

# **Sapporo Group Business Results Presentation for FY2011**

**February 13, 2012**

## **Sapporo Holdings Ltd.**

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



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# **Sapporo Group Management Plan 2012-2013**

**- Start of New Group Management Structure toward Dynamic Growth -**

**February 10, 2012**

## **Sapporo Holdings Ltd.**

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## Overview of 2011 Results

# Progress of 2011 Basic Strategy

**We promoted three basic strategies for the first year in the period for solidifying our growth trajectory**

## I. Growth in new areas

We will pursue definitive results and enhance our existence value in new areas identified based on our growth strategy

## II. Growth in all businesses

Harnessing the strengths offered by our brands and enterprise resources, we will build unique competitive advantages

## III. Bolster management capabilities that underpin growth

We will bolster our group management framework to meet the challenges of the Group's expansion and diversification

### **I. Growth in new areas**

- Pokka Group made into a consolidated subsidiary in March
- Signed agreement with No.1 Korean foods maker CJ (CheilJedang) Group in May to sell makgeolli in Japan and launched its sales in July
- Entered into a business alliance with Bacardi Japan, which owns Bacardi Rum and other leading brands, in May to exclusively sell spirits in Japan, and launched sales in October.
- In July, signed a license agreement with Australian premium beer maker Coopers Brewery and began brewing and selling Sapporo brand beer in the Oceania market.
- In November, completed construction of a brewery in Vietnam and have started to make a full-fledged entry there, producing and selling beer locally.
- In November, announced the establishment of the newly integrated POKKA SAPPORO FOOD&BEVERAGE LTD. New company to be established in April 2012 and begin operation in January 2013.

### **II. Growth in all businesses**

- Stated in the segment pages under Supplementary Information to 2011 Results

### **III. Bolster management capabilities that underpin growth**

- Sapporo Holding's group headquarter functions were divided and functions requiring a high degree of specialization and functions common to all operating companies were transferred to Sapporo Group Management Co., Ltd.



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# Overview of 2011 Results –Consolidated-

## Steady growth in terms of operating and ordinary income

### ➤ Net sales increased:

Consolidated sales rose as positive contributions from the International Alcoholic Beverages and Soft Drinks combined with the consolidation of the POKKA Group to offset disaster-induced earnings declines at the Japanese Alcoholic Beverages and Restaurants businesses.

### ➤ Operating income rose for the second consecutive year even after excluding the contributions from the consolidation of POKKA Group.

Consolidated operating income on the whole rose significantly as all segments registered increased profits except International Alcoholic Beverages, affected by forward investments related to entry in Vietnam, and Soft Drinks, where profits were curtailed by goodwill amortization.

### ➤ Ordinary Income rose for the fifth straight year

### ➤ Net income declined:

Net income declined ¥7.6 bn owing to the absence this year of the ¥8.1 bn extraordinary gain on asset sales and the posting of extraordinary losses of ¥1.0 bn on asset retirement obligations and ¥5.4bn for disaster-related costs.

\*Additional POKKA Corporation shares acquired on March 29, 2011.

Income statement items consolidated from 2Q

(billions of yen)	2010 results	2011 results	Y-o-Y changes (Amount/%)	
Japanese Alcoholic Beverages	279.3	268.1	(11.1)	-4.0%
International Alcoholic Beverages	25.3	25.8	0.5	2.0%
Soft Drinks	33.9	36.8	2.9	8.6%
POKKA Group	—	75.8	75.8	—
Restaurants	26.4	24.0	(2.3)	-8.8%
Real Estate	23.5	22.4	(1.0)	-4.5%
Other	0.6	0.7	0.1	20.9%
<b>Consolidated net sales</b>	<b>389.2</b>	<b>454.0</b>	<b>64.8</b>	<b>16.7%</b>
Japanese Alcoholic Beverages	9.2	9.3	0.0	0.2%
International Alcoholic Beverages	0.4	0.3	(0.1)	-24.0%
-North America, Other	0.8	1.4	0.5	64.0%
-Vietnam	(0.3)	(1.0)	(0.6)	—
Soft Drinks	1.2	0.7	(0.5)	-40.9%
Before amortization	1.3	1.5	0.1	12.5%
POKKA Group	—	2.9	2.9	—
Restaurants	0.1	0.2	0.0	47.2%
Real Estate	7.9	8.5	0.5	7.1%
Other	(0.7)	(0.6)	0.1	—
Corporate and intercompany eliminations	(3.0)	(2.6)	0.4	—
<b>Consolidated operating income</b>	<b>15.4</b>	<b>18.8</b>	<b>3.4</b>	<b>22.6%</b>
<b>Operating income before GW amortization</b>	<b>16.5</b>	<b>21.9</b>	<b>5.4</b>	<b>32.7%</b>
<b>Consolidated ordinary income</b>	<b>14.3</b>	<b>16.8</b>	<b>2.4</b>	<b>17.3%</b>
<b>Consolidated net income</b>	<b>10.7</b>	<b>3.1</b>	<b>(7.6)</b>	<b>-70.6%</b>



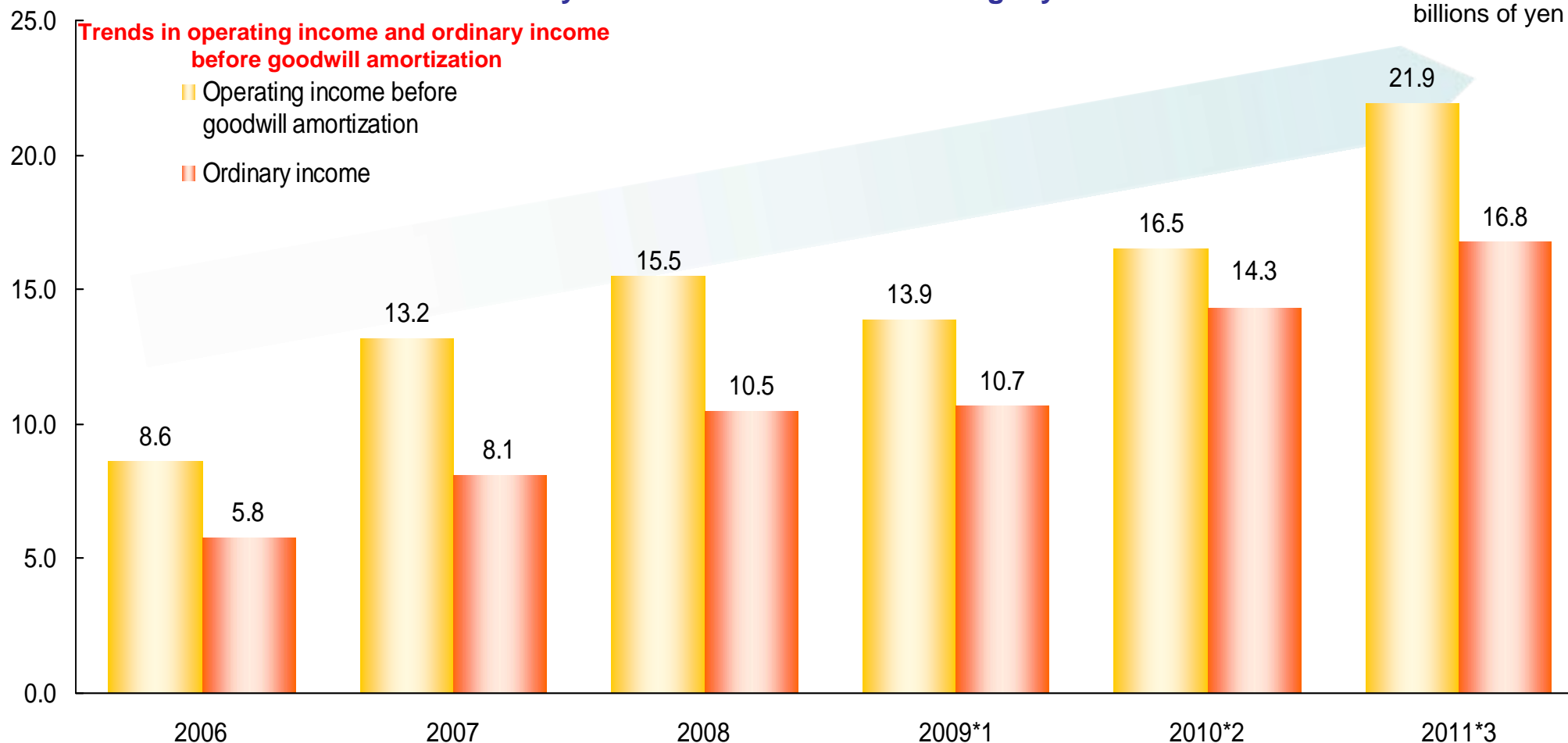
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## Overview of 2011 Results - Trends -

Steady growth in operating income before goodwill amortization and ordinary income.

Profits growth trend intact even after excluding the contributions from the consolidation of POKKA Group

Ordinary income rose for the fifth straight year



※1: ¥2.4 billion increase in cost burden in 2009 owing to accounting changes from 2009

※2: ¥1.8 billion cost increase from amortization costs for new sales and logistics system, etc.

