

Financial Results
for the Year Ended December 31, 2021 — Consolidated
(Based on IFRS)

February 10, 2022

Company name **Sapporo Holdings Limited**

Security code 2501

Listed on Tokyo Stock Exchange (First Section); Sapporo Securities Exchange

URL <https://www.sapporoholdings.jp/en/>

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Scheduled dates:

Annual general meeting of shareholders March 30, 2022

Filing of annual financial report March 31, 2022

Commencement of dividend payments March 31, 2022

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, 2021
(January 1 – December 31, 2021)

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

(1) Operating Results

(Percentage figures represent year-over-year changes)

	Revenue		Core operating profit		Operating profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended December 31, 2021	437,159	0.6	8,142	91.1	22,029	—	12,275	—
Year ended December 31, 2020	434,723	(11.6)	4,261	(63.7)	(15,938)	—	(16,605)	—
	Profit attributable to owners of parent		Total comprehensive income					
	million yen	%	million yen	%				
Year ended December 31, 2021	12,331	—	17,127	—				
Year ended December 31, 2020	(16,071)	—	(21,476)	—				

	Basic earnings per share	Diluted earnings per share	Ratio of profit to equity attributable to owners of parent	Ratio of profit before tax to total assets	Core operating profit margin
	yen	yen	%	%	%
Year ended December 31, 2021	158.30	155.82	7.9	3.5	1.9
Year ended December 31, 2020	(206.31)	(206.31)	(9.9)	(3.1)	1.0

Note: Equity method investment gains:

Year ended December 31, 2021: 47 million yen

Year ended December 31, 2020: 17 million yen

Profit (loss) before tax:

Year ended December 31, 2021: 21,185 million yen

Year ended December 31, 2020: (19,364) million yen

Operating profit margin:

Year ended December 31, 2021: 5.0%

Year ended December 31, 2020: (3.7)%

Note: Core Operating Profit is a proprietary profit indicator that measures the performance consistency of our business.

Core operating profit is calculated as Revenue – Cost of sales – SG&A expenses.

(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
Year ended December 31, 2021	594,551	163,327	162,570	27.3	2,086.96
Year ended December 31, 2020	616,349	149,551	149,781	24.3	1,922.80

(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, 2021	30,308	20,729	(53,080)	17,368
Year ended December 31, 2020	16,466	(16,000)	4,138	19,734

2. Dividends

Record date or period	Dividend per share					Total dividends paid (full year)	Payout ratio (consolidated)	Dividends to equity attributable to owners of parent (consolidated)
	End Q1	End Q2	End Q3	Year-end	Full year			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended December 31, 2020	—	0.00	—	42.00	42.00	3,277	—	2.0
Year ended December 31, 2021	—	0.00	—	42.00	42.00	3,277	26.5	2.1
Year ending December 31, 2022 (forecast)	—	0.00	—	42.00	42.00		65.4	

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2022 (January 1 – December 31, 2022)

(Percentage figures represent year-over-year changes)

	Revenue		Core operating profit		Operating profit		Profit		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	yen
Year ending December 31, 2022	478,700	9.5	10,000	22.8	7,300	(66.9)	5,000	(59.3)	5,000	(59.5)	64.19

Note: Earnings forecasts for the six months ending June 30, 2022 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: Yes (Refer to P.20 Consolidated Financial Statements)

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

1) Number of shares issued at end of period (treasury stock included):

December 31, 2021: 78,794,298 shares

December 31, 2020: 78,794,298 shares

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

December 31, 2021: 896,510 shares

December 31, 2020: 896,951 shares

3) Average number of outstanding share during the period:

December 31, 2021: 77,898,067 shares

December 31, 2020: 77,897,530 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 fiscal year ending December 31, 2022” on page 9.

1. Analysis of Operating Results and Financial Condition

(1) Analysis of Operating Results

(a) Review of the fiscal year ended December 31, 2021

Millions of yen, except percentages

	Revenue	Core operating profit	Operating profit	Profit attributable to owners of parent
Year ended December 31, 2021	437,159	8,142	22,029	12,331
Year ended December 31, 2020	434,723	4,261	(15,938)	(16,071)
Change (%)	0.6	91.1	—	—

*Core operating profit is the Sapporo Group's unique profit benchmark for measuring the performance of its regular business and is calculated by deducting cost of sales, and selling, general and administrative expenses, from revenue.

In 2021, the Sapporo Group was impacted by Japan's repeated issuances of state of emergency due to the COVID-19 pandemic and restrictions on the service of alcoholic beverages due to semi-state of emergency measures, which caused sales of commercial-use beer and sales to restaurants such as beer halls to decline from the previous year, despite a partial recovery after the lifting of restrictions since October. Meanwhile, the sales volume of home-use products, such as canned Sapporo Draft Beer Black Label, Yebisu brand beers, and Sapporo Gold Star, have increased compared to the previous year and remained strong.

