Financial Results
for the Year Ended December 31, 2016 — Consolidated
(Based on Japanese GAAP)

February 13, 2017

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, Chairman and Representative Director
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Scheduled dates:

Annual general meeting of shareholders	March 30, 2017
Filing of annual financial report	March 31, 2017
Commencement of dividend payments	March 31, 2017
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, 2016 (January 1 – December 31, 2016)

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

<Note>
On July 1, 2016, the Company carried out a share consolidation at a ratio of 1 share for 5 shares of the Company's common stock. Accordingly, values for the items noted below have been recalculated on the assumption that the share consolidation took place at the beginning of the previous fiscal year.

- Profit per share
- Diluted profit per share
- Dividend per share
- Number of shares issued at end of period (treasury stock included)
- Number of shares held in treasury at end of period
- Average number of outstanding shares during the period

(1) Operating Results

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Profitet attribute to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended December 31, 2016	541,847	1.5	20,267	45.3	19,202	45.3	9,469	55.0
Year ended December 31, 2015	533,748	2.9	13,950	(5.3)	13,211	(9.3)	6,108	-

Note: Accumulated other comprehensive income

Year ended December 31, 2016: 5,211 million yen (31.2)%

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

	Profit per share	Diluted profit per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	yen	%	%	%
Year ended December 31, 2016	121.56	-	5.9	3.1	3.7
Year ended December 31, 2015	78.40	-	3.9	2.1	2.6

Note: Equity method investment gains

Year ended December 31, 2016: 15 million yen

Year ended December 31, 2015: 17million yen

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2016	626,351	166,380	25.7	2,062.86
December 31, 2015	620,388	163,822	25.5	2,027.21

Note: Shareholders' equity

December 31, 2016: 160,687million yen

December 31, 2015: 157,928 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, 2016	32,570	(27,586)	(4,827)	10,475
Year ended December 31, 2015	35,265	(9,755)	(24,802)	10,399

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, 2015	—	0.00	—	35.00	35.00	2,726	44.6	1.7
Year ended December 31, 2016	—	0.00	—	37.00	37.00	2,887	30.4	1.8
Year ending December 31, 2017 (forecast)	—	0.00	—	37.00	37.00		—	

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2017 (January 1 – December 31, 2017)

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit attribute to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Year ending December 31, 2017	563,800	4.1	21,300	5.1	20,300	5.7	10,700	13.0	137.36

Note: Earnings forecasts for the six months ending June 30, 2017 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: Yes

3) Changes in accounting estimates: Yes

4) Retrospective restatement: None

Note: For details, see “Changes in accounting policy” on page 34 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, 2016: 78,794,298 shares
December 31, 2015: 78,794,298 shares

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

December 31, 2016: 898,911 shares
December 31, 2015: 890,305 shares

3) Average number of outstanding share during the period:

Year ended December 31, 2016: 77,900,282 shares
Year ended December 31, 2015: 77,917,219 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, 2017" on page 14.

I. Analysis of Operating Results and Financial Condition

1. Analysis of Operating Results

(a) Review of the fiscal year ended December 31, 2016

(1) Overview

Millions of yen, except percentages

	Net sales	Operating income	Ordinary income	Profit attribute to owners of parent
2016	541,847	20,267	19,202	9,469
2015	533,748	13,950	13,211	6,108
Change (%)	1.5	45.3	45.3	55.0

In 2016, major developments in the Japanese economy included the Bank of Japan's February introduction of a negative interest rate policy (NIRP), which did not directly affect a recovery in consumer spending, and upward pressures on the yen stemming from such external factors as the situation in the Middle East and the United Kingdom's decision to exit from the European Union (Brexit). In the latter part of the year, however, the result of the U.S. presidential election led to weakening of the yen against the U.S. dollar, and the economic environment became increasingly severe, volatile, and unpredictable.

Conditions in the industries in which SAPPORO Group companies operate were as follows.

The domestic alcoholic beverage industry saw demand depressed by unseasonal summer weather and weakness in the pub/restaurant space owing to a growing cost-cutting mindset among Japanese consumers. Overseas, the North American beer market was generally flat, but the Asian market remained on a steady growth trajectory. Demand in the food and soft drinks industry was adversely affected by weather and natural disasters. 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.

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 designated 2016 as the "first year of a new period of growth in the beer business" and accordingly focused on strengthening its core brands. In particular, the launch of an integrated marketing strategy for Sapporo Draft Beer Black Label, one of our core brand, resulted in a second year of sales growth despite the decline in overall beer demand. In non-beer growth areas, we continued to build a highly diversified product lineup with a focus on high-value-added products in the wine and spirits categories.

The International Business continued to strengthen its position in North America's premium beer market, with aggressive marketing campaigns carried out by SLEEMAN BREWERIES in Canada and by Sapporo USA. We achieved sales growth in the U.S. soft drinks market, with a new contribution from U.S. subsidiary Country Pure Foods' acquisition of a fruit juice sorbet business. In Vietnam, we continued to invest in marketing aimed at firmly establishing the Sapporo brand in the local market. In April we enhanced the quality of bottled products and in July we launched new products for the mid-price range market segment.

The Food & Soft Drinks business continued to focus on two key management initiatives in Japan—strengthening marketing and lowering 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 in Southeast Asia, where we have established a joint venture to manufacture and sell soft drinks in Indonesia and completed construction of a plant in Myanmar for manufacturing of Sapporo products on a licensed-out basis.

The Restaurants business continued to strengthen its Japan operations by opening new outlets, with the focus on our Ginza Lion and Yebisu Bar chains. We also continued efforts to improve profitability by closing or changing the format of unprofitable outlets. In Singapore, we continued our efforts to spread the reputation of our Ginza Lion brand to the world.

The Real Estate business enjoyed high occupancy rates at its rental properties throughout 2016. At Yebisu Garden Place, our core real estate asset, we renovated the dining floor and continued other efforts to raise the property's value and enhance the appeal of the surrounding area. In September, we opened GINZA PLACE, which was developed as a "base for information dissemination and exchange."

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 2016, the Sapporo Group posted consolidated net sales of ¥541.8 billion, ¥8.0 billion or 2% more than in 2015. At the Japanese Alcoholic Beverage business, shipments of beer-type beverages were in line with the previous year but increased shipments of our other diversified product offerings led to higher sales revenues. The International business again expanded shipments of beer products in North America and Vietnam, with a new contribution from a fruit juice sorbet business acquired during the year by subsidiary Country Pure Foods, Inc. However, sector sales declined year on year owing to the negative impact from currency fluctuations. The Food & Soft Drinks business achieved higher sales volumes for its food and beverages products in Japan. The Restaurants business posted a year-on-year increase in sales, with contributions from two newly consolidated subsidiaries—Marushinkawamura Inc. and Ginrin Suisan Inc.. The Real Estate business also achieved sales growth in 2016, thanks in part to the opening of GINZA PLACE in September.

Operating Income

Consolidated operating income totaled ¥20.2 billion, an increase of ¥6.3 billion, or 45% year on year. The Japanese Alcoholic Beverage business achieved profit growth with support from an improved sales mix as beer accounted for a larger share of its beer-type beverage sales. Lower fixed costs also contributed to profit growth. The International business achieved profit growth in 2016 on higher sales in North America and a reduction in costs, including logistics expenses. The Food & Soft Drinks business also posted higher profits than in the previous year, thanks to higher sales of its food and beverages products in Japan. The Restaurants business achieved profit growth through structural reforms, and the Real Estate business enjoyed profit growth buoyed by an increase in rental income from its core properties.

Ordinary Income

Consolidated ordinary income totaled ¥19.2 billion, an increase of ¥5.9 billion, or 45% year on year, mainly reflecting the increase in consolidated operating income noted above.

Profit Attributable to Owners of Parent

In 2016, profit attributable to owners of parent totaled ¥9.4 billion, up ¥3.3 billion or 55% year on year, despite the posting ¥1.4 billion in disposal of fixed asset as an extraordinary losses and a ¥1.0 billion impairment losses.

