Financial Results
for the Year Ended December 31, 2013 — Consolidated
(Based on Japanese GAAP)

February 12, 2014

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

Annual general meeting of shareholders	March 28, 2014
Filing of annual financial report	March 31, 2014
Commencement of dividend payments	March 31, 2014
Supplementary information to the year-end earnings results	Available
Year-end earnings results briefing held	Yes (mainly targeted at institutional investors and analysts)

1. Consolidated Financial Results for the Year Ended December 31, 2013 (January 1 – December 31, 2013)

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

(1) Operating Results

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended December 31, 2013	509,834	3.5	15,344	6.4	15,130	10.5	9,451	75.2
Year ended December 31, 2012	492,490	9.6	14,414	(23.7)	13,689	(18.6)	5,393	70.4

Note: Accumulated other comprehensive income

Year ended December 31, 2013: 24,339 million yen(119.5%)

Year ended December 31, 2012: 11,090million yen(1265.4%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	yen	%	%	%
Year ended December 31, 2013	24.20	-	6.7	2.5	3.0
Year ended December 31, 2012	13.77	-	4.2	2.4	2.9

Note: Equity method investment gains

Year ended December 31, 2013: 99 million yen

Year ended December 31, 2012: 180 million yen

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2013	616,752	155,366	24.6	388.77
December 31, 2012	597,636	134,946	22.1	336.60

Note: Shareholders' equity

December 31, 2013: 151,683million yen

December 31, 2012: 131,795 million yen

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Year ended December 31, 2013	32,861	(13,268)	(19,147)	11,518
Year ended December 31, 2012	29,618	(59,485)	30,159	9,725

2. Dividends

Record date or period	Dividend per share					Total dividends paid (full year)	Payout ratio (consol.)	Dividends to net assets (consol.)
	End Q1	End Q2	End Q3	Year-end	Full year			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended December 31, 2012	—	0.00	—	7.00	7.00	2,753	50.8	2.1
Year ended December 31, 2013	—	0.00	—	7.00	7.00	2,731	28.9	1.9
Year ending December 31, 2014 (forecast)	—	0.00	—	7.00	7.00		54.6	

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2014 (January 1 – December 31, 2014)

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Year ending December 31, 2014	537,700	5.5	15,000	(2.2)	13,600	(10.1)	5,000	(47.1)	12.82

Note: Earnings forecasts for the six months ending Jun 30, 2014, are omitted because the company manages performance targets on a yearly basis.

4. Other

(1) Changes to scope of consolidation: Yes

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

Newly consolidated: - Newly excluded: Sapporo Beverage Co., Ltd.

(Note) Sapporo Beverage Co., Ltd. was absorbed by Pokka Sapporo Food & Beverage Ltd. via a merger conducted on January 1, 2013. Sapporo Beverage Co., Ltd. was dissolved and ceased to be a subsidiary of the Company; while Pokka Sapporo Food & Beverage Ltd. became a subsidiary.

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

1) Changes in accordance with amendments to accounting standards etc.: None
2) Changes other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

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

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

December 31, 2013: 393,971,493 shares
December 31, 2012: 393,971,493 shares

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

December 31, 2013: 3,805,058 shares
December 31, 2012: 2,418,030 shares

3) Average number of outstanding share during the period:

Year ended December 31, 2013: 390,568,806 shares
Year ended December 31, 2012: 391,560,982 shares

Audit Status

The year-end financial results are not subject to audit pursuant to the Financial Instruments and Exchange Act. The audit of the year -end financial results herein had not been completed as of the date of this document.

Appropriate Use of Earnings Forecasts and Other Important Information

This document contains projections and other forward-looking statements based on information available to the Company as of the date of this document. Actual results may differ from those expressed or implied by forward-looking statements due to various factors. For the assumptions underlying the forecasts herein and other information on the use of earnings forecasts, refer to “ Outlook for the fiscal year ending December 31, 2014” on page 12.

1. Analysis of Operating Results

(a) Review of the fiscal year ended December 31, 2013

(1) Overview

Millions of yen, except percentages

	Net sales	Operating income	Ordinary income	Net income
2013	509,834	15,344	15,130	9,451
2012	492,490	14,414	13,689	5,393
Change (%)	3.5	6.4	10.5	75.2

In 2013, the Japanese economy saw the emergence of positive developments from the beginning of the year amid a backdrop of monetary easing and economic stimulus measures. However, the consumer-spending environment remained clouded in uncertainty. More specifically, conditions in the industries in which SAPPORO Group companies operate were as follows.

The soft drinks industry enjoyed rising demand supported by favorable weather conditions, including another hot summer in Japan. The alcoholic beverage and restaurant industries, however, did not see demand rebound as much as expected despite signs of a recovery in consumer spending. In the real estate industry, vacancy rates in the Greater Tokyo office leasing market continued to decline but rent levels remained weak.

Amid this environment, we began implementing the new Sapporo Group Management Plan 2013–2014, which envisions these two years as “a crucial period for establishing the foundations for realizing a new Group management structure.” The new plan sets out three strategies for achieving dynamic growth, namely to “Accept challenges leading to growth in all businesses,” “Steadfastly implement growth measures,” and “Create new growth opportunities.”

With regard to the first of these three strategies, “Accept challenges leading to growth in all businesses,” our businesses are leveraging the strengths of each business’ brands and management resources while accepting new challenges to enable us to stay ahead of the competition.

Regarding our second strategy, “Steadfastly implement growth measures,” our Real Estate business continued to implement its plans for raising the value of its core property, Yebisu Garden Place, which celebrates its 20th anniversary in 2014. During 2013, these efforts included the installation of additional emergency power-generating systems. Meanwhile, our Food & Soft Drinks business began integrated operations in January 2013 as Pokka Sapporo Food & Beverage Ltd. During 2013, we continued to grow our international business by strengthening our alcoholic beverage and soft drink operations in Southeast Asia. The alcoholic beverage business is using its base in Vietnam as a bridgehead for expansion into neighboring countries, while the soft drink business built a new plant in Malaysia as part of its plan to increase production capacity in the region.

Finally, with regard to our third strategy, to “Create new growth opportunities,” our International Business is working to strengthen its foothold in the North American beer market to ensure a platform for further growth. To this end, the business began outsourcing production in the United States and restructured its existing production network in that country so as to meet growing demand. The Restaurants Business, meanwhile, is introducing its beer halls to other countries. In October, it opened a Ginza Lion outlet in Singapore, marking its entry into that Southeast Asian country.

The efforts outlined briefly above contributed to the SAPPORO Group's consolidated results in 2013, as presented below.

Net Sales

In 2013, the Sapporo Group posted consolidated net sales of ¥ 509.8 billion, up ¥17.3 billion, or 4%, from 2012. Sales growth was supported by a year-over-year increase in sales volumes of beer and beer-type beverages at the Japanese Alcoholic Beverage business and continued growth in the International Business' sales volumes in North America and Vietnam.

Sales were also boosted by the inclusion of two recent additions to the consolidated accounts, with Silver Springs Citrus, the largest US maker of private-brand chilled drinks, consolidated as part of the International Business in April 2012, and Pokka Ace (M) SDN. BHD. added in January 2013 to the Food & Soft Drinks Business.

Operating Income

Consolidated operating income totaled ¥15.3 billion, a year-over-year increase of ¥0.9 billion, or 6%. Profit growth was supported by higher sales at the Japanese Alcoholic Beverage business coupled with reduced marketing expenses. The International Business' sales growth in North American and Vietnam also contributed to higher profits. The Real Estate business, however, saw profit decline owing to a decline in rental income caused by redevelopment of Seiwa Yebisu Building, which is scheduled to reopen in September 2014 as the Sapporo Ebisu Building (provisional name). Profits were also lower at the Food & Soft Drinks business, mainly owing to the reduction in its product lineup in line with business integration.

Ordinary Income

In addition to the increase in consolidated operating income, the Group posted a solid year-over-year gain in consolidated ordinary income, which rose ¥1.4 billion or 11% to ¥15.1 billion.

Net Income

Consolidated net income increased by ¥4.0 billion or 75% to ¥9.4 billion, owing to the posting of a ¥3.4 billion gain on the sale of investment securities.

Segment information is outlined below. At the start of the previous fiscal year, Sapporo Logistics Systems Co., Ltd., which was previously included in the Japanese Alcoholic Beverages segment, and Pokka Logistics Co., Ltd., which was previously included in the Food & Soft Drinks segment, were reclassified to the other segment. Pokka Logistics Co., Ltd., was subsequently dissolved on July 1, 2013, and its operations merged into Sapporo Logistics Systems Co., Ltd.

