# 2013
# Sapporo Group Business Results Presentation for the Six Months ended June 30, 2013

**August 5, 2013**

## Sapporo Holdings Ltd.

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

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# 1. First-Half 2013 Overview and Look Towards Second Half

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# First-Half 2013 Overview and Look Towards Second Half

## Overview of First-Half 2013

- **Sales increased by ¥8.1 billion; operating income by ¥2.1 billion: Operating income, ordinary income and net income achieved profitability in the first half**

- Japanese Alcoholic Beverages: In addition to strong sales of beer, where sales volume exceeded the levels of the previous year, sales of wine, western spirits and shochu also rose to offset the **decline in new-genre products** resulting in increased sales. Operating income also rose significantly as a result of increased sales as well as cost reduction, mainly of marketing expenses.
- International Business: Both sales and income increased on the back of growth in North America and Vietnam as well as the addition of Silver Spring Citrus, whose consolidation started in April 2012, in addition to the impact of yen depreciation.
- Food & Soft Drinks: Sales increased, despite the **decrease in domestic soft drinks sales from the beginning of the year through April** due to the impact of integration preparations in 2012 on normal sales activities, as net increase of POKKA ACE Malaysia, whose consolidation occurred at the start of the year, also contributed. Operating income declined reflecting the significant impact of sales decrease in domestic soft drinks.
- Operating income in the first half increased markedly year on year as the Restaurants and Real Estate businesses also posted increases in addition to the above to offset the decrease in profits in the Food & Soft Drinks business.
- Profit before taxes increased markedly as a result of factors including the recording of a ¥3.5 billion gain on sales of investment securities as extraordinary gains.

## Look Towards Second Half of 2013

- **Progress in Addressing First-Half Issues**

- **Japanese Alcoholic Beverages – Decline in sales of new-genre products:**

(1) Launched Goku zero, the world's first beer-type beverage with no carbohydrates or purine bodies, on June 19. Sold more than a million cases In just over a month from its launch. Annual planned sales was **revised upwardly to 3 million cases (large bottle count)** from 2.2 million cases.

(2) Launched new-genre products for limited period of time to steadily secure sales volume. Launched Tokonatsu Kibun in July – 300,000 cases and **to re-launch Mugi to Hop Red in September – 600,000 cases.**

- **Food & Soft Drinks – Decrease in sales of domestic soft drinks through April:** Sales are on a recovery track since May with sales and operating income for May-June rebounding to the same levels as the previous year. Plan to achieve increased sales and operating income compared to the previous year by strengthening lemon drinks, coffee and soup in particular in the second-half.
- **The sales volume for soft drinks & food in July exceeded the levels of previous year,** continuing with the recovery.

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# 2. Progress of Implementation of 2013 Basic Strategies

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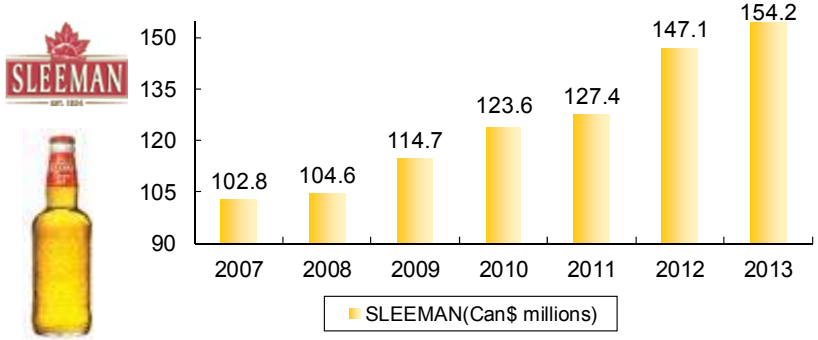
# Progress of Implementation of 2013 Basic Strategies

## Creating new opportunities for growth

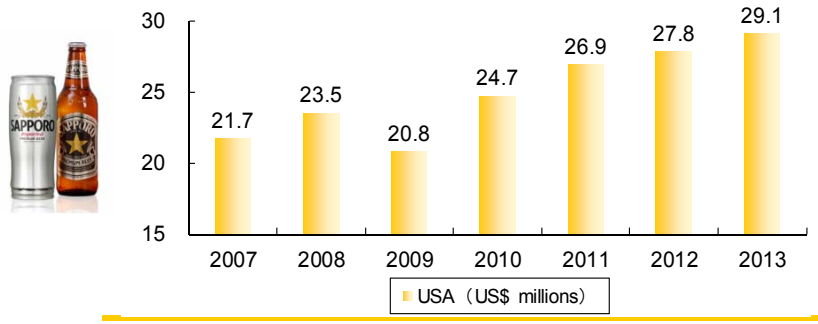
### Restructuring of North American Production Facilities: International Business

- Production of Sapporo brand products for the U.S. market from SLEEMAN BREWERIES in Canada outsourced to City Brewing Company, a major contract beverage manufacturer in the U.S., from July
- Canada: Meet increased domestic demand for the SLEEMAN brand by boosting production capacity.
- U.S.: Meet increased demand for Sapporo brand products.
- Build foundation for further growth in the continuously growing North American beer market

