Financial Results
for the three Months Ended March 31, 2017 — Consolidated
(Based on Japanese GAAP)

May 11, 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	Masaki Oga, President and Representative Director
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Scheduled dates:

Filing of quarterly financial report	May 12, 2017
Commencement of dividend payments	-
Supplementary information to the quarterly earnings results	Available
Quarterly earnings results briefing held	Yes (mainly targeted at institutional investors and analysts)

1. Consolidated Financial Results for the Three Months Ended March 31, 2017 (January 1 – March 31, 2017)

(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
- Average number of outstanding shares during the period

(1) Operating Results

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended March 31, 2017	117,788	5.7	(1,453)	-	(1,946)	-	(2,307)	-
Three months ended March 31, 2016	111,391	2.7	(1,427)	-	(2,272)	-	(2,006)	-

Note: Accumulated other comprehensive income

Three months ended March 31, 2017 (3,871) million yen
Three months ended March 31, 2016 (6,428) million yen

	Profit per share	Diluted profit per share
	Yen	Yen
Three months ended March 31, 2017	(29.62)	-
Three months ended March 31, 2016	(25.76)	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
March 31, 2017	590,797	159,618	26.1
December 31, 2016	626,351	166,380	25.7

Note: Shareholders' equity

March 31, 2017: 154,074 million yen

December 31, 2016: 160,687 million yen

2. Dividends

Record date or period	Dividend per share				
	End Q1	End Q2	End Q3	Year-end	Full year
	Yen	yen	yen	Yen	yen
Year ended December 31, 2016	—	0.00	—	37.00	37.00
Year ending December 31, 2017	—				
Year ending December 31, 2017 (forecast)		0.00	—	37.00	37.00

Note:No changes were made to dividend forecasts in the three months ended March 31, 2017.

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 attributable 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: Changes were made to earnings forecasts in the three months ended March 31, 2017: None

4. Other

*For details, see "3. Notes on the quarterly financial statements" on page 13.

(1) Changes in significant subsidiaries during the three months ended March 31, 2017: None

(2) Simplified accounting: Yes

*Use of simplified accounting methods and/or accounting methods specific to quarterly consolidated financial statements

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

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

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

1) Number of shares issued at end of period (treasury stock included):
March 31, 2017: 78,794,298 shares
December 31, 2016: 78,794,298 shares

2) Number of shares held in treasury at end of period:
March 31, 2017: 899,692 shares
December 31, 2016: 898,911 shares

3) Average number of outstanding shares during the period:
Three months ended March 31, 2017: 77,894,901 shares
Three months ended March 31, 2016: 77,903,363 shares

*Quarterly review status

The quarterly financial results are not subject to quarterly reviews pursuant to the Financial Instruments and Exchange Act. The quarterly review of the quarterly 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.

1. Analysis of Operating Results

(1) Consolidated Financial Results for the Three Months ended March 31, 2017

In the first quarter of 2017 (January 1 – March 31, 2017), the Japanese economy remained in a moderate recovery trend, but consumer spending continued to lack strength. Meanwhile, mounting geopolitical risk has added to the uncertainties clouding the future outlook.

In this economic environment, the SAPPORO Group achieved growth in consolidated sales.
The Japanese Alcoholic Beverages business increased shipments of its beer and diversified alcoholic beverage products. The International Business achieved volume growth in its sales of alcoholic beverages and soft drinks in North America, while the Food & Soft Drinks business saw increases in sales volumes for its food and soft drink products.

Despite year-on-year growth in sales volumes in all business segments, the Sapporo Group posted a first-quarter operating loss owing to rising logistics expenses and an increase in fixed costs as we aggressively invested to further enhance brand strength. The operating loss was, however, similar to that posted in the first quarter of the previous year.

As a result of the above factors, in the first quarter of 2017 the SAPPORO Group posted consolidated sales of ¥117.7 billion (up ¥6.3 billion or 6% year on year), an operating loss of ¥1.4 billion (compared with a ¥1.4 billion loss a year earlier), an ordinary loss of ¥1.9 billion (compared with a ¥2.2 billion loss a year earlier), and a net loss attributable to owners of parent of ¥2.3 billion (compared with a loss of ¥2.0 billion a year earlier).

Seasonal Factors

The Group's operating results exhibit substantial seasonal variation because demand for the products and services offered by the Japanese Alcoholic Beverages, International Business, Food & Soft Drinks, and Restaurant businesses tends to be concentrated in the summer months. Sales and profits consequently tend to be lower in the first quarter than in the other three quarters.

Segment information is outlined below.

