



# **2012 Sapporo Group Business Results Presentation for the Six Months ended June 30, 2012**

**August 8, 2012**

Sapporo Holdings Ltd.

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

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**1. Progress of Implementation of 2012 Basic Strategies**

**2. Overview of First-Half 2012 Results**

**3. Revision of 2012 Full-Year Earnings Forecasts**

**Reference: Supplementary information to First-Half 2012  
Results**

# **1. Progress of Implementation of 2012 Basic Strategies**

# Progress of Implementation of 2012 Basic Strategies

**We promoted three basic strategies for achieving dramatic growth**



## Accepting challenges leading to growth in all businesses

- **See the segment pages under Supplementary Information to first-half 2012 Results**

## Create new growth opportunities

- On January 31, we acquired a 15% stake in M's Beverage Co., Ltd., a wholly owned alcoholic beverage distribution subsidiary of Maeil Dairies Co., Ltd. for approx. ¥51 mn to boost Sapporo's brand value and strengthen our product distribution network in South Korea. \*A non-equity method affiliate
- On January 31, we acquired 51% of outstanding shares in Silver Springs Citrus, the largest U.S. maker of private-brand chilled drinks, from the Toyota Tsusho Group for approx. ¥1.8 bn to make a full-scale entry into the U.S. beverage business. \*Started consolidating the profit/loss items from April



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# Progress of Implementation of 2012 Basic Strategies

## Steadfastly implement growth measures

### ➤ Steps for boosting the value of Yebisu Garden Place

- Increased the stake in Yebisu Garden Place to 100% in March 2012; started implementing measures to boost its value towards its 20th anniversary in 2014.
- Taking into account the anticipated recovery in rent levels from 2013 onwards when excess supply in the real estate rental market caused by the boom in new office building construction is eliminated, we have embarked on renovation of properties to boost their value starting this year.
- In addition to improving the convenience of the offices, we will refurbish them with focus on features including disaster prevention measures, safety and security and a power supply structure to ensure business continuity during disasters.
- Refurbish commercial and restaurant facilities to boost the attractiveness of the entire Ebisu region in addition to that of Yebisu Garden Place.

### ➤ Progress in integration towards start-up of POKKA SAPPORO FOOD & BEVERAGE LTD. in January 2013

- Currently developing business plan including anticipated synergies from integration from 2013 onwards to be announced in fall this year.

### ➤ Strengthening of the alcoholic beverages and soft drinks business in Southeast Asia

- Alcoholic beverages business: Position Vietnam as the bridgehead and gradually expand into neighboring countries.
- Soft drinks business: With POKKA Singapore at the center, take measures to gradually boost the presence in surrounding countries.



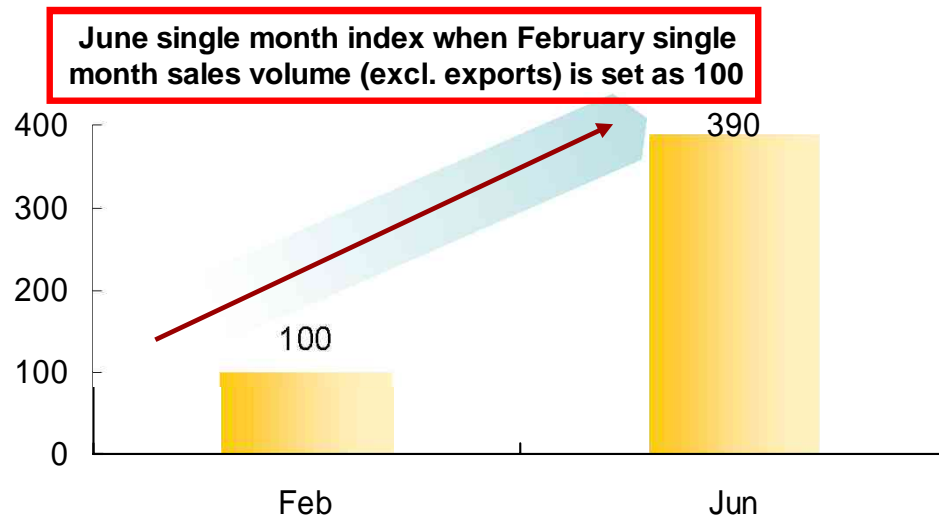
Yebisu Garden Place  
(opened in 1994)

# Progress of Implementation of 2012 Basic Strategies

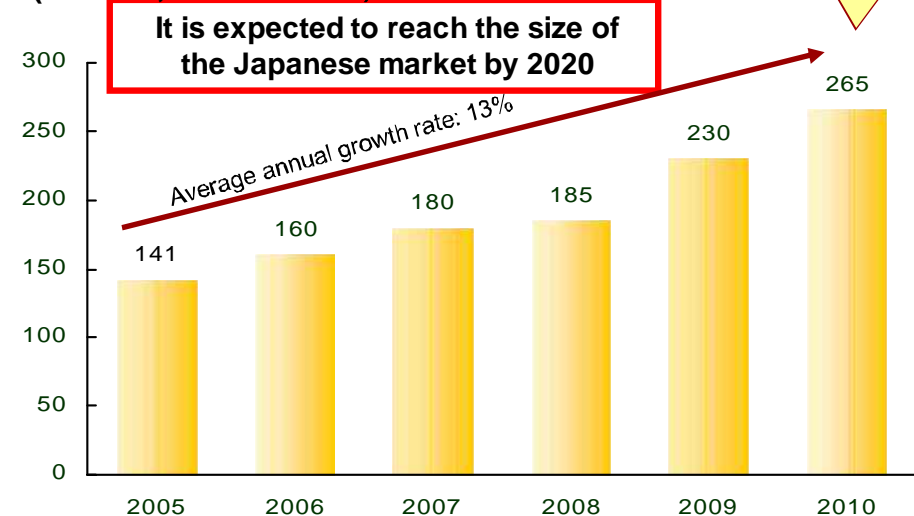
## II. Steadfastly implement growth measures

### ➤ Progress in the business in Vietnam, where we made a full-scale entry

- We entered the Vietnamese market at the end of February 2012 and launched full-scale marketing from April. Sales volume and exports to surrounding countries have been making good progress.
- In Vietnam, our products are being delivered to about 1,100 restaurants primarily in Ho Chi Minh as of the end of June and about 1,400 retail outlets such as CVS and major supermarkets.
- We started exports to surrounding countries earlier this year. As of the end of June, we are exporting to Malaysia, Singapore, Thailand, Australia, New Zealand and South Korea.