SLEEMAN **Net Sales (before elimination of inter-company transactions) in Local Currency (Jan-Jun)**




**Sapporo USA Net Sales (before elimination of inter-company transactions) in Local Currency (Jan-Jun)**




### SLEEMAN (Canada)

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

**(Jan-Jun)**

Post M&A,
7th straight year of year-over-year volume growth!

| Unit sales (YoY) | 2012 | 2013 |
|---|---|---|
| SLEEMAN* | 109% | 103% |
| Canada total demand | Approx 101% | Approx. 97% |

*Excluding Sapporo brand

### Sapporo USA (U.S.)

- Expanding from the Japanese-American market into wider U.S. and Asian-American markets
  - Performance better than U.S. total import beer demand for the previous year

**(Jan-Jun)**

4th straight year of year-over-year volume growth!
Impact of collapse of Lehman Brothers in 2009

| Unit sales (YoY) | 2012 | 2013 |
|---|---|---|
| Sapporo USA* | 101% | 105% |
| US total import beer demand | Approx. 100% | Approx. 99% |

*Sapporo brand

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# Progress of Implementation of 2013 Basic Strategies

## Creating new opportunities for growth

- **Reorganization of restaurant business in Singapore: Restaurants**
  - Transfer of the restaurant business in Singapore from POKKA Corporation (Singapore) Pte. Ltd. to Sapporo Lion Limited in January
  - **Decided to bring forward by one year the opening of the 1st Ginza Lion in Singapore to October**
  - Spreading the beer hall culture around the world – start of overseas operations
  - Initial plan: Aim to operate 10 beer halls in Singapore and elsewhere in Southeast Asia within five years

Singapore Ginza Lion Beer Hall (artist's rendering)

Singapore Tonkichi

- Singapore outlets: total of 10

  (as of June 2013)

  -Tonkichi (pork cutlets): 4 outlets

  -Domani (Italian): 1 outlet

  -Rive Gauche (pastry): 5 outlets

## Challenges toward growth in all businesses

- See the segment pages in Reference: Supplementary Information to First-Half 2013 Results.

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# Progress of Implementation of 2013 Basic Strategies

## Carrying out growth measures

### Activities to enhance the value of existing properties: Real Estate

- **In consideration of resolution of excess supply due to a spate of office building construction and recovery in rent levels in the real estate rental market in the second half of 2013 and beyond, enhance the value of existing properties through renewal.**
- Implementation of measures to enhance the value of Yebisu Garden Place in preparation for its 20th anniversary in 2014
  - Office renewal focused on business continuity, including augmentation of emergency power supply facilities in times of disaster, as well as enhancement of office convenience
  - Refurbish commercial and restaurant facilities to enhance the appeal of the entire Ebisu area
- Redevelopment works at Seiwa Yebisu Building (including expansion of total floor area) has been progressing strongly in preparation for completion in the autumn of 2014
- Engaged in consultations with concerned parties regarding redevelopment of Sapporo Ginza Building, located in Ginza 4-chome (including expansion of total floor area)

Yebisu Garden Place

Seiwa Yebisu Building

### Enhance lemon products' (foods) production capability: Food & Soft Drinks

- **Domestic Foods: Added lemon products (foods) production line in Kitanagoya City, strengthened production capacity**

  Constructed new building and set up cutting-edge manufacturing line in response to the growth strategy for the core business of Pokka Lemon 100. Production capacity to go up by a maximum of 70% compared to present capacity. Start of operations scheduled for December 2013

### Strengthening of the soft drinks business in Southeast Asia: Food & Soft Drinks

- **Overseas Soft Drinks: POKKA Singapore to construct a new plant in Malaysia and augment production capacity**
  - Planned start of construction in Johor State at the end of June, planned full-scale operation in the spring of 2014
  - Resolution of chronic supply shortages in Singapore and export markets
  - Strengthening of the business in Malaysia, the most important market in Southeast Asia, and surrounding countries

Nagoya plant new building

Malaysia plant

Malaysia plant ground-breaking ceremony

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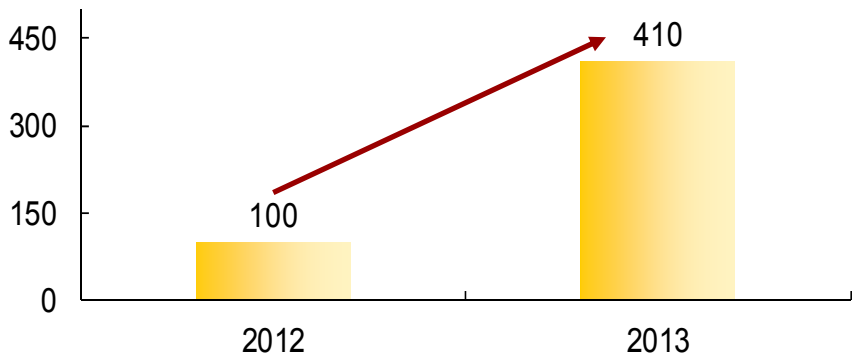
# Progress of Implementation of 2013 Basic Strategies

