Financial Results
for the Year Ended December 31, 2015 — Consolidated
(Based on Japanese GAAP)

February 10, 2016

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 30, 2016
Filing of annual financial report	March 31, 2016
Commencement of dividend payments	March 31, 2016
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, 2015 (January 1 – December 31, 2015)

(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, 2015	533,748	2.9	13,950	(5.3)	13,211	(9.3)	6,108	-
Year ended December 31, 2014	518,740	1.7	14,728	(4.0)	14,565	(3.7)	340	(96.4)

Note: Accumulated other comprehensive income

Year ended December 31, 2015: 7,579 million yen (4.1)%

Year ended December 31, 2014: 7,283 million yen (70.1)%

	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, 2015	15.68	-	3.9	2.1	2.6
Year ended December 31, 2014	0.87	-	0.2	2.3	2.8

Note: Equity method investment gains

Year ended December 31, 2015: 17 million yen

Year ended December 31, 2014: 225 million yen

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2015	620,388	163,822	25.5	405.44
December 31, 2014	625,439	160,004	25.0	401.17

Note: Shareholders' equity
December 31, 2015: 157,928 million yen
December 31, 2014: 156,303 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, 2015	35,265	(9,755)	(24,802)	10,399
Year ended December 31, 2014	22,284	(17,229)	(7,307)	9,748

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, 2014	—	0.00	—	7.00	7.00	2,727	802.6	1.8
Year ended December 31, 2015	—	0.00	—	7.00	7.00	2,726	44.6	1.7
Year ending December 31, 2016 (forecast)	—	0.00	—	7.00	7.00		26.0	

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2016 (January 1 – December 31, 2016)

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income attribute to owners of the parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Year ending December 31, 2016	565,400	5.9	21,100	51.3	20,200	52.9	10,500	71.9	26.96

Note: Earnings forecasts for the six months ending June 30, 2016, are omitted because the company manages performance targets on a yearly basis.

4. Other

(1) Changes to scope of consolidation: None

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

1) Changes in accordance with amendments to accounting standards etc.: Yes

2) Changes other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

Note: For details, see “Changes in accounting policy” on page 30 in the accompanying material.

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

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

December 31, 2015: 393,971,493 shares
December 31, 2014: 393,971,493 shares

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

December 31, 2015: 4,451,525 shares
December 31, 2014: 4,348,456 shares

3) Average number of outstanding share during the period:

Year ended December 31, 2015: 389,586,096 shares
Year ended December 31, 2014: 389,854,319 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, 2016” on page 14.

1. Analysis of Operating Results

(a) Review of the fiscal year ended December 31, 2015

① Overview

Millions of yen, except percentages

	Net sales	Operating income	Ordinary income	Net income
2015	533,748	13,950	13,211	6,108
2014	518,740	14,728	14,565	340
Change (%)	2.9	(5.3)	(9.3)	1696.6

In 2015, the Japanese economy remained on a moderate recovery track in the first half but experienced more ups and downs in the second half, reflecting the impact of economic slowdowns in China and other countries. Personal consumption picked up along with the broader economy but overall continued to lack real strength. Conditions in the industries in which SAPPORO Group companies operate were as follows.

The domestic alcoholic beverage industry as well as the food and soft drinks industry were adversely affected by unseasonable summer weather and a warm start to winter. In the real estate industry, vacancy rates and rents in the Greater Tokyo office leasing market both stayed on moderate recovery tracks throughout the year. Overseas, the North American beer market was generally flat, but the Asian market continued the steady expansion seen in recent years.

In this environment, the SAPPORO Group accelerated the implementation of growth strategies based on the Sapporo Group Management Plan 2015–2016, as it endeavored to display its special characteristics as a “manufacturer of food products” and make progress toward the financial targets for 2016.

The Japanese Alcoholic Beverage business continued to invest in core brands. We launched a new version of Sapporo Draft Beer Black Label, one of our core beer brands, and as a result expanded its presence in the household-use market. In non-beer growth areas, we continued to build a highly diversified product lineup as we started domestic marketing of one of the world’s leading wine brands.

The International business continued to strengthen its position in North America’s premium beer market segment, with aggressive marketing campaigns carried out by SLEEMAN BREWERIES in Canada and by Sapporo USA. Efforts to expand our presence and sales in the US soft drinks market included the addition of Country Pure Foods, Inc. as a consolidated subsidiary. In Vietnam, we continued to invest in marketing aimed at firmly establishing the Sapporo brand in the local market, and in November we released a new version of bottled and canned products.

The Food & Soft Drinks business continued to tackle key management initiatives in Japan—strengthen marketing and lower costs—while concentrating investment on core brands, especially our lemon-based and soup products, two areas where we have a strong competitive edge. Overseas, we continued strengthening our beverage business, with a focus on Southeast Asia by establishing a new joint venture to manufacture and sell soft drinks in Indonesia. We also expanded our business scope by entering the soymilk business.

The Restaurants business strengthened its Japan operations by opening new outlets, with the focus on our two core chains, Ginza Lion and Yebisu Bar. We also continued efforts to improve profitability by closing or changing the format of a number of unprofitable outlets. Overseas, we continued expanding our presence in Singapore by opening new stores and changing formats of existing stores to better suit the local market.

The Real Estate business maintained high occupancy rates at its rental properties. We continued to raise the value of our core property, Yebisu Garden Place to make the area more attractive, by renovating the property's dining floor. We made steady progress with the Ginza 5-chome Redevelopment Project and are on pace to complete construction and open the facility, which we have named GINZA PLACE, in summer 2016.

The efforts outlined above and explained in more detail later in this report enabled the Sapporo Group to achieve the consolidated results presented below.

Net Sales

In 2015, the Sapporo Group posted consolidated net sales of ¥533.7 billion, ¥15.0 billion, or 3%, more than in 2014. The Japanese Alcoholic Beverage business saw shipments of its beer-type beverages decline year over year. The International business, however, achieved a sizable increase in sales on expanded shipments of beer products in North America and Vietnam, with an additional boost coming from newly consolidated Country Pure Foods, Inc. The Food & Soft Drinks business achieved higher sales volumes for its food and beverage products in Japan and for its beverages in overseas markets. In addition to volume increases, sales at the International business and the Food & Soft Drinks business were further bolstered by the weak yen's favorable impact on currency translations. The Real Estate business, however, saw sales decline owing to the sales of its entire equity stake in Sapporo Sports Plaza and several rental properties at the end of the previous fiscal year.

Operating Income

Consolidated operating income totaled ¥13.9 billion, a year-over-year decline of ¥0.7 billion, or 5%, owing to lower profits at our core Japanese Alcoholic Beverage business, where a decline in sales of beer-type products outweighed the positive impact of further cuts to fixed costs. Results were more positive at our other businesses. The Food & Soft Drinks business posted higher profits than in the previous year, thanks to increased sales of its food and beverages products in Japan and its beverages in overseas markets. The Restaurants business achieved profit growth as it boosted same-store sales and closed unprofitable outlets. Lastly, the Real Estate business also achieved profit growth, thanks to an increase in rental income from core properties.

Ordinary Income

Reflecting the drop in consolidated operating income and the increase in foreign exchange losses resulting from the weaker yen, consolidated ordinary income fell ¥1.3 billion or 9% year-over-year to ¥13.2 billion.

Net Income

Consolidated net income in 2015 totaled ¥6.1 billion, ¥5.7 billion more than in 2014. The large gain included a ¥7.4 billion extraordinary gain on sales of property, plant and equipment, which helped to offset an impairment loss of ¥5.9 billion and a ¥1.7 billion loss on devaluation of investment securities.