※3: POKKA Group income items consolidated from Q2

# Overview of 2011 Results - Strategic Investments -

## Strategic Investments

### Acquisition of shares related to integration of POKKA Corporation

- Acquired additional shares on March 29, making POKKA Group a consolidated subsidiary (Post-acquisition equity stake: 86.8%)
- Acquisition-related investment = acquisition cost of ¥22.4 bn + ¥8.2 bn in assumed net financial liabilities
- Total investment as of end-March: ¥30.7 bn
- Acquisitions since April (total cost of ¥5.2 bn) have raised equity stake to 98.6% as of December 31, 2011
- Total investment in 2011: ¥35.9 bn (the total excludes earlier investment in 21.4% equity stake)

### Acquisition of shares following Sapporo Beverage Co., Ltd's CB execution

- Acquired shares on April 28 from **Crescent Partners** after it converted CB holdings
- Total investment ¥7.1 bn = acquisition price of ¥10.8 bn - ¥3.8 bn stock issuance price

### Capital expenditure (cash basis); lease fees ➤ Consolidated total: ¥16.4 bn

- Breakdown: Japanese Alcoholic Beverages ¥2.9 bn, International Alcoholic Beverages ¥3.4 bn, Soft Drinks ¥0.5 bn POKKA Group ¥4.3 bn, Restaurant ¥0.3 bn Real Estate ¥4.6 bn, etc.

### Acquisition of investment securities Consolidated total: ¥2.2

### Other investments Consolidated total: ¥3.2 bn

- Breakdown: Japanese Alcoholic Beverages, etc.

### Total strategic investment in 2011 (includes ordinary capex)

- ¥64.8 bn

## Credit Ratings

### Raising of credit ratings by JCR

- On Feb 10, 2011, Japan Credit Rating Agency (JCR) raised our rating by one notch from BBB+ (positive) to A- (stable)

### Raising of credit ratings by R&I

- On Mar 16, 2011, Rating & Investment Information (R&I) upgraded our rating from BBB (stable) to BBB+ (stable)

### Low cost financing

- In September 2011, we launched a five-year straight bond issue of ¥10.0 bn with a low annual coupon rate

### No change in ratings even after announcement of acquisition of 15% stake in Yebisu Garden Place

- In December 2011, both JCR and R&I announced that there will be no change in our credit ratings

## Summary of POKKA-related Investments

- Cost of shares acquired as of end-December: ¥35.1 bn (including 21.4% share acquired prior to 2011)
- Assumed net financial liabilities: ¥8.2 bn
- Lease obligations: ¥10.4 bn
- Total investment: ¥53.7 bn
- POKKA's annual EBITDA: about ¥10.0 bn
- EBITDA multiple: about 5.4x





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# Overview of 2011 Results -Results vs. Targets-

## Steady growth in terms of operating and ordinary income

### ➤ Net sales: Unachieved

▪ The Japanese Alcoholic Beverages Business had to concentrate supply on the three core brands of Sapporo Draft Beer Black Label, Yebisu, and Mugu to Hop owing to earthquake damage to two of its five main breweries. This meant that while sales of canned versions of these three brand products exceeded previous year levels, sales of other brand products declined and sales fell short of target.

▪ Sales of the International Alcoholic Beverages Business fell short of targets despite SLEEMAN and Sapporo brand products both exceeding previous year levels in sales volume and on local currency basis due to yen appreciation among other factors.

### ➤ Though net sales fell short, operating income, ordinary income and net income exceeded the targets.

billions of yen	2011 revised target	2011 results	vs. Targets (Amount/%)	
Japanese Alcoholic Beverages	271.7	268.1	(3.5)	-1.3%
International Alcoholic Beverages	29.2	25.8	(3.3)	-11.3%
Soft Drinks	37.8	36.8	(0.9)	-2.5%
POKKA Group	75.9	75.8	(0.0)	-0.1%
Restaurants	23.7	24.0	0.3	1.7%
Real Estate	22.4	22.4	0.0	0.3%
Other	1.3	0.7	(0.5)	-41.9%
Consolidated net sales	462.0	454.0	(7.9)	-1.7%
Japanese Alcoholic Beverages	9.8	9.3	(0.4)	-5.1%
International Alcoholic Beverages	0.1	0.3	0.2	278.2%
-North America, Other	1.4	1.4	(0.0)	-0.3%
-Vietnam	(1.3)	(1.0)	0.2	—%
Soft Drinks	1.0	0.7	(0.2)	-24.3%
Before amortization	1.6	1.5	(0.0)	-5.6%
POKKA Group	2.5	2.9	0.4	17.4%
Restaurants	0.0	0.2	0.2	—%
Real Estate	8.0	8.5	0.5	6.9%
Other	(0.4)	(0.6)	(0.2)	—%
General corporate	(3.0)	(2.6)	0.3	—%
Consolidated operating income	18.0	18.8	0.8	4.9%
Operating income before GW amortization	21.0	21.9	0.9	4.7%
Consolidated ordinary income	15.5	16.8	1.3	8.4%
Consolidated net income	2.7	3.1	0.4	17.2%



# Overview of 2011 Results - Management Indices, Disclosure of Real Estate Leasing Asset Prices -

## SAPPORO Management Indices vs. Targets and Previous Year

	Results vs. Targets			2010 vs. 2011 Results		
	2011 revised targets	2011 results	Change	2010 results	2011 results	Change
Operating margin (excl. liquor taxes, before goodwill amortization)	6.0%	6.4%	0.4%	6.1%	6.4%	0.3%
Financial liabilities (billion yen) (excl. lease obligations)	213.0	219.1	6.1	181.3	219.1	37.8
D/E ratio (times)	1.7	1.8	0.1	1.4	1.8	0.4
ROE(%) (before goodwill amortization)	2.2% 4.6%	2.5% 5.1%	0.3% 0.5%	8.9% 9.8%	2.5% 5.1%	-6.4% -4.7%

(as of Dec 31, 2011)

## Disclosure of real estate leasing assets

Carrying value on consolidated B/S 173.2

(billion yen)

Fair value at end of term 299.8

Difference 126.5

See Earnings Report for further details

## Supplementary Information to 2011 Results

**\*For information on each business's profitability, please also  
see the Supplementary Information to our Earnings Report**



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# Japanese Alcoholic Beverages (1)

## Results highlights

**Sales down on earthquake impact.  
Operating income rose with lower capital  
investment and other cost reductions**

## Key points in business plan: implementation status

### 1. Bolster brand strength by focusing management resources on core products

- Bolstering brand strength by concentrating resources on Sapporo Draft Beer Black Label, Yebisu Beer, and Mugli to Hop
- By holding back on new product launches and focusing on the 3 core brands, as in the previous term, we achieved YoY volume growth for those 3 brands exceeding general demand for the year. With two of its five main breweries suffering damages, we had to concentrate on these brands and therefore total shipments of Sapporo beer, happoshu, and new-genre beer products fell 6.7%, a sharper drop than the 4.1% decline in general demand.

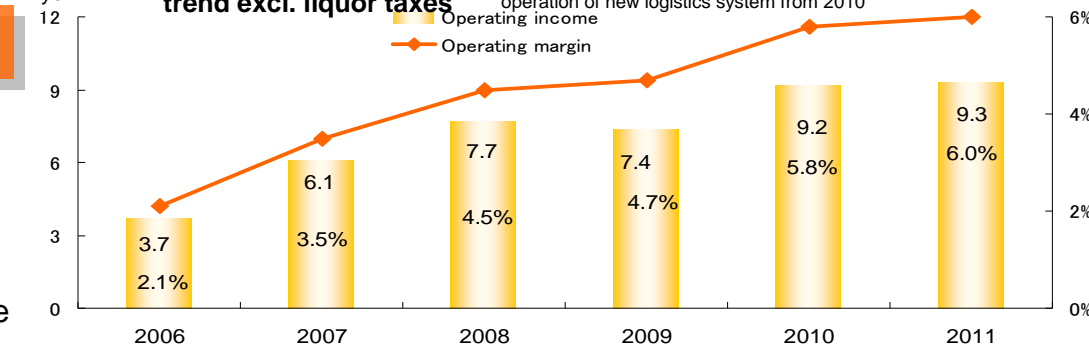


Relaunched  
on Jan 25, 2012

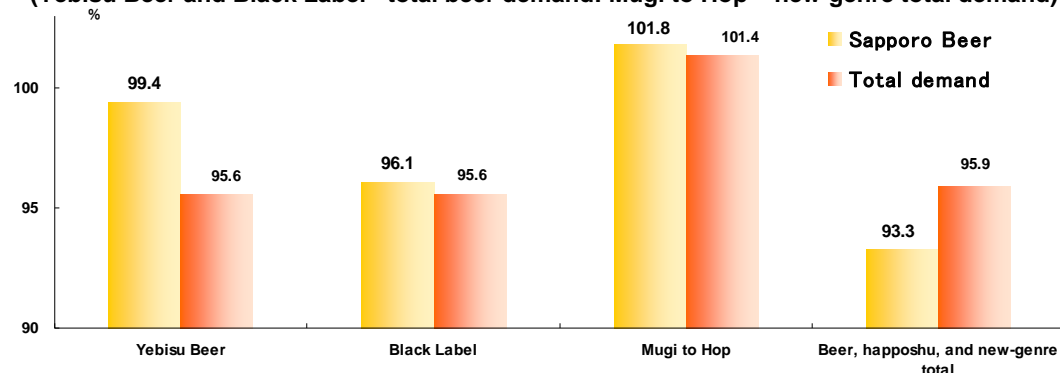
	(billions of yen)		Year-over-year changes	
	2010	2011	Amount	%
" incl. liquor taxes				
Net sales*	279.3	268.1	(11.1)	-4.0%
Operating income	9.2	9.3	0.0	0.2%