In overseas, sales volume of commercial-use beer rose against the backdrop of economic recovery due to the lifting of curfew restrictions in the US, and Sapporo brand beer in the US reached a record high sales volume.

Also, demand for lemon-based products increased in association with recent changes to people's lifestyles and rising health consciousness, and sales volumes of both Pokka Lemon 100 and Kireto Lemon reached new record highs for the third consecutive year.

This has resulted in a revenue increase compared to the previous year, and core operating profit increased from the previous year due to a curtailment in expenses from cost structure reforms. Additionally, operating profit and profit attributable to owners of parent were up year on year due to the sale of investment properties.

(b) Results by reportable segment

Millions of yen, except percentages

	Revenue			Core operating profit			Operating profit		
	Year ended Dec. 31, 2020	Year ended Dec. 31, 2021	Change (%)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2021	Change (%)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2021	Change (%)
Alcoholic Beverages	285,427	289,678	1.5	2,368	5,441	129.7	(4,861)	2,146	—
Food & Soft Drinks	125,861	125,453	(0.3)	(2,621)	712	—	(16,921)	(3,386)	—
Real Estate	23,262	21,863	(6.0)	10,853	8,226	(24.2)	11,892	29,254	146.0

Alcoholic Beverages

Japan

The commercial-use market in the country has been significantly impacted by the COVID-19 pandemic. Total demand in Japan for beer and beer-type beverages is estimated to have only reached around 95% of the year-earlier level.

Under such circumstances, the Sapporo Group is continuously proposing ways to make beer more appealing and diversified, and our canned beer products have steadily grown. Sales of canned Sapporo Draft Beer Black Label and Yebisu brand beers remained strong, with sales volumes at 110% and 102% of the previous year's level, respectively. Additionally, in the new genre category, Sapporo Gold Star, with a sales volume that stood at 116% of the previous year's level, won three awards both in Japan and abroad and was highly successful. As a result of the above, total sales of beer and beer-type beverages stood at 96% of the previous year's level due to a decrease in sales volume of commercial-use products although sales volume of canned products increased.

In the low alcohol beer taste category, we launched Sapporo The DRAFTY in September and are working to cultivate new markets.

In the RTD*1 category, sales of Sapporo Koime no Lemon Sour, a new product launched in March 2021, were strong, while sales of core collaborative RTD product Otoko Ume Sour were also steady, driving category revenue significantly higher year on year.

In the domestic wine category, Grande Polaire performed well in the home-use market. In the imported wine category, Parra Jiménez rode the wave of expanding demand for organic products and saw steady growth. In addition, we signed a new sales contract in Japan with the world-renowned French winemaker M. Chapoutier, and expanded our lineup of fine wines that embody premium value.

In the imported spirits category, sales of Dewar's Scotch whisky were strong thanks in part to the expansion in the home-use market.

Our Japanese liquor business also posted a year-on-year increase in revenue with sustained solid sales of Kokuimo brand, Japan's best-selling*2 blended imo shochu, as well as Koime no Lemon Sour no Moto.

Overseas

In the North American beer and beer-type beverage category, due to the impact of the COVID-19 pandemic, demand in the commercial-use market has remained low year on year. It is estimated that although demand fell in Canada compared to the previous year, it is recovering in the United States and increased year on year.

Despite the decrease in sales volume for overseas brand beers from the previous year due to strategic product changes by Sleeman Breweries, sales volume increased over the same period in the RTD category which we are focusing on. Sales of Sapporo brand beer in the United States reached record highs thanks to the recovery of the commercial-use market with the removal of operating restrictions placed on restaurants in the United States, in addition to the success of strengthening efforts in the home-use market.

Restaurants

The entire restaurant industry, including pub restaurants and izakaya, has been suffering substantial impacts from the COVID-19 pandemic since 2020. In the Sapporo Group's restaurant business, many restaurants were closed or had shortened operating hours during the period of restricted sales of alcoholic beverages. We continued to operate our stores even after the lifting of various restrictions, implementing measures to prevent the further spread of COVID-19.

Amidst these challenges, we worked to bolster menus along with take-out and delivery products, close unprofitable restaurants, and shift to a low-cost, low-operation business format, among other initiatives, which improved the core operating loss from the previous year, although revenue decreased. As of the

end of December 2021, our restaurant business had 162 outlets.