### Changes in beer consumption in Vietnam (unit: 10,000 kiloliters)







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# Progress of Implementation of 2012 Strategic Investments

## Implementation Status of Strategic Investments (incl. ordinary capex)

### <Acquisition of stake in Silver Springs Citrus>

- Acquired 51% of outstanding shares in Silver Springs Citrus and made it a consolidated subsidiary
- Started consolidating the balance sheet from the end of March and profit/loss items from April
- The cost of the share acquisition is approx. ¥1.8 bn
- Net financial liabilities were approx. ¥0.7 bn

**Total investment is approx. ¥2.5 bn**

### <Acquisition of shares in M's Beverage>

- Acquired a 15% stake at the end of January (non-equity method affiliate)

**Total investment is approx. ¥50 mn**

### <Acquisition of 15% of trust beneficiary rights in Yebisu Garden Place>

- Acquired from the joint holder on March 1 and started to reflect profit/loss items from March

**Total investment is approx. ¥40.5 bn**

### <Capex (on a payment basis)/lease payments>

**Consolidated total of approx. ¥8.2 bn**

- Breakdown: Japanese Alcoholic Beverages: ¥1.9 bn; International: ¥0.8 bn; Soft Drinks: ¥0.1 bn; POKKA Group: ¥3.2 bn; Restaurants: ¥0.2 bn; Real Estate: ¥1.0 bn; General corporate: ¥0.7 bn, etc.

### <Other investments>

**Consolidated total of approx. ¥2.05 bn**

- Breakdown: Japanese Alcoholic Beverages, etc.

### <Implementation status of strategic investment from Jan to Jun 2012 (incl. ordinary capex)>

- **Approx. ¥53.3 bn**

## Credit Ratings

### <Announcement of the acquisition of 15% of trust beneficiary rights for Yebisu Garden Place>

- On December 26, 2011, issued a press release that we acquired the rights from the joint holder for ¥40.5 bn

### <Credit rating by JCR>

- On February 16, 2012, JCR issued a press release saying that it kept the A- (steady) rating on Sapporo Holdings unchanged.

### <Credit rating by R&I>

- On March 15, 2012, R&I issued a press release saying that it kept the BBB+ rating unchanged.

### <Achievement of low-cost finance>

- In March issued five-year straight bonds worth ¥10 bn at a low cost

## Direction of Long-term Strategic Investments

- **We will continue to actively carry out strategic investments for growth**
- **We expect to make ¥150 bn to ¥200 bn worth of strategic investments from 2012 to 2016 (basically accumulation of cash flows from operations)**
  - Including ordinary capex (worth about half of the strategic investments)
- **Strategic investment for 2012 is planned to be approx. ¥64 bn**

## 2. Overview of First-Half 2012 Results





# Overview of First-Half 2012 Results -Special Factors-

**SAPPORO** Breakdown of special factors does not allow meaningful comparisons between net sales and operating income for the first half of 2012 and the same period a year earlier  
See the Supplementary Information to our Earnings Report for factors behind changes resulting from other business activities

## Net Sales

### <International>

- We started consolidating the profit/loss items of Silver Springs Citrus in April approx. +¥2.3 bn

### <Food & Soft Drinks: POKKA Group>

- We started adding the profit/loss items from April 2011 and this meant net increase for the Jan-Mar period approx. +¥22.3 bn

### <Real Estate>

- Started reflecting the profit/loss items from March for the acquisition of 15% of trust beneficiary rights for Yebisu Garden Place from the joint holder in the complex approx. +¥0.8 bn

### <Total>

- Approx. +¥25.4 bn

## Operating Income

### <International>

- We started consolidating the profit/loss items of Silver Springs Citrus in April approx. +¥0.1 bn

### <Food & Soft Drinks: Sapporo Beverage>

- In April 2011 we started goodwill amortization for the acquisition of shares from Crescent Partners after it converted CB holdings, and goodwill amortization was a net increase in the Jan-Mar period of 2012 approx. -¥0.2 bn

### <Food & Soft Drinks: POKKA Group>

- Started reflecting the profit/loss items from April 2011, resulting in an operating loss for the Jan-Mar period of 2012 approx. -¥0.5 bn
- Started reflecting the profit/loss items from April 2011 and goodwill amortization resulting from the integration of POKKA Group was a net increase in the Jan-Mar period of 2012 approx. -¥0.4 bn

### <Real Estate>

- Acquired 15% of trust beneficiary rights for Yebisu Garden Place from the joint holder in the complex and have been reflecting the profit/loss items from March approx. +¥0.4 bn

### <Total>

- Approx. -¥0.6 bn



# Overview of First-Half 2012 Results

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See <Results Short of First-Half 2012 Targets -Main Factors-> for comparison with the targets

## ➤ Net sales: up YoY

Sales increased significantly due to recovery of Japanese Alcoholic Beverages and Restaurants, which were directly affected by the earthquake in 2011 as well as the special factors discussed in the previous slide.

## ➤ Operating income: down YoY

Despite profit increase at Restaurants on increased sales, overall operating income decreased by ¥4.7 bn YoY due to increased marketing costs compared with the previous year in Japanese Alcoholic Beverages and Food & Soft Drinks and increased investment by International Business for development of the Vietnam market in addition to the special factors described in the previous slide.

## ➤ Net income: roughly unchanged

Net income remained roughly unchanged from the previous year as extraordinary losses declined ¥6.3 bn on year (a ¥1.0 bn loss due to asset retirement obligations and a ¥4.6 bn loss stemming from the disaster, etc. in the previous year.).

\*The 2011 first quarter consolidated net sales figure lacks continuity with the figure announced last year due to retrospective adjustment of past years from the first quarter of fiscal 2012.

\* POKKA Group's profit/loss items have been consolidated since the second quarter of fiscal 2011

