



Sapporo Group Business Results Presentation for 2014

February 13, 2015

Sapporo Holdings Ltd.

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

1. Overview of 2014

- Group Overview
- Topics by Business

2. Sapporo Group Management Plan 2015 - 2016

3. Overview of 2014 Results

Reference material: Appendix “Supplementary Information to the Earnings Report”

Reference

1. Supplementary Information to 2014 Results (Overview by Business Segment)
2. Sapporo Group’s New Management Framework announced in 2007

1. Overview of 2014

Overview of 2014 - Group Overview -

Responding to changes in the business environment

- Amid unexpected tough business environment such as inclement weather in Japan and North America, changes to external environment including rise in raw ingredient prices and temporary end of sales Goku Zero, the Group posted operating income of ¥14.7 billion (plan: ¥15.0 billion).

Making all businesses profitable

- All 5 businesses became profitable as Food & Soft Drinks returns to profit (after goodwill amortization).

Expanding the strengths

- Premium beer “Yebisu” brand exceeded previous year’s sales while that of new genre Mugli to Hop The Gold grew 10% year over year, lemon-based drinks grew 7%, lemon-based food products by 4% and instant soup by 9%.
- Sales increased by 34% year over year in Vietnam beer market, where the Group is into its third year (excluding exports).
- Ebisu First Square, the new base in Ebisu area, completed and started operations fully occupied.

Implementing growth investment

- Group-wide select-and-focus approach. Sales of properties reflecting the strong market, while acquisition of Country Pure Foods.
- Ginza 5-chome redevelopment plan launched towards completion of construction in 2016.

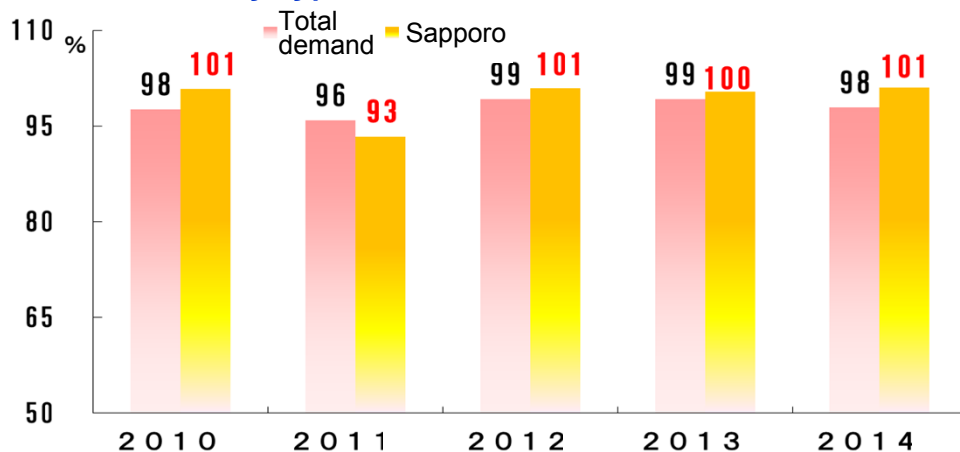


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Overview of 2014 Topics by Business (1)

Japanese Alcoholic Beverages

- Sales volume of beer and beer-type beverages (beer, happoshu and new genre) up 1% yoy (total demand down 2% yoy)



Management resources focused on premium beer
 “Yebisu,” standard beer “Black Label” and new genre
 “Mugi to Hop The Gold,” as share increased for the 3rd
 consecutive year



<Core brands y-o-y>

Yebisu brand	100%
Black Label	97%
Mugi to Hop The Gold	110%

- “Goku Zero” succeeds in developing the market with annual sales of 5.77 million cases

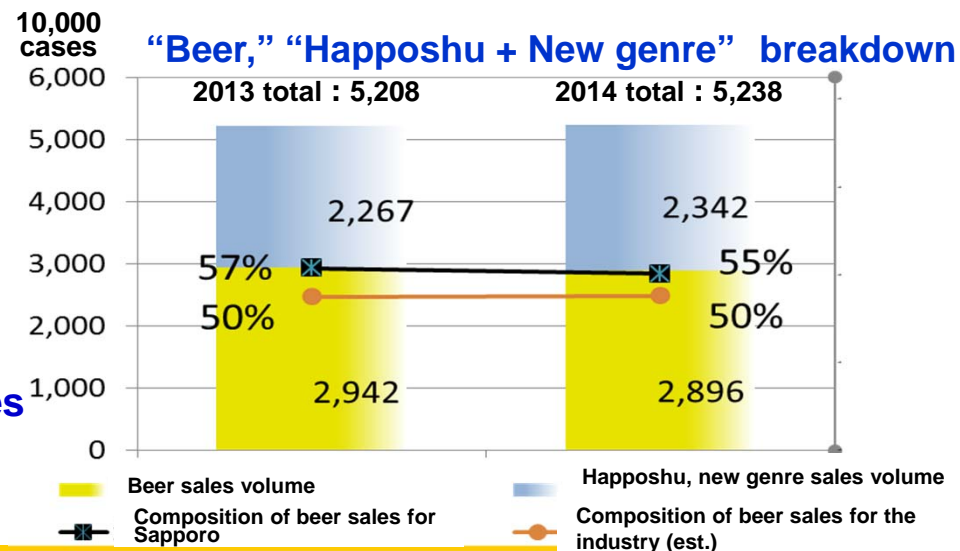


Though there was a blank period
 of 1 month

New genre: 2.90 million cases

Happoshu (from Jul 15): 2.87 million cases

(Initial target: 5.50 million cases)

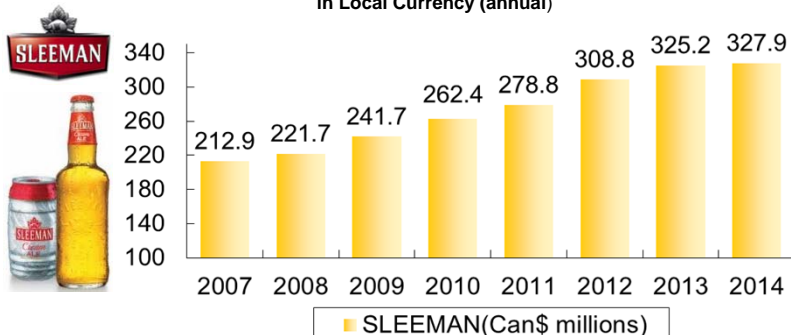


Overview of 2014 Topics by Business (2)

International Business

➤ Despite headwinds such as intensified competition, inclement weather and sharp rise in raw ingredient prices, the business secured profits as the Group steadily implemented countermeasures

SLEEMAN Net Sales (before elimination of inter-company transactions)
in Local Currency (annual)



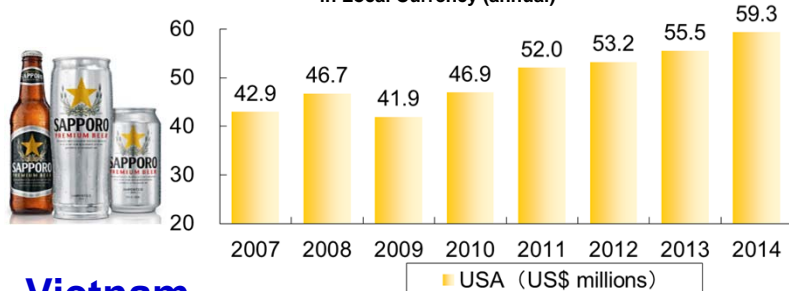
SLEEMAN (Canada)

- Slowdown of intensifying price competition of best-value products
- **Sales increased y-o-y for the 8th consecutive year**
- **Sales volume y-o-y: Premium – up 3%
Value – down 2%**

Unit sales (YoY)	2013	2014
SLEEMAN*	104%	99%
Canada total demand	Approx. 97%	Approx. 99%

*Excluding Sapporo brand

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



Sapporo USA (U.S.)