Segment information is outlined below.

② Results by Business Segment

Millions of yen, except percentages

	Net sales			Operating income		
	2014	2015	% change	2014	2015	% change
Japanese Alcoholic Beverages	281,031	273,651	(2.6)	10,192	8,635	(15.3)
International Business	49,672	70,501	41.9	172	154	(10.8)
Food & Soft Drinks	133,439	135,670	1.7	121	434	258.5
Restaurants	27,143	27,004	(0.5)	303	522	72.2
Real Estate Business	21,509	20,872	(3.0)	7,695	8,281	7.6

Japanese Alcoholic Beverages

We estimate that total domestic demand for beer and beer-type beverages fell about 1% year over year in 2015, largely due to the negative impact of unseasonable weather during the summer, the peak season for beer consumption.

Under such market conditions, the Japanese Alcoholic Beverage business continued its efforts to realize management's vision of “Seek to be No.1 by accumulating one-of-a-kind products” and achieve further growth by constantly providing customers with a unique value proposal.

In the beer and beer-type beverages category, the April launch of a new version of canned Sapporo Draft Beer Black Label fueled strong sales of the product for the rest of year, leading to the first year-over-year increase in overall shipments of the Black Label brand in 21 years. Our core Yebisu brand also fared well, leading to an overall 1% increase in domestic shipments of beers in 2015.

However, sales volumes for our happoshu and new-genre beer offerings declined from the previous year's level, as new-genre beer Mugi to Hop The Gold and our Goku Zero happoshu faced increasingly intense competition. As a result, shipments of our beer and beer-type beverages fell about 5% from the previous year's level.

Sales in the RTD* category also fell from their 2014 level, despite solid performances by Sapporo Otoko Ume Sour, a mid-to-upper price range product, and the Nectar Sour series.

In the wine category, sales fell below the previous-year level on weak demand for domestic mass-produced wines. However, shipments of our flagship Japanese wine** Grande Polaire expanded sharply, as did sales of fine wines＊＊＊, which were bolstered by the start of sales of Penfolds from Treasury Wine Estates and champagne from Taittinger.

Sales of western spirits increased in 2015, on solid sales of Bombay Sapphire, Dewar's, Martini and the many major international brands.

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

Overall, our Japanese Alcoholic Beverage business posted sales of ¥273.6 billion (down ¥7.3 billion, or 3%, year over year) in 2015. Segment operating income totaled ¥8.6 billion (down ¥1.5 billion, or 15%).

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

** Japanese wines are wines that use only grapes grown and harvested in Japan.

*** Fine wines are wines priced in the mid- to high-price range (¥1,500 and higher per bottle).

**** Based on Intage SRI market research on combined blended *imo* shochu sales in the supermarket, convenience store, and direct sales channels from January 2013 to November 2015.

International Business

We estimate that total demand in the North American beer market in 2015 was largely about the same as in 2014, with demand in the United States supported by favorable personal consumption while demand to the north was somewhat weakened by the negative impact of falling crude oil prices on Canada's resource-dependent economy. The Asian beer market, meanwhile, continued its upward march, supported by the region's growing economies and populations.

In this environment, our International Business continued aggressive marketing activities targeting the premium beer markets in North America and Southeast Asia, the two regions where the business is concentrating its resources and efforts, which included a key new investment in the U.S. soft drinks market.

Our Canadian subsidiary SLEEMAN BREWERIES continued its aggressive spending on marketing of its core premium brands. As a result, its overall beer sales volume (excluding Sapporo brand beer) increased about 2% year over year. In the U.S. market, Sapporo USA continued its effort to expand core target customer market from Japanese Americans to the wider Asian-American and general populations. As a result, it achieved a 2% increase in shipments of Sapporo brand beers. In the U.S. soft drinks business, Silver Springs Citrus was adversely affected by the persistently high prices of oranges used to produce its juices, but the addition of Country Pure Foods, Inc. as a consolidated subsidiary in February strengthened our position in the U.S. drink market.

In Southeast Asia, we continued efforts to firmly establish the Sapporo brand in Vietnam, with aggressive marketing efforts including large-scale promotional events and the placement of product displays at the bars and restaurants. In November, we released a new version of Sapporo Premium Beer in bottles and cans, helping boost sales volumes in Vietnam above the previous year's level despite increased competition in the country's premium beer market. In Singapore, we achieved a strong year-on-year growth in sales volumes, thanks to cooperative efforts with our local subsidiary to expand sales channels to that country's household market.

Elsewhere in the region, we sharply increased beer sales volumes in South Korea by leveraging our local partner's sales network to strengthen sales to both the household and commercial markets. In Oceania, our efforts to strengthen sales via licensing agreements with local brewing partners produced a solid year-over-year gain in beer sales volumes.

The efforts outlined above enabled the International Business to achieve a 13% year-over-year increase in shipments of Sapporo brand products in overseas markets.

As a result, the International Business posted sales of ¥70.5 billion, up ¥20.8 billion, or 42%, year over year. Operating income, however, fell 11% year over year to ¥0.1 billion.

Food & Soft Drinks

We estimate that overall demand for soft drinks in Japan in 2015 increased 1% over the level seen in 2014. We estimate that total demand for lemon-based products (flavorings) also increased but that demand for instant soups (including soups in a cup) fell back owing to the impact of rather warm weather in November and December.

In this environment, the Sapporo Group's Food & Soft Drinks business began its third year of integrated operations as POKKA SAPPORO Food & Beverage Ltd. The subsidiary is concentrating investments on core brands, with a focus on its soup and lemon-based product lineups, as it endeavors to strengthen and nurture its various brands.

POKKA SAPPORO's domestic soft drinks business sharply increased sales of its lemon-based products, achieving steady gains in sales of its core Kireto Lemon (in bottles) and creating new markets with the introduction of its new energy drink, ENERGIE. The coffee drink category rebounded from a downtrend and achieved a solid sales volume growth. In other categories, POKKA SAPPORO introduced Nippon Oolong, an oolong tea made from domestic tea leaves. The new product achieved its annual sales targets in eight months and was a recipient of an Excellent Product award in the food industry products category of the 2015 Food Action Nippon Award contest. Another new product receiving favorable reviews and recording strong sales in 2015 is Tsubu Tappuri Zeitaku Mikan, a pulp-rich juice drink made from Japanese tangerines. The success of these new products, the latest in the long line of POKKA SAPPORO's distinctive and unique drink products, contributed to a 2% year-on-year increase in domestic shipments of POKKA SAPPORO's soft drink products.

At POKKA SAPPORO's domestic food business, the rising price of lemons forced the subsidiary to raise the price of its core Pokka Lemon 100 brand products in September, but sales remained solid, contributing to 4% growth in overall shipments of our lemon-based products (flavorings). In the instant soup category, POKKA SAPPORO's introduction of a renewed lineup of its Jikkuri Kotokoto series of boxed instant soups spurred sales of the brand and boosted overall sales of our instant soups 10% year over year.

In addition, with a view to nurturing the growth of new business, POKKA SAPPORO purchased the soymilk and yogurt business of Toraku Foods Co., Ltd., and began selling soymilk in October.

In the domestic restaurants business, the Café de Crié coffee shop chain faced a challenging operating environment, including rising procurement costs and personnel expenses. In response, the chain continued its aggressive expansion, opening new stores inside bookstores and hospitals. Comparable-store sales also expanded solidly, contributing to an increase in chainwide sales in 2015.