	2011 results	2012 results	2012 targets	YoY changes (amount, %)		vs. Targets (amount, %)	
(billions of yen)							
<b>Japanese Alcoholic Beverages</b>	118.2	<b>122.6</b>	129.6	4.4	3.7%	-6.9	-5.4%
<b>International</b>	12.4	<b>16.0</b>	15.0	3.5	28.6%	1.0	6.7%
<b>Food &amp; Soft Drinks</b>	39.4	<b>60.8</b>	63.0	21.3	54.2%	-2.1	-3.4%
Sapporo Beverage	15.3	<b>14.3</b>	15.8	-1.0	-7.0%	-1.4	-9.4%
POKKA Group	24.0	<b>46.5</b>	47.2	22.4	93.3%	-0.6	-1.4%
<b>Restaurants</b>	10.5	<b>11.8</b>	11.0	1.2	11.7%	0.8	7.5%
<b>Real Estate</b>	11.0	<b>11.2</b>	11.0	0.2	1.9%	0.2	2.7%
<b>Other</b>	0.4	<b>0.4</b>	0.4	0	5.7%	0	14.3%
<b>Consolidated net sales</b>	192.2	<b>223.0</b>	230.0	30.8	16.0%	-6.9	-3.0%
<b>Japanese Alcoholic Beverages</b>	0	<b>-2.6</b>	0.3	-2.7	—	-2.9	—
<b>International</b>	-0.2	<b>-0.3</b>	-1.4	-0.1	—	1.0	—
North America, other	0.2	<b>0.5</b>	0.1	0.3	206.9%	0.4	388%
Vietnam	-0.4	<b>-0.8</b>	-1.5	-0.4	—	0.6	—
<b>Food &amp; Soft Drinks</b>	1.2	<b>-1.1</b>	0.1	-2.4	—	-1.2	—
Sapporo Beverage	0.5	<b>-0.1</b>	0.2	-0.7	—	-0.3	—
POKKA Group	0.7	<b>-1.0</b>	-0.1	-1.7	—	-0.9	—
Before GW amortization	1.9	<b>0.1</b>	1.4	-1.7	-91.3%	-1.2	-88.6%
<b>Restaurants</b>	-0.6	<b>-0.3</b>	-0.2	0.3	—	-0.1	—
<b>Real Estate</b>	4.2	<b>4.4</b>	4.1	0.1	4.1%	0.3	8.3%
<b>Other</b>	-0.3	<b>-0.1</b>	-0.2	0.1	—	0	—
<b>General corporate</b>	-1.3	<b>-1.4</b>	-1.4	-0.1	—	-0	—
<b>Consolidated operating income</b>	3.0	<b>-1.7</b>	1.3	-4.7	—	-3.0	—
<b>Operating income before GW amortization</b>	4.1	<b>0.1</b>	3.2	-4.0	-95.8%	-3.0	-94.5%
<b>Consolidated ordinary income</b>	2.0	<b>-2.4</b>	0.1	-4.4	—	-2.5	—
<b>Consolidated net income</b>	-2.9	<b>-2.9</b>	-1.5	0	—	-1.4	—



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# Results Short of First-Half 2012 Targets -Main Factors-

## Highlights of the first-half results in comparison with the targets

Both net sales and operating income was short of the targets, as the impact of the pullback in demand in Food & Soft Drinks following a boom after the earthquake last year was greater than expected and Japanese Alcoholic Beverages and Food & Soft Drinks actively spent on advertising and sales promotion.

Net sales ¥6.9 bn short of the target; operating income ¥3.0 bn short of target: breakdown

### 1. Japanese Alcoholic Beverages

Net sales: ¥6.9 billion yen short of target; operating income ¥3.0 bn short of target

Initial plan Jan-Jun YoY results Jan-Jun YoY ( )denotes YoY change in general demand

- Beer: 98% ➤ **Beer: 100%**
- Happoshu: 75% ➤ **Happoshu: 75%**
- New genre beer: 120% ➤ **New genre beer: 106%**
- **Total: 106%** ➤ **Total: 102% (general demand: 101%)**
- Non-alcoholic beer: 235% ➤ **Non-alcoholic beer: 133%**
- RTD: 381% ➤ **RTD: 174%**
- Total sales volume of beer increased 2% year on year, exceeding the growth rate in general demand and increasing the market share. In addition, Non-alcoholic beer and RTD sales significantly exceeded levels of the previous year, but were short of the targets, resulting in a sales decline.
- While sales were short of the target, we invested marketing cost, in accordance with the plan prior to the peak time, to develop the markets for non-alcoholic beer and RTD, resulting in a decline in profits.

(billion yen)

Comparison with initial targets

	2012 targets	2012 results	Amount	%
Net sales	230.0	223.0	-6.9	-3.0%
Operating income	1.3	-1.7	-3.0	—

### 2. Food & Soft Drinks:

Net sales: ¥2.1 bn short of target (Sapporo Beverage ¥1.4 bn short, POKKA Group ¥0.6 bn short); operating income ¥1.2 bn short of target (Sapporo Beverage ¥0.3 bn short, POKKA Group ¥0.9 bn short)

#### <Beverages>

Initial plan Jan-Jun YoY results Jan-Jun YoY ( )denotes YoY change in general demand

- Sapporo Beverages: 99% ➤ **Sapporo Beverage: 90% (general demand: 104%)**
- POKKA Group: 100% ➤ **POKKA Group: 97% (general demand: 104%)**
- Right after the earthquake last year Sapporo Beverages and POKKA Group benefited from a surge in demand while other major companies suffered stock-out. While the plans incorporated a reversal of this demand, the impact of the pullback was greater than expected, and therefore the business could not meet the targets, resulting in declines in both sales and profits.
- \*Jan-Jun sales volume result: **Sapporo Beverage 99% YoY, POKKA Group 98% YoY**
- In addition to the fact that the companies' sales volume increased from March to August last year due to the disaster-related increase in demand while major manufacturers suffered short supply, demand for Japanese water and non-sugar beverages increased last year following the disaster. The volume showed a slight decline compared with 2010.
- In the first half of 2012, demand for carbonated drinks including other companies' new products grew. POKKA Group's Kireto Lemon Sparkling was affected by the market and it actively used marketing cost to develop the market for its new product *Yasuragi Kibun no Corn-Cha*, resulting in a decline in profits.

## **3. Revision of 2012 Full-Year Earnings Forecasts**



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# Revision of 2012 Full-Year Forecasts

See the following slides for major changes.

➤ Japanese Alcoholic Beverages

➤ Food & Soft Drinks (Sapporo Beverage, POKKA Group)