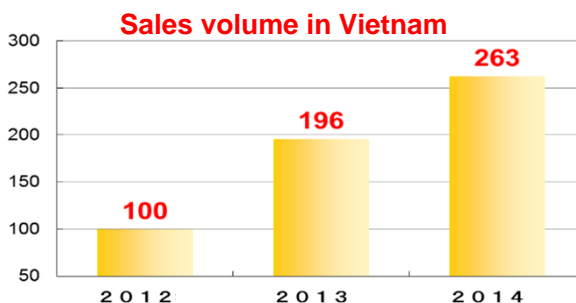
- Shipment delays occurred due to the cold wave at the start of the year, but sales grew y-o-y from April
- **Sales increased y-o-y for the 5th consecutive year**

Unit sales (YoY)	2013	2014
Sapporo USA*	105%	102%

*Sapporo brand

Vietnam

2012 = 100



Sapporo Vietnam

- Active sales promotion investment to build brand and expand sales channels
- Sales volume at the beginning of the year struggled as the Tet season was shortened
Up 34% (domestic) for the year
- Sapporo brand is exported to 12 countries and regions including 8 ASEAN countries

Silver Springs Citrus (SSC) (U.S. Soft Drinks business)

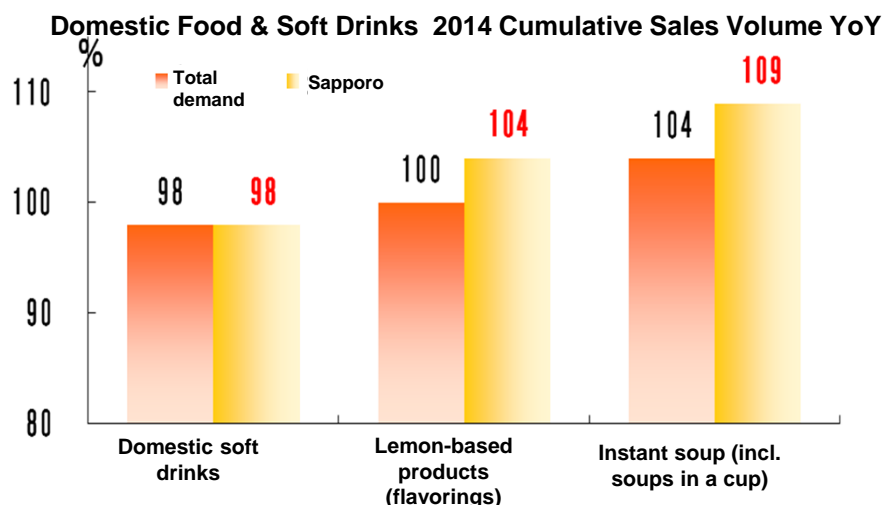
- Raw ingredient cost rose due to bad harvest of oranges in Florida
- Working diligently on initiatives to review selling price and improve raw ingredient procurement routs

Overview of 2014 Topics by Business (3)

Food & Soft Drinks

- **POKKA SAPPORO Food & Beverages Ltd. posted operating income (after goodwill amortization) in its second year in business**

Domestic Food & Soft Drinks: POKKA SAPPORO Food & Beverages Ltd.



Total demand data: Source – Total for SM CVS formats by Intage SRI(nationwide retailer panel research)

Jan–Dec 2014 yoy comparison of cumulative sales amount for the lemon-based products market (Sapporo's definition) and instant soup market



- Domestic soft drinks: Sales, affected by bad weather in summer and consumption tax hike, recovered in winter, posting sales volume of 44.64 million cases (y-o-y 98%), in line with total demand
- Lemon drinks: Expanded sales of Kireto Lemon and Kireto Lemon Sparkling with product relaunch. Up 7% y-o-y
- Lemon-based products: Proposed expanded application of lemon through new products. Up 4% y-o-y
- Instant soup: Strengthened Jikkuri Kotokoto lineup. Up 9% y-o-y

New product “GREEN SHOWER”
Sales 680,000 cases



International Soft Drinks – POKKA Corporation (Singapore) Pte. Ltd.

- Both domestic sales in Singapore and exports grew
Up 16% y-o-y

Pokka Malaysia plant completed

- Production started in October
- Capacity: 6 million cases/year
- Obtained Halal certification

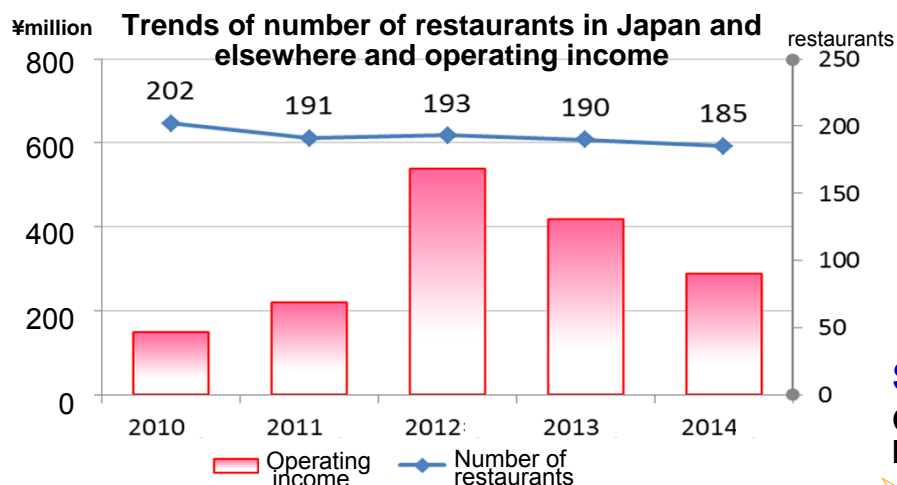


Overview of 2014 Topics by Business (4)

Restaurants

- **2014 sales at existing outlets were up 0.5% compared with the previous year (excluding the Ginza 5-chome and Shimbashi restaurants which were closed for building reconstruction)**

Restaurants business in Japan



- Sales for all outlets declined as operation of the key restaurants in Ginza and Shimbashi were suspended due to redevelopment of the buildings they are housed
- Existing-outlet sales: full-year sales exceeded the previous year's level despite heavy snow in Feb. and inclement weather in Aug.
- Struggled due to rise in raw ingredients and personnel expenses but continued with solid operation by pursuing closure of unprofitable outlets.