Net sales, operating income trend excl. liquor taxes

\*¥2.2 bn impact due to accounting system changes from 2009  
\*¥1.8 bn cost increase due to amortization associated with operation of new logistics system from 2010



### YoY sales volume for Jan-Dec (Yebisu Beer and Black Label - total beer demand: Mugli to Hop - new-genre total demand)



# Japanese Alcoholic Beverages (2)

## Key points in business plan: implementation status

## 2. Positioning for growth in expanding areas

### Non-alcohol beer market initiatives

- March 16: launched Premium Alcohol Free
  - Sales exceeded plan despite self-restraint on advertising after the earthquake.

**Achieved annual sales of 1.12 mn cases, double the target (large bottle count)**



## 3. Strengthening operating base

### Cost structure reforms

- Implementing management-driven projects targeted at reducing costs by ¥3.0 bn from 2011 to 2013
- To cover decline in sales in the earthquake's aftermath, we have made efforts to realize cost-cutting targets earlier than planned, including curtailing capital investments and fixed expenses, resulting in much larger cost reductions than in 2010.

### Low-alcohol beer segment initiatives

- Feb: Launched limited-quantity Sapporo Nectar Creamy Peach cocktail-style drink
- Apr: Released new, improved Sapporo Nectar Sour Sparkling Peach
- May: Launched Triangle Ginger Highball
- Jul: Launched limited-quantity Sapporo Nectar Sour Sparkling Mango
- Sep: Launched limited-quantity Sapporo Nectar Sour Sparkling La France
- Nov: Launched limited-quantity Sapporo Nectar Sour Sparkling Apple





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# Japanese Alcoholic Beverages (3)

Moves toward growth in expanding areas during 2011

## Wine

- Both imported and Japanese wines achieved year-on-year volume growth and increased sales and profits
- Imported wine: Growth in Californian wine Beringer and low-cost wines
- Japanese wine: Growth in large bottle, additive-free wines



## Shochu

- Achieved year-on-year volume growth and also increased sales and profits
- Waramugi shochu: awarded gold prize in the “Singly Distilled Shochu” category by the Alcohol Appreciation and Evaluation Committee of the Fukuoka Regional Taxation Bureau
- Kuroumesyu contributed to rise in sales volume



## Spirits

- Signed sales agreement with major Korean foods maker CJ Group Commercial sales of CJ Bonga Makgeolli launched on July 13
- Entered into alliance with Bacardi Japan, supplier of world No.1 rum brand. Started sales of major brands shown below on October 1, 2011.
  - Sales of 90 items across 29 brands
  - Expand western spirits into earnings pillar equal to wine/shochu
  - 2016 western spirit sales target: ¥10.0 bn



Bacardi

Bombay Sapphire

Gray Goose

Martini

Dewar's



World's No.1 rum brand on volume/value basis

World's No.1 gin brand on value basis

World's No.1 super premium vodka on volume/value basis

World's No.1 Italian sparkling wine on volume/value basis

America's No.1 rum scotch whisky on volume/value basis



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# International Alcoholic Beverages (1)

## Results highlights

**Sales rose 2% YoY, as yen appreciation erased gains in local currency terms, especially in North America.**

**Operating income fell as the ¥0.5 bn rise in profits in North America were offset by ¥1.0 bn forward investment cost in Vietnam.**

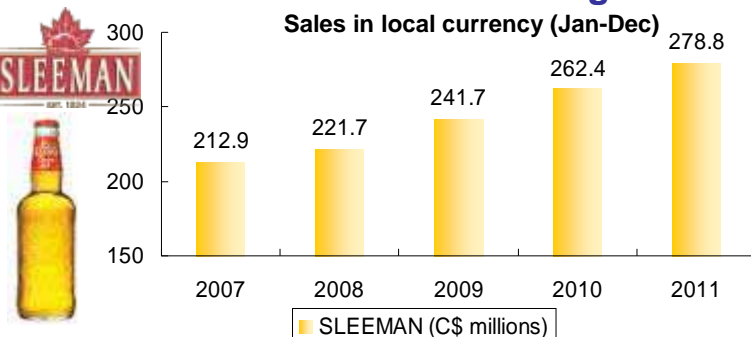
## Key points in business plan: implementation status

billions of yen

			Year-over-year changes	
			Amount	%
	2010	2011		
Net sales	25.3	25.8	0.5	2.0%
Operating income	0.4	0.3	(0.1)	-24.0%
North America, others	0.8	1.4	0.5	64.0%
Vietnam	(0.3)	(1.0)	(0.6)	—

## 1. North American business growth

Sales in local currency (Jan-Dec)



### SLEEMAN(Canada)

- Sales expanded on increased investment in marketing of premium brands
- Sales growth higher than that for total demand in Canada

5<sup>th</sup> straight year of Year-on-Year volume growth!  
(Jan-Dec)

Unit sales (YoY)	2010	2011
SLEEMAN brand	105%	109%
Canada total demand	100%	99%

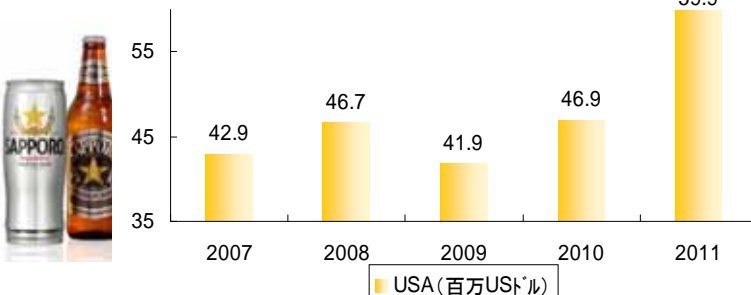
Continues to outperform total demand for imported beers in US!

(Jan-Dec)

Unit sales (YoY)	2010	2011
USA companies	113%	110%
US total import beer demand	104%	100%

### Sapporo USA

- Expanding from Japanese-American market base into wider US and Asian-American markets
- Sales to Asian-American market up more than 10% YoY







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# International Alcoholic Beverages (2)

## Key points in business plan: implementation status

### 2. Expansion in Asian market (incl. Oceania)

#### Developments in Vietnam

- Completed construction of Vietnam plant on Nov 24, 2011
- To start sales of locally produced beer for full-fledged launch at end of February 2012

#### Developments in Singapore



- Expanding imported beer sales in local household market in cooperation with POKKA Corporation  
(POKKA has top share (70%) in local green tea-based drink market)
- Sales for 2011: 52,000 cases (large bottles) YoY 121.4%
- Sales target for 2014: 100,000 cases (large bottles)

#### Vietnam brewery inauguration

#### Vietnam brewery site



#### Developments in South Korea

- Started sales of imported beer to household and commercial markets with cooperation of partner Maeil Dairies Co., Ltd.  
(Maeil has top shares in cheese, low-fat milk, and chilled coffee drinks)
- Sales for 2011: 230,000 cases (1 case = 350ml × 24) \*Target: 300,000 cases  
(Though sales were affected for about two and a half months due to the disaster, we achieved about 2/3 of the target)
- Sales target: 1.5 mn cases in 2015 (1 case = 350ml × 24) in an aim to become the no.1 imported brand

#### Developments in Oceania

- In October entered the Australian/New Zealand premium beer market via licensing agreement with Coopers Brewery Ltd. in preparation for full-fledged entry in 2012.  
(No.3 in Australia's beer market, No. 2 in premium beer market with a 17.3% share) Aiming at top share among Japanese beer brands
- Sales targets: 160,000 cases in 2012, 500,000 in 2016 (1 case = 355ml × 24)





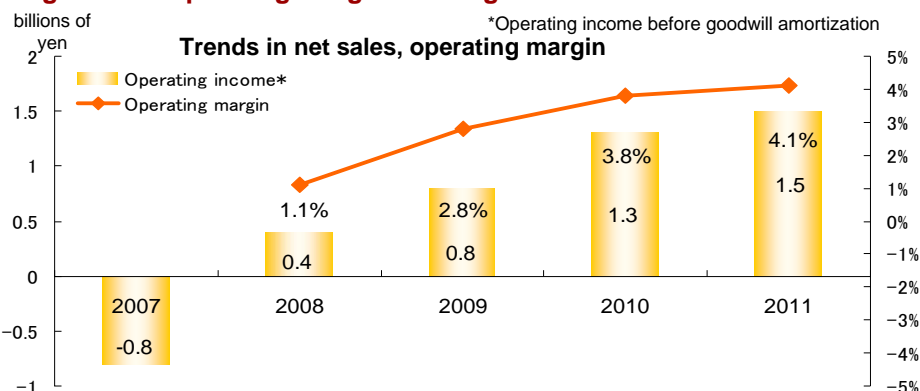


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# Soft Drinks

## Results highlights

While overall domestic market struggled to match 2010 volumes prompted by the hot summer, we achieved strong growth of 4% in YoY sales on the back of the rise in demand following the earthquake. Goodwill amortization for the term came to ¥0.7 bn. Steady growth in operating margin before goodwill amortization.



