



Six Months ended June 30, 2018

Consolidated First Half Earnings Report - Supplementary Information

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August 2018

SAPPORO HOLDINGS LTD.

Securities Code: 2501

URL <http://www.sapporoholdings.jp/english/>

Financial Highlights (2014-2018)

Consolidated Financial Highlights

(billions of yen, except percentages, ratios, per-share data, and exchange rates)

		Six months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2017	Six months ended June 30, 2018
		J GAAP	J GAAP	J GAAP	J GAAP	IFRS	IFRS
Revenue	Including liquor tax	239.9	245.9	249.0	258.0	250.7	241.7
	Excluding liquor tax	187.6	194.6	195.7	203.6	191.0	185.7
Overseas revenue to total		19.8%	24.3%	21.9%	22.0%	23.2%	23.4%
Operating profit	Before goodwill amortization	2.9	0.7	5.0	4.9	1.2	(3.0)
	After goodwill amortization	1.0	(1.3)	3.0	3.0		
Operating margin	Including liquor tax / after goodwill amortization	0.4%	-	1.2%	1.2%	0.5%	-
	Excluding liquor tax /before goodwill amortization	1.5%	0.4%	2.6%	2.4%	0.6%	-
	Excluding liquor tax /after goodwill amortization	0.5%	-	1.6%	1.5%		
Ordinary income		0.3	(1.5)	2.6	2.7	-	-
Profit attributable to owners of parent		(10.9)	1.2	0.5	0.2	(0.2)	(2.5)
Total assets		603.3	621.1	594.9	606.0	640.2	643.9
Total equity		142.4	161.9	151.3	165.6	162.6	161.8
Balance of debt (*2)	Gross	261.2	243.4	238.8	231.7	231.9	237.7
	Net	250.3	232.8	226.3	221.2	221.6	227.9
Debt-to-equity ratio (times)	Gross	1.8	1.5	1.6	1.4	1.4	1.5
	Net	1.8	1.4	1.5	1.3	1.4	1.4
<For reference> Profit from operations before non-recurring items (*3)		1.0	(1.3)	3.0	3.0	1.8	(2.4)
Profit from operations before non-recurring items (after subtracting levies)(*4)		1.0	(1.3)	3.0	3.0	3.0	(1.1)
Depreciation and amortization		12.1	11.8	10.9	11.5	13.3	13.0
Amortization of goodwill		1.9	2.0	1.9	1.9	-	-
EBITDA(*5)		14.9	12.6	15.9	16.5	15.0	10.6
Capital expenditure	Cash basis	9.8	13.5	10.0	8.8	8.8	9.9
Exchange rates (Yen) (*6)	US\$	102.46	120.31	111.74	112.34	112.34	108.68
	CAN\$	93.40	97.33	83.90	84.24	84.24	85.06

		2014	2015	2016	2017	2017	2018 (Forecast)
		J GAAP	J GAAP	J GAAP	J GAAP	IFRS	IFRS
Revenue	Including liquor tax	518.7	533.7	541.8	551.5	536.6	537.8
	Excluding liquor tax	401.8	418.3	424.1	433.3	406.8	413.8
Overseas revenue to total		19.2%	22.6%	20.5%	21.2%	22.4%	22.2%
Operating profit	Before goodwill amortization	18.5	18.1	24.2	21.0	12.8	16.1
	After goodwill amortization	14.7	14.0	20.3	17.0		
Operating margin	Including liquor tax / after goodwill amortization	2.8%	2.6%	3.7%	3.1%	2.4%	3.0%
	Excluding liquor tax /before goodwill amortization	4.6%	4.3%	5.7%	4.8%	3.1%	3.9%
	Excluding liquor tax /after goodwill amortization	3.7%	3.3%	4.8%	3.9%		
Ordinary income		14.6	13.2	19.2	16.4	-	-
Profit attributable to owners of parent		0.3	6.1	9.5	11.0	7.2	9.2
Total assets		625.4	620.4	626.4	630.6	664.7	
Total equity		160.0	163.8	166.4	177.7	175.7	
Balance of debt (*2)	Gross	247.6	234.7	238.1	233.6	233.9	237.6
	Net	237.8	224.3	227.6	220.9	221.4	224.9
Debt-to-equity ratio (times)	Gross	1.5	1.4	1.4	1.3	1.3	1.3
	Net	1.5	1.4	1.4	1.2	1.3	1.2
<For reference> Profit from operations before non-recurring items (*3)		14.7	14.0	20.3	17.0	17.4	18.6
Depreciation and amortization		24.5	24.2	22.3	23.6	25.4	24.4
Amortization of goodwill		3.8	4.2	3.9	4.0	-	-
EBITDA(*4)		43.0	42.3	46.5	44.6	42.8	43.0
Capital expenditure	Cash basis	19.1	20.3	21.8	15.3	15.3	31.8
ROE (%)	Before goodwill amortization	2.7%	6.5%	8.4%	8.9%	4.2%	5.2%
	After goodwill amortization	0.2%	3.9%	5.9%	6.6%		
EPS (yen sen) (*6)	Before goodwill amortization	10.53	131.71	171.89	191.70	92.26	118.11
	After goodwill amortization	0.87	78.40	121.56	140.93		
Exchange rates (Yen) (*7)	US\$	105.79	121.11	108.81	112.17	112.17	110.00
	CAN\$	95.74	94.82	82.07	86.47	86.47	88.00

*1: The Company has voluntarily applied International Financial Reporting Standard (IFRS) from the first quarter of fiscal 2018.

The data of the fiscal 2017 is also presented based on IFRS for comparison.

All figures in this supplementary information are rounded to the nearest applicable unit.

*2: The balance of debt includes commercial paper but excludes the balance of lease obligations.