## Carrying out growth measures

- **State of progress in Alcoholic Beverages Business in Vietnam: International Business**
  - **Steady progress with sales volume in Vietnam, where full-scale marketing began in April 2012, and exports to neighboring countries have been also progressing well**
  - **Substantial growth in sales volumes in Vietnam during the first *Tet* (New Year's Holiday) sales season after full-scale market entry**
  - **Supply of beer kegs to expand beer culture in Vietnam. Plans to expand sales activities to Hanoi**
  - In Vietnam at the end of June, **we delivered to approx. 1,750 outlets in the commercial market, mainly in Ho Chi Minh City, and to approx. 2,300 outlets in the retail market, including convenience stores and large supermarkets.**
  - Sequential start of export to neighboring countries in 2013: export to Malaysia, Singapore, Thailand, Australia, New Zealand, South Korea, Indonesia, Hong Kong, the Philippines, Myanmar, Cambodia, and Guam as of June 30
  - Sapporo brand has a presence in eight of ten ASEAN countries

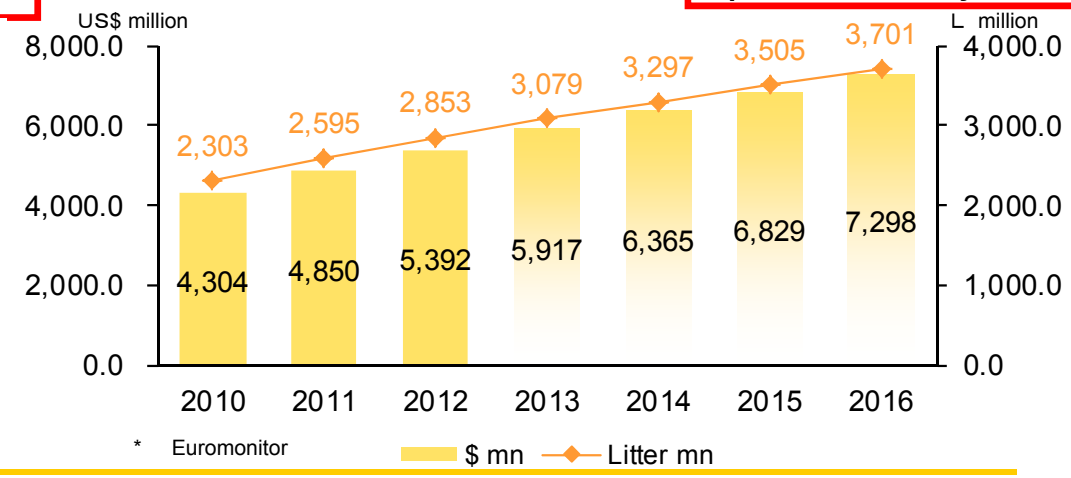
**Jan-Jun 2013 sales volume, taking Jan-Jun 2012 volume (excluding exports) as 100**




Third largest market in Asia after China and Japan

**Expected to reach size of the Japanese market by 2020**

**Beer market in Vietnam***




* Euromonitor

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# Progress of Implementation of 2013 Basic Strategies

## Implementation Status of Strategic Investments (Including Ordinary Capex)

**<Capital expenditure (cash basis) and lease fees>**
**Consolidated total: Approx. ¥9.0 bn**

- Property, plant and equipment, intangible assets, lease fees, etc.

Major items:

- Nagoya plant (Food & Soft Drinks): approx. ¥0.6 billion, Malaysian plant (Food & Soft Drinks): approx. ¥0.4 billion, integration system (general corporate): approx. ¥0.5 billion, lease fees (Food & Soft Drinks, other): approx. ¥2.3 billion, etc.

**<Other investments>** **Consolidated total: Approx. ¥3.5 bn**
Long-term prepaid expenses, investment securities, etc.

Major items:

- Long-term prepaid expenses (Japanese Alcoholic Beverages, Food & Soft Drinks) : approx. ¥1.9 billion, acquisition of treasury stock (general corporate): approx. ¥0.9 billion, etc.

**<Jan-Jun 2013 strategic investment total (incl. ordinary capex)>**

- **Approx. ¥12.5 bn**

## Credit Ratings

**<Credit rating by JCR>**

- As of August 5, 2013: A- (stable)

**<Credit rating by R&I>**

- As of August 5, 2013: BBB+ (stable)

**<Achievement of low-cost financing>**

- In March 2013, issued ¥10 bn in five-year straight bonds at a low cost of **0.39%**

## Direction of Long-Term Strategic Investments

- **We will continue to actively carry out strategic investments for growth.**
- **The scale of strategic investment from 2012 to 2016 is anticipated to be from ¥150 to ¥200 billion (in principle, funded from accumulated operating cash flow).**
  - **Including ordinary capex (approx. half of strategic investments)**
  - 2012 strategic investment total: Approx. ¥65.7 bn
  - **2013 strategic investment plan: Approx. ¥ 28.0 bn**

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# 3. Overview of First-Half 2013 Results

