Annual Report 2015

SAPPORO HOLDINGS LIMITED

Taking the Next Step

SAPPORO

Annual Report 2015

Contents

Forward-looking Statements

Statements in this annual report with respect to the Company's plans, strategies, forecasts and other statements that are not historical facts are forward-looking statements that are based on management's judgment in light of currently available information. Factors that could cause actual results to differ materially from our earnings forecasts include, without limitation, global economic conditions, our response to market demand for and competitive pricing pressure on products and services and currency exchange rate fluctuations.

All figures in this annual report are rounded to the nearest applicable unit.

SAPPORO

Management Philosophy

"As an intrinsic part of people's lives,
Sapporo will contribute
to the evolution of creative,
enriching and rewarding lifestyles"

Fundamental Management Policy

The Sapporo Group strives to maintain integrity in corporate conduct that reinforces stakeholder trust and aims to achieve continuous growth in corporate value.

About the Group's corporate logo, the Sapporo Shining Star

The Sapporo Shining Star is a motif representing a polestar. The Group has used this logo since its predecessor, the *Kaitakushi* (the national government Hokkaido development commission) Brewery, was established in 1876. It is a symbol of the pioneering spirit in which the Group was founded.

Sapporo Group

The Sapporo Group has been brewing beer since 1876. Throughout its history, the Group has diligently created products using only carefully selected ingredients. In the areas of food and surroundings, the Group continues to provide products and services designed to satisfy customers in Japan and overseas, especially North America and Southeast Asia.

Founded	**1876**
Number of employees	**7,484** (Consolidated) **117** (Parent company)
Consolidated subsidiaries and equity-method affiliates	Consolidated subsidiaries **54** Equity-method affiliates **2**

2015 Business Results

The Group posted consolidated net sales of ¥533.7 billion, up 2.9% year on year. The result mainly reflected higher sales volumes in the Food & Soft Drinks segment and the new consolidation of Country Pure Foods, Inc. in the International segment. These factors outweighed a year-on-year decline in sales volumes of beer-type beverages in the Japanese Alcoholic Beverages segment. Consolidated operating income declined 5.3% year on year; however, all operations achieved profitability for a result of ¥14.0 billion.

Net sales	**¥533.7 billion (+2.9% YoY)**
Operating income	**¥14.0 billion (–5.3% YoY)**

Our History of Development over 140 Years

Taking the Next Step

The Sapporo Group has marked 140 years since its foundation. The Group will continue to leverage the qualities of its founding DNA to maximize Group synergies and strive for sustained growth.

1988 Established Seiwa Real Estate Co., Ltd.

Provides real estate services starting from real estate development of former factory sites. Provides a stable base that contributes significantly to the Group's growth

1993: Completed construction of the Sapporo Factory on the former site of SAPPORO BREWERIES' Sapporo Brewery

1994: Completed construction of Yebisu Garden Place on the former site of SAPPORO BREWERIES' Ebisu Brewery

1964 Began exporting beer to the United States

SAPPORO BREWERIES started overseas expansion in this year. Later, it expanded sales channels throughout North America and Southeast Asia, creating a foundation for further growth.

1984: Established SAPPORO U.S.A. INC. and strengthened the foothold for business expansion in North America

1906 Started manufacture and sales of *Citron*

Citron remains popular today. The launch of *Citron* (Soda) marked the Sapporo Group's entry into the soft drinks business.

1957: Established Kokusai Inryo Co., Ltd., which later became Sapporo Beverage Co., Ltd.

1985: Renamed Sapporo Beverage Co., Ltd.

1899 Opened *YEBISU BEER HALL*, Japan's first beer hall

The highly modern beer hall has flourished since its opening. More than 100 years have passed since it was opened in Ginza. Its history of continued development is also a history of continuing support from customers.

1934: Opened the Beer Hall Lion Ginza 7-Chome, now the oldest existing beer hall in Japan

1979: Changed Company name to SAPPORO LION LIMITED

1887 Established Japan Beer Brewery Company

Japan Beer Brewery Company was established in Ginza, Tokyo.

1890: Launched *Yebisu Beer*

1876 Established the Kaitakushi Brewery

The Kaitakushi Brewery was launched in Sapporo as a government-operated brewery of the Hokkaido Development Commission.

1877: Launched *Sapporo Lager Beer*, the first product

1956: Revival of *Sapporo Beer*

1964: Company name changed to SAPPORO BREWERIES LIMITED

2003

Started operation under a holding company framework with SAPPORO HOLDINGS LIMITED as a pure holding company

Real Estate

2014: Completed construction of Ebisu First Square

June 2016 [Scheduled]: Complete construction of Ginza Place

International

2006: Made SLEEMAN BREWERIES LTD. into a consolidated subsidiary and focused on strengthening the SLEEMAN brand

2010: Made SAPPORO VIETNAM LIMITED into a consolidated subsidiary and expanded business in Southeast Asia

Food & Soft Drinks

2011: Made POKKA CORPORATION a wholly owned subsidiary

2013: Integrated business with POKKA CORPORATION and started operations as POKKA SAPPORO Food & Beverage Ltd.

2014: Completed construction of the new POKKA Malaysia Factory following the main factory in Singapore, and started operations

Restaurants

2009: Opened the first *YEBISU BAR* jointly developed with SAPPORO BREWERIES in the Ginza Corridor district

2013: Opened the first *GINZA LION BEER HALL* in Singapore, using the strength of the beer hall format for overseas development

Japanese Alcoholic Beverages

2006: Entered the *shochu* business

2010: Opened the Museum of Yebisu Beer in response to continued support

2012: Opened the Grande Polaire Katsunuma Winery, eyeing the growing market for fine wines

Our Business

The Sapporo Group is dedicated to utilizing its assets and strengths in the pursuit of operations in the two business domains of “Creating value in food” and “Creating comfortable surroundings.”

“Creating value in food” means providing a wide range of food products with genuine value tailored to customer demand, in line with the key principles of safety, security and health. “Creating comfortable surroundings” means providing relaxed and appealing venues as part of the general urban fabric comprising restaurants and bars, commercial precincts, office buildings and residential districts. The Group’s businesses are divided into five segments: Japanese Alcoholic Beverages, International, Food & Soft Drinks, Restaurants, and Real Estate. The Japanese Alcoholic Beverages and Real Estate segments are positioned as stable earnings pillars, while the Group also promotes the International and Food & Soft Drinks segments as future growth drivers.

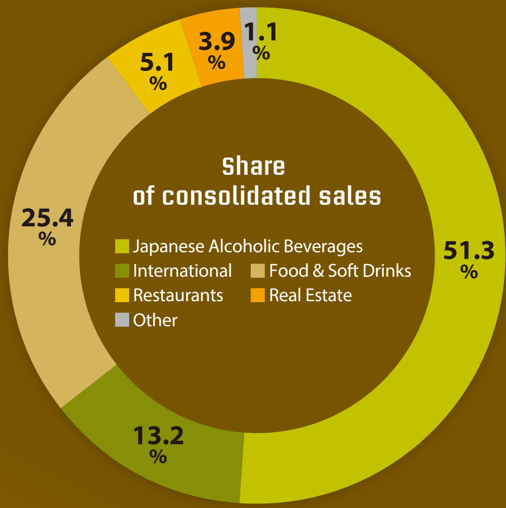
Creating value in food

The core domain driving the Group’s dynamic growth

	Pillar contributing stable earnings	Growth driver
Business segment	**Japanese Alcoholic Beverages**	**International**
Business overview	With a vision of “Seek No. 1 by accumulating one-of-a-kind products,” the Group is focused mainly on the beer business, but is also involved in other areas, including the wine and spirits business and the Japanese liquors business. The Group will continue to propose products and services that represent the distinctive Sapporo value.	The Group operates the International business offering alcoholic beverages and soft drinks, mainly in North America and Southeast Asia. In the North American market, we are aiming to take another leap forward, while working to expand our beer business in Vietnam and use it as a base for strengthening our exports to surrounding countries.
Net sales (billions of yen)	273.7	70.5
YoY	(2.6)%	41.9%
Operating income (billions of yen)	8.6	0.2
YoY	(15.3)%	(10.8)%
Strength, market, etc.	Main Brands Beer and beer-type beverages: *Yebisu Beer, Sapporo Draft Beer Black Label, Mugi to Hop The gold, Goku Zero* Wine: *Grande Polaire, Penfolds* Champagne: *Taittinger* Shochu: *Shochu Kokuimo (Imo Shochu)* Spirits: *Bacardi, Dewar’s*	Main Brands *SAPPORO PREMIUM, SLEEMAN* Main Sales Areas North America, Canada, Vietnam, South Korea, Australia, Singapore

Net sales

¥533.7 billion



Creating comfortable surroundings

The business domain expected to contribute stable profits backed by prime properties

To become a third pillar for the Group

Food & Soft Drinks

The Group operates its Food & Soft Drinks business primarily in Japan and Southeast Asia. It will carefully nurture the bonds it has built up with customers as it continues to create a stream of delicious new products that enrich and brighten people's lives.

135.7	1.7%
0.4	258.5%

Main Brands

Soft drinks: ***Kireto Lemon, Ribbon, GEROLSTEINER*** **(natural mineral water),** ***aromax*** **(canned coffee)**

Soups: ***Jikkuri Kotokoto***

Lemon-based products: ***Pokka Lemon 100***

Restaurants: **Café de Crié (coffee shop)**

Number of Café de Crié Outlets

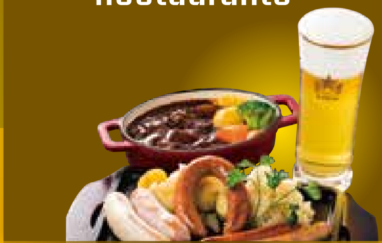
189 (as of December 31, 2015)

Main Sales Areas

Japan, Singapore, Malaysia, Indonesia, Myanmar

Contact point with customers

Restaurants



The Group operates Japan's largest beer hall chains, *GINZA LION* and *YEBISU BAR*, along with various restaurants. In addition to providing delicious draft beer, we will continue to develop menus based on the theme of "safety, security, authenticity, and health."

27.0	(0.5)%
0.5	72.2%

Main Brands

GINZA LION BEER HALL, YEBISU BAR

Number of Outlets

178 in Japan, 14 overseas

(As of December 31, 2015)

Pillar contributing stable earnings

Real Estate

The Group's Real Estate segment includes leasing, management, operation, and development. We operate and manage three commercial complexes—Yebisu Garden Place, Sapporo Factory, and *GINZA PLACE* (scheduled to open in summer 2016)—as well as office buildings and others. We will continue to maintain high occupancy rates and strive to increase rent levels.

20.9	(3.0)%
8.3	7.6%

Main Facilities

Yebisu Garden Place, Sapporo Factory

Main Areas

Ebisu, Ginza, Sapporo

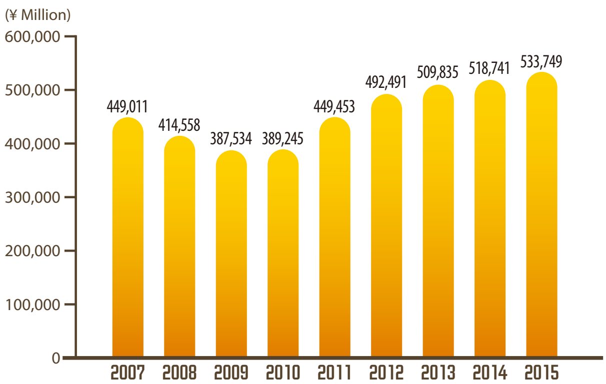
Financial Highlights

SAPPORO HOLDINGS LIMITED and consolidated subsidiaries

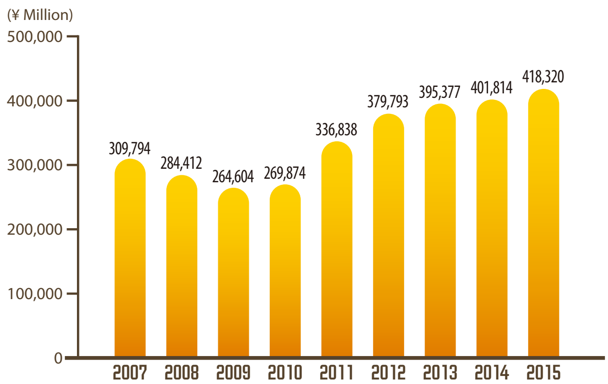
Years ended December 31	Millions of yen 2007	2008	2009	2010
For the Year:				
Net sales				
Including tax	¥449,011	¥414,558	¥387,534	¥389,245
Excluding tax	309,794	284,412	264,604	269,874
Operating income	12,363	14,685	12,896	15,403
Operating income before goodwill amortization	13,232	15,553	13,923	16,576
EBITDA	37,759	37,158	36,470	39,080
Net income	5,509	7,640	4,535	10,773
Capital expenditures (cash basis)	19,884	27,342	21,910	19,801
Depreciation and amortization	24,527	21,605	22,547	22,504
Goodwill amortization	870	867	1,027	1,173
Cash flows from operating activities	30,691	22,292	12,454	27,431
Free cash flows	17,196	39,148	(19,773)	24,836
At Year End:				
Net assets	125,189	116,862	118,591	126,645
Total assets	561,859	527,287	506,875	494,798
Financial liabilities	212,464	189,252	196,794	181,335
Other Indicators:				
Overseas sales ratio	9.0%	8.8%	8.5%	9.4%
Operating income to net sales				
Excluding tax	4.0%	5.2%	4.9%	5.7%
Excluding tax; before goodwill amortization	4.3%	5.5%	5.3%	6.1%
Debt-to-equity ratio (times)	1.7	1.6	1.7	1.4
Equity ratio	22.3%	22.1%	23.4%	25.3%
ROE	4.6%	6.3%	3.9%	8.9%
ROE (before goodwill amortization)	5.3%	7.0%	4.7%	9.8%

Note: Yen amounts have been translated into U.S. dollar amounts at the rate of ¥120.54=U.S.$1.00, the exchange rate prevailing on December 31, 2015.

Net sales (including tax)

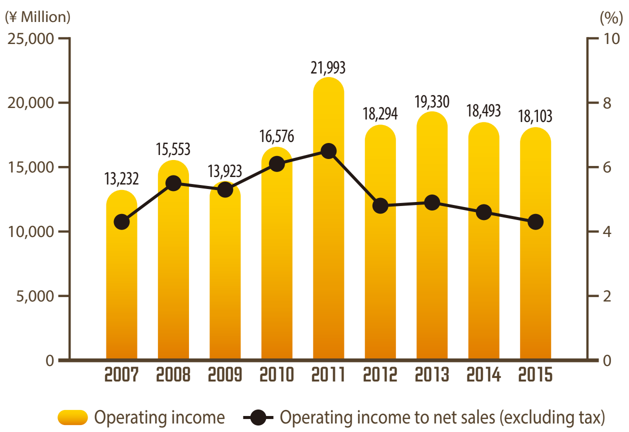


Net sales (excluding tax)



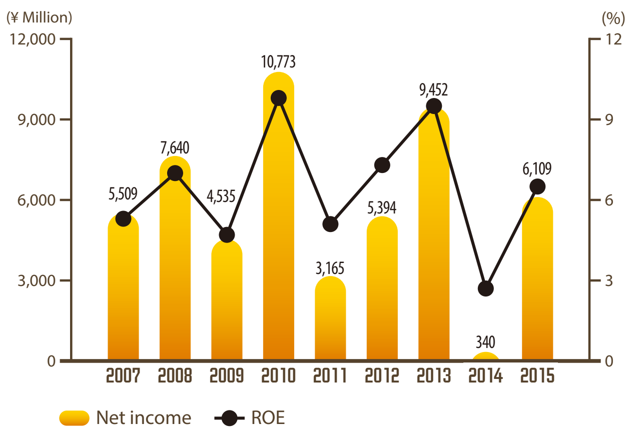
2011	2012	2013	2014	2015	2016 (forecast)	Thousands of U.S. dollars 2015
¥449,453	¥492,491	¥509,835	¥518,741	**¥533,749**	¥565,400	**$4,427,981**
336,838	379,793	395,377	401,814	**418,320**	445,208	**3,470,381**
18,884	14,415	15,344	14,729	**13,950**	21,100	**115,730**
21,993	18,294	19,330	18,493	**18,103**	25,000	**150,186**
46,477	44,100	44,388	42,974	**42,327**	49,000	**351,149**
3,165	5,394	9,452	340	**6,109**	10,500	**50,679**
13,423	53,870	13,769	19,133	**20,340**	19,500	**168,739**
24,482	25,805	25,059	24,481	**24,224**	24,000	**200,963**
3,109	3,879	3,985	3,764	**4,153**	3,900	**34,456**
22,313	29,618	32,862	22,284	**35,266**	37,100	**292,565**
(28,579)	(29,868)	19,594	5,055	**25,510**	9,500	**211,632**
124,775	134,947	155,367	160,005	**163,822**	—	**1,359,072**
550,784	597,636	616,753	625,439	**620,388**	—	**5,146,740**
219,168	257,647	247,828	247,557	**234,742**	227,100	**1,947,417**
11.0%	14.1%	18.3%	19.2%	**22.6%**	23.5%	
5.6%	3.8%	3.9%	3.7%	**3.3%**	4.7%	
6.5%	4.8%	4.9%	4.6%	**4.3%**	5.6%	
1.8	1.9	1.6	1.5	**1.4**	1.3	
22.4%	22.1%	24.6%	25.0%	**25.5%**	—	
2.5%	4.2%	6.7%	0.2%	**3.9%**	6.5%	
5.1%	7.3%	9.5%	2.7%	**6.5%**	8.9%	

Operating income and Operating income to net sales (excluding tax)



Note: Figures are before goodwill amortization.

Net income and ROE



Note: ROE is before goodwill amortization.

To Our Stakeholders

As we mark the 140th anniversary of our founding, we, the Sapporo Group, are looking ahead to our 150th anniversary, aiming to grow even further over the next ten years and increase our presence as a distinctive food company group.

Tsutomu Kamijo

President, Representative Director and Group CEO

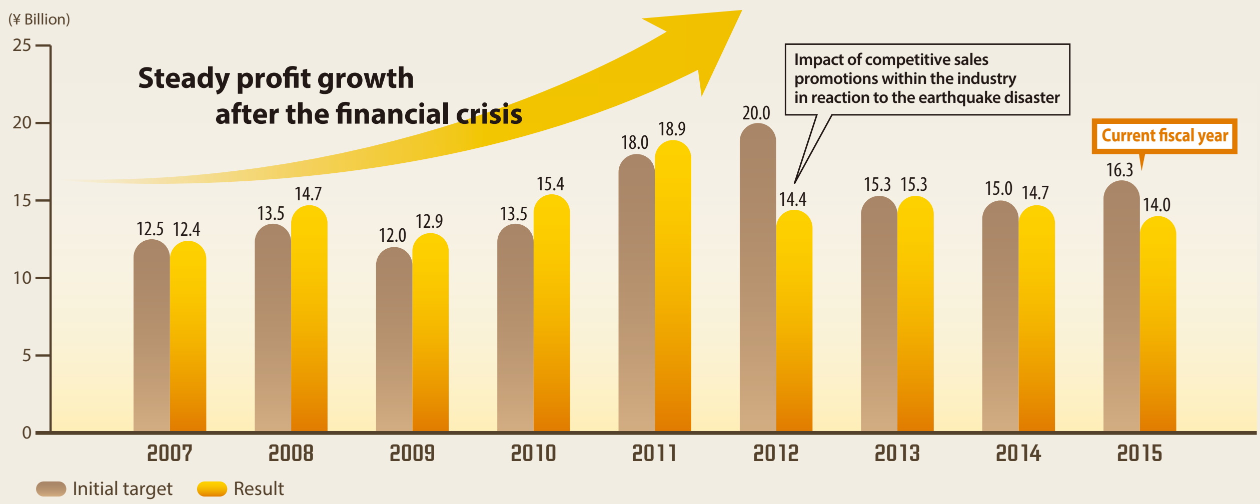
A New Start Leveraging the Qualities of Our Founding DNA

At Sapporo Holdings, we look forward to marking our 140th anniversary in September 2016. The roots of our company stretch back to 1876, with the construction of the *Kaitakushi* Brewery by Hokkaido development commission. Since then, we have continuously researched selective breeding and improved cultivation methods of barley suitable for brewing beer. This was the origin of the Collaborative Contract Farming System that we operate today, and it is also our DNA. We created a number of hit products beloved by customers, such as *Yebisu* and *Black Label*. We have also provided leading products for their times, such as *Hokkaido Namashibori* and *Draft One*. Since entering the new millennium, we have continued to expand our overseas operations aggressively in North America and Southeast Asia. In 2011, we expanded our presence in the food industry through a business integration with POKKA CORPORATION, aiming to consolidate our position as a distinctive food company group. Looking back over a long, 140-year history, I feel profoundly moved and have a great sense of responsibility as the Group CEO. As we move forward, we will make every effort to achieve steady growth, leveraging the qualities of our founding DNA.

This year is the final year of our New Management Framework, which we announced in 2007. Under the Group's strategy of creating high-value-added products and services, we are investing in the Japanese Alcoholic Beverages segment and Real Estate segment, which produce stable income. We are also making investments for future growth in the International segment and Food & Soft Drinks segment, and are increasing our investments in R&D to foster future growth.

Right now, we aim to be a group of companies that is essential for customers to enjoy rich lives throughout the world by continuing to create and supply new products and services, in an effort to become No. 1 in the market. To this end, we are currently formulating our next long-term management framework targeting 2026, the year of our 150th anniversary. We plan to announce this in autumn.

Profit Growth and Profit Management (Consolidated Operating Income)



Fiscal 2015—Achieved Operating Profitability in All Segments for a Second Consecutive Year

In fiscal 2015, the Group achieved operating profitability in all of its segments for a second consecutive year and strengthened its business portfolio. Consolidated net income also recovered, and we recorded ROE of 6.5% (before goodwill amortization). This is the successful result of concentrating our resources on our strengths in each segment. In the Japanese Alcoholic Beverages segment, we continued to invest in our core brands. In particular, we renewed our mainstay brand *Sapporo Draft Beer Black Label*, which was a growth driver alongside our *Yebisu* brand. Growth in lemon-based products with the expansion of the *Kireto Lemon* lineup in the Food & Soft Drinks segment, and high occupancy rates at our main rental properties, such as Yebisu Garden Place, in the Real Estate segment also contributed to the overall outcome.

As a result of these efforts, the Sapporo Group posted consolidated net sales of ¥533.7 billion in fiscal 2015, up ¥15.0 billion, or 2.9%, from fiscal 2014. Consolidated operating income declined by ¥0.8 billion, or 5.3%, to ¥14.0 billion. Consolidated net income was ¥6.1 billion, up ¥5.8 billion, partly reflecting a gain on sales of property, plant and equipment of ¥7.5 billion, which was offset by a loss on impairment of property, plant and equipment of ¥6.0 billion and a loss on devaluation of investment securities of ¥1.8 billion.

In an effort to develop our future strategies, we also made an effort to grasp the issues for each segment and took our first steps towards overcoming them. For example, to promote product diversification in the Japanese Alcoholic Beverages segment, we strengthened our Japanese wine and imported wine brands. In the beer business in Vietnam, we conducted a product renewal with the aim of moving to the next growth stage.

Operating Income 2013–2016

(¥ Million)

	2013	2014	2015	2016 (forecast)
Japanese Alcoholic Beverages	¥ 9,902	¥10,193	¥8,635	¥11,100
International	1,208	173	154	900
Food & Soft Drinks	(1,483)	121	434	1,700
Restaurants	415	303	523	1,300
Real Estate	8,686	7,696	8,282	10,000

Note: Assumed exchange rates: 2016: US$ = ¥126.00, CAN$ = ¥96.00

Outlook for 2016

The Company is forecasting consolidated operating income of ¥21.1 billion for fiscal 2016, with consolidated net income of ¥10.5 billion. Looking ahead, we plan to continue achieving consolidated operating income at the ¥20.0 billion level and consolidated net income at the ¥10.0 billion level. We are confident that we will be able to maintain this level by expanding as a distinctive food company group in the food sector as well as in alcoholic beverages, and achieving further growth centered on the North American and Southeast Asian markets. If there is one challenge to be met, I believe it is securing human resources for our growth areas. One measure for this is to promote diversity. We will establish systems for developing global personnel through our plan to promote personnel exchanges among our local subsidiaries in countries around the world.

Our outlook for each segment is as follows:

2016 Targets Based on Current Businesses

(¥ Billion)

	2014	2015	2016 forecast	2016 New Management Framework
Net sales (including liquor tax)	¥518.7	¥533.7	¥565.4	¥600.0
Operating income	14.7	14.0	21.1	40.0
Operating income (before goodwill amortization)	18.5	18.1	25.0	
Net income	0.3	6.1	10.5	—
Debt-to-equity ratio (times)	1.5	1.4	1.3	around 1.0
ROE	0.2%	3.9%	6.5%	8.0% or higher
ROE (before goodwill amortization)	2.7%	6.5%	8.9%	

Note: Assumed exchange rates: 2016: US$ = ¥126.00, CAN$ = ¥96.00

Japanese Alcoholic Beverages Segment

In beer and beer-type beverages, for the first year of our campaign to strengthen beer, we aim to bolster the brand value of our core *Sapporo Draft Beer Black Label* and *Yebisu Beer* brands in line with our vision of "Seek No. 1 by accumulating one-of-a-kind products." We are also expecting to widen the circle of new-genre and *happoshu* consumers by developing and nurturing products that meet customers' needs. We have already conducted a renewal of *Mugi to Hop The gold*, which is seeing strong shipments. We will promote our product diversification strategy in the Japanese Alcoholic Beverages segment, strengthening our range of fine wines, such as the Japanese wine *Grande Polaire*, and leveraging the brand power of *Penfolds* imported wine, *Taittinger* champagne, and others to increase profitability.

International Segment

In North America, we will strengthen our premium brands for the Canadian market, and look to sustain growth of the *SLEEMAN* brand. In the U.S. market, we will focus on enhancing the presence of the *SAPPORO PREMIUM* brand for the Asian-American market.

In the Vietnamese market, we will maximize the favorable impact of the *Sapporo Premium* relaunch, bolster our brand strength, and expand our sales area.

Food & Soft Drinks Segment

In this segment, we are planning to strengthen our mainstay brands in lemon-based products and soups, for instance by launching new products offering unique value from the *Kireto Lemon* brand. We are also developing a foundation for growth and reforming our cost structure by ensuring low-cost operations.

Restaurants Segment

We will seek to improve store efficiency in Japan and overseas, while also aspiring to be the world's No. 1 beer hall chain by delivering 100% satisfaction to customers. In Japan, we are currently opening new outlets, with a primary emphasis on *GINZA LION* and *YEBISU BAR* outlets, including the reopening of our large-scale flagship outlet which had been closed for two years. Overseas, we will examine expanding into new regions of operation centered on the *GINZA LION BEER HALL* format.