Full-year sales volume forecasts were revised down to reflect temporary factors

	(billions of yen)	2011 results	2012 revised targets	2012 initial targets	YoY change (amount, %)		Comparison with initial targets (amount, %)	
<b>Japanese Alcoholic Beverages</b>		268.1	<b>277.5</b>	288.0	9.3	3.5%	-10.5	-3.6%
<b>International</b>		25.8	<b>37.3</b>	37.3	11.4	44.1%	—	—
<b>Food &amp; Soft Drinks</b>		108.0	<b>128.1</b>	134.6	20.0	18.5%	-6.5	-4.8%
Sapporo Beverage		32.2	<b>30.1</b>	33.0	-2.1	-6.6%	-2.9	-8.8%
POKKA Group		75.8	<b>98.0</b>	101.6	22.1	29.2%	-3.6	-3.5%
<b>Restaurants</b>		24.0	<b>24.9</b>	24.9	0.8	3.4%	—	—
<b>Real Estate</b>		22.4	<b>24.4</b>	24.4	1.9	8.6%	—	—
<b>Other</b>		0.7	<b>0.8</b>	0.8	0	5.9%	—	—
<b>Consolidated net sales</b>		449.4	<b>493.0</b>	510.0	43.5	9.7%	-17.0	-3.3%
<b>Japanese Alcoholic Beverages</b>		9.3	<b>9.0</b>	10.5	-0.3	-3.3%	-1.5	-14.3%
<b>International</b>		0.3	<b>0</b>	0	-0.3	—	—	—
North America, other		1.4	<b>1.8</b>	1.8	0.3	28.9%	—	—
Vietnam		-1.0	<b>-1.8</b>	-1.8	-0.7	—	—	—
<b>Food &amp; Soft Drinks</b>		3.6	<b>0.2</b>	3.0	-3.4	-94.6%	-2.8	-93.3%
Sapporo Beverage		0.7	<b>-0.2</b>	0.8	-0.9	—	-1.0	-125.0%
POKKA Group		2.9	<b>0.4</b>	2.2	-2.5	-86.4%	-1.8	-81.8%
Before GW amortization		5.7	<b>2.9</b>	5.7	-2.8	-49.5%	-2.8	-49.1%
<b>Restaurants</b>		0.2	<b>0.6</b>	0.6	0.3	173.8%	—	—
<b>Real Estate</b>		8.5	<b>9.3</b>	9.3	0.7	8.7%	—	—
<b>Other</b>		-0.6	<b>-0.4</b>	-0.4	0.2	—	—	—
<b>General corporate</b>		-2.6	<b>-2.7</b>	-3.0	-0	—	0.3	-10.0%
<b>Consolidated operating income</b>		18.8	<b>16.0</b>	20.0	-2.8	-15.3%	-4.0	-20.0%
<b>Operating income before GW amortization</b>		21.9	<b>19.9</b>	23.9	-2.0	-9.5%	-4.0	-16.7%
<b>Consolidated ordinary income</b>		16.8	<b>13.0</b>	17.0	-3.8	-22.7%	-4.0	-23.5%
<b>Consolidated net income</b>		3.1	<b>3.6</b>	6.3	0.4	13.8%	-2.7	-42.9%

\*The 2011 first quarter consolidated net sales figure lacks continuity with the figure announced last year due to retrospective adjustment of past years from the first quarter of fiscal 2012.

\*POKKA Group's profit/loss items have been consolidated since the second quarter of fiscal 2011





# Revision of 2012 Full-Year Forecasts: Major Changes -Japanese Alcoholic Beverages-

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## 1. Change to full-year outlook of YoY comparison in general demand for beer-taste beverages

The beginning of 2012 reviewed on Aug 7 YoY comparison of general demand for beer taste beverages

- |   |  |   |
|---|--|---|
| <ul style="list-style-type: none"> <li>➢ Beer: 97%</li> <li>➢ Happoshu: 93%</li> <li>➢ New genre beer: 103%</li> <li>➢ <b>Total: 98%</b></li> <li>➢ Non-alcoholic beer beverages: 119%</li> </ul> |  | <ul style="list-style-type: none"> <li>➢ <b>Beer: 100%</b> (Jan-Jun result: 103%)</li> <li>➢ <b>Happoshu: 93%</b> (Jan-Jun result: 91%)</li> <li>➢ <b>New genre beer: 103%</b> (Jan-Jun result: 104%)</li> <li>➢ <b>Total: 100%</b> (Jan-Jun result: 101%)</li> <li>➢ <b>Non-alcoholic beer: 146%</b> (Jan-Jun result: 150%)</li> </ul> |
|---|--|---|

## 2. Change to full-year outlook of Sapporo's sales volumes and YoY comparison

The beginning of 2012 reviewed on Aug 7 Japanese sales volume and YoY comparison of beer-taste beverages (large bottle count)

- |  |  |   |
|--|--|---|
| <ul style="list-style-type: none"> <li>➢ Beer: 28.84 mn cases, 97%</li> <li>➢ Happoshu: 1.50 mn cases, 82%</li> <li>➢ New genre beer: 23.06 mn cases, 116%</li> <li>➢ Total: 53.40 mn cases, 104%</li> <li>➢ Premium Alcohol Free (non-alcoholic beer): 2.00 mn cases, 178%</li> </ul> |  | <ul style="list-style-type: none"> <li>➢ <b>Beer: 28.84 mn cases, 97% (no change)</b></li> <li>➢ <b>Happoshu: 1.43 mn cases, 78%</b></li> <li>➢ <b>New genre beer: 22.23 mn cases, 112%</b></li> <li>➢ <b>Total: 52.50 mn cases, 102%</b></li> <li>➢ <b>Premium Alcohol Free (non-alcoholic beer): 1.30 mn cases, 116%</b></li> </ul> |
|--|--|---|

## 3. YoY comparison after the review of Sapporo sales targets

YoY comparison based on revised Jul-Dec Japanese beer-taste beverages sales targets

- **Beer: 95%** (Sapporo Jan-Jun result: 100%)
- **Happoshu: 81%** (Sapporo Jan-Jun result: 75%)
- **New genre beer: 118%** (Sapporo Jan-Jun result: 106%)
- **Total: 103%** (Sapporo Jan-Jun result: 102%)
- Total general demand outlook: 98% (general demand Jan-Jun: 101%)
- **Premium Alcohol Free: 105%** (Sapporo Jan-Jun result: 133%)
- **(Non-alcoholic beer general demand): 145%** (Sapporo Jan-Jun result: 150%)

**Revised full-year forecast highlight in comparison with initial targets**

- Net sales: -¥10.5 bn
- Revised total sales volume of beertaste beverages and sales volume outlook of RTD
- Operating income: -¥1.5 bn
- <Beer, etc.>
- Change in volume: new genre beer-¥1.2 bn
- Change in product mix: -¥0.3 bn
- Manufacturing cost, etc.: +¥0.1 bn
- Sales promotion expenses: -¥0.6 bn
- Fixed cost, etc.: -¥0.5 bn
- <Other>
- Non-alcoholic beer, RTD, etc.: -¥1.4 bn

➢ In particular, as we are making full-scale entry with non-alcoholic beer and RTD this year while developing the market, we plan to use a certain amount of marketing cost in the second half. **(First-half YoY sales volume results: non-alcoholic beer: 133%, RTD: 174%)**

➢ In the new genre beer category, we introduced Hokkaido PREMIUM on July 11. Compared with full-year sales target of 3 mn cases (large bottle count), the initial shipment in July exceeded the target and sales of the product have been strong.

➢ We also aim to grow by offering a wide range of products to carry on the beer culture.