As a result of the above factors, revenue in the Alcoholic Beverages segment in the current fiscal year came to ¥289.7 billion (up ¥4.3 billion, or 1% year on year), while the segment posted a core operating profit of ¥5.4 billion (up ¥3.1 billion, or 130% year-on-year) and an operating profit of ¥ 2.1 billion (loss of ¥4.9 billion in the previous fiscal 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: Based on Intage SRI market research on combined blended imo shochu sales in the supermarket, convenience store, and direct sales channels from February 2020 through November 2021.

Food & Soft Drinks

Total demand in Japan for soft drinks is estimated to be 101% of the previous year's level. In the domestic soft drink business, sales of Kireto Lemon W lemon and Kireto lemon Citric Acid 2700 also enjoyed in addition to bottled products, driven by expectations for the fatigue-reducing effects of citric acid, thus kireto lemon sales reached new record highs. As a result, although sales of lemon-based soft drinks were strong at 115% of the previous year's level, the total sales volume of soft drinks remained on par with the previous year due to a decrease in vending machine sales.

In processed foods, sales volume of cold canned soups grew significantly by 127% over the previous year's level, celebrating its 25th anniversary of the Jikkuri KotoKotto series, which we are focusing on.

Among lemon-based products, Pokka Lemon continued performing well due to expanding household demand, with sales volume exceeding 107% of the previous year's level, and Kireto Lemon similarly had record sales. We have started to provide food education support to Albirex Niigata in order to introduce the value that lemons have, such as maintaining health. In addition, in order to promote domestic lemon production, the lemons we have grown in Osakikamijima Town have been harvested for the first time. We will revitalize the lemon market through these efforts.

Plant-based milk products also saw an increase in sales volume to 109% of the previous year's level, with our soymilk yogurt products contributing to this increase thanks to rising health consciousness. We also worked to increase the value and understanding of soymilk yogurt products by releasing research results on the superiority of immunologically active ingredients contained in soymilk yogurt.

Pokka Create Co., Ltd., which operates the Café de Crié coffee shop chain, saw revenue increase year on year despite the ongoing impacts the cafe industry has experienced under the COVID-19 pandemic, although it has not recovered to pre-COVID levels.

As a result of the above factors, revenue in the Food & Soft Drinks segment in the current fiscal year came to ¥ 125.5 billion (down ¥0.4 billion, or 0% year on year), while the segment posted a core operating profit of ¥0.7 billion (loss of ¥2.6 billion in the previous fiscal year) and an operating loss of ¥ 3.4 billion (loss of ¥16.9 billion in the previous fiscal year).

Real Estate

The office leasing market in the Greater Tokyo area is experiencing a downtrend in occupancy rate and average rents.

In this market climate, the Real Estate business saw a drop in occupancy rates due to the departure of some tenants at properties owned mainly in the Greater Tokyo Area, including the Yebisu Garden Place Tower, the business' core source of earnings. On the other hand, we enhance asset efficiency by strategically reconfiguring our property portfolio, including the sale of Ebisu First Square and equity investments funds that own commercial facilities, etc. While commercial facilities have been impacted by COVID-19, we are continuing to renovate the Yebisu Garden Place commercial building in preparation for its reopening in 2022.

As a result of the above, revenue in the Real Estate segment in the current fiscal year totaled ¥21.9 billion (down ¥1.4 billion, or 6% year on year), while the segment posted a core operating profit of ¥8.2 billion (down ¥2.6 billion, or 24% year on year) and an operating profit of ¥29.3 billion (up ¥17.4 billion, or 146% year on year).

(2) Consolidated Financial Condition

(Millions of yen)

	2020	2021	Increase (decrease)
current assets	160,829	167,806	6,977
Non-current assets	455,520	426,745	(28,775)
Total assets	616,349	594,551	(21,798)
Current Liabilities	216,243	210,535	(5,707)
Non-current liabilities	250,555	220,688	(29,867)
Total liabilities	466,798	431,224	(35,575)
Total equity	149,551	163,327	13,777
Total liabilities and equity	616,349	594,551	(21,798)

Consolidated assets as of the end of the fiscal year were ¥594.6 billion, ¥21.8 billion less than that at the end of the previous fiscal year, mainly due to decreases in other current assets, investment real estate, and property, plant and equipment, despite increases in trade and other receivables and inventories.

Consolidated total liabilities came to ¥431.2 billion, which was a decrease of ¥35.6 billion as compared to the end of the previous fiscal year, because of the decrease in bonds and borrowings (current), bonds and borrowings (non-current), and lease liabilities (non-current), notwithstanding an increase in income taxes payable and other current liabilities.

Consolidated total equity stood at ¥163.3 billion, up ¥13.8 billion compared to the end of the previous fiscal year, due to the posting of a net profit attributable to owners of parent and an increase in other components of equity, notwithstanding the payment of year-end dividends.