POKKA SAPPORO's overseas soft drinks business maintained its top share in Singapore's tea drinks market in 2015, and its POKKA brand became the No.1 selling brand in the non-chilled fruit juice beverages category.* Seeking to solidify its position in an Indonesian market expected to see dynamic growth in the future, Pokka Corporation (Singapore) Pte. Ltd. formed a joint venture with PT DIMA INDONESIA to manufacture and sell soft drinks. The joint venture began construction of a new plant, which it plans to start up in 2016.

Lastly, segment sales for 2015 reflect the absence of sales from the Hong Kong restaurant business, which was sold off in December 2014.

As a result of the above, the Food & Soft Drinks segment recorded sales of ¥135.6 billion in 2015, ¥2.2 billion or 2% higher than in 2014, and segment operating income rebounded sharply to ¥0.4 billion, a ¥0.3 billion or 258% increase from just one year earlier.

* Market shares are based on data from Nielsen Singapore MarketTrack March 2015 (Copyright 2015, The Nielsen Company)

Restaurants

Japan's restaurant industry showed signs of moving into a recovery phase in the second half of 2015 but continues to face a difficult operating environment, with procurement costs and labor costs still on an upward trend.

In this environment, our Restaurants business continued to pursue the fulfillment of its philosophy of “Enhancing the Joy of Living” through constant efforts to deliver safe and sound food and service to customers while also striving to create restaurants that “deliver 100% satisfaction to customers.”

In Japan, we opened five new restaurants during 2015, with the focus on our core Ginza Lion and Yebisu Bar formats. Notable new outlets include a Garden Terrace Lion restaurant on a university campus, openings of our Yebisu Bar outlets in Hokkaido and the Tokai region, and the December opening in Ginza of GRANDE POLAIRE WINEBAR TOKYO, the first outlet of a new wine bar format developed together with core Group company Sapporo Breweries. All the new outlets are enjoying strong sales. Meanwhile, we continued to reform the Restaurant business’s profit structure in 2015, closing 20 outlets, including some unprofitable ones, and renovating five others, a few of which also underwent format changes. In 2015, consolidated subsidiary New Sanko Inc. and its eight restaurants were re-segmented from the Japanese Alcoholic Beverage segment to the Restaurants segment. As a result of this restructuring and net new store openings, the Restaurants business had 178 stores operating in Japan at the end of the fiscal year.

Overseas, the Restaurants business continues to build a chain of locally popular restaurants in Singapore that are helping spread the reputation of our Ginza Lion brand to the world. In 2015, we launched a new brand in Singapore, Tonkichi Ginza Shokudo, opening two outlets, one a renovation of an existing Ginza Lion outlet. We also closed two unprofitable stores in 2015. As a result, Singapore chain size at year end was 14 stores.

Overall, the Restaurants business posted sales of ¥27.0 billion in 2015, down ¥0.1 billion, or 1%, from the previous year. Segment operating income was ¥0.5 billion, up 72%, ¥0.2 billion year over year.

Real Estate

Japan’s real estate industry in 2015 continued to see a moderate recovery in rent levels in the Greater Tokyo office leasing market as vacancy rates continued to improve amid a recovery in corporate earnings that fueled demand for additional office space.

Amid such favorable demand conditions, our real estate leasing business took advantage of the strong demand for office space and stepped up efforts to attract new tenants at its core Yebisu Garden Place, which saw a temporary drop in occupancy rate following the loss of a large tenant at the expiration of its lease contract in May 2014. As a result, the business was able to maintain a high occupancy rate at Yebisu Garden Place. It also maintained high occupancy rates at other properties, enabling it to aggressively seek higher rents from existing tenants.

At Yebisu Garden Place, which in 2014 celebrated the 20th anniversary of its opening, we continued to make renovations that enhance the property's value by raising convenience levels and strengthening its brand appeal as we endeavor to provide tenants and visitors with enjoyable experiences in comfortable and pleasant surroundings. The renovations in the property's commercial area included the March 2015 opening of a new-concept movie theater that presents 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 the new design based on the concept of "Quality Daily Life," as we sought to re-energize and reinvigorate the area. Meanwhile, the new Ebisu First Square, which opened in October 2014, has won high praise from tenants as a highly competitive office building with superior safety features, comfort levels, and environmental performance. The property made a solid contribution to segment earnings in its first full-year of operation in 2015.

The real estate development business made steady progress on the Ginza 5-chome Redevelopment Project, and at the framework completion ceremony in December it announced the building's name, GINZA PLACE. Redevelopment is progressing on schedule, and we expect the building to open for business in summer 2016.

Meanwhile, we continue to review and revise our property portfolio from a long-term perspective. Following the sale of our entire equity stake in Sapporo Sports Plaza along with several rental properties in December 2014, we sold our trust beneficiary rights to the Shibuya Sakuragaoka Square office building in February 2015.

As result of the efforts outlined above, the Real Estate business posted sales of ¥20.8 billion in 2015, down ¥0.6 billion or 3% from the previous year's result. Segment operating income came to ¥8.2 billion, up ¥0.5 billion or 8%.

(b) Outlook for fiscal year ending December 31, 2016

① Overview

Millions of yen, except percentages

	Net sales	Operating income	Ordinary income	Net income attribute to owners of the parent
2016 forecast	565,400	21,100	20,200	10,500
2015 results	533,748	13,950	13,211	6,108
Projected increase (%)	5.9	51.3	52.9	71.9

In 2016, the final year of SAPPORO Group Management Plan 2015–2016, the Sapporo Group will redouble its efforts to further strengthen Group foundations and accelerate investment in our growth strategies aimed at fully displaying the special characteristics that position the Sapporo Group as "a manufacturer of food products." Standing on the strong foundation and stable earnings provided by our Japanese Alcoholic Beverages and Real Estate business, the Sapporo Group will continue investing in the growth of its International business and the Food & Soft Drinks business, while also planting the seeds for future growth through continued R&D investment.

Our consolidated forecasts and outlook for the SAPPORO Group in 2016 are as follows.

Net Sales

The Japanese Alcoholic Beverage business has designated 2016 as the "first year of a new period of growth in the beer business." We will renew our efforts to further enhance the value of our core Sapporo Draft Beer Black Label and Yebisu brands as we aim to increase total shipments of our beer and beer-type beverages. We will also step up efforts to expand sales of the key growth area of non-beer alcoholic beverages, including RTD, wine, shochu, western spirits, and Japanese liquors, as we build a more diverse and multilayered product lineup.

The International business aims to expand shipments of our beer products overseas by strengthening brand recognition for our core premium beer brands, starting with Sapporo brands, especially in the key North American and Southeast Asian markets. In Vietnam, we will endeavor to expand sales of the new and improved Sapporo Premium Beer introduced in 2015 by carrying out effective and efficient marketing.

The Food & Soft Drinks business will, in the domestic food and beverage market, provide customers with new value propositions in lemon-based and soup products, two areas where we have distinct competitive advantages. Overseas, the business plans to strengthen sales of POKKA brand products in Singapore, as well as in Indonesia and Myanmar.

The Restaurants business targets sales growth driven by the steady expansion of its mainstay Ginza Lion and Yebisu Bar chains via new store openings as well as renovations and format changes for existing outlets. Overseas, we will firmly establish the Ginza Lion and Tonkichi brands in Singapore and consider our entry into neighboring countries.

The Real Estate business will endeavor to further strengthen the competitiveness of its core rental properties, starting with the Yebisu Garden Place, as it seeks to maintain high occupancy rates and achieve higher rents. We will also endeavor to keep our real estate development activities on track with plans, including opening of the GINZA PLACE commercial complex this summer.

We expect the efforts above will produce consolidated net sales of ¥565.4 billion in 2016, representing growth of ¥31.6 billion, or 6%, over our 2015 result.