Real Estate Segment

In the Real Estate segment, we will continue to enhance the corporate brand by increasing the value of our properties, and will work to maintain a high occupancy rate and bolster rent levels. At *GINZA PLACE*, we are steadily making preparations for the start of operations in the summer of 2016, with plans to contribute to revenues from an early stage.

To Our Shareholders

Providing appropriate returns to shareholders is one of our key management priorities. Our basic policy is to maintain a stable dividend. For fiscal 2015, we paid an annual dividend of ¥7 per share, the same as in fiscal 2014. For the dividend from surplus for fiscal 2016, we aim to pay an annual dividend of ¥7 or greater per share by steadily executing our management plan, while making strategic investments and strengthening our financial foundation.

Japanese stock exchanges aim to consolidate 100 shares of common stock of listed domestic companies into single trading units. To comply with this aim and adjust its trading unit to an appropriate level, Sapporo Holdings has decided to change the trading unit of its shares to 100 shares from July 1, 2016, and simultaneously conduct a consolidation of its common stock at a ratio of one share for five shares. In conjunction with this, the per-share dividend is expected to become ¥35.

In 2026, the Sapporo Group will mark its 150th anniversary. We are taking steps to prepare for this milestone and to realize our vision for the kind of company we should be. We will strive to strengthen corporate governance even further; position CSR-focused management as one of the key strategies for realizing the sustained growth of the Group; and promote initiatives on "quality of food and spaces," "fair and just dealings," "conservation of the global environment," "harmonious coexistence with society," "development of human resources and enhancement of the working environment," and "sound corporate management." In particular, as a food company group, we will attach importance to "CSR in quality of food and spaces," aiming to be a company that provides security and safety while delighting customers.

As we accelerate our growth investments and progress to 150 years, 160 years, and further into the future, we will strive to increase our presence as a distinctive food company group. We kindly ask for your continued understanding and support.

Value Creation for the Future

The Sapporo Group will accelerate R&D activities and merge the current R&D assets and new technologies under the initiative of Sapporo Holdings. To execute R&D activities across Sapporo Group companies like POKKA SAPPORO Food & Beverage Ltd. or Sapporo Breweries Ltd., we established Sapporo Innovation Labo in March 2014. Subsequently, in March 2015, we established a new R&D group named the Food Value Development Group under the Group R&D Strategy Department in Sapporo Holdings to execute unconventional R&D. In April 2016, we established new laboratories named “Frontier Laboratories for Value Creation.” We will evolve our group R&D and promote “New food-value creation” for the future.

Group R&D Organization Chart

Development of new barley varieties to improve the flavor and foam stability of beer

One of the main causes of deterioration in beer quality is lipoxygenase-1 (LOX-1) in barley which catalyzes lipid oxidation. Sapporo Breweries has been focusing on cultivating LOX-1-less barley.

- In 2001, we discovered the barley with no LOX-1 in collaboration with Okayama University and started using it for barley breeding. We encountered many issues while attempting to cultivate new barley varieties, but finally succeeded in developing the first LOX-1-less barley variety in North America, named CDC Polar Star, while collaborating with the University of Saskatchewan in Canada in 2008. Sapporo Breweries has been using “fresh-tasting, long-lasting” CDC Polar Star malt in our flagship *Sapporo Draft Beer Black Label* since 2011. In 2015, Sapporo Breweries received the Japanese Society of Breeding Award for its R&D and distribution of LOX-1-less barley varieties as a member of the LOX-1-less barley breeding group. We will keep improving our R&D capabilities and cultivating value-added barley varieties.
- In 2015, Sapporo Breweries received the JSBBA Award for Achievement in Technological Research for its efforts in beer foam improvement.

* POKKA SAPPORO also received the JSBBA Award for the development of its high electric field alternating current sterilization method for juice products. This is the first time for two companies in the same group to receive this award.

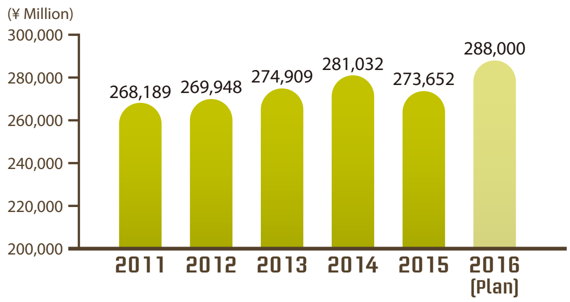
Japanese Alcoholic Beverages

Key Strategies under Sapporo Group Management Plan 2016

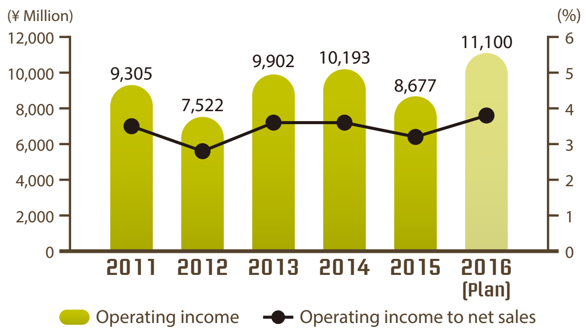
"Seek No. 1 by accumulating one-of-a-kind products" and strengthen cultivation of brands in each field

- Beer business: As the "first year of a new period of growth in the beer business," increase the value of the core *Black Label* and *Yebisu Beer* brands.
- Wine and spirits business: Strengthen fine wines* and expand profitability. Propose new ways to enjoy *Bacardi*.
  * Wines priced at or over ¥1,500
- Japanese liquor business: In addition to the strong-performing blended *shochu Imo Shochu Kokuimo*, we will continue initiatives to attract new customers with liquors made exclusively from Japanese ingredients.

Net sales



Operating income and Operating income to net sales



Note: Figures are before goodwill amortization.

Fiscal 2015 Overview

In the Japanese beer market, we estimate that total demand for beer and beer-type beverages fell about 1% year on year in 2015, largely due to the negative impact of unseasonable weather during the summer. Under such market conditions, in the beer category, strong sales of canned *Sapporo Draft Beer Black Label* led to the first year-on-year increase in overall *Black Label* brand sales volume in 21 years. Our core *Yebisu* brand also fared well. In growth fields outside of beer and beer-type beverages, we continued to promote product diversification by starting to handle global brands of imported wine and other measures. Despite these efforts, net sales in the Japanese Alcoholic Beverages segment declined by ¥7.4 billion, or 2.6%, compared with the previous year to ¥273.7 billion, and segment operating income declined by ¥1.6 billion, or 15.3%, to ¥8.6 billion.

Segment operating income before goodwill amortization declined by ¥1.5 billion, or 15.0% to ¥8.7 billion.

Beer Business

In the beer category, we increased our presence in the household market by renewing *Sapporo Draft Beer Black Label*. Along with *Yebisu*, these two core brands led a 1% year-on-year growth in domestic sales volume of beers. On the other hand, in new-genre beer and *happoshu*, sales volumes declined year on year as *Mugi to Hop The gold* and *Goku Zero* faced increasingly intense competition. As a result, overall sales volume in the beer and beer-type beverages category fell 5% from the previous year.

RTD Beverages

In the RTD category, sales also declined year on year, despite solid performances by *Sapporo Otoko Ume Sour*, a mid-to-upper price range product, and the *Nectar Sour* series.

Wine and Spirits Business

In the wine business, sales volume of our flagship Japanese wine *Grande Polaire* expanded sharply amid a growing market for fine wines. We also strengthened our imported wines by adding *Penfolds* from Treasury Wine Estates and *Taittinger* champagne. In the spirits business, we achieved

- SAPPORO BREWERIES LIMITED
- SAPPORO WINES LIMITED
- YEBISU WINEMART CO., LTD.
- TANOSHIMARU SHUZO CO., LTD.
- SAPPORO ENGINEERING LIMITED
- STARNET CO., LTD.
- SHINSEIEN CO.,LTD.

solid sales of many major international brands such as *Bombay Sapphire*, *Dewar's*, and *Martini*.

Japanese Liquor Business

In the Japanese liquor business, overall sales declined from the previous year despite continued strong sales of *Imo Shochu Kokuimo*, Japan's No. 1 selling blended *imo shochu*.

Outlook for 2016

We expect the market for our Japanese Alcoholic Beverages segment to remain challenging, mainly because of a decline in the drinking population. Nevertheless, we have designated fiscal 2016 as the "first year of a new period of growth in the beer business," and will work to further enhance the value of our core brands, *Black Label* and *Yebisu*, and promote efforts to create new value for beers such as craft beer. We also plan to aggressively expand sales of our RTD, wine, *shochu*, spirits, and Japanese liquor offerings, driving product diversification in the Japanese Alcoholic Beverages segment to expand earnings capabilities. In particular, we will continue to strengthen fine wine brands, including the Japanese wine *Grande Polaire* and our imported wines. We will also continue to propose new ways to enjoy the world's No. 1 rum brand, *Bacardi*, and intensify our development of collaborative products for increasing unique value in RTD beverages, such as *Otoko Ume Sour*.

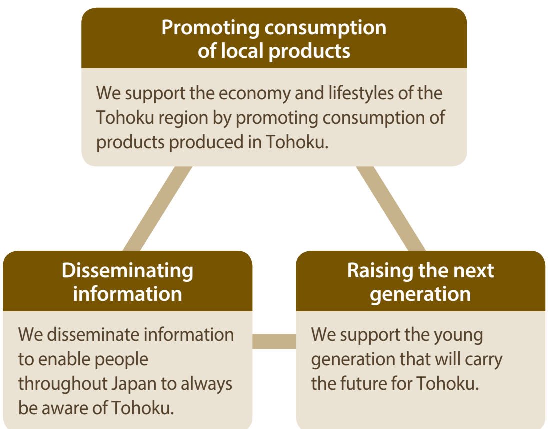
★ ESG TOPIC

Activities Supporting Recovery in Tohoku

The Sapporo Group started activities to support recovery in disaster-affected areas immediately following the Great East Japan Earthquake that struck on March 11, 2011. In 2012, Sapporo Breweries set up the "Tohoku Future Project" inside its Tohoku Headquarters and has since been engaged in support activities to meet the needs of the affected areas under three priority themes: (1) promoting consumption of local products, (2) disseminating information, and (3) raising the next generation. In 2015, Sapporo Breweries launched sales of *Sapporo Draft Beer Black Label Tohoku Hop 100%*, which uses hops solely from Tohoku produced through the Collaborative Contract Farming System. The product was only sold in the six prefectures of the Tohoku region, and part of the proceeds were donated to the Smile Tohoku Project, which aims to grow flowers in disaster-affected areas.

Sapporo Breweries will continue to engage in support activities to bring smiles to the faces of people in disaster-affected areas.

Three priority themes for support activities



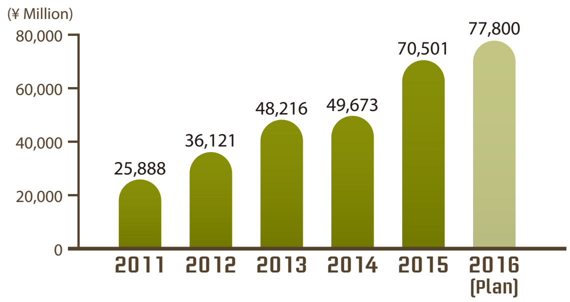
International

Key Strategies under Sapporo Group Management Plan 2016

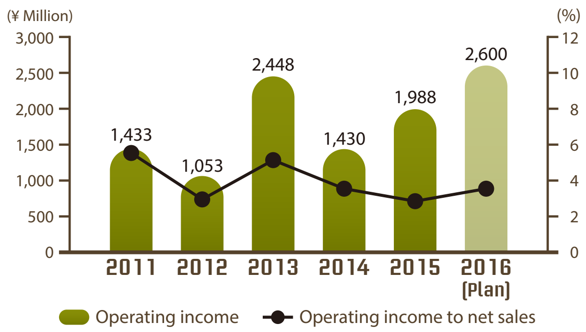
Developing a strong presence in the premium markets of North America and Southeast Asia

- North America: Strengthen premium brands of SLEEMAN in the Canadian beer market and sustain growth.
- Strengthen the *SAPPORO PREMIUM* brand of Sapporo U.S.A. by increasing focus on the Asian-American market.
- Pursue synergies with Silver Spring Citrus and Country Pure Foods in the U.S. soft drinks business.
- Southeast Asia: Maximize the impact of the renewal of *SAPPORO PREMIUM* at Sapporo Vietnam, bolster brand strength, and expand the sales area.

Net sales



Operating income and Operating income to net sales



Note: Figures are before goodwill amortization.

Fiscal 2015 Overview

In the North American beer market, we estimate that total demand was largely flat year on year for Canada and the U.S., supported by firm internal demand centered on personal consumption. In Asia, meanwhile, the beer market is expected to continue growing atop firm economic growth. In this environment, we continued aggressive marketing activities in the International segment, targeting the premium beer markets in the key regions of North America and Southeast Asia. We also made new investments in the U.S. soft drinks market. As a result, net sales increased by ¥20.8 billion, or 41.9%, year on year to ¥70.5 billion, while segment operating income decreased by 10.8% to ¥0.2 billion.

Segment operating income before goodwill amortization rose ¥0.6 billion, or 39.0% to ¥2.0 billion.

North American Market

In Canada, SLEEMAN BREWERIES continued aggressive spending on marketing its core premium brands. As a result, its overall beer sales volume (excluding Sapporo brand beer) increased by 2% year on year. Sapporo U.S.A. also achieved a 2% increase in sales volume of Sapporo brand beers. In the soft drinks business, the inclusion of Country Pure Foods, Inc. as a consolidated subsidiary in February strengthened our position in the U.S. fruit juice market.

Asia and Oceania Market

In Vietnam, sales volume increased year on year, reflecting our aggressive marketing activities including large-scale promotional events to establish the *SAPPORO PREMIUM* brand and a renewal of *SAPPORO PREMIUM Beer* in November. In Singapore, we achieved strong year-on-year growth in sales volume following an expansion of sales channels into the household market. In South Korea and Oceania, we continued initiatives to strengthen sales, resulting in a strong increase in sales volume. As a result, we achieved a 13% year-on-year increase in sales volumes of *SAPPORO PREMIUM* brand beers overall.

- SAPPORO INTERNATIONAL INC.
- SAPPORO U.S.A., INC.
- SAPPORO CANADA INC.
- SLEEMAN BREWERIES LTD.
- SAPPORO ASIA PRIVATE LIMITED
- SAPPORO VIETNAM LIMITED
- SILVER SPRINGS CITRUS, INC.
- COUNTRY PURE FOODS, INC

Outlook for 2016

Despite expectations for economic expansion in North America, overall demand in the beer market is expected to remain largely flat in 2016. In the Canadian market, SLEEMAN BREWERIES plans to focus marketing expenditure on enhancing the value of its core premium brands, while aiming to achieve its profit goals and expand its market share by introducing value brands that meet needs in areas that are expected to grow. In the U.S. market, Sapporo U.S.A. plans to build a wider presence for the *Sapporo Premium* brand by strengthening marketing to the Asian-American population. In the U.S. soft drinks market, we plan to strengthen the business foundations of Silver Springs Citrus, Inc. and Country Pure Foods, Inc. by pursuing synergies between them, and to expand their sales and profits by acquiring new sales channels and other measures.

The Southeast Asian beer market is expected to continue growing. In the Vietnamese market, we aim to expand sales and profits through effective and efficient investment in marketing and sales activities with clearly defined targets, as well as through the renewal of *Sapporo Premium Beer*.

★ ESG TOPIC

Safety and Quality Certification Acquired for a Beverage Production Factory in the U.S.

In the U.S., the Sapporo Group entered the soft drinks business in 2012, in addition to the alcohol beverages business. Silver Springs Citrus, Inc., a beverage manufacturer, acquired certification at Level 3, the highest level, of SQF* for management of food safety and quality. Country Pure Foods, Inc., which was added to the Group in February 2015, has also acquired certification at its four factories.

* Safe Quality Food (SQF): A comprehensive food safety and quality management system implemented mainly by the U.S. National Retail Federation.

Silver Springs Citrus quality controllers

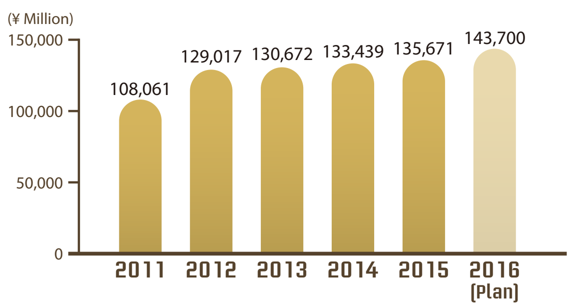
Food & Soft Drinks

Key Strategies under Sapporo Group Management Plan 2016

Move on to the next stage through enhancement of core brand strengths with a focus on lemon-based products and soups and earnings structure reforms

- Domestic soft drinks: Plan introduction of new products offering new values from the *Kireto Lemon* brand.
- Domestic food: Disseminate the health value of lemons by expanding the customer base for lemon-based flavorings, clarify targets for introducing new soup brand series.
- Overseas soft drinks: Maintain the top share in the tea drinks and non-chilled fruit juice drinks markets in Singapore, and nurture the next pillar of the business.
- Expand sales by developing the model of local production in sales areas such as Indonesia and Myanmar.

Net sales



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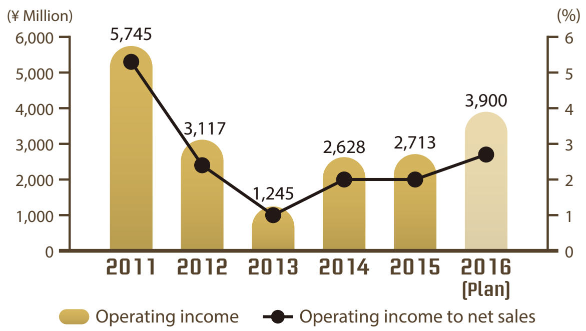


Note: Figures are before goodwill amortization.

Fiscal 2015 Overview

We estimate that domestic demand for soft drinks edged up 1%, with demand for lemon-based products (flavorings) also estimated to have increased. However, we estimate that demand for instant soups fell back owing to the impact of warm weather from November onwards. The Food & Soft Drinks segment began its third year of operations at POKKA SAPPORO Food & Beverage Ltd. We concentrated investments on core brands in order to strengthen and cultivate them, while working on our management priorities of strengthening our sales capabilities and reducing costs. In the overseas soft drinks business, the POKKA brand retained top share in the tea drinks category in the Singapore market and also achieved the top share in the non-chilled fruit juices category, which grew into a second business pillar to follow tea drinks. As a result of the above, the Food & Soft Drinks segment recorded net sales of ¥135.7 billion, up ¥2.2 billion, or 1.7%, year on year, and posted segment operating income of ¥0.4 billion, up ¥0.3 billion, or 258.5%.

Segment operating income before goodwill amortization rose ¥0.1 billion, or 3.2% to ¥2.7 billion.

Domestic Food and Soft Drinks Business

In domestic soft drinks, we created new markets with strong sales of *Kireto Lemon* (bottled) and the launch of the energy drink *Kireto Lemon-ENERGIE*. In domestic products, *POKKA LEMON 100* retained its strong performance even after a price revision, and sales volume for lemon-based products increased 4% year on year. Instant soup sales volume grew 10% year on year, with a successful renewal of *Jikkuri Kotokoto* boxed soup.

Domestic Restaurants Business

Amid a continuing adverse environment marked by increasing procurement costs and personnel expenses, the *Café de Crié* coffee shop chain achieved year-on-year sales growth atop solid sales at existing shops and aggressively opened shops in collaboration with bookstores and inside hospitals.

- POKKA SAPPORO FOOD & BEVERAGE LTD.
- POKKA CREATE CO., LTD.
- PS BEVERAGE LTD.
- STAR BEVERAGE SERVICE CO., LTD.
- POKKA SAPPORO HOKKAIDO LTD.
- NIHON BEANS CO., LTD.
- POKKA CORPORATION (SINGAPORE) PTE. LTD.
- POKKA INTERNATIONAL PTE LTD.
- PT. POKKA DIMA INTERNATIONAL

and another 8 companies

Overseas Soft Drinks Business

In Indonesia, where sales expansion is expected, POKKA CORPORATION (Singapore) PTE. LTD. and PT. Dima Indonesia established a joint venture to manufacture and sell soft drinks. The joint venture began construction of a new plant, which it plans to start up in 2016. Furthermore, the Restaurants business in Hong Kong was sold in December 2014.

Outlook for 2016

Japan's soft drinks industry is expected to continue experiencing challenging conditions with lackluster demand overall, intense competition, the impact of foreign exchange rates, and so forth. In this environment, we plan to deliver new value to customers in areas where we have distinctive advantages with a thorough understanding of the customers' perspectives, under our vision to "continue to create new delicious products that enrich and brighten people's lives." In the domestic food and soft drinks business, we will launch new products that offer new value from our core *Kireto Lemon* brand and enhance its earnings capability by ensuring a low-cost operation to develop the foundation for growth. In the instant soup category, we will strengthen the *Jikkuri Kotokoto* lineup and strive to stimulate demand growth in the soup market by launching a new brand. In the soy milk drinks and soy milk yogurt category, which we entered in 2015, we will aim to expand sales by disseminating the health value of these products alongside that of lemon.

In the domestic restaurants business, the *Café de Crié* chain will undertake detailed marketing at the individual shop level to boost brand value and accelerate growth.

In the overseas soft drinks business, we plan to increase our advantage in tea beverages and fruit juices in our mainstay Singapore market. We will also strengthen our partnerships with leading brands to expand sales and increase efficiency.

★ ESG TOPIC

Industry-First Sterilization Technology Improves the Quality of Lemon-Based Products

We introduced the industry's first sterilization technology, high electric field alternating current (HEF-AC)*, for the *POKKA Lemon 100* production line at POKKA SAPPORO's No. 3 Factory in Nagoya and improved the quality of lemon-based products compared with conventional heat-sterilization methods.

* High electric field alternating current (HEF-AC): A technology that sterilizes food quickly and efficiently by running an electric current through it.

POKKA Lemon 100 production line

Restaurants

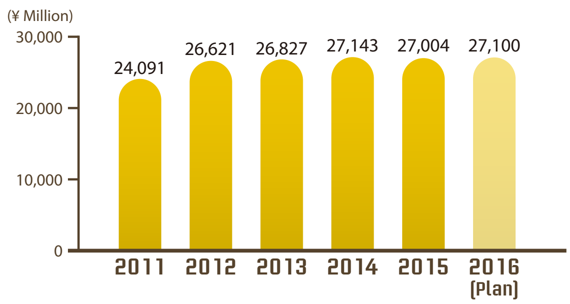
Key Strategies under Sapporo Group Management Plan 2016

Aspire to be the world's No. 1 Beer Hall chain by "offering Japan's best draft beer" and "delivering 100% satisfaction to customers"

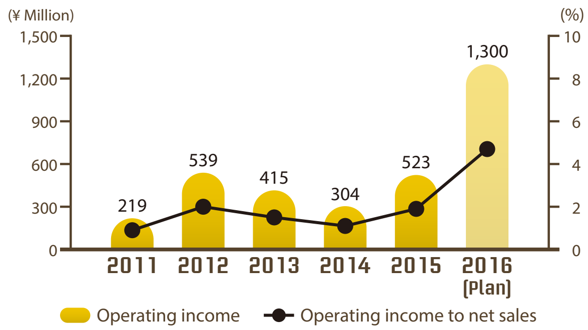
- Domestic: Open new outlets of *GINZA LION* and *YEBISU BAR* starting with the reopening of the large-scale flagship outlet of *GINZA LION* that has been closed for two years and expand the area of operation.
- Domestic: Develop new formats for future multi-outlet operation.
- Domestic: Further strengthen initiatives of the *Club LION Card* (reward card).
- Overseas: Consider expanding the regions of operation of the overseas restaurants business centered on the *GINZA LION BEER HALL* format.

- SAPPORO LION LIMITED
- NEW SANKO INC.
- SAPPORO LION (SINGAPORE) PTE. LTD.

Net sales



Operating income and Operating income to net sales



Note: Figures are before goodwill amortization.

Fiscal 2015 Overview

Japan's restaurant industry continued to face a challenging operating environment in 2015, with a continuing upward trend in labor costs and the procurement price of food ingredients. In the Restaurants segment, we continued to create restaurants that aim to "deliver 100% satisfaction to customers," while working to reform our earnings structure. As a result, the Restaurants segment posted net sales of ¥27.0 billion, down ¥0.1 billion, or 0.5%, year on year, and segment operating income of ¥0.5 billion, up ¥0.2 billion, or 72.2%.

Segment operating income before goodwill amortization rose ¥0.2 billion, or 71.7% to ¥0.5 billion.

Domestic

We opened five new outlets, centered on the *GINZA LION* and *YEBISU BAR* formats, and expanded the *YEBISU BAR* format in the Hokkaido and Tokai areas. We closed 20 restaurants during the year, including unprofitable outlets, bringing the number of restaurants operating in Japan at the end of the year to 178.

Overseas

In Singapore, we worked to promote the creation of restaurants that win the affection of local communities in order to disseminate the *GINZA LION* brand globally. We also closed unprofitable outlets, bringing the total number of restaurants operating overseas as of the end of the year to 14.

Outlook for 2016

Japan's restaurant industry is expected to continue to face a difficult operating environment with increasing entry of overseas restaurant chains and growing competition across industries. In the Restaurants segment, we will work to provide safe, reliable food by enhancing operation quality in terms of menus, services, restaurant atmosphere, and so forth. In Japan, we will continue to expand the area of our *GINZA LION* and *YEBISU BAR* formats, starting with the reopening of our outlets in Ginza 5-Chome and Shimbashi, Tokyo, which had been closed for two years. Overseas, we will continue our efforts to establish our *GINZA LION* and *Tonkichi* brands in Singapore.

Real Estate

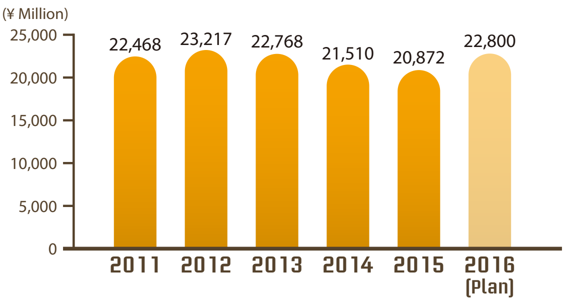
Key Strategies under Sapporo Group Management Plan 2016

Contribute to enhancement of the corporate brand by enhancing the value of our properties

- Retain high occupancy rates and improve rent levels at all properties.
- Yebisu Garden Place: Enhance functions of office, commercial and dining facilities and strive to further increase value to boost the brand strength of the entire district.
- *GINZA PLACE*: Steadily advance as planned towards opening in summer 2016 and contribute to revenues at an early stage.
- Review and reorganize the business and property portfolio to advance strategically and establish a stable earnings base for the Group.