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# Overview of First-Half 2013 Results: Special Factors

**Breakdown of special factors that prevent meaningful year-on-year comparisons between first half net sales and operating income in 2012 and 2013 are shown below. See the Supplementary Information to the Earnings Report for factors behind changes resulting from other business activities.**

## Net Sales

**<International Business>**

- April 2012 consolidation of profit and loss account of Silver Springs Citrus

  Jan-Mar 2013 net increase **⇒approx. +¥2.7 bn**

**<Food & Soft Drinks>**

- January consolidation of profit and loss account of POKKA ACE Malaysia (change from equity method affiliate to consolidated subsidiary)

  **⇒approx. +¥2.7 bn**

**<Real Estate>**

- March 2012 inclusion of 15% of trust beneficiary rights for Yebisu Garden Place in the profit and loss account

  Jan-Feb 2013 net increase **⇒ approx. +¥0.4 bn**

**<Consolidated Total>**

- **Approx. +¥5.8 bn**

## Operating Income

**<International Business>**

- April 2012 consolidation of profit and loss account of Silver Springs Citrus

  Jan-Mar 2013 net increase **⇒ approx. +¥0.1 bn**

**<Food & Soft Drinks>**

- January consolidation of profit and loss account of POKKA ACE Malaysia (change from equity method affiliate to consolidated subsidiary)

  **⇒ approx. +¥0.0 bn**

**<Real Estate>**

- March 2012 inclusion of 15% of trust beneficiary rights for Yebisu Garden Place in the profit and loss account

  Jan-Feb 2013 net increase **⇒ approx. +¥0.2 bn**

**<Consolidated Total>**

- **Approx. +¥0.3 bn**

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# Overview of First-Half 2013 Results –Consolidated–

(billions of yen)

| | 2012 2Q | **2013 2Q** | YoY change | |
|---|---|---|---|---|
| | | | Amount | % |
| **Consolidated net sales** | 223.0 | **231.2** | 8.1 | 3.7% |
| **Consolidated operating income** | (1.7) | **0.4** | 2.1 | — |
| **Consolidated operating income before goodwill amortization** | 0.1 | **2.4** | 2.3 | 1,301.7% |
| **Consolidated ordinary income** | (2.4) | **0.3** | 2.7 | — |
| **Consolidated net income** | (2.9) | **0.1** | 3.0 | — |

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# Overview of First-Half 2013 Results by Segment

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## Operating Income

(billions of yen)

| | 2012 2Q* | 2013 2Q | YoY change Amount | YoY change % |
|---|---|---|---|---|
| Japanese Alcoholic Beverages | (2.6) | **0.1** | 2.8 | — |
| International | (0.3) | **0.3** | 0.6 | — |
| North America, other | 0.5 | **1.2** | 0.7 | 148.6% |
| Vietnam | (0.8) | **(0.9)** | (0.0) | — |
| Food & Soft Drinks | (1.1) | **(2.4)** | (1.2) | — |
| Restaurants | (0.3) | **(0.2)** | 0.0 | — |
| Real Estate | 4.4 | **4.4** | 0.0 | 0.2% |
| Other | (0.1) | **0.0** | 0.2 | — |
| General corporate | (1.4) | **(1.8)** | (0.3) | — |
| Consolidated operating income | (1.7) | **0.4** | 2.1 | — |
| Consolidated operating income before goodwill amortization | 0.1 | **2.4** | 2.3 | 1,301.7% |

*Effective the three months ended March 31, 2013, Sapporo Logistics Systems Co., Ltd., which was previously included in the Japanese Alcoholic Beverages segment, and Pokka Logistics Co., Ltd., which was previously included in the Food & Soft Drinks segment, were reclassified to the Other segment. Additionally, effective the three months ended March 31, 2013, Pokka Food (Singapore) Pte. Ltd. which was previously included in the Food & Soft Drinks segment was reclassified to the Restaurants segmentt. These changes have been retroactively applied to the above figures for 2012.

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# Reference: 2013-2014 Management Targets

***2013-2014 management targets are unchanged from the figures announced on February 8, 2013.**

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# 2013-2014 Management Targets

| | 2006 results | 2012 results | Consolidated targets: 2013 targets | Consolidated targets: 2014 targets | 2016 targets |
|---|---|---|---|---|---|
| Consolidated net sales *incl. liquor taxes | ¥435.0 bn | ¥492.4 bn | ¥512.0 bn | ¥533.0 bn | ¥600.0 bn |
| (excl. liquor taxes) | ¥294.0 bn | ¥379.7 bn | ¥397.3 bn | ¥416.0 bn | ¥450.0 bn |
| Consolidated operating income | ¥8.6 bn | ¥14.4 bn | ¥15.3 bn | ¥17.8 bn | ¥40.0 bn |
| (before goodwill amortization) | ¥8.6 bn | ¥18.2 bn | ¥19.2 bn | ¥21.6 bn | |
| Consolidated ordinary income | ¥5.8 bn | ¥13.6 bn | ¥14.0 bn | ¥16.5 bn | – |
| Consolidated net income | ¥2.3 bn | ¥5.3 bn | ¥5.5 bn | ¥7.0 bn | – |
| Consolidated operating margin *excl. liquor taxes | 2.9% | 3.8% | 3.9% | 4.3% | 9.0% |
| (before goodwill amortization) | 2.9% | 4.8% | 4.4% | 5.2% | |
| D/E ratio | 2.1 times | 1.9 times | 1.8 times | 1.7 times | Around 1:1 |
| ROE | 2.1% | 4.2% | 4.1% | 5.1% | 8% or higher |
| (before goodwill amortization) | 2.1% | 7.3% | 7.1% | 8.0% | |