Segment information is outlined below.

(2) Results by Business Segment

Millions of yen, except percentages

	Net sales			Operating income		
	2015	2016	% change	2015	2016	% change
Japanese Alcoholic Beverages	273,651	279,476	2.1	8,635	11,745	36.0
International Business	70,501	65,400	(7.2)	154	906	487.8
Food & Soft Drinks	135,670	137,918	1.7	434	1,314	202.6
Restaurants	27,004	28,120	4.1	522	663	27.0
Real Estate Business	20,872	22,900	9.7	8,281	10,328	24.7

Japanese Alcoholic Beverages

We estimate that total domestic demand for beer and beer-type beverages during 2016 decreased 2% year on year owing to weak demand from the commercial-use market and to consumers increasing consumption of RTD*1 beverages.

Amid 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 and by investing aggressively in the beer business during 2016, which we designated as the “first year of a new period of growth in the beer business.”

The Japanese Alcoholic Beverage business achieved year-on-year growth in beer shipments for the second consecutive year, as strong sales of canned versions of Sapporo Draft Beer Black Label and Yebisu Beer supported 4% overall growth in sales of Sapporo brand beers. In the happoshu category, shipments of Goku Zero decreased slightly year on year, but continued strong sales of Mugi to Hop The Gold bolstered sales of our new-genre beer beverages. Overall, shipments of our beer and beer-type beverages products slipped 1% year on year, a smaller decline than that seen in the overall market.

In the RTD category, we achieved year-on-year sales growth on strong sales of our high-value-added collaboration products Sapporo Otoko Ume Sour and Nectar Sour, as well as Kireto Lemon Sour.

In the wine category, strengthened marketing of domestic and imported fine wines*2 led to higher sales of Penfolds, an imported wine from Treasury Wine Estates, as well as Taittinger champagne and our Grande Polaire series of domestic wines.

Our spirits business achieved year-on-year sales growth, led by strong sales of products from major overseas brands, such as Bacardi and Dewars.

Our Japanese liquor business continued strong sales of Imo Shochu Kokuimo, Japan's No. 1 selling*3 blended *imo* shochu and the business' overall sales increased from the previous year's level.

Overall, the Japanese Alcoholic Beverages business posted sales of ¥279.4 billion, up ¥5.8 billion or 2% year on year, and operating income of ¥11.7 billion, up ¥3.1 billion or 36%.

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

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

*3) Based on Intage SRI market research on combined blended *imo* shochu sales in the supermarket, convenience store, and direct sales channels from January 2015 to December 2016.

International Business

We estimate that total demand in the North American beer market in 2016 was about the same as in 2015, with overall shipments near previous-year levels in both the United States and Canada. The Asian beer market, meanwhile, remained on the expansion track as signs of slower growth in China were countered by robust markets in other Asian countries, supported by growing populations and relatively stable economic growth.

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 focusing its marketing efforts. In addition, we expanded our sales channel in the US fruit juice 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's continued efforts to expand its core target customer markets from Japanese Americans to the wider Asian-American and general population market segments led to a 1% year-on-year increase in shipments of Sapporo brand beers. Our U.S. soft drinks business also achieved year-on-year sales growth, supported by solid sales at the fruit juice sorbet business acquired by Country Pure Foods in May. Silver Springs Citrus also contributed to the positive result in the United States as its efforts to expand sales channels boosted its sales over the previous year's level (after adjustment for the period included in Sapporo Group results).

In Southeast Asia, we achieved sales growth in Vietnam thanks to continued strong sales of new versions of Sapporo Premium Beer in bottles and cans introduced in the Vietnam market in November 2015. Growth in Vietnam sales was also supported by the favorable market response to the launch of Sapporo Blue Cap in July. In Singapore, we achieved year-on-year growth in sales volume thanks to cooperative efforts with our local subsidiary to expand sales channels to that country's household and commercial markets.

Elsewhere in Asia, we 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 and by increasing the number of sales outlets carrying our Sapporo Premium Beer. In Oceania, continued efforts to strengthen sales via licensing agreements with local brewing partners led to a year-on-year gain in beer sales volumes.

The efforts outlined above enabled the International Business to achieve a 6% year-on-year increase in shipments of Sapporo brand products in overseas markets.

However, due to adverse currency-translation effects, International Business posted sales of ¥65.4 billion, down ¥5.1 billion or 7% year on year. Segment operating income rose ¥0.7 billion, or 488% to ¥0.9 billion.

Food & Soft Drinks

We estimate that overall demand for soft drinks in Japan increased 2% year on year in 2016.

In this somewhat favorable demand environment, our Food & Soft Drinks business continued to strengthen and nurture its various brands, focusing its resources on core soup and lemon-based products.

The domestic soft drinks business endeavored to establish a unique market position by marketing products that cater to a range of customer preferences. This effort led to the launch and strong sales of products made solely from domestic ingredients, such as Nippon Oolong, made from domestic tea leaves, and Furano Lavender Tea, made from lavender grown in Furano, Hokkaido. Sales of our Kireto Lemon brand of lemon-based products expanded sharply in 2016, with solid sales of our core Kireto Lemon (in PET and glass bottles) supported by new markets created through the launch of new products, such as Kireto Lemon Moisture, which was approved for marketing with a functional food label.

Our domestic food business celebrated the 20th anniversary of the launch of our Jikkuri Kotokoto brand soups by further strengthening the brand lineup with several new additions, including Jikkuri Kotokoto Gohobi Dining, packaged in a microwavable pouch. In the lemon-based food category, we achieved rather strong 5% growth in sales value, led by solid sales of our mainstay Pokka Lemon 100 lineup. During 2016 we made a full-fledged entry into the soymilk business based on our acquisition in the previous year of the soymilk and soymilk-based yogurt business of Toraku Foods Co., Ltd. We strengthened sales of the acquired SOYAFARM brands lineup of soymilk and soymilk-based yogurt products through efforts to expand brand recognition among consumers.

At the domestic restaurants business, our Café de Crié coffee shop chain continued its aggressive expansion, opening new stores inside bookstores and hospitals. We also stepped up efforts to strengthen branding for our Maison de VERRE coffee shops, which are based on the concept of delivering to customers a “comfortable and relaxed venue in which they can feel a connection with nature”. These efforts contributed to sales expansion at our directly-run shops and a year-on-year increase in sales at the Food & Soft Drinks segment’s domestic restaurants business.

The overseas soft drinks business maintained its top share* in Singapore's tea drinks market, including its dominant 70% share of the green tea market. In addition, our POKKA brand was named the top brand in the non-carbonated drinks category of Singapore’s “Influential Brands Awards 2016”, an annual award program that recognizes companies that have established good relationships with customers and continue to provide brand value.

As a result of the above, the Food & Soft Drinks segment recorded sales of ¥137.9 billion in 2016, ¥2.2 billion or 2% higher than in 2015. Segment operating income reached ¥1.3 billion, a ¥0.8 billion or 203% improvement over the 2015 result.

* Based on data from Nielsen Singapore MarketTrack March 2016 (Copyright 2016, The Nielsen Company)

Restaurants

Japan’s restaurant industry remained on the recovery track in 2016 despite grappling with a difficult operating environment complicated by rising labor costs and food material procurement prices.

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 continued to open new stores, with an emphasis on expanding into new geographical areas and new store formats. This emphasis led to the opening in 2016 of our first restaurant inside a zoo—Garden Terrace Lion at Asahiyama Zoo in Asahikawa, Hokkaido—and our first craft beer pub—CRAFT BEER KOYOEN in Nagoya. At our core Ginza Lion chain of restaurant pubs, we reopened two flagship outlets that had been closed for a lengthy period owing to redevelopment—one is located in front of the Shimbashi train station and the other is strategically located in the new GINZA PLACE commercial complex. Overall, we opened 12 new restaurants in the first nine months of 2016, while also reopening two completely renovated outlets.