(3) Consolidated Cash Flows

Cash and cash equivalents (collectively “cash”) totaled ¥17.4 billion as of December 31, 2021, ¥2.4 billion or 12% less than at the end of the previous fiscal year (December 31, 2020).

(Millions of yen)

	2020	2021	Increase (decrease)
Cash flows from operating activities	16,466	30,308	13,842
Cash flows from investing activities	(16,000)	20,729	36,729
Free cash flow	466	51,037	50,571
Cash flows from financial activities	4,138	(53,080)	(57,218)
Effect of exchange rate change on cash and cash equivalents	(86)	777	863
Net increase (decrease) in cash and cash equivalents	4,519	(1,266)	(5,785)
Cash and cash equivalents at beginning of period	15,215	19,734	4,519
Cash and cash equivalents included in assets of disposal groups classified as holdings for sale	—	(1,100)	(1,100)
Cash and cash equivalents at end of period	19,734	17,368	(2,366)

(Cash flows from operating activities)

Operating activities provided net cash amounting to ¥30.3 billion, an increase of ¥13.8 billion or 84% from the previous fiscal year. This was mainly due to the increase in depreciation and amortization of ¥22.7 billion, income before tax of ¥21.2 billion, and impairment loss of ¥7.5 billion, which offset the ¥21.7 billion gain on sales and retirement of property, plant and equipment, and intangible assets.

(Cash flows from investing activities)

Investing activities provided net cash of ¥20.7 billion, compared to ¥16.0 billion used in the previous fiscal year. The main outflows were purchase of property, plant and equipment of ¥12.0 billion, and purchase of investment property of ¥8.1 billion, while there was an inflow of ¥40.4 billion in proceeds from the sale of investment properties.

(Cash flows from financing activities)

Financial activities used net cash totaling ¥53.1 billion, compared to ¥4.1 billion net cash provided in the previous fiscal year. The main outflows were a redemption of bonds of ¥30.0 billion, repayments of long-term borrowings of ¥19.3 billion, which outweighed inflow of ¥6.5 billion in proceeds from long-term borrowings.

Cash Flow Indicators

	December 31,	
	2020	2021
Ratio of equity attributable to owners of parent to total assets (%)	24.3	27.3
Ratio of equity attributable to owners of parent to total assets based on market capitalization (%)	25.2	28.6
Cash flow to interest-bearing debt (years)	18.2	8.3
Interest coverage ratio (times)	9.9	20.1

Ratio of equity attributable to owners of parent to total assets: Equity attributable to owners of parent to total assets / Total assets

Ratio of equity attributable to owners of parent 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. Market capitalization is calculated based on the number of shares issued and outstanding, excluding treasury stock.
2. "Cash flow" is operating cash flow.
3. 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, 2022

(a) Overall outlook

	Millions of yen, except percentages			
	Revenue	Core operating profit	Operating profit	Profit attributable to owners of parent
2022 forecast	478,700	10,000	7,300	5,000
2021 results	437,159	8,142	22,029	12,331
Projected change (%)	9.5	22.8	(66.9)	(59.5)

In 2022, uncertainty is expected to remain in the market environment due to the impact of the new variant (Omicron) of COVID-19 both in Japan and overseas. In Japan, the economy may stagnate due to restrictions on the operating hours and capacity of restaurants, such as semi-state of emergency measures to prevent the spread of infections. However, we expect the market environment is expected to start recovering, with growth in demand for home-use products to stabilize and demand for the restaurant business and commercial-use products recovering moderately, assuming that additional vaccinations and oral medications become more widely available. At the same time, with working from home and telecommuting taking root, demand for office space is also expected to remain severe.

Amidst these circumstances, the Sapporo Group will continue to focus on enhancing its mainstay brands and will center on strengthening the beer category as well as the RTD category, such as through plans to build a new RTD manufacturing facility at the Sendai Brewery for alcoholic beverages in Japan. For overseas alcoholic beverages, we aim to achieve further growth, mainly in North America.

We expect raw material prices to rise in the Alcoholic Beverages and Food & Soft Drinks segments, but we will continue structural reforms centered on cost reductions to achieve elimination of deficits in the restaurant business and growth in the food and soft drinks business, and in the real estate business, we will work to improve the profitability of the entire Group by strategically enhancing value, including long-term repairs.

Through the above efforts, we are forecasting an increase in both revenue and core operating profit versus 2021 levels.

We forecast the operating profit and profit attributable to owners of parent to decrease due to the downturn in sales of investment properties that occurred during the current year.