Status of the restaurants in Japan

Opening restaurants, mainly of Ginza Lion and YEBISU BAR key brands, at favorable locations in the Tokyo Metropolitan area

- **Number of restaurants as of December 31, 2014: 185 in Japan**

Opened: 15 outlets Closed: 20 outlets

Restaurant business in Singapore



- Operating a total of 14 restaurants in Singapore and other Southeast Asian countries
- **Oct. 2014: opened the second outlet of GINZA LION BEER HALL in Singapore**



Yebisu Bar,
Shinjuku I-Land Tower





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Overview of 2014 Topics by Business (5)

Real Estate

- Drove forward three projects to ensure future contributions to Group earnings given the strong real estate market in the Tokyo Metropolitan area

Yebisu Garden Place

- Leasing to a new tenant after the end of the lease contract with a large tenant at the end of May is almost complete on a contract basis.
- Efforts to **enhance the value and improve** Augmentation of emergency power supply facilities for ensuring business continuity at times of disaster as well as enhancement of office convenience (completed in March)
 - Refurbishing commercial and restaurant facilities to enhance the appeal of the entire Ebisu district
 - Renovation of communal space in the second basement restaurant floor coinciding with the opening of large high-end restaurant (April)
 - Implementing renovation of rental housing building to make it barrier-free and renew facilities in living space

Yebisu Garden Place



Ebisu First Square

- Completed as planned, including costs and construction period, in September, **and started operation fully occupied**, becoming the new base of Ebisu area
- Before: 6 floors above ground, 1 below ⇒ After: 12 floors above ground, 1 below **(total floor area 10,400㎡⇒15,496㎡)**
- Office building with superior safety and environmental features including energy savings, seismic isolation structure and 72-hour emergency power generation capability

Ebisu First Square



Ginza 5-chome Redevelopment Plan: Redevelopment plan of Sapporo Ginza Building situated on Ginza 4-chome intersection

- 10 floors above ground, 4 below ⇒ 11 floors above ground, 2 below **(total floor area 4,232㎡⇒7,082㎡)**
- Demolition started in April 2014 towards completion in May 2016
- Façade design has been finalized (Slide 20) and it is expected to be a commercial facility complex that would contribute to the further revitalization of Ginza and generate footfalls

Practicing select-and-focus approach: Strengthened the portfolio with the sale of Sapporo Sports Plaza, which operates sports facilities and sale of some rental properties taking into consideration the condition of the real estate market

2. Sapporo Group Management Plan 2015-2016

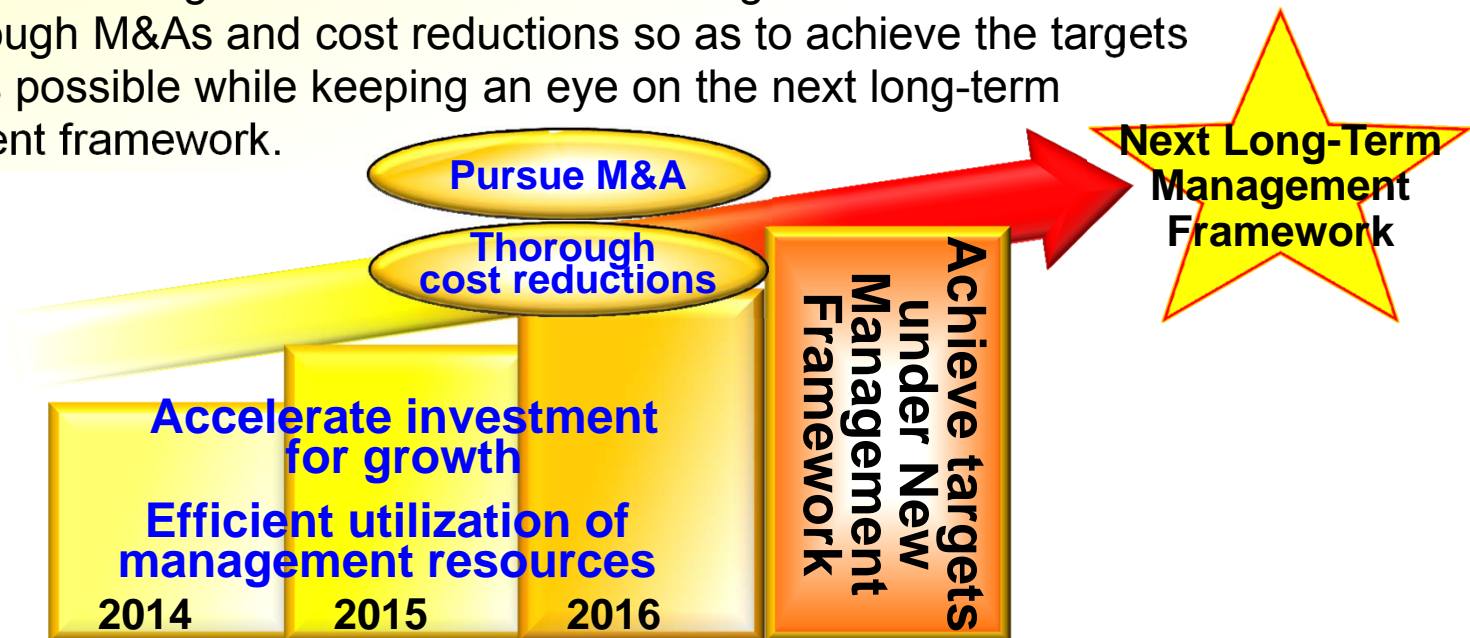


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Sapporo Group Management Plan 2015-2016

Outline of the Management Plan

- ◆ The SAPPORO Group has been investing in its Japanese alcoholic beverages and real estate businesses, which are pillar businesses that generate steady profits; the international business and the food & soft drinks business for future growth; and R&D, which leads to future growth.
- ◆ The New Management Framework, to be completed in 2016, is positioned as the management targets which the Group needs to achieve without fail to ensure sustainable growth and we will strive to grow each business and create profits through M&As and cost reductions so as to achieve the targets as early as possible while keeping an eye on the next long-term management framework.



Financial Targets

Management Indicator Targets of Management Plan 2015–2016

[Quantitative targets]

- **ROE: 8% or higher in 2016**
- **D/E ratio: around 1.0 in 2016**

* By setting ROE as the highest priority indicator, the Company will enhance profitability and efficiency and realize a sound financial structure.

2015-2016 Targets Based on Current Businesses

Management Plan	2014 results	2015 targets	2016 targets	2016 New Management Framework
Consolidated net sales *incl. liquor tax	¥518.7bn	¥545.7bn	¥579.5bn	¥600.0 bn
Consolidated operating income (before goodwill amortization)	¥18.4bn	¥20.7bn	¥28.0bn	¥40.0 bn
Consolidated operating income	¥14.7bn	¥16.3bn	¥23.5bn	
Consolidated ordinary income	¥14.5bn	¥15.2bn	¥22.1bn	-
Consolidated net income	¥0.3bn	¥8.0bn	¥11.4bn	-
D/E ratio	1.5 times	1.3 times	1.2 times	around 1.0
ROE (before goodwill amortization)	2.7%	7.8%	9.6%	8% or higher
ROE	0.2%	5.0%	6.9%	

*Assumed exchange rates: 2015-2016: US\$ = ¥113.00, CAN\$ = ¥99.00



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2015-2016 Targets Based on Current Businesses by Segment

Management Plan

		2014 results	2015 targets	2016 targets
Net sales	Japanese Alcoholic Beverages	¥281.8bn	¥290.2bn	¥305.0bn
	International	¥49.6bn	¥67.8bn	¥76.0bn
	Food & Soft Drinks	¥133.4bn	¥133.7bn	¥141.7bn
	Restaurants	¥26.3bn	¥27.2bn	¥27.5bn
	Real Estate	¥21.5bn	¥20.8bn	¥22.8bn
	Other	¥5.9bn	¥6.0bn	¥6.5bn
	Consolidated total	¥518.7bn	¥545.7bn	¥579.5bn
Operating income	Japanese Alcoholic Beverages	¥10.2bn	¥9.5bn	¥12.0bn
	International	¥0.1bn	¥1.0bn	¥2.6bn
	Food & Soft Drinks	¥0.1bn	¥0.7bn	¥1.4bn
	Restaurants	¥0.2bn	¥0.9bn	¥1.3bn
	Real Estate	¥7.6bn	¥7.9bn	¥9.9bn
	Other	¥0.1bn	¥0.2bn	¥0.2bn
	Eliminations and Corporate	¥(3.9)bn	¥(3.9)bn	¥(3.9)bn
	Consolidated total	¥14.7bn	¥16.3bn	¥23.5bn
	Consolidated total (before goodwill amortization)	¥18.4bn	¥20.7bn	¥28.0bn