In addition, Pokka Food (Singapore) Pte. Ltd. was moved from the Food & Soft Drinks segment to the Restaurants segment, and on April 1, 2013, the company's name was changed to Sapporo Lion (Singapore) Pte. Ltd.

To enable year-over-year comparisons in this document, figures for the year -earlier period have been adjusted to reflect the above changes and new segmentation.

(2) Results by Business Segment

Millions of yen, except percentages

	Net sales			Operating income		
	2012	2013	% change	2012	2013	% change
Japanese Alcoholic Beverages	269,947	274,909	1.8	7,522	9,901	31.6
International Business	36,121	48,215	33.5	(73)	1,208	-
Food & Soft Drinks	129,017	130,671	1.3	364	(1,483)	-
Restaurants	26,621	26,827	0.8	538	415	(22.9)
Real Estate Business	23,217	22,767	(1.9)	9,396	8,685	(7.6)

Japanese Alcoholic Beverages

We estimate that total domestic demand for beer and beer -type beverages declined 1% year over year in 2013. We estimate that beer and happoshu sales volumes declined slightly, while sales of new -genre beer slowed but continued to show year -over-year growth.

Under these market conditions, the Japanese Alcoholic Beverage Business continued to invest management resources in its core beer brands while striving to expand the Sapporo fan base by energetically introducing new value proposals. The business also co ntinued to establish the foundations for growth of its nonalcoholic beer beverages and ready -to-drink (RTD)* cocktails while solidifying its wine & western spirits business and its Japanese shochu business. Through this diversification of our product offer ings, we are endeavoring to raise the Sapporo brand value.

In the beer and beer -type beverages category, strong sales of our canned Yebisu beer offerings were supplemented by the February launch of the limited -volume version *Kaori Hanayagu Yebisu* , the May release of Yebisu Premium Black, and the October launch of *Kohaku Yebisu* , a limited-release amber-colored beer. Overall, sales of our Yebisu brand beers increased year over year in 2013. In the new-genre beer segment, we followed up the February launch of renewal versions of Mugi to Hop and Mugi to Hop Black with the introduction of the limited -volume Mugi to Hop Red in April and again in September. In November, we introduced a limited-volume version of Mugi to Hop called *Zeitaku Hatsu Zumi*. All these new offerings were favorably received by consumers. In June, we launched Goku Zero, the world's first beer -type beverage (new-genre beer product) with zero purine bodies. The new offering was favorably received, with sales in 2013 ending the year substantially above our planned target. As a result, sales of our beer and beer -flavored beverages in 2013 showed a solid year -over-year gain, and we succeeded in expanding our market share.

Offerings in our nonalcoholic beer category also continued to receive a strong customer support, as indicated by the successful launches in February of renewal versions of Sapporo Premium Alcohol Fee and Sapporo Premium Alcohol Free Black.

In the RTD category, the strongly favorable consumer response received by the limited-volume seasonal release in April of Sapporo Otoko Ume Sour, developed in collaboration with Nobel Confectionary Co., Ltd., encouraged us to launch the product as a year-round offering in Septemb er, as sales during the rest of the year exceeded our targets. In the growing bottled RTD market, we followed up our success with Bacardi Mojito with several other bottled offerings, helping to raise brand recognition and expand the fan base for Bacardi, the world's No. 1 selling rum.

Among wine products, we expanded the offerings of our core imported wine, Yellow Tail, with the September introduction of Yellow Tail Sweet Red Roo. Sales of our mainstay domestic premium brand, *Grand Polaire*, were also solid, supported by favorable product reviews, including gold medal awards at the Japan Wine Competition for three wines in the series. As a result of the above, overall wine sales in 2013 rose above the previous -year level.

Our western spirits business e njoyed rising sales volumes, with strong contributions from Bacardi products, including the Bacardi Classic Cocktails Mojito.

The shochu business sharply increased sales over the previous year's level, thanks to the continued favorable consumer response to two blended shochus introduced in 2012 – *Imo Shochu Kokuimo* and *Mugi Shochu Koimugi*.

Overall, the Japanese Alcoholic Beverage Business posted sales of ¥274.9 billion (up ¥4.9 billion, or 2%, year over year) in 2013. Successful efforts to control costs, starting with marketing expenses, enabled the business to record segment operating income of ¥ 9.9 billion, up ¥2.3 billion, or 32%.

* (RTD, or ready-to-drink, beverages are already-mixed, low-alcohol content cocktail-like beverages that can be consumed as is immediately after opening.

International Business

In North America, where the timing of a full -fledged economic recovery remains unclear, we estimate that total demand in the beer market declined 2 to 3% in 2013. The Asian beer market, however, continues to grow steadily, supported by the region's fast -growing economies.

In this environment, our International Business segme nt continued marketing activities targeting the premium beer market, where it has core strengths. Canadian subsidiary SLEEMAN BREWERIES achieved a 4% year -over-year increase in unit sales (excluding outsourced production of Sapporo brand products and sales of domestic brands), stretching its growth streak to seven years. Sapporo USA recorded a 5% year-over-year increase in sales volumes of Sapporo brand beers. Silver Springs Citrus, in which we acquired a 51% equity stake in January 2012, also continued to steadily increase sales volumes.

In Vietnam, we continued the full-fledged marketing offensive began in April 2012 as part of efforts to build market recognition for the Sapporo brand. These efforts produced a solid increase in sales in 2013, with sales particularly strong during the traditional *Tet* (New Year's holiday) sales campaign. In South Korea, the continued efforts of our local partner, a Maeil Dairies' subsidiary in which we acquired a 15% equity stake in January 2012, is expanding sales of Sapporo brand beers in Korea's household and commercial markets. In Oceania, we continued to bolster sales via our brewing and sales licensing agreement with Australia's Coopers Brewery, and in Singapore we worked with our local subsidiary to expand sales channels in the local household market. The efforts outlined above enabled the International Business to achieve a 43% year-over-year increase in beer volume sales in Asia and other overseas markets outside North America in 2013.

Overall, the business posted sales of ¥48.2 billion (up ¥12.0 billion, or 33%, year over year), supported by increased sales on local-currency bases at continuing operations, a full year's contribution from Silver Springs Citrus, which was consolidated in April 2012, and the positive impact of yen depreciation. Segment operating income rebounded to ¥1.2 billion (up ¥1.2 billion year over year).

Food & Soft Drinks

We estimate that domestic demand for soft drinks in 2013 increased by about 3% over 2012, boosted by the summer heat wave in Japan. We estimate that domestic demand for lemon-based products (flavorings) declined 2% year over year while demand for instant soups (including soups in a cup) appears to have been about even with the 2012 level.

In this overall demand environment, the Sapporo Group's Food & Soft Drinks business began integrated operations in January as Pokka Sapporo Food & Beverage Ltd., and new investments were concentrated on core brands as the new subsidiary seeks to strengthen and nurture its various brands.

Our domestic food and soft drinks business saw a decline in sales of its soft drinks as business integration led to consolidation of product lineups in our core drink offerings, including canned coffee, tea, and water drinks. One bright spot was the *Gabunomi* series, which saw sales stimulated by promotion campaigns started in March and the launch of new flavored carbonated beverages in the summer. The Fujiya brand, which introduced Fujiya Nectar Sparkling in November, also made a strong showing. In the lemon & natural foods category, our core Pokka Lemon 100 brand continued to post solid sales, and we also received a favorable consumer response to a renewal version of Kireto Lemon Sparkling packaged in a 410ml PET bottle. Among our overseas brands, Gerolsteiner naturally carbonated water from Germany enjoyed steady sales growth as we expanded its sales channel to vending machines. The soup and foods category also saw steady growth in volume sales as we strengthened our *Jikkuri Kotokoto Kongari Pan* Soup series by expanding their product lineups. Sales of our commercial-use products were up year over year, supported by stable sales of our core lemon and syrup product lineups and steady growth in sales of our soups, deserts and other offerings.

In the domestic restaurants business, the Café de Crié coffee shop chain overcame an increasingly competitive operating environment, including challenges from convenience stores and fast-food chains that are attracting customers with low-priced coffee and other food items, through regular introductions of new menu items and renovations of existing outlets. The chain also opened 14 new outlets in 2013, while closing seven in line with its profit structure reforms. As of the end of 2013, the chain had 170 outlets in operation.

The overseas food & soft drinks business saw profitability affected by stiff competition in Singapore but was able to expand its exports to the Middle East and other markets. Pokka Ace (M) SDN. BHD., which was included in the Group's consolidated results from January, contributed to this category's overall sales as it steadily expanded its business.