*Assumed exchange rates: 2013-2014: US$ = ¥85.00, CAN$ = ¥83.00
*Since the government's consumption tax policy remains uncertain, the above 2014 targets do not take into account the impact of a consumption tax increase.

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# 2013-2014 Management Targets by Segment

| | | 2012 results* | Targets: 2013 targets | Targets: 2014 targets |
|---|---|---|---|---|
| Net sales | Japanese Alcoholic Beverages | ¥269.9 bn | ¥275.2 bn | ¥283.5 bn |
| | International Business | ¥36.1 bn | ¥43.3 bn | ¥46.4 bn |
| | Food & Soft Drinks | ¥129.0 bn | ¥136.5 bn | ¥145.5 bn |
| | Restaurants | ¥26.6 bn | ¥26.8 bn | ¥28.2 bn |
| | Real Estate | ¥23.2 bn | ¥23.6 bn | ¥22.4 bn |
| | Other Businesses | ¥7.5 bn | ¥6.6 bn | ¥7.0 bn |
| | Corporate and intercompany transactions | – | – | – |
| | **Consolidated total** | **¥492.4 billion** | **¥512.0 billion** | **¥533.0 billion** |
| Operating income | Japanese Alcoholic Beverages | ¥7.5 bn | ¥9.0 bn | ¥9.0 bn |
| | International Business | (¥0.0 bn) | ¥0.0 bn | ¥1.1 bn |
| | Food & Soft Drinks | ¥0.3 bn | ¥1.0 bn | ¥2.7 bn |
| | Restaurants | ¥0.5 bn | ¥0.8 bn | ¥1.0 bn |
| | Real Estate | ¥9.3 bn | ¥8.3 bn | ¥7.3 bn |
| | Other | (¥0.4 bn) | (¥0.1 bn) | ¥0.0 bn |
| | Corporate and intercompany transactions | (¥2.9 bn) | (¥3.7 bn) | (¥3.3 bn) |
| | Consolidated total | ¥14.4 bn | ¥15.3 bn | ¥17.8 bn |
| | **Consolidated total (before goodwill amortization)** | **¥18.2 billion** | **¥19.2 billion** | **¥21.6 billion** |

*Assumed exchange rates: 2013-2014: US$ = ¥85.00, CAN$ = ¥83.00

*Effective the three months ended March 31, 2013, Sapporo Logistics Systems Co., Ltd., which was previously included in the Japanese Alcoholic Beverages segment, and Pokka Logistics Co., Ltd., which was previously included in the Food & Soft Drinks segment, were reclassified to the Other segment. Additionally, effective the three months ended March 31, 2013, Pokka Food (Singapore) Pte. Ltd. which was previously included in the Food & Soft Drinks segment was reclassified to the Restaurants segment. These changes have been retroactively applied to the above figures for 2012.

*Since the government's consumption tax policy remains uncertain, the above 2014 targets do not take into account the impact of a consumption tax increase.

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# Reference: Supplementary Information to First-Half 2013 Results

**For information on the profitability of each business, see the Supplementary Information to our Earnings Report.**

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# Japanese Alcoholic Beverages (1)

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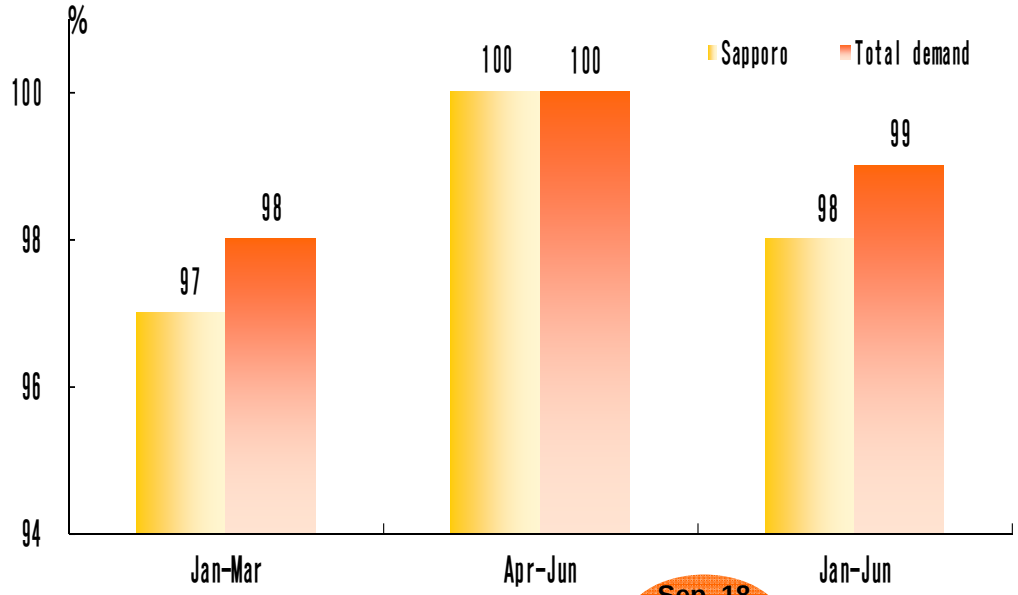
## Results highlights