*Assumed exchange rates for 2015-2016: US\$ = ¥113.00, CAN\$ = ¥99.00



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2015-2016 Japanese Alcoholic Beverages

**“Seek No.1 by accumulating one-of-a-kind products”
Strengthen cultivation of brand in each field**

Key points in Management Plan

■ Beer business

- Concentrate investments on the core brands to further enhance brand value
- Propose **functionalities of new core brands**
To launch **Green Aroma**, a new genre product *for enjoying* the fragrance which is 80% carbohydrate-free, on March 10
- With **the start of the craft beer business**, develop various types of beer by leveraging the company's long-nurtured brewing technology and using carefully selected ingredients and offer new ways of enjoying beer



■ Wine and spirits business

- Nurture the brands in line with the theme of each product category to promote further growth

2015-2016 International

Promote further market penetration of the Sapporo brand around the world

Key points in Management Plan

■ Canada, U.S.

- Optimize brand portfolio and strengthen market penetration
- Promote efficiency throughout North America through collaboration between SLEEMAN and Sapporo USA



■ Southeast Asia

- In Vietnam, accelerate expansion of beer business, improve operating income (loss) and become profitable by promoting brand building
- Strengthen exports from Vietnam and expand sales and profits to surrounding countries including South Korea, Australia and Singapore



■ U.S. soft drinks business

- Enhance produce lineup to reduce raw ingredient price fluctuation risks and acquire new demand in West Coast
- **Maximize synergies between SSC and Country Pure Foods**, whose acquisition has decided (a 51% stake)

■ Other

- **The representative office in Singapore**, established 2014, to take initiative in **early realization of group synergies** in Southeast Asia

Country Pure Foods Inc. (CPF)



CPF profile	Strength in commercial-use sales to non-commercial organizations such as educational and medical institutions mainly in the U.S. and it is also engaged in production of private brand products for major retail chains and contract manufacturing for major beverage manufacturers
Location	Akron, Ohio
Business	<ul style="list-style-type: none"> • Manufacturing and sale of commercial use foods (school and hospital meals) and fruit juice • Manufacturing and sale of private brand fruit juice for retail chains • Contracted manufacturing of fruit juice for beverage manufacturers
Production bases	4 factories (Akron, Ohio; Deland, Florida; Ellington, Connecticut; and Houston, Texas)
Net sales	18.3 billion yen (fiscal year through December 2013)



Products produced by CPF



Production bases of CPF

2015-2016 Food & Soft Drinks

Move on to growth stage by cultivating brands and implementing structural reform

Key points in Management Plan

■ Domestic food & soft drinks

- Establish and cultivate our core lemon-based product and soup brands unique to POKKA SAPPORO
- Promote further reduction in costs and structural reforms
- Accelerate the offering of new values and products, drawing on the accumulated knowledge of the Sapporo Group and selected ingredients

■ Overseas soft drinks

- Strengthen sales and exports by leveraging the opening of the new plant in Malaysia
- Expand into surrounding countries such as Myanmar, where a licensed manufacturing contract has been signed

■ Restaurants in Japan

- Open new formats of the development of Café de Crié (an intra-hospital restaurants and suburban-type restaurants)



Malaysian plant





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2015-2016 Restaurants

Expand the Beer Hall restaurant format in Japan and overseas to disseminate beer hall culture to the world

Key points in Management Plan

■ Japan

- Expand the Beer Hall restaurant format, to solidify our market position and improve earning capability
- Aggressively renovate existing restaurants, open new outlets primarily of the core Ginza Lion and YEBISU BAR brands and develop new restaurant formats
- Use the point card system, introduced at the end of the previous fiscal year, to strengthen our relationships with customers and utilize the data

■ Overseas

- Promote the expansion of the Ginza Lion Beer Hall restaurants, which have been received favorably and pursue further expansion of overseas restaurant business



2015-2016 Real Estate

Strengthen the Group's earnings base by enhancing the value of our properties

Key points in Management Plan

■ For sustainable growth of the business

- ▶ Promote value of Yebisu Garden Place by strengthening the office, commercial and dining functions and to enhance the brand value of the entire district
- ▶ Drive forward the Ginza 5-chome redevelopment plan, to create a commercial facility complex that can contribute to further revitalization of the Ginza area and bring in renewed energy
- ▶ Promote strategic review and reorganization of our business and property portfolio to make our real estate business a strong backbone and to establish a stable earnings base for the Group



Exterior image of the Ginza 5-chome redevelopment plan

2015-2016 R&D Strategies

Promote offering of products and services of value through research and development that leverages the Group resources to the maximum extent

■ Lactic acid bacteria

➤ Propose high value added products with the Group's proprietary plant-based lactic acid bacterium **Shiawase Nyusankin SBL88**, which is expected to offer various health benefits



■ Next generation energy

➤ Based on the **fermentation technology** developed over the years, promote technology development related to **creation of next-generation energy** and initiatives for their practical use



■ Lemon

➤ Take advantage of the formidable brand value of Pokka Lemon to **promote the world's best research in lemon** and commercialize products with new values



Strengthen Corporate Governance

Strengthen corporate governance overseas as well as in Japan

- ◆ Of the 10 Sapporo Holdings directors, **three are independent outside directors**, who have been contributing to promoting an adequate governance structure by actively expressing their views, etc.
- ◆ Familiarize **the SAPPORO Group Code of Corporate Conduct** at overseas subsidiaries to reinforce an operational and management structure that conforms to the respective country's laws and regulations

Policy Regarding Return of Profits to Shareholders

Providing fair returns to shareholders is a key management policy of the Company. Our basic policy is to pay stable dividends, taking our operating performance and financial condition into account.

Concerning our internal reserves, we will appropriate the reserves for making strategic investments in growth fields and for strengthening our financial foundation, based on the new management plan, so as to maximize our corporate value.

We aim to boost return of profits in line with our achievement of the targets set forth by the management plan.

3. Overview of 2014 Results

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



Overview of 2014 Results (1) Vs. 2013

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➤ **Net sales: up YoY**

- Japanese Alcoholic Beverages: sales increased, as sales volume of beer and beer-type beverages rose compared with the same period a year earlier.
- Food & Soft Drinks: sales increased reflecting a rise in overseas soft drink sales and the impact of foreign exchange fluctuation.

➤ **Operating income: down YoY**

- Japanese Alcoholic Beverages: profit increased, despite sales promotion expenses for brand strengthening, reflecting the reduction in various costs.
- International: profit decreased due to price adjustments in North America, sharp cost increase in the U.S. soft drinks business and brand establishment investment in Vietnam
- Food & Soft Drinks: profit increased due to cost reduction in the Japanese food and soft drinks business and sales growth overseas
- Real Estate: revenues declined due to lower rents given that the properties under redevelopment are not operating

➤ **Net income: down YoY**

Extraordinary income: negative factor includes reduction in the 3.5 billion yen gain on sales of investment securities recorded in the previous year, while there was a fixed asset sale gain of 3.5 billion yen in 2014.