The segment's overseas restaurant business posted somewhat weak results owing to delays in opening new outlets in Hong Kong and a decline in mainland Chinese tourists to the city.

As a result of the above, the Food & Soft Drinks segment recorded sales of ¥130.6 billion in 2013, an increase of ¥1.6 billion, or 1%, with the consolidation of Pokka Ace (M) SDN. BHD. from January helping to offset the decline in sales at the domestic food & soft drinks business. However, business integration expenses weighed on the segment's profits, resulting in an operating loss of ¥1.4 billion, a ¥1.8 billion reversal from an operating income of ¥0.3 billion in 2012.

Restaurants

Japan's restaurant industry began to see some signs of improvement in consumer sentiment amid growing expectations of an economic recovery in Japan. However, the operating environment remained severe with increased competition for customers from prepared food manufacturers and retail outlets.

In this environment, our Restaurants Business, seeking growth through a differentiation strategy, continued to strengthen its core restaurant brands, endeavored to raise customer satisfaction, and enhance core menu offerings, including by conducting aggressive sales campaigns.

In Japan, we opened 13 restaurants in 2013, focusing on formats with strong growth potential, such as our Yebisu Bar chain and small Ginza Lion outlets. In line with our efforts to improve profit structure, we closed 16 outlets, bringing the total number of restaurants open in Japan at the end of the year to 190.

Overseas, we opened our first Ginza Lion Beer Hall in Singapore, the first step in our plan to spread the beer hall culture we have nurtured in Japan to the rest of the world. Going forward, we plan to further penetrate the Singapore market and create outlets that build a strong following for the Ginza Lion brand. We also opened our first two Rive Gauche cake and patisserie shop in Singapore, bringing the Restaurants Business' total number of overseas outlets to 13.

As a result of its efforts outlined above, the Restaurants Business achieved sales of ¥26.8 billion in 2013, ¥0.2 billion, or 1%, more than in 2012. Segment operating income, however, amounted to ¥0.4 billion, some ¥0.1 billion, or 23%, less than in the previous year.

Real Estate

In the real estate industry, vacancy rates in the Greater Tokyo office leasing market continued to decline in 2013 but rent levels remained weak.

Amid such market conditions, our real estate leasing business maintained high occupancy rates at its properties in the Tokyo Metropolitan area, including its core property, Yebisu Garden Place.

In preparation for Yebisu Garden Place's 20th anniversary in 2014, we stepped up efforts to enhance the property's value and convenience by improving facilities to ensure that Yebisu Garden Place continues to provide tenants and visitors with enjoyable experiences in comfortable and pleasant surroundings. To enhance the building's commercial functions, we carried out a major renovation of the restaurant floor on the second basement level in preparation for the opening of a new large, upscale restaurant tenant in April 2014. Moreover, to enhance convenience for office workers, we renovated a dedicated cafeteria serving office workers in Yebisu Garden Place. We also began the installation of additional emergency power-generating systems that will help ensure our tenants' business continuity in the event of a disaster that cuts off power from the grid. The installation is scheduled for completion in April 2014.

The real estate development business began redevelopment of the Seiwa Yebisu Building in March 2013, and the project is running on schedule for completion in autumn 2014, when we plan a reopening as the Sapporo Ebisu Building (provisional name), which we expect to become a new center of activity in Tokyo's Ebisu district. We also continue to consider redevelopment of the Sapporo Ginza Building located at the Ginza 4-chome intersection and have been engaged in consultations with concerned parties.

As result of the above activities in 2013, the Real Estate Business posted sales of ¥22.7 billion, down ¥0.4 billion, or 2%, year over year. Operating income declined ¥0.7 billion, or 8%, to ¥8.6 billion, largely due to a decline in rental income as the redevelopment of the Sapporo Ebisu Building (provisional name).

(b) Outlook for fiscal year ending December 31, 2014

(1) Overview

Millions of yen, except percentages

	Net sales	Operating income	Ordinary income	Net income
2014 forecast	537,700	15,000	13,600	5,000
2013 results	509,834	15,344	15,130	9,451
Projected increase (%)	5.5	(2.2)	(10.1)	(47.1)

In 2014, we will continue to work toward the goals for 2016 outlined in the Sapporo Group's New Management Framework by accelerating the implementation of its four growth strategies—"Create high-value-added products and services," "Form strategic alliances," "Promote international expansion," and "Expand group synergies." In 2014 and the following two years, we will strive to realize our goals for 2016 by accelerating growth strategies as a "manufacturer of food products" and realizing sustainable growth. In 2014, we will undertake investments targeted at higher profits in 2015 and beyond and strive for higher levels of consolidated sales. Our consolidated forecasts and outlook for the Sapporo Group in 2014 are as follows.

Net Sales

The Japanese Alcoholic Beverage business will seek to boost its share of the beer and beer-type beverages market for a third consecutive year by concentrating resources in core brands in order to further enhance brand value. In non-beer businesses, we expect to achieve further growth by aggressively expanding the key growth areas of RTD, wine, shochu, and western spirits.

The International Business will seek to expand its sales by gaining wider brand recognition for the SLEEMAN and Sapporo brands in the North American market and moving aggressively into growth markets, starting with Southeast Asia, where it has already established Vietnam as the center of its regional operations. The International Business also plans to use Group company Silver Springs Citrus, as a platform for expanding soft drink sales in the North American market.

The Food & Soft Drinks business plans to increase sales in Japan by establishing core brands and strengthening its marketing effort in terms of both quality (ability to make proposals and develop new customers) and quantity (increased marketing activities). In preparation for a full-fledged effort to increase overseas sales, the business is boosting production capacity by constructing a plant in Malaysia.

The Restaurants Business targets higher sales by further strengthening the branding of its existing outlets and opening new stores to expand the market footprint for its restaurant formats with strong growth potential. It will also continue to develop new formats to enable further sales growth. In Singapore, it will continue its efforts to firmly establish the Ginza Lion brand as a means of spreading Japan's beer hall culture.

The Real Estate business will continue efforts to maintain occupancy rates while also raising rents at existing properties. It will also endeavor to raise the value of Yebisu Garden Place and move steadily forward with the Sapporo Ebisu Building (provisional name) redevelopment project. It also aims for an early start on redevelopment project of the Sapporo Ginza Building located at the Ginza 4-chome intersection, including the expansion of floor space.

We expect the efforts by our various businesses will lead to consolidated sales of ¥537.7 billion in 2014, representing growth of ¥27.8 billion, or 6%, over our 2013 result.

Operating Income

We envisage that segment operating income at the Japanese Alcoholic Beverage business will decline in 2014. Although we expect the business to achieve sales growth, we think those gains will be more than offset by the higher costs of raw materials caused by yen depreciation as well as aggressive spending to strengthen our brands. The International Business' profits are expected to be largely the same as in 2013, as we expect higher profits in North America to be offset by continued spending to create markets and strengthen our brand in Vietnam. The Food & Soft Drinks business, however, should see sales growth translate to higher profits. The Restaurants Business should also achieve profit growth, as it will implement additional measures to raise its profitability while it also increases sales. Finally, we expect a decline in profits in the Real Estate business segment profits owing to a decline in rental income as we begin redevelopment of the Sapporo Ginza Building.

Overall, we forecast that consolidated operating income in 2014 will total ¥15.0 billion, representing a decline of ¥0.3 billion, or 2%, from 2013.

Ordinary Income

We forecast consolidated ordinary income of ¥13.6 billion, down ¥1.5 billion, or 10%, owing to the decline in operating income and higher interest payments.

Net Income

We expect consolidated net income in 2014 of about ¥5.0 billion, a ¥4.4 billion, or 47%, decline from 2013, owing to the factors noted above and extraordinary losses related to the redevelopment of the Sapporo Ginza Building.

The 2014 outlook for each segment is outlined below.

(2) Outlook by Business Segment

Millions of yen, except percentages

	Net sales			Operating income		
	2013	2014	% change	2013	2014	% change
Japanese Alcoholic Beverages	274,909	284,300	3.4	9,901	9,000	(9.1)
International Business	48,215	57,200	18.6	1,208	1,100	(9.0)
Food & Soft Drinks	130,671	140,000	7.1	(1,483)	100	-
Restaurants	26,827	28,100	4.7	415	1,000	140.7
Real Estate Business	22,767	22,300	(2.1)	8,685	7,200	(17.1)

Japanese Alcoholic Beverages

We expect the operating environment for our Japanese Alcoholic Beverages business to remain challenging as the negative impact of the trends toward a smaller drinking population and increasing diversity in consumer preferences and venues for drinking alcoholic beverages are compounded by an increase in Japan's consumption tax rate.