Our Restaurants business was expanded and strengthened by the addition of two new Sapporo-based consolidated subsidiaries in June 2016—Marushinkawamura Inc., which operates the Kushiro and Sapporo Ginrin restaurant chains, and Ginrin Suisan Co. Ltd, a supplier of processed and fresh seafood to local restaurants.

During the year we also closed eight unprofitable outlets. As a result of the changes outlined above, the total number of restaurants operated by our Restaurants business in Japan as of end-December 2016 was 200.

The Restaurant business also has 14 shops operating in Singapore. In addition to launching new brands, such as Tonkichi Ginza Shokudo in November 2015, our Singapore operation continues to create a chain of locally popular restaurants that are spreading the reputation of our Ginza Lion brand to the world.

Restaurants business sales in 2016 totaled ¥28.1 billion, up ¥1.1 billion or 4% year on year. Segment operating income was ¥0.6 billion, up ¥0.1 billion or 27%.

Real Estate

Japan's real estate industry continued to see a moderate recovery in rent levels in the Greater Tokyo office leasing market in 2016, as vacancy rates remained low amid solid demand for office space fueled by strong corporate earnings.

In this environment, our real estate leasing business was able to maintain high occupancy rates at its properties in the Tokyo Metropolitan area, including Yebisu Garden Place Tower, the business' core source of earnings. In addition, the high occupancy rates provided a solid platform for more assertive efforts to increase rents of existing tenants.

The real estate leasing business continues to enhance the value of our Yebisu Garden Place commercial complex through its efforts to raise convenience levels and strengthen the property's appeal as a landmark of the stylish and sophisticated Ebisu area. In the complex's commercial area, in October we reopened Yebisu Garden Place Tower's 38th floor, which underwent a complete renewal based on the theme "Grand & Casual – the luxury of casual enjoyment of the essence". In addition to the new SKY LOUNGE observation space, the floor has a number of restaurants where Japanese cuisine can be enjoyed in a modern ambiance. We also completed the revocation of the City Wall area on the side of the complex along the JR Yamanote Line into the newly opened BRICK END, a row of smaller eateries and bars designed to be an area for social interaction among adults.

These efforts to provide visitors to Yebisu Garden Place with a wide range of scenes in which they can meet and enjoy diverse dining experiences with friends, family, and colleagues have revitalized the area and turned it into an even more bustling center of activity. Meanwhile, 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 has maintained full occupancy since opening and has contributed to further earnings expansion at our Real Estate business.

The real estate development business also was busy in 2016. In September we opened GINZA PLACE, a commercial complex located at the busy Ginza 4-chome intersection. The site was redeveloped under the concept of creating a “base for information dissemination and exchange.” As a new landmark in Tokyo’s world-famous Ginza district and a facility that provides insights into Japanese traditions, culture, advanced technologies and a wide range of other interesting topics, GINZA PLACE has attracted the attention of visitors from around Japan and around the world. With the number of visitors to the site surpassing one million in December, just two months after its opening, GINZA PLACE is helping to restore the hustle and bustle to the GINZA district. In 2016, we also began to redevelop our former Sapporo factory as part of the renovation of the area on the east side of the Sosei River, a focus of the city’s urban redevelopment program. In addition to renovating the commercial complex Sapporo Factory, we are redeveloping the parking lot adjacent to the factory site into a new commercial building.

Meanwhile, we continue to review and revise our property portfolio from a long-term perspective. In December, we acquired the trust beneficiary rights to a commercial building in Sakae in Naka Ward, the commercial center of Nagoya, which is the birthplace of the former Pokka Corporation and an area with which the Sapporo Group has deep ties.

As result of the efforts outlined above, Real Estate business sales in 2016 totaled ¥22.9 billion, up ¥2.0 billion or 10%. Operating income was ¥10.3 billion, up ¥2.0 billion or 25%.

(b) Outlook for fiscal year ending December 31, 2017

(1) Overview

Millions of yen, except percentages

	Net sales	Operating income	Ordinary income	Profit attribute to owners of parent
2017 forecast	563,800	21,300	20,300	10,700
2016 results	541,847	20,267	19,202	9,469
Projected increase (%)	4.1	5.1	5.7	13.0

2017 is the first year of the Sapporo Group Long-Term Management Vision “SPEED150” and the First Medium-Term Management Plan 2020. In line with the goals of this longer term vision and the first-stage management plan, we will endeavor to supply distinctive products and services worldwide in our three core business areas—“Alcoholic beverages”, “Food”, and “Soft drinks”—and expand contact points with customers as we strive to achieve robust growth.

Our consolidated forecasts and outlook for the Sapporo Group in 2017 are as follows.

Net Sales

In line with its "Beer Revival Declaration," the Japanese Alcoholic Beverage business will continue its efforts to further enhance the value of our core Sapporo Draft Beer Black Label and Yebisu brands as it aims to increase total shipments of beer and beer-type beverages. The business also aims to raise it sales of wine to another level and will continue strengthening marketing of fine wines to achieve that goal. We will also step up efforts to expand sales in other growth areas, including RTD, shochu, spirits, and Japanese liquors, as we build a more diverse and multilayered product lineup.

The International business aims to expand shipments of its beer products overseas by strengthening brand recognition of its core premium beer brands, starting with Sapporo brands, especially in the key North American and Southeast Asian markets. Toward that end, we will execute strategies that match the unique characteristics of the market in each country in which we do business. In Vietnam, for example, we will focus on expanding sales of Sapporo Premium Beer by carrying out effective and efficient marketing.

The Food & Soft Drinks business plans to strengthen its position in the Japanese food and beverage markets by providing customers with new value propositions in lemon-based and soup products, two areas where we have distinct competitive advantages. Overseas, it will focus on strengthening the POKKA brand in the key Singapore market. Our new venture into the soymilk business will seek to expand sales of soymilk-based yogurt products and the entire range of products sold under the SOYAFARM brand.

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 continue our efforts to establish the Ginza Lion and Tonkichi brands in Singapore while also considering expansion of the two chains into neighboring countries.

The Real Estate business will endeavor to further strengthen the competitiveness of its core rental properties, starting with Yebisu Garden Place and GINZA PLACE, as it seeks to maintain high occupancy rates and achieve higher rents. We also will continue the renovation of the commercial complex Sapporo Factory as part of the redevelopment of the area on the east side of the Sosei River, a focus of the city's urban redevelopment program.

We expect the efforts outlined above will generate consolidated net sales of ¥563.8 billion in 2017, equivalent to year-on-year growth of ¥21.9 billion or 4%.

Operating Income

At our Japanese Alcoholic Beverage business, we expect sales to increase on growth in shipments of our core beer brands, but aggressive investment to further hone our brand appeal is expected to keep operating income at the 2016 level. International business profits are expected to expand on growth in sales of beer and soft drinks in North America, and structural reforms at the Vietnam operations. We expect the Food & Soft Drinks business to achieve profit growth by expanding sales of its food and soft drinks products in Japan, improving the product mix, and reducing production costs. The Restaurants business plans to increase profits by expanding sales at existing stores while continuing to open new outlets. The Real Estate business expects solid revenue contributions from Yebisu Garden Place and GINZA PLACE to boost segment operating income in 2017.

Overall, we forecast consolidated operating income will expand to ¥21.3 billion, up ¥1.0 billion, or 5%, year on year.

Ordinary Income

We forecast 2017 consolidated ordinary income will total ¥20.3 billion, an increase of ¥1.0 billion, or 6%, from the 2016 result.

Profit Attributable to Owners of Parent

We project profit attributable to owners of parent will reach ¥10.7 billion in 2017, a ¥1.2 billion or 13% increase over 2016.

The 2017 outlook for each segment is presented below.

(2) Outlook by Business Segment

Millions of yen, except percentages

	Net sales			Operating income		
	2016	2017 forecast	% change	2016	2017 forecast	% change
Japanese Alcoholic Beverages	279,476	286,000	2.3	11,745	11,800	0.5
International Business	65,400	70,300	7.5	906	1,400	54.4
Food & Soft Drinks	137,918	142,200	3.1	1,314	1,800	37.0
Restaurants	28,120	29,600	5.3	663	1,000	50.6
Real Estate Business	22,900	23,800	3.9	10,328	11,000	6.5

Japanese Alcoholic Beverages

We expect the operating environment for our Japanese Alcoholic Beverages business to remain challenging owing to a shrinking drinking population and the impact of customers shift from beer and beer-type beverages products to other alcoholic beverages.