Extraordinary loss: negative factors include the recording of 2.3 billion yen as cost for demolition, removal, etc. in the Sapporo Ginza Building redevelopment project this year, and recording of 11.6 billion yen as a difference in liquor tax amount due to voluntary filing of revised tax liquor return for Goku Zero this year.

(billions of yen)

	2013 results	2014 results	YoY changes (amount, %)	
Japanese Alcoholic Beverages	274.9	281.8	6.9	2.5%
International	48.2	49.6	1.4	3.0%
Food & Soft Drinks	130.6	133.4	2.7	2.1%
Restaurants	26.8	26.3	(0.4)	(1.8)%
Real Estate	22.7	21.5	(1.2)	(5.5)%
Other	6.4	5.9	(0.4)	(7.7)%
Consolidated net sales	509.8	518.7	8.9	1.7%
Operating income before goodwill amortization	19.3	18.4	(0.8)	(4.3)%
Japanese Alcoholic Beverages	9.9	10.2	0.3	3.1%
International	1.2	0.1	(1.0)	(85.7)%
North America, other	3.0	2.3	(0.8)	(25.7)%
Vietnam	(1.8)	(2.1)	(0.2)	—
Food & Soft Drinks	(1.4)	0.1	1.6	—
Restaurants	0.4	0.2	(0.1)	(29.7)%
Real Estate	8.6	7.6	(0.9)	(11.4)%
Other	0.2	0.1	(0.0)	(20.5)%
General corporate	(3.6)	(3.9)	(0.3)	—
Consolidated operating income	15.3	14.7	(0.6)	(4.0)%
Consolidated ordinary income	15.1	14.5	(0.5)	(3.7)%
Consolidated net income	9.4	0.3	(9.1)	(96.4)%



Overview of 2014 Results (2) Vs. Initial Targets

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➤ **Net sales: -3.5% vs. target**

- Japanese Alcoholic Beverages: Sales of beer and beer-type beverages fell short of the target. The share of happoshu and new-genre products in the beer and beer-type beverages increased
- International: Sales of both SLEEMAN and Sapporo brands fell short of the targets due to intensifying competition and the cold wave in North America
- Food & Soft Drinks: Sales fell short of the target partly due to the impact of the inclement weather and consumption tax rate increase on the Japanese food and soft drinks business

➤ **Operating income: -1.8% vs. target**

- Japanese Alcoholic Beverages: Profit increased as a result of cost control over items including marketing expenses, although the sales volume fell short of the target
- International: Profit declined, as sales fell short of the target in North America and due to the sharp increase in raw ingredient prices for the U.S. soft drinks business
- Restaurant: Profit fell due to suspension of business at key restaurants and inclement weather as well as sharp rises in raw ingredients and personnel expenses

➤ **Ordinary income: +7.1% vs. target**

- Ordinary income exceeded the target due to improved net financial expenses and foreign exchange gains from the weaker yen despite operating income falling short of the target

➤ **Net income: -¥4.6 billion vs. target**

- While there was a fixed asset sale gain of 3.5 billion yen, net income declined due to the recording of 2.3 billion yen as cost for demolition, removal, etc. in the Sapporo Ginza Building redevelopment project this year, and the recording of 11.6 billion yen as a difference in liquor tax amount due to voluntary filing of revised tax liquor return for Goku Zero this year.

	(billions of yen)	2014 targets*	2014 results	vs. target (amount, %)	
Japanese Alcoholic Beverages		284.3	281.8	(2.4)	(0.9)%
International		57.2	49.6	(7.5)	(13.2)%
Food & Soft Drinks		140.0	133.4	(6.5)	(4.7)%
Restaurants		28.1	26.3	(1.7)	(6.2)%
Real Estate		22.3	21.5	(0.7)	(3.5)%
Other		5.8	5.9	0.1	2.5%
Consolidated net sales		537.7	518.7	(18.9)	(3.5)%
Operating income before goodwill amortization		19.0	18.4	(0.5)	(2.7)%
Japanese Alcoholic Beverages		9.0	10.2	1.2	13.4%
International		1.1	0.1	(0.9)	(84.3)%
North America, other	3.4		2.3	(1.0)	(33.7)%
Vietnam	(2.3)		(2.1)	0.1	—
Food & Soft Drinks		0.1	0.1	0.0	20.1%
Restaurants		1.0	0.2	(0.7)	(70.8)%
Real Estate		7.2	7.6	0.4	6.9%
Other		0.2	0.1	(0.0)	(8.0)%
General corporate		(3.6)	(3.9)	(0.3)	—
Consolidated operating income		15.0	14.7	(0.2)	(1.8)%
Consolidated ordinary income		13.6	14.5	0.9	7.1%
Consolidated net income		5.0	0.3	(4.6)	(93.2)%

*The earnings forecasts as of the announcement on February 12, 2014



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Overview of 2014 Results (3) Status of Capital Expenditure

Implementation Status of Strategic Investments (Including Ordinary Capex, on a cash basis)

① <Capital expenditure and lease fees>

Consolidated total: Approx. ¥22.5 bn

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

Major items:

- Ojima plant for upgrading of carton line (Japanese Alcoholic Beverages): approx. ¥0.5 billion, Nagoya plant construction-related (Food & Soft Drinks): approx. ¥1.2 billion, photovoltaic power generation at Gunma plant (Food & Soft Drinks): approx. ¥0.3 billion, construction of Malaysian plant (Food & Soft Drinks): approx. ¥1.5 billion, construction of Ebisu First Square (Real Estate): approx. ¥3.0 billion, value enhancement of Yebisu Garden Place (Real Estate): approx. ¥2.3 billion, lease fees (Food & Soft Drinks, Other): approx. ¥3.2 billion, etc.

② <Other investments>

Consolidated total: Approx. ¥7.0 billion

- Long-term prepaid expenses, investment securities, compensation expenses, etc.

Major items:

- Long-term prepaid expenses (Japanese Alcoholic Beverages, Food & Soft Drinks) : approx. ¥3.8 billion, investment securities, etc.: approx. ¥1.5 billion, demolition, removal and compensation expenses for Sapporo Ginza Building : approx. ¥1.7 billion

①+② <2014 strategic investment total (incl. ordinary capex, on a cash basis)>

- **Approx. ¥29.5 billion**

Credit Ratings

<Credit rating by JCR>

- As of February 13, 2015: A- (stable)

<Credit rating by R&I>

- As of February 13, 2015: BBB+ (stable)

<Achievement of low-cost financing>

- In September 2014, issued ¥10 bn in five-year straight bonds at a low cost of [0.308%](#)

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 billion 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 total: Approx. ¥23.5 bn
 - **2014 strategic investment total: Approx. ¥29.5 bn**
 - **(Plan : ¥33.9bn)**
 - **2015 strategic investment plan: Approx. ¥35.1 bn**
 - **(Capital expenditure ¥19.5bn, Other investments ¥15.3)**

Reference 1: Supplementary Information to 2014 Results (Overview by Business Segment)

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Japanese Alcoholic Beverages

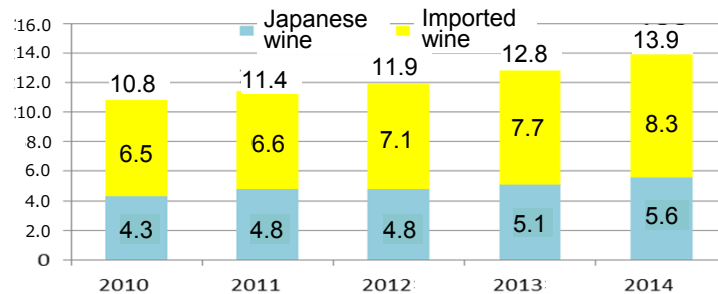
Results highlights

Net sales increased year over year, as total sales volumes for beer and beer-type beverages rose 1% and sales of wine, western spirits, Japanese liquor and RTD also grew.