Japanese Alcoholic Beverages

We estimate that total domestic demand for beer and beer-type beverages in the first quarter of 2017 was slightly lower than in the first quarter of 2016.

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 2017, in line with the business policy of "Beer Revival Declaration."

Among beer products, Sapporo Draft Beer Black Label continued to enjoy strong demand, with sales of the canned version particularly strong. Sales of the Yebisu brand also expanded, supported by customers' favorable response to the March launch of Yebisu Hana Miyabi. As a result, total domestic shipments of beers in the first quarter of 2017 increased 5% year on year. In the happoshu category, Goku Zero sales declined year on year, but sales in the new-genre category were solid, with Mugi to Hop sales even with the previous year's level. Overall, first-quarter shipments of our beer and beer-type beverages products were about the same as a year earlier.

In the RTD[*1] category, Ai no Skal White Sour, the latest addition to our high-value-added collaboration products, was sold only in western Japan and favorably received by customers. Sales of other core RTD products, including Otoko Ume Sour and Kireto Lemon Sour, also were solid, and the category achieved year-on-year sales growth.

We also achieved year-on-year sales growth in the wine category, as we strengthened marketing of fine wines[*2], including an imported wine Penfolds, Taittinger champagne, and our domestic wine Grande Polaire.

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

Our Japanese liquor business also performed well in the first quarter of 2017, with continued strong sales of Imo Shochu Kokuimo, Japan's No. 1 selling[*3] blended *imo* shochu, helping drive up sales over the previous year's level.

Overall, the Japanese Alcoholic Beverages business posted first-quarter sales of ¥54.4 billion, up ¥1.3 billion or 3% year on year. The first-quarter operating loss came to ¥1.9 billion, compared with the ¥1.8 billion loss recorded a year earlier.

*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 the first quarter of 2017 was below previous-year levels in both the United States and Canada. Meanwhile, Asian markets was solid but growth momentum slowed in line with the widely divergent pace of growth in national and regional economies.

In this environment, our International Business continued its efforts to strengthen brand recognition in the premium beer markets in North America and Southeast Asia. In addition, we expanded our sales channel in the US fruit juice market.

Our Canadian subsidiary SLEEMAN BREWERIES continued to invest in the marketing of its core premium brands. As a result, its overall beer sales volume (excluding Sapporo brand beer) increased about 3% year on year in the first quarter of 2017. In the U.S. beer market, Sapporo USA's efforts to expand its customer market among the general population as well as Asian Americans led to a 10% year-on-year increase in shipments of Sapporo brand beers in the first three months of 2017. Our U.S. soft drinks business also achieved year-on-year sales growth, supported by solid sales of commercial-use soft drinks and fruit juice sorbet at Country Pure Foods and Silver Springs Citrus.

In Southeast Asia, our Vietnam business saw its first-quarter beer shipments decline year on year owing to an increase in the country's liquor tax in January and a negative calendar effect from a shorter traditional lunar new year holiday. Our Singapore business, meanwhile, continued its efforts to expand its sales channels in the household- and commercial-use markets.

Elsewhere in Asia, the Korean business' efforts to expand the number of sales outlets carrying our Sapporo Premium Beer led to an increase in beer shipments to both the household- and commercial-use markets. In Oceania, continued efforts to strengthen sales via licensing agreements with local brewing partners produced another year-on-year gain in beer sales volumes.

The efforts and results outlined above produced a strong 11% year-on-year increase in Sapporo brand beer shipments by the International Business during the first quarter of 2017.

As a result, the International Business posted first-quarter sales of ¥16.6 billion, up ¥1.2 billion, or 8%. The segment's first-quarter operating loss came to ¥0.2 billion, compared with last year's ¥0.3 billion loss.

Food & Soft Drinks

We estimate that overall demand for soft drinks in Japan increased 1% year on year during the first quarter of 2017.

In this environment, our domestic soft drinks business continues to strengthen our shokkan-kei (texture), sozai-kei (ingredient) and Gabunomi series of brands and deliver value propositions unique to the Sapporo Group.

The business enhanced its lineup of lemon-based drinks during the first quarter of 2017 by launching two new products that meet customers' diversifying preferences and further differentiate the Sapporo brand from competitors. Pakuchi & Lemonade, a refreshing combination of the coriander herb and lemonade, was added to our World Lemonade series, which combines intriguing ingredients from around the world. Lemon no Shizuku is a new lemon-flavored drink with a strong emphasis on delivering a distinctly lemony taste. We also supplemented our lineup of sugar-free tea drinks made from scarce domestic materials with the limited-time offering of Chiran Nippon Kōcha Mutō Kyō Zakura no Kaori, made from tea leaves from Chiran in Kagoshima Prefecture and cherry blossom extract that delights the senses with the seasonal scent of Kyoto cherry blossoms.