Operating Income

We are targeting profit growth at our Japanese Alcoholic Beverage business, as we expect increased sales of beer-type beverages to offset aggressive spending to promote sales of our products. The International business is also expected to achieve profit growth by beer sales increase and improvement of management efficiency in soft drink business in North America. The Food and Soft Drinks business plans to increase profits by increasing sales of its beverages in domestic markets and improvement of products mix while fixed costs and productions costs will increase. The Restaurant business plans to achieve profit growth by increasing sales at existing outlets and opening new outlets. The Real Estate business expects profits to expand in 2016 on an increase in rental revenues from its core properties.

Overall, we forecast 2016 consolidated operating income of ¥21.1 billion, an increase of ¥7.1 billion, or 51%, over 2015.

Ordinary Income

We forecast consolidated ordinary income of ¥20.2 billion, an increase of ¥6.9 billion, or 53%, over 2015.

Net income attribute to owners of the parent

We expect to post net income attribute to owners of the parent of 10.5 billion in 2016, an increase of ¥4.3 billion, or 72%, over 2015

The 2016 outlook for each segment is presented below.

② Outlook by Business Segment

Millions of yen, except percentages

	Net sales			Operating income		
	2015	2016 forecast	% change	2015	2016 forecast	% change
Japanese Alcoholic Beverages	273,651	288,000	5.2	8,635	11,100	28.5
International Business	70,501	77,800	10.4	154	900	484.4
Food & Soft Drinks	135,670	143,700	5.9	434	1,700	291.7
Restaurants	27,004	27,100	0.4	522	1,300	149.0
Real Estate Business	20,872	22,800	9.2	8,281	10,000	20.8

Japanese Alcoholic Beverages

We expect the operating environment for our Japanese Alcoholic Beverages business to remain challenging owing to shrinking of the drinking population and the need to respond to increasing diversity in consumer preferences and the venues where our products are sold and consumed.

In this challenging environment, our Japanese Alcoholic Beverages business will aim for further growth by continuing efforts to realize the "seek No. 1 by accumulating one-of-a-kind products" vision and delivering to customers value available only from Sapporo.

We have designated 2016 as the "first year of a new period of growth in the beer business." In keeping with that theme, we will renew our efforts to enhance the value of our core beer and beer-type beverages brands. With all beer-type products expected to be taxed at the same level in the near future, we will strive to strengthen our beer business, which we expect to attract greater market attention. For starters, we plan to build on the momentum created in 2015 for our Sapporo Draft Beer Black Label by making further modifications to its contents and proposing a variety of events around the Japan, all under the theme of the "perfect draft beer experience." Aiming to make Yebisu the No. 1 premium beer, we will continue to enhance its overall quality.

The RTD business will seek to match its success with Sapporo Otoko Ume Sour and develop a growing lineup of new collaboration RTD cocktails.

Our wine business will continue to strengthen its lineup of fine wines. We will aggressively promote our premium Japanese wine, Grand Polaire, and last year's new imported products, Penfolds wine and Taittinger champagne. At the same time, we will continue our efforts to bring consumers wines that can be enjoyed casually by presenting a variety of options, including daily wines* and our barreled Polestar sparkling wine.

In the western spirits business, we will continue to focus sales efforts on such world-famous brands as Bacardi, the world's best-selling rum in both sales volume and value**, as well as Bombay Sapphire, Dewar's, and Martini. In particular, we plan to boost sales of Bacardi by promoting a new Caribbean high-ball cocktail, called Rum High.

In our Japanese liquor business, we will build upon the success of our blended *imo* shochu, Kokuimo, by attracting new users with the introduction of liqueurs based on uniquely Japanese ingredients, such plum wine (umeshu) and Ume Kaku, a plum-wine based cocktail introduced in 2015.

The Japanese Alcoholic Beverages business as a whole will strive to achieve its profit targets in order to further enhance brand values by effectively and flexibly controlling marketing expenses while cutting other costs wherever possible.

* Daily wines are reasonably priced at under ¥1,500/bottle (compared with fine wines priced in the mid-to-upper price range starting at ¥1,500/bottle).

** According to a survey by 2014 International Wine & Spirits Research

International Business

In North America, improving employment conditions and an increase in household demand in the United States are expected to support autonomous expansion of the U.S. economy. However, the falling crude oil prices are expected to weigh on the Canadian economy. We therefore expect overall demand in the North

American beer market to generally be flat. In the Asian beer market, we expect to see continued growth in countries with growing populations and firm economic growth. In some countries, however, economic slowdowns and stricter regulations on alcoholic sales and consumption are expected to curtail market growth.

Under such circumstances, our International business will strive to expand sales of its premium beer brands, beginning with the Sapporo brand, and establish a unique position in North America and Southeast Asia, the two regions where the business is concentrating its resources and efforts.

In Canada, SLEEMAN BREWERIES plans to focus marketing expenditure on maintaining and enhancing the value of its core premium brands, centering on the Sleeman and Sapporo brands. At the same time, it aims to achieve its profit goals and expand its share of the overall beer market by introducing value brands that meet growing demand in that market segment. In the U.S. beer market, Sapporo USA plans to build a wider presence for the Sapporo brand by strengthening marketing to the larger Asian-American population. In the U.S. soft drinks market, we plan to strengthen the business foundations of Silver Springs Citrus and Country Pure Foods and expand sales and profits at these two subsidiaries by promoting the acquisition of new sales channels while reducing costs by optimizing their production networks.

Outside of North America, we plan to expand sales of Sapporo brand products, strengthen the foundations of our International business, and further expand our overseas operations.

In Vietnam, we aim to expand sales and profits through effective and efficient investing on marketing and sales activities with clearly defined targets, while also taking advantage of last year’s renewal of our Sapporo Premium Beer to increase contact with customers. In the Singapore market, we are expanding sales channels in the household and commercial markets in a cooperative effort with our local subsidiary.

Food & Soft Drinks

Japan’s soft drinks industry continues to face a difficult operating environment, with overall demand being depressed by demographic changes and consumers’ increasing thriftiness, competition increasing as beverage makers scramble to secure a piece of the shrinking pie, and a weaker yen and rising raw material prices expected to push up costs.

Under such difficult conditions, our domestic food and soft drinks business plans to deliver new value to its customers in areas where it has distinctive advantages thorough understanding of the user’s perspective.

The domestic food and soft drinks business will leverage its position as a leader in lemon-juice based products with its core Kireto Lemon brand by appealing inherent health benefits of lemons and selling new products which deliver new value to customers. The business will also aggressively market tea drinks, such as Nippon Oolong, an oolong tea that has received favorable reviews for its use of domestic tea leaves, and the Gabunomi brand. We also plan to launch a new drink brand that will qualify for inclusion into the health drink category, which is expected to see strong growth in the years ahead. In the instant soup category, we plan to strengthen the Jikkuri Kotokoto soup lineup and launch a new brand as we continue our efforts to stimulate demand and expand the soup market. In the commercial-use products category, we will parlay our group synergies to expand sales in all market segments, from Pokka Lemon and our alcoholic-beverage mixers to powdered teas and soups. The soymilk business we acquired in 2015 will endeavor to increase its sales by developing new products that respond to consumers' growing preference for healthy beverages made from natural materials.

At the domestic restaurants business, the Café de Crié chain will carry out marketing at the individual store level as it endeavors to enhance its brand value and accelerate its expansion.