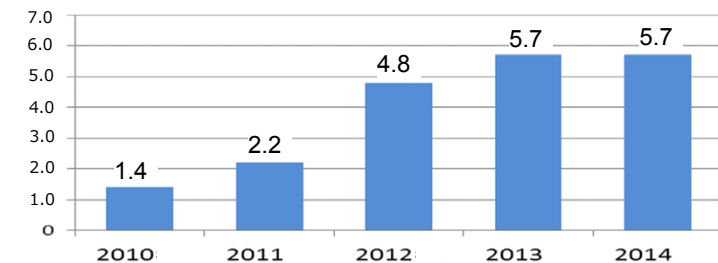
Operating income rose as sales grew even after sales expenses increased.

Status of products other than beer and beer-type beverages
Net sales trends (billions of yen)

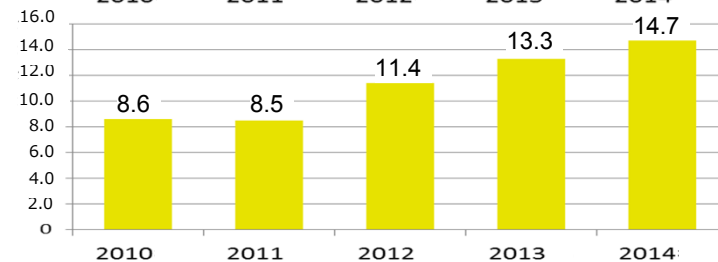
Wine



Western spirits



Shochu



*Incl. liquor taxes

(billions of yen)

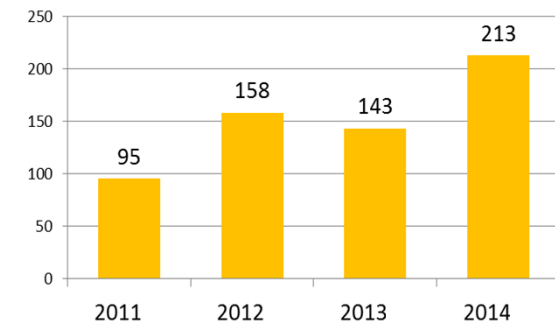
YoY change

	2013	2014	Amount	%
Net sales*	274.9	281.8	6.9	2.5%
Operating income	9.9	10.2	0.3	3.1%

- **Wine:** Net sales of Japanese and imported wine **rose 9% year over year**. Among Japanese wine, sales volume of Grande Paire, premium wine made with 100% Japanese grapes, increased 19%, while Yellow Tail and Santa Rita among imported wine were strong.
- **Western spirits:** Net sales **increased 1% year over year**, led by the world's No. 1 rum brand Bacardi, including Bacardi Mojito.
- **Japanese liquor:** Net sales **rose 10% year over year** led by blended Imo Shochu Kokuimo and Mugi Shochu Koimugi. Among umeshu, sales of San-shu no Zeitaku Porifenoru Aka Umeshu, umeshu with extra functions added, were strong.
- **RTD:** Net sales **increased about 40% year over year**. Otoko Ume Sour, a collaboration product, has been extremely strong. Newly-launched Kireto Lemon Sour also posted strong sales.

RTD

Sales volume
(10,000 cases)





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International

Results highlights

Sales fell due to intensifying competition in Canada and the impact of the cold wave in the U.S. , while the business in Vietnam grew steadily. Net sales increased partly due to the impact of the foreign exchange fluctuation.

Operating income decreased due to the spending on sales promotion investment in North America and Vietnam and higher raw ingredient prices in the soft drinks business.

Status of business other than North America and Vietnam

Asian and Oceania Market (excl. Vietnam)

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

- Aiming to be the No. 1 imported brand

- 2014: More than 20% growth year over year

Singapore

- Household market sales channel expansion in collaboration with POKKA for beer produced in Vietnam
- Striving to be the No. 1 Japanese beer brand
- 2014: In line with the previous fiscal year's level



(billions of yen)

	2013	2014	YoY change	
			Amount	%
Net Sales	48.2	49.6	1.4	3.0%
Operating income	1.2	0.1	(1.0)	(85.7)%
North America,	3.0	2.3	(0.8)	(25.7)%
others	(1.8)	(2.1)	(0.2)	—
Vietnam				

Oceania

- 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-scale start-up in 2012
Aim to be the No. 1 Japanese beer brand.
- 2016 sales target of 500,000 cases
(1 case = 355 ml × 24 bottles)
- 2014: Sales increased more than 40% year over year



North America (soft drinks business)

Silver Springs Citrus (U.S.)

- The largest U.S. maker of private-brand chilled drinks (a 51% stake)
- In fiscal year 2014 profits declined as sales cost ratio increased reflecting the sharp rise in raw ingredient prices. The company will focus on selling price negotiation and expansion of raw ingredient procurement routes.

Country Pure Foods (U.S.)

- Decided the purchase in 2014 (a 51% stake), manufacturing and distribution of fruit juice beverages
- Strength in commercial-use sales. The Group will pursue synergies with SSC and business expansion



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Food & Soft Drinks

Results highlights

While sales of the domestic food and soft drinks business declined slightly into the second year of the integration, those of the overseas soft drinks business increased. Partly due to foreign exchange fluctuation, net sales exceeded the previous year's level.

The business posted operating income after goodwill amortization due to increased overseas profits and improved efficiency after the integration.

Status of other Japanese soft drink and restaurant businesses

Food and Soft Drinks (Domestic): POKKA SAPPORO Food & Beverages Ltd. (Businesses other than beverages [domestic], lemon and food/soup)



(billions of yen)

YoY change

	2013	2014	Amount	%
Net sales	130.6	133.4	2.7	2.1%
Operating income	(1.4)	0.1	1.6	—
Before GW amortization	1.2	2.6	1.3	108.3%

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

- Café de Crié celebrated its 20th anniversary and actively opened outlets in new areas and proposed new menu
- Further improve FC support system
- Nurture human resources for FC business, enhance education and training system

Outlets: 185 (as of end of Dec, 2014)
(Directly operated: 94 outlets; FC: 91 outlets)

Hokkaido 2, Kanto 104, Tokai 37
Kansai 31, Kyushu 8, Shikoku 3



Practicing select-and-focus approach: It sold all shares in Pokka Corporation (H.K.) Limited, an overseas restaurant business company, in 4Q in order to focus corporate resources on its core soft drinks business and expand it aggressively.



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Restaurants

Results highlights

Net sales declined, although comparable-store sales were 100.5% in 2014. This is mainly attributable to the inclement weather and the fact that key restaurants in Ginza and Shimbashi suspended operations as the buildings housing them are being renovated. Operating income declined reflecting sales decline and sharp increases in raw ingredient and personnel expenses

Status of the restaurant expansion

- Locations newly opened in Jan-Dec 2014: 15 (Japan)
- Opening new format restaurants
 - Apr: Opened Wine House Picnic Club, a restaurant offering wine and food, in Osaka
 - Sep: Opened casual beer hall Bier Keller Tokyo in Shimbashi

Wine House Picnic Club



(billions of yen)

	2013	2014	YoY change	
			Amount	%
Net sales	26.8	26.3	(0.4)	(1.8)%
Operating income	0.4	0.2	(0.1)	(29.7)%

Outlet expansion in Singapore

Promoting international expansion in Southeast Asia led by Singapore

Locations operating as of Dec 31, 2014 in Singapore: 14 outlets

- Ginza Lion (beer hall): 2 outlets
- Tonkichi (pork cutlet): 4 outlets
- Domani (Italian): 1 outlet
- Rive Gauche (patisserie): 7 outlets

Singapore Tonkichi





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Real Estate

(billions of yen)

Results highlights

Both sales and profits declined year over year due to a decline in rents resulting from reconstruction of Sapporo Ginza Building

*The property portfolio largely comprises the following properties in Tokyo (5 central wards).