(b) Outlook by reportable segment

Millions of yen, except percentages

	Revenue			Core operating profit			Operating profit		
	Year ended Dec. 31, 2021	Year ending Dec. 31, 2022 (forecast)	Change (%)	Year end Dec. 31, 2021	Year ending Dec. 31, 2022 (forecast)	Change (%)	Year ended Dec. 31, 2021	Year ending Dec. 31, 2022 (forecast)	Change (%)
Alcoholic Beverages	289,678	333,700	15.2	5,441	9,500	74.6	2,146	8,600	300.7
Food & Soft Drinks	125,453	124,200	(1.0)	712	1,700	138.7	(3,386)	1,300	—
Real Estate	21,863	20,700	(5.3)	8,226	6,300	(23.4)	29,254	4,700	(83.9)

Alcoholic Beverages

Japan

We will continue to show the appeal of beer and challenge new markets, and push ahead to create enthusiastic fans. We will promote growth in beer through pursuing premium value by building contact points and structures that reach diverse personalities and appeals. For the categories of new-genre beer, which can be easily enjoyed at home, and RTD, we will accelerate growth by concentrating on major brands and pursuing reasonable value. In addition, we will proactively take on the challenge of creating new markets through such products as the low-alcohol beer taste product Sapporo The DRAFTY and the non-alcoholic food with functional claims Sapporo LEMON'S FREE. We will also advance cost structure reforms to further improve profitability.

Overseas

We will work to ensure market penetration of Sapporo Premium Beer and our premium brands, and implement strategies that take into account the special characteristics of each geographical area. In the United States, we will accelerate the growth of the Sapporo and Anchor brands, and improve the profit structure by launching new products. In Canada, we will improve profitability by strengthening the premium brand beers and RTDs of Sleeman Breweries, and through cost structure reforms.

Restaurants

To respond to the changing needs of society, we will accelerate our research of new business areas and the development and expansion of highly profitable business categories. In addition, we will continue to work on structural reforms to reduce costs and strengthen profitability, such as negotiating reductions in outlet rents and controlling labor costs through more efficient work styles and staffing assignments.

Food & Soft Drinks

With H (Health) + ESG management as a concept, we will implement strategies that utilize our strengths in each business.

In the domestic soft drink business, the TOCHI and CRAFT series, which uses domestically produced ingredients, will be clearly positioned as a “social good drinks” (*1) to further strengthen sales from the perspective of production promotion and community support.

In the lemon-based food and soft drink business, we will promote expanded measures and applications responding to a broad range of occasions for Pokka Lemon, and the unique health value of lemons, such as the fatigue-reducing effects of citric acid, for Kireto Lemon, and will aim to achieve a record number of shipments for both products.

We will strive to expand demand for our mainstay Jikkuri Kotokoto series in processed foods by adding more health value in addition to conventional preference value.

In the plant-based milk business, we will continue to respond to the growing market centered on soymilk yogurt.

*1 Products with a positive impact on society

Real Estate

In the real estate business, we will continue to strengthen our competitiveness in both hardware and software, and work to maintain and improve occupancy rates and rent levels in the properties we own. For Yebisu Garden Place and Sapporo Factory, our core facilities, we aim to maintain and improve profitability and to enhance the brand value of the entire area by improving convenience and providing new functions and added value in order to meet the needs of diverse lifestyles and work styles. In addition, we will promote urban development in Ebisu and Sapporo by strategically reconfiguring our property portfolio to increase the value of the real estate business as a whole, and will continue working to generate income in new business areas, such as equity investments in private funds.

(NOTE) The outlook for 2022 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 reasons.

(5) Dividend Policy and Dividends for 2021 and 2022

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.

With regard to the level of dividends going forward, the Company will take into account the dividend payout ratio and DOE* while working to enhance its corporate value under the "Group Management Plan 2024", announced in February 2020.

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 2021. 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 2022

* DOE (dividend on equity) = Amount of dividends / Amount of equity (i.e., total equity attributable to owners of parent)

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)

	December 31, 2020	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	19,734	17,368
Trade and other receivables	84,475	91,530
Inventories	36,001	39,178
Other financial assets	5,459	3,985
Other current assets	14,883	5,627
Subtotal	160,551	157,687
Assets held for sale	278	10,119
Total current assets	160,829	167,806
Non-current assets		
Property, plant and equipment	126,650	120,624
Investment property	218,574	203,224
Goodwill	17,920	19,176
Intangible assets	9,023	7,893
Investments accounted for using equity method	446	1,345
Other financial assets	69,969	65,650
Other non-current assets	6,108	4,682
Deferred tax assets	6,831	4,151
Total non-current assets	455,520	426,745
Total assets	616,349	594,551

(Millions of yen)