The overseas soft drinks business expects to see stiffer competition in Southeast Asian markets. In response, the business plans to expand sales and improve the efficiency of its overall operations by strengthening its advantages in the tea drinks and juice beverages segments in the core Singapore market. It will also strengthen tie-ups with other leading brands. Our newly formed joint venture in Indonesia will start local production and sales in 2016, and our partner in Myanmar plans to begin manufacturing of Sapporo products on a licensed-out basis. We aim to expand sales channels and increase sales by proposing products that are best fits for each market.

Restaurants

Japan's restaurant industry is expected to continue to face a difficult operating environment, with labor costs and food material costs continuing to rise and competition growing ever more intense as foreign restaurant chains entering the Japan market add to the strains already being applied by cross-industry competition from retailers and other non-traditional players.

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

Our domestic restaurant operations are targeting increased profits in 2016. For starters, the business will benefit from re-openings of two flagship stores— the Beer Hall LION GINZA 5-Chome outlet and the Beer Hall Lion Shimbashi outlet—both of which were shut down for an extended period of time due to building redevelopment projects. New store openings for our core Ginza Lion and Yebisu Bar formats will further expand both chains' footprint. Our aggressive store opening plan also includes new formats as well as remodelings and brushups at stores of existing formats.

Overseas, we will continue efforts to establish the Ginza Lion and Tonkichi brands in Singapore while also considering our entry into neighboring countries.

Real Estate

In 2016, Japan's real estate industry expects the strong corporate earnings to support continuation of the recent downtrend in vacancy rates, thus creating an environment conducive to rent hikes in the Greater Tokyo office leasing market. However, the rise in rents is expected to be moderated by new office building supply.

In this environment, our Real Estate business will continue its efforts to enhance the competitiveness of its buildings and related services as it seeks to raise occupancy rates and rent levels at its properties. At our flagship property, Yebisu Garden Place, we will continue efforts to add value in all of the property's areas, starting with the commercial-use areas, as we seek to enhance convenience features across the entire property and further elevate its brand value. We also will continue efforts to enhance safety and security in surrounding areas.

The real estate development business plans to open GINZA PLACE, a redeveloped commercial complex located at the busy Ginza 4-chome intersection, on schedule this summer. Located in the center of Tokyo's famous Ginza district, the new facility is expected to become a bustling center of human activity and interaction from which various information is transmitted around the world. We expect the facility to become a new landmark that further advances the prosperity of the local area. As such, we will make every effort to complete construction and open the facility to the public on schedule.

Going forward, we plan to solidify the earnings base of our Real Estate business and will therefore continue to regularly review our property portfolio with a view to raising the value of our Real Estate business.

(2)Review of Consolidated Financial Condition

(a)Consolidated Financial Condition

Consolidated total assets as of December 31, 2015, totaled ¥620.3 billion, ¥5.0 billion decline from the end of the previous fiscal year (December 31, 2014). Despite the addition of assets of the newly consolidated Country Pure Foods, Inc. and an increase in the construction in progress related to the construction of GINZA PLACE, overall assets declined owning to a decrease in the land on the balance sheet following the sale of trust beneficiary rights to the Shibuya Sakuragaoka Square office building.

Consolidated total liabilities totaled ¥456.5 billion, an ¥8.8 billion decrease from December 31, 2014, primarily owing to decreases in commercial paper and long-term bank loans, which outweighed increases in short-term bank loans and income taxes payable.

Consolidated net assets totaled ¥163.8 billion, up ¥3.8 billion from the end of the previous fiscal year. The increase reflects an increase in unrealized holding gain on securities and the posting of net income, partly offset by a decline in the foreign currency translation adjustment account and the payment of dividends.

(b) Consolidated Cash Flows

Cash and cash equivalents (collectively, “cash”) totaled ¥10.3 billion as of December 31, 2015, a ¥0.6 billion or 7% increase from December 31, 2014.

Following is an explanation of consolidated cash flows by category in 2015 and the factors that affected cash flows in each category.

Cash flows from operating activities

Operating activities provided net cash of ¥35.2 billion, a ¥12.9 billion or 58% increase over 2014. Major sources of operating cash flow included ¥11.6 billion from income before income taxes and minority interests, ¥24.2 billion from depreciation and amortization and ¥5.9 billion from loss on impairment of property, plant and equipment. These are partially offset by a ¥7.4 billion of gain on sales of property, plant and equipment.

Cash flows from investing activities

Investing activities used net cash of ¥9.7 billion, a reduction of ¥7.4 billion, or 43%, compared with 2014. Major investment outflows included purchases of property, plant and equipment of ¥18.2 billion, purchase of subsidiaries' shares resulting in change in scope of consolidation of ¥3.9 billion and purchase of affiliates securities of ¥3.2 billion, the sum of which outweighed inflows from the sales of property, plant and equipment of ¥19.5 billion.

Cash flows from financing activities

Financing activities used net cash of ¥24.8 billion, ¥17.4 billion, or 239% more than the net cash used in the previous fiscal year. Major inflows included ¥14.3 billion from long-term bank loans and ¥9.9 billion from the issuance of corporate bonds. These inflows were more than offset by outflows, which included a ¥13.0 billion net decrease in commercial paper, ¥16.6 billion for the repayment of long-term bank loans, and ¥12.0 billion in bond redemptions.

Cash Flow Indicators

	As of December 31,				
	2011	2012	2013	2014	2015
Equity ratio (%)	22.4	22.1	24.6	25.0	25.5
Equity ratio based on market capitalization (%)	20.7	18.3	28.0	31.9	33.4
Cash flow to interest-bearing debt (years)	11.8	10.2	8.8	13.0	7.8
Interest coverage ratio (%)	6.2	8.4	11.9	8.9	14.8

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.

2 Management Policy

(1) Fundamental Management Policy

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. This is our fundamental management policy.

(2) Issues to be Addressed

In October 2007, we formulated the Sapporo Group New Management Framework (hereafter, the New Management Framework) as a basic policy for implementing our growth strategies and achieving the goals set for 2016, the 140th year since the founding of the Sapporo Group. Also, in 2015, we formulated the Sapporo Group Management Plan 2015–2016 (hereafter, the Management Plan 2015–2016).

Fiscal 2016 is the final year for the Management Plan 2015–2016 as well as the longer-term the New Management Framework. Consequently, the entire Sapporo Group will endeavor to display its special characteristics as a “manufacturer of food products” by redoubling efforts to strengthen its foundation and accelerating investment in our growth strategies for sustainable growth in the years ahead.

In addition, we will begin drafting our next long-term management framework, targeting 2026, our 150th anniversary. We will earnestly work on these new plans in line with the following concepts.

●Target of the Group:

The SAPPORO Group shall become 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, in its efforts to 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 their attainment of a richer life.

(2) We endeavor to create products and services that will engage customers.

(3) We strive to ensure efficient business operations by addressing changes in the business environment.

(3)Corporate governance structure

To ensure the Sapporo Group's management philosophy and fundamental policy are realized as we aim to achieve continuous growth in corporate value, we have identified strengthening and enhancing corporate governance as one of management's top priorities. Toward that end, we are working to clarify supervisory, business execution and auditing functions throughout the Group under the holding company framework. We are also working to strengthen management supervisory functions to increase management transparency and achieve management goals. In December 2015, we established the Sapporo Group's Basic Policy on Corporate Governance and posted it on the Sapporo Holdings website.

(4) Initiatives to be undertaken in each business segment

Please refer to the presentation for each business segment in (b) Outlook for fiscal year ending December 31, 2016 on page 14 .