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## Revision of 2012 Full-Year Forecasts: Major Changes -Food & Soft Drinks (Sapporo Beverage, POKKA Group)-

Revised full-year forecast highlight in comparison with initial targets

### 1. Change to full-year outlook of YoY comparison of general demand for beverages

The beginning of 2012 **reviewed on Aug 7** YoY growth rate in beverages general demand

- Beverages: 99% to 100%  **Beverages: about 100%**  
(Jan-Jun result: 104%)

### 2. Change to full-year outlook of Sapporo's sales volumes and YoY comparison

The beginning of 2012 **reviewed on Aug 7** Beverages sales volume and YoY comparison

- Sapporo Beverage: 21.50 mn cases, 102% 
- POKKA Group: 29.27 mn cases, \*100%
- **Sapporo Beverages: 19.50 mn cases, 92%**
- **POKKA Group: 27.90 mn cases, \*95%**

### 3. YoY comparison after revision of Sapporo's sales targets

YoY comparison based on revised Jul-Dec beverages sales targets

- **Sapporo Beverage: 95%** (Sapporo Jan-Jun result: 90%)
- **POKKA Group: \*94%** (Sapporo Jan-Jun result: \*97%)
- **General demand outlook: 96% to 97%** (general demand Jan-Jun result: 104%)

\*POKKA Group's profit/loss items have been consolidated since April 2011. Comparison is made using Jan-Dec results as a reference.

- The greater-than-expected reversal of the surge in demand following the earthquake is expected to last through August and sales volumes at a similar level as general demand were factored in from September onwards.
- Second-half general demand outlook: We estimated it to be lower than the previous year's result, as the major companies' supply structures were restored from September onwards last year and we factored in the reversal from July and August of the previous year when temperatures were high.
- However, temporary impacts will be eliminated from September if general demand in the second half grows more than expected, and Sapporo's sales volumes are expected to move in line with general demand.

➤ Net sales: -¥6.5 bn (Sapporo Beverage: -¥2.9 bn, POKKA Group: -¥3.6 bn)

• Revised the level of rebound from the surge in demand following the earthquake disaster and revised down full-year sales targets

➤ Operating income: -¥2.8 bn

<Sapporo Beverage: -¥1.0 bn>

• Change in sales volume: -¥0.8 bn; Change in product mix: -¥0.1; marketing cost: -¥0.1 bn

• Manufacturing cost: -¥0.1 bn; raw materials cost: -¥0.2 bn

<POKKA Group: -¥1.8 bn>

[Domestic food and beverages]

• Change in sales volume: -¥1.0 bn

• Raw materials cost: -¥0.3 bn

• Other costs: -¥0.3 bn

[Other] Overseas business, restaurant business, etc.: -¥0.2 bn

[Jan-Mar operating income] a decline in comparison with initial target: -¥0.4 bn

- Main factors behind the decline in operating income is the downward revision of annual sales volumes at both Sapporo Beverage and POKKA Group after reviewing the degree of the reversal of the surge in demand following the earthquake and the temporary factor of active use of marketing cost by POKKA Group in the first half to develop the market for its new product *Yasuragi Kibun no Corn-Cha*.

- In the second half, we will continue to promote strengthening of the basic brands and drive forward measures with an eye on the integration in January 2013 including active introduction of POKKA Group's winter products at Sapporo Beverages' vending machines.



## **Reference: Supplementary information to First-Half 2012 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 increased reflecting strong sales of the three core brands and rebound from the direct impact of the earthquake. However, operating income declined due to increased burden of fixed cost during the down period for the loss caused by the disaster in 2011 in addition to active investment of marketing cost aimed at achieving a multi-layered structure.

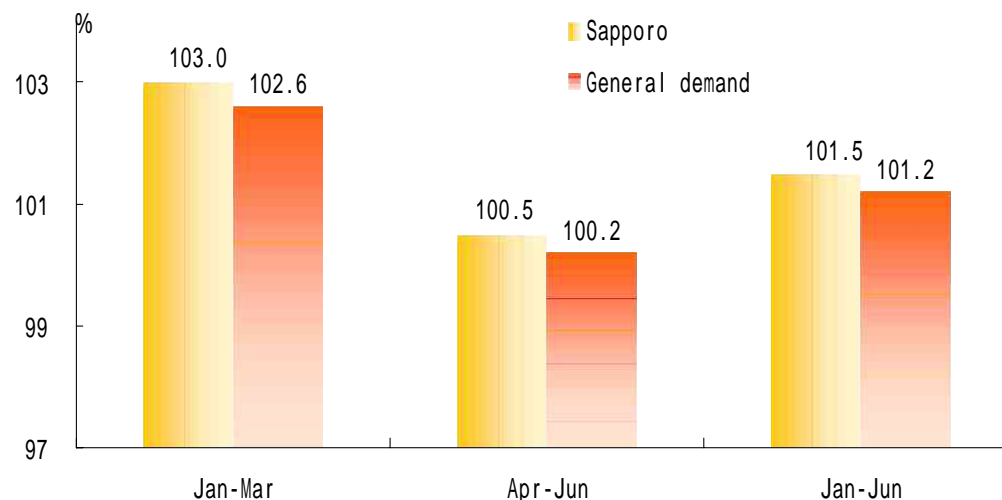
## Key points in business plan: implementation status

### 1. Bolster brand strength of core products

- Further bolster brand strength of the three core brands of Sapporo Draft Beer Black Label, Yebisu Beer, and Mugi to Hop and of Premium Alcohol Free, non-alcoholic beer-taste beverage.
- While the rebound from the direct impact of the earthquake also contributed, we focused on the three core brands as Jan-Jun total shipments of Sapporo beer, happoshu, and new-genre beer products were 101.5% compared with the same period a year earlier, outperforming the 101.2% for general demand, and increasing the market share.
- With the contribution from Premium Alcohol Free Black, the world's first non-alcoholic canned dark beer introduced on May 23, Premium Alcohol Free increased 30% year over year in the Jan-Jun period. However, the brand fell short of achieving the target partly due to the new products launched by competitors.
- We revised up the target of Mugi to Hop to 3 million cases (large bottle count), double the initial target. Sales are growing strongly in line with the target.