## Key points in business plan: implementation status

### Brand strengthening/cultivation

- Concentrate marketing investment and sales effort on core brands

- Gerolsteiner: 9% YoY growth
- Gabunomi: 0% YoY growth
- Ribbon: -4% YoY growth

- Creation of new value proposition

- Oishii Tansansui, Sonomama Zukuri



billions of yen

## Year-over-year changes

	2010	2011	Amount	%
Net sales	33.9	36.8	2.9	8.6%
Operating income Before GW amortization	1.2 1.3	0.7 1.5	(0.5) 0.1	-40.9% 12.5%

\*From 2011, Food Business moved from Soft Drinks segment to Others

## Synergies with Kyodo Milk Industry Co., Ltd.

- Released the first collaborative product, Chousyoku Fruits, in April
  - Joint marketing to large retailers



## Synergies with POKKA Corporation

- Synergies led to cost savings of ¥343 mn in Jan-Dec
  - Synergies from joint procurement and consigned production



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# POKKA Group (1) [Consolidated from 2Q]

## Results highlights

New consolidation makes YoY comparisons meaningless, but comparisons based on figures below shows POKKA sales up in all segments except Overseas Beverages and Foods business, where YoY decline reflects negative calendar effect on Singapore sales from early occurrence of lunar new year in 2011. Domestic Beverages and Foods Business made big contribution to increased operating income.

Ref: Apr-Dec segment sales and YoY comparisons

\*Intergroup eliminations for Apr-Dec 2011 total ¥1.5 bn

	billions of yen		Year-over-year changes	
	2010	2011	Amount	%
<b>Before inter-segment eliminations</b>				
Domestic Bev/Foods	58.9	59.0	0.0	0.1%
Overseas Bev/Foods	7.6	7.6	(0.0)	-0.6%
Domestic Restaurants	4.1	4.4	0.3	8.3%
Overseas Restaurants	3.2	3.4	0.1	6.0%
Other Businesses	7.1	7.2	0.1	1.7%
POKKA corporate	(4.3)	(4.4)	(0.1)	—
<b>Sales (total)</b>	76.8	*77.3	0.4	0.6%
<b>Operating income</b>	4.1	3.9	(0.2)	-5.0%

	billions of yen		Year-over-year changes	
	2010	2011 (Apr-Dec)*	Amount	%
<b>Net sales</b>	—	75.8	75.8	—
<b>Operating income</b>	—	2.9	2.9	—
<i>Before GW amortization</i>	—	4.2	4.2	—

\*Started consolidating POKKA's profit/loss items from 2Q.

# POKKA Group (2) [Consolidated from 2Q]

## Key points in business plan: implementation status

### Beverages & Food Business (Japan): POKKA Corp. and six group vending machine operators

#### 1. Beverages Business

- Concentrating investments in core brands
  - Kireto Lemon
    - ・ 10th anniversary sales campaign
    - ・ Introduced Kireto Lemon Soukai Sparkling
- Canned coffee sales supported by promotional cans
- Sales of *Gensen Bito* version have been strong.



#### 2. Food Business

- Concentrating investments in TV commercials for core and growth products
  - ・ Jikkuri Kotokoto, Kantanbimi
- Pokka Lemon 100
  - ・ Marketing as a drink to 'take in' the morning
  - ・ Introduced "Lemonja" character to raise awareness of lemon's positive attributes



#### 3. Cost-cutting efforts

- Lowered COGS by using competitive procurement process, reduced fixed expenses

#### 4. New production line

- Added cup soup line at Gunma plant
  - ・ Supply capacity enhanced ahead of peak demand period



### Synergies with Sapporo Beverage

- Synergies led to cost savings of ¥0.4 bn in Apr-Dec
  - Synergies from joint procurement and consigned production

# Pokka Group (3) [consolidated from 2Q]

## Key points in business plan: implementation status

### ■ Beverages & Foods Business (Overseas): POKKA Singapore

#### 1. Increase production capacity

- Raised in-house production ratio, boosted efficiency

#### 2. Strengthened SCM

- Lowered distribution and warehousing costs
- Reduced inventories

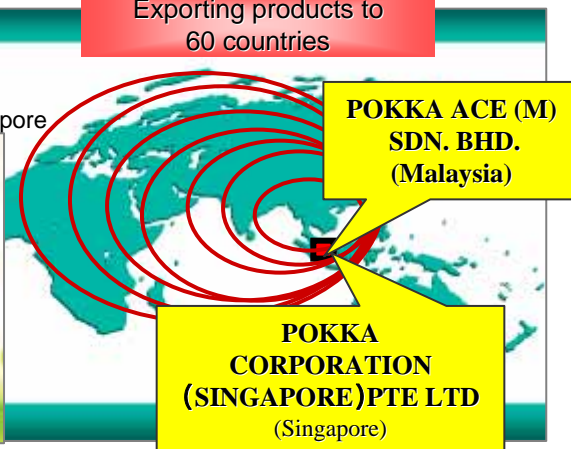


New carbonated drink line started full-scale operation in November

POKKA green tea products boasting high market share in Singapore



Exporting products to 60 countries



### ■ Other businesses

#### • Ice cream business

Foremost Blueseal brand (Okinawa)



### ■ Restaurants Business (Domestic): POKKA CREATE Co., Ltd.

#### 1. Expand sales via growth at existing stores, chain expansion

- Outlets: 160 (105 in Kanto, 31 in Tokai, 21 in Kansai, 3 in Kyushu; as of January 2012)
- New outlets opened in 2011: 12 (5 directly run; 7 franchises)
- Effectively using remodeling plan to strengthen brand image

#### 2. Operating income up on successful efforts to lift profit ratio

- Improved COGS ratio
- Closed unprofitable stores



### ■ Restaurants Business (Overseas): POKKA CORPORATION (Hong Kong) and POKKA Food (Singapore) Pte. Ltd.

- The nuclear power plant accident caused sales to fall, albeit only slightly. Both new and existing outlets in Hong Kong performing strong

- Outlets: 42 in total (as of the end of December 2011)  
Hong Kong 31, Singapore 10, Macao 1

- New outlet opening during Feb.-Oct. 2011  
Hong Kong  
Mikichi: 2  
Pokka Café: 1



## Results highlight

**Consumer spending dropped sharply after the Great East Japan Earthquake. Although consumer spending is recovering, the business environment remains highly competitive.**

**Decline in comparable store sales has been slowing, from -16.1% YoY in 1Q to -7.6% in 2Q, -4.1% in 3Q and -1.3% in 4Q, but sales for full-year 2011 were still down 7.0% YoY. Operating income increased YoY, on closure of unprofitable stores, cost reductions and contributions from new stores.**

## Key point in business plan: implementation status

### 1. Positioning for growth

#### New restaurant opening strategy

- Synergy with Japanese Alcoholic Beverage Business: Opening of YEBISU BAR outlets
  - Opened our 3rd outlet in Osaka's Umeda district, our 4<sup>th</sup> in Tokyo Dome City, and our 5<sup>th</sup> in Tokyo's Kagurazaka district
- Ginza Lion chain expansion
  - Mini Brasserie Ginza Lion opened in Sapporo
- 3 other outlets opened for total of 7 in 2011
  - All outlets are performing as planned

### 2. Earnings structure reform

- Locations closed in 2011: 10
- Locations operating as of the end of 2011: 191



(billions of yen)

			Year-over-year changes	
			Amount	%
	2010	2011		
Net sales	26.4	24.0	(2.3)	-8.8%
Operating income	0.1	0.2	0.0	47.2%



# Real Estate (1)

(billions of yen)

## Results highlight

**Maintaining stable revenues despite continued fall in rents in Tokyo office leasing market**

## Key point in business plan: implementation status

## Year-over-year changes

	2010	2011	Amount	%
Net sales	23.5	22.4	(1.0)	-4.5%
Operating income	7.9	8.5	0.5	7.1%

## 1. Boosting value of existing properties

- Keeping rents at appropriate levels
- Redeveloping existing properties
  - Negotiating w/ current tenants before rebuilding the Seiwa Yebisu Building. (occupancy down to 75% from 2010 average of 99% as tenants begin to vacate property)
- Maintaining high occupancy rates
  - Occupancy rates as of end-Dec at our Tokyo properties (table at right) compare favorably with the 91% average for office buildings in Tokyo's 5 central wards

(As of December 31, 2011)

Major rental properties in Tokyo's 23 wards	Site area (m <sup>2</sup> )	Floor area (m <sup>2</sup> )	Occupancy rate (%)	No. of floors
Yebisu Garden Place *1	56,943	298,007	93%	40 floors above ground, 5 below
Seiwa Yebisu Building	2,617	10,400	75%	6 floors above ground, 1 below
Yebisu Square	1,561	9,126	92%	7 floors above ground, 1 below
Shibuya Sakuragaoka Square	1,200	9,268	100%	10 floors above ground, 1 below
Sapporo Ginza Building	530	4,232	96%	10 floors above ground, 4 below
Strata Ginza *2	1,117	11,411	99%	13 floors above ground, 1 below

Site areas are taken from the land registry. Floor areas are as per building certification. Occupancy rates are averages for January–December 2011.