In this challenging environment, our Japanese Alcoholic Beverages business will aim for further growth by continuing efforts in line with our vision of “Seek to be No.1 by accumulating one-of-a-kind products” and by providing customers with value available only from Sapporo.

Having set forth our “Beer Revival Declaration" as the core direction of our beer business, we will continue efforts to strengthen our beer brands that have been achieving sales growth amid the decline in overall demand for beer.

Approaching the 40th anniversary of the launch of Sapporo Draft Beer Black Label, we will accelerate the brand’s already solid sales trend by appealing to its unique sense and further expanding the opportunities for consumers to enjoy high-quality drinking experiences. We will strengthen ties with Yebisu brand fans and expand our contact points with these customers by, for example, introducing Yebisu Hana Miyabi.

In addition, we will develop and nurture the growth of one-of-a-kind products to better meet the increasingly diverse needs of our customers.

In the RTD[*1] space, under the slogan “Give shape to surprise”, we will add to our success with Sapporo Otoko Ume Sour by developing a lineup of new collaboration RTD cocktails that offer consumers unmatched value.

In the wine category, we will continue to strengthen our lineup of fine wines[*2]. We will seek to expand sales of our premium Japanese wine Grande Polaire, as well as our imported brands, especially Penfors wine and Taittinger champagne. At the same time, we will expand the customer base for casual everyday wines through information dissemination and stronger promotional activities.

In the 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[*3], as well as Bombay Sapphire, Dewar's, and Martini.

In our Japanese liquor business, we will step up efforts to expand sales of our blended *imo* shochu, Kokuimo, while also aggressively proposing new and unique Japanese liqueurs that complement the success of our plum wine (umeshu) offerings, such as Otoko Ume no Sake and Ume Kaku series of plum-wine based cocktails.

The Japanese Alcoholic Beverages business will strive to achieve its profit targets by spending effectively and efficiently on marketing that enhances brand values while cutting other costs wherever possible.

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

*2) Fine wines are wines priced in the mid- to high-price range of ¥1,500 or more per bottle, while everyday wines are those priced at less than ¥1,500 per bottle.

*3) Based on a survey by International Wine & Spirits Research

International Business

Our outlook for the beer market in North America takes into account the economic impact of the new administration in Washington D.C. and the change in crude oil prices on the Canadian economy. Overall, we expect demand for beer in North America to be largely the same as in 2016. In the Asian beer market, we expect to see continued growth in countries with expanding 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. Toward that end, we will execute strategies that match the unique characteristics of the market in each country in which we do business.

In Canada, SLEEMAN BREWERIES aims to achieve its profit goals and expand its share of the overall beer market plans by executing marketing strategies that match the special characteristics of its brands and by optimizing its production system to lower costs. In the U.S. beer market, Sapporo USA plans to establish a wider presence for the Sapporo brand by strategically allocating resources in areas and sales channels that are expected to grow. In the U.S. soft drinks market, we plan to expand sales and profits by acquiring new sales channels, improving our production network, and establishing a management platform that will leverage the strengths of our two subsidiaries, Silver Springs Citrus and Country Pure Foods.

In Southeast Asia, we aim to expand sales and improve profits at our Vietnam business by appealing to the brand value of Sapporo Premium Beer at in-store points of contact with customers and by conducting effective marketing that stimulates consumers' purchasing appetite. 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, characterized by the diversification of consumer preferences, stiff competition among beverage makers, and cost increases caused by a weaker yen and rising raw material prices.

Under such difficult conditions, our domestic food and soft drinks business, guided by its vision for "continually creating new delicious products that enrich and brighten people's everyday lives" and a thorough familiarity with customers' viewpoints, plans to deliver new value to its customers in areas where it has demonstrated advantages.

The domestic soft drinks business will seek to carve out a unique market position by strengthening its brands. We will strengthen our position as a leader in the lemon-based drinks market by strengthening marketing of Kireto Lemon brand products and developing new value-added products.

With consumers enjoying soups at wider variety of times and places, our domestic food business will endeavor to increase demand for its instant soups by expanding the lineup to include soups, such as the retort-packaged soup we launched in 2016, that are suitable for consumption in a more diverse range of situations. In the commercial-use products category, we will leverage group synergies to expand sales in all market segments, from Pokka Lemon and our alcoholic-beverage mixers to powdered teas and soups. Our new soymilk business plans to expand sales of its core soymilk-based yogurt as well as sales of its existing SOYAFARM brand.

At the domestic restaurants business, the Café de Crié chain will carry out marketing to stimulate business at its existing outlets. It will also accelerate efforts to establish new formats that will enhance brand value.

The overseas soft drinks business expects to see stiffer competition in its Southeast Asian markets. In response, the business plans to expand sales by strengthening its advantages in the tea drinks and juice beverages segments in the core Singapore market. Our joint venture in Indonesia will begin full-fledged production and sales activities, including licensed-out production in Myanmar. We aim to grow our Southeast Asian business by providing products that meet the needs of consumers in each country.

Restaurants

Japan's restaurant industry is expected to remain mired in a difficult operating environment in 2017, 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.

New store openings in 2017 will focus on new formats as well as territorial expansion for our two core formats, Ginza Lion and Yebisu Bar. We will also move aggressively on renovations and refreshing of existing outlets in order to sustain and enhance their future earnings power.

Overseas in Singapore, we will continue efforts to establish the Ginza Lion brand while also remodeling existing Tonkichi outlets to enhance their earnings performance. In addition, we will give serious consideration to expanding into neighboring countries.

Real Estate

Japan's real estate industry expects to see little new office supply in the Greater Tokyo office leasing market during 2017, which should keep vacancy rates down and sustain the recent moderate uptrend in office rents. However, with a large volume of new supply expected to hit the market during 2018–2020, currently favorable market conditions could be headed for a peak at the end of the year.

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.

Our flagship property, Yebisu Garden Place, is making preparations for the opening of a child-care facility in April 2017. The new facility will help promote a better work-life balance for child-rearing employees of tenant enterprises at Yebisu Garden Place Tower. We will continue to enhance facilities in all other areas of the complex, beginning with the commercial areas, as we aim to increase the entire property's brand value by providing new added-value. At GINZA PLACE, our new commercial complex that opened in September 2016, we plan to boost the facility's information dissemination capability in line with its original concept as a "base for information dissemination and exchange." In addition to enhancing the property's brand value, this initiative will increase the property's drawing power and make the Ginza district an even more dynamic and bustling urban center.

The real estate development business is proceeding with redevelopment of Sapporo Factory as part of the renovation of the area on the east side of the Sosei River, a focus of the city's urban redevelopment program. In addition to renovating commercial complex Sapporo Factory, we will steadily advance plans to redevelop the adjacent parking lot into a new commercial building.

During 2017, we will conduct a review and revision of our property portfolio in order to enhance the overall value of our Real Estate business. We also will be constructing a new business domain centered on urban development projects.

(2) Review of Consolidated Financial Condition

(a) Consolidated Financial Condition

Consolidated total assets as of December 31, 2016, totaled ¥626.3 billion, ¥5.9 billion more than at the end of the previous fiscal year (December 31, 2015). The asset growth reflects increases in notes and accounts receivable, land holdings and certain other assets, which offset declines related to goodwill amortization and investment securities.

Consolidated total liabilities totaled ¥459.9 billion, a ¥3.4 billion increase from December 31, 2015, primarily owing to increases in commercial paper and long-term bank loans, which outweighed decreases in short-term bank loans and some other liability categories.

Consolidated net assets totaled ¥166.3 billion, up ¥2.5 billion from the end of the previous fiscal year. The increase primarily reflects the posting of profit, partly offset by a decline related to the remeasurements of defined benefit plans and by the payment of year-end dividends.