	(billions of yen)		Year-over-year changes	
	2011	2012	Amount	%
*Incl. liquor taxes				
Net sales*	118.2	122.6	4.4	3.7%
Operating income	0	-2.6	-2.7	-

YoY sales volume for Jan-Jun





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## Japanese Alcoholic Beverages (2)

### Key points in business plan: implementation status

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

##### RTD-related actions <Sapporo's first year of promoting Ready To Drink products: Triple the sales>

- While sales for the Jan-Jun period significantly exceeded the level for the same period a year earlier by 74%, it fell short of the target as competition intensified with the introduction of new products by competitors.
- Going forward, we will re-launch existing products and carry out line extension while expanding offering of trial drinks and ensuring market penetration in addition to developing products that can bring about collaborative synergies and arouse public interest.
- As shown below, we actively introduced new products in Apr-Jun just as we did in the Jan-Mar period:
- April 25 Launched the world's first canned Bacardi Mojito based on the world's top brand rum
- April 25 Launched Japan's first Bacardi Cuba Libre based on the world's top brand rum
- June 6 Launched limited release of Sapporo Nectar Sour Valencia Orange & Peach



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

##### Wine

- Both imported and Japanese wines achieved year-over-year volume growth and increased sales and profits
- Imported wine: Growth in Yellow Tail and Garcia Carrion
- Japanese wine: Growth in Grande Poudre and large bottle, additive-free wines

##### Western Spirits

- Signed sales agreement with No.1 Korean foods maker CJ (CheilJedang) Group. Launched CJ Bonga Makgeolli in July 2011 in the industrial-use market.  
Sales growing at faster-than-expected pace
- Entered into alliance with Bacardi Japan, supplier of world No.1 rum brand. Started sales of 90 items across 29 brands in October 2011.
  - Launched Bacardi Classic Cocktails Mojito, Japan's first Mojito base that can be served with soda, on April 13 and achieved full year target in three months. The target was revised to 60,000 cases, three times the initial figure.
- Various products under the above two brands contributed to growth in sales volume

##### Shochu

- Achieved year-over-year volume growth and increased sales and profits
- Strong sales in singly-distilled Waramugi and Karariimo
- Kuroumesyu also contributed to rise in sales volume





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# International Business (1)

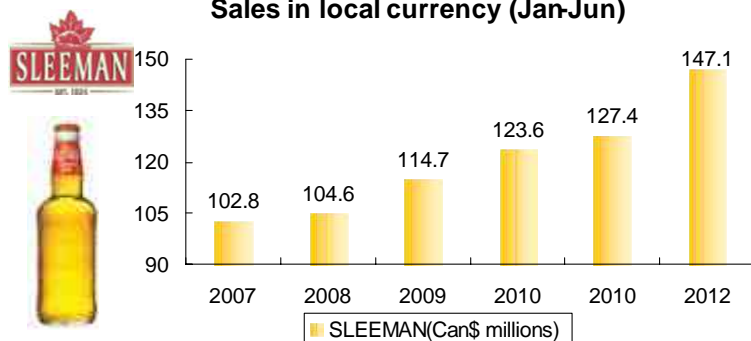
## Results highlights

While yen appreciation erased gains primarily in North America, sales increased 27.8% YoY on the back of gains in local currency terms and the addition of Silver Springs Citrus's results. Operating income declined due to the impact of expenses related to cultivating the Vietnamese market

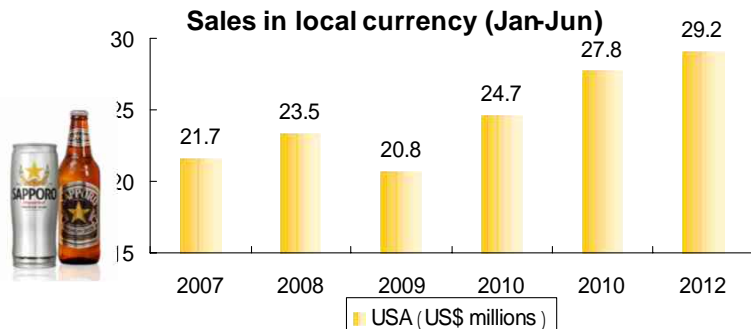
## Key points in business plan: implementation status

### 1. North American business growth

Sales in local currency (Jan-Jun)



Sales in local currency (Jan-Jun)



### Sleeman (Canada)

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

(Jan-Jun)

6<sup>th</sup> straight year of Year-on-Year volume growth!

Unit sales (YoY)	2011	2012
SLEEMAN brand	105%	109%
Canada total demand	approx. 97%	approx. 101%

### Sapporo USA (U.S.)

- Expanding from the Japanese-American market into wider U.S. and Asian-American markets

(Jan-Jun)

Reflecting the impact of demand in anticipation of price increase in April 2011

Unit sales (YoY)	2011	2012
Sapporo USA	109%	101%
US general demand for imported beer	approx. 108%	approx. 100%

### Silver Springs Citrus (U.S.)

- Acquired a 51% stake in Silver Springs Citrus, the largest U.S. maker of private-brand chilled drinks
- Full-fledged entry into beverages business in the North American market
- Started consolidation of profit/loss items from April

(billions of yen)

Year-over-year changes

	2011	2012	Amount	%
Net sales	12.4	16.0	3.5	28.6%
Operating income	-0.2	-0.3	-0.1	-
North America, others	0.2	0.5	0.3	206.9%
Vietnam	-0.4	-0.8	-0.4	-





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# International Business(2)

## Key points in business plan: implementation status

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

#### Developments in Vietnam

- Full-fledged entry of locally-produced beer in the market from end of February 2012
- Started full-scale marketing in the country including through billboards and TV commercials



#### Local outlet



#### Developments in Singapore

- Expanding imported beer sales channels in local household market in cooperation with POKKA Corporation  
(POKKA has top share (70%) in local green tea-based drink market)
- 2011 sales: approx. 80,000 cases (1 case = 350ml × 24 bottles) YoY 121.4%
- Sales target: 150,000 cases in 2014 (1 case = 350ml × 24 bottles) \* 100,000 cases (large bottles).
- Aim to be the top Japanese beer brand

#### Developments in South Korea

- We strengthened Sapporo brand value and sales structure in South Korea by acquiring a 15% stake in M's Beverage Co., Ltd., a wholly owned liquor sales subsidiary of Maeil Dairies Co., Ltd. (which has top shares in cheese, low-fat milk, and chilled coffee drinks) signing the agreement on Jan 31 [A non-equity method affiliate](#)
- 2011 sales: 230,000 cases (1 case = 350ml × 24 bottles) \* Initial 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 targets: 380,000 cases in 2012, 1.5 million cases in 2015 (1 case = 350ml × 24 bottles)
- Aim to become the No.1 imported brand.

#### Developments in Oceania

- In October 2011, we entered the Australian/New Zealand premium beer market via a licensing agreement with Coopers Brewery Ltd. (No.3 in Australia's beer market, No. 2 in premium beer market with a 17.3% share)
- Full-fledged entry from 2012: aim to be the top Japanese beer brand
- Sales targets: 160,000 cases in 2012, 500,000 in 2016 (1 case = 355ml × 24 bottles)





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# Foods & Soft Drinks – Sapporo Beverage

## Results highlights

Sales volume declined to 90% of the previous year against a general demand rise to 104%, partly due to the reversal of the surge in demand for Japanese drinking water following the disaster last year.