*3: Profit from operations before non-recurring items is calculated as Revenue – Cost of sales – SG&A expenses.

*4: Profit from operations before non-recurring items (after subtracting levies) represents profit from operations after subtracting of levies which are adjusted based on the time of recognition.
Under IFRS, levies including real-estate tax are expensed in full (excluding inventories) on January 1.

*5: EBITDA (JGAAP) = Profit from operations before non-recurring items + Depreciation and amortization + Amortization of goodwill
EBITDA (IFRS) = Profit from operations before non-recurring items + Depreciation and amortization (excluding depreciation expense on leased assets which is charged on the rent of restaurants)

*6: 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 EPS have been recalculated on the assumption that the share consolidation took place at the beginning of fiscal year 2015.

*7: Revenues and expenses are translated into Japanese yen at the average exchange rate for the fiscal year.

Major Sales and Sales Volume

Alcoholic Beverage (Japan)

(10,000 cases)

	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2018	YoY	Fiscal 2017 Actual	Full-year estimate for fiscal 2018	YoY
Sapporo Draft Beer Black Label (total)	785	778	99%	1,701	1,706	100%
YEBISU (total)	418	360	86%	961	851	89%
1 Beer (total)	1,391	1,303	94%	3,102	3,007	97%
2 Happoshu (total)	164	127	78%	335	245	73%
3 New genre beer products (total)	686	617	90%	1,422	1,247	88%
Beer, happoshu, and new genre (total 1+2+3)	2,241	2,047	91%	4,859	4,500	93%
Non-alcoholic beer taste beverage	34	47	140%	70	106	151%

(billions of yen)

	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2018	YoY	Fiscal 2017 Actual	Full-year estimate for fiscal 2018	YoY
Domestic wines	2.4	2.3	94%	5.1	5.2	102%
Imported wines	3.7	3.5	95%	8.5	8.8	103%
Wine (total)	6.1	5.8	94%	13.6	14.0	103%
RTD, Spirits and Shochu (total)	14.5	15.8	108%	31.2	35.5	114%
Subtotal	20.8	21.7	104%	44.9	49.5	110%
Rebate subtracted from sales	(3.3)	(3.5)	-	(7.2)	-	-
Total	17.5	18.1	104%	37.7	-	-

*Full year estimate for rebate subtracted from sales is not disclosed.

Beer (International)

(10,000 cases)

	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2018	YoY	Fiscal 2017 Actual	Full-year estimate for fiscal 2018	YoY
Overseas brand (SLEEMAN, Anchor, etc.)	615	662	108%	1,300	1,410	108%
Sapporo brand	292	305	104%	643	680	106%

Soft Drinks (POKKA SAPPORO FOOD & BEVERAGE)

(10,000 cases)

	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2018	YoY	Fiscal 2017 Actual	Full-year estimate for fiscal 2018	YoY
Soft Drinks(*1)	2,129	2,031	95%	4,551	4,700	103%

*1 : Excludes sales other than Japan and soy milk drinks sales in Japan

Consolidated Results (Six Months ended June 30, 2018)

Condensed Consolidated Statements of Income

(billions of yen)

	Six months ended	Six months ended	Change	Change (%)
	June 30, 2017	June 30, 2018		
	IFRS	IFRS		
Japanese Alcoholic Beverages(*2)	119.2	113.4	(5.8)	(4.8)%
International Business (*2)	37.9	37.8	(0.1)	(0.2)%
Food & Soft Drinks	62.8	59.6	(3.1)	(5.0)%
Restaurants	13.6	13.2	(0.4)	(3.2)%
Real Estate	11.7	12.1	0.4	3.1%
Other	5.6	5.7	0.1	2.2%
Revenue	250.7	241.7	(8.9)	(3.6)%
Japanese Alcoholic Beverages(*2)	0.6	(2.3)	(2.9)	-
International Business (*2)	0.5	(0.2)	(0.7)	-
Food & Soft Drinks	(0.3)	(1.3)	(1.0)	-
Restaurants	(0.3)	(0.5)	(0.1)	-
Real Estate	4.2	4.6	0.3	8.0%
Other	(0.2)	(0.1)	0.1	-
General corporate and intercompany eliminations	(3.4)	(3.2)	0.1	-
Operating profit	1.2	(3.0)	(4.2)	-
Financial income (expense) / Foreign exchange gains (losses)	(0.5)	(0.6)	(0.1)	-
Equity in net income (loss) of affiliates	0.0	0.0	(0.0)	(4.2)%
Profit (loss) before tax	0.7	(3.6)	(4.3)	-
Income taxes	1.1	(0.7)	(1.9)	-
Profit (loss) attributable to non-controlling interest	(0.3)	(0.4)	(0.1)	-
Profit (loss) attributable to owners of parent	(0.2)	(2.5)	(2.3)	-
<For reference>				
Profit from operations before non-recurring items(*3)	1.8	(2.4)	(4.1)	-
Profit from operations before non-recurring items (after subtracting levies)(*4)	3.0	(1.1)	(4.2)	-
EBITDA (*5)	15.0	10.6	(4.4)	(29.6)%

*1: The Company has voluntarily applied International Financial Reporting Standard (IFRS) from the first quarter of fiscal 2018. The data of the fiscal 2017 is also presented based on IFRS for comparison. All figures in this supplementary information are rounded to the nearest applicable unit.

*2: The export business of Sapporo International Inc. has been transferred to Sapporo Breweries Ltd. effective January 1, 2018. Accordingly, the business was previously included in the International Business segment, but has been included in the Japanese Alcoholic Beverages segment. The consolidated financial statements for fiscal 2017 have been adjusted retroactively to reflect these changes. (Revenue: 1.0 billion yen, Operating profit: 0.1 billion yen)

*3: Profit from operations before non-recurring items is calculated as Revenue – Cost of sales – SG&A expenses.