- SAPPORO REAL ESTATE CO., LTD.
- YGP REAL ESTATE CO., LTD.
- TOKYO ENERGY SERVICE CO., LTD.
- YOKOHAMA KEIWA BUILDING CO., LTD.

Net sales



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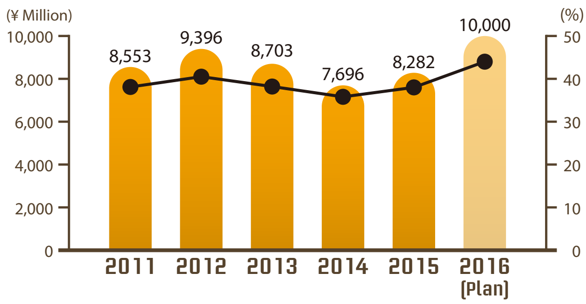


Note: Figures are before goodwill amortization.

Fiscal 2015 Overview

Japan's real estate industry in fiscal 2015 continued to enjoy a moderate increasing trend in rent levels atop firm demand in the Greater Tokyo Area office leasing market. In the Real Estate segment, we conducted proactive tenant leasing and maintained a high occupancy rate at our core earnings pillar, Yebisu Garden Place. We also continued to achieve high occupancy rates at other properties. As a result, the Real Estate segment's net sales in 2015 totaled ¥20.9 billion, down ¥0.6 billion, or 3.0%, year on year, and segment operating income totaled ¥8.3 billion, up ¥0.6 billion, or 7.6%.

Yebisu Garden Place

At Yebisu Garden Place, we continued to increase value by enhancing its brand appeal and convenience, aiming to create a sophisticated property where people can have enjoyable experiences in comfortable and pleasant surroundings. The renovations in the property's commercial area included the opening of a new-concept movie theater in March 2015, presenting customers with a new value proposal. In June, we reopened the renovated and remodeled "Glass Square" dining area on the building's B1 floor, with a new design based on the concept of "Quality of Daily Life," as we sought to re-energize and reinvigorate the area.

Real Estate Development

After opening in October 2014, Ebisu First Square made a solid contribution to earnings in its first full year of operation. In the Ginza 5-Chome Redevelopment Project, we decided on the facility name, *GINZA PLACE*, and are continuing construction with the aim of opening for business in summer 2016.

Outlook for 2016

The real estate industry is expecting to see rent levels increase at a gradual pace in the Greater Tokyo Area office leasing market. In the Real Estate segment, we will continue to drive value increases in the commercial area and other areas at Yebisu Garden Place, aiming to enhance the brand of the entire property and make it more convenient. At the commercial complex *GINZA PLACE*, scheduled to open in summer 2016, we will seek to create a facility that can contribute to further revitalization and creation of excitement in the district as a Ginza landmark, and will steadily advance as planned towards its opening.

CSR Activities

The Sapporo Group has stipulated six important CSR issues and promotes CSR-focused management as one of the key strategies for realizing the sustained growth of the Group. We aim to be a distinctive food company that continues to provide the lively, enjoyable and rich experiences and surroundings that customers seek, and we are committed to working together with various stakeholders to contribute toward a sustainable society.

Six Important CSR Issues

Issue 1 Quality of food and space

- We provide products, services and facilities with safe and reliable quality in line with the Group's quality policy.
- We listen to customers' opinions and pursue products, services and facilities that will please customers.

Issue 2 Fair and just dealings

- We always conduct fair, equitable and open transactions with clients, suppliers and other trade connections and strive to achieve sustainable development together based on a relationship of mutual trust.

Issue 3 Conservation of the global environment

- We will contribute to the establishment of a low-carbon society, a sound material-cycle society, and a society in harmony with nature to ensure that we can pass on a rich global environment to future generations.

Issue 4 Harmonious coexistence with society

- As a member of society operating a business, we will actively promote engagement with the local community and contribute to its development.
- As a Group handling alcoholic beverages, we will raise awareness about proper drinking practices and endeavor to prevent inappropriate drinking practices.

Issue 5 Development of human resources and enhancement of the working environment

- We will show respect for the human rights of all Group partners and ensure their safety and mental and physical health. Moreover, we will nurture a corporate culture in which each employee can utilize their individual qualities and diversity.

Issue 6 Sound corporate management

- We will steadily implement our internal control system to increase the credibility of the Group's management and provide timely and appropriate disclosure of information needed by all stakeholders, including shareholders.
- In addition to compliance with laws and regulations, we will abide by the Sapporo Group Code of Corporate Conduct, raising awareness and providing education so that employees can conduct themselves with the correct sense of values and judgment standards.

Issue 1 Quality of food and space

To continue to provide the products and services that customers around the world expect, it is vital that we ensure safe and reliable quality as well as work to make further quality improvements. The Sapporo Group will not be satisfied with the current level of quality, but will continue to pursue even further improvements.

Issue 2 Fair and just dealings

In accordance with the Sapporo Group's Basic Purchasing Policy, we conduct fair and just dealings with clients, suppliers and other trade connections, and strive to achieve sustainable development based on partnership. In addition, the Sapporo Group receives the cooperation of its suppliers in actively promoting environmental preservation and CSR initiatives.

The Collaborative Contract Farming System (CCFS) promoted by Sapporo Breweries is a unique raw material procurement system like no other in the world and is based on the three pillars of 1) specifying the growing area and the growers, 2) specifying the growing method, and 3) communication between the growers and Sapporo Breweries. Raw material specialists called Fieldman directly visit the fields of CCFS growers in 10 countries around the world and engage in ongoing close communication to enable growing of high quality raw materials.

Communication with growers is the most emphasized aspect of the CCFS. Fieldman meet repeatedly with growers at the timing of prior to sowing, cultivation, harvesting, or after harvesting. Fieldman start by helping the growers understand the quality that Sapporo Breweries requires, and work with them in all areas from variety selection, cultivation methods, such as use of fertilizer and pesticides, and storehouse management. Through their collaboration, CCFS growers and Fieldman work together to produce safer, more reliable raw materials of higher quality. Mutual respect and building on relationships of trust is the first step to enable production of safe, reliable, high quality raw materials.

Issue 3 Conservation of the global environment

At every stage of our products and services in every one of our business domains, all of our employees are giving consideration to the global environment and making proactive efforts to help realize a sustainable society.

In August 2015, the Sapporo Group formulated its medium-term environmental policy, "Activities to Protect the Global Environment 2030." To realize a sustainable society looking toward 2030, the Sapporo Group will collaborate with various regions around the world where it engages in business and strive to employ innovative technologies and methods, aiming to consider the environment in all business activities, including development and provision of products and services.

The Sapporo Group's Activities to Protect the Global Environment 2030

Prevention of global warming

Reduce CO_2 emissions generated in business activities by 12% compared to 2013

Due to a deterioration of the emissions coefficient, the CO_2 emission intensity in 2014 was reduced by 4.1%, but as a result of energy-saving measures implemented at each operating company the energy consumption intensity was reduced by 11.4% compared to 2009, which exceeded plans.

	2010	2011	2012	2013	2014
Reduction of CO_2 emission intensity (compared to 2009)	94.1%	90.5%	97.6%	99.3%	95.9%
Reference: Reduction of energy consumption intensity (compared to 2009)	97.0%	93.1%	91.9%	88.2%	85.6%

* Under its previous environmental medium-term objective, the Sapporo Group aimed for a 7% reduction of its overall CO_2 emission intensity compared to fiscal 2009.

Promoting the 3Rs (Reduce/Reuse/Recycle)

The Sapporo Group strives to promote reducing, reusing and recycling in all business activities from raw materials procurement through to disposal and recycling.

Topic

Sapporo Breweries has been moving ahead with initiatives to lighten aluminum beer cans since 2012. The amount of aluminum used has been reduced by 4.4% in 350 ml cans and 3.2% in 500 ml cans. All beer products will be switched to lighter cans by 2016.

Coexistence with nature

We will take full advantage of the strengths of each business and endeavor to beautify the environment and preserve biodiversity.

Issue **4**

Harmonious coexistence with society

The Sapporo Group is grateful for the support of local communities and works to communicate and deepen relations with local communities while continuing various activities to contribute to society.

Moreover, taking responsibility as a corporate group involved in the alcoholic beverages business, the Group continues awareness-raising activities regarding proper drinking practices.

Topic

Holding the Sapporo Beer Festival and Yebisu Beer Festival

The Sapporo Group undertakes various activities in the area where it was founded. It holds beer festivals in Sapporo and Ebisu, two areas in which it has historically deep ties, and each year over 250,000 people enjoy beer at these events.

Issue **5**

Development of human resources and enhancement of the working environment

We consider all employees to be corporate assets, and strive to provide workplaces that are comfortable. To enable each employee to fully utilize their strengths, we are promoting diversity and building an organization that will utilize it.

Promotion of Diversity in the Sapporo Group

Fair employment of human resources

The Sapporo Group upholds the principle of fair employment of human resources based on a spirit of openness and fairness, disregarding matters such as nationality, gender, and academic background. Each Group company formulates an employment policy that considers the characteristics and environment of its business to employ diverse human resources.

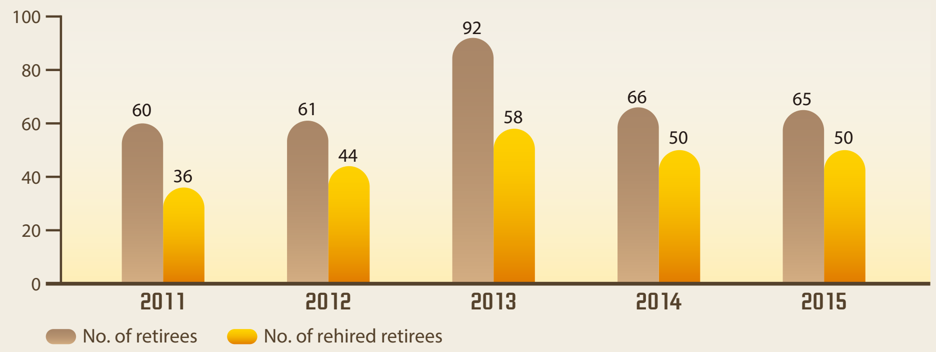
		2011	2012	2013	2014	2015
No. of employees	Total	3,987	4,029	4,048	3,920	4,019
	No. of women	606	631	648	623	694
No. of managers	Total	1,002	1,027	997	927	931
	No. of women	18	25	27	22	24
	Ratio of women in management	1.8%	2.4%	2.7%	2.4%	2.6%

* Until 2012, the data shows the total from Sapporo Holdings, Sapporo Breweries, Sapporo Beverage, POKKA CORPORATION, Sapporo Lion, and Sapporo Real Estate (including employees on assignment at subsidiaries or affiliated companies).

* From 2013, the data shows the total from Sapporo Holdings, Sapporo Breweries, POKKA SAPPORO Food & Beverage, Sapporo Lion, and Sapporo Real Estate (including employees on assignment at subsidiaries or affiliated companies).

Re-employment of retired employees

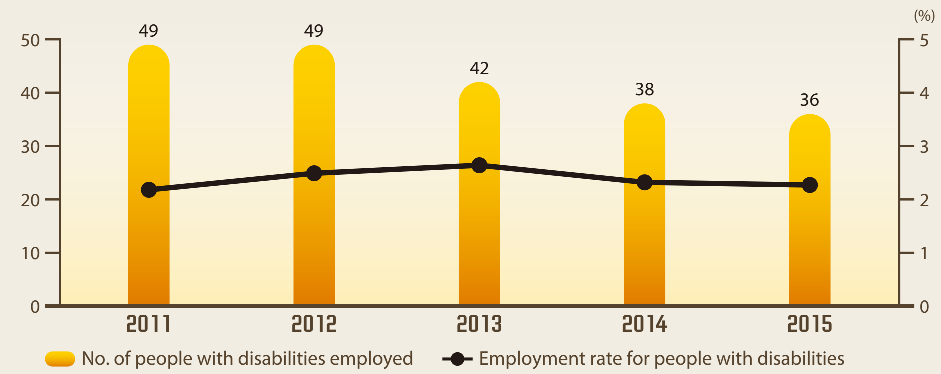
As society ages and the number of postwar baby boomers reaching retirement age increases, each Sapporo Group company complies with the revised Act on Stabilization of Employment of Elderly Persons and has a system to rehire retirees. This enables the Group to continue to utilize the expertise and experience that senior employees have cultivated over many years, and facilitates the transmission of techniques and skills to younger generations.



* Until 2012, the data shows the total from Sapporo Holdings, Sapporo Breweries, Sapporo Beverage, POKKA CORPORATION, Sapporo Lion, and Sapporo Real Estate (including employees on assignment at subsidiaries or affiliated companies. Current as of December 31)
* From 2013, the data shows the total from Sapporo Holdings, Sapporo Breweries, POKKA SAPPORO Food & Beverage, Sapporo Lion, and Sapporo Real Estate (including employees on assignment at subsidiaries or affiliated companies. Current as of December 31)

Employment of people with disabilities

The Sapporo Group employs people with disabilities at each Group company. For example, Sapporo Breweries has been proactively hiring people with disabilities throughout Japan in administrative positions such as marketing, general affairs, and accounting, and has achieved the legally required employment rate for people with disabilities since 2004. As of December 31, 2015, the rate of employment of people with disabilities at the Sapporo Group was 2.27% (36 people).



Main initiatives

- Questionnaires for employees with disabilities and the heads of their assigned departments
- Acceptance of people with mental disabilities as interns
- Holding training for people responsible for recruiting people with disabilities

Interview with a Director

Based on a Message of "Go Beyond Boundaries," Promote Diversity and Aim for New Value Creation

Mayumi Fukuhara

Director (Member of the Board),
Director of Human Resources Department of the Company

The Sapporo Group has positioned promotion of diversity as an important CSR issue to contribute toward a sustainable society, and proactively implements it. This approach is based on our belief that diversity within the Company is extremely important for a Group that deals in consumer goods and strives to provide value by offering products and services that respond to customers' diverse needs. The Group's concept for personnel is the directive "Go Beyond Boundaries" and we are continuing to convey the message that employees should overcome personal barriers, take on organizational obstacles, cross national borders and move outside of their own boundaries. I believe this is an indispensable element in realizing our management philosophy "As an intrinsic part of people's lives, Sapporo will contribute to the evolution of creative, enriching and rewarding lifestyles." Moreover, I don't think a high degree of homogeneity among employees is always something to rate highly nowadays. In the Sapporo Group, all employees are highly loyal toward the Company and products. That is absolutely wonderful. Furthermore, mixing a variety of opinions creates value and combining diverse skills is needed to create innovation.

Promoting roles for women is an element of diversity and in this regard the Group can be praised for initiatives that exceed legal requirements in areas such as measures to enable work while raising children. However, there is still the situation where the ratio of female managers in Japan is still only a few percent. On the other hand, there has been an increase in the number of women recruited and the base has been laid to boost the number of female managers going forward. Of course, it goes without saying that the objective is not simply to raise the number, but also to aim for new value creation. The Group is also fastidious about employee training. In addition to grade-based and divisional training there are also original Sapporo Group programs for career formation, for example, global training to nurture young employees and experiential training such as making proposals to management and new business creation for employees in their early 30s and other topics.

My theory is that for a company's business to succeed, its human resources department must toil and moil. Looking ahead therefore, I will actively take a hands-on approach with employees and will exchange opinions with them. Doing this will lead to ensuring things happen at the right time with the right people in the right positions. We are confronting a time when it is perfectly natural to be active on the global stage, and creating the blueprint for globally oriented personnel will be a key priority going forward. I want to create opportunities for discussions among human resources from overseas Group companies. Finally, I happen to be the Sapporo Group's first ever female director. I will not let that end here. I will continue to back-up women following me and make it my priority to speed up the pace of developing and appointing women. By promoting diversity in various ways such as these, it will be possible to provide customers with a wide variety of services and products. Please have high expectations for our activities moving forward.

Issue 6 Sound corporate management

The Sapporo Group is strengthening corporate governance to ensure sound corporate management and transparency, as well as striving for timely and appropriate information disclosure. We also conduct training and awareness-raising programs for all employees to increase their awareness and understanding of compliance issues.

Corporate Governance

Interview with an Outside Director

Shizuka Uzawa has served for one year as an outside director of Sapporo Holdings, and he has provided many opinions and proposals to the Board of Directors and other parties during this time. In an environment of continuing global development and application of Japan's "Corporate Governance Code," Mr. Uzawa talked once again about how Sapporo Holdings should conduct governance.

Shizuka Uzawa

Chairman & Representative Director of Nisshinbo Holdings Inc.

One year has passed since being appointed as an outside director of Sapporo Holdings and I was reminded just how important to view things from the consumer's perspective in a group engaged mainly in a B-to-C business. I recognized this again at the General Meeting of Shareholders when I observed the sheer number of those in attendance, in addition to how many questions were made from the perspective of consumers. Those aspects made me feel acutely aware of the extreme importance of the issues of quality and safety for a food manufacturer. Last year, during an executives' retreat, we went on a tour of the Shizuoka Brewery, and I'm grateful we were provided with the opportunity to gain a greater understanding of the details of Sapporo's business, including through the regular business briefings. I have conveyed my request to the Group to directly look around some overseas bases, such as the one in Vietnam. This is because I think developments in places such as Vietnam and North America will be important for Sapporo in the future.

At the Board of Directors' meetings there were lively exchanges of opinions, so they are functioning well. There has also been proactive engagement with outside directors. In addition, the Group's actions show that it is approaching disclosure from the viewpoint of overseas investors and with International Financial Reporting Standards in mind. An example of this would be the disclosing of operating results before amortization of goodwill. I would like to make a request for more opportunities to exchange opinions with operating officers, not just those from Sapporo Holdings, but also from various operating companies such as SAPPORO BREWERIES and POKKA SAPPORO Food & Beverage. Now, the Group has a preponderance of younger executives, so I think it could be useful to have somewhere for them to have discussions with those of us who have more experience. I think it's important to have a variety of types of dialogue. One epoch-making event is that due to an internal promotion, Sapporo Holdings has a female director from this fiscal year. Unfortunately, there are still only a few examples of this to be seen among Japanese companies. It is not only enviable, to be honest, that the working environment at Sapporo Holdings is so open-minded, but it is also a testament to the many capable employees at the Group.

I take pride in outside directors being supervisors for the Group. Our role is to support business activities and corporate operations while occasionally voicing critical opinions. There are various factors to consider, such as a fiercely competitive industry, overseas development, implementation of various initiatives and M&As. I would like to provide advice from an external viewpoint on matters such as global cash management. Furthermore, there is a need for the "Corporate Governance Code" to be introduced and for management to show a greater understanding of investors' viewpoints. I believe Japanese companies are all seeking ways to be able to do this, but their responses vary depending on their type of business, and it is necessary to think about this while taking into account the Group's characteristics. In this regard, the multifaceted view of an outside director will act as a monitor that can support the sound growth of a company.

Basic Governance Approach

The Sapporo Group has enacted the "Basic Policy on Corporate Governance"* for the purpose of specifying its thinking and operational policy regarding corporate governance with the goal of attaining sustained growth and enhancement of corporate value over the medium to long term, and in light of the purport and spirit of the "Corporate Governance Code" set forth in the Listing Rules of the Tokyo Stock Exchange.

As part of the policy, the Group's basic philosophy is to regard strengthening and enhancing corporate governance as one of its top management priorities. The Group is working to clarify supervisory, business execution and auditing functions throughout the Group under the holding company framework. The Group is also working to strengthen management supervisory functions to increase management transparency and achieve management goals.

* Basic Policy on Corporate Governance
http://www.sapporoholdings.jp/english/ir/management/pdf/basic_governance_approach.pdf

Basic Policy on Corporate Governance

I. General Provisions
II. Ensuring Shareholders' Rights and Equality
III. Appropriate Collaborations with Stakeholders
IV. Ensuring Appropriate Disclosures of Information and Transparency
V. Duties of the Board of Directors, etc.
VI. Dialogue with Shareholders

Board of Directors

The Board of Directors performs a supervisory role and makes decisions on statutory matters and important matters relating to business execution stipulated by the Board's regulations. The Board of Directors also elects and supervises the business execution of the President and Representative Director, who serves concurrently as Group CEO, as well as the Group operating officers, and other key personnel.

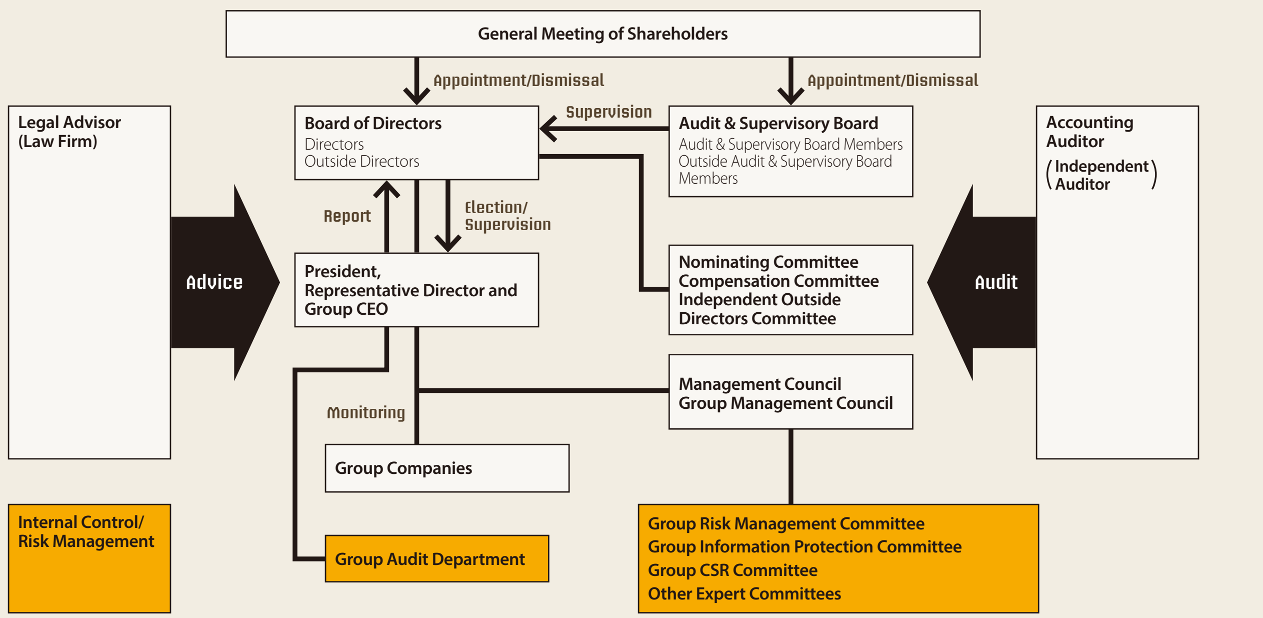
About Outside Directors

Three of the nine members of the Company's Board of Directors are outside directors. All three have submitted notification to the Tokyo Stock Exchange of their independent director status as stipulated by the exchange regulations. The outside directors are expected to objectively advise and supervise the management team from a neutral standpoint, based on their high perception. The outside directors offer advice and suggestions from their independent and objective standpoints and are expected to fulfill a role raising corporate value.

President, Representative Director and Group CEO, and Group Operating Officers

The President, Representative Director and Group CEO controls business execution across the entire Group based on the resolutions of the Board of Directors. The Group operating officers, under the direct authority of the President, Representative Director and Group CEO, control business execution in the main business segments.

Corporate Functions and Internal Control Relationships



Audit & Supervisory Board

Sapporo Holdings Ltd. uses the Audit & Supervisory Board Member system, in which Audit & Supervisory Board members, who are completely independent from the Board of Directors, audit the job performance of directors from an independent standpoint. The Company has therefore established an Audit & Supervisory Board. In accordance with audit policy and allocated auditing duties decided by the Audit & Supervisory Board, each Audit & Supervisory Board Member attends important meetings such as the Board of Directors meeting and the Management Council, reads over requests for approval, audits subsidiaries, and performs other related duties. The Audit & Supervisory Board members also receive an explanation of the audit plan from the independent auditors and the independent auditors' report. This system allows proper auditing of the execution of duties by directors.

About Outside Audit & Supervisory Board Members

Sapporo Holdings has four Audit & Supervisory Board members, two of whom are outside Audit & Supervisory Board members. Both outside Audit & Supervisory Board members have submitted notification to the Tokyo Stock Exchange of their independent auditor status as stipulated by the exchange regulations. The outside Audit & Supervisory Board members audit the duties executed by the directors from an objective and neutral standpoint, and offer input where fitting to preserve the propriety and appropriateness of decisions by the directors. Similarly, the outside Audit & Supervisory Board members are expected to provide input where needed during discussion on proposals and fulfill a role to secure healthy management.

Standards and Policies regarding Independence of Outside Directors and Outside Audit & Supervisory Board Members

The Sapporo Group does not have standards or the like regarding the independence of outside directors or outside Audit & Supervisory Board members, but to ensure there is no conflict of interest with general shareholders, appointment requires people to satisfy the standards for independence stipulated and applied by financial instruments exchanges. In addition, none of the outside directors are concurrently in positions that comprise a special interest with the Sapporo Group.