The decline in sales volume was accompanied by a decline in operating income.

## Key points in business plan: implementation status

### Strengthening/cultivation of competitive brands

- Concentrating investment on important categories and brands
  - Ribbon: **-11%** YoY growth  
Raised brand recognition by airing a short animation of Ribbon-chan on TV from April  
New launch of Yubari Melon Soda under the Ribbon brand in June
  - Gabunomi: **-16%** YoY growth  
Re-launched the product and carried out a promotion campaign with free gifts to broaden sales channels and enhance market penetration
  - Gerolsteiner: **14%** YoY growth  
Further promoting trials and building repeat customers
- Other brands
  - Oishii Tansansui: **90%** YoY growth  
 Growth on the back of higher demand for alcohol consumption at home Continued focus



(billions of yen)

	Year-over-year changes			
	2011	2012	Amount	%
<b>Net sales</b>	*15.3	14.3	-1.0	-7.0%
<b>Operating income</b>	0.5	-0.1	-0.7	—
Before GW amortization	0.7	0.3	-0.4	-61.7%

\*Figures after retroactive corrections to previous year figures

## Collaboration with other companies to bolster core brands

- In April, re-launched Chousyoku Fruits, a product in collaboration with Kyodo Milk Industry Co., Ltd.
- In March, launched Ribbon Napolin Ice, a product in collaboration with Akagi Nyugyo Co., Ltd., in Hokkaido
- Presented to mass retailers a collaboration campaign of Gabunomi and other products with Kyodo Milk's Homerun Bar



## Synergies with POKKA Corporation

- Synergies led to cost savings of ¥172 mn in Jan-Jun
  - Synergies from joint procurement and consigned production



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# Food & Soft Drinks – POKKA Group (1)

## Results highlights

New consolidation from April 2011 makes YoY comparisons meaningless, but comparisons based on reference figures below show that despite growth in Overseas Bev/Foods and Domestic Restaurants sales were similar to the year earlier level due to the impact of the decline in Domestic Bev/Food. Operating income for the overall group declined due to the cost associated with the switch to common Sapporo Group palettes and increased sales promotion costs in addition to the decline in Domestic Bev/Food.

Ref: Jan-Jun segment sales and operating income and YoY comparisons

(billions of yen)

Year-over-year changes

	Apr-Jun 2011*	Jan-Jun 2012	Amount	%
<b>Net sales</b>	24.0	46.5	22.4	93.3%
<b>Operating income</b>	0.7	-1.0	-1.7	—
Before GW amortization	1.1	-0.1	-1.2	—

\*Started consolidating POKKA's profit/loss items from 2011 2Q.

\*1:  
2012 sales:  
¥0.4 bn before inter-segment eliminations

## Before inter-segment eliminations

(billions of yen)

Year-over-year changes

	2011	2012	Amount	%
<b>Domestic Bev/Food</b>	35.3	34.8	-0.5	-1.4%
<b>Overseas Bev/Food</b>	4.9	5.1	0.2	4.3%
<b>Domestic Restaurants</b>	2.7	2.9	0.2	8.7%
<b>Overseas Restaurants</b>	2.2	2.3	0	7.3%
<b>Other Businesses</b>	4.1	4.2	0	3.2%
<b>POKKA corporate</b>	-2.5	-2.5	-0	-
<b>Sales (total)</b>	46.9	46.9 <sup>1</sup>	-0	-0.0%
<b>Domestic Bev/Foods</b>	0.8	-0.3 <sup>2</sup>	-1.2	-





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# Food & Soft Drinks – POKKA Group (2)

## Key points in business plan: implementation status

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

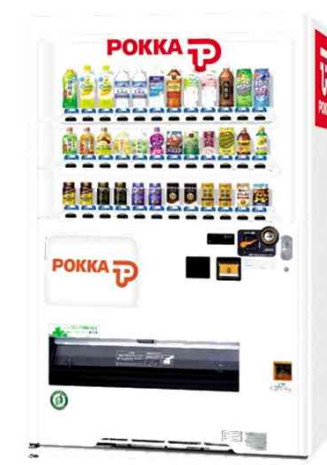
#### 1. Beverage Business

- Concentrating investments in core brands
  - Kireto Lemon
    - Re-launch of summer, spring products, airing of new commercials
  - Aromax
    - ・・Launched *Kyokugen no kaori*BLACK, with sales limited to Tokai are the birth place of the company
  - Yasuragi Kibun no Corn-cha*
    - ・・Taking on the challenge of nurturing a new category in the tea beverages market; new commercial being aired



#### 2. Food Business

- Focused on core and growth products: *Jikkuri Kotokoto*, *Kantanbimi*, Pokka Lemon 100
  - Kantanbimi
    - ・・Launched Korean-style soup flavors *Dashi-no-moto* and *Namuru-no-moto*, bolstering the product lineup
  - Pokka Lemon 100
    - ・・Expanded products with the Lemonja design, which gained popularity with the 70ml bottle



#### 3. Maintenance Plan for Nagoya Plant Finalized

- Construct new building inside the site to manufacture Pokka Lemon
  - ・・・Correspond to the growth strategy for the core business of Pokka Lemon 100
- Anti-seismic work on existing building
  - ・・・Measures to ensure business continuity in the event of an earthquake



### Synergies with Sapporo Beverage

- Synergies led to savings of about ¥80 mn in the Jan-June period
  - ・Synergies from joint procurement and commissioned manufacture

# Food & Soft Drinks – POKKA Group (3)

## Key points in business plan: implementation status

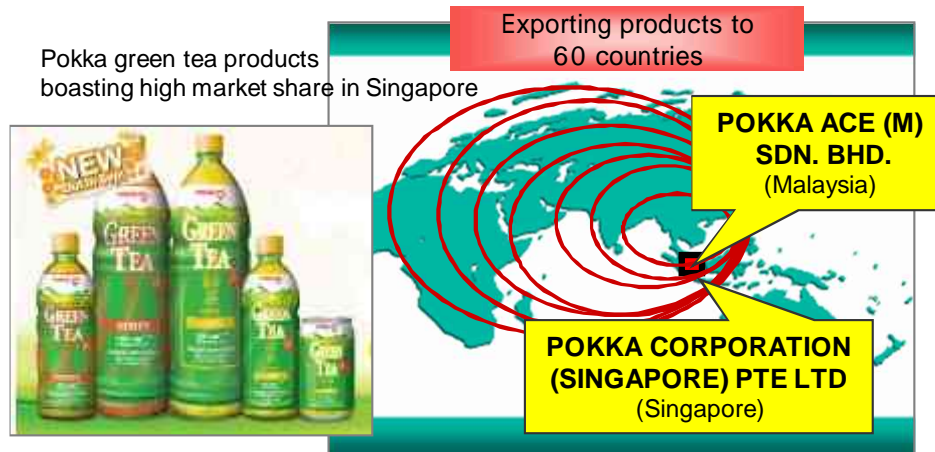
### Beverage & Food Business (Overseas): POKKA Singapore