*4: Profit from operations before non-recurring items (after subtracting levies) represents profit from operations after subtracting of levies which are adjusted based on the time of recognition. Under IFRS, levies including real-estate tax are expensed in full (excluding inventories) on January 1.

*5: EBITDA=Profit from operations before non-recurring items+ Depreciation and amortization (excluding depreciation expense on leased which is charged on the rent of restaurants)

Condensed Consolidated Statements of Cash Flows

	Six Months ended June 30, 2017	Six Months ended June 30, 2018	Change	Change (%)
Cash flows from operating activities	18.2	11.1	(7.2)	(39.4)%
Cash flows from investing activities	(6.0)	(11.5)	(5.5)	-
Free Cash flows	12.2	(0.4)	(12.7)	(103.6)%
Cash flows from financial activities	(12.3)	(2.1)	10.2	-

Sales Breakdown for Japanese Alcoholic Beverages

Sales (including liquor tax)

(billions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018	Change	Change (%)
Beer	76.3	71.5	(4.7)	(6.2)%
Happoshu	6.3	4.9	(1.4)	(21.8)%
New genre	22.6	20.3	(2.3)	(10.3)%
Subtotal	105.2	96.8	(8.4)	(8.0)%
Rebate subtracted from sales	(6.1)	(5.2)	0.9	-
Total	99.0	91.5	(7.5)	(7.6)%

Sales (excluding liquor tax)

(billions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018	Change	Change (%)
Beer	37.7	35.2	(2.5)	(6.5)%
Happoshu	3.5	2.7	(0.7)	(21.3)%
New genre	15.7	14.1	(1.6)	(10.5)%
Subtotal	56.9	52.1	(4.9)	(8.5)%
Rebate subtracted from sales	(6.1)	(5.2)	0.9	-
Total	50.8	46.8	(4.0)	(7.8)%

Consolidated Results (Six Months ended June 30, 2018)

Breakdown of key income Changes

(billions of yen)

		Six months ended June 30, 2017	Six months ended June 30, 2018	Change	Details
Change factor		IFRS	IFRS		
Beer and related products		(1.3)	(3.8)	(2.5)	
Marginal profit	Subtotal			(2.8)	
	Increase (decrease) in volume / Product mix			(2.8)	Beer -1.5 Happoshu -0.5 New genre -1.0 Product mix +0.2
	Other			0.0	Non-Alcoholic Beer, RTD, Production costs, other factors
Fixed costs and other	Subtotal			0.3	
	Sales promotion costs			0.2	Sales commissions
	Facility cost			0.1	Depreciation and amortization, other factors
	Other			0.0	Personnel expenses, General and administrative expenses
Wine and spirits		1.6	1.4	(0.2)	
Other		0.4	0.3	(0.1)	
	Adjustment of difference between J GAAP and IFRS	(0.1)	(0.2)	(0.1)	Non-recurring items
Japanese Alcoholic Beverages (*2)		0.6	(2.3)	(2.9)	
North America and other		1.2	(0.4)	(1.6)	
	Increase (decrease) in volume / Product mix			(1.1)	Decrease in soft drinks sales volume, Production costs
	Marketing costs			0.2	SLEEMAN BREWERIES LTD., SAPPORO USA, INC.
	Other			(0.6)	Personnel expenses, General and administrative expenses, ANCHOR BREWING COMPANY, LLC
Vietnam		(0.7)	0.0	0.8	
	Increase (decrease) in volume / Product mix			0.5	
	Marketing costs			0.3	
	Other			0.0	
	Adjustment of difference between J GAAP and IFRS	0.0	0.1	0.1	Non-recurring items
International (*2)		0.5	(0.2)	(0.7)	
Japanese Food & Soft Drinks		(0.1)	(0.9)	(0.8)	
	Increase (decrease) in volume / Product mix			(1.1)	Decrease in volume
	Production costs			0.0	
	Marketing costs			0.1	Sales commissions
	Fixed costs and other			0.2	Logistics costs, Personnel expenses, General and administrative expenses etc.
	Other	0.1	(0.1)	(0.2)	Vending machine operators, and other
	Adjustment of difference between J GAAP and IFRS	(0.2)	(0.3)	(0.1)	Overseas Soft Drinks/ Domestic coffee shop chain
Food & Soft Drinks		(0.3)	(1.3)	(1.0)	
	Existing stores			(0.2)	
	New stores / Refurbished stores			0.3	
	Adjustment of difference between J GAAP and IFRS	0.1	(0.1)	(0.2)	Non-recurring items
Restaurants		(0.3)	(0.5)	(0.1)	
	Rent			0.3	
	Sales/ Other factors			(0.0)	
	Adjustment of difference between J GAAP and IFRS	(0.2)	(0.1)	0.0	Non-recurring items
Real Estate		4.2	4.6	0.3	
	Logistics business			0.0	
	Other			(0.0)	
	Adjustment of difference between J GAAP and IFRS	(0.1)	0.0	0.1	Non-recurring items
Other		(0.2)	(0.1)	0.1	
	General corporate			(0.0)	
	Adjustment of difference between J GAAP and IFRS	(0.1)	0.0	0.1	Non-recurring items
General corporate and intercompany eliminations		(3.4)	(3.2)	0.1	
Operating profit		1.2	(3.0)	(4.2)	
	Financial income (expense) / Foreign exchange gains (losses)	(0.5)	(0.6)	(0.1)	
	Equity in income (losses) of affiliates	0.0	0.0	(0.0)	
Profit (loss) before tax		0.7	(3.6)	(4.3)	
Corporate tax, etc. / Profit (loss) attributable to non-controlling interests		(0.9)	1.1	2.0	
Profit (loss) attributable to owners of parent		(0.2)	(2.5)	(2.3)	

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The data of the fiscal 2017 is also presented based on IFRS for comparison.