	December 31, 2020	December 31, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	31,927	33,228
Bonds and borrowings	83,177	61,163
Lease liabilities	5,836	4,712
Income taxes payable	727	5,577
Other financial liabilities	38,120	37,575
Provisions	6,031	7,704
Other current liabilities	50,424	54,458
Subtotal	216,243	204,418
Liabilities directly associated with assets held for sale	—	6,118
Total current liabilities	216,243	210,535
Non-current liabilities		
Bonds and borrowings	158,091	136,936
Lease liabilities	21,046	17,257
Other financial liabilities	45,344	44,376
Retirement benefit liability	3,965	318
Provisions	2,694	2,078
Other non-current liabilities	138	139
Deferred tax liabilities	19,277	19,585
Total non-current liabilities	250,555	220,688
Total liabilities	466,798	431,224
Equity		
Share capital	53,887	53,887
Capital surplus	40,853	40,596
Treasury shares	(1,787)	(1,785)
Retained earnings	33,459	44,791
Other components of equity	23,370	25,080
Total equity attributable to owners of parent	149,781	162,570
Non-controlling interests	(231)	757
Total equity	149,551	163,327
Total liabilities and equity	616,349	594,551

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

Consolidated Statement of Profit or Loss

(Millions of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Revenue	434,723	437,159
Cost of sales	302,593	303,380
Gross profit	132,130	133,779
Selling, general and administrative expenses	127,869	125,637
Other operating income	3,656	28,450
Other operating expenses	23,855	14,564
Operating profit (loss)	(15,938)	22,029
Finance income	982	1,606
Finance costs	4,425	2,496
Share of profit of investments accounted for using equity method	17	47
Profit (loss) before tax	(19,364)	21,185
Income tax expense	(2,759)	8,910
Profit (loss)	(16,605)	12,275
Profit attributable to		
Owners of parent	(16,071)	12,331
Non-controlling interests	(533)	(56)
Profit (loss)	(16,605)	12,275
Basic earnings (loss) per share	(206.31)	158.30
Diluted earnings (loss) per share	(206.31)	155.82

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Profit (loss)	(16,605)	12,275
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(5,051)	(980)
Remeasurements of defined benefit plans	1,124	2,164
Total of items that will not be reclassified to profit or loss	(3,927)	1,185
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(973)	3,643
Effective portion of cash flow hedges	29	24
Total of items that may be reclassified to profit or loss	(944)	3,667
Total other comprehensive income, net of tax	(4,872)	4,852
Comprehensive income	(21,476)	17,127
Comprehensive income attributable to		
Owners of parent	(20,913)	17,128
Non-controlling interests	(563)	(1)
Comprehensive income	(21,476)	17,127

(4) 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 cash flow hedges
Balance as of January 1, 2020	53,887	40,958	(1,792)	51,521	(863)	(68)
Profit (loss)				(16,071)		
Other comprehensive income					(943)	29
Comprehensive income	-	-	-	(16,071)	(943)	29
Purchase of treasury shares			(5)			
Disposal of treasury shares		0	10			
Dividends				(3,277)		
Changes in ownership interest in subsidiaries		(92)				
Share-based remuneration transactions		(12)				
Transfer from other components of equity to retained earnings				1,286	-	-
Total transactions with owners	-	(104)	5	(1,991)	-	-
Balance as of December 31, 2020	53,887	40,853	(1,787)	33,459	(1,806)	(40)

	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, 2020	30,428	-	29,497	174,071	454	174,524
Profit (loss)			-	(16,071)	(533)	(16,605)
Other comprehensive income	(5,051)	1,124	(4,842)	(4,842)	(30)	(4,872)
Comprehensive income	(5,051)	1,124	(4,842)	(20,913)	(563)	(21,476)
Purchase of treasury shares			-	(5)	-	(5)
Disposal of treasury shares			-	10	-	10
Dividends			-	(3,277)	(10)	(3,287)
Changes in ownership interest in subsidiaries			-	(92)	(111)	(203)
Share-based remuneration transactions			-	(12)	-	(12)
Transfer from other components of equity to retained earnings	(162)	(1,124)	(1,286)	-	-	-
Total transactions with owners	(162)	(1,124)	(1,286)	(3,377)	(121)	(3,498)
Balance as of December 31, 2020	25,215	-	23,370	149,781	(231)	149,551

(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 cash flow hedges
Balance as of January 1, 2021	53,887	40,853	(1,787)	33,459	(1,806)	(40)
Profit (loss)				12,331		
Other comprehensive income					3,588	24
Comprehensive income	-	-	-	12,331	3,588	24
Purchase of treasury shares			(5)			
Disposal of treasury shares		0	8			
Dividends				(3,277)		
Changes in ownership interest in subsidiaries		(50)				
Share-based remuneration transactions		(24)				
Transfer from other components of equity to retained earnings				2,096		
Other		(182)		182		
Total transactions with owners	-	(257)	3	(998)	-	-
Balance as of December 31, 2021	53,887	40,596	(1,785)	44,791	1,782	(15)