Name	Important concurrent occupations or positions at other organizations
<Directors>	
Shigehiko Hattori	Senior Advisor of Shimadzu Corporation, Outside Director of Mitsubishi Tanabe Pharma Corporation, Outside Director of Brother Industries, Ltd., Outside Director of Meiji Yasuda Life Insurance Company, Outside Auditor of Nikkei Inc.
Teruhiko Ikeda	Advisor of Mizuho Trust & Banking Co., Ltd., Outside Audit & Supervisory Board Member of TOKYO FM Broadcasting Co., Ltd., Independent Director of NSK Ltd.
Shizuka Uzawa	Chairman & Representative Director of Nisshinbo Holdings, Inc., Director of Japan Radio Co., Ltd., Director of New Japan Radio Co., Ltd., Director of Nagano Japan Radio Co., Ltd., External Executive Director of Japan Finance Corporation
<Audit & Supervisory Board Members>	
Junya Sato	Lawyer at the Law Offices of Ishizawa, Ko & Sato, Outside Director of Nikki Co., Ltd., Outside Director of Mitsui Mining & Smelting Co., Ltd., Outside Audit & Supervisory Board Member of Taisho Pharmaceutical Holdings, Co., Ltd.
Kazuo Sugie	Senior Advisor of DIC Corporation

Name	Reasons for appointment
<Directors>	
Shigehiko Hattori	Mr. Shigehiko Hattori has a wealth of experience, a rich track record and great insight as the president of a business corporation. He also has a wealth of overseas management experience. Mr. Hattori offers pertinent opinions and advice to the Company's Board of Directors from his objective standpoint, independent of the management team engaged in executing the operations of the Company. The Company has determined that he will contribute greatly to the corporate governance of the Company, which is moving forward with overseas expansion, and he has been appointed as an outside director.
Teruhiko Ikeda	Mr. Teruhiko Ikeda has a wealth of experience, a rich track record and great insight as the manager of a financial institution. Mr. Ikeda offers pertinent opinions and advice to the Company's Board of Directors from his objective standpoint, independent of the management team engaged in executing the operations of the Company. The Company has determined that he will contribute greatly to the corporate governance of the Company in such areas as the strengthening of risk management, and he has been appointed as an outside director.
Shizuka Uzawa	Mr. Shizuka Uzawa has a wealth of experience, a rich track record and great insight as the president of a holding company as well as an extensive insight in treasury and corporate management fields. Mr. Uzawa offers pertinent opinions and advice to the Company's Board of Directors from his objective standpoint, independent of the management team engaged in executing the operations of the Company. The Company has determined that he will contribute greatly to the corporate governance of the Company in such areas as the strengthening of the Group's management structure, and he has been appointed as an outside director.
<Audit & Supervisory Board Members>	
Junya Sato	Although Mr. Junya Sato has no experience directly managing a company aside from becoming an outside director or an outside corporate auditor, he has a wealth of practical experience as an attorney, particularly regarding corporate law. The Company has determined that Mr. Sato will be able to monitor the performance of duties by directors of the Company from an objective and fair perspective, and he has been appointed as an outside Audit & Supervisory Board member.
Kazuo Sugie	As the president of a business corporation, Mr. Kazuo Sugie has a wealth of experience and highly developed insight based on extensive knowledge and information. The Company has determined that, from his objective and neutral position as an outside audit & supervisory board member, Mr. Sugie will monitor the performance of duties by directors of the Company and contribute greatly in strengthening the Company's Audit & Supervisory Board member system, and he has been appointed as an outside Audit & Supervisory Board member.

Nominating and Compensation Committees

Although Sapporo Holdings uses the Audit & Supervisory Board Member system, it has also established a Nominating Committee and a Compensation Committee with the goals of increasing transparency with respect to the nomination and remuneration of directors and preserving a sound management structure. The three outside directors and one inside director form the four members of both committees. The committee chair is selected from the outside directors.

Compensation for Directors and Audit & Supervisory Board Members

Compensation for directors is decided within remuneration limits set by the Annual Meeting of Shareholders. Compensation consists of a base salary for each director, determined by the duties performed, and that may, based on predetermined criteria, be adjusted in line with job performance in the previous fiscal year. Compensation for Audit & Supervisory Board members is also decided within remuneration limits set by the Annual Meeting of Shareholders, and consists of a base salary for each Audit & Supervisory Board Member calculated in accordance with standards decided by the Audit & Supervisory Board.

No bonuses for directors or Audit & Supervisory Board members were paid in 2015, nor were any retirement benefits, stock options or other noncash remuneration.

Compensation amounts in 2015 were as follows:

Executive classification	Total amount of compensation (¥ Million)	Total compensation by type (¥ Million)			Number of eligible directors and Audit & Supervisory Board members
		Base salary	Bonuses	Retirement benefits	
Directors (Excluding outside directors)	159	159	—	—	8
Outside Directors	25	25	—	—	4
Audit & Supervisory Board Members (Excluding outside Audit & Supervisory Board Members)	39	39	—	—	4
Outside Audit & Supervisory Board Members	14	14	—	—	2
Total	238	238	—	—	16

Notes:
1. Compensation of ¥85 million was paid by consolidated subsidiaries to three directors (excluding outside directors). The directors' base salary was not paid to two of these directors.
2. Salary of ¥19 million was paid to two directors (excluding outside directors), separately from the base salary for directors shown in the above table. This amount corresponds to the portion of salary for key personnel paid to these individuals, who concurrently serve as key personnel and directors.
3. Remuneration limits have been established by resolution of the 83rd Annual Meeting of Shareholders held on March 29, 2007. The remuneration limits are ¥240 million for directors (however, excluding compensation from consolidated subsidiaries and the portion of salary paid as salary for key personnel) and ¥84 million for Audit & Supervisory Board members.

Internal Audits

Under instructions from the President, Representative Director and Group CEO, Sapporo Holdings has established a Group Audit Department as an internal auditing organization independent of the executive chain of command. The Group Audit Department performs internal audits across the entire Group, including operating companies and their subsidiaries. The Group Audit Department and the Audit & Supervisory Board members meet regularly to exchange views on the results of the internal audits, the status of internal control and other related matters. The internal audit report of the Group Audit Department is read by the Audit & Supervisory Board members as part of the information that they share.

Upgrading the Internal Control System

To ensure thorough implementation of the basic policies decided by the Board of Directors and carry out ongoing development and strengthening of systems across the entire Group, the President, Representative Director and Group CEO takes responsibility for appointing directors with specific responsibilities and promoting specific measures. Moreover, the Guidelines on the Construction of Internal Control Systems at Sapporo Group have been enacted to set out specific matters in relation to internal control systems at the Group, and these guidelines are used to confirm the level of progress being made in individual measures and to promote collaboration.

Risk Management

Sapporo Holdings manages risks relating to itself and its subsidiaries and prepares crisis management measures. To achieve a more robust risk management structure for the entire Group the Company has formulated basic policies and management systems for Group risk management, as well as crisis management regulations. Specifically, Sapporo Holdings and its subsidiaries upgrade and develop systems for managing risks associated with important decisions made during business execution or risks inherent to it, and systems for managing crisis situations that may arise. These efforts are governed by the basic policies for the development of internal control systems.

Compliance

The Group has set out the Sapporo Group Code of Business Conduct to provide a solid set of ethical guidelines for the conduct of all executives and employees. The Group CSR Committee has created a Group-wide compliance system and established a Whistle-Blower's Hotline and Helpline to help with prevention and early detection of misconduct. In addition, the Group Audit Department, which is an internal auditing body that is independent of the executive chain of command, audits the general business operations of Sapporo Holdings and its subsidiaries to ensure compliance with laws and regulations, the Company's Articles of Incorporation and internal rules.

Policy toward the Large-Scale Purchase of Share Certificates, etc., of the Company

The Board of Directors considers that decisions regarding the sale of the Company's shares in response to the attempt by a Company shareholder to pursue a large-scale purchase of shares should ultimately rest with the shareholders themselves. However, should an attempt at the large-scale purchase of shares suddenly materialize, the Board of Directors recognizes the provision of ample and appropriate information from both the intended buyer and the Company's Board of Directors as essential to making an optimal decision. The Board of Directors has therefore formulated a policy governing large-scale share purchases* that was approved by the Ordinary General Meeting of Shareholders.

The policy stipulates that the intended purchaser must provide ample and necessary information to the Company's Board of Directors prior to initiating any attempt at a large-scale share purchase. The Board of Directors then reserves a specified period of time to review the proposed purchase, allowing it to provide shareholders with opinions and information that contribute to their final decision. In the event that the proposed purchase is unequivocally deemed to drastically harm the mutual interests of the Company's shareholders, the Board of Directors will, as stipulated by the policy, enact measures deemed appropriate to protect such interests.

To prevent an arbitrary decision to apply this policy by the Board of Directors, an independent committee comprising members who are independent from the management team that executes the Company's business operations has been established to provide an institutional check. The independent committee will receive advice regarding the purchase from the Board of Directors, and offer various counsel pertaining to the matter.

* Policy toward the Large-Scale Purchase of Share Certificates, etc., of the Company
http://www.sapporoholdings.jp/english/news_release/pdf/14021202.pdf

Board of Directors and Audit & Supervisory Board Members

(As of March 2016)

Board of Directors

Note: Mr. Shigehiko Hattori, Mr. Teruhiko Ikeda and Mr. Shizuka Uzawa are independent outside directors.

TSUTOMU KAMIJO

(January 6, 1954)

President, Representative Director and Group CEO

- **April 1976**
  Joined the Company
- **March 2001**
  Director (Member of the Board), Director of Sales Planning Department, of Sapporo Beverage Co., Ltd.
- **March 2007**
  Director (Member of the Board), Director of Corporate Planning Department of the Company
- **March 2009**
  Managing Director (Member of the Board) of the Company
- **March 2011**
  President of Sapporo Beverage Co., Ltd.
  President of the Company and CEO of the Group (up to the present)

JUNJI WATARI

(December 2, 1955)

Managing Director

- **April 1980**
  Joined the Company
- **March 2008**
  Director (Member of the Board) and Managing Officer, Deputy Director of Marketing Department, and Director of New Value Development Department, of Sapporo Breweries Limited
- **March 2014**
  Director (Member of the Board) of the Company
- **March 2016**
  Managing Director (Member of the Board) of the Company (up to the present)

TOSHIO MIZOKAMI

(April 16, 1959)

Managing Director

- **April 1984**
  Joined the Company
- **March 2012**
  Director (Member of the Board) of Sapporo Group Management Ltd.
  Director of Group Accounting & Finance Department, of Sapporo Group Management Ltd.
  Director of Accounting & Finance Department of the Company
- **March 2014**
  Director (Member of the Board), Director of Corporate Finance and Business Management Department of the Company
- **March 2016**
  President of Sapporo Group Management Ltd. (up to the present)
  Managing Director (Member of the Board) and Group Operating Officer of the Company (up to the present)

HIROYUKI NOSE

(February 3, 1963)

Director

- **April 1986**
  Joined the Company
- **March 2011**
  Director of Shochu Planning Department, of Sapporo Breweries Limited
- **March 2013**
  Director of Brand Planning Department of Sapporo Breweries Limited
- **March 2015**
  Director (Member of the Board) of the Company (up to the present)

SHINICHI SOYA

(September 20, 1963)

Director

- **April 1986**
  Joined the Company
- **October 2006**
  Director of Strategic Planning Department, Hokkaido Headquarters, of Sapporo Breweries Limited
- **November 2009**
  Director (Member of the Board) of POKKA CORPORATION (currently POKKA SAPPORO Food & Beverage Ltd.)
- **March 2014**
  Director (Member of the Board) of Sapporo International Inc. (up to the present)
  Director (Member of Board) of Sapporo Group Management Ltd. (up to the present)
- **March 2015**
  Director (Member of the Board) and Managing Executive Officer of POKKA SAPPORO Food & Beverage Ltd.
- **March 2016**
  Director (Member of the Board), Director of Corporate Finance and Business Management Department of the Company (up to the present)

MAYUMI FUKUHARA

(Current Surname KOBAYASHI)

(April 2, 1964)

Director

- **April 1988**
  Joined the Company
- **March 2013**
  Director of Human Resources and General Affairs Department, of Sapporo Breweries Limited
- **March 2014**
  Director of Human Resources Department, of Sapporo Breweries Limited
- **March 2016**
  Director (Member of the Board), Director of Human Resources Department of the Company (up to the present)

SHIGEHIKO HATTORI
(August 21, 1941)

Director

- **April 1964**
  Joined Shimadzu Corporation
- **June 1993**
  Director (Member of the Board) of Shimadzu Corporation (seconded to the United States of America)
- **June 2003**
  President and CEO of Shimadzu Corporation
- **June 2009**
  Chairman of the Board of Directors of Shimadzu Corporation
- **March 2012**
  Director (Member of the Board) of the Company (up to the present)
- **June 2015**
  Senior Advisor of Shimadzu Corporation (up to the present)

TERUHIKO IKEDA
(December 5, 1946)

Director

- **April 1969**
  Joined The Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.)
- **April 2002**
  Deputy President of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
- **June 2004**
  President and Chief Executive Officer of Mizuho Trust & Banking Co., Ltd.
- **June 2010**
  Advisor of Mizuho Trust & Banking Co., Ltd. (up to the present)
- **March 2012**
  Director (Member of the Board) of the Company (up to the present)

SHIZUKA UZAWA
(January 30, 1946)

Director

- **April 1969**
  Joined Nisshinbo Industries, Inc. (currently Nisshinbo Holdings, Inc.)
- **June 2001**
  Director (Member of the Board), Chief of Accounting and Finance Division of Nisshinbo Industries, Inc.
- **June 2009**
  President & Representative Director of Nisshinbo Holdings, Inc.
- **June 2013**
  Chairman & Representative Director of Nisshinbo Holdings, Inc. (up to the present)
- **March 2015**
  Director (Member of the Board) of the Company (up to the present)

Audit & Supervisory Board Members

Note: Mr. Junya Sato and Mr. Kazuo Sugie are outside Audit & Supervisory Board Members.

SHOUJI OSAKI
(August 17, 1955)

Standing Audit & Supervisory Board Member

- **April 1979**
  Joined the Company
- **March 2010**
  Managing Officer and Director of Tokai Hokuriku District Headquarters, of Sapporo Breweries Limited
- **March 2013**
  Standing Audit & Supervisory Board Member of POKKA SAPPORO Food & Beverage Ltd.
- **March 2015**
  Standing Audit & Supervisory Board Member of the Company (up to the present)

TETSUO SEKI
(July 29, 1938)

Audit & Supervisory Board Member

- **April 1963**
  Joined Yawata Iron & Steel Co., Ltd. (currently NIPPON STEEL & SUMITOMO METAL CORPORATION)
- **June 1993**
  Director (Member of the Board) of Nippon Steel Corporation (currently NIPPON STEEL & SUMITOMO METAL CORPORATION)
- **April 1997**
  Managing Director (Member of the Board) of Nippon Steel Corporation
- **October 2007**
  Chairperson of the Japan Audit & Supervisory Board Members Association
- **October 2008**
  President and Representative Director of The Shoko Chukin Bank, Ltd.
- **June 2015**
  Honorary Advisor of The Shoko Chukin Bank, Ltd. (up to the present)
- **March 2016**
  Audit & Supervisory Board Member of the Company (up to the present)

JUNYA SATO
(May 4, 1953)

Audit & Supervisory Board Member

- **April 1982**
  Registered as a lawyer (Daiichi Tokyo Bar Association)
  Joined the Law Offices of Furness, Sato & Ishizawa (currently the Law Offices of Ishizawa, Ko & Sato) (up to the present)
- **October 1990**
  Registered as a lawyer in the state of New York
- **April 2011**
  Vice Chairman of Daiichi Tokyo Bar Association
- **March 2012**
  Audit & Supervisory Board Member of the Company (up to the present)

KAZUO SUGIE
(October 5, 1945)

Audit & Supervisory Board Member

- **August 1970**
  Joined Dainippon Ink and Chemicals, Inc. (currently DIC Corporation)
- **June 2001**
  Director of Dainippon Ink and Chemicals, Inc.
- **April 2009**
  Representative Director, President and CEO of DIC Corporation
- **April 2012**
  Chairman of the Board of DIC Corporation
- **March 2013**
  Audit & Supervisory Board Member of the Company (up to the present)
- **March 2015**
  Senior Advisor of DIC Corporation (up to the present)

Five-Year Summary

SAPPORO HOLDINGS LIMITED and consolidated subsidiaries

Years ended December 31	2011	2012	2013	2014	2015	2015
	Millions of yen					Thousands of U.S. dollars
Net sales	¥449,453	¥492,491	¥509,835	¥518,741	**¥533,749**	**$4,427,981**
Japanese Alcoholic Beverages	268,189	269,948	274,909	281,032	**273,652**	**2,270,217**
International	25,888	36,121	48,216	49,673	**70,501**	**584,878**
Food & Soft Drinks	108,061	129,017	130,672	133,439	**135,671**	**1,125,523**
Restaurants	24,091	26,621	26,827	27,143	**27,004**	**224,028**
Real Estate	22,468	23,217	22,768	21,510	**20,872**	**173,155**
Other	755	7,566	6,443	5,944	**6,049**	**50,179**
Operating cost and expenses	430,569	478,076	494,490	504,012	**519,799**	**4,312,251**
Operating income	18,884	14,415	15,344	14,729	**13,950**	**115,730**
Income before income taxes and minority interests	5,841	10,512	16,562	2,695	**11,691**	**96,989**
Net income	3,165	5,394	9,452	340	**6,109**	**50,679**
	Yen					U.S. dollars
Per share:						
Net income:						
Primary	¥ 8.08	¥ 13.77	¥ 24.20	¥ 0.87	**¥ 15.68**	**$0.13**
Diluted	—	—	—	—	**—**	**—**
Net assets	314.87	336.60	388.77	401.17	**405.44**	**3.36**
Cash dividends	7.00	7.00	7.00	7.00	**7.00**	**0.06**
	Millions of yen					Thousands of U.S. dollars
Year-end data:						
Net assets	¥124,775	¥134,947	¥155,367	¥160,005	**¥163,822**	**$1,359,072**
Total assets	550,784	597,636	616,753	625,439	**620,388**	**5,146,740**
Financial liabilities	219,168	257,647	247,828	247,557	**234,742**	**1,947,417**
ROE (%)	2.5	4.2	6.7	0.2	**3.9**	
Increase in property, plant and equipment and intangible fixed assets	20,672	57,072	19,465	22,803	**20,583**	**170,757**
Depreciation and amortization	24,482	25,805	25,059	24,481	**24,224**	**200,963**

Notes: 1. Yen amounts have been translated into U.S. dollar amounts at the rate of ¥120.54=U.S.$1.00, the exchange rate prevailing on December 31, 2015.
2. In the fiscal years ended December 31, 2011, 2012, 2013, 2014 and 2015, there were no latent shares with dilutive effect, therefore information concerning diluted net income per share is omitted.

Management's Discussion and Analysis

Sapporo Holdings Limited and the Sapporo Group

The Sapporo Group's management philosophy is "As an intrinsic part of people's lives, Sapporo will contribute to the evolution of creative, enriching and rewarding lifestyles," and we strive to increase stakeholder satisfaction by maintaining integrity in corporate conduct that reinforces stakeholder trust and by aiming to achieve continuous growth in corporate value.

In 2015, the Group accelerated its growth strategies based on Sapporo Group Management Plan 2015–2016 to establish its presence as a distinctive manufacturer of food products, aiming to achieve its financial targets for 2016.

In the Japanese Alcoholic Beverages segment, the Group continued to invest in its core brands in the domestic beer and beer-type beverage market. The Group released an improved version of *Sapporo Draft Beer Black Label*, which is its core brand, to enhance its presence in the household market. In non-beer growth categories, the Group started offering a world-class brand of imported wine to promote further diversification.

In the International segment, SLEEMAN BREWERIES LTD. in Canada and SAPPORO U.S.A. INC. in the U.S. aggressively implemented sales promotions in the premium beer market in North America. In the North American beverage market, the Group included Country Pure Foods, Inc. as a consolidated subsidiary to expand sales. In Vietnam, the Group continued marketing investments to establish the Sapporo brand, and released improved versions of its bottled and canned products in November.

In the Food & Soft Drinks segment, the Group endeavored to strengthen marketing and lower costs in its Japan operations as part of a management initiative while concentrating investments on core brands, especially lemon-based products and soups, two areas where the Group has a strong competitive edge. Overseas, the Group established a joint venture company that is engaged in production and sales in Indonesia to strengthen its soft drinks business from its Southeast Asian base. The Group also entered the soy milk business to expand its business domains.

In the Restaurants segment in Japan, the Group continued to open outlets, focusing on its key Ginza Lion and YEBISU BAR formats, while closing or changing the formats of unprofitable outlets in a bid to improve profitability. In Singapore, the Group improved its restaurants to meet regional demand by changing the formats.

In the Real Estate segment, occupancy rates at the Group's rental properties remained high. The Group enhanced the property value of Yebisu Garden Place, which is its core property, by improving the dining area to raise the attraction level of the city area. With regard to the Ginza 5-Chome Redevelopment Project, "*GINZA PLACE*" was selected as the facility name and redevelopment work advanced with a view to opening in summer 2016.

In terms of the scope of consolidation, the Company had 54 consolidated subsidiaries and 2 equity-method affiliates as of December 31, 2015.

Business Environment Overview

In 2015, the Japanese economy was on track for a moderate recovery in the first half, while the economy in foreign countries such as China slowed down in the second half. Consequently, the situation for 2015 was a series of ups and downs. Consumer spending remained weak despite some signs of improvement with the economic recovery. More specifically, conditions in the industries in which the Sapporo Group conducts its operations were as follows.

In the domestic alcoholic beverages and food & soft drinks industries, demand was affected by unseasonable summer weather and a mild winter. In the real estate industry, vacancy rates in the Greater Tokyo Area office leasing market improved, while rent levels rose gradually. Overseas, the North American beer market remained generally flat, while the Asian beer market continued to grow.

Consolidated Operating Results

Net Sales

Net sales increased ¥15,008 million, or 2.9%, year on year to ¥533,749 million.

By business segment, in the Japanese Alcoholic Beverages segment, sales volumes dropped from the previous fiscal year in beer and beer-type beverages. However, in the International segment, beer sales volume in North America and Vietnam exceeded the previous fiscal year, and the inclusion of Country Pure Foods, Inc. as a consolidated subsidiary led to a sharp gain in sales value. The Food & Soft Drinks segment saw increased sales volumes in the Japanese food & soft drinks and overseas soft drinks businesses from the previous fiscal year. The stronger sales volumes combined with the benefit of a weaker yen contributed to a sales increase in the International and Food & Soft Drinks segments. The Real Estate segment saw sales decrease, owing to the sale of the Group's equity stake in Sapporo Sports Plaza Co., Ltd. and several rental properties.

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales increased ¥16,420 million, or 4.9%, year on year to ¥352,808 million.

This mainly reflects the inclusion of Country Pure Foods, Inc. as a consolidated subsidiary and the impact of the yen's depreciation.

The cost of sales ratio increased 1.3 percentage points to 66.1%, primarily due to an increase in raw material costs in the Japanese Alcoholic Beverages segment, as well as an increase in manufacturing costs in the International and Food & Soft Drinks segments. Selling, general and administrative (SG&A) expenses decreased ¥633 million, or 0.4%, year on year to ¥166,990 million. This was chiefly due to a decline in facility costs and so forth in the Japanese Alcoholic Beverages segment.

Operating Income

Operating income decreased ¥779 million, or 5.3%, year on year to ¥13,950 million.

In the Japanese Alcoholic Beverages segment, a decline in sales of beer and beer-type beverages outweighed the positive impact of further cuts to fixed costs. The Food & Soft Drinks segment posted higher profits reflecting increased sales of food and soft drinks in Japan and soft drinks in overseas markets. The Restaurants segment achieved profit growth as it boosted sales at existing stores. Lastly, the Real Estate segment also achieved profit growth, thanks to an increase in rental income from core properties.

Other Income (Expenses)

Other expenses improved ¥9,775 million year on year to ¥2,259 million.

With regard to net financial income (expenses), calculated as the sum of interest and dividend income minus interest expense, the Company recorded net financial expenses of ¥904 million in fiscal 2015. Net financial expenses improved from the previous year due to a lower interest rate.

The Company recorded a gain on sales of property, plant and equipment of ¥7,453 million owing to the sale of trust beneficiary rights in the Shibuya Sakuragaoka Square office building.

The Company recorded foreign exchange losses of ¥537 million due to the yen's appreciation.

Loss on disposal of property, plant and equipment of ¥1,534 million was recorded due to disposal of beer and soft drink production facilities.

Loss on impairment of property, plant and equipment of ¥5,956 million was recorded due to losses associated with the sale of idle real estate and welfare facilities in the Japanese Alcoholic Beverages segment and a decline in profitability at a subsidiary in the International segment.

Loss on devaluation of marketable securities and investments of ¥1,758 million was recorded due to a decline in performance at investees.

Income before Income Taxes and Minority Interests

As a result of the aforementioned and other factors, income before income taxes and minority interests increased ¥8,996 million to ¥11,691 million.

Income Taxes and Net Income

Income taxes applicable to the Company, calculated as the sum of corporation, inhabitants' and enterprise taxes, were ¥5,579 million.

Income taxes accounted for 48% of income before income taxes and minority interests. The difference between this percentage and the statutory effective tax rate of 35% mainly reflected the recording of an amortization of goodwill.

As a result, net income increased ¥5,769 million, or 1,696.6%, year on year to ¥6,109 million.

Segment Information

	Millions of yen			
	Net sales	Operating income	Depreciation and amortization	Increase in property, plant and equipment and intangible fixed assets
Japanese Alcoholic Beverages	¥273,652	¥8,635	¥8,144	¥4,608
International	70,501	154	3,381	2,559
Food & Soft Drinks	135,671	434	6,186	5,117
Restaurants	27,004	523	668	844
Real Estate	20,872	8,282	4,202	6,197

Assets, Liabilities and Shareholders' Equity

The Sapporo Group has a cash management system (CMS), which enables Sapporo Holdings to centrally manage fund allocation within the Group in Japan.

The concentration at the Company of cash flows generated by individual Group companies helps preserve fund liquidity, while flexible and efficient fund allocation within the Group serves to minimize financial liabilities.

The Company strives to secure fund procurement channels and liquidity to make certain that ample funds are on hand to cover present and future operating activities, as well as the repayment of debts and other funding needs. Necessary funds are procured mainly from cash flows from operating activities and loans, primarily from financial institutions.

Assets

Total assets at December 31, 2015 stood at ¥620,388 million, down ¥5,051 million, or 0.8%, from a year earlier.

Overall assets declined owing to a decrease in land on the consolidated balance sheets following the sale of trust beneficiary rights to the Shibuya Sakuragaoka Square office building, which outweighed the addition of assets from the newly consolidated Country Pure Foods, Inc. and an increase in construction in progress related to the construction of GINZA PLACE.

Liabilities

Financial liabilities decreased ¥12,815 million to ¥234,742 million.

Due to decreases in commercial paper and long-term debt, which outweighed increases in the current portion of long-term debt and income taxes payable, total liabilities decreased ¥8,869 million, or 1.9%, to ¥456,566 million.

Net Assets

Retained earnings increased ¥276 million to ¥35,190 million.

Asset growth was supported by increases in unrealized holding gain on securities and the posting of net income, which were partly offset by a decline in foreign currency translation adjustments and the payment of dividends.

As a result, net assets increased ¥3,818 million from a year earlier to ¥163,822 million.

Cash Flows

Consolidated cash and cash equivalents as of December 31, 2015 were ¥10,399 million, an increase of ¥651 million, or 6.7%, from the previous fiscal year-end.

Factors behind this decline were as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥35,266 million, ¥12,981 million, or 58.3%, more than in the previous fiscal year.

Major sources of operating cash flow included ¥11,691 million from income before income taxes and minority interests, ¥24,224 million from depreciation and amortization and ¥5,956 million from loss on impairment of property, plant and equipment and leased assets. These were partially offset by a ¥7,453 million gain on sales of property, plant and equipment.