(b) Consolidated Cash Flows

Cash and cash equivalents (collectively, “cash”) totaled ¥10.4 billion as of December 31, 2016, a ¥0 billion or 1% increase from December 31, 2015.

Following is an explanation of consolidated cash flows by category in 2016 and the factors that affected cash flows in each category.

Cash flows from operating activities

Operating activities provided net cash of ¥32.5 billion, ¥2.6 billion or 8% less than in 2015. The major sources of operating cash flow included ¥22.3 billion from depreciation and amortization and ¥16.4 billion from profit before income taxes. The largest cash outflow was the ¥10.9 billion in income taxes paid.

Cash flows from investing activities

Investing activities in 2016 used net cash of ¥27.5 billion, a ¥17.8 billion or 183% increase over 2015. Major investment outflows included ¥19.7 billion from purchases of property, plant and equipment and ¥2.0 billion from purchases of intangibles.

Cash flows from financing activities

Financing activities in 2016 used net cash of ¥4.8 billion, a ¥19.9 billion or 81% decline from 2015. The main inflows from financing activities were ¥32.7 billion from long-term bank loans and ¥16.0 billion from a net increase in commercial paper. These inflows, however, were outweighed by outflows, including ¥46.5 billion for the repayment of long-term bank loans and ¥10.0 billion for redemption of bonds.

Cash Flow Indicators

	As of December 31,				
	2012	2013	2014	2015	2016
Equity ratio (%)	22.1	24.6	25.0	25.5	25.7
Equity ratio based on market capitalization (%)	18.3	28.0	31.9	33.4	37.4
Cash flow to interest-bearing debt (years)	10.2	8.8	13.0	7.8	8.6
Interest coverage ratio (%)	8.4	11.9	8.9	14.8	14.9

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.

Dividend Policy

The Company considers the appropriate return of profits to its shareholders as a fundamental aspect of management policy and has adopted a basic policy to undertake stable dividend payments taking into consideration the Company's performance and financial condition. Meanwhile, pursuant to the Sapporo Group/ Long-Term Management Vision "SPEED 150", which was announced in November 2016, the Company, starting this year, is working under the First Medium-Term Management Plan 2020, which calls for a dividend payout ratio of 30%(*) as a target for return of profits to its shareholders.

Given the foregoing situation and taking into consideration the operating results for the current term and the management environment etc. going forward, the Company has decided to pay a dividend from surplus of 37 yen per share for 2016. As for a dividend from surplus for 2017, the company plans to pay 37 yen per share.

(*) If net profit for the current term accruing to the parent company shareholder changes significantly because of an extraordinary profit or loss stemming from special factor, the impact from this may be taken in consideration when deciding a dividend amount.

On July 1, 2016, the Company carried out a share consolidation at a ratio of 1 share for 5 shares of the Company’s common stock.

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) Mid to long- term management strategy and management indicator

In November 2016, the Company formulated the Sapporo Group Long-Term Management Vision "SPEED150"and the First Medium-Term Management Plan 2020. The "SPEED150"vision sets forth the overall direction the Company should pursue over the next 10 years through 2026, the year marking the Group's 150th anniversary of founding. The First Medium-Term Management Plan 2020 lays out the basic strategies the Company will implement over the next four years through 2020.

● Sapporo Group Long-Term Management Vision "SPEED150":

The Company formulated the 2026 Group Vision and the Action Guidelines, both of which will be achieved by pursuing management reforms and business growth with speed while continuing to adhere to the Management Philosophy and Fundamental Management Policy. Recognizing once again that the source of the Group's growth lies in the brand assets cultivated over the Group's 140-year history since it was founded, the Company has positioned "Alcoholic Beverages", "Food" and "Soft Drinks" as the Group's three core business fields, and will work to nurture and strengthen the Group's brands along with the real estate business. The Company stands out among the numerous food companies in Japan for conducting business in all three fields of "Alcoholic Beverages", "Food" and "Soft Drinks". Leveraging this unique strength, the Company will work to supply distinctive products and services worldwide in conjunction with expanding its contact points with customers, with the aim of driving robust growth.

●The 2026 group vision:

The Sapporo Group will be a company with highly unique brands in the fields of "Alcoholic Beverages", "Food", and "Soft Drinks" around the world.

●Action Guidelines:

1. Make customers lifestyle around world more fulfill by creating new value through the pursuit of innovation and quality.
2. Strive to provide products and services and to nurture brands that foster communication among customers.
3. Practice efficient management in tandem with addressing changes in the environment.

● **First Medium-Term Management Plan 2020**:

1. Fundamental Policy

The Company aims to transition to a growth stage as early as possible based on the theme of "Transformation with Unprecedented Speed."

(1) Business Activities

The Company will enhance its cash generation capabilities by achieving continuous growth and producing results based on the identification of competitive fields in each business.

1. Achieve continuous growth in existing businesses

Achieve steady growth based on identification of competitive fields in the existing five businesses

2. Produce results in the investment business

Enhance profitability in the Vietnam business, North American beverage business and the food & soft drinks business

3. Capture growth opportunities

Capture growth opportunities by allocating resources to growth in the "Food" field and global business expansion

(2) Group Management

The Company will take the lead in strengthening its platform through the strategic shift of resources, and business structure reforms and promotion of segment management.

1. Implement a Group structure that fits the actual state of growth and optimization of Head Office functions

2. Strengthen platform functions

-R&D

Bolster resources (human resources and research & development expenses) to drive growth In the "Food" field

-Personnel and human resources

Shift human resources to growth fields and implement health promotion measures

-Finance

Strengthen the financial base by enhancing asset efficiency and bolstering monitoring

2. Management Targets

(1) Quantitative Targets for 2020

Net sales: Maintain sales growth that has continued since 2010

Operating income: Deliver the Group's highest-ever earnings during the First Medium-Term Management Plan period

＜Quantitative Targets by Business Segment＞ （Billions of yen）

（※operating income is before goodwill amortization）

	2016 Forecast		2020 Target		Percentage change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Consolidated Total	541.8	24.1	640.0	34.0	18.1%	40.6%
Japanese Alcoholic Beverages	279.4	11.8	31.5	14.0	12.7%	18.6%
International	65.4	2.5	79.0	5.0	20.8%	94.0%
Food & Soft Drinks	137.9	3.4	162.0	6.5	17.5%	87.1%
Restaurants	28.1	0.6	32.0	1.6	13.8%	129.1%
Real Estate	22.9	10.3	25.0	12.0	9.2%	16.2%
New Business and Others	8.0	(0.0)	27.0	0.9	236.2%	–
Corporate	–	(4.5)	–	(6.0)	–	–

(2) Financial Indicators

The Company has set the following indicators to build a financial base able to promptly address changes in the environment and investment opportunities in the growth stage.

＜Financial indicators to be achieved during the four years from 2017 to 2020＞

Cash flows from operating activities	¥180.0 billion	Generate cash flows by strengthening platform functions, achieving continuous growth in existing businesses, and producing results in investment businesses
Cash flows from investing activities	¥130.0 billion	Proactively allocate cash to the "Alcoholic Beverages", "Food" and "Soft Drinks" fields
Interest-bearing liabilities	Targeting a debt-to-equity (D/E) ratio of around 1.0	
Shareholder returns	Targeting a dividend payout ratio of 30%	

(3) Issues to be addressed

1) 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.

2) 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, 2017 on page 14 .