*2: The export business of Sapporo International Inc. has been transferred to Sapporo Breweries Ltd. effective January 1, 2018.
Accordingly, the business was previously included in the International Business segment, but has been included in the Japanese Alcoholic Beverages segment.
The consolidated financial statements for fiscal 2017 have been adjusted retroactively to reflect these changes.
(Revenue: 1.0 billion yen, Operating profit: 0.1 billion yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Yen/US\$	112.34	108.68
Yen/CAN\$	84.24	85.06
Yen/EUR	121.66	131.55

Consolidated Results (Six Months ended June 30, 2018)

Segment Information

(billions of yen)

Six months ended June 30, 2017 IFRS	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Other	Corporate and eliminations	Consolidated total
Revenue	119.2	37.9	62.8	13.6	11.7	5.6	-	250.7
Operating profit	0.6	0.5	(0.3)	(0.3)	4.2	(0.2)	(3.4)	1.2
Sales promotion costs								
Sales incentives and commissions	2.3	0.1	5.1	0.0	0.0	0.1	(0.0)	7.5
Advertising and promotion expenses	7.7	0.5	1.7	0.3	0.2	0.0	(0.0)	10.5
Promotion items	2.5	1.8	0.0	0.0	0.0	0.0	(0.1)	4.2
<For reference> Profit from operations before non-recurring items (*3)	0.7	0.5	(0.1)	(0.4)	4.4	(0.1)	(3.2)	1.8
Depreciation and amortization	4.6	1.8	3.0	0.4	2.5	0.1	1.0	13.3
EBITDA (*4)	5.2	2.3	2.9	(0.0)	6.9	(0.1)	(2.2)	15.0
Capital expenditures (cash basis)	2.1	1.7	1.2	0.5	2.1	0.1	1.2	8.8
Payment of lease obligations	0.2	0.2	2.0	0.9	0.1	0.0	(0.1)	3.3

Six months ended June 30, 2018 IFRS	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Other	Corporate and eliminations	Consolidated total
Revenue	113.4	37.8	59.6	13.2	12.1	5.7	-	241.7
Operating profit	(2.3)	(0.2)	(1.3)	(0.5)	4.6	(0.1)	(3.2)	(3.0)
Sales promotion costs								
Sales incentives and commissions	2.4	0.1	4.9	0.0	0.0	0.1	(0.0)	7.4
Advertising and promotion expenses	8.1	0.4	1.8	0.4	0.2	0.0	0.0	10.8
Promotion items	2.3	1.6	0.1	0.0	0.0	0.0	(0.0)	4.0
<For reference> Profit from operations before non-recurring items (*3)	(2.1)	(0.3)	(1.0)	(0.3)	4.7	(0.1)	(3.2)	(2.4)
Depreciation and amortization	4.5	1.9	2.9	0.3	2.5	0.0	0.8	13.0
EBITDA (*4)	2.4	1.5	1.9	(0.0)	7.2	(0.1)	(2.4)	10.6
Capital expenditures (cash basis)	2.9	1.7	0.9	0.2	2.7	0.1	1.3	9.9
Payment of lease obligations	0.2	0.3	2.0	1.1	0.1	0.0	(0.1)	3.5

Change	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Other	Corporate and eliminations	Consolidated total
Revenue	(5.8)	(0.1)	(3.1)	(0.4)	0.4	0.1	-	(8.9)
Operating profit	(2.9)	(0.7)	(1.0)	(0.1)	0.3	0.1	0.1	(4.2)
Sales promotion costs								
Sales incentives and commissions	0.1	(0.0)	(0.2)	0.0	0.0	0.0	0.0	(0.1)
Advertising and promotion expenses	0.3	(0.2)	0.1	0.1	(0.0)	0.0	0.0	0.3
Promotion items	(0.2)	(0.2)	0.1	0.0	0.0	0.0	0.0	(0.2)
<For reference> Profit from operations before non-recurring items (*3)	(2.8)	(0.8)	(0.9)	0.1	0.3	(0.0)	(0.0)	(4.1)
Depreciation and amortization	(0.1)	0.0	(0.0)	(0.0)	0.0	(0.0)	(0.2)	(0.3)
EBITDA (*4)	(2.9)	(0.8)	(1.0)	0.0	0.3	(0.0)	(0.2)	(4.4)
Capital expenditures (cash basis)	0.8	0.0	(0.3)	(0.2)	0.7	0.0	0.1	1.1
Payment of lease obligations	0.0	0.1	(0.0)	0.2	0.0	(0.0)	(0.0)	0.2

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*3: Profit from operations before non-recurring items is calculated as Revenue – Cost of sales – SG&A expenses.

*4: EBITDA=Profit from operations before non-recurring items+ Depreciation and amortization (excluding depreciation expense on leased assets which is charged on the rent of restaurants)

Consolidated Results (Six Months ended June 30, 2018)

Condensed Consolidated Balance Sheets

(billions of yen)