Cash Flows from Investing Activities

Investing activities used net cash of ¥9,756 million, ¥7,474 million less than the net cash used in the previous fiscal year.

Major investment outflows included purchases of property, plant and equipment of ¥18,298 million, purchases of subsidiaries' shares resulting in change in scope of consolidation of ¥3,989 million and purchases of affiliates, securities of ¥3,261 million, the sum of which outweighed inflows from proceeds from sales of property, plant and equipment of ¥19,564 million.

Cash Flows from Financing Activities

Financing activities used net cash of ¥24,803 million, ¥17,495 million, or 239.4%, more than the net cash used in the previous fiscal year.

Major inflows included ¥14,319 million in proceeds from long-term debt and ¥9,960 million in proceeds from issuance of bonds. These inflows were more than offset by outflows including a ¥13,000 million net decrease in commercial paper, ¥16,626 million for the repayment of long-term debt, and ¥12,000 million in redemption of bonds.

Cautionary Statement

The Company's financial statements in English have not been audited by independent auditors. However, the original Japanese financial statements on which they are based have been audited by independent auditors.

Management Indicators

The current ratio fell 6.9 percentage points from 73.8% to 66.9%.

The decline reflects a decline in current assets of ¥8 million and an increase in current liabilities of ¥21,872 million due to factors such as the drawing of short-term bank loans.

The equity ratio rose from 25.0% a year earlier to 25.5%, mainly reflecting increases in unrealized holding gain on securities and net income.

Return on equity (ROE) increased from 0.2% to 3.9%, due to the year-on-year increase in net income.

The debt-to-equity (D/E) ratio, calculated as financial liabilities divided by net assets, decreased from 1.5 to 1.4 in line with the decrease in financial liabilities.

Outlook for 2016

In 2016, the final year of Sapporo Group Management Plan 2016, the Sapporo Group will redouble its efforts to further strengthen the Group foundations and accelerate investment in its growth strategies. These strategies are aimed at fully displaying the special characteristics that position the Sapporo Group as a distinctive food company. Standing on the strong foundation and stable earnings provided by its Japanese Alcoholic Beverages and Real Estate segments, the Sapporo Group will continue investing in the growth of its International and Food & Soft Drinks segments, while also planting the seeds for future growth through continued R&D investment.

Consequently, in its outlook for 2016, the Company is forecasting consolidated net sales of ¥565,400 million (up 5.9% year on year), operating income of ¥21,100 million (up 51.3% year on year), and net income of ¥10,500 million (up 71.9% year on year).

Please see Key Strategies under Sapporo Group Management Plan 2016 on pages 14 to 21 for details on strategies and targets for sales and operating income by segment.

For 2016, the Company plans to maintain an annual dividend of ¥7 per share by steadily executing the management plan, while also making strategic investments and strengthening its financial foundation.

Furthermore, Japanese stock exchanges aim to consolidate 100 shares of common stock of listed domestic companies into single trading units. To comply with this aim and adjust its trading unit to an appropriate level, Sapporo Holdings has decided to change the trading unit of its shares to 100 shares from July 1, 2016, and simultaneously conduct a consolidation of its common stock at a ratio of one share for five shares. In conjunction with this, the per-share dividend is expected to become ¥35.

Risk Factors

Major risks that could potentially impact the operating results and financial position of the Sapporo Group, including stock price, are listed below.

Forward-looking statements in the following text reflect the judgment of management as of December 31, 2015.

Economic Conditions

Because net sales of the Sapporo Group are mainly affected by domestic economic trends, the unit price of key products could decline due to fluctuating shipments of key products and deflationary trends as a result of economic deterioration caused by changing economic conditions. Moreover, deteriorating economic conditions could also lead to a decrease in the value of asset holdings.

In addition, Japan's declining birthrate and aging population may result in an overall market decline in Japan, adversely affecting the Group's business performance and financial position.

High Dependency on Specific Business Areas

In 2015, the Japanese Alcoholic Beverages segment, one of the Sapporo Group's core business segments, accounted for 52% of consolidated net sales. The Group could thus be significantly affected by the performance of this business.

To break away from its high dependency on the Japanese Alcoholic Beverages segment and further increase profitability, the Group will expand its business activities in overseas markets.

However, the dependency on the Japanese Alcoholic Beverages segment remains high in a domestic market where demand is declining, so sales could decline due to factors including price competition with other companies, changes in consumer preferences, increases in product prices or a cold summer or prolonged rainy season. This could have a negative impact on the Group's operating results.

Overseas Business Activities

The Sapporo Group is aiming to grow earnings by expanding its business activities in overseas markets. In particular, it is expanding the alcoholic beverages business in the U.S. and Canada.

In Asia, the Group is conducting business in the beverage and restaurant fields, mainly in Singapore. Also, in Vietnam, it is manufacturing and selling locally produced beer at its Long An factory.

The overseas business activities of the Sapporo Group are subject to a variety of factors that could adversely affect operating results.

These factors include economic trends, changes in the competitive landscape, and exchange rate fluctuations, in addition to changes to regulations governing investment, trade, taxation, foreign exchange and other areas, differences in business customs and labor relations, as well as other governmental and social factors.

Food Product Safety

The Sapporo Group is stepping up efforts to establish quality assurance systems. However, beyond quality issues originating solely at the Group, quality problems relating to generally available products and/or raw materials could result in product recalls or defective shipments.

In the Restaurants segment, food poisoning could result in an order to temporarily suspend operations or may otherwise adversely affect operating results.

OEM Products and Purchased Products

The Sapporo Group outsources the manufacturing of some products to external parties. It also handles products purchased from outside the Group.

While the Sapporo Group does its best to ensure the quality of such products, quality problems beyond the control of the Group could result in the suspension of sales, product recalls and other actions that may in turn adversely affect operating results.

Raw Material and Supply Prices

Prices of certain raw materials and supplies are subject to fluctuations in market conditions. A sharp increase in these prices could push up the cost of sales, which may in turn adversely affect operating results.

Capital Investment Plans

The Sapporo Group conducts capital investment and systems development on an ongoing basis, but related scheduling delays, investment budget overruns and other factors may adversely affect operating results.

Leaks of Customer Information

In the event of a leak of personal information and other related issues resulting from the unforeseen intrusion of a computer virus, unauthorized access to information or other incident, the Sapporo Group could face claims for damages and suffer a decline in its credibility.

This could have a negative impact on operating results by increasing costs and reducing earnings.

Credit Risk of Customers

The collection of receivables may be hindered by such factors as an unforeseen bankruptcy of customers or investees. This could have a negative impact on the Group's operating results.

Impact of Laws and Regulations

The unanticipated application of laws and regulations to Sapporo Group businesses in the future could restrict business operations, with an adverse effect on operating results.

For example, should demand decline due to liquor and consumption tax increases, or should regulations pertaining to liquor advertising, selling hours of liquor at liquor stores, or liquor sales locations spread, factors including expenses required for dealing with decreased demand and responding to new regulations could have a negative effect on business performance.

Risk of Litigation

The Sapporo Group strives to reduce violations and infringements of laws and regulations in its business operations by instilling a strong compliance culture through employee training and education.

However, there is a risk of litigation being brought against the Group in respect of a problem under product liability or intellectual property laws, irrespective of any violation of laws and regulations by Group companies or their employees in business operations in Japan or overseas. The instigation of a suit against the Group or its outcome could have a negative impact on the Group's operating results.

Risk of Natural Disasters

The Sapporo Group could sustain damage as a result of a large-scale natural disaster or a secondary disaster. This could have a negative impact on the Group's operating results such as by disrupting the supply of products.

Financial Liabilities

The Sapporo Group raises a significant portion of the funds it requires for various businesses through the issuance of corporate bonds and borrowings from financial institutions. Accordingly, the Group has a high balance of financial liabilities relative to total assets. Moreover, the Group's financial liabilities may increase further as a result of large-scale investments accompanying the execution of its growth strategy.

In the event of an increase in market interest rates, or a downgrading of the Company's ratings by ratings agencies, the Group's interest expenses could increase or its fund-raising conditions could deteriorate. This could have a negative impact on the Group's operating results.

Retirement Benefit Obligations

The Sapporo Group calculates employees' retirement benefit expenses and obligations based on actuarial assumptions, such as the discount rate and the expected rate of return on pension assets.

In the event of differences between actual performance and actuarial assumptions, or a change in these assumptions, the impact will be recorded as an actuarial difference on a cumulative basis and amortized over the average remaining period of service of employees at the time of accrual.

There would consequently be an impact on future retirement benefit expenses and the amount of retirement benefit obligations booked. Separately, the net retirement benefit obligations at transition, which arose upon a change in accounting standards for retirement benefits, is amortized over 15 years.

Loss on Impairment of Property, Plant and Equipment and Leased Assets

The Sapporo Group records impairment losses on property, plant and equipment and leased assets, and intangibles at the Company and consolidated subsidiaries in Japan in line with impairment criteria based on Japanese accounting standards for the impairment of fixed assets. Overseas, consolidated subsidiaries record impairment losses, as necessary, based on local accounting standards. However, going forward, the Sapporo Group may need to book additional impairment losses if assets meet impairment criteria due to changes in market and operating conditions or other factors, or the Company may need to book losses on sales and disposal of property, plant and equipment, depending on the sales price. This could adversely affect the Sapporo Group's operating results and financial position.

Business and Capital Alliances

The Sapporo Group is promoting business and capital alliances with other companies worldwide as part of efforts to increase its competitiveness with a view to achieving growth in line with the Sapporo Group Medium-Term Management Plan. However, the Group may not achieve results as initially anticipated, depending on market conditions, changes in the business environment and other factors. In certain situations, the Sapporo Group's operating results and financial position may be negatively affected in the event of deterioration in the business operations, assets and other aspects of an alliance partner or investee. In addition, the Sapporo Group may record the amortization of large amounts of goodwill in line with investments, or may record an impairment loss on goodwill and other assets due to deterioration in the business results of investees. These factors could have a negative impact on the Sapporo Group's operating results and financial position.

Holding Company Risk

Sapporo Holdings derives income from brand licensing fees and commissions for management guidance, as well as interest and dividends paid by Group operating companies.

Any deterioration in the financial position of Group operating companies could result in nonpayment, which could adversely affect Sapporo Holdings' business performance.

Consolidated Balance Sheets

(December 31, 2015 and 2014)

ASSETS	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
Current assets:			
Cash and cash equivalents	¥ 10,399	¥ 9,748	$ 86,274
Time deposits	31	33	258
Notes and accounts receivable—trade	92,335	89,246	766,014
Inventories (Note 5)	38,635	36,540	320,516
Allowance for doubtful receivables	(64)	(166)	(534)
Deferred tax assets (Note 16)	4,458	5,000	36,980
Other current assets	10,570	15,972	87,693
Total current assets	156,365	156,373	1,297,201
Investments and long-term loans:			
Investment securities (Notes 12 and 14)	61,848	59,969	513,092
Long-term loans receivable	9,016	9,151	74,801
Allowance for doubtful receivables	(1,235)	(1,305)	(10,244)
Deferred tax assets (Note 16)	1,009	1,091	8,374
Other investments	15,363	13,573	127,451
	86,002	82,478	713,474
Property, plant and equipment (Notes 6 and 14)**:**			
Land	105,121	115,291	872,087
Buildings and structures	383,087	387,645	3,178,091
Accumulated depreciation	(213,568)	(211,317)	(1,771,758)
Machinery and vehicles	227,534	224,180	1,887,623
Accumulated depreciation	(183,166)	(180,302)	(1,519,545)
Lease assets	15,498	16,826	128,572
Accumulated depreciation	(7,739)	(7,904)	(64,204)
Construction in progress	6,638	2,618	55,067
Other	18,488	19,263	153,373
Accumulated depreciation	(14,851)	(15,702)	(123,203)
Property, plant and equipment, net	337,042	350,597	2,796,104
Intangibles:			
Goodwill	30,236	29,966	250,834
Other	10,743	6,025	89,127
	40,979	35,991	339,962
Total assets	¥ 620,388	¥ 625,439	$ 5,146,740

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
Current liabilities:			
Short-term bank loans (Note 14)	¥ 19,220	¥ 22,424	$ 159,445
Commercial paper	17,000	30,000	141,032
Current portion of bonds (Note 14)	10,000	12,000	82,960
Current portion of long-term debt (Note 14)	46,603	9,023	386,618
Current portion of lease obligations	2,933	3,068	24,330
Notes and accounts payable—trade	36,772	35,534	305,061
Liquor taxes payable	33,904	33,603	281,267
Income taxes payable (Note 16)	6,115	725	50,726
Accrued bonuses (Note 2 (k))	2,220	2,116	18,417
Deposits received	8,824	9,651	73,204
Other current liabilities	50,054	53,629	415,250
Total current liabilities	233,644	211,772	1,938,311
Bonds (Note 14)	50,000	50,000	414,800
Long-term debt (Note 14)	91,919	124,110	762,562
Lease obligations	5,353	6,101	44,410
Dealers' deposits for guarantees	32,833	32,337	272,384
Net defined benefit liability (Note 15)	7,636	4,511	63,350
Deferred tax liabilities (Note 16)	21,216	22,617	176,008
Other long-term liabilities	13,964	13,987	115,844
Contingent liabilities (Note 9)			
Total liabilities	456,566	465,434	3,787,669
Net assets			
Shareholders' equity:			
Common stock (Note 20)			
Authorized — 1,000,000,000 shares			
Issued — at December 31, 2015 393,971,493 shares	53,887	—	447,044
— at December 31, 2014 393,971,493 shares	—	53,887	—
Capital surplus	45,914	45,913	380,901
Retained earnings (Note 7)	35,190	34,914	291,933
Treasury stock, at cost	(1,596)	(1,545)	(13,240)
Total shareholders' equity	133,394	133,168	1,106,638
Accumulated other comprehensive income:			
Unrealized holding gain on securities	23,926	20,113	198,494
Deferred hedge gains	(11)	(0)	(95)
Foreign currency translation adjustments	(1,256)	2,583	(10,418)
Remeasurements of defined benefit plans (Note 15)	1,875	441	15,552
Total accumulated other comprehensive income	24,534	23,136	203,533
Minority interests	5,894	3,701	48,900
Total net assets	163,822	160,005	1,359,072
Total liabilities and net assets	¥620,388	¥625,439	$5,146,740

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income
(Three years ended December 31)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	2015
Net sales	¥533,749	¥518,741	¥509,835	$4,427,981
Operating cost and expenses:				
Cost of sales	352,808	336,388	329,606	2,926,898
Selling, general and administrative expenses	166,990	167,624	164,885	1,385,353
Operating income	13,950	14,729	15,344	115,730
Other income (expenses):				
Interest and dividend income	1,376	1,060	1,043	11,416
Interest expense	(2,280)	(2,400)	(2,704)	(18,914)
Other, net (Notes 6 and 8)	(1,355)	(10,694)	2,879	(11,243)
	(2,259)	(12,034)	1,218	(18,742)
Income before income taxes and minority interests	11,691	2,695	16,562	96,989
Income taxes (Note 16)**:**				
Current	7,409	1,625	7,678	61,468
Deferred	(1,831)	975	(535)	(15,188)
	5,579	2,600	7,143	46,281
Minority interests (losses)	4	(245)	(33)	29
Net income (Note 20)	¥ 6,109	¥ 340	¥ 9,452	$ 50,679

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income
(Three years ended December 31)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	2015
Income before minority interests	¥ 6,112	¥ 95	¥ 9,419	$ 50,708
Other comprehensive income:				
Unrealized holding gain on securities	3,819	4,646	10,344	31,682
Deferred hedge gains (losses)	(18)	(5)	8	(149)
Foreign currency translation adjustments	(3,768)	2,548	4,568	(31,257)
Remeasurements of defined benefit plans	1,434	—	—	11,898
Total other comprehensive income	1,467	7,188	14,920	12,174
Comprehensive income	¥ 7,580	¥7,283	¥24,339	$ 62,882
Total comprehensive income attributable to:				
Owners of the parent	¥ 7,507	¥7,249	¥23,832	$ 62,276
Minority interests	73	34	507	606

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

(Three years ended December 31)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	2015
Shareholders' equity				
Common stock:				
Cumulative effects of changes in accounting policies	¥ —	¥ —	¥ —	$ —
Restated balance at beginning of year	53,887	53,887	53,887	447,044
Changes during the year	—	—	—	—
Balance at end of year	¥ 53,887	¥ 53,887	¥ 53,887	$ 447,044
Capital surplus:				
Cumulative effects of changes in accounting policies	¥ —	¥ —	¥ —	$ —
Restated balance at beginning of year	45,913	45,912	46,308	380,892
Disposition of treasury stock	1	1	(397)	10
Balance at end of year	¥ 45,914	¥ 45,913	¥ 45,912	$ 380,901
Retained earnings (Note 7)**:**				
Cumulative effects of changes in accounting policies	¥ (3,105)	¥ —	¥ —	$ (25,763)
Restated balance at beginning of year	31,808	37,409	31,394	263,881
Net income	6,109	340	9,452	50,679
Cash dividends	(2,727)	(2,731)	(2,741)	(22,626)
Changes in scope of consolidation/ Changes in scope of associates accounted for using equity method	—	(104)	(696)	—
Balance at end of year	¥ 35,190	¥ 34,914	¥ 37,409	$ 291,933
Treasury stock, at cost:				
Cumulative effects of changes in accounting policies	¥ —	¥ —	¥ —	$ —
Restated balance at beginning of year	(1,545)	(1,311)	(1,199)	(12,816)
Purchase of treasury stock	(55)	(239)	(1,024)	(453)
Disposition of treasury stock	4	5	913	29
Balance at end of year	¥ (1,596)	¥ (1,545)	¥ (1,311)	$ (13,240)
Total shareholders' equity	¥133,394	¥133,168	¥135,896	$1,106,638
Accumulated other comprehensive income				
Unrealized holding gain on securities:				
Cumulative effects of changes in accounting policies	¥ —	¥ —	¥ —	$ —
Restated balance at beginning of year	20,113	15,467	5,123	166,857
Net change in items other than shareholders' equity during period	3,814	4,646	10,344	31,637
Balance at end of year	¥ 23,926	¥ 20,113	¥ 15,467	$ 198,494
Deferred hedge gains:				
Cumulative effects of changes in accounting policies	¥ —	¥ —	¥ —	$ —
Restated balance at beginning of year	(0)	5	10	(2)
Net change in items other than shareholders' equity during period	(11)	(5)	(5)	(93)
Balance at end of year	¥ (11)	¥ (0)	¥ 5	$ (95)
Foreign currency translation adjustments (Note 2 (m))**:**				
Cumulative effects of changes in accounting policies	¥ —	¥ —	¥ —	$ —
Restated balance at beginning of year	2,583	315	(3,726)	21,426
Net change in items other than shareholders' equity during period	(3,839)	2,268	4,041	(31,845)
Balance at end of year	¥ (1,256)	¥ 2,583	¥ 315	$ (10,418)
Remeasurements of defined benefit plans:				
Cumulative effects of changes in accounting policies	¥ —	¥ —	¥ —	$ —
Restated balance at beginning of year	441	—	—	3,654
Net change in items other than shareholders' equity during period	1,434	441	—	11,898
Balance at end of year	¥ 1,875	¥ 441	¥ —	$ 15,552
Minority interest:				
Cumulative effects of changes in accounting policies	¥ —	¥ —	¥ —	$ —
Restated balance at beginning of year	3,701	3,683	3,151	30,703
Net change in items other than shareholders' equity during period	2,194	17	532	18,197
Balance at end of year	¥ 5,894	¥ 3,701	¥ 3,683	$ 48,900

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Cash Flows

(Three years ended December 31)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	2015
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 11,691	¥ 2,695	¥ 16,562	$ 96,989
Depreciation and amortization	24,224	24,481	25,059	200,963
Loss on impairment of property, plant and equipment and leased assets	5,956	893	426	49,415
Goodwill amortization	4,153	3,764	3,985	34,456
Decrease in employees' retirement benefits	—	—	(1,474)	—
Increase (decrease) in net defined benefit liability	446	(616)	—	3,703
Decrease in allowance for doubtful receivables	(137)	(87)	(114)	(1,138)
Interest and dividend income	(1,376)	(1,060)	(1,043)	(11,416)
Interest expense	2,280	2,400	2,751	18,914
Gain on sales of property, plant and equipment	(7,453)	(3,528)	(62)	(61,834)
Loss on sales and disposal of property, plant and equipment	1,559	2,252	1,379	12,934
Gain on sales of investment securities	(47)	(231)	(3,488)	(389)
Loss on devaluation of investment securities	1,758	12	59	14,587
Increase in notes and accounts receivable	(2,780)	(1,193)	(2,315)	(23,063)
(Increase) decrease in inventories	(1,211)	(1,401)	108	(10,051)
Increase (decrease) in notes and accounts payable	(202)	(930)	2,225	(1,678)
Increase (decrease) in accrued consumption taxes	(3,057)	4,212	336	(25,362)
Increase (decrease) in liquor taxes payable	457	(165)	194	3,795
Decrease in deposits received	(730)	(1,163)	(1,653)	(6,055)
Increase in other current liabilities	377	1,025	2,152	3,127
Other	49	53	(2,595)	406
Subtotal	35,958	31,413	42,494	298,304
Interest and dividends received	1,381	1,079	1,056	11,453
Interest paid	(2,385)	(2,518)	(2,773)	(19,784)
Income taxes paid (Note 4)	(2,945)	7,769	(7,915)	(24,431)
Income taxes refundable (Note 4)	3,257	79	—	27,023
Net cash provided by operating activities	35,266	22,284	32,862	292,565
Cash flows from investing activities:				
Purchases of investment securities	(876)	(1,398)	(347)	(7,266)
Proceeds from redemption and sales of investment securities	511	392	4,436	4,241
Purchases of affiliates' securities	(3,261)	(91)	(265)	(27,053)
Proceeds from sales of affiliates' securities	1,795	—	—	14,890
Purchases of subsidiaries' shares resulting in change in scope of consolidation	(3,989)	—	—	(33,093)
Payments for sales of subsidiaries' shares resulting in change in scope of consolidation	—	(26)	—	—
Payments for acquisition of associates accounted for using equity method	—	—	(286)	—
Collection of sales of subsidiaries' shares for prior periods	3,198	—	—	26,532
Purchases of property, plant and equipment	(18,298)	(17,313)	(12,244)	(151,800)
Proceeds from sales of property, plant and equipment	19,564	6,383	172	162,303
Purchases of intangibles	(2,042)	(1,821)	(1,525)	(16,939)
Increase in long-term loans receivable	(304)	(137)	(232)	(2,525)
Collection of long-term loans receivable	417	227	440	3,463
Other	(6,471)	(3,447)	(3,417)	(53,687)
Net cash used in investing activities	(9,756)	(17,229)	(13,268)	(80,933)
Cash flows from financing activities:				
Net decrease in short-term bank loans	(3,367)	(3,337)	(9,363)	(27,931)
Proceeds from long-term debt	14,319	25,630	32,250	118,793
Repayment of long-term debt	(16,626)	(38,401)	(21,964)	(137,925)
Proceeds from issuance of bonds	9,960	9,960	19,920	82,628
Redemption of bonds	(12,000)	—	(10,000)	(99,552)
Net increase (decrease) in commercial paper	(13,000)	5,000	(22,000)	(107,848)
Cash dividends paid	(2,730)	(2,734)	(2,738)	(22,651)
Cash dividends paid to minority shareholders	(29)	(15)	(17)	(240)
Repayment of finance lease obligations	(3,039)	(3,322)	(4,218)	(25,212)
Purchase of treasury stock	(56)	(95)	(1,024)	(468)
Proceeds from sales of treasury stock	5	6	6	39
Proceeds from minority shareholders	1,760	—	—	14,605
Net cash used in financing activities	(24,803)	(7,308)	(19,147)	(205,762)
Effect of exchange rate changes on cash and cash equivalents	(56)	426	607	(467)
Net increase (decrease) in cash and cash equivalents	651	(1,826)	1,053	5,403
Cash and cash equivalents at beginning of year	9,748	11,519	9,725	80,871
Increase in cash and cash equivalents from newly consolidated subsidiaries	—	10	740	—
Increase in cash and cash equivalents resulting from merger	—	46	—	—
Cash and cash equivalents at end of year	¥ 10,399	¥ 9,748	¥ 11,519	$ 86,274

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation

The Company and its domestic consolidated subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and its consolidated foreign subsidiaries, in accordance with that of their country of domicile. The accompanying financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The relevant notes have been prepared as additional information. In addition, certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan. Furthermore, certain reclassifications of previously reported amounts have been made to reconcile the consolidated financial statements for the years ended December 31, 2013 and 2014 to the 2015 presentation.

For the convenience of the reader, the accompanying consolidated financial statements as of and for the year ended December 31, 2015 have been translated from yen amounts into U.S. dollar amounts at the rate of ¥120.54=U.S.$1.00, the exchange rate prevailing on December 31, 2015.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany balances, transactions and profits have been eliminated in consolidation.

During the year ended December 31, 2015, the Company gained 13 subsidiaries reflecting the purchase of investment securities, and lost one subsidiary that ceased to exist after a merger. Accordingly, the number of consolidated subsidiaries was 54 as of December 31, 2015.

The Company's remaining subsidiaries, whose gross assets, net sales, net income and retained earnings were not significant in the aggregate in relation to comparable balances in the consolidated financial statements, have not been consolidated.

Regarding the fiscal years of consolidated subsidiaries, effective from the year ended December 31, 2015, consolidated subsidiary SILVER SPRINGS CITRUS, INC. changed its fiscal year-end from September 30 to December 31. In line with this change in fiscal year, the 15-month period of SILVER SPRINGS CITRUS, INC. from October 1, 2014 to December 31, 2015 has been consolidated for the year ended December 31, 2015. From October 1, 2015 to December 31, 2015, SILVER SPRINGS CITRUS, INC., the company changing its fiscal year, posted net sales of ¥2,832 million and a net loss of ¥151 million.

(b) Investments in unconsolidated subsidiaries and affiliates

During the year ended December 31, 2015, the Company removed one subsidiary from the sale of investment security.

As a result, the Company had made investments in two affiliates accounted by the equity method as of December 31, 2015.

Investments in unconsolidated subsidiaries and affiliates other than those accounted for by the equity method are stated at cost determined by the moving-average method as, in the aggregate, they were not material.

(c) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

(d) Marketable and investment securities

Securities other than those of subsidiaries and affiliates are classified into three categories: trading, held-to-maturity and other securities.

Trading securities are carried at fair value, and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value as of the end of the year, with any net unrealized gain or loss included as a separate component of shareholders' equity, net of the related taxes.

Nonmarketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving-average method.

(e) Derivatives

Derivatives' positions are stated at fair value.