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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2015	December 31, 2016
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	10,430	10,589
2 Notes and accounts receivable - trade	92,335	96,850
3 Merchandise and finished products	24,912	24,657
4 Raw materials and supplies	13,722	13,315
5 Deferred tax assets	4,457	3,639
6 Other	10,570	15,213
7 Allowance for doubtful receivables	(64)	(82)
Total current assets	156,364	164,183
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	383,087	393,022
Accumulated depreciation	(213,567)	(220,233)
Buildings and structures, net	169,519	172,788
(2) Machinery and vehicles	227,534	231,559
Accumulated depreciation	(183,165)	(187,660)
Machinery and vehicles, net	44,368	43,898
(3) Land	105,121	111,636
(4) Lease assets	15,498	16,970
Accumulated depreciation	(7,739)	(7,694)
Lease assets, net	7,758	9,276
(5) Construction in progress	6,637	3,694
(6) Other	18,487	17,731
Accumulated depreciation	(14,850)	(13,529)
Other, net	3,636	4,201
Total property, plant and equipment	337,042	345,495
2 Intangible assets		
(1) Goodwill	30,235	27,439
(2) Other	10,743	10,511
Total intangible assets	40,978	37,950
3 Investments and other assets		
(1) Investment securities	61,848	59,296
(2) Long-term loans receivable	9,016	4,789
(3) Deferred tax assets	1,009	1,070
(4) Other	15,362	14,760
(5) Allowance for doubtful receivables	(1,234)	(1,195)
Total investments and other assets	86,002	78,721
Total fixed assets	464,023	462,168
Total assets	620,388	626,351

	December 31, 2015	December 31, 2016
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	36,772	38,503
2 Short-term bank loans	65,822	30,337
3 Commercial Paper	17,000	33,000
4 Current portion of bonds	10,000	10,083
5 Lease Obligations	2,932	3,024
6 Liquor taxes payable	33,903	34,228
7 Income taxes payable	6,114	1,680
8 Accrued bonuses	2,219	2,980
9 Deposits received	8,824	8,214
10 Other	50,054	50,071
Total current liabilities	233,643	212,123
II Long-term liabilities		
1 Bonds	50,000	50,128
2 Long-term bank loans	91,919	114,593
3 Lease obligations	5,353	6,968
4 Deferred tax liabilities	21,216	18,804
5 Net defined benefit liability	7,636	8,995
6 Dealers' deposits for guarantees	32,833	33,241
7 Other	13,963	15,115
Total long-term liabilities	222,921	247,847
Total liabilities	456,565	459,971
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	45,913	46,089
3 Retained earnings	35,189	41,932
4 Treasury stock, at cost	(1,595)	(1,795)
Total shareholders' equity	133,394	140,112
II Accumulated other comprehensive income		
1 Unrealized holding gain on securities	23,926	22,517
2 Deferred hedge gains	(11)	41
3 Foreign currency translation adjustments	(1,255)	(1,943)
4 Remeasurements of defined benefit plans	1,874	(41)
Total accumulated other comprehensive income	24,533	20,574
III Non-controlling Interests	5,894	5,693
Total net assets	163,822	166,380
Total liabilities and net assets	620,388	626,351

(2) Consolidated Statements of Income

(millions of yen)

	Year ended December 31, 2015	Year ended December 31, 2016
	Amount	Amount
I Net sales	533,748	541,847
II Cost of sales	352,808	352,420
Gross profit	180,940	189,426
III Selling, general and administrative expenses		
1 Sales incentives and commissions	35,841	38,750
2 Advertising and promotion expenses	21,982	20,420
3 Salaries	31,954	32,039
4 Provision for bonuses	1,218	1,726
5 Retirement benefit expenses	2,690	784
6 Other	73,303	75,438
Total selling, general and administrative expenses	166,990	169,159
Operating income	13,950	20,267
IV Non-operating income		
1 Interest income	252	231
2 Dividend income	1,123	1,111
3 Equity in income of affiliates	17	15
4 Gain on valuation of derivatives	468	-
5 Other	1,059	958
Total non-operating income	2,921	2,316
V Non-operating expenses		
1 Interest expense	2,279	2,142
2 Foreign exchange losses	537	217
3 Loss on valuation of derivatives	-	252
4 Other	842	769
Total non-operating expenses	3,659	3,381
Ordinary income	13,211	19,202
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	7,453	45
2 Gain on sales of investment securities	46	13
3 Gain on sales of consolidated subsidiaries	72	-
4 Subsidy income	322	-
Total extraordinary gains	7,895	59
VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	1,534	1,413
2 Loss on sales of property, plant and equipment	24	26
3 Loss on impairment of property, plant and equipment	5,956	1,018
4 Loss on devaluation of investment securities	1,758	22
5 Compensation expenses	142	376
Total extraordinary losses	9,415	2,858
Profit before income taxes	11,690	16,403
Income taxes：current	7,409	6,185
Income taxes：deferred	(1,830)	838
Total Income taxes	5,578	7,023
Profit	6,112	9,380
Profit (loss) attributable to non-controlling	3	(89)
interests Profit attributable to owners of parent	6,108	9,469

Profit	6,112	9,380
Other comprehensive income		
Unrealized holding gain on securities	3,819	(1,408)
Deferred hedge gains (losses)	(17)	52
Foreign currency translation adjustments	(3,767)	(896)
Remeasurements of defined benefit plans	1,434	(1,915)
Total other comprehensive income	1,467	(4,168)
Comprehensive income	7,579	5,211
(Breakdown)		
Comprehensive income attributable to owners of parent	7,506	5,509
Comprehensive income attributable to non-controlling interests	73	(298)

(3) Statements of Changes in Shareholders' Equity

(millions of yen)

	Year ended December 31, 2015	Year ended December 31, 2016
	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	45,912	45,913
Cumulative effect of changes in accounting policies	-	-
Restated balance of the beginning of the current period	45,912	45,913
Changes during period		
Disposition of treasury stock	1	175
Total changes during period	1	175
Balance at end of period	45,913	46,089
Retained earnings		
Balance at beginning of year	34,913	35,189
Cumulative effect of changes in accounting policies	(3,105)	-
Restated balance of the beginning of the current period	31,808	35,189
Changes during period		
Cash dividends	(2,727)	(2,726)
Profit attributable to owners of parent	6,108	9,469
Total changes during period	3,381	6,742
Balance at end of period	35,189	41,932
Treasury stock		
Balance at beginning of year	(1,544)	(1,595)
Cumulative effect of changes in accounting policies	-	-
Restated balance of the beginning of the current period	(1,544)	(1,595)
Changes during period		
Purchase of treasury stock	(54)	(471)
Disposition of treasury stock	3	271
Total changes during period	(51)	(199)
Balance at end of period	(1,595)	(1,795)
Total shareholders' equity		
Balance at beginning of year	133,168	133,394
Cumulative effect of changes in accounting policies	(3,105)	-
Restated balance of the beginning of the current period	130,062	133,394
Changes during period		
Cash dividends	(2,727)	(2,726)
Profit attributable to owners of parent	6,108	9,469
Purchase of treasury stock	(54)	(471)
Disposition of treasury stock	4	447
Total changes during period	3,331	6,718
Balance at end of period	133,394	140,112
Accumulated other comprehensive income		
Unrealized holding gain on securities		
Balance at beginning of year	20,112	23,926
Cumulative effect of changes in accounting policies	-	-
Restated balance of the beginning of the current period	20,112	23,926
Changes during period		
Net change in items other than shareholders' equity during period	3,813	(1,408)
Total changes during period	3,813	(1,408)
Balance at end of period	23,926	22,517