The Japanese Alcoholic Beverage business will strive to meet the challenge of its operating environment and realize further growth by implementing its new vision of being No. 1 in as many areas as possible (the "Only One" strategy) while adhering to its campaign slogan "Bringing more cheer to your 'Cheers'!" as it constantly provides its customers the kind of value only Sapporo can offer.

The beer and beer-type beverages business will endeavor to further enhance the value of core brands as it aims for a third straight year of sales volume growth. It will concentrate resources on the Yebisu, Sapporo Draft Beer Black Label, and Mugi to Hop The Gold brands while also aiming for a big increase in sales of Goku Zero. Efforts undertaken to achieve "Only One" status will include realizing a 13th consecutive year of sales growth for our Sapporo Classic, one of our strategic area-specific products.

The RTD business will also strengthen its offerings of "Only One" products. In addition to capitalizing on our relation with Bacardi, manufacturer of the world's best-selling rum, to develop more Bacardi-based RTD offerings, we will also endeavor to build greater brand recognition for Sapporo Otoko Ume Sour, a Japanese plum wine–based RTD. This spring, the RTD business will launch a new product developed in collaboration with our Food & Soft Drinks business. Kireto Lemon Sour will be a new type of RTD that brings out the true essence of lemons in a cocktail drink.

Our wine business will focus on further expansion of our *Grand Polaire* series made entirely from domestic-grown grapes. This spring, we will launch two Polaire Sangria Rico drinks in lightweight PET bottles for the household-use market. We also plan to expand sales of our barreled Polestar sparkling wine to commercial customers.

The shochu business will concentrate on its popular blended shochus and its plum wine (*umeshu*). We aim to further expand sales of our No. 1 selling blended shochu Kokuimo by increasing its market coverage rate though campaigns targeted at consumers and other promotions.

In the western spirits business, we will plan to develop a full lineup of Bacardi brand offerings for household and commercial markets, beginning with RTD and RTS* offerings, such as our Bacardi-based Mojito offerings made from the world's best-selling rum.

The Japanese Alcoholic Beverages business as a whole will strive to achieve its profit targets despite the higher raw material prices caused by yen depreciation by effectively and flexibly controlling marketing expenses while also seeking to further enhance brand values. The business will also continue efforts to cut other costs wherever possible.

*RTS refers to ready-to-serve liquors used to make cocktails by mixing with soda and other mixers.

International Business

In North America, prospects for a full-fledged economic recovery remain uncertain, and we therefore assume that total demand in the North American beer market will be largely unchanged in 2014. Under such circumstances, our International Business will continue its efforts to solidify its North American market position by leveraging its strengths in the premium beer category.

In Canada, SLEEMAN BREWERIES will continue to spend aggressively on marketing as it seeks to maintain and enhance the value of its core premium brands. Including sales of its growing value brands, the company aims to achieve growth in sales volume that exceeds total demand growth.

In the United States, Sapporo USA also aims for unit sales growth in excess of total demand growth. While continuing to target the Japanese-American market segment, our US subsidiary will redouble its efforts to strengthen our presence to the wider Asian-American and general population segments of the US beer market. We also plan to expand sales in the North American soft drink market, with Silver Springs Citrus playing a central role.

Outside of North America, we aim to boost sales by actively engaging in growth markets in Southeast Asia and elsewhere while keeping an eye on opportunities to tap into new markets as we strengthen the foundations of our International Business and expand its operations. In particular, we are continuing full-scale marketing efforts in Vietnam to quickly establish our Sapporo brand in that market. In South Korea, we are accelerating sales of Sapporo brand beers in the household and commercial markets via our local partner, a Maeil Dairies' subsidiary in which we have a 15% equity stake. In Oceania, we will continue efforts to expand sales via our brewing and sales licensing agreement with Australia's Coopers Brewery, and in Singapore we will continue to expand sales channels into the household beer market in a cooperative effort with our local subsidiary.

Food & Soft Drinks

Japan's soft drinks industry continues to face rising material costs and strong consumer price consciousness. Add to those continuing conditions the consumption tax increase in April and increasingly unfavorable demographic trends and the outlook for an increase in industry wide demand in 2014 is not very favorable.

Faced with this less than favorable external environment, our Food & Soft Drinks business plans to offset costs to the maximum degree possible by thoroughly promoting low-cost operations in each link of the value chain. We conduct its marketing activities with a thorough focus on the customer's viewpoint and strategies targeting specific market segments.

In the domestic food and soft drinks segment, the soft drinks business plans to focus its marketing spending and activities on its core domestic brands, such as Ribbon and *Gabunomi*. Marketing of coffee drinks will focus on ascertaining the characteristics unique to different regions. In 2014, we plan to launch several new products, including the April debut of Green Shower, a flavored carbonated beverage based on the hop research of our Japanese Alcoholic Beverage business, which cooperated in the product's development. Among our overseas brands sold in Japan, marketing expenses and activities will focus on our core Gerolsteiner brand and the imported bottled water brands Vittel and Contrex, both of which we started distribution in January 2014. In the lemon and natural foods category, we will continue to solidify our unique market position centering on Kireto Lemon. We also will solidify our leading position in the market for lemon juice–based seasonings by launching a full renewal version of POKKA Lemon 100. In addition, we will introduce POKKA Lemon Lemotte, a lemon juice–based seasoning that can be stored at normal temperatures, which will enable us to target its use outside the home. We also plan to expand its market potential by marketing the new product as a mix for shochu, and plan aggressive expansion of healthy beverages, such as cranberry and prune juice. In November 2013, we completed construction of a third line at our Nagoya Plant. The new line boosts our production capacity by 70% at full operation and its use of proprietary technologies will enable us to raise product quality to new heights. In the soup and related foods category, we plan to add to the *Kongari Pan* and *Jikkuri Kotokoto* soup brand lineups, which continue to achieve solid sales. We will also nurture our lineup of Kantanbimi Korean soups and aggressively expand into such new categories as cold soups, breakfast-oriented cup soups, and desserts. The commercial-use products category will remain focused on lemon juices and syrups, teas, and soups. We expect group synergies to contribute to significant growth in sales for these products.

The domestic restaurants business plans to continue its efforts to enhance the brand value of its Café de Crié chain and accelerate chain expansion by effectively opening new shops and entering new market areas as it seeks to create a dominant market presence.

The overseas soft drinks business expects to see stiffer competition in its core Singapore market. In response, it plans to maintain its leading share of the Singapore market for tea drinks and expand sales in new product categories. In addition, it aims to support the growth of its exports by allocating more management resources in Southeast Asia and the Middle East, its two core export markets. Meanwhile, the new plant now under construction in Malaysia is scheduled to start operations around the middle of 2014. This new plant will boost our local production capacity and help us overcome the supply shortages that have limited our business growth for many years now.

The overseas restaurants business targets growth by fully leveraging its multiple restaurant formats in Hong Kong, including the core POKKA Café chain as well as its Tonkichi tonkatsu (breaded pork cutlets) restaurants and Mikichi ramen shops.

Restaurants Business

We expect the operating environment for restaurants in Japan to remain challenging, as the domestic restaurant industry will have to overcome rising material prices and the impact of the consumption tax increase on consumer spending.

In this difficult environment, our Restaurants Business plans to continue creating outlets that customers love to frequent. The business plans to enhance service levels, improve the quality of its menu offerings, and deliver food and drinks that customers can enjoy with confidence in their quality and safety. Through such efforts the business seeks to raise customer satisfaction in line with its guiding principle of providing 100% satisfaction.

New store openings will focus on territorial expansion for our core formats with high growth potential. However, we will also continue to develop new formats and new customer groups as we target sustained growth.

At the same time, we will continue measures to improve the business' profit structure, including the closing of unprofitable outlets.

Overseas, we are targeting Singapore as the first stage for our effort to spread Japan's beer hall culture to other countries through enhancing the appeal of our Ginza Lion outlet brand in that market.

Real Estate

Japan's real estate industry broadly expects to see improvement in vacancy rates and rent levels in the Greater Tokyo office leasing market as the supply of new office buildings remains low and the domestic economy strengthens.

In this improving environment, our Real Estate business will seek to maintain or raise occupancy rates and rent levels at its leasing operations. It also plans to further strengthen the brand power of its flagship property, Yebisu Garden Place, and to enhance the property's convenience and thereby raise its asset value. In the property's office spaces, we will continue to invest in order to raise the functionality of dedicated office areas and enhance the convenience and comfort of communal spaces. Meanwhile, we are considering renovations to the property's commercial spaces that would raise their appeal to potential tenants and their customers, and will continue discussions with concerned parties. In addition, with the property celebrating its 20th anniversary in 2014, we aim to enhance its drawing power and name recognition through an aggressive program that informs people of the appeal of the property and surrounding areas.