\*1. Figures are for entire property. Sapporo holds an 85% stake (jointly managed). Number of floors for office wings/buildings only. Occupancy rates are for office areas only.

\*2: Figures are for entire property. Sapporo owns 922m<sup>2</sup> of the site (sectional ownership) and 89.72% of the building (joint management)

## 2. Growth initiatives

### Acquire new properties

- Storia Shirokanedai rental apartment building acquired in February

# Real Estate (2)

## Overview of Real Estate Business

- Majority of the business's operating income is from real estate leasing
  - Property portfolio largely comprises properties in metropolitan Tokyo (5 central wards: see previous page)
- Targeting growth via new acquisitions
- Redeveloping existing properties to boost value: started negotiations with tenants of Seiwa Ebisu Building

### Operating Income

(billions of yen)

	Jan-Dec 2010	Jan-Dec 2011	Change (value)
Real estate leasing			
Tokyo's 23 wards	6.7	7.6	0.9
Other areas	0.8	0.8	0.0
Real estate leasing total	7.5	8.5	0.9
Sales	0.5	0.4	(0.1)
Other operations*	(0.1)	(0.3)	(0.2)
Total	7.9	8.5	0.5

\*"Other operations" includes back-office operations

### EBITDA

(billions of yen)

	Jan-Dec 2010	Jan-Dec 2011	Change (value)
Real estate leasing			
Tokyo's 23 wards	11.4	11.0	(0.4)
Other areas	1.5	1.5	0.0
Real estate leasing total	12.9	12.6	(0.3)
Sales	0.5	0.4	(0.1)
Other operations*	0.1	(0.0)	(0.2)
Total	13.6	12.9	(0.7)

\* EBITDA = operating income + depreciation and amortization

\*"Other operations" includes back-office operations

## **2. Sapporo Group Management Plan 2012-2013**



# Medium- to Long-Term Strategy

# Long-term Management Strategies: Sapporo Group's New Management Framework

**Basic approach: Working steadily toward long-term goals while also boldly revising resource allocations, executing strategic investments, and enhancing competitiveness through aggressive management**

**Goals (for 2016, 140th anniversary of founding)**

- Consol. sales ¥600 bn (incl. liquor taxes)  
¥450 bn (excl. liquor taxes)
- Consol. operating income ¥40 bn (before goodwill amortization)
- Operating margin 9% (excl. liquor taxes; before goodwill amortization)
- ROE 8% or higher (before goodwill amortization)
- D/E ratio Around 1:1

◆ Four basic strategies for growth

1. Concentrate resource on high-value-added products and services
2. Engage in strategic alliances aimed at building competitive advantage and expanding business
3. Actively expand overseas operation
4. Expand group synergies on the strategic and operational fronts

Food value creation

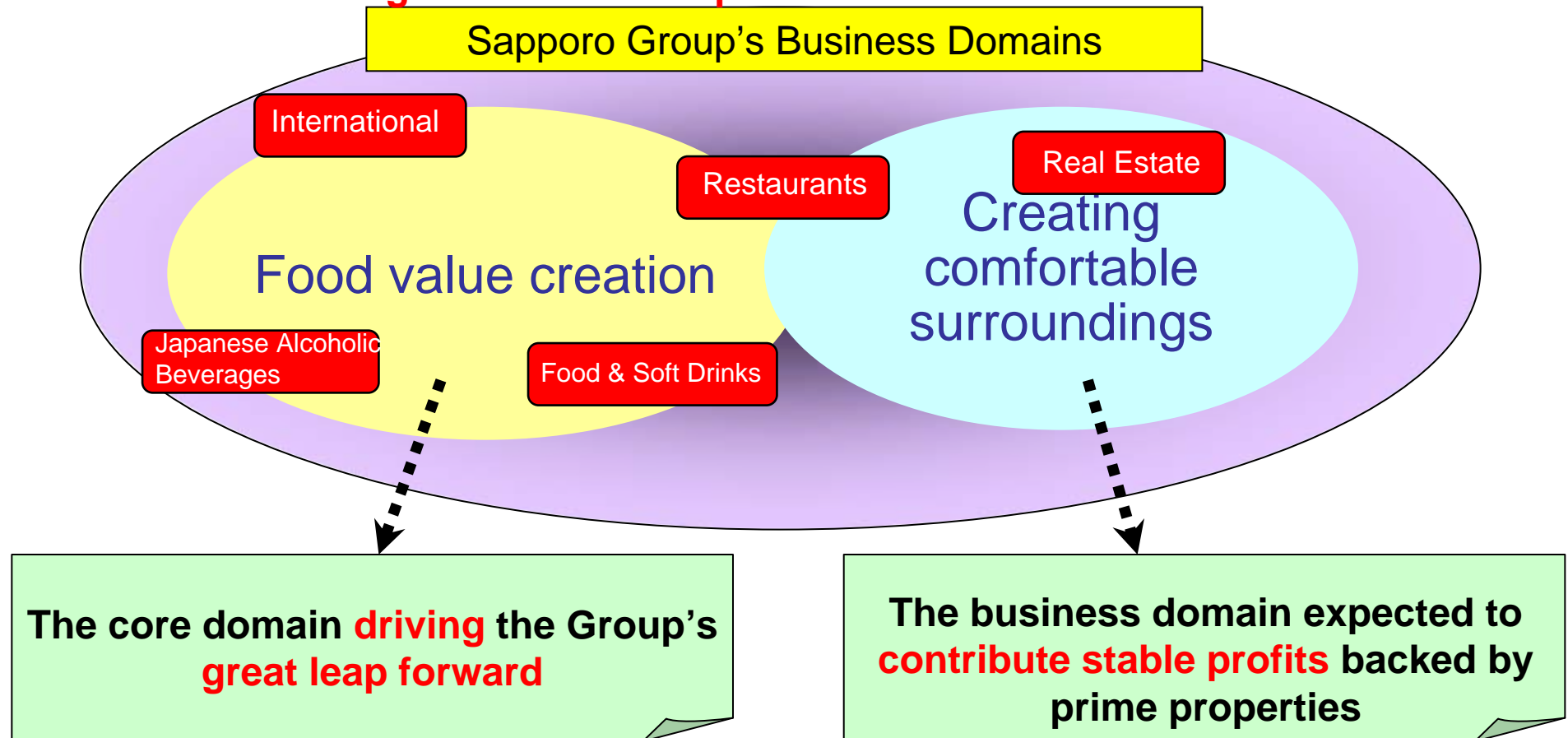
2007

Creating comfortable surroundings

(Announced October 2007)

## Medium-term Target of New Group Management Structure

Of the two business domains, we position food value creation business as the core domain driving the group's future growth and will make active investments for growth both in Japan and abroad.

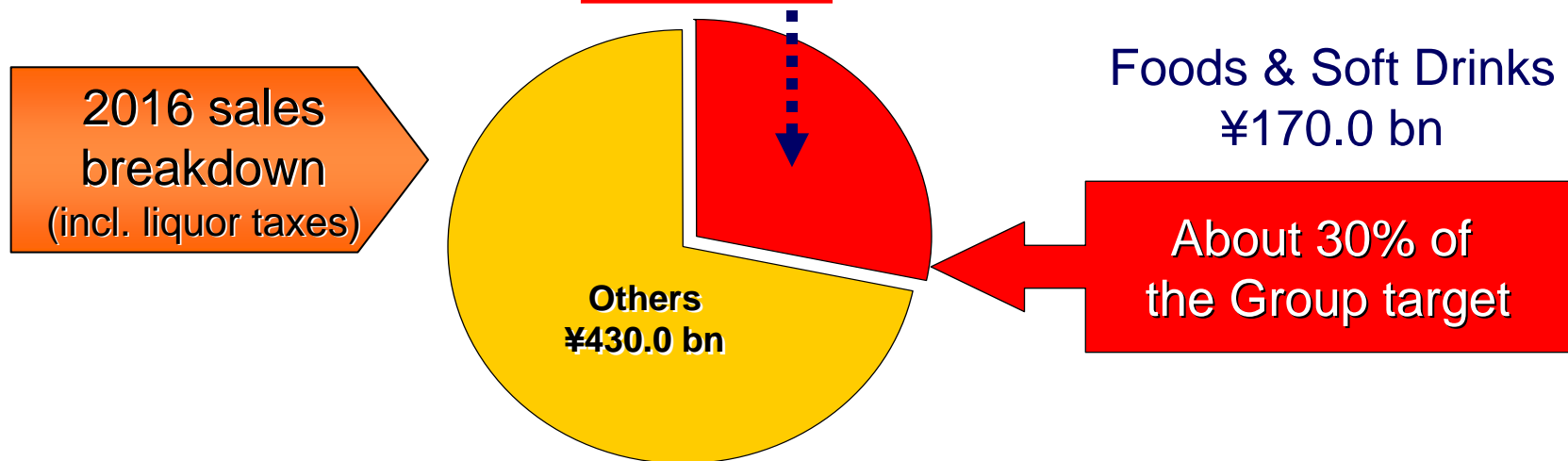


## Medium-term Target of New Group Management Structure

**In addition to alcoholic beverages and real estate, we aim to grow the foods & soft drinks businesses into the Group's third source of stable profits.**