Deferred hedge gains (losses)		
Balance at beginning of year	(0)	(11)
Cumulative effect of changes in accounting policies	-	-
Restated balance of the beginning of the current period	(0)	(11)
Changes during period		
Net change in items other than shareholders' equity during period	(11)	52
Total changes during period	(11)	52
Balance at end of period	(11)	41
Foreign currency translation adjustments		
Balance at beginning of year	2,582	(1,255)
Cumulative effect of changes in accounting policies	-	-
Restated balance of the beginning of the current period	2,582	(1,255)
Changes during period		
Net change in items other than shareholders' equity during period	(3,838)	(687)
Total changes during period	(3,838)	(687)
Balance at end of period	(1,255)	(1,943)
Remeasurements of defined benefit plans		
Balance at beginning of year	440	1,874
Cumulative effect of changes in accounting policies	-	-
Restated balance of the beginning of the current period	440	1,874
Changes during period		
Net change in items other than shareholders' equity during period	1,434	(1,915)
Total changes during period	1,434	(1,915)
Balance at end of period	1,874	(41)
Total accumulated other comprehensive income		
Balance at beginning of year	23,135	24,533
Cumulative effect of changes in accounting policies	-	-
Restated balance of the beginning of the current period	23,135	24,533
Changes during period		
Net change in items other than shareholders' equity during period	1,397	(3,959)
Total changes during period	1,397	(3,959)
Balance at end of period	24,533	20,574
Non-controlling interests		
Balance at beginning of year	3,700	5,894
Cumulative effect of changes in accounting policies	-	-
Restated balance of the beginning of the current period	3,700	5,894
Changes during period		
Net change in items other than shareholders' equity during period	2,193	(200)
Total changes during period	2,193	(200)
Balance at end of period	5,894	5,693
Total net assets		
Balance at beginning of year	160,004	163,822
Cumulative effect of changes in accounting policies	(3,105)	-
Restated balance of the beginning of the current period	156,899	163,822
Changes during period		
Cash dividends	(2,727)	(2,726)
Profit attributable to owners of parent	6,108	9,469
Purchase of treasury stock	(54)	(471)
Disposition of treasury stock	4	447
Net change in items other than shareholders' equity during period	3,591	(4,160)
Total changes during period	6,922	2,558
Balance at end of period	163,822	166,380

(4) Consolidated Statements of Cash Flows

(millions of yen)

	Year ended December 31, 2015	Year ended December 31, 2016
	Amount	Amount
I Cash flows from operating activities		
1 Profit before income taxes	11,690	16,403
2 Depreciation and amortization	24,224	22,341
3 Loss on impairment of property, plant and equipment	5,956	1,018
4 Goodwill amortization	4,153	3,920
5 Increase (decrease) in net defined benefit liability	446	(1,720)
6 Increase (decrease) in allowance for doubtful receivables	(137)	(53)
7 Interest and dividend income	(1,376)	(1,342)
8 Interest expense	2,279	2,142
9 (Gain) loss on sales of fixed assets	(7,453)	(45)
10 (Gain) loss on sales and disposal of fixed assets	1,559	1,440
11 (Gain) loss on sales of investment securities	(46)	(13)
12 (Gain) loss on revaluation of investment securities	1,758	22
13 (Increase) decrease in notes and accounts receivable - trade	(2,779)	(3,756)
14 (Increase) decrease in inventories	(1,211)	968
15 Increase (decrease) in notes and accounts payable - trade	(202)	1,608
16 Increase (decrease) in accrued consumption taxes	(3,057)	(807)
17 Increase (decrease) in liquor taxes payable	457	338
18 Increase (decrease) in deposits received	(729)	(623)
19 Increase (decrease) in other current liabilities	376	173
20 Other	48	2,349
Sub total	35,957	44,364
21 Interest and dividends received	1,380	1,359
22 Interest paid	(2,384)	(2,190)
23 Income taxes paid	(2,944)	(10,986)
24 Income taxes refundable	3,257	22
Net cash provided by (used in) operating activities	35,265	32,570
II Cash flows from investing activities		
1 Purchases of property, plant and equipment	(18,298)	(19,748)
2 Proceeds from sales of property, plant and equipment	19,563	428
3 Purchases of intangibles	(2,041)	(2,060)
4 Payments for purchases of investment securities	(875)	(235)
5 Proceeds from sale and redemption of investment securities	511	137
6 Purchase of affiliates securities	(3,260)	(154)
7 Proceeds from sales of affiliate's securities	1,794	-
8 Purchase of subsidiaries' shares resulting in change in scope of consolidation	(3,989)	(438)
9 Collection of sales of subsidiaries' share for prior periods	3,198	30
10 Payments for transfer of business	-	(1,493)
11 Increase in long-term loans receivable	(304)	(77)
12 Collection of long-term loans receivable	417	167
13 Other	(6,471)	(4,142)
Net cash provided by (used in) investing activities	(9,755)	(27,586)
III Cash flows from financing activities		
1 Net increase (decrease) in short-term bank loans	(3,366)	(1,248)
2 Increase (decrease) in commercial paper	(13,000)	16,000
3 Proceeds from long-term bank loans	14,319	32,746
4 Repayment of long-term bank loans	(16,625)	(46,594)
5 Proceeds from issuance of bonds	9,960	9,960
6 Redemption of bonds	(12,000)	(10,016)
7 Cash dividends paid	(2,730)	(2,730)
8 Cash dividends paid to non-controlling interests	(28)	(9)
9 Repayment of finance lease obligations	(3,039)	(2,910)
10 Purchase of treasury stock	(56)	(471)
11 Proceeds from sale of treasury stock	4	447
12 Proceeds from non-controlling shareholders	1,760	-
Net cash provided by (used in) financing activities	(24,802)	(4,827)
IV Effect of exchange rate changes on cash and cash equivalents	(56)	(79)
V Net increase (decrease) in cash and cash equivalents	651	76
VI Cash and cash equivalents at beginning of period	9,748	10,399
Ⅶ Cash and cash equivalents at end of period	10,399	10,475

(5) Notes on the Going-concern Assumption

Not applicable

(6) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

(Changes in accounting policies)

The following changes to accounting policies were applied from the fiscal year 2016: Accounting Standard for Business Combinations (Accounting Standards Board of Japan - ASBJ - Statement No. 21 of September 13, 2013); Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013); and Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013). Accordingly, in cases where the parent company continues to have control, differences arising from changes in the Company's ownership interests in subsidiaries are now recorded in capital surplus, and acquisition expenses for business combinations are now treated as expenses in the consolidated financial statements for the year in which they arise. Regarding business combinations that take place on or after the beginning of the fiscal 2016, any change to the allocation of the acquisition cost arising from confirmation of the provisional accounting treatment must now be reflected in the consolidated financial statements for the fiscal year in which the business combination occurred. In addition, the presentation of the profit category has been revised and minority interests has been changed to non-controlling interests. Consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

In the consolidated statements of cash flows, cash flows related to the purchase or sales of subsidiaries' shares not resulting in change in scope of consolidation are included in "Cash flows from financing activities". Cash flows related to expenses incurred in the purchase of subsidiaries' shares resulting in change in scope of consolidation as well as cash flows related to expenses incurred in connection with the purchase or sales of subsidiaries' shares not resulting in change in scope of consolidation are included in "Cash flows from operating activities".

Application of the newly adopted accounting standards noted at the outset of this section has been implemented from the start of the fiscal year 2016, in accordance with the transitional provisions in Article 58-2(4) of the Accounting Standard for Business Combinations, Article 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4(4) of the Accounting Standard for Business Divestitures.

These changes in accounting policy had no effect on operating income, ordinary income, and profit before income taxes reported for the fiscal year 2016.

(Changes to accounting policies difficult to distinguish from changes in accounting estimates)

The SAPPORO Group has in the past applied the declining-balance method for depreciation of property, plant and equipment (however, the straight-line method was applied to property, plant and equipment of the Hokkaido Brewery, rental properties acquired since January 1988, Yebisu Garden Place, Sapporo Factory, buildings (excluding fixtures and equipment) acquired since April 1, 1998, Kyushu Hita Brewery, the Gunma Brewery's Japanese liquor manufacturing equipment, and Nasu Brewery). However, from the fiscal year 2016 all property, plant and equipment will be depreciated using the straight-line method.

Group companies Sapporo Breweries Ltd. and POKKA SAPPORO Food & Beverage Ltd. have carried out aggressive capital investments on the assumption that growth in total demand would deliver early returns on those investments. However, in recognition of the maturation of our markets and operating environment, we are now prioritizing stable supply from existing facilities. In the current fiscal year, we plan to invest in new manufacturing facilities and the renewal of existing facilities to secure additional stable supplies of core products. In preparation for the drafting of the next long-term plan to be implemented from January 2017, we have examined the current state of usage of the Group's property, plant, and equipment and plans for future capital investments. This examination indicates that we will be able to maintain stable utilization of such domestic property, plant and equipment, which in turn has led to the decision that using the straight-line method to evenly distribute the acquisition cost of these assets over their useful lives will lead to more appropriate calculations of profit and loss in each reporting period.