The segment's real estate development business is on track to complete construction work on the Sapporo Ebisu Building (provisional name) in September 2014. The business is also planning to launch an aggressive leasing campaign to ensure a high occupancy rate from the building's opening. The redevelopment of the Sapporo Ginza Building at the Ginza 4-chome intersection is still in its planning stages, including the preparation of a design that will increase the property's floor space and provide an external appearance suitable for a Ginza landmark. We look forward to starting reconstruction work in the near future.

Note: The above forecast and other forward -looking statements are based on information available as of the date of this document's preparation. Actual results may differ from those expressed or implied by forward -looking statements due to various factors.

2. Review of Consolidated Financial Condition

(a) Consolidated Financial Condition

Consolidated total assets as of December 31, 2013, totaled ¥616.7 billion, a ¥19.1 billion increase from December 31, 2012. The gain is attributable to increases in notes and accounts receivable -trade and investment securities, partially offset by a decrease in intangible fixed assets owing to goodwill amortization.

Consolidated total liabilities totaled ¥461.3 billion, a ¥1.3 billion decline from December 31, 2012, primarily owing to a decrease in commercial paper, which outweighed an increase in short-term bank loans.

Consolidated net assets totaled ¥155.3 billion, up ¥20.4 billion from December 31, 2012. Asset growth was supported by increases in unrealized gains on securit ies and in the foreign currency translation adjustment account, as well as the posting of net income for fiscal 2013.

(b) Consolidated Cash Flows

Cash and cash equivalents (collectively, "cash") totaled ¥11.5 billion as of December 31, 2013, a ¥1.7 billio n or 18% increase from December 31, 2012. The increase reflects the net result of cash generated by operating activities and net cash used in financing and investing activities, including purchases of subsidiary shares, investment securities, and fixed and intangible assets.

Following is an explanation of consolidated cash flows by category in 2013 and the factors that affected cash flows in each category.

Cash flows from operating activities

Operating activities provided net cash of ¥32.8 billion, a ¥3.2 billion or 11% increase over 2012. Major sources of operating cash flow included ¥16.5 billion from income before income taxes and minority interests and ¥25.0 billion from depreciation and am ortization. Major uses included a ¥2.3 billion increase in notes and accounts receivable -trade, a ¥1.6 billion decline in deposits received, and ¥7.9 billion in corporate income taxes.

Cash flows from investing activities

Investing activities used net cas h of ¥13.2 billion, a reduction of ¥46.2 billion, or 78%, compared with 2012. Major investment outflows included purchases of property, plant and equipment of ¥12.2 billion and purchases of intangible fixed assets amounting to ¥1.5 billion, the sum of which outweighed inflows from the sale of investment securities of ¥4.4 billion.

Cash flows from financing activities

Financing activities used net cash of ¥19.1 billion, compared with a net cash inflow of ¥30.1 billion in 2012. Major inflows included ¥32.2 billion from long-term bank loans and ¥19.9 billion from the issuance of corporate bonds. These inflows were more than offset by outflows, which included a ¥22.0 billion net decrease in commercial paper, ¥21.9 billion for the repayment of long-term bank loans, and ¥10.0 billion in bond redemptions.

Cash Flow Indicators

	As of December 31,				
	2009	2010	2011	2012	2013
Equity ratio (%)	23.4	25.3	22.4	22.1	24.6
Equity ratio based on market capitalization (%)	39.3	29.1	20.7	18.3	28.0
Cash flow to interest-bearing debt (years)	18.4	7.8	11.8	10.2	8.8
Interest coverage ratio (%)	3.5	7.6	6.2	8.4	11.9

Equity ratio: Total net assets / Total assets
Equity ratio based on market capitalization: Market capitalization / Total assets
Cash flow to interest-bearing debt: Interest-bearing debt / Cash flow
Interest coverage ratio: Cash flow / Interest expense
Notes:

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

3. Dividend Policy and Dividends for 2013 and 2014

Providing fair returns to shareholders is a key management policy of the Sapporo Group. Our basic policy is to pay stable dividends to the extent permitted by our operating performance and financial condition.

In accordance with the above policy, we plan to pay annual dividends of ¥7 per share for 2013, the same dividend we paid in 2012.

In 2014, we plan to maintain the annual dividend at ¥7 per share, as we steadily carry out our management plan while also making strategic investments and strengthening our financial foundation.

Dividends for 2013 and 2014 (yen per share)

	Interim	Year-end	Total
2013	0.00	7.0	7.0
2014	0.00	7.0	7.0

4. Management Policy

(1) Fundamental Management Policy

The Sapporo Group's management philosophy is "to make people's lives richer and more enjoyable." In conducting its business activities, the Sapporo Group strives to maintain integrity and corporate conduct that reinforces stakeholder trust and aims to achieve continuous growth in corporate value. This is our fundamental management policy.

(2) Operating Performance Targets

The Sapporo Group's New Management Framework's management targets for 2016 are as follows.

Consolidated net sales: ¥600 billion
Consolidated operating income: ¥40 billion (before goodwill amortization)
Debt/equity ratio: around 1.0
ROE: above 8%

(3) Medium- to Long-Term Management Strategies

1) Create High-Value-Added Products and Services

In all of our businesses, we will build sustained market advantages and pursue maximal capital efficiency by concentrating management resources in market segments where we are most competitive. We will create high value-added products and services, placing priority on "providing valuable products and services that customers can identify with" as a shared Group value.

2) Form Strategic Alliances

Instead of single-mindedly operating our businesses on a stand-alone basis, we will form strategic alliances with strong partners to amplify our strengths, complement our functional capabilities, and gain access to know-how in the aim of expeditiously gaining competitive advantages on a large scale.

3) Promote International Expansion

We will pursue overseas expansion not only in our alcoholic beverage operations but also in our soft drink and food operations. We aim to establish strong brands in overseas markets by leveraging our proprietary technological capabilities and business alliances.

4) Expand Group Synergies

We will pursue greater inter-business synergies through flexible coordination and cooperation that transcends individual Group companies and organizational frameworks.

(4) Issues to be Addressed

We have established a new medium-term management plan, the Sapporo Group Management Plan 2014–2016, to guide the Group over the three years remaining to achieve the goals of the New Management Framework by the end of 2016. We intend to achieve those goals by accelerating implementation of the four strategies outlined earlier to propel our transition into a "manufacturer of food products". Our efforts to produce visible results will include making additional cost cuts, generating group synergies, and realizing new M&A deals.

In addition, we are positioning these next three years as a period to prime ourselves for the endeavors we will undertake from 2017. We will be developing a new long-term management framework targeted at guiding the Sapporo Group to its 150th anniversary in 2026. Below we explain the basic thinking that will serve as the basis for this new long-term framework.

■Target of the Group:

The SAPPORO Group will be a group of companies that is essential for customers to enjoy rich lives throughout the world by continuing the creation and supply of new products and services that become No. 1 in the market.

■Guidelines for corporate behavior:

(1) We seek continued innovation and provide customers with valuable No. 1 products and services to contribute to ensuring their richer life.
(2) We endeavor to create products and services that will activate communications between customers.
(3) We strive to ensure the efficient business operations by addressing changes in the business environment.

(1) Initiatives in each business segment

<u>Japanese Alcoholic Beverages</u>

- To fulfill the new vision "Seek No. 1 by accumulating one-of-a-kind products," we will continue innovations unique to Sapporo, to be the "No. 1 creator of moving experiences."
- We will make intensive investments in branding and other efforts during the 2014–2015 period commensurate with the increase in profit planned for 2016.

<u>International Business</u>

- We will promote market penetration of the Sapporo brand chiefly in North America and Southeast Asia.
- In Canada and the U.S. markets, we will seek better performance in the beer and soft drinks businesses for which we have enjoyed favorable results.
- In Southeast Asia, we will continue to pursue the beer business according to

plan in Vietnam, in which we have operated on a full scale for two years since 2012, to improve operating income and achieve profitability.

Food & Soft Drinks

- In the domestic food and soft drinks business, we will seek earlier recovery of business performance through focused efforts to establish the core brands of POKKA SAPPORO, enhance marketing power in terms of the quality of proposals and pioneering ideas as well as the number of activities, and reduce costs to attain the growth stage in 2015 and thereafter.
- In the restaurants business, we will accelerate the opening of Café de Crié franchised coffee shops, which have been operating favorably.
- In the overseas soft drinks business, based on the increased capacity of manufacturing due to the completion of a Malaysian factory, we will maintain the top share of the tea beverages market in Singapore and further expand their sales, while accelerating the growth of sales in other countries as well.