### ◆ Share of Foods & Soft Drinks business in the Group's targets

	2010 results	2016 targets	Change	Growth rate
Net sales	133.0	170.0	37.0	128%
Operating income	5.2	8.5	3.3	163%
Operating margin	3.91%	5.00%	1.09%	





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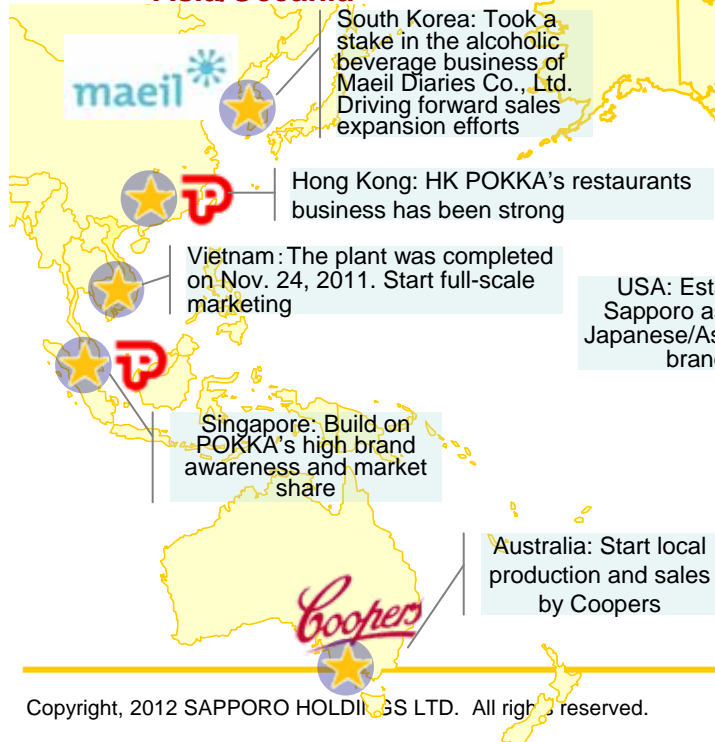
# Sapporo Group's International Expansion

Promote unique international strategy through organic growth and local partnerships

## Area strategy focused on the Asia-Pacific rim

- An area strategy organized around two pillar domains, North America and Asia/Oceania
- Establishment of the Asian business base with the Vietnam plant starting operations. Manufacturing bases in Japan, Canada and Vietnam
- Use high brand recognition and sales channel in Singapore to expand sales of Sapporo products

### Asia/Oceania



## Premium beer strategy centered on Sapporo brand products

- Orient international expansion towards specialized, premium products
- Enhance Sapporo brand production bases in alliances with trustworthy partners (Taiwan and Australia)

### North America



## Growth into International Business from International Alcoholic Beverage Business

- The scope of expansion was broadened as the alliance with POKKA added soft drinks to alcoholic beverages
  - POKKA brand has a 70% share in green tea market and its share is over 50% in the overall tea drink market.
  - Added carbonated drink line to the Singapore plant. Aim for further growth.
- Acquired majority stake in Silver Springs Citrus (SSC), the largest U.S. maker of private-brand chilled drinks at the end of January 2012



Green tea products by POKKA Singapore

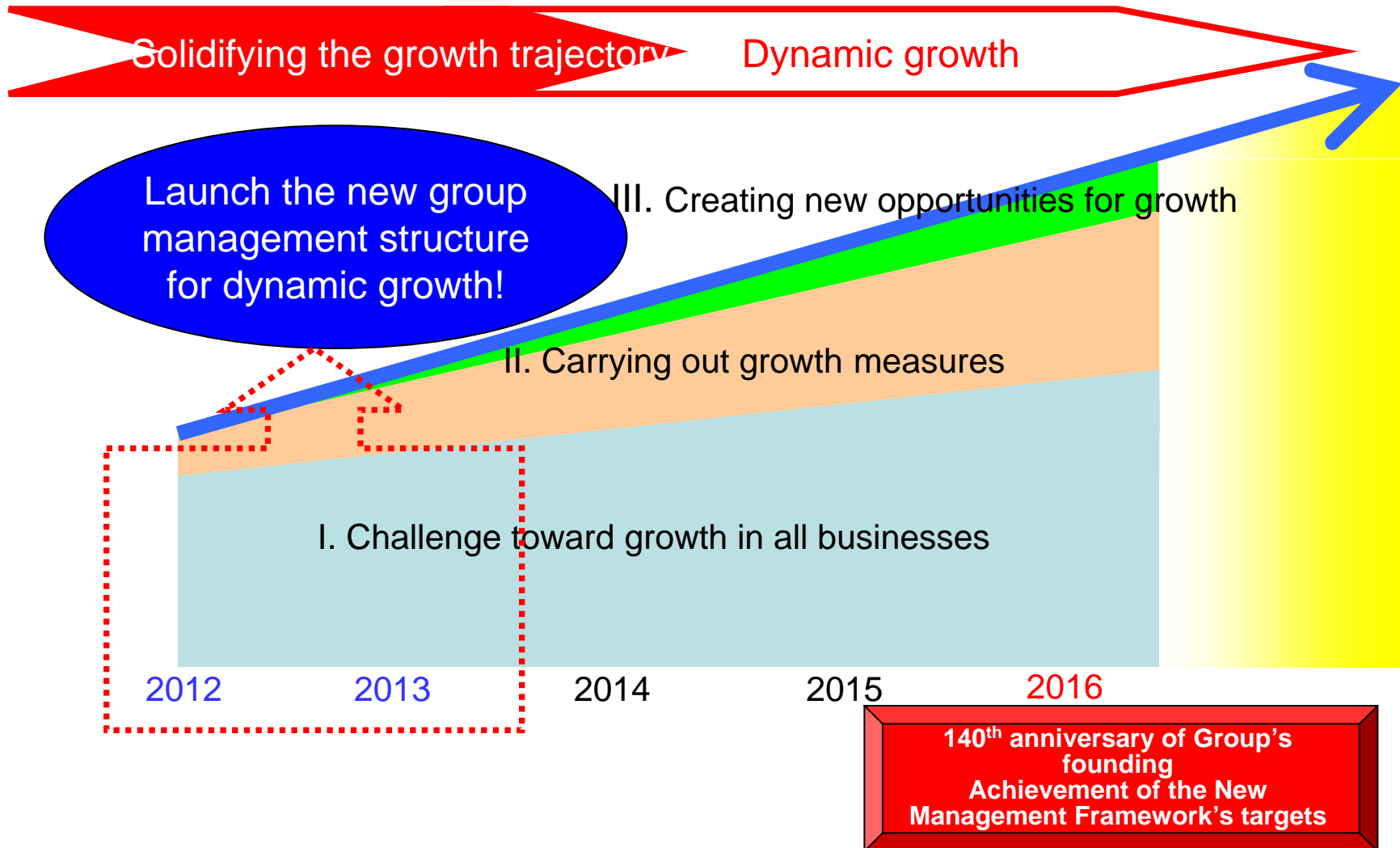


We started production of Sapporo Premium at the Vietnam plant

## 2012-2013 Management Targets

# Position of Sapporo Group Management Plan 2012-2013

**Solidify the growth trajectory to move up to the dynamic growth stage.**



# 2012-2013 Management Targets

	2006 results	2011 results	<b>Consolidated targets</b>		2016 targets
			2012 targets	2013 targets	
Consolidated net sales *incl. liquor taxes	¥435.0 bn	¥454.0 bn	¥510.0 bn	¥535.0 bn	¥600.0 bn
(excl. liquor taxes)	¥294.0 bn	¥341.4 bn	¥396.0 bn	¥420.0 bn	¥450.0 bn
Consolidated operating income	¥8.6 bn	¥18.8 bn	¥20.0 bn	¥21.0 bn	¥40.0 bn
(before goodwill amortization)	¥8.6 bn	¥21.9 bn	¥23.9 bn	¥24.8 bn	
Consolidated ordinary income	¥5.8 bn	¥16.8 bn	¥17.0 bn	¥18.0 bn	-
Consolidated net income	¥2.3 bn	¥3.1 bn	¥6.3 bn	¥7.4 bn	-
Consolidated operating margin *excl. liquor taxes	2.9%	5.5%	5.1%	5.0%	9.0%
(before goodwill amortization)	2.9%	6.4%	6.0%	5.9%	
D/E ratio	2.1 times	1.8 times	1.9 times	1.9 times	Around 1:1
ROE	2.1%	2.5%	5.0%	5.7%	8% or higher
(before goodwill amortization)	2.1%	5.1%	8.2%	8.7%	