	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, 2021	25,215	-	23,370	149,781	(231)	149,551
Profit (loss)			-	12,331	(56)	12,275
Other comprehensive income	(980)	2,164	4,797	4,797	55	4,852
Comprehensive income	(980)	2,164	4,797	17,128	(1)	17,217
Purchase of treasury shares			-	(5)	-	(5)
Disposal of treasury shares			-	8	-	8
Dividends			-	(3,277)	(1)	(3,278)
Changes in ownership interest in subsidiaries			-	(50)	-	(50)
Share-based remuneration transactions			-	(24)	-	(24)
Transfer from other components of equity to retained earnings	(922)	(2,164)	(3,086)	(990)	990	-
Other			-	-	-	-
Total transactions with owners	(922)	(2,164)	(3,086)	(4,339)	989	(3,350)
Balance as of December 31, 2021	23,313	-	25,080	162,570	757	163,327

(5) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Cash flows from operating activities		
Profit (loss) before tax	(19,364)	21,185
Depreciation and amortization	26,202	22,660
Impairment losses	14,161	7,533
Interest and dividend income	(973)	(844)
Interest expenses	1,792	1,634
Share of loss (profit) of investments accounted for using equity method	(17)	(47)
Loss (gain) on sale and retirement of property, plant and equipment, and intangible assets	(896)	(21,732)
Decrease (increase) in trade and other receivables	9,628	(6,487)
Decrease (increase) in inventories	132	(1,835)
Increase (decrease) in trade and other payables	(2,005)	1,128
Increase (decrease) in accrued alcohol tax	(3,353)	2,139
Other	(2,393)	5,544
Subtotal	22,914	30,878
Interest and dividends received	979	840
Interest paid	(1,664)	(1,508)
Income taxes paid	(5,763)	98
Net cash provided by (used in) operating activities	16,466	30,308
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,199)	(11,982)
Proceeds from sale of property, plant and equipment	412	1,448
Purchase of investment property	(3,639)	(8,082)
Proceeds from sale of investment property	1,648	40,418
Purchase of intangible assets	(2,318)	(1,210)
Purchase of investment securities	(2,546)	(2,358)
Proceeds from sale of investment securities	1,517	3,330
Payments for acquisition of subsidiaries due to change in scope of consolidation	—	(2,737)
Payments for investments in capital	(297)	(1,300)
Purchase of shares of subsidiaries and associates	—	(900)
Payments for loans receivable	(75)	(59)
Collection of loans receivable	77	131
Other	(580)	4,030
Net cash provided by (used in) investing activities	(16,000)	20,729

(Millions of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	422	(852)
Proceeds from long-term borrowings	20,800	6,500
Repayments of long-term borrowings	(17,322)	(19,331)
Proceeds from issuance of bonds	30,000	—
Redemption of bonds	(20,013)	(30,008)
Dividends paid	(3,287)	(3,276)
Repayments of lease liabilities	(6,466)	(6,115)
Purchase of treasury shares	(5)	(5)
Other	10	8
Net cash provided by (used in) financing activities	4,138	(53,080)
Effect of exchange rate changes on cash and cash equivalents	(86)	777
Net increase (decrease) in cash and cash equivalents	4,519	(1,266)
Cash and cash equivalents at beginning of period	15,215	19,734
Cash and cash equivalents included in assets of disposal groups classified as holdings for sale	-	(1,100)
Cash and cash equivalents at end of period	19,734	17,368

(6) Notes on the Going-concern Assumption

Not applicable

(7) Changes in presentation

(Consolidated statement of financial position)

Income taxes receivable, which was stated separately under Current assets in the fiscal year ended December 31, 2020, is included under Other current assets in the fiscal year ended December 31, 2021, due to its reduced materiality. Reclassifications have been made to the consolidated financial statements for the fiscal year ended December 31, 2020, to reflect this change in presentation.

As a result, the ¥8,755 million Income taxes receivable under Current assets in the fiscal year ended December 31, 2020, is reclassified as Other current assets.

Provisions, which was included in Other current liabilities and Other non-current liabilities under Current liabilities and Non-current liabilities, respectively, in the fiscal year ended December 31, 2020, is stated separately in the fiscal year ended December 31, 2021, due to its increased materiality. Reclassifications have been made to the consolidated financial statements for the fiscal year ended December 31, 2020, to reflect this change in presentation.

As a result, the ¥56,456 million Other current liabilities under Current liabilities in the fiscal year ended December 31, 2020, is reclassified as the ¥6,031 million Provisions and the ¥50,424 million Other current liabilities. In addition, the ¥2,832 million Other non-current liabilities under Non-current liabilities in the fiscal year ended December 31, 2020, is reclassified as the ¥2,694 million Provisions and the ¥138 million Other non-current liabilities.