Restaurants

- By supplying of hospitable services and safe and delicious food menus, we will seek to offer "Japan's No. 1 enjoyable stores," continuously loved and appreciated by customers.
- In the domestic market, we will strengthen the core Ginza Lion and YEBISU BAR brands. Overseas, we will promote the expansion of the GINZA LION BEER HALL restaurant format, the first store of which was opened in Singapore last fall and has been operating favorably.

Real Estate

- We will enhance the value of the properties we hold in Ebisu, Ginza and Sapporo to contribute to enhancement of the Group's branding strength.
- Through two redevelopment projects—Sapporo Ebisu Building (tentative name) and Sapporo Ginza Building—and enhancement of the value of Yebisu Garden Place, we aim for a significant increase in profit during the 2015–2016 period.

(2) Toward greater group synergies

Expanding synergies among Group companies

- Led by Group headquarters (the headquarters functions are shared by SH and SAPPORO GROUP MANAGEMENT LTD.), we will promote alliances and cooperation between different businesses of the Group. Group headquarters will address the issue of management restructuring to optimize the overall management of the Group across its different businesses.

- To accelerate its growth as a “manufacturer of food products,” Group headquarters will integrate and reinforce the R&D functions within the Group. The headquarters will also promote the sharing of skills and expertise through communication among personnel within the Group to create an environment that stimulates innovation, thereby enhancing the Group’s ability to develop and expand new products and services. In addition, structural reforms and cost reductions will be promoted across Group companies to maximize cost-related synergies.

In addition, the Sapporo Group regards the fulfillment of our corporate social responsibility (CSR) as crucial to the Group’s sustained growth. As such, we will conduct in a manner that conforms to key Group CSR policies calling for the “Provision of safe products of reliable quality,” “Coexistence with the wider society,” and “Preservation of the earth’s environment.” Additionally, we will ensure that CSR and compliance with corporate governance serve as the foundation for our corporate behavior by maintaining in-house education programs that make awareness and compliance with CSR and corporate governance a deep-rooted part of our corporate culture.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2012	December 31, 2013
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	9,755	11,552
2 Notes and accounts receivable - trade	83,581	87,148
3 Merchandize and finished products	20,372	20,832
4 Raw materials and supplies	12,072	13,552
5 Deferred tax assets	3,737	4,172
6 Other	9,026	10,306
7 Allowance for doubtful receivables	(287)	(228)
Total current assets	138,258	147,336
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	384,995	390,326
Accumulated depreciation	(205,155)	(212,741)
Buildings and structures, net	179,839	177,585
(2) Machinery and vehicles	210,465	218,275
Accumulated depreciation	(170,803)	(176,691)
Machinery and vehicles, net	39,661	41,583
(3) Land	115,413	115,056
(4) Lease assets	19,255	18,242
Accumulated depreciation	(9,469)	(8,921)
Lease assets, net	9,785	9,320
(5) Construction in progress	4,425	5,668
(6) Other	19,987	19,515
Accumulated depreciation	(16,050)	(15,847)
Other, net	3,936	3,667
Total property, plant and equipment	353,061	352,882
2 Intangible assets		
(1) Goodwill	37,541	34,418
(2) Other	7,444	7,566
Total intangible assets	44,985	41,985
3 Investments and other assets		
(1) Investment securities	35,670	51,221
(2) Long-term loans receivable	9,783	9,544
(3) Deferred tax assets	2,040	931
(4) Other	15,222	14,177
(5) Allowance for doubtful receivables	(1,386)	(1,326)
Total investments and other assets	61,330	74,548
Total fixed assets	459,377	469,416
Total assets	597,636	616,752

	December 31, 2012	December 31, 2013
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	32,985	35,902
2 Short-term bank loans	55,270	63,642
3 Commercial Paper	47,000	25,000
4 Current portion of bonds	10,000	-
5 Lease obligations	3,860	3,384
6 Liquor taxes payable	33,397	33,700
7 Income taxes payable	3,830	3,837
8 Accrued bonuses	1,860	2,090
9 Deposits received	12,358	10,824
10 Other	42,583	48,925
Total current liabilities	243,146	227,308
II Long-term liabilities		
1 Bonds	32,000	52,000
2 Long-term bank loans	113,376	107,185
3 Lease obligations	7,346	6,298
4 Deferred tax liabilities	13,002	17,805
5 Employees' retirement benefits	7,385	5,907
6 Dealers' deposits for guarantees	32,914	32,423
7 Other	13,518	12,457
Total long-term liabilities	219,543	234,077
Total liabilities	462,689	461,386
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	46,308	45,911
3 Retained earnings	31,393	37,409
4 Treasury stock, at cost	(1,199)	(1,311)
Total shareholders' equity	130,389	135,896
II Accumulated other comprehensive income		
1 Unrealized holding gain on securities	5,122	15,467
2 Deferred hedge gains	9	4
3 Foreign currency translation adjustments	(3,725)	314
Total accumulated other comprehensive income	1,406	15,786
III Minority Interests	3,151	3,683
Total net assets	134,946	155,366
Total liabilities and net assets	597,636	616,752

(2) Consolidated Statements of Income

(millions of yen)

	Year ended December 31, 2012	Year ended December 31, 2013
	Amount	Amount
I Net sales	492,490	509,834
II Cost of sales	313,117	329,605
Gross profit	179,373	180,229
III Selling, general and administrative expenses		
1 Sales incentives and commissions	32,838	33,067
2 Advertising and promotion expenses	20,221	21,211
3 Salaries	31,147	31,406
4 Provision for bonuses	1,225	1,088
5 Retirement benefit expenses	3,499	3,350
6 Other	76,027	74,760
Total selling, general and administrative expenses	164,958	164,884
Operating income	14,414	15,344
IV Non-operating income		
1 Interest income	263	245
2 Dividend income	734	797
3 Equity in income of affiliates	180	99
4 Foreign exchange gain	535	849
5 Gain on gift voucher redemptions	570	-
6 Other	980	1,226
Total non-operating income	3,264	3,218
V Non-operating expenses		
1 Interest expense	3,448	2,704
2 Other	541	728
Total non-operating expenses	3,990	3,432
Ordinary income	13,689	15,130
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	83	61
2 Gain on sales of investment securities	21	3,491
Total extraordinary gains	104	3,553
VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	2,087	1,158
2 Sales of fixed assets	11	220
3 Impairment loss	188	425
4 Loss on devaluation of investment securities	582	59
5 Loss on sales of investment securities	64	3
6 Business structure improvement expenses	346	253
Total extraordinary losses	3,281	2,120
Income before income taxes and minority interests	10,512	16,562
Income taxes: current	5,668	7,677
Income taxes: deferred	(317)	(534)
Total income taxes	5,350	7,143
Income before minority interests	5,161	9,419
Minority interests in losses	(232)	(32)
Net income	5,393	9,451

Net income before minority interests	5,161	9,419
Other comprehensive income		
Unrealized holding gain on securities	3,130	10,344
Deferred hedge gains (losses)	9	8
Foreign currency translation adjustments	2,739	4,567
Share of other comprehensive income of associates accounted for using equity method	49	-
Total other comprehensive income	5,928	14,920
Comprehensive income	11,090	24,339
(Breakdown)		
Comprehensive income attributable to owners of the parent	11,248	23,832
Comprehensive income attributable to minority interests	(158)	507

(3) Statements of Changes in Shareholders' Equity

(millions of yen)

	Year ended December 31, 2012	Year ended December 31, 2013
	Amount	Amount
Shareholders' Equity		
Common stock		
Balance at beginning of year	53,886	53,886
Balance at end of period	53,886	53,886
Capital surplus		
Balance at beginning of year	46,310	46,308
Changes during period		
Disposition of treasury stock	(2)	(396)
Total changes during period	(2)	(396)
Balance at end of period	46,308	45,911
Retained earnings		
Balance at beginning of year	28,741	31,393
Changes during period		
Cash dividends	(2,740)	(2,740)
Net income	5,393	9,451
Changes in scope of consolidation / Changes in scope of application of the equity method	-	(695)
Total changes during period	2,652	6,015
Balance at end of period	31,393	37,409
Treasury stock		
Balance at beginning of year	(1,197)	(1,199)
Changes during period		
Purchase of treasury stock	(7)	(1,024)
Disposition of treasury stock	5	912
Total changes during period	(1)	(111)
Balance at end of period	(1,199)	(1,311)
Total shareholders' equity		
Balance at beginning of year	127,741	130,389
Changes during period		
Cash dividends	(2,740)	(2,740)
Net income	5,393	9,451
Purchase of treasury stock	(7)	(1,024)
Disposition of treasury stock	2	516
Changes in scope of consolidation / Changes in scope of application of the equity method	-	(695)
Total changes during period	2,648	5,507
Balance at end of period	130,389	135,896
Total accumulated other comprehensive income		
Unrealized holding gain on securities		
Balance at beginning of year	1,993	5,122
Changes during period		
Net change in items other than shareholders' equity during period	3,129	10,344
Total changes during period	3,129	10,344
Balance at end of period	5,122	15,467