(f) Inventories

Inventories are stated at cost determined principally by the gross average method.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is computed by the declining-balance method over the estimated useful lives of the manufacturing facilities for alcoholic beverages and soft drinks, and by the straight-line method for the real estate assets held and for buildings acquired in Japan subsequent to March 31, 1998. The annual provisions for depreciation have been computed over periods from two to 65 years for buildings and structures, and from two to 17 years for machinery and vehicles.

For property and equipment retired or otherwise disposed of, costs and related depreciation are charged to the respective accounts and the net difference, less any amount realized on disposal, is charged to operations.

Maintenance and repairs, including minor refurbishments and improvements, are charged to income when incurred.

(h) Intangibles

Intangibles with limited useful lives are amortized by the straight-line method over their estimated useful lives.

Software used internally is amortized by the straight-line method over its estimated useful life (5 years) within the Company.

(i) Lease assets

Lease assets are amortized by the straight-line method with the lease period considered to be the useful life and the guaranteed residual value considered to be the residual value.

Finance leases other than those that transfer ownership of the leased assets to the lessees, entered into on or before December 31, 2008, are treated in the same way as ordinary operating leases for accounting purposes.

(j) Allowance for doubtful accounts

The allowance for doubtful accounts is estimated as the average percentage of actual historical bad debts, which is then applied to the balance of receivables.

In addition, an amount deemed necessary to cover uncollectible receivables is provided for specific doubtful accounts.

(k) Accrued bonuses

The accrual for employees' bonuses is based on an estimate of the amounts to be paid subsequent to the balance sheet date.

(l) Employees' retirement benefits

Employees' retirement benefits are provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet date.

(1) Method of attributing the projected amount of retirement benefit to the period

In calculating retirement benefit obligations, the Company uses the straight line method to allocate the projected retirement benefit for the period up to the end of the fiscal year under review.

(2) Method of amortizing actuarial gain and loss, past service cost, and net retirement benefit obligation at transition between accounting standards

The net retirement benefit obligation at transition is being amortized over a period of 15 years by the straight line method. Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight line method over the average remaining years of service of the eligible employees (ten years through 14 years). Past service cost is amortized by the straight line method over the average remaining years of service of the employees (ten years through 14 years).

(m) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The resulting exchange gain or loss is credited or charged to income.

All assets and liabilities of foreign subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

Revenues and expenses of foreign subsidiaries, on the other hand, are translated into Japanese yen at the average exchange rate for the fiscal year.

Any translation differences are included in foreign currency translation adjustments in the net assets section of the balance sheets.

(n) Hedge accounting

Gain or loss on derivatives positions designated as hedging instruments is deferred until the gain or loss on the underlying hedged item is recognized.

In addition, if an interest-rate swap of forward foreign exchange contract meets certain conditions, the interest expense is computed at a combined rate and recognized.

(o) Amortization of goodwill and negative goodwill

Goodwill is amortized in equal amounts over an appropriate period not to exceed 20 years.

3. Change in Method of Accounting

(Accounting Standards for Retirement Benefits)

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015) have been applied, effective from the fiscal year ended December 31, 2015, in accordance with the provisions of Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Guidance on Accounting Standard for Retirement Benefits. As a result, the method for calculating retirement benefit obligations and service costs has been revised, and the method for attributing projected benefits to periods has been changed from the straight-line basis to the benefit formula basis. As to the discount rate, it used to be calculated based on the periods, comparable to employees' average remaining years of service. Under the new accounting standard, however, the method of determining the discount rate has now been changed to use a single weighted-average discount rate that reflects the periods until the expected payment of retirement benefits and the amount of projected benefits for every such period.

In applying these retirement benefit-related accounting standards, etc., and in accordance with the transitional treatment provided in Article 37 of the Accounting Standard for Retirement Benefits, the effect of the change in calculation method for retirement benefit obligations and service costs has been recognized by adjusting retained earnings at the beginning of the fiscal year ended December 31, 2015. Consequently, as of the beginning of the fiscal year ended December 31, 2015, net defined benefit liability increased by ¥4,800 million ($39,817 thousand), while retained earnings decreased by ¥3,105 million ($25,763 thousand). Furthermore, during the fiscal year ended December 31, 2015, operating income and income taxes before minority interests each grew by ¥168 million ($1,394 thousand), respectively.

(Accounting Standards Issued but Not Yet Adopted)

- Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013)
- Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)
- Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)

• Revised Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, September 13, 2013)
• Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)
• Revised Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 13, 2013)

(a) Outline

For the additional acquisition of shares of a subsidiary, the abovementioned accounting standards and guidance revises the treatment of changes in a parent company's ownership interest in a subsidiary in which control is retained, as well as the treatment of acquisition-related costs. In addition, the accounting standards and guidance introduce revisions including changes in the presentation method of net income, an amendment of "minority interests" to "non-controlling interests," and the handling of the definition of transitional accounting treatments.

(b) Date of Adoption

The Company will adopt these revised accounting standards and guidance from the beginning of the fiscal year ending December 31, 2016.

However, in regard to the handling of the definition of transitional accounting treatments, this revision will be adopted starting with business combinations implemented on or after the beginning of the fiscal year ending December 31, 2016.

(c) Impact of Adopting the Revised Accounting Standards and Guidance

The impact of adopting the Revised Accounting Standard for Business Combinations and other revised accounting standards and guidance on the consolidated financial statements is now under assessment.

• Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, December 28, 2015)

(a) Outline

In regard to the treatment of the recoverability of deferred tax assets, ASBJ Guidance No. 26 basically applied the framework used in Auditing Guidance No. 66, "Auditing Treatment for Judgment of Recoverability of Deferred Assets, issued by the Japanese Institute of Certified Public Accountants (JICPA)," which is to say, a framework where companies are categorized into five categories and the amount of deferred tax assets to be recorded is estimated based on the category, but certain necessary revisions were made to the following treatments.

(1) Treatment of companies that do not satisfy any of the categorization criteria related to (Category 1) to (Category 5)
(2) Categorization criteria related to (Category 2) and (Category 3)
(3) Treatment of unscheduled deductible temporary differences at companies corresponding to (Category 2)
(4) Treatment of reasonably estimable periods for taxable income before adjusting for temporary differences at companies corresponding to (Category 3)
(5) Treatment of companies that satisfy the categorization criteria related to (Category 4) in cases where they correspond to (Category 2) or (Category 3)

(b) Date of Adoption

The Company plans to adopt the implementation guidance from the beginning of the fiscal year ending December 31, 2017.

(c) Impact of Adopting the Implementation Guidance

The impact of adopting the Implementation Guidance on Recoverability of Deferred Tax Assets on the consolidated financial statements is now under assessment.

4. Changes in Presentation Method

Effective from the fiscal year ended December 31, 2015, "income tax refundable," which was previously included in "income tax paid" under "cash flows from operating activities," is individually presented because of its increased importance in monetary terms.

Accordingly, the consolidated statements of cash flows for the year ended December 31, 2014 have been retroactively adjusted to reflect the change. As a result, ¥(7,690) million ($(63,794) thousand) included in "income tax paid" under "cash flows from operating activities" in the consolidated cash flows for the year ended December 31, 2014 was presented as "income tax paid" of ¥(7,769) million ($(64,452) thousand) and "income tax refundable" of ¥79 million ($658 thousand).

5. Inventories

Inventories at December 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Finished goods and merchandise	¥20,923	¥18,111	$173,574
Work in process	3,990	4,320	33,098
Raw materials	12,056	12,510	100,019
Supplies	1,667	1,599	13,826
	¥38,635	¥36,540	$320,516

6. Loss on Impairment of Property, Plant and Equipment

The Company and its consolidated subsidiaries recorded impairment losses on the following asset groups for the year ended December 31, 2015:

Location	Use	Classification	Millions of yen	Thousands of U.S. dollars (Note 1)
Sapporo Breweries Ltd. (Kitakanbara-gun, Niigata and other)	Idle real estate/Welfare facilities	Land	¥2,944	$24,423
		Buildings	138	1,142
		Other	1	12
			¥3,083	$25,577
Sapporo Vietnam Ltd. (Long An Province, Vietnam)	International business	Goodwill	¥2,082	$17,276
			¥2,082	$17,276
PS Beverage Ltd (Koto-ku, Tokyo)	Machinery for operations	Land	¥ 130	$ 1,082
		Buildings	35	289
		Machinery	1	4
		Lease assets	149	1,232
		Other	18	151
			¥ 332	$ 2,758
Sapporo Lion Ltd. (Chiyoda-ku, Tokyo and other)	Restaurants for operations	Buildings	¥ 157	$ 1,304
		Machinery	14	119
		Other	6	50
			¥ 178	$ 1,474
POKKA SAPPORO Food & Beverage Ltd. (Toyota-shi, Aichi)	Beverage manufacturing facilities	Land	¥ 0	$ 1
		Buildings	78	650
		Machinery	55	456
		Other	4	33
			¥ 137	$ 1,140
Pokka Create Co., Ltd. (Nakagyo-ku, Kyoto and other)	Restaurants for operations	Buildings	¥ 75	$ 619
		Lease assets	6	51
		Other	6	49
			¥ 87	$ 719
Public Vending Service Co., Ltd (Koto-ku, Tokyo)	Machinery for operations	Lease assets	¥ 44	$ 364
		Other	10	82
			¥ 54	$ 446
Sapporo Lion (Singapore) Pte. Ltd. (Singapore)	Restaurants for operations	Buildings	¥ 1	$ 11
		Machinery	1	8
			¥ 2	$ 19
Okinawa Pokka Foods Co., Ltd. (Kunigami-gun, Okinawa)	Beverage manufacturing facilities	Machinery	¥ 1	$ 5
			¥ 1	$ 5
			¥5,956	$49,415

The Company and its consolidated subsidiaries recorded impairment losses on the following asset groups for the year ended December 31, 2014:

Location	Use	Classification	Millions of yen
Public Vending Service Co., Ltd. (Koto-ku, Tokyo)	Other	Goodwill	¥209
		Other	142
			¥350
Sapporo Lion Ltd. (Toshima-ku, Tokyo and other)	Restaurants for operations	Buildings	¥199
		Machinery	18
		Other	7
			¥223
Okinawa Pokka Foods Co., Ltd. (Kunigami-gun, Okinawa)	Beverage manufacturing facilities	Buildings	¥ 62
		Machinery	93
		Other	12
			¥167
Sapporo Breweries Ltd. (Kitakanbara-gun, Niigata and other)	Idle real estate	Land	¥ 75
			¥ 75
Pokka Sapporo Food & Beverage Ltd. (Isesaki-shi, Gunma)	Beverage manufacturing facilities	Buildings	¥ 4
		Machinery	32
		Other	0
			¥ 36
Pokka Create Co., Ltd. (Tokushima-shi, Tokushima and other)	Restaurants for operations	Buildings	¥ 15
		Machinery	—
		Other	7
			¥ 22
Pokka Corporation (H.K.) Ltd. (Hong Kong, Republic of China)	Restaurants for operations	Buildings	¥ 19
			¥ 19
			¥893

The Company and its consolidated subsidiaries recorded impairment losses on the following asset groups for the year ended December 31, 2013:

Location	Use	Classification	Millions of yen
SLEEMAN BREWERIES LTD. (Nova Scotia, Canada)	Beer brewing facilities	Machinery	¥221
		Buildings	5
		Other	3
			¥228
Sapporo Lion Ltd. (Chuo-ku, Tokyo and other)	Restaurants for operations	Buildings	¥116
		Machinery	6
		Other	4
			¥126
Pokka Create Co., Ltd. (Hamamatsu-shi, Shizuoka and other)	Restaurants for operations	Buildings	¥ 26
		Other	10
			¥ 36
Sapporo Breweries Ltd. (Koshu-shi, Yamanashi)	Restaurants for operations	Buildings	¥ 17
			¥ 17
Sapporo Real Estate Co., Ltd. (Shibuya-ku, Tokyo)	Offices	Buildings	¥ 16
			¥ 16
Pokka Sapporo Food & Beverage Ltd. (Aichi-gun, Aichi and other)	Idle real estate	Land	¥ 2
			¥ 2
			¥426

The Company and its consolidated subsidiaries decided the asset group in consideration of the division in management accounting. Idle real estate and real estate for lease and offices are grouped with each real estate, and the restaurants are mainly grouped with each store. The asset groups for manufacturing facilities and assets for business are for each respective business.

Idle real estate and welfare facilities have been written down to the recoverable amount upon sale. An impairment loss has been booked for the amount of the write-down.

In the International segment, assets have been written down to the recoverable amount as it is expected to be difficult to recover the investment due mainly to declining profitability. An impairment loss has been booked for the amount of the write-down.

Machinery for operations has been written down to the recoverable amount as it is expected to be difficult to recover the investment due to declining profitability. An impairment loss has been booked for the amount of the write-down.

For restaurants for operations, the amount by which the carrying amount of these assets exceeds the expected present value of these assets is recognized as an impairment loss because the carrying amount of these assets may not be recoverable due to poor profitability.

Beer brewing facilities, beverages and food manufacturing facilities have been written down to the recoverable amount as it is expected to be difficult to recover the investment due mainly to the termination of roasted bean production and declining profitability. An impairment loss has been booked for the amount of the write-down.

Offices have been written down to the recoverable amount as it is expected to be difficult to recover the investment due to declining profitability as a result of office relocation. An impairment loss has been booked for the amount of the write-down.

The recoverable amount is measured by the net selling cost and the value in use, with the net selling cost determined based on an appraisal value provided by a real estate appraisal company. The value in use is calculated based on future cash flows discounted by a certain discount rate.

The discount rate was 6.6–14.7% in 2015, 7.1–7.3% in 2014, and 6.4–7.2% in 2013.

7. Shareholders' Equity

Retained earnings include a legal reserve provided in accordance with the provisions of the Commercial Code. This reserve is not available for the payment of dividends, but it may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

8. Other Income (Expenses)

"Other income (expenses)—Other, net" for each of the three years in the period ended December 31, 2015 consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	2015
Equity in income of affiliates	¥ 17	¥ 226	¥ 99	$ 141
Foreign exchange gains	—	576	849	—
Gain on valuation of derivatives	469	—	—	3,888
Gain on sales of property, plant and equipment	7,453	3,528	62	61,834
Gain on sales of investment securities	47	231	3,492	389
Gain on sales of consolidated subsidiaries	73	966	—	602
Subsidy income	323	—	—	2,675
Foreign exchange losses	(537)	—	—	(4,459)
Loss on disposal of property, plant and equipment	(1,534)	(2,143)	(1,158)	(12,728)
Loss on sales of property, plant and equipment	(25)	(109)	(221)	(206)
Loss on impairment of property, plant and equipment	(5,956)	(893)	(426)	(49,415)
Loss on devaluation of marketable securities and investments	(1,758)	(12)	(59)	(14,587)
Loss on sales of investment securities	—	(0)	(4)	—
Business structure improvement expenses	—	—	(253)	—
Compensation expenses	(142)	(1,753)	—	(1,178)
Additional liquor tax paid and other	—	(11,686)	—	—
Other	217	375	498	1,800
	¥(1,355)	¥(10,694)	¥ 2,879	$(11,243)

9. Contingent Liabilities

Contingent liabilities at December 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Guarantee of loans, principally loans for employees' housing	¥ 368	¥427	$ 3,050
Other	1,301	138	10,791
	¥1,668	¥565	$13,840

10. Leases

(a) Finance leases

i) Lessee

Finance leases other than those that transfer ownership of the leased assets to the lessees

Description of lease assets

1. Property, plant and equipment
   Fixtures (other) for sales purposes and vending machines (other)
2. Intangible fixed assets
   Software

Finance leases other than those that transfer ownership of the leased assets to the lessees, entered into on or before December 31, 2008, continue to be treated in the same way as ordinary operating leases for accounting purposes. Details are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Acquisition costs:			
Machinery and vehicles	¥48	¥48	$398
Other	4	4	35
	¥52	¥52	$433
Accumulated depreciation:			
Machinery and vehicles	¥48	¥46	$398
Other	4	3	30
	¥52	¥49	$428
Accumulated loss on impairment:			
Machinery and vehicles	¥—	¥—	$ —
Other	—	—	—
	¥—	¥—	$ —
Net book value:			
Machinery and vehicles	¥—	¥ 2	$ —
Other	1	1	5
	¥ 1	¥ 3	$ 5

Lease payments relating to finance leases accounted for as operating leases amounted to ¥2 million ($18 thousand) and ¥12 million, which equaled the corresponding depreciation on the respective leased assets computed by the straight line method over the lease terms for the years ended December 31, 2015 and 2014, respectively.

There was no recorded loss on impairment of leased assets for the years ended December 31, 2015 and 2014.

No reversals of allowance for impairment loss on leased properties were recorded for the year ended December 31, 2015.

Reversals of allowance for impairment loss on leased properties was ¥0.2 million for the years ended December 31, 2014.

The amount of depreciation equivalents was ¥2 million ($18 thousand) and ¥12 million for the years ended December 31, 2015 and 2014.

Future minimum lease payments, including the interest portion thereon, subsequent to December 31, 2015 and 2014 for finance lease transactions accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
Year ended December 31,	2015	2014	2015
Due within one year	¥0	¥2	$4
Due after one year	0	1	1
Total	¥1	¥3	$5

(b) Operating leases

Future minimum lease payments subsequent to December 31, 2015 and 2014 for operating leases are summarized as follows:

i) Lessee

	Millions of yen		Thousands of U.S. dollars (Note 1)
Year ended December 31,	2015	2014	2015
Due within one year	¥1,868	¥ 2,077	$15,496
Due after one year	7,924	8,143	65,736
Total	¥9,792	¥10,220	$81,233

ii) Lessor

	Millions of yen		Thousands of U.S. dollars (Note 1)
Year ended December 31,	2015	2014	2015
Due within one year	¥ 5,884	¥ 5,766	$ 48,817
Due after one year	13,650	18,257	113,242
Total	¥19,535	¥24,023	$162,059

11. Financial Instruments

(a) Matters related to financial instruments

i) Group policy regarding financial instruments

The Sapporo Group procures the funds it requires mainly through borrowings from banks and the issue of corporate bonds. Any temporary surpluses are then invested in highly secure, highly liquid financial assets. Short-term operating capital is procured through bank loans and commercial paper. Derivatives are not used for speculative purposes, but rather are used mainly to mitigate exposure to risks stemming from exchange rate and interest rate volatility.

ii) Breakdown of financial instruments and related risks

Operating receivables, such as notes and accounts receivable, are exposed to customer credit risks. To cope with these risks, the Sapporo Group, in line with internal regulations, engages in due date control and balance management for each respective business partner.

Marketable securities and investment securities mainly consist of stocks of companies with which the Group has business relations and the investment of temporary surpluses in bonds. These securities are exposed to risks stemming from market price volatility. The Sapporo Group periodically evaluates the market value of these stocks and bonds. The Group also makes long-term loans to business partners and other entities.

Payables, such as notes and accounts payable, are operating liabilities and due for payment within one year.

Short-term borrowings and commercial paper consist mainly of operating funds procured for business transactions. Long-term debt and corporate bonds are funds procured mainly for capital investment purposes.

Long-term debt is exposed to risks stemming from interest-rate and foreign exchange volatility. For certain long-term debt, the Sapporo Group uses derivative transactions (interest-rate swaps and currency swaps) as a hedge against risks stemming from interest-rate volatility.

Currency-related derivative transactions consist of foreign exchange contracts and currency swap transactions. Interest rate derivative transactions are interest rate swaps. Derivative financial instruments consist of commodity futures and commodity option transactions.

iii) Risk management system for financial instruments

① Management of credit risks

(risks associated with default, etc., by business partners)

Regarding operating receivables and long-term loans, the Company and its major consolidated subsidiaries, in line with internal rules of conduct at each Company, periodically monitor the status of main business partners via the executive department of each business division.

Along with managing due dates and balances for each partner, the Company and its major subsidiaries take steps to preventatively assess and minimize losses from instances in which the recovery of receivables or loans may become doubtful due to deterioration, etc., in financial condition.

In derivative transactions, the Company and its major subsidiaries, based on standards of internal control, only enter into contracts with financial institutions possessing high credit ratings.

These controls are followed as a rule to prevent the emergence of possible credit risks.

② Management of market risks

(risks from exchange-rate and interest-rate volatility)

With regard to operating receivables and payables denominated in foreign currencies, the Company and certain of its subsidiaries use forward foreign exchange contracts to limit to within a certain scope risks stemming from exchange-rate volatility. Interest rate swaps are also used to control volatility risks involved in the interest rates on borrowings.

To mitigate risks associated with foreign currency transactions, currency swap transactions are used. Commodity futures and commodity option transactions are used to hedge against the risk of fluctuating raw material purchase prices to limit such risk within a specified range.

For marketable and investment securities, the Company and its major subsidiaries periodically assess the market value of the securities and the financial condition, etc. of the issuer (business partners), and, as necessary, review the holding status of such securities, taking into account their relationship with the business partner in question.

Derivative transactions are executed and managed pursuant to standards of internal control. These controls clearly stipulate matters pertaining to derivatives, including their purpose, product range, transaction counterparties, settlement approval procedures, the segregation of duties within executive departments, and the system for reporting such transactions. The balance and status of income (loss) for derivative transactions is reported periodically to the Board of Directors.

③ Management of liquidity risk associated with fund procurement (risk of failing to meet payment due dates)

To minimize financial liabilities, the Sapporo Group has a cash management system (CMS) to centrally manage fund allocation to the Company and its major subsidiaries. Financial divisions within the Group formulate plans for fund procurement and fund management in an effort to manage liquidity risk.

iv) Supplementary explanation of matters concerning fair value, etc., of financial instruments

Market value of financial instruments contains fair values that are rationally calculated in cases for which no market price is available. Because variable factors are incorporated into the calculation of this value, the adoption of different terms and assumptions can cause fair value to vary.

Furthermore, notional amounts contracted in derivative transactions, as described in the notes pertaining to derivative transactions, are not a full expression of the market risk associated with derivative transactions.

(b) Matters concerning fair value, etc., of financial instruments

Amounts, market value and their variances reported in the consolidated balance sheets for the fiscal years ended December 31, 2015 and 2014 are as follows:

Items for which the assessment of market value is not feasible were omitted.

	Millions of yen						Thousands of U.S. dollars (Note 1)		
	2015			2014			2015		
	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
(1) Cash and cash equivalents	¥ 10,431	¥ 10,431	¥ —	¥ 9,781	¥ 9,781	¥ —	$ 86,532	$ 86,532	$ —
(2) Notes and accounts receivable—trade	92,335			89,246			766,014		
Allowance for doubtful receivables	(62)			(150)			(511)		
Sub total	92,274	92,274	—	89,096	89,096	—	765,503	765,503	—
(3) Marketable securities and investment securities									
① Held-to-maturity debt securities				200	202	2	—		
② Other securities	54,654	54,654	—	49,849	49,849	—	453,406	453,406	—
(4) Long-term loans receivable	9,367			9,653			77,706		—
Allowance for doubtful receivables	(6)			(61)			(50)		
Sub total	9,361	9,361	0	9,592	9,594	2	77,656	77,658	1
Total assets	¥166,719	¥166,719	¥ 0	¥158,519	¥158,522	¥ 4	$1,383,098	$1,383,099	$ 1
(1) Notes and accounts payable—trade	¥ 36,772	¥ 36,772	¥ —	¥ 35,534	¥ 35,534	¥ —	$ 305,061	$ 305,061	$ —
(2) Short-term bank loans	19,220	19,220	—	22,424	22,424	—	159,445	159,445	—
(3) Commercial paper	17,000	17,000	—	30,000	30,000	—	141,032	141,032	—
(4) Liquor taxes payable	33,904	33,904	—	33,603	33,603	—	281,267	281,267	—
(5) Income taxes payable	6,115	6,115	—	725	725	—	50,726	50,726	—
(6) Bonds	60,000	60,431	431	62,000	62,623	623	497,760	501,336	3,576
(7) Long-term bank debt	138,522	139,634	1,112	133,133	135,013	1,880	1,149,179	1,158,406	9,227
Total liabilities	¥311,532	¥313,075	¥1,543	¥317,418	¥319,922	¥2,503	$2,584,471	$2,597,273	$12,802
Derivative transactions to which									
① Hedge accounting is not applied	¥ 526	¥ 526	¥ —	¥ 3	¥ 3	¥ —	$ 4,363	$ 4,363	$ —
② Hedge accounting is applied	(12)	(12)	—	7	7	—	(103)	(103)	—
Total Derivative transactions	¥ 514	¥ 514	¥ —	¥ 10	¥ 10	¥ —	$ 4,261	$ 42,161	$ —

i) Methods for determining market value of financial instruments and matters concerning marketable securities and derivative transactions

<Assets>

(1) Cash and cash equivalents, (2) Notes and accounts receivable

Book value is used since the variance between market value and book value is small due to the settlement of these accounts in the near future.

(3) Marketable and investment securities

In determining market value, the stock market price is used for stocks.

In the absence of a market price quotation, fair value on public and corporate bonds is determined as follows. Such bonds are first sorted in sets according to maturity and credit rating. Yield on a government bond with a similar maturity or another appropriate indicator is then applied as a benchmark, and a spread taking into account credit rating and maturity of a set of bonds is added on top of the benchmark rate. This rate approximating the future cash flow of that set of bonds is then applied as the discount rate in calculating the set's present value. For matters pertaining to respective marketable securities to be held-to-maturity, refer to "12. Marketable Securities and Investment Securities" in the Notes to Consolidated Financial Statements.

(4) Long-term loans receivable
Within the Sapporo Group, the fair value of long-term loans receivable is calculated as follows. Loans are first sorted in sets according to maturity and credit risk. Yield on a government bond with a similar maturity or another appropriate indicator is then applied as a benchmark, and a spread taking into account the credit risk and maturity of a set of loans is added on top of the benchmark rate. This rate approximating future cash flow of that set of loans is then applied as the discount rate in calculating the set's present value. The fair value of potentially doubtful receivables is calculated either at present value using the same discount rate formula, or based on the projected amount of collateral or guarantees deemed recoverable.
<Liabilities>
(1) Accounts payable, (2) Short-term bank loans, (3) Commercial paper, (4) Liquor taxes payable, and (5) Income taxes payable
Book value is used since the variance between market value and book value is small due to the short-term settlement of these accounts.
(6) Corporate bonds
The market value of bonds issued by the Company is calculated based on the market price for bonds that have market prices.
(7) Long-term debt
For long-term debt, the method for determining fair value is to discount the sum total of the outstanding principal and interest by the estimated interest-rate cost of refinancing it.