(5)R&D strategies

- We will promote further enhancement of our research and development structure as a measure to strengthen the technological capabilities that support continued growth while advancing our abilities in four core competencies: (1) knowledge of customers and markets, (2) the pursuit of deliciousness, (3) the creation of delicious products, and (4) the guarantee of excellent taste.
- In addition to promoting the development of new products that fully embody the values of their ingredients, such as lemons, we are conducting research into sensitivity science to better enable us to conduct scientific analysis of customers' sense and needs as well as research on food processing techniques that will enable us to expand the applications of food products. We believe these efforts will enable us to propose new values for food in the future.

3 Basic Approach to Selecting Accounting Standards

The Sapporo Group is making preparations for the adoption of International Financial Reporting Standards (IFRS) with the aim of facilitating international comparisons of our financial information in the capital markets. We will decide on the most appropriate timing for the adoption of IFRS after due consideration of various conditions in Japan and overseas.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2014	December 31, 2015
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	9,781	10,430
2 Notes and accounts receivable - trade	89,245	92,335
3 Merchandize and finished products	22,431	24,912
4 Raw materials and supplies	14,108	13,722
5 Deferred tax assets	5,000	4,457
6 Other	15,971	10,570
7 Allowance for doubtful receivables	(165)	(64)
Total current assets	156,372	156,364
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	387,644	383,087
Accumulated depreciation	(211,317)	(213,567)
Buildings and structures, net	176,327	169,519
(2) Machinery and vehicles	224,180	227,534
Accumulated depreciation	(180,302)	(183,165)
Machinery and vehicles, net	43,878	44,368
(3) Land	115,290	105,121
(4) Lease assets	16,826	15,498
Accumulated depreciation	(7,904)	(7,739)
Lease assets, net	8,922	7,758
(5) Construction in progress	2,617	6,637
(6) Other	19,262	18,487
Accumulated depreciation	(15,701)	(14,850)
Other, net	3,560	3,636
Total property, plant and equipment	350,597	337,042
2 Intangible assets		
(1) Goodwill	29,966	30,235
(2) Other	6,025	10,743
Total intangible assets	35,991	40,978
3 Investments and other assets		
(1) Investment securities	59,968	61,848
(2) Long-term loans receivable	9,150	9,016
(3) Deferred tax assets	1,090	1,009
(4) Other	13,572	15,362
(5) Allowance for doubtful receivables	(1,305)	(1,234)
Total investments and other assets	82,477	86,002
Total fixed assets	469,066	464,023
Total assets	625,439	620,388

	December 31, 2014	December 31, 2015
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	35,534	36,772
2 Short-term bank loans	31,446	65,822
3 Commercial Paper	30,000	17,000
4 Current portion of bonds	12,000	10,000
5 Lease Obligations	3,067	2,932
6 Liquor taxes payable	33,602	33,903
7 Income taxes payable	724	6,114
8 Accrued bonuses	2,115	2,219
9 Deposits received	9,650	8,824
10 Other	53,629	50,054
Total current liabilities	211,771	233,643
II Long-term liabilities		
1 Bonds	50,000	50,000
2 Long-term bank loans	124,110	91,919
3 Lease obligations	6,101	5,353
4 Deferred tax liabilities	22,617	21,216
5 Net defined benefit liability	4,510	7,636
6 Dealers' deposits for guarantees	32,336	32,833
7 Other	13,986	13,963
Total long-term liabilities	253,662	222,921
Total liabilities	465,434	456,565
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	45,912	45,913
3 Retained earnings	34,913	35,189
4 Treasury stock, at cost	(1,544)	(1,595)
Total shareholders' equity	133,168	133,394
II Accumulated other comprehensive income		
1 Unrealized holding gain on securities	20,112	23,926
2 Deferred hedge gains	(0)	(11)
3 Foreign currency translation adjustments	2,582	(1,255)
4 Remeasurements of defined benefit plans	440	1,874
Total accumulated other comprehensive income	23,135	24,533
III Minority Interests	3,700	5,894
Total net assets	160,004	163,822
Total liabilities and net assets	625,439	620,388

(2) Consolidated Statements of Income

(millions of yen)

	Year ended December 31, 2014	Year ended December 31, 2015
	Amount	Amount
I Net sales	518,740	533,748
II Cost of sales	336,388	352,808
Gross profit	182,352	180,940
III Selling, general and administrative expenses		
1 Sales incentives and commissions	33,546	35,841
2 Advertising and promotion expenses	22,691	21,982
3 Salaries	32,187	31,954
4 Provision for bonuses	1,451	1,218
5 Retirement benefit expenses	2,968	2,690
6 Other	74,777	73,303
Total selling, general and administrative expenses	167,623	166,990
Operating income	14,728	13,950
IV Non-operating income		
1 Interest income	229	252
2 Dividend income	831	1,123
3 Equity in income of affiliates	225	17
4 Foreign exchange gains	576	-
5 Gain on valuation of derivatives	-	468
6 Other	948	1,059
Total non-operating income	2,811	2,921
V Non-operating expenses		
1 Interest expense	2,399	2,279
2 Foreign exchange losses	-	537
3 Other	573	842
Total non-operating expenses	2,973	3,659
Ordinary income	14,565	13,211
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	3,528	7,453
2 Gain on sales of investment securities	230	46
3 Gain on sales of consolidated subsidiaries	966	72
4 Subsidy income	-	322
Total extraordinary gains	4,724	7,895
VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	2,142	1,534
2 Loss on sales of property, plant and equipment	108	24
3 Loss on impairment of property, plant and equipment	893	5,956
4 Loss on devaluation of investment securities	11	1,758
5 Loss on sales of investment securities	0	-
6 Additional liquor tax paid and other	11,685	-
7 Compensation expenses	1,753	142
Total extraordinary losses	16,595	9,415
Income before income taxes and minority interests	2,694	11,690
Income taxes: current	1,624	7,409
Income taxes: deferred	975	(1,830)
Total Income taxes	2,599	5,578
Income before minority interests	94	6,112
Minority interests	(245)	3
Net Income	340	6,108

Income before minority interests	94	6,112
Other comprehensive income		
Unrealized holding gain on securities	4,645	3,819
Deferred hedge gains (losses)	(5)	(17)
Foreign currency translation adjustments	2,548	(3,767)
Remeasurements of defined benefit plans	-	1,434
Total other comprehensive income	7,188	1,467
Comprehensive income	7,283	7,579
(Breakdown)		
Comprehensive income attributable to owners of the parent	7,248	7,506
Comprehensive income attributable to minority interests	34	73

(3) Statements of Changes in Shareholders' Equity

(millions of yen)

	Year ended December 31, 2014	Year ended December 31, 2015
	Amount	Amount
Shareholders' Equity		
Common stock		
Balance at beginning of year	53,886	53,886
Cumulative effect of changes in accounting policies	-	-
Restated balance of the beginning of the current period	53,886	53,886
Balance at end of period	53,886	53,886
Capital surplus		
Balance at beginning of year	45,911	45,912
Cumulative effect of changes in accounting policies	-	-
Restated balance of the beginning of the current period	45,911	45,912
Changes during period		
Disposition of treasury stock	1	1
Total changes during period	1	1
Balance at end of period	45,912	45,913
Retained earnings		
Balance at beginning of year	37,409	34,913
Cumulative effect of changes in accounting policies	-	(3,105)
Restated balance of the beginning of the current period	37,409	31,808
Changes during period		
Cash dividends	(2,731)	(2,727)
Net income	340	6,108
Changes in scope of consolidation / Changes in scope of associates accounted for using equity method	(104)	-
Total changes during period	(2,495)	3,381
Balance at end of period	34,913	35,189
Treasury stock		
Balance at beginning of year	(1,311)	(1,544)
Cumulative effect of changes in accounting policies	-	-
Restated balance of the beginning of the current period	(1,311)	(1,544)
Changes during period		
Purchase of treasury stock	(239)	(54)
Disposition of treasury stock	5	3
Total changes during period	(233)	(51)
Balance at end of period	(1,544)	(1,595)
Total shareholders' equity		
Balance at beginning of year	135,896	133,168
Cumulative effect of changes in accounting policies	-	(3,105)
Restated balance of the beginning of the current period	135,896	130,062
Changes during period		
Cash dividends	(2,731)	(2,727)
Net income	340	6,108
Purchase of treasury stock	(239)	(54)
Disposition of treasury stock	6	4
Changes in scope of consolidation / Changes in scope of associates accounted for using equity method	(104)	-
Total changes during period	(2,728)	3,331
Balance at end of period	133,168	133,394
Total accumulated other comprehensive income		
Unrealized holding gain on securities		
Balance at beginning of year	15,467	20,112
Cumulative effect of changes in accounting policies	-	-
Restated balance of the beginning of the current period	15,467	20,112
Changes during period		
Net change in items other than shareholders' equity during period	4,645	3,813
Total changes during period	4,645	3,813
Balance at end of period	20,112	23,926