Deferred hedge gains (losses)		
Balance at beginning of year	(8)	9
Changes during period		
Net change in items other than shareholders' equity during period	17	-4
Total changes during period	17	-4
Balance at end of period	9	4
Foreign currency translation adjustments		
Balance at beginning of year	(6,432)	(3,725)
Changes during period		
Net change in items other than shareholders' equity during period	2,707	4,040
Total changes during period	2,707	4,040
Balance at end of period	(3,725)	314
Total accumulated other comprehensive income		
Balance at beginning of year	(4,447)	1,406
Changes during period		
Net change in items other than shareholders' equity during period	5,854	14,380
Total changes during period	5,854	14,380
Balance at end of period	1,406	15,786
Minority interests		
Balance at beginning of year	1,482	3,151
Changes during period		
Net change in items other than shareholders' equity during period	1,668	532
Total changes during period	1,668	532
Balance at end of period	3,151	3,683
Total net assets		
Balance at beginning of year	124,775	134,946
Changes during period		
Cash dividends	(2,740)	(2,740)
Net income	5,393	9,451
Purchase of treasury stock	(7)	(1,024)
Disposition of treasury stock	2	516
Changes in scope of consolidation / Changes in scope of application of the equity method	-	(695)
Net change in items other than shareholders' equity during period	7,523	14,912
Total changes during period	10,171	20,419
Balance at end of period	134,946	155,366

(4) Consolidated Statements of Cash Flows

(millions of yen)

	Year ended December 31, 2012	Year ended December 31, 2013
	Amount	Amount
I Cash flows from operating activities		
1 Income before income taxes and minority interests	10,512	16,562
2 Depreciation and amortization	25,805	25,058
3 Impairment loss	188	425
4 Amortization of goodwill	3,879	3,985
5 Increase (decrease) in employees' retirement benefits	(82)	(1,474)
6 Increase (decrease) in allowance for doubtful receivables	(132)	(114)
7 Interest and dividend income	(997)	(1,043)
8 Interest expense	3,480	2,751
9 (Gain) loss on sales of fixed assets	(83)	(61)
10 (Gain) loss on sales and disposal of fixed assets	2,099	1,379
11 (Gain) loss on sales of investment securities	43	(3,487)
12 (Gain) loss on revaluation of investment securities	582	59
13 (Increase) decrease in notes and accounts receivable - trade	(2,015)	(2,314)
14 (Increase) decrease in inventories	(1,826)	108
15 Increase (decrease) in notes and accounts payable - trade	(697)	2,225
16 Increase (decrease) in liquor taxes payable	769	194
17 Increase (decrease) in deposits received	(2,955)	(1,653)
18 Increase (decrease) in other current liabilities	(927)	2,487
19 Other	(723)	(2,594)
Sub total	36,920	42,493
20 Interest and dividends received	1,045	1,055
21 Interest paid	(3,515)	(2,772)
22 Income taxes paid	(4,832)	(7,915)
Net cash provided by (used in) operating activities	29,618	32,861
II Cash flows from investing activities		
1 Payments for purchases of investment securities	(1,186)	(346)
2 Proceeds from redemption and sale of investment securities	419	4,435
3 Payments for purchase of affiliates securities	(87)	(264)
4 Payments for acquisition of newly consolidated subsidiaries	(1,611)	-
5 Payments for acquisition of associates accounted for using equity method	-	(286)
6 Purchases of property, plant and equipment	(51,133)	(12,243)
7 Proceeds from sales of property, plant and equipment	178	171
8 Purchases of intangibles	(2,736)	(1,525)
9 Payments of long-term loans receivable	(25)	(232)
10 Collection of long-term loans receivable	93	440
11 Other	(3,395)	(3,417)
Net cash provided by (used in) investing activities	(59,485)	(13,268)
III Cash flows from financing activities		
1 Net increase (decrease) in short-term bank loans	6,475	(9,362)
2 Proceeds from long-term bank loans	27,878	32,249
3 Repayment of long-term bank loans	(31,488)	(21,964)
4 Proceeds from issuance of bonds	9,960	19,920
5 Redemption of bonds	(10,000)	(10,000)
6 Increase (decrease) in commercial paper	34,000	(22,000)
7 Cash dividends paid	(2,737)	(2,737)
8 Cash dividends paid to minority shareholders	-	(16)
9 Repayment of finance lease obligations	(3,923)	(4,217)
10 Purchase of treasury stock	(7)	(1,024)
11 Proceeds from sale of treasury stock	2	6
Net cash provided by (used in) financing activities	30,159	(19,147)
IV Effect of exchange rate changes on cash and cash equivalents	253	607
V Net increase (decrease) in cash and cash equivalents	545	1,053
VI Cash and cash equivalents at beginning of period	9,057	9,725
Ⅶ Increase(decrease) in Cash and cash equivalents from newly consolidated subsidiaries	122	740
Ⅷ Cash and cash equivalents at end of period	9,725	11,518

(5) Notes on the Going-concern Assumption
Not applicable

(6).Segment Information
1. Overview of reportable segments

The Company's reportable segments are components of the Sapporo Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance.
The 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 restaurants of various styles.
The Real Estate segment's activities include leasing and development of real estate.

2. Calculation methods for sales, income (or loss), assets and other items

Accounting methods applied in reportable segment by business largely correspond to that presented under "The Basis for Preparation of Consolidated Financial Statements" and "Change in Accounting methods." Reportable segment income is based on operating income. Intersegment sales or transfers is based on market price. Intra-group sales and transfers are calculated as if the transactions were to third parties based on market prices.

3. Changes to reportable segments

The Sapporo Group conducted a reorganization of its logistics business on May 1, 2013. The Company's consolidated subsidiaries Sapporo Logistics Systems Co., Ltd. and Pokka Logistics Co., Ltd. were reorganized under Sapporo Group Logistics Co., Ltd., which is under the control of Sapporo Group Management LTD.

In line with this, effective the three months ended March 31, 2013, Sapporo Logistics Systems Co., Ltd., which was previously included in the Japanese Alcoholic Beverages segment, and Pokka Logistics Co., Ltd., which was previously included in the Food & Soft Drinks segment, were reclassified to the Other segment.

Additionally, effective the three months ended March 31, 2013, Pokka Food (Singapore) Pte. Ltd. which was previously included in the Food & Soft Drinks segment was reclassified to the Restaurants segment in conjunction with changes in organizational structure through share transfers between consolidated subsidiaries.

The segment information for the fiscal year ended December 31, 2012 has been recast to reflect the change of segmentation.

(Note) On April 1, 2013, Pokka Food (Singapore) Pte. Ltd. changed its name to Sapporo Lion (Singapore) Pte. Ltd.
On July 1, 2013, Pokka Logistics Co., Ltd., was dissolved following an absorption-type merger with Sapporo Logistics Systems Co., Ltd.