\*Assumed exchange rates: 2012-2013: US\$ = ¥81, CAN\$ = ¥80



# 2012-2013 Management Targets by Segment

		Targets		
		2011 results	2012 targets	2013 targets
Net sales	Japanese Alcoholic Beverages	¥268.1 bn	¥288.0 bn	¥300.0 bn
	International Business	¥25.8 bn	¥37.3 bn	¥44.0 bn
	Food & Soft Drinks	¥112.7 bn	¥134.6 bn	¥140.0 bn
	Restaurants	¥24.0 bn	¥24.9 bn	¥26.0 bn
	Real Estate	¥22.4 bn	¥24.4 bn	¥24.0 bn
	Other Businesses	¥0.7 bn	¥0.8 bn	¥1.0 bn
	Corporate & intercompany eliminations	—	—	—
	<b>Consolidated total</b>	<b>¥454. bn</b>	<b>¥510.0 bn</b>	<b>¥535.0 bn</b>
Operating income	Japanese Alcoholic Beverages	¥9.3 bn	¥10.5 bn	¥12.0 bn
	International Business	¥0.3 bn	¥0.0 bn	¥0.2 bn
	Food & Soft Drinks	¥3.6 bn	¥3.0 bn	¥3.1 bn
	Restaurants	¥0.2 bn	¥0.6 bn	¥0.8 bn
	Real Estate	¥8.5 bn	¥9.3 bn	¥8.6 bn
	Other	(¥0.6 bn)	(¥0.4 bn)	(¥0.4 bn)
	Corporate & intercompany eliminations	(¥2.6 bn)	(¥3.0 bn)	(¥3.3 bn)
	<b>Consolidated total</b>	<b>¥18.8 bn</b>	<b>¥20.0 bn</b>	<b>¥21.0 bn</b>
* Consolidated total (before goodwill amortization)		¥21.9 bn	¥23.9 bn	¥24.8 bn

# 2012-2013 Basic Strategies

# Basic Strategies for Promoting Robust Growth

## I. Challenge toward growth in all businesses

- ★ While leveraging the strengths of our various business's brands and their other management resources, we will accept new challenges to beat the competition in all of our businesses.

## II. Carrying out growth measures

- ★ To realize the fruits of the many initiatives undertaken by the Group in recent times, we will continue to make forward investments and take other steps to strengthen our foundations.

## III. Create new opportunities for growth

- ★ We will continue to aggressively pursue attractive M&A deals and alliances, both in Japan and overseas.

\*Details of each strategy will be discussed under business-based strategies.



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# Strategic Investment

## Basic concept of strategic investment

- ◇ We will continue to make active strategic investment aimed at further developing the Sapporo Group.
- ◇ We envision **strategic investments worth ¥150 billion to 200 billion from 2012 through 2016** and it will generally be made within the scope of operating cash flows.
- ◇ **For FY2012, we plan to make strategic investment of approximately ¥64 billion.**

\*Strategic investment includes ordinary capex.

<FY2012 strategic investment> \*Projects that have been decided as of now

- Raise the Group's stake of the complex known as Yebisu Garden Place to 100%.
- Acquisition of majority stake in Silver Springs Citrus, the largest U.S. maker of private-brand chilled drinks
- Capital investment in the Japanese alcoholic beverage as well as foods & soft drinks businesses aimed at further improving efficiency
- New openings of restaurants, etc.



Yebisu Garden Place



Silver Springs Citrus (the U.S.)



YEBISU BAR



CAFÉ de CRIE

# Overall Group Strategy



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# Overall Group Strategy

## 1. Further promotion of efficiency in Group management

As the size of the Group expands, we will further concentrate common operations on SGM, a functional support company.

Holding company/Group headquarters  
Sapporo Holdings Ltd.

Functional company

Sapporo Group Management Co.,Ltd.

To additionally handle  
purchasing and logistics  
for the Group

Sapporo Breweries Ltd.

Sapporo International Inc.

Operating companies

POKKA SAPPORO FOOD&BEVERAGE LTD.

To be established in April 2012  
Operations to start in January 2013

Sapporo Lion Limited

Sapporo Real Estate Co., Ltd

Changed name  
in January 2012

## 2. Initiatives for enhancing Group brand

We will implement Group-wide initiatives for increasing the no. of Sapporo Group fans primarily in the areas where we can leverage the Group's strengths.

## 3. Strengthening development of Group human resources

We will develop human resources to strengthen abilities to implement growth strategy and respond to changes.

# Business Plans



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# Japanese Alcoholic Beverages

We aim to display to the markets the qualities unique to the Sapporo brand while further enhancing profitability, raising corporate value and brand value. By doing so, we will create deeper bonds with our customers, in whom we hope to inspire excitement and joy through our products.

(billions of yen)

Quantitative targets	2011 results	2012 targets	2013 targets
Net sales	268.1	288.0	300.0
Operating income	9.3	10.5	12.0

## Key Points in Management Plan 2012-2013

### 1. Bolster brand strength by focusing management resources on core products

The beer business will focus resources on Sapporo Draft Beer Black Label, Yebisu, and Mugi to Hop, which account for about 70% of beer case sales, and Sapporo Premium Alcohol Free in the nonalcoholic beer beverage market, which we expect will continue to grow in 2012, to further raise brand value.



“Kampai!” toasts taste even better!

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# Japanese Alcoholic Beverages

## Key Points in Management Plan 2012-2013 (Cont.)

### 2. Laying the groundwork for growth in expanding areas

We set 2012 as **the first year for Sapporo to take on the challenge of promoting RTD products**, which would offer customers a sense of discovery, excitement and a surprising taste, and aim to triple segment sales. In addition to the re-launch and product line extension of Sapporo Nectar Sour Sparkling Peach and Ginger Highball, we plan to introduce CJ Oishii Makgeolli and RTD products based on Bacardi, the world's top rum brand.



### 3. Expand sales of wine, western spirits and shochu

Sales of both wine/western spirits and shochu businesses increased in 2011.

From 2012 onwards, we will **expand sales, especially of Bacardi brand western spirits**, to grow them into a new stable source of profits on par with wine and shochu.



# International Business

In North America, we will further grow the business by capitalizing on its strengths in the premium beer category and aim to boost sales by actively engaging in growth markets in Asia and elsewhere. We also will promote expansion of businesses other than alcoholic beverages.

(billions of yen)

Quantitative targets	2011 results	2012 targets	2013 targets
Net sales	25.8	37.3	44.0
Operating income	0.3	0.0	0.2

## Key Points in Management Plan 2012-2013

### 1. Business strategy in North America

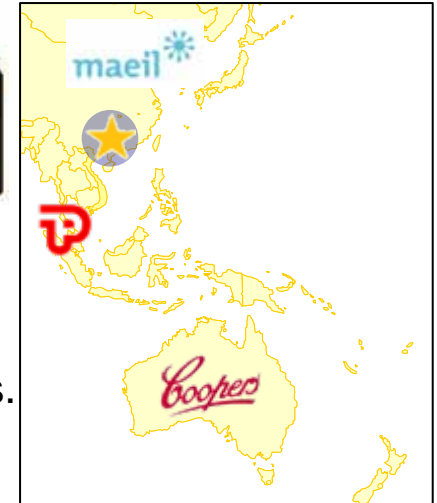
- SLEEMAN BREWERIES, which has been growing at a pace exceeding the total demand growth for the past five years, will continue its investments in marketing **the thriving premium beer brands** as it seeks to further increase sales.
- Sapporo USA achieved 3 million beer case sales (24 12oz cans per case) in 2011 and aim for further sales expansion by boosting the growth rate of Sapporo brand, which has been the **No. 1 Asian beer brand** since 1986.



## Key Points in Management Plan: 2012-2013 (Cont.)

### 2. Expansion in Asia and Oceania

- Following the completion of the Long An plant, we will implement full-fledged marketing in Vietnam in 2012. Going forward, we position Vietnam as the bridgehead for deploying our Southeast Asian strategies and make optimal use of the location to expand into neighboring countries.
- We entered into tie-ups with Maeil Dairies in South Korea and with Coopers Brewery in Australia. We will actively carry out promotions and seek further sales expansion.
- In the Singaporean market, we will continue to expand sales channels in the local household market in collaboration with the POKKA Group.



### 3. Expansion of business domain

In addition to alcoholic beverages, we will pursue M&A and alliance opportunities in new businesses where we can demonstrate Group synergies in soft drinks and foods.

At the end of January 2012, we acquired a majority equity stake in Silver Springs Citrus, the largest maker of private-brand chilled drinks in the United States.



