34,760
2 Bonds and borrowings	73,863	71,226
3 Lease liabilities	6,743	6,783
4 Income tax payable	1,527	559
5 Other financial liabilities	33,905	41,444
6 Other current liabilities	63,260	47,748
Total current liabilities	214,591	202,520
II Non-current liabilities		
1 Bonds and borrowings	154,483	166,784
2 Lease liabilities	24,495	24,758
3 Other financial liabilities	45,733	46,554
4 Retirement benefit liability	11,715	6,614
5 Other non-current liabilities	2,991	2,921
6 Deferred tax liabilities	20,950	22,824
Total non-current liabilities	260,367	270,454
Total liabilities	474,957	472,974
Equity		
1 Share capital	53,887	53,887
2 Capital surplus	40,998	40,950
3 Treasury shares	(1,822)	(1,788)
4 Retained earnings	46,065	51,049
5 Other components of equity	22,373	25,487
Total equity attributable to owners of parent	161,501	169,585
Non-controlling interests	3,234	2,507
Total equity	164,735	172,091
Total liabilities and equity	639,692	645,066

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

Consolidated Statement of Profit or Loss (millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
	Amount	Amount
Revenue	381,044	382,658
Cost of sales	264,128	266,388
Gross profit	116,916	116,271
Selling, general and administrative expenses	110,103	109,919
Other operating income	1,493	3,127
Other operating expenses	1,469	1,760
Operating profit	6,837	7,718
Finance income	750	759
Finance costs	1,889	1,843
Share of profit of investments accounted for using equity method	14	14
Profit before tax	5,712	6,648
Income tax expense	2,144	2,434
Profit	3,568	4,214
Profit attributable to		
Owners of parent	4,209	4,560
Non-controlling interests	(641)	(346)
Total	3,568	4,214
Basic earnings per share (JPY)	54.04	58.55
Diluted earnings per share(JPY)	51.88	55.15

Consolidated Statement of Comprehensive Income

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
	Amount	Amount
Profit	3,568	4,214
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(3,946)	3,297
Remeasurements of defined benefit plans	(863)	3,961
Total of items that will not be reclassified to profit or loss	(4,809)	7,258
Items that may be reclassified to profit		
Exchange differences on translation of foreign operations	(785)	(374)
Effective portion of net change in fair value of cash flow hedges	136	(166)
Total of items that may be reclassified to profit or loss	(649)	(540)
Other comprehensive income, net of tax	(5,458)	6,718
Comprehensive income	(1,890)	10,933
Comprehensive income attributable to		
Owners of parent	(1,197)	11,375
Non-controlling interests	(693)	(443)
Comprehensive income	(1,890)	10,933

(3) Consolidated Statement of Changes in Equity

(millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges
Balance as of January 1, 2018	53,887	40,825	(1,807)	44,491	1,137	(191)
Profit				4,209		
Other comprehensive income					(731)	132
Total comprehensive income	-	-	-	4,209	(731)	132
Purchase of treasury shares			(11)			
Disposal of treasury shares		0	5			
Issuance of convertible bonds with share acquisition rights		182				
Dividends				(3,122)		
Transfer to retained earnings				(830)		
Total transactions with owners	-	183	(6)	(3,951)	-	-
Balance as of September 30, 2018	53,887	41,007	(1,813)	44,748	407	(58)

	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total other components of equity			
Balance as of January 1, 2018	33,712	-	34,659	172,055	3,655	175,710
Profit			-	4,209	(641)	3,568
Other comprehensive income, net of taxes	(3,945)	(863)	(5,406)	(5,406)	(52)	(5,458)
Total comprehensive income	(3,945)	(863)	(5,406)	(1,197)	(693)	(1,890)
Purchase of treasury shares			-	(11)	-	(11)
Issuance of convertible bonds with share acquisition rights			-	5	-	5
Disposal of treasury shares			-	182	-	182
Dividends			-	(3,122)	(9)	(3,130)
Transfer to retained earnings	(33)	863	830	-	-	-
Total transactions with owners	(33)	863	830	(2,945)	(9)	(2,954)
Balance as of September 30, 2018	29,734	-	30,083	167,912	2,954	170,866

(millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Exchange differences on translation of foreign operations	Effective portion of neti change in fair value of cash flow hedges
Balance as of January 1, 2019	53,887	40,998	(1,822)	46,065	(1,485)	(188)
Profit				4,560		
Other comprehensive income					(353)	(90)
Total comprehensive income	-	-	-	4,560	(353)	(90)
Purchase of treasury shares			(5)			
Disposal of treasury shares		0	39			
Dividends				(3,277)		
Disposal of subsidiaries						
Share-based payment transactions		(48)				
Transfer to retained earnings				3,701	-	-
Total transactions with owners	-	(48)	34	424	-	-
Balance as of September 30, 2019	53,887	40,950	(1,788)	51,049	(1,838)	(278)

	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total other components of equity			
Balance as of January 1, 2019	24,046	-	22,373	161,501	3,234	164,735
Profit			-	4,560	(346)	4,214
Other comprehensive income	3,297	3,961	6,815	6,815	(97)	6,718
Total comprehensive income	3,297	3,961	6,815	11,375	(443)	10,933
Purchase of treasury shares			-	(5)	-	(5)
Disposal of treasury shares			-	39	-	39
Dividends			-	(3,277)	(12)	(3,289)
Disposal of subsidiaries			-	-	(273)	(273)
Share-based payment transactions			-	(48)	-	(48)
Transfer to retained earnings	259	(3,961)	(3,701)	-	-	-
Total transactions with owners	259	(3,961)	(3,701)	(3,292)	(285)	(3,576)
Balance as of September 30, 2019	27,603	-	25,487	169,585	2,507	172,091

(6)Notes on the Going-concern Assumption

Not applicable

(7)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.

Under the Company, which is a pure holding company, Group companies carry out business activities and formulate strategies for the products and services they offer and for the sales markets they cover.

The Group's businesses are segmented mainly based on the products, services and sales markets of Group companies and their affiliate companies. The Company's three reportable segments are Alcoholic Beverages, Food & Soft Drinks, and Real Estate.

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

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

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

Changes to Reportable Segments

Based on the revised management structure launched in January 2017 and in line with The First Medium-Term Management Plan of the Long-Term Management Vision SPEED150 announced in November 2016, the Company has determined to strategically reallocate managerial resources to promote continuous group growth, and to implement structural reforms and promote segment management in an effort to strengthen platform functions.

In the Company's efforts to maintain steady growth by growing and strengthening its brands, the five previous business segments have recently been reorganized into three new segments to better develop international operations as a core business by enhancing Company management. From the first quarter of 2019, the five previous business segments of Japanese Alcoholic Beverages, International, Food & Soft Drinks, Restaurants, and Real Estate have been reorganized into the three new segments of Alcoholic Beverages, Food & Soft Drinks, and Real Estate.

In conjunction with these changes, the former International segment was split and incorporated into the Alcoholic Beverages and Food & Soft Drinks segments, respectively. In addition, the former Restaurants segment has been incorporated into the Alcoholic Beverages segment, and the food business which was part of the former Other segment has been incorporated into the Food & Soft Drinks segment.

Segment information for the third quarter of 2019 has been prepared based on the new reportable segments following the changes.

2. Revenue, profit (or loss)

(millions of yen)

	Nine months ended September 30, 2018 (January 1, 2018 – September 30, 2018)						
	Alcoholic Beverages	Food & Soft Drinks	Real Estate	Other *1	Total	Adjustment	Consolidated total
Revenue							
To outside customers	239,510	118,733	18,311	4,489	381,044	-	381,044
Inter-segment revenue	302	194	2,091	15,763	18,350	(18,350)	-
Total	239,812	118,927	20,402	20,253	399,394	(18,350)	381,044
Operating profit (loss)	2,682	463	8,156	79	11,381	(4,543)	6,837

(millions of yen)

	NIne months ended September 30, 2019 (January 1, 2019 – September 30, 2019)						
	Alcoholic Beverages	Food & Soft Drinks	Real Estate	Other *1	Total	Adjustment	Consolidated total
Revenue							
To outside customers	238,492	121,456	18,324	4,387	382,658	-	382,658
Inter-segment revenue	429	194	2,031	16,125	18,779	(18,779)	-
Total	238,920	121,650	20,355	20,512	401,437	(18,779)	382,658
Operating profit (loss)	4,514	(1,295)	9,731	(122)	12,828	(5,110)	7,718

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