**Net sales increased year over year: a year-over-year decline in total sales volumes for beer and beer-type beverages as sales volume of beer exceeded the previous year while that of new-genre products declined; sales of wine, western spirits and shochu rose year over year.**
**Operating income significantly rose as a result of higher sales as well as cost control over items including marketing expenses.**

(billions of yen)

| *Incl. liquor taxes | 2012 2Q | 2013 2Q | YoY change Amount | YoY change % |
|---|---|---|---|---|
| Net sales* | 120.3 | **120.5** | 0.1 | 0.2% |
| Operating income | (2.6) | **0.1** | 2.8 | – |

**Jan.-Jun. Cumulative Sales Volume YoY Comparison (Beer, Happoshu, New Genre)**




## Key points in business plan: implementation status

### 1. Bolstering of brand strength of core products

- Bolstering of brand strength by concentrating resources on the three core brands, Sapporo Draft Beer Black Label, Yebisu Beer, and Mugi to Hop, as well as on Premium Alcohol Free, a non-alcohol beer-taste beverage.
- Jan-Jun cumulative beer and beer-type beverage sales volume declined year over year, as Apr-Jun sales volume, which was unchanged from the previous year and at the same level as total demand, was not enough to make up for the decline in the Jan-Mar period, which was affected by timing differences in the original plan
- While year-over-year beer sales volume was strong at 102% compared with 98% for total demand, it was affected by new genre beer-like beverages not meeting the previous year's level or the plan.
- Jan-Jun cumulative results for Premium Alcohol Free showed a 1% year-over-year increase.

Sep. 18 Limited relaunch

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# Japanese Alcoholic Beverages (2)

**Key points in business plan: implementation status**

## 1. Bolstering of brand strength of core products

- Goku zero, the world's first beer-type beverage with no carbohydrates or purine bodies, launched on June 19. Sales have been exceeding the plan

The initial planned sales volume of 2.2 million cases was revised up to 3.3 million cases (large bottle count)

## 2. Growth as a comprehensive alcoholic beverage enterprise

### RTD

- Although Bacardi performed favorably, sales volume declined year over year. The decrease is partly attributable to lower-than-expected sales of Nectar RTD and TEA'S HI.
- Renewals and line extensions of existing products were implemented, and consumption opportunities and brand awareness were enhanced through increased product trials and greater efforts to attain a market presence.
- RTD Bacardi Mojito bottle launched in April
- Sales of Sapporo Otokoume Sour launched in April for a limited period have been strong and full-year launch (in September) has been decided

### Wine

- Total net sales rose year over year on growth from imported wines in addition to higher sales of domestic wines.
- Imported wines: Strong performance from Yellow Tail and Garcia Carrion
- Domestic wines: Strong performance from Grande Polaire

### Western Spirits

- Conclusion of an operating alliance agreement with Bacardi Japan, supplier of the world's No.1 rum brand.

  Start of sales in Oct 2011

  - Year-over-year increase in net sales
  - Active business development in both the household and commercial markets

- Net sales significantly exceeded the same period a year earlier
- Sales of RTS* product "Bacardi Classic Cocktails Mojito" have been progressing at a rate significantly exceeding the plan

  *Ready to serve. Liqueur which can be made into cocktail just by adding soda, etc.

### Shochu

- Significant year-over-year increase in net sales
- Solid performance from Imo Shochu Kokuimo blended shochu
- Contribution to the sales increase from Kuroumesyu

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# International Business

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## Results highlights

**Net sales increased 44.2% year over year as a result of growth on local currency basis, mainly in North America, the impact of yen depreciation, and the addition of the Jan-March results of Silver Springs Citrus (SSC).**
**Operating income rose as increases in income from the North American business as well as SSC significantly exceeded growth in expenses for market development in Vietnam.**

(billions of yen)

| | 2012 2Q | 2013 2Q | YoY change Amount | YoY change % |
|---|---|---|---|---|
| Net sales | 16.0 | **23.0** | 7.0 | 44.2% |
| Operating income | (0.3) | **0.3** | 0.6 | — |
| North America, others | 0.5 | **1.2** | 0.7 | 148.6% |
| Vietnam | (0.8) | **(0.9)** | (0.0) | — |

## Key points in business plan: implementation status

### 1. North American business growth (excl. SLEEMAN, Sapporo USA)

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

- Acquired a 51% stake in Silver Springs Citrus, the largest U.S. maker of private-brand chilled drinks
  - Full-scale entry into the beverage business in the North American market
  - Consolidation of the profit and loss account from April 2012
  - Contributing to sales and profits