Occupancy rates are annual averages for 2014 (contract basis).

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	82%	40 floors above ground, 5 below
Ebisu First Square*	2,596	15,496	*23%	12 floors above ground, 1 below
Ebisu 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*	644	7,082	*14%	11 floors above ground, 2 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.

***s are redevelopment projects. Occupancy rates are previous figures, areas are new properties

*1: The number of floors is for the office block 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)

Operating income

(billions of yen)

	Jan-Dec 2013	Jan-Dec 2014	Change
Real estate leasing			
Tokyo's 23 wards	7.9	6.5	(1.3)
Other areas	1.1	1.2	0.1
Real estate leasing total	9.0	7.8	(1.1)
Real estate total	—	0.1	0.1
Other operations*	(0.3)	(0.3)	(0.0)
Total	8.6	7.6	(0.9)

* "Other operations" includes back-office operations.

EBITDA

EBITDA =
operating income + depreciation and amortization
(billions of yen)

	Jan-Dec 2013	Jan-Dec 2014	Change
Real estate leasing			
Tokyo's 23 wards	11.2	10.0	(1.2)
Other areas	1.7	1.9	0.1
Real estate leasing total	13.0	11.8	(1.1)
Real estate total	—	0.1	0.1
Other operations*	0.0	(0.0)	(0.0)
Total	13.1	11.9	(1.0)

* "Other operations" includes back-office operations.

	2013	2014	Amount	%
Net sales	22.7	21.5	(1.2)	(5.5)%
Operating income	8.6	7.6	(0.9)	(11.4)%

Unrealized gain on real estate for lease was ¥140.3 billion as of Dec. 31, 2014.

Balance sheet value at December 31, 2014 : approx. ¥207.8 billion

Fair value at December 31, 2014 : approx. 348.2 billion yen

Reference 2: Sapporo Group's New Management Framework Announced in 2007

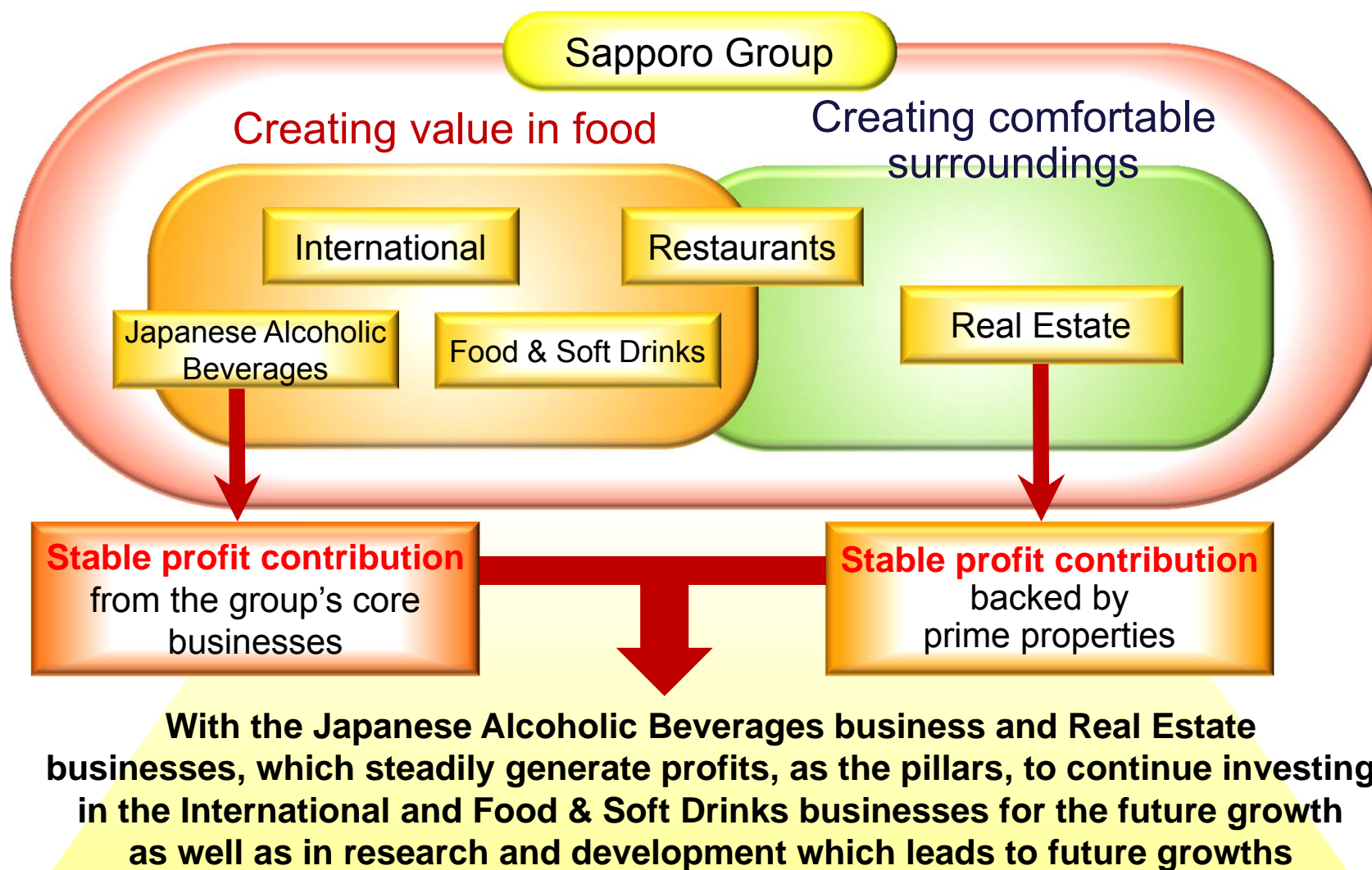
Sapporo Group's New Management Framework Announced in 2007

Basic approach for working steadily toward long-term goals while also boldly revising management resource allocation, executing strategic investments, and enhancing competitiveness through “aggressive management”

New Management Framework (formulated October 2007)

- ◆ **Consolidated sales: ¥600 bn (incl. liquor tax)**
¥450 bn (excl. liquor tax)
- ◆ **Consolidated operating income: ¥40 bn**
(before goodwill amortization)
- ◆ **ROE: 8% or higher**
- ◆ **D/E ratio: approx. 1:1**