	December 31, 2017 IFRS	June 30, 2018 IFRS	Change	Primary Reasons
Current assets	164.8	145.9	(18.9)	
Cash and cash equivalents	12.5	9.8	(2.7)	
Trade and other receivables	98.3	81.7	(16.6)	Seasonal factors
Inventories	37.9	40.0	2.1	
Other	16.0	14.5	(1.6)	
Non-current assets	500.0	498.0	(1.9)	
Fixed assets	164.7	164.8	0.2	
Investment property	219.7	219.1	(0.6)	
Goodwill	24.9	24.7	(0.2)	
Other	90.7	89.4	(1.3)	
Total assets	664.7	643.9	(20.8)	
Current liabilities	228.8	212.0	(16.8)	
Trade and other payables	36.5	35.8	(0.7)	
Short-term financial liabilities	80.7	74.0	(6.8)	
Other	111.6	102.3	(9.3)	Decrease in liquor taxes payable and decrease in corporate tax
Non-current liabilities	260.2	270.1	9.9	
Long-term financial liabilities	153.2	163.7	10.5	Issuance of bonds
Net defined benefit liability	6.3	8.1	1.8	
Other	100.7	98.4	(2.4)	
Total liabilities	489.0	482.1	(6.9)	
Equity attributable to owners of parent	172.1	158.7	(13.4)	Net loss in 2Q, Distribution of dividends
Equity attributable to non-controlling interests	3.7	3.1	(0.5)	
Total equity	175.7	161.8	(13.9)	
Total liabilities and equity	664.7	643.9	(20.8)	

Financial Liabilities by segment

(billions of yen)

	December 31, 2017 IFRS	June 30, 2018 IFRS	Change	Primary Reasons
Japanese Alcoholic Beverages	30.2	36.5	6.3	
International	29.3	28.7	(0.6)	
Food & Soft Drinks	5.9	6.3	0.3	
Restaurants	0.3	0.2	(0.1)	
Real Estate	130.0	132.7	2.7	
Other	3.0	3.1	0.1	
Corporate and eliminations	35.1	30.2	(5.0)	
Total	233.9	237.7	3.8	

*1: The Company has voluntarily applied International Financial Reporting Standard (IFRS) from the first quarter of fiscal 2018. The data of the fiscal 2017 is also presented based on IFRS for comparison.

Overview of Segmentation Changes 2018

No change has been made to segmentation in the fiscal year ending December 31, 2018.
Reportable segment income refers to operating income. Equity-method affiliates are therefore omitted below.

2017 Segmentation		2018 Segmentation	
Segment	Consolidated subsidiaries	Segment	Consolidated subsidiaries
Japanese Alcoholic Beverages	SAPPORO BREWERIES LTD.	Japanese Alcoholic Beverages	SAPPORO BREWERIES LTD.
	YEBISU WINEMART CO., LTD.		YEBISU WINEMART CO., LTD.
	TANOSHIMARU SHUZO CO., LTD.		TANOSHIMARU SHUZO CO., LTD.
	STARNET CO., LTD.		STARNET CO., LTD.
	SHINSEIEN CO.,LTD.		SHINSEIEN CO.,LTD.
International	SAPPORO INTERNATIONAL INC.	International	SAPPORO INTERNATIONAL INC.
	SAPPORO U.S.A., INC.		SAPPORO U.S.A., INC.
	SAPPORO CANADA INC.		SAPPORO CANADA INC.
	SLEEMAN BREWERIES LTD.		SLEEMAN BREWERIES LTD.
	SAPPORO ASIA PRIVATE LIMITED		SAPPORO ASIA PRIVATE LIMITED
	SAPPORO VIETNAM LIMITED		SAPPORO VIETNAM LIMITED
	SILVER SPRINGS CITRUS, INC.		COUNTRY PURE FOODS, INC.
	COUNTRY PURE FOODS, INC.		SILVER SPRINGS CITRUS, INC.
	SAPPORO NORTH AMERICA INC.		SAPPORO NORTH AMERICA INC.
	ANCHOR BREWING COMPANY, LLC		ANCHOR BREWING COMPANY, LLC
	And another 12 companies		And another 12 companies
Food & Soft Drinks	POKKA SAPPORO FOOD & BEVERAGE LTD.	Food & Soft Drinks	POKKA SAPPORO FOOD & BEVERAGE LTD.
	POKKA CREATE CO., LTD.		POKKA CREATE CO., LTD.
	PS BEVERAGE LTD		PS BEVERAGE LTD
	STAR BEVERAGE SERVICE CO., LTD.		STAR BEVERAGE SERVICE CO., LTD.
	POKKA SAPPORO HOKKAIDO LTD.		POKKA SAPPORO HOKKAIDO LTD.
	NH BEANS CO.,LTD.		NH BEANS CO.,LTD.
	POKKA CORPORATION (SINGAPORE) PTE. LTD.		POKKA CORPORATION (SINGAPORE) PTE. LTD.
	POKKA INTERNATIONAL PTE. LTD.		POKKA INTERNATIONAL PTE. LTD.
	PT. POKKKA DIMA INTERNATIONAL		PT. POKKKA DIMA INTERNATIONAL
	And another 8 companies		And another 8 companies
Restaurants	SAPPORO LION LIMITED	Restaurants	SAPPORO LION LIMITED
	NEW SANKO INC.		NEW SANKO INC.
	MARUSHINKAWAMURA INC.		MARUSHINKAWAMURA INC.
	GINRINSUISAN INC.		GINRINSUISAN INC.
	SAPPORO LION (SINGAPORE) PTE.LTD.		SAPPORO LION (SINGAPORE) PTE.LTD.
Real Estate	SAPPORO REAL ESTATE CO.,LTD.	Real Estate	SAPPORO REAL ESTATE CO.,LTD.
	YGP REAL ESTATE CO., LTD.		YGP REAL ESTATE CO., LTD.
	TOKYO ENERGY SERVICE CO., LTD.		TOKYO ENERGY SERVICE CO., LTD.
	YOKOHAMA KEIWA BUILDING CO., LTD.		YOKOHAMA KEIWA BUILDING CO., LTD.
Other	SAPPORO GROUP MANAGEMENT LTD.	Other	SAPPORO GROUP MANAGEMENT LTD.
	SAPPORO GROUP LOGISTICS CO., LTD.		SAPPORO GROUP LOGISTICS CO., LTD.
	SAPPORO LOGISTICS SYSTEMS CO., LTD.		SAPPORO LOGISTICS SYSTEMS CO., LTD.
	SHINSYU-ICHI MISO CO., LTD.		SHINSYU-ICHI MISO CO., LTD.
Corporate and eliminations	SAPPORO HOLDINGS LTD.	Corporate and eliminations	SAPPORO HOLDINGS LTD.
	SAPPORO GROUP MANAGEMENT LTD.		SAPPORO GROUP MANAGEMENT LTD.