### 2. Asian and Oceania Market (excl. Vietnam)

### Developments in Singapore

- Household market sales channel expansion in collaboration with POKKA for beer produced in Vietnam
- 2014 sales target: Approx. 150,000 cases (1 case = 355 ml × 24 bottles)
- Aim to be the No. 1 Japanese beer brand.
- 2013 2Q: outperforming the plan. Double digit growth year over year

### Developments in South Korea

- Strengthened Sapporo brand value and sales structure in South Korea by entering into an alliance with Maeil Dairies Co., Ltd. (market share leader in cheese, low-fat milk, and chilled coffee drinks) in January 2012 and acquiring a 15% stake in M's Beverage Co., Ltd., a wholly owned liquor sales subsidiary of Maeil Non-equity method affiliate
- 2012 sales target of 380,000 cases (1 case = 350 ml × 24 bottles): **420,000 cases sold and target achieved**
- 2015 sales target of 1.5 million cases (1 case = 350 ml × 24 bottles)
- Aim to be the No. 1 imported brand.
- 2013 2Q: Outperforming the plan. Double digit growth year over year

### Developments in Oceania

- October 2011 entry into 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-scale start-up in 2012 Aim to be the No. 1 Japanese beer brand.
- 2012 sales target of 160,000 cases (1 case = 355 ml × 24 bottles): **160,000 cases sold and target achieved**
- 2016 sales target of 500,000 cases (1 case = 355 ml × 24 bottles)
- 2013 2Q: Progressing in line with the plan. Double digit growth year over year

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# Food & Soft Drinks (1)

## Results highlights

While domestic beverages sales declined due to the impact of integration preparations in 2012, overall sales increased with a net increase from the consolidation of Pokka Ace (M) SDN. BHD.

Operating income declined, reflecting the significant sales decline in domestic beverages.

| (billions of yen) | 2012 2Q | 2013 2Q | YoY change Amount | YoY change % |
|---|---|---|---|---|
| Net sales | 59.5 | **60.7** | 1.2 | 2.1% |
| Operating income | (1.1) | **(2.4)** | (1.2) | – |
| Before GW amortization | 0.1 | **(1.0)** | (1.2) | – |

## Key points in business plan: implementation status

### ■ Soft Drinks and Food (Domestic): POKKA SAPPORO Food & Beverages Ltd. , vending machine operators

Organization of products in five business categories to leverage the strengths of both companies

Lemon, natural foods

**Kireto Lemon**

Beverages

**Aromax Fantasista**

Soup, foods

Overseas brands

**Gerolsteiner**

Commercial market

Vending machine channel: 100,000 machine network

+

Further strengthening of marketing to corporate customers

Spring/Summer 2013 Key Products

**Focus on investment in sales promotion in segments in which the company can compete and win**

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# Food & Soft Drinks (2)

**Key points in business plan: implementation status**

## ■ Soft Drinks (International):
**POKKA Corporation (Singapore) Pte Ltd**

1. Expand into countries neighboring Singapore

- Market activation and production capacity expansion measures

2. Bolster sales in existing export markets

- Strengthening of alliances with agencies in the Middle East and Europe

POKKA brand green tea-based drinks have high market share in Singapore.

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

1. Accelerate opening of highly profitable outlets: new markets, new collaborations
2. Ensure growth potential of existing outlets: effective renovation
3. Improve speed and quality of product development
4. Improve, strengthen capability of FC head office

Outlets: 170 (as of June 30, 2013)
Kanto 97, Tokai 36
Kansai 29, Kyushu 6, Shikoku 2

## ■ Restaurants (International):
**POKKA CORPORATION (Hong Kong) Ltd.**

- Outlet: 34 in total (as of June 30, 2013)
  - ・Hong Kong 33, Macau 1
- New opening in Jan-Jun 2013 period
  - ・3 in total: 1 each of Tonkichi MomijiTei, Mikichi, Cooper Luwak Art Coffee

# Restaurants

## Results highlights

**Net sales increased as cumulative sales at existing outlets exceeded the previous year's level, at 101%, and thanks to the contribution from new outlets opened last year. Operating loss narrowed due to the sales increase and closing of unprofitable locations.**

(billions of yen)

| | 2012 2Q | 2013 2Q | YoY change Amount | YoY change % |
|---|---|---|---|---|
| Net sales | 12.2 | 12.6 | 0.3 | 2.9% |
| Operating income | (0.3) | (0.2) | 0.0 | – |

## Key points in business plan: implementation status

### 1. Strengthening of brand appeal and new outlet opening (Japan)

**New restaurant opening strategy**

- Synergy with Japanese Alcoholic Beverages: Opening of YEBISU BAR outlets
  - New outlet opened in Kyoto, Kobe Sannomiya and Ochanomizu, bringing the number of outlets to 12 as of June 30, 2013
- Opening of beer garden
  - In the first long-term event at Hisaya Odori Koen Park in Nagoya (as a partner of Nagoya municipality parks)