Deferred hedge gains (losses)		
Balance at beginning of year	4	(0)
Cumulative effect of changes in accounting policies	-	-
Restated balance of the beginning of the current period	4	(0)
Changes during period		
Net change in items other than shareholders' equity during period	(4)	(11)
Total changes during period	(4)	(11)
Balance at end of period	(0)	(11)
Foreign currency translation adjustments		
Balance at beginning of year	314	2,582
Cumulative effect of changes in accounting policies	-	-
Restated balance of the beginning of the current period	314	2,582
Changes during period		
Net change in items other than shareholders' equity during period	2,267	(3,838)
Total changes during period	2,267	(3,838)
Balance at end of period	2,582	(1,255)
Remeasurements of defined benefit plans		
Balance at beginning of year	-	440
Cumulative effect of changes in accounting policies	-	-
Restated balance of the beginning of the current period	-	440
Changes during period		
Net change in items other than shareholders' equity during period	440	1,434
Total changes during period	440	1,434
Balance at end of period	440	1,874
Total accumulated other comprehensive income		
Balance at beginning of year	15,786	23,135
Cumulative effect of changes in accounting policies	-	-
Restated balance of the beginning of the current period	15,786	23,135
Changes during period		
Net change in items other than shareholders' equity during period	7,349	1,397
Total changes during period	7,349	1,397
Balance at end of period	23,135	24,533
Minority interests		
Balance at beginning of year	3,683	3,700
Cumulative effect of changes in accounting policies	-	-
Restated balance of the beginning of the current period	3,683	3,700
Changes during period		
Net change in items other than shareholders' equity during period	17	2,193
Total changes during period	17	2,193
Balance at end of period	3,700	5,894
Total net assets		
Balance at beginning of year	155,366	160,004
Cumulative effect of changes in accounting policies	-	(3,105)
Restated balance of the beginning of the current period	155,366	156,899
Changes during period		
Cash dividends	(2,731)	(2,727)
Net income	340	6,108
Purchase of treasury stock	(239)	(54)
Disposition of treasury stock	6	4
Changes in scope of consolidation / Changes in scope of associates accounted for using equity method	(104)	-
Net change in items other than shareholders' equity during period	7,366	3,591
Total changes during period	4,638	6,922
Balance at end of period	160,004	163,822

(4) Consolidated Statements of Cash Flows

(millions of yen)

	Year ended December 31, 2014	Year ended December 31, 2015
	Amount	Amount
I Cash flows from operating activities		
1 Income before income taxes and minority interests	2,694	11,690
2 Depreciation and amortization	24,481	24,224
3 Loss on impairment of property, plant and equipment	893	5,956
4 Goodwill amortization	3,764	4,153
5 Increase (decrease) in net defined benefit liability	(615)	446
6 Increase (decrease) in allowance for doubtful receivables	(87)	(137)
7 Interest and dividend income	(1,060)	(1,376)
8 Interest expense	2,399	2,279
9 (Gain) loss on sales of fixed assets	(3,528)	(7,453)
10 (Gain) loss on sales and disposal of fixed assets	2,251	1,559
11 (Gain) loss on sales of investment securities	(230)	(46)
12 (Gain) loss on revaluation of investment securities	11	1,758
13 (Increase) decrease in notes and accounts receivable - trade	(1,193)	(2,779)
14 (Increase) decrease in inventories	(1,401)	(1,211)
15 Increase (decrease) in notes and accounts payable - trade	(929)	(202)
16 Increase (decrease) in accrued consumption taxes	4,211	(3,057)
17 Increase (decrease) in liquor taxes payable	(164)	457
18 Increase (decrease) in deposits received	(1,162)	(729)
19 Increase (decrease) in other current liabilities	1,024	376
20 Other	52	48
Sub total	31,413	35,957
21 Interest and dividends received	1,078	1,380
22 Interest paid	(2,517)	(2,384)
23 Income taxes paid	(7,769)	(2,944)
24 Income taxes refundable	79	3,257
Net cash provided by (used in) operating activities	22,284	35,265
II Cash flows from investing activities		
1 Purchases of property, plant and equipment	(17,312)	(18,298)
2 Proceeds from sales of property, plant and equipment	6,383	19,563
3 Purchases of intangibles	(1,820)	(2,041)
4 Payments for purchases of investment securities	(1,397)	(875)
5 Proceeds from sale and redemption of investment securities	392	511
6 Purchase of affiliates securities	(91)	(3,260)
7 Proceeds from sales of affiliates securities	-	1,794
8 Purchase of subsidiaries' shares resulting in change in scope of consolidation	-	(3,989)
9 Payments for sales of subsidiaries' shares resulting in change in scope of consolidation	(25)	-
10 Collection of sales of subsidiaries' share for prior periods	-	3,198
11 Increase in long-term loans receivable	(137)	(304)
12 Collection of long-term loans receivable	227	417
13 Other	(3,447)	(6,471)
Net cash provided by (used in) investing activities	(17,229)	(9,755)
III Cash flows from financing activities		
1 Net increase (decrease) in short-term bank loans	(3,337)	(3,366)
2 Increase (decrease) in commercial paper	5,000	(13,000)
3 Proceeds from long-term bank loans	25,630	14,319
4 Repayment of long-term bank loans	(38,401)	(16,625)
5 Proceeds from issuance of bonds	9,960	9,960
6 Redemption of bonds	-	(12,000)
7 Cash dividends paid	(2,734)	(2,730)
8 Cash dividends paid to minority shareholders	(14)	(28)
9 Repayment of finance lease obligations	(3,321)	(3,039)
10 Purchase of treasury stock	(94)	(56)
11 Proceeds from sale of treasury stock	6	4
12 Proceeds from minority shareholders	-	1,760
Net cash provided by (used in) financing activities	(7,307)	(24,802)
IV Effect of exchange rate changes on cash and cash equivalents	426	(56)
V Net increase (decrease) in cash and cash equivalents	(1,826)	651
VI Cash and cash equivalents at beginning of period	11,518	9,748
Ⅶ Increase(decrease) in Cash and cash equivalents from newly consolidated subsidiaries	9	-
Ⅷ Increase in cash and cash equivalents resulting from merger	46	-
Ⅸ Cash and cash equivalents at end of period	9,748	10,399

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

(6) Changes in Accounting Policy

(Application of Accounting Standard for Retirement Benefits, etc.)
“Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan - ASBJ - Statement No. 26 of May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of May 17, 2012) 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 at the beginning of the fiscal year ended December 31, 2015, net defined benefit liability increased by 4,799 million yen, while retained earnings decreased by 3,105 million yen. Furthermore, during the fiscal year ended December 31, 2015, operating income,ordinary income and income taxes before minority interests grew each by 168 million yen respectively.