Consolidated Forecasts (Year ending December 31, 2018)

Condensed Consolidated Statements of Income

(billions of yen)

	Year ended December 31, 2017	Year ending December 31, 2018 (Forecast)	Change	Change (%)
	IFRS	IFRS		
Japanese Alcoholic Beverages (*2)	261.6	254.5	(7.1)	(2.7)%
International (*2)	78.5	81.9	3.4	4.4%
Food & Soft Drinks	132.1	135.6	3.5	2.7%
Restaurants	28.6	28.8	0.2	0.6%
Real Estate	23.9	24.9	1.0	4.2%
Other	11.8	12.1	0.3	2.1%
Revenue	536.6	537.8	1.2	0.2%
Japanese Alcoholic Beverages (*2)	10.1	7.5	(2.6)	(25.6)%
International (*2)	(2.8)	1.1	3.9	-
Food & Soft Drinks	2.4	3.6	1.2	48.1%
Restaurants	(0.5)	0.1	0.6	-
Real Estate	10.3	10.7	0.4	4.2%
Other	(0.1)	0.1	0.2	-
General corporate and intercompany eliminations	(6.6)	(7.0)	(0.4)	-
Operating profit	12.8	16.1	3.3	25.7%
Financial income (expense) / Foreign exchange gains (losses)	(1.3)	(1.0)	0.3	-
Equity in net income (loss) of affiliates	0.0	0.0	(0.0)	-
Profit before tax	11.5	15.1	3.6	30.9%
Income taxes	5.2	5.7	0.5	10.2%
Profit (loss) attributable to non-controlling interest	(0.8)	0.2	1.0	-
Profit attributable to owners of parent	7.2	9.2	2.0	28.0%
<For reference>				
Profit from operations before non-recurring items (*3)	17.4	18.6	1.2	6.6%
EBITDA (*4)	42.8	43.0	0.2	0.5%

*1: The Company has voluntarily applied International Financial Reporting Standard (IFRS) from the first quarter of fiscal 2018. The data of the fiscal 2017 is also presented based on IFRS for comparison.

*2: The export business of Sapporo International Inc. has been transferred to Sapporo Breweries Ltd. effective January 1, 2018. Accordingly, the business was previously included in the International Business segment, but has been included in the Japanese Alcoholic Beverages segment. The consolidated financial statements for fiscal 2017 have been adjusted retroactively to reflect these changes. (Net sales: 2.6 billions of yen, Operating income: 0.4 billions of yen)

*3: Profit from operations before non-recurring items is calculated as Revenue – Cost of sales – SG&A expenses.

*4: EBITDA=Profit from operations before non-recurring items+ Depreciation and amortization (excluding depreciation expense on leased assets which is charged on the rent of restaurants)

Condensed Consolidated Statements of Cash Flows

	Year ended December 31, 2017	Year ending December 31, 2018 (Forecast)	Change	Change (%)
	IFRS	IFRS		
Cash flows from operating activities	33.8	35.4	1.6	4.8%
Cash flows from investing activities	(17.8)	(35.8)	(18.0)	-
Free Cash flows	16.0	(0.4)	(16.4)	(102.5)%

Sales Breakdown for Japanese Alcoholic Beverages

Sales (including liquor tax)

(billions of yen)

	Year ended December 31, 2017	Year ending December 31, 2018 (Forecast)	Change	Change (%)
	IFRS	IFRS		
Beer	171.0	166.6	(4.4)	(2.6)%
Happoshu	12.8	9.4	(3.4)	(26.3)%
New genre	46.7	40.5	(6.2)	(13.3)%
Subtotal	230.5	216.5	(14.0)	(6.1)%
Rebate subtracted from sales	(12.7)	-	-	-
Total	217.8	-	-	-

Sales (excluding liquor tax)

(billions of yen)

	Year ended December 31, 2017	Year ending December 31, 2018 (Forecast)	Change	Change (%)
	IFRS	IFRS		
Beer	84.6	82.8	(1.8)	(2.1)%
Happoshu	7.1	5.3	(1.9)	(26.1)%
New genre	32.3	27.9	(4.4)	(13.8)%
Subtotal	124.0	115.9	(8.1)	(6.5)%
Rebate subtracted from sales	(12.7)	-	-	-
Total	111.3	-	-	-

* Full year estimate for rebate subtracted from sales is not disclosed.

Consolidated Forecasts (Year ending December 31, 2018)

Breakdown of key income Changes

(billions of yen)