4. Sales, income (or loss), assets, and other items

(millions of yen)

	Year ended December 31, 2012 (January 1, 2012 – December 31, 2012)					
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total
Net sales						
(1) Operating revenues	269,947	36,121	129,017	26,621	23,217	484,924
(2) Intra-group sales and transfers	2,360	34	312	-	2,574	5,281
Total	272,308	36,155	129,329	26,621	25,791	490,206
Segment income (loss)	7,522	(73)	364	538	9,396	17,748
Segment assets	201,652	50,474	103,501	10,721	215,189	581,538
Other						
Depreciation and amortization	10,307	1,506	6,653	567	4,611	23,646
Increase in property, plant and equipment, and intangible assets	2,772	1,441	7,632	808	42,206	54,862

	Year ended December 31, 2012 (January 1, 2012 – December 31, 2012)			
	Other *1	Total	Adjustment	Amounts reported on the statements of income*2
Net sales				
(1) Operating revenues	7,565	492,490	-	492,490
(2) Intra-group sales and transfers	19,610	24,892	(24,892)	-
Total	27,176	517,383	(24,892)	492,490
Segment income (loss)	(413)	17,335	(2,920)	14,414
Segment assets	9,527	591,066	6,569	597,636
Other				
Depreciation and amortization	0	23,647	2,157	25,805
Increase in property, plant and equipment, and intangible assets	8	54,871	2,200	57,071

(millions of yen)

	Year ended December 31, 2013 (January 1, 2013 – December 31, 2013)					
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total
Net sales						
(1) Operating revenues	274,909	48,215	130,671	26,827	22,767	503,391
(2) Intra-group sales and transfers	2,533	83	309	0	2,667	5,594
Total	277,442	48,298	130,981	26,827	25,435	508,986
Segment income (loss)	9,901	1,208	(1,483)	415	8,685	18,727
Segment assets	212,664	54,815	102,752	11,991	215,874	598,096
Other						
Depreciation and amortization	8,683	1,855	6,776	643	4,412	22,371
Increase in property, plant and equipment, and intangible assets	2,123	2,218	8,516	813	4,467	18,139

	Year ended December 31, 2013 (January 1, 2013 – December 31, 2013)			
	Other *1	Total	Adjustment	Amounts reported on the statements of income*2
Net sales				
(1) Operating revenues	6,442	509,834	-	509,834
(2) Intra-group sales and transfers	19,545	25,140	(25,140)	-
Total	25,988	534,975	(25,140)	509,834
Segment income (loss)	231	18,959	(3,614)	15,344
Segment assets	7,466	605,563	11,189	616,752
Other				
Depreciation and amortization	85	22,456	2,601	25,058
Increase in property, plant and equipment, and intangible assets	156	18,296	1,169	19,465

Notes:

(1) "Other" comprises businesses, such as food businesses, that are not included in reportable segments.
(2) Segment income and losses are adjusted based on operating income reported on the quarterly consolidated stateme of income for the corresponding period.

5. Reconciliation and main components of differences between income and loss of reportable segments and figures on the statement of inc
(information on differences)

(millions of yen)

Segment income (loss)	December 31, 2012	December 31, 2013
Total for reportable segments	17,748	18,727
Income(loss) from other segments	(413)	231
Unallocated corporate costs*	(3,035)	(3,309)
Intra-segment sales	115	(305)
Operating income on the statement	14,414	15,344

Note: Unallocated corporate costs consist mainly of SGA that is not attributable to reportable segments.

(millions of yen)

Segment income (loss)	December 31, 2012	December 31, 2013
Total for reportable segments	581,538	598,096
Assets of other segments	9,527	7,466
	(22,458)	(9,259)
Unallocated corporate assets*	29,028	20,448
Total assets on the consolidated financial statements	597,636	616,752

Note: Unallocated corporate assets do not belong to reportable segments and consist mainly of working funds (cash and cash

6. Related Information

1. Information by product and service

Year ended December 31, 2012 (January 1, 2012 – December 31, 2012)

Information by product and service is omitted here, as the same information is disclosed elsewhere.

Year ended December 31, 2013 (January 1, 2013 – December 31, 2013)

Information by product and service is omitted here, as the same information is disclosed elsewhere.

2. Segment Information by Geographic Area

(1) Net sales

(millions of yen)

Year ended December 31, 2012 (January 1, 2012 – December 31, 2012)				
Japan	America	Asia	Other	Total
439,113	34,657	14,835	3,883	492,490

Year ended December 31, 2013(January 1, 2013 – December 31, 2013)				
Japan	America	Asia	Other	Total
437,607	45,843	21,927	4,457	509,834

(2) Property, plant and equipment

Year ended December 31, 2012 (January 1, 2012 – December 31, 2012)

tion

Year ended December 31, 2013 (January 1, 2013 – December 31, 2013)

tion

3. Information by major customer

Year ended December 31, 2012 (January 1, 2012 – December 31, 2012)

Compa

Year ended December 31, 2013 (January 1, 2013 – December 31, 2013)

(millions of yen)

Company Name	Net Sales	Segment
KOKUBU & CO.,LTD.	63,858	Japanese Alcoholic Beverages Food & Soft Drinks

7. Impairment loss on fixed assets or goodwill by reportable segment

Year ended December 31, 2012 (January 1, 2012 – December 31, 2012)

(millions of yen)

	Reportable segments						Other	General corporate and intercompany eliminations	Total
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total			
Impairment loss	-	-	50	125	-	175	12	-	188

Year ended December 31, 2013 (January 1, 2013 – December 31, 2013)

(millions of yen)

	Reportable segments						Other	General corporate and intercompany eliminations	Total
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total			
Impairment loss	17	227	38	126	16	425	-	-	425

8. Amortization for and unamortized balance of goodwill

Year ended December 31, 2012 (January 1, 2012 – December 31, 2012)

(millions of yen)

	Reportable segments						Other	General corporate and intercompany eliminations	Total
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total			
Amortization	-	1,126	2,753	-	-	3,879	-	-	3,879
Unamortized Balance as of Dec. 31, 2012	-	11,893	25,647	-	-	37,541	-	-	37,541

Year ended December 31, 2013 (January 1, 2013 – December 31, 2013)

(millions of yen)

	Reportable segments						Other	General corporate and intercompany eliminations	Total
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total			
Amortization	-	1,239	2,728	-	17	3,985	-	-	3,985
Unamortized Balance as of Dec. 31, 2013	-	11,098	23,320	-	-	34,418	-	-	34,418

9. Gain on negative goodwill by reportable segment

Year ended December 31, 2012 (January 1, 2012 – December 31, 2012)

Not applicable

Year ended December 31, 2013 (January 1, 2013 – December 31, 2013)

Not applicable

(7) Property Leasing

The Sapporo Group holds office buildings (including land) for lease in the Tokyo metropolitan and other areas. Net leasing income on those properties in the year ended December 31, 2012 was ¥7,945 million (leasing income was mainly recorded as operating revenues; leasing expenses were mainly recorded as operating expenses). Net leasing income on those properties in the year ended December 31, 2013 was ¥7,087 million (leasing income was mainly recorded as operating revenues; leasing expenses were mainly recorded as operating expenses).

The carrying value of those properties on the consolidated balance sheets, change in carrying value during the years ended December 31, 2012 and 2013, and the total fair value appear in the following table.

(millions of yen)

		Year ended December 31, 2012	Year ended December 31, 2013
Carrying value on consolidated balance sheets			
	January 1	173,297	209,924
	Change during the period	36,627	154
	December 31	209,924	210,078
Fair value at December 31		335,672	337,771

Notes:

1. Carrying value on the consolidated balance sheets represents acquisition costs net of accumulated depreciation and accumulated impairment loss.
2. The change during the year ended December 31, 2012 comprises increase mainly arising from property acquisitions (¥41,663 million) and decrease mainly due to depreciation (¥4,122 million) and disposal (¥873 million). The change during the year ended December 31, 2013 comprises increase mainly arising from property acquisitions (¥4,098 million) and decrease mainly due to depreciation (¥3,907 million) and disposal (¥34 million).
3. The fair value at December 31 is mainly based on property valuations performed by third-party real estate appraisers.

6.Change in the method of presentation

(Consolidated balance sheets)

"Directors' and audit & supervisory board members' severance benefits" was independently reported under "long -term liabilities" in the fiscal year ended December 31, 2012; however, in the fiscal year ended December 31, 2013, "directors' and audit & supervisory board members' severance benefits" was included in "other" because the amount was not considered to be significant. The financial statements for the fiscal year ended December 31, 2012 have been adjusted to reflect the change in presentation method.

As a result, the 26 million yen of "directors' and audit & supervisory board members' severance benefits" previously reported under "long -term liabilities" in the consolidated balance sheets for the fiscal year ended December 31, 2012, is now included in "other."

7.Subsequent Events

(Extraordinary losses resulting from redevelopment of real estate)

The Company, at a meeting of its Board of Directors held on February 12, 2014, passed a resolution to redevelop Sapporo Ginza Building (8 -1, Ginza 5-chome, Chuo-ku, Tokyo (residence indication)) owned by Sapporo Real Estate Co., Ltd.

In line with this, extraordinary losses totaling 2,600 million yen for demolition of the existing building, loss on disposal, expenses related to operation, and other costs are expected to be recorded during the fiscal year ending December 31, 2014.

1. Overview of redevelopment

・Scale (planned): 12 floors above ground, 2 below

Floor area: about 7,082 ㎡

・Use (planned): commercial building complex

<Schedule>

・Demolition of the existing building: starting in Spring 2014 (planned)

・Start of construction: Spring 2015 (planned)

・Completion of the new building: during the first half of 2016 (planned)

2. Impact on consolidated financial results

These extraordinary losses are factored into the consolidated full -year earnings forecast released on February 12, 2014.