YEBISU BAR Kyoto Yodobashi

YEBISU BAR Kobe Sannomiya

YEBISU BAR Ochanomizu

"Sakae Fountain Beer Festa 2013" (from May 23 to Sept 23)

- Locations opened Jan-Jan 2013: 9
  - All outlets are performing as planned

### 2. Earnings structure reform

- Locations closed Jan-Jun 2013: 13
- Locations operating as of June 30, 2013: 189 in Japan

  10 in Singapore

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# Real Estate (1)

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## Results highlights

**A stable revenue structure was maintained amid weakening of rent levels in the Tokyo metropolitan area office leasing market.**

(billions of yen)

| | 2012 2Q | 2013 2Q | YoY change Amount | YoY change % |
|---|---|---|---|---|
| Net sales | 11.2 | **11.0** | (0.2) | (2.5%) |
| Operating income | 4.4 | **4.4** | 0.0 | 0.2% |

## Key points in business plan: implementation status

### Boosting the value of existing properties

**Yebisu Garden Place**

- Maintenance and improvement of the occupancy rate and achievement of appropriate rent levels
  - Maintained high occupancy rates and rent levels of June single month at major Tokyo properties (table at right) compared to the 92% average for office buildings in Tokyo's 5 central wards
  - Undertaking of value enhancement measures, including augmentation of emergency power supply facilities for completion in spring 2014, has been progressing according to the plan, renewal of cafeteria has been completed.

**Redevelopment of the Ginza and Ebisu Areas**

- Redevelopment of Seiwa Yebisu Building*
  - Start of redevelopment to include total floor area expansion, with the aim of completion in the autumn of 2014
  - Departure of all tenants completed in October 2012 in line with the construction plan
- Redevelopment Sapporo Ginza Building*
  - Start of consideration through repeated discussions with involved parties of redevelopment to include total floor area expansion in preparation for redevelopment of the Ginza 4-chome area

(As of June 30, 2013)

| Major rental properties in Tokyo*s 23 wards | Site area ($m^2$) | Floor area ($m^2$) | Occupancy rate (%) | No. of floors |
|---|---|---|---|---|
| Yebisu Garden Place *1 | 56,943 | 298,007 | 91% | 40 floors above ground, 5 below |
| Seiwa Yebisu Building* | 2,617 | — | *0% | 6 floors above ground, 1 below |
| Yebisu Square | 1,561 | 9,126 | 100% | 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 | *87% | 10 floors above ground, 4 below |
| Strata Ginza *2 | 1,117 | 11,411 | 100% | 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 Jan–Jun 2013.**
***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 922m2 of the site (sectional ownership) and 89.72% of the building (joint management)**

**Sapporo Ginza Building (completed 1970)**

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# Real Estate (2)

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## Overview of Real Estate Business

- **The majority of operating income from the Real Estate business is from real estate leasing.**
  - **The property portfolio largely comprises properties in Tokyo (5 central wards: see previous page).**
  - **Unrealized gain on real estate for lease was ¥125.7 billion as of Dec. 31, 2012.**

**Balance sheet value at Dec. 31, 2012: 209 .9billion yen**

**Fair value at Dec. 31, 2012: 335.6 billion yen**

### Operating Income

(billions of yen)

| | Jan-Jun 2012 | **Jan-Jun 2013** | Change (value) | FY2012 | **FY2013 est.** | Change (value) |
|---|---|---|---|---|---|---|
| Real estate leasing | | | | | | |
| Tokyo's 23 wards | 4.1 | **4.0** | (0.0) | 8.6 | **7.8** | (0.8) |
| Other areas | 0.4 | **0.5** | 0.1 | 1.0 | **0.9** | (0.0) |
| Real estate leasing total | 4.6 | **4.6** | 0.0 | 9.6 | **8.8** | (0.8) |
| Real estate total | – | **–** | – | – | **–** | – |
| Other operations* | (0.1) | **(0.1)** | **(0.0)** | (0.2) | **(0.5)** | (0.2) |
| Total | 4.4 | **4.4** | 0.0 | 9.3 | **8.3** | (1.0) |

*"Other operations" includes back-office operations.
EBITDA = operating income + depreciation and amortization

### EBITDA

| | Jan-Jun 2012 | **Jan-Jun 2013** | Change (value) | FY2012 | **FY2013 est.** | Change (value) |
|---|---|---|---|---|---|---|
| Real estate leasing | | | | | | |
| Tokyo's 23 wards | 5.8 | **5.7** | (0.1) | 12.1 | **11.2** | (0.9) |
| Other areas | 0.8 | **0.9** | 0.0 | 1.7 | **1.6** | (0.0) |
| Real estate leasing total | 6.7 | **6.6** | (0.0) | 13.8 | **12.9** | (1.0) |
| Real estate total | – | **–** | – | – | **–** | – |
| Other operations* | 0.0 | **(0.0)** | (0.0) | 0.1 | **(0.1)** | (0.2) |
| Total | 6.7 | **6.6** | (0.0) | 14.0 | **12.7** | (1.3) |

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