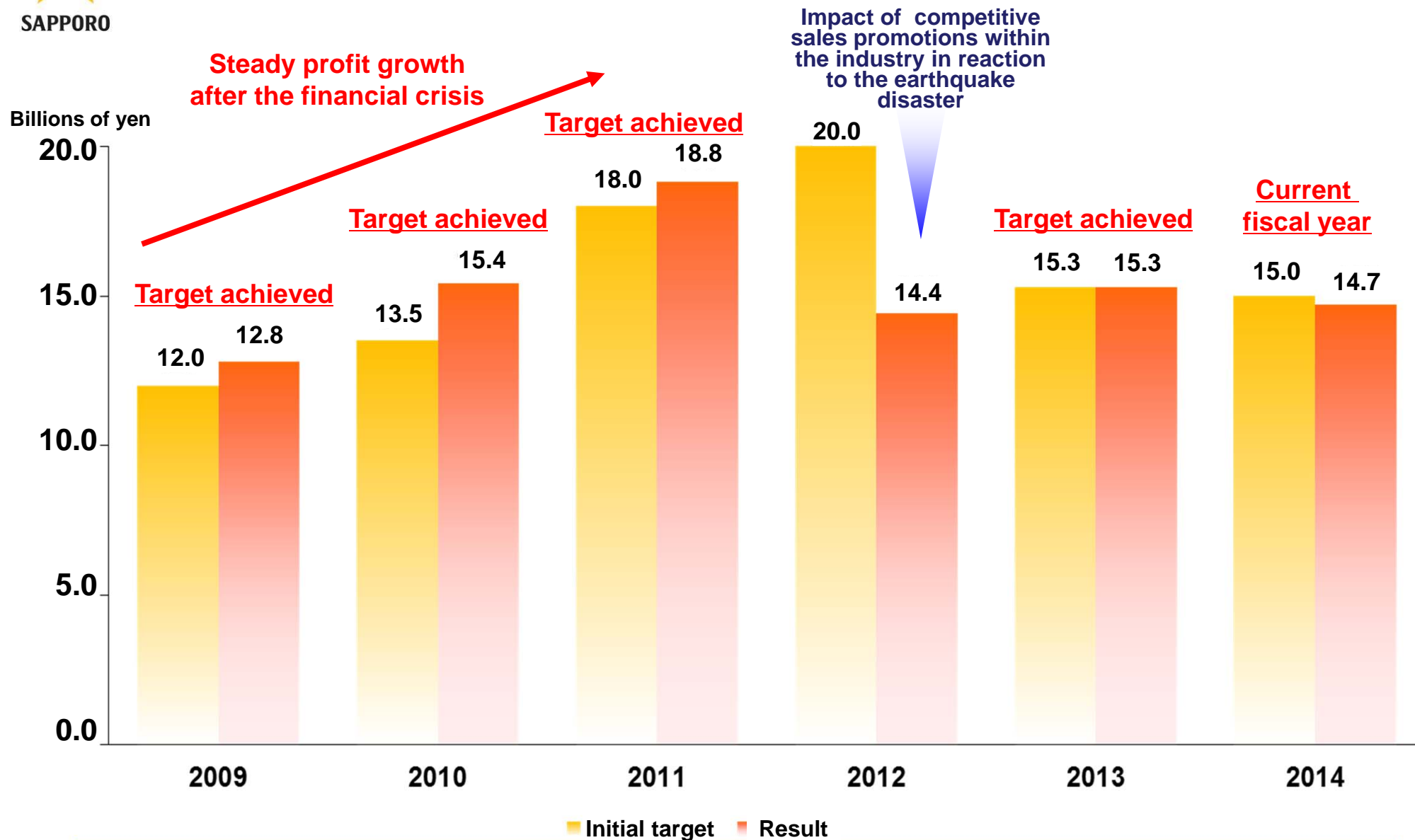
Sapporo Group's Business Domains





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Profit Growth and Profit Management (Consolidated Operating Income)

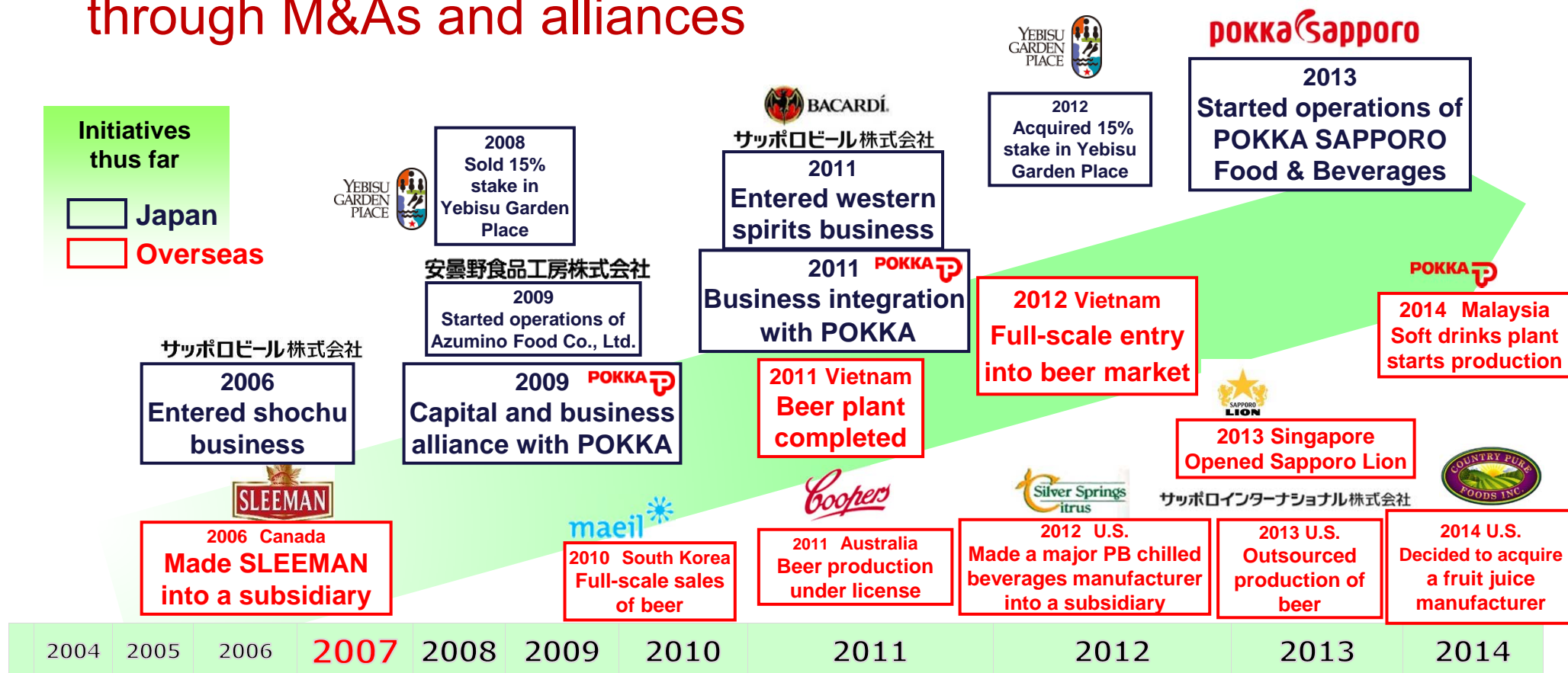




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Changes to Sapporo Group

Promoting diversification of business portfolio through M&As and alliances



From 2003 – Transition to holding company

2007 Formulated New Management Framework

What Sapporo Group aspires to be in 2026 (150th anniversary)

The SAPPORO Group will be a group of companies that is essential for customers to enjoy rich lives throughout the world by continuing the creation and supply new products and services that become No. 1 in the market.

Guidelines for corporate behavior

1. We seek continued **innovation** and provide customers with valuable No. 1 products and services to contribute to their attainment of a richer life
2. We endeavor to create products and services that will activate **communications** among customers
3. We strive to ensure **efficient business operation** by addressing changes in the business environment



As an intrinsic part of people's lives, Sapporo will contribute to the evolution of creative, enriching and rewarding lifestyles.



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.