(Consolidated statement of cash flows)

Proceeds from sale of investment properties, which was included in Proceeds from sale of property, plant and equipment under Cash flows from investing activities in the fiscal year ended December 31, 2020, is stated separately in the fiscal year ended December 31, 2021, due to its increased materiality. Reclassifications have been made to the consolidated statement of cash flows for the fiscal year ended December 31, 2020, to reflect this change in presentation.

As a result, the ¥2,060 million Proceeds from sale of property, plant and equipment under Cash flows from investing activities of Consolidated statement of cash flows in the fiscal year ended December 31, 2020, is reclassified as the ¥412 million Proceeds from sale of property, plant and equipment and the ¥1,648 million Proceeds from sale of investment properties.

Payments for investments in capital, which was included in Other under Cash flows from investing activities in the fiscal year ended December 31, 2020, is stated separately in the fiscal year ended December 31, 2021, due to its increased materiality. Reclassifications have been made to the consolidated statement of cash flows for the fiscal year ended December 31, 2020, to reflect this change in presentation. As a result, the ¥(877) million Other under Cash flows from investing activities of Consolidated statement of cash flows in the fiscal year ended December 31, 2020, is reclassified as the ¥(297) million Payments for investments in capital and the ¥(580) million Other.

(Significant accounting principles)

The significant accounting policies applied in the Sapporo Group's consolidated financial statements are the same as those applied in the previous consolidated fiscal year.

(Significant accounting estimates and judgments involving estimates)

In preparing consolidated financial statements in accordance with IFRS (International Financial Reporting Standards), management is required to make judgments, estimates, and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenues, and expenses. Actual results may differ materially from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting

estimates are recognized in the accounting period in which the estimate is revised and in future accounting periods thereafter.

Significant accounting estimates and judgments involving estimates in the consolidated financial statements are the same as those in the consolidated financial statements for the previous fiscal year. However, the Sapporo Group assumes that the spread of some new COVID-19 infections (Omicron variant) will affect its business activities and financial performance, and thus makes accounting estimates such as impairment tests for non-financial assets and the collectibility of deferred tax assets. Specifically, we believe that with the emergence of new mutant strains of COVID-19, the market environment will turn to recovery trend thanks to the roll-out vaccinations although the impact of infectious diseases on the economy and consumption is expected to continue until the end of the next consolidated fiscal year. Furthermore, while demand for home-use products has calmed down, it is assumed that demand for restaurant business and commercial-use product will recover, albeit gradually. Future trends of economic or personal consumption may not recover as expected, and other factors may have a significant impact on the consolidated financial statements for the following fiscal year and beyond, depending on future developments.

(Changes in accounting estimates)

Property, plant and equipment

With the resolution to remove some of the existing facilities at the Sendai Brewery of consolidated subsidiary Sapporo Breweries Limited in the current fiscal year, the useful life of the facilities to be removed has been shortened and changed in future years.

Accordingly, operating profit and profit before tax for the current consolidated fiscal year decreased by ¥91 million each, and operating profit and profit before tax for the next consolidated fiscal year are expected to decrease by ¥1,096 million each, compared with the conventional method.

(8) Segment Information

(a) 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.

(b) Revenue, profit (or loss)

(Millions of yen)

	Years ended December 31, 2020 (January 1, 2020 – December 31, 2020)						
	Alcoholic Beverages	Food & Soft Drinks	Real Estate	Other *1	Total	Adjustment	Consolidated total
Revenue							
To outside customers	285,427	125,861	23,262	172	434,723	—	434,723
Inter-segment revenue	12,361	755	2,642	1	15,758	(15,758)	—
Total	297,788	126,616	25,904	173	450,481	(15,758)	434,723
Operating profit (loss)	(4,861)	(16,921)	11,892	(0)	9,890	(6,048)	(15,938)

(Millions of yen)

	Years ended December 31, 2021 (January 1, 2021 – December 31, 2021)						
	Alcoholic Beverages	Food & Soft Drinks	Real Estate	Other *1	Total	Adjustment	Consolidated total
Revenue							
To outside customers	289,029	125,453	21,863	166	437,159	—	437,159
Inter-segment revenue	13,009	950	2,406	0	16,365	(16,365)	—
Total	302,687	126,403	24,269	166	453,525	(16,365)	437,159
Operating profit (loss)	2,146	(3,386)	29,254	34	28,048	(6,020)	22,029

"Other" comprises businesses, such as health food business, etc., that are not included in reportable segments. Adjustment included General corporate and intercompany eliminations.

General corporation are general administrative expenses that do not belong to the reporting segment.

(Subsequent Events)

None