Silver Springs Citrus (the U.S.)

# Food & Soft Drinks

We will accomplish integration towards the start of the new company, POKKA SAPPORO FOOD & BEVERAGE LTD in January 2013 and pursue synergies to grow the business into the third stable source of profits for the Group management.

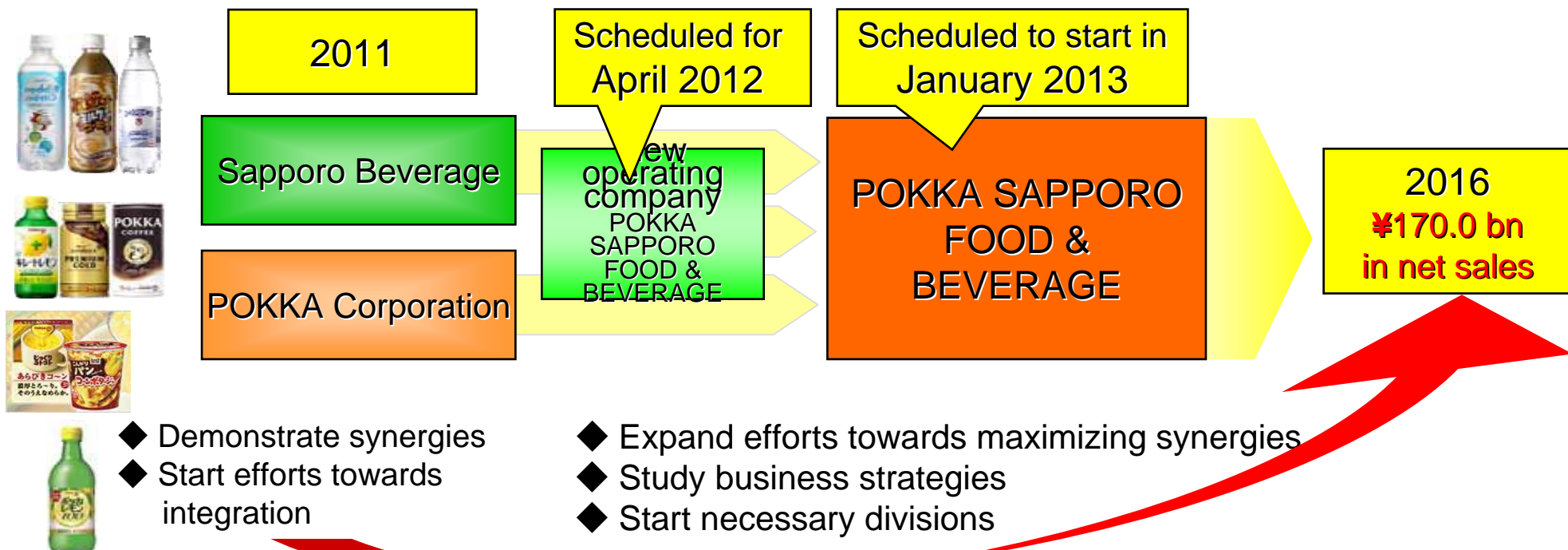
(billions of yen)			
Quantitative targets	2011 results	2012 targets	2013 targets
Net sales	112.7	134.6	140.0
Operating income	3.6	3.0	3.1

## Key Points in Management Plan 2012-2013

- We will cultivate competitive brands through product differentiation and concentration of investment in core categories and brands ultimately to expand both of the food and soft drinks businesses.
- In the food business, we aim to strengthen the POKKA Lemon brand and expand the lemon-based food product category and enhance the product lineup in the soup category.
- In the soft drinks business, we aim to strengthen coffee drinks, Kireto Lemon and Ribbon brand. We will also aim to introduce high value-added products by leveraging processing technologies and materials.
- On the sales side, we will focus on strengthening the vending machine channel and sales expansion in the commercial-use channel where we can demonstrate Group synergies. We will study business schemes and organizations, in addition to promoting further streamlining of production and procurement structure as well as a joint distribution structure to achieve concrete results at an early date, so as to build a new company structure that can efficiently generate results.

# Foods & Soft Drinks (Supplementary)

- ◆ Establish a new company, Pokka Sapporo Food & Beverage Ltd in April 2012 as an entity to drive forward integration.
- ◆ Set up necessary organizations, including management strategy divisions that play a central role in business strategy, one after another.





# Restaurants

Under the key phrase of further evolution, we will strengthen area-based restaurant management structure, open new outlets of successful formats, and drive forward profit structure improvement.

Quantitative targets	(billions of yen)		
	2011 results	2012 targets	2013 targets
Net sales	24.0	24.9	26.0
Operating income	0.2	0.6	0.8

## Key Points in Management Plan 2012-2013

### 1. Growth initiatives

- To increase customers at existing restaurants, we will continue with various promotional campaigns, step up marketing to corporate customers and shifting some outlets into successful formats.
- We plan to open new medium-sized restaurants totaling around 500 tsubo (approx. 1,653 square meters) in size primarily of successful YEBISU BAR and brasserie formats. We plan to increase the number of YEBISU BAR outlets from the current five to nine within 2012.



### 2. Profit structure reform

- We will continue with efforts to reform our profit structure, including reducing costs by creating a distribution system with a single center for serving our Tokyo metropolitan logistics network and lowering fixed costs by seeking lower rents.

We will raise Sapporo brand's value and strengthen Group synergies while boosting value of our prime properties so as to further improve profitability for the future.

Quantitative targets	(billions of yen)		
	2011 results	2012 targets	2013 targets
Net sales	22.4	24.4	24.0
Operating income	8.5	9.3	8.6

## Key Points in Management Plan 2012-2013

- In 2012, we changed the name of our consolidated real estate subsidiary Yebisu Garden Place Co., Ltd., to Sapporo Real Estate Co., Ltd., as part of our plan to raise the Sapporo brand value and strengthen Group synergies.
- We plan to implement at an early date a value enhancement measure for Yebisu Garden Place, which will become wholly owned by Sapporo Group to maintain and improve occupancy rate and achieve appropriate rent levels.
- We will begin redevelopment of the Seiwa Yebisu Building, an office building in the Ebisu area, targeting completion in 2014. We will also review the redevelopment plan for Sapporo Ginza Building.

Yebisu Garden Place



(Ginza 4 chome crossing)  
Sapporo Ginza Building

# Returning Profits to Shareholders



# Returning Profits to Shareholders

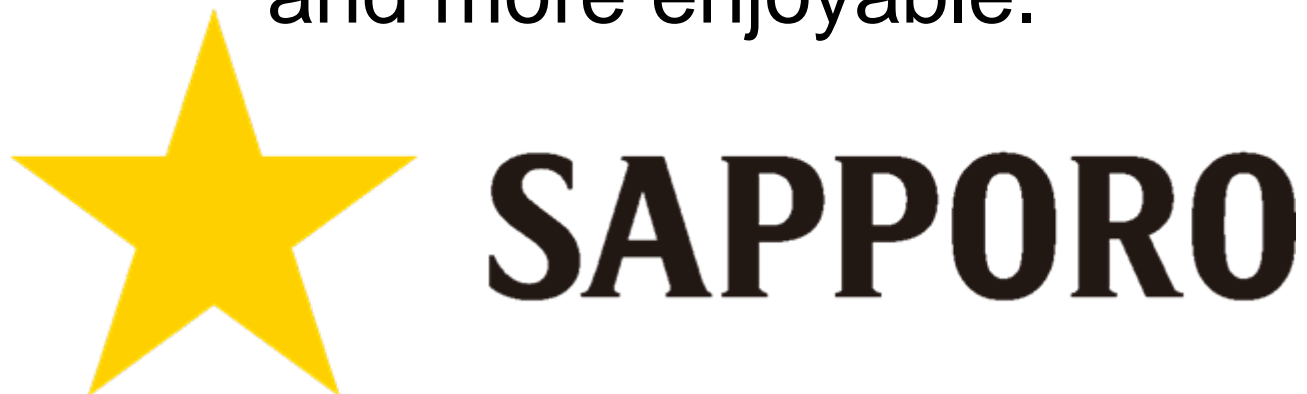
## Basic Policy

- **Providing fair returns to our shareholders is a key management policy of our Group. Our basic policy is to pay stable dividends to the extent permitted by our operating performance and financial condition. We also aim to maximize corporate value by internally retaining funds to strengthen our financial base and strategically invest in growth businesses in accord with our Management Plan.**

## Dividend Policy

- **We will pay a dividend of ¥7 per share from retained earnings for the year ended December 31, 2011. For 2012, we plan to pay annual dividends of ¥7 per share once again by enhancing earnings through steady implementation of our Management Plan while taking into account returning profits to shareholders and internal reserve for strengthening our financial base and making future strategic investments.**

To make people's lives richer  
and more enjoyable.



The earnings forecasts and forward-looking statements appearing in this document were prepared by the SAPPORO Group based on currently available information and its best assessment of potential risks and uncertainties. Actual outcomes may differ materially from forecasts due to changes in various underlying factors.