The change from the declining-balance method to the straight-line method of depreciation reduced depreciation expense by ¥1,750 million, had a ¥1,688 million positive impact on operating income, and added ¥1,701 million to ordinary income and to profit before income taxes in the year ended December 31, 2016.

(Changes in Presentation Methods)
Not applicable

(7) Additional Information

(Board Benefit Trust (BBT) for directors, group operating officers of the Company, and some directors of the Company's subsidiaries)

Following the approval of shareholders of a resolution at the 92nd Ordinary General Meeting of Shareholders, the Company on May 31, 2016, introduced a new stock-based compensation system (Board Benefit Trust, or BBT) (hereinafter referred to as the "System"), for directors, group operating officers of the Company, and some of the directors of the Company's subsidiaries (excluding outside directors, hereinafter referred to as the "Group Target Officers"). The new System is designed to increase Group Target Officers' awareness of their contributions to improving the performance of the Company over the longer term and to enhancing corporate value.

1. Overview of System

   The Company shall grant points to the Group Target Officers according to their respective positions and performance achievements. The BBT will then provide the Company's shares to Group Target Officers who meet certain conditions in proportion to the points granted to them. In principle, Group Target Officers will receive the Company's shares when they retire. The shares to be awarded to Group Target Officers, including shares for future allocation, shall be purchased using money contributed by the Company at the time of the System's establishment, and shall be managed separately as Trust property.

2. Company shares remaining in the Trust

Upon the introduction of the System during the second quarter of the current fiscal year, Trust & Custody Services Bank, Ltd. (Trust Account E) acquired shares 754,600 shares of the Company. The book value (excluding incidental costs) of the Company shares now held by the Trust are accounted for as treasury stock in the net assets section of the Company's balance sheet. As of December 31, 2016, the book value and total number of treasury shares held by the Trust are, respectively, ¥445 million and 754,600 shares.

With an effective date of July 1, 2016, the Company implemented a consolidation of shares at a ratio of 1 share for each 5 shares of the Company's common shares. Following this share consolidation, the number of shares held by the Trust totaled 150,920.

(Business combinations)

In the International Business segment, previous financial disclosures included a provisional estimate of goodwill related to the acquisition of COUNTRY PURE FOODS, INC., on February 24, 2015, because allocation of the actual acquisition cost had yet to be completed. In the year ended December 31, 2016, however, allocation of the acquisition cost was completed and the amount of goodwill was adjusted as described below.

Goodwill (before adjustment)	¥ 4,162 million
Intangible assets	¥ 310 million
Deferred tax assets	¥ (20) million
Deferred tax liabilities	¥ (76) million
Other adjustment	¥ 51 million
Amount of adjustment	¥ 264 million
Goodwill (after adjustment)	¥ 4,426 million

●Amount of goodwill arising, reason for its recognition, and amortization method and period

①Amount of goodwill : ¥4,426 million

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

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

(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, 2015 was ¥7,606 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, 2016 was ¥9,453 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, 2015 and 2016, and the total fair value appear in the following table.

(millions of yen)

		Year ended December 31, 2015	Year ended December 31, 2016
Carrying value on consolidated balance sheets			
	January 1	207,864	197,666
	Change during the period	△10,198	4,097
	December 31	197,666	201,763
Fair value at December 31		357,395	389,101

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, 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).

The change during the year ended December 31, 2016 comprises increase mainly arising from property acquisitions (¥10,134 million) and decrease mainly due to depreciation (¥3,804 million), disposal (¥1,911 million).

3. The fair value at December 31 is mainly based on property valuations performed by third-party real estate appraisers.

(8).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 Group's businesses are 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.
(Change to depreciation method)
As described in “Changes in accounting policies,” the depreciation method for property, plant and equipment has been changed with effect from the fiscal year 2016.
This change increases segment profit of the Japanese Alcoholic Beverages business by¥957 million, Food & Soft Drinks business by ¥374 million, Restaurants business by ¥194 million and the Real Estate business by ¥105 million over the profit that would have been recorded under the previous method.
The change also has a positive effect on earnings of Others segments, reducing losses by ¥4 million. The change also reduces Adjustments by ¥51 million.

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

(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	606,463
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 intangible assets	2	19,326	1,256	20,583

(millions of yen)

	Year ended December 31, 2016 (January 1, 2016 – December 31, 2016)					
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total
Net sales						
(1) Operating revenues	279,476	65,400	137,918	28,120	22,900	533,815
(2) Intra-group sales and transfers	2,860	96	282	0	2,569	5,810
Total	282,337	65,497	138,200	28,121	25,469	539,625
Segment income (loss)	11,745	906	1,314	663	10,328	24,958
Segment assets	214,326	66,292	100,594	13,571	211,312	606,097
Other						
Depreciation and amortization	7,221	3,042	5,711	521	4,125	20,622
Increase in property, plant and equipment, and intangible assets	2,691	2,649	8,096	1,143	9,648	24,230

	Year ended December 31, 2016 (January 1, 2016 – December 31, 2016)			
	Other *1	Total	Adjustment	Amounts reported on the statements of income*2
Net sales				
(1) Operating revenues	8,031	541,847	-	541,847
(2) Intra-group sales and transfers	20,158	25,968	(25,968)	-
Total	28,190	567,815	(25,968)	541,847
Segment income (loss)	(95)	24,862	(4,595)	20,267
Segment assets	10,042	616,140	10,211	626,351
Other				
Depreciation and amortization	43	20,665	1,675	22,341
Increase in property, plant and equipment, and	58	24,288	2,384	26,673

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, 2015	December 31, 2016
Total for reportable segments	18,028	24,958
Income(loss) from other segments	1	(95)
Unallocated corporate costs*	(4,002)	(4,784)
Intra-segment sales	(77)	189
Operating income on the statement	13,950	20,267

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

(millions of yen)

Segment income (loss)	December 31, 2015	December 31, 2016
Total for reportable segments	606,463	606,097
Assets of other segments	6,788	10,042
	(12,253)	(11,134)
Unallocated corporate assets*	19,390	21,345
Total assets on the consolidated financial statements	620,388	626,351

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

<u>Year ended December 31, 2015 (January 1, 2015 – December 31, 2015)</u>

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

<u>Year ended December 31, 2016 (January 1, 2016 – December 31, 2016)</u>

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

Year ended December 31, 2016(January 1, 2016 – December 31, 2016)				
Japan	America	Asia	Other	Total
455,001	61,915	19,910	5,020	541,847

(2) Property, plant and equipment

<u>Year ended December 31, 2015 (January 1, 2015 – December 31, 2015)</u>

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

<u>Year ended December 31, 2016 (January 1, 2016 – December 31, 2016)</u>

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

<u>Year ended December 31, 2015 (January 1, 2015 – December 31, 2015)</u>

(millions of yen)

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

<u>Year ended December 31, 2016 (January 1, 2016 – December 31, 2016)</u>

(millions of yen)

Company Name	Net Sales	Segment
KOKUBU & CO.,LTD.	82,686	Japanese Alcoholic Beverages Food & Soft Drinks

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

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

Year ended December 31, 2016 (January 1, 2016 – December 31, 2016)

(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	55	-	819	138	-	1,014	4	-	1,018

7. Amortization for and unamortized balance of goodwill

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

Year ended December 31, 2016 (January 1, 2016 – December 31, 2016)

(millions of yen)

	Reportable segments						Other	General corporate and intercompany eliminations	Total
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total			
Amortization	54	1,670	2,160	34	-	3,920	-	-	3,920
Unamortized Balance as of Dec. 31, 2016	288	11,214	15,556	379	-	27,439	-	-	27,439

8. Gain on negative goodwill by reportable segment

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

Not applicable

Year ended December 31, 2016 (January 1, 2016 – December 31, 2016)

Not applicable