The first quarter of 2017 also saw the domestic food business launch Risorante, a new cup-based risotto brand made from original rice ingredients with a rich, springy texture that excites the palate. Lemon-based food product sales increased 6% year on year in the first quarter, on strong sales of our core Pokka Lemon 100 brand products. We also enhanced our lineup of soymilk and soymilk-based yogurt products with the launch of Plus Nyusankin Tonyu Inryo, a soymilk drink based on the Sapporo Group's proprietary plant-based lactic acid bacterium SBL88.

At the domestic restaurants business, Pokka Create, the POKKA SAPPORO subsidiary that operates the Café de Crié coffee shop chain, is aggressively opening stores inside bookstores and hospitals while also strengthening branding for its new-format Maison de VERRE coffee shops. 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, while also expanding exports, including to other Southeast Asian countries. Meanwhile, our joint venture in Indonesia, PT. POKKA DIMA INTERNATIONAL, made progress preparing for the startup of commercial production at its local plant.

Overall, the Food & Soft Drinks segment recorded sales of ¥31.5 billion in the first quarter, up ¥1.3 billion or 4% year on year. The segment posted an operating loss of ¥0.6 billion, same as the loss recorded in the first quarter of the previous year.

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

Restaurants

Japan's restaurant industry stayed on the recovery track in the first quarter of 2017, while grappling with a severe operating environment characterized by labor shortages and the resulting increase in labor costs as well as the upward trend in food material procurement prices.

In this environment, the 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."

New store openings in Japan included the February opening of a Yebisu Bar outlet in Hiroshima, the chain's first outlet in the Chugoku–Shikoku region, and the March opening of another outlet in Shin Yokohama. Also during the quarter, we renovated the Beer Hall LION GINZA 7-Chome outlet, one of that chain's flagship stores. Meanwhile, we closed three unprofitable outlets. As a result, we had 199 outlets operated by our Restaurants business in Japan as of end-March 2017.

Overseas, we continued to expand our operations in Singapore, where we are building a chain of restaurants popular with local consumers. We fully renovated our Tonkichi Orchard Central outlet located in the center of the city-state and changed its format by rebranding it as Tonkichi Hokkaido. We also renovated three other outlets in Singapore. Meanwhile, we closed one of our RIVE GAUCHE cake shops, reducing the total number of Sapporo Group restaurant outlets operating in Singapore as of end-March 2017 to 13.

Overall, Restaurants business sales in the first quarter of 2017 totaled ¥6.4 billion, up ¥0.6 billion or 11% year on year. The first-quarter operating loss was ¥0.2 billion, compared with a ¥0.1 billion loss in the first quarter of 2016.

Real Estate

Japan's real estate industry continued to enjoy solid demand in the Greater Tokyo office leasing market, keeping vacancy rates low and supporting a continued moderate recovery in rent levels.

In this environment, our real estate leasing business was able to maintain high occupancy rates at its properties in 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.

We are constantly striving to bring new added-value to our core Yebisu Garden Place commercial complex and enhance the property's brand value. Thus far in 2017, those efforts have included the establishment of a consortium-type childcare center that can be used by employees of the many companies with offices in the complex as well as Shibuya Ward residents. The new facility opened its doors in April. We also continued with the renovation and renewal work on the Yebisu Garden Place Tower's 39th floor restaurant row, which offers diners fantastic panoramic views of the area.

GINZA PLACE, a new commercial complex we opened in September 2016, is expected to make a solid contribution to earnings in its first full-year of operation. We will continue to strengthen 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, these efforts are increasing the property's drawing power and helping make the Ginza district an even more dynamic and bustling urban center. Meanwhile, our real estate development business is making steady progress on the redevelopment of our former Sapporo Factory as part of the renovation of the area on the east side of the Sosei River, a focus of Sapporo City's urban redevelopment program. In addition to renovating a commercial complex Sapporo Factory, we are redeveloping the parking lot adjacent to the factory site into a commercial building.

As a result of the efforts outlined above, Real Estate business sales in the first quarter of 2017 totaled ¥5.9 billion, up ¥0.5 billion or 10% year on year. Operating income was ¥2.9 billion, up ¥0.3 billion or 12%.

(2) Consolidated Financial Condition

Consolidated assets as of March 31, 2017, totaled ¥590.7 billion, ¥35.5 billion less than at the end of the previous fiscal year (December 31, 2016). The decline is mainly attributable to decreases in trade notes and accounts receivable and in long-term loans receivable, which more than offset an increase in merchandise and finished products.