	Change factor	Year ended	Year ending	Change	Details
		December 31, 2017	December 31, 2018 (Forecast)		
		IFRS	IFRS		
Beer and related products		6.1	4.5	(1.6)	
Marginal profit				(1.5)	
	Subtotal			(1.5)	
	Increase (decrease) in volume / Product mix			(3.3)	Beer -1.5 Happoshu -1.1 New genre -2.3 Product mix +1.6
	Other			1.9	Non-Alcoholic Beer, RTD, Production costs, other factors
Fixed costs and other				(0.1)	
	Subtotal			(0.1)	
	Sales promotion costs			(0.1)	Sales commissions
	Facility cost			0.1	Depreciation and amortization, other factors
	Other			(0.1)	Personnel expenses, General and administrative expenses
Wine and spirits		3.1	2.5	(0.7)	
Other		1.2	1.1	(0.1)	
Adjustment of difference between J GAAP and IFRS		(0.3)	(0.6)	(0.3)	Non-recurring items
Japanese Alcoholic Beverages (*2)		10.1	7.5	(2.6)	
North America and other		1.3	1.9	0.6	
	Increase (decrease) in volume / Product mix			1.1	Increase in volume, Product mix
	Marketing costs			(0.2)	SLEEMAN BREWERIES LTD., SAPPORO USA., INC.
	Other			(0.3)	
Vietnam		(1.3)	(0.1)	1.2	
	Increase (decrease) in volume / Product mix			0.5	
	Marketing costs			0.5	
	Other			0.3	
Adjustment of difference between J GAAP and IFRS		(2.6)	(0.9)	1.7	Non-recurring items
International (*2)		(2.8)	1.1	3.9	
Japanese Food & Soft Drinks		2.4	2.9	0.5	
	Increase (decrease) in volume / Product mix			1.2	Increase in volume, Product mix
	Production costs			(0.2)	Increase in cost of raw ingredients
	Marketing costs			(0.3)	
	Fixed costs and other			(0.6)	Logistics costs, Personnel expenses, General and administrative expenses etc.
Other		0.3	0.7	0.3	Vending machine operators, and other
Adjustment of difference between J GAAP and IFRS		(0.4)	0.1	0.4	Overseas Soft Drinks/ Domestic coffee shop chain
Food & Soft Drinks		2.4	3.6	1.2	
	Existing stores			0.1	
	New stores / Refurbished stores			0.1	
Adjustment of difference between J GAAP and IFRS		(0.7)	(0.2)	0.5	Non-recurring items
Restaurants		(0.5)	0.1	0.6	
	Rent			0.2	
	Sales/ Other factors			0.0	
Adjustment of difference between J GAAP and IFRS		(0.4)	(0.3)	0.1	Non-recurring items
Real Estate		10.3	10.7	0.4	
	Logistics business			0.0	
	Other			0.0	
Adjustment of difference between J GAAP and IFRS		(0.2)	0.0	0.2	
Other		(0.1)	0.1	0.2	
	General corporate			0.0	
Adjustment of difference between J GAAP and IFRS		(0.1)	(0.5)	(0.4)	Non-recurring items
General corporate and intercompany eliminations		(6.6)	(7.0)	(0.4)	
Operating profit		12.8	16.1	3.3	
	Financial income (expense) / Foreign exchange gains (losses)	(1.3)	(1.0)	0.3	
	Equity in income (losses) of affiliates	0.0	0.0	0.0	
Profit before tax		11.5	15.1	3.6	
Corporate tax, etc. / Profit (loss) attributable to non-controlling interests		(4.4)	(5.9)	(1.5)	
Profit attributable to owners of parent		7.2	9.2	2.0	

*1: The Company has voluntarily applied International Financial Reporting Standard (IFRS) from the first quarter of fiscal 2018.
The data of the fiscal 2017 is also presented based on IFRS for comparison.

*2: The export business of Sapporo International Inc. has been transferred to Sapporo Breweries Ltd. effective January 1, 2018.
Accordingly, the business was previously included in the International Business segment, but has been included in the Japanese Alcoholic Beverages segment.
The consolidated financial statements for fiscal 2017 have been adjusted retroactively to reflect these changes. (Net sales: 2.6 billions of yen, Operating income: 0.4 billions of yen)

	Year ended December 31, 2017	Year ending December 31, 2018 (Forecast)
Yen/US\$	112.17	110.00
Yen/CAN\$	86.47	88.00
Yen/EUR	126.70	128.00

Consolidated Forecasts (Year ending December 31, 2018)

Segment Information

(billions of yen)

Year ended December 31, 2017 IFRS	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Other	Corporate and eliminations	Consolidated total
Revenue	261.6	78.5	132.1	28.6	23.9	11.8	-	536.6
Operating profit	10.1	(2.8)	2.4	(0.5)	10.3	(0.1)	(6.6)	12.8
Sales promotion costs (*3)								
Sales incentives and commissions	4.8	0.2	10.4	0.0	0.0	0.1	(0.0)	15.5
Advertising and promotion expenses	13.5	1.1	3.9	1.1	0.6	0.0	(0.0)	20.2
Promotion items	4.4	3.3	0.1	0.0	0.0	0.0	(0.1)	7.6
<For reference> Profit from operations before non-recurring items (*4)	10.4	(0.2)	2.9	0.2	10.7	0.0	(6.5)	17.4
Depreciation and amortization	8.8	3.2	5.7	0.7	4.9	0.1	2.0	25.4
EBITDA (*5)	19.1	3.0	8.6	0.9	15.6	0.1	(4.4)	42.8
Capital expenditures (cash basis)	2.7	3.7	2.7	1.0	2.7	0.2	2.2	15.3
Payment of lease obligations	0.0	0.1	2.8	0.0	0.0	0.0	0.0	3.0

Year ending December, 31, 2018 (Forecast) IFRS	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Other	Corporate and eliminations	Consolidated total
Revenue	254.5	81.9	135.6	28.8	24.9	12.1	-	537.8
Operating profit	7.5	1.1	3.6	0.1	10.7	0.1	(7.0)	16.1
<For reference> Profit from operations before non-recurring items (*4)	8.2	2.0	3.5	0.3	11.0	0.1	(6.5)	18.6
Depreciation and amortization	7.7	3.8	5.3	0.7	4.8	0.1	2.0	24.4
EBITDA (*5)	15.9	5.8	8.8	1.0	15.8	0.2	(4.5)	43.0
Capital expenditures (cash basis)	8.3	4.4	2.8	1.2	12.6	0.5	2.0	31.8
Payment of lease obligations	0.3	0.0	3.5	0.0	0.0	0.0	0.0	3.8