#### 1. Expand into Singapore's neighboring countries

- Planning and implementing measures to activate markets in Indonesia, Malaysia and Brunei

#### 2. Bolster sales in existing export markets

- Strengthened alliances with agencies in Middle East and Europe



### Other businesses

#### - Ice cream business

#### Foremost Blueseal brand (Okinawa)

- Opened first company-run outlet in Naha, Okinawa



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

#### 1. Expand sales via growth at existing stores, introduction of new seasonal products

- Outlets: 160 (102 in Kanto, 32 in Tokai, 22 in Kansai, 4 in Kyushu as of end of June 2012)
- Effectively using remodeling plan to strengthen brand image

#### 2. Profits up on successful efforts to lift profit ratio

- Improved COGS ratio
- Closed unprofitable restaurants



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

- New format restaurant opened in Hong Kong → Soba Kurotaki

- Outlets: 40 in total (as of the end of June 2012)

Hong Kong 29, Singapore 10, Macao 1

- New outlet opening from Jan through Jun, 2012

Hong Kong PokkaCafé 1  
Kurotaki 1

Singapore

Rive Gauche 1





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# Restaurants

## Results highlights

**Year-over-year increase in sales in the Restaurant Business, which was directly affected by the Great East Japan Earthquake last year.**

**Sales for the Jan-Jun period increased 7.6% YoY at existing stores. In addition to this, operating loss narrowed YoY, on closure of unprofitable outlets, cost reductions and contributions from new outlets.**

## Key point in business plan: implementation status

## 1. Positioning for growth

### New restaurant opening strategy

- Synergy with the Japanese Alcoholic Beverage Business: Opening of Yebisu Bar outlets
  - In addition to two new outlets in Akasaka and Tokyo Station's Kurobei Yokocho, the format of the Osaki and Ginza 2chome outlets was changed, increasing the number of Yebisu Bar outlets to 9 as of the end of June.
- Ginza Lion chain expansion
  - Opened new mid-sized Ginza Lion
- New business format
  - Opened Kitchen Ginza Lion, a new outlet which specializes in roast beef
  - Opened Suruga Maru, a seafood and oyster rice bowl shop
  - Opened Ooi Hokkaido Oshamambe Japanese pub and restaurant serving seafood from Hokkaido



(billions of yen)

### Year-over-year changes

	2011	2012	Amount	%
Net sales	10.5	11.8	1.2	11.7%
Operating income	-0.6	-0.3	0.3	-



Ginza YEBISU BAR



Ginza 3-chome, Oshamambe bar

- 5 other outlets opened for total of 11 from Jan through June 2012
  - All outlets are performing as planned

## 2. Earnings structure reform

- Locations closed in the Jan-Jun period of 2012 : 6
- Locations operating as of the end of June 2012: 196





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# Real Estate (1)

## Results highlight

Despite decline in real estate sales, sales and income rose from March onwards as we acquired 15% trust beneficiary rights in Yebisu Garden Place. Maintaining stable revenues despite high vacancy rates in Tokyo office leasing market.

## Key point in business plan: implementation status

### Boosting value of existing properties Yebisu Garden Place

- Maintain and improve occupancy rate and achieve appropriate rent levels
  - In March, we acquired the 15% trust beneficiary rights from the joint holder needed for 100% ownership
  - Maintained high occupancy rates and rent levels as of the end of June at Yebisu Garden Place and other major Tokyo properties (table at right) compared to the 90% average for office buildings in Tokyo's 5 central wards.

### Redevelopment of Ginza and Ebisu Areas

- Redevelopment of Seiwa Yebisu Building
  - Redevelopment started
  - Average occupancy steadily decreasing in line with the rebuilding plan  
(\*Average occupancy rate down to 59% from 83% in the same period a year earlier)
- Redevelopment of Sapporo Ginza Building
  - We started planning for redevelopment of Ginza 5chome
  - Started negotiations with tenants

(billions of yen)

## Year-over-year changes

	2011	2012	Amount	%
Net sales	11.0	11.2	0.2	1.9%
Operating income	4.2	4.4	0.1	4.1%

Occupancy rates are averages for January-June 2012.

Site areas are taken from the land registry. Floor areas are as per building certification (as of June 30)

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	97%	40 floors above ground, 5 below
Seiwa Yebisu Building*	2,617	10,400	*59%	6 floors above ground, 1 below
Yebisu Square	1,561	9,126	89%	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	98%	13 floors above ground, 1 below

\*1. Figures are for entire property. 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)  
For more details about our Real Estate business's properties, visit the following website: (<http://www.yebisu.jp/business/index.html>)



Seiwa Yebisu Building  
(completed 1975)



Sapporo Ginza Building  
(Completed 1970)



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## 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 Tokyo (5 central wards; see the previous slide)
  - Unrealized gains on properties for lease as of the end of December 2011 was ¥126.5 billion.
- In January, we changed the trade name of Yebisu Garden Place Co., Ltd. to Sapporo Real Estate Co., Ltd. to raise the Sapporo brand value and strengthen Group synergies

### Operating Income

\* "Other operations" includes back-office operations

(billions of yen)

	Jan-Jun 2011	Jan-Jun 2012	Change (value)	FY2011	FY2012 est.	Change (value)
Real estate leasing						
Tokyo's 23 wards	3.6	4.1	0.4	7.6	8.7	1.0
Other areas	0.4	0.4	0	0.8	0.8	0
Real estate leasing total	4.0	4.6	0.5	8.5	9.6	1.0
Real estate total	0.4	-	-0.4	0.4	0	-0.3
Other operations*	-0.2	-0.1	0	-0.3	-0.3	0
Total	4.2	4.4	0.1	8.5	9.3	0.7

### EBITDA

EBITDA = operating income + depreciation and amortization

	Jan-Jun 2011	Jan-Jun 2012	Change (value)	FY2011	FY2012 est.	Change (value)
Real estate leasing						
Tokyo's 23 wards	5.3	5.8	0.5	11.0	12.2	1.2
Other areas	0.7	0.8	0	1.5	1.5	-0
Real estate leasing total	6.1	6.7	0.6	12.6	13.8	1.1
Real estate total	0.4	-	-0.4	0.4	0	-0.3
Other operations*	-0	0	0	-0	0	0.1
Total	6.4	6.7	0.3	12.9	13.9	0.9

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and more enjoyable.



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