Total liabilities totaled ¥431.1 billion, a ¥28.7 billion decrease from December 31, 2016, primarily owing to decreases in trade notes and account payable, liquor taxes payable and long-term bonds, which outweighed increases in commercial paper and accrued bonuses.

Consolidated net assets totaled ¥159.6 billion, down ¥6.7 billion from the end of the previous fiscal year. The decrease primarily reflects lower foreign currency translation adjustments and the payment of year-end dividends.

(3) Consolidated Earnings Forecast

The consolidated earnings forecast for the full fiscal year ending December 31, 2017, is unchanged from the forecast announced by Sapporo Holdings on February 13, 2017.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2016	March 31, 2017
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	10,589	9,428
2 Notes and accounts receivable - trade	96,850	68,489
3 Merchandise and finished products	24,657	27,572
4 Raw materials and supplies	13,315	13,155
5 Other	18,852	19,574
6 Allowance for doubtful receivables	(82)	(62)
Total current assets	164,183	138,159
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	393,022	393,096
Accumulated depreciation	(220,233)	(221,653)
Buildings and structures, net	172,788	171,442
(2) Machinery and vehicles	231,559	231,090
Accumulated depreciation	(187,660)	(188,214)
Machinery and vehicles, net	43,898	42,875
(3) Land	111,636	111,420
(4) Construction in progress	3,694	3,560
(5) Other	34,702	34,268
Accumulated depreciation	(21,224)	(21,148)
Other, net	13,477	13,119
Total property, plant and equipment	345,495	342,418
2 Intangible assets		
(1) Goodwill	27,439	26,285
(2) Other	10,511	10,292
Total intangible assets	37,950	36,577
3 Investments and other assets		
(1) Investment securities	59,296	59,092
(2) Long-term loans receivable	4,789	459
(3) Other	15,831	15,305
(4) Allowance for doubtful receivables	(1,195)	(1,215)
Total investments and other assets	78,721	73,641
Total fixed assets	462,168	452,638
Total assets	626,351	590,797

	December 31, 2016	March 31, 2017
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	38,503	35,802
2 Short-term bank loans	30,337	27,990
3 Commercial Paper	33,000	41,000
4 Current portion of bonds	10,083	10,071
5 Liquor taxes payable	34,228	18,157
6 Income taxes payable	1,680	1,090
7 Accrued bonuses	2,980	4,825
8 Deposits received	8,214	8,872
9 Other	53,095	49,978
Total current liabilities	212,123	197,789
II Long-term liabilities		
1 Bonds	50,128	40,128
2 Long-term bank loans	114,593	114,157
3 Net defined benefit liability	8,995	8,655
4 Dealers' deposits for guarantees	33,241	30,906
5 Other	40,887	39,541
Total long-term liabilities	247,847	233,389
Total liabilities	459,971	431,178
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	46,089	46,089
3 Retained earnings	41,932	36,737
4 Treasury stock, at cost	(1,795)	(1,797)
Total shareholders' equity	140,112	134,915
II Accumulated other comprehensive income		
1 Unrealized holding gain on securities	22,517	22,123
2 Deferred hedge gains	41	30
3 Foreign currency translation adjustments	(1,943)	(2,867)
4 Remeasurements of defined benefit plans	(41)	(128)
Total accumulated other comprehensive income	20,574	19,159
III Non-controlling Interests	5,693	5,544
Total net assets	166,380	159,618
Total liabilities and net assets	626,351	590,797

(2) Consolidated Statements of Income

(millions of yen)

	Three months ended March 31, 2016	Three months ended March 31, 2017
	Amount	Amount
I Net sales	111,391	117,788
II Cost of sales	73,944	77,261
Gross profit	37,446	40,526
III Selling, general and administrative expenses		
1 Sales incentives and commissions	8,074	8,785
2 Advertising and promotion expenses	4,742	5,403
3 Salaries	6,956	7,276
4 Provision for bonuses	1,431	1,514
5 Retirement benefit expenses	206	182
6 Other	17,461	18,817
Total selling, general and administrative expenses	38,874	41,979
Operating loss	(1,427)	(1,453)
IV Non-operating income		
1 Interest income	67	53
2 Dividend income	117	133
3 Equity in income of affiliates	5	4
4 Other	294	225
Total non-operating income	484	416
V Non-operating expenses		
1 Interest expense	532	493
2 Foreign exchange losses	323	182
3 Loss on valuation of derivatives	271	0
4 Other	200	233
Total non-operating expenses	1,329	910
Ordinary loss	(2,272)	(1,946)
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	5	5
2 Gain on sales of investment securities	5	-
Total extraordinary gains	10	5
VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	161	163
2 Loss on sales of property, plant and equipment	2	3
3 Loss on impairment of property, plant and equipment	29	85
4 Compensation expenses	224	174
Total extraordinary losses	418	426
Loss before income taxes	(2,681)	(2,367)
Income taxes	(586)	(87)
Loss	(2,095)	(2,280)
Profit (loss) attributable to non-controlling interests	(88)	26
Loss attributable to owners of parent	(2,006)	(2,307)