Change	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Other	Corporate and eliminations	Consolidated total
Revenue	(7.1)	3.4	3.5	0.2	1.0	0.3	-	1.2
Operating profit	(2.6)	3.9	1.2	0.6	0.4	0.2	(0.4)	3.3
<For reference> Profit from operations before non-recurring items (*4)	(2.2)	2.2	0.6	0.1	0.3	0.1	(0.0)	1.2
Depreciation and amortization	(1.1)	0.6	(0.4)	0.0	(0.1)	(0.0)	(0.0)	(1.0)
EBITDA (*5)	(3.3)	2.8	0.2	0.2	0.2	0.1	(0.0)	0.2
Capital expenditures (cash basis)	5.6	0.7	0.1	0.1	9.9	0.3	(0.2)	16.5
Payment of lease obligations	0.3	(0.1)	0.6	0.0	0.0	0.0	(0.0)	0.8

*1: The Company has voluntarily applied International Financial Reporting Standard (IFRS) from the first quarter of fiscal 2018.

The data of the fiscal 2017 is also presented based on IFRS for comparison.

*2: The export business of Sapporo International Inc. has been transferred to Sapporo Breweries Ltd. effective January 1, 2018.

Accordingly, the business was previously included in the International Business segment, but has been included in the Japanese Alcoholic Beverages segment.

The consolidated financial statements for fiscal 2017 have been adjusted retroactively to reflect these changes.

(Net sales: 2.6 billions of yen, Operating income: 0.4 billions of yen)

*3: Full year estimate for sales promotion costs is not disclosed.

*4: Profit from operations before non-recurring items is calculated as Revenue – Cost of sales – SG&A expenses.

*5: EBITDA=Profit from operations before non-recurring items+ Depreciation and amortization (excluding depreciation expense on leased assets which is charged on the rent of restaurants)

【Reference】 Statements of Income for the First Half of FY2017

Condensed Consolidated Statements of Income

(billions of yen)

	Six months ended June 30, 2017 (*1)		Change	Main factor of change
	(JGAAP)	(IFRS)		
Japanese Alcoholic Beverages (*2)	128.6	119.2	(9.4)	Rebate subtracted form revenue -9.4
International Business (*2)	32.7	37.9	5.2	Change in price to include liquor tax + 5.3
Food & Soft Drinks	65.5	62.8	(2.7)	Rebate subtracted form revenue -2.7
Restaurants	13.8	13.6	(0.2)	Rebate subtracted form revenue -0.2
Real Estate	11.8	11.7	(0.1)	
Other	5.6	5.6	0.0	
Revenue	258.0	250.7	(7.3)	
Japanese Alcoholic Beverages (*2)	1.6	0.6	(1.0)	Depreciation and amortization -0.6, Retirement benefit expense -0.3, Presentation reclassification -0.1
International Business (*2)	(0.0)	0.5	0.5	Non-amortization of goodwill + 0.8 Depreciation and amortization -0.1 Presentation reclassification -0.2
Food & Soft Drinks	(1.2)	(0.3)	0.9	Non-amortization of goodwill + 1.1, Presentation reclassification -0.2
Restaurants	(0.2)	(0.3)	(0.1)	Real-estate tax -0.1, Depreciation and amortization -0.1 Presentation reclassification +0.1
Real Estate	5.8	4.2	(1.6)	Real-estate tax -1.1, Depreciation and amortization -0.2 Presentation reclassification -0.2
Other	(0.1)	(0.2)	(0.1)	Presentation reclassification -0.1
General corporate and intercompany eliminations	(2.9)	(3.4)	(0.5)	Retirement benefit expense -0.3 Presentation reclassification -0.2
Operating profit	3.0	1.2	(1.9)	Real-estate tax -1.3
Financial income (expense) / Foreign exchange gains (losses)	(0.3)	(0.5)	(0.2)	
Equity in net income (loss) of affiliates	0.0	0.0	(0.0)	
Non-recurring items	(0.8)	-	0.8	Reclassified to non-recurring items
Profit before tax	1.9	0.7	(1.2)	
Income taxes	1.9	1.1	(0.8)	
Profit (loss) attributable to non-controlling interest	(0.2)	(0.3)	(0.1)	
Profit attribute to owners of parent	0.2	(0.2)	(0.4)	

< For reference >

Profit from operations before non-recurring items (*3)	3.0	1.8	(1.3)
Profit from operations before non-recurring items (after subtracting levies) (*4)	3.0	3.0	0.0
EBITDA (*5)	16.5	15.0	(1.5)

*1. The Company has voluntarily applied International Financial Reporting Standards (IFRS) from the first quarter of fiscal 2018. The data of the fiscal 2017 is also presented based on IFRS for comparison.

*2. The export business of Sapporo International Inc. has been transferred to Sapporo Breweries Ltd. effective January 1, 2018.

Accordingly, the business was previously included in the International Business segment, but has been included in the Japanese Alcoholic Beverages segment.

The consolidated financial statements for fiscal 2017 have been adjusted retroactively to reflect these changes. (Revenue: 1.0 billion yen, Operating profit: 0.1 billion yen)

*3. Profit from operations before non-recurring items = Revenue - Cost of sales - SG&A expenses

*4. Profit from operations before non-recurring items (after subtracting levies) represents profit from operations after subtracting of levies which are adjusted based on the time of recognition.

Under IFRS, levies including real-estate tax are expensed in full (excluding inventories) on January 1.

*5. Under JGAAP, EBITDA = Profit from operations before non-recurring items + Depreciation and amortization + Amortization of goodwill

Under IFRS, EBITDA = Profit from operations before non-recurring items + Depreciation and amortization
(excluding depreciation expense on leased assets which is charged on the rent of restaurants)