Long-term bank loans based on variable interest rates are subject to special procedures for interest rate swaps and allocation procedures for currency swaps. This is calculated by discounting the sum total amount of principal and interest, with said interest rate swaps and currency swaps treated as one, at a reasonably estimated interest rate that applies when refinancing.

ii) Financial instruments for which the assessment of market value is not feasible

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
	Carrying value	Carrying value	Carrying value
Unlisted stocks, etc.	¥ 7,195	¥10,020	$ 59,686
Dealers' deposits for guarantees	32,833	32,337	272,384

iii) Estimate of monetary claims and maturing marketable securities due for redemption after the consolidated account settlement

	Millions of yen			
	2015			
	Inside one year	After one year and inside five years	After five years and inside ten years	After ten years
Cash and cash equivalents	¥ 7,814	¥ —	¥—	¥ —
Notes and accounts receivable—trade	92,335	—	—	—
Long-term loans receivable	350	893	65	8,058
Total	¥100,499	¥893	¥65	¥8,058

	Thousands of U.S. dollars (Note 1)			
	2015			
	Inside one year	After one year and inside five years	After five years and inside ten years	After ten years
Cash and cash equivalents	$ 64,822	$ —	$ —	$ —
Notes and accounts receivable—trade	766,014	—	—	—
Long-term loans receivable	2,906	7,412	539	66,849
Total	$833,742	$7,412	$539	$66,849

	Millions of yen			
	2014			
	Inside one year	After one year and inside five years	After five years and inside ten years	After ten years
Cash and cash equivalents	¥ 6,386	¥ —	¥—	¥ —
Notes and accounts receivable—trade	89,246	—	—	—
Marketable securities and investment securities				
Held-to-maturity debt securities	100	100	—	—
Long-term loans receivable	502	1,043	—	8,108
Total	¥96,234	¥1,143	¥—	¥8,108

12. Marketable Securities and Investment Securities

(a) Trading securities
No relevant items as of December 31, 2015 and 2014.

(b) Held-to-maturity debt securities
No relevant items as of December 31, 2015.

The aggregate carrying value, fair value, gross unrealized gain and loss on held-to-maturity debt securities whose fair value was determinable at December 31, 2014 are summarized as follows:

	Millions of yen		
	2014		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Government and municipal bonds	¥ —	¥ —	¥—
Corporate bonds	200	202	2
Other	—	—	—
Subtotal	¥200	¥202	¥ 2

(c) Other securities

The aggregate acquisition cost, carrying value, gross unrealized gain and loss on other securities whose fair value was determinable at December 31, 2015 and 2014 are summarized as follows:

Unlisted stocks have no discernable market price, making any assessment of market value unfeasible. Such stocks have subsequently been omitted from the chart of other securities below.

	Millions of yen		
	2015		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥50,713	¥15,306	¥35,408
Debt securities	16	16	0
Other	—	—	—
Subtotal	50,729	15,322	35,408
Securities whose acquisition cost exceeds their carrying value:			
Stock	3,924	4,453	(529)
Debt securities	—	—	—
Other	—	—	—
Subtotal	3,924	4,453	(529)
Total	¥54,654	¥19,775	¥34,879

	Thousands of U.S. dollars (Note 1)		
	2015		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	$420,717	$126,976	$293,742
Debt securities	133	133	1
Other	—	—	—
Subtotal	420,851	127,109	293,742
Securities whose acquisition cost exceeds their carrying value:			
Stock	32,555	36,944	(4,389)
Debt securities	—	—	—
Other	—	—	—
Subtotal	32,555	36,944	(4,389)
Total	$453,406	$164,053	$289,353

	Millions of yen		
	2014		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥46,595	¥15,308	¥31,288
Debt securities	16	16	0
Other	—	—	—
Subtotal	46,611	15,324	31,288
Securities whose acquisition cost exceeds their carrying value:			
Stock	3,237	3,863	(626)
Debt securities	—	—	—
Other	—	—	—
Subtotal	3,237	3,863	(626)
Total	¥49,849	¥19,187	¥30,662

(d) The realized gain and loss on sales of other securities

The realized gain and loss on sales of other securities in the periods ended December 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Sales	¥277	¥392	$2,298
Gain on sales of securities	47	231	389
Loss on sales of securities	—	0	—

(e) Marketable securities that have been written down

The Company recorded write-downs of ¥1,758 million ($14,587 thousand) and ¥12 million in other securities in the years ended December 31, 2015 and 2014, respectively.

The Company writes down marketable securities when their market value falls by 50% or more than their book value at the fiscal year-end. If their value falls by between 30% and 50%, the Company records the amount of write-downs deemed necessary based on the possibility of recovery for individual securities.

13. Derivatives

(a) Derivative transactions to which hedge accounting is applied

i) Currency-related

December 31, 2015

Hedge accounting method	Hedging instrument	Main hedged item	Millions of yen: Contract amount	Millions of yen: Contract amount payable after one year	Millions of yen: Fair value	Thousands of U.S. dollars (Note 1): Contract amount	Thousands of U.S. dollars (Note 1): Contract amount payable after one year	Thousands of U.S. dollars (Note 1): Fair value
Designation applied to forward exchange contracts	Forward foreign exchange contract Purchase denomination; US$	Accounts payable	¥ 131	¥ —	¥ (2)	$ 1,083	$ —	$ (16)
	Purchase denomination; Euro	Accounts payable	600	—	(10)	4,979		(87)
Currency swap allocation procedures	Received in USD, paid in JPY	Long-term debt	11,804	11,804	*	97,928	97,928	*
Total			¥12,535	¥11,804	¥(12)	$103,989	$97,928	$(103)

December 31, 2014

Hedge accounting method	Hedging instrument	Main hedged item	Millions of yen: Contract amount	Millions of yen: Contract amount payable after one year	Millions of yen: Fair value
Designation applied to forward exchange contracts	Forward foreign exchange contract Purchase denomination; Euro	Accounts payable	¥ 76	¥ —	¥ (1)
	Sell denomination; US$	Accounts receivable	323	—	(6)
Principle method	Forward foreign exchange contract Sell denomination; CAN$	Accounts receivable	473	—	14
Currency swap allocation procedures	Received in USD, paid in JPY	Long-term debt	10,000	10,000	*
Total			¥10,872	¥10,000	¥ 7

Note: Because those based on currency swap allocation procedures are treated together with long-term loans, which are regarded as hedged items, their market value is shown inclusive of the market value of long-term loans.

ii) Interest rate-related

December 31, 2015

Hedge accounting method	Hedging instrument	Main hedged item	Millions of yen: Contract amount	Millions of yen: Contract amount payable after one year	Millions of yen: Fair value	Thousands of U.S. dollars (Note 1): Contract amount	Thousands of U.S. dollars (Note 1): Contract amount payable after one year	Thousands of U.S. dollars (Note 1): Fair value
Special treatment for interest rate swaps	Interest rate swaps Receive variable rate, pay fixed rate	Long-term debt	¥54,996	¥49,573	*	$456,244	$411,257	*

December 31, 2014

Hedge accounting method	Hedging instrument	Main hedged item	Millions of yen: Contract amount	Millions of yen: Contract amount payable after one year	Millions of yen: Fair value
Special treatment for interest rate swaps	Interest rate swaps Receive variable rate, pay fixed rate	Long-term debt	¥43,576	¥39,514	*

Note: Interest rate swaps backing long-term debts as hedges are subject to special treatment. Their fair value is recorded in conjunction with the long-term debts they back.

(b) Derivative transactions to which hedge accounting is not applied

i) Currency-related

December 31, 2015

Hedge accounting method	Hedging instrument	Millions of yen Contract amount	Contract amount payable after one year	Fair value	Unrealized gain (loss)	Thousands of U.S. dollars (Note 1) Contract amount	Contract amount payable after one year	Fair value	Unrealized gain (loss)
Transactions other than market transactions	Forward foreign exchange contract Purchase denomination; US$	¥2,385	¥1,073	¥335	¥335	$19,783	$8,899	$2,776	$2,776
	Sell denomination; US$	187	—	(33)	(33)	1,549	—	(275)	(275)
	Currency swaps Received in USD, paid in CAN$	727	—	4	4	6,035	—	29	29
Total		¥3,299	¥1,073	¥305	¥305	$27,367	$8,899	$2,530	$2,530

December 31, 2014

Hedge accounting method	Hedging instrument	Millions of yen Contract amount	Contract amount payable after one year	Fair value	Unrealized gain (loss)
Transactions other than market transactions	Forward foreign exchange contract Purchase denomination: JPY	¥ 397	¥ —	¥(45)	¥(45)
	Purchase denomination: US$	1,275	1,275	60	60
	Sell denomination: US$	294	—	(7)	(7)
Total		¥1,966	¥1,275	¥ 8	¥ 8

ii) Commodity-related

December 31, 2015

Hedge accounting method	Hedging instrument	Millions of yen Contract amount	Contract amount payable after one year	Fair value	Unrealized gain (loss)	Thousands of U.S. dollars (Note 1) Contract amount	Contract amount payable after one year	Fair value	Unrealized gain (loss)
Market transactions	Commodity option contract Purchase denomination; Call	¥ 3	¥—	¥ 14	¥ 14	$ 24	$—	$ 118	$ 118
	Sell denomination; Put	9	—	8	8	72	—	67	67
	Commodity future trading Purchase denomination	2,011	—	199	199	16,681	—	1,647	1,647
Total		¥2,022	¥—	¥221	¥221	$16,778	$—	$1,833	$1,833

December 31, 2014

Hedge accounting method	Hedging instrument	Millions of yen Contract amount	Contract amount payable after one year	Fair value	Unrealized gain (loss)
Market transactions	Commodity option contract Purchase denomination; Call	¥ 9	¥—	¥(6)	¥(6)
	Sell denomination; Put	4	—	1	1
	Commodity future trading Purchase denomination	48	—	(0)	(0)
Total		¥61	¥—	¥(5)	¥(5)

14. Short-Term Bank Loans, Commercial Paper, Bonds and Long-Term Debts

Short-term bank loans represent notes or overdrafts. The annual average interest rates applicable to short-term bank loans for the years ended December 31, 2015 and 2014 were 0.79% and 0.64%, respectively.

The Company has entered into a yen domestic commercial paper program with a current maximum facility amount of ¥50,000 million ($414,800 thousand). There were outstanding balances of ¥17,000 million ($141,032 thousand), ¥30,000 million at December 31, 2015 and 2014, respectively.

Bonds at December 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
0.96% bonds due 2015	¥ —	¥12,000	$ —
0.62% bonds due 2016	10,000	10,000	82,960
0.64% bonds due 2017	10,000	10,000	82,960
0.39% bonds due 2018	10,000	10,000	82,960
0.31% bonds due 2019	10,000	10,000	82,960
0.61% bonds due 2020	10,000	10,000	82,960
0.33% bonds due 2020	10,000	—	82,960
Total	60,000	62,000	497,760
Less current portion	10,000	12,000	82,960
Bonds, net of current portion	¥50,000	¥50,000	$414,800

The aggregate annual maturities of bonds subsequent to December 31, 2015 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
2016	¥10,000	$ 82,960
2017	10,000	82,960
2018	10,000	82,960
2019	10,000	82,960
2020	20,000	165,920
	¥60,000	$497,760

Long-term debt at December 31, 2015 and 2014 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Loans from banks and insurance companies maturing from 2014 to 2024 with weighted–average annual interest rates:			
2015—0.79%			
2014—0.69%			
Secured	¥ 16,470	¥ 17,900	$ 136,635
Unsecured	122,052	115,233	1,012,544
	138,522	133,133	1,149,179
Less current portion	46,603	9,023	386,618
	¥ 91,919	¥124,110	$ 762,562

The aggregate annual maturities of long-term debt subsequent to December 31, 2015 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
2016	¥ 46,603	$ 386,618
2017	13,214	109,627
2018	19,373	160,717
2019	17,285	143,396
2020	19,380	160,774
2021 and thereafter	22,667	188,048
	¥138,522	$1,149,179

The assets pledged as collateral for short-term bank loans and long-term debt at December 31, 2015 and 2014 are summarized as follows:

(a) Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Investment securities	¥8,886	¥7,648	$73,717
Buildings and structure	74	91	613
Lands	613	613	5,083
Other Investment.	25	25	207
	¥9,597	¥8,377	$79,621

(b) Debt relating to the above pledged assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Short-term bank loans	¥ 2,500	¥ 3,000	$ 20,740
Long-term bank debt	16,470	17,900	136,635
	¥18,970	¥20,900	$157,375

In addition, cash and cash equivalents of ¥28 million ($233 thousand) of POKKA INTERNATIONAL PTE. LTD. are pledged as collateral for a credit limit of ¥922 million ($7,647 thousand).

Short-term bank loans of ¥16 million ($133 thousand) have been borrowed against said credit limit.

15. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans, tax-qualified pension plans and lump-sum payment plans covering substantially all employees. Certain consolidated subsidiaries have joined the Smaller Enterprise Retirement Allowance Mutual Aid System. In addition, certain consolidated subsidiaries have set up a retirement benefits trust. Additional benefits may be granted to employees according to the conditions under which termination occurs.

Conditions for the years ended December 31, 2015 and 2014 are as follows.

(a) Defined benefit plans

i) Reconciliation of balance of retirement benefit obligation at the start of the period and at the end of the period (except for plans applying simplified methods in iii))

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Balance of retirement benefit obligation at the start of the period	¥44,626	¥44,922	$370,220
Cumulative effect of changes in accounting policies	4,800	—	39,817
Restated balance of the beginning of the period	49,426	44,922	410,037
Service cost	1,408	1,217	11,677
Interest cost	302	688	2,504
Actuarial gain or loss	(694)	458	(5,761)
Payment of retirement benefits	(2,517)	(2,658)	(20,877)
Balance of retirement benefit obligation at the start and the end of the period	¥47,924	¥44,626	$397,580

ii) Reconciliation of balance of pension plan assets at the start of the period and at the end of the period (except for plans applying simplified methods in iii))

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Balance of pension plan assets at the start of the period	¥41,153	¥37,778	$341,402
Expected return on plan assets	957	895	7,938
Actuarial gain or loss	(222)	1,817	(1,846)
Contribution from employer	2,226	3,179	18,465
Payment of retirement benefits	(2,323)	(2,515)	(19,275)
Balance of pension plan assets at the end of the period	¥41,789	¥41,153	$346,684

iii) Reconciliation of balance of net defined benefit liability at the start of the period and at the end of the period for plans applying simplified methods

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Balance of net defined benefit liability at the start of the period	¥1,037	¥1,122	$ 8,604
Retirement benefit expenses	265	180	2,198
Payment of retirement benefits	(107)	(95)	(886)
Contribution paid by the employer	(25)	(30)	(206)
Other	331	(140)	2,745
Balance of net defined benefit liability at the end of the period	¥1,501	¥1,037	$12,454

iv) Reconciliation of balance of retirement benefit obligation and pension plan assets at the end of the period and liabilities and assets related to retirement benefits stated on the balance sheets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Retirement benefit plan obligation for funded plans	¥ 45,732	¥ 42,353	$ 379,395
Pension plan assets	(42,037)	(41,417)	(348,739)
	3,695	936	30,656
Retirement benefit plan obligations for unfunded plans	3,941	3,575	32,694
Net amount of liabilities and assets on the consolidated balance sheets	7,636	4,511	63,350
Liabilities related to retirement benefits	7,636	4,511	63,350
Net amount of liabilities and assets on the consolidated balance sheets	¥ 7,636	¥ 4,511	$ 63,350

v) Amounts of retirement benefit expenses and breakdown

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Service cost	¥1,408	¥1,217	$11,677
Interest cost	302	688	2,504
Expected return on plan assets	(957)	(894)	(7,938)
Amortization of net retirement benefit obligation at transition	1,503	1,503	12,471
Amortization of actuarial gain or loss	836	915	6,939
Amortization of past service cost	(704)	(728)	(5,840)
Retirement benefit expenses calculated by simplified methods	265	179	2,198
Retirement benefit expenses relating to defined benefit plans	¥2,653	¥2,880	$22,011

Note: In addition to the above retirement benefit expenses, additional retirement benefits of ¥36 million are included in retirement benefit expenses.

vi) Remeasurements of defined benefit plans

Breakdown of remeasurements of defined benefit plans (before tax effects)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Accounting standards	¥(1,503)	¥—	$(12,471)
Actuarial difference	(1,308)	—	(10,854)
Past service cost	704	—	5,840
Total	¥(2,108)	¥—	$(17,485)

vii) Accrued adjustment for retirement benefits

Breakdown of accrued adjustment for retirement benefits (before tax effects)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Unrecognized net retirement benefit obligation at transition	¥ —	¥ 1,503	$ —
Unrecognized actuarial gain or loss	335	1,643	2,780
Unrecognized past service cost	(3,137)	(3,841)	(26,023)
Total	¥(2,802)	¥ (694)	$(23,243)

viii) Items related to pension plan assets

(1) Main breakdown of pension plan assets

	2015	2014
Bonds	44%	46%
Stocks	22	22
Cash and deposits	2	2
Life insurance general account	23	21
Other	9	9
Total	100%	100%

(2) Method of determining long-term rate of return

To determine the expected long-term rate of return on pension plan assets, the Company considers the current and expected distribution of pension plan assets, and the current and expected long-term rates of return on the various assets comprising the pension plan assets.

ix) Matters related to actuarial assumptions

	2015	2014
Discount rate	0.5–0.7%	0.6–1.6%
Expect rate of return	0.8–2.5	1.5–2.5
Planned remuneration increase rate	0.8–5.7	0.8–5.7

(b) Defined contribution plans

The required contribution amount for the defined contribution plans of the Company and its subsidiaries at December 31, 2015 and 2014 were ¥463 million ($3,839 thousand), ¥492 million, respectively.

16. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of 35.6% in 2015 and 38.0% in 2014. The differences from the corresponding effective tax rates are due primarily to (1) the accounting policy of not providing for deferred income taxes arising from timing differences between financial and tax reporting for unschedulable temporary differences, and (2) certain expenses which are not deductible for income tax purposes.

The effective tax rates reflected in the consolidated statements of income for the year ended December 31, 2015 and 2014 differ from the corresponding statutory tax rates for the following reasons:

	2015	2014
Statutory tax rates	35.6%	38.0%
Effect of:		
Disallowed expenses, including entertainment expenses	3.4	15.7
Dividends and other income deductible for income tax purposes	(1.9)	(14.0)
Inhabitants' per capita taxes	2.5	10.5
Changes in valuation allowance	(7.6)	19.1
The tax rate difference of overseas subsidiary company	0.7	(23.0)
Amortization of goodwill	11.2	45.5
Loss on impairment of goodwill	6.3	—
Other, net	(2.6)	4.8
Effective tax rates	47.7%	96.5%

The significant components of deferred tax assets and liabilities at December 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Deferred tax assets:			
Property, plant and equipment	¥ 3,359	¥ 5,012	$ 27,866
Tax loss carryforwards	2,507	3,628	20,794
Net defined benefit liability	2,496	1,855	20,706
Accrued expenses	2,366	2,559	19,632
Investment securities	2,317	3,151	19,218
Gift coupon income	1,713	2,212	14,210
Accrued bonuses	588	756	4,882
Asset retirement obligations	386	507	3,201
Allowance for doubtful receivables	404	203	3,351
Other	2,192	1,757	18,188
Gross deferred tax assets	18,328	21,640	152,048
Valuation allowance	(6,670)	(9,063)	(55,337)
Total deferred tax assets	11,658	12,577	96,711
Deferred tax liabilities:			
Unrealized holding gain on securities	11,199	10,851	92,909
Property, plant and equipment	7,949	6,245	65,947
Reserve for advanced depreciation deduction, etc.	6,633	10,545	55,025
Gain on valuation of assets received through merger	470	524	3,896
Other	1,207	940	10,014
Total deferred tax liabilities	27,458	29,105	227,790
Net deferred tax liabilities	¥15,800	¥16,528	$131,079

17. Business Combinations by Acquisition

The Company's consolidated subsidiary Sapporo International Inc. ("SI") and Toyota Tsusho America, Inc. ("TAI") acquired the shares of Country Pure Foods, Inc. ("CPF"), a major food service juice manufacturer in the U.S., through Silver Springs Citrus, Inc. ("SSC"), a U.S. juice manufacturing joint venture of SI and TAI.

1. Overview of Business Combination

① *Name and business description of acquired company*

- Company name: Country Pure Foods, Inc.
- Location: Akron, Ohio, U.S.
- Business description:

  Manufacture and sales of food service juice in the healthcare and education sectors

  Manufacture and sale of retail chain private label juice

  Manufacturing services and sales for leading branded juice companies

② *Main reason for business combination*

The Sapporo Group formulated the Sapporo Group Medium-term Management Plan 2016 in February 2014, and has accelerated its growth strategy as a manufacturer of food products. It is taking steps to achieve the financial targets for 2016 by generating synergies among Group companies and by pursuing M&As.

As part of the plan, SI has defined North America, its operational base, together with the fast-growing Asian market, as its first priority markets for the beer business. It has also launched its beverages business in North America by acquiring SSC in 2012. Since then, it has been accumulating expertise and knowledge in that market.

Looking ahead, SI will maximize synergies with SSC by bringing CPF into its corporate Group together with TAI, its partner in the North American juice business, to accelerate its growth strategy for the International segment in North America, including the beer business.

③ *Entity from which the shares will be acquired:*
Mistral Winthorpe Holdings, LLC. and other

④ *Share acquisition period:* February 24, 2015

⑤ *Legal form of the business combination:* Cash payment in exchange for shares

⑥ *Name of the company after acquisition:* No change

⑦ *Share of voting rights to be acquired:* 51%

⑧ *Main grounds for determining the acquired company:*
The company was determined to be acquired because its shares were acquired for cash consideration by the Company's subsidiary.

2. Consolidated accounting period for which earnings of the acquired company were included in the consolidated statements of income:

The acquired company's earnings are included from February 24, 2015 to December 31, 2015.

3. Acquisition cost and breakdown

Acquisition price:	¥4,370 million	($36,255 thousand)
Costs incurred directly in the acquisition:	¥ 491 million	($ 4,077 thousand)
Acquisition cost:	¥4,862 million	($40,332 thousand)

4. Amount of goodwill, reason for its recognition, amortization method, and amortization period

① *Amount of goodwill:* ¥4,162 million ($34,528 thousand)
The amount of goodwill is calculated on a tentative basis, because the allocation of acquisition cost has not been completed.

② *Reason for its recognition:* Future business activities are expected to generate excess profitability.

③ *Amortization method and amortization period:* 9 years with the straight-line method

5. Assets acquired and liabilities assumed at the date of business combination

Current assets:	¥ 3,306 million	($ 27,431 thousand)
Fixed assets:	¥10,135 million	($ 84,084 thousand)
Total assets:	¥13,442 million	($111,514 thousand)
Current liabilities:	¥ 2,637 million	($ 21,875 thousand)
Long-term liabilities:	¥ 8,983 million	($ 74,521 thousand)
Total liabilities:	¥11,620 million	($ 96,395 thousand)

6. Approximate effects on the consolidated statements of income for the year ended December 31, 2015 assuming that the business combination was completed on January 1, 2015 and method of calculation

Net sales:	¥3,009 million	($24,959 thousand)
Net loss	¥ 7 million	($ 57 thousand)

18. Real Estate for Lease

The Company and certain consolidated subsidiaries own office buildings for rent and commercial facilities for rent (including land) in Tokyo and other areas.

Rental income associated with real estate for rent in the fiscal years ended December 31, 2015 and 2014 were ¥7,606 million ($63,101 thousand) and ¥6,203 million. Significant earnings from rent are included under operating income; rental-related expenses are posted under operating expenses.

In 2015 and 2014, the carrying value of this real estate for rent on the consolidated balance sheets, the change in carrying value, and the total fair value were as follows:

Year ended or as of December 31, 2015

Millions of yen			
Balance at December 31, 2014	Change during 2015	Balance at December 31, 2015	Fair value at December 31, 2015
¥207,864	¥(10,198)	¥197,666	¥357,395

Year ended or as of December 31, 2015

Thousands of U.S. dollars (Note 1)			
Balance at December 31, 2014	Change during 2015	Balance at December 31, 2015	Fair value at December 31, 2015
$1,724,444	$(84,605)	$1,639,839	$2,964,953

Year ended or as of December 31, 2014

Millions of yen			
Balance at December 31, 2013	Change during 2014	Balance at December 31, 2014	Fair value at December 31, 2014
¥210,079	¥(2,214)	¥207,864	¥348,237

Notes 1. Amounts posted in the consolidated balance sheets represent the acquisition cost after the deduction of cumulative depreciation.
2. In regard to the main components of changes in the year ended December 31, 2015, the main increase was the acquisition of real estate of ¥6,596 million ($54,719 thousand), while the main decreases were depreciation and amortization of ¥3,805 million ($31,565 thousand) and sales of ¥12,535 million ($103,994 thousand) and disposal losses of ¥329 million ($2,728 thousand).
In regard to the main components of changes in the year ended December 31, 2014, the main increase was the acquisition of real estate of ¥4,572 million, while the main decreases were depreciation and amortization of ¥3,721 million and sales of ¥2,336 million and disposal losses of ¥788 million.
3. Fair value at the end of the fiscal year under review is based primarily on real estate appraisals carried out by external appraisers.

19. Segment Information

(a) Segment information by geographic area

i) Net sales

Year ended December 31, 2015

Millions of yen				
Japan	North America	Asia	Others	Total
¥439,198	¥67,002	¥20,969	¥6,580	¥533,749

Year ended December 31, 2015

Thousands of U.S. dollars (Note 1)				
Japan	North America	Asia	Others	Total
$3,643,586	$555,846	$173,961	$54,588	$4,427,981

Year ended December 31, 2014

Millions of yen				
Japan	North America	Asia	Others	Total
¥441,478	¥46,752	¥24,904	¥5,606	¥518,741

Year ended December 31, 2013

Millions of yen				
Japan	North America	Asia	Others	Total
¥437,607	¥45,843	¥21,927	¥4,457	¥509,835

ii) Property, plant and equipment

The balance of property, plant and equipment located in Japan amounted to more than 90% of the total balance of property, plant and equipment. Accordingly, geographical segment information has not been disclosed in 2015 and 2014.

(b) Information by major customer

Net sales

Company name	Millions of yen 2015	2014	2013	Thousands of U.S. dollars (Note 1) 2015	Segment
KOKUBU & CO., LTD.	¥79,177	¥64,789	¥63,859	$656,856	Japanese Alcoholic Beverages, Food & Soft Drinks

(c) Segment information

i) 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 Sapporo Group utilizes the assets of the Group and its traditional areas of strength in the two business domains, "creation of value in food" and "creation of comfortable surroundings." Under Sapporo Holdings, a pure holding company, each group company formulates development plans and strategies for its products, services, and sales markets and conducts business accordingly.

The Group's businesses are therefore 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 various types of restaurants.

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

ii) Calculation methods for sales, income (or loss), assets and other items by reportable segment

Accounting methods applied in reportable segments by business largely correspond to those presented under "Summary of Significant Accounting Policies" and "Change in Method of Accounting."