(Changes in Presentation Methods)
●Consolidated Cash flows
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, (7,689) million yen 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 yen and “income tax refundable” of 79 million yen.

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

The Company’s reportable segments are components of the Sapporo Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance.
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 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 have 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, a segment income of the “Japanese Alcoholic Beverages” grew by 168 million 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.

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

(millions of yen)

	Year ended December 31, 2014 (January 1, 2014 – December 31, 2014)					
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total
Net sales						
(1) Operating revenues	281,031	49,672	133,439	27,143	21,509	512,796
(2) Intra-group sales and transfers	2,562	95	314	3	2,754	5,730
Total	283,594	49,767	133,753	27,147	24,264	518,527
Segment income (loss)	10,192	172	121	303	7,695	18,486
Segment assets	220,311	57,601	102,761	12,398	214,389	607,463
Other						
Depreciation and amortization	8,010	2,103	6,785	672	4,231	21,802
Increase in property, plant and equipment, and intangible assets	3,702	1,948	7,400	1,282	7,189	21,523

	Year ended December 31, 2014 (January 1, 2014 – December 31, 2014)			
	Other *1	Total	Adjustment	Amounts reported on the statements of income*2
Net sales				
(1) Operating revenues	5,944	518,740	-	518,740
(2) Intra-group sales and transfers	19,477	25,208	(25,208)	-
Total	25,421	543,949	(25,208)	518,740
Segment income (loss)	183	18,670	(3,941)	14,728
Segment assets	7,135	614,598	10,840	625,439
Other				
Depreciation and amortization	75	21,878	2,603	24,481
Increase in property, plant and equipment, and intangible assets	30	21,553	1,248	22,802

(millions of yen)

	Year ended December 31, 2015 (January 1, 2015 – December 31, 2015)					
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total
Net sales						
(1) Operating revenues	273,651	70,501	135,670	27,004	20,872	527,700
(2) Intra-group sales and transfers	2,793	102	297	5	2,549	5,747
Total	276,445	70,604	135,967	27,009	23,421	533,448
Segment income (loss)	8,635	154	434	522	8,281	18,028
Segment assets	220,009	67,068	100,463	12,271	206,649	606,464
Other						
Depreciation and amortization	8,144	3,380	6,185	668	4,202	22,581
Increase in property, plant and equipment, and intangible assets	4,607	2,558	5,117	844	6,196	19,324

	Year ended December 31, 2015 (January 1, 2015 – December 31, 2015)			
	Other *1	Total	Adjustment	Amounts reported on the statements of income*2
Net sales				
(1) Operating revenues	6,048	533,748	-	533,748
(2) Intra-group sales and transfers	19,834	25,582	(25,582)	-
Total	25,882	559,331	(25,582)	533,748
Segment income (loss)	1	18,029	(4,079)	13,950
Segment assets	6,788	613,252	7,136	620,388
Other				
Depreciation and amortization	36	22,617	1,606	24,224
Increase in property, plant and equipment, and	2	19,326	1,256	20,583

Notes:

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

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

(millions of yen)

Segment income (loss)	December 31, 2014	December 31, 2015
Total for reportable segments	18,486	18,028
Income(loss) from other segments	183	1
Unallocated corporate costs*	(3,798)	(4,002)
Intra-segment sales	(145)	(77)
Operating income on the statement	14,728	13,950

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

(millions of yen)

Segment income (loss)	December 31, 2014	December 31, 2015
Total for reportable segments	607,463	606,463
Assets of other segments	7,135	6,788
	(10,932)	(12,253)
Unallocated corporate assets*	21,772	19,390
Total assets on the consolidated financial statements	625,439	620,388

Note: Unallocated corporate assets do not belong to reportable segments and consist mainly of working funds (cash and cash equivalents and marketable securities), long-term investments, and assets of general administration divisions.

5. Related Information

1. Information by product and service

Year ended December 31, 2014 (January 1, 2014 – December 31, 2014)

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

Year ended December 31, 2015 (January 1, 2015 – December 31, 2015)

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, 2014(January 1, 2014 – December 31, 2014)				
Japan	America	Asia	Other	Total
441,477	46,751	24,904	5,606	518,740

Year ended December 31, 2015(January 1, 2015 – December 31, 2015)				
Japan	America	Asia	Other	Total
439,197	67,001	20,969	6,580	533,748

(2) Property, plant and equipment

Year ended December 31, 2014 (January 1, 2014 – December 31, 2014)

Information has been omitted as total fixed assets held in Japan constituted more than 90% of that shown on the balance sheets.

Year ended December 31, 2015 (January 1, 2015 – December 31, 2015)

Information has been omitted as total fixed assets held in Japan constituted more than 90% of that shown on the balance sheets.

(3) Information by major customer

Year ended December 31, 2014 (January 1, 2014 – December 31, 2014)

(millions of yen)

Company Name	Net Sales	Segment
KOKUBU & CO.,LTD.	64,788	Japanese Alcoholic Beverages Food & Soft Drinks

Year ended December 31, 2015 (January 1, 2015 – December 31, 2015)

(millions of yen)

Company Name	Net Sales	Segment
KOKUBU & CO.,LTD.	79,177	Japanese Alcoholic Beverages Food & Soft Drinks

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

Year ended December 31, 2014 (January 1, 2014 – December 31, 2014)

(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	74	-	595	223	-	893	-	-	893

Year ended December 31, 2015 (January 1, 2015 – December 31, 2015)

(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	3,083	2,082	610	179	-	5,956	-	-	5,956

7. Amortization for and unamortized balance of goodwill

Year ended December 31, 2014 (January 1, 2014 – December 31, 2014)

(millions of yen)

	Reportable segments						Other	General corporate and intercompany eliminations	Total
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total			
Amortization	-	1,256	2,506	1	-	3,764	-	-	3,764
Unamortized Balance as of Dec. 31, 2014	-	9,999	19,966	-	-	29,966	-	-	29,966

Year ended December 31, 2015 (January 1, 2015 – December 31, 2015)

(millions of yen)

	Reportable segments						Other	General corporate and intercompany eliminations	Total
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total			
Amortization	41	1,833	2,278	0	-	4,153	-	-	4,153
Unamortized Balance as of Dec. 31, 2015	343	12,122	17,769	-	-	30,235	-	-	30,235

8. Gain on negative goodwill by reportable segment

Year ended December 31, 2014 (January 1, 2014 – December 31, 2014)

Not applicable

Year ended December 31, 2015 (January 1, 2015 – December 31, 2015)

Not applicable

(8) 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, 2014 was ¥6,202 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, 2015 was ¥7,606 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, 2014 and 2015, and the total fair value appear in the following table.

(millions of yen)

		Year ended December 31, 2014	Year ended December 31, 2015
Carrying value on consolidated balance sheets			
	January 1	210,078	207,864
	Change during the period	▵2,214	▵10,198
	December 31	207,864	197,666
Fair value at December 31		348,237	357,395

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, 2014 comprises increase mainly arising from property acquisitions (¥4,572 million) and decrease mainly due to depreciation (¥3,720 million), sales ((¥2,336 million), disposal (¥788 million). The change during the year ended December 31, 2015 comprises increase mainly arising from property acquisitions (¥6,595 million) and decrease mainly due to depreciation (¥3,804 million), sales (¥12,535 million), disposal (¥328 million).
3. The fair value at December 31 is mainly based on property valuations performed by third-party real estate appraisers.