Loss	(2,095)	(2,280)
Other comprehensive income		
Unrealized holding gain on securities	(3,664)	(394)
Deferred hedge gains (losses)	(14)	1
Foreign currency translation adjustments	(605)	(1,111)
Remeasurements of defined benefit plans	(49)	(86)
Total other comprehensive income	(4,333)	(1,591)
Comprehensive income	(6,428)	(3,871)
(Breakdown)		
Comprehensive income attributable to owners of parent	(6,055)	(3,722)
Comprehensive income attributable to non-controlling interests	(373)	(148)

3. Notes on the quarterly financial statements

(Notes on the Going-concern Assumption)

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

Not applicable

(Application of accounting methods specific to the preparation of quarterly consolidated financial statements)

Calculation of tax liabilities

The Company calculates tax liabilities by producing a reasonable estimate of the effective tax rate after applying tax-effect accounting to income before taxes for the fiscal year, which encompasses the three months ended March 31, 2017, and then multiplying income (loss) before income taxes by this estimated effective tax rate.

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

Not applicable

(Additional information)

Implementation Guidance on Recoverability of Deferred Tax Assets

Sapporo Holdings has applied the revised Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan [ASBJ] Guidance No. 26 of March 28, 2016) to its consolidated accounts from the first quarter of the year ending December 31, 2017.

4. Segment Information

Ⅰ Three months ended March 31, 2016 (January 1, 2016 – March 31, 2016)

1. Sales, income, and loss by reportable segment

(millions of yen)

	Reportable segments						Other *1	Total	Adjustments	Amounts reported on the statements of income *2
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total				
Net sales										
(1) Operating revenues	53,150	15,421	30,237	5,793	5,376	109,979	1,411	111,391	-	111,391
(2) Intra-group sales and transfers	575	30	32	1	604	1,243	4,149	5,392	(5,392)	-
Total	53,726	15,451	30,270	5,794	5,980	111,223	5,560	116,784	(5,392)	111,391
Segment income (loss)	(1,804)	(390)	(643)	(139)	2,610	(367)	(99)	(467)	(960)	(1,427)

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.

2. 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)	Amount
Total for reportable segments	(367)
Total other losses	(99)
Unallocated corporate costs	(951)
Intra-segment sales	(9)
Operating losses on the statement of income	(1,427)

3. Impairment Loss on Fixed Assets or Goodwill by Reportable Segment

(Significant impairment losses on fixed assets)

Not Applicable

(Significant changes in the amount of goodwill)

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 first quarter of 2016, however, allocation of the acquisition cost was completed and the amount of goodwill was adjusted. This adjustment increases goodwill posted on accounts for the first-quarter of 2016 by ¥264 million.

(Material Gain on negative goodwill)

Not Applicable

Ⅱ Three months ended March 31, 2017 (January 1, 2017 – March 31, 2017)

1. Sales, income, and loss by reportable segment

(millions of yen)

	Reportable segments						Other *1	Total	Adjustments	Amounts reported on the statements of income *2
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total				
Net sales										
(1) Operating revenues	54,485	16,631	31,569	6,452	5,900	115,038	2,750	117,788	-	117,788
(2) Intra-group sales and transfers	742	17	39	0	613	1,413	4,404	5,818	(5,818)	-
Total	55,228	16,648	31,608	6,452	6,514	116,452	7,154	123,606	(5,818)	117,788
Segment income (loss)	(1,984)	(238)	(647)	(281)	2,931	(221)	(96)	(318)	(1,134)	(1,453)

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.

2. 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)	Amount
Total for reportable segments	(221)
Total other losses	(96)
Unallocated corporate costs	(1,179)
Intra-segment sales	44
Operating losses on the statement of income	(1,453)

3. Impairment Loss on Fixed Assets or Goodwill by Reportable Segment
(Significant impairment losses on fixed assets)
Not Applicable

(Significant changes in the amount of goodwill)
Not Applicable

(Material Gain on negative goodwill)
Not Applicable

(Subsequent Events)
None