Reportable segment income is based on operating income. Intersegment sales or transfers are calculated as if the transactions were with third-parties based on market prices.

iii) Changes in Reportable Segment, etc.

(Changes in Reportable Segment)

Following the share transfer between the consolidated subsidiaries, the segment classification of New Sanko Inc., which formerly used to be classified in the "Japanese Alcoholic Beverages" segment, has now been changed to the "Restaurants" segment, effective from the fiscal year ended December 31, 2015.

The segment information for the fiscal year ended December 31, 2014 has been retroactively adjusted to reflect these changes.

(Application of Accounting Standard for Retirement Benefits, etc.)

In accordance with the revision of the method for calculating retirement benefit obligations and service costs, as per the above Changes in Accounting Policy, effective from the fiscal year ended December 31, 2015, the calculation method for retirement benefit obligations and service costs in each business segment has been revised accordingly.

As a result, compared to the old calculation method, segment income for "Japanese Alcoholic Beverages" grew by ¥160 million ($1,329 thousand) in the year ended December 31, 2015. The effect of the said revision on the segment income or loss in other segments than the "Japanese Alcoholic Beverages" is immaterial.

iii) Amounts of sales, income (loss), assets, and other items by reportable segment

Year ended or as of December 31, 2015

	Millions of yen									
	Reportable segment									
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	Total	General corporate and intercompany eliminations	Consolidated
Net sales	¥273,652	¥70,501	¥135,671	¥27,004	¥ 20,872	¥527,700	¥ 6,049	¥533,749	¥ —	¥533,749
Intra-group sales and transfers	2,794	103	297	5	2,549	5,748	19,834	25,582	(25,582)	—
Total	276,445	70,604	135,968	27,010	23,421	533,448	25,883	559,331	(25,582)	533,749
Operating income (loss)	8,635	154	434	523	8,282	18,028	1	18,030	(4,079)	13,950
Identifiable assets	220,009	67,069	100,464	12,272	206,650	606,463	6,789	613,252	7,136	620,388
Depreciation and amortization	8,144	3,381	6,186	668	4,202	22,581	37	22,618	1,606	24,224
Increase in property, plant and equipment and intangible fixed assets	4,608	2,559	5,117	844	6,197	19,324	2	19,327	1,257	20,583

Year ended or as of December 31, 2015

	Thousands of U.S. dollars (Note 1)									
	Reportable segment									
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	Total	General corporate and intercompany eliminations	Consolidated
Net sales	$2,270,217	$584,878	$1,125,523	$224,028	$ 173,155	$4,377,801	$ 50,179	$4,427,981	$ —	$4,427,981
Intra-group sales and transfers	23,175	853	2,466	44	21,148	47,685	164,546	212,231	(212,231)	—
Total	2,293,392	585,731	1,127,989	224,072	194,303	4,425,486	214,725	4,640,212	(212,231)	4,427,981
Operating income (loss)	71,639	1,279	3,604	4,335	68,705	149,562	11	149,574	(33,843)	115,730
Identifiable assets	1,825,196	556,403	833,448	101,805	1,714,366	5,031,218	56,321	5,087,539	59,201	5,146,740
Depreciation and amortization	67,564	28,048	51,316	5,542	34,863	187,333	305	187,638	13,325	200,963
Increase in property, plant and equipment and intangible fixed assets	38,225	21,227	42,454	7,002	51,407	160,316	17	160,333	10,424	170,757

Year ended or as of December 31, 2014

	Millions of yen									
	Reportable segment									
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	Total	General corporate and intercompany eliminations	Consolidated
Net sales	¥281,032	¥49,673	¥133,439	¥27,143	¥ 21,510	¥512,797	¥ 5,944	¥518,741	¥ —	¥518,741
Intra-group sales and transfers	2,563	95	315	4	2,754	5,731	19,478	25,209	(25,209)	—
Total	283,594	49,768	133,754	27,147	24,264	518,527	25,422	543,949	(21,267)	518,741
Operating income (loss)	10,193	173	121	303	7,696	18,486	184	18,670	(3,941)	14,729
Identifiable assets	220,311	57,602	102,762	12,399	214,390	607,463	7,135	614,599	10,841	625,439
Depreciation and amortization	8,010	2,104	6,785	672	4,231	21,803	75	21,878	2,603	24,481
Increase in property, plant and equipment and intangible fixed assets	3,702	1,949	7,401	1,282	7,189	21,523	31	21,554	1,249	22,803

Year ended or as of December 31, 2013

	Millions of yen									
	Reportable segment									
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	Total	General corporate and intercompany eliminations	Consolidated
Net sales	¥274,909	¥48,216	¥130,672	¥26,827	¥ 22,768	¥503,392	¥ 6,443	¥509,835	¥ —	¥509,835
Intra-group sales and transfers	2,534	83	309	—	2,668	5,594	19,546	25,140	(25,140)	—
Total	277,443	48,299	130,981	26,827	25,436	508,986	25,989	534,975	(25,140)	509,835
Operating income (loss)	9,902	1,208	(1,483)	415	8,686	18,728	231	18,959	(3,615)	15,344
Identifiable assets	212,664	54,815	102,752	11,991	215,874	598,097	7,467	605,564	11,189	616,753
Depreciation and amortization	8,684	1,856	6,777	643	4,412	22,371	85	22,457	2,602	25,059
Increase in property, plant and equipment and intangible fixed assets	2,124	2,219	8,517	813	4,467	18,140	156	18,296	1,169	19,465

Note: The "Other" category is a business segment that is not included in the reportable segments, and comprises logistics businesses and certain other operations.

iv) Impairment losses on fixed assets or goodwill by reportable segment

Year ended December 31, 2015

	Millions of yen								
	Reportable segment								
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	General corporate and intercompany eliminations	Consolidated
Loss on Impairment	¥3,083	¥2,082	¥611	¥180	¥—	¥5,956	¥—	¥—	¥5,956

Year ended December 31, 2015

	Thousands of U.S. dollars (Note 1)								
	Reportable segment								
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	General corporate and intercompany eliminations	Consolidated
Loss on Impairment	$25,577	$17,276	$5,069	$1,493	$—	$49,415	$—	$—	$49,415

Year ended December 31, 2014

	Millions of yen								
	Reportable segment								
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	General corporate and intercompany eliminations	Consolidated
Loss on Impairment	¥75	¥—	¥595	¥223	¥—	¥893	¥—	¥—	¥893

Year ended December 31, 2013

	Millions of yen								
	Reportable segment								
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	General corporate and intercompany eliminations	Consolidated
Loss on Impairment	¥17	¥228	¥38	¥126	¥16	¥426	¥—	¥—	¥426

v) Amortization for and unamortized balance of goodwill by reportable segment

Year ended or as of December 31, 2015

	Millions of yen								
	Reportable segment								
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	General corporate and intercompany eliminations	Consolidated
Amortization in year ended Dec. 2015	¥ 41	¥ 1,833	¥ 2,279	¥ 0	¥—	¥ 4,153	¥—	¥—	¥ 4,153
Unamortized balance as of Dec. 31, 2015	343	12,122	17,770	—	—	30,236	—	—	30,236

Year ended or as of December 31, 2015

	Thousands of U.S. dollars (Note 1)								
	Reportable segment								
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	General corporate and intercompany eliminations	Consolidated
Amortization in year ended Dec. 2015	$ 342	$ 15,209	$ 18,904	$ 1	$—	$ 34,456	$—	$—	$ 34,456
Unamortized balance as of Dec. 31, 2015	2,848	100,566	147,420	—	—	250,834	—	—	250,834

Year ended or as of December 31, 2014

	Millions of yen								
	Reportable segment								
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	General corporate and intercompany eliminations	Consolidated
Amortization in year ended Dec. 2014	¥—	¥ 1,257	¥ 2,507	¥ 1	¥—	¥ 3,764	¥—	¥—	¥ 3,764
Unamortized balance as of Dec. 31, 2014	—	10,000	19,966	—	—	29,966	—	—	29,966

Year ended or as of December 31, 2013

	Millions of yen								
	Reportable segment								
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	General corporate and intercompany eliminations	Consolidated
Amortization in year ended Dec. 2013	¥—	¥ 1,240	¥ 2,728	¥—	¥17	¥ 3,985	¥—	¥—	¥ 3,985
Unamortized balance as of Dec. 31, 2013	—	11,098	23,321	—	—	34,419	—	—	34,419

vi) Gain on negative goodwill by reportable segment

Not applicable in the years ended December 31, 2015, 2014 and 2013.

20. Amounts per Share

Basic net income per share has been computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share has been computed based on the net income available for distribution to shareholders and the weighted average number of shares of common stock outstanding during the year after allowing for the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds.

Information concerning diluted net income per share is omitted because there were no latent shares with a dilutive effect for the years ended December 31, 2015, 2014 and 2013.

	Yen			U.S. dollars (Note 1)
Year ended December 31	2015	2014	2013	2015
Net income	¥15.68	¥0.87	¥24.20	$0.13
Diluted net income	—	—	—	—

Amounts per share of net assets have been computed based on the net assets available for distribution to shareholders and the number of shares of common stock outstanding at each balance sheet date.

	Yen		U.S. dollars (Note 1)
As of December 31	2015	2014	2015
Net assets	¥405.44	¥401.17	$3.36

21. Subsequent Events

(Appropriation of Retained Earnings)

On March 30, 2016, the following appropriation of retained earnings was approved at the annual general meeting of the Company's shareholders:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Cash dividends	¥2,727	$22,620

(The Introduction of a Board Benefit Trust)

The Company at its Board of Directors' meeting held on February 10, 2016 resolved to introduce a new stock-based compensation system (Board Benefit Trust, or BBT) (hereinafter referred to as the "System"), for directors, group operating officers of the Company, and some of the directors of the Company's subsidiaries (excluding outside directors, hereinafter referred to as the "Group Target Officers") and resolved to submit a proposal for the System to the 92nd Ordinary General Meeting of Shareholders held on March 30, 2016 (the "General Meeting of Shareholders"). The proposal was approved by resolution of the General Meeting of Shareholders.

1. Background and Purpose of the Introduction of the System

In December 2015 the Company enacted its "Basic Policy on Corporate Governance" for the purpose of specifying its position and operational policy regarding its corporate governance in light of the purport and spirit of the "Corporate Governance Code" set forth in the Listing Rules of the Tokyo Stock Exchange. The Basic Policy calls for establishing a directors' compensation system consisting of a combination of cash compensation and compensation in the form of shares of the Company.

With the goal of further clarifying the linkage between the corporate performance and stock value of the Company to ensure that not only the merit of the increase in the stock prices, but also the risk of the decrease in the stock prices are shared among the Group Target Officers and the shareholders, thereby strengthening the Group Target Officers' awareness toward their contributions to the mid- to long-term improvement in the corporate performance and value, the Company's Board of Directors resolved to introduce the System, subject to the approval of shareholders, and will accordingly submit a proposal for the System at the General Meeting of Shareholders.

2. Summary of the System

(1) Summary of the System

The System is a stock-based compensation system under which, using as the funds the money the Company contributes at first, the Company's shares are acquired by the trust (hereinafter the trust which is established based on the System is referred to as the "Trust"), and the Company's shares and the amount of cash equivalent to the market price of the Company's shares as of the date of their retirement (hereinafter referred to as the "Company's shares, etc.") are provided through the trust to the Group Target Officers in accordance with the officer stock benefit rules stipulated by the Company and the Company's subsidiaries falling under the System. The Group Target Officers shall receive the Company's shares, etc. upon their retirement in principle.

(2) Targets of the System

Directors, group operating officers of the Company, and some of the directors of the Company's subsidiaries (excluding outside directors; Audit & Supervisory Board members are not covered by the System).

(3) Period of the Trust

From May 31, 2016 (tentative) until the Trust is terminated (no specific date has been set for the termination of the Trust; the Trust will continue as long as the System itself continues; however, the System will terminate if the shares of the Company are delisted or the officer stock benefit rules are repealed or otherwise discontinued).

(4) The Calculation Method and the Upper Limit for the Number of the Company's Shares to Be Provided to the Group Target Officers

For each fiscal year, the Group Target Officers shall be granted points, the amount of which is to be decided by their respective positions and achieved performance, etc. based on the officer stock benefit rules; provided, however, that in the case of the group operating officers who are non-resident of Japan for a certain period, the period on non-residence will not be covered by the System and no points will be granted in respect to such period.

The upper limit of the total points granted to the Group Target Officers for one (1) fiscal year shall be 263,900 points combined, with 92,700 points for directors of the Company, and 171,200 points for group operating officers of the Company and directors of the Company's subsidiaries falling under the System. This has been determined, and judged appropriate by the Company, taking into consideration the current level of directors' compensation provided, the trend of the number of the Group Target Officers and their estimate in the future, etc. in a comprehensive manner. Each point granted to the Group Target Officers shall be converted into one (1) share of the Company's common stock at the time of the provision of the Company's shares, etc. as explained in (7) below (provided, however, that, if, in regard to the Company's shares, a share split, allotment of share without contribution, or consolidation of shares, etc., is carried out after the resolution for approval by shareholders at the General Meeting of Shareholders, the conversion ratio shall be adjusted in a reasonable manner in proportion to the relevant ratio, etc. for the share split, allotment of share without contribution, or consolidation of shares, etc. As a proposal for a share consolidation (the "Share Consolidation Proposal") was approved by the shareholders as proposed, it will become effective on July 1, 2016, and at that time an appropriate adjustment of the conversion ratio will be made on the basis of the share consolidation).

The points for Group Target Officers which become the bases for the provision of the Company's shares, etc. in (7) below shall be defined as the number aggregating the points granted to Group Target Officers by the time of their retirement (hereinafter referred to as the "Defined Number of Points.")

(5) The Method of Acquiring the Company's Shares

The Trust shall acquire the Company's shares through the stock market or by underwriting the disposition of the Company's treasury stock, using as the funds the money which is contributed at first by (6) below.

During the Initial Target Period (to be defined in (6) below), the Trust shall acquire shares within the upper limit of 791,700 shares without delay as the shares to be provided to the Group Target Officers, after the establishment of the Trust (May 31, 2016 (scheduled)).

(6) The Amount of the Trust and the Number of Shares to Be Acquired

Subject to approval of the introduction of the System by the General Meeting of Shareholders, the Company shall establish the Trust by contributing at first the funds necessary for the Trust to acquire in advance of a certain period the number of shares which are reasonably expected to be required to provide the Company's shares, etc. in accordance with (4) above and (7) below. As stipulated in (5) above, the Trust shall acquire the Company's shares, using as the funds the money which is contributed at first by the Company.

Specifically, the Company shall establish the Trust by contributing the money with the upper limit of 446,000,000 yen as the necessary funds for three (3) fiscal years from the fiscal year ending at the end of December 2016 to the fiscal year ending at the end of December 2018 (hereinafter referred to as the "Initial Target Period").

After the elapse of the Initial Target Period, the Company shall make additional contributions to the Trust, with the upper limit of 446,000,000 yen, for the following three (3) fiscal years (hereinafter referred to as the "Next Target Period"), in every three (3) fiscal years in principle until the termination of the System. Provided, however, if, at the time of such additional contributions, there remain the Company's shares (excluding the Company's shares corresponding to the points granted to the Group Target Officers but not yet given to the Group Target Officers) and money (hereinafter referred to as the "Remaining shares, etc.") in the trust assets on the date immediately before the start of the Next Target Period during which the said additional contributions are to be made, the Remaining shares, etc. shall be allocated to the funds for the provision based on the System during the Next Target Period, and the upper limit of the monetary amount which the Company may additionally contribute during the Next Target Period shall be calculated by deducting the monetary amount of the Remaining shares, etc. (for shares, the monetary amount converted to the market value equivalent on the date immediately before the start of the Next Target Period) from 446,000,000 yen. When the Company determines additional contributions, we will make an appropriate disclosure in a timely manner.

(7) Timing for the Provision of the Company's Shares, etc.

When a Group Target Officer who has satisfied the beneficiary requirements stipulated in the officer stock benefit rules retires, that officer may receive from the Trust the distribution of shares of the Company shares corresponding to the number of his or her Defined Number of Points awarded as per (4) above by carrying out the beneficiary certification procedures; provided, however, that, if the requirements separately stipulated in the officer stock benefit rules in addition to the requirements for the beneficiary are fulfilled, the said Group Target Officers may receive in respect of a certain percentage of the points granted to them an amount of cash equivalent to the market price of the Company's shares as of the date of their retirement in lieu of the Company's shares. The Trust may sell the Company's shares in order to make the monetary provisions. Distributions of the Company Shares, etc. will not be made to the group operating officers who are not residents of Japan at the time of their retirement.

(8) Voting rights of Shares in the Trust

In accordance with the instructions from the independent trust administrator, the Trust shall not exercise the voting rights concerning the Company's shares in the Trust's account. It is intended that by adopting this approach neutrality can be ensured in regard to management of the Company.

(9) Treatment of Dividends

The Trust will receive the dividends from the shares of the Company held in the Trust's account and allot them to payment of the acquisition cost of shares of the Company and to trust fees for the trustee of the Trust. In the event the Trust is terminated, dividends remaining in the Trust at that time will be distributed to the Group Target Officers in office at that time, in proportion to the number of points each holds.

(10) Treatment at the Time of Termination of the Trust

The Trust will terminate in the event of a delisting of shares of the Company or the repeal of the officer stock benefit rules and etc.

It is envisioned that all shares of the Company in the residual assets of the Trust at the time of its termination will be acquired without consideration by the Company and cancelled in accordance with a resolution of the Board of Directors. Cash in the residual assets of the Trust at the time of its termination, except for that distributed to the Group Target Officers as per (9) above, will be distributed to the Company.

[Overview of the Trust]

(i) Name: Board Benefit Trust (BBT)
(ii) Trustor: The Company
(iii) Trustee: Mizuho Trust & Banking Co., Ltd. (Re-trusted to Trust & Custody Services Bank, Ltd.)
(iv) Beneficiaries: Retiring Group Target Officers who meet the beneficiary requirements
(v) Trust administrator: Selection is planned of a third party having no conflict of interests with the Company
(vi) Type of trust: Money trust other than cash trusts (third party benefit trust)
(vii) Date of execution of the Trust Agreement: May 31, 2016 (tentative)
(viii) Date on which funds are entrusted: May 31, 2016 (tentative)
(ix) Period of the Trust: From May 31, 2016 (tentative) until the Trust is terminated (No specific date has been set for termination of the Trust; the Trust will continue as long as the System itself continues.)

(Change in the Number of Shares Constituting One Share Unit, Consolidation of Shares and Change in Total Number of Authorized Shares)

At its Board of Directors' meeting held on February 10, 2016, the Company resolved to submit a proposal for "Changes in the Number of Shares Constituting One Share Unit, Consolidation of Shares and Change in Total Number of Authorized Shares" to the 92nd Ordinary General Meeting of Shareholders held on March 30, 2016 (the "General Meeting of Shareholders"). The proposal was approved by resolution of the General Meeting of Shareholders.

1. Change in the Number of Shares Constituting One Share Unit

(1) Reason for Changes

Japanese stock exchanges have announced the Action Plan for Consolidating Trading Units, aiming to consolidate one hundred (100) shares of common stock of domestic companies listed on Japanese stock exchanges into one (1) trading unit by October 2018. As a company listed on the Tokyo Stock Exchange ("TSE") and the Sapporo Securities Exchange ("SSE"), the Company shall respect this intention, change its number of shares constituting one share unit to one hundred (100) shares. ("Change in the Number of Shares Constituting One Share Unit.")

(2) Details of the Change

The Company changes its number of shares constituting one share unit from one thousand (1,000) shares to one hundred (100) shares as of July 1, 2016.

2. Consolidation of Shares

(1) Purpose of Consolidation of Shares

As stated in "1. Change in the Number of Shares Constituting One Share Unit" above, the Company has decided to change its number of shares constituting one share unit to one hundred (100) common stock shares, and to consolidate shares with the objectives of enhancing investment opportunities for individual investors as well as adjusting the investment unit to an appropriate level taking into consideration changes in stock prices in the medium to long term, etc. (the "Consolidation of Shares").

(2) Details of the Consolidation of Shares

- Type of shares subject to the Consolidation of Shares: Common shares
- Method and ratio of the Consolidation of Shares: Consolidation to be executed on July 1, 2016 at a ratio of 1 share for each 5 shares owned by shareholders of record in the latest shareholder register as of the close of the last day of June 2016.
- Share reduction resulting from the Consolidation of Shares

Total number of outstanding shares before consolidation (as of the last day of December 2015)	393,971,493 shares
Share decrease due to consolidation	315,177,195 shares
Shares outstanding after consolidation	78,794,298 shares

Note: "Share decrease due to the consolidation" and "Shares outstanding after the consolidation" are theoretical values calculated based on the shares outstanding before the consolidation, and on the Consolidation of Shares ratio.

(3) Treatment When There is Less Than One Share

If fractional shares of less than one share arise as a result of the Consolidation of Shares, such shares shall be subject to a bulk sale in accordance with the provisions of the Companies Act, or the Company shall purchase them as treasury stock. The proceeds of the said sale, etc. shall be distributed to the target shareholders in proportion to their respective shareholdings.

(4) Total Number of Authorized Shares as of the Effective Date

In conjunction with the reduction of the total number of the outstanding shares of the Company as a result of the Consolidation of Shares, in order to adjust the total number of authorized shares to an appropriate level, the total number of authorized shares shall be amended from one billion (1,000,000,000) shares to two hundred million (200,000,000) shares in accordance with the Consolidation of Shares ratio (one fifth).

Number of authorized shares before change	1 billion shares
Number of authorized shares after change (as of July 1, 2016)	200 million shares

3. Schedule

February 10, 2016	Resolution at the Board of Directors
March 30, 2016	Resolution at General Meeting of Shareholders
July 1, 2016 (tentative)	Effective date of Change in the Number of Shares Constituting One Share Unit, Consolidation of Shares, and change in the total number of authorized shares

4. Impact on Per Share Information

Assuming that the Consolidation of Shares was conducted at the beginning of the year ended December 31, 2014, per share information for the years ended December 31, 2014 and 2015 is as follows.

Year ended December 31	Yen 2015	2014
(1) Net assets per share	¥2,027.21	¥2,005.84
(2) Net income per share	78.40	4.36

(Issuance for Corporate Bonds)

On March 11, 2016, the Company issued domestic straight corporate bonds based on the following conditions:

31th Series of Unsecured Corporate Bonds

1. Issuing company:	Sapporo Holdings Ltd.
2. Issuing amount:	¥10,000 million
3. Issue price:	¥100 with face value of ¥100
4. Interest rate:	0.25% per annum
5. Payment deadline:	March 22, 2016
6. Maturity:	March 22, 2021
7. Use of funds:	Repayment of borrowings

Corporate Data

(As of December 31, 2015)

Company Name
SAPPORO HOLDINGS LIMITED

Business
Holding company

Date of Establishment
September 1949

Head Office
20-1, Ebisu 4-chome, Shibuya-ku,
Tokyo 150-8522, Japan
info@sapporoholdings.jp

Capital
¥53,887 million

Fiscal Year-End
December 31

Number of Employees
7,484 (Consolidated) 117 (Parent company)

Main Banks
Mizuho Bank, Ltd.
The Norinchukin Bank
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Securities Traded: Common Stock
Tokyo Stock Exchange, First Section

Annual Meeting of Shareholders
The annual meeting of shareholders of the Company is normally held in March each year in Tokyo, Japan. In addition, the Company may hold an extraordinary meeting of shareholders whenever necessary.

Stock Information

(As of December 31, 2015)

Major Shareholders

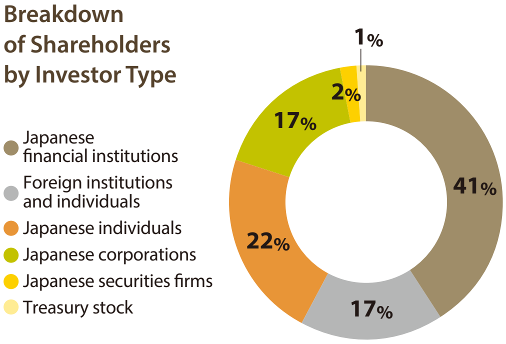
Shareholders name	Number of shares (thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd.	19,247	4.89
Japan Trustee Services Bank, Ltd.	15,387	3.91
Trust & Custody Services Bank, Ltd., as retirement benefit trust assets Mizuho Trust and Banking Co., Ltd.	12,212	3.10
Nippon Life Insurance Company	11,146	2.83
Meiji Yasuda Life Insurance Company	10,434	2.65
The Norinchukin Bank	9,375	2.38
Mizuho Bank, Ltd.	9,032	2.29
Marubeni Corporation	8,246	2.09
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	7,970	2.02
Taisei Corporation	7,000	1.78

Note: Shareholding ratios are calculated after deduction of treasury stock.

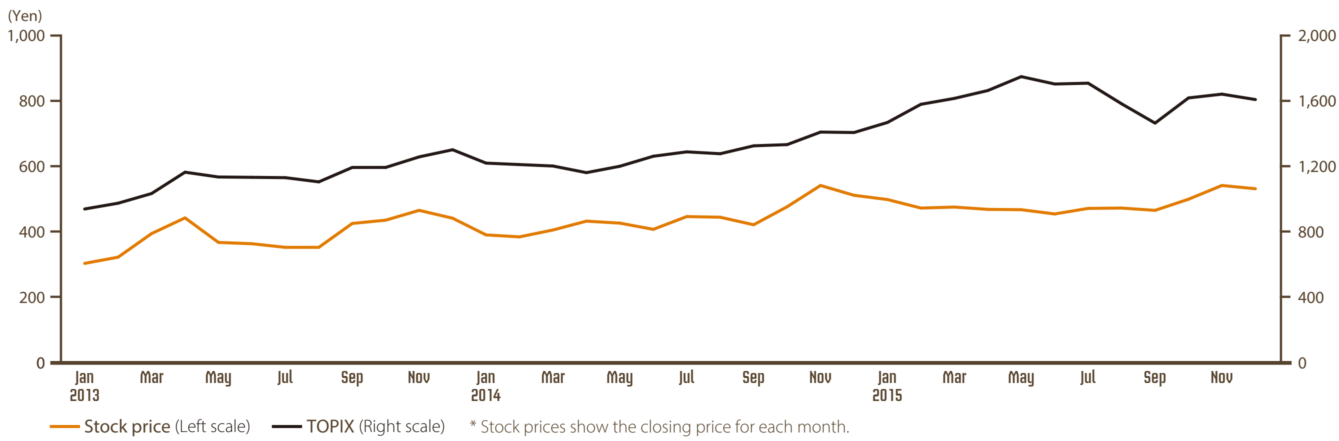
Number of Shares Issued
393,971,493

Number of Shareholders
55,626

Breakdown of Shareholders by Investor Type



Stock Price Range



* Stock prices show the closing price for each month.

SAPPORO

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